

# DIRECTOR SENTIMENT INDEX: RESEARCH SUMMARY FIRST HALF 2019

Delivered by Ipsos Connect



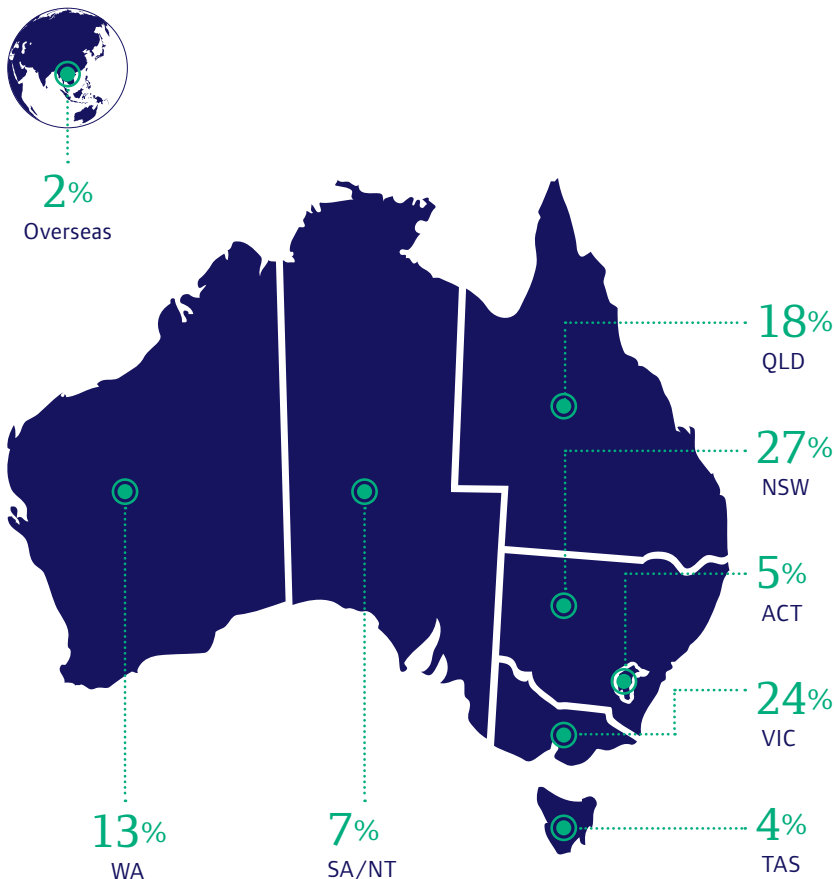
# Methodology

The Director Sentiment Index results are a representation of the Australian Institute of Company Directors membership.

The Australian Institute of Company Directors' DSI is the only indicator measuring the opinions and future intentions of directors on a range of issues including the Australian and world economies, government policy and governance regulations.

The survey was conducted with 927 members between 28 February and 14 March 2019.

