

Territory Business Confidence Survey

June quarter 2024

Key points

- Territory-wide business confidence was positive at +55%, in the June quarter 2024. This was up from +54% in the March quarter 2024 and from +44% in the June quarter 2023.
- Commonly cited reasons for confidence in the quarter were 'strong customer relations', 'been in business a long time' and 'business opportunity'.
- The most commonly cited reasons for concern were 'lack of suitably skilled workers', 'increasing business costs' and 'security & anti-social behaviour'.

Business confidence up slightly in the quarter...

Territory-wide business confidence was positive at +55% for the June quarter 2024, in response to the question 'How confident are you about your business prospects over the next 12 months?'

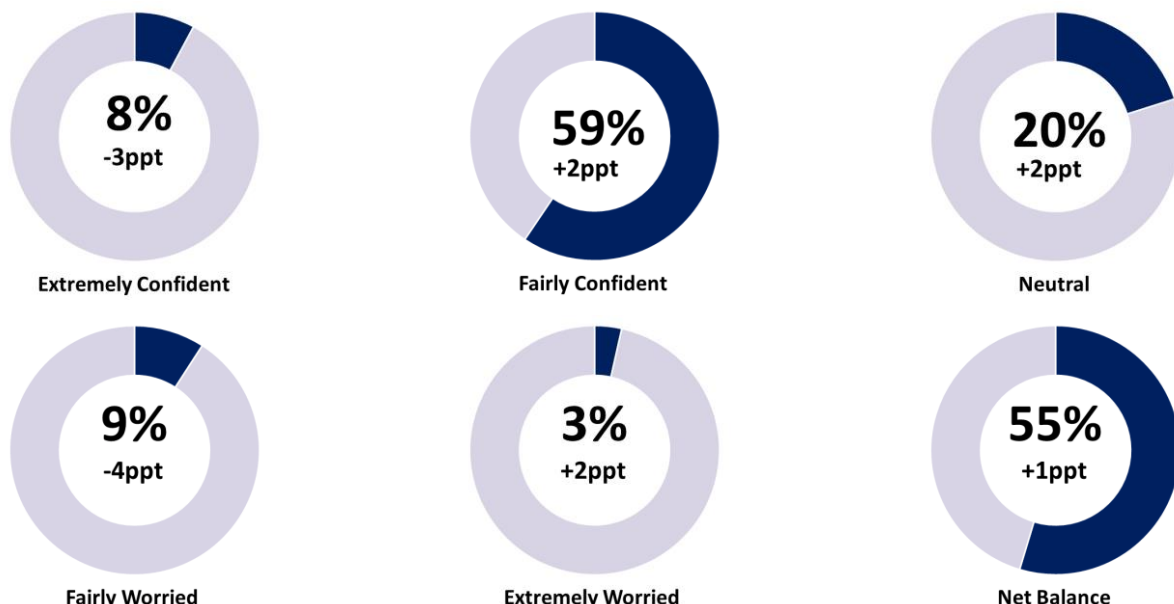
The number of confident businesses was unchanged, while worried businesses fell by 2 percentage points (ppt), leading to a marginal improvement of 1 ppt for overall confidence (Table 1).

Table 1: Business confidence index

	Jun qtr 2024	Quarterly change	Annual change*
Confident	67%	0ppt	+10ppt
Worried	13%	-2ppt	-1ppt
Net Balance	55%	+1ppt	+11ppt

