

Attitudes towards New Zealand's financial markets

Investor confidence research
June 2020



Contents

3	Background		
4	Findings	→	4 Investor profile and recent activity
			17 Confidence in New Zealand's financial markets
			36 Awareness and perceptions of FMA and regulation
			53 Appendix: Confidence by demographic groups (gender, age, ethnicity, income)

Background

The FMA commissioned Buzz Channel to measure New Zealanders' attitudes towards and confidence in New Zealand's financial markets.

This is the eighth year the FMA has carried out investor confidence research, and the third year Buzz Channel has been involved.

The main research objectives were to:

- Measure the level of confidence the New Zealand public have in the New Zealand financial markets;
- Measure perceptions and awareness of the FMA.

An online survey was conducted among a representative sample of the New Zealand population aged 18 years and over.

Fieldwork took place between 5 and 14 May 2020.

As context, COVID-19 was declared a pandemic by the World Health Organization 11 March 2020. New Zealand entered Level 4 lockdown on 25 March and was in Level 3 during the research period (Level 2 came into force on the last day of fieldwork on 13 May).

A total of 1,003 New Zealanders participated in the research in 2020. The data has been weighted by age, gender, region, and ethnicity to ensure results are representative of the New Zealand population.

The margin of error on this sample is +/-3% at the 95% confidence level.

A close-up photograph of a pair of hands gently cupping a small, vibrant green seedling with several leaves, growing out of a mound of dark, rich soil. The background is a soft-focus outdoor setting with natural light filtering through. The overall tone is one of care and growth.

Investor profile and recent activity

Summary – investor profile and recent activity

Over 8 in 10 New Zealanders aged 18 or over had some form of investment in 2020, a consistent finding over the past three years of research. This equates to 3.2 million people in 2020. Most commonly people have KiwiSaver alongside other forms of investment (35%), although for 3 in 10 New Zealanders KiwiSaver is their only form of investment.

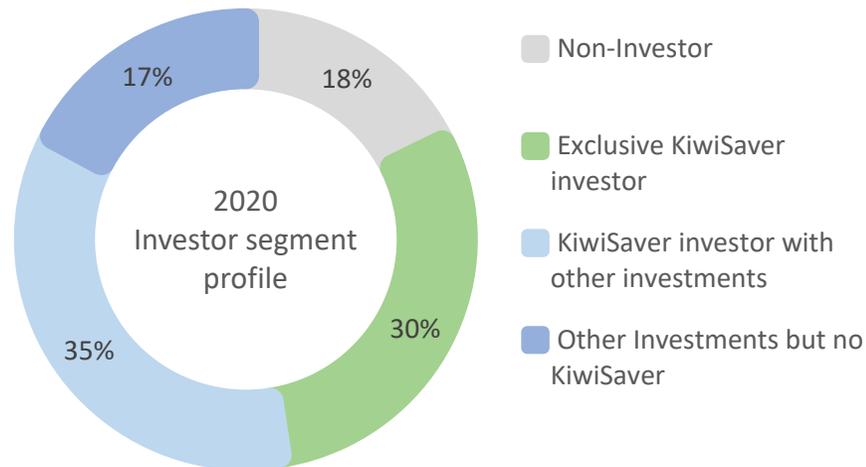
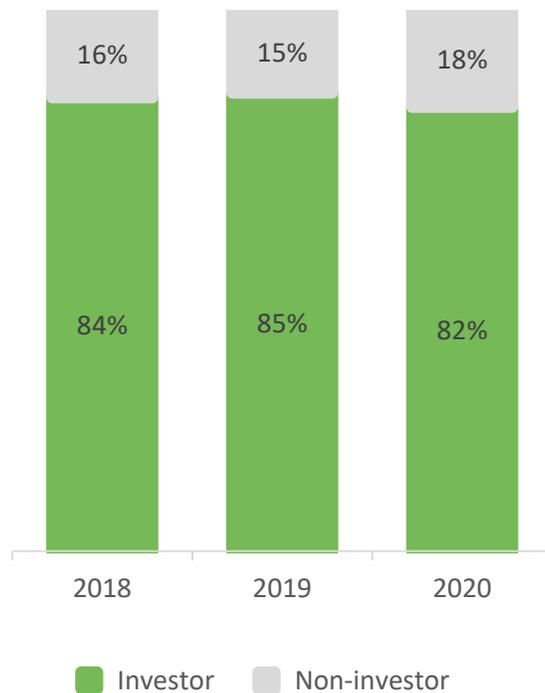
The investor landscape is fairly steady when it comes to uptake of the most common forms of investment, although there have been significant shifts among less common investments, with the proportions holding residential property investments or 'other' superannuation schemes falling significantly (to 9% and 8% respectively in 2020) and the proportions holding personally-bought bonds or taking part in peer-to-peer lending both doubling in 2020 (rising to 6% and 4% respectively).

Over the past 12 months, investors have been relatively active. Nearly half of New Zealanders aged 18 or over indicated that they had taken part in some form of investment activity over the past year, most frequently through making new investments or increasing existing investments. The group of investors who have KiwiSaver alongside other forms of investment have been most active, with two-thirds taking some form of action in the past 12 months.

8 in 10 investors received investment materials such as investment statements and product disclosure statements in 2020. Increasingly such materials are valued by investors; the proportion indicating that these helped guide their investment decisions has been rising steadily over the past five years, with 62% stating that they helped them make an informed decision in 2020.

Investor profile breakdown

Investors and non-investor split
(3-year trends)



In 2020, just over 8 in 10 adults aged 18 and over had some form of investment held in New Zealand, equating to 3.2 million people.

The proportion of adults aged 18 or over who hold an investment of some kind in New Zealand has remained consistent over the past three years, ranging from 82% in 2020 to 85% in 2019. In 2020, we can estimate that this equates to 3.2 million people aged 18 or over holding at least one form of investment.

At a more granular level, results are also stable over the past three years, with no significant change in the proportion holding a KiwiSaver and no other form of investment (30% in 2020), a mixture of KiwiSaver alongside other forms of investment (35%) or investments that do not include KiwiSaver (17%).

Investor profile: key demographics

Investor segment by age (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
18 - 29 years	19%	12%	27%	20%	10%
30 - 39 years	18%	17%	23%	21%	5%
40 - 49 years	18%	13%	22%	22%	8%
50 - 59 years	16%	20%	19%	14%	10%
60 - 69 years	15%	16%	9%	17%	21%
70 years +	14%	22%	1%	5%	46%

Investor segment ethnicity (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
New Zealander NZ European	67%	66%	63%	65%	78%
Other European	6%	10%	6%	6%	4%
Māori	14%	17%	19%	10%	7%
Pacific Peoples	7%	8%	12%	5%	4%
Asian	15%	9%	12%	21%	14%

Demographic differences across different investor groups enrich our understanding of each segment.

Those in the **non-investor group** are older with 22% aged 70 or over compared to 14% of the sample population (average) overall. Their household income is significantly lower than average: over half (52%) report an annual household income of under \$50k. They are also more likely than average to be divorced, separated or widowed (27% vs. 13% on average) and twice as likely as average to identify as older, single and living alone (24%).

Those who have **KiwiSaver but no other investments** are typically younger with half aged under 40. They are significantly more likely than average to identify as Māori (19%) or Pacific Peoples (12%). There is a high incidence of children in the household (44%) and the majority are employed; just 4% are retired, significantly lower than average (19%).

Blue shading shows where result is significantly higher than average across other groups

Red shading shows where result is significantly lower than average across other groups

Investor profile: key demographics

Investor segment employment status (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
Student	4%	6%	7%	3%	1%
Parent / care-giver	5%	6%	6%	4%	2%
Employed full-time	44%	21%	51%	61%	19%
Employed part-time	13%	8%	14%	14%	17%
Unpaid work	2%	4%	3%	1%	2%
Retired	19%	28%	4%	12%	54%
Unemployed	9%	22%	13%	3%	2%
Other	3%	4%	2%	3%	3%

Investor segment other key demographics (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
Kids in household	34%	23%	44%	39%	18%
Household annual income* <\$50k	23%	62%	33%	19%	36%
Married living with partner	60%	45%	58%	64%	69%

Those with KiwiSaver as well as other forms of investment are more likely than average to be in their 30s or 40s (43% vs. 36%) and just over 1 in 5 identify as Asian (21%), significantly higher than average (15%). They are the group most likely to be employed full-time (61%) and have the highest income levels with half reporting an annual household income over \$100k and less than 1 in 5 reporting an annual income under \$50k.

Investors who do not have KiwiSaver are significantly older than average with two-thirds aged 60 or over (compared to 29% across the sample as a whole). They are the least ethnically diverse group with nearly 8 in 10 identifying as NZ European. Just over half are retired (54%) and they are the most likely to be married and living with their partner (69%) and the least likely to have children in the household (18%).

Blue shading shows where result is significantly higher than average across other groups

Red shading shows where result is significantly lower than average across other groups

Investment types held

Investment types held (3-year trends):

Investment Types	2018	2019	2020	2020 results
KiwiSaver	63%	66%	65%	
Term deposits	32%	34%	30%	
Shares you bought yourself	19%	17%	20%	
Managed funds / Unit trusts / Managed investment scheme / ETFs*	11%	14%	13%	
Residential property investments	11%	14%	9% ↓	
Other superannuation scheme	14%	12%	8% ↓	
Government or corporate bonds you bought yourself*	10%	3%	6% ↑	
Peer to peer lending (where you are the lender)	3%	2%	4% ↑	
Commercial property investments	3%	2%	2%	
Equity crowdfunding	1%	1%	2%	
Property syndicates	1%	1%	1%	
Capital notes or hybrid bonds	1%	1%	1%	
Derivatives e.g. futures, binary options, credit-linked notes and CFDs*	1%	1%	1%	
I don't have any investments in New Zealand's financial markets	16%	13%	15%	
Don't know	-	2%	2%	

The investor landscape has held fairly steady when it comes to uptake of different forms of investment.

KiwiSaver is held by the majority of adults aged over 18 in New Zealand and by far the most popular form of investment. In second place but held by less than half the proportion with KiwiSaver, is term deposits which 3 in 10 adults in New Zealand held in 2020.

There have been some significant shifts in some of the less common forms of investment, including a decrease in the proportions with a residential property investment (down 5 percentage points to reach 9% in 2020) or an 'other' superannuation scheme (down 4 percentage points to reach 8% in 2020). Meanwhile there have been significant increases in the proportion with government or corporate bonds purchased independently (doubling from 3% in 2019 to 6% in 2020) and the proportion investing in peer-to-peer lending (also doubling in 2020 to reach 4%).

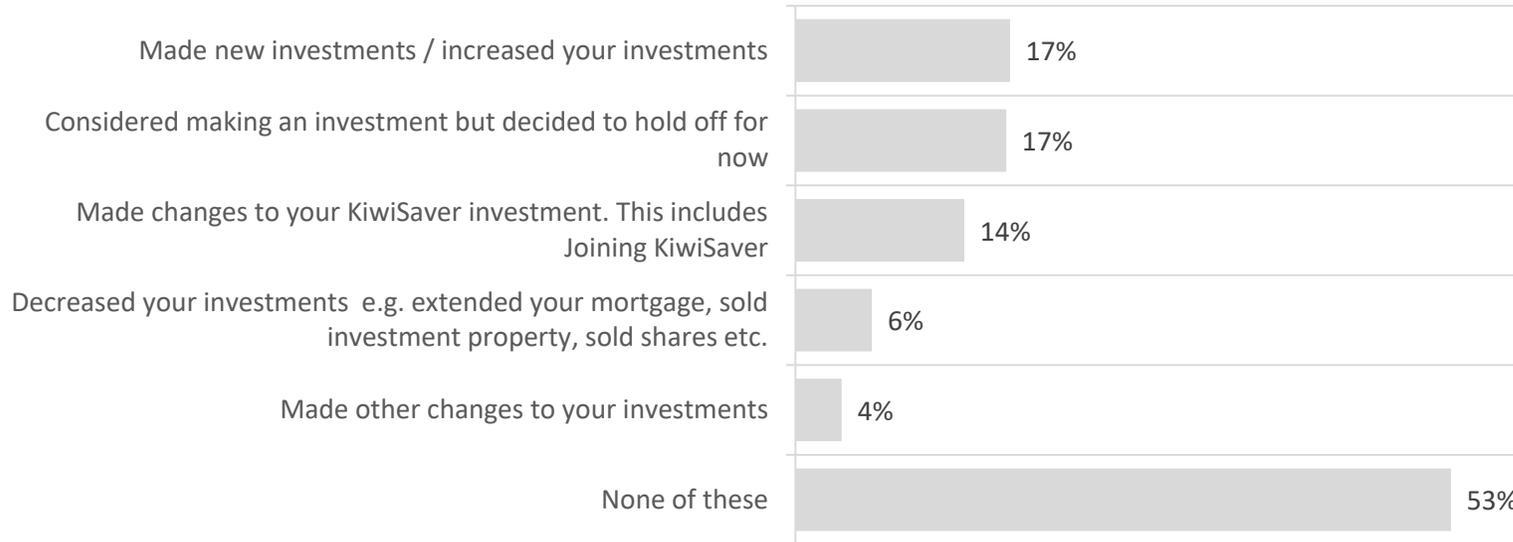


2020 results significantly **higher** or **lower** compared to 2019 results

*Had an extended / more detailed description compared to the 2018 survey

Investment activity over past 12 months

Investment activity over the past 12 months (2020):



Just under half of New Zealanders aged 18 or over indicated that they had carried out some sort of investment activity over the past year, most frequently through making new investments or increasing existing investments.

In 2020, survey respondents were asked about their investment activity over the past 12 months in more detail than in previous studies.

Nearly half (47%) of New Zealanders have been involved in some sort of investment activity over the past 12 months, ranging from new investments (17%), considering new investments (17%), joining or making changes to KiwiSaver (14%) or decreasing investments (6%).

This data is explored in more depth over the following pages.

Investment activity over past 12 months

Investment activity over the past 12 months by investor type (2020):

	Average	Non-investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
Made new investments / increased investments	17%	2%	5%	32%	25%
Considered making an investment but decided to hold off for now	17%	17%	13%	19%	20%
Made changes to your KiwiSaver investment. This includes Joining KiwiSaver.	14%	-	20%	22%	-
Decreased your investments	6%	1%	3%	11%	8%
Made other changes to investments	4%	1%	1%	6%	7%
None of these	53%	80%	65%	33%	47%

- Blue shading shows where segment is significantly more likely than other groups to agree
- Red shading shows where segment is significantly less likely than other groups to agree

Those with KiwiSaver alongside other forms of investment have been most active over the past year, both in terms of increasing investments (which over 3 in 10 have done) and decreasing investments (which over 1 in 10 have done).

Investment activity varies significantly across different groups. Non-investors are not completely closed to investing; nearly 1 in 5 stated that they have considered making an investment in the past year but decided to hold off.

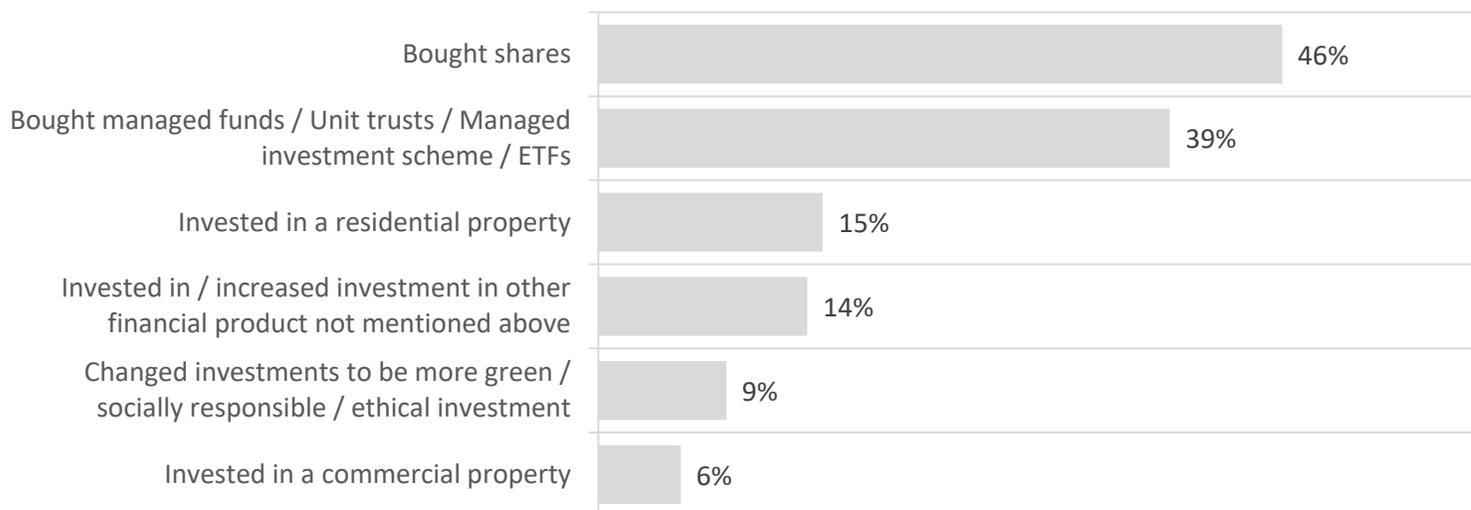
Around one-third of those whose only investment is KiwiSaver have done some form of investment activity in the past year, most frequently through making changes to their KiwiSaver which 1 in 5 of this group have done.

