



Director Sentiment Index: Research summary

First Half 2021

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Methodology

The Director Sentiment Index results are a representation of the Australian Institute of Company Directors membership.

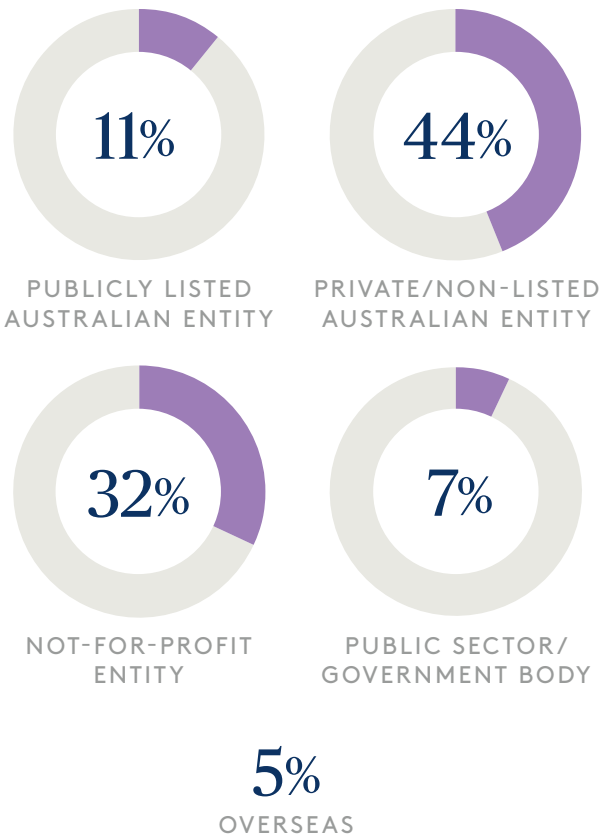
The Australian Institute of Company Directors' DSI is the only indicator measuring the opinions and future intentions of directors on a range of issues including the Australian and world economies, government policy and governance regulations.

The survey was conducted with 1,589 members between 31 March – 14 April 2021.

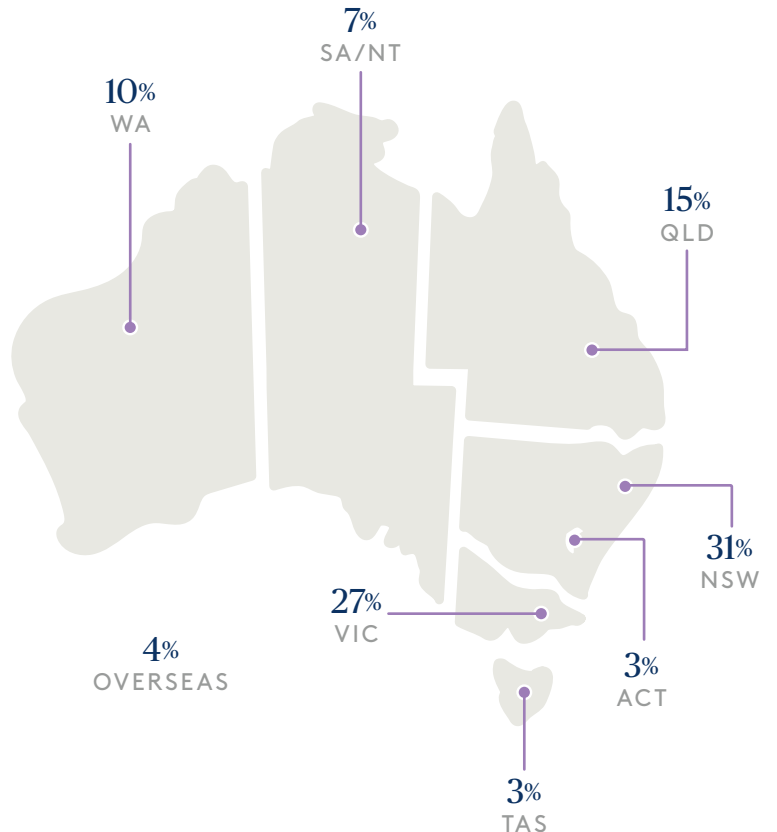
Gender



Primary directorship company



Primary directorship based



Overall sentiment increases

The recovery in director sentiment continues, with overall sentiment at its highest point (+7.2) since the first half of 2018. While the pandemic continues to impact elements of day to day life, Australia’s response in comparison to other countries has no doubt played a significant role in the overall result.

