

WEEKLY POLITICAL COMPASS

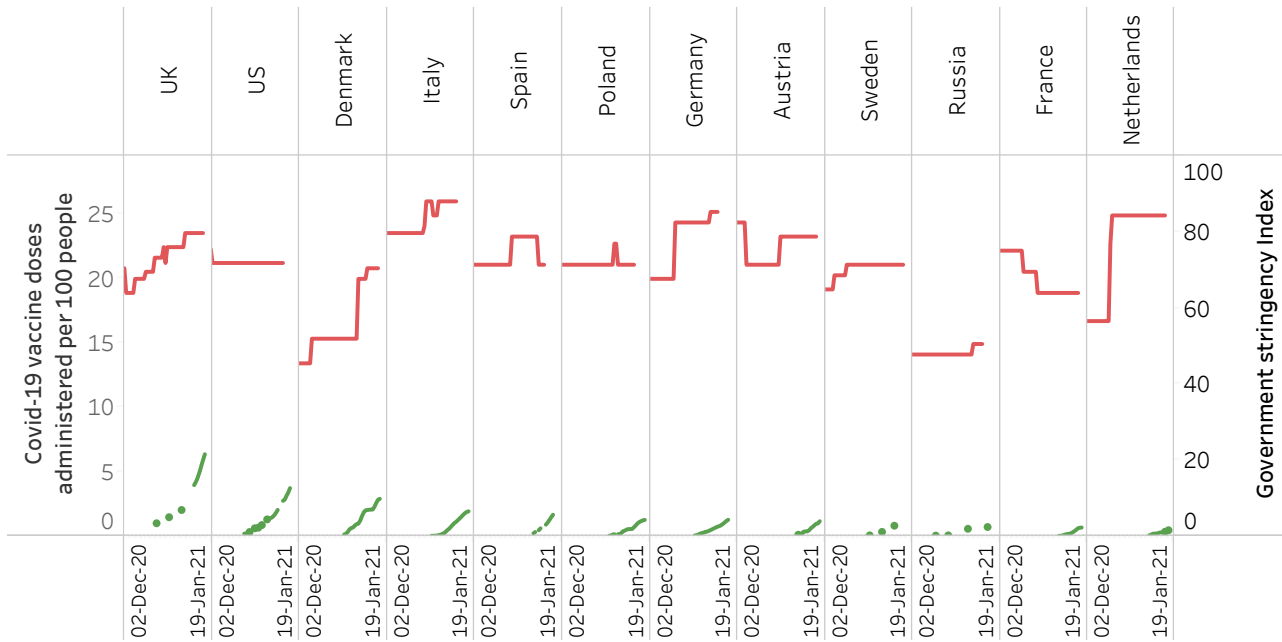
China is fighting the worst Covid-19 outbreak since March 2020. **Italy's** Prime Minister faces a tougher test in the Senate after winning a confidence vote in the lower house. In **Germany**, Armin Laschet is expected to be confirmed as the new leader of the Christian Democrats. Meanwhile, negotiations between protesting farmers and **India's** federal government continue, **Russian** opposition activists have called for a nationwide protest, hospitals in **Brazil's** Amazonas state are under extreme pressure due to rising Covid-19 cases, and **South Africa's** central bank will meet this week.

