

2021 New Zealand Investor Confidence Survey

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Foreword

As our nation grapples with the shifting impacts of the pandemic, one of the key indicators of economic recovery and the effectiveness of our markets is the confidence of retail investors.

It is vital that we understand what drives retail investors when it comes to trust, confidence, and their concerns about the economy and capital markets, so that the profession and companies can continually shape the information they are providing in both financial and other forms of reporting.

This is the third year Chartered Accountants Australia and New Zealand has undertaken this investor survey, with the help of the Center for Audit Quality in the United States, to capture the views of over five hundred retail investors in New Zealand.

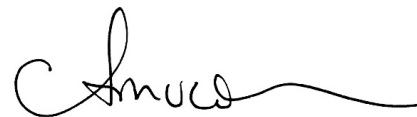
It's pleasing to see that when the survey was in market, confidence in the New Zealand and global economies were recovering after the dips experienced in 2020. However, while their short-term confidence has been rebuilt, investors have their eye on the horizon when it comes to the longer, ongoing impacts of the pandemic as well as evolving issues such as cyber-crime and climate change.

Confidence in audited financial reports produced by public companies is strong with investors still expecting companies to keep them informed about the ongoing impacts of the pandemic in their disclosures. Independent auditors retain their position as the most trusted group, for the third year in a row, when it comes to investor protection and market integrity, followed closely by audit committees, regulators and analysts.

This comes during a period in which there is a critical shortage of talent in the audit profession in Australia and New Zealand. Following our advocacy, the Australian Government placed accounting and audit professionals on the Priority Migration Skilled Occupation List in June 2021. We continue to advocate in New Zealand for a border class exception for auditors.

Retail investors see climate information as critically important to their decisions as they believe climate change is a key business risk and that companies have a responsibility to address its impacts. Investors also interested in broader sustainability reporting about ethics, culture and social responsibilities and their confidence in this kind of reporting would be increased by agreed standards and independent assurance.

It's clear that auditors, as well as those who prepare financial statements and regulate the market, make a real difference to how we maintain investor confidence and ensure integrity in our markets. This role as guardian of ethics and integrity will only strengthen as the world navigates its recovery from the pandemic and addresses the other big challenges we face.



Ainslie van Onselen
Chief Executive Officer



Executive summary



Auditors remain number 1
as the most trusted group when it comes to investor protection and market integrity, followed closely by audit committees, regulators and analysts



Confidence in the global economy has recovered, growing from 2020's **64%** to **77%**



51% of retail investors see **climate information** as quite or very important to their **investment decisions**



Confidence in New Zealand capital markets has grown **86%** (2020 83%)



Investors with at least some **confidence in audited financial statements** has increased from **91%** to **92%**

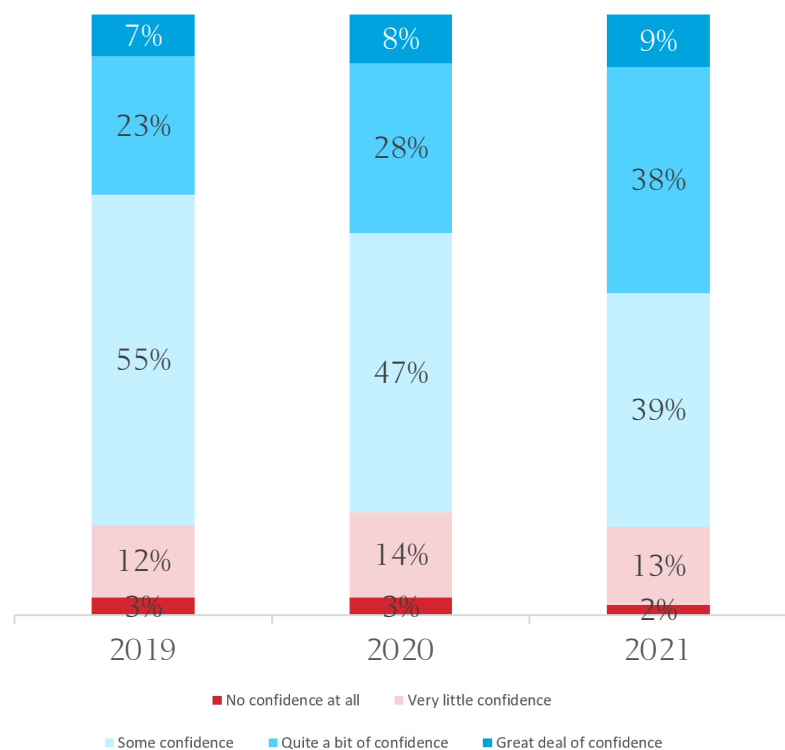


83% of retail investors say their confidence in **sustainability information** would increase if it was subject to **independent assurance**

Confidence in NZ Capital Markets

NZ Capital markets continue to grow in confidence, with almost half (47%) now at least quite confident, compared to just 36% in 2020. Recovery from COVID-19 is the key factor pushing that confidence, though there have also been large jumps in confidence in government and unemployment rate being low.

At the current time, how much confidence would you say you have in New Zealand capital markets (i.e. the NZX)?



Base: Total NZ Sample: 2021 n=524; 2020 n=503; 2019 n=514

Reasons for confidence



Base: At least some confidence n=447

Reasons for lack of confidence



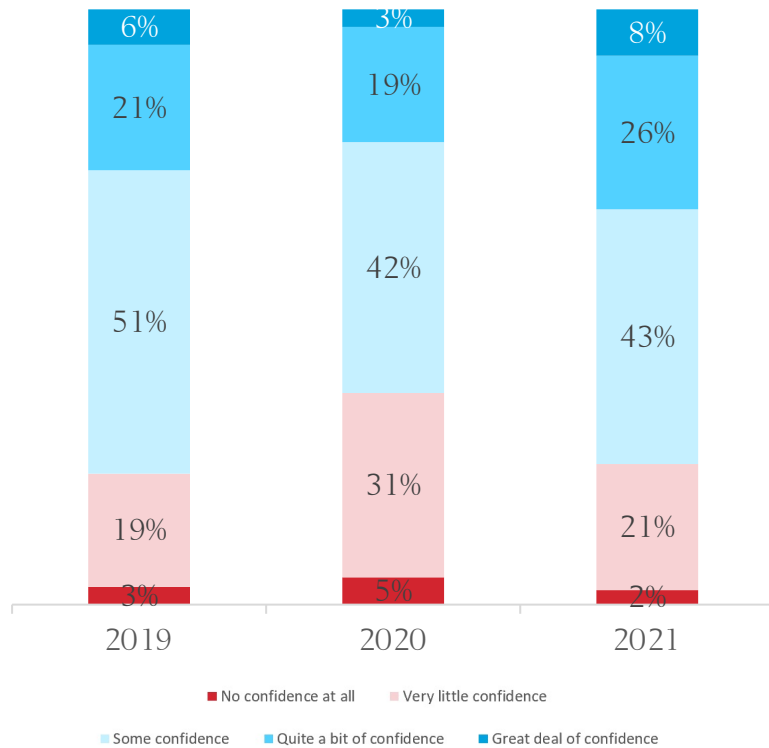
Base: Little/no confidence n=77



Confidence in Offshore Capital Markets

Confidence in offshore markets has improved past pre-COVID levels, with 34% now at least quite confident compared to 22% in 2020. The main shift associated with this is an increase in the belief that countries outside of NZ are doing well.

At the current time, how much confidence would you say you have in capital markets outside of New Zealand?



Base: Total NZ Sample: 2021 n=524; 2020 n=503; 2019 n=514

Reasons for confidence



Base: At least some confidence n=400

Reasons for lack of confidence



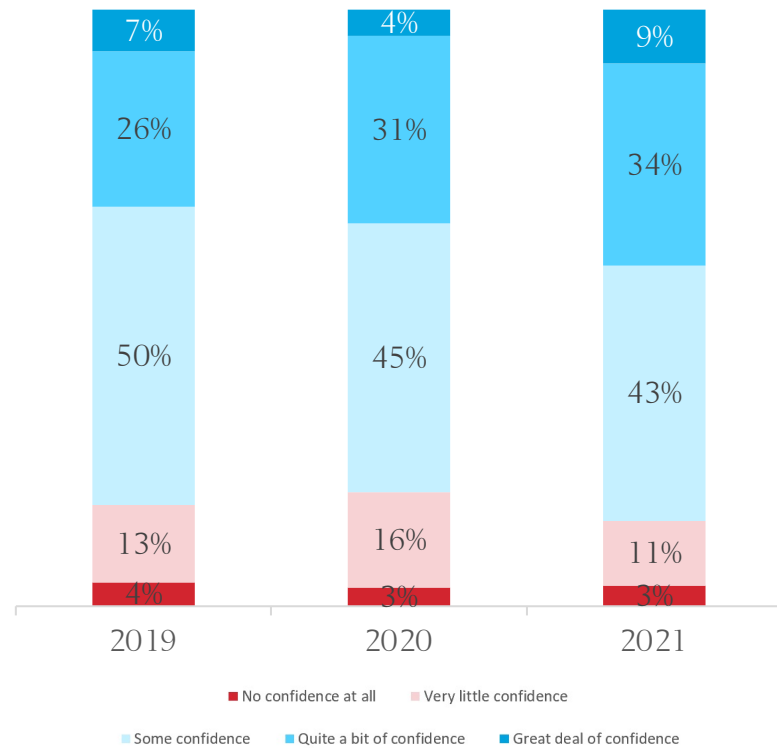
Base: Little/no confidence n=124



Confidence in Publicly Listed NZ Companies

The total proportion at least quite confident in NZ publicly listed companies has increased in 2020, going from 35% in 2020 to 43% in 2021. In particular, the proportion with a great deal of confidence has increased by 5% in 2021 (going from 4% in 2020 to 9% in 2021).

How much confidence would you say you have today investing in New Zealand companies that are publicly listed (e.g. on the NZX)?



