

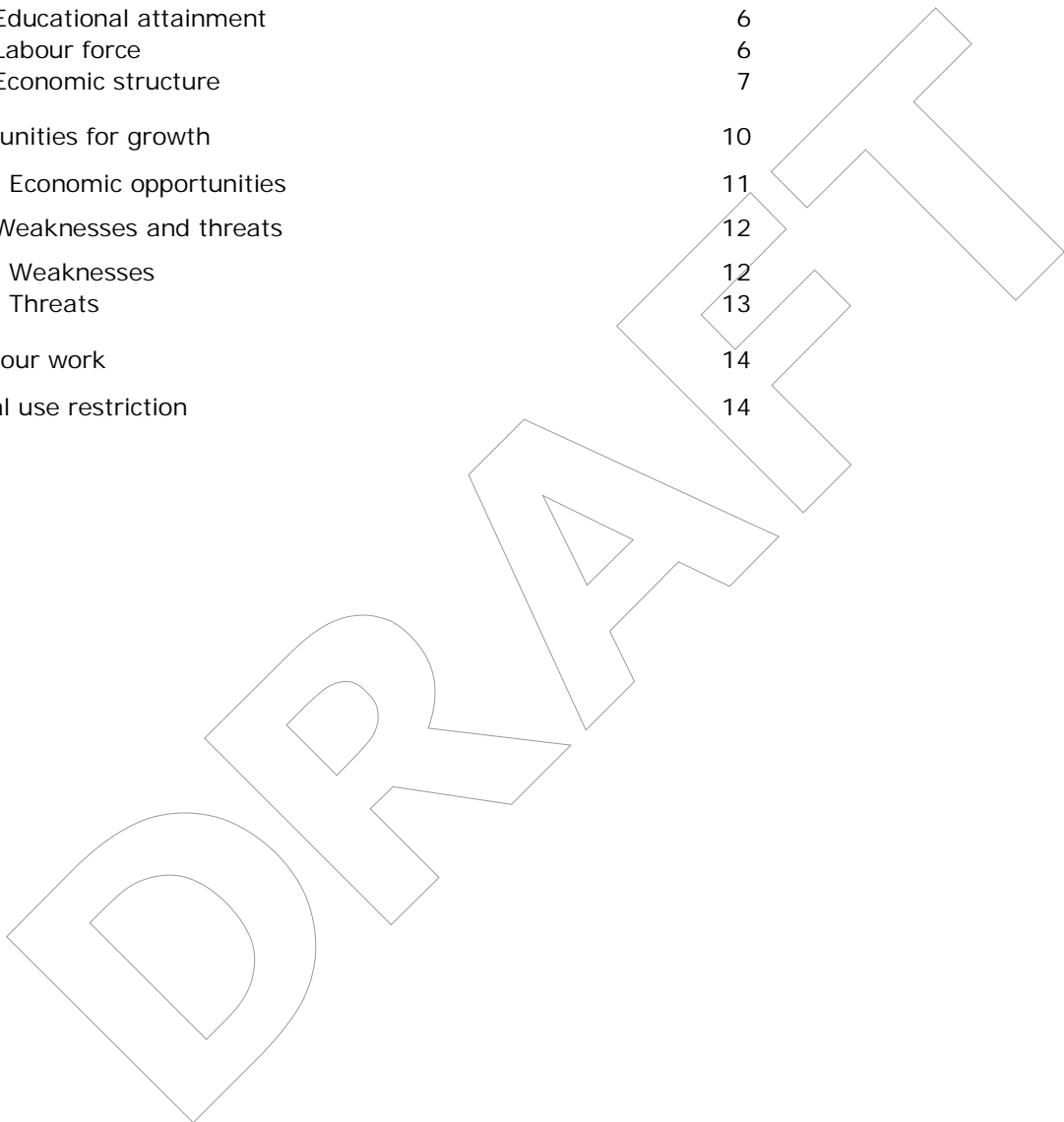


Economic development plan –  
economic data paper  
City of Palmerston

February 2019

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# Palmerston has...



