

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.
- Economic growth moderated to 3.9 per cent in 2007-08 compared to average growth of 5.8 per cent over the previous three years.
- Economic growth is estimated to strengthen to 4.1 per cent in 2008-09 as business investment increases, strongly driven by major projects such as the Eni Blacktip project, the Australian Pipeline Group's Bonaparte gas pipeline and the GEMCO manganese refinery expansion. Investment expenditure is also being supported by strong growth in public investment.
- Economic growth is forecast to moderate to 2.0 per cent in 2009-10, in line with the deteriorating global economy. Despite large declines in business investment, growth is expected to be underpinned by ongoing consumption growth, an improvement in net interstate trade, as well as large increases in public investment expenditure and increased Defence personnel numbers. This forecast does not include the Inpex development. Should the project proceed it will have a substantial positive effect on future economic growth.

Table 2.1: Territory Economic Growth Profile

Period	GSP (annual change)	Comment
2005-06	6.5 per cent	Construction for major projects continues, and LNG production commences. Strengthening in mining and energy sectors. Population growth supports solid residential construction activity. Darwin Waterfront project approved.
2006-07	5.2 per cent	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.
2007-08	3.9 per cent	Investment returning towards expected levels with completion of major projects. Population and employment growth moderating but supported by high levels of construction and mining activity. Exports declining slightly, reflecting lower energy production levels offshore.
2008-09e	4.1 per cent	Economic growth strengthening, driven by a large increase in business investment. Growth in business investment reflects record spending on machinery and equipment and increasing engineering construction related to expansion activity in the mining and energy sectors. Moderating growth in private consumption expenditure as households become more cautious in their spending.
2009-10f	2.0 per cent	Economic growth to moderate, predominantly as a result of large declines in business investment reflecting lower activity in the mining sector as demand is impacted by the deteriorating global economy. Growth driven by an improvement in net interstate trade, large increases in public investment expenditure and increased Defence personnel numbers.

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)

