

Chapter 1 Structure of the Economy

Key Points

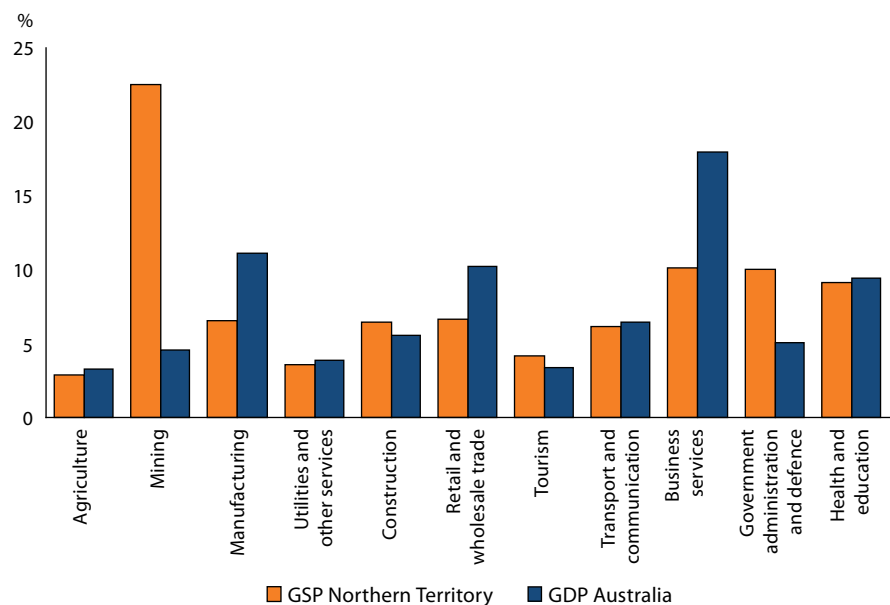
- The Northern Territory economy is markedly different to other Australian jurisdictions. It has an abundance of natural resources, a large public sector and a significant defence presence.
- The Territory economy is highly influenced by global economic conditions due to its relatively small size and commodity-focused base.
- The importance of mining and mining-related production will grow as production reaches full capacity following the completion of major infrastructure projects.
- A relatively large mineral and energy sector means that the Territory economy is capable of high growth as resources are developed.

At about \$9.7 billion, Territory gross state product (GSP) accounts for approximately 1.1 per cent of national gross domestic product (GDP). Key activities in the Territory economy include mining, defence, alumina production and government services.

Notable differences between the Territory and the national economy include a greater contribution from mining, tourism, construction and ownership of dwellings and a comparatively small contribution from manufacturing and business services (Chart 1.1).

International exports of goods and services from the Territory are an important source of demand, averaging around 33 per cent of Territory GSP for most of the past decade compared to 18 per cent nationally.

Chart 1.1: Industry Proportions of GSP/GDP, 2000-01 to 2004-05



Source: ABS Cat. No. 5220.0

Industry Structure

Mining is the most significant Northern Territory industry, accounting for about 19 per cent of GSP, almost four times the national figure (Table 1.1). This figure is heavily influenced by activity associated with the Laminaria-Corallina oilfields in the Timor Sea, production from which is attributed to the Territory.

A relatively high proportion of GSP is attributed to government administration and defence services. This reflects the diseconomies of providing public services to a small and dispersed population and the high needs of the Territory's relatively large Indigenous population. The Territory also has a very high defence presence compared to other jurisdictions.

Other notable differences between the Territory economy and the national economy are the greater proportion of tourism-related output (accommodation, cafes and restaurants, and cultural and recreational services) in the Territory and the higher proportion of construction output compared to all other jurisdictions. The contribution of the manufacturing sector is also significantly lower in the Territory than in most other jurisdictions.

The proportion of the Territory economic output attributed to service industries is the second lowest in Australia at 57 per cent. The proportion of the national economic output attributed to service industries is 63 per cent (Table 1.1). However, in employment terms, the Territory has a high proportion of people employed in the services sector, representing 91 per cent of employment compared to 83 per cent nationally.

