NORTHERN TERRITORY

2025-26 BUDGET

NORTHERN TERRITORY ECONOMY

Contents

Executive summary

The Territory's domestic economy is growing solidly in 2024-25, driven by strong public investment spending and construction of the Barossa project, with state final demand (SFD) expected to grow by 4%. However, gross state product (GSP) will contract, driven by lower exports from the Ichthys liquefied natural gas (LNG) plant due to unexpected maintenance in late 2024.

In 2025-26, the Territory's GSP is forecast to grow by 7.8%, driven by the Barossa project's transition from construction to LNG production for export. Although private sector investment will detract from growth during this period, this impact is outweighed by higher exports. By 2026-27, the Ichthys and Darwin LNG plants are expected to be at full operational capacity, with exports continuing to fuel GSP growth. In 2027-28, export levels are forecast to stabilise, no longer contributing to growth, while public investment is anticipated to decline 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 (%)

	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Gross state product[1]	4.6	- 2.6	7.8	5.9	1.7	3.0
State final demand[1]	4.5	4.0	- 1.8	- 0.6	1.1	2.6
Employment[1]	1.5	1.2	0.8	1.2	1.6	1.6
Unemployment rate[2]	4.4	4.5	5.0	4.7	4.6	4.5
Consumer price index[3]	3.0	1.7	2.9	2.4	2.5	2.5
Wage price index[1]	4.1	3.2	3.0	3.1	3.2	3.3
Population[3]	0.8	0.7	1.0	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)

Household consumption is expected to increase by 1.5% in 2024-25, supported by moderating inflation, real wage increases, tax cuts and a cut to interest rates announced by the Reserve Bank of Australia (RBA) in February 2025. Household consumption spending is expected to trend upwards over the forward estimates to stabilise around the medium-term trend, consistent with the outlook for employment and real wage growth.

Public consumption growth is forecast to remain strong in the near term, growing 4.2% in 2024-25 and 0.9% in 2025-26, largely reflecting greater demand across frontline services such as health, community safety and education. Growth in public consumption is expected to fall in 2026-27 as these pressures ease before stabilising over the rest of the forecast period.

Private sector investment is estimated to increase by 5.2% in 2024-25, before contracting by 20.1% in 2025-26, as the construction phase of the Barossa project is completed. There are several major projects proposed that are not included in the forecasts and, if they receive final investment decision status and proceed during the outlook period, will contribute to stronger than expected economic growth and employment outcomes.

Private dwelling investment is expected to benefit from the HomeGrown Territory and FreshStart grants during 2024-25 and 2025-26. Following the conclusion of this stimulus, dwelling investment is forecast to decline in 2026-27 but recover in 2027-28 and 2028-29, driven by underlying factors that typically influence dwelling investment such as population, interest rates, household income and economic conditions.

Public investment is expected to remain robust, with growth estimated at 14.3% in 2024-25 and 12.9% in 2025-26, driven by progress on large infrastructure projects alongside ongoing roads and public housing programs. Public investment growth is anticipated to slow over the forward estimates period, but remain elevated, supported by a consistent pipeline of infrastructure works across all levels of government.

The Territory's balance of trade is forecast to narrow in 2024-25 before recovering in 2025-26 and stabilising over the forward estimates period. This reflects the disruption in Territory goods exports due to an unplanned maintenance shut down at the Ichthys LNG plant in 2024-25 before recovering in 2025-26 as exports from the Barossa project commence and exports from Groote Eylandt Mining Company (GEMCO) return to normal. However, this recovery will be partially offset by significant planned maintenance activities at the Ichthys LNG plant. Imports are expected to remain strong in 2024-25 and detract from the balance of trade, reflecting goods imports for the construction of the Barossa project. In 2025-26, imports are expected to continue to grow driven by higher service imports related to the Barossa floating, production, storage and offloading vessel service contract. Thereafter, the Territory's imports are expected to generally grow in line with investment activity and economic growth.

Employment growth is forecast to be 1.2% in 2024-25 before easing to 0.8% in 2025-26 as several major investment projects are completed, although labour demand is expected to be supported by ongoing private and public investment. Employment growth is then expected to increase over the forward estimates period, growing slightly stronger than trend due to changes to worker eligibility under the new Designated Area Migration Agreement (DAMA). The unemployment rate is expected to peak at 5% in 2025-26 before declining over the forward estimates period as employment growth improves.

Darwin's headline inflation is estimated to slow to 1.7% over the year to June 2025 before increasing to 2.9% over the year to June 2026 as the Commonwealth energy bill relief fund ends. Across the forward estimates period, year-ended consumer price index (CPI) growth is expected to return to 2.5%, consistent with the mid-point of the RBA's target band.

Wage growth is expected to continue moderating in 2024-25 as wage pressure eases after recent strong growth. Territory wages are estimated to grow by 3.2% in 2024-25 and 3% in 2025-26. Across the forward estimates, wage growth is expected to increase to around 3.3%.

The Territory's population is estimated to grow by 0.7% to 256,819 persons in 2024-25. Population growth is expected to remain steady as natural increase remains flat, and interstate and overseas migration flows continue to ease from recent elevated levels. Population growth is expected to increase to 1% in 2025-26 as natural increase, in particular births, recover. The Territory's population is forecast to continue growing over the forward estimates period, averaging 1.2% growth per annum.

Ongoing uncertainty in relation to trade disruption, tariff rates and associated volatility in financial markets is weakening consumer confidence and business sentiment, which if sustained will have implications for consumption and business investment, including in Australia and the Territory.

For the Territory, direct trade with the United States (US) is small at 0.1% of Territory goods exports. The indirect effects on Australia and the Territory will be felt through Australia's major trading partners, particularly China and our Asian neighbours, who have larger direct trade relationships with the US. Particular sectors will be more affected than others, with mining expected to see the largest impact.

Risks to the outlook

Economic forecasts are subject to risks due to uncertainties in the assumptions and data relied on to generate the forecasts. The uncertainty around the current forecasts is higher than usual given the ongoing tariff negotiations between the US administration and major trading partners. The forecasts in this publication are baseline forecasts (Table i). They do not account for the impact of the tariffs announced to date due to the high level of uncertainty around their ultimate implementation. The Department of Treasury and Finance will update the baseline economic forecasts in the Mid-Year Report.

The forecasts do not reflect election promises of the incoming Commonwealth Government, the effects of which will be integrated when the commitments are included in the Commonwealth Budget or relevant legislation is passed.

Chapter 1

Structure of the economy

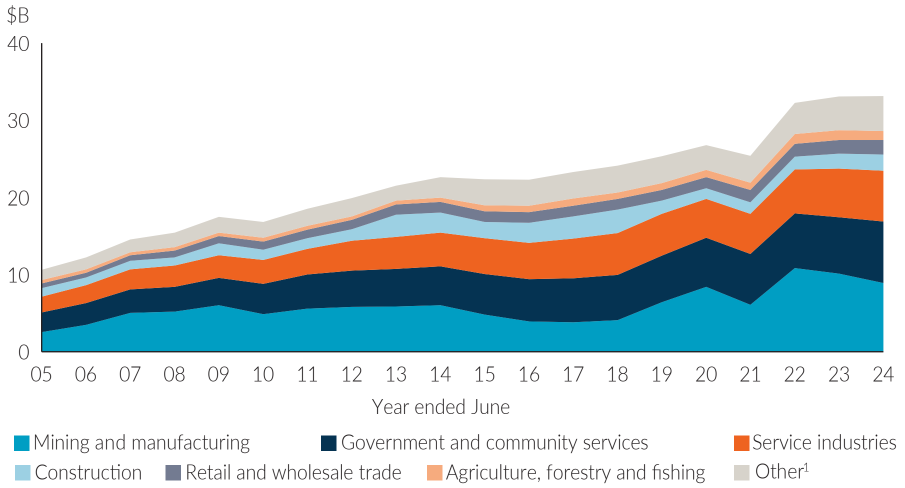
Overview

The Territory economy operates in a unique environment characterised by significant mineral and petroleum resource reserves, natural and cultural attractions, and strategic importance to the nation's defence.

Economic activity and employment in the Territory are driven by several key sectors including mining, government and community services, and service industries. Collectively, these sectors contribute more than two-thirds of GSP.

In 2023-24, the Territory's GSP was $34.6 billion, representing a 4.6% increase from 2022-23. The two largest sectors account for around half of GSP, with about 25% of the Territory's GSP derived from mining, and 24% from government and community services (Chart 1.1). Industry output can be volatile in the short term, for example during major investment projects like the $6 billion Barossa project, which began construction in 2020-21 and is expected to be completed in September quarter 2025. Broader changes in the underlying structure of the economy tend to occur over the medium to long term, reflecting the increasing scale of the Territory's economy and its relative comparative economic advantages.

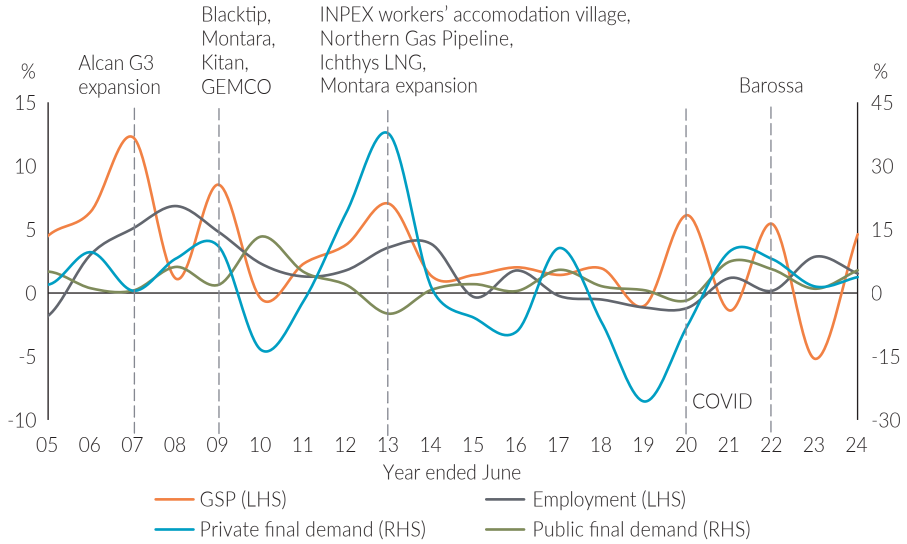
Chart 1.1: Contributions to gross state product, 2023-24



1 Tourism is not reported as an industry due to the nature of its output being derived from other industries.
Source: ABS, *Australian National Accounts: State Accounts*

The small size of the Territory economy means major investment projects can generate significant impacts on GSP growth and private final demand (Chart 1.2). While sectors directly impacted by major projects can be volatile, growth in the government and community services, retail and wholesale trade, and service industries sectors have remained relatively stable over the last two decades. Growth in these industries largely reflects changes in population and real income growth, and makes up around half of the total economic activity, and around 85% of employment in the Territory. The stability of these sectors and their large share of employment drives growth outside major project investment cycles (Chart 1.4).

Chart 1.2: Economic cycles in the Territory[1]

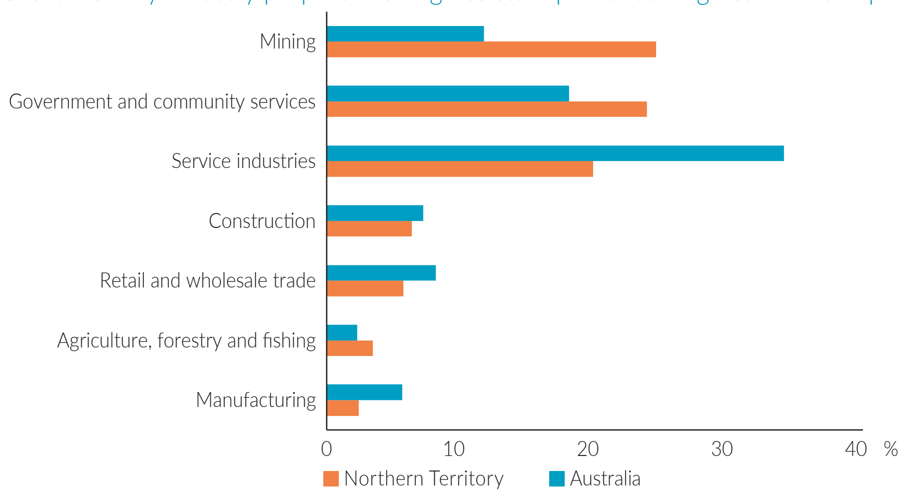


GSP: gross state product; LHS: left-hand side; RHS: right-hand side
1 Year-average change.
Source: ABS, *Australian National Accounts: State Accounts*, *Labour Force, Australia*, *National, state and territory population*; Department of Treasury and Finance

Government and community services, and the mining sector are the largest industries in the Territory economy. This contrasts with the relative size of these industries at the national level, where the services sector is more dominant (Chart 1.3).

The services industry sector covers a broad range of discrete industries that support other sectors of the Territory's economy. These include services that support tourism, such as arts and recreation, and accommodation. Nationally, the services industry sector has more sophisticated services compared to the Territory, which is more concentrated in essential services.

Chart 1.3: Key industry proportions of gross state product and gross domestic product[1]



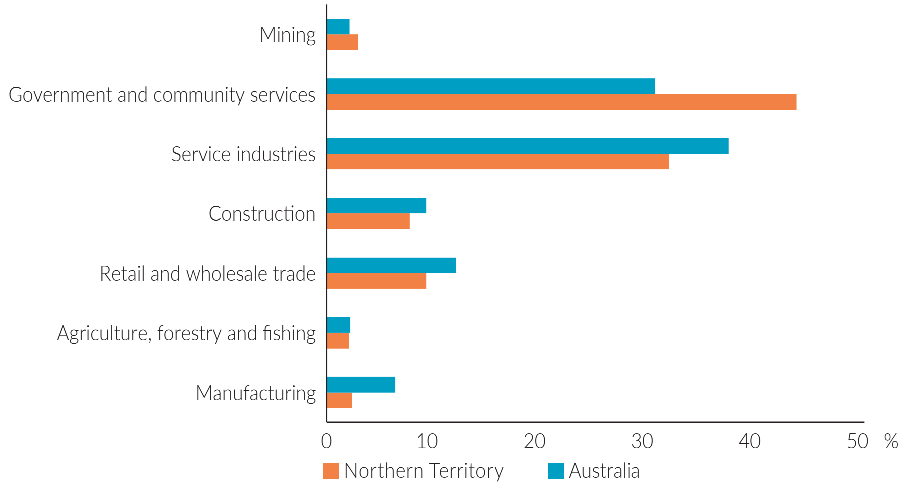
1 Defence and tourism are significant industries in the Territory but not discrete industries in ABS reporting. Specific reporting for these industries is captured in the Department of Defence annual reports and Tourism Research Australia: *State Tourism Satellite Accounts*. For more information, see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

The Territory's government and community services sector is the top employer, driven by service demands and complexity of service delivery compared to the rest of Australia. The mining industry, despite its significant economic output, has had a consistently lower contribution to employment due to the capital-intensive nature of its operations (Chart 1.5).

The Territory's manufacturing industry has a lower share in economic activity than nationally, accounting for 2.4% of GSP, compared with a 5.5% share in gross domestic product (GDP). This reflects a smaller share of the fabricated metals and food manufacturing industries in the Territory, than nationally. A similar picture can be seen in terms of employment share, with the Territory's manufacturing sector being less labour-intensive than nationally, reflecting a lower proportion of jobs available in the fabricated metals, food and transport equipment manufacturing industries (Chart 1.4). Retail and wholesale trade is driven by household and business consumption, and is influenced by growth in employment, population and consumer spending.

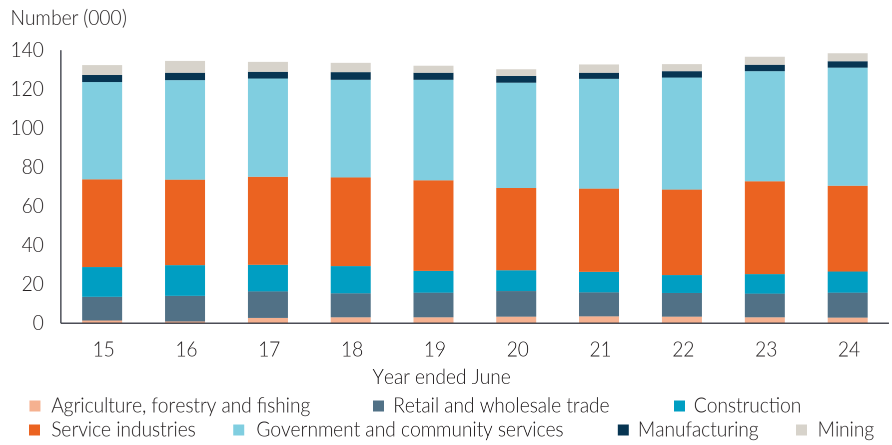
In the Territory, construction is driven by engineering activity, followed by non-residential and residential building activity. Historically, mining and energy projects as well as defence have significantly increased economic activity during construction. Public investment in roads, infrastructure and housing also support the construction sector.

Chart 1.4: Share of employment by key industries



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

Chart 1.5: Northern Territory's employment by industry over time



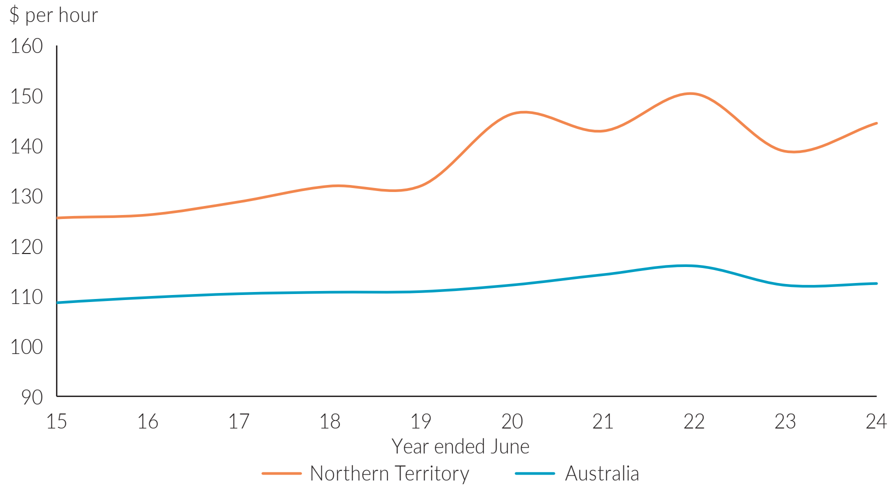
Source: ABS, *Labour Force, Australia, Detailed, Quarterly*

Territory industries often have strong backward linkages. Backward linkages refer to the output of one industry being dependent on locally sourced intermediate goods and services from other industries. The production of industries like agriculture, forestry and fishing; electricity, gas, water, and waste; construction; and transport, postal and warehousing services show high levels of reliance on inputs such as machinery, infrastructure, logistics services and raw materials, for example, feed and fuel sourced from other industries in the Territory.

