

2023 Hills Shire Business Performance Sentiment Index

Delivering the pulse of local businesses in The Hills

September 2023



THE HILLS
Sydney's Garden Shire



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Mayoral Message

The latest survey of the Hills Shire Business Performance Sentiment Index (PSI) has revealed the impact of the current economic climate on our community. Despite the challenges of extreme weather, the pandemic, inflation, labour shortages and supply chain issues - the survey has highlighted the enduring optimism of our local businesses.

This resilience underscores the attractiveness of our Shire as a hub for entrepreneurship and growth, which benefits residents considering business relocation or job opportunities closer to home.

The Hills presents promising opportunities in the ever-evolving economic environment. Our population is growing, a business park is coming to Box Hill, Norwest is expanding, and Rouse Hill is getting a new hospital and commercial precinct. The development of land around the Metro stations will also create new opportunities at Bella Vista and Cattai Creek West.

Council has developed an Economic Growth Plan that showcases the strengths and opportunities of our region for the next 20 years. Our aim is to generate 50,000 new job opportunities in The Hills by 2041. Our goal is to attract businesses that align with the skills of our highly educated residents, with many of them achieving a bachelor's degree or diploma.

Our Council plays a pivotal role in supporting prosperity and job creation through our policies and the zoning of employment land. Connectivity and amenity are other critical areas of focus, and we are enhancing the infrastructure in and around our employment areas.

Our Economic Development team offers valuable resources, including industry insights, demographic data, and market research, while also facilitating connections with key stakeholders and organising workshops for continuous growth. I encourage our business community to collaborate with our Economic Development team and explore various options available to them.

A positive outcome of the 2023 PSI was that businesses participating in Council's business support programs were more likely to forecast growth in the upcoming year. I also encourage our new and established businesses to attend the range of workshops we run throughout the year, including marketing, accounting and HR amongst many others.

Lastly, I want to thank the survey participants and McCrindle Research for their involvement.

I look forward to working alongside our local businesses and advocating for them to ensure they have the best outcomes to grow and succeed.

Mayor of The Hills Shire

Dr Peter Gangemi



A resilient community of business leaders amidst tough economic conditions

It has been a pleasure to conduct the 8th instalment of The Hills Business Performance Sentiment Index, and to uncover that location and work/life balance continue to be a strength among business leaders in The Hills.

The Hills business community continues to demonstrate resilience in the face of heightened economic challenges that are affecting the national and global economy. Businesses are increasingly concerned about the operating conditions which are negatively impacting performance. Increasing costs, impairing conditions, and ballooning expenses without equivalent increase in revenue, all of which are dampening the otherwise encouraging post pandemic economic recovery.

The national economy has worsened which has put pressure on local businesses. Consumer and business spending is down, while employment and operation costs have gone up. Future forecasts tell a story of more-of-the-same over the next 12 months, bringing into sharp focus the need for cost management and profit generation.

In line with the longstanding strength and resilience of The Hills business community, however, the future is hopeful. Business leaders are forecasting future growth based on current activity. Revenue, profit and cashflow are all projected to be better in 12 months' time. Despite the negatively trending expense forecast and economic outlook, business leaders are prepared for growth.

In this latest deployment of the PSI, we are delighted to find a resilient community of highly experienced business leaders, striving and planning for growth against significant economic headwinds.

Director, McCrindle

Mark McCrindle



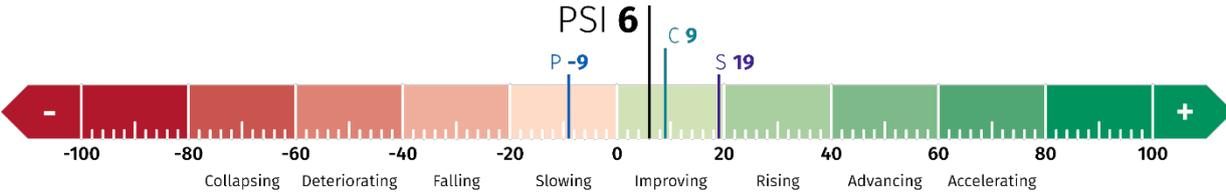
The Business Performance Sentiment Index (PSI)

Design

The Business Performance Sentiment Index (Business PSI), developed by McCrindle, is an ongoing measure of business performance, conditions, and sentiment.

The Business PSI provides a snapshot of business health. This latest edition of the Business PSI features the 2023 results for The Hills Shire, with seven years of comparative data from 2015 to 2022, with the exception of 2021.

The Business PSI covers three key business measures which are performance, sentiment and conditions. The PSI uniquely charts these measures on a scale ranging from accelerating on the extreme positive to collapsing on the extreme negative. Each key measure (conditions, performance, and sentiment) is comprised of sub-measures made up of several indicator questions.



The PSI is calculated using 21 targeted questions. Each question involves a 7-point Likert scale. The question results indicate whether business conditions, performance, and sentiment are positive (improving, rising, advancing, accelerating) or negative (slowing, falling, deteriorating, collapsing).

The average of the three key measures (conditions, performance and sentiment) gives an overall Business PSI score. An example of an indicator question is provided below:

Based on current sales leads, enquiries, and sales activity, how do you think your overall revenue will compare in 6 months' time to today?



Purpose and use

The Business PSI is a robust measure of current performance, derived from actual earnings, expenses, staffing numbers etc. (performance and direction) as well as expectations of the future (sentiment and outlook).

The Business PSI is designed to be deployed in local and regional geographies. Doing so provides insight into economic conditions, regulatory settings and the impact of infrastructure in a local context. Highly contextual data allows for a nuanced understanding of business performance and conditions. The Business PSI's geographic specificity allows for the comparison of business performance by region, across a city, within a state, and across states.

Importantly, the Business PSI is also a longitudinal instrument allowing the comparison of regional business performance over time. Time specific data allows for analysis of local policies, investments and infrastructure developments. It also allows for analysis of the ways state and national issues, such as economic conditions, affect local geographies.

Deployment

The Business PSI is a tested and easy-to-deploy 21 question survey. It allows business chambers and local governments to survey business stakeholders at any point in time and compare the results to other locations or previous deployments.

The Business PSI also allows industry groups and peak bodies to calculate PSI scores for specific industries (i.e. hairdressers, real estate agents etc.) or broader business categories (i.e. retailers, B2B service providers etc.).

The resulting PSI includes quantitative measures of business performance while incorporating attitudes, sentiment, and forecasts. This unique result delivers a comprehensive measure of actual and attitudinal performance; incorporating recent performance and current forecasts.

Indicator overview

The following tables outline the individual measures that form the conditions, performance and sentiment components of the Business PSI.

Conditions

Measures	Indicators	Question example
Economic conditions	Local economic performance	How would you say the local economy is performing now compared to 12 months ago?
	Australia's economic performance	How would you say the Australian economy is performing now compared to 12 months ago?
Regulatory settings	Red tape and regulation requirements	How do the time and cost requirements related to compliance, legislation and regulations in your sector compare to 12 months ago?^
	Supportive government policy settings	How do government policy settings that support small businesses and assist your sector compare to 12 months ago?
Infrastructure and locale	Local infrastructure provision	How does the provision and performance of public transport, traffic and roads, parking availability and telecommunications compare to 12 months ago?
	Business expansion or reduction	Has there been any change (either expansion or reduction) in your office use, fit-out, number of locations, and/or commercial space in the last 12 months?
	Infrastructure and locale outlook	How will the provision and performance of public transport, traffic and roads, parking availability and telecommunications compare in 12 months' time?

Performance

Measures	Indicators	Question example
Earnings	Sales and revenue	How does your overall sales revenue compare to 12 months ago?
	Pre-tax profit	How does your operating and pre-tax profit compare to 12 months ago?
	Business cash flow	How does your business cash flow compare to 12 months ago?
Expenses	Business costs	How do your business costs compare to 12 months ago?
	Capital investments and expenses	How do your capital investments compare to 12 months ago?
Employment	Staffing levels	How do your staffing levels (both numbers and hours) compare to 12 months ago?
	Staff wages and on-costs	How do your staff wages and on-costs compare to 12 months ago?^

Sentiment

Measures	Indicators	Question example
Economic outlook	National economic outlook	How do you think the Australian economy will be performing in 12 months' time compared to today?
	Internal revenue outlook	How do you think your overall revenue will compare in 12 months' time to today?
Cost forecast	Expense forecast	How do you think your business expenses (input, staffing, materials, sales) will compare in 12 months' time to today?^
	Staffing level forecast	How do you think your staffing levels (both numbers and hours) will compare in 12 months' time to today?
Growth forecast	Profit forecast	How do you think your operating pre-tax profit will be in 12 months' time compared to today?
	Cash flow forecast	How do you think your business cash flow will be in 12 months' time compared to today?
	Expansion forecast	Do you foresee any change (either expansion or reduction) in your office use, fit-out, number of locations, and/or commercial space in the next 12 months?

^The results of these questions are inverted within the PSI. For example, an increase in the time and cost requirements related to compliance, legislation and regulations would impede business growth rather than advance performance.

2023 Hills Business PSI

Participants

The 2023 Hills Business PSI is based on the experiences, attitudes and expectations of business owners and managers in The Hills Shire. The results include 195 started surveys and 113 completed surveys. This report represents completed responses from business owners and managers only. Responses were collected from 22nd of May to the 28th of July 2023 and are representative of various business sizes, locations and industries.

As of June 2022, there are 24,134 businesses in The Hills Shire. The present sample size of 113 provide a 7.5% margin of error and a confidence level of 90%. This is a robust sample size and accurately reflects the business composition of The Hills based on business size and sector.

More than one in two have been business owners for 10+ years

The business community in The Hills is highly educated and experienced. Three in five (59%) respondents to The Hills Business PSI are educated to a Bachelor Degree level or above. For business owners, which makes up the majority of the respondents (89%), more than one in two (56%) have been business owners for ten years or more.

Large service economy in The Hills

Businesses that provide products or services to consumers comprise 59% of the PSI. The remaining 41% are in the business-to-business sector (B2B). Segmenting this by products and services, almost three quarters of respondents (73%) to the PSI are service providers, just 27% supply products to consumers, businesses, public utilities and/or government.

Just under one in five business owners and managers in the PSI are sole traders (18%). Micro businesses with one to four employees comprise 44% of the PSI. Small businesses with five to 19 employees also make up 27% of respondents. Businesses with 20+ employees (medium+) make up the remaining 11% of respondents.

Respondent demographics

Amongst respondents to the Business PSI, 55% are male and 45% are female. Generation X business owners and managers aged 44 to 58 comprise half of the respondents to the Business PSI (50%). Baby Boomers and Builders aged 59 or above also comprise 31% of the respondents. Young Gen Y business owners and managers aged 29 to 43 are the remaining 18% of the respondents.

Please refer to the appendix for a comprehensive overview of participants and their business demographics.

