

## Chapter 2 Economic Growth

### Key Points

- » 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.
- » The Territory economy grew by 6 per cent in 2004-05, with strong growth in consumption and investment boosted by major projects.
- » In 2005-06, gross state product (GSP) grew by a further 7.5 per cent with strengthening consumption, and a substantial increase in business investment associated with major resource projects, along with the commencement of liquefied natural gas (LNG) exports. In addition, most industry sectors reported stronger than average income growth, reflecting higher growth rates in both resident employment and population.
- » The major influence on estimated GSP growth of 7.2 per cent in 2006-07 is strong export activity, along with a significant decline in imports. Peak production of LNG, along with peak production at the Bayu-Undan fields (gas, condensate and liquid petroleum gas (LPG)), and increased alumina production from Alcan, are the major contributors to growth. In addition to the growth in the mining and manufacturing industries, a range of other industries in the Territory are estimated to report stronger than average income growth in the year in line with continued robust population and employment growth.
- » Economic growth is forecast to continue in 2007-08 with growth of 3.7 per cent. Business investment levels will return to more usual levels as the Alcan expansion is completed. Exports are expected to stabilise as peak production is reached. In addition, income growth across a wide range of industries, is forecast to moderate in 2007-08, in line with population and employment growth.

Table 2.1: Territory Economic Growth Profile

Period	GSP Growth %	Comment
5 years to 2003-04	1.5 <sup>1</sup>	Main developments over this period include moderating onshore economy offset by commencement of oil production from the Laminaria-Corallina fields in 2000-01. Rail-related investment boosts onshore economy in 2001-02 despite declining oil production through to 2003-04.
2004-05	6.0	Onshore recovery broadens. Strengthening in construction, mining and tourism. Business investment falls.
2005-06	7.5	Construction for major projects continues, and liquified natural gas (LNG) production commences. Strengthening in mining and energy sectors. Population growth supports solid residential construction activity. Waterfront project proceeds.
2006-07e	7.2	Ongoing strong economic growth, despite declining construction activity associated with the completion of the Alcan alumina refinery expansion, led by a full year of LNG exports and increasing mineral exports, including alumina.
2007-08f	3.7	Business investment returning towards expected levels with completion of mega projects. Exports maintain high levels and population, employment and consumption continue growth trends.

