

Director Sentiment Index Survey

2ND HALF 2023

INSIGHTS REPORT

Australian
Institute of
**Company
Directors**



ROY
MORGAN



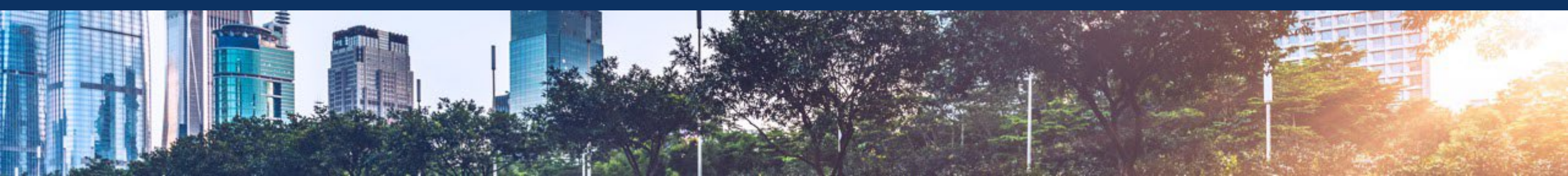


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Executive Summary



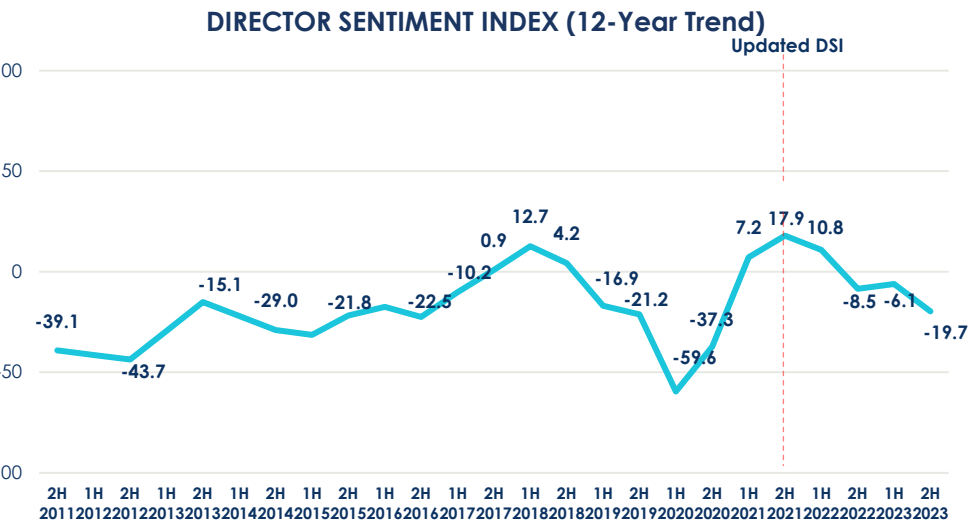


Executive Summary

The Director Sentiment Index has decreased further in the second half of 2023, with declines in scores for all categories.

The overall Director Sentiment Index (DSI) fell further into negative territory in the second half of 2023, decreasing by 13.6 index points from -6.1 to -19.7. This is the third consecutive wave a negative DSI score has been recorded.

Current and future (next 12 months) economic assessments of Australia and China have worsened notably among directors. Whilst the current and future economic outlook for Europe has improved, the DSI scores for Europe for both measures are still in negative territory.



Australian economic assessment still optimistic, but the downtrend continues

Optimism for Australia's current economic health dropped 22 points to +14 in the second half of 2023, though remained stronger than other global economies except for Asia (excluding China).

Directors' assessment of Australia's future economic health also declined by 8 points from +7 to -1. This continues a weakening Australian economic outlook among directors, and much lower than the recent high of +65 in the second half of 2021.

National and industry business conditions continue to weaken

Business conditions across Australian states and territories, and in directors' primary sectors suffered notable declines in the second half of 2023, with index scores dropping to single digits (+2 and +7 respectively).

National business conditions declined by 22 points since the first half of 2023 survey, from +24 to +2, while conditions in states and territories dropped 31 points from +22 to -9.

Assessments within directors' own sectors also declined, with current conditions dropping by 14 points from +20 to +7 and future conditions falling by 13 points from +21 to +8.



Executive Summary

Directors' trust and assessment of federal government's understanding of business deteriorates further

Approximately one third of directors (31%) agree that the federal government understands business, declining for a fourth consecutive wave. Almost half of directors disagree, a 5-point increase from 47% to 52% since the first half of 2023.

Trust in the federal government declined from 35% to 31% in the second half of 2023. Directors who disagree that they trust the federal government increased by eight points from 46% to 54%.

Assessments of business understanding and trust decline significantly across multiple states and territories

Government understanding of business in New South Wales dropped significantly from 52% in the first half of 2023 (pre-election) to 30%. Western Australia has one of the highest scores (45%), and its trust in the government in the state is also one of the highest at 39%.

Directors in Queensland provided the toughest assessment across Australia, as only 13% agree that their state government understands business, while 70% disagree. An even lower proportion of directors in Queensland trust their state government, at 11%, the lowest level over the past 5 waves. Victoria has fared poorly as well, with only 21% of directors agree that their state government understands business (down from 35%, to the lowest level in the last 5 waves), and only 17% trust their state government, down from 30%, to the lowest level in the last 5 waves.

Compliance and Regulation the major concern for directors

The effects of several high-profile data breaches in late 2022 continue, with cyber-crime and data security remaining the standout issue that keeps directors awake at night. Close to half (45%) of directors selected this as a top issue, a level that is significantly higher than any other issues.

Whilst Cyber-attacks (51%), Inflation (44%), and COVID (35%) remain the major factors to affect boards' risk appetite, Compliance & Regulation (a newly added factor in the latest survey wave) has the highest proportion of directors (59%) mentioning as a risk factor affecting their boards' appetite.

Most organisations aware of cyber security obligations and threats

84% of directors believe their board is aware of the Privacy Act obligations related to the collection, storage and management of personal information.

72% of directors also agree that their board understands what personal or employee data is collected, who has access to it and where it is stored.

88% of directors agree that there is a skills shortage in the Australian workforce, and there is a significant increase in the proportion of directors (from 29% to 33%) who agree that the implementation of AI systems and workforce automation can resolve current skills shortages.

Labour Shortages and Cost of Living now the top economic challenges

42% of directors believe cost of living is the leading economic challenge for Australian businesses, up significantly from 24% in the first half of 2023, becoming on par with labour shortages (43%) as the main challenges facing Australian businesses. Productivity growth (increasing significantly from 16% to 32%), one of the least mentioned challenges in the previous wave, has become one of the top-4 economic challenges now.



Executive Summary

A high proportion of directors believe further RBA rate increases will cause mortgage crisis

69% of directors agree that increasing interest rates further will cause a housing/mortgage crisis, a high proportion also seen previously.

About a-third of directors (36%) consider government intervention in the RBA to be too much (up significantly from 29% in the first half of 2023), with about 1 in 2 (49%) who said it was enough, and only 15% said it was too little.

44% of directors also believe current RBA monetary policy is negatively affecting their business, down from 52% in the first half of 2023.

Housing affordability/supply has become the most pressing issue to address in short term

Housing affordability/supply has become the top short-term issue the government should address, mentioned by 34% of directors, up significantly from 28% in the first half of 2023.

Energy policy (32%) is another top issue mentioned by directors, with productivity growth gaining traction, from being the least mentioned in the previous wave to one of the highest mentioned issues (32%, up from 23%).

In contrast, Australia's skills shortage as an issue for the government in the short term declined from 34% in previous wave to 26% currently. 88% of directors agree that there is a skills shortage in the Australian workforce, and there is a significant increase in the proportion of directors (from 29% to 33%) who agree that the implementation of AI systems and workforce automation can resolve current skills shortages.

Climate change leading long-term government priority

Climate change remained the main long-term issue the federal government should address, with 41% of directors selecting it as a top issue. The issue has continued to trend down from 59% in the second half of 2021. An ageing population (29%) ranked as the second leading long-term issue, ahead of energy policy (24%), which is on par with productivity growth (24%).

Although declining, reconciliation remains a national governance priority

58% of directors believe advancing reconciliation with First Nations peoples is a national governance priority for Australia, down significantly from 62% in the first half of 2023.

More directors view flexibility as helping to attract and retain staff, and positive for wellbeing

Almost two-thirds of directors (63%) believe flexible working arrangements are having a positive impact on staff retention, down from 68% since the first half of 2023. A high proportion of directors also believe flexibility is positive for attracting new staff (65%) and for their health and wellbeing (61%). However, it should be noted that significantly more directors now believe that flexible working arrangements are having a negative impact on organisational culture (45%, up significantly from 41%), and on innovation (43%, up significantly from 36%).

Methodology





What is the DSI?

QUANTIFYING EXPERIENCE & OPINION

The Director Sentiment Index (DSI) represents the breadth of Australian Institute of Company Directors (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 12 years*, indicating shifts in business sentiment, and delivering robust and context-driven insights and trends.

DSI SURVEY REPORTS

The Insights Report includes a summary of analysis of key questions from the survey and the Deep-Dive Analysis Report includes detailed results of current and previous surveys.

DSI SCORE CALCULATION

The DSI Scores are calculated using a formula combining response data with question weighting to produce a score indicating whether sentiment is in positive or negative territory, and by how much. This formula is applied to determine the overall DSI score as well as scores for separate categories: Economic Outlook, Business Conditions, Micro/Structural Policy Settings, Macro Policy Settings and Directorship Conditions.

* DSI updates in early 2021 limit direct comparability with previous results.

Who took part?

- The DSI survey was conducted online with a representative sample of 1,352 directors across Australia between 18 September and 2 October, 2023.
- Respondents were AICD members with current directorships.
- 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 the Appendix of this report.

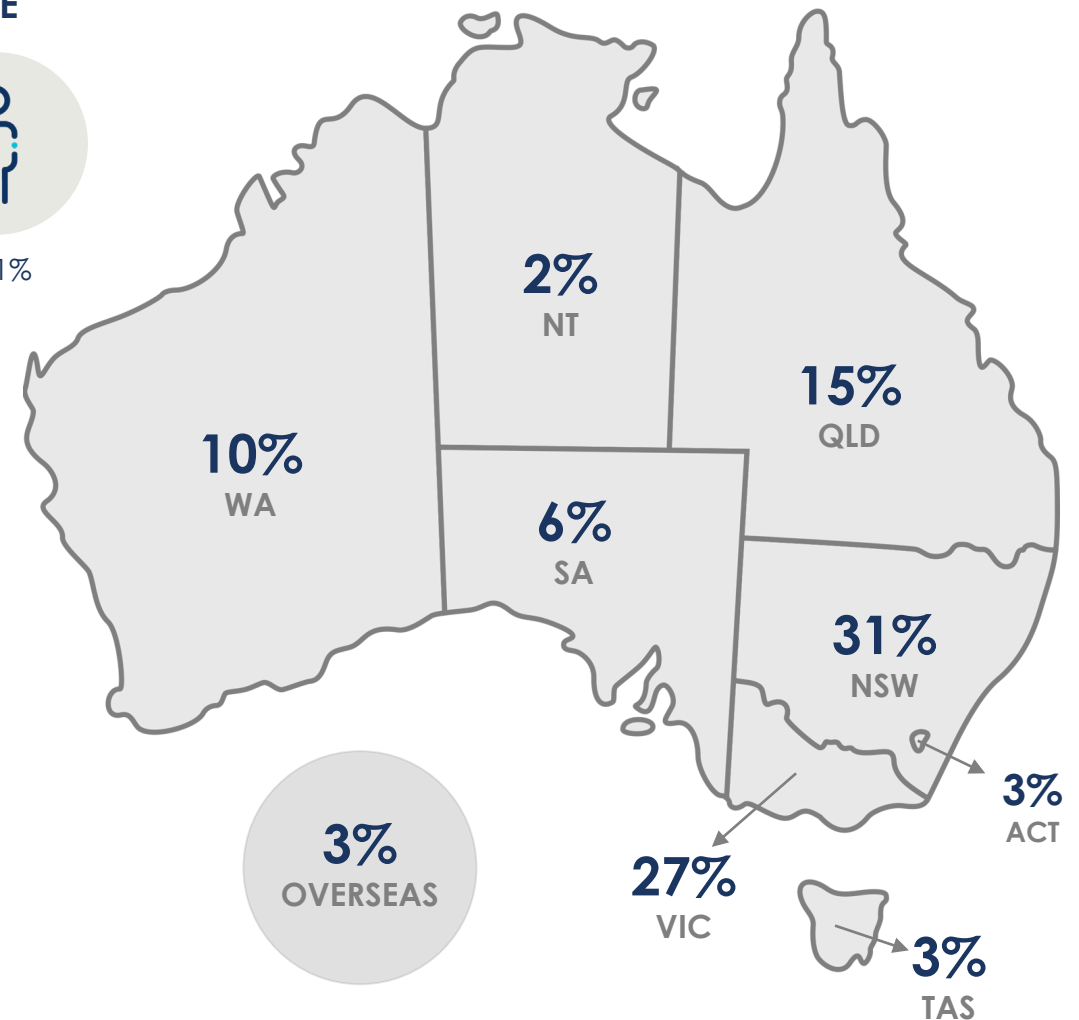
34%
FEMALE

65%
MALE



Prefer not to say: 1%

Primary directorship base



Survey Topics

DSI Topics

Economic Outlook

- The current condition of the Commonwealth and state economies and the 12-month forecast.
- Present international economic assessment as well as 12-month outlook.

Business Conditions

- What's it like doing business in the different states and territories and across industries?
- Which are the top economic challenges Australian businesses are running up against?

Micro / Structural Policy Settings

- Do state and Federal governments understand business needs when designing policy and legislation?

Macro Policy Conditions

- How do fiscal settings and monetary policy, as well as access to credit, impact business?

Directorship Conditions

- How well are governance regulations balancing directors' needs with their obligations?

Topical Questions

- Has the amount of government intervention in the RBA been too much, enough, or too little?
- Is advancing reconciliation with First Nations peoples a national governance priority for Australia?
- How likely or unlikely do you think it is that Australia will be in a recession within the next 12 months?
- How is your business/organisation being impacted by the current state of the housing market in Australia?
- How confident are you that your organisation has appropriate governance in place to manage Artificial Intelligence (AI) opportunities and risks?

Report Updates

- In this Insights Report, additional trend analysis has been added using available historical data.

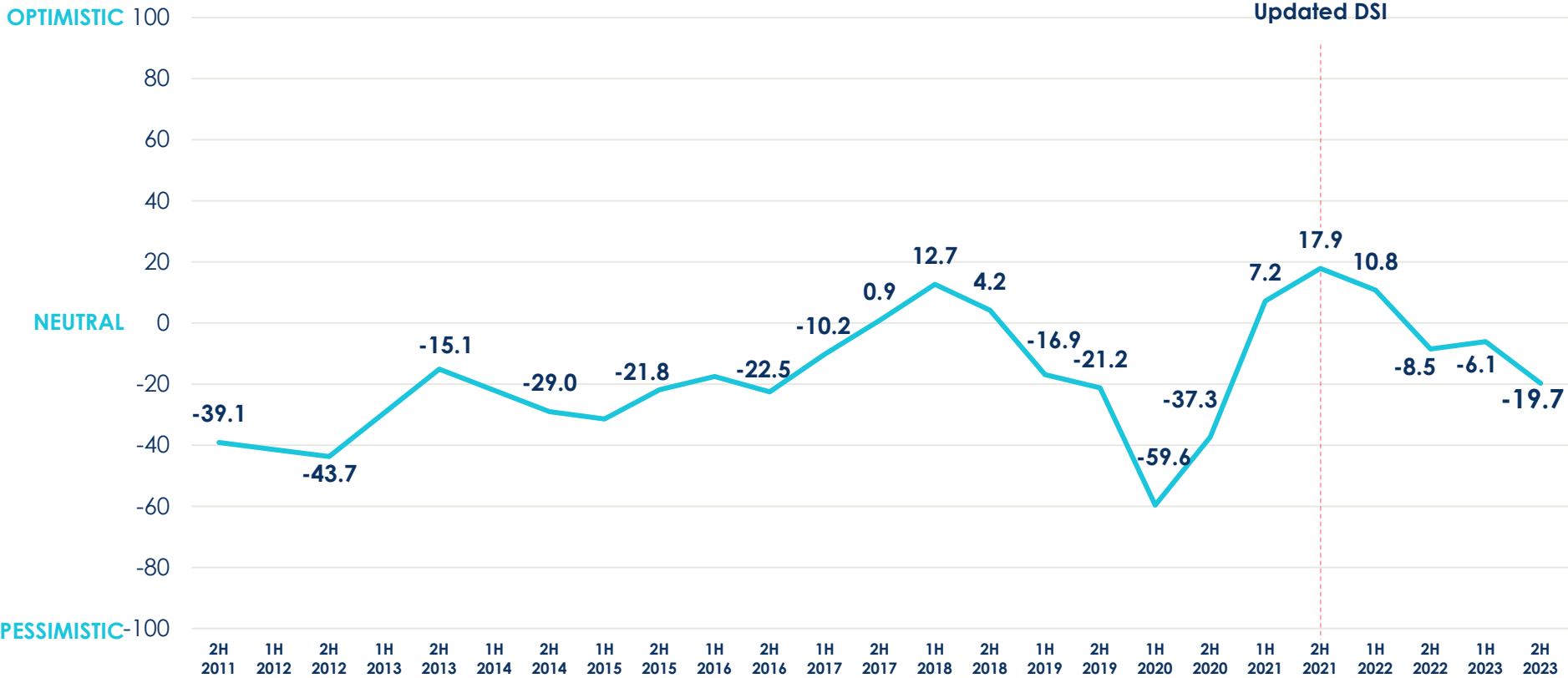
Overall Director Sentiment Index



Director Sentiment Index declines further into negative territory

The Director Sentiment Index (DSI) fell further into negative territory in 2H2023, decreasing by 13.6 index points from -6.1 to -19.7. This wave marks the third consecutive wave a negative DSI score has been recorded since it first fell to -8.5 in 2H2022. The decline of the DSI was driven by decreases in index scores for all DSI categories, stemming from worsening perceptions of economic, business, and directorship conditions, both domestically and internationally.

DIRECTOR SENTIMENT INDEX (12-Year Trend)



DSI CATEGORY SCORES

Economic Outlook (-13 ↓)

- Declined from +7 to -6 between 1H2023 and 2H2023.

Business Conditions (-22 ↓)

- Declined from +19 to -3.

Micro-Structural Policy Settings (-13 ↓)

- Declined from -24 to -37.

Macro Policy Conditions (-10 ↓)

- Declined from -47 to -57.

Directorship Conditions (-3 ↓)

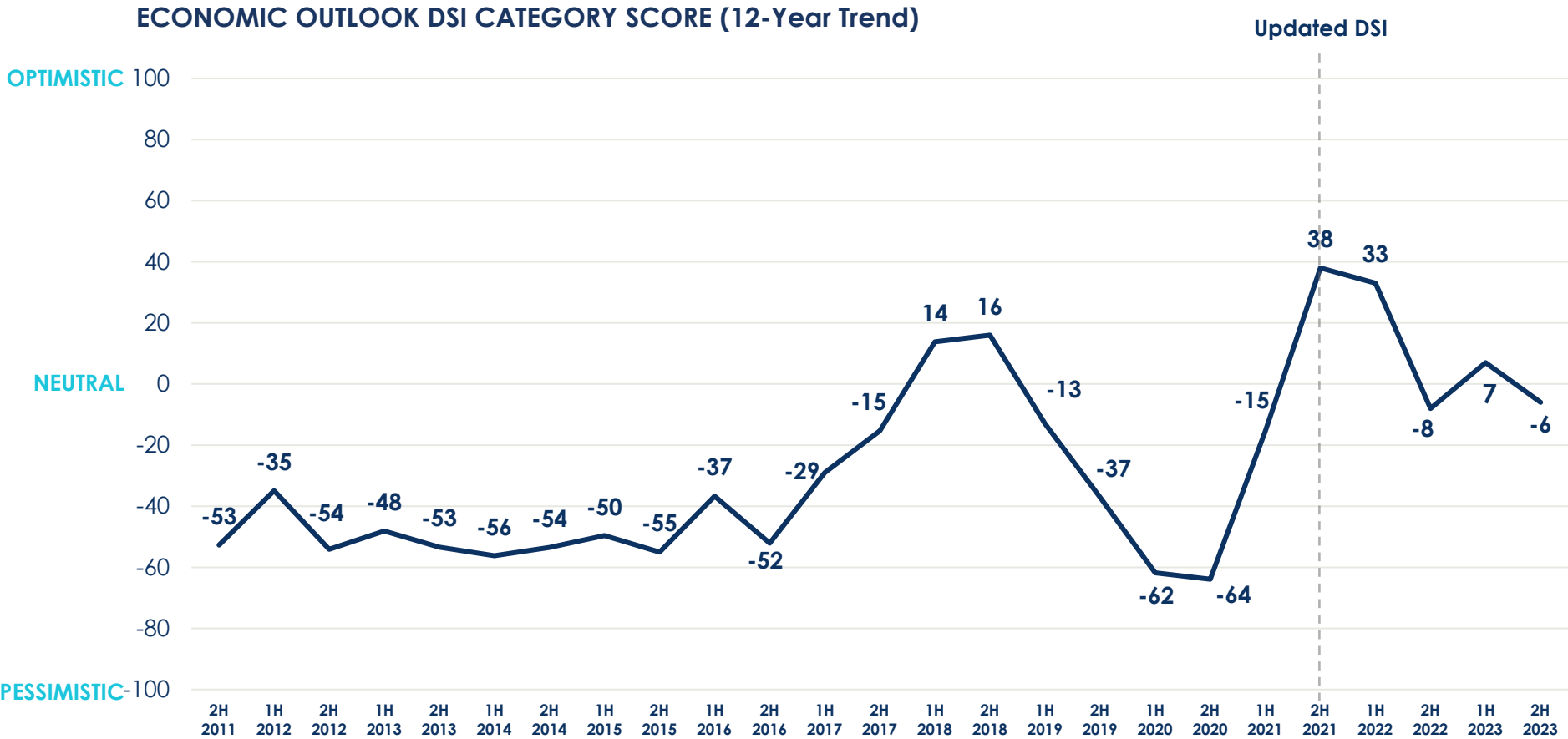
- Declined from +3 to 0.

Economic Outlook



Overall economic outlook lower

Since the peak of +38 in 2H2021, the Economic Outlook DSI category score has been mainly trending lower, dropping to -6 this wave after a brief and minor recovery to +7 in the previous wave.



ECONOMIC OUTLOOK DSI CATEGORY OVERVIEW

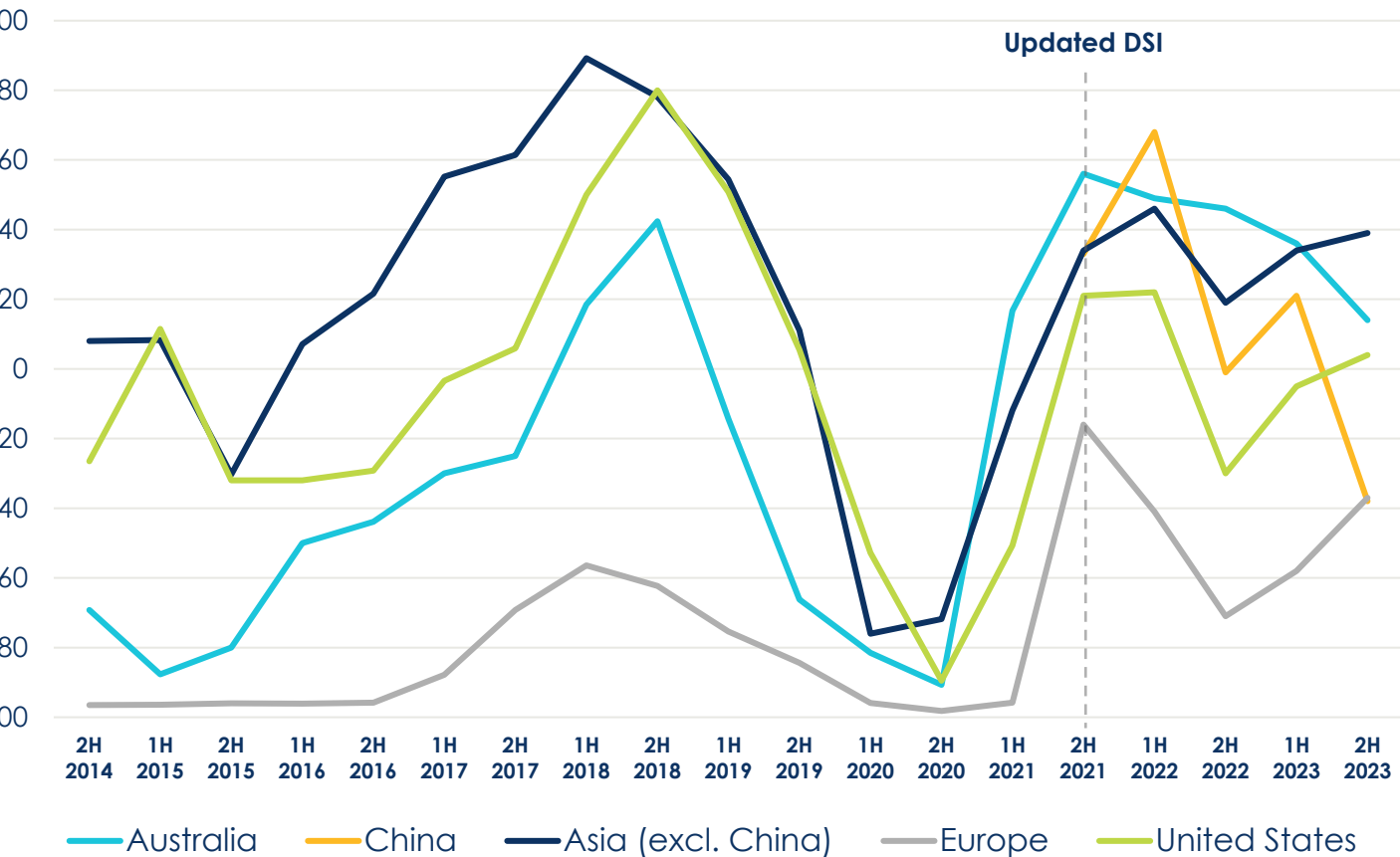
The Economic Outlook DSI category measures current and future (next 12 months) health assessments of major economies:

- Australia
- Director states and territories
- Asia (excl. China)
- China
- Europe
- United States

Mixed assessments of health of global economies with China and Europe low

Positive scores were recorded for current assessment of economic conditions for Asia (+39), Australia (+14) and United States (+4), with negative scores for China (-38) and Europe (-37). The most significant shift in perception of current economic conditions occurred for China, which decreased by -59 points from +21 in 1H2023. Perceptions for Australia were also lower, down by 22 points. Although still negative, the European economy recorded the greatest increase in economic health perception, up by 21 points.