The Hills Shire

MEDIANS & AVERAGES



191,876
Population



38
Median age



3.1
Household size



2.1
motor vehicle per household



40.5%
educated to Bachelor degree level or above



40%
born overseas

LANGUAGE

Top 5 languages other than English used at home

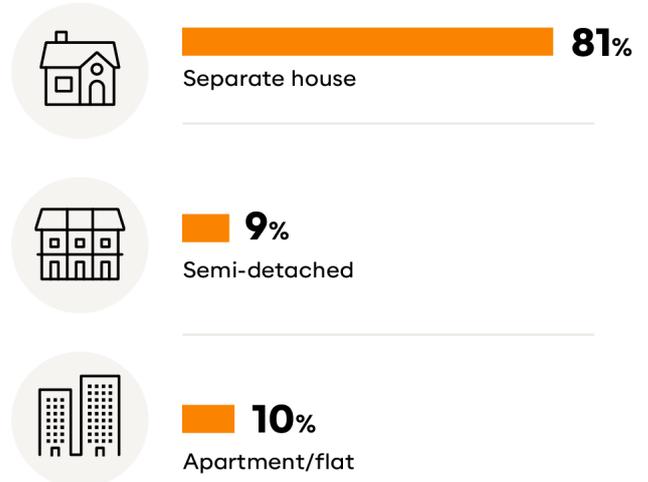
- 1 Mandarin **8%**
- 2 Cantonese **3%**
- 3 Hindi **2%**
- 4 Korean **2%**
- 5 Arabic **2%**



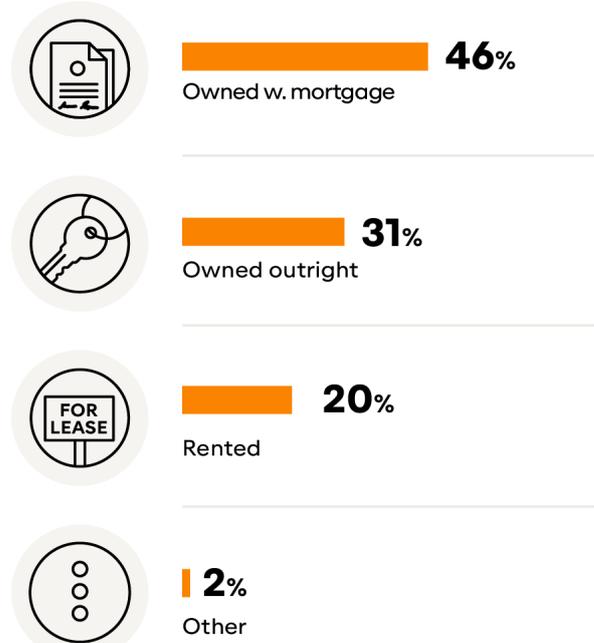
39%
use a non-English language

DWELLINGS

Dwelling type



Home ownership



BUSINESSES



Business by size



Data: ABS, NSW DPE, Remplan

TOP 5 INDUSTRIES OF EMPLOYMENT

The Hills Shire



Australia



TOWARDS 2041



Population projected to grow to **284,300** by **2041**

A growth of almost **100,000** residents in the next 20 years



+10,800

Couple only households



+14,400

Couple with children



+3,300

Single parent households



+1,600

Multiple family and other family households



+6,500

Lone person households



+500

Group households

Data: ABS, NSW DPE, Remplan

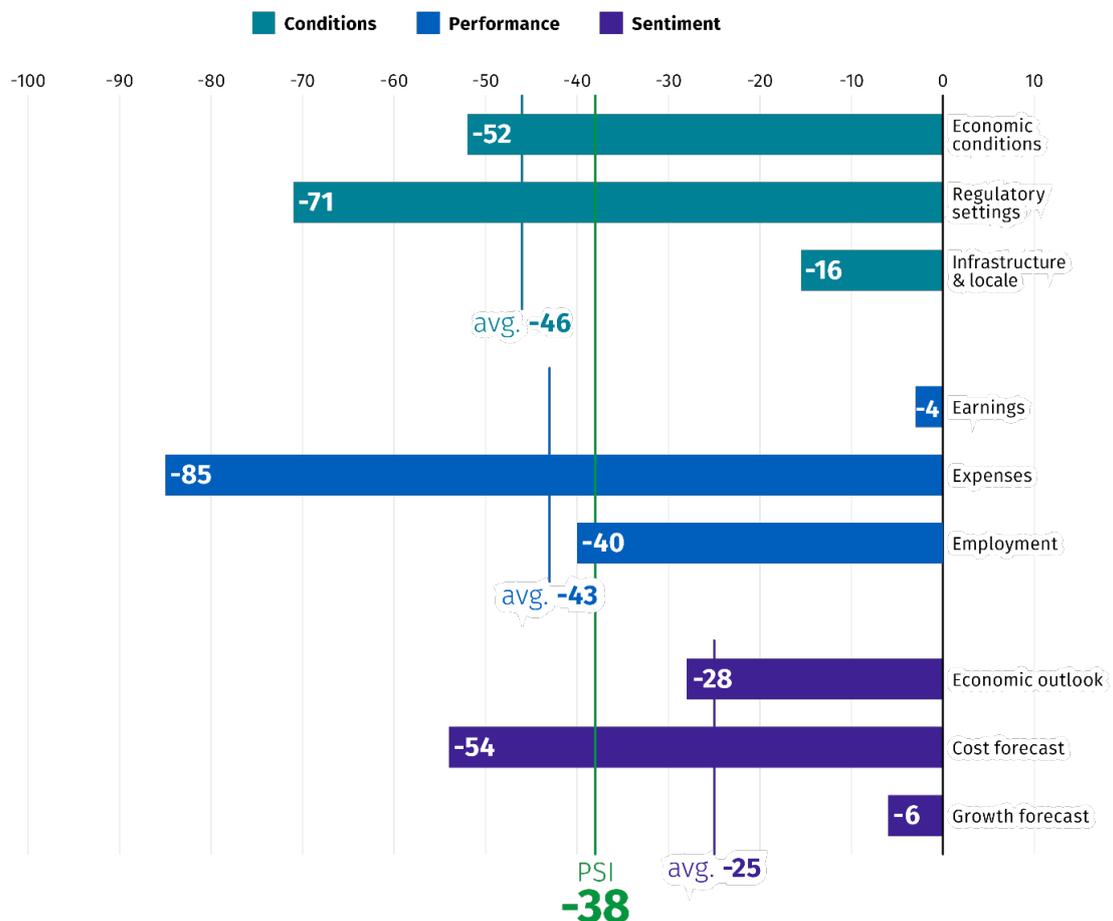
Results

With the combination of rising inflation, increasing cost of living and doing business, and restrictive financial conditions, the 2023 Hills Business PSI is a falling score of -38, an indication of the challenging environment that the business community is facing.

In 2022, the PSI score of 6 was a sharp rebound after -45 in 2020. The improving conditions, performance, and sentiment of 2022 was a sharp rebound from the social and economic effects of the COVID-19 outbreak. This rebound has nearly returned to nearly the negative levels during COVID-19 outbreaks in 2020 due to a number of unfavourable external factors. In fact, the decline from 2022 to 2023 larger than that from 2019 to 2022 (44 decline cf. 43).

The increased consumer and business spending of 2022, which was in part driven by pandemic related low interest rates, has led to inflationary conditions globally. The subsequent reaction in curbing spending by ways of restricting lending has led to a decrease in consumer and business spend in 2023. Coupled with the rising cost of goods and staff wages, businesses are experiencing pressure from ballooning expenses without an equivalent rise in revenue.

The negative score reveals the major pressures businesses are facing. Despite 2022's positive score, the road ahead has major headwinds for the future.



Individual measures

The Business PSI is comprised of three key categories: current operating conditions (C), business performance (P), and future sentiment (S).

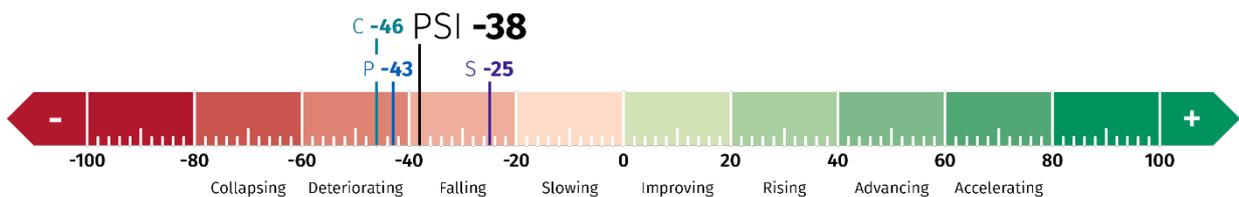
As a result of the drastic shift in global and national economy, the 2023 PSI indicator scores of condition, performance, and sentiment have all declined by 30+ points since 2022.

Out of the three categories, operating conditions and business performance are the most negative. Both measures are seen by business leaders as deteriorating compared to the condition and performance just 12 months prior. Future sentiment, while negative, is the most promising, an indicator that the business community of The Hills Shire is anticipating improvements in the next year.

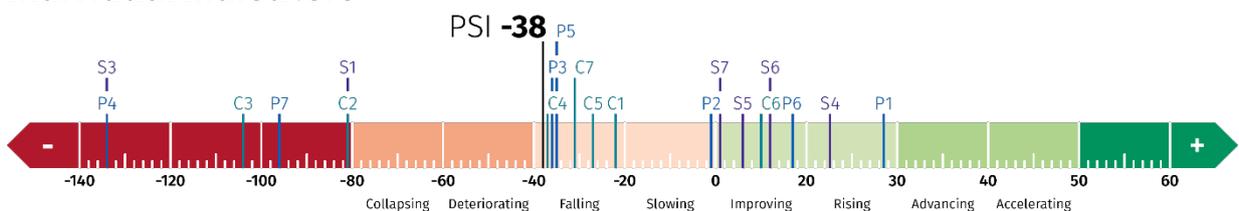
In large parts, the sentiment measure is positive. The business community is forecasting growth in revenue, profit, cashflow, and size in both staffing level and facilities. The main detractors are the views that the national economic outlook is collapsing, as well as a crippling expense forecast.

The cost of business operation, which is the performance indicator that has fared the most negatively in 2023, is not viewed by the business community to improve in the future. Majority of business leaders in The Hills report that business costs have worsened (78%). One in four (26%) find that overall business costs are at least 10% worse than 12 months prior. Over the next 12 months, almost an identical proportion of business owners and managers believe expenses will increase (79%), and 19% is forecasting expenses will increase significantly, holding back the otherwise improving outlook.

