

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 ongoing protests in **Kenya**. Meanwhile, **Japan's** currency faces an important week, **Italy's** PM is visiting **China**, **Venezuela's** election result contradicts all credible polling before the vote, and nationwide protests are ahead in **Nigeria**. Our graph of the week zooms in on **educational and skills mismatches in Europe**.

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

In **Kenya**, President William Ruto's latest cabinet nominations have received mixed reactions after weeks of protests against highly controversial tax proposals. Our Africa expert [Anne Frühauf](#) analyzes the situation.

Has the cabinet list appeased the protestors?

Mass demonstrations had forced Ruto to scrap the tax proposals and on 11 July he sacked almost his entire cabinet, but he has now re-nominated several sacked ministers while also naming four candidates from the official opposition. Despite the attempt to broaden the government, recent protests have been led by *Gen Z* protestors, not the official opposition.

What is the outlook for the region going forward?

Ruto's government will face a continued legitimacy problem as a result and likely continued fiscal and debt struggles. The emergence of Kenya's protest movement has raised questions about the possibility of an "African spring", not only in Kenya but possibly in other African markets.

WHAT TO WATCH

ASIA PACIFIC

South China Sea

The Philippines completed a mission to resupply troops stationed on a [beached naval vessel](#) near Second Thomas Shoal without incident on Saturday. However, on Sunday Manila disputed Beijing's claim that China's coast guard had been notified in advance of the mission and had inspected the ship's contents. China's foreign ministry said the notification had occurred pursuant to a provisional arrangement reached earlier this month. The details of that agreement are not public, and Philippines President Ferdinand Marcos Jr. faces [domestic pressure](#) not to appear to be giving ground in the [sovereignty dispute](#) with China.

Japan

The yen faces an important week amid speculation that the Bank of Japan may raise rates at its monetary policy committee meeting ending 31 July (Tokyo time). The yen's weakness in recent months has been driving pass-through inflation in the domestic economy, which could in theory justify the BOJ raising rates as part of its 2% inflation-targeting mandate. However, the uptick in the currency in the wake of the government's [mid-July market interventions](#) may lead the central bank to delay its second hike of the year until September or October.

EUROPE

Italy

Giorgia Meloni's ongoing first visit to Beijing as Italian PM is aimed repairing the rift caused by Rome's recent withdrawal from China's Belt and Road Initiative (BRI). Rome is looking to rebuild ties with Beijing after Italy pulled out of China's massive infrastructure program, the BRI in December. Italy was the only G7 nation to sign up to the BRI, in 2019, but was pressured by its Western allies to withdraw due to concerns over the world's second-largest economy. Meloni has publicly criticized the decision to join the BRI as a "mistake." In 2023, Italy's bilateral trade with China was worth EUR 66.8bn, heavily tilted in Beijing's favor.

Turkey

President Tayyip Erdogan is moving to exert financial and political pressure on municipalities (which are largely held by opposition parties) to thwart their operations. The goal is to discredit them in the eyes of the public. Erdogan indicated that he instructed the finance ministry to start collecting unpaid social security debts (reportedly worth USD 2.9bn) of local municipalities. He is also trying to pit the public against opposition-held municipalities with a soon-to-be-approved law on "culling" stray animals. According to the draft bill, local authorities will be obliged to collect, neuter and place all stray dogs in shelters, introducing a new burden on already cash-strapped municipalities.

LATIN AMERICA

Venezuela

Opposition leader Maria Corina Machado said in the early hours of 29 July that she will soon be unveiling measures "to defend the truth" following yesterday's fraudulent election. With 80% of ballot boxes supposedly counted, the regime-aligned National Electoral Council (CNE) announced that President Nicolas Maduro had won 51.2% of the vote versus 44.2% for opposition candidate Edmundo Gonzalez – a result that contradicts all credible polling before the vote. Although the CNE described this as an "irreversible" tendency, there would appear to be as many as 2.5mn votes still uncounted in the context of a vote differential of 700,000 votes between Maduro and Gonzalez. Machado, who says that the opposition has had access to around 40% of voting records, is claiming that the real result was in the order of 70% for Gonzalez and 30% for Maduro. A battle to release and audit the full results is now in prospect. The official results were delayed by what Maduro alleges was a cyberattack directed by a foreign power that he did not name. In a sign that the regime is aiming to head off protests, Maduro has said that he will not allow a "spiral of violence" orchestrated by the opposition.

