

# Elections 2016 – 12 state governors and 1 constituent assembly

June 3, 2016

- Elections in fourteen states will be held
- These states represent 45.2% of the territory, 44.5% of GDP, 42.9% of the population and 45% of registered voters
- In our view, the results of these elections will be very focused on local issues
- Nevertheless, retention rate of governorships, as well as the performance of Morena (Lopez Obrador’s party), will be important to follow

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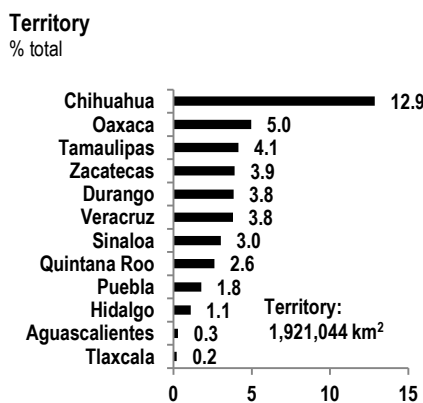
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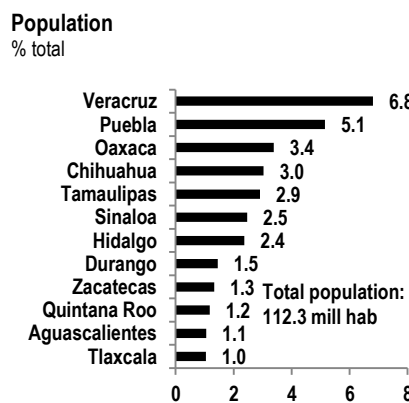
**Elections in fourteen states.** This weekend 14 states will hold electoral processes, 12 of which involve the renewal of state governorships, while the recently denominated Mexico City (previously Distrito Federal) will elect the 60 deputies who will be responsible for drafting the constitution of the new federal entity. In addition, in Baja California, only local posts will be renewed. The twelve states where governorships will be renewed be (in brackets is the party or coalition that currently governs): Aguascalientes (PRI), Chihuahua (PRI), Durango (PRI), Hidalgo (PRI-PVEM), Oaxaca (PAN-PRD -PT-MC), Puebla (PAN-PRD-HONEYCOMB-MC), Quintana Roo (PRI), Sinaloa (PAN-PRD-MC), Tamaulipas (PRI), Tlaxcala (PRI), Veracruz (PRI) and Zacatecas (PRI).

**Electoral process covers almost half of the population.** Sunday’s process becomes relevant in the context that the fourteen states voting cover 45.2% of the national territory. Moreover, they represent 44.5% of GDP; and include 42.9% of the population, as shown in the graphic below. Also, they represent 45% of registered voters. We highlight that in Puebla and Veracruz, the winning candidate will only occupy the governorship for two years.

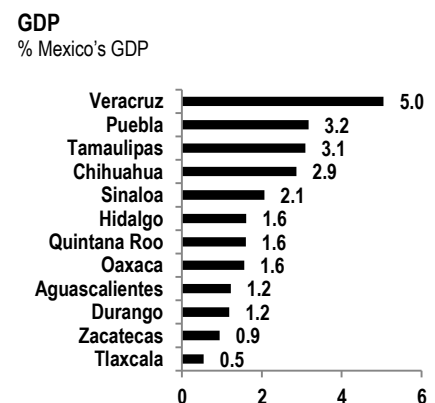
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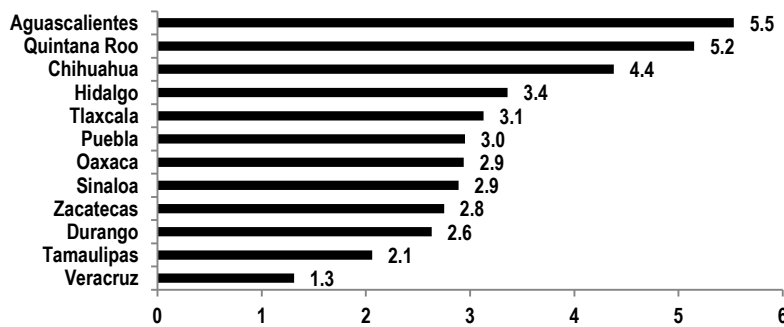
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**Uneven economic performance among the states with electoral processes.**

The election next weekend takes place in a context in which the performance of economic activity ranges from states with economic expansion of about 6% yoy to those who have been affected by the reduction in oil activity, as it is the case of Tamaulipas and Veracruz (see chart below). In the first case, the state of Aguascalientes has been the fastest growing state in the past five years (5.5% on average). In this state, investment *Nissan* in a new plant boosted GDP growth rate to 11.2% yoy in 2014. Next is the state of Quintana Roo, with an average growth rate of 5.2%, mainly driven by the tourism sector. In contrast, the two states that have lagged in terms of growth are Tamaulipas, with an average rate of only 2.1% and Veracruz, with an incipient average growth of 1.3% over the last five years. In fact, the Veracruz's GDP observed a negative growth rate in 2013 (-0.3%), no growth in 2014 and a 0.2% expansion in 2015. Other states have shown an average growth rate of 3.2% from 2011 to 2015.

