

Molesworth & Featherston In The Loop



ELECTED

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ODD FELLOWS

Australia's Centrebet has Helen Clark at \$2.10 to hold her job; Don Brash at \$1.65 to take it over.

ELECTION

Ours isn't the only MMP vote this weekend this weekend. German voters are also choosing a new government [page 4].

INTEREST RATES

The Reserve Bank sees no chance of interest rate cuts as oil prices spike, the local economy keeps burbling away and parties promise a good post-election blow-out. [Page 3].

FEEDBACK

We welcome your comments, corrections and tips. [Email us.](#)

Rolling average poll

Out for the count

Huge swings from poll to poll have culminated in two, the NZ Herald and TV 3 putting Labour ahead, and one, One News, putting National ahead.

Our final pre-election rolling average poll puts National marginally ahead, but with NZ First and United holding a majority of seats only if the Maori Party don't get overhang. With leaders holding their seats, the numbers are

Labour	39.72	49
National	40.76	51
Greens	5.79	7
NZ First	5.96	7
Maori	1.81	2 (4)
United Future	2.55	3
Progressives	0.50	1
Act	1.64	0
Destiny	0.72	0

Despite a thumping lead in this morning's Herald poll, Labour actually lost ground in the average because an even larger lead for them dropped out -- emphasising the trend in the closing days has been towards National.

(Another poll, for the Otago Daily Times, is not incorporated in our rolling average, but produced similar results).

The electorate is always volatile with many voters making up their minds on election day. But late deciders don't usually swarm in a single direction as much as we have seen this year.

National has led three out of the last five polls, giving its troops greater confidence. Labour is saying its tracking polls have it behind, but by about 3 points while National says it is ahead, but it is a tight race.

A number of electorate polls of dubious validity are in circulation. A Farmers' Weekly poll found seventy per cent of farmers want a National government. (In the interests of balance we quickly polled the executive of the EPMU and the CTU. and found 98 per cent for Labour).

The parties

The path to power.

New Zealand First has given National the pathway it needs. One way or another, all pathways to power lie through or over New Zealand First.

If National wins a greater share than Labour, and NZ First hangs on in parliament, a National-United Future government supported by NZ First looks it. With the prospect of Maori Party overhang (more electorate seats than their party vote share would win), they will need enough share between the three to total 61 or 62 seats.

Paradoxically, the Nat-UF-NZF option seems most likely with National polling around 40-41 per cent. If National increases a point or two, it will be at NZ First's expense. Then National may reach 42 or 43, knock NZ First out of Parliament and still not have enough votes to form a government, even if it's the biggest contender. (It's not impossible National could be the largest single party and still in Opposition). National's numbers on Saturday night then may need to be around 40-41 per cent (with NZF) or 45+ (without).

If Labour-plus-Progressive have a larger share than National, then NZ First's backing could put them over the top without the Greens.

The prospect of a deal that provided for both the Greens and NZ First giving support seems tenuous. So Labour needs to get within range to achieve power with the support of either one of them. If it gets into the 43+ range, it will risk pushing the Greens below 5.

If the Greens get much more than five per cent, they will want it to be from non-voters, not Labour voters, or they will risk the chance of changing the government by pushing Labour's share below National's. If the Greens don't make five per cent, Labour probably won't form the government. Voters choosing between Labour and the Greens have an acute decision to make.

New Zealand First needs to get to five per cent or hold Tauranga. If it gets well above five per cent, it will probably be supporting a Labour government, but only if it gets there by attracting National switchers.

Act needs to win Epsom. The Maori Party needs to win electorate seats. The higher its party vote, the less likely it is to achieve overhang, its best prospect for entering post-election bargaining.

The Progressives will hope their 1.1 per cent result in the Herald today indicates enough momentum to hold their second seat, but like the Greens they can't afford to draw from Labour. Their tactical position is tied to Labour's.

If the Greens, NZ First and Act are all ejected from parliament, the major party with the largest share will certainly provide the next PM.

On Saturday night, don't expect to have a sure feel early. The issue is not so much that the polls are close, but that the outcome is so sensitive to finely balanced factors, as the rolling average poll shows.

M&F

Weekend update

As expected the reserve Bank this week held the official cash rate at 6.75 per cent.