## Respondents' primary directorship location



## Respondents' primary directorship company



10%

Publicly listed  
Australian entity



42%

Private/non-listed  
Australian entity



35%

Not-for-profit  
entity



10%

Public sector/  
government body



3%

Overseas entity

## Gender



70%  
Male



30%  
Female

# Sentiment declines significantly

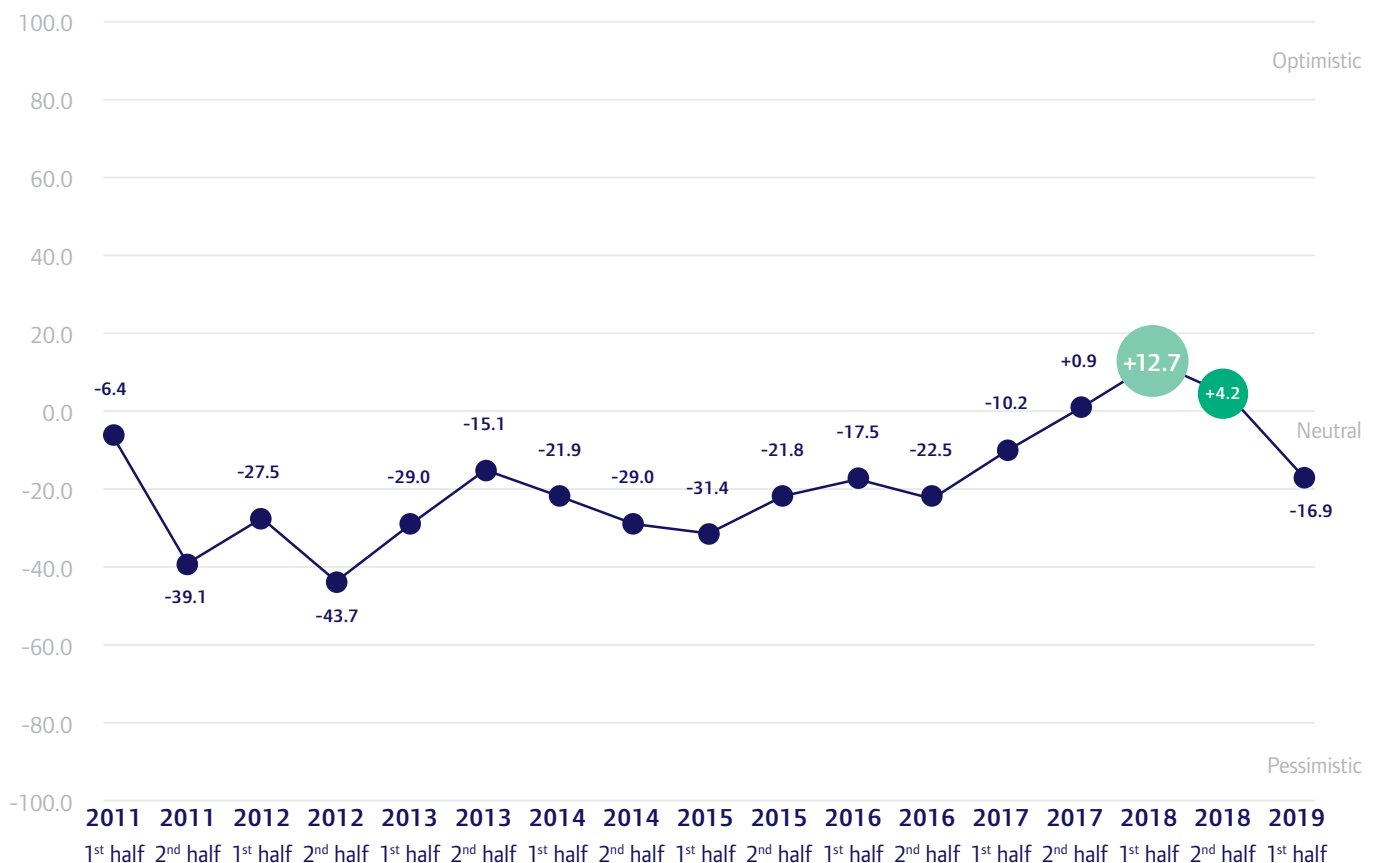
Overall sentiment has hit negative territory for the first time in 18 months, declining 21.1 points since the last survey to -16.9 overall.

The decline is largely due to increased pessimism about the domestic and global economies. In addition, directors are far more pessimistic about conditions for their own business. The uncertainty relating to the Federal Election has also no doubt played a factor.

Directors are seeking action from the Federal Government on Climate Change with it being identified as the number one long-term and number two short-term priority for the Federal Government to address. Directors continue to rate renewable energy sources as the number one priority for additional infrastructure investment.

## Overall Director Sentiment Index

The overall sentiment in the first half of 2019 became pessimistic, down 21.1 points on the last survey. The Index has moved into negative territory, not seen since first half of 2017.



