

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.
- » During the three years to 2006-07 Territory GSP grew by an average annual rate of 5.5 per cent. Growth was driven by strong consumption and a substantial increase in investment associated with major resource projects, followed by solid growth in exports and the commencement of LNG production.
- » Economic growth is estimated to ease to 2.8 per cent in 2007-08 as business investment declines in line with the completion of the Alcan expansion, while scheduled maintenance at Wickham Point, temporary closure of the Corallina oil field and the permanent closure of the Elang Kakatua oil field contribute to a moderate decrease in exports. These are offset by very strong consumption expenditure, particularly among Territory households.
- » Economic growth is forecast to strengthen to 6.6 per cent in 2008-09, driven by a substantial recovery in export volumes and supported by consumption expenditure.

Table 2.1: Territory Economic Growth Profile

Period	GSP Growth %	Comment
2004-05	5.5	Onshore recovery broadens. Strengthening in construction, mining and tourism. Business investment falls, but greater level of local value-adding.
2005-06	5.5	Construction for major projects continues, and liquefied natural gas (LNG) production commences. Strengthening in mining and energy sectors. Population growth supports solid residential construction activity. Darwin Waterfront project proceeds.
2006-07	5.6	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, especially for alumina.
2007-08e	2.8	Investment returning to expected levels with completion of mega projects. Population and employment growth supported by high levels of construction and mining activity. Exports decline slightly reflecting lower energy production levels offshore.
2008-09f	6.6	Strong growth driven by net exports as mining and manufacturing volumes pick up, due to increased alumina production and increased offshore oil and gas production. Activity will be partially offset by declining growth in private consumption, and a decrease in private investment, as engineering construction and machinery and equipment investment come off recent highs.

e: estimate; f: forecast

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

Table 2.2: Territory State Final Demand (SFD) and Gross State Product (GSP)