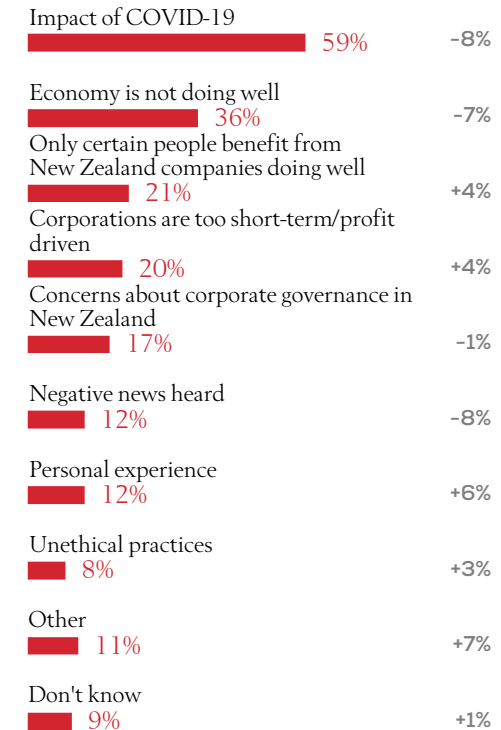
Base: Total NZ Sample: 2021 n=524; 2020 n=503; 2019 n=514

Reasons for confidence



Base: At least some confidence n=449

Reasons for lack of confidence



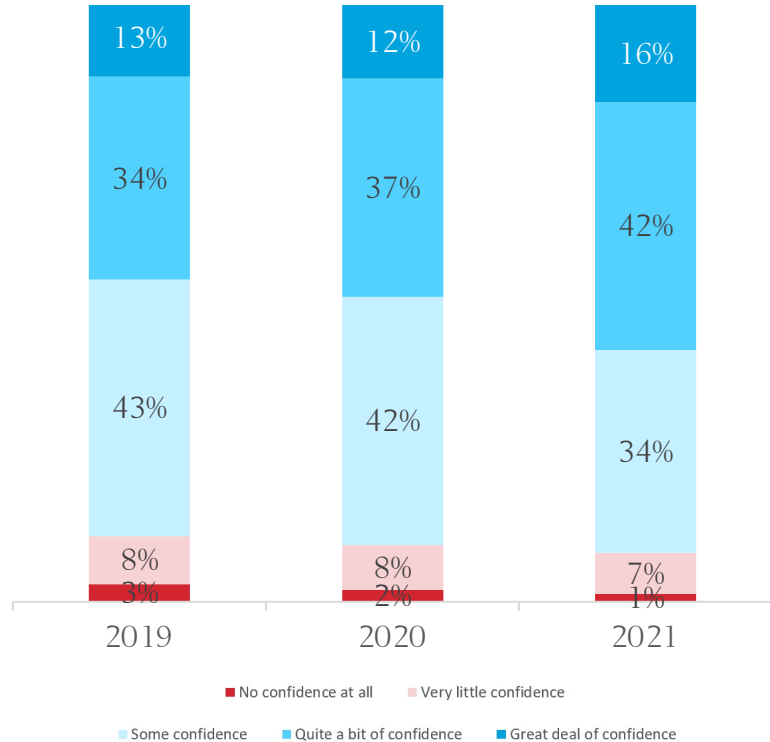
Base: Little/no confidence n=75



Confidence in Financial Information Released by Publicly Listed NZ Companies

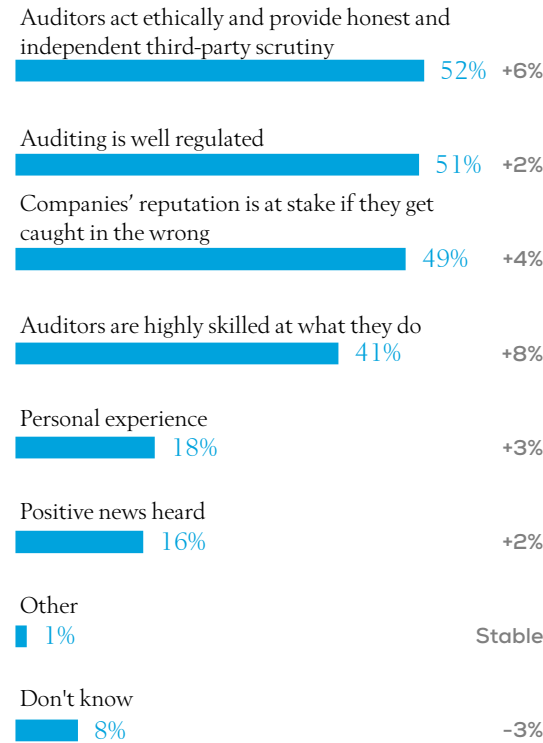
There has been a strong increase in the proportion at least quite confident in financial information released, going from 49% in 2020 to 58% in 2021. There has been an increase in the belief that auditors are highly skilled (33% in 2020 c.f. 41% in 2021); and that auditors provide an honest and independent third-party scrutiny (46% in 2020 c.f. 52% in 2021).

How much confidence do you personally have in audited financial information released by publicly listed New Zealand companies?



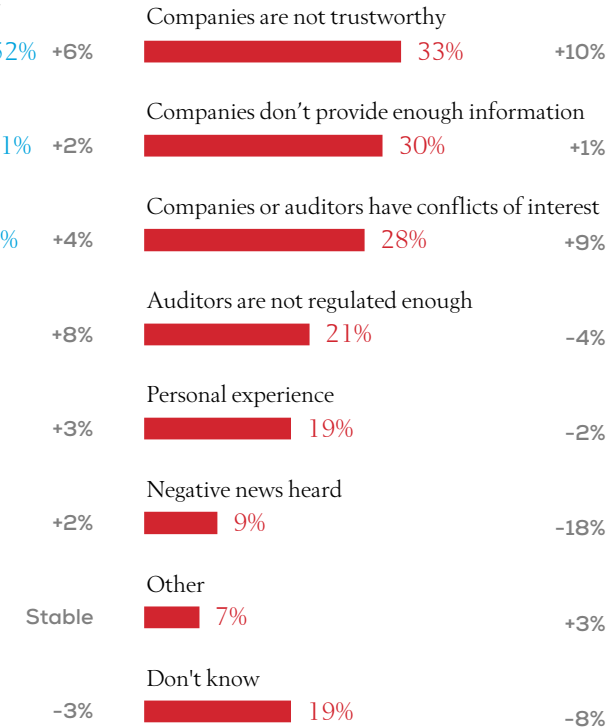
Base: Total NZ Sample: 2021 N=524; 2020 n=503; 2019 n=514

Reasons for confidence



Base: At least some confidence n=481

Reasons for lack of confidence

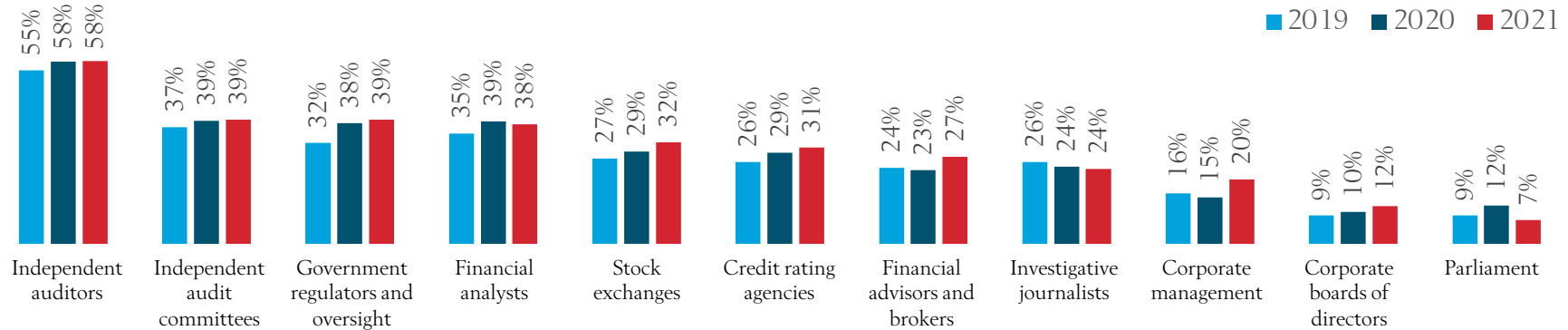


Base: Little/no confidence n=43



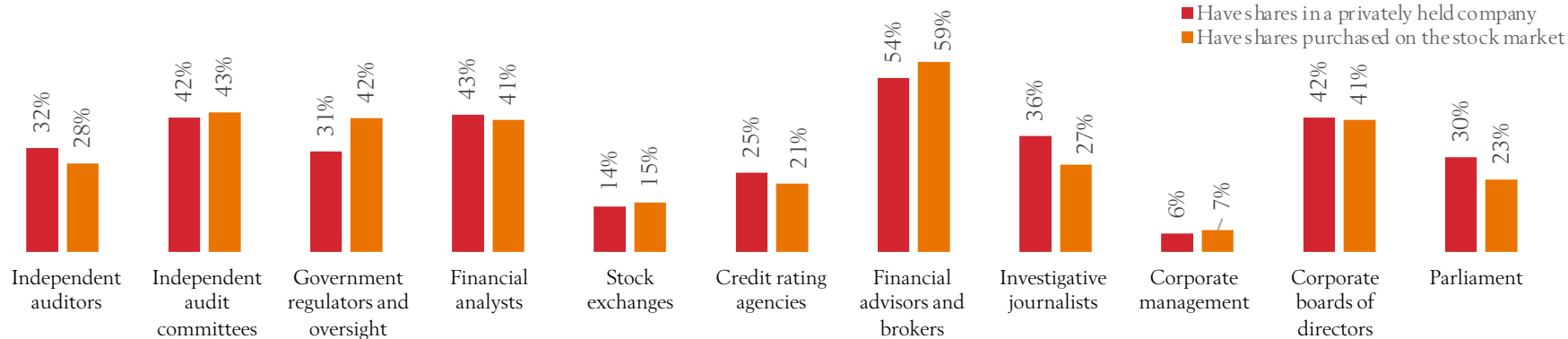
Confidence in the roles helping to advance investor protection

TOTAL NZ: There are several different players that have roles in helping to advance investor protection. Which of the following are you confident is/are effective in their respective roles?



