

Mexico: Political, Economic and Electoral Outlook



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From the “Mexican Moment” to “Saving Mexico”

- Enrique Peña Nieto (EPN) follows the script – effective in communicating the messages he wanted to deliver.
- EPN achieves fundamental advances at the beginning of his administration:
 - Pacto por México.
 - Approval of Structural Reforms:
 - Labor, Telecommunication, Education, Tax, Financial and Energy reforms
 - Skilled negotiation with PAN and PRD to pass structural reforms.
- Government approval rates increase significantly, before dropping constantly in 2014.



Ayotzinapa

- In September 2014, EPN goes off track:
 - **Ayotzinapa.** 43 students from the *Escuela Normal Rural* in Ayotzinapa, Iguala (State of Guerrero) are slaughtered, after being arrested by the municipal police and delivered to the organized crime.
 - » Government showed a very slow reaction to take the case.
 - » Strong and critical media coverage, both locally and internationally.



New Environment

- Since September 2014, the communication of big political decisions has been erroneous, slow or misleading.
- Government statements have fallen short:
 - End of the year speech and announcement of measures to strengthen security and administration of justice (November 28, 2014).
 - Statement early 2015, announcing plan of action to boost the national economy.
 - Virtual conclusions of Ayotzinapa case (January 27, 2015).
 - Communication of financial cuts (January 30, 2015).
 - Announcement of appointment of the new head of SFP (February 3, 2015).



Trains and Houses

- Higa Case. The government revokes the decision to build the Mexico-Queretaro train line by *China Railway Construction Corporation* and Grupo Higa's, Constructora Teya, after "winning" the bid.
 - » Two days later, Aristegui Noticias discloses the story "EPN's White House" (*La Casa Blanca de EPN*), linking Grupo Higa with the buying process of the First Lady's house.
 - » The story is quickly picked up by international media.
 - » The *Wall Street Journal* reveals that Secretary of Finance, Luis Videgaray, also bought a house in 2012 through Grupo Higa in a golf club in Malinalco, at an interest rate well below regular bank loans.
 - » Aristegui is fired, provoking a new wave of reactions among national and international media.



Credibility Crisis

- Appointment of the Secretary of *Función Pública* (target of much criticism).
- Disclosure of assets and tax returns by the President and members of his Cabinet (which continues to be voluntary, without disclosure of total net income or their properties' value).
- Approval of the Anti-Corruption and Transparency Law.
 - More transparent use of public resources by unions and political parties.
 - Federal and State legislators should make public treasury resources they receive (expenses, additional income, bonds, etc.).
 - It establishes penalties and fines for non-compliance with the transparency rules.
 - More transparent tax remissions.
 - Establishes Transparency Institutes of each state as guarantors of the law enforcement.
 - Internet platform to make use of public resources accountable.
- Skepticism persists.

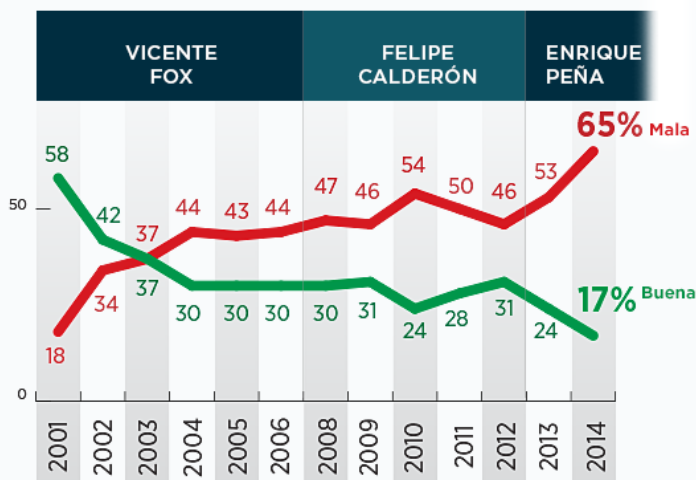
Popularity Fall

The worst approval rating in the last 20 years.

ENCUESTA REFORMA

Corrupción

¿Cuál es su opinión acerca de la forma como el Presidente (...) está tratando el combate a la corrupción?



Promedios anuales de cuatro encuestas de 2001 a 2010 y de tres encuestas de 2011 a la fecha.

