



Director Sentiment Index Survey

1ST HALF 2025

INSIGHTS REPORT



April 2025

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Executive Summary

Executive Summary

Australian directors cautiously optimistic amid uncertainty

After several years of persistent declines, director sentiment is showing early signs of recovery in early 2025. The Director Sentiment Index lifted by 9.7 points in the first half of 2025, marking the strongest improvement since 2021, yet it remains in negative territory for the sixth consecutive survey at -23.9.

Economic and business sentiment rises

The two most notable shifts this wave are a 17-point rebound in economic outlook and a 16-point rebound in business conditions. Directors are less pessimistic about the Australian economy this wave.

Internationally, China saw the largest confidence boost, surging by 30 points, and the US economy has gained in sentiment since late 2024. Asia (excluding China) improved by 16 points to 49 index points and remains well ahead of all other global economies. Europe remains the weakest, with more directors marking it down.

For the first time since early 2022, directors' confidence in Australian business conditions improved, however only 29% rate current conditions as strong and only 30% expect future improvements, up from 23% last wave.

Rising concerns over economic uncertainty and global trade

With evolving policies under the Trump US presidency, global economic uncertainty is a significant issue for Australian directors. Nine in ten directors believe escalating global trade tensions threaten both Australia's and the world economic outlook. The top economic challenges facing Australian businesses are global economic uncertainty, which increased to 37%, and global protectionism, which has seen the largest increase, rising to 17% this wave. Global economic uncertainty was also the fourth most common issue keeping directors awake at night.

RBA rate cut brings relief and lower likelihood of recession

The RBA's February interest rate cut appears to have had a positive impact on business sentiment, offering relief after a prolonged period of relatively high rates.

Directors are split on whether the RBA kept rates too high for too long, but are now less concerned about the risk of business insolvencies. More than half of the directors surveyed for this wave expect another cut within the next six months, a significant increase from 45% six months ago. Following the RBA rate cut, concerns about the risk of recession have eased. Fifty-five per cent of directors disagree that Australia is likely to be in a recession within the next 12 months, a notable improvement from 35% last wave.

Executive Summary

Government policy still a stumbling block

Despite some improvements, directors remain dissatisfied with directorship conditions and policy settings. Micro-policy (-39) and macro-policy (-49) sentiment remains strongly negative, and sentiment towards directorship conditions declined marginally from 0 to -3.

State governments received mixed reviews. Confidence in the Queensland government improved sharply following the change in state government with 41% of directors saying they trust the Queensland government compared with only 12% last wave. By contrast only 17% of Victoria directors believe the Victorian government understands business and only 14% trust the Victorian government. South Australia, enjoys the highest confidence level (65%).

Directors focus on economic management and business friendly policies ahead of the Federal election

Directors continue to push for urgent reforms in productivity growth, housing affordability and supply, energy policy, skills shortages and taxation as the top areas the Federal government needs to address in the short term. While climate change, ageing population and international competitiveness are priorities for the longer-term.

In anticipation of the next Federal election directors are laser-focused on economic management, business friendly policies and cutting red tape, energy policy, health care funding and cost of living as key voting issues. Cost of living concerns have eased slightly following the RBA rate cut, but it remains a major economic challenge for directors, and is the second leading factor impacting boards' risk appetite.

Increasing frustration over regulation and red tape

Regulation continues to be a major pain-point: two-thirds of directors expect compliance requirements to increase within the next 12 months.

Legal and regulatory burden is the second most common issue keeping directors awake at night (32%). Compliance and regulation is also the leading factor impacting boards' risk appetite, well ahead of cost of living pressures by almost 20 percentage points. Regulation requirements is the fourth most cited economic challenge (25%), increasing progressively since late 2022.

The majority of directors (70%) believe that a major business deregulation agenda would have a positive impact on Australia's productivity and economic growth. Directors nominated industrial relations followed by planning regulations as the main focus for any deregulation agenda.

Boards continue to prioritise diversity

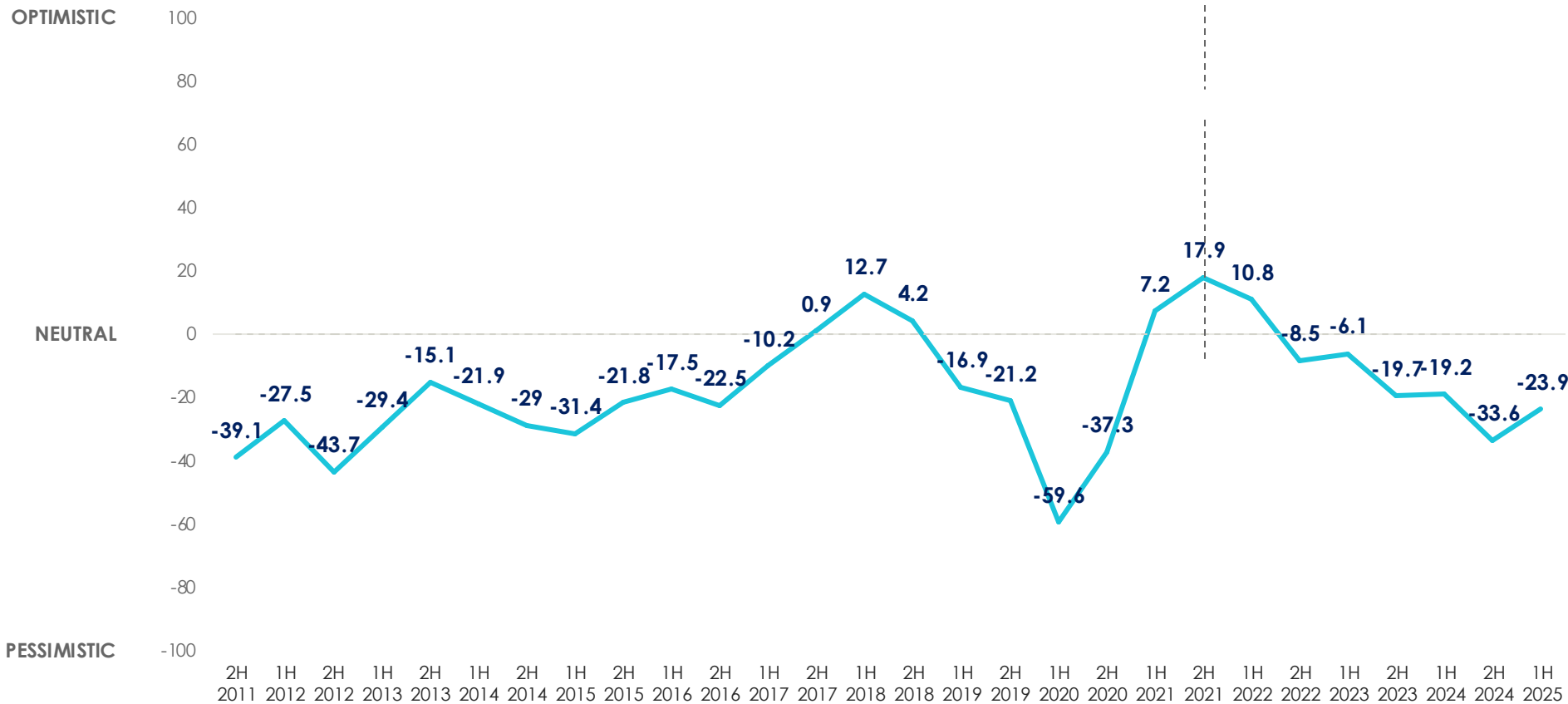
Despite policy changes in the US, diversity remains a key focus for Australian boards. Sixty percent of directors say their board maintains its commitment to diversity policies and 24% indicated a stronger commitment to diversity related policies over the next 12 months.

