

# NEW ZEALAND

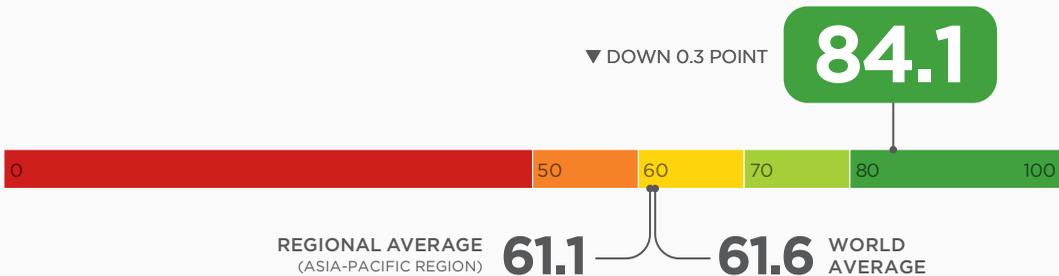
WORLD RANK: **3** | REGIONAL RANK: **3**  
 ECONOMIC FREEDOM STATUS: **FREE**

New Zealand's economic freedom score is 84.1, making its economy the 3rd freest in the 2020 *Index*. Its overall score has decreased by 0.3 point, with small declines in scores for **property rights**, **judicial effectiveness**, and **government integrity** slightly offsetting an improved **government spending** score. New Zealand is ranked 3rd among 42 countries in the Asia-Pacific region, and its overall score is well above the regional and world averages.

The economy of New Zealand has ranked as one of the freest in the world over the past 25 years. Steady GDP growth reflects that outstanding performance.

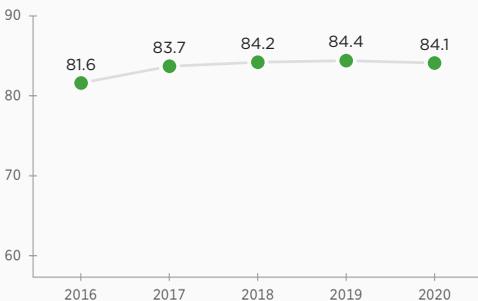
The only significant area for improvement that would lead to even more economic freedom is the ongoing problem of too much government spending. Unfortunately, progress in this area is not likely in the short term because the center-left government has announced a "well-being" budget to fund many new welfare programs.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +6.0

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
4.9 million

**GDP (PPP):**  
\$197.8 billion  
3.0% growth in 2018  
5-year compound annual growth 3.4%  
\$40,135 per capita

**UNEMPLOYMENT:**  
4.5%

**INFLATION (CPI):**  
1.6%

**FDI INFLOW:**  
\$1.4 billion

**PUBLIC DEBT:**  
29.4% of GDP

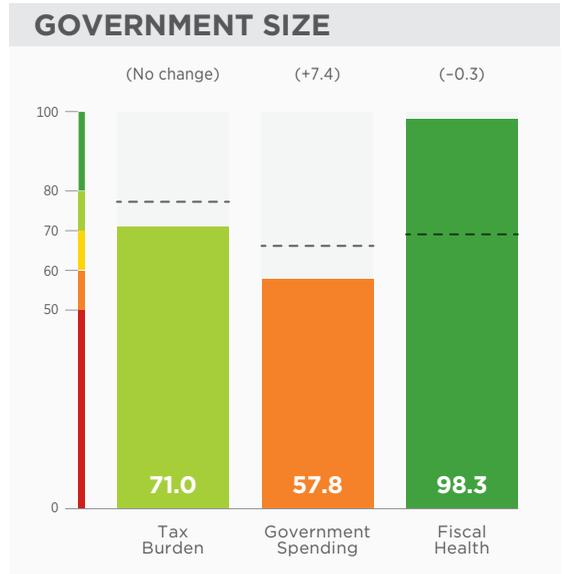
2018 data unless otherwise noted. Data compiled as of September 2019

**BACKGROUND:** The former British colony of New Zealand is one of the Asia-Pacific region's most prosperous countries. Elections in 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 center-left 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 trade war between the U.S. and China is of concern to New Zealand, especially given its heavy reliance on China for export revenue. New Zealand's economy has been expanding since 2010.

# 12 ECONOMIC FREEDOMS | NEW ZEALAND



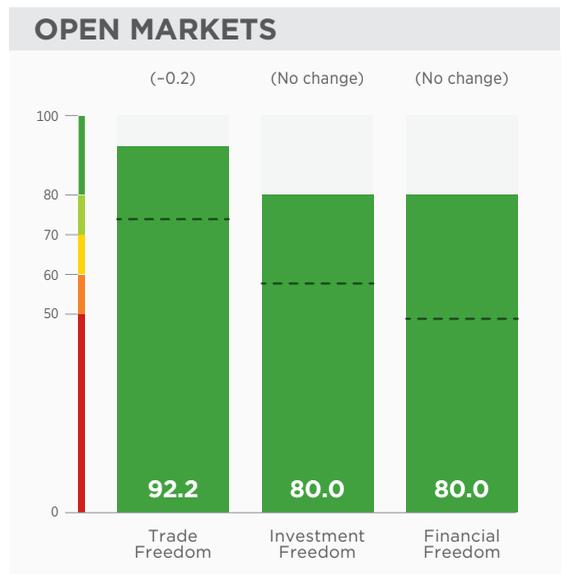
Private property rights are strongly protected, and New Zealand ranks among the world's top countries for security of contracts. The judicial system is independent and functions well. New Zealand ranked second out of 180 countries surveyed in Transparency International's 2018 *Corruption Perceptions Index* and is renowned for its efforts to ensure a transparent, competitive, and corruption-free government procurement system.



The top individual 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 32.0 percent of total domestic income. Government spending has amounted to 37.5 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.8 percent of GDP. Public debt is equivalent to 29.4 percent of GDP.



The regulatory framework is efficient. The labor market has tightened after a prolonged period of record population growth. In April 2019, the Labor Party-led government raised the minimum wage to NZD 17.70 (USD 12.04); the party campaigned on raising it to NZD 20 (USD 13.60) by April 2021. Subsidies are the lowest among OECD countries, and this has spurred the development of a vibrant and diversified agriculture sector.



The total value of exports and imports of goods and services equals 54.2 percent of GDP. The average applied tariff rate is 1.4 percent, and 243 nontariff measures are in force. There are very few limitations on investment activity, and foreign investment has been actively encouraged. The well-developed financial sector offers a wide range of financing instruments. Overall financial regulations are prudent and transparent.