CURRENT HEALTH ASSESSMENT OF GLOBAL ECONOMIES (8-Year Trend)



CURRENT ECONOMIC OUTLOOK DSI CATEGORY OVERVIEW		
ECONOMY	CURRENT DSI SCORE	CHANGE
Asia (excl. China)	+39	+5 ↑
Australia	+14	-22 ↓
United States	+4	+9 ↑
China	-38	-59 ↓
Europe	-37	+21 ↑

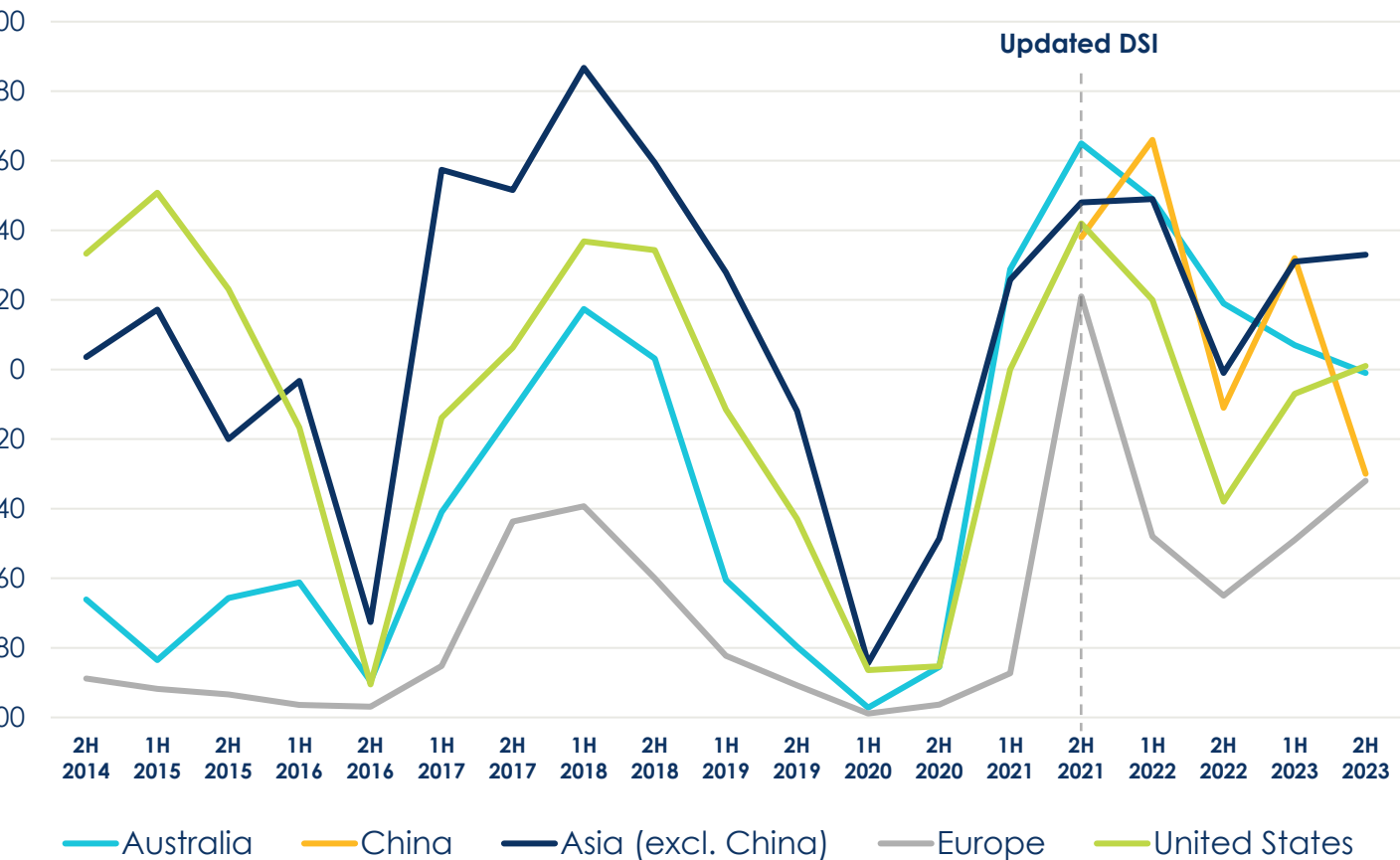
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352. E8. What is your assessment of the current health of the following economies...? (Very weak, Somewhat weak, Neither weak nor strong, Somewhat strong, Very strong) From 2nd half 2021 Asia excludes China. Note: Changes to question or response options in 2nd half 2021 may impact comparability with previous results. China independently measured from Asia from 2H2021 onwards.

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Future assessment of global economies generally neutral to weak except Asia

Positive scores were observed for the future assessment of Asia excluding China (+33). The United States (+1) and Australia (-1) were neutral, while China (-30) and Europe (-32) were negative. Despite a negative score, Europe saw the largest increase, improving by +17 points. China recorded the largest decrease in perceived future economic conditions, falling by -62 points.

NEXT 12 MONTH HEALTH ASSESSMENT OF GLOBAL ECONOMIES (8-Year Trend)



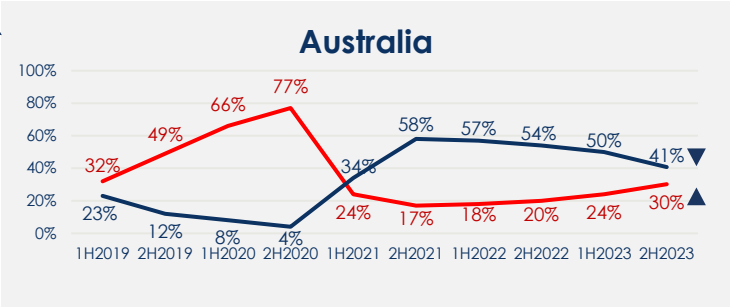
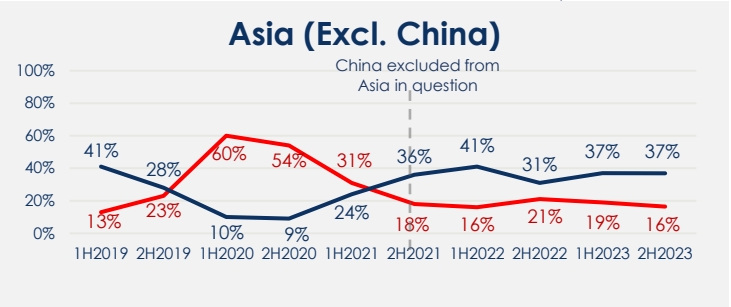
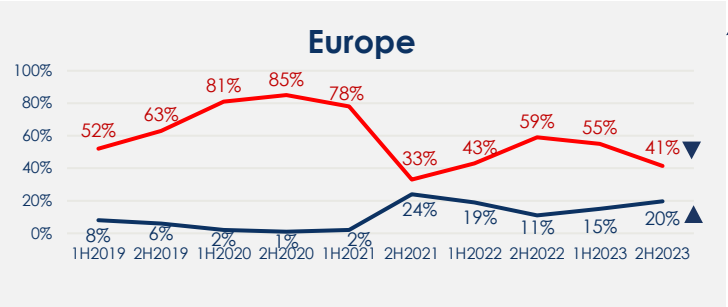
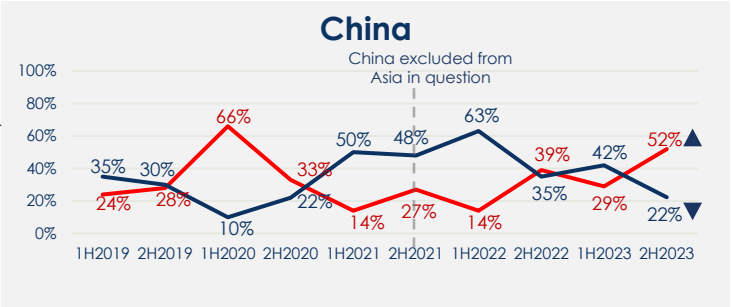
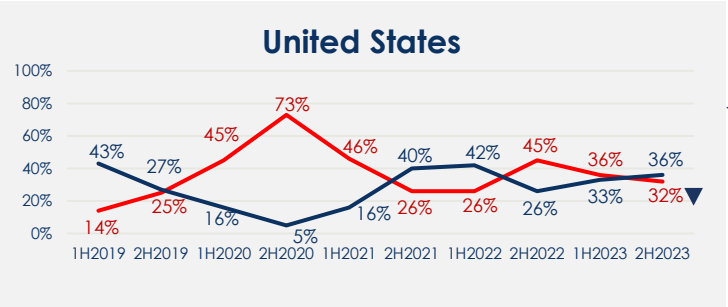
FUTURE ECONOMIC OUTLOOK – NEXT 12 MONTHS (N12M) CATEGORY OVERVIEW		
ECONOMY	N12M DSI SCORE	CHANGE
Asia (excl. China)	+33	+2 ↑
United States	+1	+8 ↑
Australia	-1	-8 ↓
China	-30	-62 ↓
Europe	-32	+17 ↑

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352. 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. Note: Changes to question or response options in 2nd half 2021 may impact comparability with previous results. China independently measured from Asia from 2H2021 onwards.

Current perceptions of health of European economy strengthens, while China and Australia weaken

CURRENT ASSESSMENT OF HEALTH OF GLOBAL ECONOMIES (5-Year Trend)

— Total Weak (Very weak + Somewhat weak)
— Total Strong (Very strong + Somewhat strong)



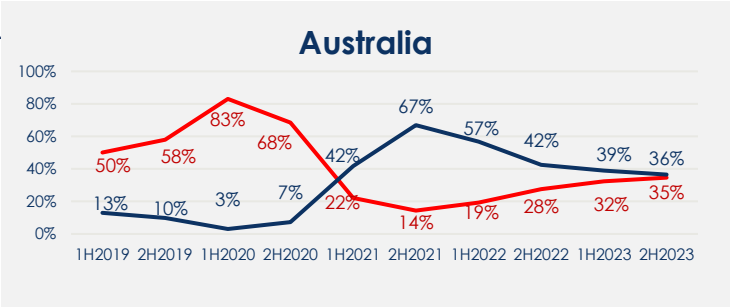
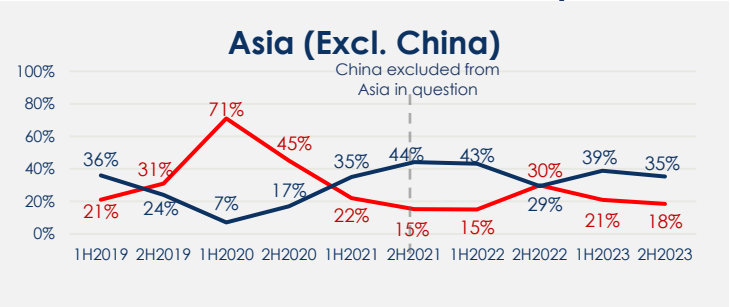
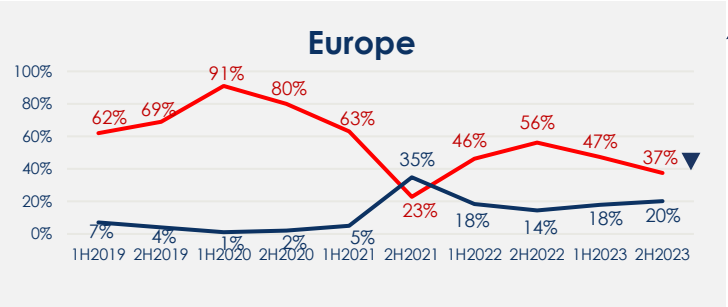
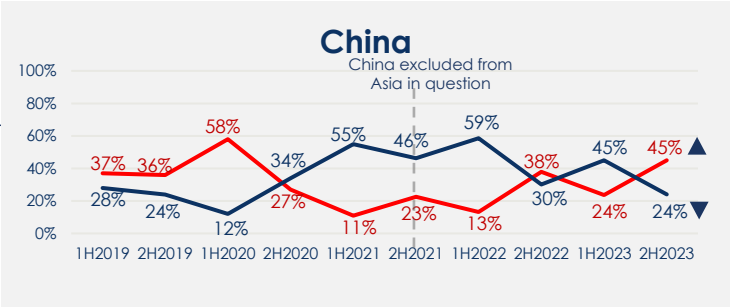
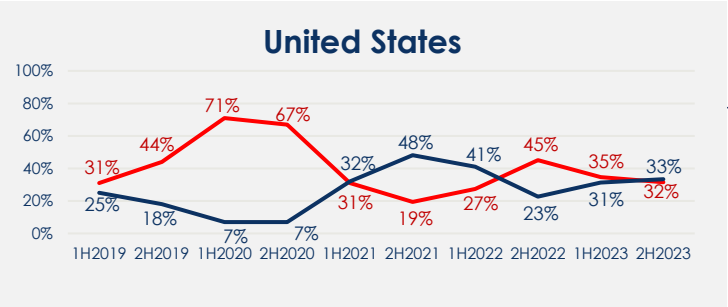
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
E8. What is your assessment of the current health of the following economies...? (Very weak, Somewhat weak, Neither weak nor strong, Somewhat Strong, Very strong) From 2nd half 2021. Asia excludes China.

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Director perceptions of future health of the Chinese economy falls, while Australia's steady decline continues

NEXT 12 MONTH ASSESSMENT OF HEALTH OF GLOBAL ECONOMIES (5-Year Trend)

— Total Weak (Very weak + Somewhat weak)
— Total Strong (Very strong + Somewhat strong)



Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
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.

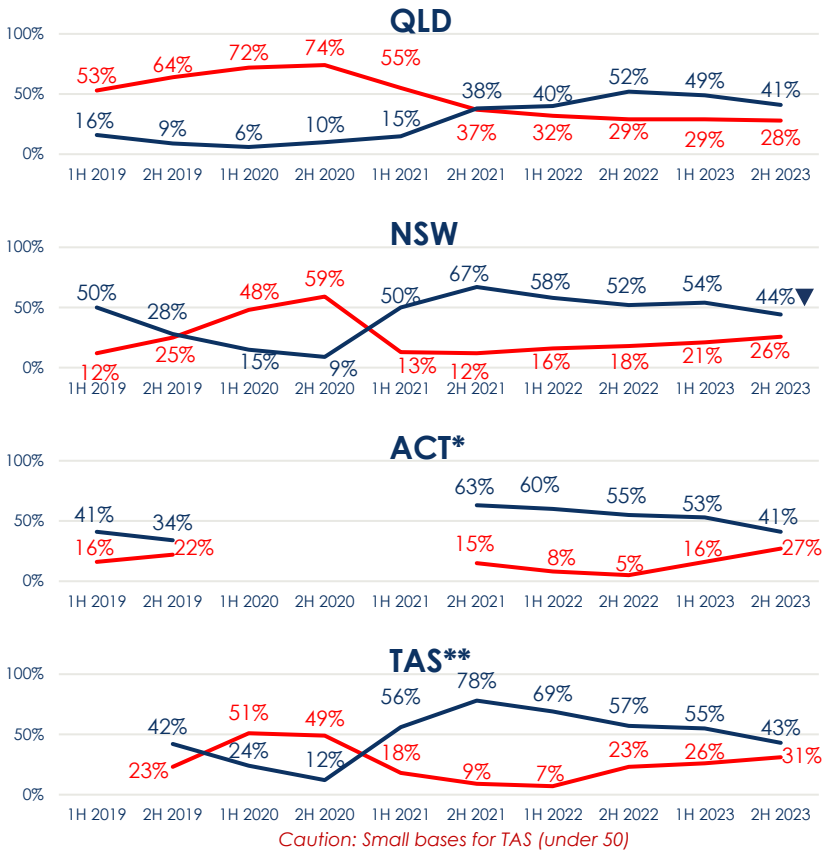
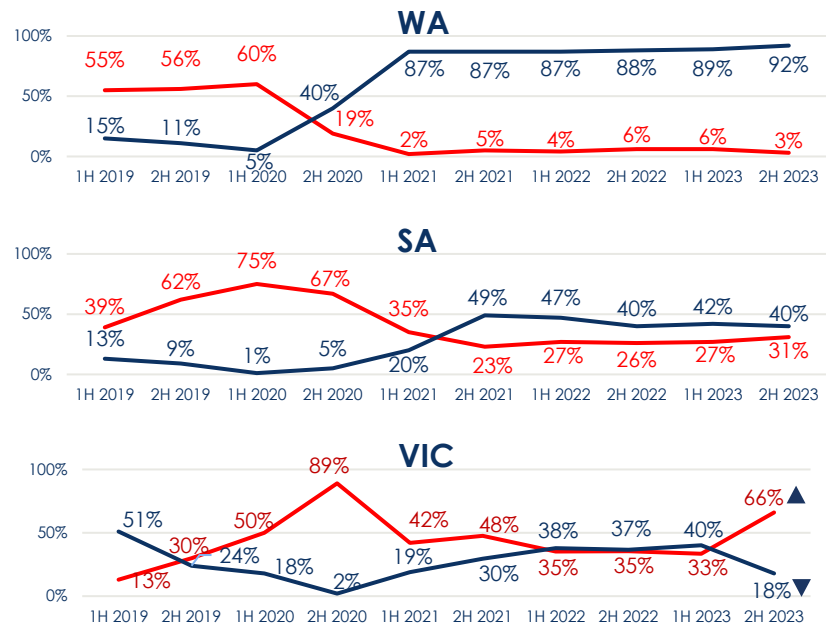
▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Perceptions of health of Victorian and New South Wales economies decline, while WA records a new high

Victoria recorded a significant decline in the 'Total Strong' score this wave (dropping from 40% to 18%), with the 'Total Weak' score increased significantly to 66%. Strong ratings of New South Wales also declined. Western Australia continued its gradual upward trend for 'Total Strong', achieving a high of 92% in the latest wave.

CURRENT ASSESSMENT OF HEALTH OF YOUR STATE ECONOMY (5-Year Trend)

- Total Weak (Very weak + Somewhat weak)
- Total Strong (Very strong + Somewhat strong)



Caution: Small bases for TAS (under 50)

Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

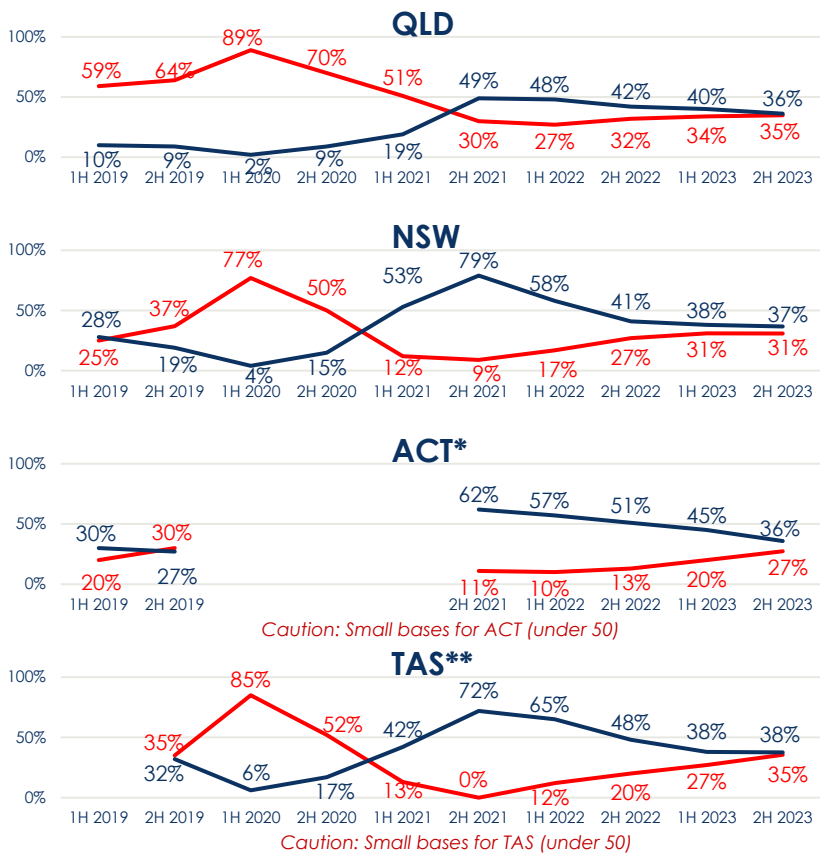
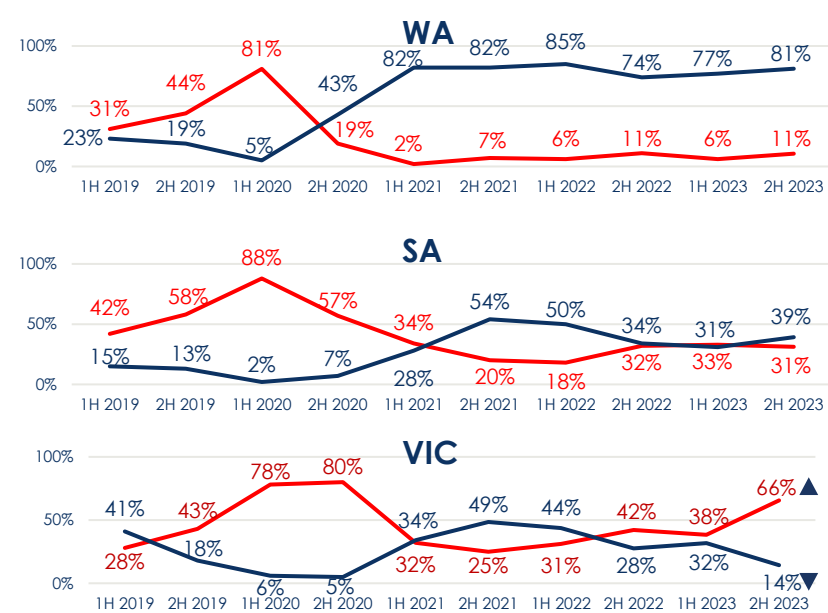
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,352.
E8.2 What is your assessment of the current health of the economy in the state where your primary directorship is?
NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37, ACT n=40, NT n=24. NT not shown due to low base. *ACT Data from 2020 and 1H 2019 unavailable **TAS data for 1H 2019 unavailable

Assessment of future economic health remains high for WA, while assessments of future health fall for Victoria

Similar to current assessments, Victoria's next-12-month assessment for 'Total Strong' decreased significantly, from 32% to 14%, whilst 'Total Weak' increased significantly from 38% to 66%. Gradual declining trends for 'Total Strong' are also observed for Queensland, New South Wales, ACT and Tasmania. The 'Total Strong' score for South Australia and Western Australia increased, with scores for both states higher in the latest wave.

NEXT 12 MONTH ASSESSMENT OF HEALTH OF YOUR STATE ECONOMY (5-Year Trend)

- Total Weak (Very weak + Somewhat weak)
- Total Strong (Very strong + Somewhat strong)



Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,352.
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?
NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37, ACT n=40, NT n=24. NT not shown due to low base. *ACT Data from 2020 and 1H 2019 unavailable **TAS data for 1H 2019 unavailable

Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

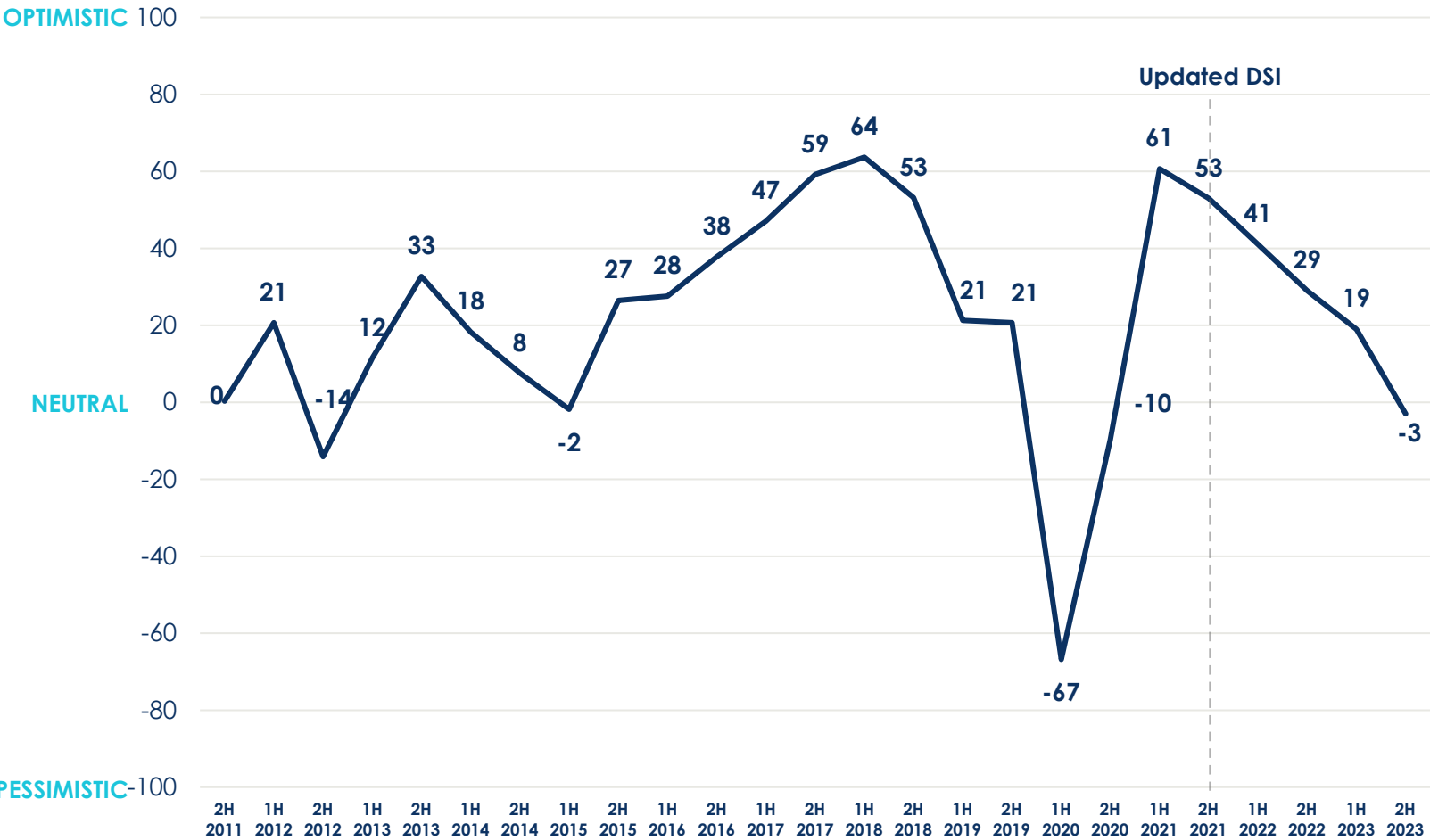
Business Conditions



Perceptions of Australian business conditions fall notably – into negative territory

The Business Condition DSI category score continues its downtrend, falling to -3 in 2H2023, a decline of 22 index points.

