

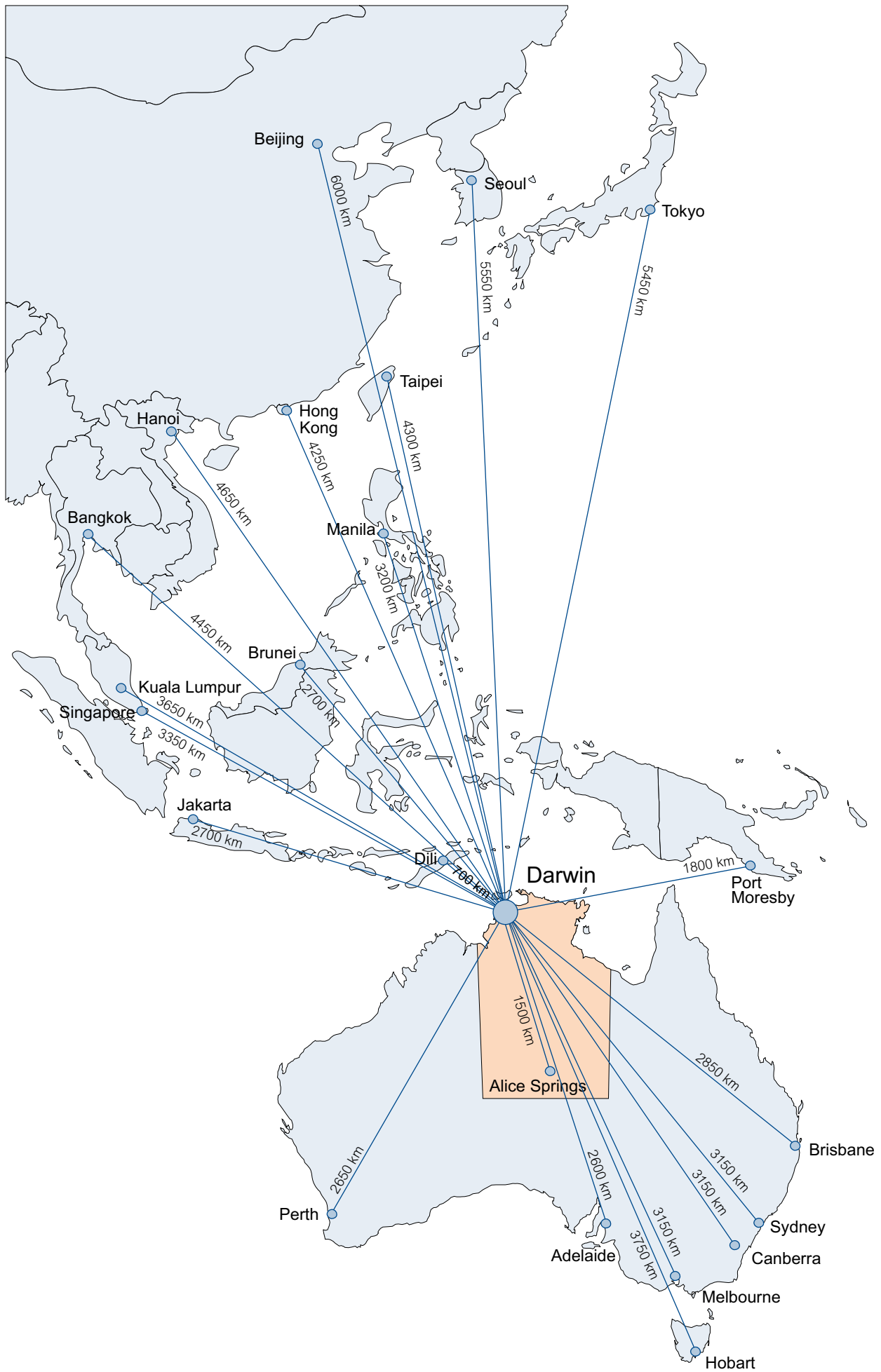
Northern Territory Government

# BUDGET 2012-13

## Northern Territory Economy Overview



NORTHERN TERRITORY



# Northern Territory Economy Overview

This overview is a summarised assessment of the Territory economy, including a brief description of recent performance and growth prospects, employment, population, trade, and Australian and international conditions. The Economy Overview is summarised from the more detailed document, *Northern Territory Economy*. (For more information, visit [www.budget.nt.gov.au](http://www.budget.nt.gov.au))

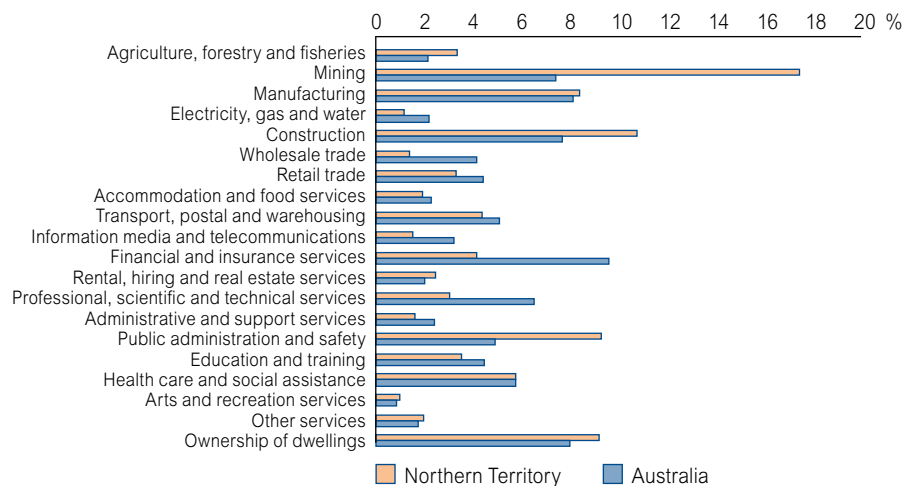
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# Structure of the Economy