	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08e	08-09f
	\$M ¹										
Private consumption	3 959	4 219	4 366	4 650	4 863	5 173	5 418	5 728	5 918	6 297	6 500
Public consumption	3 202	3 446	3 483	3 498	3 586	3 752	3 871	3 955	4 139	4 361	4 561
Total consumption	7 164	7 668	7 851	8 148	8 449	8 924	9 289	9 684	10 057	10 658	11 061
Private investment											
Dwellings	791	592	354	366	403	387	495	567	573	554	537
Business investment	2 424	1 450	1 426	2 204	2 378	2 609	2 621	3 065	2 955	2 682	2 191
Total private investment²	3 270	2 085	1 844	2 684	2 900	3 150	3 263	3 789	3 681	3 370	2 855
Public investment	274	400	583	693	464	471	591	603	546	561	613
Total investment	3 491	2 490	2 460	3 406	3 370	3 622	3 861	4 392	4 227	3 930	3 469
State Final Demand³	10 686	11 552	10 304	11 552	11 820	12 550	13 150	14 076	14 285	14 588	14 530
Total exports	3 727	5 276	6 681	5 312	4 661	3 689	3 517	3 425	4 628	4 576	5 291
Total imports	878	2 090	964	1 033	1 248	1 314	2 538	3 184	3 236	3 225	3 373
Net exports	2 849	3 186	5 717	4 279	3 413	2 375	979	241	1 392	1 351	1 918
Balancing item	-3 493	-2 690	-4 736	-4 420	-3 801	-3 337	-2 038	-1 624	-2 232	-2 158	-1 758
Gross State Product (A)	9 650	10 355	10 930	11 118	11 184	11 408	12 032	12 693	13 405	13 782	14 690
	Percentage change										
Private consumption	5.4	6.6	3.5	6.5	4.6	6.4	4.7	5.7	3.3	6.4	3.2
Public consumption	5.6	7.6	1.1	0.4	2.5	4.6	3.2	2.2	4.7	5.4	4.6
Total consumption	5.5	7.0	2.4	3.8	3.7	5.6	4.1	4.3	3.9	6.0	3.8
Private investment											
Dwellings	43.6	-25.2	-40.2	3.4	10.1	-4.0	27.9	14.5	1.1	-3.3	-3.1
Business investment	88.3	-40.2	-1.7	54.6	7.9	9.7	0.5	16.9	-3.6	-9.2	-18.3
Total private investment	71.5	-36.2	-11.6	45.6	8.0	8.6	3.6	16.1	-2.9	-8.5	-15.3
Public investment	-35.1	46.0	45.8	18.9	-33.0	1.5	25.5	2.0	-9.5	2.7	9.4
Total investment	49.4	-28.7	-1.2	38.5	-1.1	7.5	6.6	13.8	-3.8	-7.0	-11.8
State Final Demand	17.0	8.1	-10.8	12.1	2.3	6.2	4.8	7.0	1.5	2.1	-0.4
Total exports	1.1	41.6	26.6	-20.5	-12.3	-20.9	-4.7	-2.6	35.1	-1.1	15.6
Total imports	-24.4	138.0	-53.9	7.2	20.8	5.3	93.2	25.5	1.6	-0.4	4.6
Net exports	12.9	11.8	79.4	-25.2	-20.2	-30.4	-58.8	-75.4	477.6	-2.9	41.9
Balancing item	66.1	-23.0	76.1	-6.7	-14.0	-12.2	-38.9	-20.3	37.4	-3.3	-18.5
Gross State Product (A)	6.2	7.3	5.6	1.7	0.6	2.0	5.5	5.5	5.6	2.8	6.6
	Percentage point contribution to Gross State Product										
Private consumption	2.2	2.7	1.4	2.6	1.9	2.8	2.1	2.6	1.5	2.8	1.5
Public consumption	1.9	2.5	0.4	0.1	0.8	1.5	1.0	0.7	1.4	1.7	1.5
Total consumption	4.1	5.2	1.8	2.7	2.7	4.2	3.2	3.3	2.9	4.5	2.9
Private investment											
Dwellings	2.6	-2.1	-2.3	0.1	0.3	-0.1	0.9	0.6	0.0	-0.1	-0.1
Business investment	12.5	-10.1	-0.2	7.1	1.6	2.1	0.1	3.7	-0.9	-2.0	-3.6
Total private investment	15.0	-12.3	-2.3	7.7	1.9	2.2	1.0	4.4	-0.9	-2.3	-3.7
Public investment	-1.6	1.3	1.8	1.0	-2.1	0.1	1.1	0.1	-0.4	0.1	0.4
Total investment	12.7	-10.4	-0.3	8.7	-0.3	2.3	2.1	4.4	-1.3	-2.2	-3.4
State Final Demand	17.1	9.0	-12.1	11.4	2.4	6.5	5.3	7.7	1.6	2.3	-0.4
Total exports	0.5	16.1	13.6	-12.5	-5.9	-8.7	-1.5	-0.8	9.5	-0.4	5.2
Total imports	-3.1	12.6	-10.9	0.6	1.9	0.6	10.7	5.4	0.4	-0.1	1.1
Net exports	3.6	3.5	24.4	-13.2	-7.8	-9.3	-12.2	-6.1	9.1	-0.3	4.1
Balancing item	-15.3	8.3	-19.8	2.9	5.6	4.1	11.4	3.4	-4.8	0.6	2.9
Gross State Product (A)	6.2	7.3	5.6	1.7	0.6	2.0	5.5	5.5	5.6	2.8	6.6

e: estimate; f: forecast; A: average

1 2005-06 base year

2 Total private investment is equal to business investment plus dwelling investment and ownership transfer costs

3 Chain volume measures (real) are not additive. As such, the components do not add to the total measure

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 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.

Innovations in 2007 In November 2007, the ABS introduced a third method for calculating GSP based on production by industry measures. GSP (Production) estimates gross value added by industry by jurisdiction. This measurement provides an estimate of the value of production for an economy, and complements the existing measures of GSP, being expenditure and income, which are explained below. The publication of GSP (Production) in November 2007 led to an additional change in the way GSP is reported. The headline measure of GSP is now GSP (Average), the average of the three different GSP measures.

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 consumption expenditure by households and government on final goods and services, 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.

The Production Approach The production approach for calculating GDP and GSP is the sum of gross value added (value of final output minus value of intermediate use) by industry. To this total is added taxes less subsidies on products, to derive an estimate of GSP(P).

