

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 **Brazil's** central bank leadership. Meanwhile, **Thailand** is going to elections, **Russia** is celebrating Victory Day, and gubernatorial polls will be held in **Argentina**. Our graph of the week zooms in on **female employment rates**.

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

Brazil's Lula administration has chosen current Deputy Finance Minister Gabriel Galipolo as new Central Bank Director. Our Brazil expert, **Mario Marconini**, answers three key questions.

Who is the new director?

Galipolo, a former bank president with years of experience in the Brazilian financial establishment, is perceived as someone agreeable to both the government and the market. Central Bank President Roberto Campos Neto, who has been the object of personal and then institutional attacks by Lula for leading a high-interbank-rate (currently at 13.75%) anti-inflationary policy, has spoken favorably of Galipolo.

Is the bank becoming more politicized?

Finance Minister Haddad said the appointment sought to improve the alignment of fiscal and monetary policies - and not to politicize the bank's membership. Galipolo's appointment should be confirmed by the Senate without difficulty.

Are other important appointments ahead?

Galipolo's appointment comes during a relatively quiet week in Brasilia when President Luiz Inacio Lula da Silva's has also signaled the imminent appointment of the lawyer that defended him during the Carwash investigations and imprisonment, Cristiano Zanin, to the Supreme Court. Zanin is opposed by both Lula's Workers' Party (PT) and legal experts who see the appointment as too personal, and not based on technical criteria.

WHAT TO WATCH

ASIA PACIFIC

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

Thailand

Elections will take place on 14 May, with the opposition For Thais (PT) and Move Forward (MFP) expected to do well. Less clear is the shape of the post-election party alignments, and there are numerous scenarios, with outcomes ranging from parliamentary gridlock and unrest in the streets to a rickety but workable coalition. MFP appears to have become more popular in recent weeks, which could pit it against PT for leadership of the next government, and which in turn raises the value of the medium-sized and smaller parties. Government formation could take several weeks and run into July or even August. Former prime minister Thaksin Shinawatra continues to hint at the possibility of a July return, which further raises th

EUROPE

EU/Russia

This week, the European Commission is set to present its 11th sanctions package on Russia, which will focus on the effective enforcement of already existing measures. Initial reports suggest the new package entails a legal regime allowing the targeting of entities in third countries helping Russia to evade sanctions. Recent studies suggest that various sanctioned goods, including high-tech products used for military means, have been imported to Russia via China, Turkey, and countries in Central Asia and the Caucasus. However, finding unanimous EU support might be challenging, especially given the lengthy and contentious approval process of the previous packages. First assessments of the new proposal might emerge on Wednesday, 10 May, during a meeting of member states' permanent representatives.

Russia

Scaled-down Victory Day celebrations are taking place across Russia on 9 May. In Moscow, President Vladimir Putin delivered his traditional address paying respects to WWII participants and the armed forces participating in the so-called special military operation. As in multiple recent speeches, Putin blamed “Western globalist elites” for unleashing a “real war” against Russia and pledged to protect Russia’s inhabitants, including those in Donbas. Putin was accompanied by political leaders of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Traditionally, Russian authorities have been taking advantage of this occasion to stimulate patriotic pride and showcase the country’s military power, but this year’s celebrations are overshadowed by large casualties among the Russian forces in Ukraine. Some regions downsized or even canceled celebrations due to alleged security risks.

Slovakia

Following the collapse of acting Prime Minister Eduard Heger’s (The Democrats) caretaker cabinet on Sunday, 7 May, President Zuzana Caputova (independent) will appoint an expert cabinet. It will be led by the deputy governor of central bank Ludovit Odor (independent). The expert government will be tasked with ensuring political stability and overseeing preparations for snap parliamentary elections to be held most likely on 30 September. The elections could bring back to power the center-left Direction – Slovak Social Democracy party led by former prime minister Robert Fico. Such a scenario would bring multiple shifts to Slovakia’s to domestic and foreign policies, including a turn towards Russia, higher tensions with Brussels, and setbacks in tackling corruption at home.

Turkey

There are just five days left until the presidential and parliamentary elections, with President Tayyip Erdogan and his main opponent, Kemal Kilicdaroglu, locked in a dead heat. The two presidential contenders will likely head to a runoff on 28 May. A surprise victory by Kilicdaroglu in the first round on 14 May remains a low probability scenario. A hung parliament where none of the three main alliances controls a majority is the most likely outcome of the parliamentary elections. Erdogan’s alliance is still expected to secure the largest number of parliamentary seats.