- The structure of the Northern Territory economy is quite distinct from other Australian jurisdictions, with a range of natural endowments, a comparatively large public sector and significant defence presence but relatively smaller professional, financial and insurance sectors.
- The Territory's economic base is relatively concentrated, with the top four industries (mining, public administration, construction and manufacturing) accounting for 45.8 per cent of gross state product (GSP) compared to 32.8 per cent for the top four industries nationally.
- The largest industry in the Territory is mining, accounting for 17.4 per cent of GSP in 2010-11, compared to 7.2 per cent of gross domestic product (GDP) nationally. The Australian Bureau of Statistics (ABS) advises that changes in the contribution of certain industries to GSP largely reflects price impacts of the global financial crisis and some changes to data sources and methodology.
- The Territory's 2010-11 GSP per capita is 20.7 per cent higher than the national average, reflecting the significant contribution of the mining industry to economic growth.

Chart 1: Industry Proportion of GSP and GDP, 2010-11<sup>1</sup>

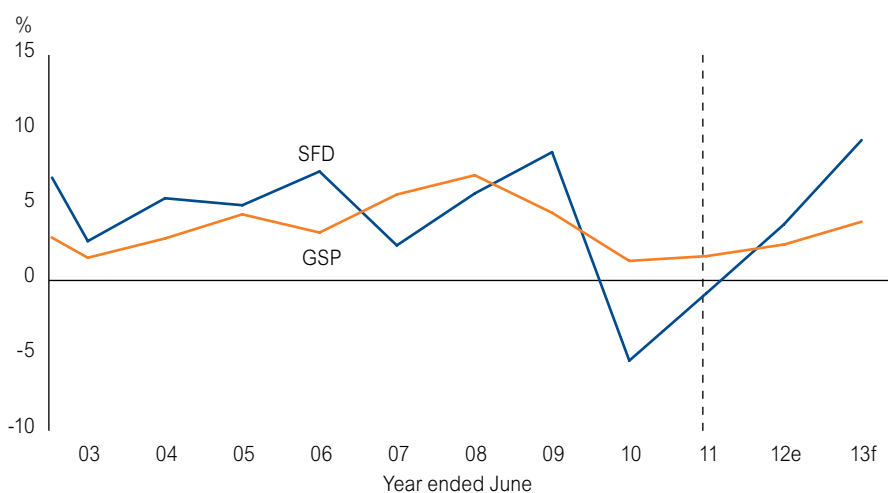


<sup>1</sup> Inflation adjusted, base year 2009-10  
 Source: ABS Cat. No. 5220.0

# Economic Growth

- The Northern Territory has a relatively small, open economy that is heavily influenced by international trade and major projects. As such, the Territory’s economic growth can be volatile from year to year.
- Gross state product (GSP) per capita in 2010-11 in the Territory is the third highest among the jurisdictions, reflecting the extent of resource development in the Territory.
- In 2010-11, economic growth in the Territory strengthened to 1.6 per cent reflecting increased public sector investment and consumption, which together contributed over 3 percentage points to growth. This was offset by a decline in private investment expenditure.
- In the five years to 2010-11, the Territory recorded the second highest annual average economic growth among the jurisdictions at 4 per cent, significantly above the national average of 2.7 per cent. Western Australia had the highest average (4.4 per cent).
- Economic growth in the Territory is estimated to strengthen to 2.4 per cent in 2011-12, driven by increased engineering and non-residential construction activity. Growth in 2011-12 will see the resurgence of private sector investment estimated to strengthen by 35.5 per cent, following a decline of 20 per cent reported for 2010-11.
- In 2012-13, economic growth in the Territory is forecast to strengthen further to 3.9 per cent reflecting another substantial increase in private sector investment, offsetting lower public sector activity, with additional contributions from improved household consumption and confidence on the back of stronger jobs growth.

Chart 2: Territory GSP and State Final Demand (SFD)<sup>1</sup> (year-on-year percentage change)