	Chain Volume Measure \$M ¹										
	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09e	09-10f
Private Consumption	4 399	4 553	4 849	5 071	5 399	5 655	5 981	6 217	6 507	6 647	6 773
Public Consumption	3 648	3 687	3 702	3 796	3 971	4 099	4 189	4 411	4 572	4 704	4 846
Total Consumption	8 045	8 237	8 549	8 864	9 368	9 753	10 170	10 628	11 079	11 352	11 620
Private Investment											
Ownership Transfer Costs	119	94	109	113	146	156	171	167	141	133	124
Dwellings	666	397	412	453	436	557	638	610	554	560	486
Business Investment	1 497	1 472	2 276	2 454	2 693	2 707	3 167	3 086	3 138	3 677	2 388
Total Private Investment	2 186	1 935	2 806	3 031	3 290	3 415	3 975	3 863	3 834	4 371	2 999
Public Investment	417	609	726	485	494	620	632	607	756	820	1 116
Total Investment	2 616	2 588	3 571	3 533	3 793	4 052	4 612	4 470	4 590	5 190	4 115
State Final Demand ²	10 646	10 810	12 109	12 390	13 158	13 797	14 779	15 098	15 669	16 542	15 734
Total Exports	5 467	6 923	5 503	4 829	3 822	3 643	3 550	4 795	4 543	4 975	4 735
Total Imports	2 071	958	1 026	1 238	1 304	2 515	3 154	3 203	2 588	2 993	2 644
Net Exports	3 396	5 965	4 477	3 591	2 518	1 128	396	1 592	1 955	1 982	2 091
Balancing Item	-3 183	-5 384	-5 005	-4 401	-3 825	-2 407	-1 850	-2 675	-3 069	-3 372	-2 374
Gross State Product (A)	10 859	11 391	11 582	11 579	11 850	12 517	13 325	14 014	14 555	15 152	15 452
	Percentage Change										
Private Consumption	6.6	3.5	6.5	4.6	6.5	4.7	5.8	3.9	4.7	2.2	2
Public Consumption	7.6	1.1	0.4	2.5	4.6	3.2	2.2	5.3	3.6	2.9	3
Total Consumption	7.0	2.4	3.8	3.7	5.7	4.1	4.3	4.5	4.2	2.5	2½
Private Investment											
Ownership Transfer Costs	-7.8	-21.0	16.0	3.7	29.2	6.8	9.6	-2.3	-15.6	-5.7	-6½
Dwellings	-25.1	-40.4	3.8	10.0	-3.8	27.8	14.5	-4.4	-9.2	1.2	-13¼
Business Investment	-40.2	-1.7	54.6	7.8	9.7	0.5	17.0	-2.6	1.7	17.2	-35
Total Private Investment	-36.2	-11.5	45.0	8.0	8.5	3.8	16.4	-2.8	-0.8	14.0	-31½
Public Investment	45.8	46.0	19.2	-33.2	1.9	25.5	1.9	-4.0	24.5	8.4	36
Total Investment	-28.6	-1.1	38.0	-1.1	7.4	6.8	13.8	-3.1	2.7	13.1	-20%
State Final Demand ²	-5.0	1.5	12.0	2.3	6.2	4.9	7.1	2.2	3.8	5.6	-5
Total Exports	129.2	26.6	-20.5	-12.2	-20.9	-4.7	-2.6	35.1	-5.3	9.5	-4¾
Total Imports	243.4	-53.7	7.1	20.7	5.3	92.9	25.4	1.6	-19.2	15.6	-11¾
Net Exports	13.7	75.6	-24.9	-19.8	-29.9	-55.2	-64.9	302.0	22.8	1.4	5½
Balancing Item	-7.3	69.1	-7.0	-12.1	-13.1	-37.1	-23.1	44.6	14.7	9.9	-29½
Gross State Product (A)	7.2	4.9	1.7	0.0	2.3	5.6	6.5	5.2	3.9	4.1	2
	Percentage Point Contribution to Gross State Product										
Private Consumption	2.5	1.4	2.6	1.9	2.8	2.0	2.4	1.7	2.0	0.9	¾
Public Consumption	2.4	0.3	0.1	0.8	1.5	1.0	0.7	1.6	1.1	0.9	1
Total Consumption	4.9	1.7	2.7	2.7	4.3	3.1	3.1	3.3	3.1	1.8	1%
Private Investment											
Ownership Transfer Costs	-0.1	-0.2	0.1	0.0	0.3	0.1	0.1	-0.0	-0.2	-0.1	0
Dwellings	-2.1	-2.4	0.1	0.4	-0.1	1.0	0.6	-0.2	-0.4	0.0	-½
Business Investment	-9.3	-0.2	6.9	1.5	2.0	0.1	3.5	-0.6	0.4	3.6	-8¼
Total Private Investment	-11.4	-2.2	7.5	1.9	2.2	1.0	4.2	-0.8	-0.2	3.5	-9
Public Investment	1.2	1.7	1.0	-2.1	0.1	1.0	0.1	-0.2	1.0	0.4	2
Total Investment	-9.6	-0.2	8.5	-0.3	2.2	2.1	4.2	-1.0	0.8	4.0	-7
State Final Demand ²	-5.2	1.4	11.2	2.4	6.5	5.1	7.4	2.3	3.9	5.8	-5¼
Total Exports	28.4	12.8	-12.3	-5.8	-8.5	-1.4	-0.7	8.9	-1.7	2.8	-1½
Total Imports	13.5	-9.8	0.6	1.8	0.6	9.7	4.8	0.3	-4.2	2.7	-2¼
Net Exports	3.8	22.6	-12.8	-7.7	-9.1	-11.1	-5.5	8.5	2.5	0.2	¾
Balancing Item	2.3	-19.3	3.3	5.2	4.9	11.3	4.2	-5.9	-2.7	-2.0	6½
Gross State Product (A)	7.2	4.9	1.7	0.0	2.3	5.6	6.5	5.2	3.9	4.1	2

e: estimate; f: forecast

¹ 2006-07 base year² Chain volume measure (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

Economic Performance

2007-08 The Territory's gross state product (GSP) increased by 3.9 per cent in 2007-08 driven by strong growth in total consumption expenditure and net exports.