e: estimate; f: forecast

<sup>1</sup> Average growth rate

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

Table 2.2: Territory SFD and GSP

	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07e	07-08f
	\$M <sup>1</sup>										
Private Consumption	3 652	3 849	4 099	4 246	4 517	4 721	5 085	5 330	5 634	5 853	6 045
Public Consumption	2 905	3 073	3 316	3 358	3 371	3 457	3 582	3 705	3 786	3 877	3 912
<b>Total Consumption<sup>2</sup></b>	<b>6 561</b>	<b>6 927</b>	<b>7 420</b>	<b>7 606</b>	<b>7 889</b>	<b>8 178</b>	<b>8 667</b>	<b>9 035</b>	<b>9 420</b>	<b>9 730</b>	<b>9 956</b>
Private Investment											
Dwellings	500	718	537	320	331	363	356	493	491	501	522
Business Investment	1 242	2 348	1 412	1 389	2 143	2 311	2 525	2 542	2 999	2 721	2 117
Total Private Investment <sup>3</sup>	1 820	3 127	1 998	1 767	2 569	2 775	2 989	3 150	3 615	3 327	2 724
Public Investment	392	262	374	547	650	435	440	554	528	548	639
<b>Total Investment<sup>2</sup></b>	<b>2 238</b>	<b>3 343</b>	<b>2 372</b>	<b>2 341</b>	<b>3 242</b>	<b>3 210</b>	<b>3 427</b>	<b>3 704</b>	<b>4 143</b>	<b>3 875</b>	<b>3 363</b>
<b>SFD<sup>2</sup></b>	<b>8 786</b>	<b>10 294</b>	<b>9 776</b>	<b>9 933</b>	<b>11 130</b>	<b>11 386</b>	<b>12 094</b>	<b>12 739</b>	<b>13 564</b>	<b>13 605</b>	<b>13 319</b>
International Trade – export of goods	2 522	2 481	3 654	4 749	3 677	3 271	2 495	2 340	2 313	3 384	3 397
International Trade – import of goods	-807	-583	-1 622	-616	-710	-922	-960	-1 990	-2 535	-2 099	-1 792
Balancing Item	-2 270	-3 492	-3 132	-4 963	-4 776	-4 252	-4 049	-2 865	-2 257	-3 015	-2 564
<b>GSP<sup>2</sup></b>	<b>8 670</b>	<b>9 252</b>	<b>9 356</b>	<b>9 870</b>	<b>10 028</b>	<b>10 051</b>	<b>10 073</b>	<b>10 678</b>	<b>11 476</b>	<b>12 299</b>	<b>12 750</b>
	Percentage change										
Private Consumption	12.2	5.4	6.5	3.6	6.4	4.5	7.7	4.8	5.7	3.9	3.3
Public Consumption	9.7	5.8	7.9	1.3	0.4	2.6	3.6	3.4	2.2	2.4	0.9
<b>Total Consumption</b>	<b>11.1</b>	<b>5.6</b>	<b>7.1</b>	<b>2.5</b>	<b>3.7</b>	<b>3.7</b>	<b>6.0</b>	<b>4.2</b>	<b>4.3</b>	<b>3.3</b>	<b>2.3</b>
Private Investment											
Dwellings	13.4	43.6	-25.2	-40.4	3.4	9.7	-1.9	38.5	-0.4	2.1	4.1
Business Investment	27.1	89.0	-39.9	-1.6	54.3	7.8	9.3	0.7	18.0	-9.3	-22.2
Total Private Investment <sup>3</sup>	21.8	71.8	-36.1	-11.6	45.4	8.0	7.7	5.4	14.8	-8.0	-18.1
Public Investment	9.5	-33.2	42.7	46.3	18.8	-33.1	1.1	25.9	-4.7	3.8	16.6
<b>Total Investment</b>	<b>19.4</b>	<b>49.4</b>	<b>-29.0</b>	<b>-1.3</b>	<b>38.5</b>	<b>-1.0</b>	<b>6.8</b>	<b>8.1</b>	<b>11.9</b>	<b>-6.5</b>	<b>-13.2</b>
<b>SFD</b>	<b>13.1</b>	<b>17.2</b>	<b>-5.0</b>	<b>1.6</b>	<b>12.1</b>	<b>2.3</b>	<b>6.2</b>	<b>5.3</b>	<b>6.5</b>	<b>0.3</b>	<b>-2.1</b>
International Trade – export of goods	-0.4	-1.6	47.3	30.0	-22.6	-11.0	-23.7	-6.2	-1.2	46.3	0.4
International Trade – import of goods	55.8	-27.8	178.2	-62.0	15.3	29.9	4.1	107.3	27.4	-17.2	-14.6
Balancing Item	21.8	53.8	-10.3	58.5	-3.8	-11.0	-4.8	-29.2	-21.2	33.6	-14.9
<b>GSP</b>	<b>3.6</b>	<b>6.7</b>	<b>1.1</b>	<b>5.5</b>	<b>1.6</b>	<b>0.2</b>	<b>0.2</b>	<b>6.0</b>	<b>7.5</b>	<b>7.2</b>	<b>3.7</b>
	Percentage point contribution to GSP										
Private Consumption	4.8	2.3	2.7	1.6	2.7	2.0	3.6	2.4	2.8	1.9	1.6
Public Consumption	3.1	1.9	2.6	0.4	0.1	0.9	1.2	1.2	0.8	0.8	0.3
<b>Total Consumption</b>	<b>7.8</b>	<b>4.2</b>	<b>5.3</b>	<b>2.0</b>	<b>2.9</b>	<b>2.9</b>	<b>4.9</b>	<b>3.7</b>	<b>3.6</b>	<b>2.7</b>	<b>1.8</b>
Private Investment											
Dwellings	0.7	2.5	-2.0	-2.3	0.1	0.3	-0.1	1.4	-0.0	0.1	0.2
Business Investment	3.2	12.8	-10.1	-0.2	7.6	1.7	2.1	0.2	4.3	-2.4	-4.9
Total Private Investment <sup>3</sup>	3.9	15.1	-12.2	-2.5	8.1	2.1	2.1	1.6	4.4	-2.5	-4.9
Public Investment	0.4	-1.5	1.2	1.8	1.0	-2.1	0.0	1.1	-0.2	0.2	0.7
<b>Total Investment</b>	<b>4.3</b>	<b>12.7</b>	<b>-10.5</b>	<b>-0.3</b>	<b>9.1</b>	<b>-0.3</b>	<b>2.2</b>	<b>2.7</b>	<b>4.1</b>	<b>-2.3</b>	<b>-4.2</b>
<b>SFD</b>	<b>12.2</b>	<b>17.4</b>	<b>-5.6</b>	<b>1.7</b>	<b>12.1</b>	<b>2.6</b>	<b>7.0</b>	<b>6.4</b>	<b>7.7</b>	<b>0.4</b>	<b>-2.3</b>
International Trade – export of goods	-0.1	-0.5	12.7	11.7	-10.9	-4.0	-7.7	-1.5	-0.3	9.3	0.1
International Trade – import of goods	-3.5	2.6	-11.2	10.8	-1.0	-2.1	-0.4	-10.2	-5.1	3.8	2.5
Balancing Item	-4.9	-14.1	3.9	-19.6	1.9	5.2	2.0	11.8	5.7	-6.6	3.7
<b>GSP</b>	<b>3.6</b>	<b>6.7</b>	<b>1.1</b>	<b>5.5</b>	<b>1.6</b>	<b>0.2</b>	<b>0.2</b>	<b>6.0</b>	<b>7.5</b>	<b>7.2</b>	<b>3.7</b>

