

2022 emerging market elections: The who's who and the so what...

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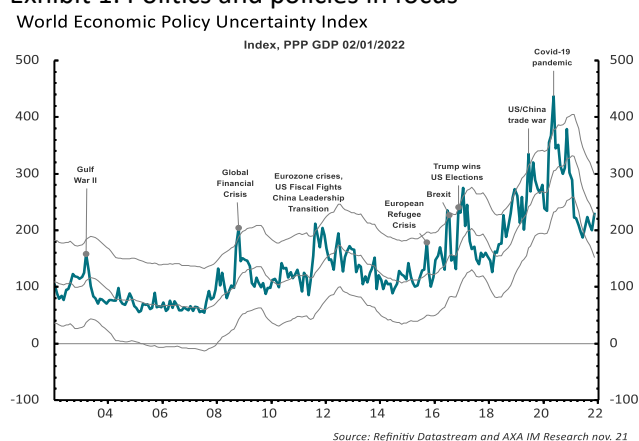
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As democratic systems have been put in place across developing countries, investors have had to become increasingly vigilant around political events – especially elections and referendums. In many emerging markets, election years have coincided with a boost in fiscal spending, which has often led to a significant deterioration of already fragile fiscal positions. This in turn has increased dependency on foreign financing which, exacerbated by an acceleration of foreign capital outflows, can put further pressure on currencies and bond yields. Inevitably, a lot of developing country crises have occurred in sync with political cycles. However, as emerging markets see democratic traditions mature, financial and political cycles have decoupled somewhat, thanks to the improved quality of the fiscal and monetary framework.

Since 2008, market sensitivity to politics has nevertheless increased, particularly in advanced economies, as highlighted by events such as the European sovereign debt crisis, the Brexit referendum and trade wars. Moreover, the ongoing COVID-19 pandemic has caused significant policy uncertainty across the globe. It has also likely exacerbated inequality and poverty, with lower-skilled workers most affected and poverty increased substantially in low-income countries with weak social safety nets. Poverty, income inequality and demographics make poll outcomes more difficult to predict and give populist candidates a stronger hand. Political volatility is thus again increasingly evident in emerging markets where voters can move decisively away from political incumbents. Such a reversal occurred unexpectedly in Zambia last year when opposition party leader Hakainde Hichilema scored a landslide victory over President Edgar Lungu with an unprecedented voter turnout.

Exhibit 1: Politics and policies in focus



This year several African countries, including Angola and Kenya, will go to the polls and the results could alter political and policy trajectories. Potentially controversial elections also loom in Latin America, with Brazil, Colombia and Costa Rica all going to the polls while Chile will hold a plebiscite on a new Constitution. In Asia, elections in the Philippines need to be monitored for shifting policy direction. In Europe, Serbia has an important electoral year, while populist Hungarian President Viktor Orbán may face defeat after 12 years in power. Given the current backdrop, one thing is certain – no matter who takes office, the economic, social and political challenges have increased in the post-pandemic world.

Costa Rica

Presidential and parliamentary elections (6 February 2022)

Exhibit 2: 2018 election results and current contestants

Parties	Citizens' Action Party (PAC)	National Restoration Party (PRN)
Leader	Carlos Alvarado	Fabricio Alvarado
Vote share	60.6%	39.4%

2022 election contestants

Parties	PLN	PNR	PUSC	Frente Amplio
Leader	Jose Figueres	Fabricio Alvarado	Lineth Saborio	Jose Villalta
Opinion poll	16.0%	14.5%	14.1%	3.5%

Source: official sources and AXA IM Research

Elections around the corner. On 6 February 2022, voters will cast their ballots for a new president and all 57 members of the unicameral Congress. If no candidate receives at least 40% of the vote in the first round, a presidential run-off will be held on 3 April between the two top contenders.

Incumbent President Carlos Alvarado will not participate in the race as consecutive re-election is not allowed. Unlike past elections which focused on social issues such as same-sex marriage, this time the economy will be at the heart of the campaign. The economic downturn caused by the pandemic has pushed unemployment to record levels and further weakened the country's fiscal position.