a young and growing population of almost 37,000 in 2017

30

median age, compared to 34 in Darwin

3.5%

average annual population growth over 2007-2017 compared to 1.7% in Darwin



a lower average level of educational attainment than Darwin and the NT



grown over recent years

7%

share of NT economy in 2017-18, with \$1.6 billion in output

3.8%

average annual output growth 2007 - 2018

Economic activity is concentrated in construction. Key industries are:



Construction



Public administration and safety



Retail



Education and training



Health

# 1 Palmerston's socio-economic profile

This section provides a brief discussion of the current economic and socio-demographic profile of the City of Palmerston Local Government Area (LGA) to identify strengths and opportunities in the context of future economic growth.

## 1.1 A young, growing population

The City of Palmerston (Palmerston) LGA is located in the Northern Territory (NT), about 20 km south-east of the Darwin CBD.

Palmerston is characterised by a rapidly growing population. Palmerston's population grew by 41% in the ten years to 2017 to 36,933, representing almost 15% of the NT's total population.<sup>1</sup>

Palmerston also has a young population. The median age in Palmerston is 30 years, considerably lower than the City of Darwin and the NT average (see Table 1.1). Over a quarter of Palmerston's population consists of children aged 0-14, compared to 19% for the City of Darwin and 22% for the NT as a whole. Additionally, over 75% of Palmerston's total population is less than 45 years old – this compares to 67% for City of Darwin and just under 70% for the NT as a whole.

Palmerston has a significantly lower share of Indigenous people than the NT's average; however, it is slightly above that of the City of Darwin (Table 1.1).

Table 1.1 Comparison of demographics

	City of Palmerston LGA	City of Darwin LGA	Northern Territory
Population (2017)	36,933	85,914	247,491
Average annual population growth rate (2007-2017, %)*	3.5	1.7	1.5
Median age (2017)	30	34	33
Indigenous population (%)	11.0	7.4	30.3
Working age population (%)	69.7	72.5	71.3

Source: ABS Regional Population Growth (2018); ABS Census (2016)

Note: \*Compound annual growth rate.

Reflecting Palmerston's young and growing population, over 50% of households in the city consist of young families with children aged between

<sup>1</sup> Australian Bureau of Statistics, *Regional Population Growth, Australia, 2001-2017*, cat no. 3218.0 (24 April 2018)

0-14 years old, the highest percentage among any region in the NT. In addition, more families are characterised by both parents working full time, as shown in Table 1.2.

Table 1.2 Household formation

Family composition	City of Palmerston LGA	City of Darwin LGA	Northern Territory
Family composition – one parent family (%)	16.1	13.8	16.6
Family composition – couple without children (%)	31.8	40.0	35.2
Family composition – couple with children (%)	50.6	44.4	46.2
Employment status – both parents working FT (%)	39.4	35.7	33.0

