



NORTHERN TERRITORY

2026-27 Budget



Northern Territory
Economy

Contents

Executive summary	3
Chapter 1 Structure of the economy	7
Chapter 2 Economic growth	13
Chapter 3 External economic environment and trade	27
Chapter 4 Population	35
Chapter 5 Labour market	41
Chapter 6 Prices and wages	45
Chapter 7 Residential property market	51
Abbreviations and acronyms	55
Explanation of terms	56

Executive summary

The Middle East conflict has disrupted global energy markets, including in Australia and the Territory. Damage to infrastructure and interruptions to normal traffic through the Strait of Hormuz have driven sharp increases in oil, gas, fertiliser and plastics prices. These supply shocks are adding to inflationary pressures, tightening financial conditions and weighing on global demand and sentiment. However, as the Territory is a significant energy exporter, higher energy prices, if sustained, will generate a positive terms-of-trade shock, delivering additional income to exporters over time, and making the Territory a more attractive destination for energy development through direct investment.

For industries heavily reliant on energy, the Middle East conflict has materially changed the outlook for growth, primarily through direct increases in petrol and diesel prices and the impact to operating costs for exposed industries, such as tourism, transport and logistics, mining, agriculture, and construction. While it is too early to assess the full economic impact, which will depend on the extent and duration of the conflict, for the purposes of economic modelling, it is assumed the price of oil will average around US\$100 per barrel from April to September 2026, before easing to around US\$70 by the end of the forward estimates.

There is a material downside risk to the economic outlook if the conflict escalates and there is further destruction of critical energy infrastructure impacting fuel supply. This would disproportionately affect the Territory economy, given reliance on imported fuel, long supply chains, and high use of fuel in production by businesses. Nationally, ongoing or greater supply chain disruption would likely see progression through the National Fuel Security Plan stages to targeted action. Level 4 involves directing fuel supply to ensure national supply is allocated fairly and effectively at the state and territory level.

Flood-related road closures in early 2026 along major freight corridors and disruptions to communities including Katherine, Daly River, Palumpa, Beswick, Jilkminggan and Darwin River are expected to temporarily affect the movement of goods and increase transport costs for some industries during 2025-26. There will be clean up and rebuilding costs post-flood that will contribute to economic activity.

Gross state product (GSP) in 2025-26 is forecast to increase by 2.7%, driven by an increase in exports as the Darwin liquefied natural gas (LNG) plant recommenced production in early 2026. However, the Territory's domestic state final demand (SFD) is expected to decline by 0.8% in 2025-26 due to a decline in private investment reflecting completion of Barossa-related construction. Household consumption is expected to contribute modestly to growth as higher borrowing costs temper discretionary demand following the February and March 2026 cash rate increases. Markets anticipate a further increase in May 2026.

In 2026-27, Territory GSP is forecast to grow by 5.8%, as the Ichthys and Darwin LNG plants operate at or near full capacity. As a result, exports will be the principal driver of growth, with services trade, for both exports and imports, expected to weaken as higher global oil prices raise the cost of air travel and freight, and heightened geopolitical uncertainty dampens consumer and business confidence. Together, these factors are expected to discourage overseas travel, reducing inbound tourism exports and outbound travel-related imports. Household consumption is forecast to decline as households feel the full effects of higher interest rates, elevated energy prices and stronger inflation, which will erode recent real income growth. In 2027-28, export levels are forecast to stabilise and public investment is anticipated to ease from recent highs to more sustainable levels. By 2028-29, the Territory's GSP growth is expected to revert to trend.

Table i: Northern Territory – key economic forecasts (%)

	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Gross state product ¹	1.0	2.7	5.8	1.4	3.0	3.0
State final demand ¹	2.9	- 0.8	- 0.7	0.8	1.8	2.7
Employment ¹	1.5	1.1	0.6	0.9	1.6	1.6
Unemployment rate ²	4.1	4.6	5.2	4.7	4.6	4.6
Consumer price index ³	1.6	5.2	3.2	1.0	2.5	2.5
Wage price index ¹	3.3	2.6	3.7	3.3	3.4	3.3
Population ³	1.4	1.2	1.1	1.1	1.2	1.2

a: actual; e: estimate; f: forecast

1 Year-average percentage change.

2 Year average.

3 Year-ended percentage change.

Source: Department of Treasury and Finance; Australian Bureau of Statistics (ABS)

Employment growth is forecast to be 1.1% in 2025-26 before easing to 0.6% in 2026-27 as labour market conditions are expected to soften in the near term as the Middle East conflict has led to sharply lower confidence, which may delay some investment and hiring decisions. Recent Reserve Bank of Australia (RBA) rate increases will also weigh on activity. Over the forward estimates, employment is forecast to grow broadly in line with labour force growth. The unemployment rate is expected to be 4.6% in 2025-26, before increasing to 5.2% in 2026-27 as activity slows following consecutive interest rate increases. The unemployment rate is then projected to return to a steady state rate of around 4.6% over the forward estimates as the economy is assumed to return to be operating at around its productive capacity in line with long-run trend growth.

In year-ended terms, Darwin's headline inflation is estimated to increase to 5.2% by the June quarter 2026 and remain elevated at 3.2% in the June quarter 2027 following disruptions to global oil supply and production, which has increased petrol and diesel prices. Across the forward estimates, year-ended consumer price index (CPI) growth is expected to ease sharply as fuel prices return to only slightly above pre-conflict levels. CPI is then assumed to return to 2.5%, consistent with the mid-point of the RBA's target band in the medium term.

Territory wage growth is expected to moderate to 2.6% in 2025-26, largely reflecting prolonged negotiations of public enterprise agreements. In 2026-27, wage growth is forecast to rebound by 3.7% as wage pressures rise due to higher inflationary expectations and as new public enterprise agreements take effect. Across the forward estimates, wage growth is expected to settle at around 3.3%.

The Territory's population is estimated to grow by 1.2% in 2025-26, driven by net overseas migration inflows and natural increase but partly offset by net interstate migration outflows. Population growth is then forecast to be 1.1% in 2026-27 as overseas migration arrivals continue to ease and natural increase remains weak, reflecting a continuation of the recent trend whereby ongoing cost-of-living pressures are impacting family planning decisions. Population growth is forecast to remain at 1.1% in 2027-28, as previous strong migration flows stabilise to be around recent long-run levels.

Risks to the outlook

The major risk to the economic forecast relates to the course of the Middle East conflict and the impact on oil and fuel prices. The budget's economic forecast assumes the price of oil will average US\$100 per barrel from April to September 2026, before easing to around US\$70 per barrel by the end of the forward estimates. The forecasts will be negatively impacted if oil prices are materially higher than assumed or stay high for longer. Brent crude oil increased by around 109% from an average of US\$69 per barrel in 2025 to US\$144 per barrel in early April 2026. The International Energy Agency estimates the conflict has led to around a 10% reduction in global daily oil supply. Energy markets are likely to continue to be volatile as production resumes and ramps up, and tanker security and logistics stabilise. The current Brent price is close to the budget assumption, but responses to political, military and logistic developments are highly uncertain. Overall, it is considered there is downside risk to the budget's economic forecasts from global factors over the next two years, with the potential for increased investor interest in progressing domestic energy projects presenting some upside investment opportunities beyond that.

Related to the global factors is domestic interest rate risk. The RBA is already in a tightening cycle and higher fuel prices will be factored into near-term cash rate decision-making. For the forecast period, additional cash rate increases to address fuel price inflation could have broader impacts on consumption and investment across the national and Territory economies, household and business confidence, and expenditure. On balance, national factors represent downside risk to the forecast.

Locally, the Territory was affected by cyclones and widespread flooding in 2025-26. These events are factored into the forecast based on available information regarding the extent of damage, and estimates of the cost and time to recover and rebuild communities and infrastructure. There is short-term risk to the forecast if local economies take longer than expected to recover, and potential improvement if public investment increases.

Uncertainty in economic forecasts is also driven by the reliance on data that is subject to reporting limitations, error and revisions, and methodological changes. The impact of this uncertainty is generally more pronounced in smaller jurisdictions, such as the Territory.

The Territory's tourism sector is particularly exposed to a sustained increase in global energy prices arising from a permanent reduction in oil supply. Higher fuel costs would place upward pressure on airfares and transport expenses, reducing the affordability of travel to and within the Territory. Given the Territory's reliance on long distance air travel, drive tourism and road transport, this would weigh on both international and interstate visitor demand.

Chapter 1

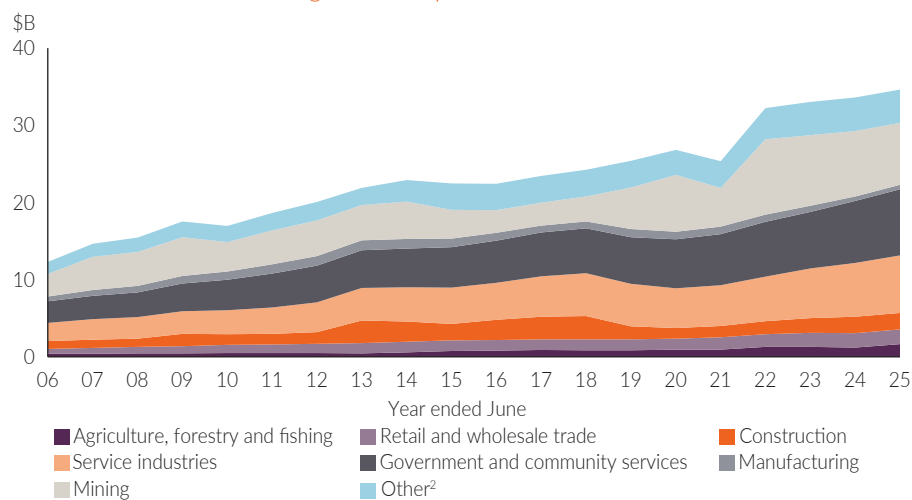
Structure of the economy

Overview

The Territory economy is shaped by its rich mineral and petroleum resources, unique natural and cultural attractions, and strategic role in national defence. Economic activity and jobs are often driven by mining, government and community services, and other service industries, which together account for more than two-thirds of GSP.

In 2024-25, the Territory's GSP was \$34 billion, representing a 1% increase from 2023-24. In current price terms, Territory GSP increased by 3% to \$34.6 billion. The two largest sectors account for around half of GSP, with government and community services' share of 24.7% and mining's share of 23.2% (Chart 1.1). Industry output can be volatile in the short term, particularly during periods of major investment activity. For example, the \$6 billion Barossa project, which began construction in 2020-21, supported economic activity during its construction phase and has since been completed. Over the longer term, changes in the economy tend to occur gradually, as growth builds on existing strengths and comparative advantages.

Chart 1.1: Contributions to gross state product¹



1 Current prices

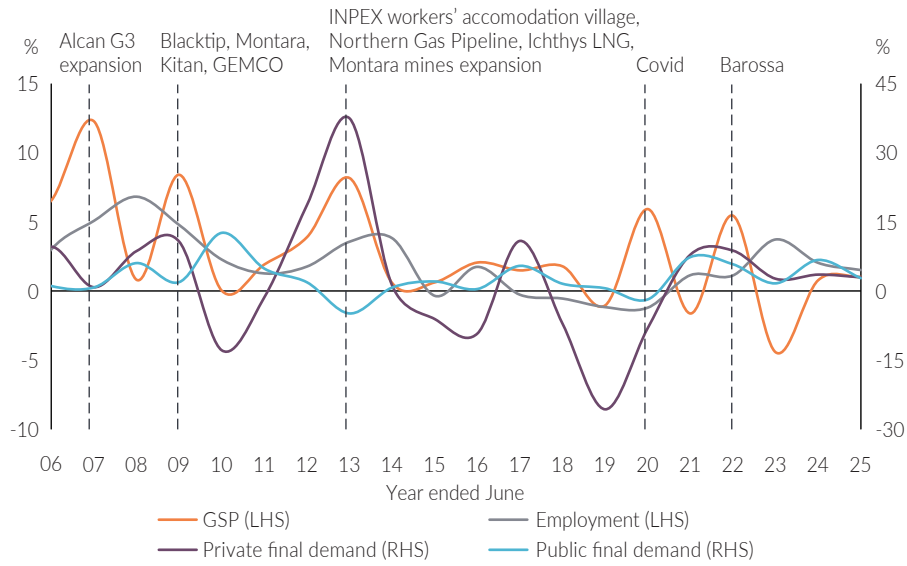
2 'Other' includes ownership of dwellings, taxes less subsidies and statistical discrepancy.

Source: ABS, *Australian National Accounts: State Accounts*

The small size of the Territory economy means major investment projects can have a significant impact on GSP growth and private final demand. This is reflected in recent GSP outcomes where fluctuations in LNG production and the timing of major projects, such as Barossa, have contributed to pronounced swings in economic growth. With the Barossa project now complete, a more stable period of activity is expected over the coming year.

While sectors directly affected by major projects can be volatile, growth in the government and community services, retail and wholesale trade, and service industries sectors are typically more stable, with growth influenced by changes in population and real income growth. Collectively, these sectors account for around half of the total economic activity, and around 85% of employment in the Territory. The stability and scale of these sectors help support economic growth outside major investment cycles (Chart 1.2).

Chart 1.2: Economic cycles in the Territory¹



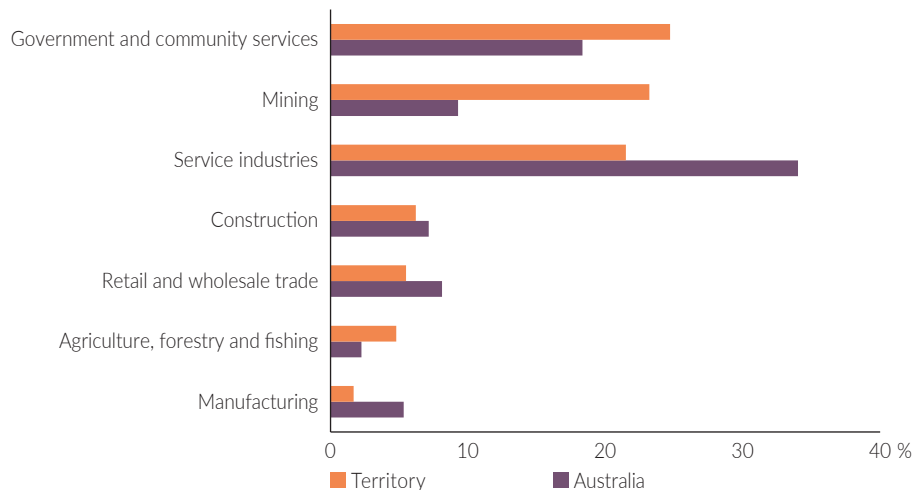
GEMCO: Groote Eylandt Mining Company; GSP: gross state product; LHS: left-hand side; RHS: right-hand side
 1 Year-average change.

Source: ABS, *Australian National Accounts: State Accounts, Labour Force, Australia, National, state and territory population*; Department of Treasury and Finance

Government and community services, and mining are the largest sectors in the Territory economy. This contrasts with the national economy, where the service industries sector (34%) and government and community services sector (18.3%) are the largest components of economic activity (Chart 1.3).

The services industry sector encompasses a broad range of discrete industries that support other sectors of the Territory’s economy including tourism-related services such as arts and recreation, and accommodation. At a national level, the service industries sector is more diversified and includes a greater share of higher value and specialised services, while the Territory’s service industries sector is more concentrated in essential services.

Chart 1.3: Key industry proportions of gross state product and gross domestic product¹



¹ Defence and tourism are significant in the Territory but not discrete industries in ABS reporting. Specific reporting for these industries is captured in the Department of Defence annual reports and Tourism Research Australia: *State Tourism Satellite Accounts*. For more information, see the Defence and Tourism sections of Industry Outlook.

Source: ABS, *Australian National Accounts: State Accounts*

The government and community services sector is the largest employer in the Territory, reflecting strong demand for services and the complexity of service delivery. Government and community services sector has been the largest employer over the years, followed by the services industries and the retail and wholesale trade sector (Chart 1.4). In contrast, the mining industry contributes significantly to economic output but has a small share of employment due to the capital-intensive nature of its operations (Chart 1.5).

The Territory's manufacturing industry has a smaller share in economic activity than nationally, comprising 1.7% of GSP compared with 5.3% of gross domestic product (GDP). This reflects the Territory's relatively small contribution from fabricated metals and food manufacturing. A similar pattern is evident in employment, with manufacturing accounting for a smaller share of jobs than nationally, particularly in food and transport equipment manufacturing. Retail and wholesale trade largely depend on household and business spending, and are influenced by changes in employment, population growth and overall consumer demand.

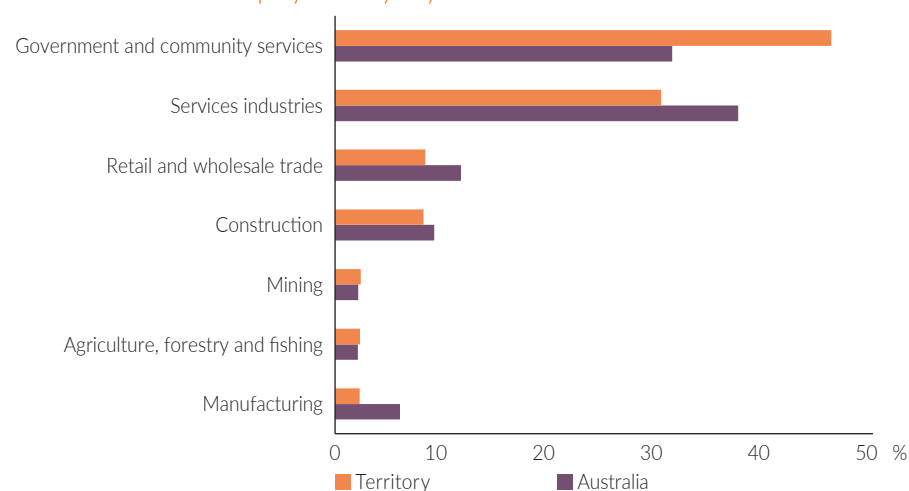
In the Territory, construction is dominated by engineering activity. Historically, large-scale mining, energy and defence projects have generated substantial increases in economic activity during construction phases. Public investment in roads and infrastructure, such as remote housing, also supports the construction sector.

