

ENCL: CORPORATE & ECONOMIC DEVELOPMENT
YES COMMITTEE/CONF

AGENDA ITEM: 17.3

DARWIN ECONOMIC OUTLOOK

REPORT No.: 16A0006 LC:mp

COMMON No.: 3296258

DATE: 17/02/2016

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Approved: General Manager Corporate Services, Diana Leeder

PURPOSE

This report considers the economic outlook for the Darwin economy for 2016.

LINK TO STRATEGIC PLAN

This report provides information on the economic outlook for Darwin over the next 12 months which Council may wish to take into consideration when deliberating over the 2016/17 budget process and reviewing its strategic plan

Goal

2 Vibrant, Flexible and Tropical Lifestyle

Outcome

2.4 Economic growth supported

Key Strategies

2.4.1 Deliver, advocate for, and partner in infrastructure and services that support Darwin's economic growth

KEY ISSUES

- A lot of anecdotal information currently exists which indicates the Darwin economy is beginning to slow.
- In preparation for the 2016/17 budget process it is important Council has accurate and reliable information to plan for the next 12 months.
- After a period of strong economic growth, the Northern Territory economy appears to be moving towards a slower growth phase in 2016.
- Attached is an economic outlook for the Darwin economy prepared by Id consultants **Attachment A**.

RECOMMENDATIONS

THAT it be a recommendation to Council:-

- A. THAT Report Number 16A0006 LC:mp entitled Darwin Economic Outlook, be received and noted.
- B. THAT Council consider the *Darwin Economic Outlook 2016*, **Attachment A** to Report Number 16A0006 LC:mp entitled Darwin Economic Outlook, in its deliberation of the 2016/17 budget process.

BACKGROUND

Council will commence its 2016/17 budget process early in the new year.

In preparation for this process independent statistical advice has been sourced to confirm the anecdotal information which suggests the Darwin economy is in decline.

DISCUSSION

After a period of very strong economic growth, the Northern Territory economy appears to be moving towards a slower growth phase in 2016.

ABS statistics released in December 2015 for the financial year 2014-15 showed moderate growth in business investment, more in line with historical averages. This moderate growth comes after three years of significant business investment growth, driven largely by the construction of the Ichthys LNG project. This fall in business investment highlights the gradual transition of the Ichthys LNG project towards the operation phase.

Demand is also being weighed down by weakness in household consumption and dwelling investment. Growth in general government gross capital formation has offset this slower growth.

Slowing demand in household consumption and dwelling investment, and a winding down in construction of the Ichthys LNG project has begun to affect employment growth, and in particular full time employment. This slower growth is already having an adverse impact on population growth and house prices.

Tourism has emerged as an important support sector with strong growth in tourism visitation in 2014/15. Lower exchange rates are expected to support ongoing tourism international visitation and offset some of this slower growth in the business and household sectors.

Economic outlook 2016

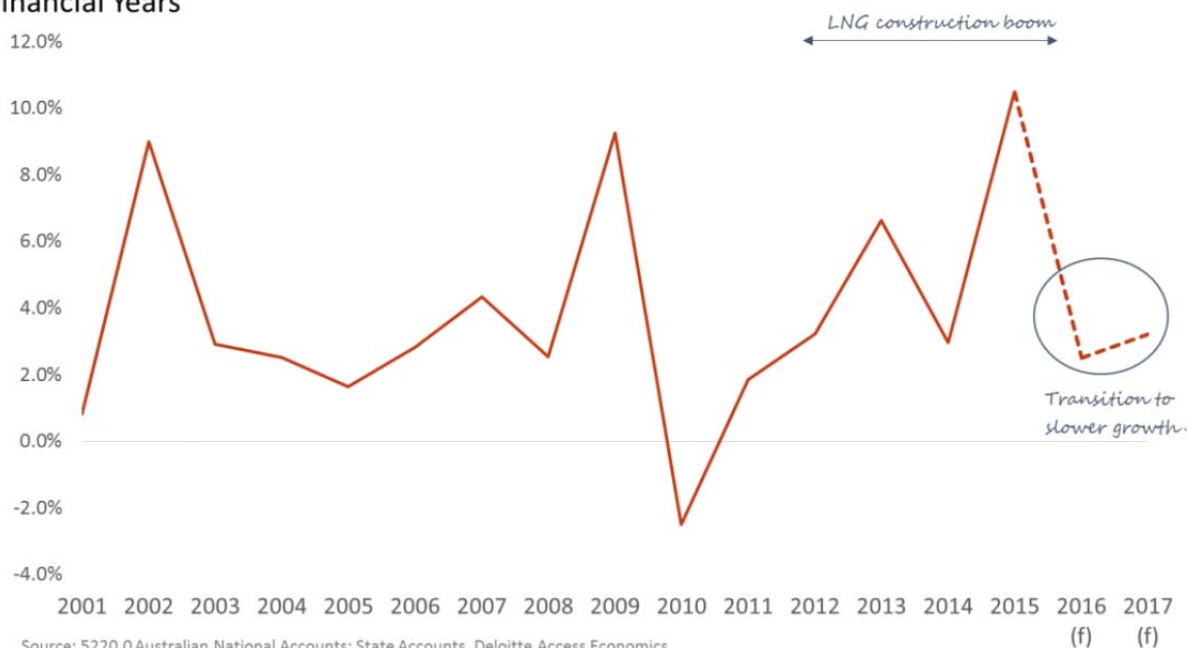
The Darwin economy is highly dependent on the government sector, mining and mining support sectors (construction and transport). This dependence makes it highly prone to volatility, particularly once large investments wind down.

In 2016, the Darwin economy is expected to continue its transition to a slower growth phase following the construction boom from the Itchys LNG project.

This outlook is supported by Deloitte Access Economics (DAE) who expect the NT economy to grow by 2.5% in 2015-16 and then forecast stronger growth of 3.2% in 2016-17. To put this into context, DAE expect the National economy to grow by 2.2% in 2015-16 and 2.1% in 2016-17. This implies that Darwin will 'come back to the pack' after a period of strong growth.

Gross State Product - Historical and Forecast - NT

Financial Years



Following the completion of the LNG project (assumed to be in 2016-17 FY), there is a slight, but elevated, chance of a brief recession, particularly if business investment and household consumption remain weak. However, the production impact of LNG will be a significant driver of growth partially offsetting the fall in investment meaning that any recession would be short and shallow. Growth in tourism and a lower exchange rate may reduce this risk further.

The outlook for employment in 2016 appears weak amid lower population growth, completion of the Itchys LNG construction phase and slowing demand from households and businesses. The production phase on the Itchys LNG project is also likely to have limited impact on local employment levels. This will put pressure on household spending and the housing market.

CONSULTATION PROCESS

In preparing this report, the following External Parties were consulted:

- .id Consultants

POLICY IMPLICATIONS

Nil

BUDGET AND RESOURCE IMPLICATIONS

This information is relevant for Council's deliberation of the 2016/17 budget process.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

This item is considered 'Confidential' pursuant to Section 65(2) of the Local Government Act and 8(c)(iv) of the Local Government Administration Regulations, whereby the public may be excluded while business of a kind classified as information that would, if publicly disclosed, be likely to prejudice the interests of the council or some other person is discussed.

The document was prepared for Council's internal use.

ENVIRONMENTAL IMPLICATIONS

Nil

COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

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Attachments:

Attachment A: Darwin economic outlook 2016.