

Harbour Navigator

NZ election: business as usual

Harbour Navigator 25/9/17

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After the hard-fought NZ election campaign, markets are still left with some political uncertainty, with no clear government formed on election night.

As the political parties enter coalition negotiations, an eventual National-NZ First Government appears more likely than Labour-Greens-NZ First. However, it is still far too early to call. Consistent with the last 8 MMP elections in NZ, it will likely take some time for a Government to form. This process is not a surprise for local or international investors.

Our assessment is that the outcome of this NZ election has minimal implications for Harbour's portfolios, and no changes to portfolio settings are anticipated at this stage. Key structural trends that, in our view, will influence portfolio outcomes in the future will continue regardless of who forms the next Government.

By international standards, both National and Labour-led governments appear relatively centrist. Both major NZ political parties have shown solid fiscal responsibility, and the Reserve Bank of New Zealand will remain independent under both parties. These factors should help markets remain relatively calm through this period of uncertainty.

Policy changes that may emerge, regardless of the eventual composition of the government, including further measures to manage migration and residential activity. Residential activity is already slowing, and net migration may have peaked.

We will remain vigilant as the coalition talks continue. In particular we will be watching for any market inefficiencies that may arise as a result of the market over-reacting to the news of which parties will form the NZ Government.

Harbour Asset Management

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