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# 2022 Hills Shire Business Performance Sentiment Index

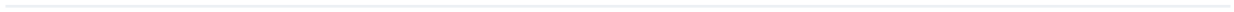
Delivering the pulse of local businesses in The Hills

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July 2022



**THE HILLS**  
Sydney's Garden Shire



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## Mayoral Message

The results are in for the latest Hills Shire Business Performance Sentiment Index (PSI) Survey and I'm happy to report that The Hills Shire remains a great place to do business.

The survey highlighted that despite everything that our business community has endured over the last two years, business owners remain optimistic for the future.

This is fantastic feedback, as it means that our Shire is a desired place to start, grow and do business.

In fact, results from the survey revealed that people enjoyed operating their business in The Hills because of its proximity to main centres and public transport, as well as the work/life balance it provides them. We are also a family-friendly region, and owners and employees enjoy working in such a positive and neighbourly environment.

From this feedback and everything else that is happening across our region, it really is an exciting time to be doing business in The Hills Shire.

We have a brand-new business park planned for Box Hill, and the Sydney Metro Northwest has also unlocked additional employment land in the Norwest Business Park, as well as within Cattai Creek West, which is located in the Castle Hill Industrial Precinct. In addition to this, the new Rouse Hill Hospital also offers increased opportunities in the health space.

Our role at Council is to provide policy settings that support our business community to prosper, and this leads to boosting local employment in the area. One way we are doing this is by ensuring we have enough zoned land for employment, and I'm pleased to say we are on track to reaching our targets.

Another way we help business is through our Economic Development team who are committed to working with new and existing business owners to help them prepare for the massive growth and

change that we will experience in the years ahead. They can do this by providing a suite of information and data that can be refined to tell you everything you need to know about our region and your industry. The data includes insights, demographic information and market research – all designed to help businesses make better informed decisions. The Economic Development team can also help to connect you with the right people in Council, government and the business community. They also offer a range of business workshops and events to help business owners grow and keep learning.

I highly encourage our business community, if they haven't already done so, to book in a time with our Economic Development team and further explore the opportunities available to them.

I would like to thank everyone who took the time to complete this survey. Your input will help provide valuable insight into how we can tailor our programs to further help owners and employees on the business journey.

I would also like to thank McCrindle Research for being involved in putting this highly informative document together.

I look forward to working with our business community and seeing what they achieve next.

The future looks bright!

Thank you.

Mayor of The Hills Shire

**Dr Peter Gangemi**



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## Economic growth exceeds expectation

Two years into the global pandemic that brought the world to a sudden halt, the Australian economy has demonstrated strength and resilience that has put the nation's recovery ahead of most other countries. By the beginning of 2021, Australia's economy had already recovered to its pre-COVID level. The most recent quarter of GDP growth has yet again beaten analysts' forecasts.

Australia's enviable economic performance is a result of the resilience of local business communities. Partnering again with The Hills Shire council with the 7<sup>th</sup> deployment of the PSI, we are proud to see a growing and thriving business environment.

Despite the ongoing impact of COVID-19 and historical inflationary conditions across the globe, the national and local economic performance is advancing. Earnings are improving and expansions

on the rise. Outlook is strong despite a forecast of rising business costs.

Already on a greater trajectory of growth than before the disruption of COVID-19, I am excited for the business community of The Hills to continue the march into the future, and exceeding expectations at that.

Director, McCrindle

**Mark McCrindle**



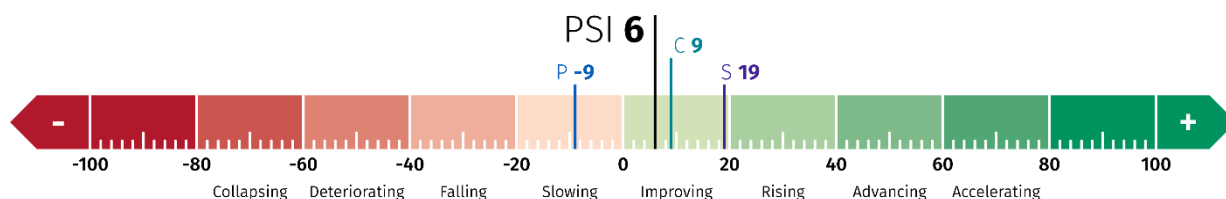
# The Business Performance Sentiment Index (PSI)

## 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 2022 results for The Hills Shire, with six years of comparative data from 2015 to 2020.

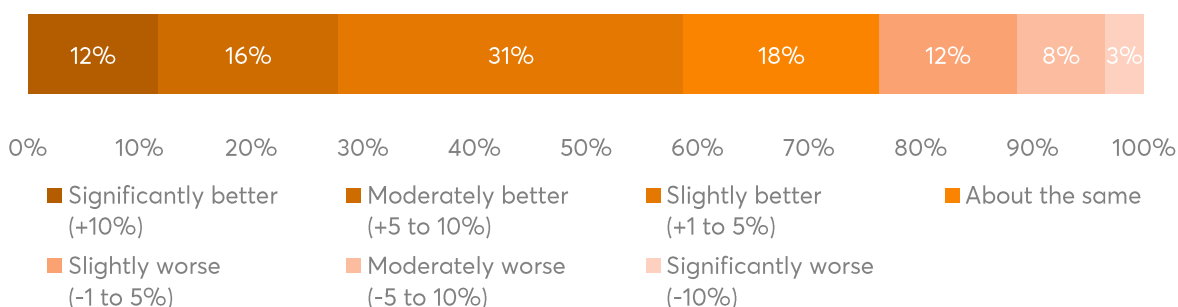
The Business PSI covers three key business measures which are performance, sentiment and conditions. The PSI uniquely charts these measures on a scale ranging from accelerating on the extreme positive to collapsing on the extreme negative. Each key measure (conditions, performance, and sentiment) is 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?



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## 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 6 months ago?
	Australia's economic performance	How would you say the Australian economy is performing now compared to 6 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 6 months ago?^
	Supportive government policy settings	How do government policy settings that support small businesses and assist your sector compare to 6 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 6 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 6 months?
	Infrastructure and locale outlook	How will the provision and performance of public transport, traffic and roads, parking availability and telecommunications compare in 6 months' time?

### Performance

Measures	Indicators	Question example
Earnings	Sales and revenue	How does your overall sales revenue compare to 6 months ago?
	Pre-tax profit	How does your operating and pre-tax profit compare to 6 months ago?
	Business cash flow	How does your business cash flow compare to 6 months ago?
Expenses	Business costs	How do your business costs compare to 6 months ago?
	Capital investments and expenses	How do your capital investments compare to 6 months ago?
Employment	Staffing levels	How do your staffing levels (both numbers and hours) compare to 6 months ago?
	Staff wages and on-costs	How do your staff wages and on-costs compare to 6 months ago?^

## Sentiment

Measures	Indicators	Question example
Economic outlook	National economic outlook	How do you think the Australian economy will be performing in 6 months' time compared to today?
	Internal revenue outlook	How do you think your overall revenue will compare in 6 months' time to today?
Cost forecast	Expense forecast	How do you think your business expenses (input, staffing, materials, sales) will compare in 6 months' time to today?^
	Staffing level forecast	How do you think your staffing levels (both numbers and hours) will compare in 6 months' time to today?
Growth forecast	Profit forecast	How do you think your operating pre-tax profit will be in 6 months' time compared to today?
	Cash flow forecast	How do you think your business cash flow will be in 6 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 6 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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# 2022 Hills Business PSI

## Participants

The 2022 Hills Business PSI is based on the experiences, attitudes and expectations of business owners and managers in The Hills Shire. The results include 265 started surveys and 191 completed surveys. This report represents completed responses from business owners and managers only. Responses were collected from 11<sup>th</sup> of April to the 9<sup>th</sup> of May 2022 and are representative of various business sizes, locations and industries.

As of June 2021, there are 22,814 businesses in The Hills Shire. The present sample size of 191 provide a 7% margin of error and a confidence level of 95%. 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 owners and managers

Almost 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 91% of respondents, more than half (52%) have been a business owner for ten years or more.

This demonstrates that not only is the Hills business community highly educated, they are also highly experienced operators.

### Even mix of B2B and B2C

Almost three in five businesses in the PSI (57%) provide products or services to consumers. The remaining 43% provide products or services to businesses, public utilities, government, or the not-for-profit sector. The majority of businesses in the PSI are also in the service economy. Services to

consumers (44%) and businesses (37%) make up the majority of the PSI.

This is in alignment with the overall business environment of the Hills Shire, where businesses in service industries of the economy are far above the national average.

### Economy of small businesses

More than half of all businesses in the Hills (52%) are non-employing sole traders. Businesses with one to 19 employees also comprise 46% of businesses. Combined, nearly all businesses in The Hills Shire (98%) employ less than 20 people.

This is reflected in the PSI with 92% of businesses employing less than 20 full-time equivalent employees. Sole traders, however, comprise just 29% of the PSI. Businesses with one to four employees make up 46% of the PSI, followed by 17% of businesses with five to 19 employees, 6% with 20 to 50 employees, and 2% with 50+ employees.

### Respondent demographics

Almost three in five in the PSI are male (56%) compared to 44% who are female.

Looking generationally, half are Generation X business owners and managers (51%) between the ages of 43 and 57. Baby Boomers (aged 58 to 76) also make up 29% of the PSI.

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

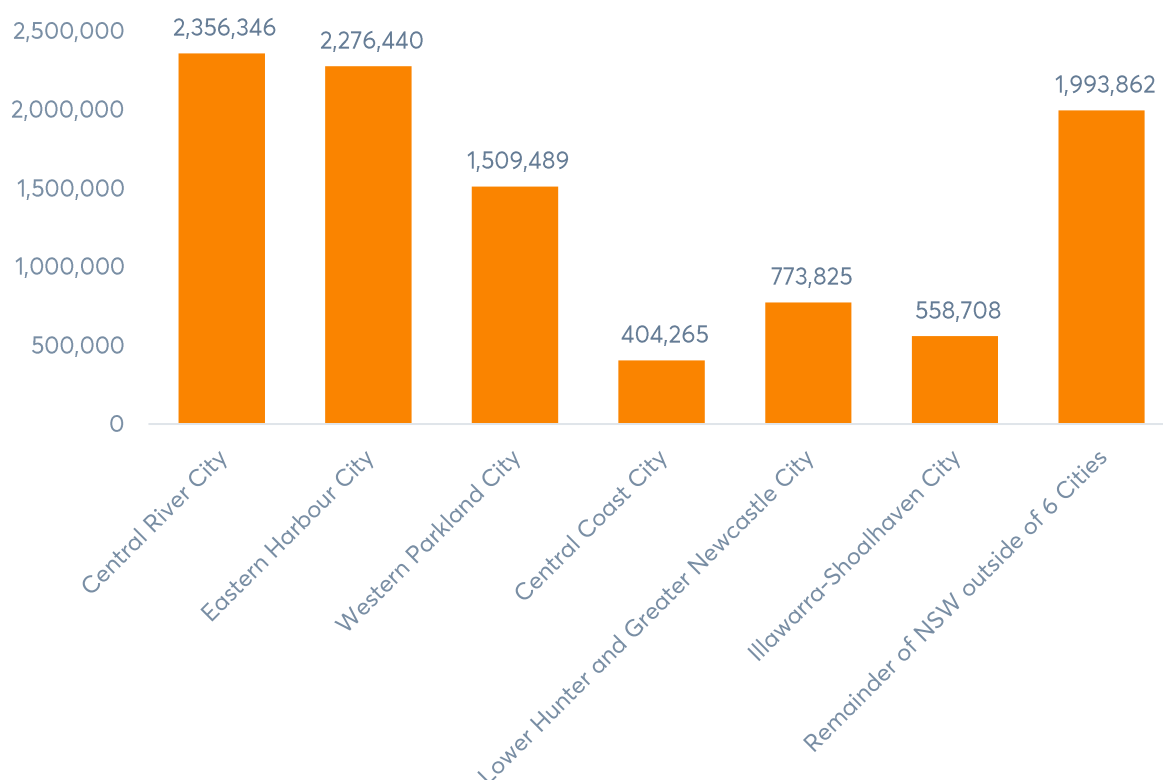
## The Hills business snapshot

With the passing of the latest Greater Cities Commission Bill 2022, a new lens for city planning has been introduced. Our population will increasingly be living within 30 minutes of one of the six cities of NSW, bringing lifestyle and economic benefits to the state.

The Hills Shire will be a key area within the Central River City as it transforms into the population centre of Sydney over the next 20 years. The Central River City, centred around the Parramatta CBD will overtake the Eastern Harbour City, centred around our existing CBD, as the most populous city region in NSW as early as 2035.

### Projected population of NSW in 2041

NSW Department of Planning and Environment population projections, Greater Cities Commission boundaries.



The thriving business core of Sydney, currently strongly focused to the east, will likely rebalance to reflect the population distribution of Sydney. At present, 52% of businesses within the newly defined Sydney cities are in the Eastern Harbour City. This is followed by 32% in the Central River City and 16% in the Western Parkland City. With the balance of population projected to shift west over the next 20 years, so too will the business environment.

In fact, The Hills Shire’s business community is already comprised of an industry composition that closely reflects that of the Eastern Harbour City of today. Of the almost 23,000 businesses in The Hills, service industries form a large proportion of the economy. Professional, Scientific and Technical Services, Financial and Insurance Services, and Rental, Hiring and Real Estate Services together form more than a third of the businesses of The Hills (38%). This is far above the average across the Central River City (27%) and closely resembles that the current CBD (45%). The Hills Shire’s current gross regional product of \$12.7 billion is also amongst the highest within NSW.

As The Hills Shire welcomes an additional 100,000 residents over the next 20 years, the economic composition of The Hills will most certainly continue to grow and change.

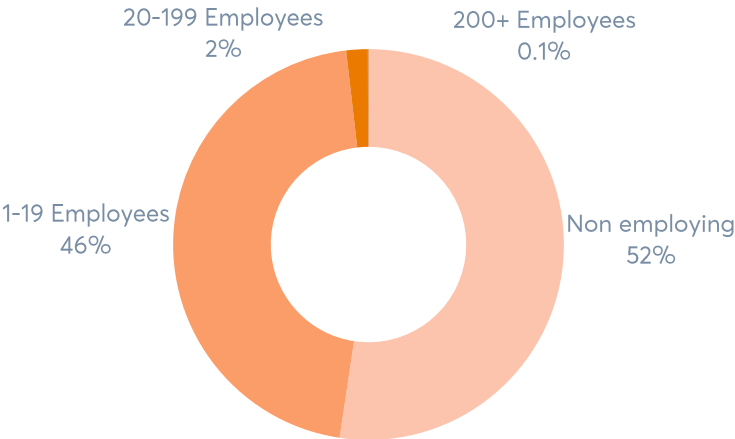
**Labour force of The Hills Shire**

National Skills Commission, Small Area Labour Markets, March 2022.

