

# Political Risk Update: October 13, 2021

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## Nigeria: The government's revenue projections for 2022 carry risks

### Event

On October 7, President Buhari delivered his 2022 budget speech to the National Assembly, calling for NGN16.39tn (USD39.6bn) in expenditures.

### Outlook

While the increased borrowing will not immediately threaten debt sustainability, given Nigeria's low debt-to-GDP ratio, government revenues may fall short of projections. Technical hurdles may limit the ability to reach expected levels of oil production, as this would require an increase of 640,000 barrels per day (b/d) over current output. Additionally, rising energy prices may increase the import bill for petrol products as the country's own refineries cannot meet domestic requirements. Furthermore, increasing pressures on the exchange rate may increase inflation risks and the central bank may not be able to hold to the official dollar peg.

### Analysis

Revenue projections for 2022 are built on the baseline assumption of a USD57 per barrel oil price and a 1.88 million barrels per day (b/d) average output over the course of the year. Inflation is expected to be 13% year-on-year with a 4.2% growth in GDP. The budget includes plans to help finance the expected deficit with over NGN6tn in new loans, divided evenly between domestic and foreign borrowing. It is unclear whether any of the recently-raised USD4bn in Eurobonds will transfer to the 2022 budget.

## Brazil: Bolsonaro faces new environmental pushback

### Event

Austrian NGO AllRise presented a complaint against President Jair Bolsonaro before the International Criminal Court (ICC) on October 12, alleging "crimes against humanity" related to Amazon deforestation and its global consequences.

## Outlook

Bolsonaro appears unlikely to face ICC action, at least in the near term, but controversies surrounding environmental destruction will continue to dominate the remainder of his term. Increased reputational risks will limit trade and investment options while reducing prospects for ratification of the EU-Mercosur association agreement.

## Analysis

The complaint, entitled "The Planet vs Bolsonaro", argues that Bolsonaro's environmental policies represent an attack on humanity, with an estimated 180,000 additional deaths worldwide alleged to be linked to rising temperatures due to Amazon deforestation. The ICC has indicated in the past that environmental destruction could represent a crime against humanity. Bolsonaro continues to face wide criticism for both his environmental and health policies; having refused to receive a COVID-19 vaccination, he complained of recently being prohibited from entering a football stadium at which a vaccination certificate was required. Brazil exceeded a total of 600,000 COVID-19 deaths earlier this month, the second-highest number in the world; on October 11, Bolsonaro dismissed journalists' questions about the number of deaths, saying that he was "bored" with them.

## Jordan: Government will prioritise search for external financing

### Event

King Abdullah approved another reshuffle of Prime Minister Bisher al-Khasawneh's cabinet on October 11, ahead of his trip to Qatar; nine new ministers were appointed, including one with an alleged link to the Pandora Papers, but the main feature was the creation of a new investment ministry.

### Outlook

Both the visit to Qatar and the new investment ministry highlight the kingdom's urgent need for external financing, as its economy struggles with structural problems as well as the impact of COVID-19, which together have resulted in high unemployment. Among possible Gulf donors, Doha is currently one of the best-off and least likely to attach burdensome conditions to transfers of funds, although there have been past tensions over differing attitudes towards the Muslim Brotherhood. Even so, Jordan's economy will remain depressed, and the reshuffle is unlikely to distract potential protesters for long.

### Analysis

Reshuffles are a standard royal strategy to deflect criticism of the monarchy, and this is the fourth in a year. It comes shortly after the king himself featured prominently in the Pandora Papers with regard to overseas property purchases, which overshadowed announcements of electoral reform. King Abdullah's trip to Qatar on October 12 to visit Emir Tamim bin Hamad Al Thani had discussions on bilateral cooperation as well as regional and international developments on the agenda.

## Dominican Republic: Tourism success may also have downside

### Event

The Dominican Republic saw record tourist numbers in September, the government announced on October 10, despite the COVID-19 pandemic.

### Outlook

The government's vaccination target looks likely to be missed, raising the contagion risks associated with international arrivals. Strong tourism numbers will nevertheless help to alleviate the socio-economic effects of the pandemic for many.

### Analysis

A total of 365,544 visitors arrived during September, a threefold increase year-on-year and a small increase on September 2018, previously the country's busiest. Visitor numbers in January-September (some 3.3 million) were almost double those of the same period last year, but were still around 33% lower than in 2019, pre-pandemic. The Dominican Republic was one of just seven destinations to be left on the UK government's travel 'red list' following a review last week; the US government considers the country to be 'Level 2' of four, advising travellers to "exercise increased caution". With tourism accounting for 16-17% of the Dominican Republic's GDP in 2019, the government has been keen to tempt visitors back as soon as possible. An ambitious plan to vaccinate all Dominican adults against COVID-19 by the end of 2021 has so far seen 56% of the population receive at least one dose.

## Mexico: Corruption accusations involving former Pemex CEO could affect AMLO

### Event

On October 11, the National Migration Institute said it maintained an immigration alert on "Emilio 'L' accused of criminal association, bribery and operations with resources of illicit origin when he was in charge of the parastatal Petroleros Mexicanos (Pemex)".

### Outlook

AMLO's government is comparatively unscathed by corruption allegations, but anger over perceived impunity for figures like former Pemex CEO Emilio Lozoya may increasingly hinder the president's ability to cast blame. Without high-profile convictions, public faith in the justice system will fall further.

### Analysis

The Institute's statement comes amid controversy over images showing Lozoya dining at a high-end restaurant on October 9. Lozoya, who was arrested in Spain and extradited last year, has been granted protected witness status in return for assisting investigations relating to the Odebrecht corruption scandal and Pemex's purchase of a fertiliser plant. He has reportedly been fitted with an electronic tag, but is not being held in preventive detention. His allegations

implicate individuals from previous administrations, including former President Enrique Peña Nieto and former Treasury Secretary Luis Videgaray, though no wrongdoing on their part is proven. President Andres Manuel Lopez Obrador (AMLO) has long presented himself as an anti-corruption figure, but critics question his commitment, alleging that he continues to politicise the issue rather than tackle it.

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