

Finance and Insurance Sector

Overview

The **Finance and Insurance** sector includes all units mainly engaged in the provision of:

- Finance
- Investing money in predominantly financial assets
- Services to lenders, borrowers and investors
- Insurance cover of all types
- Services to insurance underwriters and to people or organisations seeking insurance.

The Northern Territory Finance and Insurance sector is one of the smaller sectors of the Northern Territory economy. It is also one of the lowest employing sectors of the economy.

The Territory is currently recording the strongest growth in home ownership in Australia, with finance commitments at almost three times the national average for 2005¹. First home buyers account for a larger share of the market and are benefiting from Northern Territory Government initiatives, such as the increase in the stamp duty concession and Northern Territory Government home loans assistance schemes.

Housing in the Territory is the most affordable of all jurisdictions, contributing to the strong growth¹.

Outlook and opportunities

The growth of the Finance and Insurance sector in the Northern Territory is dependent on the population growth and general economic climate.

Population growth is an important driver in the Northern Territory, as both a supplier of labour and a source of demand for locally produced goods-and-services. Over the year to June 2005, Territory estimated population growth was 1.5%, rising above the national growth rate for the first time in five years. Population growth in the Territory is expected to continue above the national growth rate during 2006 and 2007. For the remainder of the decade, population growth is forecast to average around 1.2%.

Economic forecasts for the next five years by Access Economics tend to predict higher than the national average growth rates for the Territory, with an average Gross State Product (GSP) growth of 4.4% per annum forecast to 2009-10.

Consumer confidence remains high, which is good news for the wholesale and retail trade as well as housing and construction activities. This would benefit the Finance and Insurance sector.

Increasing globalisation of financial systems will provide additional opportunities for Australian banks to expand their operations overseas. On the other hand, it also increases competition in the domestic market and local banks may become the target of takeover bids by larger international banks.

In September 2006, the **first community bank** will open in the Northern Territory². The Coolalinga and Districts Community Bank[®] Branch of Bendigo Bank is being established at Coolalinga, just south of Darwin, and will enable members of the community to become shareholders. Planning for expansion into four other Territory towns is already underway.

Performance

At a glance

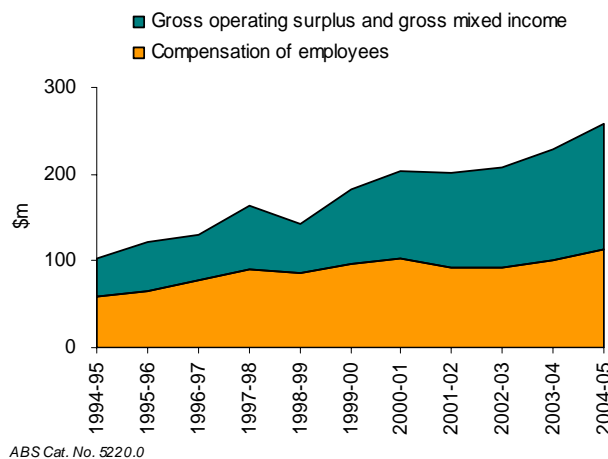
Industry Value Added (2004-05)
\$257m (2.6% of GSP)

Employment (2004-05)
1603 (1.7% of NT jobs)

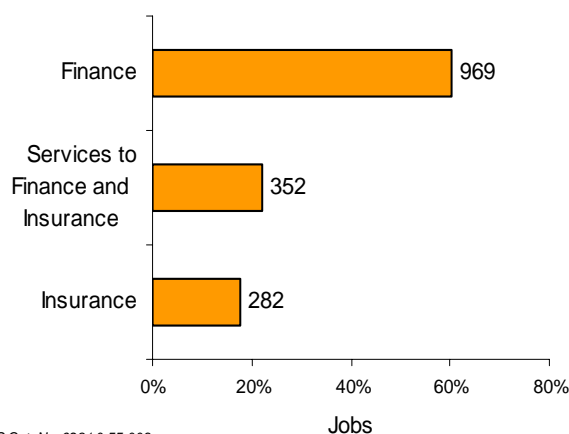
Number of businesses (2004*)
1635

* latest ABS data available

Contribution to Gross State Product (1994-95 to 2004-05)



Contribution of sub-sectors to sector employment (2004-05)



