

Territory Business Confidence Survey

March quarter 2023

Key points

- Despite rising interest rates and national and global economic uncertainty, Territory-wide business confidence was +67% in the March quarter 2023, well above pre-pandemic levels and the highest ever March quarter result. Only 7% of businesses reported as being worried.
- 56% of businesses reported improved performance, the highest level recorded for any March quarter since the survey began.
- The most commonly cited reasons for confidence this quarter were 'business opportunity', 'strong customer relations' and 'strong market position'.
- The most commonly cited reason for being worried this quarter was 'lack of suitably skilled workers', reflecting the Territory's high number of job vacancies and low unemployment rate.

Territory businesses are confident about their prospects

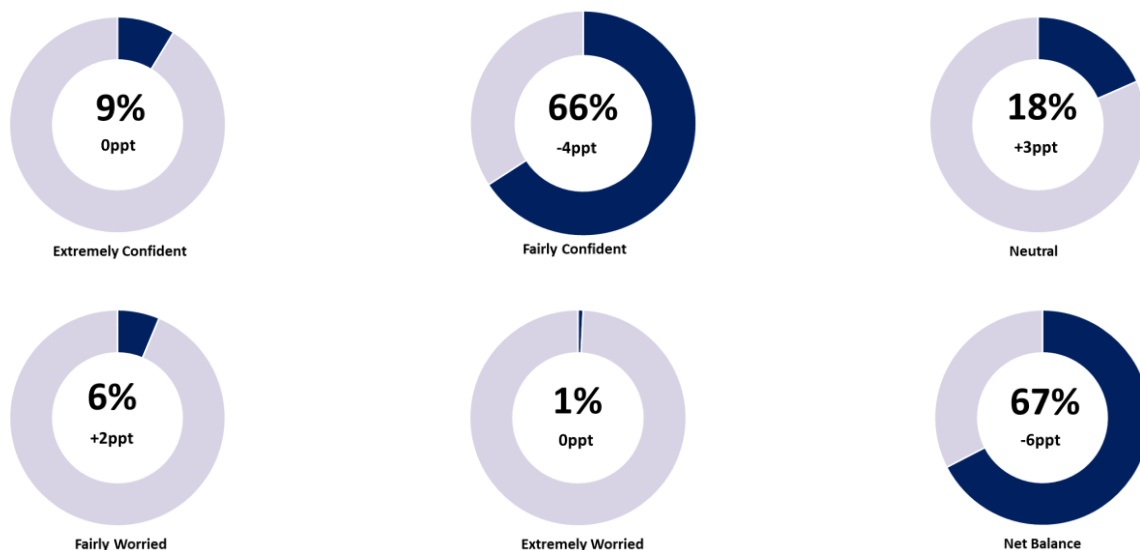
The Territory-wide business confidence index was +67% for the March quarter 2023 in response to the question 'How confident are you about your business prospects over the next 12 months?' This is a 6 percentage point decrease on the previous quarter and an 8 percentage point increase annually (Table 1). The quarterly change reflects a decrease in the share of fairly confident businesses regarding the short term outlook (Figure 1), while the annual change reflects the recovery from the impacts of the Omicron outbreak in the March quarter of 2022.

Table 1: Business confidence index

	Mar qtr 2023	Quarterly change	Annual change*
Confident	74%	-5ppt	+6ppt
Worried	7%	+2ppt	-2ppt
Net Balance	67%	-6ppt	+8ppt

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

Figure 1: Responses to the business confidence question and 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

Business confidence sits well above pre-pandemic levels (Chart 1). Despite a slight decrease in the March quarter 2023, the average business confidence level in financial year 2022-23 continues its upwards trend (Chart 2). The business confidence this quarter is the highest of any March quarter on record.

