



DeltaPearl  
Partners



# Gross Territorial Product Estimate 2022-23 Norfolk Island

Prepared for Norfolk Island Regional Council

1 November 2024

## Contact



**Delta Pearl  
Partners**



Craig Wilson

Managing Director

M: +61 414 741 791

[Craig.Wilson@deltapearlpartners.com](mailto:Craig.Wilson@deltapearlpartners.com)

**A PROFESSIONAL SERVICES FIRM:**

**ECONOMICS – POLICY – STRATEGY – CORPORATE ADVISORY**

DELTAPEARL PARTNERS HAS TWO MODES OF VALUE GENERATION AND SERVICE DELIVERY:

**ANALYSIS:** DUE DILIGENCE, ASSESSMENT, RESEARCH, DATA ANALYTICS, MODELLING, EVALUATION

**DELIVERY:** PROGRAM DELIVERY, PARTNERSHIP, RESEARCH, THOUGHT LEADERSHIP, TRAINING

THIS WORK IS COPYRIGHT. INDIVIDUALS, AGENCIES AND CORPORATIONS WISHING TO REPRODUCE THIS MATERIAL SHOULD CONTACT DELTAPEARL PARTNERS ON THE DETAILS BELOW.

[WWW.DELTAPEARLPARTNERS.COM](http://WWW.DELTAPEARLPARTNERS.COM)

ACN: 621042537

## Services

- ✓ Project economics due diligence
- ✓ Feasibility studies
- ✓ Business cases
- ✓ Gateway and peer review
- ✓ Commercial advisory
- ✓ Country economic analyses
- ✓ Economic impact assessment
- ✓ Cost-benefit analysis
- ✓ Local economic development strategy
- ✓ Policy development and analysis
- ✓ Regulatory impact assessment
- ✓ Financial and economic modelling
- ✓ Demand analysis and forecasting
- ✓ Data analytics
- ✓ Private company big data analysis
- ✓ Property market and urban economics
- ✓ Transport oriented development
- ✓ Value capture options analysis
- ✓ Financial markets analysis
- ✓ Financial services analysis
- ✓ Sectoral analysis
- ✓ Short-course training
- ✓ Thought leadership
- ✓ Market entry due diligence
- ✓ Stakeholder engagement and analysis
- ✓ Survey design
- ✓ In-house chief economist
- ✓ Economic briefing papers
- ✓ Impact investment advisory
- ✓ Regulated pricing and regulatory proposals
- ✓ Program monitoring and evaluation
- ✓ Political economy assessments
- ✓ Public affairs advisory
- ✓ Economic social media programs
- ✓ Government approvals processes
- ✓ Supply chain analysis
- ✓ Infrastructure policy and planning |
- ✓ Competition policy advice

# Table of Contents

<b>SOME KEY METRICS</b> .....	<b>5</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>6</b>
<b>1. INTRODUCTION</b> .....	<b>7</b>
<b>2. METHODOLOGY</b> .....	<b>8</b>
<b>3. DATA SOURCES AND ASSUMPTIONS</b> .....	<b>10</b>
3.1. POPULATION .....	11
3.2. EMPLOYMENT.....	12
3.3. UNEMPLOYMENT RATE .....	15
3.4. ESTIMATED GDP-INCOME APPROACH.....	15
3.5. ESTIMATED GDP-EXPENDITURE APPROACH .....	18
<b>4. NORFOLK ISLAND GTP IN FY2023</b> .....	<b>25</b>
<b>5. A COMPARISON WITH PREVIOUS GTP ESTIMATES</b> .....	<b>27</b>
<b>6. AN ESTIMATION OF 10 YEARS OF GTP</b> .....	<b>29</b>
<b>7. REFERENCES</b> .....	<b>30</b>

## Figures

<i>Figure 1: An illustration of GTP measures in a supply-use framework</i> .....	8
<i>Figure 2: Approaches to Measuring GDP</i> .....	9
<i>Figure 3: Norfolk Island population from 30 June 1991 to 30 June 2023</i> .....	11
<i>Figure 4: Relative population age distribution in Norfolk Island between 2016 and 2021</i> .....	12
<i>Figure 5: Employment by broad industry in Norfolk Island, 2016 and 2021</i> .....	12
<i>Figure 6: Unemployment rate by Census year</i> .....	15
<i>Figure 7: NIRC rates and user charges, FY2019 to FY2023</i> .....	17
<i>Figure 8: An average per person final consumption expenditure, FY2012 to FY2023</i> .....	18
<i>Figure 9: Government expenditure, FY2017 to FY2023</i> .....	19
<i>Figure 10: NIRC's net investment by asset type, FY2023</i> .....	20
<i>Figure 11: Annual visitors to the Norfolk Island, FY2006 to FY2023</i> .....	21
<i>Figure 12: Goods exports from Norfolk Island, 2010 to 2023</i> .....	24
<i>Figure 13: Goods imports to Norfolk Island, 2010 to 2023</i> .....	24
<i>Figure 14: Norfolk Island GTP – Income Approach, FY2023</i> .....	26
<i>Figure 15: Norfolk Island GTP – Expenditure Approach, FY2023</i> .....	27
<i>Figure 16: A comparison of Norfolk Island's GTP estimates</i> .....	28
<i>Figure 17: Nominal and real GTP of Norfolk Island, FY2014 to FY2023</i> .....	29

## Tables

<i>Table 1: Data sources and assumptions</i> .....	10
<i>Table 2: Top 20 sub-industry employment, 2021</i> .....	13
<i>Table 3: An estimated compensation of employees, FY2023</i> .....	16
<i>Table 4: An estimated gross operating surplus and gross mixed income, FY2023</i> .....	16
<i>Table 5: An estimated household consumption expenditure, FY2023</i> .....	19
<i>Table 6: Estimated tourism expenditure or tourism exports</i> .....	22
<i>Table 7: Cargo Volume between Brisbane and Norfolk Island</i> .....	23
<i>Table 8: Estimated Norfolk Island's GTP in FY2023</i> .....	25
<i>Table 9: A comparison of Norfolk Island's GTP estimates</i> .....	28

## Some Key Metrics

- Norfolk Island GTP in FY2023 was \$146.7 million, up from \$81.8 million in FY2016.
- GTP has increased by 8.71% per annum since the last estimate of GTP in FY2016.
- Since FY2014, inflation-adjusted GTP has risen 4% per annum, while Australia's grew at 2.4%.
- The Norfolk Island population on 30 June 2023 was estimated at 2,256.
- Government expenditure on Norfolk Island doubled between FY2016 and FY2023.
- Government expenditure (excluding wages) contributed 22% to the GTP.
- Tourism visitors increased to 32,232 in FY2023, the highest number since FY2008.
- Tourism expenditure represents 36.4% of the Norfolk Island economy.
- Average household income on Norfolk Island is approximately two-thirds of mainland Australia's.
- The overall trade balance is slightly positive and contributed approximately 1% to GTP.
- Norfolk Island residents consume 23 per cent less in value terms than mainland Australians.

# Executive Summary

This analysis has estimated Norfolk Island's Gross Territorial Product (GTP)<sup>1</sup> for FY2023 to be \$146.7 million. In 2019, FY2016 GTP was estimated at \$81.8 million.<sup>2</sup> Between FY2016 and FY2023, GTP has risen by 79.4% or at an annualised rate of 8.71%.

Taking an earlier starting point, between FY2014 and FY2023 the average GTP growth rate for Norfolk Island was 6.8%<sup>3</sup>, which was higher than the Australian mainland's Gross Domestic Product (GDP) growth rate<sup>4</sup> of 5.4% for the same period. In inflation-adjusted terms<sup>5</sup>, between FY2014 and FY2023, the average annual GTP growth rate for Norfolk Island was 4%. This was higher than the Australian mainland's average annual GDP growth rate of 2.4% over the same period.

The most significant contributing factors to this growth in GTP since FY2016 have been: higher private demand for goods and services, primarily driven by higher population growth; higher tourism numbers and higher daily visitation expenditures; and, higher government spending.

Norfolk Island income components of GTP in FY2023 are:

- Labour income constitutes 46% of GTP, followed by gross operating surplus and mixed income (41%). Of the estimated 2,256 residents, 1,119 were employed at an average annual employee compensation of \$60,286, which is approximately 30% lower than the average yearly compensation for employees on the Australian mainland.
- The expenditure components of GTP in FY2023 are:
  - Tourism is an important contributor to Norfolk Island's GTP, in FY2023 there were 32,232 visitors. Estimates of tourism indicate that visitors to Norfolk Island stay seven days on average and spent approximately \$236 per person per day in FY2023, equating to nearly \$53.5 million per annum, representing 36.4% of the Norfolk Island economy.
  - Private demand for goods and services is another significant economic activity on Norfolk Island, contributing 58% to the GTP. On average, Norfolk Island residents consume 23% less in value terms than mainland Australians. Prices of goods and services on the island are relatively higher than those on the mainland, but the volume and the composition consumed differ, and barter is common.
- Government demand for goods and services from Norfolk Island and the mainland, contributed 22% to the GTP excluding wages.
- Norfolk Island Regional Council (NIRC) capital grants received were used as a proxy for government investment in infrastructure, contributing 20% to GTP.
- Most goods were imported to Norfolk Island, therefore, the net goods trade is significantly negative. But after accounting for tourism exports, the overall trade balance is slightly positive and contributed approximately 1% to GTP.

The estimated per capita GTP (current prices) for Norfolk Island was \$65,030, significantly lower than the mainland GDP per capita, which was \$97,435 in FY2023. If real growth in the value of economic output continues, the gap in income between Norfolk Island and mainland Australian will close further.

---

<sup>1</sup> GTP is an indicator of economic output and is used to illustrate the size of a particular territory's economy relative to the size of a larger macroeconomy.

<sup>2</sup> KPMG analysis in 2019, explained further in the report.

<sup>3</sup> average nominal

<sup>4</sup> average annual nominal

<sup>5</sup> Norfolk Island's Retail Price Index is used to estimate the real GTP.

# 1. Introduction

The Norfolk Island Regional Council (NIRC) engaged DeltaPearl Partners to reinstate the Gross Territorial Product (GTP) calculation for Norfolk Island.<sup>6</sup> The last GTP calculation was completed in 2019 for the FY2016 year. This report is our first step in reinstating the annual GTP calculation, where we estimate the 2022-23 GTP.

