Territory Business Confidence Survey

December quarter 2023

Key points

- Territory-wide business confidence was +62% in the December quarter 2023, up from +57% in the September quarter 2023, and down from +73% in the December quarter 2022.
- The increase in the quarter was driven by greater confidence in Katherine region, retracing from the drop in the June quarter.
- The most commonly cited reasons for confidence this quarter were ‘strong customer relations’, ‘business opportunity’ and ‘been in business a long time’.
- The most commonly cited reasons for concern were ‘increasing business costs’, ‘lack of suitably skilled workers’ and ‘decrease in business/sales’.

Territory business confidence increased in the quarter

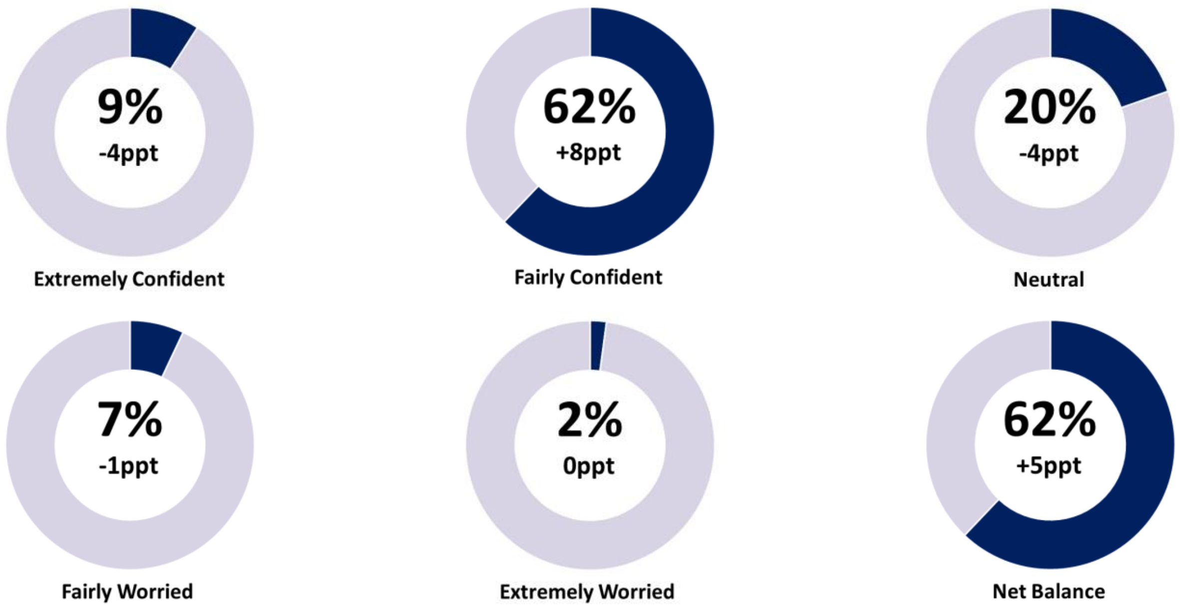
Territory-wide business confidence was +62% for the December quarter 2023 in response to the question ‘How confident are you about your business prospects over the next 12 months?’. This is a 5 percentage point (ppt) increase in the quarter and a decrease of 11 ppt annually (Table 1).

Table 1: Business confidence index

	Dec qtr 2023	Quarterly change	Annual change*
Confident	71%	+4ppt	-8ppt
Worried	9%	-1ppt	+3ppt
Net Balance	62%	+5ppt	-11ppt

*Current quarter compared with the same quarter in the previous year.

Figure 1: Responses to the business confidence question & change from previous quarter



Note: Individual categories may not add to the net balance figure due to rounding.

Business confidence remains well-above pre-pandemic levels

The proportion of confident businesses increased by 4 ppt this quarter, largely attributed to increase in fairly confident businesses, picking up shares from neutral (-4) and worried businesses (-1). Recovering from the dip in the June quarter, business confidence this quarter returned to well above pre-pandemic levels (Chart 1). In calendar year terms, confidence in 2023 is well above pre-pandemic levels, but below the peak reported in 2022 (Chart 2).