A crowded field. Among the 25 registered candidates vying for the presidency only three have a realistic chance of winning. Former President Jose Figueres from the National Liberation Party (PLN) is polling first at 16%, closely followed by former PRN congressman Fabricio Alvarado (14.5%). While Figueres is a more traditional politician focused on economic issues, Alvarado is an anti-establishment, evangelical candidate. He surprised the country by winning the first round of the 2018 election, exploiting popular opposition to same-sex marriage. However, his clear defeat in the second round suggests his support has a ceiling. Lineth Saborio from the conservative Social Christian Unity Party (PUSC) is the third big name in the race with 14% of the vote. Considering the large share of undecided voters (36%), the contest remains wide open.

Debt issues. The next president's most pressing issue will be to get Costa Rica's first credit review approved by the International Monetary Fund (IMF). The country had reached a deal with the IMF last March for a funding programme worth US\$1.78bn (2.9% of GDP) to deal with its complicated debt payment schedule. Costa Rica has to pay back its creditors around US\$15.4bn (25% of GDP) cumulatively over the next term. In exchange, the country has committed to an ambitious fiscal consolidation plan. However, implementing these adjustment measures will mostly depend on the next administration. In this sense, an anti-establishment candidate's victory could derail Costa Rica's efforts to achieve debt sustainability.

South Korea

Presidential election (9 March 2022)

Exhibit 3: 19th election results and current contestants

Parties	Democratic	Liberty Korea Party	People's Party	Bareun Party
Leader	Moon Jae-in	Hong Joon-pyo	Ahn Cheol-soo	Yoo Seong-min
Vote share	41.09%	24.04%	21.42%	6.76%

2022 election contestants

Parties	Democratic	People Power	People's Party	Justice Party
Leader	Lee Jae-myung	Yoon Seok-youl	Ahn Cheol-soo	Sim Sang-jung
Opinion poll	37%	28%	15%	5%

Source: official sources and AXA IM Research

A tight race. As Korea enters the final phase of the 20th presidential election campaign, polls and surveys are increasingly suggesting a tight race between the top two candidates: Lee Jae-Myung of the ruling Democratic Minjoo Party (DMP) and Yoon Seok-Youl from the opposition People Power Party (PPP). Voters in general remain undecided, shown by the frequent changes and different results in weekly polls. Neither of the top two contestants have previously served as lawmakers.

While comprehensive economic policy proposals are yet to be revealed, the broad campaign rhetoric demonstrates that Lee advocates little change in the policy agenda from the current Moon administration. Similar to Moon's household-income-led growth strategy, Lee's progressive stance supports market intervention and will likely pursue fiscal expansion and focus on household-centred policies. Recently, one of the most highlighted proposals from Lee was on a universal cash handout scheme, which could help him gain in popularity. Meanwhile, Yoon's conservative tilt likely prefers deregulation and relative fiscal prudence. He plans to reverse 80+ regulations initiated by the Moon administration, for example loosening the 52-hour-week work limit and scrapping the carbon neutrality plan.

Policy implications. As for monetary policy, the Bank of Korea tends to be relatively cautious prior to elections. However, this time, on the back of higher inflation expectations, the bank hiked the base rate by another 25 basis points just two months prior to the election date.

Near-term economic outlook. We expect the presidential election to have a limited impact on economic activity, in keeping with historical precedent. We expect South Korea to see export-driven growth fade thanks to a softening global demand trend as well as concerns over growth in China growth concerns. Instead, the economy is likely to revert towards services-led growth in 2022.

Colombia

Presidential (May/June), Parliamentary elections (March)

Exhibit 4: 2018 elections and current contestants

Parties	Democratic Center	Humane Colombia
Leader	Ivan Duque	Gustavo Petro
Vote share	54.0%	41.8%

2022 election contestants

Parties	Humane Colombia	Independent	Citizens' Commitment	Democratic Center
Leader	Gustavo Petro	Rodolfo Hernandez	Sergio Fajardo	Oscar Zuluaga
Opinion poll	25.4%	11%	7.3%	6.4%

Source: official sources and AXA IM Research

Elections at a difficult juncture. During a time of great national discontent, Colombians will head to the polls to elect their new president for a four-year term in May and their representatives in Congress in March. Presidential primaries – or interparty consultations – will be held alongside congressional elections. There will be three different consultations representing the entire political spectrum. One for candidates on the left (called *Pacto Historico*), a second for those on the right (*Equipo por Colombia*), and a third for centrists (*Centro Esperanza*). Term limits bar right-wing President Iván Duque from running for re-election.