e: estimate; f: forecast

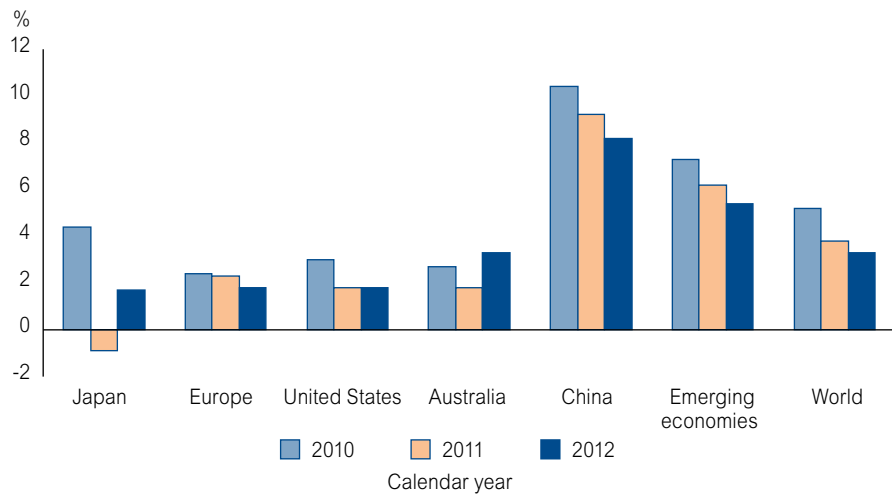
<sup>1</sup> Inflation adjusted

Source: ABS Cat. No. 5220.0, NT Treasury

# External Economic Environment

- The Northern Territory has a relatively small, open economy that is heavily influenced by international trade, large engineering projects, tourism and population movements, that in turn depend on broader national and international economic conditions.
- The International Monetary Fund (IMF) estimates that global growth fell from 5.2 per cent in 2010 to 3.8 per cent in 2011 and in 2012 growth is forecast to fall to 3.3 per cent. Developing Asian economies led by China grew by 7.9 per cent in 2011 compared to 1.6 per cent for advanced economies. Growth is expected to moderate for both developing Asian economies (7.3 per cent) and advanced economies (1.2 per cent) in 2012.
- The Australian economy grew by 1.8 per cent in 2011 and is expected by the IMF to grow further in 2012 (3.3 per cent) and 2013 (3.4 per cent) driven by strong growth in China.

Chart 3: International Monetary Fund GDP Forecasts<sup>1</sup>

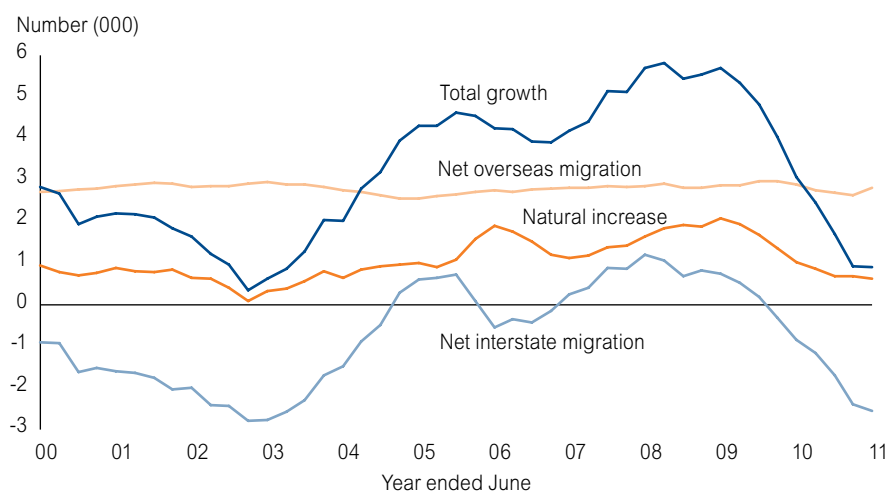


<sup>1</sup> Inflation adjusted  
Source: IMF

## Population

- The Northern Territory has the smallest population and lowest population density of all jurisdictions in Australia.
- More than 30 per cent of the Territory's population is Indigenous, compared to 2.5 per cent nationally.
- The Territory's estimated resident population increased by 0.5 per cent in the year to September 2011 to 231 192.
- Natural increase (births minus deaths) is the largest component of population growth in the Territory and it is relatively stable. Net interstate and overseas migration are both subject to fluctuation and hence they tend to drive changes in growth.
- The Territory's annual population growth is expected to moderate to 0.8 per cent in 2011, reflecting relocation of Australian defence personnel.
- Population growth is expected to increase to 1.6 per cent in 2012, rising to 2.2 per cent in 2013 associated with development of major projects.
- There could be significant revisions to estimated resident population following the release of 2011 Census results by the Australian Bureau of Statistics (ABS) in mid-2012.

Chart 4: Territory Population Growth by Component

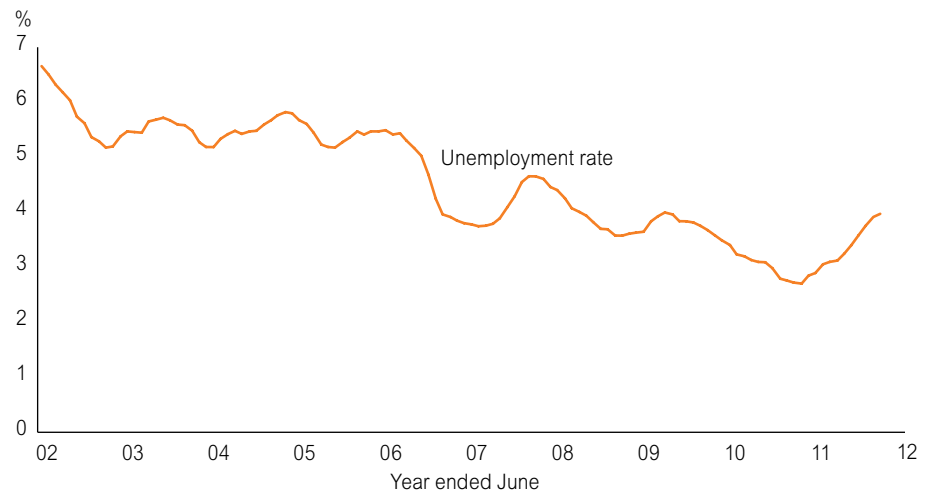


Source: ABS Cat. No. 3101.0

# Labour Market

- The public administration and safety, health care and social assistance, construction and retail trade industries are the largest employers in the Northern Territory.
- In 2011-12, employment growth in the Territory is estimated to moderate to 0.8 per cent, reflecting softer labour demand following the completion of several major projects in the Territory.
- The Territory’s unemployment rate is expected to have remained at low levels in 2011-12, averaging 3.7 per cent, consistent with fewer active job seekers.
- Employment growth is forecast to increase to 2.0 per cent in 2012-13 as economic activity strengthens following the commencement of major projects. The Territory’s unemployment rate is anticipated to decline to 3.2 per cent in 2012-13.
- In 2010-11, growth in the Territory’s wage price index (WPI) strengthened to 4.0 per cent, reflecting strengthening private sector wages.
- WPI growth is anticipated to strengthen from an estimated 4.0 per cent in 2011-12 to 4.3 per cent in 2012-13, reflecting increased competition for private sector employment.

