The odds still point to another close Labor win in 2025

Politics
A growing number of Australian voters are looking for genuine leadership in both major parties, but find them wanting.

John Black

It looks as though 2024 will be a rerun of 2023 in many respects, albeit with signs of cresting and then stabilising for population growth, prices and interest rates.

We are also likely to see some stabilisation in Labor's political fortunes in Western Australia, following the mid-2023 retirement of the state's popular premier Mark McGowan. Our modelling of the 2022 election voting showed the Mark McGowan government was worth a flat 6 per cent to that year's federal Labor Party vote in WA.

When McGowan quit in June, this vote was up for grabs and recent polling by RedBridge indicates that McGowan's replacement, Roger Cook, is likely to comfortably retain power on March 8, 2025, and also hold up Labor's federal vote to the same 55 per cent level attained in 2022.

In Queensland, the long-running soap opera that was the once-popular premier Annastacia Palaszczuk has finally ended during an ad break, with the election of her deputy, Steven Miles, as the new Labor premier. He is already backing away from one of the dopiest decisions made by his predecessor to blow $2.7 billion on demolishing the Gabba and a nearby historic primary school to create an extra 14,000 seats for two weeks of the Olympics.

Apart from wasting money that could be better spent on hospital beds, the traffic chaos that would result from any Gabba rebuild for up to 2 million south-east Queensland commuters would make the Rozelle toll road interchange look like planning genius and destroy any chance of state Labor retaining government at the election due on October 26.

Western Australia and Queensland are two rich, resource-based, fast-growing states, and are critical to federal Labor's survival in majority government if Labor is to retain the four seats it gained in WA in 2022 and make some long-overdue federal gains in Queensland.

Labor won only five out of 30 Queensland seats in 2022, losing Griffith to the Greens and ceding the Coalition marginal seat of Brisbane by 11 votes, suffering the indignity of seeing Labor preferences elect the second of three new Green MPs in Brisbane.

In these two states, Albanese blew four years of political capital on the Indigenous

Hip pocket

Seats won by major political groups in 2022 by SES & income quartiles

	No. of seats	Avg of SES*	Lowest	Second	Third	Highest
Nats	10	90.0	28.8	28.0	24.6	17.2
Ind	4	94.3	28.0	27.5	25.5	19.4
Qld LNP	21	94.6	25.2	26.5	25.5	21.9
Lib	27	99.6	25.4	25.0	24.6	25.3
ALP	77	100.4	24.1	25.5	26.5	24.6
Greens	4	117.0	23.5	21.1	22.2	33.7
Teals	8	118.1	22.9	20.7	20.9	36.5
Total	151	100.0	24.8	25.4	25.5	24.6

* Socio economic status

SOURCE: AEC, ATO, ABS, ADS

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Voice to parliament referendum, when he could have achieved the same result by legislation, proving that during his 26 years as an MP, he's learnt very little about what Labor voters living outside his rich, inner-Sydney enclave of Grayndler, where his opponents are not the Coalition, but the Greens.

Albanese won a yes vote in Grayndler of 74.6 per cent with his appeals for Australians to back the Voice, but he won a yes vote of only 33.4 per cent in WA and Queensland. How could an Australian prime minister up to the job not see this coming?

Only 12 months ago, two-thirds of Australians were satisfied that Albanese was doing a good job. Labor's primary vote was nudging up towards 40, rising to the mid-50s after preferences, and the bookies were offering $4.50 for diehard Tories backing Opposition Leader Peter Dutton to become our next PM.

Now, after a year of Labor's leadership void and a massive referendum loss, less than four in 10 voters think Albanese is doing a good job. Labor's primary vote is trending down below 30 per cent (51 per

cent after preferences) and the bookies have dropped Dutton's payout figure to $2.10, with Labor on $1.75.

Labor's biggest asset remains Dutton, who proved during the referendum that he had a much better understanding of its suburban voters than Albanese. However, Dutton as opposition leader has shown absolutely no ability nor inclination to win back the votes of well-paid, professional women lost by the Liberals in 2022 to Labor, the teals and the Greens.

Labor won the top income earners in 2022, thanks to 2 million preferences from high-income Green and teal voters flowing to ALP candidates.

In 2022, 18 seats were lost by the Coalition, 10 were won by the ALP, six by the teals and two by the Greens. Every seat lost was in the medium to high-income range.

In 2022, the Coalition won a majority of the votes among lower to middle-income seats, thanks to 1.2 million preferences flowing from other minor parties, mainly the UAP and One Nation.

But this strategy didn't win the Coalition a single seat, as most of these low to middle-income seats were already safe LNP, National or ALP ones. A much softer target for Dutton and the Coalition are third-income quartile suburban voters and here his best political asset remains Labor's pugnacious Minister for Home Affairs Clare O'Neil, for her early decisions in office to boost migration by increasing the

permanent intake, holding on to the COVID-19 visa for too long, doubling the stays for international students and then allocating more public servants to process applications even faster.

The net result in the year to September was a tripling of our pre-COVID population growth, which has boosted house prices, inflation and hence interest rates and, finally, after signs of cresting, this is now starting to drive up unemployment. It's a lose-lose arrangement.

Given Australia's record low fertility rate, 80 per cent of this population surge is now coming from net overseas migration, which means the next generation of swinging voters will be dominated by "aspirational left" Asian migrants, currently voting left, but consuming right, by taking out private health insurance and sending their children to private schools.

It will be interesting to see how the aspirational left demographic votes in the 2024 byelection for Dunkley, which follows the sad death on December 4 of popular local Labor MP Peta Murphy.