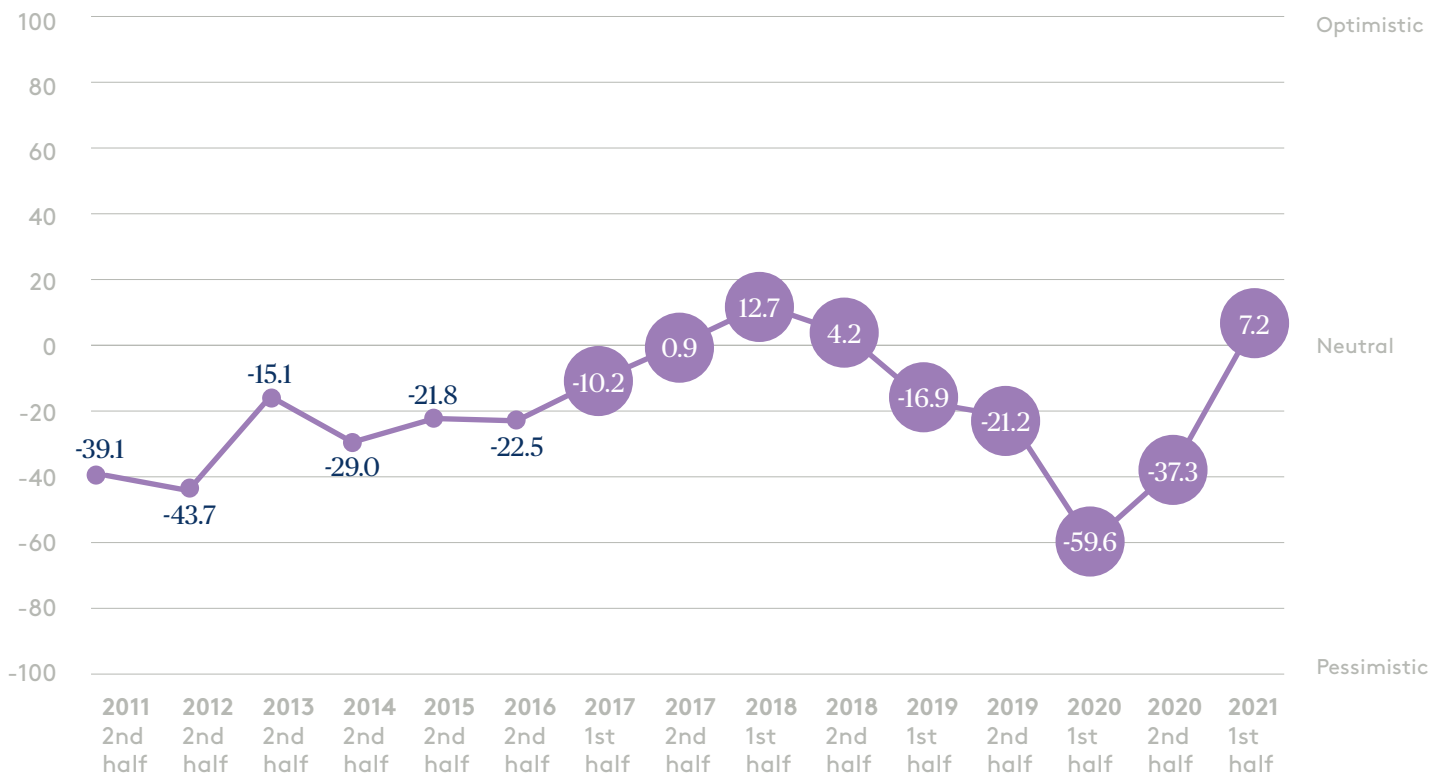
The recovery in sentiment is driven largely by uplifts in business conditions and a strengthening of domestic and global economic indicators.

Expectations for the health of global economies in the next 12 months all see improvement, suggesting optimism is increasing as governments look to control outbreaks and roll out plans for economic recovery. Only the European economy is seen negatively in the next 12 months.

Likewise the outlook for state and territory economies has improved significantly since the second half of 2020. Only the QLD and SA economies have a pessimistic sentiment overall. The vast majority of directors are also forecasting their business to grow over the next 12 months.

The results also reveal that directors continue to be focused on climate change with it being identified once again as the main issue the Federal government should address in both the long and short-term. Critically directors believe that the response of the business community is more advanced than their state or Federal government.

