

Director Sentiment Index Survey

1st Half 2022

INSIGHTS REPORT

Australian
Institute of
**Company
Directors**



ROY
MORGAN





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Executive Summary

Australia's economy is still seen in a strong position by the majority of directors

Over half of directors in this DSI survey (from 24 February–10 March, 2022) still believe Australia's economic health is strong now (57%) and will remain strong in 12 months' time (57%).

Nonetheless, the possible impact of future COVID-19 variants, follow on supply-chain shocks and labour shortages, as well as the war in Ukraine took their toll on directors' 12-month outlook on the strength of the Aussie economy, dropping 10 points between this DSI and the last in Q4 2021, from 67% to 57%.

Perspectives on Europe's economic performance go from bad to worse

The situation is viewed as much worse for Europe, which is directly affected by the knock-on effects of the war in Ukraine and disengagement from Russian commodities. Current sentiment on Europe dropped from 24% to 19% of directors still seeing it in a strong economic position this wave over last. Nearly half (46%) believe Europe will be in a weak position a year from now, the lowest rating of all the major economies surveyed.

China, the outlier, is seen as robust and on the up

The one exception to the general trend in pessimism around global economic growth is China. Directors' views on the Asian giant's growth prospects improved between this wave and last, with 63% seeing China's economy today as strong (up 16%) and 59% thinking it will stay strong over the next year (up 13 points).

National business sentiment still in positive territory

Though the global situation is considered negative, Australian business conditions, as felt by directors surveyed, are considered healthy. One in two directors feel national business conditions are strong and will stay strong in the coming 12 months.

In comparison, only one in five believe they are weak and will stay weak year-on-year.

The story becomes more complex when drilling down to a state-by-state level. NSW had the biggest swing, with confidence that business conditions stay strong over the next 12 months dropping from 73% last DSI to 54% this wave.

Victoria and Queensland also experienced confidence drops in their 12-month outlook on business conditions (5% and 9%, respectively).

Western Australians remain bullish about their state's business prospects, with 78% certain conditions will remain strong next year—a figure unchanged from the last DSI.

Though the overall DSI score fell, it remains cautiously optimistic

The overall DSI score fell 7.1 points from 17.9 to 10.8 this wave. Though showing the strain of the complicated global context businesses are currently operating in, the Index remains cautiously optimistic.

Executive Summary

With a Federal election looming, climate and the economy are top of mind

In this DSI survey directors were asked what top issue in context of their organisation will influence their vote in the next Federal election. The issue that received the most votes from directors was the economy and economic management.

Climate change came in at a close second, with leadership and government integrity coming in at third and fourth, respectively.

Related to this, directors were asked their opinion on what the Federal government's short- and long-term priorities should be. Climate change came in as the top short- and long-term priority, as it did in the previous DSI survey.

Skills shortages was again chosen as the second most important short-term priority, but when taking a long-term perspective, directors this wave chose an ageing population as the second biggest issue over the next 10 years. Last DSI, the second top long-term priority was international competitiveness, which dropped to third place in priority this wave.

A Federal anti-corruption watchdog

With top election issues of leadership and government integrity in mind, directors were asked their opinion about whether a Federal anti-corruption watchdog should be established to oversee government integrity. Almost three in four (72%) replied in the affirmative.

Recruitment and skills shortages persist

Chronic staff shortages remain a hangover from the pandemic border closures, with 60% saying this is the top economic challenge facing Aussie businesses, up 5% from last DSI survey.

The big shift in this DSI survey was global economic uncertainty, which shot up 25 points to 55% as the second biggest economic challenge facing Australian businesses. COVID-19, which had been the second biggest issue facing directors, dropped 16 points to fourth place.

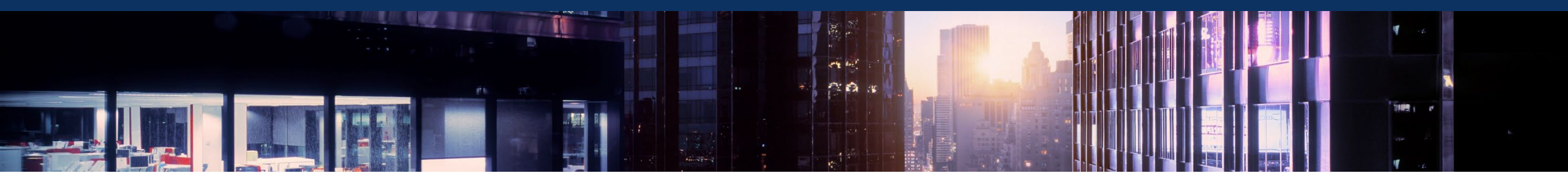
Climate change took third place, with 34% of directors picking it as their main business challenge.

Skilled new directors are hard to find

In this DSI survey AICD's members were asked about challenges around finding and hiring new directors. The biggest reported issue was the difficulty in finding candidates with the right skills, with 59% saying this was a problem.

The second most common challenge was finding candidates comfortable with the time commitment expected of directors, with half the directors surveyed saying this was a blocker in recruitment. Third place was the compliance burden that comes with these roles.

Overall, 41% of directors surveyed said their board faced challenges hiring talented new directors, versus 31% who claimed they did not have issues finding qualified candidates to bring onboard.



What is the DSI?

Quantifying experience and opinion

The Director Sentiment Index (DSI) represents the breadth of Australian Institute of Company Director (AICD) member opinions on a range of issues covering the Australian and global economies, government policy and governance regulations.

The DSI has tracked business and economic attitudes for the past 10 years, indicating shifts in business sentiment, and delivering robust and context-driven insights and trends.

DSI Survey Reports

This Insights Report includes a summary of analysis of key questions from the survey.

A detailed Appendix Report and database with full survey results are also available.

METHODOLOGY

Who took part?

- The DSI survey was conducted online with a representative sample of 1737 respondents across Australia between 24 February - 10 March, 2022.
- Respondents were AICD members with current directorships.
- Sample profile information follows. Survey responses were weighted by gender to reflect the AICD member profile when analysing results.
- Detailed results comparing the current and previous wave are included in chapters 9-10 of this report.

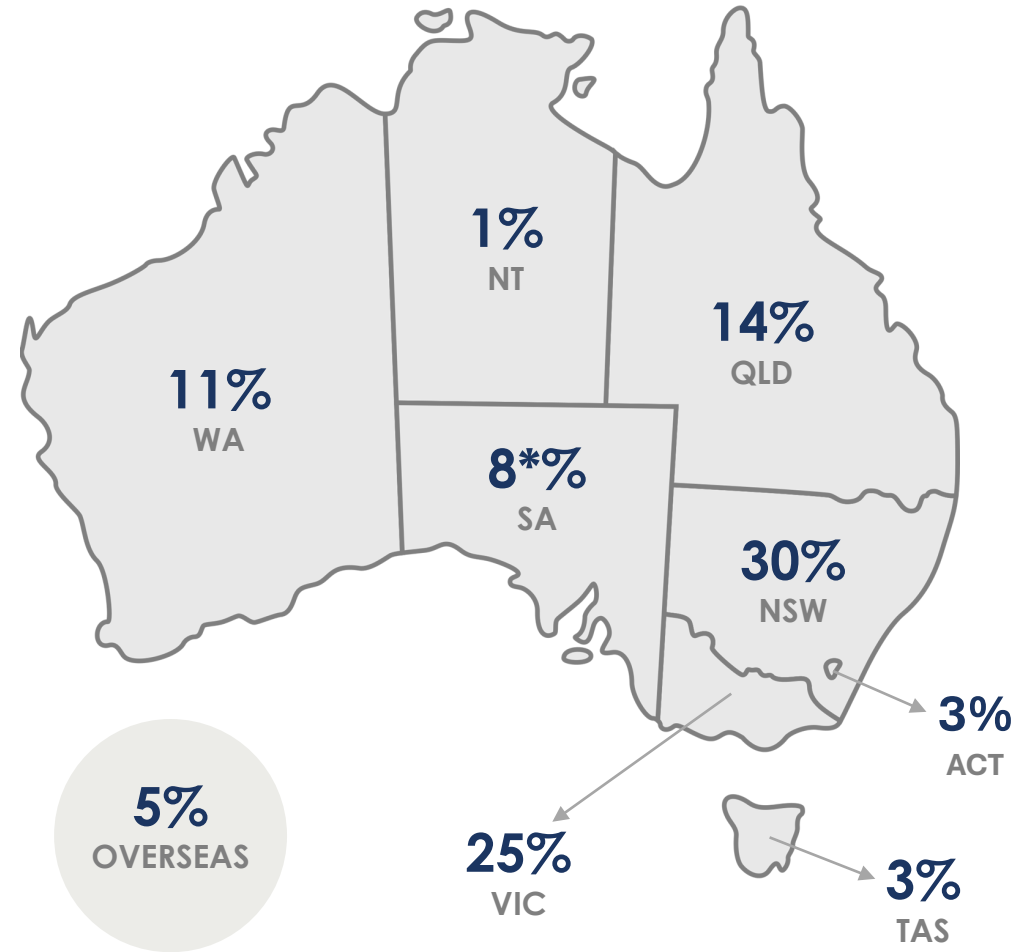
28%
FEMALE



72%
MALE

<1% OTHER / PREFER NOT TO SAY

PRIMARY DIRECTORSHIP BASE



All figures included in the report are rounded to whole numbers.
*This survey was conducted prior to the SA election on 19/3/22, which resulted in a change of government.

Survey topics

Directors shared opinions on a broad range of topics¹

DSI TOPICS

Economic outlook

- Australian federal and state economies today and in 12 months
- Current global economic assessment and 12-month forecast

Business conditions

- What's it like doing business across Australia and in different industries?
- Are staffing and wage issues running up against profit and turnover?

Structural policy settings

- Is taxation correctly balanced with public spending and investment?

Macro policy settings

- How do fiscal and RBA policies affect business?

Directorship issues

- Governance regulation, directorship liabilities, recruitment and diversity

OTHER TOPICS

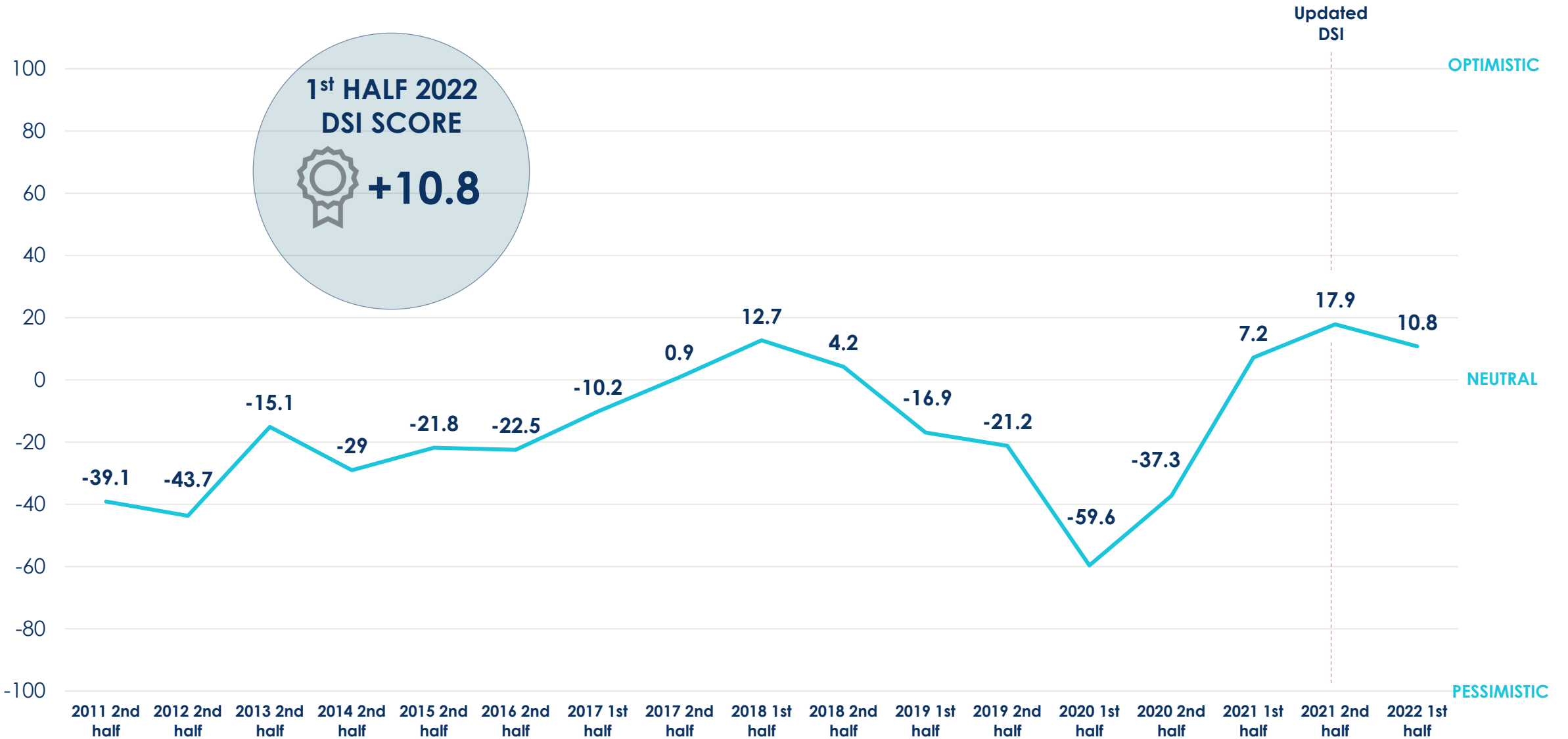
Covering topical issues and deep dives

- What challenges obstruct new director recruitment?
- What should be Canberra's short- and long-term priorities?
- What is your key issue as a director?
- Are cyber security, climate change and the labour market principal business considerations?
- What is your organisation's top election issue?
- Are flexible working arrangements impacting productivity, culture or staffing?
- Did the pandemic make your business more or less risk averse?
- What are the most significant regulatory challenges brought on by COVID-19?

