NEW ZEALAND

New Zealand’s economic freedom score is 84.4, making its economy the 3rd freest in the 2019 Index. Its overall score has increased by 0.2 point, with higher scores for trade freedom and labor freedom narrowly exceeding declines in judicial effectiveness and monetary freedom. New Zealand is ranked 3rd among 43 countries in the Asia-Pacific region, and its overall score is far above the regional and world averages.

A global leader in economic freedom, New Zealand has generally followed a long-term market-oriented policy framework that fosters economic resilience and growth. The new government shook business confidence in 2018 with plans for a higher minimum wage, union-friendly labor code reforms, fewer immigrant visas, a ban on housing purchases by foreigners, and higher taxes. A series of settlements after public-sector union strikes will likely push wage demands higher in the private sector. The rule of law is well maintained, and the judiciary is generally independent.

BACKGROUND: The former British colony of New Zealand is one of the Asia-Pacific region’s more prosperous countries. The center-right National Party, led by Prime Minister John Key, returned to power in 2008 and won reelection in 2011 and 2014. When Key resigned, his deputy, Bill English, succeeded him in late 2016. Elections in September 2017 resulted in a hung parliament, with the “kingmaker” and populist New Zealand First party subsequently forming a minority coalition, enabling new Prime Minister Jacinda Ardern’s Labor Party to return to power. Far-reaching deregulation and privatization since the 1980s have largely liberated the economy. Agriculture is important, as are manufacturing, tourism, and a strong geothermal energy resource base. The economy has been expanding since 2010.
Private property rights are strongly protected, and New Zealand ranks among the world’s top countries for contract security. The judicial system is independent and functions well. New Zealand ranked first out of 180 countries surveyed in Transparency International’s 2017 Corruption Perceptions Index. The country is renowned for its efforts to ensure a transparent, competitive, and corruption-free government procurement system.

Policies that support a high degree of regulatory efficiency are in place. The entrepreneurial environment is one of the most competitive, with start-up companies benefiting from great flexibility in licensing and other regulatory frameworks. The labor regulations facilitate a dynamic labor market. New Zealand has a vibrant agriculture sector with the lowest subsidies of any OECD country.

The top income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include goods and services and environmental taxes. The overall tax burden equals 32.1 percent of total domestic income. Over the past three years, government spending has amounted to 40.7 percent of the country’s output (GDP), and budget surpluses have averaged 1.2 percent of GDP. Public debt is equivalent to 26.4 percent of GDP.

The combined value of exports and imports is equal to 51.3 percent of GDP. The average applied tariff rate is 1.3 percent. As of June 30, 2018, according to the WTO, New Zealand had 242 nontariff measures in force. Overall, openness to global trade and investment is firmly institutionalized. Banking is well established and competitive.