

Economic Note

Is election uncertainty a handbrake for the NZ economy?

12 October 2026

Just getting on with it

Key points

- **Election uncertainty is often seen as a drag on investment, hiring and other major spending decisions made by firms and households.** This is a commonly held view, especially during election years.
- **Election uncertainty plays a role in the weakening in sentiment prior to an election, but we find that it rarely reduces economic activity,** with no clear post-election rebound indicating that decisions have been deferred.
- **Businesses and households operate in a dynamic environment with many factors influencing decisions.** The gap between weak sentiment and resilient activity suggests standing still is perceived as costly, so firms and households are more pragmatic than the “election uncertainty” narrative implies.

Summary/implications

When examining NZ general election cycles since 2005 we find sentiment measures are hit by election uncertainty, but this rarely translates into reduced investment, spending and hiring activity, for both NZ firms and households. NZ business and consumer confidence is mixed to weaker in the 12 months leading up to an election, suggesting that election uncertainty *does* weigh on confidence. However, investment, spending, hiring and household activity over the same period is consistently more resilient than sentiment measures would imply. The major exception was in the lead up to the 2023 General Election, which saw a pre-election boost in sentiment, only for subsequent economic activity, hiring and investment to disappoint.

In most elections, business investment, hiring and consumer spending grew faster *before* the vote rather than after it. Key economic aggregates show no discernible post-election rebound in the year following the general election. House prices and house sales activity generally show no conclusive differences in pre- and post-election trends. **This challenges the view that firms and households defer/delay decisions leading up to an election and subsequently act on them after the fog of election uncertainty clears.**

Our descriptive analysis doesn’t control for normal business-cycle dynamics or major shocks that may coincide with general elections. **The cyclical position of the economy matters.** It is easier for an economy to grow when there is ample spare capacity versus when economic resources are more fully utilised, as what occurred in 2023.

Elections and their policy consequences matter. However, firms operate in a dynamic environment, and their decisions can’t simply be paused because of an election. Households may not be prepared to wait – life tends to get in the way. **The gap between weak sentiment and resilient activity suggests that delay may be costly, with firms and households more pragmatic than the “election uncertainty” narrative implies. In other words, New Zealanders just seem to get on with it.**

No doubt, the broader geopolitical environment looks volatile, which complicates the recovery ahead. A protracted US-Iran conflict keeps us wary of cost pressures that have slowed the burgeoning recovery. These factors appear to currently dominate the near-term economic view, rather than election uncertainty in isolation.

Finer details

The NZ General Election occurs every three years (we will release our 2026 *General Election* primer in the coming weeks). During election years, it is common amongst economists to add something called an “election uncertainty” overlay. That is, the assumption that firms and households defer investment, hiring and spending until the ballot box settles.

The logic behind this is intuitive. Government policy settings can have far reaching implications. A rational firm or consumer may prefer waiting on complete information before making major decisions: in other words, there is an option value in waiting, particularly if the major party blocks vying for the Treasury benches have a considerably different suite of policies/desired direction in which to take our country. Higher uncertainty from an election can lower business and consumer confidence as major decisions are put on ice until the election result is known.

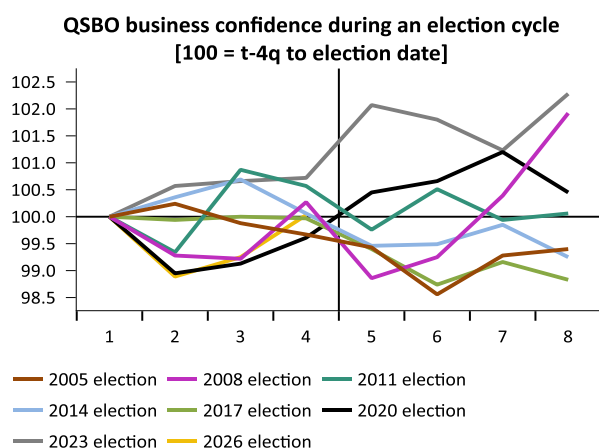
We have generally accepted both as truths. **But then we thought, why don’t we see whether this holds up in the empirical data?**

The exercise is simple. We looked at how a variety of metrics performed over the previous seven election cycles (2005, 2008, 2011, 2014, 2017, 2020 and 2023). The following charts track key economic variables 12 months either side of the General Election. A more detailed statistical summary is at the end of this note.

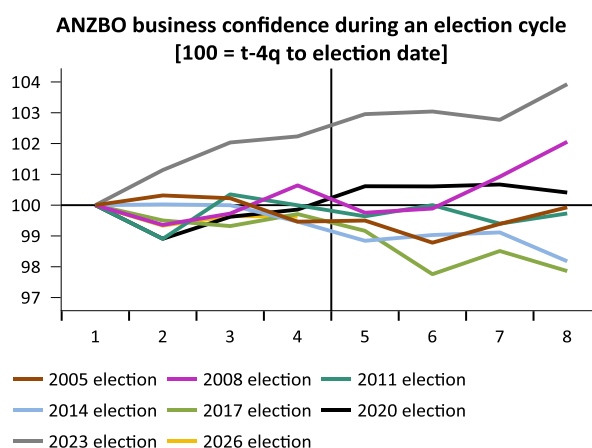
To cut a long story short, our results suggest firms and households were more pragmatic than conventional assumptions around election uncertainty would imply. It seems, elections are only one of a large number of factors impacting household and firm decisions. **Our analysis is largely descriptive.** It does not control for business cycle dynamics, various shocks and other factors affecting the NZ economy around general elections.

