



# Director Sentiment Index: Research summary

Second Half 2020  
Delivered by IPSOS Connect

# Methodology

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

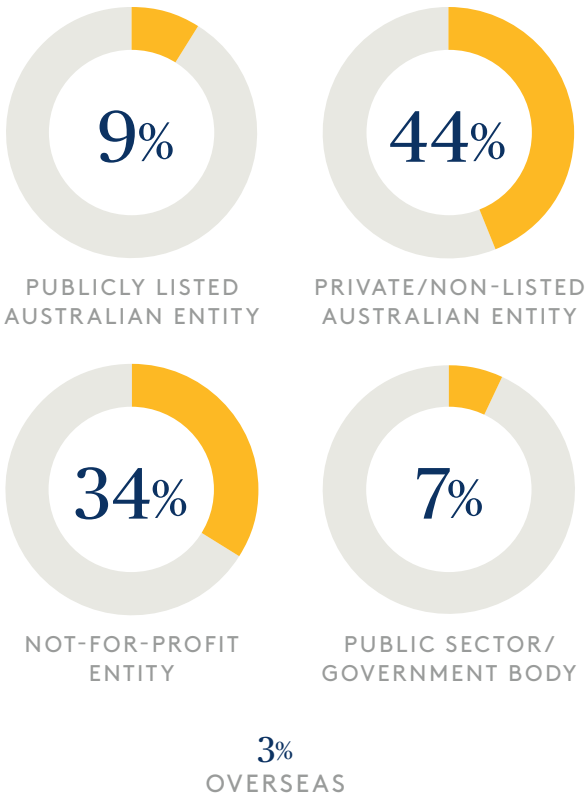
The Australian Institute of Company Directors' DSI is the only indicator measuring the opinions and future intentions of directors on a range of issues including the Australian and world economies, government policy and governance regulations.

The survey was conducted with 1,777 members between 15– 29 September 2020.