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

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

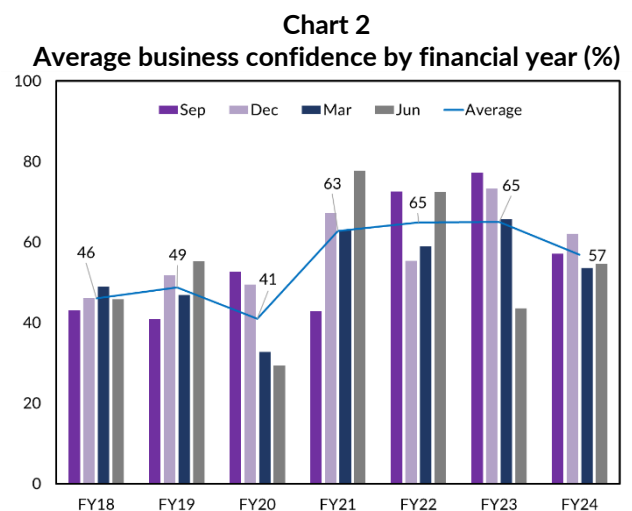
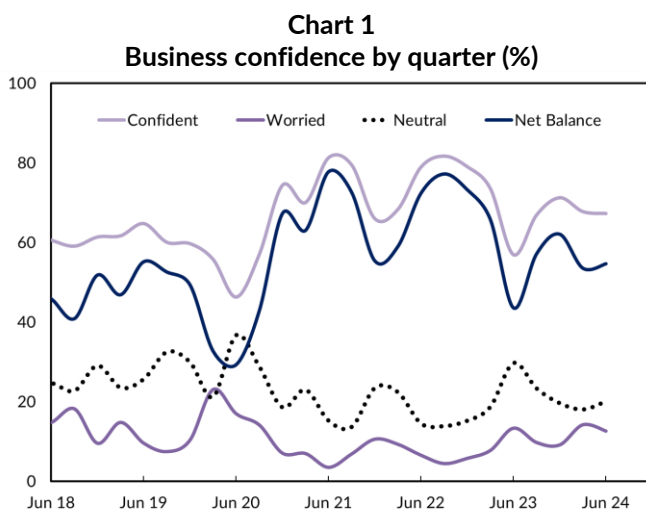


Note: Individual categories may not add to the net balance figure due to rounding.

...and improved over the year

Business confidence increased by 11 ppt compared to the June quarter 2023, as the proportion of confident businesses increased by 10 ppt and worried businesses fell by 1 ppt (Chart 1). The improvement over the year are in the areas of customer relations, been in business for long time, business opportunity, strong market position and favourable business environment.

Average business confidence across 2023-24 was +57%, above the long-term average¹ of 55% and pre-pandemic average² of 49% (Chart 2). However, business confidence in 2023-24 is lower than the previous three financial years, which were boosted by the Territory having minimal COVID-19-related movement restrictions, and strong employment, population and investment growth in the post-COVID-19 period.



Overall business performance has improved

When asked 'How is your business performing this year compared to last year?', 49% of businesses reported improved performance, a 3 ppt increase on the March quarter 2024 and a 5 ppt increase on June quarter 2023 (Table 2 and Chart 3).

Table 2: Business performance compared to last year

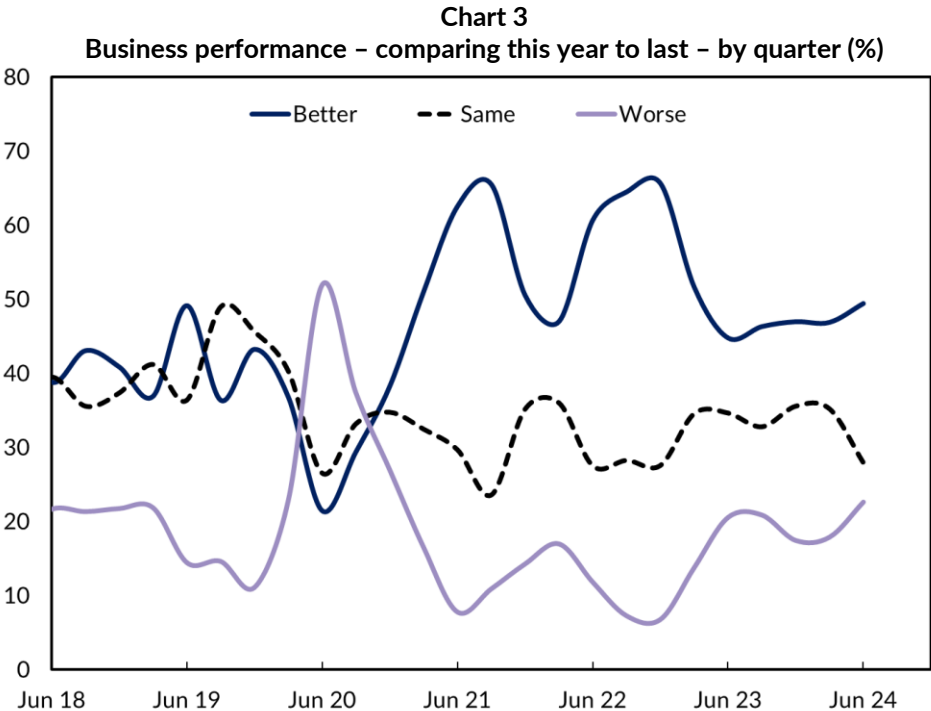
	June qtr 2024	Quarterly change	Annual change*
Better	49%	+3ppt	+5ppt
Same	28%	-7ppt	-7ppt
Worse	23%	+5ppt	+2ppt

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

However, the proportion of businesses stating performance this year worsened from last year increased by 5 ppt to 23% in the June quarter, the highest level since December 2020. Compared to June quarter 2023, the proportion of business reporting worsened performance increased by 2 ppt.