Chart 1.4: Northern Territory's employment by industry over time



Source: ABS, Labour Force, Australia, Detailed, Quarterly

Chart 1.5: Share of employment by key industries

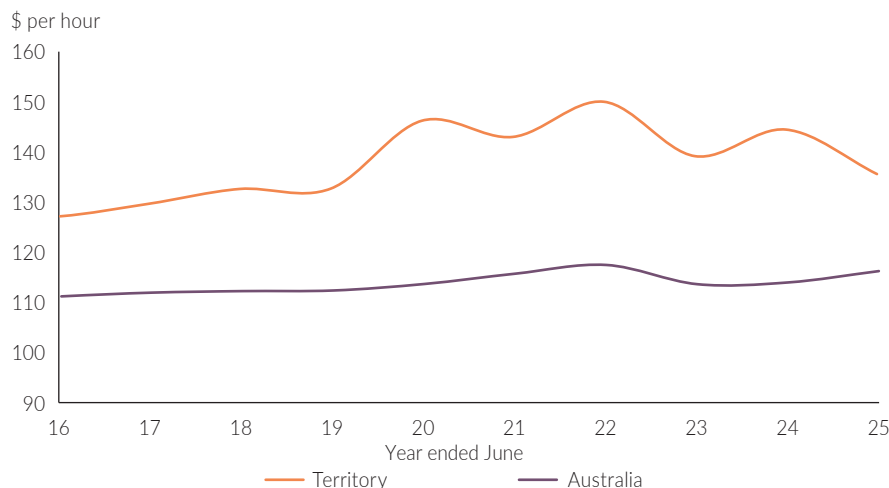


Source: ABS, Labour Force, Australia, Detailed, Quarterly

Output per hour worked in the Territory is relatively high, largely due to the capital-intensive nature and substantial share of the mining industry in the economy. In 2024-25, each hour worked in the Territory generated around \$135 of output, compared with \$115 per hour nationally (Chart 1.6).

Over the 10 years to 2024-25, output per hour worked in the Territory increased at an annual average rate of 0.8%, compared with 0.3% nationally, indicating stronger productivity growth over the period.

Chart 1.6: Output per hour worked



Source: ABS, Australian National Accounts: State Accounts, Labour Force, Australia; Department of Treasury and Finance

Sectors of the economy

Government and community services

The government and community services sector is a major component of the Territory economy, accounting for 24.7% of GSP and 46.1% of employment in 2024-25. The sector comprises:

- public administration and safety (10.5% of GSP and 15.4% of employment)
- health care and social assistance (8.9% of GSP and 20.4% of employment)
- education and training (5.3% of GSP and 10.4% of employment).

The sector is a stable contributor to economic activity, averaging around 23.1% of GSP and 38.5% of employment over the past two decades. Employment growth has been driven largely by healthcare and social assistance, reflecting new government programs and strong growth in service demand. In 2024-25, government and community services employed around 66,300 people, and is the Territory's largest source of employment.

Mining

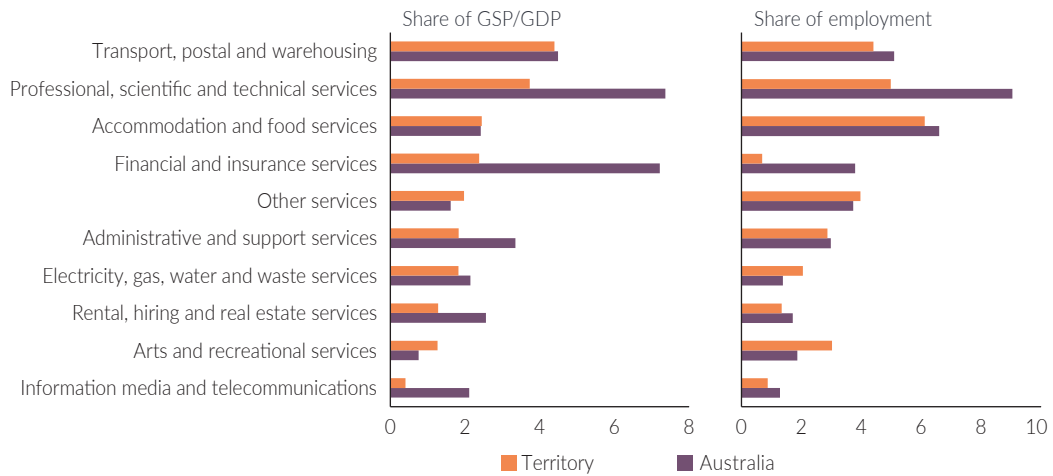
Mining is a central pillar of the Territory economy, reflecting the abundance of natural resources, including natural gas, manganese, zinc/lead, gold and bauxite, along with rare earths and critical minerals such as lithium. This industry underpins export earnings, supports regional employment, and drives significant investment in infrastructure and processing capacity across the Territory.

In 2024-25, the mining sector accounted for 23.2% of GSP, a decline of 2 percentage points from the previous year. Notwithstanding this moderation, mining is the second largest contributor to the Territory economy and its share of GSP has increased by 4.8 percentage points over the past two decades. The Territory's mining sector employed about 3,400 people in 2024-25, or 2.4% of total Territory employment. This is slightly above the mining share nationally.

Services sector

The services sector accounted for 21.5% of GSP and 30.3% of employment in 2024-25. The sector comprises a range of smaller industries serving a broad client base, with each accounting for 0.4% to 4.4% of GSP (Chart 1.7).

Chart 1.7: Service industries percentage of GDP/GSP and employment



GDP: gross domestic product; GSP: gross state product

Source: ABS, Australian National Accounts: State Accounts; Department of Treasury and Finance

Service industries are a relatively steady source of economic activity, and in 2024-25 employed around 43,500 people, largely in the labour-intensive industries of accommodation and food services, and arts and recreation services.

Nationally, services account for a larger share of economic activity than in the Territory, reflecting the concentration of professional, scientific and technical services, and financial and insurance services in the larger population centres (Chart 1.7). In the Territory transport, postal and warehousing is the largest industry of the services sector, reflecting the Territory's large land mass.

Retail and wholesale trade

Retail and wholesale trade accounted for 5.5% of GSP in 2024-25, with retail trade contributing 2.9% and wholesale trade 2.6%. This combined share has been stable over the past two decades, averaging 5.7% of GSP. The sector accounted for 8.4% of total Territory employment in 2024-25. Retail trade accounted for about 10,200 employed people, reflecting its labour-intensive nature, while wholesale trade employed around 1,900 people in 2024-25.

Construction

In 2024-25, the construction industry accounted for 6.2% of GSP, a decline of 0.1 percentage points compared with 2023-24. Over the past 20 years, construction has averaged 8.3% of GSP, although its share varies significantly from year to year due to timing of large projects. Construction employed 11,800 people in 2024-25, accounting for 8.2% of Territory employment.

Manufacturing

The manufacturing industry accounted for 1.7% of GSP in 2024-25, unchanged from the previous year. Over the past two decades, manufacturing has averaged 4.4% of GSP, with the lower recent share reflecting structural changes in the sector. This includes the ceasing of helium production at the Darwin LNG plant in 2023 and lower levels of construction activity, which reduced demand for manufactured inputs. Key manufacturing activities in the Territory include food products, fabricated metals and transport equipment. The sector accounted for 2.3% of Territory employment, with about 3,300 people employed in manufacturing in 2024-25.

Agriculture, forestry and fishing

In 2024-25, the agriculture, forestry and fishing industry accounted for 4.8% of GSP, an increase of 1.2 percentage points from 2023-24. Over the past 20 years, the sector has averaged 3.2% of GSP. While accounting for a relatively small share of overall economic output, the sector plays an important role in supporting economic activity and employment in regional areas. In 2024-25 agriculture, forestry and fishing accounted for 2.3% of the Territory's employment, employing 3,300 people. The sector is characterised by a high degree of volatility, with output fluctuating significantly from year to year. This reflects its heavy exposure to weather conditions, biosecurity risks, global commodity price movements and changes in input costs.

Chapter 2

Economic growth

Outlook

The Territory economy is expected to grow by 2.7% in 2025-26 and 5.8% in 2026-27. Growth in both years is supported by increased LNG exports. As a net energy exporter, the Territory will experience some economic upside from higher fuel prices though benefits will be partly offset by higher business input prices and cost-of-living pressures, which will impact household consumption and broader domestic activity.

Table 2.1: Territory economic growth forecasts¹ (%)

	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Gross state product	1.0	2.7	5.8	1.4	3.0	3.0
State final demand	2.9	- 0.8	- 0.7	0.8	1.8	2.7

a: actual; e: estimate; f: forecast

¹ Year-average percentage change.

Source: Department of Treasury and Finance; ABS, *Australian National Accounts: State Accounts, Australian National Accounts: National Income, Expenditure and Product, Balance of Payments and International Investment Position, Australia*

Summary

The Territory was impacted by several cyclones and widespread flooding in 2025-26, with Katherine experiencing the worst floods since 1998. Flood-affected regions include the Top End, Big Rivers, East Arnhem, Barkly and Central Australia. Losses to communities and businesses have been significant and the full impact is yet to be fully assessed. The initial response includes managing emergency shelters, evacuations and accommodation, with the clean-up beginning in late March and will progress to rebuilding and refitting affected housing, business and community infrastructure including roads and bridges.

The Middle East conflict is driving up energy prices globally, with Brent crude oil prices increasing by around 109% from an average of US\$69 per barrel in 2025 to US\$144 per barrel in early April 2026. The International Energy Agency estimates the conflict has led to around a 10% reduction in global daily oil supply.

Since the onset of the Middle East conflict, Darwin's unleaded petrol price peaked at 264.2 cents per litre on 31 March 2026 (before the fuel excise cut), up 84.9 cents per litre from the pre-conflict price of 179.3 cents per litre on 27 February. For diesel fuel, the price in Darwin peaked at 328.4 cents per litre on 9 April, up 144.5 cents per litre from the pre-conflict price of 183.9 cents per litre.

Higher energy prices have entered supply chains and pose further inflationary risks that, if sustained, will put pressure on the RBA to increase the cash rate. This could threaten the growth forecast if household and business confidence declines sharply over 2026.

The situation in the Middle East remains fluid, with military actions driving sharp swings in energy and financial markets. The economic impacts will depend on the extent and duration of the conflict, and scale of disruption to energy markets.

The economic modelling assumes the price of oil will average around US\$100 per barrel from April to September 2026, before easing to around US\$70 by the end of the forward estimates period. In line with this scenario, higher oil prices have an immediate impact on inflation, increasing Darwin's CPI by 5.2% in the year-ended June quarter 2026, up from an estimated 2.9% in the 2025-26 Mid-Year Report.

Higher inflation and subsequent cash rate increases will dampen demand and higher energy prices will be felt differently across industries depending on the overall energy intensity of production. The most directly exposed sectors are transport and logistics, tourism and, to a lesser extent, mining, agriculture and construction.

Over the forward estimates, a renewed global focus on energy security could accelerate investment in energy production in Australia. For the Territory, this could accelerate investment in the Beetaloo Sub-basin and existing LNG facilities in Darwin. In early 2026, Santos and INPEX separately announced plans to invest in the Beetaloo Sub-basin. If pilot drilling and testing yield positive results, the higher energy prices will strengthen the terms of trade and accelerate the transition to scale up production in the basin. The rapid scaling of new investment could shield the Territory economy from some adverse impacts of the Middle East conflict.

Overall, for net energy exporting economies like the Territory, higher energy prices can support new investment and economic growth, and contribute to higher tax revenue. The opposite is true for net energy importers including some of the Territory's Asian trading partners.

Industries more directly exposed to fuel prices like tourism are expected to experience a decline in activity in the near term as flights and drive tourism trips increase in price. Imported goods from Asia are also likely to increase in price, resulting in some substitution towards domestic manufacturing and services. For example, Territory families may choose to holiday closer to home.

Territory economic outlook

The Territory economy is forecast to grow by 2.7% in 2025-26 (Chart 2.1). Exports are expected to increase rapidly as production at the Darwin LNG plant ramps up over the June quarter 2026 and output from the Ichthys plant reaches full production following repair and maintenance work in 2025.

The Middle East conflict poses significant downside risks to global demand, trade flows and the Territory's external outlook (see Box 1) and disruptions to shipping through the Strait of Hormuz has led to production shutdowns and refinery closures across the world.

Territory SFD growth is forecast to decline by 0.8% in 2025-26, however this was anticipated as private investment related to the development at the Barossa gas field for the Darwin LNG plant came to an end. Flood-related road closures in early 2026, particularly along major freight corridors, are expected to temporarily affect the movement of goods and increase transport costs for some industries during 2026. Business closures and reduced industry activity in flood-affected regions will also impact growth in early 2026. Household consumption is expected to ease and contribute only modestly to growth, as recent interest rate and fuel price increases impact discretionary spending.

Public demand supports growth in 2025-26, with elevated infrastructure investment and service delivery expansions underway. Flooding in 2026 will increase government emergency management spending and clean up and rebuilding costs as communities recover.

In 2026-27, Territory GSP is forecast to grow by 5.8%, driven by an 18.4% increase in exports as the Ichthys and Darwin LNG plants operate at or near full capacity. Lithium exports are also expected to recommence from the Finniss mine, following the announcement of a return to production in 2026. However, services trade for both exports and imports is expected to be heavily impacted by higher oil prices, which will discourage overseas travel. After reporting modest growth in 2025-26, household consumption is forecast to decline in 2026-27 as higher interest rates, energy prices and uncertainty continue to impact demand.

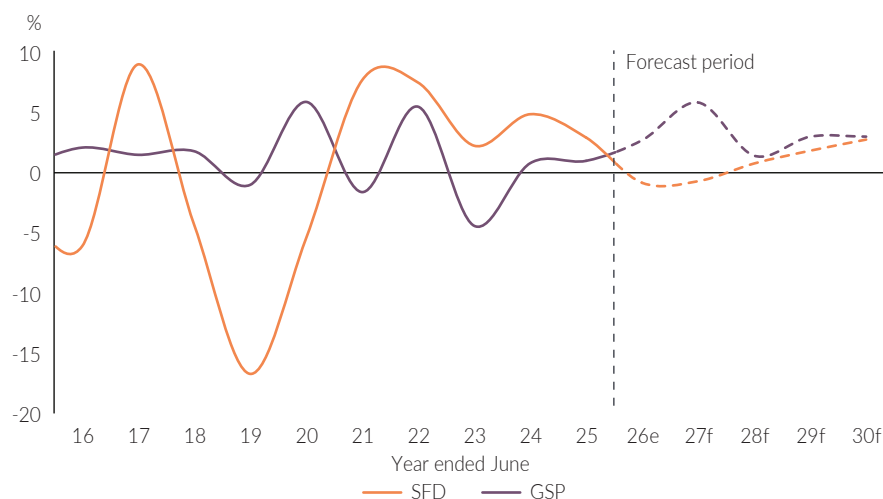
Private investment is expected to decline modestly as private dwelling investment declines with higher interest rates and construction costs. Also, small businesses are expected to decrease investment due to heightened uncertainty and higher fuel costs associated with the Middle East conflict. This is partly offset by both Santos and INPEX committing to invest in the Beetaloo Sub-basin. Public investment is forecast to remain at elevated levels as major infrastructure projects continue (Chart 2.2).

In 2027-28, GSP is forecast to grow by 1.4%, with a recovery in household consumption (as cost-of-living pressures ease) and investment in the Beetaloo Sub-basin. Gas production from the Beetaloo Sub-basin is anticipated to commence and contribute to domestic energy security as gas from Blacktip ceases. A modest decline in public investment from recent elevated levels is expected as major defence and infrastructure projects wind down. Goods exports are not expected to contribute significantly to growth in 2027-28, with LNG exports plateauing at peak production.

Over the forward estimates, the economy is expected to operate at around trend levels, with growth around 3% each year, supported by a 4.3% expansion in private investment and 2.6% growth in household consumption. This reflects population growth stabilising at around 1.2% and normalising prices and interest rates. Public investment continues to decline from elevated levels.

These projections do not factor in potential or planned projects yet to reach final investment decision. Some of these projects may reach final investment decision during the forecast period but are not currently reflected in the outlook.

Chart 2.1: Territory gross state product and state final demand¹



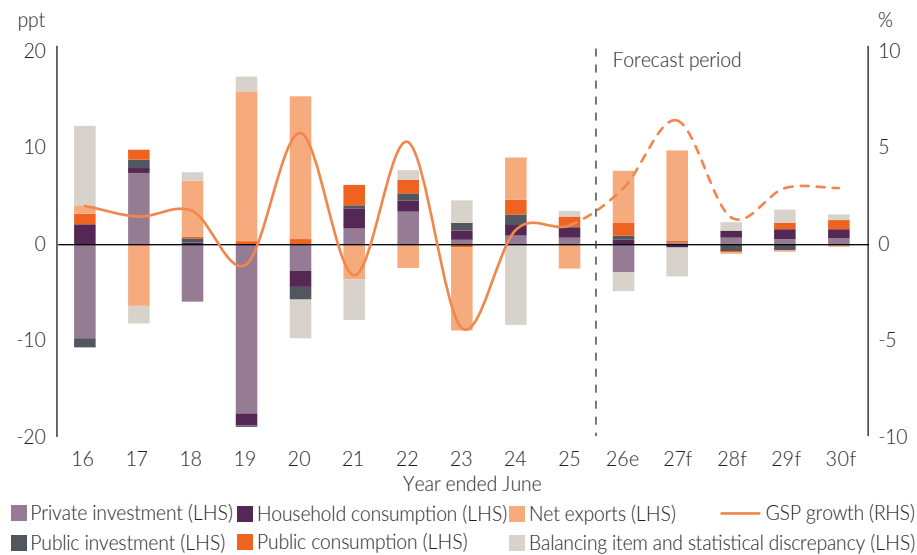
e: estimate; f: forecast; GSP: gross state product; SFD: state final demand

¹ Year-average percentage change.

Note: Data contained in the chart incorporates latest revised figures from quarterly ABS releases and will not be the same as those in the annual state accounts release.