e: estimate; f: forecast

<sup>1</sup> 2004-05 base year<sup>2</sup> Chain volume measures are not additive. As such, the components do not add to the total measure<sup>3</sup> Total private investment is equal to business investment plus dwelling investment and ownership transfer costs

Source: Northern Territory Treasury, ABS Cat. Nos. 5206.0, 5220.0

## Measurement of Economic Growth

At the national level, an economy's size is measured by gross domestic product (GDP). Australia's states and territories have an equivalent concept in the gross state product (GSP). Both measure the production undertaken in an economy in a particular year. The value of production can be estimated using different approaches.

### The Expenditure Approach

The 'expenditure approach' for calculating GDP and GSP is the sum of all final expenditures by residents (Table 2.2). It includes final consumption expenditure by households and government, gross fixed capital expenditure (investment) by the private and public sectors, changes in inventories (that is, output produced in the year but not yet sold) and net exports.

### The Income Approach

The 'income approach' sums income accruing to the factors of production (primarily labour and capital) in an industry. This provides a measure of the total factor income earned in each industry, in each year, in current prices. The income measure of GDP and GSP also includes net taxes on production and net taxes on imports. The income approach provides an alternate way of measuring economic activity in the economy, with a focus on the industry or supply side dimension, in order to provide a complement to the expenditure or demand side measure.

Treasury estimates and forecasts GSP on both the expenditure and income side. Discussion in this chapter of estimated or forecast income growth by industry refers to anticipated changes in total factor income, based on the income approach to determining Territory GSP.

### Volatility of GSP

All jurisdictions report on the GSP measure of economic growth. Nonetheless, the GSP measure is experimental and volatile, with the series open to significant revisions. For example, the ABS initially reported economic growth of 3.6 per cent for the Territory in 2004-05. This growth rate was subsequently revised up to 6 per cent. The size of any revisions to ABS-reported GSP can be exacerbated in the Territory due to the dominance of a few industries and the small size of the economy.

### State Final Demand

A component of GSP, calculated using the 'expenditure approach', is state final demand (SFD). SFD is a measure of the demand for goods and services in an economy. SFD data is released quarterly, in contrast to GSP, which is released once a year and as such is a more readily available measure of economic activity. SFD includes expenditure for both consumption and investment purposes. As shown in Table 2.2, the investment component of SFD can be volatile, particularly with the influence of large projects on the Territory's relatively small economy. Consumption is a more stable element of economic activity and is influenced by population, employment and income growth as well as interest rates and consumer confidence. Public consumption includes defence-related consumption expenditure.

### Onshore and Offshore Activity

Complicating the interpretation of Territory GSP is the impact of offshore economic activity. For example, SFD growth was weak in 2000-01 (consumption growth moderated to 2.5 per cent and dwellings investment fell by more than 40 per cent), but GSP increased by 5.5 per cent driven by increased exports, largely due to the huge impact of Laminaria-Corallina (offshore) oil production. Laminaria-Corallina oil production peaked in 2000-01 and has since been declining. However, the Woodside production facility was temporarily shutdown for repairs and maintenance during 2004-05, and following this, oil production increased in 2005-06 and 2006-07.