Chart 1
Business confidence by quarter (%)

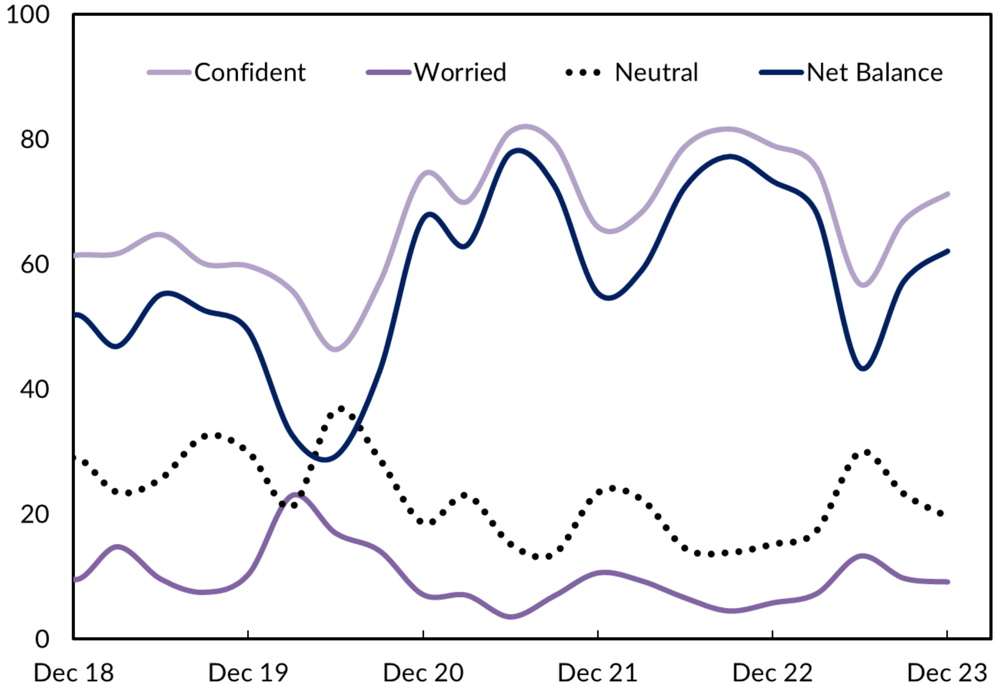
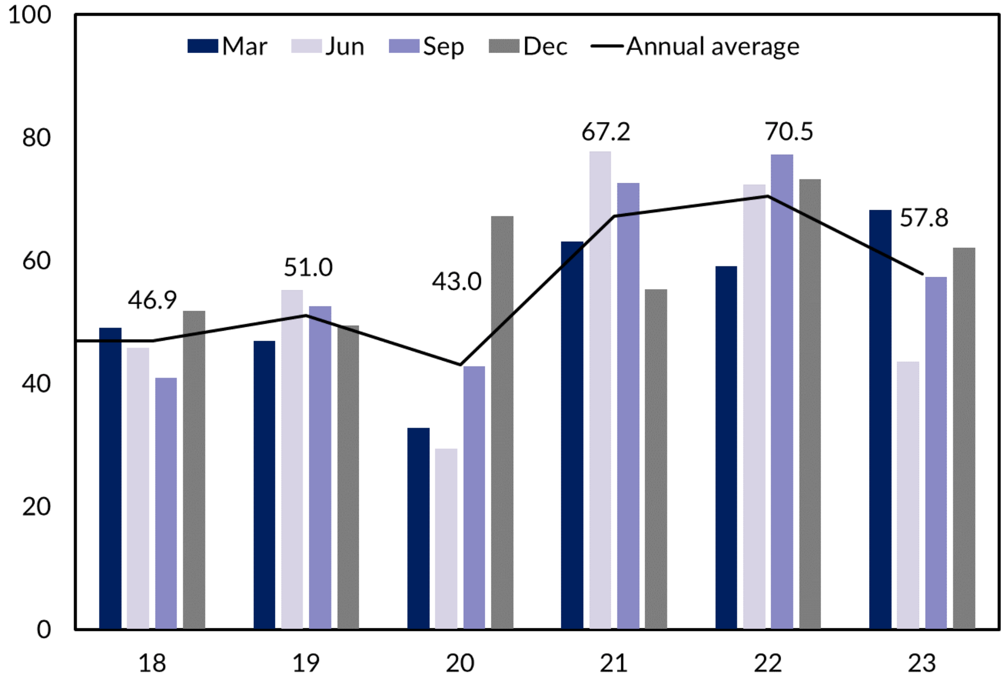