Dunkley is demographically similar to the Melbourne seat of Aston, which was won by Labor's Mary Doyle in a byelection on April 1, 2023, with 53.6 per cent of the vote, just before one-third of Australian voters lost faith in Albanese's ability to do his job.

The byelection for Dunkley is expected in March and the 2022 Labor vote was 56.3 per cent after preferences. It will be Labor's first electoral test of the new year and a strong guide to which major party could win a majority of seats in the new parliament after the federal election, which is due in the first half of 2025.

If the government's luck holds and 2024 brings population growth, and a stabilisation in prices and interest rates, the odds favour another close win for Labor in 2025. But we live in an increasingly unstable world and a growing number of Australian voters are looking for genuine leadership in both our major parties and are finding them wanting.

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Three lessons from my 50 years of economic forecasting

Confession
My crystal ball has been cracked so many times by purportedly unprecedented developments that I have lost count.

Stephen Roach

I have been in the forecasting business for more than 50 years. Over that period, I have heard the constant refrain that the world is in the midst of "unprecedented changes".

This popular trope frequently resulted in equally hyperbolic corollaries: breathless claims that we have never faced greater risks or such an uncertain future, that forecasting has never been harder. Repeat it enough, and it starts to become believable. Confession: my crystal ball has been cracked so many times by purportedly unprecedented developments that I have lost count. The 1970s was a decade of extraordinary turmoil: the oil shock of 1973 was swiftly followed by the "Great Inflation" and a period of stagflation, setting the stage for the first seemingly unprecedented phase of the post-World War II era.

The subsequent disinflation of the '80s allowed the horror movie of the '70s to run in reverse well into the '90s, which came to an end with the Asian financial crisis, ushering in what was initially billed as the first crisis of globalisation.

But today, we look back on these episodes as mere tremors preceding the seismic shocks to come. The information-technology revolution and the dot-com bubble of the late '90s and early 2000s hinted at the profusion of asset bubbles that afflicted global property markets and many financial instruments, from sub-prime mortgages to broader credit flows and equities.

When the music stopped, the resulting cross-border and cross-instrument contagion fuelled the global financial crisis

of 2008-09 – another extraordinary upheaval for what had become, at that point, a crisis-battered world.

Just when everyone thought global conditions couldn't get much worse, a once-in-a-century pandemic and extreme weather events fuelled by climate change turned conventional thinking on its head, as did the rising tide of protectionism, trade and tech wars, and a potential superpower collision between the United States and China.

Add to that the outbreak of war in Eastern Europe and the Middle East, and the unprecedented has become the new norm. Books on the "permacrisis" and the "polycrisis" now make the bestseller list.

The cynic in me says: "Been there, done that." But just because I have plied my trade as a forecaster during a half-century of turmoil doesn't mean I have a unique understanding of what comes next.

Bearing in mind Mark Twain's observation that history often rhymes, I offer three key lessons from my experience in attempting to make sense of what may lurk in the uncertain future.

First, learn to expect the unexpected. The human species is inherently autoregressive, always looking to the recent past as the best predictor of the future. Policymakers are especially prone to this myopic approach – repairing flaws in systems that led to the last crisis but never considering what could spark the next one.

For example, in the late '90s, Asian economies built up large reservoirs of foreign exchange reserves – a move that

would have helped prevent the next Asian financial crisis but did nothing to stop the one that actually occurred, which arose from the bursting of an equity bubble.

Second, there is an unmistakable continuum from one so-called unprecedented era to another. One crisis tends to beget the next. Led by the great Paul Volcker, the US Federal Reserve took tough measures to arrest the Great Inflation (as did other central banks). But despite winning the war, policymakers squandered the peace – taking interest rates far too low to preserve financial stability.

Similarly, as global capital markets seized up during the Asian financial crisis, central banks discovered the miracle drug of near-zero policy interest rates. That, in turn, set the stage for the profusion of asset bubbles to come – not just equities, but also bonds and credit – that culminated in the global financial crisis a decade later.

Third, crises and the "extraordinary" developments they spawn are now the rule, not the exception. In recent decades, there has been an average of one catastrophe every three or four years.

The Latin American debt crisis in 1982 was followed by the 1987 stockmarket crash and the 1986-95 savings and loan crisis in the US; implosions in Japan (1990), Mexico (1995), and Asia (1997); the near-collapse of the hedge fund Long-Term Capital Management (1998); the collapse of the dot-com bubble (2000); Enron's accounting scandal (2001); the sub-prime mortgage disaster (2007); the eurozone's sovereign-

debt crisis (2010), the "taper tantrum" spurred by fear of policy normalisation by the Fed (2013); a Chinese stock-market crash (2015), a US-China trade war (2018), COVID-19 (2020), and deglobalisation (2023).

It is against this background that forecasters face the seemingly impossible task of predicting the future. Of course, public policymakers face an equally profound challenge: while another crisis is coming, probably sooner rather than later, aligning forward-looking policy with the pitfalls of a highly uncertain future is the functional equivalent of balancing a heavy weight on the head of a pin.

But that hardly justifies self-serving excuses for policy mistakes, or portraying asset-market mispricing and economic dislocations as unavoidable accidents arising from so-called unprecedented circumstances. I have run out of patience with policymakers, corporate decision-makers, and investors who collectively throw up their hands and say: "Don't blame me."

This is largely a cop-out. Shocks are here to stay, and our task is not to predict the next one but to sharpen our focus on resilience.

Staying the course of politically mandated policies while minimising the inevitable dislocations is easier said than done. But that is no excuse to fall for the myth of being victimised by the unprecedented.

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