

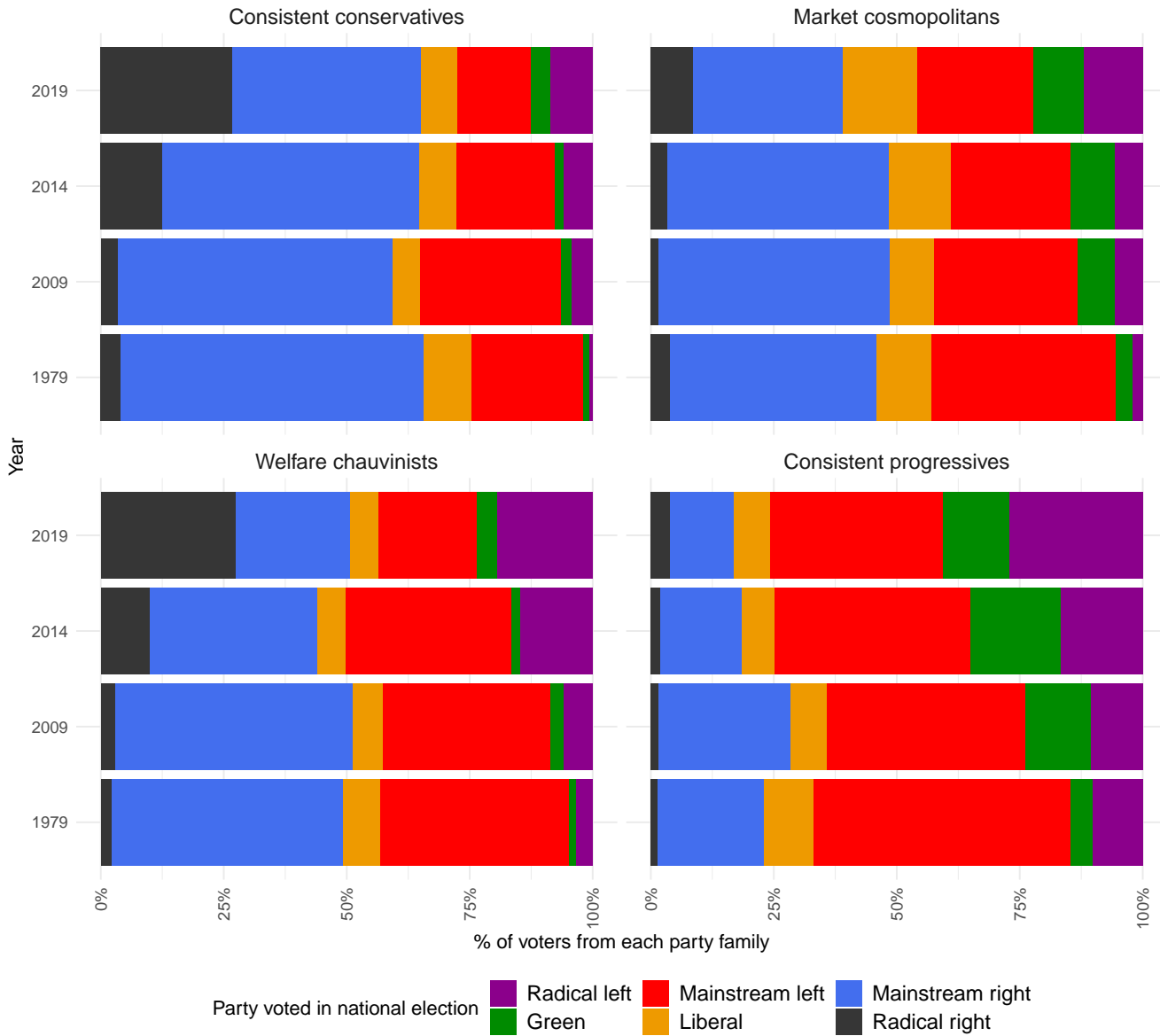
WEEKLY POLITICAL COMPASS

Russia's war on **Ukraine** is entering a new phase. Voters in **France** will go to the polls in the second round of the presidential election. Manufacturers in the **Chinese** city of Shanghai are beginning to reopen after the lockdown. Meanwhile, the **British** PM will visit **India**, parliamentary elections will be held in **Slovenia**, **Argentina's** finance minister is in Washington for the IMF spring meetings, and **South Africa's** president is trying to respond to the devastating floods.

CHART OF THE WEEK

How different types of voters behave electorally

Market cosmopolitans and welfare chauvinists are increasingly important in contemporary politics



Source: European Election Studies 1979, 2009, 2014, and 2019.

The survey includes data from 12 western European countries.

Two camps of voters are of increasing importance in rich democracies: market cosmopolitans and welfare chauvinists.

