

Director Sentiment Index Survey

1st Half 2026

Insights report



ROY
MORGAN



Australian
Institute of
**Company
Directors**



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Executive Summary

01

Executive Summary

Directors were already wary about conditions prior to the Middle East conflict

Director Sentiment Index (DSI) research for 1H 2026 was conducted with Australian company directors between 20th Feb-10th Mar 2026. The findings therefore do not fully represent the conflict in the Middle East and subsequent global impacts. With that said, directors were already expressing growing concerns about the global and domestic landscapes, which are likely to have been further intensified by subsequent events.

The DSI recorded a marginal improvement, however, **sentiment remains firmly in negative territory**, with all categories - economic outlook, business conditions, macro and micro settings, and directorship conditions - continuing to reflect pessimism. Directors were signalling concerns about Australia's outlook even before the implications of the Middle East conflict became clear, with **a growing number expecting economic and business conditions to be weak over the next 12 months**.

Inflation and interest rates rose sharply as one of the main economic challenges facing business. Not only are directors anticipating continued monetary tightening but they're already feeling its effects. Sentiment towards monetary policy has become more negative, with 41% now believing current settings will cause a major uptick in business insolvencies. Confidence in the stimulatory impact of future rate cuts has weakened, signalling a more cautious and constrained outlook for economic recovery.

Domestic economic conditions emerged as the foremost concern for Australian directors, now the number one issue keeping directors awake at night. Productivity growth, global economic uncertainty and regulation requirements / red tape are the top three economic challenges facing Australian businesses.

Productivity growth remains the top issue

Amid ongoing global and domestic uncertainty, **directors are increasingly calling on the Federal Government to make productivity growth a national priority**. While over half of directors continue to support increasing skilled migration to boost productivity, backing has eased, reflecting a more cautious approach to workforce solutions. **Nearly three-quarters believe a major deregulation agenda could deliver a clear lift to productivity and economic growth**.

More than half of directors cite housing supply as a critical investment priority for boosting Australia's productivity, while regional infrastructure also continues to gain traction as a driver of growth. Within organisations, leadership quality and workplace culture remain the engines of productivity. Over one in ten highlight flexible work arrangements as a major contributor, and seven in ten organisations currently offer flexibility. Technology is reshaping the landscape too, with **almost two-thirds reporting productivity and performance gains from AI tools**, reinforcing its role as a strategic enabler of growth.

Executive Summary

AI is reshaping boardroom decision-making

A large majority of directors **expect digital and AI adoption to accelerate over the next 12 months**, yet the pace of change is creating tension in boardrooms: while half of directors believe AI delivers more benefits than risks, just as many are concerned that adoption is outpacing their organisation's ability to keep up. **Cyber-crime and data security rank among the top issues keeping directors awake at night**. Incorrect use of AI is seen as the most damaging potential risk, followed by cyber security threats, with misinformation and reputational damage also emerging as key concerns.

AI is set to reshape workforce dynamics, particularly around skill requirements and employee engagement. In the next 12 months, 40% of directors anticipate AI related impacts on workforce size, particularly in the Information Media and Telecommunications, and Administrative and Support Services sectors.

There's a sense of disruption and opportunity unfolding simultaneously across Australian businesses - the **uptake of AI tools alongside the accelerating pace of change is widely seen as inevitable**, prompting most boards to invest in upskilling to build capability and oversight.

Geopolitical uncertainty is weighing heavily

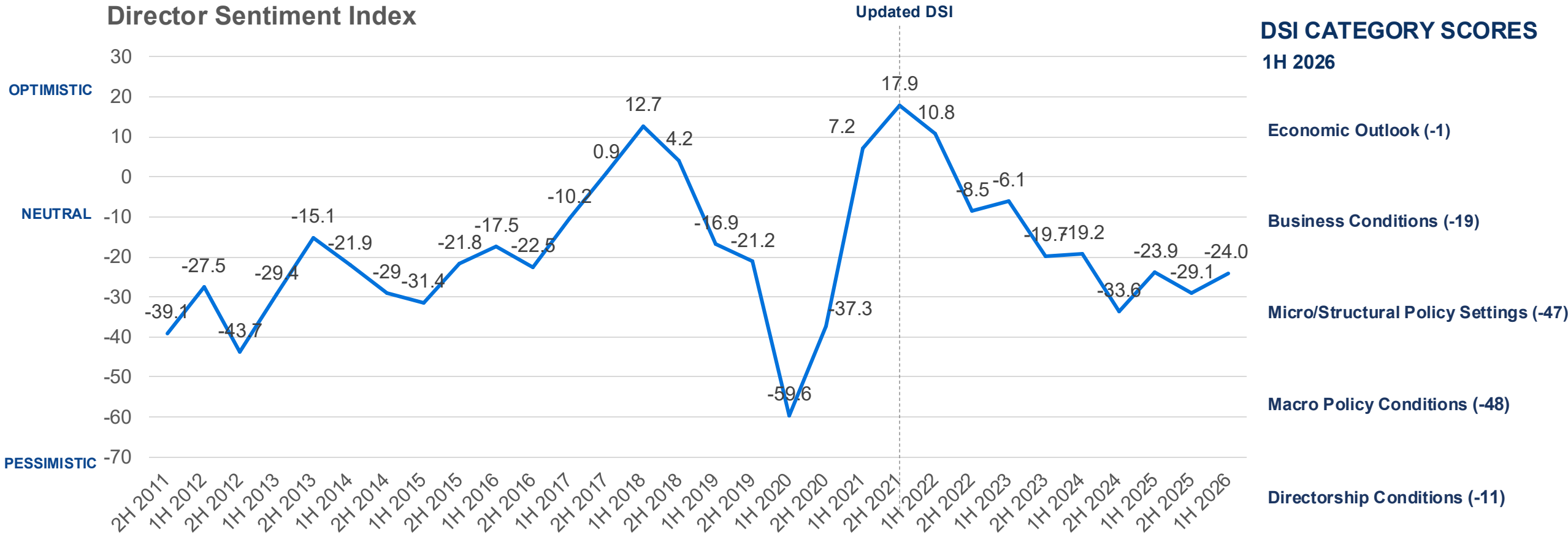
The findings reflect a growing link between global volatility and mounting pressures being felt domestically. **A quarter of directors report that global economic conditions have impacted their investment plans**, with a reduction in investment levels signalling a more cautious and defensive business posture. This is likely to intensify as a consequence of the escalating conflict in the Middle East. **Even before these developments, directors were anticipating material impacts on Australia's trade flows, supply chains and commodity prices over the next 12 months, driven by the Trump administration's use of economic diplomacy**. Against this backdrop, 87% of directors expect business costs to rise in the year ahead. In response, calls for taxation reform and greater focus on the Federal budget position are gaining momentum as priority areas for government action.

Facing ongoing uncertainty, **directors are navigating a delicate balance between risk and opportunity**. The organisations best positioned for the future will be those that invest in skills, technology, and effective contingency plans, with government playing a critical role in supporting business and economic growth in Australia.

Director Sentiment Index

02

The Director Sentiment Index (DSI) improved slightly but remains in negative territory - overall director confidence remains subdued amid ongoing economic and geopolitical uncertainties



Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n=828.
 Note: Revised index from 2nd Half 2021 onwards is not directly comparable with previous index scores.
 Note, the survey was conducted from 20th February until 10th March. Concerns surrounding the conflict in the Middle East and subsequent impacts may not be wholly captured.

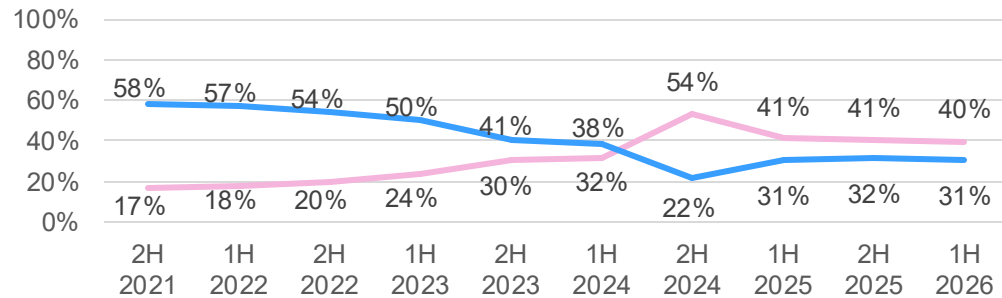
Economic and Business Outlook

03

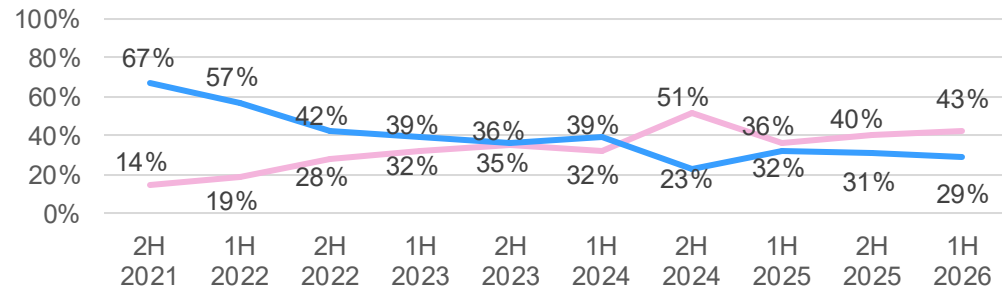
Even prior to the Middle East conflict a growing number of directors were expecting economic and business conditions in Australia to weaken over the next 12 months

