



2021

ANNUAL REPORT





To the year ended 31 March 2021

NZ Institute of Economic Research Inc.

Wellington: Level 13, 22-28 Willeston Street

PO Box 3479, Wellington 6140

Auckland: Ground Floor, 70 Shortland Street, Shortland Chambers
PO Box 503, Auckland 1140

0800 220 090 or 04 472 1880 econ@nzier.org.nz, www.nzier.org.nz

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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.
- Graham Mitchell, CEO of Crown Infrastructure Partners for providing the address at our 2020 Annual General Meeting on the topic "New Zealand's New Deal – How we took the concept of seeking shovel ready projects to an infrastructure stimulus programme".

Chairman's report



Keith Watson, Chairman

In these uncertain times, the need for data-driven, evidence-based insights has never been more acute. NZIER has been a clear and rational guide to the many organisations seeking robust bases for difficult decisions over the last year. Never has this been more clearly evident than in the early weeks of the COVID-19 emergency, when NZIER steadfastly maintained the line that the temporary halt in the economy would be followed by a rapid snap back against a tide of apocalypticism from other economists.

NZIER continued to invest in 2020/2021, retiring the last of its legacy systems and laying the foundations for further investments in digital capability in the years ahead. NZIER's historic investment in cloud-based agile and collaborative tools paid off handsomely this year: the lockdowns caused no interruption to NZIER's delivery of a heavy workload during that time.

Financial Results

2020-2021 was a year of two halves – exceptionally busy leading up to the election and exceptionally quiet in the period after it. By the end of the year, revenue was 9% lower than the prior year. NZIER also reduced operating expenses by 6% over the prior year, but the very quiet close to the year meant that we had made a small loss (\$6,470 against revenue of \$5,089,147) for the year. NZIER applied \$398,543 to Public Good outputs during the year, an increase of \$73K over the prior year.

The quiet end to the year meant that receivables were 33% lower and work in progress was 26% lower than the previous year close; however, strong liability management meant that NZIER's net asset position only fell by 0.2% compared to prior year (liabilities fell by 28%). Our first defence against the COVID uncertainty was strong cash management, and cash increased by \$70K over the previous year, a 7% increase over the prior year. NZIER's cash reserves held as investments also rose by 2% across the previous year.

NZIER's auditors have reviewed our plans for managing against the impact of the COVID-19 pandemic and concluded that we have the resources and procedures in place to continue operating and that the going-concern assumption remains robust. I am happy to report that the period of extremely weak demand at the end of the last financial year has reversed strongly. NZIER is now in a period of strong demand, which bodes well for the year ahead.

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. This ethos underpins the approach of the Board, the Chief Executive and the staff to all its activities.

NZIER spent a total of \$398,543 on Public Good activities during the financial year, up from \$325,768 in the previous year. The Public Good programme also funds NZIER's series of Insights – brief papers intended to stimulate public discussion on important topics, which this year focused on the impact of COVID-19 on aspects of the New Zealand economy (the snap-back series), the extremely popular Economics Explained series issued in collaboration with The Spinoff. We also collaborated with Unity books on another successful round of the Summer Reading List for the Prime Minister.

We gave financial support to policy.nz's Complete Guide to NZ Election 2020, an interactive website that allowed users to compare and rank the policies advanced by the different political parties and make better informed decisions about where to cast their votes. The Chief Executive's report shows a more detailed record of the Public Good outputs during the year.

Staff

NZIER would find it impossible to sustain its high reputation in the market without placing an absolute priority on the calibre of its staff. COVID-19 obliged NZIER to be restrained in its recruiting over the last year, but the class of 2021, although small, is of exceptional quality. I wish them long and successful careers at NZIER.

Governance

The Audit and Remuneration Committees have both continued to operate well. I extend my thanks to the members of those Board committees.

The Board completed a review of NZIER's Constitution in 2020, the first since 2005.

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 their real achievements on its behalf.



