

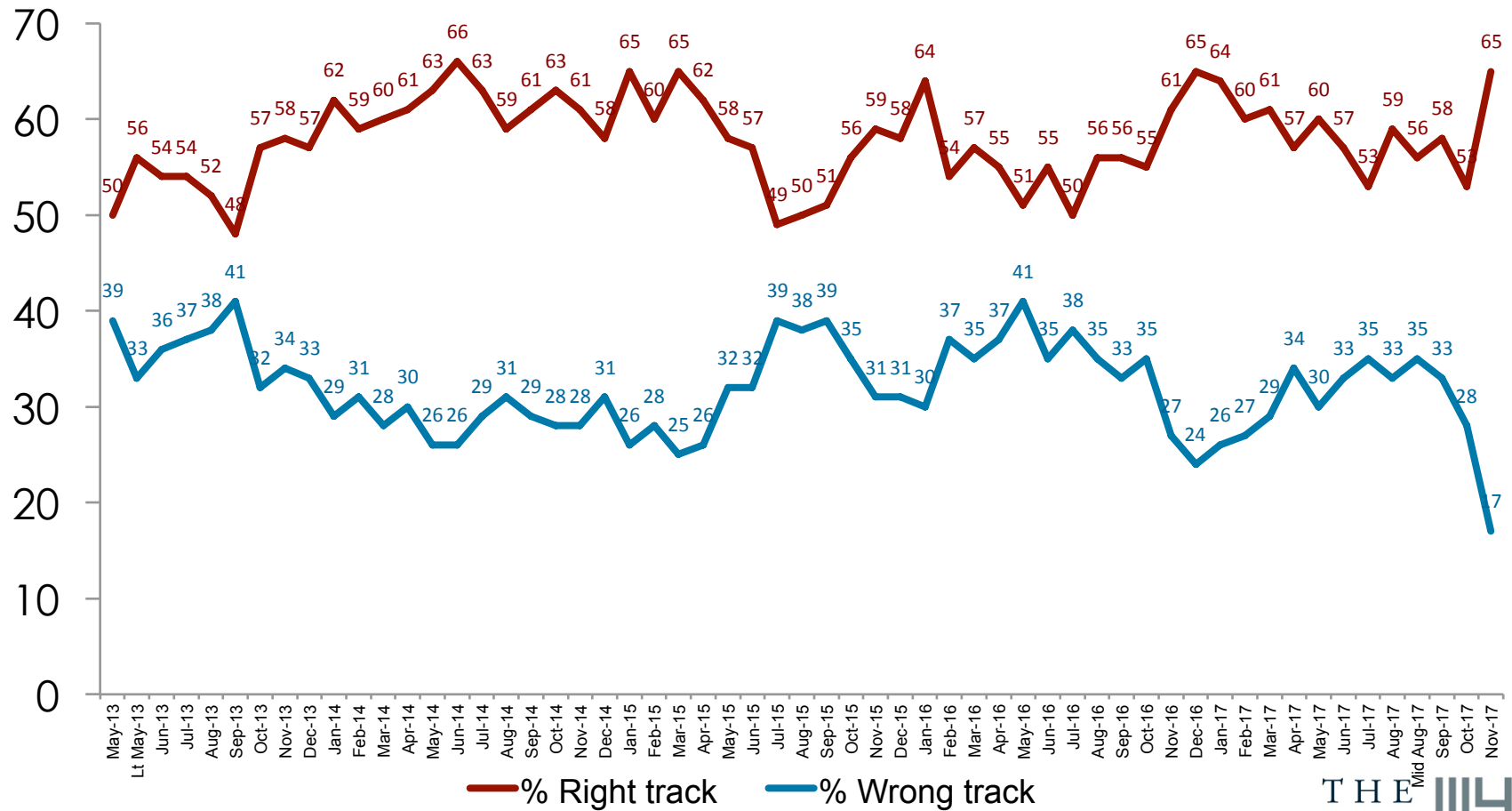
“Judginess” setting in already?

The Hugo Group, December 1 2017

First four weeks

- Successful-ish first international trip
- Some policy runs on the board – mainly from Parker so far
- Ardern's political charisma papering over some chaos in the Beehive
 - Key appointments not being made quickly
 - Some internal ructions over staff
- A very shaky start in the House
- Evidence that the win was unexpected
 - By both Labour and by the bureaucracy
 - Govt scrambling to draft legislation required for first 100 days
- And some early ill-discipline/gaffes
 - The 'secret' coalition document, Stuart Nash comments, Golriz Ghahraman

