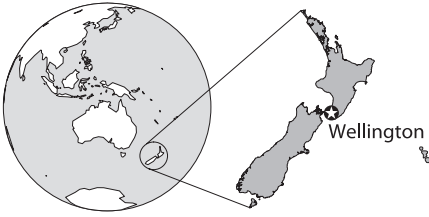


NEW ZEALAND



World Rank: **4**

Regional Rank: **4**

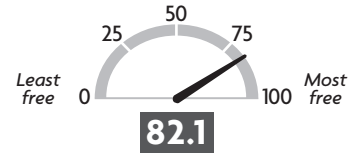
New Zealand's economic freedom score is 82.1, making its economy the 4th freest in the 2010 *Index*. Its score is 0.1 point better than last year, reflecting modest improvements in trade freedom and fiscal freedom. New Zealand is ranked 4th out of 41 countries in the Asia-Pacific region.

New Zealand continues to be a global leader in economic freedom, performing well on most of the components measured in the *Index*. The economy has an impressive record of market reforms and benefits from its openness to global trade and investment. The banking sector is characterized by sound regulations and prudent lending practices, and well-implemented structural reforms have allowed the New Zealand economy to weather the recent global financial and economic crisis relatively unscathed.

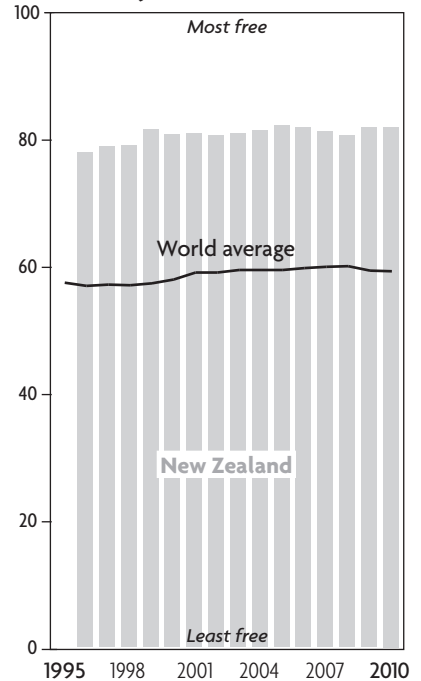
New Zealand's efficient legal and regulatory environment strongly supports entrepreneurial activity. Foreign and domestically owned businesses enjoy considerable flexibility in business formation and employment practices. Restrictions on foreign investment apply in only a few sectors. Facilitating the economy's overall competitiveness, the government has recently cut the corporate tax rate. Inflationary pressures have decreased, with monetary stability intact. New Zealand also boasts an efficient, independent judiciary that protects property rights, and the level of corruption is extraordinarily low.

BACKGROUND: New Zealand is a parliamentary democracy and one of the Asia-Pacific region's most prosperous countries. Far-reaching economic liberalization in the 1980s and 1990s largely deregulated the economy, which is powered mainly by its agricultural sector but also benefits from a strong manufacturing base and a thriving tourism industry. After 10 years of Labor Party-dominated governments, the National Party, led by Prime Minister John Key, returned to power in November 2008.

Economic Freedom Score



Country's Score Over Time



Quick Facts

Population: 4.3 million

GDP (PPP): \$115.4 billion
-1.6% growth in 2008
2.0% 5-year compound annual growth
\$27,029 per capita

Unemployment: 4.2%

Inflation (CPI): 4.0%

FDI Inflow: \$2 billion

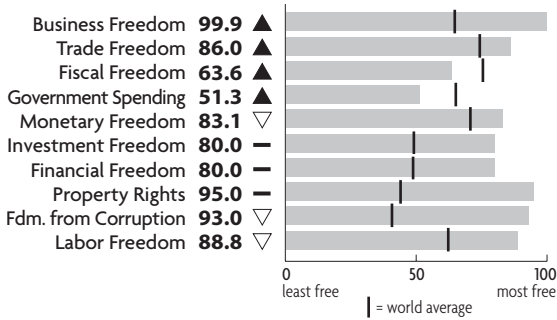
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

NEW ZEALAND'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 99.9

The overall freedom to start, operate, and close a business is strongly protected under New Zealand's regulatory environment. Starting a business is very easy and straightforward, taking only one day in comparison to the world average of 35 days. Obtaining a business license requires much less than the world average of 18 procedures and 218 days.

