

## 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 **South Africa's** fiscal outlook. Meanwhile, **US-China** relations show signs of improvement, early elections are ahead in **Serbia**, high-level horse trading will continue in **Brazil**, and the administration's plans to tackle economic headwinds are now in focus in **Nigeria**. Our graph of the week zooms in on **popular trust in some key professions** across major democracies.

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

On 1 November, **South Africa's** Finance Minister Enoch Godongwana will present the Medium-Term Budget Policy Statement (MTBPS). Our Southern Africa expert [Anne Fruhauf](#) analyzes the situation.

#### What is the fiscal and political backdrop?

Despite a worsening revenue outlook and debt pressures, the ANC has opposed Godongwana's proposals for spending cuts, which could worsen the ANC's already-dwindling electoral chances for 2024. While Godongwana will likely emphasize the negative outlook, many commentators expect that he can no longer avoid tough trade-offs that will signal either austerity or fiscal recklessness.

#### How will this affect the design of the budget?

Nevertheless, the MTBPS will probably announce only the most unavoidable budget adjustments on 1 November, such as this year's wage deal, while deferring tough decisions such as the extension of the Social Relief of Distress (SRD) grant and major financing demands from parastatals, especially Transnet.

### WHAT TO WATCH

#### ASIA PACIFIC

##### Japan

**The Bank of Japan's monetary policy committee will meet on 30-31 October, with any decision on tweaking the policy framework being announced on 31 October (JST).** Recent comments by BOJ governor Kazuo Ueda imply that no tightening is likely until the December meeting at the earliest, with a higher possibility of change in H1 2024. However, with the interest rate differential widening yet further and the JPY dipping below 150 to the USD, market speculation will continue ahead of the meeting.

##### US/China

**Bilateral relations continue to show signs of improvement ahead of an expected visit by Chinese President Xi Jinping to the APEC leaders summit in November.** Chinese Foreign Minister and top Communist Party foreign policy official Wang Yi met with US Secretary of State Antony Blinken and National Security Advisor Jake Sullivan of State in Washington for several hours on Friday, followed by a one-hour meeting with President Joe Biden. Wang's visit was the first visit by a Chinese foreign minister to Washington since 2018, and it coincided with the US Department of Transportation's announcements that flights between the US and China will increase to 70 per week starting on 9 November, up from 48 per week in October.

## EUROPE

### EU/Western Balkans

**On 29 October, European Commission (EC) President Ursula von der Leyen started a four-day tour across the Western Balkans, with stops in North Macedonia, Kosovo, Montenegro, Serbia, and Bosnia and Herzegovina.** The visit demonstrates the highest-level political attention given to this volatile region at a time of geopolitical instability. It reflects the aim to spur reforms required to join the EU via a EUR 6bn growth plan for the Western Balkans. Following the visit, on 8 November, the EC is expected to release its annual reports on progress towards EU accession by candidate countries.

### Serbia

**President Aleksandar Vucic (Serbian Progressive Party, SNS) is expected to dissolve parliament by Thursday, 2 November, and schedule early parliamentary elections for 17 December, likely to be held alongside local elections.** Vucic agreed to hold early elections following months of weekly protests against violence triggered by two mass shootings in May. The governing SNS is the clear favorite to win the national vote despite an agreement by pro-European opposition parties to unite under a single electoral list, Serbia Against Violence. However, the electoral race for the Belgrade city assembly is expected to be much tighter.

### Turkey/Israel

**As Turkish President Tayyip Erdogan abandoned any semblance of neutrality in the Israeli-Hamas conflict, the rapprochement between Turkey and Israel is now in tatters, if not dead.** Israel announced on 28 October that it was recalling its diplomats in Turkey for consultations in protest of "grave" statements from Turkish officials concerning the conflict. Speaking at a pro-Palestine rally in Istanbul earlier on the same day, Erdogan called Israel a "war criminal" over the situation in the Gaza Strip. In an hour-long speech, Erdogan also repeated his assertion that Hamas was not a terrorist organization, describing Israel as an occupier. As Israel is set to expand its ground operations in Gaza, the squabble between the two countries is likely to intensify in the weeks ahead.

## LATIN AMERICA

### Brazil

**High-level horse-trading between the President and the House Speaker will continue following a new deal on the presidency of the federal savings bank.** President Luiz Inacio Lula da Silva replaced the president of *Caixa Economica Federal* (CEF) last week for an ally of House Speaker Arthur Lira and a draft bill on the taxation of offshore and special funds was approved in the chamber a few hours later. The bill is key to the government's effort to increase revenues and comply with the agreed zeroing of the budget deficit in 2024. Generally, the part of the centrist majority in Congress that is no longer aligned with former president Jair Bolsonaro's camp has been willing to move in tandem with the government on matters that have a fiscal impact and assure macroeconomic stability. However, this time Lira decided to play hard ball since his demand for the CEF seemed to have been forgotten. The main concern is whether this may delay the tax reform whose first report has been presented last week in the Senate and still needs to go back to the House.

## MIDDLE EAST AND AFRICA

### Nigeria

With President Bola Tinubu’s electoral victory affirmed last week by the Supreme Court, public focus is now squarely on his administration’s plans to tackle economic headwinds. Upward inflationary pressures have persisted, the currency has remained in free fall, and growth is projected to be tepid for the rest of the year, all factors that leave the threat of strike action by labour unions looming.

**GRAPH OF THE WEEK**

**Trust in key professions is low across the globe**

■ Untrustworthy ■ Trustworthy



Do you think ('profession') are trustworthy or untrustworthy in your country

Source: Ipsos Global Trustworthiness Index 2023

Citizens’ **trust in professions crucial for the functioning of democracy** is low in most countries. This is particularly true for politicians, bankers, and journalists. The chart above focuses particularly on four professions: politicians, business leaders, civil servants, and doctors. The latter, together with scientists, remain the most trusted profession in most countries, although some Eastern European countries, Japan, and South Korea have less trust in them than most other countries. On the other hand, politicians are the least trusted profession in most countries, with more than 70% of respondents in South

**Geopolitical Research**

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Africa, Poland and Spain distrusting them. However, the public is more divided about whether business leaders and civil servants should be trusted, with important differences across countries.

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