**Major Projects** In a small jurisdiction such as the Territory, it is possible for major projects to have a substantial impact on SFD, particularly via business investment, and on GSP via income earned by factors of production. However, if the acquired machinery and equipment is assembled overseas, the investment expenditure attributed to the Territory can have a limited impact on the local economy, despite a large impact on SFD. An important example is the importation of the pre-assembled modules (PAMs) for the Alcan G3 refinery expansion at Gove primarily in 2005-06. In the same way, the income accruing to factors of production employed on major projects will be reported in GSP but may not flow on fully to the local economy through private consumption expenditure and dwellings investment, as many of the employees are not permanent residents of the Territory.

## Economic Performance

**2005-06** The Territory economy continued to experience very strong growth in 2005-06, with reported GSP growth of 7.5 per cent, the highest of the jurisdictions. This was supported by a recovery in net interstate migration and continued solid growth in resident population, significant income growth and very strong residential property markets. Business confidence maintained strong levels over the year and across a broad range of industries. SFD increased by 6.5 per cent in 2005-06, reflecting robust onshore economic activity, with consumption increasing by 4.3 per cent and investment by 11.9 per cent. The Australian Bureau of Statistics (ABS) reported Territory dwellings investment declined by 0.4 per cent in 2005-06, after reporting very significant growth of 38.5 per cent in the same period a year earlier. The 2005-06 result was unexpected, as other property and construction indicators, such as ABS measures of construction activity, reported strong growth in the year. Business investment increased by 18 per cent, primarily reflecting investment expenditure on major projects. Territory established house prices increased by 19.8 per cent over 2005-06, while growth in the purchase of new motor vehicles maintained historically high levels and retail turnover performed solidly. Table 2.3 provides a summary of key Northern Territory economic indicators.

Territory output in 2005-06 was supported by the production of liquids (condensate and liquid petroleum gas) from the Bayu-Undan fields, as well as five months of exports of LNG from Wickham Point, and a recovery in oil production from the Laminaria-Corallina fields following temporary shut-downs in 2004-05.

**2006-07** The Northern Territory economy is estimated to grow by a further 7.2 per cent in 2006-07, driven by a full year of LNG exports contributing to strong growth in the manufacturing industry, and supported by strengthening export volumes of alumina, oil and minerals. At the same time imports to the Territory will decline substantially with the completion of the importation of 20 passenger aircraft by Jetstar, as well as the completion of substantial machinery and equipment imports associated with major projects. The GSP growth estimate is also based on continued strong employee income growth, as well as solid increases in both employment and population. In addition to the strong income growth estimated in both the mining and manufacturing industries, other industries such as retail and wholesale trade, accommodation, cafes and restaurants, culture and recreation, and property and business services are also estimated to report strong income growth in 2006-07. This is in line with continued robust population and employment growth.

## Onshore Economy

Strength in the onshore economy will moderate in 2006-07, with SFD estimated to increase by 0.3 per cent, largely driven by declining levels of business investment associated with mega projects. The moderation in business investment over the past two years reflects the completion of the Wickham Point LNG plant in December 2005 and completion of the Alcan alumina refinery expansion in June 2007. Some of the decline in business investment will be offset by modest increases in dwellings investment, in line with strength in residential construction markets. In addition public sector investment will contribute positively in 2006-07 with investment in infrastructure for the Darwin Waterfront Development, completion of works at the Defence Bradshaw training facility and ongoing site works at the Lyons residential development.

Household consumption is expected to moderate from the very strong growth rates reported in 2005-06, reflecting the impact of interest rate rises, declining housing affordability and relatively high petrol prices. Public sector consumption expenditure is estimated to report modest growth in 2006-07, reflecting in part the outcome of the enterprise bargaining agreement negotiated with the general Northern Territory Public Sector in 2004 (which excludes medical officers, nurses, teachers and educators, police, fire and emergency workers), as well as restrained growth in public sector employment levels.

