

New Zealand Ranked Fourth Safest Economy in Asia-Pacific Region

New Zealand is considered one of the safest countries in which to invest in the Asia-Pacific regions, due to its low degree of economic uncertainty and stable risk profile.

Dun & Bradstreet's Global Risk Indicator (GRI)¹ ranks New Zealand at number four in the Asia-Pacific region and among the top 20 safest countries globally. The GRI provides a comparative, cross-border assessment of the political, commercial, economic and external risk of doing business in 131 countries.

Country	Risk Rating
Australia	DB1d (lowest risk)
Hong Kong	DB2a (low risk)
Singapore	DB2a (low risk)
New Zealand	DB2c (low risk)
Japan	DB2d (low risk)
South Korea	DB2d (low risk)
Taiwan	DB2d (low risk)
Malaysia	DB3b (slight risk)
China	DB3d (slight risk)
India	DB3d (slight risk)
Indonesia	DB4b (moderate risk)
Philippines	DB4b (moderate risk)
Thailand	DB4d (moderate risk)
Vietnam	DB5b (high risk)
Bangladesh	DB5c (high risk)

Close neighbour and key trading partner, Australia², has the lowest risk rating in the Asia-Pacific region and globally. Australia's risk rating has not been downgraded since 2008, although the country's overall risk profile is classified as deteriorating.

Hong Kong and Singapore are ranked second and third respectively in the Asia-Pacific region; although they are both also on a deteriorating trend. Hong Kong's banking sector is suffering from a spate of alleged malpractices and political scandals, while Singapore is experiencing inflationary pressures and slowing economic growth.

However, New Zealand, with its number four ranking, is better placed than two of its major trading partners, Japan and China. Both countries are ranked as DB2d and DB3d respectively; brought about by Japan's widened trade deficit and high public debt, and China's sluggish economic growth and deflating property market.

According to John Scott, General Manager, Dun & Bradstreet New Zealand, the country's GRI ranking supports recent data coming out of New Zealand, which demonstrates that conditions are improving, but the economic recovery occurring domestically is fragile.

"The latest GRI rankings show that New Zealand is a low risk environment for business investment," said Mr Scott.

"These rankings reflect overall optimistic conditions for Kiwi businesses. However, increasing economic woes in Greece, Spain and other Western European nations mean that a deterioration in New Zealand should not be completely ruled out."

A continuation of volatile conditions in the Euro-zone has the potential to detrimentally impact the local recovery; however, New Zealand's risk exposure to the region is relatively minimal. Only 14 per cent of the country's goods are exported to the European Union annually. As a result, New Zealand's overall risk profile remains stable and its short-term risk outlook is broadly balanced.

Real gross domestic product (GDP) is forecast to reach two per cent in 2012 and 3.3 per cent in 2013. Conversely, inflation is tipped to fall to 3.4 per cent in 2012 and to 3.6 per cent the following year. The unemployment rate is also expected to drop over the next two years, to 5.8 per cent in 2013.

Economic indicators	2011	2012f	2013f	2014f
Real GDP growth (%)	1.8	2.0	3.3	3.2
Inflation, annual average (%)	4.6	3.4	3.6	3.3
Government balance (% of GDP)	-7.6	-5.5	-2.9	0.2
Unemployment (%)	6.6	6.3	5.8	5.5
Current account balance (% of GDP)	-5.8	-6.4	-6.4	-5.6

D&B's report correlates with recent data showing an increase in housing market activity and on-target inflation. Recent D&B trade payment data also supports the improving trend, with payment days falling over the past year to 44.7 days in the March quarter.

"The latest GRI results are positive news for New Zealand, but businesses should not see this as an indicator that they can relax their focus on the fundamentals of cash flow and risk management," said Mr Scott.

"The road to full recovery will continue to be challenging, with problems in the Euro-zone perpetuating a difficult trading environment.

"To assist New Zealand's return to prosperity, executives should tightly manage their operations. This includes ensuring that appropriate and timely monitoring systems exist to keep firms ahead of the risk game. This is particularly pertinent for firms involved in cross-border business."

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Press Release: Dun and Bradstreet