NEW ZEALAND

New Zealand’s strong commitment to economic freedom has resulted in a policy framework that encourages impressive economic resilience. Openness to global trade and investment are firmly institutionalized. The financial system has remained stable, and prudent regulations allowed banks to withstand the past global financial turmoil with little disruption.

Other institutional strengths of the Kiwi economy include relatively sound management of public finance, a high degree of monetary stability, and strong protection of property rights. The government continues to maintain a tight rein on spending, keeping public debt under control and sustaining overall fiscal health. A transparent and stable business climate makes New Zealand one of the world’s friendliest environments for entrepreneurs.

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. Key was reelected in 2011 and 2014. In December 2016, Key resigned and endorsed his deputy, Bill English, who was elected to succeed him as prime minister. Far-reaching deregulation and privatization in the 1980s and 1990s largely liberated the economy. Agriculture is important, but so too are a flourishing manufacturing sector, thriving tourism, and a strong geothermal energy resource base. Following a sizable contraction during the global economic recession, the economy has been expanding since 2010.
Private property rights are strongly protected, and contracts are notably secure. The judicial system is independent and functions well. New Zealand ranked fourth out of 168 countries surveyed in Transparency International’s 2015 Corruption Perceptions Index. The country is renowned for its efforts to penalize bribery and ensure a transparent, competitive, and corruption-free government procurement system.

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 and environmental taxes. The overall tax burden equals 32.4 percent of total domestic income. Government spending has amounted to 42.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.5 percent of GDP. Public debt is equivalent to 30.4 percent of GDP.

The entrepreneurial environment is one of the world’s most efficient and competitive. Start-up companies enjoy great flexibility under licensing and other regulatory frameworks. The labor regulations facilitate a dynamic labor market. New Zealand, which has the lowest subsidies among OECD countries, removed all farm subsidies more than three decades ago and spurred the development of a vibrant and diversified agriculture sector.

Trade is important to New Zealand’s economy; the value of exports and imports taken together equals 55 percent of GDP. The average applied tariff rate is 1.3 percent. There are few barriers to foreign investment, although some investment may be subject to screening. The financial sector, dominated by banking, is well developed and competitive, offering a full range of financing instruments for entrepreneurial activity.