

mccrindle



# 2024 Hills Shire Business Performance Sentiment Index

Delivering the pulse of local businesses in The Hills

August 2024



**THE HILLS**  
Sydney's Garden Shire



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## Nearing a decade of Business PSI in The Hills

The ninth instalment of the Business Performance Sentiment Index is showing that businesses in The Hills are facing their most significant economic headwinds to date. The effects of reduced consumer and business spending coupled with the burden of increasing expenses are primary drivers for the deteriorating conditions. The perception of increasing compliance costs and slowing infrastructure delivery add to the demands of business operation during a national downward cycle. We are pleased to see evidence, however, that government support, particularly at the local level, is tangibly alleviating the pressure.

Building off the experience and resilience forged through past challenges, business leaders are steering their organisations towards rising revenue and profit, while strengthening the foundation for future growth. Profit for businesses in The Hills looks to have reversed from the negatives into the positives, albeit only slightly. Compared to 2023, expenses and staff costs are assessed to be more moderate by most business leaders. One in four businesses have increased their staffing levels in the past 12 months, aligning with the expansion in size and locations.

Despite the sentiment that the local and national economy will continue to trend negatively over the next 12 months, business owners and managers are confident that future performance will prevail over unfavourable conditions, a testament to the strength that is by now characteristic of The Hills business community.

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 2024 results for The Hills Shire, with eight years of comparative data from 2015 to 2023, 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 (Figure 1). Each key measure (conditions, performance and sentiment) is comprised of sub-measures made up of several indicator questions.

Figure 1

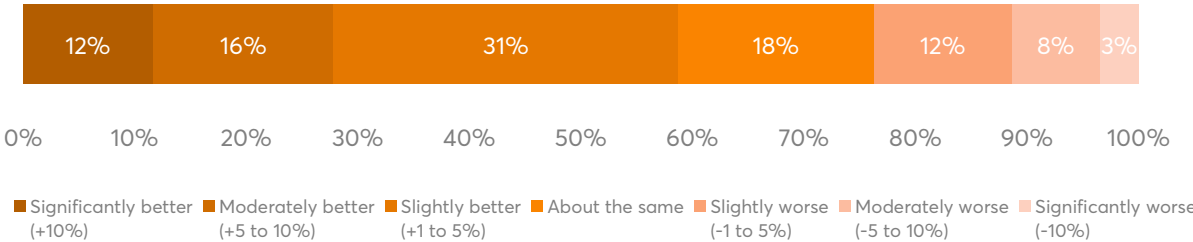


The PSI is calculated using 21 targeted questions. Each question involves a 7-point Likert scale (Figure 2). The question results indicate whether business conditions, performance and sentiment are positive (improving, rising, advancing, accelerating) or negative (slowing, falling, deteriorating, collapsing).

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 (Figure 2):

Figure 2

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



# Purpose

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 (Table 1 to Table 3). 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.

# Action group

In addition to the PSI, McCrindle conducted an action group on the 28<sup>th</sup> of May with eight business owners and managers in The Hills to further discuss topics explored in the PSI. The group comprised of two female and six male business owners or managers. In alignment with The Hills' priority industry sectors, four participants in the group own or manage professional, scientific and technical services providers, two are health care and social assistance providers, one operates in information media and telecommunications, and one provides arts and recreation services.



**Excerpts from the group are identified in this format and have been edited for length and clarity.**

# Indicator overview

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

## Conditions

Table 1

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

Table 2

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

Table 3

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.*



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# Participants

The 2024 Hills Business PSI is based on the experiences, attitudes and expectations of business owners and managers in The Hills Shire. The results include 154 started surveys and 124 completed surveys.

The Business PSI survey was distributed through business networks and the council's record of businesses in The Hills. In 2024, the survey was also distributed to all Australian Business Number (ABN) holders in The Hills using Australian Business Register (ABR) data, expanding the engagement with the local business community. The survey was available in English, Simplified Chinese, Traditional Chinese and Hindi. Responses were collected from 11<sup>th</sup> of March to the 29<sup>th</sup> of April 2024 and are representative of various business sizes, locations and industries. As of June 2023, there are 24,755 businesses in The Hills Shire.<sup>1</sup> The present sample size of 124 provide a 7.4% 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.

## Highly educated and experienced business community

More than one in two business owners and managers in The Hills have been business owners for more than ten years (54%). For 44%, their current business is also not their first venture, having owned or managed a business previously. Three in five (58%) in the business community are educated to a Bachelor Degree level or above, and a further 24% have a Diploma or Advanced Diploma level qualification.

## Even split of B2Bs and B2Cs

The consumer sector in The Hills represents just over half of respondents in The Business PSI with 53% of businesses represented providing products or services to consumers. Business that supply to other businesses accounts for 44% of the PSI. The remainder (2%) provide services to, or on behalf of utilities and/or government. Segmenting this by products and services, two thirds of respondents (65%) to the PSI are service providers and 35% supply products to consumers, businesses, public utilities and/or government.

More than a third of business owners and managers in the PSI are sole traders (34%). Micro businesses with one to four employees comprise 35% of the PSI. Small businesses with five to 19 employees make up 21% of respondents, while businesses with 20+ employees (medium+) make up the remaining 10% of respondents.

## Respondent demographics

Amongst respondents to the Business PSI, 53% are male and 47% are female. Generation X business owners and managers aged 44 to 59 comprise 46% of respondents to the Business PSI. Baby Boomers and Builders aged 60 or above also make up one in three respondents (33%). Young Gen Y business owners and managers aged 30 to 44 comprise 19% of the PSI. This is also the first year that Gen Z business owners, aged 18 to 29, have been represented in the PSI with 2% of responses coming from the cohort.

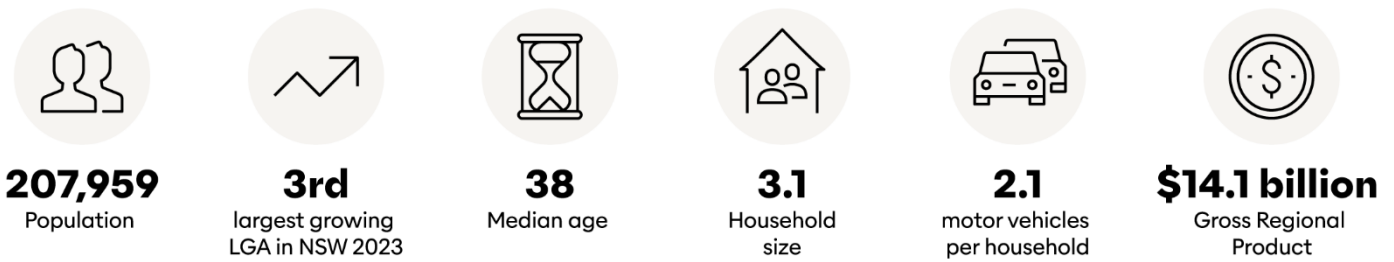
*Please refer to the appendix for a comprehensive overview of participants and their business demographics.*

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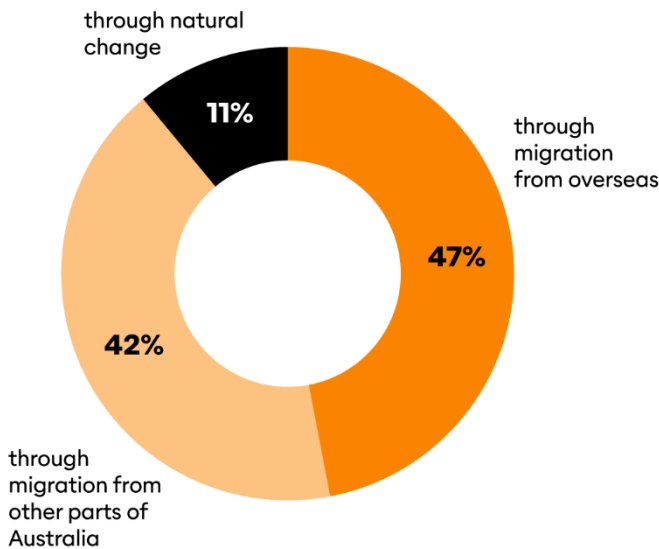
<sup>1</sup> Australian Bureau of Statistics Jul2019-Jun2023, Counts of Australian Businesses, including Entries and Exits, ABS.

# The Hills Shire

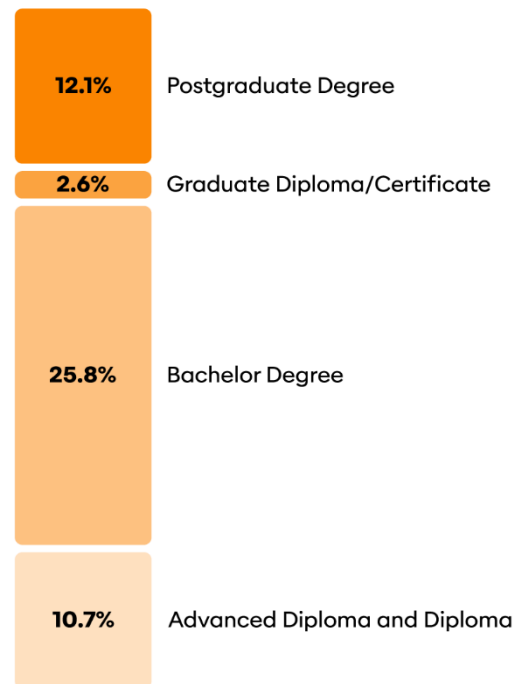
## QUICK FACTS



## POPULATION GROWTH



## SKILLS



## BUILDING ACTIVITY



## EMPLOYMENT



**74,250**  
jobs



**\$53,716**  
Median annual  
personal income

**17%**  
above Sydney  
average



**\$147,212**  
Median annual  
household income

**36%**  
above Sydney  
average



**24,755**  
Businesses in  
The Hills

**+2.8%**  
over the past  
12 months



**55%**  
Sole Employer  
(Non-employing)



**35%**  
Micro  
(1-4 employees)



**8%**  
Small  
(5-19 employees)



**2%**  
Medium  
(20+ employees)

## TOP INDUSTRIES:

**The Hills Shire NSW**

1



**18.3%**  
Retail Trade

**9.4%**

2



**16.5%**  
Health Care and  
Social Assistance

**15.1%**

3



**11.8%**  
Construction

**9.0%**

4



**9.5%**  
Professional,  
Scientific and  
Technical Services

**9.3%**

5



**9.0%**  
Education and  
Training

**9.1%**

## TOWARDS 2041



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

A growth of  
**33,800** new households



**+9,700**  
Couple only  
households



**+13,400**  
Couple with  
children



**+3,000**  
Single parent  
households



**+1,400**  
Multiple family  
and other family  
households



**+5,800**  
Lone person  
households



**+500**  
Group  
households

# Results

The 2024 PSI shows promising results with early indication that a rebound is on the horizon.

