

NEW ZEALAND

WORLD RANK:

4

REGIONAL RANK:

2

ECONOMIC FREEDOM STATUS:

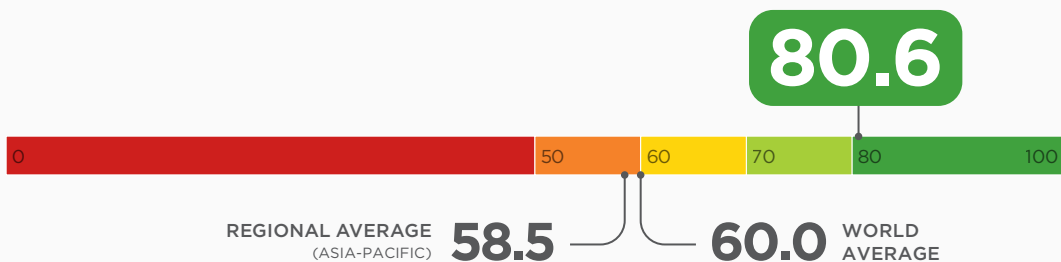
FREE

New Zealand's economic freedom score is 80.6, making its economy the 4th freest in the 2022 *Index*. New Zealand is ranked 2nd among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

New Zealand's economy was growing smartly in 2017 and 2018 but began to slow in 2019 before contracting in 2020. Growth recovered in 2021. During the past five years, economic freedom has generally been robust, although it has dipped. With higher scores for **government integrity** and **judicial effectiveness** overshadowed by score decreases in **fiscal health** and **business freedom**, New Zealand has registered an overall 3.1-point loss of economic freedom since 2017 but nevertheless remains in the top, "Free" *Index* category. The country's indicators are generally very strong except for the burden of **government spending** on the economy.

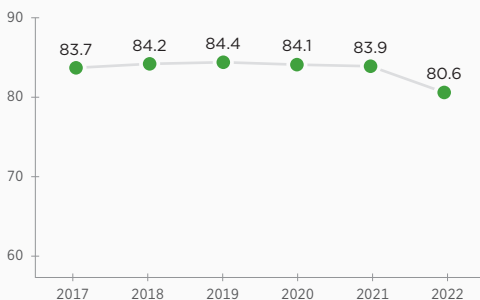
IMPACT OF COVID-19: As of December 1, 2021, 44 deaths had been attributed to the pandemic in New Zealand, and the government's response to the crisis ranked 7th among the countries included in this *Index* in terms of its stringency. The economy contracted by 3.0 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +2.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.1 million

GDP (PPP):
\$213.9 billion
-3.0% growth
in 2020
5-year compound
annual growth 2.1%
\$42,018 per capita

