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BBVA Research

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit

Russia intensifies drone strikes across Ukraine as Poland raises air defenses. US-Iran negotiations face major obstacles over the Strait of Hormuz and nuclear inspection. Renewed fighting in Ethiopia Tigray region raises fears of wider regional confrontation

Russia intensifies drone strikes across Ukraine as Poland raises air defenses: Russian drone attacks across Ukraine killed at least seven people and wounded more than 80, striking residential buildings, offices and other civilian infrastructure, according to AP. A daytime attack damaged Ukraine's National Academy of Sciences in central Kyiv. Poland scrambled military aircraft and temporarily restricted operations at Lublin and Rzeszów airports in response to Russian strikes near its border with Ukraine (Link).

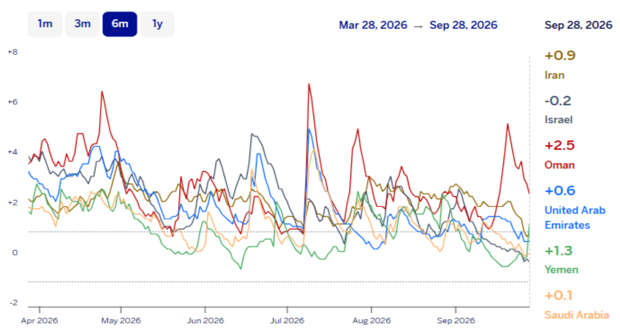
US-Iran negotiations face major obstacles over the Strait of Hormuz and nuclear inspection: Mediators are pursuing indirect US-Iran negotiations aimed at ending an eight-month conflict and restoring normal navigation through the Strait of Hormuz. Proposals under discussion include reopening the waterway without tolls alongside Iranian concessions over nuclear inspections, but significant disagreements remain (Link).

Renewed fighting in Ethiopia Tigray region raises fears of wider regional confrontation: Ethiopia's army chief accused Sudan and Egypt of supporting armed groups fighting federal forces as clashes with the Tigray People's Liberation Front resumed. Sudan's military rejected the allegation and counter-accused actors inside Ethiopia of supporting the Rapid Support Forces in Sudan. The renewed hostilities have raised concern over a return to large-scale conflict in northern Ethiopia (Link).

The BBVA Monitor: Middle East Geopolitical and Policy Uncertainty Remains Elevated Amid Hormuz Talks

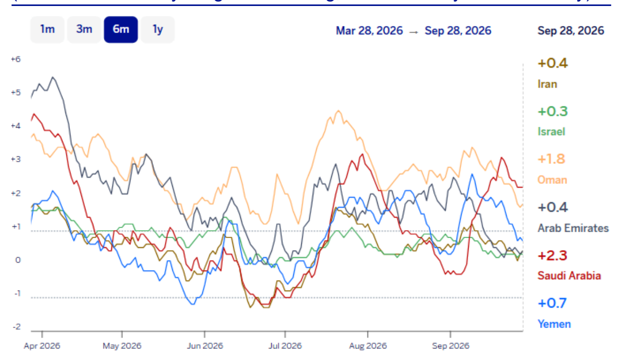
- The heightened uncertainty surrounding negotiations over the Strait of Hormuz and the postponement of Oman-led talks are keeping the **Economic Policy Uncertainty, Trade Policy Uncertainty and Geopolitical Risk indicators** in the high-risk area. Over the week, **Economic Policy Uncertainty** started to correct in **Oman** after its sharp rise last week, but it remains in the upper part of the high-risk area. The **Geopolitical Risk Indicator** remains highest in **Saudi Arabia**. **Trade Policy Uncertainty Indicator** heightened in the **United Arab Emirates**. There was also a deterioration in **economic sentiment indicator** across the region (see Fig. 1, Fig. 2, Fig. 3, Fig. 4 and Fig. 5).
- **The Protest Indicator** signals a sharp increase in **Spain** amid protests over housing problems and the migrant crisis in Ceuta (see Fig. 3 and Fig. 6).