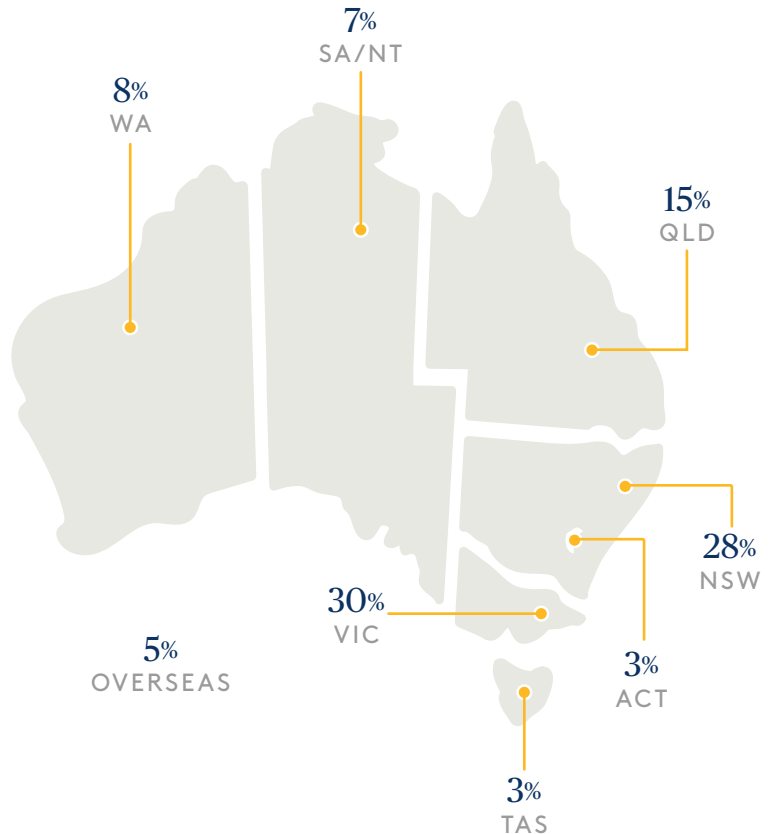
## Gender



## Primary directorship company



## Primary directorship based



# Overall sentiment increases

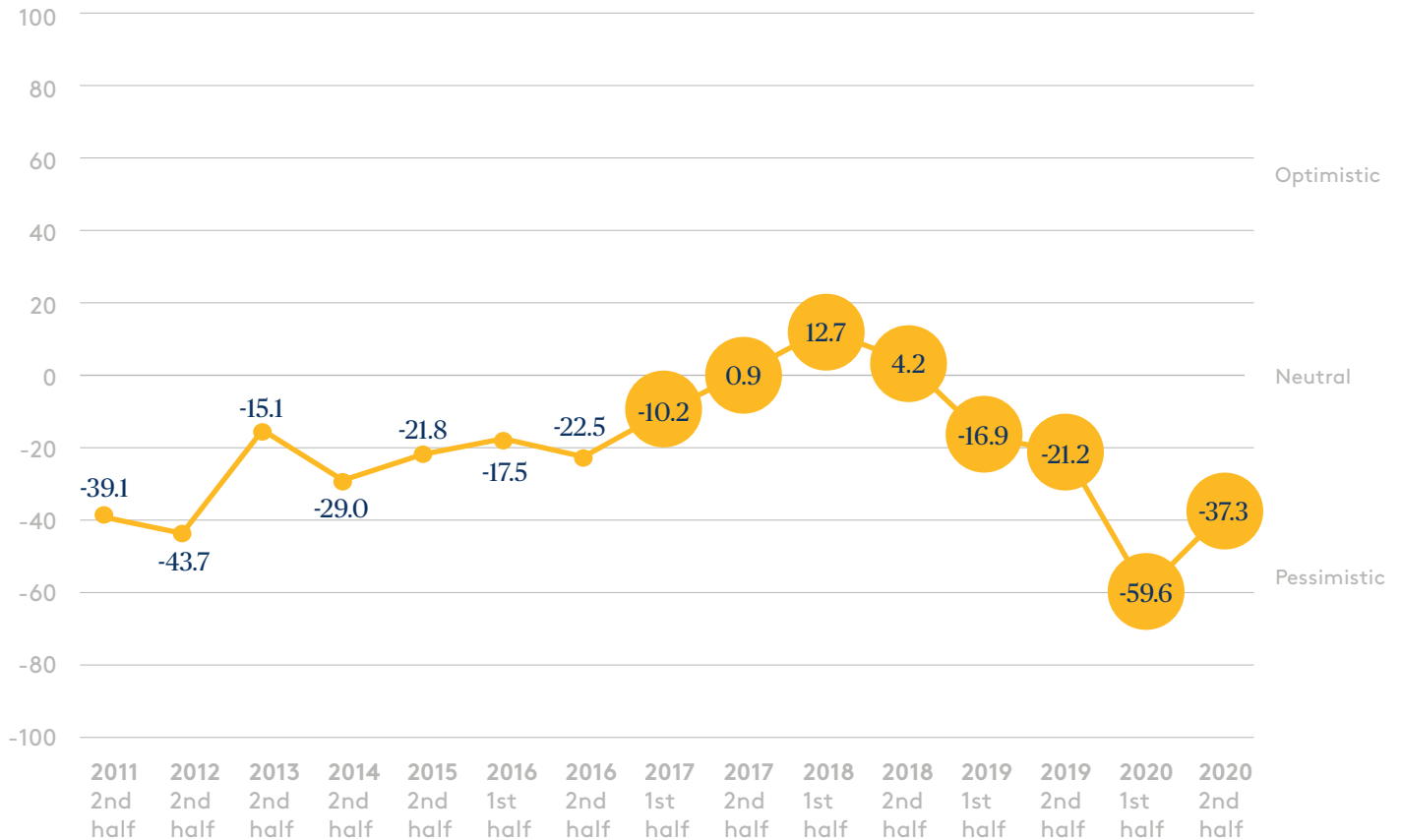
With the continued impact of COVID-19 throughout 2020 on both local and global economies, the overall Director Sentiment index score remains pessimistic at negative 37.3 which is well below levels seen throughout 2017 through 2019. However, sentiment shows signs of recovery relative to the first half of 2020.

The continued pessimism is largely related to sentiment about the health of global and domestic economies now and over the next 12 months.

Directors' outlook for the health of the European economy is lowest, followed by the Australian and US economy. Interestingly, directors are feeling optimistic about the health of the Chinese economy over the next year.

The results also reveal the policy priorities directors would favour in a radical policy reset agenda. Public investment in innovation, skills and training, high speed rail and renewable energy are overwhelmingly favoured by directors.

