CAPITAL ECONOMICS

GLOBAL ECONOMICS FOCUS

Do elections really matter for the economy?

- **The economic influence of elections is often overstated. They have only tended to have significant effects if governments have embarked on big structural reforms, interfered with monetary policy or changed their geopolitical stance. Even then, the electoral and institutional landscape must enable governments to implement these policy changes. This suggests that, of the many elections taking place in 2024, those in the US and Taiwan are likely to have the biggest economic and potentially market consequences.**
- Many elections in history turned out to have little impact on the economy, even in instances when they garnered lots of attention in advance or prompted a significant market reaction in the short term. **This is because, for the most part, other factors such as global shocks have been bigger determinants of economic performance.**
- But there have been some cases where election outcomes *have* been very important for the long-term outlook. **Major structural reforms, significant changes to monetary policy at the hands of the government or a change in geopolitical stance seem to be among the main reasons why certain elections were particularly impactful.** Examples include the major privatisation drive and labour market reforms following the 1979 UK election and the mass nationalisation of industries and socialist policies after the 1970 Chile election. Meanwhile, Brazil's 1994 election ensured adherence to a new monetary policy mandate, which ultimately helped to end hyperinflation.
- **But elections have only led to major policy changes when a country's institutional and electoral structure enabled the government to enact change.** Governments face far fewer barriers to implementing policies when their parties hold a large majority in the legislature and when there is little separation between the legislative and executive branches. Countries with electoral systems that feature two main parties, like the UK, are therefore generally most likely to experience significant economic effects.
- **Regardless of the macroeconomic consequences, elections can certainly trigger big financial market reactions, especially in the short term.** Market reactions can be particularly large when a "Populist" or "Protectionist" candidate is a serious contender, or when there is the potential for fiscal credibility to be lost or restored. But in many cases, market moves are eventually largely unwound as the reality of various constraints on candidates' proposed economic policies sinks in.
- **Given the lack of plans for major shifts in policy direction, most of the elections next year probably won't have a major effect on the economy.** This is partly because, due to fiscal policy constraints, changes to fiscal policy will tend to be distributional, rather than having a notable effect on the overall fiscal stance. And even if fiscal policy was set much looser or tighter than is appropriate to the current stage in the economic cycle, independent central banks would use monetary policy to try to offset any undue impacts.
- **Admittedly, fiscal loosening around elections in some EMs next year may not be fully offset by tighter monetary policy.** This is a risk in Russia, whose economy is already overheating. And in South Africa, pressure to keep monetary and fiscal policy loose could exacerbate sovereign debt risks, which are already very high.
- **But elsewhere, the area where next year's elections could be most important is in trade and geopolitics, which tend to be more directly determined by government policies.** Against a backdrop of global fracturing and given the prevalence of "populist" or "protectionist" candidates, this channel could be even more important than it has been historically. For this reason, **elections next year in the US and Taiwan are the ones to watch.**

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Do elections really matter for the economy?

There are several major presidential and parliamentary elections taking place in 2024. Among major advanced economies, next year will bring elections in the US and most likely the UK. Meanwhile, leadership elections taking place next year in emerging markets include those in India, Mexico, Russia, Taiwan, Indonesia, Pakistan, and South Africa. This means that **four of the five most populous countries in the world will hold elections next year.**

The results of next year's elections might have significant impacts on various domestic and international states of affairs. But it's not clear that the results will have big implications for the economy, given that elections haven't always – or even often – had a particularly large bearing on economic outcomes. In this *Focus*, we consider the extent to which elections have the potential to shape the economic outlook. We start by taking a look at which elections have had the biggest effects historically with regards to the general economy, monetary policy, trade and geopolitics, and financial markets. We then consider which circumstances were in place in these economies leading up to the elections which may have laid the foundation for relatively substantial impacts. Finally, we conclude by setting out what this could all mean with regards to the major elections taking place in 2024.

Which past elections have had significant impacts on the general economy?

There is no simple answer as to whether or not elections are an important determinant of economic outcomes. For one thing, it's impossible to know how an economy's performance would have differed had an alternative candidate been elected. And there are so many other non-political factors which also have an effect on economic activity.