¹ See Appendix Report for analysis of results for all DSI survey questions

DIRECTOR SENTIMENT INDEX

Overall Director Sentiment Index 10Y to 1st Half 2022



Base: All respondents N= 1737

Note: Revised index from 2nd half 2021 onwards is not comparable with previous index scores

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Global uncertainty hits major economies; only China and Australia seen as resilient

AUSTRALIA

While the Australian economy is still seen as strong by the majority of directors (57%), the outlook for staying strong in the next 12 months dropped to 57% versus 67% last DSI survey (Q4 2021).

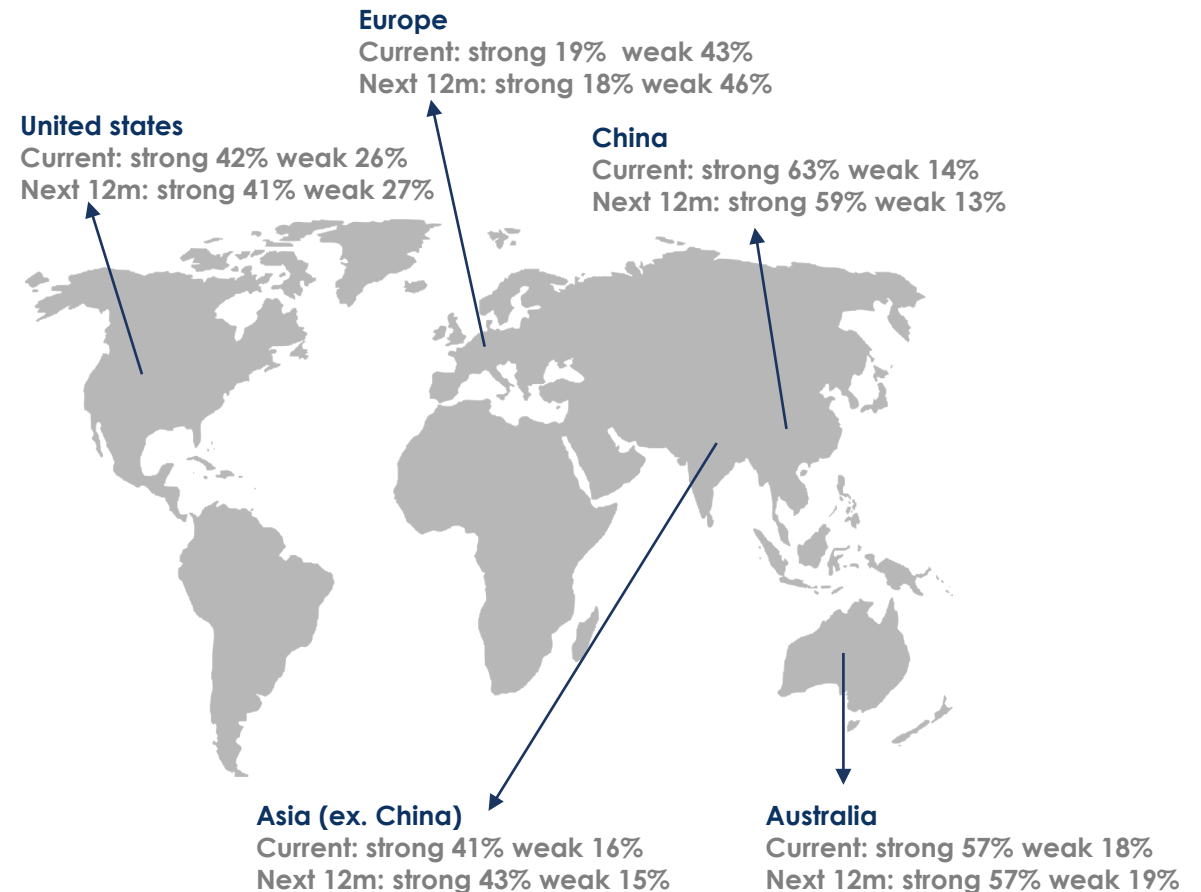
INTERNATIONALLY

China is the only major economy seen as weathering the uncertainty currently gripping most of the world, with 63% of directors surveyed believing its economy is strong, up from 47% last DSI survey, when the pandemic was in full force.

Europe took the biggest tumble, with less than one in five directors perceiving it as being in a strong position now, or in 12 months' time.

Perspectives on the US economy remained stable, with the current outlook going up 1 point between last DSI survey and this one.

ASSESSMENT OF THE HEALTH OF GLOBAL ECONOMIES



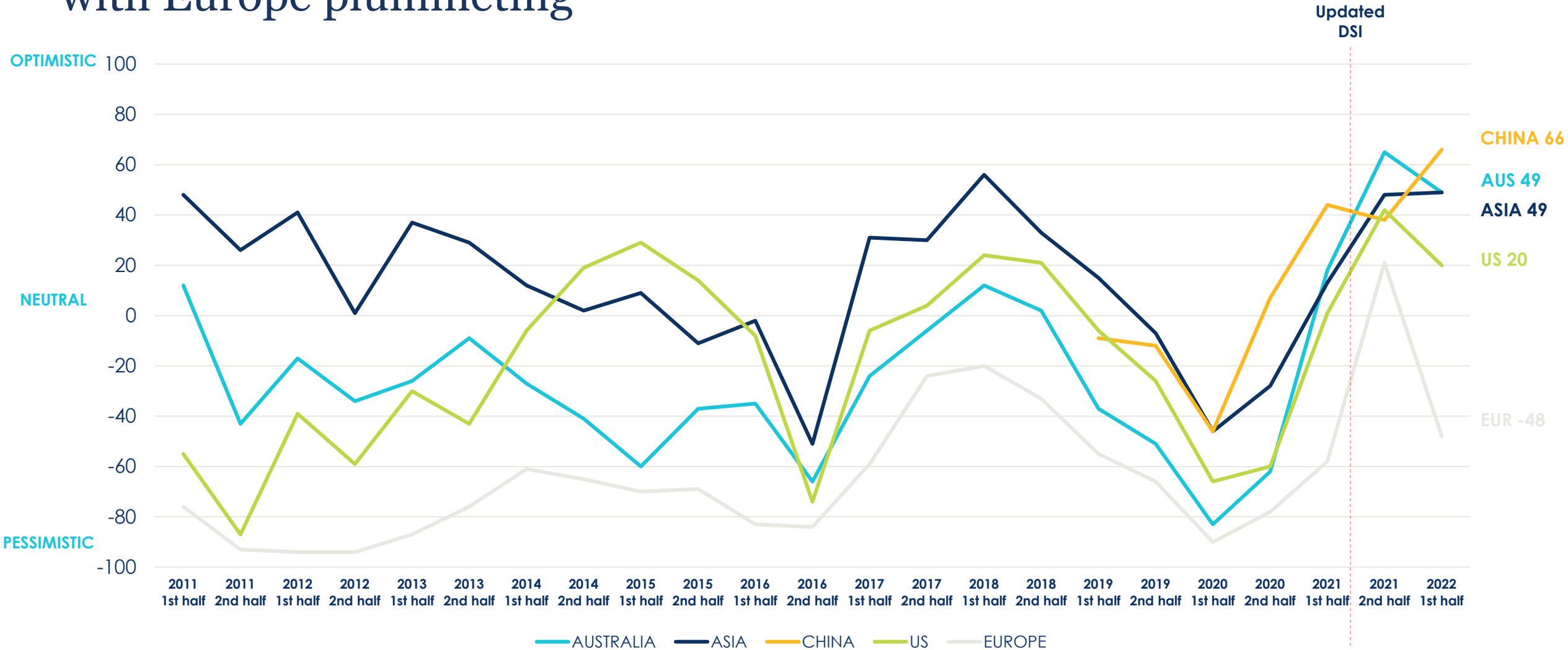
E8. What is your assessment of the current health of the following economies...?

E9. Over the next 12 months, what would be your assessment of the health of the following economies...?

Base: All respondents n=1737

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Outside of Asia, confidence in big economies sinks, with Europe plummeting



Note: Changes to question or response options in 2nd half 2021 may impact comparability with previous results E9. Over the next 12 months, what would be your assessment of the health of the following economies...? (Very weak, Somewhat weak, Neither weak nor strong, Somewhat Strong, Very strong) From 2nd half 2021 Asia excludes China. Base: AICD Directors 18+; n=1,737.

Across Australia, directors take contrasting perspectives

KEY INSIGHTS

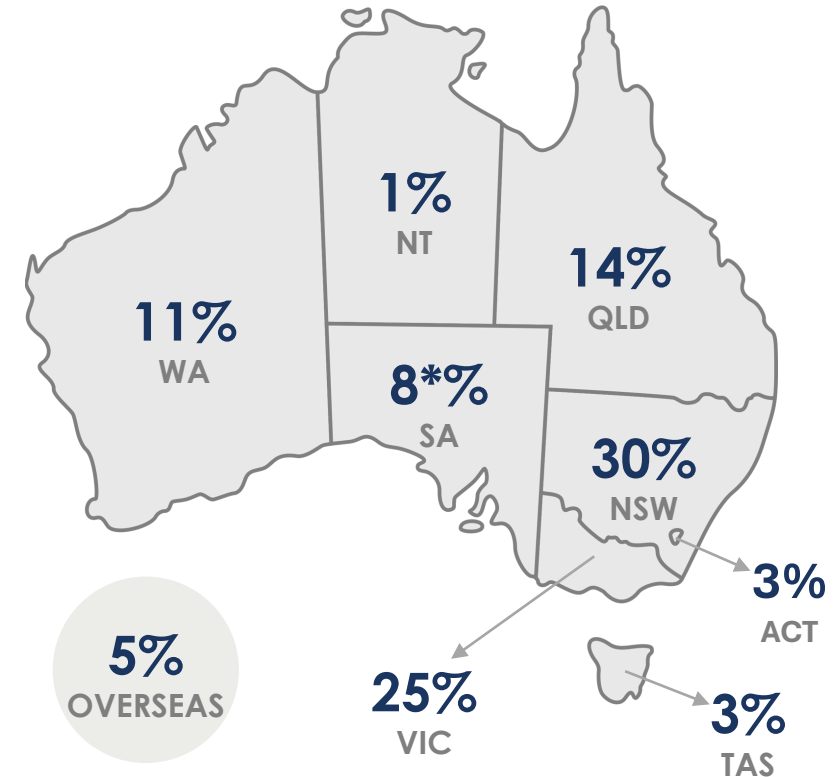
Perspectives on the state of the NSW economy in 12 months took a dive, with 58% of NSW-based directors thinking the country's biggest state economy will be in a strong position, versus 79% last DSI survey (Q4 2021).

WA continues to be in the enviable position of having the biggest show of confidence of all states, with 87% of directors believing its economy is in a strong position, and 85% thinking it will be in the same position in 12 months' time.

Around one third of Victorian directors think their state economy is weak and will remain weak over the next 12 months—the highest number of all the major states.



ASSESSMENT OF THE HEALTH OF YOUR STATE ECONOMY IN NEXT 12 MONTHS



E8.2 What is your assessment of the current health of the economy in the state where your primary directorship is based? Base: n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20.