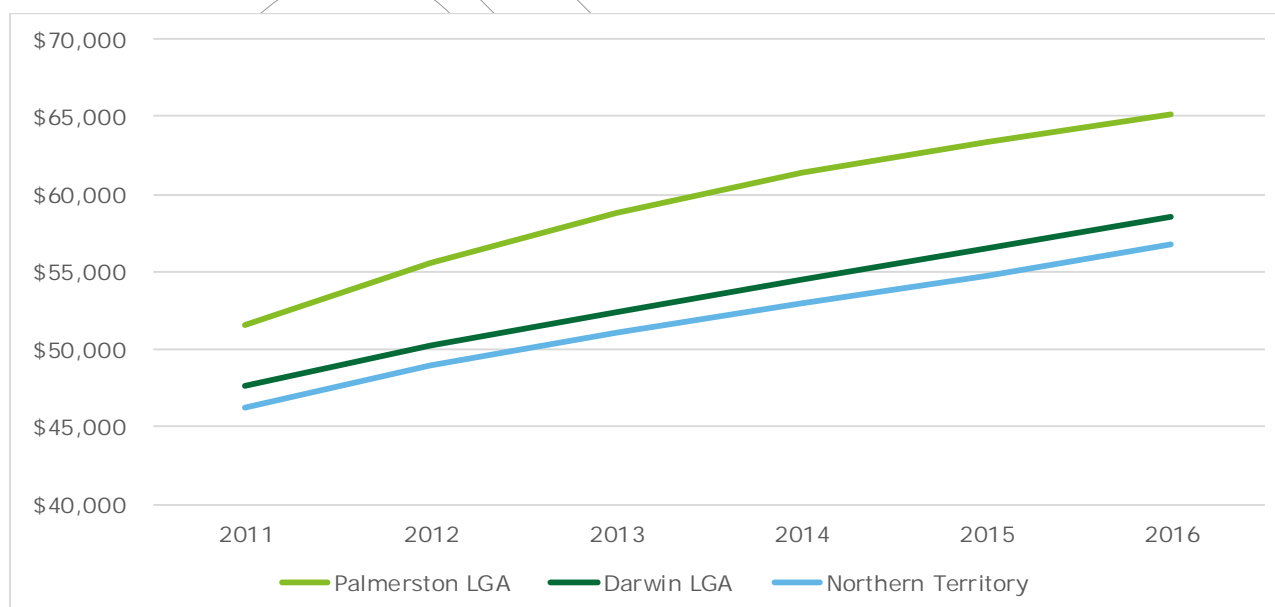
Source: ABS (2016).

## 1.2 Income

Resident workers in Palmerston have consistently earned higher median personal incomes relative to the City of Darwin and the NT more broadly over the past five years. At \$65,138, the median personal income in Palmerston in 2016 was 11% and 15% higher, respectively, than those in the City of Darwin and the NT (Chart 1.1).

Resident workers in Palmerston have also enjoyed greater growth in their incomes. From 2011 to 2016, median personal income in Palmerston grew by 26.2%, compared to around 23% for the City of Darwin and NT.

Chart 1.1 Median annual personal income



Source: ABS (2018)

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### 1.3 Educational attainment

Overall, educational attainment in Palmerston is lower than in the City of Darwin and the NT as a whole (Table 1.3). Of people aged 15 and over, just over 15% of people in Palmerston reported the completion of Year 12 as their highest level of education. However, educational attainment has increased in Palmerston – the proportion of residents with a Bachelor degree or higher increased from almost 11% in 2011 to 14% in 2016. With a young population, it is likely this trend will continue.

Table 1.3 Comparison of residents' highest level of education

Level of education (2016)	City of Palmerston LGA	City of Darwin LGA	Northern Territory
Bachelor or Higher degree	14.0%	26.1%	17.1%
Advanced Diploma or Diploma	9.1%	8.6%	7.2%
Certificate III– IV	24.0%	18.4%	19.8%

Source: ABS Census (2016).