Investors with KiwiSaver and other forms of investment have been the most active: two-thirds have done some form of investment activity in the past year, most commonly through making new investments or increasing existing investments (which 32% of this group have done), followed by making changes to their KiwiSaver (which 22% have done).

Just over half of investors who do not have KiwiSaver had taken some sort of investment action over the past 12 months, most frequently through new or increased investments (25%). Around 1 in 5 within this group had also considered a new investment but held off.

Increased / made new investments in past 12 months

Increases / new investments in the past 12 months (2020):

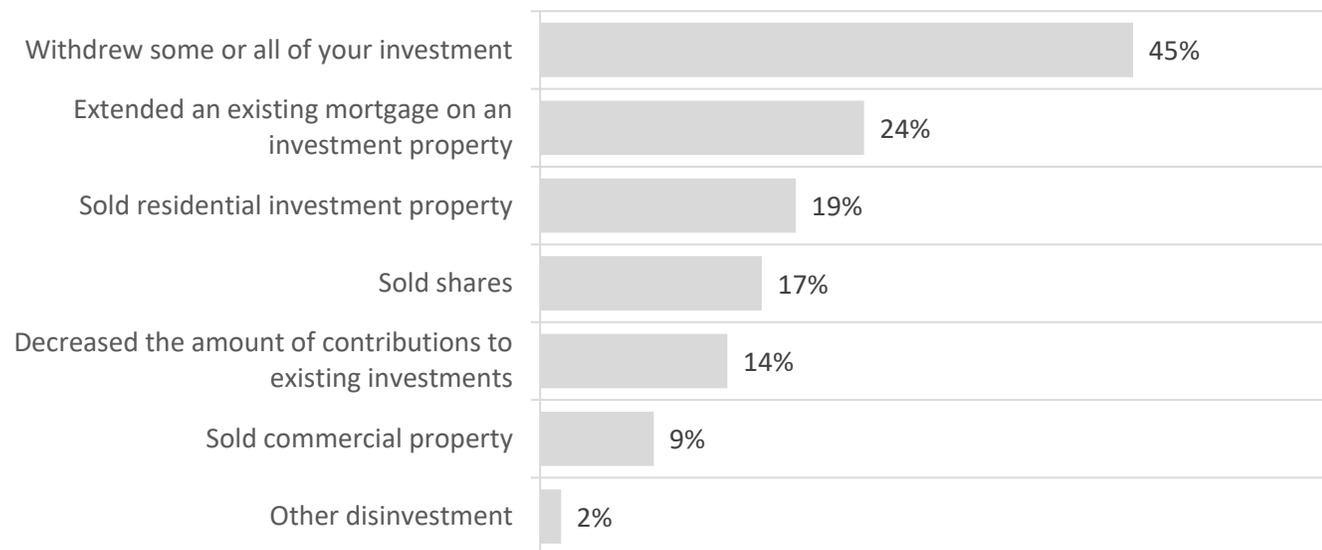


Purchasing shares or buying into managed funds were the most common activities among those who had increased investments in the past year.

Just under 1 in 5 (17%) New Zealanders aged 18 or over had made a new investment or increased existing investments over the past year. Most common activities within this group were buying shares (46%) and buying managed funds / unit trusts / managed investment schemes / ETFs (39%).

Decreased investments in past 12 months

Decreases to investment in the past 12 months (2020):



Withdrawing some or all of their investment was the most common activity among the 6% of New Zealanders who had decreased investments during the past year.

Nearly half of the 6% of New Zealanders aged 18 or over who had decreased their investments in the past year had withdrawn all or some of their investment (45%), making this by far the most common disinvestment activity.

Activity in relation to investment properties was also relatively common, with around one-quarter extending an existing mortgage, around 2 in 10 selling a residential investment property and 1 in 10 selling a commercial investment property.

Main reasons for choosing recent investment

Main reason for choosing investment among those with new investment in past 12 months (2020):



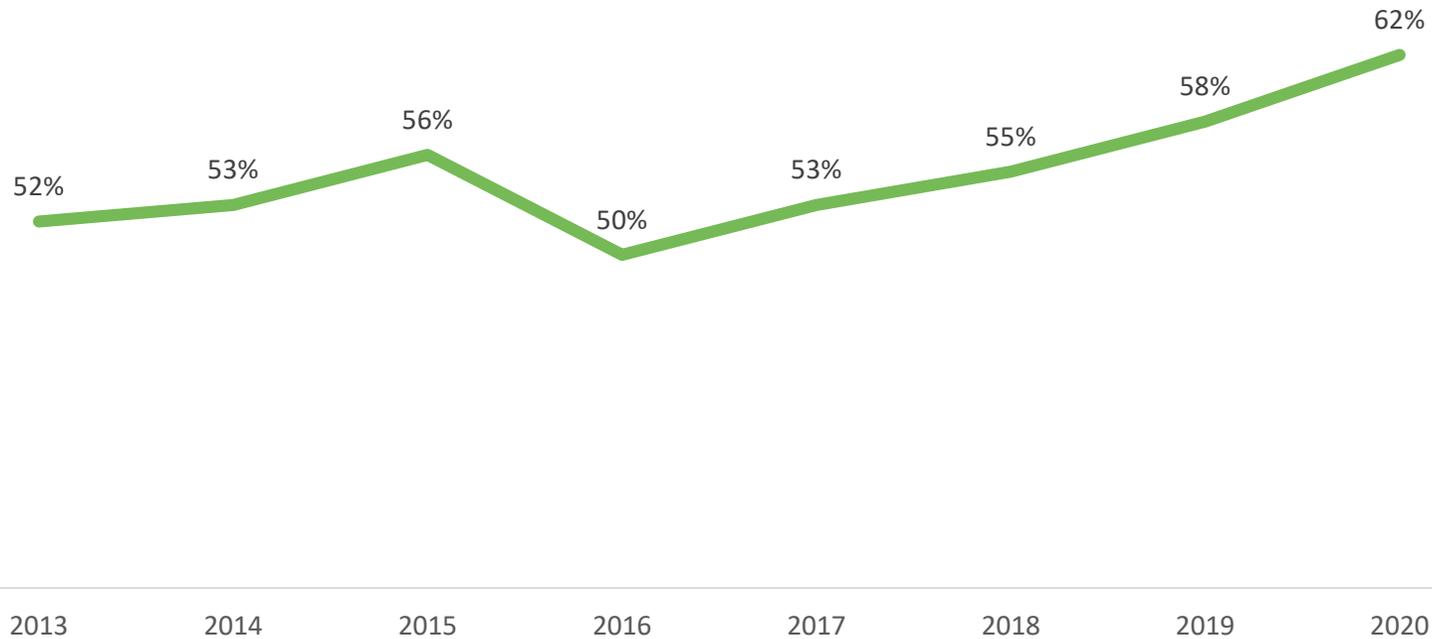
Ease of purchase and investment return are both key decision-making factors for recent investors.

In 2020, just under 3 in 10 investors (29%) had taken out a recent investment in the past 12 months and a new question was introduced to the survey to find out what their main motivation was for taking out their most recent investment.

Ease of making an investment is a key influence, cited as the main reason for choosing a particular investment for nearly one-quarter of recent investors (23%). The promise of good returns, or steady and positive returns over time are also key, being the main influence for 20% and 18% respectively.

Investment materials helping to make an informed decision

'Yes' - investment materials received helped make an informed decision (8-year trends, investors only)



8 in 10 investors received investment materials in 2020, and the helpfulness of this information has been steadily increasing since 2016.

The proportion of investors receiving investment materials (e.g. KiwiSaver annual statements, fund updates, product disclosure statements etc) has remained high at 80% in 2020, following a significant increase between 2018 (when 66% received materials) and 2019 (82%).

These materials are increasingly valued. The proportion of investors who found these materials helpful (among those who received them) has been increasing steadily since 2016, reaching a record high of 62% in 2020.

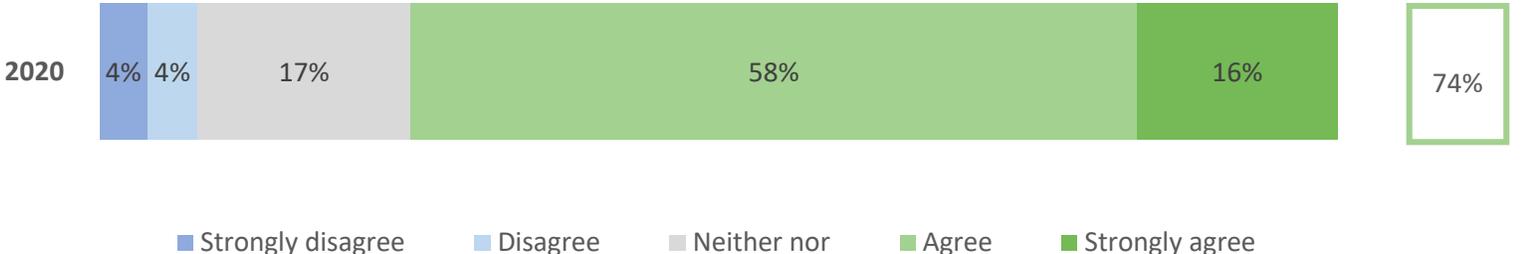
Those who are confident in New Zealand's financial markets and their regulation were significantly more likely than average to have stated that investment materials helped them make an informed decision, as were those who stated that their confidence in the markets has increased over the past 12 months.

Investment materials helping to make an informed decision

Investment materials were found to be clear, concise and effective among those who found them helpful.

Nearly three-quarters of investors who found the materials they received for their most recent investment helpful agreed that they were clear, concise and effective.

Extent of agreement that materials received were clear, concise and effective among those who rated materials as helpful:





Confidence in New Zealand's financial markets

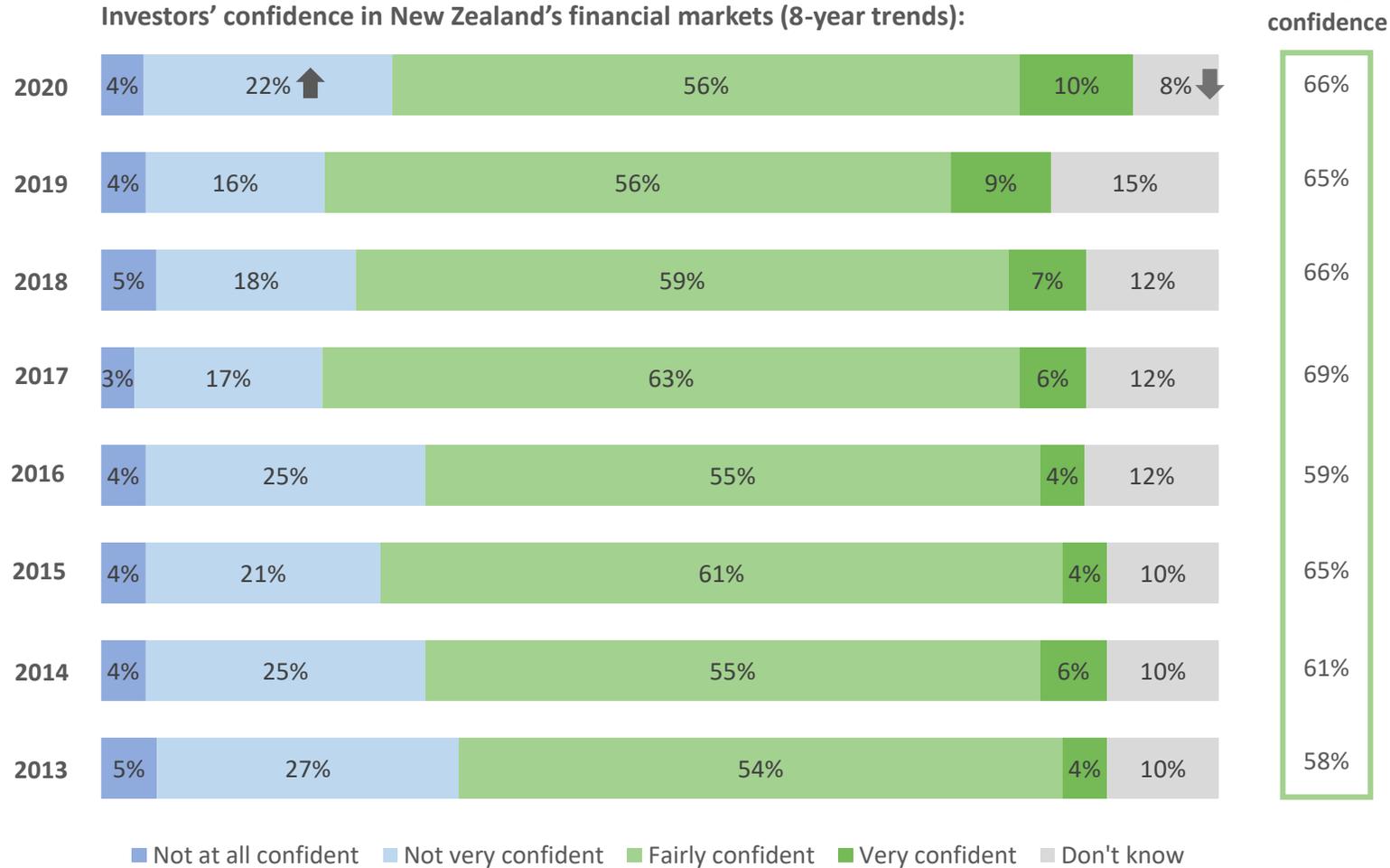
Summary – confidence in New Zealand’s financial markets

There is evidence that people are generally taking more interest in and becoming better informed on the country’s financial markets and are thus more likely to have an opinion on the markets. When it comes to confidence in the financial markets while the proportion ‘not very confident’ increased significantly in 2020 (up 6 percentage points on the result for 2019 to reach 22%), the proportions ‘fairly’ or ‘very’ confident saw little change (and in fact the latter was at an eight-year, record high of 10% following yearly growth since 2016). So the increase in those ‘not very confident’ was not at the expense of those confident, but rather a result of more people having an opinion and fewer selecting ‘don’t know’. It’s also worth considering that the slight fall in confidence was driven by investors being significantly more likely to state that they were ‘not very confident’, although two-thirds still identify as confident, similar to in 2019. Among non-investors, confidence actually rose slightly in 2020: nearly half identify as confident compared to 38% in 2019.

Consistently those aware of the FMA have a greater level of confidence in New Zealand’s financial markets than those unaware of the organisation. Men, higher earners and those employed full-time also have higher confidence than other groups. Those with managed funds and personally-bought shares are typically the most active within the investor space and also have highest confidence in the markets. Exploring trends over time shows that confidence levels among KiwiSaver members is fairly stable, whereas there was a relatively sharp decrease between 2019 and 2020 for those with term deposits or privately-purchased shares. Market confidence among residential property investors has been trending downwards over the past four years, although below the surface, in 2020 there were uplifts both in those ‘not very’ and ‘very’ confident within this group.

Despite current market confidence being relatively stable overall, the proportion who feel that their confidence has decreased over the past year has risen significantly, reaching an eight-year high of 34% from an eight-year low of 14% in 2019. This shift was driven by investors, rather than non-investors where erosion in confidence is much less pronounced. By far the most common reason for decreased confidence over the past year is the COVID-19 pandemic, mentioned by 7 in 10 of those whose confidence had decreased.

Investor confidence over time



Increasingly investors have an opinion when it comes to confidence in New Zealand's financial markets and we've seen an increase in the proportion 'not very confident'. This change is not, however, at the expense of the proportion 'fairly' or 'very' confident which have remained stable, but rather a result of an attendant decrease in those who simply don't know.

Just 8% of investors stated they didn't know their level of confidence in New Zealand's financial market, around half the proportion recorded in 2019 (15%), and a record low over the eight years of research. At 66%, the proportion of investors who are 'fairly' (56%) or 'very' (10%) confident remained stable in 2020. It's worth noting that the 10% indicating they are 'very' confident was at an all-time high following incremental growth since 2016 when 4% had such high levels of confidence.