Understanding GTP's value and trend is an important economic indicator to help manage and advance policymaking in any economy.

GTP is an estimate of the economic activity in a given region and can be used to approximate the welfare of households using GTP per capita. When disaggregated by industry, it can help understand the relative 'specialisation' of regions and the role of various industries in an economy.<sup>7</sup>

While most of Australia's regions benefit from having up-to-date assessments of their local economic output, Norfolk Island's is not undertaken by the Australian Bureau of Statistics (ABS). Accordingly, NIRC has moved to reinstate the calculation of GTP because various governance audits have identified the need for up-to-date economic data to enable good planning and policy development.<sup>8,9</sup>

DeltaPearl Partners used several publicly available data sources to estimate the GTP for Norfolk Island. The methodology employed is consistent with the method suggested by the Australian Department of Infrastructure, Transport, Regional Development, Communication, and the Arts<sup>10</sup> and other institutions (as explained later).

GTP can be estimated using income, expenditure, and production approaches. The 2019 GTP calculation<sup>11</sup>, estimated the expenditure side of GTP (excluding investment) for three consecutive years: FY2014 (\$81.2 million), FY2015 (\$86.5 million) and FY2016 (\$81.8 million). The last report on GTP noted that small year-to-year fluctuations were not to be unexpected for Norfolk Island, given its status as a small, remote economy. This may be ascribed to changes in the number of tourist visitors, government expenditure and the level of net exports.

Given the extent of time that has passed since the last estimate of GTP and the significant social and economic changes over these years, including COVID-19 impacts, changed laws and Norfolk Island administration, new global trading patterns, altered household income and spending patterns, and changed technology, it is timely to undertake an updated estimate of GTP that utilises more up to date data.

This estimate of FY2023 GTP will act as a base for measuring future years using a consistent methodology.

---

<sup>6</sup> Norfolk Island is an Australian Territory in the Pacific Ocean, 1,412 kilometres east of Evans Heads and about 1,600 kilometres northeast of Sydney. The task of calculating GTP for Norfolk Island is not undertaken by the Australian Bureau of Statistics.

<sup>7</sup> Australian Government, Department of Infrastructure, 2019, *Measuring Gross Regional Product*. Available at: <https://www.bitre.gov.au/publications/2019/measuring-gross-regional-product>

<sup>8</sup> Australian National Audit Office (2019), Design, Implementation and Monitoring of Reforms to Services on Norfolk Island, Auditor-General Report No.43 2018–19.

<sup>9</sup> Commonwealth Grants Commission (2019), 2019 Norfolk Island Inquiry. [https://www.cgc.gov.au/sites/default/files/2021-12/norfolk\\_island\\_inquiry\\_2019\\_final\\_report.pdf](https://www.cgc.gov.au/sites/default/files/2021-12/norfolk_island_inquiry_2019_final_report.pdf)

<sup>10</sup> Australian Government, Department of Infrastructure, 2019, *Measuring Gross Regional Product*. Available at: <https://www.bitre.gov.au/publications/2019/measuring-gross-regional-product>

<sup>11</sup> KPMG (2019), *Monitoring the Norfolk Island Economy*, prepared for the Department of Infrastructure, Transport, Cities and Regional Development, August 2019.

## 2. Methodology

Our GTP methodology is consistent with guidelines provided by the ABS,<sup>12</sup> the Organisation for Economic Cooperation and Development (OECD),<sup>13</sup> and the Australian Department of Infrastructure, Transport, Regional Development, Communication, and the Arts (DITRDCA).<sup>14</sup>

The ABS publications present three methods of estimating GDP in the Australian System of National Accounts: the output method, the income method, and the expenditure method. In Australia, the combined presentation of the three methods is referred to as the GDP accounts.

Although, conceptually, each measure should result in the same estimate of GDP, different estimates of GDP are obtained when the three measures are compiled independently using different data sources. However, integration of the annual Australian national accounts estimates with annual balanced Supply-Use tables ensures that the same estimate of GDP is obtained for all three approaches for years in which these tables are available. The measurement of the GDP in these three ways is illustrated in Figure 1.

Figure 1: An illustration of GTP measures in a supply-use framework

	FOR USE	Intermediate Usage							Final Use										
		Industry 1	Industry 2	Industry 3	Industry 4	Industry 5	Industry 6	Industry 7	Total intermediate use	Final Consumption Expenditure	Final consumption – Households	Final consumption – Government	GrossFixed Capital Formation - Private	GrossFixed Capital Formation – Pub. Ent	GrossFixed Capital Formation – Gen Govt.	Change in Inventories	Exports	Final Demand	Final Use
	FROM INDUSTRY																		
Intermediate Inputs	Industry 1																		
	Industry 2																		
	Industry 3																		
	Industry 4	Quadrant 1								Quadrant 2									
	Industry 5	Intermediate Usage								Final Usage									
	Industry 6																		
	Industry 7																		
	<b>Total intermediate use</b>																		
Primary Inputs	P1 Compensation of Employees																		
	P2 Gross Operating Surplus and Mixed Income																		
	P3 Taxes Less Subsidies on Products	Quadrant 3								Quadrant 4									
	P4 Other Taxes less Subsidies on Production	Primary Inputs to Production								Primary Inputs to Final Usage									
	P5 Complementary Imports																		
	P6 Competing Imports																		
	Australian Production																		

Source: ABS's System of National Accounts (2021).

<sup>12</sup> <https://www.abs.gov.au/statistics/detailed-methodology-information/concepts-sources-methods/australian-system-national-accounts-concepts-sources-and-methods/latest-release>

<sup>13</sup> <https://data.oecd.org/gdp/gross-domestic-product-gdp.htm>

<sup>14</sup> Australian Government, Department of Infrastructure, 2019, *Measuring Gross Regional Product*. Available at: <https://www.bitre.gov.au/publications/2019/measuring-gross-regional-product>



A Supply-Use table (SUT) for Norfolk Island has been developed by DeltaPearl Partners based on various publicly available data sources to estimate the GTP consistently across three methods. SUTs are accounting schemes in the form of matrices that record goods and services originating from domestic industries or imports and how these supplies are allocated to various intermediate or final uses, including exports (see Figure 1).

SUTs increase the quality of GTP and related aggregates by providing a framework to detect and resolve inconsistencies in different data sources. SUTs are also a powerful analytical tool that permit users to access information on detailed production functions, consumption, export, and import baskets or to derive input-output tables, adding to the analytical usefulness of these statistics.<sup>15</sup>

Figure 2: Approaches to Measuring GDP

#### **GDP Production Approach**

The GDP production approach (GDP(P)) derives from the concept of value added. Gross value added is the difference between output and intermediate consumption. GDP is the sum of the gross value added of all resident producer units, plus taxes on products minus subsidies on products.<sup>16</sup>

$$GDP(P) = Output - Intermediate\ use + taxes\ on\ products - subsidies\ on\ products$$

#### **GDP Expenditure Approach**

GDP is equal to the sum of the final uses of goods and services (all uses except intermediate consumption) measured at purchasers' prices, less the value of imports of goods and services. This derivation is called GDP measured by the expenditure approach (GDP(E)).

The 2019 estimate employed this approach, excluding gross capital formation or investment, to measure Norfolk Island's GTP.

$$GDP(E) = Final\ consumption\ expenditure\ by\ households\ (C)\ and\ Government\ (G) \\ + Gross\ Capital\ Formation\ (I) + Exports\ of\ Goods\ and\ services\ (X) \\ - Imports\ of\ goods\ and\ services\ (M)$$

#### **GDP Income Approach**

The GDP also equals the sum of primary incomes distributed by resident producer units. This derivation is called GDP measured by the income approach (GDP(I)).

$$GDP(I) = Compensation\ of\ Employees\ (COE) + Gross\ Operating\ Surplus\ (GOS) + Gross\ Mixed\ Income\ (GMI) \\ + (Taxes\ on\ Production\ and\ Imports - Subsidies\ on\ Production\ and\ Imports\ (Net\ taxes))$$

Source: ABS's System of National Accounts (2021).

The GTP in this study is estimated in nominal terms (current prices) in FY2023 and backdated to FY2014 based on the 2019 estimate and expressed in real terms (2023 prices) between FY2014 and FY2023 using established retail price inflation data for Norfolk Island.

<sup>15</sup> International Monetary Fund (2018), An algorithm to balance Supply and Use Tables, prepared by Michael Stanger, Statistics Department. <https://www.imf.org/en/Publications/TNM/Issues/2018/11/02/An-Algorithm-to-Balance-Supply-and-Use-Tables-46033>

<sup>16</sup> (ABS (2006) Product taxes are payable on goods and services when they are produced, delivered, sold, transferred, or otherwise disposed of by their producers. GST, customs duties, excise taxes and taxes on financial and capital transactions are examples of taxes on products.

### 3. Data sources and assumptions

This report provides detailed data sources for calculating the GTP for Norfolk Island using the three methods detailed above.