BUSINESS CONDITIONS DSI CATEGORY SCORE (12-Year Trend)



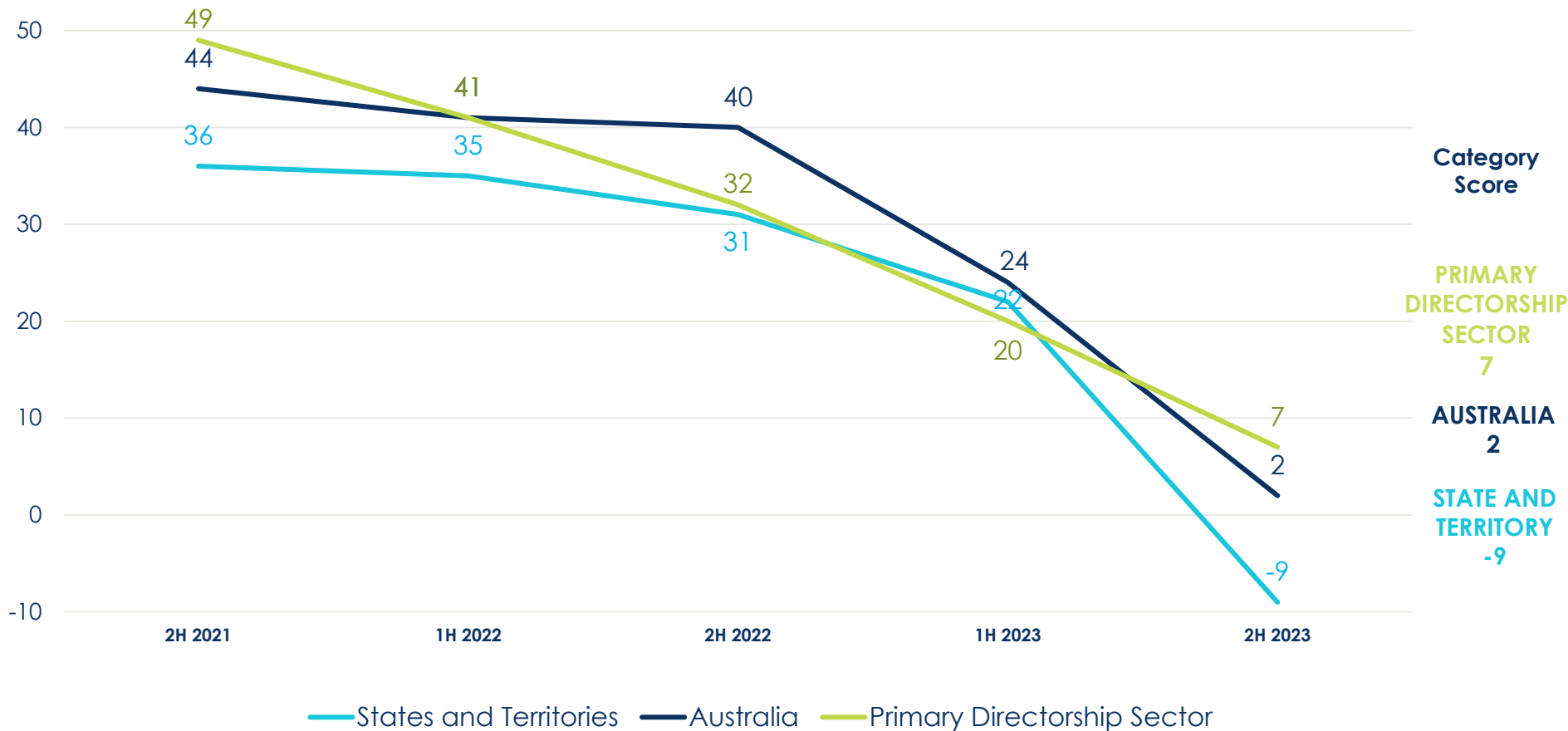
BUSINESS CONDITIONS DSI CATEGORY OVERVIEW

- The Business Conditions DSI category includes – Current and future (next 12 months) assessments of business conditions in Australia, director's state/territory and sector of primary directorship.
- Business Condition DSI category score continues to decline by 22 index points in 2H2023.
- Falls were evident in the current and future business conditions across Australia, State/Territory, and Sector of primary directorship.

Perceptions of the health of current business conditions were lower this wave for Australia, States and Territories combined, and for sectors combined

Declines were recorded in assessment of current business conditions in Australian states and territories, with a drop of 31 index points. Perceptions of business conditions for Australian overall also fell by 22 index points, while perceptions of condition in director sectors overall fell by 13 index points.

CURRENT HEALTH ASSESSMENT OF BUSINESS CONDITIONS DSI (2-Year Trend)



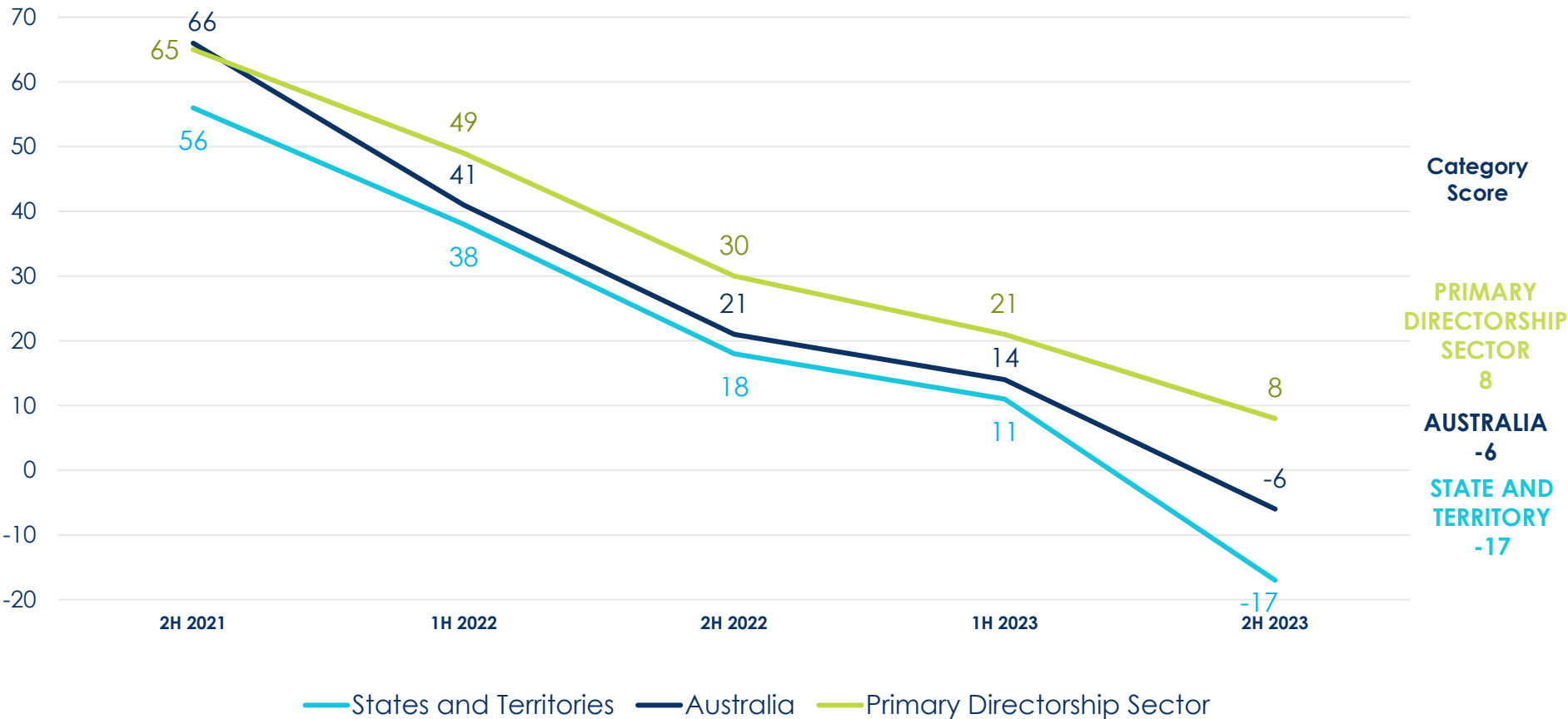
BUSINESS CONDITIONS DSI CATEGORY OVERVIEW

- Despite a decline of 22 index points, perceptions of current business condition in Australia remains marginally positive (+2).
- Perceptions of the current condition of industries overall remains positive (+7) despite a decline of 13 index points in 2H2023.

Perceptions of the future health of business conditions were lower this wave for Australia, States and Territories combined, and for sectors combined

Perceptions of the future health assessment of states and territories combined fell 28 index points, while a drop of 20 points was recorded for Australia.

NEXT 12 MONTH HEALTH ASSESSMENT OF BUSINESS CONDITIONS (2-Year Trend)



**BUSINESS CONDITIONS DSI
CATEGORY OVERVIEW**

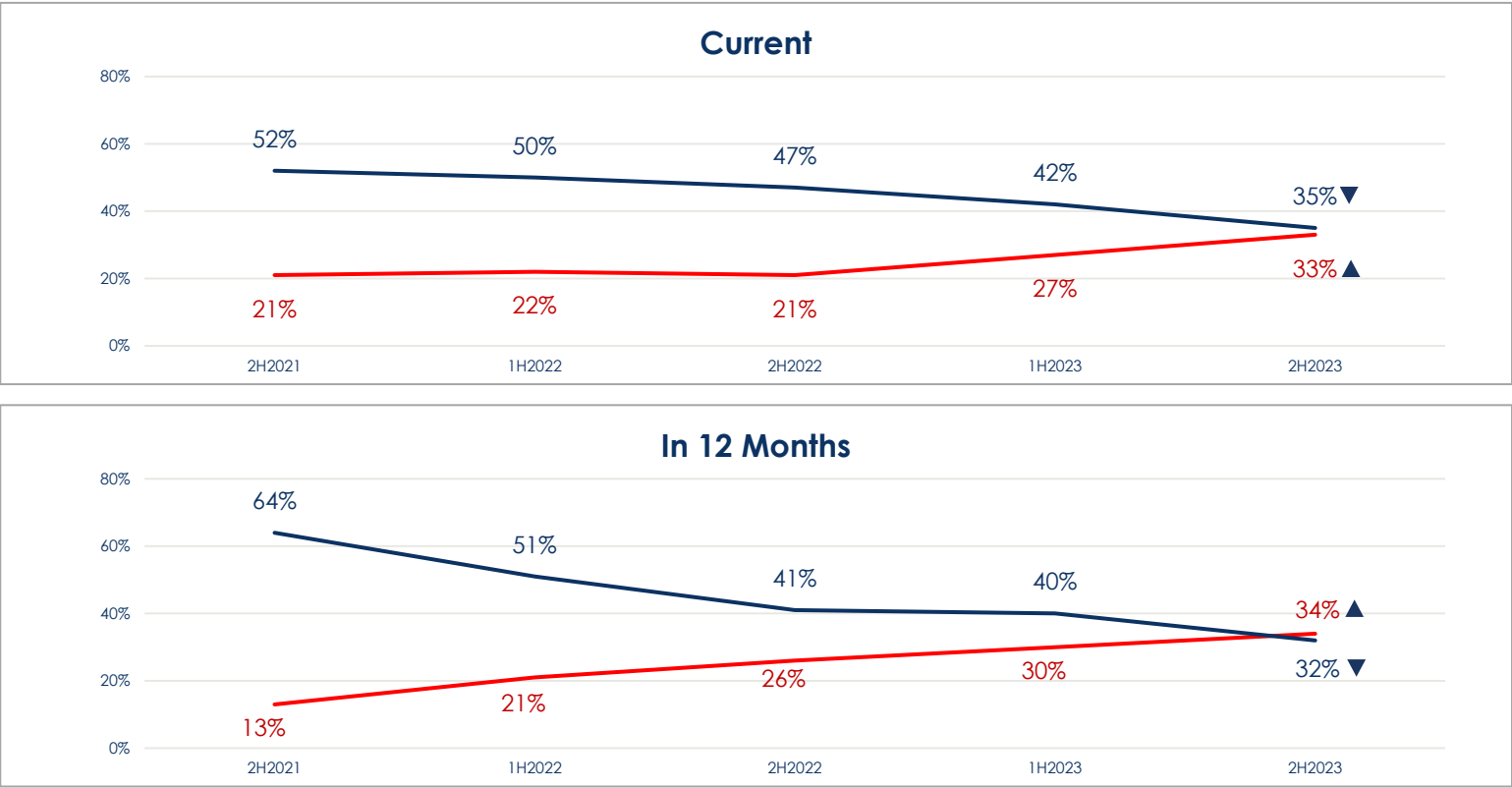
- The future assessment of Australia (N12M) shifts to negative territory (-6) with a decline of 20 index points in 2H2023.
- Future assessment for Industries combined fell 13 index points, although remained in positive territory at +8.

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,524. 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)
NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37, ACT n=40, NT n=24

Current and future assessments of business conditions in Australia are both trending lower, with significant declines this wave

Assessment of Australian Business Conditions (2-Year Trend)

— Total Weak (Very weak + Somewhat weak)
— Total Strong (Very strong + Somewhat strong)



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

BUSINESS CONDITIONS OVERVIEW

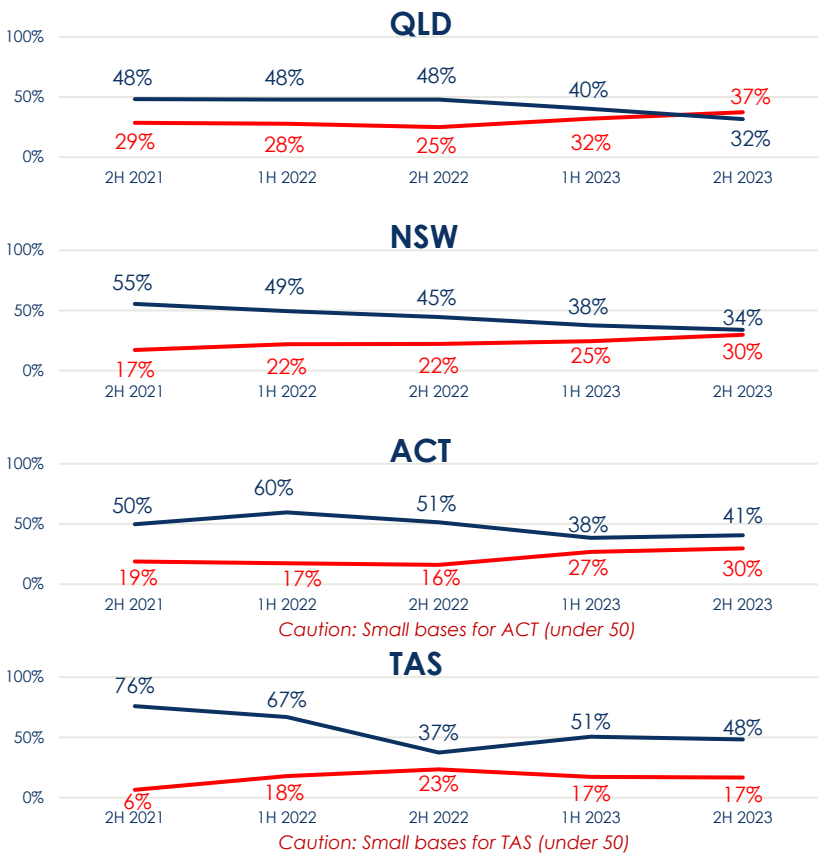
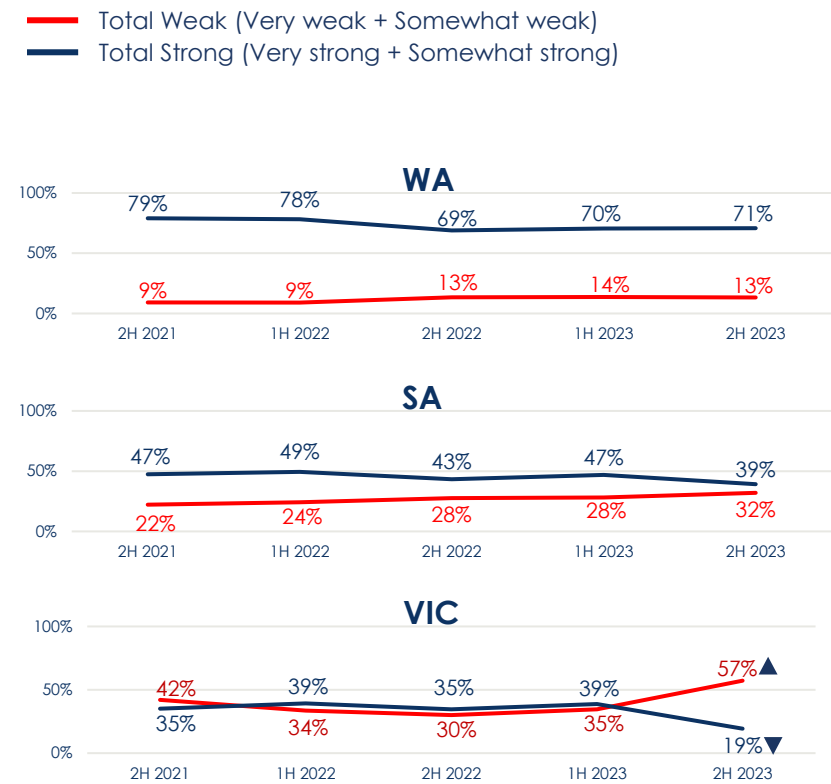
- The percentage of directors who assessed current business conditions as “total strong” was significantly lower among directors in the financial and insurance sector; whereas the percentage reporting “total weak” was significantly higher among directors in the retail trade sector.
- The percentage reporting “total strong” was significantly lower among directors in agriculture, forestry, and fishing sectors; whereas “total weak” was significantly higher among directors in manufacturing, agriculture, forestry, and fishing sectors.

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
B10.1. What is your assessment of current business conditions in Australia?
B11.1 What is your assessment of business conditions over the next 12 months Australia?
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Western Australia by far has the most directors assessing the state as having strong business conditions; Assessments of Victoria were lower this wave

Victoria has the lowest percentage of directors assessing the state as having strong business conditions, with the largest drop of any state since the first half of 2023.

CURRENT ASSESSMENT OF BUSINESS CONDITIONS IN THE STATE OF DIRECTORSHIP (2-Year Trend)



Caution: Small bases for ACT (under 50)

Caution: Small bases for TAS (under 50)

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

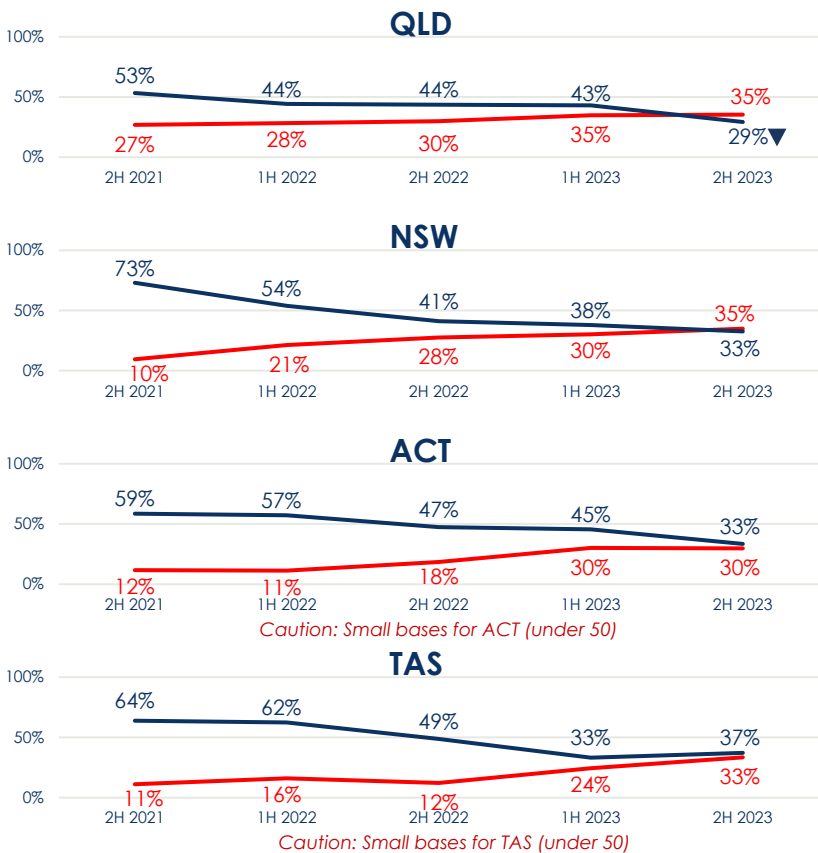
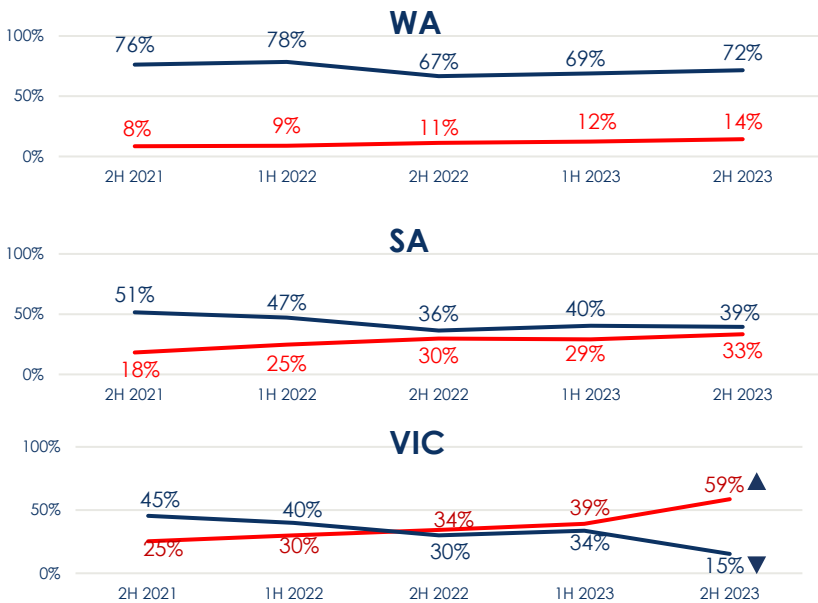
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
B10.2. What is your assessment of current business conditions in the state where your primary directorship is based?
NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37, ACT n=40, NT n=24. NT not shown due to low base

Western Australia has the most directors assessing the state as having strong business conditions in the next 12 months; Assessment of Vic and QLD were lower this wave

Victoria again has the lowest percentage of directors assessing the state as having strong business conditions in the next 12 months, with the largest drop of any state since the first half of 2023.

