

# Australian Election Observer Update

## Coalition wins House: Senate divided

**The Coalition won this weekend's election, as expected, and will form a government led by new Prime Minister, Tony Abbott. The Coalition won the majority of the seats in the House of Representatives: with 77% of the vote counted, the likely swing is +3.3% to the Coalition, in line with pre-election polling. However, the Coalition is likely to remain a minority in the Senate. With the election done, greater political certainty may provide some support for business confidence, though the Coalition's Senate-minority could challenge its ability to legislate. The market implications are minor.**

### Facts

- With the Coalition winning the majority of seats in the House of Representatives in Saturday's election, Tony Abbott becomes Australia's 28th Prime Minister, leading the centre-right Coalition in government.
- The electoral swing was broadly in line with pre-election polling with the current national two-party count (based on the 77% of the vote that has been counted) suggesting the Coalition won 53.1% of the vote while the Labor party won 46.9% of the vote.
- With all 150 seats of the House of Representatives (the lower house) in play, Saturday's election saw a significant swing in votes away from the Labor Party towards the Coalition and a number of independent parties. Australian Electoral Commission modelling based on votes already counted predicts that the Coalition is likely to have 86 seats (up from 75 seats), to the Labor party's 57 seats (down from 72 seats), with at least 3 seats going to independent parties and 4 seats, as yet, too close to call.
- The Senate is less clear at this stage, though it seems highly likely that the Coalition will have a minority in the Senate, meaning that significant negotiation with minor parties will be required for the Coalition to pass legislation. 40 of the 76 Senate seats were contested on Saturday. Early counts suggest the Coalition is unlikely to have gained seats (they currently have 33 seats), the Labor party is likely to lose some seats (down from 31 seats) and the likely swing is towards the independent parties. Newly elected Senators from this election do not take up their seats until 1 July 2014.
- Former Prime Minister and Labor leader, Kevin Rudd, won his seat at the election but resigned from the leadership and will not contest the opposition leadership. As yet, a new opposition leader has not been appointed.

### Implications

As pre-election polling had suggested, Australia's centre-right, Liberal/National Coalition, won government with a significant swing away from the Australian Labor Party, making Tony Abbott Australia's 28th Prime Minister.

With 77% of the vote counted at this stage, the Coalition has won 81 seats in the House of Representatives to the Labor Party's 51 seats, while independents have won 3 seats. This leaves 15 seats where counting has yet to deliver a clear result. However, based on current trends Australian Electoral Commission modelling suggests that the Coalition will hold 86 seats (up from 73 seats), to the Labor Party's 57 seats (down from 72 seats), while independents will hold at least 3 seats. A majority in the House gives the Coalition the right to form government.

This Saturday was also an election for 40 of the 76 seats in the Senate, with newly elected Senators to take their seats from 1 July 2014. Senate results will not be finalised for some days, given the large number of participants running for the Senate (529 nationally) and the complicated distribution of preferences (losing parties in each state allocate their votes to other parties). It is, however, highly unlikely that the Coalition will win a majority in the Senate.

As a result, the Coalition is likely to need to do significant negotiation with the minor parties, including the Greens, in the Senate in order to pass legislation (even after 1 July 2014, when the newly elected Senators take their seats). This will hinder their ability to legislate and will be a key challenge to their current proposals to remove the carbon and mining taxes.

Nonetheless, we expect the decisive win in the House of Representatives and the change of government to lift business confidence in coming months, as it removes at least some of the previous political uncertainty.

The market implications of the change of government are minor, with neither of the major parties proposing to make changes to the macroeconomic framework in Australia.

#### Bottom line

The Coalition won this weekend's Federal election, making its leader, Tony Abbott, Australia's new Prime Minister.

The Coalition won a majority of seats in the House of Representatives, but the Senate race appears less decisive, with the Coalition likely to hold a minority in the Senate and the independent parties likely to have increased their Senate seats, hindering the Coalition's ability to legislate.

Market implications are limited, with both major parties espousing similar macroeconomic views, and the election result largely as expected. However, reduced political uncertainty may see some improvement in business confidence in coming months.

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# Disclosure appendix

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