

Structure of the Economy

- The structure of the Northern Territory economy is markedly different to other Australian jurisdictions, reflecting its abundance of natural resources, its comparatively large public sector and the importance of 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. This, in conjunction with a high reliance on tourism, particularly international, contributes to an economy that has significant exposure to the world economic cycle.
- In the Territory, this is exacerbated by the relatively small size and narrow base of the economy.
- A key driver of structural change in the Territory economy was the increase in defence personnel 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.
- Construction of the Alice Springs to Darwin rail link and the LNG plant at Wickham Point have boosted onshore economic activity over the past few years.
- Significant infrastructure and resource investment will continue in coming years, which will act to broaden the economy in key industries such as manufacturing and services.
- Manufacturing and mining output will increase as the liquefied natural gas plant at Wickham Point commences production in 2006 and as bauxite processing capacity expands at Alcan's Gove alumina plant.

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 impetus provided by the defence relocation program led to increased population growth, strong demand for labour and a construction boom.
- As the stimulus from the defence force program eased back, growth began to weaken, with GSP declining in 1999-00.
- In 2000-01 and 2001-02, GSP was boosted by significant increases in offshore oil production which acted to mask the weakness in the onshore economy.
- In 2002-03 and 2003-04, offshore oil production declined significantly, more than offsetting the strengthening in the onshore economy.
- The major influence on estimated GSP growth of 7.3 per cent in 2004-05 is strong onshore activity, with work on major projects leading to strong income growth.
- Economic growth is forecast at 6.2 per cent in 2005-06. The commencement of LNG production and peak production at the Bayu-Undan gas and condensate fields are the major contributors to growth.

Table 1: Summary of Territory
Economic Indicators

Year on Year Percentage Change	Estimate Forecast					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Real GSP	5.7	2.3	0.2	0.4	7.3	6.2
Employment	1.1	5.4	-0.1	-2.2	-1.3	2.0
Population*	1.0	0.9	0.1	0.4	1.2	1.1
Darwin CPI [#]	3.9	3.6	2.2	2.1	1.6	2.0

* Based on middle of the financial year, December estimates, annual percentage change

[#] Based on middle of the financial year, December estimates, year on year percentage change

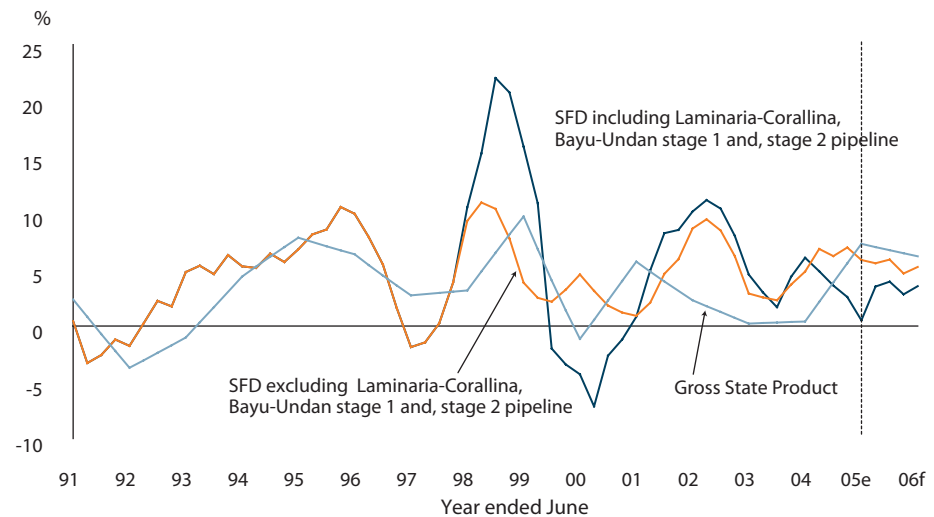
Table 2: Territory Economic Growth Profile

Period	GSP (A% Ch)	Comment
Five years 1995 to 2000	4.1 per cent	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.
2000-01	5.7 per cent	Weak onshore activity. Headline GSP boosted by offshore oil production. Falling retail sales, rising unemployment rate. Major net interstate migration outflow.
2001-02	2.3 per cent	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	0.2 per cent	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 fell and further tourism shocks.
2003-04	0.4 per cent	Offshore oil production continues to fall. Recovery in onshore economy gains momentum, boosted by strong construction activity. Employment and population growth weak, but start to recover. Continued weak tourism activity.
2004-05	7.3 per cent (e)	Onshore recovery broadens. Strengthening in construction, mining and tourism. Private consumption growth moderates. Business investment falls, but greater level of local value-adding. Population growth continues to recover. Skills shortages lead to increased fly-in fly-out employment. Resident employment reported as declining.
2005-06	6.2 per cent (f)	Construction for major projects continues, and liquefied natural gas production commences. Population growth supports solid residential construction activity. Waterfront project proceeds. Recovery in tourism continues. Employment growth.

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