

External Economic Environment

- Overseas export demand constitutes almost 20 per cent of Territory final demand, while demand from other Australian states and territories is estimated at more than 12 per cent.
- The significance of the mining and tourism industries makes the Territory economy particularly reliant on exports and susceptible to developments in key export markets.
- Indirect trade links between the Territory and the US are critical for the Territory's export demand. Many of the Territory's primary products are used in manufacturing production in Asia, for subsequent export to the US and other nations. It is through these demand linkages that economic conditions in the major growth centres of the world can affect the Territory economy.
- The global economy grew strongly in 2004, led by the United States and China.
- Global growth has been supported by expansionary monetary and fiscal policy settings in many of the world's major economies.
- Despite subdued export growth, the Australian economy has maintained a solid pace of growth in recent years supported by strong domestic demand.
- Nationally and globally, growth is expected to moderate in 2005, potentially leading to lower demand for Territory exports, including tourism-related services exports.

Table 2: Australian and Overseas Real GDP Growth Forecasts (percentage change, calendar year)

	1999	2000	2001	2002	2003	2004	2005f	2006f
United States	4.4	3.7	0.8	1.9	3.0	4.4	3.5	3.4
Japan	0.2	2.8	0.4	-0.5	2.5	2.9	1.1	1.8
China	7.1	8.0	7.3	8.2	9.3	9.5	8.4	7.8
European Union*	2.9	3.7	1.8	1.2	1.1	2.3	2.0	2.2
Australia	4.3	3.2	2.5	4.0	3.3	3.5	3.1	3.4
Hong Kong	3.4	10.2	0.5	1.9	3.2	7.8	4.7	4.5
Indonesia	0.8	4.9	3.8	4.3	4.5	4.9	5.2	5.5
Malaysia	6.1	8.9	0.3	4.1	5.3	7.1	5.3	5.5
New Zealand	4.0	3.8	2.6	4.7	3.4	4.8	2.5	2.8
Philippines	3.4	4.4	3.4	5.5	4.9	6.1	4.6	4.5
Singapore	6.9	9.7	-1.9	2.2	1.1	8.1	4.2	4.8
South Korea	9.5	8.5	3.8	7.0	3.1	4.7	3.9	4.7
Taiwan	5.4	5.9	-2.2	3.9	3.3	5.9	4.2	4.3
Thailand	4.4	4.8	2.2	5.3	6.9	6.1	5.3	5.4

* Prior to May 2004, the European Union comprised Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain. From 1 May 2004, the European Union includes 10 new member states, primarily from Eastern Europe.

e: estimate; f: forecast

Source: Consensus Economics, IMF