Output per hour worked in the Territory is high, reflecting the capital-intensive nature and large share of key industries in the economy like mining and non-residential construction. In 2023-24, each hour worked in the Territory generated around $145 of output, compared with $113 per hour nationally (Chart 1.6).

In the Territory, output per hour worked has grown at an average rate of 1.6% per annum over the 10 years to 2023-24, compared with 0.5% nationally.

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

Mining

The significance of mining to the Territory's economy reflects the abundance of natural resources, including natural gas, manganese, zinc/lead, gold and bauxite, along with rare earths and critical minerals such as lithium.

In 2023-24, the mining sector accounted for 24.6% of GSP, a contraction of 3.7 percentage points compared with the previous year. The mining sector is the largest contributor to the Territory economy and has increased as a share of GSP by 9 percentage points over the past 20 years. The Territory's mining sector reported about 4,100 jobs in 2023-24, accounting for 2.9% of total Territory employment. This is higher than the national average share of mining employment, which was around 2%.

Government and community services

The government and community services sector accounted for 23.9% of GSP and 43.7% of total employment in the Territory in 2023-24. This sector comprises:

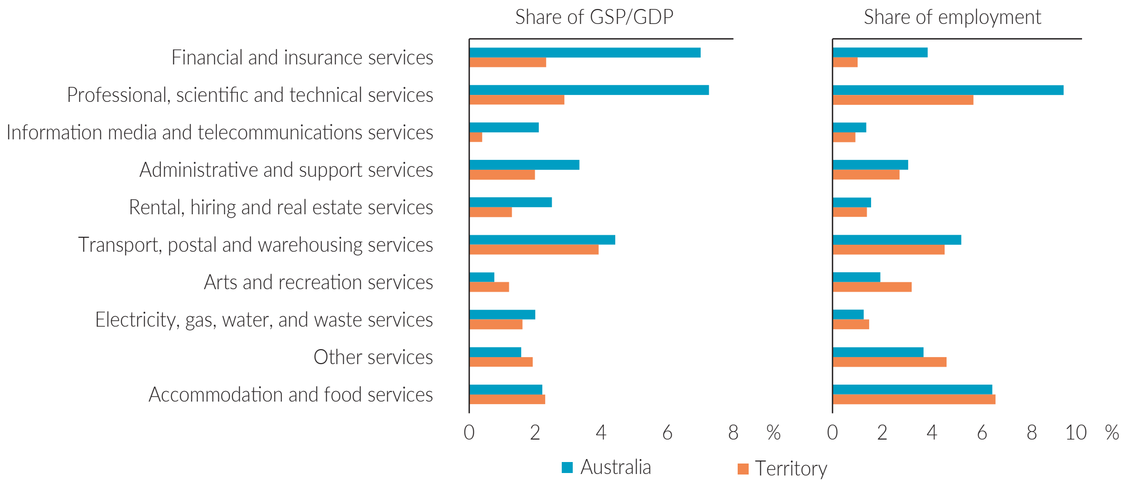
- public administration and safety (10.2% of GSP)
- health care and social assistance (8.7% of GSP)
- education and training (5.0% of GSP).

The sector has been relatively stable, accounting for around 23.1% of GSP over the past 20 years. Employment largely reflects growth in healthcare and social assistance, with about 26,000 jobs reported in 2023-24.

Services sector

Services account for 19.9% of GSP and 31.9% of employment, comprising several smaller industries, each accounting for 0.4% to 3.9% of GSP in 2023-24 (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 steady source of economic growth for the Territory, with the sector's share of GSP largely unchanged over the past 20 years. This sector reported about 44,100 jobs in 2023-24, largely reflecting growth in transport, postal and warehousing services, and electricity, gas, water and waste services. A larger share of people are employed in labour-intensive industries, such as accommodation and food services, and arts and recreation services in the Territory, than nationally.

Nationally, the services sector has the largest contribution in economic activity, which is driven by industries such as professional, scientific and technical services, and financial and insurance services (Chart 1.7). The Territory is driven more by essential services such as transport, postal and warehousing.

Retail and wholesale trade

The two components of this sector collectively accounted for 5.7% of GSP in 2023-24 with retail trade accounting for about 3% and wholesale trade almost 2.8% of GSP. These industries' shares of GSP have been relatively stable, averaging 5.7% over the past 20 years. This sector accounted for 9.3% of total Territory employment in 2023-24. Retail trade accounted for about 10,600 jobs, while wholesale trade accounted for about 2,300 jobs in 2023-24.

Construction

In 2023-24, this sector accounted for 6.4% of GSP, reflecting an increase of 0.6 percentage points compared with the previous year. This is due to an increase in the residential and non-residential construction projects, primarily in the last few quarters of 2023-24. As a share of GSP, this sector has averaged 8.5% over the past 20 years. However, this varies significantly each year due to large defence and resource-related projects. Construction accounted for 7.8% of total Territory employment, with 10,700 jobs reported in 2023-24.

Manufacturing

The manufacturing sector accounted for 2.4% of GSP in 2023-24, which was consistent with the previous year. Manufacturing as a share of GSP has averaged 4.7% over the past 20 years. The decline relative to the 20-year average share reflects that helium production was shut down at the Darwin LNG plant in 2023 and lower levels of construction, leading to weaker demand for materials. Significant manufacturing industries in the Territory include food products, fabricated metals and transport equipment. Manufacturing accounted for 2.4% of total Territory employment, with 3,300 jobs reported in 2023-24.

Agriculture, forestry and fishing

In 2023-24, the agriculture, forestry and fishing sector accounted for 3.4% of GSP, a contraction of 0.3 percentage points from 2022-23. In terms of employment, the sector accounted for 2.1% of the Territory's employment in 2023-24. Agriculture, forestry and fishing as a share of GSP has averaged 3.2% over the last 20 years. Although the sector accounts for a small share of GSP, it is an important source of economic and workforce activity in regional areas. Employment in the Territory reported 2,900 jobs, reflecting increased herd building by cattle producers due to favourable weather conditions.

Chapter 2

Economic growth

Outlook

SFD in the Territory economy is forecast to grow by 4% in 2024-25, driven by strong public and private sector investment and solid consumption spending. Unexpected maintenance works by INPEX interrupted gas shipments in late 2024, lowering exports and driving a contraction of around 2.6% in GSP. In 2025-26 and 2026-27, GSP growth will be driven by LNG exports as the Barossa project moves into production. In the medium term, growth is expected to return to trend at around 3% by 2028-29.

Table 2.1: Territory economic growth forecasts[1] (%)

	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Gross state product	4.6	- 2.6	7.8	5.9	1.7	3.0
State final demand	4.5	4.0	- 1.8	- 0.6	1.1	2.6

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's domestic economy is growing solidly in 2024-25, driven by strong public investment spending and construction of the Barossa project, with SFD expected to grow by 4%. However, GSP will contract, driven by lower exports that will detract around 5.8 percentage points from growth reflecting unexpected maintenance works at the Ichthys LNG plant and substantial lost production in late 2024. Heightened risks of a US recession are increasing risks to global growth. Tariffs introduced by the new US administration are causing an upheaval of the global trade system, which could have implications for the baseline forecasts for the Territory depending on the outcome of negotiations (see Box 2).

In 2025-26, Territory GSP is forecast to increase by 7.8% as the Barossa project transitions from construction to production of LNG for export. This will see private sector investment detract from growth in 2025-26, however this is more than offset by higher exports. The first year Ichthys and Darwin LNG plants are back in operation and assumed to be running around full capacity is 2026-27. This will see exports again driving GSP growth. In outer years, export levels stabilise and public investment eases from recent record highs, and the Territory economy is then forecast to return to trend.

Drivers of economic growth in the Territory

The Territory's domestic economy is growing solidly in 2024-25, driven by strong public investment spending and the final stages of construction of the Barossa project, with SFD expected to grow by 4% in 2024-25. SFD is also being supported by modest household consumption growth, following strong performance in the previous year. Lower inflation, real wage growth and easing interest rates, have all improved household budgets and real household disposable income. However, in 2024-25 Territory GSP is expected to decline by around 2.6%, reflecting a contraction in exports due to unexpected maintenance at the Ichthys LNG plant between August and October 2024 (Chart 2.1).

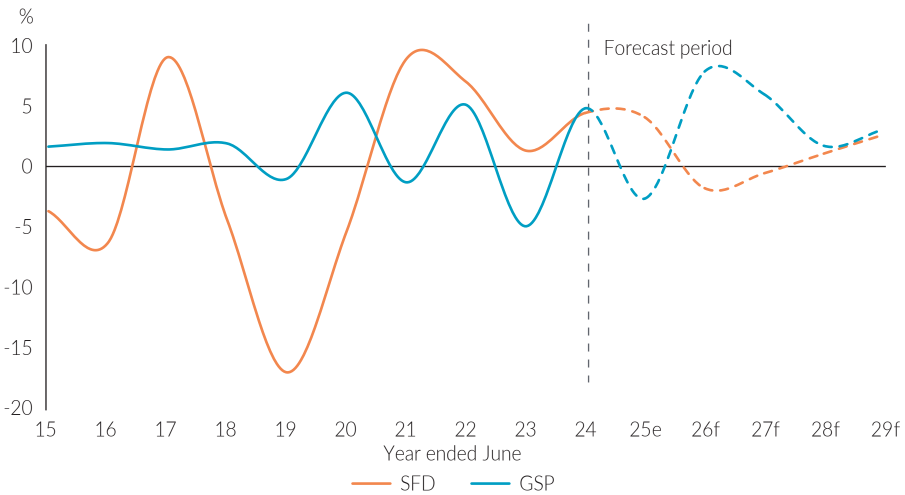
In 2025-26, Territory GSP is forecast to rebound with a 7.8% increase as the Barossa project transitions to the export production phase and exports return to normal from the GEMCO manganese mine. This growth will be partially offset by a large maintenance shutdown at the Ichthys LNG plant scheduled for the September quarter 2025. SFD is forecast to decline during this period, reflecting reduced private investment following the completion of the Barossa project. However, ongoing growth in public investment spending, solid growth in household and public consumption and strong growth in dwelling investment, driven by the HomeGrown Territory and FreshStart grants, will partially offset the decline in private investment (Chart 2.2).

In 2026-27, GSP is forecast to grow by 5.9% with both the Ichthys and Darwin LNG plants assumed to be operating at around full capacity. SFD is forecast to detract slightly from growth as public investment eases from record levels and public consumption eases following elevated demand for services. This will be partially offset by continued solid growth in household consumption and a staged return to trend growth in private investment as the impact of the Barossa project's completion diminishes.

In 2027-28, GSP is forecast to grow by 1.7% following strong growth in the previous year. Growth is supported by stable exports, strong household and public consumption, and private investment. With no significant changes in LNG production capacity, exports are expected to remain steady. Similarly, in 2028-29, GSP growth is expected to return to trend at 3%, as major export facilities maintain stable production. Both consumption and private investment are forecast to contribute steadily to economic growth as the economy returns to trend levels of output and growth.

The Territory economic growth 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 (see, for example, Box 1).

Chart 2.1: Territory gross state product and state final demand[1]



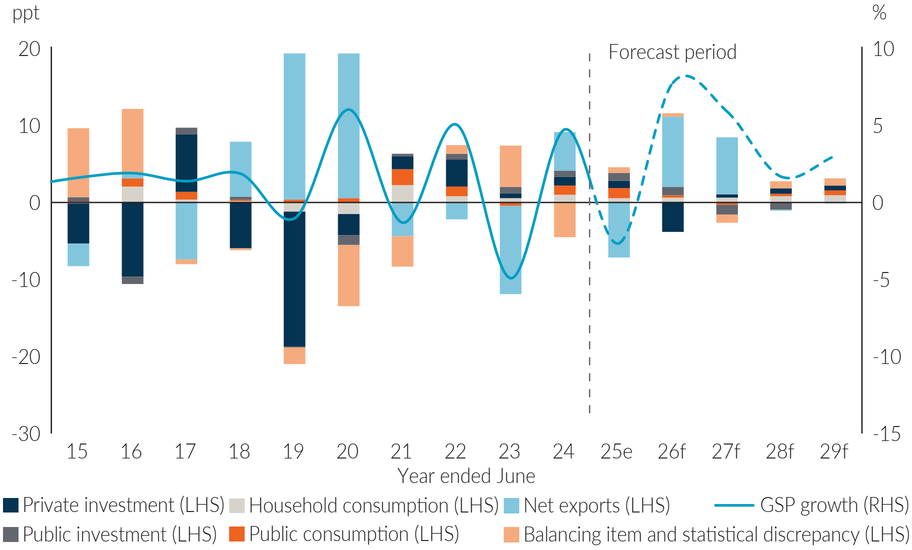
e: estimate; f: forecast; GSP: gross state product; SFD: state final demand

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*

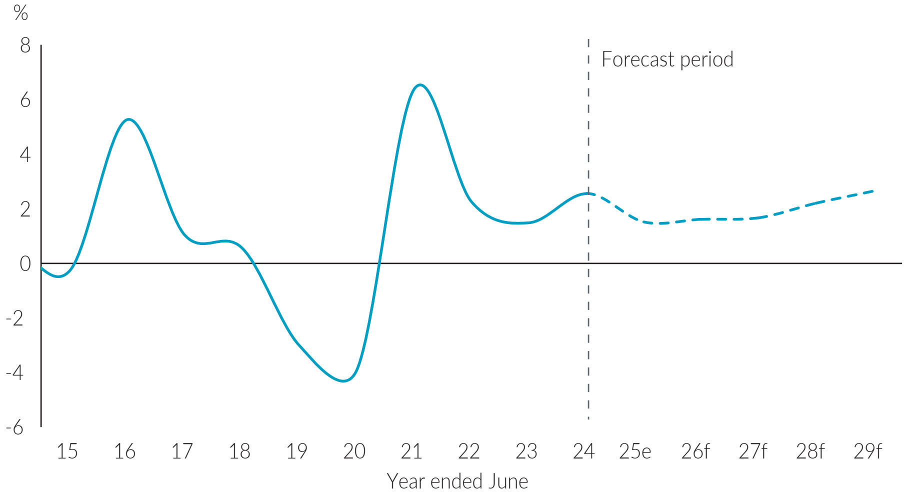
Household consumption

Household consumption is estimated to increase by 1.5% in 2024-25 (Chart 2.3). Household spending will be supported by moderating inflation, real wage increases, tax cuts from 1 July 2024 and the first 25 basis point cut to interest rates announced by the RBA in February 2025.

Darwin inflation fell faster than nationally, which will support real household disposable income and real wage growth, and consequently stronger growth in household spending. Territory households are continuing to spend on non-discretionary items, and services spending remains relatively strong. Solid household consumption is also reflected in an increase in the Territory's household spending indicator, up by 0.9% over the year to December 2024. The household spending indicator accounts for a large share of the household consumption of goods, but lacks coverage of several important consumption categories, such as rents.

Over the forward estimates, household consumption growth is expected to trend upwards, growing by 1.7% in 2026-27, 2.2% in 2027-28 and 2.6% in 2028-29. This is consistent with the outlook for employment growth and real wage growth, which will drive a solid recovery in compensation of employees, a key driver of consumer spending over the forward estimates period.

Chart 2.3: Household consumption[1]



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 increase by 5.2% in 2024-25, before contracting by 20.1% in 2025-26 (Chart 2.4), as the construction phase of the Barossa project is completed. Private investment is forecast to increase by 3% in 2026-27 before accelerating to 5.2% growth in 2027-28 as the economy adjusts and the impact of the Barossa project's completion diminishes. Thereafter, private investment is forecast to increase by 4.6%, consistent with capital stock growth to support trend output.

Projects expected to continue to contribute to private investment include the Tanami Expansion 2 and rehabilitation of the Ranger mine site. The Territory's economic growth projections do not factor in potential or planned projects yet to reach final investment decision. Expansion of the D1 Darwin Data Centre received approval from the Development Consent Authority in April 2025, which may further support growth.

The Darwin Convention Centre Hotel is yet to receive approval, which if received, presents immediate potential upside to the current forecasts for private investment over the forward estimates period. Some other very large projects may also reach final investment decision during the forecast period and materially impact economic growth. These are discussed in Box 1.

Box 1. Projects with potential to impact economic growth

Nolans rare earths

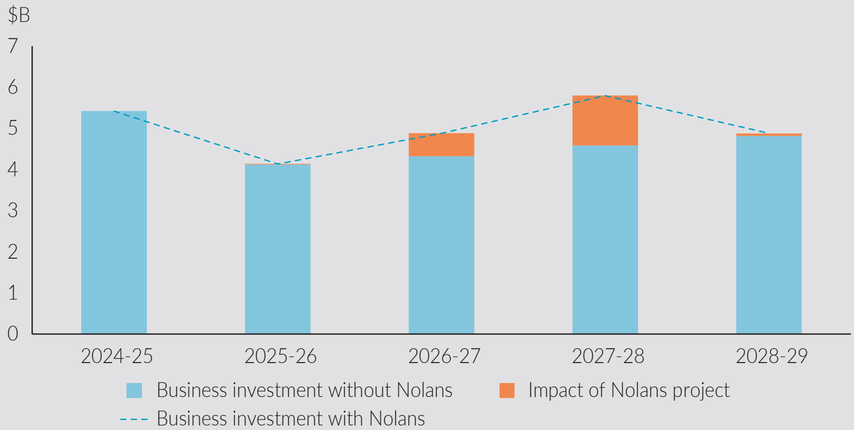
The Nolans rare earths project is a well-advanced ore-to-oxide project of global scale. It will include an open-cut mine with beneficiation, extraction, separation and sulphuric acid plants, as well as related non-process infrastructure. The initial mine life is anticipated for 38 years. Arafura has offtake agreements with Hyundai, Kia, Siemens Gamesa and Traxys Europe SA.

The rare earths-bearing minerals at Nolans can be used in a wide range of products including vehicles, wind turbines, electronics, air conditioners and robotics. There is increasing global demand for these minerals to be used to reduce global emissions.

When the project reaches final investment decision, it will have a positive impact on the Territory economy. The initial capital cost is estimated to be US$1.2 billion, with operating costs of about US$230 million per annum. Construction is expected to take 37 months with peak construction workforce expected to be 600 and operational workforce to be 350.