NEXT 12 MONTH ASSESSMENT OF BUSINESS CONDITIONS IN THE STATE OF DIRECTORSHIP (2-Year Trend)

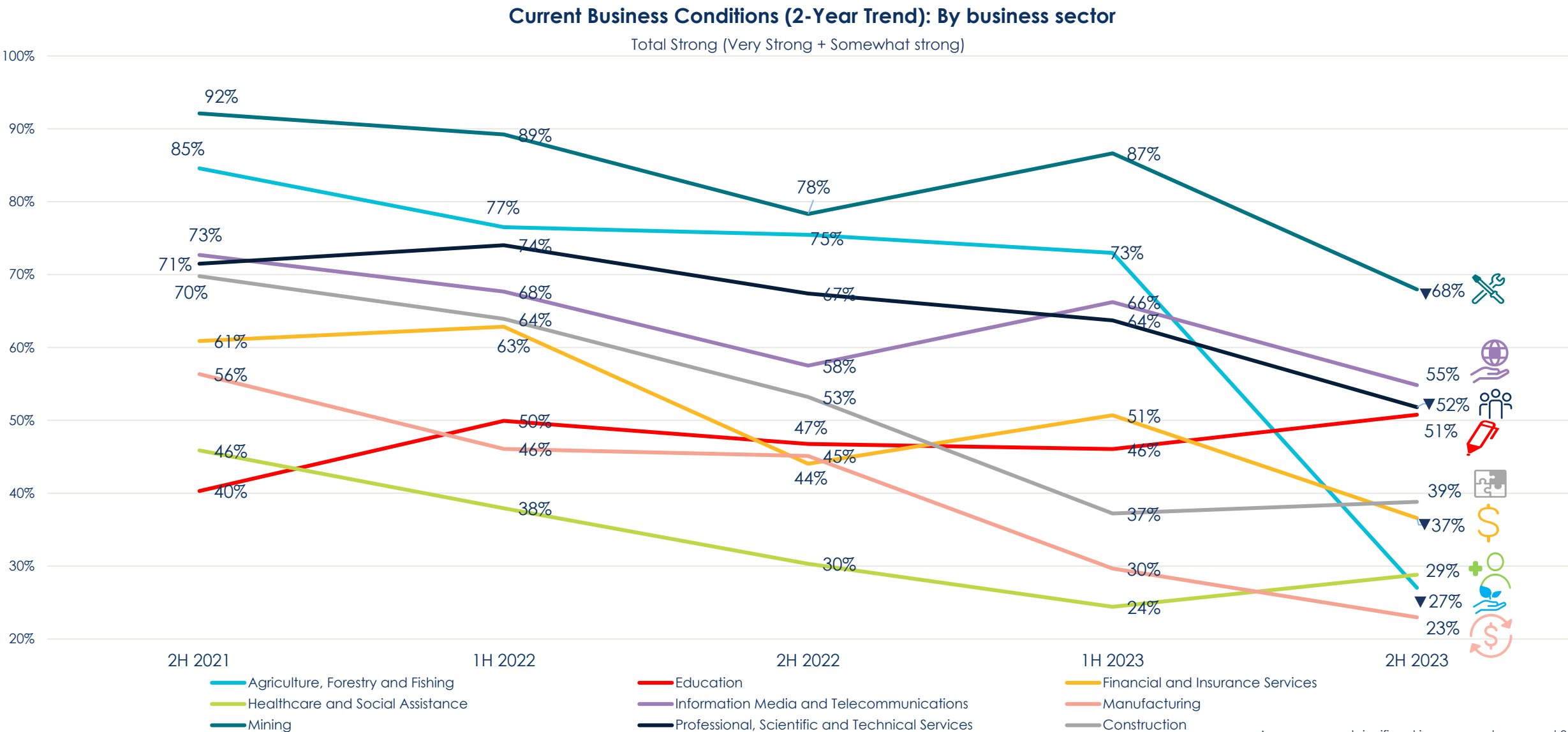
- Total Weak (Very weak + Somewhat weak)
- Total Strong (Very strong + Somewhat strong)



Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
B11.2 What is your assessment of business conditions over the next 12 months in the state where your primary directorship is based?
NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37, ACT n=40, NT n=24. NT not shown due to low base
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▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

More directors assessed Mining as having strong business conditions, more than any other industries, despite a fall from last wave

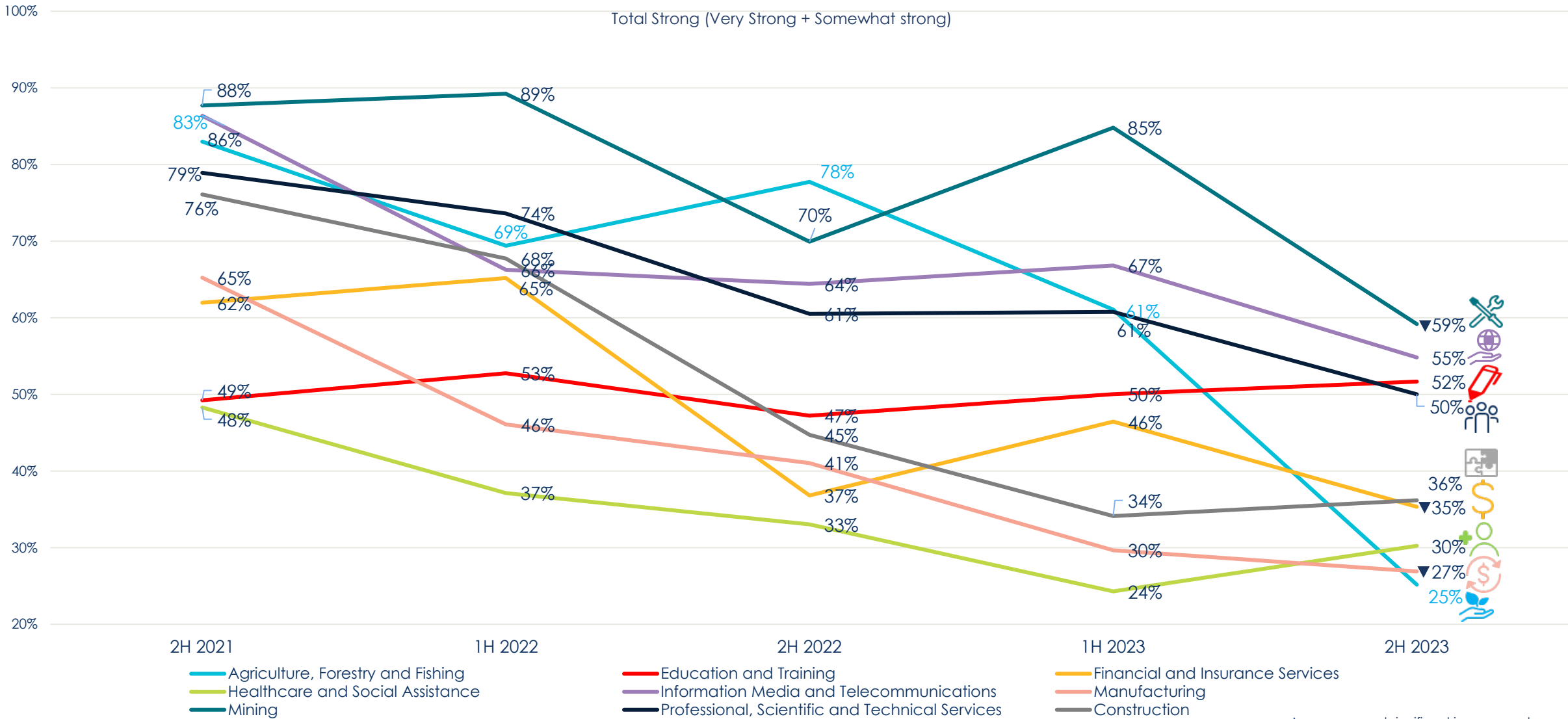


Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
B10.3 What is your assessment of current business conditions in (the sector your primary directorship is in)? Only displaying sectors with n=40 or more sample size in 2nd half 2023.
Base: Agriculture n=52, Education n=103, Financial n=151, Healthcare n=272, Information Media n=40, Manufacturing n=70, Mining n=66, Prof services n=161, Construction n=44
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Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

More directors assessed Mining as having strong business conditions in the next 12 months compared to other industries, and despite a fall

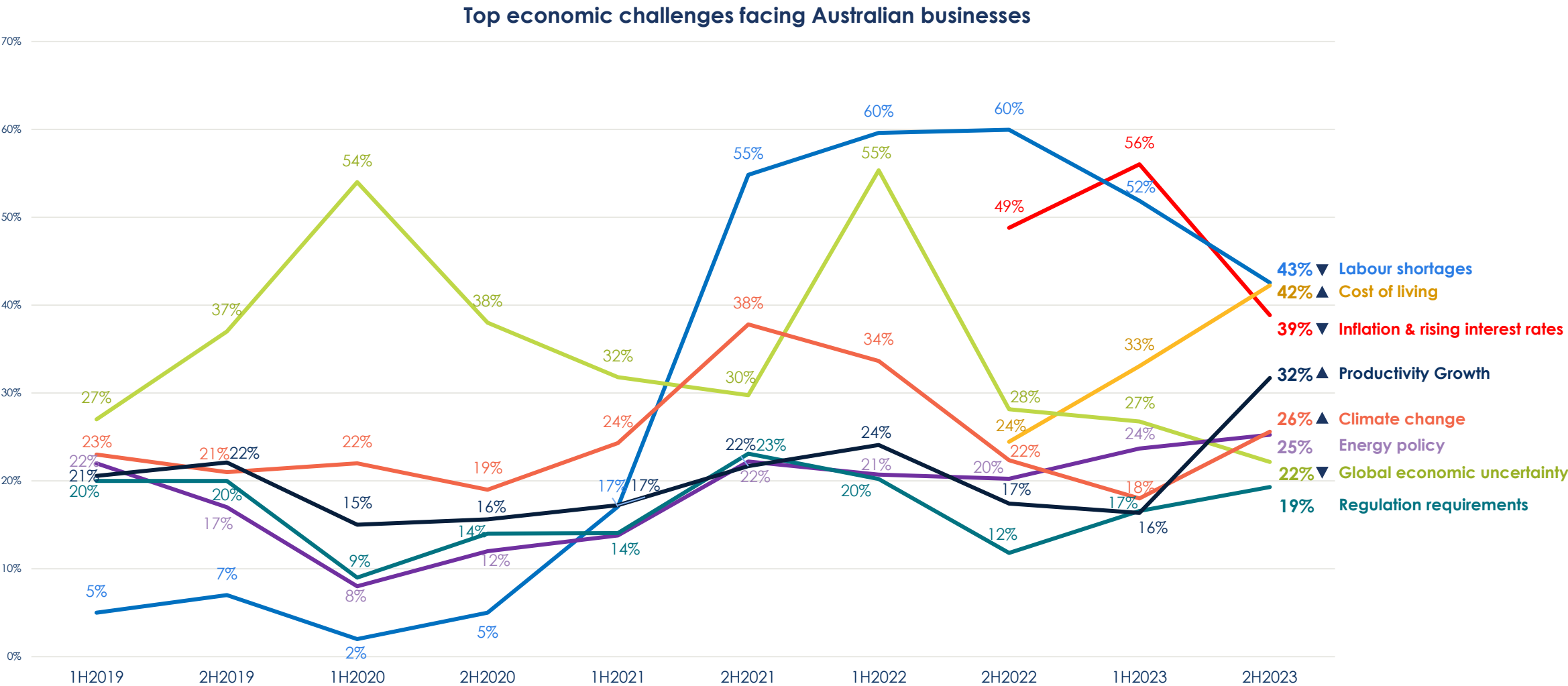
Business Conditions over the next 12 months (2-Year Trend): By business sector



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
11.3 What is your assessment of business conditions over the next 12 months in (the sector your primary directorship is in)? Only displaying sectors with n=40 or more sample size in 2nd half 2023.
Agriculture n=52, Education n=103, Financial n=151, Healthcare n=272, Information Media n=40, Manufacturing n=70, Mining n=66, Prof services n=161, Construction n=44
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Directors view labour shortages and cost of living as the top economic challenges facing Australian businesses



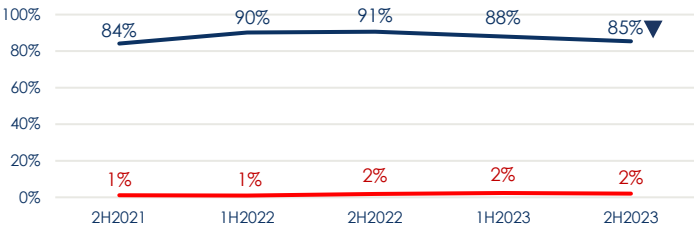
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
E6. What are the top 3 economic challenges currently facing Australian businesses?
Percentage of respondents that nominated issue in the top three economic challenges.
Note: Amendments to the list may impact comparability with previous results.
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▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

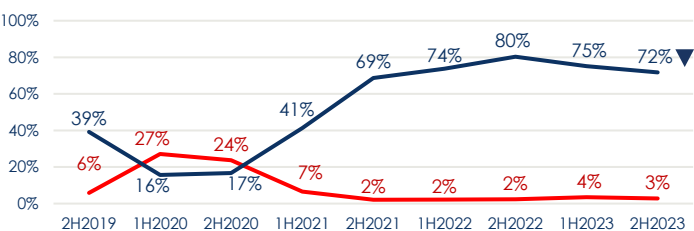
Most directors expect costs and wage levels to increase in the next 12 months - more than for other factors - although percentages fell for these this wave

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

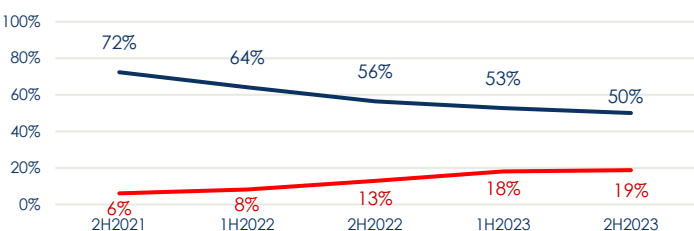
Costs (e.g. raw materials, energy, etc.)



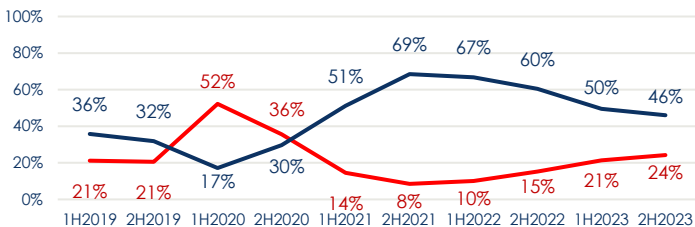
Wage Levels



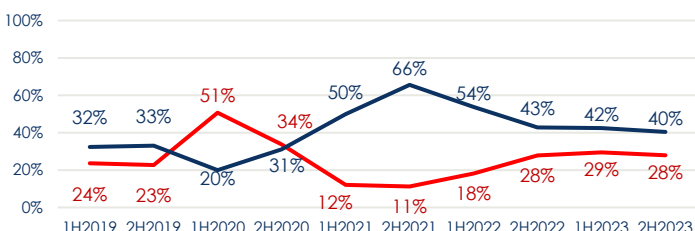
Turnover and sales



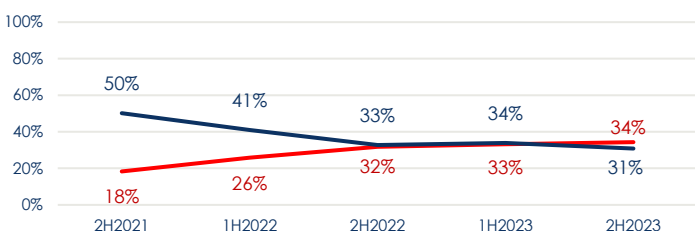
Labour demands



Investment Levels



Profitability



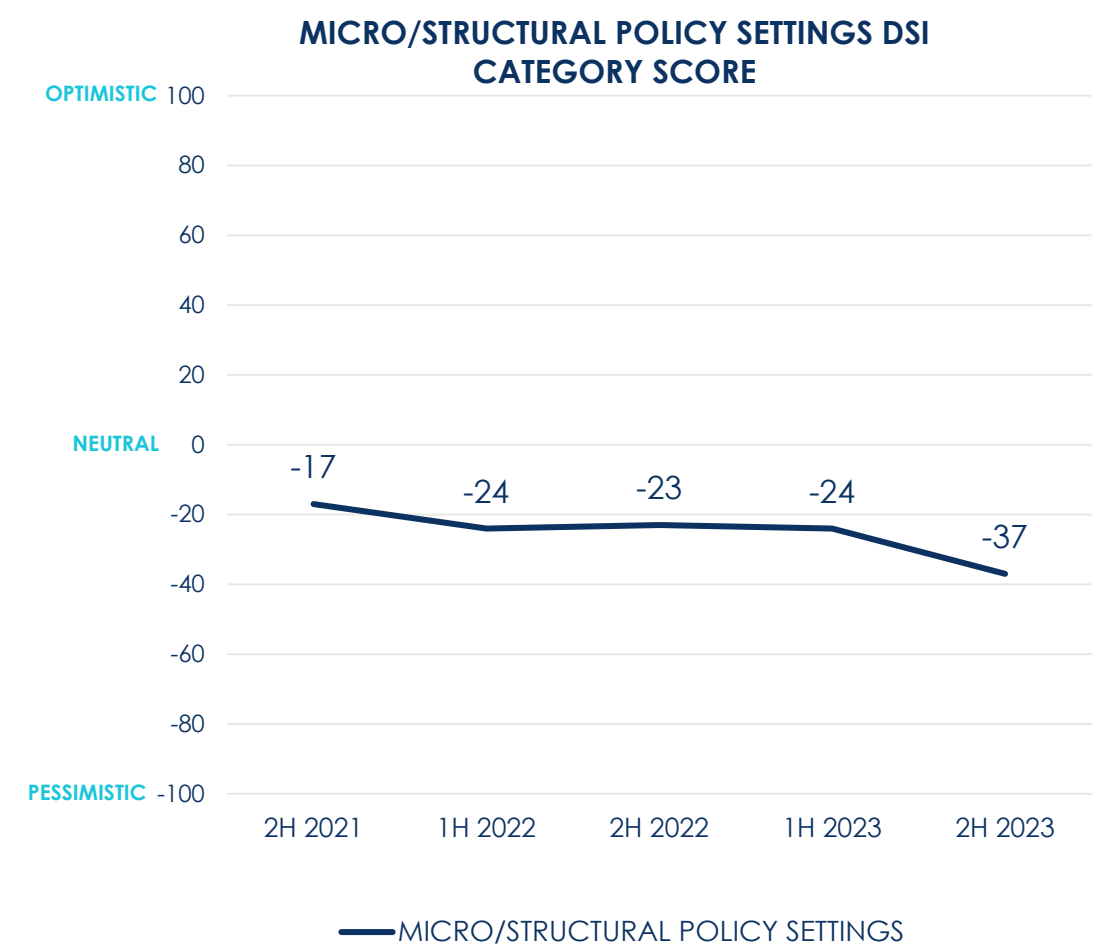
— Total Decrease (Strongly Decrease + Slightly Decrease)
— Total Increase (Strongly Increase + Slightly Increase)

Source: AICD Director Sentiment Index Survey 2nd half 2023 Base: AICD Directors 18+; n=1,352 B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business? Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey. © Copyright Australian Institute of Company Directors or its licensors 2021. All rights reserved under Australian and foreign laws. 2022/23

Micro/Structural Policy Settings



Directors' assessment of micro/structural policy settings declined from first half of 2023



MICRO/STRUCTURAL POLICY SETTINGS DSI CATEGORY OVERVIEW

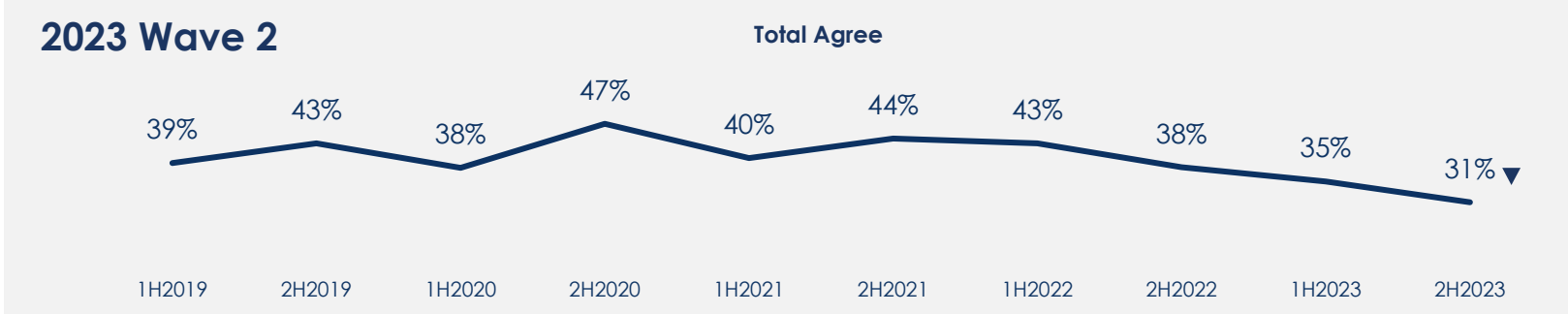
- The Micro/Structural Policy Settings DSI category includes:
 - Perception of levels of corporate/personal taxation and the GST, government spending on infrastructure and education, openness to foreign investment, support for international trade and innovation, and assessments of government understanding of business.
- The Micro/Structural Policy Settings DSI category (-37) declined by 13 points in the second half of 2023. Government support for international trade (+14) remains the strongest indicator in Micro/Structural Policy Settings, however this declined by 9 points since the last survey.
- State government understanding of business (-44) declined by 34 points. Government spending on infrastructure (-28) and openness to foreign investment (-10) both declined by 19 points.

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
RE3. To what extent do you agree or disagree with the following statements.
NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37, ACT n=40, NT n=24.
T1. What is your level of satisfaction with the current state of the following Australian policy settings...?
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Director agreement that the federal government understands business continued to decline, while trust in the federal government also fell significantly



The federal government understands business...

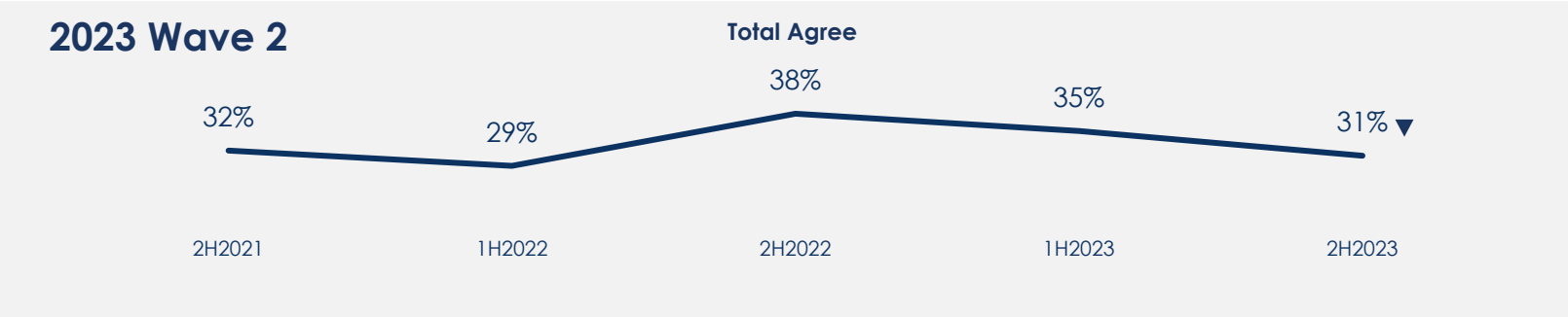


KEY INSIGHTS ON FEDERAL GOVERNMENT UNDERSTANDING BUSINESS AND TRUST

- Nearly half of directors disagree that the federal government understands business, an increase from the first half of 2023.



I trust the federal government...



- Trust in the federal government declined significantly in the second half of 2023.
- The proportion of directors disagreeing that they trust the federal government increased from 46% in the first half of 2023 to 54% this wave.

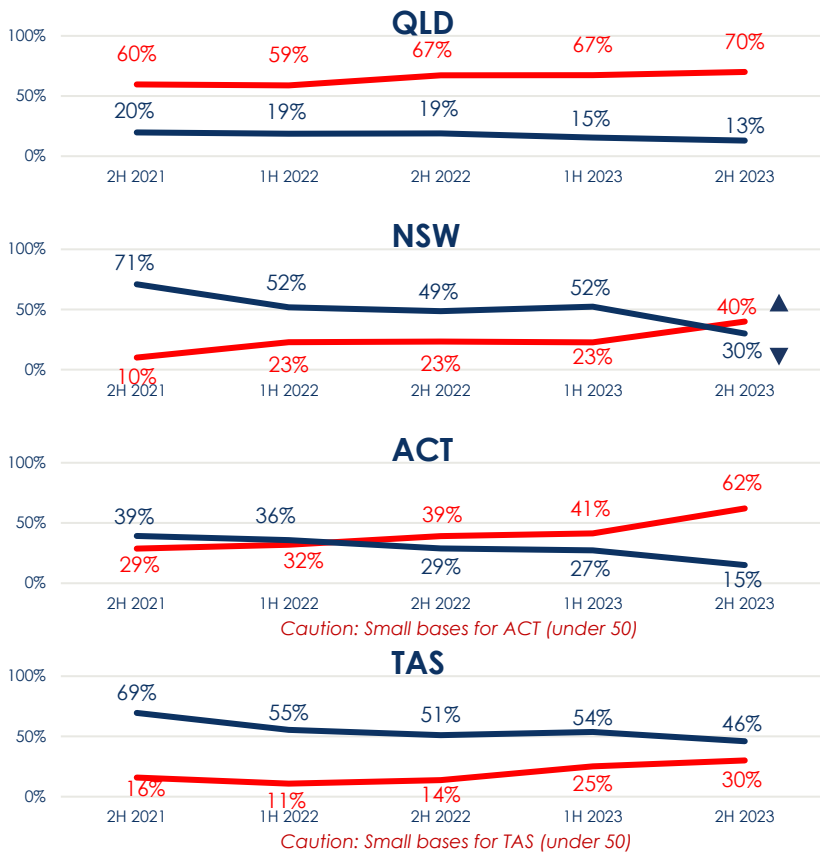
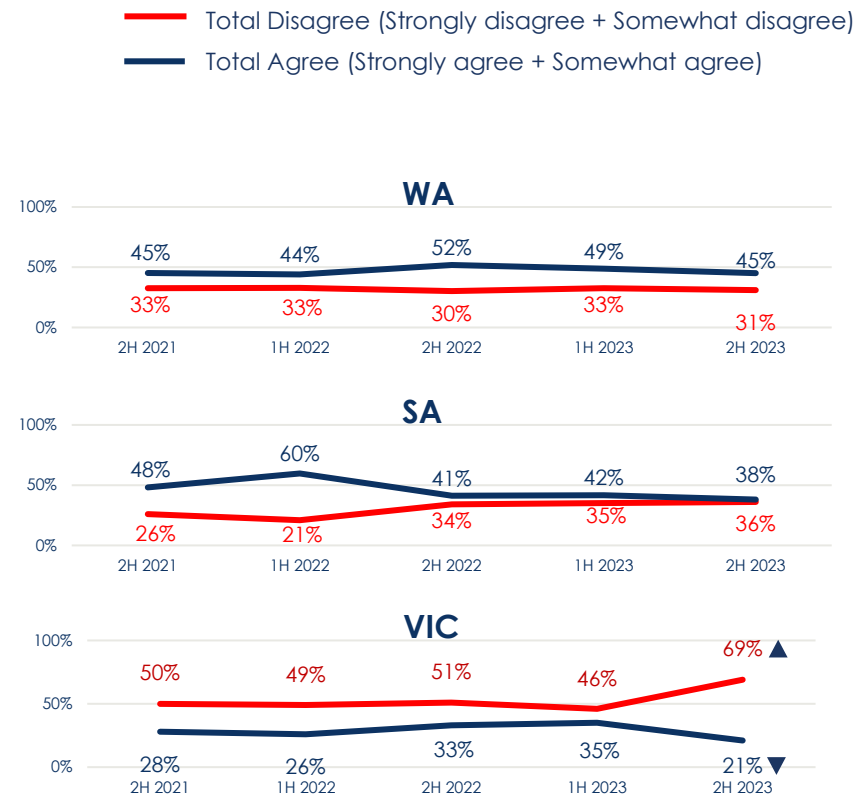
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
RE3.1. To what extent do you agree or disagree that the Federal Government understands business?
RE3.2. To what extent do you agree or disagree that you trust the Federal government?