Chart 5: Territory Average Annual Unemployment Rate



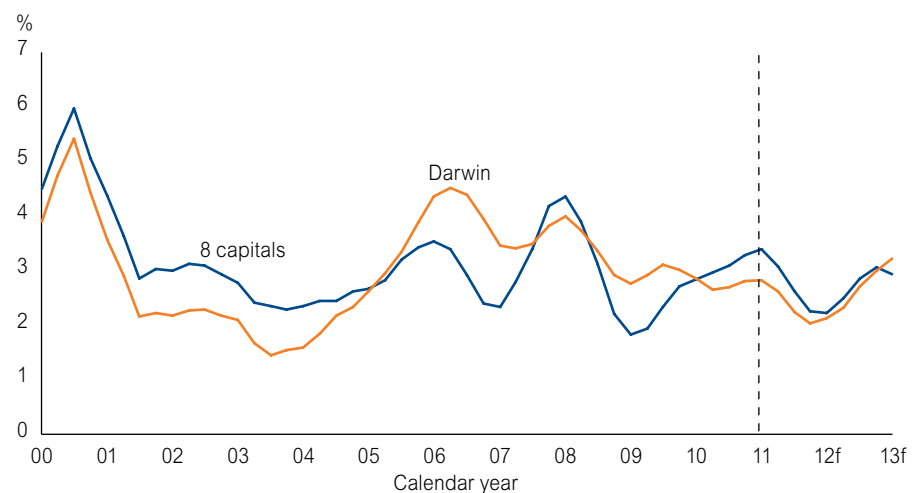
Source: ABS Cat. No. 6202.0



## Prices

- Growth in Darwin's consumer price index (CPI) remained steady for a third consecutive year at 2.8 per cent in 2011. Tobacco and alcohol, financial services, transportation and food exerted upward pressure on inflation, while household contents and recreation exerted downward pressure. National CPI rose from 2.8 per cent in the previous period to 3.4 per cent in 2011.
- A slightly restrictive stance on monetary policy by the Reserve Bank of Australia, subdued credit growth, cautious consumer sentiment and the Australian dollar at a high level were moderating influences on inflation. However growth in crude oil and unleaded petrol prices, higher grocery prices and wages were higher than overall inflation in 2011.
- Inflation is forecast to decline to 2.1 per cent in 2012, reflecting moderate employment and population growth and a lack of capacity constraints.
- Northern Territory inflation is expected to strengthen to 3.2 per cent in 2013, reflecting higher levels of aggregate demand, and higher population, wage and employment growth, as work on major projects intensifies.

Chart 6: Consumer Price Index,  
Darwin and Eight Capitals  
(year-on-year percentage change)



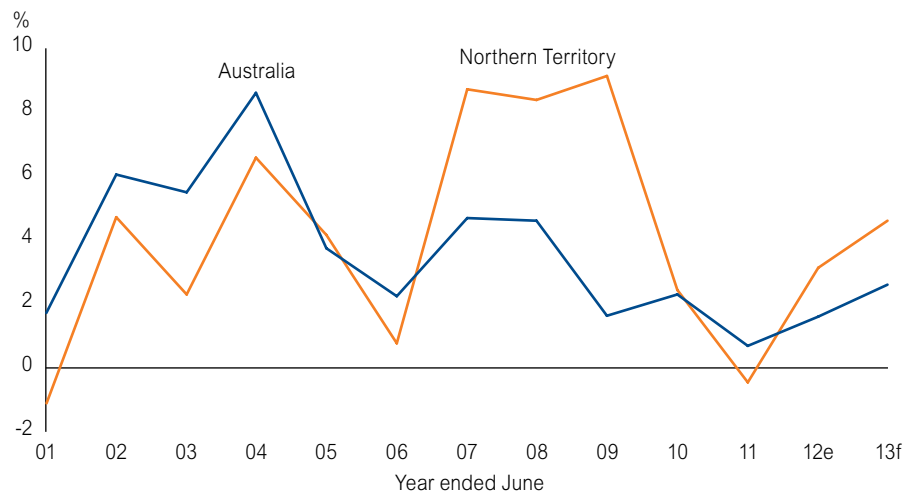
f: forecast

Source: NT Treasury, ABS Cat. No. 6401.0, ABARES

## Retail and Wholesale Trade

- In 2010-11, retail and wholesale trade accounted for 4.7 per cent of Northern Territory gross state product (GSP) and 12.5 per cent of resident employment.
- Retail trade (3.3 per cent of GSP) contributes significantly more to the Territory economy than wholesale trade (1.4 per cent of GSP), with many Territory retailers sourcing goods from interstate wholesalers.
- After declining by 0.5 per cent in 2010-11, Territory retail turnover is expected to increase by 3.1 per cent in 2011-12.
- Retail turnover is forecast to increase by 4.6 per cent in 2012-13, reflecting strengthening growth in population, employment and household disposable income.