<b>Labour force</b>	102,201
<b>Unemployed</b>	3,676
<b>Unemployment rate</b>	3.6%

**Business count in The Hills Shire**

By employment size ranges, 2021.



## Businesses in The Hills Shire

By business count, 2021.

	% business count
Construction	17.9%
Professional, Scientific and Technical Services	17.9%
Rental, Hiring and Real Estate Services	13.6%
Health Care and Social Assistance	8.7%
Financial and Insurance Services	6.3%
Retail Trade	6.0%
Transport, Postal and Warehousing	5.3%
Wholesale Trade	4.5%
Administrative and Support Services	4.2%
Other Services	3.7%

By employment count, 2016.

	% labour force
Health Care and Social Assistance	11.6%
Professional, Scientific and Technical Services	10.5%
Retail Trade	10.4%
Education and Training	9.4%
Construction	9.3%
Financial and Insurance Services	6.8%
Manufacturing	6.2%
Public Administration and Safety	5.0%
Wholesale Trade	5.0%
Accommodation and Food Services	4.8%

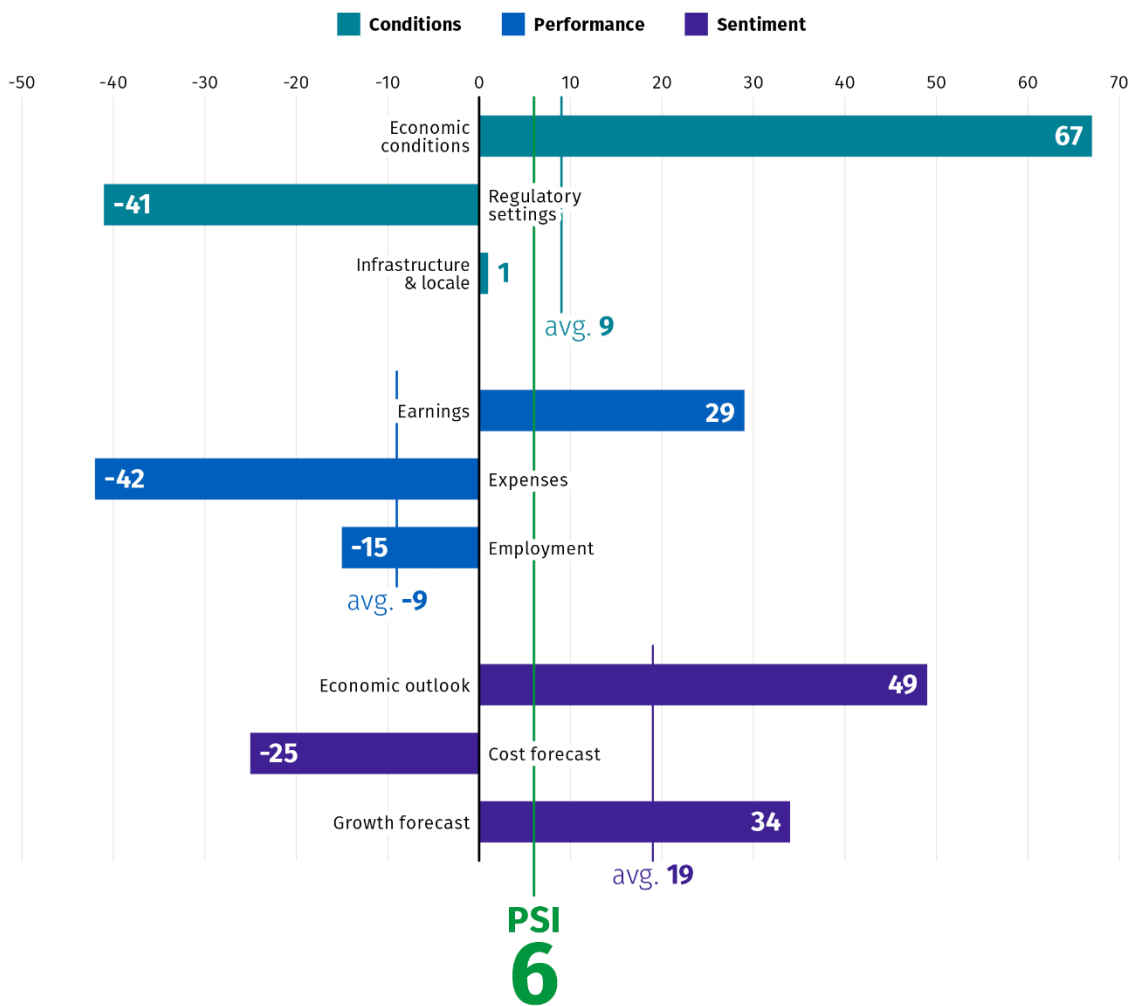
# Results

The Hills Business PSI score for 2022 is 6. This indicates improving business conditions, performance, and sentiment across the Hills business community.

While post-COVID economic recovery has been marked by the lingering impact of COVID-19, major supply chain pressures, inflationary economic conditions, and an uncertain international market, businesses in the Hills view their operating conditions and future sentiment positively.

The 2022 Business PSI score of 6 is a sharp rebound from the 2020 score of -45, characterised by the almost overnight effect of the COVID-19 outbreak and subsequent economic and social implications.

The rebound after just two years of the major disruption of the pandemic can be attributed to the strength of the national and local economy, lifting the business environment of the Hills out of three years of negative scores (-3 in 2018, -2 in 2019, -45 in 2020).



## Individual measures

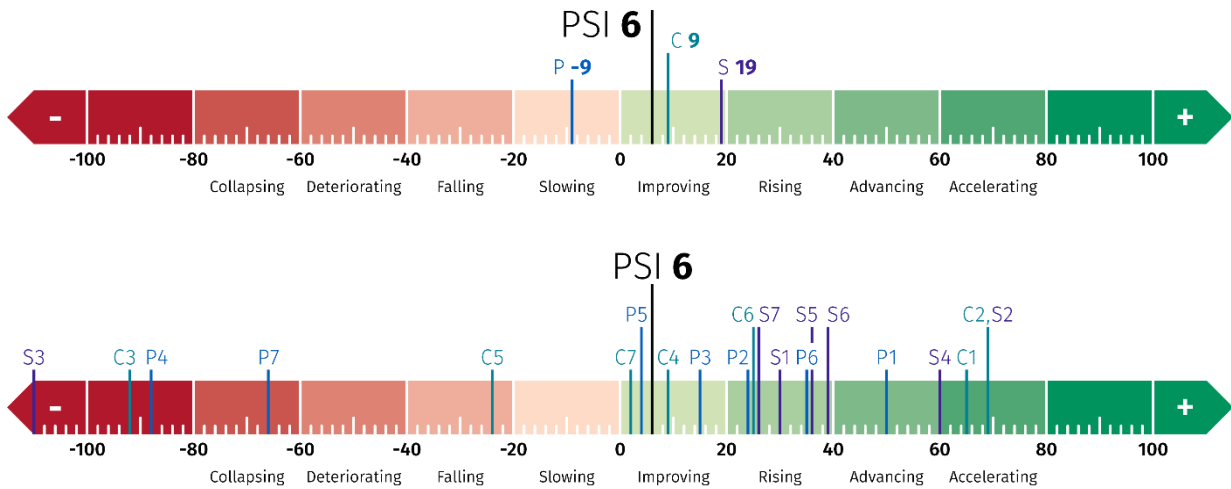
The Business PSI is comprised of three key categories: current operating conditions, business performance, and future sentiment.

Out of the three categories, future sentiment has scored the highest (19), a drastic contrast to the 2020 sentiment score (-56), which was the lowest out of the three categories. This is likely a reflection of the faster than anticipated economic recovery, placing the national and local economy on a greater trajectory for growth. Overall, the business community expresses a rising future sentiment.

This is despite a slowing performance score of -9.

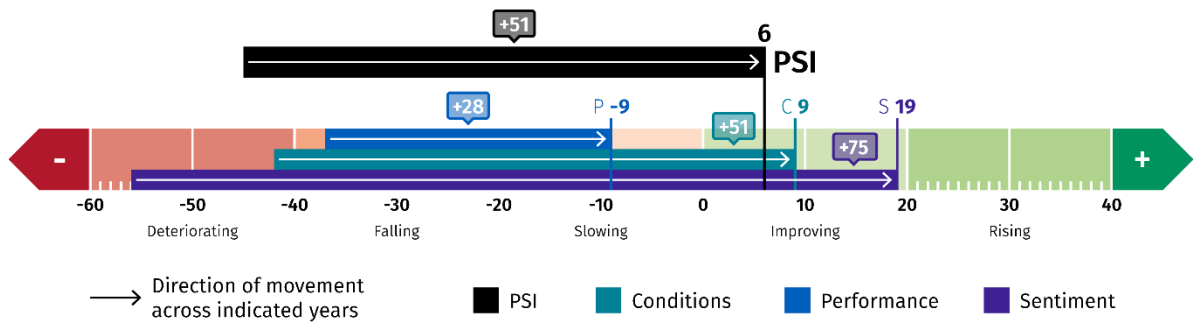
Since the inception of the PSI, The Hills Shire has had five years of negative performance scores (out of seven years). The worst for which is unsurprisingly 2020's falling performance score of -37, brought on by the wide-ranging impact of COVID-19 on the global economy. The falling business performance of 2022, on the other hand, can largely be attributed to business and staff costs.

Operating conditions, however, are improving. The conditions score of 9 is the highest ever in the PSI's seven years in the Hills, propelled by the accelerating economic improvements seen at the national and local level.

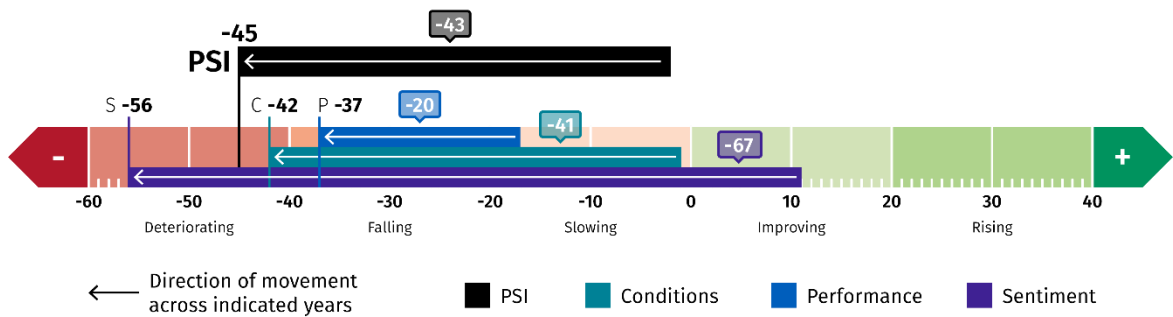




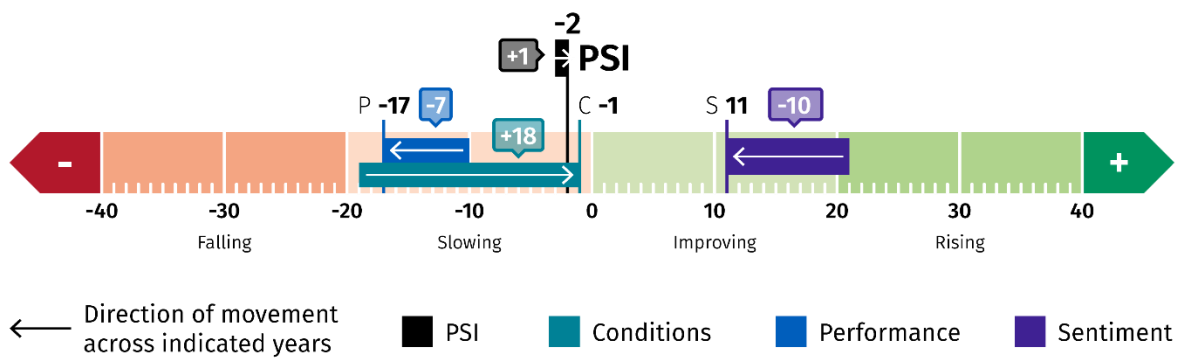
### 2020 to 2022



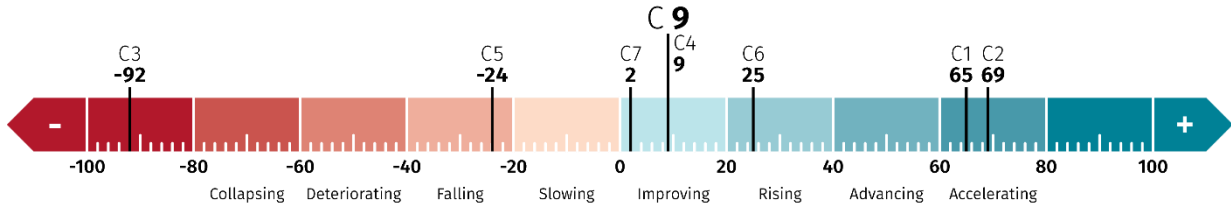
### 2019 to 2020



### 2018 to 2019



# Conditions



The 2022 condition score of 9 is the highest ever in The Hills' seven years history with the PSI. Improvements in local and national economic performance lift business expansions and provide The Hills with a strong operating condition despite the negatively trending red tape and regulation requirements.

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

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## Conditions summary

### Accelerating economic conditions

As mentioned, the overall conditions score of 9 is the highest ever in PSI's history in The Hills. In large part, this is a result of the accelerating national (69) and local (65) economic performance, both of which are seen to be improving at a fast rate by the business community in The Hills. This is a sharp rebound from the 2020 scores of -122 for national and -91 for local economic performance. The difference in just two years highlights both the strength of Australia's economic recovery, and perhaps the perceived worst-case scenario that loomed large over much of 2020, which affected confidence in the economic conditions more negatively.

### Mixed results for regulatory settings

With a falling regulatory score of -41, the business community view the 2022 regulatory settings to be a balance of improving supportive government policy settings (9) and collapsing red tapes and regulation requirements (-92).

Both regulatory indicators have trended negatively since 2020 (17 supportive government policy settings, -73 red tapes and regulation requirements), likely a result of the gradual impact of easing COVID-related supportive policies.