Total consumption expenditure increased by 4.2 per cent in the Territory in 2007-08 with strong growth in both the public and household sectors. Despite interest rates reaching the highest level since 1994, private consumption expenditure increased by 4.7 per cent in the year, supported by strong growth in employment and population, a low unemployment rate and high business and consumer confidence levels. Public sector consumption increased by 3.6 per cent primarily reflecting increased expenditure relating to the Commonwealth's Northern Territory Emergency Response and the Territory Government's Closing the Gap initiatives.

Total investment increased by 2.7 per cent in 2007-08 driven by record levels of private sector expenditure for machinery and equipment. This reflects the effects of the strong growth in global demand for resource commodities that led to the commencement of construction and expansion of a number of mining and energy projects throughout the Territory (Compass Resources \$140 million Brown's Oxide mine near Batchelor, Xstrata Zinc's \$110 million expansion of its McArthur River mine near Borroloola and GEMCO's \$167 million refinery expansion on Groote Eylandt).

After reporting strong growth in 2006-07, Territory exports declined by 5.3 per cent in 2007-08, driven by lower production from the Laminaria-Corallina oil fields, a six-week scheduled maintenance shutdown at the ConocoPhillips Wickham Point LNG plant and Bayu-Undan field (condensate, liquefied petroleum gas (LPG) and gas) and the permanent closure of the Elang Kakatua oil field in July 2007.

Nevertheless, the Territory reported a 22.8 per cent increase in its inflation adjusted trade surplus as declining levels of imports more than offset the weakness in the export sector. The large decline in imports reflects the completion of major construction activity related to the Rio Tinto Alcan alumina refinery expansion at the Gove peninsula in June 2007. This involved the importation of a number of pre-assembled modules from assembly yards across South East Asia to the Gove site. The large decline also reflects the 41 re-conditioned Abrams tanks valued at over \$180 million imported by the Department of Defence from the United States (US) in the previous year.

The Global Financial Crisis

What was first observed as rising default rates in subprime mortgages in the US in 2007 rapidly became a global financial crisis (GFC) in 2008 as financial institutions around the world incurred steep losses on financial instruments that were linked to these mortgages. Although it initially appeared that the global economy would ride out the subprime fallout, events deteriorated rapidly in September 2008 following the placement into conservatorship of the two US government sponsored mortgage providers, Freddie Mac and Fannie Mae.

This was quickly followed by the bankruptcy of US investment bank Lehman Brothers and the bailout of American International Group (AIG) by the US Federal Reserve. Following these events, market confidence around the

world plummeted and international credit markets effectively came to a standstill as financial institutions became wary of lending to one another. Although several attempts were made by governments around the world to free up credit markets, progress proved to be slow and confidence levels continued to deteriorate over the remainder of 2008. Tight credit markets led to steep increases in the cost of, and reduced access to, credit, which began to impact directly on non-financial firms and households. Faced with rising costs and falling demand, firms around the world began to downsize both operations and employee numbers. Rising unemployment rates globally have fed through to rapidly falling consumer confidence which in turn has further depressed demand for goods and services.

As the economies of the US, Europe and Japan progressively slid into recession, demand for consumer goods produced in Asia also deteriorated rapidly. In turn economic growth throughout Asian nations either declined or substantially moderated (see Chapter 3: External Economic Environment). Falling demand for exports from Asia, particularly from Japan and China (the Territory's two major export markets), led to a substantial fall in the demand for resource commodities which in turn began to have a substantial impact on the Territory economy during 2008-09.

2008-09 Despite the GFC and resulting deterioration in the global economy, the Northern Territory economy is estimated to have grown by 4.1 per cent in 2008-09, driven by a 13.1 per cent increase in investment expenditure. Growth in total consumption expenditure is estimated to moderate from 4.2 per cent in 2007-08 to 2.5 per cent in 2008-09 as households adopt a more cautious outlook. Despite a strong recovery in exports, the Territory's trade position (in inflation adjusted terms) is expected to improve only marginally reflecting a large increase in imports.

The strong increase in estimated investment expenditure in 2008-09 is mainly attributable to expenditure by the private sector and reflects record spending on machinery and equipment and large increases in engineering construction activity. This reflects ongoing construction and expansion activity in the mining and energy sectors (that had been committed to prior to the GFC) on projects such as the:

- GEMCO manganese refinery expansion on Groote Eylandt;
- Montara, Skua and Swift oil fields in the Timor Sea;
- Eni Blacktip condensate and gas project; and
- Australian Pipeline Group Bonaparte gas pipeline.