Overall director sentiment index

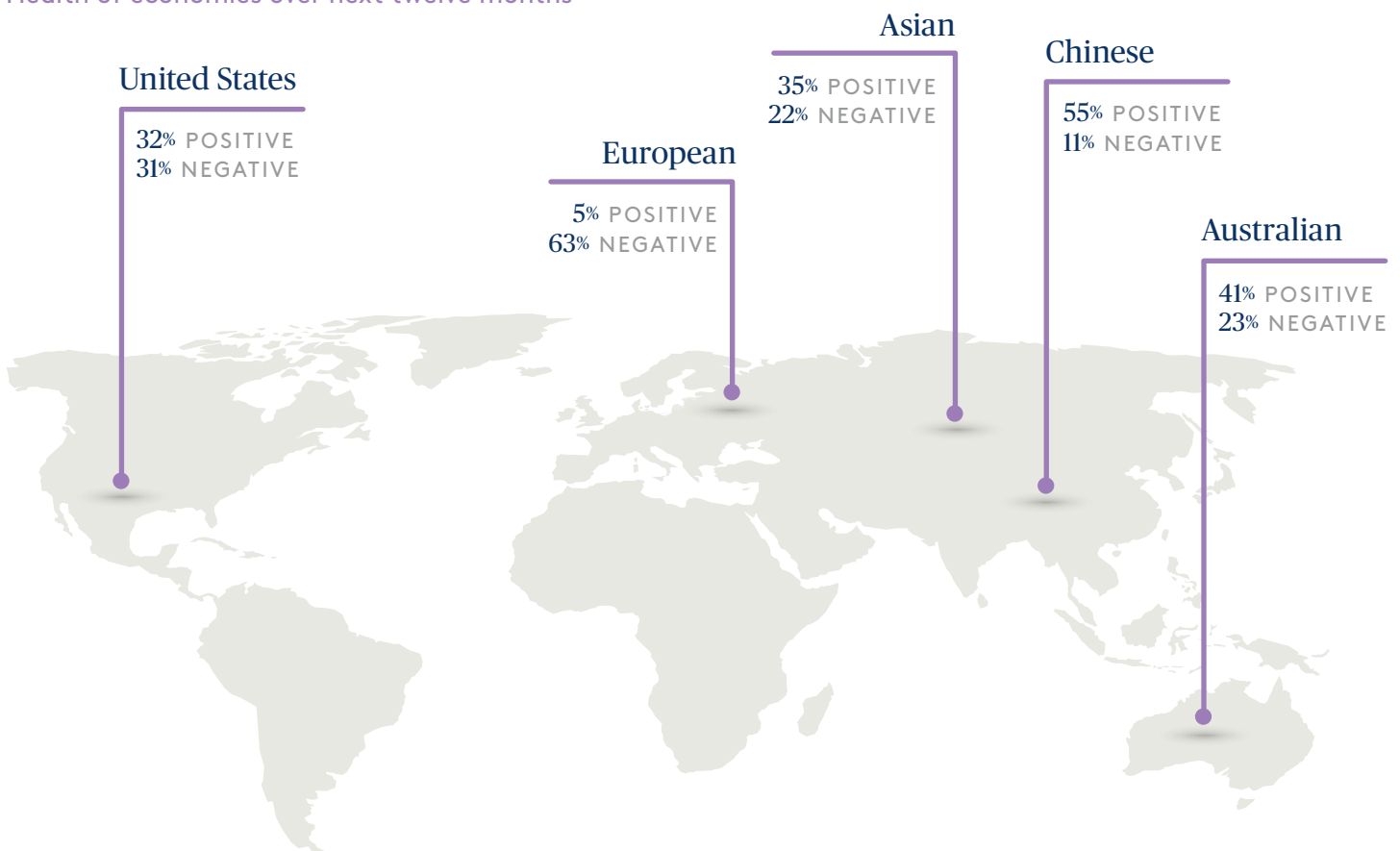


Strong domestic and global economic conditions

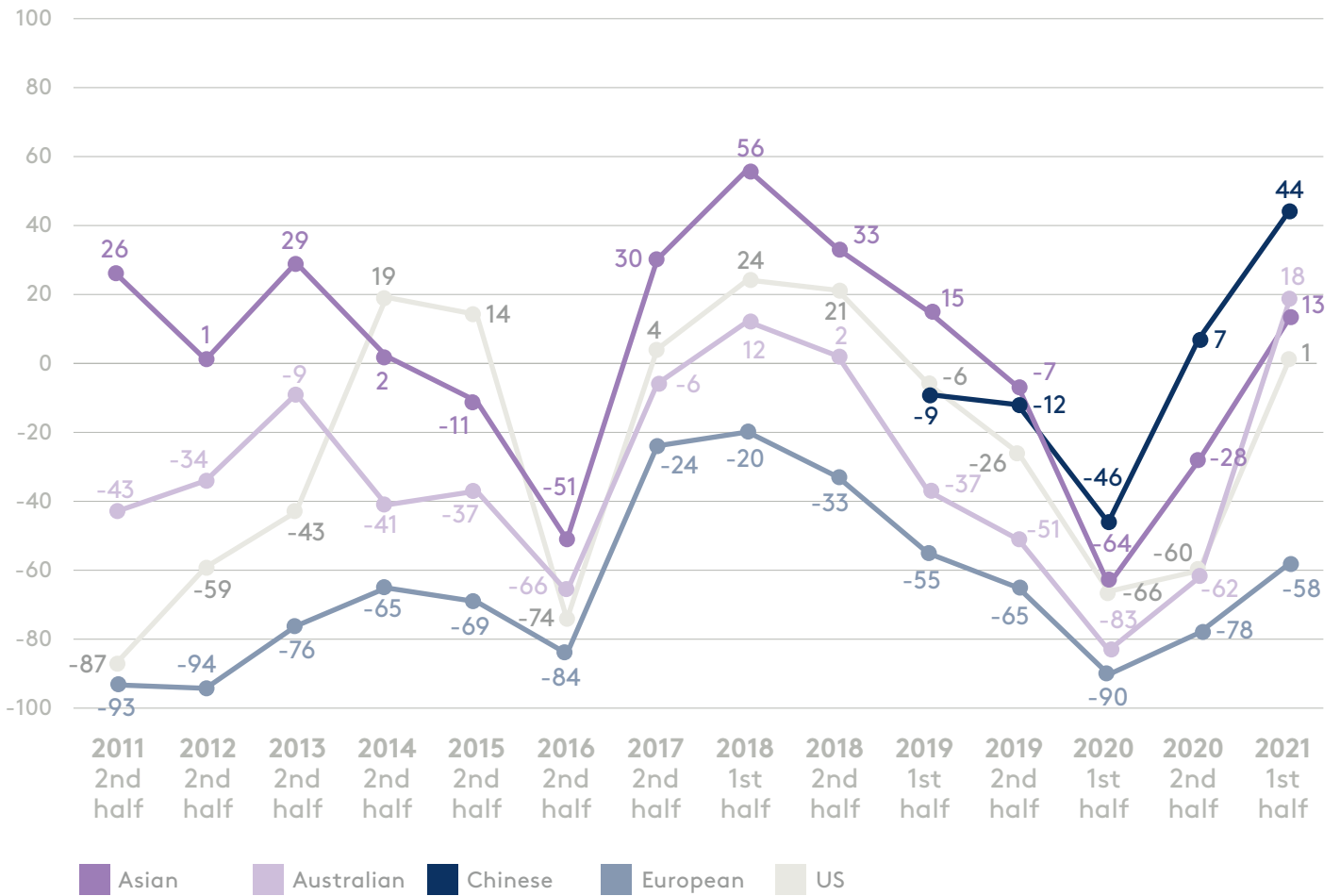
A year into COVID-19, and with vaccination programs and economic recovery plans in sight, directors' views of global economies are starting to return to a more positive outlook, with expectations of the Australian, Asian, Chinese, European and US economies all more positive than seen in late 2019.

