
Maxim PSI

2017 Lower Hunter Business
Performance Sentiment Index

OCTOBER 2017



mccrindle

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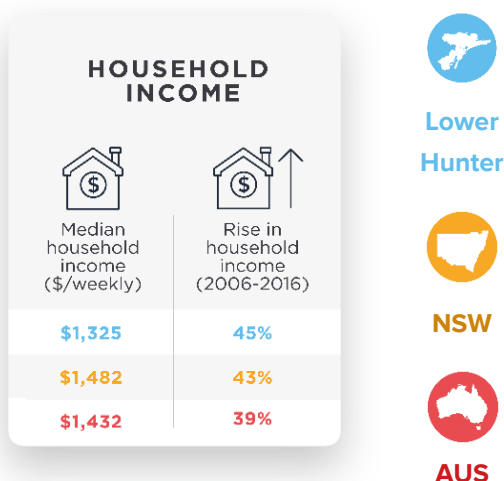
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Introduction

Mark McCrindle

The Lower Hunter region continues to show strong, consistent growth and an optimistic outlook.

One in three households (34%) own their home outright (cf. NSW 32% and Australia 31%) and the region reports a rise in household income of 45% from 2006 to 2016, compared to Australia which has seen a rise of 39%.



Impressively, this year's PSI results show that the positive operating condition for businesses in the Lower Hunter have increased since last year. Performance in the region has dipped marginally in its score, however, the outlook for business activity has grown and remains buoyant.

This year's results highlight a continued struggle for businesses against red tape and regulation as well as an expressed concern for local infrastructure provision. These challenges, however, have not affected overall attitudes as

firms place confidence in local and national economic performance and strong forward sentiment.

The greatest struggles for businesses in the Lower Hunter are financial. Financial hurdles identified by the PSI were declining pre-tax profits, constrained business cash flow and rising staffing costs. When asked to describe the most significant challenges currently facing businesses, a quarter of owners and managers mentioned challenges relating to human resources (25%) and a similar proportion struggle to manage company finances (22%).

These challenges are offset, however, with the expectation of business expansion in 2018 and this positive sentiment in the Lower Hunter economy is the dominant theme in this year's Business PSI report.



Mark McCrindle
Director
McCrindle Research

Maxim Accounting & Business Advisors

Welcome to our second Performance Sentiment (PSI) report. Again, our thanks are extended to the professional and co-operative team at McCrindle Research and to NAB Business in support of the project.

This execution of the research provides a great comparison against the initial findings, and is further enhanced by the release of the Census results of 2016 (remember that ill-fated night?).

The statistic that still surprises me in both the Australian and Lower Hunter Valley economies is that 98% of all businesses employ less than 20 employees! This risk taking and entrepreneurial spirit is what defines the Australian psyche of “having a go” to get ahead. Ingenuity, invention, energy and pure hard work are the qualities needed to make a success of any small business. We in the Lower Hunter have more than our fair share of these attributes.

The life of Newcastle as the economic centre of the Lower Hunter is at its most exciting for many decades. The number of cranes in the air, traffic lollipop stewards and development projects underway is astounding!

With this incredible volume of activity comes many teething issues and disruption. I think this disruptive sentiment is borne out by the negative reporting's in the research for infrastructure and government regulations.

However, like many things in life, we need to experience the short-term pain to be able to enjoy the medium to long term gain. This disruption to everyday life experienced in the city centre, we believe, has been exacerbated by the lack of investment seen in our city for way too long.

The rewards will come, and they will not be far away.

From our day-to-day engagement with our clients the Maxim confidence sentiment is bullish for those businesses prepared to demonstrate those attributes of ingenuity, invention, process improvement and hard work. We encourage your continued investment in your business and thank those who participated in the survey and continue to support our business.

Enjoy the information that this report succinctly delivers.



Chris Sneddon
Director
Maxim Accounting &
Business Advisors



Steve Roxby
Director
Maxim Accounting &
Business Advisors



Scott Norrish
Director
Maxim Accounting &
Business Advisors

NAB Hunter & North Coast

We back businesses when it really matters.

Our Australian banking arm, including personal banking and business banking, offers a range of banking products and services to retail and business customers, ranging from small and medium enterprises through to Australia's largest institutions.

Our business banking products cater to customers' needs with specialist expertise in agribusiness, property, health, government, education and community.

We understand how important a customer's business is to them, and that their business and personal financial affairs are intertwined. We work closely with our customers to help develop and achieve their goals.



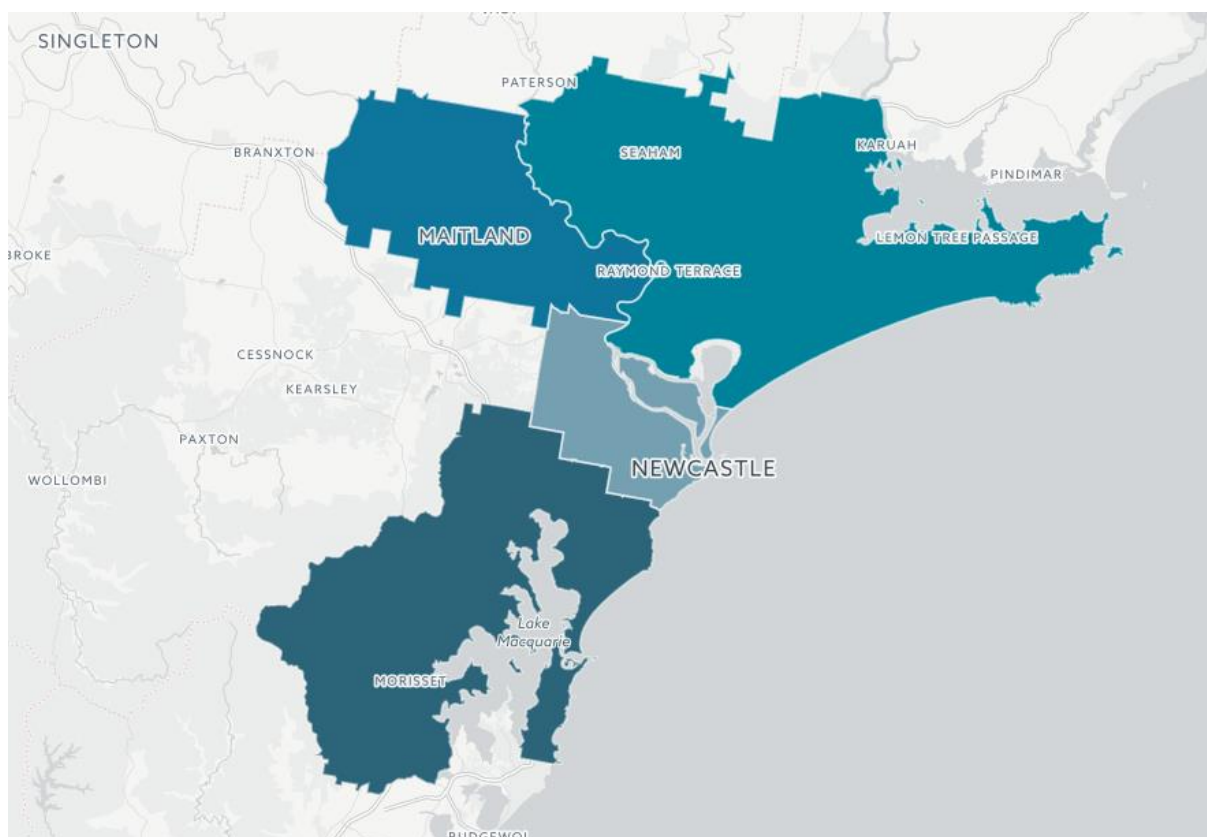
Steve Good

Regional Business Executive
NAB Hunter & North Coast

The Lower Hunter community in the national context

The Lower Hunter Region is made up of four main Local Government Areas (LGAs). These areas are Newcastle, Lake Macquarie, Port Stephens and Maitland.

This combined region has a population of over 500,000 people living in an area that covers just over 2,000 square kilometres. The map below highlights the four main LGAs that make up the Lower Hunter region and provides an indication of the total area that they cover.



The Lower Hunter region has an estimated resident population of 530,386. Between 2016 and 2017, population growth in the area was equal to 1.4%, compared to New South Wales which grew at an almost equal rate of 1.5%.

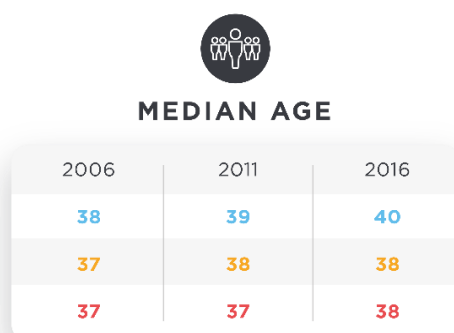
Over a longer ten-year period, from 2006 to 2016, Australia, New South Wales and the Lower Hunter have all experienced strong population growth. Both New South Wales and the Lower Hunter, however, have grown slower over ten years than the national rate. The

Lower Hunter region has grown 14.1% over the past ten years, New South Wales has grown 14.8% while Australia's total population has risen 18.4%.

