

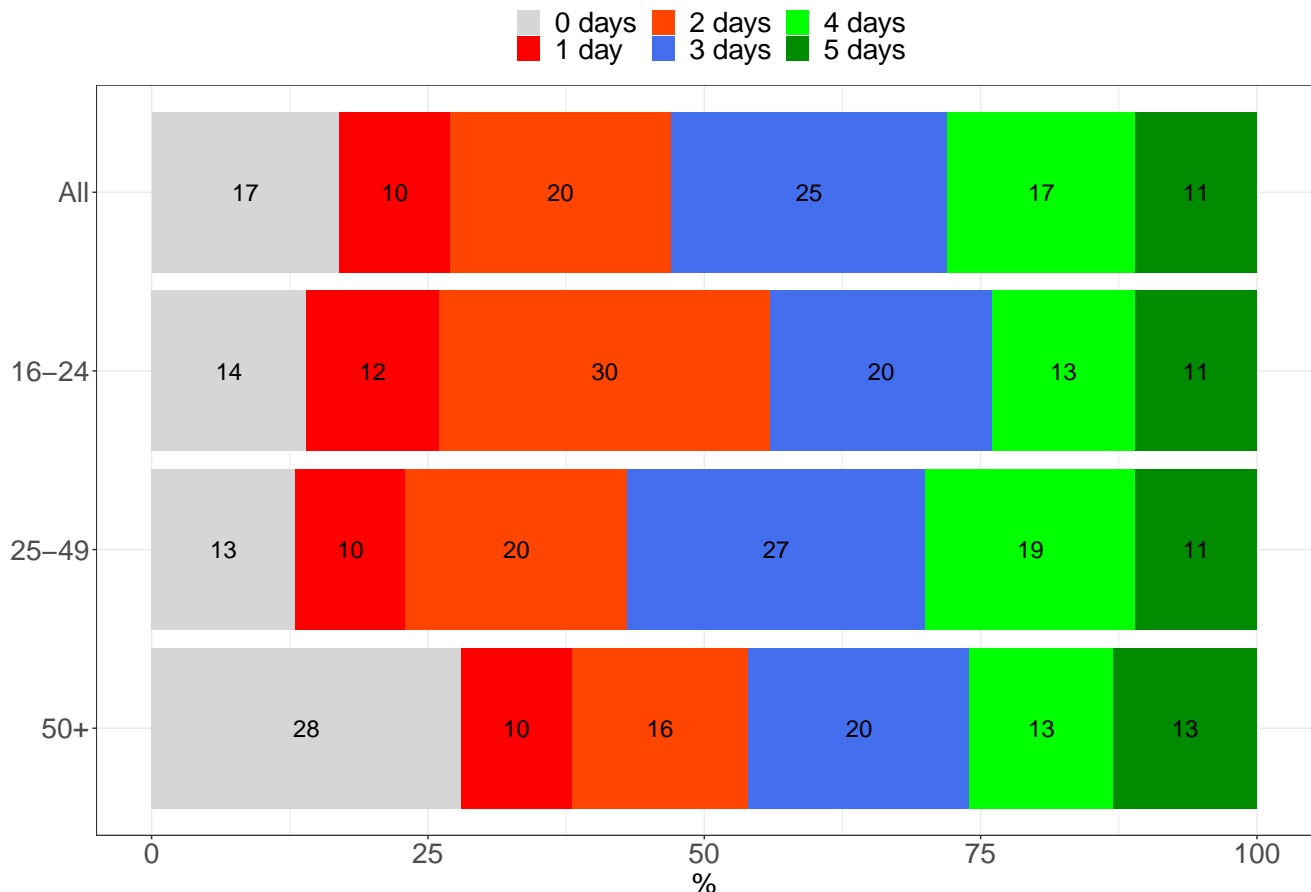
WEEKLY POLITICAL COMPASS

Discussions continue about **Ukraine's** path towards EU candidate status. A new Covid outbreak in Beijing is being closely monitored by **Chinese** authorities. **France's** president might not win a comfortable majority for his alliance of parties in the legislative elections. Calls for the resignation of **South Africa's** president are premature. Meanwhile, the Bank of **Japan** is unlikely to change course, **Russia's** president will comment on the economic challenges facing his country, legislation regarding fuel prices will be voted on in **Brazil**, and an LNG project in **Tanzania** highlights the president's reform efforts.

CHART OF THE WEEK

Hybrid working is widely popular in London across age groups

How many days would you spend working from home if you had a choice?