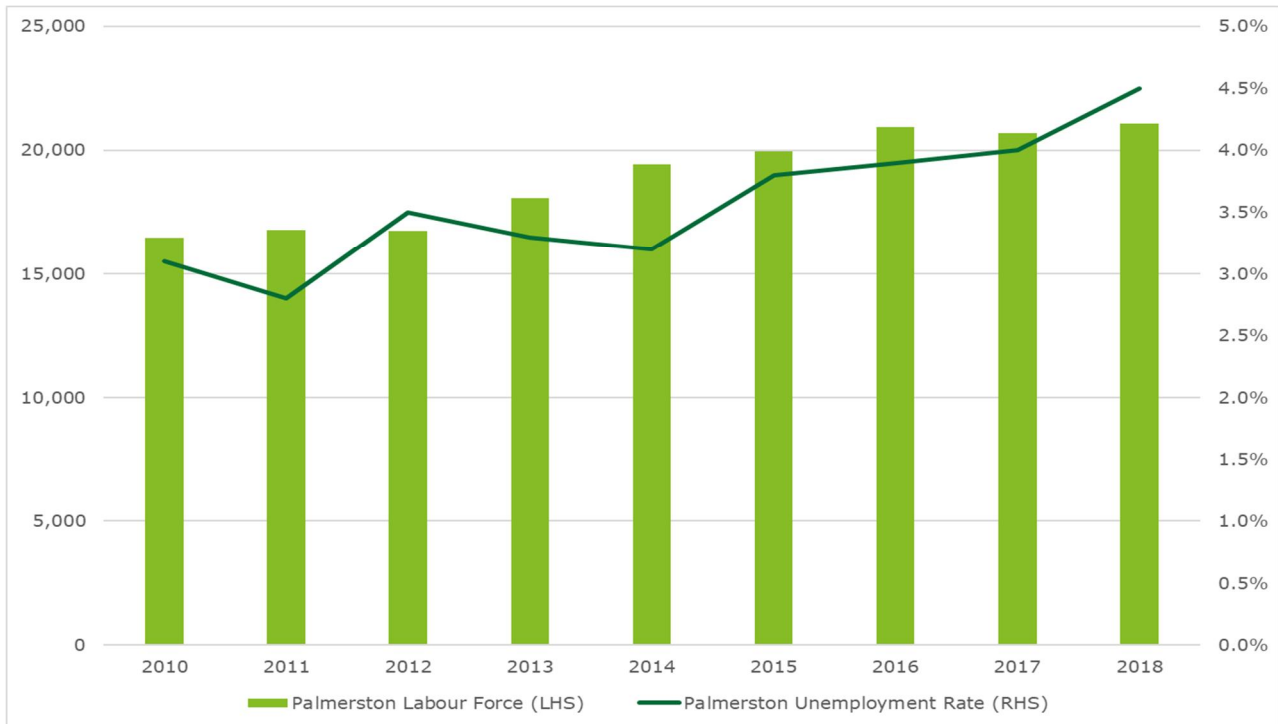
### 1.4 Labour force

Reflecting Palmerston's growing population, the Palmerston labour force has grown significantly since 2010. As of 2018, Palmerston had a labour force of 21,063 people, having grown 28% since 2010 (Chart 1.2). Palmerston's labour force now accounts for nearly 15% of the total NT labour force.

However, the growth in participation has not been fully matched by increased employment, leading to an increase in the unemployment rate from just over 3% in 2010 to 4.5% in 2018. As of 2018, the unemployment rate in Palmerston was higher than both the City of Darwin (3.5%) and the NT average (4.1%). Unemployment in Palmerston, however, is still lower than the Australian average of 5%.

Reflecting Palmerston's young population, with a relatively high proportion of children, working age people form 69.7% of its population, which is lower than that of the City of Darwin (72.5%) and NT as a whole (71.3%). However, it is higher than the Australian average of 66%.

Chart 1.2 Labour force and unemployment rate, 2010-2018



Source: Department of Jobs and Small Business (2018).

### 1.5 Economic structure

Palmerston's annual Gross Regional Product (GRP) (a typical measure of the size of a local economy) was \$1.6 billion in 2017-2018, accounting for just over 7% to the NT's \$22.8 billion economy.

Palmerston's local economy has grown by 4% per annum on average over the past five years. It experienced a slight fall from 2016-17, due primarily to a fall in construction activity following completion of a range of construction projects in 2016-17. This is consistent with the fall in construction activity recorded in the Northern Territory more broadly, with construction, particularly on the Inpex Ichthys project, drawing to a close.

However, the overall trend for Palmerston's economy is one of growth – the local economy has grown by \$292 million (or 22%) in nominal terms over the five years from 2013.