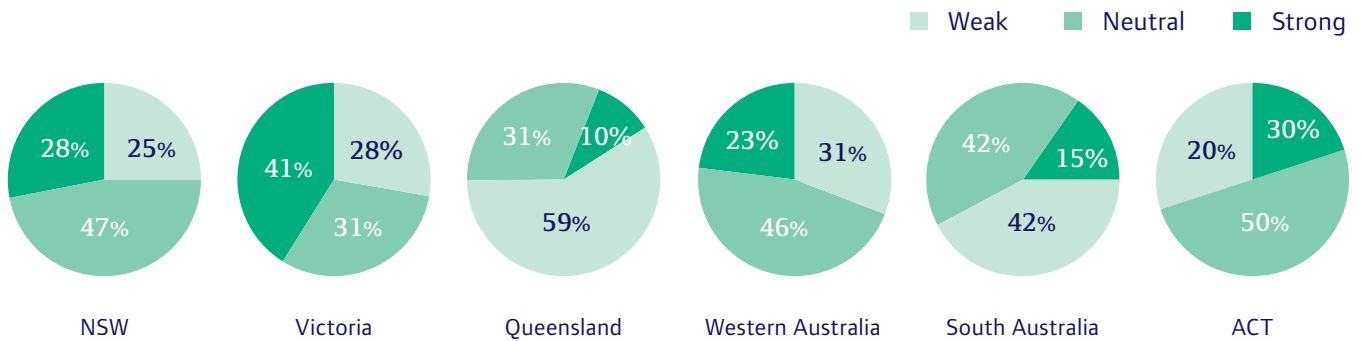
# Sentiment about world economies in decline

## World sentiment declines as economies are expected to slow

Director sentiment about the health of world economies has declined significantly in the last 6 months. Sentiment about the health of the Australian and US economies over the next 12 months is now negative. Sentiment about the health of Asia has also declined significantly, although it remains in positive territory overall.

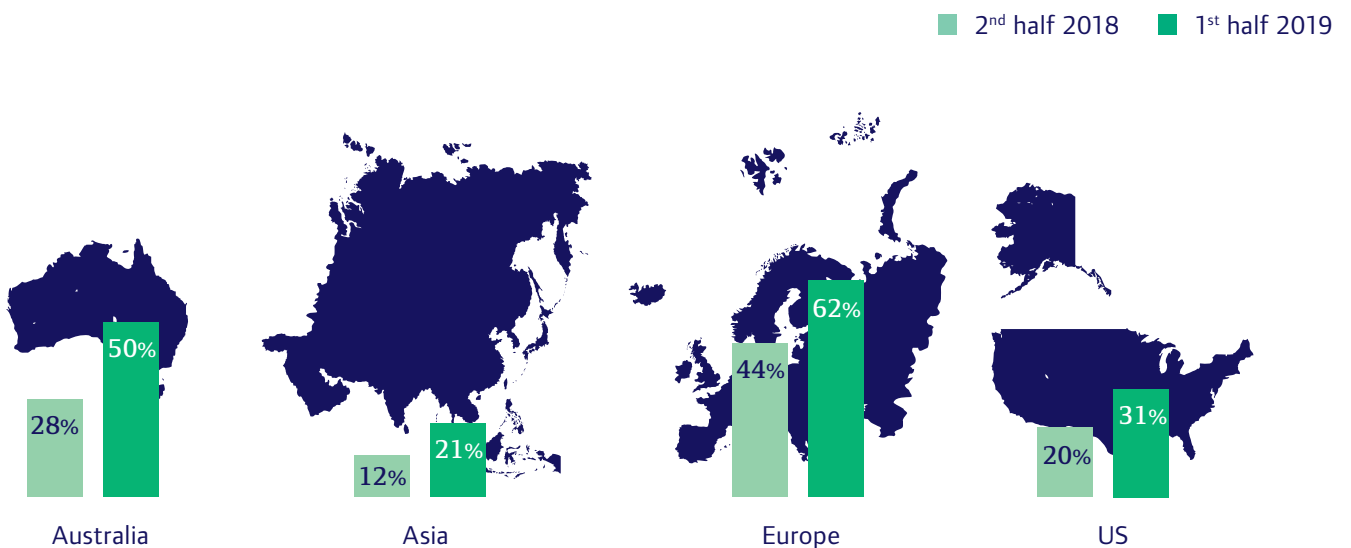
Sentiment about the health of state and territory economies has also fallen considerably across the country. NSW, VIC, QLD and the ACT have experienced the sharpest declines in the last six months.

