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# Latam Daily: Mexico Releases 2024 Election Update and July's Trade Data Mixed

- **Mexico: Mexican chess pieces for 2024 presidential election will be broadly set over the coming 10 days; Mixed signs in trade data for July**

## MEXICO: MEXICAN CHESS PIECES FOR 2024 PRESIDENTIAL ELECTION WILL BE BROADLY SET OVER THE COMING 10 DAYS

### What is at stake?

Mexico's presidential election got an abnormally early start this time around, with the candidate selection processes for both the governing Morena coalition, and the PRI-PAN-PRD opposition coalition kicking-off almost a year before the 2024 vote. The actual elections will take place the first Sunday of June 2024 (June 2<sup>nd</sup>), yet by the end of the first week of September 2023, the candidates for both major contender blocks will be defined. The upcoming elections will define the presidency, 8 governorships, the Mexico City government, as well as both chambers of congress, consisting of 500 members of congress and 132 senate seats. Mexico's electoral law states that the electoral process should not kick off until September 2023, pre-campaigns should not kick off until November 2023, and formal campaigns in 2024, which has led to some controversy over the anticipated ongoing process.

### Who appear to be the contenders?

For the "Frente Amplio", a coalition made up of the PRI-PAN-PRD and members of civil society, there are 2 remaining candidates: both former senators Xochitl Galvez and Beatriz Paredes. For Morena, the front-runners of the internal process at this stage appear to be Claudia Sheinbaum (former head of Mexico City's government), Marcelo Ebrard (former Foreign Affairs Secretary), followed by Adan Augusto Lopez (former Interior Minister, table 1), but there are 3 other contenders vying for the nomination. The potential third contender, the MC party (which governs the key states of Nuevo Leon and Jalisco) has not yet announced how its candidate selection process will work, but its leader Dante Delgado has said it will not join another coalition. Many local political commentators believe the MC could end up supporting one of the two major coalitions. It's worth noting that MC's outgoing governor of Jalisco, [Enrique Alfaro, has expressed displeasure with his party leadership, and has signaled he could join the Frente Amplio coalition.](#)

Frenta Amplio	Poll (%)
Xochitl Galvez	58
Beatriz Paredes	42
Morena & Allies	Poll (%)
Claudia Sheinbaum	37
Marcelo Ebrard	29
Adan Augusto Lopez	16
Fernando Noroña	8
Ricardo Monreal	5
Manuel Velasco	5

Sources: Scotiabank Economics, El Financiero (ending Aug. 26).

### How / when will we know the outcome?

The ruling Morena coalition is set to announce the results of its internal process on September 6<sup>th</sup>, with the results defined by the average of 5 polls (the average of one internally selected pollster and 4 external polls selected by raffle, but which external polls will be used has not been publicly disclosed). Morena's polls will be conducted August 28<sup>th</sup> –September 3<sup>rd</sup>. For the Frente Amplio, the results will be announced on September 3<sup>rd</sup>,

with the process having consisted of a series of debates and polls (which already narrowed down the contenders to 2), and a final exercise which will also include a direct vote.

Out of the 2 leading contenders for each of the 2 main camps, 3 are women, which suggests it is likely that Mexico will have its first female president starting December 2024, following June's results.

**What about Congress?**

The Chamber of Deputies, consisting of 500 representatives—300 of them are elected by direct election and 200 more by the principle of proportional representation (how many votes each party obtained as a percentage of each of the 5 electoral regions)—is renewed every 3 years. On the other hand, the senate is renewed every 6 years and includes 128 legislators, of which 96 (three quarters) are elected by popular vote, and 32 indirectly by proportional representation. There is a small window of time that if Morena and its bloc were to obtain an absolute majority in the new congress, AMLO would have the chance of approving constitutional reforms. This period runs from September 1<sup>st</sup>, which is the date when the new congress will begin the legislative period—a 2014 electoral reform says that the new congress will start on August 1<sup>st</sup>, but we think current legislators will pass an amendment to avoid a political impasse as they were elected to serve until August 31<sup>st</sup> and October 1<sup>st</sup>, when whoever wins the presidential election will take office.

**Is there a window for constitutional reforms?**

In order for a constitutional reform to pass in congress, a majority of two-thirds is required in both the Chamber of Deputies and the Senate. With the current composition of congress, AMLO has not been able to approve some of the intended constitutional changes as he does not have the necessary votes (charts 1 and 2). Here is a simple breakdown of parties/blocs:

In the current Chamber of Deputies, AMLO's bloc has an absolute majority (2/3 of the total), while in the Senate he has only a simple majority. This is enough to pass secondary reforms, but not enough to make constitutional changes. Within the opposition, we distinguish between the PAN-PRI-PRD and Movimiento Ciudadano party, since it seems— at least for now—that they will have different presidential candidates, and therefore different agendas in next year's elections. We only highlight that part of the group of 'others' are opposition legislators who were formerly from the PAN, PRD, or PRI and have resigned from their parties.

Typically, in the last year of the administration, the president loses political power as his administration comes to end. However, as AMLO remains with a strong popularity, and at least two Morena possible candidates seem to follow a strategy of continuity of his politics, legislative negotiations could be linked to next year's elections. Also, a small window could be set to try to pass constitutional legislation if the new congress favours his party.