Table 1: Data sources and assumptions

Item	Description	Source	Latest year	Link	Comments
Population	Estimated residential population, SA2	ABS (2023), Regional population 2021--22	June 2022	<a href="https://www.abs.gov.au/statistics/people/population/regional-population/latest-release">https://www.abs.gov.au/statistics/people/population/regional-population/latest-release</a>	The population at 30 June 2023 is estimated by DeltaPearl Partners based on the historical annual average growth rate.
Employment	Population Employment by industry Occupations Qualifications	ABS (2022), 2021, 2016 Census of Population and Housing	Census night, 2021	<a href="https://www.abs.gov.au/statistics/people/population/population-census/latest-release">https://www.abs.gov.au/statistics/people/population/population-census/latest-release</a>	This data provides industry economic activity based on employment. This is updated with the population growth rate.
Compensation of employees (COE)	Total COE of the Island	ATO (2023), Individuals, Table 6A, Postcode 2899	2020-21	<a href="https://www.ato.gov.au/about-ato/research-and-statistics/in-detail/taxation-statistics/taxation-statistics-2020-21/">https://www.ato.gov.au/about-ato/research-and-statistics/in-detail/taxation-statistics/taxation-statistics-2020-21/</a>	This is updated to FY2023 based on the NI population growth plus the average wage price index for accommodation on the Island. Census ANZSIC division industries employment share used to provide ANZSIC division industry COEs.
Gross operating surplus and mixed income	Total gross operating surplus	ATO (2023), Company data for Postcode 2899	2020-21		This is updated using the Australian National Accounts growth rate and prorated using the ANZSIC division industries employment shares.
Other production taxes	NIRC rates and user fees	NIRC Annual Reports	Available since 2016-17	NIRC website	This is prorated to ANZSIC division industries based on the industry output shares.
Commodity or product taxes	NI does not pay GST, the import duties and excise rates				
Household consumption expenditure	Expenditure component	2014 Household expenditure survey estimate is updated with the NI retail price index	Estimated by DeltaPearl Partners	Estimation	DeltaPearl Partners estimates
Government consumption expenditure	Excluding wages, government demand for goods and services	NIRC Annual Reports and Operation Plan 2023-24	2022-23 and 2023-24	<a href="http://norfolkisland.gov.nf/sites/default/files/Operational%20Plan%202023-2024.pdf">norfolkisland.gov.nf/sites/default/files/Operational%20Plan%202023-2024.pdf</a>	Historical data are also available for comparison.
Investment	Capital grants to the Island are treated as public investment	NIRC Annual Reports and Operation Plan 2023-24	2022-23 and 2023-24	<a href="http://norfolkisland.gov.nf/sites/default/files/Operational%20Plan%202023-2024.pdf">norfolkisland.gov.nf/sites/default/files/Operational%20Plan%202023-2024.pdf</a>	This financial year's capital grant is assumed to be spent in the next three years.
Merchandise exports and imports	Exports of goods	The Observatory of Economic Complexity (OEC)	The calendar year 2021	<a href="https://oec.world/en">https://oec.world/en</a>	The export data are projected for 2022 and 2023 using the World GDP growth, and the imports are projected based on the household consumption data and tourism data.
Tourism exports	Number of visitors	NIRC Airline incoming passenger monthly data	Available for FY2023	<a href="https://www.nirc.gov.au/tourism-economic-development-plans-reports">https://www.nirc.gov.au/tourism-economic-development-plans-reports</a>	More reliable and latest data

Source: Various.

## 3.1. Population

The population level and growth rate are important drivers of economic growth and development and, therefore, consistent population data is necessary for estimating changes to GTP.

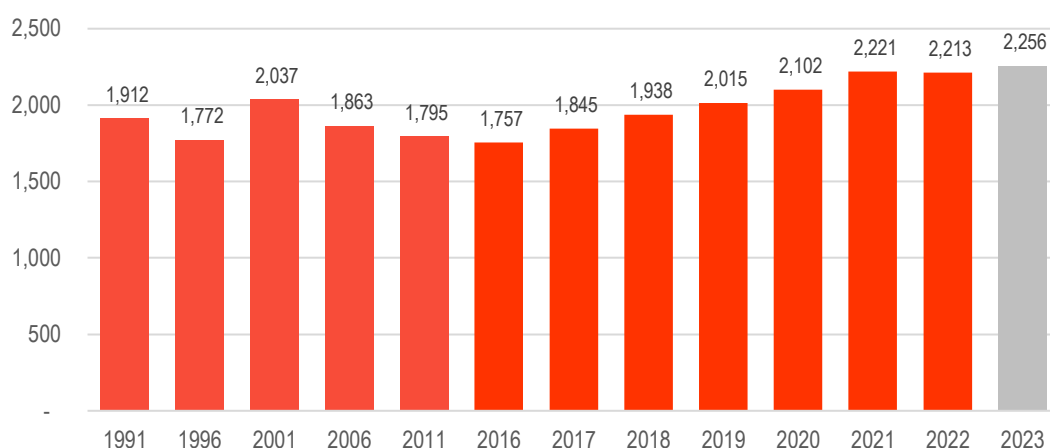
Since 2016, the ABS<sup>17</sup> has reported the Norfolk Island estimated residential population. ABS Census of Population and Housing also provides the population data for 2016 and 2021 at Census Night.<sup>18</sup>

Figure 3 presents the recent historical population levels and our projection for 2023. The ABS 2021 Census night population for the Island was 2,218, and the ABS 30 June 2021 estimated resident population (ERP) was 2,221, a small difference.

Between June 2016 and June 2022, the average annual population growth was 3.92%, which was significantly higher than the Australian growth rate of 1.21%. On 30 June 2022, Norfolk Island's population was approximately 0.0085% of the Australian population.

The population data for 2023 is unavailable from public data sources. DeltaPearl Partners estimated the population as 2,256 on 30 June 2023 based on the average annual population growth rate<sup>19</sup> of 3.92%.

Figure 3: Norfolk Island population from 30 June 1991 to 30 June 2023



Source: KPMG, 2018, *Monitoring the Norfolk Island economy and ABS Regional Population 2021-22* and DeltaPearl Partners estimate for 2023.

A key challenge for Norfolk Island is its relatively small working-age population.<sup>20</sup> Figure 4 below shows the population by age group of Norfolk Island in 2021 compared with 2016 data.

Though the number of persons increased in all age groups between 2016 and 2021, the age distribution share remained the same. Assuming a working age group of between 20 and 65, it is observed the population above 70 age group was 16% in 2016 and increased to 17% in 2021. The 20 to 69 age group share was 62% in 2016, and it increased to 63% in 2021, a small improvement in the working-age population on Norfolk Island.

<sup>17</sup> ABS (2023) Regional population 2021-22, Estimated resident population, Statistical Areas Level 2, Australia.

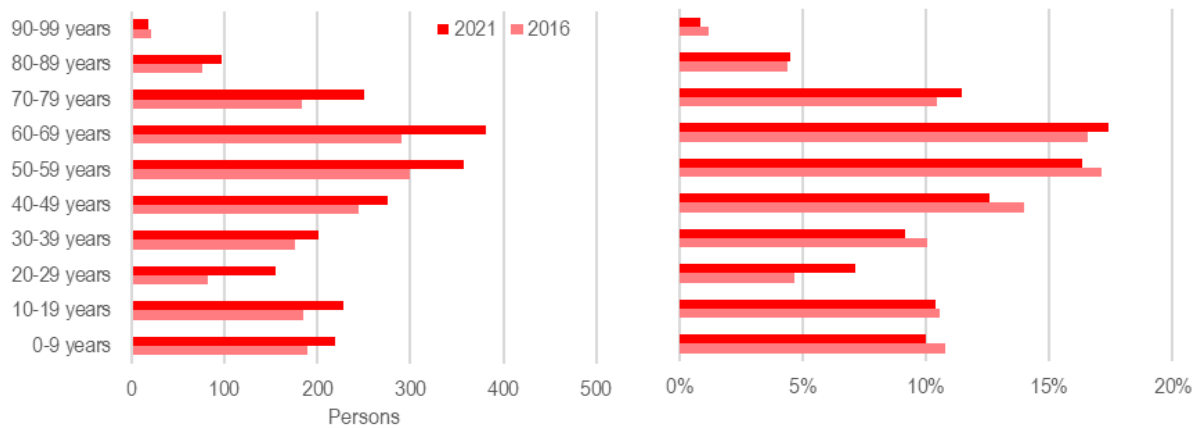
<https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

<sup>18</sup> <https://www.abs.gov.au/census/find-census-data/quickstats/2021/SAL90004>

<sup>19</sup> between June 2016 and June 2022

<sup>20</sup> KPMG (2019), *Monitoring the Norfolk Island Economy*, prepared for the Department of Infrastructure, Transport, Cities and Regional Development, August 2019.

Figure 4: Relative population age distribution in Norfolk Island between 2016 and 2021

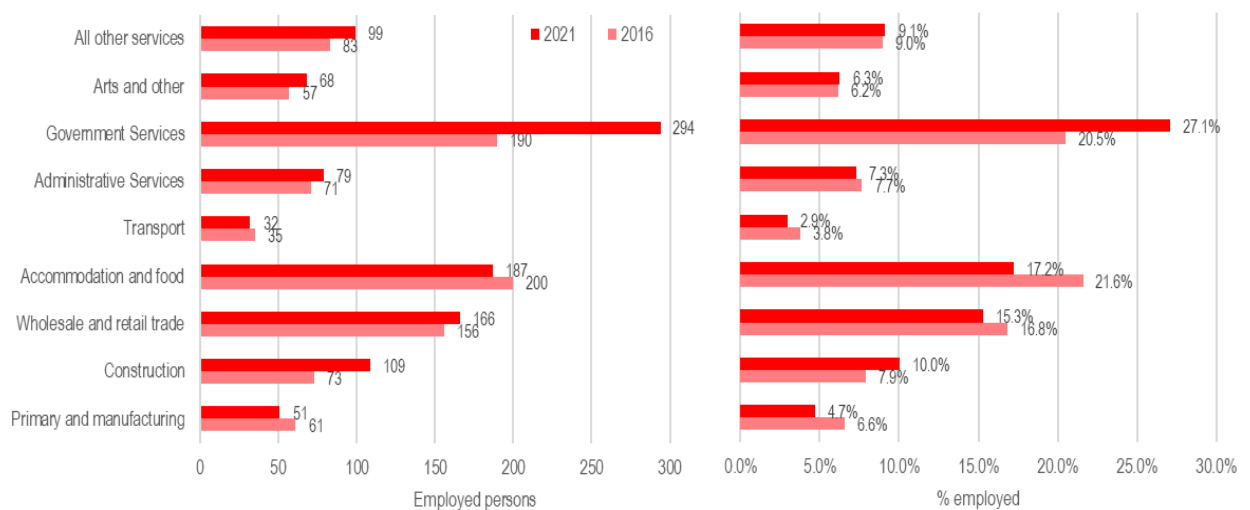


Source: ABS Census of Population and Housing 2016, 2021, Postcode 2899, Norfolk Island.

### 3.2. Employment

Employment by industry provides an indicative structure of Norfolk Island’s economy (Figure 5), which shows 36% of Norfolk Island’s employment in 2021 was related to tourism (accommodation and food, wholesale and retail trade and transport). The next highest employment area is the government sector which increased from 20.5% in 2016 to 27.1% in 2021. This sector of employment includes public administration and safety, education, health care and social assistance.

Figure 5: Employment by broad industry in Norfolk Island, 2016 and 2021.



Source: ABS Census of Population and Housing 2016, 2021, Postcode 2899, Norfolk Island.

