Director Sentiment Index Survey

2nd Half 2026

Insights report

ROY MORGAN



Australian Institute of Company Directors



Contents

01 Executive Summary

02 Director Sentiment Index

03 Economic and Business Outlook

04 AI and changing workplace

05 Priorities for Australia

06 Appendix

Executive Summary

01

Executive Summary

Confidence has fallen to its lowest level since 2020 as directors feel mounting pressure across several fronts

Director confidence has fallen sharply, driven mainly by weaker expectations for economic and business conditions. The Director Sentiment Index dropped 18.4 points to -42.4, its lowest level since 2020. Nearly two-thirds of directors expect the Australian economy to be weak over the next 12 months (64%), while 60% expect weak business conditions. The weaker outlook extends beyond Australia, with sentiment towards the US, Europe and Asia (excluding China) all declining compared with six months ago.

Global uncertainty, persistent inflation and cost-of-living pressures continue to cloud the outlook. Domestic economic conditions are now the leading issue keeping directors awake at night, while concern about inflation and high interest rates rose from 24% to 33%.

Just ahead of the September RBA decision, 93% expected another rate rise within six months. Although 58% considered the RBA's approach appropriate for current conditions, 59% expected current monetary policy to drive a major increase in business insolvencies - up from 41% six months ago.

Rising costs and regulation are weighing on investment

The weaker outlook is feeding directly into business decisions. Nine in ten directors (91%) expect costs to rise over the coming year, while both investment and labour demand expectations have turned negative. More directors expect investment to fall than rise (39% versus 28%) and more expect labour demand to decline than grow over the next 12 months. Inflation and cost pressures are already being felt across corporate Australia, with 89% of directors saying they are having a negative impact on business.

Directors see government policy settings adding to the pressure. More than two-thirds (68%) say current federal fiscal policy is negatively affecting business, while 57% say the same of state fiscal policy.

Regulatory complexity (52%), taxation settings (51%) and policy uncertainty (48%) are cited by directors as the leading barriers to investment. The impact of the regulatory burden extends beyond investment decisions. Two-thirds of directors (66%) say regulatory and compliance requirements are limiting productivity growth in their organisation, highlighting the broader cost of complexity for business performance.

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n=1,371.

Executive Summary

AI is already reshaping work - the productivity payoff is the next test

Concerns around AI are surging. Thirty-nine percent of directors now identify impact of AI as a major concern keeping them awake at night, while 29% nominate AI regulation as a short-term government priority - more than double the 13% recorded six months ago.

Workforce impact of AI is already visible: 44% of organisations report changes over the past year, including redesigned roles (28%), new jobs (15%), fewer employees required (14%) and roles eliminated (10%). However, productivity gains remain uneven. Although more than a third of AI users report moderate or significant improvements, just under half report small improvements. For directors, the challenge is shifting from whether to adopt AI to how to turn it into measurable productivity gains while managing the workforce, governance and regulatory implications.

Productivity reform remains a priority for business

With costs rising and investment under pressure, productivity has increased as the leading concern for directors for the government to address. Almost half (46%) nominate productivity growth as a top short-term priority and 37% as a top long-term priority. Directors are also placing greater long-term focus on the federal budget position, while climate change has experienced the largest decline in priority since 2021.

Tax reform is central to the productivity agenda. Personal income tax now tops directors' reform priorities at 47%, while support for capital gains tax reform has risen sharply to 43%, following the Government's CGT changes.

Directors see skilled migration as important to lifting productivity. Although expectations for labour demand and wage growth have eased over the next 12 months, the need for skilled migration remains, with 54% of directors supporting higher skilled migration to boost Australia's productivity.

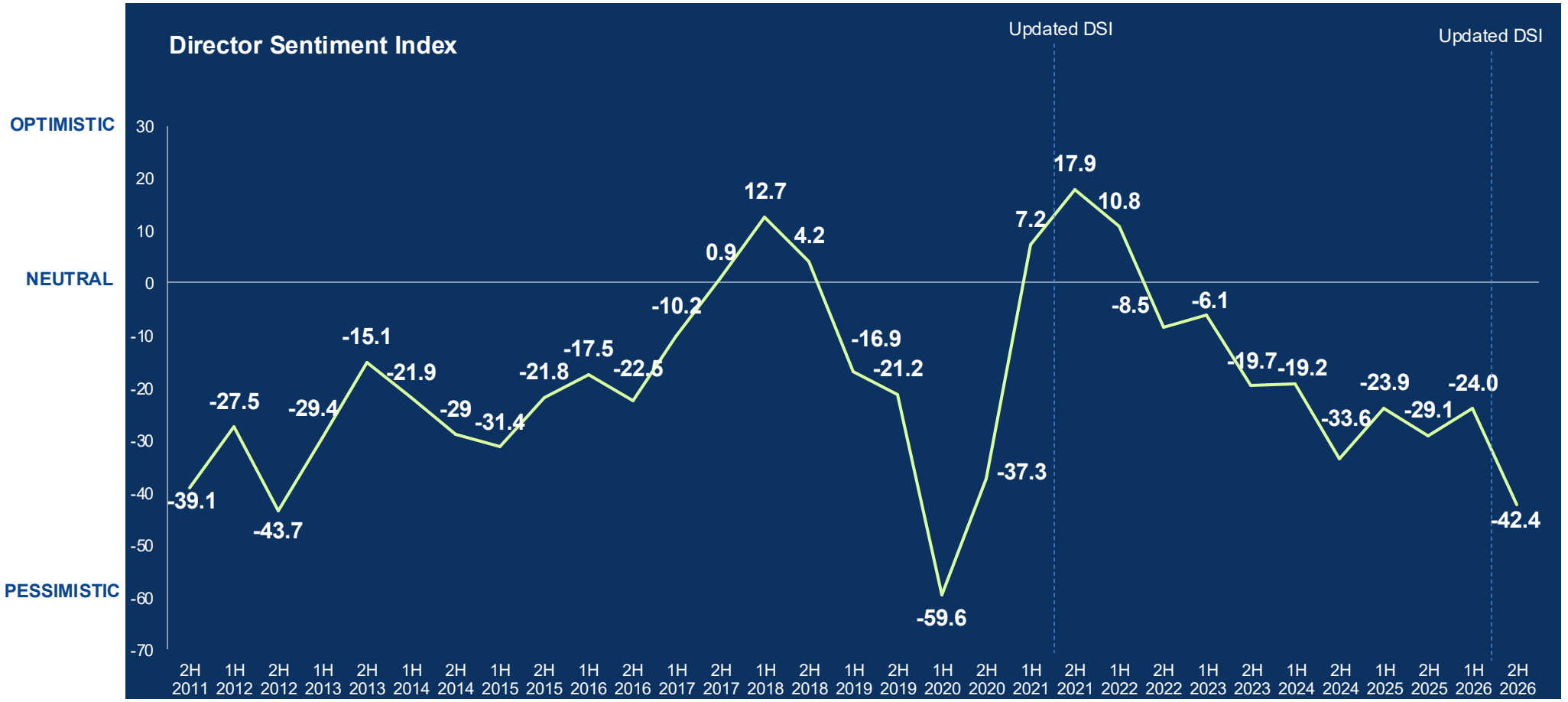
Directors are confronting a difficult trade-off: protecting business performance in a weaker, higher-cost economy while supporting reform and investing in the skills and technologies that can lift long-term growth. Productivity is therefore increasingly at the centre of the national economic debate.