Keith Watson, Chair

Chief Executive's report



Laurence Kubiak, Chief Executive

Last year was a year like no other. The first lockdown in April and May 2020 coincided with the busiest period I have seen at NZIER, but the business didn't drop a stitch when the lockdown was imposed. It continued at the same rapid pace, fully justifying the investment in IT systems and collaborative tools NZIER has made over the last few years. Like every business in New Zealand, we prepared COVID-19 response plans framed around catastrophic reductions in demand and seriously considered approaching the government for financial support. But the demand dip failed to arrive until the very end of the year, and we were never even close to fulfilling the criteria for participating in the wage subsidy.

I want to acknowledge the extra burden carried by staff throughout this anxious, unpredictable time. Despite the additional stresses of being suddenly confined to their homes and against a backdrop of constant uncertainty, their professionalism and concern for clients never wavered. I would also like to acknowledge the contribution of our support staff, who not only implemented the systems needed to continue to operate without interruption but shouldered the day-to-day logistics associated with the shifting lockdowns.

The post-election period in an election year is always quiet for NZIER. A September election is usually the prelude to three to five slow months, after which demand returns to normal. Delaying the election to October extended this quiet period and meant that we saw no uptick in demand until the new financial year. At the time of writing (early July), demand is looking very strong. This extended quiet period was the true impact of COVID-19 on NZIER and is why we are reporting a small loss for the 2020-2021 financial year.

2020-2021 was also a landmark year for Membership Services. Many, perhaps most, membership organisations have undergone declines in recent years. NZIER is no exception, but this trend has reversed strongly over the last year. At the end of the 2020 financial year, NZIER had 83 members, but by the end of the 2021 financial year, this figure had risen to 111, testifying to the value members place on the services and information they receive and a tribute to the unremitting work of Christina Leung and Lewis Rowland. It is also pleasing to record here that Christina became Head of Auckland Business during the year.

At the core of NZIER's mission is its Public Good programme, which is funded entirely internally. This year was busy with Public Good projects, large and small, some undertaken in collaboration with other organisations. Notable among these was the record-breaking Everyday Economics series (with The Spinoff), the Gains for Everyone project on inclusive growth (with the Helen Clark Foundation) and our 2nd Prime Minister's Summer Reading List (with Unity Books). On our account, we generated wide interest through our 8 Insight publications on New Zealand's rebound from COVID-19, issued a significant working paper on New Zealand's place in the World, and kept up our regular releases of Consensus Forecasts, Masterclass notes on improving the quality of policy advice, Shadow Board updates and regular requests for media commentary and presentations on topical issues. We also co-funded policy.nz's NZ election 2020 online tool for comparing the policies of the parties participating in the General Election.

Over the last year, the client work we have undertaken is of such astonishing variety that I am at a loss to know what to single out for comment. Sustainable medicines policy? Producer responsibly solutions in packaging? COVID-19 impacts on Pacific Island countries? E-commerce? The cost-effectiveness of arthritis care? The value of mutual recognition agreements. All were placed under the NZIER microscope over the last year. NZIER's Policy Advice Benchmarking work continues to be in high demand in the government sector, and last year was – perhaps unsurprisingly – particularly rich in business case work and strategy support for the private sector. The role NZIER plays in improving decision-making in both the public and private sectors in New Zealand is impossible to overestimate. Our thanks go to our clients – in both the public and the private sectors, both national and international – who entrust their wickedest questions to us.

This is my final report as Chief Executive of NZIER. After nearly seven years at the helm, I have decided it is time for someone else to lead this important and unique organisation through the next period of renewal. I will be pursuing a portfolio of interests in governance and business ownership but will retain a relationship with NZIER as an Associate. I leave with memories of kindnesses unsought and unmerited, the thrill of engaging with questions that matter for organisations that matter, and the pride of having served an institution that has stood for all that is finest in New Zealand's intellectual life: rigour combined with relevance.

Above all, I extend my deepest thanks to all the people I would not have encountered without NZIER. The staff of NZIER: economists of uncommon skill and insight, thorough professionals with clients, and supportive collaborators with colleagues. The Board, whose wise and experienced guidance has been invaluable during seven years 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 macro-economic advice and forecasting. To our clients, who commission us to work on issues of importance not only to themselves but often to the prosperity or wellbeing of all New Zealanders. It has been a privilege to serve you all, and I wish you every future success.



Laurence Kubiak, Chief Executive

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.