A left turn? The president's abysmal 25% approval rating reflects the multiple crises that Colombia currently faces: mass social protests, irregular armed conflict on its border and the ongoing pandemic. With this social upheaval as a backdrop, left-wing populist Gustavo Petro has emerged as the frontrunner with around 25% of the vote. Therefore, the run-off on 19 June will likely pit Petro against a candidate of the right or centre. If elected, Petro would become the country's first leftist president (he came second in the last elections). While a Petro presidency is feared by the business community (having expressed support for the Venezuelan government in the past), it is unlikely he will have sufficient support in Congress to carry out radical reforms. Moreover, his victory is not a given. The centrist and right-wing coalitions will probably join forces for the presidential run-off and may be able to defeat Petro's left-wing coalition.

Strong recovery but challenges remain. While Colombia is experiencing one of the strongest recoveries in the region and will likely grow by around 4% this year, the country continues to be susceptible to external shocks, due to its high fiscal and current account deficits. Colombia's credit rating was downgraded by two different agencies in 2021. The incoming president will have the tough task of implementing a fiscal strategy that guarantees the sustainability and credibility of public finances, while avoiding an abrupt adjustment that could disrupt the ongoing recovery. Finally, political risk is likely to discourage foreign investment into Colombia during the first quarter (Q1) of this year.

Hungary

Parliamentary (April/May 2022)

Exhibit 5: 2018 elections

Parties	Fidesz/KDNP	Jobbik	Socialists
Candidate (14)	Orbán	Vona	Karácsony
Vote share	66.8%	13%	10%
Nat. Assembly (/199)	133	26	20

2022 election contestants

Parties	Fidesz/KDNP	United for Hungary
Candidate	Orbán	Marki-Zay
Opinion poll	52%	44%

Source: official sources and AXA IM Research: KDNP=Kereszténydemokrata Néppárt

Can powerful Orbán be defeated? Prime Minister Viktor Orbán has been ruling Hungary with a strong hand for the past 12 years. The right-wing national conservative political alliance Fidesz-KDNP, known as the Alliance of Hungarian Solidarity, obtained a two-thirds majority in the parliament in each of the 2010, 2014 and 2018 national elections. Orbán's politics have been increasingly criticised, internally, and abroad, seen as weakening the country's democracy. Noticeably, Hungary was the only European Union (EU) member country not invited to US President Joe Biden's democracy summit last year.

A first joint opposition list. In this year's vote Orbán will, for the first time since he came to power, face a united front of opposition parties that includes the Socialists, the Greens, the Liberals and the Centre-right. Given the characteristics of the plurality voting system and the strong unity of the right-wing coalition in contrast to the myriad of opposition parties that previously lacked any coordination, a united coalition offers for the first time the possibility of a proper alternative to the Orbán administration. Peter Marki-Zay, the non-partisan Everybody's Hungary Movement candidate and the mayor of the south-eastern town Hodmezovasarhely, was elected to represent the opposition. Some polls show the united coalition list neck-and-neck with the ruling coalition.

Hungarians go to polls... and four referendums. In addition to electing the 199 members of Hungary's unicameral National Assembly, and the prime minister, Hungarians will be also voting on four referendum questions, supported by the current prime minister, aiming to restrict what schools can teach about homosexuality and transgender issues.

"Orbán or Europe", as one opposition leader described it, may well be what is at stake in the elections. Orbán's official position is for Hungary to stay in the EU, yet he often opposes it as in the current rule of law conflict. Hungary faces infringement actions before the EU Court of Justice and the European Commission has not disbursed any fund since Hungary was set to receive €34.5bn from the next EU budget 2021-2027 and €7.2bn of Recovery Resilience Facility grants, an undeniable growth lever.

The Philippines

Presidential election (9 May 2022)

Exhibit 6: 2016 election results and current contestants

Parties	PDP-Laban	Liberal Party	Independent
Leader	Rodrigo Duterte	Mar Roxas	Grace Poe
Vote share	39.01%	23.45%	21.39%

2022 election contestants

Parties	Partido Federal ng Pilipinas	Independent	Democratic Action
Leader	Bongbong Marcos	Leni Robredo	Isko Moreno
Opinion poll	49.2%	16.2%	10.4%

Source: official sources and AXA IM Research

The ending of the Duterte era. Following six years of turning policies and institutions upside down, President Rodrigo Duterte is set to step down in June. Although the campaign has not yet started, the election period officially began on 9 January.