* Currently most pessimistic major state. NT scored 49% weak

E9.2. Over the next 12 months, what would be your assessment of the health of the economy in the state where your primary directorship is based? Base: n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20

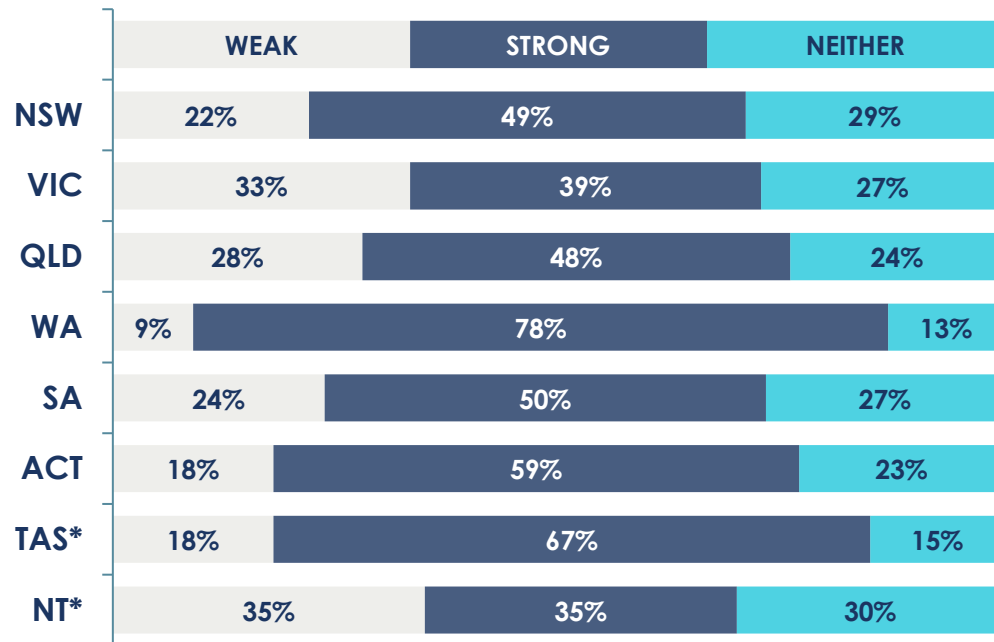
* Indicates low base <50

Majority still confident in Australia's business conditions, but state-by-state views vary

Current Australian business conditions



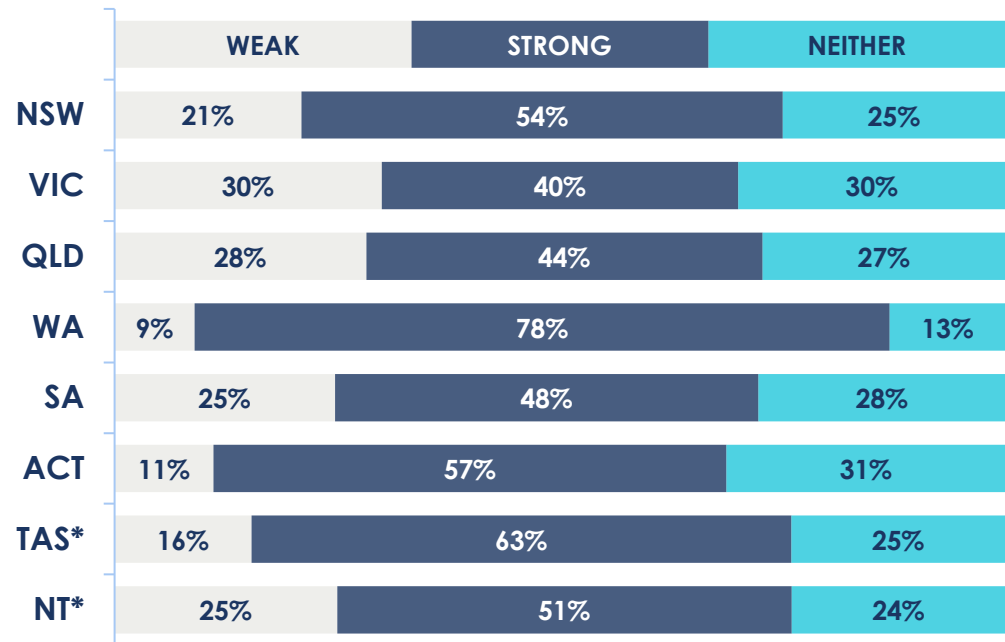
Current state business conditions



Australian business conditions in 12 months



State business conditions in 12 months



B10.1. What is your assessment of current business conditions in Australia?
B10.2. What is your assessment of current business conditions in the state where your primary directorship is based? Base: All respondents N=1645, NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11 (Note: small base)

* Indicates low base <50

B11.1 What is your assessment of business conditions over the next 12 months Australia?
B11.2 What is your assessment of business conditions over the next 12 months in the state where your primary directorship is based? Base: All respondents N=1645, NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11 (Note: small base)

* Indicates low base <50

Labour shortages, global uncertainty top business challenges

KEY INSIGHTS

A chronic labour shortfall continues to be a major issue for Aussie businesses, with 6 in 10 directors nominating it as a top challenge—5% up from the last DSI survey.

The big shift this DSI survey was global economic uncertainty, which shot up 25 points to take second place at 55%. COVID-19, which had been the second biggest issue facing directors, dropped 16 points to fourth place.

Climate change took third place, with one-third of directors surveyed picking it as their main business challenge.

Top economic challenges facing Aussie businesses



Are these business conditions expected to increase or decrease over the next 12 months?

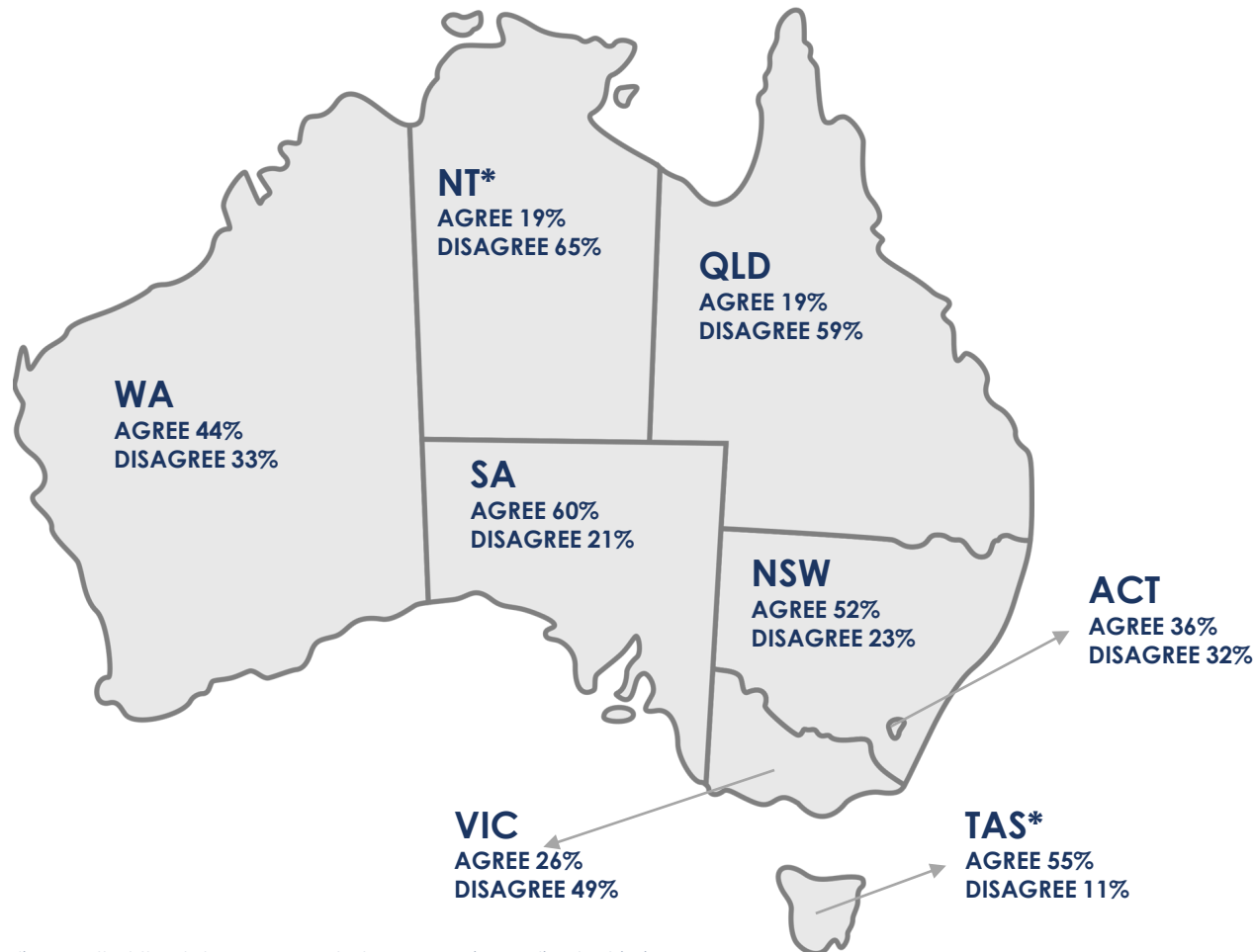


E6. What are the top 3 economic challenges currently facing Australian businesses? Base: All respondents N=1737

B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business? Base: All respondents N=1737

How far do state and Federal governments understand business?

My state government understands business...



The Federal Government understands business...

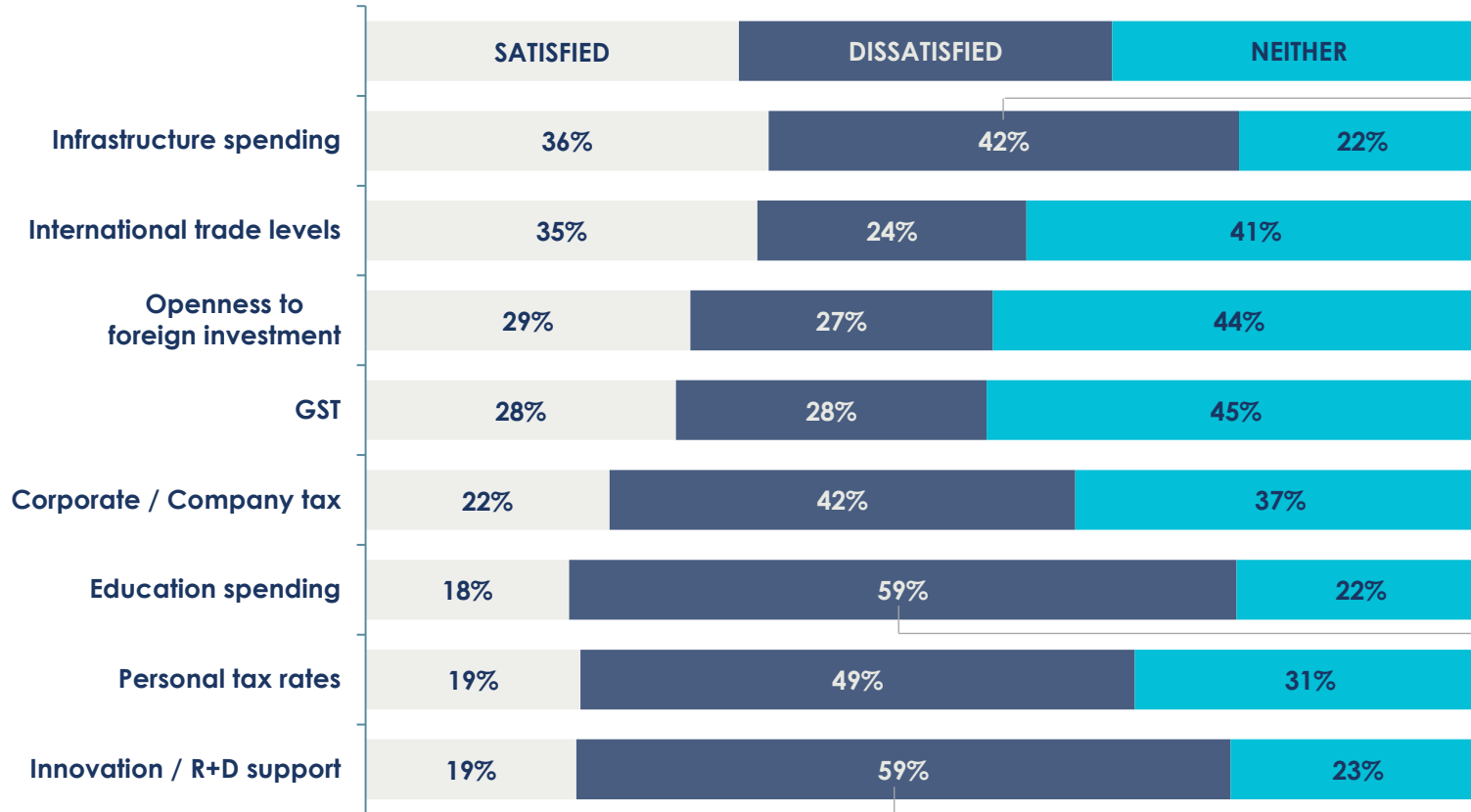
AGREE 43%
DISAGREE 37%

RE3.1. To what extent do you agree or disagree that the Federal Government understands business? Base: All respondents n=1737

RE3.3. To what extent do you agree or disagree that the state government where your primary directorship is based understands business? Base: All respondents N=1737, Base: AICD Directors 18+; n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20. * Indicates low base <50

Education and innovation policies require most improvement, say directors

Satisfaction with Australian policy settings



95%
of directors who chose dissatisfied
think infrastructure spending is too LOW

97%
of directors who chose dissatisfied
think education spending is too LOW

99%
of directors who chose dissatisfied
think innovation/R+D support is too LOW

T1a. You said that you were dissatisfied with the following policy settings. In your view, were they too high or too low?