### Views on state economies over next 12 months



\*Sample size in Tasmania and the NT too low for analysis

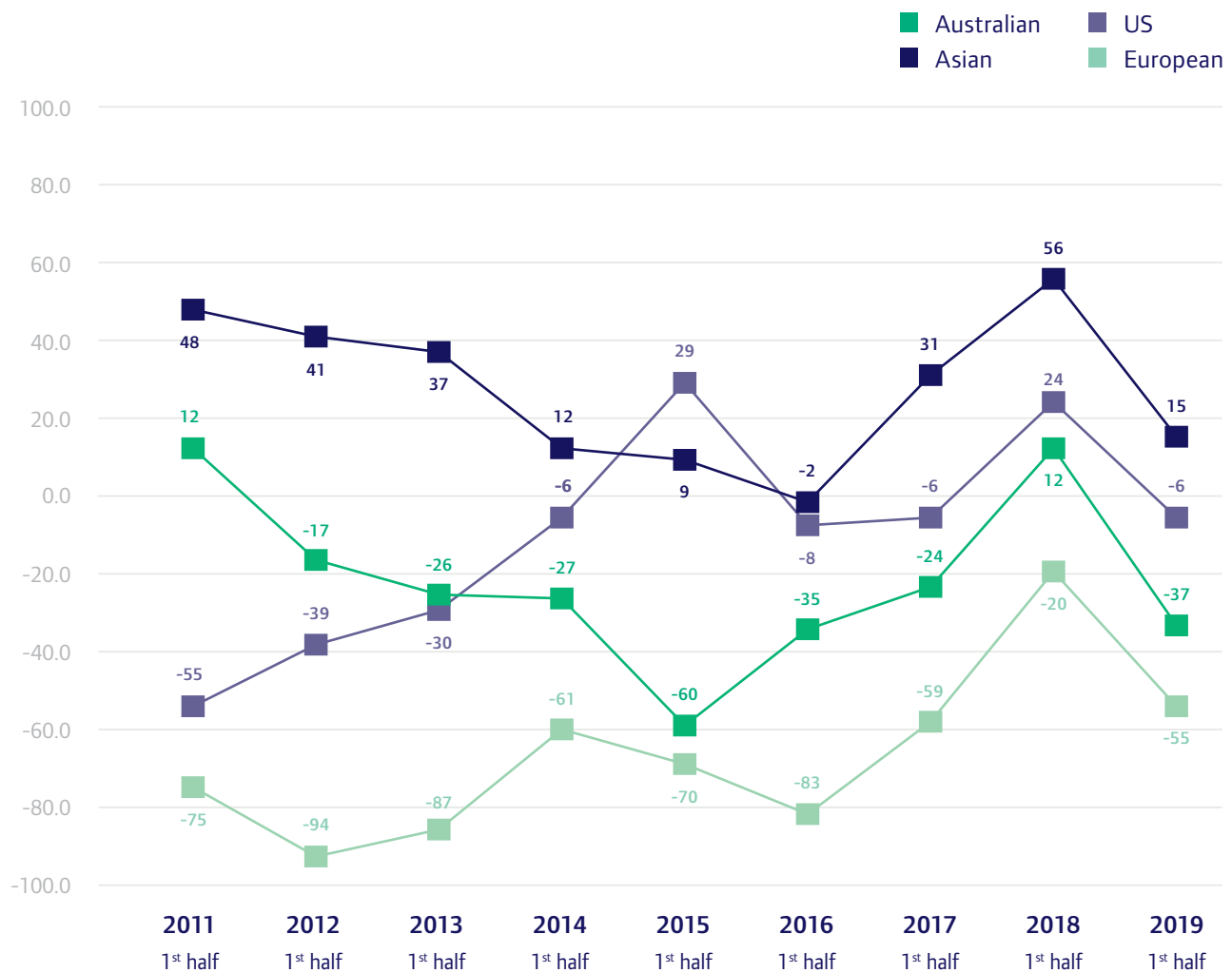
### Percentage of directors rating economies as weak over next 12 months