Assessment of Australian economy

Current assessment of Australian economy



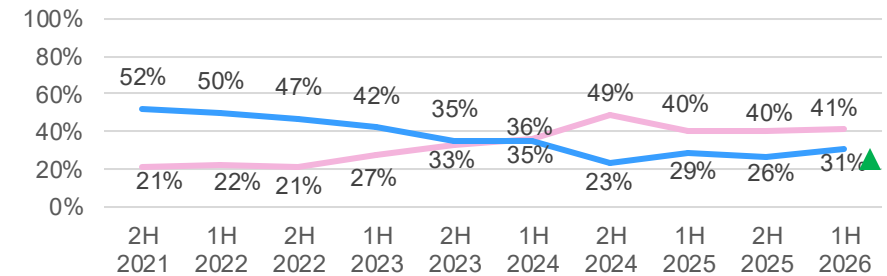
Next 12 months assessment of Australian economy



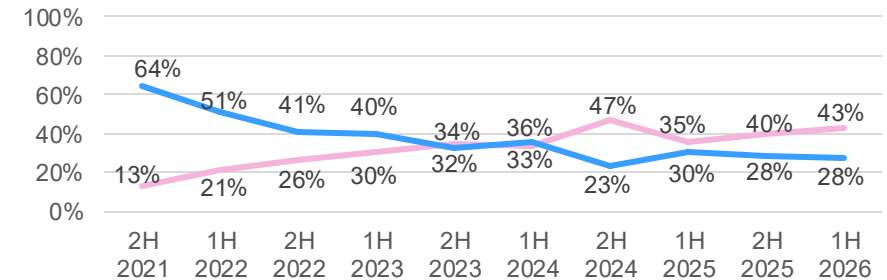
— Total Weak (Very weak + Somewhat weak)
— Total Strong (Very strong + Somewhat strong)

Assessment of business conditions

Current business conditions in Australia



Next 12 months business conditions in Australia



▲ ▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

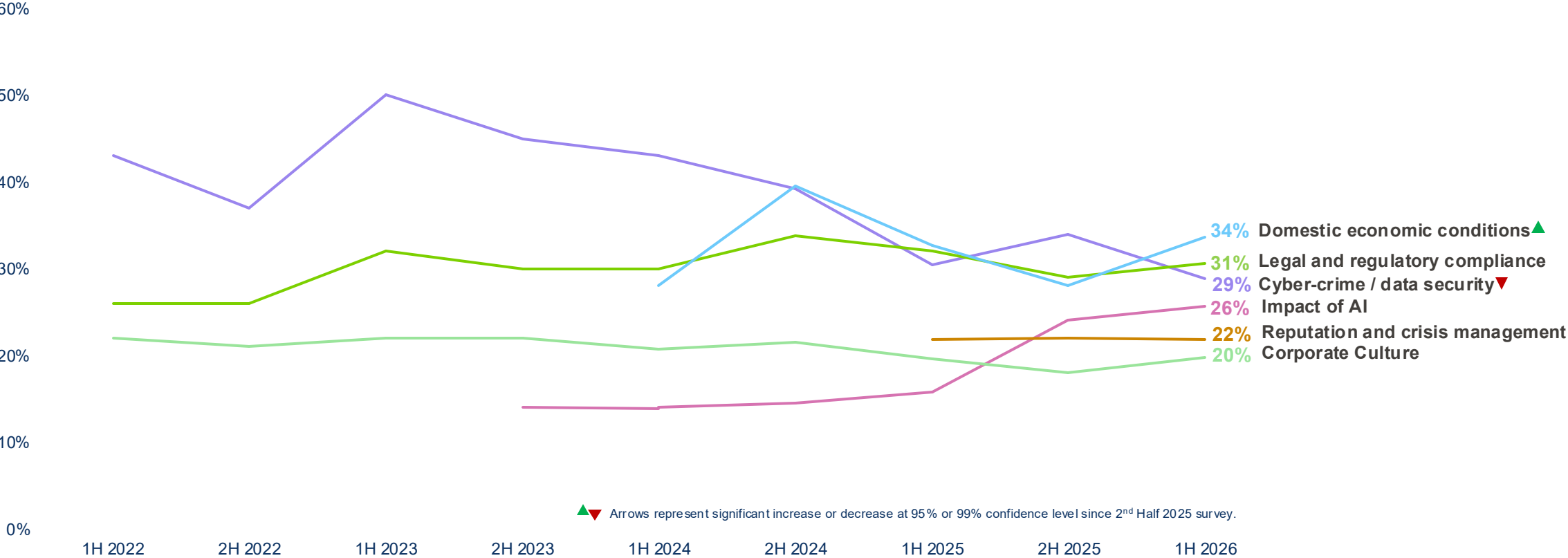
Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 E8. What is your assessment of the current health of the following economies?
 E9. Over the next 12 months, what would be your assessment of the health of the following economies?
 B10.1. What is your assessment of current business conditions in Australia?
 B11.1 What is your assessment of business conditions over the next 12 months in Australia?

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%.

Domestic economic conditions is the number one issue keeping directors awake at night followed by legal and regulatory compliance

Cyber-crime / data security remains a major focus and concerns over the impact of AI has increased.

Top issues most likely to keep directors awake at night (Total Mentions)

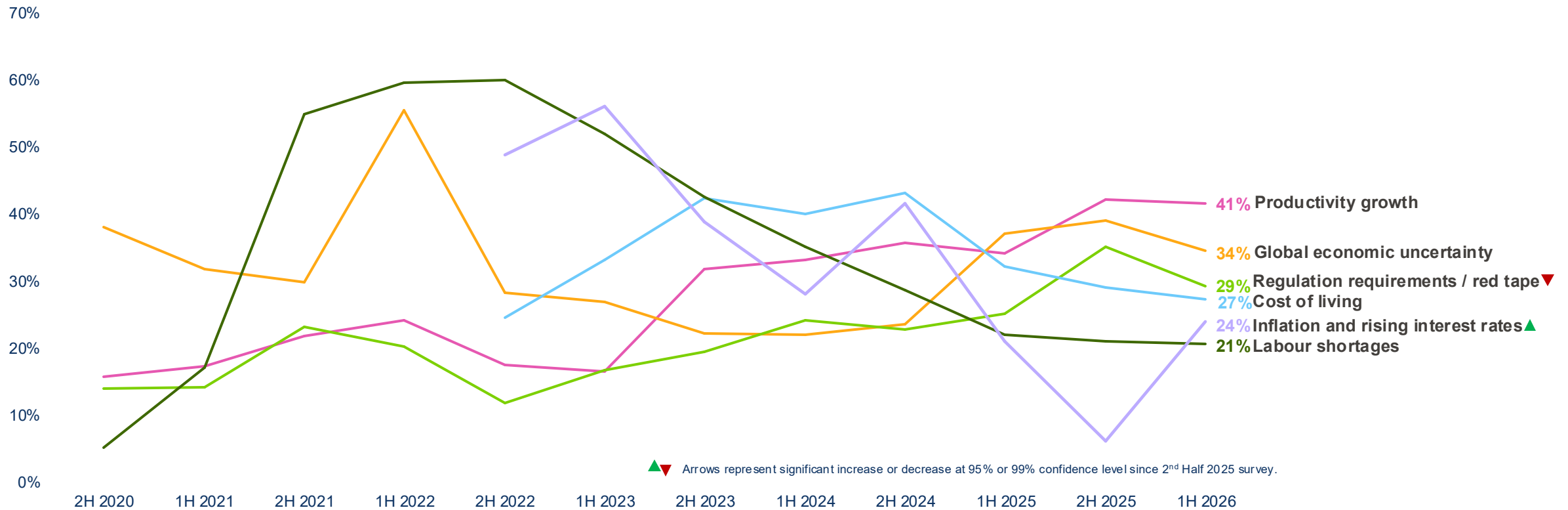


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 TQ1. What are the top 3 issues most likely to “keep you awake at night” as a director on your board? The percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.
 Note: Only displaying prominent issues with mentions > 20% in 1H 2026. Amendments to the list may impact comparability with previous results.

Productivity growth, global economic uncertainty and regulation requirements/ red tape are the top three economic challenges facing Australian businesses

Concerns over inflation and rising interest rates increased dramatically from 6% in 2H 2025 to 24% in 1H 2026, reflecting the impact of RBA monetary tightening.

Top economic challenges facing Australian businesses (Total Mentions)



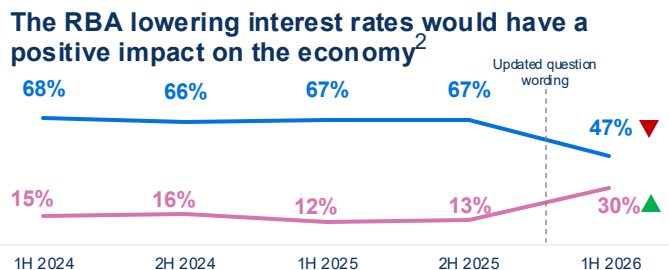
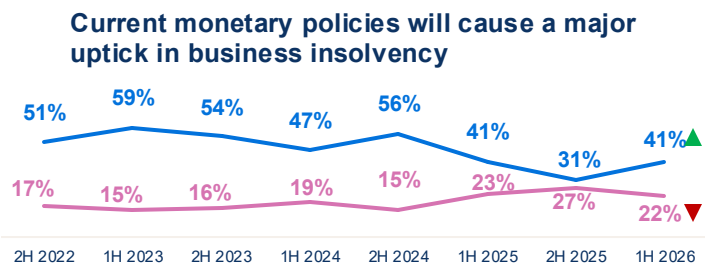
Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 E6. What are the top 3 economic challenges currently facing Australian businesses? Percentage of respondents that nominated issue in the top three economic challenges.
 Note: Only displaying prominent issues with mentions > 20% in 1H 2026 Amendments to the list may impact comparability with previous results.

