August saw the Australian dollar retreat to around US 64c following the announcement of a record current account deficit in the June quarter of 6.7 per cent of gross domestic product (this is higher as a percentage of GDP than in the US).

Consumer confidence fell slightly to 122.4 and in the first poll taken since Pauline Hanson’s jail sentence, primary support for the L-NP was down 6.5 per cent to 40.5 per cent with ALP support up two per cent to 38.5 per cent, putting the ALP ahead on a two party preferred basis (ALP 52 per cent versus L-NP 48 per cent).

The electorate and the economy

This record current account deficit has been described as a one-off and has been attributed to the higher Australian dollar (it went to over 68 US cents in the period), SARS, the drought, the war in Iraq and international terrorism.

Whether Australians view these figures as one-offs, or whether they view Australia’s future prospects with concern won’t be known for some months. At 122.4, consumer confidence is down 0.8 points on July, but is 15.9 points higher than the August average (over 18 years the average is 106.5) and 2.2 points higher than the 2003 average.

In August, expectations of good times for the short-term future of the Australian economy were down two per cent to 42 per cent. Twenty two per cent of Australians expected bad economic times over the coming year.

Longer-term economic predictions were also down, with 33 per cent (down five per cent) expecting Australia to have good times financially over the next five years and 18 per cent (up two per cent) expecting difficult times financially over the same period.

Having steadily declined over the last three months, Australians’ analysis of their personal financial situation was up in August. Thirty two percent (up two per cent) rate their personal financial situation as better now than it was this time last year, with 28 per cent (down five per cent) saying they are now worse off than before.

Forty two percent (up two per cent) expected to be better off financially this time next year while 16 per cent (up one per cent) expected to be worse off.

The perception that now is a good time to buy major household items such as electrical appliances or furniture was unchanged in August, with 59 per cent of Australians saying now is a good time to buy (five per cent more than in August 2002). The proportion saying now is a bad time to buy major household items was up one per cent from July at 12 per cent.

Consumer confidence going forward will depend on whether interest rates go up, whether the Australian dollar drops further, whether inbound tourism picks up, and importantly whether unemployment increases. In the US, the University of Michigan’s August consumer sentiment index was down to 89.3 (1.6 less than in July).

Consumer confidence is typically correlated with support for the political party in government (consumer confidence below 100 typically presages a change of government). However the last few years, since the Tampa asylum seeker incident in August 2001 and the World Trade Centre terrorist attack, have been anything but typical. The electorate’s support for the Howard Government has been driven less by confidence in the economy and the L-NP’s economic management, than by the delicate balance between international fear and domestic concerns.

The electorate and the political scene

In the first poll after One Nation founder Pauline Hanson was sentenced to three years in jail for electoral fraud,
primary support for the L-NP fell six per cent to 40.5 per cent while support for the ALP rose two per cent to 38.5 per cent. On a two-party preferred basis, L-NP support was down 3.5 per cent to 48 per cent while ALP support was up 3.5 per cent to 52 per cent. If a federal election had been held in late August, the ALP would have won a close race, according to the latest Morgan Poll.

Support for the minor parties was up, with support for the Greens at 8.5 per cent (up half a percentage point), Australian Democrats 4.5 per cent (up 0.5 per cent), One Nation two per cent (up 1.5 per cent) and other parties and independent candidates six per cent (up 1.5 per cent).

The Morgan Poll over the last month has shown L-NP continuing to gain support as international and security issues take precedence, and losing support when the agenda reverts to Australia and the domestic scene.

In the early part of August, despite the questions surrounding John Howard’s dealings on ethanol and questions surrounding intelligence on weapons of mass destruction, L-NP support increased 0.5 per cent and a further one per cent in the following week.

When the focus shifted back to the domestic scene with the future over Pauline Hanson’s three year jail sentence and questions over Wilson Tuckey’s behaviour in relation to his son’s traffic offence, the L-NP vote dropped 3.5 per cent to 48 per cent on a two-party preferred basis.

The Pauline Hanson One Nation affair represents a spanner in the works for the Government’s political agenda management. It abruptly switched that agenda from the war in Iraq, terrorism in Indonesia and the problems in the Solomon Islands and brought Australians’ focus back onto domestic issues.