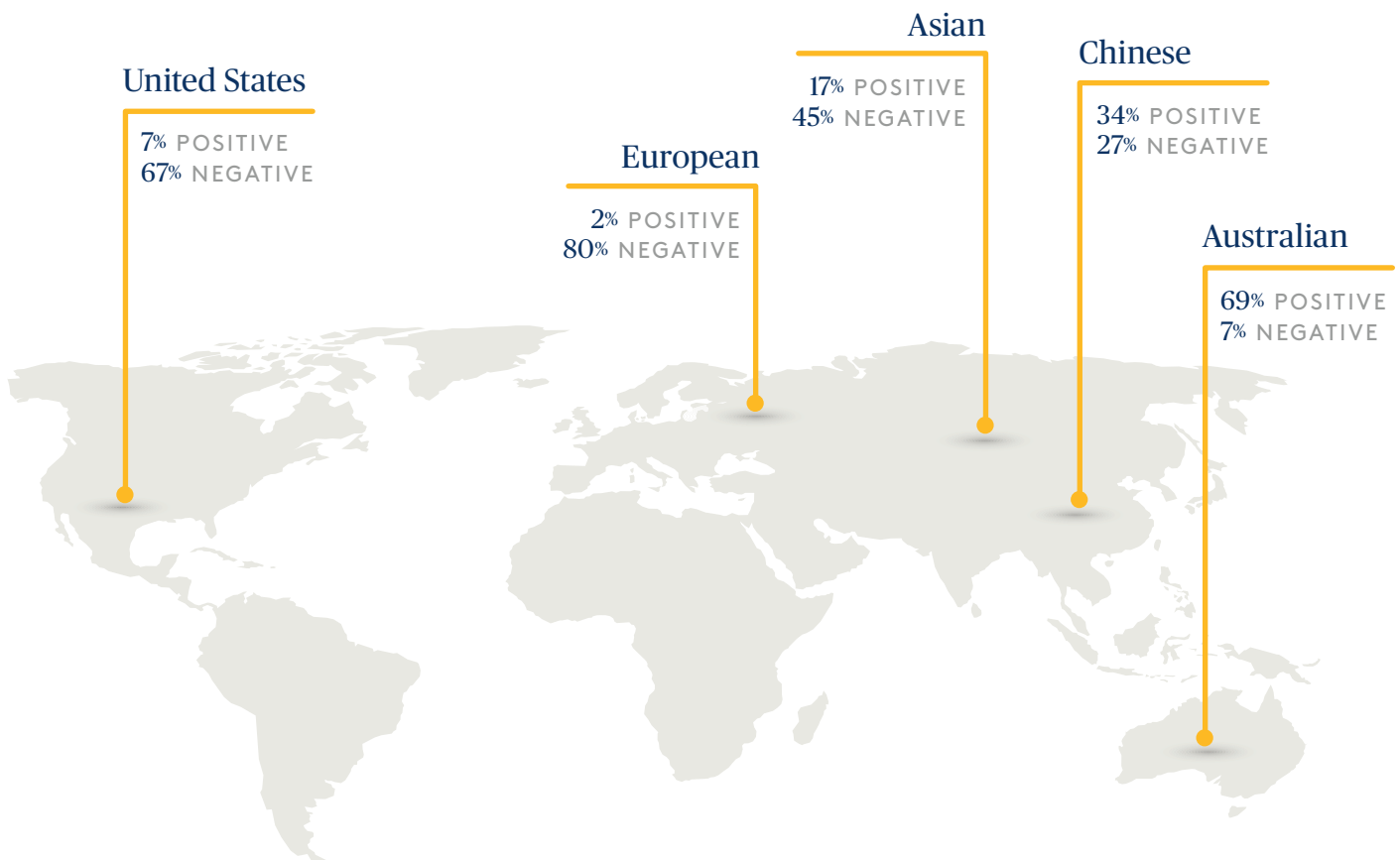
## Overall Director Sentiment Index



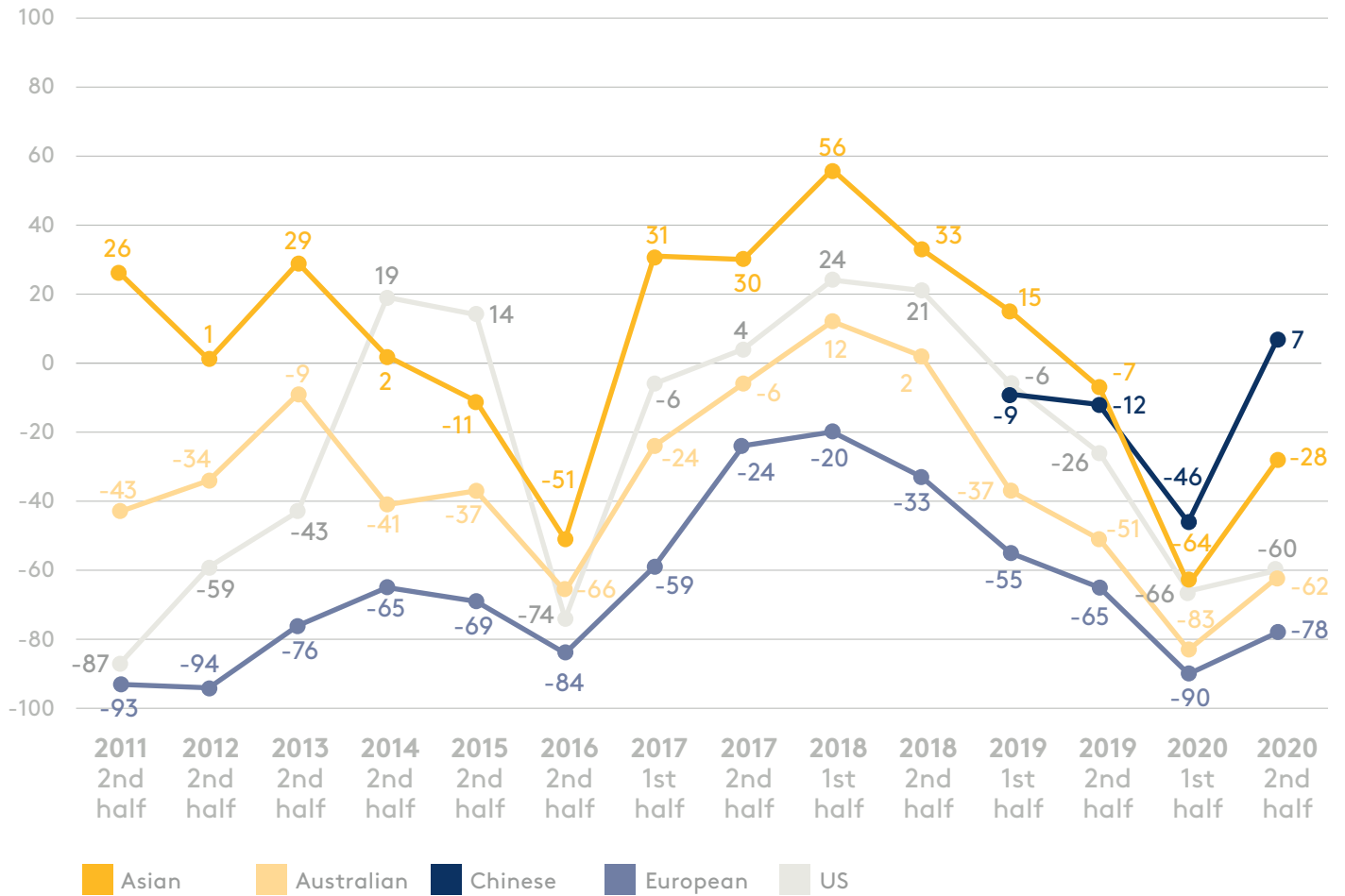
# Weak economic conditions to continue

Expectations for the health of global economies in next 12 months all see improvement with the exception of the US, although net balance remains largely in negative territory. Interestingly directors are feeling optimistic about the future health of the Chinese economy.

