

## Iron ore the saviour

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The commodity's resilient price could be the way back for the economy

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 to be released by the Department of Industry, Innovation and Science today predicts iron ore will become the first Australian commodity to top \$100b 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 \$299b represents an upward revision of \$15b on what was expected in December and easily eclipses the previous record set last financial year of \$281b.

Manager of the resource economics team within the Office of the Chief Economist, David Thurtell, noted prices for some of Australia 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 has remained surprisingly strong, around \$US90/t, despite the coronavirus on the back of resilient demand from China and weather-related supply disruptions from Brazil and Australia linger.

"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 gold mine 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 were 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.

However, the report showed lower commodity prices and a higher Australian dollar were expected to reduce export earnings to \$271 billion next financial year, and further to \$265 billion in 2021-22 before stabilising.