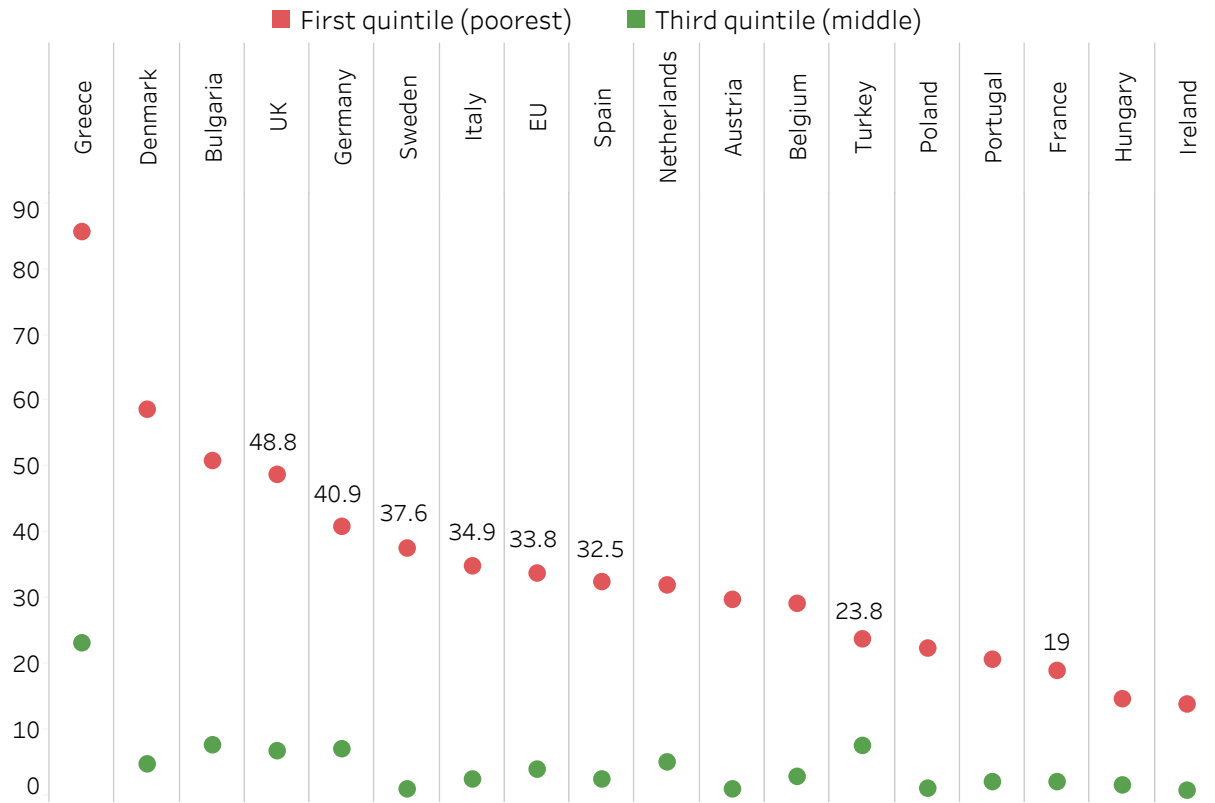


## WEEKLY POLITICAL COMPASS

In **China**, three children will be allowed per family. **Peru's** presidential run-off election takes place this week. A regional election will be held in **Germany**. Meanwhile, **BRICS nations'** foreign ministers will meet virtually, **Latvia's** municipal elections could have national implications, **Mexico** will hold lower-house mid-term and state gubernatorial elections, **Cote d'Ivoire's** former president will return home.

