

New Zealand: Coalition Government Faces Mounting Challenges

05 Dec 2025

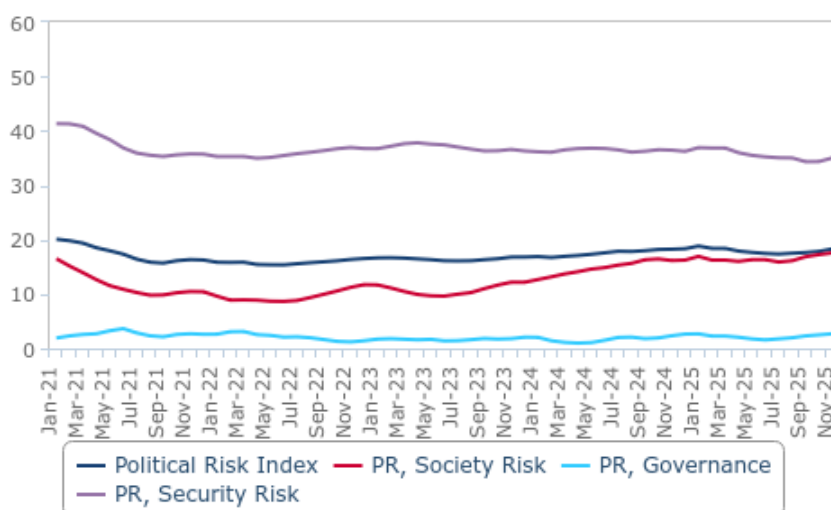
Key View

- Government confidence has hit a record low, with Ipsos rating performance at 3.9/10 in early November, the weakest since tracking began in September 2017.
- This is reflected in a rise in our Political Risk Index score for New Zealand from 16 in mid-2023 to 18.3 in November 2025.
- Our baseline view remains that the coalition government will serve its full term through to 2026, and we do not anticipate early elections. However, the coalition's ability to maintain internal cohesion and deliver on its policy commitments will be critical to its survival.

New Zealand's political environment has become increasingly volatile. Prime Minister Christopher Luxon, leader of the centre-right National Party, continues to govern in coalition with ACT New Zealand and New Zealand First. While this tripartite arrangement delivered a strong mandate in the 2023 general election, managing ideological divergences has proven more challenging than we anticipated. Government confidence has hit a record low, with Ipsos rating performance at 3.9/10 in early November, the weakest since September 2017, when the tracking began. Luxon has publicly insisted that the government remains 'strong and stable', but speculation about leadership challenges within the National Party has surfaced amid weak polling and internal unease. Luxon dismissed rumours of a coup, affirming that he will lead the party into the 2026 elections. This backdrop is reflected in an uptick in our Political Risk Index score for New Zealand from 16.0 in mid-2023 to 18.3 in November 2025 (see chart below).

Slight Increase In Political Risks In November

New Zealand – Political Risk Index & Components



Note: Scores out of 100; 0 = lowest risk; 100 = highest risk. Source: BMI

Polling in November paints a complex picture. The Taxpayers' Union-Curia poll (November 2–6) shows Labour as the largest party at 33.3%, ahead of National on 30.2%, while ACT and NZ First sit at 8.6% and 9.1% respectively. The Greens have slipped to 9.2% and Te Pāti Māori to 3.3%. On these numbers, the centre-right bloc would still hold power with 62 seats versus 60 for the centre-left, but the margin is razor-thin. Preferred prime minister rankings are virtually tied: Luxon at 20.8%, Hipkins at 20.6%, with Seymour gaining ground at 7.7%.

Coalition Tensions Intensify

The coalition's broad ideological mix – conservative, libertarian and populist – has produced a contradictory policy agenda. Recent weeks have seen open conflict between ACT and New Zealand First over the Regulatory Standards Act, which passed its third reading on November 13 and received royal assent on November 18. The Act, championed by ACT leader David Seymour, aims to impose stricter tests on new regulations. However, Winston Peters has vowed to repeal the law if re-elected, calling it undemocratic and overly prescriptive. Seymour responded by accusing Peters of 'preparing to jump ship to Labour', underscoring deep fractures within the coalition.

Debates over co-governance and Māori representation remain a major flashpoint. ACT's push for a 'one law for all' framework culminated in the treaty principles bill, which was decisively defeated in April after overwhelming public opposition and nearly 300,000 submissions against it. Despite its failure, coalition partners have continued efforts to 'refocus' the Waitangi Tribunal, sparking criticism from Māori leaders and civil society groups. A recent report to the UN Committee on the Elimination of Racial Discrimination accused the government of breaching Te Tiriti o Waitangi and aggravating racial inequality.

Political Outlook

Our baseline view remains that the coalition will serve its full term through to 2026, but its cohesion is under severe strain. The clash over regulatory reform, persistent Treaty debates and deteriorating public confidence signal a turbulent road ahead. With polls tightening and economic headwinds persisting, the Luxon government faces a pivotal period that will shape its survival – and the trajectory of New Zealand politics – heading into the next elections.