NZIER Board as at 31 March 2020



Keith Watson
Chair



Dr Dianne McCarthy
Deputy Chair



Paula Brosnahan



Professor Les Oxley



Grant Pryde
Chair HR and Remuneration
Committee



Bruce Wattie
Chair Audit and Risk Committee



Laurence Kubiak
Chief Executive, Ex officio

Auditors Grant Thornton
Solicitors Dentons Kensington Swan
Secretary Terri Boote

Members 2020-2021

Premium Members

Auckland Council
Citi Investment Research and Analysis
Colliers International New Zealand
Commerce Commission
Horizon Energy Distribution Ltd

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

Standard Members

AAPC Properties Pty Ltd
Accident Compensation Corporation
Airways Corporation of New Zealand Ltd
AMP Services NZ Ltd
ANZ Banking Group Ltd
ASB Bank Ltd
Auckland University of Technology
Aurora Energy
Australian High Commission
Bancorp New Zealand Ltd
Bank of New Zealand
Beef and Lamb New Zealand Ltd
Boffa Miskell
Business New Zealand
Callaghan Innovation
Cameron Partners Ltd
CB Richard Ellis Ltd
Datacom
Delegation of the European Union to New Zealand
Deloitte
Department of Prime Minister and Cabinet
Deutsche Group Services Pty Ltd
Embassy of Switzerland
Embassy of the United States of America
Ernst and Young
Farmers Mutual Group
Farmlands Cooperative Ltd
Fire and Emergency New Zealand
Fletcher Building Ltd
Fonterra Cooperative Group
Genesis Energy
Goldman Sachs New Zealand Ltd
Grant Thornton NZ Ltd
Harbour Asset Management
High Commission of Canada
Infometrics Ltd
Inland Revenue Department
JP Morgan
Kiwi Property Management Ltd
Kiwibank
KPMG
Lincoln University
Massey University
Ministry of Education
Ministry of Social Development
Ministry of Transport

Ministry for Primary Industries
Ministry for the Environment
National Australia Bank
New Zealand Customs Service
New Zealand Productivity Commission
New Zealand Refining Co Ltd
New Zealand Trade & Enterprise
New Zealand Transport Agency
Northpower Ltd
Norwood
NZX Ltd
Office of the Controller & Auditor-General
Omnicom Media Group
Oranga Tamariki - Ministry for Children
Oyster Property Group Ltd
Pacific Aluminium New Zealand Ltd
Palmerston North City Council
Parliamentary Library
Ports of Auckland
Powerco Ltd
PricewaterhouseCoopers
Quotable Value Ltd
Rank Group Limited
Rider Levett Bucknall
RDT Pacific
Social Wellbeing Agency
Southern Cross Health Society
Sport New Zealand
Statistics New Zealand
Steel and Tube Holdings Ltd
Strategic Pay Ltd
Tauranga City Council
TATUA Co-operative Dairy Company Ltd
Te Puni Kōkiri
The New Zealand Lotteries Commission
The Todd Corporation Ltd
Tourism New Zealand
Toyota New Zealand Ltd
Transpower New Zealand Ltd
Trustpower Ltd
UBS New Zealand Ltd
University of Auckland
Vector Ltd
Victoria University of Wellington
Waste Management NZ Ltd
Westpac New Zealand Ltd
Wigram Capital Advisors 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

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

The NZIER Economic Award was not offered in 2020.

Publications

Part of our public good work involves preparing and publishing freely available reports on economic topics of importance to New Zealand. During the 2020-21 year we published:

NZIER public discussion papers

- NZ's cannabis referendum 2020: Some facts and recommendations about the process of cannabis legalisation
- What might US Withdrawal from the World Trade Organization mean for New Zealand?
- The potential local and regional impacts of COVID-19 in New Zealand: with a focus on tourism

Insights feature pieces on topical economic and policy issues:

- Pandemic uncertainty: NZIER points to key planning issues
- Targeting support for rural communities in the COVID-19 recovery
- Tourism beyond COVID-19 – Is the future sustainable, local and green?
- COVID-19: The recovery ahead
- Migration after COVID-19
- Land-based industries see New Zealand through tough COVID times
- Is dairy our biggest achievement or yesterday's news?
- Regulators are the new diplomats – the role of IRC in a post-COVID world
- Inflexibility a challenge for the agrifood sector
- COVID-19 – a historical perspective
- Tourism recovery – without stepping on the gas

Consensus Forecasts provides quarterly consensus views on the economy.