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Western Australia has the largest proportion of directors agreeing the state government understands business, while proportions declined in Vic and NSW

Victoria and New South Wales showed significant declines in the percentage of directors agreeing that their state government understands business, with the decline for New South Wales the largest among all states and territories.

MY STATE GOVERNMENT UNDERSTANDS BUSINESS (2-Year Trend)



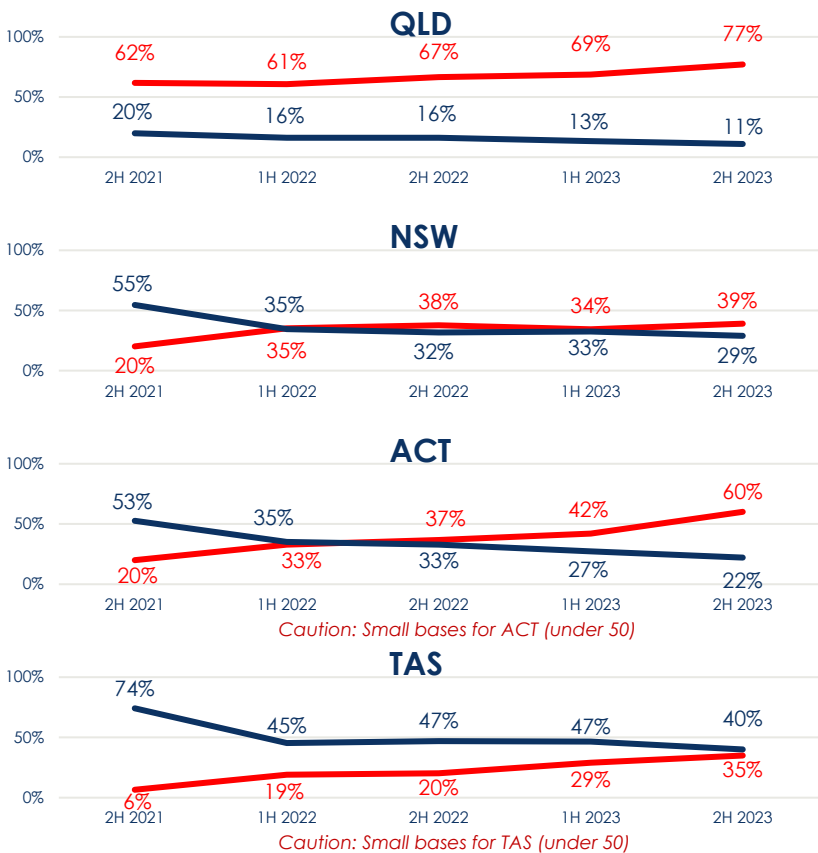
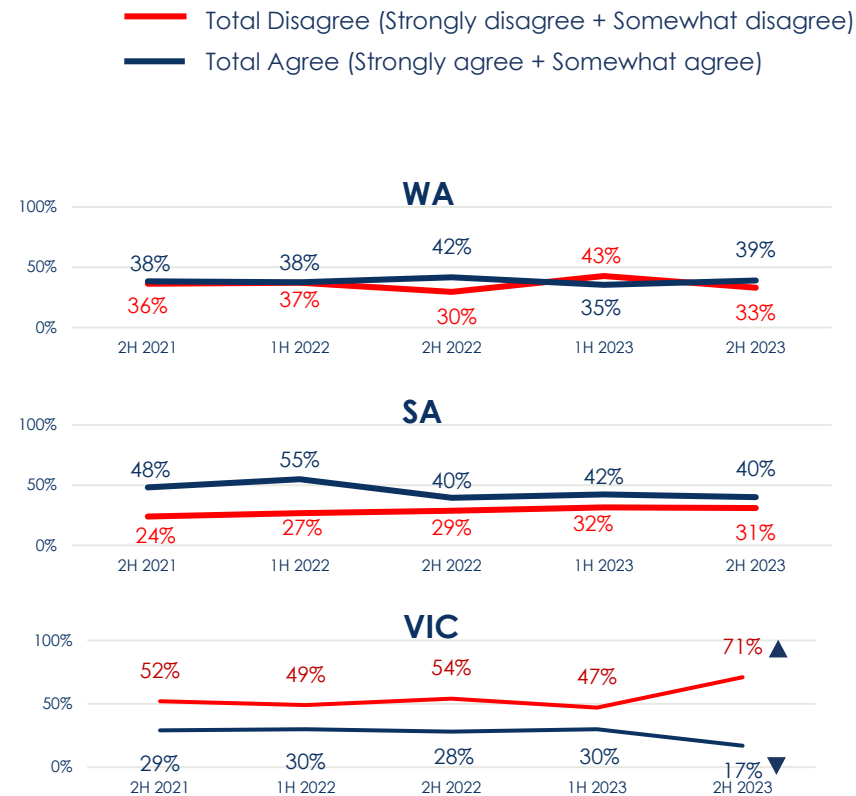
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352. RE3. To what extent do you agree or disagree with the following statements: RE3.3 The [State government of primary directorship] understands business. NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37*, ACT n=40*, NT n=24*. <50 NT not shown due to low base

Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Western Australia and South Australia had the highest proportion of directors who trust the state government; Trust in Vic government declined

Victoria recorded a significant decline in the percentage of directors who trust the state government, the largest decline of all states and territories. Percentages were lower for all except WA.

I TRUST MY STATE GOVERNMENT (2-Year Trend)



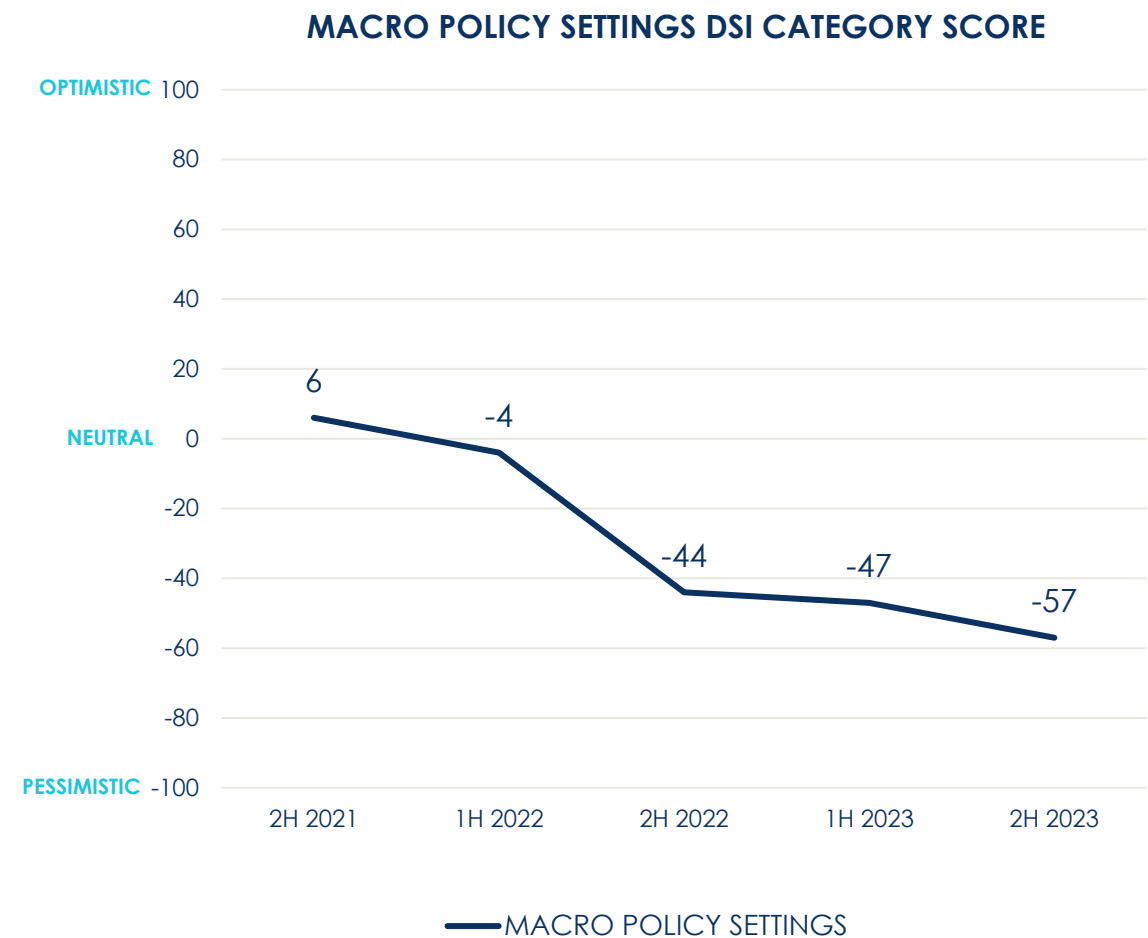
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
RE3.4. To what extent do you agree or disagree that you trust the state government where your primary directorship is based?
NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37*, ACT n=40*, NT n=24*. <50 NT not shown due to low base

- Edit Master text styles
 - Second level
 - Third level
 - Fourth level
 - Fifth level

Macro Policy Settings



Macro Policy Setting DSI category score continues to decline, mainly due to impact of level of Australian dollar



MACRO POLICY SETTINGS DSI CATEGORY OVERVIEW

- The Macro Policy Settings DSI category includes:
 - Assessment of the adequacy of federal and state government fiscal support and RBA monetary policy, the impact of the Australian dollar and availability of business credit.
- The Macro Policy Settings DSI category declined by 10 points in the second half of 2023, primarily driven by the perceived negative impact of the current level of the Australian dollar on business (-60) which declined by 32 points.
- Federal fiscal policy (-55) and RBA monetary policy (-54) both saw increases of 1 point and 3 points respectively.

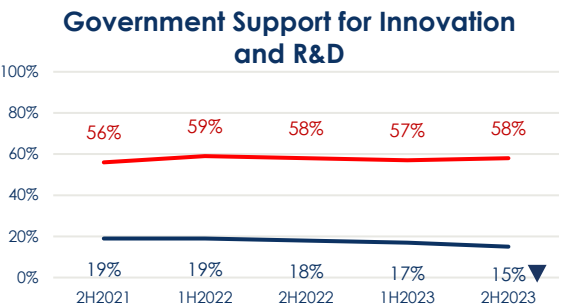
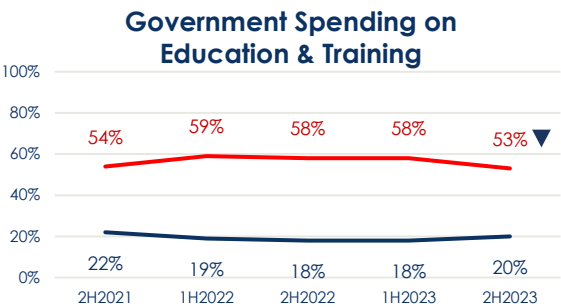
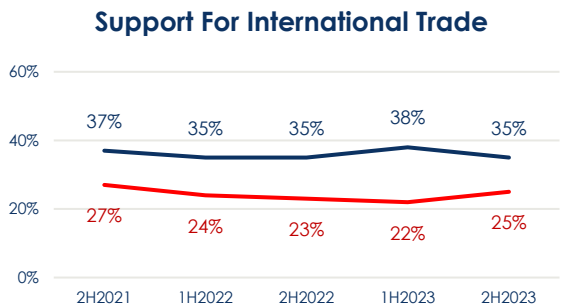
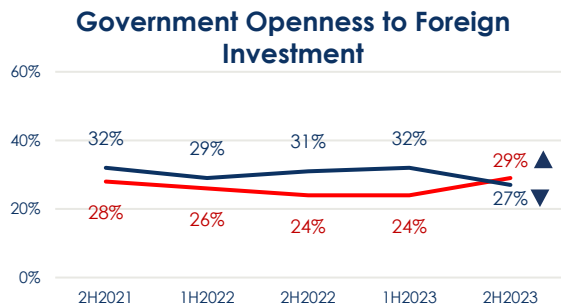
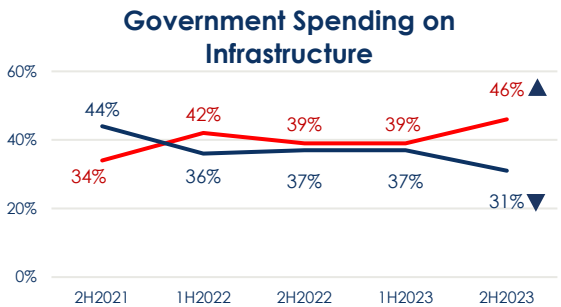
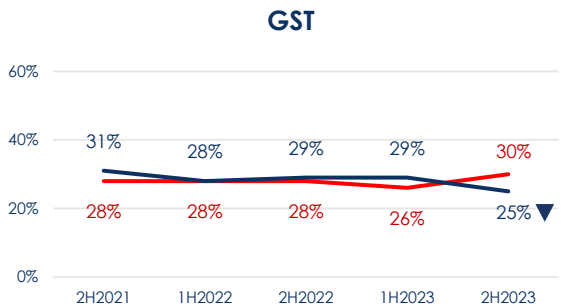
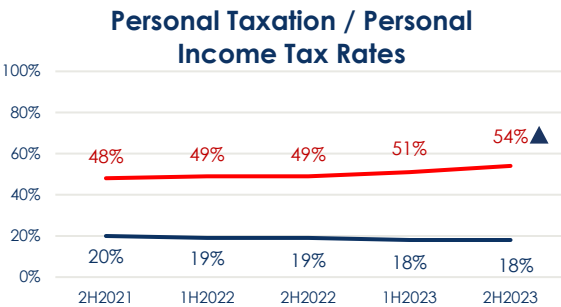
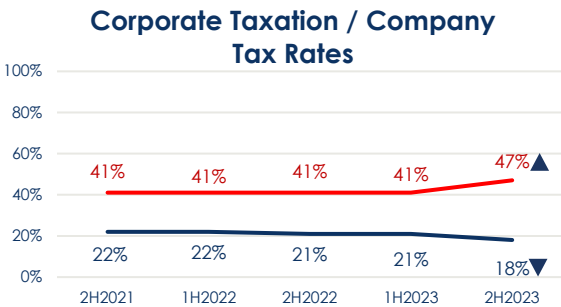
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352
MA1. How positively or negatively do the following affect your business? NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37, ACT n=40, NT n=24.

More directors are satisfied with support for international trade than any other policy setting

Significantly fewer directors were satisfied with government spending on infrastructure compared to the first half of 2023; the largest decline in satisfaction among all policy settings. Declines were also recorded for Tax Rates, GST, Government openness to foreign investment, and Government Support for Innovation and R&D.

Satisfaction with Australian policy settings

- Total Dissatisfied (Very dissatisfied + Somewhat dissatisfied)
- Total Satisfied (Very satisfied + Somewhat satisfied)



Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352
T1. What is your level of satisfaction with the current state of the following Australian policy settings...?

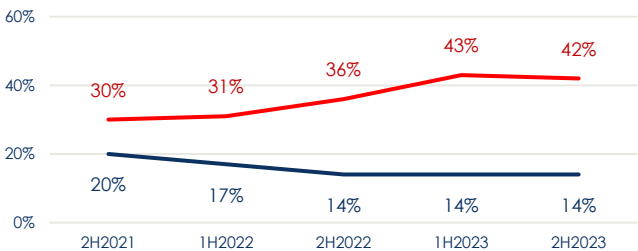
▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Significantly more directors considered current state fiscal policy, current level of the Australian dollar, and availability of business credit to negatively impact their business

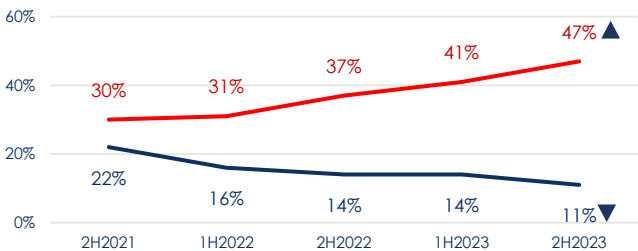
Impact On Business

— Total Negatively (Very negatively + Somewhat negatively)
— Total Positively (Very positively + Somewhat positively)

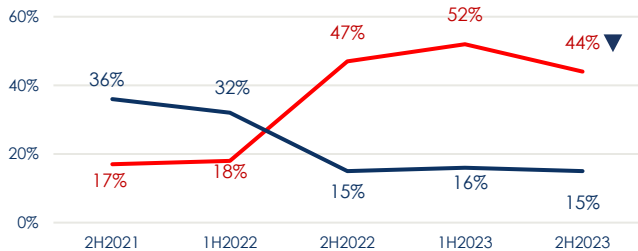
Current Federal Fiscal Policy Setting



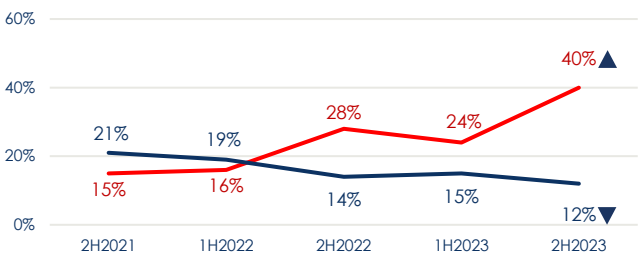
Current State Fiscal Policy Setting



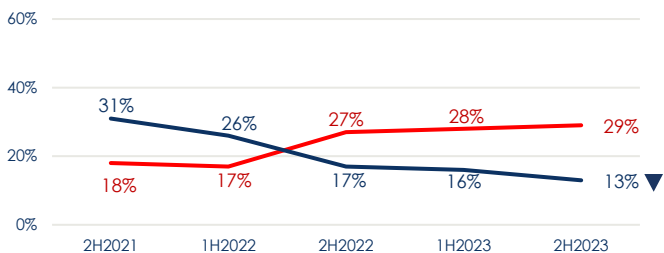
Current RBA Monetary Policy



Current Level of the Australian Dollar



Availability of Business Credit

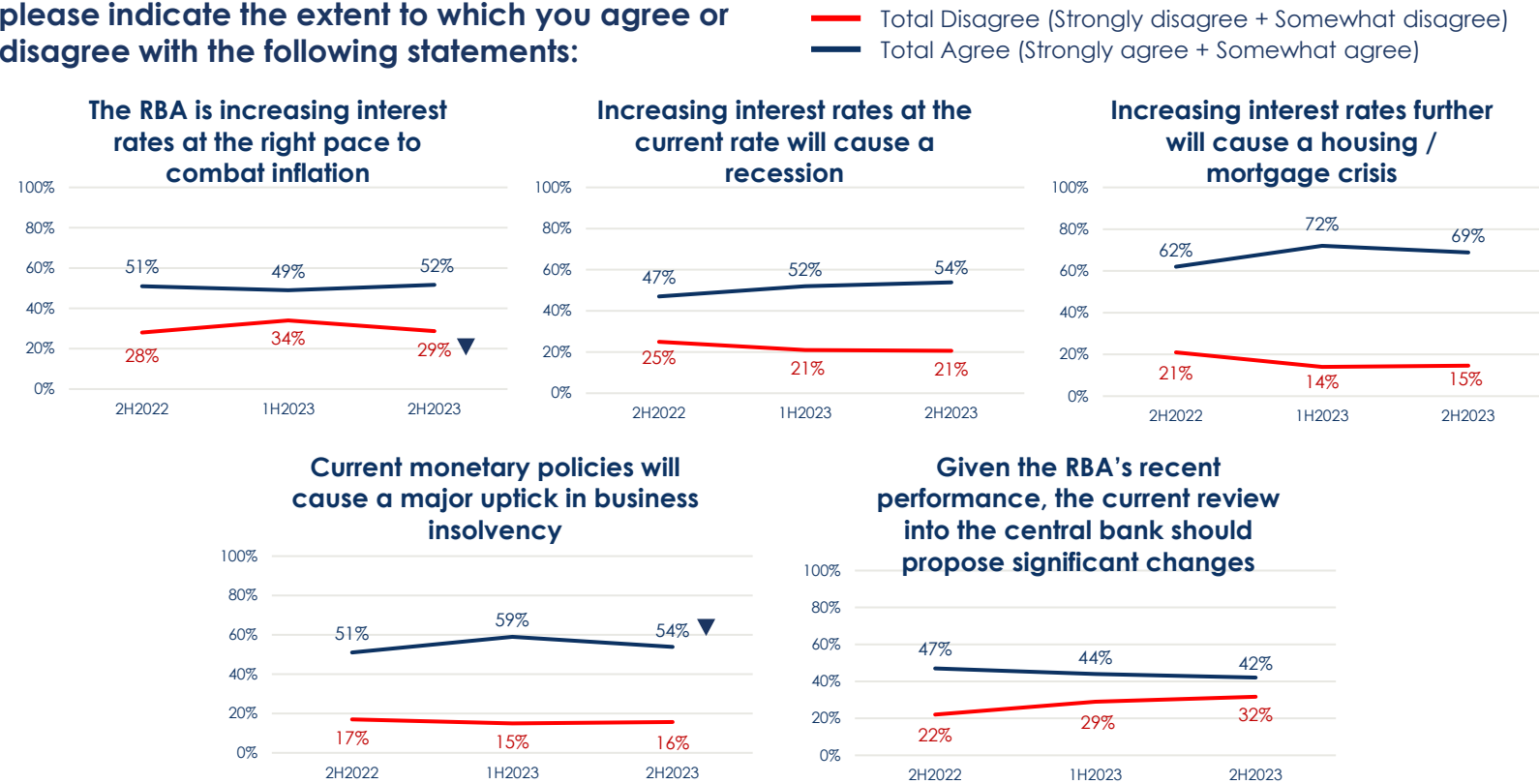


▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

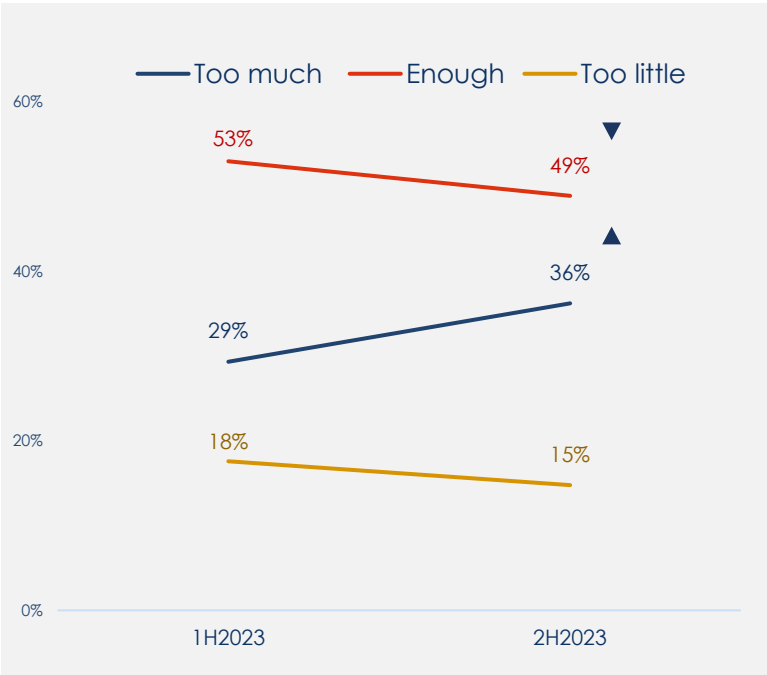
Almost half of directors viewed the amount of government intervention in the RBA as ‘enough’ – this level has fallen, with an increase in ‘too much’ intervention

Compared to the first half of 2023, the proportion of directors who held this view has declined significantly, with increasingly more directors considering the amount of intervention to be ‘too much’.

Thinking about inflation, interest rates and the RBA, please indicate the extent to which you agree or disagree with the following statements:



Has the amount of government intervention in the RBA been too much, enough, or too little?



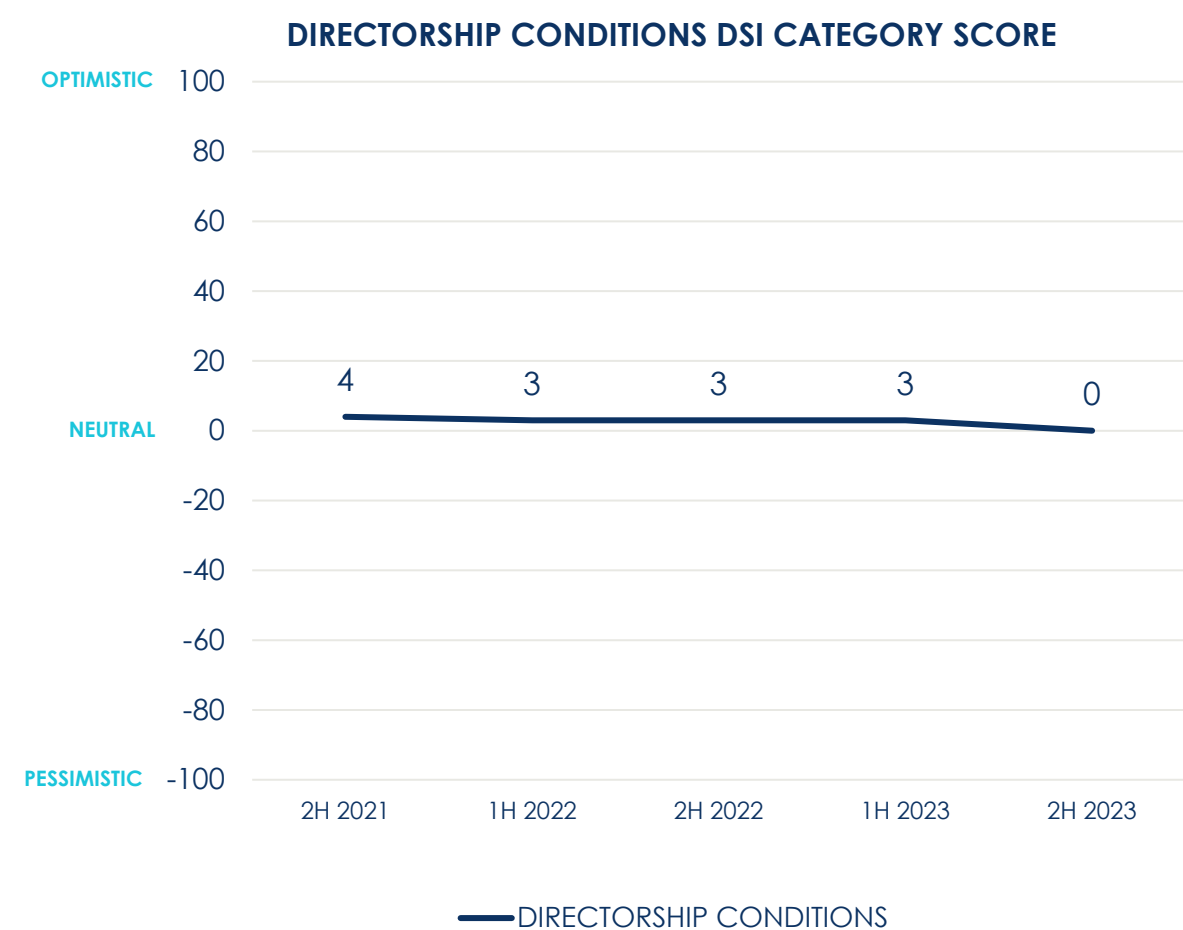
Base: AICD Directors 18+; n=1,352. RBA1 a. Has the amount of government intervention in the RBA been too much, enough, or too little?