Investors were asked how confident they are in the roles charged with advancing investor protection. Auditors remain the most trusted group in 2021. The main shift in 2021 is the increased confidence in corporate management – going from 15% in 2020 to 20% in 2021. In addition, confidence in financial advisors has increased (from 23% to 27%).

Shares invested: Publicly listed vs. privately owned (2021 only)

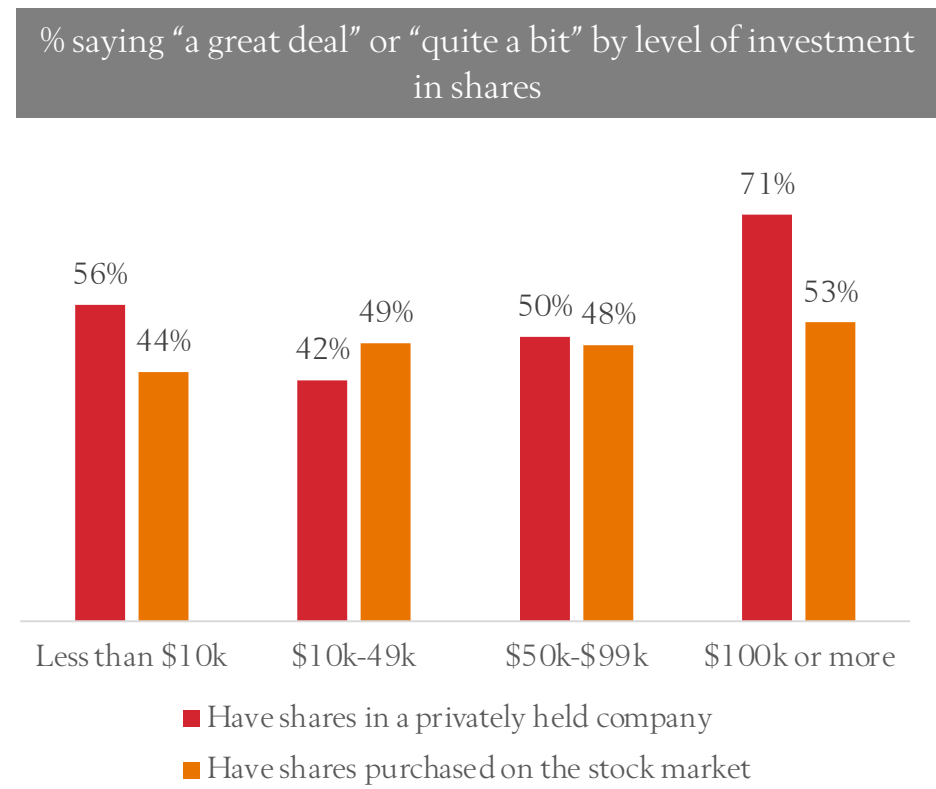
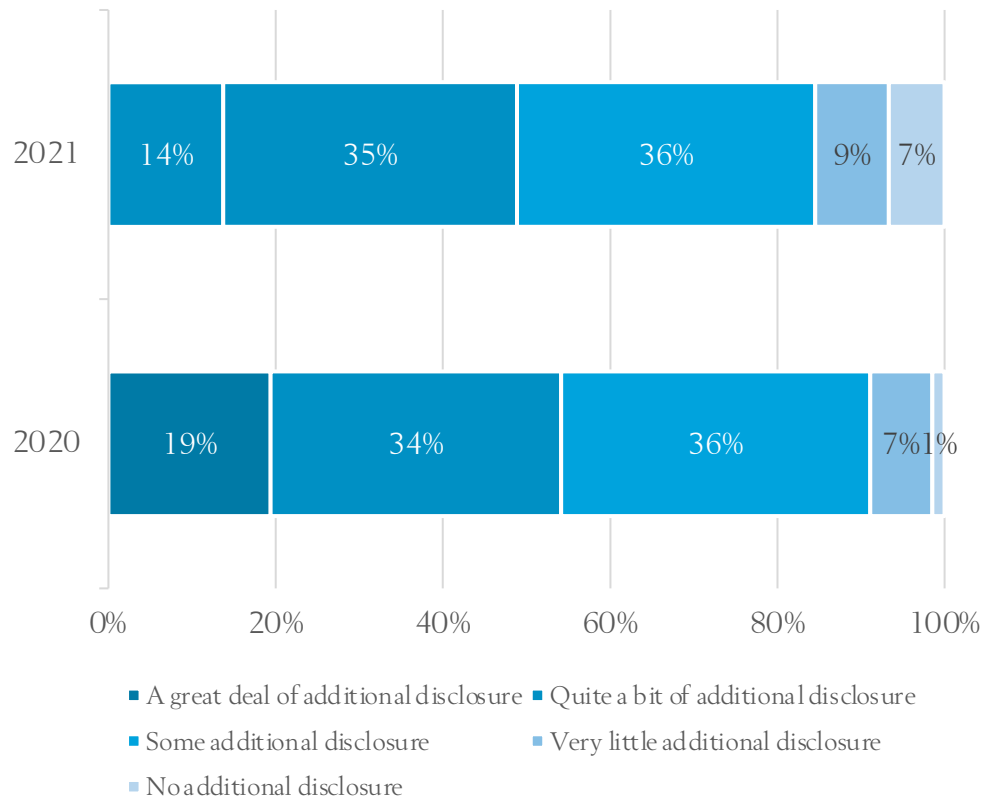


Base: Total NZ Sample: 2021 n=524; 2020 n=503; 2019 n=514.
 2021 Shares in privately held company n=391; shares purchased on the stock market n=105



How much additional disclosure is expected in relation to COVID?

In 2020, a question was added around the expectation of additional disclosure in relation to COVID. In 2021, as the COVID crisis continues and becomes the new normal, there is still a strong expectation for COVID related disclosures. However, there has been a 4% drop in the proportion of investors who want to see at least quite a bit more disclosure in relation to COVID.

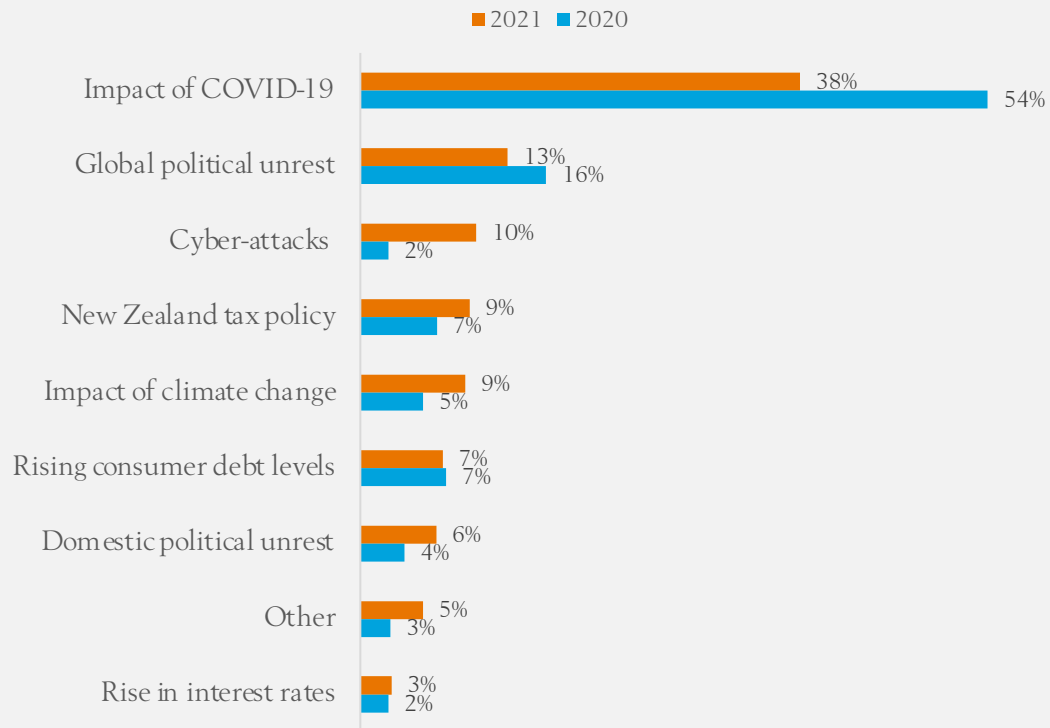


Base: Total NZ Sample: 2021 n=524; 2020 n=503; 2019 n=514.
 2021 Shares in privately held company n=391; shares purchased on the stock market n=105



The future of the NZ economy

In your opinion, what poses the greatest risk to the New Zealand economy?



The impact of COVID is still viewed as the greatest threat to the NZ economy, but the proportion of respondents who view it as the greatest threat has decreased.

