

MEDIA RELEASE

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Director Sentiment hits lowest point since the pandemic

The latest director sentiment survey from the Australian Institute of Company Directors (AICD) shows a dramatic slide in confidence both on the economy and in business conditions, with sentiment dropping to its lowest point since the pandemic.

The Director Sentiment Index (DSI) has slipped more than 14 points to -33.6 in the second half of the year, driven by concerns over domestic economic conditions now and into the future. The number of directors who believe a recession is likely within the next 12 months has jumped to 46 per cent, up from 31 per cent last survey.

This continues a declining trend in the index which began in the second half of 2021 and is now the fifth consecutive DSI result in negative territory.

There's been a significant drop in the economic outlook for Australia and all major global economies, down from -1 to -28, and in business conditions, which have dropped by 32 points to -37.

The top three economic challenges facing Australian businesses are cost of living, followed closely by inflation and high interest rates, and productivity third. More than 56 per cent of directors believe the RBA's current interest rate settings will cause a major uptick in business insolvencies.

Domestic economic conditions are now equal pegging with cyber-crime as the number one issue keeping directors awake at night, followed by legal and regulatory compliance.

AICD Managing Director and CEO Mark Rigotti said it was clear that regulatory burden continues to be a major issue for directors.

"This becomes even more pronounced when businesses and their boards are forced to turn their attention to the daily challenges arising from the weaker economy and deteriorating business conditions.

"It's clear that cost of living pressures, inflation, and high interest rates are continuing to take a toll on businesses, their clients and their staff."

The Australian Institute of Company Directors is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership of more than 53,000 includes directors and senior leaders from business, government and the not-for-profit sectors.

- 61% say compliance & regulation is the main factor affecting their board's risk appetite
- More directors (72%) say their board has effective oversight of cyber security threats
- More directors (35%) are confident their organisation has appropriate governance settings to manage AI opportunity and risk
- Housing supply remains the top priority (57%) for infrastructure investment
- 43% nominate increasing the availability of affordable housing as the main way to address the housing crisis
- With the exceptions of WA and SA perceptions of Federal and State Governments remains largely negative
- A majority believed a Harris Presidency would have been better for the US economy (61%) and better for Australia-US relations (70%)

AICD Chief Economist Mark Thirlwell said structural challenges are a major factor dragging Australia's economic outlook lower.

"On top of high costs and interest rates, directors have identified the structural issues of low productivity, the housing crisis, ageing population, and climate change.

"And while concerns about skills shortages and the impact of global uncertainty on supply chains have moderated slightly, they continue to feature strongly."

Other key findings from the Director Sentiment Index (Second Half 2024) include:

- 35% say productivity is the top short term issue for the Federal Government to address followed by housing affordability & supply (33%) and energy policy (25%)
- Climate change (33%) remains the top long term issue followed by the ageing population (29%) and productivity growth (28%)
- 83% agree there is still a skills shortage in the Australian workforce
- 63% say their organisations have been affected by labour market issues and 66% say the level of skilled migration is not keeping pace
- Over 60% say flexible work arrangements have a positive impact on staff recruitment, retention, and health & wellbeing
- Over 40% say it has a negative impact on innovation and cyber security
- 51% don't believe the level of diversity on Australian boards is satisfactory

The AICD survey of 1309 company directors was conducted by Roy Morgan between September 10 and 20.

To access DSI Insights Report go to: [AICD Director Sentiment Index 2H 2024](#)

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