

Developments in the Northern Territory Economy and Labour Market

Northern Territory Economy¹

The Northern Territory economy grew strongly over the year to June 2014 (latest available data), with Gross State Product (GSP) increasing by 6.5 per cent over the period, the highest rate of growth of any State or Territory and up from the 4.3 per cent recorded over the previous year.

- More recent partial data suggest that economic conditions in the Northern Territory have remained solid over recent quarters, with *trend* State Final Demand (SFD) increasing by 1.4 per cent over the March quarter 2015 and by 9.5 per cent over the year.

Table 1: State Final Demand (SFD) and Gross State Product (GSP)

	Change in SFD over the quarter to March 2015 (%)*	Change in SFD over the year to March 2015 (%)*	Change in GSP over the year to June 2014 (%)	Change in GSP over the year to June 2013 (%)
New South Wales	0.5	1.9	2.1	1.8
Victoria	1.3	3.4	1.7	2.1
Queensland	0.1	-2.1	2.3	3.1
South Australia	0.8	2.7	1.3	0.9
Western Australia	-1.8	-4.9	5.5	4.6
Tasmania	0.3	1.7	1.2	-0.2
Northern Territory	1.4	9.5	6.5	4.3
Australian Capital Territory	0.3	2.0	0.7	2.4
Australia**	0.0	0.8	2.5	2.5

Source: ABS, *Australian National Accounts: State Accounts, 2013-14* (cat.no. 5220.0).

* State Final Demand (SFD). Source: ABS, *Australian National Accounts: National Income, Expenditure and Product, March 2015* (cat. no. 5206.0), *seasonally adjusted* data, with the exception of the Northern Territory and the ACT which are in *trend* terms. Note that as SFD excludes the trade sector, it is not comparable with the GSP figures above.

** Gross Domestic Product, chain volume measures, *original* data. For comparability purposes, the figure for the March quarter 2015 refers to Domestic Final Demand and is in *seasonally adjusted* terms.

The strong economic growth over the *year* has been supported by the construction phase of the resource boom underway in the Territory. Most notably, the \$34 billion INPEX Ichthys Liquefied Natural Gas (LNG) project, due for completion in 2016, has contributed to high levels of engineering construction activity and business investment over the year. Indeed, business investment in the Northern Territory has increased by 26.1 per cent over the year to the March quarter 2015, while non-dwelling construction rose by 27.4 per cent over the same period. According to Access Economics' *Business Outlook*, the INPEX Ichthys LNG project remains the largest value infrastructure project underway in the Territory, accounting for around 95 per cent of engineering construction work underway.

It is worth noting, however, that while resource-related activity remains solid, other partial economic indicators suggest that conditions have begun to ease in the Northern Territory. Indeed, strong outflows, with respect to net interstate migration, have resulted in population growth in the Northern Territory slowing to just 0.4 per cent over the year to the December quarter 2014, below the 1.4 per cent recorded nationally and down from the 1.7 per cent recorded over the previous year. The moderation in population growth has contributed to a softening in the housing sector, with the total value of dwelling construction in the Northern Territory falling by 13.9 per cent over the year to the March quarter 2015, compared with an increase of 64.7 per cent over the previous

¹ Large movements in the ABS State Final Demand (SFD) detailed components data for the Northern Territory suggest that the series are exhibiting a high degree of statistical variability. Due to the volatile nature of the SFD data, the figures used below are in *trend* terms (which can provide a better gauge of the strength of underlying economic conditions).

12 months. In addition, *trend* Retail Trade in the Northern Territory has declined by 0.9 per cent over the year to May 2015, compared with a rise of 6.5 per cent recorded over the previous year.

Going forward, economic growth is expected to remain reasonably solid over the short to medium-term, as the commencement of LNG production in 2015-16 should lead to a sizeable increase in export levels in the Territory. The lower Australian dollar is expected to provide support for the agribusiness and tourism sectors, which would partially offset the transition of resource projects from the construction phase, to the less labour-intensive production phase. The weaker outlook for commodity prices, however, remains a downside risk to economic growth in the Territory, as a decline in gas prices may dampen the viability of future resource projects in the pipeline.

- Against this backdrop, the Northern Territory Treasury's *2015-16 Budget* forecasts Gross State Product (GSP) to increase by 4.5 per cent in 2015-16 and 2016-17.

Northern Territory Labour Market

Labour market conditions in the Northern Territory have remained reasonably strong over the year to June 2015, with the level of employment increasing by 5,100 (or 3.8 per cent). The increase in employment over the year to June 2015 was due, in large part, to a rise in *part-time* employment (up by 3,500 or 15.8 per cent), while *full-time* employment rose by 1,500 or 1.4 per cent over the period.

The Territory's unemployment rate has risen by 0.2 percentage points over the year, to stand at 4.5 per cent in June 2015, although it remains below the 6.0 per cent recorded for Australia. The increase in the unemployment rate occurred in conjunction with a sizeable rise in the participation rate, up by 2.0 percentage points to stand at a record high of 76.3 per cent in June 2015, and it remains the highest rate recorded of any State or Territory (see Table 2 below).