ENCUESTA REFORMA

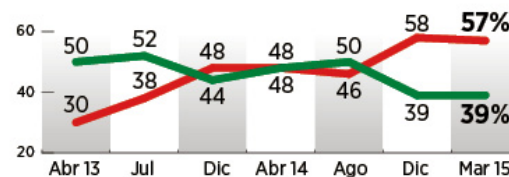
7a Evaluación al Presidente

¿Aprueba o desaprueba la forma como Enrique Peña Nieto está haciendo su trabajo como Presidente de la República?*

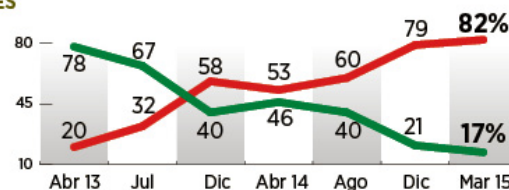
■ APRUEBA

■ DESAPRUEBA

CIUDADANOS



LÍDERES

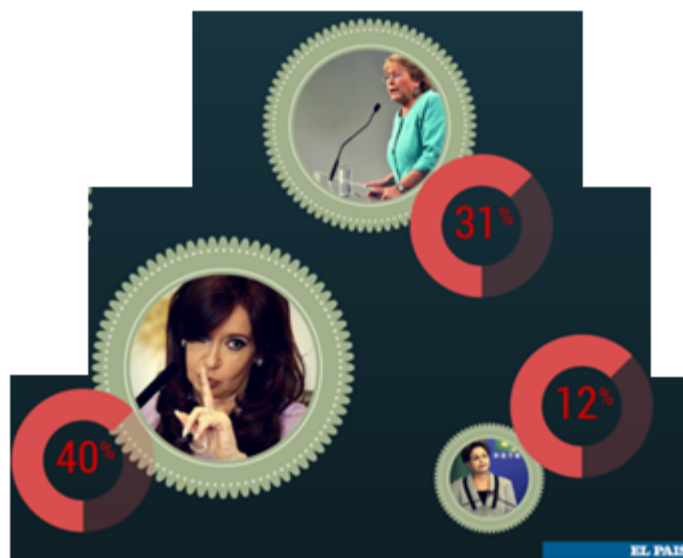


* No se muestran las respuestas "no sabe" y "no contestó".

57% of the population disapproves EPN's performance, while 65% questions the way the President handles corruption and economic issues.

Encuesta Reforma, March 2015

But everything is relative...



Source: IBOPE April 2015, World Bank



Enrique Peña Nieto
México

Scandal: *Casa Blanca de Peña Nieto* "White House" of EPN

APPROVAL MARCH 2015: **40%**

Source: World Bank, Encuesta Reforma, March 2015

Dilma Rousseff
Brazil

Scandal: **Petrobras Case**

Approval rating March 2015: **12%**

Cristina Fernández
Argentina

Scandal: **Nisman Case**

Approval rating March 2015: **40%**

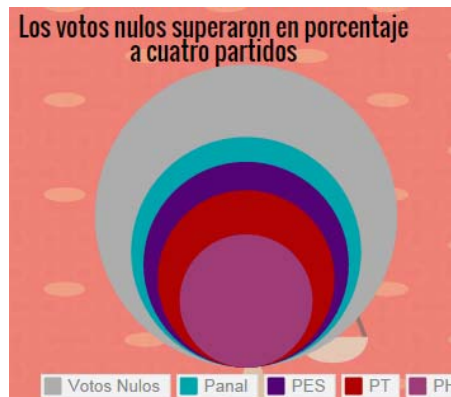
Michelle Bachelet
Chile

Scandal: **Dávalos case**

Approval rating March 2015: **31%**

Mid-term Elections 2015

- Debut of the electoral reform, approved in 2014.
- In general terms, the election developed smoothly, except in very specific places → Tixtla, Guerrero
 - The “boycott” threat by the CNTE did not go through.
 - **99.84% of the polling stations were installed.**
- Voter participation: **47%**. The highest in a mid-term election since 1997.
 - 1997: 55%
 - 2003: 41.8%
 - 2009: 44.6%
 - Federal Election 2012: 62.08%
- Void ballots: **4.88%**



PT & Partido Humanista could lose their registration because they failed to obtain the minimum requirement of 3% of the votes

Independent Candidates

In this electoral process, 125 out of the 500 contenders managed to register as independent candidates for the various elected positions: 71 mayors, 29 legislators, 22 federal deputies and three governorships.

- For the first time ever, an independent candidate wins a relevant position in an election.
- Society was tired of political parties.
- Opens the door to new alternatives/options.



