

WEEKLY POLITICAL COMPASS

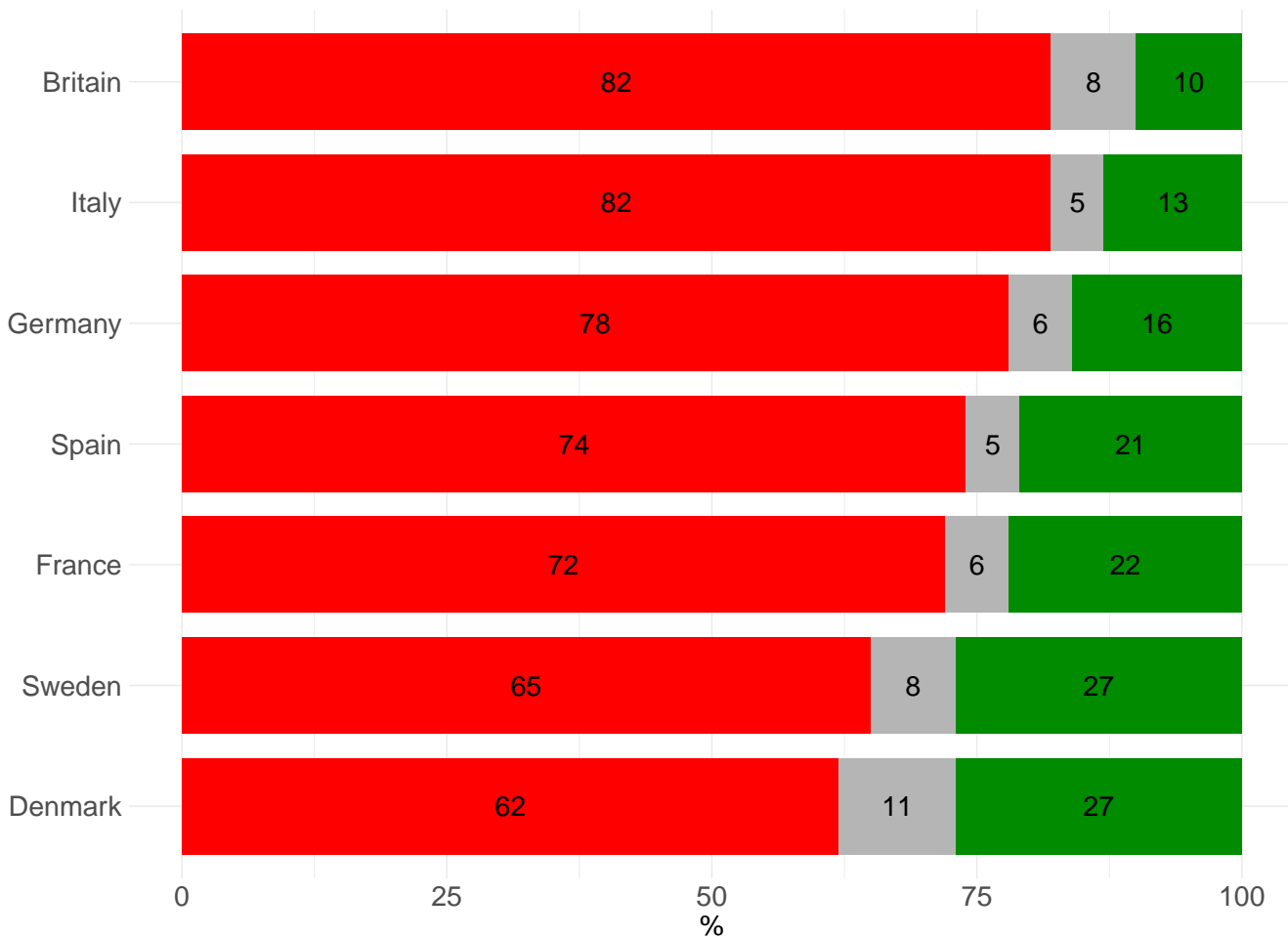
China's president has opened the Communist Party congress. The new chancellor has reversed the **UK** government's mini budget. Poll numbers are not expected to move significantly in **Brazil**. **Russian** strikes on **Ukrainian** infrastructure continue. Meanwhile, consumer price data will be published in **Japan**, government formation talks will begin in **Italy**, **Chile** will see the three-year anniversary of major social unrest, and pressure is mounting to resolve a strike in **South Africa**.

CHART OF THE WEEK

Dissatisfaction with governments is growing across western Europe

How well or badly would you say the government is doing at managing the cost of living? (%)

■ Badly ■ Don't know ■ Well



Source: YouGov. Between 1,000 and 2,000 respondents in each country. Fieldwork: 6th–28th September 2022
 The cost-of-living crisis is leading to **widespread dissatisfaction with governments** across Western Europe. A majority of the population in the seven surveyed countries thinks that their government is doing a bad job at tackling the crisis. This

is particularly the case across the five largest European economies – Britain, Germany, France, Italy, and Spain. Although governments are responding to the worsening of the economic climate in different ways, these are insufficient in the eyes of many citizens. At the same time, domestic politics remain in flux in countries such as the UK, Italy, and France, which complicates the policy response. In the UK, the sacking of chancellor Kwasi Kwarteng and the reversal of most of the previously announced tax cuts might appease markets in the short run, but political uncertainty is likely to prevail.

