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Provinces – Argentina

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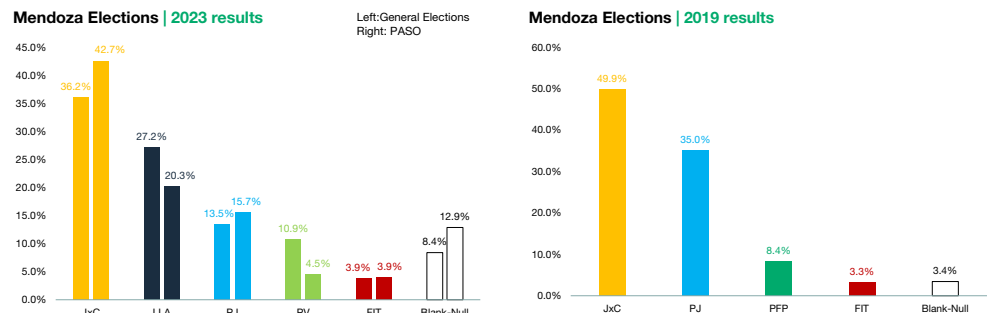
Provinces Strategy Flash: Mendoza elections

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In yesterday's elections, JxC managed to retain the province of Mendoza, as Mr. Cornejo comfortably secured the governor's seat. However, the space underperformed relative to the PASO. The provincial elections followed closely the trend showcased by the rest of the districts, as a very eroded peronism was not able to put up a competitive performance. In this case, both JxC and LLA managed to surpass the Peronist voter haul by a significant margin. The former made a good election, assuring the win, but underperformed relative to both the PASO and the 2019 elections by a fair margin. On the other hand, Mr. Milei's win at the national level rallied libertarian votes in Mendoza, and Mr. Marchi's alliance proved to be even more competitive than what it conveyed in the PASO, winning some ground since then. The number of total voters amounted to 1,015,719, accounting for 68.2% participation, which was 1.9% higher than in the recent provincial PASO when it amounted to 66.4%. However, participation rates continue to be low, as the showing in 2019's provincial elections amounted to 79.07%. In this context, Mr. Cornejo, representing JxC, obtained 36.2% of the votes, with the Libertarian Alliance coming in nearly 9pp behind, at 27.2%. Instead, Peronism came in as a very far third (13.5%), halving the LLA votes. Completing the results, the Green Party did a decent election, obtaining 10.9% of the votes, while the FIT obtained roughly its usual haul, which stood near the 3.9% mark. The performance of LLA was positively affected by Milei's shocking victory at the national level in the PASO. We believe the libertarian list was also competitive due to it being composed mainly of local JxC and UCR figures which decided to split from the JxC alliance and form a provincial block allied to the libertarian space, rather than it being purely formed by LLA candidates. Even being the best performance of La Libertad Avanza at the provincial level, the libertarian haul still exhibited nearly a 17pp spread with Mr. Milei's result at the national level in the province, showing there still is a disconnect between the provincial and the national levels, which the libertarians are unable to capitalize. This also suggests the governors' strategies to hold separate elections at the provincial level are bearing some fruit, especially for the local officialisms. Blank and Null votes also made a noteworthy apparition, coming in at 8.4% of the total votes. The final results were strongly anticipated, and once the preliminary count showcased the first numbers, it was clear that Mr. Cornejo and JxC as a whole were in for a comfortable victory.

