

Economic Outlook



Treasury forecasts gross state product growth to strengthen to 5.8 per cent in 2004-05. Employment is expected to grow strongly, population to maintain positive growth and the economic recovery to gain momentum, broadening across a range of industries. Offshore, a full year of condensate production from Bayu-Undan is expected to more than offset falling oil production from Laminaria-Corallina.

Engineering work for Bayu-Undan stage two will be the key driver of Territory investment in 2004-05, with a much stronger impact on the onshore economy than construction of the offshore structures for stage one. With capital investment of around \$2.8 billion, the Bayu-Undan stage two liquefied natural gas (LNG) plant and

pipeline is the largest project ever undertaken in the Northern Territory. The construction phase will take almost three years to complete, employing around 1 200 people during peak periods, with first LNG exports scheduled for 2006.

Although positive, population growth is forecast to be below the national rate in the short to medium term, and is expected to be 0.3 per cent in 2003-04 and 2004-05. Employment is forecast to increase by 2.9 per cent in 2004-05. Work associated with the construction of the LNG plant will provide a major boost and will be supported by increased residential and non-residential building work and the expected strengthening in tourism-related activity. Tourism will be supported by the Government's \$27.5 million promotion initiative and the extension of the Ghan rail service to Darwin, both of which will generate broad benefits across Territory regions.

Increased employment in higher paying industries and a tighter Territory labour market is expected to result in stronger wages growth, putting upward pressure on inflation, which is forecast to increase to 2.2 per cent in 2004-05, up from an estimated 1.5 per cent in 2003-04.

Over the medium term, prospects for Territory economic growth are positive. Construction for Bayu-Undan stage two is expected to take another 18 months and Defence plans to form a new army helicopter regiment based in the Top End and to develop the Bradshaw training facility.

The operation of the Adelaide to Darwin rail link will increase the efficiency of north-south freight movements, and the anticipated development of road-rail facilities in Katherine and Tennant Creek is expected to attract freight from the Ord River and Gulf regions.

As well, a number of major resource projects are in the feasibility study stage of assessment. The most advanced is the \$2.5 billion proposal to expand alumina production at Nhulunbuy.

