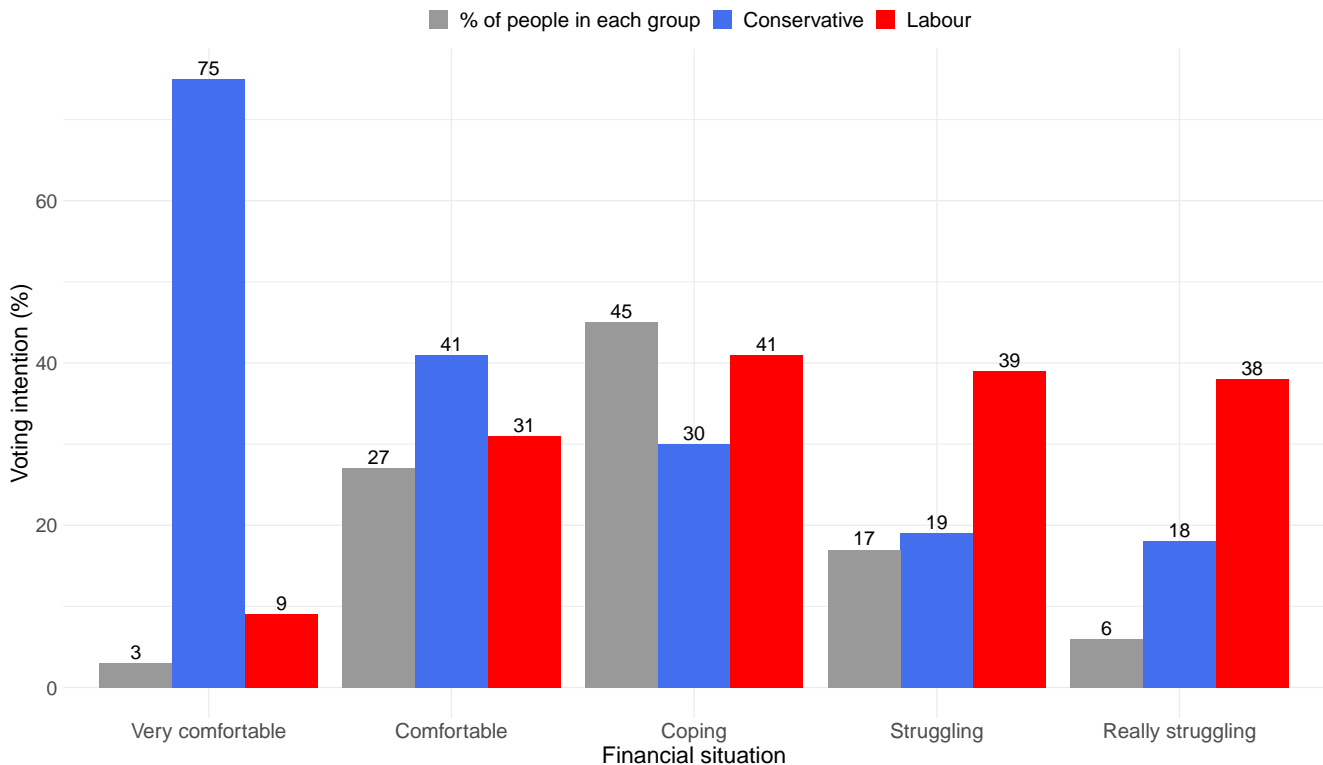


WEEKLY POLITICAL COMPASS

The **EU** has agreed on a gradual oil embargo against Russia. In **China**, Shanghai will lift most Covid-19 restrictions. Fuel prices are due to increase in **South Africa**. Meanwhile, local elections will be held in **South Korea**, **Turkey's** government is tightening its grip on the media, gubernatorial elections will take place in **Mexico**, and concerns are mounting about **Nigeria's** independent electoral commission.

CHART OF THE WEEK

The UK's Labour Party has an advantage among those struggling economically



Source: Opinium Research. 2000 UK adults. Fieldwork: 25–27 May 2022

The opposition **Labour Party** is leading UK polls with around 40%. Labour's performance is particularly strong among those voters suffering the most economically and who are likely to be most hit by the cost-of-living crisis. Among those who say to be "struggling" or "really struggling" (23% of voters in total), around 40% would vote Labour, while less than 20% would vote Conservative. In a context of increasing economic hardship, the Conservatives might struggle if they do not manage to appeal (again) to these voters. Therefore, the UK's economic performance over the next 12 months will be politically crucial. At the same time, increasing attention should be paid to smaller parties, such as the Liberal Democrats and the Greens, who could make further inroads into high-educated and economically secure constituencies unwilling to vote for the Conservatives.

WHAT TO WATCH

EU

After weeks of difficult negotiations, EU leaders have agreed on a gradual ban on oil imports from Russia. Hungary and other Central and East European countries ensured that the embargo excludes oil delivered through pipelines for now. As there is no agreed timeframe for a full embargo, this might enable Hungary to keep pushing for further concessions in the future. The Commission's weak handling of the issue – announcing the plan for an embargo before having ensured unanimous support from member states – acts as a warning sign on sanctions politics going forward.

