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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Thanks to exemplary pandemic management, New Zealand rebounded quicker than many other advanced economies. This resilience bolstered economic activity, complemented by robust investment and consumption, facilitated by generous fiscal and monetary support. However, after considerable policy tightening, the economy slipped into a technical recession, witnessing a 0.1% quarter-on-quarter (seasonally adjusted) decline in real GDP in 2023Q1, following a 0.7% drop in GDP in 2022Q4. For the year as a whole, the IMF estimated growth at 1.1% due to deteriorating terms of trade, elevated debt servicing costs, and subdued consumer sentiment amid declining house prices and a soft labor market. Growth is expected to stay restrained in 2024 (1%) as the impact of monetary tightening unfolds fully, before accelerating to 2.1% in 2025 (IMF).

In May 2023, the government disclosed its revised plan to attain a fiscal surplus by the fiscal year ending June 2026 (FY26), postponing it by a year from the initial schedule. This adjustment was prompted by a less optimistic economic growth and tax revenue outlook, alongside 0.7% of GDP attributed to fiscal costs related to recent floods. Additionally, the government allocated an additional cumulative 1.5% of GDP for the implementation of a new National Resilience Plan. The government deficit was estimated at 5.4% of GDP in 2023 by the IMF; it should remain at the same level this year and decrease to 3.4% by 2025. The debt-to-GDP ratio, at 46.1% last year, is expected to follow an upward trend, reaching 49.9% in 2024 and 52.3% in 2025, as per the IMF. Consumer price inflation began to ease in Q2/2023, averaging an estimated 4.9% over the year. It should return within the Reserve Bank of New Zealand’s 1–3% target range in 2024 (at 2.7%, IMF). Economic challenges include dependence on foreign investment, high household and corporate debt, reliance on Chinese demand, insufficient skilled workers, low R&D, and a shortage of housing. The economy is also vulnerable to international commodity prices, particularly dairy and meat. Strong public funds have been allocated to the reconstruction of roads, railways, and the KiwiBuild Programme.

Labor market conditions remain tight, characterized by record high labor force participation and negligible slack, evidenced by historically low levels of unemployment and underemployment rates. This scenario has led to upward pressure on wages, especially within the services and construction sectors. While the recent surge in migration has alleviated some labor market strain, expectations for wage growth, particularly in the short term, remain elevated. Unemployment was estimated at 3.8% in 2023, from 3.3% one year earlier. It is forecast to increase to 4.9% this year (IMF). Some key social issues faced by the New Zealand government include dealing with an ageing population and increasing health care costs, boosting employment and household incomes, and increasing housing affordability.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>GDP</b> <i>(billions USD)</i>	242.02	249.42	247.54	256.36	269.46
<b>GDP</b> <i>(Constant Prices, Annual % Change)</i>	2.7	1.1	1.0	2.1	2.2
<b>GDP per Capita</b> <i>(USD)</i>	47,226	48,072	47,223	48,407	50,361
<b>General Government Balance</b> <i>(in % of GDP)</i>	-4.8	-5.4	-5.5	-3.4	-1.6

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>General Government Gross Debt</b> <i>(in % of GDP)</i>	46.4	46.1	49.9	52.3	52.0
<b>Inflation Rate</b> <i>(%)</i>	n/a	4.9	2.7	2.5	2.3
<b>Unemployment Rate</b> <i>(% of the Labour Force)</i>	3.3	3.8	4.9	4.5	4.5
<b>Current Account</b> <i>(billions USD)</i>	-21.87	-19.67	-16.15	-15.22	-13.96
<b>Current Account</b> <i>(in % of GDP)</i>	-9.0	-7.9	-6.5	-5.9	-5.2

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

New Zealand's economy is based on agriculture and services such as tourism, retail, and wholesale trade. The agricultural sector is the largest industry in the country, with pastoral farming and horticulture being the most important categories. Agriculture represents 5.7% of GDP and 6% of the total workforce (World Bank, latest data available). Main agricultural products include dairy (the country is the 7th largest milk producer in the world in 2023), meat, wood, fruit (mainly peaches, plums, nectarines, drupe, cherries, apricots, and kiwi), vegetables, seafood, wheat, and barley. New Zealand also has a thriving wine industry and is rich in many natural resources, in particular gas, oil, and coal. On average, migrants make up 15% of the agricultural workforce in New Zealand.