Impact of Nolans project on Territory business investment and state final demand (percentage points)[1]

	2024-25	2025-26	2026-27	2027-28	2028-29
Contribution to business investment	0.0	0.2	13.3	12.7	- 21.0
Contribution to state final demand	0.0	0.0	1.6	1.9	- 3.4



1 Assuming Arafura Nolans project reaches final investment decision in March quarter 2026.
Source: ABS, *Australian National Accounts: State Accounts*; Department of Treasury and Finance

In January 2025, Arafura announced it received A$200 million in equity funding from the National Reconstruction Fund Corporation, a Commonwealth-owned entity, further advancing its funding goals. Arafura is targeting total equity funding of US$793 million (about A$1.2 billion), having already achieved its conditional debt financing goal of US$1 billion (about A$1.5 billion) from various Australian and international government entities. In April 2025, Arafura announced it is evaluating a potential joint venture, which could reduce the equity funding required. Once the additional equity funding is secured, Arafura is expected to announce its final investment decision for the Nolans project.

Box 1 *continued*

Beetaloo Sub-basin

The Beetaloo Sub-basin, 500 kilometres southeast of Darwin, is estimated to contain 500 trillion cubic feet of gas. Key companies focused on developing the Beetaloo include Tamboran Resources (Tamboran) and Empire Energy with pilot projects investing about $500 million pending a final decision. Falcon Oil and Gas has an exploration permit in the Beetaloo Sub-basin with Santos also holding exploration permits in the basin.

A final investment decision is expected in mid-2025 for Tamboran's Shenandoah South pilot project, with first gas planned in the first half of 2026. Drilling and construction of a facility and pipeline infrastructure are expected to commence in late 2025. Tamboran has an agreement to provide the Territory with 40 terajoules of gas per day starting in 2026 for an initial term of nine years, with the option to extend until 2042.

On 17 December 2024, Tamboran and APA Group announced they had entered into a binding agreement to construct the Sturt Plateau pipeline, a new gas pipeline connecting Tamboran's Shenandoah South pilot project to the Amadeus gas pipeline, with APA constructing, owning, and operating the Sturt Plateau pipeline. The pipeline will be about 37 kilometres long and cost $66.5 million.

Empire Energy's first gas deliveries from the Carpentaria pilot project are expected in late 2025, subject to constructing midstream gas processing infrastructure. Empire Energy has signed a binding long-term gas sales agreement to supply the Territory Government up to 25 terajoules of gas per day for 10 years commencing in 2025.

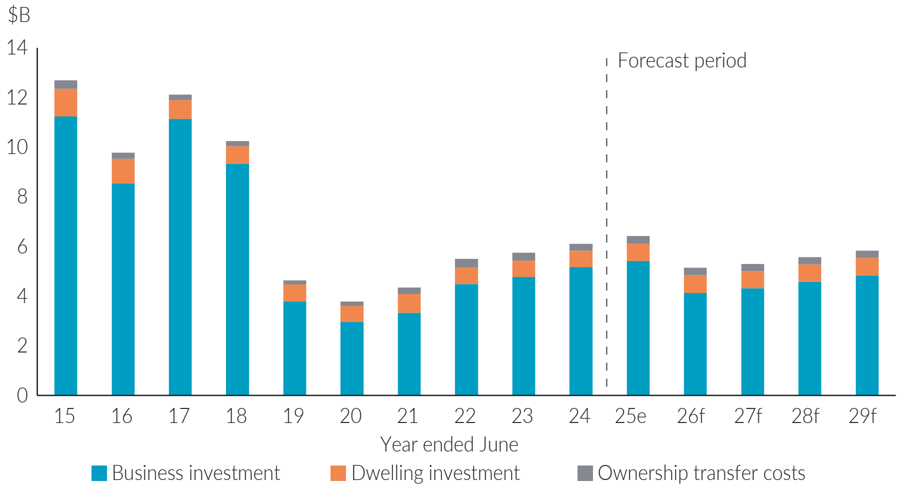
On 31 March 2025, Tamboran and Arafura entered into a non-binding letter of intent to progress discussions for potential gas supply from Tamboran's Beetaloo Sub-basin assets to the Nolans rare earths project. Arafura intends to support the development of Tamboran's assets in the Beetaloo Sub-basin by purchasing 18 to 25 terajoules per day.

Carbon capture and storage

Santos is investigating the potential for carbon capture and storage at the now-depleted Bayu-Undan field to potentially store up to 10 million tonnes of carbon dioxide annually. It will leverage existing infrastructure to provide a cost-competitive carbon capture and storage. Front-end engineering design (FEED) for the project is currently 97% complete.

INPEX is also exploring carbon capture and storage at the Bonaparte Basin, and has commenced pre-FEED work to support this development. The carbon capture hub is proposed for Darwin's Middle Arm peninsula and is likely to also include common marine infrastructure to import carbon dioxide from overseas. The project's indicative first injection into the Bonaparte Basin is around 2030, with the goal of reducing greenhouse gas emissions by about 2 million tonnes per annum.

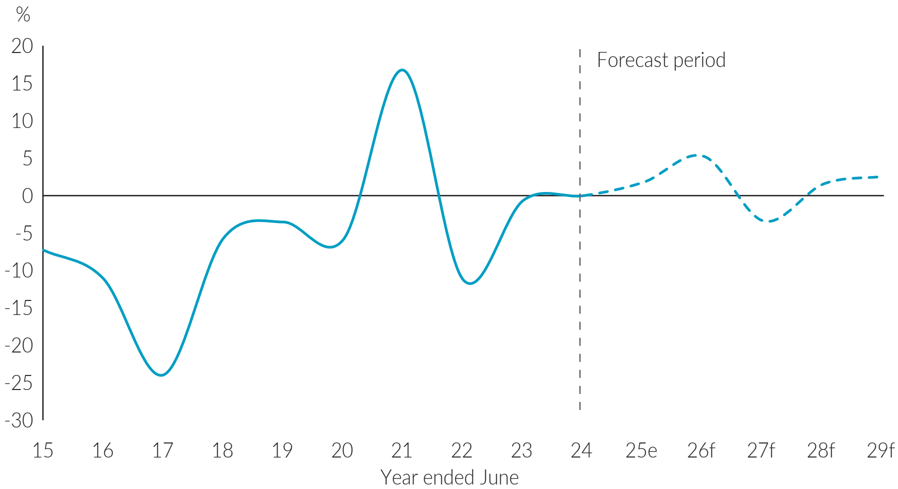
Chart 2.4: Territory private investment



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

Private sector dwelling investment is anticipated to increase by 1.8% in 2024-25 with growth expected to accelerate to 5.2% in 2025-26, as the introduction of the HomeGrown Territory and FreshStart grants drives new building activity. The HomeGrown Territory grant offers $50,000 for first home buyers to put towards building or buying a new home, or $10,000 if they buy an established home. The FreshStart new home grant offers $30,000 to buy or build a new home for those who are not first-home buyers, with funding to support over 500 new home builds across the Territory (Chart 2.5). Private dwelling investment is forecast to decline by 3.4% in 2026-27 as the heightened demand eases when the new building grants cease. Private dwelling investment is forecast to grow modestly by 1.6% in 2027-28 before accelerating to 2.6% in 2028-29, in line with long-term drivers of dwelling investment such as demographic and economic factors.

Chart 2.5: Territory private dwelling investment[1]



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 4.2% in 2024-25 and 0.9% in 2025-26, contributing 1.3 percentage points and 0.3 percentage points to GSP growth, respectively. Growth in these years largely reflects ongoing demand pressures across frontline services such as health, justice, and corrections, as well as revised timing of various programs from 2024-25 to 2025-26.

Public consumption is expected to decline by 0.9% in 2026-27 and detract 0.3 percentage points from GSP growth as demand eases and programs are completed. Public consumption growth is expected to resume modest growth from 2027-28 and grow in line with the local economy towards the end of the forward estimates period.

Public investment

Public investment is expected to grow by 14.3% in 2024-25 and 12.9% in 2025-26, and add 1 percentage points and 1.1 percentage points to economic growth, respectively. Public investment spending is currently elevated reflecting a number of significant large-scale projects across key portfolios including transport and logistics, public housing and defence, driving investment activity in the near term, including:

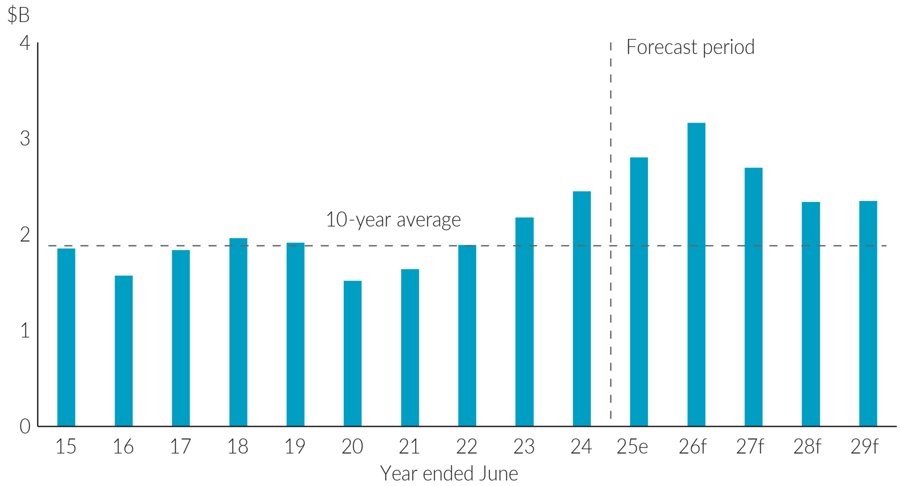
- Darwin ship lift facility
- the Northern Territory Art Gallery
- Manton Dam return to service
- Tiger Brennan Drive and Berrimah Road overpass
- the Rum Jungle mine remediation
- several significant defence projects.

At the state and local level, significant investment spending in the near term includes revised timing of expenditure and additional funding for public infrastructure projects including the construction of the Darwin ship lift.

Public investment is expected to decline by 14.8% in 2026-27 and 13.1% in 2027-28, largely reflecting completion of the ship lift, and the level of spending will begin to return more sustainable longer-run average levels. Other major projects expected to be completed over the period includes the Northern Territory Art Gallery and the return to service of Manton Dam. Public investment is expected to detract 1.3 percentage points and 0.9 percentage points over these years, respectively. Public investment is then expected to stabilise in 2028-29 with a steady pipeline of infrastructure projects continuing to develop and support economic activity in the Territory (Chart 2.6).

The Territory's strategic importance to national and regional security is expected to see ongoing investment by the Commonwealth and US governments over the forward estimates period. This could see upward pressure on public investment towards the end of the forward estimates period (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

Balance of trade

Exports are expected to decline by 10.7% in 2024-25 due to unexpected maintenance activity at the Ichthys LNG plant. Exports from the GEMCO mine were initially anticipated to resume in the March quarter of 2025 but are now expected to start in mid-2025, subject to no further weather impacts. Exports are anticipated to increase by 19.2% in 2025-26 when the Darwin LNG plant is expected to recommence LNG production, but the increase will be partly offset by the largest maintenance shut down at the Ichthys LNG plant since it commenced operations. In 2026-27, exports are expected to increase by 14.8% and remain steady across the remainder of the forward estimates as both Ichthys and Darwin LNG plants operate at full production capacity.

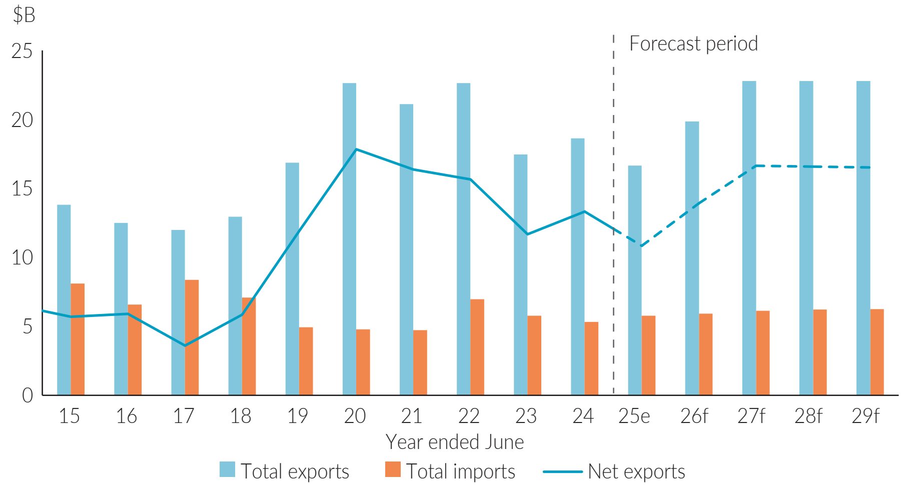
Imports are estimated to increase by 8.9% in 2024-25 due to work associated with the Barossa project. In 2025-26, imports are expected to grow by 2.2% driven by higher service imports related to the Barossa floating production, storage and offloading vessel service contract. The contract is for 15 years, with 10 years of options, and is valued at US$4.6 billion. Advanced lease payments of around $1 billion were paid during the construction period.

Imports are expected to grow moderately over the rest of the forecast period, in line with the Territory's investment activity and economic growth.

The balance of trade is expected to narrow in 2024-25 (Chart 2.7), with decreased exports and increased imports. Net exports should stabilise from 2027-28 and over the remainder of the forward estimates period, when both the Ichthys and Darwin LNG plants are assumed to operate at around full capacity.

The increased gold production from the Tanami Expansion 2 from 2028 will not be reflected in increased goods exports as the gold is sent to Western Australia for processing, and will be considered as interstate trade and captured in the balancing item.

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]					
	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Total consumption	24 270	24 918	25 238	25 369	25 802	26 411
Household consumption	13 393	13 571	13 789	14 019	14 328	14 707
Public consumption	10 877	11 347	11 449	11 350	11 474	11 703
Total investment	8 565	9 229	8 300	7 984	7 906	8 172
Private investment	6 102	6 428	5 139	5 291	5 567	5 825
Dwelling investment	662	676	711	687	698	716
Ownership transfer costs	273	329	301	284	286	289
Business investment	5 167	5 422	4 127	4 320	4 583	4 820
Public investment	2 463	2 801	3 162	2 693	2 339	2 347
State final demand	32 835	34 147	33 539	33 354	33 708	34 583
Net exports	13 342	10 870	13 953	16 663	16 601	16 563
Total exports	18 669	16 674	19 882	22 821	22 830	22 839
Total imports	5 327	5 804	5 929	6 158	6 228	6 276
Balancing item[2]	- 11 596	- 11 282	- 11 131	- 11 507	- 11 149	- 10 796
Gross state product	**34 581**	**33 735**	**36 361**	**38 510**	**39 160**	**40 350**

	Year average change (%)					
	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Total consumption	3.2	2.7	1.3	0.5	1.7	2.4
Household consumption	2.8	1.5	1.6	1.7	2.2	2.6
Public consumption	3.7	4.2	0.9	- 0.9	1.1	2.0
Total investment	8.2	7.8	- 10.1	- 3.8	- 1.0	3.4
Private investment	6.4	5.2	- 20.1	3.0	5.2	4.6
Dwelling investment	- 0.2	1.8	5.2	- 3.4	1.6	2.6
Ownership transfer costs	- 10.8	17.1	- 8.5	- 5.8	0.8	1.1
Business investment	8.4	5.0	- 23.9	4.7	6.1	5.2
Public investment	13.1	14.3	12.9	- 14.8	- 13.1	0.4
State final demand	4.5	4.0	-1.8	- 0.6	1.1	2.6
Net exports	14.1	- 18.6	28.4	19.4	- 0.4	- 0.2
Total exports	6.8	- 10.7	19.2	14.8	0.0	0.0
Total imports	- 8.1	8.9	2.2	3.9	1.1	0.8
Balancing item[2]	15.2	-2.3	- 1.3	3.4	- 3.1	- 3.2
Gross state product	**4.6**	**-2.6**	**7.8**	**5.9**	**1.7**	**3.0**

	Percentage point contribution to the change in year average GSP					
	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Total consumption	2.3	1.9	1.0	0.4	1.1	1.6
Household consumption	1.1	0.6	0.6	0.6	0.8	1.0
Public consumption	1.2	1.3	0.3	- 0.3	0.3	0.6
Total investment	2.0	1.9	- 2.8	- 0.9	- 0.2	0.7
Private investment	1.1	0.9	- 3.8	0.4	0.7	0.7
Dwelling investment	0.0	0.0	0.1	- 0.1	0.0	0.0
Ownership transfer costs	- 0.1	0.1	- 0.1	0.0	0.0	0.0
Business investment	1.2	0.7	- 3.8	0.5	0.7	0.6
Public investment	0.9	1.0	1.1	- 1.3	- 0.9	0.0
State final demand	4.2	3.8	- 1.8	- 0.5	0.9	2.2
Net exports	5.0	- 7.2	9.1	7.5	- 0.2	- 0.1
Total exports	3.6	- 5.8	9.5	8.1	0.0	0.0
Total imports	1.4	- 1.4	- 0.4	- 0.6	- 0.2	- 0.1
Balancing item[2]	- 4.6	0.8	0.4	- 1.0	0.9	0.9
Gross state product	**4.6**	**- 2.6**	**7.8**	**5.9**	**1.7**	**3.0**

a: actual; e: estimate; f: forecast
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 2023-24 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 factors remain a key source of risk to the Territory's economic growth over the budget and forward estimates period. The US administration is rapidly undertaking major changes to the geopolitical and trade arrangements that have been the foundation of the world economy for over 70 years. Trade has been a key driver of global growth since the Second World War. These changes to trading relationships among major economies have the potential to disrupt trade flows and supply chains, impact relationships between major currencies, and disrupt financial markets and government debt markets in the US and around the world.

The International Monetary Fund (IMF) released the *World Economic Outlook* on 23 April 2025 incorporating information available as of 4 April. The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have a significant impact on global economic activity. As a result, the outlook has downgraded global forecast growth to 2.8% in 2025 and 3% in 2026 (down 0.5 and 0.3 percentage points, respectively, compared with the previous outlook published in January 2025).

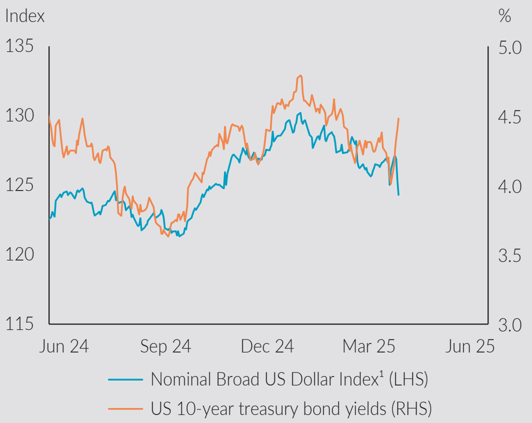
Nationally, the RBA cut the cash rate in its February 2025 meeting, following 13 consecutive increases in rates up to the November 2023 meeting. The RBA decided to leave interest rates unchanged in March, with minutes from the meeting outlining that board members discussed the implications for the global economy of ongoing trade policy uncertainty.