While in theory the three approaches of estimating GSP should provide the same outcome, in practice they do not. This is due to methodological differences. As such, statistical adjustments are required to make them all equal (GSPLA).

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 Australian Bureau of Statistics (ABS) initially reported economic growth of 7.5 per cent for the Territory in 2005-06. This growth rate was subsequently revised down to 5.5 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. This is of economic significance to the Territory due to the location of many oil and gas fields offshore. In addition, a substantial proportion of Territory offshore oil and gas reserves are located within the Joint Petroleum Development Area (JPDA). The resources in this area are shared between Timor Leste and Australia, with half of the value of production from the JPDA allocated to the Territory.

In total, offshore oil and gas account for around one fifth of the Territory's GSP. This means that, in effect, there can be dual economies reported in GSP data. For example, SFD growth was relatively weak in 2006-07, with much of the growth in consumption expenditure offset by declining levels of investment. Nevertheless, GSP increased by 5.6 per cent due largely to increased exports. This was driven by a doubling of LNG production (compared to 2005-06) as well as significant increases in the volume of manganese production.

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, as well as the value of final 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. A recent example is the importation of the pre-assembled modules (PAMs) for the Alcan G3 refinery expansion at Gove. 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 who work on these projects, as well as the owners of these projects, are not permanent residents of the Territory or, in the case of owners, residents of Australia.

Economic Performance

2006-07

The Territory economy continued to experience very strong growth in 2006-07, with reported GSP growth of 5.6 per cent, the second highest of the jurisdictions. Growth in the Territory economy in 2006-07 was export led, with relatively moderate growth in state final demand. SFD increased by 1.5 per cent in 2006-07, reflecting moderating onshore economic activity, with the 3.9 per cent increase in total consumption partially offset by the 3.8 per cent decline in total investment. The level of household consumption expenditure held up in 2006-07, reflecting both strong employment and population growth (5.3 per cent and 2.0 per cent respectively), and strong consumer sentiment. This was supported by very strong growth in both retail sales and motor vehicle sales in 2006-07. The level of investment in new dwellings, including expenditure for alterations and additions of existing dwellings, increased modestly in 2006-07, from a very high base. This was the only positive contributing factor on the investment side, with both business investment and public sector investment reporting declines in 2006-07. Business investment decreased by 3.6 per cent, primarily reflecting decreased levels of investment expenditure on major projects.

Territory output in 2006-07 was supported by the production of liquids (condensate and liquid petroleum gas) from the Bayu-Undan fields, as well as a full year of exports of LNG from Wickham Point, and a ramp up in production of manganese from both the Bootu Creek and the GEMCO mines. In addition, despite continuing work on the refinery expansion at Gove, production levels of alumina increased in 2006-07 and production of iron ore commenced from the Frances Creek mine, with first exports reported early in 2007-08.

2007-08 The Northern Territory economy is estimated to grow by a further 2.8 per cent in 2007-08, driven by a significant 6.0 per cent increase in total consumption expenditure, with the largest contribution from Territory households. The confidence of Territory households is supported by jobs growth estimated at 4.8 per cent in 2007-08, solid gains in property values in recent years, population growth and positive net interstate migration. Despite these positive influences, Treasury has factored in the recent interest rate rises leading to a moderation in the growth of consumer spending in the second half of 2007-08 and into 2008-09.

The levels of both public consumption and investment expenditure are estimated to increase in 2007-08 supported by expenditure on Closing the Gap, the Northern Territory Emergency Response, Indigenous housing and defence. Additional public spending on salaries and accommodation for Emergency Response employees has contributed to public consumption expenditure in 2007-08.

Total private investment is estimated to decrease by 8.5 per cent in 2007-08, led by large decreases in non-dwelling construction and despite solid increases in machinery and equipment expenditure. The decrease in expenditure on non-dwelling construction reflects the completion of the Alcan expansion, while the increase in purchases of machinery and equipment reflects expenditure by Gemco (Groote Eylandt), Xstrata (McArthur River), Compass Resources (Browns Oxide) and Australian Pipeline Trust (Bonaparte Gas project).