Market cosmopolitans tend to be progressive on sociocultural issues, such as European integration, environmental policies, or same-sex marriage, while economically liberal and supportive of business-friendly policies. The opposite is true for welfare chauvinists, who are against cosmopolitan values and norms, but want governments to play a bigger and more protective role in the economy. In France, President Emmanuel Macron's and radical right candidate Marine Le Pen neatly represent these opposite ideological camps. The chart above shows that both market cosmopolitans and welfare chauvinists are divided between the left and the right ideological blocs, although the former tend to vote for centrist options in a higher proportion than the latter. Meanwhile, traditionally left-wing (consistent progressives) and right-wing voters (consistent conservatives) are still a sizable part of the electorate in rich democracies. Rather than a full replacement of the traditional left-right cleavage, the coming years will feature a heterogeneous electoral landscape where the old and the new coexist.

WHAT TO WATCH

Russia/Ukraine

Russia's intensifying attacks on Donbas mark the beginning of a new phase of the war. Moscow will attempt to take full control of the Luhansk and Donetsk regions and, likely, establish a land corridor from Russia to Crimea. At the same time, missile strikes will likely continue against critical infrastructure, military, and civilian targets across Ukraine. Fighting can be expected to be intense, and no de-escalation is likely at least until Moscow achieves its military objectives. If Russia's offensive stalls, Moscow might step up threats to the West to halt the supply of weapons to Ukraine or even resort to the use of unconventional weapons in Ukraine.

France

Ahead of the second round of the presidential election on 24 April, President Emmanuel Macron and radical right candidate Marine Le Pen will face off in a televised debate on 20 April at 9pm local time. Around 30% of respondents to an ELABE poll have suggested that the event will influence their decision regarding who to vote for on Election Day. Macron remains likely to be re-elected this Sunday unless he completely fumbles the debate or a last-minute scandal hits the incumbent president.

China

A few manufacturers in Shanghai began resuming production on 18 April after a weekslong lockdown. Last week the central government approved a "white list" of 666 companies in Shanghai in the first phase of re-opening, including Tesla, Volkswagen, semiconductor manufacturers, and some medical companies.

ON THE HORIZON

ASIA PACIFIC

India

British Prime Minister Boris Johnson will be in India on a two-day trip starting 21 April. This will be his first New Delhi visit since he became PM. His first stop will be Gujarat, ancestral home of around half of the British-Indian population in the UK. He will then travel to Delhi to review the Indo-British strategic, defense, diplomatic and economic partnership, including Free Trade Agreement negotiations launched earlier this year. Discussions on ways to counter China, as well as the Russia-Ukraine war, will be on the agenda. India and Britain have diverging views on both.

EUROPE

Slovenia

The 24 April parliamentary election will see a close race between the ruling right-wing Slovenian Democratic Party (SDS) and the center-left opposition Freedom Movement (GS). Neither of the top two contenders is likely to win an outright majority of seats in parliament, making the formation of the new government dependent on cooperation with multiple smaller parties. Overall, the center-left parties are expected to win slightly more mandates and have a good chance to unseat the center-right coalition led by Prime Minister Janez Jansa (SDS). However, government formation might be lengthy, while any broad coalition government will be prone to instability.

LATIN AMERICA

Argentina

Teneo

Finance Minister Martin Guzman is in Washington DC this week for the International Monetary Fund (IMF)'s Spring Meetings; the visit will be the prelude to the first IMF program revision scheduled for May. Worsening inflation is likely to be top of the agenda in discussions between Guzman and the IMF's Kristalina Georgieva after it was confirmed last week that the monthly inflation rate for March was 6.7%, or 16.1% for Q1/2022, the highest level since the early 1990s. At 48%, the upper limit inflation target contained in the IMF refinancing agreement sealed last month already looks unachievable. Meanwhile, the government continues to struggle to come up with a credible anti-inflation plan beyond piecemeal, palliative measures, more of which were announced yesterday.

Brazil

President Jair Bolsonaro needs to deal with the rejection of a proposed 5% hike in public servant wages. The draft 2022 budget law agreed at the end of last year foresaw BRL 1.7bn (USD 370mn) in wage adjustments exclusively for security forces, which caused a strong reaction from other segments of public service. Central Bank and Internal Revenue Service workers have now joined the security forces in rejecting the 5% proposed by the government. The government had already increased the overall value in the budget by BRL 10bn (USD 2.2bn) but will still need to adjust it to avoid an intensification of protests.

MIDDLE EAST AND AFRICA

South Africa

President Cyril Ramaphosa's in-tray this week is dominated by the response to devastating floods in KwaZulu-Natal province. To date, more than 440 lives have been lost, some 4,000 homes destroyed, and roads and bridges wrecked; Durban's port container terminal has been heavily disrupted. Fiscally, the latest disaster will cost at least ZAR 1bn in relief. Politically, the governing ANC in KZN will face fresh governance questions, including over disaster preparedness. Broader pressures are also mounting: inflation data due on Wednesday might breach the upper-bound inflation target of 6% for the first time since 2017.

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

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