Table 2: Top 20 sub-industry employment, 2021<sup>21</sup>

Sub-Industry	Persons
Accommodation	96
Local Government Administration	74
General Practice Medical Services	50
Cafes and Restaurants	47
Combined Primary and Secondary Education	43
Supermarkets and Grocery Stores	40
Travel Agency and Tour Arrangement Services	36
Building Construction	21
Clubs (Hospitality)	20
Retail Trade	19
Building and Other Industrial Cleaning Services	19
Other Social Assistance Services	16
Fuel Retailing	15
Hospitals (except Psychiatric Hospitals)	15
Pubs, Taverns and Bars	14
Electrical Services	13
Central Government Administration	13
Museum Operation	13
Accounting Services	12
All others	498
<b>TOTAL</b>	<b>1,085</b>

Source: ABS Census of Population and Housing 2021, Postcode 2899, Norfolk Island.

### 3.2.1. Agriculture

Currently, most of the agricultural output produced on Norfolk Island is for the domestic market. The 2021 Census data indicates that 27 people were employed in agriculture, forestry and fishing.

### 3.2.2. Manufacturing

Based on the 2021 Census employment data, the manufacturing sector is smaller than Norfolk Island's agriculture, forestry, and fishery sectors, that employed 24 people:

- Wooden Structural Fitting and Component Manufacturing: 4 persons
- Biscuit Manufacturing (factory-based): 3 persons
- Bread Manufacturing (factory-based): 3 persons
- Other Ceramic Product Manufacturing: 3 persons
- Printing: 3 persons
- Meat processing: 2 persons

<sup>21</sup> based ANZSIC four digit industry classification

- Poultry processing: 1 person
- Timber processing: 1 person.
- Other Wood Product Manufacturing not elsewhere classified: 1 person
- Other and unknown: 4 persons

### **3.2.3. Electricity, water and waste services**

NIRC's business operations provide electricity, water supply, waste management and sewerage services. According to the 2021 Census, the electricity, water and waste services sector employed over 20 persons.

Electricity is provided by diesel generators as well as batteries operated by NIRC. Privately owned rooftop solar panels have also provided some electricity in recent years. The electricity cost on Norfolk Island is influenced by the cost of imported diesel fuel, although this dependency has lessened with large-scale battery energy storage now in use.

The Australian Government's Energy Bill Relief Fund has been rolling out to households and businesses on Norfolk Island. Under this initiative, all residential households who pay for electricity through Norfolk Island Electricity will be eligible for a single rebate of up to \$500, and all businesses will be eligible for a single rebate of up to \$650. The Australian Government is fully funding these rebates, with the amounts consistent with the energy bill relief funding provided by the Australian Government to mainland residents and businesses.<sup>22</sup>

NIRC-operated Norfolk Island Water Assurance scheme provides sewerage services to Burnt Pine and Middlegate, where most residents and tourism-related businesses are located. The remainder of the population use septic tanks and effluent absorption trenches. The water available from underground confined aquifers is an essential element of overall water supply security on Norfolk Island.

### **3.2.4. Construction**

NIRC functions include all costs related to the maintenance and operation of the roads and plant, including depot and store administration. According to the 2021 Census, the construction sector employed nearly 110 persons.

### **3.2.5. Trade and accommodation services**

Wholesale Trade, Retail trade and Accommodation and Food services are strongly related to tourism activities. This is the largest employer, employing more than 350 persons in 2021.

### **3.2.6. Transport**

The Australian Government underwrites regular air passenger services from Brisbane and Sydney to Norfolk Island to ensure that residents can access essential services in mainland Australia and to support Norfolk Island's tourism industry.<sup>23</sup>

---

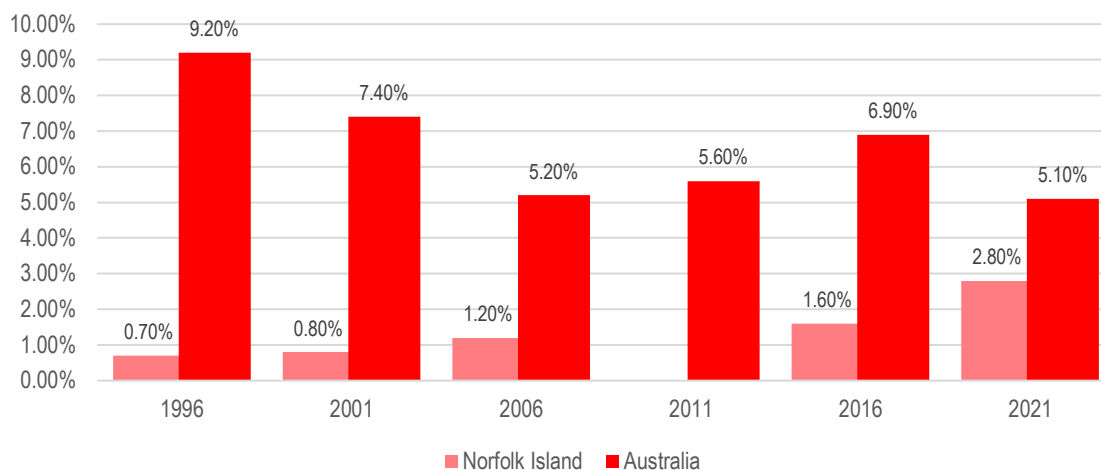
<sup>22</sup> <https://www.infrastructure.gov.au/territories-regions-cities/territories/norfolk-island/governance-administration/norfolk-island-energy-bill-relief-fund>

<sup>23</sup> [https://www.infrastructure.gov.au/territories-regions-cities/territories/norfolk\\_island/Norfolk-Island-Air-Services](https://www.infrastructure.gov.au/territories-regions-cities/territories/norfolk_island/Norfolk-Island-Air-Services)

### 3.3. Unemployment rate

From the Census 2021 data, the unemployment rate in Norfolk Island was 2.8% (Figure 6). Norfolk Island is operating at higher employment rates than Australia, which has traditionally been the case.

Figure 6: Unemployment rate by Census year.



Source: ABS Census of Population and Housing 2011, 2016, 2021, Postcode 2899, Norfolk Island and KPMG (2019).

### 3.4. Estimated GDP-Income Approach

#### 3.4.1. Compensation of employees

The estimated compensation of employees (COE)<sup>24</sup> by broad industry is based on the total COE data for Norfolk Island published by the Australian Taxation Office (ATO). The ATO data is two years behind the current financial year but provides an indicative total value of COE for Norfolk Island in FY2021.<sup>25</sup> The data in this analysis are extrapolated from FY2021 based on the population growth and wage price index to FY2023.

Table 3 provides the estimated employed persons, average COE, and total COE by broad ANZSIC industries for FY2023. This estimate is a key component of measuring GTP using the Income Approach.

The ATO COE data for FY2021 was updated with the wage and population growth to obtain the COE for FY2023. This ATO data set was unavailable in 2019 when KPMG estimated GTP and, therefore, KPMG did not estimate GTP using the income approach. ATO started to compile Norfolk Island postcode income data in FY2017. According to the ABS Census 2021, the median average household income of Norfolk Island was \$61,568; for Australia, it was \$90,792.

<sup>24</sup> ABS (2021) Compensation of employees comprises wages and salaries (in cash and in-kind) and employers' social contributions. It does not include any unpaid work undertaken voluntarily or any taxes payable by the employer on the wage and salary bill, such as payroll tax. Wages and salaries paid in cash are gross payments before deductions. Deductions include income taxes and social contributions payable by the employee, even if withheld by the employer for administrative convenience, such as direct payment to a superannuation fund. Fringe benefits taxes, payable on income in kind provided to employees, are included as part of wages and salaries and in income taxes payable by households.

<sup>25</sup> It is possible, like other tourism-dependent jurisdictions, that income in FY2021 was suppressed because of the impacts of Covid-19.

Table 3: An estimated compensation of employees, FY2023

Industry	Employment	Average COE	Total COE
	Persons	A\$	A\$
Agriculture, Forestry and Fishing	28	20,366	567,060
Manufacturing	25	66,479	1,645,365
Electricity, Gas, Water and Waste Services	12	101,768	1,259,381
Construction	112	56,794	6,383,971
Wholesale Trade	10	70,879	730,945
Retail Trade	161	42,649	6,861,111
Accommodation and Food Services	193	34,109	6,577,653
Transport, Postal and Warehousing	33	61,941	2,044,046
Information Media and Telecommunications	13	88,475	1,186,126
Financial and Insurance Services	19	88,946	1,651,067
Rental, Hiring and Real Estate Services	15	67,193	1,039,388
Professional, Scientific and Technical Services	42	81,972	3,465,880
Administrative and Support Services	81	61,304	4,994,404
Public Administration and Safety	120	100,227	11,989,648
Education and Training	72	80,041	5,777,965
Health Care and Social Assistance	111	71,774	7,993,902
Arts and Recreation Services	31	46,054	1,424,814
Other Services	39	47,510	1,861,804
<b>TOTAL</b>	<b>1,119</b>	<b>60,286</b>	<b>67,454,531</b>

Source: DeltaPearl Partners estimates based on ATO and ABS data sources.

### 3.4.2. Gross operating surplus and mixed income

Another key component of measuring the GTP from the Income Approach is gross operating surplus (GOS) and gross mixed income (GMI).<sup>26</sup> Initial estimates of GOS and GMI at the broad industry level were based on the national level industry averages and adjusted for Norfolk Island.

Table 4: An estimated gross operating surplus and gross mixed income, FY2023

Industry	Total GOS and GMI
	A\$
Agriculture, Forestry and Fishing	3,032,307
Manufacturing	1,642,300
Electricity, Gas, Water and Waste Services	2,956,961
Construction	8,103,303
Wholesale Trade	693,712
Retail Trade	5,767,526
Accommodation and Food Services	4,117,356
Transport, Postal and Warehousing	2,514,444
Information Media and Telecommunications	2,068,464
Financial and Insurance Services	4,271,841
Rental, Hiring and Real Estate Services	12,705,684
Professional, Scientific and Technical Services	1,875,369
Administrative and Support Services	1,322,551
Public Administration and Safety	3,402,967
Education and Training	1,130,024
Health Care and Social Assistance	2,109,599
Arts and Recreation Services	1,498,981
Other Services	1,104,790
<b>TOTAL</b>	<b>60,318,179</b>

<sup>26</sup> ABS (2021) Gross Operating Surplus is the income from the production of corporate enterprises, while mixed income is the income from the production of unincorporated enterprises.



