

# State of the economy - December 2021

## Overview

The NT economy performed strongly over 2021, as the Territory, relatively unscathed by COVID, benefited from increased consumer spending and a steady stream of investment. Although headline GSP for FY21 was dragged down by lower gas exports, growth in domestic demand is at its highest level in four years. Retail sales remain high by historical standards and construction work is steadily picking up. Trade data for the second half of 2021 show export values have increased substantially in recent months, as gas demand and prices have increased. After spiking at the onset of the pandemic, the unemployment rate has returned to the low 4s. One negative consequence of the strength in demand has been the sharp pick-up in inflation, reaching 6 per cent in the December quarter.

Over the coming quarters, some of the COVID boom is likely to wear off, but the ongoing pipeline of investment projects should support continued strength in activity. As with the rest of Australia, challenges for the NT economy in 2022 include higher inflation, growing wage pressures, and a potentially higher interest rate environment. In addition, uncertainty around international tourism and migration will continue to affect a number of sectors of the local economy, both in terms of demand and labour supply.

Table 1: Summary of Key Results

Economic Growth	
<i>...strong growth in domestic demand</i>	Over the year to September 2021 state final demand increased by 8.6 per cent relative to the previous 12 month period, due to strong growth in consumption spending and investment. However, weaker gas exports meant that the Territory's GSP for 2020/21 fell slightly (by 0.6 per cent).
Active Businesses	
<i>...business numbers continue to increase</i>	The number of actively trading businesses in the Territory increased by 2.8% over 2020/21 as the business entry rate outpaced the exit rate. The Territory's entry (15.5%) and exit (12.3%) rates are similar to the national entry rate (15.8%) and exit rate (12.0%).
Business Confidence	
<i>...NT business confidence is robust</i>	Despite falling from the historic highs seen during the middle of 2021, business confidence remained robust in the December quarter at a net balance of +58%. This is above pre-pandemic levels and well above the June 2020 trough of 28%.
Retail Sales	
<i>...retail spending remains high</i>	Since the onset of the pandemic retail spending has reached new highs in the Territory – spending in 2021 was 7 per cent higher than in 2020 and 16 per cent higher than in 2019. Although sales numbers fell a little in the second half of 2021, they remain well above pre-pandemic levels.
Inflation	
<i>...higher rents are pushing up inflation</i>	Rising housing and fuel costs drove inflation in Darwin to a historic high of 6 per cent in the December quarter. Inflation is currently higher in Darwin than in any other capital city.
Construction Work Done	
<i>...construction has turned a corner</i>	Construction activity in the Territory increased 23.8% (year on year) in September 2021, largely due to engineering work (mostly in the mining sector). This increase was supported by growth in residential and non-residential building construction.
Residential Building Activity	
<i>...private building activity is gradually picking-up</i>	Residential building activity has gradually increased since December 2019 reversing the downward trend experienced since December 2014. In the 12 months to September 2021, NT residential building activity was 6.3% higher than in the previous 12 months.
International Trade (Goods Exports)	
<i>...goods exports jumped in the past six months</i>	In 2021, the value of Territory goods exports was 21% higher than in 2020. Rising global gas demand and prices has led about greater LNG exports, particularly in recent months. LNG dominates NT goods exports.

Labour Market	
...labour demand likely to remain strong	Over 2021, employment increased by 1.3 per cent and the unemployment rate decreased by 1.1 percentage points to 4.2 per cent. High levels of job vacancies suggest further employment growth in the period ahead.
Population	
...the population has been steady	The Territory's annual population growth was flat (0.04%) at June 2021. The NT had the second lowest growth rate of all jurisdictions

Table 2: Economic Indicators

Indicator	Most recent	Level	Period change <sup>1</sup>	Annual change <sup>2</sup>	Year on Year <sup>3</sup>	COVID period change <sup>4</sup>
<b>Economic Growth</b>						
State final demand (NT) (sa)	Sep 2021	\$6.7b	4.0%	11.6%	8.8%	14.5%
Domestic final demand (Aus) (sa)	Sep 2021	\$495.2b	-1.8%	5.2%	4.7%	2.0%
Gross State Product (NT)	2020/21	\$26.2b	na	na	-0.6%	na
Gross Domestic Product (Aust)	2020/21	\$2,010.1b	na	na	1.5%	na
<b>Partial Indicators</b>						
Retail Sales (NT) (sa)	Dec 2021	\$295.6m	-2.7%	-3.1%	7.0%	13.1%
Retail Sales (Aust) (sa)	Dec 2021	\$31.9b	-4.4%	4.8%	5.6%	15.6%
Construction Work Done (NT) (sa)	Sep 2021	\$667m	11.4%	19.9%	23.7%	69.7%
Construction Work Done (Aust) (sa)	Sep 2021	\$53.93b	-0.3%	3.5%	0.7%	1.3%
Building Activity (NT) (sa)	Sep 2021	\$211.8m	4.2%	-3.0%	6.2%	11.3%
Building Activity (Aust) (sa)	Sep 2021	\$30.56b	-1.6%	3.5%	1.0%	-1.0%
Goods Exports (NT)	Dec 2021	\$1.68b	17.4%	88.4%	21.1%	41.2%
Goods Exports (Aust) (sa)	Dec 2021	\$40.46b	0.7%	21.1%	25.6%	31.3%
<b>Business Confidence</b>						
Net balance (NT)	Dec 2021	58%	-12ppt	-9ppt	na	25ppt
Net balance (Aust; NAB)	Dec 2021	-12pts	-24pts	-18pts	na	-13 pts
<b>Prices</b>						
CPI (Darwin)	Dec 2021	na	0.8%	6.0%	5.1%	5.7%
CPI (8 Capitals)	Dec 2021	na	1.3%	3.5%	2.9%	4.0%
WPI (NT)	Sep 2021	na	0.9%	2.4%	1.9%	2.9%
WPI (Aust)	Sep 2021	na	0.9%	2.2%	1.7%	2.7%
<b>Labour Market</b>						
Employment (NT) (sa)	Dec 2021	131,508	1.3%	1.3%	na	-0.6%
Employment (Aus) (sa)	Dec 2021	13.24m	0.5%	2.9%	na	2.0%
Unemployment rate(NT) (sa)	Dec 2021	4.2%	-0.2 ppt	-1.2 ppt	na	-0.7
Unemployment rate (Aust) (sa)	Dec 2021	4.2%	-0.5 ppt	-2.4 ppt	na	-1.2
<b>Population</b>						
Estimated Resident Population (NT)	Jun 2021	246,338	-0.1%	0.04%	na	0.2%
Estimated Resident Population (Aust)	Jun 2021	25.74m	0.1%	0.2%	na	0.3%

1. Monthly change for retail sales, goods exports, and unemployment; quarterly change for all other variables.

2. Compares the latest month with the same month last year

3. Compares the 12 months up to and including the latest month with the previous 12-month period

4. Growth rate period is January 2020 to most recent for monthly data, and March quarter 2020 to most recent for quarterly data.