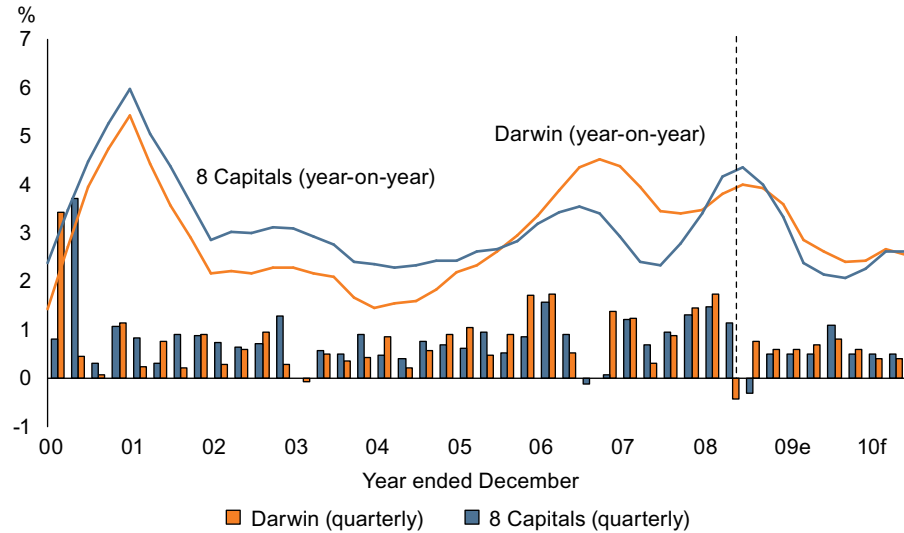


Prices and Wages

Prices

As measured by the consumer price index (CPI) for Darwin, average retail prices in the Territory is estimated to increase by 2.6 per cent in 2009, and forecast to increase by 2½ per cent in 2010. This is less than the 4.0 per cent increase in prices in 2008, and within the Reserve Bank of Australia target range of 2 to 3 per cent.

Consumer Price Index



e: estimate; f: forecast

Source: Northern Territory Treasury, ABS Cat. No. 6401.0

Although the rate of price inflation in the Territory has, on average, been less than the national rate in the past two decades, the small market size and remoteness of the Territory mean generally higher average prices than other capital cities.

Since 2006, Territory inflation has generally tracked higher than the national rate. This is mainly due to Darwin housing prices and rents increasing at a faster rate than nationally. Housing contributed about 43 per cent to the increase in Darwin’s CPI in 2008. On the other hand, falling crude oil and transport fuel prices reduced the rate of inflation in 2008.

Wages

The Territory Wage Price Index (WPI) increased by an estimated 3.8 per cent in 2009, comprising a 4.3 per cent increase to private sector wages and a 3.6 per cent increase to public sector wages.

The Territory has experienced relatively high private sector wages growth in recent years, primarily due to a shortage of skilled labour in the construction, mining and health industries.

However, the WPI for 2010 is forecast to increase by 3½ per cent, with a slower rate of wages growth expected as rising unemployment limits the ability of employees to negotiate above inflation wage increases. In particular, the shedding of large numbers of employees in the mining sector in Western Australia and Queensland is expected to reduce the rate of private sector wages growth in the Territory.