Outlook for the European economy is currently still pessimistic overall, potentially due to challenges in implementing vaccine roll out and consistent containment processes.

Health of economies over next twelve months

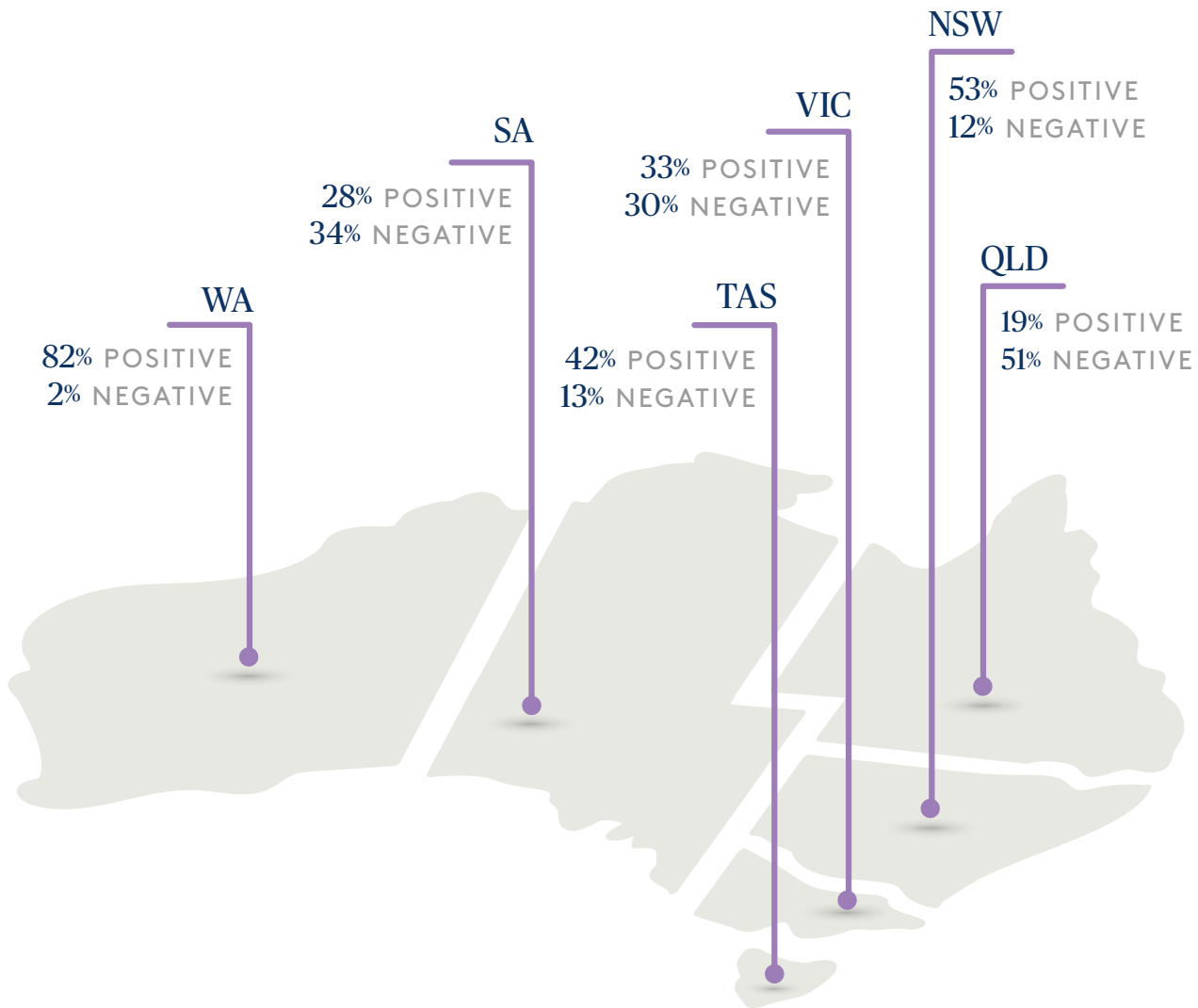


Health of world economies over next 12 months - trend



Directors across all states are more positive about both the current and future economic outlook compared to the second half of last year. Directors in WA are most positive about the economic outlook of their state in the next 12 months with a net balance of 80%, followed by NSW. QLD directors are most pessimistic about the future outlook (this may be linked to March cluster shortly before fieldwork period).

Health of state economies over the next 12 months

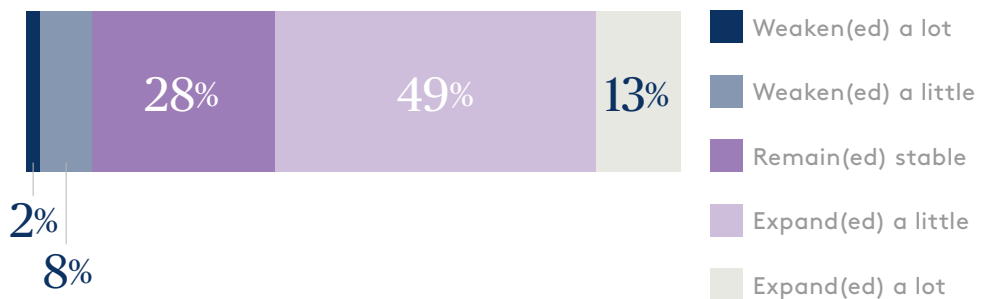


Business Outlook

In line with the more positive sentiment of economic conditions, directors are far more optimistic about the general business outlook as well as the environment for their organisation over the coming year. The vast majority of directors now expect their business to grow over the coming year and are optimistic about the general business outlook. Critically, sentiment in business outlook has shifted from negative to positive territory.

Expected growth in business

COMING YEAR (TO DEC 2021)

