



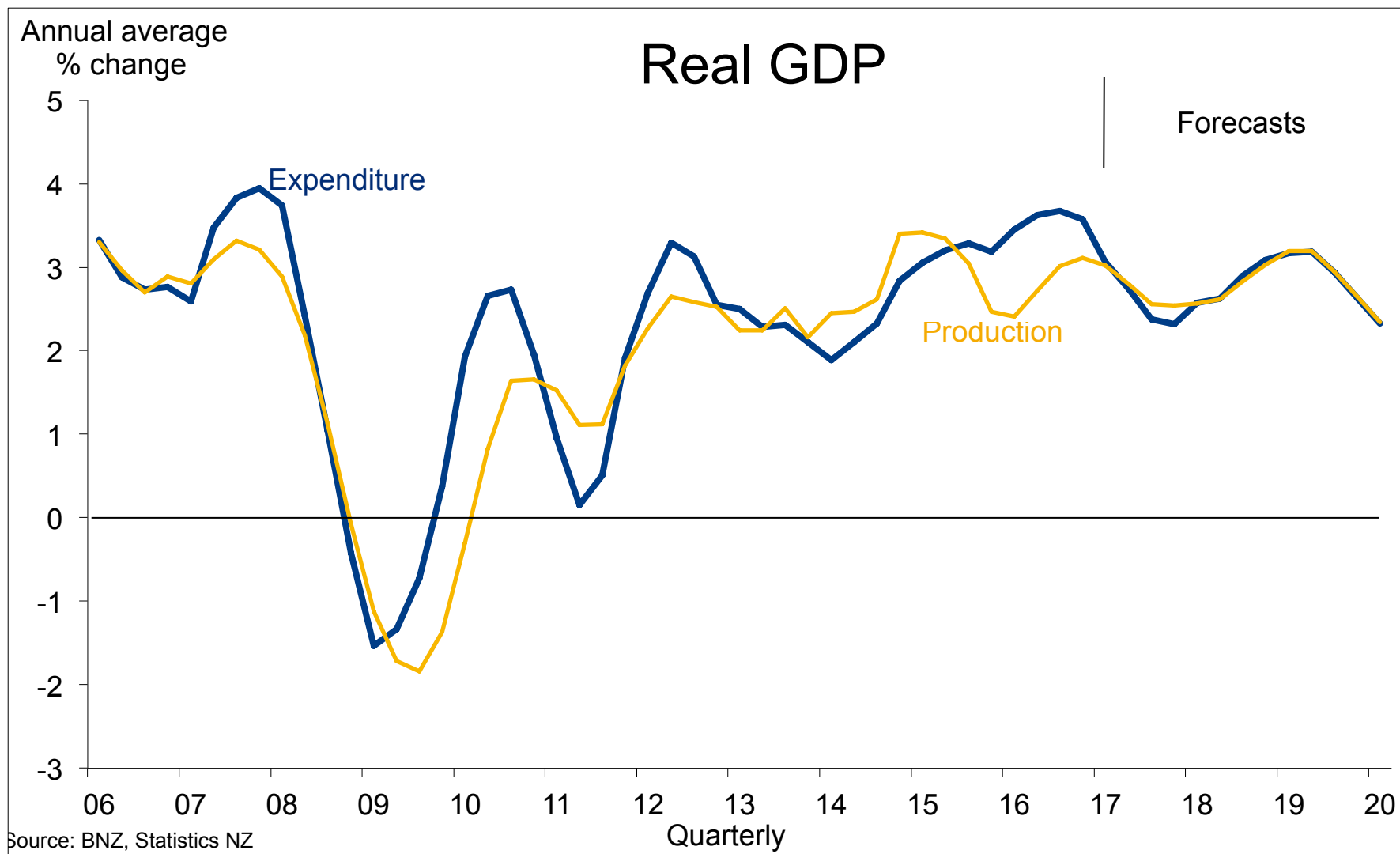
# POLITICS WON'T DERAIL EXPANSION

Stephen Toplis – Head of Research  
September 2017

# Introduction

- **Global outlook positive**
- **Stimulatory monetary policy**
- **Stimulatory fiscal policy**
- **Strong population growth**
- **Strong commodity returns**

# NZ Growth Holding Up



# A Labour-led Government

- More debt
- More inflation
- Higher interest rates
- What replaces the tax cuts?