CHART OF THE WEEK

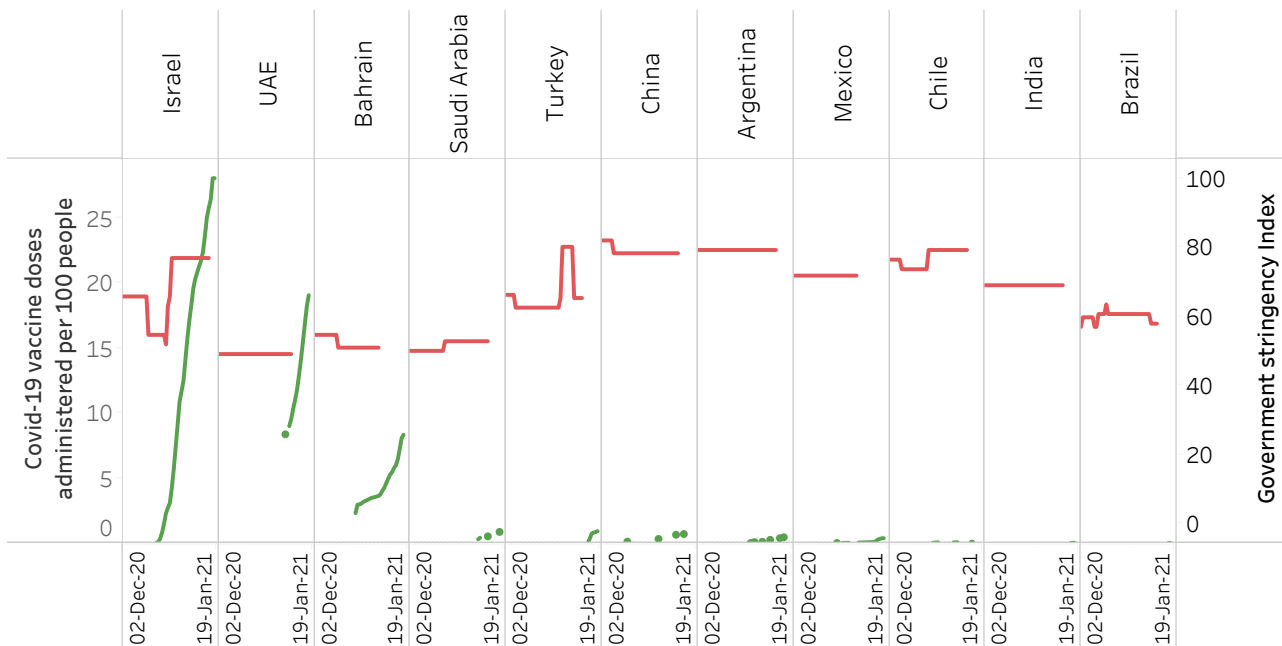
The pace of vaccination and the stringency of government restrictions

- Government stringency index
- Covid-19 vaccine doses administered (%)

Europe and North America



Rest of the world



Source: Our World in Data

Note: The Oxford's government stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100.

The pace of the Covid-19 vaccine rollout continues to vary substantially across countries. In Europe, the UK and Denmark have been the most effective so far, while others, such as France and the Netherlands, are still lagging behind three weeks after the start of the EU's vaccine rollout. Shipments of the Pfizer-BioNTech vaccine are expected to be lower in the next two weeks due to changes in the manufacturing process aimed at boosting longer-term production. The slow progress in the vaccine rollout means that the current restrictions are likely to be extended over the next months; digital solutions, such as "vaccine passports", will attract attention but will be difficult to implement. Meanwhile, middle-income countries, such as Turkey, India, and Brazil, have recently started the rollout of their vaccination programs. While Turkey and Brazil are relying on China's Sinovac vaccine, whose degree of effectiveness is still unclear, India's own vaccine (Covaxin) is also sparking concerns as its efficacy data has not been published.

WHAT TO WATCH

China

Northern Chinese regions with a total population of 29mn are in some form of lockdown, as China reported more than 109 new Covid-19 cases for a sixth consecutive day on 17 January. Cities including Shanghai and Tianjin are offering financial incentives to migrant workers to discourage them from traveling home for Lunar New Year.

Italy

After winning a confidence vote in the Chamber of Deputies on 19 January, Prime Minister Giuseppe Conte faces a tougher test today in the Senate. The government was left with no formal majority in the Senate after Italia Viva's departure. The result of the vote is expected at around 6pm Rome time. Conte is likely to win thanks to absences and abstentions, while falling short of an absolute majority. In such a scenario, Conte would remain in office for now as head of a minority government – a precarious arrangement that would risk collapsing at any divisive vote in the coming months.