### 3.4.3. Production and product taxes

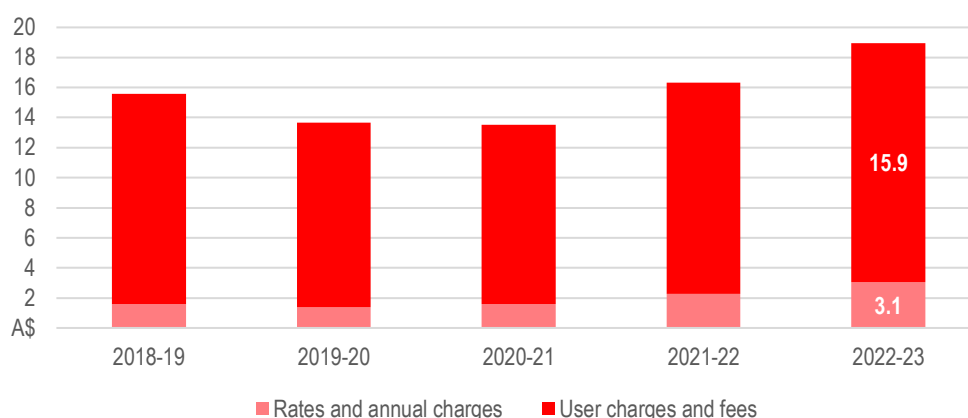
On 1 July 2016, Australia's tax and superannuation laws<sup>27</sup> came into effect for residents of Norfolk Island. While most of Norfolk Island's obligations are the same as those on mainland Australia, there are some differences:

- Goods and services tax, luxury car tax, wine equalisation tax, excise duties, customs duties and fuel tax credits do not apply to transactions on Norfolk Island. This approach is consistent with the current taxation arrangements in Australia's other external territories.
- An Australian business number (ABN) is not required – although businesses may want to obtain one to make it easier to deal with ATO online and others on the Australian mainland.
- The 'No ABN' withholding rules do not apply – Norfolk Island businesses do not need to withhold tax from payments to other Norfolk Island businesses that do not provide an ABN.
- Superannuation Guarantee Scheme transitional rates apply to Norfolk Island, increasing annually by 1% from July 2016 until it reaches 12% on 1 July 2027.
- Capital gains tax does not apply to Norfolk Island assets held by Norfolk Island residents before 24 October 2015.

Personal income tax is included in COE, and company taxes are included in GOS and GMI. Since 2016, Norfolk Island has been under the Commonwealth's taxation arrangements. Although the Queensland Government currently supports Norfolk Island for service provision (health and education), Norfolk Island does not impose any other production taxes on the primary factors (capital and labour). Employers pay no payroll tax in Norfolk Island.

NIRC collects rates and user charges for various services. They amounted to over \$16.3 million in 2021-22, and the NIRC projection for 2022-23 is nearly \$19 million (See Figure 7). The National Accounts measurement framework categorises them under production taxes and is a part of the GTP.

Figure 7: NIRC rates and user charges, FY2019 to FY2023.



Source: NIRC Annual Reports.

<sup>27</sup> <https://www.ato.gov.au/General/Norfolk-Island/>

## 3.5. Estimated GDP-Expenditure Approach

### 3.5.1. Private final consumption expenditure

Australia's private final consumption expenditure share was 49.6% of nominal GDP in FY2023.<sup>28</sup> It declined to this level from 56.9% in FY2016. Several factors contributed to this decline.

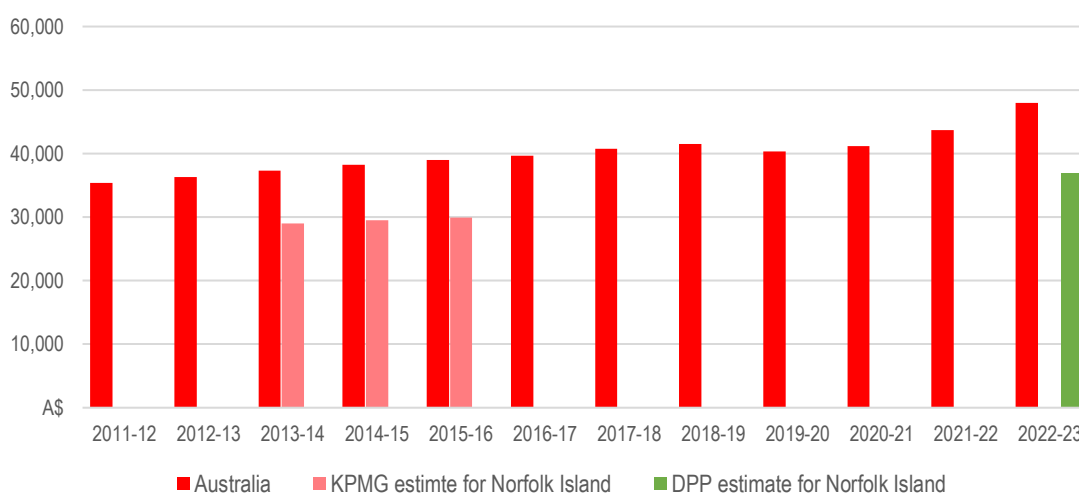
The 2014 Norfolk Island Household Income and Expenditure Survey suggests that the level of household expenditure in Norfolk Island was estimated at \$553 per person. This represents an annual amount of consumption per person of approximately \$28,750. Expenditure items recorded included food, clothing, alcohol and cigarettes; utilities (gas, electricity); housing (mortgages); transport (motor vehicles); communications (telephone, mobile, internet); and others. The proportion of household income spent on each category was calculated - e.g., food accounted for 23% of household expenditure, housing and utility items summed to around 24%, and transport, which was motor vehicles only, to 9%.

Norfolk Island per person consumption data from 2014 Household Income and Expenditure Survey data is extrapolated based on price inflation<sup>29</sup> and multiplied with the estimated residential population at 30 June 2023 to obtain total household consumption expenditure for FY2023. On average, prices increased by 27.3 per cent between June 2014 and June 2023 in Norfolk Island.

Average private consumption expenditure per person at the national level is compared with the Norfolk Island per person consumption values in Figure 8.

On average, Norfolk Island residents consume 23 per cent less in value terms than mainland Australians (this does not take into account bartering values). The prices on Norfolk Island are relatively higher than those on the mainland, but the volume and the composition of goods and services consumed differ.

Figure 8: An average per person final consumption expenditure, FY2012 to FY2023.



Source: DeltaPearl Partners estimates based on ABS National Accounts (2023), ABS estimated residential population, and the 2014 Norfolk Island Household Income and Expenditure Survey.

<sup>28</sup> ABS (2023), Australian System of National Accounts. October 2023. <https://www.abs.gov.au/statistics/economy/national-accounts/australian-system-national-accounts/latest-release>

<sup>29</sup> The NIRC maintains an indicator of its fiscal health with its Retail Price Index (RPI), similar to the Consumer Price Index (CPI) used in other States and Territories. NIRC describes the RPI as the average price movement in a basket of goods, which has been determined by a household expenditure survey to represent the purchases of a Norfolk Island household.

Using extrapolated survey data and population numbers, private final demand for goods and services for Norfolk Island was estimated at \$83.4 million in FY2023 (see Table 5).

Table 5: An estimated household consumption expenditure, FY2023

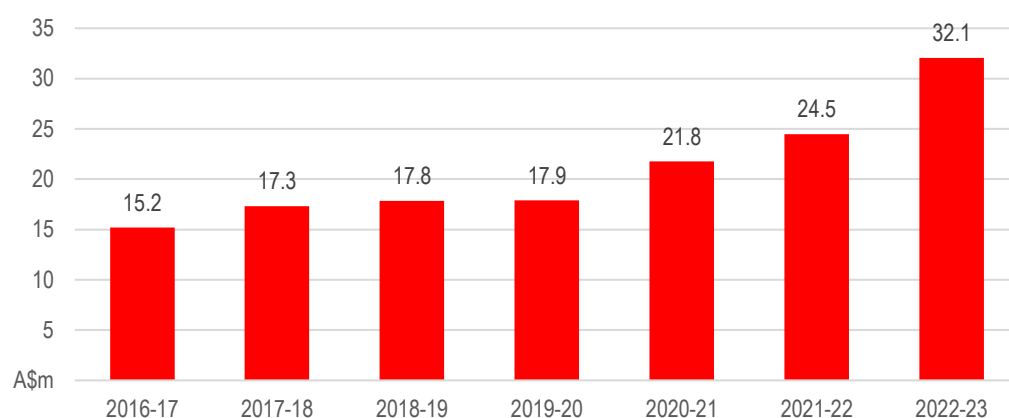
Industry	Total household consumption expenditure
	A\$
Agriculture, Forestry and Fishing	\$2,155,176
Manufacturing	\$18,935,173
Electricity, Gas, Water and Waste Services	\$5,639,938
Construction	\$0
Wholesale Trade	\$827,730
Retail Trade	\$4,966,383
Accommodation and Food Services	\$3,735,246
Transport, Postal and Warehousing	\$8,479,006
Information Media and Telecommunications	\$5,079,934
Financial and Insurance Services	\$7,022,262
Rental, Hiring and Real Estate Services	\$15,466,604
Professional, Scientific and Technical Services	\$554,910
Administrative and Support Services	\$356,190
Public Administration and Safety	\$95,526
Education and Training	\$2,689,377
Health Care and Social Assistance	\$5,036,664
Arts and Recreation Services	\$1,158,069
Other Services	\$1,242,862
<b>TOTAL</b>	<b>\$83,441,049</b>

Source: DeltaPearl Partners based on 2014 Household Expenditure Survey, RPI and ABS data sources.

### 3.5.2. Government expenditure

The NIRC expenditure on Norfolk Island is considered government expenditure. Figure 9 provides government expenditure on goods and services, including depreciation and excluding compensation of employees, capital grants and transfer payments. This amounted to approximately \$32.1 million in FY2023.

Figure 9: Government expenditure, FY2017 to FY2023.



Source: NIRC Annual Reports between 2016-17 and 2022-23.

### 3.5.3. Gross fixed capital formation

In contrast to the relative stability of household consumption expenditure, the level of investment in Norfolk Island is often more volatile, as it is generally larger and less regular in the economy.

Gross fixed capital formation<sup>30</sup> is difficult to estimate due to the lack of primary or secondary data sources on investment by private households and the NIRC and investment lumpiness. Investment goods include the construction of dwellings and non-dwellings, machinery and equipment, cultivated biological resources and intellectual property products.