If the Lower Hunter region continues the current ten-year trend growth, the area's total population would surpass 600,000 people by the year 2026.

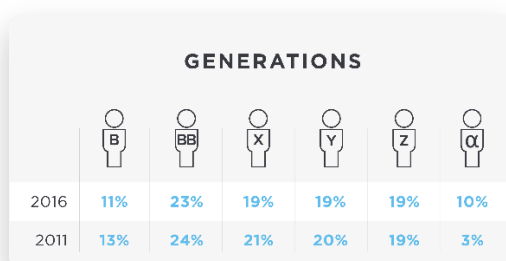
Median age in the Lower Hunter region has risen steadily between 2006 (38) and 2016

(40). The area's median age is currently higher than both New South Wales (38) and Australia (38). Not only is this age higher in the Lower Hunter but it is also rising at a faster rate. The median age of residents in New South Wales and Australia rose by one year between 2006 and 2016 (from 37 to 38) compared to in the Lower Hunter region where it rose by two years from 38 in 2006 to 40 in 2016.



The rising median age in the region reveals a population which is, on average, older than the state and the nation.

The largest Generation group in the Lower Hunter are the Baby Boomers aged 53 to 71 years. Baby Boomers comprise nearly one in four (23%) people in the Lower Hunter region. The smallest group by comparison is Generation Alpha those aged 18 and below. Only one in ten residents belong to this newest generation (10%).



Lower Hunter
region

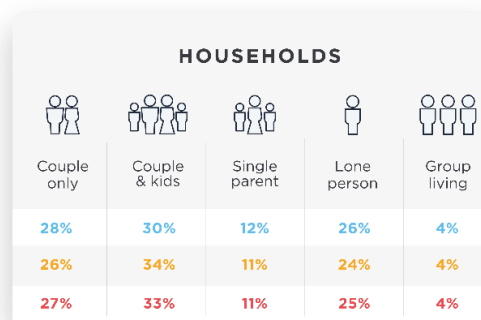


New South
Wales

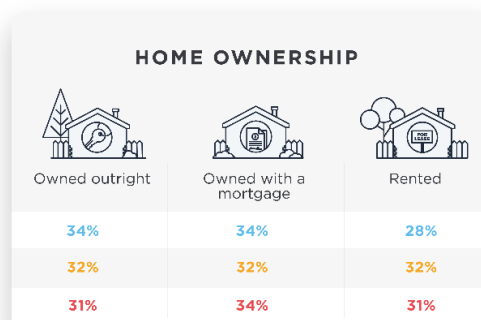


Australia

In the Lower Hunter region, there is a total of 184,927 households. Three in ten households (30%) are couple families with children which is lower than New South Wales (34%) and Australia (33%). Lone persons account for over one in four (26%) households.



Outright home ownership for the Lower Hunter (34%) is higher compared to New South Wales (32%) and Australia (31%). Consistent with a higher level of home ownership, the proportion of rental households in the Lower Hunter region is lower (28%) than New South Wales (32%) and Australia (31%).

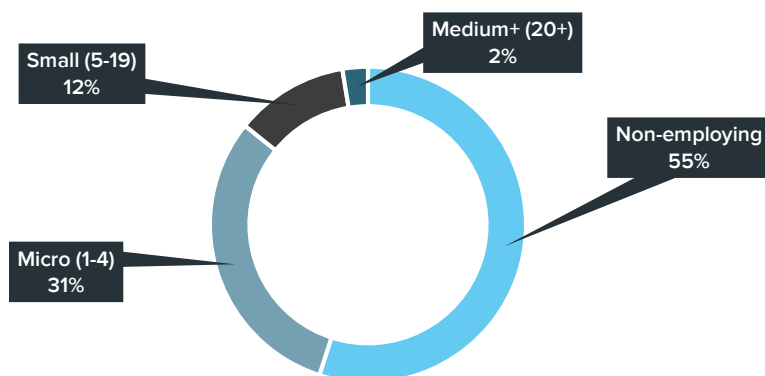


The Lower Hunter business in the national context

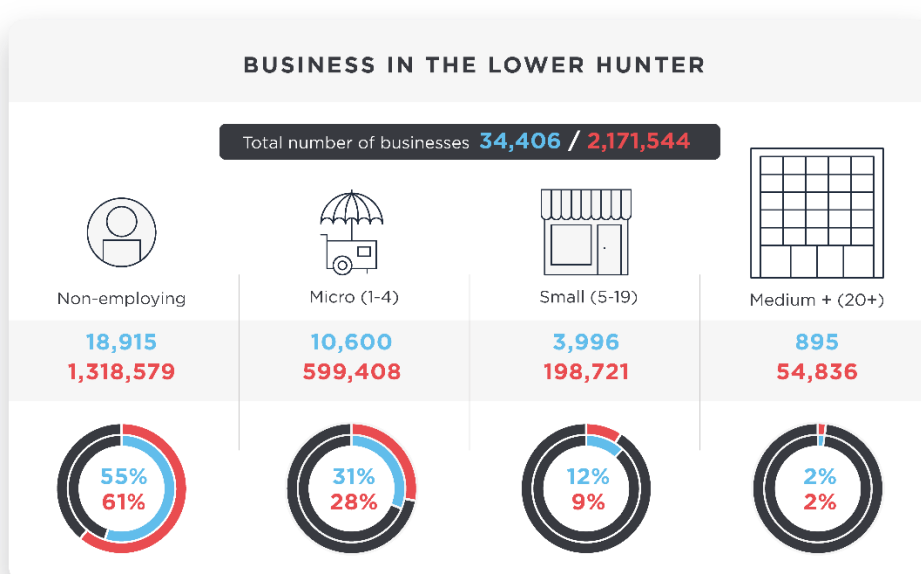
There are a total of 34,406 businesses in the Lower Hunter region, making up 1.6% of Australia's 2,171,544 businesses. Almost all businesses within this region are Non-Employing (55%), Micro (31%) or Small businesses (12%), each employing less than 20 employees.



Employing and non-employed businesses in the Lower Hunter region



In Australia, 98% of all businesses are small enterprises with less than 20 employees. This proportion (98%) is the same for the Lower Hunter region.




Lower Hunter
region


Australia

Data from ABS cat. 8165.0 Counts of Australian Businesses 2012-2016.

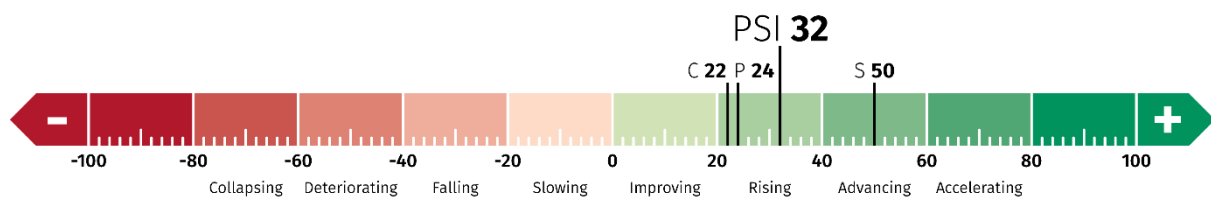
The Business Performance Sentiment Index (PSI)

Design

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

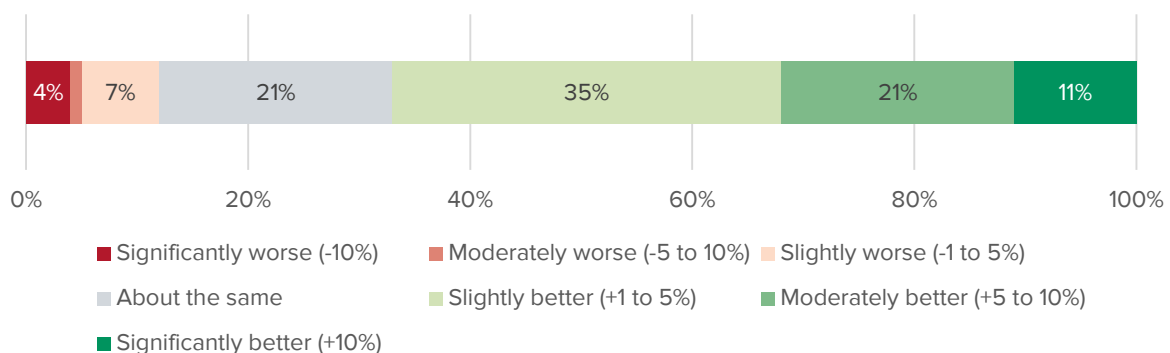
The Business PSI takes the pulse of business across a region and tracks changes in the health of the local and national economy over time. This edition of the Business PSI (2017) features the latest results for the Lower Hunter region. This report also features longitudinal comparisons to last year's deployment of the Business PSI (2016).

The Business PSI measures three core business characteristics: business conditions, performance and sentiment. The PSI uniquely charts these measures on a scale that ranges from accelerating on the extreme positive to collapsing on the extreme negative. Each of the three core measures (conditions, performance, and sentiment) are comprised of three sub-measures which are derived from the results of several individual survey questions.