A diverse field of candidates has joined in the race to succeed Duterte. Interestingly, instead of safeguarding the dynasty, Sara Duterte, the incumbent's politician daughter, has chosen to become the running mate to Ferdinand "Bongbong" Marcos Jr. While current opinion polls are testimony to Bongbong Marcos' high popularity, he is by no means free of controversies. He is the son of Ferdinand Marcos Sr. – a dictator and the 10th president of the Philippines from 1965-1986.

Meanwhile, the other top two candidates have also started to gather momentum recently: Leni Robredo, current Vice President, a liberal progressive, and Isko Moreno, the mayor of Manila and a former actor.

Political path unclear. Bongbong Marcos has expressed his supportive attitude towards Duterte's policies, especially the "policy of engagement" with China. Therefore, we will most likely see policy continuity if Bongbong Marcos gets elected. At the other end of the spectrum, Robredo, who has been a frequent critic of the Duterte administration, has fought publicly over his war on drugs. In terms of foreign policy, she has hinted her openness to collaborating with China, while also promising to address the COVID-19 pandemic, the food crisis and job losses in her first 100 days in office. Given this time it is a rather tight race, it remains ambiguous who will succeed. Thus, the policy trajectory is unclear for now.

Near-term economic outlook. As a domestic-oriented economy with relatively low vaccination rates compared to its neighbours, the Philippines could continue to struggle against lingering COVID-19 related disruptions. This year's growth rate is likely to be higher than 2021 on recovering domestic activities.

Kenya

General and presidential elections (9 August 2022)

Exhibit 7: 2017 presidential election results & 2022 contestants

Parties	Jubilee Party	NASA
Leader	Kenyatta	Odinga
Vote share	54.2%	44.7%

2022 election key contestants

Parties	ODM	UDA
Leader	Odinga	Ruto
Opinion poll	23%	38%

Source: official sources and AXA IM Research

Exhibit 8: 2017 parliamentary election results

Parties	Jubilee Party	ODM	Wiper Demo. Movement
	Kenyatta	Odinga	Kalonzo
Seats (/348)	171	76	23

Source: official sources and AXA IM Research

Tensions in play. Parliamentary and presidential elections in Kenya on 9 August risk sparking a flare-up of ethnic violence. Current President Uhuru Muigai Kenyatta cannot run for a third term and has reneged on the pact he made with William Ruto, the Deputy President, in the aftermath of the 2017 vote to support him at these elections. Instead, Kenyatta, leader of the Jubilee Party, has championed the candidacy of opposition leader Raila Amolo Odinga, who is running for President for the fifth time.

A fragile alliance. That pact is however undermined by the failure to pass the Building Bridges Initiatives (BBI), which they both launched in 2017. The BBI would have changed the constitution to allow for power sharing between a president and prime minister, abolished parliamentary approval of presidential appointees and appointed a regulator to oversee the judiciary. Implementing the BBI could have given Kenyatta influence in the next government, perhaps as prime minister. Ruto is currently well ahead of Odinga in the polls.

Tough conditions. Uncertainty ahead of elections is likely to dampen growth and investment and slow fiscal adjustment over the coming quarters. With the drought and pandemic already hitting agriculture and tourism, the recovery may lose momentum (+9.9% year-on-year in Q3 of 2021). In addition, strengthening expenditure controls and revenue mobilisation under the IMF programme will be more difficult in an election year. However, as Kenya has so far outperformed fiscal targets set by the IMF, we believe there will be some flexibility in the programme. Social unrest in the wake of elections would likely carry more serious implications for the sovereign credit (on negative outlook by Moody's and Fitch, reflecting the slow fiscal consolidation), given associated economic disruptions and potentially a backtrack on fiscal and structural reforms (including state-owned enterprises restructuring and governance).

Angola

General elections (August 2022)

Exhibit 9: 2017 election results

Parties	MPLA	UNITA	CASA-CE
Leader	João Lourenço	Isaías Samakuva	Abel Chivukuvuku
Vote share	61.1%	26.7%	9.5%
Seats (/220)	150	51	16

2022 election candidates

Parties	MPLA	UNITA	CASA-CE
Leader	João Lourenço	Adalberto Costa Junior	Abel Chivukuvuku
Polls 2022	30.1%	53.4%	1.4%

Source: official sources, polling agencies and AXA IM Research, MPLA= Popular Movement for the Liberation of Angola, UNITA=União Nacional para a Independência Total de Angola, CASA-CE=Convergência Ampla de Salvação de Angola – Coligação Eleitoral

A young and evolving election system. Angola has seen three Constitutions since independence (1975, 1992 and 2010). In its current form, Angola’s unicameral National Assembly of 220 members will go to the polls for the third time: 130 seats elected by proportional representation nationwide, with the other 90 elected by provincial districts. The top candidate of the winning party becomes president. Changes to the 2010 constitution leave the rules for the upcoming elections somewhat unclear and have raised social discontent. Angola has weak institutional capacity, uneven application of the rule of law and a high level of corruption.