### Rising business expansion

Infrastructure and locale has a score of 1. Rising business expansion (25) and improving infrastructure and locale outlook (2) offset the falling provision of local infrastructure (-24). After three years of Sydney Metro's North West Line, the indicator score for local infrastructure provision (-24) has dipped into the negatives from the 2019 high of 123 (56 in 2020). This is likely demonstrating that the productivity and connectivity gained from the Metro has been normalised, and the gradual return-to-office has begun reapplying pressure on local traffic networks and public transport.

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## Conditions by business size

### **Operating conditions improving for almost all business segments**

The common thread across all business segments is the accelerating national and local economic performance.

Micro businesses with one to four employees (80) and medium+ businesses with more than 20 employees (73) are reporting the highest economic condition scores.

The lowest economic condition indicator score is reported by small businesses with five to 19 employees. This is, however, a score of 39, signalling that the economic condition for small businesses is nevertheless advancing. The relatively low economic condition score for small businesses is partly the driver for their overall condition score of -5, the only business segment that is reporting a slowing operating condition.

### **Regulatory settings continue to be a common pain point**

All employing businesses are reporting collapsing red tape and regulation requirements. Non-employing sole traders, lifted by the agility of the business segment, are reporting the most moderate red tape and regulation requirements score (-45). All other employing businesses on the other hand, are reporting scores lower than -100.

Positively, however, the business community has found the government policy settings to be supportive. All business segments are seeing improving and supportive government policy settings. For medium+ businesses with more than 20 employees, this is the most apparent with a supportive government policy settings score of 40, also giving it the second highest overall regulatory settings score of -33, only below the regulatory settings score of -16 for sole traders.

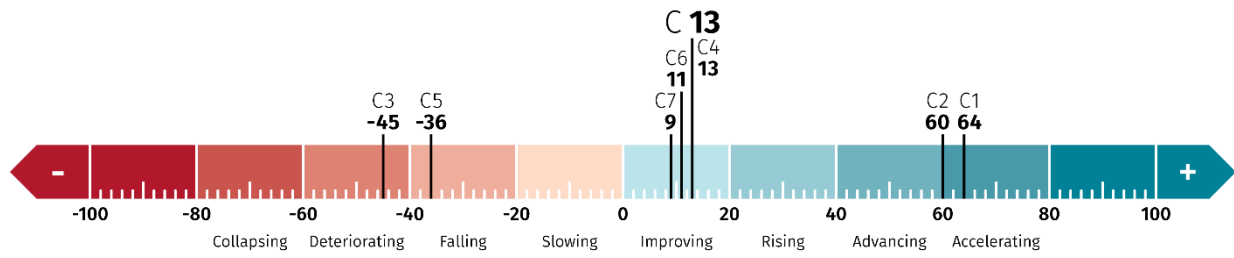
### **Infrastructure and locale faring more positively for larger businesses**

With a score of -5, non-employing sole traders is the only business segment experiencing a slowing infrastructure and locale in The Hills. Despite falling current local infrastructure provision (-36), sole traders are experiencing improving business expansion (11) and have a positive outlook towards future infrastructure provision (9).

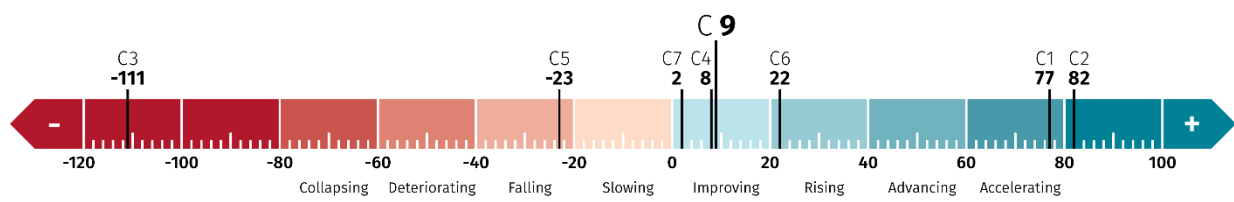
This is a similar sentiment shared by micro businesses with one to four employees, reporting falling current local infrastructure provision (-23) but an outlook of improving future provision (2). Micro businesses also have a rising business expansion indicator score of 22, leading to the overall infrastructure and locale score of 0.

Larger businesses, on the other hand, are challenged by slowing current infrastructure provision as well as the outlook that future provision will also reduce. The overall infrastructure and locale scores for both small businesses (5) and medium+ businesses (18), however, are improving, boosted by business expansion that is capitalising on national and local economic performance.

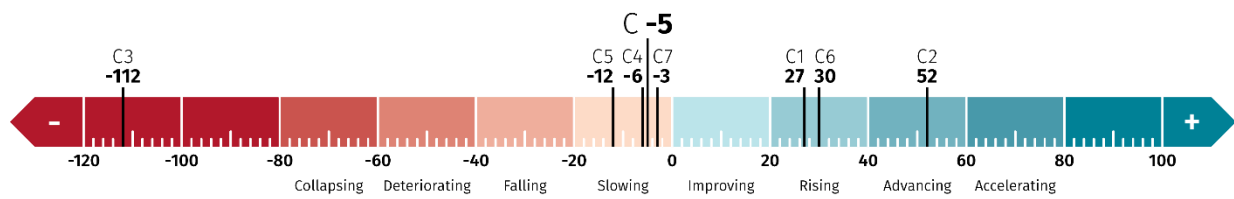
### Sole traders (no employees)



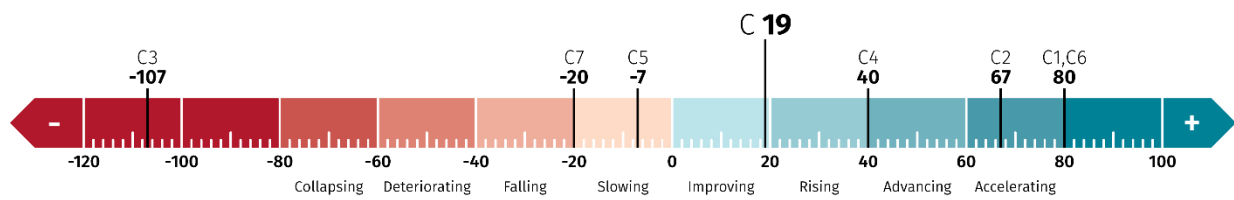
### Micro (one to four employees)



### Small (five to 19 employees)



### Medium+ (20+ employees)



## Conditions in B2B v B2C

Both the business to business (B2B) and business to consumer (B2C) sectors are reporting similar operating conditions. The overall condition for B2B (11) and B2C (7) is improving.

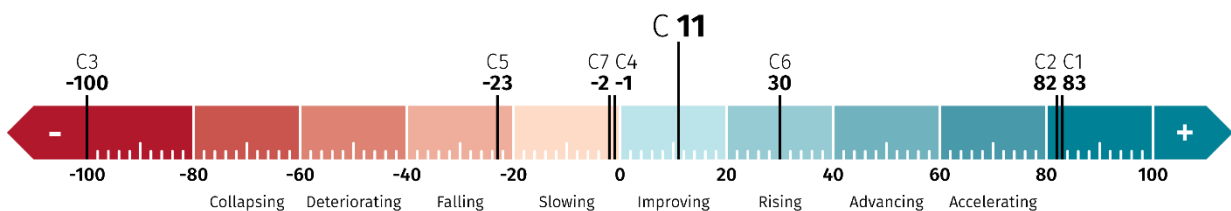
The B2B sector is experiencing greater challenges with regulatory settings (-51) than B2C (-34). Red tape and regulatory requirements are also trending more negatively for B2B (-100 cf. -86), as are government policy settings (-1 cf. 17).

Economic conditions, however, are more favourable to B2B businesses both locally (83 cf. 51 B2C) and nationally (82 cf. 60 B2C). This difference is likely owing to the fall in consumer confidence in recent months, leading to a decline in performance amongst the business to consumer sector.

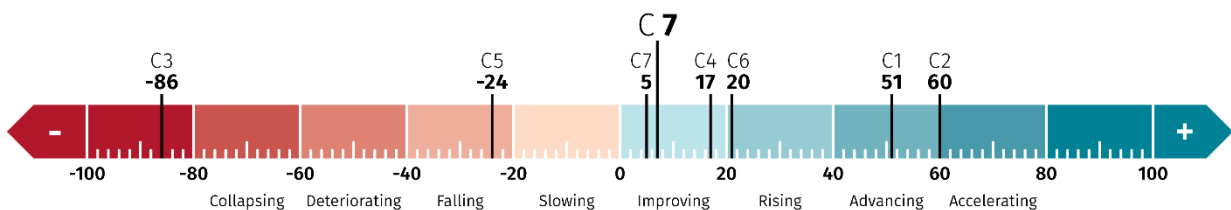
Infrastructure and locale are almost identical for B2B (2) and B2C (0). Rising business expansion for both sectors (30 for B2B and 20 for B2C) is offsetting the falling local infrastructure provision (-23 for B2B and -24 for B2C).

As mentioned, the negative sentiment towards local infrastructure provision is possibly a combined effect of the normalising of the connectivity and productivity gained with the Metro, as well as the increased activity and demand on infrastructure with the gradual return to office.

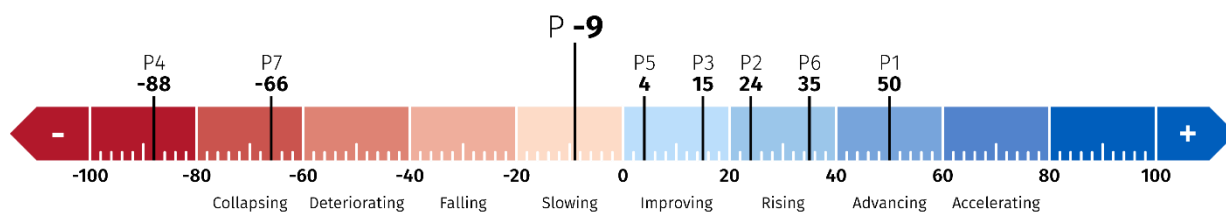
### B2B



### B2C



# Performance



The 2022 performance score for The Hills is -9, earnings are speeding past the slow down brought on by COVID-19. Overall performance, however, is dampened by the rise in business expenses and staff costs across businesses of all size and segment.

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

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## Performance summary

### Advancing earnings

The business community of The Hills is not immune to the inflationary conditions and supply chain disruptions affecting almost all parts of the global economy. Despite advancing sales and revenue (50), improving pre-tax profit (24) and business cash flow (15), the overall performance score for the 2022 PSI is -9, indicating slowing performance overall.

While the slowing performance is an improvement from what has been experienced during COVID-19 (-37), business and staff cost is putting a damper on the rapid performance growth that could otherwise be taking place.

### Collapsing costs slowing down business performance

Business costs for owners and managers in The Hills is collapsing (-88) with only slight improvement in capital investment and expenses (4), leading to the overall expenses score of -42.

The improvement in capital investment, however, is the difference maker in the overall expense performance being more positive than the mid-COVID expenses score of -46. In 2020, capital investments and expenses dropped to a score of -37, demonstrating the fall in capital investment amongst The Hills business community in the six months leading up to the 2020 PSI.

### Employment level rising, as has costs

With Australia's advancing economic performance and the downscaling that took place during the major impact period of COVID-19, staffing levels are unsurprisingly rising for The Hills, recording a score of 35. Staff wages and on-costs, however, has been unfavourable (-66). Employment performance for 2022 is a score of -15, the combined effect of rising staff levels and costs, which is the exact opposite of the 2020 employment performance where staffing levels were down (-21) and staff costs steady (4).



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## Performance by business size

### **Slowing performance for all but medium+ businesses**

Sole traders (-16), micro (-2), and small businesses (-26) are reporting slowing performance. Medium+ businesses with more than 20 employees is the only business segment with improving performance (11).

For medium+ businesses, earnings are advancing across sales and revenue (73), pre-tax profit (40), and business cash flow (47), leading to a combined earnings score of 53. For small businesses with 5 to 19 employees, sales and revenue are advancing (27). Pre-tax profit (-6) and cash flow (-12), however, are slowing, leading to the slow changing overall earnings score of 3.

Micro businesses (48) and sole traders (10) in The Hills are similarly experiencing growing earnings, with positive indicator scores across sales and revenue, pre-tax profit, and cash flow.

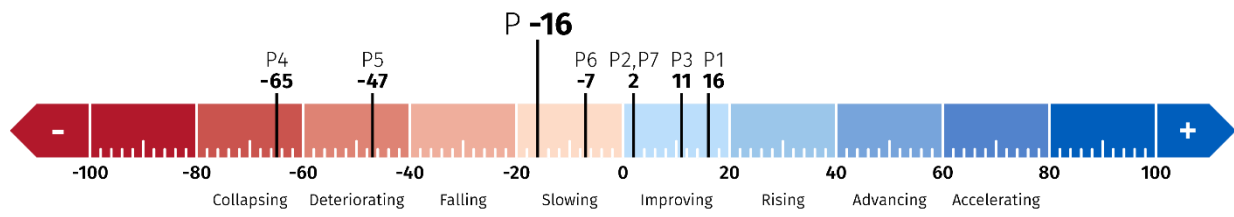
For sole traders, however, business costs and capital investments are impacting performance negatively. For micro and small businesses, it is business costs and wages that are primary drivers for slowing performance.

### **Business expenses and employment costs high across segments**

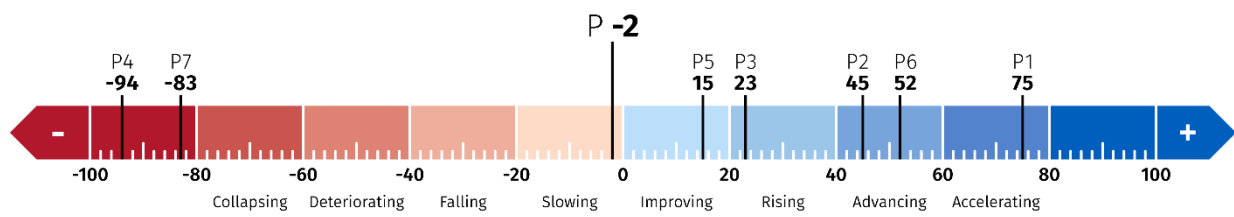
Headlines of staff retention and attraction challenges, inflationary conditions, and supply chain pressure readily explain the collapsing business expenses across business of all sizes. This is leading to slowing performance despite improving earnings.

Medium+ businesses with more than 20 employees is the only business segment with advancing earnings (53) that is sufficient to lift the slowing performance in terms of business costs to record an improving overall performance over the past six months (11).