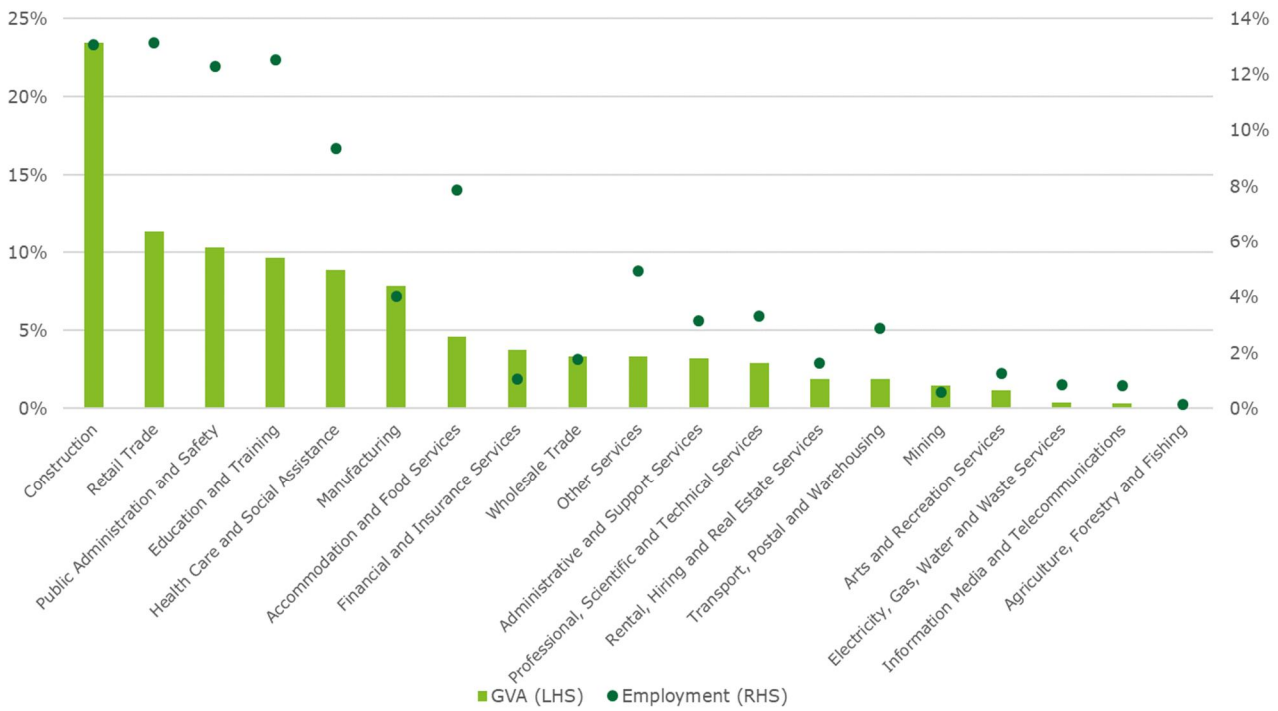
Palmerston's key sectors in 2017-18 were:

- Construction (\$263 million value-added)
- Retail Trade (\$128 million)
- Public Administration and Safety (\$116 million)
- Education and Training (\$108 million)
- Health Care and Social Assistance (\$99 million).

Combined, the above five industries contributed 64% of Palmerston's GRP and accounted for almost 60% of employment.

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Chart 1.3 Gross Value Added (GVA) by industry (2017) and share of employment by industry (2017) by place of work



Source: National Institute of Economic and Industry Research (NIEIR), 2017

Like many regional economies, government services play an important role in the Palmerston economy. Government services industries (consisting of Education and Training, Health Care and Social Assistance, and Public Administrative and Safety) account for 34% of total employment in Palmerston. However, this is lower than in the City of Darwin LGA and the NT as a whole (Table 1.4).