With the ongoing evolution of work culture that began with the pandemic, hybrid and remote work models have become the norm for many. Amid continued debates on workplace flexibility, around 60% of directors believe flexible working arrangements positively impact staff retention and well-being and help attract new staff. However, more than 40% of directors perceive that innovation and cyber-security are negatively impacted by flexible work arrangements.

Overall Director Sentiment Index

Strongest improvement in Director Sentiment Index since 2021, however the index is still deeply negative

DIRECTOR SENTIMENT INDEX



DSI CATEGORY SCORES

Change from 2H 2024

Economic Outlook (+17) ↑

• Increased from -28 to -11

Business Conditions (+16) ↑

• Increased from -37 to -21.

Micro/Structural Policy Settings (+4) ↑

• Increased from -43 to -39.

Macro Policy Conditions (+8) ↑

• Increased from -57 to -49.

Directorship Conditions (-3) ↓

• Declined from 0 to -3.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.
 Note: Revised index from 2nd Half 2021 onwards is not directly comparable with previous index scores.

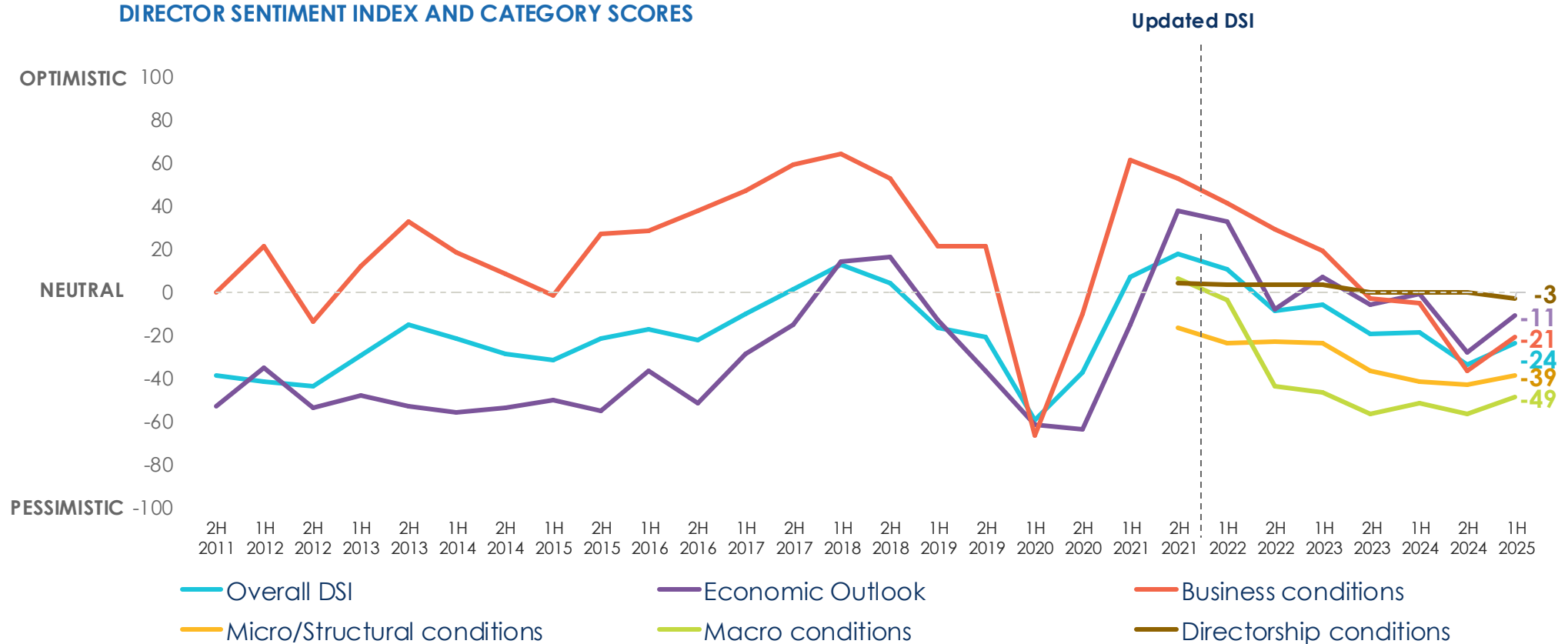


Economic Outlook and Business Conditions

Economic outlook and business conditions show signs of recovery, but all components remain in negative territory

The rebound in the Director Sentiment Index in 1H 2025 is mainly due to a recovery of 17 points in economic outlook and 16 points in business conditions

DIRECTOR SENTIMENT INDEX AND CATEGORY SCORES

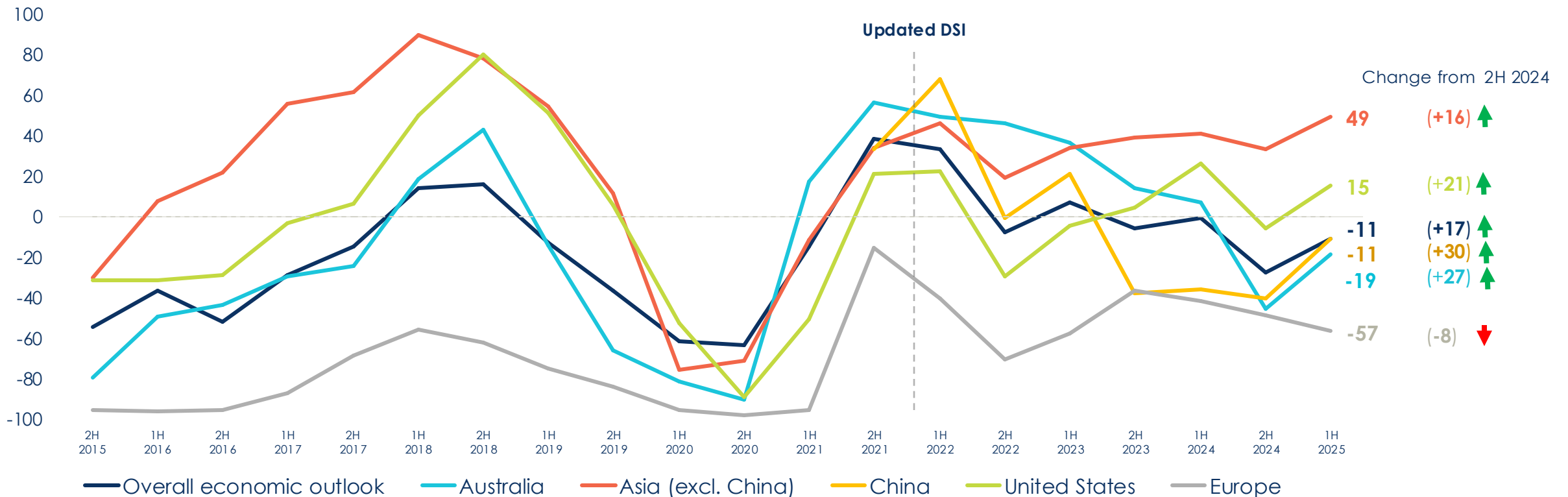


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.
 Note: Revised index from 2nd Half 2021 onwards is not directly comparable with previous index scores.