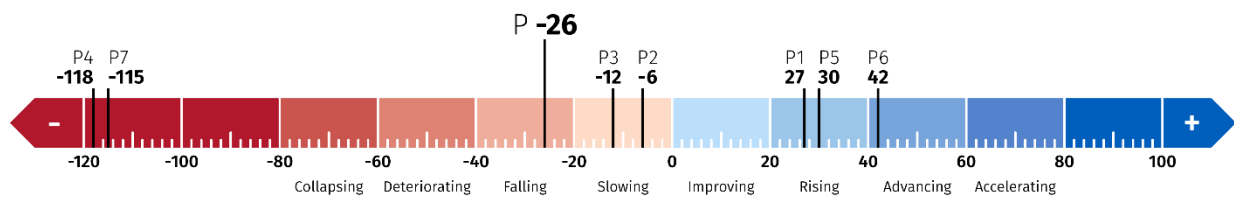
### Sole traders (no employees)



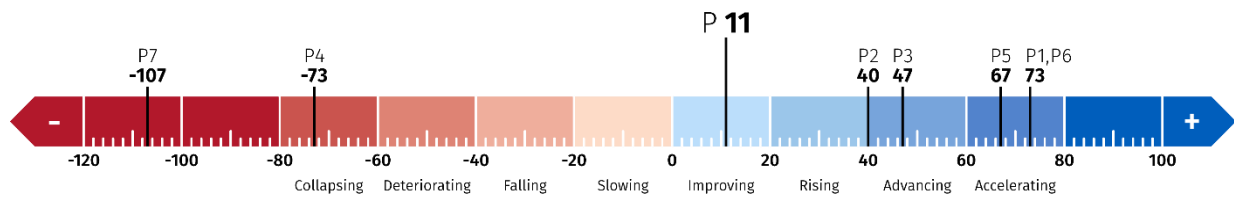
### Micro (one to four employees)



### Small (five to 19 employees)



### Medium+ (20+ employees)



# Performance in B2B v B2C

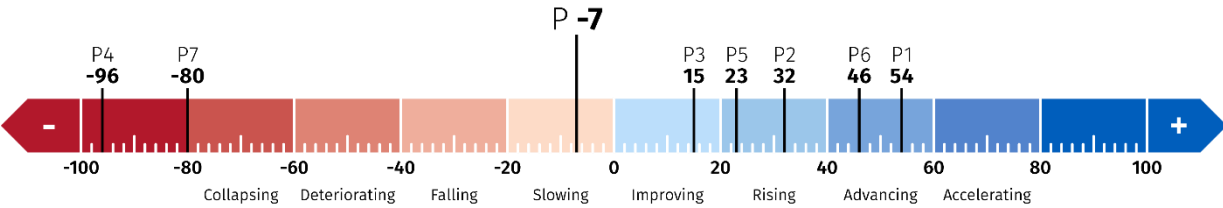
## Greater earnings improvement for B2B, leading to capital investments and advancing staffing levels

Earnings for B2Bs in The Hills are rising slightly ahead of their B2C counterparts (33 cf. 27). Cash flow is improving at similar rates for B2Bs and B2Cs. Improvement in sales, revenue, and pre-tax profit for the B2B sector on the other hand, are reported to be ahead of the B2C sector. This is

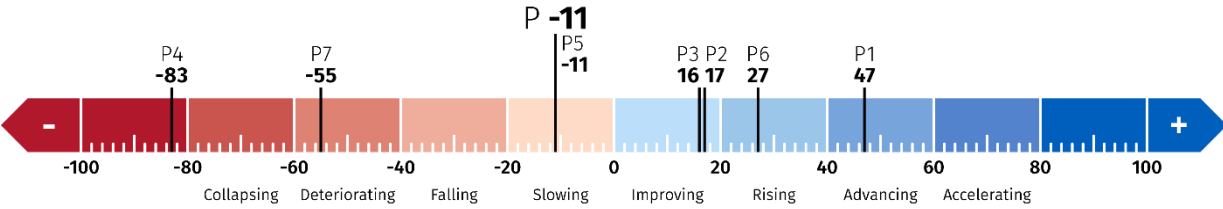
perhaps part of the difference between B2B's rising capital investments and B2C's slowing investments (23 cf. -11), and B2B's comparatively fast growth in staffing levels (46 cf. 27).

Despite B2B's worse performing business costs (-96 cf. -83) and staffing expenses (-80 cf. -55), overall performance for B2B is trending less negatively. The overall performance score for B2B in 2022 is -7, compared to B2C's -11.

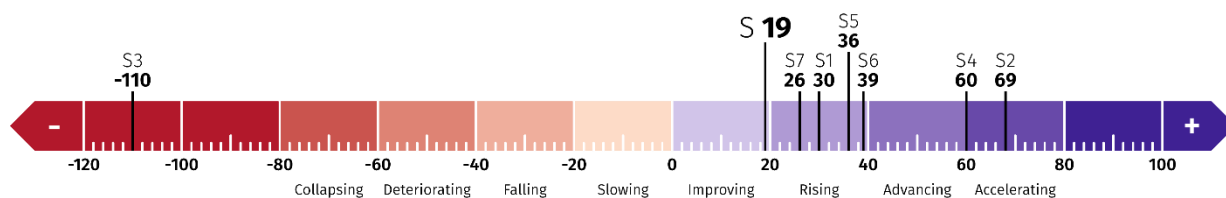
### B2B



### B2C



# Sentiment



A positive future outlook is a prominent trait of the business community of The Hills. The 2022 sentiment score of 19 is a continuation of this pattern of positive outlook just two years after the unprecedented disruption of COVID-19. The strength of the national and local economy is on full display with accelerating internal revenue outlook and rising growth forecasts. Business owners and managers are, however, anticipating significant rise in expenses.

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

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## Sentiment summary

The strength and resilience of Australia's economy throughout the COVID-19 pandemic has put the business community in The Hills in a better-than-expected position looking ahead to the next six months.

The 2022 PSI sentiment score is 19, a sharp rebound from the sentiment score of -56 recorded in 2020. This is also a continuation of The Hills' long history of improving sentiment.

### **Strong economic outlook**

Considering both the national economy as well as internal revenue, the business community of The Hills are experiencing advancing optimism. Internal revenue outlook, in particular, has a score of 69, indicating an accelerating outlook towards the next six months. This is leading to the overall economic outlook score of 49, the highest ever in the PSI's history in the Hills. The last time economic outlook has scored nearly as high was in 2016 (46). Overall sentiment this year, however, is constrained by cost forecast.

### **Collapsing expense forecast**

The only negative sentiment score in the 2022 PSI is the expense forecast of the business community. In the next six months, businesses in The Hills are anticipating significant increases to expenses on input, staffing, materials, and sales.

Staffing levels, however, are projected to accelerate (60) despite the rising staff costs. Overall cost forecast is -25, indicating a falling outlook towards costs amongst business owners and managers in The Hills.

### **Rising growth forecast**

Propelled by the strength of the economic position of businesses in The Hills, profit, cashflow, and expansion forecasts are all rising. With a score of 36 and 39 for profit and cashflow forecast respectively, growth forecast is an improvement from the business community's sentiment in both 2020 and 2019. This is pointing to the strength of the growth outlook, exceeding that of pre-COVID conditions. Expansion forecast in 2022 is also 13 points above the equivalent measure in 2019, demonstrating an ambition for business expansion beyond 2022.

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## Sentiment by business size

### Steady outlook for sole traders

Non-employed sole traders are forecasting less change in the next six months compared to other business segments.

Economic outlook and growth forecast recorded scores of 34 and 16 for 2022 for sole traders. This is moderate compared to larger employing businesses. Although the collapsing expense forecast is also comparatively more moderate, the overall sentiment score of sole traders for 2022 is 7, the lowest across all business segments.

The low but positive score, however, is an indicator of improving sentiment.

### Micro and small businesses share rising future sentiment

The overall sentiment score for micro businesses with one to four employees is 26, similar to that of small businesses with five to 19 employees (25). Both business segments share an accelerating economic outlook with a strong forecast for internal revenue.

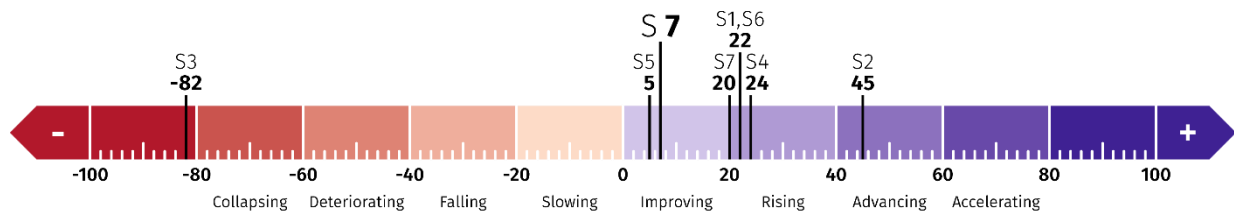
Growth forecasts for micro businesses is stronger than that of the small business segment. Profit and cashflow indicators for micro business are 28 and 38 points above that of small business. Small business, however, is forecasting a greater degree of expansion (36 cf. 22 micro business) and increase in staffing level (85 cf. 69).

Although neither business segments are spared by the forecast of collapsing business expense, the small business sector has a slightly better outlook than micro business (-109 cf. -127), offsetting the weaker growth forecast for small businesses.

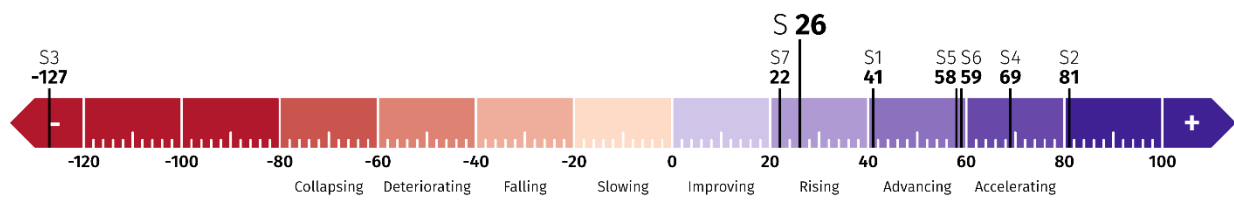
### Improving sentiment for medium+ businesses in a static national economy

Notably, medium+ businesses are forecasting a static national economic outlook. Sentiment amongst medium+ business owners and managers in The Hills is that Australia's economic performance will experience no change in the next six months. In this static national economic environment, however, medium+ businesses are expecting improving internal revenue and growth forecast. Compared to the pre-COVID condition of 2019, internal revenue outlook is almost returning to normal levels (47 in 2022 cf. 50 in 2019). Cash flow (27 cf. 24) and expansion forecasts (53 cf. 45) have even exceeded that of 2019. Sentiment towards future profit, however, is short of 2019 level (33 cf. 55). Expense forecast is also the worst it has ever been in The Hills' history (-113), pointing to the immediacy of rising business costs in the current operating environment, and the worsening sentiment.

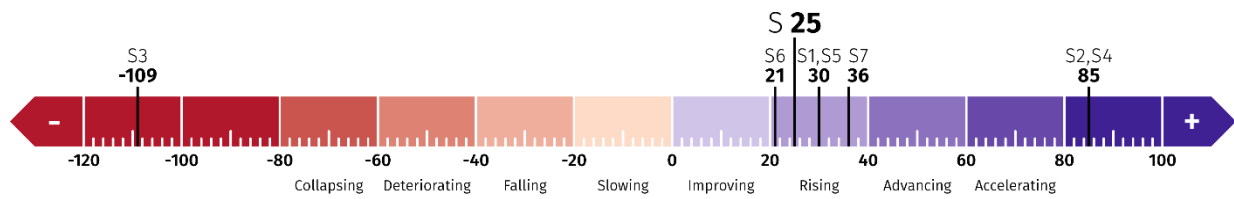
### Sole trader (no employees)



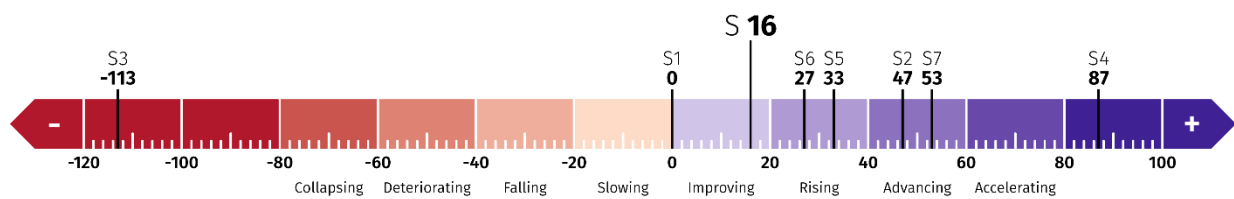
### Micro (one to four employees)



### Small (five to 19 employees)



### Medium+ (20+ employees)



## Sentiment in B2B v B2C

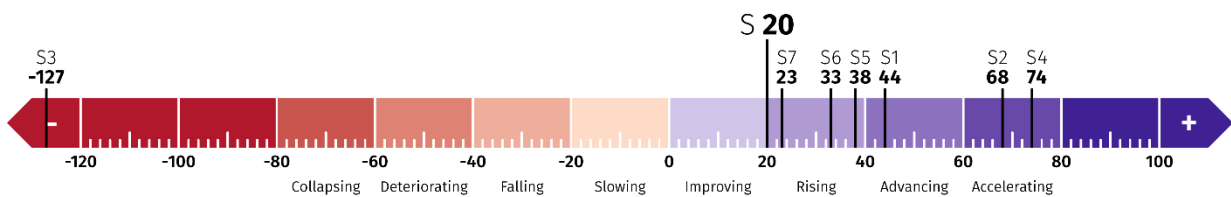
### Stronger national economic outlook for B2B, but higher expense forecast

Overall uncertainty in the national and global economic condition has affected B2Bs and B2Cs in The Hills similarly. The direct connection between the B2B sector and the wider economic environment has implications on the sentiment towards future business costs. Expense forecast for B2B businesses are faring more poorly than that of B2C businesses (-127 cf. -97). Despite the stronger national economic outlook for B2B (44 cf. 20 B2C), overall sentiment is similar.