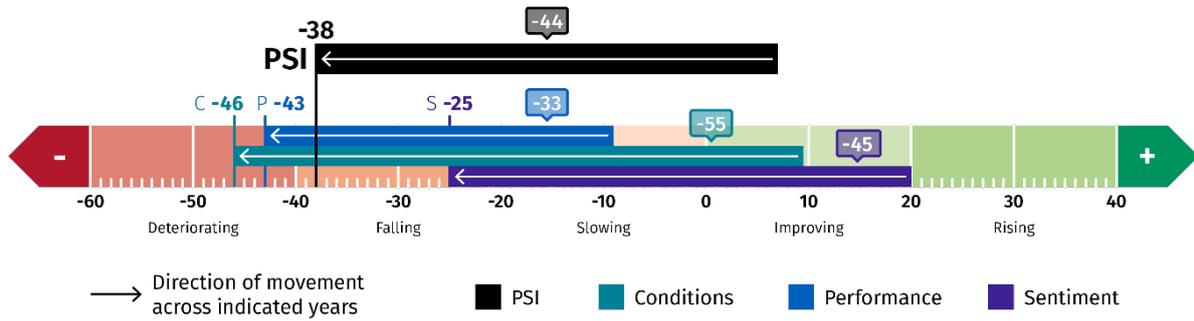
Measures



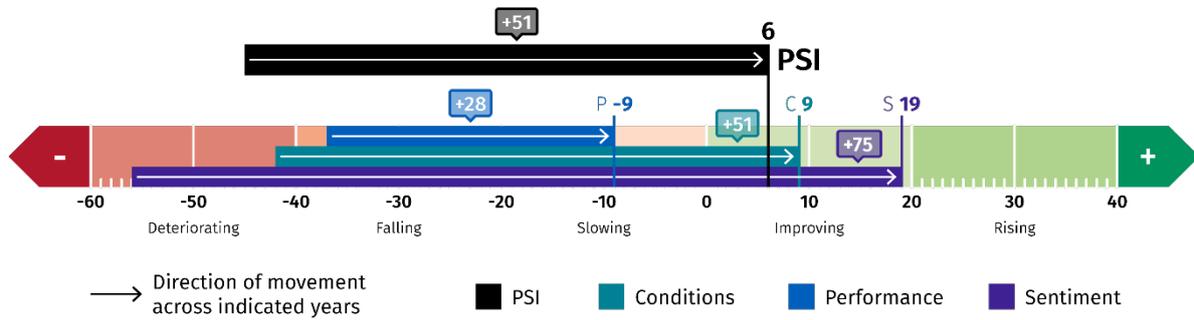
Individual indicators



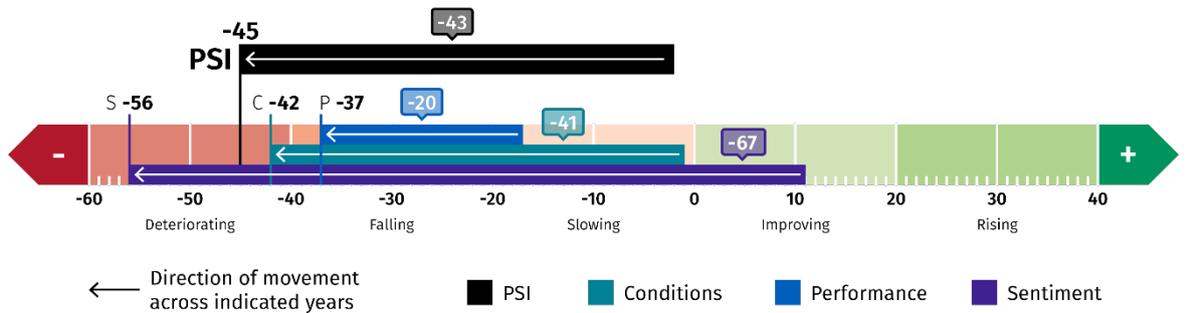
2022 to 2023



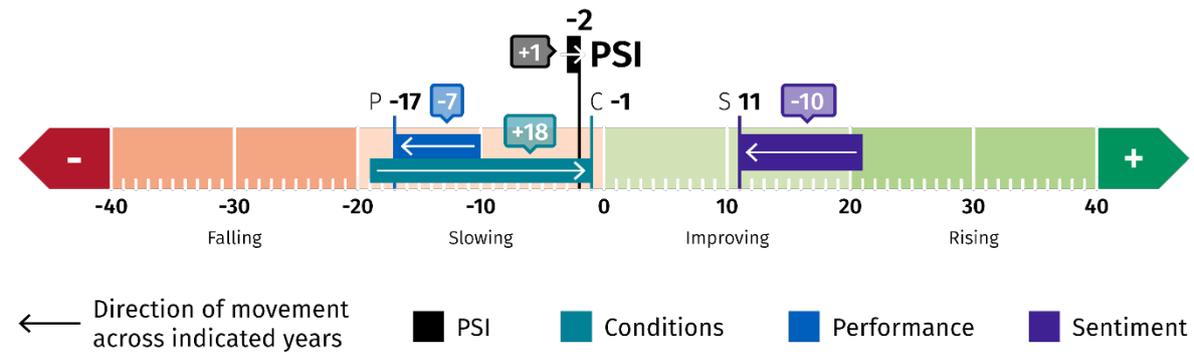
2020 to 2022



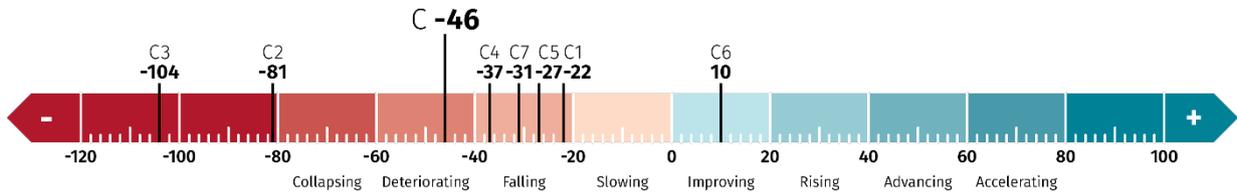
2019 to 2020



2018 to 2019



Conditions



Measure	Key Indicator	2015	2016	2017	2018	2019	2020	2022	2023
Economic conditions	C1 Local economic performance	6	47	39	20	-19	-91	65	-22
	C2 Australia's economic performance	-42	21	-3	10	-33	-122	69	-81
Regulatory settings	C3 Red tape and regulation requirements	-64	-45	-53	-61	-73	-73	-92	-104
	C4 Supportive government policy settings	3	1	-18	-15	-16	17	9	-37
Infrastructure and locale	C5 Local infrastructure provision	-32	-49	-94	-76	123	56	-24	-27
	C6 Business expansion or reduction	18	32	33	21	13	-16	25	10
	C7 Infrastructure and locale outlook	-27	-35	-72	-45	64	-14	2	-31
Total score		-21	-2	-21	-19	-1	-42	9	-46

Conditions summary

The rapid change in economic conditions from 2022 to 2023 has led to a large drop in the PSI condition score from 9 to -46. The national economic performance is perceived to have had the largest decline. In 2022, when the conditions of business operation were spurred by pandemic-era government stimulus, a stronger-than-expected recovery from the COVID-associated economic shutdown, the national economic performance appears to be accelerating. Fast forward 12 months, geopolitical tension involving Australia's largest trading partners, successive rises in central bank interest rates in an attempt to curb runaway inflation, the national economy is perceived to be performing far worse than a year ago.

Similar but to a lesser extent, performance of the local Hills Shire economy is also perceived to be falling, reversing the trend of an advancing local economy in 2022.

Interestingly, red tape and regulation requirements has remained the worst performing conditions indicator for the business community of The Hills Shire. Coupled with the perceived decline in supportive government policy settings, the regulatory settings are seen by Hills business leaders as collapsing.

In times of economic pressure, it is likely that costs of red tape and the perceived lack of support will be amplified, as time costs to meet regulatory requirements takes away from profit-generating business operations.

Business leaders in The Hills Shire are reporting growing pains with infrastructure provision, particularly in relation to transport, parking, and telecommunications. This is leading to a slowing outlook on local infrastructure and locale. The boosts to infrastructure outlook brought on by the Metro has well and truly normalised. The community also believes that in the next 12 months, the provision and performance of local infrastructure will worsen.

Worsening operating conditions affecting business of all sizes

The unfavourable environment that businesses are operating in at present is affecting all segments of the business community in The Hills Shire. The agility afforded to sole traders has helped lessen the effects of a poor performing national economy. Cost of compliance is also a more manageable burden for sole traders in The Hills Shire.

For employing businesses, however, it appears that size is directly affecting how negatively the external conditions are affecting business operations. For medium+ businesses with more than 20 employees, owners and managers are more likely to report that the national economy is negatively trending than their smaller counterparts.

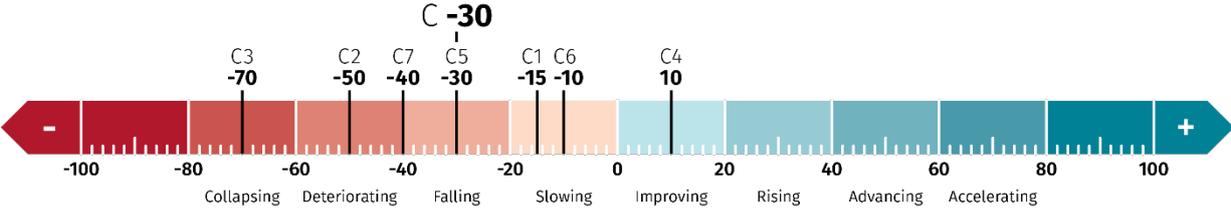
Cost of compliance which is normally mitigated by larger business size with well-integrated systems does not seem to be helping medium+ businesses in The Hills in 2023. Micro businesses with one to four employees and small businesses with five to 19 employees are just as likely to report on the increasing costs of red tape and regulatory requirement to their businesses.

Consumer sector in decline

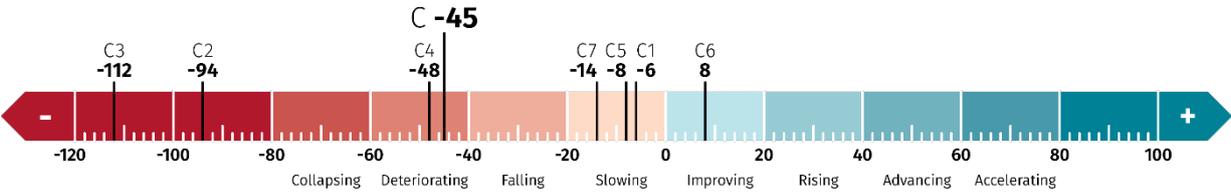
The B2C sector of The Hills Shire is seeing a slowdown in operating conditions. Business leaders of B2Cs view both the local and national economy negatively. Infrastructure provision and performance for B2Cs, which rely heavily on traffic, also shares a falling outlook by business leaders.

The business-to-business sector on the other hand, is reporting an improving local economic performance outlook despite a falling national economy. Cost of red tape and compliance fares similarly between B2Bs and B2Cs. Infrastructure and locale for B2Bs are more favourable both now and into the future compared to B2Cs. B2Bs are also expanding in footprint in locations and commercial space more than B2Cs, owing in part to the more positive performance of the sector.

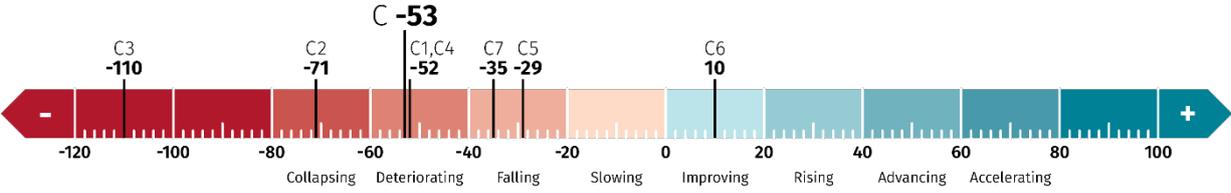
Sole traders (no employees)



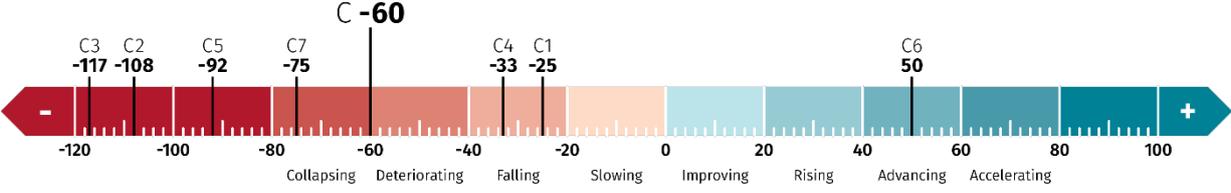
Micro (one to four employees)



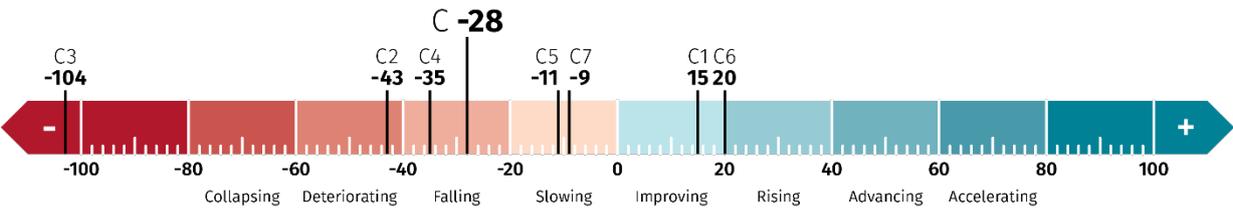
Small (five to 19 employees)



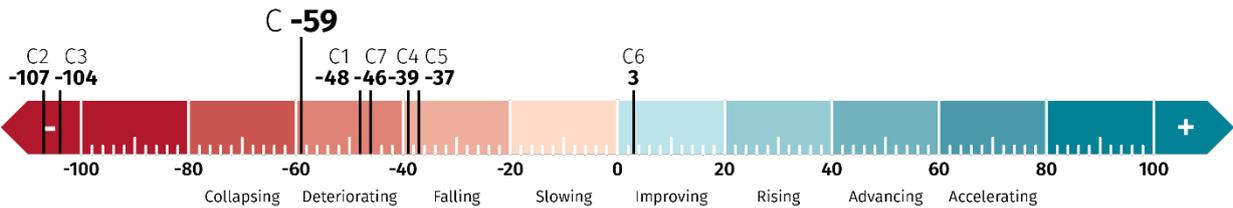
Medium+ (20+ employees)



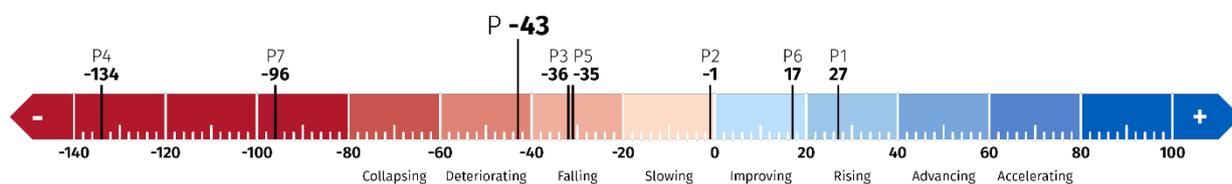
B2B



B2C



Performance



Measure	Key Indicator	2015	2016	2017	2018	2019	2020	2022	2023
Earnings	P1 Sales and revenue	52	55	35	32	19	-56	50	27
	P2 Pre-tax profit	31	43	21	10	-2	-56	24	-1
	P3 Business cash flow	24	35	9	-7	-21	-60	15	-36
Expenses	P4 Business costs	-26	-44	-57	-65	-63	-55	-88	-134
	P5 Capital investments and expenses	-3	18	21	-2	-5	-37	4	-35
Employment	P6 Staffing levels	18	31	28	23	11	-21	35	17
	P7 Staff wages and on-costs	-45	-58	-41	-39	-40	4	-66	-96
Total score		3	6	-1	-10	-17	-37	-9	-43

Performance summary

Marred by ballooning costs, and revenue that has not kept pace, the 2023 PSI performance score is a deteriorating -43, a 33-points decline from the 2022 score of -9.