Assessment of most global economies improve, except Europe. Only Asia (excluding China) and the US are in positive territory.

For the first time since 2H 2021, perceptions of the Australian economy improved. While this signals a shift in confidence, the Australian economy remains in negative territory.

CURRENT HEALTH ASSESSMENT OF GLOBAL ECONOMIES

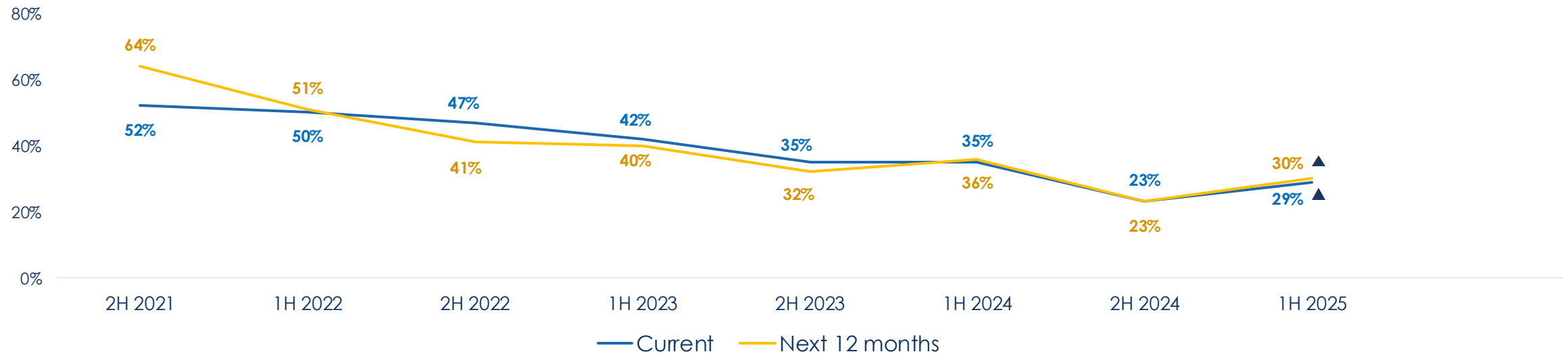


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.
 E8. What is your assessment of the current health of the following economies...? (Very weak, Somewhat weak, Neither weak nor strong, Somewhat strong, Very strong). From 2nd Half 2021 Asia excludes 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.

Confidence in Australian business conditions improves in the first half of 2025 but less than a third of directors consider conditions to be strong

Current and future assessment of Australian business conditions have significantly improved this wave

PROPORTION OF DIRECTORS STATING AUSTRALIAN BUSINESS CONDITIONS AS STRONG



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2024 survey.

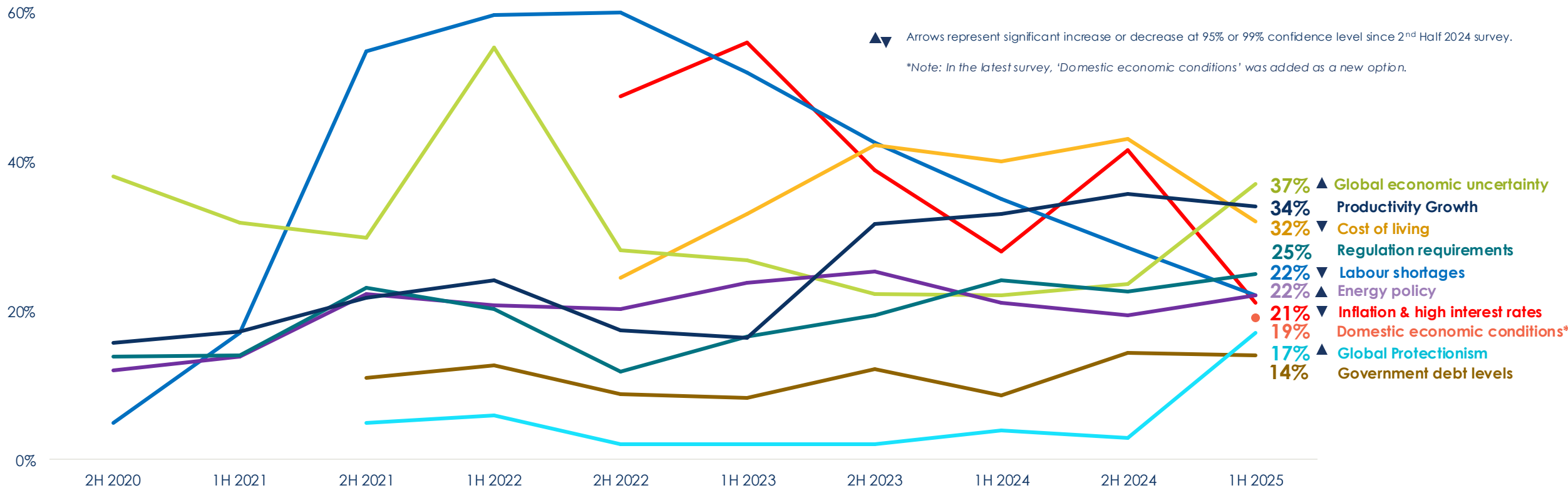
Note: Neutral (Neither strong nor weak, Neither Satisfied nor Dissatisfied, Neither Agree nor Disagree etc.) was a response option in the survey but it is not displayed in these charts, hence the Totals do not add to 100%.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n=1,127.
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 in Australia?

Global economic uncertainty and productivity are the top economic challenges facing Australian businesses

Concerns about cost of living, inflation and high interest rates ease in the first half of 2025

TOP 10 ECONOMIC CHALLENGES FACING AUSTRALIAN BUSINESSES (TOTAL MENTIONS)

