

The state of the US-New Zealand economic relationship

Background material prepared for the
United States-New Zealand Partnership
Forum

August 2007

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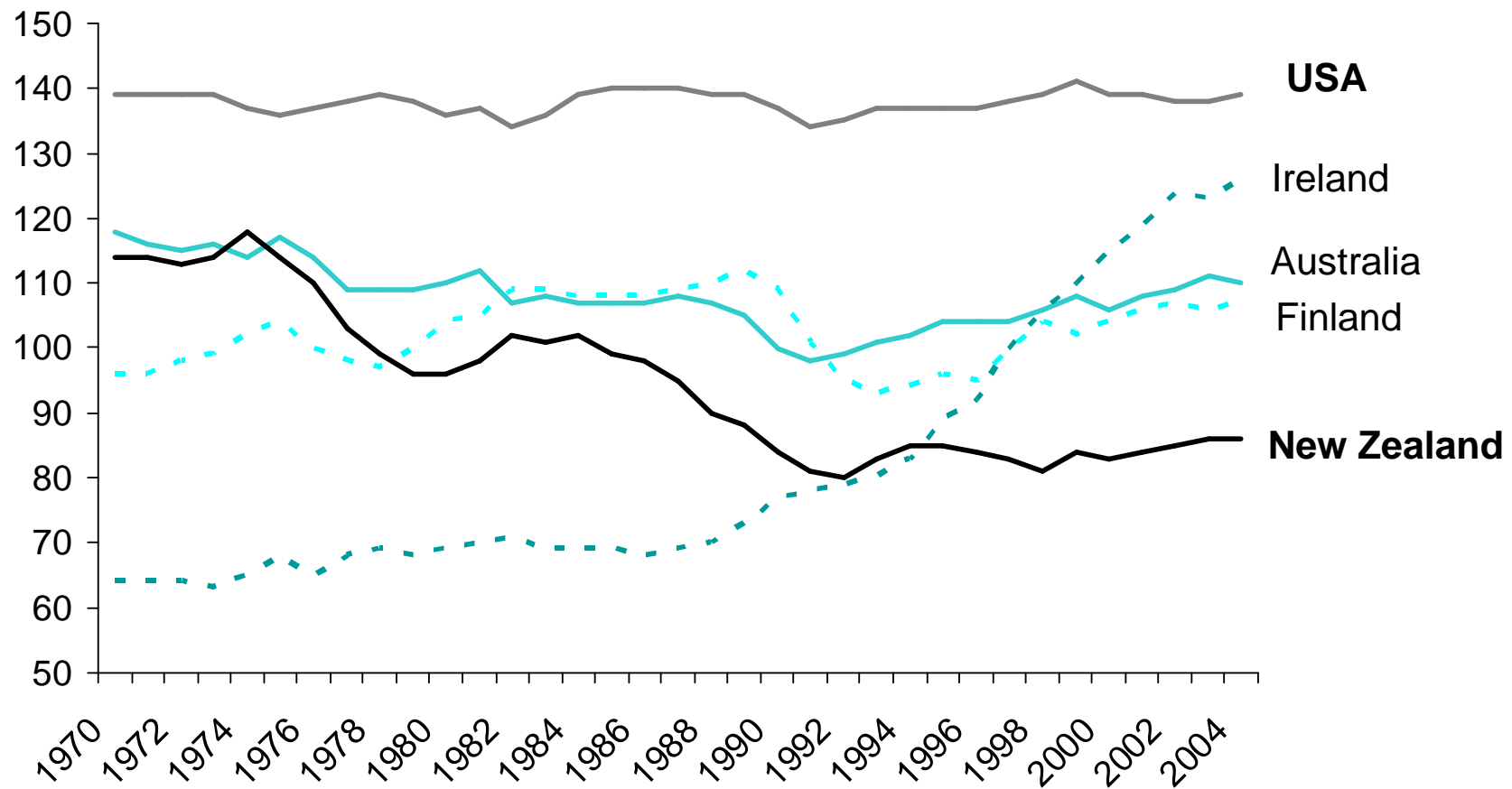
SUMMARY: THE US-NEW ZEALAND RELATIONSHIP

	New Zealand	US
Population	4.2m	301.1m
GDP	US\$106b (PPP)	US\$12,981b (PPP)
GDP Growth	2.3% (2005)	3.2% (2005)
Per capita income	New Zealand's is approximately 60% of USA's (PPP)	
Labour productivity	New Zealand's is approximately 57% of USA's	
Exports	14% to USA (#2)	0.28% to New Zealand (#41)
Imports	12% from USA (#2)	0.17% from New Zealand (#53)
Trade balance	New Zealand's average deficit NZ\$1 billion 1997-2006	
Inward FDI	11% from USA (#2)	0.04% from New Zealand (#38)
Outward FDI	8% goes to USA (#2)	0.23% goes to New Zealand (#39)
Investment balance (stock)	New Zealand's investment stock deficit with USA in 2006: NZ\$8 billion	
Short-term visits	9% of short-term visits to New Zealand are from US	XX% of short-term visits to US are from New Zealand
Permanent and long-term movements	Over the last 10 years New Zealand gained a net annual average of 285 people from the US in permanent and long-term movements	

Source: Statistics New Zealand; OECD; UNCTAD, World Economic Forum; Bureau of Economic Analysis. Most recent data available.