¹From the beginning of survey in December 2016 till June 2024

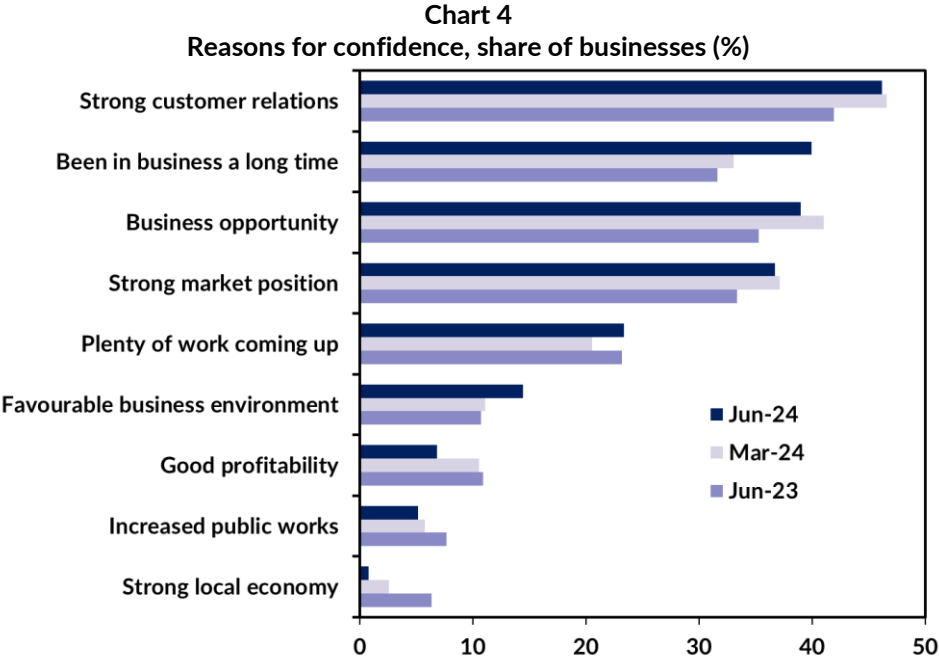
² From the beginning of survey till December 2019



Customer relations & business opportunity drive confidence

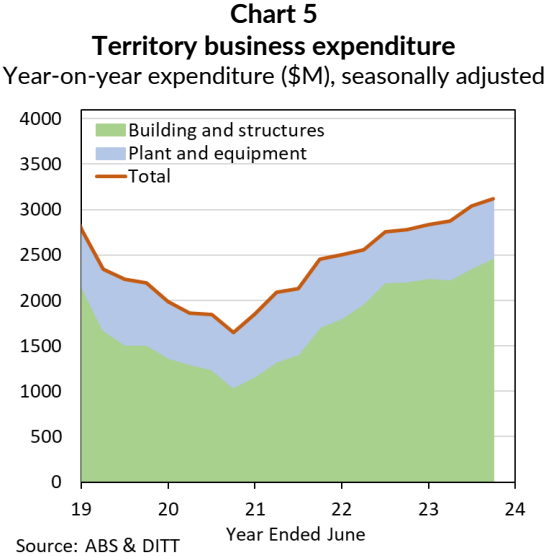
Similar to previous quarters, the main reasons for positive business confidence in the Territory are strong customer relations and benefits from being in a business for a long time. In addition, continued business opportunities and strong market position are also cited as important sources of confidence (Chart 4).

Confidence is also likely to be supported by recent media reports detailing the Territory’s \$78 billion pipeline of major projects, primarily in the minerals, oil & gas, renewables and defence industries, as well as major investments in enabling infrastructure. These investments have the potential to deliver up to 25,000 private sector jobs.



Note: a business can submit more than one response

The proportion of businesses reporting 'plenty of work coming up' increased by 2 ppt to 23% in the quarter, and 'favourable business environment' increased by 3 ppt. This is consistent with the recovery in private sector business investment in the Territory over the past few years (Chart 5).