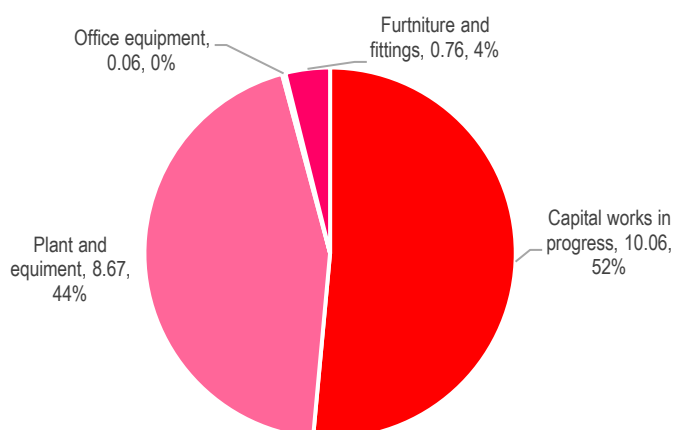
The capital grants spending by the NIRC could provide a proxy for government investment when spent on Norfolk Island infrastructure, machinery and equipment. These capital grants are lumpy. Given the size of the Norfolk Island economy, there is less need for large projects regularly.

For example, in FY2020, the Australian Government provided capital grants of \$40.6 million (a large portion of which was allocated to airport runway resurfacing).<sup>31</sup> Typically, this level of funding is attached to particular projects and, therefore, varies considerably from year to year. The KPMG 2019<sup>32</sup> study does not include the investment in their GTP calculations.

DeltaPearl Partners decided to include the public investment component in calculating Norfolk Island's GTP for methodological consistency and continuity in measuring the GTP for future years.

The 2022-23 NIRC Annual report indicates that net (after depreciation) carrying investment value by asset type was \$19.5 million (see Figure 10).

Figure 10: NIRC's net investment by asset type, FY2023.



Source: NIRC 2022-23 Annual Report, page 33.

Norfolk Island's private investment level is difficult to estimate. Some inferences can be drawn from changes in the number of development applications and imports of machinery and equipment by the private sector and households. Private investment in this study is treated as residual after estimating all other components of the GTP expenditure side.

<sup>30</sup> Gross fixed capital formation, measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period.

<sup>31</sup> The final value of airport resurfacing could have been higher, and some funds spend on the mainland.

<sup>32</sup> KPMG (2019), Monitoring the Norfolk Island Economy, prepared for the Department of Infrastructure, Transport, Cities and Regional Development, August 2019.

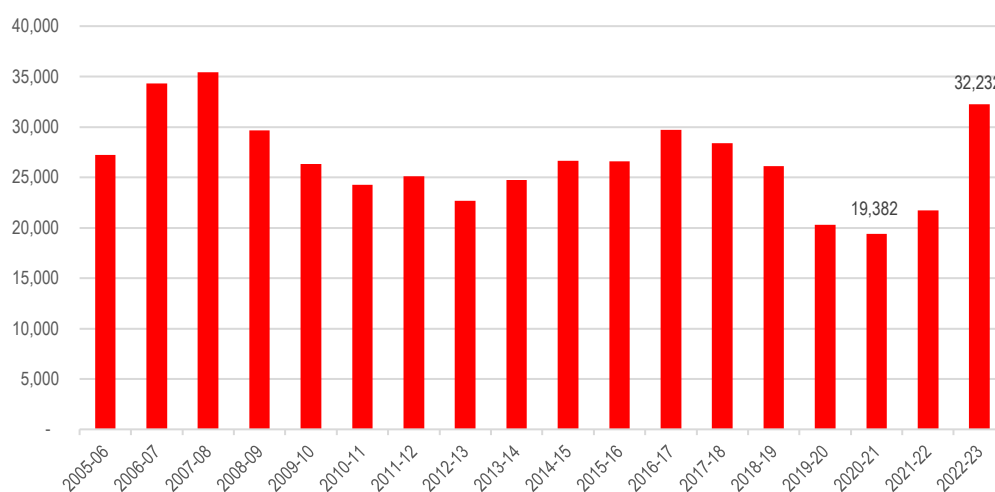
## 3.5.4. Exports

### 3.5.4.1. Tourism exports

Tourism plays an important role in the Norfolk Island economy. COVID-19 had a significant impact on the visitor numbers. As tourism is Norfolk Island's only significant export activity, the number of visitors is a major driver of economic performance.

In FY2023, Norfolk Island attracted 32,232 visitors (Figure 11), an increase of around 66 per cent compared to FY2021, which was the lowest reported year over the past two decades. The FY2023 performance was the highest since FY2008.

Figure 11: Annual visitors to the Norfolk Island, FY2006 to FY2023



Source: Norfolk Island Regional Council (2023), Scheduled Airline Incoming Passengers Statistics, <https://www.nirc.gov.au/tourism-economic-development-plans-reports>.

Tourism spending is considered as a service export in the measurement of economic output. The following information is used to estimate the tourism spend on the Island.

- Number of visitors<sup>33</sup>
- Average length of stay<sup>34</sup>
- Average expenditure, excluding airfare and accommodation<sup>35</sup>
- Average accommodation expenditure<sup>36</sup>

Table 6 provides the estimated expenditure incurred by visitors to Norfolk Island.

<sup>33</sup> Norfolk Island Regional Council (2023), Scheduled Airline Incoming Passengers Statistics, <https://www.nirc.gov.au/tourism-economic-development-plans-reports>.

<sup>34</sup> Annual visitor survey statistics provided by NIRC.

<sup>35</sup> Annual visitor survey statistics provided by NIRC.

<sup>36</sup> Australian Trade and Investment Commission (2023), Tourism Research Australia, estimates for the year ending June 2023 from the national visitor survey (Table 1a).

Table 6: Estimated tourism expenditure or tourism exports

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Visitors	26,602	29,732	28,363	26,096	20,295	19,382	21,732	<b>32,232</b>
Average nights	7	7	7	7	7	7	7	<b>7</b>
Other spend	\$90	\$97	\$96	\$98	\$93	\$103	\$111	<b>\$102</b>
Accommodation	\$88	\$91	\$94	\$97	\$102	\$107	\$106	<b>\$134</b>
Spend per day	\$178	\$188	\$190	\$195	\$195	\$209	\$216	<b>\$236</b>
<b>Total</b>	<b>\$32.7m</b>	<b>\$38.5m</b>	<b>\$36.9m</b>	<b>\$34.6m</b>	<b>\$26.7m</b>	<b>\$28.2m</b>	<b>\$34.1m</b>	<b>\$53.5m</b>
Spend per trip	1,229	1,295	1,300	1,327	1,317	1,455	1,569	<b>1,661</b>

Source: DeltaPearl Partners estimates based on various sources, as follows. Number of visitors: Norfolk Island Regional Council (2023), Scheduled Airline Incoming Passengers Statistics, <https://www.nirc.gov.au/tourism-economic-development-plans-reports>. Average length of stay and average expenditure, excluding airfares and accommodation: Annual visitor survey statistics provided by NIRC. Average accommodation expenditure: Australian Trade and Investment Commission (2023), Tourism Research Australia, estimates for the year ending June 2023 from the national visitor survey (Table 1a).

Note: Data based on the NIRC Annual Visitor Survey (average length of stay and average expenditure) should be treated with caution because of the low response rate and voluntary nature of this survey.

Estimates of tourism exports indicate that visitors to Norfolk Island stay, on average, seven days and spent about \$236 per person per day in FY2023. This equates to nearly \$53.5 million, a significant component of the Norfolk Island economy.

### 3.5.4.2. Goods exports

While tourism is an important GTP contributor to Norfolk Island's economy and exports, trade in goods is difficult to obtain from the ABS and the ABF. Several factors, such as the regularity of shipping, weather constraints on cargo unloading and freight cost, and commercial-in-confidence information, constrain data availability.

Table 7 summarises the cargo volume between Brisbane and Norfolk Island.

Total cargo volumes from Brisbane have increased by 16 per cent between FY2022 and FY2023. Waste exports from the Island are an important item of exports.

The value data underlying the volume data provided by NIRC are unavailable. During FY2023, the Australian Government approved 11 additional flights, and over 110 tonnes of basic food items (milk, flour, meat) were flown in due to extreme delays and a lack of shipping services.<sup>37</sup>

<sup>37</sup> [https://www.infrastructure.gov.au/territories-regions-cities/territories/norfolk\\_island/administrator/media/2021/ni-a-mr-202119](https://www.infrastructure.gov.au/territories-regions-cities/territories/norfolk_island/administrator/media/2021/ni-a-mr-202119)

Table 7: Cargo Volume between Brisbane and Norfolk Island

	2019-20	2020-21	2021-22	2022-23
	tonnes	tonnes	tonnes	tonnes
<b>Brisbane to Norfolk</b>				
Total cargo uplifted	406.7	745.8	1,173.4	1,358.7
General cargo, including perishables to June 2022	381.0	727.7	1,168.0	656.3
Mail	25.7	18.1	5.4	
Perishable/Beverages (From July 2022)	Included in general cargo			702.4
<b>Norfolk to Brisbane</b>				
Total cargo uplifted	222.3	263.9	446.9	512.9
General cargo	24.5	17.8	26.0	37.4
Waste for disposal	197.8	246.1	420.9	475.5

Source: NIRC unpublished data

It was determined that Norfolk Island's merchandise trade relationships with other countries in FY2023 were small. For example, Norfolk Island imported NZ\$6.1 million (FOB basis) goods from New Zealand in FY2023.<sup>38</sup>

The Observatory of Economic Complexity (OEC) is the world's leading data visualisation tool for international trade data.<sup>39</sup> The OEC makes over 50 years of international trade data available through millions of interactive visualisations. It includes subnational level data for dozens of countries, including Norfolk Island, which they have indicated are sourced directly from their public customs records. This makes the OEC data highly relevant for Norfolk Island. The most recent Norfolk Island data are available for the calendar year 2021.