TRADE FREEDOM — 86

New Zealand's weighted average tariff rate was 2.0 percent in 2008. The trade regime is relatively open, but some import restrictions; services market access barriers; import taxes and fees; restrictive biotechnology, sanitary, and phytosanitary regulations; state trade in kiwi fruit; and issues involving the protection of intellectual property rights add to the cost of trade. Ten points were deducted from New Zealand's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 63.6

New Zealand has a relatively high income tax and a moderate corporate tax. The top income tax rate was reduced to 38 percent as of April 1, 2009, and is scheduled to be reduced further to 37 percent in April 2010. The flat corporate tax rate is 30 percent. Other taxes include a goods and services tax (GST) and a tax on interest. In the most recent year, overall tax revenue as a percentage of GDP was 36.0 percent.

GOVERNMENT SPENDING — 51.3

Total government expenditures, including consumption and transfer payments, are relatively high. In the most recent year, government spending equaled 40.3 percent of GDP. The state maintains significant stakes in the transportation, electricity, and telecommunications industries.

MONETARY FREEDOM — 83.1

Inflation has been relatively low, averaging 3.5 percent between 2006 and 2008. There are no official price controls, but the government regulates the prices of utilities and subsidizes pharmaceuticals. Five points were deducted from New Zealand's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 80

New Zealand encourages foreign investment in most sectors. The government does not discriminate against foreign buyers, but it does limit foreign ownership in certain state-owned sectors. The New Zealand government's Overseas Investment Office screens foreign investments that exceed NZD100 million and represent 25 percent or more of the equity in a New Zealand enterprise. In general, regulations and bureaucracy are efficient and transparent, and contract enforcement is effective. There are no restrictions on current transfers, repatriation of profits, or access to foreign exchange. Land and real estate purchases are subject to government approval.

FINANCIAL FREEDOM — 80

New Zealand's financial sector is well developed and competitive, offering a full range of financing instruments for entrepreneurial activity. Regulation is efficient and transparent in accordance with international standards. Credit is allocated on market terms. The banking sector dominates the financial system, accounting for around 80 percent of the system's total assets. There are 16 banks registered in New Zealand. Foreign-owned banks account for approximately 90 percent of total assets, and the government fully owns Kiwibank, created in late 2002. Non-bank financial institutions may offer banking services, subject to normal restrictions. Capital markets are small but well developed, and stocks are traded actively. Insurance is lightly regulated, and foreign participation is high. Capital markets are open to foreign participation. The financial system has weathered the global financial turmoil relatively well; with very limited exposure to distressed assets, the banking sector remains well capitalized.

PROPERTY RIGHTS — 95

Private property is well protected. The judiciary is independent, and contracts are notably secure. Legislation has been proposed to bring the patent law into closer conformity with international standards by tightening the criteria for granting a patent. Manufacturers have expressed concern that parallel imports of "gray market" goods under New Zealand law will result in the importation of dated or unsuitable products.

FREEDOM FROM CORRUPTION — 93

Corruption is perceived as almost nonexistent. New Zealand is ranked 1st out of 179 countries in Transparency International's Corruption Perceptions Index for 2008; it has received this rank for two consecutive years. New Zealand is renowned for its efforts to ensure transparent, competitive, and corruption-free government procurement. Stiff penalties against bribing government officials or accepting bribes are strictly enforced.

LABOR FREEDOM — 88.8

New Zealand's labor regulations are flexible. The non-salary cost of employing a worker is low, and dismissing an employee is costless. Regulations on work hours are flexible.