Jaime Rodríguez “El Bronco” Governor of Nuevo León

Member of the PRI for 33 years.
Agressive campaign on social media.

Votes: 48.5%

Opposition:

PRI-PVEM 23.6%

PAN 22.5%

Enrique Alfaro Mayor of Guadalajara

Former Mayor of Tlajomulco de Zúñiga, affiliated with PRD-PT

Votes: 51.18%

Opposition:

PRI-PVEM 26.97%

PAN 9.49%

The “Movimiento Ciudadano” Factor



- 5.9% of overall vote (national level).

- Jalisco = main source of votes.
→ 34.7% of the votes in the state.

- Obtains 6 out of the 8 mayoralties of Guadalajara's metroplex.

Independent Candidates

Future formula:

- Traditional political parties + independent candidates?
- New party system?
- Only independent candidates?

Manuel Clouthier
Congressman for Sinaloa



Federal Deputy
(Congressman) from PAN
2009-2012

Six Federal Deputies PRI-
PVEM and one from PAN

Alfonso Martínez Alcázar
Mayor of Morelia, Michoacán



State Representative for
PAN
Votes: 27.4%
Opposition:
PRI-PVEM 23.9 %

José Alberto Méndez Pérez
Mayor of Comonfort, Guanajuato



Former Mayor of the same
town for PAN
Votes: 29.7%
Opposition:
PAN 25%

Pedro Kumamoto
Local Deputy of Zapopan



25 years old
No political career
Votes: 37.7%
Opposition:
MC 22.5%
PRI-PVEM 16.3%

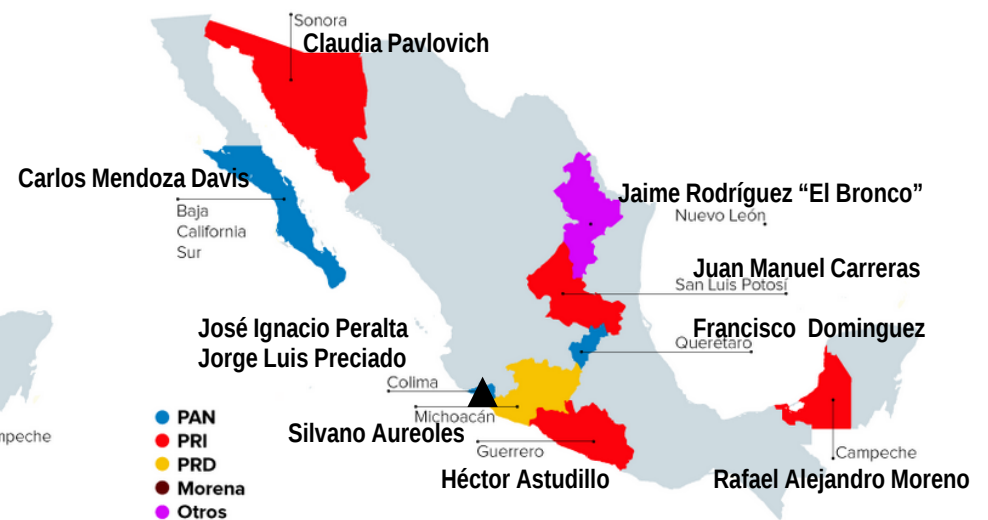
“Punishment” Vote

Configuración actual:



Fuente: Institutos electorales de los estados.

Resultados preliminares de elección 2015:



Alternating parties:

- Michoacán (PRD recovers the state governorship from PRI), Guerrero (PRI returns to power after PRD's dominance since 2005)
- Nuevo León (Independent candidate wins), Sonora (PRI recovers from PAN), and Querétaro (PAN recovers from PRI).

**Colima → after recounting votes, José Ignacio Peralta (PRI-PVEM-Panal) won the election.

States without political party changes: BCS (PAN), Campeche (PRI), SLP (PRI)