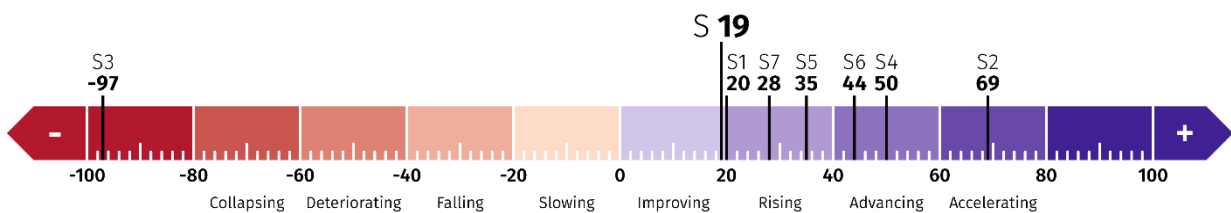
Looking ahead to the next six months, overall sentiment for B2B (20) and B2C (19) are improving.

Growth forecast for both segments are positive but conservative. Profit, cash flow, and expansion forecasts are rising, differences between B2B and B2C are only marginal. Forecast for staffing levels, however, is stronger for B2B businesses than B2Cs (74 cf. 50), perhaps owing to the more positive outlook on the national economy.

### 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:

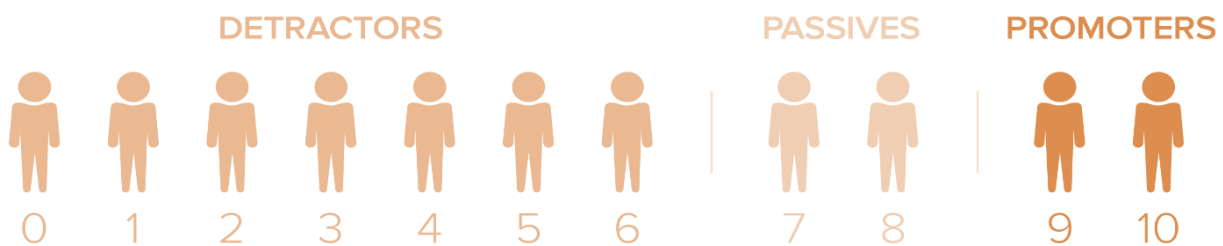
- Promoters (score 9-10) are loyal enthusiasts who will keep engaging and will refer others, fuelling growth.
- Passives (score 7-8) are satisfied but unenthusiastic stakeholders who are vulnerable to competitive offerings.
- Detractors (score 0-6) are unhappy stakeholders who can damage your brand and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

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.

### Improvement in NPS

In 2022, the NPS for doing business in the Hills is 30. An increase from 21 in 2020.

Almost half of all business owners and managers (45%) are promoters of doing business in the Hills, a very positive assessment of The Hills Shire as a business environment. The NPS increase from 21 to 30 also shows an increasing proportion of the business community are viewing The Hills Shire favourably, demonstrating the positive trajectory that the region is on as the unprecedented change brought on by COVID-19 is beginning to settle.



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

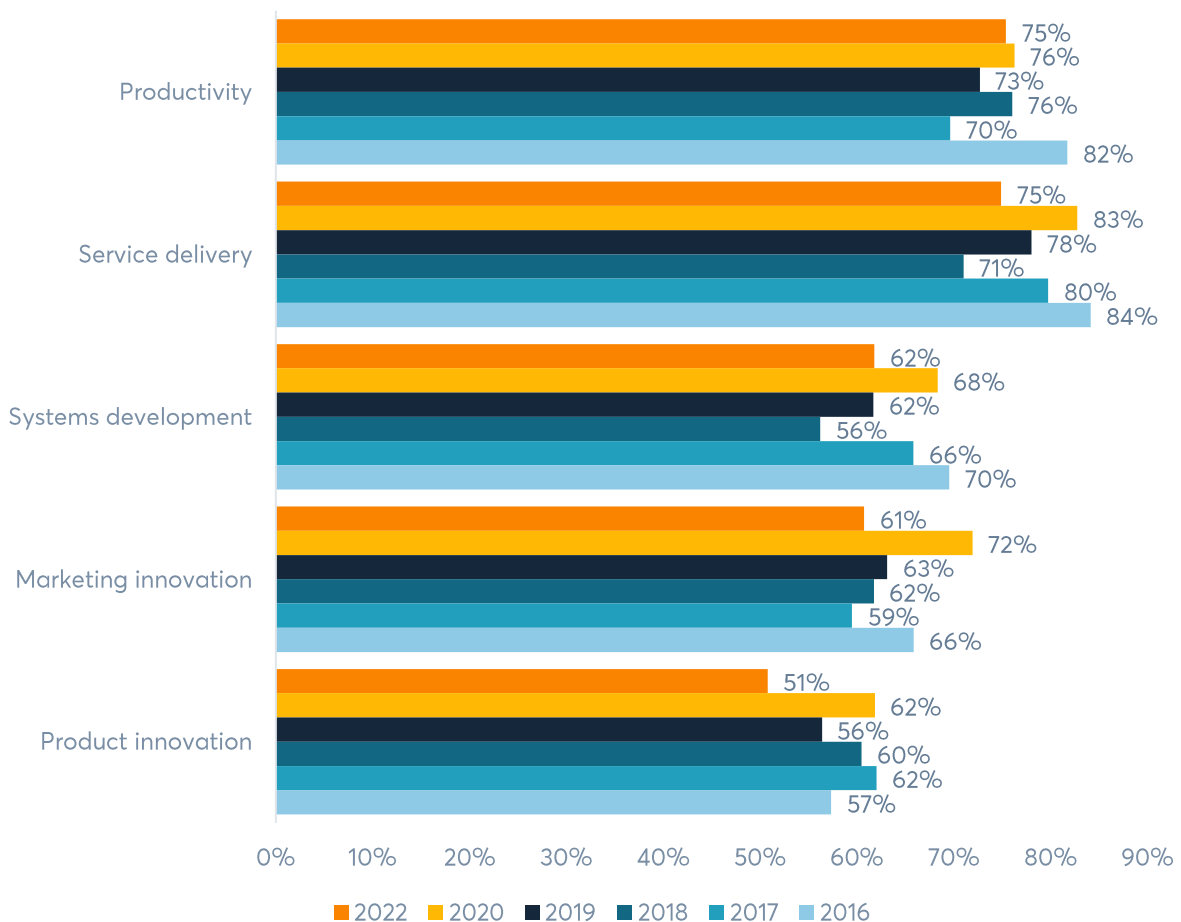


## Innovation

Undoubtedly caused by the rising business cost, innovation in productivity has risen above service delivery as the most important investment as a part of the growth strategy for business owners and managers in The Hills. Three quarters of the business community in The Hills (75%) consider investment in productivity innovation extremely or very important. A marginally smaller proportion of the business community expresses the same sentiment towards service delivery (75%). This, however, is a reduction from 83% in 2020 and 78% in 2019, showing that investment in service delivery innovation has fallen in response to the current business environment of rising costs.

Across the board, however, the importance of innovation investment has fallen since 2020. Business owners and managers are reporting less importance on investment in innovation for systems development (62% cf. 68%), marketing innovation (61% cf. 72%), and product innovation (51% cf. 62%). This could be an indicator of the resumption of regular business activity, moving past the cycle of needs-based innovation triggered by the disruption of COVID-19.

How important is investment in innovation as part of your growth strategy in the following areas?  
(extremely/very important)



## External impacts

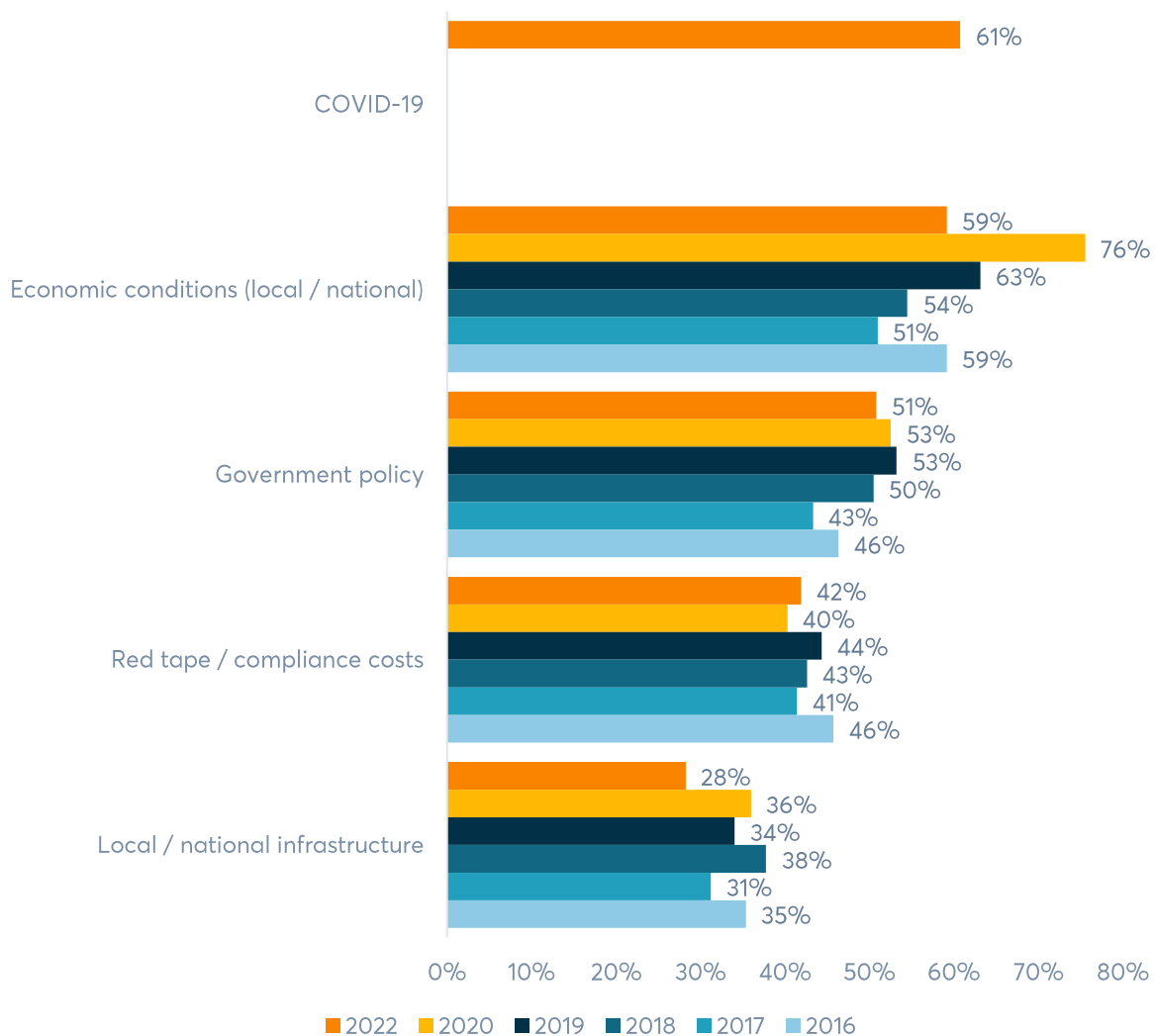
The introduction of the COVID-19 option into the question of external impact reveals that three in five business owners and managers (61%) continue to view COVID-19 as an issue that has an extreme or significant impact on business performance.

While the current national and local conditions are intrinsically linked to the impact of COVID-19, a slightly lower proportion of the business community are reporting extreme or significant impacts as a result of economic condition (59%).

The impact of government policy and compliance costs have had minimal year-on-year change.

Local and national infrastructure, however, has had the largest long-term change. Just 28% of the business community considers the impact of infrastructure to be extreme or significant, a decline from 36% in 2020, 34% in 2019, and 38% in 2018.

At the moment, how much do the following issues impact your business performance?  
(extremely/significantly impact)

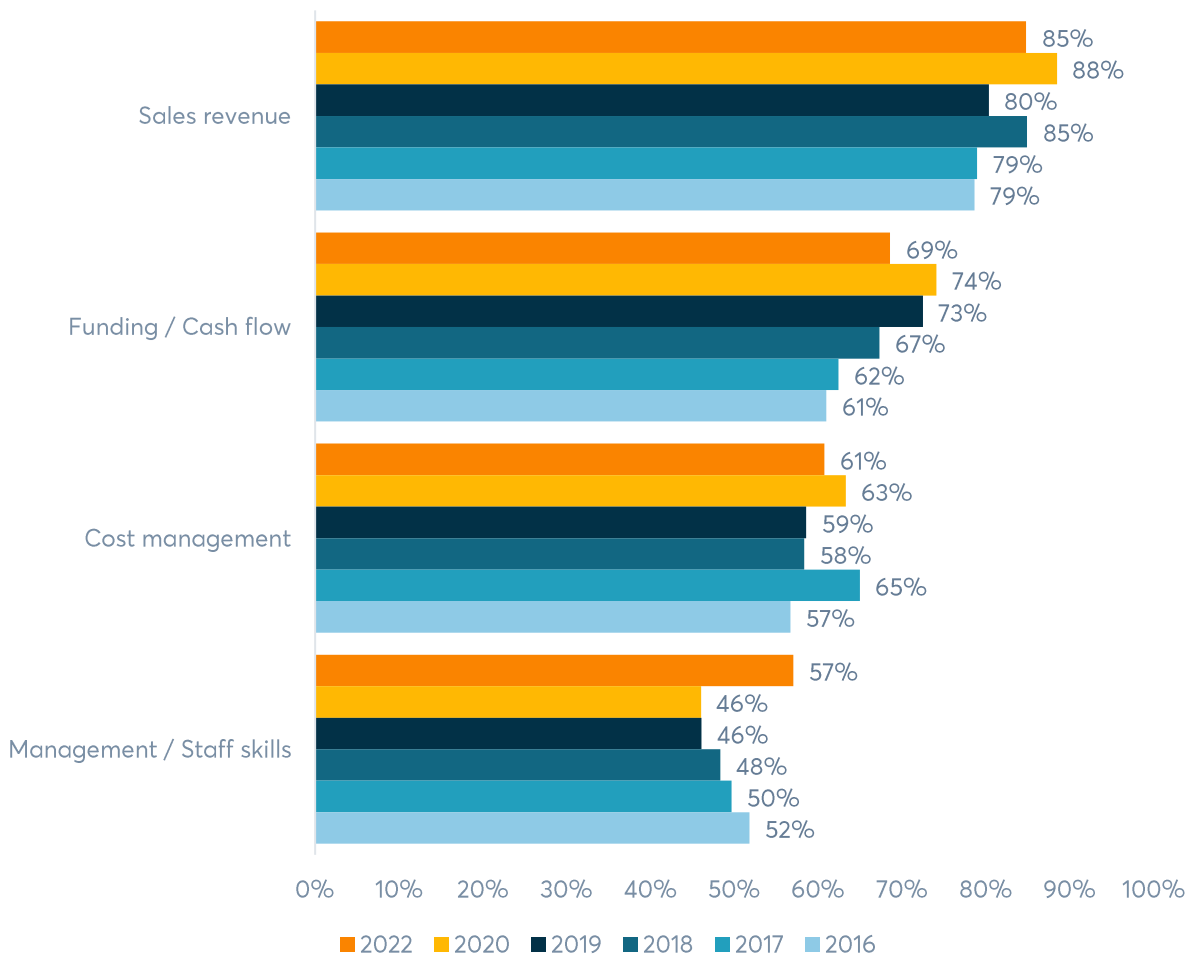


## Business priorities

In reflection of the current labour market, priority on management and staff skills has had an 11 percentage point increase since 2020. Almost three in five business owners or managers (57%) consider management and staff skills an extreme or significant priority to address (cf. 46% in 2020). This, however, remains a lower priority than sales revenue, funding and cashflow, and cost management.