Table 2: Key labour market statistics, States and Territories, June 2015

	Employment growth (%) Jun-15	Unemployment rate (%)		Participation rate (%)	
		Jun-15	Annual change (% pts)	Jun-15	Annual change (% pts)
New South Wales	2.5	5.8	0.0	63.5	0.5
Victoria	3.0	6.0	-0.6	64.6	0.3
Queensland	0.5	6.1	-0.2	65.3	-0.9
South Australia	-0.2	8.2	1.1	62.5	0.0
Western Australia	2.3	5.8	0.9	68.9	0.6
Tasmania	1.3	6.5	-0.8	60.9	-0.1
Northern Territory	3.8	4.5	0.2	76.3	2.0
Australian Capital Territory	0.1	4.1	-0.1	70.1	-0.8
Australia	1.9	6.0	0.0	64.8	0.1

Source: ABS Labour Force, Australia, June 2015 (Cat. No. 6202.0), data for the States and Australia are in seasonally adjusted terms, data for the Northern Territory and the Australian Capital Territory are in trend terms.

With respect to gender differences in labour market performance over the year to June 2015, female employment growth (up by 3,300 or 5.6 per cent) has outpaced male employment growth (up by 1,800 or 2.4 per cent) in the Northern Territory. Notably, the relatively subdued employment growth recorded for males over the past 12 months was driven by weakness in male full-time employment (up by just 300 or 0.5 per cent).

The unemployment rate for females has increased by 0.4 percentage points over the last 12 months, to 4.2 per cent in June 2015, while the male unemployment rate also rose over the period, by 0.1 percentage points, to stand at 4.8 per cent. The participation rate for females has increased significantly over the year, by 3.2 percentage points, to a record high of 72.7 per cent in June 2015, while the male participation rate also rose, by 0.9 percentage points over the period, to 79.6 per cent.

Regional Labour Market Developments

ABS Statistical Area Level 4 (SA4) data show that labour market conditions (while still solid) have moderated somewhat in Darwin, with employment increasing by 1,200 (or 1.5 per cent) over the year to June 2015. Against the softer backdrop, the region's unemployment rate increased over the year, by 0.6 percentage points, to stand at 3.7 per cent in June 2015, although it remains well below the rate recorded nationally (6.0 per cent). The participation rate also increased over the period, by 0.1 percentage points to 77.8 per cent in June 2015, and it remains well above the national rate (64.8 per cent).

Labour market conditions have been mixed in the SA4 of Northern Territory – Outback over the last 12 months. The level of employment increased by 1,200 (or 2.3 per cent) over the year to June 2015, while the unemployment rate also rose, by 0.7 percentage points over the period, to 6.1 per cent in June 2015, above the Territory and national averages (of 4.5 per cent and 6.0 per cent, respectively). The increase in the unemployment rate occurred in conjunction with a 1.6 percentage point rise in the participation rate, which increased to 73.2 per cent in June 2015.

- It is worth noting, however, that there are a number of regional labour markets within the Territory that are experiencing a high level of labour market disadvantage. For example, six Local Government Areas (LGAs) in the Northern Territory recorded an unemployment rate above 10 per cent in the March quarter 2015 (latest available data), with the highest unemployment rate recorded in Central Desert (15.7 per cent), followed by West Daly (13.2 per cent) and Roper Gulf (11.0 per cent)².

Table 3: Key labour market indicators for Northern Territory ABS Statistical Area Level 4s (SA4s), June 2015

	Employment ('000)		Unemployment rate (%)		Participation rate (%)	
	Jun-15	Annual change	Jun-15	Annual change	Jun-15	Annual change
Darwin	82.0	1.5%	3.7	0.6 pts	77.8	0.1 pts
Northern Territory - Outback	54.5	2.3%	6.1	0.7 pts	73.2	1.6 pts
<i>Northern Territory</i>	<i>137.7</i>	<i>3.8%</i>	<i>4.5</i>	<i>0.2 pts</i>	<i>76.3</i>	<i>2.0 pts</i>
<i>Australia</i>	<i>11,768.6</i>	<i>1.9%</i>	<i>6.0</i>	<i>0.0 pts</i>	<i>64.8</i>	<i>0.1 pts</i>

Source: Data for SA4s are from ABS *Labour Force, Australia, Detailed - Electronic Delivery*, June 2015 (cat. no. 6291.0.55.001) and are three month averages of *original* estimates. Data for the Northern Territory and Australia are from ABS *Labour Force, Australia*, June 2015 (cat. no. 6202.0), with data for the Northern Territory in *trend* terms and data for Australia in *seasonally adjusted* terms.

