

OPEN ECONOMY

1993–

By the late 1990s the difficult period of transition from a regulated, inflationary and largely undiversified economy to a more liberal and diversified environment was largely achieved. The New Zealand economy of the early 21st century was very different from that of a generation earlier. Open and competitive markets scored highly in international comparisons of the ease of doing business.



In 2006 the Reserve Bank introduced plated-steel ten, twenty and fifty cent coins; this is the twenty, featuring the 'Pukaki' design and 'spanish flower' edging.

By international standards New Zealand's exports were still dominated by primary products. But there was a greater range of such products and a significantly greater range of markets; Britain, which had taken 90 percent or more of New Zealand's production in the mid-twentieth century, now took less than 6 percent. Tourism became the largest single export industry. High-tech industries and manufacturing were also prominent.

RENEWED GROWTH

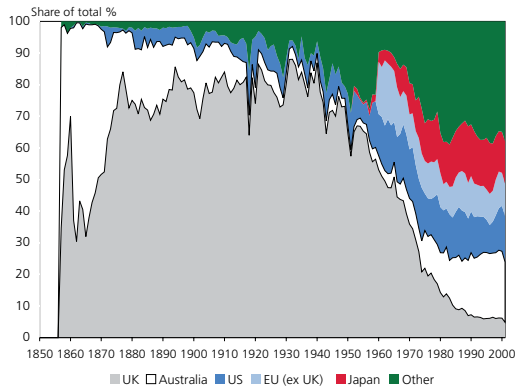
In 1998 the New Zealand economy entered a period of significant growth, which by 2006 had become one of the longest and strongest growth periods the country had seen. It also occurred in the context of a significantly diversified and deregulated low-inflation economy. Unemployment fell to record low levels, and New Zealand became the first country in the OECD to run long-term fiscal surpluses.

However, although New Zealand's relative decline was halted, there was

Graph 12

Destinations of goods exports

1860–2000



Source: G. T. Bloomfield (1984), *Statistics New Zealand*, in Phil Briggs (2003).

little progress in moving back up the international income rankings. A high appetite for debt and a reluctance to save meant that interest rates in New Zealand stayed persistently higher than those in comparable countries, holding back investment. And although the government's own external position was strong, the private sector had become highly indebted and reliant on the continuing flow of foreign debt and equity finance.

These issues, which unfolded during the first years of the twenty-first century, highlighted the point that the New Zealand economy remained a dynamic product of people, place and time, each new generation offering a succession of fresh challenges for policy-makers, people and governments to meet.



Stephen A'Court, RBNZ.

The Reserve Bank building, right; The Treasury and other government buildings on the left.