LATIN AMERICA

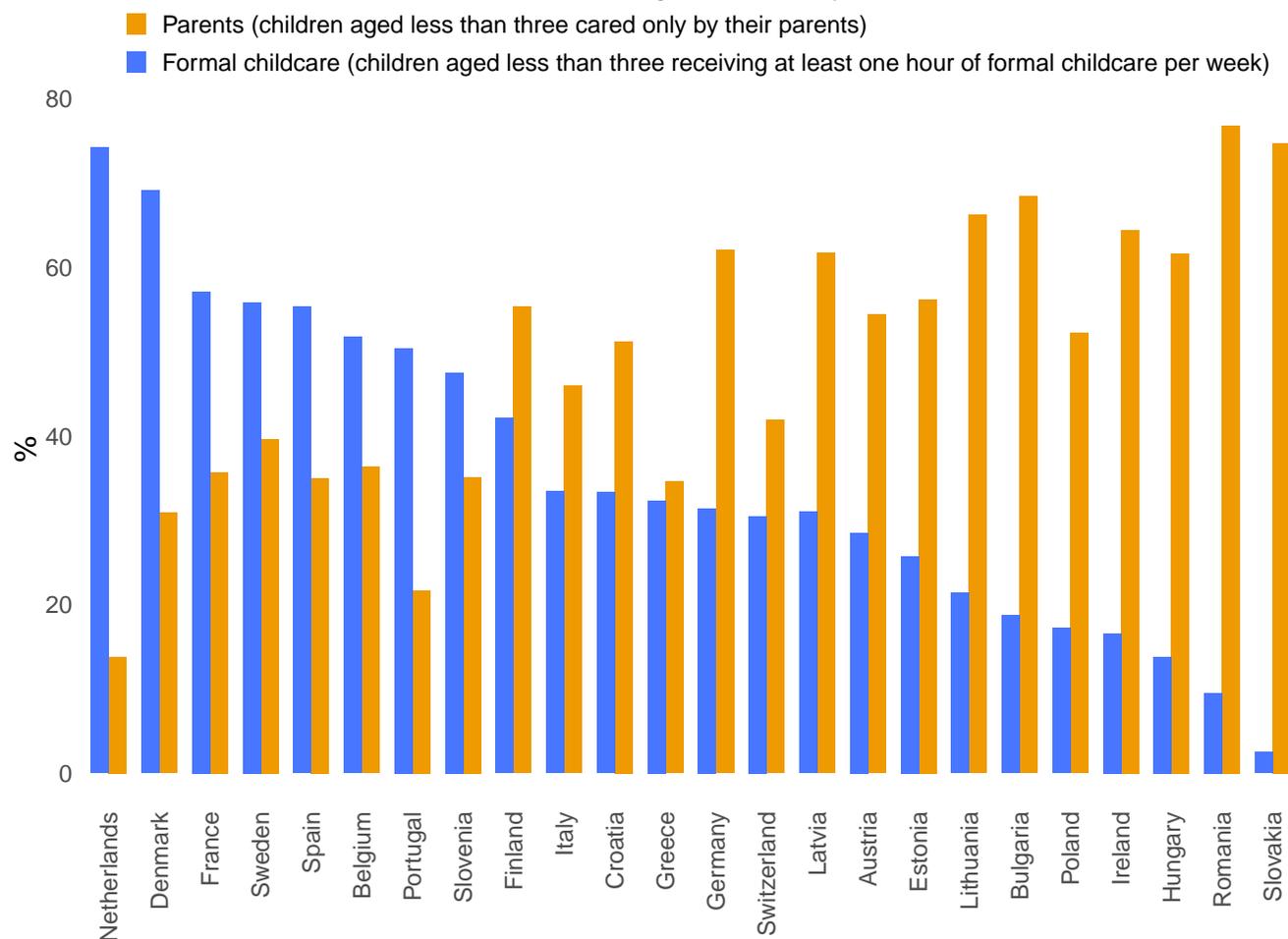
Argentina

Gubernatorial elections in five provinces take place on 14 May. The most consequential could be Tucuman province, not for its weight in national politics (it accounts for just under 4% of the electorate) nor even for the result (local Peronists are very likely to win), but for how Javier Milei's candidate fares. The anti-establishment libertarian presidential candidate has allied with a far-right, pro-gun candidate, Ricardo Bussi, son of a notorious former military officer and ex-Tucuman governor convicted of crimes against humanity during the dictatorship. A similar strategy in La Rioja's elections held on 7 May failed as Milei's candidate – the nephew of former president Carlos Menem (1989-1999) – finished in a distant third place. Milei will be hoping for a tangible improvement on the 13.7% that Bussi won in 2019, without Milei's support, to avoid the perception that he is primarily a phenomenon of the Buenos Aires urban outer ring.

GRAPH OF THE WEEK

Childcare arrangements in the European Union

% of children aged less than 3 years



Source: Eurostat, 2021

Against the backdrop of labor shortages and an ageing population, **boosting female employment** is becoming crucial across many countries. Despite their higher levels of educational attainment, women continue to be the main providers in family and children care. Therefore, some governments, including the UK, are expanding childcare services in an attempt to increase female employment rates. While female employment rates have increased substantially in Germany and the UK over the past decades, they remain below men's rates, with women still much more likely to work part-time. The chart above shows that in many rich democracies – including Germany, Switzerland, and Austria – children below the age of three

are mainly cared for by their parents (and particularly mothers). In countries where access to childcare services is more restricted, female employment rates tend to be lower.

[Client Portal >>](#)

Geopolitical Research

+44 20 7186 8894

Macro@teneo.com

© 2023 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.