

Forecasting the outcome of the next Federal Election

The Canberra rumour mill will run wild this week with expectations of a Cabinet reshuffle before the end of the year. A rejuvenation is likely to occur with underperforming Ministers relegated to the backbench in the hope that a few new faces will help the Government's communication.

The chattering contingent up at Parliament is also forecasting a second reshuffle in January – as the new Prime Minister appoints his own cabinet - but this is to be expected at this time of year. Not that a change is likely - simply that when the Prime Minister is behind in a poll or two the gossip starts.

The logic of this chattering group is that Newspoll has accurately forecast the outcome of '59 state and federal elections'. The argument goes: because Newspoll has accurately forecast election outcomes and the Prime Minister is behind in the polls therefore he will lose the next election.

This is an example of a political syllogism. Or in other words, it is a logical fallacy.

As forecasters we often look back at our own accuracy. It is also interesting to look back on that of others. To be fair to the pollsters, they do not claim to be forecasters. Opinion polls are just a snapshot in time.

As Prime Minister of Australia for 11 years, John Howard experienced only rare occasions when he was ahead of his opponent in the polls. These rare occasions always coincided with a Federal Election, with the exception of one time in 2007 when he was behind in the Newspoll and lost the Federal Election.

The reason that Newspoll can claim this level of accuracy is that their final survey, undertaken days before the Federal election, has predictably shown a high degree of accuracy. In cricketing terms, this is like calling a 'SIX' well after the batsman has hit the ball high into the air.

The capacity of opinion polls to accurately forecast the outcome of the next Federal Election, outside of an election timeframe, appear to be coinless promising than the toss of a coin. The reasons for this are that those being polled have little interest in the topic and/or they have an opportunity to vent their opinion without consequence. It is not until an election is called that the public focus their minds on choosing a leader.

Having said that: two of Australia's last four Prime Ministers have not been elected by the people, they were ultimately selected on the basis of opinion polls. Even though recent evidence shows that polls are not good at forecasting the outcome of far off Federal Elections they

do have good success rate at forecasting future Prime Ministers.

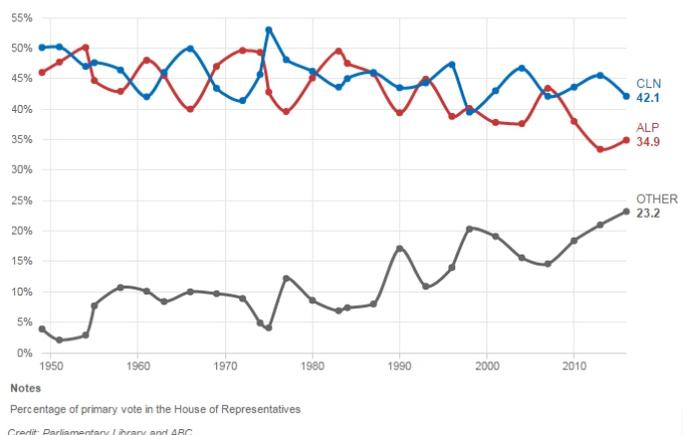
Learnings from Queensland

We have learnt one thing from the last Queensland election. Fewer and fewer people are voting for the major parties. The primary vote for the two major parties in the Queensland election was the lowest since 1904.

This outcome is not a one-off. It's a trend that has been evident since the mid 1990s and it is a trend that is very prominent in Federal politics. It is for this reason that we should become accustomed to 'minority government'.

The following figure explains why the Turnbull Governments tenuous grasp on a majority in the House of Representatives will become an anomaly.

Nearly one quarter of voters are now choosing non-major parties first



As a general rule, since the Second World War a party required 44 per cent of the primary vote to form a Government. We have only had this outcome twice this century.

These trends continued in the 2016 Federal Election when 1 in 4 people voted for a minor party in the House of Representatives; 1 in 3 voted for a minor party in the Senate; 1 in 3 seats are now marginal seats (less than 1000 votes).

The causes of this trend are complex. In part they are due to the rise of social media activism and a cultural shift away from party membership (pluralistic connection on topics, not factional relationships).

The most significant reason for the shift away from two party outcomes is because of the commercial incentive to run for Parliament.

In the early 1990s the two major Parties agreed to pay themselves a fee based upon the number of votes they

received at each Federal election. The ALP and the LNP received \$5.25 per vote that they won in in the 2016 election meaning the each earned between \$20 and \$25 million at the 2016 election.

The unintended consequence of this payment is that it has made running for Parliament a commercially viable business.

It also creates a strong incentive to run candidates in every electorate for financial return to the Party.

Unless these trends change, Australia is moving away from a two-party system and governments will increasingly need to form coalitions with minor parties to form Government, similar to the New Zealand system of government (MMP).

This may eventually result in better democratic outcomes, but our systems of Government have not yet adjusted to the new uncertainty.

The fortnight ahead – key dates and releases (AEDST)

Tuesday 5 December

HIA Housing Scorecard, 11am

Wednesday 6 December

ABS Australian National Accounts: National Income, Expenditure and Product, September Qtr 2017, 11.30am

Friday 5 December

ABS Housing Finance, Australia, October 2017, 11.30am

Monday 11 December

HIA Housing Australia's Future 2017

Tuesday 12 December

ABS Lending Finance, Australia, October 2017.

ABS Residential Property Price Indexes: Eight Capital Cities, September Qtr 2017

Thursday 14 December

ABS Australian Demographic Statistics, June Qtr 2017.

ABS Labour Force, Australia, November 2017

HIA Renovations Roundup

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