## Health of economies over next twelve months

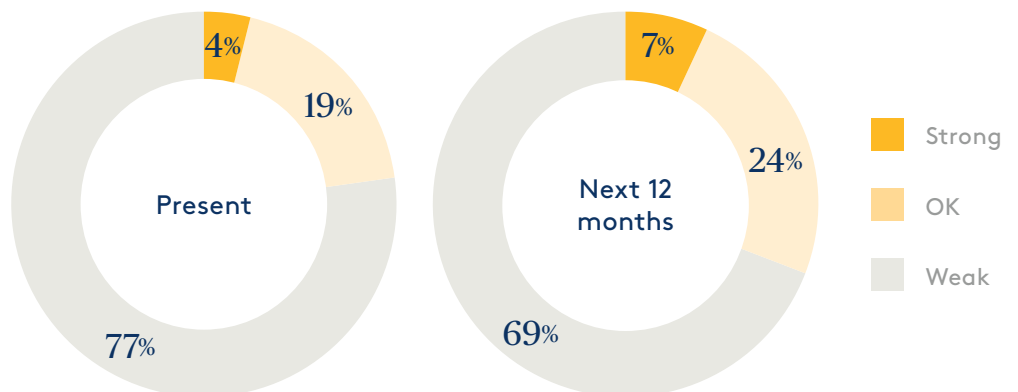


Health of world economies over next 12 months – semi annual trend



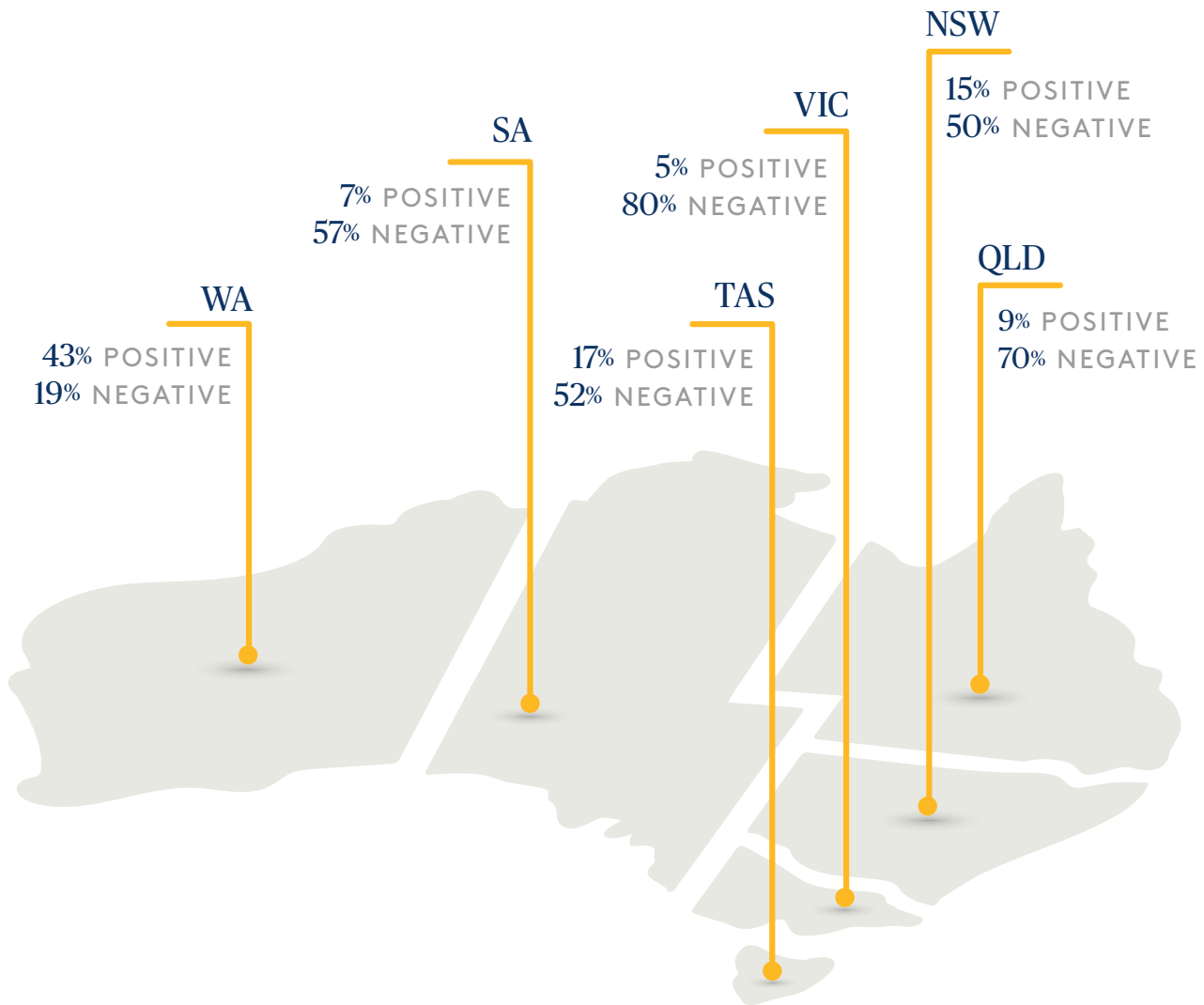
Compared to the first half of 2020 the assessment of the Australian economy now and over the next 12 months is mixed with directors feeling more pessimistic about the economy currently but less pessimistic about economic prospects over the next 12 months.

Health of Australian economy



While directors are still feeling pessimistic about the health of their state economy over the next 12 months – overall sentiment has improved since the first half of this year. Directors in Western Australia are by far the most optimistic with the majority of WA directors now feeling optimistic about the health of their economy over the next twelve months. It is the only state economy where sentiment is optimistic.

Health of state economies over the next 12 months



# Business Outlook

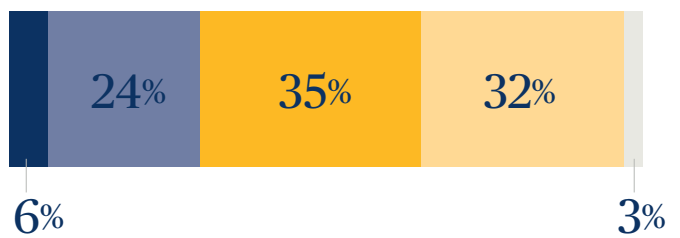
Directors' confidence regarding the business outlook in the next 12 months continues to be negative, although with a net balance shift from negative 65 to negative 24. Directors feel more optimistic about their own sector with 35% registering positive sentiment, and net balance sitting within positive territory.

## Outlook for business over next 12 months

GENERAL BUSINESS OUTLOOK



BUSINESS OUTLOOK FOR YOUR SECTOR

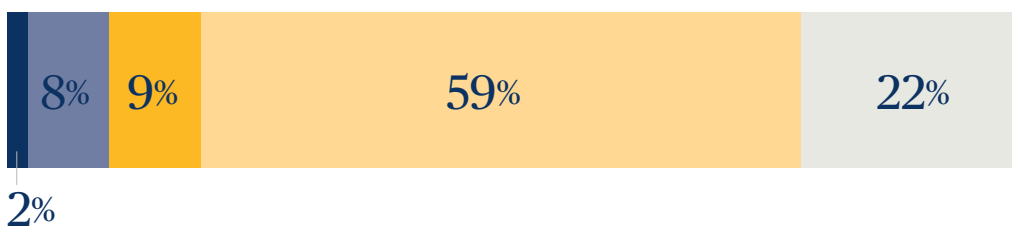


Very pessimistic   Quite pessimistic   Neither   Quite Optimistic   Very Optimistic

Directors expect a strong uplift in mergers and acquisitions over the next 12 months.