MPLA’s long rule. The country’s political and social institutions were ravaged by a long civil war which started after Angola’s independence in 1975 and ended in 2002. Still, Angola has been ruled by MPLA since 1979, under only two presidents: incumbent President João Lourenço took over in 2017 after more than 30 years of rule by José Eduardo dos Santos – one of the world’s longest-ruling presidents. The country has been plagued by deep economic crisis since the collapse in oil prices in 2014, its main resource accounting for 25% of GDP, 90% of exports and 60% of fiscal revenues. COVID-19 has only exacerbated the problem. Public debt reached 125% of GDP in 2020, three-quarters of which being foreign-exchange denominated.

The united coalition could win. The incumbent president faces opposition from the United Patriotic Front (FPU) coalition, under the helm of Adalberto Costa Junior, at a time when the ruling party is more divided than ever. So far, polls show massive support for the opposition. The next president will have a difficult task to tackle the structural flaws that have limited Angola’s economic progress: its high dependence on a corrupt oil sector and a secularly declining national oil production capacity. In the short run, the government will need to rebuild external reserves while identifying additional external financing sources as debt moratoria end. The high dependence on Chinese creditors is another pressing issue.

Chile

Constitutional plebiscite (Q3 2022)

Exhibit 10: 2020 plebiscite and 2021 election results

	2020 plebiscite results	2021 presidential election results	
Approve	78.3%	Gabriel Boric	55.9%
Reject	21.7%	Jose A. Kast	44.1%

Source: official sources and AXA IM Research

The final step. Chile will hold a referendum in Q3 (a final date is yet to be set) to ratify the new constitution drafted by the Constitutional Convention. This election will be the culmination of a process that started three years ago when large protests rocked Santiago and other cities throughout the country. From the mass of demands that arose from the demonstrations, a constitutional referendum was arranged as political parties’ response to the crisis. Prior to this year’s plebiscite, the public had already voted in favour of having a new constitution drafted (in 2020) and to elect the 155 members of the Constitutional Convention, the body responsible for writing the new Magna Carta (in 2021).

Strong momentum. Although no polls are available yet for this year’s plebiscite, several factors point to the likely approval of the new constitution. In the first plebiscite, Chileans voted highly in favour (with 78% of the vote). Similarly, right-wing parties, who oppose a new constitution, suffered a crushing defeat in the Constitutional Convention elections, garnering fewer than one-third of the body’s 155 seats. Finally, Gabriel Boric’s comfortable victory in the recent presidential elections provides an additional boost to the constitutional initiative. The left-wing politician has pledged his government’s full support to the constitutional process, while respecting the Convention’s autonomy.

Uncertain outlook. The manner in which multiple pending issues are resolved could be crucial in reshaping the country’s near-term future. For example, how radical will the newly elected President turn out to be? Will he follow in the footsteps of Hugo Chavez and Daniel Ortega or will his government resemble the more moderate Lula? Although Boric tempered his tone considerably during his presidential campaign, many Chileans remain unconvinced about his true intentions. On the political front, what will the new constitution look like? The Convention has until July to finish its proposal and has yet to make decisions over important economic issues like the mandate of the central bank or potential changes to the privately managed pension fund system. The only thing that seems clear is that 2021 was a turning point for the country – it can no longer claim to be the beacon of Latin American political and economic stability.