Businesses remain concerned about labour shortages...

Since mid-2020, 'lack of suitably skilled workers' has been a consistent concern of Territory businesses, and in the June quarter 2024, 14% of businesses reported being affected by this issue. This is unchanged from the previous quarter and a 3 ppt increase from June quarter 2023 (Chart 6). Responding to question on managing labour shortages, 11% of businesses are actively seeking to attract and hire staff from interstate while around 10% are investing in training and upskilling initiatives (Chart 7).

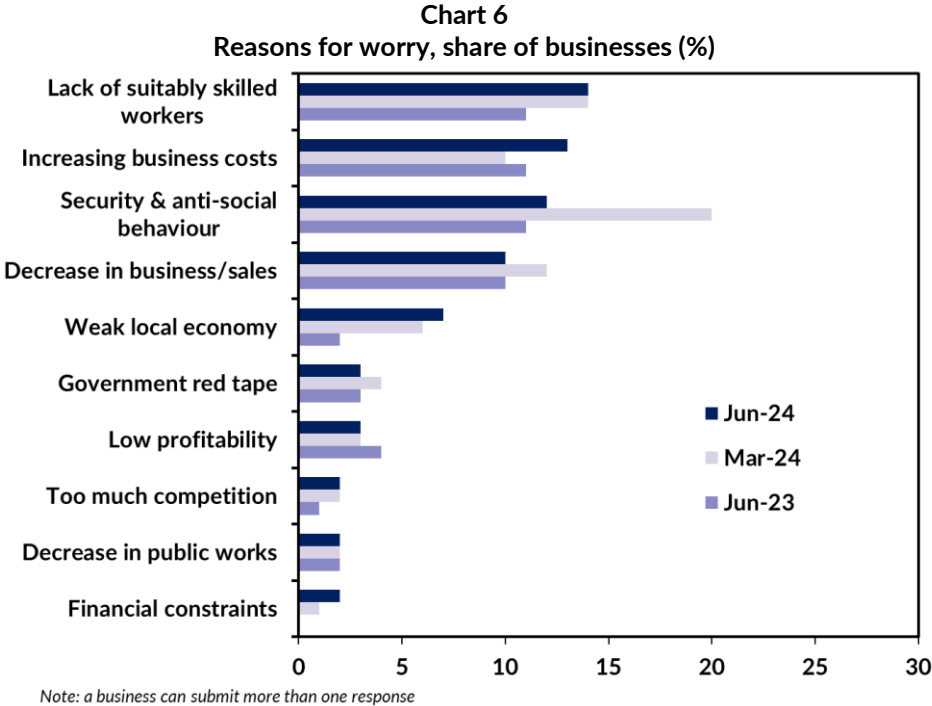
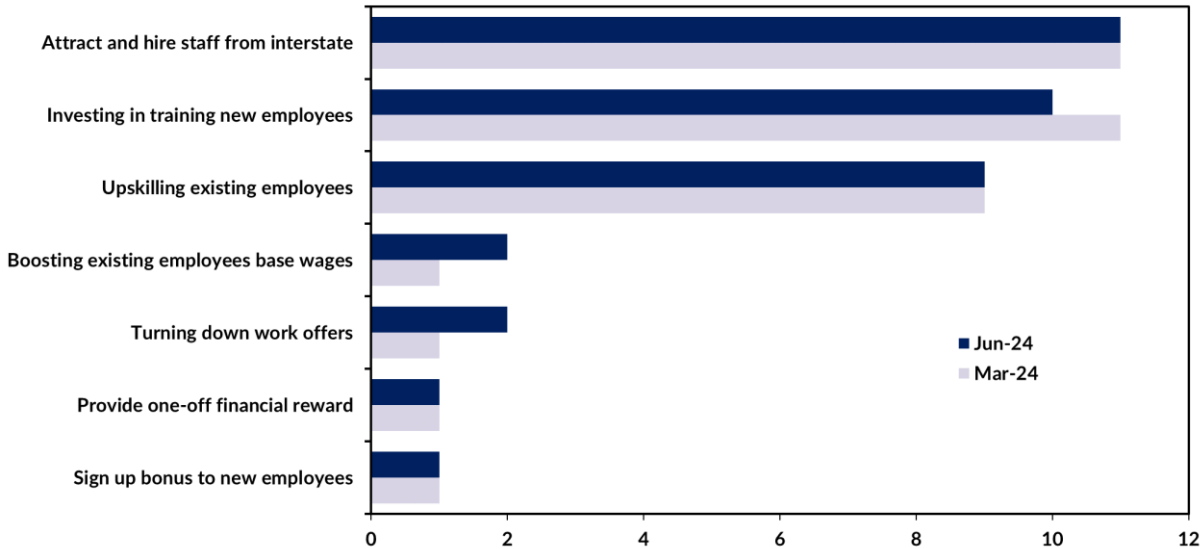