Chart 2
Average business confidence by calendar year (%)



Business performance decreased in the quarter

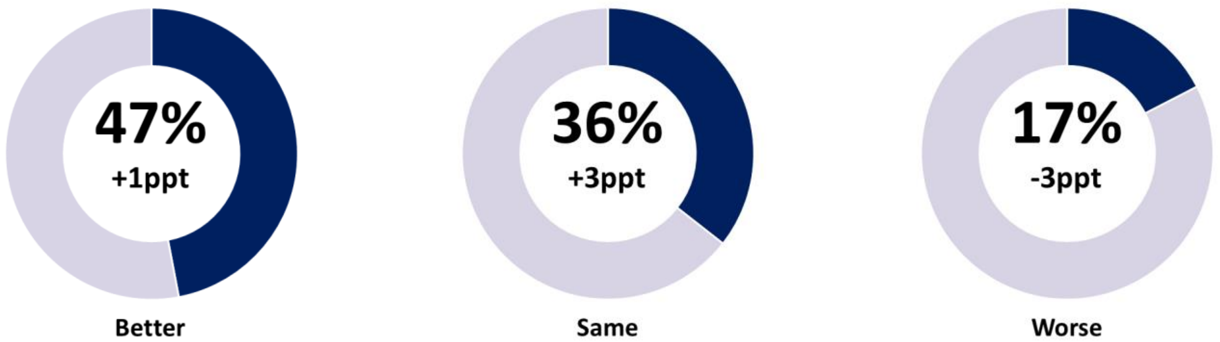
When asked 'How is your business performing this year compared to last year?', 47% of businesses responded with 'better', representing a 1ppt increase from the September quarter 2023 and a 19ppt decrease from December quarter 2022 (Table 2).

Table 2: Business performance compared to last year

	Dec qtr 2023	Quarterly change	Annual change*
Better	47%	+1ppt	-19ppt
Same	36%	+3ppt	+8ppt
Worse	17%	-3ppt	+11ppt

*Current quarter compared with the same quarter in the previous year.

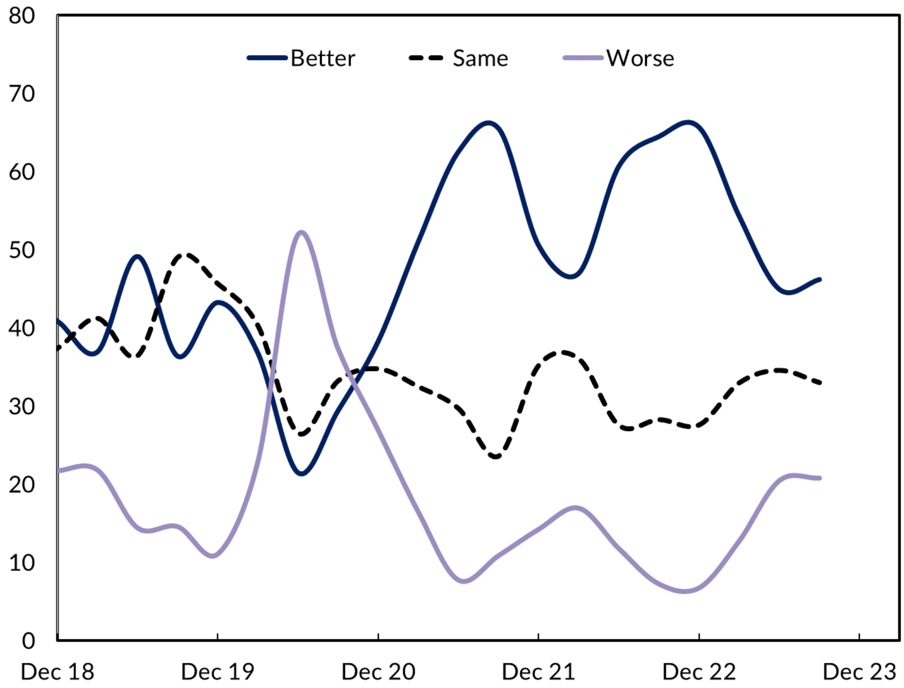
Figure 2: Responses to the business performance question & quarterly change