Base: Total dissatisfied with Innovation / R+D support n=1011, Total dissatisfied with education spending n=1006, Total dissatisfied with spending on infrastructure n= 731

T1. What is your level of satisfaction with the current state of the following Australian policy settings...?
Base: All respondents N=1737

How much do directors trust government?

KEY INSIGHTS

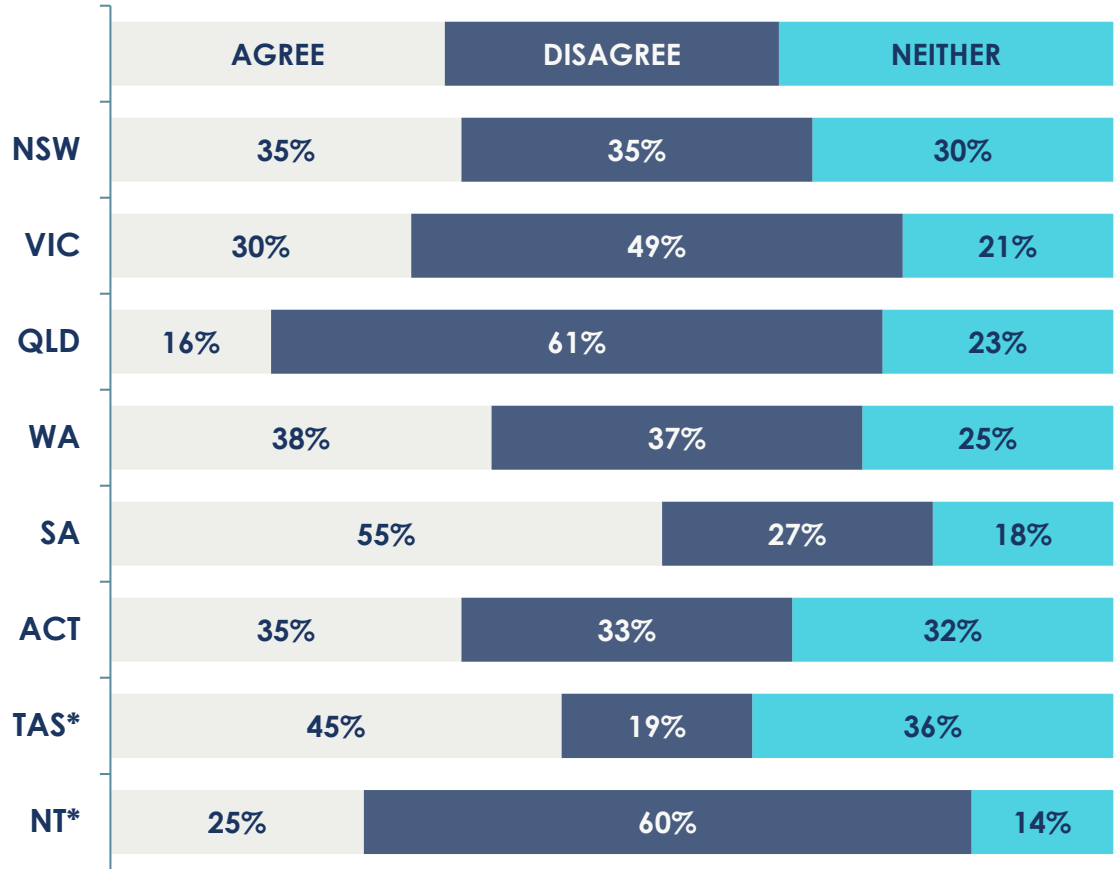
Over half of directors surveyed say they do not trust the Federal Government, up three points since the last DSI survey in Q4 2021. Trust in the NSW government plummeted 20 points, trust in the VIC government rose a slim 2 points, while the QLD government's trust rating dropped 4 points.

I trust the Federal Government

AGREE 29%
DISAGREE 51%
NEITHER 19%



I trust my state government

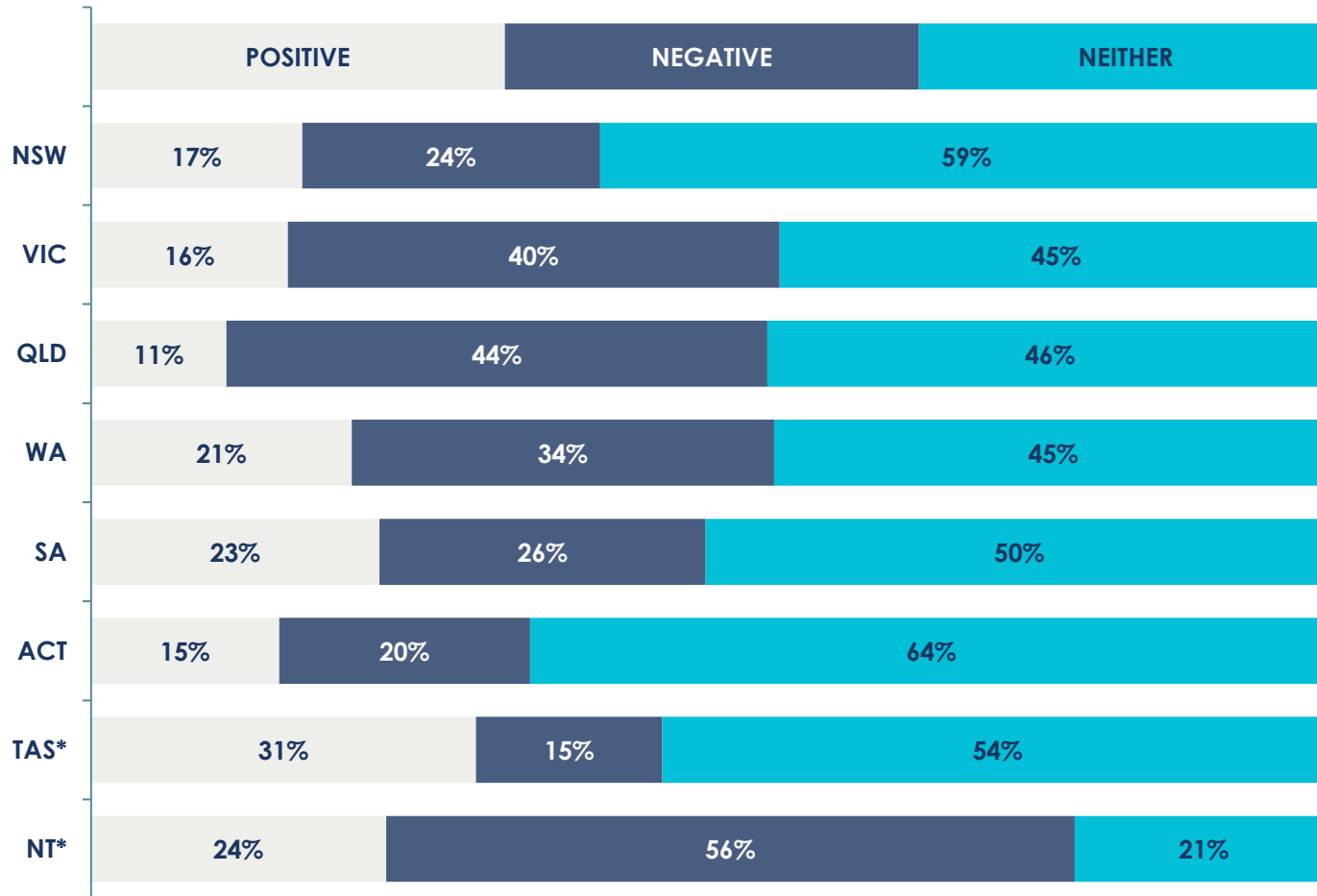


RE3.4. To what extent do you agree or disagree that you trust the State Government where your primary directorship is based?
 Base: AICD Directors 18+; n=1737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20
 *Indicates small base <50

RE3.2. To what extent do you agree or disagree that you trust the Federal Government? Base: All respondents n=1737

Directors see state fiscal policies as not supporting business

Are your state's fiscal policy settings positive or negative for your business?



Are Federal fiscal policy settings positive or negative for your business?



Is current RBA monetary policy affecting your business positively or negatively?



Is the current level of the AUD affecting your business positively or negatively?



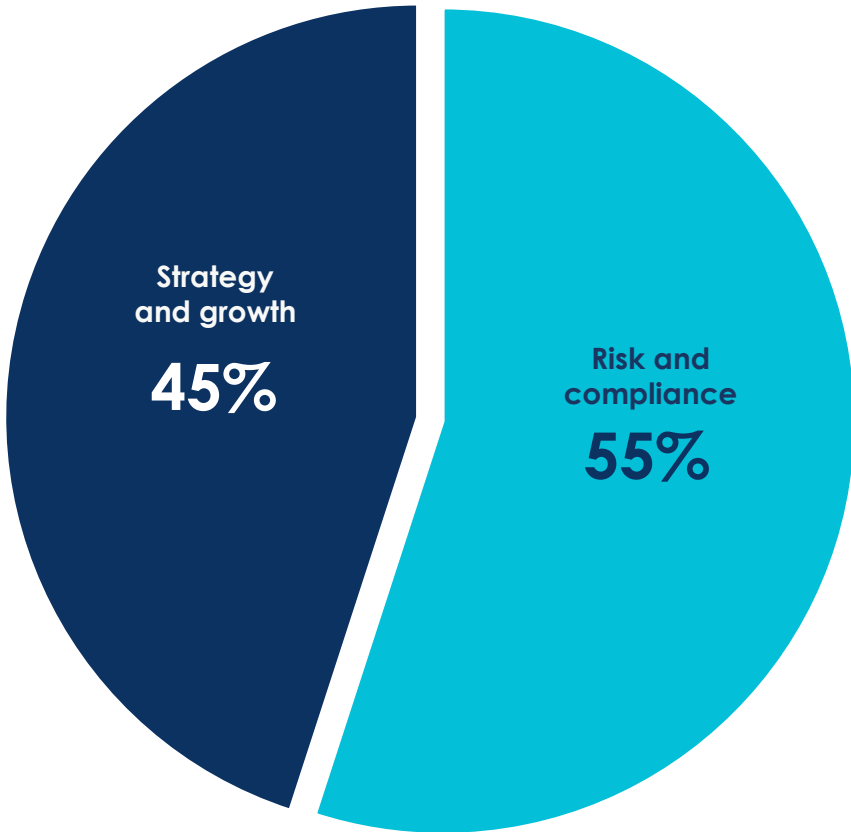
Is the current availability of business credit positive or negative for your business?



MA1. How positively or negatively do the following affect your business?
 2. Current State fiscal policy settings in [your state]. (i.e. the overall balance between government spending and taxation)
 Base: n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20.
 *Indicates small base <50

Compliance front of mind at board discussions

What is the estimate of the % of your board's discussion and consideration on...



Current director liability provisions negatively impact my ability to make decisions.



The current level of corporate reporting requirements is satisfactory.



Current governance regulations strike the appropriate balance between oversight and maintaining a competitive environment.