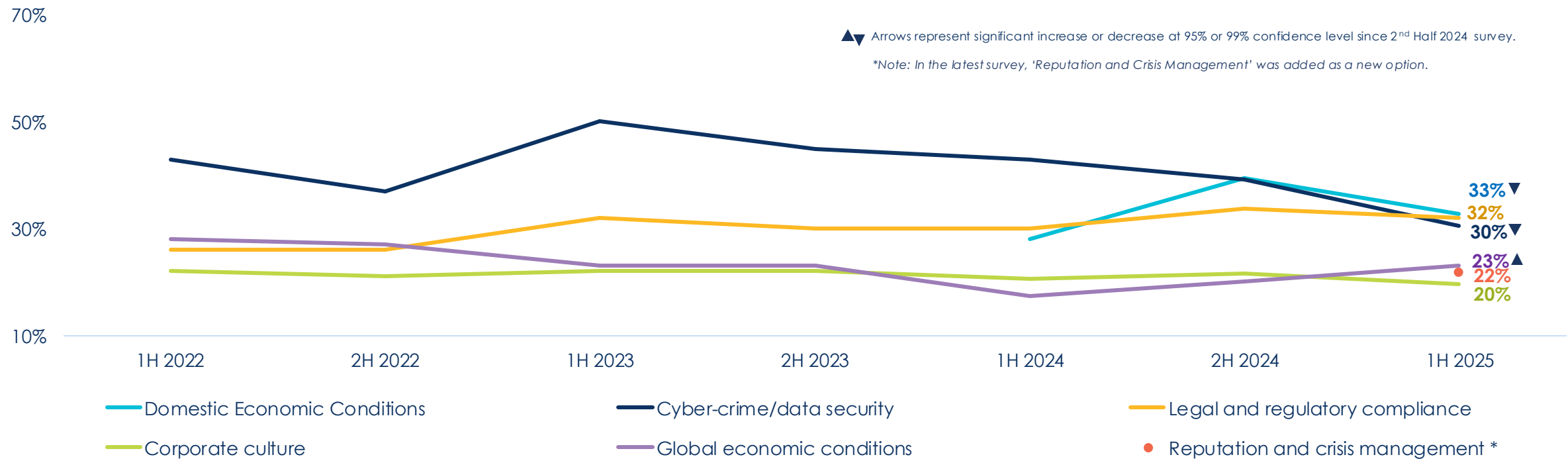


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n=1,127.
 E6. What are the top 3 economic challenges currently facing Australian businesses? Percentage of respondents that nominated issue in the top three economic challenges.
 Note: Only displaying prominent challenges in 1H 2025. Amendments to the list may impact comparability with previous results.

Domestic economic conditions and legal and regulatory compliance remain the top issues keeping directors awake at night

Domestic economic conditions still number one concern despite a slight decline in the proportion of directors nominating this, while concerns about global economic conditions have risen significantly

TOP ISSUES MOST LIKELY TO KEEP DIRECTORS AWAKE AT NIGHT (TOTAL MENTIONS)

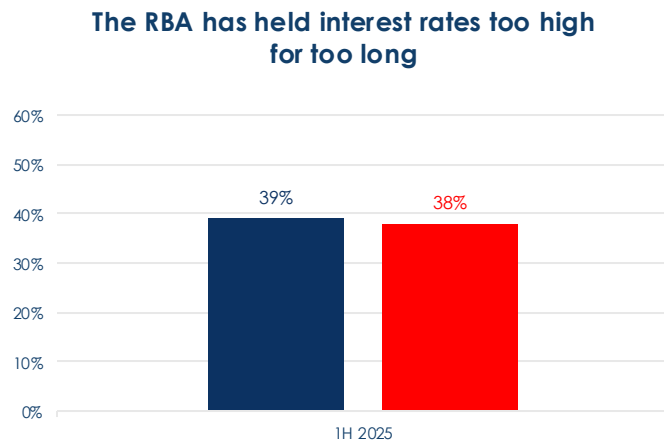


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.
 TQ1. What are the top 3 issues most likely to "keep you awake at night" as a director on your board? The percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.
 Note: Only displaying prominent issues in 1H 2025. Amendments to the list may impact comparability with previous results.

February interest rate cut leads to notable decrease in concerns that RBA monetary policies would cause business insolvencies

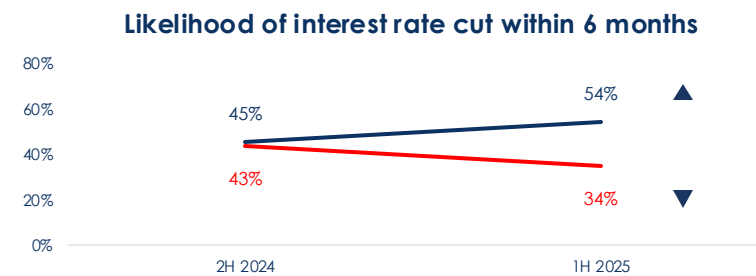
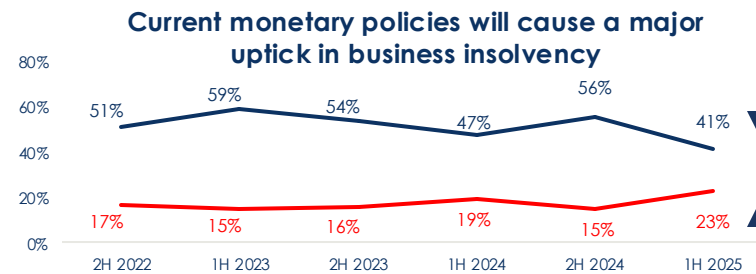
Directors evenly split on whether the RBA has held interest rates too high for too long. More than half of directors expect to see another interest rate cut within the next 6 months and fears of a recession over the next 12 months recede.

THINKING ABOUT INFLATION, INTEREST RATES AND THE RBA, PLEASE INDICATE THE EXTENT TO WHICH YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS:

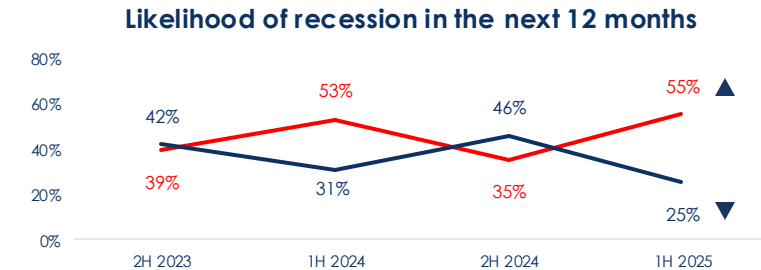


*New question for 1H 2025 (No historical data available)

█ 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 2nd Half 2024 survey.



█ Total Unlikely (Very unlikely + Somewhat unlikely)
█ Total Likely (Very likely + Somewhat likely)

Note: Neutral (Neither strong nor weak, Neither Satisfied nor Dissatisfied, Neither Agree nor Disagree. Neither likely nor unlikely etc.) was a response option in the survey but it is not displayed in these charts, hence the Totals do not add to 100%.