Note: Individual categories may not sum to 100 due to rounding.

The number of businesses stating performance this year is worse than last year was at 17% in the December quarter 2023, down by 3 ppt in quarterly terms and up by 11 ppt in annual terms (Chart 3).

Chart 3
Business performance – comparing this year to last – by quarter (%)

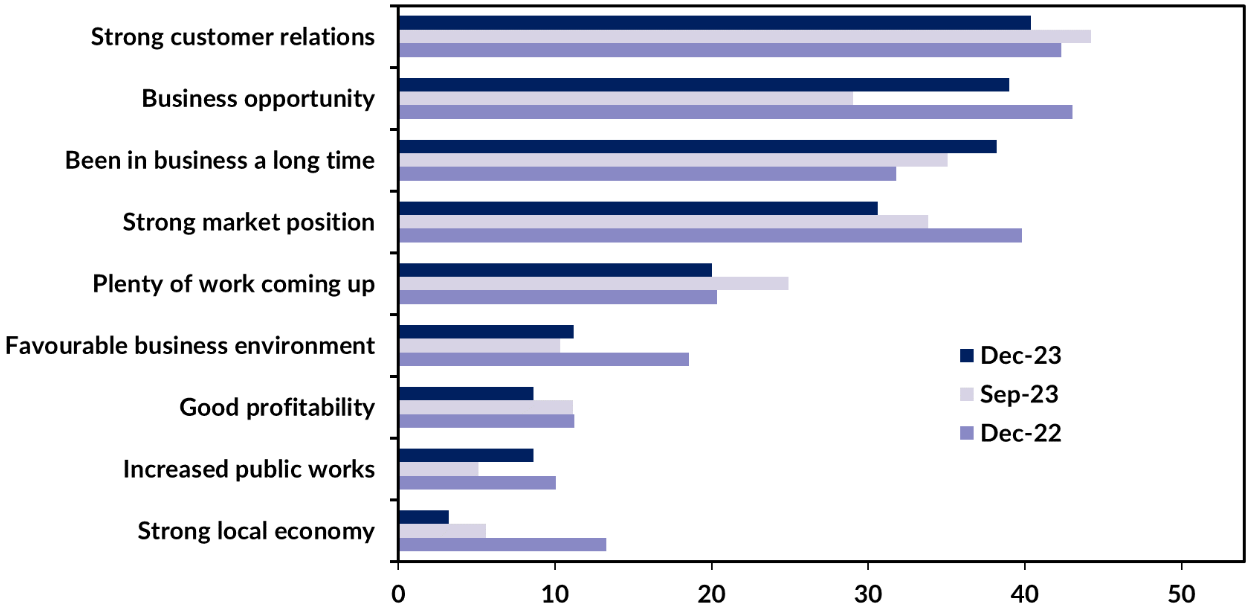


Customer relations & business opportunity drive confidence

The most commonly cited reasons for business confidence in the December quarter 2023 were 'strong customer relations', 'business opportunity' and 'been in business a long time' (Chart 4). Compared with the previous quarter, the proportion of businesses that reported 'business opportunity' as a reason for confidence increased by 10 ppt to 39%.

