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‘Messy’ election will weigh on economy

The weekend’s federal election results pose difficulties for the finance industry, with AMP warning of “greater policy uncertainty” under the next government.

In a note to investors, AMP Capital’s head of investment strategy and chief economist Shane Oliver said a downgrade in Australia’s sovereign credit rating was “now a serious risk”.

Mr Oliver added that the “ultra close” result presented difficulties for economic reform policy, which could slow growth even further.

“The widening left/right divide in Australian politics suggests greater policy uncertainty and dwindling prospects for productivity enhancing economic reform,” he said.

Financial services provider IOOF also noted the election result’s problematic nature, saying the outcome “typifies” the Australian finance industry’s “desire for clarity and certainty”.

“The reality is that this may be unattainable regardless of which party eventually forms government,” IOOF said in a statement.

Superannuation policy is of particular concern, according to IOOF’s senior technical services manager Martin Breckon.

“Although central to the core purpose of superannuation, we still have not yet addressed major societal issues such as women’s economic security and older Australians’ workforce participation,” Mr Breckon said.

While the budget did specify changes to superannuation tax rates, Mr Breckon noted that finer details were missing and that some key areas were as yet unclear.

“It is critical that whichever party forms government in the following weeks consults widely and constructively with the industry to ensure clarity of purpose is achieved, as superannuation funds and financial advisers have serious obligations to fulfil to their members and clients,” he said.