Sales and revenue are rising, pre-tax profit, however, has remained neutral. Cashflow is also falling for businesses, leading to an overall negative earnings score of -4.

The greatest damper on business performance is business and staff costs. Almost 80% of business leaders in The Hills report worsening business costs. Almost 60% also report increases in staff wages and on-costs. Just 33% has had wages and on-costs that stayed about the same as 12 months ago.

The rising costs of business operation is undoubtedly putting cost management as a high priority for business leaders.

The tight labour market condition nationally is also contributing to the rising employment costs for businesses. Total job vacancy level in Australia is continuing to be above 400,000 (431,600 in May 2023). This is almost twice as high as that of May 2019 under pre-COVID conditions (227,600). On average, one in four businesses in Australia (25%) are currently reporting vacancies.

This unique employment market demand is driving up the cost of labour. Despite the high cost, staffing levels have increased in one in three businesses in The Hills (32%), with demand for workers remaining high.

Small businesses most affected by increasing costs

Small businesses in The Hills with 5 to 19 employees are amongst the most affected by rising business costs. With a PSI performance score of -51, small businesses are reporting deteriorating performance. Business and staff costs are having the most negative effect on small businesses when compared to other segments.

Sole traders' lack of staff costs offsets the rise in other expenses. The segment's slow growth in revenue, however, is inhibiting performance, particularly with declining cashflow and falling capital investments.

Micro businesses with one to four employees are seeing improving revenue and pre-tax profit compared to 12 months ago. Staffing level has also increased. Expenses and staff costs, however, are rising.

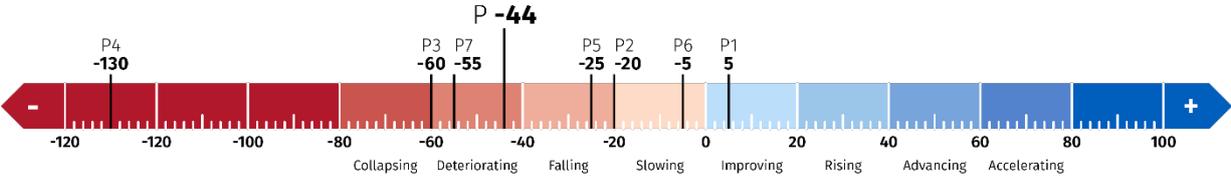
Medium+ businesses with high number of staff are unsurprisingly most affected by labour costs. Just 17% of medium+ businesses are reporting similar level of staff wages compared to 12 months ago. The remaining 83% have seen their cost of wages increase. Perhaps more telling is the fact that 75% of medium+ businesses are reporting wages and on-costs have increased significantly or moderately. One in four (25%) also consider their business costs to be at least 10% worse than a year ago, and 33% find that business costs are 5% to 10% worse.

B2Bs lifted by advancing earnings

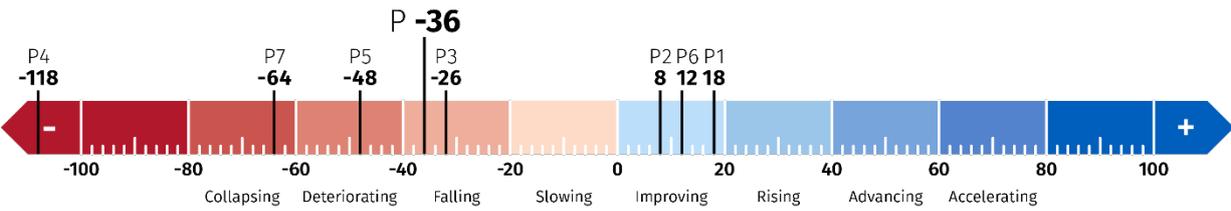
The dampener put onto consumer spending is acutely experienced by B2C businesses in The Hills. Compared to a year ago, sales, profit, and cashflow are all down for B2Cs. The deteriorating business and staffing costs have combined with the lack of revenue to a performance score of -62.

For the business-to-business sector, however, performance score is a far better -14. Expenses are high, wage costs are increasing. Earnings, however, are advancing for B2Bs. Sales and profits are accelerating for the business-to-business sector, comprising mostly of professional service providers and businesses in the knowledge economy in The Hills. This is covering the rising operating expenses of B2Bs and putting them in a greater position than B2Cs within a slowing consumer economy.

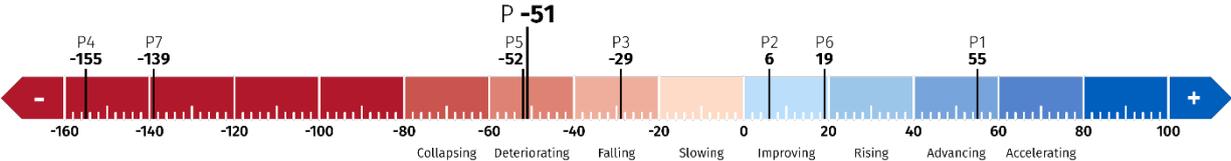
Sole traders (no employees)



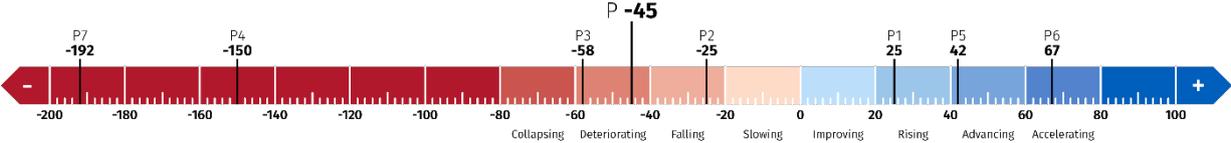
Micro (one to four employees)



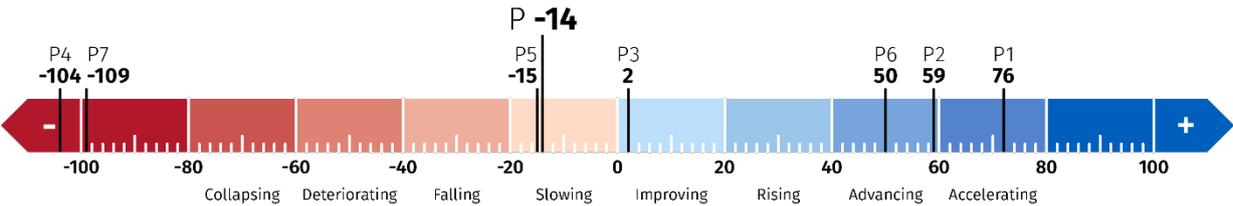
Small (five to 19 employees)



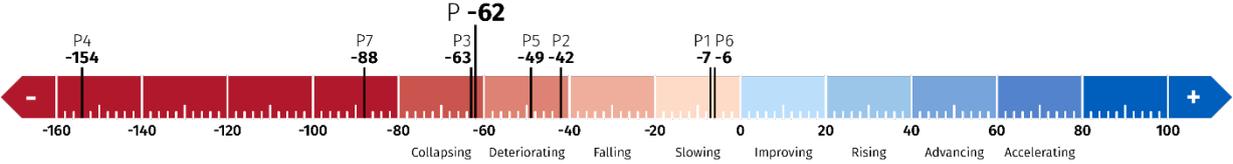
Medium+ (20+ employees)



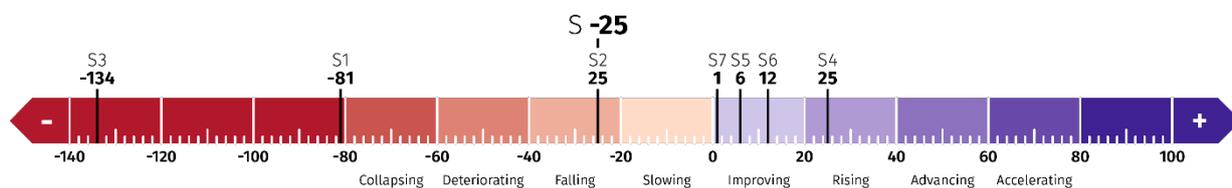
B2B



B2C



Sentiment



Measure	Key	Indicator	2015	2016	2017	2018	2019	2020	2022	2023
Economic outlook	S1	National economic outlook	-31	14	-9	4	2	-132	30	-81
	S2	Internal revenue outlook	46	78	73	61	60	-60	69	25
Cost forecast	S3	Expense forecast	-68	-65	-82	-64	-73	-40	-110	-134
	S4	Staffing level forecast	30	55	69	43	29	-12	60	25
Growth forecast	S5	Profit forecast	36	48	40	43	34	-51	36	6
	S6	Cash flow forecast	34	52	39	49	28	-61	39	12
	S7	Expansion forecast	16	41	38	28	13	-27	26	1
Total score			6	29	22	21	11	-56	19	-25

Sentiment summary

Future outlook of the business community in The Hills has always been encouraging. Despite deteriorating conditions and business performance of 2023, future sentiment of business leaders is less negative. The negative PSI sentiment score of -25 is the best performing across conditions (-46), performance (-43), and sentiment (-25).

Looking ahead to the next 12 months, growth forecast is improving. Business leaders believe profit and cashflow will be better in 12 months' time based on their current business performance and the external environment. Both staffing level and location/commercial space are also projected to increase. Based on current activity, many in the business community forecast future growth in revenue. This is, however, coupled with the anticipation that expenses will continue to rise significantly, and that the national economy will perform worse into the year ahead.

As a result, the mild improvement in growth forecast is driven back by negatively trending cost and economic outlook, leading to an overall falling sentiment amongst the business community. In context of the deteriorating operating conditions and performance at present, however, future sentiment is the most promising category in the PSI with revenue, profit, cashflow, and expansion all forecast to grow.

Positive sentiment for sole traders

Future outlook is positive for sole traders in The Hills. While future expenses and national economic outlook are both viewed negatively, sole traders are anticipating rising revenue, profit, and cashflow in the next year. Free from wages and on-costs concerns, sole traders also have the most moderate expense forecast of all business sizes. The PSI sentiment score of +2 for sole traders in The Hills is the only business segment with an improving outlook. Other business segments are all faring negatively, hampered by the anticipation that the cost of business expenses will continue to rise.

Interestingly, medium+ business with 20 or more staff have a more tempered outlook on future expenses than smaller businesses. Two thirds of medium+ businesses (67%) project that total expenses will increase in the next year. This is a smaller proportion than that of small businesses with five to 19 employees (94%) and micro businesses with one to four employees (76%).

Medium+ businesses, however, have the worst outlook on the national economy, with 42% of business owners or managers of medium+ businesses projecting that the Australian economic performance will be moderately or significantly worse in the next year.

