

# Chapter 1 Overview

This Budget Paper presents whole of government financial information and related issues and consolidates information from other Budget Papers. It also meets the requirements of the *Fiscal Integrity and Transparency Act (FITA)* and complies with the Uniform Presentation Framework, as agreed by all Australian jurisdictions.

## Fiscal Position and Outlook

Fiscal highlights in the 2008-09 Budget include:

- significant operating surpluses predicted for 2007-08 and all forward years;
- improved fiscal balances trending towards a surplus of \$6 million by 2011-12;
- cash surpluses predicted for all years, building on the five successive surpluses achieved to 2006-07;
- new and expanded expenditure and revenue initiatives, including funding of \$286 million over five years to implement Closing the Gap;
- \$20 million contribution in 2007-08 towards the Territory's future infrastructure and superannuation liabilities;
- record level of infrastructure investment in 2008-09 of \$870 million;
- net debt to revenue ratio to fall to 36 per cent by 2011-12, compared to 67 per cent in 2001-02; and
- net debt plus employee liabilities to revenue ratio to fall to 101 per cent by 2011-12, against 134 per cent in 2001-02.

Tables 1.1 and 1.2 present the Territory's key aggregates at the time of the 2007-08 Budget and the 2008-09 Budget.

Table 1.1: Estimated Outcomes  
– General Government

	2007-08 Estimate	2008-09 Budget	2009-10 Forward Estimates	2010-11 Forward Estimates	2011-12 Forward Estimates
	\$M	\$M	\$M	\$M	\$M
<b>Operating Result</b>					
2007-08 Budget	29	8	15	38	na
2008-09 Budget	81	111	174	170	163
<b>Fiscal Balance</b>					
2007-08 Budget	- 96	- 41	- 32	- 10	na
2008-09 Budget	- 67	- 81	- 47	- 31	6
<b>Cash Outcome</b>					
2007-08 Budget	- 40	0	17	34	na
2008-09 Budget	5	9	21	37	50

Source: Northern Territory Treasury

Table 1.2: Estimated Outcomes  
– Non Financial Public Sector

	2007-08	2008-09	2009-10	2010-11	2011-12
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
<b>Net Debt</b>					
2007-08 Budget	1 693	1 748	1 749	1 742	na
2008-09 Budget	1 477	1 578	1 637	1 687	1 676
<b>Net Debt to Revenue (%)</b>					
2007-08 Budget	45	45	44	42	na
2008-09 Budget	37	38	38	38	36
<b>Net Debt + Employee Liabilities</b>					
2007-08 Budget	4 382	4 481	4 537	4 578	na
2008-09 Budget	4 203	4 382	4 510	4 623	4 663
<b>Net Debt + Employee Liabilities to Revenue (%)</b>					
2007-08 Budget	116	115	114	110	na
2008-09 Budget	104	106	104	104	101

Source: Northern Territory Treasury

The general government operating and cash results in this Budget are significantly improved since the 2007-08 Budget, with surpluses estimated for all years. Increases are estimated for most categories of revenue, due to the continuing strength of the Territory and national economy, and additional expenditure has been allocated for both operating and capital purposes. The improvement in the operating result is due to an increasing proportion of additional revenue being allocated for capital rather than operational purposes.

The current cash targets now project a surplus in all years, better than the 2007-08 Budget, and build on the five successive surpluses achieved to 2006-07. This Budget also includes a contribution of \$20 million towards future infrastructure and superannuation requirements.

The fiscal balance represents a more complete measure of the Government's fiscal position as it includes the effect of all operating costs as well as the change in net physical assets. A fiscal balance deficit indicates that capital spending is greater than the depreciation expense, which is consistent with a developing economy such as the Territory. In all years, the additional funds arising from the increased operating result are being applied to additional capital spending rather than reducing net debt. Due to the higher allocation to capital spending, the fiscal balance remains in deficit for four years but is trending towards a surplus of \$6 million in 2011-12. This indicates that the fiscal strategy target of a balance by 2012-13 may be achieved earlier than originally projected.

Net debt for 2007-08 for the non financial public sector has significantly improved since the May 2007 Budget due to the surplus achieved in 2006-07. This also flows through to forward years, with net debt expected to be \$1676 million in 2011-12.

Net debt as a proportion of revenue has also improved, dropping to 36 per cent by 2011-12. This represents a significant reduction from the 67 per cent recorded in 2001-02.

Net debt plus employee liabilities is expected to be \$4663 million by 2011-12, with a ratio to revenue of 101 per cent.

## Economic Outlook

Table 1.3: Territory Economic Indicators

Economic prospects are strong in 2008-09 with gross state product (GSP) growth forecast to be 6.6 per cent, underpinned by a substantial increase in exports and solid residential employment and population growth.

	2003-04	2004-05	2005-06	2006-07	2007-08e	2008-09f
	%	%	%	%	%	%
Real GSP	2.0	5.5	5.5	5.6	2.8	6.6
Resident Employment	- 2.9	- 1.3	3.0	5.3	4.8	2.5
Population <sup>1</sup>	0.7	1.6	2.3	2.0	2.2	1.9
Darwin CPI <sup>2</sup>	2.1	1.6	2.6	4.4	3.4 <sup>3</sup>	3.1

e: estimate; f: forecast

<sup>1</sup> As at December, annual percentage change

<sup>2</sup> As at December, year on year percentage change

<sup>3</sup> Actual Darwin CPI 2007

Economic growth is forecast to strengthen as the contribution from exports increases substantially. A full recovery from the temporary closures of both the Wickham Point liquefied natural gas plant and the Corallina oilfield, as well as significantly higher oil production from the Puffin field, will be the main contributors to export growth in 2008-09. In addition, the production of lead-zinc will increase significantly with the conversion to open cut operations at McArthur River reaching completion. Output of manganese from Bootu Creek and GEMCO, alumina from Alcan and iron ore from the Frances Creek mine will also contribute to strong economic growth in 2008-09.

Resident employment growth of 2.5 per cent is forecast for 2008-09, underpinned by residential construction and work on major projects, and continued migration and tourism growth. The more modest employment growth rate forecast for 2008-09 is in line with the forecast moderation in state final demand growth over the same period.

Population growth is forecast to moderate to 1.9 per cent in 2008, with net interstate migration returning towards longer run averages due to the completion of some major employment generating projects.

Inflation in the Territory is expected to continue to moderate in 2009. Darwin CPI growth of 2.8 per cent is forecast for 2009, down from the 3.1 per cent estimated for 2008. The continued softening of inflationary pressures in 2009 is attributed to interest rate increases, house price growth moderating further and lower crude oil prices relative to 2008.

Wages growth in the Territory is expected to strengthen in 2008 as outcomes of enterprise bargaining agreements flow through to stronger public sector wages growth. In addition, ongoing skilled labour shortages and a tight labour market are expected to flow through to growth in the Territory's Wage Price Index, averaging around 4.0 per cent over the year.