

NEW ZEALAND

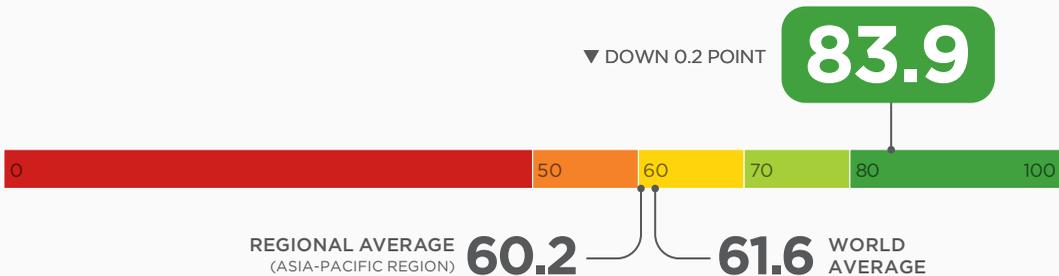
WORLD RANK: **2** | REGIONAL RANK: **2**
 ECONOMIC FREEDOM STATUS: **FREE**

New Zealand's economic freedom score is 83.9, making its economy the 2nd freest in the 2021 *Index*. Its overall score has decreased by 0.2 point, primarily because of small declines in **property rights** and **trade freedom**. New Zealand is ranked 2nd among 40 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Notwithstanding a slight decline this year, the economy of New Zealand remains ranked among the freest in the world. To rise further in economic freedom would require reductions in taxes and government spending, but the landslide reelection of the center-left government in 2020 makes this unlikely. The government will continue to prioritize spending on "well-being" programs and is likely to increase spending on infrastructure.

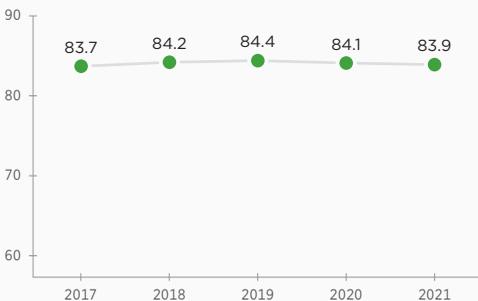
IMPACT OF COVID-19: As of December 1, 2020, 25 deaths had been attributed to the pandemic in New Zealand, and the economy was forecast to contract by 6.1 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +5.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.9 million

GDP (PPP):
\$208.7 billion
2.2% growth in 2019
5-year compound annual growth 3.5%
\$43,953 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
1.6%