As discussed, despite the negative sentiment scores of micro (-30), small (-37), and medium+ businesses (-24), the 2023 Hills Business PSI continues to deliver for a message of hope for the future, with sentiment for the next 12 months rising above the deteriorating economic environment and current business performance.

Diverging growth forecast for B2B and B2C

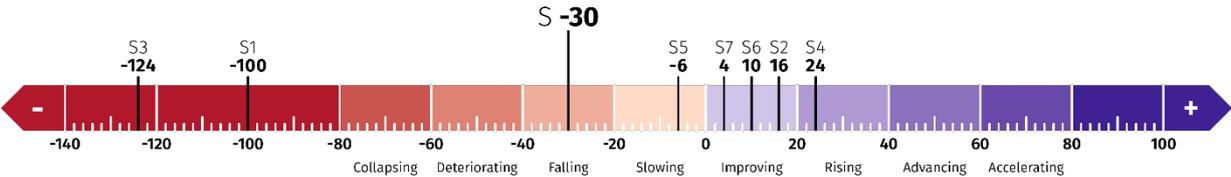
The consumer and business sector share similar outlook on the future of the national economy. Forecasts on how future expense could change also largely align.

With the continuing pressure to tamp down consumer spending, however, B2Cs are anticipating profit and cashflow to be worse in the future. B2Bs on the other hand, are forecasting growth in revenue and profit. Despite the projected rise in costs of operation, leaders of B2Bs are planning for expansion and staffing increases, positioning the sector for future growth.

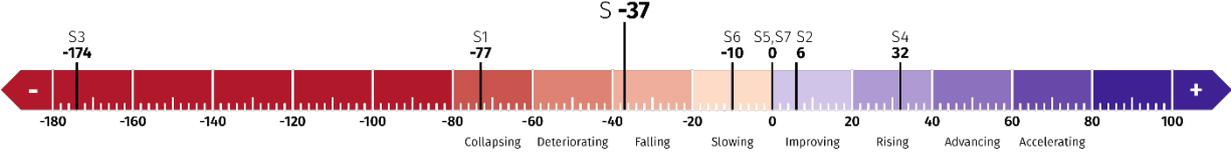
Sole trader (no employees)



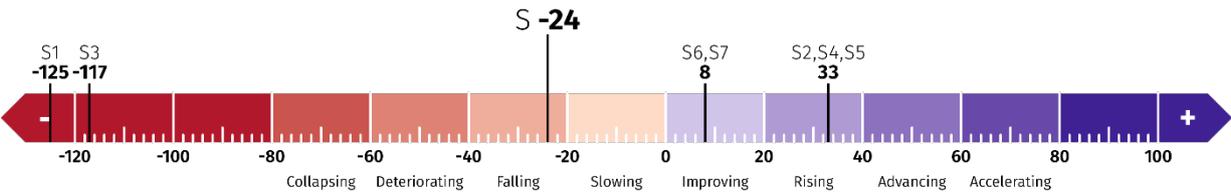
Micro (one to four employees)



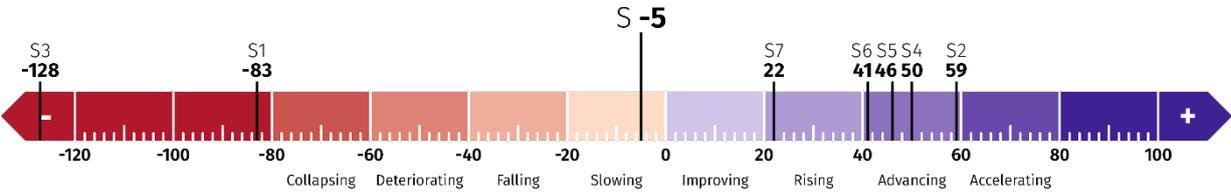
Small (five to 19 employees)



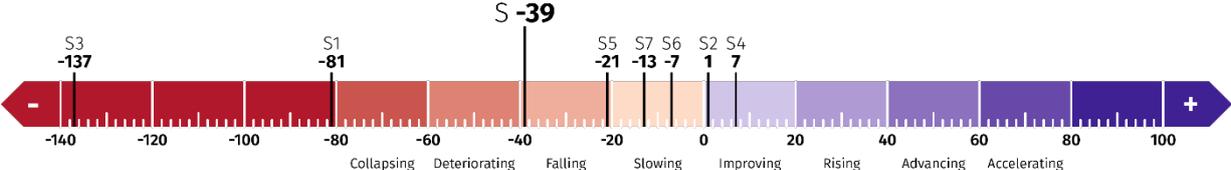
Medium+ (20+ employees)



B2B



B2C



Further insights

Net Promoter Score

The Net Promoter Score (NPS), developed by Bain & Company, is based on the perspective that every stakeholder can be divided into three categories: Promoters, Passives, and Detractors.

Supporters respond on a 0-to-10-point rating scale and are categorised as follows:

- Promoters (score 9-10) are loyal enthusiasts who will keep engaging and will refer others, fuelling growth.
- Passives (score 7-8) are satisfied but unenthusiastic stakeholders who are vulnerable to competitive offerings.
- Detractors (score 0-6) are unhappy stakeholders who can damage your brand and impede growth through negative word-of-mouth.



$$\text{NET PROMOTER SCORE} = \% \text{ PROMOTERS} - \% \text{ DETRACTORS}$$

An organisation's NPS score can range anywhere between -100 and 100. A score above 0 is considered a good score, with organisations often receiving a negative result.

NPS score of 3

In 2023, the NPS for doing business in The Hills is 3, decreasing from the score of 30 in 2022. Almost one in three business owners and managers (32%) are promoters of doing business in The Hills, 39% are passives, and 29% are detractors. The drop of 27 points from 2022 to 2023 is the largest year-on-year decrease in The Hills PSI's history, reversing the steady gains since 2019. Between 2016 and 2019, NPS for doing business in The Hills averages just below 10. The current NPS score of 3 is the lowest since the inception of the Hills Business PSI.

The change in NPS in 2023 is likely a reflection of broader environment trends. In times of economic pressure, the cost of red tape and regulation requirements are more acutely felt across the business community. Any perceived lack of government support and advocacy are also viewed more negatively within the community.



Growing importance placed on local and state strategies

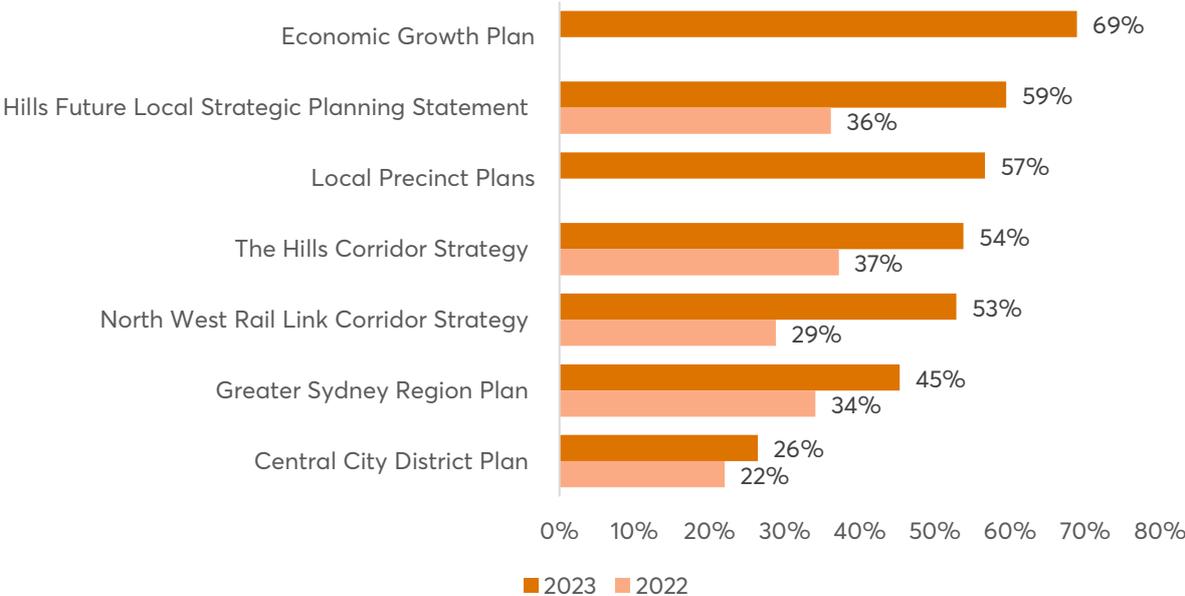
In 2023, an increasing number of business leaders are considering the importance of local and state strategies for business growth.

Economic Growth Plan of The Hills Shire is extremely or very important 69% of business leaders.

The Hills Future Local Strategic Planning Statement is important to 59% of business leaders in The Hills, a significant increase from 36% in 2022.

Local Precinct Plans, The Hills Corridor Strategy, and The North West Rail Link Corridor Strategy are all considered by at least one in two business leaders as extremely or very important.

When thinking about your business' growth strategy, how important are the following local and state strategies?
(Extreme/very important)



High utilisation of local support

Local and state support utilised by businesses

One in five business owners or managers (20%) have utilised or received support from the local or state government. This is down from 41% in 2022.

Positively, local support has been identified by the majority of business leaders who have engaged with resources and support provided by the government. More than half (57%) have attended workshops, seminars or events organised by The Hills Shire Council. Almost one in five (19%) have also contacted the Business Help Desk.

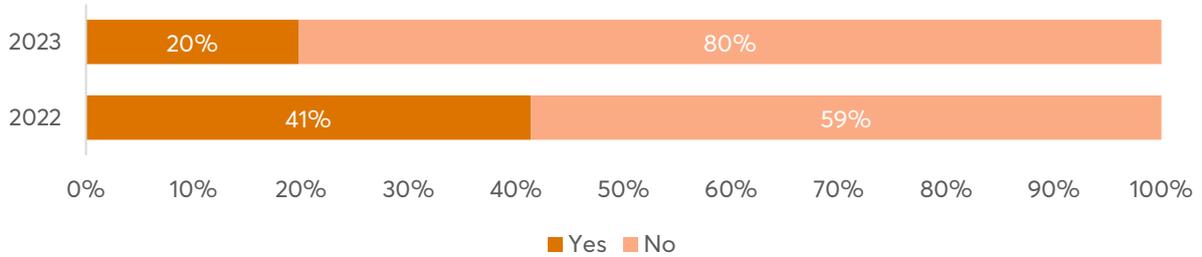
State Government support offered through Service NSW such as Business Concierge, grant fee waivers and tax assistance have been used by 48% of business owners or managers who have received government resources or support. More than two in five (43%) have received support from the State Government's Business Connect Advisory Services.

Policy settings are perceived to be more supportive, and greater improvements in revenue forecast

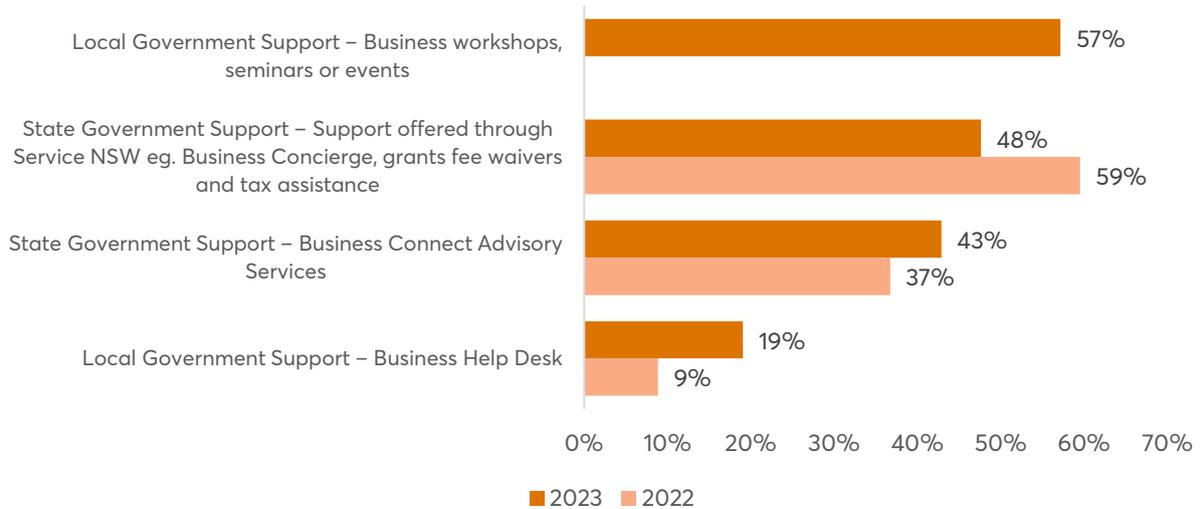
Business owners and managers who have engaged with government support are more likely to find current policy settings supportive. More than 41% of business owners or managers who did not engage with government support find policy settings are now worse compared to 12 months ago. Those who have engaged with the support, however, are only half as likely to report that this is the case (24%).