Brazil

General elections (2 October)

Exhibit 11: 2018 election results and 2022 polls

Parties	Liberal Party	Workers' Party
Leader	Jair Bolsonaro	Lula da Silva
Vote share	55.1%	44.9%
Seats (/513)	52	56
Polls 2022	30%	40%

Source: official sources, polling agencies and AXA IM Research

Election frenzy. Voters will renew almost the entire political system as they elect their president, the entire Chamber of Deputies (513 seats), a third of the Federal Senate (27 seats), all state governors and all state legislatures. However, the headliner will undoubtedly be the presidential race, which will likely be the most polarizing in the country's history. The election will pit the right-wing incumbent Jair Bolsonaro against leftist former President Luiz Inacio "Lula" da Silva. Lula was banned from running in the last elections due to corruption charges, which cleared the path for Jair Bolsonaro's victory in 2018. A likely run-off will take place on 30 October if no candidate receives at least 50% of valid votes in the first round.

A likely victory for Lula. By the end of last year, the President's approval rating slipped to a record low of 19% as Brazilians were affected by high inflation, high interest rates and an ongoing recession. Likewise, many blame Bolsonaro for the poor handling of the pandemic that has left over 500,000 dead. In response, the government has been trying to increase social spending to bring in votes, but it might not be enough. Lula is comfortably leading the polls for now with around 48% of the vote. He remains a popular figure among many Brazilians as he presided over the country's last economic boom. So far in this campaign, Lula has adopted a more pragmatic stance and is currently trying to build alliances across the political spectrum, a smart move in Brazil's highly fragmented politics. Other candidates include São Paulo mayor João Doria, former governor and minister Ciro Gomes, and former Minister of Justice Sergio Moro – the judge who convicted Lula. However, support for them remains in the single digits.

Fiscal challenges ahead. Regardless of who is elected, the next president will inherit a frail economy with considerable fiscal issues that have weakened confidence around the spending ceiling. Government debt reached 89% of GDP in 2020, while the deficit ballooned to 14% of GDP. Therefore, there is an increased need for the incoming administration to implement spending reforms to improve fiscal credibility. Possible reforms include administrative reform, de-indexation of expenditures, reduction of subsidies and cuts to discretionary spending. Congressional fragmentation may obstruct the implementation of some of these measures, but it will also prevent a radical shift in economic policies.

China

20th Party Congress (Oct 2022)

Exhibit 12: Current composition

Party/State position	Leader
Party General Secretary	
State President	Xi Jinping (69)
Chairman of the Central Military Commission	
Premier of the State Council	Li Keqiang (67)
Chairman of the National People's Congress	Li Zhanshu (72)
Chairman of the political Consultative Conference	Wang Yang (67)
Party Secretariat	Wang Huning (67)
Secretary of the Central Disciplinary Inspection Commission	Zhao Leji (65)
Vice Premier and Deputy Party Secretary	Han Zheng (68)

Source: official sources and AXA IM Research

The 20th Party Congress. The Communist Party of China (CPC) will host its 20th Party Congress in October 2022. These congresses – held once every five years – are the most important political events in China for three main reasons. First, they can change the party's top leadership. The CPC Congress elects the leaders of the Communist Party, including a Central Committee of 205 members and 168 alternates, the twenty five-member Politburo, and the seven-member Politburo Standing Committee. Second, it sets the party's stance in key policy areas. Each CPC Congress produces a lengthy political report, documenting the party's past achievements and setting the agenda for the future. Lastly, it can revise the party's constitution.

President Xi for a third term but no information on the rest of the politburo. At the 18th Party Congress 10 years ago, the leadership of Xi Jinping, the current President, and Li Keqiang (the Premier) was established. After a decade in power, it is widely anticipated that President Xi will remain as the General Secretary for at least another five years and reinforce his reform and development agenda. Xi may also seize this opportunity to further cement his supremacy in the party, although there is so far little information on the personnel reshuffles in the rest of the politburo.

Economic and political trajectory. In the near-term, while the worst of the policy tightening is over, China continues to be buffeted by a number of factors including COVID-19-related disruptions and economic slowdown. We think Beijing will further recalibrate policies and step up support to stabilize economic growth throughout 2022. In terms of the party's long-term policies, we expect Xi to stick to the roadmap laid out in the 14th Five-Year Plan and other long-term policy blueprints, designed to realise the China Dream, consisting of building a moderately prosperous society and achieving national rejuvenation.