86%
OF DIRECTORS WHO
DISAGREED
find regulations
to be
too focused
on oversight

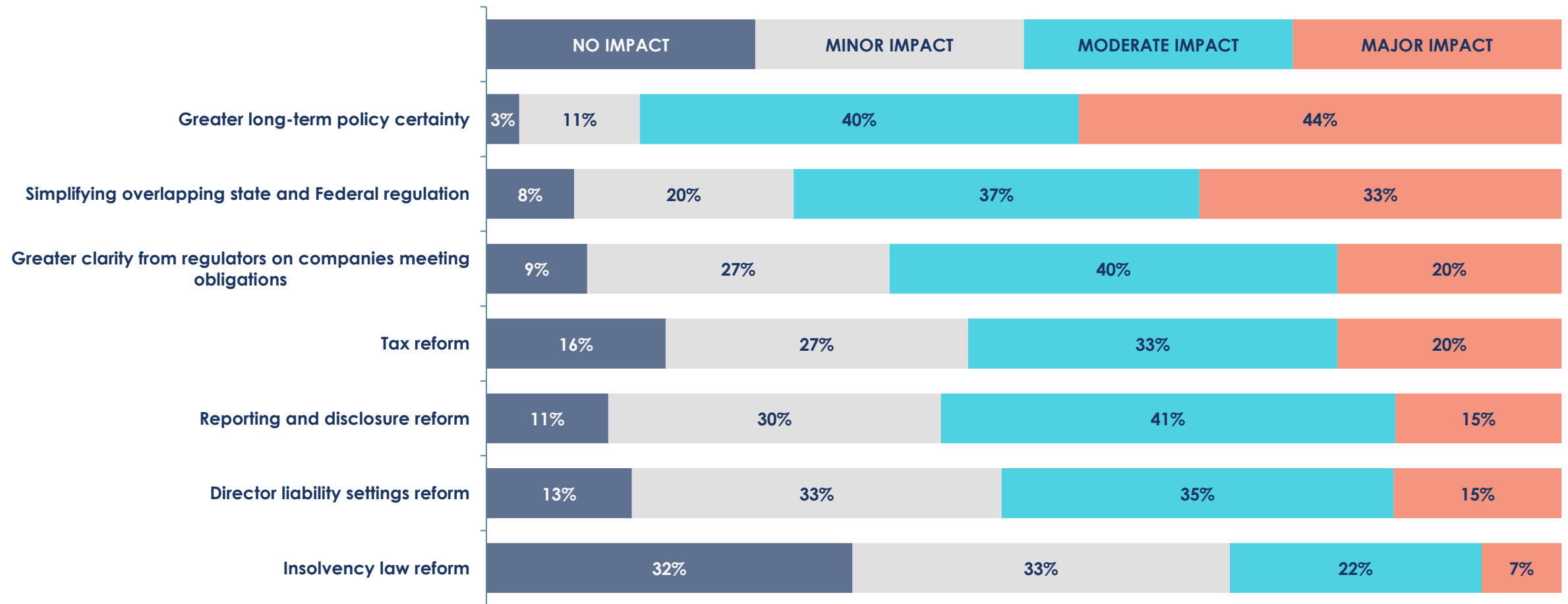
G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements. Base: n=1737

G1A. You disagreed that current governance regulations strike the appropriate balance between oversight and maintaining a competitive environment. Do you find regulations to be...

1. Too focused on oversight 2. Too focused on competition. Base n=495

G3A Now, thinking about your board's focus on the 2 topics of "Strategy and growth" and "Risk and compliance". Please estimate the percentage of your board's discussion and consideration on each of these topics. Shown percentages are the average response given for each topic selection. Base: All respondents n=1737

Long-term policy certainty drives biggest impact on boards' focus on strategy and growth



G3B. To what extent would the following policies impact your board to have a greater focus on strategy and growth?
 Base: All respondents n=1737

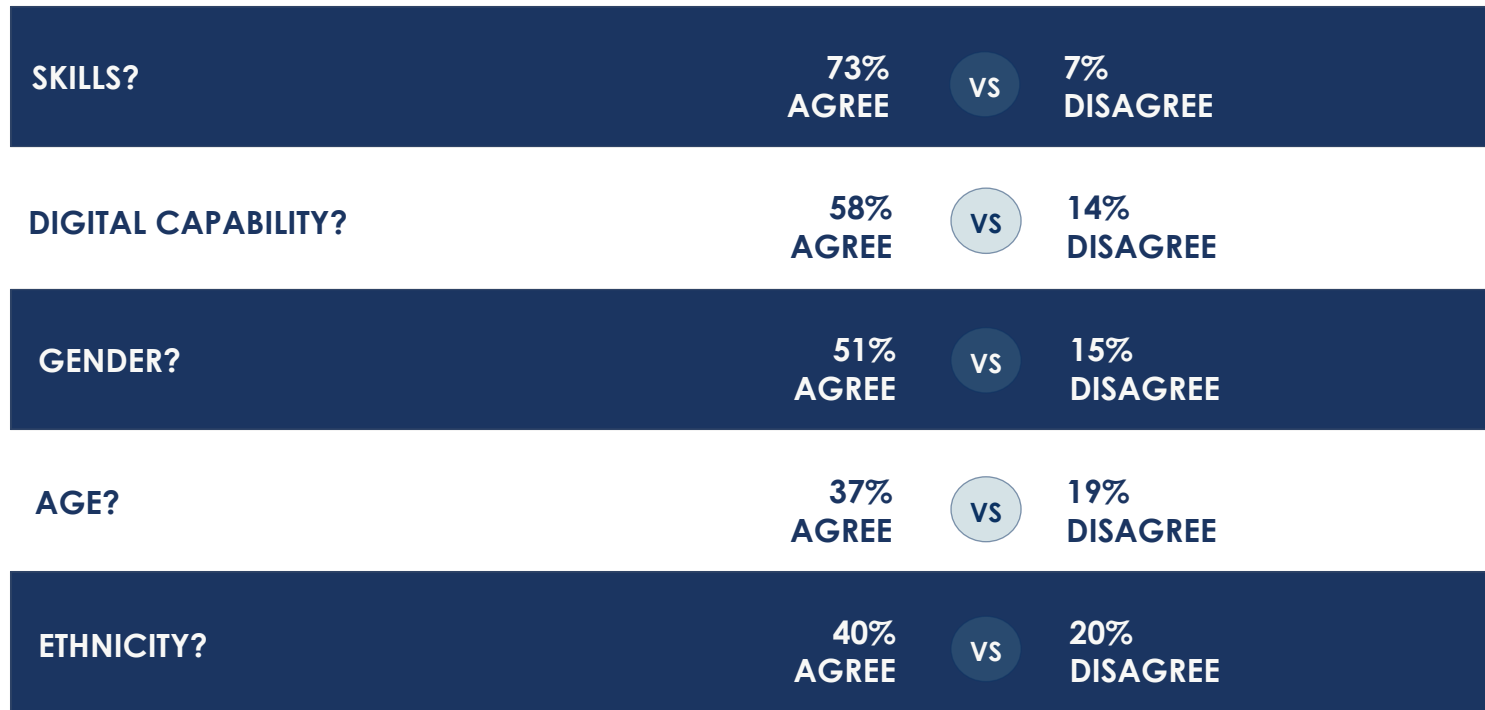
Skills top diversity focus, including digital capabilities



Is your board seeking to increase diversity in...

The current level of diversity on Australian boards is satisfactory

AGREE 58%
DISAGREE 25%

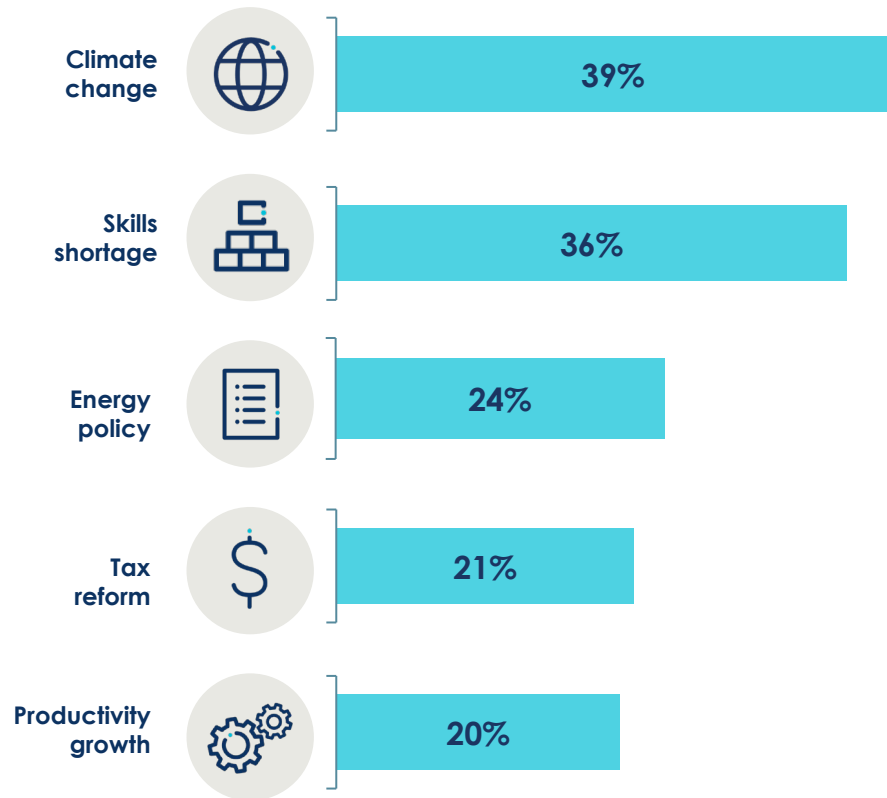


BD2a. How much do you agree or disagree that your Board is currently seeking to increase diversity in the following areas? Base: All respondents n=1737

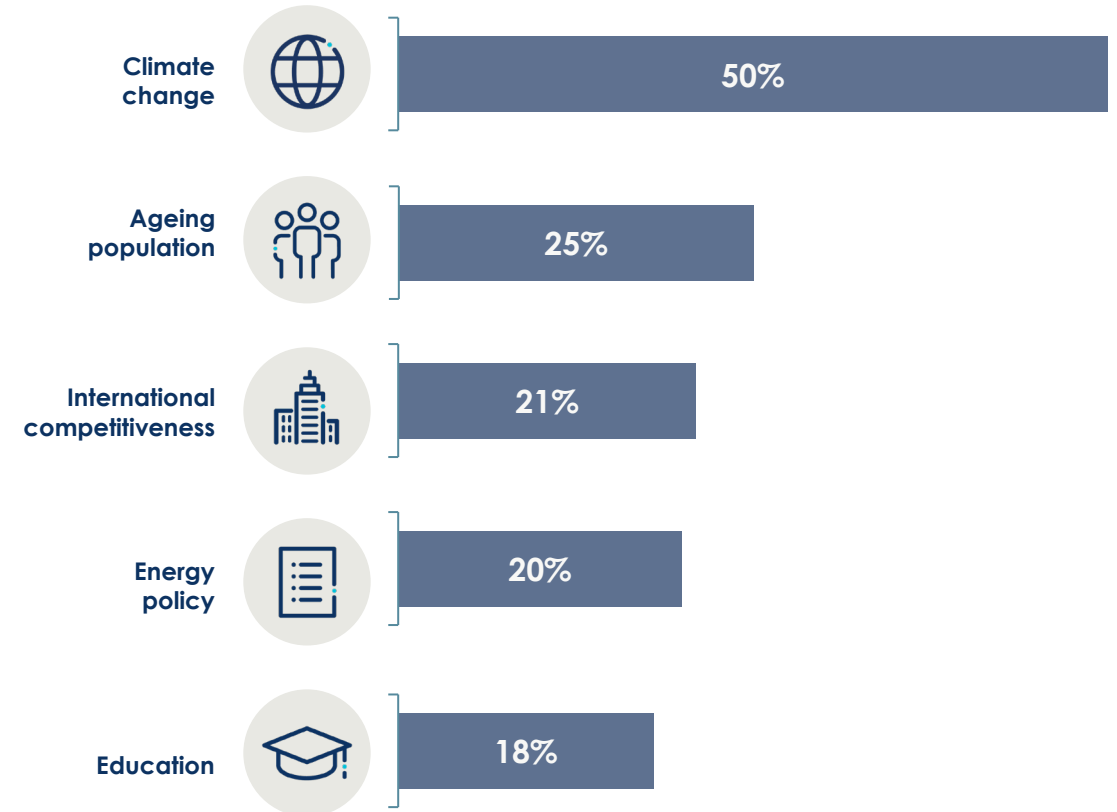
G1.3. Based on your personal board experience, please indicate the extent to which you agree or disagree that the current level of diversity on Australian Boards is satisfactory. Base: All respondents n=1737

Climate remains top short- and long-term priority

What are the top issues the Federal Government should address in the next 3 years?