The PSI is calculated using a metric of 21 targeted questions. Each question involves a 7-point Likert scale. An example of a question is provided below:

Q. Thinking about your overall sales revenue at the moment, how does this compare to 6 months ago?



Calculation

The mean score of each question is derived to produce an individual metric score. Based on this methodology there is a theoretical maximum score of 300 and a theoretical minimum score of -300. In the example graph shown above, after calculating the mean score this question derives an individual metric value of 35.

The culmination of the individual metric scores indicates whether the three core measures business conditions, performance, and sentiment are in the positive zone (improving, rising, advancing, accelerating) or the negative zone (slowing, falling, deteriorating, collapsing).

The average of the three core measures (conditions, performance and sentiment) results in an overall Business PSI score

Purpose and use

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

The Business PSI has been developed specifically to be deployed in targeted geographies. Deployment of the Business PSI provides vital insight into the economic conditions, regulatory settings and impact of infrastructure on specific geographic areas. Relevant contextual data allows for a nuanced understanding of local business performance and relevant insight into local economic conditions. The unique design of the PSI

enables business performance to be compared by region, across a city, within a state, and even across entire states.

The Business PSI has also been designed to be longitudinal. Longitudinal deployment allows for the comparison of economic performance over time. Time specific data makes it possible to analyse the impact of key decisions such as local government policies, investments and infrastructure developments. It also provides understanding into the ways in which state and national issues, such as economic conditions, affect local areas.

Deployment

The Business PSI is an easy-to-deploy 21 question survey which has been tested in various different communities over time. It allows local business chambers and governments to survey their stakeholders at any time and compare the results to other areas or time periods.

It enables industry groups and peak bodies to derive scores for specific industries (such as hairdressers, real estate agents, etc.) or broad business categories (i.e. retailers, B2B service providers, etc.). The Business PSI can be compared longitudinally, region-by-region, city-by-city or state-by-state.

The PSI delivers quantitative measures of business performance, simultaneously incorporating attitudes, sentiment, and forecasts. This unique approach to economic data delivers a comprehensive measure of actual and attitudinal performance; incorporating recent performance and current forecasts.

2017 Lower Hunter Business PSI

Participants

The 2017 Lower Hunter Business PSI features a collection of responses from business owners and managers across the four local government areas situated within the Local Hunter Region.

The results of this year's 2017 PSI consist of 120 started surveys and 109 completed surveys. Responses were collected from 17 August to 7 September 2017. Individual responses are representative of various business sizes, locations, and industries across the Lower Hunter region.

Business owners and managers

Seven in ten (70%) respondents are both business owners and managers. One in 20 (5%) are owners but not managers and the

remaining 25% are managers but not owners. Almost two in three (63%) have never owned a business prior to the business they now own or manage. A larger proportion (71%) of business owners have owned their business for 10 years or more.

Business services

Almost three in five (58%) respondents represent businesses that provide products/services to consumers (B2C). Two in five (42%) provide products/services to businesses and/or the not-for-profit sector (B2B). The remaining 1% of respondents provide services on behalf of utilities and/or government.

	Responses
Business to Business (B2B)	50
Business to Consumer (B2C)	68

Business size

A small proportion (2%) of businesses are non-employing, 16% are micro businesses (employing 1-4 employees) and almost one third (31%) are small businesses (5-19 employees). More than half (52%) are medium

to large businesses (20+ employees). Due to the small number of responses from non-employing business, their individual scores have not been included in this report.

	Responses
Not employing/sole operator	2
Micro (1-4)	19
Small (5-19)	36
Medium/Large (20+)	61

Respondent demographics

Nearly three in four (72%) participants are male and one in four (28%) is female. The majority of respondents (84%) belong to either Generation X (aged 38-52) or the Baby Boomer generation (aged 53-71).

Respondents have a high level of education with two in five (39%) having completed a

Bachelor degree or higher qualification compared to 26% of the Australian working population.

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

Indicator overview

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

Conditions

Conditions measure	Comprised of 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 & 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

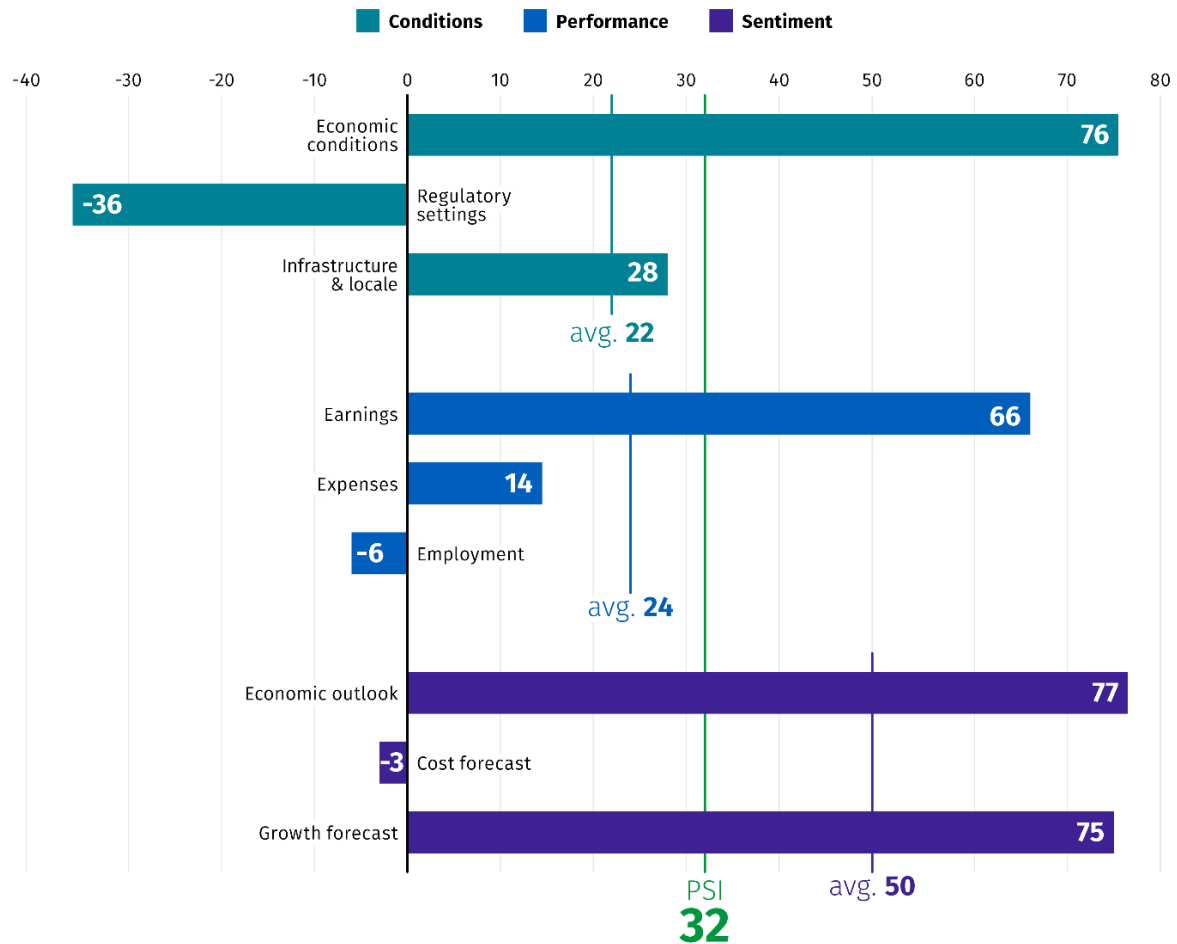
Performance measure	Comprised of indicators	Question Example
Earnings	Sales and revenue	How does your overall sales revenue compare to 6 months ago?
	Pre-tax profit	How does your operating and pre-tax profit compare to 6 months ago?
	Business cash flow	How does your business cash flow compare to 6 months ago?
Expenses	Business costs	How do your business costs compare to 6 months ago?
	Capital investments & 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

Sentiment measure	Comprised of 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.

2017 Lower Hunter PSI results



The 2017 Lower Hunter Business PSI score is **32**.

Conditions

Conditions is the lowest scoring PSI measure in 2017, with a score of **22**. While the results show that the operating conditions for businesses in the Lower Hunter are less favourable than performance and sentiment, the result is still positive. The score is limited predominantly by regulatory settings, which include red tape and regulation requirements as well as local infrastructure provision.

Performance

Performance is also seen to be positive, with a score of **24**. Business owners and managers have enjoyed positive sales and revenue, pre-tax profits, capital investments and staffing levels. The only negatives in this category are increasing costs such as staff wages and on-costs which are perceived to have increased in the last 6 months.

Sentiment

Future sentiment for the Lower Hunter region is extremely positive with a score of **50**. Internal revenue outlook scored extremely well, whilst owners and managers are also optimistic about

future staffing levels, profit forecasts, cash flow levels and expansion forecasts. Expense forecasts are the main concern in this category, reducing the overall sentiment score.

Longitudinal comparison

2017 results

Conditions and sentiment both scored higher in 2017, compared to 2016. Performance decreased slightly between the two years (from 25 to 24), with the attitude towards earnings declining the most (from 75 to 66). Overall, however, the outlook for business in the Lower Hunter region is even brighter in 2017, than in the previous year.

Change from previous years

The scale below compares shifts from 2016 to 2017.

