

February 2022

Key findings for New Zealand  
from the 25th CEO Survey

# Remaining resilient through uncertainty



# Remaining resilient through uncertainty

**As we near the two-year mark since the beginning of the pandemic, we find ourselves still navigating through an uncertain environment. The Omicron outbreak coupled with other challenges such as inflation, rising interest rates and ongoing supply chain disruption have created an environment that will further test business leaders in the year ahead.**

We are also facing what I refer to as 'The Great Migration'. A number of New Zealanders will now be feeling more comfortable to head overseas and embark on their 'OE' as the effects of the pandemic start to ease offshore.

These factors mean we are all navigating unfamiliar territory as we head into 2022. However, I believe there is cause for real optimism. Business leaders have proven

how resilient they can be in the face of considerable disruption and change. We have shown great flexibility and adaptability and this will set us up well for any further challenges on the horizon.

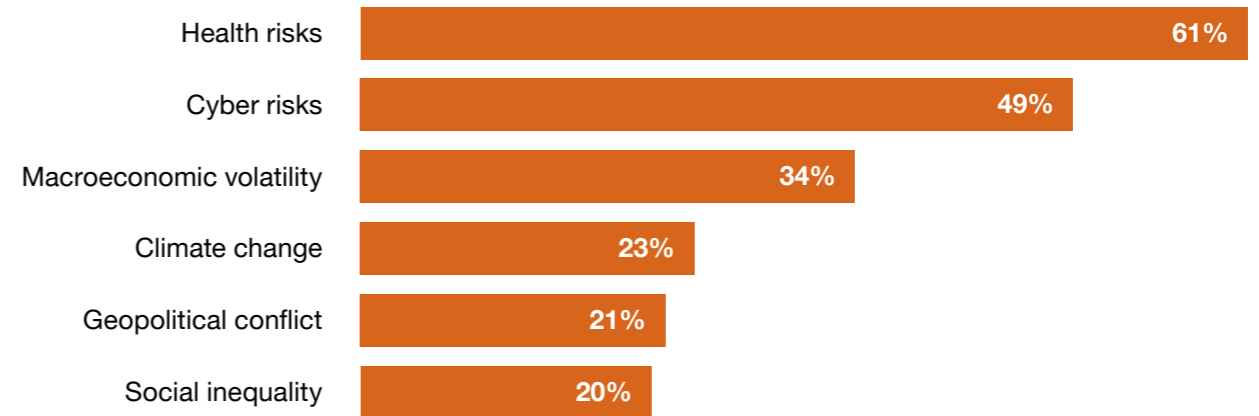
We also have an opportunity to learn from other countries who are ahead of us in navigating the next wave of the pandemic as we try to minimise the impact on both our businesses and our communities.

Part of this includes finding ways to stay connected. I believe connectivity between our people, customers and broader communities, and with New Zealand and the rest of the world, will be critical for our organisations and economy to thrive.

We look forward to the pandemic-related restrictions lifting at the earliest opportunity so that local businesses are able to operate with less impediments and position themselves for success in the new normal.

Our CEO survey data was collected in October and November 2021 and reflects CEOs' mindsets at that point. The world has continued to change since that time, however the key findings remain relevant. Working through the impact of climate change must continue to be a top priority so businesses can meet the demands of all their stakeholders. Similarly understanding the

Question: How concerned are you about the following global threats negatively impacting your company over the **next 12 months?** (showing 'very concerned' and 'extremely concerned' responses only)



Source: PwC 25th Annual Global CEO Survey

economic headwinds we face will be critical for maintaining continuity.

Lastly, I want to thank the CEOs who shared their time and invaluable insights in this year's survey. I hope you find this report informative and one that provides some insights into how New Zealand businesses can prepare themselves for the future.



**Mark Averill**  
CEO and Senior Partner  
PwC New Zealand



# What's on the minds of New Zealand CEOs?

We asked CEOs for their recommendations for sustainably increasing New Zealand's prosperity following the impact of COVID-19. Their responses include:



"Open up the international borders – we are a trading nation."