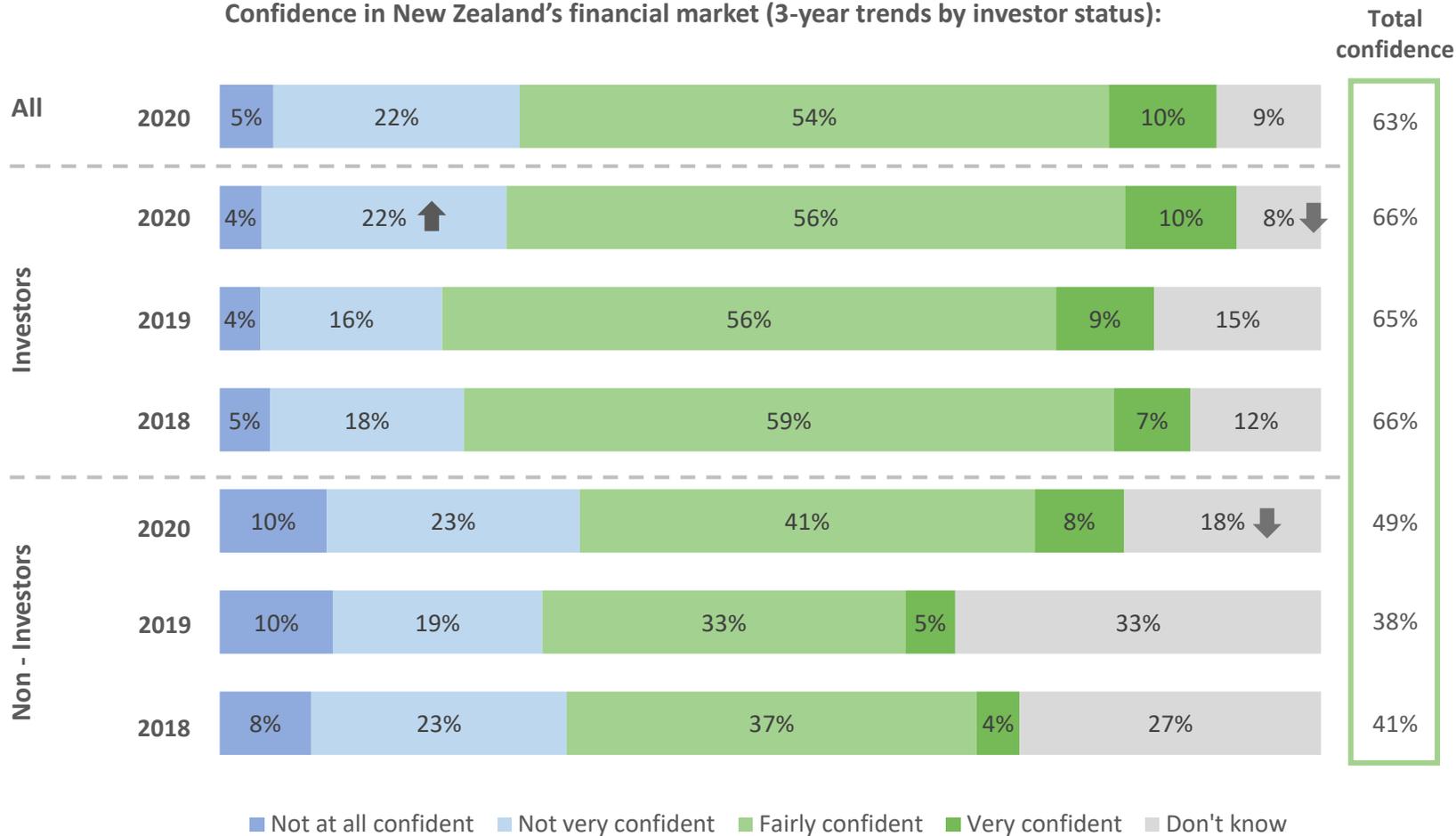
While the proportion stating that they are 'not at all confident' has seen little change over time (fluctuating between 4 and 5%), the proportion identifying as 'not very confident' has seen more variability and rose significantly in 2020 to reach 22%, the highest level since 2016 when it was 25%.



2020 results significantly higher or lower compared to 2019 results

Confidence by investor / non-investor

Confidence in New Zealand's financial market (3-year trends by investor status):



Overall we can see a picture of increasing confidence in the markets among non-investors. With nearly half of non-investors confident in New Zealand's financial market, this is higher than the previous two years. Like investors, non-investors are also significantly more likely to have an opinion in 2020 than they were in 2019.

As was the case in previous years, non-investors in 2020 were less likely to have an opinion on their level of confidence in New Zealand's financial markets compared to investors. That said, as with the investor group, there has been a significant decrease in the proportion indicating that they 'don't know' from 33% in 2019 to 18% in 2020.

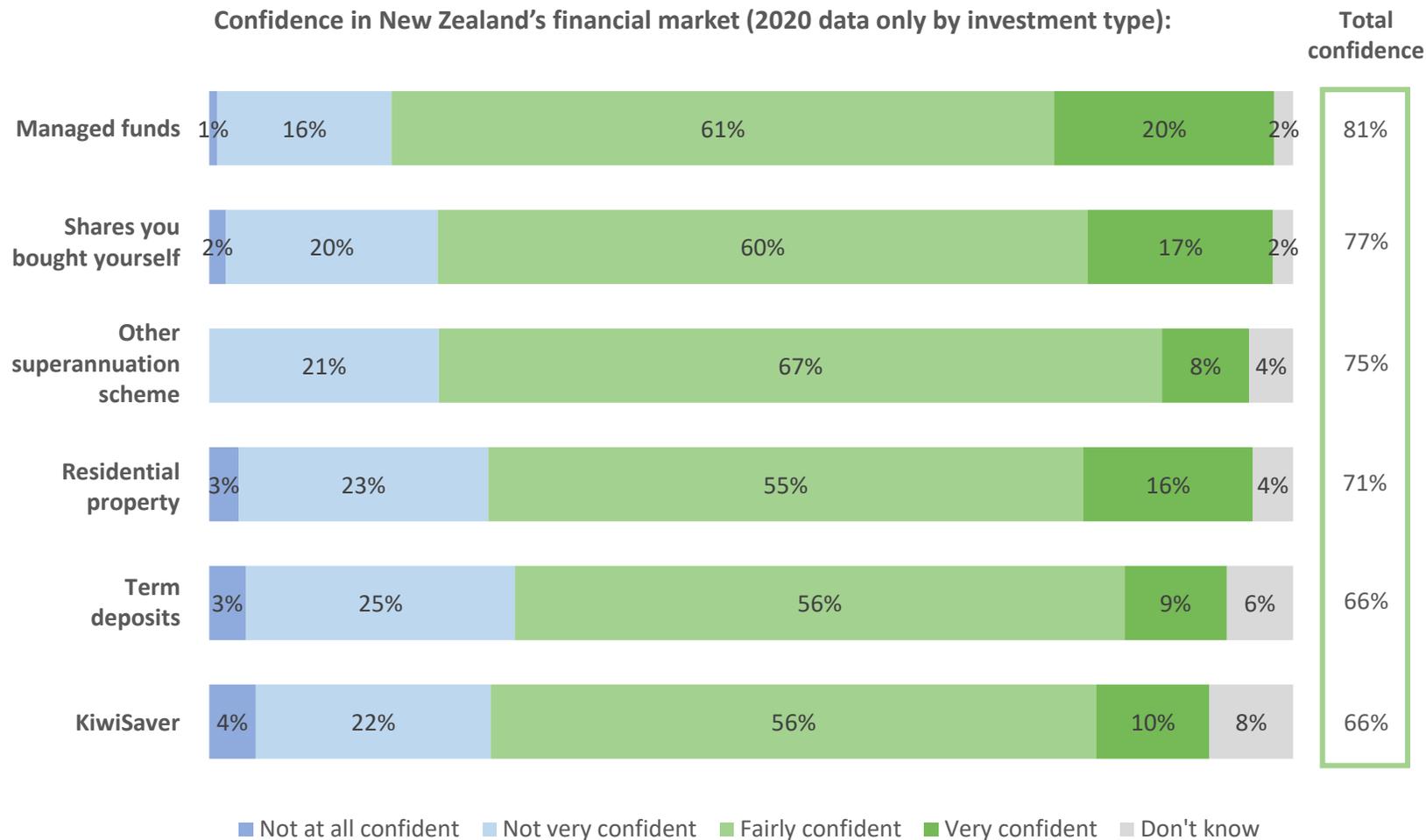
While the increase in those with an opinion among investors led to an attendant increase in the levels 'not very confident' (alongside stability in those confident), among non-investors, most gains were made in the level reporting that they were confident (rising from 38% 'fairly' or 'very' confident in 2019 to 49% in 2020).



2020 results significantly **higher** or **lower** compared to 2019 results

Confidence by investment type held

Confidence in New Zealand's financial market (2020 data only by investment type):



Confidence varies by financial product, with those holding managed funds or shares most confident.

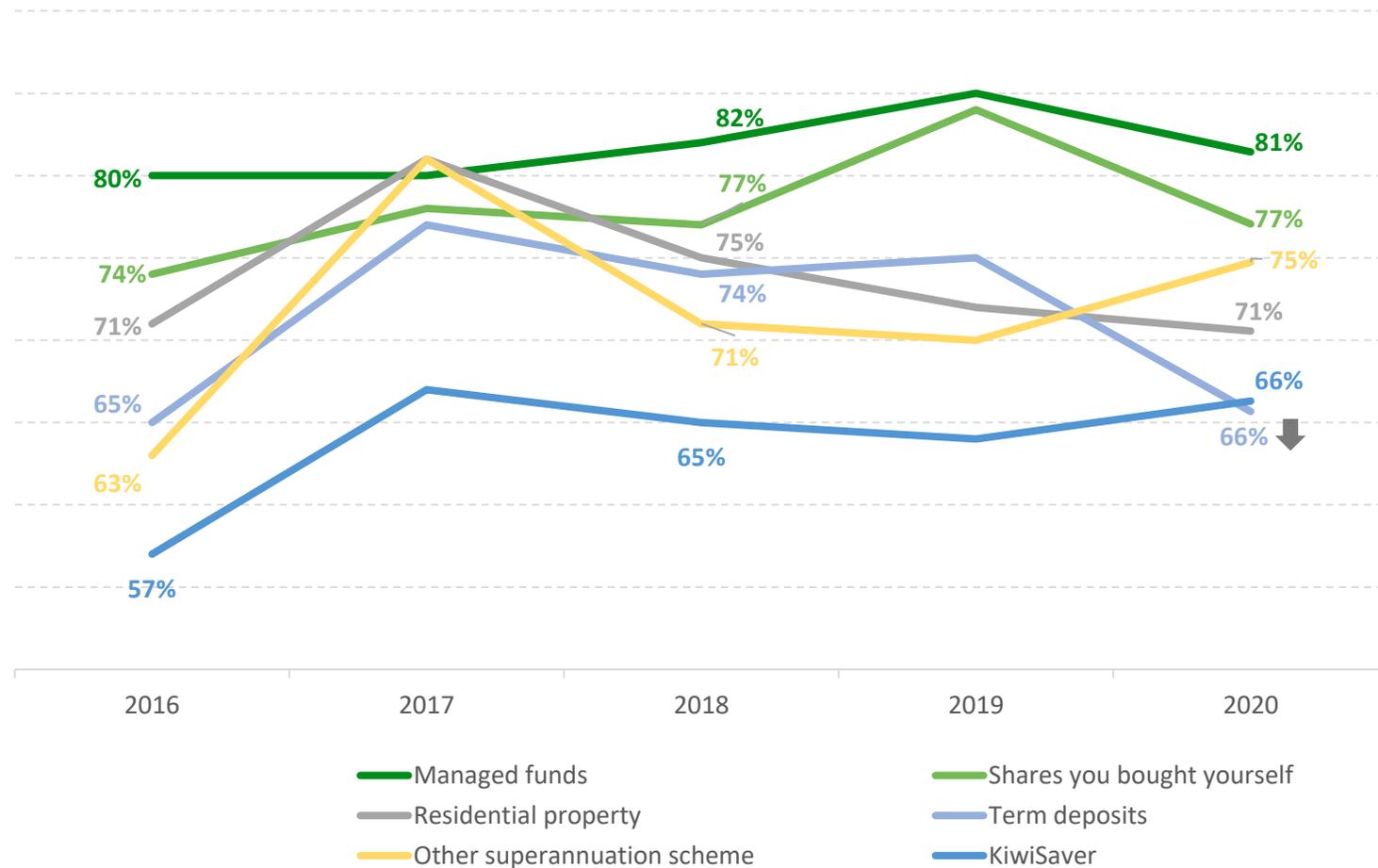
In 2020, confidence in New Zealand's financial markets is highest among those with managed funds followed by those with shares they bought themselves, similar to results for 2019. Those with term deposits and KiwiSaver have lowest levels of confidence.

As seen on the following page, this year the 'gap' in confidence between different types of investment holders is narrowing.

Confidence trends by investment type

Confidence in New Zealand's financial market (5-year trends by investment type):

Shows % of total confidence (fairly or very confident)



In 2020, confidence among KiwiSaver members is fairly stable, whereas it's fallen for those with term deposits or privately-purchased shares. Market confidence among residential property investors has been trending downwards over the past four years.

Confidence in 2020 has seen most fluctuation among investors in term deposits and those with privately-purchased shares. For both, the proportions 'not very' confident have seen a significant increase (from 16% in 2019 to 25% in 2020 and 7% to 20% respectively), with attendant decreases in the proportions confident. Among KiwiSaver investors, confidence is stable, fluctuating little since 2017. Meanwhile market confidence among those with another type of superannuation scheme rose 5 percentage points in 2020.

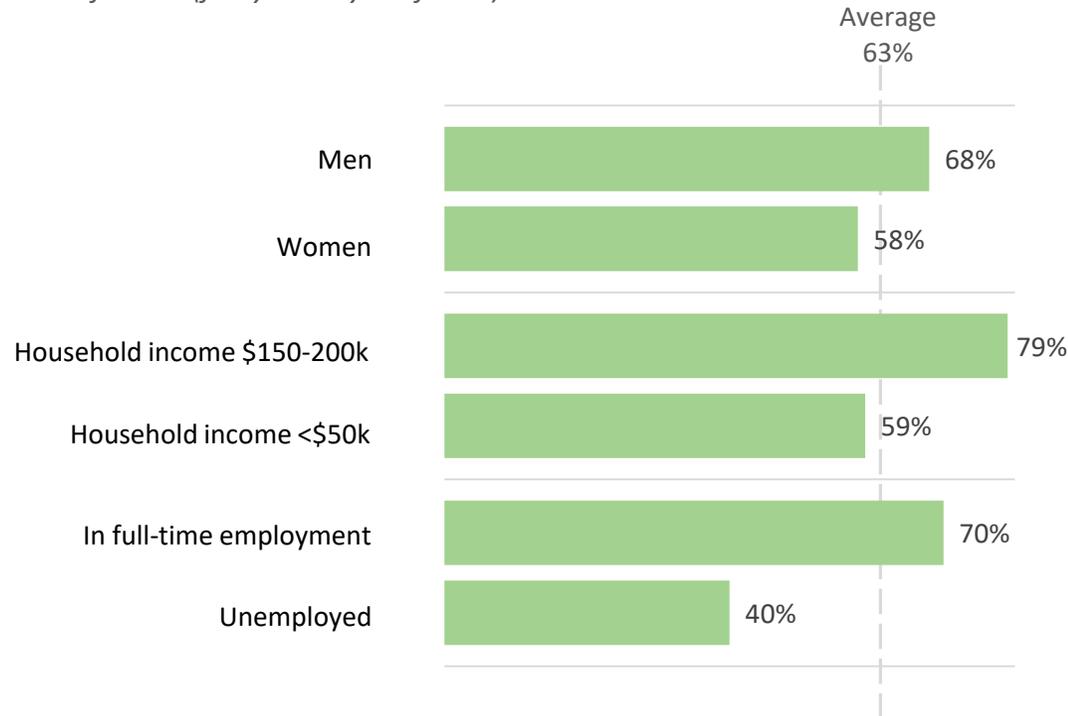
Since 2017, confidence among residential property investors has been trending downwards. In 2020 we can see a divergence in sentiment with uplifts in both those 'not very' confident (up 7 percentage-points on 2019) and those 'very' confident (up 5 percentage-points).



Confidence by key demographics

Confidence in New Zealand's financial market by key demographics (2020):

Shows % of total confidence (fairly or very confident)



Men, higher earners and those employed full-time all have higher than average confidence in New Zealand's financial markets. There is also an upward trend of confidence levels among those aged under 50 and decreasing confidence among those aged 50 and over.

