



# ANNUAL REPORT 2018-2019

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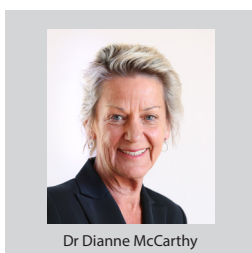
## About NZIER

- The NZ Institute of Economic Research Inc ([NZIER](#)) is an independent economic consulting and forecasting organisation specialising in quality economic analysis and research to help decision-makers in both the private and public sectors with strategic and policy advice.
- We devote a share of the surplus on our operations to fund our public good research and other activities.
- We are a non-profit incorporated society that was established in 1958.
- We are independent of Government and any other organisation and we conduct our activities in an impartial and independent manner free from bias or any sectional interest.
- Membership is open to all.

## Thanks

- Premium members, members and clients for providing the funding necessary to carry out the Institute's work.
- The New Zealand Treasury for providing a grant towards the cost of the *Quarterly Survey of Business Opinion*.
- Professor Mark Holmes, Dr Veronica Jacobsen, Dr John McDermott, Catherine Beard and Tim Ng for being part of the Awarding Panel for the 2018 NZIER Economics Award.
- Murray Sherwin, Chair of the New Zealand Productivity Commission, for providing the address at our 2018 Annual General Meeting on the topic *The Low Emissions Economy*.

# Chair's report



Dr Dianne McCarthy

2018-19 was a watershed year for NZIER. In November 2018, we celebrated our 60th birthday. No birthday is complete without a party, and we held ours at the City Gallery. Wallace Chapman compered a memorable evening, during which Minister of Finance Grant Robertson gave a witty speech on the contribution NZIER has made to the public discourse on economics and policy in New Zealand over so many years. Former Director Kerry McDonald drew on the experience of NZIER, which stretches back to the 1960s, to suggest the paths that this discourse might take in the future, and Twinset complemented the occasion with the best of contemporary New Zealand jazz.

We also bade farewell to Michael Walls, who retired after many years exemplary service as Chair of NZIER. We will miss Michael's experience, judgement and good humour, and wish him well for his retirement.

## Financial results

NZIER's revenue during the 2019 financial year was 13 percent lower than 2018 and slightly above the result for 2017. Expenses were also 13 percent lower than the prior year, represented principally by lower employee costs and lower contract-related costs in the latter part of the year. NZIER's operating profit for the year was \$9,338. NZIER applied \$264,852 to public good activities during the year.

NZIER's net asset position improved in the course of the year and remained strong at the end of the financial year. NZIER's cash position was lower at the end of the year, in line with light demand in the latter part of the year.

## Public Good

At the heart of NZIER's mission is its public good programme, which seeks to educate and encourage debate on economic issues affecting New Zealand. NZIER funds the activities and projects that comprise the public good programme itself, and this ethos underpins the approach of the Board, the Chief Executive and the staff to all its activities.

During the financial year, NZIER spent a total \$264,852 on public good activities. This sum includes funds devoted to the annual NZIER Economics Award, which recognises excellence in economics of relevance to New Zealand. I am grateful to the members of the independent Awarding Panel who give up their time to review the proposals and recommend a recipient. In 2018, the Award was presented to Professor Gail Pacheco of the Auckland University of Technology, in recognition of her contributions to labour economics over many years.

## Staff

NZIER's high reputation for the quality of its work rests upon the calibre of its staff. The quality of the economists who have joined NZIER during the year has been exemplary, and it has been pleasing to note the increasing number of younger economists developing their careers at NZIER.

## Governance

The previous financial year's committee structure has continued, with the Audit and Remuneration & HR Committee operating well. I extend my particular thanks, on behalf of NZIER, to the members of those Board committees. I also thank Angela Bull for her diligence and dedication as Deputy Chair.

## Thanks

On behalf of NZIER, and personally, I again thank all the Board members for their contributions to NZIER's success during the last financial year.