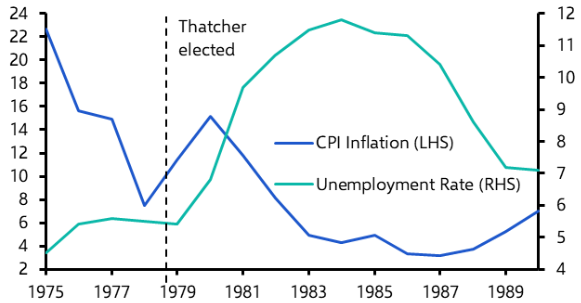
What's more, the extent to which past presidential or parliamentary elections have influenced economic performance varies a lot. Indeed, **there are some elections in history which stand out in terms of their impacts on at least certain aspects of the economy. But there are also many instances when elections garnered lots of attention and/or prompted a significant financial market reaction, but ended up having limited macroeconomic impacts overall.**

A few elections in history stand out as having had a significant impact on an economy's general performance. **In several cases, elections came at a time when countries were already in a state of transition. The elected leader then went on to swiftly embark on major structural reforms.**

Starting with the UK, the 1979 election of Margaret Thatcher marked a political turning point. At the time, the country was struggling with various strikes in a period known as "the winter of discontent".

At face value, Thatcher's election does appear to have initially had a *negative* effect on the UK economy. Shortly after the election, interest rates were increased to a record high of 17%. On the one hand, this helped reduce inflation. But within a few years, the unemployment rate doubled to a 50-year high of 11.8%. (See Chart 1.) **Thatcher's policies had particularly negative impact on the manufacturing and mining sectors and contributed to the UK falling into recession in 1980-81.**

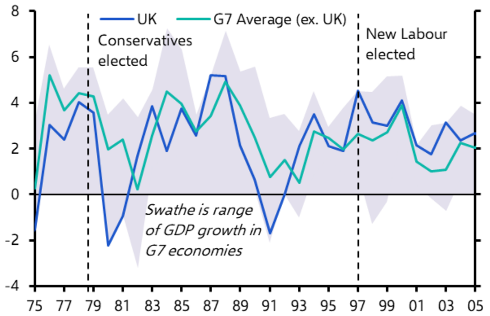
Chart 1: UK CPI Inflation & Unemployment Rate (%)



Source: Refinitiv, Bank of England, Capital Economics

It would be misleading, however, to conclude that the election of Thatcher was responsible for the UK falling into recession in the early 1980s. **Global factors have also tended to play a very important – if not larger – part in influencing economic activity over the years.** Weak GDP growth in the early 1980s was not just a UK phenomenon, as the 1979 energy crisis pushed most of the developed world into recessions and/or periods of stagnation. **Instead, it would be more accurate to presume that Thatcher's policies *exacerbated* the downturn in the UK economy following her election.** Indeed, GDP growth in the UK was the weakest amongst G7 economies in 1980-81. (See Chart 2.) So, this suggests that at least some of the UK's underperformance was due to domestic policy.

Chart 2: UK vs G7 Average ex. UK GDP (% y/y)

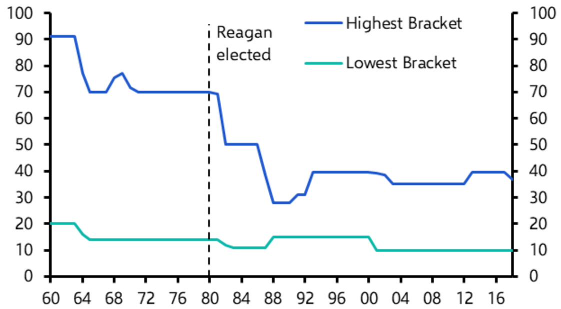


Source: OECD, Capital Economics

Taking a longer-term view, the election of Thatcher clearly had a significant influence on the future structure of the UK economy. Thatcher's reforms to liberalise the economy included a major privatisation drive of state-owned businesses, removing subsidies and increasing competition in domestic and foreign markets, and financial market deregulation. She also embarked on major labour market reforms, most notably by reducing the bargaining power of trade unions. Under Thatcher, the share of UK workers who were union members fell from 62% in 1980 to 42% in 1990.