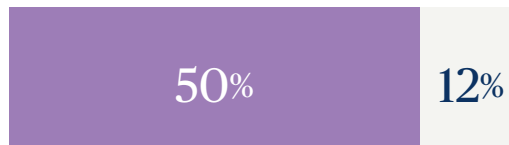


Confidence in business outlook next 12 months

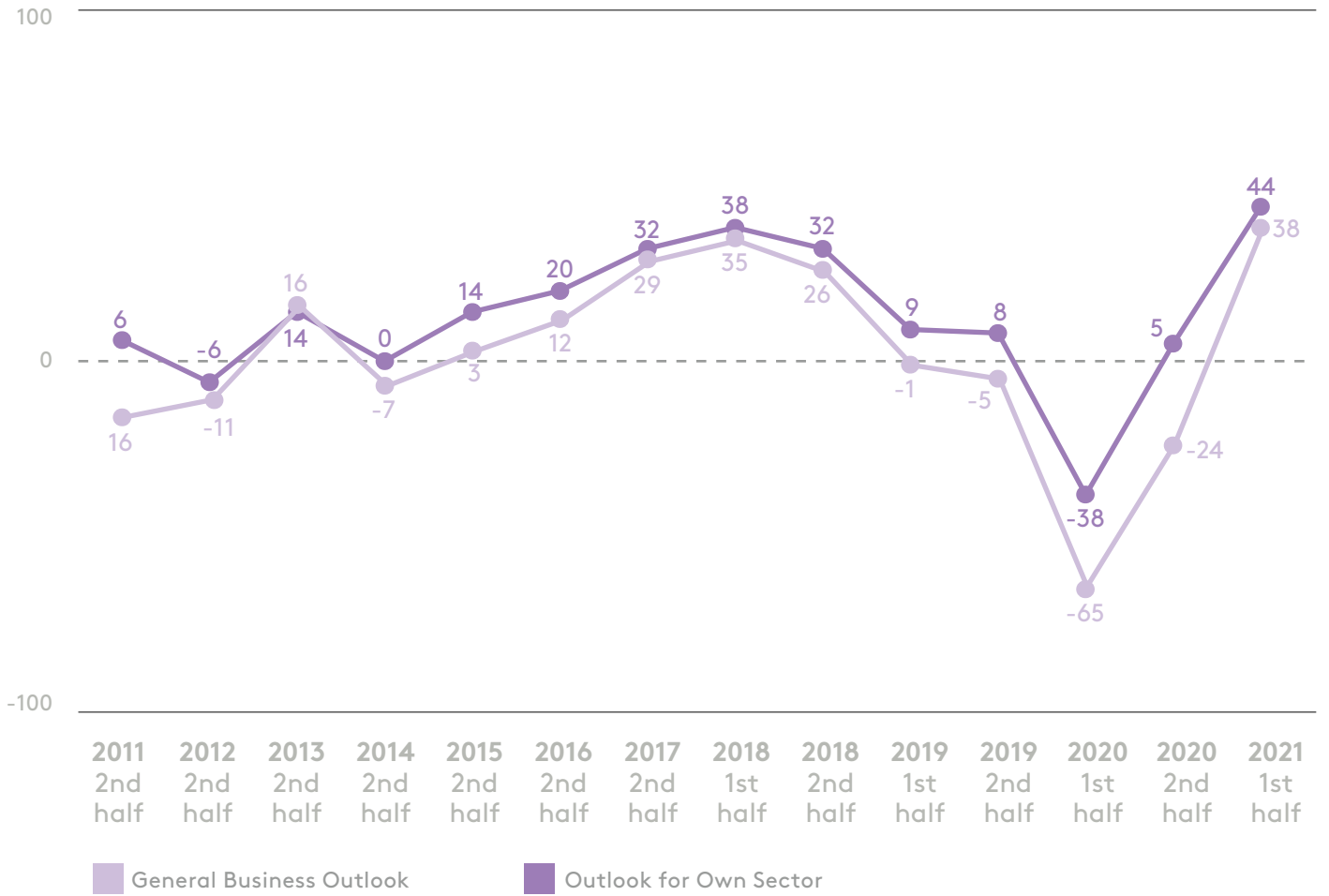
SEPTEMBER 2020



APRIL 2021