—Eduardo Suárez

**MIXED SIGNS IN TRADE DATA FOR JULY**

In July the trade balance showed a \$-881 million MXN, below the -2.2 bn consensus. Exports summed 47.55 USD bn in the month, growing 2.9% y/y. In detail, the increase was led by manufactures (6.8% y/y), and especially by auto exports that soared 35.7%. Oil exports plunged -28.5% y/y. In this sense, the appreciation of the Mexican peso could represent a problem for some exports, but not so much for auto makers since the sector is still normalizing in both the US and Mexican markets.

On the other hand, imports fell -7.7% y/y, The biggest drop came in the intermediate goods (-10.4 y/y), followed by a similar fall in the consumption goods (-9.1% y/y). Oil imports were also part of the decrease, as they dropped -28.1% y/y, as non-oil imports remain almost unchanged at 0.8% y/y. Non-oil consumption imports remain positive (18.4%) suggesting a still strong domestic demand. Also, the increase in capital imports somewhat supports the optimism regarding a stronger dynamism owing to nearshoring, despite the drop in intermediate goods.

Chart 1

**Mexico: Chamber of Deputies**

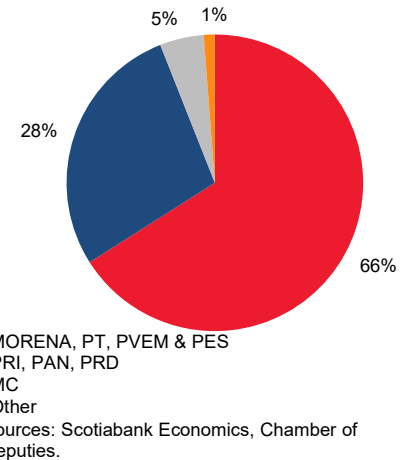
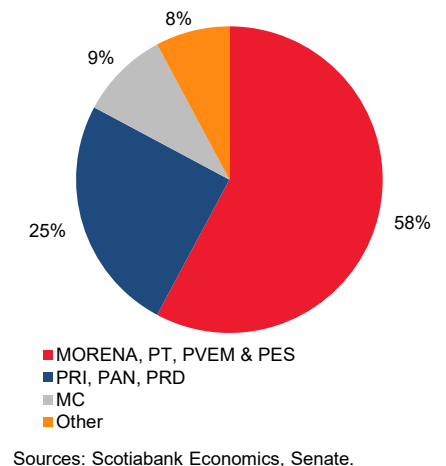


Chart 2

**Mexico: Senate**



August 29, 2023

In the year-to-date number, trade deficit summed -\$7.225 bn USD dollars, as exports totaled 339.5 USD bn, and imports 346.7 USD bn, equivalent to a 3.8% and a 0.2% YTD increase, respectively. Looking ahead, we consider both exports and imports would remain moderately positive, despite restrictive policy rates, as consumption remain solid in both Mexico and its main trade partner, the US (table 2). Nearshoring phenomenon also play an important role in the positive outlook regarding trade numbers in the medium term.

<b>Table 2: Mexico - Trade Balance</b>						
<b>Component</b>	<b>June</b>			<b>Jan-June</b>		
	<b>2022</b>	<b>2023</b>	<b>% y/y</b>	<b>2022</b>	<b>2023</b>	<b>% y/y</b>
Trade Balance	-6247	-881	-85.9	-19037	-7225	-62.0
Total Exports	46217	47550	2.9	327142	339519	3.8
Oil	3818	2730	-28.5	24405	18491	-24.2
Crude	3166	2345	-25.9	19985	15074	-24.6
Others	651	385	-40.9	4420	3417	-22.7
Non-Oil	42399	44821	5.7	302737	321027	6.0
Agricultural	1411	1326	-6.0	13232	13651	3.2
Extractive	798	591	-25.9	5373	5581	3.9
Manufactures	40190	42903	6.8	284132	301796	6.2
Automotive	11751	15951	35.7	90050	105355	17.0
Non-Automotive	28439	26952	-5.2	194082	196441	1.2
Total Imports	52464	48432	-7.7	346179	346744	0.2
Oil	8181	4028	-50.8	44689	32144	-28.1
Non-Oil	44282	44404	0.3	301490	314600	4.3
Consumption	7544	6858	-9.1	46227	48851	5.7
Oil	2925	1391	-52.4	15155	11191	-26.2
Non-Oil	4619	5467	18.4	31072	37660	21.2
Intermediate	41032	36779	-10.4	273550	265354	-3.0
Oil	5257	2637	-49.8	29534	20954	-29.1
Non-Oil	35775	34142	-4.6	244016	244401	0.2
Capital	3888	4795	23.3	26402	32539	23.2
T. Balance Without Oil	-1884	417	-122.1	1248	6427	415.2

Sources: Scotiabank Economics, INEGI.

Noteworthy, the trade deficit is not yet as strong as consensus expected, despite some views that the USDMXN could be somewhat overvalued. If that is the case, exporters could be facing lower revenues and profits, and consumers could be benefited by a higher purchase power and lower prices. In any case, the increase in both exports and imports suggest demand remains solid during the year.

—Miguel Saldaña

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