Interestingly, despite the collapsing outlook on expense forecast, cost management is only an extreme or significant priority for 61% of business owners and managers to address. One possible explanation is the perception that increasing business cost is the norm across all areas of the economy, and that placing a priority on cost management will likely yield limited results. The focus on revenue generation and cash flow is a stronger priority for business operation over the next six months.

Thinking ahead to the next 6 months, how much are the following areas a priority for you to address?  
(Extreme/significant priority)



## Local and state strategy

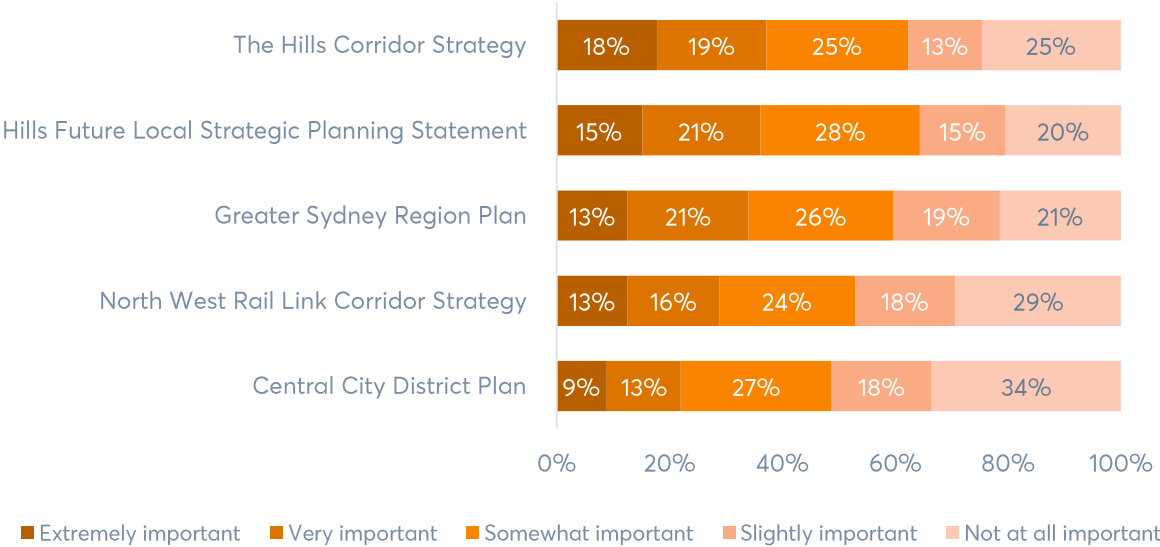
A new question in 2022, Hills business owners and managers are asked to consider the importance of a number of local and state strategies to their businesses' growth strategy. Interestingly, the more local the strategy, the greater the degree of importance for business owners and managers.

The Hills Corridor Strategy and the Hills Future Local Strategic Planning Statement are considered extremely or very important by more than one in three business owners and managers (36%). All of

the local and state strategies are, however, considered not important at all by at least 20% of business owners and managers.

The Central City District Plan, which The Hills Shire is a part of, is considered extremely or very important by just 22% of the business community in the Hills. It falls notably short of the Greater Sydney Region Plan (34%), which is interlinked with the Central City District Plan.

When thinking about your business' growth strategy, how important are the following local and state strategies?



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## Local and state support

Two in five business owners or managers (41%) have utilised or received support provided by the local or state Government. Amongst those who have received support, almost 60% have received support offered through Service NSW, such as Business Concierge, grants, fee waivers and tax assistance. Almost two in five (37%) have utilised Business Connect Advisory services.

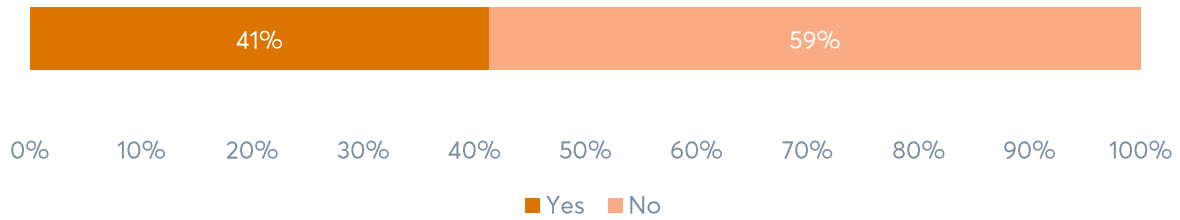
Both of the aforementioned supports are State government initiated. The most utilised local government support are the Local Business Directory (19%) and New Business Strategic Connector event (14%).

### **Stronger sense that policy settings are better**

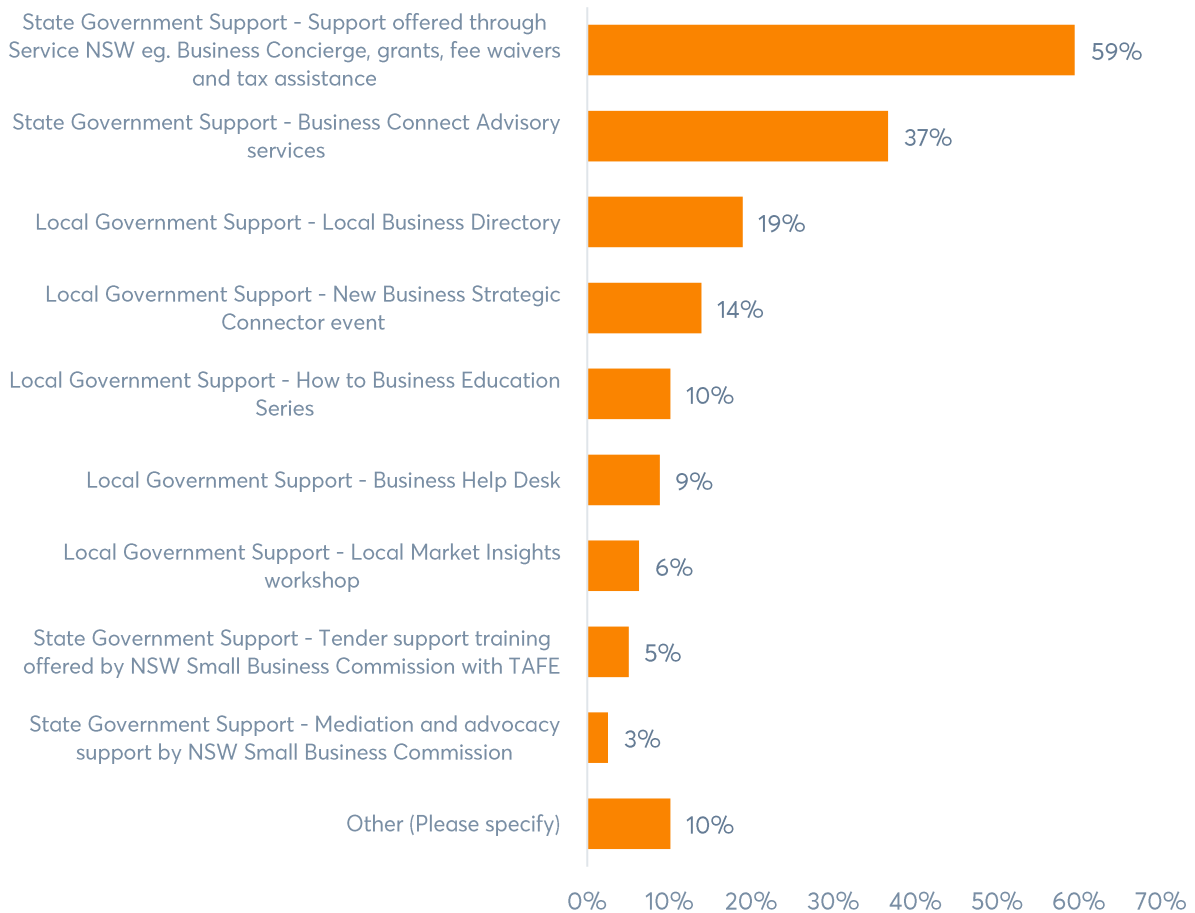
Amongst business owners and managers who have utilised state and local government support and resources, there is a stronger sense that policy settings that support small businesses across sectors are improving. Almost one in three (32%) believe that policy settings are better now than they were six months ago. This compares to just 24% for those who did not engage the state and local government for support or resources.

Although only correlative, this sense of improvement in policy settings and the utilisation of government support can have tangible impacts. Those who have utilised government support and resources in the past six months are more likely to report business expansion in office use, fit-out, number of locations, or commercial space (28% cf. 21%), providing these businesses with a greater platform for future growth.

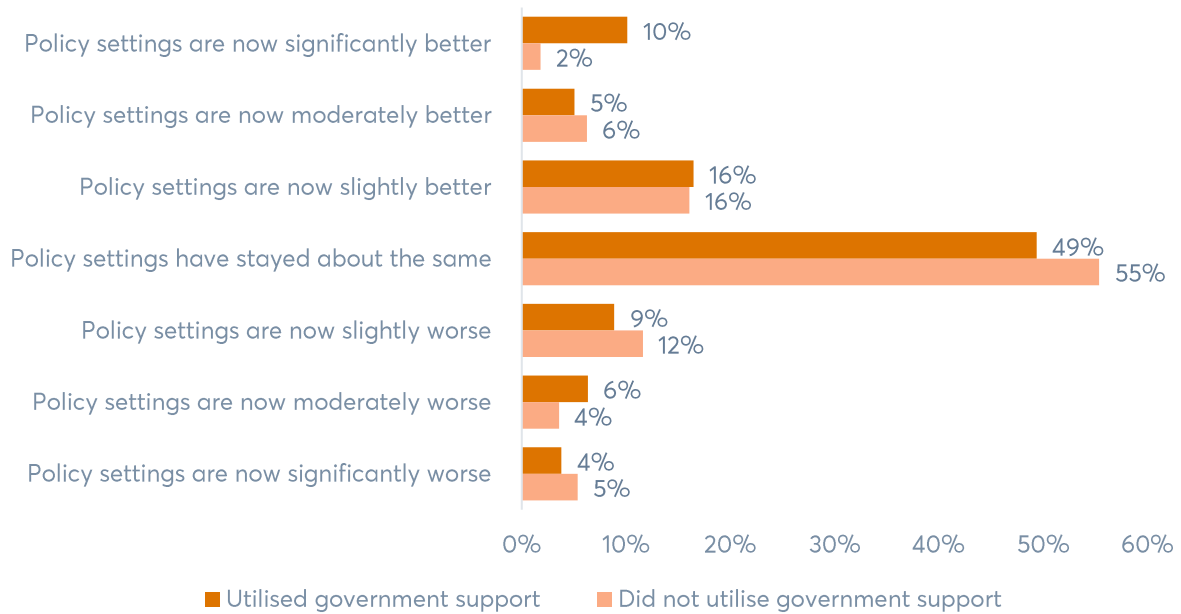
In the last six months have you (or your business) utilised any resources or received support provided by the The Hills Shire Council or the NSW State Government?



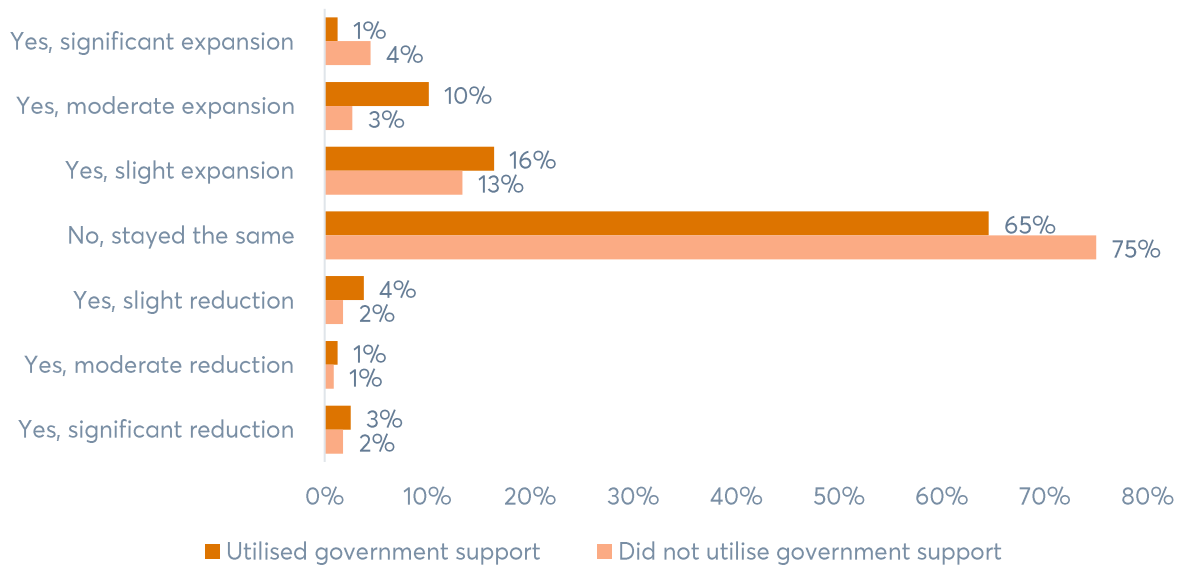
You have indicated earlier that you have received support by government, which of the following support have you received?  
Please select all that apply.



Thinking about government policy settings that support small businesses and assist your sector, how would you say these compare to 6 months ago?



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 6 months?





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## 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, staffing challenges, the current economic conditions, and the ongoing effect of COVID-19 are the most common challenges expressed by the business community of The Hills.