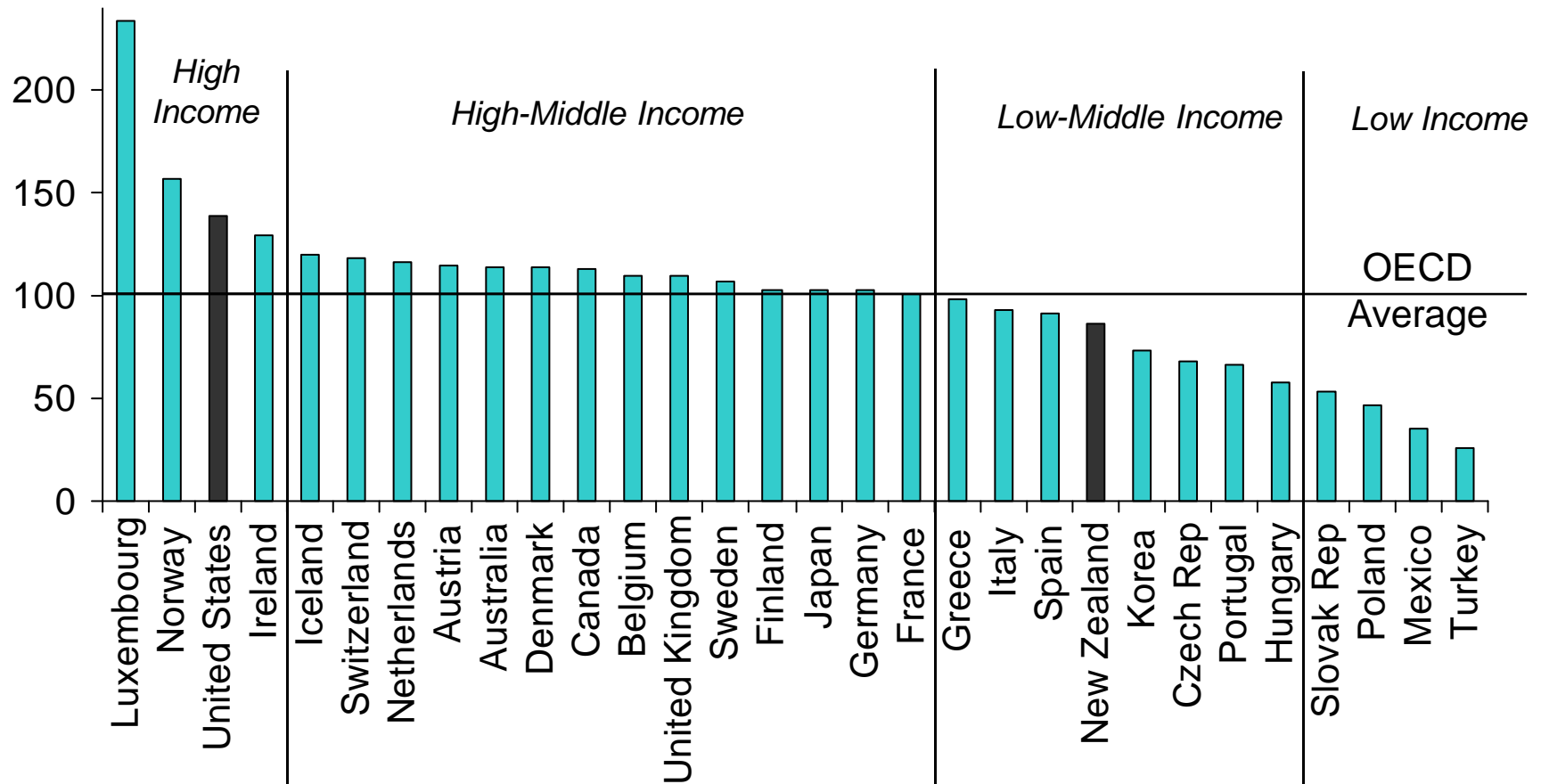
NEW ZEALAND GDP PER CAPITA IS ABOUT 60% OF US GDP PER CAPITA

Real per Capita GDP (OECD average = 100)



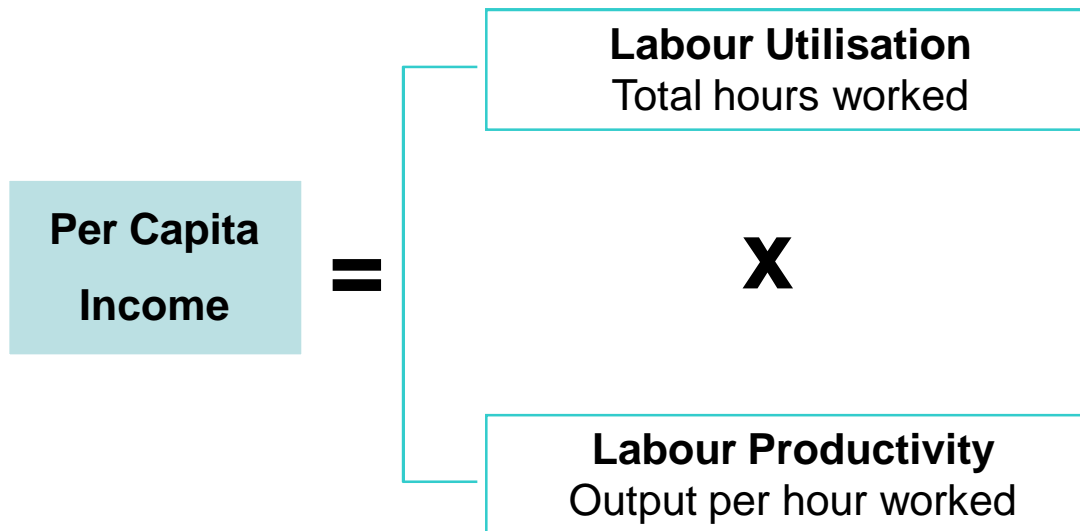
THE US AND NEW ZEALAND ARE AT DIFFERENT ENDS OF THE OECD

GDP per capita (PPP) indexed to OECD average, 2005

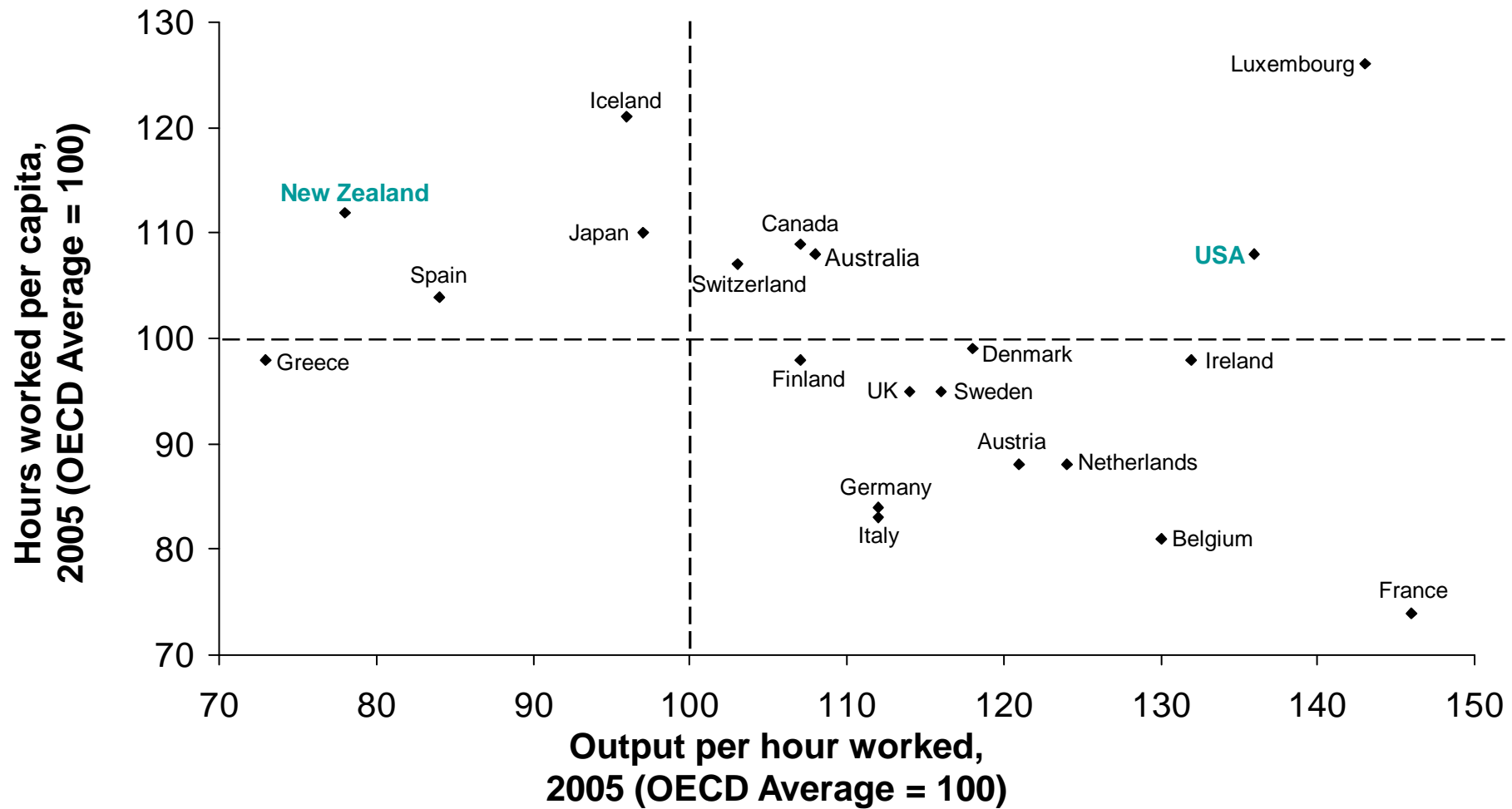


Source: OECD.