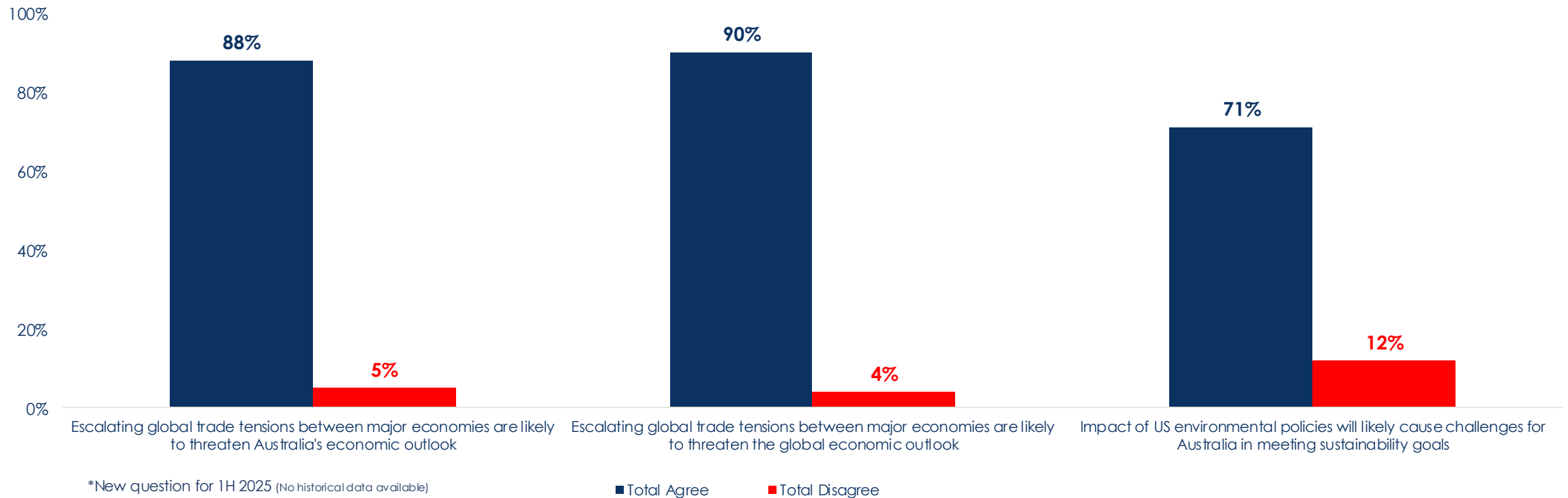
Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n=1,127.
 RBA1. Thinking about inflation, interest rates and the RBA, please indicate the extent to which you agree or disagree with the following statements.
 RBA2. What do you think is the likelihood of a further interest rate cut by the RBA in the next 6 months?
 DD10. How likely or unlikely do you think it is that Australia will be in a recession within the next 12 months?

Impact of Recent Events

Most directors believe escalating global trade tensions under the Trump US presidency will threaten the economic outlook for Australia and globally

The majority of directors (71%) believe the impact of US environmental policies will likely cause challenges for Australia in meeting sustainability goals

EVOLVING POLICIES UNDER THE TRUMP US PRESIDENCY

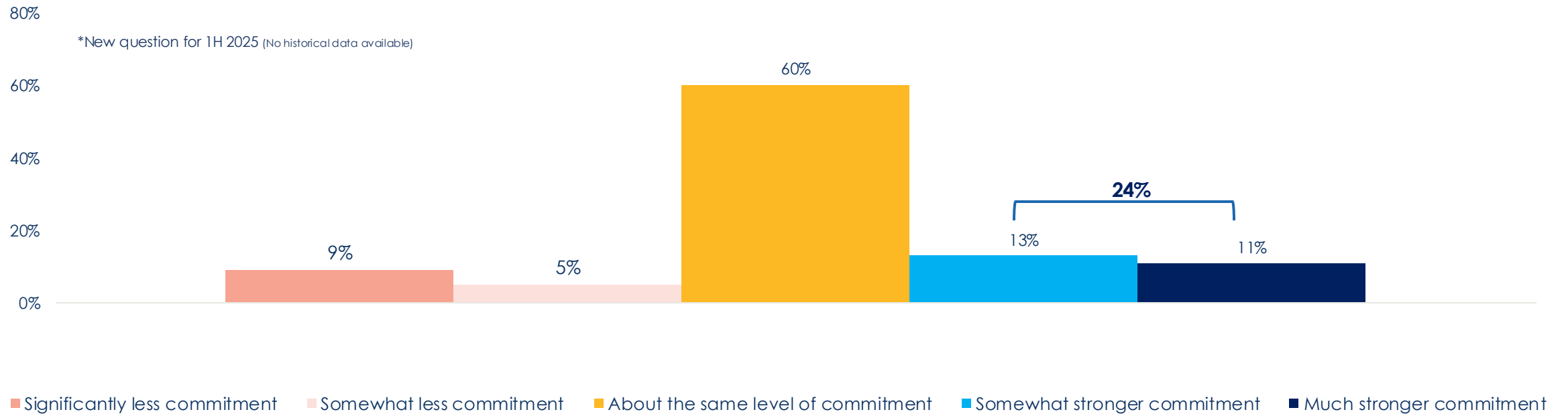


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.
USA_AUS1: Given the evolving policies under the Trump US presidency, to what extent do you agree with each of the following statements?

Over 80 percent of Australian directors expect the same or a stronger commitment to diversity and related policies despite the shift in DEI under the Trump US presidency

24% of directors have stronger commitment to diversity related policies over the next 12 months; 13% say they're less committed

COMMITMENT TO DIVERSITY AND RELATED POLICIES OVER THE NEXT 12 MONTHS

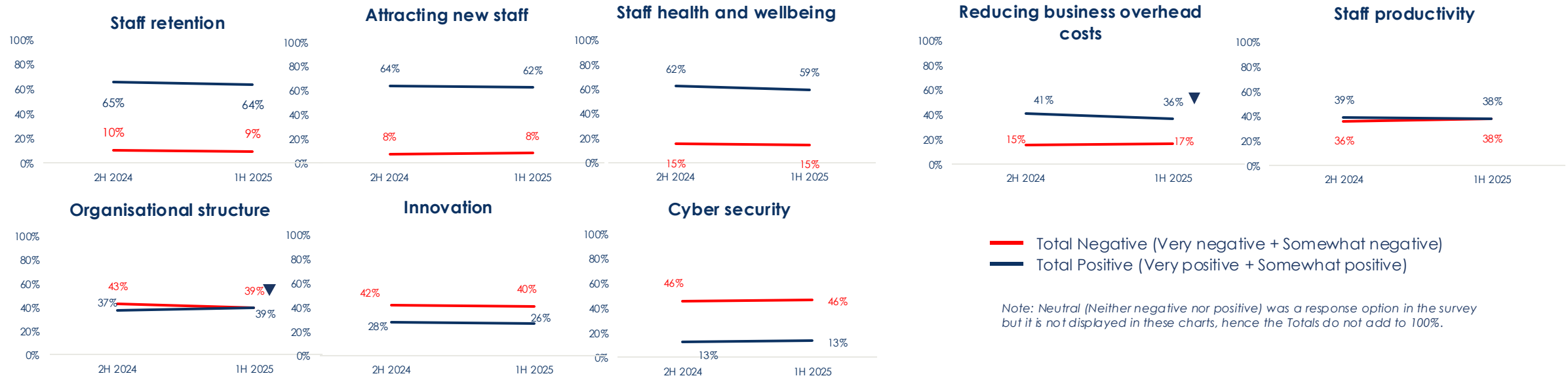


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.

USA_DEI1. Diversity, Equity and Inclusion (DEI) policies have been the subject of recent attention following the election of Donald Trump in the US. Which statement best reflects your organisation's commitment to diversity and related policies over the next 12 months.

Flexible working arrangements seen to have a positive impact on staff retention, attracting new staff, and positive for staff health and wellbeing. Cyber-security and innovation seen to be more negatively impacted.