China

Shanghai will lift most Covid-19 lockdown restrictions beginning on 1 June, allowing businesses to open without special permission and resuming public transport service. The city government also announced a package of 50 policy measures to support the economy, including accelerated infrastructure investment, instructing banks to renew loans to small and medium-sized businesses, and incentives for household consumption.

South Africa

Fuel prices are due to increase on Wednesday, 1 June. The government's ZAR 1.50 per liter temporary reduction in the general fuel levy ends on 31 May, but there are expectations that Finance Minister Enoch Godongwana may extend the holiday or announce other measures to lessen the impact of high fuel prices on consumers. Fuel prices represent a worrying driver of food inflation and other price increases, rising wage demands and strike risks, and possible fresh bouts of social unrest.

ON THE HORIZON

ASIA PACIFIC

Australia

Labor has secured a majority in the House of Representatives as counting continues following the federal election on 21 May. Prime Minister Anthony Albanese's government now holds 77 seats in the lower house (out of 151). Results for the half-Senate election also held on 21 May are still being calculated. Labor will not hold a majority in the upper house but will need to work closely with The Greens in particular, who are predicted to win around 12 seats in the Senate. The composition of parliament has placed the government well to pursue stronger action on climate change, but Labor already had to resist calls from The Greens and climate-focused independents to do more.

Japan

The government on 1 June will double the daily cap on international arrivals to 20,000. It will also relax Covid-19 testing and quarantine rules for most inbound Japanese nationals and non-tourist foreign citizens. A handful of tourists on tightly regulated package tours may enter the country from 10 June, though a full reopening is unlikely until after the Upper House elections expected for 10 July.

South Korea

Local elections on 1 June will provide an early test for new conservative president Yoon Seok-young less than a month after taking office. Yoon's People Power Party (PPP) lacks a majority in the National Assembly and will be hoping for victories in mayoral, gubernatorial and other races in Seoul and elsewhere to give momentum to the new administration.

Thailand

Parliament will start to debate the 2023 budget this week, and there is some speculation that the smaller parties might not stand with the coalition during its first reading – threatening a government collapse. The opposition For This party of former prime minister Thaksin Shinawatra has already said it would not vote for the budget. However, talk of the smaller parties similarly breaking off and acting as the swing vote are more likely posturing by some politicians seeking to increase their bargaining power within the coalition rather than a real possibility.

EUROPE

Turkey

The Justice and Development Party (AKP)-led ruling coalition has submitted last week a bill against “digital disinformation.” The draft law, which is expected to be approved soon, defines “spreading misinformation on purpose” as a crime incurring a jail sentence between one and three years. In addition, the legislation aims to shackle alternative online news sites by enforcing strict registration. The initiative is part of the government’s long-standing and wider drive to tighten its grip on the media and throttle dissent ahead of the 2023 elections.

LATIN AMERICA

Brazil

Draft constitutional amendment 110 (PEC 110) on a tax reform may be voted on this week in the Senate. The draft includes 68 of 252 proposals for modification of the original text but the intention is not to add new adjustments to avoid further delays in the voting. There is great dissent between institutions representing big and small municipalities in relation to the effect of PEC 110 as currently drafted. Municipalities of more than 80,000 inhabitants claim that the draft would incur municipal tax (ISS) revenue losses of more than BRL 354bn (USD 75bn) in 15 years. Small municipalities regard the current text as biased in favor of 30 cities that concentrate 60% of all ISS-generated revenue. On the electoral front, a new poll (BTG-FSB) shows that Lula would only lose to Bolsonaro (34x45%) in the Southern region of the country (15% of the electorate) and among those with incomes higher than five minimum wages (33x45%).

Mexico

Gubernatorial elections take place in six states on 5 June. The governing National Regeneration Movement (Morena) is set to gain four or possibly five of them. Aguascalientes, currently governed by the opposition National Action Party (PAN), looks set to remain in PAN hands. The Institutional Revolutionary Party (PRI) could be the biggest loser if, as appears likely, it loses Hidalgo and Oaxaca. Four or five state wins would boost President Andres Manuel Lopez Obrador (AMLO) ahead of two further state elections next year and the 2024 presidential race. Four or five defeats next Sunday would also be a blow for the *Va por Mexico* opposition alliance comprising the PAN, the PRI, and the smaller Party of the Democratic Revolution (PRD) as the coalition seeks to demonstrate that it is a competitive option for the presidency in 2024.

MIDDLE EAST AND AFRICA

Nigeria

Concerns are growing on whether the independence of the Independent National Electoral Commission (INEC) has been compromised. This follows a last-minute U-turn on 27 May by the electoral body on its earlier decision to not extend a 3 June deadline for political parties to hold their party. The commission has now set a new deadline of 9 June for all parties to conclude their intra-party elections, a decision which it said it made following further appeals by the Inter-Party Advisory Council (IPAC), an umbrella body for the 18 registered political parties in Nigeria. However, many believe that the change of dates was primarily done to accommodate the governing All Progressive Congress (APC), which is rumored to be battling internal divisions over its upcoming presidential primaries, the schedule for which it has moved from the earlier scheduled 29 and 30 May to 6 June.

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