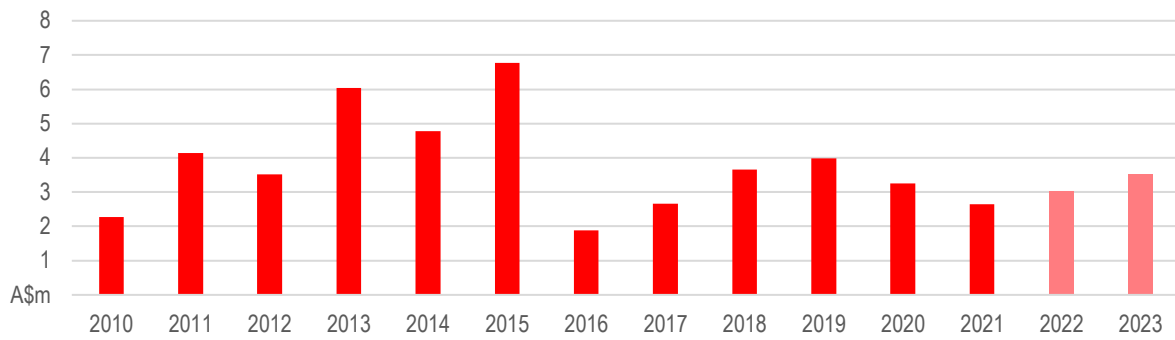
According to OEC data for 2021, Norfolk Island imports more goods than it exports. It exported US\$1.98 million and imported US\$31.3 million in 2021. The top exports of Norfolk Island are Sowing Seeds (US\$440k), Rough Wood (US\$285k), Motor vehicles, parts and accessories (US\$138k), Soybeans (US\$135k), and Other Sugars (\$US100k), exporting mostly to Belgium (US\$319k), Cambodia (US\$287k), India (US\$257k), Philippines (US\$157k), and Australia (US\$122k).

Figure 12 provides the total goods exports from Norfolk Island. This data informed estimates of the total value of exports for 2022 and 2023 based on the growth of the world's GDP.

<sup>38</sup> <https://www.stats.govt.nz/large-datasets/csv-files-for-download/overseas-merchandise-trade-datasets/#yearly>

<sup>39</sup> <https://oec.world/en>

Figure 12: Goods exports from Norfolk Island, 2010 to 2023



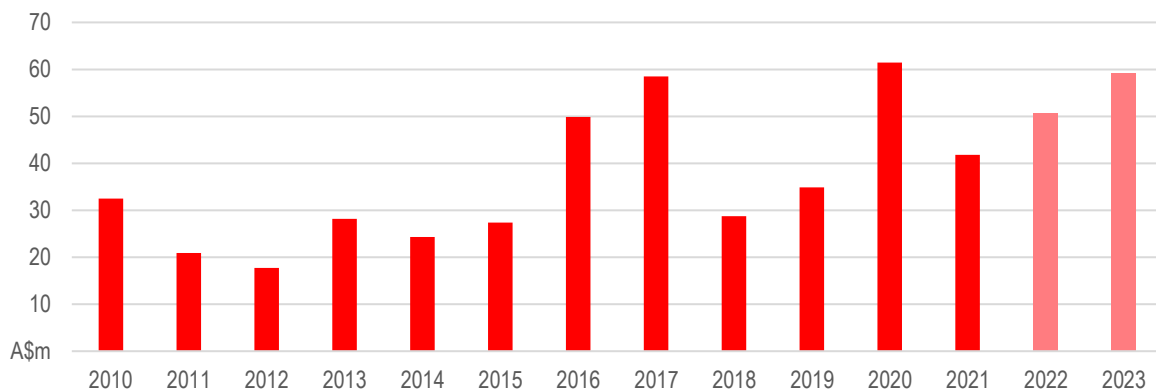
Source: OEC data converted into Australian dollars based on the average RBA exchange rate between Australia and the United States.

### 3.5.5. Imports

The top imports to Norfolk Island in 2021 were Precious Metal Ore (US\$3.9 million), Non-Knit Women's Suits (US\$3.68 million), Refined Petroleum (US\$3.07 million), Electrical Lighting and Signalling Equipment (US\$1.54 million), and Computers (US\$748,000), importing mostly from New Zealand (US\$7.71 million), Australia (US\$6.97 million), United States (US\$4.13 million), Philippines (\$US3.97 million), and Fiji (US\$2.97 million).

Figure 13 provides the total goods imports of Norfolk Island. DeltaPearl Partners estimated the total value of imports for 2022 and 2023 based on tourism and household consumption growth in Norfolk Island. It is estimated that Norfolk Island imported approximately \$59.2 million worth of goods.

Figure 13: Goods imports to Norfolk Island, 2010 to 2023



Source: OEC data converted into Australian dollars based on the average RBA exchange rate between Australia and the United States.



## 4. Norfolk Island GTP in FY2023

Table 8 summarises Norfolk Island's GTP in FY2023 from income and expenditure approaches discussed and calculated in the above sections.

Based on the above data sources and assumptions, it is estimated that the Norfolk Island GTP in FY2023 was \$146.7 million, which is a 79.4% increase on the FY2016 estimate.

Table 8: Estimated Norfolk Island's GTP in FY2023

Income approach		
	A\$m	%
Compensation of employees	67.5	46%
Gross operating surplus and mixed income	60.3	41%
Other net production taxes	19.0	13%
<b>Gross Territorial Product (GTP)</b>	<b>146.7</b>	<b>100%</b>
Expenditure approach		
Private final consumption expenditure	83.4	57%
Government expenditure	32.0	22%
Gross fixed capital formation	30.0	20%
<i>Private</i>	10.5	7%
<i>Public</i>	19.5	13%
Exports	56.8	39%
<i>Tourism</i>	53.5	37%
<i>Merchandise</i>	3.3	2%
Imports	-55.6	-38%
<b>Gross Territorial Product (GTP)</b>	<b>146.7</b>	<b>100%</b>

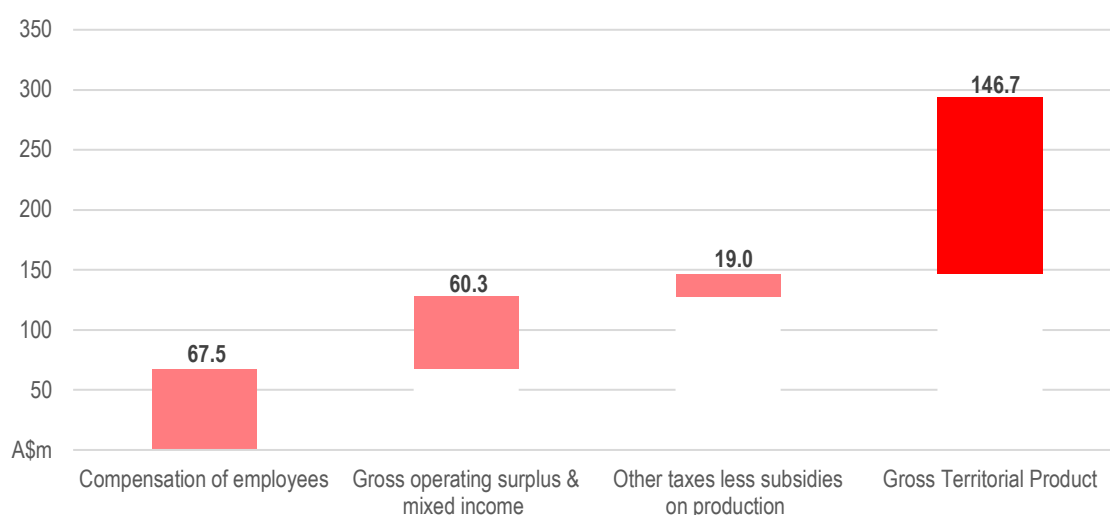
Source: DeltaPearl Partners estimates based on various sources

Figure 14 provides the income side components of the GTP in FY2023.

- Labour income constitutes 46% of GTP, followed by operating surplus and mixed income (41%).
- Of the estimated 2,256 residents<sup>40</sup>, 1,119 were employed at an average annual employee compensation of \$60,286. This is approximately 30% lower than the average yearly compensation for employees on the Australian mainland.

<sup>40</sup> As at end of FY2023.

Figure 14: Norfolk Island GTP – Income Approach, FY2023

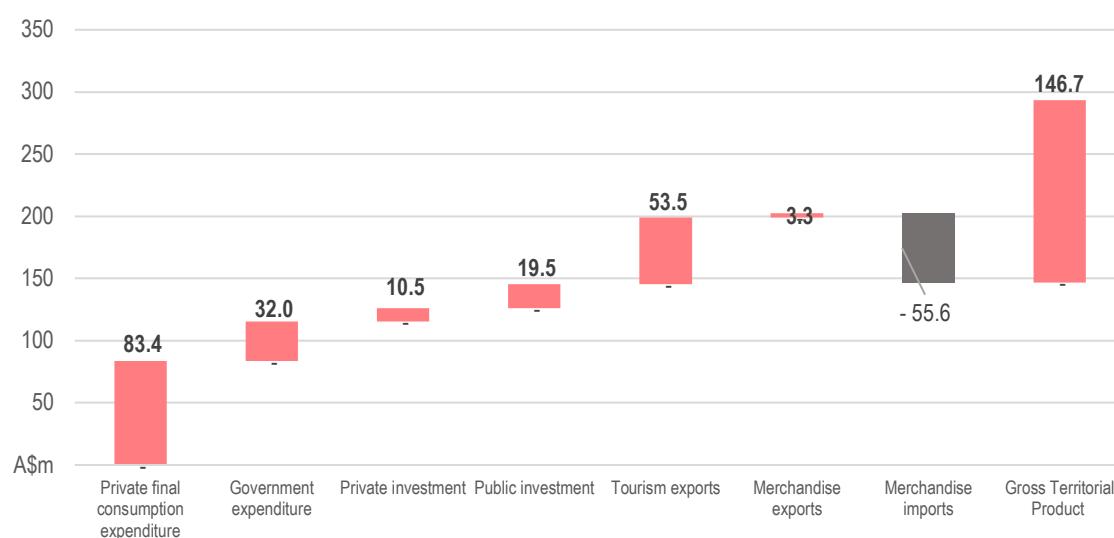


Source: DeltaPearl Partners estimates based on various sources

Figure 15 provides the expenditure side components of the GTP in FY2023.