IMPACT OF FLEXIBLE WORKING ARRANGEMENTS



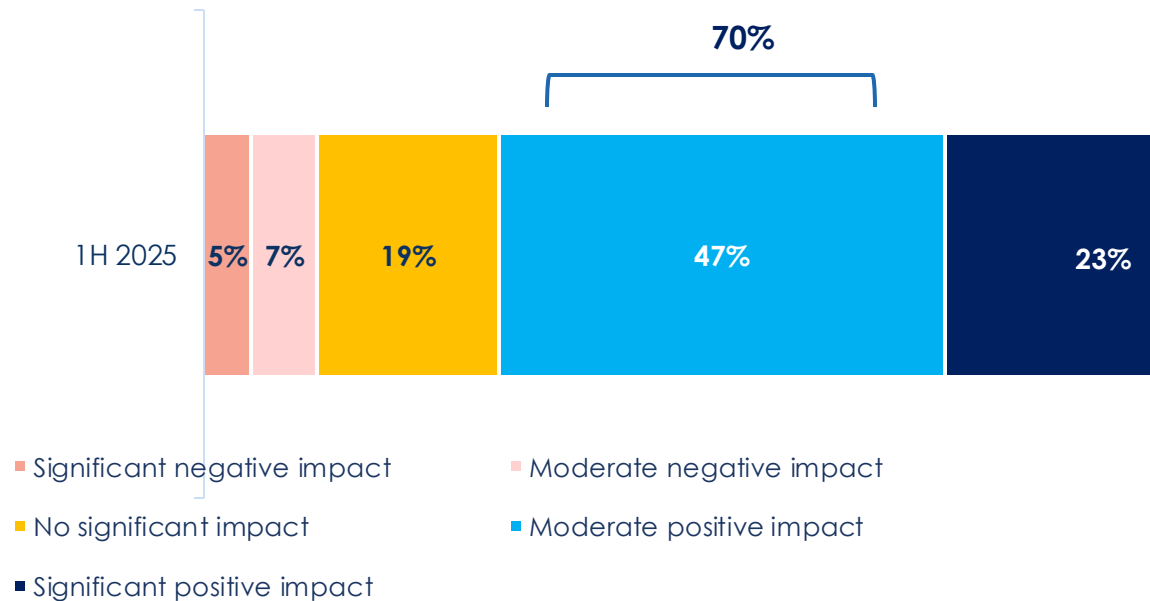
▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2024 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n = 1,127. DD1. How would you rate the impact of flexible working arrangements such as working remotely / from home in your organisation, in terms of?

Majority of directors (70%) believe that a major business deregulation agenda will have a positive impact on Australia's productivity and economic growth

Directors stated that industrial relations followed by planning regulations should be the focus of any deregulation agenda – well ahead of other areas of reform

IMPACT OF MAJOR BUSINESS DEREGULATION AGENDA ON AUSTRALIA'S PRODUCTIVITY AND ECONOMIC GROWTH



*New question for 1H 2025 (No historical data available)

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.
 Regulation1. What areas of regulation should be the focus of any deregulation agenda?
 Regulation2. In your view, what would be the impact of a major business deregulation agenda on Australia's productivity and economic growth?

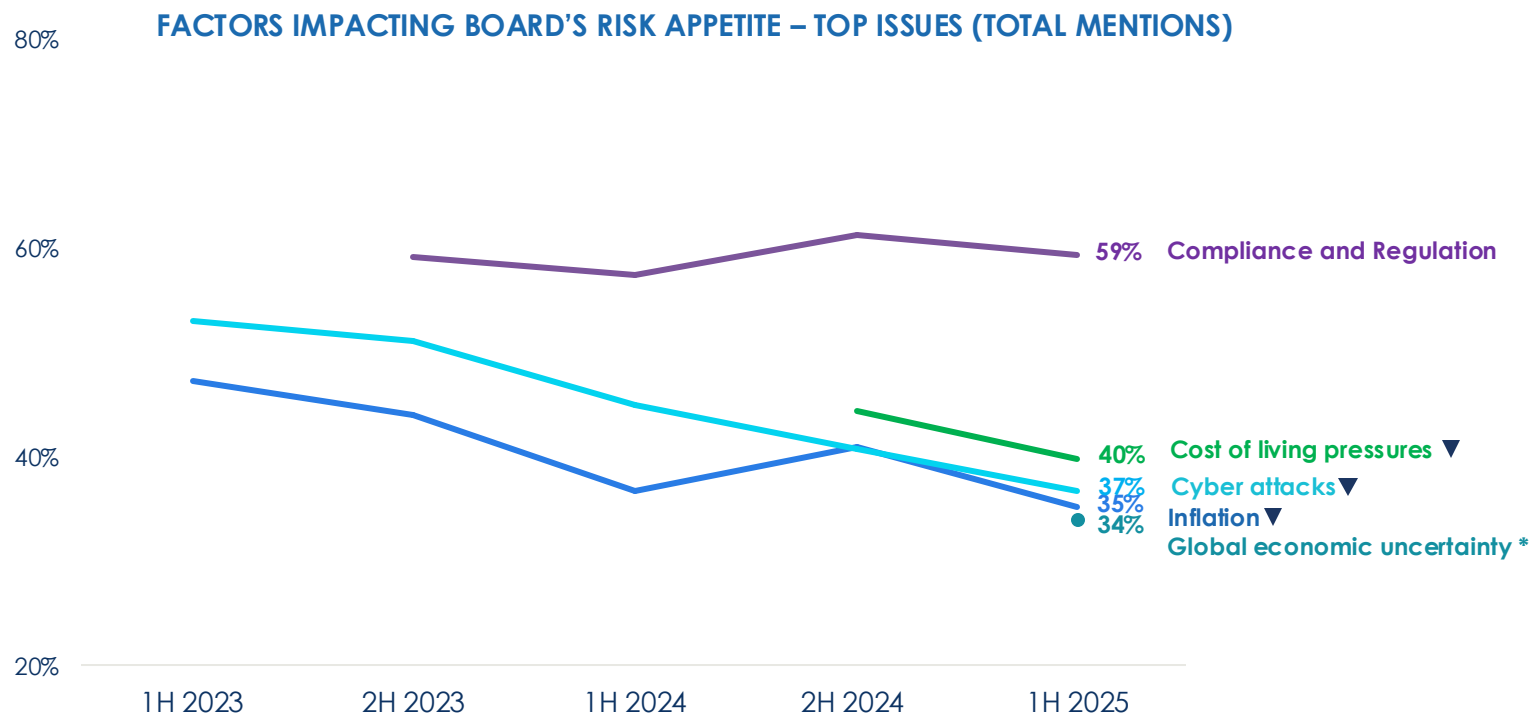
WHAT AREAS OF REGULATION SHOULD BE THE FOCUS OF ANY DEREGULATION AGENDA



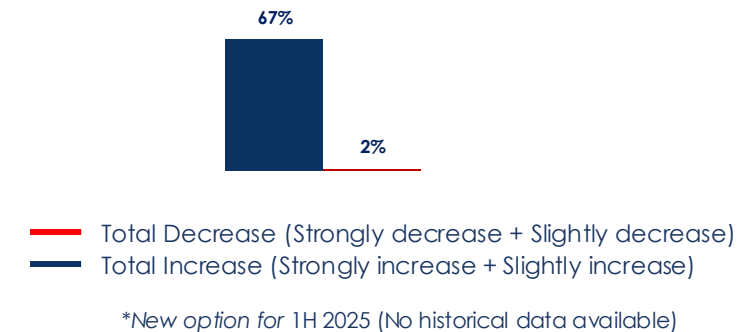
*New question for 1H 2025 (No historical data available)

Compliance and regulation remains the top factor impacting boards' risk appetite

More than two-thirds of directors expect regulatory compliance requirements to increase within their business over next 12 months



EXPECTING REGULATORY COMPLIANCE REQUIREMENTS TO CHANGE OVER NEXT 12 MONTHS



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2024 survey.
 *Note: In the latest survey, 'Global economic uncertainty' was added as a new option.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.
 TQ3a1. Have any of the following impact your board's risk appetite?
 B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business?
 Note: Only displaying prominent issues in 1H 2025.