What are the top issues the Federal Government should address in the next 10-20 years?

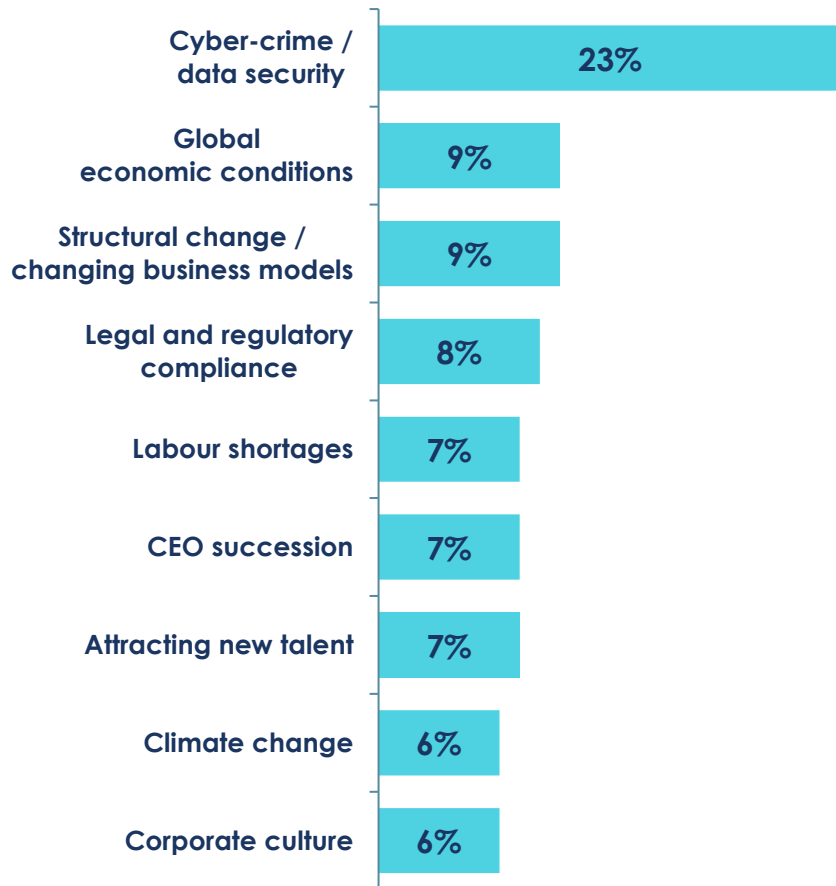


RE4. In your opinion, what are the top 3 issues the Federal Government should address in the short term (next 3 years)? Base: All respondents n=1737

RE4a. Now thinking about the longer term (next 10-20 years), what are the top 3 issues the Federal Government should address? Base: All respondents n=1737

Cyber security top concern for directors, with the global economy coming a distant second

What is the top issue that keeps you awake at night?



"Malicious cyber operations by state, and major crime actors leveraging known and unknown vulnerabilities. Human factors make protection difficult."

"Our growth opportunity is overseas - specifically US and EU. War, political instability, populism, inflation - all affect our opportunity to grow."

"Support for industry to effectively fund young people to be developed with competencies and have an affordable lifestyle in the process."

"We are a technology business using AI, machine learning and rates of change and uncertainty about the right structures and business models are still evolving."

"Finding the right qualified people to undertake projects already awarded."

"Changing business environment requiring constant structural changes to remain competitive."

"The volatility of the global and domestic markets due to economic uncertainty, particularly in light of the global pandemic and the Russian invasion of Ukraine."

"Privacy breaches and loss of stakeholder confidence in digital transformation."

"Current potential for international conflict and impact on investment markets and Australia's relationship with China."

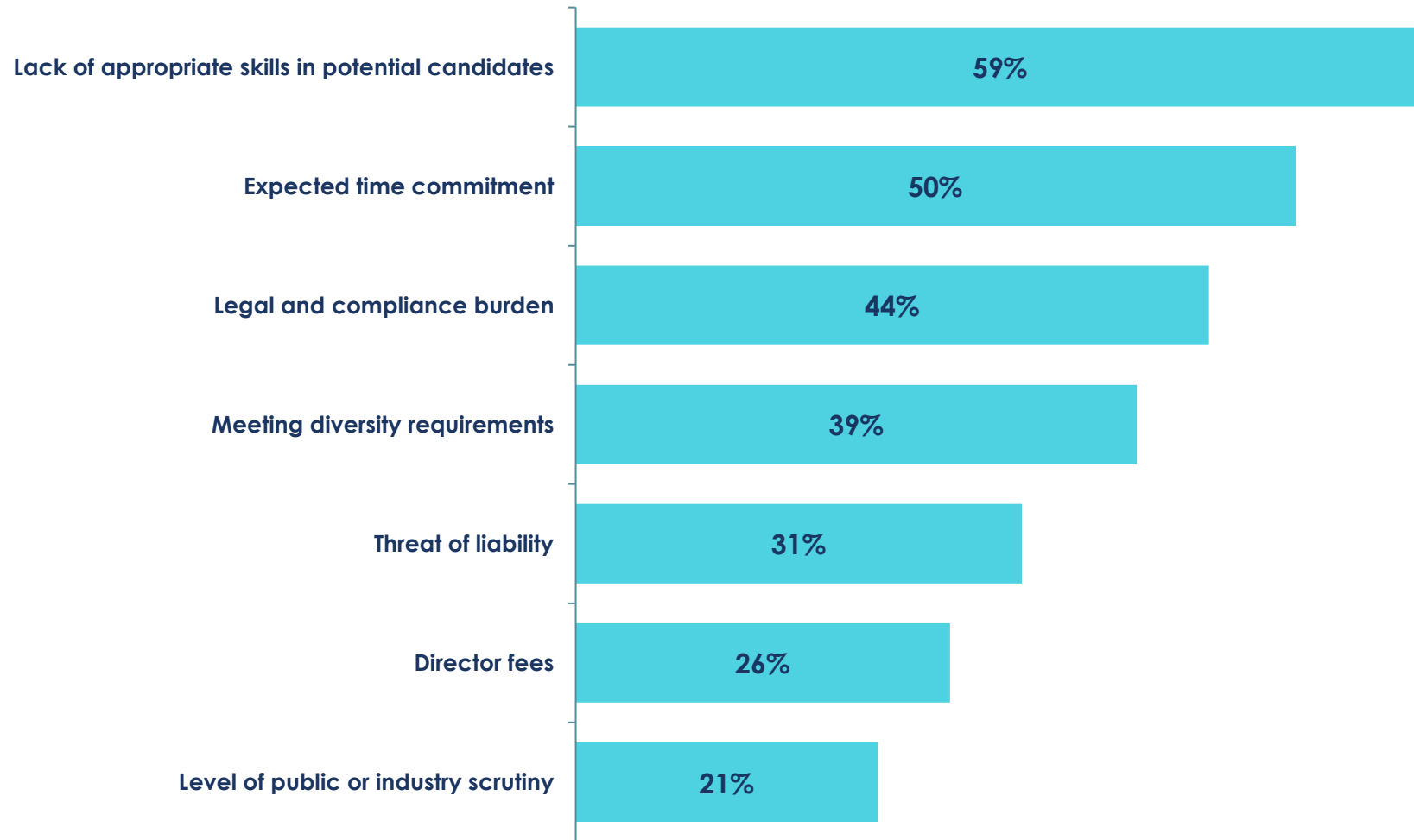
"Lack of trained skilled workers."

"Exponential growth in scam calls, messages and emails. Lack of education of the general public about these risks. Australia's position as one of the most targeted countries."

TQ1. What are the top 3 issues most likely to "keep you awake at night" as a director on your board? . Display % rounded to no decimal points, ranked to 1 decimal point. Base: All respondents n=1737

TQ1BA. What aspects of this issue make it the main issue likely to 'keep you awake at night'? Base: All respondents N=1737

What are the top challenges your board faces in recruiting new directors?



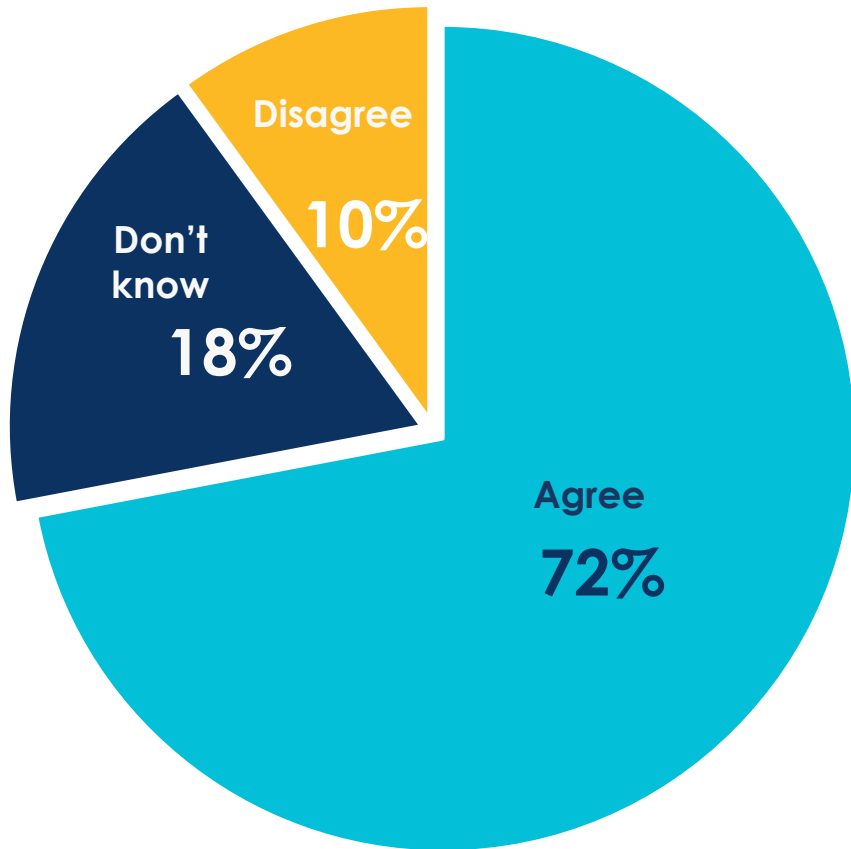
My board faces difficulties recruiting new talented directors

41% agree **vs** **31%** disagree

NIQ1. In your opinion, what are the top 3 challenges your board faces in recruiting new directors? Ranking by total mentions. Base: All respondents n=1737
G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements: My board faces difficulties recruiting new talented directors. Base: All respondents n=1737

Nearly three-quarters support a Federal anti-corruption watchdog

A Federal anti-corruption watchdog should be established to oversee government integrity



Our board has sufficient oversight of cyber security threats



AGREE 51%
DISAGREE 29%

My organisation has been affected by labour market issues



AGREE 68%
DISAGREE 15%

My board has an appropriate technology strategy and agenda



AGREE 56%
DISAGREE 25%

Our board has sufficient oversight of organisational culture



AGREE 75%
DISAGREE 13%

Climate change is a material risk for my organisation



AGREE 48%
DISAGREE 28%

TQ3. To what extent do you agree or disagree with the following statements...? Base: All respondents n=1737

