



## NEW ZEALAND WEEKLY ECONOMIC & POLITICAL UPDATE

Thursday 26 February 2015

FOR IMMEDIATE RELEASE

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### KIWI DOLLAR TO REACH PARITY WITH AUSSIE DOLLAR IN 2015

The New Zealand dollar will reach [parity with the Australian dollar in 2015](#) and there is just over a 50% probability it will do so by the end of June, according to the combined wisdom of the 8000+ registered traders on New Zealand's predictions market, iPredict. It is again more likely than not there will be a cut in the New Zealand [Official Cash Rate](#) in 2015. Greece is now more strongly expected to [stay in the Euro through 2015](#). The [next Australian Federal Election](#) is 50:50, but is expected to be between Labor's Bill Shorten and the Liberals' Malcolm Turnbull. Winston Peters is not expected to stand in the [Northland by-election](#), which is strongly expected to be won by National. Kevin Hague is overwhelmingly picked to be the [next male co-leader of the New Zealand Greens](#).

#### Northland By-election:

- Winston Peters is not expected to be the NZ First candidate for the [Northland by-election](#) (only a 40% probability he will be, up from 33% last week)
- Labour candidate expected to win more than 25.89% of the vote in the [Northland by-election](#) (60% probability Labour will beat this score, down from 87% last week)
- Coin toss over whether National candidate will win more than 50% of the vote in the [Northland by-election](#) (50% probability National candidate will beat this score, down from 70% last week)
- Only 5% probability a candidate from other National or Labour will win [Northland by-election](#) (down from 5% last week)

## New Zealand Politics:

- Kevin Hague overwhelmingly favoured to be [next Green Party co-leader](#) (95% probability)
- [John Key](#) is expected to remain National leader until at least the end of 2016 (80% probability, up from 79% last week) and has a 49% probability of remaining National leader until at least the end of 2017 (steady compared with last week)
- Steven Joyce remains favourite to become [National Party leader if a vacancy arises](#) (29%, up from 27% last week), followed by Paula Bennett (26%, up from 24%) and Amy Adams (12%, up from 11%)
- Stocks on Andrew Little's longevity as leader of the Labour Party will be launched in the near future
- [Judith Collins](#) expected to be appointed to Cabinet before next election (60% probability, down from 62% last week)
- [Next election](#) expected in 2017 (92% probability, steady compared with last week)
- Forecast [party vote shares](#) at next election:
  - National 45.2% (steady compared with last week)
  - Labour 32.1% (up from 32.0%)
  - Greens 11.1% (steady)
  - NZ First 6.9% (steady)
  - Others 4.7% (down from 4.8%)
- National expected to win [2017 General Election](#) (55% probability, down from 57% last week)
- Wellington councils not expected to be [amalgamated by end of 2015](#) (only 43% probability they will be)

## New Zealand Economics:

- New Zealand dollar expected to reach [parity with Australian dollar](#) by the end of 2015 (75% probability) and may reach parity by end of June 2015 (53% probability)
- Quarterly GDP growth expected to be:
  - 0.7% in the [March quarter](#) (steady compared with last week)
  - 1.1% in the [June quarter](#) (steady)
  - 1.1% in the [September](#) quarter (steady)
  - 1.1% in the [December](#) quarter (steady)
- Annual growth expected to be 4.0% in the 2015 calendar year (steady compared with last week)
- Unemployment expected to be:
  - 5.4% in the [March](#) quarter (steady compared with last week)
  - 5.3% in the [June](#) quarter (steady)
  - 5.2% in the [September](#) quarter (steady)
  - 5.3% in the [December](#) quarter (steady)
- Current account deficit expected to be 3.5% of GDP in the [December quarter](#) (steady compared with last week) and 3.4% in the [March quarter](#) (steady)
- Annual inflation expected to be:
  - 0.3% to end of [March 2015 quarter](#) (steady compared with last week)
  - 0.6% to end of [June 2015 quarter](#) (steady)