PREP 2015

Chamber of Deputies

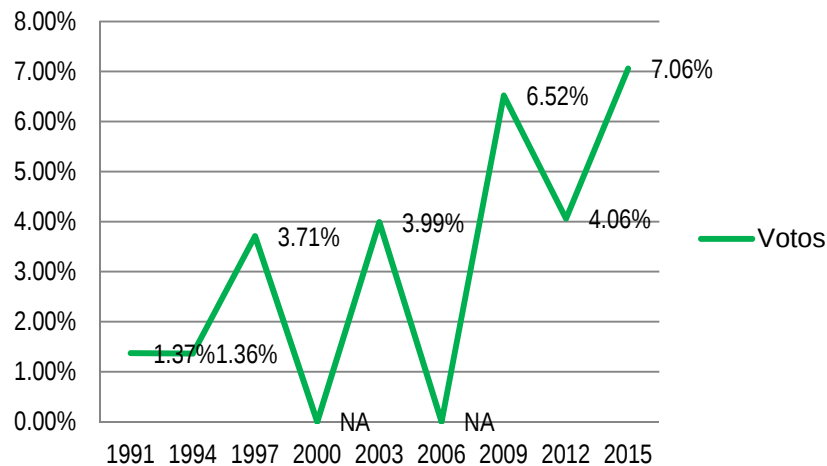
- PRI obtained the simple majority (250+1) of the votes, in alliance with PVEM and Nueva Alianza.
- PRD was the big loser, with 48 less deputies.
- Divided left and rise of Morena party

Party	Mayoria Relativa	Rep. Proporcional	Total	+/-
 Partido Acción Nacional	55	53	108	-6
 Partido Revolucionario Institucional	156	47	203	-9
 Partido de la Revolución Democrática	28	28	56	-48
 Partido del Trabajo	6	0	6	-9
 Partido Verde Ecologista de Mexico	29	18	47	+18
 Movimiento Ciudadano	10	16	26	+10
 Nueva Alianza	1	9	10	0
 Movimiento de Regeneración Nacional	14	21	35	+35
Partido Encuentro Social	0	8	8	+8
Independientes	1	0	1	+1
Total	300	200	500	

The Last Foul by PVEM

- The PVEM is positioned as the 5th largest political party in the country, with 47 representatives in the Chamber of Deputies (18 more than the 2012 Congress)
- \$448 million for its 2015 Budget.
- \$520 million in penalties.

PVEM Votes



SIPSE.COM, 2015

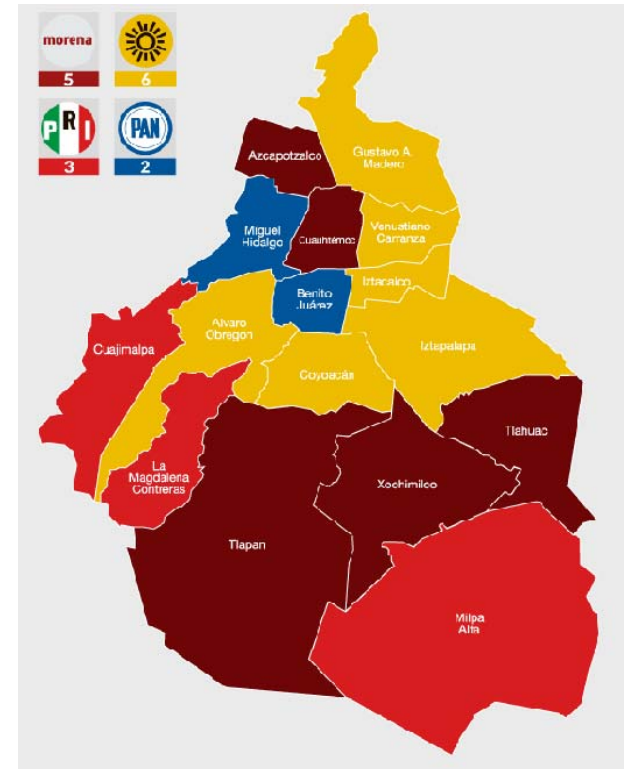
** In the 2000 and 2006 elections, PVEM had an electoral alliance with PAN and PRI, respectively.



- Tweets from artists and famous athletes encouraging to vote for PVEM.
- The party spokesman disclaims any responsibility.

PRD Debacle in Mexico City

- PRD is the election's biggest loser; Morena disputes the majority in the DF Assembly.
- PRD keeps **only 6 of the 14 delegations it had**: Gustavo A. Madero, Venustiano Carranza, Iztacalco, Iztapalapa, Coyoacán, Alvaro Obregón.
 - It will administer \$13,554 million pesos.
 - Govern over 5,164,312 *capitalinos*.
- Morena has **5 delegations**: Azcapotzalco, Cuauhtémoc, Xochimilco, Tlahuac y Tlalpan.
 - \$8,136 million pesos.
 - 2,372,381 citizens.
- PRI has **3 delegations**: Cuajimalpa, Milpa Alta y Magdalena Contreras.
 - \$2,698 million pesos.
 - 556,059 *capitalinos*.
- PAN keeps **Benito Juárez** and returns to **Miguel Hidalgo**.
 - \$3,075 million pesos.
 - 758,328 citizens.