India

2022 elections (throughout the year)

Exhibit 13: 2022 State Legislative Assembly election

States	Current government	Dates	GDP (% total)
Goa	BJP	Feb	0.39
Manipur	BJP, NPP, BPF	Feb, Mar	0.15
Punjab	INC	Feb	2.77
Uttar Pradesh	BJP	Feb, Mar	8.35
Uttarakhand	BJP	Feb	1.30
Himachal Pradesh	BJP	Nov	0.81
Gujarat	BJP	Dec	7.92

Source: official sources and AXA IM Research

Note: BJP (Bharatiya Janata Party); NPP (National People's Party); NPF (Naga People's Front); INC (Indian National Congress)

Elections taking place throughout 2022. In a context of a resurgence in number of COVID-19 cases, India has a number of elections this year, including state legislative assemblies, election to the office of the president and vice president of India, by-elections to the Lok Sabha and elections to the Rajya Sabha.

Out of all these, the key to watch for is the assembly elections for seven states including Uttar Pradesh, Gujarat, Punjab, Uttarakhand, Himachal Pradesh, Goa and Manipur. Altogether they made up around 21.7% of India's total GDP. As the two key states, Uttar Pradesh and Gujarat, respectively account for 8.4% and 7.9% of the Indian economy.

Key states. In fact, elections in Uttar Pradesh are scheduled to be held in several phases to elect a total of 403 members of the Legislative Assembly. It is the lower house of the bicameral legislature of Uttar Pradesh, in which the Bharatiya Janata Party (BJP) secured the majority of seats in the 2017 election. This is regarded as one of the key states as Uttar Pradesh takes 80 seats (out of a total 543) in Lok Sabha, the lower house of India's bicameral Parliament. The second is Gujarat, which is scheduled to hold its legislative assembly in the last month of 2022 to elect 182 members of the Gujarat Legislative Assembly. Gujarat only accounts for 26 seats in the Lok Sabha.

Near-term economic outlook. While we do not expect significant economic impact from state legislative assembly elections, it is likely that we may see a delay in reforms such as the labour and land reform. Moreover, the plan for disinvestment has moved at a snail's pace, while privatisation could also be pushed further down the timeline. Meanwhile, India is currently suffering a third wave of COVID-19, although the economic cost of each subsequent wave has lessened as people and businesses have adapted to the new normal. Overall, growth is expected to track closely to pre-pandemic levels this year reflecting recovery in manufacturing and consumption activity.

Serbia

2022 general/presidential elections (throughout the year)

Exhibit 14: 2017 presidential election results

Parties	SPS	Independent	Independent
Leader	Vucic	Jankovic	Maksimovic
Vote share	55.1%	16.4%	9.4%

2022 presidential election candidates

Parties	SPS	Dveri Mvt	Independent
Leader	Vucic	Obradovic	Skoro

Source: official sources and AXA IM Research

Exhibit 15: 2020 parliamentary election results

Parties	SNS	SPS-JS	SPAS
Leader	Vucic	Dacic	Sapic
Share of vote	60.7%	10.4%	3.9%
Seats (/250)	191	32	11

Source: official sources and AXA IM Research

A key political year for Serbia. Three elections will take place on 3 April 2022 – parliamentary, presidential and local elections in Belgrade. Parliamentary elections will be an important marker to improve the country's democratic credentials after an opposition boycott in 2020 (not the case this year).

Incumbent Aleksandar Vucic, who can run for a second mandate, holds a strong position, as his party effectively controls parliament and almost every municipality in the country. Such dominance is expected to be maintained in the 2022 election. That said, popular protests in 2021 against the opening of a lithium mine by Rio Tinto – motivated by environmental concerns, a lack of transparency and fears of corruption – demonstrated that political risk, while low, is not negligible.

Changes ahead. The outcome is expected to keep the reform agenda on track, including the restructuring of state-owned enterprises, the strengthening of the rule of law and the fight against corruption. The broad direction of policy is anchored under the IMF Policy Coordination Instrument, and the EU accession talks, which made notable progress at the end of 2021. The EU has opened two negotiating clusters with Serbia (competitiveness and inclusive growth, green agenda and sustainable connectivity), which are closely linked with Serbia's economic reform programme. Still, the EU has emphasised the need for progress in two key areas: freedom of expression and normalisation of relations with Kosovo.

Some slippage. The approach of elections could nevertheless increase spending pressure and delay reforms. Although public finances have been negatively affected by the pandemic, the rise in government debt has been contained to 60% of GDP in 2021. Reform momentum in the public sector is likely to slow and fiscal slippage to increase ahead of elections but this should delay, not derail, the reduction of the budget deficit (7% of GDP in 2021). In the base case of a new Vucic administration, we believe that the positive credit migration of Serbia's sovereign will remain on track.

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