An overwhelming majority of directors anticipated the rate rise enacted by the RBA in March

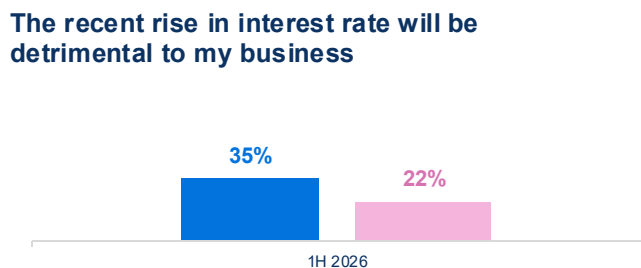
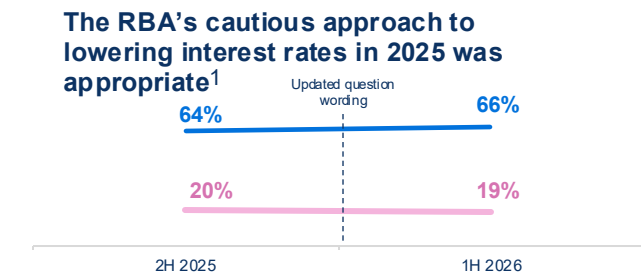
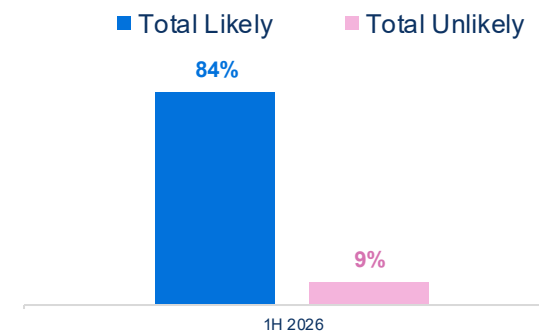
Concerns that current monetary policies will cause a major uptick in business insolvencies have increased since 2H 2025 and significantly fewer directors now believe that RBA lowering interest rates would have a positive impact on the economy.

Thinking about Inflation, Interest Rates and the RBA, 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)



What do you think is the likelihood of (a further) interest rate rise by the RBA in the next 6 months?



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 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 rise by the RBA in the next 6 months?

¹Statement changed from 'The RBA's cautious approach to lowering interest rates has been appropriate'

²Statement changed from 'The RBA lowering interest rates further will positively impact the economy'

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%.

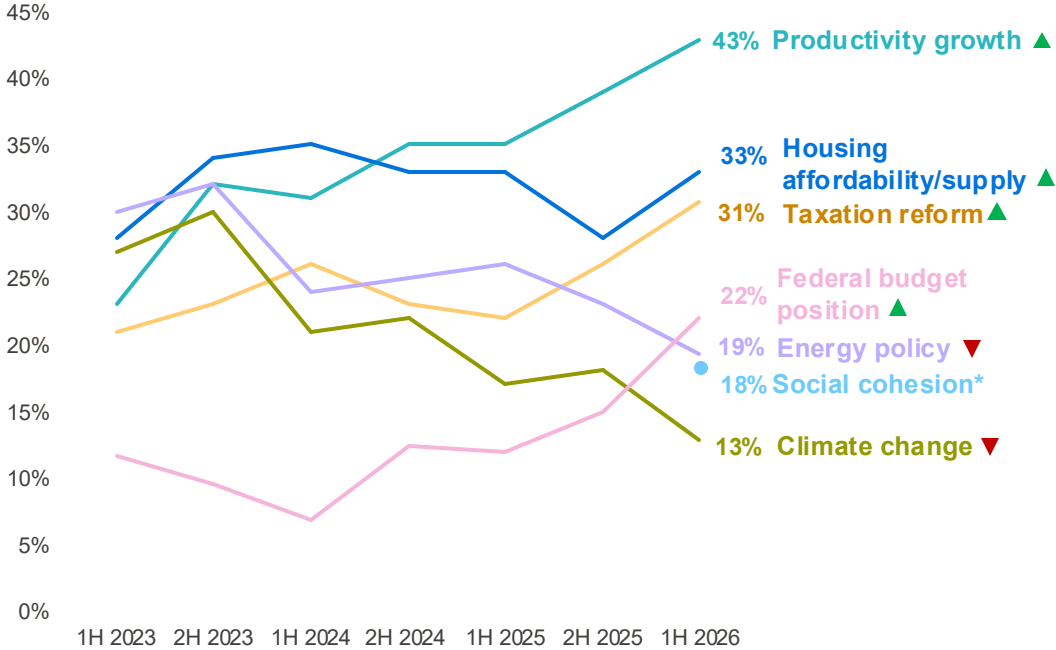
Focus on Productivity

04

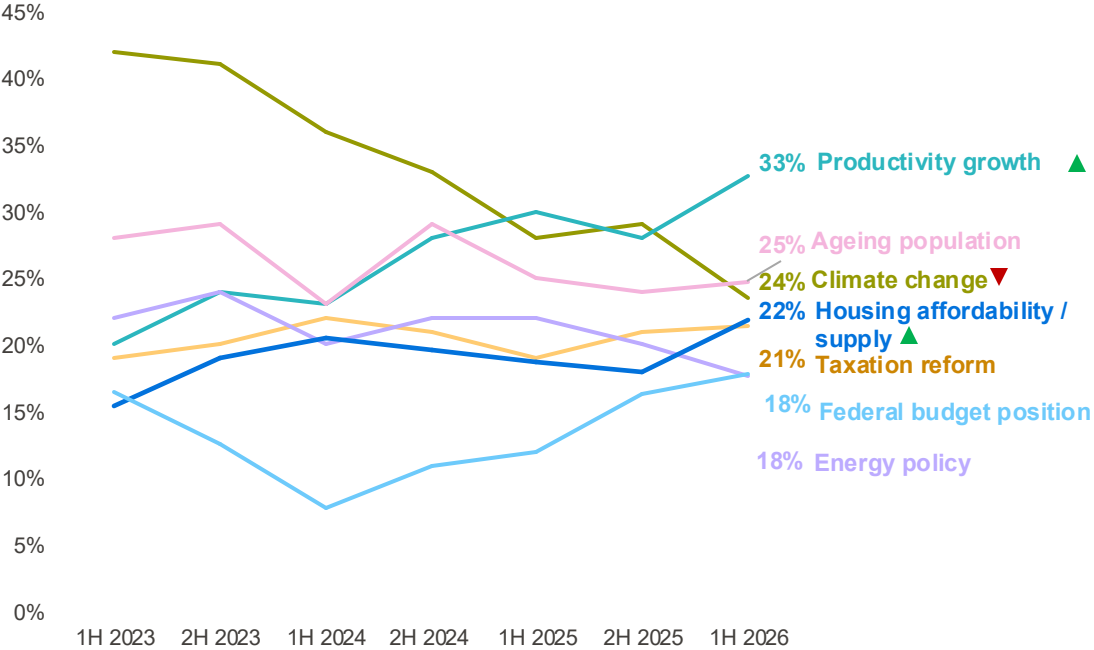
Productivity growth remains the top issue directors feel the Federal government should address in both the short and long term

Taxation reform and the Federal budget position have gained ground as short-term priorities, while attention on climate change has eased.

Top issues Federal government should address in next 3 years



Top issues Federal government should address in next 10-20 years



*New option added in 1H 2026 (No historical data available).
 Note: new option may impact comparability of trended results

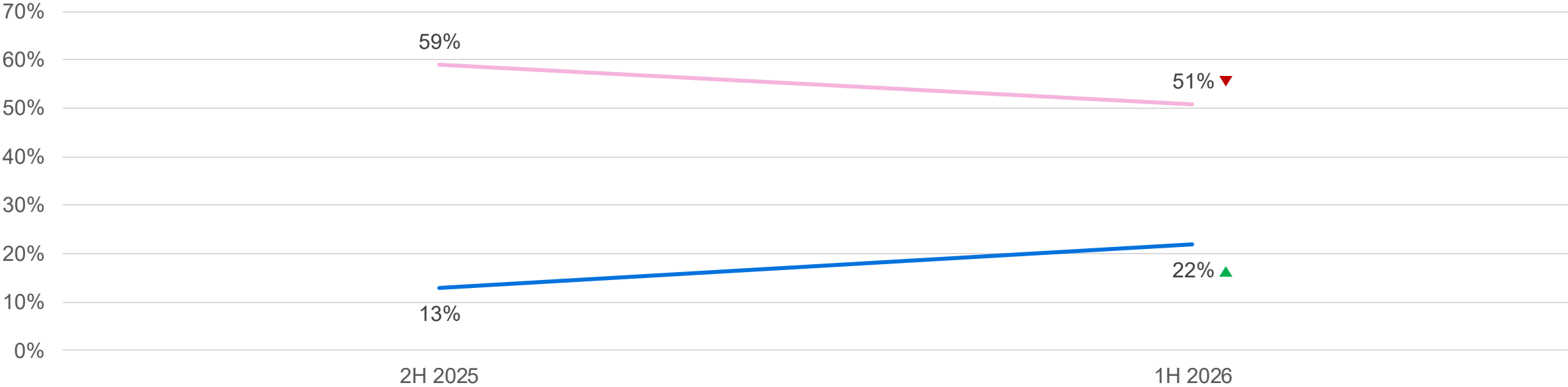
▲ ▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n=828
 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?
 Note: Only displaying prominent issues in 1H 2026. Amendments to the list may impact comparability with previous results.