Source: ABS, *Australian National Accounts: State Accounts*, *Australian National Accounts: National Income, Expenditure and Product*, *Balance of Payments and International Investment Position, Australia*; Department of Treasury and Finance

Chart 2.2: Contributions to Territory gross state product growth



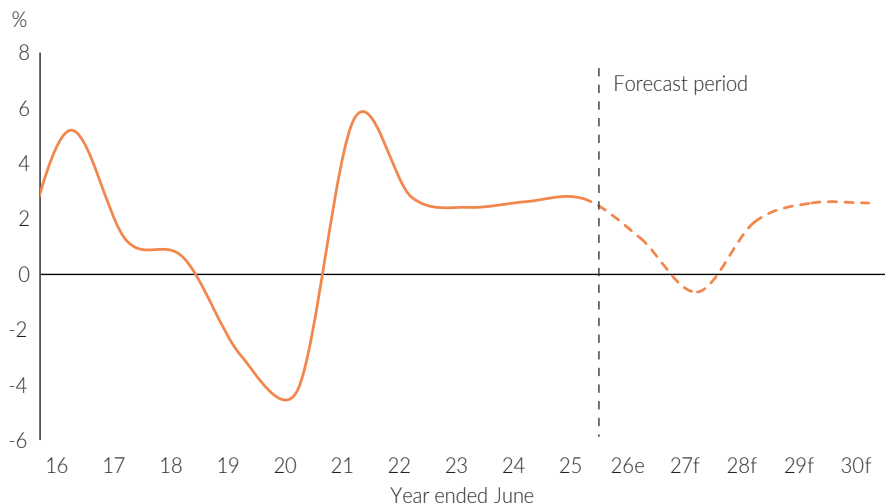
e: estimate; f: forecast; GSP: gross state product; LHS: left-hand side; ppt: percentage points; RHS: right-hand side
 Note: Data contained in the chart incorporates latest revised figures from quarterly ABS releases and will not be the same as those in the annual national accounts release
 Source: Department of Treasury and Finance; ABS, *Australian National Accounts: State Accounts, Australian National Accounts: National Income, Expenditure and Product, Balance of Payments and International Investment Position, Australia*

Household consumption

Household consumption is estimated to increase by 0.8% in 2025-26 (Chart 2.3). Household spending was supported by real wage growth in the first half of 2025-26, but recent cash rate increases by the RBA along with the prospect of further rate rises are impacting discretionary spending. The stronger Australian dollar, which appreciated by 8% from July 2025 to February 2026, was expected to partially offset cost-of-living pressures through lower import prices, however the Middle East conflict has eroded this benefit. Higher energy prices will push up production costs in Asia where the majority of Australian imports are sourced. This will further offset the impact of the recent appreciation if the conflict is ongoing.

The impact of flooding on household consumption will vary across the Territory. Reduced or disrupted consumption is likely in many communities due to supply route disruptions, particularly in remote communities where access is limited and flooding has been severe. Emergency accommodation and replacement of damaged household items will temporarily lift consumption in the June quarter, but the full impact of flooding will not be known until comprehensive damage assessments can be made.

In 2026-27, high interest and fuel prices will continue to impact household consumption, which is expected to decline by 2.1%. Household consumption growth of 1.9% is forecast for 2027-28, then will gradually return to long run averages. This reflects improving real wages and a more stable inflation environment accompanied by less restrictive monetary policy.

Chart 2.3: Household consumption¹

e: estimate; f: forecast

¹ Year-average percentage change.

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*; Department of Treasury and Finance

Private investment

Private investment is estimated to contract by 15.8% in 2025-26 as the construction phase of the Barossa project to supply new gas to the Dawin LNG plant is completed (Chart 2.4). However, activity in the Beetaloo Sub-basin and the Sturt Plateau pipeline and compression plant will contribute to investment activity. Private investment in flood affected areas to repair and replace damaged infrastructure and machinery and equipment, particularly in the agricultural and pastoral sectors, will support activity in 2025-26 and 2026-27. Core Lithium is also investing to restart operations in June 2026, which will support growth.

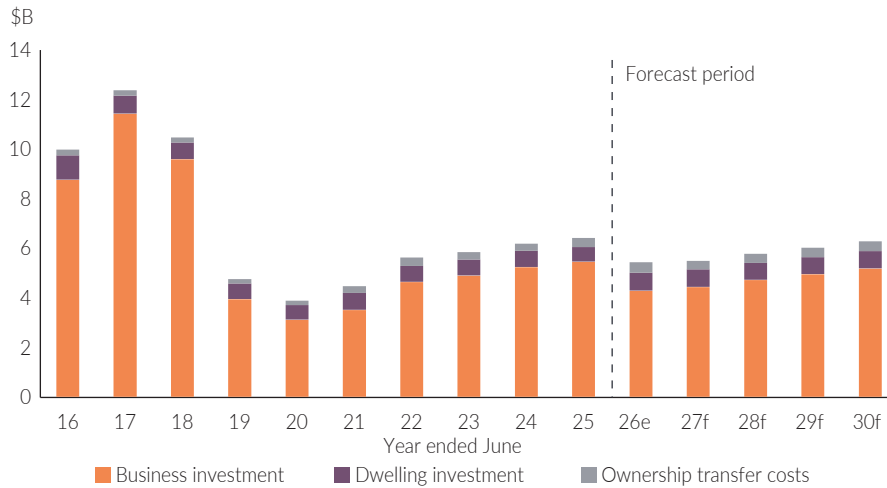
Private investment is forecast to decrease modestly in 2026-27. Beetaloo Energy reached final investment decision for the Carpentaria pilot project in December 2025, and the first gas is expected at the end of 2026. Tamboran Resources has completed the largest drilling program undertaken in the Beetaloo Sub-basin and is on track to deliver its first gas towards the end of 2026. These developments are partly offset by a reduction in investment by smaller businesses, as confidence has weakened amid heightened uncertainty and higher fuel costs associated with the Middle East conflict.

In early 2026, Santos and INPEX separately announced new investment plans for the Beetaloo Sub-basin. The Territory government has released new acreage for onshore petroleum exploration, including 4,000 square kilometres in February 2026, with this new acreage pitched to global investors.

Beyond the expansion of onshore gas exploration and production, there are a range of projects expected to contribute to private investment over the forecast period, including the Granites' Tanami gold mine expansion 2, rehabilitation of the Ranger uranium mine site, expanding investment in a number of small gold mining activities and progress towards rare earths mining.

Higher energy prices are expected to increase investment attraction in Australian energy projects, including in the Territory.

Chart 2.4: Territory private investment



e: estimate; f: forecast

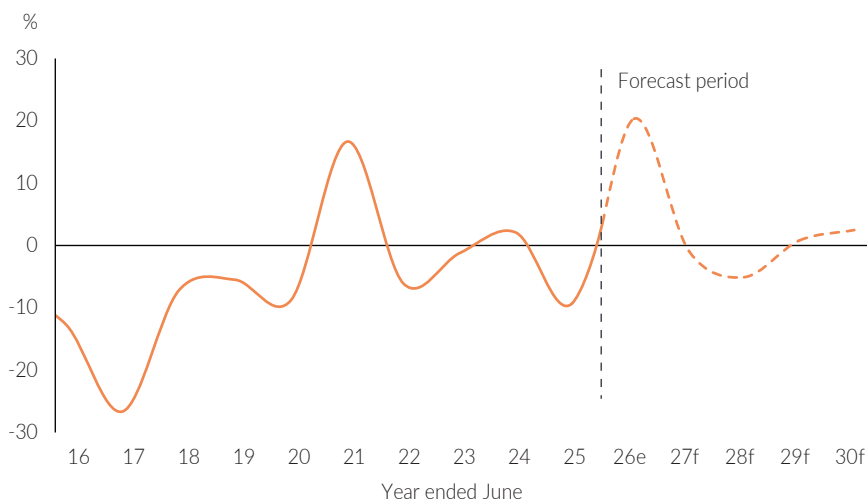
Source: ABS, Australian National Accounts: National Income, Expenditure and Product; Department of Treasury and Finance

Private dwelling investment is forecast to increase by 20.3% in 2025-26, building on momentum from late 2025. Growth is being supported by the HomeGrown and FreshStart housing grants, which have been extended to 30 September 2027 (Chart 2.5).

Notwithstanding these incentives, recent RBA cash rate increases will impact new housing approvals from mid-2026, particularly among first home buyers, who are more sensitive to higher borrowing costs. Private dwelling investment is forecast to decline by 0.9% in 2026-27, as earlier grant-driven approvals growth dissipates and high construction costs impact confidence and demand. Private dwelling investment is expected to decline by 5.1% in 2027-28 as the lagged effects of tighter monetary policy can take up to 18 months to fully flow through to activity.

Investment is forecast to return to long-run trend by 2029-30, consistent with anticipated GSP growth of 3%, reflecting an easing in cost-of-living pressures, normalisation of private investment cycles and ongoing demographic factors supporting demand for new and upgraded housing stock.

Chart 2.5: Territory private dwelling investment¹



e: estimate; f: forecast

1. Year-average percentage change.

Source: ABS, Australian National Accounts: National Income, Expenditure and Product; Department of Treasury and Finance

Public consumption

Public consumption is estimated to grow by 3.8% in 2025-26, driven by growth in demand for health and community-related services, and the emergency response to natural disasters in early March 2026.

Public consumption growth is expected to moderate to 0.5% in 2026-27, supported by ongoing frontline service delivery and the revised timing of various programs from 2025-26 to 2026-27. Commonwealth government spending is expected to be constrained by fiscal pressures. Public consumption is expected to decline by 0.3% in 2027-28, as one-off program spending ends and expenditure returns to around trend growth in the final year of the forward estimates.

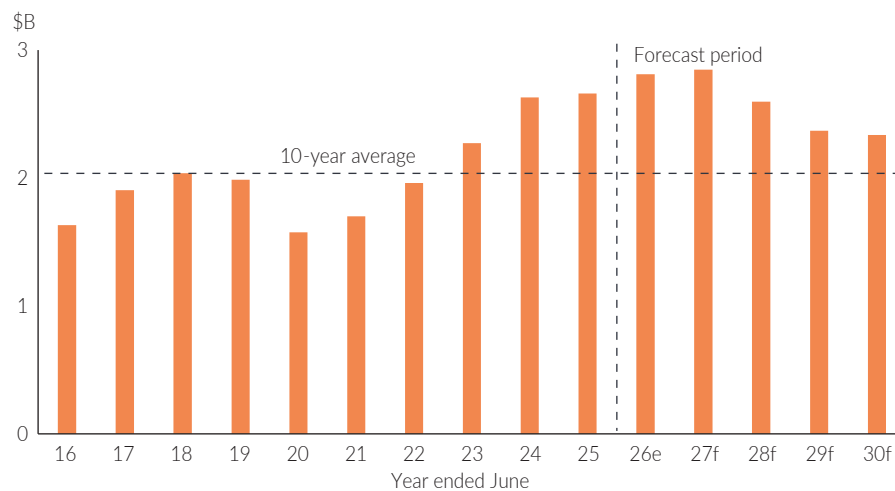
Public investment

Public investment is estimated to grow by 5.6% in 2025-26 and by 1.2% in 2026-27. This reflects ongoing activity on large infrastructure projects, such as the Northern Marine Complex, including the Darwin ship lift project, and new infrastructure works in education and corrections commencing in 2026-27. Infrastructure reconstruction and repairs related to natural disasters is also expected to place additional pressure on public investment in 2025-26 and 2026-27.

Public investment is expected to decline by 8.7% in 2027-28 and 8.8% in 2028-29 as large-scale projects, including several defence projects, reach completion. Despite the decline in public investment in the outer years, there is a solid pipeline of works to support the level of activity above the 10-year average (Chart 2.6).

The Territory's strategic importance to national and regional security is expected to result in ongoing investment by the Commonwealth and United States (US) governments, which could see public investment in new projects by the end of the forward estimates (refer to the *Defence* section in the *Industry Outlook* publication for further information).

Chart 2.6: Public investment in the Territory



e: estimate; f: forecast

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*; Department of Treasury and Finance

External trade

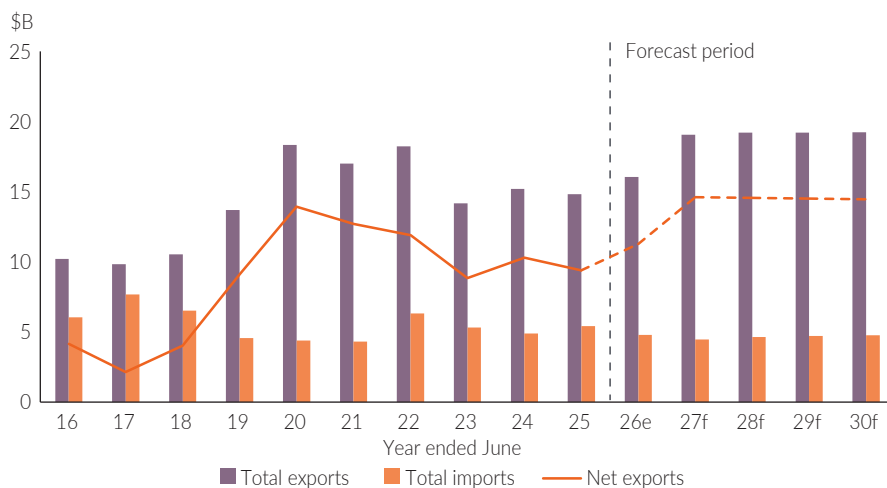
The balance of trade is expected to strengthen significantly in 2025-26, increasing by 19.8%, mainly due to the return of LNG exports from the Darwin plant (which recorded its first LNG cargo in January 2026) and exports of manganese resuming from GEMCO. Imports are expected to fall by more than 10% due to lower capital goods requirements, which further improves the trade balance. Flood-related transport disruptions may have an impact on the timing of some live cattle shipments and movement of mineral commodities from remote mine sites. These effects are expected to be short lived and not forecast to have a material effect on aggregate export volumes in annual terms.

In 2026-27, the balance of trade is forecast to improve significantly, increasing by 29.6%. This outcome is driven by an 18.4% increase in exports with both the Ichthys and Darwin LNG plants anticipated to operate at or near full capacity. This should result in exports reaching peak levels and strongly contributing to GSP. The recommencement of mining and production operations at Core Lithium's Finiss mine is expected to contribute to export growth, with the first shipment targeted for the December quarter 2026.

Services exports and imports are forecast to decline in the near term, reflecting reduced overseas tourism expenditure amid heightened global uncertainty and a weaker global growth outlook. Increases in flight prices, driven by higher fuel costs and capacity constraints, are expected to reduce the affordability of international and domestic travel. At the same time, cuts to airline routes and flight frequencies, particularly to long haul and regional destinations, are likely to limit travel options to and from the Territory. These factors are expected to weigh on inbound tourism and reduce outbound travel by residents, resulting in weaker services trade in the near term.

The balance of trade is expected to moderate at a high level in 2027-28 as LNG exports plateau at long-term operational levels, with no further increases in production capacity expected in the forecast period. Imports are forecast to rise modestly in line with the recovery in private investment, including early works related to emerging mineral and gas developments (Chart 2.7).

Chart 2.7: Territory net exports



e: estimate; f: forecast

Source: ABS, Australian National Accounts: State Accounts, Balance of Payments and International Position, Australia; Department of Treasury and Finance

Table 2.2: Components of Territory gross state product (expenditure)¹

	Chain volume measure (\$M) ¹					
	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Total consumption	26 523	27 021	26 770	27 004	27 633	28 401
Household consumption	14 596	14 752	14 439	14 714	15 096	15 489
Public consumption	11 927	12 270	12 331	12 291	12 536	12 912
Total investment	9 114	8 224	8 230	8 265	8 280	8 496
Private investment	6 443	5 414	5 384	5 669	5 911	6 161
Dwelling investment	595	720	713	677	682	699
Ownership transfer costs	370	432	341	375	383	391
Business investment	5 478	4 262	4 330	4 617	4 846	5 071
Public investment	2 672	2 810	2 845	2 596	2 369	2 335
State final demand	35 637	35 245	35 000	35 269	35 912	36 897
Net exports	9 443	11 266	14 600	14 547	14 499	14 451
Total exports	14 892	16 007	18 954	19 076	19 093	19 117
Total imports	5 449	4 741	4 353	4 529	4 594	4 667
Balancing item ²	- 11 118	- 11 720	- 12 772	- 12 465	- 11 941	- 11 723
Gross state product	33 960	34 796	36 828	37 352	38 470	39 625

	Year average change (%)					
	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Total consumption	2.8	2.2	- 0.9	0.9	2.3	2.8
Household consumption	2.5	0.8	- 2.1	1.9	2.6	2.6
Public consumption	3.1	3.8	0.5	- 0.3	2.0	3.0
Total investment	3.4	- 9.5	0.1	0.4	0.2	2.6
Private investment	4.1	- 15.8	- 0.5	5.3	4.3	4.2
Dwelling investment	- 9.4	20.3	- 0.9	- 5.1	0.8	2.5
Ownership transfer costs	33.6	16.8	- 21.1	10.0	2.1	2.1
Business investment	4.2	- 22.0	1.6	6.6	5.0	4.6
Public investment	1.6	5.6	1.2	- 8.7	- 8.8	- 1.4
State final demand	2.9	- 0.8	- 0.7	0.8	1.8	2.7
Net exports	- 8.2	19.8	29.6	- 0.4	- 0.3	- 0.3
Total exports	- 1.9	8.0	18.4	0.6	0.1	0.1
Total imports	11.4	- 12.6	- 8.2	4.0	1.4	1.6
Balancing item ²	- 1.7	5.9	9.0	- 2.4	- 4.2	- 1.8
Gross state product	1.0	2.7	5.8	1.4	3.0	3.0

	Percentage point contribution to the change in year average GSP					
	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Total consumption	2.1	1.7	- 0.7	0.6	1.7	2.0
Household consumption	1.1	0.4	- 0.9	0.7	1.0	1.0
Public consumption	1.1	1.3	0.2	- 0.1	0.7	1.0
Total investment	0.9	- 2.6	0.0	0.1	0.0	0.6
Private investment	0.8	- 3.0	- 0.1	0.8	0.6	0.6
Dwelling investment	- 0.2	0.4	0.0	- 0.1	0.0	0.0
Ownership transfer costs	0.3	0.2	- 0.3	0.1	0.0	0.0
Business investment	0.7	- 3.5	0.2	0.8	0.6	0.6
Public investment	0.1	0.4	0.1	- 0.7	- 0.6	- 0.1
State final demand	3.0	- 0.9	- 0.7	0.7	1.7	2.6
Net exports	- 2.5	5.5	9.6	- 0.1	- 0.1	- 0.1
Total exports	- 0.9	3.5	8.5	0.3	0.0	0.1
Total imports	- 1.7	2.0	1.1	- 0.5	- 0.2	- 0.2
Balancing item ²	0.6	- 1.9	- 3.0	0.8	1.4	0.6
Gross state product	1.0	2.7	5.8	1.4	3.0	3.0

a: actual; e: estimate; f: forecast; GSP: gross state product

¹ Inflation adjusted, components may not add to totals due to rounding and ABS chain volume estimation.

² Balancing item includes statistical discrepancy.

Note: Actual result for 2024-25 is sourced from ABS State Accounts released annually in November. Forecasts are derived from quarterly publications, ABS National Accounts and Balance of Payments, which incorporates the most up to date data and revisions. Therefore, comparisons between actuals to the forecasts will not align.