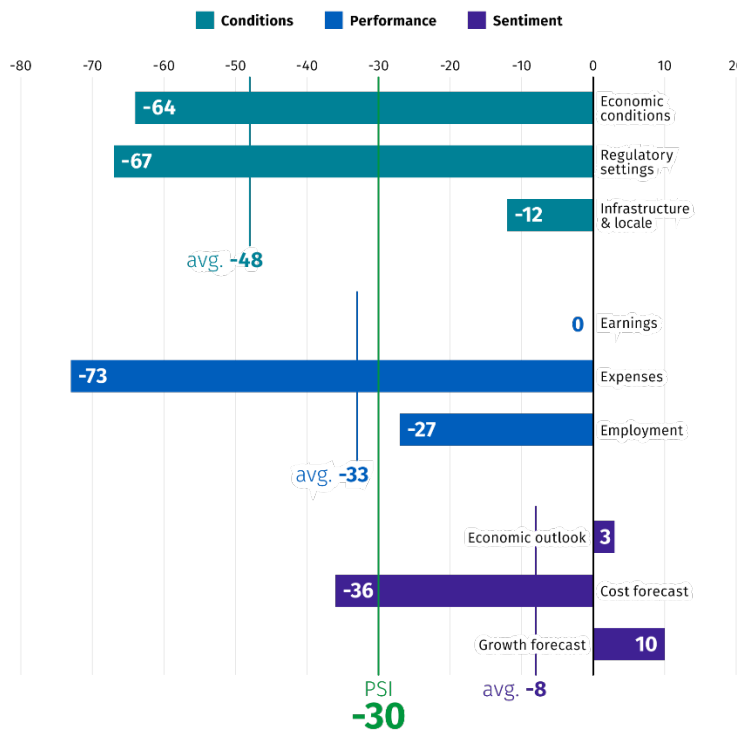
The 2024 PSI returns a falling score of -30 (Figure 3), an improvement compared to the 2023 score of -38 (Figure 6). Businesses in The Hills are showing a lift in performance compared to 2023, despite recognition that the national and local economy is in a trough, with consumer<sup>2</sup> and business spending down<sup>3</sup> caused by restrictive lending conditions and high costs.

Regulatory settings and slowing infrastructure provisions are also contributing to the challenging operating conditions for businesses in The Hills.

Earnings and expense indicators, however, have improved since 2023. Rising revenue and improving profit have coupled with more moderate expenses and staff costs over the past year.

The outlook is improving and economic growth is continuing. The more moderate business expenses of the past 12 months are forecast to continue, adding to the signs that the local economy could be at an inflection point.

Figure 3



<sup>2</sup> Reserve Bank of Australia 2024, Statement on Monetary Policy May 2024, RBA.

<sup>3</sup> Australian Bureau of Statistics 2024, Private New Capital Expenditure and Expected Expenditure, Australia, ABS.

# Individual measures

The Business PSI is comprised of three key categories: current operating conditions (C), business performance (P) and future sentiment (S). While business performance and future sentiment have both improved since 2023, operating conditions is viewed by the business community in The Hills as deteriorating, dropping by two points from -46 in 2023 to -48 in 2024 (Figure 6).

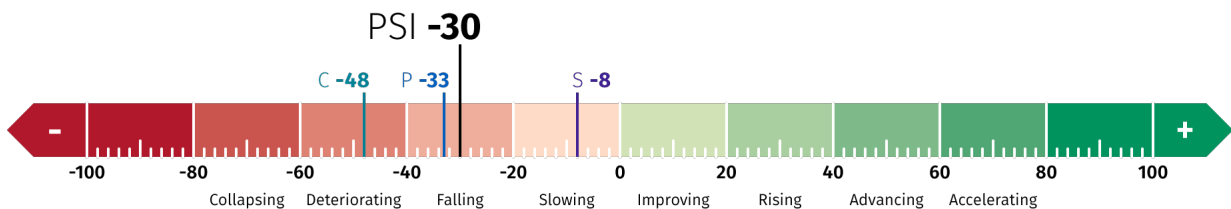
Lifted by improving revenue and profit, business performance has improved by 10 points to -33 (-41 in 2023). Almost all performance indicators have improved since 2023. Notably, operating and pre-tax profit has rebounded to an improving score of 2. A greater proportion of businesses in The Hills have reported at least 5% improvement in profit in the past 12 months than those who reported the equivalent rate of decline (24% cf. 16%).

Sentiment has similarly improved in almost all areas, leading to an 18-point improvement from -25 in 2023 to -8 this year. Both economic outlook and growth forecasts are improving. The expense forecast is the only indicator seen by the business community to be collapsing in the next 12 months. Even so, it has still improved since 2023.

The condition indicator is the only category viewed to be trending more negatively than the previous year. In large part, this is caused by the view that local economic performance is deteriorating. With two whole years of tightened lending<sup>4</sup> and economic uncertainty reducing consumer and business spending, just one in five business operators (20%) find that economic performance of The Hills is better now than 12 months ago.

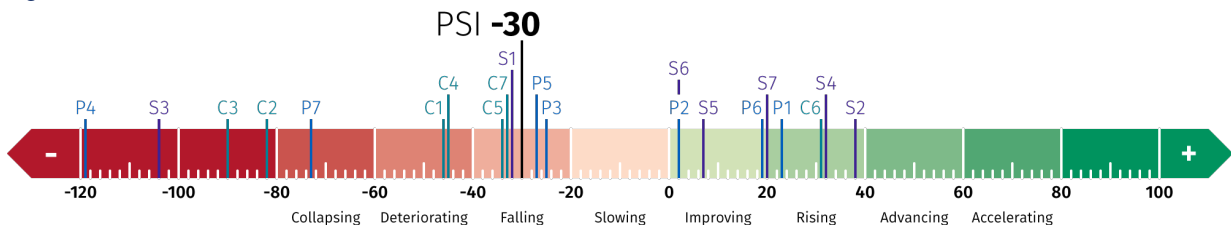
## Measures

Figure 4



## Individual indicators

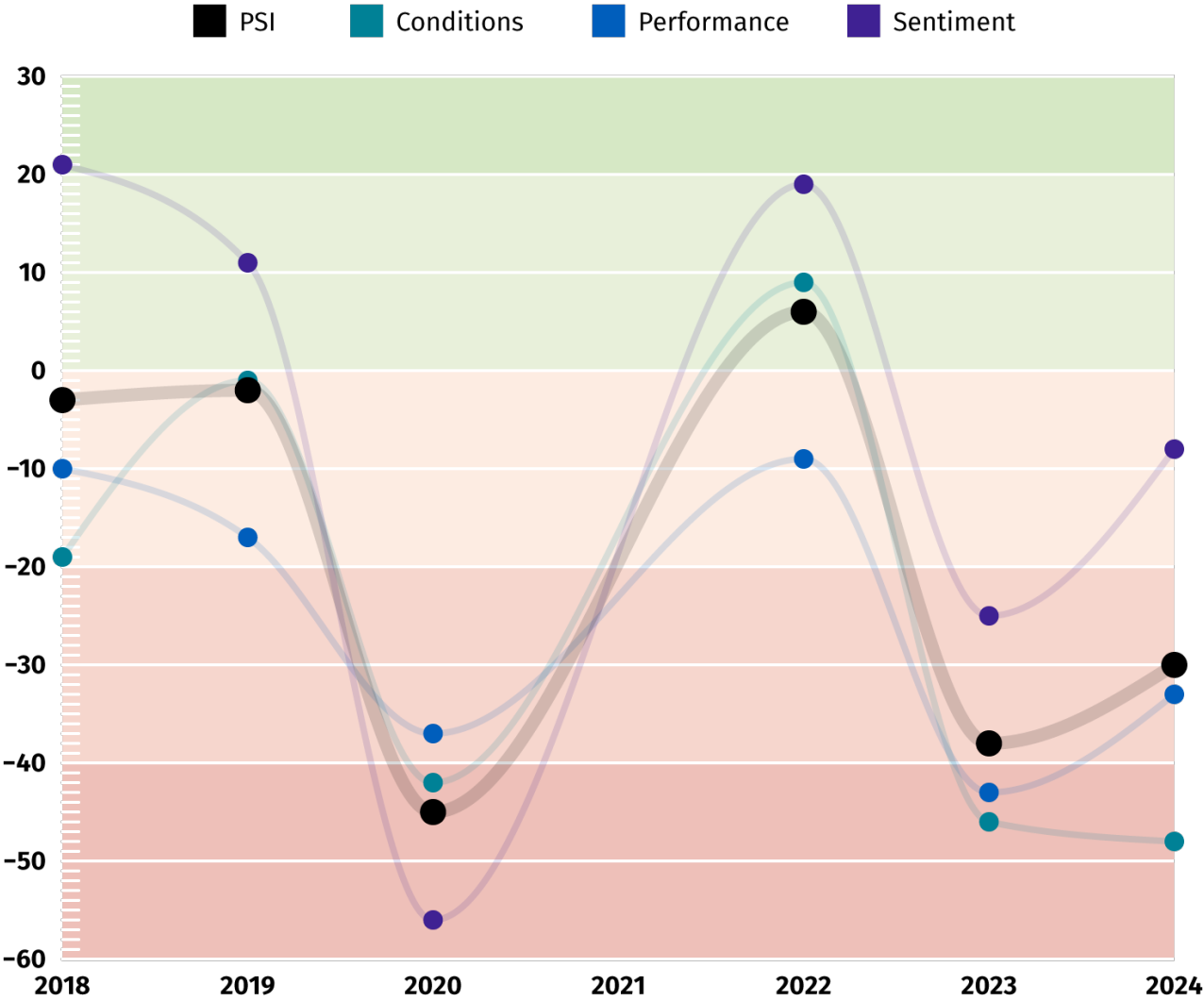
Figure 5



<sup>4</sup> Reserve Bank of Australia 2022, Statement by Philip Lowe, Governor: Monetary Policy Decision May 2022, RBA.

# Historical PSI

Figure 6



# Conditions

Figure 7

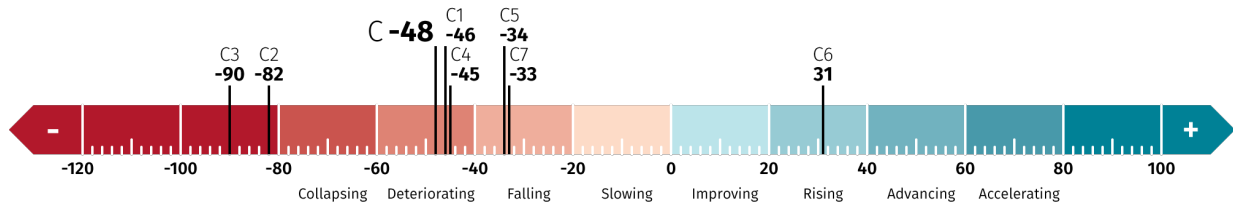


Table 4

Measure	Key	Indicator	2015	2016	2017	2018	2019	2020	2022	2023	2024
Economic conditions	C1	Local economic performance	6	47	39	20	-19	-91	65	-22	-46
	C2	Australia's economic performance	-42	21	-3	10	-33	-122	69	-81	-82
Regulatory settings	C3	Red tape and regulation requirements	-64	-45	-53	-61	-73	-73	-92	-104	-90
	C4	Supportive government policy settings	3	1	-18	-15	-16	17	9	-37	-45
Infrastructure and locale	C5	Local infrastructure provision	-32	-49	-94	-76	123	56	-24	-27	-34
	C6	Business expansion or reduction	18	32	33	21	13	-16	25	10	31
	C7	Infrastructure and locale outlook	-27	-35	-72	-45	64	-14	2	-31	-33
<b>Total score</b>			-21	-2	-21	-19	-1	-42	9	-46	-48

# Conditions summary

Business leaders in The Hills report deteriorating operating conditions. The 2024 conditions score of -48 is a decrease from the score of -46 in 2023 (Table 4).

Both the local and national economic performance are assessed to be trending negatively by the business community in The Hills. With the effect of reduced consumer and business spending now fully playing out,<sup>5</sup> it is unsurprising that both the local and national economy are seen to be performing worse than they were 12 months prior.

