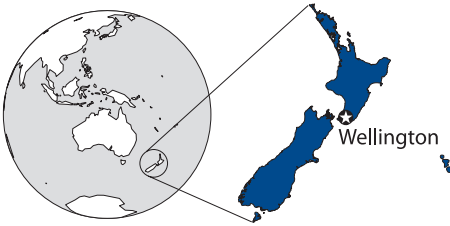


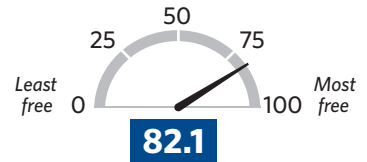
NEW ZEALAND



World Rank: **4**

Regional Rank: **4**

Economic Freedom Score



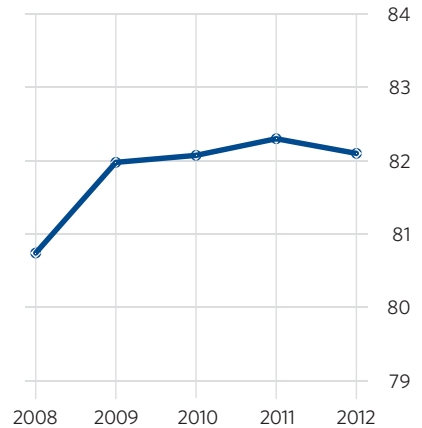
New Zealand's economic freedom score is 82.1, making its economy the 4th freest in the 2012 *Index*. Its score is 0.2 point worse than last year, reflecting modest declines in investment freedom and the control of government spending that offset an improvement in fiscal freedom. New Zealand is ranked 4th out of 41 countries in the Asia-Pacific region, and its score is far above the world and regional averages.

New Zealand's strong commitment to economic freedom has resulted in a policy framework that encourages impressive economic resilience. Openness to global trade and investment are firmly institutionalized, and the economy rebounded quickly from the global recession. A severe earthquake in 2011 in Christchurch caused only a transitory dip in healthy economic growth.

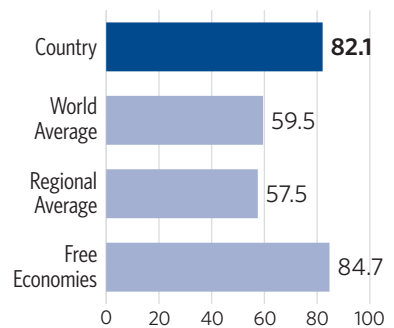
The financial system has remained stable, and prudent regulations allowed banks to withstand the global financial turmoil with little disruption. Other institutional strengths include relatively sound public finance management and strong protection of property rights. The government has delivered on its commitment to tax reform. The corporate rate was cut from 30 percent to 28 percent in 2011. A transparent and stable business climate makes New Zealand one of the world's friendliest environments for entrepreneurs.

BACKGROUND: New Zealand is a parliamentary democracy and one of the Asia-Pacific region's most prosperous countries. After 10 years of Labor Party-dominated governments, the National Party, led by Prime Minister John Key, returned to power in November 2008. Far-reaching economic liberalization in the 1980s and 1990s largely deregulated the economy, which is powered mainly by agriculture but also benefits from a flourishing manufacturing sector, a thriving tourism industry, and a strong renewable energy resource base. The global economic recession, however, caused a sizable financial contraction, during which the unemployment rate increased and the New Zealand dollar weakened against foreign currencies.

Freedom Trend



Country Comparisons



Quick Facts

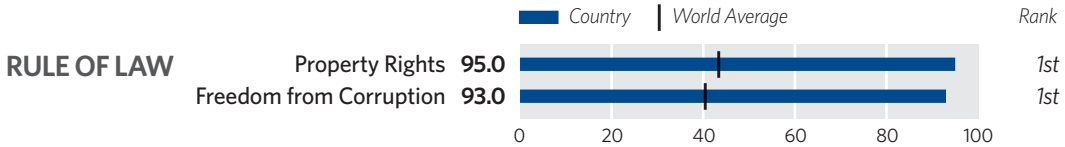
Population: 4.4 million
GDP (PPP): \$117.8 billion
 1.5% growth in 2010
 5-year compound annual growth 0.6%
 \$26,966 per capita
Unemployment: 6.5%
Inflation (CPI): 2.3%
FDI Inflow: \$560.7 million
Public Debt: 32.0% of GDP

How Do We Measure Economic Freedom?

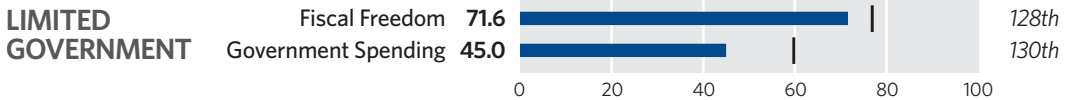
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

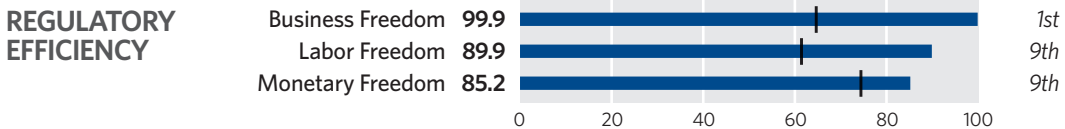
THE TEN ECONOMIC FREEDOMS



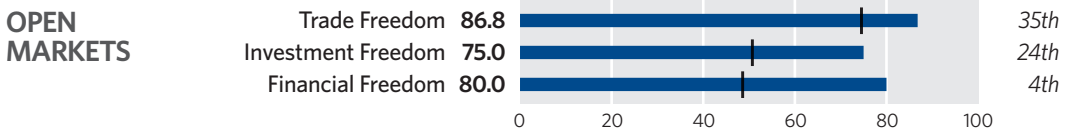
The judicial system is independent and functions well. Private property rights are strongly protected, and contracts are notably secure. Enforcement of intellectual property rights is solid. Amendments to existing copyright laws came into force in 2011. Effective anti-corruption measures and the sound legal framework continue to ensure government integrity and transparency.



The top income tax rate is 33 percent, and the top corporate tax rate has been cut to 28 percent. Other taxes include a goods and services tax (GST) and environmental taxes, with the overall tax burden amounting to 31 percent of total domestic income. Government spending has risen to a level equivalent to 42.8 percent of total domestic output. The budget balance has registered small deficits in recent years, but public debt remains under control.



New Zealand’s entrepreneurial environment is the most efficient and competitive among the economies graded in the *Index*. Start-up companies enjoy great flexibility under licensing and other regulatory frameworks. With no minimum capital required for launching a company, it takes only one day to start a business. Flexible labor regulations facilitate a dynamic labor market, increasing overall productivity. Monetary stability is well maintained.



The trade weighted average tariff rate is competitively low at 1.6 percent, and non-tariff barriers are nominal. There are very few limitations on investment activities, 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. Banks remain well-capitalized and stable.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+6.9	Business Freedom	0	Trade Freedom	+0.2
Freedom from Corruption	-1.0	Government Spending	-4.3	Labor Freedom	+0.7	Investment Freedom	-5.0
				Monetary Freedom	+0.4	Financial Freedom	0