Chart 7: Retail Trade Turnover, (year-on-year percentage change)



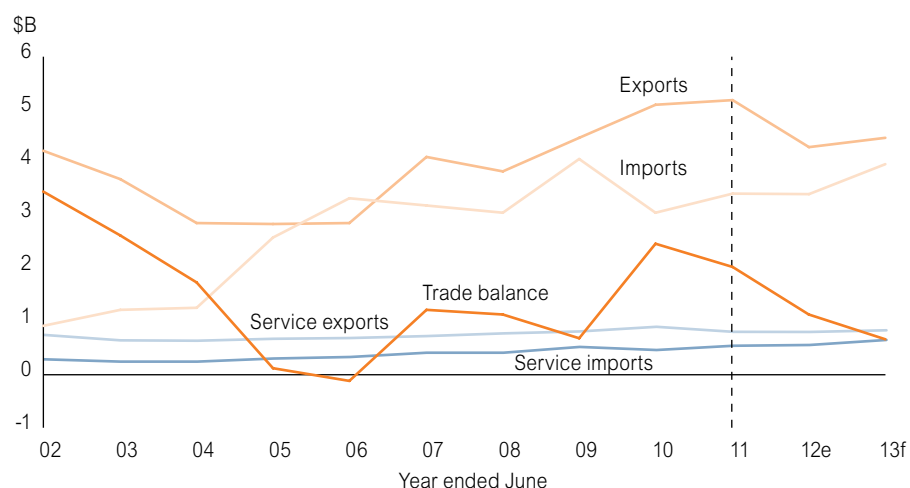
e: estimate f: forecast

Source: NT Treasury, ABS Cat. No. 8501.0, Deloitte Access Economics

## International Trade

- The Northern Territory's international trade is dominated by the mining and energy industry, which in 2010-11 accounted for 68 per cent of goods exports and 63 per cent of goods imports. Liquefied natural gas (LNG) is the Territory's largest export.
- Feedstock gas for the Darwin LNG plant, petroleum products (petrol, diesel and aviation fuel), and machinery and equipment account for the majority of the Territory's imports.
- In 2010-11, the Territory's trade surplus decreased by 17.9 per cent to \$2.0 billion, mainly reflecting increases in feedstock gas for LNG production and petroleum imports.
- In 2011-12, the Territory's trade surplus is estimated to have decreased by 44.1 per cent to \$1.1 billion. The decline reflects a 17.0 per cent decrease in goods exports, largely reflecting the scheduled maintenance shutdown of the Darwin LNG plant and the Bayu-Undan offshore processing facility in April 2012.
- Despite an increase in overall activity of imports and exports in 2012-13, the Territory's trade surplus is forecast to decrease by 40.9 per cent to \$671 million. The decrease in the trade surplus reflects an increase in imports of machinery, equipment and parts related primarily to the construction of the \$34 billion INPEX project. Goods exports are likely to increase by 3.9 per cent as Kitan and Montara increase production, however growth will be partially offset by lower production increase from the Laminaria-Corallina oilfields due to natural decline.

Chart 8: Territory International Trade, 2001-02 to 2012-13<sup>1</sup>



e: estimate; f: forecast

<sup>1</sup> Inflation adjusted, base year 2009-10

Source: NT Treasury, ABS Cat. No. 5368.0

## Residential Property Markets

- Residential property markets in the Northern Territory generally softened in 2011 reflecting conservative consumer behaviour, the cost and availability of finance, finalisation of government stimulus schemes and slowing population growth.
- House and unit sales declined further in 2011 while residential land settlements rose significantly. However, many of these sales reflected transactions that were undertaken in 2010 but not finalised until issuance of titles in 2011.
- House and unit median house prices moderated during 2011 with the exception of Katherine and Tennant Creek where prices increased due to public sector activity and new land developments.
- Nevertheless, as at the December quarter 2011, median house and unit prices in Darwin were the third highest of the eight capital cities.
- Residential property markets are expected to strengthen in 2012 reflecting the commencement of a number of major projects, increased local economic activity, stronger population growth and the impact of interest rate cuts in the final quarter of 2011.

Table 1: Property Transactions and Prices

Northern Territory	2010	2011	Annual % Change
Land sales (no.)	313	474	51.4
House sales (no.)	1 624	1 606	- 1.1
Unit sales (no.)	1 333	1 094	- 17.9
Median house price <sup>1</sup> (\$)			
Darwin overall	559 500	516 000	- 7.8
Palmerston	510 000	480 000	- 5.9
Alice Springs	465 000	446 750	- 3.9
Katherine	315 000	345 000	9.5
Tennant Creek	207 500	232 500	12.0

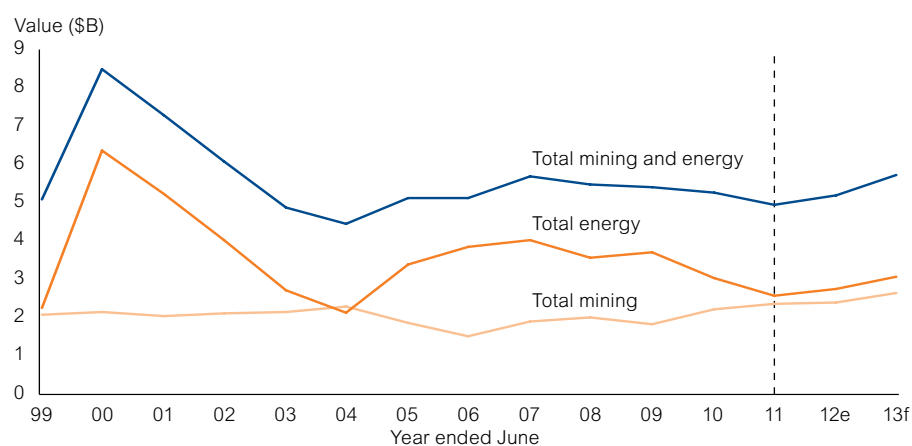
<sup>1</sup> As at December quarter 2011