Table 1.4 Percentage of workers employed in Industries that relate to Government Services

Employment in Government Services (2018)	City of Palmerston LGA	City of Darwin LGA	Northern Territory
Education and Training (%)	13	9	9
Health Care and Social Assistance (%)	9	13	12
Public Administration and Safety (%)	12	18	17
<b>Total (%)</b>	<b>34</b>	<b>40</b>	<b>38</b>

Source: National Institute of Economic and Industry Research (NIEIR), (2018).

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As of 2017, there were approximately 1,500 businesses in the Palmerston LGA. The industries with the largest number of businesses were (see Chart 1.4):

- Construction (430 businesses)
- Rental, Hiring and Real Estate Services (129 businesses)
- Professional, Scientific and Technical Services (127 businesses).

Chart 1.4 Number of businesses by industry, 2017



Source: ABS (2017), Cat. No. 8165.

Note: 'All Other' includes the following industries: Electricity, Gas, Water and Waste Services; Mining; Information Media and Telecommunications; Public Administration and Safety; Education and Training; and, Arts and Recreation Services.

The construction sector is a relatively cyclical industry and the high concentration of firms in that industry is likely to expose the Palmerston economy to some output volatility.

Palmerston's economy is dominated by small to medium businesses, much like that of the rest of Australia:

- Sole operators - 57%
- Less than 20 employees – 40%
- Between 21 and 200 employees – 2%
- Greater than 200 employees – less than 1%.

For understanding growth potential, it is not just the number of businesses that affects the ability to leverage growth, but the value-added of the cluster as a whole. Many small operators in a sector are less likely to have medium-term growth potential than a smaller number of larger operators in another sector (such as mining).

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# 2 Opportunities for growth

The Palmerston economy has grown significantly over the past ten years. From 2008 to 2018, Palmerston's annual GRP has grown by around 50% to \$1.6 billion, and the number of jobs in Palmerston has grown similarly from around 7,200 to almost 11,000.<sup>2</sup> Much of this growth is likely to have reflected Palmerston's strong population growth (Chapter 1). That in turn, is likely to have been supported by increased mining-related construction activity in the broader Darwin region.

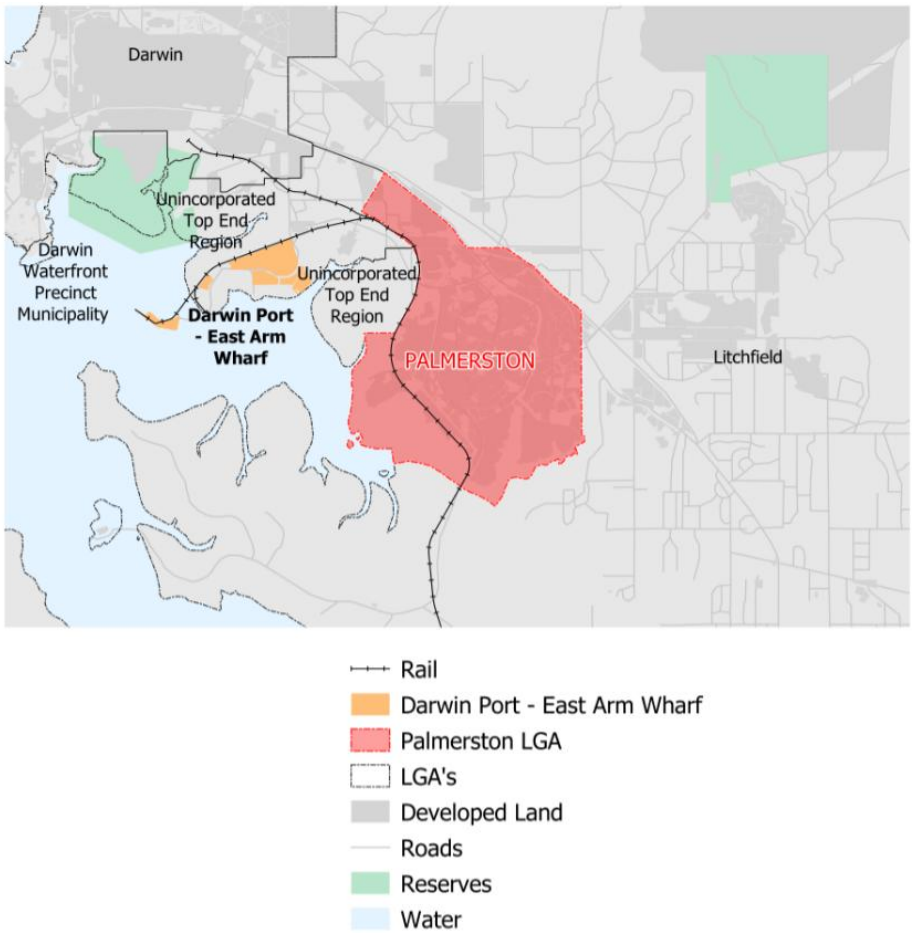
Palmerston's continued economic prosperity will depend on its ability to leverage its factors of advantage that align with regional, national and global growth opportunities. This chapter discusses those opportunities and outlines some of the barriers and threats to growth.