COMPONENTS OF PER CAPITA INCOME

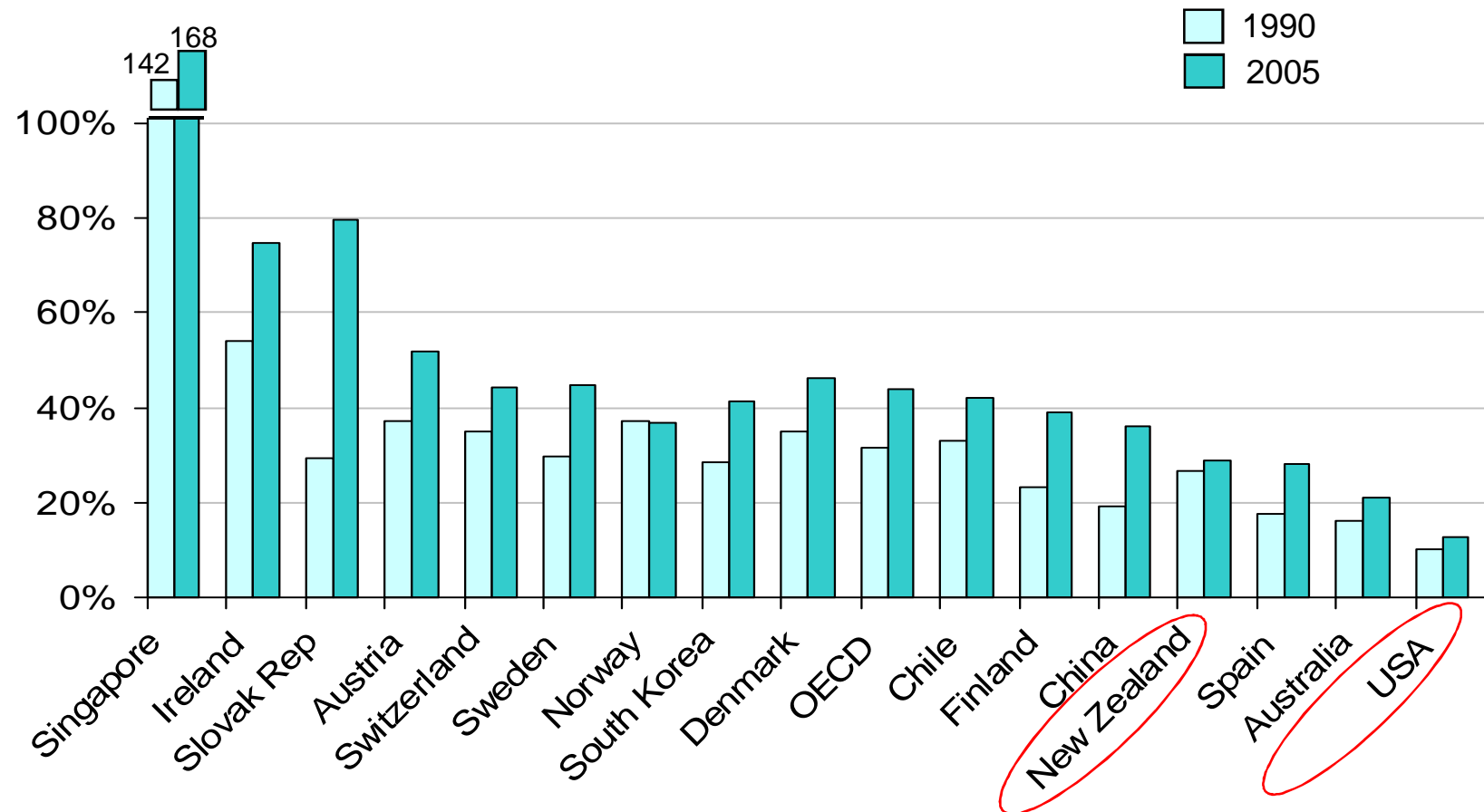


PRODUCTIVITY AND LABOUR UTILISATION ACROSS THE OECD



NEW ZEALAND EXPORTS LESS THAN MOST DEVELOPED COUNTRIES BUT MORE THAN THE US

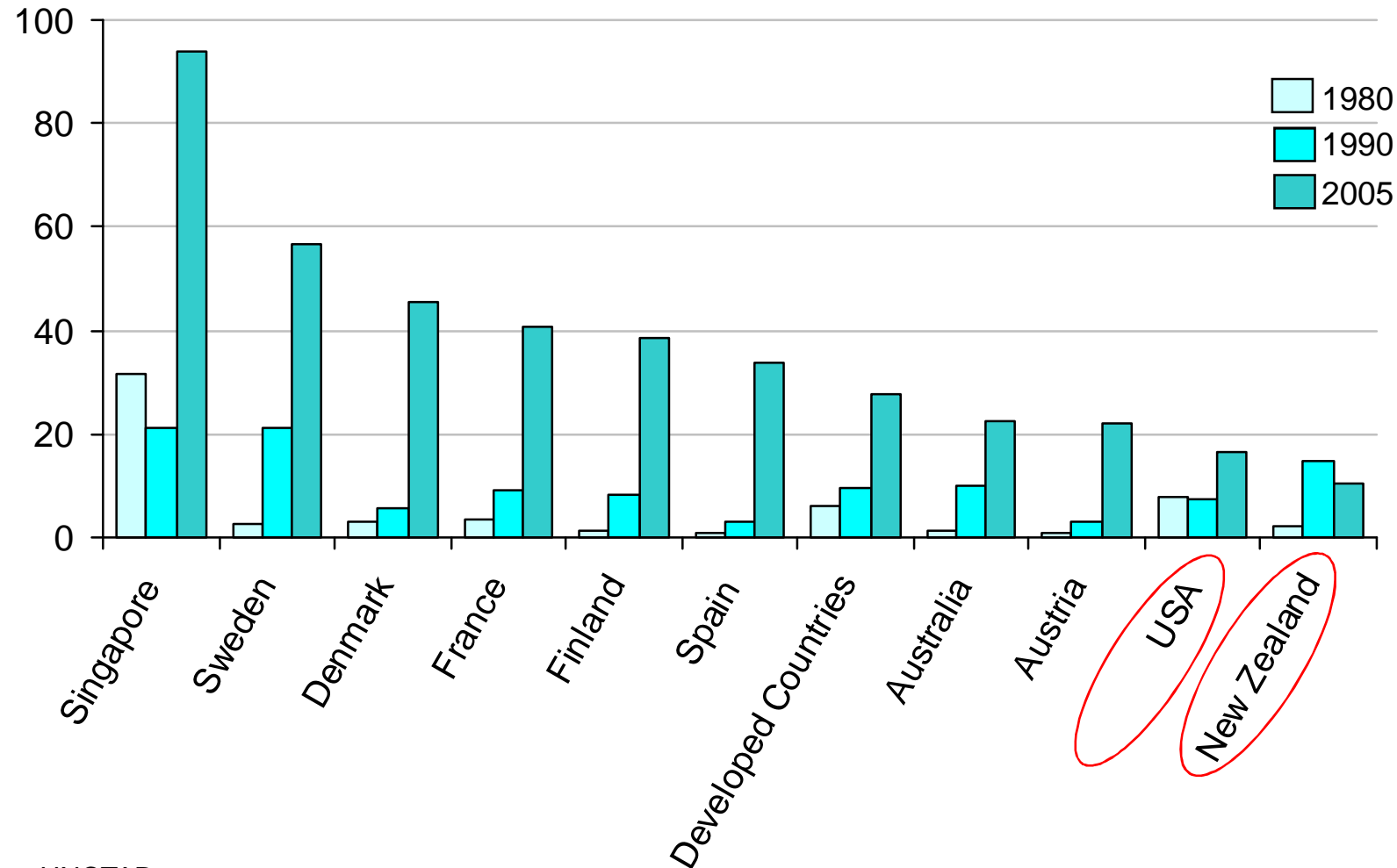
Exports as a % of GDP, 1990 and 2005



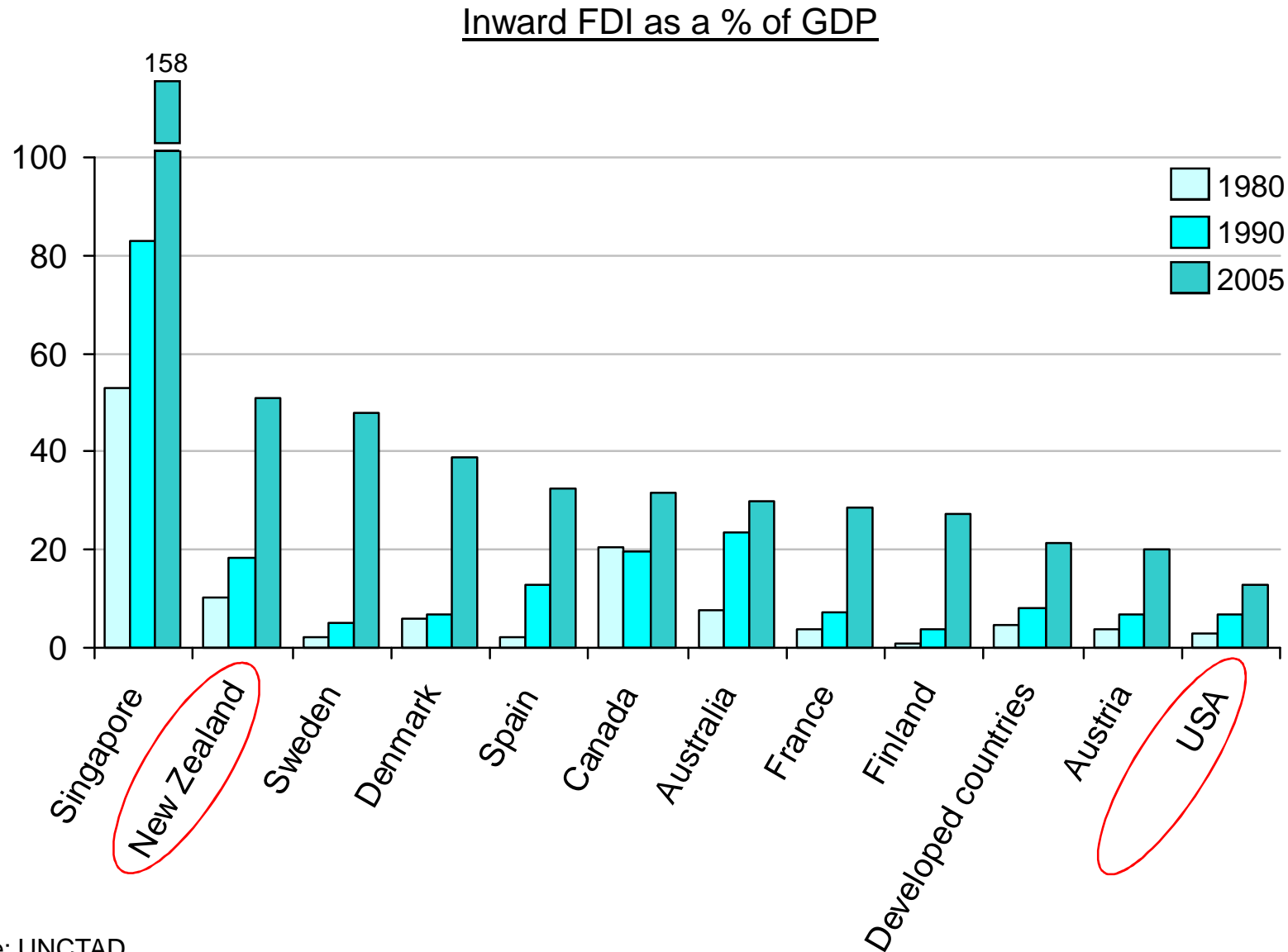
Source: OECD; national government statistics for Chile, China, and Singapore for 2005.

NEW ZEALAND IS DISTINCTIVE IN HAVING A LOW AND REDUCING OUTWARD FOREIGN DIRECT INVESTMENT STOCK

Outward FDI as a % of GDP



NEW ZEALAND HAS INCREASED ITS INWARD FDI STOCK OVER RECENT DECADES



Source: UNCTAD.

THE 2006 ECONOMIC FREEDOM INDEX RANKS NEW ZEALAND AND THE US AMONG THE BEST IN THE WORLD

Rank	Country
1	Hong Kong
2	Singapore
3	New Zealand
3	Switzerland
3	United States
6	Ireland
6	United Kingdom
8	Canada
9	Iceland
9	Luxembourg
11	Australia
12	Austria
12	Estonia
12	Finland
12	Netherlands
12	United Arab Emirates
17	Denmark
17	Germany
19	Japan

Economic Freedom Index rank by Area

	New Zealand	United States
Economic Freedom Area		
Size of Government	39	17
Legal Structure & Security of Property Rights	3	18
Access to Sound Money	24	2
Freedom to Trade Internationally	16	29
Regulation of Credit, Labor, and Business	4	3

Note: The economic freedom index produced by the Heritage Foundation and the Wall Street Journal ranks the United States 4th and New Zealand 5th.

Source: The Fraser Institute.

NEW ZEALAND AND THE US ARE ALSO LEADERS IN THE EASE OF DOING BUSINESS

2006/7 Rank	Economy
1	Singapore
2	New Zealand
3	United States
4	Canada
5	Hong Kong, China
6	United Kingdom
7	Denmark
8	Australia
9	Norway
10	Ireland
11	Japan
12	Iceland
13	Sweden
14	Finland
15	Switzerland
16	Lithuania
17	Estonia
18	Thailand
19	Puerto Rico
20	Belgium

Ease of Doing Business rank by indicator

