

UPCOMING CONSTITUTIONAL AMENDMENTS: WHAT TO EXPECT

On February 5, President López Obrador is expected to present a batch of ten constitutional amendments before Congress that will propose changes regarding pensions, minimum wage, the electoral and judicial systems, autonomous bodies, the recall of mandate, and the armed forces, among others.

In our view, these proposals will lack enough support to move forward in Congress, as MORENA and its allies don't reach the two-thirds majority needed to pass them, whereas opposition leaders have already stated they will not endorse any of the bills to be announced.

Given that the presidential candidate for MORENA Claudia Sheinbaum holds an overwhelming lead in the polls, the attention is on the Congress election, as it will be fully renewed in June. Currently, MORENA and its allies have a simple majority in Congress, which allows them to control the budget but not to change the Constitution.

We see recent government proposals as an electoral strategy since a social agenda could help MORENA connect with voters while dividing the opposition coalition and pursuing the next administration's agenda.

Regarding the proposals, on the labor side, the President will attempt to guarantee that all workers affiliated with IMSS or ISSSTE receive a pension equivalent to 100% of their salary at the moment of retirement, while promoting that the minimum wage grows annually beyond Mexico's inflation rate. Both proposals have revived concerns about public finances and inflationary pressures, if approved.

On the institutional side, the judicial and electoral reforms will aim to appoint judges, Supreme Court justices, National Electoral Institute's (INE) board members, and Electoral Court's (TEPJF) high-ranking judges through a direct popular vote. Concerns about the judiciary's independence, the autonomy of electoral institutions, and the impartiality of electoral processes could heighten.

As we await the proposed amendments and their details, we review in this document what to expect from them.

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One last shot at constitutional amendments before the curtain falls on López Obrador's presidential term.

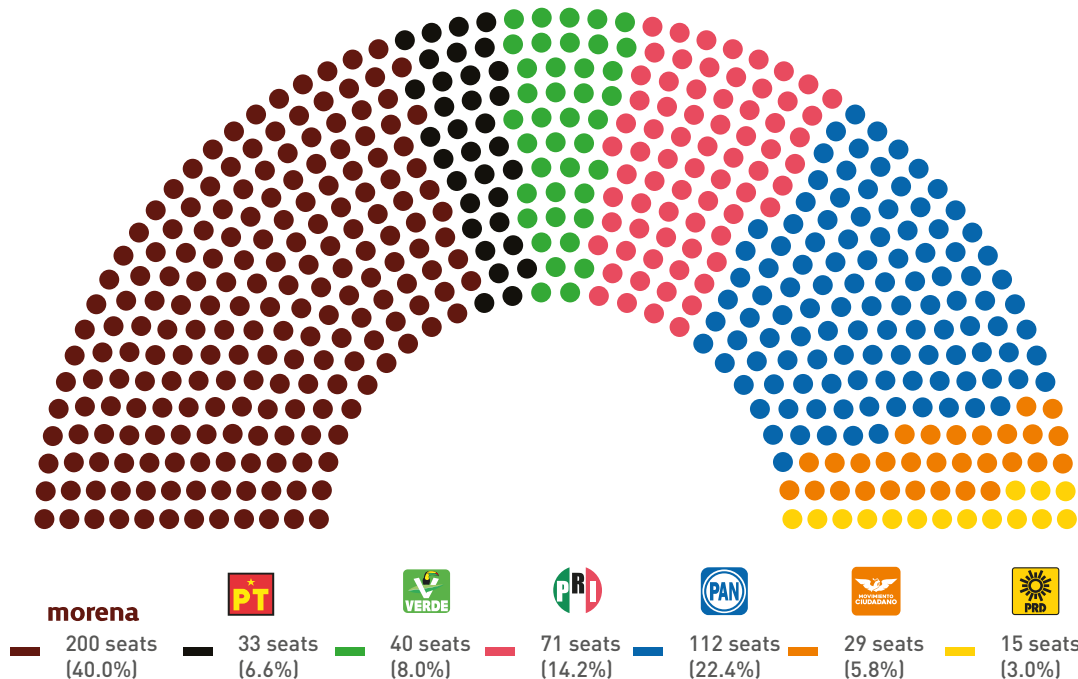
On February 5, President López Obrador is expected to present a batch of ten constitutional amendments before Congress that will propose changes regarding pensions, minimum wage, and the electoral and judicial systems, among others.