Similar to Thatcher, the 1980 US election of Republican Ronald Reagan led to greater privatisation, lower government social spending and greater financial market deregulation. Tax rates for households and corporates were cut sharply. The income tax rate for the highest earners fell from 70% in 1980 to only 28% in 1989. (See Chart 3.) And although tax rates have risen somewhat since, **the election of Reagan clearly marked the end of the post-war high tax, larger state era in the US.**

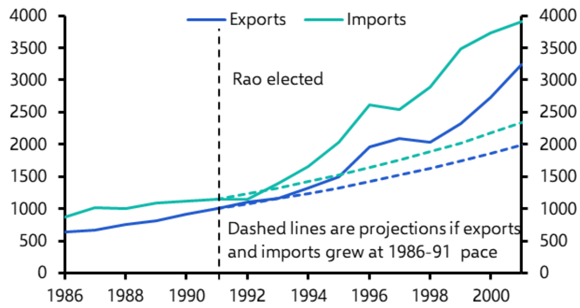
Chart 3: US Federal Income Tax Rates (%)



Source: FRED, Refinitiv, Capital Economics

The 1991 Indian election of Prime Minister Narasimha Rao marked a turning point for the Indian economy's transition towards liberalisation. The election took place during a period when the Indian economy was relatively closed. Rao's reforms included liberalising trade policies, opening the economy to foreign direct investment, and devaluing the exchange rate. **Within a decade of the election, trade flows had more than trebled.** (See Chart 4.)

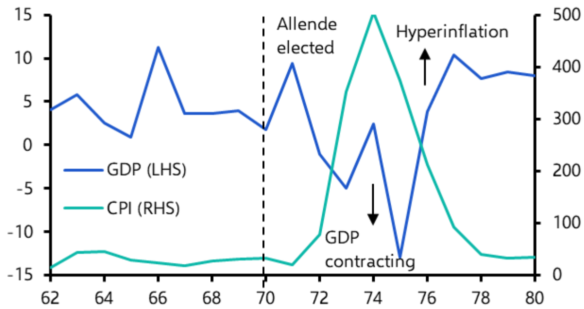
Chart 4: India Export & Import Volumes (Billion Rupees)



Source: Refinitiv, Capital Economics

There are also instances when elections have brought about major structural reforms which have had significant *negative* economic implications. An obvious example is the 1970 Chile election of Salvador Allende of the Popular Unity Party. **The election marked the country's first socialist government, and an economic crisis ensued before long.** By 1972, Chile had entered a period of hyperinflation, with CPI inflation peaking at over 500% in 1974. And by 1972, the economy had already fallen into recession. (See Chart 5.)

Chart 5: Chile GDP & CPI (% y/y)



Source: Refinitiv, Capital Economics

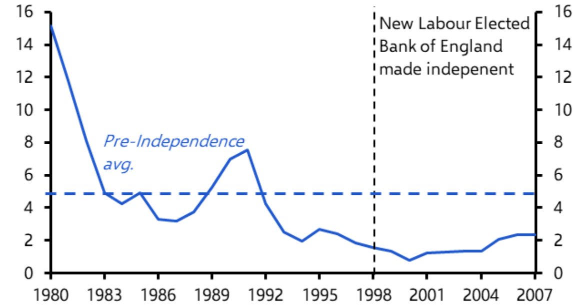
Have elections ever mattered for monetary policy?

Another way in which elections have sometimes had big economic impacts in the past has been when governments made changes to monetary policy.

There have been various instances when governments have directly changed either the structures or mandates of central banks following elections. **These reforms either made central banks' targets more clearly defined, or made it harder for governments to interfere with monetary policy. And in these cases, the implications for the economy have often been *positive* and *long-lasting*, at least with regards to reducing inflation.**

The 1997 UK election of Tony Blair's New Labour Party marked another turning point for the UK economy. **The day after the election, the Labour government announced it would grant the Bank of England operational independence.** This meant that the Bank now had the power to set monetary policy without government interference. Although global factors will have once again played a big role, **inflation in the UK remained close to or below 2% in the period after independence and before the global financial crisis. This compares to an average of 5.5% from 1980-1997**. (See Chart 7.)

Chart 7: UK CPI Inflation (%)

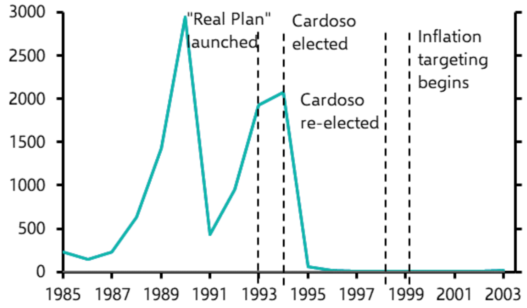


Source: Bank of England, Capital Economics

Brazil is another country where there have been many *positive* changes to central bank mandates following elections. Cardoso was first elected as Brazil's president in 1994, at a time in which the country had been struggling with nearly a decade of hyperinflation. Cardoso's election meant he could adhere to the "Real Plan" (which he had started as Finance Minister the previous year). After his re-election in 1998, the Cardoso government decided that the peg was to be abandoned in favour of the central bank pursuing and inflation-targeting regime.

