

## WEEKLY POLITICAL COMPASS

Welcome to this edition of the Weekly Political Compass from Teneo's political risk advisory team.

This week, we are taking a closer look at monetary policy in **Nigeria**. Meanwhile, election campaigning will end in **Indonesia**, the leaders of **Russia** and **Turkey** will meet, **Argentina's** lower house will begin debating the government's bill of reforms, and **South Africa's** president will deliver the annual state of the nation address. Our graph of the week zooms in on **popular support for institutions of liberal democracy**.

Should you have questions or wish to discuss any of these stories in greater detail, please do not hesitate to reach out to us!

### GLOBAL SNAPSHOT

The head of the Central Bank of **Nigeria** (CBN), Yemi Cardoso, has provided the first clue of a possible hawkish stance at the next monetary policy committee (MPC) meeting scheduled for 26 and 27 February. Our West Africa expert **Manji Cheto** analyzes the situation.

#### What motivated the comments?

Cardoso's comments come after heightened public concerns over the rapid depreciation of the naira. Over the past week, the currency plunged by over 10% of its value against the USD before appreciating to NGN 1,440/USD on the black market on 2 February.

#### What has the policy response been?

The CBN announced a series of interventions aimed at further liberalizing the exchange rate to improve market confidence and attract more FX inflows – the shortage of which many financial analysts believe to be responsible for the naira's weakness. Cardoso also hinted that "too much liquidity had been injected into the economy in a relatively short space of time". This statement clearly suggests an increase in the benchmark interest rate at the next MPC meeting.

### WHAT TO WATCH

#### ASIA PACIFIC

##### China

**Geely launched 11 satellites into orbit for use with autonomous vehicles, part of the Chinese automaker's plan to launch 72 satellites by 2025.** Separately, a privately-owned company, China Rocket Co, launched nine commercial satellites on Saturday using the Jielong-3, a reusable launch vehicle that offers launch services at competitive cost. President Xi Jinping has called for expansion of the commercial space sector.

##### Indonesia

**The campaigns for the 14 February elections will end on 10 February, with defense minister Prabowo Subianto the overwhelming favorite to place first.** The main question is whether he can surpass the majority threshold that would allow

him to win the presidency outright next week and avoid a 26 June runoff. The third and last presidential debate was held on 4 February and was much more subdued than the previous two; our sense is that it is unlikely to have shifted the numbers much for Prabowo in either direction. A high turnout by younger voters would benefit Prabowo. There is also speculation in Jakarta that President Joko Widodo might openly endorse the defense minister if survey numbers show him as only being a percentage point or two short of this majority. The other key data point is who his second-round opponent might be, with survey data over the past two months show former Jakarta governor Anies Baswedan as overtaking former Central Java Governor Ganjar Pranowo.

## EUROPE

### Azerbaijan

**President Ilham Aliyev is set to win early presidential elections scheduled for 7 February and extend his 20-year rule (at least) for another seven-year term.** Regular presidential elections were originally scheduled for October 2025, but the president moved the vote to an earlier date without providing a clear reason. It is widely believed that Aliyev is seeking to take advantage of his increased popularity following the takeover of Nagorno Karabakh last September. The pre-election period was marked by a crackdown on independent and opposition-linked journalists, while the two largest opposition parties are boycotting the vote calling it “an imitation of democracy”.

### Slovakia

**Prime Minister Robert Fico (Direction – Social Democracy, SMER SD) expects parliament to adopt legislative bills dismantling the Special Prosecutors Office (SPO) and amending the penal code via a fast-track procedure this week.** The proposed changes have triggered mass protests across the country and attracted criticism from Brussels over the rule of law and corruption concerns. If adopted, President Zuzana Caputova (independent, linked to the opposition Progressive Slovakia) would likely send the bills back to parliament for reconsideration, but her “veto” can be overridden by an absolute majority of MPs. The reforms might lead to the opening of an infringement procedure by the European Commission and, possibly, the suspension of EU funds.