Source: ABS, Australian National Accounts: State Accounts, Australian National Accounts: National Income, Expenditure and Product, Balance of Payments and International Investment Position, Australia; Department of Treasury and Finance

International and national outlook

Global economic conditions have become more uncertain due to the Middle East conflict and disruptions to energy production, pricing and international shipping. This increased geopolitical risk is impacting global economic confidence, reflected in volatility across financial markets and pricing in core energy markets.

A key driver of the economic risk is disruption to global energy supply chains. Retaliatory actions in the region have affected key production and transit corridors, including the effective closure of the Strait of Hormuz, through which around 20% of global oil and LNG exports pass. These developments have resulted in renewed upward pressure on global oil and gas prices, and increased uncertainty regarding future supply.

Persistently higher global energy prices will place pressure on domestic fuel, transport and broader input costs, and present a real risk to the inflation outlook. Higher inflation will weigh on household consumption and be a factor in monetary policy decision-making.

Higher energy prices, weaker global confidence and increased financial market volatility are expected to influence domestic economic conditions over the forecast period, primarily through higher input costs, reduced demand and shifts in global risk sentiment.

Domestic monetary conditions have also tightened. The RBA increased the cash rate by 25 basis points at both its February and March 2026 meetings in response to inflation being above its 2% to 3% target range. Price pressures have been most persistent in services, housing-related costs and areas affected by supply-side constraints. Market expectations now reflect the possibility of further monetary tightening over 2026. A prolonged period of restrictive monetary policy will negatively impact households, business spending and investment decisions, and slow economic and employment growth prospects.

Box
1

Impacts of Middle East conflict

The Middle East conflict poses a material risk to global economic conditions through higher energy prices, increased shipping and insurance costs, and weaker global confidence. Disruptions to shipping through the Strait of Hormuz, an essential route for global oil supply, have constrained production and refining activity, and contributed to heightened volatility in energy markets. Higher energy prices are flowing through supply chains, adding to inflationary pressures and increasing the likelihood of tighter monetary policy and impacting the global economic growth outlook.

The International Energy Agency (IEA) has warned the conflict could result in one of the largest oil supply disruptions in modern history. In April, the IEA estimates that global oil production is down by around 10% as a result of the Middle East conflict. Many governments are releasing strategic petroleum reserves to stabilise markets, but the IEA cautions that stock releases alone are insufficient, and reopening key shipping routes is critical to restoring global energy security.

The International Monetary Fund's (IMF) April 2026 *World Economic Outlook* reference forecast assumes the conflict remains limited in duration and scope, with disruptions easing by mid-2026, and global growth projected to slow to 3.1% in 2026 (a downward revision of 0.2 percentage points from the January 2026 outlook), while global inflation is expected to rise modestly before resuming its decline in 2027. The IMF also outlines more adverse scenarios in which the conflict lasts longer or escalates. In an adverse scenario that has a larger and more persistent increase in energy prices and some tightening in financial conditions, global growth could slow to around 2.5% and inflation rise further. In a severe scenario, where energy supply disruptions extend into 2027, inflation expectations become less anchored and financial conditions tighten sharply, with global growth falling to around 2% in both 2026 and 2027, and inflation remaining elevated. The IMF notes that downside risks dominate, particularly for energy importing and more vulnerable economies.

The Organisation for Economic Co-operation and Development's (OECD) baseline outlook assumes energy market disruptions will gradually ease over time, with global growth revised down by 0.3 percentage points in 2026. Inflation is projected to rise in the near term, largely driven by energy prices, before moderating as price pressures fade. In a more significant downside scenario, where disruptions to production or shipping worsens, in the second year of the shock global output declines by 0.5% and inflation rises by 0.9%.

National impacts

Commonwealth Treasury analysis indicates a short-lived oil price shock would lift inflation and reduce GDP growth moderately, broadly in line with the OECD baseline outlook, relative to the 2025-26 Mid-Year Economic and Fiscal Outlook forecasts. Under a more prolonged disruption scenario, where oil prices remain elevated for an extended period, impacts on inflation and economic activity would be more pronounced, with growth remaining below its 'no conflict' trajectory for several years. Assessments suggest higher oil prices account for around half of the reduction in growth, with the remainder due to broader confidence and trade effects.



Box 1 *continued*

Territory impacts

The direct impact of this shock is expected to affect the economy through several channels. Higher global oil prices flow directly through to domestic fuel prices, raising transport and logistics costs for households and businesses. These higher fuel costs also feed indirectly into the prices of a wide range of goods and services, including food, construction materials and manufactured goods, placing upward pressure on inflation. In response to higher inflation, monetary policy is likely to remain tighter for longer than previously assumed, negatively impacting sentiment for households and businesses, increasing borrowing costs, ultimately weighing on consumption and investment decisions.

Overall, the persistence, scale and duration of the disruption remain highly uncertain. While the ceasefire announced on 8 April 2026 has now been extended (at 22 April), the duration of the extension remains open-ended. Preparations are underway for further negotiations, although participation by Iran and any outcomes remain highly uncertain. The situation remains fragile and a breakdown of talks or resumption of hostilities would present a material downside risk to the economic outlook.

Modelling assumes global oil prices average US\$100 a barrel from April to September 2026 before gradually easing to around US\$70 a barrel by the end of the forward estimates. These shocks will affect industries unevenly, with the Territory more exposed due to the relatively large share of energy-intensive industries and its dependence on global supply chains.

Higher fuel and logistics costs would be particularly challenging for industries operating in remote and regional areas in the Territory, where transport costs are already elevated.

Mining investment in the energy sector is expected to benefit relative to other sectors, as higher global energy prices incentivise investment in energy projects in the Territory, with proponents operating in the Beetaloo Sub-basin actively seeking to expand investment.

Transport, warehousing and logistics is the most energy-intensive industry per dollar of output and will face the most significant input costs and demand response impacts especially for discretionary services. Tourism, accommodation and food services will also be impacted as higher travel costs dampen demand.

Construction activity may moderate in response to higher import and freight costs for building materials, and potential supply chain disruptions. Retail and other household-facing industries are expected to experience weaker conditions as higher fuel and energy costs constrain real household incomes and spending. Agriculture is also likely to face modest adverse impacts, particularly through higher transport and input costs, including for fertilisers.



Box 1 *continued*

A more severe downside risk would arise if the Middle East conflict resulted in permanent damage to oil production or transport infrastructure, leading to a sustained reduction in global supply. Unlike temporary disruptions, such an outcome would place persistent upward pressure on energy prices, exacerbating global inflation and increasing production and transport costs. In extreme scenarios, prolonged supply disruption or a loss of additional production capacity could result in fuel rationing in Australia, with fuel supplies prioritised to critical sectors to support essential services and ensure fair and effective allocation under the national framework.

Fuel rationing in the Territory would have immediate and widespread impacts, reflecting the Territory's heavy reliance on fuel-intensive transport, long supply chains and remote service delivery. Industries reliant on road transport, such as construction, agriculture, mining services and retail, would be particularly affected. Fuel rationing could further constrain visitor mobility by limiting flight availability, curtailing drive tourism and restricting tour operations, particularly in remote destinations.

Fuel rationing would also affect households, particularly in regional and remote areas where travel distances are long and fuel use is less discretionary. Higher costs and reduced access to fuel would limit mobility, reduce participation in economic activity and place additional pressure on household budgets, further weighing on local demand.

Overall, fuel rationing would amplify the economic impacts of higher energy prices in the Territory by directly constraining activity, disrupting supply chains and increasing uncertainty for households and businesses. These effects would weigh most heavily on non-resource industries and regional communities, materially worsening the outlook for economic growth.

Chapter 3

External economic environment and trade

Outlook

Exports are expected to increase in 2025-26 and 2026-27, driven by increasing production from the Darwin LNG plant. From 2027-28, the contribution from exports is expected to plateau with both Darwin and Ichthys LNG plants reaching steady-state full production.

Table 3.1: Territory trade (\$M, chain volume measure)

	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Total exports	14 892	16 007	18 954	19 076	19 093	19 117
Total imports	5 449	4 741	4 353	4 529	4 594	4 667
Balance of trade	9 443	11 266	14 600	14 547	14 499	14 451

a: actual; e: estimate; f: forecast

Source: ABS, *Australian National Accounts: State Accounts*; Department of Treasury and Finance

International trade

In 2024-25, exports declined by 1.9%, while imports increased by 11.4%. The decline in exports was largely due to the unplanned maintenance at the Ichthys LNG plant between August and October 2024. The large increase in imports reflects development of the Barossa gas field for the Darwin LNG plant. The Territory's balance of trade detracted 2.5 percentage points from GSP growth in 2024-25.

Net exports are projected to increase by 19.8% in 2025-26. This robust outlook is driven by production recommencing from the Darwin LNG plant, with the first export cargo shipped in January 2026, along with GEMCO manganese exports resuming following reconstruction after Cyclone Megan in 2024. The balance of trade is further supported by weaker import volumes, reflecting lower capital goods requirements as major project construction concludes. Recent flood-related transport disruptions to trade are assumed to be transitory.

In 2026-27, net exports are expected to strengthen further, increasing by 29.6%, underpinned by an 18.4% increase in aggregate exports, driven by both Ichthys and Darwin LNG plants operating at or near full capacity, and lithium exports from the Finniss mine resuming. As a result, goods exports are projected to reach historic highs and be the primary driver of GSP growth. By contrast, services trade is forecast to fall sharply across both exports and imports, reflecting weaker international tourism expenditure amid global economic uncertainty.

While the Barossa project has successfully transitioned into Darwin LNG's operations, any potential disruptions to its production schedule pose a risk to the Territory's balance of trade trajectory.

The Australian dollar appreciated in late 2025, but since the escalation of the Middle East conflict has weakened slightly. If this depreciation continues it could provide a competitive tailwind for the export sector but will also place upwards pressure on the cost of imported goods, including energy products.

Global economic outlook

The International Monetary Fund's (IMF) *World Economic Outlook*, released April 2026, presents the Middle East conflict as the primary downside risk to the global economy, alongside elevated uncertainty related to trade policy settings. Prior to the Middle East conflict, the global economy was expected to stabilise supported by technology-related investments, favourable financial conditions and monetary and fiscal policy.

The IMF's reference forecast assumes the conflict is limited in duration and intensity, with disruptions easing and production and trade flows in the region to normalise by mid-2026. Under this scenario, global growth is projected to be 3.1% in 2026 and 3.2% in 2027 (down 0.2 percentage points in 2026, and unchanged in 2027, compared with the IMF January 2026 outlook). The downward revision reflects the economic effects of higher energy prices, supply disruptions to the growth is primarily caused by Middle East conflict.

The IMF also presents two downside scenarios in the event of a more prolonged and severe conflict that results in sustained damage to energy infrastructure. Under the adverse scenario, oil price increases persist, resulting in global growth slowing to 2.5% in 2026 and 3% in 2027 (down 0.8 and 0.2 percentage points, respectively). The severe scenario assumes greater damage to energy infrastructure and global growth declines to 2% in 2026 and 2.2% in 2027 (down 1.3 and 1.0 percentage points, respectively).

Global headline inflation is projected to rise to 4.4% in 2026 and 3.7% in 2027 (up by 0.6 percentage points in 2026, compared to IMF January 2026 outlook) reflecting higher energy and food prices. Under the adverse scenario, global inflation is estimated to reach 5.4% in 2026 and 3.9% in 2027, while under the severe scenario, inflation increases to 5.8% in 2026 and 6.1% in 2027.

The Middle East conflict's economic impact is expected to vary in different regions owing to financial flows, geographical proximity and energy dependencies. The overall effect on growth in advanced economies is expected to be modest compared to the emerging and developing economies. Downside risks dominate the outlook from renewed supply chain disruptions, tighter financial conditions, and increasing fiscal and financial vulnerabilities. Over the medium term, the IMF notes that structural reforms, enhanced fiscal buffers and international cooperation could support resilience and mitigate longer-term growth impacts.

The OECD *Interim Report*, released in March 2026, forecasts global GDP to moderate from 3.3% in 2025 to 2.9% in 2026 and 3% in 2027. Persistently higher energy prices are expected to weigh on consumer spending and business investment, combined with weaker real income growth, commodity shortages and tighter financial conditions. The OECD's *Interim Report* notes that any new policy measures to address energy price pressures should be targeted to vulnerable households and viable firms and preserve incentives for energy efficiency.

Table 3.1: Reference economic growth forecast IMF, *World Economic Outlook*, April 2026¹

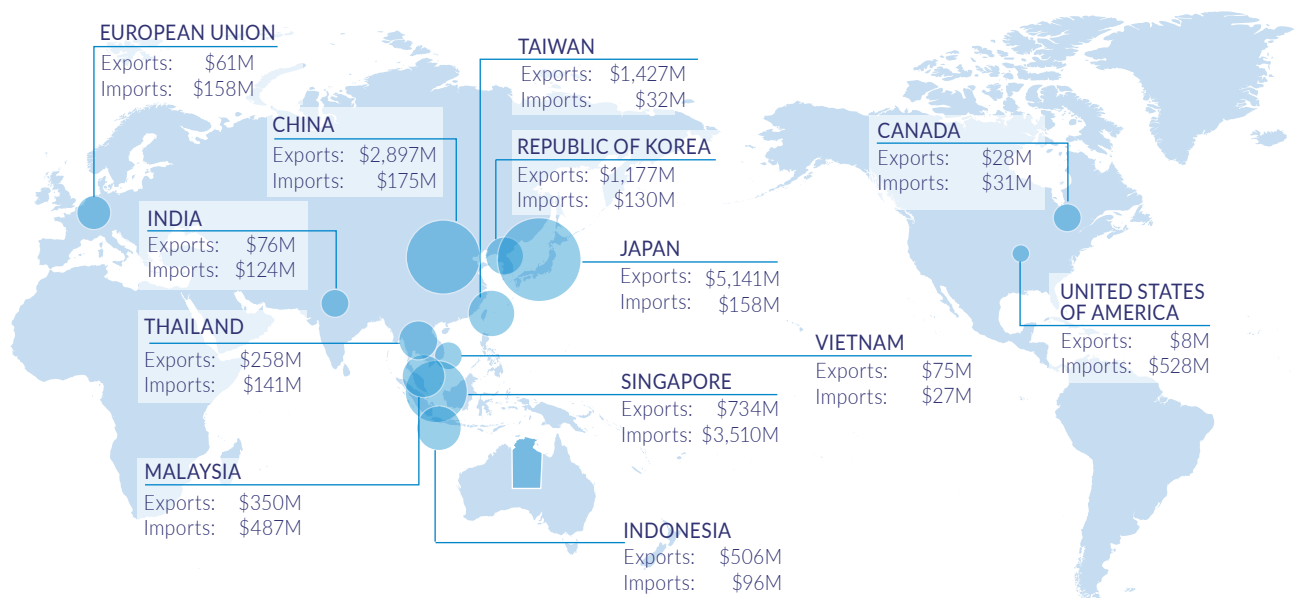
	2025a	2026f	2027f	2028f	2029f	2030f	2031f
Australia	2	2	1.7	1.9	2.1	2.3	2.3
Canada	1.7	1.5	1.9	1.7	1.7	1.7	1.8
China	5	4.4	4	4	3.7	3.3	3.3
European Union	1.6	1.3	1.4	1.6	1.5	1.4	1.4
India	7.6	6.5	6.5	6.5	6.5	6.5	6.5
Indonesia	5.1	5	5.1	5.2	5.2	5.2	5.2
Japan	1.2	0.7	0.6	0.6	0.6	0.6	0.6
Korea, Republic of	1	1.9	2.1	2.2	2	1.9	1.9
Malaysia	5.2	4.7	4.3	4.3	4.3	4.3	4.3
Singapore	5	3.5	2.7	2.5	2.5	2.5	2.5
Taiwan	8.7	5.2	3	2.4	2.4	2.4	2.1
Thailand	2.4	1.5	2.1	2.3	2.5	2.5	2.5
United States	2.1	2.3	2.1	2.1	1.9	1.8	1.8
Vietnam	8	7.1	6.7	6.2	5.6	5.4	5.4
Emerging market and developing economies	4.4	3.9	4.2	4.2	4.1	4	4
Advanced economies	1.9	1.8	1.7	1.7	1.6	1.5	1.5
World	3.4	3.1	3.2	3.2	3.2	3.1	3.1
Territory major trading partners	3.3	2.5	2.1	2.0	2.0	1.9	1.8

a: actual; f: forecast

¹ Year-average percentage change in gross domestic product.

Source: IMF, *World Economic Outlook*, April 2026; ABS, *International trade in goods, Australia*; Department of Treasury and Finance

Major trading partners

Map 3.1: Territory's major trading partners, 2025¹

¹ Annual total, current prices.

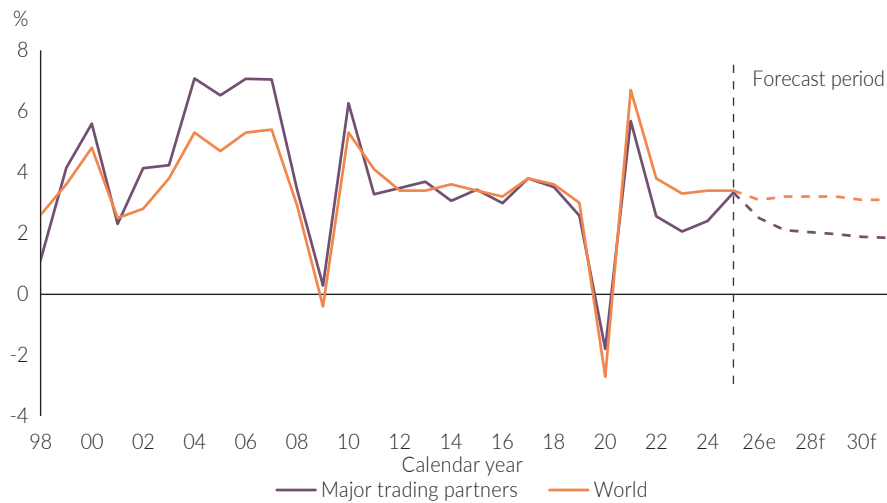
Source: ABS, *International Trade in Goods, Australia*; Department of Treasury and Finance

The Territory’s major trading partner growth tracks the aggregate GDP of 13 of the Territory’s largest current and historical export destinations (Chart 3.1). These include Japan, China, Taiwan, Republic of Korea, Singapore, Thailand, Indonesia, Malaysia, European Union, India, Vietnam, Canada and the US (Map 3.1).

