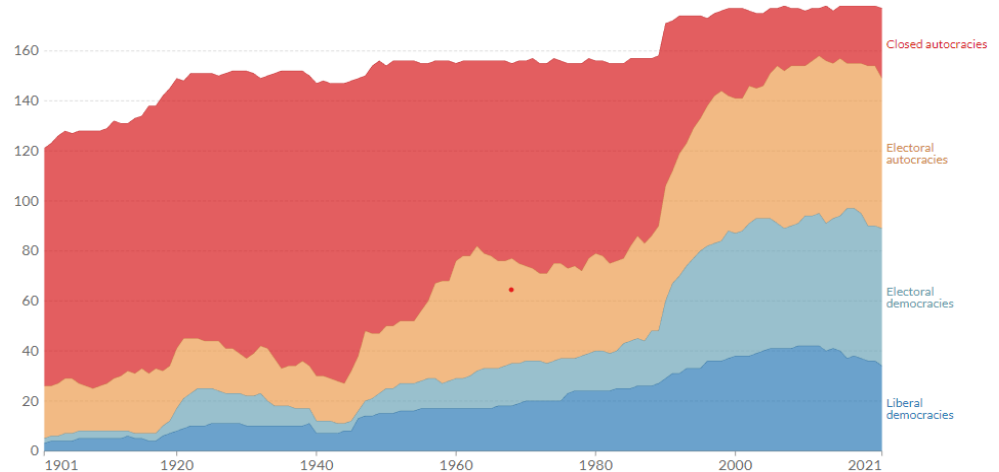




R&R Weekly Column  
By Brunello Rosa



Source: OWID based on Lüthmann et al. (2018) and V-Dem (v12)

## While Liberal Democracies Decline, The Number of Right-Wing Governments Increase

[The supporters of former Brazilian President Jair Bolsonaro](#) assaulted and occupied the Brazilian parliament and other federal institutional buildings at the end of last week, to protest against the election of Ignazio Lula da Silva as the new President of Brazil (his third mandate). This episode is closely reminiscent of Trump's supporters' [assault on Capitol Hill in January 2021](#), on the occasion of the election of Joe Biden to the presidency of the US. As we discussed in numerous articles, Bolsonaro was widely seen as a leader that would have transformed Brazil into yet another autocracy, had he been re-elected.

Meanwhile, in Israel, [Benjamin Netanyahu was re-elected as Prime Minister](#) of the country, following the short parenthesis of Naftali Bennet and Yair Lapid. [Netanyahu has formed a government that is widely regarded as the most right-wing in Israeli history](#). The new government has proposed a reform of the judiciary, which will give the government a say in the appointment of judges. [The political and civil society opposition has labelled the move as the "end of democracy" in the country](#).

In Italy, the September 25<sup>th</sup> general election resulted in the appointment of Giorgia Meloni, leader of the right-wing party Brothers of Italy, as Prime Minister. As we discussed [in our recent trip report](#), Meloni has adopted a moderate approach, but some of the choices of her government confirms the radical right-wing approach of her coalition. Additionally, she still has not changed the symbol of her party, which contains the flame emanating from Benito Mussolini's grave.

Also in Rome, but on the other side of the Tiber river, the death of the ultra-conservative former pope Joseph Ratzinger [has led the orthodox component of the curia to making an attack on the progressive Pope Francis](#), who is seen as too open vis a vis the issues of modern society. Ratzinger's presence was keeping this conservative fringe component at bay, as he did not want to be perceived as an anti-pope. But now the war for the succession of Francis has begun, and it is very unlikely that another equally progressive pope will be elected.

In France, [as we discussed in our recent trip report](#), the election of right-wing Marine Le Pen in 2027 is now considered a central scenario rather than a risk scenario. Marine Le Pen could stage "a Meloni" and pretend to moderate and move to the centre for some time, but her radical positions, especially on immigration and civil rights, would likely emerge before long. Also, she may heavily impact the EU integration process, in a way that Italy will never be able to.

These are only recent examples of a much larger swing that is occurring at the global level, in which right-wing movements are coming to power. In other cases, populist leaders, of the right and the left, are being voted in. Especially in Latin America, populist leaders from the left are contributing to [the so-called "Pink Tide"](#). This goes hand in hand with a broader phenomenon, whereby even democratically elected leaders are becoming autocratic or nationalistic leaders, such as in Turkey and in India. We have discussed in [our previous columns](#) this tendency of autocratic leaders to emerge in the last few years.