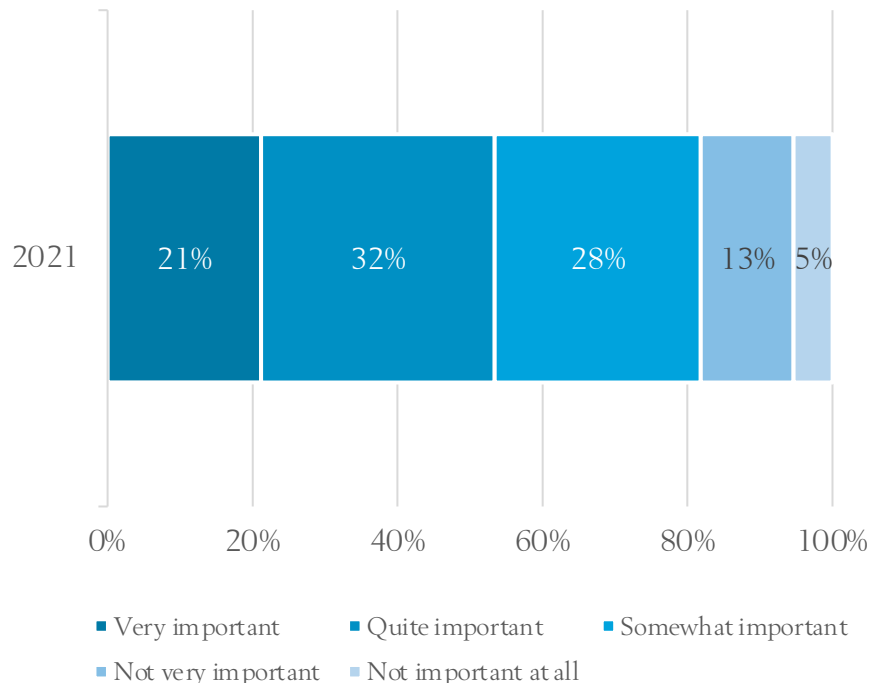
The perceived risk of cyber attacks has increased significantly from 2020, along with an increase in the impact of climate change.

Base: Total NZ Sample, 2021 n=524; 2020 n=503

Importance of climate change information in decision making

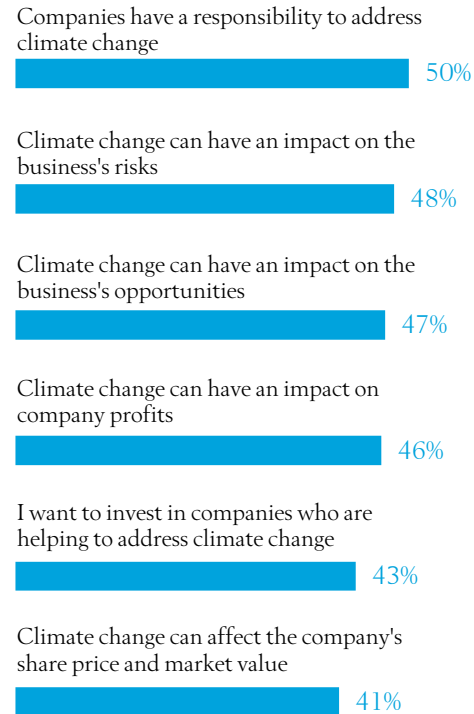
In 2021, a new section of questions was added looking specifically at the importance of climate change, and sources of climate change information. Climate change information is at least quite important to just over half of all investors. This is largely because companies are seen as having a responsibility to address climate change, and it can materially affect the business risks, opportunities, and profits.

Companies are required to, and also voluntarily, disclose a range of information about climate change. How important is this climate change information in your investment decision making?



Base: Total NZ Sample, 2021 n=524

Reasons for importance



Base: At least Somewhat Important n=430

Reasons for lack of importance

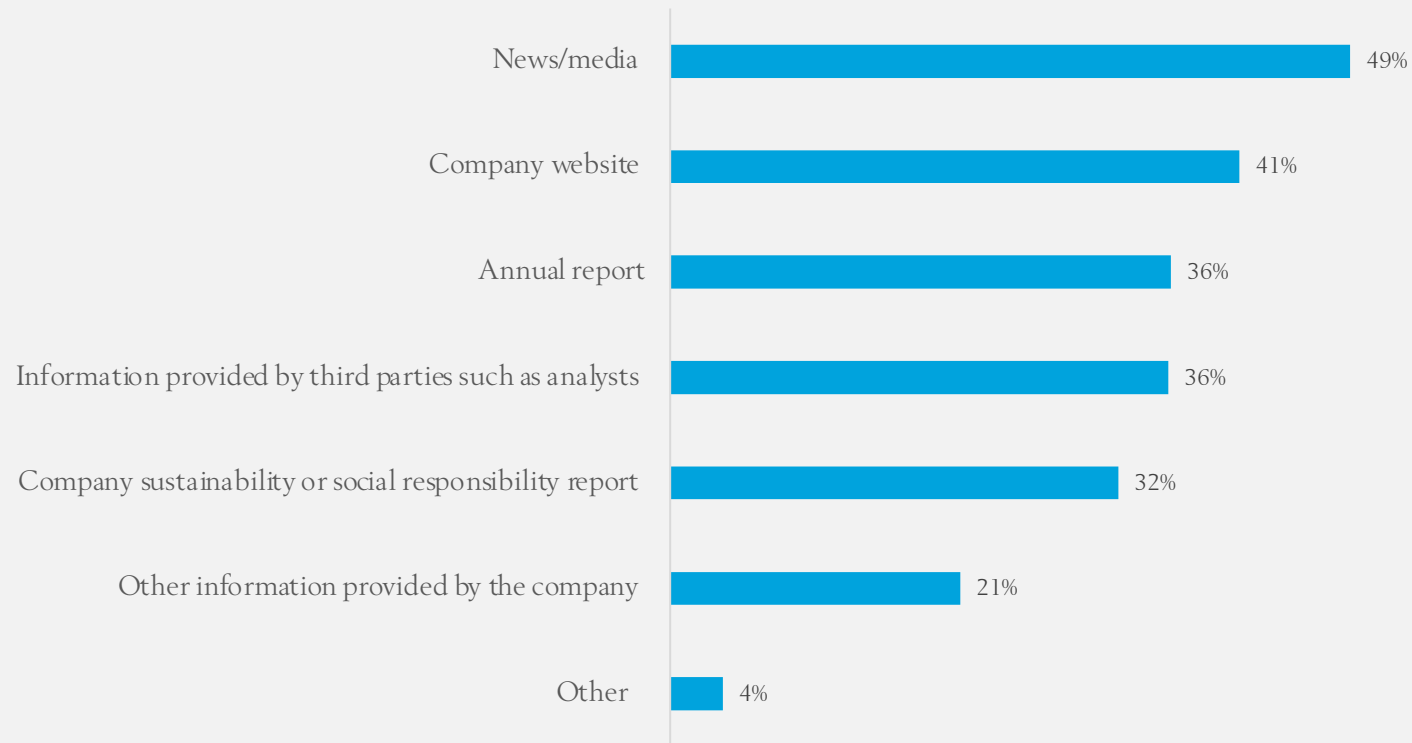


Base: Not important n=94



Sources of climate change information

Where do you obtain climate change information about publicly listed companies?



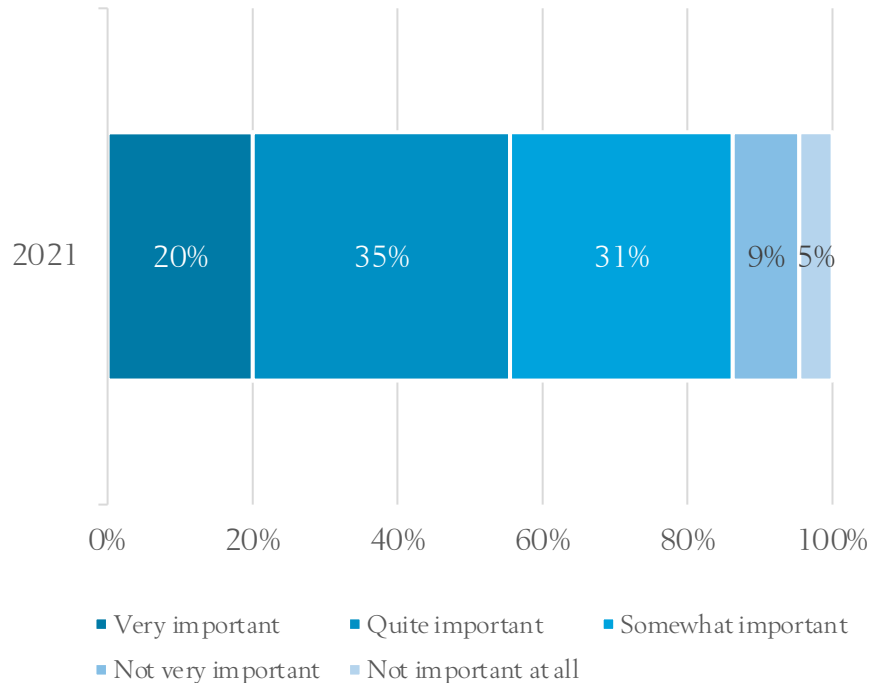
When we look at the sources of climate change information, news media is the number one source of information about climate change related to publicly listed companies – even more so than any company sustainability report.

Base: Total NZ Sample, 2021 n=524

Importance of sustainability information in decision making

In 2021, a new section of questions was added looking specifically at the importance of sustainability information and what might increase confidence in this information. Sustainability information is also at least quite important to almost three in five investors. Over half who say it is important believe that companies should behave in a responsible way, and 43% say that this behaviour has financial implications.

Companies often voluntarily, disclose a range of non-financial information about sustainability, social responsibility, ethics and culture relevant to their operations and impact. How important is this information in your investment decision making?