- 0.8% to end of [September 2015](#) quarter (steady)
- 1.0% to end of [December 2015](#) quarter (steady)
- Official Cash Rate priced to be:
  - 3.495% on [12 March](#) (up from 3.491%)
  - 3.488% on [30 April](#) (up from 3.486%)
  - 3.450% on [11 June](#) (down from 3.451%)
  - 3.424% on [23 July](#) (up from 3.421%)
  - 3.386% on [10 September](#) (down from 3.395%)
  - 3.367% on [29 October](#) (down from 3.376%)
  - 3.372% on [10 December](#) 2015 (down from 3.380%)
  - This implies the OCR is more likely than not to be cut on 29 October (compared with it being more likely than not to remain at 3.50% throughout the calendar year last week)
  - OCR stocks out to [June 2016](#) will be launched in the near future
- Only 17% probability of a fiscal surplus in [2014/15](#) (down from 18% last week)
- Fiscal balance expected to be:
  - -0.17% of GDP in [2014/15](#) (steady compared with last week)
  - 0.85% of GDP in [2015/16](#) (up from 0.75%)
  - 1.98% of GDP in [2016/17](#) (steady)
  - 2.38% of GDP in [2017/18](#) (steady)
- There is only a 55% probability [Fonterra's payout in 2015/16](#) will be above \$6.00 (before retentions)

#### Foreign Affairs/Constitution:

- [Next UK Parliament](#) expected to consist of:
  - Conservatives                      37.9% of seats in the House of Commons (steady compared with last week)
  - Labour                                      37.1% of seats (steady)
  - Nationalist parties                      6.6% of seats (steady)
  - UKIP and similar                      5.7% of seats (steady)
  - Liberal Democrats                      4.9% of seats (steady)
  - Unionist parties                      2.1% of seats (steady)
  - Green and similar                      1.9% of seats (steady)
  - Independents and Speaker              1.9% of seats (steady)
  - All others                                      2.0% of seats (steady)
- David Cameron expected to be prime minister after [next UK election](#) (57% probability, up from 55% last week)
- [Boris Johnson](#) expected to be elected to UK House of Commons this year (92% probability, down from 95% last week)
- Socialist Workers' Party expected to defeat People's Party in [next Spanish election](#) (60% probability, steady compared with last week)

- All [Eurozone countries](#), including Greece, expected to remain in Euro in 2015 (only 13% probability of an announcement of a departure this year, down from 29% last week)
- Tony Abbott is expected to remain leader of the Australian Liberal Party until 1 July 2015 (only 23% probability of [departing before then](#), up from 20% last week) but be replaced by Malcolm Turnbull as [leader of the Australian Liberal Party by nomination day](#) (69% probability Turnbull will be leader on that day, up from 60% last week)
- [Bill Shorten](#) expected to be Labor leader at next Australian federal election (90% probability)
- Coin toss between Liberals and Labor for [next Australian Federal election](#) in 2016 (both on 50%, steady compared with last week)
- Hillary Clinton is favoured to be the Democratic Party's nominee for [US president](#) in 2016 and to be elected to that office (48% probability, up from 46% last week). Jeb Bush has a 39% probability of being the [Republican nominee](#) (steady compared with last week) followed by Scott Walker (20% probability, down from 25% last week)
- There is only a 31% probability [New Zealand will sign the Trans-Pacific Partnership this year](#) (up from 25% last week), and the [Trans-Pacific Partnership](#) is not expected to be ratified by the US Congress before 1 July 2017 (only 31% probability it will be, steady compared with last week)
- Helen Clark's prospects of being the next [UN Secretary General](#) are 25% (down from 27% last week)
- There is a 13% probability [New Zealand will become a republic by 2020](#) (down from 15% last week)

**Notes:**

- iPredict Ltd is owned by Victoria University of Wellington. Details on the company and its stocks can be found at [www.ipredict.co.nz](http://www.ipredict.co.nz).
- The weekly economic and political update is prepared by Exceltium Ltd on a pro bono basis and is based on a snapshot taken at a random time each week. This week's was taken at 10.46 am today.

**ENDS**

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