Table 2.3: Northern Territory Economic Indicators

Economic Indicators <sup>1</sup>	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Latest available <sup>4</sup>	
Real Retail Turnover	5.8	-0.7	4.1	2.2	5.1	5.3	2.8	Dec 06	6.2
New Motor Vehicle Sales	-8.8	-4.2	-0.3	3.3	8.4	10.7	0.0	Feb 07	-2.2
Tourist Accommodation Takings	16.8	1.5	-1.0	-0.1	2.8	13.6	3.4	Dec 06	9.5
Number of Dwellings Approved	-30.6	-28.4	-13.8	0.0	23.4	18.4	-1.8	Feb 07	13.9
Number of Dwellings Commenced	-21.1	-34.0	0.1	-4.1	6.0	29.1	1.3	Dec 06	-12.3
Employment	-2.3	1.1	5.4	-0.1	-2.2	-2.0	4.0	Feb 07	5.9
Unemployment rate (year average)	4.4	5.6	6.8	5.8	5.2	6.3	5.7	Feb 07	3.9
Darwin Consumer Price Index	1.4	5.4	2.2	2.3	1.4	2.2	3.4	Dec 06	4.4
AWOTE <sup>2</sup>	4.6	3.7	2.3	5.0	6.5	7.0	3.9	Dec 06	0.8
Wage Cost Index	2.5	2.8	3.1	3.0	3.3	3.7	4.4	Dec 06	3.9
Population as at June (levels – thousands)	196	198	199	199	200	203	207	Sep 06	208
Population (annual % change)	1.5	1.1	0.5	-0.1	0.6	1.8	1.6	Sep 06	1.6
Net Interstate Migration (number) <sup>3</sup>	-907	-1592	-2596	-3389	-2108	5	-386	Sep 06	-207
<b>Financial Indicators</b>									
<b>Interest Rates</b>									
90 Day Bank Bill (as at 30 June)	6.17	5.02	5.11	4.67	5.50	5.66	5.97	Apr 07	6.47
10 Year Govt Bond Yield (as at 30 June)	6.16	6.04	5.99	5.01	5.87	5.11	5.79	Apr 07	5.89
<b>Exchange Rates</b>									
US\$ per A\$ (year average)	0.63	0.52	0.52	0.58	0.71	0.75	0.75	Apr 07	0.77
US\$ per A\$ (as at 30 June)	0.60	0.51	0.56	0.67	0.69	0.76	0.74	Apr 07	0.82
Special Drawing Rights per A\$ (as at 30 June)	0.45	0.41	0.43	0.48	0.47	0.52	0.51	Apr 07	0.54
Trade Weighted Index of A\$ (as at 30 June)	53.6	49.7	52.3	59.4	59.1	64.5	62.2	Apr 07	66.6

<sup>1</sup> Year on year percentage change unless indicated otherwise

<sup>2</sup> Average Weekly Ordinary Full-Time Earnings

<sup>3</sup> Year to date

<sup>4</sup> The 12 months to the latest available date

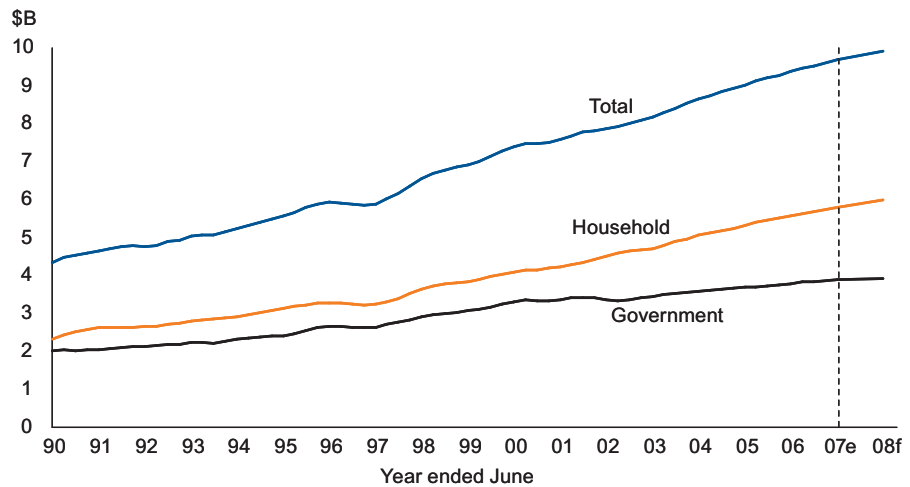
Source: Northern Territory Treasury, Reserve Bank of Australia, ABS data

**Consumption**

Final consumption expenditure provides an indication of household and government demand and is a key element of economic growth. Consumption also tends to reflect household and business confidence. Consumption typically accounts for around three-quarters of final expenditure in the Territory, with household consumption at around 60 per cent of total consumption (compared to about 75 per cent nationally). Given the distortionary effect of large, often offshore, resource projects on broad economic indicators, consumption expenditure is often used as a more stable indicator of the state of the Territory onshore economy. In 2006-07, total consumption expenditure by households and government is estimated to increase by 3.3 per cent.