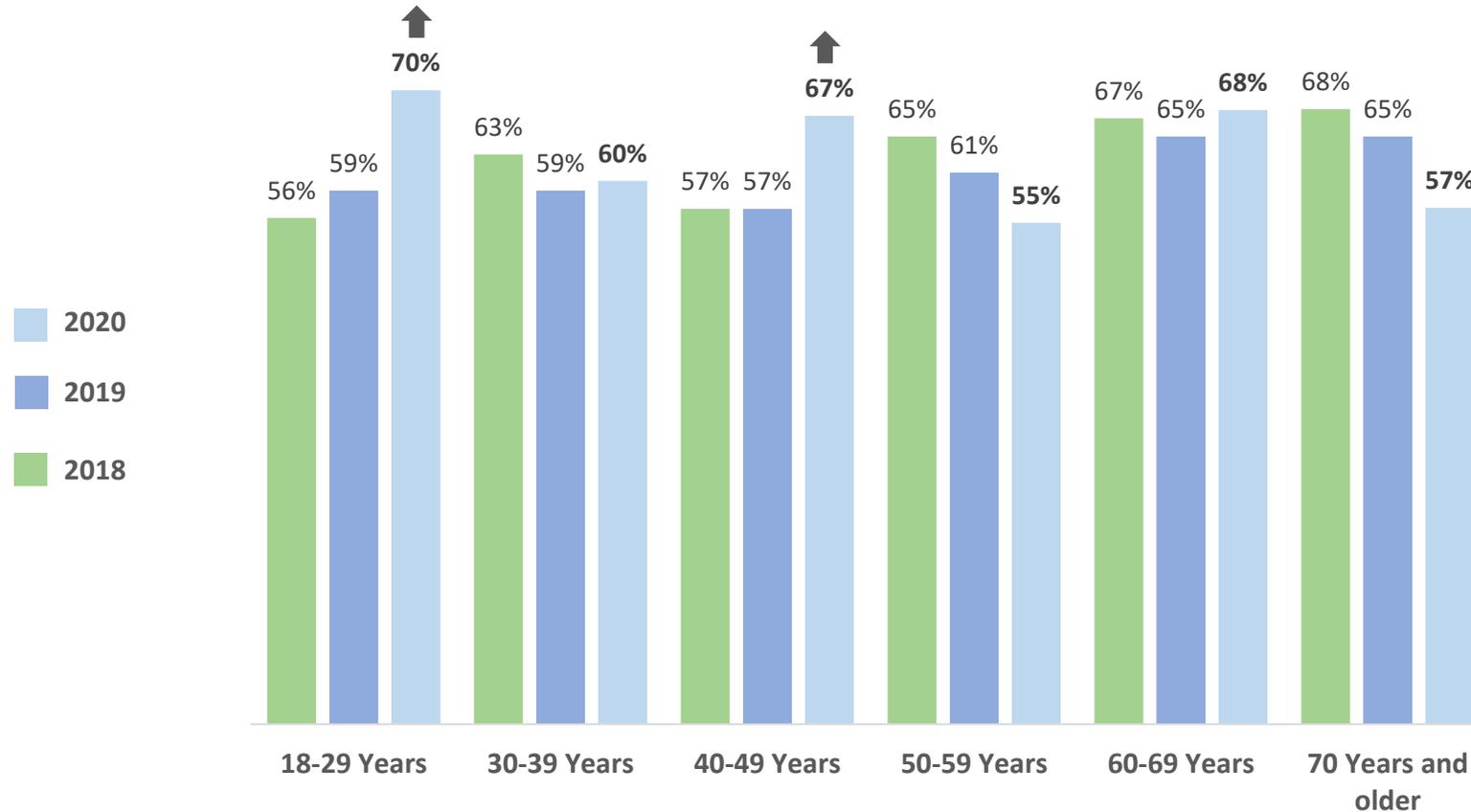
Men are significantly more likely than women to have confidence in the markets (68% 'very' or 'fairly' confident vs. 58%).

Confidence tends to increase as household income increases; 59% of those with a household income less than \$50,000 are 'very' or 'fairly' confident compared to 79% of those with an income between \$150,000 and \$200,000. Those in full-time employment are also significantly more confident than those unemployed.

There were, however, no significant variations in confidence by age or geography.

Confidence by key demographics

Confidence in New Zealand's financial market by age (three-year trends):
Shows % of total confidence (fairly or very confident)



Between 2018 and 2020, we've seen an upward trend of confidence levels among those aged under 50 and decreasing confidence among those aged 50 and over.

Over the past three years, there is an emerging trend of the proportions 'fairly' or 'very' confident in New Zealand's financial markets rising in those aged under 50, particularly among those in their 20s and 40s. Conversely, confidence levels have decreased for the over-50s, particularly among those in their 50s and those aged 70 and over.

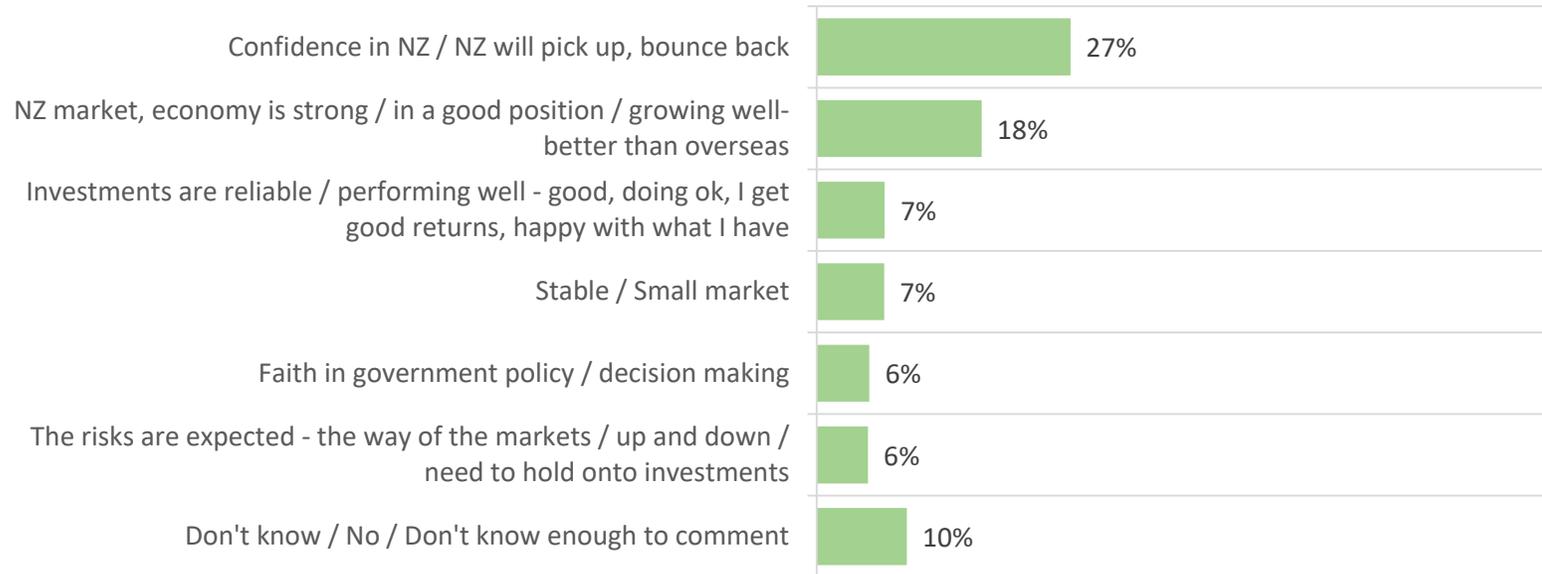
See the appendix for more detail on confidence in New Zealand's financial markets across different demographic groups.



2020 results significantly **higher** or **lower** compared to 2019 results

Reasons for confidence

Most common reasons for confidence (responses to open-ended question, coded)



People's reasons for being confident reveal a perception that the economy is recovering and out-performing other nations.

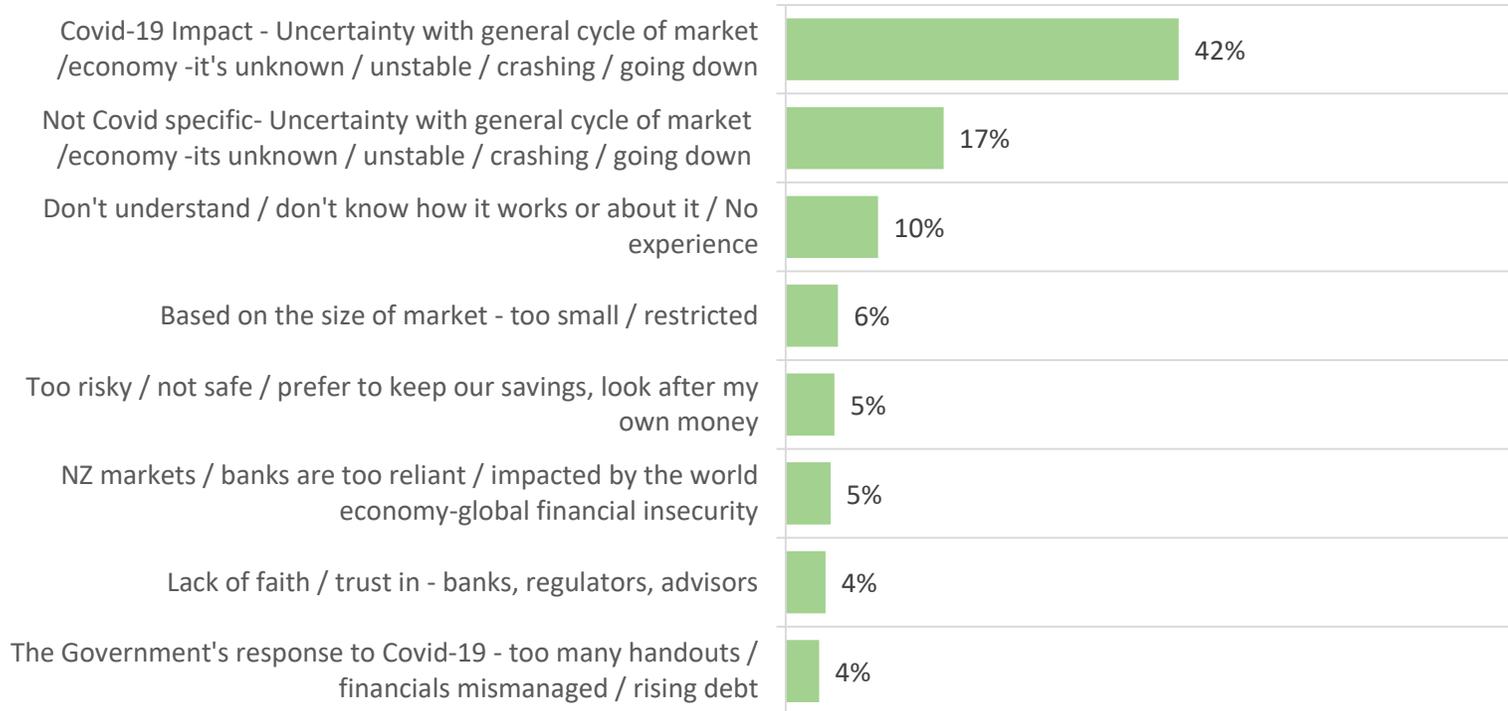
Those confident in New Zealand's financial markets most frequently put this down to a general optimism that the markets will pick up and / or bounce back, a reason cited by 27% of those 'fairly' or 'very' confident.

Just under 1 in 5 mentioned that the economy is performing well in comparison with other countries.

1 in 10 felt unable to comment on why they were confident. Beyond this, reasons were mentioned by no more than 7% of respondents.

Reasons for lack of confidence

Most common reasons for lack of confidence (responses to open-ended question, coded)



By far the most common reason for a lack of confidence in New Zealand's financial markets was due to the impact of COVID-19.

Most frequently those who lack confidence in New Zealand's financial markets attribute this to the impact of COVID-19. This was mentioned as a reason by over 4 in 10.

The second most common reason for low confidence was a general uncertainty about the market, a feeling that it is entering a 'bust' or negative growth phase, mentioned by 17%. This was, however, mentioned by less than half the proportion citing the impact of COVID-19.

1 in 10 felt that their lack of confidence was the result of not knowing enough about the economy.

Example quotes – reasons for confidence

“Isolation and an economy heavily based in agriculture with good ties to foreign markets.”

“Investors seem to be holding their nerve in the current crisis. Markets always rebound eventually - you just have to hang on when it's low.”

“Share markets do go up and down depending the situation - am fairly confident that I will have earned something, if not, a lot.”

“Once we are past COVID-19, I am hopeful that businesses will get back up and running and people will remember to support NZ businesses.”

“One must be prepared to take the good and some bad and to be able to ride out the downtimes as we are experiencing now. NZ has basically a strong, secure financial base so it should weather this storm...and my advisor I trust.”

“The markets haven't shown fluctuations enough to worry me- and, even in spite of the recent outbreak, our nation's response has been fantastic in terms of protecting our economy in the mid-to-long term.”

“All the information over the years tells us that the markets will bounce back, and NZ is in a good place for this.”

“I do believe with the action we've taken during the crisis will be able to help us reap the reward in the long run.”

“I'm very confident in NZ financial [markets] because I believe many New Zealanders can help each other to boost the economy in this country. So long as people support Kiwi businesses, it will be alright at the end.”

Example quotes – reasons for lack of confidence

“Present situation with COVID-19 resulting in loss of jobs, government helping businesses who may collapse anyway, small businesses struggling, lack of overseas trading.”

“I don't really understand the share market very well. But I know a lot of investments are not doing very well because of COVID-19.”

“The government is printing money like it's going out of fashion and bailing out companies that have made bad decisions and are now not in a position to ride out this situation.”

“Prior to COVID-19 I think I would have had more confidence in the NZ market. Now I think the effects from the economy will have a lasting impact. It's not just the NZ economy, it's the world economy. I think that the world economy will have a huge impact on New Zealand.”

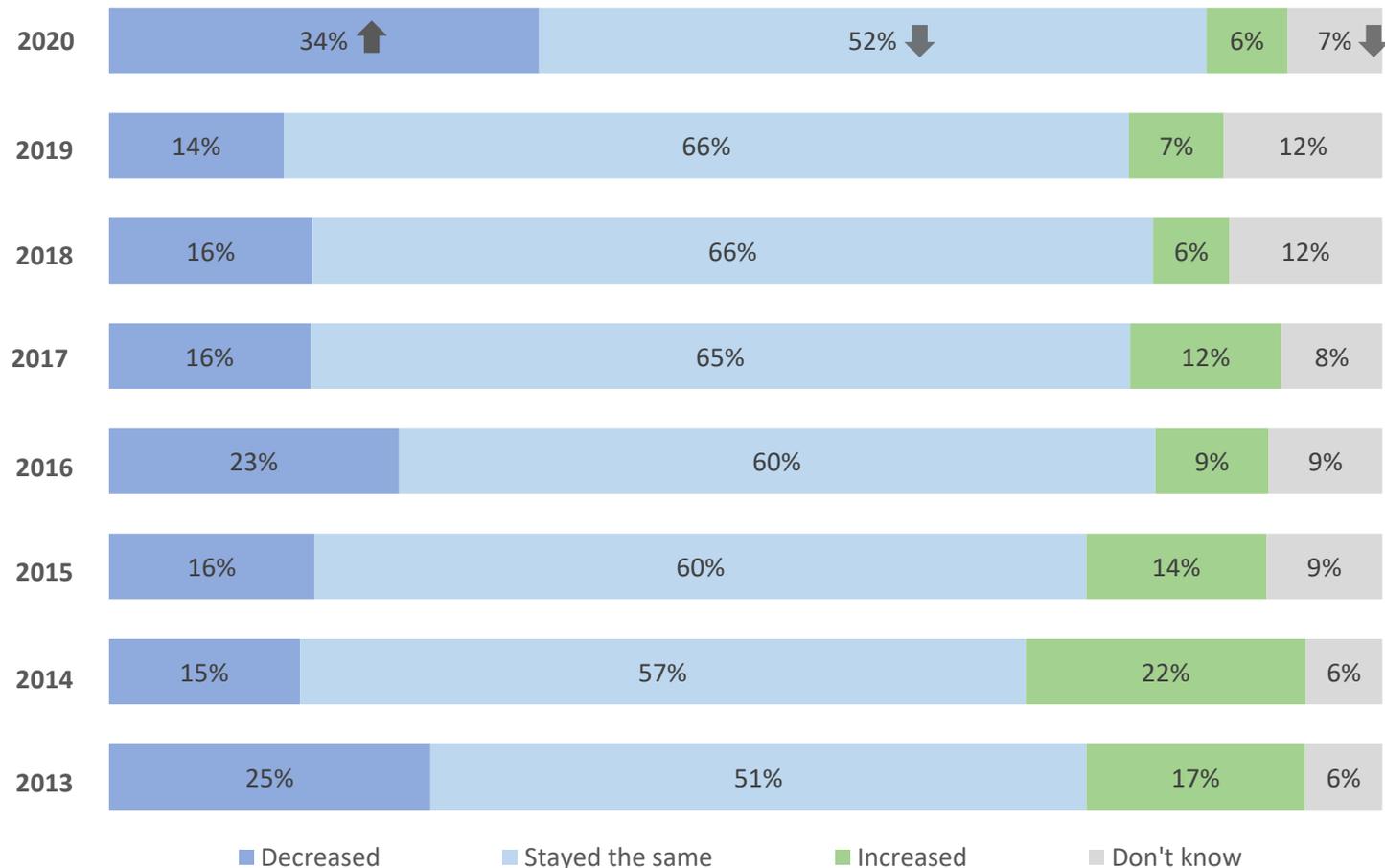
“I wouldn't know what to invest in, what the risks and the rewards are and how to invest in things.”

“I don't really understand how it all works. It's not something you really learn about or hear about at school so when becoming an adult I had no understanding of what's involved at all. Even to this day, I am 24 and I don't understand it. I have someone who asks me questions and does all that stuff for me as it's provided through my workplace for help like that.”

“A very restricted market so open to a variety of influences that can have a marked effect on individual companies.”

Changes in confidence over time

Changes in the level of confidence in New Zealand's financial market over past 12 months (8-year trends, all respondents):



Despite current market confidence being relatively stable overall, around one-third feel that their confidence has decreased over the past year.

Given that there have only been relatively small shifts in current levels of confidence in New Zealand's financial markets (shown on page 20), it's perhaps surprising that when asked to reflect on the past 12 months, the proportion indicating that their confidence decreased has more than doubled from 14% in 2019 to 34% in 2020, reaching a record high.