Chart 7
Response to skill shortages (%)



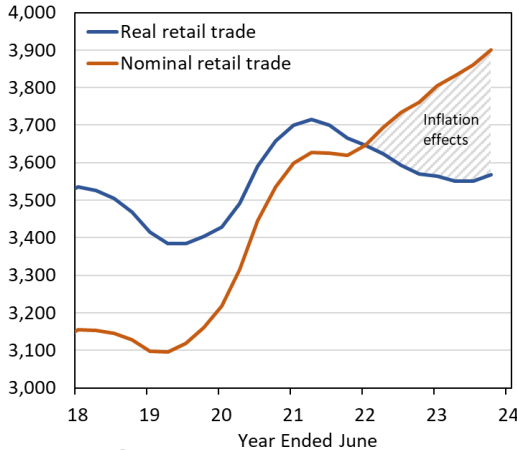
Note: a business can submit more than one response.

...as well as rising business costs and weak demand

The proportion of businesses reporting ‘increasing business costs’ rose by 3 ppt to 13% in the June quarter 2024. This is consistent with the producer price index (which measures price changes from the perspective of industries that produce goods and services, not consumers) which has been increasing steadily since March 2021, and reported annual growth of 4.3% to the March quarter 2024. Wages growth is also accelerating, and is contributing to higher business costs, with annual wage growth in the Territory at 4.1% in March quarter 2024. Higher production costs are squeezing profit margins while higher interest rates are impacting household discretionary spending, evidenced by weaker ‘real’ retail trade since mid-2021 (Chart 8).

Chart 8
Territory retail trade

Year-on-year growth (\$M), Real and nominal



Source: ABS & DITT

Concerns on security & anti-social behaviour abate slightly

Concerns on security & anti-social behaviour decreased from the most cited business concern in the March quarter 2024 to the third most cited concern this quarter. Compared with the previous quarter, businesses reporting 'security & anti-social behaviour' as a concern decreased by 8 ppt to 12%.

The drop was notable in the Big Rivers region, where the proportion of businesses reporting this concern fell from 64% to 25% in the quarter. However, more than half of the businesses surveyed in Katherine town (55%) still reported this as a concern.

In Central Australia the proportion of businesses citing security & anti-social behaviour concerns fell from 20% to 19%. However, results varied across the region, with businesses in Alice Springs recording a drop from 26% to 21%, and the rest of the region reporting an increase from 6% to 14%. During this period, the NT Government employed various measures to address anti-social behaviour including a curfew in Alice Springs in April, and passing legislation in May, giving the NT Police Commissioner power to declare three day curfews to address public disorder risks.

Business confidence is mixed across the regions...

Business confidence and performance varied by region in the quarter (Table 3), with Barkly reporting the highest net balance of +100% and East Arnhem reporting the lowest of 34%. (Small sample size in some regions can contribute to large quarterly movement).

Greater Darwin reported net confidence of 55%, an increase both over the quarter (+1 ppt) and year (+16 ppt) and respondents attributed this to rising business activity, a strong pipeline of projects and promising future opportunities.

Business confidence in Big Rivers region recorded a net balance of +74%, an increase of 8 ppt in the quarter and 43 ppt compared with June quarter 2023.

Central Australia recorded net business confidence of 37%, an improvement of 7 ppt in the quarter, but lower by 30 ppt compared to the June quarter 2023.

...and among the industries

Business confidence varied among the 10 industries with the largest number of respondents, ranging from Education & Training reporting a net balance of 82% to Retail Trade reporting 30% (Chart 10).

Education & Training reported the highest business confidence for the second consecutive quarter, noting a quarterly increase of 1 ppt and an annual increase by 5 ppt (Table 4). Higher international students' arrivals (up 11% in the year to May 2024) and Commonwealth funding to set up a medical school at the Charles Darwin University are likely to have supported confidence.