## Level of M&A activity over next 12 months

EXPECTED CHANGE IN LEVEL OF MERGER AND ACQUISITIONS

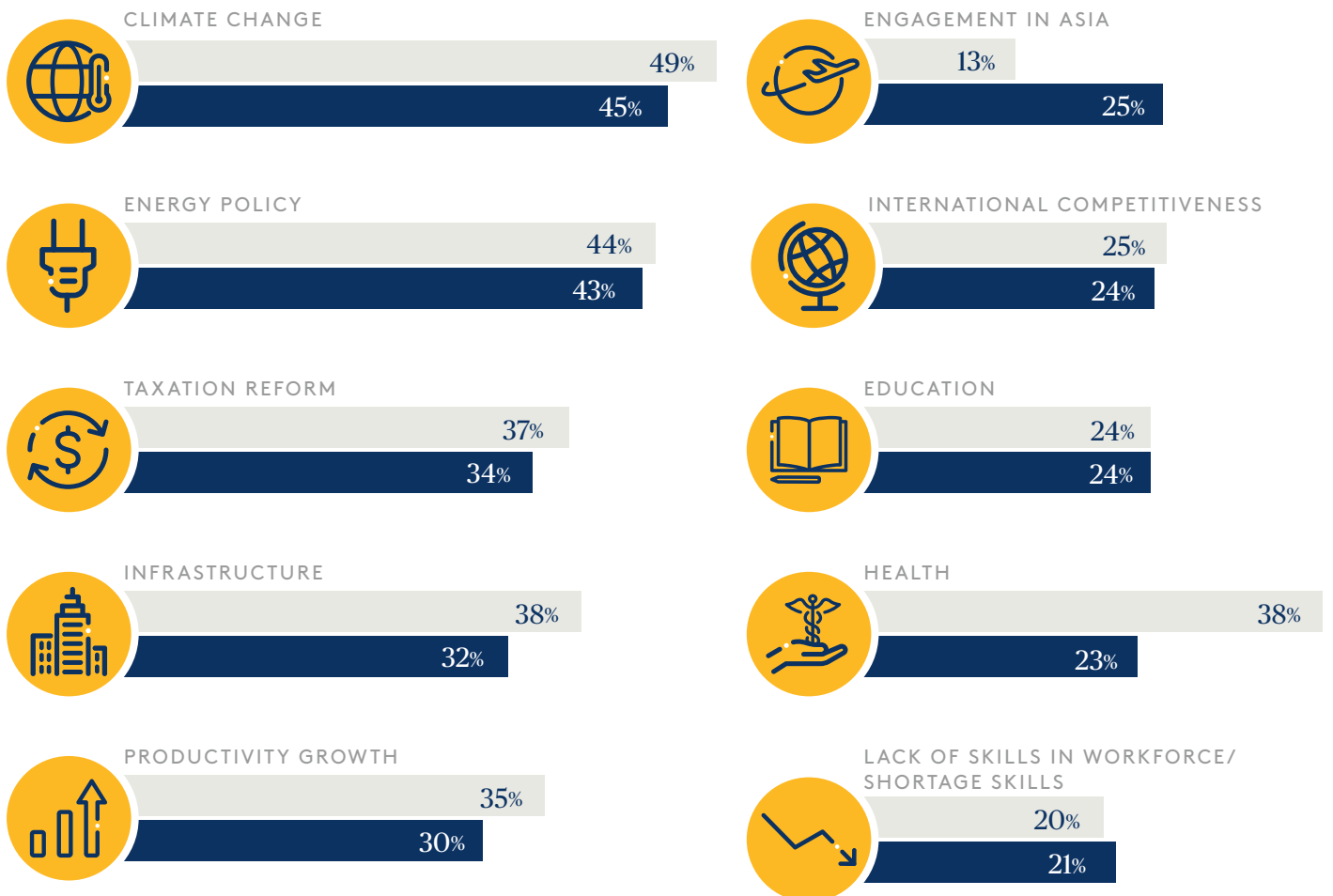


Fall strongly   Fall a little   Remain Stable   Rise a little   Rise Strongly

# Priorities for Government

Directors' priorities for short and long-term focus from Government have remained relatively stable for the second half of 2020. Climate change, energy policy and taxation reform remain the top three priorities for the Federal Government in the short-term with climate change and energy policy remaining priorities over the long-term along with infrastructure. Interestingly, the percentage of directors nominating "engagement with Asia" has substantially increased in this survey.