When considering its impact on the productivity of the Australian economy, around half of directors favour increasing Australia’s skilled migration, although support has declined over the past six months

— Total Lower (Much lower + Slightly lower)
 — Total Higher (Much higher + Slightly higher)

Considering the impact on productivity, current levels of skilled migration should be:



▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

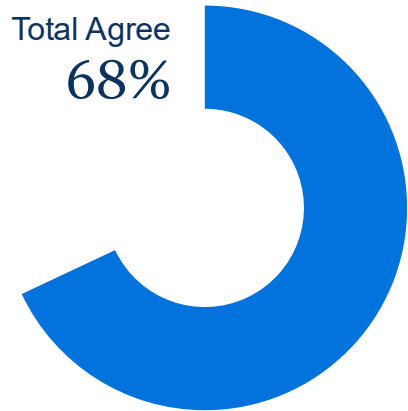
Note: Neutral (About the same) was a response option in the survey but it is not displayed in these charts, hence the Totals do not add to 100%.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 DD15a. Thinking about the level of skilled migration and its overall impact on the productivity of the Australian economy, which of the following best describes your opinion of Australia’s current level of skilled migration?
 Skilled migration should be ...
 Note: Question wording changed in 2H 2025, previously asked as “DD15. Thinking about the level of migration and its overall impact on the productivity of the economy, which of the following best describes your opinion of Australia’s current level of migration?”

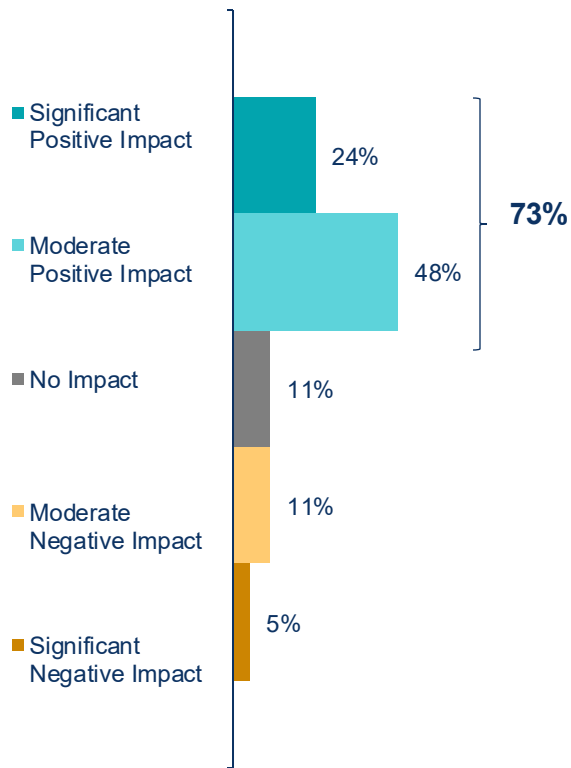
Most directors believe regulatory and compliance requirements are limiting productivity growth in their business

Almost three-quarters believe deregulation would have a positive impact on Australia's productivity and economic growth, with planning regulations and industrial relations seen as priorities for a deregulation agenda.

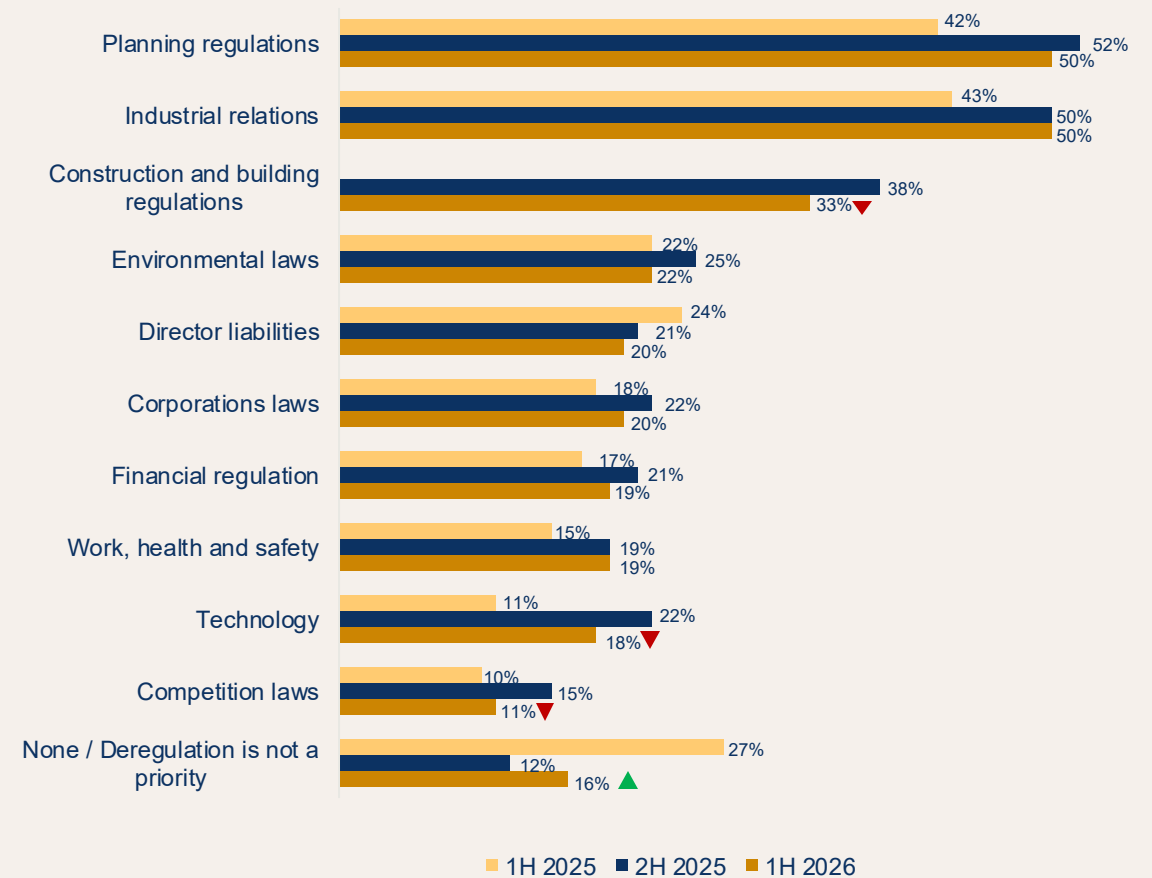
Regulatory and compliance requirements are limiting productivity growth in our business



In your view, what would be the impact of a major business deregulation agenda on Australia's productivity and economic growth?



Focus of a deregulation agenda to improve national productivity *



Note: 'Construction and building regulation' was added as a new option in 2H 2025

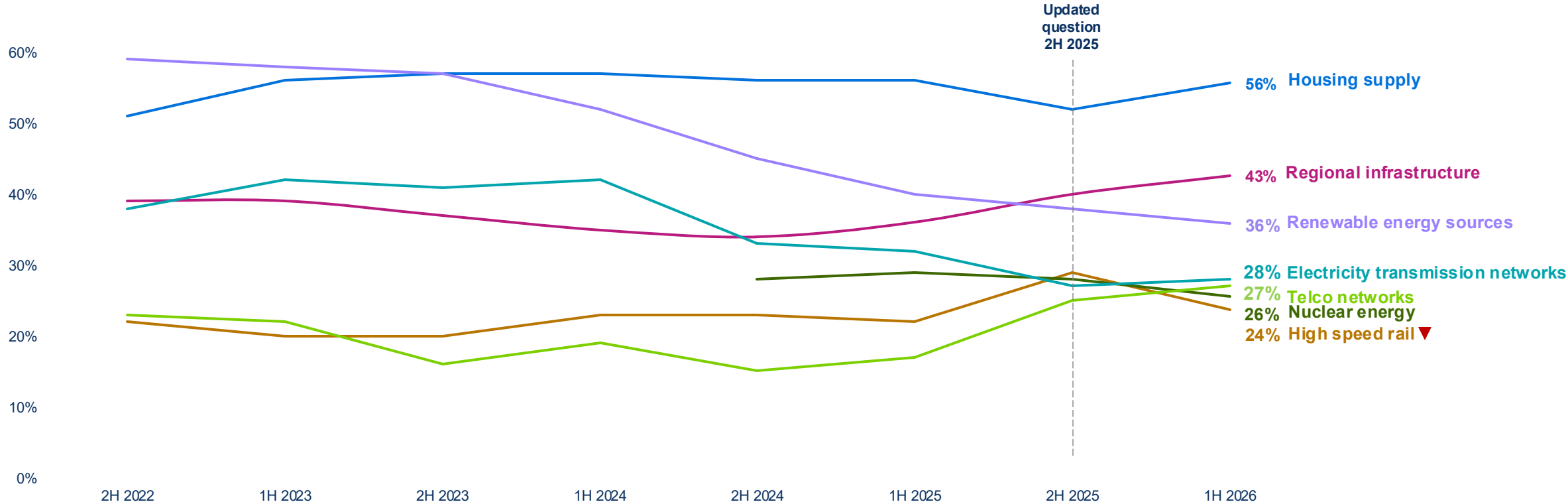
▲ ▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements:
 Regulation 2a. In your view, what would be the impact of a major business deregulation agenda on Australia's productivity and economic growth? Select all that apply.
 Regulation 1a. What areas of regulation should be the focus of any deregulation agenda to improve national productivity? * Note: Question wording changed in 2H 2025, previously asked as "What areas of regulation should be the focus of any deregulation agenda". Only displaying mentions > 10% in 1H 2026.

Investment in housing supply is seen as key to boosting productivity, followed by regional infrastructure which continues to climb as a priority

Investment in renewable energy sources and transmission networks were also identified by directors as having a role in lifting productivity.