"Invest more heavily in technology and the exporting of technology."



"Invest in the right infrastructure now including all the key projects that have been either delayed or cancelled as well as projects outside of Auckland."



"Leverage New Zealand's global reputation and track record in handling COVID by opening borders to large numbers of high skilled migrants with minimal MIQ."



"Develop methodology to enable more manufacturing in New Zealand to shorten supply chains and dependency on imports for critical products."



"We need to address this country's poor labour force participation rate. Availability of people to participate in the labour market is critical."



"Improve transportation links into New Zealand – seaports and airline access for freight."



"Manage international tourism numbers through limiting numbers (and potentially an entry tariff)."

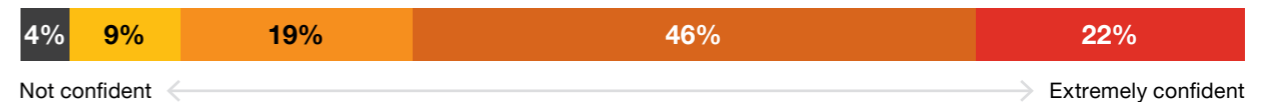


"Improve our healthcare system by removing the current structures and adopting world class models, systems and leadership."

Question: How confident are you about your company's prospects for revenue growth over the **next 12 months**?



Question: How confident are you about your company's prospects for revenue growth over the **next three years**?



Source: PwC 25th Annual Global CEO Survey



# Prepare for headwinds in the economy

CEOs are cautiously optimistic about economic growth, both globally and in New Zealand. When we surveyed business leaders in October and November in 2021, a significant proportion (64%) said they expect global economic growth to improve in the year ahead – a large uptick compared to previous surveys (39% in early 2021).

These numbers reveal local CEOs are less confident than their global counterparts (77%) about global economic growth although it's unclear how the Omicron outbreak has affected this outlook.

The same can be said when it comes to New Zealand's own economic growth. At the time the survey was carried out, many local business leaders (49%) thought this country's economic growth would improve in the next 12 months. The continued impact of the pandemic as well as the effect of rising inflation have only become more apparent in the intervening period.



