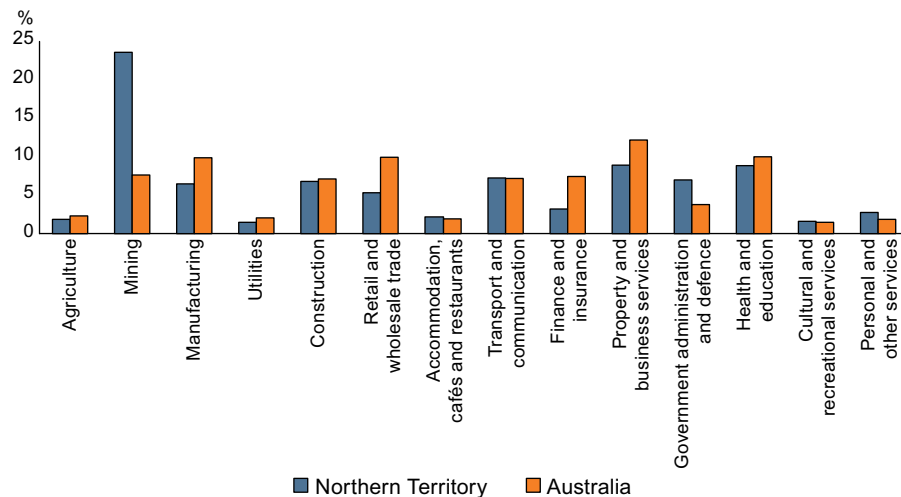


Performance of the Economy

The Northern Territory economy contributed an average of 1.3 per cent to Australia's gross domestic product (GDP) in the five years to 2007-08, with major economic activities including the extraction of minerals and energy, construction, manufacturing of alumina and liquefied natural gas (LNG) and provision of retail, tourism and government services.

Industry Proportion of
Gross State Product and GDP
from 2003-04 to
2007-08 (five-year average)



Source: ABS Cat. No. 5220.0

Gross State Product

The Territory economy has grown strongly in this decade, with average annual growth in gross state product (GSP) of 3.6 per cent. This is the third highest growth rate of the jurisdictions, and the same as the average annual GDP growth for Australia.

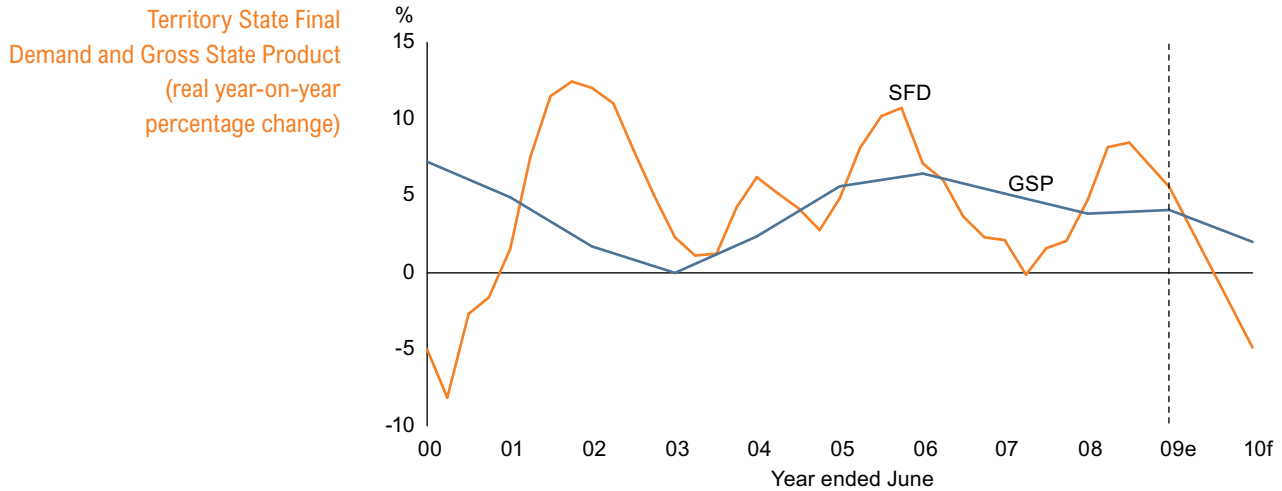
Territory GSP increased by an estimated 4.1 per cent in 2008-09, comprising a 5.6 per cent increase in state final demand (SFD) and a 1.4 per cent increase in net exports. This is lower than the average annual increase of 4.7 per cent in the five years to 2007-08.