Based on IMF forecasts, aggregate growth in major trading partners is expected to moderate from 3.3% to 2.5% in 2026 and remain within a narrow range thereafter. This outcome largely reflects the growth trajectories of Japan, China, Taiwan and the Republic of Korea, which account for the largest share of index weighting.

Economic growth in Japan and China is expected to moderate from 1.2% to 0.7% in 2026 and 5% to 4.4% in 2026, respectively, reflecting the negative impact of Middle East conflict on reduced investments and weaker external demand. Taiwan is expected to see its economic growth drop sharply from 8.7% to 5.2% in 2026, resulting in a slowdown in exports and weaker domestic demand. In contrast, Republic of Korea is expected to see economic growth strengthen from 1% to 1.9% in 2026, supported by stronger manufacturing output.

Chart 3.1: Major trading partner growth¹



¹ Annual total.

Source: IMF, *World Economic Outlook*, April 2026; ABS, *International Trade in Goods, Australia*; Department of Treasury and Finance

Commodity outlook

The main commodities produced in the Territory include LNG, bauxite, manganese, gold and cattle, with LNG recording the largest share of production.

Export volumes are generally relatively stable with plants optimising production volumes. This means mining plants tend to run at around full capacity for the productive life of the infrastructure. However, prices for contracts relating to new supply can be influenced by prevailing global market conditions, which may affect export value. Over time, this can change investment incentives and decisions on the volume of future exports.

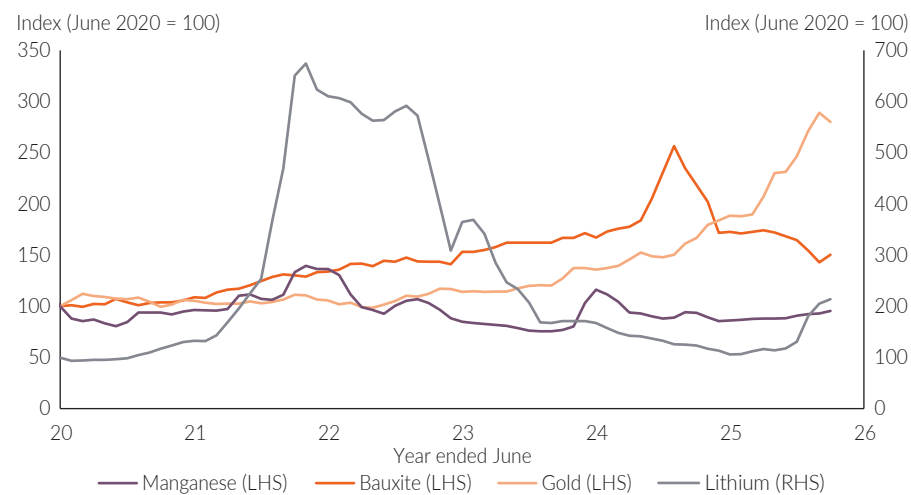
Bauxite and manganese are key inputs for aluminium and steel production, respectively. In 2025, bauxite prices declined, largely reflecting weaker demand from China. Despite this, production from Territory mines was relatively stable. Manganese prices fluctuated due to weak Chinese demand, although this was partly offset by the resumption of operations at the GEMCO mine, which supported Territory export volumes. Aluminium demand, driven by the uptake of energy-efficient technology, is expected to support bauxite prices, while growth in electric vehicle production is anticipated to underpin manganese demand for battery use.

The global shift towards decarbonisation has driven demand for lithium, which is widely used in green technologies and batteries. Lithium prices increased in late 2025, leading to plans to re-open the Finniss lithium mine near Darwin.

Gold prices rose sharply in 2025, supported by strong central bank buying, robust investment demand and geopolitical uncertainty. Easing monetary policy also boosted gold's appeal by lowering real yields. Prices have declined in March 2026 with reports of investors selling off gold as a source of liquidity to rebalance portfolios. In the medium term, prices are expected to remain high and support gold mining and further exploration in the Territory (Chart 3.2).

The Territory's main live animal export is cattle. Cattle prices fluctuated over the first half of 2025 before reporting consistent growth for the remainder of the year. In 2025, the Territory exported a total of 313,984 head of cattle, compared to 274,181 the previous year, with Indonesia being the largest destination, followed by Vietnam. The increase in exports was supported by favourable weather conditions. The prolonged wet season is anticipated to contribute to support production in 2026, although recent flooding has disrupted supply lines. In addition, the Indonesian Government removed quota restrictions on live cattle imports in mid-2025, allowing unrestricted entry to support national food security. This represents a positive development for the Territory's cattle trade.

Chart 3.2: Commodity prices



LHS: left-hand side; RHS: right-hand side

Source: AME Group; IMF; Department of Treasury and Finance

National economy

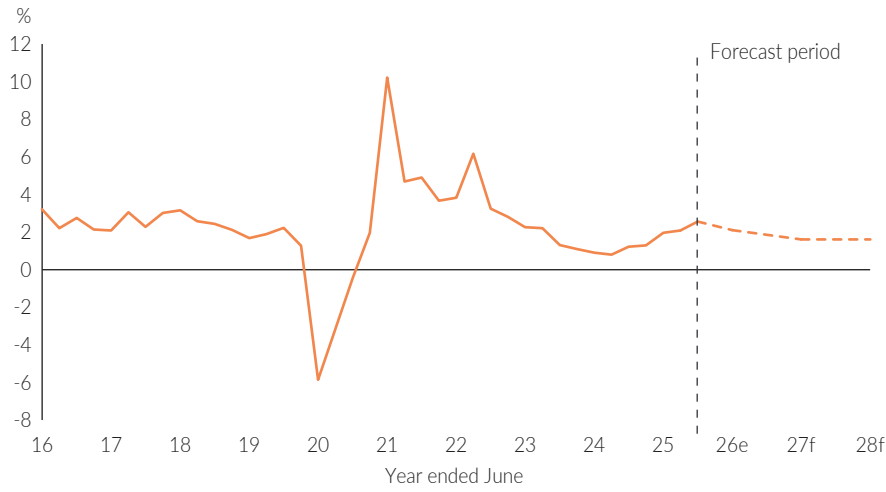
Australia's GDP grew by 1.3% in 2024-25 and 2.6% in the year-ended December 2025, the fastest pace in two years, supported by private and public expenditure.

In the second half of 2025, household consumption grew solidly, reflecting real disposable income growth, rising household wealth and robust spending during promotional periods. Business investment also increased sharply, largely driven by non-mining machinery and equipment investments relating to data centres, renewable energy transition and aircraft purchases. Net trade and inventories have modestly detracted from growth in recent quarters, as solid export growth was outpaced by a strong rise in import volumes.

The RBA's February 2026 *Statement on Monetary Policy* forecasts near-term GDP growth of 2.1% in the year-ended June 2026. Growth is then expected to moderate to 1.8% in the year-ended December 2026 and 1.6% to June 2027 as more restrictive monetary policy begins to weigh on economic activity (Chart 3.3).

The RBA reports the Middle East conflict is likely to reduce GDP growth in 2025-26 relative to earlier forecasts. Inflation is expected to be materially higher, which markets anticipate will see the RBA increase cash rates again in May (Chart 3.4), taking interest rates back to the last peak in early 2025. This is likely to see growth materially weaker than the RBA's February statement.

Chart 3.3: Australia – annual gross domestic product growth



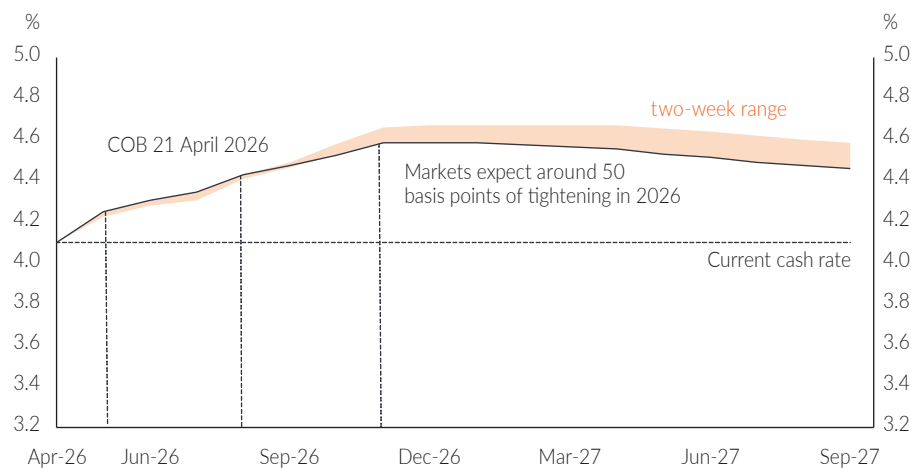
Source: ABS, Australian National Accounts: National Income, Expenditure and Product; RBA

Interest rates

In March 2026, the RBA increased the cash rate by 25 basis points to 4.1%. This was the second rate increase in 2026. While inflation has fallen substantially since its peak in 2022, it picked up materially in the second half of 2025. Information since the February RBA meeting suggests some of the increase in inflation reflects greater capacity pressures with demand running ahead of supply capacity. Since then, the Middle East conflict has resulted in sharply higher fuel prices, which, if sustained, will add further to inflation. Short-term measures of inflation expectations have already risen. As a result, the RBA judged there is a material risk that inflation will remain above target for longer than previously anticipated.

Globally, the Middle East conflict poses substantial inflation and interest rate risks. A long or more severe conflict will put further upward pressure on energy prices, lifting near-term inflation and potentially embedding higher inflation over the medium term if supply is impaired or price increases become entrenched in inflation expectations. Higher prices and prolonged uncertainty may weigh on growth in Australia's major trading partners and, in turn, on Australia.

Chart 3.4: Market cash rate expectations



COB: close of business

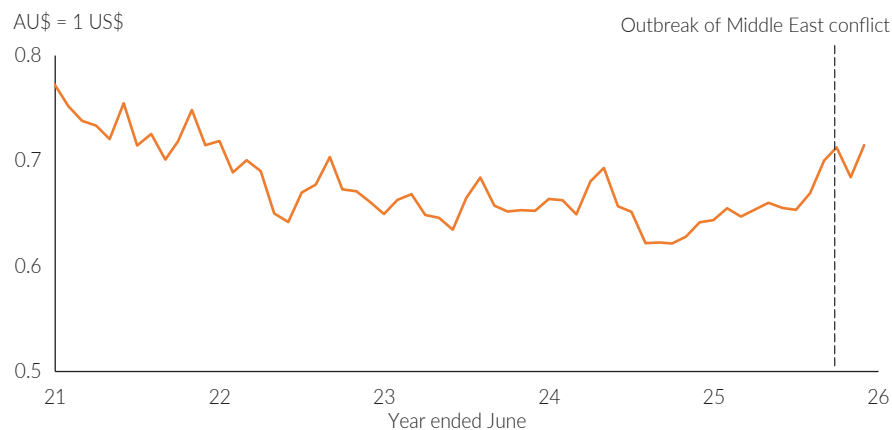
Source: Department of Treasury and Finance; Australian Securities Exchange

Exchange rates

The Australian dollar reflects global interest rate differentials, international commodity prices and broader shifts in global risk sentiment. The Australian dollar traded within a relatively narrow range against US dollars for most of 2025. In early 2026, the Australian dollar appreciated, driven by domestic interest rate increases and a weakening of US dollar, with this strength expected to persist. However, in March 2026, the Australian dollar trended lower against the US dollar, reflecting safe haven flows into the US currency amid rising global risk aversion. Market expectations for the RBA to raise the cash rate and broaden the interest rate spread has supported the recent appreciation of the Australian dollar.

The OECD's March 2026 *Economic Outlook* notes that subdued global growth prospects and increasingly fragmented international trade conditions have continued to weigh on risk sensitive currencies such as the Australian dollar. For the Territory, a lower Australian dollar has mixed macroeconomic implications. It provides a competitive tailwind for the local export sector, particularly LNG, mineral commodities and international tourism by enhancing global competitiveness and boosting Australian dollar denominated exports. However, a sustained depreciation places upward pressure on the cost of imported capital goods and machinery, needed for major resource and infrastructure projects and potentially impacting investment decisions.

Chart 3.5: Australian/US dollar exchange rate



Source: RBA

Chapter 4

Population

Outlook

The Territory population is expected to grow by 1.2% in 2025-26 driven by net overseas migration and natural increase. Growth is expected to ease to 1.1% in 2026-27 as overseas arrivals ease and natural increase remains subdued. Over the forward estimates, population growth is forecast to reach 1.2% as migration flows normalise and natural increase recovers.

Table 4.1: Territory population forecasts

	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Population (persons)	264 556	267 704	270 579	273 535	276 687	279 876
Year-ended change (%)	1.4	1.2	1.1	1.1	1.2	1.2

a: actual; e: estimate; f: forecast

Source: ABS, *National, state and territory population*; Department of Treasury and Finance

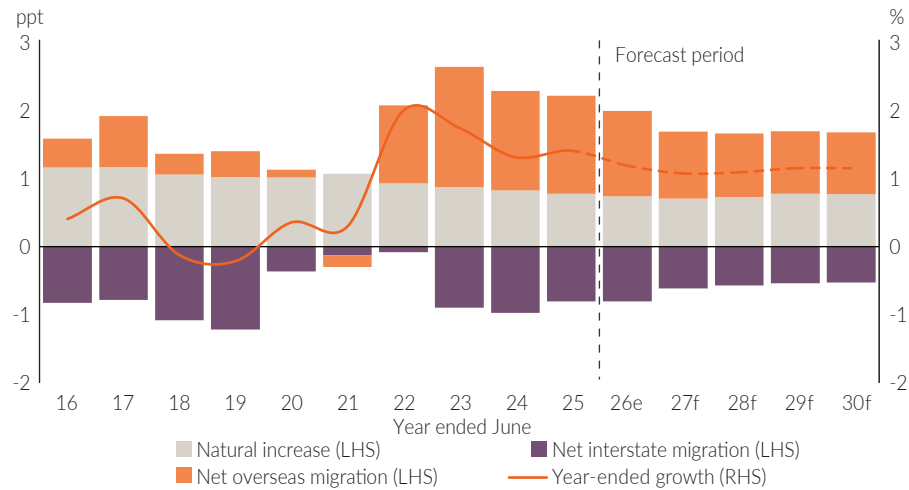
The Territory's population is estimated to grow by 1.2% to 267,704 persons in 2025-26 (Chart 4.1). Strong overseas migration is expected to be the main driver of growth, contributing 1.3 percentage points, followed by natural increase contributing 0.7 percentage points, while net interstate migration is estimated to detract 0.8 percentage points.

The Territory's population growth is expected to ease to 1.1% in 2026-27 and 2027-28. Natural increase, while still a contributor to growth, is forecast to remain subdued by weaker births as ongoing inflationary pressures together with broader social norms weigh on family formation decisions. Net overseas migration is also expected to ease over this period, particularly as strong post-covid flows normalise. This is partly offset by net interstate migration improving towards longer-term levels, supported by investment growth.

The new five-year Designated Area Migration Agreement (DAMA) signed in March 2025 is supporting skilled international migrant inflows. The DAMA, which provides Territory businesses pathways to sponsor skilled and semi-skilled overseas workers, was expanded to increase the number of eligible occupations and annual nomination cap. The Territory Government also launched the Global Worker Attraction program in February 2026, to address critical skills shortages through overseas and interstate recruitment events.

Population growth is forecast at 1.2% in 2028-29 and 2029-30. Natural increase and net overseas migration are expected to be steady contributors to growth over these years, adding an average 0.8 and 0.9 percentage points per annum respectively, while net interstate migration is expected to detract on average 0.5 percentage points from growth per annum.

Chart 4.1: Territory’s annual population growth and percentage point contribution by component



e: estimate; f: forecast; ppt: percentage points; LHS: left-hand side; RHS: right-hand side
 Source: ABS, National, state and territory population; Department of Treasury and Finance

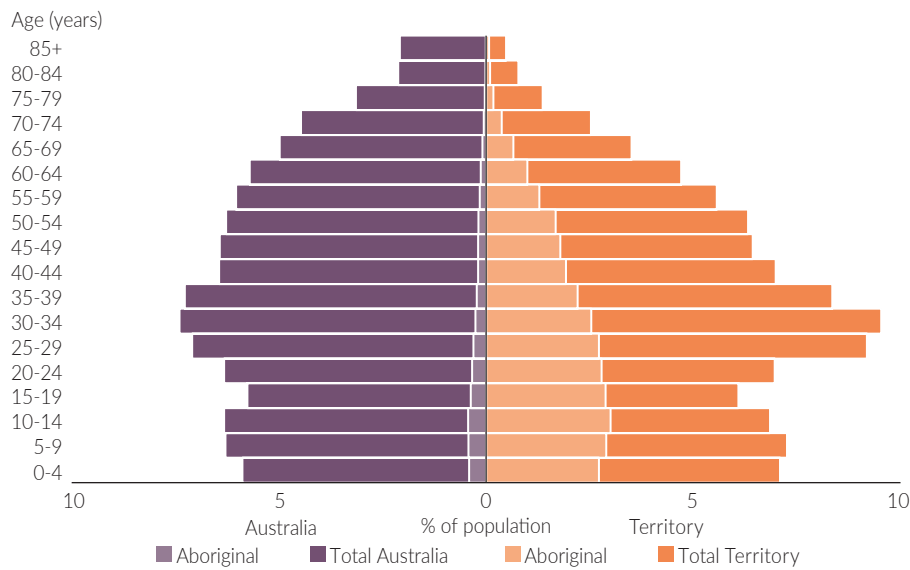
The Territory’s overseas migration flows are influenced by Commonwealth policy. Over the past year, changed Commonwealth policy settings have increased risks to the Territory’s future overseas migration flows. These include national planning levels for international students with tighter limits on private education providers, two-tiered visa application processes, further increases to student visa costs, and new arrival control determinations that allow restrictions on the arrival of certain classes of temporary visa holders. While these changes are aimed at strengthening the integrity and quality of Australia’s international education system, the additional regulatory and financial burdens may dampen demand for international education in the Territory and migration flows.

Natural increase has been in steady decline in recent years, mainly due to fewer births. This reflects broader fertility rate trends and more recently, cost-of-living pressures and economic uncertainty that impact household formation decisions. The forecasts assume a modest recovery in births over the forecast period as economic pressures ease.

Population profile

The Territory’s population is characterised by a relatively young age profile, with a median age of 33.9 years, compared with 38.4 years nationally. This reflects a large number of persons aged 25 to 34 years living and working in the Territory, as well as the Territory’s large Aboriginal population that, based on the 2021 Census, had a median age of 26 years (Chart 4.2). Around a third of the Territory’s population identifies as Aboriginal (31%) compared with 3.8% nationally. The Territory’s population also comprises a larger proportion of males than females (106.2 males to every 100 females), compared with 98.6 males to every 100 females nationally.