Base: Total NZ Sample, 2021 n=524

Reasons for importance



Base: At least Somewhat Important n=451

Reasons for lack of importance



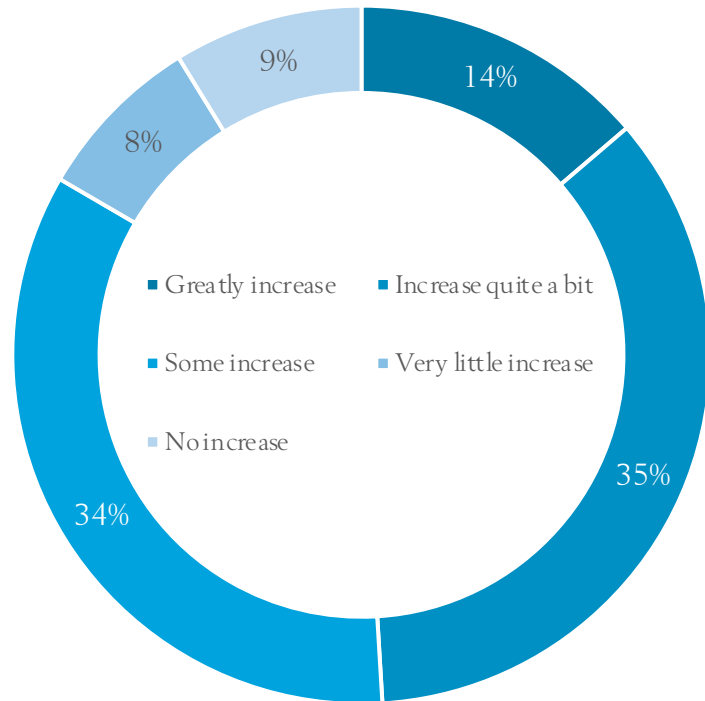
Base: Not important n=73



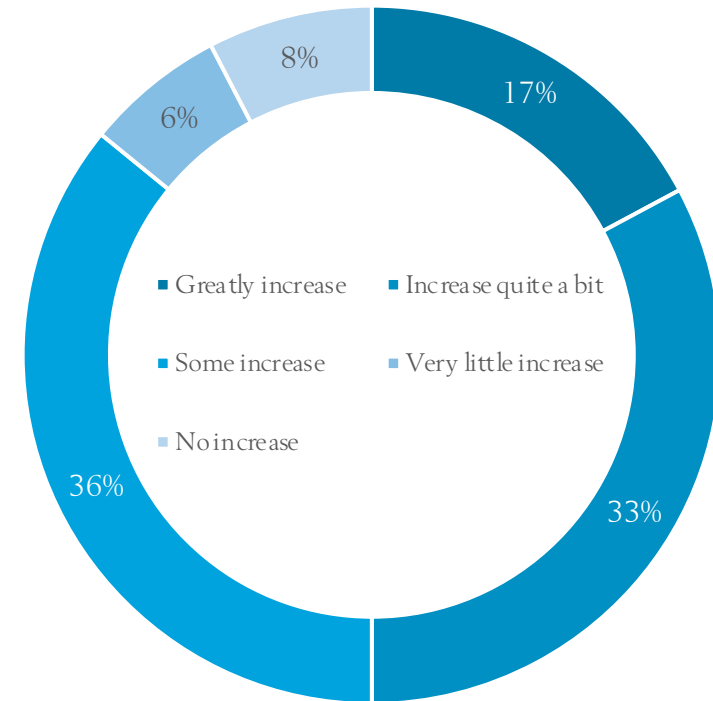
Increasing confidence in sustainability information

Respondents were asked whether independent assurance or mandatory reporting would increase their confidence in sustainability information. Both independent assurance and mandatory reporting based on agreed standards would increase the confidence for around half of all investors.

Currently sustainability information is provided voluntarily and is not always subject to independent assurance by an external audit firm. To what extent would independent assurance increase your confidence in sustainability information published by New Zealand listed companies?



The sustainability information provided is voluntary. To what extent would it increase your confidence in sustainability information if it was mandatory and required to be prepared based on agreed standards?



Base: Total NZ Sample, 2021 n=524



New Zealand analysis

Demographics and breakdowns

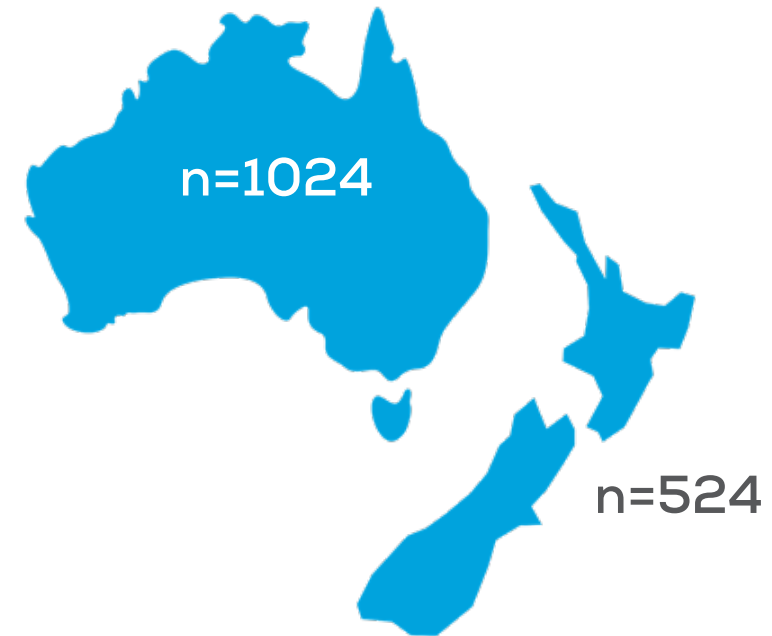
About the survey

This is the third survey Chartered Accountants Australia and New Zealand (CA ANZ) has done to measure retail investor confidence in New Zealand. We commissioned Dynata to measure retail investor confidence in New Zealand capital markets, global capital markets, New Zealand public companies and audited financial statements.

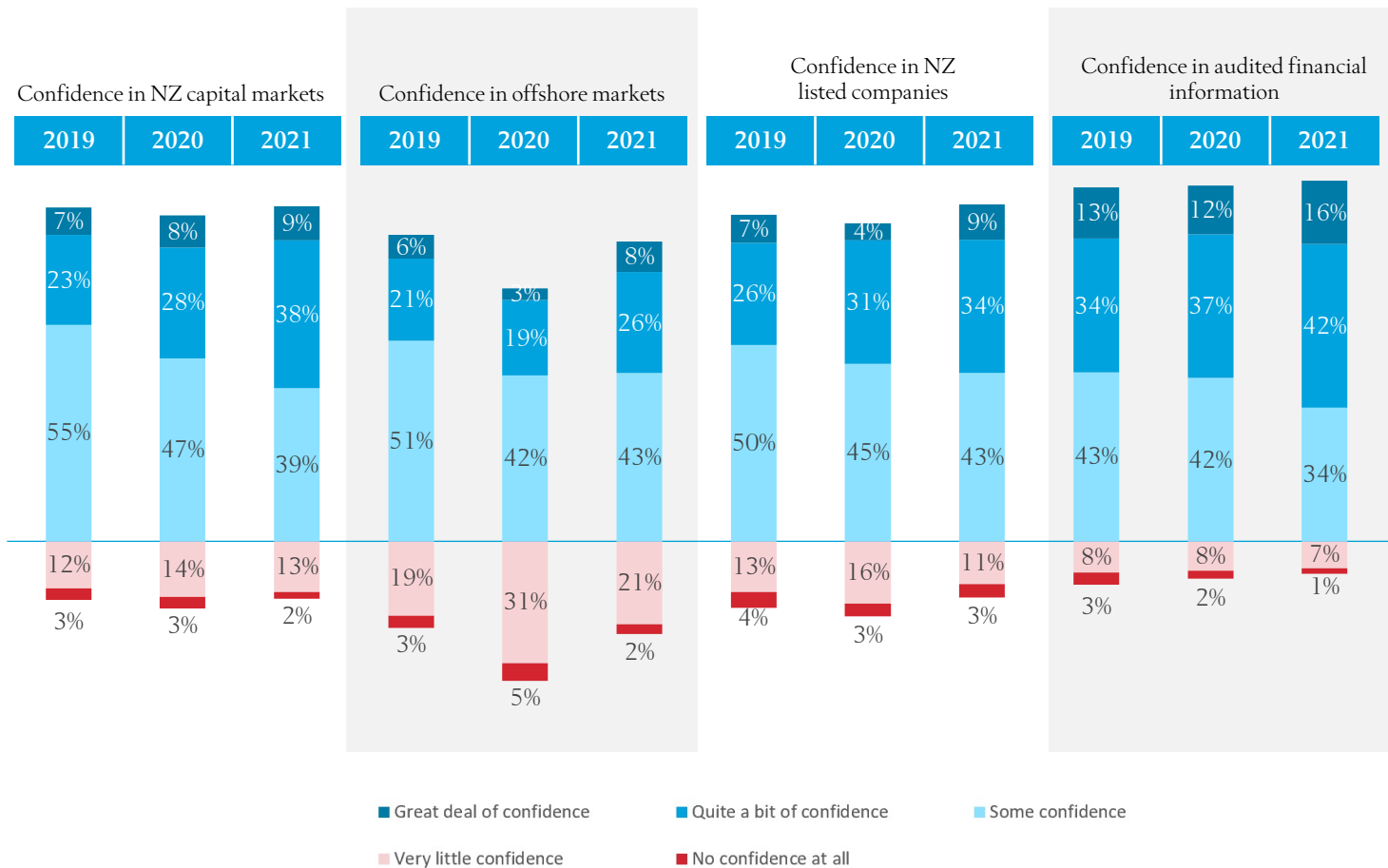
CA ANZ is also grateful to the Center for Audit Quality for their support and assistance in developing this study.

A total of n=524 New Zealanders were interviewed. To ensure a robust sample across New Zealand, quotas were placed on age, gender and region within New Zealand to ensure a representative view of the population.

Target respondents were adults aged 18+ who had a minimum of \$10,000.00 invested in Managed Funds, Shares in a Private Company, Shares Purchased on the Stock Market, or Term Deposits.