Australia and the Territory economy should be relatively well insulated from US tariffs given the limited volume of direct trade between Australia and the US. However, real impacts on Australia's major trading partners will have flow-on effects for the national economy. The IMF projects GDP growth for the Australian economy of 1.6% in 2025 and 2.1% in 2026. This represents a downgrade of 0.5 and 0.1 percentage points, respectively, compared with the January 2025 outlook. The scale of the economic impacts will depend on the timing and outcome of negotiations. The forecasts in this chapter are the baseline forecasts and do not account for the impact of tariffs, due to the high level of uncertainty of what will ultimately be implemented. The possible impacts of new tariffs on the Territory economy are outlined in Box 2, and updated forecast will be provided in the Territory Mid-Year Report.

Box 2. Impacts of United States tariffs on the Territory

Volatility and uncertainty in financial markets arising from changes to tariffs by the new US administration risks an upheaval of the global trade system. This has reduced consumer and business confidence. While negotiations may ultimately lead to lower changes in tariffs than those announced on 3 April 2025, in the US risks are increasing, most evident in US bond yields and the US exchange rate.

Value of US dollar and 10-year bond yields

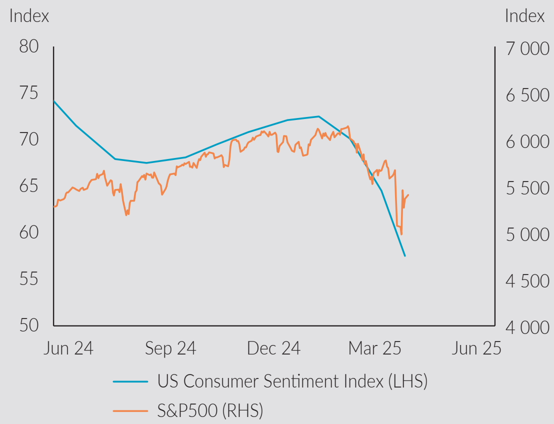


LHS: Left-hand side; RHS: Right-hand side

1 A weighted average of the foreign exchange value of the US dollar against the currencies of major US trading partners.

Source: Federal Reserve economic data

Consumer Sentiment Index and S&P500



Source: University of Michigan, surveys of consumers, preliminary results for April 2025; MarketWatch

The longer this period of disruption continues, the more likely it will cause consumers to increase saving and reduce spending, and businesses to defer new investment. These policies can also lead to increased inflationary pressures, reduced competition, restricted access to foreign markets and reduced choices.

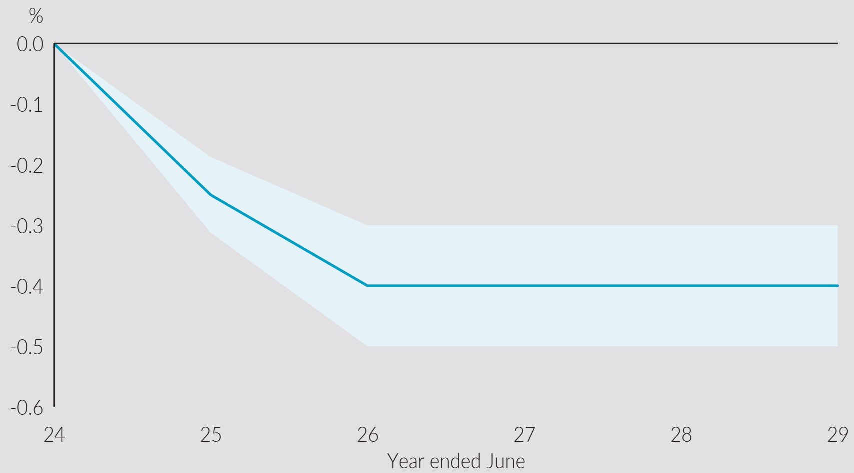
The Australian and Territory economies are not expected to feel significant direct impacts from US tariffs, and indirect impacts felt through major trading partners are expected to be limited due to several key buffers. Reactionary stimulus measures in major trading partners are likely to support demand for Australia's mining exports. The Australian dollar has been an important automatic stabiliser for the economy during sizeable global shocks and is expected to continue to play that role. The exchange rate tends to depreciate during periods of lower global demand, which makes Australian exports more affordable. Australian exporters also have experience in diverting trade if demand shifts, as demonstrated during the trade restrictions with China in 2020.

Box 2 *continued*

Australia is relatively well placed to provide fiscal and monetary policy stimulus if needed. Commonwealth debt is around 35% of GDP, well below most peer economies, and the current monetary policy setting provides room for further cuts if uncertainty leads to a more sustained period of weaker demand.

Economic modelling released by Warwick McKibbin indicates the impact of tariffs on the Australian economy would reduce GDP growth by 0.25 percentage points in 2025 but, more importantly, lead to a permanent reduction in GDP of 0.4%, largely through the impact on activity in the mining industry.

US tariffs (3 April announcement) would lower GDP and GSP



1 Line represents central case, shaded area represents range of uncertainty.

Given the mining industry's share of the economy in the Territory is around twice that of the national economy, the impact of changes to global tariff regimes could be felt more acutely in the Territory economy. This might manifest through some of the more marginal mining projects being less likely to proceed, however this is highly project and commodity dependant.

For example, the Territory's largest commodity export is LNG which is largely sold into Asia and not directly exposed to trade with the US. Much of the Territory's LNG exports are sold through long-term contracts, which are less affected by short-term market fluctuations. However, global energy markets have been impacted by assumptions that tariffs will drive trade and global growth lower and if sustained, this could impact assumptions on medium-term demand for energy and energy prices.

Chapter 3

External economic environment and trade

Outlook

Exports are expected to fall significantly in 2024-25 due to unexpected maintenance at the Ichthys LNG plant in the second half of 2024. Exports will rebound in 2025-26 and 2026-27 driven by LNG exports commencing from the newly completed Barossa project.

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

	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Total exports	18 669	16 674	19 882	22 821	22 830	22 839
Total imports	5 327	5 804	5 929	6 158	6 228	6 276
Balance of trade	13 342	10 870	13 953	16 663	16 601	16 563

a: actual; e: estimate; f: forecast
Source: ABS, *Australian National Accounts: State Accounts*; Department of Treasury and Finance

International trade

There is significant uncertainty around the outlook for international trade following the US administration's announcement on 3 April 2025 of the intention to levy tariffs on most trading partners (see Box 2). The uncertainty is impacting commodity prices due to concerns about weaker global growth and business confidence, and is a major headwind for new export investment decisions, particularly for energy projects.

In 2023-24, exports increased by 6.8%, while imports declined 8.1%. The increase in exports was driven by a greater number of LNG cargoes shipped in the year. The decline in imports was driven by goods imports, which fell from $5.1 billion in 2022-23 to $4.4 billion in 2023-24. This was partially offset by an increase in services imports, largely reflecting overseas travel. The Territory's balance of trade contributed 5 percentage points to GSP growth in 2023-24.

In 2024-25, INPEX experienced an unplanned maintenance shutdown at the Ichthys LNG plant from August to October 2024, which significantly reduced gas exports. The strength in imports reflects ongoing work to bring the Barossa project online, which requires imported capital goods. Currently the plant is scheduled to begin operation in the September quarter 2025. Balance of trade is expected to detract 7.2 percentage points from GSP growth in 2024-25. This is driven by a decline in exports of 10.7% and an increase of 8.9% in imports.

In 2025-26, strong growth in exports will be driven by LNG exports commencing from the Barossa project. Ichthys LNG exports are expected to be slightly lower than 2024-25 due to significant maintenance activities planned from mid-August to early October 2025. Services imports are anticipated to increase, driven by lease payments relating to the floating production storage and offtake vessel for the Barossa project. Balance of trade is projected to contribute 9.2 percentage points to GSP growth in 2025-26.

The resumption of manganese exports from South32's Groote Eylandt mine is expected in mid-2025, following completed work to rebuild the wharf and restore production capacity, after Cyclone Megan caused significant damage and a production halt in late March 2024. Some production has already commenced and is being stockpiled, which may further boost exports in 2025-26.

In 2026-27, production from the Barossa project is assumed to approach full capacity and exports from the Ichthys LNG plant will also return to around full capacity. As a result, exports will again drive growth, with balance of trade anticipated to contribute 7.5 percentage points to GSP growth. Thereafter, LNG exports are projected to remain stable around levels consistent with full capacity at both production facilities, notwithstanding the need for regular maintenance and occasional shutdowns. Strength in imports is expected to detract from GSP, as imports recover following the completion of construction activity for the Barossa project. Thereafter, imports are anticipated to grow in line with the Territory's investment activity and economic growth.

There is a risk that any potential delays associated with completing the Barossa project may change how the Territory's balance of trade evolves over the forecast period.

The recent depreciation of the Australian dollar will support exports, however this will increase the price of imports in Australia. If the depreciation in the Australian dollar persists or accelerates, it may reduce demand for imports relative to the base line forecast.

Global economic outlook

The IMF released the *World Economic Outlook* on 23 April 2025. The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have a significant impact on global economic activity. As a result, the outlook provides reference forecasts incorporating information available as of 4 April. Under the reference forecasts, global growth is estimated to be 2.8% in 2025 and 3% in 2026 (down 0.5 and 0.3 percentage points, respectively, compared with January 2025). This largely reflects the direct and indirect effects of tariffs imposed by the US (Chart 3.1).

The impact of tariffs is expected to be varied across countries, depending on trade relationships, industry composition, policy responses among trading partners (implementing reciprocal tariffs on the US), and opportunities for trade diversion to third parties.

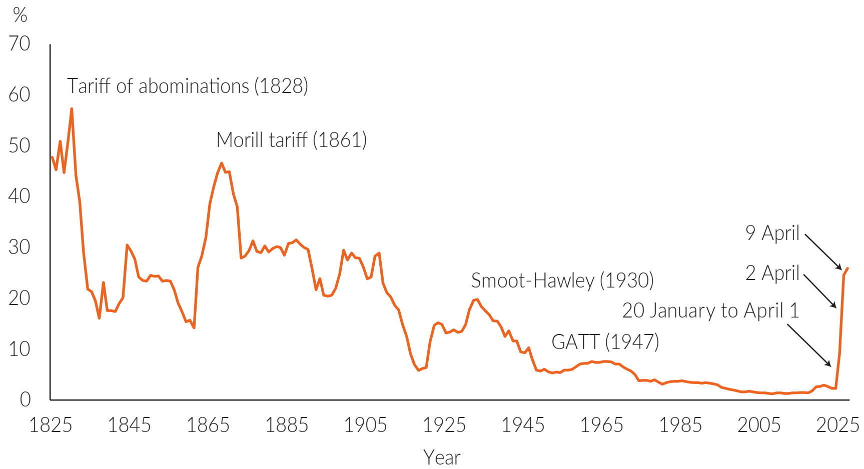
Global headline inflation is expected to moderate at a pace that is slightly slower than what was expected in January, reaching 4.3% in 2025 and 3.6% in 2026, with notable upward revisions for advanced economies. The impact of tariffs on inflation depends on whether the tariffs are perceived to be temporary or permanent, the extent to which firms can adjust prices to offset increased import costs and if imports are invoiced in US dollars or local currency.

Intensifying downside risks dominate the global outlook over the short and medium-term. Escalating trade tensions could further deteriorate growth prospects and add to inflationary pressures. Rapidly changing policies could lead to asset repricing beyond what occurred when additional tariffs were announced and contribute to volatility in exchange rates, capital flows and broader financial instability. Central banks may also maintain tighter monetary policy conditions for longer. However, the IMF notes a de-escalation in tariffs and newer, clearer agreements may stabilise trade policy and uplift global growth.

The Organisation for Economic Co-operation and Development (OECD) *Interim Report* March 2025 also indicated slowing growth and the OECD now expects global GDP growth to moderate from 3.2% in 2024 to 3.1% in 2025, and 3% in 2026. Rising trade barriers and increased geopolitical and policy uncertainty are expected to negatively impact investment and household spending. The newly imposed tariffs will raise revenue for the governments imposing them but will weigh on global activity, incomes and regular tax revenues. They will also exacerbate trade costs, particularly where inputs cross borders multiple times and duties are incurred at each point.

The Commonwealth *Pre-election Fiscal Outlook* April 2025 (Commonwealth PEFO) states the outlook for economic growth in the global economy is projected to be subdued. The direct impacts of the tariffs are expected to be limited for Australia, however the indirect effects will be greater with certain sectors (mining, steel, aluminium and agriculture), anticipated to be disproportionately impacted more than others. Uncertainty related to trade hostilities and volatility in financial markets will weaken consumer and business confidence which will negatively impact consumption and business investment for Australia.

Chart 3.1 US effective tariff ratio on all imports



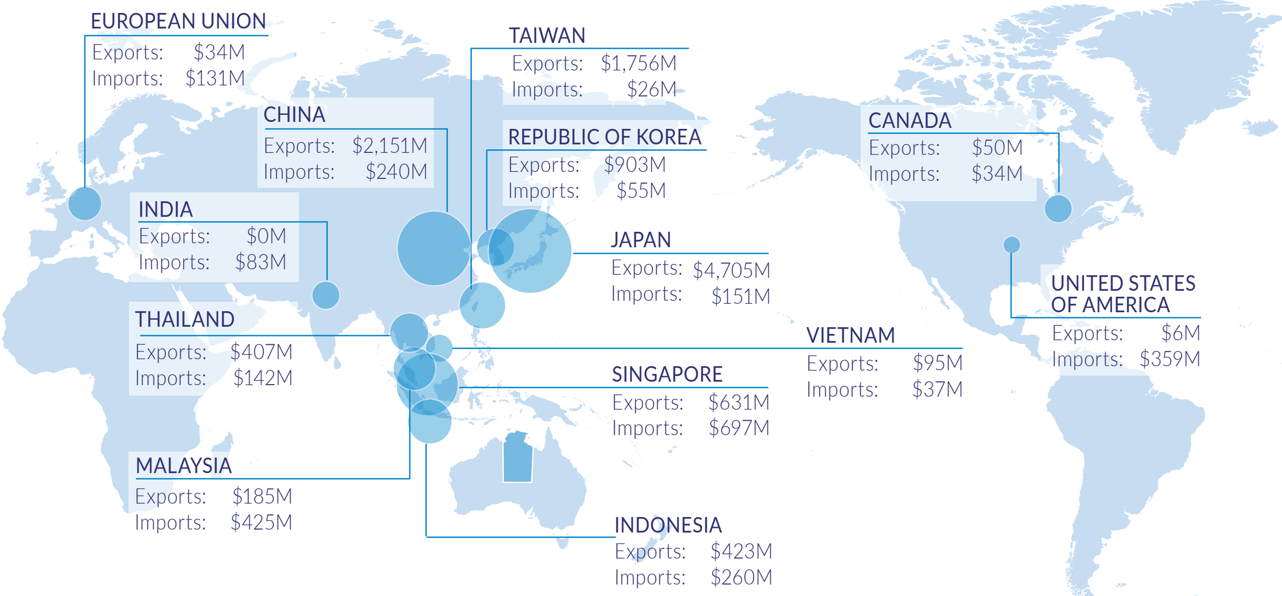
GATT: General agreement on tariffs and trade
Source: US Bureau of the Census; US International Trade Commission; IMF

Table 3.2: Reference forecast IMF economic growth outlook, April 2025[1]

	2023a	2024f	2025f	2026f	2027f	2028f	2029f
Australia	2.1	1.0	1.6	2.1	2.3	2.3	2.3
Canada	1.5	1.5	1.4	1.6	1.7	1.6	1.6
China	5.4	5.0	4.0	4.0	4.2	4.1	3.7
European Union	0.6	1.1	1.2	1.5	1.6	1.6	1.5
India	9.2	6.5	6.2	6.3	6.5	6.5	6.5
Indonesia	5.0	5.0	4.7	4.7	4.9	5.0	5.1
Japan	1.5	0.1	0.6	0.6	0.6	0.6	0.5
Korea, Republic of	1.4	2.0	1.0	1.4	2.1	2.1	1.9
Malaysia	3.6	5.1	4.1	3.8	4.0	4.0	4.0
Singapore	1.8	4.4	2.0	1.9	2.3	2.5	2.5
Taiwan	1.1	4.3	2.9	2.5	2.4	2.3	2.2
Thailand	2.0	2.5	1.8	1.6	1.9	2.1	2.3
United States	2.9	2.8	1.8	1.7	2.0	2.1	2.1
Vietnam	5.1	7.1	5.2	4.0	5.2	5.3	5.3
Emerging market and developing economies	4.7	4.3	3.7	3.9	4.2	4.1	4.1
Advanced economies	1.7	1.8	1.4	1.5	1.7	1.7	1.7
World	**3.5**	**3.3**	**2.8**	**3.0**	**3.2**	**3.2**	**3.2**
Territory major trading partners	**2.5**	**2.4**	**1.9**	**1.9**	**2.1**	**2.0**	**1.9**

a: actual; f: forecast
1 Year-average change in gross domestic product.
Source: IMF, *World Economic Outlook*, April 2025; ABS, *International trade in goods, Australia*; Department of Treasury and Finance

Map 3.1: Territory's major trading partners, 2024[1]



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

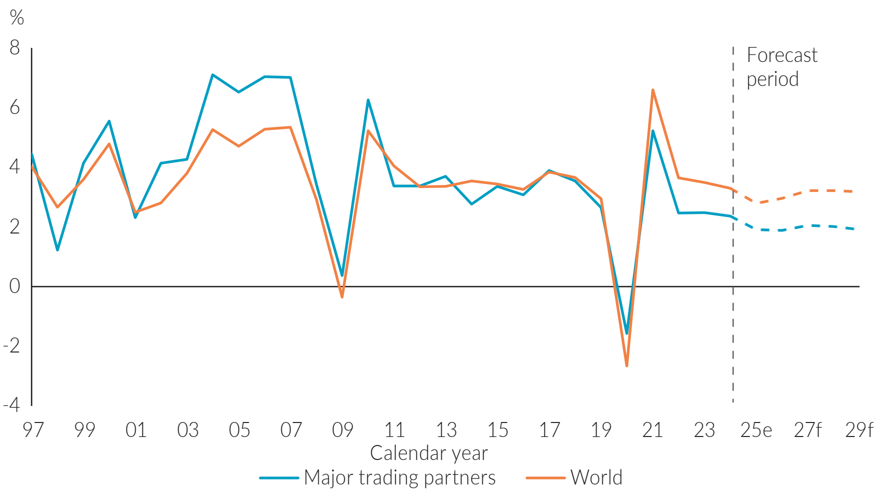
Major trading partners

The Territory's major trading partner index tracks the aggregate GDP of 13 of the Territory's largest current and historical export destinations (Chart 3.2). These are: Japan, China, Taiwan, Republic of Korea, Singapore, Thailand, Indonesia, Malaysia, European Union, India, Vietnam, Canada and the US (Map 3.1). Together they comprised 98.4% of the value of all goods exports in 2024.

