

HOW WILL Mining PERFORM IN 2018?

A JPABUSINESS 2018 INDUSTRY ECONOMIC SNAPSHOT

Australian Mining industry performance from 2006/07-2015/16

Source: ABS/JPAbusiness



BACKGROUND

- There was a sharp decline in industry revenue and EBITDA over the period 2012 to 2016 as a result of lower commodities prices – primarily driven by lower prices for metal ores, oil and gas.
- Recovery in advanced economies and developing economies in 2017 resulted in global industrial production reaching a seven-year high, which provided support for resource commodity prices.
- Strengthened market conditions in 2017 have likely bolstered and provided opportunity for the mining industry, allowing businesses to capitalise on higher operating margins from their recent focus on cost optimisation and productivity improvement.



DRIVERS OF INDUSTRY GROWTH

- Continuing global economic growth will likely support steel production and consumption, therefore supporting two of Australia's largest exports in 2018 – metallurgical coal and iron ore.
- Strong global industrial production also provides strong demand for base metals such as aluminium and copper.
- Buoyant resource and energy prices provide opportunity for industry growth.
- Low interest rate environment provides accommodative conditions for additional investment and to pay down debts.



OUTLOOK

- Outlook for the mining industry is more positive than in recent years. The mining industry is forecasted to grow moderately in the near-term, from previous contractions.
- Continual strengthening of industry balance sheets, aided by a low interest rate environment and buoyancy in resources and energy exports – particularly metallurgical coal and iron ore prices.
- Volume of Australian resources and energy exports is anticipated to grow robustly in the next two years.
- Despite increase in export volumes, steel-making commodities and thermal coal prices anticipated to decline in the near-term.
- Anticipated increase in LNG exports, driven by strong global demand and higher prices.
- Increase in crude oil prices and exports.
- Gold prices anticipated to weaken in 2018.



RISKS TO INDUSTRY GROWTH

- Rising debt levels in China.
- Slowdown in steel production in China.