

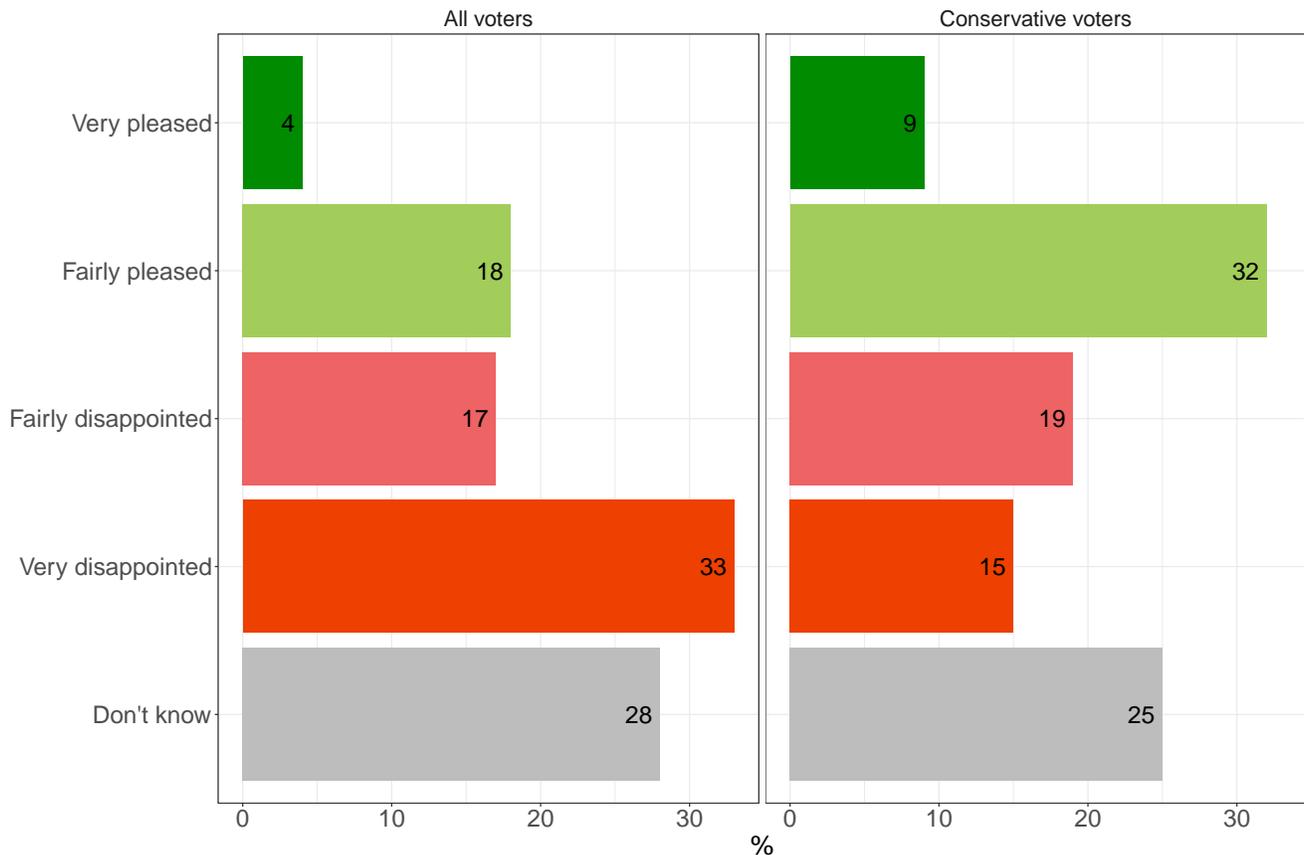
## WEEKLY POLITICAL COMPASS

EU energy ministers will likely move further towards an electricity price cap. Elections will be held on various sub-national levels in **Russia**. New lockdowns will deal a fresh blow to **Chinese** household consumption. **Kenya's** supreme court has rejected the appeal against the presidential election results. **Nigeria** will not go ahead with plans for an excise duty on telecommunications services. Meanwhile, **Japan** will further ease international travel restrictions, voters are going to the polls in **Sweden**, a new constitution is still in prospect in **Chile**, and branches of **South Africa's** ruling party will begin nominating contenders for the top leadership.