Top 3 priorities for investment to enhance Australia's productivity (Total Mentions)



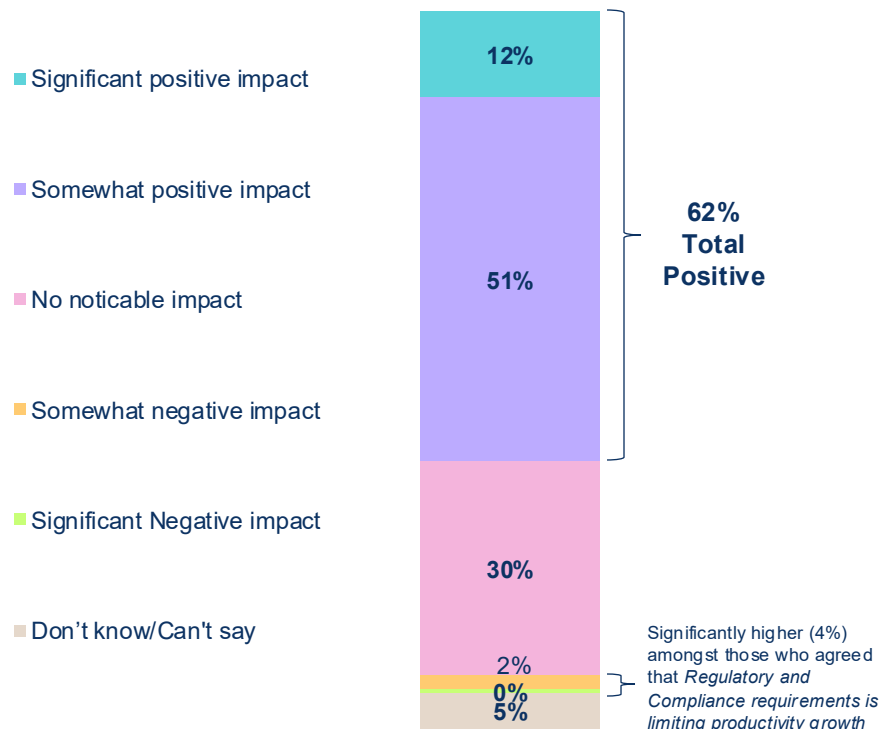
▲ ▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 I2a. Now thinking about infrastructure, what are your top 3 priorities for investment that would enhance Australia's productivity.
 Note: Question wording changed in 2H 2025, previously asked as "Now thinking about infrastructure, what are your top 3 priorities for investment". Only displaying prominent issues with mentions > 20% in 2H 2025.

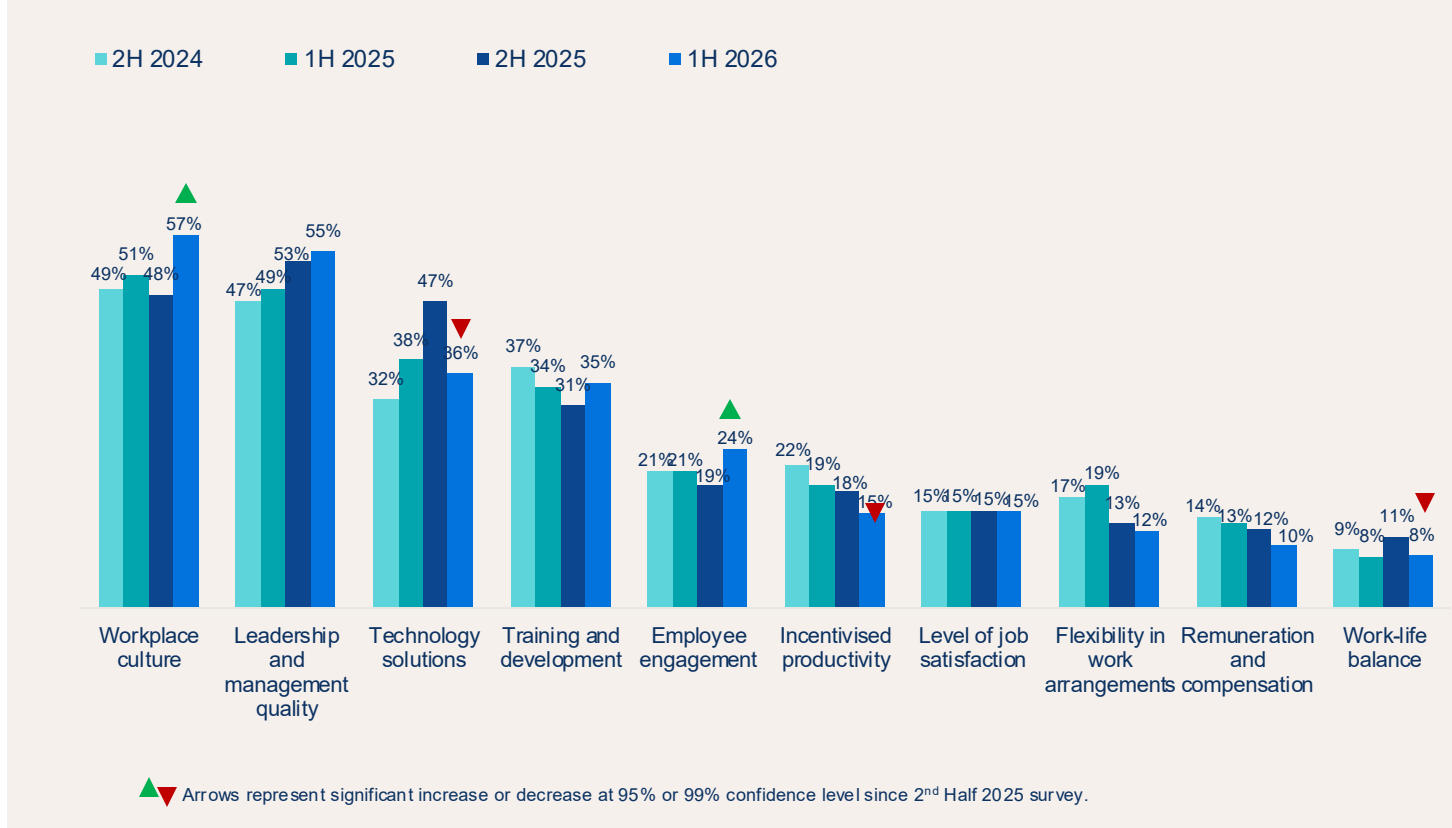
Almost two thirds of directors have seen a positive impact on productivity and performance in their organisations through AI tools

Workplace culture, leadership and management quality, and technology solutions are having largest impact on boosting productivity, while 12% of directors believe flexibility in work arrangements also plays a significant role.

Impact of AI tools on performance and productivity *



Largest impact on boosting productivity in businesses

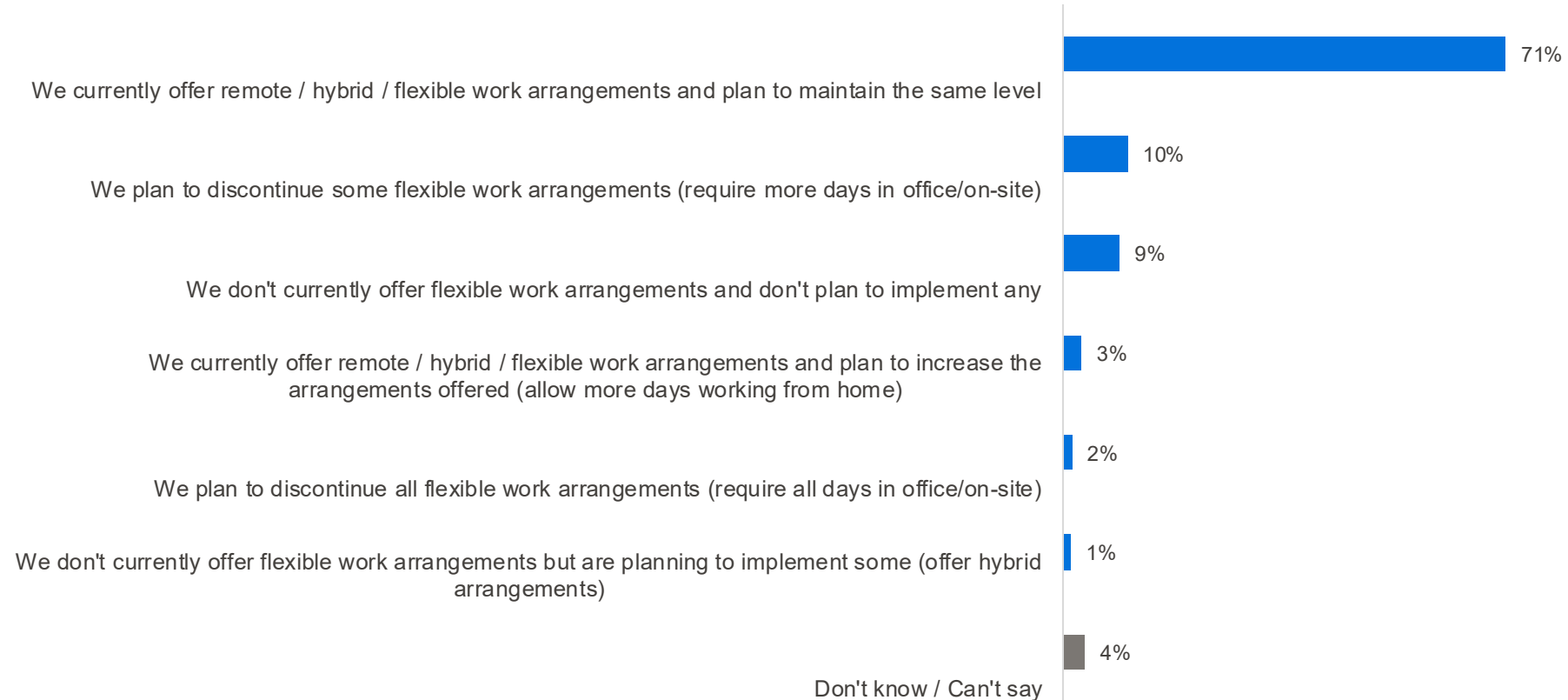


Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 AI1. Thinking about AI tools, what impact has their use had on performance and productivity for your organisation?
 DD11. In your opinion, which of the following have the largest impact on boosting productivity in businesses? Please rank the top 3 issues in order of importance, with 1 being the most important
 Displaying total mentions > 8% in 1H 2026.
 Note - In 2H 2025, Leadership and management style was updated to Leadership and management quality
 Significance is calculated as significantly higher or lower than the total at 95% or 99% confidence level

Amid ongoing policy and workplace discussions, most organisations continue to offer flexible work arrangements and plan to maintain them over the next 12 months

1 in 10 intend to scale back flexible arrangements by increasing in-office requirements, while a similar proportion do not offer flexibility at all.