I would also like to extend my thanks to all the staff of NZIER and Chief Executive Laurence Kubiak for their commitment to NZIER and for their real achievements on its behalf.

*Dr Dianne McCarthy CNZM CRSNZ, July 2019*

# Chief Executive's report



I extend my deepest thanks to all who contributed to NZIER during its 60th anniversary year. To the staff of NZIER, who are not only economists of uncommon skill and insight but are also thorough professionals with clients and supportive collaborators with colleagues. To the Board, whose wise and experienced guidance has been invaluable during this time of change and opportunity. To our members, whose support allows NZIER to carry out its important role as an impartial business barometer and an independent source of macroeconomic advice and forecasting. Above all to our clients, who commission us to work on questions that matter not only to the individual organisations concerned but often to the prosperity or wellbeing of all New Zealanders.

2018/19 saw many changes at NZIER. The first 6 months of the year were some of the busiest on record, the end of the year some of the quietest. It was a year of board renewal – a year in which we brought in new staff with skills in the developing areas of data science and visualisation, and a year in which we started to take a hard look at the opportunities and developments in digital technologies could deliver for NZIER. The Wellington and Auckland offices continued to work seamlessly as one NZIER, and we undertook a number of interesting international projects in the course of the year.

Once again, the proportion of client-confidential work undertaken by NZIER increased this year. Important projects in 2018/19 in the public domain included:

- A project for the Ministry for the Environment that estimated the cost of achieving net zero emissions by 2050.
- A project for Ashburton Council that combined innovative econometric techniques and labour economics to answer the perennial regional economic development question what makes a location attractive?
- An analysis of the different approaches taken to facing the fiscal challenge presented by an ageing population in Australia and New Zealand for Chartered Accountants Australia and New Zealand.
- A project for PEPANZ that estimated the economic impact of ending offshore oil and gas exploration in Taranaki.
- A number of quantitative modelling and regulatory advice projects in the energy sector for public and private clients.
- NZIER's policy advice benchmarking work, which continues to be in high demand – last year, we continued to expand the number of local and central government clients for this work and provided practical advice on lifting the quality of their analysis and communication.

NZIER's Public Good programme undertook some interesting projects in 2019. For our 60th birthday, we used innovative choice modelling techniques to identify what Kiwis really mean when we say we want swimmable rivers. (What we want is clear water – we don't want to swim in the rivers.) We also examined the government's proposal to charge overseas visitors for access to New Zealand's Great Walks and investigated alternatives. NZIER's short papers (*Insights*) continued to be influential this year, as did the macroeconomic forecasts offered as a service to members. Christina Leung, our Head of Membership Services, added another international macroeconomic forecasting award to the one she received from UK-based Consensus Economics in 2017. 2019's award was from Focus Economics, also based in Europe.









I thank my colleagues for all they have done to sustain and enhance NZIER's already enviable reputation for authority, independence and rigour throughout the year. I also thank the Board for their guidance and support as we work together to grow the contribution, influence and long-term success of NZIER.

*Laurence Kubiak, July 2019*

# NZIER Board

The role of the NZIER Board is to:

- Be responsible for the Institute continuing to strive towards attaining its goals as they are agreed from time to time, and for the Institute's strategic direction.
- Monitor and safeguard the continuation of the Institute in good financial health and morale.
- Ensure the employment of a Chief Executive of the Institute, on appropriate terms, and monitor the Chief Executive's performance relative to those terms.
- Keep under review the performance of the Chief Executive and, through the Chief Executive, the Institute's staff.
- Give advice to the Chief Executive on questions of general business practice or standards within the knowledge of the Board and give advice on strategic planning initiatives and issues.