Public sector investment expenditure is also estimated to have grown strongly in 2008-09 reflecting large increases in Territory Government capital works infrastructure projects throughout the Territory (the \$110 million Tiger Brennan Drive extension near Palmerston, \$80 million Owen Springs power station south of Alice Springs and ongoing work related to the Darwin Waterfront) and increased spending on public housing.

Despite the substantial and multiple boosts to household discretionary spending from Commonwealth stimulus payments and the cumulative 4.25 percentage point cut in interest rates by the Reserve Bank of

Australia (RBA) between September 2008 and April 2009, growth in private consumption expenditure is estimated to increase by 2.2 per cent in 2008-09 as households become more cautious in their spending as the year progresses. This reflects the impact on consumer confidence of the deteriorating outlook for the global, national and Territory economies as well as the rising Australian unemployment rate in 2008-09. Nevertheless, Territory retail trade is forecast to grow at 1 per cent.

Public sector consumption expenditure growth is also estimated to have moderated in 2008-09 as the slowing national economy is leading to substantial declines in the collection of goods and service tax revenue by the Commonwealth, which in turn is contributing to the increasing budget deficits in states and territories across Australia.

Territory exports are estimated to have increased by 9.5 per cent in real terms in 2008-09 largely reflecting increases in mining (manganese, bauxite and iron ore) and manufacturing (alumina and LNG) production. Increased volumes of LNG exports reflect the ramping up of production at the Wickham Point LNG plant and condensate and LPG at the Bayu-Undan field in the Joint Petroleum Development Area following lower production due to the six week scheduled maintenance shutdown in 2007-08 (see Chapter 10: Mining and Energy).

Services exports are estimated to have declined substantially in 2008-09 reflecting the negative impact the GFC has had on global consumer confidence that has translated into large declines in international visitor arrivals to the Territory in 2008-09 (see Chapter 14: Tourism).

Imports to the Territory are estimated to have increased by 15.6 per cent in 2008-09 primarily driven by higher volumes of feedstock gas for the LNG plant, the importation of the well-head platform for the Montara, Skua and Swift oil fields in the Timor Sea, and higher machinery and equipment imports committed to by the mining and construction industry prior to the slowdown in the global economy.

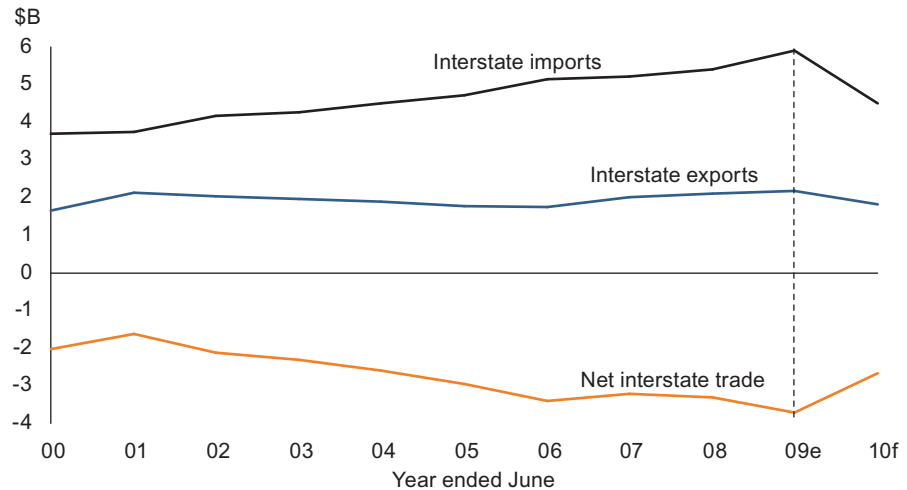
Short-Term Economic Outlook

Economic growth is forecast to grow by 2 per cent in 2009-10, mainly driven by a large improvement in the Territory's net interstate trade position as well as significant growth in public sector investment.

