

## Contributors

**Eduardo Suárez**, VP, Latin America Economics  
+52.55.9179.5174 (Mexico)  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

## Mexican Presidential Campaigns Formally Kick Off

“Beware the ides of March”, was the famous warning given in Shakespeare’s *Julius Caesar* about the eventual murder of the renowned general/emperor. Hopefully, nothing as dire as that warning is present in this upcoming date, but we do have the ramp up of the Mexican presidential campaign, which is now officially kicking off after close to nine months of various stages of internal elections and “pre-campaigns”.

March 1<sup>st</sup> marks the official campaign start, and with it we got the first official poll (in this case by [newspaper El Financiero](#)), with incumbent candidate Claudia Sheinbaum leading with 50% of voter intentions, opposition Frente Candidate Galvez showing 33% support, MC candidate Alvarez Maynez at 8%, and 9% undecided voters. At this stage, trends in polls show Sheinbaum holding steady in a 46–52% range, Xochitl has been rising in approval slowly from around 28% to 33%, Alvarez Maynez has been steady in a 8–9% range, and undecideds are falling steadily from around 18% to 9%.

With the launch of official campaigning, we are likely to start gathering more details on specific policy proposals from the candidates. The key points that we anticipate the campaigns are likely to be questioned on include:

- **Public Finances:** What will be done to solve the inertial large deficit of close to 5% of GDP that the next administration is likely to inherit? It’s not as critical a pressure as it seems at first glance, given the increase in the AUMs of the local pension funds will likely be close in value to the inertial increase in public debt issuance (so there are semi captive buyers for the debt, barring a broadening of the pension funds investment regime), but a tax reform could still be in the cards. The key question is how such a pension reform would be implemented, given the biggest gaps in Mexico’s tax collection are related to informality and VAT collection. Thus, such a reform should be carefully implemented to avoid hurting investment.
- **Energy:** Power in particular is an increasing risk to Mexico’s manufacturing sector, as 55% of the country’s power output is consumed by manufacturing and current spare generation capacity is near its lowest point in close to 40 years. However, there seem to be some plans to help resolve some of the investment shortfall.
- **Water policy:** Mexico’s water reserves are currently at critical levels, with some of the country’s water reserves at or approaching all-time lows. Solving this issue will be complex, given water is a constitutional right, and is managed at the municipal level.

One of the major questions on the Morena (the incumbent) front is how much of AMLO’s legacy agenda Sheinbaum will support. On February 5<sup>th</sup>, the bank holiday commemorating the anniversary of the Mexican Constitution, President Lopez Obrador submitted a wide-ranging series of constitutional amendment proposals. The proposed changes affect the political system, the institutional framework as well as the macro environment on several fronts. Some key proposals include: pension system, minimum wage, housing and judicial power reforms, among others. It is unclear if any of them have a material change of being approved in their current form, given Morena and its allies lack the 2/3 majority needed in both houses, but it’s possible some of them could be ratified, potentially with some modifications. Another alternative being discussed by local political analysts is that some of the proposals don’t necessarily target their ratification, but rather seek to put the opposition in a tight spot ahead of the June 6<sup>th</sup> national/presidential election, by forcing them to reject socially popular offerings.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.