### Turkey

**The pro-Kurdish Peoples' Equality and Democracy (DEM) Party is expected to announce the name of its Istanbul candidate by 9 February.** Unlike in the 2019 local elections, the pro-Kurdish party has decided to field a candidate, a move that could sway the Istanbul race in favor of President Tayyip Erdogan's candidate, Murat Kurum. As Kurds make up roughly 11% of voters in Istanbul, the fielding of a strong candidate, such as Basak Demirtas (the wife of jailed Kurdish leader Selahattin Demirtas), would make it harder, if not impossible, for mayor Ekrem Imamoglu to win a second mandate. Regaining the control of Turkey's economic powerhouse is key for Erdogan's plan to extend his grip on power.

### Turkey/Russia

**Russian President Vladimir Putin is expected to visit Turkey on 12 February to meet his counterpart Tayyip Erdogan.** Turkey, which would be the first NATO member that Putin visits since early 2020, last month finally approved Sweden's entry into the Atlantic alliance. The two leaders last met in September 2023 in Sochi. The wars in Ukraine and Gaza, Black Sea trade routes, energy and Syria will likely be on the agenda. Turkey has close economic ties with Russia, particularly in tourism, gas supplies, grain and other agricultural trade. However, the two countries are on opposite sides in Syria, with disagreements over the presence of outlawed Kurdistan Workers' Party (PKK) militants in north-east Syria.

## LATIN AMERICA

### Argentina

**The lower house will debate the government's omnibus bill of reforms article-by-article starting on 6 February.** Last week President Javier Milei secured a vital general vote in favor of the diluted bill with 144 votes out of 257, a major achievement considering that the governing Liberty Advances (LLA) party only numbers 37 in the lower house. However, the approval process is far from complete, and the next stage of voting will be crucial to determining the bill's final shape. Unofficially, some within the LLA have suggested the process may drag on into the second half of this week. Milei needs the bill to advance to help convince public

opinion that reforms are on their way despite the highly challenging economic backdrop; electricity tariffs are supposed to go up by more than 200% this month as the government cuts costly energy subsidies. Once the lower house approves the bill, it would move to the senate, where LLA only has seven out of 72 seats.

## Brazil

### **Congress resumes work this week after summer recess with relationship with the government at the top of the agenda.**

House Speaker Arthur Lira has reportedly told presidential advisors that without the replacement of Institutional Relations Minister Alexandre Padilha there will be little chance of progress in advancing government priorities in Congress. The dissatisfaction refers exclusively to Padilha by virtue of his role as main government articulator with Congress. It is a known fact that Congress disliked a presidential veto against BRL 5.6 billion (US 1.14 billion) in "parliamentary amendments" - i.e., direct transfers from the government to individual parliamentarians. The veto represents about ten percent of the overall record value approved for such amendments (BRL 53 billion or USD 11 billion). Padilha's replacement, which is still unlikely to occur even after further negotiations, should not stop Congress from overriding the veto unless the government presents an acceptable plan to restore or restructure the amendments. The congressional year starts with yet another episode of cross-branch skirmishes.

## **MIDDLE EAST AND AFRICA**

### Namibia

**President Hage Geingob passed away from cancer on 4 February.** VP Nangolo Mbumba has been sworn in as his replacement, and has appointed ruling party SWAPO's VP Netumbo Nandi-Ndaitwah as the new vice president. While Geingob's passing may reignite factional tensions, Nandi-Ndaitwah now holds both VP portfolios and is SWAPO's designated presidential candidate for the November 2024 elections.