Industry represents 19.7% of GDP and 21% of the workforce (World Bank). Main industries include log and wood articles, food processing, manufacturing, mining, transportation equipment, construction, aluminum production, and paper products. The manufacturing sector as a whole is estimated to account for 9% of GDP. The construction industry plays a vital role in the country's economy, contributing over NZD 17.5 billion to the GDP for the year ending September 2023 (Statista).

The services sector accounts for 66.7% of GDP and employs 73% of the active population (World Bank). Main services include financial services, real estate services, and tourism - which is one of the most important sources of foreign currency. Other important sectors include retail and wholesale trade, restaurants, and hotels. According to the latest figures from the national statistics institute, in 2023, the overall tourism expenditure amounted to NZD 37.7 billion, marking a surge of 39.6% (NZD 10.7 billion) compared to the preceding year. International tourism expenditure soared by 456.9% (NZD 8.9 billion) to reach NZD 10.8 billion. As per the banking sector, By 2023, there were 27 registered banks functioning in the country, as per the Reserve Bank of New Zealand. Similar to the banking sector in Australia, New Zealand is predominantly controlled by four major banks: ANZ, ASB, BNZ, and Westpac, all of which are Australian-owned. In 2022, banks made a direct contribution of NZD 9.1 billion to the New Zealand economy (data NZ Banking Association).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	6.1	20.0	73.9
<b>Value Added</b> <i>(in % of GDP)</i>	5.7	19.7	66.7
<b>Value Added</b> <i>(Annual % Change)</i>	-0.5	3.9	5.9

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
<b>New Zealand Dollar (NZD) - Average Annual Exchange Rate For 1 USD</b>	1.44	1.41	1.45	1.50	1.54

Source: World Bank - Latest available data.

## FOREIGN TRADE

Foreign trade is an essential element of New Zealand's economy, which is one of the most open economies in the world. Trade represents around 54% of GDP (World Bank, latest data available). The country mainly exports agricultural products. In 2022, exports were led by milk (15%), butter (6.2%), sheep meat (6%), bovine meat (5.9%), and wood (4.9%); whereas imports included petroleum oils (10%), motor cars (7.8%), vehicles for the transport of goods (2.5%), and telephones (2.5% - data Comtrade).

New Zealand's major export partners in 2022 were China (28%), Australia (12.1%), the United States (10.8%), Japan (5.8%), South Korea (3.7%), and Indonesia (2.9%). On the other hand, imports came chiefly from China (23.1%), Australia (11.1%), the United States (8.9%), South Korea (6.4%), and Japan (6.3% - data Comtrade). The country is a founding member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). A Regional Comprehensive Economic Partnership (RCEP) - the world's largest trade agreement - was also signed in 2020 which includes 7 of New Zealand top 10 trading partners and 16 countries in total: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, South Korea, Thailand and Vietnam, and could eventually replace the CPTPP. Moreover, New Zealand signed a free trade agreement with the UK on 28 February 2022 and the European Union concluded negotiations for a comprehensive trade agreement with New Zealand on 30 June 2022, which was signed on 9 July 2023.

According to WTO data, in 2022, New Zealand's goods exports totalled USD 45.1 billion against USD 54.2 billion in imports (+0.7% and +8.7% y-o-y). As per services, the figures stood at USD 11.4 billion and USD 16.8 billion, respectively. The country's trade deficit was estimated at 5.3% of GDP in the same year by the World Bank. According to Stats NZ, New Zealand's annual goods exports were valued at USD 41.9 billion in the year ending December 2023, reflecting a 4.5% decrease from the preceding year, according to the statistics department Stats NZ on Monday. Over the same period, imports were valued at USD 50.21 billion, down 5%, resulting in an annual trade deficit of USD 8.3 billion in the year ending December 2023, compared with a deficit of USD 8.91 billion in the year ending December 2022, the largest annual deficit since the record began.