Plans regarding flexible work arrangements in the next 12 months *



*New question in 1H 2026 (No historical data available)

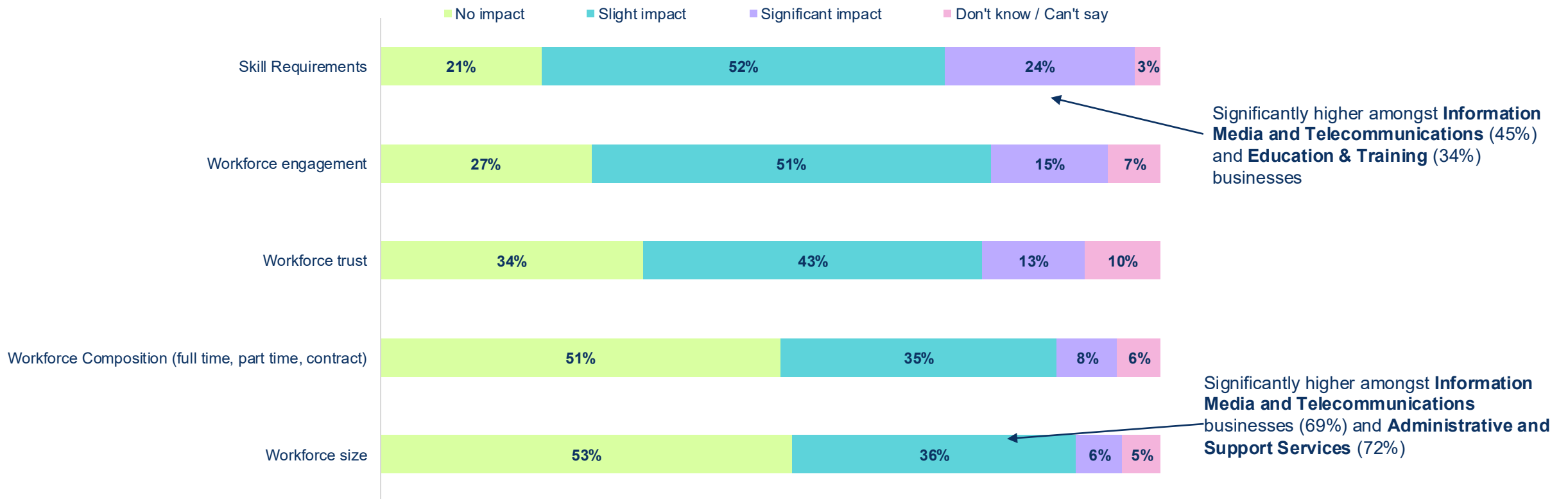
Digital Transformation and AI Adoption

05

AI is expected to reshape workforce dynamics over the next 12 months, particularly around skill requirements and employee engagement

Around 4 in 10 directors anticipate an impact on workforce size, with these effects most pronounced in the Information Media and Telecommunications, and Administrative and Support services sectors.

To what extent will artificial intelligence have a material impact in the following areas? *

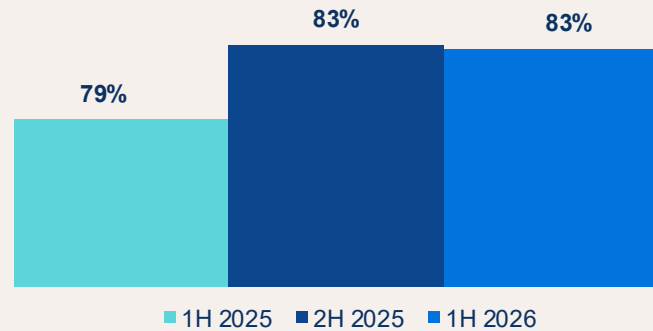


*New question in 1H 2026 (No historical data available)

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828.
 AI2. Thinking about your organisation's workforce in the next 12 months, to what extent will artificial intelligence have a material impact in the following areas?
 Significance is calculated as significantly higher or lower than the total at 95% or 99% confidence level
 Figures have been rounded to the nearest integer

Over four in five directors foresee an increase in digital and AI implementation in the next 12 months; most anticipate an accompanying increase in cybersecurity risks. Around 60% are developing skills and expertise in these areas at the board level.

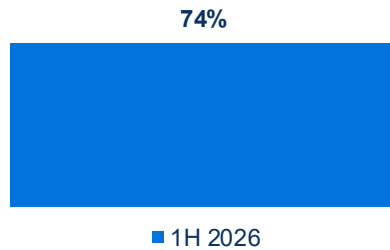
Expectations of increase in Digital and AI Implementation over the next 12 months within your business



Digital Transformation and AI Skills *

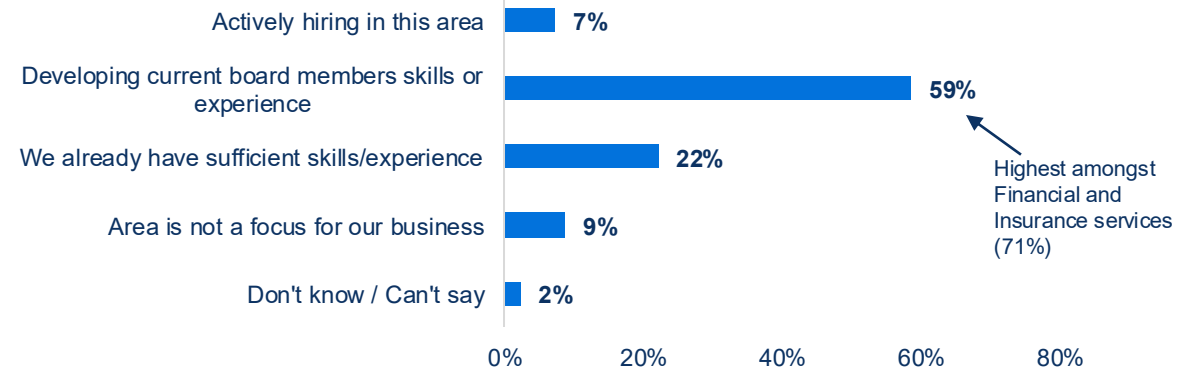


Expectations of increase in Cybersecurity Risk over the next 12 months within your business *



* New question/option in 1H 2026 (No historical data available)

Data Management and Cyber Governance *



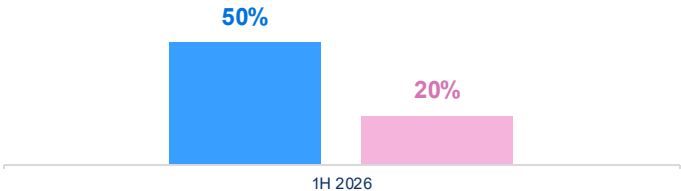
Source: Roy Morgan AI/CD Director Sentiment Index Survey 1st Half 2026. Base: AI/CD Directors 18+, n= 828.
 B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business?
 SK1. Thinking about the last 12 months, has your board been evolving skills and experience in the following areas?
 Significance is calculated as significantly higher or lower than the total at 95% or 99% confidence level

Half of directors believe the pace of AI change is creating more benefits than risks. But more than half agree the pace of change is faster than their organisations can keep up with.

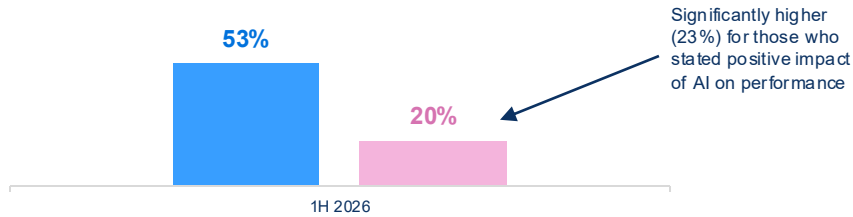
Incorrect use is seen as the risk that would cause the most damage from AI, followed by cyber-security threats.