Conditions rose by five points, increasing from **17** in 2016 to **22** in 2017.

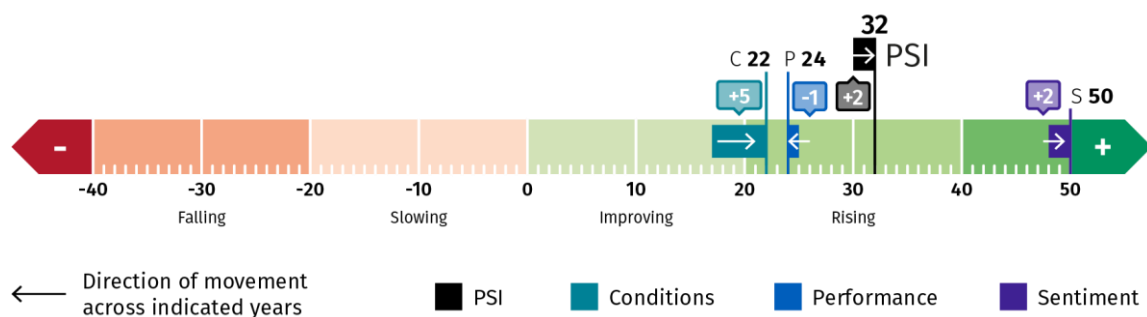
Performance did not follow the same trend, however, decreasing by one point from **25** in

2016 to **24** in 2017. This change can be attributed to the lower scores in earnings and employment.

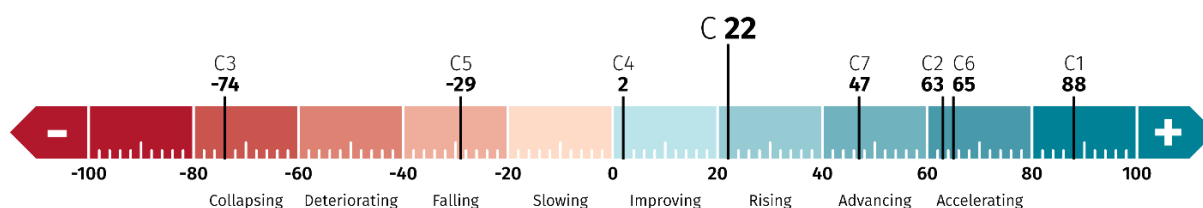
Despite a comparatively lower performance score in 2017 sentiment remains extremely positive. Sentiment increased from a strong base of **48** in 2016 rising two points to an even more positive score of **50** in 2017. Despite slight decreases in attitudes towards expected expense and profit forecasts, expectations of strong future growth have driven an increase in sentiment for 2017.

The culmination of these movements has resulted in a PSI score of **32** in 2017. This score is an increase of two points from the 2016 score of **30**.

2016 to 2017



Conditions



Conditions measure	Key	Indicators	Score (2016)	Score (2017)	Change
Economic conditions	C1	Local economic performance	74	88	↑
	C2	Australia's economic performance	54	63	↑
Regulatory settings	C3	Red tape and regulation requirements	-69	-74	↓
	C4	Supportive government policy settings	-9	2	↑
Infrastructure & locale	C5	Local infrastructure provision	1	-29	↓
	C6	Business expansion or reduction	54	65	↑
	C7	Infrastructure and locale outlook	20	47	↑
Total Conditions Score			17	22	↑

Improving conditions

From a score of **17** in 2016, conditions in the Lower Hunter have increased by five points rising to **22** in 2017.

Out of the seven indicators that comprise conditions, only two decreased from 2016 to 2017. These were red tape and regulation requirements (-5) and local infrastructure provision (-30). All other indicators showed increases.

Limiting infrastructure

The largest decline is local infrastructure provision. Dropping for the first time into the negative (-29), local infrastructure provision is placed in the 'falling' category of the PSI scale.

This deterioration reflects a current frustration with local infrastructure provision. A rising score for infrastructure and locale outlook, however, reflects expectations that infrastructure is set to improve in the near future.

Collapsing regulatory settings

The second largest and only other indicator decline was red tape and regulation requirements. This indicator fell further into the 'collapsing' category. The decline in this category highlights a weakening confidence and growing dissatisfaction with the regulatory constraints and restrictions experienced by local businesses.

Conditions by business size

Best conditions for medium-sized businesses

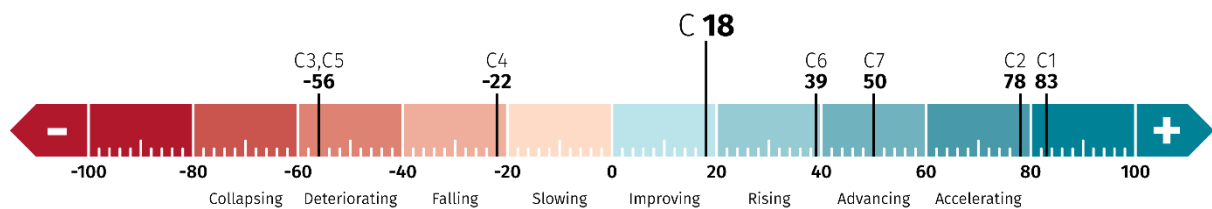
Results for medium+ size businesses indicate the most favourable attitude towards conditions in 2017. These businesses received a conditions score of **25**. This score is largely attributed to a combination of local and national economic performance as well as positive direction in business expansion or reduction.

Micro and small businesses returned the lowest condition scores. This is by no means,

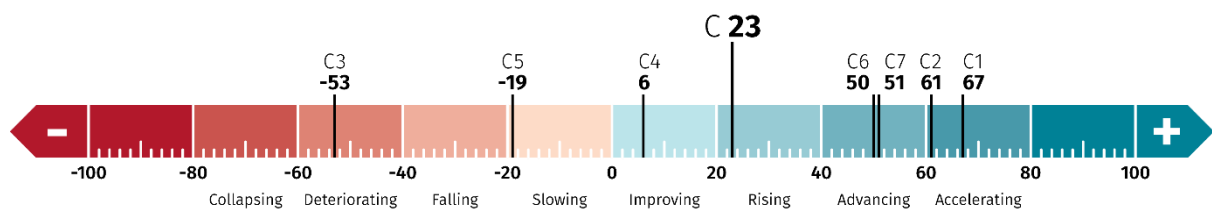
however, a negative result. With scores of **18** and **23**, micro and small businesses have also been influenced by the strong local and economic performance. Their lower scores were a result of struggling with red tape and regulation requirements as well as frustration with local infrastructure provisions.

It is notable that each business, regardless of size, perceives the conditions in the local economy (C1) to be better than the national economy (C2).

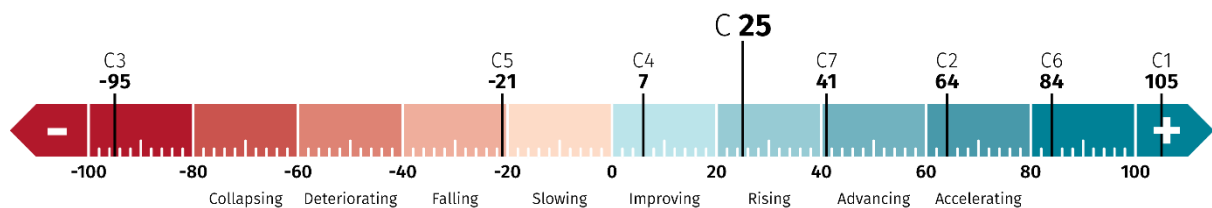
Micro (1-4 employees)



Small (5-19 employees)



Medium+ (20+ employees)



Conditions in B2B versus B2C business

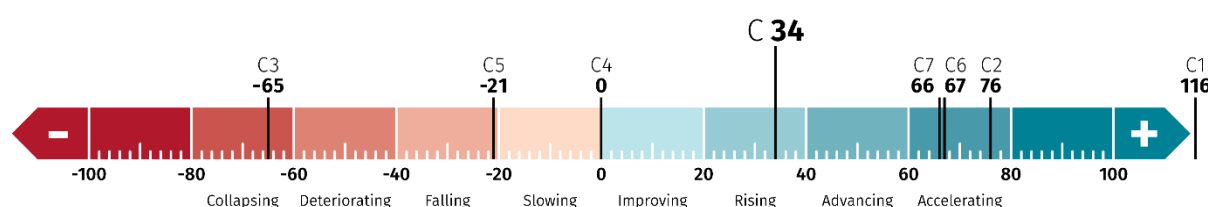
The condition scores for business to business entities (B2B) and business to consumer entities (B2C) have changed between 2016 and 2017. B2B businesses indicate increases in business conditions since 2016, rising from **22** in 2016 to **34** in 2017. Conditions for B2C businesses, however, have remained the same from 2016 (14) to 2017 (14).