Assessing industry spending by its capital expenditures, wholesale (-13%), manufacturing (-6.8%), education and training (-5.9%), mining (-4.7%), electricity, gas, water, and waste (-4.1%), rental and real estate (-3.6%), financial and insurance (-3.1%), and other services such as automotive repair and hairdressing and beauty services (-16.8%) have all had reduced spending in the March quarter of 2024.<sup>6</sup>

Business owners and managers are seeing the impact of the current economic environment in their customers' ability or willingness to spend, but they are not expecting long-term negative effects. There's a sense that if they can just weather the storm by keeping expenses to a minimum, and retaining customer loyalty by keeping prices consistent, everything will even out in the near future.



***"People have less disposable income and the impact of mortgages coming off their fixed rates certainly escalated that. But I don't feel like there's a recession coming or a depression."***



***"All our costs are going up, our electricity's through the roof. Wages are going up... But at the same time, we're very conscious that a lot of people are feeling mortgage stress. And so, we don't want to put the prices up."***

Businesses in The Hills hold the sentiment that the local and national economy are collapsing at a rate that is second only to 2020 in the nine years of PSI data (Table 4), when the impacts of COVID-19 shuttered almost all facets of day-to-day life and business operations.<sup>7</sup>

Regulatory settings remain the focal point for business leaders. Time and cost requirements related to regulations and compliance are continuing to increase, with the vast majority of businesses spending either about the same or more time and financial resources to meet regulatory requirements. Policies are also viewed less favourably now than a year ago. In fact, a greater proportion of the business community finds that policy settings are becoming less supportive in 2024 than in 2023 (Table 4), revealing the increasingly prevalent sentiment of a lack of support legislatively.

<sup>5</sup> Reserve Bank of Australia 2024, Statement on Monetary Policy May 2024, RBA.

<sup>6</sup> Australian Bureau of Statistics 2024, Private New Capital Expenditure and Expected Expenditure, Australia, ABS.

<sup>7</sup> Australian Bureau of Statistics 2021, One year of COVID-19: Aussie jobs, business and the economy, ABS.



As has been the case in previous years, in times of economic pressure, costs of compliance that take away from profit-generating business operations will likely amplify both the perceived costs of regulation requirements and the perception that government support is lacking. This could possibly explain the persisting negative score for regulatory settings despite conscious local government efforts.



***"You don't want to be spending money on all that legal stuff. You just want to be running your business. And collecting revenue. You have to spend 20 percent on legal overhead."***

While the conditions of operations are less than optimal, businesses in The Hills are expanding in size. Almost one in four businesses in the PSI (23%) have had at least a slight increase in commercial space, office use, or number of locations in the past 12 months compared to 6% that have reduced their size. For the majority of businesses (71%), this has stayed about the same.

## **Regulatory settings worse for larger businesses**

Businesses are reporting negatively trending national and local economic performance. The local economy, however, is viewed more favourably than the national economy by all business segments (Figure 8 to Figure 11), a testament to the resilience of The Hills' economic performance for business of all sizes.

Regulatory settings are impacting larger businesses more severely. As the scale of business increases, business owners and managers are more likely to outline growing costs of compliance and regulations (C3 - Figure 10 and Figure 11). They are also more likely to report that government policy settings are increasingly unsupportive (C4). In fact, non-employed sole traders are the only segment that has seen improvement when assessing whether policy settings are supportive now compared to 12 months ago (C4 - Figure 8).

More businesses are expanding than contracting in The Hills, a trend which has continued for a number of years (Table 4). More businesses are reporting expansion in commercial space, physical locations, or fit out than those that have had a reduction. For small businesses employing five to 19 employees, the expansion score is an advancing 58 in 2024, highest across all business segments (C6).

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## Growing infrastructure pains for the consumer sector

Consumer businesses in The Hills are reporting a more negative outlook on the national and local economic performance than the business-to-business sector (C1 and C2 - Figure 12 and Figure 13), an indicator of tightening consumer spending. The impact of regulatory settings is also trending less favourably for B2Cs than B2Bs. The greatest difference between the segments, however, is the impact of infrastructure provision (C5 - Figure 12 and Figure 13). B2Cs are seeing deteriorating local infrastructure provision and have the outlook that it will worsen in the next 12 months. B2Bs on the other hand, are reporting more moderate sentiment towards infrastructure provision. The difference reveals the heavy reliance that the consumer sector has on population-supporting public economic infrastructure such as public transport, traffic and roads, parking availability and telecommunications, which influences the efficiency of an economy and affects individuals, households, and businesses.<sup>8</sup>

The current economic conditions can also have varying impacts depending on the products and services offered. One business owner has even seen an increase in demand for his services as his B2B customers are looking to him for business advice in this challenging environment.



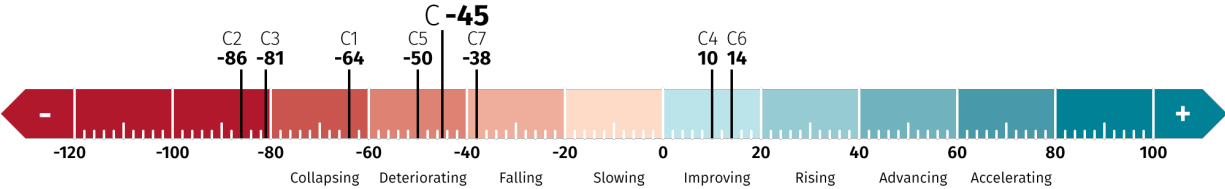
*"I had two clients, quite large clients, and they just turned the tap off quite quickly... I mean, the other side of that is that when times are tough, actually slightly larger businesses say okay, we were going quite well before, but now things are a bit tighter, we need some advice. So, after that, things are actually picking up."*

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<sup>8</sup> Poole, E, Toohey, C and Harris, P 2014, Public Infrastructure: A Framework for Decision-making, Financial Flows and Infrastructure Financing, Reserve Bank of Australia.

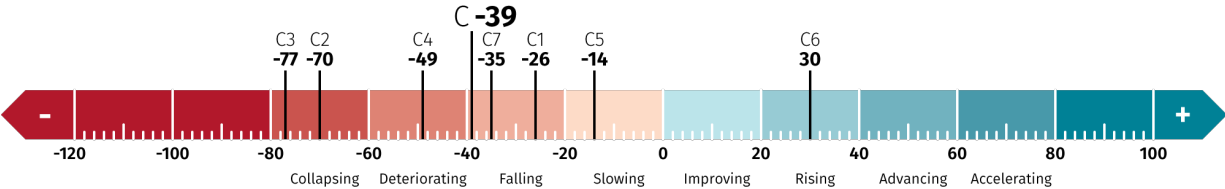
### Sole traders (no employees)

Figure 8



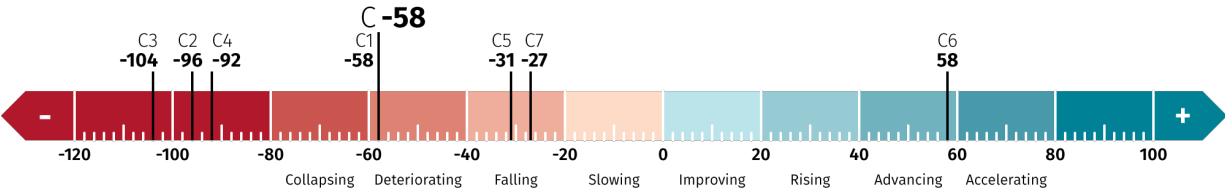
### Micro (one to four employees)

Figure 9



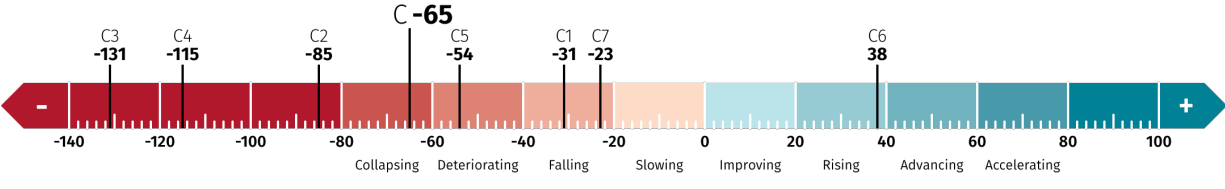
### Small (five to 19 employees)

Figure 10



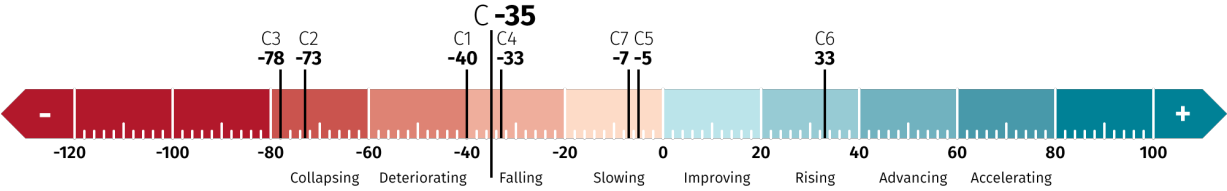
### Medium+ (20+ employees)

Figure 11



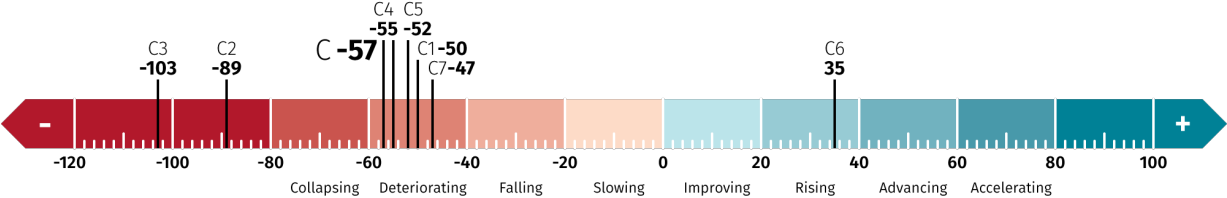
## B2B

Figure 12



## B2C

Figure 13



# Performance

Figure 14

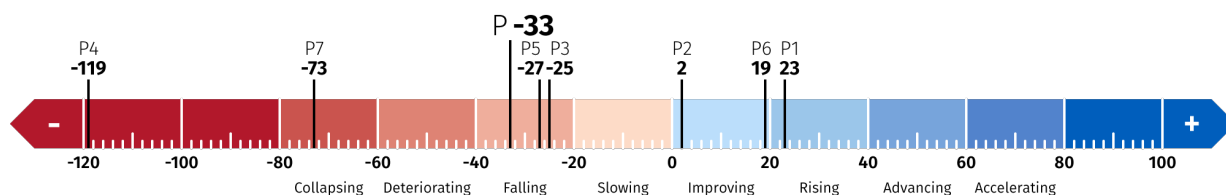


Table 5

Measure	Key Indicator	2015	2016	2017	2018	2019	2020	2022	2023	2024
Earnings	P1 Sales and revenue	52	55	35	32	19	-56	50	27	23
	P2 Pre-tax profit	31	43	21	10	-2	-56	24	-1	2
	P3 Business cash flow	24	35	9	-7	-21	-60	15	-36	-25
Expenses	P4 Business costs	-26	-44	-57	-65	-63	-55	-88	-134	-119
	P5 Capital investments and expenses	-3	18	21	-2	-5	-37	4	-35	-27
Employment	P6 Staffing levels	18	31	28	23	11	-21	35	17	19
	P7 Staff wages and on-costs	-45	-58	-41	-39	-40	4	-66	-96	-73
<b>Total score</b>		3	6	-1	-10	-17	-37	-9	-43	-33

# Performance summary

Despite persistently high business costs and staff expenses, revenue and profit are rising. The 2024 PSI performance score is -33, a 10-point improvement from the 2023 score of -43 (Table 5).