Activity, investment and hiring growth stronger than business sentiment would suggest

Business confidence has generally been mixed to weaker in the 12 months leading up to the election in the last seven elections. This is consistent with the idea that an election year introduces uncertainty, thus weighing a firms’ overall confidence. The conventional rationale is that this passes through to dampen near-term investment plans. The major exception was in the lead up to the 2023 General Election.



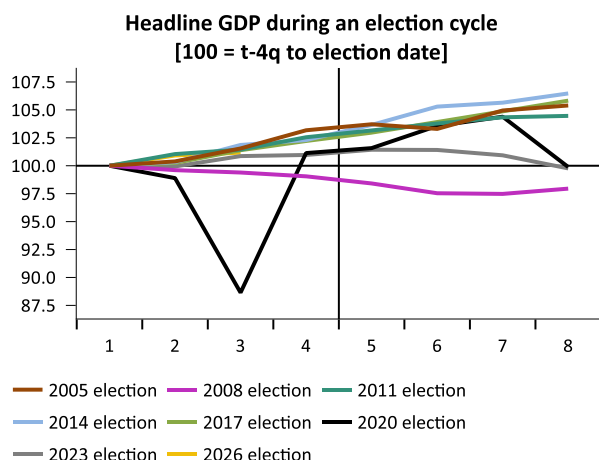
Source: Macrobond, ASB



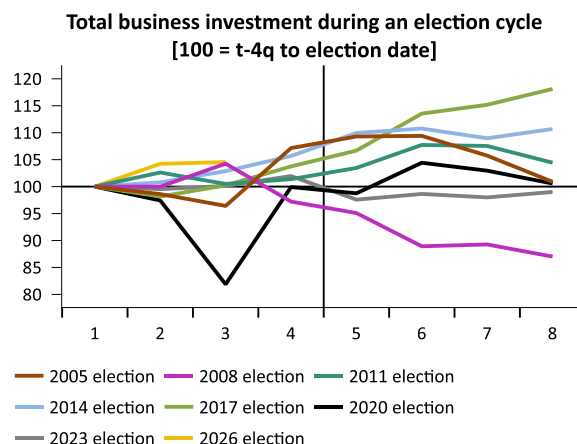
Source: Macrobond, ASB

However, business investment during recent election cycles have been more resilient than sentiment alone would imply. In the last seven election cycles, five saw total business investment expand in the four quarters leading up to the election. Similar resilience is evident in broader economic activity.

There are caveats. The 2023 General Election stands out as the major anomaly (see more below). Business investment declined leading up to the 2008 and 2020 General Elections, coinciding with the onset of the Global Financial Crisis (GFC) and the COVID-19 pandemic. The GFC (which hit NZ a few months before the November 2008 NZ General Election) and COVID-19 (which hit NZ in early 2020 ahead of the October 2020 General Election) rather than election uncertainty are more likely to have been the key drivers behind this.

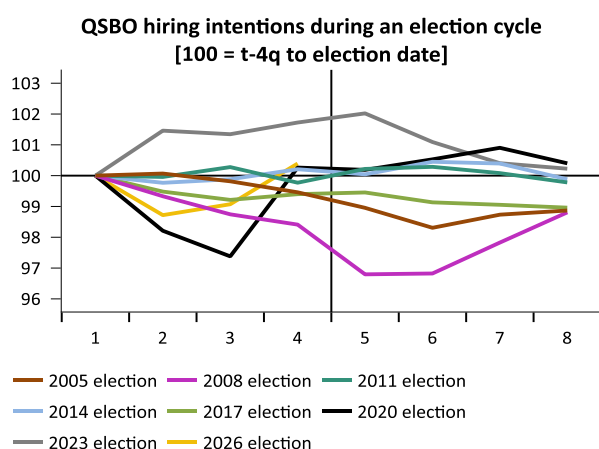


Source: Macrobond, ASB

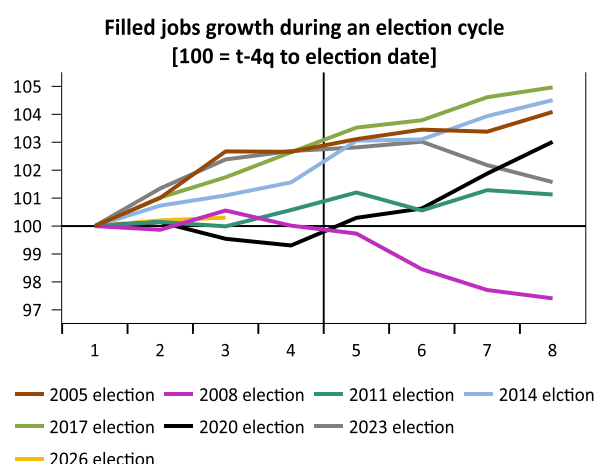


Source: Macrobond, ASB

Similarly, labour demand and jobs growth exhibited similar resilience relative to what hiring intentions alone imply. Despite signals that firms will pull back on hiring, employment levels have typically tended to increase leading up to polling day. Again, notable exceptions included the GFC and COVID-19 periods.