This also translates to tangible outcomes for some businesses. For example, those who have engaged with local and state support are more likely to forecast greater overall revenue growth over the next year (62% of businesses) than businesses that did not utilise any support from the government (45%).

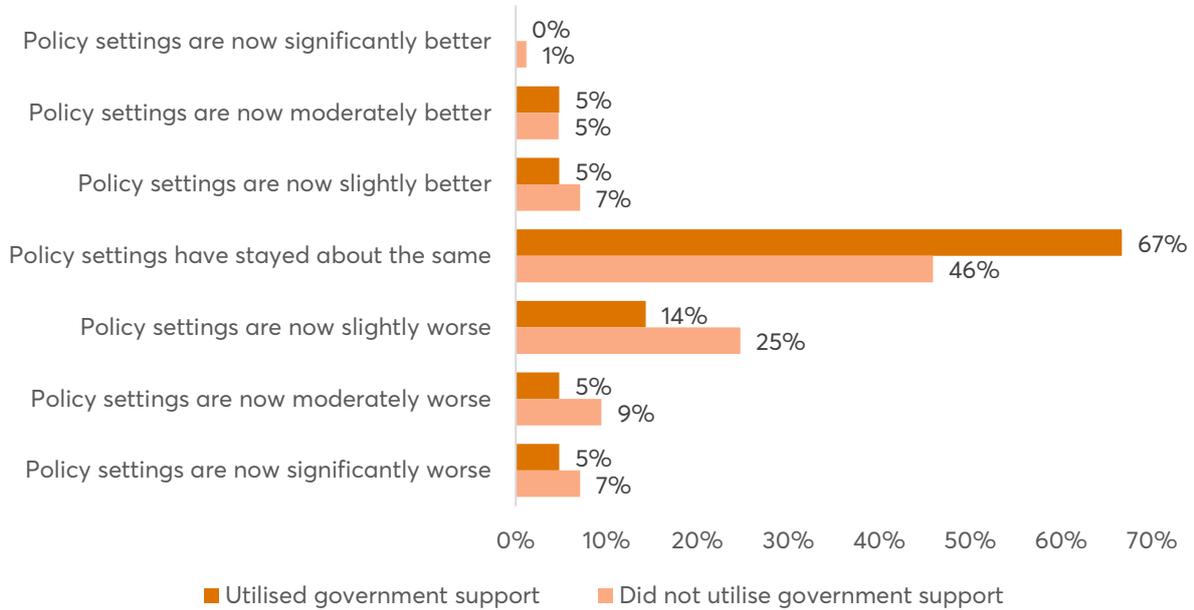
In the last six months have you (or your business) utilised any resources or received support provided by the The Hills Shire Council or the NSW State Government?



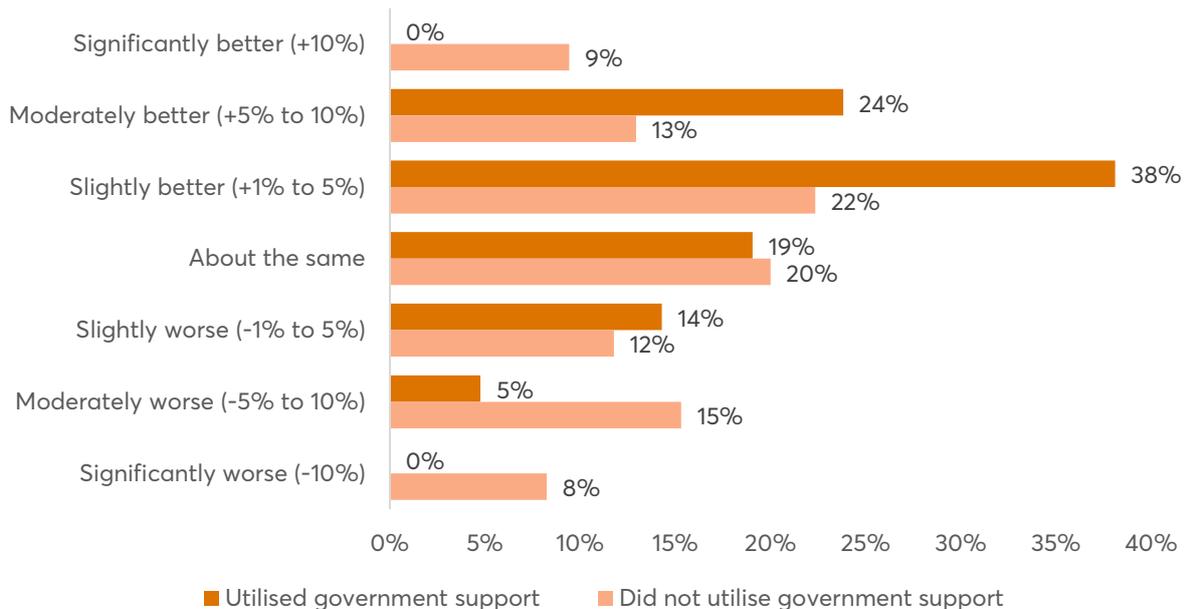
You have indicated earlier that you have received support by government, which of the following support have you received?
Please select all that apply.



Thinking about government policy settings that support small businesses and assist your sector, how would you say these compare to 12 months ago?



Based on current sales leads, enquiries, and sales activity, how do you think your overall revenue will compare in 12 months' time to today?



Challenges faced by business in The Hills

Business owners and managers were asked 'What is the most significant challenge that your business is currently facing?'

In alignment to the national story, rising business costs, staffing challenges, the current economic conditions, and cashflow are the most common challenges expressed by the business community of The Hills.

Business costs

Increase in freight costs, employee salaries, importation charges, buying new capital equipment

Increased costs in all walks of life including business operating costs

Exponential rising cost of materials, freight, insurance and wages

Costs and inflation. Wages can't keep up

Electricity, wages, overheads

Increase in operating costs

Cost of logistics

Rising cost of everything! Wages increased, super increased. Electricity absolutely everything...

Rising cost of doing business and unfavourable and unreasonable IR laws being imposed on small businesses

Staffing

Staff retainment

Lack of skilled labour and rising costs

Retention of competent employees

staffing and the cost of staff

Inability to recruit

Finding staff with local experience

Operating conditions and national economy

Economic uncertainty

High taxation and inflation

Economic changes

The state of the economy in general

Current household economic pressures and cost of living - customers having less disposable income to spend

Work from home is hurting hospitality businesses located in commercial areas. We rely on consistent foot traffic. We estimate 30 to 40% of outlets need to close to ensure the remainder will be profitable. Over the next 12 to 18 months food and beverage businesses will fail at an accelerated rate.

Lack of inquiries - greatly impacted by interest rates

Cashflow

Cash flow - I would love to employ another solicitor but still a relatively new business so could not perhaps support this just yet so I am working very hard to increase prospective clients to enable us to do so

Cashflow - rise in expenses

Cash flow with downturn in sales and after COVID lockdown, my business is struggling to recover

Cashflow!! Delayed payments from clients, unplanned expenses hitting our cashflow

Strengths

Continued recognition for The Hills' work/life balance and location

Since 2016, business owners and managers in The Hills have been asked to indicate what they believe are the greatest strengths of doing business in The Hills. This was posed in two parts: the current strengths of The Hills Shire, as well as what they believe would be the future strengths of the region.

Business leaders in The Hills find work/life balance and location to be The Hills' greatest strengths. More than half of all business owners and managers in The Hills consider location and work/life balance to be both current and future strengths.

Other strengths have been identified to be the future potential of The Hills (52%), the Northwest Metro line (40%), local business networks (39%), and The Hills' family friendliness (37%).

Interestingly, with the full resumption of activity following the disruption of COVID-19, The Hills strength in commute time and parking availability have dropped back to pre-COVID levels.

Business costs for The Hills viewed favourably

The global effect of rising costs has positively affected the outlook of The Hills compared to other areas. Running costs of doing business in The Hills (local fees and rates) has been identified by 13% of business leaders as a current strength and 17% of business leaders as a future strength, their highest ever level in the PSI's eight-year history.

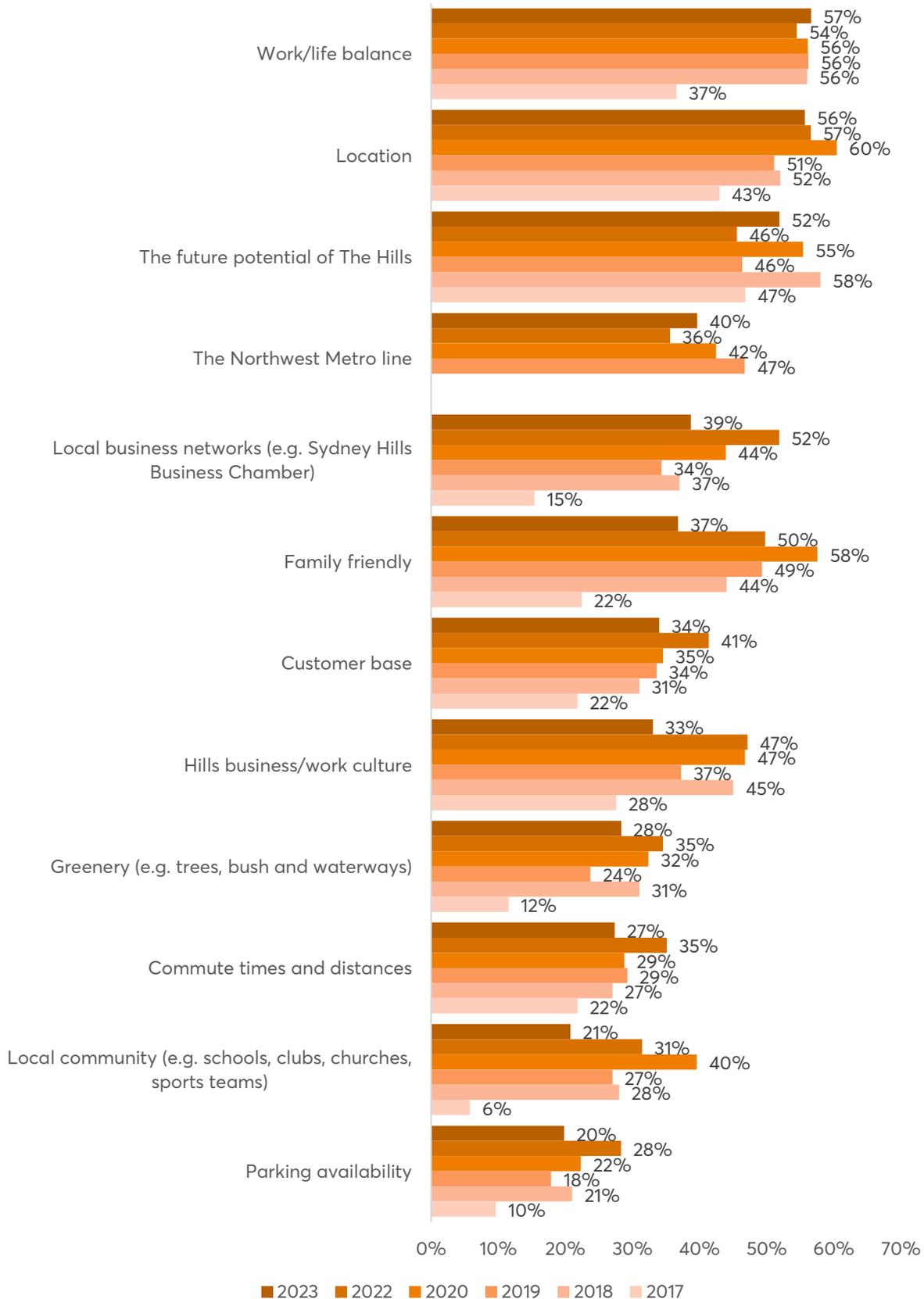
Property affordability, however, remains a common challenge. House prices and the cost of commercial real estate are the least likely to be considered a strength by business owners and managers in The Hills.