The profit indicator has reversed from a slowing -1 to the improving score of 2. Cash flow has also improved from -36 to -25 since 2023. A score of -25, however, shows that cash flow is still a challenge for businesses.

The burden of increasing expenses in the form of business costs and staff wages has eased slightly in the most recent 12 months. Though still significant, 70% of business leaders are reporting worsening business costs compared to 80% in 2023. Similarly, wages and on-costs have increased for 55% of business owners and managers, down from 60% in 2023. Annual wage growth in the private sector in Australia has eased to 4.1% in the year to March 2024, the first slowdown in wage growth since September 2020.<sup>9</sup> The easing in the rising costs of business operations signifies the narrowing gap between expenses and revenue, albeit only gradually.

In alignment with the expansion in commercial size and location, one in four businesses in The Hills (24%) have increased their staffing levels in the past 12 months, a positive change from the tight labour market of 2021 and 2022, which saw almost one in three Australian businesses (31%) report difficulty in finding suitable staff to fill jobs.<sup>10</sup>

Expansion and the increase in staffing levels in The Hills are in alignment with broader NSW trends. Almost one in three (30%) businesses in NSW with less than 20 employees are planning to expand

operations, 41% of which are also looking to hire additional staff.<sup>11</sup>

Three in five (61%) businesses in The Hills, however, are reporting steady staffing levels. Some businesses that would like to grow, are still hesitant to increase staffing until they are more confident in the external conditions. Owners and managers, particularly those of small businesses, are mindful of the need for stable cashflow when bringing on new staff and want to ensure that anyone they are bringing on will have guaranteed employment for the foreseeable future.



***"I'm seeing some of my clients and colleagues in business just easing back a little bit on their hiring, just to weather the storm."***



***"We've definitely (eased back on hiring). While we'd like to grow, we'll just restrain that at the moment until (we are more confident in the external conditions). It can be a fairly lumpy sort of process. It depends on the size of the projects and how many are coming in... But when you're adding to our headcount, you have to have enough work in the next three, six months to ensure you can keep them on."***

<sup>9</sup> Australian Bureau of Statistics 2024, Wage Price Index, Australia, ABS.

<sup>10</sup> Australian Bureau of Statistics 2022, Business Conditions and Sentiments, ABS.

<sup>11</sup> Small Business Commissioner 2024, Small Business Momentum Survey April 2024, NSW Government.

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The positively trending staffing levels provide some insights into the strength of the business community in The Hills amidst strong economic headwinds. In part, this can be explained by the fast-growing consumer base in The Hills, which has seen an increase in population of almost 9,000 based on the most recent population estimate (year to June 2023).<sup>12</sup> This makes The Hills the third largest growing Local Government Area in NSW, only outpaced by Blacktown and the City of Sydney.

### **Agility of smaller businesses lifting performance**

Profits have trended positively for sole traders (P2 - Figure 15) and micro businesses (one to four employees) (Figure 16). Small businesses (five to 19 employees) (Figure 17) and medium+ businesses (20+ employees) (Figure 18), on the other hand, have seen their profit indicators (P2) slow to -15 and -62 respectively. Rising expenses undoubtedly play their parts, with larger employing businesses plagued by sharply increasing business costs and staff wages. Across Australia, 21% of businesses with 20 to 199 employees find it difficult or very difficult to meet financial commitments over the next three months. This compares to 18% for businesses with less than 20 employees.<sup>13</sup>

Capital investment is also reducing for larger businesses, an indicator that businesses are operating conservatively. Non-employing sole traders, however, buck the trend with an improving indicator score of 5 for capital investments and expenses (P5 - Figure 15), setting up their business for future growth.

Overall sales and revenue are rising for almost all businesses in The Hills. Medium+ businesses with 20 or more employees is the only segment with deteriorating revenue over the past 12 months (P1 - Figure 18), pointing perhaps to the aggregate impact of reduced consumer and business spending.

### **Differing earnings performance for B2Bs and B2Cs**

Earnings indicators over the past 12 months are a story of two tales for B2Bs and B2Cs. The business-to-business marketplace is experiencing accelerating revenue, advancing profit and improving cash flow (Figure 19). The consumer sector on the other hand, has seen slowing revenue, falling profit and deteriorating cash flow (Figure 20), making clear the effect of tightening monetary policy and downward pressure on consumer spending, at least in The Hills.

Despite the advancement in earnings, expenses and employment-related pressure have pushed performance scores into the negative for B2Bs (-10) and B2Cs alike (-50). The worst performing indicators continue to be business costs and staff wages. B2Cs have also reduced capital investment (P5 - Figure 20) in reflection of the downturn in the consumer economy. Household spending on food and beverages (-3.8%), hospitality (-3.3%), and recreation (-2.6%) have all fallen sharply.<sup>14</sup> The reduced consumer activity can also be seen in the moderate increase in staffing levels for B2Cs (12) compared to their faster-growing B2B counterparts (33).

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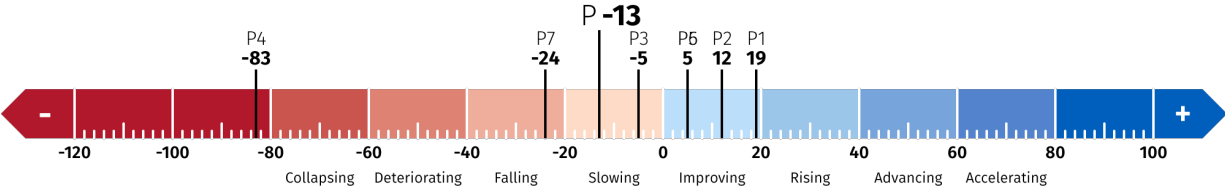
<sup>12</sup> Australian Bureau of Statistics 2022-23, Regional population, ABS.

<sup>13</sup> Australian Bureau of Statistics 2022, Business Conditions and Sentiments, ABS.

<sup>14</sup> Halmarick, S & Allen, B 2024, CommBank Household Spending Insights, Economic Insights April 2024, CBA.

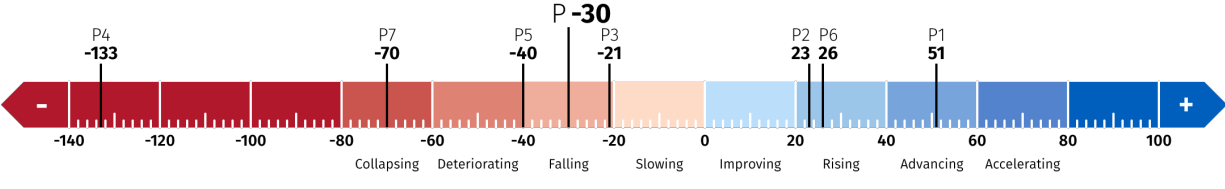
### Sole traders (no employees)

Figure 15



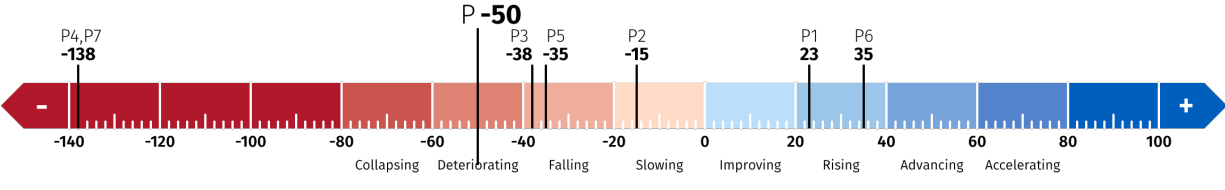
### Micro (one to four employees)

Figure 16



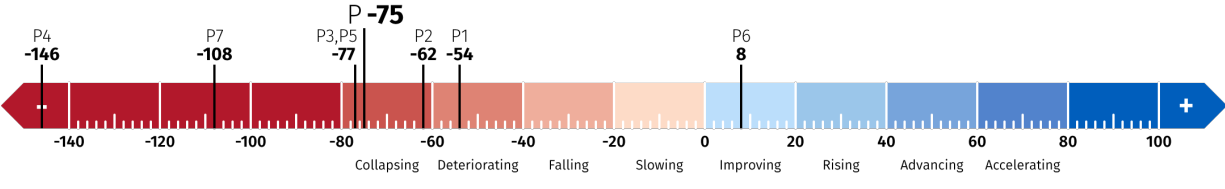
### Small (five to 19 employees)

Figure 17



### Medium+ (20+ employees)

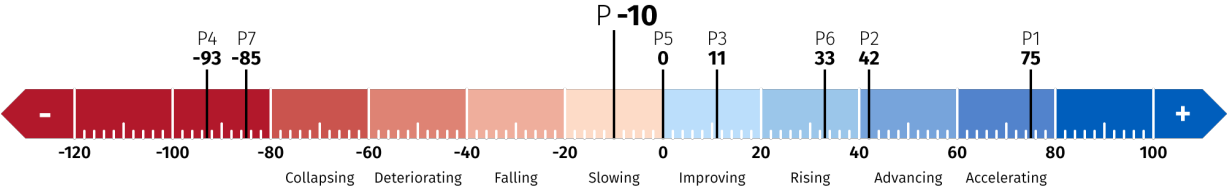
Figure 18





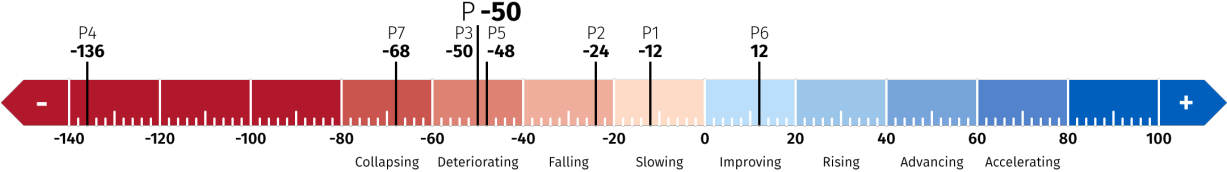
### B2B

Figure 19



### B2C

Figure 20



# Sentiment

Figure 21

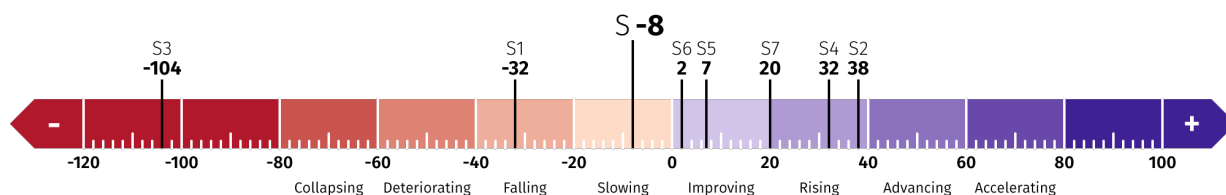


Table 6

Measure	Key	Indicator	2015	2016	2017	2018	2019	2020	2022	2023	2024
Economic outlook	S1	National economic outlook	-31	14	-9	4	2	-132	30	-81	-32
	S2	Internal revenue outlook	46	78	73	61	60	-60	69	25	38
Cost forecast	S3	Expense forecast	-68	-65	-82	-64	-73	-40	-110	-134	-104
	S4	Staffing level forecast	30	55	69	43	29	-12	60	25	32
Growth forecast	S5	Profit forecast	36	48	40	43	34	-51	36	6	7
	S6	Cash flow forecast	34	52	39	49	28	-61	39	12	2
	S7	Expansion forecast	16	41	38	28	13	-27	26	1	20
<b>Total score</b>			6	29	22	21	11	-56	19	-25	-8

# Sentiment summary

Sentiment of business operators in The Hills has a slowing score of -8 (Figure 21), despite the deteriorating operating conditions (-48) (Figure 7) and falling business performance (-33) (Figure 14) of the past 12 months. This is a testament to the longstanding resilience and positive outlook that is characteristic of business leaders in The Hills.