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Directorship Conditions



Directorship conditions decreased for the first time since 2021; directors showed increased dissatisfaction with level of reporting requirements



DIRECTORSHIP CONDITIONS DSI CATEGORY OVERVIEW

- The Directorship Conditions DSI category includes:
 - Balance of current governance regulations (principles-based vs prescriptive), satisfaction of corporate reporting requirements and diversity on Australian boards, and whether director liability provisions negatively impact decision-making.
- The Directorship Conditions DSI category saw a decrease of 3 index points to 0 in the second half of 2023.
- This wave's results saw higher levels of negative sentiment towards the current level of reporting requirements (+26) which decreased by 14 points. Current balance of governance regulations (+9) also declined by 7 points.

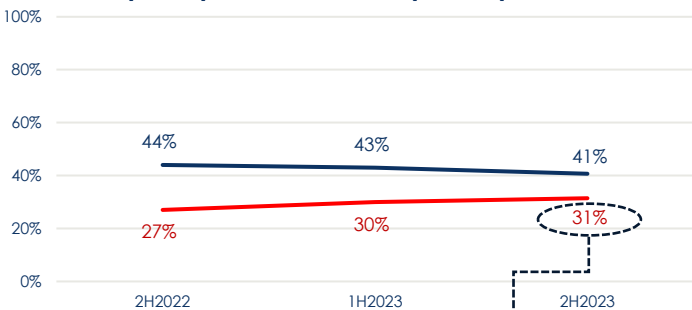
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements.
G1A. Base: Total disagreed that governance regulations strike appropriate balance n=426.
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Most directorship conditions remained largely unchanged, although significantly fewer directors agreed the current level of corporate reporting requirements is satisfactory

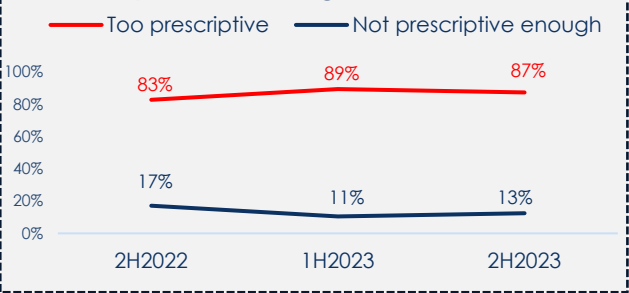
Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements:

— Total Disagree (Strongly disagree+ Somewhat disagree)
— Total Agree (Strongly agree + Somewhat agree)

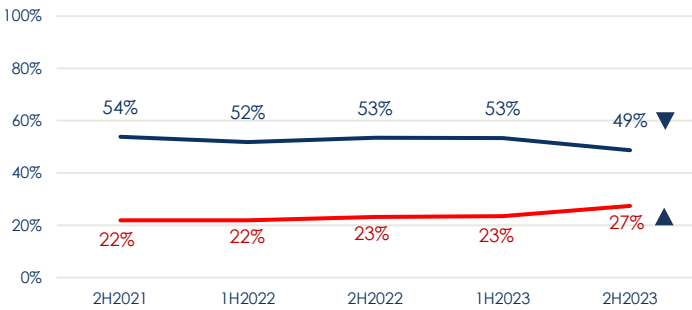
Current governance regulations strike the appropriate balance between being principles-based and prescriptive



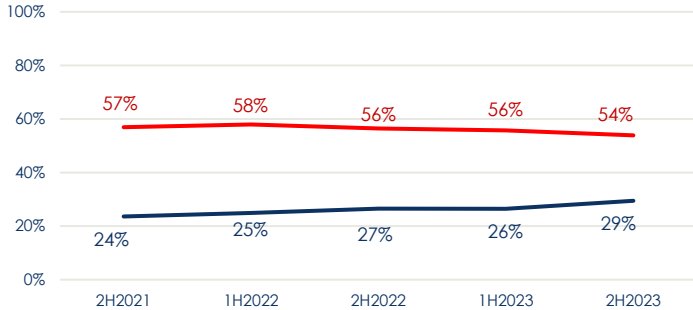
Disagreed regulations strike the appropriate balance: Do you find the regulations to be...



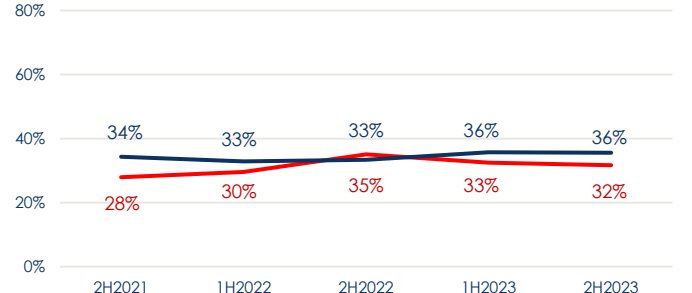
The current level of corporate reporting requirements is satisfactory



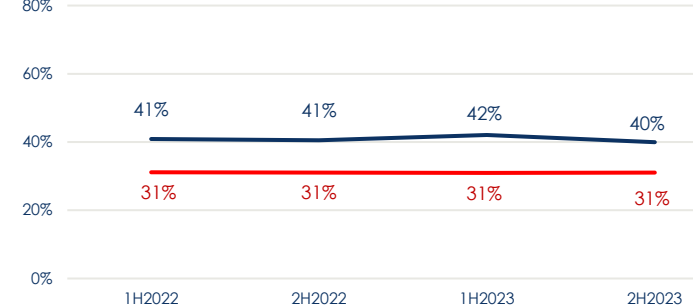
The current level of diversity on Australian boards is satisfactory



Current director liability provisions negatively impact my ability to make decisions



My board faces difficulties recruiting new talented directors



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements.
Board experience statements 1% = Not applicable; My board faces difficulties recruiting new talented directors 4% = Not applicable. Total disagreed that governance regulations strike appropriate balance n=426.
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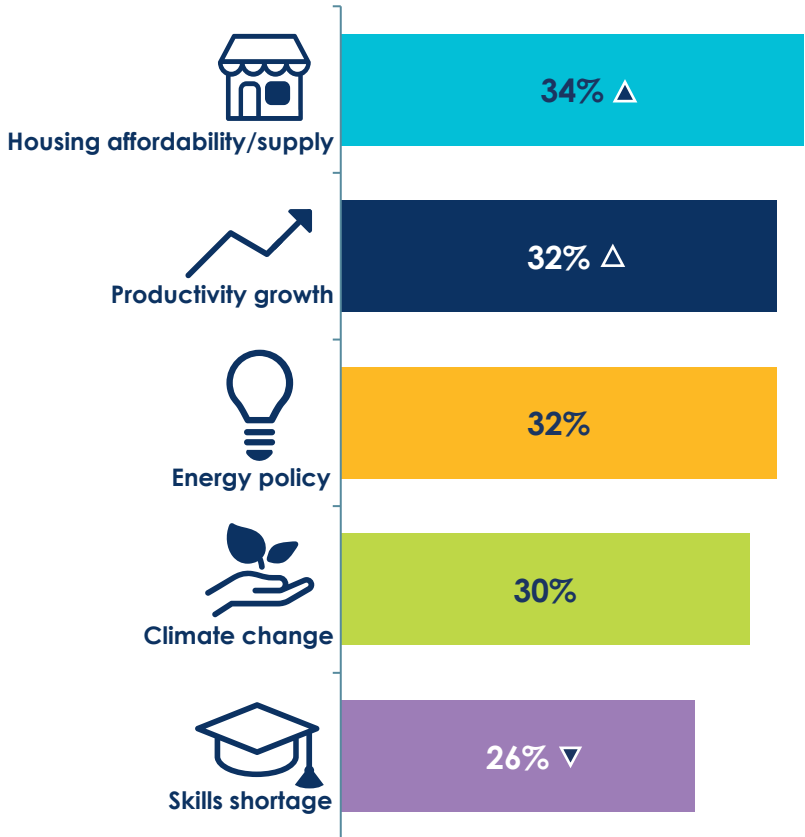
Topical Issues & Deep Dives



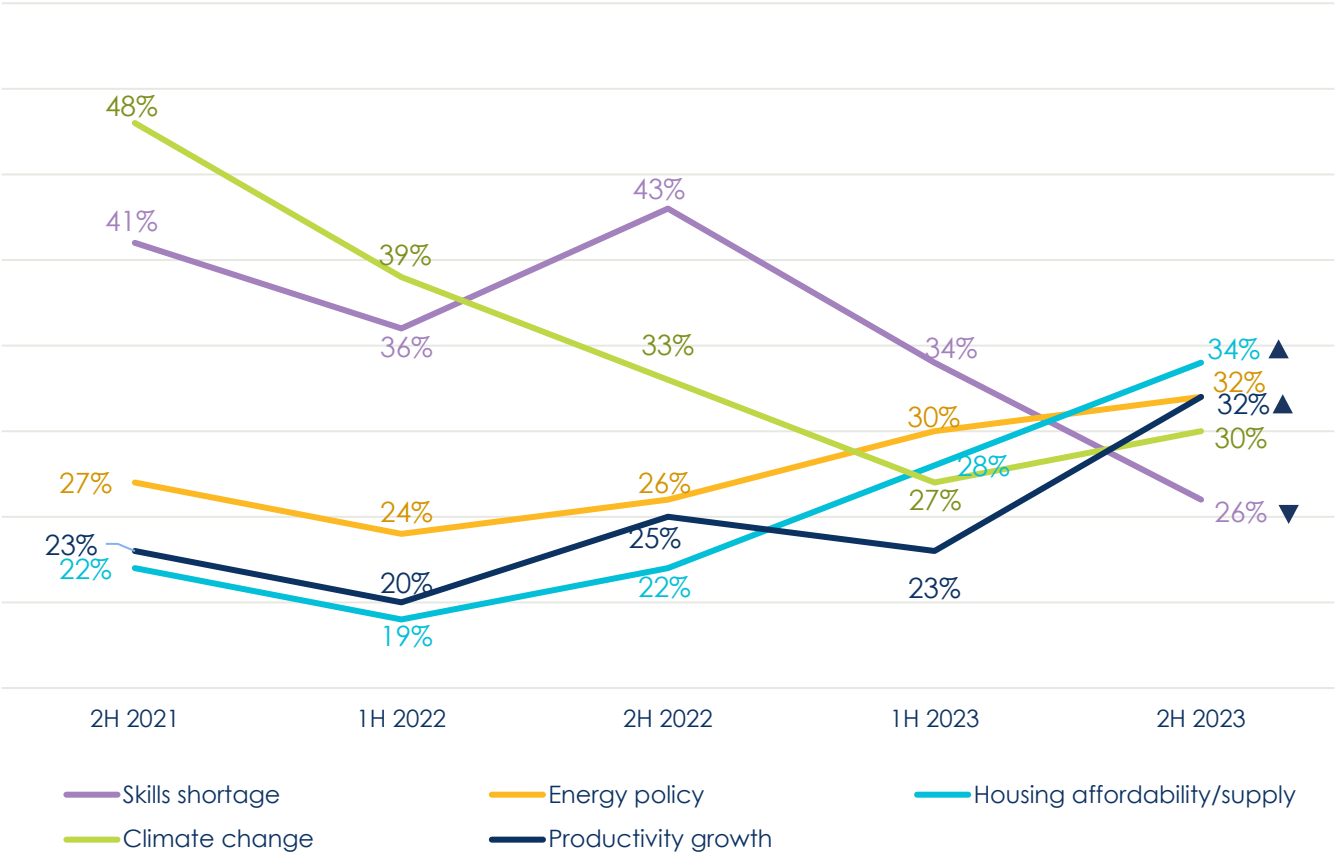
Housing affordability/supply and productivity growth mentioned by more directors as top short-term issues

Significantly more directors view housing affordability/supply and productivity growth as top short-term issues the government should address in the next 3 years. Significantly fewer directors now rate skills shortage as a top short-term issue needing to be addressed.

What are the top issues the federal government should address in the next 3 years?



Top Five Short-Term Issues (Total Mentions)



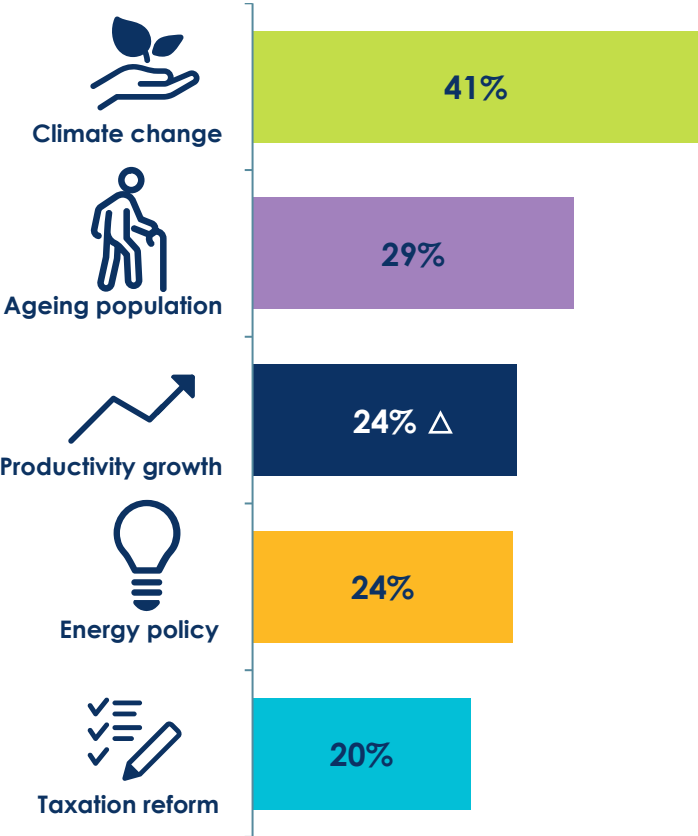
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
RE4. In your opinion, what are the top 3 issues the federal government should address in the short term (next 3 years)?
Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

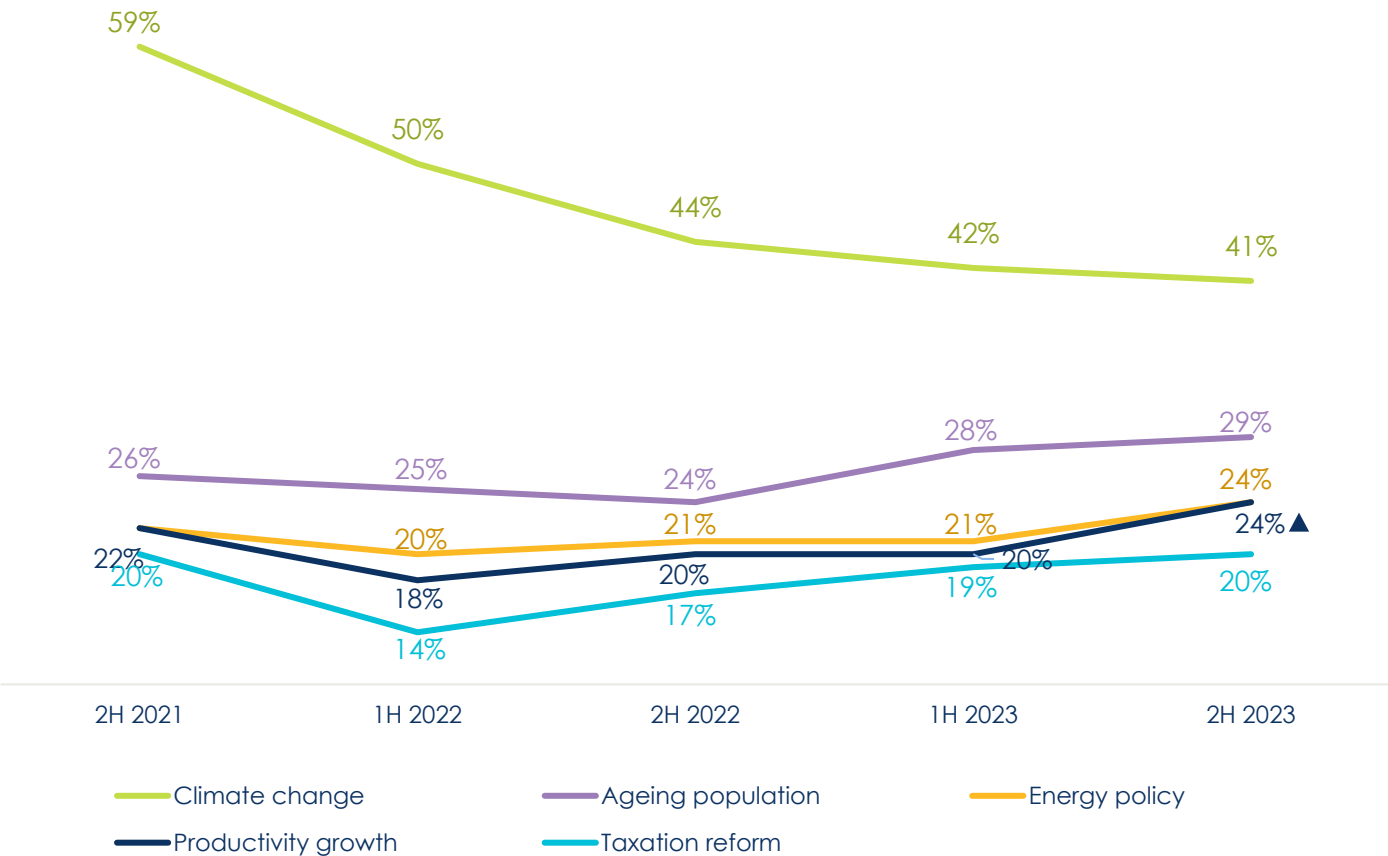
Directors still considered climate change to be the top long-term issue requiring government action

Ageing population was the second issue directors thought the government should address in the next 10-20 years, followed by productivity growth which increased significantly in total mentions from last wave.

What are the top issues the federal government should address in the next 10-20 years?



Top Five Long-Term Issues (Total Mentions)

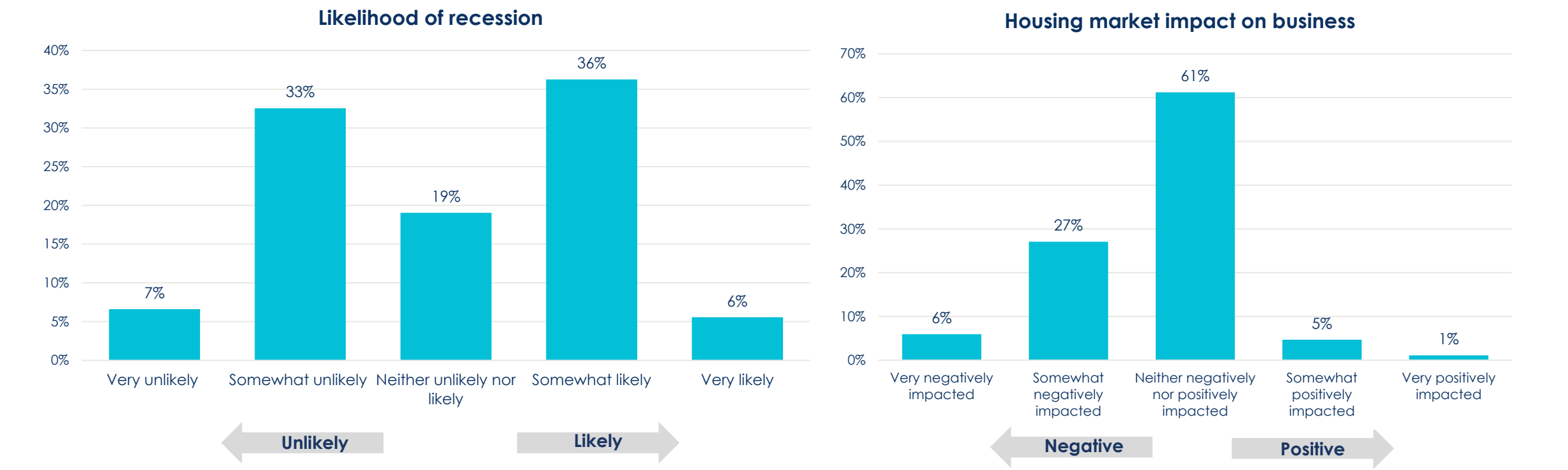


Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
RE4a. Now thinking about the longer term (next 10-20 years), what are the top 3 issues the federal government should address?
Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.

\blacktriangle Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Directors remain split on recession likelihood with only slightly more thinking this is likely; Where housing market impacts business, this is much more likely to be negative than positive

A larger proportion of directors indicated the housing market had negatively impacted, rather than positively impacted their business, however the majority of directors indicated they had observed no positive or negative effects.

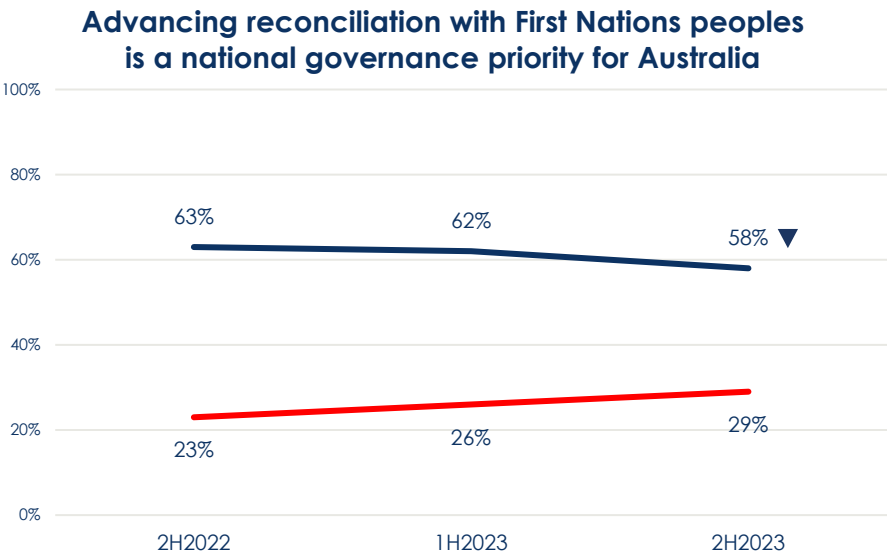


Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
DD10. How likely or unlikely do you think that it is that Australia will be in a recession within the next 12 months?
DD13. How is your business/organisation being impacted by the current state of the housing market in Australia?

Majority of directors still agree that advancing reconciliation with First Nations peoples is a national governance priority – despite a fall since 1st half of 2023

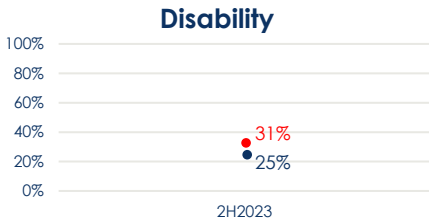
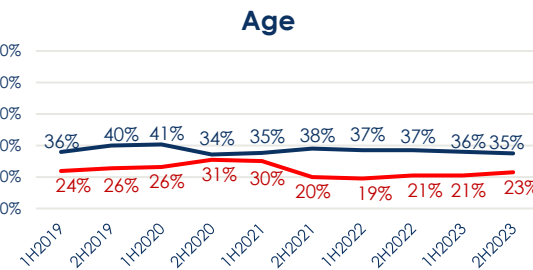
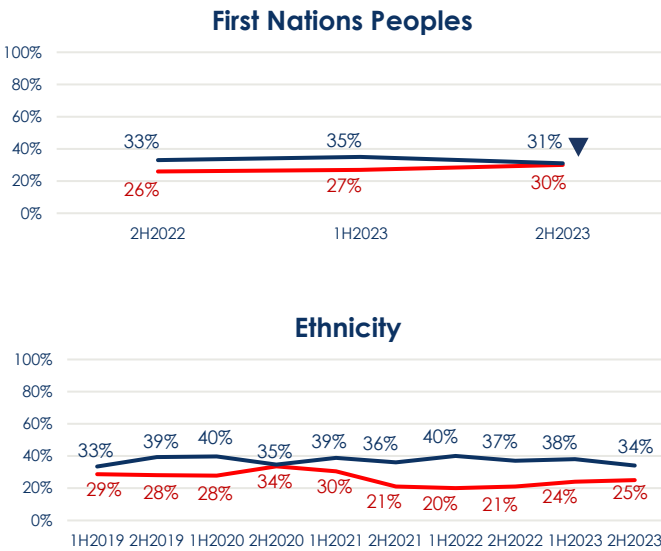
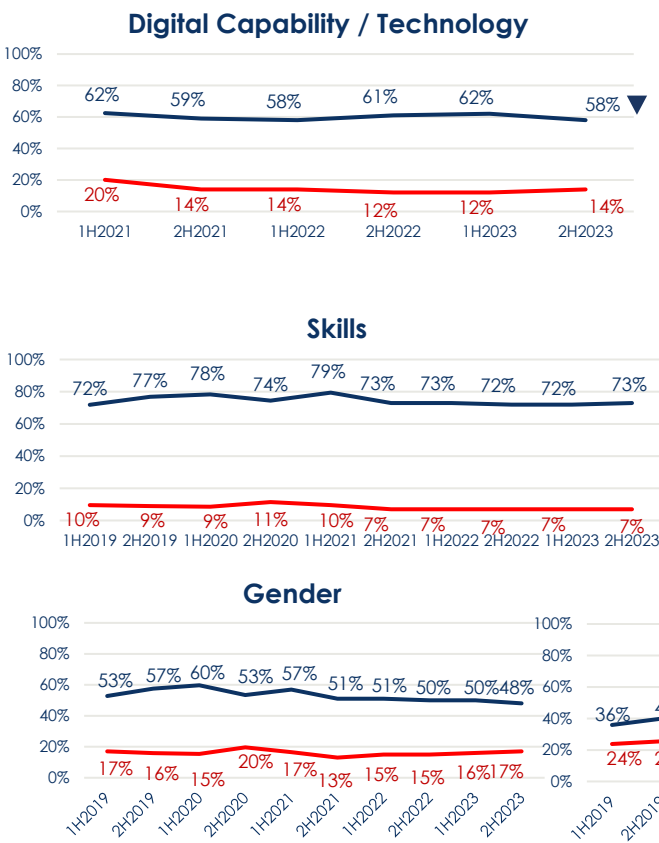
Compared to 1st half of 2023, fewer boards were seeking diversity in First Nations peoples, or in digital capabilities/technology. The lowest percentage (25%) of boards were seeking to increase diversity in disability – measured for the first time.