Since 1990-91, government consumption has declined as a proportion of total consumption, from about 45 per cent to 39 per cent in 2006-07. This reflects the growing significance of private sector (household) consumption expenditure in the Territory (Chart 2.1).

Chart 2.1: Territory Consumption  
(chain volume measure,  
moving annual total)



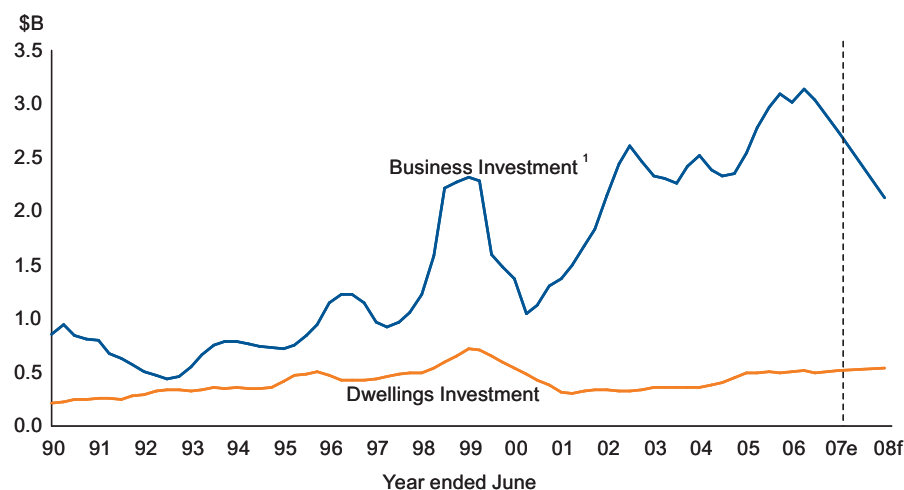
e: estimate; f: forecast  
Source: Northern Territory Treasury, ABS Cat. No. 5206.0

**Investment**

Investment is the other component of SFD and includes investment for dwellings, business investment and public expenditure for economic and social infrastructure. Investment is typically more volatile than consumption, reflecting the impact of capital-intensive resource projects on the relatively small Territory economy. Returning to more normal levels, Territory investment is estimated to decrease by 6.5 per cent in 2006-07. The decrease in total investment is being driven by declining levels of business investment in the Territory, which continue to be heavily influenced by major infrastructure works and resource projects. The LNG plant at Wickham Point was completed in December 2005, and the Alcan G3 refinery expansion at Gove is to be completed in June 2007. The construction of these two projects saw business investment in the Territory rise to historic levels, from which it is now returning to more normal levels. Other projects completed in 2006-07 include the biodiesel plant and associated storage facility at East Arm, along with the works at Robertson Barracks designed to accommodate the relocation of the 1st Aviation Regiment to Darwin.

The level of dwelling investment in 2006-07 may have been impacted by both interest rate increases and diminished housing affordability, as Territory house prices continue to increase. Growth in non-residential building activity moderated in 2006-07, though maintaining high levels, supported by investment expenditure associated with the Darwin Convention and Exhibition Centre (Stage 1 of the Darwin Waterfront Development), continued work on the Outrigger Pandanas serviced apartments, the China Town carpark and the completion of work on the Bradshaw training facility.

Chart 2.2: Territory Dwelling and Business Investment (chain volume measure, moving annual total)



e: estimate; f: forecast

<sup>1</sup> Private investment less dwelling investment and ownership transfer costs

Source: Northern Territory Treasury, ABS Cat. No. 5206.0

## Economic Outlook

Following strong growth in 2006-07, GSP is forecast to increase by a further 3.7 per cent in 2007-08, predominantly driven by LNG production reaching capacity levels, the increased production and export of alumina, manganese and gold, as well as the commencement of iron ore exports from the Frances Creek mine near Pine Creek. Modest growth in exports, combined with declining imports, will act to partly offset the impact on the onshore economy of business investment returning to more normal levels. In 2007-08 oil production will decrease in line with falling reserves in the Laminaria-Corallina fields. Nevertheless full capacity production of LNG, spread evenly over the next 15 years, will more than compensate for the declining oil production. Growth in income across a range of industries, including construction, retail and wholesale trade and agriculture, forestry and fishing, are forecast to moderate in 2007-08, in line with population and employment growth.