Construction industry confidence fell by 9 ppt in the quarter as businesses were impacted by extreme weather events (tropical cyclone Megan), higher interest rates impacting short term demand and ongoing labour shortages.

Similar to previous quarters, business confidence in customer facing sectors is relatively low. This is largely attributable to weaker consumers spending behaviour driven by high inflation and tight monetary policy setting as well as lower tourist numbers. In the year to March 2024, domestic visitation in the Territory fell by 8.5% (1.45 million visitors) while total visitors declined by 3.2% (1.65 million visitors).

Table 3: Business confidence & performance by region

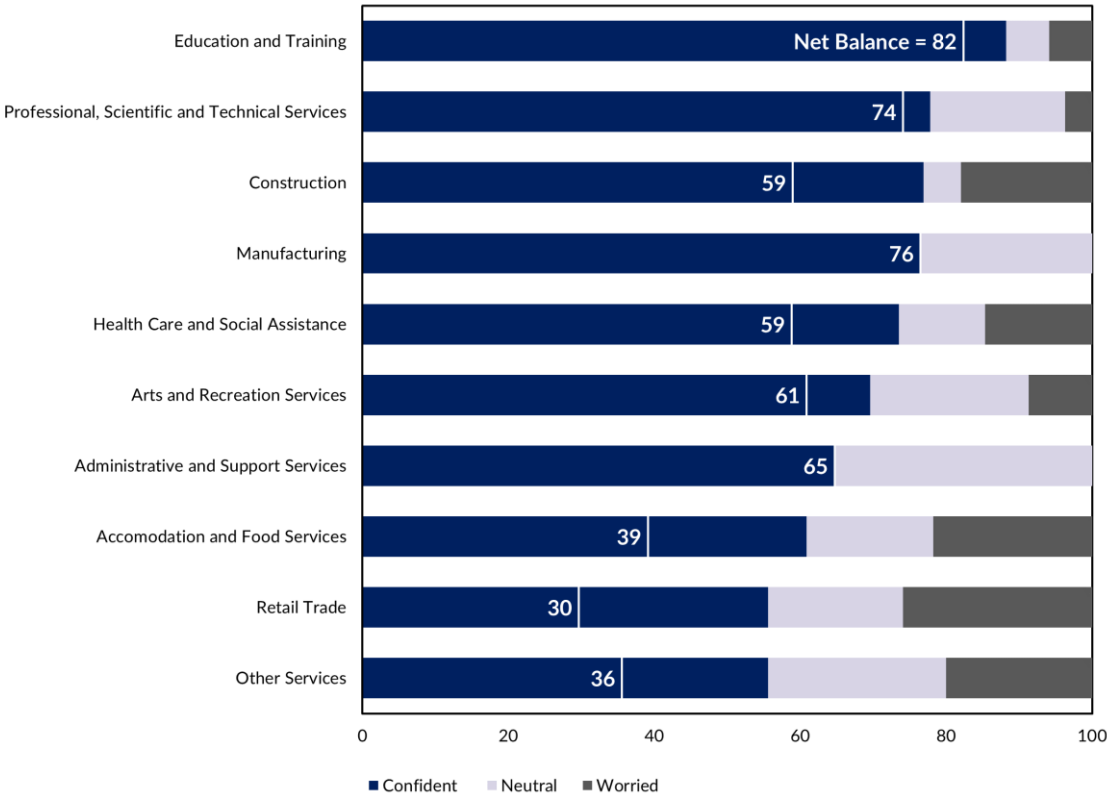
Business Confidence				Business Performance			
	Jun qtr 2024	Quarterly change	Annual change		Jun qtr 2024	Quarterly change	Annual change
Territory-wide (n=526)				Territory-wide (n=526)			
Confident	67%	0ppt	+10ppt	Better	49%	+3ppt	+5ppt
Worried	13%	-2ppt	-1ppt	Same	28%	-7ppt	-7ppt
Net Balance	55%	+1ppt	+11ppt	Worse	23%	+5ppt	+2ppt
Greater Darwin (n=193)				Greater Darwin (n=193)			
Confident	67%	0ppt	+13ppt	Better	53%	+3ppt	+9ppt
Worried	12%	-1ppt	-3ppt	Same	24%	-10ppt	-12ppt
Net Balance	55%	+1ppt	+16ppt	Worse	24%	+7ppt	+3ppt
Daly-Tiwi-West Arnhem (n=33)				Daly-Tiwi-West Arnhem (n=33)			
Confident	72%	-22ppt	+1ppt	Better	64%	+1ppt	+3ppt
Worried	9%	+9ppt	+7ppt	Same	21%	-10ppt	-3ppt
Net Balance	63%	-32ppt	-6ppt	Worse	15%	+9ppt	+1ppt
East Arnhem (n=38)				East Arnhem (n=38)			
Confident	58%	-24ppt	-2ppt	Better	32%	-22ppt	-3ppt
Worried	24%	+6ppt	+10ppt	Same	54%	+36ppt	+11ppt
Net Balance	34%	-29ppt	-12ppt	Worse	14%	-14ppt	-8ppt
Big Rivers (n=147)				Big Rivers (n=147)			
Confident	82%	+2ppt	+26ppt	Better	36%	+12ppt	-20ppt
Worried	8%	-6ppt	-17ppt	Same	30%	-15ppt	+24ppt
Net Balance	74%	+8ppt	+43ppt	Worse	34%	+2ppt	-4ppt
Barkly (n=4)				Barkly (n=4)			
Confident	100%	+12ppt	+20ppt	Better	50%	+15ppt	-3ppt
Worried	0%	-6ppt	-4ppt	Same	50%	0ppt	+21ppt
Net Balance	100%	+18ppt	+24ppt	Worse	0%	-15ppt	-18ppt
Central Australia (n=111)				Central Australia (n=111)			
Confident	59%	+3ppt	-12ppt	Better	37%	0ppt	-9ppt
Worried	22%	-4ppt	+17ppt	Same	48%	+4ppt	+3ppt
Net Balance	37%	+7ppt	-30ppt	Worse	15%	-3ppt	+5ppt