FIG 1. MIDDLE EAST - ECONOMIC P.UNCERTAINTY
(Total media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org.**Dark (light) color indicates higher (lower) risk relative to the mean of period 2021-nowadays**

FIG 2. MIDDLE EAST - GEORISK
(Total media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. **Positive (negative) values indicates greater (lower) uncertainty relative to the mean of period 2021-nowadays)**

***The selection of news has been enriched by the BBVA Research Geo Assistant developed with Chat-GPT.**

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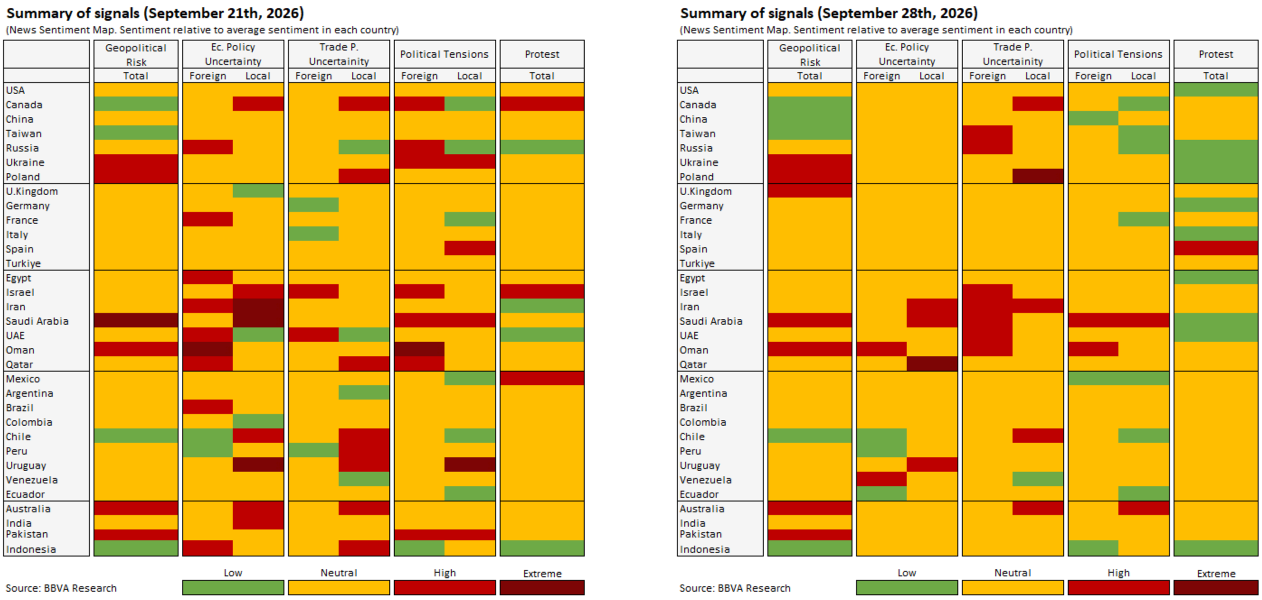
FIG 3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES

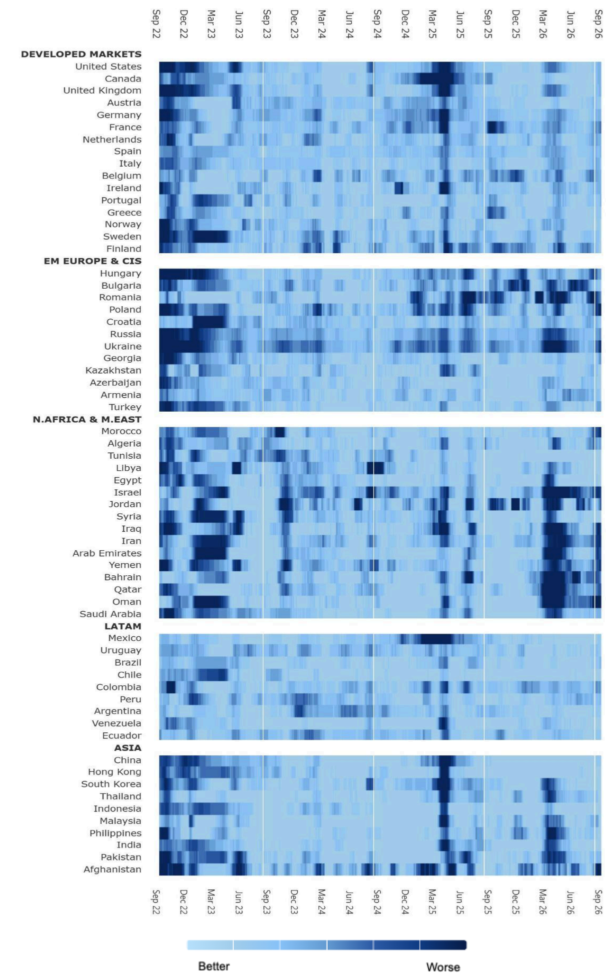
(Signals in Geopolitical Risk, Economic Policy Uncertainty, Trade Policy Uncertainty, Political Tensions and Protest according to Standard Dev)