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n=1,371.

Director Sentiment Index

02

Overall director confidence has fallen to its lowest level since 2020. Confidence in macro policy conditions, business conditions and micro/structural policy settings is very low



DSI CATEGORY SCORES 2H 2026

Economic Outlook
(-28)

Business Conditions
(-60)

Micro/Structural Policy Settings
(-56)

Macro Policy Conditions
(-65)

Directorship Conditions
(-10)

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n=1,371.
Note: Index revised in 2nd Half 2021 and 2nd Half 2026.

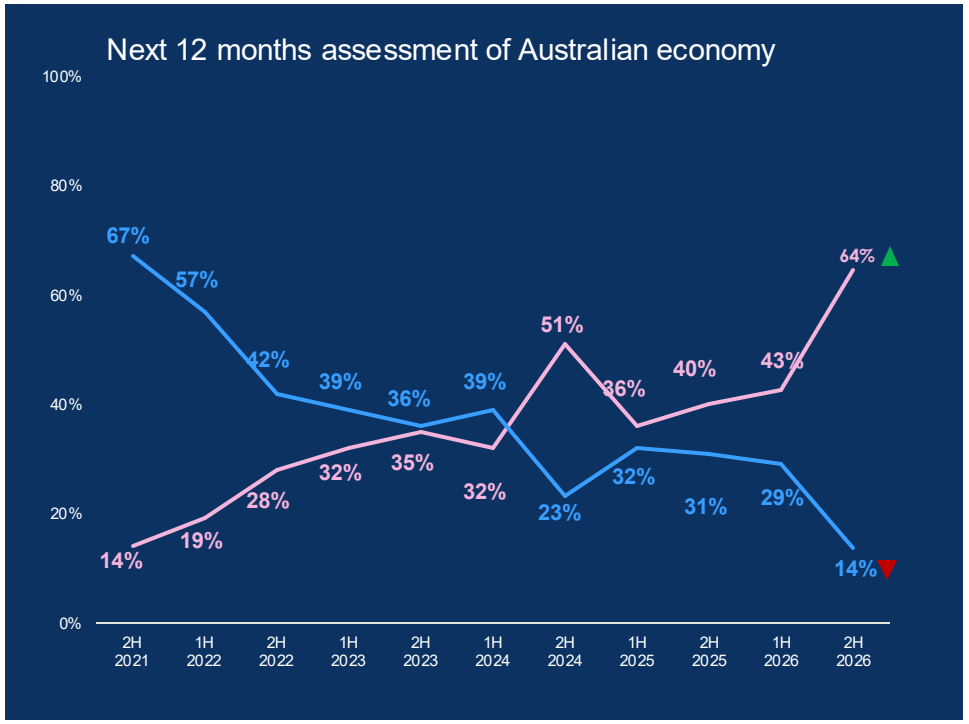
Economic and Business Outlook

03

Directors have grown significantly more pessimistic about Australia's economic and business outlook, with sentiment at its weakest level since 2021

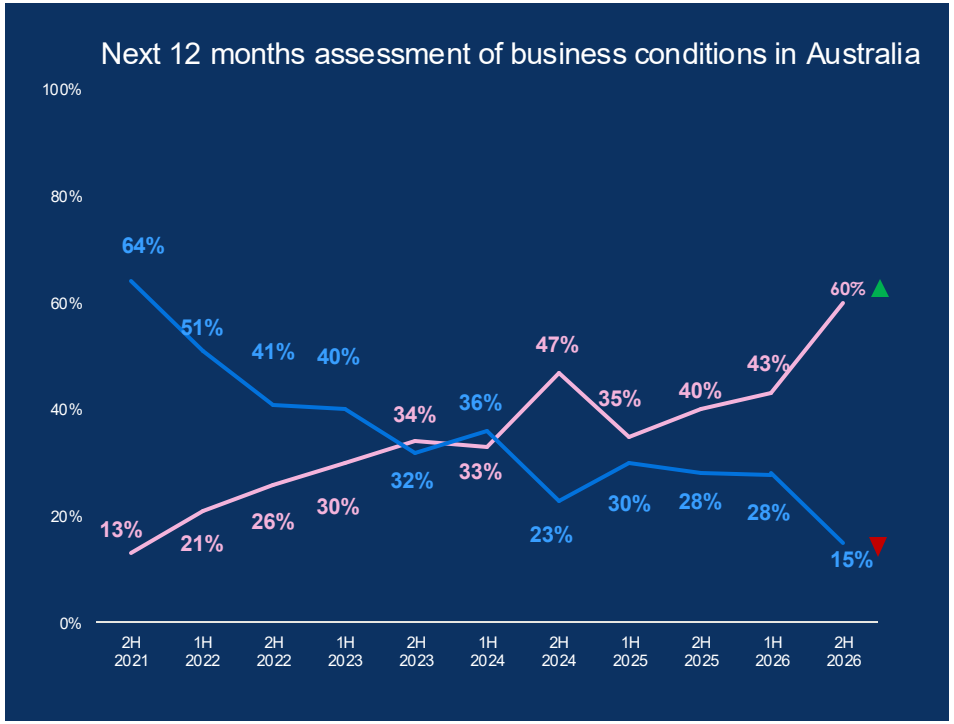
Almost two-thirds of directors expect a weak Australian economy and business conditions in the year ahead.

Assessment of Australian economy



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

Assessment of business conditions



Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st Half 2026 survey.

