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About NZIER

- The New Zealand Institute of Economic Research (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 the surplus on our operations to fund our public good research and other activities.
NZIER wishes to thank

• Major members, members and clients for providing the funding necessary to carry out the Institute’s work.

• The New Zealand Treasury and the Reserve Bank of New Zealand for providing a grant towards the cost of the Quarterly Survey of Business Opinion.

• Sir John Anderson, Dr John McDermott, Dr Arthur Grimes, Ms Mary Hedges and Mr Colin Lynch for being part of the Awarding Panel for the 2010 NZIER Economics Award.

• Rod Drury and John Allen, for providing the address at our 2010 Annual General Meeting.

• The Centre of Policy Studies at Monash University, in particular Dr James Giesecke, for collaborative research and work in the field of computable general equilibrium (CGE) modelling.

• The Foundation for Research Science and Technology for research funding.
Chairman’s Report

The Board is pleased to report a surplus of $174,439 for the financial year, after applying considerable funds to public good activities and a $20,000 donation to the Canterbury Earthquake (every four dollars of which was matched by three dollars from NZIER staff).

This financial result is pleasing in what was another challenging year for both the private and public sector. The balance sheet and liquidity position of the organisation remain very healthy.

The NZIER is an independent, non-profit organisation. It is registered as a charitable entity. NZIER’s Constitution sets down that its objectives include conducting and promoting research into, and advancing understanding of, economic matters directly or indirectly affecting New Zealand.

To fulfil these objectives NZIER undertakes or commissions public good projects and activities, which are funded from contract research and membership revenues.

In the 2010/11 year the resources devoted to public good activities amounted to $410,218. This is an increase of over 50% on levels of recent years, and reflects the Institute’s commitment to improving New Zealanders’ understanding and appreciation of economic issues – whether these pertain to the performance of the economy or the efficiency of policies.

Examples of the research and activities the Institute funded in the last year include:

- The evolving NZ-US trade relationship: selected case studies
- Save now, prosper later: increasing New Zealand’s saving rate - a preliminary dynamic CGE analysis
- Tariffs in New Zealand: the economic impacts of retaining tariffs in New Zealand - a dynamic CGE analysis
- 13 Insight papers on issues such as foreign investment, tax policy, valuing green assets, migration, free trade agreements, food prices, the 90-day trial period and reprioritising infrastructure projects.

NZIER also sponsors the annual NZIER Economics Award. This award promotes and recognises excellence in economics of relevance to New Zealand. Each year, the decisions whether or not to make an Award and, if so, to whom, are made by an independent panel.

The Board continues to work effectively. The Board has four committees:

- Audit Committee: Mr Paul Baines (chair), Mr Norman Geary, and Mr Michael Walls
- Remuneration Committee: Mr Michael Walls (chair) and Mr Kerry McDonald
- Investment Committee: Mr Paul Baines (chair) and Mr Norman Geary
- Building Committee: Mr Kerry McDonald (chair), Mr Paul Baines, Prof Viv Hall, and Mr Richard Nottage.

On behalf of NZIER, and personally, I thank all the Board members for their contributions to NZIER’s success during the last financial year. I also express the appreciation of the Board to all staff of NZIER for all their work during the past year.

Michael Walls
Chairman
NZIER Board Members

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.

Mr M Walls
Chairman

Mr NMT Geary
CBE

Mr J de Raad
(Chief Executive)
Ex officio

Mr TK McDonald
Deputy Chair

Mr P Baines

Mr R F Nottage
CNZM

Professor VB Hall

Auditors
PricewaterhouseCoopers

Solicitors
Kensington Swan

Secretary
J T Matthewson
NZIER AGM 2010

Held at Te Papa Tongawera in Wellington, 24 August 2010

Suzi Kerr, winner of the 2010 Economics Award, with NZIER Chair Michael Walls (left) and Chief Executive Jean-Pierre de Raad

Keynote speaker Rod Drury

Keynote speaker John Allen
Chief Executive’s Report

2010/11 marked another very successful year for NZIER in what continues to be a challenging economic environment for New Zealand.

During the year we put a major emphasis on the quantity and accessibility of our public good work. This work has spanned the spectrum from hosting school visits and meeting study groups from the OECD, IMF, and trade partners to our regular Insight articles and more in-depth reports on issues such as lessons from the Greek crisis for New Zealand, productivity, household and national savings, and immigration policy.

Projects funded from our public good budget reflect our tradition of providing independent, authoritative economic advice. We were very pleased with the public debate that some of our work generated over the past year. We believe such debates will ultimately lead to a better understanding of economic issues facing New Zealand and the trade-offs of policy choices.

Our independence is also a hallmark of our consultancy work. We continue to invest in our capability to provide our public and private sector clients with the best economic advice on regulatory matters, value-for-money evidence on policy, and strategic business opportunities.