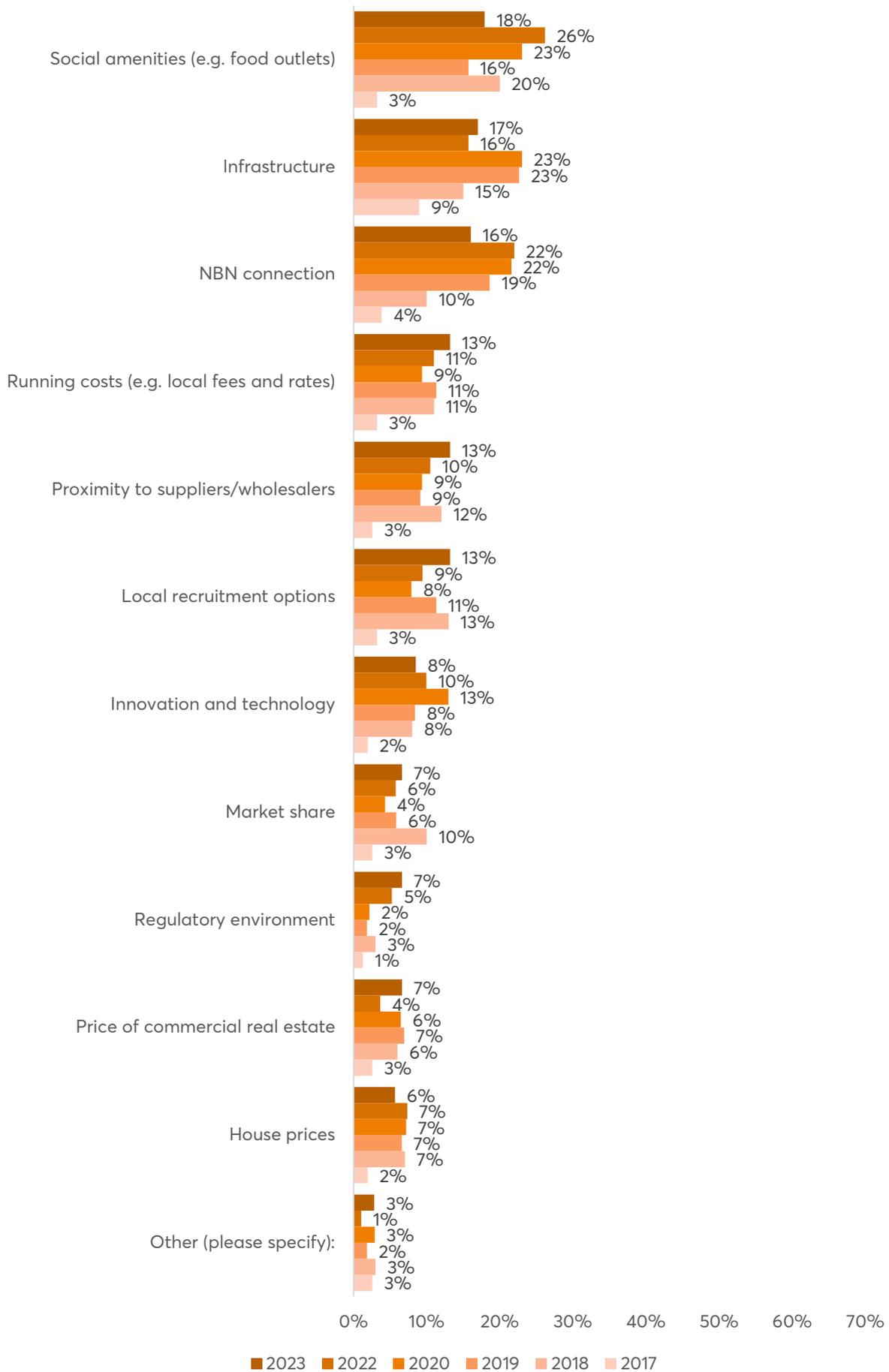
Customer base not a commonly recognised strength

Despite the forecast growth in population over the next 20 years, the customer base in The Hills is not a commonly recognised strength. Just 34% of business leaders believe that the customer base in The Hills is a current strength, and just 28% believe that it is a future strength. Similarly, The Hills' local community and social infrastructure such as schools, sports teams, and churches are recognised as a strength by a declining proportion of business leaders. A greater degree of awareness of the existing strengths of The Hills could improve the overall outlook of the business environment.

What do you think are the current strengths of doing business in The Hills?

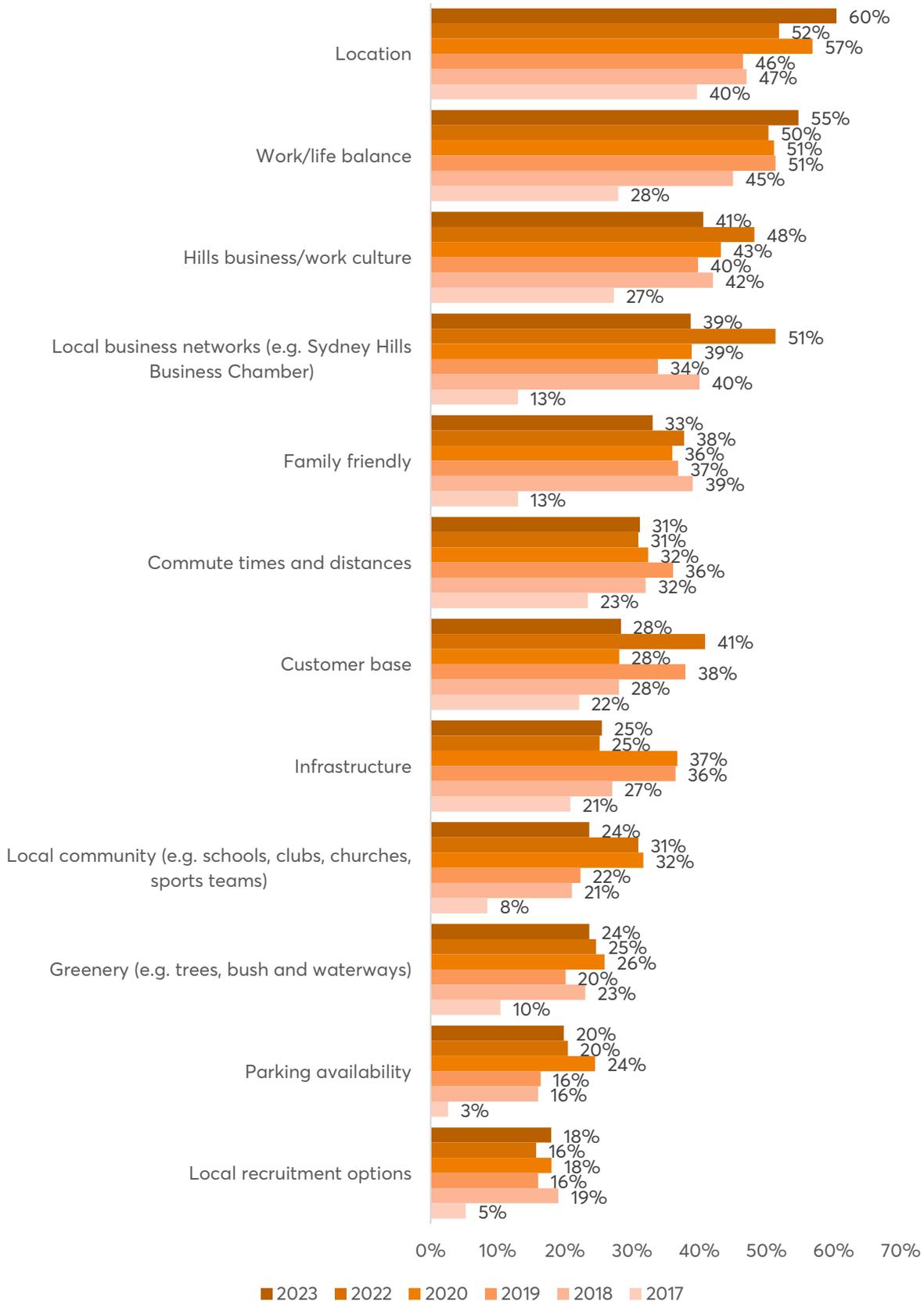
Please select all that apply

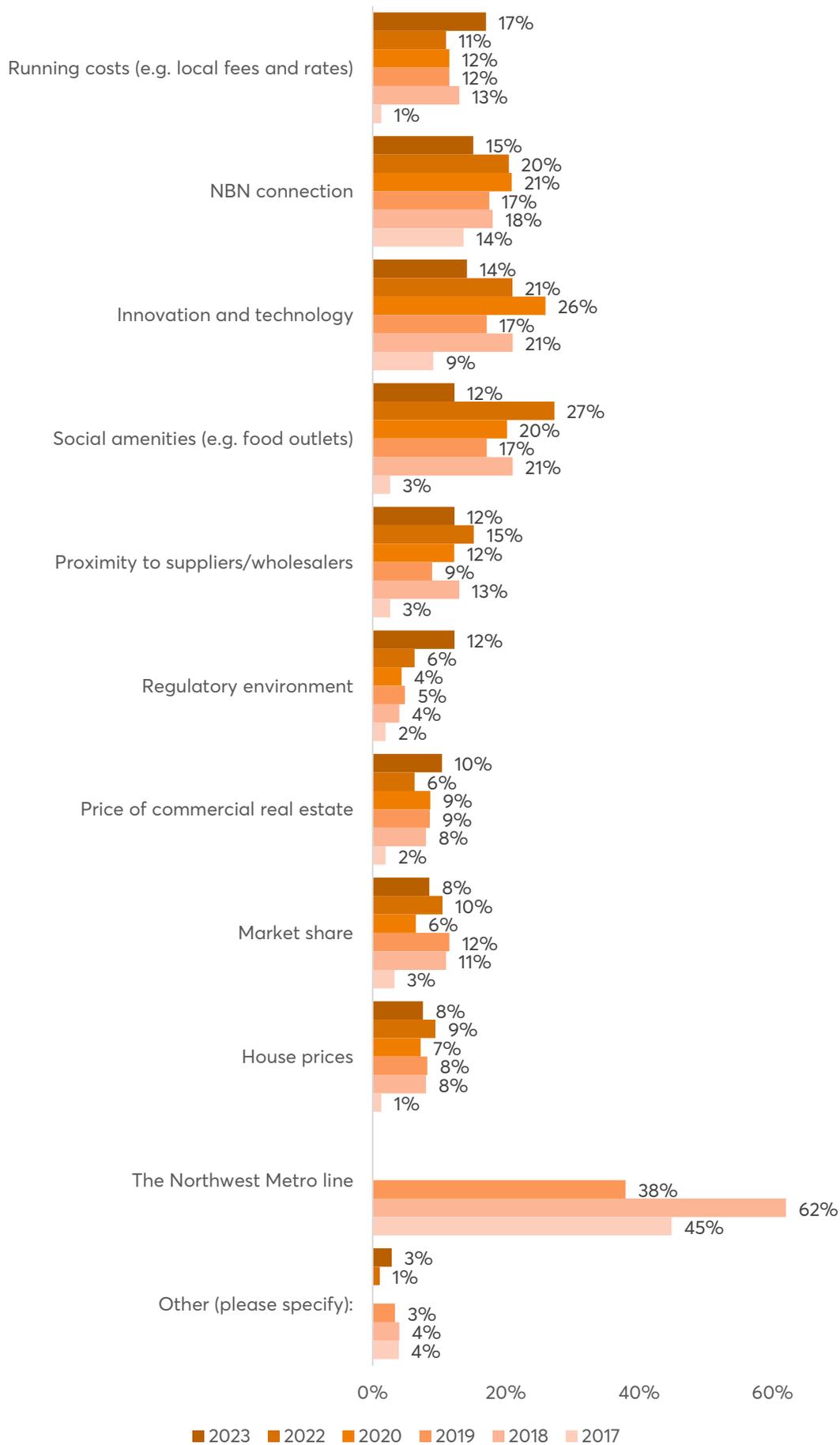




What do you think are the future strengths of doing business in The Hills?