A special Roy Morgan telephone poll showed how people felt about Pauline Hanson. While 55 per cent believed her to be guilty, only 13 per cent believed she should have gone to jail, and even fewer (five per cent) felt that the three year sentence was appropriate. But despite this belief, the Morgan Poll has not shown a major swing in voting intention for One Nation.

Federally, One Nation’s support is at two per cent, which is higher than has been recorded in the last few months, but is still less than half the vote One Nation attracted at the last federal election. At state level, the One Nation vote in Queensland in the week after Hanson’s imprisonment was four per cent. This represents an increase from the low levels it had fallen to previously, but is still less than half what the party achieved in the last Queensland state election.

It is as yet too early to tell whether the Pauline Hanson One Nation issue will have an impact at the polls, whether in Queensland or in the other One Nation heartland, Western Australia, or at federal level. However, if a week is a long time in politics, both the Federal Government and the Queensland State Government have plenty of time for the electorate to settle on its final view.

There are new angles emerging every day which the electorate will consider, digest, and take into account in some way in their final vote. For instance, Tony Abbott’s involvement may become more of an issue. A Roy Morgan telephone poll showed most Australians (63 per cent) disapproved of Abbott’s involvement in setting up a trust, and 47 per cent believed he should resign. Forty five per cent believed Howard should dismiss Abbott from his ministerial position.

States are steady

Despite interesting political and economic times currently being experienced at federal level, at state level the ALP continues to enjoy majority electoral support in every state. In NSW, ALP support on a two-party preferred vote is 61.5 (ap one per cent since July) to the L-NP’s 38.5. In Victoria ALP support is unchanged at 57 per cent against L-NP’s 43 per cent while in Queensland support for ALP has fallen 2.5 per cent since June to 60.5 per cent.

In South Australia ALP support is unchanged at 60 per cent, in Western Australia it is up 0.5 per cent to 52.5 per cent and in Tasmania ALP support is down two per cent to 50 per cent. L-NP support is at 25.5 per cent with others at 24.5 per cent.

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**Federal voting intention summary (%)**

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<thead>
<tr>
<th>Primary vote</th>
<th>L-NP</th>
<th>ALP</th>
<th>Aust. Dem#</th>
<th>The Greens</th>
<th>One Nation#</th>
<th>Ind/ Others</th>
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<tr>
<td>Election March 2, 1996</td>
<td>47.3 (8.6)</td>
<td>38.8</td>
<td>6.8</td>
<td>1.7</td>
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<td>2.1</td>
<td>8.5</td>
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<tr>
<td>Election November 10, 2001</td>
<td>43 (5.6)</td>
<td>37.8</td>
<td>5.4</td>
<td>4.4</td>
<td>4.3</td>
<td>5.1</td>
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**Morgan Poll 2003**

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<tr>
<th>Poll Date</th>
<th>L-NP</th>
<th>ALP</th>
<th>The Greens</th>
<th>One Nation#</th>
<th>Ind/ Others</th>
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<tr>
<td>July 5/6 &amp; July 12/13</td>
<td>44.5 (3.5)</td>
<td>37.5</td>
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<td>0.5</td>
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<td>July 19/20 &amp; July 26/27</td>
<td>43.5 (3)</td>
<td>38.5</td>
<td>2.5</td>
<td>9</td>
<td>1</td>
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<tr>
<td>August 9/10</td>
<td>44 (3.5)</td>
<td>39</td>
<td>4</td>
<td>7</td>
<td>1</td>
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<tr>
<td>August 16/17</td>
<td>46.5 (2.5)</td>
<td>36.5</td>
<td>4</td>
<td>8</td>
<td>0.5</td>
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<tr>
<td>August 23/24</td>
<td>40.5 (1.5)</td>
<td>38.5</td>
<td>4.5</td>
<td>8.5</td>
<td>2</td>
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National Party results are in brackets

# Sample sizes under 50 should be treated with caution

1Federal election results have been updated to include results from the electorate of Newcastle supplementary election. The L-NP did not have a candidate contesting the electorate of Newcastle.