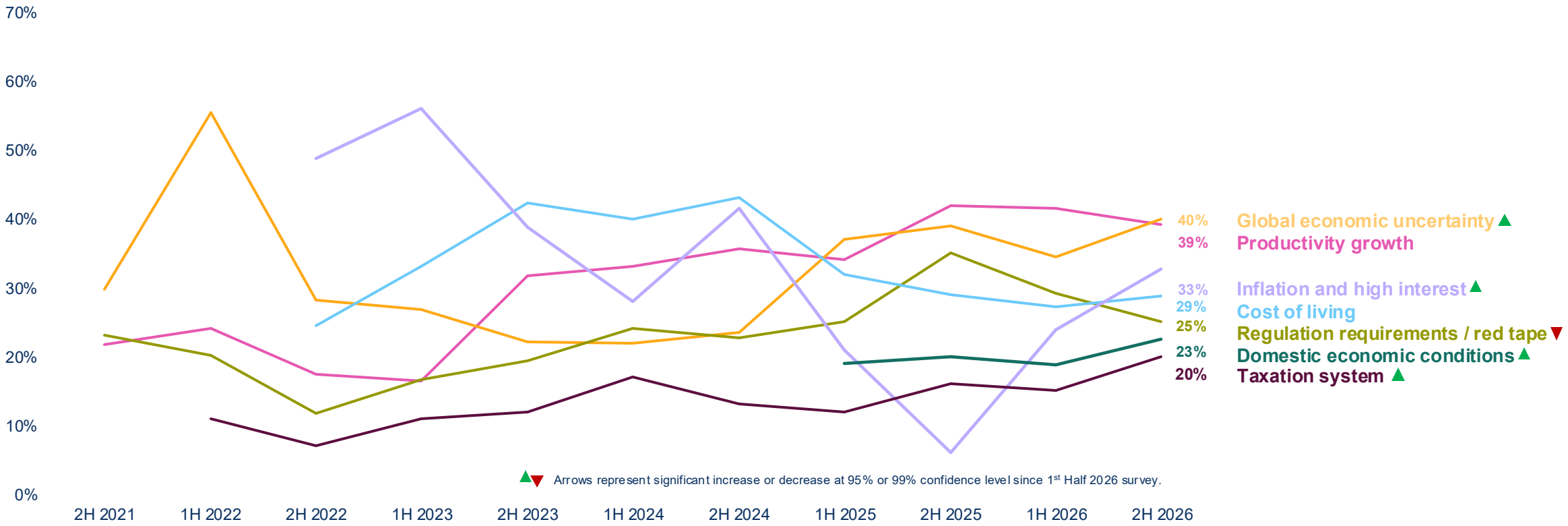
Note: Neutral (Neither strong nor weak, Neither Satisfied nor Dissatisfied, Neither Agree nor Disagree etc.) was a response option in the survey but it is not displayed in these charts, hence the Totals do not add to 100%.

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n= 1,371
E9. Over the next 12 months, what would be your assessment of the health of the following economies?
B11. What is your assessment of business conditions over the next 12 months in Australia?

Global uncertainty and productivity growth dominate the economic challenges facing directors

But concerns about a range of challenges have intensified, with inflation and rising interest rates recording the sharpest increase.

Top economic challenges facing Australian businesses (Total Mentions)



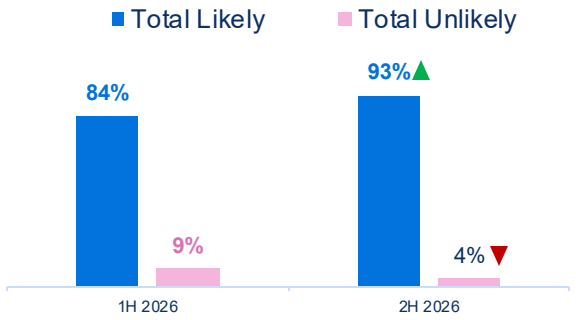
Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n= 1,371
E6. What are the top 3 economic challenges currently facing Australian businesses? Percentage of respondents that nominated issue in the top three economic challenges.
Note: Only displaying prominent issues with at least 20% mentions in 2H 2026 Amendments to the list may impact comparability with previous results.

Just ahead of the September RBA decision an overwhelming majority of directors expected a further rate rise within 6 months

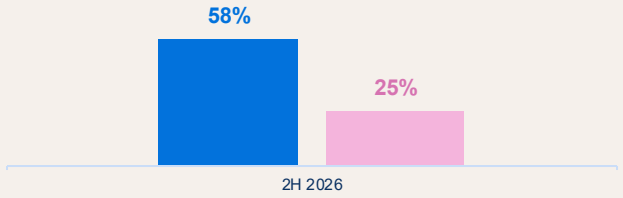
6 in 10 directors back the RBA's approach, however a similar proportion expect current monetary policy to drive a major rise in business insolvencies.

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

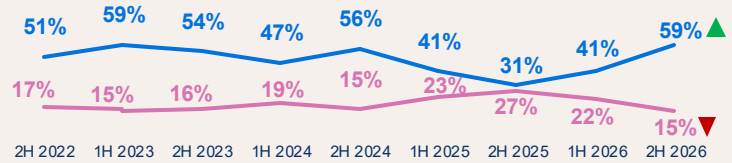
What do you think is the likelihood of a further interest rate rise by the RBA in the next 6 months?



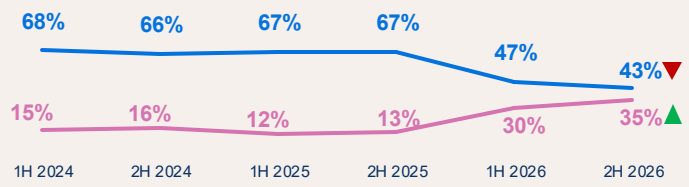
The RBA's approach to interest rates is appropriate for current economic conditions



Current monetary policies will cause a major uptick in business insolvency



The RBA lowering interest rates would have a positive impact on the economy



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

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%.

Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st Half 2026 survey.

The survey was conducted from 22nd to 29th September 2026.

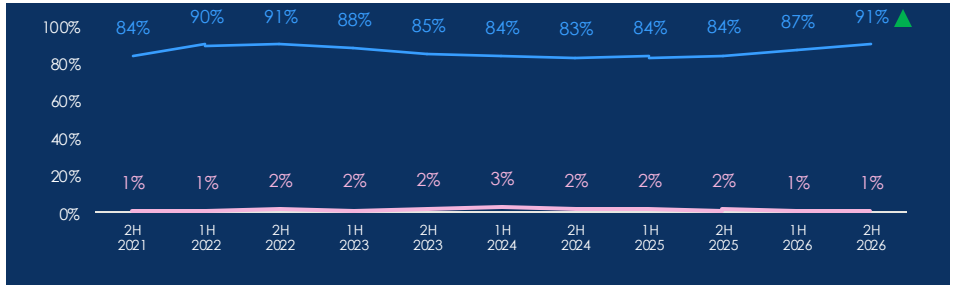
Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n=1,371.
RBA1: Agreement with inflation, interest-rate and RBA statements. RBA2: Likelihood of a further interest rate rise in the next six months.