— Total Disagree (Strongly disagree + Somewhat disagree)
— Total Agree (Strongly agree + Somewhat agree)



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Is your board seeking to increase diversity in...

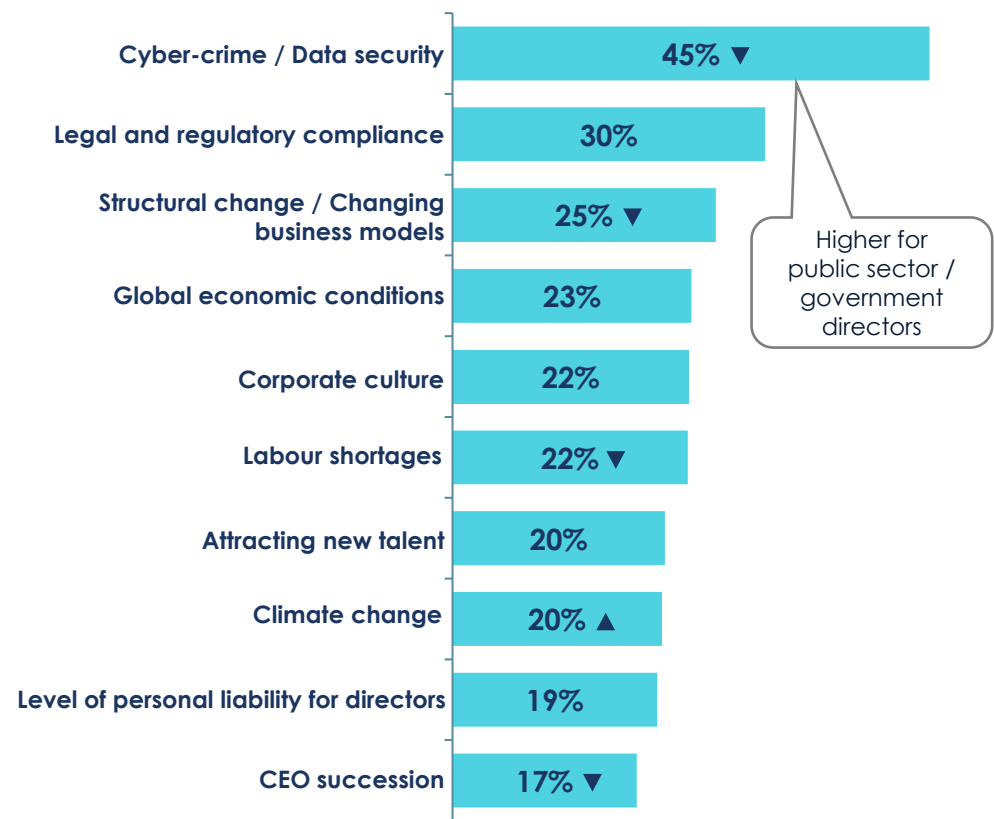


Base: AICD Directors 18+; n=1,352. BD2a. How much do you agree or disagree that your board is currently seeking to increase diversity in the following areas?

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352. IRAP1a. To what extent do you agree or disagree with the following statement? Advancing reconciliation with First Nations peoples is a national governance priority for Australia. Don't know = 1%.

Cybercrime / data security remains a major issue concerning almost half of directors and well ahead of other issues – despite a decline since 1st half of 2023

What are the top issues that keeps you awake at night?
(Total Mentions)



Why cyber-crime and data security?

"We operate in a high stakes business in multiple countries and so are vulnerable to fraudsters and even organised crime attempting to hack our systems and steal data to be on-sold to others."

"The players involved and how widespread the problem is. There is little protection from law makers and government."

"Despite strong and disciplined practices within an organisation, it is apparent that there is a lack of ability or commitment from the appropriate authorities to 'get ahead of' the criminals."

"The reality that a data breach will occur and personal sensitive information may be accessed and used without authorisation. In addition, the investment of time and money required to strengthen systems and human factors."

"Significant development in AI and sophistication of hacking coupled with potential liability of the business and directors for losses of clients who are scammed require increased understanding and skills of all directors (not just me, or a few)."

"Gov policy is incredibly weak at holding platforms etc to account, placing the responsibility unfairly on the users to manage if there is a breach."

"The cost to maintain a stable and secure base and the ever-changing technology ecosystems."

Why legal and regulatory compliance?

"Complexity and inconsistency of State/Territory regulation, followed by inconsistency and complexity in Federal regulation."

"Increasing cost of compliance, aggressive interference by regulators with no regard to cost or customer impact, which has a very adverse impact on market competitiveness."

"High levels of responsibility for an ever-increasing agenda of issues, coupled with stringent legal and reporting obligations. It is a lot to keep on top of."

"Overlay of APRA, ASIC and now IAASB sustainability standards, often (like carbon neutral accreditation) penalising companies with the benefit of hindsight."

Why structural change?

"Competing forces between the need to deliver results currently whilst being able to pivot to new ways."

"We have experienced exponential growth in the last five years and I don't think our organisational structures, strategic positioning, and C-suite capability has kept up, including the board members keeping themselves abreast of professional development. I am concerned we are governing with a view to the organisation of the past, not the future."

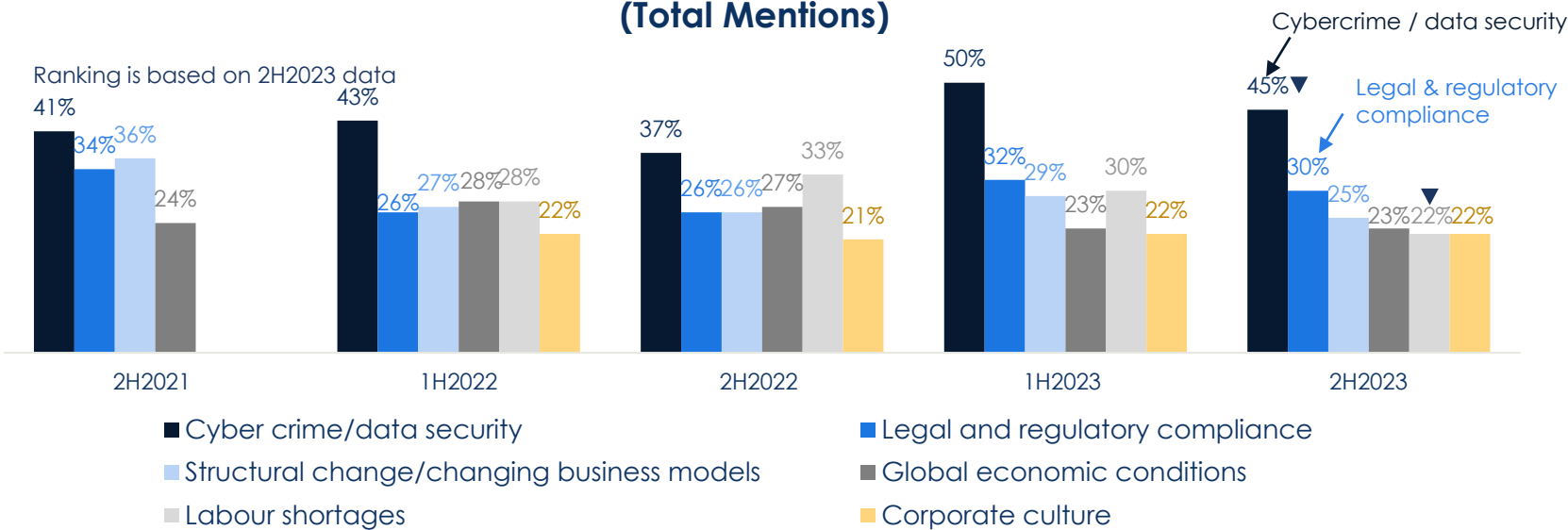
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352. TQ1. What are the top 3 issues most likely to "keep you awake at night" as a director on your board? Display % rounded to no decimal points, ranked to 1 decimal point. Percentage refers to respondents who nominated this as a top 3 issue. Top 10 issues included. Note: Amendments to list may impact comparability with previous results.

Base: AICD Directors 18+; n=1,352. TQ1BA. What aspects of [no.1 TQ1 issue] make it the main issue likely to 'keep you awake at night'?

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

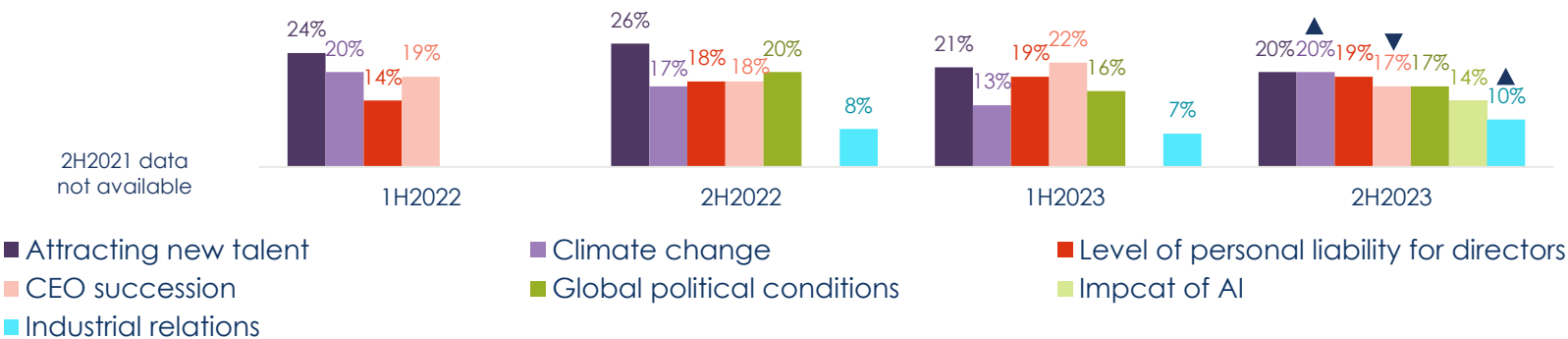
Cybercrime / data security continues to be the top issue keeping directors awake at night, followed by Legal and regulatory compliance

What are the top issues that keeps you awake at night?
(Total Mentions)



KEY INSIGHTS ON TOP ISSUES

- Despite a significant decrease in total mentions, cybercrime remains the most cited issues for directors.
- Climate change was only the 8th most mentioned issue, however, when only looking at what directors cited as the number 1 issue that keeps them awake at night, climate change was the 3rd most cited.
- Labour shortages declined significantly in mentions from 1st wave 2023.



Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
TQ1. What are the top 3 issues most likely to "keep you awake at night" as a director on your board? Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

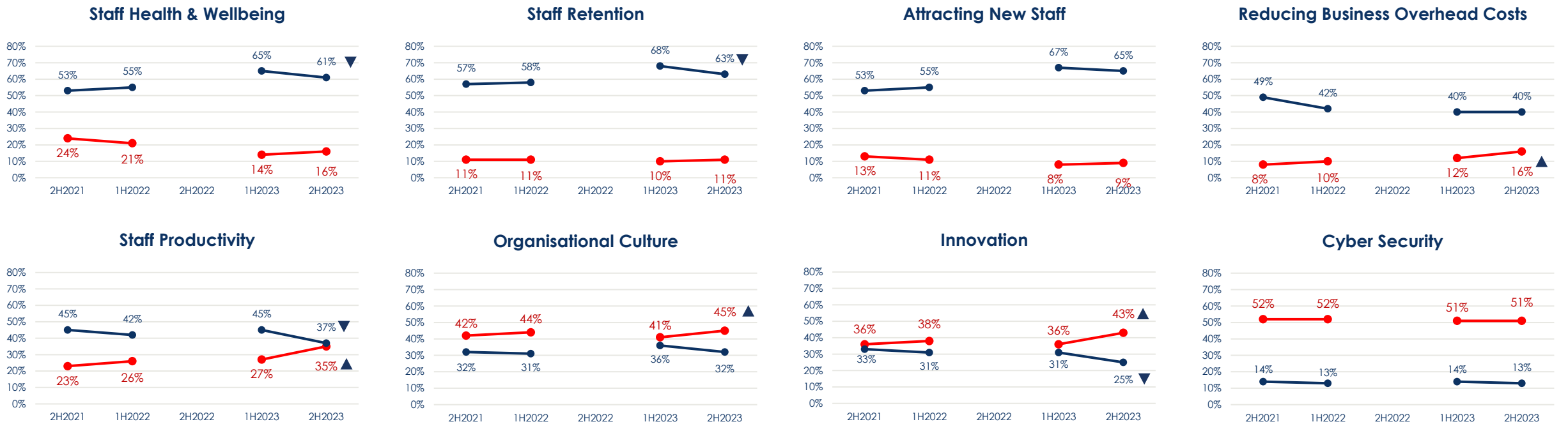
More directors considered cyber security and organisational culture to be negatively impacted by flexible working arrangements compared to other factors

Significantly more directors considered innovation, organisational culture, the reduction of business overhead costs and staff productivity as being negatively impacted by flexible working arrangements.

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

Note: No data available for 2H2022 due to question being temporarily removed for that wave.

— Total Negative (Very negative + Somewhat negative)
— Total Positive (Very positive + Somewhat positive)



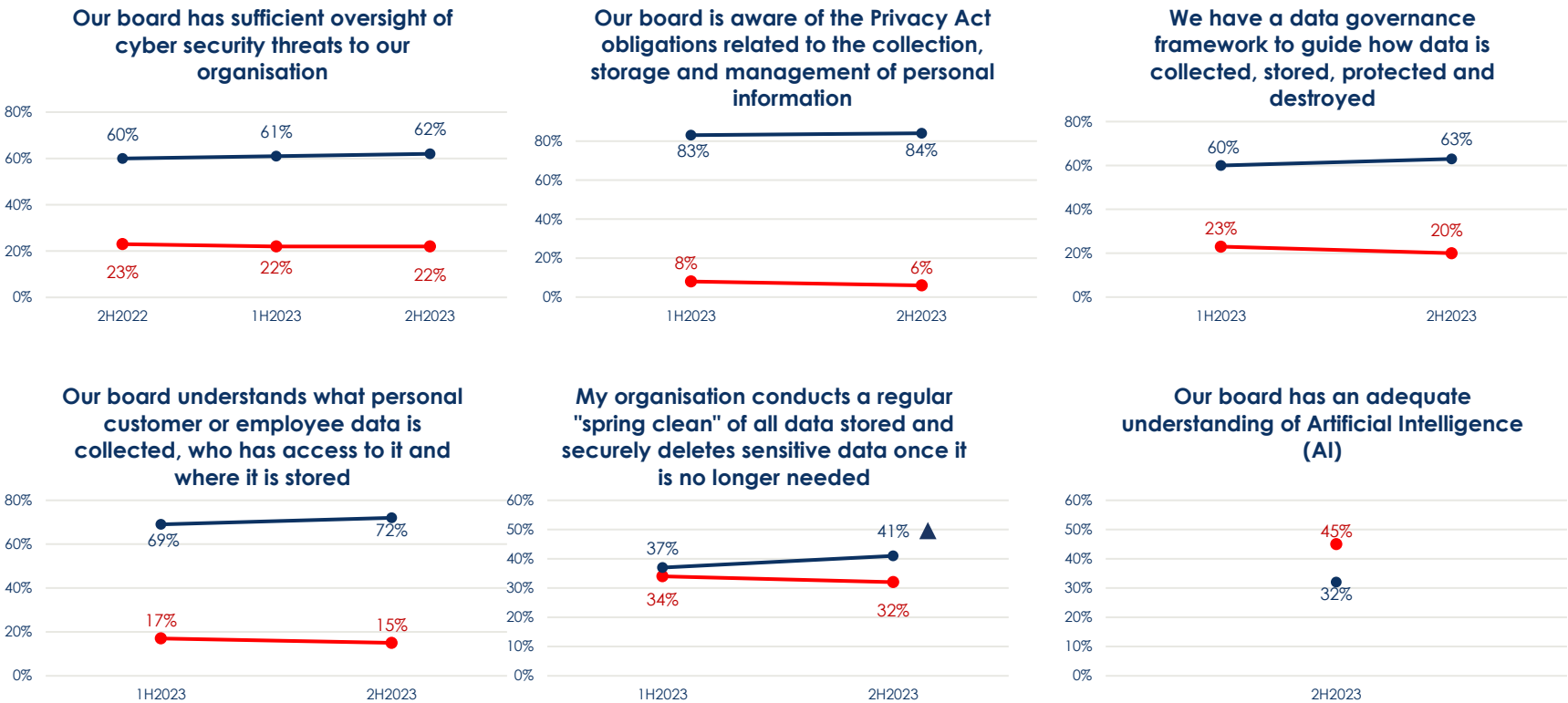
Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
DD1. How would you rate the impact of flexible working arrangements such as working remotely / from home in your organisation, in terms of...?

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Less than one third of directors agreed that their board has an adequate understanding of AI; Significantly more directors agreed their organisation conducts a regular data “spring clean”

Do you agree or disagree with the following statements...?

— Total Disagree (Strongly disagree + Somewhat disagree)
— Total Agree (Strongly agree + Somewhat agree)



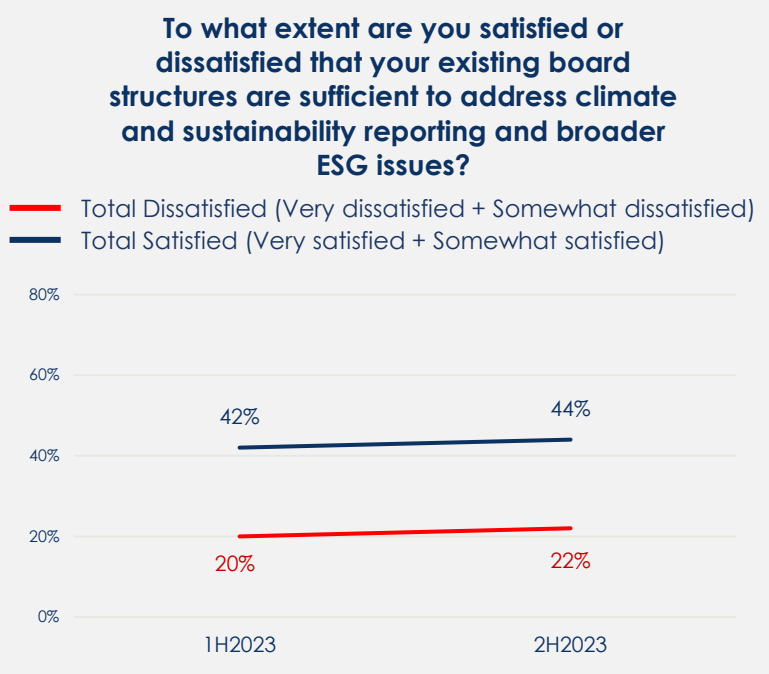
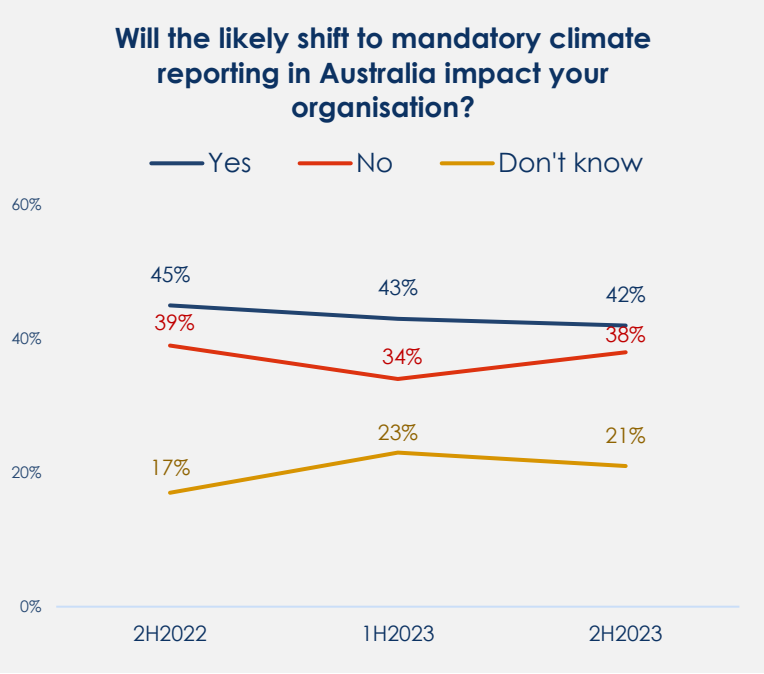
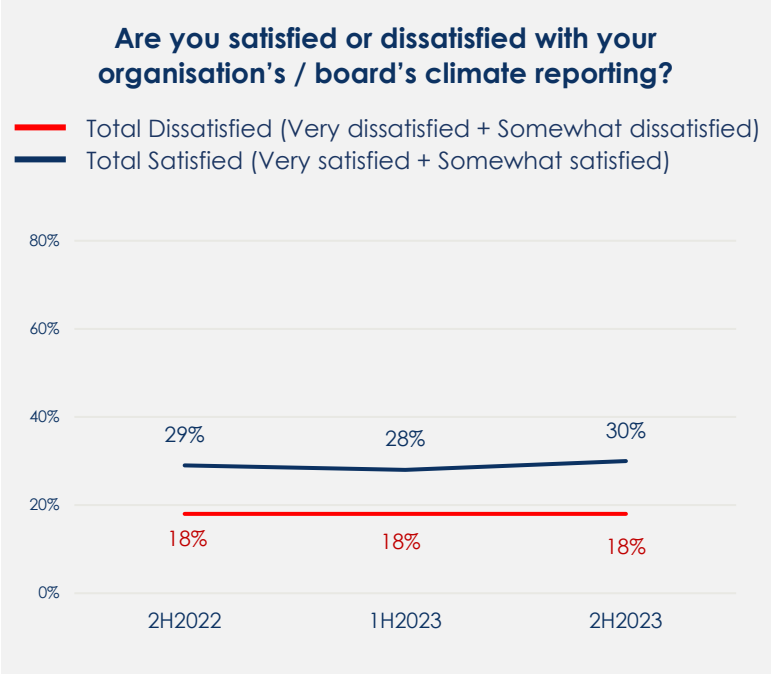
KEY INSIGHTS ON CYBER SECURITY

- A new topical question revealed that more directors disagreed than agreed that their board has an adequate understanding of Artificial Intelligence – only 32% agreed.
- The percentage of directors who agreed that their organisation possesses a data governance framework increased slightly, in tandem with those who agreed that their board understands their business' data collection, storage and access.

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352. CYB1. To what extent do you agree or disagree with the following statements...?

