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Provinces – Argentina

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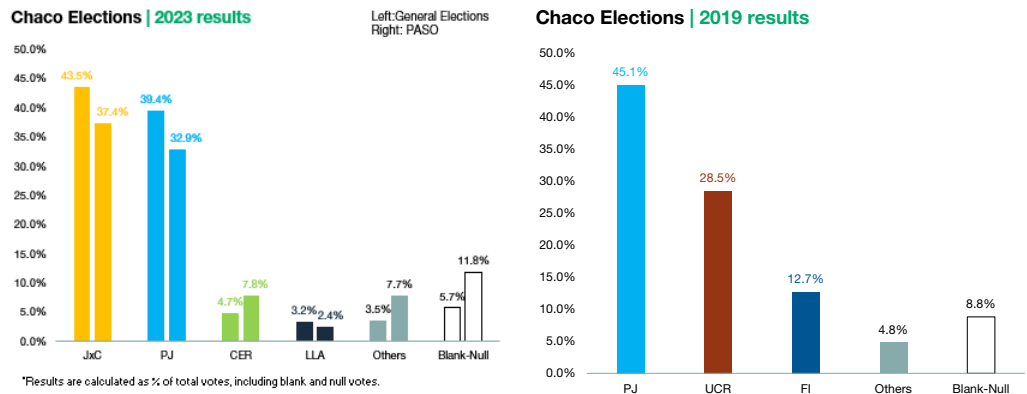
Provinces Strategy Flash: Chaco elections

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In yesterday’s provincial elections, Mr. Zdero from JxC managed to obtain a first-round win in Chaco, edging peronism by 4pp. The provincial election closely followed the trends showcased by the votes in other districts, as an eroded Peronist administration was ousted amidst low participation, a strong JxC election, and a weak showing from La Libertad Avanza. In Chaco, the number of total voters amounted to 724,998, accounting for 72.6% participation, which, in a surprising turn of events, was nearly 10% higher than in the recent provincial PASO when it amounted to 62.9%. Therefore, participation rates rebounded strongly, even surpassing by a close margin (0.5pp) the 2019 elections. In this context, Mr. Zdero, representing JxC, obtained 46.13% of the votes, with a unified Peronism coming in as a far second at 41.74%. According to Chaco’s electoral law, if a candidate obtains more than 45% of the positive votes, he automatically wins the governor seat, without having to go through a second round. With this being the case for Mr. Zdero, JxC secured the win in Chaco, with no need to go through a ballottage. The performance of LLA was roughly unaffected by Milei’s shocking victory at the national level in the PASO. The local candidate obtained only 3.4% of the votes, exhibiting a spread of nearly 26pp to Milei’s ballot. Completing the results section, the local CER party obtained 5% of the votes, while other parties, including the left, totaled 3.7% of the votes. Blank and Null votes also made a noteworthy apparition, coming in at 5.7% of the total votes, a figure which was lower than the observed trend in the recent provincial elections, and marked a significant reduction relative to the PASO figure of 11.8%. The final results were anticipated, as JxC was the favorite to emerge victorious, even if there were some doubts regarding Mr. Zdero’s win in the first round. However, once the preliminary count showcased the first numbers, it was clear that JxC was in for a comfortable victory.