During the past year we considered the benefits and costs of moving from our existing premises to a more central location that could accommodate our growing staff numbers. We tested the market but it did not yield satisfactory outcomes. After much consideration we decided to stay in our existing premises for the immediate future. We are now concentrating on modifying our current premises to accommodate growth and undertaking the necessary maintenance. The issue of location may be revisited in future.

In addition to our continual efforts to strengthen our dynamic computable general equilibrium (CGE) model of the New Zealand economy, we have invested in a micro-simulation capability to expand the range of data-driven analysis and advice we offer to our clients.

The CGE model is a highly credible way to assess the wider macro-economic impacts of policies and communicate these with decision-makers. Over the past year we applied this tool to issues such as the impact of savings policies and a major irrigation scheme.

Our recently developed micro-simulation modelling capability gives our clients the advantage of being able to consider policy and business strategy issues at the level of individuals or business units, rather than economy-wide averages. Micro-simulation allows us to model the impact of individual behavioural responses to, for example, a tax policy, healthcare treatment, or investment incentives. In our most recent project we analysed the life-long impacts on different social groups of interventions aimed at reducing smoking during pregnancy.

We have been very pleased to see an increase in attendance at the quarterly economic briefings for our members. Our senior staff also present regularly to our members’ management and boards to discuss economic and policy trends and what these mean for them.

During 2010/11 we invested in our Quarterly Survey of Business Opinion (QSBO) database. We now have a consistent long term series and can produce customised analyses based on this for our members. One of our recent public good publications, A brief history of the QSBO (available on our website), illustrates why the QSBO remains one of the most valued forward-indicators of economic performance in New Zealand.

Jean-Pierre de Raad
Chief Executive
Public Good Work

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.

Public discussion papers

Part of our public good work involves preparing and publishing public reports on topics of importance to New Zealand. During the 2010/11 year the following reports were published:

- The evolving NZ-US trade relationship: selected case studies
- Save now, prosper later
  Increasing New Zealand’s saving rate - a preliminary dynamic CGE analysis
- Tariffs in New Zealand
  The economic impacts of retaining tariffs in New Zealand - a dynamic CGE analysis

NZIER Economics Award 2010

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

The 2010 award was presented to Dr Suzi Kerr. The citation presented to her can be viewed on the NZIER website.

Further public good work

Some further examples of our public good work during the 2010/11 year are:

- Preparing and publishing 13 'Insights' - feature pieces on topical economic and policy issues.
- Preparing and publishing NZIER Consensus Forecasts.
- Responding to inquiries from the public and students looking for information about the New Zealand economy.
- Providing comment for the media.
- Briefings for international visitors.
- Presentations at conferences and workshops.

Other charitable activity

NZIER made a donation of $20,000 to the Red Cross Canterbury Earthquake Appeal after the February earthquake, with individual staff donating additional amounts to the fund.
Membership Products

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.

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 2010/11 year issues 182-185 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 2010/11 year issues 196-199 were published.

CPI Forecast Summary Table

This specialist web-based 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.
NZIER Members 2010-2011

Premium members

Air New Zealand  
Department of Labour  
Electricity Commission  
Ministry of Economic Development  
Ministry of Foreign Affairs & Trade  
PricewaterhouseCoopers  
Reserve Bank of New Zealand  
The Treasury

Standard members

3M New Zealand Ltd  
AAPC Properties Pty Ltd  
Accident Compensation Corporation  
AgResearch Limited  
Airways Corporation of New Zealand Ltd  
Amalgamated Engineering Printing & Manufacturing  
AMP Capital Investors  
ANZ Banking Group Ltd  
APR Consultants Ltd  
ASB Bank Ltd  
Auckland City Council  
Auckland Regional Council  
Auckland University of Technology  
Aurora Energy Ltd  
Australian High Commission  
Bancorp New Zealand Ltd  
Bank of New Zealand  
Barclays Bank PLC  
Bayer New Zealand Ltd  
Bayleys Real Estate Ltd  
Beef + Lamb New Zealand Ltd  
BOC Limited  
Boston Consulting Group  
Business New Zealand  
Cameron Partners Limited  
Canterbury Development Corporation  
CB Richard Ellis Ltd  
Cerebos Greggs Ltd  
Chapman Tripp  
Citi Investment Research and Analysis  
Colliers International New Zealand  
Contact Energy  
Darroch Limited  
Deloitte  
Department of Building and Housing  
Deutsche Bank  
Dilworth Trust Board  
Du Pont (New Zealand) Ltd  
Eastern Equities Corporation  
Economic Solutions Ltd  
Energizer New Zealand Ltd  
Ernst and Young  
First New Zealand Capital  
Fletcher Buildings  
Fonterra Co-operative Group  
Fuji Xerox (New Zealand) Ltd  
Genesis Energy  
Golden Bay Cement  
Goldman Sachs JBWere (New Zealand) Ltd  
Grundfos Pumps New Zealand Ltd  
Hastie Group Ltd  
Hay Group Ltd  
Holcim (New Zealand) Ltd  
Holden New Zealand Ltd  
Honda New Zealand Ltd  
Hynd Pipe Systems Ltd  
IBM  
Infometrics Ltd  
Ingersoll-Rand Architectural Hardware Ltd  
Inland Revenue Department  
Jetro Auckland Office  
Jones Lang LaSalle Advisory Ltd  
JP Morgan  
Kiwi Property Management Ltd  
KiwiRail Limited  
KPMG  
L.E.K. Consulting  
Land Information New Zealand  
Landcorp Farming Ltd
Summary financial statements
for the year ended 31 March 2011