Altogether, these changes to monetary policy clearly had a positive and long-lasting effect on Brazil's economy. Inflation averaged only 15% during Cardoso's two terms as President compared to 1300% in the eight years prior to his election. (See Chart 8.) Moreover, inflation has averaged only 6% since the central bank became inflation-targeting.

Chart 8: Brazil CPI Inflation (%)

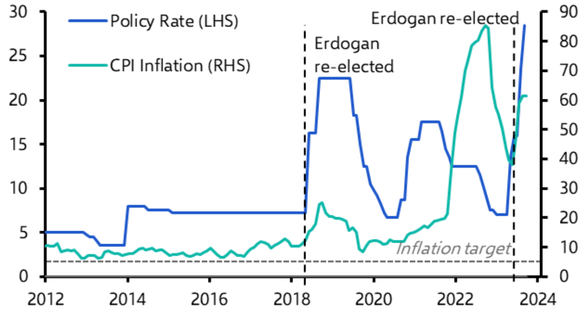


Source: Refinitv, Capital Economics

We have already mentioned a few cases when elections have had immediate *negative* impacts on the economy. And in fact, **this was partly because governments were able to influence monetary policy in the absence of an independent central bank.** This was the case in Chile following the 1970 election, when the government's decision to keep monetary policy loose contributed to hyperinflation.

The past two general elections in Turkey also serve as good reminders that even if elections don't lead to a change in leadership, they can still affect economic outcomes. This is especially true if independent and "orthodox" monetary policy is on the line. Although the central bank of Turkey is technically independent, **the common perception that President Erdogan holds a lot of sway with monetary policy decisions has eaten away at the Bank's credibility over the years**. Despite high inflation, monetary policy has generally been kept loose ahead of elections where Erdogan has been up for re-election. And the central bank has been forced to hike interest rates aggressively after. (See Chart 9.)

Chart 9: Turkey CPI Inflation & Policy Rate (%)



Source: Refinitiv, Capital Economics

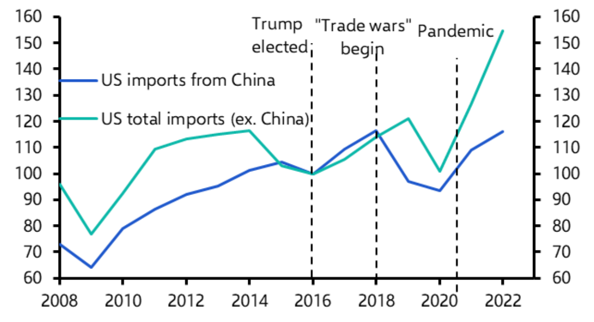
How have previous elections influenced global trade and geopolitics?

Another area where election outcomes have sometimes altered the economic outlook is with regards to trade policy and geopolitics. Indeed, governments' decisions on foreign policy have a lot of direct influence on both. **In particular, elections have mattered most when they have paved the way for a significant change to a country's geopolitical stance.**

The 2016 US election of Donald Trump is often spoken about as being one of the most significant elections in recent history. In particular, **Trump's protectionist trade policies, including his "trade wars" with China, marked a turning point for geopolitics and globalisation.** This had implications for not only the US, but for China, and many other countries as well.

President Trump's Trade wards had a notable effect on US direct trade with China. Trump's first set of trade tariffs went into effect in 2018. And by the end of 2019, nominal imports from China had already fallen by 16%. Admittedly, global trade developments since the pandemic have muddied the waters. But **US imports from China were still just shy of their 2018 level by 2022, whereas imports from the rest of the world had risen markedly. (See Chart 10.)**

Chart 10: US Nominal Imports (2016 = 100)



Source: Refinitiv, Capital Economics

Admittedly, Trump's "trade wars" didn't cause a big shift in overall US trade or a narrowing of the total US trade deficit. But it wasn't just trade flows with China which were impacted by his election. **Trump's "trade wars" kickstarted a wider escalation of geopolitical tensions with China, which remains a major issue today and will shape the world economy over the coming decades.** US-China tensions seem to have deteriorated further under the Biden administration (although admittedly Biden said that he and Xi Jinping had "made some important progress" after their most recent meeting in November 2023). And as more countries have become involved, the global economy has been gradually fragmenting into US- and China-led blocks. We have written extensively on the topic of global fragmentation and what it means for the world economy on our dedicated webpage. And we have recently released a corresponding dashboard. (See here and here.)

