

### 1.3 ECONOMIC SUMMARY

The ACT economy continues to experience strong economic growth, with State Final Demand (SFD) increasing at a rate faster than any other Australian State or Territory in the year to December 1999.

Business conditions in the ACT are extremely buoyant, with confidence being sustained and record numbers of jobs advertised every week. Canberra is reaping the benefits of its move from a public sector town to one where the private sector is the largest employer. New export opportunities are being developed, with flow on benefits throughout the economy.

Private sector investment is increasing, population growth is accelerating and private consumption is high. The new tax system to be introduced from 1 July 2000 will have significant benefits for the ACT, as Canberra's above average income earners take full advantage of the income tax cuts and the abolition of wholesale sales tax. The Government's focus on reducing costs ensures that Canberrans are not paying more than necessary for services. This makes Canberra both an attractive place to do business and an attractive place to live, as funds are freed for genuine initiatives such as investment in social capital.

The economic forecasts underpinning the 2000-01 Budget are summarised below.

Table 1.3.1  
ACT Economic Forecasts

	<b>1998-99 (Actual)</b>	<b>1999-2000 (Forecast)</b>	<b>2000-01 (Forecast)</b>	<b>3 Year Planning Assumptions 2001-02 to 2003-04<sup>(b)</sup> (Average annual growth)</b>
	Percentage change on the previous year <sup>(a)</sup>			
Gross State Product <sup>(c)</sup>	2.6	3.6	3.8	3.5
Employment Growth <sup>(c)</sup>	1.7	3.1	1.7	1.1
Consumer Price Index <sup>(d)</sup>	0.2	2.5	5.5	2.5
State Final Demand	4.5	5.0	2.3	2.6
Population <sup>(c)</sup>	0.7	0.7	0.7	0.8

(a) Based on original data currently available, with financial data expressed in real terms. Percentage changes are expressed in year average or year total terms unless otherwise indicated.

(b) The planning assumptions used in this document represent the estimated average annual change for the period 2001-02 to 2003-04. As such they do not represent expectation of actual annual changes.

(c) As at June each year.

(d) Represents forecast 'Headline' CPI inflation, including factors affected by policy changes. The underlying increase in the CPI in 2000-01 is expected to be 2.5%. In addition, consumer prices are expected to increase by an additional 3.0% as a result of the GST. Since the incidence of the GST falls entirely on the final consumers of goods and services, prices facing producers of goods and services, including governments, will not increase by this additional 3.0%.