



# ECONOMIC BULLETIN

New Zealand 2023 General Election.



16 Oct 2023 | Westpac Economics Team | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [nzeconomics@westpac.co.nz](mailto:nzeconomics@westpac.co.nz)  
Kelly Eckhold, Chief Economist | +64 21 786 758 | [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz) | X: @kellyenz

## The General Election – preliminary results and next steps.

- Election night results from the 2023 General Election indicate that the centre-right parties of National and ACT won 61 seats.
- At present it seems likely that the next parliament will contain 122 seats – 121 allocated from the General Election and an additional 1 seat to be added following the Port Waikato by-election on 25 November (almost certain to be won by National).
- Importantly, once an estimated 563,000 special votes are counted, history suggests that National will drop 1-2 seats to the centre-left grouping.
- As a result, when all said and done, National and ACT are likely to finish with 60 or 61 seats in the new parliament – insufficient to command a majority. Hence the support of the NZ First Party will likely be needed to achieve a working majority.
- The outcome of special votes and hence the official result will not be known until November 3 which will likely delay substantive coalition negotiations.
- Comments from the centre-right leaders suggest constructive coalition negotiations. National and ACT appear interested in dealing with NZ First, and NZ First have indicated an interest in helping National/ACT– although the details will matter.
- Financial market volatility may be slightly elevated as coalition negotiations evolve. However, centre-right’s strong

performance on the night will help to assuage some uncertainty.

- We don’t think there are significant short term macro implications from the election outcome.
- We generally see coalition negotiations as pulling National towards a more contractionary stance as both potential partners advocate for greater fiscal restraint.

### The result.

Election night results indicate that the combination of National and ACT have secured a slim majority of votes in the 2023 General Election. There was a significant 19% swing to the right compared to the 2020 election. The key gainers were the National Party and NZ First, while ACT also outperformed their 2020 result but to a lesser degree. On the centre-left, Labour lost heavily, and the Greens and Te Pāti Māori gained ground. Te Pāti Māori did particularly well in the electorates at Labour’s expense.

### The process from here.

The official results will be declared on November 3, adding the results of an estimated 563,000 special votes (including those cast overseas) to the 2.25m votes counted on election night. Importantly, historically the election night results have tended to overstate the support of the National Party and understate the support for parties on the left of the political spectrum. For example, over the previous three elections (2014, 2017 and 2020), National’s election night vote share has declined 1.0%, 1.6% and 1.2% respectively following the counting of special votes, causing National to lose 1-2 seats once the official results were declared (Labour, Greens and the Māori parties were the beneficiaries).

## Election 2020 (final) vs 2023 (provisional) results

	Electorate seats			Party vote			Total seats		
	2020	2023	Change	2020	2023	Change	2020	2023	Change
Labour	46	17	-29	50.0	26.9	-23.2	65	34	-31
Green	1	3	2	7.9	10.8	2.9	10	14	4
Te Pāti Māori	1	4	3	1.2	2.6	1.4	2	4	2
<b>Total centre-left</b>	48	24	-24	59.0	40.2	-18.8	77	52	-25
National	23	45	22	25.6	39.0	13.4	33	50	17
ACT	1	2	1	7.6	9.0	1.4	10	11	1
NZ First	0	0	0	2.6	6.5	3.9	0	8	8
<b>Total centre-right</b>	24	47	23	35.8	54.5	18.7	43	69	26
Opportunities	0	0	0	1.5	2.1	0.6	0	0	0
Others	0	0	0	3.8	3.2	-0.6	0	0	0
<b>Total others</b>	0	0	0	5.3	5.3	-0.1	0	0	0

On the other hand, this time, the death of an ACT candidate in the Port Waikato electorate ahead of the General Election means that there will be a by-election on 25 November. Polling suggests that National will easily win that by-election, thus adding an additional seat to National in what will then become a 122-seat parliament. Official results of this by-election will be available in early December but are unlikely to change the aggregate result. So, when all said and done, at this stage it seems likely that National and ACT will control either 60 or 61 seats in the 122-seat parliament – insufficient to attain a working majority. So as the pre-election polls had suggested, it seems most likely that NZ First will have a role to play in the formation of the next government.