Table 1.1: Industry Proportions of GSP/GDP, 2004-05

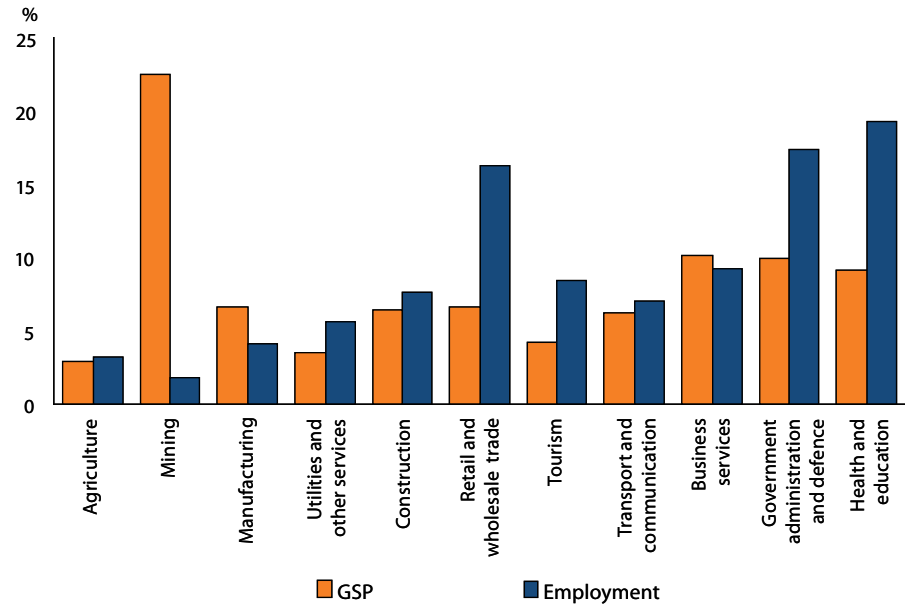
	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus
Agriculture, forestry and fishing	1.6	2.9	3.8	5.4	4.1	6.2	2.8	0.1	2.9
Mining	1.8	1.2	7.3	2.1	19.5	1.6	19.2	0.0	4.8
Manufacturing	10.8	13.5	9.4	14.2	8.5	14.6	7.1	2.1	11.0
Ownership of dwellings	8.1	7.1	7.3	7.5	5.9	6.5	8.4	8.0	7.4
Taxes less subsidies	11.8	12.5	10.8	12.9	8.9	10.3	5.3	7.3	11.3
Total non-service industries	34.1	37.1	38.6	42.1	46.9	39.2	42.7	17.4	37.5
Electricity, gas, and water	1.8	2.5	1.7	2.6	2.8	4.5	1.6	2.3	2.2
Construction	6.2	5.4	7.0	5.3	6.4	4.5	7.2	6.5	6.1
Wholesale trade	4.7	5.0	4.4	3.7	3.6	3.1	1.9	1.7	4.4
Retail trade	5.5	5.6	7.2	5.6	5.1	6.9	4.7	4.9	5.8
Accommodation, cafes and restaurants	2.4	1.6	2.9	2.0	1.4	2.5	2.5	2.2	2.1
Transport and storage	3.7	3.5	4.4	4.0	4.2	4.0	3.8	2.1	3.8
Communication	2.6	3.3	2.5	2.3	2.3	2.5	2.5	2.7	2.7
Finance and insurance	8.8	7.6	4.5	5.0	3.5	5.2	2.5	3.3	6.6
Property and business services	13.4	12.0	9.1	8.9	9.9	5.3	8.0	12.5	11.3
Government administration and defence	3.0	2.0	3.6	2.8	2.0	4.8	7.0	24.5	3.2
Education	3.7	4.1	3.9	4.1	2.8	4.5	3.7	5.3	3.8
Health and community services	5.4	5.9	5.4	6.7	5.1	7.9	5.5	5.7	5.6
Cultural and recreational services	1.4	1.4	0.9	1.2	0.9	1.0	1.7	2.4	1.3
Personal and other services	1.6	1.6	1.8	2.0	1.6	1.7	1.9	2.5	1.7
General government	1.7	1.5	2.1	1.7	1.4	2.3	2.8	4.1	1.8
Total service industries	65.9	62.9	61.4	57.9	53.1	60.8	57.3	82.6	62.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ABS Cat. No. 5220.0



Chart 1.2 compares the relative contributions of different industries to GSP and employment in the Territory, and shows the importance of service industries to employment. In contrast, the mining industry is a relatively small employer, despite its major contribution to GSP. The health and education sector is the largest employer in the Territory, followed by government administration and defence.