New Zealand in Summary



Base: Total NZ Sample: 2021 n=524; 2020 n=503; 2019 n=514

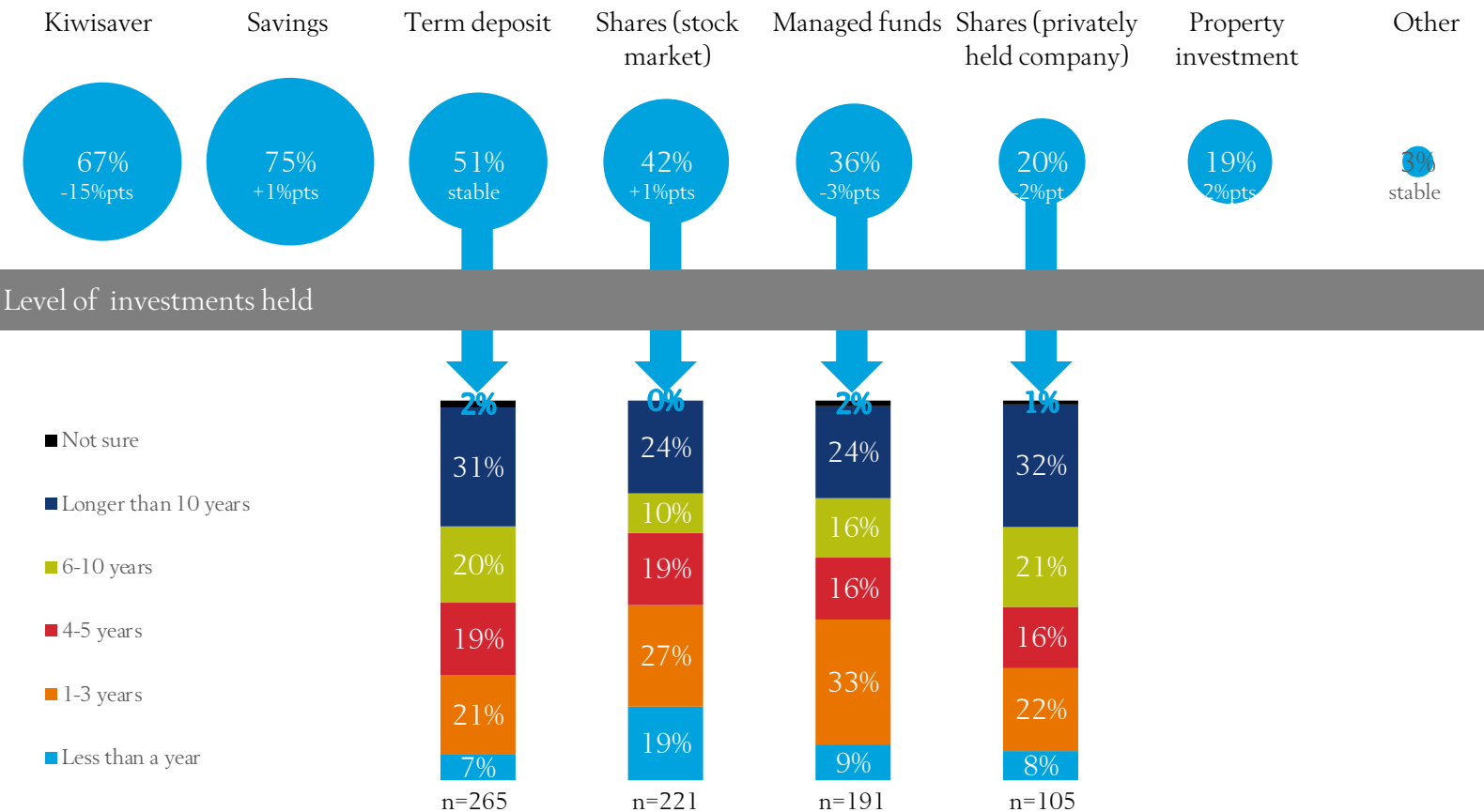
The proportion at least quite confident in NZ markets and NZ publicly listed companies has increased again in 2021. At the same time, confidence has returned for international markets (to a certain extent).

Now that we have moved past the uncertainty of the immediate COVID crisis there is more positivity about the performance of New Zealand and offshore markets, and less concern around the impact of COVID.



Current investments held and length of investment

Current investments held (Percentage point change vs. 2020 shown below each)



There has been a significant drop in the proportion of investors who hold Kiwisaver investments. Interestingly, we don't see a commensurate increase in other investment types.

We did not ask any questions about why they may have pulled out of any investments, there are some key demographics that have shown more of a decline in holding Kiwisaver:

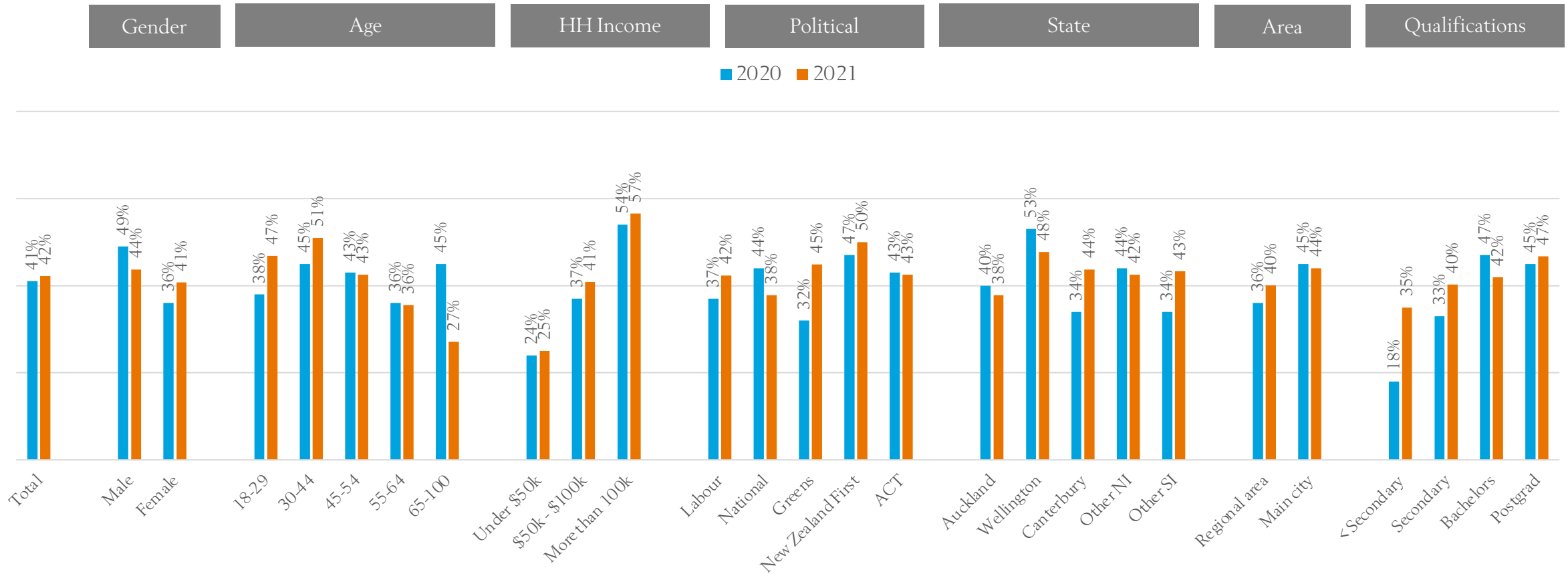
- Male (2020 81% held Kiwisaver, 2021 54% do so)
- 18-29 year olds (2020 83%, 2021 48%)
- Under \$50k HH income (2020 69%, 2021 56%)

Base: Total NZ Sample, 2021 n=524, individual investment type bases below each column



Stock market shares: A profile of investors

In 2021, a higher proportion of younger investors are investing in the stock market and the proportion of younger investors has increased from 2020. By contrast the proportion of investors aged 65+ has declined substantially from 45% of those aged 65+ investing in stock market shares in 2020, to just 27% in 2021.



Base: Total NZ Sample: 2021 n=524; 2020 n=503



A profile of those at least quite confident in NZ Capital Markets

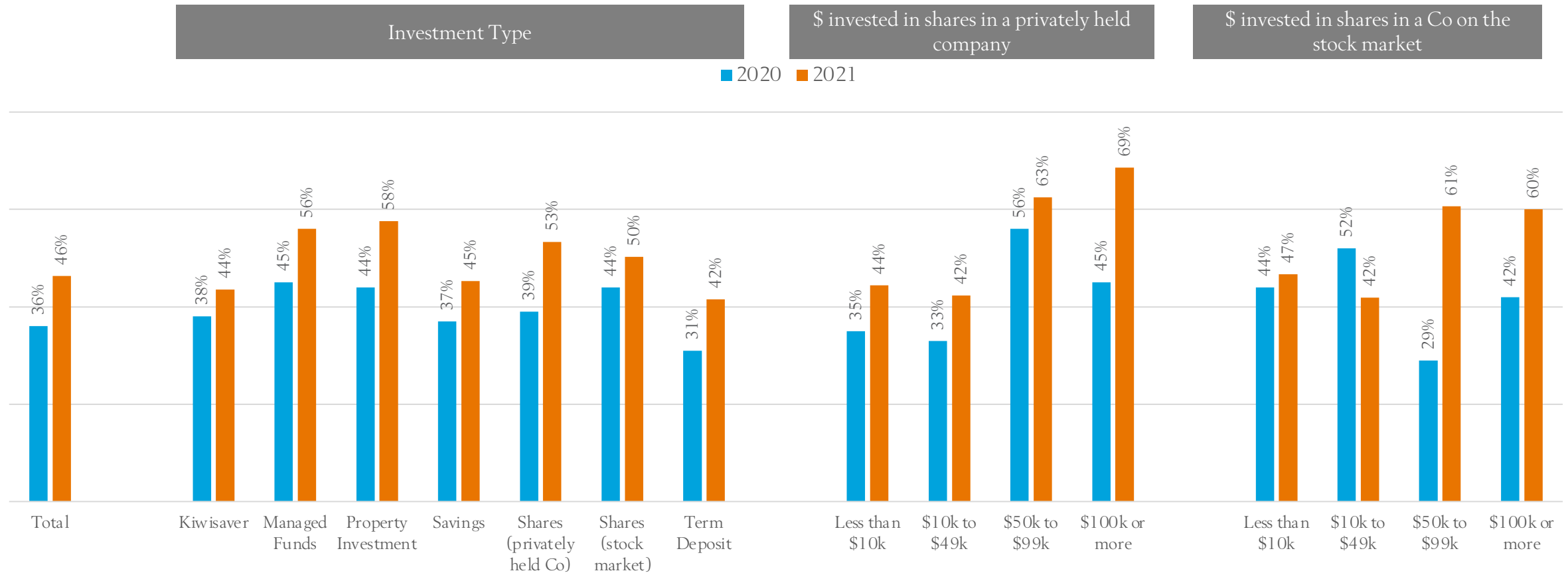
Below and overleaf shows that there are differences in confidence by demographic and investor variables. Male investors are more confident than female investors, and their confidence has increased more over the last 12 months. Similarly, younger investors are more confidence, and show a larger increase in confidence from 2020 than older investors – in particular among those aged 18-29 years, 45% of whom were at least quite confident in 2020, increasing to 68% in 2021.