Indicator	New Zealand	United States
Starting a Business	3	3
Dealing with Licenses	18	33
Hiring and Firing	10	1
Registering Property	1	10
Getting Credit	3	7
Protecting Investors	1	5
Paying Taxes	10	62
Trading Across Borders	12	11
Enforcing Contracts	15	6
Closing a Business	21	16

THE GLOBAL COMPETITIVENESS INDEX RANKING INDICATES ROOM FOR NEW ZEALAND TO IMPROVE

Rank	Country
1	Switzerland
2	Finland
3	Sweden
4	Denmark
5	Singapore
6	United States
7	Japan
8	Germany
9	Netherlands
10	United Kingdom
11	Hong Kong SAR
12	Norway
13	Taiwan, China
14	Iceland
15	Israel
16	Canada
17	Austria
18	France
19	Australia
20	Belgium
21	Ireland
22	Luxembourg
23	New Zealand

Global Competitiveness Index rank by pillar

Pillar	New Zealand	United States
Institutions	8	27
Infrastructure	27	12
Macroeconomy	25	69
Health and Basic Education	6	40
Higher Education/Training	22	5
Market Efficiency	15	2
Technological Readiness	23	8
Business Sophistication	26	8
Innovation	25	2

TOP EXPORT MARKETS FOR NEW ZEALAND AND THE USA

New Zealand's top 10 export destinations
June year 2006

Rank	Country	Value of exports (NZ\$b)	Percent of total exports
1	Australia	6,147	19.95%
2	USA	4,231	13.73%
3	Japan	3,287	10.67%
4	China	1,731	5.62%
5	UK	1,396	4.53%
6	Korea, Republic of (South)	1,146	3.72%
7	Taiwan	797	2.59%
8	Germany	745	2.42%
9	Canada	538	1.75%
10	Hong Kong	529	1.72%
	ROW	<u>18,262</u>	47%
	Total	38,809	

USA's export destinations, 2006

Rank	Country	Value of exports (US\$m)	Percent of total exports
1	Canada	230,244	22.20%
2	Mexico	134,128	12.93%
3	Japan	59,648	5.75%
4	China	55,224	5.33%
5	United Kingdom	45,392	4.38%
6	Germany	41,313	3.98%
7	Rep. of Korea	32,455	3.13%
8	Netherlands	31,102	3.00%
9	Singapore	24,683	2.38%
10	France	24,386	2.35%
	ROW	<u>588,699</u>	56.77%
	Total	1,267,274	
41	New Zealand	2,929	0.28%