The contribution of net exports (exports minus imports) is a modest negative in 2007-08, and despite declining levels of imports, reflects relatively stable overall production volumes for Territory commodity exports. While the volumes of some Territory commodities including manganese, magnetite and alumina have increased substantially in 2007-08, there have been offsetting declines in the production of other commodities. For example, a scheduled maintenance shut-down at the Wickham Point LNG plant and associated gas fields in the Bayu-Undan field resulted in decreased LNG production in 2007-08 relative to 2006-07. In addition, a temporary shut-down of the Corallina oil field in late 2007 has led to a substantial reduction in oil production. Finally, the permanent closure of the Elang Kakatua oil field in July 2007 has also contributed to a decrease in oil production. These declines are partially offset by the commencement of oil production from the Puffin field, which began at relatively low levels in October 2007, but will increase substantially in 2008-09.

Onshore Economy In 2007-08 SFD is estimated to increase by 2.1 per cent, with positive contributions from private and public consumption expenditure, and public investment.

Table 2.3: Northern Territory Economic Indicators

Economic Indicators ¹	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Latest available ⁴	
Real retail turnover (real)	-0.8	4.1	1.7	4.9	5.1	2.4	7.9	Dec 07	7.7
New motor vehicle sales	-4.2	-0.3	3.3	8.4	10.7	0.0	4.1	Feb 08	8.2
Tourist accommodation takings	1.5	-1.0	-0.1	2.8	13.6	3.4	14.8	Dec 07	11.4
Number of dwellings approved	-28.4	-13.8	0.0	23.4	18.4	-1.8	7.4	Feb 08	-10.7
Number of dwellings commenced	-34.0	0.1	-4.1	6.0	29.1	1.3	-0.2	Dec 07	20.9
Employment	1.5	4.6	1.1	-2.9	-1.3	3.0	5.3	Mar 08	5.0
Unemployment rate (year average)	5.6	6.7	5.5	5.2	5.7	5.5	3.8	Mar 08	4.7
Darwin Consumer Price Index	5.4	2.2	2.3	1.4	2.2	3.4	4.4	Dec 07	3.4
AWOTE ²	3.7	2.3	5.0	6.5	7.0	3.9	0.7	Dec 07	1.8
Wage Cost Index	2.8	3.1	3.0	3.3	3.7	4.4	3.9	Dec 07	3.9
Population as at June (levels – thousands)	198	199	200	202	206	211	215	Sep 07	217
Population (annual % change)	1.1	0.8	0.3	1.0	2.1	2.0	2.0	Sep 07	2.2
Net interstate migration (levels – number) ³	-1 592	-1 956	-2 725	-1 445	653	-658	228	Sep 07	381
Financial Indicators									
Interest rates									
90 Day Bank Bill (as at 30 June)	5.02	5.11	4.67	5.50	5.66	5.92	6.43	Apr 07	7.88
10 Year Government Bond Yield (as at 30 June)	6.04	5.99	5.01	5.87	5.11	5.79	6.26	Apr 07	6.07
Exchange rates									
US\$ per A\$ (year average)	0.52	0.52	0.58	0.71	0.75	0.75	0.79	Apr 07	0.87
US\$ per A\$ (as at 30 June)	0.51	0.56	0.67	0.69	0.76	0.74	0.85	Apr 07	0.93
Special drawing rights per A\$ (as at 30 June)	0.41	0.43	0.48	0.47	0.52	0.51	0.56	Apr 07	0.57
Trade-weighted index of A\$ (as at 30 June)	49.7	52.3	59.4	59.1	64.5	62.2	68.9	Apr 07	70.0