Chart 4.2: Population age profile, Australia and the Territory by Aboriginal status, 30 June 2021



Source: ABS, 2021 Census

Recent activity

In 2024-25, the Territory's population grew by 1.4% to 264,556 persons. Net overseas migration was the main contributor to growth with elevated overseas arrivals. Natural increase also contributed to growth, while net interstate migration detracted from growth, however less so than the previous year.

Natural increase

Natural increase has been moderating in the Territory, contributing on average 0.9 percentage points per annum to population growth over the five years to 2024-25. This is higher than the national contribution of 0.4 percentage points per annum, largely due to the Territory's younger age profile and higher fertility rate.

In 2024-25, the Territory's natural increase was 2,024 persons, down 4.8% from 2,125 persons the year before, driven by higher deaths and steady number of births. The total fertility rate (TFR), which represents the average number of children born to a woman during the reproductive lifetime, was 1.6 for the Territory in 2024-25 compared to 1.5 for Australia. The Territory has continued to experience a softening in its TFR in line with the national trend as changing socioeconomic factors such as delayed parenthood, smaller family size intentions and cost-of-living impact on decision-making.

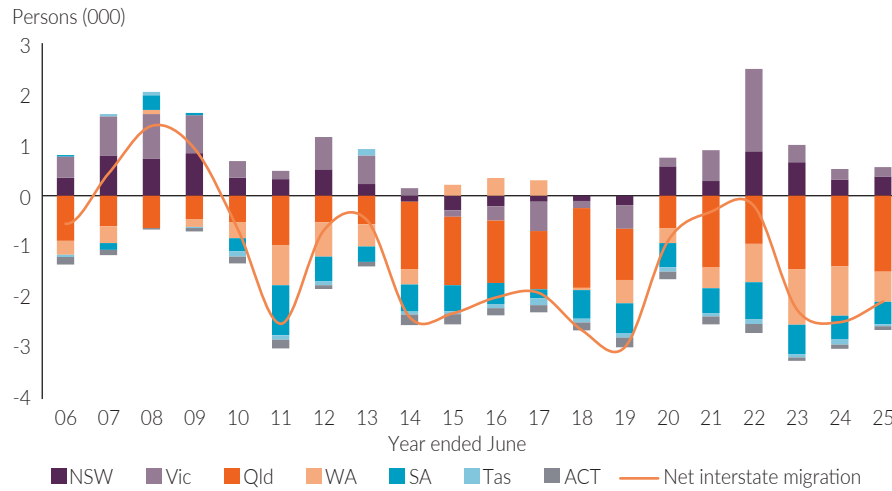
Interstate migration

Interstate migration is the most volatile component of population growth and generally detracts from the Territory's population. Over the five years to 2024-25, net interstate migration detracted on average 0.6 percentage points per annum from growth.

Net interstate migration improved from -2,516 persons in 2023-24 to -2,105 persons in 2024-25, largely due to improved net migration outcomes with Western Australia. Overall, interstate departures from the Territory were lower by 1,331 persons, with less departures to each jurisdiction. This was partly offset by lower interstate migration arrivals to the Territory from all jurisdictions except Western Australia, Tasmania and the Australian Capital Territory.

In 2024-25, the Territory continued to see positive net migration flows with New South Wales and Victoria at around 380 and 190 persons respectively, while negative net migration flows remained the greatest with Queensland and Western Australia at around 1,510 and 600 persons, respectively (Chart 4.3).

Chart 4.3: Territory net interstate migration, by jurisdiction



Note: Net interstate migration by jurisdictions in 2020-21 does not align to the Territory's overall net interstate migration due to the impact of covid-related Medicare address changes.
 Source: ABS, National, state and territory population

Overseas migration

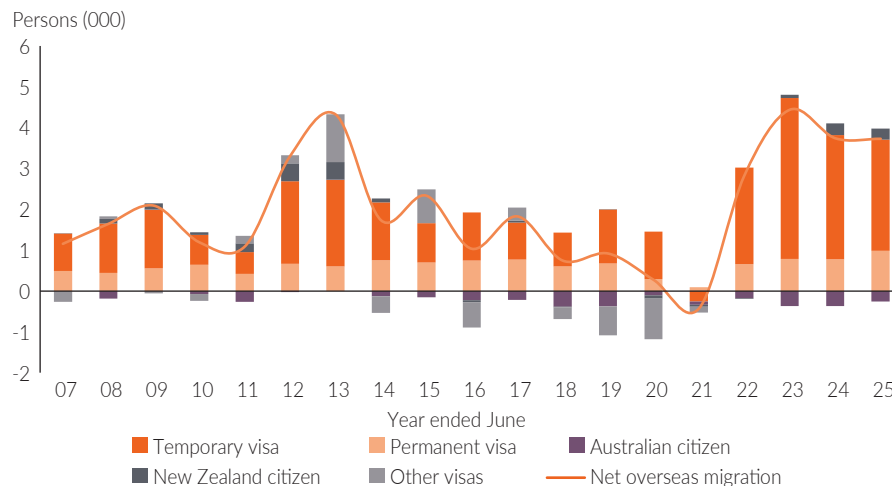
Historically, net overseas migration has supported population growth in the Territory, contributing on average 1.1 percentage points per annum over the five years to 2024-25.

The Territory's net overseas migration declined by 0.4% to 3,753 persons in 2024-25, however is still at historically elevated levels due to strong overseas arrivals and weak departures since covid, and supported by advocacy for fit-for-purpose policy settings for the Territory (such as the DAMA).

Temporary visa holders continued to be the main component of net overseas migration in 2024-25 (Chart 4.4), largely temporary student, skilled and working holiday visa holders. The composition of temporary visa holder arrivals is changing though, with temporary skilled visa numbers increasing, and student and working holiday visa numbers declining further in 2024-25 since peaking in 2022-23.

Permanent visa holders have also been consistently contributing to the Territory's overseas migration since covid, notably for skilled visa holders.

Chart 4.4: Territory net overseas migration, by visa category



Source: ABS, National, state and territory population

Regional growth

Table 4.2: Territory population by region, 30 June 2025

	Population	Proportion of total	Year-ended change	5-year average year-ended change
	No.	%	%	%
Greater Darwin	159 284	60.2	1.7	1.5
Darwin city	31 021	11.7	2.6	1.7
Darwin suburbs	60 925	23.0	1.4	1.1
Palmerston	43 006	16.3	1.4	2.1
Litchfield	24 332	9.2	2.0	1.4
Rest of the Territory	105 272	39.8	0.9	1.1
Alice Springs	43 434	16.4	1.2	1.5
Katherine	22 026	8.3	1.0	0.9
Daly-Tiwi-West Arnhem	18 716	7.1	1.0	0.8
East Arnhem	14 913	5.6	0.0	0.6
Barkly	6 183	2.3	0.5	0.5
Total	264 556	100.0	1.4	1.3

Source: ABS, *Regional population*

Greater Darwin was the main source of the Territory's population growth in 2024-25, increasing by 1.7% to 159,284 persons while the rest of the Territory grew by 0.9% to 105,272 persons.

Greater Darwin experienced population growth across all major centres, with Darwin suburbs and Darwin city being the larger contributors to growth followed by Palmerston and Litchfield. Growth across Greater Darwin has been supported by residential developments at Berrimah, Lyons and Palmerston South, and the opening of Charles Darwin University's Danala Education and Community Precinct in late 2024. Future plans to develop a purpose built 350 student accommodation will unlock further growth in Darwin city.

Population growth in the rest of the Territory was concentrated in Alice Springs and Katherine. Alice Springs grew by 1.2% in 2024-25 while both Katherine and Daly-Tiwi-West Arnhem grew by 1%, above their five-year average. Barkly reported population growth at 0.5% while East Arnhem's population was unchanged. East Arnhem, in particular the Gove Peninsula, is entering a period of major economic transition as Rio Tinto progresses to mine closure later this decade, which will reshape the region's population and workforce profile. The Gove Peninsula Future Reference Group, which comprises Commonwealth and Territory governments, Traditional Owner groups, Northern Land Council, Rio Tinto and local communities, is working to address key barriers and opportunities for the township's long-term socioeconomic sustainability.

Chapter 5

Labour market

Outlook

Employment growth is forecast to ease to 1.1% in 2025-26 and 0.6% in 2026-27, reflecting the completion of works for several major investments and the impact on demand as a result of the fuel price shock in early 2026. The unemployment rate is expected to peak at 5.2% in 2026-27 before declining to average around 4.6% over the forward estimates, broadly in line with the Territory's natural rate of unemployment.

Table 5.1: Territory labour market (%)

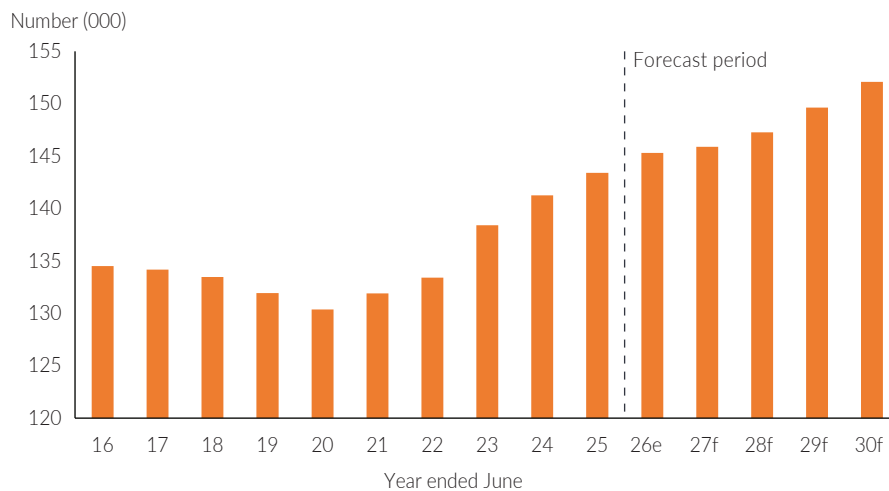
	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Employment growth ¹	1.5	1.1	0.6	0.9	1.6	1.6
Unemployment rate ²	4.1	4.6	5.2	4.7	4.6	4.6
Participation rate ²	72.8	72.8	72.7	71.9	72.1	72.1

a: actual; e: estimate; f: forecast

¹ Year-average change.

² Year average.

Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

Chart 5.1: Territory employment¹

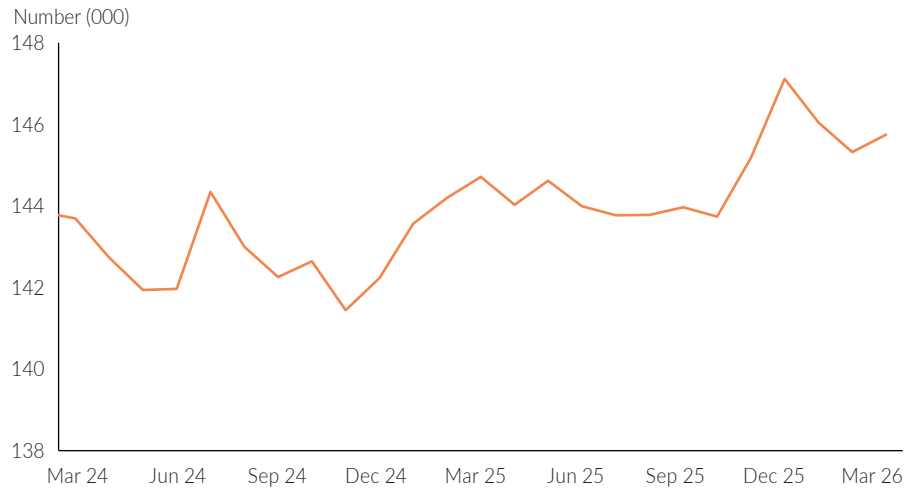
e: estimate; f: forecast

¹ Year average.

Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

Territory employment was around 143,400 in 2024-25 (Chart 5.1) and is estimated to increase by 1.1% in 2025-26. The Territory reported solid employment growth in 2025 before moderating in early 2026 (Chart 5.2), influenced by the timing of works for the Northern Marine Complex including the Darwin ship lift project, Manton Dam and planned maintenance works at the Ichthys LNG plant in mid-August to November 2025.

Chart 5.2: Territory employment by month¹



¹ Seasonally adjusted.
Source: ABS, Labour Force, Australia

Labour market conditions are expected to soften in the near term, reflecting slower domestic investment activity and weaker business confidence over recent months. In addition, cash rate increases in the first quarter of 2026 by the RBA and the Middle East conflict are expected to weigh on economic activity and employment growth.

Territory job vacancies increased by 18.5% to 6,400 in the year-ended February 2026, compared to an increase of 4.1% nationally. There are now 0.9 vacancies for every unemployed person in the Territory compared to 0.5 nationally (Chart 5.3). The rise in Territory job vacancies signals a tightening labour market, reflecting stronger than expected national labour market conditions impacting the ability of Territory businesses to secure workforce. The gap also highlights ongoing skilled labour shortages, with a high dependence on overseas and interstate migration to fill vacancies. For the Territory to continue to reach its potential, it is critical that Commonwealth migration policy settings are flexible enough to ensure the Territory’s high economic growth potential is not constrained by national policies that inhibit labour supply.

Chart 5.3: Ratio of job vacancies to unemployed persons by jurisdiction

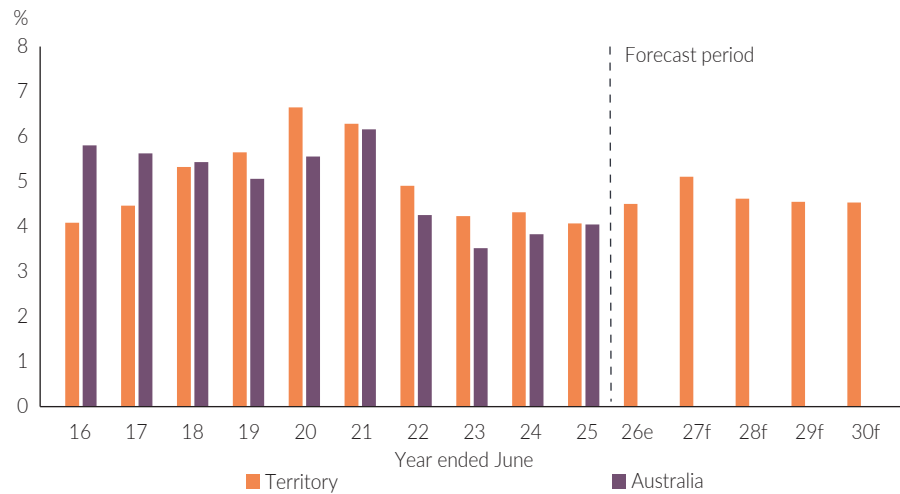


Source: ABS, Job Vacancies, Australia, Labour Force, Australia

Employment growth is forecast to ease to 0.6% in 2026-27 and 0.9% in 2027-28, before strengthening to 1.6% in 2028-29 and 2029-30.

The unemployment rate is expected to ease to 4.6% in 2025-26 before increasing to 5.2% in 2026-27 (Chart 5.4). This increase reflects lower tourist visitation and spending, lower household consumption related to higher interest rates, and low levels of private investment following completion of works for the Barossa project. Ongoing uncertainty related to the Middle East conflict and its impact on fuel prices and inflation, and consumer and business confidence is a risk to the labour market and unemployment outlook. The unemployment rate is expected to moderate to 4.6% over the forward estimates as conditions stabilise.

Chart 5.4: Territory unemployment rate¹



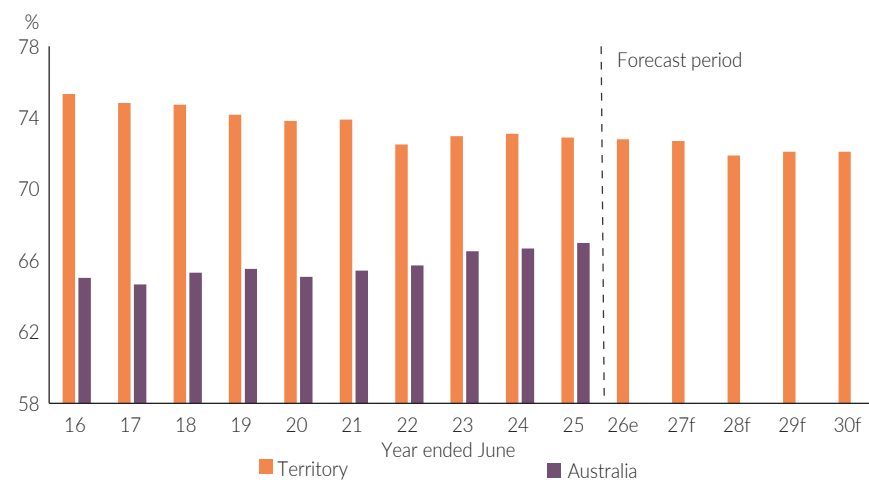
e: estimate; f: forecast

¹ Year average.

Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

Participation is expected to remain steady over the rest of 2025-26 to average 72.8%, with weaker employment growth offset by an increase in the number of unemployed people (Chart 5.5). As labour demand declines, the participation rate is expected to moderate, noting the Territory has a project-driven economy and transient population, with a greater tendency for workers who are unable to secure local work to move interstate. Over the forward estimates, the participation rate is forecast to stabilise at levels consistent with a return of private demand to trend.

Chart 5.5 Territory participation rate¹



e: estimate; f: forecast

¹ Year average.

Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

Government initiatives

The 2026 Global Worker Attraction program was launched to boost the Territory's skilled workforce, with recruitment efforts focused on the UK, Ireland, South Africa, New Zealand and interstate. The program includes international recruitment events and promotion through the WorkerConnect web-based platform that makes it easy for Territory businesses to list vacancies and connect with jobseekers. This is expected to ease skill shortages and support employment growth across priority industries.

In December 2025, a \$35 million joint investment by the Territory Government and Commonwealth was announced to expand First Nations vocational education and training opportunities, strengthen the First Nations workforce and deliver culturally safe learning environments. The initiative is expected to boost skills and support employment pathways, particularly in remote communities.

Chapter 6

Prices and wages

Outlook

Inflation in Darwin trended up over 2025-26 and is expected to increase significantly in the March and June quarters due to higher fuel prices. Oil prices are expected to remain elevated in 2026-27 and feed into production costs for a broad range of goods and services. Wage growth is forecast to ease in 2025-26 before picking up in 2026-27 as price inflation pressures feed into wage negotiations and new public enterprise agreements take effect.

