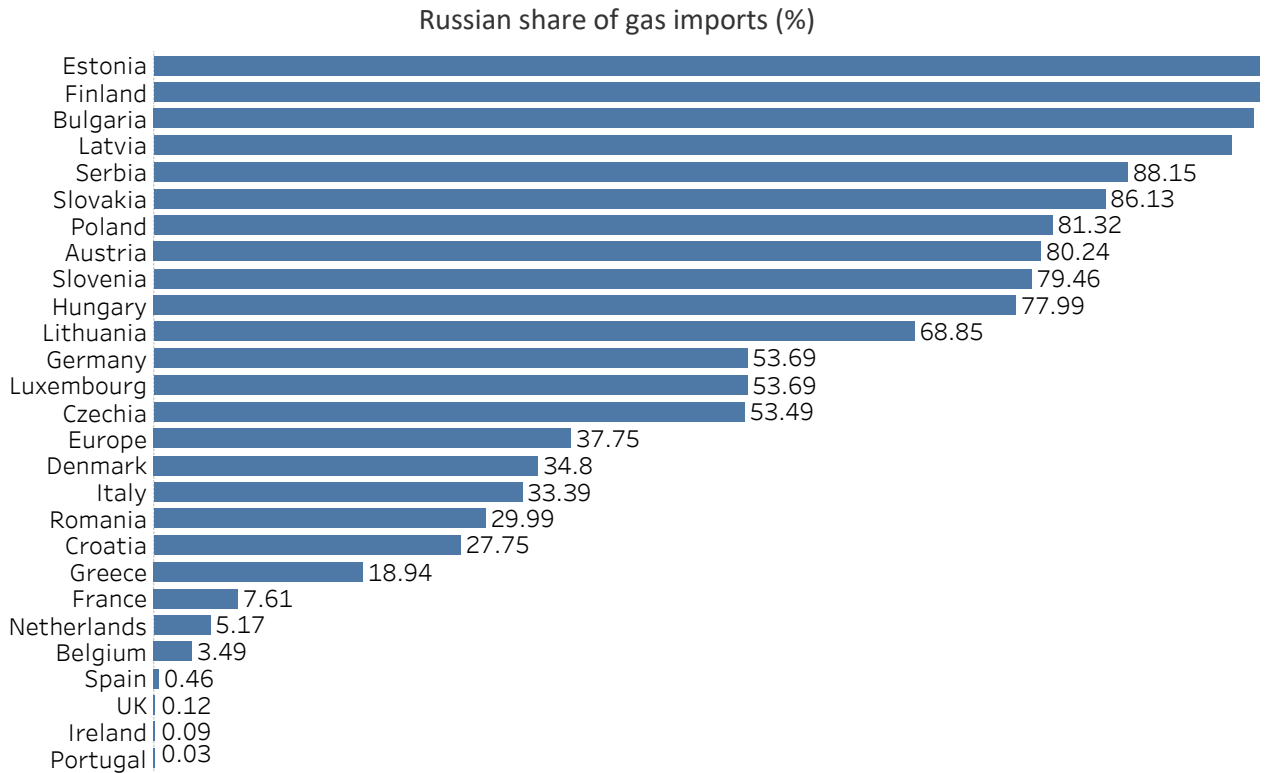


## WEEKLY POLITICAL COMPASS

Negotiations continue between Russia and **Ukraine**. The **Russian** government is preparing an economic support package. **China** is suffering its worst Covid-19 outbreak since Wuhan. Meanwhile, the Bank of **Japan** will hold a monetary policy meeting, **Turkey's** government is pursuing electoral reform, **Brazil's** government is focusing on rising fuel prices, and there remains speculation that the convention of a key party in **Nigeria** may be postponed again.