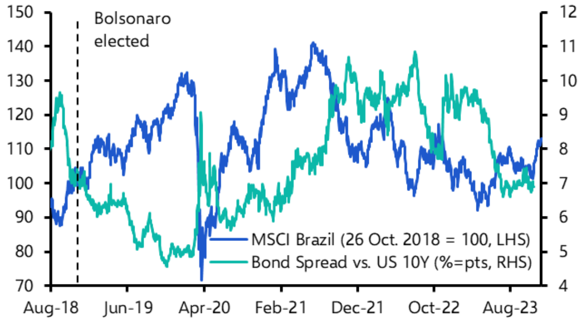
Which elections have triggered big market reactions?

Finally, there are also several examples of past elections which have had big impacts on financial markets, at least in the short term. **It's worth noting that despite triggering big market reactions, these elections haven't necessarily lead to significant changes in the overall economic outlook.**

For example, French equities rose sharply in the month leading up to the 2017 election, when a Macron victory looked increasingly likely. **The positive market reaction was probably because the risk of heightened geopolitical tensions and concerns about debt sustainability under a Le Pen Presidency had abated.** As a result, financial market moves had largely unwound within a few months.

Meanwhile in Brazil, the positive market reaction around the election of Bolsonaro in 2018 was largely due to the perception of reduced fiscal risks. For years, the sustainability of Brazil's public finances has been a big point of political contention, and has weighed on Brazil's financial assets. Bolsonaro won on a platform of "free-market" and fiscally-conservative policies, including the much-anticipated pension reform. One year after the election, equities were up by around 30%, while 10Y government bond spreads with the US had narrowed by 400 bps. (See Chart 11.) However, equity prices have fallen and bond spreads have widened again, as fiscal risks have come back into the spotlight.

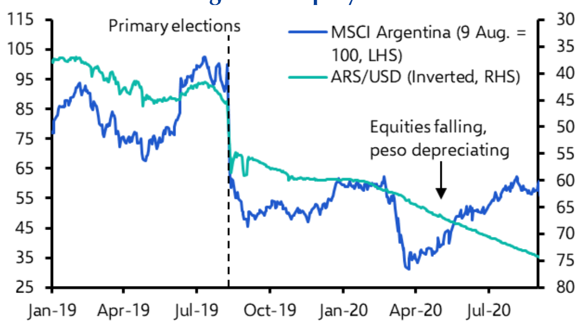
Chart 11: MSCI Brazil Equity Index & Government Bond Spread vs. US 10Y



Source: Refinitiv, Capital Economics

At the other end of the spectrum, **the perception that an election would fail to bring about more market-friendly policy changes has sometimes triggered big *negative* market reactions. This has especially been the case when elections have taken place against a backdrop of economic fragility.** The 2019 Argentinian election is a good example. The surprise win for the left-wing Peronist candidate in the primary election caused market turmoil. Equities fell by 40%, the peso depreciated by 20% and dollar bond yields rose by 600bps in a day. (See Chart 12.)

Chart 12: MSCI Argentina Equity Index & ARS/USD



Source: Refinitiv, Capital Economics

Under what circumstances do elections have the biggest impacts?

It's clear from the above examples that elections *can* matter a lot for the economy, or at least for some aspects. But of course there have also been many elections over the past several decades which could be classified as relative economic "non-events". **So the question is, what circumstances were in place during these elections which meant that they had relatively large influences on economic outcomes while so many others didn't?**

There appear to be two necessary conditions in order for elections to have big influences on the long-term outlook of an economy.

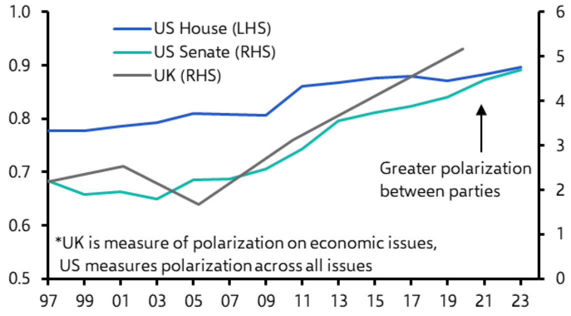
The first – and somewhat obvious – condition is that governments must have the intention to make major changes to economic policies following elections. This can either be through plans for major structural reforms, changes to monetary policy or a big shift in geopolitical stance.