Source: Australian Valuation Office, Real Estate Institute of the Northern Territory

## Mining and Manufacturing

- Mining is the largest industry in the Northern Territory, accounting for 17.4 per cent of gross state product in 2010-11, the second highest proportion of the Australian jurisdictions. Nationally, mining accounted for 8.8 per cent of gross domestic product.
- In 2010-11, the value of mineral and energy production in the Territory decreased by 5.8 per cent to \$5.0 billion driven by lower commodity prices as well as lower offshore oil production following the decommissioning of the Challis/Cassini and Jabiru oilfields and lower production from the Laminaria-Corallina oilfields due to natural decline.
- In 2011-12, the value of alumina and gas manufacturing is estimated to decrease by 6.8 per cent to \$2.5 billion, mainly due to lower liquefied natural gas (LNG) production following the scheduled temporary dual-shutdown of both the Darwin LNG plant and the offshore facility at Bayu-Undan for maintenance in April 2012.
- The value of mineral and energy production in the Territory is forecast to increase by 10.6 per cent to \$5.7 billion in 2012-13. The increase is attributable to the energy sector with higher levels of oil production reflecting the commencement of production from the Kitan and Montara oilfields and higher gold, uranium and alumina production.
- The value of alumina and gas manufacturing is forecast to increase by 9.6 per cent in 2012-13 to \$2.7 billion, due to an increase in LNG production following the scheduled temporary shutdown of the Darwin LNG plant for maintenance and repairs in April 2012.

Chart 9: Value of Mineral and Energy Production<sup>1</sup>



e: estimate; f: forecast

<sup>1</sup> Inflation adjusted, base year 2008-09

Source: NT Treasury, NT Department of Resources

## Construction

- The construction industry accounted for 10.7 per cent of Northern Territory gross state product in 2010-11, making it the Territory's second largest industry.
- In 2010-11, the construction industry is one of the Territory's largest employers, comprising 10.1 per cent of the Territory's resident employment as well as a number of fly-in fly-out workers.
- In 2011-12, the value of construction activity in the Territory is estimated to increase by 51.4 per cent to \$2.74 billion, driven by engineering construction associated with the Kitan oilfield developments, the ConocoPhillips maintenance shutdown and INPEX-related works. The value of residential and non-residential construction is estimated to increase by 14.4 per cent and 52.5 per cent, respectively.
- In 2012-13, the value of construction activity in the Territory is forecast to increase by 87.9 per cent to \$5.1 billion. Construction is expected to be driven by engineering activity associated with the INPEX-related works and major non-residential works such as the Darwin correctional facility and marine supply base.
- The value of residential construction is forecast to increase by 9.5 per cent in 2012-13, as the construction in Palmerston and Muirhead ramp up and unit construction as part of the Project Single Living Environment and Accommodation Precinct.

Table 2: Value of Territory Construction \$M

Value of Northern Territory Construction \$M	2010-11	% Change	2011-12	% Change	2012-13	% Change
Engineering	916	- 21.6	1 672	82.5	3 616	116.1
Residential <sup>1</sup>	449	- 9.1	513	14.4	562	9.5
New House	185	- 30.9	228	23.1	242	6.4
Other residential	178	18.9	191	7.2	220	15.3
Alterations and additions	86	12.9	95	10.7	100	5.3
Non-residential	443	- 5.3	676	52.5	971	43.6
Total <sup>1</sup>	1 808	- 15.1	2 739	51.4	5 146	87.9

<sup>1</sup> Excludes construction activity associated with the Strategic Indigenous Housing and Infrastructure Program

Source: ABS Cat. Nos 8755.0; 5220.0

## Agriculture, Forestry and Fisheries

- The value of agriculture, forestry and fisheries production was \$545 million in 2010-11, an increase of 16.5 per cent from 2009-10.
- Agriculture, forestry and fisheries accounted for 3.3 per cent of Northern Territory gross state product (GSP) in 2010-11 and 2.7 per cent of resident employment.
- Cattle production is the largest contributor to agriculture, forestry and fisheries in the Territory, comprising just over half the production value in 2010-11.
- Horticulture production is the second largest contributor to agriculture, forestry and fisheries, with production valued at \$197.7 million.

Table 3: Contribution of Agriculture, Fisheries and Forestry to GSP

	2009-10	2010-11	Change
<b>Northern Territory<sup>1</sup></b>			
Agriculture, fisheries and forestry, \$M	468	545	16.5%
Proportion of GSP, %	2.9	3.3	0.4ppt
Proportion of employment, %	2.5	2.7	0.2ppt
<b>Australia<sup>1</sup></b>			
Agriculture, fisheries and forestry, \$M	21 395	28 305	32.3%
Proportion of GDP, %	2.2	2.1	- 0.1ppt
Proportion of employment, %	3.3	2.9	- 0.4ppt

ppt: percentage point; GDP: gross domestic product

<sup>1</sup> Inflation adjusted, base year 2009-10

Source: ABS Cat. Nos 5220.0; 6206.0; 6291.0.55.003

## Tourism

- In 2010-11, Northern Territory Treasury estimates that tourism accounted for \$813 million or 4.8 per cent of Northern Territory gross state product (GSP). Tourism contributes relatively more to GSP in the Territory than in other jurisdictions.
- A strong Australian dollar and continued economic weakness among many of the Territory's key international source markets resulted in fewer tourists visiting the Territory in 2010-11. Declining visitor numbers flowed through to lower tourism expenditure, particularly by domestic visitors who are choosing to travel overseas instead, taking advantage of the strong Australian dollar and discount airfares.
- The cessation of Tiger Airways flights connecting Alice Springs with Adelaide and Melbourne has contributed to the decline in visitor numbers in the Territory.
- Continued strength in the Australian dollar and slow economic recoveries in key overseas source markets is expected to continue to impact tourism markets in Australia and the Territory in 2011-12 and 2012-13.