Using IMF reference forecasts, aggregate growth in major trading partners is expected to decline from 2.4% to 1.9% in 2025 and remain within a narrow range thereafter. This can largely be attributed to the path of economic growth in Japan, China, Taiwan and the Republic of Korea, as these economies carry the greatest weight in the index.

The increase in economic growth in Japan from 0.1% in 2024 to 0.6% in 2025 reflects higher household disposable income due to real wage growth. China's economy is expected to moderate from 5% growth in 2024 to 4% in 2025 due to the recently implemented tariffs and ongoing challenges in the property sector. Taiwan and the Republic of Korea are also expected to see their economic growth ease, resulting from a slowdown in exports and subdued domestic demand.

Chart 3.2: Major trading partner growth



e: estimate; f: forecast
Source: IMF, *World Economic Outlook*, April 2025; ABS *International Trade in Goods, Australia*; Department of Treasury and Finance

Commodity outlook

The main commodities produced currently and previously in the Territory include LNG, bauxite, manganese, lithium, gold and cattle, with LNG recording the largest share of production. The impact of tariffs imposed by the US creates significant uncertainty for commodity markets. The effect is anticipated to be varied across different sectors, with production and trade shares likely to change as producers and consumers adjust to changes. For example, reduced imports by the US due to higher costs associated with the tariffs may lead to oversupply in other markets thereby putting downward pressure on prices.

Gas exported from the Territory is largely sold under medium to long-term contracts, therefore export volumes tend to remain relatively stable for the Territory at around full capacity for production facilities regardless of near-term market fluctuations. However, prices for contracts relating to new supply can be sensitive to market pressures. Energy prices (oil and gas) have declined following the tariff-induced market uncertainty. However, the Australian dollar tends to depreciate during periods of weaker global growth, which will provide some buffer to the prices of Australian exports that are usually denominated in US dollars.

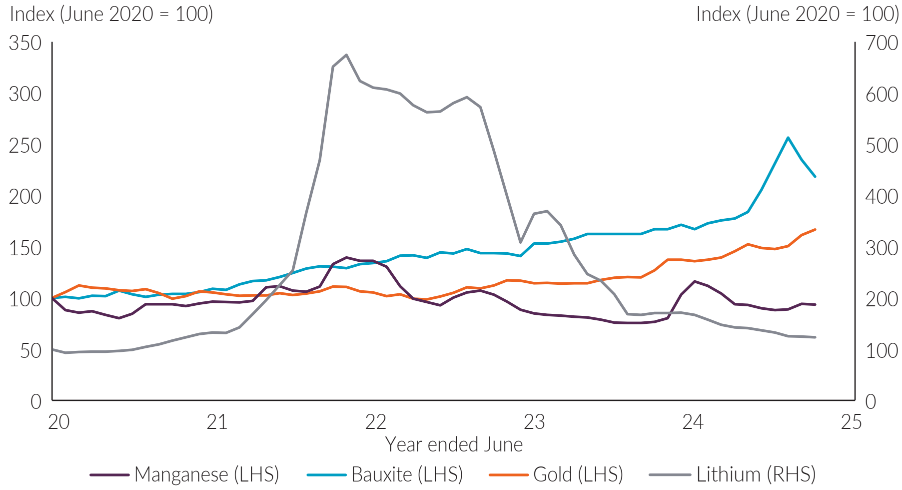
Bauxite and manganese are key inputs for aluminium and steel production, respectively. In 2024, bauxite prices rose due to strong Chinese demand amid constrained supply, while manganese prices fluctuated due to weak Chinese demand and supply concerns from the Groote Eylandt mine shutdown caused by Cyclone Megan. Aluminium demand, driven by energy-efficient technology, is expected to support bauxite prices, with electric vehicle (EV) demand to drive manganese demand for use in batteries. Manganese prices saw a slight increase following the announcement of additional tariffs by the US administration on 3 April 2025, however they have since started to decline. In contrast, bauxite prices have declined in response to the additional tariffs.

The move towards decarbonisation of economies has driven demand for lithium, which is widely used in green technologies such as EVs. Lithium prices remained low in 2024 as EV sales growth moderated at a time when additional production from projects, previously incentivised by high prices, came online. Prices are anticipated to recover at a slow pace, supported by mine production suspensions and global EV sales growth. Electric trucks and other heavy-duty vehicles are expected to account for a growing share of global lithium demand. Lithium prices also declined following new tariff announcements.

The price of gold grew strongly over 2024, driven by global economic uncertainty and monetary policy easing. Demand for gold has been supported by central bank purchasing and a rise in gold investment. Gold prices are expected to remain elevated in 2025 due to its status as a safe-haven asset before moderating on the back of greater mine output, lower central bank purchasing and reduced concerns over inflation.

The Territory's main live animal export is cattle. In 2024, the price of cattle fluctuated over the first half before rising in the remainder of the year. During this period, the Territory exported a total of 274,181 head of cattle, compared to 184,597 the previous year, with Indonesia being the largest destination. Much of the increase was due to greater availability of supply supported by favourable weather conditions and lower prices compared to the first half of 2023. The late onset of the wet season is anticipated to contribute to steady cattle exports and prices. However, with Indonesia issuing only 350,000 import permits for cattle in 2025, there is some uncertainty for the Territory's cattle trade. A key US meat price monitor saw prices rise since the additional tariffs were announced, however the impact on live cattle export prices is still unclear.

Chart 3.3: Commodity prices



LHS: left-hand side; RHS: right-hand side
Source: AME Group; IMF; Department of Treasury and Finance

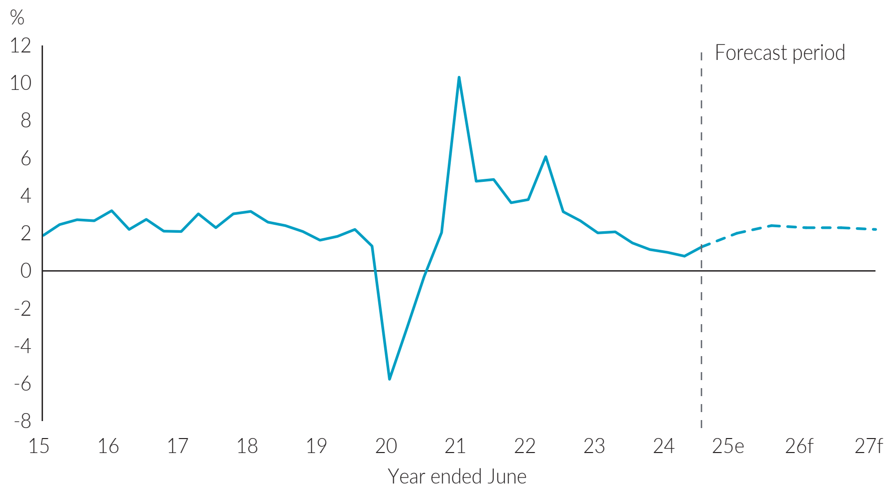
National economy

Australia's GDP grew by 1.3% over the year to December 2024. Economic growth over the past year was moderate, supported by public and private expenditure.

Private consumption was supported by non-discretionary spending, whereas public consumption reflected Commonwealth spending on social benefits to households and energy bill relief payments by some state governments. Investment was subdued over the first-half of the year but rose thereafter, driven by public investment in defence equipment, hospitals and roads. Private investment also rose modestly driven by dwelling construction and business investment associated with ongoing renewable energy and mining projects. Over this period, exports were supported by increased demand for LNG and coal, as well as education-related travel and intellectual property services, with imports driven by consumption goods.

The RBA's *Statement on Monetary Policy* February 2025 forecasts GDP growth of 2% over the year to June 2025, rising to 2.3% over the year to June 2026 and then steadily growing over the remainder of the forecast period (Chart 3.4).

Chart 3.4: Australia – annual gross domestic product growth



e:estimate; f: forecast
Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*; RBA

Economic activity is expected to be driven by an increase in household consumption as real household disposable incomes continue to recover. The anticipated path of monetary policy easing is also expected to further support household budgets and spending. Private investment is expected to remain subdued, picking up towards the end of 2025 in line with the assumed decline in cash rates and supported by digitisation of firms' operations, and the pipeline of infrastructure work related to renewable energy projects.

An anticipated weakening of the Australian dollar is expected to support growth as imports become relatively more expensive while exports become less expensive.

Underlying inflation has moderated faster in recent months than had been previously anticipated. Inflation is expected to be 2.4% over the year to June 2025 before rising to 3.7% by December 2025 and gradually easing thereafter.

The *World Economic Outlook* reference forecasts for the Australian economy, incorporating information up to 4 April 2025, projects GDP growth of 1.6% in 2025 and 2.1% in 2026. This represents a downgrade of 0.5 and 0.1 percentage points, respectively, compared with the January 2025 outlook. The downgrade reflects the uncertainty created by rapidly changing trade policies.

Interest rates

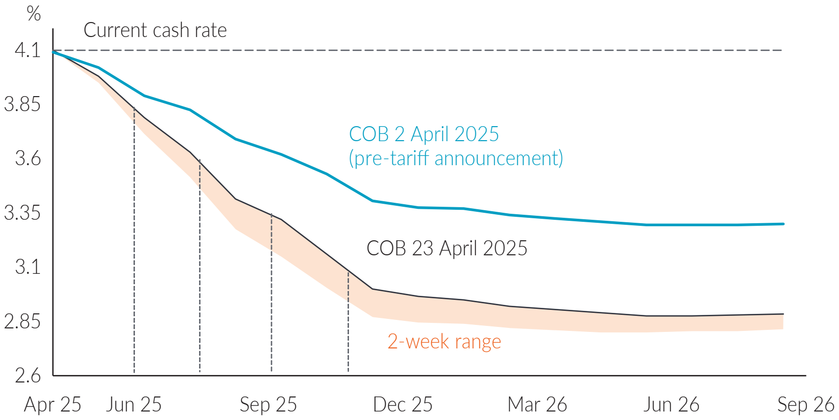
In February 2025, the RBA lowered the cash rate by 25 basis points to 4.1%. This is the first rate cut since the RBA commenced its monetary policy tightening cycle in May 2022.

Inflation has declined from its peak in 2022, with headline inflation of 2.4% over the year to December 2024, down from 4.1% in the previous year. Headline inflation has reached the mid-point of the RBA's 2% to 3% target, driven lower by energy subsidies, while underlying inflation remains higher but is expected to return to the RBA target band in 2025.

Long-term government bond yields rose in the US, reflecting expectations for fewer interest rate cuts and uncertainty surrounding policy decisions. In other advanced economies, yields were little changed or had not kept pace with the US due to these economies exhibiting fewer upside results and their vulnerability to US tariffs. In Australia, market expectations for cash rate cuts have been brought forward (Chart 3.5), contributing to bond yields declining relative to most other economies. Markets now expect around 100 basis points of easing in 2025.

The announcement of further tariffs and the subsequent 90-day pause on implementation has led to volatility in financial markets. As the value of stocks declined in response to additional tariffs, there was a simultaneous sell-off in bonds. Sentiment in bond markets remains cautious with investors monitoring any developments closely as the situation continues to unfold.

Chart 3.5: Market cash rate expectations



COB: close of business
Source: Department of Treasury and Finance; Australian Securities Exchange

Exchange rates

Movements in the Australian dollar are influenced by domestic and international interest rates and demand for commodities. International markets, such as mining and tourism, are sensitive to fluctuations in the exchange rate. This is important for the Territory given it is highly reliant on trade and investment, with balance of trade accounting for 38.6% of the Territory's output in 2023-24. The Australian dollar fluctuated against the US dollar over most of 2024, declining sharply towards the end of the year. This reflects the strength of the US dollar, which has been supported by strong relative productivity gains and economic growth, improvements in the US terms of trade, expectations that countries affected by US tariffs may depreciate their currencies, and delayed expectations for further monetary policy easing in the US. In 2025, the Australian dollar has continued to fluctuate around a narrow range before falling steeply in April as financial markets responded negatively to the US' tariff announcement. The Australian dollar has since recovered and is around pre-tariff levels. A lower Australian dollar, relative to the rest of the world, has the potential to support the Territory's tourism industry, boost exports and attract greater foreign investment.

Chart 3.6: Australian/US dollar exchange rate

Source: RBA

Chapter 4

Population

Outlook

The Territory population is expected to grow by 1% in 2025-26, driven by net overseas migration and natural increase. Over the forward estimates period, population growth is forecast to increase by 1.2% per year, reflecting normalising migration flows.

Table 4.1: Territory population forecasts

	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Population (persons)	255 069	256 819	259 426	262 246	265 351	268 557
Year-ended change (%)	0.8	0.7	1.0	1.1	1.2	1.2

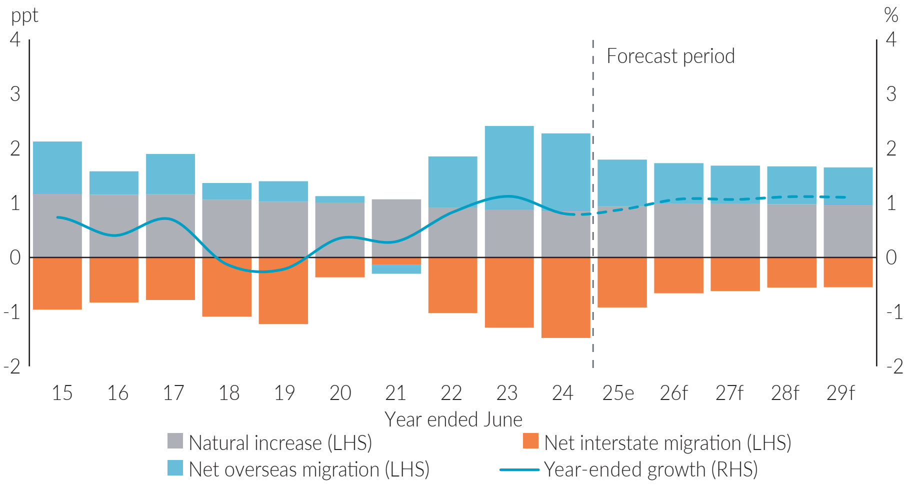
a: actual; e: estimate; f: forecast
Source: ABS, *National, state and territory population*; Department of Treasury and Finance

The Territory's population is estimated to grow by 0.7% to 256,819 persons in 2024-25 (Chart 4.1). Population growth is expected to remain steady as natural increase remains flat, contributing around 0.8 percentage points to growth, and interstate and overseas migration flows continue to ease from recent levels, detracting 1.1 percentage points from and contributing 0.9 percentage points to growth, respectively.

Population growth is forecast to increase to 1% in 2025-26. Natural increase, in particular births, is forecast to recover as migration outcomes improve and cost of living pressures ease. Elevated public final demand is a key driver of economic activity and labour force needs in the Territory. This is expected to support improvements in interstate migration outcomes and ongoing overseas migration into the Territory. Natural increase and net overseas migration are forecast to contribute 0.9 percentage points and 0.8 percentage points, respectively, to growth while net interstate migration is forecast to detract 0.7 percentage points.

The Territory's population is forecast to continue growing over the forward estimates period (2026-27 to 2028-29), averaging 1.2% growth per annum and reaching 268,557 persons in 2028-29. Natural increase and net overseas migration are expected to remain steady contributors to growth, averaging 1 percentage point and 0.7 percentage points per annum, respectively, while net interstate migration is expected to continue easing towards longer-term historic levels, detracting 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

Risks remain elevated around the population forecasts. Covid resulted in significant volatility to migration flows, with interstate and overseas migration currently at or near historically low and high levels, respectively. While migration flows are expected to normalise, the timing and final outcome of the normalisation process remains uncertain.

Recent changes to the Territory's DAMA are expected to improve the Territory's access to overseas labour and therefore ability to grow the population (and labour market) through migration. However, Commonwealth national migration policy settings are currently intended to limit Australia's total permanent overseas migration flows to reduce inflows of migrants to the east coast capital cities. The Territory requires flexible and supportive overseas migration settings to ensure businesses can access the skilled labour, and to support government objectives to increase population growth.

The Territory's natural increase, in particular births, has continued to decline post-covid. The degree to which this is part of a broader trend of declining fertility rates or a deferment in child-bearing intentions due to covid, economic uncertainty and increases in cost of living pressures is uncertain. The forecasts assume a recovery in births over the forecast period as deferred child-bearing intentions are realised. With interstate migration outcomes influenced by economic opportunities, population growth outcomes may be stronger than forecast if major projects in the Territory's investment portfolio reach final investment decision over the forecast period.

The implementation of US tariffs and the trade conflicts that may follow (discussed in Chapter 3 *External economic environment and trade*) may have indirect impacts on the Territory population by delaying resource projects, decreasing demand for labour, and reducing net interstate and overseas migration.

Box 3. Population growth targets in the Northern Territory Economic Strategy 2025

The Northern Territory Economic Strategy 2025 outlines government's plan for rebuilding the Territory economy over the next three years and includes a target to grow the Territory's population by at least 4,000 persons per annum, including net migration of at least 1,300 persons per annum to meet demand for labour by Territory employers.

This target is ambitious but set at a level where government can effectively manage increased demand for infrastructure and services.

Along with broader measures to reduce crime and improve and restore the Territory's lifestyle, the strategy outlines strategic initiatives to achieve the population target, such as:

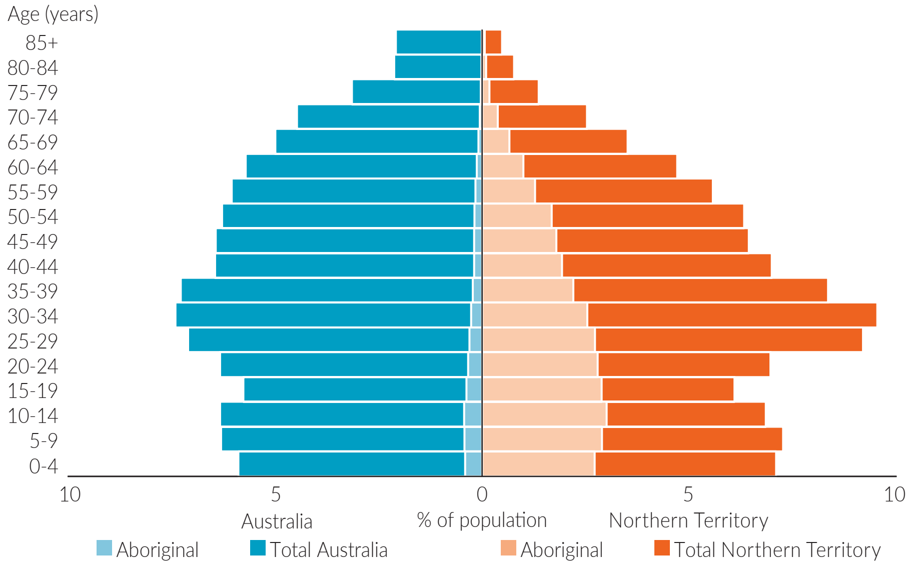
- creating good jobs through a supportive environment for business
- driving private investment by improving regulatory certainty
- focusing on employment pathways to attract, skill and retain workers
- increasing engagement with the Commonwealth to attract skilled migrants.