Source: Macrobond, ASB



Source: Macrobond, ASB

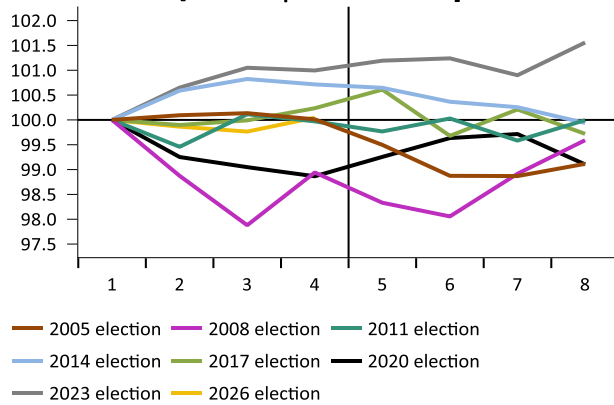
The 2023 General Election period was unique in that it did not follow typical historical patterns. Rather than business sentiment weakening leading up to the election, we largely saw the reverse, with business sentiment significantly stronger than realised investment and activity. Part of this reflects optimism following pandemic lows in confidence, but we also suspect that cyclical considerations were a factor (more of this on page 5).

Household behaviour shows a similar pattern during election years

A similar pattern emerges for consumer spending. Consumer confidence (we use the headline measure in the ANZ consumer confidence survey) generally softens leading up to an election, with election uncertainty typically flagged as a factor. However, once again the flow through to actual private consumption volumes is mixed, with general resilience in the lead up to previous elections. Again, notable exceptions included the GFC, COVID-19, albeit to a slightly lesser extent than for some business aggregates. The impact on residential construction and housing activity is not discernible pre- and post-election, while house prices remain generally resilient over the same sample periods.

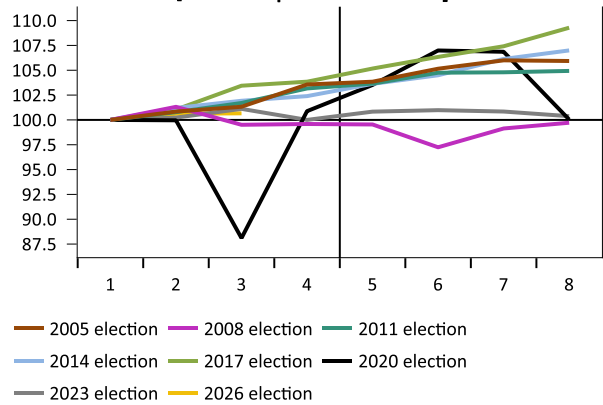
The 2023 period was also unique for household activity. Consumer confidence and house sales activity were strong in the lead up to the 2023 General Election but then tapered off. House prices have been largely becalmed. Consumer activity was also subpar, with the household sector facing acute cost of living pressures and other headwinds that keep spending appetites on the backburner.

ANZ consumer confidence during an election cycle
[100 = t-4q to election date]



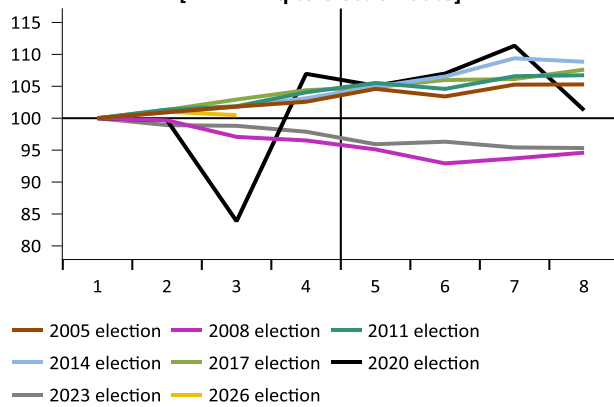
Source: Macrobond, ASB

Household consumption during an election cycle
[100 = t-4q to election date]



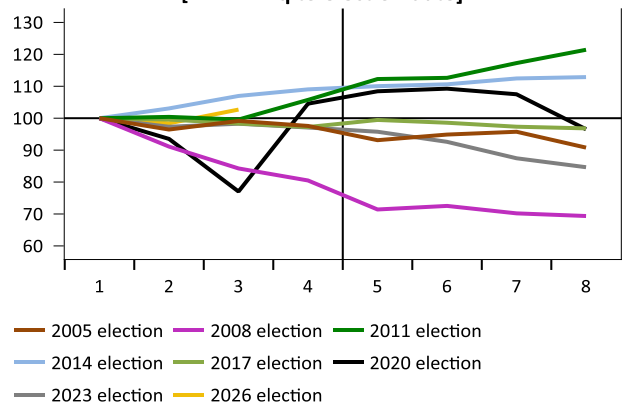
Source: Macrobond, ASB

Retail spending during an election cycle
[100 = t-4q to election date]



