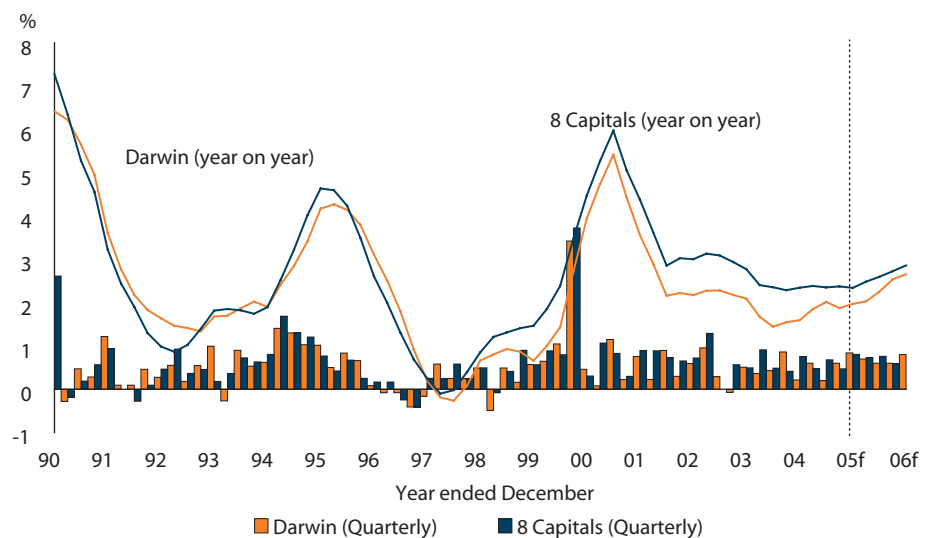


Prices and Wages

- Over the past couple of years, the appreciation of the Australian dollar has helped keep inflation within the Reserve Bank of Australia's target range of between 2 and 3 per cent over the business cycle.
- The downward impact on consumer price inflation of the exchange rate appreciation has now passed and, assuming a relatively stable exchange rate looking forward, changes in import prices will more readily flow through to consumer prices and put upward pressure on inflation.
- Nationally, year on year growth in the Consumer Price Index (CPI) is expected to remain at 2.4 per cent in the June quarter 2005.
- In the Territory, upward wage and price pressures are expected to result in CPI growth for Darwin increasing from an estimated 1.4 per cent in the year to June 2004 to 2.0 per cent in the year to June 2005.
- Based on CPI and other data, the relative difference in consumer prices between Darwin and the other Australian capitals continues to narrow.
- Further, continued strong domestic demand, together with supply and capacity constraints in some industries, the tightening in the labour market in industries such as construction and the likely impact on wages growth and the significant pick up in domestic producer prices, suggest that inflationary pressures are likely to strengthen in the short term.
- Year on year inflation in the Territory is forecast to increase to 2.0 per cent in 2005, compared to 2.3 per cent nationally.

Chart 4: Consumer Price Index



e: estimate; f: forecast

Source: NT Treasury, ABS Cat. No. 6401.0