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 13th July 2011.

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.

2. Public good work

In addition to direct operational expenditure of $164,620 (2010: $111,947) on a wide range of public good projects, the Institute incurred a further $245,598 (2010 $149,705) at normal charge out rates of staff time on Institute public good activities. The total resources applied to public good work was $410,218 (2010 $261,652).

3. Related party information

At 31 March 2011, $24,500 has been accrued in respect of payments to be made to Board Members for services rendered during the year ended 31 March 2011 (2010: $22,500). A payment of $22,500 and reimbursement of travel expenses of $2,739 were also made to Board Members during the year.
## Statement of comprehensive income

for the year ended 31 March 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenue</td>
<td>4,974,063</td>
<td>4,725,095</td>
</tr>
<tr>
<td>Other income</td>
<td>118,211</td>
<td>99,597</td>
</tr>
<tr>
<td>Total revenue and other income</td>
<td>5,092,274</td>
<td>4,824,692</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct public good costs</td>
<td>164,620</td>
<td>111,947</td>
</tr>
<tr>
<td>Employee costs – salaries and wages</td>
<td>3,684,725</td>
<td>3,582,379</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>134,654</td>
<td>141,934</td>
</tr>
<tr>
<td>Fees paid to Auditors</td>
<td>16,718</td>
<td>11,109</td>
</tr>
<tr>
<td>Reimbursable expenses</td>
<td>204,535</td>
<td>150,043</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>696,593</td>
<td>620,647</td>
</tr>
<tr>
<td>Operating lease</td>
<td>15,990</td>
<td>14,798</td>
</tr>
<tr>
<td>Total expenses</td>
<td>4,917,835</td>
<td>4,632,857</td>
</tr>
<tr>
<td>Net profit attributable to members</td>
<td>174,439</td>
<td>191,835</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income attributable to members</td>
<td>174,439</td>
<td>191,835</td>
</tr>
</tbody>
</table>
### Balance sheet

**as at 31 March 2011**

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Assets**

#### Current assets

- Cash and cash equivalents: 2,631,726 2,369,189
- Trade and other receivables: 556,762 602,625
- Prepayments: 38,169 42,321
- Accrued income: 375,688 305,120

Total current assets: 3,602,345 3,319,255

**Non-current assets**

- Property, plant and equipment: 1,872,756 1,868,019
- Intangible assets: 89,736 116,468

Total non-current assets: 1,962,492 1,984,487

**Total assets**

5,564,837 5,303,742

**Liabilities**

#### Current liabilities

- Trade and other payables: 177,094 220,165
- Employee entitlements: 1,615,951 1,577,164
- GST payable: 121,728 97,606
- Deferred income: 248,102 183,284
- Related party payable: 3 24,500 22,500

Total current liabilities: 2,187,375 2,100,719

**Total liabilities**

2,187,375 2,100,719

**Net assets**

3,377,462 3,203,023

**Equity**

- Accumulated funds: 3,377,462 3,203,023

Total equity: 3,377,462 3,203,023
Statement of changes in equity
for the year ended 31 March 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity at beginning of the financial period</td>
<td>$3,203,023</td>
<td>$3,011,188</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>$174,439</td>
<td>$191,835</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>$174,439</td>
<td>$191,835</td>
</tr>
<tr>
<td>Total equity at the end of the financial period</td>
<td>$3,377,462</td>
<td>$3,203,023</td>
</tr>
</tbody>
</table>

Cash flow statement
for the year ended 31 March 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash inflow from operating activities</td>
<td>$305,221</td>
<td>$651,994</td>
</tr>
<tr>
<td>Net cash outflow from investing activities</td>
<td>($42,684)</td>
<td>($55,728)</td>
</tr>
<tr>
<td>Net increase in cash held</td>
<td>$262,537</td>
<td>$596,266</td>
</tr>
<tr>
<td>Cash at beginning of year</td>
<td>$2,369,189</td>
<td>$1,772,923</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>$2,631,726</td>
<td>$2,369,189</td>
</tr>
</tbody>
</table>