TOP IMPORT SOURCES FOR NEW ZEALAND AND US

New Zealand's top 10 import sources
June year 2006

Rank	Country	Value of imports (NZ\$m)	Percent of total imports
1	Australia	7,642	19.56%
2	USA	4,756	12.17%
3	China	4,444	11.37%
4	Japan	3,993	10.22%
5	Germany	1,765	4.52%
6	Singapore	1,537	3.93%
7	Malaysia	1,278	3.27%
8	UK	1,164	2.98%
9	Korea, Republic of (South)	1,069	2.74%
10	France	1,013	2.59%
	ROW	10,410	26.64%
	Total	39,071	

US import sources, 2006

Rank	Country	Value of imports (US\$m)	Percent of total imports
1	Canada	307,723	16.04%
2	China	305,779	15.93%
3	Mexico	200,500	10.45%
4	Japan	152,244	7.93%
5	Germany	91,215	4.75%
6	United Kingdom	54,613	2.85%
7	Rep. of Korea	47,636	2.48%
8	Venezuela	38,386	2.00%
9	France	38,083	1.98%
10	Malaysia	37,521	1.96%
	ROW	645,297	33.63%
	Total	1,918,997	
53	New Zealand	3,326	0.17%

NEW ZEALAND'S TOP 10 GOODS EXPORTS TO AND IMPORTS FROM THE US

New Zealand's exports to US, 2006 (NZ\$000)

Name	2006 (P)	% CAGR 2000-2006
Frozen Beef	788,807	-2.78%
Casein	298,613	-8.81%
Timber	266,690	1.55%
Whey and products	225,930	n/a
Sheep meat	217,869	2.20%
Food preparations	167,616	n/a
Wine	38,381	0.72%
Aluminium; unwrought	104,978	76.71%
Cheese	96,124	-8.44%
Butter	87,252	8.36%

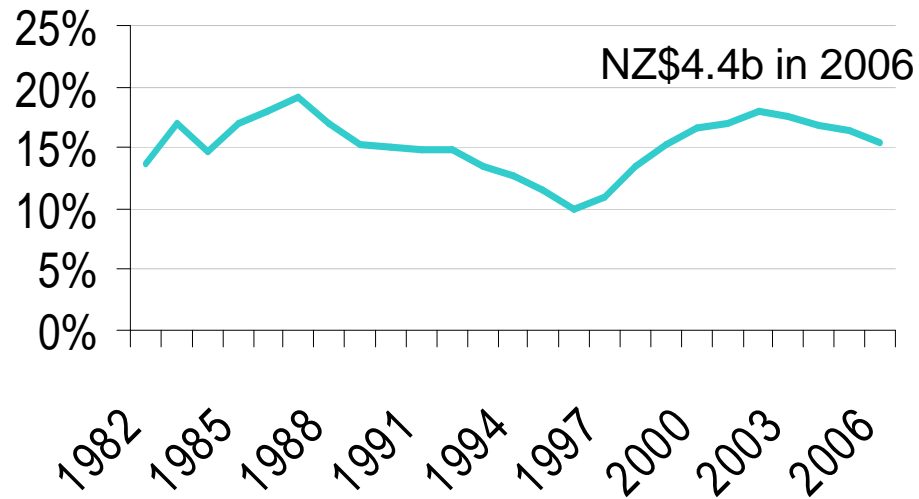
US exports to New Zealand, 2006 (NZ\$000)

Name	2006 (P)	% CAGR 2000-2006
Aircraft	1,252,731	11.32%
Medical or veterinary instruments	142,519	2.96%
Computers	125,587	-12.49%
Motor vehicles; parts	121,026	20.38%
Petroleum coke	106,771	11.58%
Reagents	68,055	13.52%
Insecticides	50,828	n/a
Harvesting machinery	46,922	n/a
Tractors	46,849	3.10%
Trucks and vans	45,320	-1.18%

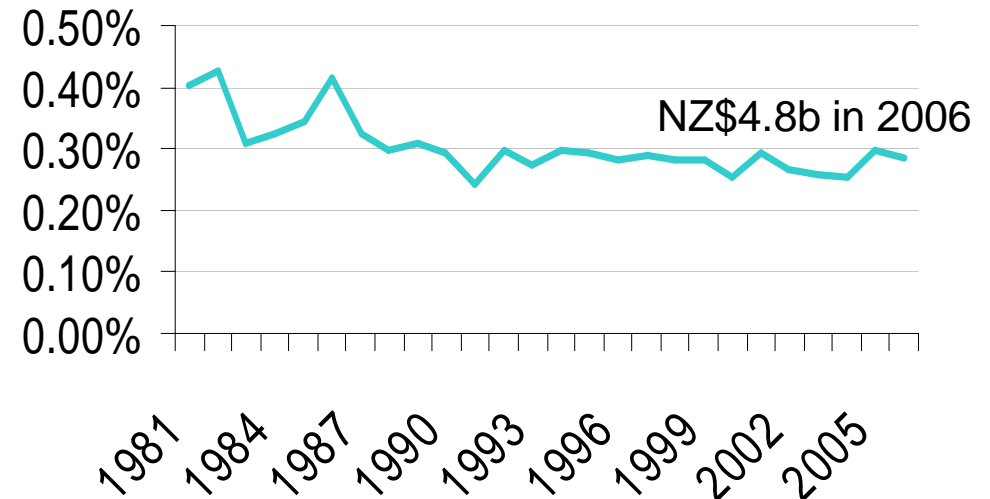
Note: CAGR is Compound Annual Growth Rate.
Source: Statistics New Zealand.

THE BILATERAL TRADE RELATIONSHIP BETWEEN THE US AND NEW ZEALAND

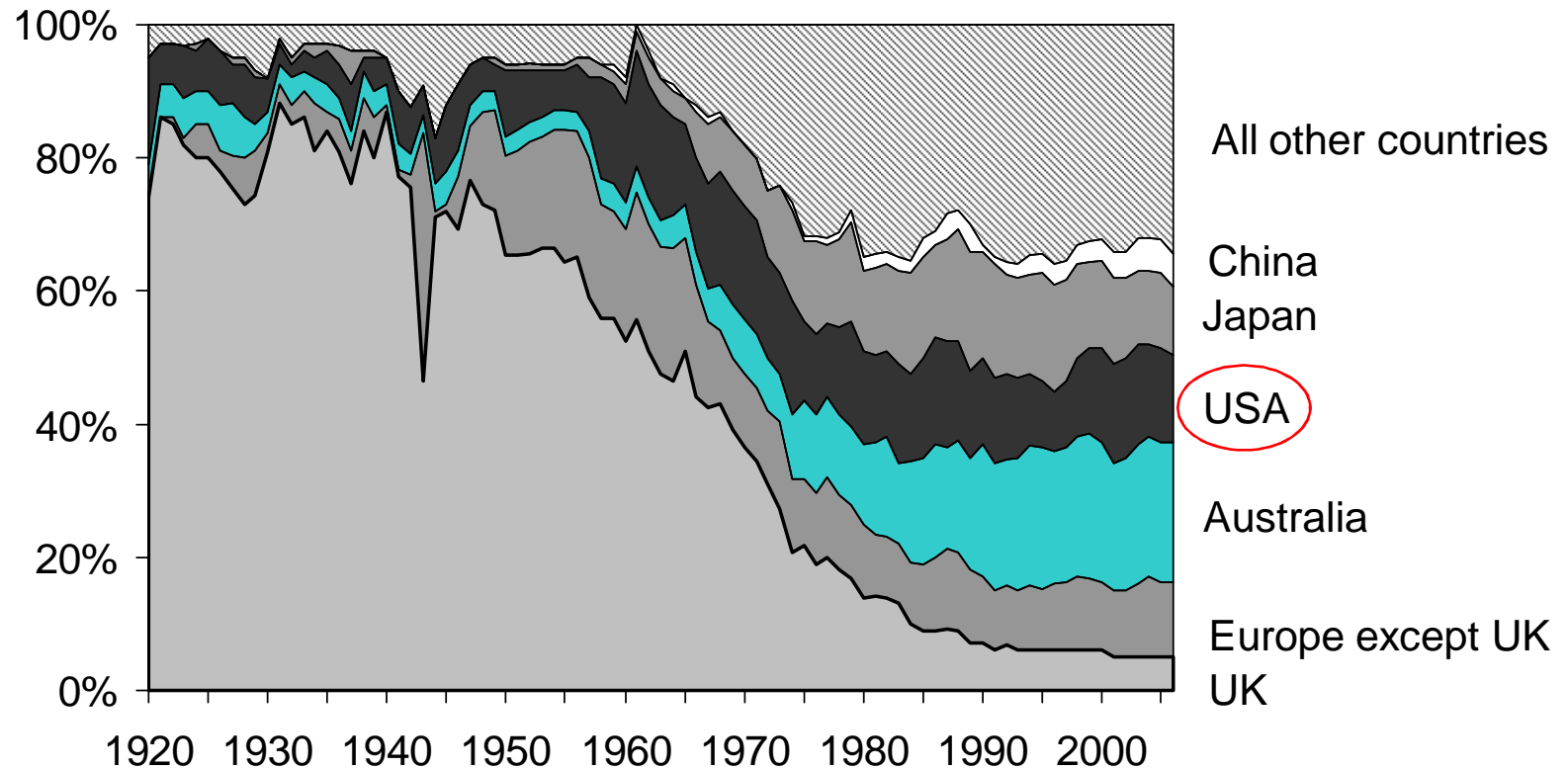
Percent of New Zealand goods exports going to US, 1981-2006