WHAT TO WATCH

China

President Xi Jinping opened the 20th Party Congress on 16 November with a speech signaling that the next five years will feature a high degree of policy continuity with Xi's first ten years as top leader. The speech emphasized [self-reliance](#) in science and technology and the need to strike a balance between economic development and national security. On [zero-Covid](#), Xi's language was vague, leaving open the possibility of a policy shift early next year without committing to it.

UK

Newly appointed Chancellor Jeremy Hunt has reversed almost the entire “mini budget”. Much of the detail is still missing, especially on the new design of the energy support package. However, it is obvious that Hunt's announcement this morning has put an end to PM Liz Truss's new economic agenda before it even started. While this may stabilize the UK's position in the markets, political volatility continues to loom large. The better the markets respond to Hunt's policy reversal, the worse this reflects on the PM who, at the same time, cannot go back to her initial agenda.

Brazil

Poll numbers should not change much following the first runoff televised presidential debate on 16 October. The debate had two of three blocks where candidates posed questions to each other. Lula seemed to control the discussion when the theme was the pandemic and Bolsonaro when the theme was corruption. Former CarWash judge and dissenting Bolsonaro justice minister Sergio Moro was in the studio and was seen advising his former boss. Polls have remained significantly stable in relation to the results at the ballot on 2 October, with Bolsonaro trailing Lula by 5-7 percentage points in total votes. Lula has improved his voter preference in the Northeast where he already led by close to 40 percentage points, which tracks broadly with a 4-point improvement in the up-to-one-minimum-wage segment of the electorate. Bolsonaro has improved significantly in the electorate that earns more than ten minimum wages. Lula now wins only in the Northeast region. Bolsonaro's rejection remains at 51% while Lula's has increased from 39 to 48% in the last month.

EU/Ukraine

The EU Foreign Affairs Council on 17 October is set to approve EUR 500mn in military aid for Ukraine and greenlight the EU training mission for at least 15,000 of Ukrainian soldiers. Amid continuing Russian strikes on Ukraine's critical infrastructure and civilian targets, the bloc's foreign ministers are also expected to start discussing the ninth round of sanctions on Russia, although no quick progress is expected.

ON THE HORIZON

ASIA PACIFIC

Indonesia

Anies Baswedan's term as Jakarta governor ended today, 17 October. He intends to run for the presidency, but as an independent needs the support of parties that have at least 20% of the seats in parliament. This coalition-building process and the selection of a vice-presidential running mate will be his focus over the next few weeks, before he formally throws his hat into the ring. He polls among the top three candidates, together with central Java governor Ganjar Pranowo and defense

minister Prabowo Subianto, and for now is a serious contender. The main concern will be his tendency to sometimes cater to sectarian sentiments.

Japan

September's monthly consumer price data will be released on 21 October. Volatile international energy and food prices, exacerbated by an ever-weaker yen, have been the main drivers of rising inflation in recent months via the imports channel, but scheduled domestic price rises in October are set to add a stronger domestic element to inflation in the fall.

EUROPE

Italy

Consultation talks aimed at forming a new government will start this week, most likely on 20 October. President Sergio Mattarella is expected to give Giorgia Meloni – the leader of Brothers of Italy (Fdi) – the mandate to form Italy's 68th government. Despite some squabbles within the three-way rightist alliance led by Fdi, Meloni is set to secure the required backing from her prickly allies to become Italy's first female prime minister. The cabinet line-up will likely be unveiled next week.

Slovenia

None of the seven presidential candidates is expected to win an outright majority of votes to secure a victory in the first round of presidential elections scheduled for 23 October. Three candidates have realistic chances of reaching the second round: (1) former foreign minister Anze Logar supported by the right-wing opposition Slovenian People's Party; (2) independent Nataša Pirc Musar and; (3) Milan Brglez supported by the ruling Social Democrats and the Freedom Movement. Opinion polls suggest that Logar and Pirc Musar are the favorites, although Brglez has been closing the gap in recent weeks. While the president's role in Slovenia is largely ceremonial, the election result will reflect voter support for liberal pro-EU political forces in relation to populist Eurosceptic parties in the country.

LATIN AMERICA

Chile

Tomorrow, 18 October, is the three-year anniversary of the major social unrest that eventually led to a cross-party political agreement to write a new constitution (a process that remains incomplete). Based on the latest Cadem weekly tracking poll, public opinion is looking strikingly downbeat about the direction the country has taken over the last three years; 53% believe that protests could return. Police are certainly on high alert ahead of tomorrow's anniversary. The Cadem poll also shows that Chileans are increasingly revising their view of the 2019 protests. A majority of the public now see the action of security forces as proportional when at the time it was widely seen as excessive. Meanwhile, President Gabriel Boric's popularity has sunk to its lowest ever level (27% approval versus 65% disapproval) – considerably lower than the historic norm for this early stage of a president's term. However, there is still clear majority support (68%) for a new constitution.

MIDDLE EAST AND AFRICA

South Africa

Pressure is mounting to resolve a crippling strike at logistics parastatal Transnet. Talks between Transnet and labor are ongoing. However, for now, the unions are holding out for inflation-based wage increases, signaling more pain for exporters, particularly minerals producers and agricultural produce. Meanwhile, the government also faces growing pressure to avoid South Africa being greylisted by the Financial Action Task Force. Over the weekend, Finance Minister

Enoch Godongwana claimed there was still a “good chance” of averting this outcome, after Business Leadership South Africa released an independent report assigning an 85% likelihood of the country getting greylisted in February 2023.

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