Source: INEGI & El Universal

2012 Assembly



2015 Assembly



Uninominales PREP 2015

Judicialization of the Election?

- It was anticipated that many of the electoral outcomes were going to be challenged, even with a comfortable margin of victory of the alleged winners, due to close electoral outcomes, overspending, and other irregularities in the electoral process.
 - Colima's Governorship
 - Jorge Luis Preciado, PAN: 39.66%
 - José Ignacio Peralta, PRI-PVEM-Panal: 40.01%. Officially won the election after the recounting of votes.
 - DF delegations
 - Michoacán Governorship



Economic Growth Forecast for 2015

- SHCP (Ministry of Finance) forecasts economic growth between **2.2%** to **3.2%** annually.
- The Banco de Mexico maintains its expectation of growth in a range of **2.0%** to **3.0%**.
- The IMF estimates economic growth to be **3.0%** in 2015.
- *Despetrolización* of Public Finances:
 - Oil revenues fell 42% from first quarter vs. the same period last year.
 - Improving performance of non-oil revenues that grew 32% in the same period. Worth highlighting non-oil tax revenues that were 28.4% higher, due to the **Tax Reform**.
- Annual inflation of 2.88% in May, record low since 1970.



Fuente: SHCP, Marzo de 2015

Mexico-United States Relationship

- Ability to refocus in a broader bilateral agenda with the United States.
 - From the focus on migration under President Fox, to the single focus on drug trafficking and the war on drug cartels under the Calderon administration. There's a change in the discourse and the approach of EPN to the bilateral relation.
- Low probability of an immigration reform.
 - It is crucial that the Mexican government plays a low profile role and stays out of the national debate in the US.(???)
 - US has become Mexico's main trading partner, concentrating **63.8%** of the total foreign trade, followed by China (8.5%) and Canada (2.8%).
 - The 10 border states of both countries are equivalent to the fourth largest economy in the world.
- Violence and insecurity deteriorate Mexico's image in the neighboring country:
 - After the narcobloqueos occurred in Jalisco, the US State Department renewed its travel warning for its citizens, covering 20 states in Mexico.



Mexico and Latin America

- In this context, Mexico has been led to rethink its bilateral relations with other countries in the región, seeking to promote economic growth.
- This new agenda must strengthen Mexico's strategic position on issues such as political dialogue, trade, fight against organized crime, among others.
- EPN gave a new approach to the relation between Mexico and Cuba, in a historic moment.
- Mexico is strengthening its economic relations with Central America through signing free trade agreements.



More context...