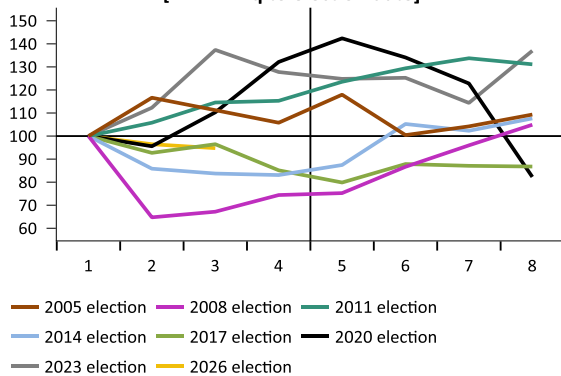
Source: Macrobond, ASB

Residential investment during an election cycle
[100 = t-4q to election date]



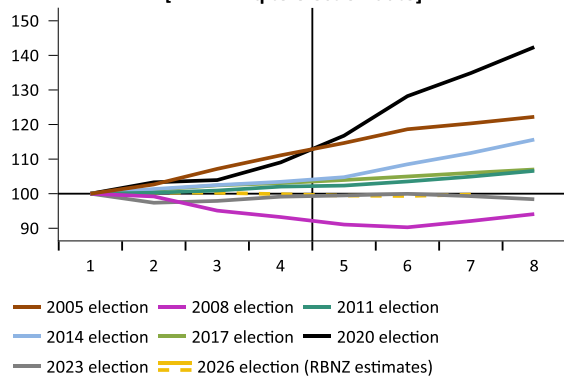
Source: Macrobond, ASB

REINZ house sales volumes during an election cycle
[100 = t-4q to election date]



Source: Macrobond, ASB

CoreLogic House Price Index during an election cycle
[100 = t-4q to election date]



Source: Macrobond, ASB

Why does this happen?

There's a plethora of reasons as to why this may be the case. Our analysis is descriptive and does not control for the multitude of factors that impact the NZ economy around NZ election dates.

The economic cycle and the starting point matters

The NZ economy is inherently cyclical, with peaks and troughs irrespective of who is in charge of the Treasury benches. **It is much easier for an economy to grow out of a deep hole than it is when most economic resources are fully utilised irrespective of election considerations.** Hence, it was probably not surprising to see NZ economic activity fail to take the strengthening lead of improved sentiment measures at around the 2023 General Election. The economy was still dealing with the economic overheating and other hangovers that had been acquired during the COVID-19 period. Conversely, the solid growth achieved at around the 2011 General Election was when the NZ economy was recovering from its post-GFC downturn and there was plenty of spare capacity. This does not suit all historical episodes, with strong growth around the 2005 General Election despite limited spare capacity.

Broader economic factors

Businesses usually have multi-year plans, rolling operational requirements, capital investment needs, and consumer demands that cannot simply be paused because of an election. Those taps are hard to turn off, and if they are to be turned off, broader macroeconomic factors and various economic shocks are more likely to be the key reason. Similarly, general elections are only one of a large number of considerations that will impact decisions made by households. **When doing a sense check of how some of these broader economic factors have fared in election cycles, they generally point to resilience more often than not.**

The cost of standing still is pricey

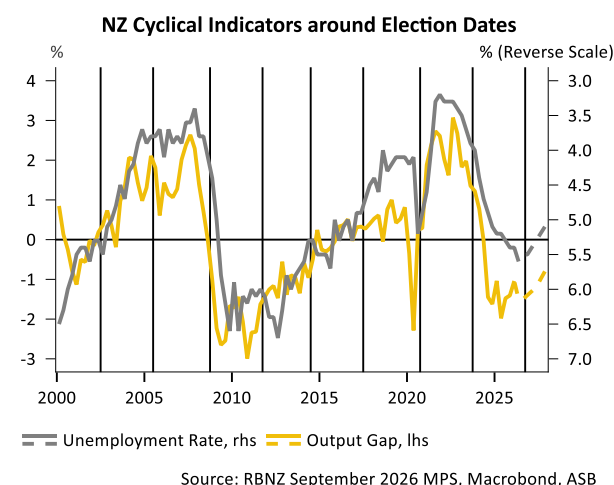
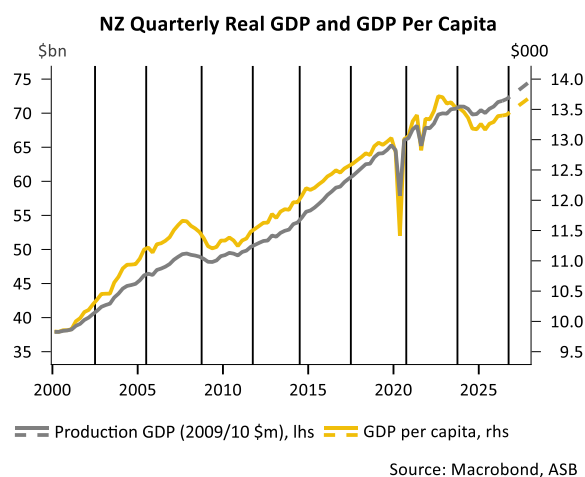
Another explanation is that the perceived cost of "standing still" is high. It is costly to defer investment and hiring plans that have been locked in place. And election cycles are well signalled, so it allows firms to plan ahead of time. Similarly, households may not be prepared to wait – life tends to get in the way.