Chart 1.2: Territory Employment and GSP Proportions, 2000-01 to 2004-05



Source: ABS Cat. Nos. 5220.0, 6291.0.04.001

Export Propensity

In 2004-05, international exports accounted for 25 per cent of GSP, following a gradual decline over the last two years, mainly due to the expected fall in oil production from the Laminaria-Corallina oilfields. However, the proportion of exports to GSP in the Territory is still higher than the national figure of 17 per cent.

The significance of international exports to the Territory economy means that it is somewhat more exposed to conditions in world markets than other jurisdictions. Furthermore, Territory merchandise exports are primarily minerals, energy and agricultural commodities, which are prone to significant price fluctuations. Global supply and demand conditions, and the impact of exchange rate movements on competitiveness, are key factors affecting production and income. In the short to medium term, continued strength in global demand is expected to lead to increased demand for minerals.

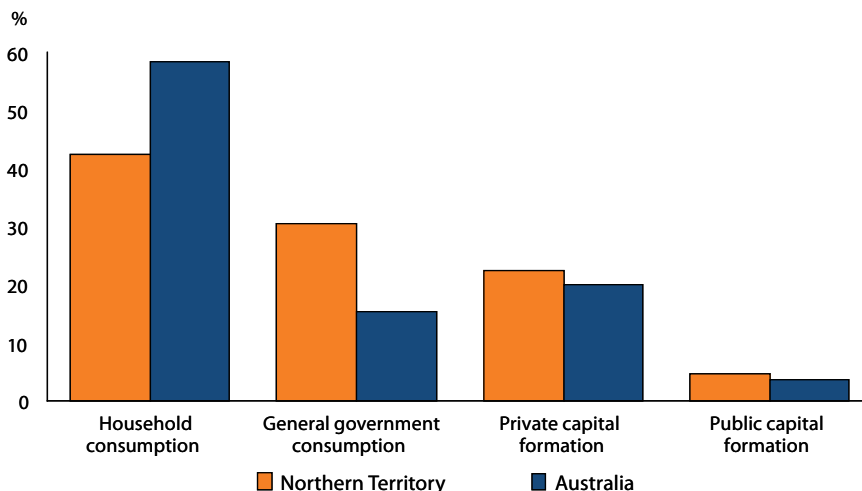
Expenditure Patterns

Overall, the balance between consumption and investment expenditure in the Territory and nationally is quite similar, with consumption expenditure accounting for about three-quarters of state final demand (SFD).

Consumption

Public sector consumption accounts for a significantly higher share of total consumption expenditure compared to the national figure, while household consumption is much lower (Chart 1.3). This reflects the larger presence of government administration and defence in the Territory compared to other jurisdictions.