The Territory's population forecasts will be revised as measurable impacts of the strategy on economic growth, private investment and population growth are realised.

Population profile

The Territory's population is characterised by a relatively young age profile, with a median age of 33.4 years, compared with 37.7 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 (102.8 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 2023-24, the Territory's population grew by 0.8% to 255,069 persons. Growth was driven by natural increase and ongoing strength in net overseas migration, partly offset by net interstate migration.

Natural increase

Natural increase has been moderating in the Territory, contributing on average 1 percentage point to population growth over the five years to 2023-24, which is double the national contribution of 0.5 percentage points. The greater contribution of natural increase reflects the Territory's younger age profile and higher fertility rate, although the fertility rate in the Territory has been declining over time. In 2023-24, the total fertility rate, which represents the average number of children born to a woman during the reproductive lifetime, was 1.6 for the Territory compared to 1.5 for Australia.

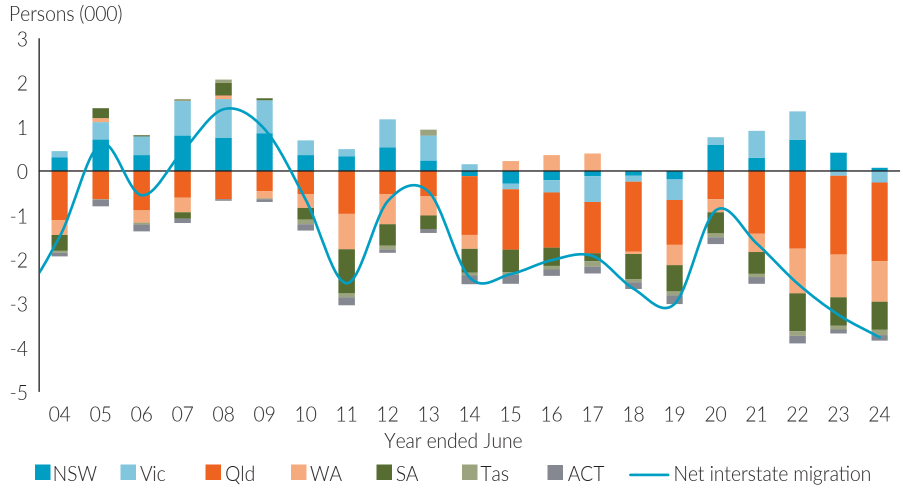
Along with other jurisdictions, the Territory has seen weaker levels of births in the post-covid period. This is likely driven by a combination of deferred child-bearing intentions as a result of covid, cost of living pressures and a decline in the stock of overseas migrants (who have higher fertility rates) during the pandemic.

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 2023-24, net interstate migration detracted on average 0.9 percentage points per annum from population growth.

In 2023-24, net interstate migration continued to worsen, largely driven by a deterioration in arrivals to the Territory from New South Wales and Victoria, and steady but weak arrivals from Queensland, Western Australia and South Australia. Net migration to Queensland and Western Australia comprised the largest number of persons leaving the Territory at around 1,800 and 900 persons, respectively (Chart 4.3).

Chart 4.3: Territory net interstate migration, by jurisdiction



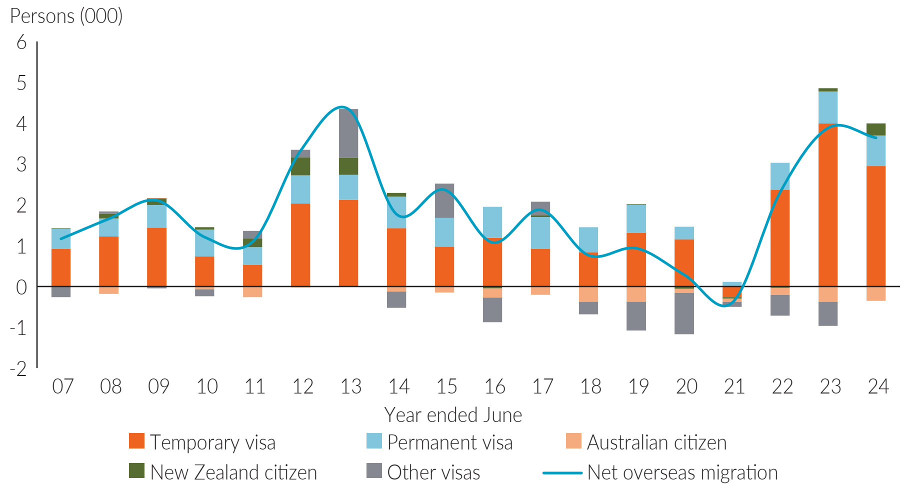
Source: ABS, *National, state and territory population*

Overseas migration

Historically, overseas migration has supported population growth in the Territory, contributing on average 0.8 percentage points per annum over the five years to 2023-24.

The Territory's net overseas migration levels remained near historic highs in 2023-24, driven by ongoing elevated levels of temporary visa holders (Chart 4.4).

Chart 4.4: Territory net overseas migration, by visa category



Source: ABS, *National, state and territory population*

The Territory's overseas arrivals have eased over recent quarters towards pre-covid levels (Chart 4.5), led by lower arrivals of temporary students and work visa holders. The Territory's overseas departures have remained significantly subdued. Ongoing weakness in overseas departures likely reflects the shock to the number of overseas migrants during covid, and the Territory's ongoing need for overseas migration to fill labour requirements has likely contributed to this weakness.

Chart 4.5: Territory overseas migration arrivals and departures[1]

1 Moving annual total.
Source: ABS, *National, state and territory population*

Regional growth

Table 4.2: Territory population by region, 30 June 2024

	Population	Proportion of total	Year-end change	5-year average year-end change
	No.	%	%	%
Greater Darwin	152 489	59.8	0.9	0.7
Darwin city	29 076	11.4	0.6	0.4
Darwin suburbs	58 532	22.9	0.4	0.3
Palmerston	41 432	16.2	1.0	1.7
Litchfield	23 449	9.2	2.2	0.5
Rest of the Territory	102 580	40.2	0.6	0.7
Alice Springs	41 962	16.5	1.0	1.0
Katherine	21 453	8.4	0.2	0.5
Daly-Tiwi-West Arnhem	18 374	7.2	0.5	0.6
East Arnhem	14 724	5.8	0.3	0.3
Barkly	6 067	2.4	0.4	0.2
Total	**255 069**	**100.0**	**0.8**	**0.7**

Source: ABS, *Regional population*

The Territory's population grew across all major regions of the Territory in 2023-24. Greater Darwin's population grew by 0.9% while the rest of the Territory grew by 0.6%.

Greater Darwin's population growth has been led by growth in Palmerston and Litchfield in line with growing residential developments, followed by growth in Darwin city and Darwin suburbs. Growth in the rest of the Territory was largely led by Alice Springs. There has also been modest growth of around 0.5% in Daly-Tiwi-West Arnhem, 0.4% in Barkly, and 0.3% in East Arnhem. Katherine experienced subdued growth of 0.2%, similar to the previous year.

Chapter 5

Labour market

Outlook

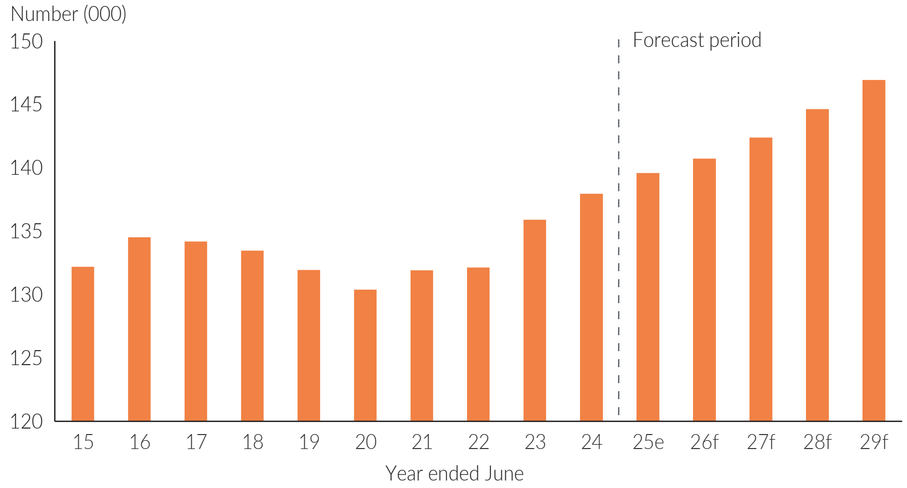
Employment growth is forecast to slow to around 1.2% in 2024-25 before easing to 0.8% in 2025-26 as several major investment projects are completed. As a result, the unemployment rate is expected to peak at 5% in 2025-26 before declining to average around 4.6% over the forward estimates period, broadly in line with the Territory's natural rate of unemployment.

Table 5.1: Territory labour market (%)

	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Employment growth[1]	1.5	1.2	0.8	1.2	1.6	1.6
Unemployment rate[2]	4.4	4.5	5.0	4.7	4.6	4.5
Participation rate[2]	72.7	72.8	72.8	72.3	72.3	72.3

a: actual; e: estimate; f: forecast
1 Year-average change.
2 Year average.
Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

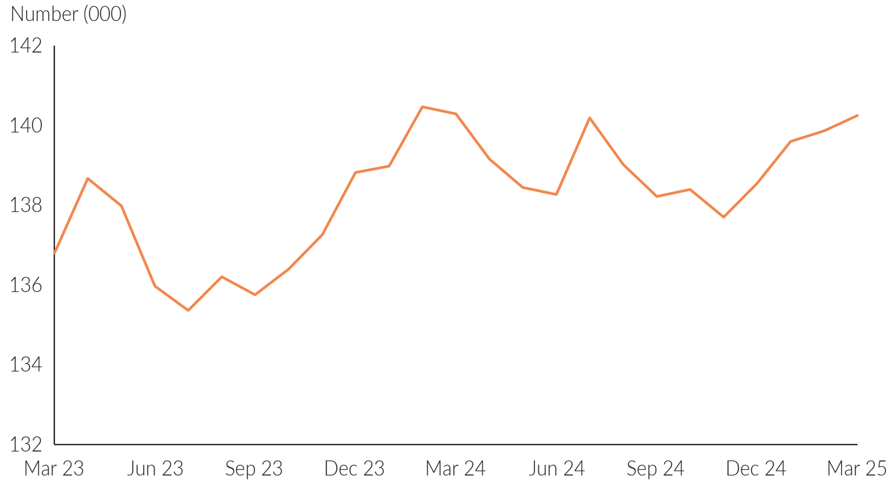
Chart 5.1: Territory employment[1]



e: estimate; f: forecast
1 Year average.
Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

The Department of Treasury and Finance's baseline forecast is for employment growth to moderate to about 1.2% in 2024-25 (Chart 5.1). This reflects the recent easing of growth in the labour market in the December quarter 2024, following a particularly strong period of growth. These conditions have persisted in the latest data, with no growth in employment over the year to March 2025 (Chart 5.2). This is likely due to higher labour costs working through the labour market and winding down of several major construction projects that are nearing completion by mid-2025. Although wages growth over the year to December 2024 has moderated compared to growth over the year to March and June 2024, labour productivity has not improved significantly. This is likely placing downward pressure on labour demand as employers' willingness to hire eases.

Chart 5.2: Territory employment by month[1]



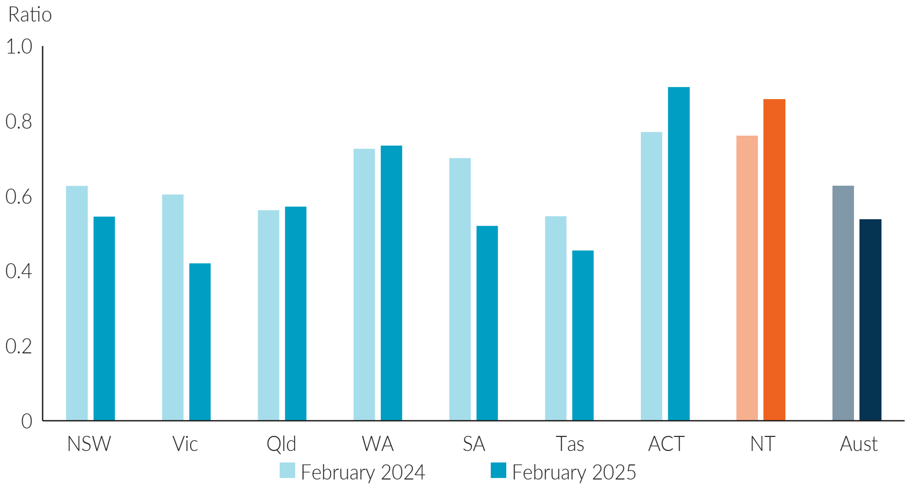
1 Seasonally adjusted.
Source: ABS, *Labour Force, Australia*

Despite recent easing labour market conditions, domestic economic activity has continued to grow over the year to December 2024. This is expected to contribute to moderate ongoing labour demand in the near term. Other contributing factors include a reduction in the cash rate in February 2025 and several Commonwealth and Territory Government policies (see *Government initiatives* section).

The number of job vacancies in the Territory peaked at 8,500 in the February quarter 2022, largely due to the impact of travel restrictions on labour supply. Following the lifting of covid health measures in early 2022, job vacancies trended down over 2022-23 and 2023-24, in line with the rest of Australia.

In the latest data, Territory job vacancies increased by 12.5% to 5,400 over the year to February 2025, compared to a decline of 9.3% nationally. There are now 0.9 vacancies for every unemployed person in the Territory compared to the national average of 0.5 (Chart 5.3). The gap between the Territory and other states highlights ongoing skilled labour supply shortages, with high dependence on overseas and interstate migration to fill vacancies.

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



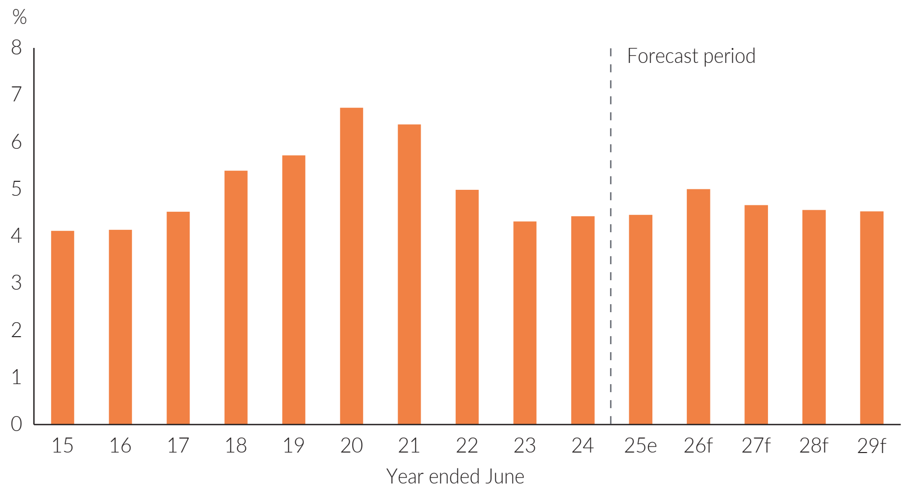
Source: ABS, *Job Vacancies, Australia*, *Labour Force, Australia*

The Territory's elevated job vacancies indicate overall labour demand remains high. This is likely to be partly alleviated by the new five-year DAMA signed in March 2025, which lifts the number of approved nominations per year from 625 to 1,500 and expands the range of eligible occupations from 135 to 325.

Despite these factors, employment growth is forecast to ease to 0.8% in 2025-26, after the Barossa project is complete. This outlook is lifted by a pipeline of significant projects, including works on the Darwin ship lift and Manton Dam. Employment is forecast to grow by 1.2% in 2026-27, in line with population growth, before settling at 1.6% over 2027-28 and 2028-29. This is slightly stronger than trend employment growth due to the direct contribution of overseas workers to Territory employment levels under the new DAMA and assumptions of take-up by Territory businesses.

The unemployment rate is forecast to increase to around 4.5% in 2024-25, before increasing to 5% in 2025-26 (Chart 5.4), reflecting softer labour demand as the construction of the Barossa project moves towards an expected completion date in September 2025. Over the forward estimates period, the unemployment rate is forecast to moderate to 4.5% by 2028-29 as employment growth improves.

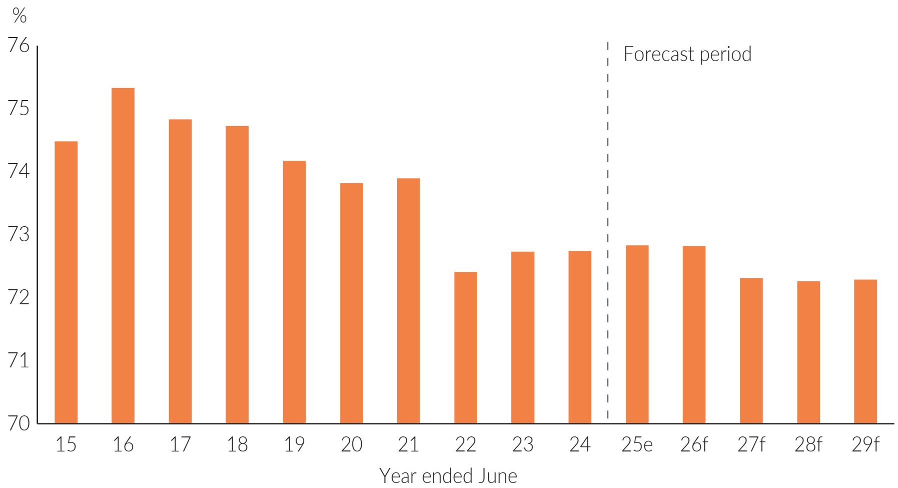
Chart 5.4: Territory unemployment rate[1]



e: estimate; f: forecast
1 Year average.
Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

Participation is expected to trend up over the rest of 2024-25 as labour force growth outpaces civilian population growth and overall job vacancy levels remain elevated (Chart 5.5). However, as labour demand eases, the participation rate is expected to moderate. This reflects the Territory's project-driven economy and transient population, with a tendency for job seekers unable to secure local work to move interstate. Over the forward estimates period the participation rate is forecast to stabilise at levels consistent with a period where private business investment returns to trend.