Figure 1: Chaco 2023 and 2019 elections



Source: TPCG Research based on Tribunal Electoral Provincia de Chaco

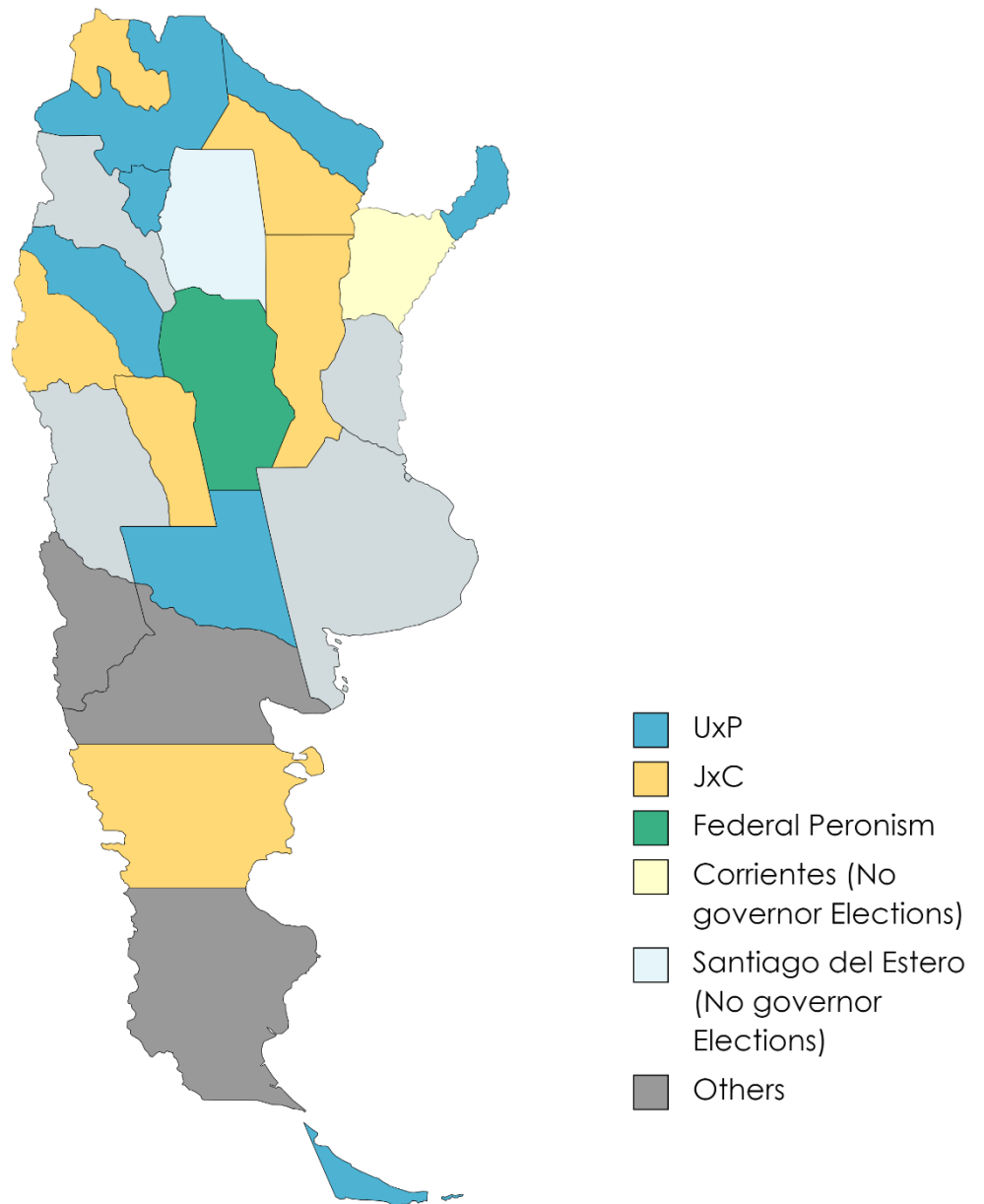
The results were consistent with the trend exhibited by the local PASO, which hinted at the end of the 16- year Peronist stint in charge of the province.

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The results were consistent with the trend exhibited by the local PASO, which hinted at the end of the 16-year Peronist stint in charge of the province. The JxC win ended a 16-year supremacy of Peronism in the province, profiting from the weakened state of the Peronist party at the national level, which is ending its tenure in a very weak position, with popularity ratings at historic lows. This contrasts with the 2019 election, as the electoral landscape changed significantly since then. At that time, the provincial election was a less close two-horse race between FdT and the UCR, where Peronism managed to capitalize on the weakened officialism, emerging with an ample win. In those elections, Peronism obtained 49.5% of the votes, comfortably winning in the first round, while the UCR managed to round up 31.4%. Coming in third by a considerable margin, the Frente Integrador, part of the Federal Peronism alternative, clocked in at 13.9% of the votes. In this context, it is clear that JxC managed to establish itself as the main opposition force in the province, and was able to capitalize on peronism's weakened state. The latter lost significant traction (nearly 8pp of the votes) relative to 2019. Unsurprisingly, the results of the election this time around closely followed those exhibited in the provincial PASO in mid-June. There, the JxC space obtained slightly less support (42.4% of the votes), and since has been able to rally additional voters to its cause, in order to win in the first round. Having obtained 37.3% of the votes in the PASO, Peronism also managed to grow on its way to the general elections. In our view, as the PASO cemented the idea of a two-horse race for the province, both JxC and Peronism saw an increase in voter intention, to the detriment of the rest of the political space, that saw its voter support diminish, and blank votes, while a strong surge in participation also benefited the larger parties. In this case, the local CER performed worse than in the PASO (8.86%), with most small parties following suit, except for LLA, which managed to marginally improve its showing, having obtained 2.7% of the votes in the PASO.

We believe the result is credit-positive for the province. However, the impact of the change in administration is mostly dependent on the electoral results at the national level. We find the Chaco election came largely in line with our overarching view of the provincial results, where a weakened Peronist administration was unable to withstand the electorate's desire for change in a context of very low voter satisfaction, which translated into low turnout figures (Chaco's historical figures hover round the 75.2% participation mark), and a high volume of null and blank votes. In this context, the election results closely followed those of the PASO, even if a JxC win in the first round was a slight surprise. From a national standpoint, JxC has posted two back-to-back victories at the provincial level, in two consecutive weeks. In addition, Mendoza's provincial election is scheduled for next Sunday, and, with JxC parting as the front-runner, these three significant victories at the local level could reinvigorate Mrs. Bullrich's campaign going forward. However, it is difficult to extrapolate these results to the national level. In Chaco, both the reduction in blank and null votes and the hike in participation which benefitted JxC seem to be associated more with local phenomena than with a trend at the national level. In terms of strategy, we believe the change should be credit-positive if the change in political sign also corresponds to the one seen at the national level, allowing the province to have fluid relations with the national government in the next tenure. However, the national scenario currently looks extremely muddled, and JxC does not part as the frontrunner for the October elections, making a scenario where Mr. Zdero has to face an unfriendly administration at the national level more likely.

Figure 2: Provincial Election Results 2023



Source: TPCG Research based on Tribunal Supremo Electoral

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