Palmerston's economic future is closely tied to that of Darwin and the Northern Territory more broadly. To the extent that Darwin and the Territory benefit from international demand growth, such as demand for mining output, tourism, and English-speaking education, this is likely to have positive spillovers for the Palmerston economy. Similarly, any negative impacts on the Territory's economy, such as from fiscal tightening by the NT Government, would be expected to weigh on Palmerston's economy.

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<sup>3</sup> Northern Territory Government (2018), *Defence presence in NT*, <<https://nt.gov.au/industry/defence-support/defence-presence-in-nt>>.

Figure 2.1 Map of Palmerston LGA and surrounding areas



Palmerston is well-placed to benefit from its proximity to a port and rail line (Figure 2.1), as well as Darwin and local agricultural areas. It can offer cheaper rents than Darwin, which could allow it to support light industrial firms and those in transport and logistics. Moreover, that proximity to agricultural areas and transport also make it well suited to agribusiness.

This section outlines the key opportunities for Palmerston's future economic growth. We will seek to explore these issues in further detail during community consultations and in consultation with industry and business leaders.

Key factors of advantage for Palmerston include:

- proximity to Darwin
- proximity to port and rail infrastructure
- a young and growing population
- proximity to prime agricultural lands
- proximity to energy and mineral resources
- significant Defence presence

### 2.1.1 Economic opportunities

A desktop analysis of Palmerston indicates there are a range of genuine opportunities available to promote its continued economic growth and prosperity, including:

- Light industry, transport and logistics: proximity to Darwin, a port and rail line, coupled with cheaper rents could make Palmerston an attractive location for firms in light industry or logistics, particularly firms finding rents in Darwin increasingly expensive
- Agribusiness hub: by leveraging its proximity to the vast productive agricultural, horticultural and aquaculture lands nearby, there is an opportunity for Palmerston to become an agribusiness hub with a focus on providing agricultural equipment and services to those agribusinesses located within proximity to Palmerston. Relatively cheaper rent in the area and proximity to transport is likely to be attractive to agribusiness firms. In addition, there is an opportunity for Palmerston to provide services such as research activities, manufacturing, packaging and product distribution
- Education and training: Palmerston's young and growing population means there will be growing demand for tertiary education and training services in the future. Charles Darwin University has a campus located at Palmerston, and future planning for the university will take account of the Palmerston campus. There is also an opportunity for Palmerston to leverage its proximity to Asia and growing demand in emerging Asian economies for international business and marketing degrees in English-speaking countries
- Energy and minerals: the growing middle class in emerging economies will continue to drive demand for the NT's energy and mineral resources. Palmerston has the opportunity to support current and future investments in this sector by providing greater logistics and transport, through its proximity to the port and rail line, as well as maintenance and training services
- Defence support services: defence is a key contributor to the NT economy, accounting for 7.3% of NT Gross State Product (GSP) in 2016-17.<sup>3</sup> Major defence bases include Larrakeyah Barracks, RAAF Darwin, Coonawarra Naval Base and Robertson Barracks. Robertson Barracks is located adjacent to Palmerston with many defence personnel and their families living in Palmerston. The other three bases are within a ten to twenty minute commute. Continued investment in Australia's defence capabilities in the NT represent a significant opportunity for Palmerston to develop and build capability across a range of support industries, including heavy engineering, electrical and control systems support, repairs and maintenance, logistic networks and other support services. Relatively cheap rent could support the development of these businesses in the Palmerston LGA
- Health and health services: the new Palmerston Hospital precinct could generate opportunities for allied health services, research facilities, and pathology labs. The opportunity to provide health-sector training courses, such as in nursing or allied health services could also be considered.

