

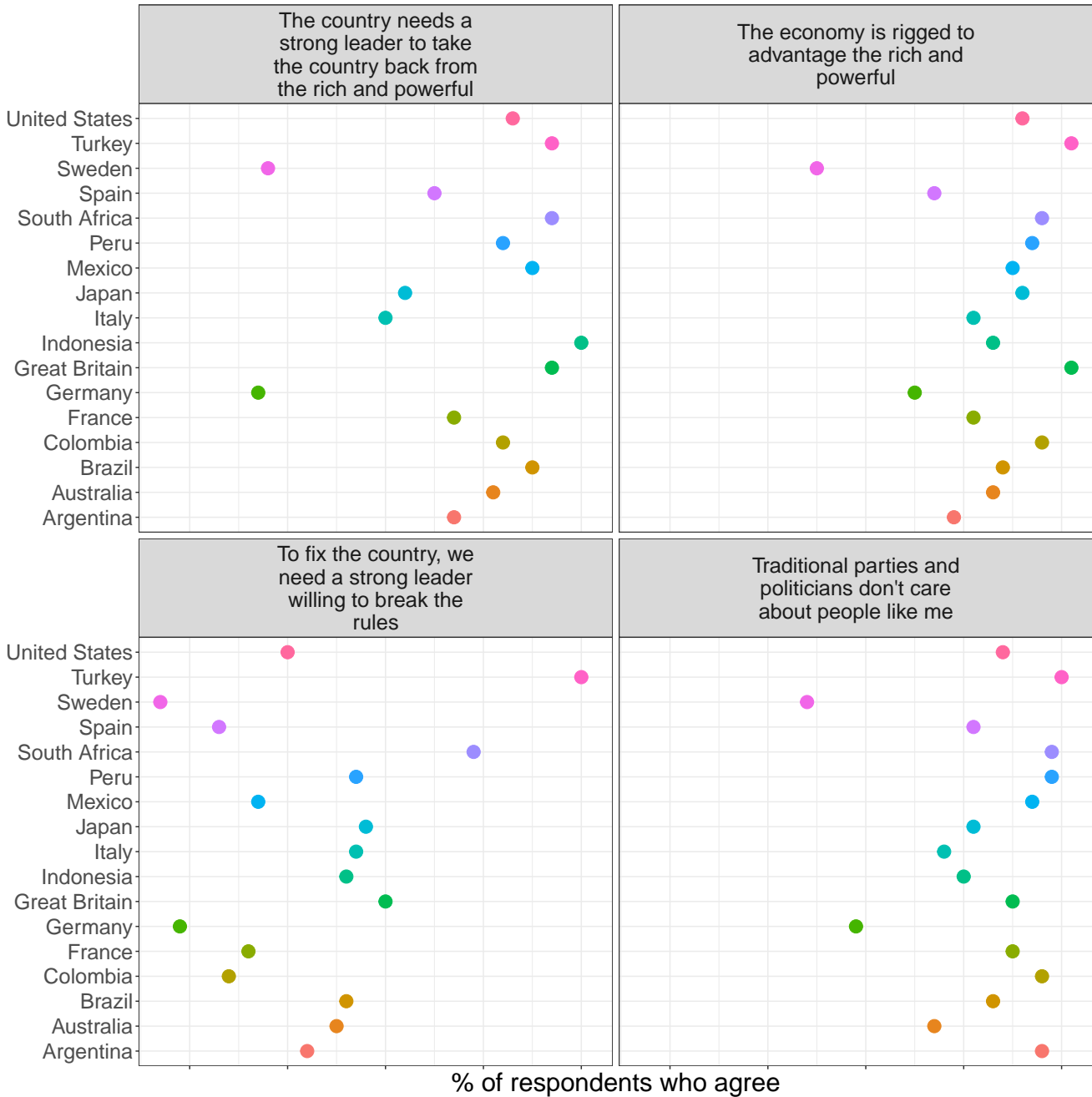
WEEKLY POLITICAL COMPASS

Covid-19 is sweeping through **China**. **South Africa's** parliament will debate the Phala Phala report. **Peru's** newly installed president is aiming at bringing forward elections. Corruption allegations have rocked the **European** Parliament. Meanwhile, **Japan** may decide how to pay for greater defense spending, a no-confidence vote will be held in **Slovakia**, a constitutional amendment on social expenditure will be voted in **Brazil**, and the IMF will conclude its latest visit to **Ghana**.

CHART OF THE WEEK

Anti-establishment views are widespread across the world

% of people who agree with the following statements



Source: Ipsos. Survey conducted September 23 and November 4

Recent survey data suggests that **anti-establishment political attitudes** remain widespread across the globe. A majority of the population in most countries believes that “the economy is rigged to the advantage of the rich and the powerful”. Although this sentiment appears greater in emerging markets such as Turkey, South Africa, and Colombia, it is also prevalent in Great Britain, the US, and Italy. Similarly, the public perception of political elites is very negative across all surveyed countries, with the exception of Sweden. Meanwhile, in Turkey and South Africa citizens are much more favorable to strong leaders that “fix” the country but “break” the rules; in Sweden, Spain, and Germany, citizens appear more skeptical of authoritarian leaders. Overall, these figures suggest that the breeding ground for anti-establishment political narratives remains fertile in many countries.

WHAT TO WATCH

China

Covid-19 is sweeping through China, and many infected workers are quarantining at home, forcing businesses to close or allow remote work. Testing requirements have largely been phased out, so the official numbers of daily new infections may no longer reflect the true situation, but anecdotal evidence suggests widespread inflections.