Source: BBVA Research and http://www.gdelt.org/

FIG 4. ECONOMIC SENTIMENT MAP

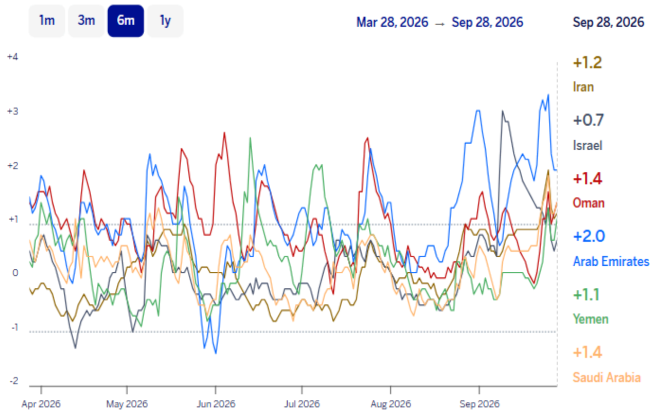
(Local media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. **Darker Blue colors stands for higher economic policy uncertainty while lighter blue colors for low uncertainty**

FIG 5. MIDDLE EAST- TRADE P.UNCERTAINTY

(Total media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. **Positive (negative) values indicates greater (lower) uncertainty relative to the mean of period 2021-nowadays)**

FIG 6. SPAIN - PROTEST

(Total media. 28-day weighted mov avg, normalized by its own history)

Source: BBVA Research & www.gdelt.org. **Positive (negative) values indicates greater (lower) uncertainty relative to the mean of period 2021-nowadays)**

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Methodological annex: indicators' construction

We have developed a daily tracker with weekly updates to monitor protest and conflict indicators for every country in the world from 2019 to present day. To construct this, we use a rich 'big database' of international events (GDELT), created by Leetaru and Schrodt (2013). GDELT is an open-source database that extracts and parses digital news monitoring world events covered by news media from nearly every corner of the world, whether broadcast, printed, or published on the web, in over 100 languages, every moment of every day, updated every 15 minutes. Thus, it contains a comprehensive and high-resolution catalog of geo-referenced events and themes.

Using different dictionaries, several thousands of taxonomies and themes are identified in the news pieces to classify the information. The algorithms used by GDELT also identify emotions, organizations, locations, news sources, and events across the world as well as their average sentiment using Natural Language Processing (NLP) techniques and the lexicon approach.

The included indicators are:

- Geopolitical Risk: or sentiment (weighted by coverage) of the country's geopolitical risk perception.
- Political Tensions: or sentiment (weighted by coverage) of the country's political tensions.
- Economic Policy Uncertainty or sentiment (weighted by coverage) about the country's economic policy uncertainty, also disaggregated by media origin.
- Protests or coverage regarding social protests or unrest in the country.
- Conflict or coverage of armed conflicts, which go beyond verbal protests.
- Bilateral Tensions or the sentiment (weighted by coverage) between a specific pair of countries that appear together in the news article (plus NATO and EU).

The indicators track the evolution of tensions and are normalized by their country's history since 2019, thus they are all expressed in terms of standard deviations from their historical patterns. Indicators usually lie within the range [-1,1]. Therefore, when the values exceed one (the upper boundary of the range), this means escalating tensions. While it's possible to observe simultaneous tensions arising in multiple countries (for example, due to geopolitical events affecting several nations, as seen in some of our heatmaps), using these indicators for direct quantitative comparisons of risk levels between countries is not recommended.

We apply a weighted moving average of 28 days (to include four complete weeks with the same number of days of the weeks) to reduce the noise of daily information and identify signals more clearly. The weights have been calculated using a discrete geometric distribution such that it puts more weight on recent data and less on past data (see Graph 1). Aggregating by weeks, the weight of the most recent week has a weight of 68%, the past week 22%, the previous 7%, and the fourth 3%. The weight of the 28 days can be seen in the following image. In such a way, the indicators reflect what has been happening in the last few days.

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