	 <p>Dr Dianne McCarthy (Chair from 1 April 2019)</p>		 <p>Michael Walls, Chair (Retired 31 March 2019)</p>			 <p>Angela Bull, Deputy Chair</p>	
	 <p>Paul Baines</p>		 <p>Professor Viv Hall</p>			 <p>Grant Pryde Appointed 1 April 2019</p>	
	 <p>Keith Watson</p>		 <p>Laurence Kubiak, Chief Executive Ex officio</p>		<p>Auditors Grant Thornton Solicitors Kensington Swan Secretary JT Matthewson</p>		

# Members 2018-19

## Premium members

Auckland Council  
Citi Investment Research and Analysis  
Colliers International New Zealand  
Commerce Commission  
Electricity Authority  
Greater Wellington Regional Council  
Horizon Energy Distribution Ltd

Jones Lang LaSalle Advisory Ltd  
Ministry of Business, Innovation & Employment  
Ministry of Foreign Affairs & Trade  
New Zealand China Council  
Reserve Bank of New Zealand  
Strategic Pay Ltd  
The Treasury

## Standard members

AAPC Properties Pty Ltd  
Accident Compensation Corporation  
AgResearch Limited  
Airways Corporation of New Zealand Ltd  
AllianceBernstein Australia Limited  
ANZ Banking Group Ltd  
ASB Bank Ltd  
Auckland University of Technology  
Australian High Commission  
Bancorp New Zealand Ltd  
Bank of New Zealand  
Bayleys Real Estate Ltd  
Beef and Lamb New Zealand Ltd  
Blind Foundation  
Boffa Miskell  
Business New Zealand  
Cameron Partners Limited  
CB Richard Ellis Ltd  
Darroch Ltd  
Deloitte  
Deutsche Group Services Pty Ltd  
Embassy of the United States of America  
Ernst and Young  
Financial Markets Authority  
Fletcher Building Ltd  
Fonterra Cooperative Group  
Genesis Energy  
Goldman Sachs New Zealand Limited  
Grant Thornton NZ Ltd  
Grundfos Pumps New Zealand Ltd  
Habour Asset Management  
Heartland Bank  
Holcim ( New Zealand) Ltd  
Holden New Zealand Ltd  
Honda New Zealand Ltd  
Infometrics Ltd  
Inland Revenue Department  
JETRO  
JP Morgan

Kiwi Property Management Ltd  
Kiwibank  
KPMG  
Laurion Capital Management LP  
Lincoln University  
Massey University  
MediaWorks TV Limited  
Ministry of Education  
Ministry of Social Development  
Ministry of Transport  
National Australia Bank  
New Zealand Refining Co Ltd  
New Zealand Trade & Enterprise  
Office of the Controller & Auditor-General  
Omnicom Media Group  
Oyster Property Group Ltd  
Pacific Aluminium New Zealand Ltd  
Palmerston North City Council  
Parliamentary Library  
Powerco Ltd  
PricewaterhouseCoopers  
Productivity Commission  
Rank Group Limited  
Rider Levett Bucknall  
St John New Zealand  
State Services Commission  
Statistics New Zealand  
Steel and Tube Holdings Ltd  
Stride Property Management Ltd  
The Todd Corporation Ltd  
Toyota New Zealand Ltd  
Transpower New Zealand Ltd  
UBS New Zealand Ltd  
University of Auckland  
Vector Ltd  
Victoria University of Wellington  
Waste Management NZ Ltd  
Westpac New Zealand Ltd

# Public Good

Each year NZIER undertakes or funds activities to promote and assist research into economic problems directly or indirectly affecting New Zealand. These activities are mostly funded from our own resources, and occasionally from sponsorship.

## NZIER Economics Award 2018

The NZIER Economics Award was established in 1994 to promote and recognise excellence in economics of direct or indirect benefit to New Zealand.

The 2018 Award was presented to Professor Gail Pacheco for her work on the gender pay gap.

