

MEDIA RELEASE

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Directors push for national productivity agenda

The latest AICD Director Sentiment Index (DSI) has reinforced calls for an urgent overhaul of regulatory settings in order to lift Australia's flagging productivity.

The DSI for the second half of 2025 shows directors rank productivity growth (42%), global economic uncertainty (39%), and regulatory red tape (35%) as the top economic challenges facing Australian business.

Concerns about both productivity and red tape have risen sharply. Two-thirds of directors believe that regulatory and compliance requirements are actively constraining productivity, and over half of directors say this is the main barrier to new investment. Three-quarters (75%) of directors expect compliance burdens to increase in their business in 2026.

After showing tentative signs of recovery in the previous survey, director sentiment has fallen again in the second half of the year. The DSI dropped 5.2 points to -29.1 and remains in negative territory for the seventh consecutive survey since the second half of 2022.

Despite recent interest rate cuts, confidence in current Australian economic and business conditions has not lifted and significantly more directors (40%), believe the outlook for the coming year is weak.

Cybercrime and data security is again the number one issue keeping directors awake at night, followed by legal and regulatory compliance and domestic economic conditions. And the level of anxiety over the impact of artificial intelligence has surged.

AICD Managing Director and CEO Mark Rigotti said the message coming from directors was clearly that the next wave of prosperity won't come from rate cuts or rhetoric.

"Rebuilding Australia's productivity engine will need to come from better regulation, and backing innovation and taxation reform.

"Directors are telling us that the lack of focus on an effective regulatory system is one of the biggest barriers to lifting productivity, particularly the cumulative burden of overlapping and inconsistent regulations, and a lack of coordination between regulators and different levels of government."

The Australian Institute of Company Directors (AICD) is a not-for-profit organisation committed to strengthening society through world-class governance. A trusted voice in national policy creation and rollout, the AICD advocates for, informs and empowers those leading, influencing and shaping the future of contemporary governance. Its flagship Company Directors Course™ has been the gold standard in practical, real-world governance education for over 50 years - equipping leaders across all sectors with the skills and confidence to navigate complex boardroom challenges and lead their organisations with impact. The AICD is also home to the world's largest community of professionals committed to better governance for a better future. To learn more, visit aicd.com.au

AICD Chief Economist Mark Thirlwell said monetary easing alone had not restored corporate confidence, with sentiment weighed down by a range of ongoing structural challenges in the economy.

"Poor productivity levels are seen by more than three-quarters (78%) of directors as posing a risk to Australia's economic outlook over the next 12 months.

"The housing crisis is a key area of concern, with more than half of directors (52%) believing that housing supply should be the top priority for investment aimed at boosting productivity, followed by investment in regional infrastructure and renewable energy sources."

Housing affordability is also seen as a major issue for the Federal Government to address by 28 percent of directors, second only to productivity growth, which 39 percent see as the top economic challenge for the Federal Government to address in the short term.

Other key findings from the DSI 2H 2025

- 82% say a major deregulation agenda would strengthen productivity and economic growth
- 58% say compliance & regulation is the main factor affecting their board's risk appetite
- 52% say planning regulations should be the main focus for deregulation followed by industrial relations (50%)
- 45% say a simplified or more predictable regulatory environment would encourage increased business investment in Australia
- 89% think faster project approvals would be effective in boosting Australia's productivity performance
- State-based taxes (52%); personal income tax (47%); company tax (46%) ranked top for taxation reforms to boost productivity
- 59% think the level of skilled migration should be higher than currently

Access the DSI 2H2025 Insights Report and Data Pack [here](#)

The AICD survey of 1,072 company directors was conducted by Roy Morgan between September 15 and September 29.

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