While business owners and managers believe the national economy will trend negatively into the next 12 months, revenue and profit are expected to improve. In fact, the outlook for both revenue (S2) and profit (S5) are slightly more positive than that of 2023 (Table 6), a continuation of the confidence that future performance will prevail over unfavourable conditions. As of June 2024, 86% of NSW business leaders with less than 20 employees are concerned about the costs of business inputs, a monthly increase of 4 percentage points. Despite this rising concern, an increasing proportion of businesses (26% cf. 25%) are confident in their prospects.<sup>15</sup>

The confidence of business leaders in The Hills can also be seen in their forecast for the next 12 months. Anticipated increases in staffing levels (32 cf. 25) and expansion in commercial space/locations (20 cf. 1) are markedly higher than that of 2023. More than a third of businesses (35%) are expecting an increase in staffing and 23% are anticipating expansion in the next 12 months.<sup>15</sup>

Expenses, while projected to continue to be challenging in the next 12 months, are forecast to rise at a slower rate than the past 12 months. Australian businesses have been experiencing increasing operating expenses since the beginning of 2022.<sup>16</sup> More than two years on, cost

management will remain a top priority for businesses. The overall outlook, however, shows promise and rounds out a pattern of improvement for businesses in The Hills.

## Improving sentiment for the next 12 months for smaller businesses

The negatively trending national economic outlook and expense forecast are consistent across all business segments (Figure 22 to Figure 25). Smaller businesses, however, record positive indicators across all other areas, resulting in improving sentiment scores of 3 for non-employing sole traders (Figure 22) and 4 for micro businesses (one to four employees) (Figure 23). Advancing revenue outlook for both smaller business segments provide the platform for the projected rise in staffing levels, business size and cash flow. Profit is also projected to be better in 12 months' time compared to today.



***"Change is a part of my industry... being small allows me to change faster than others can"***

For businesses employing five to 19 employees (Figure 24), the cooling assessment of the national economic performance and future expenses is more severe. Falling outlook for cash flow and profit hamper the overall sentiment of the segment. Small business owners are, however, planning for growth in staff and locations, showing signs that demand is remaining strong.

Medium+ businesses with 20 or more employees (Figure 25) share very similar sentiment with small

<sup>15</sup> Small Business Commissioner 2024, Small Business Momentum Survey April 2024, NSW Government.

<sup>16</sup> Australian Bureau of Statistics 2022, Business Conditions and Sentiments, ABS.

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businesses with five to 19 employees. The negatively tracking economic performance outlook and expense forecast for medium+ businesses are more moderate than that of small businesses. Cash flow and profit forecasts are, however, noticeably less optimistic, resulting in a falling sentiment score of -33 for medium+ businesses.

### **Consumer recession expected to continue affecting B2Cs in The Hills**

Matching the results of 2023, the consumer (Figure 27) and business sectors in The Hills (Figure 26) share similar outlooks on the future of the national economy. Forecasts on how future expenses could change also largely align.

Cash flow (S6) and profit forecasts (S5), however, differ for B2Bs and B2Cs. While B2Bs are

forecasting accelerating revenue and rising profit and cash flow, B2Cs are anticipating profit and cash flow to slow in the next 12 months, and revenue (S2) to only improve slightly. Although household spending has risen by 0.4% in the March quarter of 2024<sup>17</sup>, an improvement from 0.3% in the quarter prior, consumer demand is likely to remain weak, particularly in discretionary spending. This is likely the primary factor influencing growth forecasts for B2Cs in The Hills.

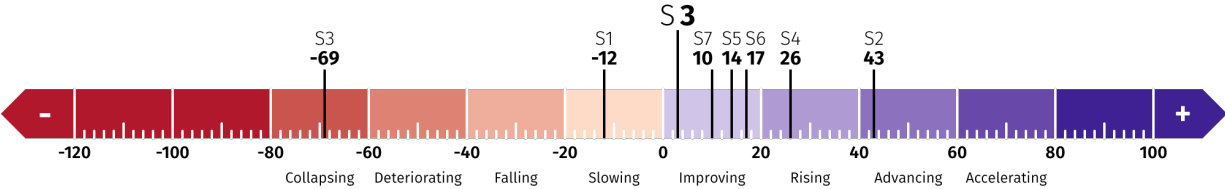
The anticipated growth in staffing levels is also significantly stronger for B2Bs (56) than B2Cs (9). On aggregate, the B2B segment has an improving sentiment score of 12 while the consumer sector is expecting the next year to pose substantial challenges (-23).

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<sup>17</sup> Australian Bureau of Statistics 2024, Australian National Accounts: National Income, Expenditure and Product, ABS.

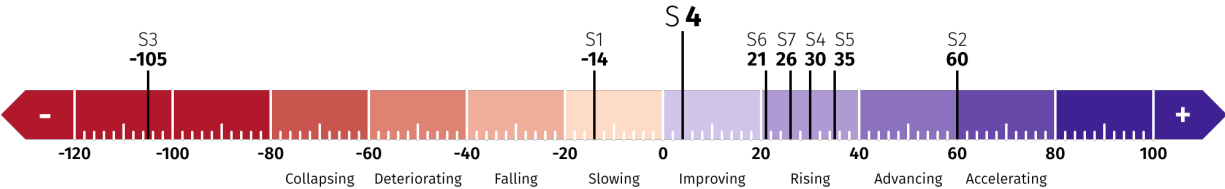
### Sole trader (no employees)

Figure 22



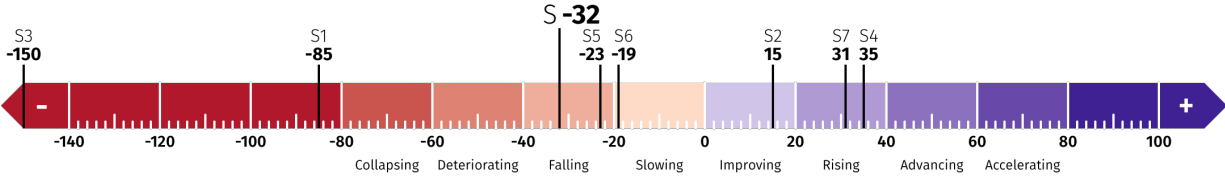
### Micro (one to four employees)

Figure 23



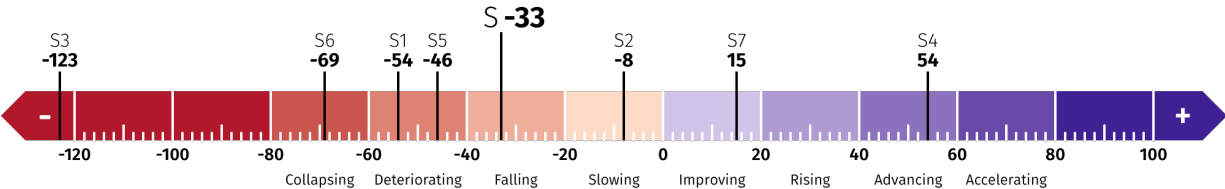
### Small (five to 19 employees)

Figure 24



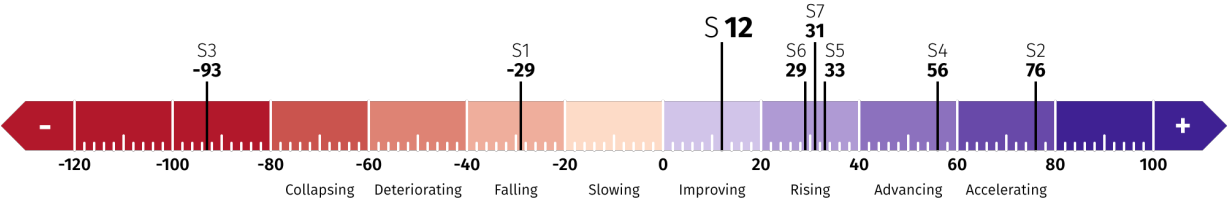
### Medium+ (20+ employees)

Figure 25



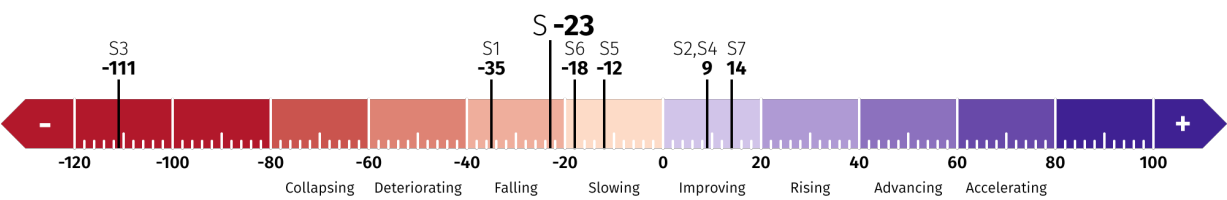
**B2B**

Figure 26



**B2C**

Figure 27



# Further insights

## Net Promoter Score

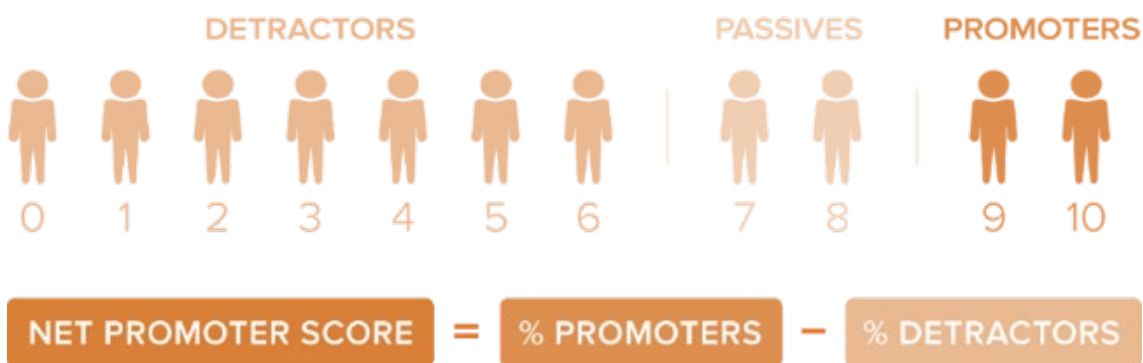
The Net Promoter Score (NPS), developed by Bain & Company, is based on the perspective that every stakeholder can be divided into three categories: Promoters, Passives and Detractors.

Supporters respond on a 0-to-10-point rating scale and are categorised as follows (Figure 28):

- **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.

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.

Figure 28



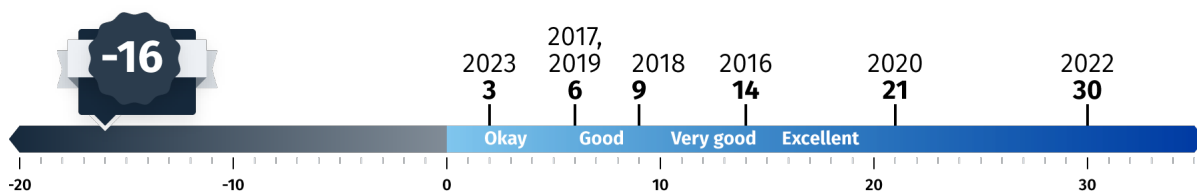
## On a scale from 0-10, how likely are you to recommend doing business in The Hills Shire to a friend or colleague?