The main drivers for this increase for B2B businesses involve a surge in infrastructure and locale outlook, which has risen by 58 points since 2016 (from eight to 66). An optimistic perception of the local economy's performance

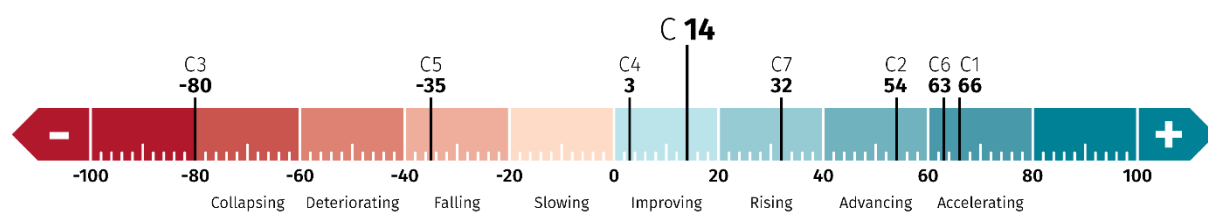
has also contributed to an overall higher average score for the local and national economic performance.

B2C businesses, however, do not share the same perception of local economic performance as B2B companies. Shown by a decrease of six points since 2016. Business expansion or reduction was the most positive change experienced by B2C firms, rising by 14 points (from 49 to 63). Clearly the local household economy is not currently as resilient as the local business economy.

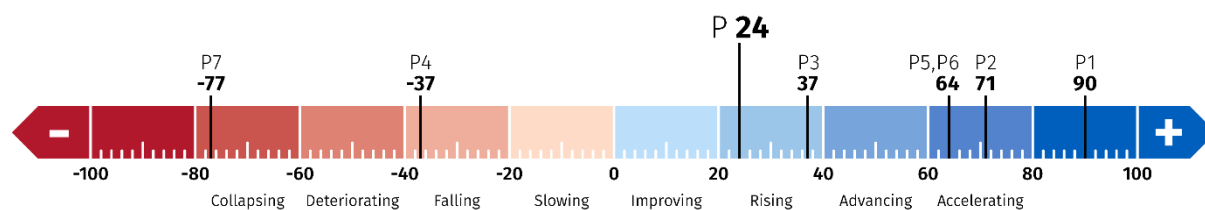
B2B: Products/services to businesses, public utilities and/or government



B2C: Products/services to consumers



Performance



Performance measure	Key	Indicators	Score (2016)	Score (2017)	Change
Earnings	P1	Sales and revenue	91	90	↓
	P2	Pre-tax profit	82	71	↓
	P3	Business cash flow	52	37	↓
Expenses	P4	Business costs	-28	-37	↓
	P5	Capital investments & expenses	52	64	↑
Employment	P6	Staffing levels	46	64	↑
	P7	Staff wages and on-costs	-68	-77	↓
Total Performance score			25	24	↓

Dip in performance

Performance has slightly decreased by 1 point from 2016 (25) to 2017 (24). This area was the only category to decrease in 2017, albeit by a small amount.

Declining earnings

The decline in performance is due to negative scores across various indicators. These include

business cash flow and pre-tax profit which fell -15 and -11 points respectively. These scores indicate that earnings have been getting progressively worse over the last year.

Increase in capital and staffing

Capital investments/expenses and staffing levels are the only positive results, increasing by 12 and 18 points respectively.

Performance by business size

Performance improving for medium sized businesses

Performance has remained constant for micro businesses (31) whilst it has declined for small companies from 2016 (18) to 2017 (10). Medium+ businesses are the only business size to experience an increase from **32** in 2016, to **35** in 2017.

Sales and revenue account for a large proportion of these increases, being the highest rated performance indicator across all business sizes.

Large revenue and profits for micro businesses

Earnings for micro businesses have contributed significantly to its positive result. Employment

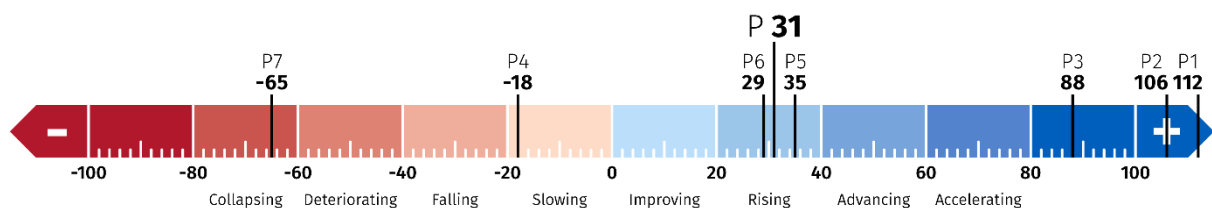
has proven itself to be a limitation in their performance, primarily in staff wages and on-costs.

Small Businesses struggling with costs

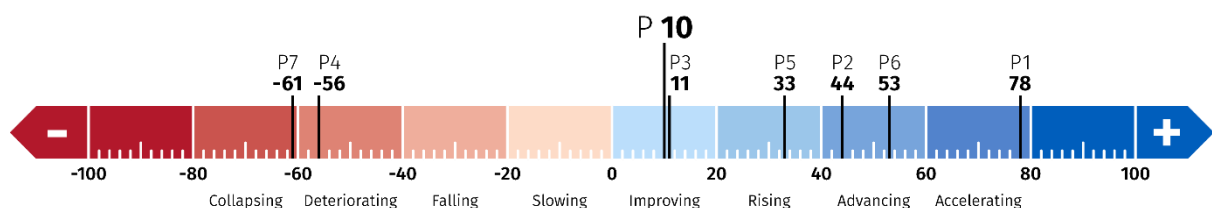
Small businesses have the lowest performance outlook, with an overall score of **10**. This negative score is influenced heavily by staff wages and on-costs as well as business costs.

As with previous studies, small businesses with larger payrolls are more susceptible to economic change than the nimbler microbusinesses or the larger more resilient medium-sized businesses.

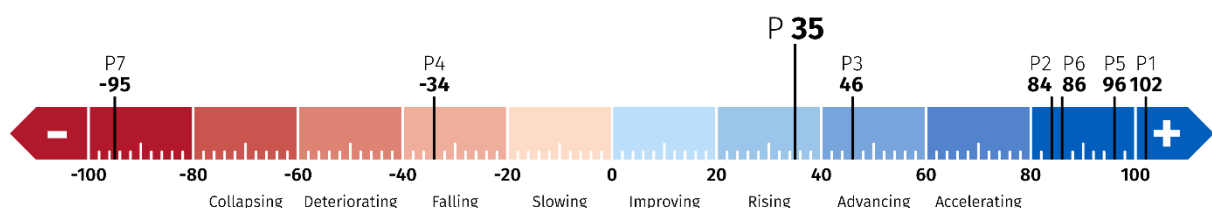
Micro (1-4 employees)



Small (5-19 employees)



Medium+ (20+ employees)



Performance in B2B versus B2C businesses

Declining performance for both B2B and B2C

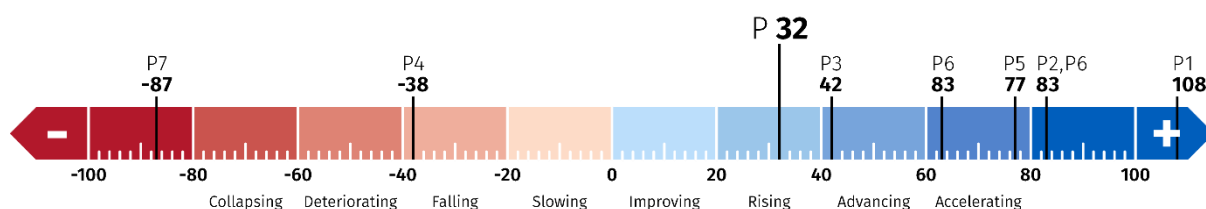
Both B2B and B2C businesses report decreased performance levels in 2017.

In 2016, B2B firms scored **38** whilst in 2017, this score decreased to **32**. Employment has stayed at a negative level (-2) whilst earnings (78) and expenses (20) have decreased in 2017. Capital investments and expenses (77) and staffing levels (83) have positively influenced B2B performance, but have

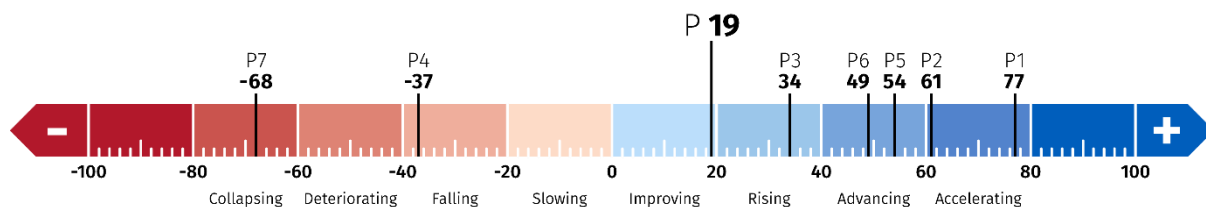
significantly decreased business cash flow (a decrease of 58 points from 100 in 2016 to 42 in 2017).

Similarly, B2C scores fell from 2016 (20) to 2017 (19). Again, employment was the only positive indicator whilst earnings and expenses limited any potential growth. Sales and revenue (77), pre-tax profit (61) and capital investments and expenses (54) have all declined which tightens the performance output of B2C firms.