There has been a surge in the proportion of businesses that expect investment to fall in the next 12 months as cost pressures increase

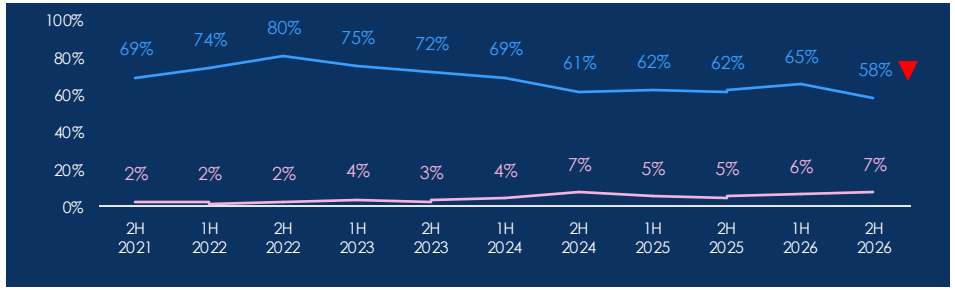
More directors expect labour demand to soften, coinciding with fewer directors expecting wage rises. Investment expectations and labour demand have been declining since 2021, reaching new lows this wave.

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

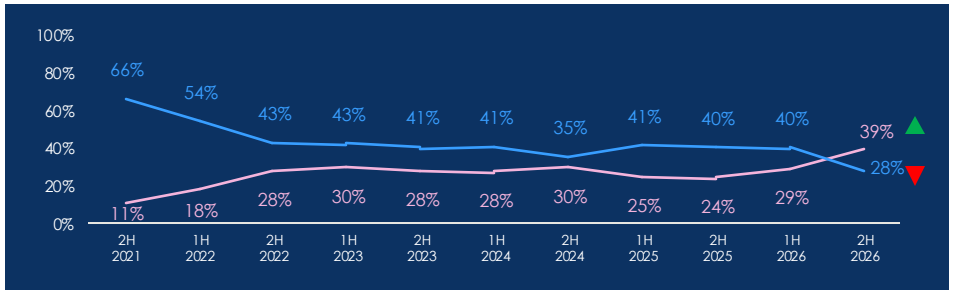
Costs (e.g. raw materials, energy, etc.)



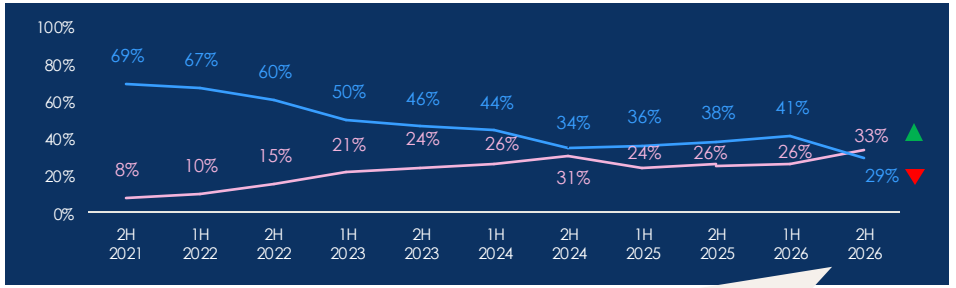
Wage Levels



Investment Levels



Labour demands



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

▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st Half 2026 survey.

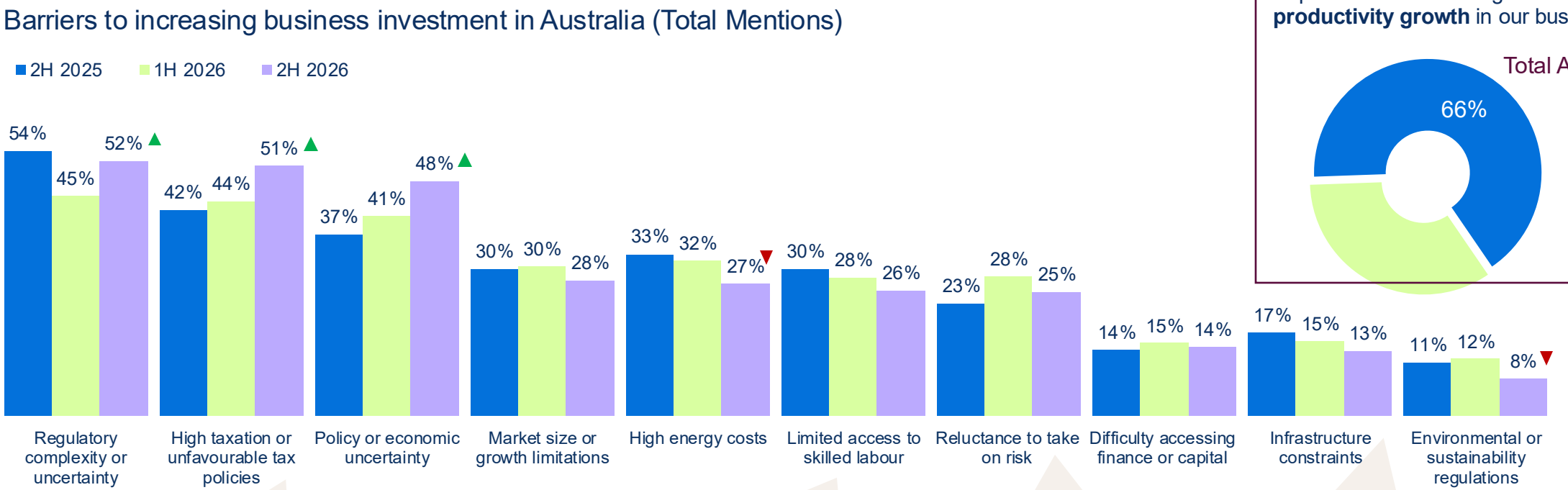
Investment levels and labour demands have declined significantly among private/non-listed and not-for-profit businesses compared to six months ago.

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 2nd Half 2026. Base: AICD Directors 18+, n=1,371.
B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business?

Regulatory complexity remains the top barrier to investment. Two-thirds of directors agree regulatory and compliance requirements are limiting productivity growth

Taxation, government policy and economic uncertainty are also key barriers to increasing business investment that have become more prominent in the last 6 months.



Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st Half 2026 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n= 1,371
Bus_invest1. What do you see as the most significant barriers to increasing business investment in Australia?
G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements:

