

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 **Indonesia's** upcoming elections. Meanwhile, the political funding scandal continues in **Japan**, large-scale protests against the far-right took place in **Germany**, a plenary vote on the presidential omnibus bill is ahead in **Argentina**, and the IMF concluded **Kenya's** sixth review. Our graph of the week zooms in on **growing housing costs**.

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

The first surveys have emerged after **Indonesia's** 7 January presidential debate, where defense minister Prabowo Subianto is deemed to have performed poorly. Our Southeast Asia expert [Bob Herrera-Lim](#) analyzes the situation.

What do the polls say?

The polls show Prabowo only slightly short of the majority needed for an outright win on 14 February. According to one survey released late last week that was conducted from 10-16 January, Prabowo has 49% voter support, up from 46% in late December.

What are the implications for the elections?

Another debate will be held in the first week of February, which could determine if Prabowo can gain enough momentum to hurdle the 2-3 percentage points he needs for a first round win. Also notably, if a second round is needed, Prabowo's opponent might be former Jakarta Governor Anies Baswedan and not former Central Java Governor Ganjar Pranowo.

WHAT TO WATCH

ASIA PACIFIC

Japan

The opening of the new Diet session on 26 January is set to be overshadowed by the LDP's response to the ongoing political funding scandal. Prime Minister Fumio Kishida surprised observers by announcing that his own party faction would dissolve in its current form, leading to the scandal-tainted Abe and Nikai factions to make similar

announcements; the party's other 3 factions are resisting dissolution for now. Later this week, the party's political reform committee is due to publish its interim report with reform recommendations.

US/China

The first in-person meeting of the US-China bilateral Financial Working Group concluded in Beijing on Friday, and the US Treasury Department said the two sides agreed to continue meeting. The working group is one of several [dialogue mechanisms](#) that US and Chinese officials established ahead of and during the [meeting in San Francisco](#) between US President Joe Biden and Chinese President Xi Jinping in November. Last week's meeting covered financial stability and capital markets issues, international financial institutions, sustainable finance, cross-border payments and data, and anti-money laundering efforts. The Treasury readout added that US Treasury Secretary Janet Yellen, who visited [Beijing in July](#) but did not join the working group last week, intends to visit again at an "appropriate time."

EUROPE

Germany

Up to one million people took to the streets in demonstrations across major cities and smaller towns during the weekend, protesting against the extreme right. The demonstrations follow recent revelations about a meeting of right-wing activists in which plans for the deportation of Germans with an immigration background were discussed. This degree of mobilization will further increase the cost associated with any potential center-right cooperation with the Alternative for Germany (AfD). At the same time, all-party coalitions to exclude the far-right party will only add to notions of an effective lack of representation.

LATIN AMERICA

Argentina

President Javier Milei wants lower house committees to conclude their discussions over his multi-pronged omnibus bill by tomorrow, 23 January, ahead of a plenary vote before the end of this week. The process will provide the clearest picture yet of where various opposition parties and sub-factions stand on Milei's reform agenda – and how much he is prepared to compromise. Even if the bill passes this week, it will still require senate approval. In recognition that the process is taking longer than Milei originally anticipated, extraordinary congressional sessions have been extended to mid-February. At the same time, unions will do their best to disrupt the government's plans – particularly as they relate to pensions and privatizations – with a general strike on 25 January. Union divisions may limit the effectiveness of their opposition to the Milei government. However, in a sign that *Kirchneristas* are beginning to regroup following November's demoralizing election defeat, the Buenos Aires provincial governor Axel Kicillof plans to take part in the strike.

MIDDLE EAST AND AFRICA

Ethiopia/Somalia

On 21 January, UN Secretary-General Antonio Guterres urged Ethiopia and Somalia to open talks to resolve their emerging dispute over Ethiopia's recent port deal with Somalia's Somaliland breakaway region. Ethiopia, desperate for access to the sea, has signed an MoU with Somaliland for a 50-year port and maritime deal, in return for recognizing Somaliland's independence. Somalia has branded the plan an act of "aggression" by Ethiopia and officials have claimed to be prepared to go to war if necessary. While the African Union (AU), Arab League, US, China, Saudi Arabia and EU have all urged the parties to respect Somalia's territorial integrity, it is uncertain if Ethiopia will agree to renounce the Somaliland deal. The Somaliland plans may push Somalia to make common cause with Ethiopia's regional rivals, including Egypt, Eritrea, and Djibouti, potentially worsening instability in the highly volatile region.