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

Table 4: Business confidence by industry

Sector	June Q 2024		Net Balance		
	Confident	Worried	June Q 24	Mar Q 24	June Q 23
Education & training	88%	6%	82	81	77
Manufacturing	76%	0%	76	67	67
Professional, scientific & technical services	78%	4%	74	76	76
Administrative & support services	65%	0%	65	76	87
Arts & recreation services	70%	9%	61	53	41
Construction	77%	18%	59	68	79
Health care & social assistance	74%	15%	59	73	74
Accommodation & food services	61%	22%	39	43	44
Other services	56%	20%	36	53	48
Retail trade	56%	26%	30	21	35

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.

Modest investment intentions

The proportion of businesses planning to invest in new capital and equipment increased by 3 ppt to 25% in the quarter (Figure 2), with 13% of the Territory businesses expecting to invest in new technology in the short to medium term, a drop of 1 ppt in the quarter (Figure 3).

Figure 2
Expect to invest in capital & equipment

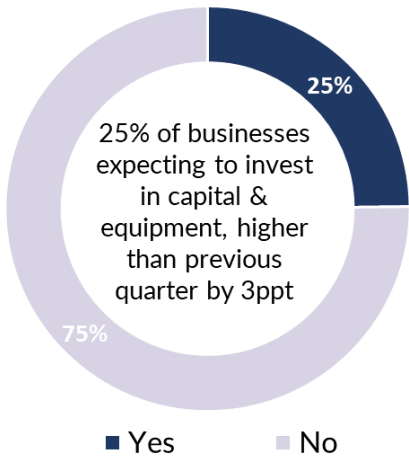
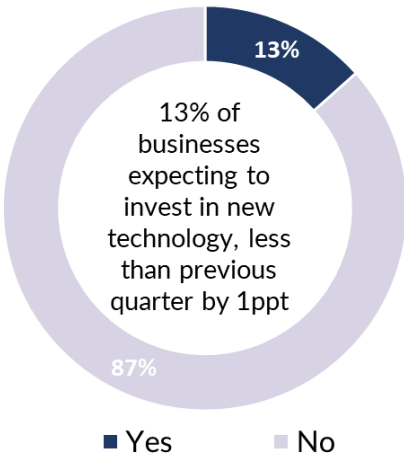