Directors' outlook for the health of the Asian economy is highest as the only one remaining in positive territory. Compared to the second half of 2018, there are lower assessments of the health of the Australian and US economies for the next 12 months.

The European economy continues to be perceived as weak overall.

**Next 12 months health of economies – semi-annual trend**

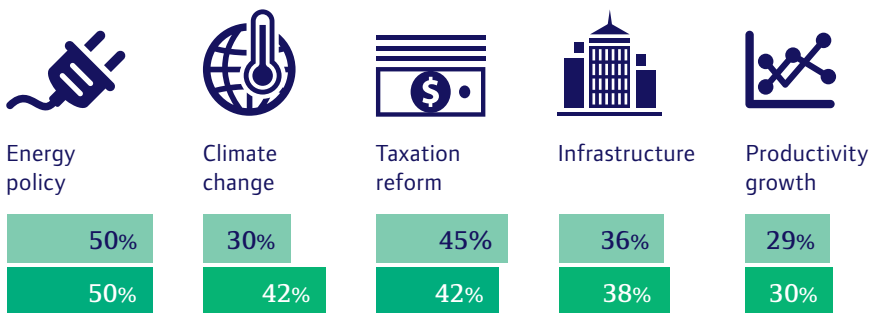


# Directors want **action** on climate change and renewable energy

Directors have nominated climate change as the number one issue they want the Federal Government to address in the long-term. Significantly, directors now also nominate it as the number two issue for the Federal Government to address in the short-term. The percentage of directors nominating it as a short-term issue increased substantially over the last six months.

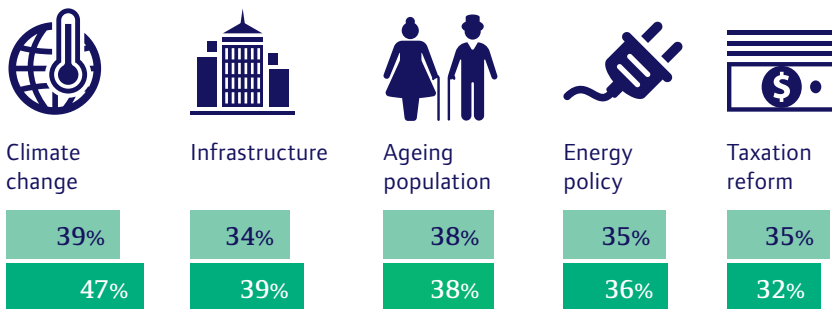
Directors continue to prioritise renewable energy sources as the top priority for additional infrastructure investment. This is followed by regional infrastructure and water supply.

## Top five issues of importance the Federal Government should address in the short-term



Directors rate energy policy, climate change and tax reform as the top priorities for the Federal Government to address in the short-term. The importance of climate change has significantly increased since the second half of 2018.