Source: King's College London. 2,015 London workers aged 16+. Fieldwork: 25 March–13 April 2022

The latest mobility data shows that **travel to the workplace** has not returned to pre-pandemic levels in many countries. This is particularly the case in the US and the UK, where commuter numbers are around 25% below the levels of February 2020. Even though restrictions have been lifted in most countries, hybrid working has become a commonplace in many city-based companies. A recent survey among London workers shows that this is widely popular among employees – 54% of all

London workers would work from home three days a week or more if they had a free choice. Meanwhile, 30% prefer only one to two days working from home, and 17% would not work from home at all. Some differences emerge when breaking these numbers down by age: the percentage of London workers above 50 who would not work from home at all is twice as high (28%) as among younger cohorts (14%). The cost and time of the commute are the two main reasons why some people dislike working from their London workplaces.

WHAT TO WATCH

Ukraine

The European Commission this week is set to issue a positive assessment of Ukraine's application to join the EU. However, ahead of the 23-24 June European Council meeting, discussions continue among member states on whether to grant Ukraine formal EU candidate status. While this would be a politically important and symbolic decision incentivizing Ukraine's European perspective, the accession process would be protracted and take years. Also, the decision could trigger a negative response from Russia, which has recently reversed its position on the topic and now opposes Ukraine's EU membership bid.

China

Beijing's most populous urban district ordered three rounds of mass Covid-19 testing after an outbreak that began in the city's bar district on 9 June. City health authorities warned that cases could rise in the coming days.

France

The coalition of parties supporting President Emmanuel Macron (Together) and the left-wing New Ecologic and Social People's Union (NUPES) led by radical-left politician Jean-Luc Melenchon both obtained around 26% of the vote in the first round of the legislative election on 12 June. While NUPES is highly unlikely to get enough MPs to force Macron into a cohabitation, it is not a given that the president will obtain a comfortable majority after the second round on 19 June. A small majority for Macron would increase the uncertainty surrounding the approval of legislation and heighten the risk of gridlock.

South Africa

The surrounding President Cyril Ramaphosa's failure to disclose a 2022 theft at his Limpopo game farm will continue to rage this week. The president's opponents, particularly within his own party, will try to maximize the political mileage to be gained from the scandal ahead of the ruling party's elective congress in December. Calls for Ramaphosa to resign under the ANC's 'step aside' rule are premature since he has not been charged with any crime. Any official investigation is unlikely to be concluded before the end of 2022. While presenting less of an immediate legal problem, the reputational and credibility stain could cut deep for a president battling to arrest the ANC's electoral decline.

ON THE HORIZON

ASIA PACIFIC

Japan

The Bank of Japan will be under more pressure than ever to moderate its long-term ultra-loose policy stance when the monetary policy committee meets on 16-17 June. The yen has corkscrewed to a 24-year low of 135 against the US dollar, but with Governor Haruhiko Kuroda having doubled down recently, anything more than slight widening of target interest rate bands would be a surprise.

EUROPE

Russia

The St Petersburg International Economic Forum (SPIEF) will take place on 15-18 June. President Vladimir Putin's address, scheduled for 17 June, will provide insight into Russia's economic challenges and priorities amid the continuing war in Ukraine and mounting international sanctions. Putin is also set to meet with Russian media representatives but – unlike in previous years – will not hold a separate meeting with international investors on the sidelines of the event. Some foreign heads of state are expected to attend the event, including President of Kazakhstan Kassym Jomart Tokayev.

LATIN AMERICA

Brazil

The senate will vote this week on legislation aimed at lowering the price of fuel. Draft bill PLP18 will take priority. It aims to establish a ceiling for the rate of the state VAT tax, ICMS, around 17-18% for fuel, energy, communications, and transportation and to compensate with federal funds states that are willing to zero the ICMS on diesel and gas; federal taxes would also be zeroed by the government on gasoline and ethanol. The full national congress should also override two presidential vetoes against federal assistance to the artistic and cultural communities.

MIDDLE EAST AND AFRICA

Tanzania

On 11 June, the government signed a preliminary agreement with Equinor and Shell for a USD 30bn LNG project. After years of delays under late president John Magufuli, the initial agreement is a sign of President Samia Suluhu's reform efforts. The project is touted to be a game changer for Tanzania's economy. Nevertheless, a detailed Host Government Agreement is only expected towards the end of 2022 and a final investment decision by 2025. The completion of an LNG facility at the southern town of Lindi and the start of operations are slated for 2029-2030.

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