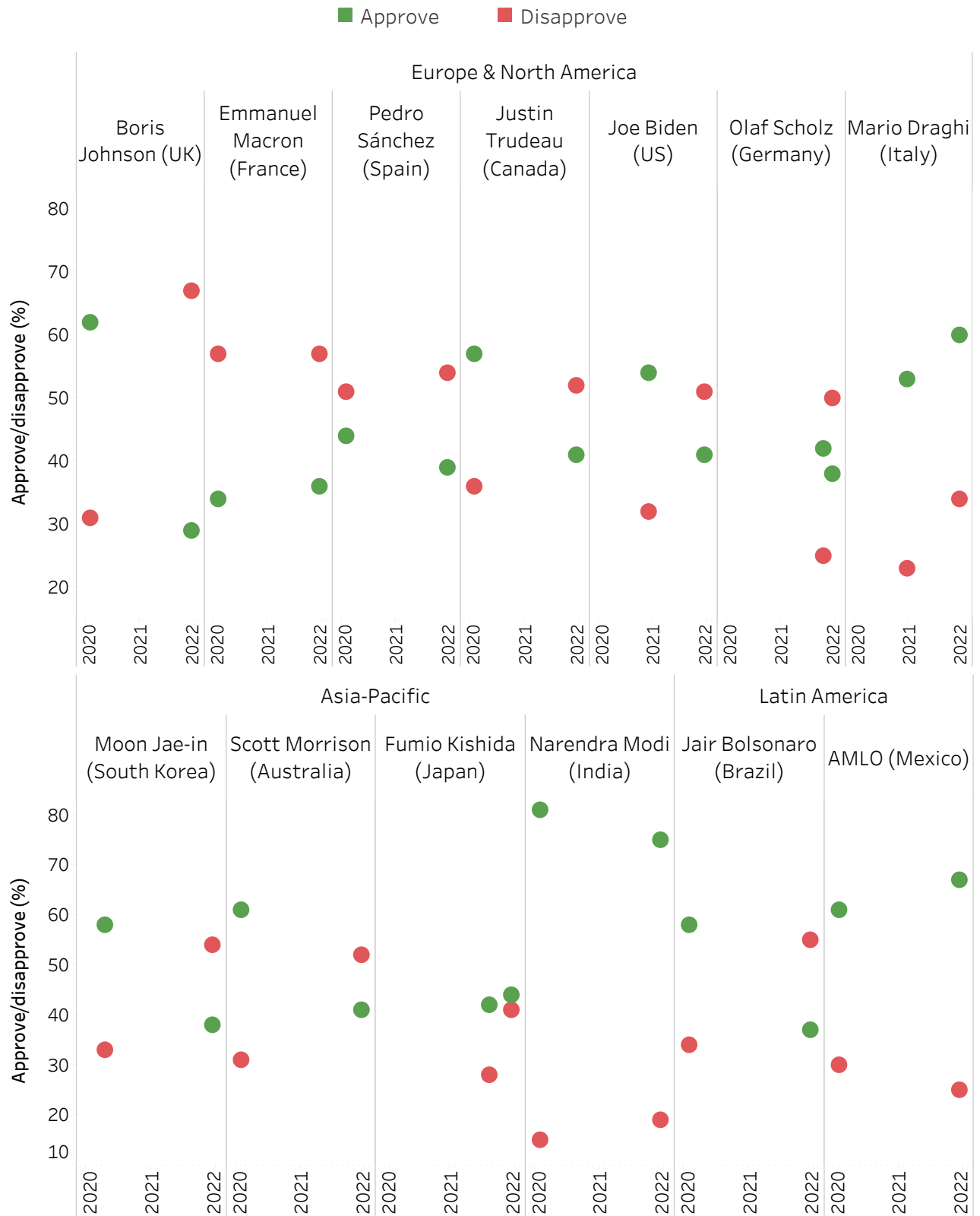


WEEKLY POLITICAL COMPASS

Russia's actions along **Ukraine's** border will be closely watched. Mainland **China's** government is assisting amid a Covid outbreak in **Hong Kong**. A key court ruling could increase the risk of EU financial penalties against **Poland** and **Hungary**. Meanwhile, two regional states in **India** will go the polls, there is new momentum for a customs deal between the **EU** and the **UK**, and **Brazil's** president is visiting Moscow.

CHART OF THE WEEK

Presidential approval ratings have deteriorated significantly in most countries



Source: Morning Consult

The global leader and country trajectory data is based on a seven-day moving average of all adults in a given country, with a margin of error of between +/- 1-3%.