All these phenomena are contributing to the even broader trend of the decline of liberal democracies in favour of electoral autocracies, as testified [by the studies of the V-Dem project](#) and [several academic papers](#).

### Our Recent Publications

✿ [A New Covid-19 Wave In China Tests Domestic Healthcare Services And Prompts A Wave Of International Travel Restrictions](#), by London Politica, 5 January 2023

✿ [The Age of Megathreats](#), by Nouriel Roubini, 4 January 2023



Looking Ahead

The Week Ahead: US Headline And Core Inflation To Fall; EZ Unemployment Rate To Stay Unchanged; IP To Decrease In EZ And UK

**In the US**, December's CPI inflation is likely to ease off to 6.6% y-o-y (*p*: 7.1%). Core inflation is expected to fall to 5.7% y-o-y (*p*: 6.0%). According to a preliminary estimate, Michigan consumer sentiment in January is seen increasing to 60 (*p*: 59.9).

**In the EZ**, in November, the unemployment rate is expected to stay unchanged at 6.5%. November's IP is likely to decrease to 0.5% y-o-y (*p*: 3.4%).

**In the UK**, in November, IP is seen deteriorating further to -3.2% y-o-y (*p*: -2.4%).

The Quarter Ahead: Travel Restrictions Imposed On China; Putin Ordered A Ceasefire; McCarthy Finally Elected HoR Speaker

**A dozen of countries imposed travel restrictions on China, as covid cases surge.** EU member states "strongly encourage" a restriction that would obligate all travelers from China to present a negative COVID-19 test. The decision is not binding and will enter into force as of Monday. According to the WHO data, China registered 242 deaths from Covid-19 in the week of 26 December. Meanwhile, China needed a requirement for inbound travelers to quarantine, removing its zero-Covid regime.

**Putin ordered a ceasefire in Ukraine over orthodox Christmas.** Russia declared the 36-hour truce, but Ukraine rejected it as a cynical ploy. Ukrainian officials accused Putin of using Christmas to buy time to reinforce troops.

**The Republican leader of the House of Representatives, Kevin McCarthy, eventually reached the 218 votes required for election as a Speaker.** There have been 15 failed votes, constituting the longest speaker contest in 164 years. The right-wing faction of 20 members refused to vote many times for McCarthy despite his endorsement from Trump. McCarthy made some concessions, including a seat on the influential rules committee, which sets the terms for debate on legislation in the chamber.

Last Week's Review

Real Economy: EZ Headline Inflation Cooled, While Core Inflation Rose; US Unemployment Fell; Composite PMIs Rose In EZ And UK

**In the US**, December's unemployment rate edged down to 3.5% (*c*: 3.7%; *p*: 3.6%). NFPs increased by 223K (*c*: 200K; *p*: 256K). In December S&P Global manufacturing and services PMI fell to 46.2 (*p*: 47.7) and 44.7 (*c*: 44.4; *p*: 46.2). Composite PMI decreased also to 45 (*c*: 44.6; *p*: 46.4).

**In the EZ**, in December, headline inflation eased off to 9.2% y-o-y (*c*: 9.7%; *p*: 10.1%), whereas core inflation edged up to 5.2% (*c*: 5.0%; *p*: 5.0%). Also in December, S&P Global manufacturing and services rose to 47.8 (*c*: 47.8; *p*: 47.1) and 49.8 (*c*: 49.1; *p*: 48.5) respectively. Composite PMI increased to 49.3 (*c*: 48.8; *p*: 47.8). November's retail sales contracted by 2.8% y-o-y (*c*: -3.3%; *p*: -2.6%). On a monthly basis, retail sales recovered by 0.8% (*c*: 0.5%; *p*: -1.5%).

**In the UK**, in December S&P Global/CIPS manufacturing PMI fell to 45.3 (*c*: 44.7; *p*: 46.5), whereas services PMI increased to 49 (*c*: 49; *p*: 48.2). Composite PMI rose to 49 (*p*: 48.2) as expected.

