

NEW ZEALAND EQUITY STRATEGY

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Equity Strategy

Emphatic Election Win for Labour

ANDY BOWLEY

andy.bowley@forsythbarr.co.nz
+64 4 495 8246

FORSYTH BARR RESEARCH TEAM

fb.research@forsythbarr.co.nz
+64 4 499 7464

The New Zealand Labour Party will enter its second consecutive term of government having won the 2020 general election conclusively; it is the first party under the MMP (Mixed Member Proportional) system to win an outright majority. Its ~49% share of the vote, versus National at ~27%, gives it its best election result in 50 years. At this preliminary stage it has 64 seats in the 120 seat parliament, which is unlikely to change materially when the final result is announced in early November after 'special' votes have been counted. While the NZ First 'handbrake' on government decision making will no longer feature, the centrist nature of the Ardern-led Labour Party, means the corporate outlook is largely unchanged and we see no material impact on markets.

Election result

Labour has conclusively won the 2020 New Zealand election with a clear majority of parliamentary seats, which will enable it to govern without the need of a coalition or support partner. NZ First, its coalition partner for the past three years will not be represented in the next term given its ~2.7% share of the vote, well short of the 5% threshold. Labour may wish to invite the Green Party (~7.6%) to participate in government to some extent, though given Labour's clear majority, the Green's will have zero bargaining power and no policy mandate. The election result is only preliminary at this stage. The official result will be declared on Friday, 6 November and incorporate special votes (including those cast by New Zealanders offshore), which are typically left leaning and in 2017 contributed ~16% of the total.

Key policy outcomes

The centre-left Labour government will be unencumbered by coalition partners to implement its policy platform. While policy has been light in detail, priorities will be NZ\$40bn infrastructure investment, funding for apprenticeships, trades and enterprise training, and a commitment to a 100% renewable energy platform. The government has also pledged to increase paid sick leave to 10 days, go further on fair pay agreements, create a new Matariki public holiday, improve protections for dependent contractors, increase funding to WorkSafe and reviewing the Health and Safety at Work Act, and extending the Living Wage to all contractors in the public sector.

It has also outlined that it will direct the Commerce Commission to undertake an inquiry into the supermarket sector this year and the building products market later next year. Resource Management Act reform is back on the table. The Upper North Island Ports will remain on the political agenda with Labour intending to *"run a collaborative process with stakeholders to agree on the[ir] future..."*. The environment will remain a key focus, with particular emphasis on clean water, carbon targets, and restricting dairy conversions from productive forestry land.

Personal rather than corporate taxes

During its first term the Labour led government commissioned a comprehensive review of the New Zealand tax system. A key proposal was the introduction of a capital gains tax, which was quickly dismissed by the government. A Green's proposed Wealth Tax has also been ruled out by Labour, however, it intends to create a new top rate band for personal income tax at 39% for incomes of more than NZ\$180,000.

Health first approach

Much of Labour's campaign was built around its successful COVID-19 response, with its messaging increasingly focussed on the recovery. It will continue to prioritise a health-led response to COVID-19 that *"puts people's lives front and centre of any decision-making"*. We expect no change in the border status quo, with only a gradual easing of restrictions when the risk to health is sufficiently mitigated by technology (test, trace and track), medical interventions and/or vaccines.

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