A copy of the full citation can be viewed at [www.nzier.org.nz](http://www.nzier.org.nz)

## Publications

Part of our public good work involves preparing and publishing freely-available reports on economic topics of importance to New Zealand. During the 2018-19 year we published:

- *NZIER public discussion paper* The Fiscal Responsibility Act 1994: The astonishing success of a weak non-binding policy.
- *Insights* - feature pieces on topical economic and policy issues:
  - What our housing conversations no longer say
  - Clear as mud: Water is under pressure
  - Hiking prices and tourism funding: Are we on the right track?
- *Monetary Policy Shadow Board* - provides a recommendation ahead of each monetary policy decision.
- *Consensus Forecasts* - provides regular consensus views on the economy.

## Further Public Good work

Some further examples of our public good work during the 2018-19 year are:

- Maintaining and hosting [www.data18.50.nz](http://www.data18.50.nz), a repository for long-term economic data for New Zealand
- Sponsorship of the NZ Association of Economists annual poster prizes
- Responding to inquiries from the public and students looking for information about the New Zealand economy
- Providing comment for the media
- Presentations at conferences and workshops.

NZIER's Public Good publications are available from [www.nzier.org.nz/publications](http://www.nzier.org.nz/publications)



# Membership services

NZIER offers its members a comprehensive macro-economic forecasting service. Successful organisations need a clear picture of the economy, and how it is likely to develop. Economic forecasts can help our members understand the economic circumstances that are likely to prevail in the future, allowing them to take advantage of economic opportunities and minimise the impact of downturns.

Our standard membership services are listed below. In addition, we offer our members customised analysis and strategic briefings.

Information on becoming a member is available at [www.nzier.org.nz/about/membership](http://www.nzier.org.nz/about/membership)

Membership products are available at [www.nzier.org.nz/publication](http://www.nzier.org.nz/publication)

## Quarterly Predictions

*Quarterly Predictions* contains detailed and comprehensive forecasts for the New Zealand economy. Each issue contains forecasts for four to five years ahead, with focus on the composition and drivers of economic growth in the coming two years. Empirical analysis is complemented by an examination of related economic and policy issues, and any risks attached to the forecasts.

During the 2018-19 year issues 218-221 were published.

## Quarterly Survey of Business Opinion

Begun in 1961, NZIER's *Quarterly Survey of Business Opinion* is New Zealand's longest running and most comprehensive business confidence survey. The resulting indicators are a valuable tool for assessing the current state of the economy, and forecasting short term economic activity.

The survey samples manufacturers, builders, architects, wholesalers and retailers, and service sector firms. Information from these industries provides useful indicators of future investment patterns, and the likely direction and composition of economic growth in coming quarters.

During the 2018-19 year issues 228-231 were published.

## CPI Forecasts

This specialist publication provides the forecasts of inflation in the Consumer Price Index (CPI) of all the major forecasting organisations in one place.

The CPI Forecast Summary table is published four times a year in March, June, September and December.

# Economic consulting

NZIER provides independent economic consultancy to businesses and government agencies.

We help our clients take advantage of opportunities and solve problems by applying our expertise in economics and knowledge of our clients' sectors.

Please visit [nzier.org.nz](http://nzier.org.nz) for further information on our consultancy services.

# Summary financial statements

## for the year ended 31 March 2019

### Notes

#### 1. General Information

The summary financial statements are presented in New Zealand dollars, which is the Institute's functional and presentation currency.

The summary financial statements have been prepared in accordance with FRS 43: Summary Financial Statements.

The summary financial statements have been extracted from audited financial statements authorised by the Board of Directors for issue on 12 June 2019.

The full financial statements comply with New Zealand generally accepted accounting practice and were prepared under the framework for differential reporting.

An unmodified audit opinion was issued on the full financial statements.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

The full financial statements are available from [www.nzier.org.nz](http://www.nzier.org.nz).

The summary financial statements are for New Zealand Institute of Economic Research (Inc.) as a separate legal entity. The Institute is designated as a public benefit entity for financial reporting purposes.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year.