Flexible working impacts cyber risks but attracts staff and keeps them happy

KEY INSIGHTS ON FLEXIBLE WORKING

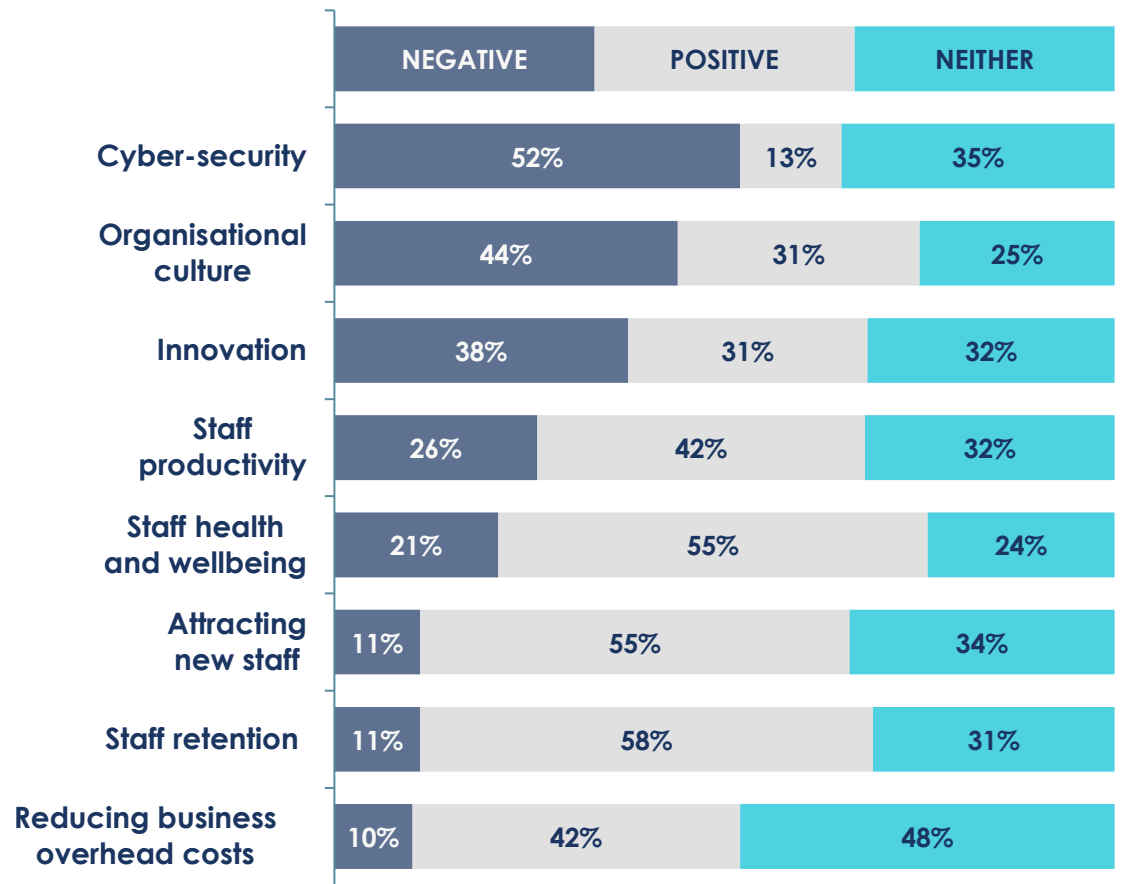
The pandemic has changed the nature of work and flexible work options look like they're here to stay. This is having many consequences for businesses; some good, some challenging.

Half of all directors surveyed in this DSI survey say flexible work has a negative impact on cyber security for their company. More than four in 10 say it's bad for their organisational culture.

On the other hand, more than half of all directors say the benefits come in terms of attracting and keeping staff, and having employees stay healthy and well.

This is surely valuable in an environment where labour shortages are a prevailing issue.

How would you rate the impact of flexible working arrangements in terms of...?

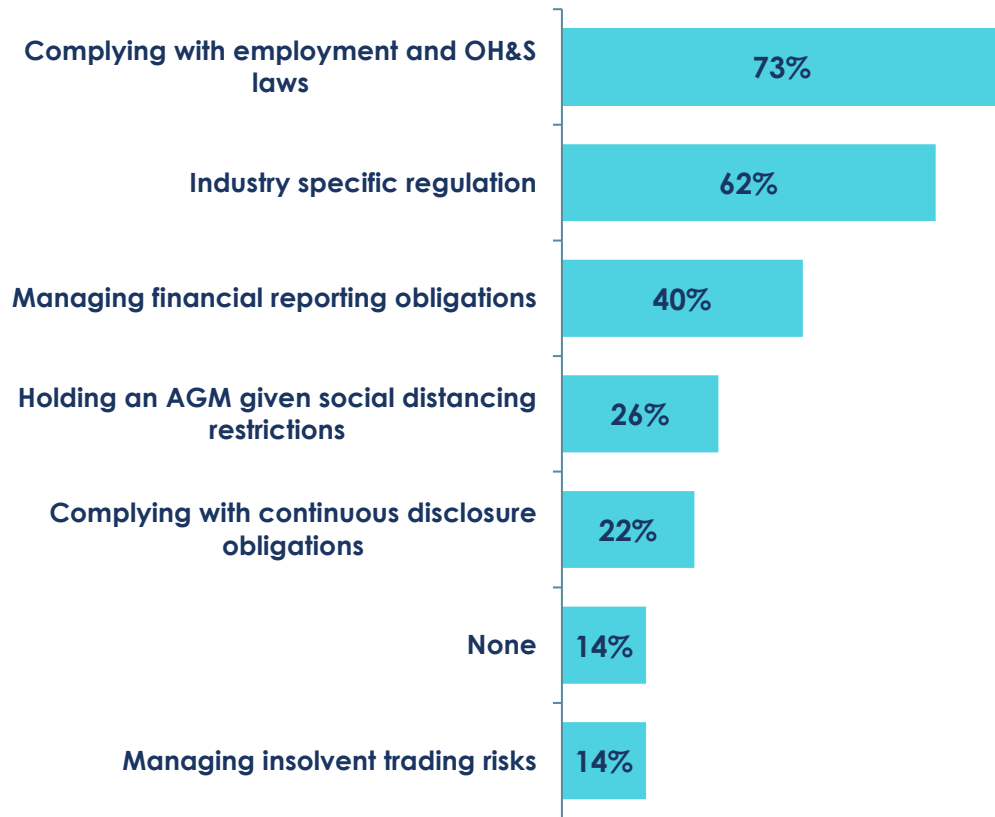


DD1. How would you rate the impact of flexible working arrangements such as working remotely / from home in your organisation, in terms of...? Base: All respondents n=1737

RE3.2. To what extent do you agree or disagree that you trust the Federal Government? Base: All respondents n=1737

Pandemic regulation brings its own set of challenges

What have been the 3 most significant regulatory challenges facing your organisation as a result of COVID-19?



DD8. To date, what have been the 3 most significant regulatory challenges facing your organisation as a result of COVID-19? Ranked by total mentions. Issues not included <10% total mentions. Display % rounded to no decimal points, ranked to 1 decimal point. Base: All respondents n=1737

The effects of the pandemic have made my organisation



MORE RISK TAKING 24%
MORE RISK AVERSE 33%

“Supply chain issues impacting on availability of materials and costs.”

“The future of work which is changing after the pandemic...”

“The way we work moving forward - how to utilise office capital - how to assess "work from home" vs office time - its impact on culture - OHS aspects of the organisation, etc.”

“Negative impacts on consumer confidence and productivity.”

“Potential disruption to the organisational function.”

“Staff availability, customer access, boarder restrictions, impact on global supply lines.”

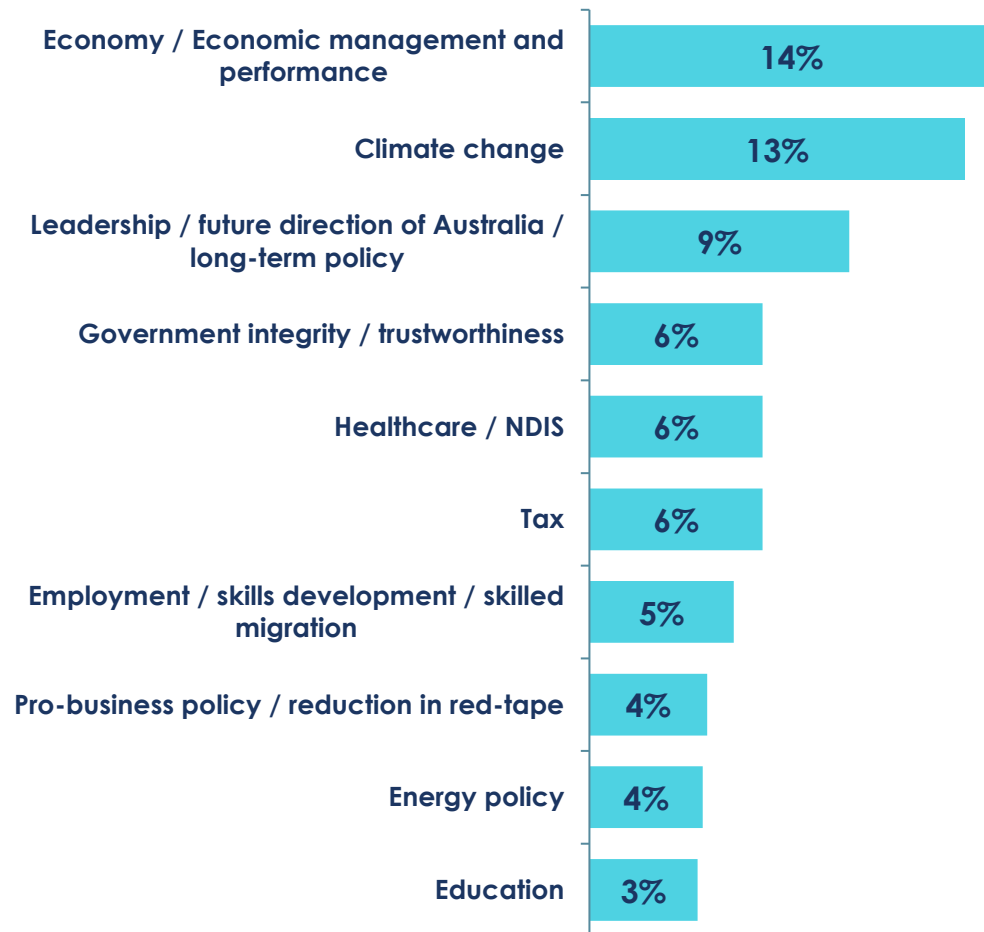
“Threat of new variants causing future lockdowns, supply chain problems and labour shortages.”

“The uncertainty as to whether plans can be followed through on, for an organisation with offices scattered across the world.”

DD6. The effects of the pandemic have made my organisation...? Base: All respondents n=1737

The economy and climate change top of mind ahead of Federal election

What is the one most important issue that your vote will be based on in the upcoming Federal election?



“A plan for a sustainable future - climate change, our position in the world, workforce (maximising our human capital including employment, education, keeping our talent).”

“Balance. That is, not only the balance between revenue and expenditure, but also balance between the kinds of expenditure committed to, so that both social conditions and overall workforce capability issues are addressed, within a globally competitive tax system.”

“Climate Change and effective policies to mitigate its impacts on healthcare eg floods, heat, spread of tropical disease, premature death.”

“Economic stability to drive interest rate and house valuation stability and funding for low income housing.”

“Trust. Hard decisions are coming up and I need trust and want to see transparency and accountability behind why decisions are made.”

“Climate Change - fundamental to continued business stability.”

“Economic reform and productivity agenda.”

“Federal government response to crises (international crises, domestic natural disasters).”

“Policy settings which can have impact for longer than the four-year election cycle.”

DD1A. Thinking about the issues that affect your organisation (not your personal circumstances) what is the one most important issue that your vote will be based on in the upcoming Federal election? Top 10 issues included. Display % rounded to no decimal points, ranked to 1 decimal point. Base: All respondents n=1737

Data Appendix



Economic Outlook

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the Australian economy – current	Weak/Strong	+38	+42
Health of the Australian economy – future (next 12 months)	Weak/Strong	+38	+53
Health of the Chinese economy – current	Weak/Strong	+49	+20
Health of the Chinese economy – future (next 12 months)	Weak/Strong	+45	+24
Health of the Asian (ex. China) economy – current	Weak/Strong	+26	+18
Health of the Asian (ex. China) economy – future (next 12 months)	Weak/Strong	+28	+29
Health of the European economy – current	Weak/Strong	-24	-9
Health of the European economy – future (next 12 months)	Weak/Strong	-28	+12
Health of the US economy – current	Weak/Strong	+16	+14
Health of the US economy – future (next 12 months)	Weak/Strong	+14	+29

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the NSW economy – current	Weak/Strong	+42	+55
Health of the NSW economy – future (next 12 months)	Weak/Strong	+41	+69
Health of the VIC economy – current	Weak/Strong	+3	-18
Health of the VIC economy – future (next 12 months)	Weak/Strong	+12	+24
Health of the QLD economy – current	Weak/Strong	+8	+1
Health of the QLD economy – future (next 12 months)	Weak/Strong	+21	+19
Health of the SA economy – current	Weak/Strong	+20	+26
Health of the SA economy – future (next 12 months)	Weak/Strong	+32	+34
Health of the WA economy – current	Weak/Strong	+84	+82
Health of the WA economy – future (next 12 months)	Weak/Strong	+79	+75
Health of the TAS economy – current*	Weak/Strong	+62	+68
Health of the TAS economy – future (next 12 months)*	Weak/Strong	+53	+72
Health of the ACT economy – current	Weak/Strong	+52	+48
Health of the ACT economy – future (next 12 months)	Weak/Strong	+47	+51
Health of the NT economy – current*	Weak/Strong	-19	-18
Health of the NT economy – future (next 12 months)*	Weak/Strong	+2	+3

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2022.