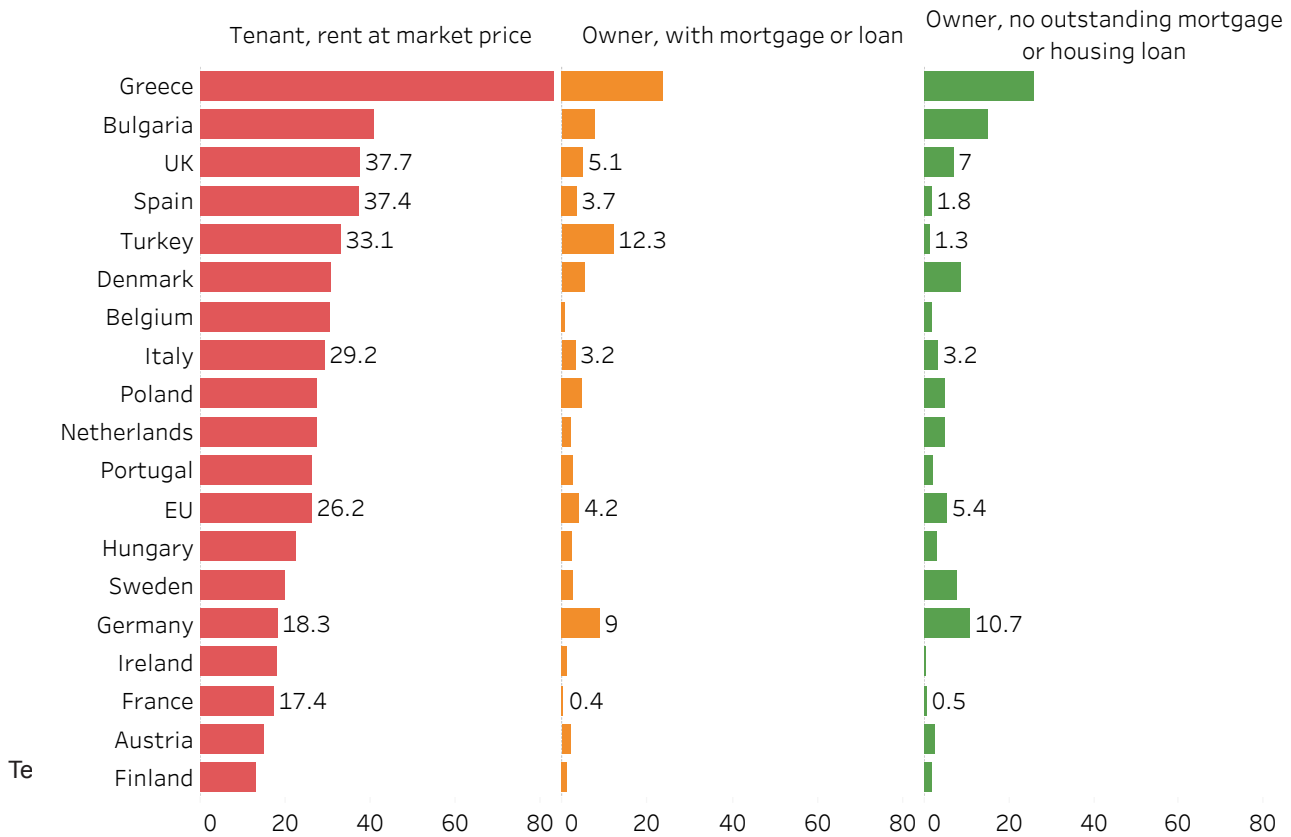
### CHART OF THE WEEK

### Housing cost overburden (\*) rate by income quintile, 2019



(\*) Housing cost overburden is defined as the % of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40 % of disposable income ('net' of housing allowances)

### Housing overburden rate by tenure status, 2019



Source: European Union Statistics on income and living conditions (EU-SILC)

## **Housing affordability has become one of the most pressing problems in advanced economies over recent decades.**

Affordability pressures have been stronger on renters than homeowners, and therefore are particularly stark for low-income households, the young, and city dwellers. These trends are observed in the two graphs above. The problems do not only affect poorer European economies such as Greece and Bulgaria but are experienced also in Denmark, the UK, Germany, Spain, and Italy. In these countries, between 30% and 60% of the low-income population use over 40% of their disposable income for housing costs. On the other hand, renters are substantially more overburdened than homeowners – even those with a mortgage – in terms of housing costs. Housing affordability – including the increasingly unequal access to property markets – will have important economic and political consequences in the coming years. If the issue is not tackled successfully, citizens might become increasingly supportive of more radical redistributive policies and political parties will have incentives to embrace them.

## **WHAT TO WATCH**

### China

**The Politburo announced on 31 May that Chinese families would be allowed to have up to three children, up from the previous limit of two.** This happens after census data last month showed a faster-than-expected decline in China's birth rate. The Politburo also pledged accompanying policies to ease the burden of childbearing, including support for education, childcare, and housing, but specific policy announcements in these areas are still lacking.