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

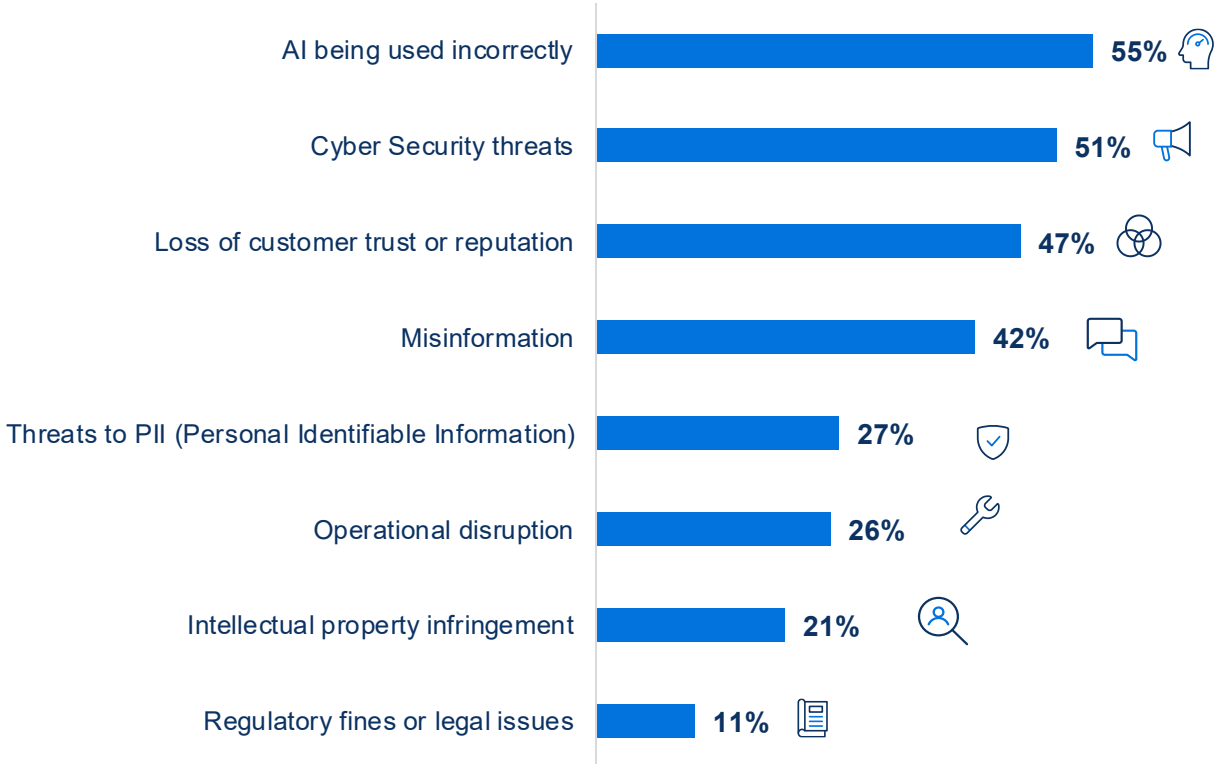
The current pace of digital and AI change is creating more benefits than risks in our organisation *



The pace of change in cyber security and digital transformation is faster than our organisation can keep up with *



Which AI related risks could cause the most damage to your organisation? * Total Mentions



* New questions/options in 1H 2026 (No historical data available)

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 CYB1. To what extent do you agree or disagree with the following statements...?
 CYB3. Which of the following AI-related risks could cause the most damage to you organisation? Please rank up to 3 in order of importance, with 1 being the most important.
 Significance is calculated as significantly higher or lower than the total at 95% or 99% confidence level

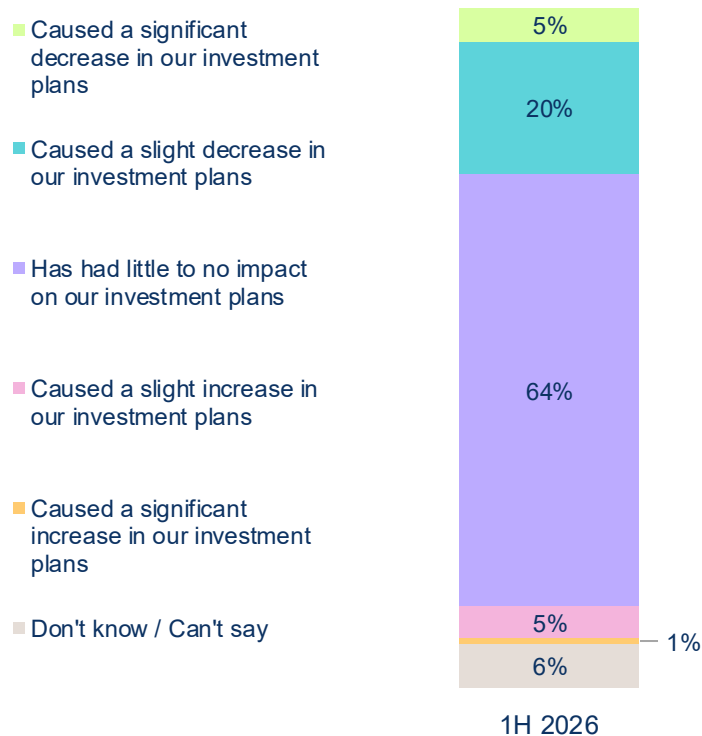
Geopolitical Conditions

06

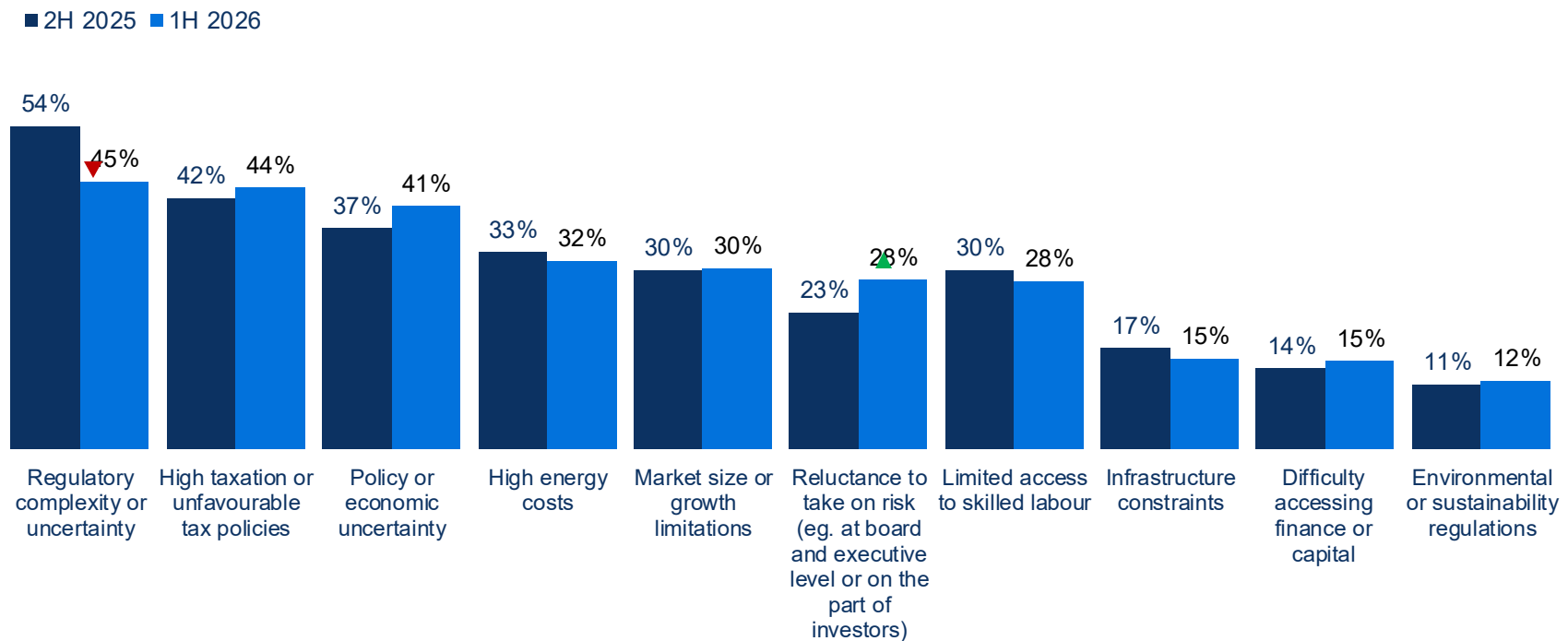
A quarter of directors say global economic conditions have caused them to reduce investment plans. While most reported minimal impact to date, the effect could be greater as a consequence of the Middle East conflict.

Regulatory complexity or uncertainty remains the biggest barrier to increasing business investment, followed by unfavourable tax policy and economic uncertainty.

Impact of the recent state of the global economy on company's investment plans *



Barriers to increasing business investment in Australia (Total Mentions)



* New question in 1H 2026 (No historical data available)