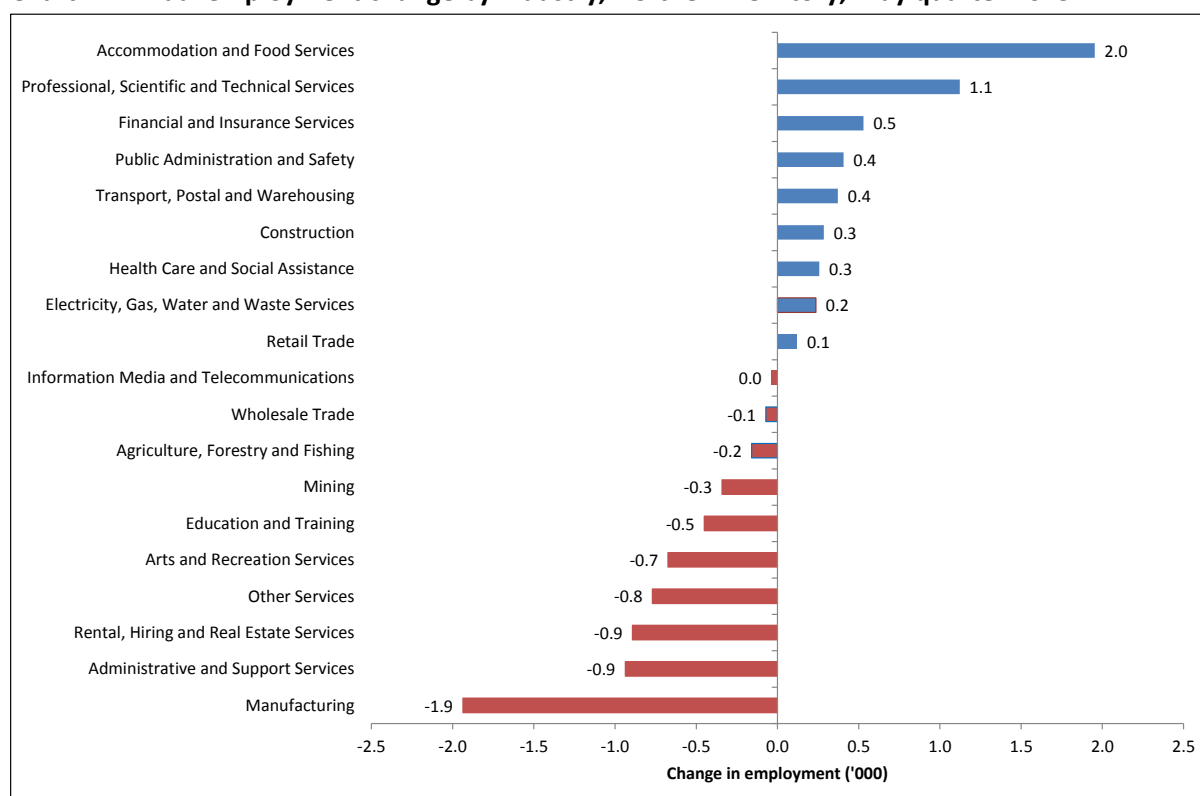
² Department of Employment, *Small Area Labour Markets*, March quarter 2015.

Industry Employment in the Northern Territory

The main employing industry in the Northern Territory in the May quarter 2015 was Public Administration and Safety (comprising 17.4 per cent of employment or 23,800 workers), followed by Health Care and Social Assistance (12.3 per cent or 16,700 workers) and Construction (11.6 per cent or 15,800 workers).

Over the year to the May quarter 2015, employment increased in nine of the 19 broad industries, with the largest employment growth recorded in Accommodation and Food Services (up by 2,000 or 27.3 per cent), Professional, Scientific and Technical Services (up by 1,100 or 14.9 per cent) and Financial and Insurance Services (up by 500 or 36.5 per cent). By contrast, the largest declines in employment over the year were recorded in Manufacturing (down by 1,900 or 38.9 per cent), Administrative and Support Services (down by 900 or 18.0 per cent) and Rental, Hiring and Real Estate Services (down by 900 or 36.5 per cent).

Chart 1: Annual employment change by industry, Northern Territory, May quarter 2015



Source: ABS *Labour Force, Australia, Detailed, Quarterly*, May 2015 (cat. no. 6291.0.55.003), Department of Employment trend data.

Outlook

Looking ahead, labour market conditions in the Northern Territory are forecast to soften over the short to medium-term, as resource projects transition from the construction phase, to the less labour-intensive production phase. The Northern Territory Treasury's *2015-16 Budget* forecasts are for employment to increase by 1.5 per cent in 2015-16, before easing to just 0.7 per cent in 2016-17, with the unemployment rate expected to stand at 4.5 per cent in 2015-2016, increasing to 4.7 per cent by mid-2016.

Despite some easing in conditions, the Department of Employment projects employment in the Northern Territory to rise by 11.5 per cent (or 15,100 workers) over the five years to November 2019, the highest forecast rate of any State or Territory. The largest contributors to growth in the Northern Territory over the five years to November 2019 are projected to be Health Care and Social Assistance (2,900 or 18.2 per cent) and Construction (2,900 or 18.6 per cent), while declines in employment are forecast in Mining (800 or 14.5 per cent) and Manufacturing (200 or 6.2 per cent) over the same period.

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