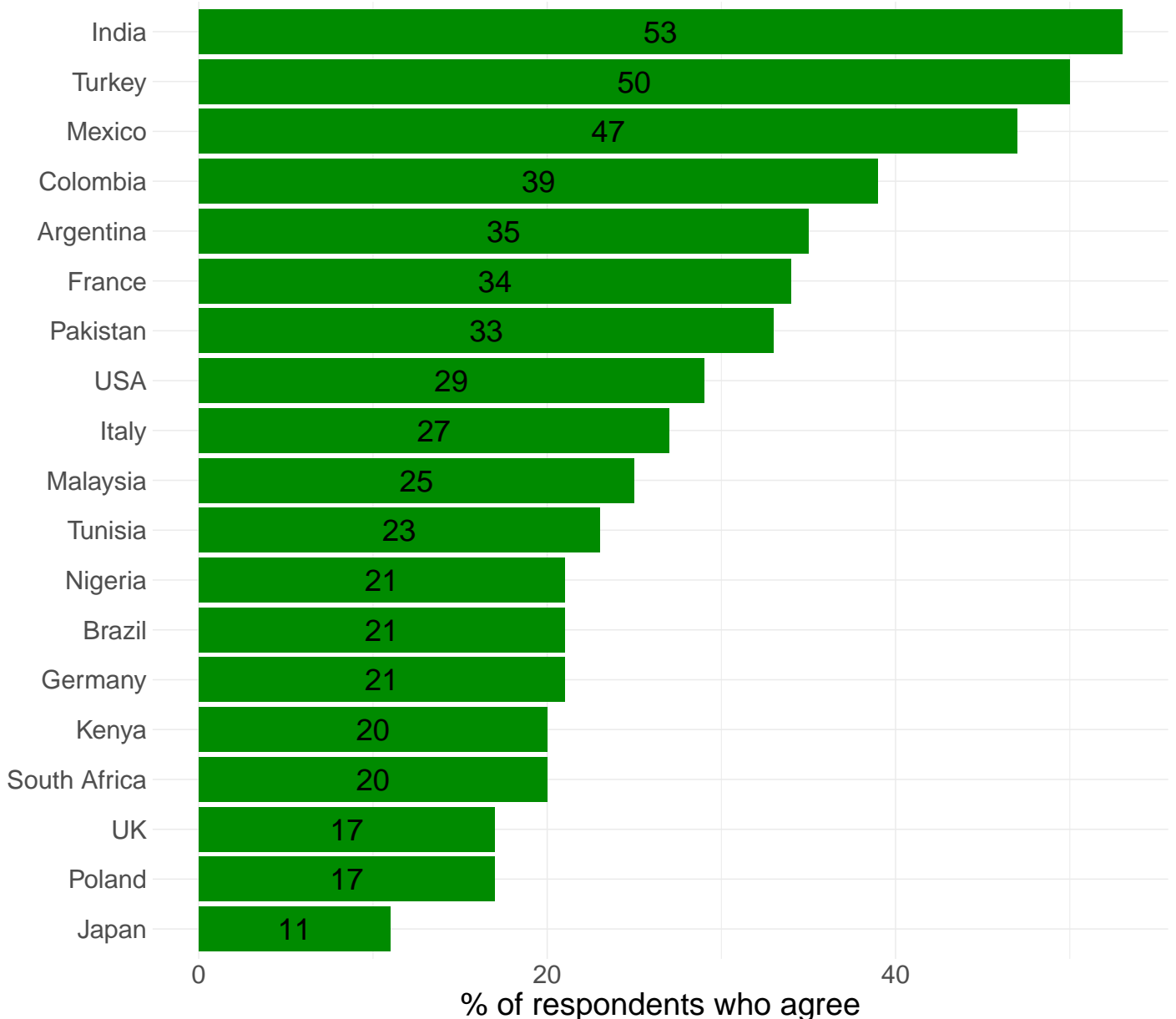
### South Africa

**President Cyril Ramaphosa will deliver the annual State of the Nation Address (SoNA) on Thursday, 8 February.** While major announcements are unlikely, the address will be scrutinized for any political and policy signals ahead of the crucial 2024 elections. Ramaphosa might announce the election date and perhaps clarify the leadership succession at the South African Reserve Bank.

## **GRAPH OF THE WEEK**

## Some citizens support strong, nondemocratic leaders

*'Having a leader who does not bother with parliament or elections is a good way of running the country' (%)*



Source: Open Society Foundations (May–July 2023)

An important share of the population is **not particularly supportive of key institutions of liberal democracy**, such as parliaments and elections. This is particularly important in a year in which more than 40% of the world's population is eligible to vote in an election. Indifference towards democratic institutions appears particularly strong in India, Turkey, Mexico, or Argentina, as well as in some advanced economies, such as France, the US, and Italy. Most interestingly, the same survey shows that younger voters across the globe are more supportive of leaders that "do not bother" with elections and parliaments. At the same time, younger voters in Europe appear increasingly polarized between supporters of more radical right parties and new left, green-focused parties.

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