Base: AICD Directors 1st Half 2022 18+; n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20.

Base: AICD Directors 2nd Half 2021 18+; n=1,645. NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11.

* Indicates small base <50

Business Outlook

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Australian business conditions – current	Weak/Strong	+28	+31
Australian business conditions – future (next 12 months)	Weak/Strong	+30	+50
NSW business conditions – current	Weak/Strong	+27	+38
NSW business conditions – future (next 12 months)	Weak/Strong	+33	+63
VIC business conditions – current	Weak/Strong	+6	-7
VIC business conditions – future (next 12 months)	Weak/Strong	+10	+20
QLD business conditions – current	Weak/Strong	+20	+20
QLD business conditions – future (next 12 months)	Weak/Strong	+16	+26
SA business conditions – current	Weak/Strong	+25	+25
SA business conditions – future (next 12 months)	Weak/Strong	+23	+33
WA business conditions – current	Weak/Strong	+69	+70
WA business conditions – future (next 12 months)	Weak/Strong	+70	+68
TAS business conditions – current*	Weak/Strong	+49	+69
TAS business conditions – future (next 12 months)*	Weak/Strong	+46	+53
ACT business conditions – current	Weak/Strong	+42	+31
ACT business conditions – future (next 12 months)	Weak/Strong	+46	+47
NT business conditions – current*	Weak/Strong	0	0
NT business conditions – future (next 12 months)*	Weak/Strong	+25	+16

Business conditions expected to increase or decrease over the next 12 months			
CONDITIONS	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Investment Levels	Decrease/Increase	+36	+54
Staffing Levels / Labour Demands	Decrease/Increase	+57	+60
Wage Levels	Decrease/Increase	+72	+67
Costs (e.g. raw materials, energy)	Decrease/Increase	+89	+83
Turnover / Sales	Decrease/Increase	+56	+66
Profitability	Decrease/Increase	+15	+32

Top economic challenges facing Australian businesses		
ISSUES	1st HALF 2022 % OF TOTAL RESPONSES	2nd HALF 2021 % OF TOTAL RESPONSES
Labour shortages	60%	55%
Global economic uncertainty	55%	30%
Climate change	34%	38%
Coronavirus / COVID-19	27%	43%
Productivity growth	24%	22%

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2022.

Base: AICD Directors 1st Half 2022 18+; n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20.

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Micro and Macro Policy

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Federal Government's understanding of business	Disagree/Agree	+6	+7
Trust in Federal Government	Disagree/Agree	-22	-17
NSW government's understanding of business	Disagree/Agree	+29	+61
Trust in NSW Government	Disagree/Agree	-1	+34
VIC government's understanding of business	Disagree/Agree	-23	-22
Trust in VIC Government	Disagree/Agree	-19	-23
QLD government's understanding of business	Disagree/Agree	-40	-40
Trust in QLD Government	Disagree/Agree	-45	-42
SA government's understanding of business	Disagree/Agree	+39	+22
Trust in SA Government	Disagree/Agree	+28	+24
WA government's understanding of business	Disagree/Agree	+11	+13
Trust in WA Government	Disagree/Agree	0	+2
TAS government's understanding of business*	Disagree/Agree	+45	+54
Trust in TAS Government*	Disagree/Agree	+26	+68
ACT government's understanding of business	Disagree/Agree	+4	+11
Trust in ACT Government	Disagree/Agree	+2	+33
NT government's understanding of business*	Disagree/Agree	-46	-26
Trust in NT Government*	Disagree/Agree	-35	-24

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
NSW fiscal policy settings	Negative/Positive	-7	+14
VIC fiscal policy settings	Negative/Positive	-24	-28
QLD fiscal policy settings	Negative/Positive	-33	-34
SA fiscal policy settings	Negative/Positive	-3	+5
WA fiscal policy settings	Negative/Positive	-12	0
TAS fiscal policy settings*	Negative/Positive	+15	+39
ACT fiscal policy settings	Negative/Positive	-5	-12
NT fiscal policy settings*	Negative/Positive	-32	-18

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Corporate taxation / company tax rates	Dissatisfied/Satisfied	-20	-18
Personal taxation / personal income tax	Dissatisfied/Satisfied	-30	-28
GST	Dissatisfied/Satisfied	0	+3
Government spending on infrastructure	Dissatisfied/Satisfied	-6	+10
Government openness to foreign investment	Dissatisfied/Satisfied	+3	+4
Support for international trade (e.g. free trade agreements, Austrade support for exporters, trade barriers, etc.)	Dissatisfied/Satisfied	+11	+10
Government spending on education and training	Dissatisfied/Satisfied	-41	-32
Government support for innovation and R&D	Dissatisfied/Satisfied	-40	-37
Impact on business of current Federal fiscal policy settings	Negative/Positive	-14	-11
Impact on business of current RBA monetary policy	Negative/Positive	+14	+19
Impact on business of current level of the Australian dollar	Negative/Positive	+3	+6
Impact on business of the availability of business credit	Negative/Positive	+9	+13

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2022.

Base: AICD Directors 1st Half 2022 18+; n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20.

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Directorship Conditions

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Current governance regulations are appropriately balanced	Disagree/Agree	+17	+15
Current level of corporate reporting requirements is satisfactory	Disagree/Agree	+30	+32
Current level of diversity on Australian boards is satisfactory	Disagree/Agree	-33	-33
Current director liability provisions have a negative impact on decision making	Disagree/Agree	+3	+6
My board faces difficulties recruiting new talented directors*	Disagree/Agree	+10	N/A

To what extent would the following policies impact your board to have a greater focus on strategy and growth?

INDICATOR	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Reduction or harmonisation of overlapping state and federal regulatory obligations	No/Major Impact	+43	N/A
Reform to director liability settings	No/Major Impact	+4	N/A
Reform to insolvency law	No/Major Impact	-36	N/A
Greater long-term policy certainty	No/Major Impact	+70	N/A
Taxation reform	No/Major Impact	+10	N/A
Further reporting and disclosure reform	No/Major Impact	+15	N/A
Greater clarity or guidance from Australia's key economic regulators on expectations for companies and boards in meeting key obligations	No/Major Impact	+23	N/A

What is the estimate of the % of your board's discussion and consideration on...	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Strategy and growth	45%	N/A
Risk and compliance	55%	N/A

Topical Issues and Deep Dives

Is your board seeking to increase diversity in...			
AREAS	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Gender	Disagree/Agree	+36	+38
Age	Disagree/Agree	+18	+18
Skills	Disagree/Agree	+66	+66
Ethnicity	Disagree/Agree	+20	+15
Digital capability / technology	Disagree/Agree	+44	+45

To what extent do you agree or disagree with the following statements...?			
ISSUES	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Sufficient oversight of cyber security threats to our organisation	Disagree/Agree	+22	+26
Climate change is a material risk to my organisation	Disagree/Agree	+20	+22
Organisation affected by labour market issues	Disagree/Agree	+54	+45
Sufficient oversight of organisation culture	Disagree/Agree	+63	+62
A federal anti-corruption watchdog should be established to oversee government integrity	Disagree/Agree	+62	N/A
My board has an appropriate digital/technology strategy and agenda	Disagree/Agree	+32	N/A

What are the top 3 issues the Federal Government should address in the short term (next 3 years) and longer term (next 10-20 years)?*				
ISSUES	1st HALF 2022 SHORT-TERM**	2nd HALF 2021 SHORT-TERM	1st HALF 2022 LONG-TERM**	2nd HALF 2021 LONG-TERM
Climate change	39%	48%	50%	59%
Lack of skills in workforce / skills shortages	36%	41%	18%	18%
Energy policy	24%	27%	20%	22%
Taxation reform	21%	26%	14%	20%
Productivity growth	20%	23%	18%	22%
Housing affordability / housing supply	19%	22%	14%	15%
Australia-China relationship	18%	N/A	14%	N/A
Innovation policy / barriers to innovation	17%	N/A	17%	N/A
Education	16%	17%	18%	20%
Health	16%	17%	15%	16%
Ageing population	15%	12%	25%	26%
Infrastructure	14%	15%	16%	18%
International competitiveness	12%	20%	21%	27%
Federal budget deficit	11%	14%	15%	18%
Defence	10%	N/A	11%	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2022.
 Base: AICD Directors 1st Half 2022 18+; n=1,737. Base: AICD Directors 2nd Half 2021 18+; n=1,645.
 **Note: Additional response options impact comparability with previous wave. *Percentage of respondents who nominated this as a top 3 issue.

Topical Issues and Deep Dives

What are the top 3 issues most likely to “keep you awake at night” as a director on your board?		
ISSUES	1st HALF 2022*	2nd HALF 2021*
Cyber-crime / data security	43%	41%
Global economic conditions	28%	24%
Labour shortages	28%	N/A
Structural change/changing business models	27%	36%
Legal and regulatory compliance	26%	34%
Attracting new talent	24%	28%
Corporate culture	22%	20%
Climate change	20%	19%
CEO succession	19%	20%
Impacts of COVID-19	19%	30%
Changing stakeholder expectations	17%	12%
Level of personal liability for directors	14%	21%
Other	3%	4%
Sexual harassment in the workplace	3%	4%
None	2%	1%
OH&S	1%	N/A
Geopolitics	1%	N/A

How would you rate the impact of flexible working arrangements in terms of...?			
ISSUES	SCALE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Staff health and wellbeing	Negative/Positive	+34	+29
Staff retention	Negative/Positive	+46	+46
Attracting new staff	Negative/Positive	+44	+40
Reducing business overhead costs	Negative/Positive	+32	+41
Staff productivity	Negative/Positive	+17	+22
Organisational culture	Negative/Positive	-13	-10
Innovation	Negative/Positive	-7	-3
Cyber-security	Negative/Positive	-39	-38

In your opinion, what are the top 3 challenges your board faces in recruiting new directors?		
ISSUES	1st HALF 2022*	2nd HALF 2021*
Lack of appropriate skills in potential candidates	59%	N/A
Expected time commitment	50%	N/A
Legal and compliance burden	44%	N/A
Meeting board diversity requirements	39%	N/A
Threat of liability	31%	N/A
Level of director fees	26%	N/A
Level of public and/or industry scrutiny	21%	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2022.

Base: AICD Directors 1st Half 2022 18+; n=1,737. Base: AICD Directors 2nd Half 2021 18+; n=1,645.

*Note: Additional response options impact comparability with previous wave. Percentage of respondents who nominated this as a top 3 issue.

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Topical Issues and Deep Dives

To date, what have been the 3 most significant regulatory challenges facing your organisation as a result of COVID-19?

ISSUES	1st HALF 2022*	2nd HALF 2021
Complying with employment and Workplace Health & Safety laws	73%	N/A
Industry specific regulation	62%	N/A
Managing financial reporting obligations including deadlines	40%	N/A
Holding an AGM given social distancing restrictions	26%	N/A
Complying with continuous disclosure obligations	22%	N/A
My organisation has faced no major regulatory challenges	14%	N/A
Managing insolvent trading risks	14%	N/A

The effects of the pandemic have made my organisation...

ISSUES	1st HALF 2022	2nd HALF 2021
A lot more risk averse	4%	N/A
Somewhat more risk averse	28%	N/A
No change related to risk	44%	N/A
Somewhat more risk taking	21%	N/A
A lot more risk taking	3%	N/A

What is the one most important issue that your vote will be based on in the upcoming Federal election?

ISSUES	1st HALF 2022	2nd HALF 2021
Economy/ Economic management and performance	14%	N/A
Climate change	13%	N/A
Leadership/ future direction of Australia/ long-term policy	9%	N/A
Government integrity/ trustworthiness	6%	N/A
Health/ healthcare/ disability/ NDIS funding and management	6%	N/A
Taxation/ lower taxes	6%	N/A
Employment/ skills development/ increase migration	5%	N/A
Pro-business policy/ reduction in bureaucratic red-tape	4%	N/A
Energy policy	4%	N/A
Education	3%	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2022.

Base: AICD Directors 1st Half 2022 18+; n=1,737. Base: AICD Directors 2nd Half 2021 18+; n=1,645.

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THANK YOU



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