The 2024 NPS score for doing business in The Hills is -16 (Figure 29). Two in five business owners and managers (40%) are detractors for doing business in The Hills and just 23% are promoters.

This likely reflects the broader pressure of running a business in general, rather than the specific conditions of doing business in The Hills. Although one in two business operators in The Hills (48%) observe that local economic performance is at least slightly worse now than 12 months ago, a substantially greater proportion (66%) observe the declining performance of the national economy.

Nonetheless, the NPS score of -16 is a sharp decline from the score of 3 in 2023, an indicator of the pace of change in optimism in running a business in The Hills, particularly considering 2022's NPS result of 30.

Figure 29



### Consumer businesses more likely to be detractors

Just under one in two B2Cs in The Hills (45%) are detractors of doing business in The Hills compared to 31% of B2Bs. As a result, the NPS score for the consumer sector is worse performing than those in the business-to-business marketplace (-20 cf. -9).

### Small businesses' views are the most negative

Medium+ businesses in The Hills employing 20 or more staff have a moderate NPS score of -8, similar to that of non-employed sole traders (-7). For micro businesses with one to four employees, a considerable 44% are detractors of doing business in The Hills, resulting in an NPS score of -19. Small businesses with five to 19 employees have the lowest score of -31. With small business confidence at just 26% across NSW,<sup>18</sup> it is perhaps unsurprising that NPS scores for smaller business segments are at a historic low. This again points to the strain of business operations in general, rather than the specific conditions in The Hills.

<sup>18</sup> Small Business Commissioner 2024, Small Business Momentum Survey April 2024, NSW Government.



# Place of work arrangements

## Almost 40% of businesses are in the workplace full time

The disruption to working arrangements during the COVID-impacted period appears to have reached a steady state in The Hills. At present, 38% of businesses are in the workplace all the time and 16% are fully remote. Around one in two businesses have flexible working arrangements, depending on what is suitable to the employer (27%) or the individual (20%) (Figure 30).

While business owners and managers recognise the benefits of flexible working arrangements, most believe there is a need to have the whole team together in the workplace at least some of the time. This time together is considered important for productivity, team culture and training. These businesses that are encouraging their whole team to come into the workplace at the same time still have the same floor space requirements.



***"We transitioned to everyone working from home, but it is hard to maintain a culture when no one sees each other in person, so you have to try very hard to do that."***



***"There are two young graduates. One is working at home and the other one is in the office talking to these senior people. That person's going to grow. It's so much better when you're communicating in person."***



***"We've got a lot of people with young children working at home. It's great, but it's actually not productive."***



***"Remote working hasn't influenced our office space requirements because we tried to do part of the team in the office, and part of the team at home but we found that it changed the company culture a bit. So, we now have three days when we're all in the office and two days at home. So, our floor space or our needs haven't changed."***

In the next 12 months, the majority of businesses are not planning on changing their working arrangements (Figure 31). For businesses with full time remote work arrangements, 77% are not planning on changing their current arrangements and 15% will be spending more time in the workplace. A small proportion (8%) are planning on further encouraging remote work. For businesses with full time workplace arrangements, 87% will maintain their current levels and 13% are intending on further increasing time in the workplace. For hybrid businesses, 13% will be in the workplace more regularly in the next 12 months and 8% will be increasing their remote work arrangements. The majority, again, are not changing their current arrangements (79%).

Figure 30

### Which of the following best describes the working arrangement for your business?



Figure 31

### In the next 12 months, do you plan on changing the working arrangement of your business?



# Government support

## Business leaders are seeking support through workshops, seminars or events and Business Connect Advisory Services

In 2024, just under one in six business owners and managers in the Business PSI (15%) have utilised resources or received support provided by the Council or the NSW Government in the past 12 months (Figure 32). Amongst those who have engaged with resources and support, more than one in two have been to local government business workshops, seminars or events (58%).

The NSW Government's Business Connect Advisory Services have also been utilised by the same proportion of the business community (58%). Business Help Desk and Support offered through Services NSW are used by 16% and 21% of those who have engaged government support, respectively (Figure 33).

Figure 32

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

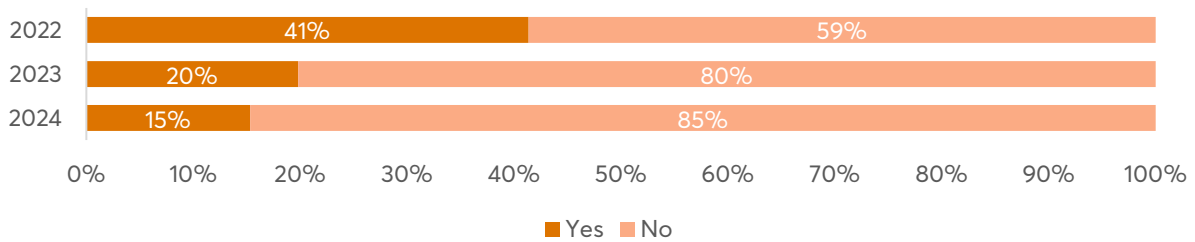
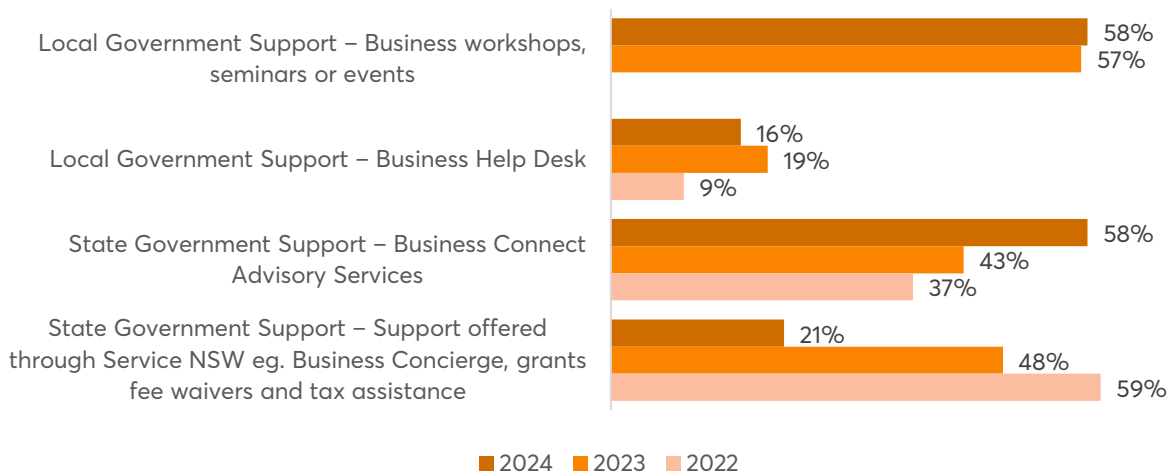


Figure 33

You have indicated earlier that you have received support from the government, which of the following types of support have you received?

Please select all that apply.

Answered only by respondents who have utilised support. n=19



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## **More positive outlook for businesses that have engaged government support or utilised resources**

Perhaps unsurprisingly, business operators who have utilised resources or engaged support from the local and state government are less likely to report that the time and financial costs associated with compliance have increased for their businesses. Just 5% of business leaders who have utilised government support report that costs related to compliance and regulations have increased significantly or moderately over the past 12 months. This compares to 32% of those who have not utilised the support (Figure 34).

The insights gained through interactions with government resources and support may also be leading to the more positive forecast that businesses hold for the next 12 months. Businesses that have utilised government support are more likely to report better revenue outlook than those that have not accessed government support (74% cf. 51%) (Figure 35). The forecast increase in business expenses is also more moderate (68% are expecting at least slight increase cf. 76%) than their counterparts that have not engaged with government support (Figure 36), demonstrating the likely effectiveness of the simple act of seeking out government resources and support.

Figure 34

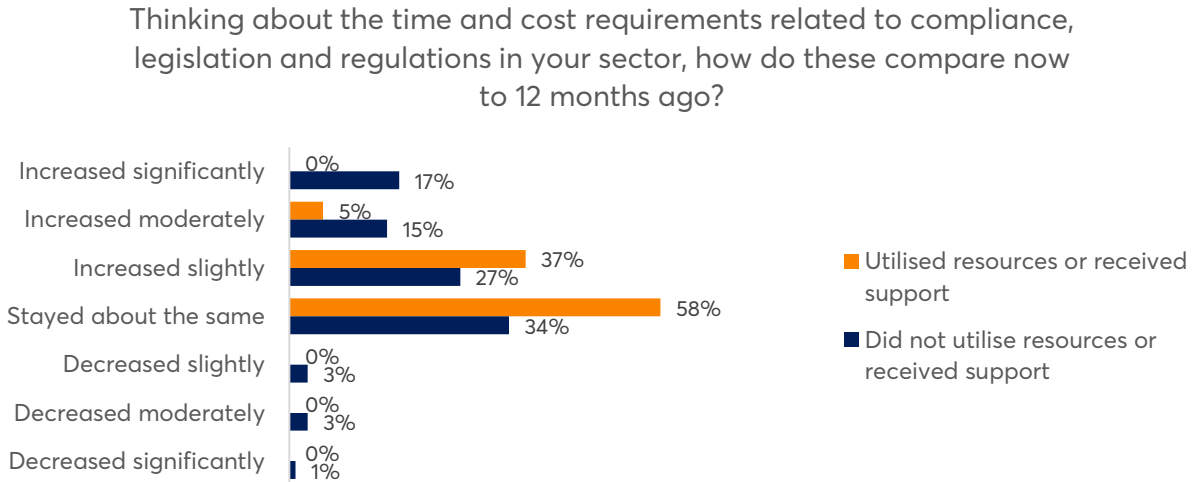


Figure 35

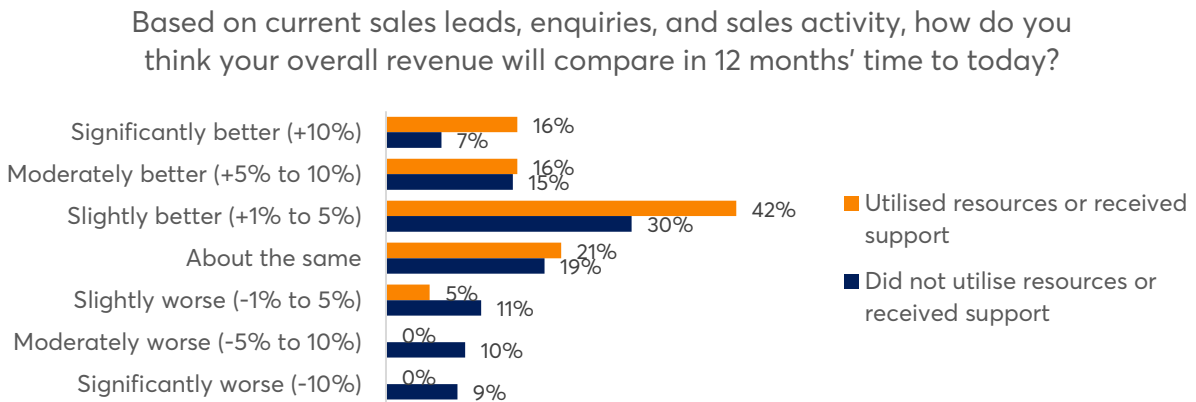
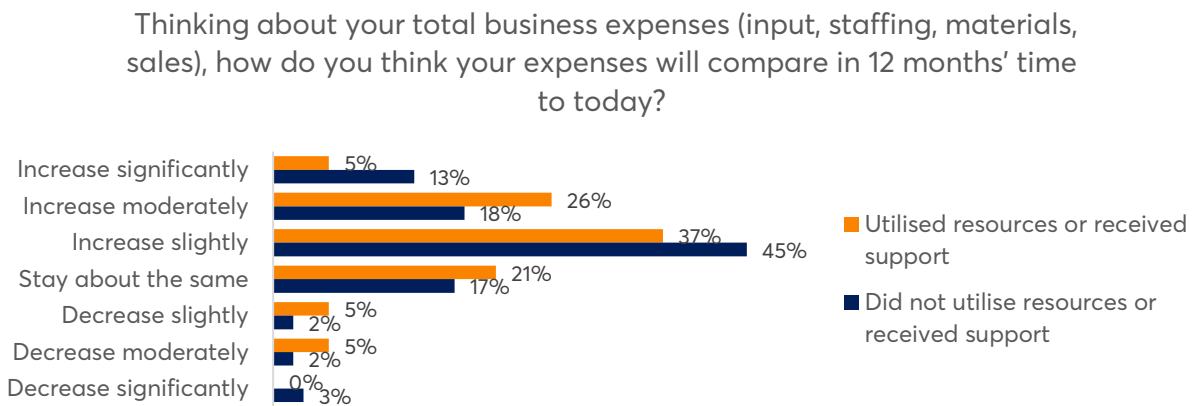


