

# Economy Overview 2004-05

## Structure of the Economy

- The structure of the Northern Territory economy is markedly different to other Australian jurisdictions, reflecting its abundance of natural resources, and the importance of the public sector and the large defence presence.
- A relatively large mineral and energy sector means that the Territory economy is capable of high growth as resources are developed which, in conjunction with a high reliance on tourism (particularly international), contributes to an economy that has significant exposure to the world economic cycle.
- This growth volatility in the Territory is exacerbated by the relatively small size of the economy, which comprises 1.2 per cent of the Australian economy.
- A key driver in the structure of the Territory economy was the increase in defence numbers over the 1990s, leading to a major cycle in economic activity and a construction boom, followed by a downturn in the early years of this decade.
- The next few years will see another phase of infrastructure and resource investment, including increased transport capacity (with the completed Adelaide to Darwin rail link) and mining and energy (mainly oil and gas), which in turn will broaden the economy in key industries such as manufacturing and services.

## Economic Growth

- Economic growth in the Northern Territory tends to be volatile from year to year. The small size of the economy means large, typically resource-based, projects can have a substantial impact on investment and income streams.
- During the mid to late 1990s, the Territory economy outperformed the rest of Australia. The impetus provided by the defence relocation program led to increased population growth, creating strong demand and fuelling a construction boom.
- As the stimulus from the defence force program eased back, growth began to weaken, with negative Gross State Product (GSP) growth in 1999-00.
- In 2000-01 and 2001-02, GSP was boosted by increases in offshore oil production, which acted to mask the weakness in the onshore economy.
- GSP growth is estimated at 0.3 per cent in 2003-04. Offshore oil production declined significantly for the second consecutive year, but was more than offset by the strengthening in the onshore economy.
- Improving onshore economic conditions in recent years is reflected in solid growth in State Final Demand (SFD), notably for private consumption and investment. SFD growth for 2003-04 is estimated at 4.4 per cent.
- Economic growth is forecast to strengthen to 5.8 per cent in 2004-05. Although moderating, consumption is expected to be the major contributor to growth. Employment will be boosted by work for the construction of the liquefied natural gas plant at Wickham Point and a pick up in the tourism sector.

Table 1: Summary of Territory Economic Indicators

Year on Year Percentage Change	1999-00	2000-01	2001-02	2002-03	Estimate 2003-04	Forecast 2004-05
Real GSP	-1.2	6.0	2.2	-0.8	0.3	5.8
Employment	-2.3	1.1	5.4	-0.1	-1.4	2.9
Population*	1.6	1.0	0.9	0.1	0.3	0.3
Darwin CPI <sup>#</sup>	2.4	5.2	2.1	2.1	1.5	2.2

\* Annual percentage change to 31 December    <sup>#</sup> Annual percentage change to June quarter

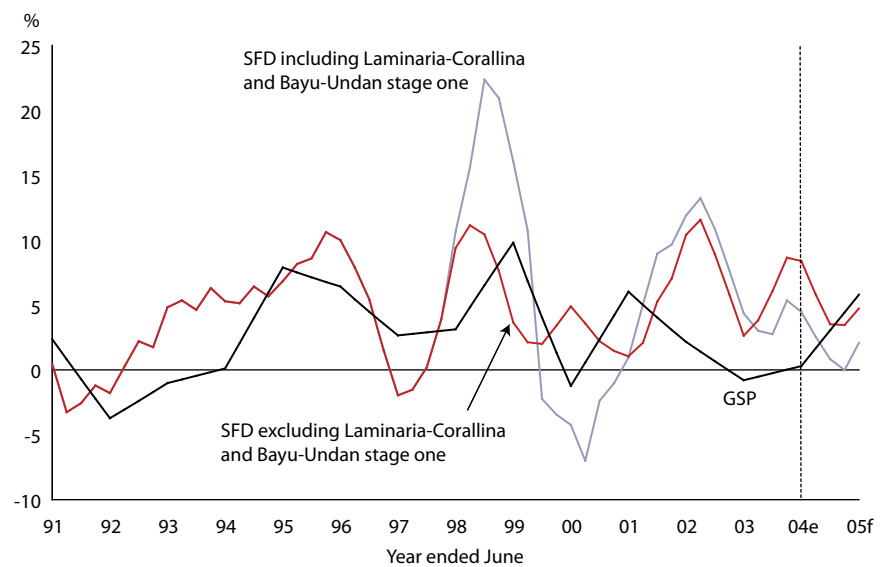
Source: NT Treasury, ABS Cat. Nos 3101.0, 5220.0, 6202.0, 6401.0

Table 2: Territory Economic Growth Profile

Period	GSP (Annual % Change)	Comment
Five years 1994 to 1999	5.9	Strong growth phase. Associated with impetus from defence force relocation program. High population growth, strong demand for housing and other economic and social infrastructure, construction boom.
1999-00	-1.2	Downturn. Loss of defence impetus. Weak construction, decline in new motor vehicle sales, negative employment growth.
2000-01	6.0	Weak onshore activity. Headline GSP boosted by offshore oil. Falling retail sales, rising unemployment rate. Major net interstate migration outflow.
2001-02	2.2	Pick up in onshore activity. Recovery in consumption. Rail-related investment surge boosting construction and property and business services. Stronger defence-related output, partially offset by a fallback in offshore oil production, weak population growth and the setback to tourism.
2002-03	-0.8	Sharp fall in offshore oil production major influence on weak headline result. Onshore economic performance was mixed. Consumption strengthened and business investment at a high level. Further weakening in population growth. Employment growth fell and further tourism shocks.
2003-04	0.3 (e)	Offshore oil production continues to fall. Recovery in onshore economy gained momentum, boosted by strong construction activity. Employment and population growth weak, but start to recover. Continued weak tourism activity.
2004-05	5.8 (f)	Onshore recovery broadens. Strengthening in construction, mining and tourism. Consumption growth moderates and business investment falls somewhat, but greater level of local value-adding. Strong employment growth. Population growth continues to recover, but remains weak.

e: estimate f: forecast  
 Source: NT Treasury, ABS Cat. No. 5220.0

Chart 1: Territory SFD and GSP (chain volume, annual percentage change)



e: estimate f: forecast  
 Source: NT Treasury, ABS Cat. No. 5206.0, 5220.0