The NZIER Monetary Policy Shadow Board aims to encourage informed debate on each monetary policy decision.

Further Public Good Work

Some further examples of our public good work during the 2020-21 year are:

- Hosting and publishing the Prime Minister's Summer Reading list event and list
- Gains for everyone: Towards an inclusive growth agenda for Aotearoa New Zealand – a joint project with The Helen Clark Foundation
- Maintaining and hosting 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

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.

Each year, with the permission of our clients, we make a number of reports publicly available on our website.

Visit [W](#) for further information on our consulting services.

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

Membership products are available at 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 2020–21 year issues 226–229 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 2020–21 year issues 237–240 were published.

CPI Consensus 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.

Summary financial statements

for the year ended 31 March 2021

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 30 July 2021.

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 on the NZIER website 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 \$37,320 (2020: \$46,652) on a wide range of public good projects, the Institute incurred a further \$361,223 (2020: \$226,901) at normal charge out rates of staff time on Institute public good activities, and nil for direct capitalised project costs (2020: \$52,215). The total resources applied to public good work was \$398,543 (2020: \$325,768).

Statement of comprehensive revenue and expense

for the year ended 31 March 2021

	2021	2020
	\$	\$
Revenue from non-exchange transactions		
Other grants	15,000	-
Revenue from exchange transactions		
Membership fees	323,226	265,762
Contract research income	4,431,869	5,031,417
Interest income	21,624	41,460
Other operating income	536	588
Sublease rental income	296,892	270,126
Total revenue	5,089,147	5,609,353
Expenses		
Direct public good costs	37,320	46,652
Employee related costs	3,284,346	3,698,011
Contract expenses	522,793	415,682
Depreciation and amortisation	143,488	135,254
Operating expenses	1,091,411	1,076,815
Operating lease rental	16,259	22,809
Total expenses	5,095,617	5,395,223
Total surplus or (deficit) for the year	(6,470)	214,130
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense for the year	(6,470)	214,130

Statement of financial position

as at 31 March 2021

	2021	2020
	\$	\$
Current assets		
Cash and cash equivalents	1,098,544	1,028,991
Investments	1,059,310	1,036,195
Receivables from exchange transactions	845,172	1,268,104
Accrued income	426,946	580,868
Prepayments	69,815	49,740
	3,499,787	3,963,898
Non-current assets		
Intangible assets	50,549	87,769
Property, plant and equipment	204,868	287,762
	255,417	375,530
Total assets	3,755,204	4,339,429
Current liabilities		
Trade and other payables	130,064	182,398
Employee entitlements	237,467	817,620
GST payable	128,429	199,885
Lease inducement	37,163	-
Revenue in advance from exchange transactions	423,657	334,632
Total liabilities	956,780	1,534,535
Net assets	2,798,424	2,804,894
Equity		
Net surplus/total comprehensive revenue and	2,798,424	2,804,894
Total equity	2,798,424	2,804,894

