

MEDIA RELEASE

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Director Sentiment rebounds from post-pandemic low

The latest director sentiment survey from the Australian Institute of Company Directors (AICD) shows an improvement in both economic and business conditions for the first half of 2025.

While the Director Sentiment Index (DSI) remains in negative territory for the sixth consecutive survey (-23.9), it has lifted nearly 10 points, the strongest improvement since 2021. And significantly fewer directors believe a recession is likely within the next 12 months, 25% compared with 46% in the second half of last year.

However nine out of ten directors believe that escalating trade tensions under the Trump US presidency threaten the economic outlook for both Australia and the world. Global uncertainty is now the top economic challenge facing Australian businesses, surpassing productivity growth and cost of living. And concerns over global protectionism have increased significantly.

Domestic economic conditions remain the number one issue keeping directors awake at night, followed closely by legal and regulatory compliance, with cyber-crime dipping slightly to number three.

Economic management is the most important issue influencing directors' vote in the upcoming Federal election, followed by policies to reduce red tape.

AICD Managing Director and CEO Mark Rigotti said concerns about the level of regulation continue to rise and 70% of directors believe a major business deregulation agenda would have a positive impact on Australia's productivity and economic growth.

"We strongly believe this needs to be a priority for the next Federal Government which is why the AICD has released a three-point plan to boost innovation and productivity with better regulation, better digital governance and better targeted disclosures.

"And we're calling on both major parties to announce what red tape they would repeal within the first 100 days of their government."

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.

Other key findings from the DSI 1H 2025

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- 59% of directors say compliance & regulation is the main factor affecting their board's risk appetite
- 67% expect regulatory compliance to increase over the next 12 months
- 43% say industrial relations and 42% planning regulations should be the main focus for deregulation
- 80% say their board's commitment to diversity will be the same or stronger despite DEI changes under the Trump US presidency
- 44% don't believe the level of diversity on Australian boards is satisfactory compared with 51% last survey
- South Australia's government has the highest confidence rating (65%), only 17% believe Victoria's government understands business, and trust in the Queensland government has lifted dramatically since the state election to 41% from 12% last wave

AICD Chief Economist Mark Thirlwell said despite the overall improvement in sentiment this time, underlying structural issues in the economy are keeping the DSI stuck in negative territory.

"Double digit rebounds in the measures of economic outlook and business conditions reflect the positive impact of the RBA's February rate cut, along with the receding recession risk.

"But directors are balancing that good news against mounting global economic uncertainty and growing concerns about protectionism. And persistent domestic challenges including productivity growth, the housing crisis, cost of living pressures and skills shortages continue to weigh heavily."

- More than half of directors (55%) expect a further RBA rate cut in the next six months
- Productivity growth is the main issue for Federal government to address in the short (35%) and long term (30%)
- Housing affordability (33%) is the next short term priority followed by energy policy (26%) and skills shortages (24%)
- 56% nominate housing supply number one for infrastructure investment
- 83% agree there is still a skills shortage in the Australian workforce
- Approximately 60% say flexible work arrangements have a positive impact on staff recruitment, retention, and health & wellbeing
- 40% say it's a negative for innovation and cyber security

Access the DSI Insights Report and Data Pack [here](#)

The AICD survey of 1127 company directors was conducted by Roy Morgan between February 19 and March 6.

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