¹ Northern Territory Treasury

² Bendigo Bank Limited

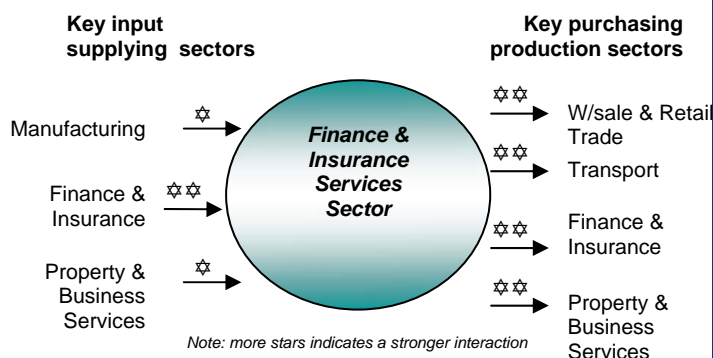


Sector multipliers and linkages

For every \$1m invested in the Finance and Insurance Sector in the NT, an estimated \$445 999 of output (GVP) is created in the rest of the NT economy. For every 100 jobs created in the sector, an estimated 73 jobs are created in the rest of the Northern Territory economy.

The Finance and Insurance sector has strong forward linkages providing services to many other sectors of the Northern Territory economy.

Sectors with high forward linkages are affected to a greater extent by changes in the general level of economic activity.



Sector contribution to regional development and Indigenous employment

Due to the nature of the sector it is very urban focused with 90% of businesses and jobs located in the two major urban centres of Darwin and Alice Springs.

Number of businesses and employment by region (2001)

	No.*	Employment	% Indigenous
Darwin	527	1161	1.5%
Darwin region balance	0	33	21.2%
East Arnhem	13	33	30.3%
Katherine Region	38	85	3.5%
Barkly Region	5	15	0.0%
Central Region	109	211	1.9%
Total	692	1538	2.7%

Source: *ABS Cat. 8136.0.55.001 ABS 2001 Census

Note: Data is not directly comparable

Government activity in the Finance and Insurance sector

The Territory Insurance Office (TIO) is wholly owned by the Northern Territory Government. Established under the *Territory Insurance Office Act*, it commenced operations on 1 July 1979 to provide better insurance protection for Northern Territorians and administer the *Motor Accidents Compensation Act 1979*. Northern Territory Treasury is responsible for the prudential regulation of TIO.

The Australian Prudential Regulation Authority is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies and most members of the superannuation industry.

Territory Business Centres, located in major regional centres, are the initial contact and referral point for starting a business, business & industry licence information, business planning assistance and links to departmental assistance programs.

International trade in financial services

Australia is part of an increasingly complex and interconnected international financial system. With liquid markets in equities, debt and foreign exchange, Australia has one of the region's most active capital and risk management markets.

Since liberalisation of Australia's financial system in the early 1980s, private capital flows have increased markedly. In addition to many Australian institutions seeking access to international markets, there are many foreign banks wishing to establish a representative office in Australia.

Any foreign bank wishing to establish a representative office in Australia must satisfy the Australian Prudential Regulator Authority. As at 17 March 2006, there were 13 foreign banks with consent to maintain a representative office in Australia:

1. Allied Banking Corporation
2. American Express Bank Ltd
3. Banco Santander Central Hispano SA
4. Bank Hapoalim B.M.
5. Bank Leumi Le-Israel BM
6. Bank of New York
7. Bank of Valletta p.l.c
8. Industrial and Commercial Bank of China
9. Japan Bank for International Cooperation
10. National Bank of Greece SA
11. Saxo Bank A/S
12. Standard Bank Plc
13. Wachovia Bank, National Association

Source: Australian Prudential Regulator Authority

Insurance Reform

State and Territory Insurance Ministers and the Australian Local Government Association have been meeting regularly since 2002 in response to the insurance crisis that emerged from events such as the HIH collapse and the September 11 terrorist attacks.

All Australian jurisdictions have agreed to a package of reforms aimed at improving accessibility to insurance and containing premiums growth for public liability and professional indemnity cover.

The Territory Government reforms for public liability cover include the introduction of negligence and a cap on damages for economic loss and gratuitous care.

Reforms to professional indemnity cover include the introduction of proportionate liability (liability apportioned in accordance with each party's damages contribution) and professional standards (establishment of professional association schemes that cap members' liability for economic loss) legislation.

Source: Northern Territory Treasury

For Further Information

Contact: Please contact the Department of Business, Economic and Regional Development, Economic Development Division, for further information.

Phone: 1800 193 111

Website: www.nt.gov.au/business

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