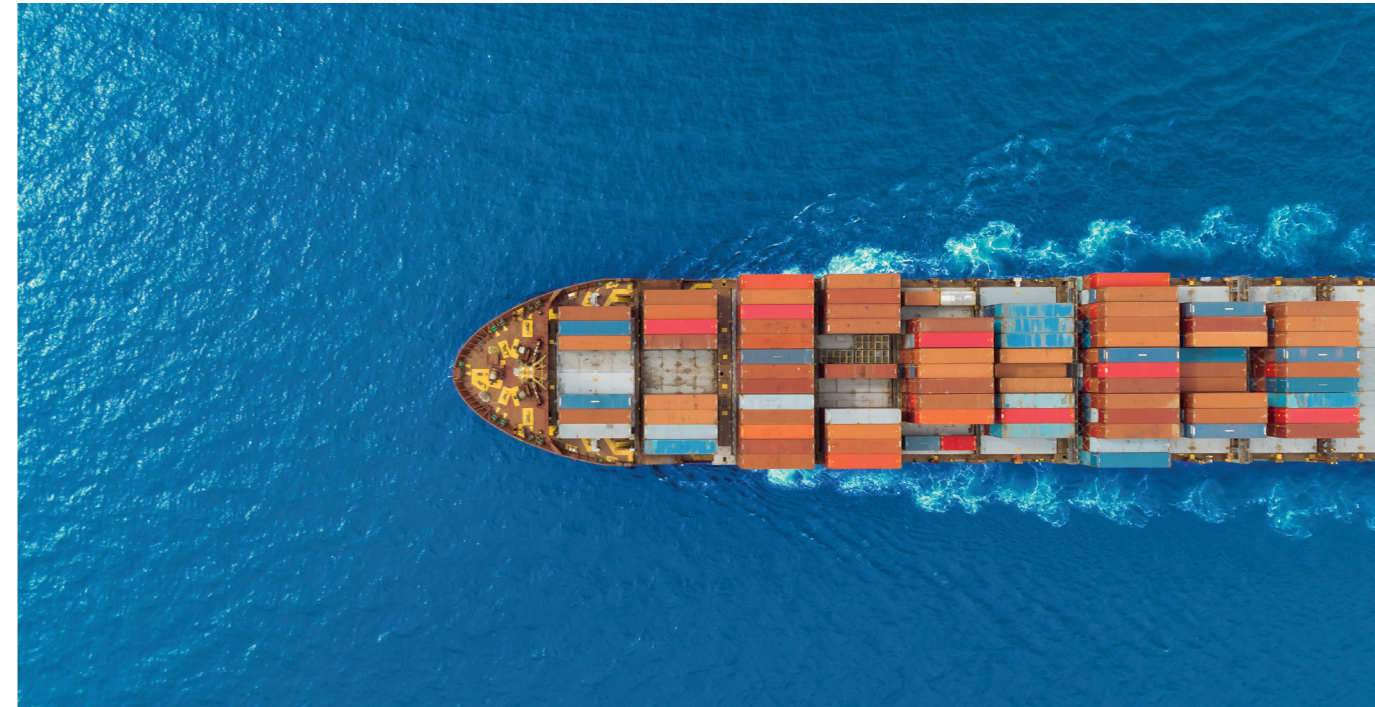
64% of NZ CEOs believe global economic growth will improve over the next 12 months compared to 39% in the prior year



49% of NZ CEOs believe economic growth in New Zealand will improve in the next 12 months



34% of NZ CEOs are concerned about macroeconomic volatility (GDP, unemployment, inflation) compared to 43% of global CEOs



Question: Do you believe global economic growth will improve, stay the same or decline over the **next 12 months?** (showing only 'improve' responses)



Source: PwC 25th Annual Global CEO Survey

Cont.

## Prepare for headwinds in the economy

**“A lot has happened in the months since the PwC CEO Survey was carried out so it’s likely we’d see some different responses now.**

### The current economy

From a New Zealand perspective we had been able to get back to business last year despite the lockdowns. We saw our central bank and government do a lot to provide support and stimulus to the economy. This instilled a sense of confidence and led to some resiliency to the effects of the pandemic.

While parts of our economy are performing very well and we do still expect some growth, this year we are facing several headwinds.



NZ CEO

“We need to get people into the country to enable the economy to grow.”

These include labour shortages, the continued travel restrictions and supply chain constraints, to name a few. There’s also the Omicron outbreak and the resulting business continuity issues to work through, largely with reduced stimulus or support relative to previous outbreaks.

### Inflation pressures

We’ve also just seen the annual inflation rate rise to 5.9%. In terms of outlook over the next year, we should see some of the factors causing this to abate with headline inflation peaking over the next couple of quarters. However, the ability for the RBNZ to get this sustainably back down towards 2% in 2022 is unlikely as the mechanics of elevated inflation rolls through into people’s pricing expectations.

A lot of the pressures creating inflation are out of New Zealand’s control (e.g. oil prices or shipping costs). It’s therefore unlikely that higher domestic interest rates will have much of an impact on those factors.

### Household spending crunch

Real wage growth remaining negative, the borders staying mostly closed and local interest rates rising will create real issues for households and our collective spending. Ultimately, money going into rising costs is money coming out of the wider economy as



consumer demand changes. We’re likely to see wage rate rises but it won’t be enough to compensate for these pressures.

### Priorities for business leaders

Business leaders need to be thinking about where interest rates are going and the flow on effect of that from a consumer demand perspective. Most companies carry some form of debt and with interest rates moving higher, leaders need to be prepared for that.



