New Zealand markets, business welcome Labour's election victory

John Braddock
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New Zealand's financial markets and business leaders quickly welcomed the Labour Party's resounding victory in last Saturday's general election. Labour took 49.1 percent of the votes, up from 36.9 percent in 2017. The conservative opposition National Party polled 27 percent, its second worst ever defeat.

With 64 seats in the 120-seat parliament, Labour will form the first majority government since the proportional electoral system came into force in 1996. Labour's ally, the Green Party, received 7.6 percent of the vote and 10 seats. NZ First, a right-wing nationalist party and also part of the last Labour-led coalition, failed to reach the 5 percent threshold to return to parliament.

A *New Zealand Herald* report on Tuesday, headlined "Nothing to unsettle capital markets in Labour Landslide," declared that financial markets had taken the Labour Party's victory "in their stride." The New Zealand dollar was trading at US66.13cents on Monday, up from US66.04 late Friday, while the share market's S&P/NZX50 index was "a few points softer" at 12,418.61. Harbour Asset Management manager Shane Solly said Labour had widely been expected to win and there was "nothing obvious to worry the capital markets."

Frances Sweetman, a senior analyst at Milford Asset Management wrote in the *Herald* on Wednesday that following the formation of the Labour-led coalition with the Greens and NZ First in 2017, "business confidence plummeted and an already stalling housing market quickly shuddered to a halt." This time however, anticipating "a second-term from a centrist government focused on maintaining the status quo," she wrote, the share market did "not bat an eyelid."

Sweetman drew particular attention to the fact that the NZ50 gross index rose 53 percent during the three years of the Labour-led government, compared with a 36 percent rise for the US S&P 500 index under the overt pro-business Trump presidency over the same period.

Looking ahead, Sweetman said corporate New Zealand is optimistic that Labour will be "too busy protecting the economy from a COVID-driven downturn and trying to keep its new National voters on-side to surprise them with anything too business-unfriendly."

A Kiwibank commentary described Labour's announced policies as "palatable," and likely to boost business confidence. Canterbury Employers' Chamber of Commerce Chief Executive Leeann Watson said the election outcome would "bring some certainty and a level of continuity for the business community."

Salt Funds managing director Matt Goodson highlighted the Reserve Bank's quantitative easing operation in response to the COVID-19 crisis. He declared that what "really matters" is the "remarkable monetary policy experiment being conducted with ultra-low interest rates and quantitative easing, and that is unchanged for now."

The central bank is propping up the financial system and bank profits by printing up to $NZ100 billion to buy back government bonds. Reserve Bank Governor Adrian Orr has acknowledged that the bank's policies are increasing asset values and wealth inequality, but says the bank needs to preserve business confidence.

The Ardern government's main response to the economic crisis triggered by COVID-19 has been the same as other governments internationally: an unprecedented handout of tens of billions of dollars to businesses, which have sacked tens of thousands of workers. The government's so-called "wage" subsidy scheme has so far paid out over $NZ14 billion to employers.

Institute of Economic Research economist Christina Leung told Radio NZ that following the lifting of COVID-19 restrictions, which was demanded by employers and the corporate media against the advice of health experts, “business mood, activity and outlook” had all improved. The country’s return to work meant “profitability expectations” are now improving, she added.

It was revealed this week that large global conglomerates including Coca-Cola, McDonald’s, Asahi and Tesla, along with many local NZX-listed companies, had all claimed millions of dollars in COVID-19 subsidies before paying out huge dividends to investors. New Zealand retail giant The Warehouse Group posted an annual after-tax profit of $44.5 million after taking a $67.7 million subsidy while axing 1,080 jobs.

Ardern is already hinting that a formal coalition with the Greens is unlikely given Labour’s “mandate” to govern alone and her wish to respect National supporters who voted Labour. While a Labour-only government is claimed to be more “business friendly,” than a Labour-Green coalition, both parties used the election campaign to reassure the corporate elite they would meet their demands. Ardern emphatically rejected claims that a Labour-Greens coalition would implement the Green Party’s modest “wealth tax,” which the Greens quickly explained was not a “bottom line” policy anyway.

Auckland real estate millionaire Don Ha said that Labour’s landslide election win was “inspirational” and will create even more “excitement” in the property market. Ha said the residential property market was already “booming” before the election, and that a “stable” government would create more of the same because people could invest “with confidence.”

Escalating house prices are one of the main drivers of inequality and social hardship. They have gone up 7.6 percent in the past year and 27 percent during Labour’s term. One investor spokesman pointed out that the government’s promise to build 4,000 new public and transitional houses per year, even if it is fulfilled, which is far from certain, “is not even going to scratch the surface, so there’s going to be a huge demand for rental properties.”

As inequality and housing affordability get worse, the consequences for working people are dire. Over the past three years, private rental costs have increased about 15 percent and the waiting list for public housing has risen from about 6,000 individuals or families to nearly 20,000. Researchers estimate at least 41,000 people, or one in 100, are homeless.

NZ Council of Trade Unions President Richard Wagstaff declared: “Working people are looking forward to working in collaboration with this government. Both Labour and the Greens have committed to listening to the voices of working people. We can make real meaningful change when we work together.”

Workers should not be deceived. The pro-capitalist trade unions have fully supported Labour’s handouts to big business, and assisted in imposing mass redundancies and wage cuts. They are promising more of the same. Their main demand for the new government is for the introduction of industry-wide “Fair Pay Agreements” to be agreed by the state, employers and unions. This would involve a ban on industrial action while such wage deals are negotiated.