### Peru

**The presidential run-off vote between the hard left's Pedro Castillo and the controversial populist conservative Keiko Fujimori takes place on 6 June.** The final polls to be published before the polling "blackout" took effect showed Fujimori gaining on Castillo, with two polls putting her in a technical tie with the former teacher and union leader. Sunday's debate between the two candidates is unlikely to have prompted any dramatic shift in the race. Fujimori will be hoping that her latest expression of contrition for her past misdemeanors will be enough to take her past Castillo. A close and/or contested result would put the eventual winner under intense pressure from the outset of their presidency, which starts in July.

### Germany

**The country is entering a crucial three weeks in the run-up to the September Bundestag polls, starting with the Saxony-Anhalt regional elections on 6 June.** The small East German state is hardly representative of nation-wide politics, but how the Greens and the liberal FDP will be faring in this difficult terrain will be closely watched. Moreover, Chancellor Angela Merkel's CDU is up against fierce competition from the far-right AfD. On the following weekend, the Greens will hold their national conference, and a week after that, on 21 June, the Christian alliance (CDU/CSU) is expected to finally present its election manifesto for September.

## **ON THE HORIZON**

### **ASIA**

#### India

**BRICS nations' foreign ministers will meet virtually on 1 June to exchange views on the Covid-19 pandemic situation, the strengthening of the multilateral system and countering terrorism.** This is a standalone meeting convened by India as the current BRICS chair. The meeting takes place against the background of tensions between India and China and EU sanctions on Belarus on which the BRICS – as an organization – are yet to react.

#### Thailand

**Local AstraZeneca licensee Siam Bioscience Ltd., which is expected to provide the bulk of the country's vaccines, is scheduled to start deliveries by 7 June.** This event will be an important test for the government of Prime Minister Prayuth Chan-ocha. As early as February, the opposition had been criticizing Prayuth for what they claim to be overreliance on the company, which is fully owned by the monarchy. A botched delivery schedule through the next few weeks will likely heighten the level of public and business complaints; similarly, this would weaken sentiments around a quicker recovery from the current spike of cases. Siam Bioscience is delaying a delivery to the Philippines of several million doses to assure its domestic supply.

#### Malaysia

**From 1 June to 14 June, the whole country will be placed under what the government calls “full lockdown,” but which is still less restrictive than the one imposed at the start of the pandemic.** People will not be allowed to leave their homes except for essentials and malls will be closed except for groceries and pharmacies; however, 17 sectors from banking to manufacturing will be allowed to operate at limited capacity.

### EUROPE

#### Latvia

**The results of municipal elections scheduled for 5 June will give an impression of the popularity of the five coalition parties.** These parties are expected to start talks on the potential redistribution of ministerial portfolios after the vote. The negotiations could destabilize the governing coalition and lead to a wider cabinet reshuffle. The elections will take place in six cities (excluding the capital Riga) and 35 municipalities following a territorial administrative reform started in 2020.

### LATIN AMERICA

#### Mexico

**The lower house mid-term election takes place on 6 June alongside 15 state gubernatorial elections and a host of state assembly and municipal ballots.** Polls indicate that the governing National Regeneration Movement (Morena) and its allies are unlikely to obtain a two-thirds majority in the 500-seat lower house but could still retain a simple majority. The elections represent the first test for the recently-formed alliance of three opposition parties: the National Action Party (PAN), the Institutional Revolutionary Party (PRI), and the Party of the Democratic Revolution (PRD). Morena has been slipping in the polls for several state gubernatorial races but could still win seven or eight states. How President Andres Manuel Lopez Obrador (AMLO) reacts to defeat or disappointment will be a key issue to watch; AMLO has already said he intends to use his decree and veto powers to the full if Morena loses its lower house majority.

### MIDDLE EAST AND AFRICA

#### Cote d'Ivoire

**Former president Laurent Gbagbo plans to return home on 17 June.** On 31 March, the International Criminal Court (ICC) had upheld its January 2019 acquittal of both Gbagbo and his former youth minister Charles Ble Goude. The duo had been charged with crimes against humanity allegedly committed in the context of the 2010/11 post-electoral crisis during which some 3,000 people were killed. While the ruling had cleared a main hurdle for both defendants to return to Cote d'Ivoire, the details of their return was still subject to negotiations with the government as both have been sentenced by

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

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