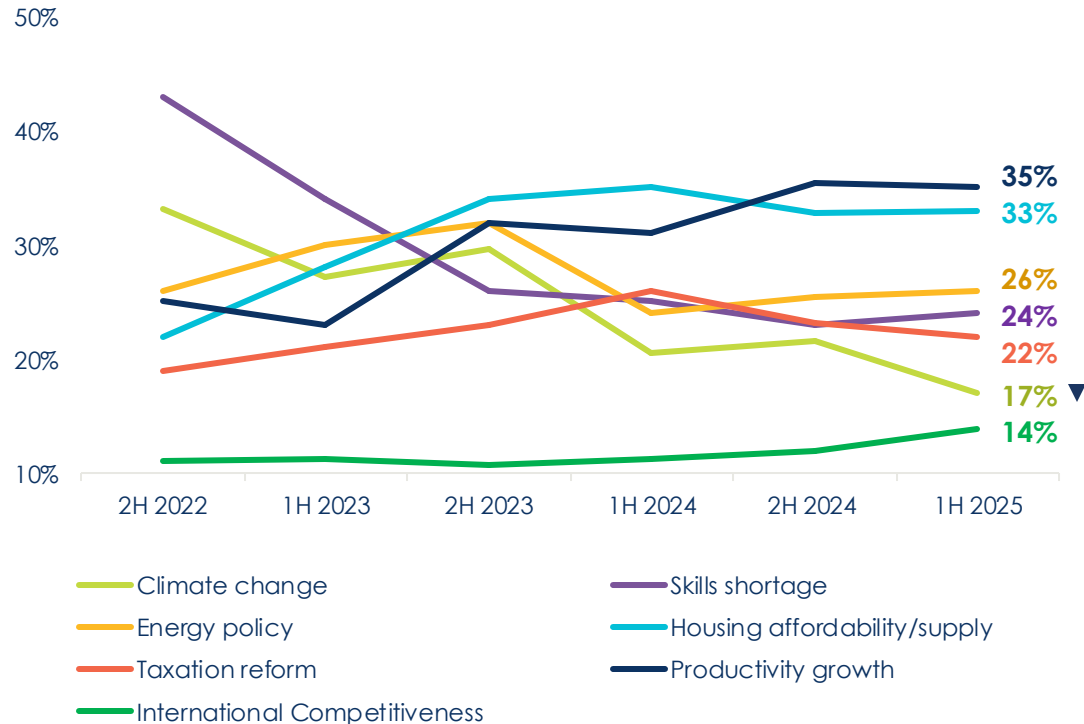


Priorities for Australian Government

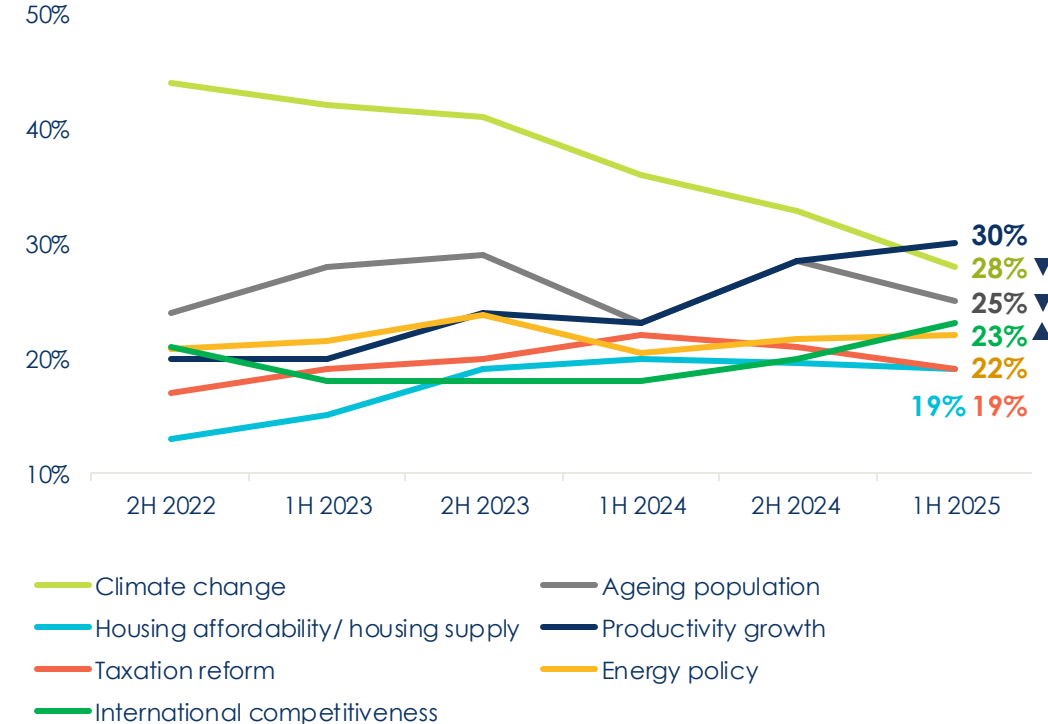
Productivity growth is the most important issue for the Federal government to address in the short-term and also climbs to the top long-term issue

International competitiveness has climbed to the fourth most important long-term issue. Climate change continues to decline as a top issue for Federal government to address.