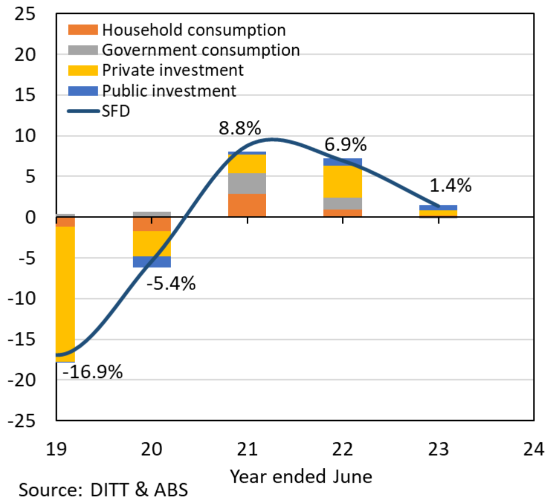
Following two years of strong COVID-related business confidence, over the course of 2023 confidence – at the aggregate level – returned to be slightly above the long term trend level, though there is considerable variation by industry (Chart 10). Business investment remains at high levels, though the rate of growth has tailed-off in recent quarters (Chart 5), impacted by the timing of investment for the Barossa project. That said, 'increased public works' continues to support confidence in the construction industry, as does falls in input prices as supply chain issues abate (Chart 6).

Chart 4
Reasons for confidence cited, share of businesses (%)



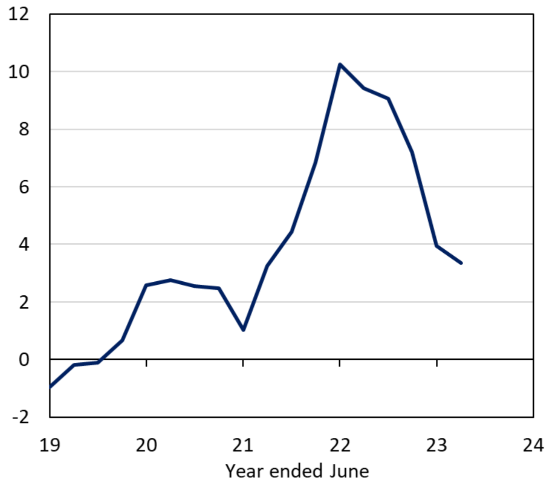
Note: a business can submit more than one response

Chart 5
Territory state final demand component contribution
Year-on-year growth (%)



Source: DITT & ABS

Chart 6
Building construction price index – NT
Annual growth (%)



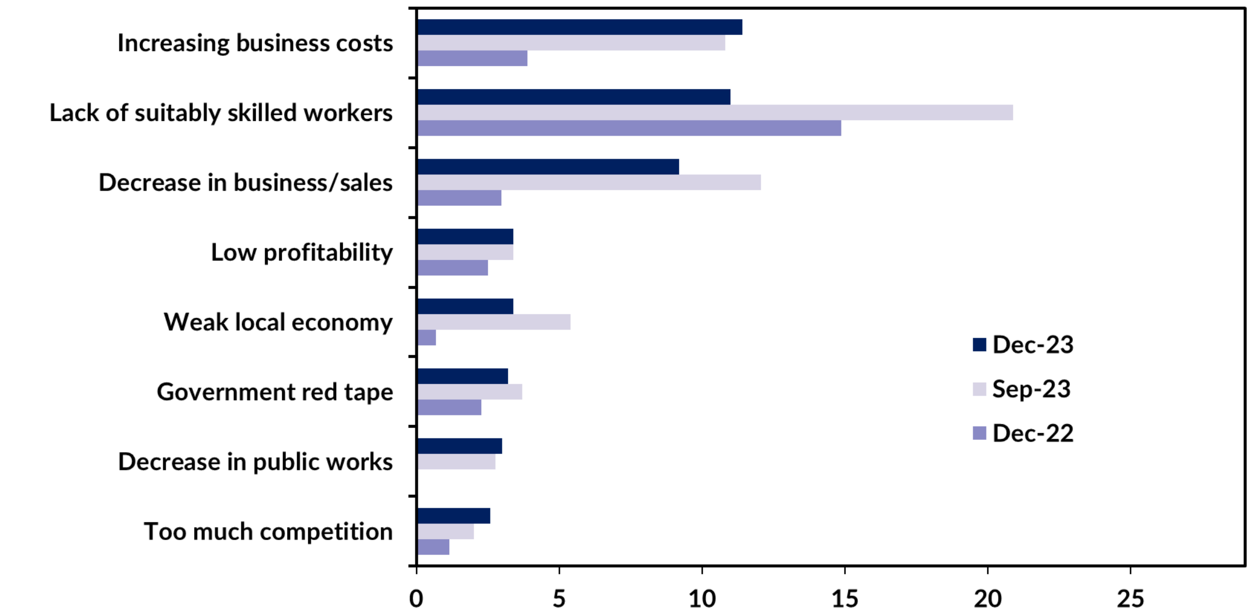
Source: DITT & ABS

Rising business costs & skilled labour shortages are a concern

Businesses cited ‘increasing business costs’ and ‘decrease in business/sales’ as major concerns in the quarter (Chart 7). Businesses citing ‘decrease in business/sales’ increased to 9%, up by 6 ppt from last year. Higher interest rates and cost of living pressures are impacting consumer sentiment and household spending (which is around 35% of demand in the Territory), and reduced demand is particularly noticeable for non-discretionary goods and services (Chart 8). The impacts of reduced demand are being felt through the supply chain, including with respect to the demand for labour.

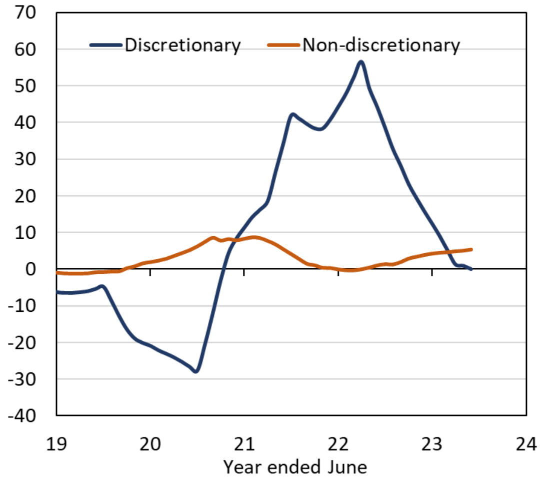
Since mid-2020, ‘lack of suitably skilled workers’ has consistently been in the Top 2 business concerns in the Territory (and #1 in 9 out of 15 quarters). It was #2 in the December quarter, and reported a dramatic decrease from the September quarter. Chart 9 suggests the Territory’s labour market is currently more balanced than at any time in the past three years, supported by stronger population growth – notably from overseas migration – supporting supply, and weaker household consumption impacting labour demand.

Chart 7
Reasons for worry cited, share of businesses (%)



Note: a business can submit more than one response

Chart 8
Discretionary & non-discretionary retail sales
Year-on-year growth (%), Seasonally Adjusted



Source: DITT & ABS

Chart 9
Vacancy & unemployment rate
Quarterly (%), Original

Source: DITT & ABS

Business confidence & performance vary among the regions

Business confidence and performance varies by region (Table 3). Business confidence was highest in the Daly-Tiwi-West Arnhem region in the December quarter with a net balance of +81. Katherine region recorded a net balance of +71%, an increase of 24 ppt in a quarter, highest among the regions. Please note that a small sample size in some regions can contribute to large quarterly movements.

Business confidence in Greater Darwin increased by 3 ppt in the quarter to a net balance of +60%, rebounding from the 21ppt decline in the June quarter and comfortably back above pre-pandemic levels. Business confidence in Alice Springs increased by 10 ppt this quarter to a net balance of +62% and down by 32 ppt annually, continuing to decline from its record high observed in the second half of 2022.