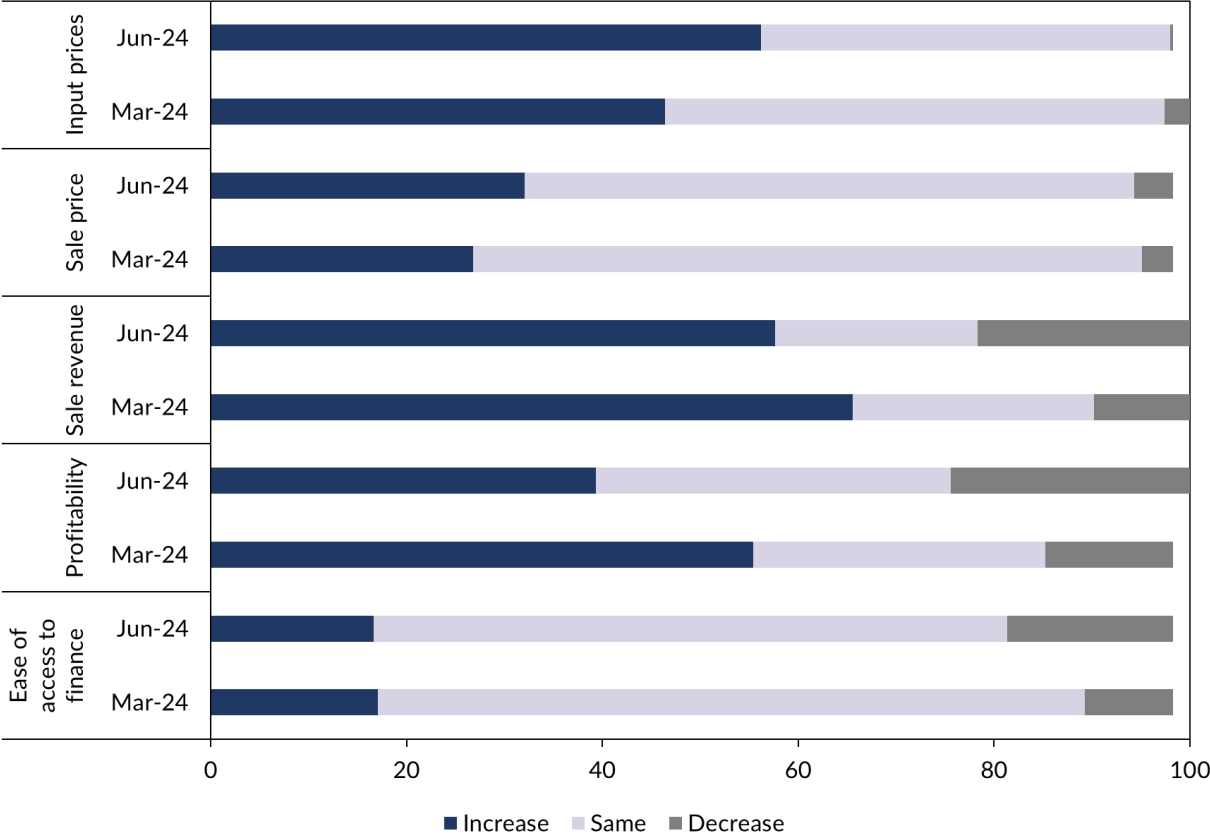
Figure 3
Expect to invest in new technology



Businesses are confident of revenue growth

A majority of businesses expect input prices to grow faster than unit sale prices putting pressure on margins and profitability (Chart 11). At the same time revenue is expected to grow faster than sale prices, suggesting that businesses expect an increase in demand (as well as prices) across the economy over the coming year.

Chart 11
Business indicators (%)



The outlook for business confidence is mixed

Looking ahead, Territory businesses face a mixed outlook. On the positive side, the large pipeline of projects and incentives for the tourism industry are expected to continue to create opportunities for business growth. On the flipside though, concerns about lack of suitably skilled workers, rising business costs and security & anti-social behaviour issues are persistent, and finding effective and enduring solutions to these economic and social issues remains challenging for both the business community and government.

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.

526 businesses were surveyed this quarter out of 16,105 operating businesses in the Territory (Table 4). For the sample survey to achieve a 95% confidence level with a margin of error of 5%, 391 survey responses are required.

Table 5: Survey Numbers

Region	Total number of businesses	Businesses surveyed	Proportion of total
Greater Darwin	11,907	193	1.6%
Daly-Tiwi-West Arnhem	389	33	8.5%
East Arnhem	275	38	13.8%
Katherine	1,036	147	14.2%
Barkly	182	4	2.2%
Alice Springs	2,020	111	5.5%
Total	16,105	526	3.3%

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