In all of the above examples of elections which *did* have major economic implications, the elected government made a notable change in one or more of these areas. The 1979 UK election, 1980 US election and 1991 Indian election all marked turning points for these economies on their long-term path towards economic liberalisation. Meanwhile, changes to the central bank's mandate following the 1994 Brazilian election were key to the economy finally overcoming its battle with hyperinflation. The 1970 Chile election brought about an immediate structural shift to an economy with a much larger state, along with looser monetary and fiscal policies. And the 2016 US election resulted in more trade barriers and heightened geopolitical tensions.

It's notable that many of these elections which did bring about major shifts in policy direction took place several decades ago. **One reason for this could be that the difference in economic ideologies between political parties was more pronounced in the past.** Historically, the "left" of the political spectrum was associated with a larger state presence, higher taxes and higher government spending. Meanwhile, the "right" was known for less government intervention, lower taxes and balancing the budget. But around the world, the economic benefits of "free-market" policies have become more widely accepted across the political spectrum over the years. Advanced economies generally led the charge in reforms during the 1980s such as lower trade barriers, greater privatisation and looser market regulation. And these policies have become increasingly common in emerging markets too. **So even when elections did result in a change in the ruling party in the past few decades, the actual shift in economic policies was often negligible compared to in the past.**

However, more recently, there has been a resurgence in political polarisation. (See Chart 13.) This is especially true with regards to trade and geopolitical policies. **So elections may very well be more crucial to the outlook for trade and geopolitics now than they were only a decade ago.**

Chart 13: Political Party Polarisation Indices in the US and UK



Source: UCLA, Chapel Hill Expert Survey, Capital Economics

There has been a greater prevalence of "populist" or "protectionist" candidates in elections in recent years. As mentioned, the election of Trump in 2016 marked a major turning point for geopolitical tensions in the US and many other countries. With the world increasingly fragmenting into US- and China-led blocks, the direction in which candidates lean will have big long-term implications for their economies. And while some countries' economies will suffer due to fragmentation, some may also stand to benefit from 'nearshoring'.

Meanwhile, the rise in popularity of anti-EU candidates in European elections suggests that future elections could be vital to the outlook for trade and geopolitics in the region. The 2015 Greek election of Tsipras was hugely significant, as it nearly led to Greece leaving the euro-zone. And the defeat of anti-EU candidate Le Pen in the 2017 and 2022 French elections meant the EU avoided yet another potential crisis. And the recent Dutch election, which resulted in far-right "populist" Geert Wilders winning the most seats, is a reminder that the future of the trade bloc is all but certain.

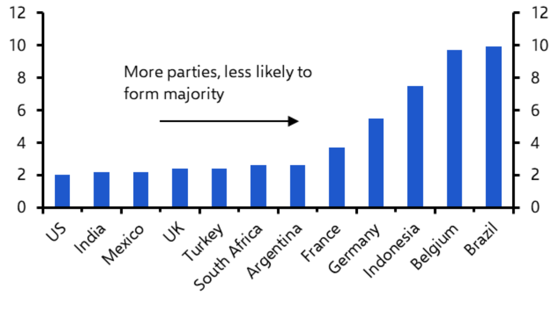
What constraints do governments face in implementing economic policies?

The second necessary condition for elections to have significant economic impacts is that the institutional and electoral structures actually enable the government to implement their intended policies. Even if the elected candidate proposes major economic reforms, whether they are able to enact them depends largely on the extent of electoral and institutional constraints.

In general, governments have a greater chance of bringing about change under a an electoral system which comprises of two main parties. This is more common when voting is done on a "first past the post" basis, which is used in the UK, US and India. (See Chart 14.) The reason for this is because with two main parties, the election is more likely to result in a majority in the legislature. Therefore, this lends itself to a government which is more unified ideologically, meaning they should face fewer barriers to enacting policies.

On the other hand, elections under multi-party electoral systems are much less likely to result in a majority government in the legislature. Because of this, governments usually rely on forming coalitions with other parties, which may have differing opinions on some economic issues. As a result, there is a higher chance that proposed policies will be disjointed and thus watered down. This is most common under proportional voting systems, which are used in many Western European countries.