# Fiscal Comparison

Core Crown Debt (% of GDP)				
	2017/18	2018/19	2019/20	2020/21
National	22.0	21.5	20.0	18.8
Labour	23.0	22.9	21.9	21.0
Difference	1.0	1.4	1.9	2.2

# Higher Inflation

- More construction in a capacity constrained sector
- Higher wages for low income earners
- Redistribution from high income to low income
- Lower migration

# Interest Rates Higher

- More inflation
- More bonds on issue
- Heightened uncertainty

# NZD Could Go Either Way

- Higher rates says up
- Increased uncertainty says down



# RBNZ's PTA to Change

- Introduce dual objective;
- Committee of 7 to make decisions.

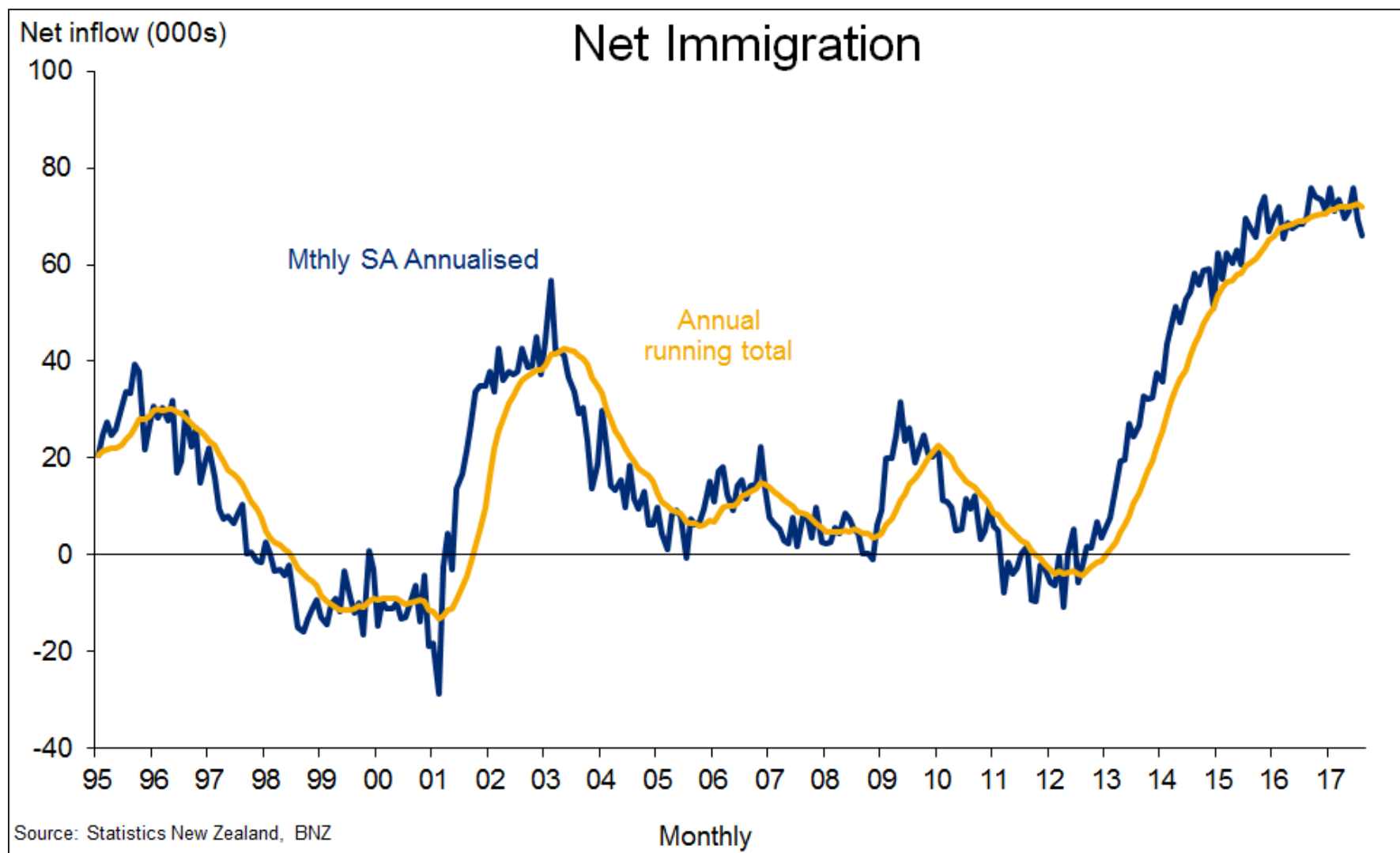
# NZ First's Influence

- No water charges for agriculture
- Higher minimum wage but not a union supporter
- Won't support Labour's Defence Force capex cuts
- Probably more pro-business