Percent of US exports going to New Zealand, 1981-2006



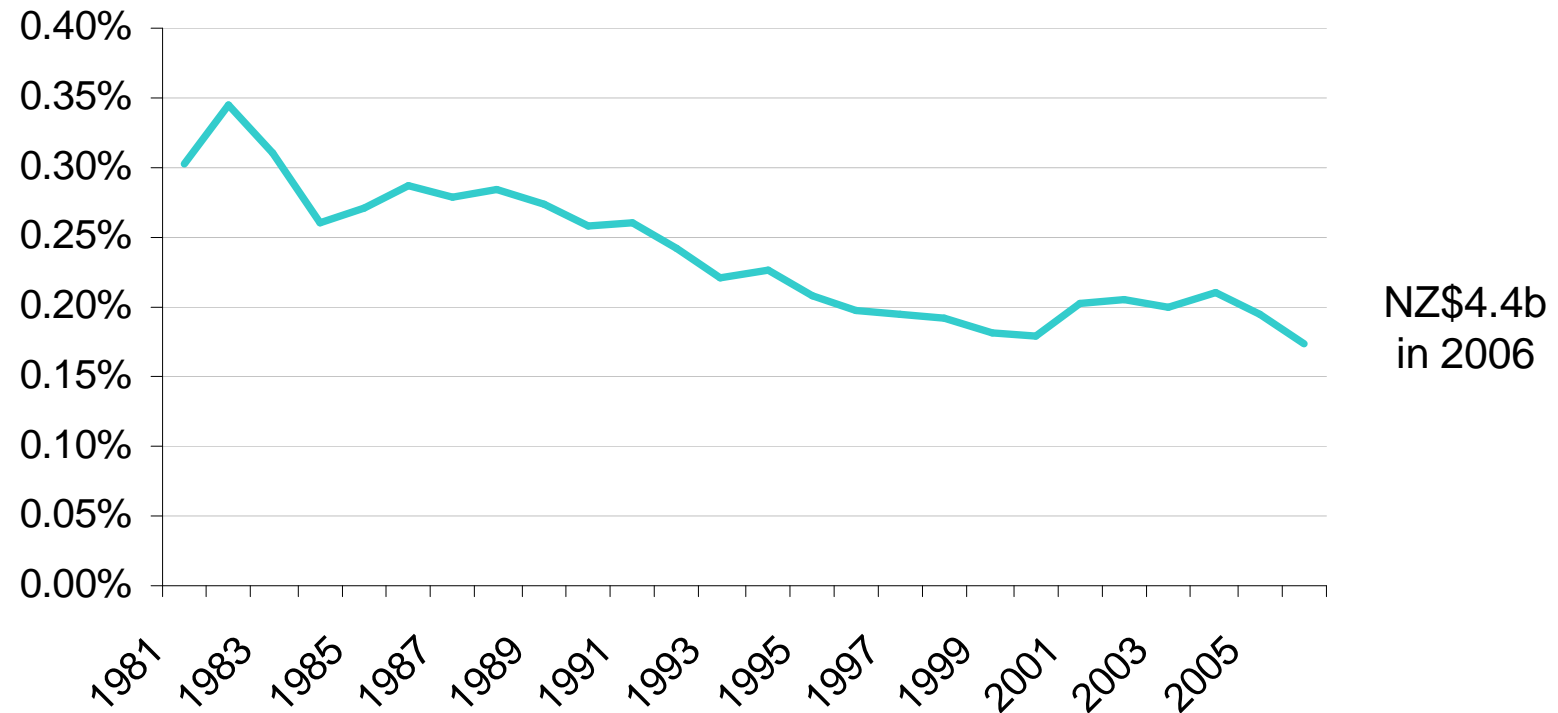
NEW ZEALAND'S EXPORTS TO THE US HAVE BEEN RELATIVELY STEADY OVER THE LAST SEVERAL DECADES



Note: Data interpolated for the years 1932, 1942-5, 1950-3, 1960-2, 1969-70, and 1981, exports of goods only.
 Source: Statistics New Zealand.

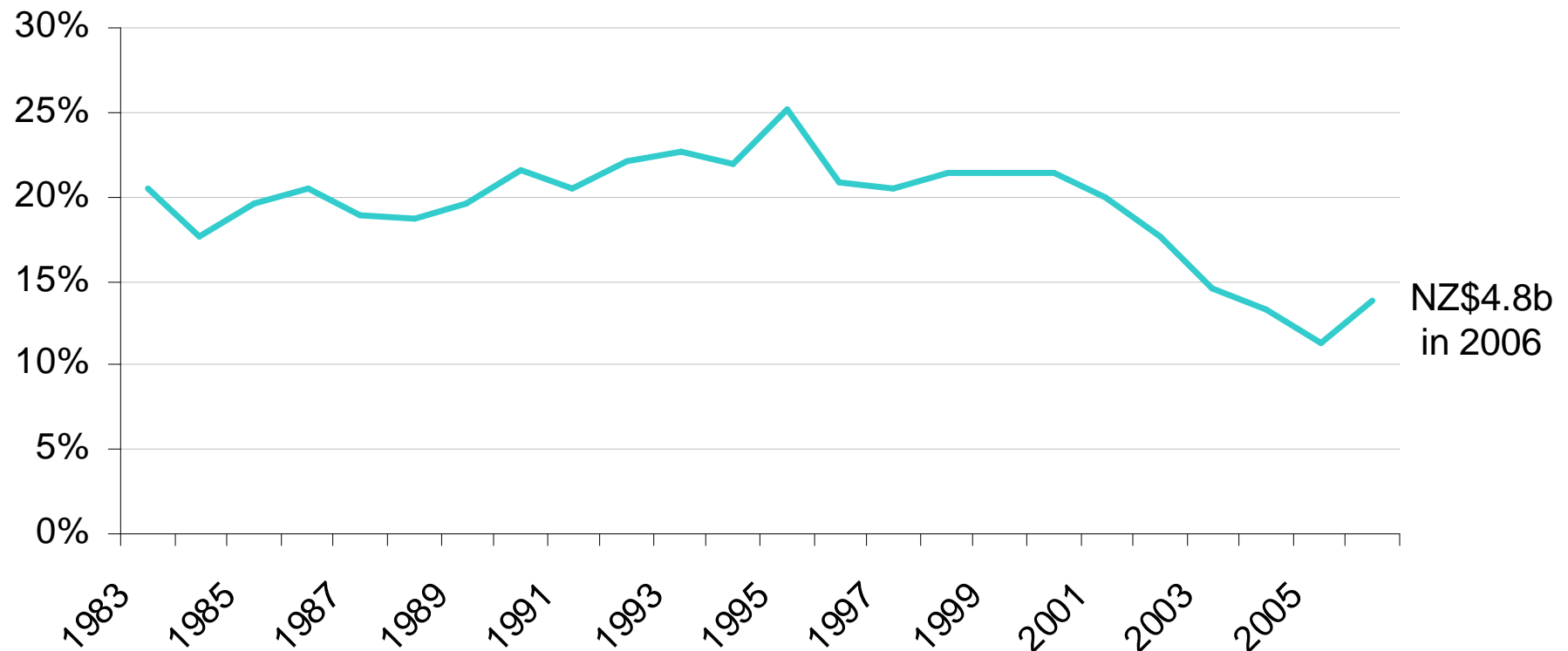
NEW ZEALAND SHARE OF US IMPORTS IS SMALL