It may also be the case that significant AI developments have raised the cost of standing still. AI, automation and cloud tools lower adoption costs and may mean delaying plans are more expensive as competitors accumulate efficiency gains. This technological imperative can outweigh election-year caution. There is also a cost of waiting for households.

Sentiment is for great storytelling, but not so much for projecting the future

While there's an intuitive economic relationship, sentiment measures can sometimes be poor leading indicators for hiring, spending, investment and economic activity in election years.

Sentiment is nonetheless important: confidence in financial markets, confidence in the real economy, and the future economic prospects of our country are useful directional indicators and storytelling tools. **However, there looks to be a disconnect between what people say they will do and what they end up doing.**



Implications

Elections are important and our analysis has limitations

Let's be clear. **Elections matter and we do not ignore the consequential implications that government policies can have for the economy.** Hence, we understand the aptly placed attention every election year gets. Moreover, it's difficult to model the counterfactual, and we don't know how 2026 would look if a general election had not occurred.

But our descriptive analysis does pose some questions to the widely held view that general elections have been a handbrake on activity. Recent historical episodes run counter to the view that firms freeze hiring and investment during an election year. Household activity also looks to have been less impacted than what the sentiment measures would suggest.

In short, New Zealand firms and households have a habit of just getting on with it.

The current election could be different

Comparing historical episodes is useful, but past episodes have shown a wide range of outcomes and there is no guarantee that the typical result will prevail this time around. The current election race is looking tight, with a number of potential combinations for the potential new government as well as a plethora of different policy options that could emerge. This may raise the option value of firms and households to wait things out until more clarity emerges.

However, NZ general election uncertainty could also be overplayed in 2026. Certainly, the global backdrop appears fickle (see section below), but it is difficult to characterise 2026 as being 'more' uncertain as the COVID-19 pandemic or the GFC. Election-related uncertainty may be receiving disproportionate weight because it is salient, rather than because it is materially constraining activity. While these perceptions can still weigh on confidence and increase the incentive to delay decisions, the effect on actual activity is much less significant when looking at the empirical data.

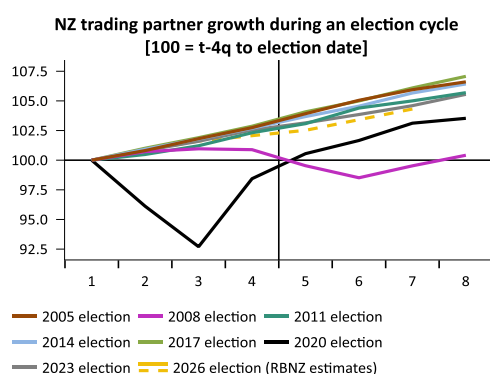
We've had to deal with a lot in the last six years

In any case, New Zealand has had to navigate several different shocks. **Firms and households have been adaptable in a dynamic environment and the economic aggregates we have observed support the idea of resilience, if not without a little bit of weariness.** There is a lot going on, and a lot to think about, but the indomitable Kiwi spirit is important. It looks to us as though election uncertainty tends to get pushed into the back of the queue of the many things that households or businesses have had to think through.

Outlook

The broader geopolitical environment still looks volatile, which complicates the recovery ahead. A protracted US-Iran conflict and truncated oil refinery capacity keeps us wary of this cost shock having a longer tail, which risks making the subsequent lift in activity a bit slower out of the blocks. The crucial US midterm elections are less than a week prior to NZ general elections on November 7. Arguably global factors, rather than NZ election uncertainty, could have a larger impact on the NZ economy. Despite geopolitical ructions, the global economy has surprised us with its resilience, and the trajectory of NZ trading partner growth is not too much different to earlier election cycles. The COVID-19 cycle is the obvious exception as is the GFC to some extent.

We think that firms have been generally pragmatic regarding investment and hiring plans despite weakening sentiment from election uncertainty, in part reflecting a perceived high cost of deferral and broader macroeconomic factors. Households also tend to press ahead rather than wait for more clarity to emerge. **We remain constructive on the NZ outlook despite a flurry of potential hazards facing the NZ economy.** Our hope is that the broader geopolitical environment can find some semblance of normalcy so that the burgeoning cyclical recovery that was evident prior to the US-Iran conflict can resume sooner, rather than later.