Ghana

Focus on debt talks is expected to shift to negotiations on the USD 13bn owed to Eurobond holders. This follows last week's approval by International Monetary Fund (IMF)'s Executive Board of the second tranche of USD 600mn as part of Ghana's

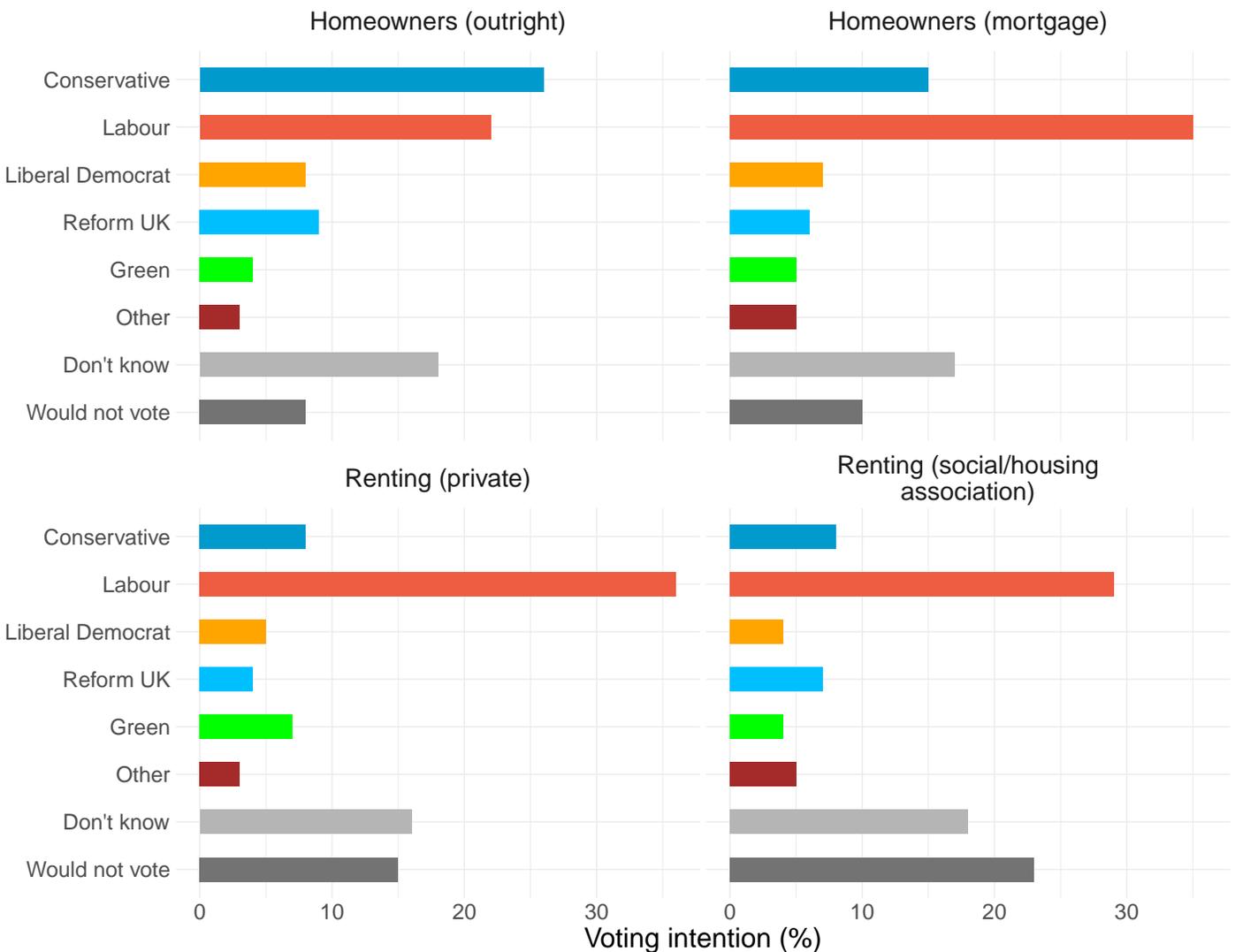
three-year bailout program with the Fund. The IMF funding marks an important milestone for government, which after months of negotiations, was able to reach an agreement with creditors from the Paris Club and others including China to restructure USD 5.4bn of bilateral loans under the G20 Common Framework. The terms of any agreement with private creditors will need to be comparable to those reached with official creditors.

Kenya

Last week, the IMF concluded Kenya’s sixth review and an augmentation of access of about USD 941.2mn of the country’s current loan arrangements. The executive board’s approval of an immediate disbursement of USD 624.5mn, which includes an increase of USD 310.6mn, shows how supportive the IMF remains of the sovereign amidst Kenya’s public finance squeeze. Nonetheless, the IMF voiced concern over debt management capacity and shortfalls in tax collection, increasing the pressure on President William Ruto’s government to further increase or introduce new taxes, or otherwise ramp up collection.

GRAPH OF THE WEEK

Housing tenure strongly correlates with voting intention in the UK
If there were a general election held tomorrow, which party would you vote for? (%)



Source: YouGov. Fieldwork: 17th – 28th November 2023

Growing **housing costs** – especially in urban areas – are becoming increasingly politicized across democracies. In the UK, for instance, average housing prices have not been this high relative to earnings since more than a century ago, while in most other

democracies both rental and housing prices have increased significantly over the last decade, especially in global capitals. This trend tends to translate into voting patterns, with older, politically mobilized homeowners more likely to vote for conservative parties, and younger, less politically active renters leaning towards progressive forces. The UK is a case in point, with outright homeowners being the only group where the Conservatives are polling ahead of Labour. Further heated discussions around how to tackle the housing affordability crisis should be expected in the coming years.

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