Financial Markets: Stock Prices Rose; Yields Were Down, While the Dollar Is Up. Oil Prices Are Down, While Gold Prices Increased

**Market Drivers:** Investors were optimistic after a slowdown in wage growth and an encouraging US jobs report, which could lead to easing inflationary pressures. As a result, major indexes started the year with a gain. Promising for investors, a cooler labour market, aiding the inflation fight, lifted prices of government bonds.

**Global Equities:** Increased w-o-w (MSCI ACWI, +2.0%, to 617.40). The US S&P 500 index rose (+1.4% w-o-w, to 3,895.08). In the EZ, share prices were up (Eurostoxx 50, +5.9% w-o-w, to 4,017.83). In EMs, equity prices moved up (MSCI EMs, +3.4%, to 988.68). Volatility fell to 22.2 (VIX S&P 500, 52w avg.: 25.5; 10y avg.: 18.2).

**Fixed Income:** w-o-w, the 10-year US treasury yields were down (-32 bps to 3.56%). The 2-year US Treasury yields fell (-17 bps to 4.26%). The German 10-year bund yield decreased (-37 bps to 2.20%).

**FX:** w-o-w, the US Dollar Index was up (DXY, +0.4%, to 103.5; EUR/USD -0.5%, to 1.06). In EMs, currencies increased (MSCI EM Currency Index, +0.5% w-o-w, to 1,669.6).

**Commodities:** w-o-w, oil prices decrease (Brent, -8.5% to 78.60 USD/b). Gold prices increased w-o-w (+2.4% to 1,870.50 USD/Oz).



@RosaRoubini



Rosa & Roubini



Rosa&Roubini Associates

For more information, please call us on +44 (0)207 1010 718 or send us an email to [info@rosa-roubini-associates.com](mailto:info@rosa-roubini-associates.com)

[www.rosa-roubini-associates.com](http://www.rosa-roubini-associates.com)

118 Pall Mall, London SW1Y 5ED

**Abbreviations, Acronyms and Definitions**

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year

Rosa & Roubini Associates Ltd is a private limited company registered in England and Wales (Registration number: 10975116) with registered office at 118 Pall Mall, St. James's, London SW1Y 5ED, United Kingdom. VAT registration number GB 278 7297 39. **Analyst Certification:** We, Brunello Rosa and Nouriel Roubini, hereby certify that all the views expressed in this report reflect our personal opinion, which has not been influenced by considerations of Rosa&Roubini Associates's business, nor by personal or client relationships. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the views expressed in this report. **Disclaimer:** All material presented in this report is provided by Rosa & Roubini Associates-Limited for informational purposes only and is not to be used or considered as an offer or a solicitation to sell or to buy, or subscribe for securities, investment products or other financial instruments. Rosa & Roubini Associates Limited does not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor does it provide "advice about securities" as defined in the Regulation of Investment Advisors by the U.S. SEC. Rosa & Roubini Associates Limited is not regulated by the FCA, SEC or by any other regulatory body. Nothing in this report shall be deemed to constitute financial or other professional advice in any way, and under no circumstances shall we be liable for any direct or indirect losses, costs or expenses nor for any loss of profit that results from the content of this report or any material in it or website links or references embedded within it. The price and value of financial instruments, securities and investment products referred to in this research and the income from them may fluctuate. Past performance and forecasts should not be treated as a reliable guide of future performance or results; future returns are not guaranteed; and a loss of original capital may occur. This research is based on current public information that Rosa & Roubini Associates considers reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Rosa & Roubini Associates, its contributors, partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. Rosa & Roubini Associates has an internal policy designed to minimize the risk of receiving or misusing confidential or potentially material non-public information. We seek to update our research as appropriate, but the large majority of reports are published at irregular intervals as appropriate in the author's judgment. The information, opinions, estimates and forecasts contained herein are as of the date hereof and may be changed without prior notification. This research is for our clients only and is disseminated and available to all clients simultaneously through electronic publication. Rosa & Roubini Associates is not responsible for the redistribution of our research by third party aggregators. This report is not directed to you if Rosa & Roubini Associates is barred from doing so in your jurisdiction. This report and its content cannot be copied, redistributed or reproduced in part or whole without Rosa & Roubini Associates' written permission.