While most global leaders increased their popularity in the early days of the pandemic, two years after their **approval ratings** have deteriorated significantly in most countries. This is clearly the case in the UK, where PM Boris Johnson faces the most difficult weeks of his premiership, and in Canada, where PM Justin Trudeau is struggling to appease anti-vaccine mandate protests. The US and Brazil are following a similar trend. The popularity of President Joe Biden is at the lowest since he came into office – with the midterm elections less than a year away; President Jair Bolsonaro's approval ratings have gradually worsened ahead of October's presidential election, with a majority of Brazilians disapproving of his premiership. The worsening of the stability outlook, together with the rapid rise and fall of some leaders' popularity, suggests that the political landscape in many countries remains at least as uncertain, fragmented, and polarized as in the pre-Covid-19 world. This is the background against which several countries, including France, Brazil, South Korea, Sweden, Colombia, and the Philippines, will hold important presidential or parliamentary elections in 2022.

WHAT TO WATCH

Russia/Ukraine

Russia's actions will be closely watched this week as its armed forces are now positioned for a large-scale offensive on Ukraine, while its military is continuing drills in Belarus and the Black Sea. Diplomatic efforts to de-escalate the situation have been unsuccessful so far; all eyes are now on German Chancellor Olaf Scholz's visit to Moscow on 15 February. According to President Vladimir Putin's foreign policy aide Yuri Ushakov, Russia will "shortly" announce its actions, following the negative responses from the US and NATO to Moscow's key demands outlined in mid-December. Meanwhile, Russian state media is warning about an allegedly planned Ukrainian offensive on the self-proclaimed Donetsk and Luhansk people's republics controlled by Russian proxies in Donbas.

Hong Kong/China

A growing Covid-19 outbreak in Hong Kong is stretching local resources. Mainland China's government will support the city with additional testing, treatment, and quarantine capacity, senior Hong Kong officials said after meeting with mainland officials in Shenzhen on 11-12 February. Beijing can also ensure Hong Kong's supply of fresh food, after shortages appeared due to truck drivers' testing positive.

Poland/Hungary

On 16 February, the European Court of Justice (ECJ) is expected to dismiss legal claims brought by Hungary and Poland on the EU's new conditionality mechanism to protect the union's budget. Such a ruling would pave the way for the launch of a new mechanism, which would allow the European Council, acting by qualified majority, to suspend funding to any of its member states over breaches of rule of law or mismanagement of the bloc's funds. The long-standing concerns over the rule of law situation in Poland and management of the EU funds in Hungary put these two countries at particular risk of financial penalties.

ON THE HORIZON

ASIA PACIFIC

India

The biggest chunk of seats in Uttar Pradesh and the entire state of Punjab will go to the polls on 20 February. The results will be out on 10 March. Uttar Pradesh is currently held by the Bharatiya Janata Party, also in power in the federal government, while Punjab is ruled by the opposition Congress.

Japan

Fourth quarter GDP growth data will be announced on 15 February, with forecasts suggesting a 7% uptick (annualized). January's Consumer Price Index (CPI) data is due out on 18 February, with economists anticipating that

inflation will fall to around 0.3%, from 0.5% in December, although the underlying trend is still likely to remain upward due to the rising cost of imports.

EUROPE

Turkey

Starting from 14 February, the VAT on basic food products (including dairy products, fruit and vegetables) was reduced from 8% to 1%. In addition to the tax discount, President Tayyip Erdogan said the government “expects” companies to lower their prices by 7% to reflect the change.

UK/EU

Ahead of the joint committee meeting on 21 February, there is new momentum for progress on Northern Ireland. At last week’s high-level meeting between UK Foreign Secretary Liz Truss and European Commission Vice President Maros Sefcovic, the British side indicated greater openness to discussing the introduction of Irish Sea customs controls, likely reduced by trusted trader schemes and similar solutions.

LATIN AMERICA

Brazil

Against advice from diplomatic aids, President Jair Bolsonaro leaves for Moscow today, 14 February, to meet Russian President Vladimir Putin. The president seems to believe the trip will assist in maintaining his prestige at a time when he lags 11 percentage points in the polls behind former President Luiz Inacio Lula da Silva for the October 2022 elections. From Moscow, he will go to Budapest on 17 February to meet Hungarian President Viktor Orbán. In Brasilia, the Senate will push for the approval of a bill originated in the House to attenuate rising fuel prices and the public Accounts Court (TCU) will rule on whether a mistake was made in the calculation of the grant value for the privatization of Eletrobras - which could put at risk the completion of the process this year.

Mexico

President Andres Manuel Lopez Obrador (AMLO) is likely to remain under pressure after his truculent reaction last week to simultaneous political challenges. AMLO continues to face conflict of interest questions related to his son Jose Ramon Lopez Beltran. Meanwhile, US resistance to AMLO’s electricity market reform proposal intensified with a visit to Mexico by US Special Presidential Envoy for Climate John Kerry. AMLO sought to divert attention away from these pressures with a tried-and-tested tactic of antagonism: he first called for bilateral relations with Spain – the second most important source of foreign direct investment into Mexico – to be put on “pause” and then launched a scathing attack against the journalist who broke the revelations about AMLO’s son.

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