As the election result is relatively close, it will be some time until coalition negotiations are likely completed – indeed they are unlikely to start in earnest until sometime after November 3. This may affect prospects for a National to deliver the “mini-budget” prior to Christmas that had been signalled during the campaign but the generally conciliatory tone among the three players means it could still be in play. This “mini-budget” or Half Year Economic and Fiscal Update is likely to not be released before mid-December meaning no new fully costed government policy initiatives until then.

### Potential coalition negotiation outcomes.

Given the majority delivered to the centre-right parties attention now turns to the nature of the coalition that can be negotiated. We see two main options:

- A three-party majority coalition between National, ACT and NZ First.
- A coalition between National and ACT, with NZ First providing support on supply and confidence only.

The National Party’s pre-election preference was to form a government with ACT, dealing with NZ First only as a last resort. However, given the election outcome,

our assumption is that the National Party’s preference will be to tie both ACT and NZ First into a formal three-way coalition. We think that National will view this as a more stable government, with the leaders of both parties offered Cabinet positions that mean that they will be bound by the principle of “Cabinet collective responsibility” for the broad programme of government. However, it’s possible that NZ First will want or be required to play a more supporting role and that NZ First could sit outside the government and offer support for confidence and supply in return for policy concessions (and/or minor ministerial positions outside of cabinet).

Regardless of the exact form of the governing arrangement that transpires, we can assume that the two minor parties will want some policy “wins” to demonstrate to their respective supporters. The figure below shows the nature to which there is alignment (or not) between the most macroeconomically significant policies of the interested parties.

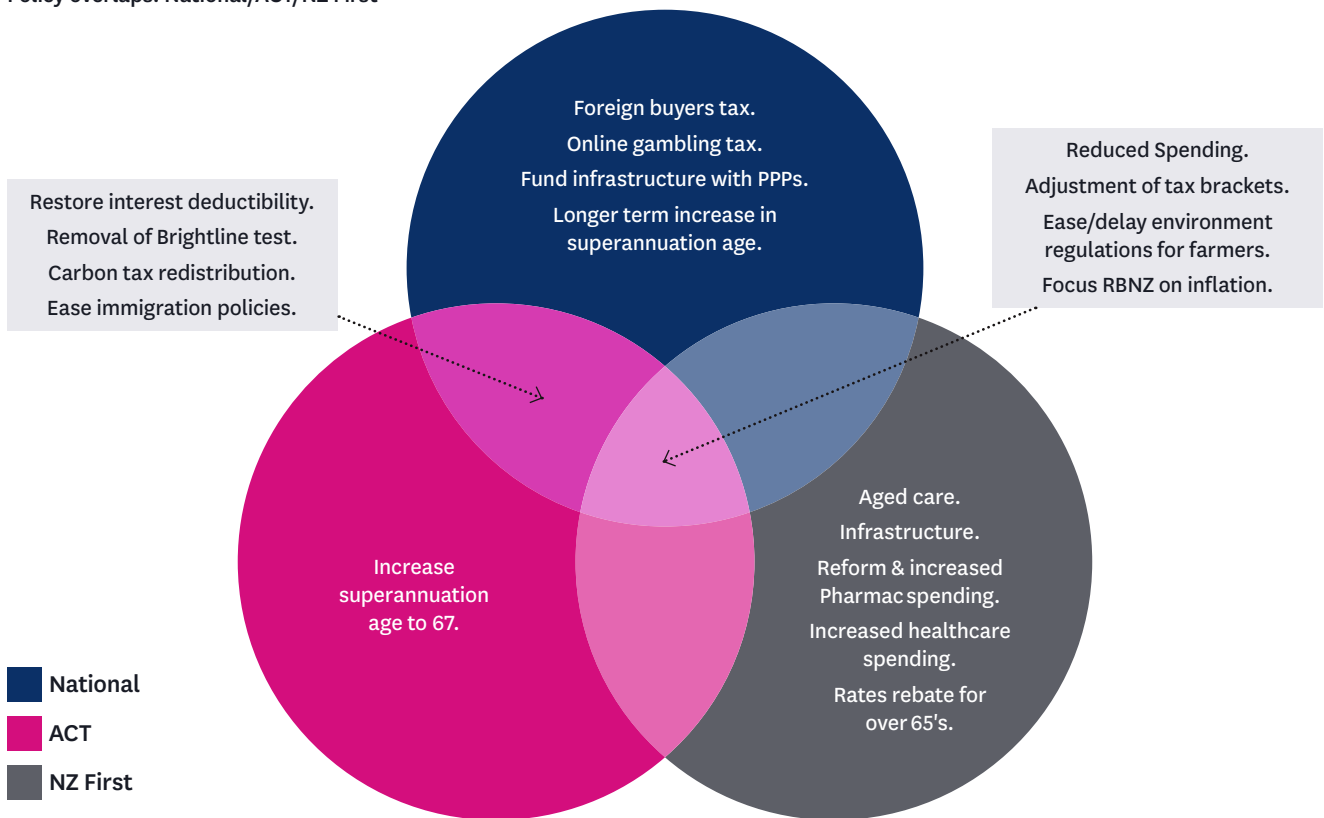
### Policy overlaps: National/ACT/NZ First.