Base: Total NZ Sample: 2021 n=524; 2020 n=503



A profile of those at least quite confident in NZ Capital Markets

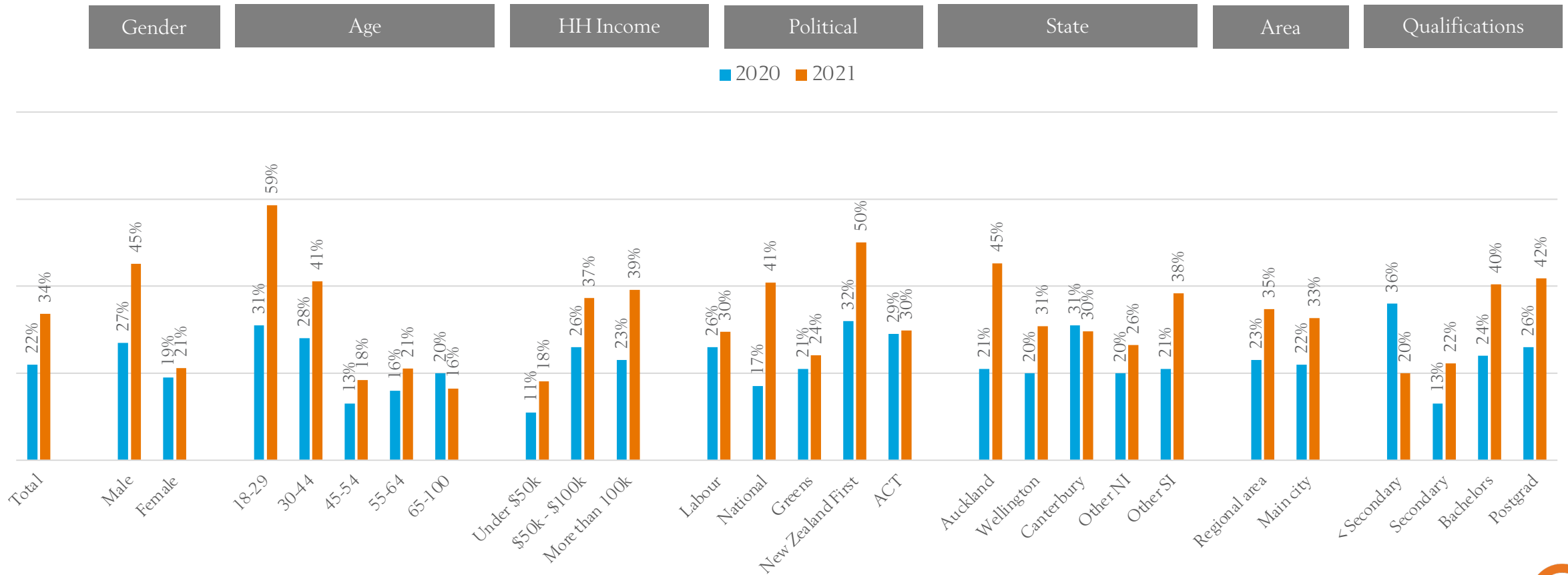


Base: Total NZ Sample: 2021 n=524; 2020 n=503



A profile of those at least quite confident in Offshore Capital Markets

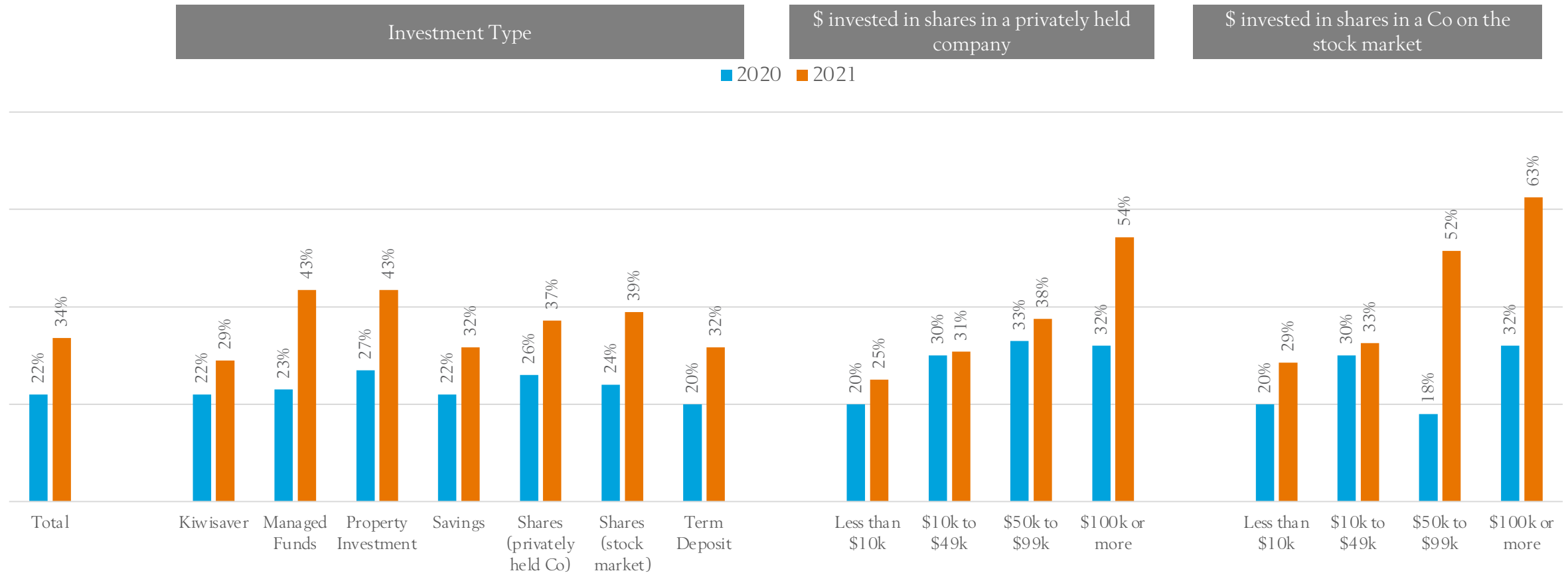
Below and overleaf shows that there are differences in confidence by demographic and investor variables. Once again, male investors are more confident than female investors, and their confidence has increased more over the last 12 months. In addition, the confidence of younger investors has increased strongly from 2020.



Base: Total NZ Sample: 2021 n=524; 2020 n=503



A profile of those at least quite confident in Offshore Capital Markets



Base: Total NZ Sample: 2021 n=524; 2020 n=503



A profile of those at least quite confident in Publicly Listed NZ Companies

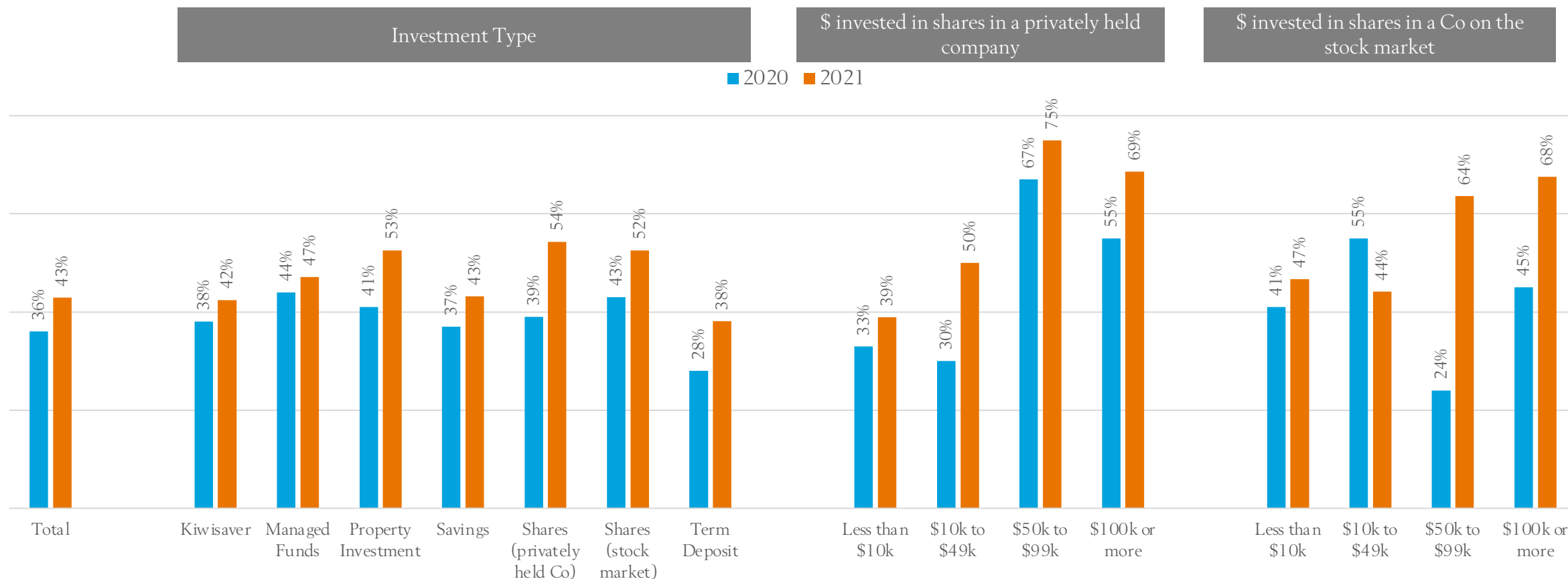
Below and overleaf shows that there are differences in confidence by demographic and investor variables. The confidence of younger investors has increased from 2020, and male investors are more confident than female investors.