The downturn in the world economy from 2008-09 is likely to have a negative effect on the Territory economy in 2009-10, but GSP is still forecast to increase by 2 per cent.

Territory GSP is estimated to increase in 2008-09 and 2009-10 despite the onset of recession in Australia and the Territory's major trading partners, due to momentum from:

- investments in expanded mineral and energy production (e.g. conversion of McArthur River Mine from underground to open cut mining, and increased production of iron ore by Territory Resources) and manufacturing (e.g. expansion of alumina processing capacity by Rio Tinto Alcan and increased production of manganese by GEMCO);
- private consumption being supported by the confidence of Territory businesses and households about employment and economic growth prospects in the Territory (March quarter 2009 Sensis data reports a net 49 per cent of Territory consumers are confident about their financial prospects for the year ahead compared to a net balance of 21 per cent nationally); and

- public consumption and investment levels being supported by Territory, Commonwealth and local government spending, including through the Commonwealth Nation Building and Jobs Plan, the joint Commonwealth and Territory government Strategic Indigenous Housing Infrastructure Program (SIHIP) and the Territory Government’s capital works program.



e: estimate; f: forecast
 Source: Northern Territory Treasury, ABS Cat. Nos 5206.0 and 5220.0

Exports and Imports

About 40 per cent of the Territory’s GSP comes from the export of goods and services, compared to about 21 per cent for Australia. Together with the relatively small size of the economy, the significance of exports causes consumption and investment levels in the Territory economy to be susceptible to economic conditions in the Territory’s key export markets.

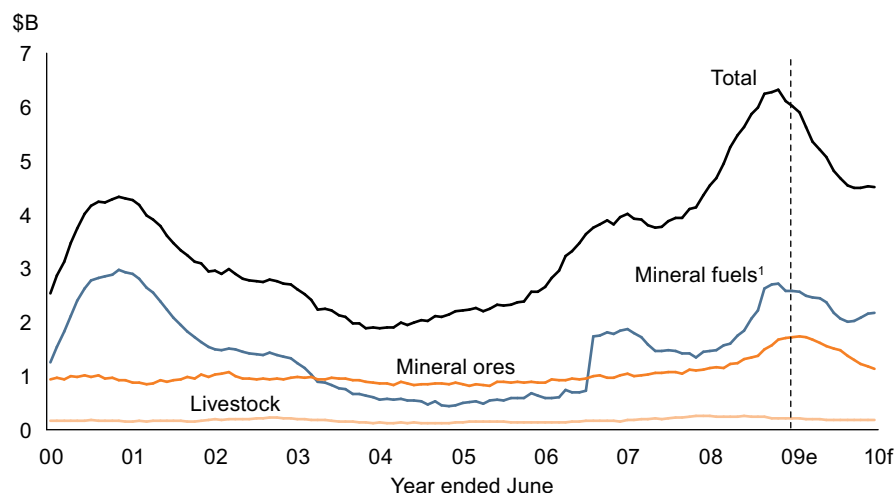
Improved transport links (primarily through the Adelaide to Darwin railway and the Port of Darwin) and global demand for minerals and energy have supported the development of the Territory’s resource potential, and recent high rates of exports and associated investment.

The value of Territory exports is estimated to be \$4.98 billion in 2008-09 (14.5 per cent more than in 2007-08), and is forecast to contract by 5 per cent to \$4.74 billion in 2009-10. Manganese, alumina, iron ore, crude oil, LNG and tourism services are the Territory’s main exports.

The value of Territory imports is estimated to be \$2.99 billion in 2008-09 (15.6 per cent more than in 2007-08), and is forecast to contract by 12 per cent to \$2.64 billion in 2009-10. Machinery and equipment (mostly mining related), refined fuels (for transport and electricity generation) and natural gas are the Territory’s main imports.