South Africa

All eyes will be on parliamentary and party politics this week. The parliamentary debate on the Phala Phala report will take place on Tuesday, 13 December. The ANC National Executive Committee (NEC) has instructed the party's parliamentary caucus, which holds 230 out of 400 seats, to vote against the report. A few rebel ANC MPs (mostly presidential aspirants) might endorse the report, though likely not enough to trigger the next stage of the impeachment process (a more detailed investigation). The wrangling over the parliamentary process is particularly critical just days ahead of the ANC's 55th national conference, which kicks off on Friday, 16 December. President Cyril Ramaphosa can still win re-election, though the Phala Phala scandal fuels higher-than-anticipated uncertainty, backroom wheeler-dealing and possible unexpected wrinkles.

Peru

Newly installed President Dina Boluarte will be hoping that her plan – announced earlier today, 12 December – to bring forward elections by two years will ease political tensions. When she was sworn in on 7 December, Boluarte had said she planned to serve out the ousted Pedro Castillo's term in office to 2026. She now intends to submit a bill to Congress to bring forward elections to April 2024. Getting congressional support for early elections could be difficult. Boluarte's offer may end up alienating Congress, while failing to satisfy protestors who are sympathetic to Castillo; protests have been most serious in Ica, Arequipa, and Apurimac. The mostly underwhelming reaction to Boluarte's cabinet, which she unveiled over the weekend, is another sign that turning the page on the crisis-filled Castillo era will be far from straightforward.

EU

Corruption allegations against a member of the European Parliament member have raised concerns over the rule of law in the EU's emerging legal order. While investigations by Belgian authorities will likely take time, the scandal has further strained the already tense relationship between Brussels and Hungary. In the ongoing standoff over corruption and the rule of law in Hungary, the European Parliament has so far called on the Commission to take a much stricter line vis-à-vis Hungary.

ON THE HORIZON

ASIA PACIFIC

Japan

With the government resolved to increase defense spending by about JPY 4tn (USD 29bn) by 2027, a decision in the debate over how to pay for it may come by 15 December. Prime Minister Fumio Kishida wants to cover the costs through a roughly equal combination of spending reforms, other budget surpluses, sales of government assets, and hikes in areas like corporate tax and tobacco duty. However, the powerful right wing of the ruling LDP opposes tax hikes and in favor of additional government borrowing. The outcome of the debate will also be an indicator of Kishida's current level of influence within his party.

EUROPE

Latvia

A new coalition government led by incumbent Prime Minister Krisjanis Karins (New Unity, JV) is expected to take office on Wednesday, 14 December, following a vote of confidence in parliament. As anticipated, the new coalition government will consist of the prime minister's JV party, the alliance of regional parties United List (AS), and the right-wing National Alliance (NA). The three parties together hold 54 out of 100 seats in parliament. Karins' second consecutive term in office brings continuity in most policy areas, including fiscal conservatism, Western-oriented foreign policy, and de-Russification efforts at home.

Slovakia

Eduard Heger's (Ordinary People and Independent Personalities, OLaNO) government faces a vote of no-confidence on Tuesday, 13 December. The motion was initiated by the opposition center-right Freedom and Solidarity (SaS) party and supported by the center-left Voice-Social Democracy (Hlas), based on accusations of incompetence. The future of Heger's cabinet hangs in the balance, as the vote is expected to be very close. If Heger loses the vote, President Zuzana Caputova (independent) intends to facilitate negotiations among parliamentary parties to form a new majority government. If this fails, she intends to appoint a technocratic cabinet. Early parliamentary elections – which could bring into power more pro-Russian center-left parties – are unlikely but cannot be ruled out.

Turkey

The government will announce a significant hike to the minimum wage before year-end. The current monthly minimum wage (net) is TL 5,500 (USD 295) and is likely to be raised to around TL 9,000-10,000 (USD 482-536). The minimum wage constitutes the salary for around 50% of Turkey's 17mn wage earners from the private sector.

LATIN AMERICA

Brazil

The constitutional amendment (PEC) on a waiver outside the official spending cap for social expenditures should be voted this coming Wednesday, 14 December. A smaller value for the waiver was approved in the Senate last week and now faces the House where a consensus is more difficult. The PEC cleared the Senate with a smaller value (BRL 168bn vs. BRL 198bn - or USD 32bn vs. USD 38bn) and a shorter duration (2 vs. 4 years) than proposed by the transition government. Further reductions may occur at the lower chamber. The value agreed at the Senate is sufficient to cover the new *Bolsa Familia* and other social programs and would free some BRL 75bn (USD 14bn) within the current proposed 2023 budget, which is expected to be allocated primarily for health and education. If the PEC is voted this week, there is a good chance that the budget law will be voted next week, before the year-end recess. On another front, president-elect Lula may appoint three women for the ministries of social development, health, and culture this week, following his choice of former presidential contender Fernando Haddad from the Workers' Party (PT) for Finance Minister last week.

MIDDLE EAST AND AFRICA

Ghana

The International Monetary Fund (IMF) will conclude its latest visit to Accra, tomorrow, 13 December. If Fund officials and the government are unable to reach a staff-level agreement for a bailout at the conclusion of this mission – the last for the year – then a decision will be pushed into 2022. The prospects of a deal being agreed this year greatly improved last

Macro Research
+44 20 7186 8894
Macro@teneo.com

© 2022 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo.