

WEEKLY POLITICAL COMPASS

Welcome to this edition of the Weekly Political Compass from Teneo's political risk advisory team!

This week, we are taking a closer look at **Mexico**. Meanwhile, the fortunes of **Japan's** prime minister are ticking up again, elections will be held in **Estonia**, fuel tax rates are creating debate in **Brazil**, and the wait continues for **Nigeria's** election results. Our graph of the week zooms in on **housing costs** in major European cities.

Should you have questions or wish to discuss any of these stories in greater detail, please do not hesitate to reach out to us!

GLOBAL SNAPSHOT

President Andres Manuel Lopez Obrador (AMLO)'s controversial electoral reform has been passed by Congress in **Mexico**. Our Latin America expert answers three key questions.

How strong is opposition to the reform?

The reform will face a mass of injunctions and court challenges that the Supreme Court (SCJN) will ultimately have to settle. Major rallies staged yesterday, 26 February, mobilized large numbers of people who oppose the reform as politically regressive.

What does AMLO want to achieve?

AMLO frames the reform passed by the senate last week – a diluted but still controversial version of his original proposal presented last year – as a cost-cutting measure. However, the initiative is really designed to weaken the National Electoral Institute (INE) in order to smooth the path to victory for AMLO's chosen successor in 2024, obtain congressional majorities for his National Regeneration Movement (Morena), and secure long-term hegemony for the party.

What are the next signposts to watch?

AMLO is planning a counter-rally on 18 March. The parallel process to select four (out of 11) new INE board members whose terms expire in April will mean that political tensions around the workings of the electoral system will continue.

WHAT TO WATCH

ASIA PACIFIC

China

Boutique investment bank China Renaissance Holdings said on 26 February that its chairman, Bao Fan, is assisting authorities with an investigation. This marks the first official statement on Bao's whereabouts since he disappeared ten days ago. According to a media report, Bao was detained as part of an investigation into China Renaissance's former president Cong Lin.

Japan

Prime Minister Fumio Kishida's fortunes are ticking up again following the ruling Liberal Democratic Party (LDP)'s annual conference on 26 February. A new opinion poll put his cabinet's approval rating up 4 percentage points on the month to 43%. Kishida is aiming to build momentum ahead of April's nationwide regional elections on April 9 and 23; the LDP will also be defending four Lower House seats in by-elections on April 23.

EUROPE

Estonia

The ruling Reform party is set to win the parliamentary elections scheduled for 5 March and has the best chance of forming a new coalition government led by Prime Minister Kaja Kallas. Reform could potentially cooperate with all parliamentary parties except for the right-wing Conservative People's Party, but a partnership with liberal newcomers Estonia 200 and the Social Democratic Party is the most plausible scenario. Such a cabinet would mean policy continuity in most areas, including a strongly pro-Western stance, conservative fiscal management, a stable tax system, and a greater focus on national defense.

Serbia/Kosovo

Today, 27 February, Serbian President Aleksandar Vucic and Kosovo Prime Minister Albin Kurti will meet in Brussels to discuss and, possibly, endorse a new agreement on the normalization of relations. The details are not public, but the new deal is reportedly based on a Franco-German proposal which requires that Serbia does not oppose Kosovo's membership in international organizations and respects Kosovo's territorial integrity. Meanwhile, Kosovo would have to ensure an appropriate level of self-government for the Serbian community in Kosovo. A new high-level agreement could put bilateral relations on a more predictable pathway but would fall short of a sustainable resolution of the conflict. Also, the implementation of any new deal would likely face significant domestic and external headwinds.

UK/EU

European Commission President Ursula von der Leyen has arrived in the UK to announce a deal with PM Rishi Sunak on the implementation of the Northern Ireland protocol. The substance of red/green lanes and additional arbitration is unlikely to surprise. However, domestic UK approval will be the key signpost to watch. Together with the looming local elections in May, the UK politics around this final major Brexit-related deal will determine the degree of Conservative cohesion in the run-up to elections next year.

LATIN AMERICA

Brazil

The restoration of fuel tax rates back to their pre-election levels is at the top of the political agenda this week. Former President Jair Bolsonaro had reduced tax rates for gas and ethanol leading up to the October elections to lower inflation. The reductions were to end on 31 December, but an executive order renewed them until 1 March. Finance Minister Fernando Haddad is in favor of restoring previous rates, but several cabinet ministers and the Workers' Party leadership are against it due to probable backlash from the middle class. A solution towards a gradual restoration of rates is in the cards as a compromise. The week will also show whether President Luiz Inácio Lula da Silva will remain relatively silent on interest rates, as advisors attempt to convince him that bickering with the Central Bank poisons positive government agendas.

MIDDLE EAST AND AFRICA

Nigeria

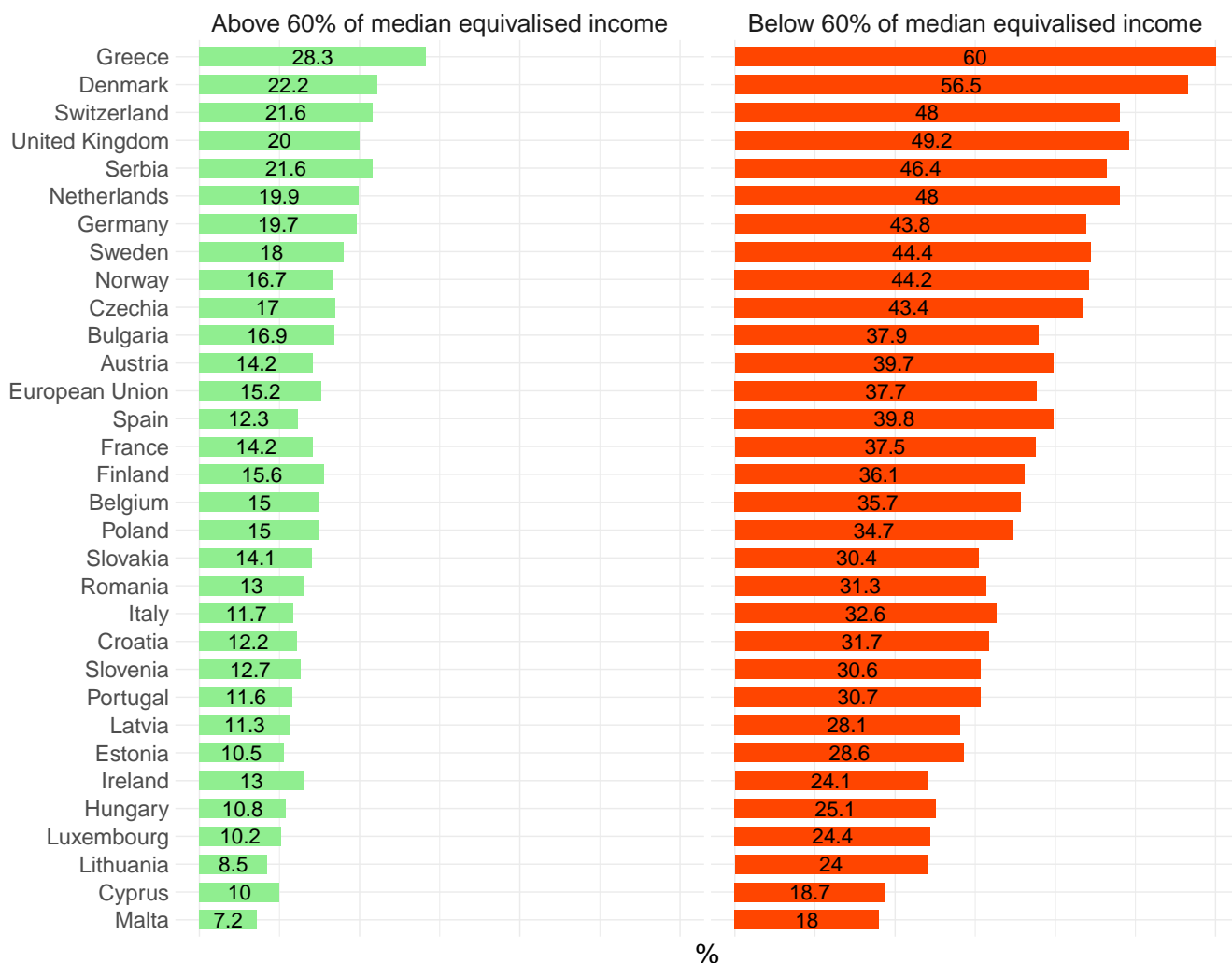
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As expected, the official results of the 25 February presidential and parliamentary elections are not likely to be announced until 28 February. This follows widespread reports of poor management of the electoral process by the Independent National Electoral Commission (INEC). The late arrival of electoral commission officers to polling units caused the delayed start of voting in majority of the polling units across the country, and this was subsequently followed by unprecedented delays in the electronic transmission of results into the official portal. These development – particularly the latter – has increased the chances of a contested outcome of the polls although this is likely to take place in courts rather than spill over into public violence. As previously predicted, voting was also marred by allegations of voter intimidation and suppression – and in some cases, violence – in key battlegrounds like Lagos and Kano.

GRAPH OF THE WEEK

Housing costs in Europe are particularly high for low income households

Share of housing costs in disposable household income, by income group



Source: European Union Statistics on Income and Living Conditions. UK data corresponds to 2018

As apartment rents rise in many major European cities and the cost-of-living crisis persists, **housing costs** are taking their toll on many people across advanced economies. The latest data – mainly from 2021 – shows that this is particularly the case for households at risk of poverty in very different types of countries, including Greece, Denmark, the UK, and the Netherlands. Against this backdrop, many European governments, and particularly left-wing leaders highly reliant on electoral support from younger, squeezed renters, are pressured to act on the housing front. Last week, for instance, Portugal’s center-left government approved a package of measures to increase housing supply, which includes forcing owners of vacant homes to put them in the rental market as well as the end of the so-called golden visa program. As

economic divisions between renters and homeowners solidify, the politicization of housing is becoming inevitable in most cities.

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