Chart 1
NT business confidence

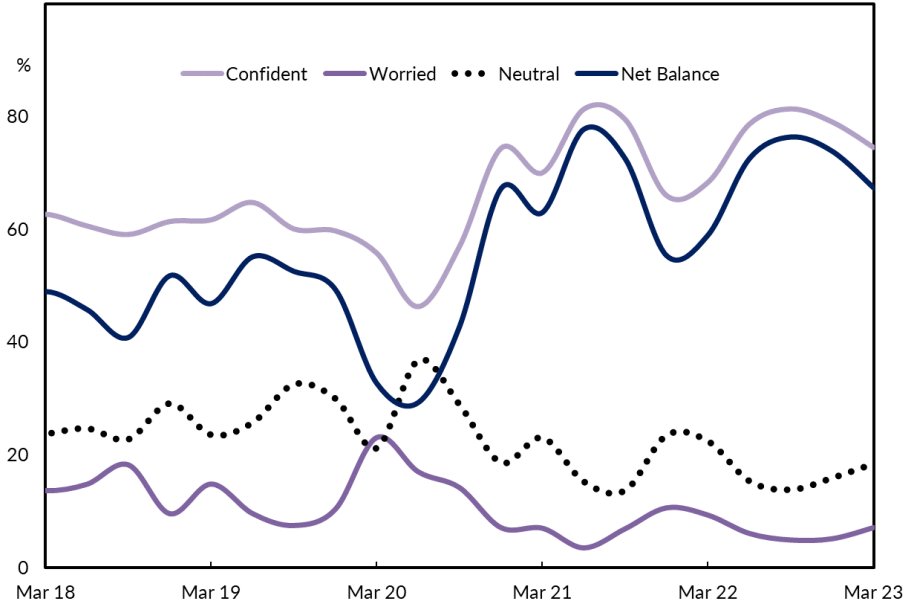
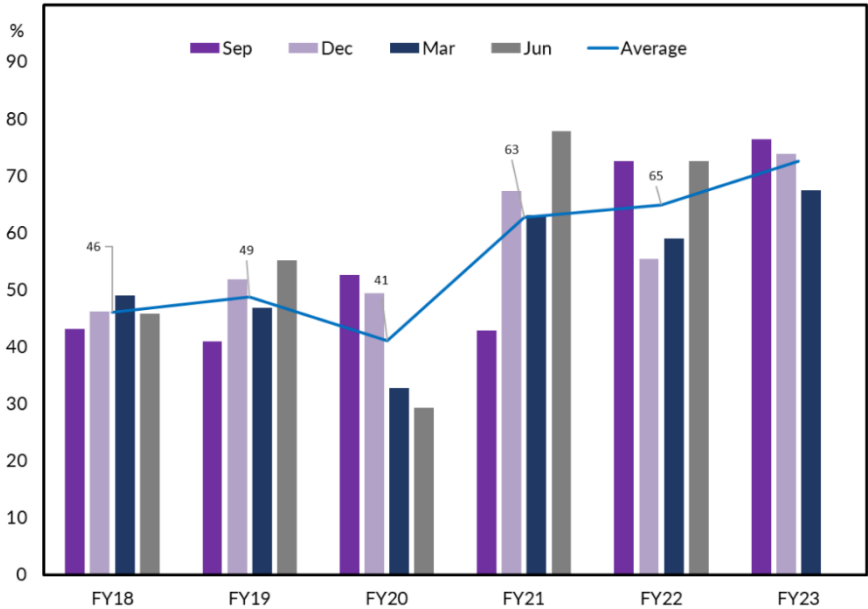


Chart 2
Business confidence by financial year



Business performance decreased this quarter

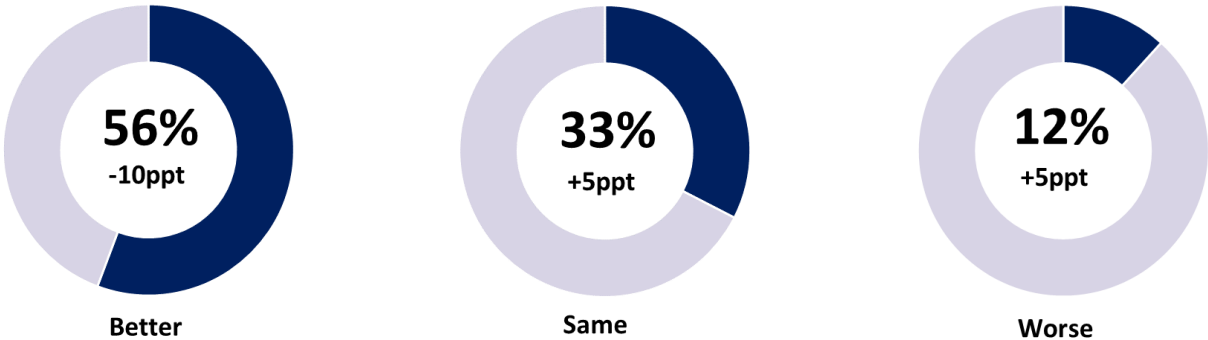
When asked ‘How’s your business performing this year compared to last year?’, 56% of businesses responded with ‘better’, representing a 10 percentage point decrease from the December quarter 2022 (Table 2). However, this is an increase of 9 percentage points annually and is the highest March quarter on record (Chart 3).

Table 2: Business performance compared to last year

	Mar qtr 2023	Quarterly change	Annual change*
Better	56%	-10ppt	+9ppt
Same	33%	+5ppt	-3ppt
Worse	12%	+5ppt	-5ppt

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

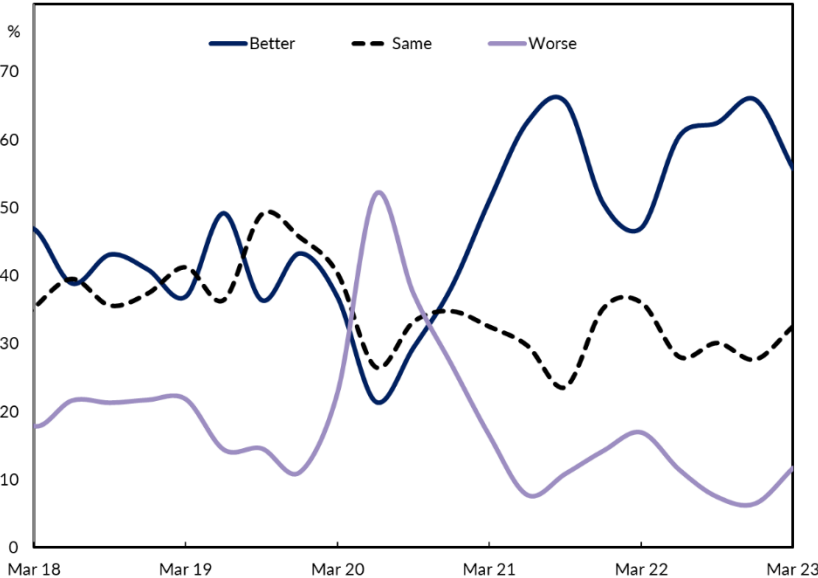
Figure 2: Responses to the business performance question and quarterly change



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

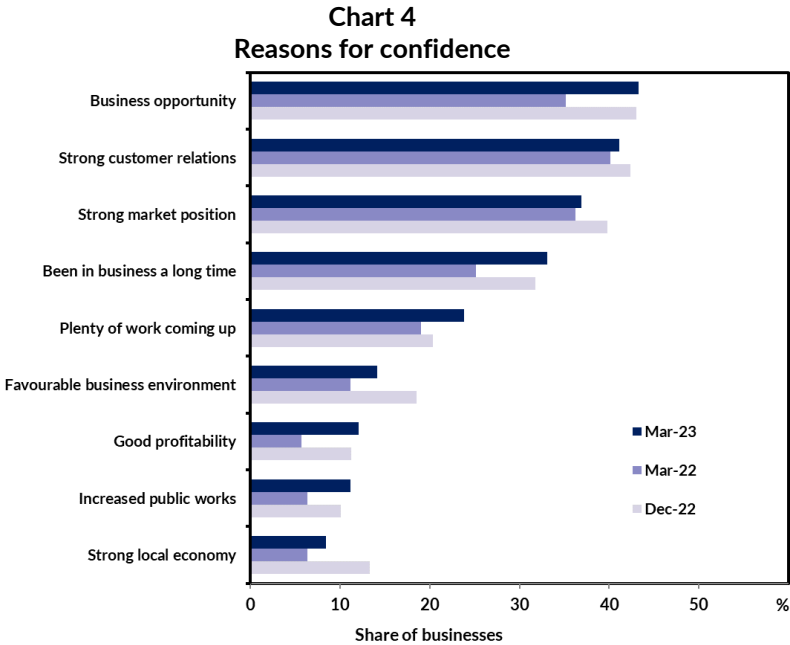
Businesses stating performance this year is worse than last year increased by 5 percentage points to 12% this quarter, though this follows a record low of only 6% of businesses which reported performance had deteriorated in the December quarter 2022, and is below the historical average for the March quarter. From a regional perspective, Alice Springs was the major contributor to the fall, and this aligns with reporting of increased anti-social behaviour in the region, and its impacts on consumers and businesses.

**Chart 3
Northern Territory business performance**



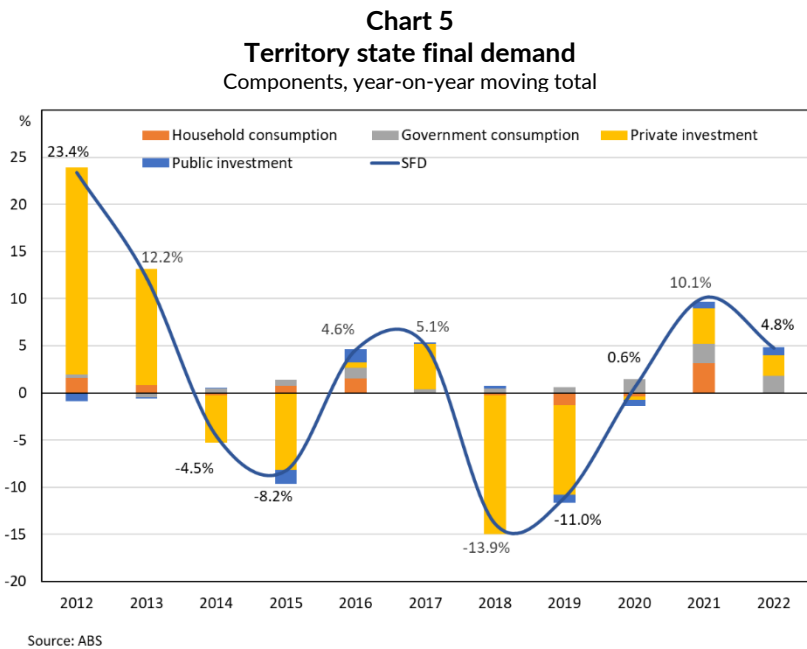
Business opportunities and customer relations drive confidence

In line with the December quarter, the key reasons cited for business confidence this quarter were ‘business opportunity’, ‘strong customer relations’ and ‘strong market position’ (Chart 4). There was an increase in the proportion of businesses reporting ‘plenty of work coming up’, ‘good profitability’ and ‘increased public works’ as the reasons for confidence, both in quarterly and annual terms.



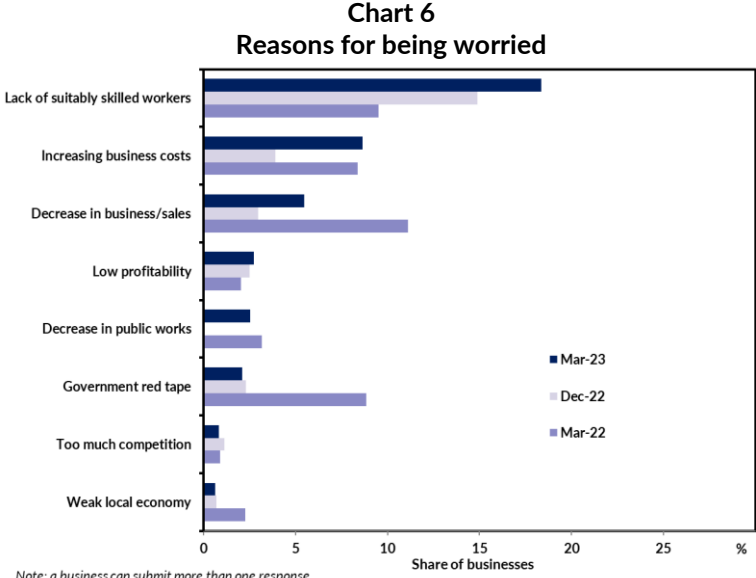
Note: a business can submit more than one response

In the March quarter 2023, 8% of businesses cited ‘strong local economy’ as a reason for confidence, while only 1% of businesses cited ‘weak local economy’ as a reason for being worried. The proportion of businesses citing ‘business opportunity’ and ‘plenty of work coming up’ increased in the quarter, and this result is consistent with ABS data that reports the Territory’s overall demand increased by 4.8% in 2022, with both the private and public sectors contributing to the 13.8% increase in investment in the Territory (Chart 5).

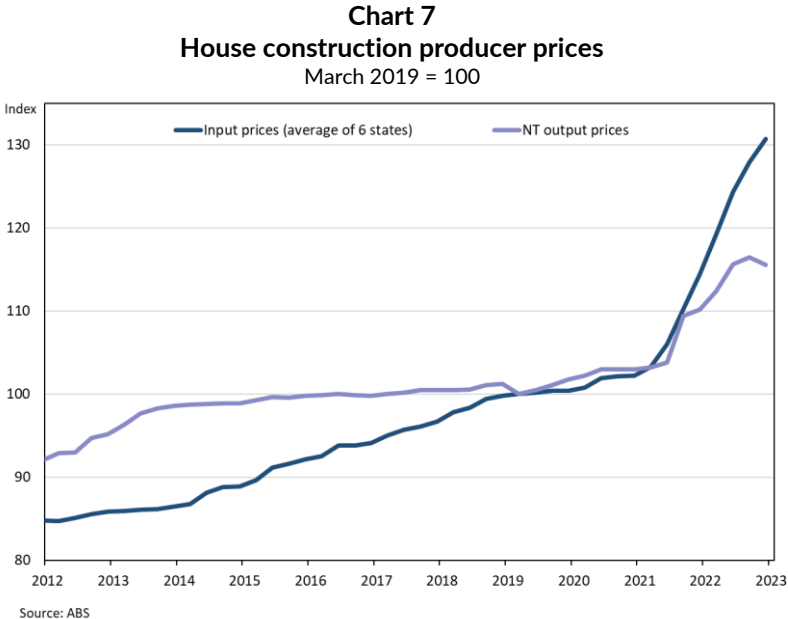


Labour shortages and rising costs are major concerns

A large proportion of businesses continue to cite ‘lack of suitably skilled workers’ as a reason for being worried (Chart 6). Consistent with recent quarters, Territory businesses are struggling with labour shortages and the unemployed to vacancy ratio is currently around 1 (i.e. there are about the same number of job vacancies as unemployed people).



In the March quarter, there was an increase in the number of businesses citing ‘increasing business costs’ as a reason for being worried. Supply chain disruption, labour shortages and high fuel prices have contributed to increased input prices, though persistently high and broad-based rates of consumer price inflation (6.2% annually to March for Darwin) suggest that many businesses have been able to pass cost increases on to consumers. In industries such as housing construction an emerging risk is that some businesses may struggle to remain solvent if fixed price contracts set in earlier periods become unprofitable as input prices rise and cannot be passed on to clients (Chart 7). Fixed price contracts are workable if input prices are relatively stable, but there will be a transition period as businesses reset terms on new contracts to reflect the changed operating environment. Confidence in the construction industry dipped from +97% in the December quarter 2022 to +83% in the March quarter 2023 (Chart 8).



Business confidence and performance vary among the regions

Business confidence and performance varies by region (Table 3). Business confidence was highest in the Barkly region in the quarter with a net balance of +100% (though from a small sample size), unchanged from the previous quarter. Despite this, the Barkly region recorded the weakest result for business performance with 33% of businesses feeling better about their performance this year relative to last year. Please note that small sample size in some regions can contribute to large quarterly movements.

Business confidence in Alice Springs declined by 21 percentage points in the quarter to a net balance of +72%, though this is off the record high reported in the previous quarter. Alice Springs recorded a quarterly decline in business performance (down by 11 percentage points) with 52% of businesses reporting better performance this year compared to last year. In addition to macroeconomic factors impacting businesses across the Territory, confidence and performance in Alice Springs is being impacted by local factors, notably high rates of anti-social behaviour and its reporting by the media, which is having direct flow-on impacts on tourism, an important sector for the region.

Table 3: Business confidence and performance by region

Business Confidence				Business Performance			
	Mar qtr 2023	Quarterly change	Annual change		Mar qtr 2023	Quarterly change	Annual change
Territory-wide (n=474)				Territory-wide (n=474)			
Confident	74%	-5ppt	+6ppt	Better	56%	-10ppt	+9ppt
Worried	7%	+2ppt	-2ppt	Same	33%	+5ppt	-3ppt
Net Balance	67%	-6ppt	+8ppt	Worse	12%	+5ppt	-5ppt
Greater Darwin (n=175)				Greater Darwin (n=175)			
Confident	73%	-3ppt	+6ppt	Better	57%	-9ppt	+12ppt
Worried	7%	+2ppt	-1ppt	Same	32%	+5ppt	-2ppt
Net Balance	66%	-5ppt	+7ppt	Worse	11%	+4ppt	-9ppt
Daly-Tiwi-West Arnhem (n=31)				Daly-Tiwi-West Arnhem (n=31)			
Confident	74%	+6ppt	+11ppt	Better	35%	-24ppt	-1ppt
Worried	13%	-5ppt	-13ppt	Same	48%	+21ppt	+6ppt
Net Balance	61%	+11ppt	+24ppt	Worse	16%	+2ppt	-5ppt
East Arnhem (n=14)				East Arnhem (n=14)			
Confident	57%	-23ppt	-43ppt	Better	57%	-3ppt	0ppt
Worried	14%	+9ppt	+14ppt	Same	29%	+4ppt	-14ppt
Net Balance	43%	-32ppt	-57ppt	Worse	14%	-1ppt	+14ppt
Katherine (n=51)				Katherine (n=51)			
Confident	82%	+3ppt	-8ppt	Better	54%	-9ppt	-4ppt
Worried	8%	-2ppt	+3ppt	Same	23%	-5ppt	-9ppt
Net Balance	73%	+5ppt	-11ppt	Worse	23%	+13ppt	+12ppt
Barkly (n=6)				Barkly (n=6)			
Confident	100%	0ppt	+47ppt	Better	33%	-67ppt	-7ppt
Worried	0%	0ppt	-47ppt	Same	67%	+67ppt	+60ppt
Net Balance	100%	0ppt	+93ppt	Worse	0%	0ppt	-53ppt
Alice Springs (n=188)				Alice Springs (n=188)			
Confident	79%	-15ppt	+29ppt	Better	52%	-11ppt	+26ppt
Worried	7%	+6ppt	-17ppt	Same	37%	+4ppt	-14ppt
Net Balance	72%	-21ppt	+45ppt	Worse	12%	+7ppt	-12ppt

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

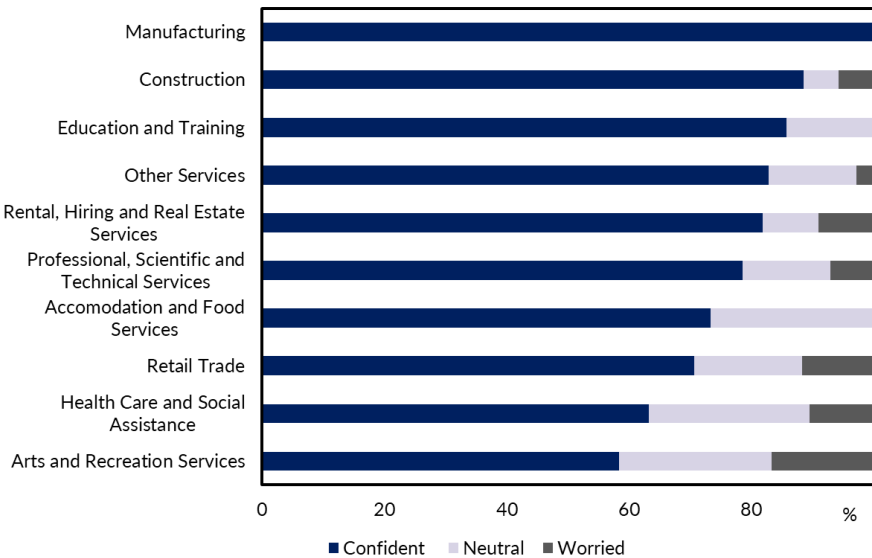
Business confidence varies across industries

Of the 10 industries with the largest number of respondents, manufacturing recorded the strongest business confidence at +100%, while Arts & Recreation Services recorded the lowest at +42% (Chart 8).

Business confidence edged down across many industries in the March quarter 2023, most notably in the Arts & Recreation Services, and Rental, Hiring & Real Estate Services industries. Consistent with the December quarter 2022, at least 50% of businesses in each industry reported as being 'confident', though there was an increase in the number of businesses reporting as being 'worried'.

The Territory's construction industry reported solid confidence of +83% this quarter after a record high of +97% in the December quarter 2022, with 6% of construction businesses reporting as 'worried' this quarter (up from 0%).

Chart 8
Business confidence by industry



Note: Graph 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 face-to-face 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.

474 businesses were surveyed out of 15,777 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	11,577	175	1.5%
Daly-Tiwi-West Arnhem	378	31	8.2%
East Arnhem	241	14	5.8%
Katherine	960	51	5.3%
Barkly	193	6	3.1%
Alice Springs	2034	188	9.2%
Total	15,777	474	3.0%