Table 3: Business confidence & performance by region

Business Confidence			
	Dec qtr 2023	Quarterly change	Annual change
Territory-wide (n=500)			
Confident	71%	+4ppt	-8ppt
Worried	9%	-1ppt	+3ppt
Net Balance	62%	+5ppt	-11ppt
Greater Darwin (n=217)			
Confident	71%	+4ppt	-5ppt
Worried	10%	+1ppt	+4ppt
Net Balance	60%	+3ppt	-8ppt
Daly-Tiwi-West Arnhem (n=43)			
Confident	81%	-3ppt	+13ppt
Worried	0%	-6ppt	-18ppt
Net Balance	81%	+3ppt	+31ppt
East Arnhem (n=39)			
Confident	79%	-17ppt	-1ppt
Worried	5%	+1ppt	0ppt
Net Balance	74%	-18ppt	-1ppt
Katherine (n=35)			
Confident	74%	+9ppt	-10ppt
Worried	3%	-15ppt	-1ppt
Net Balance	71%	+24ppt	-9ppt
Barkly (n=21)			
Confident	76%	+3ppt	-24ppt
Worried	5%	-11ppt	+5ppt
Net Balance	71%	+14ppt	-29ppt
Alice Springs (n=145)			
Confident	70%	+9ppt	-24ppt
Worried	8%	-1ppt	+8ppt
Net Balance	62%	+10ppt	-32ppt

Business Performance			
	Dec qtr 2023	Quarterly change	Annual change
Territory-wide (n=500)			
Better	47%	+1ppt	-19ppt
Same	36%	+3ppt	+8ppt
Worse	17%	-3ppt	+11ppt
Greater Darwin (n=217)			
Better	50%	+2ppt	-17ppt
Same	33%	+2ppt	+6ppt
Worse	17%	-4ppt	+11ppt
Daly-Tiwi-West Arnhem (n=43)			
Better	42%	-13ppt	-17ppt
Same	47%	+13ppt	+19ppt
Worse	12%	0ppt	-2ppt
East Arnhem (n=39)			
Better	44%	+6ppt	-16ppt
Same	36%	-14ppt	+11ppt
Worse	21%	+8ppt	+6ppt
Katherine (n=35)			
Better	43%	+3ppt	-15ppt
Same	31%	+7ppt	+1ppt
Worse	26%	-10ppt	+14ppt
Barkly (n=21)			
Better	38%	-1ppt	-62ppt
Same	38%	-1ppt	+38ppt
Worse	24%	+2ppt	+24ppt
Alice Springs (n=145)			
Better	35%	-4ppt	-27ppt
Same	50%	+6ppt	+17ppt
Worse	14%	-2ppt	+10ppt

Note: Caution should be taken when interpreting these results as the sample size in some regions may be relatively small.