Source: Macrobond, ASB

Appendix

To gauge business performance during the various election cycles, we looked at:

- Business confidence (ANZBO, QSBO)
- Business hiring intentions (ANZBO, QSBO)
- Business investment activity (Stats NZ)
- Residential investment activity (Stats NZ)
- Business services activity (Stats NZ)
- Filled jobs growth (Stats NZ)
- New vacancies growth (BNZ, SEEK)

To gauge household performance, we looked at:

- Consumer confidence (ANZ)
- Private consumption (Stats NZ)
- Residential Investment (Stats NZ)
- House sales (REINZ)
- Discretionary services activity (Stats NZ)

We set the sample period as t minus 4q and t plus 4q, with t being the quarter in which the general election is held.

This allowed us enough runway to see how these metrics were performing during the lead-up to a general election and whether there were signs of some economic payback a few quarters after an election. That means, when interpreting our charts, t=5 is the period in which each respective election occurs.

Our findings do not include data vintages (i.e.: GDP data is subject to subsequent revision so may have performed differently in said election year relative to current data).

Our analysis is largely descriptive. It does not allow for typical business cycle dynamics and other large shocks that can hit the NZ economy at the timing of a general election (e.g. the GFC and Covid-19 had a substantial impact on the NZ economy during the 2008 and 2020 General Election years).

Table 1 (see next page) provides little evidence of a general pre-election uncertainty effect. If uncertainty were systematically suppressing activity before elections, post-election growth should usually rebound. Instead, GDP and employment show no meaningful rebound, while business investment generally slows after elections. Residential investment is the only component offering weak support. Indeed, this is largely descriptive with broader economic conditions not controlled for.

Table 2) Average annual growth across the seven completed elections, 2005–2023

Indicator	Pre-election	Post-election	Interpretation
Real GDP	2.0%	1.5%	Slightly stronger before elections
Consumption	2.9%	1.9%	Stronger before elections
Employment	2.1%	1.6%	Slightly stronger before elections
Residential investment	–2.9%	–3.3%	Slightly weaker after elections; highly volatile
Other fixed-asset investment	4.2%	0.6%	Considerably stronger before elections
Intangible investment	7.2%	3.6%	Considerably stronger before elections

There is little evidence of post-election economic payback consistent with deferred activity that would imply an uncertainty hit.

Table 3) Selected economic components and whether growth improved in 4 quarters after an election

Component	Post-election improvement	Assessment
Real GDP	3/7 elections	No systematic growth rebound
Consumption	2/7 elections	Generally weaker after elections
Employment	3/7 elections	No systematic hiring rebound
Residential investment	4/7 elections	Some rebounds, but volatile and not evident in the average
Other fixed-asset investment	3/7 elections	No consistent payback
Intangible investment	2/7 elections	Generally weaker after elections

Across all components, post-election growth was higher in only 17 of the 42 components we assessed. Average four-quarter GDP growth declined from 2.0% pre-election to 1.5% post-election. Residential construction occasionally rebounds, but other investment does not generally accelerate post-election. The evidence doesn't support a systematic pattern of firms postponing investment or hiring till after the election.

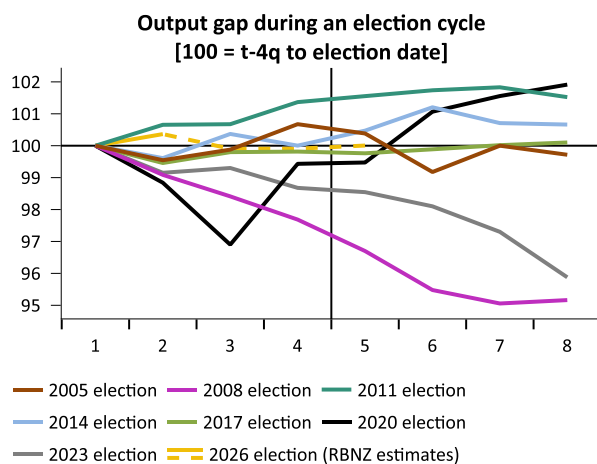
Table 1) Selected economic components 4-quarters before and after an election

Component	Election	Pre-election* qtrly growth	Post-election qtrly growth	Post-election direction
Real GDP	2026 election	0.6%		
	2023 election	0.2%	-0.2%	Lower
	2020 election	0.6%	-0.3%	Lower
	2017 election	0.9%	1.1%	Higher
	2014 election	0.7%	1.0%	Higher
	2011 election	0.6%	0.6%	Lower
	2008 election	-0.3%	0.3%	Higher
	2005 election	0.8%	0.2%	Lower
Consumption	2026 election	0.2%		
	2023 election	0.2%	0.1%	Lower
	2020 election	0.3%	-0.2%	Lower
	2017 election	1.3%	1.3%	Lower
	2014 election	0.7%	1.1%	Higher
	2011 election	0.8%	0.4%	Lower
	2008 election	-0.0%	0.0%	Higher
	2005 election	1.6%	0.6%	Lower
Residential investment	2026 election	1.6%		
	2023 election	-1.8%	-3.4%	Lower
	2020 election	1.5%	-2.0%	Lower
	2017 election	-0.9%	-0.1%	Higher
	2014 election	2.8%	0.9%	Lower
	2011 election	-0.0%	3.5%	Higher
	2008 election	-5.4%	-3.7%	Higher
	2005 election	-1.9%	-1.8%	Higher
Other fixed-asset investment	2026 election	0.6%		
	2023 election	-0.6%	-0.5%	Higher
	2020 election	0.1%	0.2%	Higher
	2017 election	1.4%	3.3%	Higher
	2014 election	2.0%	1.2%	Lower
	2011 election	1.7%	0.7%	Lower
	2008 election	0.2%	-2.7%	Lower
	2005 election	2.4%	-1.5%	Lower
Intangible investment	2026 election	2.4%		
	2023 election	-1.1%	0.1%	Higher
	2020 election	2.3%	2.3%	Lower
	2017 election	2.2%	3.1%	Higher
	2014 election	2.6%	0.9%	Lower
	2011 election	1.8%	0.9%	Lower
	2008 election	2.3%	0.4%	Lower
	2005 election	2.0%	-1.8%	Lower

