

HUGOvision

Assessing the economic and political environment in New Zealand

ELECTION SPECIAL

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Confidential to
HUGO members

A swing to the right

No matter how the new government formation ends up, the country has swung to the right in the 2023 election, although the rejection of sitting Labour MPs in traditionally seats all around NZ a far more emphatic political signal than the knife-edge majority National and Act are currently able to command.

National, Act and NZ First took 54% of the vote vs 40% for the parties of the centre-left, with the centre-right gaining 26 seats to 25 lost by the centre-left.

Indeed, National has won so many electorate seats unexpectedly that it has failed to bring in some mid-ranked new list MPs who it had hoped to seed into its caucus. The most obvious is James Christmas, who had been fingered already as National's best choice for Attorney-General.

However, it is dawning slowly on voters and on National and Act supporters who experienced a brief euphoria around mid-evening on Saturday evening that the outcome is not quite the slam-dunk it seemed to be.

Even as Christopher Luxon was making his victory speech after 10.30pm on Saturday, National's support was fading versus the trend all evening that had suggested it might confound the polls and end up with a solid 40%-plus result. Instead, it appears the final result will be close to what the polls foretold, frustrating National's desire not to have to work with NZ First.

The implications of this outcome are simple: delay.

It is difficult to see how the incoming new Prime Minister will be able to prosecute his desired pre-Christmas agenda if coalition talks cannot conclude before final poll tallies are available on Nov 3, particularly if those results require National to wait until after the Nov 25 Port Waikato by-election.

Among Luxon's pre-Christmas big ticket items are to repeal major pieces of Labour legislation like Fair Pay Agreements and the new resource management laws, and to introduce a mini-Budget before Christmas.

We expect National and Act can make reasonably swift progress to frame up an agreement, but until any side knows whether dealing with NZ First is necessary or simply useful insurance, it is not possible to predict with accuracy how the government formation process will play out.

Our expectation is that Luxon will probe the potential for government formation earlier than Nov 3. There is value in seeking a constructive relationship with NZ First no matter what, since its presence in a post-2026 Parliament should now be assumed.

But the reality is that until the final shape of the Parliament is known, and with that the relative bargaining power of the parties, it will be difficult to make deals.

On that basis, we expect on balance that there will be an inter-regnum of a little over three weeks, which will blunt the capacity of the new government to establish pre-Christmas momentum.

Labour now faces the usual post-drumming process of rebuilding.

It has won just 17 electorate seats and its current leader will clearly step down at a time judged appropriate. We speculate the party will turn to old hand, eg Andrew Little, as a caretaker.

It has deeply disappointed its core constituency on numerous fronts, perhaps the most damaging being the way it has managed to alienate both Maori voters - whose support for Te Pati Maori must be seen primarily as a protest vote - and those traditional Labour supporters who pushed back at how far the Ardern-Hipkins government sought to pursue progressive Maori policies.

We will issue HUGOvision updates as and when there is progress to report. ■

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