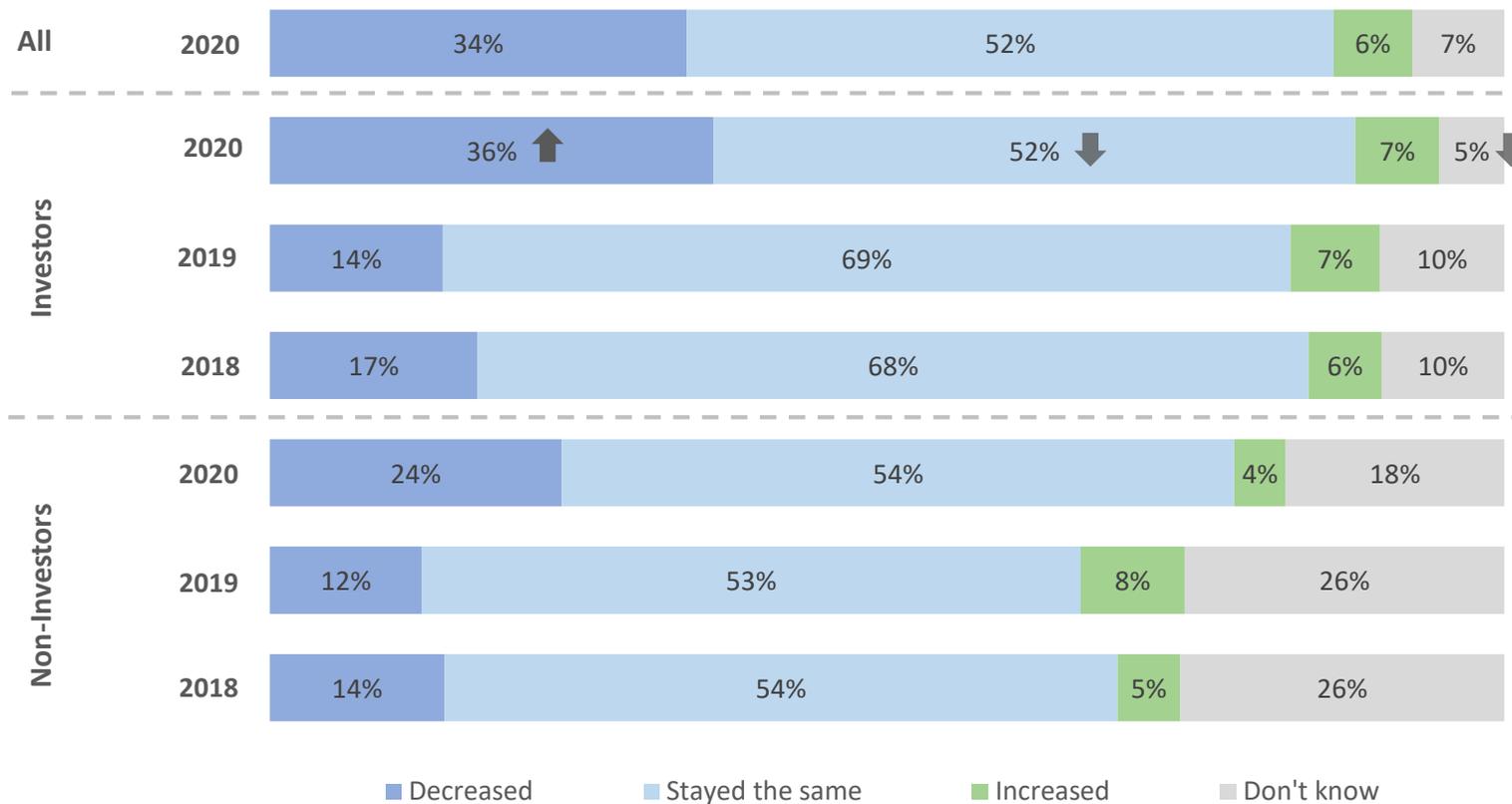
Nevertheless, most people are more positive: just over half indicated that their confidence has stayed the same (52%) over the past 12 months and 6% stated that it has increased.



2020 results significantly **higher** or **lower** compared to 2019 results

Changes in confidence over time by investor / non-investor

Changes in the level of confidence in New Zealand's financial market over the last year (3-year trends by investor status):



Erosion in market confidence over the past year has been driven by the investor (rather than non-investor) group and there's now more convergence in opinion across investors and non-investors.

The overall changes in results for market confidence over the past year have been driven by the investor, rather than non-investor group.

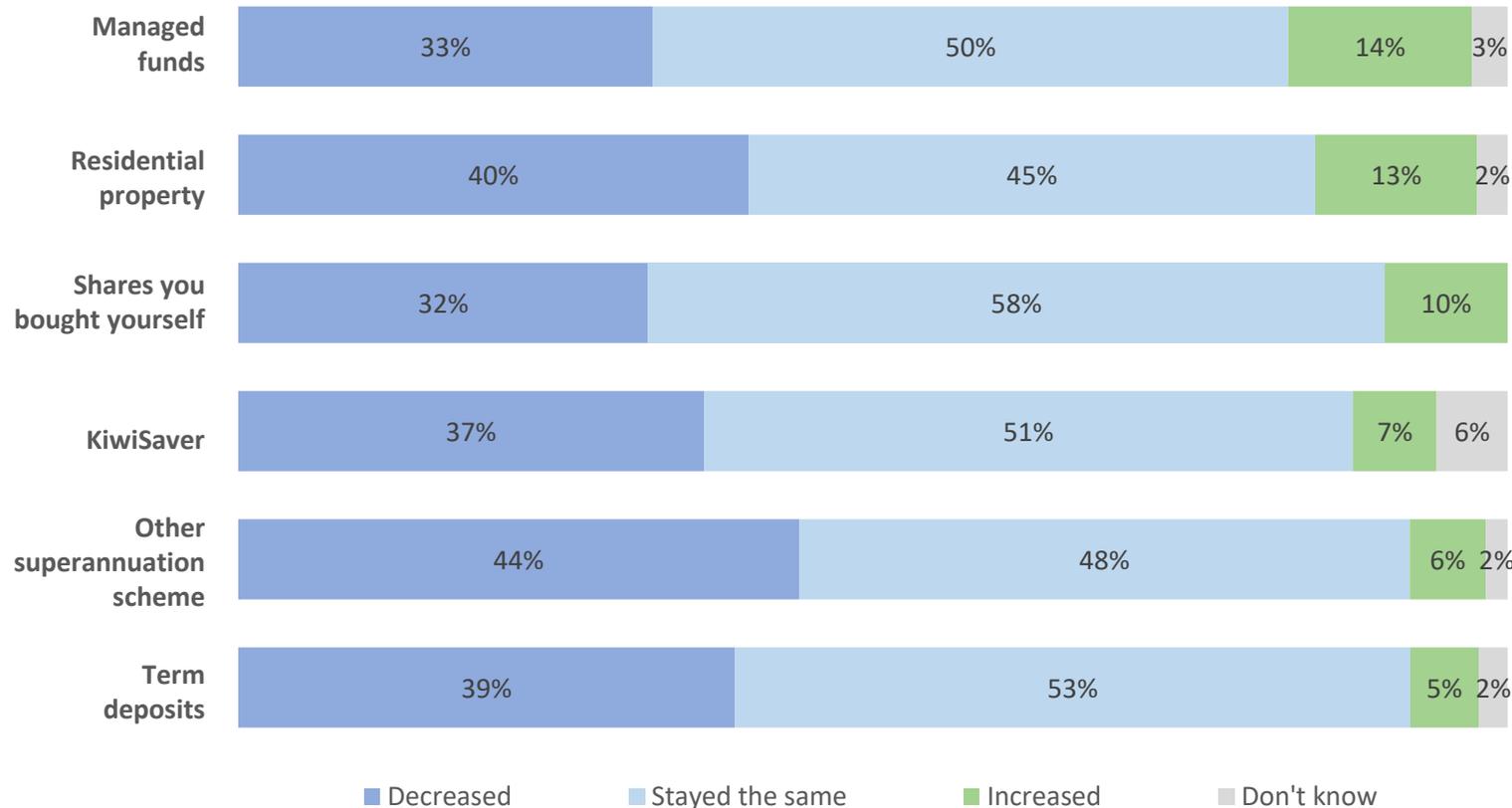
Although compared to 2019, non-investors in 2020 were twice as likely to state that their market confidence over the past year had decreased, changes in sentiment across this group were not statistically significant. There have, however, been significant shifts within the investor group, with the proportion stating that confidence over the year had decreased more than doubling from 14% in 2019 to 36% in 2020.



2020 results significantly **higher** or **lower** compared to 2019 results

Changes in confidence over time by investment type held

Changes in the level of confidence in New Zealand's financial market over the last year:

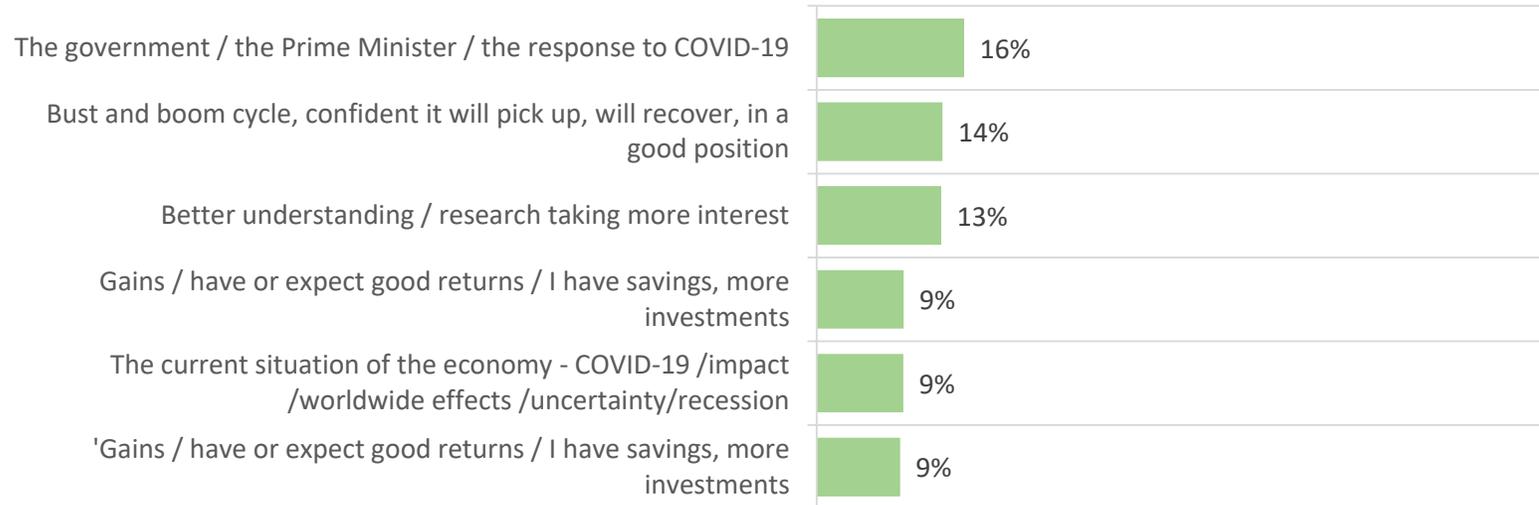


Market confidence over the past year is fairly consistent across different investment types. Those with managed funds and personally-bought shares were least likely to state that their market confidence had decreased.

Investors with managed funds and personally-bought shares were the most optimistic when asked to reflect on how their market confidence had changed over the past year. Around one-third of these groups stated that their confidence had decreased compared to between 37% and 44% across other investment types.

Reasons for increase in confidence over time

Most common reasons for confidence increasing over past 12 months (responses to open-ended question, coded):

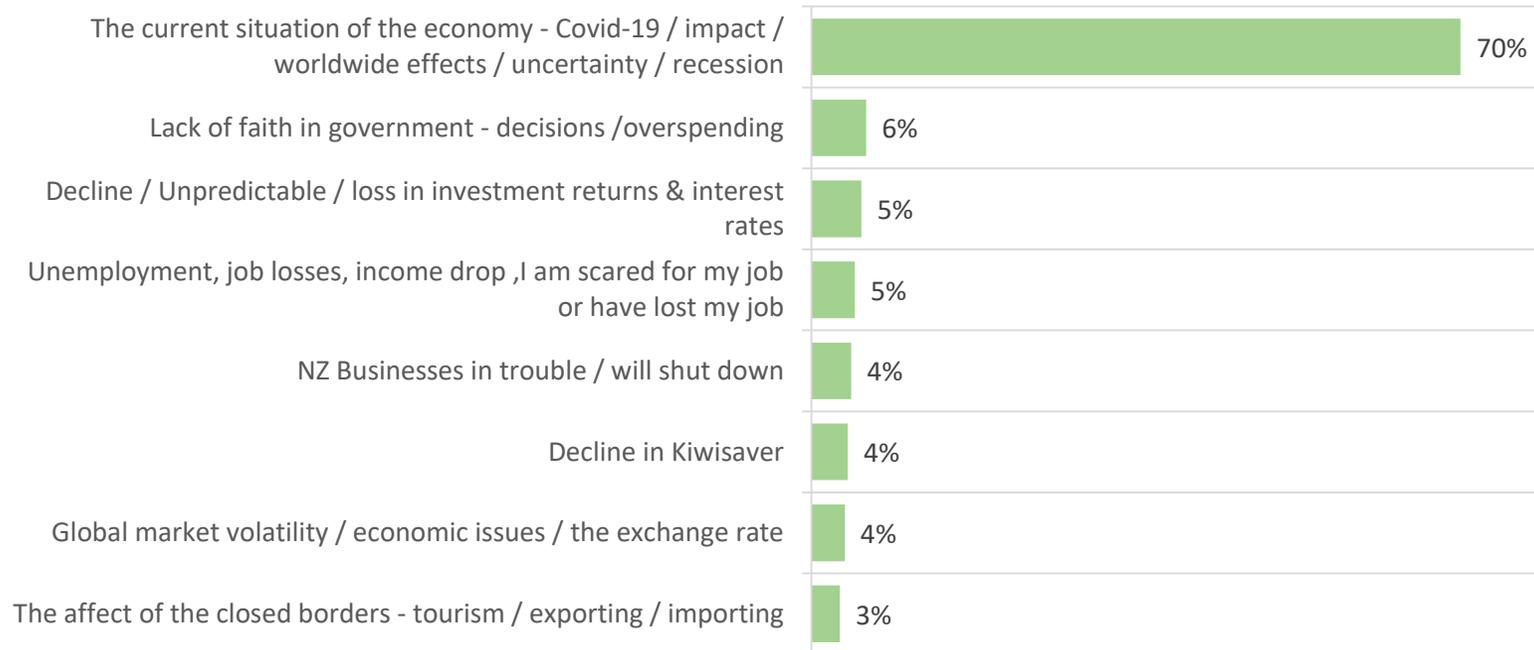


Increased confidence over time was attributed to the government's handling of COVID-19, natural economic cycles and having greater understanding of financial markets.

When the 6% of respondents who stated that their market confidence had increased over the past 12 months were asked why this was the case, most frequently their reasons related to the government's response to COVID-19, their faith in the economy recovering and that they now had better understanding of financial markets.

Reasons for decrease in confidence over time

Most common reasons for confidence decreasing over past 12 months (responses to open-ended question, coded):



COVID-19 leads the way as the primary reason for decreased market confidence over the past year.

For the 34% of respondents who stated that their market confidence had decreased over the past year, by far the most common reason for this was the uncertainty and negative impact of the COVID-19 pandemic, mentioned by 70% of this group.

Example quotes – reasons for increase in confidence over time in New Zealand financial markets

“Economies usually bounce back higher than usual after a recession.”

“I got somewhat more involved in investing into my KiwiSaver and also looking into stocks and peer to peer lending.”

“The main reasons given for an increase in confidence in the last 12 months included a rising economy and better understanding of financial markets.”

“Educating myself to understand the markets better made me more confident in their long-term potential.”

“Started taking more of an interest into the market. After going through a significant drop due to COVID-19 I believe that it is highly likely for the market to start heading back in the right direction.”

“I think the way that New Zealand has been able to support themselves through the COVID-19 situation shows that they are quite strong financially as a country, has strengthened my confidence.”

“COVID-19 has had a major impact over the last few months, but NZ and Australia are nearly ready to reduce restrictions and markets will recover.”

“A Prime Minister / finance minister who are forward thinking and are already planning to get the country moving again.”

“Because of how the government responded to the pandemic, if the government didn't react the way they did then the virus would have infected more people causing the economy to decline even further than it is now.”

Example quotes – reasons for decrease in confidence over time in New Zealand financial markets

“COVID-19 has decimated our financial markets - I've personally seen tens of thousands wiped from my shares since their peak in February.”

“The share market is overpriced and due for correction. Our dollar is sinking and interest rates falling. Gold is the only investment going up.”

“The pandemic has changed things, less confident in investing, I was also made redundant during lockdown.”

“Because my investments have been driven down due to pandemic effects.”

“Buying and selling products are already at stand still, using local products is the norm but we need the worldwide countries to buy and sell for demand.”

