

State of the economy – December 2022

Overview

After a strong result in the September quarter, state final demand (SFD) decreased by 0.5% in the December quarter. Household consumption and business investment increased in the quarter, by 0.2% and 2.2% respectively, but this was more than offset by declines in volatile government consumption and investment and weaker housing investment. SFD increased by 3.3% in annual terms and by 4.8% in 2022 overall (see Chart 1), in line with 4.9% growth nationally. Growth in household consumption, the main contributor to growth in 2021, is moderating as rising interest rates designed to address inflationary pressures are creating uncertain macroeconomic conditions with flow through impacts to household spending.

The Territory economy is performing well above pre-pandemic levels, but the quarterly data for a number of indicators report mixed results. Retail turnover is declining in real terms at a greater rate than nationally, suggesting Territory consumers are more sensitive to the current economic uncertainty (see Chart 2). That said, business confidence remains strong across the Territory, with the major business concern being access to suitable labour. Job vacancies across the Territory are well above pre-pandemic levels and remain high, particularly in the private sector, though are starting to fall from recent all-time highs (see Chart 3). Wage growth is accelerating, notably in the private sector, reflecting the tight labour market (see Chart 4).

Indicator	Most recent	Measure	Period change ¹	Annual change ²	Year on Year ³	COVID period change ⁴
Economic Growth		\$B				
State final demand (NT) (sa)	Dec-22	7.067	-0.5%	3.3%	4.8%	17.7%
Consumption		5.369	-0.3%	2.1%	2.3%	10.8%
Investment		1.699	-1.2%	7.2%	13.8%	40.9%
Domestic final demand (Aus) (sa)	Dec-22	536.867	0.0%	3.3%	4.9%	9.0%
Consumption		414.037	0.4%	4.5%	6.1%	9.4%
Investment		122.829	-1.4%	-0.4%	0.9%	7.6%
Gross state product (NT)	2021-22	26.058	na	na	4.7%	na
Gross domestic product (Aus)	2021-22	2,156.844	na	na	3.7%	na
Partial Indicators		\$B				
Nominal retail sales (NT) (sa)	Jan-23	0.310	0.2%	0.4%	2.9%	18.8%
Nominal retail sales (Aus) (sa)	Jan-23	35.091	1.9%	7.5%	11.4%	26.4%
Construction work done (NT) (sa)	Dec-22	0.635	-6.5%	-18.9%	5.6%	32.3%
Construction work done (Aus) (sa)	Dec-22	55.272	-0.4%	1.0%	0.7%	3.8%
Residential building activity (NT)	Sep-22	0.092	7.0%	3.0%	-8.3%	12.0%
Residential building activity (Aus)	Sep-22	18.538	1.1%	-6.0%	-3.0%	-0.7%
Nominal goods exports (NT)	Jan-23	1.101	-32.3%	-6.7%	13.2%	0.3%
Nominal goods exports (Aus) (sa)	Jan-23	51.014	1.1%	12.5%	28.0%	58.4%
Prices		Annual \updownarrow²				
Inflation (Darwin)	Dec-22	7.1%	0.1 ppt	1.1 ppt	na	6.7 ppt
Inflation (8 Capitals)	Dec-22	7.8%	0.6 ppt	4.3 ppt	na	6.0 ppt
WPI growth (NT)	Dec-22	2.6%	0.1 ppt	0.5 ppt	na	0.1 ppt
WPI growth (Aus)	Dec-22	3.4%	0.2 ppt	1.1 ppt	na	1.2 ppt
Employment		#M				
Employment (NT) (sa)	Feb-23	0.142	1.2%	4.9%	3.6%	4.4%
Employment (Aus) (sa)	Feb-23	13.826	0.5%	3.0%	4.2%	6.7%
Unemployment		Rate				
Unemployment rate (NT) (sa)	Feb-23	4.6%	0.6 ppt	1.0 ppt	na	-0.5 ppt
Unemployment rate (Aus) (sa)	Feb-23	3.5%	-0.1 ppt	-0.5 ppt	na	-1.5 ppt
Population		#M				
Population (NT)	Sep-22	0.251	0.0%	0.4%	na	1.2%
Population (Aus)	Sep-22	26.125	0.5%	1.6%	na	2.3%

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

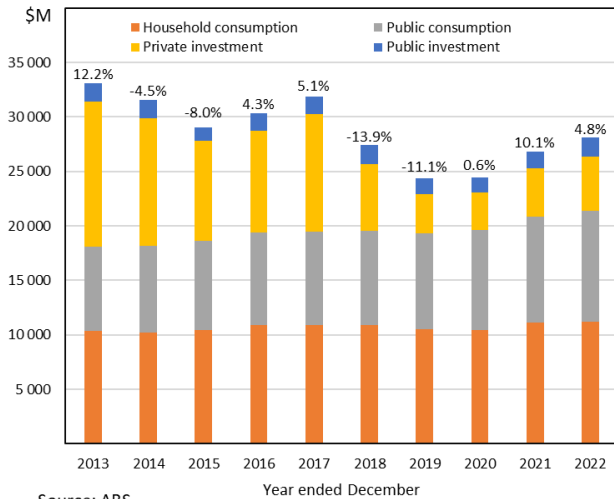
2. Compares the latest period with the same period last year.