Chart 14: Effective Number of Political parties in Legislature



Source: Oxford University Press, Capital Economics

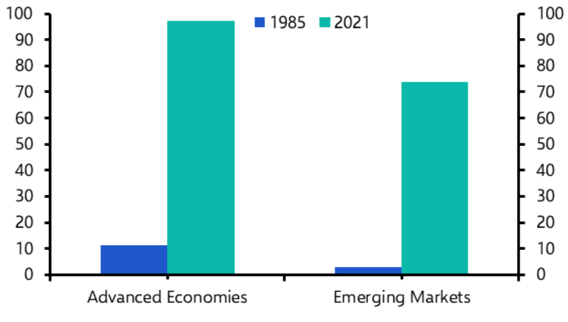
It goes without saying that elections can have much bigger effects when they result in the formation of a majority government. But even when the executive branch (i.e. the President or Prime Minister) has a majority, they could still face constraints from the legislative branch. **In countries where executive and legislative powers are separated, like in the US, the ability to change policies depends a lot on whether a party holds power in both branches.** For example, in the US the President proposes a budget to Congress, which then chooses to accept or reject it.

And if the House and Senate are divided – as is the case currently – this process can go through many iterations, and potentially lead to a government shutdown.

On the other hand, a majority government in countries where there isn't much separation between branches should in theory face less barriers to implementing policies. In the UK the Chancellor outlines a budget to the House of Commons which then becomes officially enacted. Indeed, the 1979 and 1997 UK elections both resulted in large majority governments, which probably helped pave the way for more significant reforms.

Another constraint on elected governments comes from fiscal policy rules. In general, the extent to which governments can use fiscal policy to influence the economy following elections is limited. **This is partly because most governments have pre-imposed limits on their spending, revenues and/or borrowing.** In fact, the potential for elections to bring about big shifts in fiscal stances has diminished over the years. Only 11% of governments in advanced economies faced some form of fiscal rules in 1985, compared to 97% now (though in reality fiscal rules are non-binding in many cases). (See Chart 15.) For this reason, changes to fiscal policy nowadays tend to be *distributional*, rather than affecting the overall fiscal stance.

Chart 15: Share of Countries With Federal Fiscal Rules (%)



Source: IMF, Capital Economics

Even if the overall fiscal stance is altered, the effects can often be watered down by changes to monetary policy. This brings us to yet another institutional constraint on governments' economic policies.

In economies with an independent central bank, monetary policy will often be used to offset changes to fiscal policy which are deemed to be either too inflationary or deflationary. So central banks will usually raise interest rates in cases where fiscal policy is being loosened excessively, and vice-versa. This helps to explain why even in some cases where fiscal policy was loosened significantly after an election, the overall economic impacts were limited.

However, in the absence of an independent – or credible – central bank, governments *have* sometimes been able to influence monetary policy. In some of the elections which proved to have significant *negative* economic consequences, monetary policy had been employed in such a way that it *amplified* crises.

Altogether, these factors help to explain why some elections have had more significant economic impacts than others. Moreover, financial market reactions seem to be initially driven by candidates' *proposed* policy changes. **In particular, market reactions can be large when a "Populist" or "Protectionist" candidate is a serious contender, or when there is the potential for fiscal credibility to be lost or restored.** But the reality is that various institutional and electoral constraints mean that many of these proposed policies are either watered down or fail to see the light of day. Accordingly, market reactions are eventually largely unwound in most cases.

Crucially though, **lessons from history have taught us that while some elections can prove to be major turning points for economies, other factors often matter more for the outlook.** Economic outcomes are often determined by global shocks, which are outside of governments' control. If an economy is already in or is heading towards a crisis, elections can certainly amplify downturns if governments choose to enact pro-cyclical policies. Governments will often be quick to take credit for a strong economy, and blame their predecessors for a weak one. But for the most part, much of this won't actually be down to who is ruling the country.

What does this all mean for elections in 2024?

With so many elections taking place next year, the big question is whether any will actually matter a great deal for the economy. Table 1 summarises some of the key elections of 2024, and whether we think they have the potential to significantly alter various aspects of the economy.

With few major structural reforms planned so far, most of the elections next year are unlikely to bring about significant changes to the outlook for the general economy. The combination of high interest rates and huge government spending since the pandemic has meant fiscal positions in most economies are already in a relatively precarious position. So regardless of the election outcomes, fiscal constraints will limit the extent to which any government can loosen policy. At the same time, elections may prevent countries from *tightening* fiscal policy, which could exacerbate concerns over debt sustainability.

That's not to say that elections won't matter at all. Fiscal policies can still have notable *distributional* effects, depending on the composition of tax cuts and/or government spending under different candidates. So while the aggregate fiscal stance – and thus its influence on the overall economy – might not change, elections could still matter for certain businesses and households. The potential election of a Labour government in the UK in 2024 is one example. While the election is unlikely to have much bearing on the economic outlook, it could still shift the composition of government spending and tax cuts.