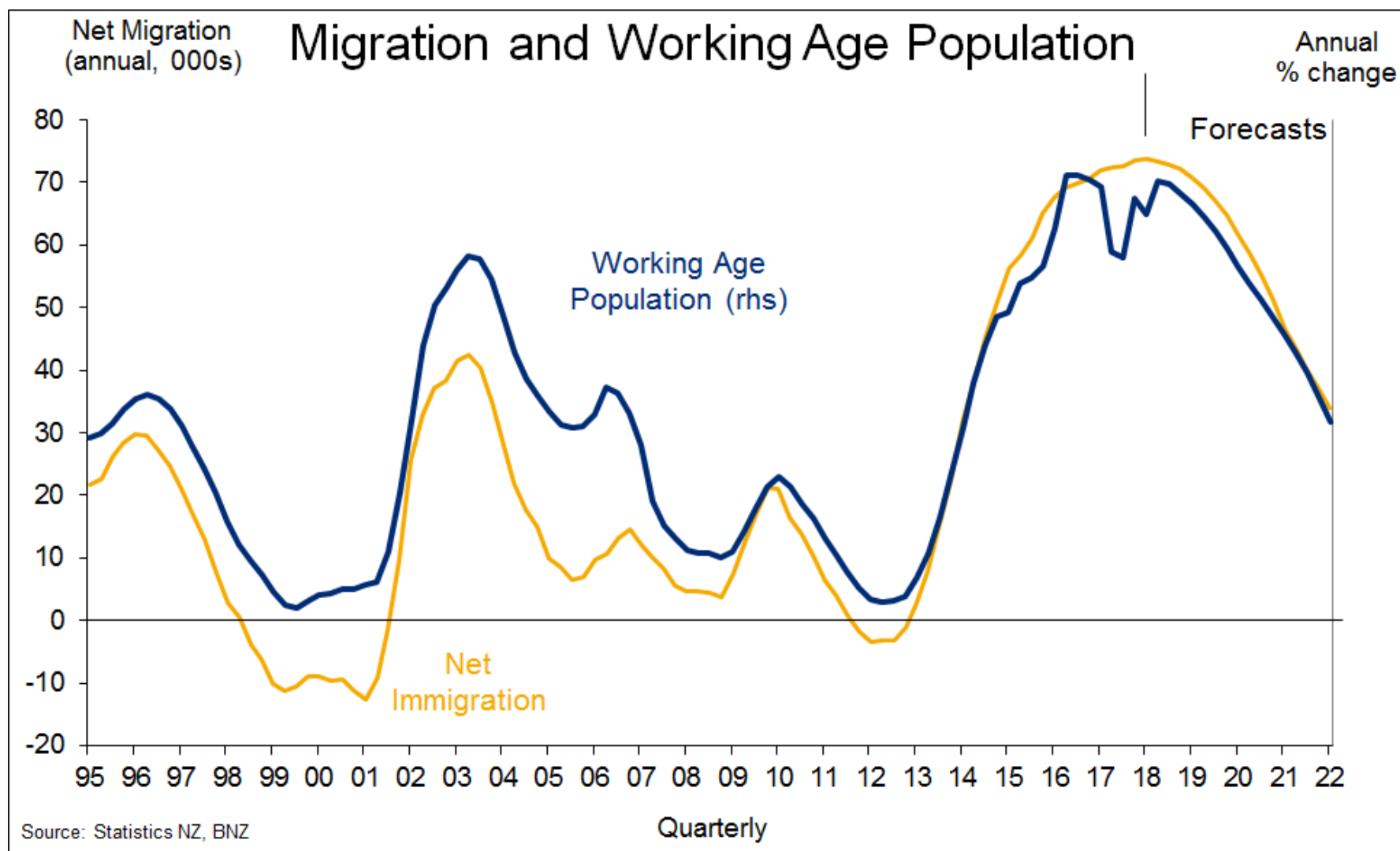
# NZ First - National

- Stricter rules on property ownership
- Tighter net migration rules
- Age of super kept at 65
- Increased benefits for the elderly
- Increased spending on regional development

# Migration headed lower anyway



# Migration headed lower



# Growth will probably peak shortly

- Net migration falls
- Commodity prices decline
- Tourism growth peaks
- Capacity constraints bind

# Disclaimer

This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.