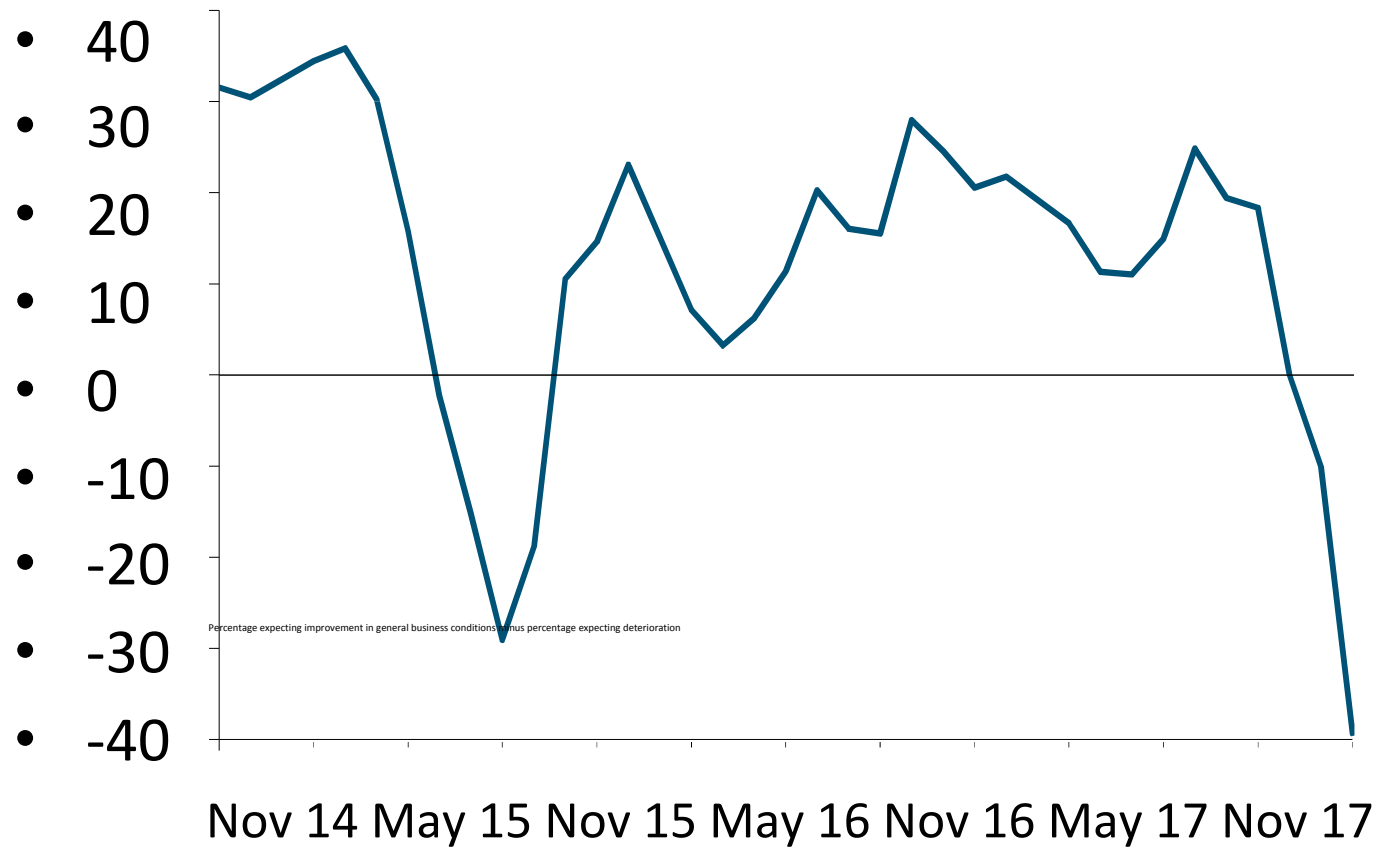
The public mood



Source: UMR

The business mood

- **ANZ Business Confidence Index**



Domestic agenda

- Grant Robertson announcements this morning on pre-Christmas economic statement
 - Clearly some big challenges in the capital budget
 - Labour will try to bury National in a 'fiscal hole in reverse
- Housing – rental reform and KiwiBuild
- Rejigged tax/transfers package to come
- Tax Working Group
 - Basic principles intact
- Overseas investment regime
- First year of free tertiary – misfire?

The new PM abroad



Observations from APEC / ASEAN meetings

- Ardern causes a stir wherever she goes
- Lives well on her wits – but was at times overawed
- Taking risks with the Australian relationship
- EU expressed displeasure at Russia FTA
 - Might we have to choose?
- Problematic relationship with Justin Trudeau already
- Modi very engaged
- What's become of Winston's North Korea initiative?

APEC demonstrates coalition balancing act

- Labour highly focused on settling down its business/exporter constituency
- Was never going to walk away from TPP-11
- BUT
 - Pursued risky strategy with Manus Island to placate left
 - NZ First's mercurial nature exposed by indecisive response on support for necessary legislation
 - Peters present at Ardern press conferences – unwilling contributor, playing favourites with media
- Ardern expresses impatience with a smile

TPP-11 / CPTPP

- Preserved market access - key thing to bear in mind
- Wins on pharma/IP are potentially temporary
 - Only suspended if and until US re-enters
- Canada's cultural exceptions bid came at the last minute
 - Clearly sought to stall
 - NAFTA their larger game
 - Reduced loss of face for Trump with no signing ceremony
- ISDS gains minor
- But ISDS appears to be on the wane anyway
- No discernible progress on RCEP

The pre-Christmas challenge

- National landing some hits on the perception of chaos
 - But will probably have its own next year
- Govt needs to project an even keel and a clear, optimistic agenda going into Christmas/New Year
- Finding a balance in its reaction to declining business sentiment
 - How much is softening economy vs political reaction?
 - How to ensure no ‘winter of discontent’ repeats
 - Especially as labour reforms come into focus