Table 6.1: Darwin consumer price index and Territory wage price index (%)

Financial year	2024-25a	2025-26e	2026-27f	2027-28f	2028-29f	2029-30f
Consumer price index						
Year-ended change	1.6	5.2	3.2	1.0	2.5	2.5
Year-average change	1.8	3.8	5.2	1.1	1.9	2.5
Wage price index						
Year-ended change	3.3	2.9	3.5	3.3	3.4	3.3
Year-average change	3.3	2.6	3.7	3.3	3.4	3.3
Calendar year	2024a	2025a	2026f	2027f	2028f	2029f
Consumer price index						
Year-ended change	1.7	3.3	6.3	0.9	1.7	2.5
Year-average change	2.5	2.3	5.5	2.6	1.3	2.4

a: actual; e: estimate; f: forecast

Source: ABS, *Consumer Price Index, Australia*, *Wage Price Index, Australia*; Department of Treasury and Finance

The Middle East conflict has materially changed the outlook for inflation due to its impact on fuel prices. The full economic impact will depend on the extent and duration of the conflict.

In year-ended terms, inflation is expected to reach 5.2% by the June quarter 2026 and remain elevated at 3.2% in the June quarter 2027, before moderating to 1% by the June quarter 2028. Over the rest of the forward estimates, price growth is forecast to be around the middle of the RBA's target band as wage growth stabilises, interest rates ease and demand returns to long-run levels.

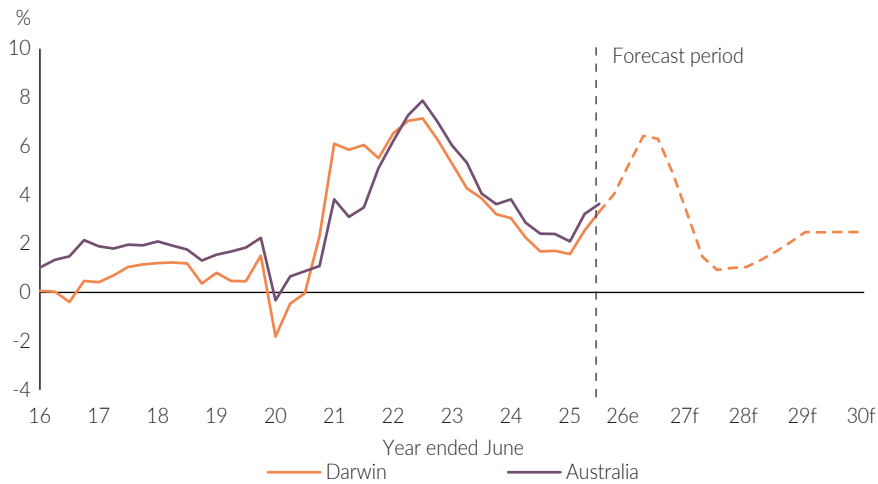
On 1 April 2026, the Commonwealth halved the fuel excise for three months, effectively reducing the cost of fuel by 26.3 cents per litre. State and territory governments also agreed to forego GST revenue to reduce the fuel excise a further 5.7 cents per litre over the same period. The Commonwealth has also waived the heavy vehicle road user charge for three months and delayed the next scheduled increase by six months. These measures will somewhat reduce inflationary pressures in the near term.

Outlook

The Darwin CPI is expected to increase significantly in 2025-26, with inflationary pressures expected to persist into 2026-27 (Chart 6.1). In year-ended terms, Darwin's inflation rate is estimated to increase from 1.6% in the June quarter 2025 to 5.2% in the June quarter 2026. Inflationary pressures had been building steadily to February 2026, however were significantly magnified by rapid increases in fuel prices.

Over the forward estimates, Darwin inflation is forecast to return to 2.5%, consistent with the mid-point of the RBA target band.

Chart 6.1: Consumer price index, Darwin¹



e: estimate; f: forecast

¹ Year-ended change.

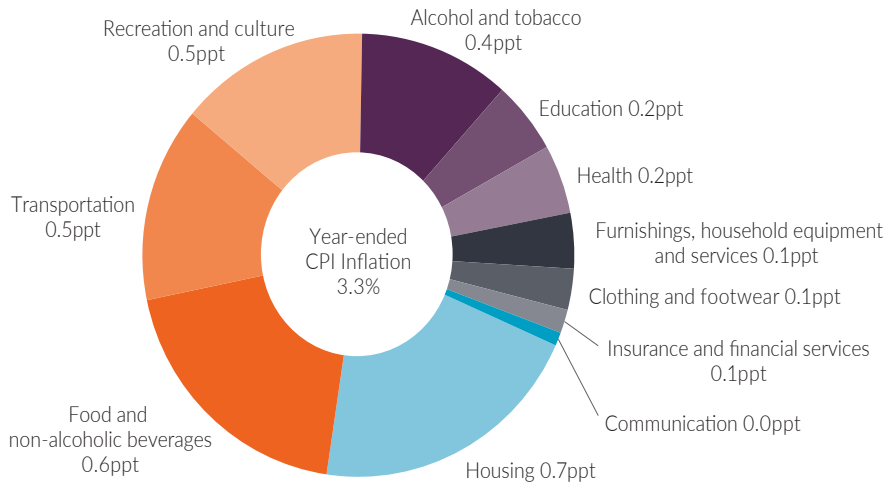
Source: ABS, *Consumer Price Index, Australia*; Department of Treasury and Finance

Higher fuel prices will increase production costs for a range of goods and services, particularly in the Territory economy, which is highly dependent on interstate freight. Typically, the indirect impact gradually rises over the short to medium term as producers pass on cost increases to consumers. Partly offsetting this outlook is the strength of the Australian dollar, which appreciated by 8% from July 2025 to February 2026. A stronger Australian dollar will act to dampen inflationary pressures, noting the high degree of import penetration across the Australian economy.

Recent activity

Headline inflation in Darwin increased by 3.3% in the year-ended December quarter 2025, compared with 3.6% nationally. The largest contributor to Territory inflation was housing, followed by food and non-alcoholic beverages, transport, and recreation and culture. The increase in the housing category was driven by rents and utilities, reflecting tight supply in the established housing market and cessation of the Commonwealth Energy Bill Relief Fund in December 2025 (Chart 6.2).

Chart 6.2: Contributors to annual inflation, December quarter 2025, Darwin



ppt: percentage points

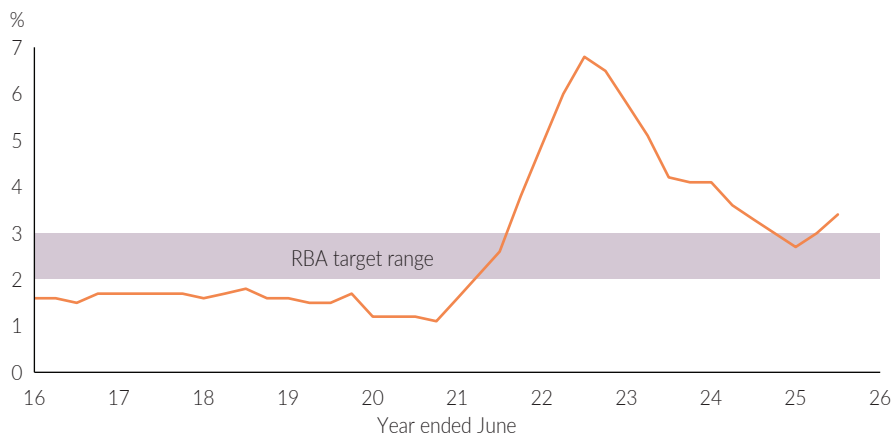
Source: ABS, *Consumer Price Index, Australia*; Department of Treasury and Finance

Services inflation was 3.5% in the year-ended December quarter 2025, outpacing goods inflation (3.2%) over the same period. Both goods and services inflation are tracking above long-term rates. Goods inflation is expected to increase significantly in the short to medium term, with some upward pressure on services inflation as these expectations are factored in wage negotiations.

Nationally, there are indications the economy is running above potential growth, with strong private demand and stable labour market conditions lifting underlying demand. Trends in Darwin inflation tend to track closely with national inflation, suggesting similar drivers of price inflation (Chart 6.1). Therefore, national estimates of underlying inflation (which adjusts for irregular or temporary price changes) are relevant to the Territory context. Underlying inflation has increased since June 2025 after declining over 2023-24 and 2024-25 (Chart 6.3).

The upward trend in underlying inflation contributed to the RBA decision to raise the cash rate in both February and March 2026, to 4.1% as at April 2026. The RBA also acknowledges the Middle East conflict will create risks for both price and inflation expectations that will be considerations in future decision-making. Tighter monetary policy could ease inflationary pressures in 2026-27 by reducing demand.

Chart 6.3: National trimmed mean consumer price index¹



¹ Year-ended change.

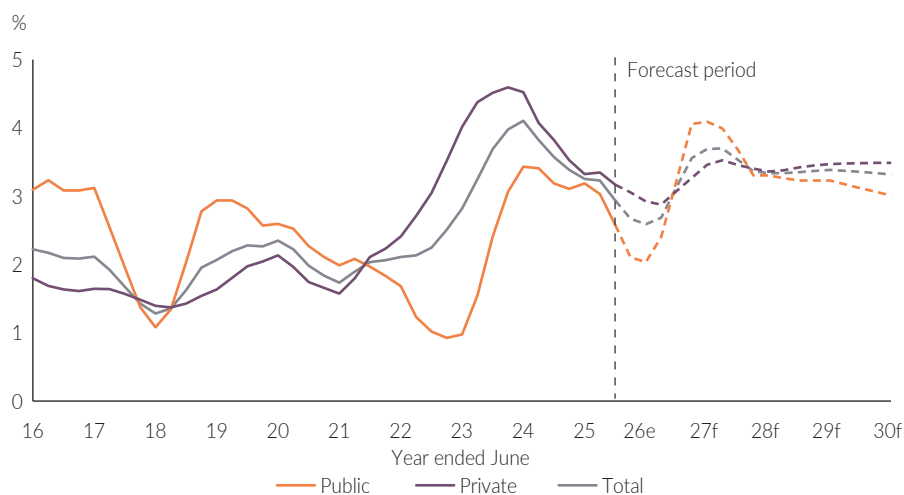
Source: RBA

Wage price index

Outlook

Territory wage growth is expected to moderate to 2.6% in 2025-26 before strengthening to 3.7% in 2026-27 (Chart 6.4). Across the forward estimates, wage growth is forecast to average 3.3% per annum.

Chart 6.4: Territory wage price index¹



e: estimate; f: forecast

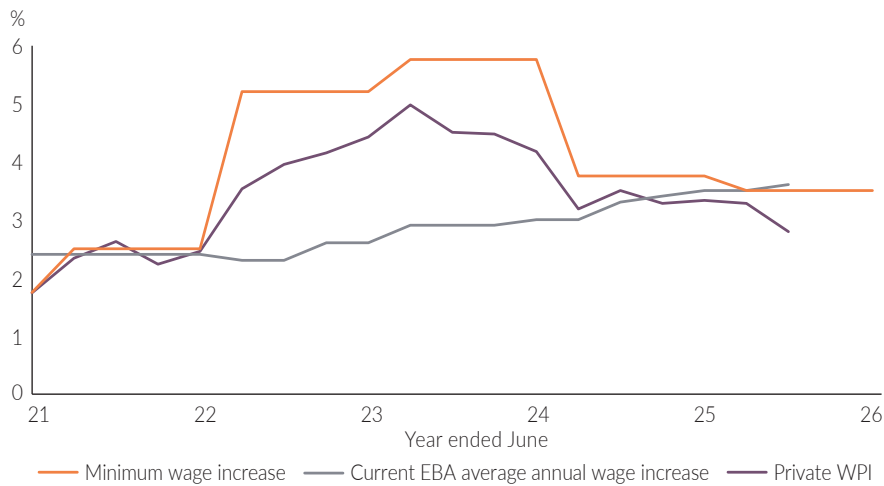
¹ Year-ended change.

Source: ABS, *Wage Price Index, Australia*; Department of Treasury and Finance

Private sector wage growth in the Territory is expected to decline to around 2.9% in 2025-26, reflecting easing labour market conditions though with a 3.5% increase in the national minimum wage. Similar to nationally, Territory private sector wage growth has been trending down since the March quarter 2024. Private sector wage growth is then forecast to increase to 3.5% in 2026-27. This largely reflects price inflation pressures feeding into future wage negotiations. Private wage growth is not expected to reach the same highs as in 2023-24, when domestic activity was relatively strong. Over the forward estimates, private wage growth is forecast to remain around 3.5%, driven more by labour demand than inflationary pressures.

In December 2025, a number of major Northern Territory Public Sector (NTPS) enterprise agreements were finalised. In year-average terms, public sector wage growth in the Territory is expected to increase by 2% in 2025-26 before strengthening to 4.1% in 2026-27 as pay rises under the new NTPS enterprise agreements take effect. Public sector enterprise agreements are expected to contribute modestly to wage growth over the forward estimates. Public wage growth is assumed to return to 3% by 2029-30 as labour market conditions and inflation stabilise.

There is risk to the 2026-27 outlook if the 2026 minimum wage decision is for a substantial increase. Minimum wage increases directly affect employees paid on award wages and have indirect impacts through the precedent they set for private sector wage negotiations (Chart 6.5).

Chart 6.5: Territory private WPI, EBAs and minimum wage increases¹

EBA: enterprise bargaining agreement; WPI: wage price index

¹ Year-ended change.

Source: ABS, *Wage Price Index, Australia*; DEWR, *Trends in Federal Enterprise Bargaining*; Fair Work Commission; Department of Treasury and Finance

Recent activity

Territory WPI growth moderated from 3.3% in 2024-25 to 2.9% by December 2025 in year-average terms. This reflects a 2.6% increase in public sector wages and 3.2% increase in private sector wages. Nationally, the WPI increased by 3.4% over the same period.

Other measures of wage growth slightly improved in 2025, reflecting tighter labour market conditions. The WPI is calculated based on a fixed sample of jobs and not affected by changes in the composition of the workforce or hours worked. In contrast, average weekly full-time (ordinary time) earnings does not control for changes in workforce composition, increasing by 3% in the year-ended November 2025 compared to 2.9% a year earlier.

Chapter 7

Residential property market

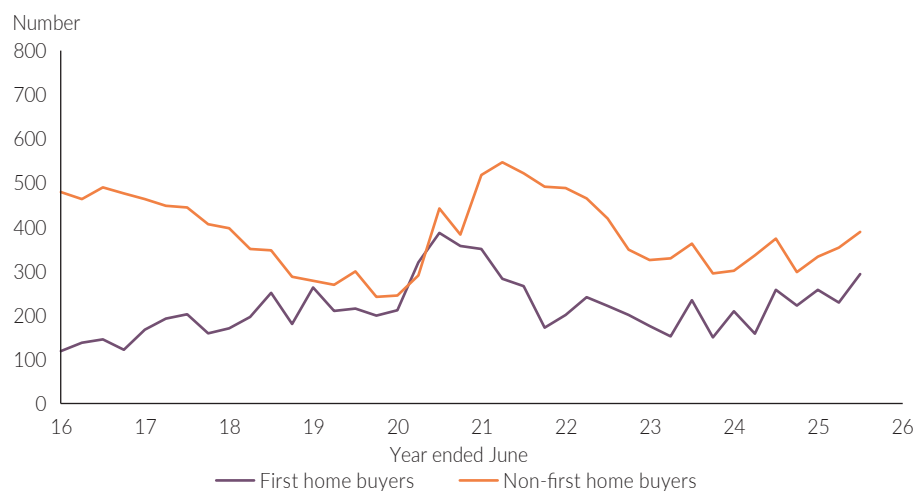
Outlook

Residential construction is expected to slow in 2026 as tighter monetary policy impacts borrowing capacity, and global uncertainty flows through to household and business confidence, and dwelling investment decisions.

Residential construction strengthened over the past year, supported by Territory Government housing grants that were introduced in October 2024 to stimulate new housing construction. The HomeGrown Territory grant offers \$50,000 to first home buyers building or buying a new home, while the FreshStart new home grant offers \$30,000 to existing homeowners to buy or build a new home. To maintain the momentum and offset the impact of higher interest rates, the Territory Government has extended the FreshStart and HomeGrown grants for eligible transactions until 30 September 2027. The extension of these stimulus measures provides medium-term certainty for the local construction sector.

Housing finance commitments for new dwellings, a leading indicator of residential construction activity, totalled 363 commitments in 2025, a 63.5% increase over the previous year. Broader owner-occupier housing finance has also strengthened. In quarterly terms, new loans for first home buyers increased by 13.6% to 293 commitments and for non-first home loans up by 4% to 389 commitments in the year-ended December 2025 (Chart 7.1). The strong response from first home buyers is consistent with the intent of the HomeGrown grant to support entry into the market through new construction.

Chart 7.1: Northern Territory housing finance by owner type, quarterly



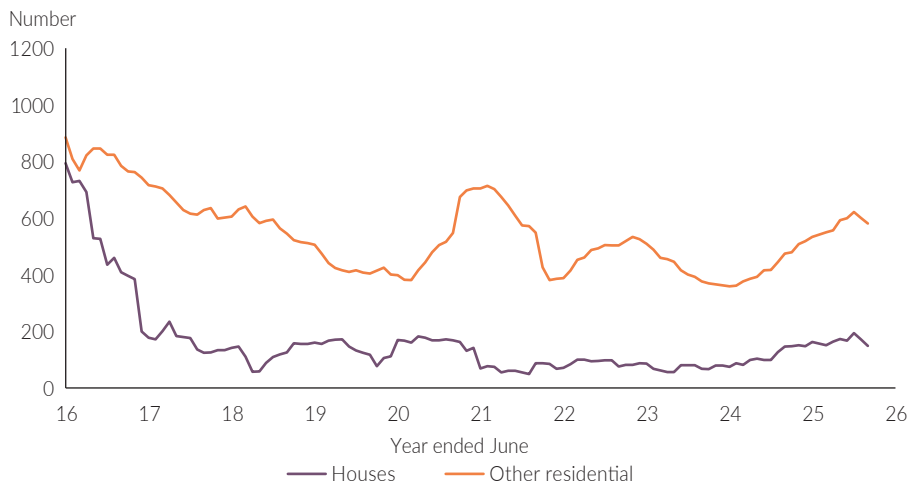
Source: ABS, *Lending Indicators*

Demand for new houses has trended upward since 2024 and is also reflected in building approvals data (Chart 7.2). In addition to the new grants, the increase in demand reflects an easing in household budget pressures as inflation moderated through 2024 and 2025, and growth in real wages. Supported by ongoing land releases, the total number of dwellings under construction has strengthened since mid-2024 (Chart 7.3).