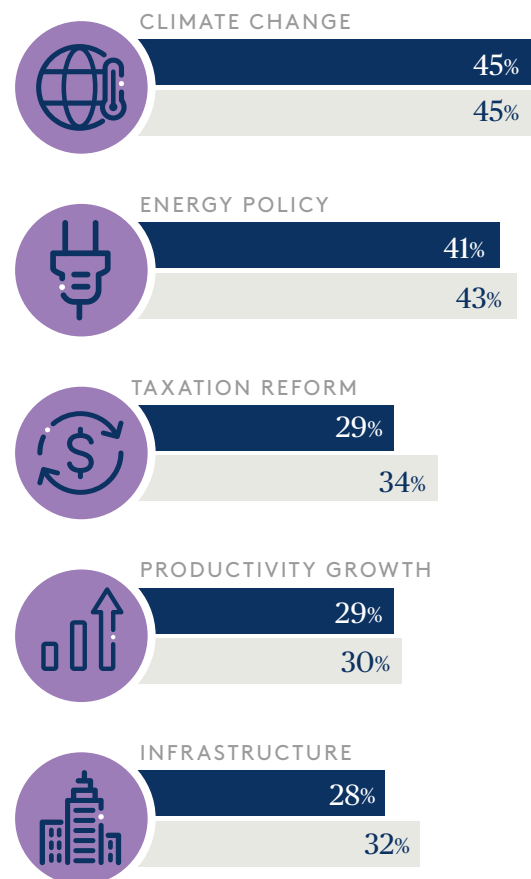
Confidence in business outlook next 12 months



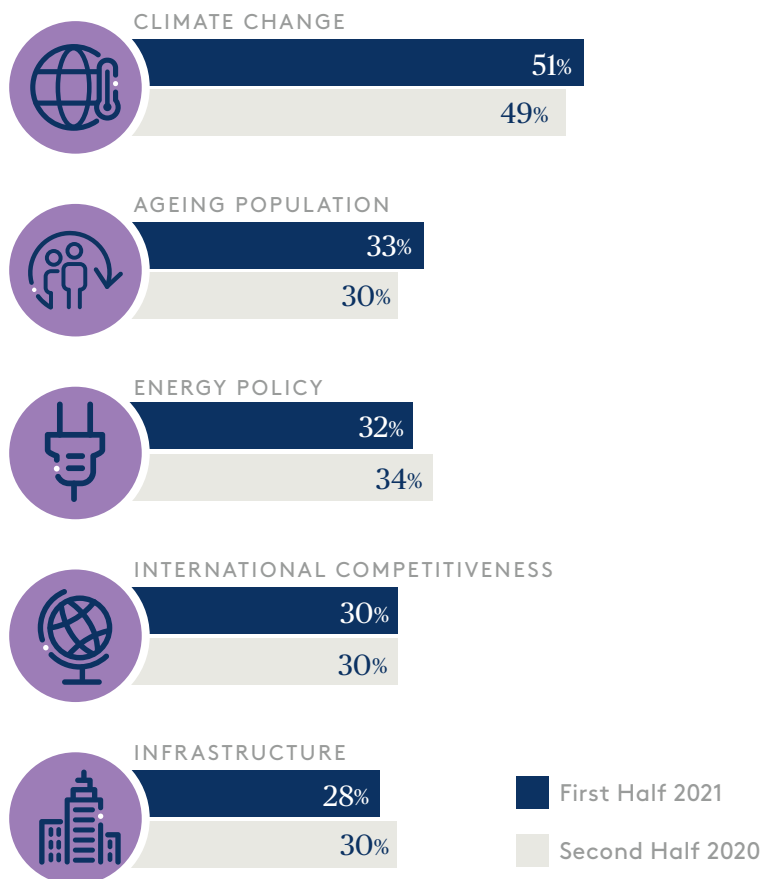
Directors focused on climate change impacts