## 2.2 Weaknesses and threats

### 2.2.1 Weaknesses

Like many regional centres, there are a range of factors that have the potential to limit or impede Palmerston's continued growth and economic prosperity. Potential factors of disadvantage may include:

- Lack of economic diversity: the Palmerston economy is very reliant on a small number of industry sectors. Construction and retail trade

<sup>3</sup> Northern Territory Government (2018), *Defence presence in NT*, <<https://nt.gov.au/industry/defence-support/defence-presence-in-nt>>.

account for over a third of total GRP, while government services combine to account for another 29% of economic activity

- Concentration of construction businesses: related to the lack of economic diversity, Palmerston's large share of construction businesses, can expose the local economy to volatility, as construction activity is highly cyclical
- Educational attainment: relative to other areas in the NT, Palmerston on average has a lower skilled workforce with lower levels of education. This factor will likely improve as the average age of Palmerston's population rises and the younger generation gain a higher level of education. However, until then, this can present a challenge to businesses seeking a higher skilled workforce from Palmerston itself.

### 2.2.2 Threats

A range of factors outside the control of Council and the Palmerston community can also impede or restrict Palmerston's continued economic growth. This is a reflection that Palmerston's economic fortunes is closely tied to those of Darwin and the rest of the NT. Potential threats to Palmerston that will need to be mitigated include:

- Completion of large-scale resource projects: business investment, employment and population growth are now moderating as a range of large-scale resource projects (including the conclusion of the Inpex construction phase) in the NT approach completion. Without a strong investment pipeline to follow, there is a risk of a decrease in private sector investment, resulting in a slowing of Darwin and Palmerston's population and economic growth
- Delivery of critical infrastructure: delivery and enhancement of Palmerston's economic, social and community infrastructure is critical to enabling continued business development and attracting and retaining a dynamic and capable workforce. The NT Government's 10 year Infrastructure Plan does highlight some investment in the area. However, the NT Government's limited capacity to fund substantial new infrastructure means partnerships between governments, the private sector and landholders are critical to delivering the critical infrastructure needs of Palmerston in future
- Proximity to other centres: being located close to Darwin is both a strength and threat to Palmerston's continued economic development. While Palmerston can leverage growth opportunities in Darwin, it will also be competing directly with Darwin for private sector investment and for a dynamic and capable workforce. Similarly, proximity to Coolalinga, which also attracts retailers, can increase the competition faced by Palmerston
- Climate change: climate change is expected to result in greater rainfall variability, more extreme weather events, a greater number of hot days over 35 degrees, and place at risk fresh water supplies through salt water incursion. Climate change is expected to negatively affect food and water security, and increase the risks and costs to businesses particularly agrifood businesses.<sup>4</sup>

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<sup>4</sup> Northern Territory Government (2018), *Climate Change Discussion Paper*

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