Figure 36



## Business owners and managers have had positive interactions with The Hills Shire Council

Business owners and managers who have engaged with The Hills Shire Council have had a generally positive experience. The provision of education and services to businesses are seen to be helpful and proactive ways of supporting businesses in the community. While some have experienced challenges in terms of DA approvals and confusing processes, others believe that The Hills Shire Council is actually quite efficient compared to other councils.



*"From our experience with the building process, we've found that Hills Council are generally pretty good in terms of approvals timelines."*



*"[The Hills Shire Council] is certainly, a lot more open... Even just information on the DA tracker, that sort of stuff."*



*"Compared to other councils that I'm aware of and work with, I would say that Sydney Hills is probably one of the best councils for business support. Could they do more? Yeah, of course. They've got limitations and stuff like that, but I think they're very progressive. They run education, they engage, I see representatives in council and councillors at chamber events. So, I think Hills Council is one of the most engaged councils I know with respect to business. They provide proactive services to businesses as well... You can go and have some sessions with them. They've got subscriptions, so you can find out information about your industry sector. They show you how to use some databases. So, I think they're excellent."*

Some suggestions for improvement include developing strategies to widen their network, making sure to invite people who don't already attend Council events to partake in workshops or seminars. Another business owner suggested having a 'welcome pack' for any new businesses in the area so that business operators know how they can be more involved in the business community and access Council resources.



*"They help what they know about. Like a lot of human beings. If they know about it, they seem to be more supportive, but there's lots of things they don't know about.... Perhaps they need to discover more... You'd have to be careful to invite the people or involve the people that don't traditionally go to those things. Otherwise, you just get more of the same."*



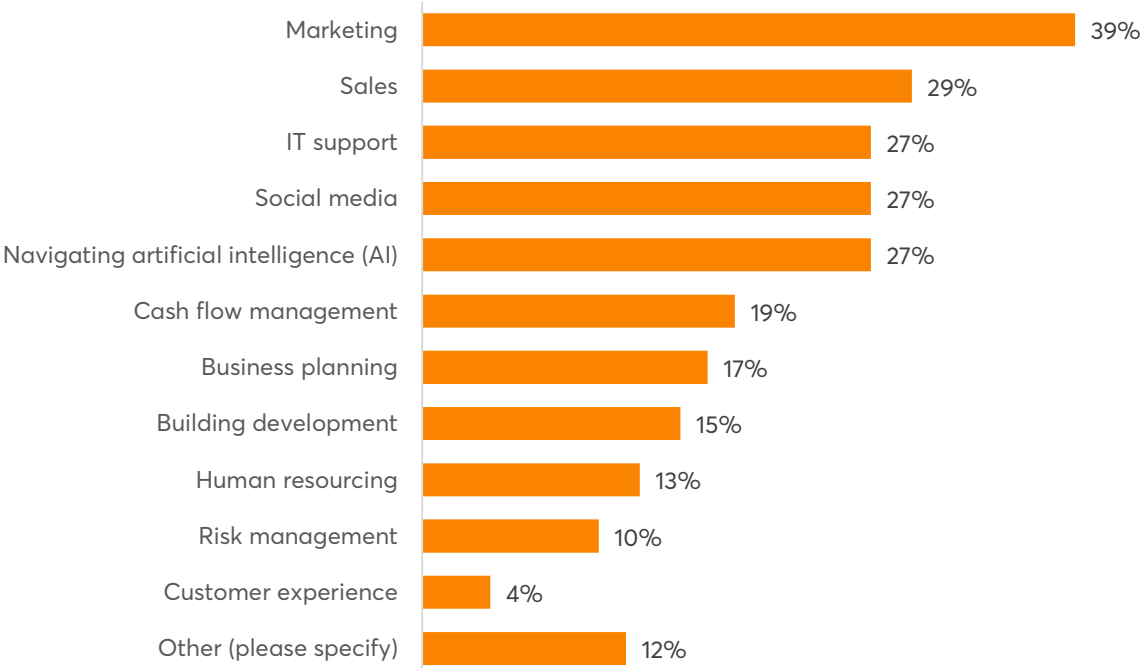
*"Maybe something like when you get DA approval, sending a pack, or an e-book that shows these are things that are available from council for businesses in the area. So, congratulations on getting your DA through, here's some information... chamber meets here on this day.... there's a help desk."*

## Marketing and sales top of mind for business leaders

With the economy teetering on a downturn, new leads and new opportunities are top of mind for business leaders looking to counter the effects of declining activity (Figure 37). Marketing (39%) and sales (29%) are the most common areas where operators are in need of support when considering the future of their businesses. It is of greater priority than navigating the digital evolution. Just 27% of the business owners and managers are anticipating IT support, artificial intelligence and social media to be areas where they will need the most support. Just under one in five expect cash flow management (19%) and business planning (17%) to be areas of the greatest need for their business.

Figure 37

When thinking about the future of your business, where do you anticipate needing the most support?  
*Please select all that apply.*



# The Sydney Hills

## Association with The Sydney Hills largely neutral

When asked how they refer to the geographical area in which they work, one in two in the business community use the phrase 'The Hills District' (46%). This is followed 'The Hills' (35%) and 'The Hills Shire' (15%). 'The Sydney Hills' and 'The Sydney Hills Shire' are used by just 2% of respondents each (Figure 38).

When prompted to consider what words, ideas or associations come to mind when they hear the phrase 'The Sydney Hills', business owners and managers are largely neutral. Some feel that the phrase evokes the general idea of mountains or hills, or some think the phrase might be referring to The Blue Mountains.

One in six business owners or managers (15%) do not feel the phrase reflects The Hills as they know it. Using the word 'Sydney' when describing the area feels unnecessary to those who live or work in The Hills, as those who are familiar with the region already know it's located in Sydney. When considering it as a phrase to attract new businesses to the area, business owners and managers are still unconvinced that it would catch on.



***"It's almost tautological. I mean, The Hills are in Sydney. In the Shire, people just have to say, 'the Shire'. They don't say, 'the Sutherland Shire'."***



***"I get it as an investment attraction strategy. But I'd think that when (the new businesses) get here, they'll just drop the 'Sydney'."***

A small proportion feel the phrase is trying to make a more direct connection to Sydney. Business managers and owners are wary that if the phrase is intentionally trying to make a connection to Sydney, then the area needs to fulfill that promise by being well connected with the Sydney CBD.



***"If you want to attract them for the investment and the companies to come in, you've got to associate it with accessibility. We have the M2, which can be 15 minutes or an hour and a half. But does this brand create that perception of connectedness? I'm wondering if you're giving them a false premise."***

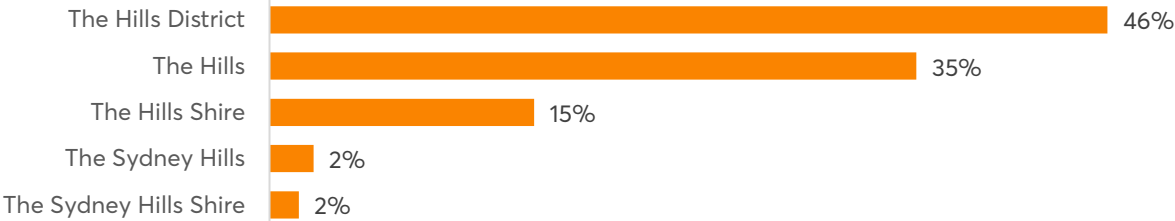
Some business owners and managers mention the North West of Sydney, feeling that 'The Sydney Hills' implies an area larger than what is currently considered 'The Hills.'

Other responses more closely describe the characteristics of The Hills with commonly identified attributes being the space and landscape, the family and community-oriented nature of the area, growth, densification, affluence and the lifestyle location.



Figure 38

### How do you usually refer to the geographical area you work in?



# Challenges faced by businesses

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

The overall economic conditions and the trend of rising business expenses were overwhelmingly top of mind for business operators in The Hills.

Challenges with staffing, generating new leads and opportunities, cash flow management, regulation and compliance, infrastructure, and navigating technology are other commonly noted challenges for businesses owners and managers.

## Economic conditions

*Rising costs, impact to our business and need to review pricing, consumer hesitation to spend in current economic environment*

*Challenging economy*

*Overall downturn in consumer spending*

*Staying active in the current economic downturn*

## Rising expenses

*Fuel costs, supplier costs*

*Labours and materials increasing*

*Operating costs and high tax fees*

*Cost of doing business, inflation, interest rates, employment costs*

## Staffing

*Finding the right staff with a balance of skills and personality to fit our office culture*

*Getting good staff*

*Human Resources/staffing has been for years the most difficult aspect and it is getting worse*

*Labour market shortages*

*Retention of staff*

## New leads and opportunities

*Getting more customers*

*Lack of sales*

*Sales and marketing*

*Generating leads*

## Cash flow

*Cash flow*

*Cash flow with rising costs of rent, subscriptions, wages etc*

*Cash flow and margin shrinkage*

*Cash flow. Drop in revenue*

## Regulation and compliance

*Increasing legislation and reporting*

*Legislation reforms and "knee jerk" changes*

*Government over regulation at all levels*

*Increasing compliance obligations*

## Infrastructure

*Government pulling funding from much needed infrastructure*

*Lack of proper NBN infrastructure around the office is limiting the ability of the organisation to thrive in a connected world*

*The need for more residential housing, coupled with improved public transportation, is critical for the sustainable growth and prosperity of our community & businesses*