1 Year on year percentage change unless indicated otherwise

2 Average Weekly Ordinary Full-Time Earnings

3 Year to date

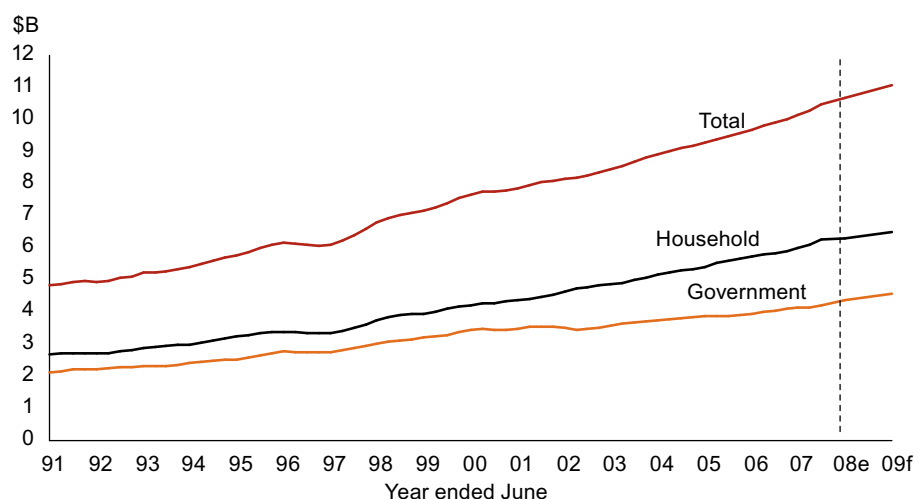
4 The 12 months to the latest available date

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

Consumption Total 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 2007-08, total consumption expenditure by households and government is estimated to increase by 6.0 per cent, driven by growth in household expenditure.

Since 1990-91, government consumption has declined as a proportion of total consumption, from about 45 per cent to 41 per cent in 2007-08. This reflects the growing significance of private sector (household) consumption expenditure in the Territory (Chart 2.1).

Chart 2.1: Territory Consumption
(real moving annual total)



e: estimate; f: forecast

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

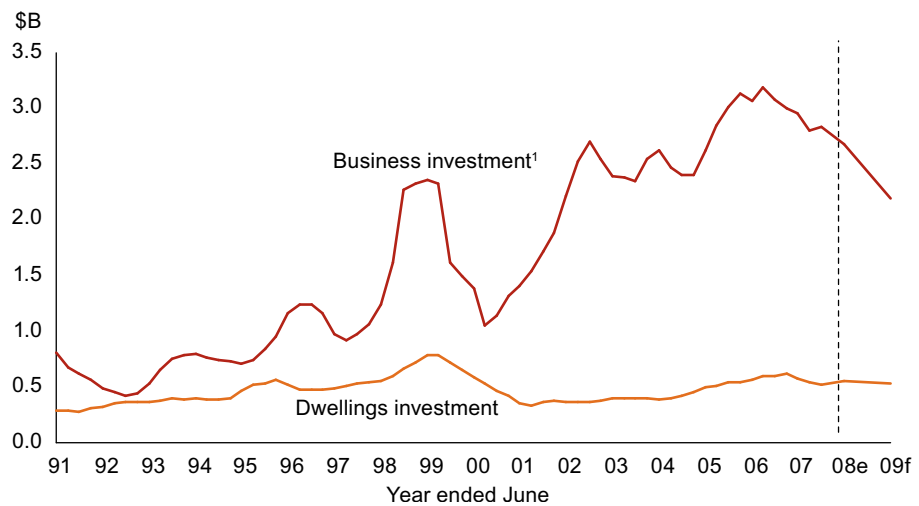
Investment

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. Continuing to retreat from the historic high levels reported in 2005-06, Territory investment is estimated to decrease by 7.0 per cent in 2007-08, following declines of 3.8 per cent in 2006-07. The decrease in total investment in 2007-08 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 major works for the Alcan G3 refinery expansion at Gove were completed in June 2007. During 2007-08 relatively minor levels of construction work continue at Alcan during the commissioning phase. While both non-dwelling construction expenditure and machinery and equipment expenditure continue at modest levels in 2007-08, the positive contributions of smaller projects is more than offset by the very substantial reduction in expenditure associated with the completion of the Alcan upgrade. Other projects ongoing in 2007-08 and contributing positively to business investment include the Bonaparte gas project, the GEMCO expansion, the McArthur River mine conversion, the Weddell power station and the Browns Oxide plant, as well as the Darwin Waterfront.

The level of dwelling investment is estimated to decline by 3.3 per cent in 2007-08 and has been impacted by both recent interest rate increases and diminished housing affordability. Growth in non-residential building activity is estimated to increase in 2007-08, supported by investment expenditure associated with the Darwin Waterfront, continued work on the Mantra Pandanas serviced apartments, the Medina and Vibe hotels, and preliminary works on stage 2 of Chinatown.

