



# ANNUAL REPORT 2018

# Contents

Chairman's report.....	2
Chief Executive's report.....	4
NZIER Board.....	5
Public Good .....	6
Membership services .....	7
Economic consulting .....	7
Members of NZIER .....	8
Summary financial statements.....	10

NZ Institute of Economic Research Inc.

Wellington: Level 13, 22-28 Willeston Street, Willeston House  
PO Box 3479, Wellington 6140, Phone: +64 4 472 1880

Auckland: Ground Floor, 70 Shortland Street, Shortland Chambers  
PO Box 503, Auckland 1140, Phone: +64 9 973 4340

0800 220 090, [econ@nzier.org.nz](mailto:econ@nzier.org.nz), [www.nzier.org.nz](http://www.nzier.org.nz)

## 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.
- Established in 1958 and based in Wellington we are a non-profit incorporated society.
- 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.
- We devote a share of the surplus on our operations to fund our public good research and other activities.

## 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 Girol Karacaoglu, Dr John McDermott, Ms Suzy Morrisey and Mr Phil O'Reilly for being part of the Awarding Panel for the 2017 NZIER Economics Award.
- Conal Smith for providing the address at our 2017 Annual General Meeting, on the topic *The Economics of Wellbeing*.

# Chairman's report



Michael Walls, Chairman

2018 was a year of consolidation for NZIER, in which the new initiatives of the previous years - the establishment of NZIER's Auckland branch and the establishment of a South Island presence - became embedded in the business. Although demand for NZIER's services slackened in the period following the September 2017, the first half of the year saw strong demand in both Auckland and Wellington. NZIER also undertook a number of substantial projects for international clients during the year.

## Financial results

2018 is the second year in which NZIER has reported its results under the PBE (Public Benefit Entity) standards, so the figures presented in the financial statements for both 2017 and 2018 can be compared directly.

NZIER's revenue during the 2018 financial year was 14% higher than 2017. Expenses were also 11% higher than prior year, representing principally increased lease costs, costs associated with establishing a presence in the South Island, and higher distributions to staff. NZIER's operating profit for the year was \$21,564, an improvement of \$122,193 on the prior year's result. NZIER applied \$339,515 to public good activities during the year.

NZIER's net asset position and its current ratio both improved during the 2018 and were satisfactorily strong at the end of the financial year. NZIER's cash flow position was good throughout the year, and year end cash balances were 17% higher than prior 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 which 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 \$339,515 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 Dame Paula Rebstock DNZM, in recognition of her huge contribution to economics in New Zealand over many years, in particular, her championing of the Investment Approach to funding social services.

## Staff

NZIER continues to enjoy a high reputation for the calibre of its staff. The quality of the economists who have joined NZIER during the year has been exemplary.

## Governance

The previous financial year's committee structure has continued, with Audit, Remuneration, and Investment Committees operating well. I extend my particular thanks, on behalf of NZIER, to the members of those Board committees.

In February 2017 we bade farewell to our Deputy Chairman Kerry McDonald. Kerry has given many years of wise and devoted service to NZIER as Deputy Chairman, Board Member, Director and staff member. His knowledge and experience will be missed.


I am pleased to announce that Angela Bull has been appointed Deputy Chair. Angela is the CEO of Auckland-based property investment company Tramco, and was formerly in a series of leadership roles with Foodstuffs.

Dr. Dianne McCarthy (CRSNZ, ONZM, CNZM) joined the board in 2017. Dr. McCarthy has had a distinguished career in the tertiary, science and health sectors, and was Chief Executive of the Royal Society from 2007 to 2014.

## 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 their Chief Executive, Laurence Kubiak, for their commitment to NZIER, and for their real achievements on its behalf.

A handwritten signature in black ink, appearing to read 'Michael Walls', with a horizontal line underneath the name.

Michael Walls, Chairman  
July 2018

# Chief Executive's report



Laurence Kubiak, Chief Executive

Election years are typically challenging years for NZIER. Demand for NZIER's services from the Government sector typically falls away in the post-election period, as the public service adjusts to a new agenda advanced by new personalities. 2018 was no exception, so it is very pleasing to report a strong revenue result driven by strong local demand in the pre-election period, and international demand throughout the year.

The Auckland and Wellington offices worked together seamlessly as one NZIER, allowing the work to be undertaken by the best consultant for the job, wherever they happened to be based. The flow of projects from the South Island also increased throughout the year, validating NZIER's decision to establish a presence on the mainland.

I wish to extend my deepest thanks to all who contributed to the success of NZIER during this financial year. Once again, NZIER staff showed that they are more than expert economists: they are unstinting in their support for client and colleague alike. The experience and guidance of the board was, as always, an invaluable element in NZIER's success. We acknowledge with gratitude the continued support of our members. Finally, we thank our clients for enabling us to work on such important questions. It is a real privilege to be able to support the business and policy communities with data-driven, evidence-based advice.