There is a high degree of commonality among the right of centre parties around the ideas of:

- tax bracket adjustments (NZF favour a zero-rate bracket for incomes <\$14,000).
- easing of tax obligations on property investors.
- reduced regulatory constraints on farmers.
- redistribution of carbon tax income to taxpayers.
- focusing the RBNZ on inflation control rather than its current dual mandate.

The key differences relate to the extent of spending cuts to be pursued (ACT and NZF generally favour greater government spending cuts) and the extent to which revenue from National’s proposed tax on homes bought by foreigners can be relied on to fund

Policy overlaps: National/ACT/NZ First



tax cuts. NZF has been concerned that the PREFU fiscal projections are too optimistic (which we agree with) and that spending initiatives will need to be scaled back in coalition negotiations.

But NZ First has a few higher-cost spending initiatives in its manifesto that it may require to be funded to get their support. Should perhaps one of these need to be accommodated, then it is possible that an additional \$1-5 bn of baseline spending cuts might be required over the period to 2026/27 (there are still unallocated operating allowances within National’s fiscal plan, but utilising those would leave almost no room for additional spending initiatives over the next three years). The bottom line is more spending cuts may need to be agreed to get the coalition across the line.

We think that ACT’s requirements may be easier for National to agree to and should result in a more contractionary stance relative the PREFU/National’s fiscal plan. Adding these requests to those of NZF probably will lead to a more contractionary fiscal stance than National indicated during its campaign.

There could be interest rate implications from a significant change in the fiscal stance but it’s hard to see these materialising in the near term. Hence the RBNZ likely won’t have much new information on the fiscal outlook at the time of its November 29 Monetary Policy Statement.

**Short term financial market implications.**

Any effect on the NZ dollar will likely be more visible in crosses such as NZD/AUD, rather than NZD/USD which is currently dominated by international factors. NZD/AUD could, all else equal, rise slightly in response to the partial removal of uncertainty (there is still a period of coalition formation to come). Regarding bond yields, there may be a modest reaction reflecting the expected contraction in the fiscal stance, although markets will mostly reserve judgement until the new government’s mini-budget.

# CONTACT

**Westpac Economics Team** | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [nzeconomics@westpac.co.nz](mailto:nzeconomics@westpac.co.nz)

**Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

**Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

**Darren Gibbs**, Senior Economist | +64 9 367 3368 | +64 21 794 292 | [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

**Nathan Penny**, Senior Agri Economist | +64 9 348 9114 | +64 21 743 579 | [nathan.penny@westpac.co.nz](mailto:nathan.penny@westpac.co.nz)

**Paul Clark**, Industry Economist | +64 9 336 5656 | +64 21 713 704 | [paul.clark@westpac.co.nz](mailto:paul.clark@westpac.co.nz)

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