In 2026, weaker employment growth and consumer sentiment combined with higher inflation and interest rates are expected to see households become more cautious and increase their savings. This is likely to impact interest in long-term financial commitments in buildings and property.

On the supply side, skilled labour shortages continue to pose a risk to construction costs, and recent sharp increases in fuel prices will flow through to transport costs embedded in most construction-related goods. However, new land releases at Farrar West and Zuccoli in Palmerston, and Asche, Lee Point and Northcrest in Darwin will support scope for new dwelling construction when market conditions improve.

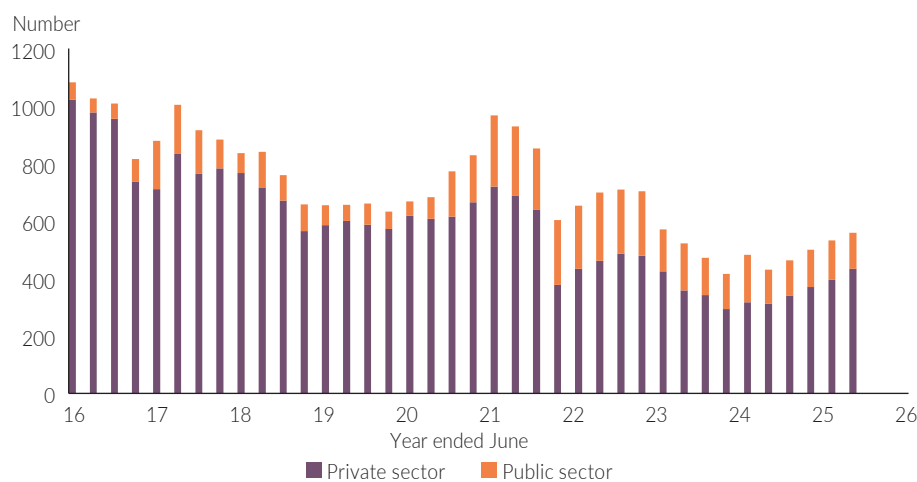
Chart 7.2: Northern Territory building approvals by type of building¹



¹ Moving annual total.
Source: ABS, Building Approvals

Public sector investment continues to provide a consistent baseline of construction work across the Territory. This public pipeline is underpinned by the rollout of the National Partnership on the Remote Housing Investment Package. This \$4 billion Commonwealth and Territory investment over 10 years to 2034 aims to halve overcrowding through the delivery of essential infrastructure upgrades, additional remote housing, and housing improvements in remote homelands.

Chart 7.3: Dwellings under construction, quarterly by sector



Source: ABS, Building Activity, Australia

Recent activity

Following a moderation in 2023, sales volumes steadily improved throughout 2024 and 2025.

Darwin continues to record relatively high rental yields compared to other capital cities, supporting strong investor interest.

Median house and unit prices

The Darwin median house price in the December quarter 2025 was around \$670,000 and the median price of units was around \$440,000 (charts 7.4a and b). Elsewhere in the Territory, median house prices were around \$468,5000 in Alice Springs, \$275,000 in Tennant Creek, and \$390,000 in Katherine. Median unit prices were around \$285,000 in Alice Springs and \$295,000 in Katherine. Property sales volumes increased over 2025, with sales growing every quarter in all regions except Tennant Creek.

Chart 7.4a: Territory house prices

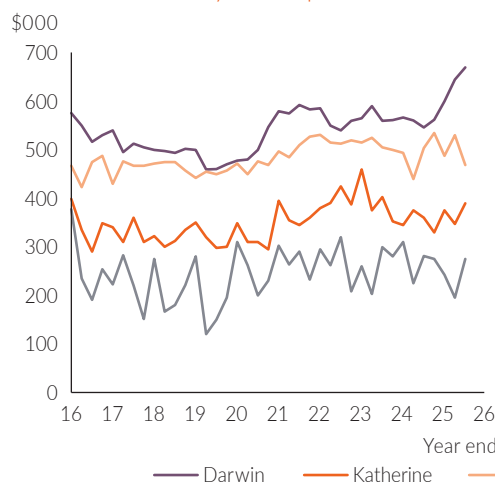
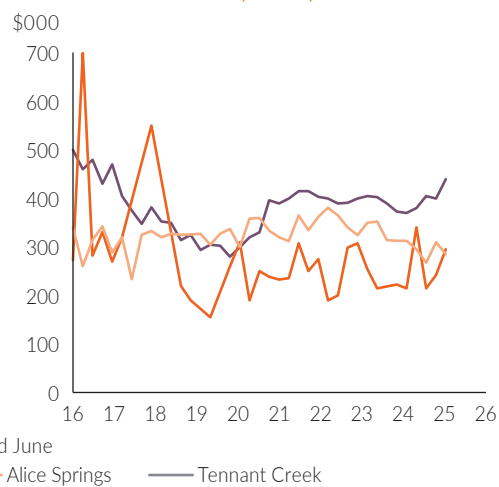


Chart 7.4b: Territory unit prices



Source: Real Estate Institute of Northern Territory

Rental prices

Rental prices increased across most regions in the Territory during 2025 for both houses and units, reflecting persistent tight supply.

In the year-ended December quarter 2025, Darwin house and unit rents increased by 13.8% and 11.8%, respectively (charts 7.5a and b). Over the same period, Alice Springs rental prices increased by 9.2% for houses and 6.9% for units. Katherine saw median rents for houses increase by 8.5%, while rents increased strongly by 13.9% for units.

Chart 7.5a: Territory 3-bedroom house rents

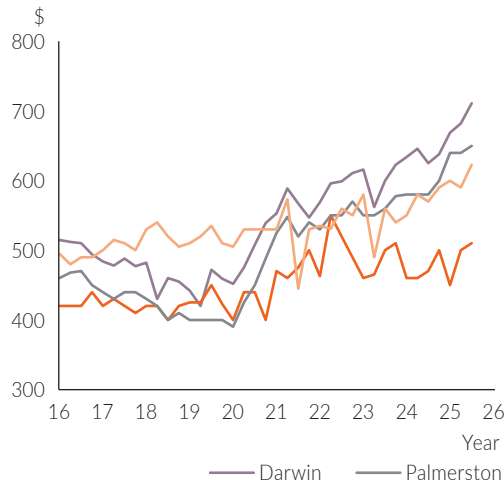
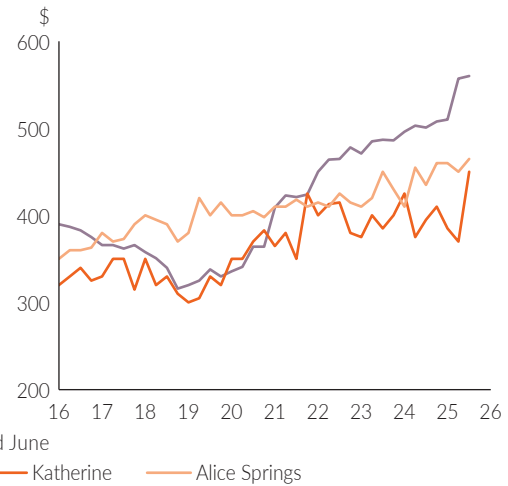


Chart 7.5b: Territory 2-bedroom unit rents



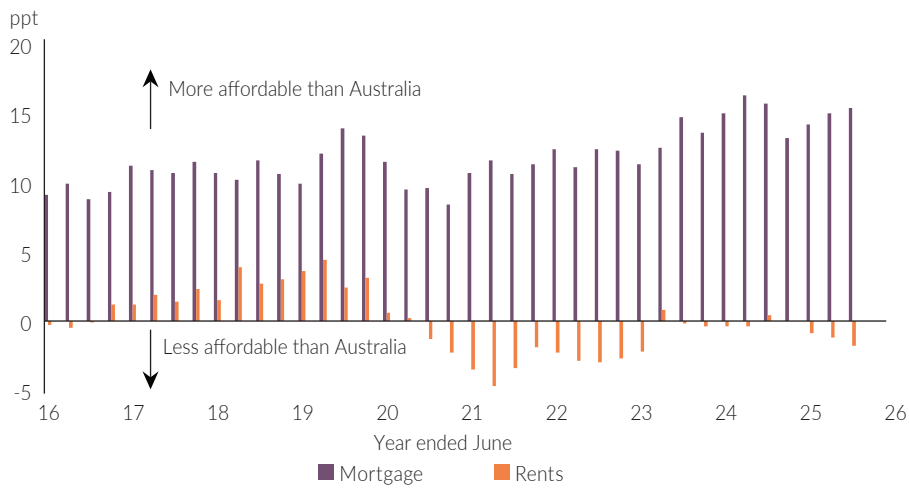
Source: Real Estate Institute of Northern Territory

Affordability

Housing affordability improved in the year-ended December 2025 in both the Territory and nationally, largely driven by higher weekly family incomes. Median weekly family income increased by 5.1% over the year to \$2,720 and was partly offset by a 4% increase in the average monthly loan repayment to \$3,984. The Territory remains the second most affordable jurisdiction for home loan repayments.

In contrast, Territory rental affordability declined over the same period as the proportion of median weekly family income required to rent a three-bedroom house increased by 1.9 percentage points to 26.1%. The Territory is the third least affordable jurisdiction for rent (Chart 7.6).

Chart 7.6: Housing and rental affordability¹



ppt: percentage points

¹ Difference between the national average and the Territory in the proportion of weekly median income to meet loan repayments and rent.

Source: Real Estate Institute of Australia

Abbreviations and acronyms

a	actual	IMF	International Monetary Fund
ABS	Australian Bureau of Statistics	LHS	left-hand side
CPI	consumer price index	LNG	liquefied natural gas
DAMA	Designated Area Migration Agreement	NTPS	Northern Territory Public Sector
e	estimate	OECD	Organisation for Economic Co-operation and Development
EBA	enterprise bargaining agreement	ppt	percentage points
f	forecast	RBA	Reserve Bank of Australia
GDP	gross domestic product	RHS	right-hand side
GEMCO	Groote Eylandt Mining Company	SFD	state final demand
GSP	gross state product	TFR	total fertility rate
GST	goods and services tax	US	United States (of America)
IEA	International Energy Agency	WPI	wage price index

Explanation of terms

Advanced economies and emerging market and developing economies

The International Monetary Fund's classifications of nations based on their economies. While there is no strict criteria, advanced economies typically have a high level of per capita income, a significant degree of industrialisation, varied exports, and a financial sector integrated into the global financial system. Emerging market and developing economies tend to have high expenditure on infrastructure and export goods to wealthier advanced economies, often registering faster gross domestic product growth.

Average weekly earnings

Average weekly earnings statistics represent average gross (before tax) earnings of employees and do not relate to average award rates nor to the earnings of the 'average person'. Estimates of average weekly earnings are derived by dividing estimates of weekly total earnings by estimates of number of employees.

Balance of trade (also known as net exports)

The difference between the value of a jurisdiction's exports and imports. When exports exceed imports, the jurisdiction has a trade surplus and, conversely, when imports exceed exports, the jurisdiction has a trade deficit.

Balancing item

The residual of gross state product less state final demand less net international trade in goods and services. It implicitly comprises the change in inventories at a jurisdictional level, plus net interstate trade.

Bond yield

A bond's yield is the return an investor expects to receive each year over its term to maturity. For the investor who has purchased the bond, the bond yield is a summary of the overall return that accounts for the remaining interest payments and principal they will receive, relative to the price of the bond.

Calendar adjusted

Adjustments made to data to allow for length of month and trading day effects present in the month-to-month movements in time series data.

Chain volume measure

A measure of growth that captures the change in quantity while removing the effects of price changes.

Consumer price index

A measure of prices of a representative basket of goods and services for each Australian capital city over time. The consumer price index's basket of goods has 11 categories of goods and services (food and non-alcoholic beverages; alcohol and tobacco; clothing and footwear; housing; furnishings, household equipment and services; health; transport; communication; recreation and culture; education; and insurance and financial services). These categories are weighted to reflect household consumption patterns in each city. Weights for each capital city are updated on an annual basis to reflect changing household consumption patterns over time.

Current prices

The value in nominal terms, not adjusted for inflation or changes in the purchasing power of money. It is the market value for the good or service at the time it was being sold.

Downside risk

The risk of weaker-than-expected economic performance, which may lead to slower growth, reduced incomes, or financial losses.

Employed

Persons 15 years and older who worked for one hour or more in the week as measured by the labour force survey. Persons are measured as being employed in the jurisdiction in which they reside, regardless of the location of their employment.

Forecast period (also known as forward estimates period)

Time in the future for which estimates have been prepared, comprising the four years succeeding the current financial year (2026-27, 2027-28, 2028-29 and 2029-30).

Government and community services

The government and community services sector consists of public administration and safety; education and training; and health care and social assistance. These services are mainly funded by the public sector, including the Commonwealth, Territory and local governments. However, non-government and private entities may also provide education, health, aged care and other community services, as well as defence.

Gross domestic product

The total value of goods and services produced in Australia over the period for final consumption. Intermediate goods, or those used in the production of other goods, are excluded. Gross domestic product can be calculated by summing total value added, total income or total expenditure.

Gross state product

Similar to gross domestic product, except it measures the total value of goods and services produced in a state or territory. It can be calculated by measuring expenditure, where it is the sum of state final demand, and international and interstate trade, changes in the level of stocks, and a balancing item.

Household consumption

Expenditure by resident households on goods and services that will not be resold or used in production. The purchase of dwellings is excluded from household consumption as dwellings are goods used by owners to produce housing services for those owners and is therefore captured in private investment.

Household savings ratio

The ratio of household net saving to household net disposable income. Household net saving is calculated as household net disposable income less household final consumption expenditure. Household net disposable income is calculated as household gross disposable income less household consumption of fixed capital.

Inflation

The year-ended change in the consumer price index.

Inflation adjusted (also known as chain volume)

Inflation adjusted measures provide estimates of real changes by factoring in general changes in prices from year to year.

Labour force

All persons 15 years and over who are available for work, that is, employed plus unemployed persons actively seeking work. Excludes Australian Defence Force personnel and non-residents.

The Territory labour force is characterised by a substantial public sector, and a relatively large defence and fly-in fly-out workforce that is not captured in Territory data reported by the Australian Bureau of Statistics. This results in a significant under reporting of on-the-ground employment in official statistics.

Labour force survey

A monthly survey conducted by the Australian Bureau of Statistics to collect information about the labour force status and other characteristics of the usually resident Australian civilian population aged 15 and over. This is the primary data source for official estimates of employment, unemployment, the unemployment rate and the participation rate.

Moving annual total

A method used to smooth data and remove the short-term fluctuations in data by averaging observations collected over a 12-month period.

Natural increase

The number of births minus the number of deaths.

Net interstate migration

The number of people arriving minus the number of people departing over a state or territory border that involves a change in place of usual residence.

Net overseas migration

The difference between the number of incoming travellers who stay in Australia for one year or more and are added to the population, and the number of outgoing travellers who leave Australia for one year or more and are subtracted from the population.

Participation rate

The proportion of the civilian population over 15 years of age who are working or looking for work, that is, are participating in the labour force.

Private investment

Expenditure by producers on fixed assets that are used in the process of production and used repeatedly or continuously for longer than one year. It comprises dwelling investment, ownership transfer costs (fees incurred by the buyer or seller of real estate), non-dwelling construction (industrial, commercial and non-dwelling buildings and other structures such as pipelines and bridges), machinery and equipment, cultivated biological resources (natural resources used repeatedly to produce products such as milk or orchards) and intellectual property products (products as a result of creative activity, research and development, and mineral exploration).

Public consumption

Includes government expenditure on goods and services (including wages and rents). National consumption is a combination of Commonwealth consumption, defence consumption and consumption by universities. State and local government consumption includes all other public consumption.

Public investment

Expenditure by all levels of government on the purchase of fixed assets that are used over a long time period. Most data for public investment is sourced from state and territory government finance reporting. Adjustments are made to deduct expenditure that is classified as consumption, rather than investment. The Australian Bureau of Statistics' statistical treatment of public investment does not always reconcile with the Territory Government's reporting of investment expenditure and as a result is not directly comparable.

Seasonally adjusted

Seasonal adjustment is a process for removing seasonal patterns that may be present in time series data to get a better understanding of the underlying activity in the data.

Service industries

The service industries sector covers a broad range of industries and makes up a significant proportion of gross state product and employment. The service industries are: professional, scientific and technical services; transport, postal and warehousing; accommodation and food services; financial and insurance services; administrative and support services; electricity, gas, water and waste services; rental, hiring and real estate services; arts and recreation services; information and media telecommunications; and other services.

State final demand

A major component of gross state product and is a measure of the demand for goods and services in an economy. While state final demand includes consumption and investment expenditure, it does not include the contribution of trade or changes in inventories to economic growth and therefore is not a comprehensive measure of economic growth.

Trend output (also known as potential output)

Trend output in the Territory is estimated as a measure of the economy's growth potential given the available production factors (labour, capital and technology), excluding any business cycle influences.

Tourism

Includes travel for business and other reasons, such as education, visiting family and recreation, provided the destination is outside the person's usual place of residence. Tourism activity is defined by the status of the consumer being a visitor rather than a resident and is captured indirectly through a range of industries, including accommodation and food services, retail trade, culture and recreation, and transport. The Australian Bureau of Statistics publishes an annual tourism satellite account to estimate the contribution of tourism to the economy.

Two-week range

The two-week range shows the difference between the highest and lowest market-implied cash rate expectation recorded over the past two weeks.

Unemployed

Persons 15 years and older who were not employed during the week of the labour force survey and were actively looking for work in the last four weeks.

Unemployment rate

The number of unemployed persons expressed as a percentage of the labour force.

Upside risk

The risk of stronger-than-expected economic performance, which may result in faster growth, higher incomes, or better financial outcomes.

Wage price index

Measures changes to hourly rates of pay over time for a fixed range of jobs. The Australian Bureau of Statistics measures the wage price index at the state and territory level (as well as nationally), and for both the public and private sectors. It excludes non-wage costs such as superannuation, payroll tax and workers compensation.

Year average

The average of all observations within the span of a year, whether it be 12 months or four quarters of data. It is usually used when reporting annual results that are not accrued, such as the number of employed persons.

Year-average change

Compares the 12 months up to and including the latest quarter or month with the previous 12-month period. It is used for the headline measures of growth in gross state product, state final demand, employment, the consumer price index and wage price index.

Year-ended change

Compares the latest quarter or month with the same quarter or month last year. It is the preferred and headline measure of population growth but can also be applied to various other datasets.