### Staffing

*Finding good staff.*

*Getting & retaining good employees.*

*Hiring quality staff.*

*I cannot employ anyone, I wish to expand and I am actively looking but I cannot employ anyone with the required qualifications.*

*Input costs, skilled staff availability.*

*Staffing. It's difficult to find staff and based on discussions with people across industries this seems to be an issue across the board.*

*New staff training to allow for growth.*

*Recruiting able and willing staff who are reliable.*

### Operating conditions and national economy

*Cost Inflation.*

*Cost of everything! Freight, Labour, supplies and stock everything has dramatically increased and it's hard to counter those costs with increased pricing...*

*Economic changes.*

*Economic conditions... growth has slowed, costs are rising, interest rates appear to be on the rise.*

*Interest rate hike.*

*Lack of spending by target clients on the types of services we currently offer.*

*Living expense and interest rate is increasing, it leads to most business cost increase, CPI increase, Gov't needs to do something.*

### COVID-19

*Covid - with so many people absent from workplaces, either sick, or caring for sick children, our leads have dropped to almost nothing, and existing client projects are stalling. Turnover down 60%. And no end in sight.*

*Covid and return to work.*

*Covid disruptions.*

*Covid related closures, lockdowns, staff and customer infections/isolations and the weather.*

*Introduction of new business following Covid.*

*Lost revenue due to lockdown.*

*Recovery after covid/lockdown. Clientele had reduced incomes or stress on income, just starting to pick up again now with people recovering from loss of income.*

*Restrictions imposed on our ability to trade for ANY reason significantly impact us.*

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## Strengths

Since 2016, business owners and managers in The Hills Shire 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.

### **More than one in two consider the location and culture a strength**

Location continues to be considered a current (57%) and future strength (52%) by the greatest proportion of The Hills' business community. This shift in sentiment took place in 2020 and has remained for this year's PSI, a clear example of 'the great reprioritisation' where values and priorities are reassessed since the disruption of COVID-19.

Location (57%), work/life balance (54%), family friendliness (50%), and Hills business/work culture (47%) comprise four of the top five current strengths of doing business in the Hills. All these lifestyle considerations have always been amongst the most common strengths of doing business in The Hills. Since the disruption of COVID-19, however, those who place a high regard for these lifestyle and cultural considerations have increased.

Adding to these lifestyle and location considerations, customer base (41%), the Northwest Metro line (36%), commute times and distances (35%), greenery (35%), and local community such as schools, clubs, churches, and sports teams (31%) are also seen as strengths of The Hills for one in three business owners and managers.

### **Steady rise in recognition for local business network**

A similar proportion of business owners and managers are identifying local business networks as a current (52%) and future strength (51%). In recent years, an increasing proportion of the business community is considering local networks a strength, demonstrating the increasing recognition that the local community has for the work that networks are doing to advance the business operating environment of The Hills.

### **Cost and regulation – a common pain point**

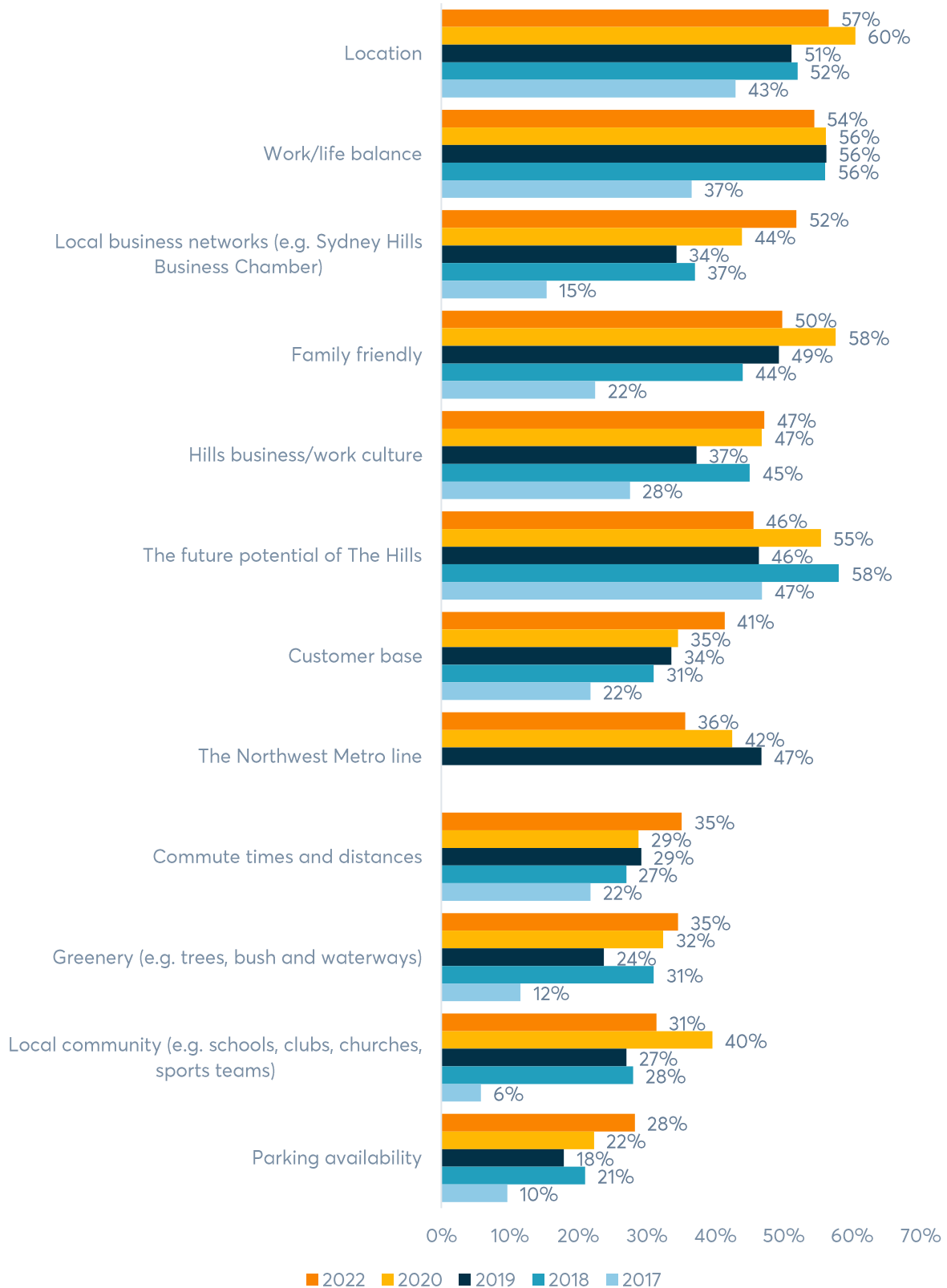
On the inverse of the scale, the cost of commercial and residential property as well as regulation related factors are the least likely to be considered a strength by business owners and managers.

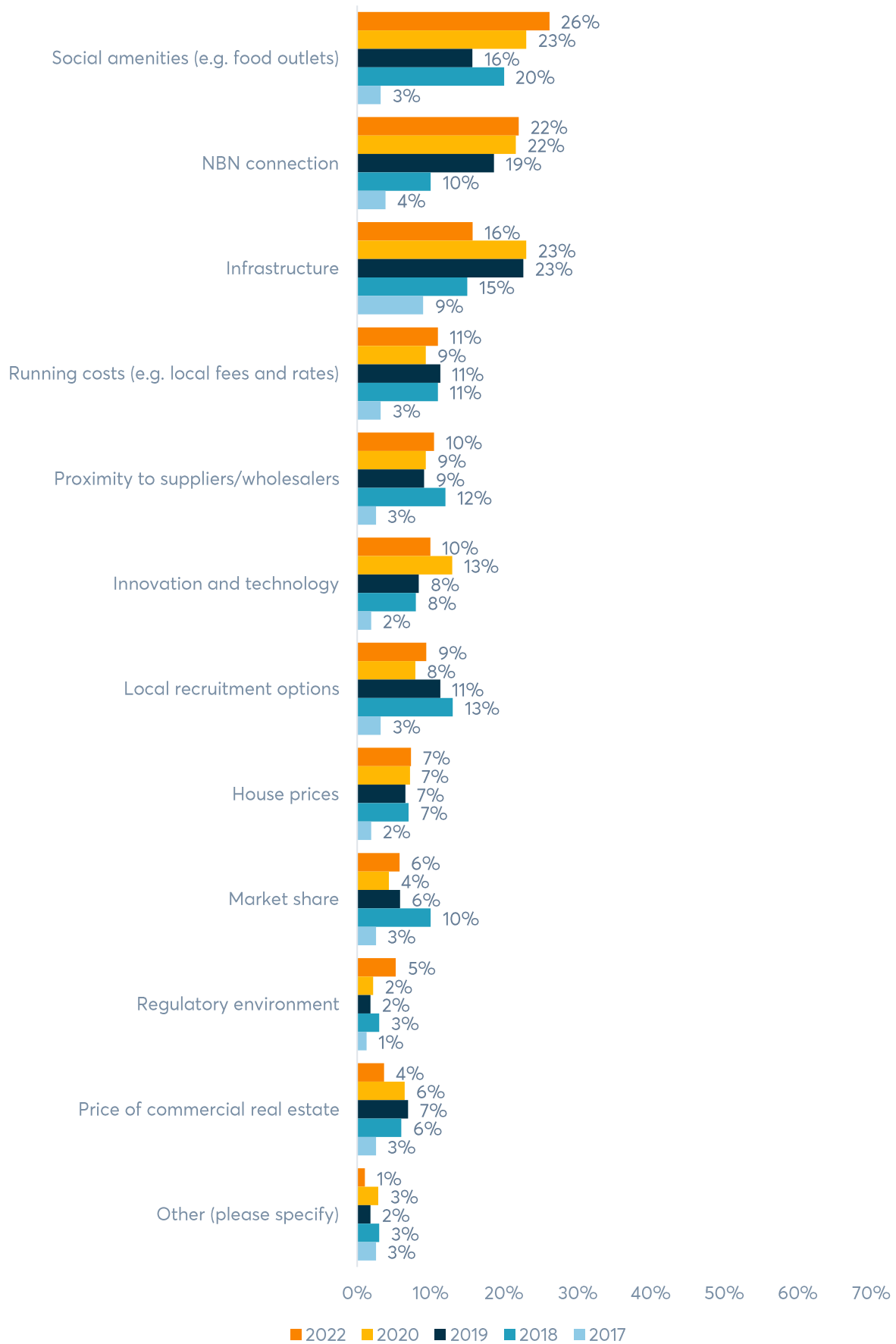
The strong lifestyle and locational pull factors of The Hills has necessitated the undesirable consequence of high real estate price. Just a small fraction of the business community consider the commercial (4%) and residential property price (7%) a current strength of The Hills. This is unlikely to change in the future with just 6% and 9% considering the cost of the respective property types a strength.

The challenge of the local regulatory environment is also prominent with just 5% and 6% considering it a current and future strength. This, however, is likely not a challenge endemic to The Hills.