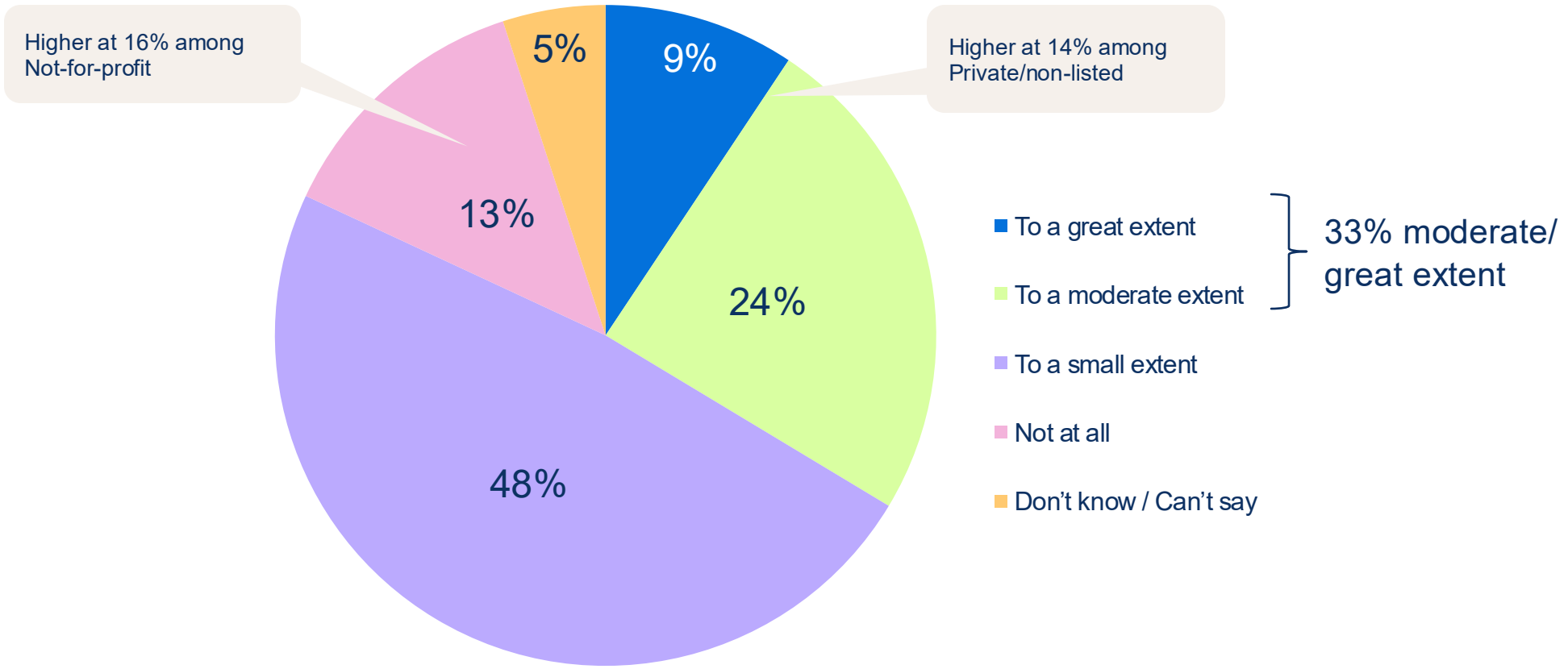
AI in the Workplace

04

Most directors report a small impact of AI on organisational productivity, while a third of directors report a moderate or great impact

Just over 10% of directors report AI has not contributed at all to their organisational productivity.

AI contribution to organisational productivity

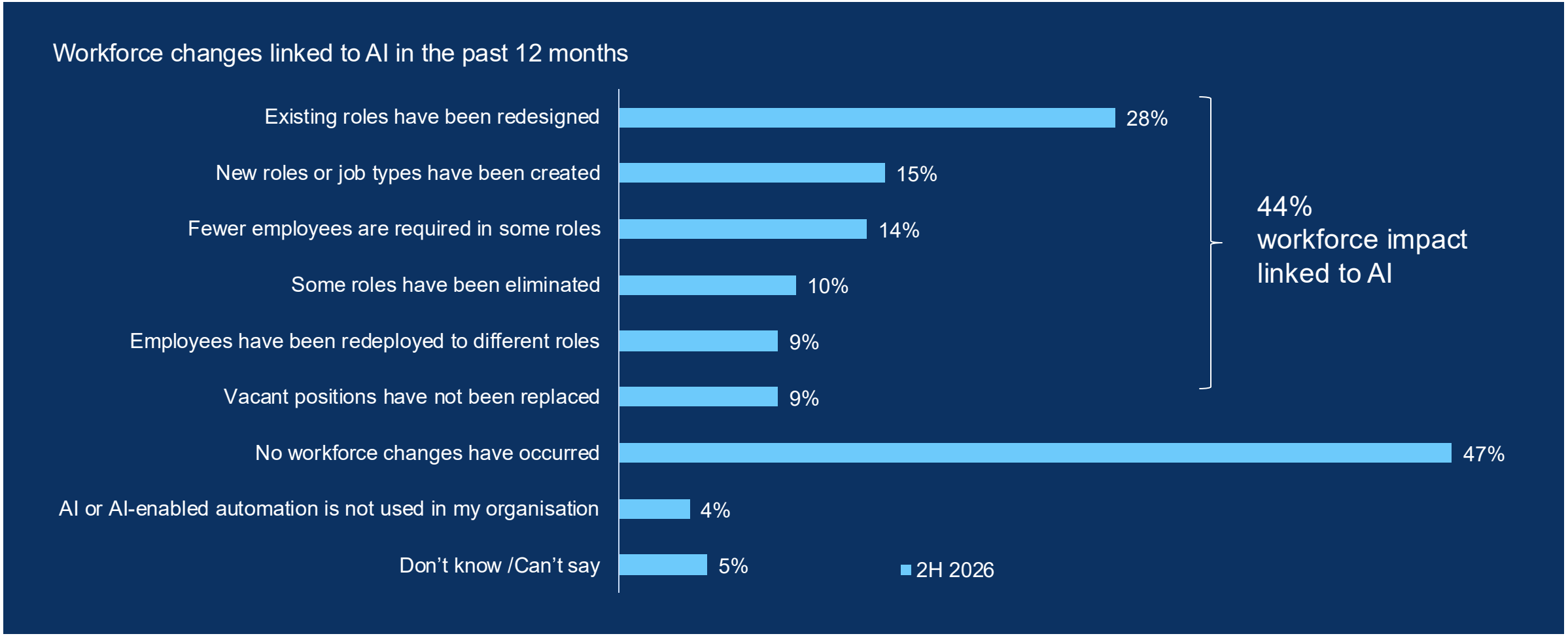


New question in 2H 2026

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: all directors, n=1,371.
AI4. Thinking about the past 12 months, to what extent has AI and AI-enabled automation contributed to improved organisational productivity in your organisation?

Almost half of organisations have seen an impact on their workforce linked to AI in the past 12 months

14% reported fewer employees are required in some roles, 10% had some roles eliminated.