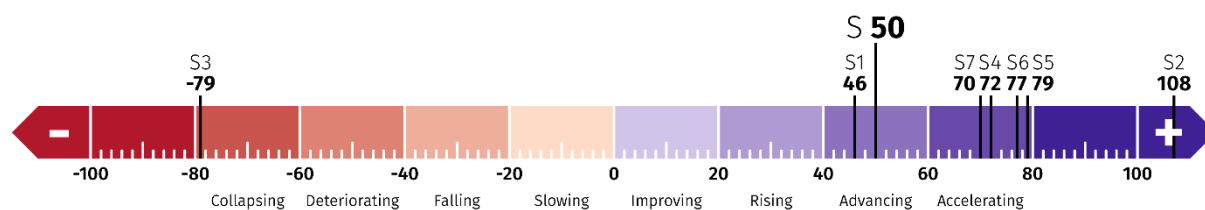
B2B: Products/services to businesses, public utilities and/or government



B2C: Products/services to consumers



Sentiment



Sentiment measure	Key	Indicators	Score (2016)	Score (2017)	Change
Economic outlook	S1	National economic outlook	43	46	↑
	S2	Internal revenue outlook	103	108	↑
Cost forecast	S3	Expense forecast	-70	-79	↓
	S4	Staffing level forecast	71	72	↑
Growth forecast	S5	Profit forecast	88	79	↓
	S6	Cash flow forecast	74	77	↑
	S7	Expansion forecast	52	70	↑
Total Sentiment Score			48	50	↑

Sentiment scores highest amongst conditions and performance

Sentiment is the highest performing component of the 2017 Lower Hunter PSI. A score of 50 shows improvement on 2016's already high result, emphasising a rising business sentiment in the Lower Hunter region.

Optimistic growth forecasts

Strong business sentiment can be attributed to expected expansion and cash flow forecasts.

Expected sentiment is also strong for national and internal revenue outlooks as well as expected increases in staffing levels.

The cost of growth

There is some pessimism, however, with expenses predicted to increase and profit forecasts declining (however remaining positive) perhaps in anticipation of growing business investment and expansion.

Sentiment by business size

Glowing sentiment for all business sizes

Sentiment measures for all businesses remains consistently high for the Lower Hunter region. This is strongest in medium+ businesses, recording a sentiment score of 53, followed by micro businesses (48) and small businesses (46).

Rising internal revenue outlook

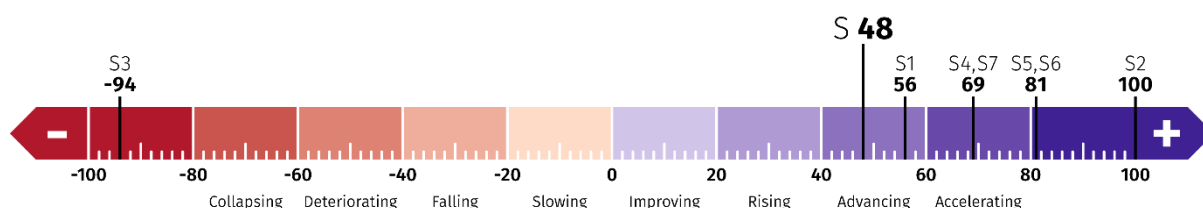
Such a strong sentiment score is attributed to the positive perception of each business sizes' internal revenue outlook. Medium+ businesses

are expecting a large amount of growth in internal revenue, scoring 120. Micro businesses (100) are also expectant of large growth in internal revenues followed closely by small businesses (97).

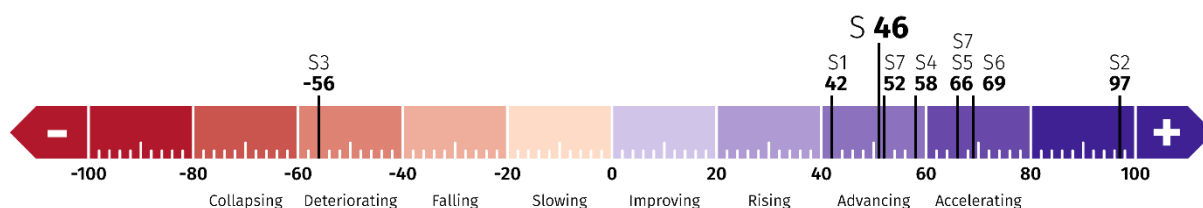
Rising expenses

The measure that evoked the most significant negative sentiment is the expense forecast. All business sizes are expectant of rising business costs and expenses in the future, especially micro sized businesses who recorded the lowest score (-94).

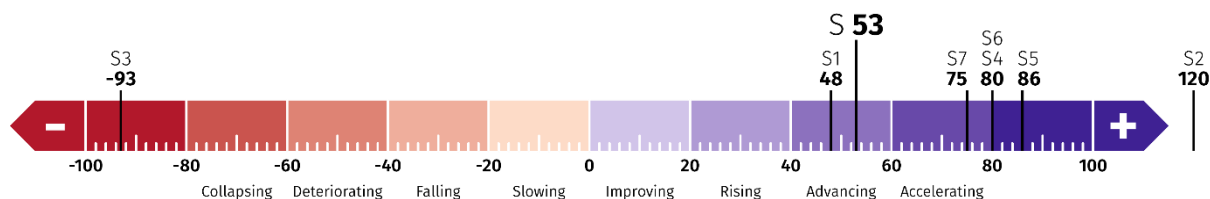
Micro (1-4 employees)



Small (5-19 employees)



Medium+ (20+ employees)

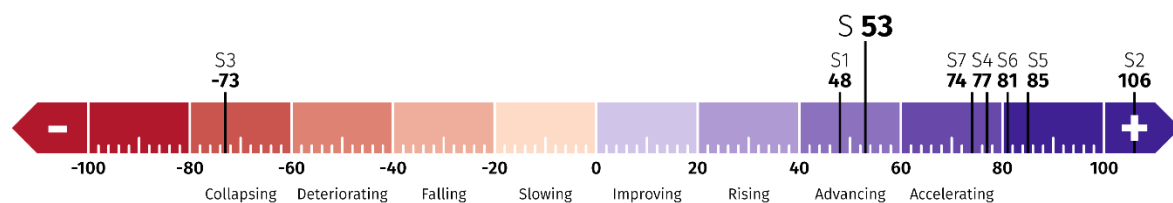


Sentiment in B2B verses B2C businesses

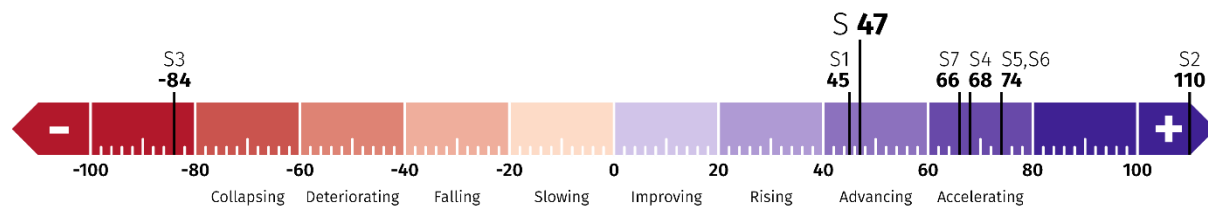
Business sentiment is positive for both B2B and B2C businesses in the Lower Hunter. B2B sentiment (39) is higher than the B2C sentiment (27).

B2B and B2C businesses are optimistic about their internal revenue growth. This positivity, however, is shadowed again by the anticipation of rising future expenses. Expense forecast outlook scored lowest for both B2B (-73) and B2C (-84).

B2B: Products/services to businesses, public utilities and/or government



B2C: Products/services to consumers



Qualitative insights

Key challenges faced by businesses in the Lower Hunter region

Survey respondents were asked to describe the most significant challenge that their business is currently facing.

Human resources

The most significant challenge for Lower Hunter business owners and managers is human resource management. This challenge was mentioned by 25% of respondents. The majority of owners who are facing staffing challenges suggest that finding and retaining high quality staff is the most significant challenge facing their business. Other staffing challenges include the cost of wages and uncertainty regarding the future of their industry.

Financial management

The second most prominent challenge in this region, mentioned by 22% of owners and managers, is managing company finances. Examples of these challenges include: rising raw costs, maintaining cash flow, and finding capital for expansion.

Regulation

Almost one in five (18%) business owners and managers suggest their most significant challenge is navigating restrictive regulations and red tape. Complying with restrictive

regulation, slow approval processes, a lack of support for new initiatives and a lack of political stability lead to uncertainty regarding the future business environment.

Competition and growth

One in ten (10%) owners and managers note increased competition both locally and internationally as their key challenge. Another 10% feel their greatest challenge is to do with winning customers. More specifically, some indicate feeling that customers and/or potential customers seem increasingly reluctant to spend.