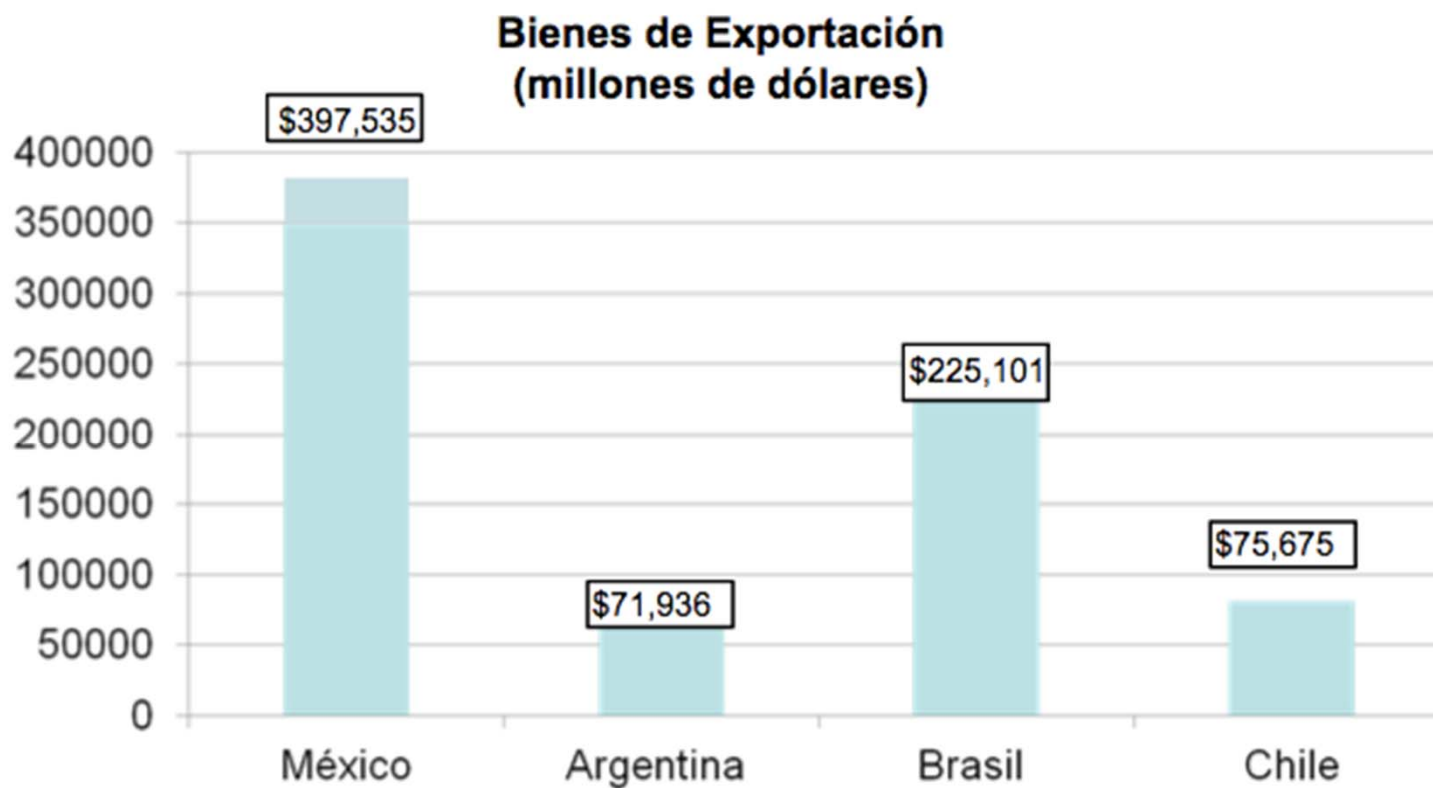
Percent GDP Growth in Latin America

Country	2010	2011	2012	2013	Average 2010-2013	2014 (Est.)	2015 (Projection)
Argentina	9.1	8.6	0.9	2.9	5.375	0.5	-0.3
Brazil	7.5	2.7	1	2.5	3.425	0.1	-1
Chile	5.8	5.8	5.4	4.1	5.275	1.8	2.7
Colombia	4	6.6	4	4.7	4.825	4.6	3.4
Mexico	5.2	3.9	4	1.4	3.625	2.1	3
Venezuela	-1.5	4.2	5.6	1.3	2.4	X	X
Peru	8.5	6.5	6	5.8	6.7	2.4	3.8
America Latina	6.2	4.3	2.7	2.8	4	1.3	0.9

Sharp slowdown in the region.

Source: Economic Commission for Latin America and the Caribbean (CEPAL), IMF and World Bank

Exports

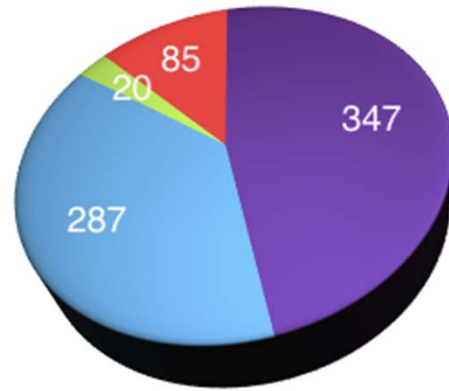


Fuente: Información de los Bancos centrales de los países mencionados. (2014)

Free Trade vs Protectionism

Number of Protectionist Measures by Country

● Argentina ● Brasil ● Chile ● México



- Argentina is one of the most protectionist countries in the world.
- Brazil is three times more protectionist than Mexico.
- Mexico is one of the countries with more free trade agreements in the world.

Source: Global Trade Alert 2014



Dump Donald Trump



El Chapo's Escape and Round One



Cabinet Changes & EPN's Second Half



Conclusion

EPN has 3 more years left in which the government can recover its narrative or can continue stumbling like an actor who lost the script.

- ✓ Strengthen the Rule of Law.
- ✓ Fight impunity and corruption.
- ✓ Reduce violence.
- ✓ Boost economic growth.
- ✓ Effective and prompt implementation of structural reforms.
- ✓ Reduce poverty.
- ✓ Strengthen public finances.
- ✓ Reactivation of foreign policy.

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