Public sector non-residential building activity in 2007-08 will include the ongoing delivery of the middle year's schooling program and the continued development of the Desert Knowledge Precinct in Alice Springs.

Chart 2.2: Territory Dwelling and Business Investment
(real moving annual total)



e: estimate; f: forecast

¹ Private investment less dwelling investment and ownership transfer costs

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

Economic Outlook

Following modest growth in 2007-08, GDP is forecast to increase by a more substantial 6.6 per cent in 2008-09, predominantly driven by a recovery in export volumes, and supported by solid total consumption expenditure. Significant growth in export volumes more than offsets a forecast increase in import volumes (mainly oil and feedstock gas), and completely offsets the impact of the weakening onshore economy, particularly the significant decline in business investment. In 2008-09, oil production will be the main driver of increased production as the Corallina field resumes and a full year of production from the Puffin field contribute to growth. Additionally, increased liquids production from the Joint Petroleum Development Area (JPDA) including condensate, oil and liquid petroleum gas, will increase relative to 2007-08, following recovery from the scheduled maintenance shutdown. Following completion of the conversion to open cut operations, production of lead-zinc at the McArthur River mine, will increase significantly in 2008-09, as will production of alumina from Alcan. Both will contribute to higher export volumes in 2008-09 relative to 2007-08.

Consumption

Private consumption growth is forecast to moderate in 2008-09 as the combination of higher interest rates, weak growth in property prices, and credit constraints impact on consumer spending and confidence. The combined impact of these influences on household spending reduces the forecast contribution of this expenditure component to both SFD and GDP in 2008-09. Nevertheless, continued strong growth in public consumption expenditure due to Closing the Gap, as well as the Emergency Response, means that in 2008-09, public consumption contributes relatively more to total consumption spending than households.

Investment

Total investment is forecast to decline by 11.8 per cent in 2008-09, subtracting 3.4 percentage points from growth. This decrease completely reflects lower private sector business investment, as public investment is forecast to strengthen. Private investment is forecast to decline by 15.3 per cent. The two mega-projects, the Alcan G3 refinery expansion and the Wickham Point LNG plant, raised private investment in the Territory to unprecedented levels in 2005-06 and, with their completion, private investment levels (particularly non-dwelling construction and machinery and equipment) are returning towards more long-run trends. Dwellings investment is forecast to decrease by a further 3.1 per cent in 2008-09, following a similar decline in 2007-08, and reflecting the higher interest rate environment and affordability

issues around house and land prices. The forecast increase in public investment expenditure of 9.4 per cent in 2008-09, reflects expenditure by the Power and Water Corporation, as well as defence expenditure on both the Darwin and Tindal RAAF bases, and redevelopment of housing at Robertson Barracks. In addition, the increase in public investment in 2008-09 captures expenditure on Indigenous and government employee housing, as well as expenditure for the Tiger Brennan Drive extension and the construction of a conveyor system at the Port of Darwin.

Territory SFD is forecast to decrease by 0.4 per cent in 2008-09, due to the significant decline in total investment expenditure. Although total consumption is forecast to increase by 3.8 per cent in 2008-09, making a positive contribution to growth, total investment is forecast to decrease by 11.8 per cent, more than offsetting the increase in consumption.

Major Projects

With major works at the Alcan G3 refinery expansion at Gove drawing to a close in late 2006-07, and no multi-billion dollar project to replace it, engineering construction activity in the Territory declines in both 2007-08 and 2008-09. Ongoing projects will support engineering activity in the Territory. These include the US\$700 million Montara, Skua and Swift oilfield development in the Timor Sea and the \$750 million development of the Blacktip gas field in the Joseph Bonaparte Gulf (of which about 50 per cent will be attributed to the Territory). The \$160 million GEMCO manganese processing expansion at Groote Eylandt will also ensure that engineering activity in the Territory remains at levels above historical averages in 2008-09. In addition, there are other projects such as the construction of the \$71 million Molyhil tungsten and molybdenum plant near Alice Springs (with first production due in 2010), the \$100 million retail development in the Darwin airport precinct, and ongoing works on the \$100 million One30 Esplanade high rise apartment development.

Chart 2.3: Territory State Final Demand and Gross State Product (real year-on-year percentage change)



e: estimate; f: forecast

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