TOP ISSUES FEDERAL GOVERNMENT SHOULD ADDRESS IN NEXT 3 YEARS



TOP ISSUES FEDERAL GOVERNMENT SHOULD ADDRESS IN NEXT 10-20 YEARS



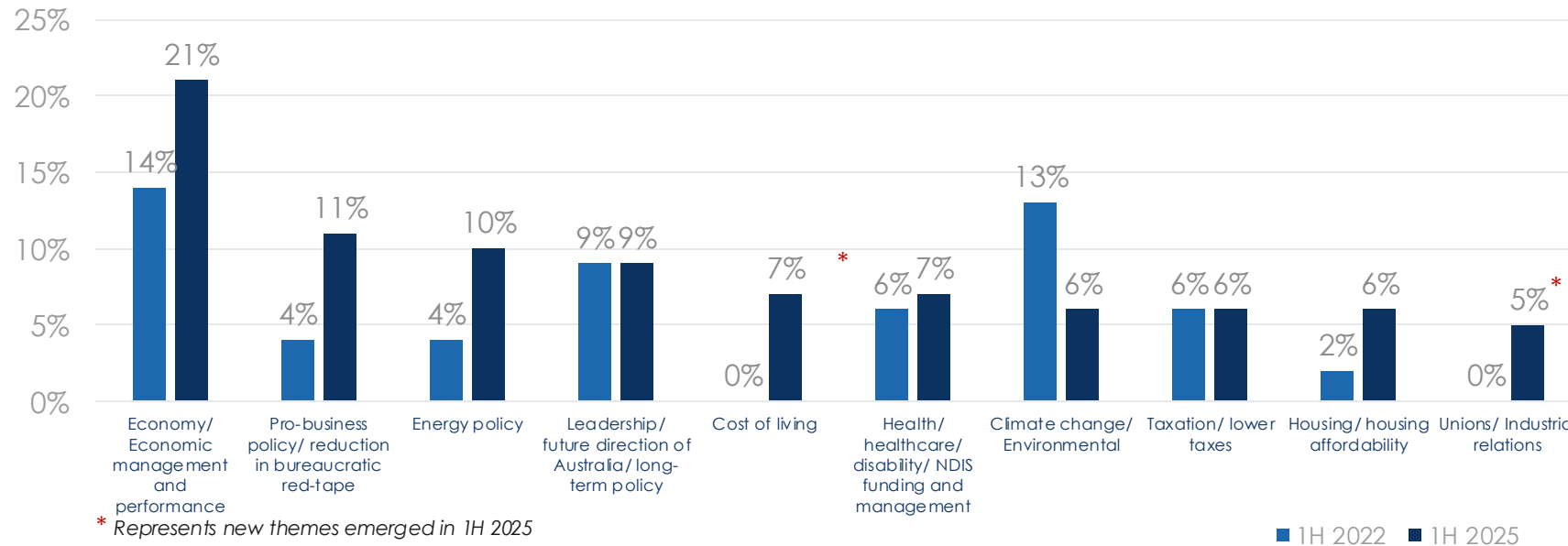
Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n=1,127. RE4. In your opinion, what are the top 3 issues the federal government should address in the short term (next 3 years)? RE4a. Now thinking about the longer term (next 10-20 years), what are the top 3 issues the federal government should address? Percentage refers to respondents who nominated this as a top 3 issue. Note: Only displaying prominent issues in 1H 2025. Amendments to the list may impact comparability with previous results.

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2024 survey.

The economy, cutting red tape, business and energy policy are the most important issues influencing directors' voting intentions in the Federal election

Cost of living, unions/industrial relations, social services support and funding, and US relations are new themes emerging this wave compared to 1H 2022 (prior to the last Federal election). Climate change/environmental issues mentioned by fewer directors this wave.

MOST IMPORTANT ISSUE IN UPCOMING FEDERAL ELECTION (BASED ON OPEN-ENDED RESPONSES)



Other themes emerging in 1H 2025 with <5% mentions

- Employment/ skills development/ increase migration
- Education
- Socio-economic inequality
- Government integrity/ trustworthiness
- Infrastructure
- Innovation/ innovation funding and management
- Aged care/ Aged care funding and management
- Foreign affairs/ international relations
- Social services support and funding*
- US/ Australia-US relations*
- Defence/ national security/ security
- China/ Australia-China relations
- COVID-19/ COVID-19 management and post-pandemic recovery

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2025. Base: AICD Directors 18+, n= 1,127.

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 in Australia? (open-ended verbatim)

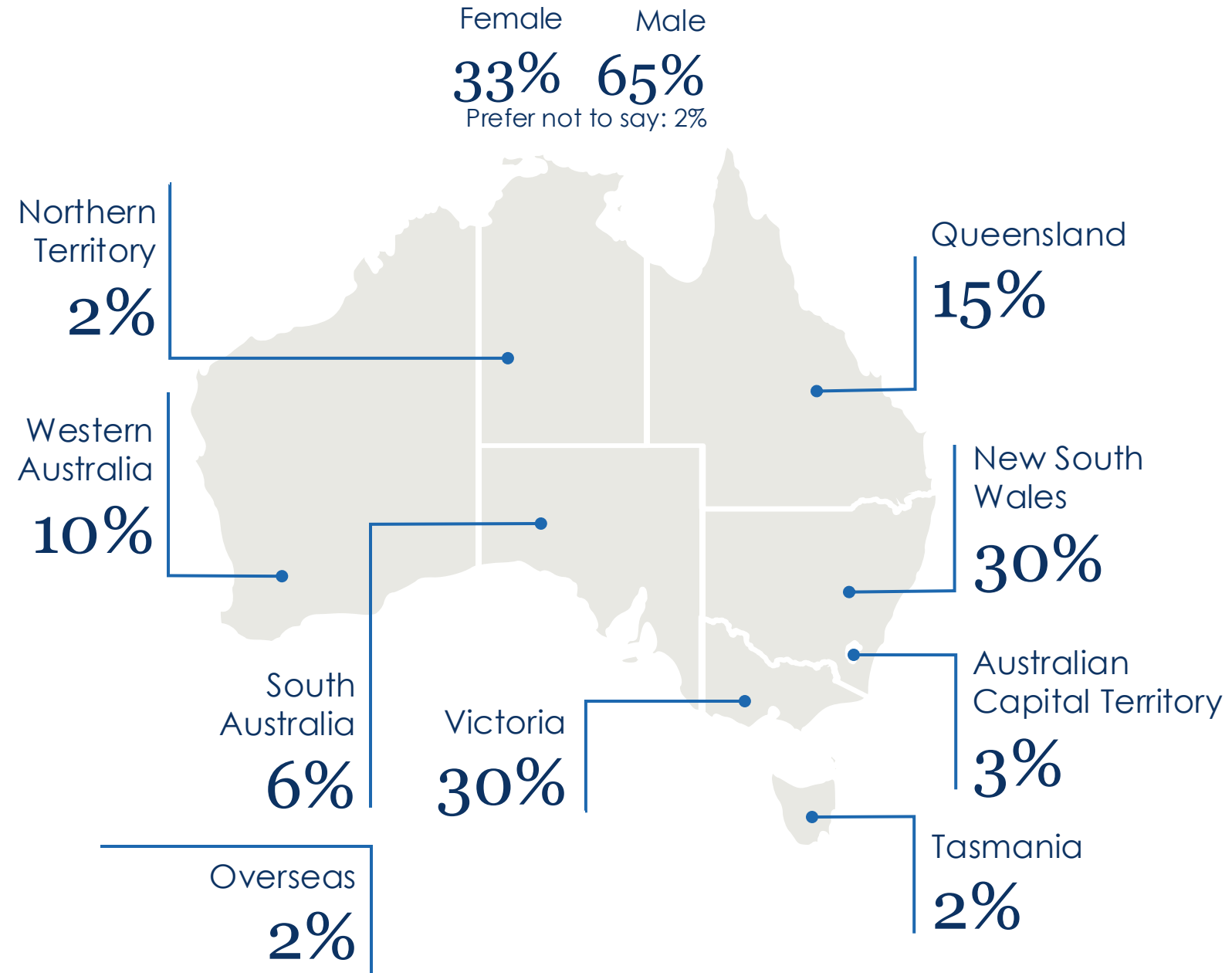
Note: Only displaying prominent themes in 1H 2025.



Data Appendix

WHO TOOK PART?

- The wave 1 2025 DSI survey was conducted online with a sample of 1,127 directors across Australia between 19 February and 3 March 2025.
- 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 wave and previous waves are included in an accompanying report.





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The Australian Institute of Company Directors acknowledges the Traditional Custodians of the Lands on which we are located and pay our respects to the Elders, past and present. We acknowledge the First Nations people across this Country and recognise their unique cultural and spiritual relationships to the Skies, Land, Waters, and Seas and their rich contribution to society.