Base: Total NZ Sample: 2021 n=524; 2020 n=503



A profile of those at least quite confident in Publicly Listed NZ Companies



Base: Total NZ Sample: 2021 n=524; 2020 n=503



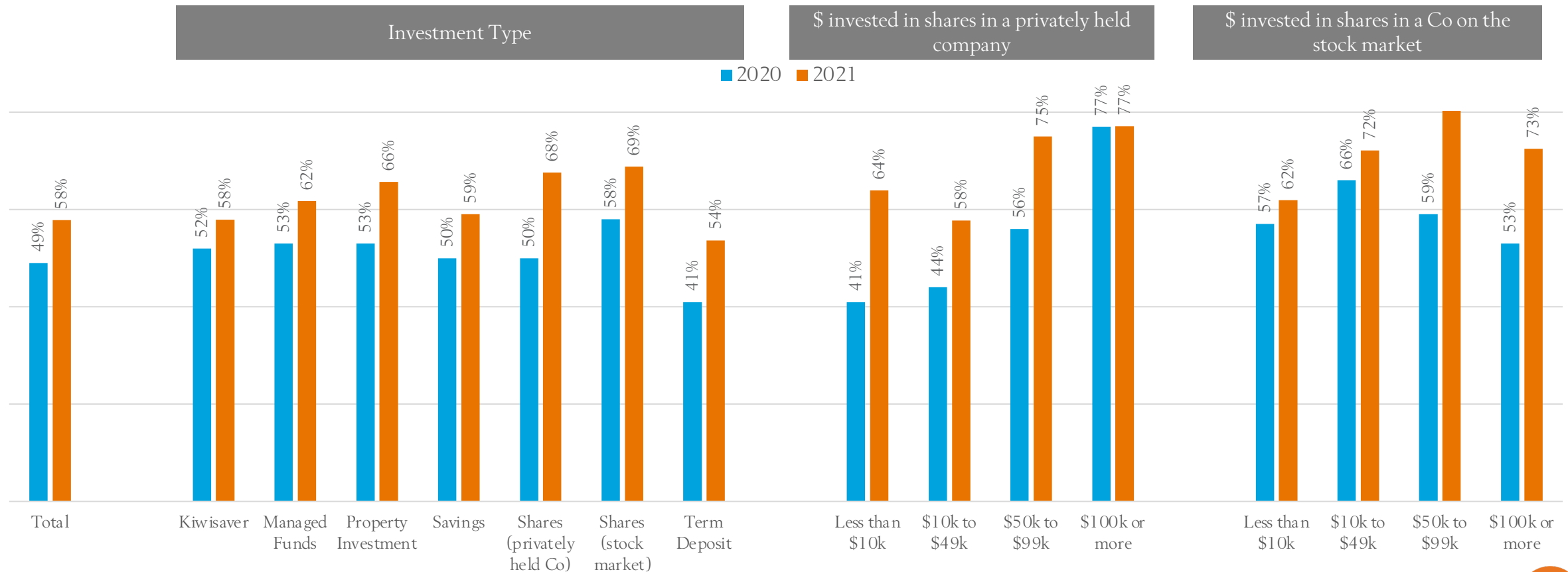
A profile of those at least quite confident in Financial Information Released by Publicly Listed NZ Companies



Base: Total NZ Sample: 2021 n=524; 2020 n=503



A profile of those at least quite confident in Financial Information Released by Publicly Listed NZ Companies



Base: Total NZ Sample: 2021 n=524; 2020 n=503



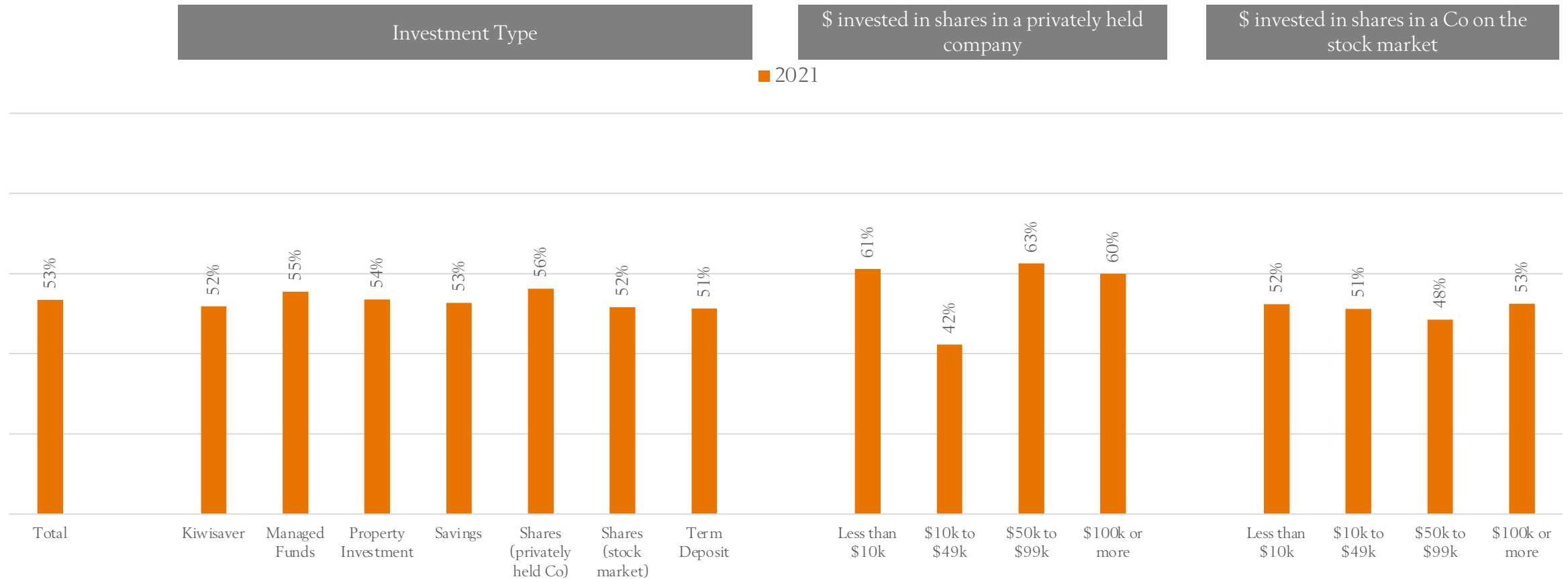
A profile of those who believe climate change is at least quite important



Base: Total NZ Sample, 2021 n=524



A profile of those who believe climate change is at least quite important



Base: Total NZ Sample, 2021 n=524



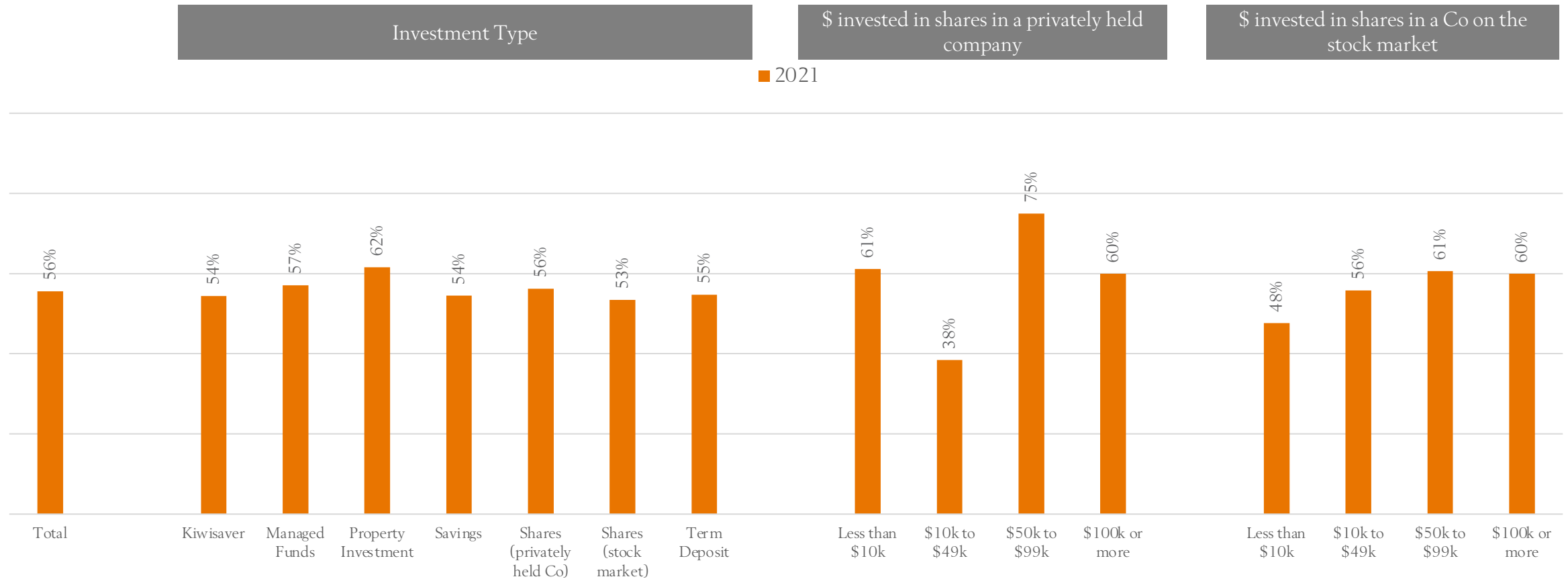
A profile of those who believe sustainability information is at least quite important



Base: Total NZ Sample, 2021 n=524



A profile of those who believe sustainability information is at least quite important



Base: Total NZ Sample, 2021 n=524



About CA ANZ

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 128,000 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