Employment in 2007-08 will continue to be underpinned by major projects, such as the Darwin Waterfront Development, and the Blacktip to Amadeus pipeline, as well as residential construction. The number of fly-in fly-out workers will decline and the composition of employment is expected to change substantially, resulting in lower real growth in employment income, down to 2.5 per cent in 2007-08 from 8 per cent in 2006-07.

### Consumption

After peaking in 2003-04, private consumption growth has moderated in each subsequent year, and 2007-08 is forecast to continue this trend. Interest rates increases, housing affordability and fuel price rises underpin the conservative outlook for private consumption growth. Public consumption is expected to continue to moderate with forecast growth of 0.9 per cent in 2007-08. This reflects in part the introduction of the Northern Territory Government Wages Policy, and constrained expenditure growth across the general government sector.

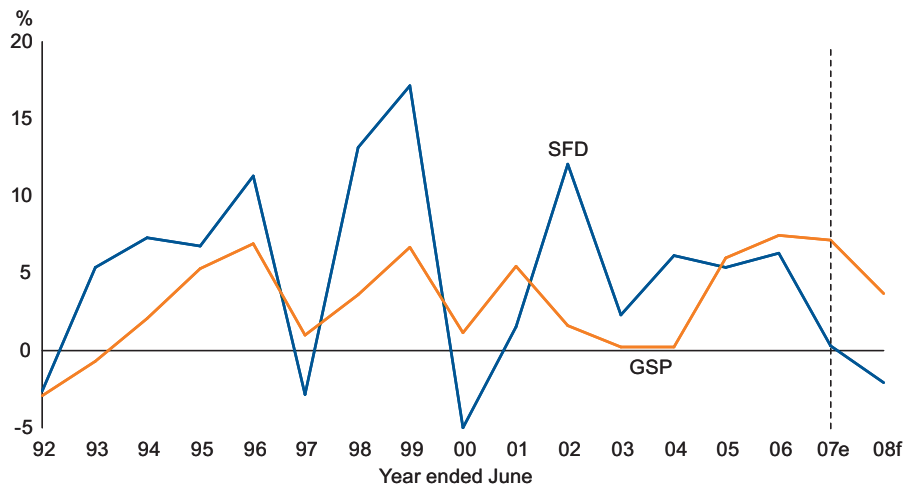
**Investment** Total investment is forecast to decline by 13.2 per cent in 2007-08. This decrease completely reflects lower private sector business investment, as public investment is forecast to strengthen. Private investment is forecast to decline by 18.1 per cent. The two mega projects, the Alcan G3 refinery expansion and the LNG plant, raised private investment in the Territory to unprecedented levels in 2005-06 and, with their completion, private investment levels are returning towards more long-run trends. Dwellings investment is forecast to increase by 4.1 per cent in 2007-08, following modest growth of 2.1 per cent in 2006-07. The expected increase in public investment expenditure, of 16.6 per cent in 2007-08, reflects a significant increase in expenditure by the Power and Water Corporation, as well as expenditure for community infrastructure at the Darwin Waterfront Development (including walkways, wave pool, parks and picnic areas).

Territory SFD is forecast to decrease by 2.1 per cent in 2007-08, due to the significant decline in total investment expenditure. Although total consumption is forecast to increase by 2.3 per cent in 2007-08, making a positive contribution to growth, total investment is forecast to decrease by 13.2 per cent, more than offsetting the increase in consumption.

**Engineering Work** With the Alcan G3 refinery expansion at Gove drawing to a close in late 2006-07, engineering construction activity in the Territory will decline in 2007-08. However, new projects such as the \$690 million Montara, Skua and Swift oilfield developments in the Timor Sea, the \$750 million development of the Blacktip gas field in the Joseph Bonaparte Gulf and the \$190 million GEMCO manganese processing expansion at Groote Eylandt will ensure that engineering activity in the Territory remains at levels above historical averages in 2007-08.

**Exports** External demand for Territory commodities is expected to remain strong in the short term, but moderate somewhat in value in the medium term as commodity prices retreat from current highs, with a predicted decline in global demand for commodities (especially from China) and increased global supply.

Chart 2.3: Territory SFD and GSP  
(chain volume measure,  
annual percentage change)



e: estimate; f: forecast  
Source: Northern Territory Treasury, ABS Cat. No. 5206.0, 5220.0