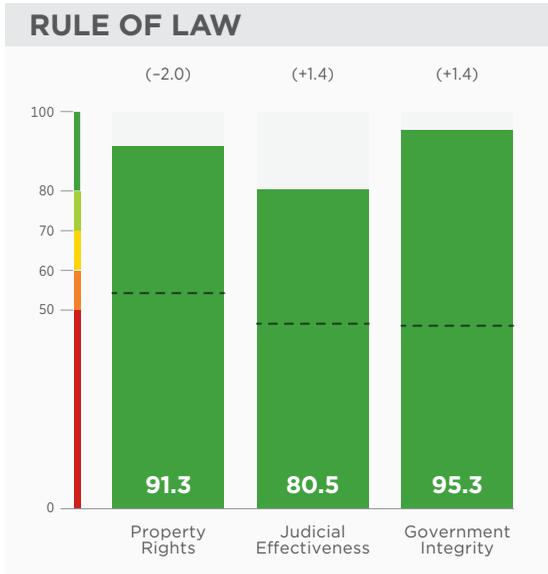
FDI INFLOW:
\$5.4 billion

PUBLIC DEBT:
30.2% of GDP

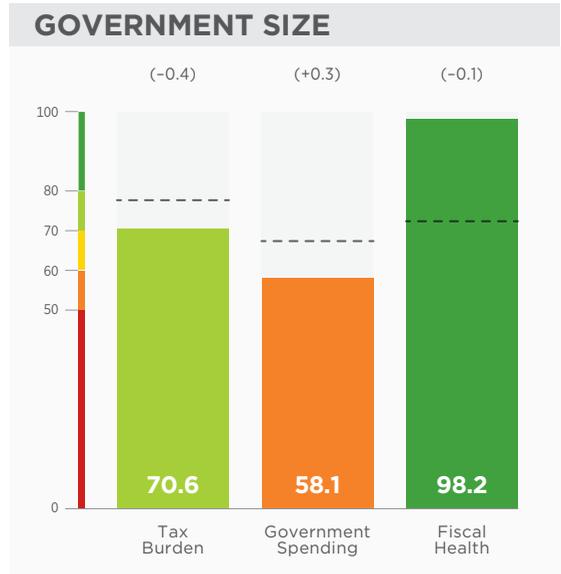
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: The former British colony of New Zealand is one of the Asia-Pacific region's most prosperous countries. General elections in 2017 resulted in a hung parliament, enabling new Prime Minister Jacinda Ardern's center-left Labor Party to return to power. She will remain in power until 2023 after winning a landslide victory in 2020 elections. 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. Until the present crisis, New Zealand's economy had been expanding since 2010.

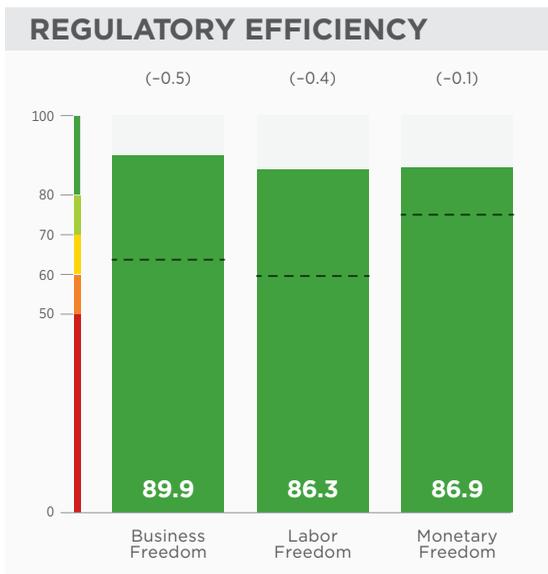
12 ECONOMIC FREEDOMS | NEW ZEALAND



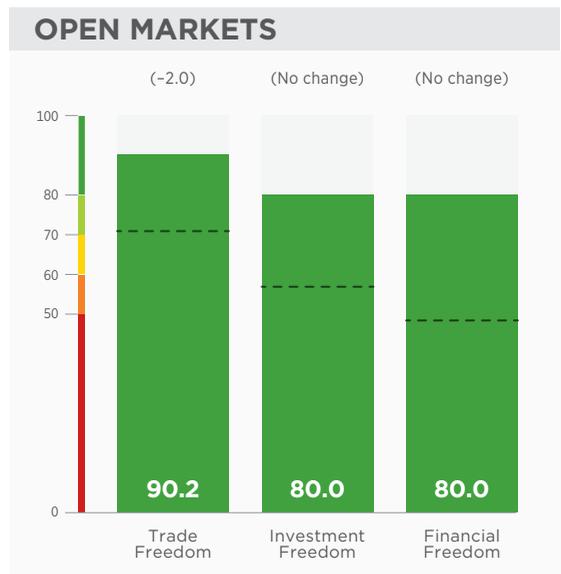
New Zealand recognizes and enforces secured interests in property, both movable and real. Legislation to improve the security of contracts was passed in 2017. The judicial system is independent and functions well. New Zealand ranked first out of 180 countries surveyed in Transparency International's 2019 *Corruption Perceptions Index*. Stiff penalties against bribery of government officials and those who accept bribes are strictly enforced.



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 32.7 percent of total domestic income. Government spending has amounted to 37.4 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.4 percent of GDP. Public debt is equivalent to 30.2 percent of GDP.



New Zealand has lost a little ground in business freedom as insolvency costs and the expense of dealing with construction permits have increased. The Employment Relations Amendment Act 2018 repealed some of the previous government's labor market reforms. Government subsidies as a percentage of GDP remain among the lowest in OECD countries, and that has facilitated the development of a vibrant and diversified agriculture sector.



New Zealand has 12 preferential trade agreements in force. The trade-weighted average tariff rate is 2.4 percent, and 246 nontariff measures are in effect. Overall, openness to global trade and investment is firmly institutionalized. Banking is well established and competitive. To support the financial system's stability and liquidity during the pandemic, implementation of a higher capital reserve requirement for banks has been postponed.