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> (million USD)	43,793	42,363	37,152	49,855	54,219
<b>Exports of Goods</b> (million USD)	39,673	39,517	38,377	44,777	45,102
<b>Imports of Services</b> (million USD)	14,958	15,568	11,430	13,670	16,845
<b>Exports of Services</b> (million USD)	17,755	17,417	11,579	9,827	11,454

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> (in % of GDP)	55.8	54.4	44.0	48.2	n/a
<b>Trade Balance</b> (million USD)	-3,523	-2,437	1,478	-4,133	-7,750
<b>Trade Balance (Including Service)</b> (million USD)	-163	193	2,054	-8,061	-13,865
<b>Imports of Goods and Services</b> (Annual % Change)	3.9	1.0	-15.9	17.3	n/a

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Exports of Goods and Services</b> <i>(Annual % Change)</i>	2.8	-0.2	-17.6	1.4	n/a
<b>Imports of Goods and Services</b> <i>(in % of GDP)</i>	27.9	27.1	22.2	26.0	n/a
<b>Exports of Goods and Services</b> <i>(in % of GDP)</i>	27.9	27.3	21.7	22.2	n/a

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of exports of goods and services (Annual % change)</b>	7.4	9.2	7.4	4.3	5.1
<b>Volume of imports of goods and services (Annual % change)</b>	1.5	0.1	4.6	3.0	4.2

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

## International Economic Cooperation

New Zealand has signed a [free trade agreement](#) (CEPA) with Hong Kong.

## Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
<b>China</b>	28.0%
<b>Australia</b>	12.1%
<b>United States</b>	10.8%
<b>Japan</b>	5.8%
<b>South Korea</b>	3.7%
<b>See More Countries</b>	39.6%

Main Suppliers <i>(% of Imports)</i>	2022
<b>China</b>	23.1%
<b>Australia</b>	11.1%
<b>United States</b>	8.9%
<b>South Korea</b>	6.4%
<b>Japan</b>	6.3%
<b>See More Countries</b>	44.3%

Source: Comtrade, Latest Available Data

## POLITICAL OUTLINE

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### Current Political Leaders

Queen: Charles III (since 8 September 2022)

Governor-General: Cindy Kiro (since 21 September 2021)

Prime Minister: Christopher Luxon (since 27 November 2023)

### Next Election Dates

General elections: October 2026

### Main Political Parties

New Zealand has a multi-party system and the main political parties are:

- **National Party**: centre-right, conservative, liberal
- **Labour Party**: centre-left, social-democratic, social equality and universal rights

Other parties include:

- **Green Party**: left-wing, social-democratic
- **New Zealand First**: centre, conservative, nationalist, populist
- **Maori Party**: centre-left, maori rights
- **ACT**: right-wing, liberal

### Executive Power

The head of State is the British sovereign represented by the Governor General. The head of Government is the Prime Minister, who is responsible for the legislature and is also the person who appoints the Governor General. The Cabinet is the most senior policy-making body and is led by the Prime Minister - who is the parliamentary leader of the governing party or coalition. The Prime Minister holds executive powers, which include the implementation of the law and running the day-to-day affairs of the country.

### Legislative Power

The legislative authority is vested in a unicameral, 121-member House of Representatives. 72 members are directly elected by popular vote in single-member constituencies. These include seven Maori seats and 49 proportional seats chosen from party lists under the Mixed Member Proportional (MMP) system. The other seats are assigned to list Members of Parliament based on each party's share of the total party vote. All members serve three-year terms.

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## COVID-19 COUNTRY RESPONSE

### Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### **Import & export restrictions**

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### **Economic recovery plan**

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of New Zealand, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

### **Support plan for businesses**

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).