

# GLOBAL ECONOMICS LATAM FLASH

June 4, 2021

### Mexico: Curtain-Raiser on June 6 Mid-Term Elections

- Preliminary indications of the results from Sunday's mid-term elections could begin to emerge as early as 8pm (9pm EDT) that evening in Mexico City.
- The governing Morena party and its coalition partners appear likely to secure an absolute majority of representatives in the Lower House, but not the two-thirds qualified majority needed to advance constitutional changes.

#### SUNDAY AND WHAT COMES AFTER

On Sunday, June 6, Mexico will hold mid-term elections, where among many other public positions, electors will vote for 15 of the country's 32 governors, as well as all 500 members (300 through direct regional representation and 200 via proportional lists) of the Chamber of Deputies, the Lower House of Congress. Our May 3 guide to the elections and their possible economic implications laid out the key policy issues that could be up for consideration in the second half of Pres. López Obrador's six-year term.

Results will start to be released by the National Electoral Institute (INE) on Sunday through two mechanisms:

- The preliminary electoral results program (Programa de Resultados Electorales Preliminares, PREP) should start providing unofficial indications on the trends for Congressional districts around 8pm in CDMX (9pm EDT), about an hour after the last states are scheduled to close their voting stations. For some races, likely some of the tighter ones, we may not see the PREP initial vote counts come out until 8pm local time on Monday June 7; and
- Gubernatorial results could start to emerge around 11pm (midnight EDT) on Sunday evening in Mexico City from the rapid counting system (Conteo Rápido). This system will also be used to provide preliminary guidance on the likely composition of the Chamber of Deputies based on a random sampling of polling stations.

The preliminary and official results will appear on the <u>INE</u> website.

Morena & Coalition Partners		Opposition	
Morena	41	PRI	18
Green	5	PAN	1
PT	3	PRD	4
Others*	6	MC**	
votes to maintain their	aller parties allied wi official party status o	aculus.mx. th it that may not secure or seats in the Lower Hou of the opposition coalition	ise.

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The latest poll-of-polls compiled by <u>Oraculus</u> implies that voter intentions are currently distributed as shown in table 1, but the eventual shares of seats in the new Chamber of Deputies are likely to vary from these numbers. Small parties counted amongst "Others" in the Morena-led coalition may not individually garner enough votes to earn district-based seats nor representation in the Chamber under the proportional system. Based on the Oraculus poll-of-polls, and with adjustments for local races and minimum thresholds for party lists to gain a seat, the composition of the new Lower House is currently expected to come out along the lines shown in table 2.

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The eventual composition of the new Chamber of Deputies will be critically important for policy and legislation in the coming years. There are two key thresholds in the Lower House: some legislative moves require an absolute majority (50% + 1 vote) for passage in the Chamber, while other initiatives need a qualified two-thirds majority of representatives' support in order to go forward.

Mexico: Seat shares in the Chamber of Deputies, in $\%$					
	Current	Projected			
Government coalition					
Morena	51	45			
Greens	2	9			
PT	9	8			
PES	4	0			
Opposition coalition					
PRI	10	13			
PAN	16	17			
PRD	1	3			
Other Opposition parties					
MC	5	3			
Sources: Scotiabank Economics, Oraculus.mx.					

### These thresholds come into play in the following ways:

 Budget. Annual budgets are passed by an absolute majority in the Lower House. Budgets do not need to go to the Senate for approval;

Table 2

- Laws. Laws have to be endorsed by an absolute majority in both the Chamber and the Senate. Morena holds 55 of 128 Senate seats, while its coalition holds a total of 76 seats, or 59.3% of the Senate, though this does not assure such support on any individual vote. Morena has shown, however, that it could secure the backing of other parties on a negotiated basis. The annual revenue bill, which is the legislation that funds the budget, qualifies as a law, as would the fiscal reforms that the president has identified as an action item for the second half of his administration; and
- Constitutional amendments. Constitutional amendments require a qualified majority in both houses. In addition, for a constitutional amendment to be ratified it must be approved by an absolute majority of the state legislatures (i.e., at least 17 of 32).

The projected Lower House seat shares derived from the Oraculus poll-of-polls (table 2, again) imply that Morena and its allies shall likely secure an absolute majority in the Chamber of Deputies—enough to pass laws, approve the budget, and endorse the president's anticipated fiscal reform package. However, the same poll-of-polls implies that the Morena-led coalition shall fall short of the two-thirds majority in the Lower House needed to advance constitutional changes.

### **ADDITIONAL CONSIDERATIONS: THE CHAPULINES**

- It's worth recalling that in Mexico there are often post-election re-alignments of political forces as candidates change
  their allegiances (the so-called grasshoppers, or chapulines). This could happen as a result of individuals shifting parties
  or through entire parties changing their coalition partnerships—just as the Green Party moved to <u>ally itself</u> with Morena after
  the 2018 election results were announced.
- Shifts in party membership after the 2018 election left Morena with 51% of seats in the Chamber of Deputies (see table 2, again), some 5 percentage points (ppts) more than the 45.8% share of votes that Morena garnered at the polls. A recent ruling by the Mexican electoral arbiter (Tribunal Electoral del Poder Judicial de la Federación) has put a limit on the extent to which newly-elected representatives can change parties after an election: such shifts in affiliation may not result in a deviation of more than 8 ppts between the share of votes a party received in an election and its share of seats in the Lower House. This ruling does not, however, prevent coalitions, whether formal or more casual, between the parties on a durable basis or on ad hoc issues.



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