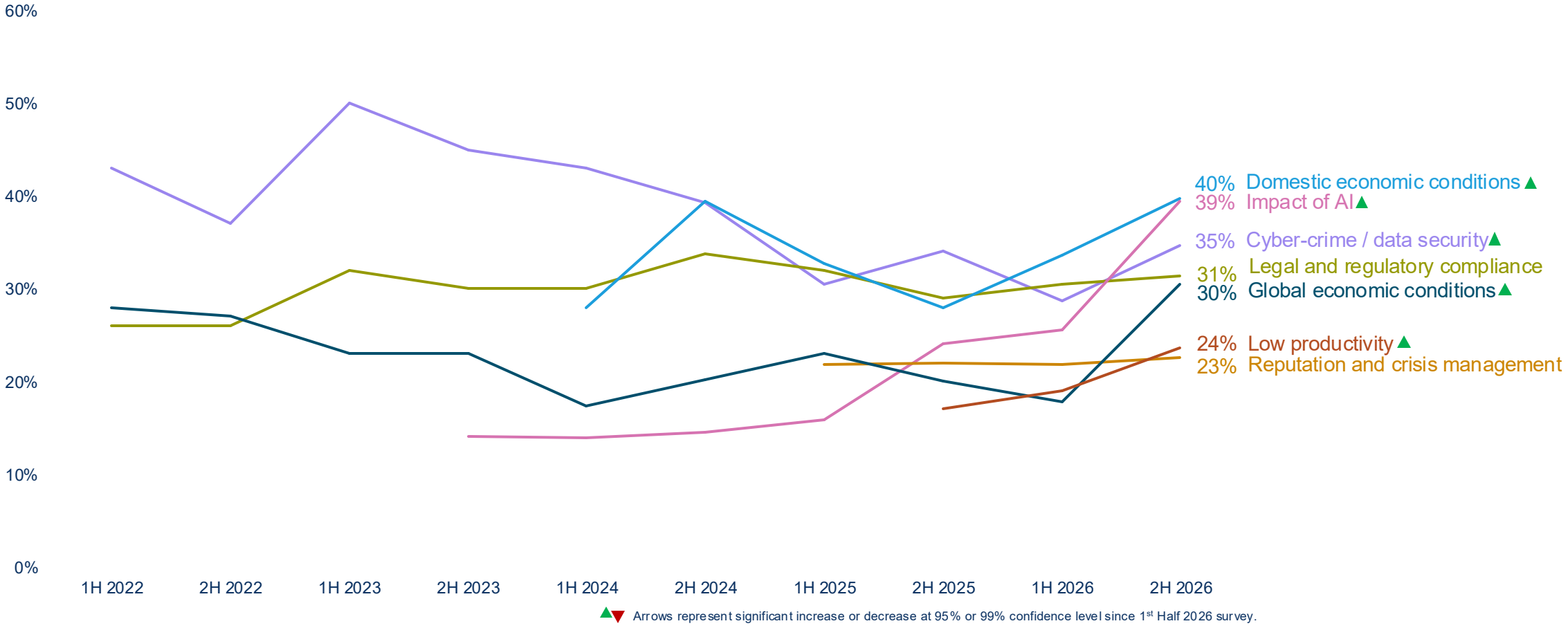
New question in 2H 2026

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: all directors, n=1,371.
AI3. Which, if any, of the following workforce changes have occurred in your organisation in the last 12 months as a result of, or partly because of, AI and AI-enabled automation? Select all that apply

The impact of AI has jumped to become one of the leading things keeping directors awake at night, along with domestic economic conditions

The level of concern about most issues increased, notably cyber crime/data security and global economic conditions.

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



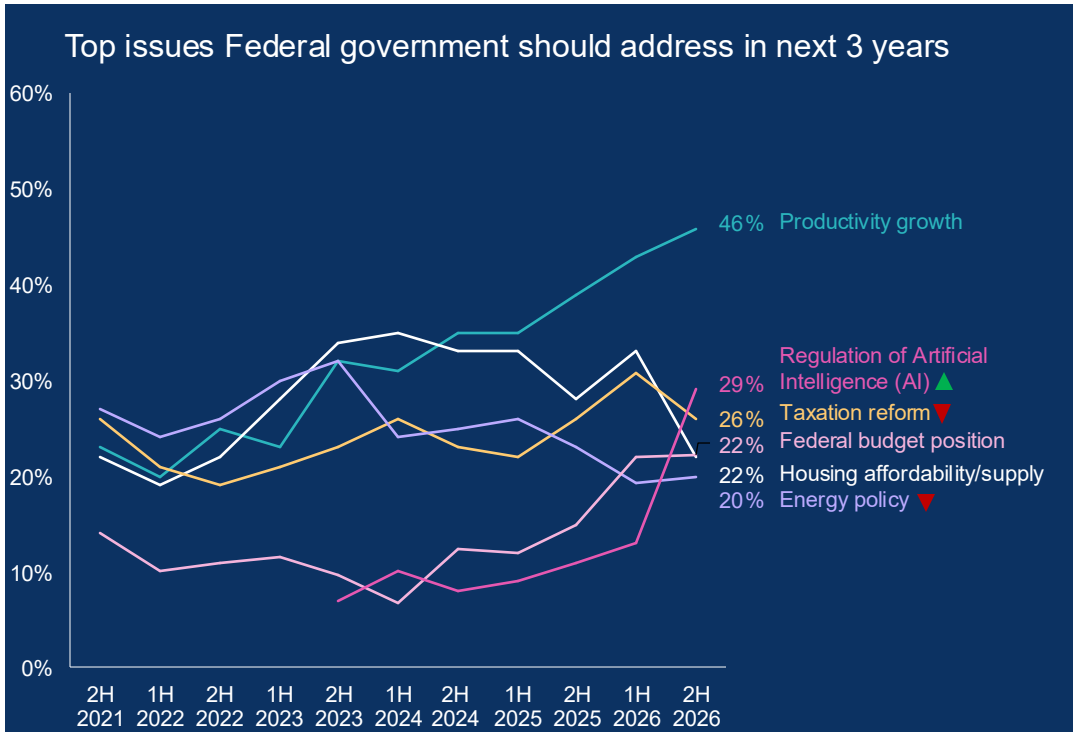
Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n= 1,371.
TQ1. What are the top 3 issues most likely to "keep you awake at night" as a director on your board? The percentage refers to respondents who nominated this as a top 3 issue.
Note: Only displaying prominent issues. Amendments to the list may impact comparability with previous results.