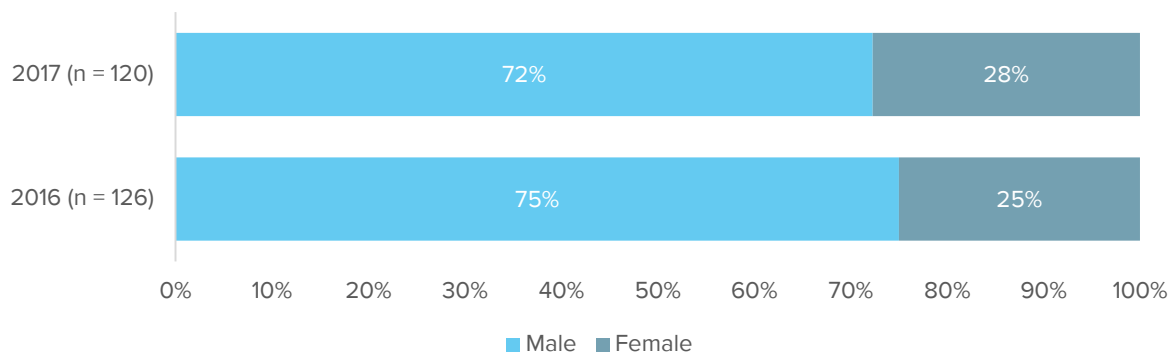
Technology and internet

A small proportion (6%) of business owners suggest technology is their most significant challenge. Some respondents are concerned with keeping up with technological change, suggesting that upgrading IT systems is a key challenge for their business. Reliable internet is seen to be vital for effective business operations and some owners and managers are unhappy with recently installed NBN systems.

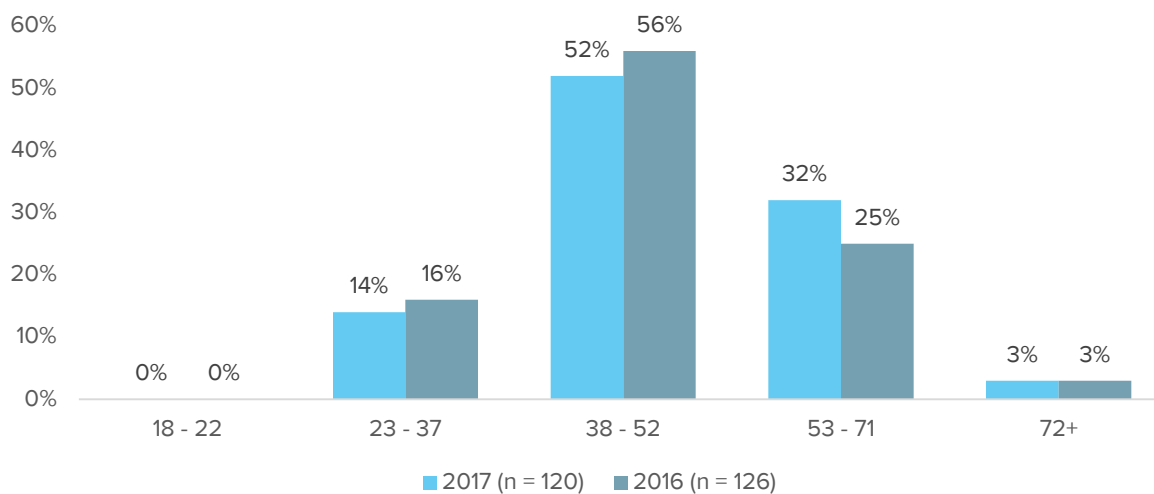
Appendix

Respondent characteristics

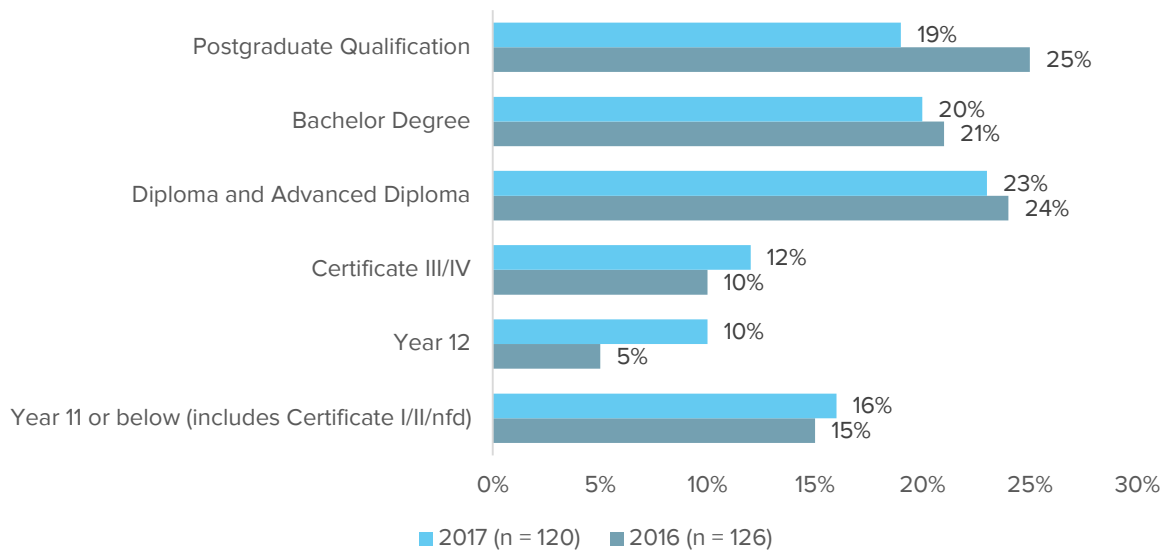
Q. Are you male or female?



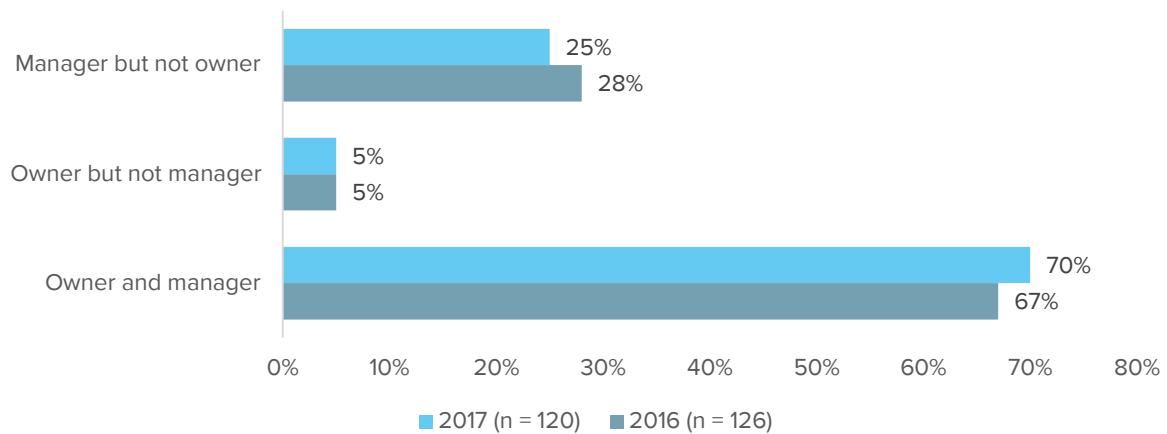
Q. What was your age at your last birthday?



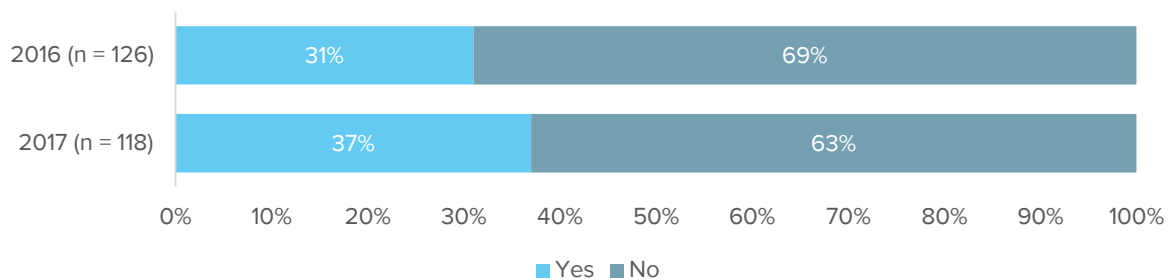
Q. What is your highest level of completed education?



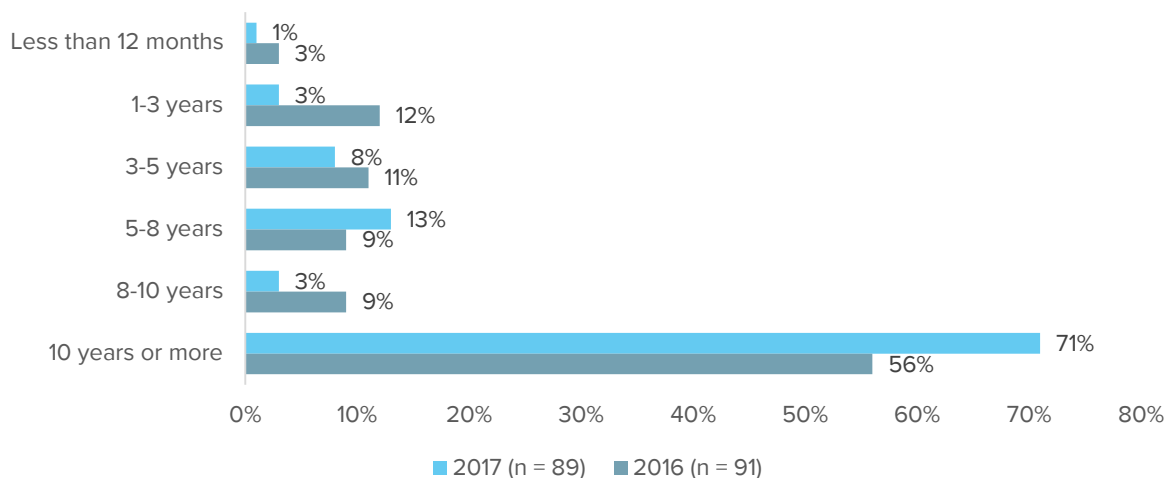
Q. What is your role within your business?