“The destruction of the tourism industry and the gradual decline of manufacturing and general industry in NZ. Even a lot of our food is exported then imported back as processed products that cost New Zealanders a lot more.”

“KiwiSaver investment is adversely affected by COVID-19. Personal savings held in bank accounts are not guaranteed.”

“My partner has KiwiSaver, and it had reduced in value. My dad has an investment house, and cannot find a tenant. In general the NZ markets seem to be pretty sick.”

“The pandemic has affected all world markets and, since the NZ economy is so dependant on other countries' economies, we can't recover until the rest of the western world does.”

Awareness and perceptions of FMA and regulation

Summary – Awareness and perceptions of FMA and regulation

Awareness of the FMA has held fairly steady over the past 8 years of research. In 2020, 37% of New Zealanders aged 18 and over were aware of the organisation and men, higher earners, those aged 60 and over and more ‘active’ investors were most likely to be aware. The awareness ‘gap’ between investors and non-investors is narrowing over time: in 2018, the awareness gap was 27 percentage points, a margin that has nearly halved to 15 percentage points in 2020.

Confidence in market regulation among investors recovered in 2020 following a dip in 2018/19. In 2020, the proportion of investors ‘very confident’ in the market’s effective regulation rose significantly to reach a five-year high of 13% and overall 68% of investors are confident in this regard compared to 60% in 2019 and 59% in 2018. And it’s not only among investors where perceptions of effective regulation have grown in 2020, a similar result is seen among non-investors, nearly half of whom were confident (compared to 36% in 2019). Although confidence rose across those with all of the core investment types, the increase was most pronounced among KiwiSaver members and 2020 paints a picture of convergence; whereas gaps in confidence were relatively wide in 2018 and 2019 across different types of investment holders, in 2020 confidence levels are relatively similar ranging from 67% confident among KiwiSaver members up to 81% among those with personally-bought shares.

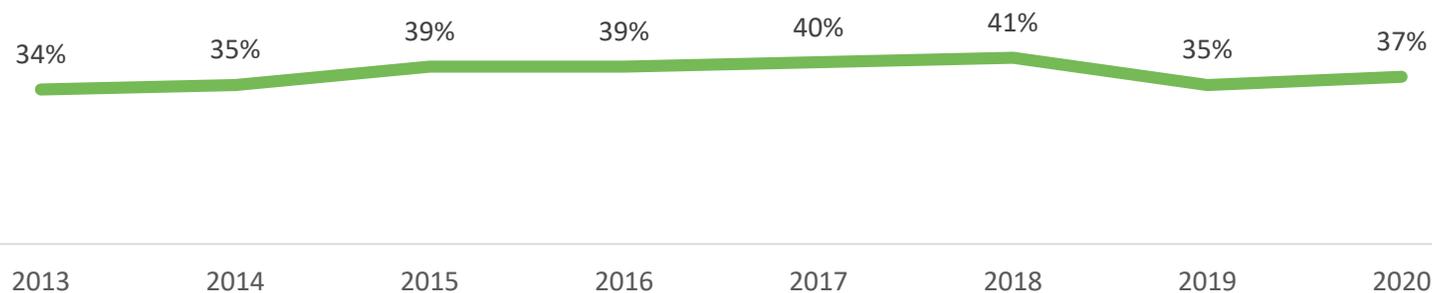
The FMA clearly makes a difference to people’s confidence in market regulation, which is consistently higher among those aware of the organisation. A sense of a thorough regulatory framework is the most common source of people’s confidence in effective market regulation.

Levels of agreement that the FMA supports the financial markets’ integrity have grown overall in 2020, particularly at the top end. Similarly, both investors and non-investors alike were more likely to agree that the FMA supports the integrity of New Zealand’s financial markets in 2020 than the previous year.

Positive perceptions of FMA’s effectiveness are most often linked to the organisation being seen as fair, honest and transparent.

Awareness of FMA

'Yes' have heard of the Financial Markets Authority (FMA), (8-year trends, all respondents):



Awareness of the FMA has held fairly steady over the past 8 years of research. In 2020, 37% of New Zealanders aged 18 and over were aware. Men, higher earners, those aged 60 and over and more 'active' investors were most likely to be aware.

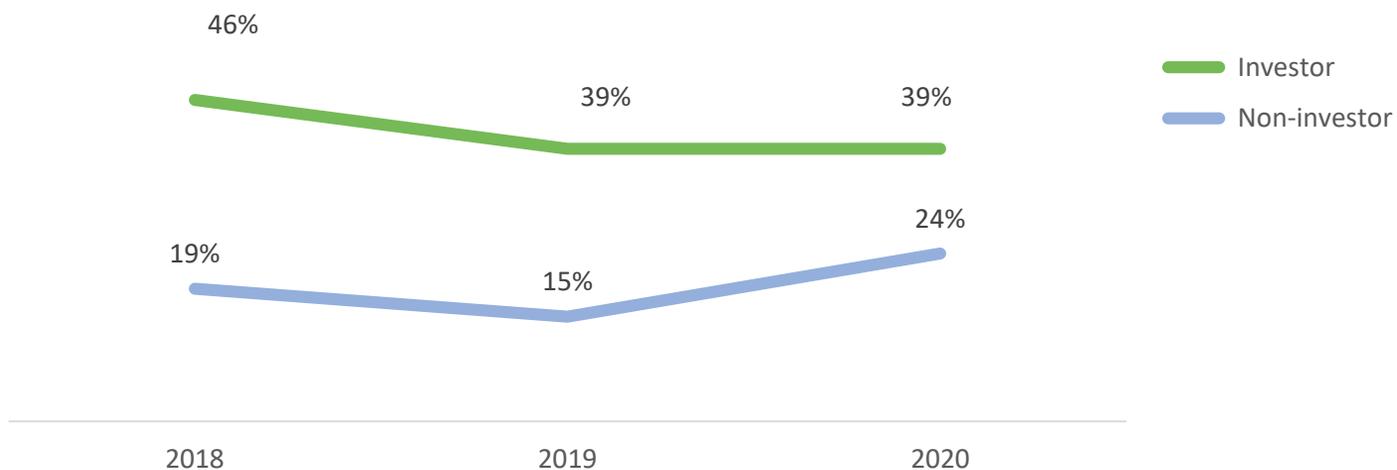
Awareness of the FMA ranges from between 34% in 2013 up to 41% in 2018. In 2020, 37% of respondents were aware of the organisation.

Those significantly more likely to be aware of the organisation include:

- Investors (see overleaf), particularly those who have KiwiSaver as well as other types of investment (50%) and those who have taken out a new investment in the past year (60%)
- Men (43% aware compared to 31% among women)
- Those aged 60 or over (43% aware)
- Those 'fairly' (40%) or 'very' (50%) confident in New Zealand's financial markets and those whose confidence has increased over the past 12 months (56%).
- Those with annual household incomes over \$100k (56%).

Awareness of FMA

'Yes' have heard of the Financial Markets Authority (FMA) (3-year trends, by investor status):

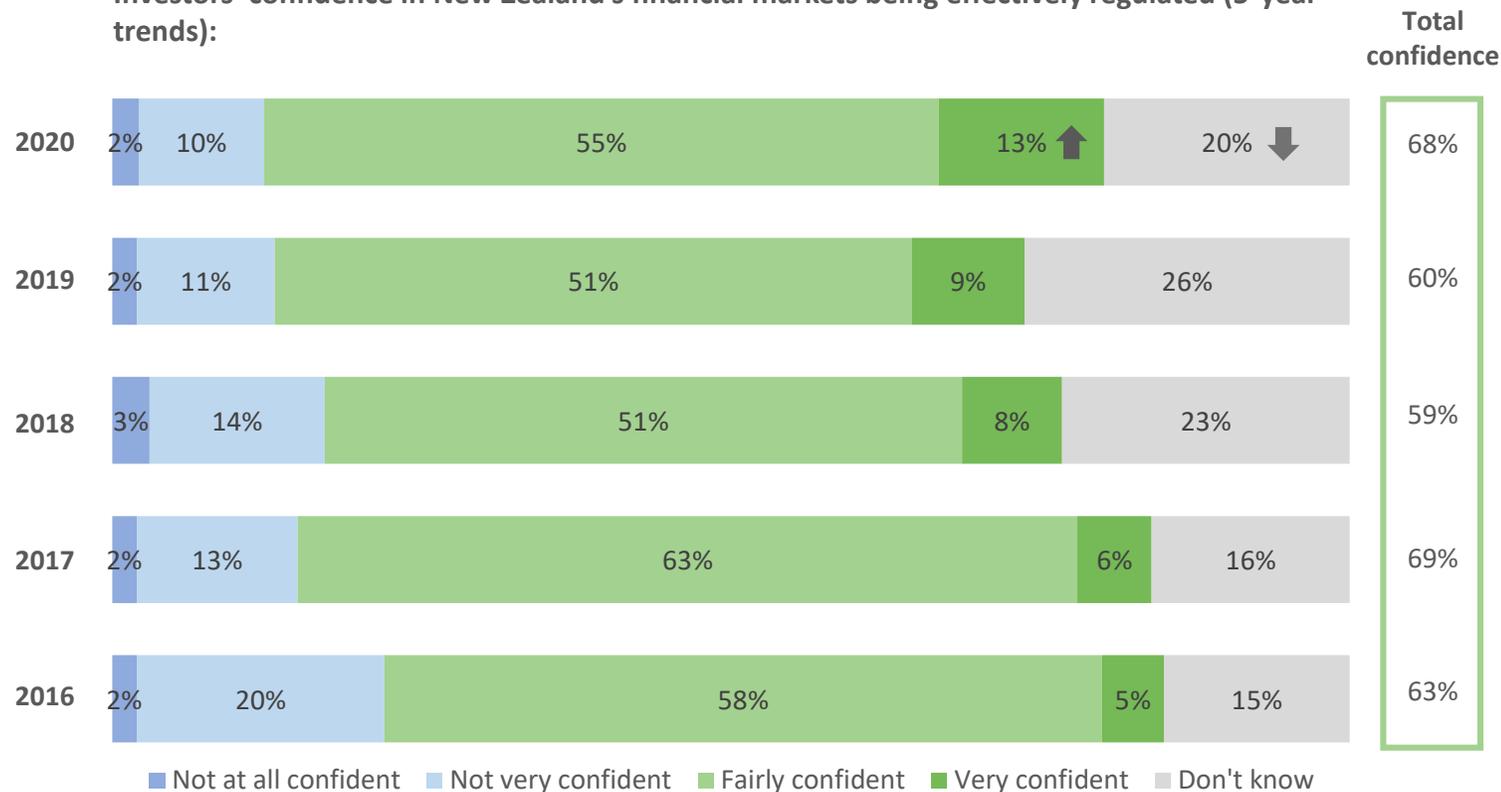


The awareness 'gap' between investors and non-investors is narrowing over time.

In 2020, 39% of investors were aware of the FMA, significantly higher than the 24% of non-investors. Although changes in awareness over the past three years are not statistically significant within the investor and non-investors groups, the difference in awareness between the two groups is decreasing. In 2018, the 'awareness gap' was 27 percentage points, a margin that has nearly halved to 15 percentage points in 2020.

Investor confidence in effective regulation

Investors' confidence in New Zealand's financial markets being effectively regulated (5-year trends):



Confidence in market regulation among investors recovered in 2020 following a dip in 2018/19.

Similar to findings elsewhere, investors in 2020 were increasingly likely to have an opinion when it comes to confidence in New Zealand's financial markets being effectively regulated: the proportion stating that they did not know decreased significantly in 2020, down from 26% in 2019 to 20% (although not as low as results for 2016 and 2017).

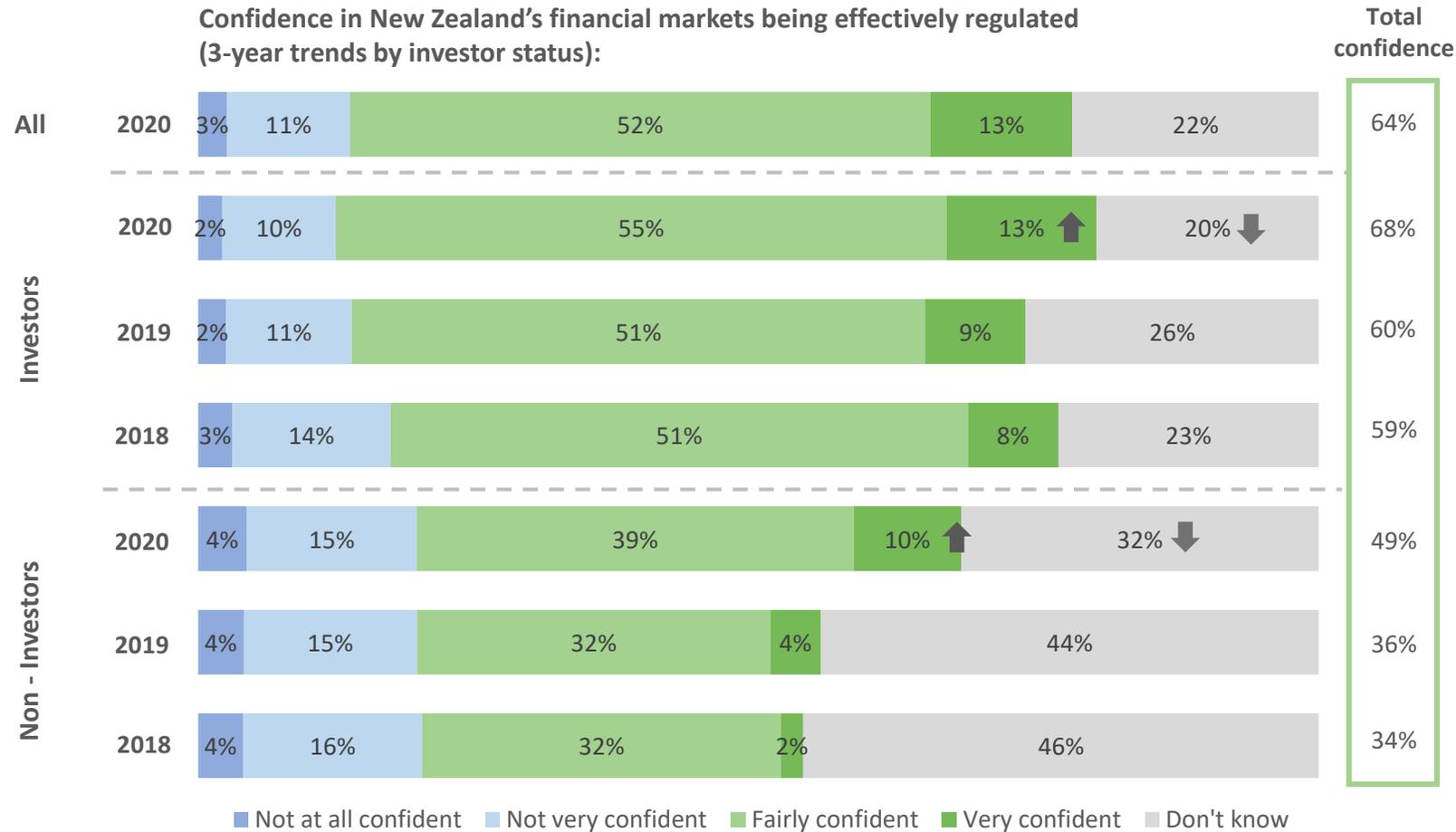
Meanwhile the proportion stating that they were 'very' confident in regulation increased significantly to reach a 5-year high of 13%. Overall we can see a recovery in investors' confidence on this front following a low in 2018/19.



2020 results significantly **higher** or **lower** compared to 2019 results

Question wording prior to 2018: The responsibility for ensuring effective regulation and oversight of New Zealand's financial services and markets is shared by the FMA and front-line regulators, including NFX, and supervisors (or trustees) of both managed funds and KiwiSaver providers). How confident are you that New Zealand's financial markets are effectively regulated?

Confidence in effective regulation by investor/non-investor



The shift away from not having an opinion to being 'very' confident that financial markets in New Zealand are effectively regulated can be seen across investors and non-investors alike.

Among both investors and non-investors people are more likely to have an opinion about their level of confidence in the financial market's effective regulation in 2020 than previously. Confidence is growing with an uplift in those 'fairly' or 'very' confident across both groups.

