

How an election-packed 2024 is shaping up for world markets

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In an election-packed year, markets have so far shrugged off results, with the focus squarely on the one contest that could reverberate across everything from international trade to emerging market debt: the United States presidential race in November.



Source: Reuters.

Voters in India, meanwhile, will cast ballots later this month, with self-styled strongman Narendra Modi expected to win a third term as prime minister in the world's most populous country.

Taiwan, Portugal, Russia and Turkey have already held elections. By year-end, countries accounting for over 60% of the world's economic output and more than half of its population would have voted.

Here's a look at some of the key elections ahead:

1. India

A coalition led by Prime Minister Narendra Modi's Hindu nationalist Bharatiya Janata Party (BJP) is expected to sweep the majority of parliamentary seats.

Persistent inflation, particularly in food prices, and poor job creation could, however, hurt the BJP's chances.

The commodity exporter has roiled markets by restricting rice, wheat and sugar exports. A shift back to fiscal populism risks extending India's already wide fiscal deficit, leading to more borrowing. The IMF estimates public debt could hit 82.3% by 2024/25.

Parliamentary elections in India will be held in phases from Friday, 19 April 2024 to Saturday, 1 June 2024, with votes counted on Tuesday, 4 June 2024.

2. South Africa

In general elections on Wednesday, 29 May, the ruling African National Congress is expected to lose its parliamentary majority for the first time since Nelson Mandela led it to power in 1994.

With economic stagnation, power cuts, unemployment and graft allegations alienating voters, the ANC may need to partner with the Democratic Alliance or the far-left Economic Freedom Fighters.

Pre-election, the government could hike spending, boosting debt. If the ANC allies with a leftist party, social spending could rise. Worries about a weak currency and strained public finances could slow down rate cuts.

Central Bank governor Lesetja Kganyago said election uncertainty was "keeping the country's risk premium elevated", referring to the return investors' demand due to perceived risks.

3. Europe

Polls predict nationalist and eurosceptic parties will win a record number of votes in Europe's parliament elections. The far-right Chega did well in Portugal's March election.

The centre-right European People's Party has kept a lead in the polls, even with an anticipated populist surge. Still, securing a majority might be a challenge, possibly forcing it into policy trade-offs. Support for Ukraine and climate policy are in focus.

Italian assets could suffer if gains for populist parties are seen weakening a commitment to European integration. Yet, the euro-scepticism evident in many elections in the 2010s and early 2020s has eased, leaving the euro relatively unperturbed.

European Parliament elections will take place from Thursday, 6 June 2024 to Sunday, 9 June 2024, while Belgium will vote on 9 June 2024. Croatia's election is scheduled for autumn/winter and Romania in November. Austria's dates are yet to be confirmed.

4. Mexico

In its Sunday, 2 June 2024 election, voters in Mexico will select the president, every member of Congress and eight state governors. The presidential candidate from the ruling National Regeneration Movement (Morena) party, ex-Mexico City mayor Claudia Sheinbaum, has a lead.

Morena is pushing for two-thirds congressional majority, which would enable it to make constitutional changes without opposition support. Polling suggests it could fall short.

A Morena congressional supermajority is among the market risks, as the party could then pass major reforms unpopular with business leaders, including in the energy sector.

5. Venezuela

President Nicolas Maduro is running for a third term in Venezuela's elections on Sunday, 28 July 2024, and it is unclear who will challenge him as the country grapples with social, political and economic crisis.

The opposition primary winner, Maria Corina Machado was banned from participating and her chosen alternate was not allowed to register.

In exchange for work toward fair and free elections, the US lifted oil sanctions until mid-April and removed secondary trading bans for certain Venezuelan bonds and state oil company PdVSA's debt and equity.

Re-instated sanctions could hurt; oil exports recently hit a four-year high, and bond prices rallied after the sanctions' pause. Venezuela could also try to restructure its debt.



Source: Reuters.

6. United States

Republican Donald Trump faces Democrat President Joe Biden in the presidential election scheduled for Tuesday, 5 November 2024.

The Biden re-election campaign is grappling with voter concerns about the economy despite job growth and strong GDP growth. Trump faces four criminal indictments and just lost a bid to delay a hush money trial.

Much is at stake globally, including aid for Ukraine, if Trump is re-elected. A bumpy ride is anticipated for stocks and forex markets.

Trump has floated the idea of a 10% universal import tariff and levies of 60% or more on China. EU policymakers are concerned he could re-impose tariffs on imports of European steel and aluminum suspended by Biden.

Higher tariffs could fuel inflation, lift the dollar and hurt other currencies. Barclays analysts see the euro falling sharply if tariffs are imposed, and eyeing parity against the dollar, if Trump imposes 20% tariffs on European carmakers.

Tina Fordham, founder and geopolitical strategist at Fordham Global Foresight, said there was complacency around a decisive result, adding: "Instead, investors should position for an election that is highly contested, with a delayed result via recounts or a Supreme Court referral to be factored into timing -- or even civil unrest."

7. Britain

In Britain, where general elections are due by January 2025 and expected by end-2024, local and mayoral elections on Thursday, 2 May 2024 are a major test for the ruling Conservative Party, which trails the opposition Labour Party in the polls.

Amid a flat-lining economy and with households still reeling from high inflation, minister Jeremy Hunt last month offered tax cuts in his budget to revive election hopes.

Labour, keen to show it can be trusted on the economy, has set out fiscal rules it would stick to if elected. It also wants closer EU ties post-Brexit, which could lift the sterling.

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