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Iron ore set to become nation's \$100b saviour

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Page 1 of 1

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■ Stuart McKinnon

WA's gloom-defying iron ore industry will help the nation's resources sector post record export earnings of \$299 billion this financial year, despite the impact of the global coronavirus crisis.

The March resources and energy quarterly report released by the Department of Industry, Innovation and Science last week predicts iron ore will become the first Australian commodity to top \$100 billion in export earnings in a single year.

It also means iron ore will represent more than a third of Australia's annual export earnings from resources and energy in 2019-20.

The record export earnings figure of \$299 billion represents an upward revision of \$15 billion on what was expected in December, and easily eclipses the previous record, set last financial year, of \$281 billion.

Manager of the resource economics team within the Office of the Chief Economist, David

Thurtell, noted prices for some of Australia's key export commodities such as iron ore, coal and gold had held up well despite volatile equity markets prompted by the coronavirus.

"The outlook for demand may have deteriorated slightly since we did our numbers, but so has the Australian dollar, which has

probably offset that," he said.

The iron ore price had last week remained surprisingly strong, around \$US90/t, despite the coronavirus, on the back of resilient demand from China and as weather-related supply disruptions from Brazil and Australia lingered.

"The extension of Lunar New Year holidays in China due to the COVID-19 outbreak appears to have impeded iron ore and coal production in China, and this has seen Chinese import demand for these commodities hold up better than expected," Mr Thurtell said.

Meanwhile, export earnings from another of WA's key resource commodities, gold, are expected to rise more than 40

per cent in 2019-20 to \$26.4 billion.

"A recent surge in goldmine investment, prompted by record high Australian dollar gold prices, is also expected to see Australia overtake China to become the world's biggest gold producer in 2021," Mr Thurtell said.

"Massive investment in LNG saw Australia become the world's largest gas exporter at points in 2019.

"Other commodities including copper, nickel and lithium hold strong prospects over the medium term."

The report predicts commodity price fluctuations relating to

the impact of COVID-19 on the Chinese economy are likely to be fully unwound by the middle of the year.

WA Chamber of Minerals and Energy chief executive Paul Everingham said the data showed WA's resources sector remained strong and would play a leading role in ensuring Australia's economy sprang back to life after the coronavirus crisis.