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**MEDIA RELEASE**

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# Director confidence falls as economic pressures deepen

The latest AICD Director Sentiment Index (DSI) shows director confidence has slumped over the past six months, dropping 18.4 points down to -42.4, its lowest level since 2020.

The sharp fall indicates business confidence is under significant pressure, with global economic uncertainty and domestic economic issues weighing heavily on director sentiment.

Stubbornly high inflation, rising interest rates and the ongoing cost-of-living squeeze are adding to the pessimistic outlook. Sixty per cent of directors anticipate weak business conditions over the coming year and almost two-thirds expect the overall economic picture to continue to weaken both within Australia and globally.

The weaker outlook is feeding directly into business decisions with more than 90 percent of directors expecting cost pressures to worsen in the next 12-months. Nearly forty percent (39%) expect the level of investment to fall, compared with 28 percent who think it will increase. Directors also anticipate softer wages growth and labour demand.

Productivity growth is the leading issue directors want Government to address, identified as both the most pressing short-term priority by 46 percent and long-term priority by 37 percent - ranking significantly higher than any other factor.

AICD Managing Director and CEO Mark Rigotti said the DSI reinforces the need to shift the national conversation from one of managing weak growth onto creating the conditions for stronger growth.

"The survey shows us that productivity is not an abstract policy issue for directors. It's a growing concern for boards and one of the major economic considerations that business is facing.

"It's essential that we lift productivity by creating the conditions for business to invest, innovate and expand. It also requires government to address unnecessary regulatory complexity that absorbs resources without improving outcomes."

Regulation is increasingly seen as part of Australia's productivity problem with 66 percent of directors saying regulatory and compliance requirements are limiting productivity growth in their organisations.

Regulatory complexity is also the most commonly cited barrier to increasing business investment (52%), ahead of taxation policy (51%), and policy or economic uncertainty (48%).

*The Australian Institute of Company Directors (AICD) is a not-for-profit organisation committed to strengthening society through world-class governance. A trusted voice in national policy creation and rollout, the AICD advocates for, informs and empowers those leading, influencing and shaping the future of contemporary governance. Its flagship Company Directors Course™ has been the gold standard in practical, real-world governance education for over 50 years - equipping leaders across all sectors with the skills and confidence to navigate complex boardroom challenges and lead their organisations with impact. The AICD is also home to the world's largest community of professionals committed to better governance for a better future. To learn more, visit aicd.com.au*

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AICD Chief Economist Mark Thirlwell said cost pressures are compounding the investment challenge.

"More than 90 percent of directors expect business costs to increase over the next 12 months, while 89 percent say inflation and cost pressures are already negatively affecting their business.

"In an environment of challenging domestic economic conditions plus elevated global economic uncertainty, removing avoidable impediments to investment and productivity becomes even more important."

**AI is already changing Australian workplaces**

Artificial intelligence has rapidly become one of the leading issues that's keeping directors awake at night. Concerns about the impact of AI has jumped from 26 percent to 39 percent in the past six months, almost level with concerns about Australia's domestic economic conditions (40%).

AI regulation has more than doubled as a priority that directors believe Government needs to address in the short term, rising from 13 percent to 29 percent.

Forty-four percent of directors report workforce changes linked to AI in the past year, although the productivity benefits reported to date have been relatively modest.

**Other key findings from the DSI 2H 2026**

- 48% say AI has improved productivity in their organisation to a small extent.
- 33% report a moderate or great productivity impact from AI.
- 28% say AI has led to existing roles to be redesigned; 15% report the creation of new roles; 14% say fewer employees are required for some roles; and, 10% report some roles have been eliminated as a result of AI.
- 59% think RBA rate settings will cause a major uptick in business insolvencies.
- 75% will continue to offer flexible work arrangements.
- 54% support higher skilled migration to boost productivity.

Access the DSI 2H2026 Insights Report and Data Pack here

The AICD survey of 1371 company directors was conducted by Roy Morgan from 22 to 29 September 2026.

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