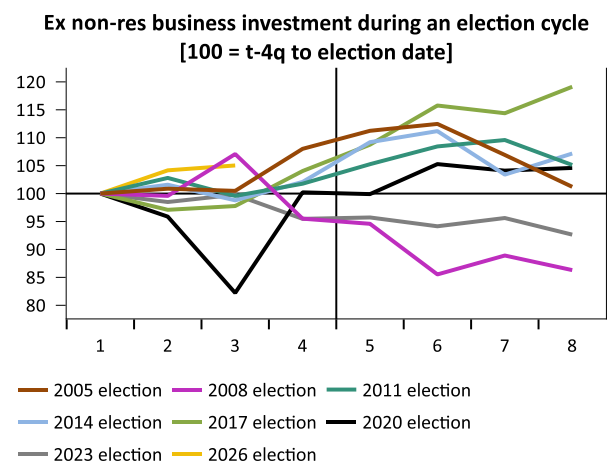
Employment	2026 election	0.4%		
	2023 election	0.7%	-0.1%	Lower
	2020 election	0.0%	0.9%	Higher
	2017 election	0.8%	0.9%	Higher
	2014 election	1.0%	0.8%	Lower
	2011 election	0.2%	-0.1%	Lower
	2008 election	0.2%	-0.5%	Lower
	2005 election	0.8%	0.8%	Higher

*Pre-election = four quarterly changes ending immediately before the election quarter. Post-election = election quarter plus the next three quarters. Average quarterly growth is the compound-equivalent rate that reconciles exactly to cumulative growth. 2026 pre-election is partial through June 2026 (3 of 4 quarters), so its quarterly equivalent uses three completed changes.