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

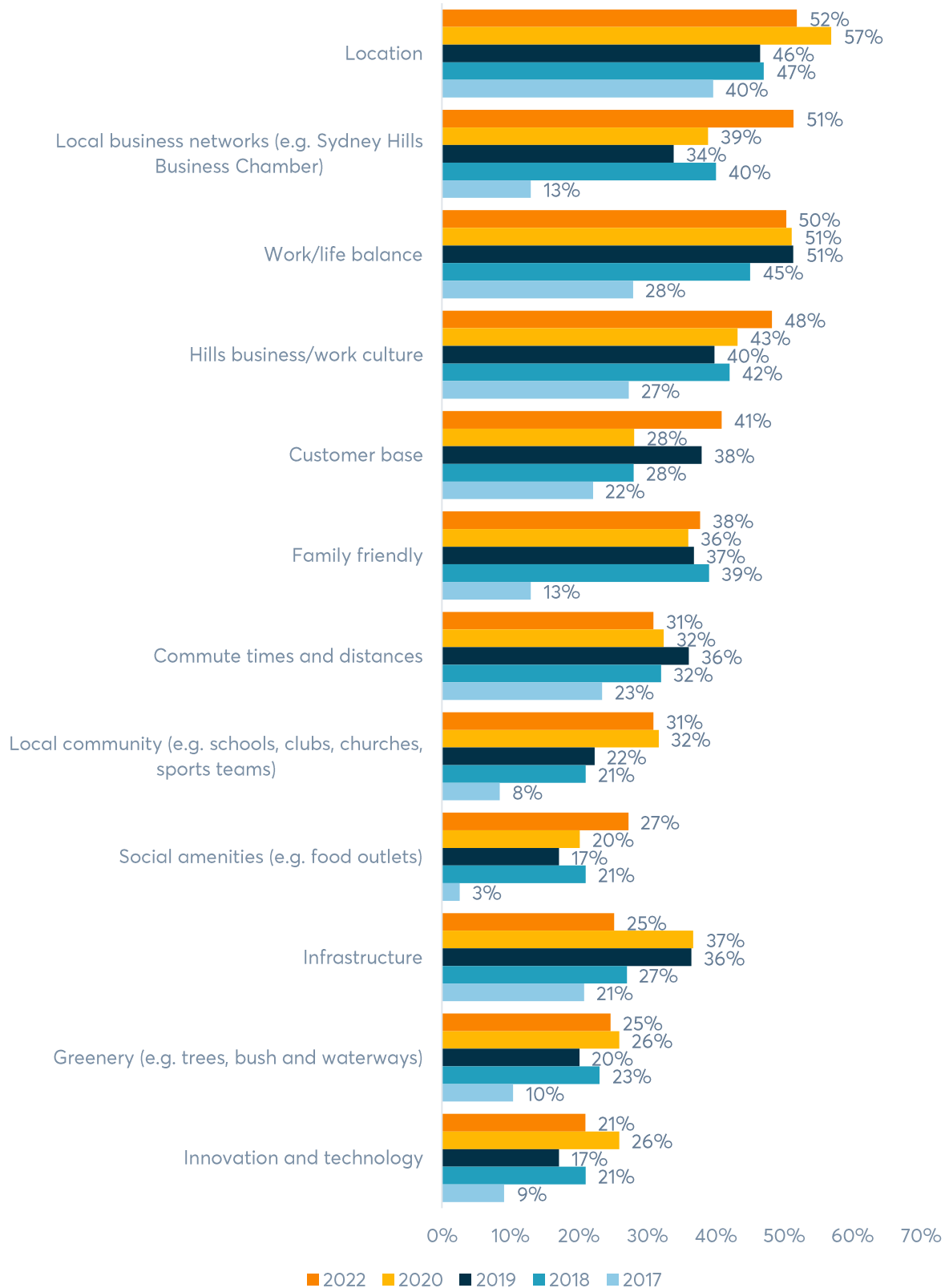
Please select all that apply

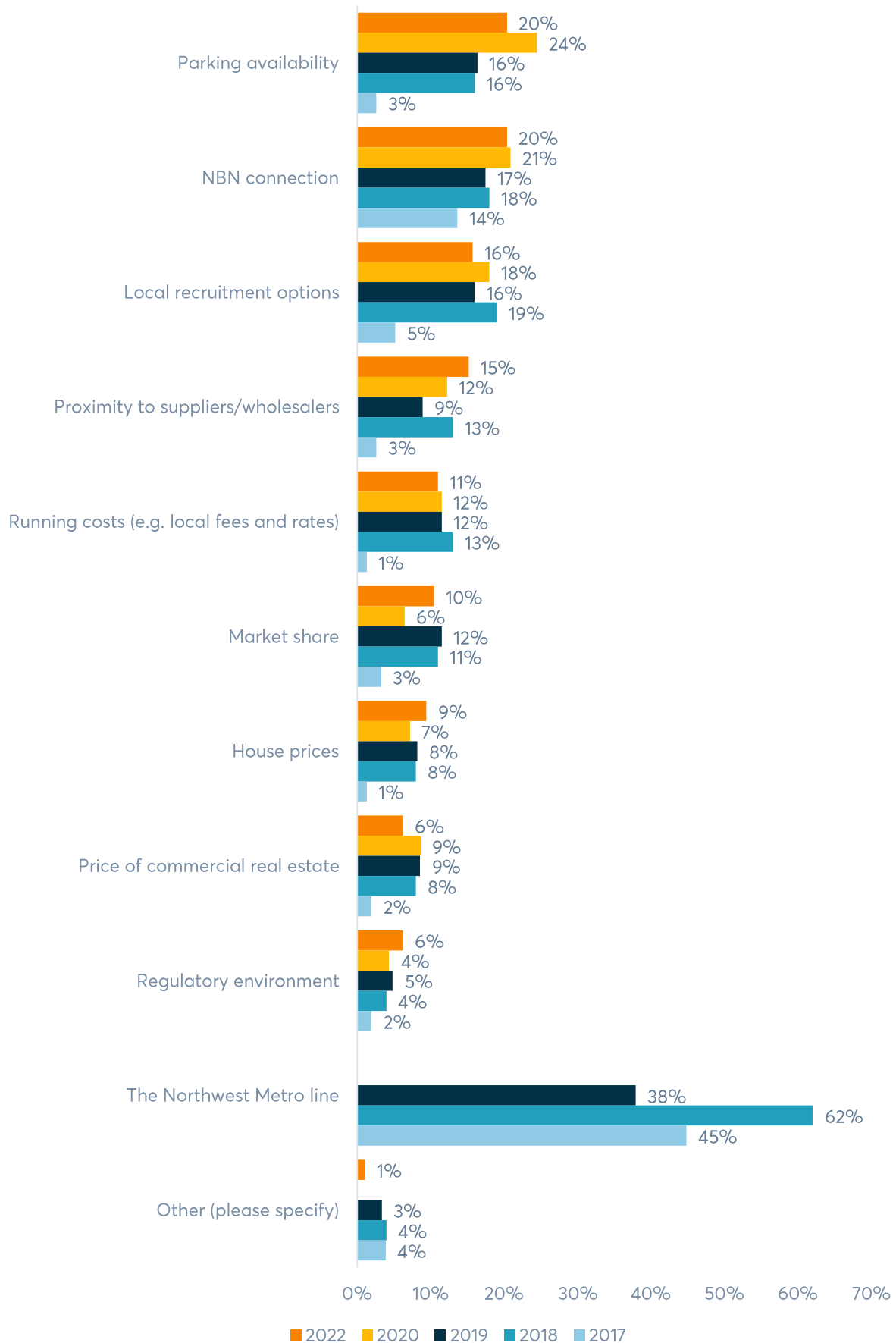




## What do you think are the future strengths of doing business in The Hills?

Please select all that apply

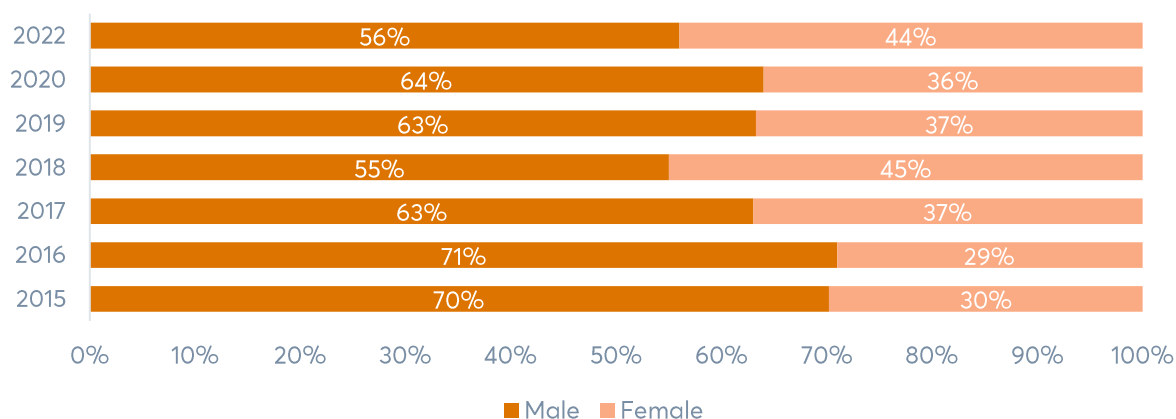




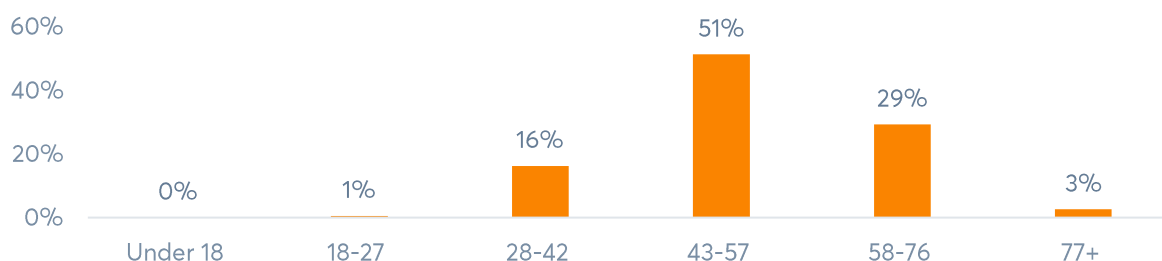
# Appendix

## Respondent characteristics

Are you male or female?

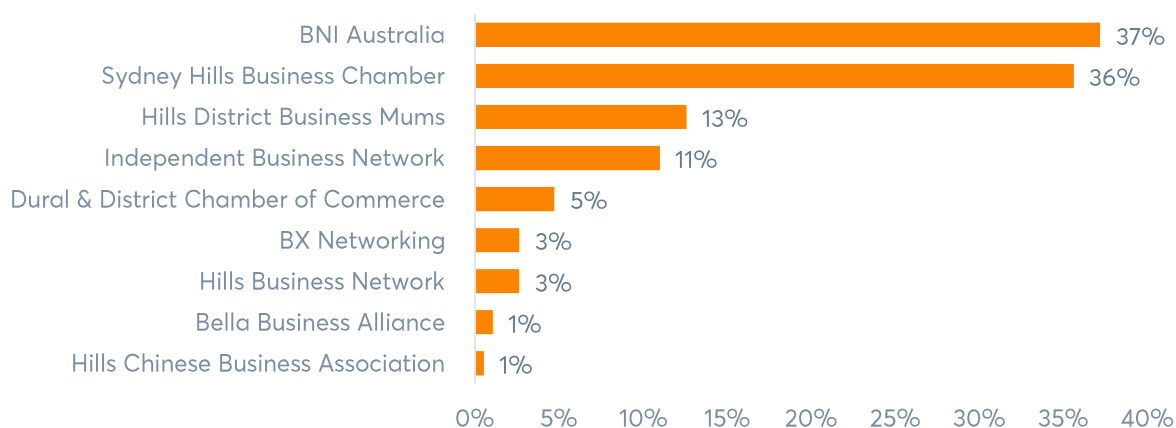


What age will you turn in 2022?

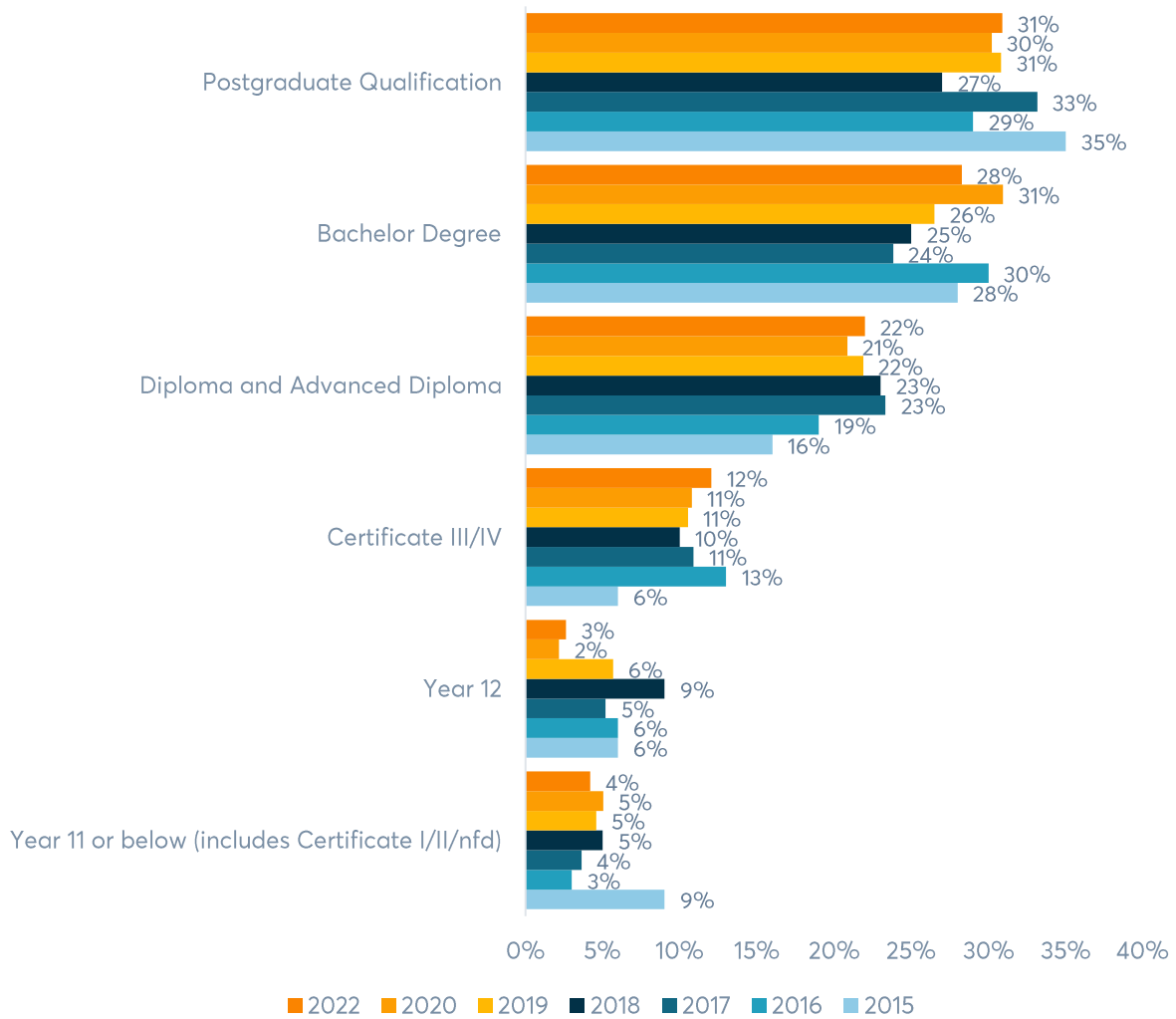


Are you a member of a local networking group?

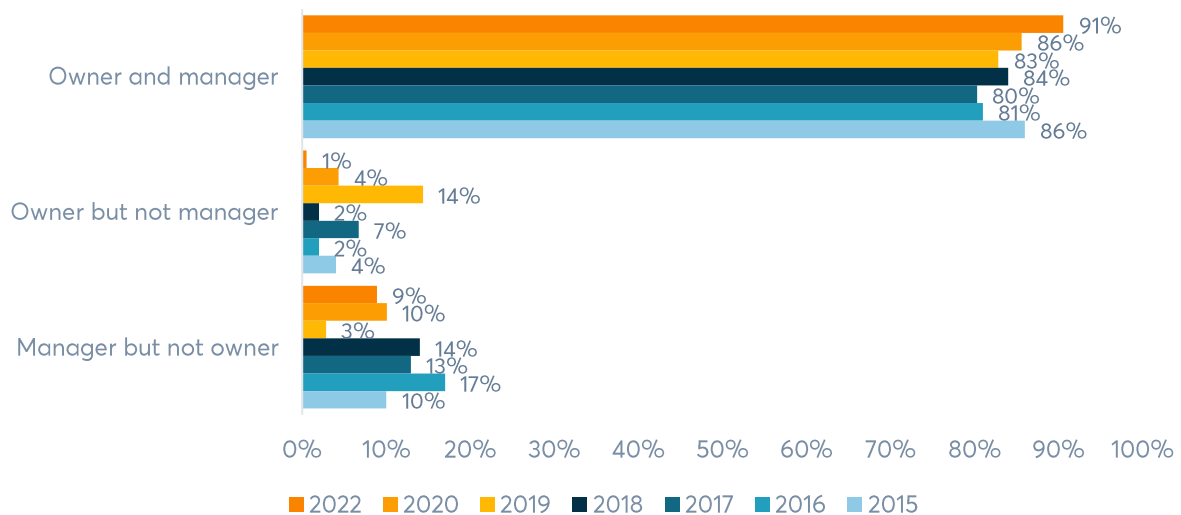
Please select all that apply.



## 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.au](mailto:info@mccrindle.com.au) or call (02) 8824 3422.

For information and implications specific to the 2022 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.

**Phone** 02 9843 0324

**Email** [business@thehills.nsw.gov.au](mailto:business@thehills.nsw.gov.au)