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

More directors were satisfied than dissatisfied with their board's climate reporting



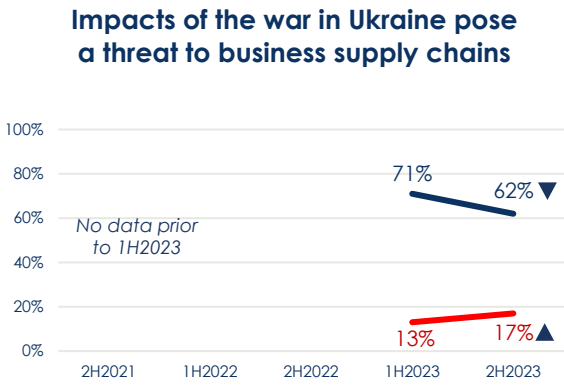
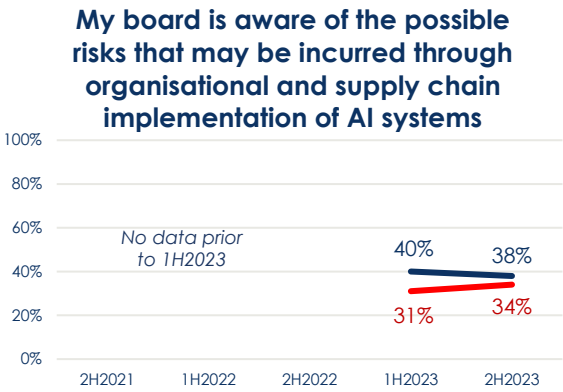
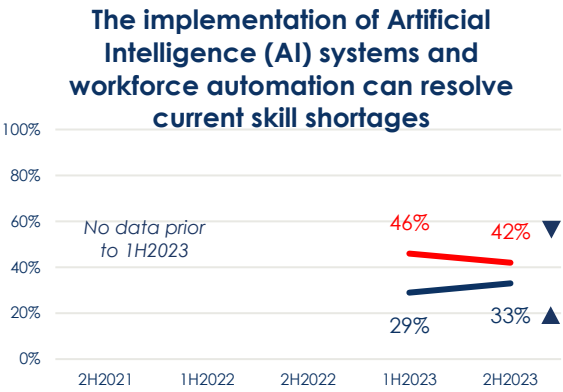
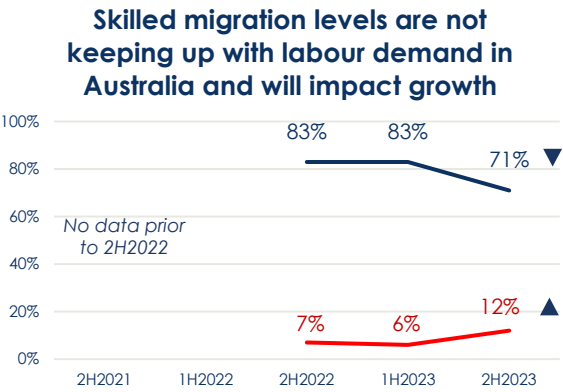
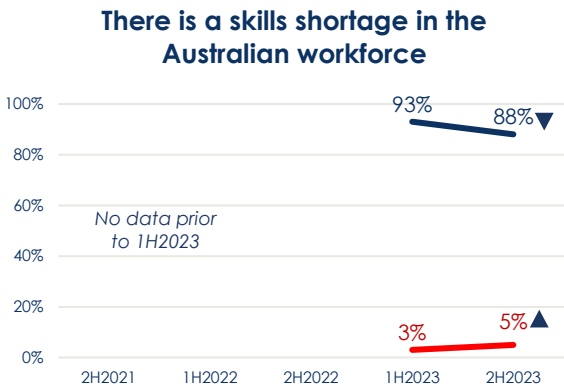
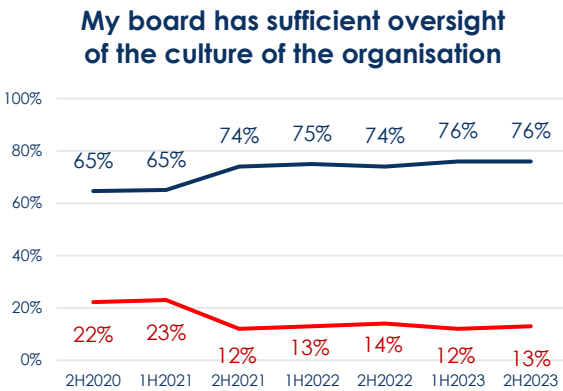
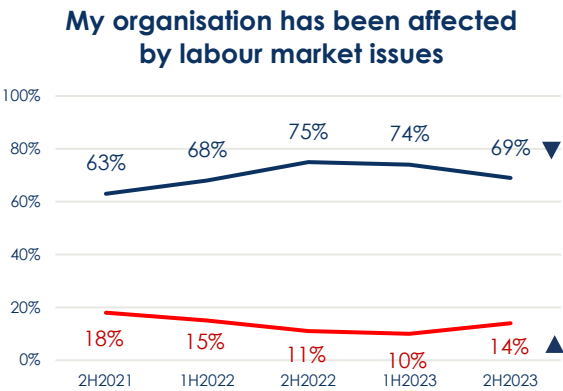
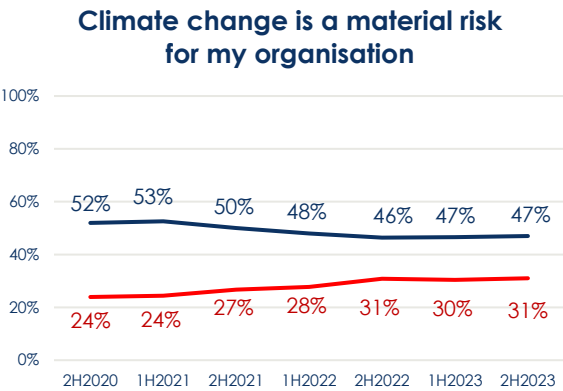
▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd half 2022 survey.

Director concerns about a skills shortage and insufficient skilled migration remained high despite falls since 1st half of 2023; Fewer agreed that impacts of war in Ukraine posed threats to business supply chains

There was an increase in agreement that the implementation of AI systems and workforce automation can resolve current skill shortages.

Do you agree or disagree with the following statements...?

- Total Disagree (Strongly disagree + Somewhat disagree)
- Total Agree (Strongly agree + Somewhat agree)

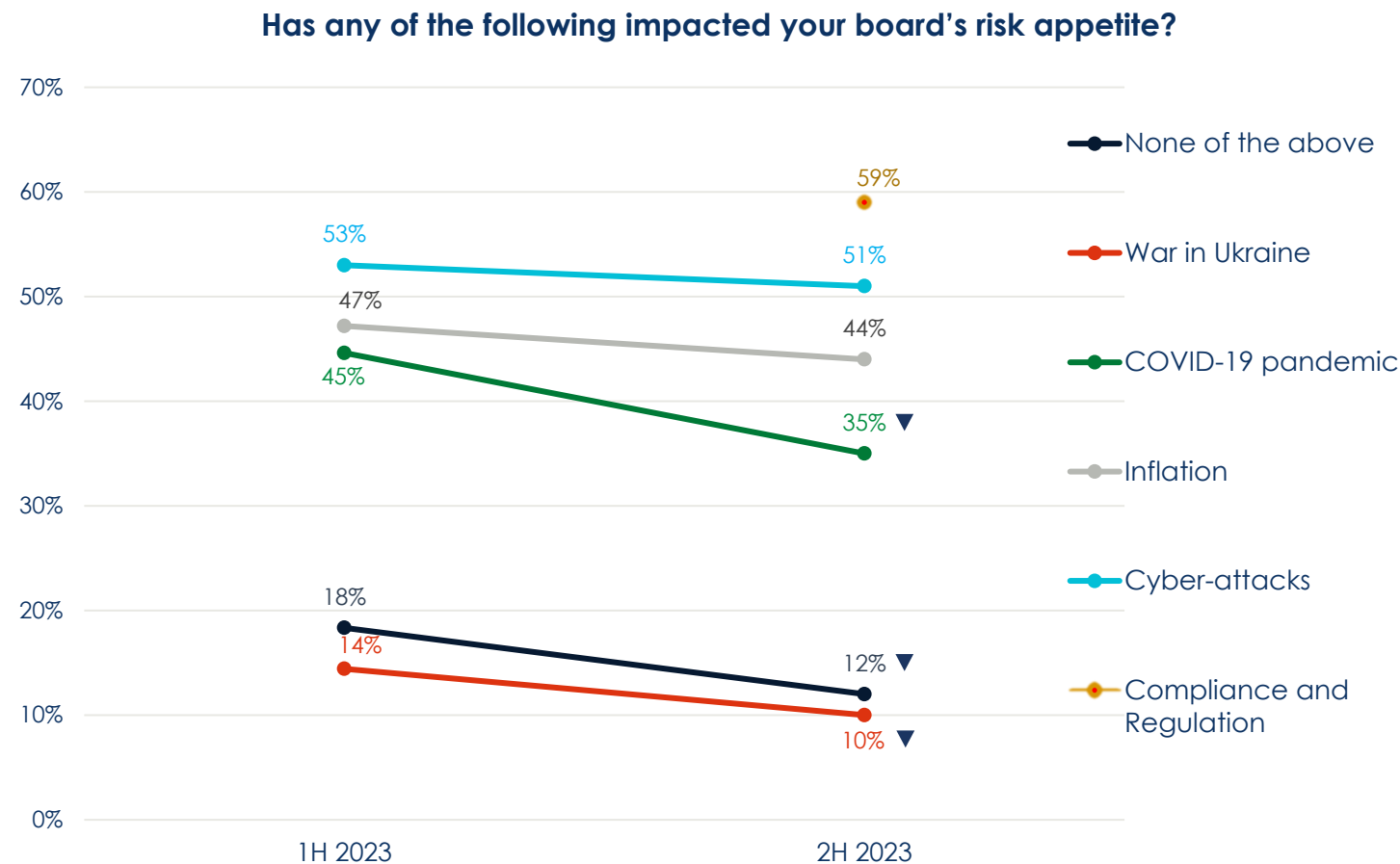


Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352. TQ3. To what extent do you agree or disagree with the following statements...? Note: Amendments to list may impact comparability with previous results. All figures included in the report are rounded to whole numbers.

Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Compliance and regulation the top factor impacting board risk appetite, followed by cyber-attacks

Significantly fewer directors chose COVID-19 and the war in Ukraine as risk factors impacting board risk appetite this wave.



KEY INSIGHTS ON RISK FACTORS

- Public sector/government bodies were more likely to consider compliance and regulation and cyber-attacks as having an impact on their board's risk appetite.
- The decline of COVID-19 pandemic as a risk factor impacting board risk appetite is driven by publicly listed and private non-listed companies, which were also the businesses least likely to consider COVID-19 a risk factor.

Source: AICD Director Sentiment Index Survey 2nd half 2023. Base: AICD Directors 18+; n=1,352.
TQ3a1. Has any of the following impacted your board's risk appetite?
Note: Added response option in 2H 2023 may impact comparability
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▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st half 2023 survey.

Data Appendix



Economic Outlook & Business Conditions

ECONOMIC OUTLOOK INDICATOR (WEAK/STRONG)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the Australian economy – current	+10	+27	+34	+38	+42
Health of the state economy – current	+4	+26	+26	+28	+27
Health of the Chinese economy – current	-30	+13	-4	+49	+20
Health of the Asian (ex. China) economy – current	+20	+18	+10	+26	+18
Health of the European economy – current	-22	-40	-48	-24	-9
Health of the US economy – current	+4	-3	-19	+16	+14
Health of the Australian economy – future (N12M**)	+2	+7	+15	+38	+53
Health of the state economy – future (N12M)	-5	+10	+11	+32	+46
Health of the Chinese economy – future (N12M)	-21	+21	-8	+45	+24
Health of the Asian (ex. China) economy – future (N12M)	+17	+18	0	+28	+29
Health of the European economy – future (N12M)	-17	-29	-42	-28	+12
Health of the US economy – future (N12M)	+2	-3	-22	+14	+29

BUSINESS CONDITIONS INDICATOR (WEAK/STRONG)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Assessment of AUS business conditions – current	+2	+15	+26	+28	+31
Assessment of NSW business conditions – current	+4	+13	+22	+27	+38
Assessment of VIC business conditions – current	-38	+4	+5	+6	-7
Assessment of QLD business conditions – current	-6	+8	+23	+20	+20
Assessment of SA business conditions – current	+7	+19	+16	+25	+25
Assessment of WA business conditions – current	+58	+57	+56	+69	+70
Assessment of TAS* business conditions – current	+32	+33	+14	+49	+69
Assessment of ACT business conditions – current	+11	+12	+35	+42	+31
Assessment of NT* business conditions – current	-41	+12	-1	0	0

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2023. Base AICD Directors 2nd Half 2023 18+ Base:: n=1,352 NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37*, ACT n=40*, NT n=24*. * Indicates small base <50
Base: AICD Directors 1st Half 2023 18+; n=1,324. NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. Base: AICD Directors 2nd Half 2022 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. 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 **N12M is Next 12 months.

ECONOMIC OUTLOOK INDICATOR (WEAK/STRONG)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the NSW economy – current	+19	+32	+33	+42	+55
Health of the VIC economy – current	-48	+7	+1	+3	-18
Health of the QLD economy – current	+13	+20	+22	+8	+1
Health of the SA economy – current	+9	+14	+14	+20	+26
Health of the WA economy – current	+89	+83	+82	+84	+82
Health of the TAS* economy – current	+12	+29	+34	+62	+68
Health of the ACT* economy – current	+13	+37	+50	+52	+48
Health of the NT* economy – current	-54	-52	-15	-19	-18
Health of the NSW economy – future (N12M)	+6	+7	+14	+41	+69
Health of the VIC economy – future (N12M)	-51	-6	-14	+12	+24
Health of the QLD economy – future (N12M)	+1	+7	+10	+21	+19
Health of the SA economy – future (N12M)	+8	-2	+2	+32	+34
Health of the WA economy – future (N12M)	+70	+70	+63	+79	+75
Health of the TAS* economy – future (N12M)	+2	+10	+28	+53	+72
Health of the ACT* economy – future (N12M)	+8	+25	+39	+47	+51
Health of the NT* economy – future (N12M)	-46	-52	+2	+2	+3

BUSINESS CONDITIONS INDICATOR (WEAK/STRONG)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Assessment of AUS business conditions – future (N12M)	-2	+11	+15	+30	+50
Assessment of NSW business conditions – future (N12M)	-2	+8	+13	+33	+63
Assessment of VIC business conditions – future (N12M)	-43	-5	-4	+10	+20
Assessment of QLD business conditions – future (N12M)	-6	+8	+14	+16	+26
Assessment of SA business conditions – future (N12M)	+6	+11	+7	+23	+33
Assessment of WA business conditions – future (N12M)	+57	+56	+55	+70	+68
Assessment of TAS* business conditions – future (N12M)	+4	+9	+36	+46	+53
Assessment of ACT business conditions – future (N12M)	+4	+15	+29	+46	+47
Assessment of NT* business conditions – future (N12M)	-38	-27	-10	+25	+16

Business Conditions & Micro/Structural Policy Settings

BUSINESS CONDITIONS INDICATOR (TOP ECONOMIC CHALLENGES)	2nd HALF 2023 % OF TOTAL MENTIONS	1st HALF 2023 % OF TOTAL MENTIONS	2nd HALF 2022 % OF TOTAL MENTIONS	1st HALF 2022 % OF TOTAL MENTIONS	2nd HALF 2021 % OF TOTAL MENTIONS
Inflation and rising interest rates	39%	56%	49%	N/A	N/A
Labour shortages	43%	52%	60%	60%	55%
Cost of living	42%	33%	24%	N/A	N/A
Global economic uncertainty	22%	27%	28%	55%	30%
Energy policy	25%	24%	20%	21%	22%
Supply chain challenges	14%	23%	33%	N/A	N/A
Climate change	26%	18%	22%	34%	38%
Regulation requirements / red tape	19%	17%	12%	20%	23%
Productivity growth	32%	16%	17%	24%	22%
Taxation system	12%	11%	7%	11%	13%
Health of Australia China relationship	8%	9%	10%	23%	30%
Government debt levels	12%	8%	9%	13%	14%
Global protectionism	2%	2%	2%	6%	7%
Coronavirus/ COVID-19	0%	1%	4%	27%	43%
Incompetent/ ineffective government	0%	1%	0%	1%	1%
Global logistics/ supply chain	-	0%	0%	1%	N/A
Other	3%	2%	2%	3%	3%

MICRO/STRUCTURAL INDICATOR (DISAGREE/AGREE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Federal government understands business	-21	-11	-2	+6	+7
NSW government understands business	-10	+30	+25	+29	+61
VIC government understands business	-48	-12	-18	-23	-22
QLD government understands business	-57	-52	-48	-40	-40
SA government understands business	+2	+7	+7	+39	+22
WA government understands business	+14	+16	+22	+11	+13
TAS* government understands business	+15	+29	+37	+45	+54
ACT government understands business	-47	-14	-10	+4	+11
NT* government understands business	-15	-42	-20	-46	-26

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2023. Base AICD Directors 2nd Half 2023 18+ Base:: n=1,352 NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37*, ACT n=40*, NT n=24*. * Indicates small base <50
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BUSINESS CONDITIONS INDICATOR (DECREASE/INCREASE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Investment Levels	+13	+13	+15	+36	+54
Staffing Levels / Labour Demands	+22	+28	+45	+57	+60
Wage Levels	+69	+72	+78	+72	+67
Costs (e.g. raw materials, energy)	+83	+86	+89	+89	+83
Turnover / Sales	+31	+35	+43	+56	+66
Profitability	-3	+1	+1	+15	+32

MICRO/STRUCTURAL INDICATOR (DISAGREE/AGREE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Trust in Federal Government	-23	-10	+1	-22	-17
Trust in NSW government	-10	-2	-6	-1	+34
Trust in VIC government	-54	-18	-26	-19	-23
Trust in QLD government	-66	-55	-50	-45	-42
Trust in SA government	+9	+11	+11	+28	+24
Trust in WA government	+6	-7	+12	0	+2
Trust in TAS* government	+5	+18	+27	+26	+68
Trust in ACT* government	-37	-15	-4	+2	+33
Trust in NT* government	-41	-71	+4	-35	-24

Micro/Structural & Macro Policy Settings

MICRO/STRUCTURAL INDICATOR (DISSATISFIED/SATISFIED)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Corporate taxation / company tax rates	-29	-20	-20	-19	-18
Personal taxation / personal income tax	-36	-33	-30	-30	-28
GST	-5	+3	+2	0	+3
Government spending on infrastructure	-15	-3	-2	-6	+10
Government openness to foreign investment	-2	+8	+7	+3	+4
Support for international trade	+10	+16	+12	+11	+10
Gov. spending on education and training	-34	-40	-40	-41	-32
Gov. support for innovation and R&D	-44	-40	-40	-40	-37

MACRO POLICY INDICATOR (DISAGREE/AGREE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
The RBA is increasing interest rates at the right pace to combat inflation	+23	+16	+23	N/A	N/A
Increasing interest rates at the current rate will cause a recession	+33	+32	+21	N/A	N/A
Increasing interest rates further will cause a housing / mortgage crisis	+54	+58	+41	N/A	N/A
Current monetary policies will cause a major uptick in business insolvency	+38	+44	+34	N/A	N/A
Given the RBA's recent performance, the current review into the central bank should propose significant changes	+10	+15	+25	N/A	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2023. Base AICD Directors 2nd Half 2023 18+ Base:: n=1,352 NSW n=419, VIC n=370, QLD n=205, SA n=84, WA n=135, TAS n=37*, ACT n=40*, NT n=24*. * Indicates small base <50
Base: AICD Directors 1st Half 2023 18+; n=1,324. NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. Base: AICD Directors 2nd Half 2022 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. 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

MACRO POLICY INDICATOR (NEGATIVE/POSITIVE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Impact on business of current Federal fiscal policy settings	-28	-29	-22	-14	-11
Impact on business of current state fiscal policy settings	-36	-27	-23	-15	-8
Impact on business of current RBA monetary policy	-29	-36	-32	+14	+19
Impact on business of current level of the Australian dollar	-29	-9	-13	+3	+6
Impact on business of the availability of business credit	-16	-12	-10	+9	+13

MACRO POLICY INDICATOR (NEGATIVE/POSITIVE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
NSW policy settings affect on business	-29	-14	-11	-7	+14
VIC policy settings affect on business	-60	-36	-31	-24	-28
QLD policy settings affect on business	-42	-45	-49	-33	-34
SA policy settings affect on business	-21	-25	-17	-3	+5
WA policy settings affect on business	-2	-20	-14	-12	0
TAS* policy settings affect on business	-16	-24	-14	+15	+39
ACT* policy settings affect on business	-42	-20	-26	-5	-12
NT* policy settings affect on business	-58	-64	-35	-32	-18

Directorship Conditions & Topical / Deep-Dive Issues

DIRECTORSHIP CONDITIONS INDICATOR (DISAGREE/AGREE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Current governance regulations are appropriately balanced	+9	+13	+17	N/A	N/A
Current level of corporate reporting requirements is satisfactory	+21	+30	+30	+30	+32
Current level of diversity on Australian boards is satisfactory	-24	-29	-30	-33	-33
Current director liability provisions have a negative impact on decision making	+4	+3	-2	+3	+6
My board faces difficulties recruiting new talented directors	+9	+11	+9	+10	N/A

TOPICAL/DEEP-DIVE INDICATOR (ISSUES KEEP YOU AWAKE)	2nd HALF 2023 TOTAL MENTIONS	1st HALF 2023 TOTAL MENTIONS	2nd HALF 2022 TOTAL MENTIONS	1st HALF 2022 TOTAL MENTIONS	2nd HALF 2021 TOTAL MENTIONS
Cyber-crime / data security	45%	50%	37%	43%	41%
Legal and regulatory compliance	30%	32%	26%	26%	34%
Labour shortages	22%	30%	33%	28%	N/A
Structural change/changing business models	25%	29%	26%	27%	36%
Global economic conditions	23%	23%	27%	28%	24%
Corporate culture	22%	22%	21%	22%	20%
CEO succession	17%	22%	18%	19%	20%
Attracting new talent	20%	21%	26%	24%	28%
Level of personal liability for directors	19%	19%	18%	14%	21%
Global political conditions	17%	16%	20%	N/A	N/A
Climate change	20%	13%	17%	20%	19%
Industrial relations	10%	7%	8%	N/A	N/A
Climate / sustainability reporting	6%	5%	5%	N/A	N/A
Other	5%	4%	4%	3%	4%
Impacts of COVID-19	1%	4%	7%	19%	30%
OH&S	-	0%	0%	1%	N/A
Geopolitics	-	0%	0%	1%	N/A
None	1%	0%	0%	2%	1%

BOARD DIVERSITY TOPICAL/DEEP-DIVE INDICATOR (DISAGREE/AGREE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Gender	+31	+33	+35	+36	+38
Age	+12	+15	+17	+18	+18
Skills	+66	+65	+65	+66	+66
Ethnicity	+9	+14	+16	+20	+15
Digital capability / technology	+44	+50	+49	+44	+45
First Nations people	+1	+8	+7	N/A	N/A
Disability	-6	N/A	N/A	N/A	N/A

CLIMATE REPORTING TOPICAL/DEEP-DIVE INDICATOR (DISSATISFIED/SATISFIED)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
To what extent are you satisfied or dissatisfied with your organisation's / board's climate reporting?	+12	+10	+11	N/A	+26
To what extent are you satisfied or dissatisfied that your existing board structures are sufficient to address climate and sustainability reporting and broader ESG issues?	+22	+21	N/A	N/A	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2023. Base AICD Directors 2nd Half 2023 18+ Base:: n=1,352 : AICD Directors 1st Half 2023 18+; n=1,324; 2nd Half 2022 n=1,475; 1st Half 2022 n=1,737; 2nd Half 2021 n=1,645. Note: Additional response options impact comparability with previous wave. Total mentions = Percentage of respondents who nominated this as a top 3 issue. Base: AICD Directors 18+ who believe the likely shift to mandatory climate reporting in Australia will impact their organisation; 1st half 2023 n=566; 2nd half 2022, n=658.

Topical / Deep-Dive Issues

TOPICAL INDICATOR (TOP ISSUES GOVERNMENT SHOULD ADDRESS)	2nd HALF 2023 SHORT-TERM	1st HALF 2023 SHORT-TERM	2nd HALF 2022 SHORT-TERM	1st HALF 2022 SHORT-TERM	2nd HALF 2021 SHORT-TERM	2nd HALF 2023 LONG-TERM	1st HALF 2023 LONG-TERM	2nd HALF 2022 LONG-TERM	1st HALF 2022 LONG-TERM	2nd HALF 2021 LONG-TERM
Lack of skills in workforce/ skills shortages	26%	34%	43%	36%	41%	15%	18%	20%	18%	18%
Energy policy	32%	30%	26%	24%	27%	24%	21%	21%	20%	22%
Housing affordability/ housing supply	34%	28%	22%	19%	22%	19%	15%	13%	14%	15%
Climate change	32%	27%	33%	39%	48%	41%	42%	44%	50%	59%
Productivity growth	32%	23%	25%	20%	23%	24%	20%	20%	18%	22%
Taxation reform	23%	21%	19%	21%	26%	20%	19%	17%	14%	20%
Health	12%	19%	16%	16%	17%	14%	18%	16%	15%	16%
Education	12%	15%	12%	16%	17%	14%	17%	17%	18%	20%
Indigenous reconciliation	11%	14%	9%	N/A	N/A	8%	9%	10%	N/A	N/A
Innovation policy / Barriers to innovation	12%	13%	11%	17%	0%	13%	15%	14%	17%	0%
Ageing population	13%	12%	12%	15%	12%	29%	28%	24%	25%	26%
Australia-China relationship	8%	12%	11%	18%	0%	7%	9%	11%	14%	0%
Defence	8%	12%	11%	10%	0%	11%	16%	15%	11%	0%
Federal budget deficit	10%	12%	11%	10%	14%	12%	16%	16%	15%	18%
International competitiveness	11%	11%	11%	12%	20%	18%	18%	21%	21%	27%
Infrastructure	10%	10%	10%	14%	15%	15%	14%	14%	16%	18%
Industrial relations	8%	6%	8%	N/A	N/A	4%	3%	5%	N/A	N/A
Regulation of Artificial Intelligence (AI)	3%	N/A	N/A	N/A	N/A	9%	N/A	N/A	N/A	N/A
Other	1%	2%	1%	2%	0%	1%	1%	1%	1%	0%

TOPICAL INDICATOR (DISAGREE/AGREE)	2nd HALF 2023 NET BALANCE	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Climate change is a material risk to my organisation	+17	+16	+15	+20	+22
Organisation affected by labour market issues	+55	+64	+64	+54	+45
Sufficient oversight of organisation culture	+63	+64	+60	+63	+62
There is a skills shortage in the Australian workforce*	+83	+90	N/A	N/A	N/A
Skilled migration levels are not keeping up with labour demand in Australia and will impact growth	+59	+77	+76	N/A	N/A
The implementation of AI systems and workforce automation can resolve current skill shortages*	-9	-17	N/A	N/A	N/A
My board is aware of the possible risks that may be incurred through organisational and supply chain implementation of AI systems*	+5	+9	N/A	N/A	N/A
Impacts of the war in Ukraine pose a threat to business supply chains*	+45	+58	N/A	N/A	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2023. Base: AICD Directors 2nd Half 2023 18+ Base:: n=1,352 1st Half 2023. Base: AICD Directors 1st Half 2023 18+; n=1,324; 2nd Half 2022 n=1,475; 1st Half 2022 n=1,737; 2nd Half 2021 n=1,645.
Note: Additional response options impact comparability with previous wave. Percentage of respondents who nominated this as a top 3 issue. *New statement added in 1st Half 2023. Amendments to list may impact comparability with previous results.

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