Percent of US imports coming from NZ, 1981-2006



US SHARE OF NEW ZEALAND IMPORTS HAS DECLINED

Percent of NZ imports coming from USA, 1981 to 2006



THE USA IS A MAJOR SOURCE OF NEW ZEALAND'S FDI AND A MAJOR DESTINATION FOR NEW ZEALAND ODI

New Zealand's top 10 FDI sources
Year to 31 March 2006

Rank	Country	FDI (NZ\$m)	Percent of total FDI
1	Australia	39,395	50.50%
2	USA	8,795	11.30%
3	UK	3,909	5.00%
4	Netherlands	3,848	4.90%
5	Japan	1,652	2.10%
6	Germany	1,593	2.00%
7	Singapore	1,263	1.60%
8	Canada	1,044	1.30%
9	Hong Kong	585	0.70%
10	Switzerland	52	0.10%
	ROW	<u>15,936</u>	20.40%
	Total	78,072	

New Zealand's top 10 ODI destinations
Year to 31 March 2006

Rank *	Country	ODI (NZ\$m)	Percent of total ODI
1	Australia	9,346	58.65%
2	USA	1,263	7.93%
3	United Kingdom	916	5.75%
4	Singapore	390	2.45%
5	Hong Kong	102	0.64%
6	Bermuda	98	0.61%
7	Canada	72	0.45%
8	Japan	39	0.24%
	*Germany	Confidential	
	*Netherlands	Confidential	
	ROW	<u>5,626</u>	35.30%
	Total	15,936	

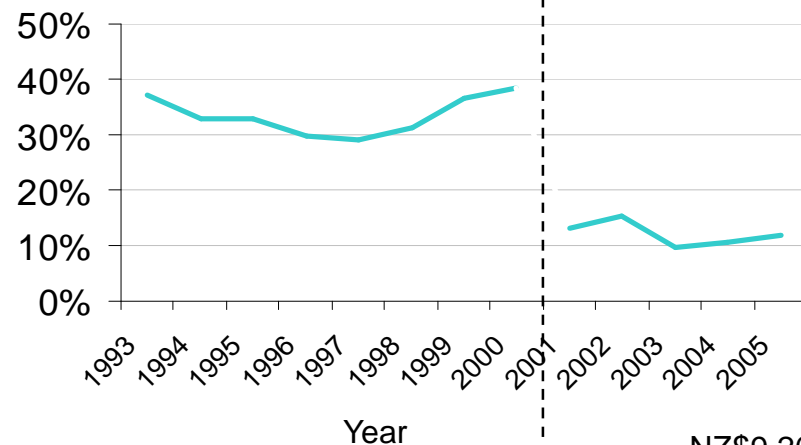
Note: Direct investment involves an ownership stake of at least 25% of the enterprise.

Source: Statistics New Zealand.