### CHART OF THE WEEK

#### Liz Truss's premiership faces a skeptical electorate

Q: "How pleased or disappointed are you that Liz Truss will be the next prime minister?"



Source: YouGov (5 September 2022). 2488 GB adults surveyed

The Queen has formally appointed **Liz Truss as head of government** today, 6 September. Given concerns about the monarch's health, the 15th prime minister of the Queen's 70 years' reign was the first to be appointed at her Balmoral residence in Scotland, rather than at London's Buckingham Palace. The key policy question is how quickly Truss begins rowing back on campaign promises for tax cuts, instead rolling out substantial handouts to support Britons in the cost-

of-living crisis. As this politically painful process plays out, about half of the UK's electorate is disappointed with Truss's win. The lack of enthusiasm about her premiership is also observed among conservative voters: around 35% of them are disappointed with this outcome. At the same time, one quarter of the total electorate, as well as a similar share of conservative voters, are still undecided.

## WHAT TO WATCH

### EU

**The inflation and energy crises will remain the center of attention this week.** Energy ministers will gather for an emergency council meeting in Prague on 9 September. Following a German change of heart, and with Nord Stream 1 deliveries on hold for longer, progress towards a (partial) power price cap, financed by national windfall taxes, is likely. In contrast, fundamental electricity market redesign will likely remain a longer-term conversation. Meanwhile, all eyes will once again be on the ECB's governing council meeting on 8 September, after the Bank took many commentators by surprise with its larger-than-expected rate hike in July.

### Russia

**On 9-11 September, various local-, municipal- and regional-level votes will be held in 82 out of the country's 85 constituent entities.** Given the extremely repressive and non-transparent political environment, candidates nominated or supported by the ruling United Russia (UR) party are expected to win the vast majority of contests. Still, the outcome of the votes, turnout, and any potential demonstrations might offer some insights into the public sentiment across Russia. Meanwhile, on 7 September, President Vladimir Putin is set to address the participants of the annual Eastern Economic Forum in Vladivostok. According to the Kremlin, Putin's speech will focus on international economic and political trends in the context of the development of the Far Eastern Federal District.

### China

**Over 30 cities with a combined population of around 65mn are under some form of Covid-19 restriction.** This includes Shenzhen and Chengdu, as China struggles to persevere with "dynamic zero" amid a new Covid-19 wave. The new lockdowns will deal a fresh blow to household consumption, but in recent months authorities have [refined the policy](#) to minimize the impact on manufacturing.

### Kenya

**On 5 September, the Supreme Court unanimously and roundly rejected the appeal against the results of the presidential election.** The ruling wraps up a tense and tightly fought election cycle and clears the path for president-elect William Ruto to be sworn in on 13 September. The court process is encouraging in that legal battles – rather than street protests – are an increasingly established norm to contest election results. In office, Ruto has promised to revive the economy but will confront the immediate challenge of a simultaneous public finance crisis and cost-of-living crunch.

### Nigeria

**Following strong industry opposition, the government has announced an immediate suspension of an earlier mooted 5% excise duty on telecommunications services.** The Minister of Communications and Digital Economy, Isa Ali Pantami, confirmed the government U-turn stating that the telecommunications industry was already burdened by "over taxation". However, given Nigeria's fiscal fortunes, it is likely that this is a proposal that may again return to the forefront of debates – if not under President Muhammadu Buhari's administration, then likely under a new government next year.