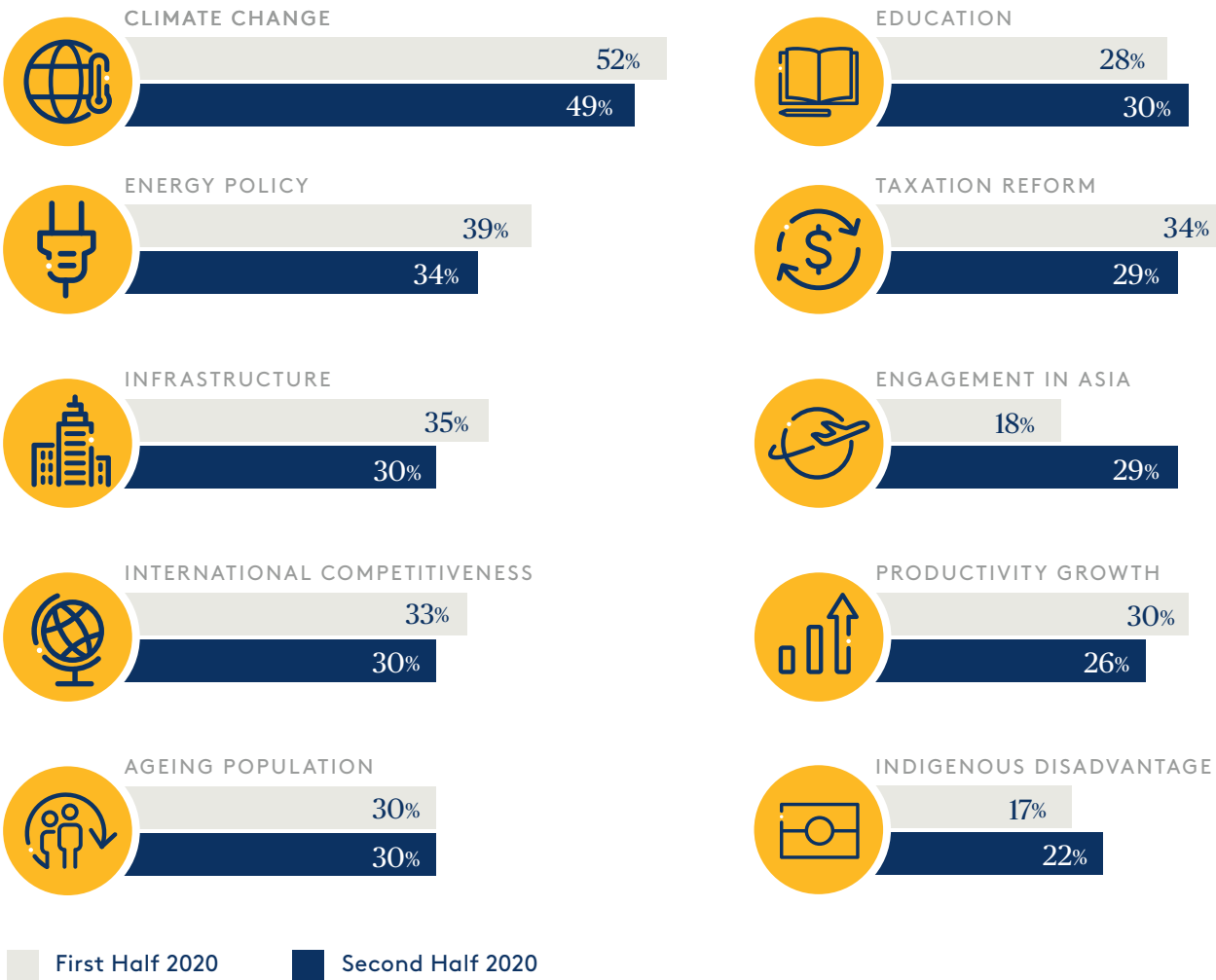
## Priorities Federal Government should address in short-term