NZ CEO

“The [current level of government] debt will have long term negative ramifications on many types of sustainable outcomes.”

A key challenge here is connecting how higher interest rates might impact strategic priorities like funding decarbonisation investments, or other growth-related capex plans.

Labour and skills shortages are likely to persist despite borders reopening as well as ongoing supply chain issues throughout 2022, further challenging the resiliency of New Zealand businesses. There are a number of reasons to remain optimistic about the growth outlook. For example a low NZD coupled with record high prices in some key commodities will mean a boom for New Zealand exporters.”



**Alex Wondergem**  
Partner  
PwC New Zealand





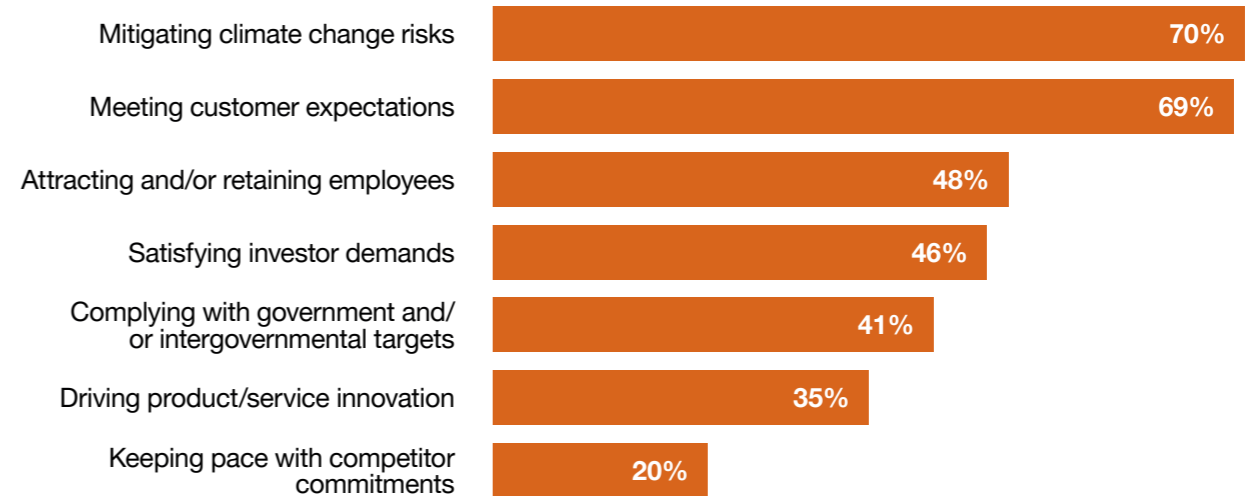
# Expand efforts to manage climate change

The latest survey findings reveal that while New Zealand CEOs are concerned about climate change they are considerably less troubled than their Australian and global counterparts (23% of local CEOs expressed concern compared to 37% in Australia and 33% globally).

These numbers may reflect the situation in New Zealand when the survey was carried out (in October and November 2021 parts of the country were in lockdown), with health risks seen as the primary issue for local CEOs (61%).

The numbers also show that New Zealand business leaders are lagging behind in their carbon-neutral and net-zero commitments. Only a small number (18%) say their company has made a carbon-neutral commitment in contrast to 33% in Australia and 26% globally. The results are similar when it comes to net-zero commitments (16% of New Zealand CEOs compared to 24% Australia and 22% globally). Although more say they are working towards carbon-neutral (32%) and net-zero (29%) there is clearly more still to be done.

Question: How influential are the following factors behind your company's **carbon-neutral and/or net-zero commitments?** (showing responses for 'very influential' & 'extremely influential' only)



Source: PwC 25th Annual Global CEO Survey



of NZ CEOs are 'very' or 'extremely concerned' about the impact of climate change on their companies compared to 37% of Australian and 33% of global CEOs



of NZ CEOs say their company has made a **carbon-neutral commitment** compared to 33% in Australia and 26% globally



of NZ CEOs say their company has made a **net-zero commitment** compared to 24% in Australia and 22% globally

Cont.