UNEMPLOYMENT:
4.6%

INFLATION (CPI):
1.7%

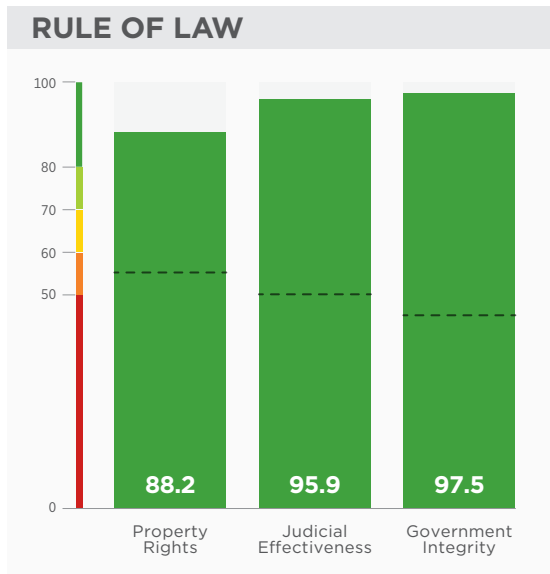
FDI INFLOW:
\$4.2 billion

PUBLIC DEBT:
41.3% of GDP

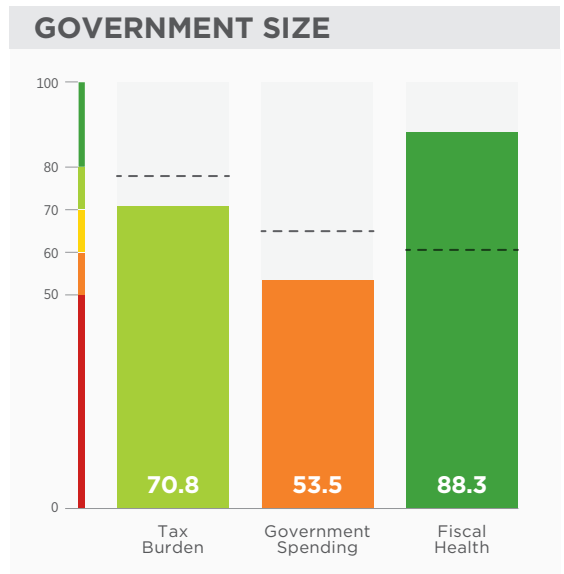
2020 data unless otherwise noted. Data compiled as of September 2021

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 ongoing trade tension 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.

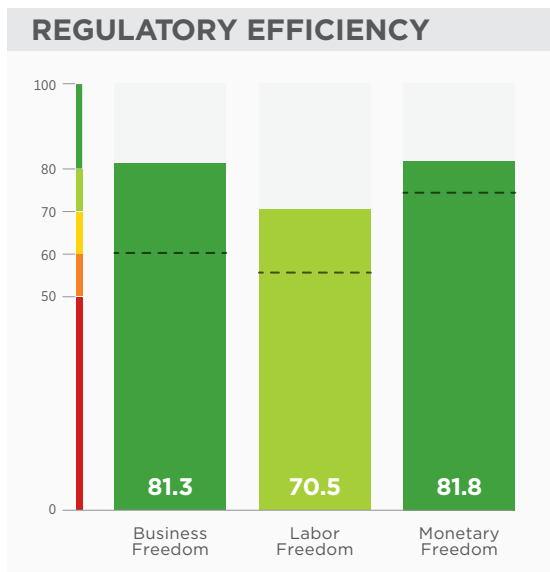
12 ECONOMIC FREEDOMS | NEW ZEALAND



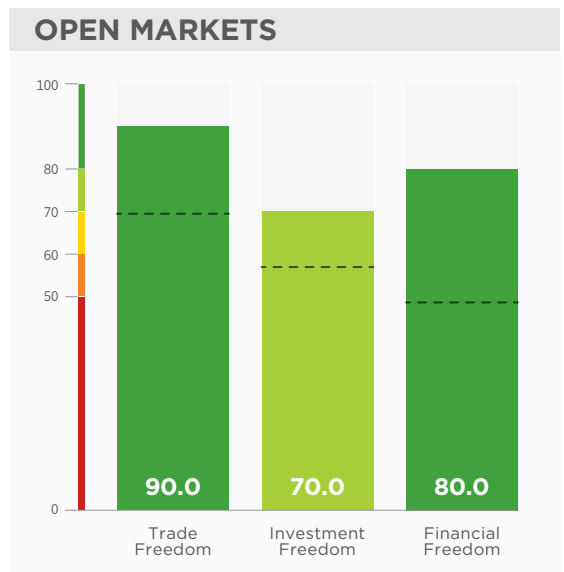
New Zealand recognizes and enforces secured interests in property, both movable and real. The Land Transfer Act of 2017 simplified and modernized property law. The judicial system is independent and functions well. New Zealand ranked 1st among the 180 countries surveyed in Transparency International's 2020 *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 32.3 percent of total domestic income. Government spending has amounted to 39.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 41.3 percent of GDP.



The government's strict shutdowns of the economy decimated tourism. The government began to tax online businesses at 15 percent and is considering additional taxes. A wage subsidy of 80 percent of private companies' salaries has kept unemployment under control during the crisis, but it also has significantly increased public debt. The government has introduced new subsidies for electric vehicles and for housing and urban development.



New Zealand has 13 preferential trade agreements in force. The trade-weighted average tariff rate is 2.5 percent, and 247 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.