

## AD 2023: Year Ahead Political Risks Forecast



### The Big Call ...

- I. **Biden to ultimately bow out of 2024 reelection fight:** Despite initial comments signaling his desire to seek reelection in November 2024, and even a possible early 2023 declaration of an intent to do so, 80-year old US President Joseph Biden, like his predecessor President Lyndon Johnson, will ultimately bow out of the race before the start of the democratic primaries in February 2024. Citing his advanced age, health concerns and a need for 'generational change' Biden is likely to step aside as the war in Ukraine intensifies in 2023 into an unending 'Vietnam-type' conflict and the global economy plunges into a protracted recession. US Transportation Secretary Pete Buttigieg, backed by former President Barack Obama, is likely to emerge as the frontrunner if Biden drops out. California governor Gavin Newsom, Vice President Kamala Harris are also likely to run. Biden's exit from the leadership of the Democratic party, following former Speaker Nancy Pelosi tilts the party in a more ideologically leftist direction with dire long-term implications for traditional US allies Israel and Saudi Arabia. The US fossil energy sector, America's defense industries and tech behemoths are unlikely to prosper in a post-Biden/ post-Pelosi era.

### KEY AFRICA RISK

- II. **Nigeria's February 25 elections may trigger a currency crisis as Naira falls to \$1/Naira 1,000.** Nigeria central bank head likely ouster ahead of the February 25 poll may trigger run on currency. Facing an increasing likelihood of a protracted and indecisive presidential election scheduled for February 25, the Nigerian Naira, which has endured a tough year with a nearly -30% fall against the US dollar is likely to fall even further and possibly touch the \$1/ Naira 1,000

mark in 2023. With the country's embattled central bank governor Godwin Emefiele facing a possible arrest, and neither of the three principal candidates for president evincing a commanding decisive electoral lead, the likelihood of an accelerated depreciation of the local currency in early 2023 is very high. The central bank is unlikely to expend its relatively modest forex reserves to support the currency. With insecurity rising and economic growth dampened, immigration and capital flows out of Nigeria could accelerate in 2023.

## **OTHER FRONTIER & EMERGING MARKET RISKS**

- III. **Oil prices may fall towards \$30/ barrel:** Significant demand destruction resulting from a globally synchronized recession in several major OECD and BRIC countries, despite the serious market dislocations caused by western sanctions on Russia and a globally synchronized recession could see oil prices fall towards \$30/ barrel in 2023. Amidst falling prices Saudi Arabia is likely to finally devalue its currency, the Riyal by at least 20% bringing the country's overvalued currency peg closer to market equilibrium.
- IV. **South Africa to launch full privatization of Eskom as power grid collapses:** Ahead of South Africa's early 2024 national elections, President Cyril Ramaphosa will likely push to fully privatize the ailing state utility, Eskom. President Cyril Ramaphosa who recently emerged from a contentious ruling African National Congress (ANC) party conference wielding probably more raw political power than any modern leader of the ANC is looking to aggressively re-orient the 'captured party' rightwards, rather than leftwards, in an attempt to squelch the strong challenge from the radical pro-black Economic Freedom Front (EFF). Ramaphosa's pro-market tilt will ideologically split the ANC and ensure that the party probably receives less than 50% in the 2024 polls.
- V. **Kenya central bank governor position unsecure:** Kenya's new government led by President William Ruto is on a policy collision course with the respected hawkish central bank governor Patrick Njoroge. Having served ably for 7 years, Njoroge, is likely to resign in early 2023 before the end of his term. Finance Minister Njuguna Ndung'u, himself a former central bank governor previously indicted by Kenya's anti-corruption agency and Njoroge have a frosty working relationship. Ndung'u, a Swedish trained development economist favors a more dovish monetary policy stance and expansionary fiscal posture and a weaker Kenyan shilling. Njoroge, a Yale educated monetarist favors a more orthodox hawkish stance in the face of growing global inflation pressures. The pair also disagree on money laundering cash withdrawal thresholds for banks as well as disagreements on digital currency.

- VI. **UN Security Council may sanction Rwanda over DRC crisis:** The US is likely to abandon its traditional ties with Rwanda and either approve or abstain from a UN Security Council vote in 2023 to sanction Rwanda for its support of the M23 rebels. Any UN sanction on Rwanda will complicate Rwanda's foreign investment flows and international commercial partnerships. DR Congo's December 2023 elections are also unlikely to proceed as scheduled as the growing level of insecurity within the country's eastern regions may see the polls pushed into 2024 to the advantage of incumbent pro-Western President Felix Tshisekedi. A full blown regional proxy war in the Great Lakes region pitting countries such as Uganda, South Sudan, Kenya, Tanzania, Rwanda and DRC against each other is not impossible to contemplate.
- VII. **Netanyahu may strike Iran after a historic peace deal with Saudi Arabia:** Israel's Prime Minister Benjamin Netanyahu will likely launch missile attacks on several Iranian targets in order to set back the country's nuclear program, without the support of the Biden administration. These strikes will not be dissimilar to the 1981 attack on Iraq's Osirak reactors by Nethanyahu's mentor, former Israeli Prime Minister Menachem Begin. Netanyahu is unlikely to take such an escalatory action unless he has forged a peace deal with Saudi Arabia and a back-door agreement with Russia over Ukraine. Any Israeli strike on Iran may see Israel attacked by a swarm of Iranian drones from Lebanon, Syria and the Gaza strip.
- 

*DaMina Advisors is a preeminent independent Africa-focused frontier markets risk research, due diligence and M&A transactions consulting and strategic advisory firm.*

**Contact DaMina for a more detailed briefing by our risk analysts:**

Sebastian Spio-Garbrah

Chief Analyst, Frontier Markets

[sebastian@daminaadvisors.com](mailto:sebastian@daminaadvisors.com)

+ 41 77 237 38 78

On Twitter  [@DaMina\\_Advisors](https://twitter.com/DaMina_Advisors)