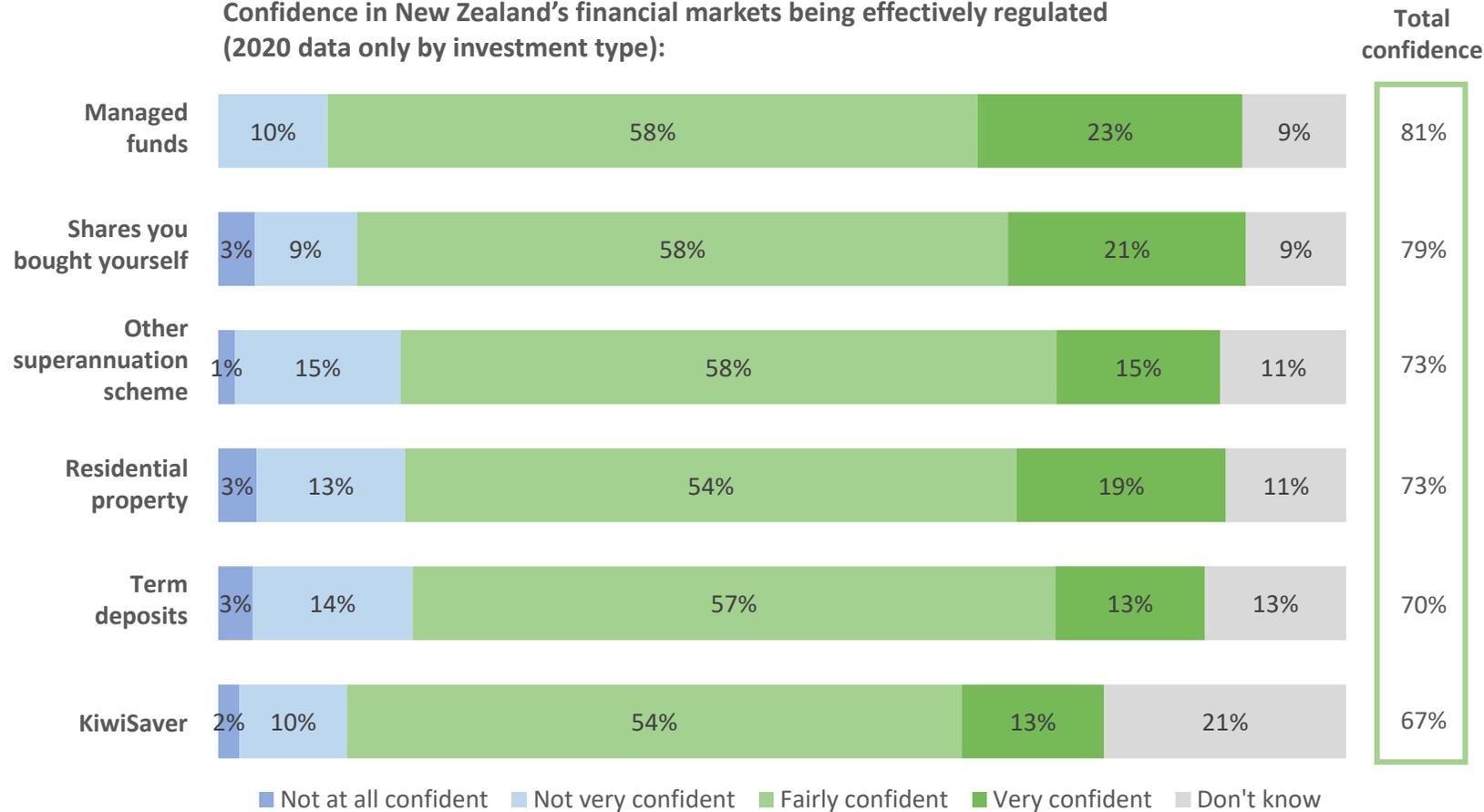
The most pronounced shift lies within the non-investor group where the proportion 'very' confident in market regulation has increased five-fold in the space of two years, from 2% in 2018 to 10% in 2020.



2020 results significantly higher or lower compared to 2019 results

Confidence in effective regulation by investment type held

Confidence in New Zealand's financial markets being effectively regulated (2020 data only by investment type):

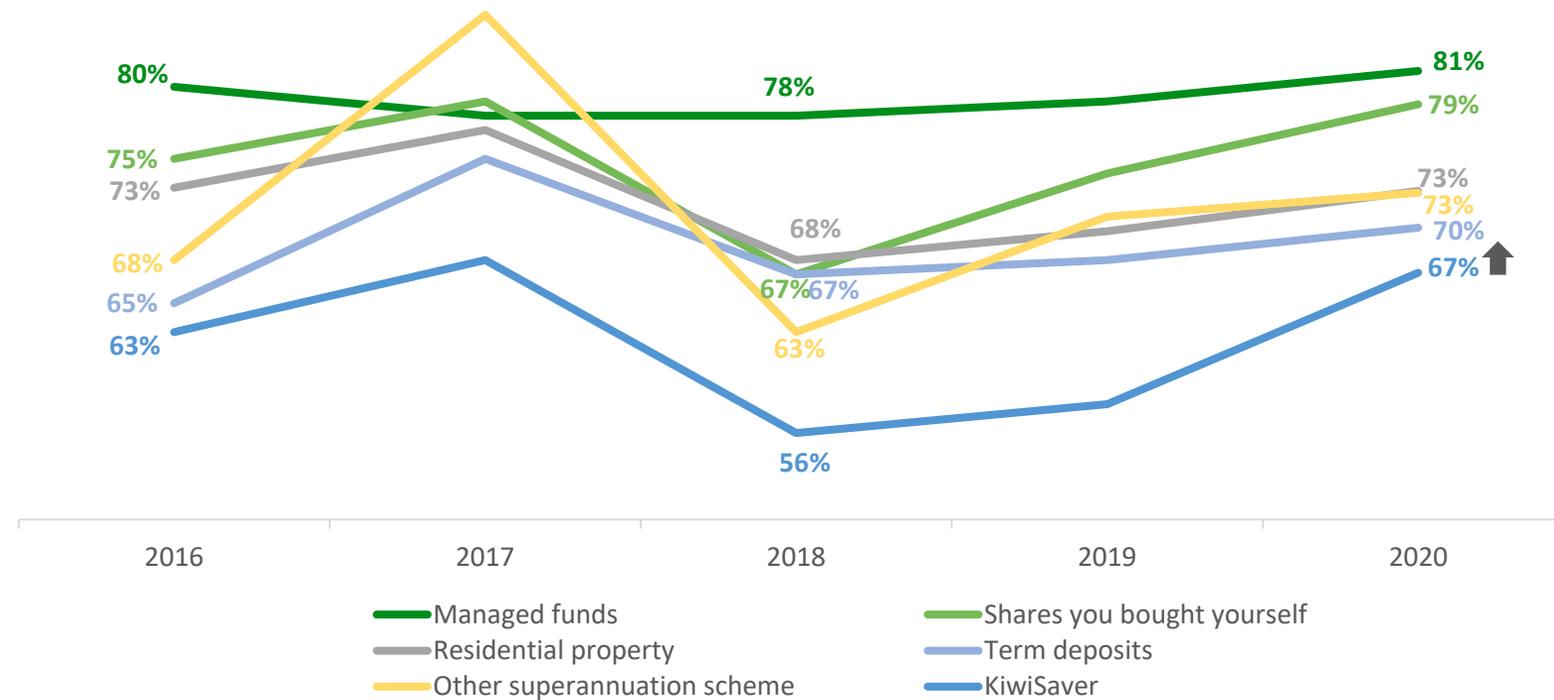


Investors in managed funds or with personally bought shares have highest confidence of the market's effective regulation.

As with confidence in the financial market in a broader sense, confidence that financial markets are effectively regulated is most likely to be held by those with managed funds (81% 'fairly' or 'very' confident) and personally bought shares (79%), and least likely to be held by KiwiSaver investors (67%).

Confidence in effective regulation by investment type - over time

Confidence in New Zealand's financial markets being effectively regulated (5-year trends by investment type): Shows % of total confidence (fairly or very confident)



Confidence in effective market regulation has recovered across all investor types, particularly among KiwiSaver members.

In all cases, levels of confidence among different investor types were at a five-year low in 2018 and have trended upwards over the past two years. The recovery is particularly pronounced among KiwiSaver investors.

It's also worth noting that confidence has fluctuated most among KiwiSaver members and those with 'other' superannuation schemes over the past five years, meanwhile confidence levels have seen very little variation year-on-year among those with managed funds, a group that has generally had higher confidence than other investor types.

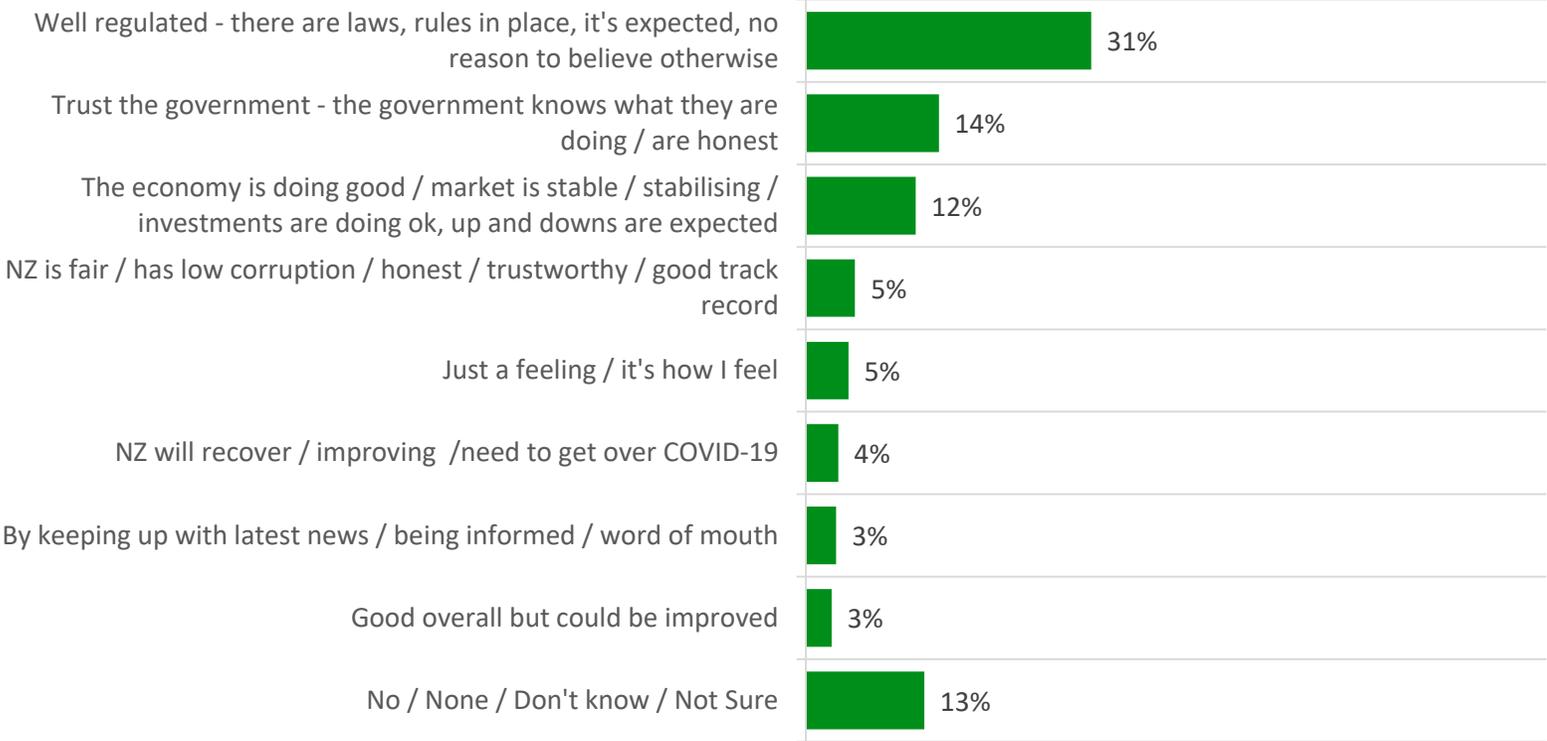
In 2020 we can also see greater convergence among results, with opinion across different investor types relatively similar compared with recent years.



2020 results significantly higher or lower compared to 2019 results

Reasons for level of confidence in effective regulation

Most common reasons for confidence (2020 responses to open-ended question, coded)



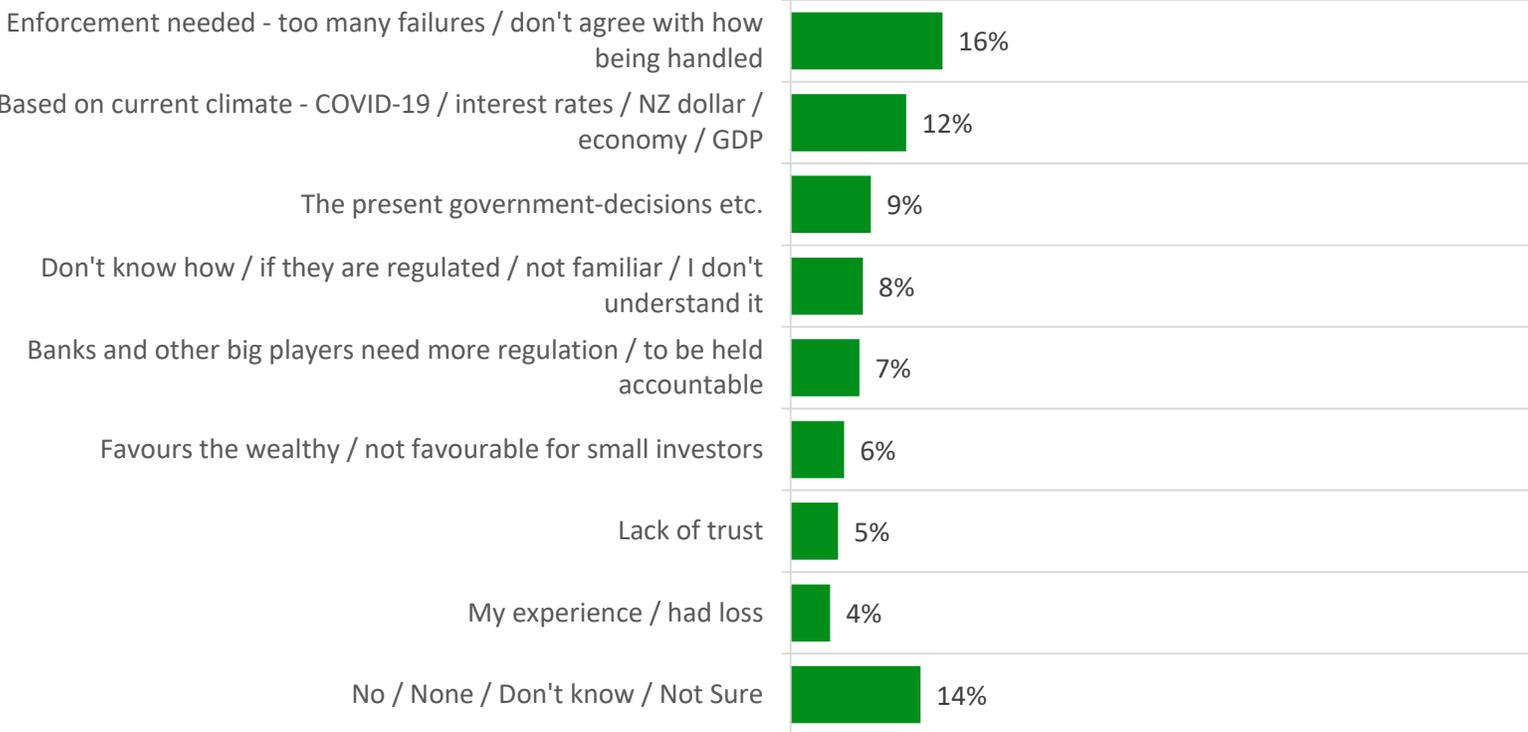
A sense of a thorough regulatory framework is the most common source of people’s confidence in effective market regulation.

Most frequently people’s confidence around New Zealand’s financial market regulation stems from them having faith in or knowledge of related laws, rules and regulations. This was mentioned by 31% of those who are ‘very’ or ‘fairly’ confident in the market’s regulation.

A further 14% mentioned that they trust the government and a similar proportion (12%) attributed their confidence to the overall health and relative stability of the economy.

Reasons for level of low confidence in effective regulation

Most common reasons for lack of confidence (2020 responses to open-ended question, coded)



Reasons for lacking confidence in effective regulation were wide-ranging, with no single reason given by more than 16% of those with low confidence.

For the 14% of people with low confidence in New Zealand financial market's effective regulation, there were few stand-out themes when people articulated why they lacked confidence; no single reason was given by more than 16% of respondents in this group.

The most common reasons were a sense that more enforcement is needed (16%) and a response to the current climate and the impact of COVID-19 (12%).

Example quotes – reasons confident in regulation

“There are laws in place to regulate these institutions.”

“I think compared to some countries there's fairly solid regulations for ensuring informed consent when offering financial products and protection for both consumers and banks against bank failure and risky loans.”

“While I know there are some areas that need more regulation (or changes in regulations), I am fairly sure we have some level of regulation in areas that need it.”

“The Government and the Banks are doing a great job of keeping everything going for New Zealand and making sure that we don't go into a recession.”

“The government is competent and keeps an overview on the financial systems and would review regulations if this became necessary.”

“My investments are well-protected and I always receive reliable information.”

“NZ conforms to international best-practice with regard to financial regulation while remaining corruption free.”

“I think FMA is doing a good job, and there is good information available for funds/ETFs to help with decision making.”

“I have studied other markets and can make a valid comparison based on informed research.”

“There seem to be strong government regulations to be sure of this.”

Example quotes – reasons not confident in regulation

“Because they are for the rich - people who have enough money to even invest in the stock market.”

“Financial industry leaders seem to be able to make life very hard for investors and never have to take responsibility for their own misconduct.”

“Too much fluctuation in markets out of control of advisers.”