Statement of changes in net assets

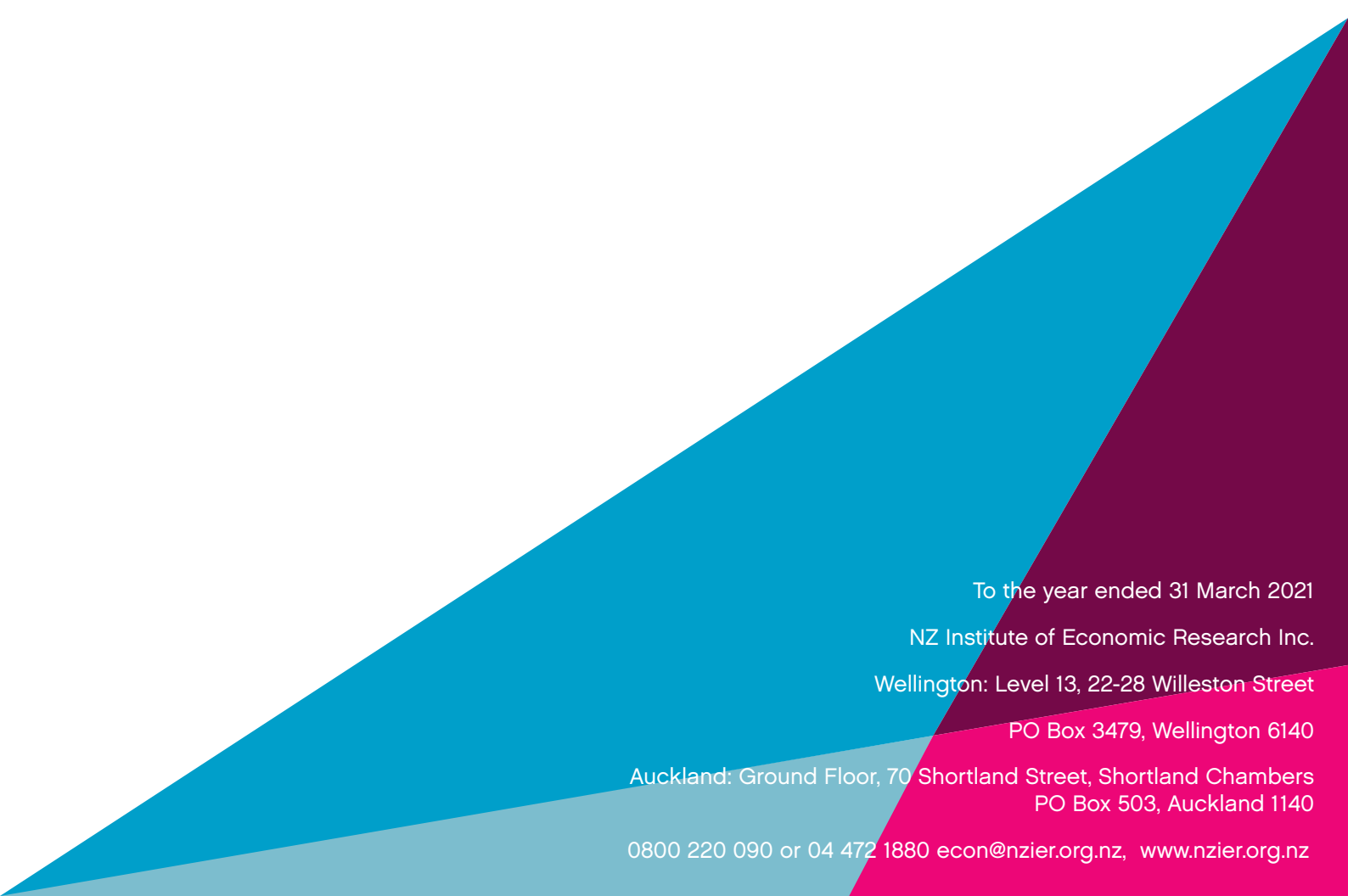
for the year ended 31 March 2021

	Accumulated surpluses	Total equity
	\$	\$
Opening balance 1 April 2020	2,804,894	2,804,894
Net surplus/total comprehensive revenue and expenses	(6,470)	(6,470)
Closing equity 31 March 2021	2,798,424	2,798,424
Opening balance 1 April 2019	2,590,764	2,590,764
Net surplus/total comprehensive revenue and expenses	214,130	214,130
Closing equity 31 March 2020	2,804,894	2,804,894

Cash Flow Statement

For the year ended 31 March 2021

	2021	2020
	\$	\$
Net cash flows from operating activities	89,037	440,716
Net cash flows from investing activities	(19,484)	(164,986)
Net (decrease) in cash and cash equivalents	69,553	275,730
Cash and cash equivalents at 1 April	1,028,991	753,261
Cash and cash equivalents at 31 March	1,098,544	1,028,991



To the year ended 31 March 2021
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Wellington: Level 13, 22-28 Willeston Street
PO Box 3479, Wellington 6140

Auckland: Ground Floor, 70 Shortland Street, Shortland Chambers
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