Germany

After Armin Laschet's digital election as the new leader of Chancellor Angela Merkel's Christian Democrats (CDU), the official postal ballot result is expected for 22 January. The confirmatory result will be seen as an indicator of – traditionally high – levels of unity within the CDU. Regardless, Friedrich Merz's strong digital result of only just under 50% means that the maverick challenger will likely continue as the unofficial representative of the party's traditionalist wing. Over the weekend, Merkel struck down Merz's application to join her cabinet. The coordination between Laschet's centrism and Merz's conservatism will continue to pose challenges as the CDU/CSU alliance embarks on the nomination of its chancellor candidate.

ON THE HORIZON

ASIA

India

The tenth round of talks between the government and farmer unions protesting against the recently passed farm laws takes place on 20 January. No headway has been made in the previous rounds. A committee set up by India's Supreme Court will also meet today. The farmers say their protest will end only if the federal government takes back the laws and promises a law that ensures that government procurement of foodgrain will never end.

EUROPE

Portugal

Incumbent President Marcelo Rebelo de Sousa is highly likely to be re-elected in the presidential race taking place on 24 January. The most popular politician in the country, Rebelo de Sousa will probably secure more than the 50% of the vote, thus avoiding a runoff. While the president does not have day-to-day executive powers, he plays an important role in guaranteeing political stability as he appoints the prime minister and can dissolve parliament. Meanwhile, the Antonio Costa administration further tightened lockdown rules on 18 January in an effort to curb a recent surge in Covid-19 that is putting Portuguese hospitals under significant strain.

Russia

The arrested opposition activist Alexey Navalny has called for a nationwide protest on 23 January. The turnout will help to gauge Navalny's influence and popularity at home amid the Kremlin's attempts to stifle public dissent ahead of the State Duma election in September. According to the Levada Center survey in September, only 20% of respondents approved Navalny's actions and 30% thought Russian authorities were behind his poisoning.

Slovenia

The no-confidence motion against the center-right government, initially expected to be held this week, has been dropped. This was confirmed after Karl Erjavec, leader of the Democratic Party of Pensioners of Slovenia (DeSUS), withdrew his candidacy to replace Prime Minister Janez Jansa (SDS). The chances for the motion to pass diminished substantially after at least one opposition deputy tested positive for Covid-19 and others had to self-isolate. However, a new censure might be launched in the coming months in response to the controversial rhetoric and policy agenda pursued by Jansa's government.

LATIN AMERICA

Brazil

The week will see repercussions of the government's handling of the pandemic in the Northern state of Amazonas. Hospitals appear to be running out of beds and the supply of oxygen is very low in Brazil's Amazonas state. The São Paulo state governor, João Dória, was more successful in containing the pandemic and its state host phase-three trials of China's CoronaVac vaccine, which gave the state access to 6mn doses and the right to make 40mn more. This will likely exact a price for President Jair Bolsonaro, who has been critical of vaccines and the immunization effort. Meanwhile, talk of impeachment has reemerged. The elections of House Speaker and Senate Chairman scheduled for 1 February have turned into a referendum on the Bolsonaro administration. The main contending candidates in both chambers reflect the dichotomy between independence from or alignment with the government.

MIDDLE EAST AND AFRICA

South Africa

The Reserve Bank's Monetary Policy Committee (MPC) meets on 19-21 January. Consensus expectation is that the MPC will hold the repo rate steady at 3.5%. However, calls for further rate cuts are growing as South Africa's economic recovery appears under threat from a toxic mix of downside risks. These include the second Covid-19 wave and 'level 3' lockdown restrictions, a slow vaccine rollout, as well as a worsening fiscal crisis, fresh electricity shortages and reform delays.

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