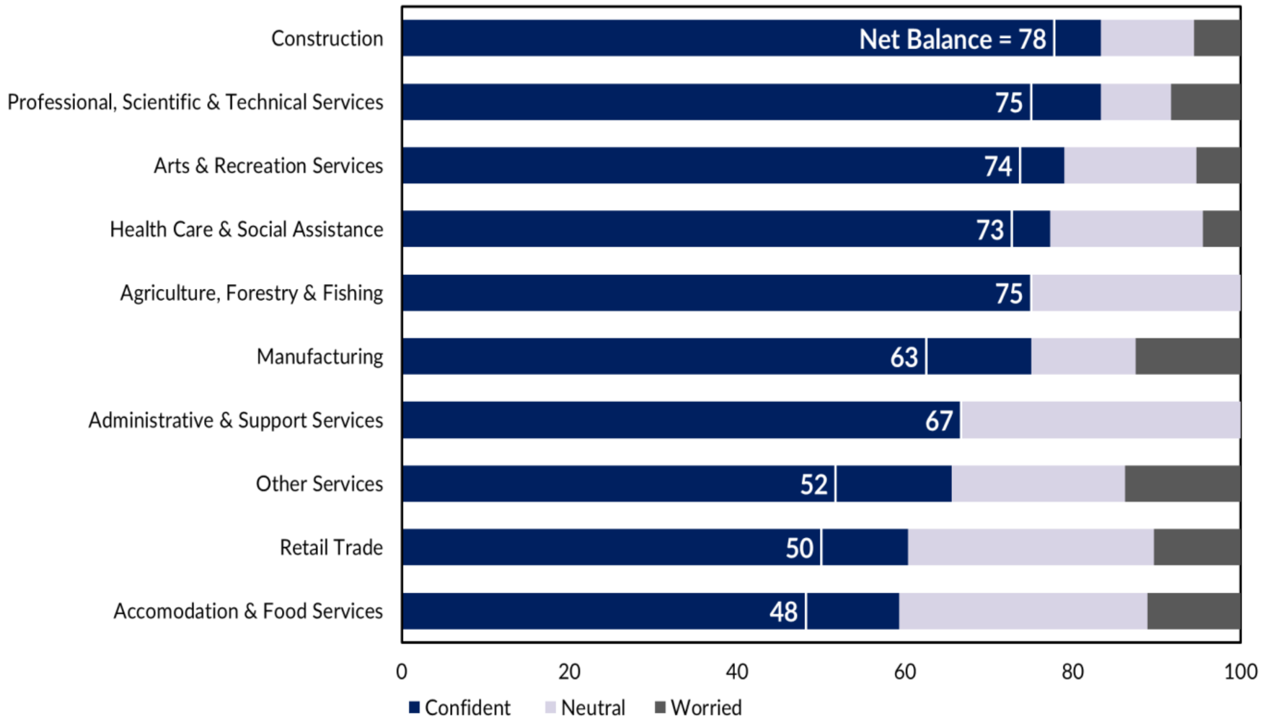
Business confidence varies across industries

Business confidence varies among the 10 industries with the largest number of respondents, ranging from Construction reporting a net balance of +78% to Accommodation & Food Services with a net balance of +48% (and reflecting seasonal impacts) (Chart 10).

Confidence in the Territory's Arts & Recreation Services industry increased for the third consecutive quarter, and reports a solid net balance of +74% in the quarter. This coincides with the industry's highest recorded employment level of 5,343 persons in the November quarter 2023. In 2022-23, the Territory recorded the highest entry rate of new businesses in the Arts & Recreation Services industry at 23%, higher than the national entry rate of 18%.

Consumer-facing industries such as Retail Trade & Accommodation & Food Services reported the lowest confidence levels in the quarter, as inflation and cost of living pressures impact household confidence, budgets and consumption.

Chart 10
Business confidence responses by industry (%)



Note: Chart contains the 10 most surveyed industries. Caution is advised when using this data as the sample size in some industries may be relatively small.

Appendix

Methodology

The Department of Industry, Tourism and Trade conducts a survey of businesses operating in the Territory on a quarterly basis. The results have been used to construct a business confidence index.

The business confidence index is calculated as the difference between the proportion of businesses that are ‘confident about their business prospects for the next 12 months' and the proportion of businesses that are ‘worried about their business prospects for the next 12 months’ (net balance approach).

The Territory-wide confidence index is weighted to account for the number of businesses in each region. The weighted result provides a more balanced reflection of overall business confidence. Business confidence results are also presented by region and industry.

500 businesses were surveyed this quarter out of 16,103 operating businesses in the Territory (Table 4). For the sample survey to achieve a 95% confidence level with a margin of error of 5%, 376 survey responses are required.

Table 4: Survey Numbers

Region	Total number of businesses	Businesses surveyed	Proportion of total
Greater Darwin	11,907	217	1.8%
Daly-Tiwi-West Arnhem	389	43	11.1%
East Arnhem	275	39	14.2%
Katherine	1,036	35	3.4%
Barkly	182	21	11.5%
Alice Springs	2,020	145	7.2%
Total	**16,103**	**500**	**3.1%**

Note: Total number of businesses do not add up to individuals due to some businesses missing location information.