

A dark horse emerges in Mexico's mid-term elections

The full effect of many of the eleven structural reforms passed under President Enrique Peña Nieto's administration will only be fully felt throughout the coming years. However the political reform is already starting to cause small, albeit significant, changes to the country's reality.

The objective of the reform was to increase electoral competition, but also to reduce a common practice in Mexican politics whereby politicians known as "chapulines" (grasshoppers) hopped from one party to another when their party didn't select them for a given ticket which is perceived to delegitimize the political process.

It should be noted that critics of the political reform argue that it imposes far too stringent requirements on independent candidates. At the federal level only 127 people submitted a request to partake in the mid-terms which is comprised of 300 districts and of this group only close to 60 met the set of requirements to make it through to the next round of the process.

Notwithstanding these challenges, the reform has given way to what could be a truly disruptive contender in the upcoming mid-term elections in the form of Jaime Rodríguez Calderon, better known as "El Bronco" (the wild horse).

Rodríguez, who defected from the PRI, is running as an independent candidate for the governorship of Nuevo León, the state with the second highest GDP in the country and a prominent hub for industry and business. According to a poll by Parametria, Rodríguez now holds 27 per cent of preferences, which entails that he's ranked second highest in the poll, yet still, far behind the PRI's candidate, Ivonne Alvarez who holds 40 per cent of electoral preferences in the state, but above the PAN's candidate, Felipe de Jesus Cantu Rodríguez (22 per cent). Both the PAN and the PRI have won the state's governorship in the past.

Rodríguez has a longstanding career in Nuevo Leon's politics as a member of the PRI yet only rose to fame in recent years when he waged a frontal confrontation against drug cartels and corruption in the police force as mayor of the municipality of García. Rodríguez survived two attacks by heavily armed commandos and has placed the fight against corruption as the central theme of his campaign. This is an issue that resonates strongly nationwide, given a recent series of high-profile corruption scandals that hit all three leading parties.

Although the gap between Rodríguez and Alvarez is still quite wide, his attempt should not be discarded too hastily, in light of two further findings by the abovementioned poll. Whereas 92 per cent of respondents knew who Alvarez is, only 63 per cent of respondents were familiar with Rodríguez. Furthermore, in terms of "effective preference" -namely the difference between respondents' positive and negative opinion regarding each candidate- Rodríguez scored 64 per cent and Alvarez scored 55 per cent,

which places her below not only the independent candidate but the PAN's candidate as well.

If this pattern was to hold in the run up to elections, which take place on June 7th, then it is plausible to entertain the possibility that as respondents become more familiar with Rodriguez he could edge even closer to Alvarez, given that the latter has almost reached a saturation level in terms of awareness.

The poll does not address the question of why Alvarez is perceived less positively than her competitors, notwithstanding her lead in overall preferences. However it is also reasonable to argue that she is being affected by the electorate's current negative perception of both the sitting governor of Nuevo Leon and President Peña Nieto's almost historically low approval ratings, both of whom are members of the PRI. Therefore, if keeping the PRI out of the governor's seat is in fact an important driver in the electorate's intent, Rodriguez is in a strong position to persuade voters that currently prefer other parties to rally around him.

Despite these considerations, the probability of Rodriguez actually winning is still low given that he must maintain a very slick operation in a short amount of time to stand a chance against a well-oiled political machinery in what is one of the most important states of the country. Yet in the degree to which he and other independent candidates put up a good fight till June 7th, they will show that even if the political reform might not have levelled the playing field, it has certainly added another mechanism for civil society to hold political parties accountable.

This is a piece of encouraging news in what is already proving to be a turbulent electoral process in certain areas of the country. During the past week there were two attacks by organized crime groups against candidates in the states of Tamaulipas and Guerrero. Furthermore the latter's political landscape is becoming increasingly complex, as the local teacher's union is threatening to sabotage the electoral process in the state.

Economic update

Mexico's Central Bank announced that it will auction \$3.12 billion USD till June 8th, as part of its response to the steep fall of the peso, which has depreciated 20 per cent against the dollar since June 2014. After the announcement the peso gained on the dollar from 15.62 to 15.44. Given the current climate of uncertainty regarding the Fed's movements, it is plausible to assume that the peso will remain weak hurting consumers yet helping the exporting and tourism sectors.

In regards to the exporting sector, Mexico's auto industry registered further positive figures last month after exports grew 12.6 per cent compared to February of 2014. Auto exports to the U.S. grew 11.8 per cent. Thirteen of every 100 vehicles bought in the U.S. are produced in Mexico. Moreover the sector as a whole grew 14 per cent year on year.

Confidence among Mexican households improved against both last year and the beginning of 2015, with the consumer confidence index gaining 0.9 units month on month and 5.7 points year on year to 90.3 in February. Although a better perception against February 2014 was boosted by four of the five sub-indices that make up the index, the willingness to buy durable goods index was by far February's main catalyst, rising 21.1 points year on year to 81.1.

Domestic consumer prices remained on the downtrend started at the beginning of the year, climbing 0.19% month on month to an annual CPI of 3.0% year on year in February. While the figure matched Banxico's inflation target range (3.0%) for the second consecutive month, it marked the lowest annual CPI since November 2005.

One important cause behind the decrease in consumer prices is the result of the telecoms reform passed under President Enrique Peña Nieto, which eliminated roaming charges for domestic calls. The reform has also ushered a major new change in the sector this week, given that two national TV concessions were won by Grupo Imagen and Grupo Radio Centro, which effectively ends the country's broadcasting duopoly held by Televisa and TV Azteca. The next phase of the reform will consist in a tender to create a \$10 billion national mobile broadband network, which is likely to be launched in October this year.