## Technology

*Training in the technology sector*

*Understanding how AI will impact my business*

*Website management*

*Digital Marketing*

# Appendix

## Respondent characteristics

Figure 39

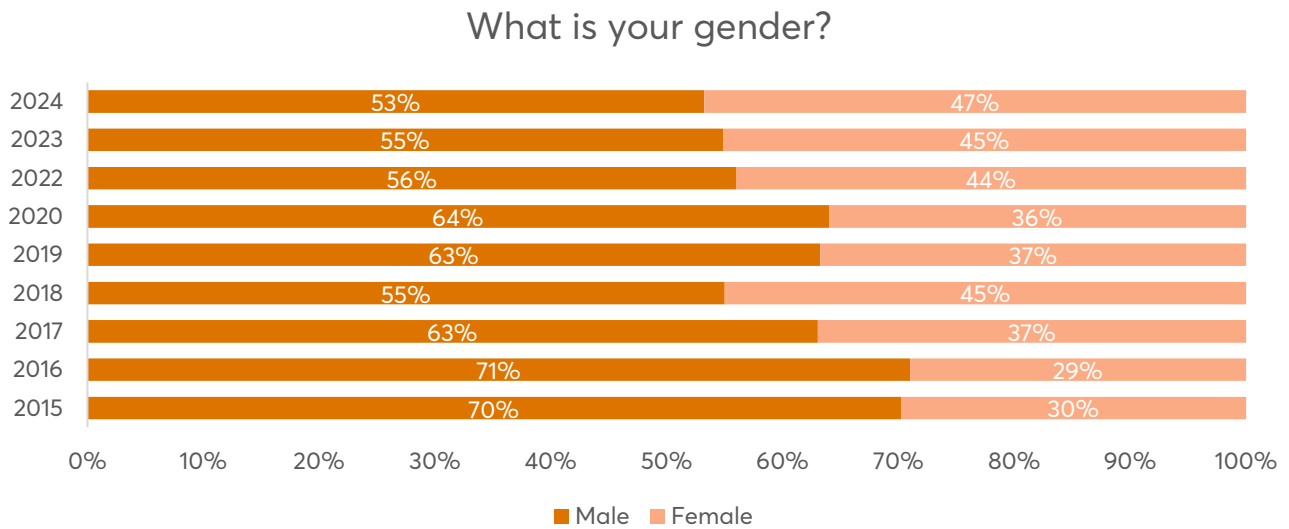


Figure 40

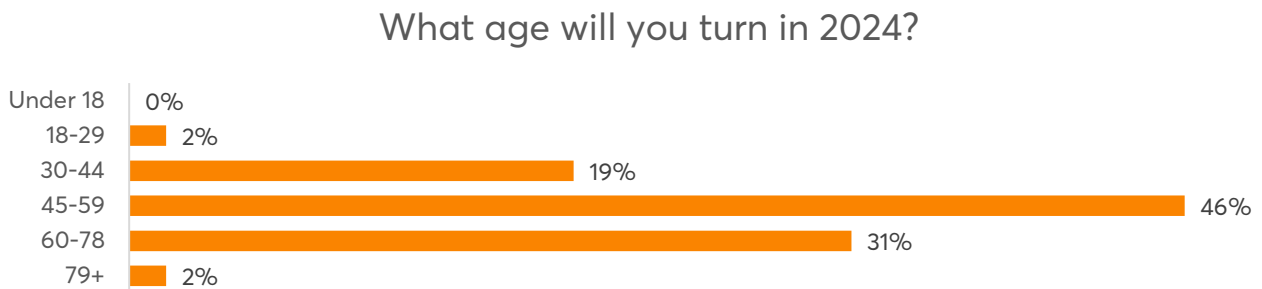


Figure 41

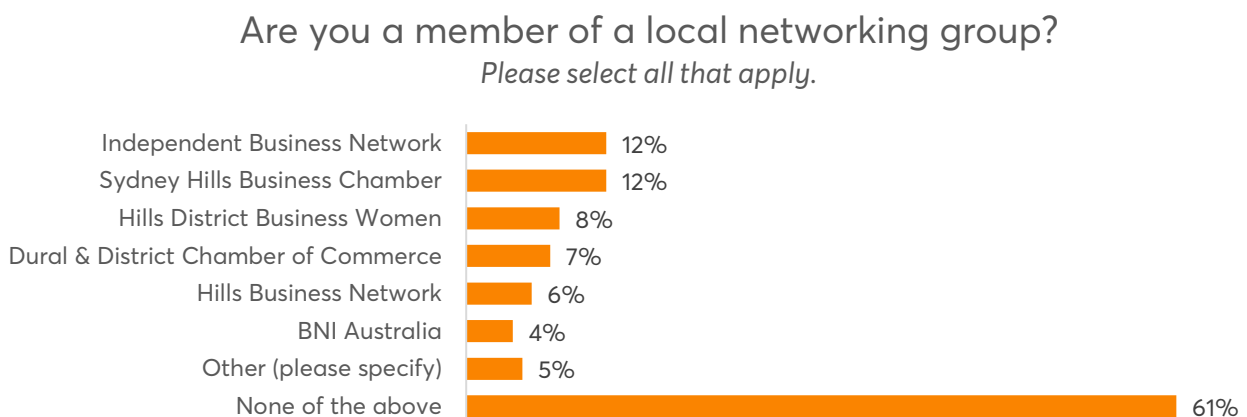


Figure 42

### What is your highest level of completed education?

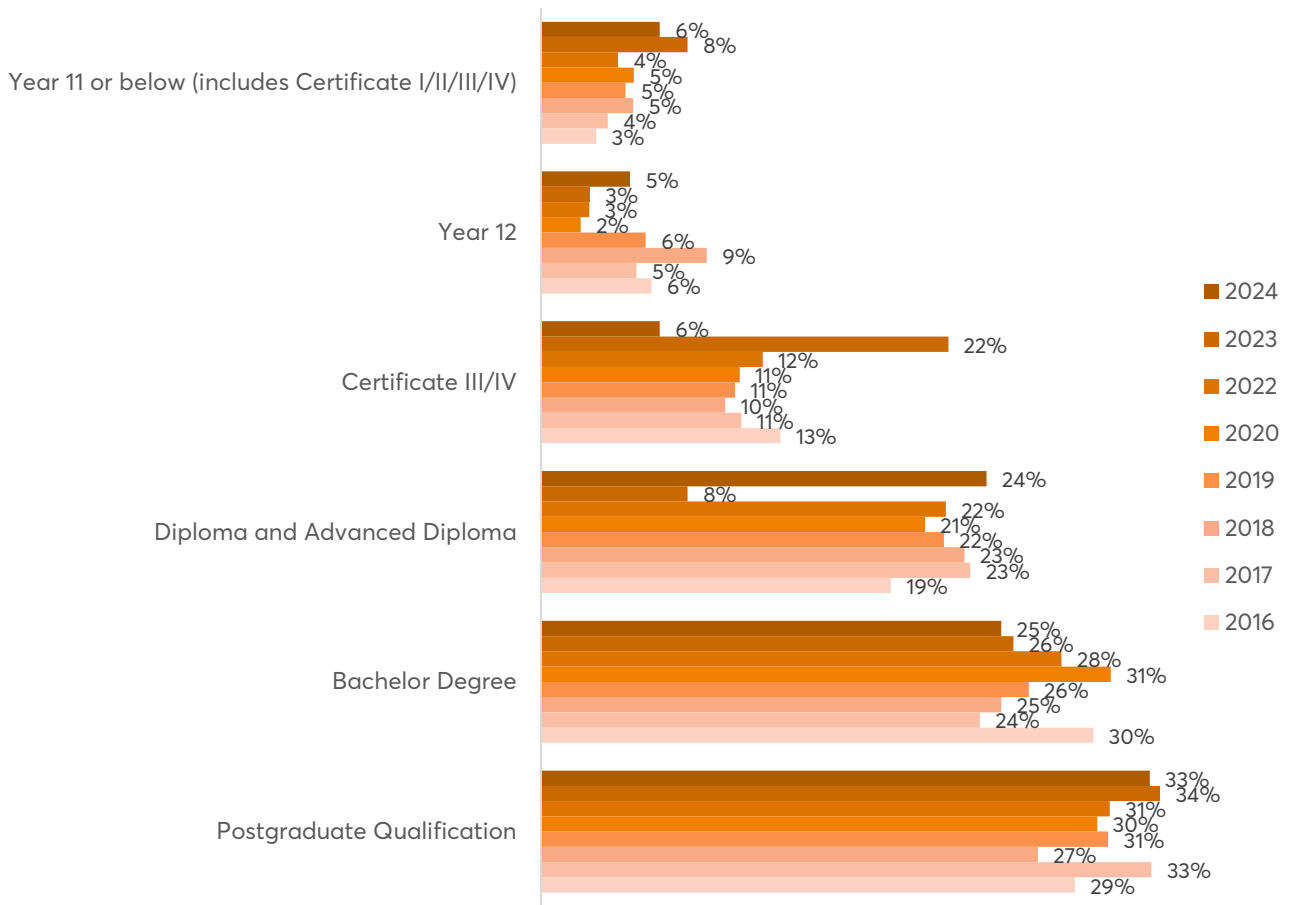
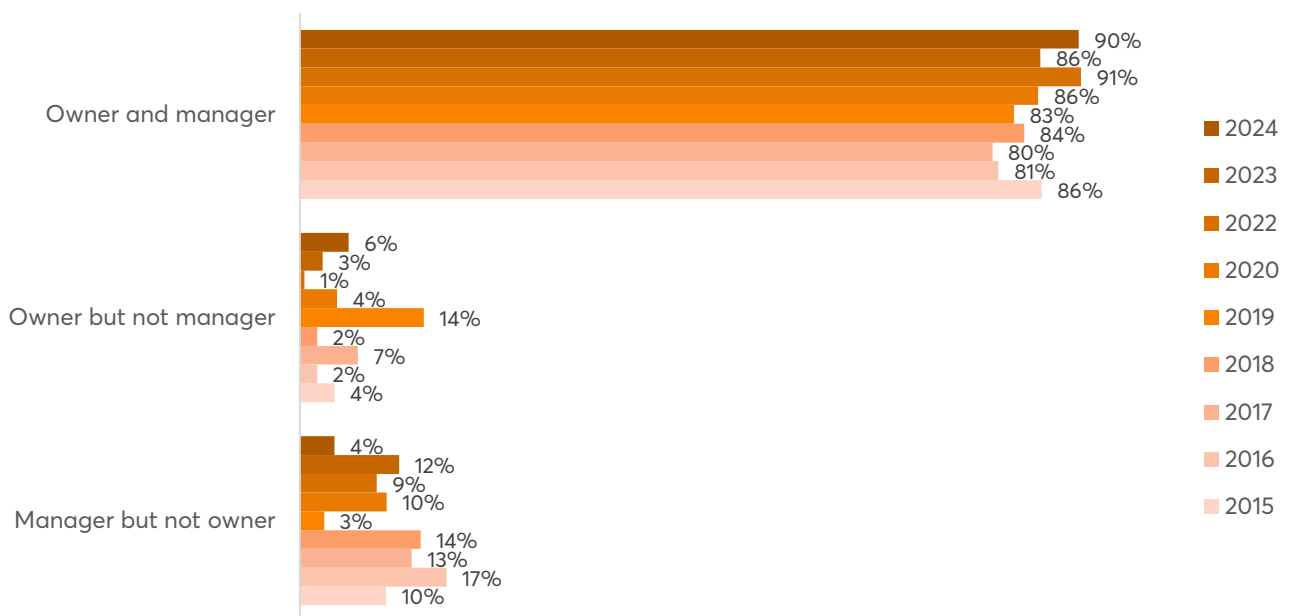


Figure 43

### What is your current 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](mailto:info@mccrindle.com) or call (02) 8824 3422.

For information and implications specific to the 2024 Hills Shire Business PSI, contact Council's Economic Development team at [business@thehills.nsw.gov.au](mailto:business@thehills.nsw.gov.au) or call (02) 9843 0324.



**THE HILLS**  
Sydney's Garden Shire

## Get in touch

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