▲ ▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

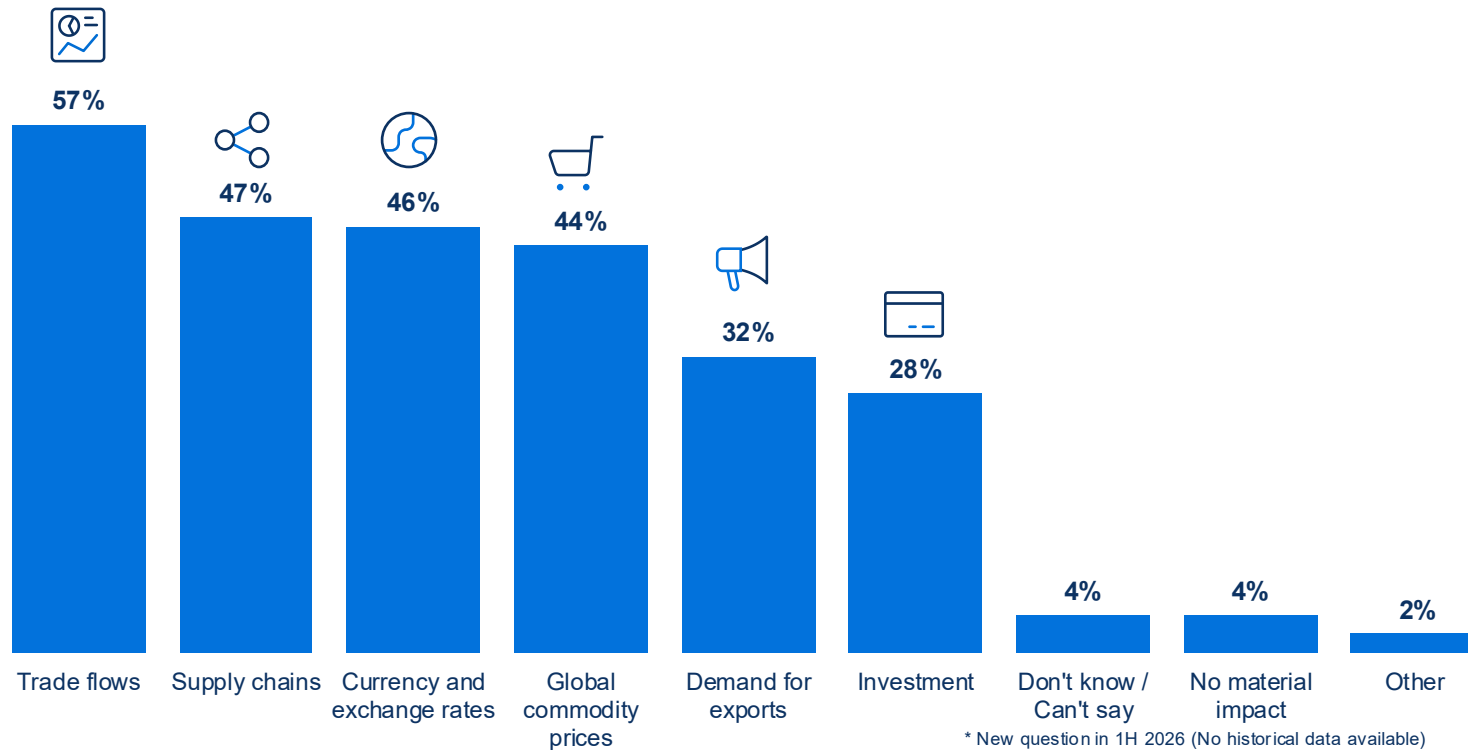
Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 ECON1. What impact (if any) has the recent state of the global economy had on your company's investment plans?
 Bus_invest1. What do you see as the most significant barriers to increasing business investment in Australia?
¹Environmental or sustainability concerns updated to regulations in 1H 2026

Australia's trade flows and supply chains seen as vulnerable to the impact of the Trump administration's use of economic diplomacy

44% think global commodity prices will be affected; 87% expect an increase in overall costs in the next 12 months.

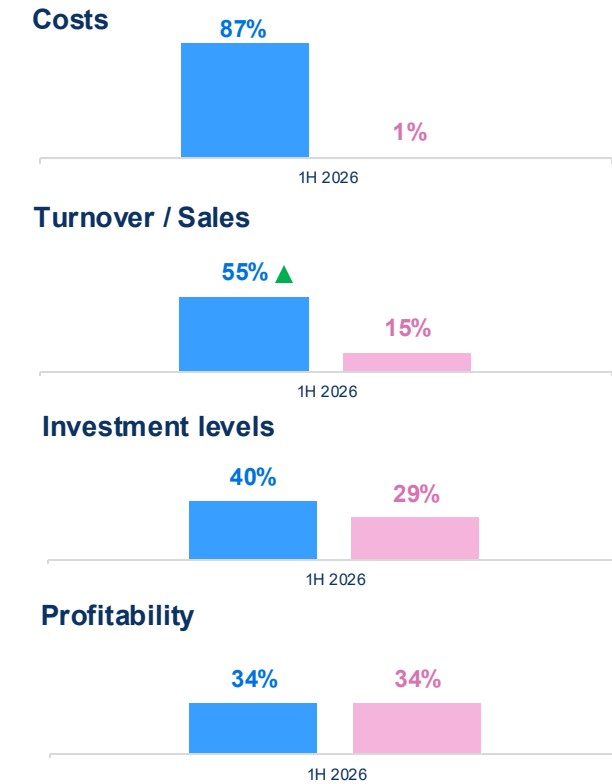
What do you see as the most significant ways the current Trump administration's use of economic diplomacy (e.g. tariffs, sanctions) will impact the Australian economy over the next 12 months? *

Total Mentions



Expectations of change over the next 12 months

■ Total Decrease (Strongly decrease + Somewhat decrease)
■ Total Increase (Strongly increase + Somewhat increase)



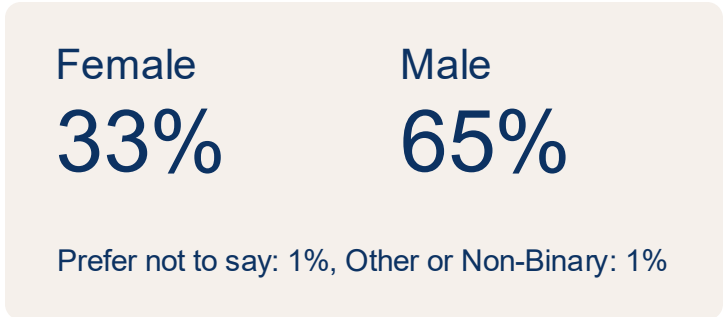
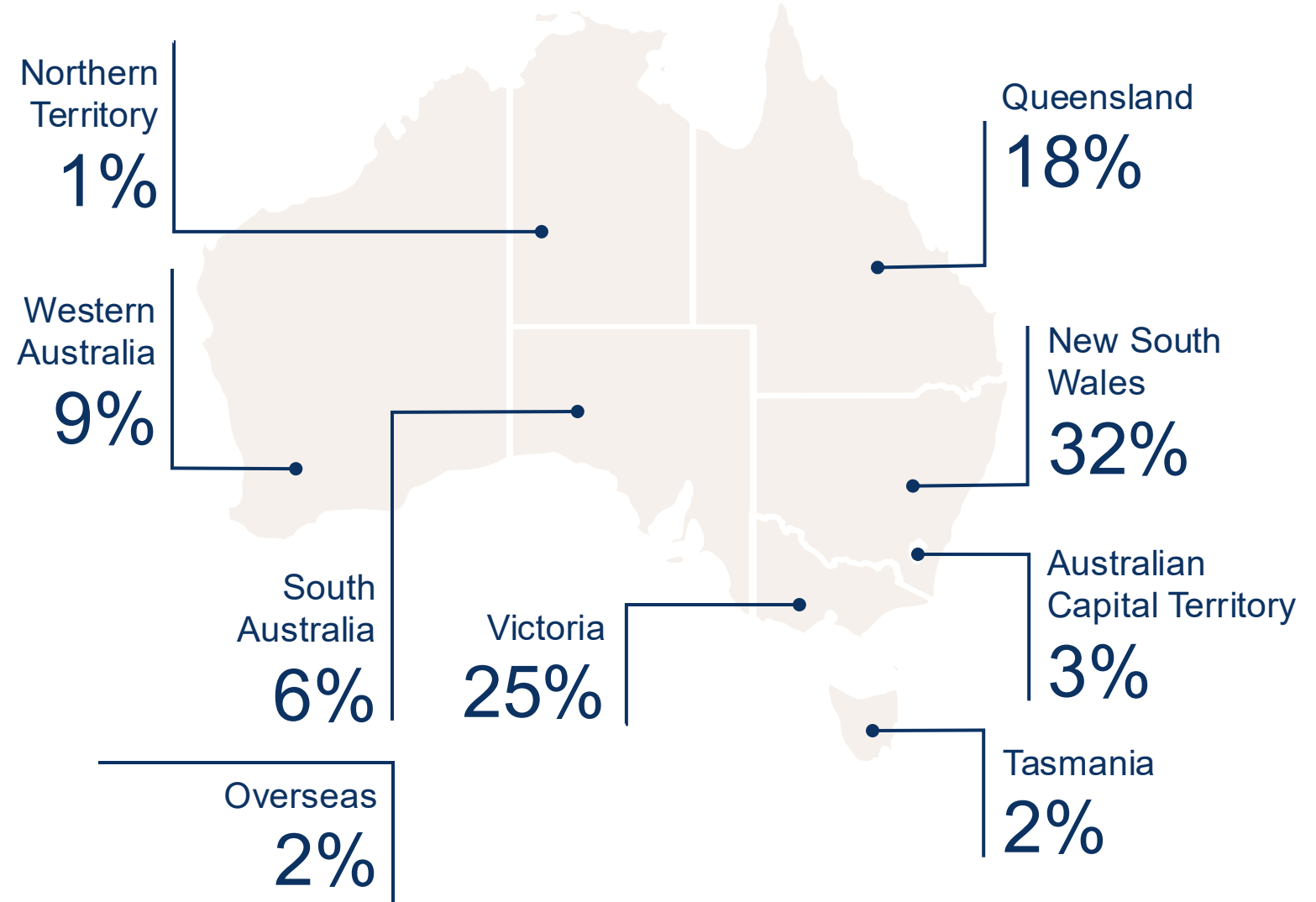
▲ ▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 2nd Half 2025 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2026. Base: AICD Directors 18+, n= 828
 ECON2. What do you see as the most significant ways the current Trump administration's use of economic diplomacy (e.g. tariffs, sanctions) will impact the Australian economy over the next 12 months?
 Rank up to 3, where 1 is the most significant area of impact
 B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business?

Appendix

07

- The 1H 2026 DSI survey was conducted online with a sample of 828 directors across Australia between 20th February and 10th March 2026.
- 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.



Strengthening society through world class governance

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