“The lack of international business experience. And the inexperience of the present government.”

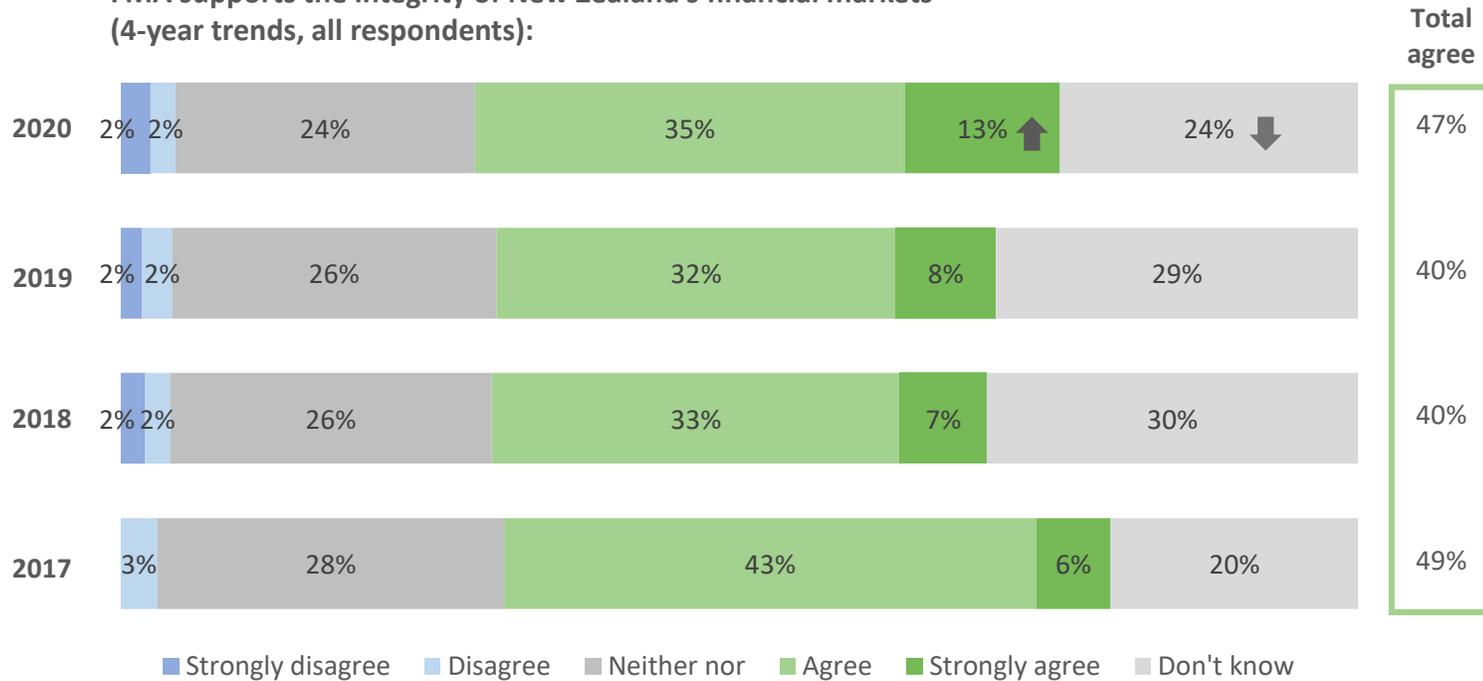
“Accountability from directors is still absent and investors are not protected due to directors not informing public of financial cashflow difficulty. City councils are a huge example of large debt without accountability.”

“There are always burglars that impeccably pretend to help people and they only rip [people] off.”

“I don't know anything about market regulations, or how it works, but I imagine it isn't too easy to regulate. I would probably be more confident if I understood more.”

Perceptions of FMA's support of the financial markets' integrity

FMA supports the integrity of New Zealand's financial markets (4-year trends, all respondents):



Levels of agreement that FMA supports the financial markets' integrity have grown overall in 2020, particularly at the top end.

In 2020, just under half (47%) of New Zealanders aged 18 or over agreed that the FMA supports the integrity of New Zealand's financial markets. Agreement levels have now nearly regained the level recorded in 2017 when agreement was at 49%, following a dip recorded across 2018 and 2019 when 40% agreed.

In particular, the proportion indicating that they 'strongly' agree the FMA supports the integrity of New Zealand's financial markets was at a four-year, record high, increasing significantly from 8% in 2019 to 13% in 2020.

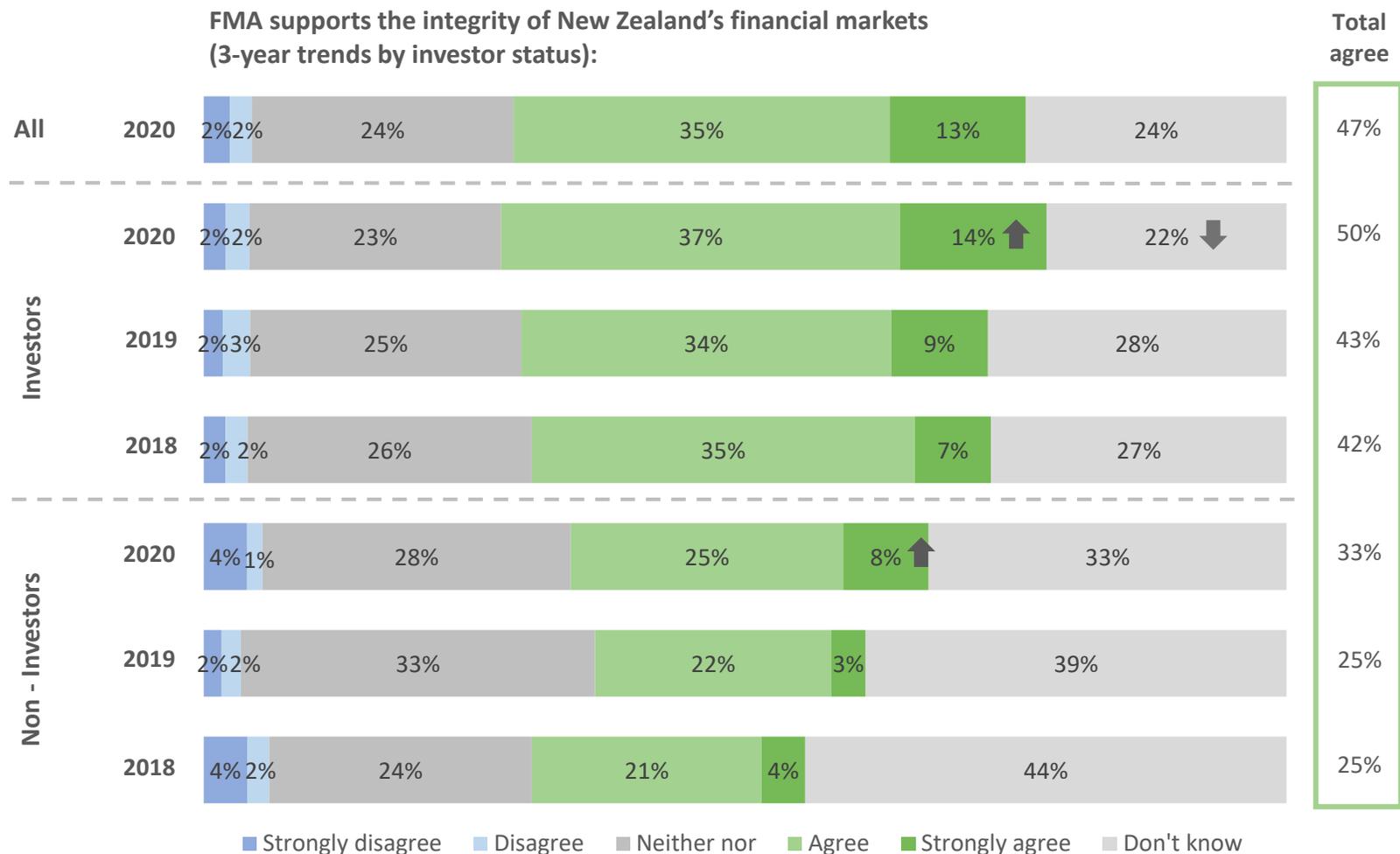
As noted elsewhere, respondents in 2020 were more likely to have an opinion, with the proportion answering 'don't know' seeing a significant decrease.



2020 results significantly **higher** or **lower** compared to 2019 results

Perceptions by investor/non-investor

FMA supports the integrity of New Zealand's financial markets
(3-year trends by investor status):



Increases in agreement that FMA supports the integrity of New Zealand's financial markets were seen across both investors and non-investors.

In 2020, half of investors agreed the FMA supports the integrity of New Zealand's financial markets and one-third of non-investors agreed this was the case. Confidence has risen across investors and non-investors alike, with a significant uplift in the proportions indicating that they 'strongly agree'.

Investors increasingly have an opinion on this front, with the proportion selecting 'don't know' decreasing significantly from 28% in 2019 to 22% in 2020. A similar finding can be seen among non-investors; the proportion selecting 'don't know' has been trending downwards and although the difference between 2020 (33%) and 2019 (39%) is not statistically significant, the change in 2020 compared with two years ago (44%) is significant.



2020 results significantly higher or lower compared to 2019 results

Reasons for positive perceptions of FMA

Most common reasons for positive perceptions (2020 responses to open-ended question, coded)



Positive perceptions of FMA's effectiveness are most often linked to the organisation being seen as fair, honest and transparent.

Among those who feel that FMA successfully supports the integrity of New Zealand's financial markets, most frequently this is linked to perceptions of the FMA's fairness, honesty and transparency (mentioned by one-quarter), followed by an assumption or awareness through media coverage that the organisation is doing an effective job (17%).

Only a minority of 4% disagreed that the FMA supports the integrity of New Zealand's financial markets. When asked why they didn't agree, most frequently respondents simply stated that they had not heard of the FMA in the past or had limited knowledge of the organisation.

Example quotes – reasons for positive perception

“The information on their website is clear and easy to read, they are well regarded in NZ.”

“Because it regulates all financial market participants, exchanges and the setting and enforcing of financial regulations effectively.”

“Although I had not heard of this regulating authority by name, I knew there [was] a group in NZ covering this important work to keep things on the right legal track and now I read your explanation of what they are doing I have faith they are doing the right thing to protect investors.”

“The FMA is regulated and I trust that it is well run to protect NZ investments.”

“They take action immediately and quickly take control of the situation to minimise losses to investors and quickly punish those companies and directors whose actions ... could mislead investors, causing large losses and confidence in the market.”

“So far FMA seems to do a good job as NZ market is still stable despite violent changes outside our border.”

“I believe their role as a watchdog and support is vital to ensuring that we have robust requirements for investment companies.”

“I have heard a bit about them from Mary Holm's podcast and read something about it elsewhere also. It gives me confidence that there is a regulatory body making sure financial institutions have to be transparent about what they're doing with people's money.”

Example quotes – reasons for negative perception

“Because I have no idea about FMA.”

“Because our country is in so much debt.”

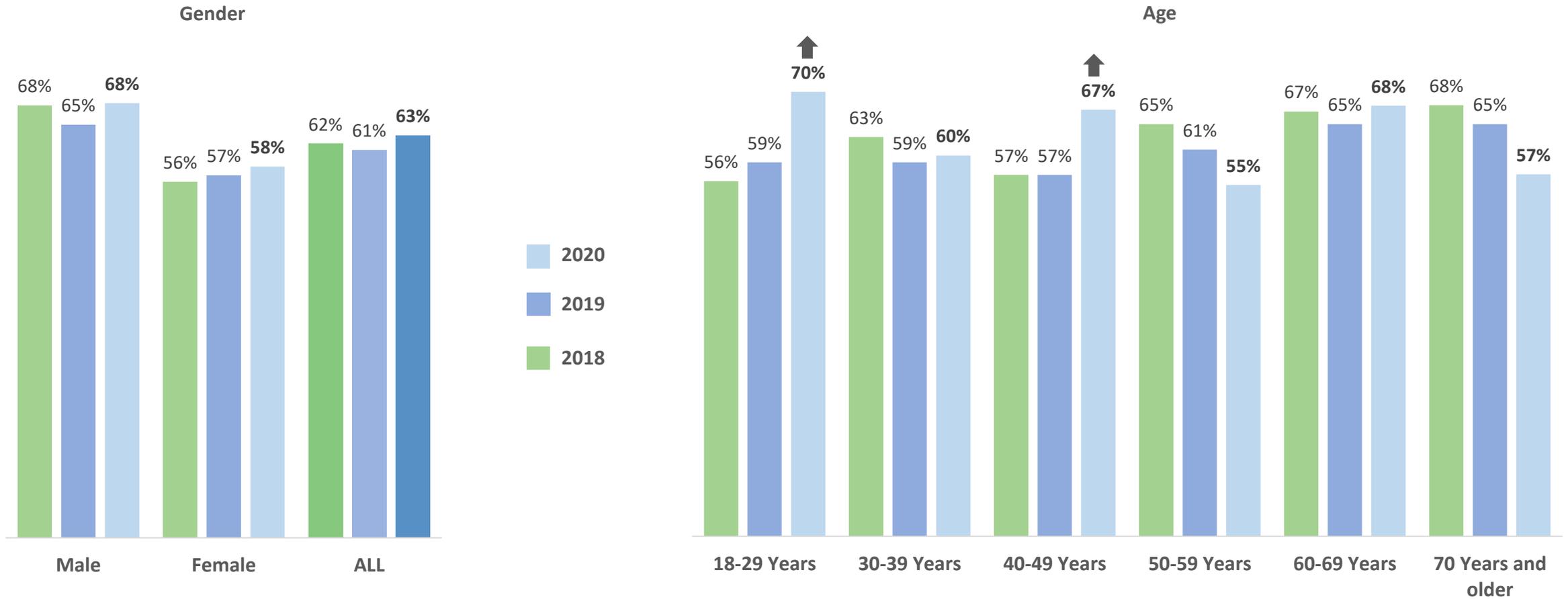
“How can one know that even such an entity exists if one has never even heard of them or seen any public influence from them - just another group that feeds off NZ financial markets without any obvious input.”

“FMA doing nothing to protect Kiwi Saver from banks manipulations.”

“Banks and financial institutions work to regulations that they themselves largely drew up and are seldom penalised for breaches..”

Confidence by age and gender

Confidence in New Zealand's financial markets (2020 vs 2019 vs 2018):
Shows % of total confidence ('fairly' or 'very' confident)



2020 results significantly **higher** or **lower** compared to 2019 results

Confidence by ethnicity

Confidence in New Zealand's financial markets (2020 vs 2019 vs 2018):
Shows % of total confidence (fairly or very confident)

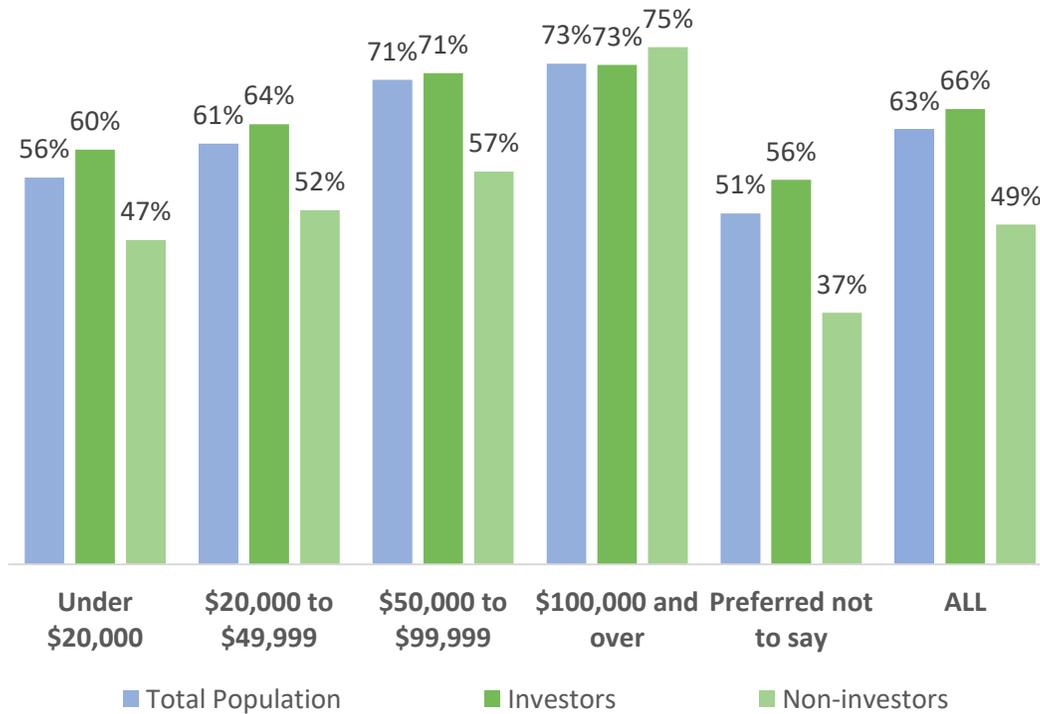


Confidence by income

Confidence in New Zealand's financial markets:

Shows % of total confidence (fairly or very confident)

Annual personal income



Annual household income