Figure 1: Mendoza 2023 and 2019 elections



Source: TPCG Research based on Tribunal Electoral Provincia de Mendoza

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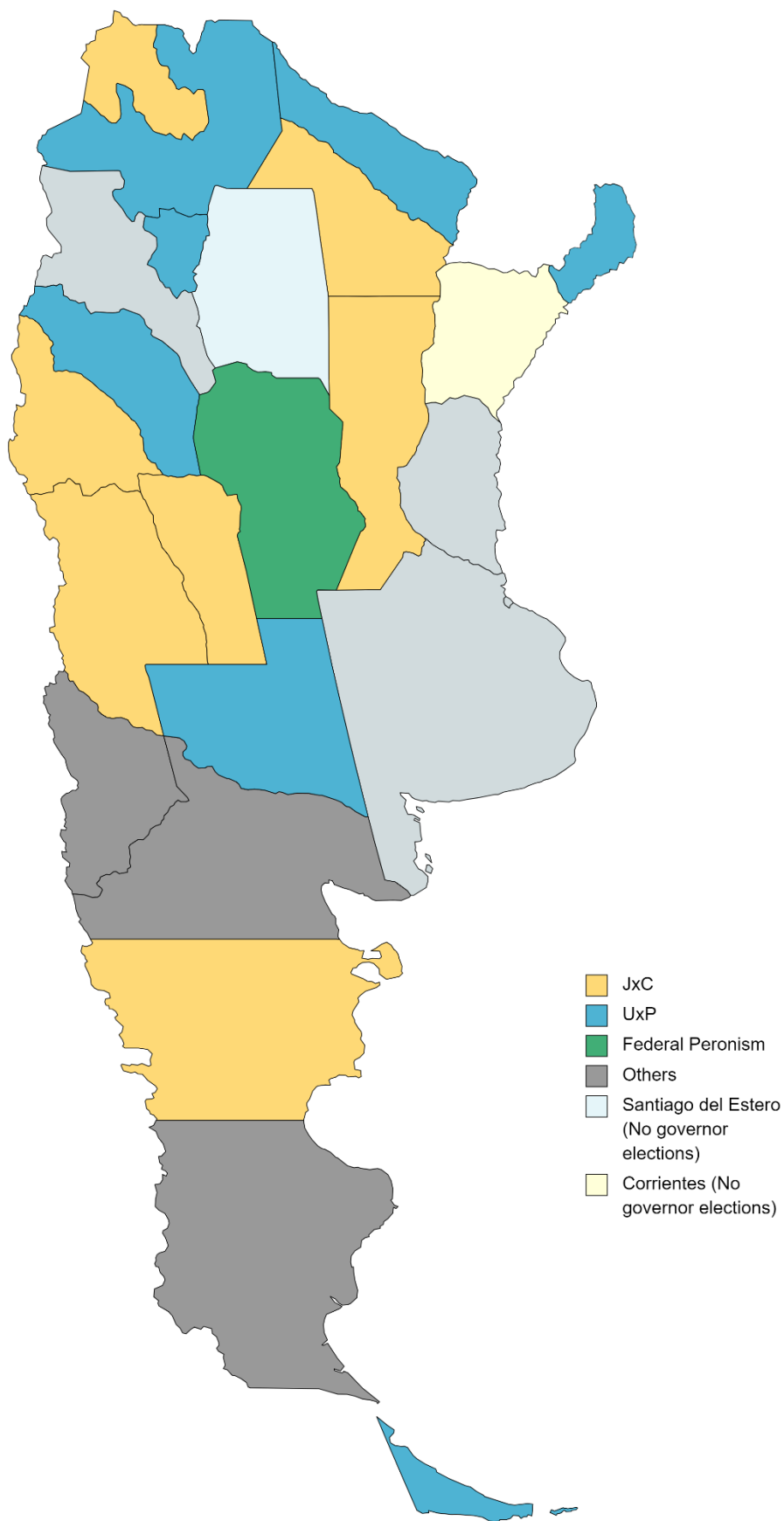
The JxC win assured policy continuity in the province, securing a JxC mandate for 12 consecutive years. However, ever since 2019, the officialism has lost traction, with its voter support dropping significantly, and also taking a hit relative to the PASO results. In the former, the provincial election was a two-horse race in between JxC and the Peronist party, where JxC was able to capitalize on its good tenure in the province, securing a comfortable win against the PJ. In those elections, JxC obtained 49.9% of the votes, while Peronism secured 35%, trailing the winner by nearly 15pp. With this in mind, both Peronism and JxC have seen a significant decrease in voter support, giving the Libertarian party room to grow as a main political force in the province. Relative to 2019, JxC lost roughly 13.7% of votes. Still, Peronism bled even more profusely, counting their loss in voting intention at around 21.5%, marking an extremely weak performance from the PJ at the provincial level. Relative to the PASO, the positions of the general election remained the same, with JxC winning, followed by LLA, then Peronism, then the Green Party, and finally the FIT. However, JxC lost a significant amount of traction (6.5pp), having obtained 42.7% in the PASO. Peronism also lost around 2pp relative to the primaries, as blank and null votes followed suit dropping by 4.5pp. These losses were capitalized mainly by two parties. The Libertarians added nearly 7pp to their haul relative to the PASO, with Milei's win at the national level probably fueling the rally. And the Green Party also saw an increase in votes, rising by 6.4pp. Mr. De Marchi's political origin probably suggests that LLA could mainly have capitalized on the loss in JxC votes. All in all, JxC managed to maintain the province and did so by a comfortable 9pp margin. However, the spike in Libertarian votes post-PASO could trigger some alarms at the national level for JxC.

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We find the Mendoza election came largely in line with our overarching view of the provincial results, where an extremely weak peronism gave way for JxC to retain the province. Still, the electorate's desire for change did reflect on JxC's weakened voter base and also translated into low turnout figures (Mendoza's historical figures hover around the 79.6% participation mark), and a high volume of null and blank votes. In this context, the election results generally followed those of the PASO, making it a low-uncertainty election, and reaffirming the very weakened state of peronism in the province. From a national standpoint, JxC has now posted three back-to-back victories at the provincial level, in three consecutive weeks. These came in the Santa Fe, Chaco, and now Mendoza elections. These three significant victories at the local level could reinvigorate Mrs. Bullrich's campaign going forward. However, with the results of the provincial election looking decoupled from the national scenario, it does not seem wise to read into the effect of the provincial results at the national level. In terms of strategy, we believe that policy continuity 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. Cornejo has to face an unfriendly administration at the national level more likely. Still, Mendoza exhibited solid management even with a JxC administration at the local level and Peronism at the national level, which conveys that the province's financial position is robust enough to face a possibly hostile national administration. We do identify some risks for the fiscal balance of the province due to the soon-to-be-discussed Income Law proposed by the government. The impact of the measure in the province could amount to a 3.6% drop in revenues, which could compound with weak economic activity hampering tax revenues and inflexible opex and salary outlays, scenario which could strain the provincial financial position in the medium run.

Figure 2: Provincial Election Results 2023



Source: TPCG Research based on Tribunal Supremo Electoral

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