Chart 5.5 Territory participation rate[1]



e: estimate; f: forecast
1 Year average.
Source: ABS, *Labour Force, Australia*; Department of Treasury and Finance

Risks

Construction of the Barossa project is expected to be completed in September 2025. This timeframe also coincides with several large defence projects nearing completion, with limited new contracts being issued. This period could see larger declines in employment than anticipated as temporary contracts come to an end. Nonetheless, there are several potential developments that could push up employment over the budget and forward estimates period, including the Nolans rare earths project and Beetaloo Sub-basin development. The rehabilitation of the Rum Jungle and Ranger uranium mine sites are also in progress and expected to contribute to Territory employment.

Government initiatives

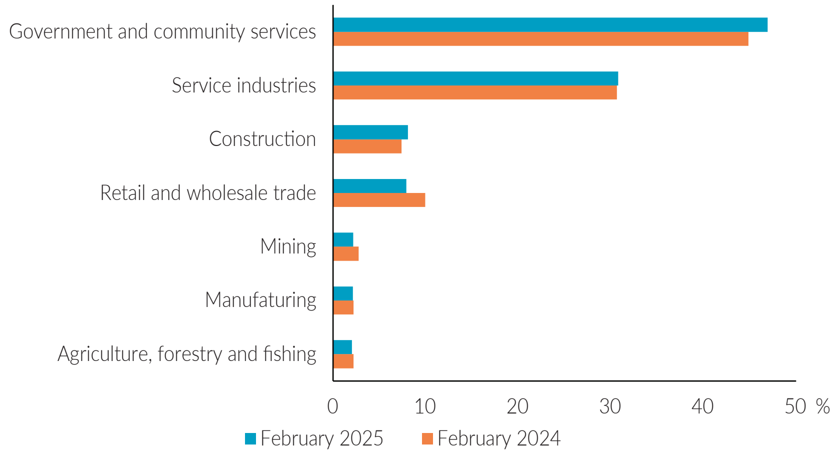
In January 2025, the Territory Government amended payroll tax laws to raise the tax-free threshold from $1.5 million to $2.5 million, and lower payroll tax for businesses with payroll liability between $2.5 million and $7.5 million. Wages paid to apprentices and trainees have also been exempted. The changes will take full effect from 1 July 2025 and are expected to reduce labour costs for small businesses and support employment growth in the Territory.

The Territory Government's revised capital works program is also expected to support jobs, with an additional $338 million to support capital works in 2025-26 and a further $147 million in 2026-27, including construction of the Darwin ship lift. The capital works program includes investment in roads and public housing, which tend to be labour-intensive works.

Industry analysis

In February 2025, the government and community services sector accounted for the largest share of employed persons in the Territory at 46.9% (Chart 5.6), with health care and social assistance being the largest component. Health care and social assistance has accounted for a growing share of employed persons over the past year, which follows a major advertising campaign for health workers in early 2023. The service industries sector (30.8%) accounted for the next largest share of employment, followed by the construction sector (8.1%). The construction workforce is expected to decline in 2025-26 as project work eases from its peak.

Chart 5.6: Share of employment by selected sectors, February 2025



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

Chapter 6

Prices and wages

Outlook

Inflation in Darwin has slowed more than expected and is currently tracking below the midpoint of the RBA's 2 to 3% target band. Underlying inflation in Darwin has eased more quickly than occurred nationally, reflecting less inflationary pressure from rents and construction costs in the Territory. Wage growth is expected to ease in 2024-25 and 2025-26, before stabilising around 3.3% over the forward estimates period.

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

Financial year	2023-24a	2024-25e	2025-26f	2026-27f	2027-28f	2028-29f
Consumer price index						
Year-ended change	3.0	1.7	2.9	2.4	2.5	2.5
Year-average change	3.6	1.8	2.7	2.6	2.4	2.5
Wage price index						
Year-ended change	3.8	3.2	3.0	3.1	3.3	3.3
Year-average change	4.1	3.2	3.0	3.1	3.2	3.3

Calendar year	2023a	2024a	2025f	2026f	2027f	2028f
Consumer price index						
Year-ended change	3.9	1.7	2.8	2.8	2.4	2.5
Year-average change	4.9	2.5	2.1	2.8	2.4	2.5

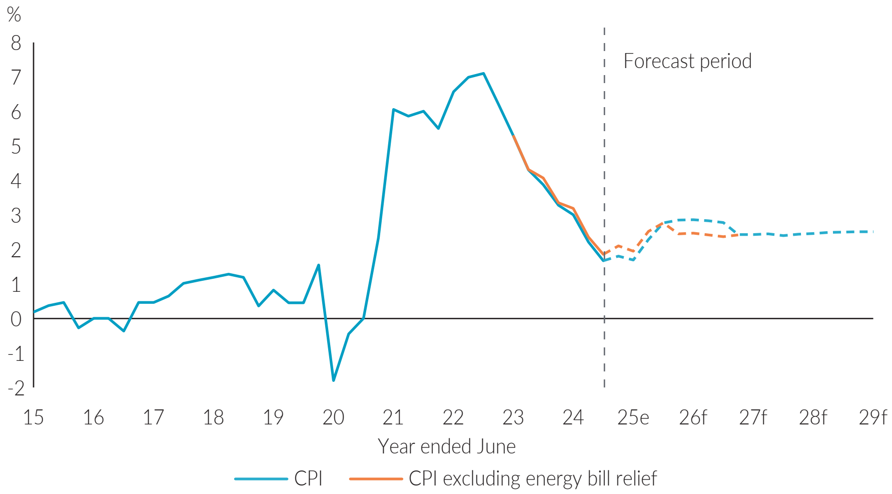
a: actual; e: estimate; f: forecast
Source: ABS, *Consumer Price Index, Australia*, *Wage Price Index, Australia*; Department of Treasury and Finance

Consumer price index

Outlook

Inflation in Darwin appears to be largely contained and is expected to remain close to the midpoint of the RBA target band, with temporary deviations reflecting Commonwealth energy bill relief (Chart 6.1). In year-ended terms, growth in Darwin's headline CPI is estimated to decline to 1.7% over the year to June 2025 before accelerating to 2.9% over the year to June 2026 as the Commonwealth energy bill relief ends. Across the forward estimates period, year-ended CPI growth is expected to return to 2.5%, consistent with the midpoint of the RBA target band.

Chart 6.1: Consumer price index, Darwin[1]



e: estimate; f: forecast
1 Year-ended change.
Source: ABS, *Consumer Price Index, Australia*; Department of Treasury and Finance

Electricity prices as measured in the headline CPI remain subdued due to the Commonwealth energy bill relief. As announced in the Commonwealth 2025-26 Budget, the scheme was extended by 6 months and it is now expected to expire in December 2025. As the $75 quarterly payments end, headline inflation will temporarily increase from the March quarter 2026.

Dwelling construction inflation is currently subdued due to low demand in 2024 and the introduction of the HomeGrown Territory and FreshStart grants, which have lowered construction costs. Dwelling construction inflation is expected to increase in 2025-26 as demand for new dwellings improves. Rent inflation, as measured in the CPI, is expected to moderate further in 2025-26, reflecting relative stability in advertised rent prices. The rent component of CPI tracks the average price across the entire stock of rentals and is slow to react to changes in advertised rents.

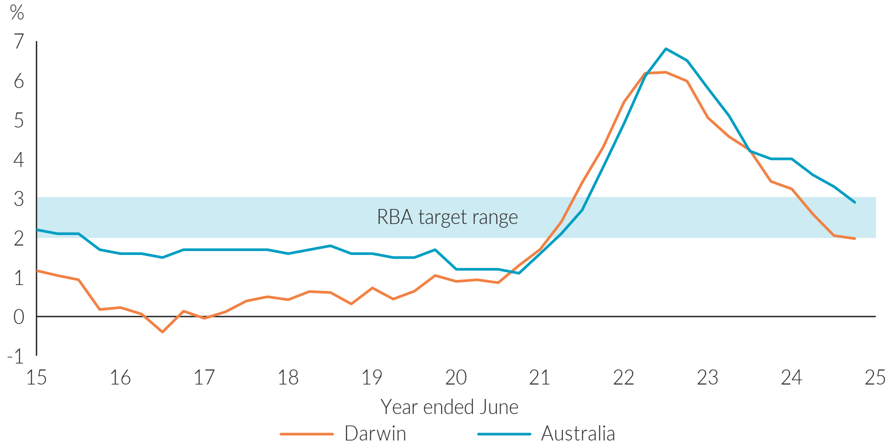
Price growth is expected to increase for goods and services from current low levels, as real incomes improve, interest rates ease and demand returns to around long-run average levels. This is expected to leave price growth around the middle of the RBA's target band.

There is significant uncertainty around the outlook for inflation following the US's announcement on 3 April 2025 of the administration's intention to levy tariffs on most trading partners. The forecasts presented in Table 6.1 are the baseline forecasts and do not account for the impacts of tariffs. Overall, the tariffs are expected to pose a small risk to inflation in 2025-26 due to a weaker exchange rate and trade disruptions, and downward pressure thereafter as global growth slows.

Recent activity

Headline inflation in Darwin declined to 1.7% over the year to March 2025, its lowest level since 2020. The result was lower than expected at PEFO due to a larger than anticipated decline in electricity prices from the Commonwealth energy bill relief and lower automotive fuel prices. Underlying inflation (which adjusts for irregular or temporary price changes) has also eased, with trimmed mean inflation declining to 2% in March 2025, compared to 2.9% nationally (Chart 6.2).

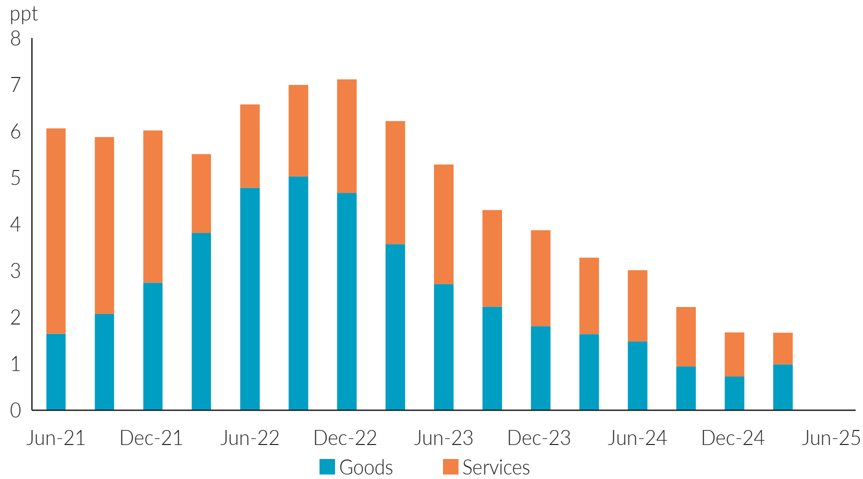
Chart 6.2: Trimmed mean CPI[1]



1 Year-ended change.
Source: Department of Treasury and Finance calculation; ABS, *Consumer Price Index, Australia*

Goods inflation declined swiftly in 2023 as supply constraints eased across global supply chains, with prices of some goods even experiencing disinflation as trade flows normalised. Services inflation also declined relatively swiftly in the Territory, in part reflecting rental price growth easing in Darwin faster than occurred nationally (Chart 6.3).

Chart 6.3: Contributors to inflation, goods and services, Darwin

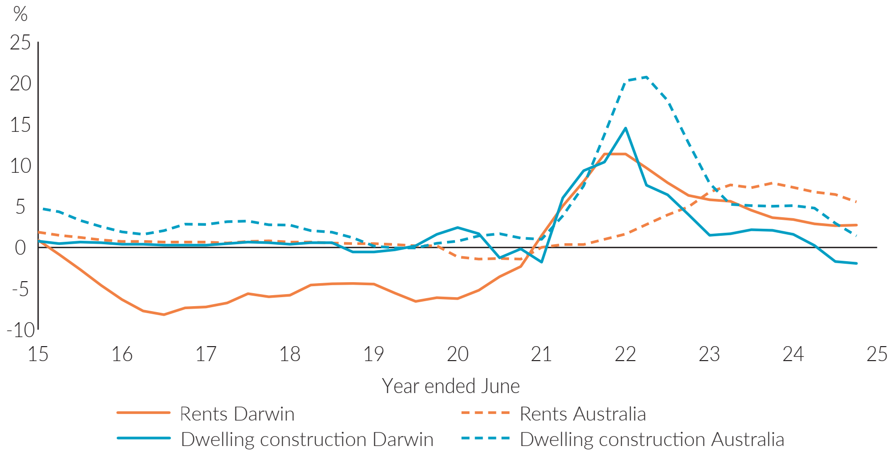


ppt: percentage points
Source: ABS, *Consumer Price Index, Australia*; Department of Treasury and Finance

The categories of education, health, and alcohol and tobacco recorded the largest price increases over the year to March 2025, all increasing by over 5%. These categories consist largely of administered prices driven by Commonwealth excises and rebates, which are often indexed to past rates of inflation and therefore lag the rest of the CPI basket. All other categories saw price growth below 4% over the same period.

Rents and dwelling construction costs were a key contributor to the post-covid inflation surge in Darwin and nationally. Price growth in both components has since moderated significantly in Darwin, outpacing the declines reported nationally (Chart 6.4). The faster pace of easing in rent and dwelling construction inflation in Darwin reflects lower underlying demand, noting population growth has remained relatively subdued across the Territory and below the national average.

Chart 6.4: Rents and dwelling construction inflation



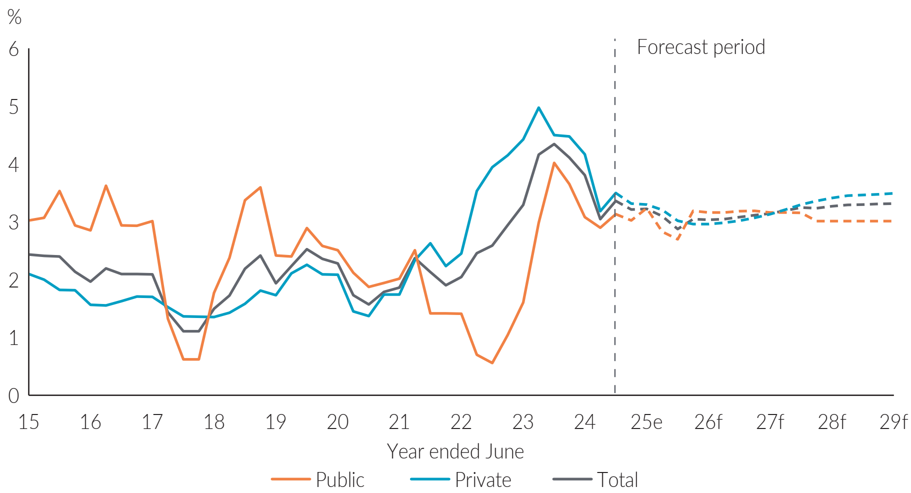
Source: ABS, *Consumer Price Index, Australia*; Department of Treasury and Finance

Wage price index

Outlook

Wage growth is expected to continue moderating in 2024-25 as wage pressure eases after reaching a recent peak (Chart 6.5). Territory wages are estimated to grow by 3.2% in 2024-25 and by 3% in 2025-26. Across the forward estimates, wage growth is expected to increase to around 3.3%.

Chart 6.5: Territory wage price index[1]



e: estimate; f: forecast
1 Year-ended change.
Source: ABS, *Wage Price Index, Australia*; Department of Treasury and Finance

Private sector wage growth is expected to decline to around 3% in 2025-26, reflecting loosening labour market conditions and easing inflation. This view is consistent with annual wage increases observed across recently signed enterprise agreements and the outlook for future minimum wage decisions, which are likely to be lower on account of inflation returning to the RBA target band in 2025.

In the medium term, private wage growth is assumed to pick up to around 3.5%, consistent with the outlook for national wage growth as Territory businesses increase wages to remain competitive.

Public sector wage growth is expected to remain largely in line with private sector wage growth in 2025-26. Northern Territory Public Sector (NTPS) enterprise agreements are assumed to be renegotiated with annual wage increases of around 3% once they expire, consistent with NTPS Bargaining Policy.

The RBA expects the national wage price index (WPI) to increase by around 3.2% in 2025-26, slightly higher than the Territory forecast.

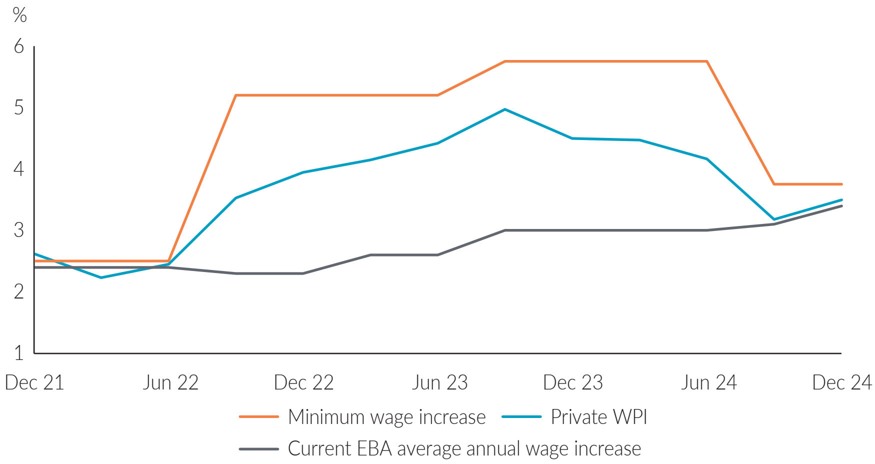
Recent activity

Wage growth has moderated from recent highs of over 4%. The Territory WPI increased by 3.4% over the year to December 2024, driven by a 3.5% increase in private sector WPI and 3.1% increase in public sector WPI. The national WPI increased by 3.2% over the same period.

The easing in wage growth is due to several factors. Stronger labour supply and lower inflation has reduced employee bargaining power for higher wages, notwithstanding recent improvements in real wage growth over the past year. Higher labour supply and strong migration flows have reduced competition among businesses for workers. The 2024 minimum wage increase of 3.75% was well below the 2023 increase of 5.75%, which has placed downward pressure on wage growth (Chart 6.6). Additionally, a large share of enterprise agreements signed in the last few years have been front-loaded, with large pay rises offered upon signing, followed by a tapering off in later years.