- Tourism is an important contributor to Norfolk Island’s GTP. Norfolk Island attracted 32,178 visitors in FY2023.
  - Estimates of tourism indicate that visitors to Norfolk Island stay on average seven days and spent about \$236 per person per day in FY2023. This equates to nearly \$53.5 million, representing 36.4% of the Norfolk Island economy.
- Private demand for goods and services is another significant driver of economic activity on Norfolk Island. It contributed 58% to the GTP.
  - On average, Norfolk Island residents consume 23% less in value terms than mainland Australians. The prices on the Norfolk Island are relatively higher than those on the mainland, but the volume and the composition of goods and services consumed differ, and barter is common.
- The government sector is a major component of expenditure on Norfolk Island. Government service provision demands goods and services from Norfolk Island and the mainland, another significant driver for the GTP. Government expenditure (excluding wages) contributed 22% to the GTP.
- For estimation purposes, the capital grants received by the Norfolk Island Regional Council (NIRC) were used as a proxy for government investment in Norfolk Island infrastructure. The estimated government investment, both private and public, contributed 20% to the GTP.
- Since most goods were imported into Norfolk Island, the net goods trade is significantly negative. After accounting for tourism exports, the overall trade balance is slightly positive and contributed about 1% to the GTP.

Figure 15: Norfolk Island GTP – Expenditure Approach, FY2023



Source: DeltaPearl Partners estimates based on various sources

The estimated per capita GTP (current prices) for Norfolk Island was \$65,030, significantly lower than the mainland GDP per capita, which was \$97,435 in FY2023.

## 5. A comparison with previous GTP estimates

Various attempts have been made to estimate the size of the Norfolk Island economy since the mid-1990s, including several attempts by the Commonwealth Grants Commission (CGC), followed by ACIL Tasman (2012), CIE (2014) and KPMG (2019). These studies vary in the methodology used and the period assessed.

Table 9 compares Norfolk Island GTP in FY2023 with previous GTP estimates. Due to the differences in data sources and methodologies, they are not strictly comparable.

For example, KPMG's (2019) study does not include investment in their GTP calculations.

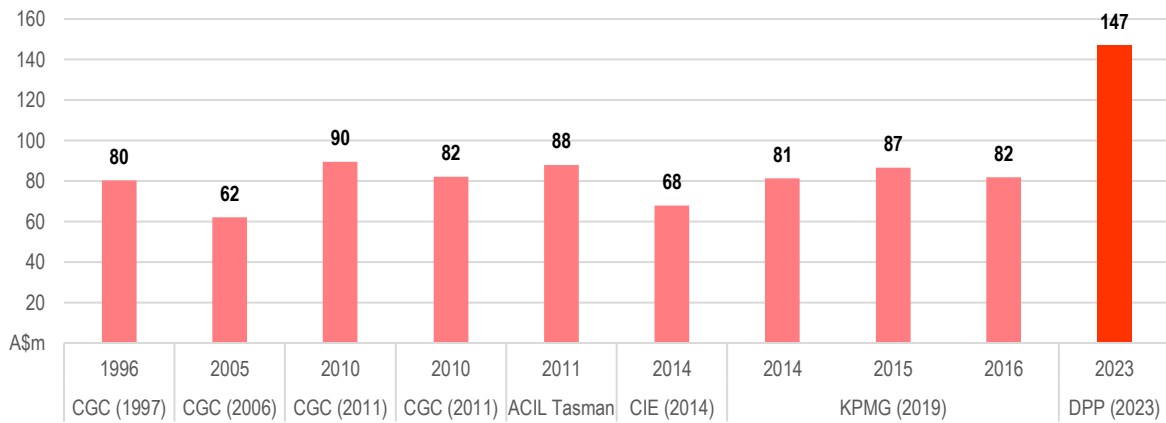
As seen from Table 9, most earlier estimates have Norfolk Island GTP from 2014 – 2016 in the \$80–\$90 million per year range. The main outlier is the CGC's (2006) estimate of Norfolk Island GTP, which is much lower at around \$62 million annually. Per capita income estimates equate to between \$45,000–50,000 per person (or around \$32,000 per person based on the CGC's 2006 estimate). This compares with GDP per capita for Australia of nearly \$68,672 in 2013-14.

Table 9: A comparison of Norfolk Island's GTP estimates

Study	Financial year	GTP (\$ million)	Norfolk Island population	GTP/person	Australian GDP/person
CGC (1997)	1996	80	1,772	\$45,316	\$29,198
CGC (2006)	2005	62	1,915	\$32,428	\$46,171
CGC (2011)	2010	90	1,815	\$49,311	\$59,663
CGC (2011)	2010	82	1,815	\$45,179	\$59,663
ACIL Tasman (2012)	2011	88	1,795	\$48,969	\$63,991
CIE (2014)	2014	68	1,670	\$40,719	\$68,672
KPMG (2019)	2014	81	1,757	\$46,215	\$68,672
	2015	87	1,752	\$49,372	\$68,736
	2016	82	1,756	\$46,583	\$69,175
<b>This study</b>	<b>2023</b>	<b>147</b>	<b>2,256</b>	<b>\$65,030</b>	<b>\$97,435</b>

Source: Various.

Figure 16: A comparison of Norfolk Island's GTP estimates



Source: Various, as detailed in the report.

## 6. An estimation of 10 years of GTP

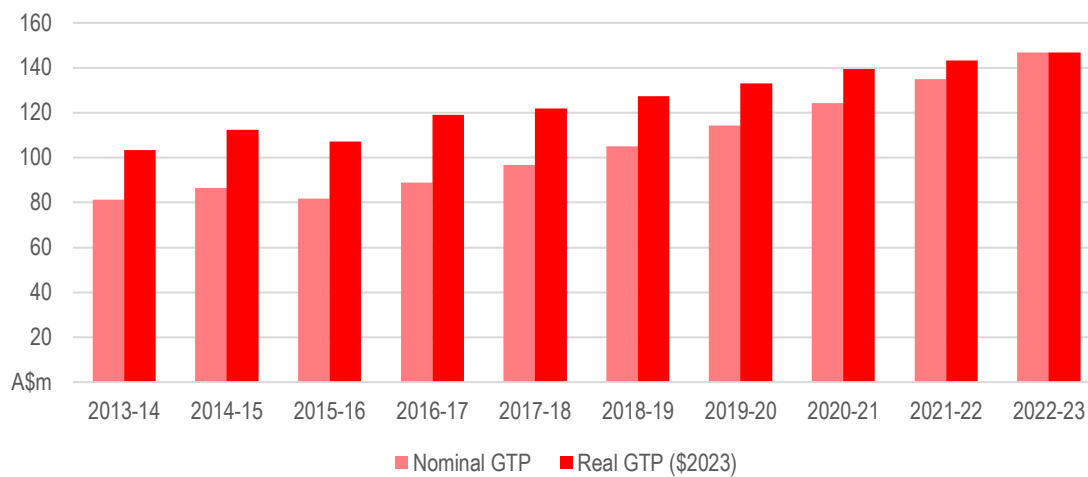
Figure 17 summarises the estimated nominal GTP and real (inflation-adjusted) GTP levels for Norfolk Island.

The average annual nominal GTP growth between FY2014 and FY2023 was 6.8%, higher than the Australian nominal GDP growth of 5.4% for the same period.

Retail Price Index (RPI) was used to calculate the real GTP for Norfolk Island. RPI was sourced from NIRC, which reinstated the calculation of inflation monitoring in 2022.

Between FY2014 and FY2023, the estimated real (inflation-adjusted) average annual GTP growth on Norfolk Island was 3.97%, higher than the Australian real average annual GDP growth of 2.38%. This suggests that Norfolk Island may be catching up with the living standards on the Australian mainland.

Figure 17: Nominal and real GTP of Norfolk Island, FY2014 to FY2023



Source: DeltaPearl Partners estimates based on KPMG (2019) and various sources outlined above.

## 7. References

ACIL Tasman (2012), Norfolk Island Economic Development Report, Reform of the Norfolk Island Economy, Prepared for the Department of Regional Australia, Regional Development and Local Government, March 2012.

Administration of Norfolk Island (2014), Income and Expenditure for Norfolk Island Households.

Australian Bureau of Statistics (2023), Australian Population Census and Housing 2021. Table builder data.

Australian Bureau of Statistics (2023), Australian System of National Accounts. October 2023. <https://www.abs.gov.au/statistics/economy/national-accounts/australian-system-national-accounts/latest-release>

Australian Bureau of Statistics (2023), Regional population 2021-22, Estimated resident population, Statistical Areas Level 2, Australia.

Australian Taxation Office (2023), Norfolk Island. <https://www.ato.gov.au/General/Norfolk-Island/>

Australian Taxation Office (2023), Taxation Statistics, 2020-21, Individual, Table 6. Selected items by taxable status, state/territory and postcode, 2020–21 income year.

CIE (2014), Economic Impact of Norfolk Island reform scenarios, Prepared for the Department of Infrastructure and Regional Development, November 2014.

Commonwealth Grants Commission (1997), Report on Norfolk Island, <https://www.cgc.gov.au/sites/default/files/2022-08/1997%20-%20Report%20on%20Norfolk%20Island.pdf>

Commonwealth Grants Commission (2006), Review of the financial capacity of Norfolk Island.

Commonwealth Grants Commission (2011). Update on the Financial Capacity of Norfolk Island, [https://www.cgc.gov.au/sites/default/files/2021-12/norfolk\\_island\\_2011\\_final\\_report\\_0.pdf](https://www.cgc.gov.au/sites/default/files/2021-12/norfolk_island_2011_final_report_0.pdf)

DeltaPearl Partners (2023), Measuring Inflation on Norfolk Island, to June 2023 – Inflation Results. <https://www.nirc.gov.au/ni-retail-price-index-rpi>

KPMG (2019), Monitoring the Norfolk Island Economy, Prepared for the Department of Infrastructure, Transport, Cities and Regional Development, August 2019.

Norfolk Island Regional Council (2023), Annual Reports, <https://www.nirc.gov.au/annual-reports>

Norfolk Island Regional Council (2023), Tourism Reports, <https://www.nirc.gov.au/tourism-economic-development-plans-reports>

Norfolk Island Regional Council (2023), Scheduled Airline Incoming Passengers Statistics, <https://www.nirc.gov.au/tourism-economic-development-plans-reports>

Reserve Bank of Australia (2023), Exchange rates, <https://www.rba.gov.au/statistics/frequency/exchange-rates.html>

The Observatory of Economic Complexity (2023), Norfolk Island Trade 2021, <https://oec.world/en/profile/country/nfk>