Table 4: Summary Indicators

Northern Territory	2009-10	2010-11	Year-on-Year % Change	5-Year % Average <sup>1</sup>
<b>Visitor numbers (overnight visitors only) (000)<sup>2</sup></b>	<b>1 320</b>	<b>1 194</b>	<b>- 9.5</b>	<b>- 2.9</b>
Domestic overnight	997	892	- 10.5	- 2.6
Intrastate overnight <sup>3</sup>	350	353	0.9	- 0.5
Interstate overnight <sup>3</sup>	647	539	- 16.7	- 3.8
International	323	302	- 6.5	- 3.6
Domestic day	1 056	881	- 16.6	- 0.9
<b>Total expenditure (\$M)<sup>4</sup></b>	<b>1 787</b>	<b>1 501</b>	<b>- 16.0</b>	<b>- 1.6</b>
Domestic Overnight <sup>5</sup>	1 248	1 017	- 18.5	- 2.7
International	401	380	- 5.2	1.1
Domestic Day <sup>6</sup>	138	104	- 24.6	1.0
<b>Visitor nights (000)<sup>2</sup></b>	<b>10 305</b>	<b>9 347</b>	<b>- 9.3</b>	<b>0.3</b>
<b>Cruise ship passenger numbers<sup>7</sup></b>	<b>32 110</b>	<b>28 897</b>	<b>- 10.0</b>	<b>19.3</b>
<b>Occupancy rates %</b>	<b>64</b>	<b>64</b>	<b>0.0 pp</b>	
<b>Direct contribution of tourism to GSP (%)<sup>8</sup></b>		<b>4.8</b>		

1 Annual average growth from 2005-06 to 2010-11, indicative of long-term growth rates

2 International and domestic tourism data is obtained from the Tourism Research Australia International Visitor Survey and National Visitor Survey and is calculated using different methodologies. The ABS does not publish this data

3 Components for domestic overnight

4 International expenditure includes package expenditure and domestic expenditure includes airfares and long distance traffic costs

5 Domestic overnight is defined as trips involving a stay away from home for at least one night, whereby the respondent is away for less than 12 months at a place at least 40 kilometres from home

6 Day visitors are those who travel for a round trip distance of at least 50 kilometres, are away from home for at least four hours and who do not spend a night away from home as part of their travel. Routine travel such as commuting between work/school and home is excluded

7 Cruise ship passenger data is obtained from Tourism NT

8 NT Treasury estimate

Note: Figures are rounded. Calculations have been derived from rounded figures.

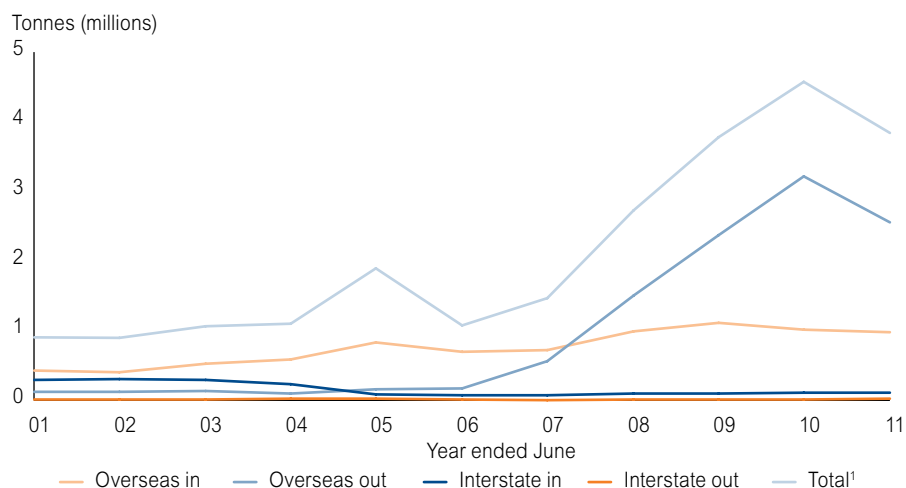
Sources: Tourism Research Australia, Tourism NT, ABS



## Transport and Communication

- Transport and communications services are important enablers of economic and social development for regions with small, dispersed population centres as exist in the Northern Territory.
- In 2010-11, transport and communication services represented 5.9 per cent of Territory gross state product.
- The operator of the Darwin to Tarcoola railway, Genesee and Wyoming, has purchased 16 new locomotives to service growing demand from the mining sector.
- Passenger travel through the Darwin International Airport increased by 7 per cent in 2010-11, driven by an increase in services being offered.
- The volume of trade passing through the Port of Darwin decreased by 16 per cent in 2010-11, reflecting declines in iron ore and live cattle exports, despite an increase in manganese exports.
- The National Broadband Network has completed the Darwin to Toowoomba fibre optic cable link, which connects Darwin with the rest of Australia along a high speed information spine.