**Growth of regional economic activity (ITAE) in 2011-2015**

% yoy

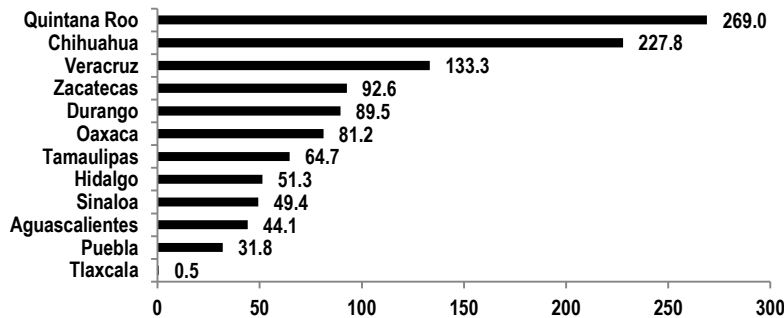


Source: INEGI

**Difficult outlook for public finances in some states.** New governors in Quintana Roo, Chihuahua and Veracruz will find a difficult financial situation with debt levels of 270%, 228% and 133% of income tax collection (i.e. federal participations), respectively. Meanwhile, states like Tlaxcala and Puebla have a more comfortable situation, with ratios between 0.5% and 32%, respectively. It is worth mentioning that the debt in other states ranges between 50% and 93% of federal participations (averaging ~71.5% of participations).

**State government debt**

% of Federal participations



Source: Ministry of Finance

**Last polls available.** According to recent studies, vote intention in two states suggest that the election is already defined: Hidalgo and Sinaloa, where in both cases the surveys favor the PRI candidates by a wide margin between the first and second (~ 30 percentage points). In other three states, results favor the candidate of a party by a margin of at least 10%-pts: Chihuahua (PRI vs. PAN), Puebla (PAN vs. PRI) and Quintana Roo (PAN-PRD vs. PRI ). Moreover, there are five states with a margin of at least 5%-pts: Aguascalientes (PAN vs. PRI), Durango (PAN-PRD vs. PRI), Oaxaca (PAN-PRD vs. PRI), Tlaxcala (PRI vs. PRD) and Zacatecas (PRI vs. Morena). Finally, elections in the other two entities the result is still too soon to call: Tamaulipas (PAN vs. PRI) and Veracruz. In the latter, candidates from three political forces are statistically tied: PRI, PAN-PRD and Morena, as shown below.

#### Vote intention

State	2016		% undecided	Survey /Date
	1st place	2nd place		
Aguascalientes	46.1 (PAN)	41.2 (PRI)	20	Varela y Asoc. 13-15 May
Chihuahua	30.5 (PRI)	16.3 (PAN)	29.3	Consulta Mitofsky 15-17 Apr
Durango	49 (PRI)	42 (PAN-PRD)	31	El Financiero 28 Apr - 2 May
Hidalgo	55 (PRI)	20 (PAN)	33	El Financiero 28 Apr - 2 May
Oaxaca	41 (PRI)	34 (PAN-PRD)	47	BCG-Excelsior 29 Apr – 1 May
Puebla	43 (PAN)	32 (PRI)	18	Reforma 11-15 May
Quintana Roo	48 (PRI)	36 (PAN-PRD)	29	BCG-Excelsior 11-14 May
Sinaloa	51.7 (PRI)	19.6 (MC)	27.9	El Universal 7-9 May
Tamaulipas	42.9 (PAN)	39 (PRI)	21.5	Consulta Mitofsky 7-9 May
Tlaxcala	34.5 (PRI)	28.1 (PRD)	21	El Universal 14-17 May
Veracruz*	31.8 (PRI)	26.7 (PAN-PRD) 23.8 (Morena)	n.d.	Indemere 28 abr- 2 May
Zacatecas	36 (PRI)	30 (Morena)	24	BCG-Excelsior 13-16 May

Source: Animal Político (May 24 2016). \*1/3 for each party or coalition

**In our view, the results of these elections will be very focused on local issues.** In this context, we do not think we are going to provide much information about what can happen by 2018, particularly in the absence of strong independent candidates. Nevertheless, retention rate of governorships, as well as the performance of Morena (Lopez Obrador’s party), will be important to follow.

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