The RBNZ's Monetary Policy Statement accepted there are signs we're in the slowdown phase of the economic cycle, affecting especially the tradeables sector exposed to the high dollar. Manufacturing and tourism were singled out.

The domestic economy remains breezy, the Bank thinks, with the housing market continuing to storm.

Oil prices up twenty per cent since June will push headline inflation up to four per cent next year before it returns below the three per cent policy target in 2007. The Bank is not going to hike interest rates to stop the flow-through from the oil price spike. But there's a big warning it will act if higher oil prices flow through to 'ongoing' price inflation and wage claims. The expected dampening effect on both our economy and global activity will be 'further out'.

The big party's finance spokesman will have slightly knotted stomachs over a warning about the effects of 'more expansionary' fiscal policy (they mean, who ever gets elected, there is going to be a lot more money sloshing around). The Bank says that if they see inflationary effects from a splurge, interest rates will be increased. The Bank sees no prospect of a cut in interest rates in the 'foreseeable future'.

Oil prices

Statistics NZ figures show New Zealand 'petroleum and petroleum products index' rose 23.6 per cent in the three months to June (Before Hurricane Katrina put another rocket under them).

The Ministry of Economic Development's close monitoring shows while retail petrol prices are high, oil company margins are consistent, defying Big Oil's claims of being squeezed, and its critics' accusations of profiteering.

The stock market and Deloitte are being sued by the BNZ

The action arises from the collapse of Access Brokerage last year. The BNZ reimbursed Access clients, after Access had been handing out BNZ 'Deposit Cards' that looked as though their funds were being held in dedicated BNZ accounts. The episode reportedly cost the BNZ four million dollars. The New Zealand Exchange is denying liability for the collapse. Deloitte Touche Tohmatsu is also being sued by the BNZ Liquidators accused the firm of failing to notice problems with Access's accounts as far back as 2002.

A global look at the ease of doing business has again ranked New Zealand number one in the world – the second year in a row, the World Bank's 155-country study has put New Zealand out front.

The study has high and rising global credibility. It compares factors like tax, starting a business, hiring and firing workers, enforcing contracts, credit, property rights and investor protections (it doesn't look at macroeconomic policy, infrastructure, currency volatility, investor perceptions or crime rates - then again, New Zealand would compare well on these measures against the second and third ranked countries the US and Singapore.

The World Bank says ease of doing business links directly to jobs. New Zealand is the easiest country for business and has the lowest rate of unemployment in the developed world. Greece, the toughest developed country to do business, has an unemployment rate of 10.9 per cent.

The election this weekend the world will be watching

After looking like a walkover for Germany's biggest Opposition party, the CDU, just weeks ago, the German election is closing fast. Chancellor Gerhard Schroeder now credibly claims he could yet hold onto power in the world's largest exporter..

Still ahead though, is the CDU's Angela Merkel (pronounced with a hard 'g'), who may soon become Germany's first woman Chancellor and the first from the East in modern history.

The German economy has been mired in sub-par growth since integration. More than five million are unemployed. The opposition has dominated the election campaign with a plan for a 'flat' 25 cent income tax (there are credits for low income earners, so it's not really flat). The election was triggered after Mr Schroeder's colleagues fought themselves to a standstill -- and their party to a regional defeat -- opposing plans to reform Germany's comprehensive social protections. Ms Merkel has more sweeping reforms in mind. She will drive Germany towards the British-Blair position on Europe, a development that will surely stifle the EU's move towards ever-greater integration around strong social protection.

With France weakened and Britain gaining allies in a bid to transform the EU into more of a free trade zone than the tightly integrated system it has become, the German result could be crucial.

Air tax

Flights to New Zealand will be the most heavily taxed when France and Britain implement a new 'levy' on air travel. They claim the funds will be used for health assistance for poor countries.

The European Union has examined the idea and rejected it because airlines are not exactly flush at the moment. At a time when airlines are being propped up by governments, the levy will only increase the incidence of government subsidy, but make it less transparent. The US says the levy violates existing aviation agreements.

Defenders say airline travellers are said to be the world's wealthiest although the tax won't discriminate between class of travel. It will apply at a higher rate to passengers on longer flights -- like those to here.

British Airways has responded to the plan by offering passengers the choice of paying 'a few pounds extra to compensate for the environmental impact of their flights'. The airline will donate proceeds to energy saving projects.

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