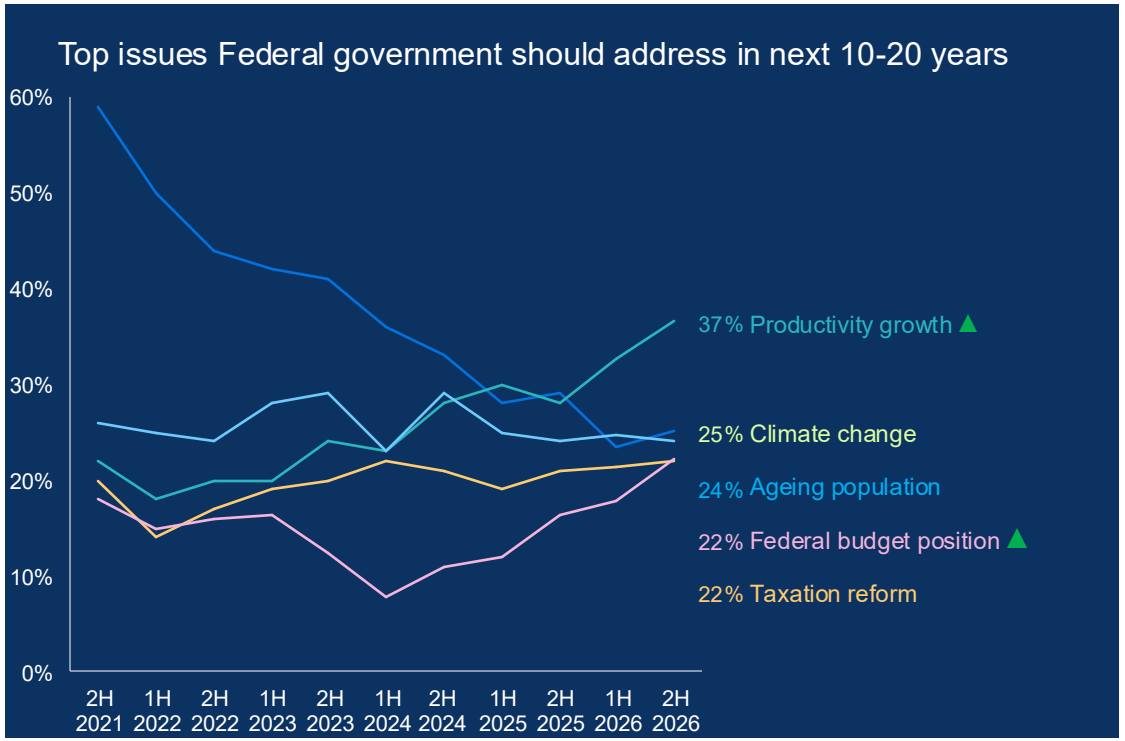
Priorities for Australia

05

Productivity has cemented its position as the leading issue for government to address both in the short and long term

Regulation of AI jumped sharply, more than doubling as a short-term priority.
Climate change remains the second most cited long-term priority, despite declining since 2021.

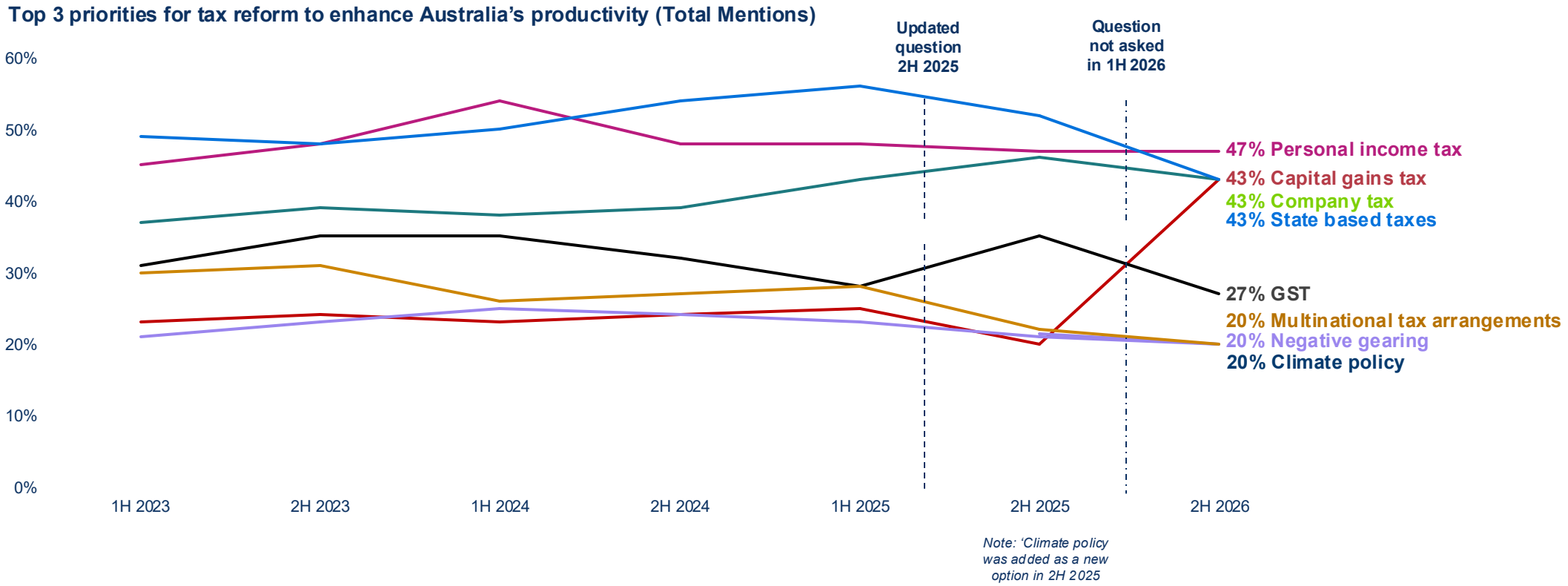




▲▼ Arrows represent significant increase or decrease at 95% or 99% confidence level since 1st Half 2026 survey.

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n=1,371
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 2H 2026. Amendments to the list may impact comparability with previous results.

Personal income tax now seen as the top taxation reform to help lift productivity. Capital gains tax has risen sharply as a priority following the Government's CGT reforms