Other measures of wage growth have also eased over the past year. The WPI is calculated based on a fixed sample of jobs and is not affected by changes in quality (composition of the workforce) and quantity (hours worked). In contrast, average weekly full-time (ordinary time) earnings (AWOTE) account for changes in the composition of the workforce. Average earnings account for changes in earnings due to both changes in quantity and quality. AWOTE increased by 2.9% over the year to November 2024 compared to 5.1% a year earlier, while average earnings growth was stronger at 5.1% due to average hours increasing over the past year.

Chart 6.6: Territory private WPI, EBAs and minimum wage increases[1]



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

Chapter 7

Residential property market

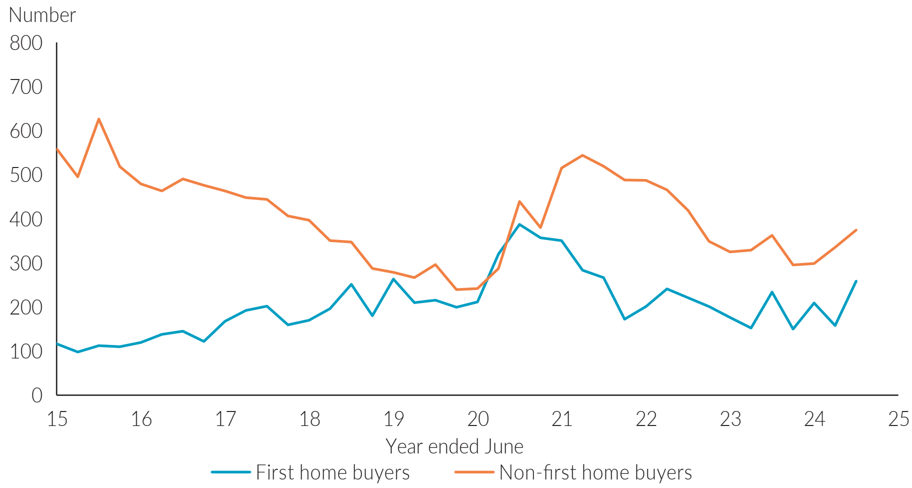
Outlook

Residential construction activity is expected to increase in 2025, supported by new housing grants and easing monetary policy.

Residential construction activity was subdued over the past year as high interest rates weighed on individuals' borrowing capacity, particularly for new housing. In response to this, the Territory Government introduced the HomeGrown Territory and FreshStart grants in October 2024 to stimulate new housing construction. The HomeGrown Territory grant offers $50,000 for first-home buyers to put towards building or buying a new home. The FreshStart grant offers $30,000 to buy or build a new home for existing homeowners.

Housing finance commitments for the construction of dwellings, a leading indicator of residential construction activity, increased to 64 commitments in the December quarter 2024, the first quarter since the new grants were introduced. This is an 88.2% increase over the year. The new HomeGrown building grant is designed to encourage first home buyers to enter the property market with a newly constructed dwelling. There has been an increase of 10.3% in new loans for first home buyers to 258 commitments and a 3.3% increase in non-first home loans to 374 commitments over the year (Chart 7.1).

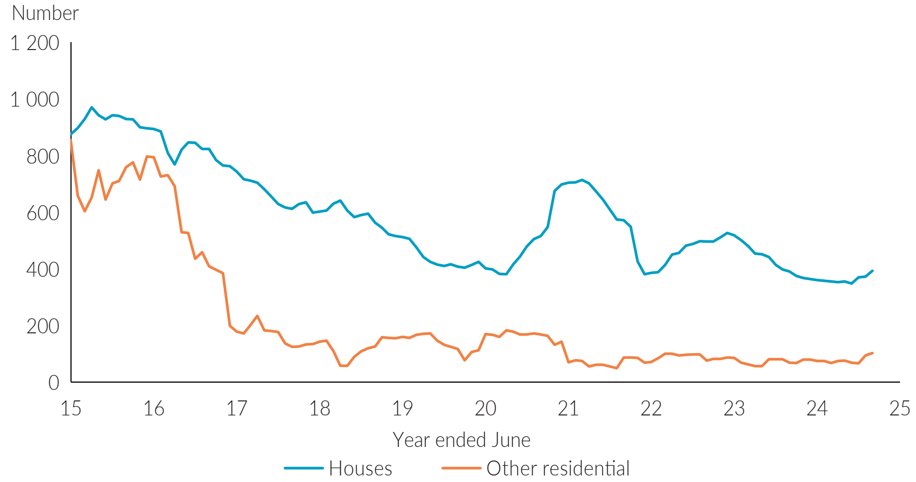
Chart 7.1: Northern Territory housing finance by owner type, quarterly



Source: ABS, *Lending Indicators*

Demand for new houses had been trending down since 2022-23 but has recently started to show signs of improvement in the building approvals data (Chart 7.2). Household budget pressures are now easing as inflation has declined from recent highs and real wages are growing. The cost of financing construction is now easing, which is likely to support demand for housing along with the new housing grants. Other residential building approvals (which includes units and townhouses) remain relatively low, and in line with levels seen over the past five years. On the supply side, residential property is being supported by land releases, and this includes residential estates under construction in Kilgariff in Alice Springs, Katherine East, Zuccoli in Palmerston, Humpty Doo, Holtze, and Lee Point and Northcrest in Darwin.

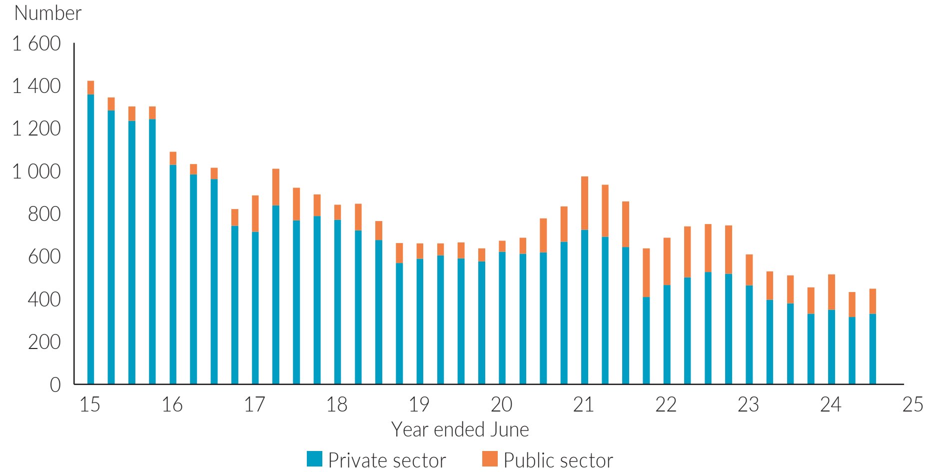
Chart 7.2: Northern Territory building approvals by type of building[1]



1 Moving annual total.
Source: ABS, *Building Approvals*

The total number of dwellings under construction has been supported by higher levels of public sector activity, associated with the national partnership on the Remote Housing Investment Package, partially offsetting historically weak private sector activity in the Territory (Chart 7.3). The Remote Housing Package is a joint $4 billion investment for remote housing over 10 years, with the goal of halving overcrowding by building additional homes each year. This is complemented by further funding from the Commonwealth to continue delivery of housing improvements and essential infrastructure upgrades in remote homelands.

Chart 7.3: Dwellings under construction, quarterly by sector



Source: ABS, *Building Activity, Australia*

Recent activity

The Territory's residential property market recorded broadly stable prices in 2023, while other capital cities saw significant increases. Sales volumes moderated through 2023 but started to improve in 2024.

Darwin has relatively high rental yields compared to other capital cities, making it attractive for investors. Counts of new listings have fallen over the year, following a surge in sales activity towards the end of 2024.

Median house and unit prices

The median house price in December quarter 2024 was around $546,000 and the median price of units around $370,000 in Darwin (charts 7.4a and b). Elsewhere in the Territory median house sale prices were around $504,000 in Alice Springs and $281,000 in Tennant Creek, with prices in Katherine averaging $360,000. Median unit prices were around $312,500 in Alice Springs and $215,000 in Katherine. Sales prices in Darwin ranged between $350,000 and $600,000 with strong growth in the sales numbers, influencing the decline in the median price. Property sales volumes increased over 2024 with sales increasing every quarter in all regions except for Katherine.

Chart 7.4a: Territory house prices

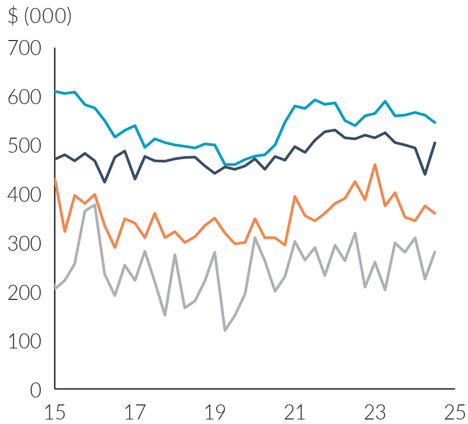
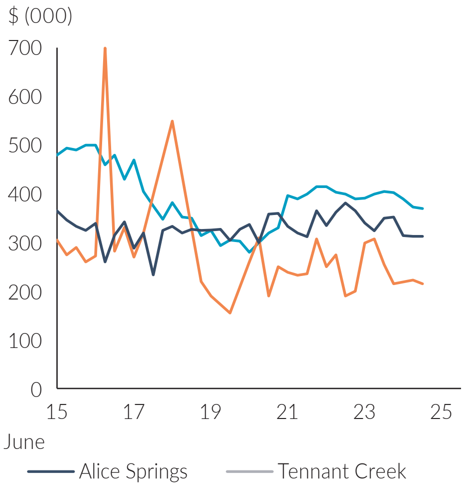


Chart 7.4b: Territory unit prices

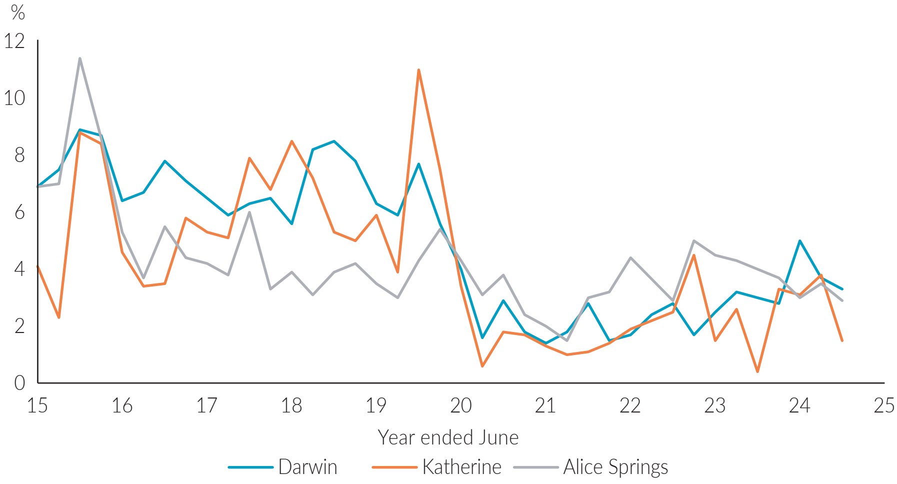


Source: Real Estate Institute of Northern Territory

Rental prices and vacancy rates

Rental prices for most of the regions in the Territory saw an increase for both houses and units in 2024. Unit vacancy rates increased across all regions in the Territory in 2024, except for Alice Springs (Chart 7.5).

Chart 7.5: Territory rental vacancy rates

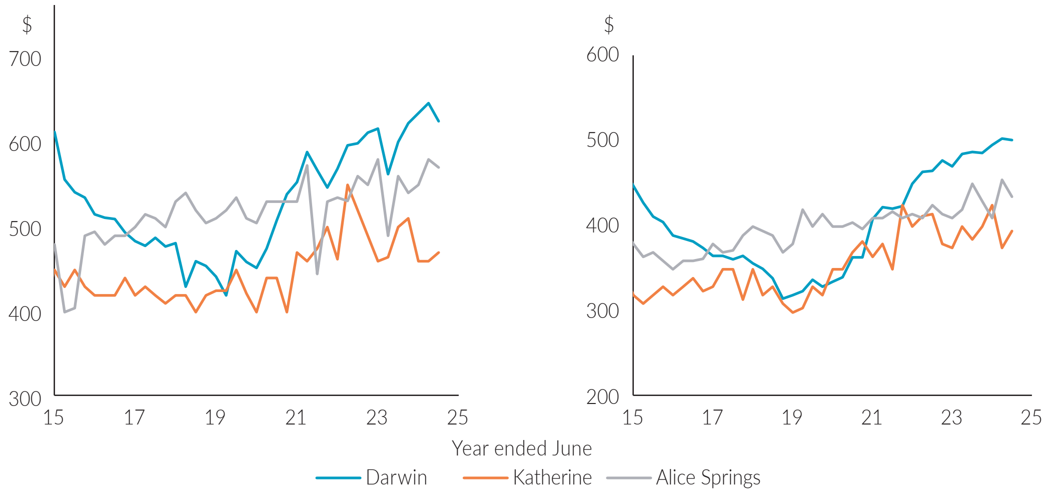


Source: Real Estate Institute of Northern Territory; Department of Treasury and Finance

Darwin house and unit rents increased by 4.2% and 2.9%, respectively, over 2024 (charts 7.6a and b), with vacancy rates increasing modestly to 3.3%. Alice Springs rental prices increased by 1.8% for houses but decreased by 3.3% for units, with total vacancy rates falling to 2.9%. Katherine saw median rents for houses decline by 6% but rents increased by 2.6% for units. Vacancy rates in Katherine increased by 1.1 percentage points to 1.5%.

Chart 7.6a: Territory 3-bedroom house rents[1]

Chart 7.6b: Territory 2-bedroom unit rents[1]



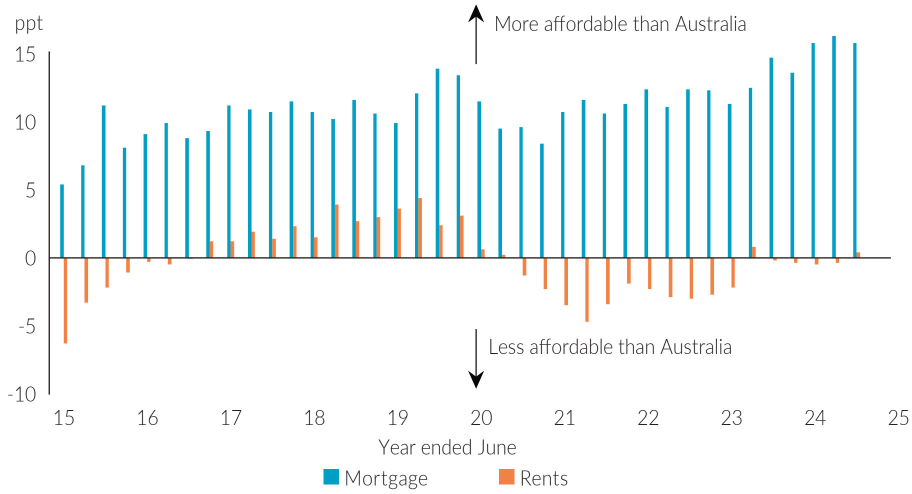
1 Moving annual average.
Source: Real Estate Institute of Northern Territory

Affordability

Housing affordability continued to decline in 2024 in the Territory and across Australia, largely because of higher interest rates. The average monthly loan repayment increased by 6.9% in the Territory in the December quarter 2024, and by 7.4% over the year to $3,832, partly offset by the median weekly family income increasing by 0.9% in the quarter and by 3.8% over the year to $2,575. Housing affordability is expected to improve as interest rates fall.

Rental affordability declined slightly, as the proportion of the median weekly family income required to rent a three-bedroom house increased by 0.1 percentage points to 24.3% over the year to the December quarter 2024, while the proportion of income required to meet loan repayments increased by 1.1 percentage points to 34.3% over the same period. The Territory is the most affordable jurisdiction for loan repayments and the fourth least affordable for rent (Chart 7.7).

Chart 7.7: Housing and rental affordability[1]



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
ABS	Australian Bureau of Statistics
AWOTE	average weekly ordinary time earnings
Commonwealth PEFO	Commonwealth *Pre-election Fiscal Outlook* April 2025
CPI	consumer price index
DAMA	Designated Area Migration Agreement
e	estimate
EBA	enterprise bargaining agreement;
EV	electric vehicle
f	forecast
FEED	Front-end engineering design
GDP	gross domestic product
GEMCO	Groote Eylandt Mining Company
GSP	gross state product
GST	goods and services tax
IMF	International Monetary Fund
LHS	left-hand side
LNG	liquefied natural gas
NTPS	Northern Territory Public Sector
OECD	Organisation for Economic Co-operation and Development
ppt	percentage point
RBA	Reserve Bank of Australia
RHS	right-hand side
SFD	state final demand
US	United States (of America)
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.

Automatic stabiliser

Government's fiscal policy that automatically adjusts in response to economic fluctuations, without requiring discretionary policy changes.

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.

Baseline forecasts

Derived from a reference scenario based on a standard set of assumptions that represent the economy without certain external factors. For the 2025-26 Budget, the excluded external factor is the impact of US tariff announcements to date due to the high level of uncertainty surrounding their ultimate implications.

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.

Countercyclical policy

Government policy to stabilise the economy by counteracting the business cycle, for example, by stimulating the economy during a downswing or slowing it down during an upswing.

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.

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.

Employee households

Households whose principal source of income is from wages and salaries.

Euro area

Consists of those member states of the European Union that have adopted the euro as their currency.

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 (2025-26, 2026-27, 2027-28 and 2028-29).

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.

Non-cyclical unemployment

The level of unemployment that exists when an economy operates at trend output. It excludes cyclical unemployment (that changes over the cycle), but includes structural unemployment (associated with technological change or industrial organisation) and frictional unemployment (associated with workers transitioning across the jobs). It corresponds to the non-accelerating inflation rate of unemployment.

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.

Payroll jobs

The payroll jobs statistics are derived from the payroll jobs index that is based on single-touch payroll data provided to the Australian Taxation Office. Unlike the labour force survey, which estimates the number of people employed, the data records each job separately irrespective of whether it is worked by multiple job holders.

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.

Tariff

A tax imposed on goods imported into a country, increasing their price relative to domestically produced goods. In addition to being a government revenue-generating mechanism, a tariff is used to protect the domestic market or as a tool in trade negotiations between countries.

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.

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.

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.

Weekly ordinary time earnings

One week's earnings of employees for the reference period, attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (for example, superannuation, board and lodging) have been made.

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.