Important projects in 2017/18 include:

- Several large projects for clients in both the public and private sectors on the economic impact of biosecurity incursions. Our work on such unwelcome visitors as Myrtle Rust, *Mycoplasma Bovis* and the wonderfully named Brown Marmorated Stink Bug has been invaluable in assisting the responsible authorities to determine the best response to these threats.
- Our study for the Ministry for the Environment which estimated the cost of achieving net zero emissions by 2050.
- Our study for the Chartered Accountants of Australia and New Zealand on retirement income policy in the two countries.
- Our work for a consortium of business interests led by the Employers and Manufacturers Association on the cost of road congestion in Auckland, which made the front page of the Herald during the election period.
- A number of quantitative modelling and regulatory advice projects in the energy sectors for both public and private clients.
- Our study of the effectiveness of sugar taxes for the Ministry of Health
- NZIER's Policy Advice Benchmarking work, which goes from strength to strength. Last year we reviewed the policy advice papers of 17 Government agencies and eight local Government organisations, and provided practical advice on lifting the quality of their analysis and communication.

2018 was a good year for the NZIER public good programme. Our book on social investment (Social Investment: A New Zealand Policy Experiment edited by Derek Gill and Jonathan Boston and including several chapters by NZIER staff) proved timely and topical as the new Government sought to reposition the work done by the previous Government on this new approach to social policy. Peter Wilson's book (with Julie Fry) on immigration and wellbeing, *Better Lives*, received a great deal of media attention upon launch. The new Government is increasingly using wellbeing as framework for policy analysis: the Minister of Finance has already announced that next year's budget will be a wellbeing budget. Some of NZIER's short papers ('insights') also proved influential this year, such as *Peak Inequality*, which showed that income inequality is not increasing, and *Keeping the Bastards Honest*, which called for an independent budget office, on which the Government is now consulting.

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.









A handwritten signature in blue ink, appearing to read 'Laurence Kubiak', written over a light blue horizontal line.

Laurence Kubiak, Chief Executive  
July 2018

# NZIER Board

The roles of the NZIER Board members are 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, of 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.

							
	Michael Walls, Chairman	Angela Bull, Deputy Chair		Kerry McDonald (Retired February 2018)			
							
	Paul Baines	Viv Hall		Dianne McCarthy			
				Auditors Grant Thornton Solicitors Kensington Swan Secretary JT Matthewson			
	Keith Watson (Appointed February 2018)	Laurence Kubiak, Chief Executive Ex officio					

# 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 2017

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

The 2017 Award was presented to Dame Paula Rebstock, for championing the Investment Approach, a new economic approach to policy in New Zealand.

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 public reports on economic topics of importance to New Zealand. During the 2017-18 year the following reports were published:

- Is peak globalisation upon us? (NZIER public discussion report)
- Social Investment: A New Zealand Policy Experiment (co-edited book)
- Better Lives: Migration, Wellbeing and New Zealand (co-authored book)
- NZIER submission on the Overseas Investment Amendment Bill
- Preparing and publishing NZIER's *Monetary Policy Shadow Board*
- Preparing and publishing NZIER's *Consensus Forecasts*
- Preparing and publishing *Insights* - feature pieces on topical economic and policy issues
  - *Immigration: Doing the right thing for the right reasons*
  - *Making Early Intervention work*
  - *New Government, new monetary policy framework*
  - *China 2.0 - perspectives on China*
  - *Keeping the bastards honest*
  - *Perspectives on the US economy after 8 months of Trump*
  - *Peak inequality – New Zealand's own false truth?*
  - *Is it finally time to reduce the number of district health boards?*

## Further Public Good work

Some further examples of our public good work during the 2017-18 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 [www.figure.nz](http://www.figure.nz), an open data source for New Zealand
- Sponsorship of the NZ Association of Economists annual poster prizes
- Sponsorship of the University of Auckland's Australasian Trade Workshop 2018, and travel sponsorships for the 35th Australian Economic Theory Workshop
- 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/publications](http://www.nzier.org.nz/publications)

## 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 2017-18 year issues 214-217 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 2017-18 year issues 224-227 were published.

## CPI Forecast Summary Table

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.

# Members 2017-2018

## Premium members

Auckland Council  
Citi Investment Research and Analysis  
Colliers International New Zealand  
Commerce Commission  
Electricity Authority  
Greater Wellington Regional Council  
Heartland Bank  
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  
Vero

## Standard members

AAPC Properties Pty Ltd  
Absolute Value Ltd  
Accident Compensation Corporation  
AgResearch Limited  
Airways Corporation of New Zealand Ltd  
AllianceBernstein Australia Limited  
ANZ Banking Group Ltd  
APR Consultants 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

ChristchurchNZ  
Darroch Ltd  
Deloitte  
Deutsche Group Services Pty Ltd  
Embassy of the United States of America  
Ernst and Young  
Fletcher Building Ltd  
Fonterra Cooperative Group  
Genesis Energy  
Goldman Sachs New Zealand Limited  
Grant Thornton NZ Ltd  
Grundfos Pumps New Zealand Ltd  
Holcim ( New Zealand) Ltd  
Holden New Zealand Ltd  
Honda New Zealand Ltd  
Infometrics Ltd  
Inland Revenue Department  
Jetro Auckland Office  
JP Morgan  
Kiwi Property Management Ltd