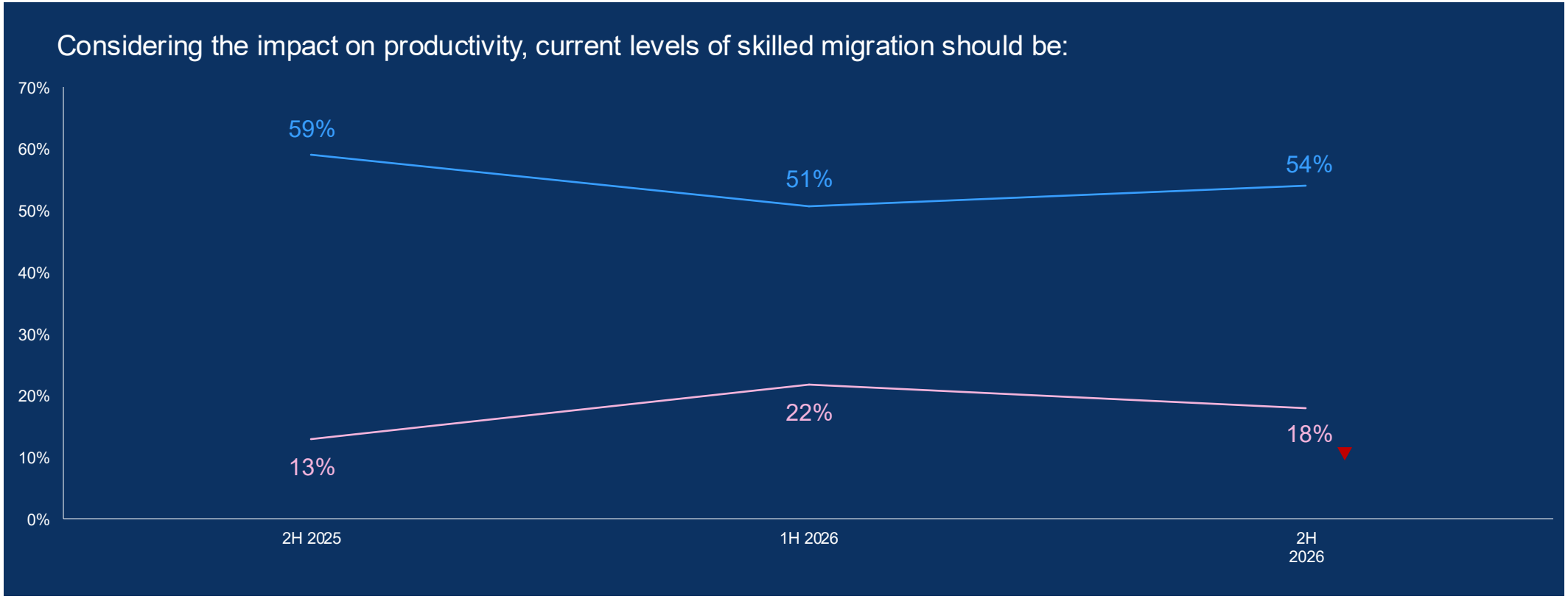


The Climate Policy trend line (21% in 2H 2025 and 20% in 2H 2026) overlaps with Negative Gearing and is not visible on the chart.

The survey was conducted from 22nd to 29th September 2026.

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n= 1,371.
RE6da. Now thinking about a possible review of the current taxation system, please nominate your top 3 priorities for tax reform that would enhance Australia's productivity.
Note: Question wording changed in 2H 2025, previously asked as "Now thinking about a possible review of the current taxation system, please nominate your top 3 priorities for tax reform". Question not asked in 1H 2026.

Over half of directors favour higher skilled migration to support Australia's productivity



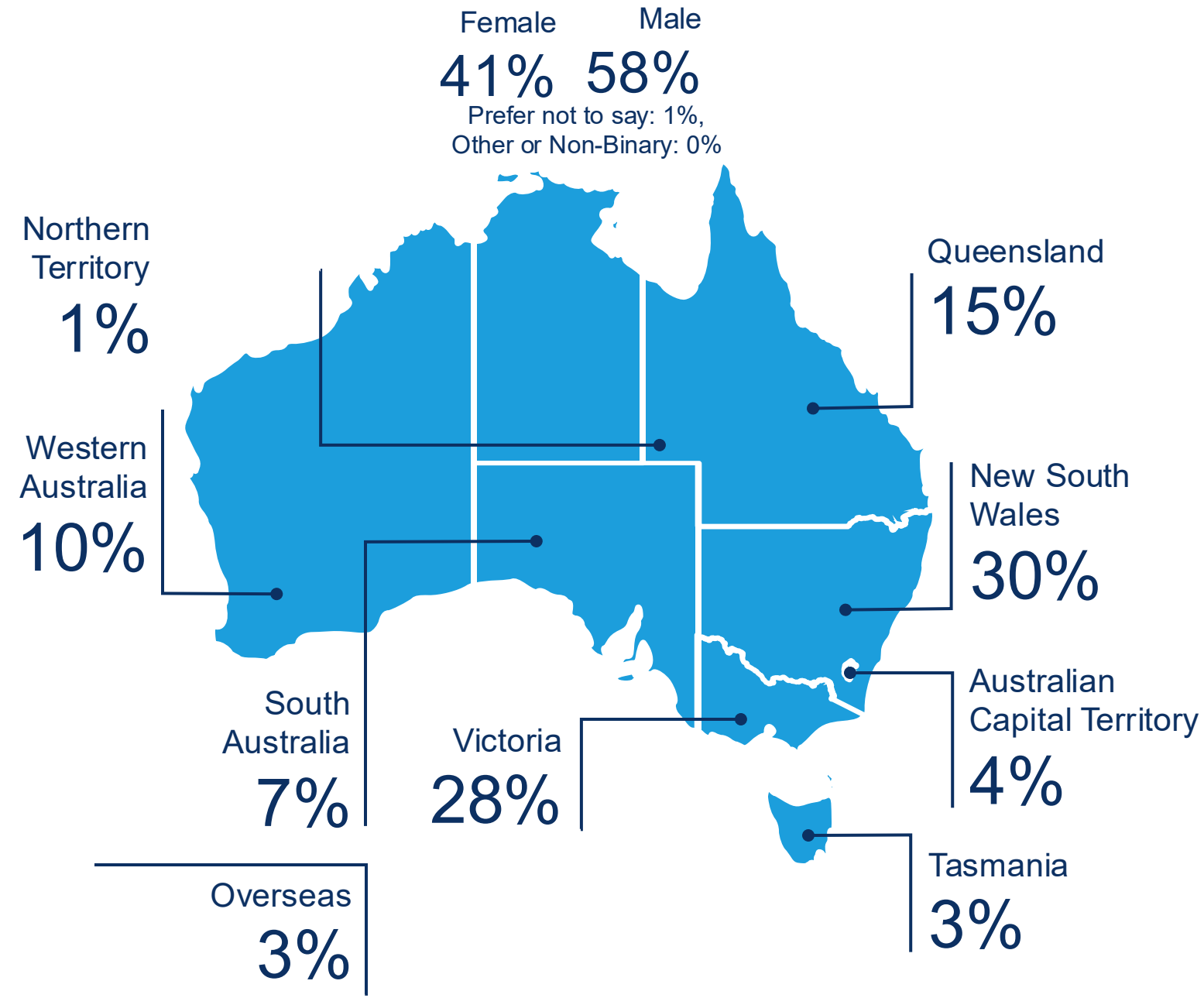
Note: Neutral (About the same) was a response option in the survey but it is not displayed in these charts, hence the Totals do not add to 100%.

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n= 1,371
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?"

Appendix

06

- The 2H 2026 DSI survey was conducted online with a sample of 1,371 directors across Australia between 22nd and 29th September 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.



Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2026. Base: AICD Directors 18+, n= 1,371

Strengthening society through world class governance

For more information on Director Sentiment Insights please contact:

David Laffin
Research Director
E: David.Laffin@roymorgan.com

Erandee Robertson
Senior Project Manager
E: Erandee.Robertson@roymorgan.com

Andrew Jancik
Project Director
E: Andrew.Jancik@roymorgan.com

Australian Institute of Company Directors | ROY MORGAN

aicd.com.au

© Copyright Australian Institute of Company Directors or its licensors 2025. All rights reserved under Australian and foreign laws.