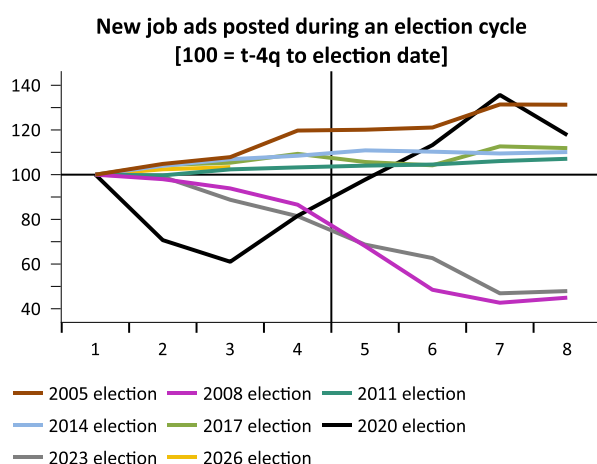
Selected charts



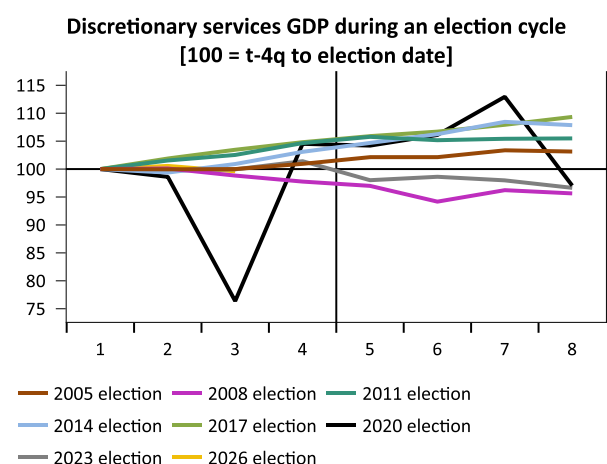
Source: Macrobond, ASB



Source: Macrobond, ASB

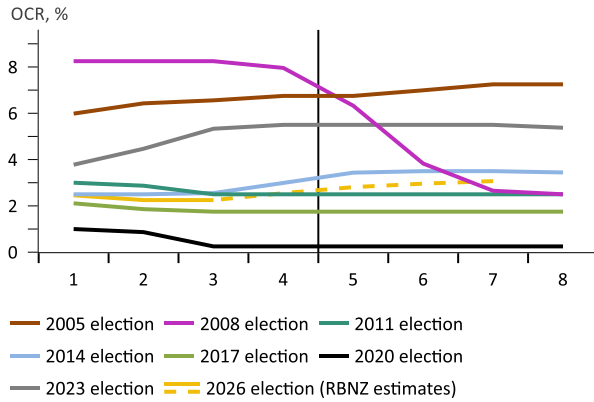


Source: Macrobond, ASB



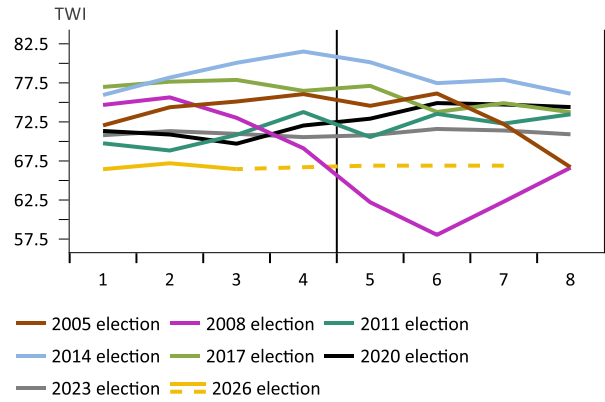
Source: Macrobond, ASB

OCR movement during an election cycle
[t-4q to election date]



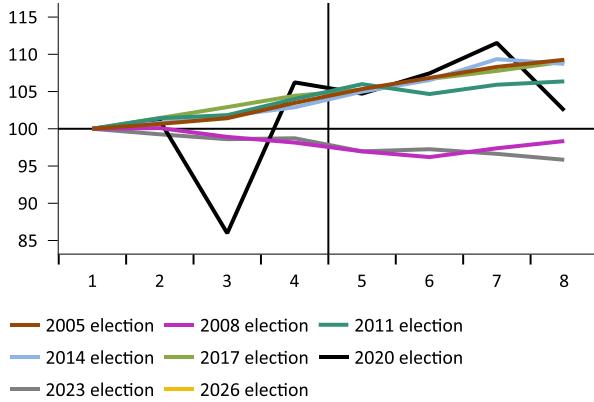
Source: Macrobond, ASB

TWI during an election cycle
[t-4q to election date]



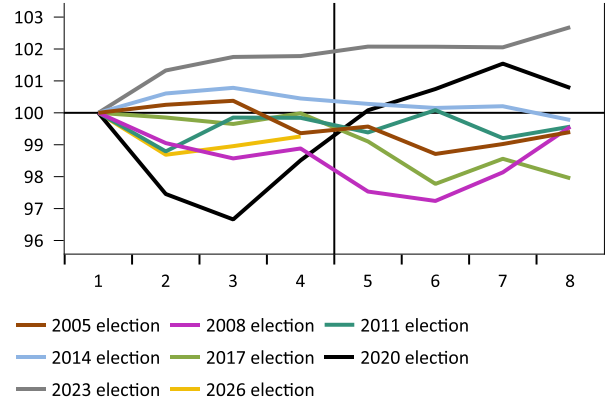
Source: Macrobond, ASB

Core retail spending during an election cycle
[100 = t-4q to election date]



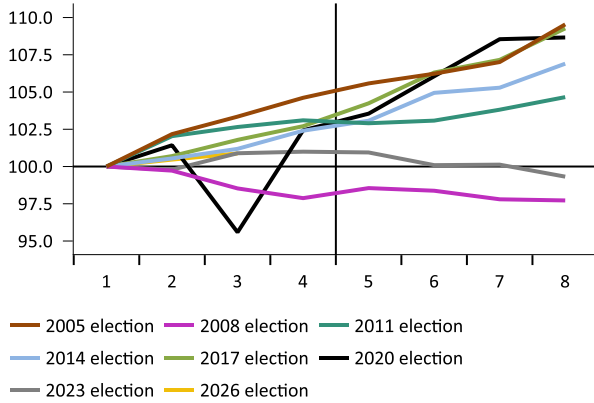
Source: Macrobond, ASB

ANZBO hiring intentions during an election cycle
[100 = t-4q to election date]



Source: Macrobond, ASB

Business services GDP during an election cycle
[100 = t-4q to election date]



Source: Macrobond, ASB

ASB Economics & Research

<i>Acting Chief Economist</i>	Kim Mundy	 kim.mundy@asb.co.nz	 (64) 27 360 5035
<i>Senior Economist</i>	Mark Smith	mark.smith4@asb.co.nz	(649) 301 5657
<i>Senior Economist</i>	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5915
<i>Senior Economist</i>	Jane Turner	jane.turner@asb.co.nz	
<i>Economist</i>	Yen Nguyen	yen.nguyen@asb.co.nz	
<i>Economist</i>	Wesley Tanuvasa	wesley.tanuvasa@asb.co.nz	
<i>Administration Manager</i>	Caro Phillips	caro.phillips@asb.co.nz	

www.asb.co.nz/economics

Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary, seek appropriate professional or financial advice.

We believe that the information in this document is correct, and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on several assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.