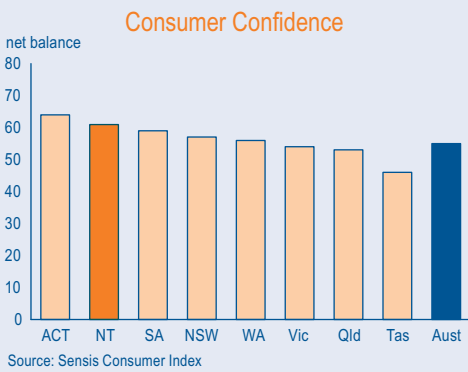
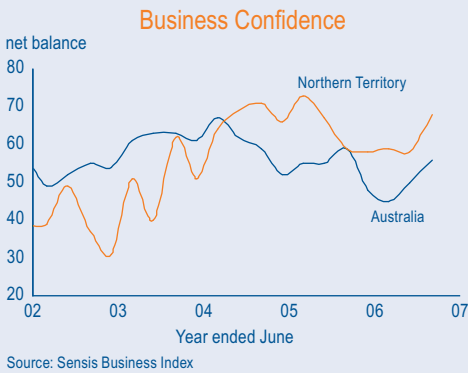


Strengthening Economy



The strengthening Territory economy is expected to consolidate in 2007-08 with continuing steady population increases and jobs growth. Greater numbers of people arriving and settling in the Territory will continue to provide opportunities for local businesses, particularly in services, tourism and residential construction. Positive prospects for the Territory are reflected in high levels of consumer and business confidence, above the national average.

With a number of mega projects in the Territory now finished or nearing completion, economic growth and other key economic indicators, while remaining high in 2007-08, are expected to return to more sustainable levels. Full production of gas from the liquefied natural gas (LNG) plant, alumina from Alcan's G3 investment in Gove and manganese exports from Bootu Creek mine will contribute to strong export growth.

Construction activity, employment growth and population growth are expected to remain strong. Capital investment continues at historically high levels with the Darwin Waterfront Development, significant roads, housing, education and hospital works programs and a sizeable Defence infrastructure schedule in place for 2007-08.

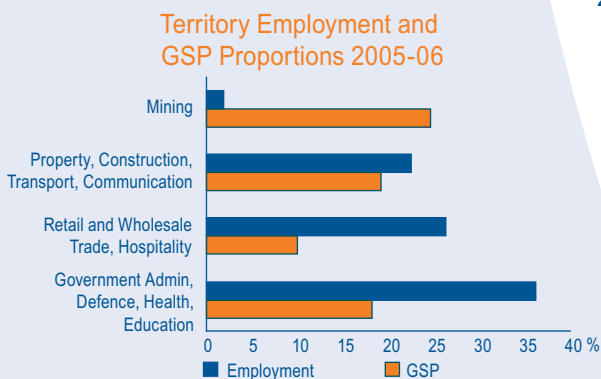
Retail turnover continues at high levels and is a responsive indicator of economic conditions directly reflecting consumer confidence and strength in earnings. Similarly, strong employment growth and record low unemployment as well as recent growth in property prices have boosted consumer confidence.

Population

It is estimated that the Territory population grew by 1.6 per cent in 2006, following stronger than expected growth in 2005 of 2 per cent. Forecast population growth of 1.4 per cent for both 2007 and 2008 is above the national level and consistent with the Territory's positive economic outlook.

Mining and Energy

Large increases in alumina, gold and manganese will increase mineral production and the overall value of mining to the economy in 2007-08. Mineral and energy production is forecast to be \$6.7 billion in 2007-08, boosted by further expected increases in LNG production at Wickham Point.



Retail and Wholesale Trade

Retail turnover is expected to remain at record levels in 2007-08, influenced by strong construction activity, record low unemployment levels and the commodity boom. These industries contribute 6.1 per cent to gross state product (GSP) yet employ about 16 per cent of the workforce.

Hospitality and Tourism

Tourism is worth more to the Territory than to any other jurisdiction, with the highest amount of spending per visitor. It accounts for 7.2 per cent of the Territory's GSP and employs more than 10 per cent of the workforce in industries such as hospitality, retail trade and transport.

Most recent visitor numbers to the Territory continue to grow, with 42 per cent more self-drive visitors, 12 000 more backpackers and 112 000 more visitor nights. The prospect of Tiger Airways offering domestic flights in Australia in the near future would also benefit the Territory, providing more services and potentially cheaper air travel within Australia. International visitors and spending is forecast to increase in 2007-08.

Construction

The construction industry employs about 8 per cent of the workforce, with forecast expenditure of \$1.7 billion in 2007-08. Residential building activity, including new building and renovations, is expected to remain at high levels. In the year to February 2007, building approvals increased by 14 per cent to 1468. Construction will continue at the Lyons subdivision in Darwin, Mount Johns Valley and rural subdivisions in Alice Springs and ongoing activity in Palmerston, including \$7 million to be spent on headworks for Bellamack. Non-residential building, such as construction of hotels, shopping centres and offices, will also remain strong in 2007-08.

Defence

In 2007-08, the Department of Defence will spend an estimated \$275 million on infrastructure in the Territory, including redevelopment of Robertson Barracks (\$76.6 million), upgrade of the RAAF bases in Darwin and Tindal (\$86 million), extension to the Darwin Naval Base (\$13.9 million) and the Lyons subdivision development (\$70 million). Recurrent Defence expenditure by the Australian Government in the Territory totalled \$954 million in 2005-06.

