



R&R Weekly Column
By Brunello Rosa



Navalny's Death Reveals The Strength of Putin's Regime in Russia, But Also Its Fragility

In July 2023, we began [a series of articles about the upcoming year of elections](#), to be held in 2024. Among the key emerging market [elections](#) we identified those [in Taiwan](#), Russia and India as the most relevant ones. While the [Taiwanese elections](#) were clearly at the forefront of public attention, given the escalating [tension in the Taiwan Strait](#) as an exemplification of the [Cold War II between the US and China](#), few people thought that the Russian election deserved any attention. "We already know who's going to win, right?" was the typical objection. We took a radically different view.

As [V-Dem authoritatively states](#), there are four classified forms of government: *liberal democracies* (e.g. the UK), where elections are held, the press is free and the judiciary independent; *electoral democracies* (e.g. Turkey), in which elections are held, but the judiciary and the press are not free and independent; *electoral autocracies* (e.g. Russia), in which decisions are made by a restricted group of people that only formally is legitimised by non-free elections; and *closed autocracies* (e.g. China), in which elections are not held and decisions are made by a very restricted number of people who operate in a system in which powers are not divided and there is no freedom of information.

In electoral autocracies such as Russia, elections are still a very important moment to watch, even if the result is known *a-priori*. They worth being scrutinised to ascertain: (a) *the turnout*: 50% is different from 90%, and tells a lot about the legitimacy of the autocrat; (b) *the number of contenders*: how many people dare to defy the incumbent autocrat? Are they real opposition leaders, or simply puppet candidates that are running only mask the charade? (c) *the actual result*: does the autocrat win with a plebiscite (90-95%) or with a lower majority? (d) *regularity of the electoral process*: how many "tricks" (incarcerations – or worse – of opposition leaders; electoral fraud; etc.), does the autocrat need to pull out in order to obtain the intended outcome? So, there is a lot of information that can be gathered about the state of an electoral autocracy from the election moment, even if the result is known *ex-ante*.

In the specific case of Russia, it is known that Vladimir Putin will win the election. With the [change in constitution he imposed to the Duma](#), which was later "legitimised" by a popular vote, this will allow him to remain in power for six more years, and then for another six years if he gets re-elected in 2030. Ahead of the March 15-17th presidential election, it was still unclear how many people would run against him, and whether they will be real opposition leaders. With the death of Alexei Navalny, we now know that there won't be any real challenge to Putin's regime.

Navalny was a courageous leader who wanted to put an end to Putin's autocratic rule. As such, he was already a victim of an attempted poisoning in August 2020, which he survived thanks to the healthcare he received in Germany. But in our opinion, he may have made a miscalculation. He thought that Putin was reaching the end of his road, and that the war in Ukraine would be the classic last straw that broke the camel's back. As such, he decided to return to Russia where he was sure he would be incarcerated (in electoral autocracies, the judiciary is not independent from the executive power), given the number of trials awaiting him.

He probably thought that this was a necessary step to become the next Russian leader, once Putin's regime had collapsed. He probably had in mind the examples of Nelson Mandela, who spent his life in prison before being elected president when the apartheid was abolished in South Africa. And to some extent also the example of Deng Xiao Ping, who had been exiled by Mao during the Cultural Revolution, before returning as supreme leader when Mao's generation of leaders disappeared. Obviously, things have turned out to be different in Navalny's case.

Navalny's death clearly shows that Putin's grip on power in Russia is solid and unchallenged. But to some extent it also shows the fragility of the regime, which did not want to take any chance of allowing Navalny (or anybody else from his movement) to run against Putin, and start the coalescing a politically organised opposition movement.

Our Recent Publications

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✿ [De-coupling and De-risking: The US-China Relationship in the 21st Century](#), by Yueh Chen, 13 February 2024

Looking Ahead

The Week Ahead: Inflation To Ease Off In EZ, While Rising In Italy; QoQ GDP To Contract In Germany; Composite PMI To Fall In UK

In the US, in February, according to flash estimates, S&P Global Manufacturing and Services PMIs are expected to edge down to 50.2 (*p*: 50.7) and 52. (*p*: 52.5).

In the EZ, in January, according to final estimates, headline and core inflation are seen decreasing to 2.8% y-o-y (*p*: 2.9%) and 3.3% y-o-y (*p*: 3.4%). In February, consumer confidence is likely to rise to -15.6 (*p*: -16.1).