THE US IS AN IMPORTANT FDI SOURCE AND DESTINATION FOR NEW ZEALAND

Investment into New Zealand

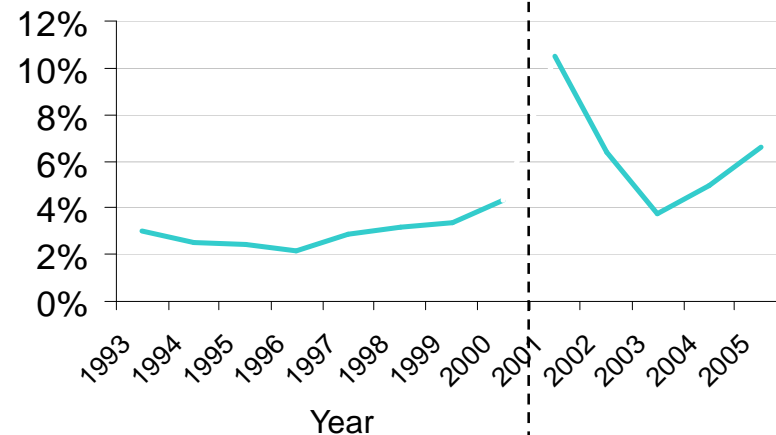
FDI from US: % of all FDI from world



NZ\$9,207m
5.9% of
NZ's GDP

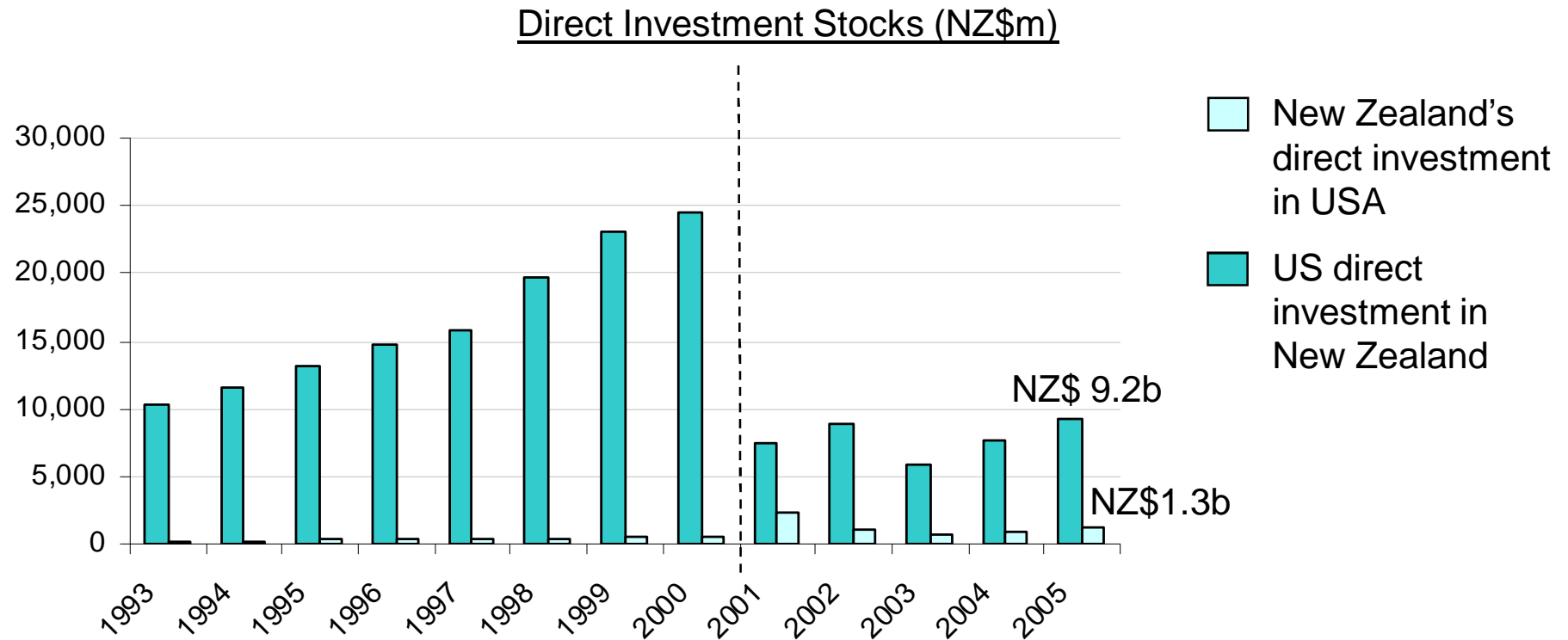
Investment out of New Zealand

NZ ODI to US: % of all NZ ODI to world



NZ\$1,257m
0.9% of
NZ's GDP

NEW ZEALAND'S INVESTMENT STOCK IN US IS STATIC BUT US INVESTMENT STOCK IN NEW ZEALAND IS GROWING



THE USA IS NEW ZEALAND'S TOP PORTFOLIO INVESTMENT SOURCE AND DESTINATION

New Zealand's top 5 portfolio investment sources, 2006

Rank	Country	Portfolio investment (NZ\$m)	Percent of total portfolio investment
1	United States of America	15,699	44.68%
2	Australia	5,826	16.58%
3	United Kingdom	3,004	8.55%
4	Japan	2,154	6.13%
5	Hong Kong	78	0.22%
	ROW	8,379	23.84%
	Total	35,140	

New Zealand's top 5 portfolio investment destinations, 2006

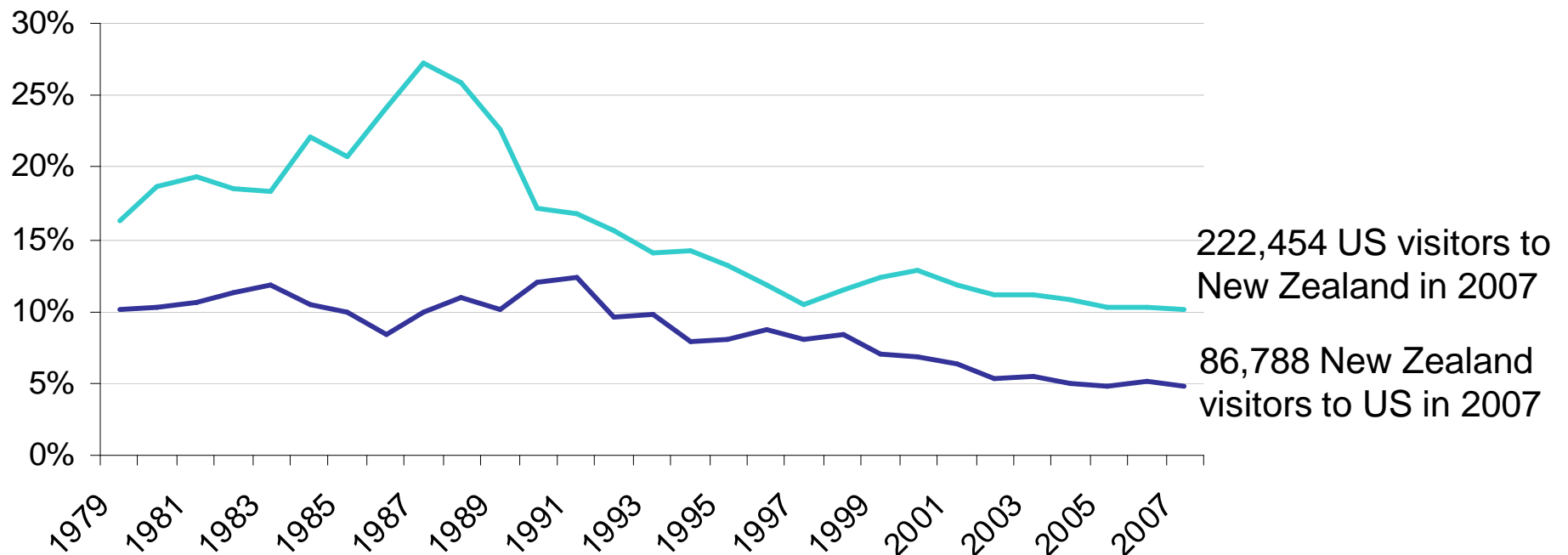
Rank *	Country	Portfolio investment (NZ\$m)	Percent of total portfolio investment
1	United States of America	19,475	24.83%
2	United Kingdom	18,509	23.60%
3	Australia	9,034	11.52%
4	Japan	2,025	2.58%
5	Hong Kong	confidential	
6	ROW	29,389	37.47%
7	Total	78,432	

Note: Includes debt and equity portfolio investment because no country break-down available for portfolio equity holdings. Portfolio investment is defined as an ownership stake of less than 25% of the enterprise.

Source: Statistics New Zealand.

THE US AND NEW ZEALAND ARE BECOMING LESS SIGNIFICANT TOURISM DESTINATIONS FOR ONE ANOTHER

Short term New Zealand arrivals and departures

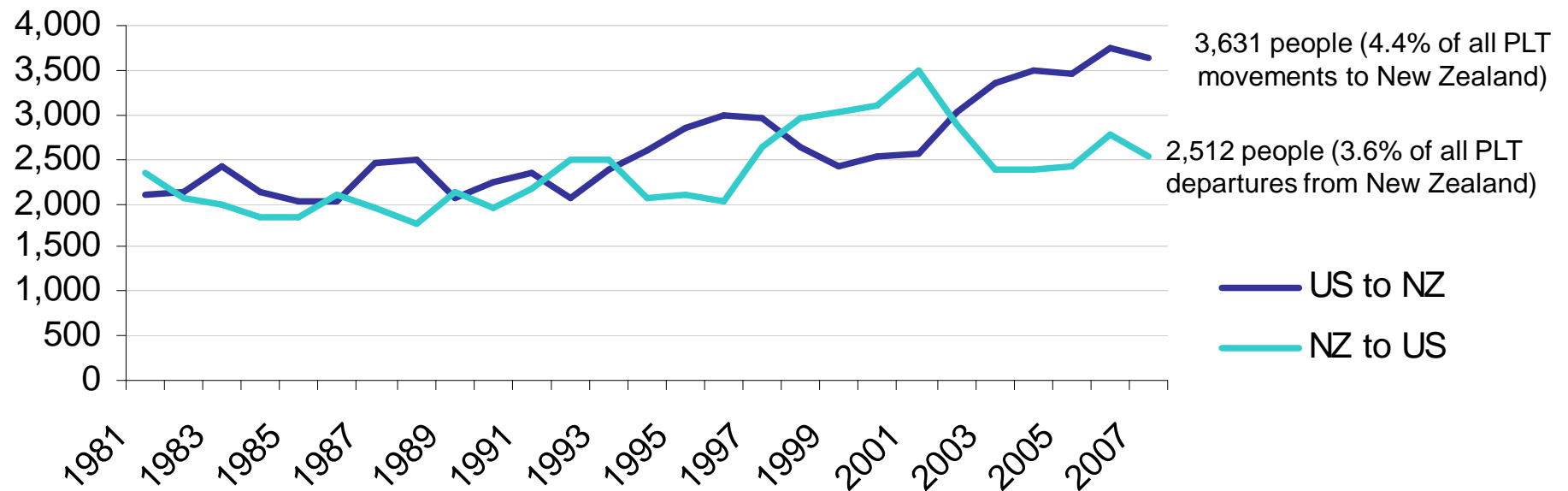


Note: Short-term visits are visits of less than 12 months duration.

Source: Statistics New Zealand.

NEW ZEALAND IS GAINING MIGRANTS FROM THE US

Permanent and Long-Term arrivals and departures



Net gain for New Zealand of 7,105 people from USA since 1981

Note: arrivals of people intending to stay more than 12 months duration.

Source: Statistics New Zealand.

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