## ON THE HORIZON

### ASIA PACIFIC

Teneo

## Japan

**The government will further ease international travel restrictions from 7 September.** Pre-departure Covid-19 testing requirement for triple-vaccinated travelers will end, the daily arrivals cap will rise from 20 to 50,000, and though travelers will still be required to come as part of package tours, these will no longer require a dedicated guide. The influential business federation Keidanren has called on the government to also allow independent travelers, who typically would account for about 80% of international visitors.

## Thailand

**The constitutional court may rule on 8 September on the question of how to compute Prime Minister Prayuth Chan-ocha's term-limit based on the 2017 constitution.** There are three possible outcomes. The first is that Prayuth has already breached the eight-year limit for a PM, in which case his 24 August suspension becomes permanent. The second and third – which is that the computation of the eight-year period started either in 2017 when the constitution was approved or 2019 when he was elected – would allow him to stay in office until elections are held next year at the latest.

## **EUROPE**

### Germany

**The government coalition has agreed on its third economic support package since the outbreak of the Ukraine war, expected to amount to at least EUR 65bn.** Apart from one-off payments to vulnerable middle-class groups including pensioners, students, and families with children, the central element will be a partial energy price cap along the lines of plans currently discussed on the EU level. In the 7 September Bundestag budget debate, fiscally conservative Finance Minister Christian Lindner will highlight that thanks to an envisaged windfall tax, the new package does not endanger the envisaged 2023 return to the “debt brake”.

### Greece

**Prime Minister Kyriakos Mitsotakis will unveil a new relief package during his policy speech at the Thessaloniki International Fair on 10 September.** The main element will be an electricity subsidy and possibly, depending on the fiscal space left, a heating subsidy. The government hopes that the announcement will shift the attention away from the ongoing phone-tapping scandal which has resulted in New Democracy's popular support dipping and the PM's ratings also taking a hit.

### Sweden

**Voters will go the polls in general elections on 11 September.** The Social Democrats of incumbent PM Magdalena Andersson are expected to defend their position as strongest party, lasting for more than a century. However, coalition politics remain tricky. Andersson will likely have to try bridging substantial differences between her potential center-right and post-communist partners. The far-right Sweden Democrats are expected to become second-strongest force, as concerns over shootings and gang violence are growing in the previously low-crime country. On its trajectory into NATO, Sweden might continue to be led by a government with wobbly support in parliament.

## **LATIN AMERICA**

### Chile

**The central question stemming from the 4 September referendum in which voters emphatically rejected the draft new constitution is how to pursue a reform process that produces a more balanced outcome.** A new constitution is still in prospect because the “reject” campaign was predicated on maintaining the push for constitutional reform. Some signals of how a new, better designed reform process might advance could emerge today, 6 September, as President Gabriel Boric and parties from across the political spectrum meet. While there has been talk of a new agreement by

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11 September, the anniversary of the 1973 coup that brought Gen. Augusto Pinochet to power, this may be optimistic, especially since the hastily conceived 2019 agreement for a new legal framework is seen as contributing to the failed re-write process. A cabinet reshuffle will also take place today; a politically weakened Boric is expected to promote centrists at the expense of some of his closest – but severely discredited – allies.

## MIDDLE EAST AND AFRICA

### Angola

**On 1 September, the main opposition party UNITA lodged a legal challenge against the outcome of the recent elections.** The National Electoral Commission (CNE) declared the ruling MPLA as the winner with a final tally of 51.17% votes vs 43.95% for UNITA. The legal challenge stands little chance given the partisan court system. Nevertheless, the close result – the worst in the MPLA's history – and growing discontent could fuel a trend towards dissent and protests, and growing repression in response.

### South Africa

**On 7 September, the ANC's branch nominations process opens ahead of the party's national conference in December.** Branches will begin nominating contenders for the ANC's top leadership roles, which will then be consolidated within ANC regional and provincial structures. The process will be closely scrutinized for any signs that internal opposition against President Cyril Ramaphosa's re-election could be strengthening. Just as important will be the nominations for deputy president, given Ramaphosa's Phala Phala scandal and the ANC's declining fortunes ahead of the 2024 national elections.

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