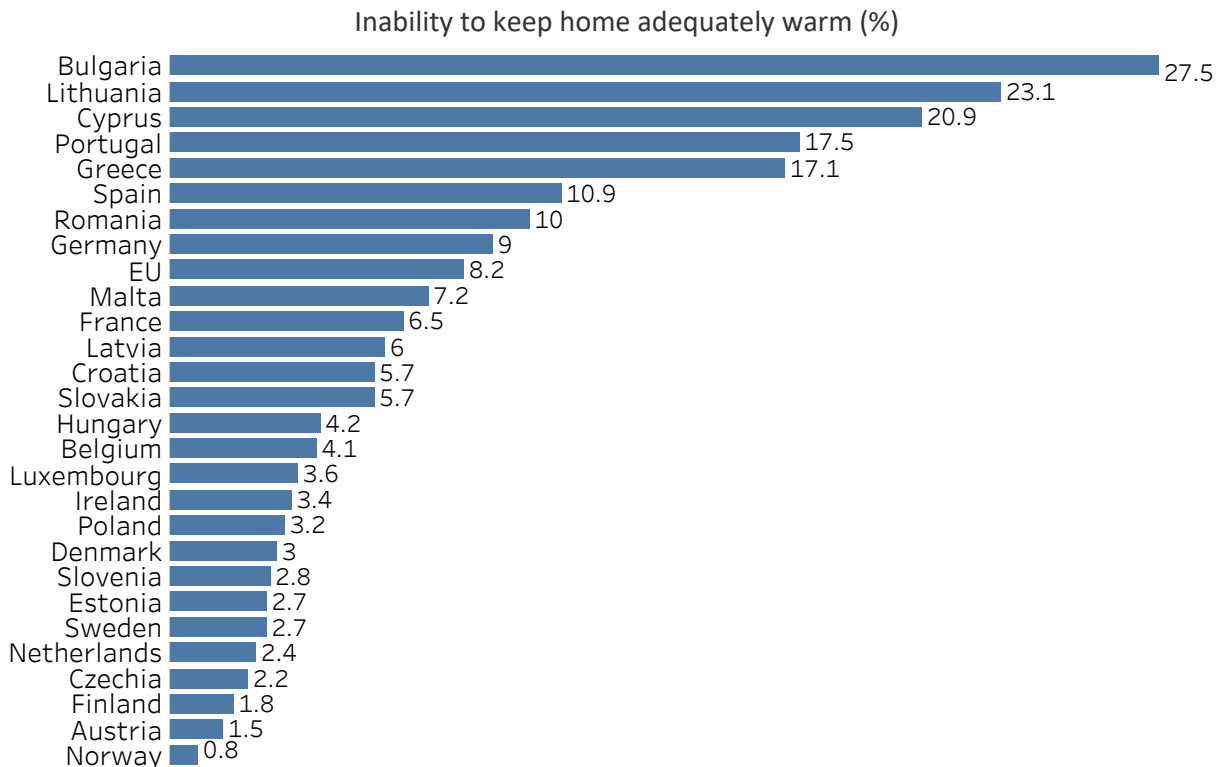
### CHART OF THE WEEK

## Europe's dependence on Russian gas varies importantly across countries



Source: Bruegel and Eurostat (2021)

## Rising electricity prices will affect the most vulnerable households



Source: Eurostat (2020)

Last week the European Commission presented its plans to reduce the **EU's dependence on Russian gas** by two thirds before the end of 2022. While this is an ambitious target, the EU is still falling short of the US and the UK's outright ban on Russian oil and gas imports. Those countries that are most dependent on Russian gas – including Germany, Hungary, Bulgaria, and Finland – have so far been opposed. However, in some countries, such as Poland, Slovakia and the Baltics, security concerns appear to outweigh economic ones: these governments have supported new sanctions on oil and gas against Russia, even if this might hurt their economies significantly. Against this backdrop, EU countries will continue facing difficult trade-offs between the security and the economic front.

## WHAT TO WATCH

### Ukraine

**Today, 14 March, the Russian and Ukrainian delegations are holding a fourth round of negotiations in video format.** Both sides indicate some progress in the talks, which could form the basis for an eventual ceasefire deal. However, the ongoing reinforcements and regrouping of Russian forces point towards further offensives on Ukraine's key cities, most notably the capital Kyiv, Kharkiv, Mariupol, Odesa and Zaporizhzhia. Recent missile strikes in Western Ukraine suggest that Russian forces are now actively targeting Western weapons supplies to Ukraine.

### Russia

**The government is preparing a third economic support package, which might be considered in the lower chamber of parliament (State Duma) at the end of the week.** It remains unclear whether the package will include the proposed legislation on the introduction of external administration in companies that have left the Russian market after 24 February. Finally, Russia's treatment of two coupon payments for Eurobonds on 16 March will be indicative of whether the country is moving towards a technical default.