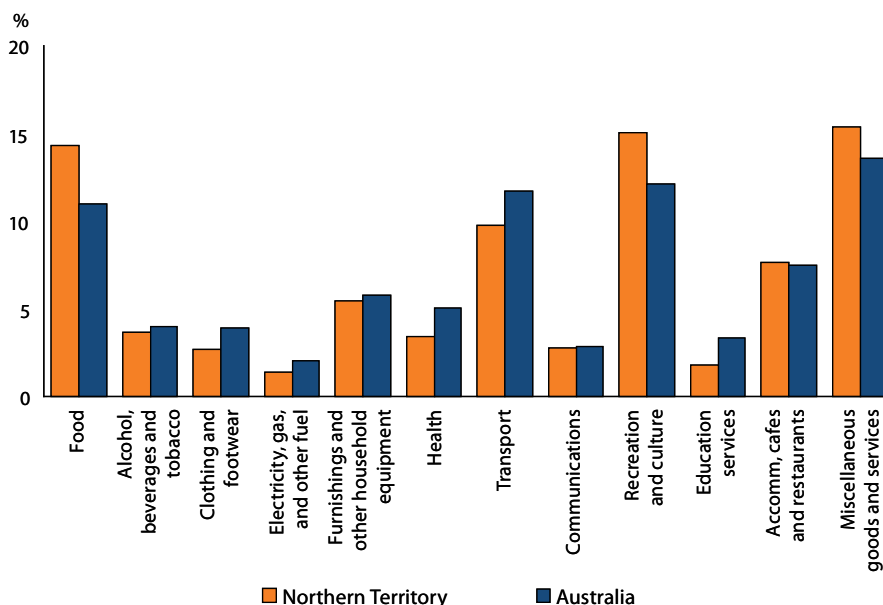
Chart 1.3: Proportion of SFD, 2000-01 to 2004-05



Source: ABS Cat. No. 5220.0

Patterns of household consumption are quite different in the Territory (Chart 1.4). Territory consumers spend relatively more (as a proportion of consumption expenditure) on food, recreation and culture than Australian consumers in general. In relation to food, this reflects higher prices associated with higher freight costs for most goods, combined with weaker competitive pressures relating to the small market size.

Chart 1.4: Household Final Consumption Expenditure, 2004-05



Source: ABS Cat. No. 5220.0

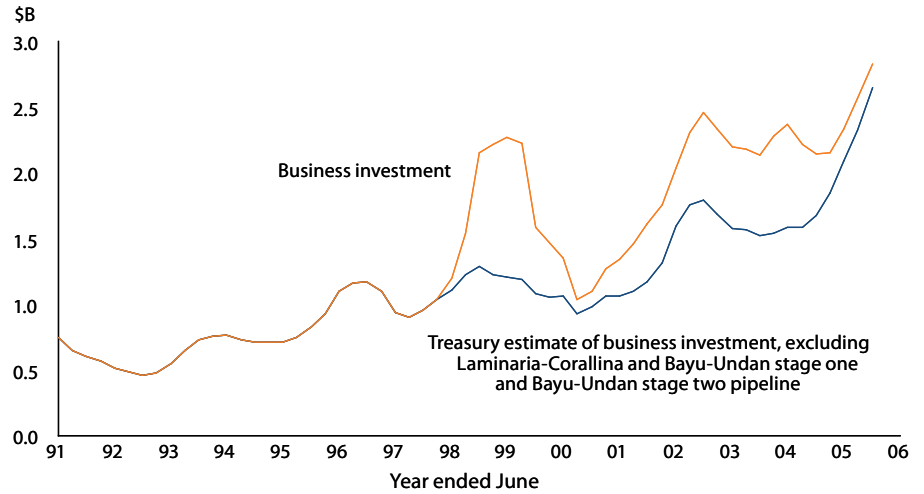
Lower proportional expenditure on clothing is presumably due to climate, while lower transport expenditure may reflect shorter commuting distances for urban-dwelling Territorians. Lower expenditure on electricity, gas and other fuels reflects subsidies provided by the Territory Government and a larger household size, combined with relatively high household incomes. Lower private consumption of health and education services in the Territory reflects the lack of private sector services relative to elsewhere.



Capital Investment

Private sector capital investment in the Territory has increased steadily from 10 per cent of SFD in 1994-95 to 19 per cent in 2004-05. Private investment in the Territory is extremely volatile, as the timing of investment on major resource projects such as the Alcan G3 refinery expansion at Gove and the Wickham Point liquefied natural gas plant (Chart 1.5) continues to have a major impact on business investment. Private investment is expected to remain high over the medium term as a number of large-scale mining and gas-related projects proceed. Defence and social infrastructure projects are expected to boost public sector investment in coming years, as will contributions to major projects such as the Darwin Waterfront Development.

Chart 1.5: Territory Business Investment (moving annual total)



Source: Northern Territory Treasury, ABS Cat. No.5220.0