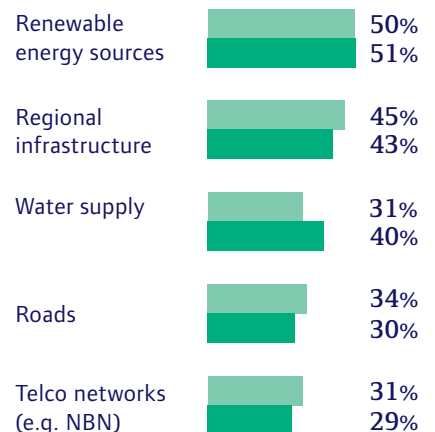
## Top five issues of importance the Federal Government should address in the long-term



Directors rate climate change as the top long-term priority the Federal Government to address, followed by an infrastructure, ageing population, energy policy and taxation reform.

## Investment in infrastructure

51 per cent of directors rate renewable energy sources as the top area of importance for infrastructure investment, followed by regional infrastructure and water supply.



**Legend**  
■ 2<sup>nd</sup> half 2018  
■ 1<sup>st</sup> half 2019



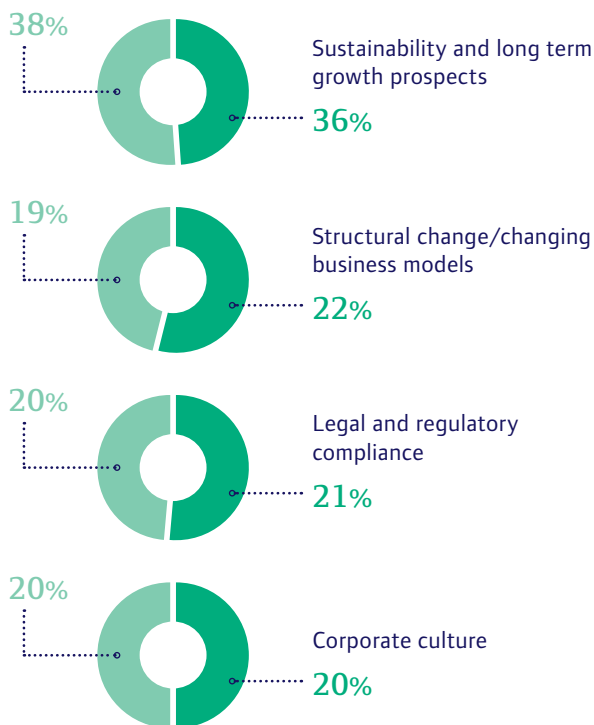
# Director and board issues

When asked to nominate steps directors need to take to regain and rebuild public trust, directors once again nominated demonstrating respect for customers/clients/communities, trustworthiness of leadership and improving corporate culture.

Sustainability and long term growth prospects continues to be the main issue that keeps directors “awake at night”. Structural change/changing business models, legal and regulatory compliance, corporate culture and data security are also pertinent.

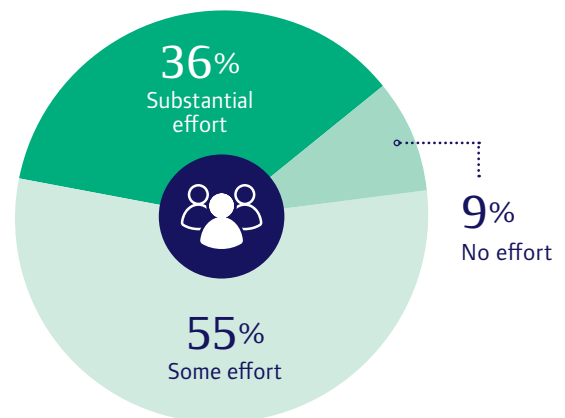
Perhaps unsurprisingly given the current governance landscape, 91 per cent of directors have said their board is focused on effecting cultural change in their organisation.

## Issues that would “keep you awake at night”



**Legend** ■ 2<sup>nd</sup> half 2018 ■ 1<sup>st</sup> half 2019

## To what extent is your board focused on culture change in your organisation?



## Steps to regain and rebuild public trust

53 per cent of directors believe that demonstrating respect for customers/clients/communities should be prioritised by boards in order to rebuild public trust, followed by trustworthiness of leadership and improving corporate culture.