The Territory’s trade surplus is estimated to be \$1.9 billion in 2008-09 (effectively unchanged from 2007-08), and is forecast to increase by 5½ per cent to \$2.1 billion in 2009-10. A decline in investment in the minerals and energy industry is expected to reduce demand for imported machinery and equipment, while exports of minerals and energy remain steady as a significant proportion are generally sold under long-term contracts, partly offsetting changes in commodity prices and demand.

Territory Merchandise Exports by Major Group (moving annual total)



e: estimate; f: forecast

¹ Mineral fuels includes LNG exports

Source: Northern Territory Treasury, Australian Bureau of Statistics unpublished data

State Final Demand

SFD is a measure of the demand for goods and services by households, business and the public sector. Average annual growth in Territory SFD in this decade is 5.4 per cent, compared to 5.2 per cent for Australia.

Investment

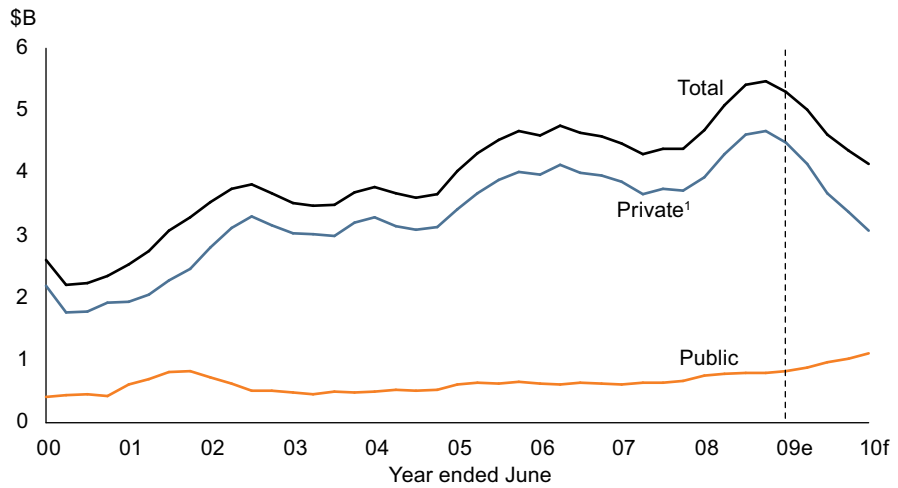
Total investment increased by an estimated 13.1 per cent in 2008-09, but is forecast to decline by 20¼ per cent in 2009-10. Between 2000-01 and 2007-08, total investment has increased by an average of 8.5 per cent a year.

There has been significant private sector investment in the mining and energy industry in the past 10 years. Together with associated residential and non-residential construction, this has contributed to an average annual increase in private investment of 10.3 per cent between 2000-01 and 2007-08. Average annual public sector investment increased by 3.2 per cent over this period, including a substantial investment in non-residential and transport infrastructure construction (for example, school buildings, the Darwin Waterfront, the railway and the Port of Darwin expansion).

Private investment increased by an estimated 14 per cent in 2008-09, but is forecast to decline by 31½ per cent in 2009-10. The level of private investment is expected to increase in the medium term as global demand for commodities and commodity prices improve.

Public sector investment increased by an estimated 8.4 per cent in 2008-09, and is forecast to increase again by 36 per cent in 2009-10. Key public sector investment initiatives under way or to start during this period include the upgrade of Tiger Brennan Drive (\$110 million), SIHIP (\$672 million), and the ongoing upgrade and augmentation of utilities infrastructure by the Power and Water Corporation (\$1.3 billion by 2011-12). Public investment in 2009-10 is forecast to be at least 1.75 times the annual average in this decade.

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

Consumption

Private consumption increased by an estimated 2.2 per cent in 2008-09, and is forecast to increase by 2 per cent in 2009-10.

Private sector consumption in the Territory is supported by lower unemployment relative to elsewhere in Australia, higher household incomes and confidence. The momentum established in the boom times and continued population growth are expected to offset the negative effects on employment and household consumption of the recession in the world economy in the short term.

Public sector consumption increased by an estimated 2.9 per cent in 2008-09, and is forecast to increase by 3 per cent in 2009-10. Public sector consumption in the Territory is supported by increased demand for government services, and spending through the Commonwealth’s Northern Territory Emergency Response and the Territory Government’s Closing the Gap strategy. A key part of this spending will be for ongoing improvements to education and health services in Indigenous communities.