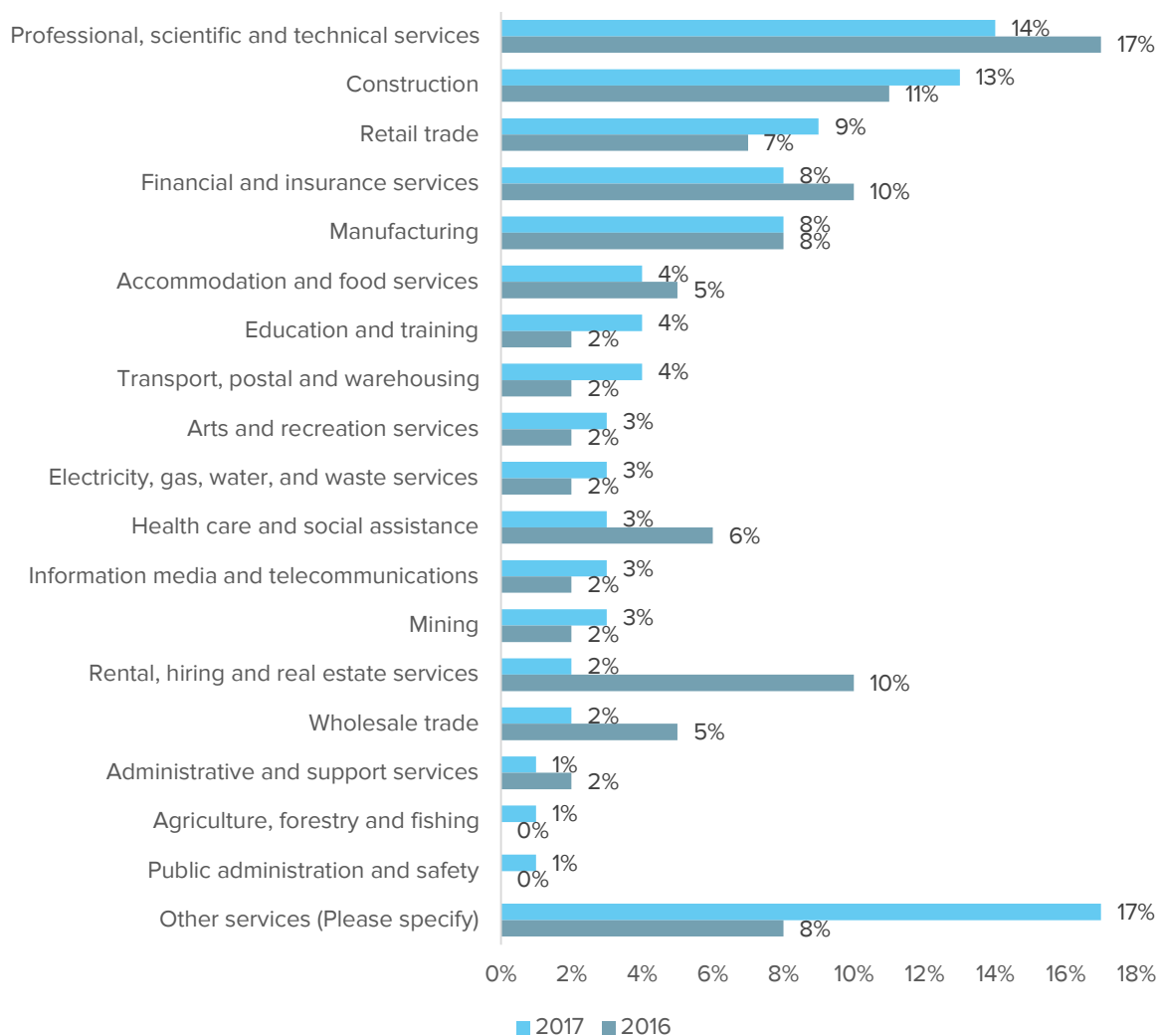
Q. Have you ever owned a business prior to the business that you now own or manage?



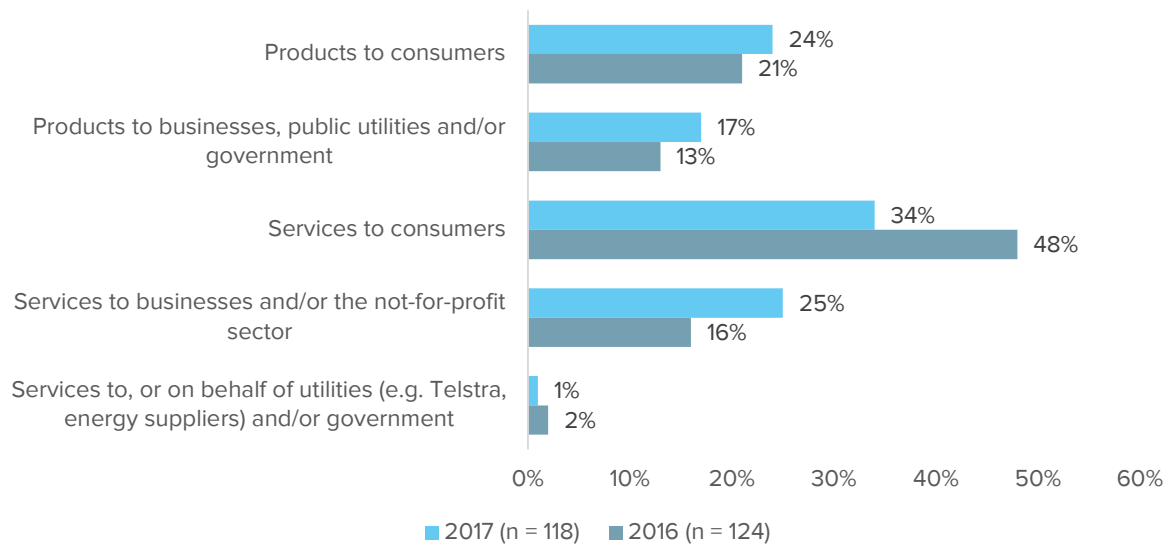
Q. For how long have you been a business owner?



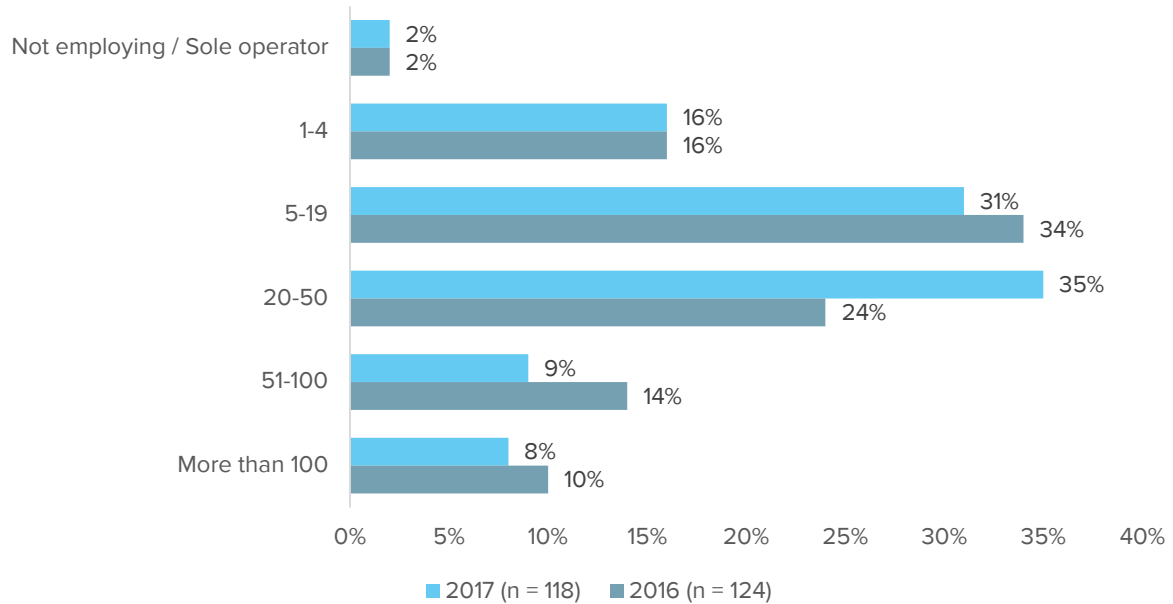
Q. What industry sector do you operate in?



Q. What does your business supply?



Q. How many people does your business employ?



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 6 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 or call 02 8824 3422.

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