First Half 2020
  Second Half 2020



Priorities Federal Government should address in long-term



Priorities for infrastructure investment

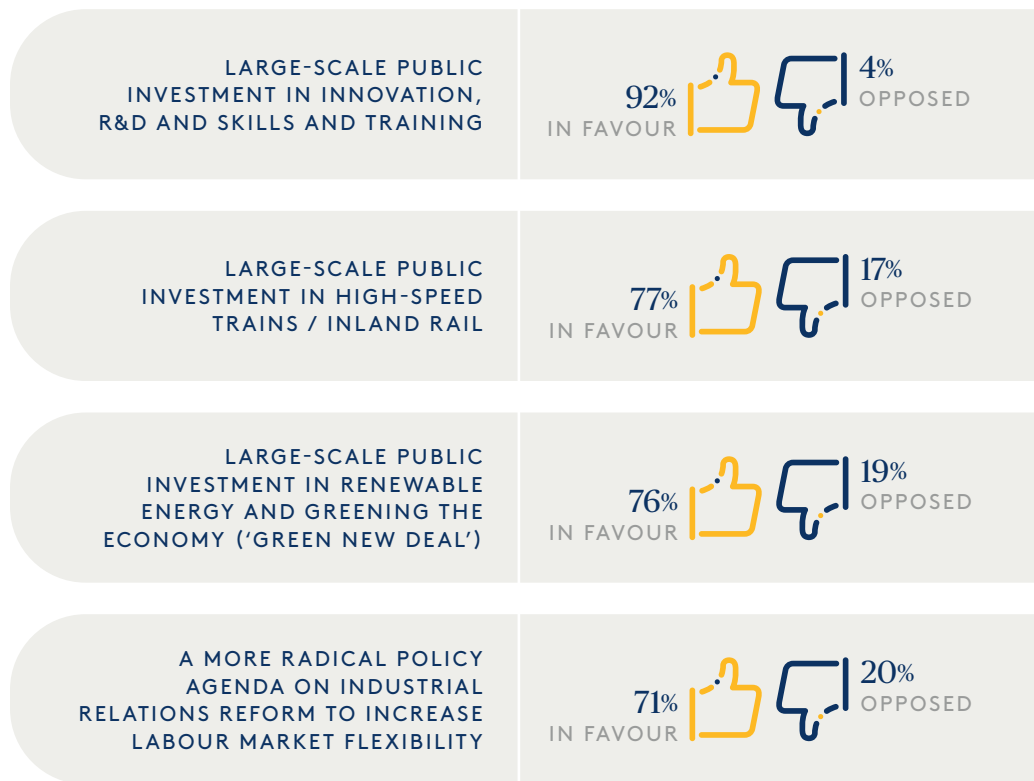
Directors see renewable energy sources as the key area for additional infrastructure investment, consistent with the first half of 2020, followed by regional infrastructure. Telco networks has been nominated by more directors this round and have moved to third place in rankings.



# Radical reset priorities

In a member survey in June this year the majority of AICD members encouraged the Government to pursue a radical policy agenda as opposed to sticking to its election mandate. The results from the DSI show that they would like Australia to be smarter, have more trains, be greener and have somewhat more flexible industrial relations arrangements.

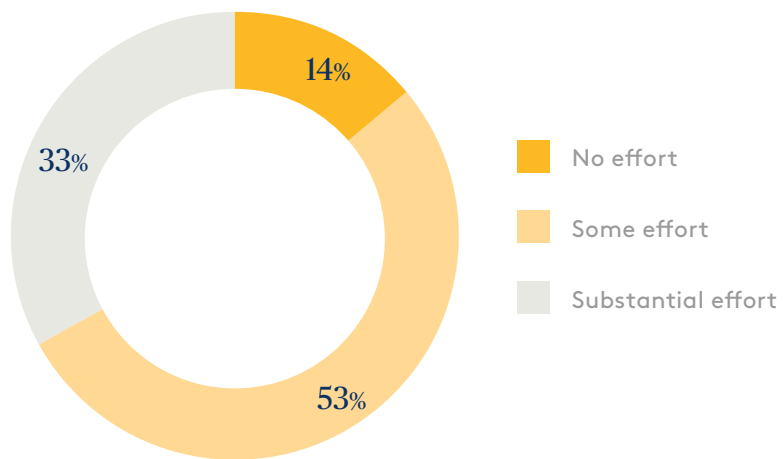
## Support for radical policy resets



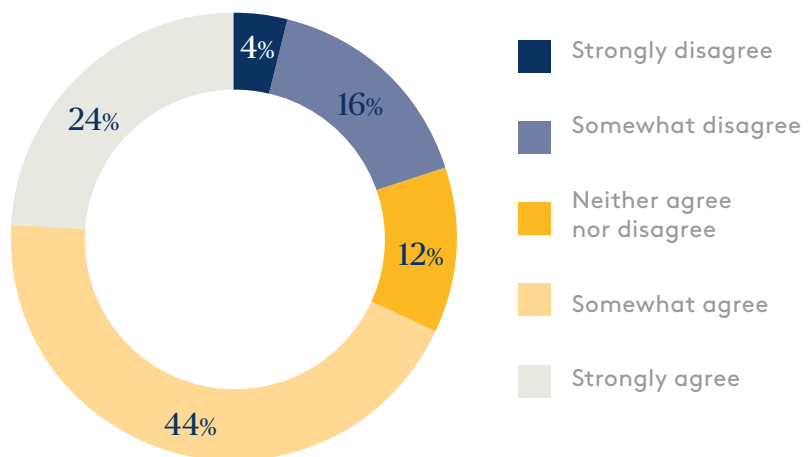
# Director issues

A majority of directors feel the board is trying to effect some culture change in their organisation and likewise a majority feel their board currently has sufficient oversight of organisational culture.

To what extent is your board trying to effect culture change in your organisation



Does your board have sufficient oversight of organisational culture



For more information, please contact

e: [media@aicd.com.au](mailto:media@aicd.com.au)

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