With that being said, there are still a couple elections in emerging markets in 2024 which could have notable impacts on the economy's long-term outlook. Indonesia's election is one such case, where a change of leadership is a certainty given that President Joko Widowo cannot run again due to term limits. The biggest risk is that his successor fails to build on the structural reforms which have enabled the economy to grow rapidly so far. India's election could also be relatively important. **In both cases, which candidate wins is probably less relevant than whether the elections deliver stable governments with a working majority in parliament.** Majority governments would mean fewer barriers to pushing through structural reforms. In this respect, India's "first past the post" electoral system suggests the odds of the election resulting in a majority government there are relatively high compared to many other countries.

Another reason why many elections next year probably won't have a significant effect on the economy is because **government interference with monetary policy seems highly unlikely.** Despite Trump's regular comments about his dissatisfaction with Fed policy during his time in office, the Fed and most other advanced economy central banks have been independent for a while now. Meanwhile, those in many emerging markets have also been granted independence over the past few decades. Therefore, even if elections did bring about a major fiscal policy change, monetary policy would probably largely offset it anyway.

Admittedly, there are some emerging market central banks which are either not yet independent or lack the inflation-fighting credibility of their DM peers. **So there is still the potential for future elections in some EMs to have bigger implications for monetary policy.** South Africa's Presidential election next year could be one to watch. In the event of a coalition government between the ruling African National Congress and left-wing Economic Freedom Fighters, the central bank's mandate risks being widened. And alongside pressure from left-wing party members to lower interest rates and lift the inflation target, this could eat away at the central bank's inflation-fighting credibility.

There is also the risk that fiscal loosening around elections in some EMs next year may not be fully offset by tighter monetary policy. This is particularly a risk in Russia, where a ramp-up in military spending could cause the economy to continue overheating. And in South Africa, pressure to keep both monetary and fiscal policy loose could exacerbate sovereign debt risks, which are already very high. **In this case, growing concerns over debt sustainability could trigger a negative market reaction.**

But the area where several of next year's elections could be most important is trade and geopolitics. And unlike other domestic economic policies which face various barriers from fiscal rules and legislative and institutional constraints, governments tend to have more direct control over foreign policy. In this respect, the US and Taiwan elections will be major events. Regardless of which way the US election goes, it's unlikely that it will yield a major change in US-China relations or trade between the two countries. After all, it's notable that the Biden administration didn't roll back any of Trump's original tariffs on China. But if Trump were to be elected, then there could be wider implications for trade. Trump has advocated for increasing tariffs on imports from most countries. And he could also withdraw the US from the WTO. What's more, **Trump could take a more isolationist approach, targeting other countries which are either US allies or which we deem to currently lean US. In this situation, the global economy could fragment further.** For this reason, the US election will be important not only for the US and China, but for many other countries too.

Meanwhile, the election in Taiwan early next year could have big implications for cross-Strait relations. As things stand, the most likely outcome still appears to be another DPP presidency. But the chance of an opposition victory has increased, as the opinion polls have shown a narrowing of the DPP's lead recently. In the case of an opposition victory, tensions with China would ease and sanctions imposed by the latter could be removed. But if the DPP were to be re-elected, then tensions between the two countries would remain elevated, adding to investors' fears about the threat of a future conflict.

Finally, even if many of these elections don't significantly alter the economic outlook, there could still be big market reactions, at least initially. We will discuss the financial market impacts of previous US elections in more detail in a forthcoming *Global Markets Focus*.

Table 1: 2024 elections and their potential to significantly impact various key economic aspects

		General Economy	Monetary Policy	Geopolitics/Trade	Financial Markets
Taiwan	13 Jan	Light red	Beige	Dark red	Beige
Pakistan	08-Feb	Beige	Beige	Beige	Beige
Indonesia	14 Feb	Dark red	Beige	Beige	Beige
Russia	17 Mar	Light red	Beige	Light red	Light red
India	Apr-Jun	Dark red	Beige	Light red	Dark red
Mexico	2 Jun	Beige	Beige	Light red	Light red
United States	5 Nov	Beige	Beige	Dark red	Dark red
United Kingdom	tbd	Beige	Beige	Light red	Beige
South Africa	tbd	Beige	Dark red	Beige	Dark red

**Dark red denotes areas where elections could have big long-term impacts*
Light red denotes areas where elections could affect outlook somewhat
Beige denotes ares where elections unlikely to have an impact

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