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

4. Percentage change from December 2019 to most recent data.

Chart 1: SFD declined by 0.5% in the December quarter and increased by 4.8% in 2022. Private investment and public consumption were the main contributors to growth in the past year, while household consumption’s contribution was close to flat. Private investment is being supported by investment for the Barossa gas project and the Core Lithium’s Finniss mine, as well as a number of major building and engineering projects.

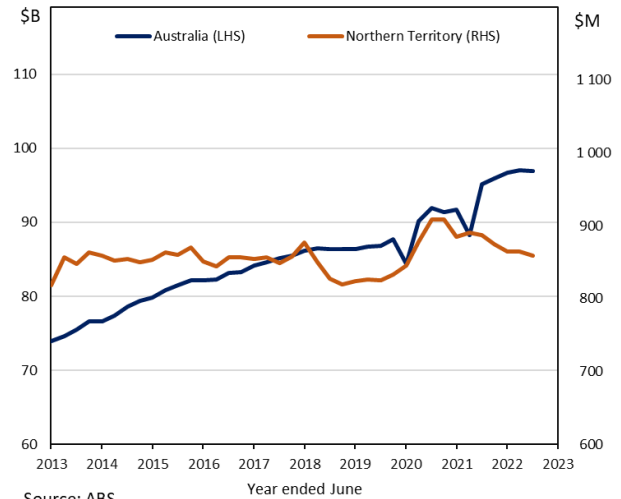
State Final Demand – NT
Components, moving annual total



Source: ABS

Chart 2: Nominal retail turnover is being propped-up by broad-based price increases, with real turnover trending down as discretionary household spending is being dampened by interest rate hikes. In the Territory, turnover is trending down at a greater rate than nationally. As the chart shows, real retail turnover has been largely static over the past nine years, despite population growth of more than 3%.

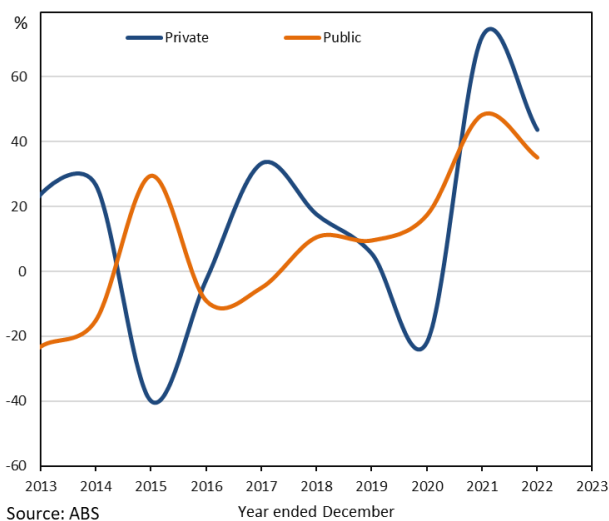
Retail Turnover
Real, quarterly, seasonally adjusted



Source: ABS

Chart 3: Over the past year job vacancies have been at record high levels as the unemployment rate was anchored at around 4%. Annual growth in vacancies is starting to moderate but broad-based labour shortages remain prevalent, particularly in the private sector. Recent analysis by Jobs and Skills Australia reports there are greater challenges recruiting in regional labour markets compared with capital cities, with fewer applicants per vacancy and lower ‘fill rates’.

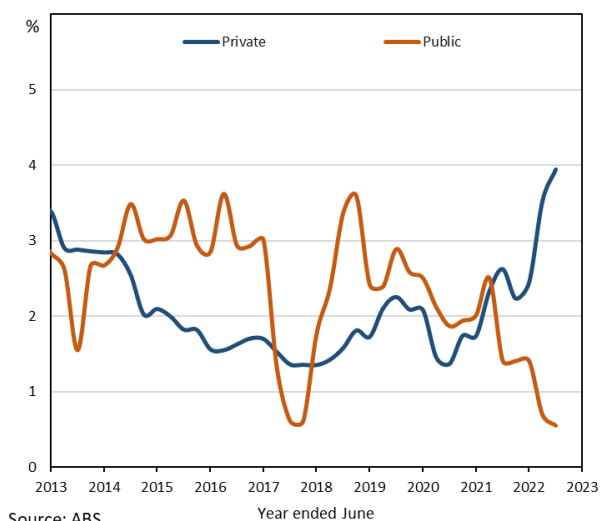
Job vacancies by Sector – NT
Annual percentage change



Source: ABS

Chart 4: Private sector wages increased by 3.9% annually to December 2022, demonstrating how the private sector is more responsive to changing economic conditions. The Fair Work Commission’s decision to increase the minimum wage is also a factor, with increases to award minimum wages in aviation, tourism and hospitality (4.6%) effective from 1 October 2022, and all other awards (also 4.6%) and the national minimum wage (5.2%) effective from 1 July 2022.

Wage Price Index by Sector – NT
Year-on-year percentage change



Source: ABS

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