#### 2. Public good work

In addition to direct operational expenditure of \$25,826 (2018: \$58,313) on a wide range of public good projects, the Institute incurred a further \$239,026 (2018: \$279,502) at normal charge out rates of staff time on Institute public good activities, and nil for direct capitalised project costs (2018: \$1,700). The total resources applied to public good work was \$264,852 (2018: \$339,515).

## Statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 \$	2018 \$
<b>Revenue from non-exchange transactions</b>			
Other grants		15,000	15,000
		<u>15,000</u>	<u>15,000</u>
<b>Revenue from exchange transactions</b>			
Membership fees		278,698	274,270
Contract research income		4,387,166	5,062,396
Interest revenue		41,064	33,738
Other operating revenue		462	-
Sublease rental income		274,542	268,855
		<u>4,981,933</u>	<u>5,639,259</u>
<b>Total revenue</b>		<u>4,996,933</u>	<u>5,654,259</u>
<b>Expenses</b>			
Direct public good costs	2	25,826	58,313
Employee related costs		3,004,607	3,413,777
Contract expenses		529,184	649,095
Depreciation and amortisation		167,487	185,318
Operating expenses		1,239,940	1,303,757
Operating lease rental		20,551	22,435
		<u>4,987,595</u>	<u>5,632,695</u>
<b>Total expenses</b>		<u>4,987,595</u>	<u>5,632,695</u>
Total surplus for the year		9,338	21,564
Other comprehensive revenue and expenses		-	-
<b>Total comprehensive revenue and expense for the year</b>		<u>9,338</u>	<u>21,564</u>

## SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Statement of financial position

as at 31 March 2019

	Note	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents		753,261	1,222,606
Investments		1,000,000	576,497
Receivables from exchange transactions		1,014,633	1,074,532
Accrued income		410,674	381,834
Prepayments		48,403	29,253
		<u>3,226,971</u>	<u>3,284,722</u>
<b>Non-current assets</b>			
Intangible assets		41,426	105,264
Property, plant and equipment		295,483	345,509
		<u>336,908</u>	<u>450,773</u>
<b>Total assets</b>		<u>3,563,880</u>	<u>3,735,495</u>
<b>Current liabilities</b>			
Trade and other payables		245,416	187,182
Employee entitlements		256,803	509,253
GST payable		107,854	116,011
Lease inducement		10,588	29,467
Revenue in advance from exchange transactions		352,456	312,156
		<u>973,116</u>	<u>1,154,069</u>
<b>Total liabilities</b>		<u>973,116</u>	<u>1,154,069</u>
<b>Net assets</b>		<u>2,590,764</u>	<u>2,581,426</u>
<b>Equity</b>			
Accumulated comprehensive revenue & expense		2,590,764	2,581,426
Total equity		<u>2,590,764</u>	<u>2,581,426</u>

## Statement of changes in net assets for the year ended 31 March 2019

	Accumulated comprehensive revenue & expense	Total equity
	\$	\$
Opening balance 1 April 2018	2,581,426	2,581,426
Total comprehensive surplus	9,338	9,338
<b>Closing equity 31 March 2019</b>	<b>2,590,764</b>	<b>2,590,764</b>
Opening balance 1 April 2017	2,559,862	2,559,862
Total comprehensive surplus	21,564	21,564
<b>Closing equity 31 March 2018</b>	<b>2,581,426</b>	<b>2,581,426</b>

## Cash flow statement for the year ended 31 March 2019

	2019	2018
	\$	\$
Net cash flows from operating activities	(27,594)	236,964
Net cash flows from investing activities	(441,752)	503,980
Net (decrease) in cash and cash equivalents	(469,346)	740,944
Cash and cash equivalents at 1 April	1,222,606	481,662
<b>Cash and cash equivalents at 31 March</b>	<b>753,261</b>	<b>1,222,606</b>

NZ Institute of Economic Research Inc

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