### China

**China is suffering its worst Covid-19 outbreak since Wuhan in 2020, with 1,807 new locally transmitted symptomatic cases reported on 13 March, up from 476 a day earlier.** Three quarters of the new cases were in northeast China's Jilin province, but the southern technology hub of Shenzhen reported 60 cases and is on full lockdown, which could lead to supply chain problems.

## ON THE HORIZON

### ASIA PACIFIC

#### Japan

**The Bank of Japan will hold a Monetary Policy Committee (MPC) meeting on 17 and 18 March.** A change in policy would be a surprise, but the MPC's outlook for inflation and growth will be of interest.

#### Malaysia

**The United Malays National Organization (UMNO) and its National Front coalition won a two-thirds supermajority in the Johor state elections on Saturday, raising expectations that early elections will be called.** Ever since losing in 2018, UMNO has been under pressure to prove that it can reclaim the Malay vote, especially as other Malay-centric parties in its coalition – and not just the opposition – have attempted to cast doubt on its ability to again dominate Malaysian politics. Party leaders may now increase the pressure on Prime Minister Ismail Sabri Yaakob to call an early vote while UMNO has the apparent momentum, especially with the abysmal performance of the party led by former prime minister Mahathir Mohamad, which did not win a single seat despite competing in 42 districts.

## Philippines

**With eight weeks to go before the 9 May general elections, Ferdinand Marcos Jr. continues to hold a commanding lead.** The latest polls show him with 60% voter support, followed by Vice-President Leonor Robredo with 15%. The numbers have been relatively stagnant for Marcos' opponents, with none making substantial gains in the last few weeks that would be considered as indicating any momentum.

## **EUROPE**

### Turkey

**The AKP-led ruling coalition submitted on 14 March its draft proposal for a reform of the electoral law.** Consisting of 15 articles, the draft proposes to reduce the electoral threshold for entering parliament from 10% to 7%. The self-serving reform will reassure President Tayyip Erdogan's nationalist ally – MHP – after its support fell below the existing threshold. The move also confirms our long-held view that Erdogan is not considering holding early elections.

## **LATIN AMERICA**

### Brazil

**Following a 18.8% price rise for gasoline and 24.9% for diesel in refineries announced by Petrobras last week, the government will focus this week on measures to attenuate prices at the pump.** Last week, President Jair Bolsonaro sanctioned Complementary Law (PLP) 11, 2020, which allows the exemption of federal taxes and creates rules for the single-phase collection of the state value-added tax ICMS on fuels, to reduce the current cascade collection of the tax. The proposal was approved by 68 votes to one in the Senate and by 414 to 3 in the House. The Senate also passed another bill to change Petrobras' pricing policy and create a stabilization fund, but the bill may stall in the House. Congress will also meet on 17 March to continue to deliberate on presidential vetoes relating to the 2022 budget, a legal framework for startups, Eletrobras privatization and cabotage shipping. This follows the overturn of presidential vetoes on the refinancing of micro and small companies' debts and the project that guarantees the free distribution of sanitary pads to low-income women.

### Peru

**Congress is scheduled to vote today, 14 March, whether to admit a new impeachment motion against President Pedro Castillo.** A total of 52 votes are needed. However, Castillo said over the weekend that he wanted to make a direct address to Congress, something that could happen tomorrow, in which case the impeachment debate could be postponed. Castillo's move is probably designed to buy time and head off the threat against him. To impeach the president, 87 votes (two-thirds of Congress) are required. In the recent congressional vote to endorse the new cabinet, which was held last week, new fault-lines and fragmentation were in evidence, which makes it unlikely that this impeachment bid will prosper. However, successive congressional votes on Castillo's various cabinets do show that the tide of opposition to Castillo in Congress continues to gradually rise.

## **MIDDLE EAST AND AFRICA**

### Nigeria

**The governing All Progressives Congress (APC) will hold an emergency National Executive Council (NEC) meeting on 17 March.** This follows a recent controversy surrounding the interim leadership of the party's Caretaker/Extraordinary Convention Planning Committee (CECPC), which is responsible for organizing the National Convention, scheduled for 26 March. There remains speculation that the convention may be postponed again over persistent unsolved issues within the party – including the zoning of presidential candidates and the choice of national party chairperson.

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