New Zealand’s economic freedom score is 81.4, making its economy the 4th freest in the 2013 Index. Its score is 0.7 point worse than last year, reflecting declines in the control of government spending and monetary freedom that outweigh improvements in investment freedom and freedom from corruption. New Zealand is ranked 4th out of 41 countries in the Asia–Pacific region.

The strong foundations of economic freedom in New Zealand are well supported by robust protection of property rights and an independent judiciary that enforces anti-corruption measures. While many large advanced economies have been struggling with growing debt burdens that result from years of heavy government spending, New Zealand has kept its gross public debt under control.

The fiscal deficit has widened, primarily due to emergency spending increases that reflect the recovery costs associated with recent earthquakes. With institutional effectiveness and a stable macroeconomic environment continuing to underpin a vibrant economy, however, efforts to return the public finance to surplus are gaining traction. New Zealand’s modern and competitive economy benefits from a strong commitment to open-market policies that facilitate trade and investment. Transparent and efficient regulations are applied evenly in most cases, encouraging dynamic entrepreneurial activity in the private sector.

BACKGROUND: New Zealand is a parliamentary democracy and one of the Asia–Pacific region’s most prosperous countries. After 10 years of Labor Party–dominated governments, the center-right National Party, led by Prime Minister John Key, returned to power in November 2008 and was re-elected in November 2011. Far-reaching economic liberalization in the 1980s and 1990s largely deregulated the economy, which is powered mainly by agriculture but also benefits from a flourishing manufacturing sector, thriving tourism, and a strong renewable geothermal energy resource base. The global economic recession caused a sizable financial contraction during which the unemployment rate increased and the New Zealand dollar weakened against foreign currencies.

Quick Facts
Population: 4.4 million
GDP (PPP): $122.2 billion
1.4% growth in 2011
5-year compound annual growth 0.7%
$27,668 per capita
Unemployment: 6.6%
Inflation (CPI): 4.0%
FDI Inflow: $3.4 billion
Public Debt: 37.0% of GDP

2011 data unless otherwise noted.
Data compiled as of September 2012.
New Zealand (continued)

**The Ten Economic Freedoms**

**Rule of Law**
- Property Rights: 95.0 (1st)
- Freedom from Corruption: 95.0 (1st)

The judicial system is independent and functions well. Private property rights are strongly protected, and contracts are notably secure. Enforcement of intellectual property rights is solid. Amendments to existing copyright laws came into force in 2011. Effective anti-corruption measures and a sound legal framework continue to ensure government integrity and transparency.

**Limited Government**
- Fiscal Freedom: 71.5 (129th)
- Government Spending: 33.2 (151st)

The top income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include a goods and services tax (GST) and environmental taxes. The overall tax burden equals 31.3 percent of total domestic income. Government spending has risen to a level equivalent to 47.2 percent of total domestic output. The budget deficit has increased to 6.2 percent of GDP. Spending has included support for efforts to rebuild earthquake-ravaged Christchurch.

**Regulatory Efficiency**
- Business Freedom: 99.9 (1st)
- Labor Freedom: 89.5 (6th)
- Monetary Freedom: 83.3 (12th)

The entrepreneurial environment remains the most efficient and competitive among the economies graded in the Index. Start-up companies enjoy great flexibility under licensing and other regulatory frameworks. With no minimum capital required, it takes only one day to start a business. Flexible labor regulations facilitate a dynamic labor market, increasing overall productivity. Monetary stability is well maintained.

**Open Markets**
- Trade Freedom: 86.8 (11th)
- Investment Freedom: 80.0 (17th)
- Financial Freedom: 80.0 (4th)

The trade-weighted average tariff rate is competitively low at 1.6 percent, and non-tariff barriers are nominal. There are few limitations on investment activities, and foreign investment is welcomed. The well-developed financial sector offers a wide range of financing instruments. The financial system has remained stable, and prudent regulations allowed banks to withstand the global financial turmoil with little disruption.

**Score Changes**

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<td>Freedom from Corruption</td>
<td>Government Spending</td>
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