Chart 10: Trade through the Port of Darwin



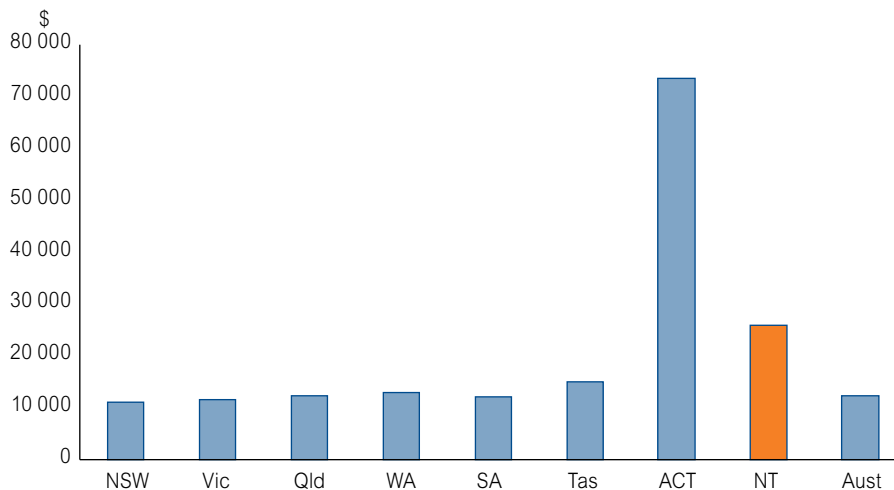
<sup>1</sup> Total includes intrastate trade volumes

Source: Darwin Port Corporation Annual Reports, 2001 to 2011

## The Public Sector

- The public sector is a major contributor to the Northern Territory economy, accounting for a higher proportion of state final demand than in most jurisdictions.
- Public sector expenditure, which includes consumption and investment in the Territory (excluding defence), increased by 3.5 per cent to \$5.9 billion in 2010-11, reflecting a 14.3 per cent increase in investment due to Commonwealth stimulus measures and the Territory Government's capital works program.

Chart 11: Public Sector Spending per Capita, 2010-11<sup>1</sup>



<sup>1</sup> Inflation adjusted, base year 2009-10

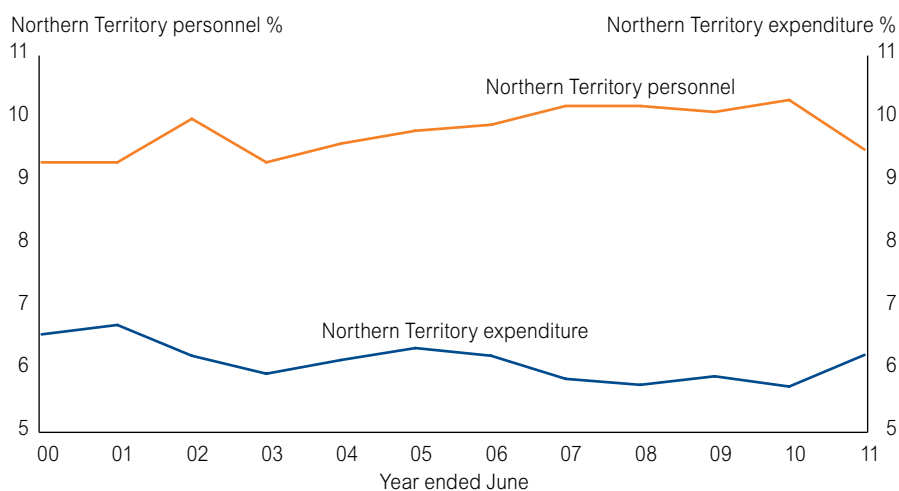
Note: Excludes defence.

Source: ABS Cat. No. 5206.0

## Defence

- Major Australian Defence Force (ADF) sites in the Northern Territory include Larrakeyah Barracks in Darwin, Robertson Barracks near Palmerston, RAAF Base Darwin, RAAF Base Tindal near Katherine, the Joint Defence Facility Pine Gap (with USA) near Alice Springs, Bradshaw Field Training Area near Timber Creek and Defence Establishment Berrimah.
- The Territory houses approximately 10 per cent of total ADF personnel and almost 6 per cent of total defence expenditure occurs in the Territory.
- In 2011-12, \$54.4 million of expenditure is expected on major capital facilities projects in the Territory, a decline of 56 per cent from \$124.3 million in 2010-11, due to the completion of Tindal Redevelopment Stage 5 project in Katherine.
- The Territory's total defence community (including personnel and their families) has increased from 6223 in June 1992 to an estimated 14 007 in June 2011, since the first major relocation in early 1990s. This represents approximately 6.1 per cent of the Territory's population.
- In 2010-11, the Australian Bureau of Statistics (ABS) estimates that total defence expenditure in the Territory was \$1.70 billion, equivalent to 9.2 per cent of the Territory's state final demand.
- On 17 November 2011, joint Australia-US force posture initiatives were announced by the President of the United States, Barack Obama, and Prime Minister Julia Gillard to commence in 2012. In April 2012, 200 United States Marines were deployed to the Territory on a rotational basis, with numbers increasing to 2500 over five years.
- The development of Muirhead by Defence Housing Australia over the next three financial years is expected to make a significant contribution to economic activity in the Territory.

Chart 12: Population, Permanent Defence Force Members and Defence Expenditure Proportions



Source: Department of Defence, ABS unpublished data

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