While interstate trade is of economic importance to the Territory, there are difficulties with both measurement and estimation. The interstate trade balance is recorded by the ABS in the state accounts, as a component of the balancing item (Table 2.2). The Territory's interstate trade balance has deteriorated since 2001, due to a strong Territory economy and substantial imports of machinery and equipment for major projects, but is forecast to recover strongly in 2009-10 (Chart 2.1). This reflects a steep decline in machinery and equipment imports from interstate with major projects completed in 2008-09 and the weak global economy leading to subdued expansion activity in the mining sector. Despite the commencement of gas imports from the Blacktip field (located in Western Australian waters), net interstate trade (the difference between interstate exports and imports) is forecast to increase by 28 per cent in 2009-10. This reflects the volume

Chart 2.1: Interstate Trade
(real annual data)

of interstate imports decreasing by substantially more than the decline in interstate exports, reflecting the slowing Australian and Territory economies.



e: estimate; f: forecast

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

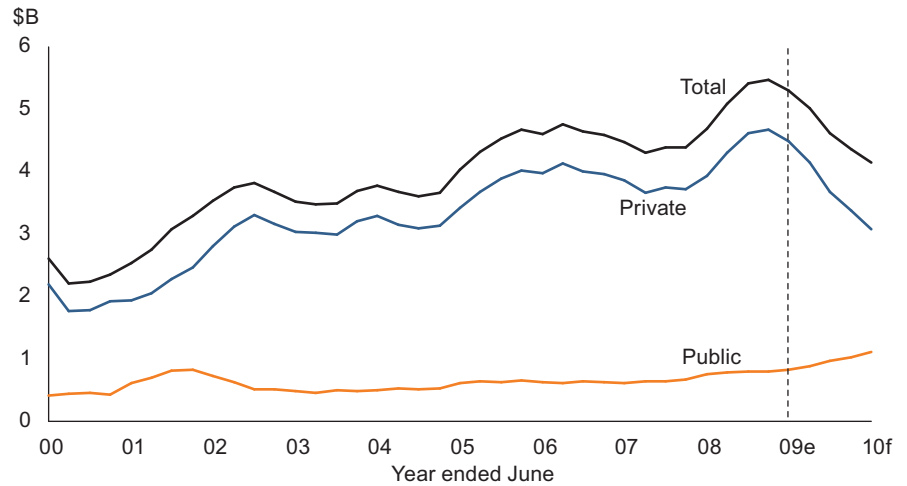
Total investment is expected to decline by 20¾ per cent in 2009-10 reflecting large decreases in machinery and equipment expenditure and construction activity, especially in the mining industry as lower commodity prices lead to the postponement or cancellation of plans for new mines, the expansion of existing ones or the closure of existing mines.

Commercial construction activity is also forecast to decline significantly in 2009-10. This reflects the continuing tight credit market for new commercial projects exacerbated by the withdrawal of foreign banks from the Australian banking sector. While the Commonwealth’s \$4 billion Australian Business Investment Partnership is expected to support commercial projects already currently under construction, it will not compensate for the increasing risk aversion of financial institutions and an expected fall in demand for major commercial developments.

Increased risk aversion will also contribute to a decline in construction activity for residential apartment buildings as financial institutions demand higher pre-sales agreements. Partly offsetting the large decline in business investment in the Territory in 2009-10 is a forecast increase in public investment of 36 per cent (Chart 2.2). This reflects:

- a record capital works program by the Territory Government;
- the Commonwealth’s Nation Building and Jobs Plan;
- a large increase in the Power and Water Corporation’s capital works program; and
- Defence spending for infrastructure projects (see Chapter 12: Construction).

Chart 2.2: Territory Investment Expenditure (real moving annual total)