## Expand efforts to manage climate change

“In other parts of the world we’ve seen numerous companies make net-zero and carbon-neutral commitments but that hasn’t happened to the same extent in New Zealand, yet. The trend has been driven, in part, by governments taking steps to drive the private sector – something we haven’t seen as much locally. However, this could change in May when the emissions budget is set by the New Zealand Government.

### The opportunities

Businesses can create opportunities through making net-zero and carbon-neutral commitments. They will have to make fundamental changes to their strategy as well as business and operating models. In this, lies the possibility to capture the benefit of new technologies, introduce efficiencies, drive down costs or transform supply chains, for example.

### Remaining competitive

New Zealand businesses also need to remain competitive internationally. With offshore competitors already ahead, local businesses

must act now to keep up and not be left behind. There is an opportunity to learn from the actions of those international businesses who are already greening their supply chains and innovating to reduce their impact on the planet.

Developments like the [EU taxonomy for sustainable activities](#) could have a direct impact on a wide range of New Zealand exports and trade. The introduction of carbon border adjustment mechanisms and other regulatory levers could disadvantage New Zealand companies if they don’t start making changes.

### Change is now

There is often a misplaced perception that climate change is something that’s happening in the future but it is happening now. It can’t be left to someone else to solve. The impact for business can be seen in the way that global financial markets are starting to respond. Access to capital is changing as well as the ways investors view climate risk. An example of this is the rise in due diligence related to ESG criteria in M&A transactions.

### Funding challenges

This year, a major theme we’re seeing develop is the financing of addressing climate change. At COP26 we saw a lot of discussion about where the funding is going to come from

Question: How accurate are the following statements regarding why your company has not made a **carbon-neutral or net-zero commitment?** (showing responses for ‘very accurate’ and extremely accurate’)



Source: PwC 25th Annual Global CEO Survey

and I’d expect that to continue. Financing to enable and accelerate the transition to the zero carbon economy whether that’s from governments or the private sector is critical.”



**Annabell Chartres**  
Sustainability and  
Climate Change Leader,  
PwC New Zealand

# How PwC can help

**PwC New Zealand advises organisations on a wide range of areas. This report highlights expertise from our treasury advisory and climate change and sustainability services. Please read below for a more detailed description of these services:**

## **Treasury advisory**

PwC's Treasury Advisory team of experienced advisers provide independent, clear, pragmatic and impartial advice to clients on all aspects of treasury and debt management. Whether that involves hedging policies for foreign exchange, interest rate and commodity price risk, or designing and implementing strategies for securing optimal debt funding arrangements for borrowers.

## **Climate change and sustainability**

PwC advises clients across the New Zealand economy on a range of sustainability initiatives, carbon reduction strategies and reporting. Our team includes leading specialists in sectors that are at the forefront of the transition to a renewable future, including the energy, transportation, agriculture, and the digital sectors.

## **Contacts**



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# Survey methodology

PwC surveyed **4,446 CEOs** in **89 countries** and territories in October and November of 2021.

Ninety New Zealand CEOs contributed to this year's findings.

The global and regional figures in this report are weighted proportionally to country or regional nominal GDP to ensure that CEOs' views are representative across all major regions. The industry- and country-level figures are based on unweighted data from the full sample of 4,446 CEOs. Further details by region, country and industry are available on request.

Please explore the global survey findings on the PwC Global [website](#). The findings for Asia Pacific CEOs can be found [here](#).

Not all percentages in charts add up to 100%—a result of rounding percentages, multi-selection answer options, and the decision in certain cases to exclude the display of certain responses, including 'other,' 'none of the above' and 'don't know.'

The research was undertaken by [PwC Research](#), our global centre of excellence for primary research and evidence-based consulting services.



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