The survey reveals directors continue to focus on the impact of climate change. The issue remains as the number one issue the Federal Government should address over both the short and long-term as well as the third main economic challenge facing Australian business (behind only COVID-19 and global economic conditions). Likewise renewable energy sources remains as the top priority for additional infrastructure investment. Directors have also expressed their overwhelming support for clear five-year emission targets, increased spending on 'green' R&D and more ambitious targets for renewable energy. Conversely directors would not support the introduction of a carbon tax. The majority of directors believe that climate change is a material risk for their organisation.

Priorities Federal Government should address in short-term



Priorities Federal Government should address in long-term



Priorities for infrastructure investment



Climate change policy support

Shift the general focus of policy towards building national adaptability/resilience to climate change	+67
Establish clear five-year emissions reductions targets or budgets in advance to provide a clear pathway to the longer-term net zero goal	+63
Increase direct government spending on 'green' R&D and innovation	+58
Increase government subsidies for business spending on 'green' R&D and innovation	+58
Introduce more ambitious targets for renewable energy	+51
Introduce a price on carbon via a carbon tax	+6

Climate change risk for organisations

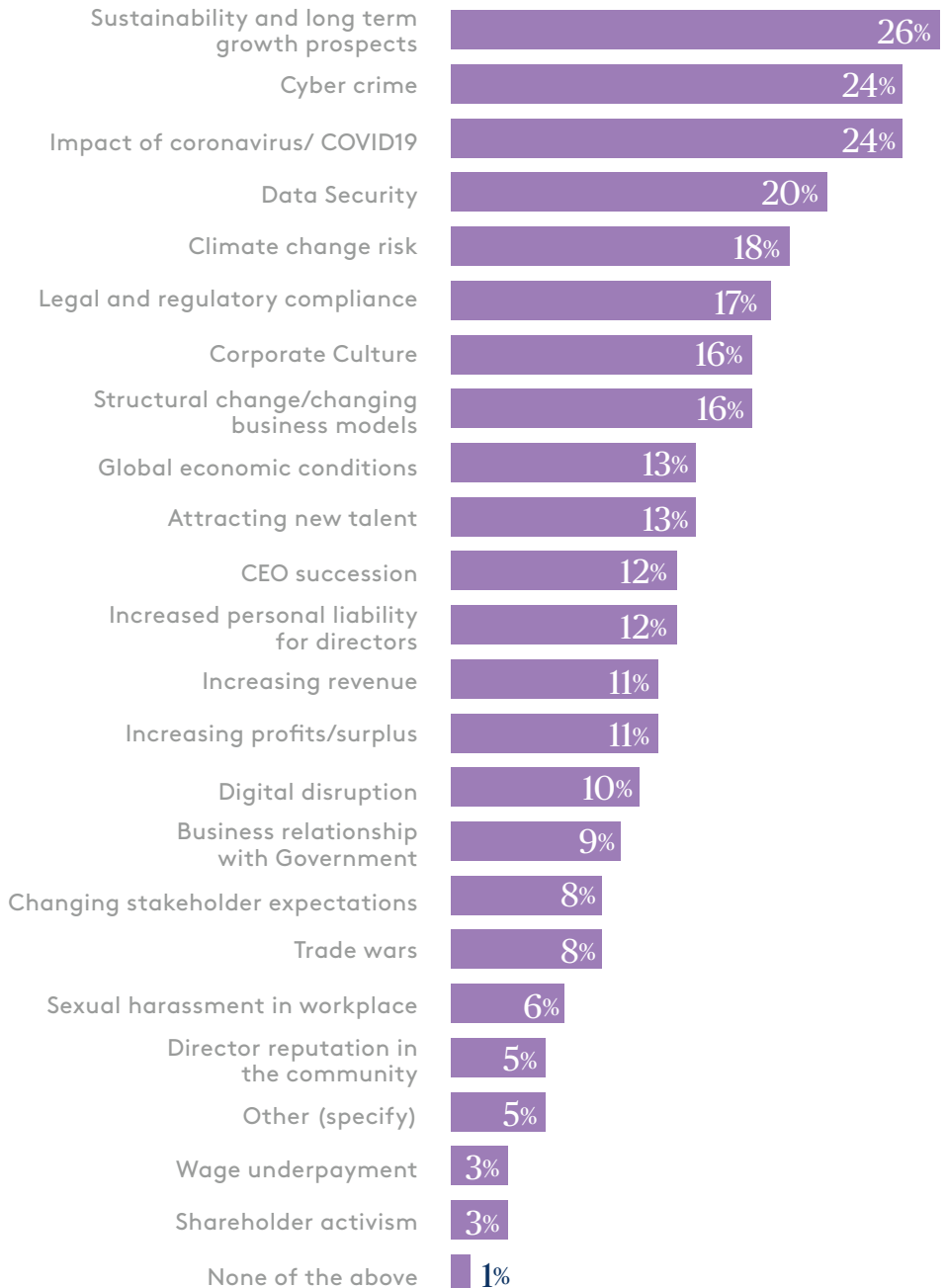


Director issues

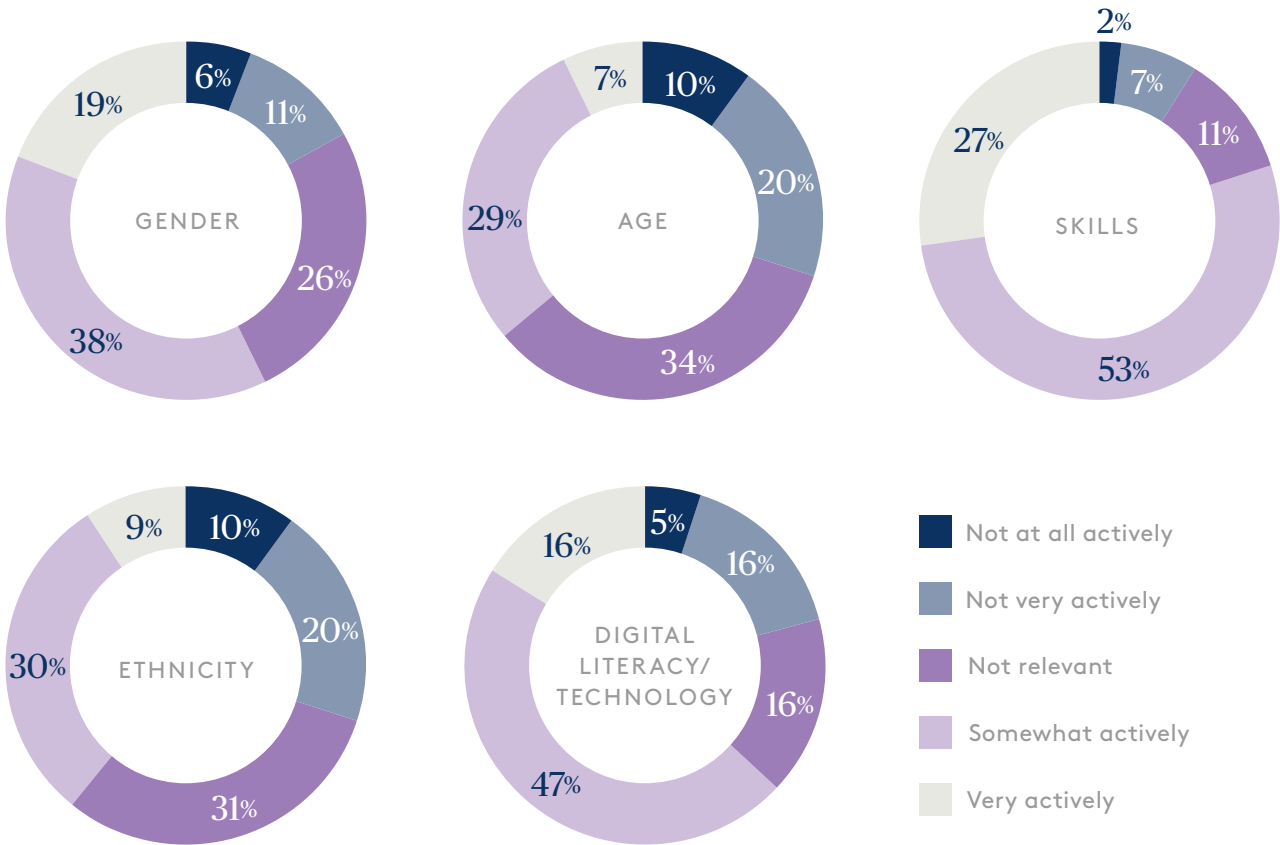
Sustainability and long-term growth prospects continues to be the number one issue keeping directors awake at night. Interestingly, the percentage of directors nominating cyber security as an issue has increased significantly since last year.

The results show that boards are actively seeking to increase their diversity in the areas of gender, skills and digital literacy. Less boards are actively seeking greater age or ethnic diversity.

Main issues that would “keep you awake at night”



Efforts to increase board diversity



For more information, please contact

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