MIDDLE EAST AND AFRICA

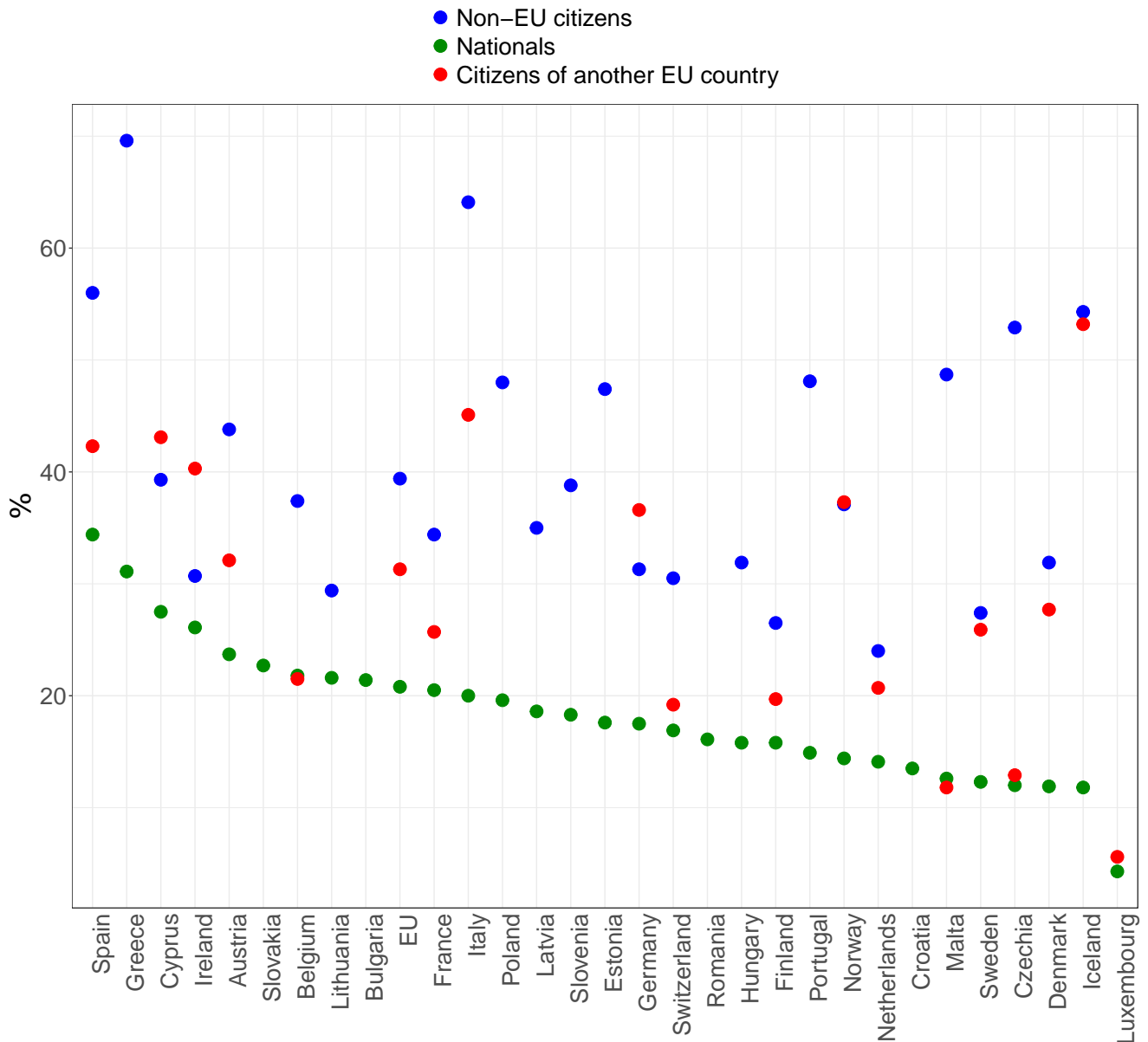
Nigeria

A planned nationwide protest against perceived economic hardship and food insecurity on 1 August is creating a general sense of unease amongst the wider population and political class. President Bola Tinubu's administration has, to date, attempted to stall any national protests as public frustration with government reforms have continued to grow. Concerns are that such protests could quickly descend into widespread violence, a view that has been further reinforced by recent developments in Kenya. Security forces are attempting to get ahead of any potential violence by demanding that all groups planning the protest register and provide requisite information at their respective state police commands before embarking on the protest.

GRAPH OF THE WEEK

Educational mismatch is prominent across Europe

Over-qualification rate for employed people, by citizenship, 2023



Source: Eurostat

Despite the strong performance of labor markets across the EU, **educational and skills mismatches** remain high in some countries. In most countries, over-qualification rates—measured by the proportion of university graduates employed in low or medium-skilled occupations—have been relatively stable for at least 10 years. This points to structural and country-specific features of European labor markets. Despite the expansion of higher education over the past few decades, between one-fifth and one-third of European graduates struggle to find jobs matching their skills. This appears to be contributing to the rise in political discontent among younger cohorts. Non-EU citizens, who represent around 6.1% of the EU population,

Geopolitical Research

+44 20 7186 8894
Macro@teneo.com

© 2024 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo. To unsubscribe click [here](#).

are most likely to be negatively affected by this trend, even in countries with better-functioning labor markets such as Sweden and Denmark.

[Client Portal >>](#)