e: estimate; f: forecast

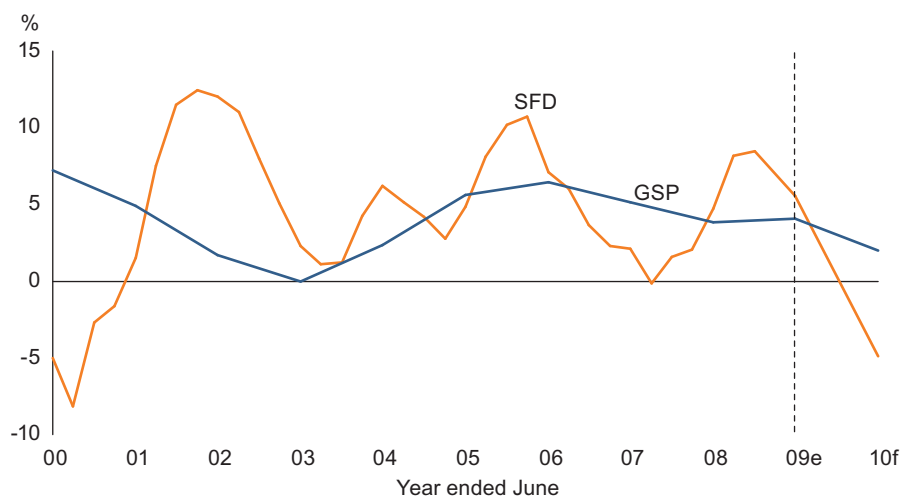
1 Private investment less dwelling investment and ownership transfer costs

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

Growth in consumption expenditure is expected to moderate to 2½ per cent in 2009-10, reflecting an increasingly cautious household sector as employment growth slows and the unemployment rate rises to a forecast 5 per cent (see Chapter 5: Labour Markets). Record low interest rates, as well as the expectation of more cuts, are forecast to underpin modest private consumption expenditure growth of 2 per cent in 2009-10. Public consumption expenditure is expected to strengthen to 3 per cent in 2009-10 supported by increasing Defence personnel numbers (see Chapter 17: Defence).

The Territory's international trade surplus is forecast to strengthen in 2009-10. The key contributors are increasing exports of alumina, iron ore and zinc-lead as well as declining levels of imported machinery and equipment, as major projects are completed. The improving trade surplus is despite the importation of the floating production storage and offloading facility in October 2009 to service the Montara, Skua and Swift oilfields.

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

Long-Term Economic Projections

Despite the current deterioration of the global economy, and expectations for economic activity to remain subdued in the medium term, the prospects for the Territory economy over the long term remain very positive.

This largely reflects the Territory's abundant resource base and close proximity to Asia, placing it in a strong position to quickly capitalise on the eventual recovery in the global economy.

The Territory economy is projected to return toward long-term rates of growth over the three forward years from 2009-10. Economic growth is projected to average 3¼ per cent per annum over this period, while SFD growth is projected to average 5 per cent. These projections assume that global economic growth will return to long-term trend levels as the global financial system recovers. It is important to note that these projections do not include the potential for a proposed expansion of the Wickham Point LNG plant, or the Inpex Ichthys project, construction of which may commence in 2010.

The Inpex Ichthys Project

In September 2008, the Japanese oil and gas company, Inpex, announced that Darwin had been selected as the preferred location to build a two train LNG plant to service the Ichthys condensate and gas field located in the Browse Basin in Western Australian waters. At an estimated overall cost of US\$20 billion, the Ichthys project will be the largest resource project ever undertaken in Australia. With an estimated \$12 billion to be spent on the construction of the LNG plant, it will also be the largest project ever undertaken in the Territory should it proceed.

As a final investment decision is not expected until late 2009, Treasury has not included the project in its forecasts or projections for economic parameters over the forward years.

Nevertheless, the project is already having an impact on the Territory economy. Front end engineering and design for the project commenced in early 2009 and, at an estimated cost of \$200 million, will have a positive direct impact on the Territory economy in 2008-09 and 2009-10. Indirectly the project has had a significant impact on the economy by supporting consumer and business confidence levels which, according to Sensis, remain substantially higher than national levels over 2008-09. Buoyant confidence has supported ongoing growth in house prices and strong growth in retail spending and jobs in 2008-09 (see Chapter 5: Labour Markets, Chapter 7: Retail and Wholesale Trade and Chapter 9: Residential Property Markets).

Appendix 1: 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 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 Australian Bureau of Statistics (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 (total exports less total imports).

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 alternative 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).

Although 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, the headline measure of economic growth is GSP(A), the average of the three.

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 4.8 per cent for the Territory in 2001-02. This growth rate was subsequently revised down to 1.7 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.

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.

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.

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 equally between Timor-Leste and Australia, with Australia's half share allocated to the Territory.

In total, offshore oil and gas accounts 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. An example is the importation of the pre-assembled modules for the Alcan alumina expansion at Gove between 2005 and 2007. 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.