Kiwibank  
KPMG  
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

# Summary financial statements for the year ended 31 March 2018

## 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 6 June 2018.

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](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 \$58,313 (2017: \$51,297) on a wide range of public good projects, the Institute incurred a further \$279,502 (2017: \$350,506) at normal charge out rates of staff time on Institute public good activities, \$1,700 for direct capitalised project costs (2017: \$42,377), and nil for direct capitalised wage costs (2017: \$19,776). The total resources applied to public good work was \$339,515 (2017: \$463,956).

## Statement of comprehensive income

for the year ended 31 March 2018

	Note	2018 \$	2017 \$
<b>Revenue from non-exchange transactions</b>			
Other grants		15,000	37,500
		<u>15,000</u>	<u>37,500</u>
<b>Revenue from exchange transactions</b>			
Membership fees		274,270	291,450
Contract research income		5,062,396	4,589,107
Interest revenue		33,738	37,561
Other operating revenue		-	1,733
Sublease rental income		268,855	22,722
		<u>5,639,259</u>	<u>4,942,573</u>
<b>Total revenue</b>		<u>5,654,259</u>	<u>4,980,073</u>
<b>Expenses</b>			
Direct public good costs	2	58,313	51,297
Employee related costs		3,413,777	3,258,512
Contract expenses		649,095	525,731
Depreciation and amortisation		185,318	189,363
Operating expenses		1,303,757	1,038,247
Operating lease rental		22,435	19,552
		<u>5,632,695</u>	<u>5,082,702</u>
<b>Total expenses</b>		<u>5,632,695</u>	<u>5,082,702</u>
Total surplus (deficit) for the year		21,564	(102,629)
Other comprehensive revenue and expenses			-
<b>Total comprehensive revenue and expense for the year</b>		<u>21,564</u>	<u>(102,629)</u>

## SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Statement of financial position as at 31 March 2018

	Note	2018 \$	2017 \$
<b>Current assets</b>			
Cash and cash equivalents		1,222,606	481,662
Investments		576,497	1,058,995
Receivables from exchange transactions		1,074,532	1,227,365
Accrued income		381,834	508,754
Prepayments		29,253	52,364
		<u>3,284,722</u>	<u>3,329,140</u>
<b>Non-current assets</b>			
Intangible assets		105,264	178,739
Property, plant and equipment		345,509	439,916
		<u>450,773</u>	<u>618,655</u>
<b>Total assets</b>		<u>3,735,495</u>	<u>3,947,795</u>
<b>Current liabilities</b>			
Trade and other payables		187,182	254,093
Employee entitlements		509,253	403,833
GST payable		116,011	132,801
Lease inducement		29,467	21,123
Revenue in advance from exchange transactions		312,156	576,083
		<u>1,154,069</u>	<u>1,387,933</u>
<b>Total liabilities</b>		<u>1,154,069</u>	<u>1,387,933</u>
<b>Net assets</b>		<u>2,581,426</u>	<u>2,559,862</u>
<b>Equity</b>			
Accumulated comprehensive revenue & expense		2,581,426	2,559,862
Total equity		<u>2,581,426</u>	<u>2,559,862</u>

## Statement of changes in net assets for the year ended 31 March 2018

	Christchurch Reserve	Accumulated comprehensive revenue & expense	Total equity
		\$	\$
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>-</b>	<b>2,581,426</b>	<b>2,581,426</b>
Opening balance 1 April 2016	-	2,662,491	2,662,491
Total comprehensive deficit	-	(102,629)	(102,629)
Transfer for Christchurch Reserve	40,000	-	40,000
Transfer from Christchurch Reserve	(40,000)	-	(40,000)
<b>Closing equity 31 March 2017</b>	<b>-</b>	<b>2,559,862</b>	<b>2,559,862</b>

## Cash flow statement for the year ended 31 March 2018

	2018	2017
	\$	\$
Net cash flows from operating activities	236,964	(363,416)
Net cash flows from investing activities	503,980	190,265
Net (decrease) in cash and cash equivalents	740,944	(173,151)
Cash and cash equivalents at 1 April	481,662	654,813
<b>Cash and cash equivalents at 31 March</b>	<b>1,222,606</b>	<b>481,662</b>

NZ Institute of Economic Research Inc

Wellington: Level 13, 22-28 Willeston Street, Willeston House  
PO Box 3479, Wellington 6140, Phone: +64 4 472 1880

Auckland: Ground Floor, 70 Shortland Street, Shortland Chambers  
PO Box 503, Auckland 1140, Phone: +64 9 973 4340

0800 220 090, [econ@nzier.org.nz](mailto:econ@nzier.org.nz), [www.nzier.org.nz](http://www.nzier.org.nz)