Please select all that apply

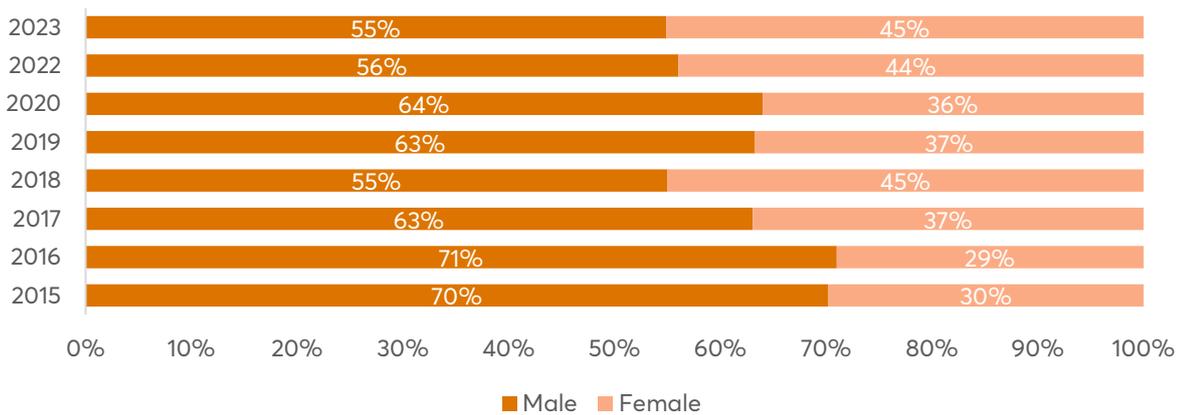




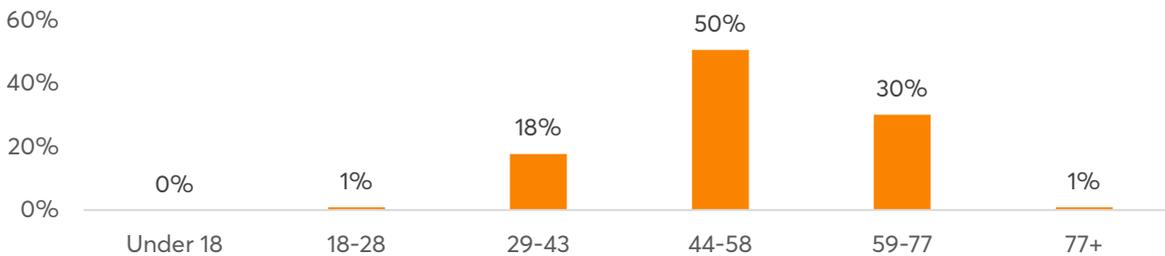
Appendix

Respondent characteristics

Are you male or female?

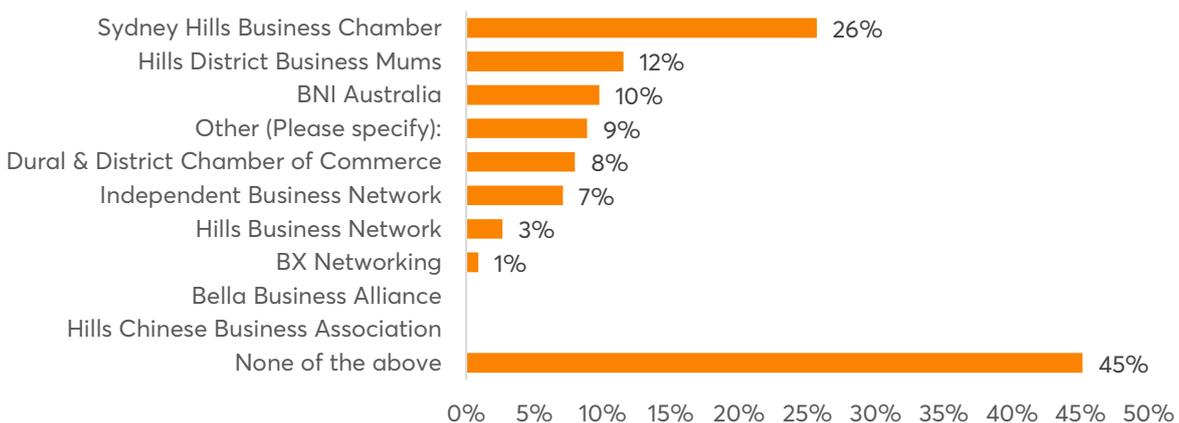


What age will you turn in 2023?

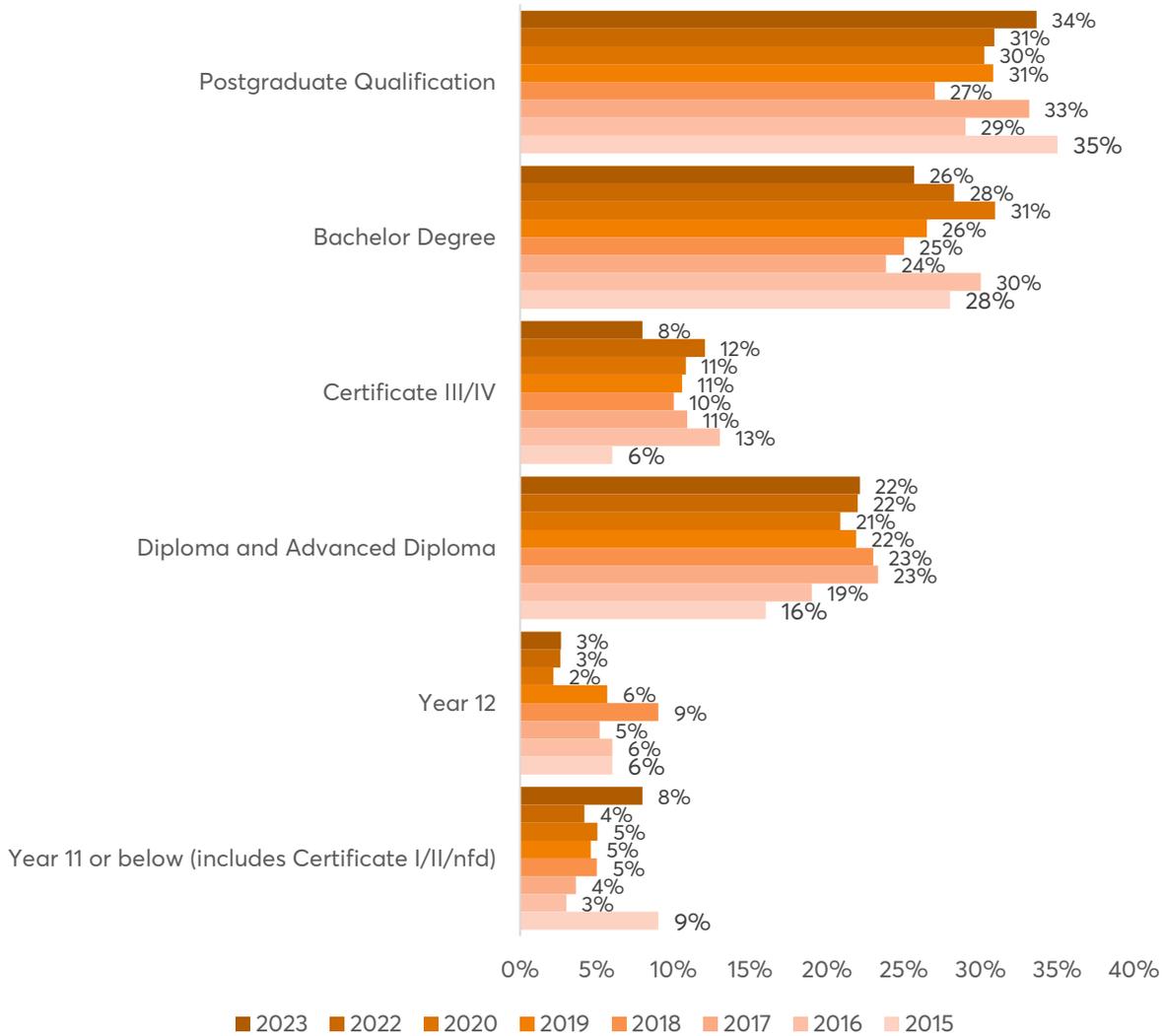


Are you a member of a local networking group?

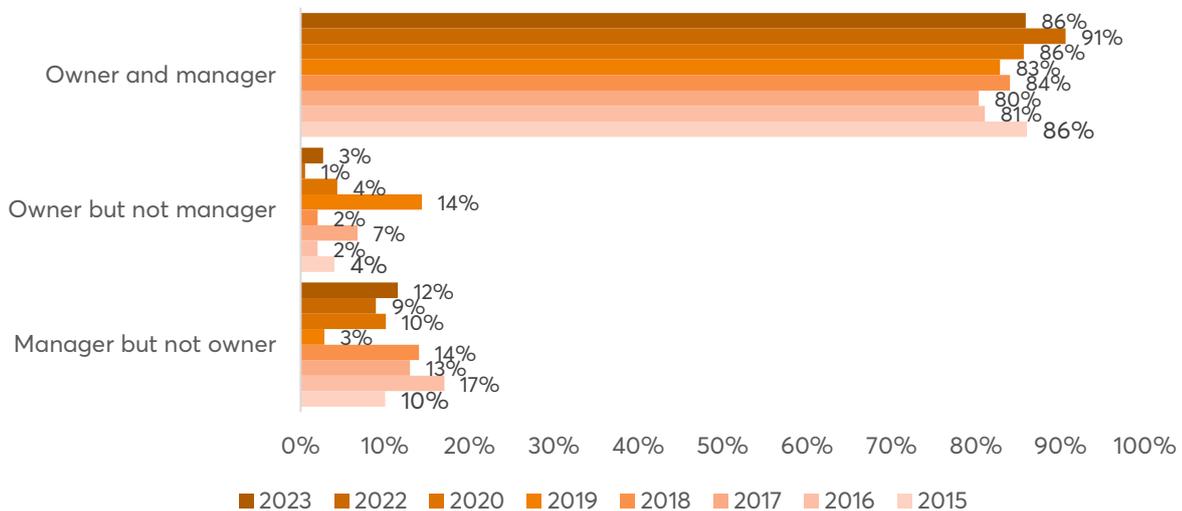
Please select all that apply.



What is your highest level of completed education?



What is your role within your business?



Conducting your own PSI

The Business PSI can be conducted by any organisation, local government, or business chamber through partnership with McCrindle. The instrument is designed to be deployed every 12 months through a survey to business owners and managers for longitudinal tracking.

As the developers and deployment partners of the Business PSI, McCrindle can not only efficiently deploy, analyse, and visualise this survey for organisations, but act as a clearinghouse of the longitudinal data and so can provide benchmarking of industry or local results against other areas or sectors, as well as provide longitudinal comparison.

Partnership with McCrindle in deploying the Business PSI includes use of the Business PSI instrument, the raw data and output, a report of results, and assistance with commercial insights from the results.

Contact

For information on conducting your own PSI, contact McCrindle at info@mccrindle.com or call (02) 8824 3422.

For information and implications specific to the 2023 Hills Shire Business PSI, contact Council's Economic Development team at business@thehills.nsw.gov.au or call (02) 9843 0324.



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