

MEDIA RELEASE

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Directors brace for rising costs, AI risk and global volatility

Company directors are increasingly concerned about Australia's productivity performance, rising business costs and heightened geopolitical uncertainty, according to the latest AICD Director Sentiment Index (DSI).

The DSI survey for the first half of 2026 shows boards were already approaching the year with a level of caution even before the outbreak of hostilities in the Middle East, with expectations that economic and operational risks would increase over the next 12 months.

A quarter of directors reported global economic conditions had curtailed their investment plans. Almost 90 per cent expect business costs to rise, and for material impacts on Australia's trade flows, supply chains and commodity prices, partly driven by the Trump administration's economic policies.

Productivity growth remains the top issue directors want governments to address both in the short and long term, and domestic economic conditions have emerged as the number one thing keeping directors awake at night. Concerns around artificial intelligence, cyber security and regulatory burden also continue to climb.

AICD Managing Director and CEO Mark Rigotti said Australian directors are navigating an increasingly complex risk environment, with productivity pressures, rising costs and accelerating technological change converging at the board table.

"Boards are embracing the opportunities AI presents, but they are equally clear-eyed about the governance, cyber and workforce risks that must be managed if Australia is to lift productivity and competitiveness."

AI set to reshape workforce dynamics

Almost two-thirds of directors report AI tools have already delivered productivity benefits, and more than four in five expect AI implementation to increase over the next year. However, more than half say the pace of change is faster than their organisations can keep up with. Vulnerability to cyber-crime, data security and the potential misuse of AI are seen as the major risks.

Just over 40 per cent of directors anticipate AI will impact workforce size, and this is more pronounced in the Information Media and Telecommunications, and Administrative and Support Services sectors. But more than half of directors (53%), expect no impact on the size of their organisation's workforce within the coming year.

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

Flexible work arrangements continue to feature as a key workplace consideration. More than 70 per cent of organisations offer remote or hybrid working arrangements and plan to maintain them over the next 12 months.

AICD Chief Economist Mark Thirlwell said the overarching picture we're seeing is one of caution, as businesses deal with disruption and high levels of uncertainty associated with global economic volatility and the rapid uptake of AI.

"While productivity concerns still dominate, the fuel and energy crisis unfolding as a consequence of the Middle East conflict will only intensify the challenges being felt in the economy.

"It's also important to take account of the effect of rising interest rates. Apart from the issues this creates for households and the flow on effects in the economy, the impact on businesses is hitting particularly hard."

The level of concern over inflation and rising interest rates as a major challenge for business has jumped from 6 per cent in the previous survey to 24 per cent now.

Other key findings from the DSI 1H 2026

- 41% believe current RBA monetary settings will cause a major uptick in business insolvencies.
- 84% believe there will be further interest rate rises in the next 6 months.
- 43% say productivity is the number one issue for the Federal Government to address short term; 33% housing supply & affordability; 31% taxation reform.
- 51% think more skilled migration could help lift productivity, a drop from 59% in the previous survey.
- 68% say regulatory and compliance requirements are limiting productivity growth in their business.
- 73% believe a major deregulation agenda would strengthen Australia's productivity and economic growth.
- 52% say planning regulations should be the main focus for deregulation followed by industrial relations (50%).

Access the DSI 1H2026 Insights Report and Data Pack [here](#).

The AICD survey of 828 company directors was conducted by Roy Morgan between February 20 and March 10.

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