Among the largest EZ economies, in January, the inflation rate is expected to increase by 0.8% y-o-y (*p*: 0.6%) in Italy. In Q4, according to the final estimate, in Germany, GDP growth is seen contracting by -0.3% q-o-q (*p*: 0.0%) and -0.2% y-o-y (*p*: -0.3%).

In the UK, in February, according to flash estimates, S&P Global Manufacturing and Services PMIs are expected to rise to 47.1 (*p*: 47.0) and 53.5 (*p*: 54.3). Composite PMI is seen falling to 52.7 (*p*: 52.9). In February, Gfk consumer confidence is likely to rise to -18 (*p*: -19).

The Quarter Ahead: Munich Security Conference 2024; Trump's Civil Fraud Case; Navalny's Death

China, NATO and Israel-Palestine topped the Munich Security Conference 2024. The Chinese Foreign Minister, Wang Yi, cautioned the West against committing a historical error by contemplating decoupling from China as a means of risk reduction. Blinken perceives an 'extraordinary' opportunity for Israel to normalize relations with its neighbours, emphasizing the need for the creation of a Palestinian state. NATO members considered the potential U.S. withdrawal from the alliance if Donald Trump returns to the White House, with Hillary Clinton cautioning delegates at the Munich Security Conference to take his rhetoric "literally and seriously."

Trump fraud ruling. A New York judge has mandated Donald Trump to pay over \$350mn in penalties for "blatant" fraud committed by his real estate empire, which contributed to his fame and fortune. He has also been barred from New York business for three years.

Alexei Navalny's death. Navalny's team verifies his demise and requests the repatriation of his body. His spokesperson asserts that the Kremlin critic was "murdered." Trump eyes NATO security pledge and Russia-Ukraine peace talks if elected.

Last Week's Review

Real Economy: Inflation Eased Off in US And Germany, While Stood Unchanged In UK; QoQ GDP Stalled In EZ And Contracted In UK

In the US, in January, headline inflation eased off to 3.1% y-o-y (*c*: 2.9%; *p*: 3.4%), while core inflation stood at 3.9% y-o-y (*c*: 3.7%). In January, retail sales rose by 0.6% y-o-y (*p*: 5.3%). February's consumer sentiment increased to 79.6 (*c*: 80; *p*: 79).

In the EZ, in Q4, according to the second estimate, the GDP growth rate stalled q-o-q (*p*: -0.1%) as expected. The economy advanced marginally by 0.1% y-o-y (*c*: 0.1%; *p*: 0.0%). In December, IP increased by 1.2% y-o-y (*c*: -4.1%; *p*: -5.4%).

Among the largest EZ economies, in January the inflation rate eased off to 3.1% y-o-y (*c*: 3.1%; *p*: 3.7%) in France.

In the UK, in Q4, according to a preliminary estimate, the GDP growth contracted by -0.1% q-o-q (*p*: -0.1%). In January, headline and core inflation remained unchanged at 4.0% y-o-y (*c*: 4.2%) and 5.1% y-o-y (*c*: 5.2%). In December, the unemployment rate rose to 3.8% (*c*: 4.0%; *p*: 3.9%). In January, retail sales increased by 0.7% y-o-y (*c*: -1.4%; *p*: -2.4%).

Financial Markets: Stock Prices Were Mixed, While Bond Yields, Dollar Index And Oil Prices Rose, and Gold Prices Fell

Market Drivers: The US stocks concluded the week lower as another inflation reading, which fell but by less than market expectations, weakened the argument for interest rate cuts. As a result, UST and eurozone yields rose.

Global Equities: Increased w-o-w (MSCI ACWI, +0.3%, to 750.24). The US S&P 500 index edged down (-0.4% w-o-w, to 5,005.57). In the EZ, share prices rose (Eurostoxx 50, +1.0% w-o-w, to 4,765.15). In EMs, equity prices increased (MSCI EMs, +2.1%, to 1,016.23). Volatility rose to 15.-1 (VIX S&P 500, 52w avg.: 20.9; 10y avg.: 17.6).

Fixed Income: w-o-w, the 10-year US Treasury yields rose (+10 bps to 4.28%). The 2-year US Treasury yields increased (+15 bps to 4.64%). The German 10-year bund yields increased (+1 bps to 2.39%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.2%, to 104.28; EUR/USD -0.0%, to 1.08). In EMs, currencies edged up (MSCI EM Currency Index, +0.1% w-o-w, to 1,725.20).

Commodities: w-o-w, oil prices increased (Brent, +1.6% to 83.53 USD/b). Gold prices decreased w-o-w (-0.6% to 2,025.0 USD/Oz).



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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