It is important to bear in mind that this set of reforms will be presented, and possibly discussed, during the last ordinary session of Congress (February 1-April 30) before being fully renewed later this year. Indeed, all 128 Senate seats and 500 seats in the Lower Chamber are up for grabs in the June election, after which members elected are set to take office on September 1, 2024 —a month before López Obrador's term comes to an end and the President-elect is sworn in.

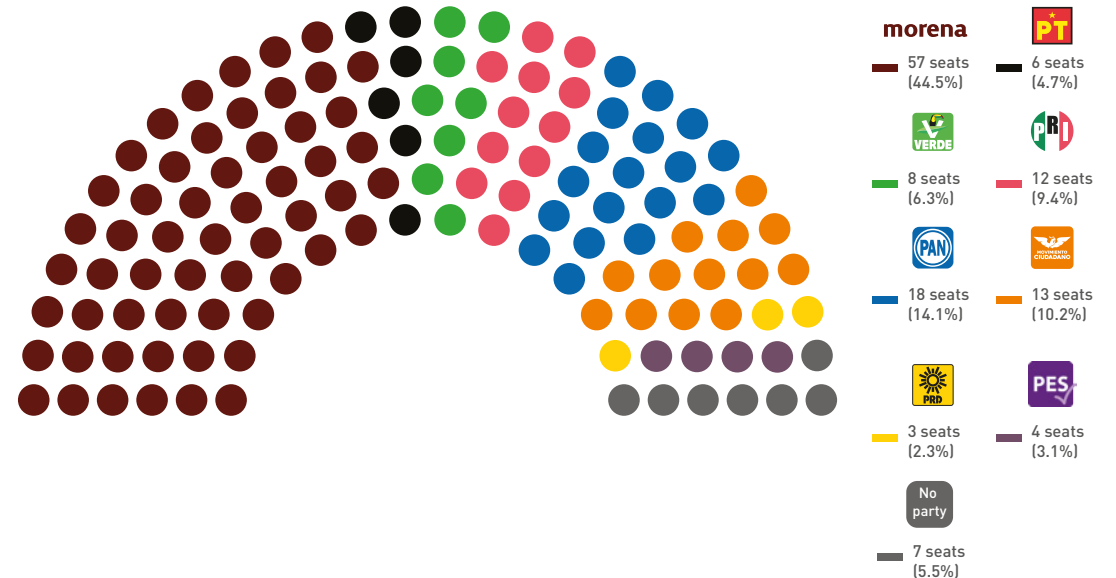
However, MORENA and its allies do not have enough seats in Congress to pass constitutional amendments. Recall that constitutional amendments require a two-thirds majority in both chambers of Congress and the approval of 50% + 1 of state legislatures. Thus, MORENA and its allies will need to discuss and reach an agreement with opposition parties to pass any amendment. However, opposition parties (PRI-PAN-PRD) have continuously referred to their constitutional moratorium, pledging to vote against constitutional reforms that could affect democratic institutions. Yet, despite the congressional outcome of these amendments, it is likely that they will become a recurring theme throughout the 2024 electoral campaigns.

As we await the proposed amendments and their details, we review in this document what to expect about them.

Lower House – 334/500 votes are needed to pass a constitutional amendment.
 MORENA and its allies (PT and PVEM) currently hold 273 seats (54.6%).



Senate – 86/128 votes are needed to pass a constitutional amendment.
 MORENA and its allies (PT and PVEM) currently hold 71 seats (55.5%).



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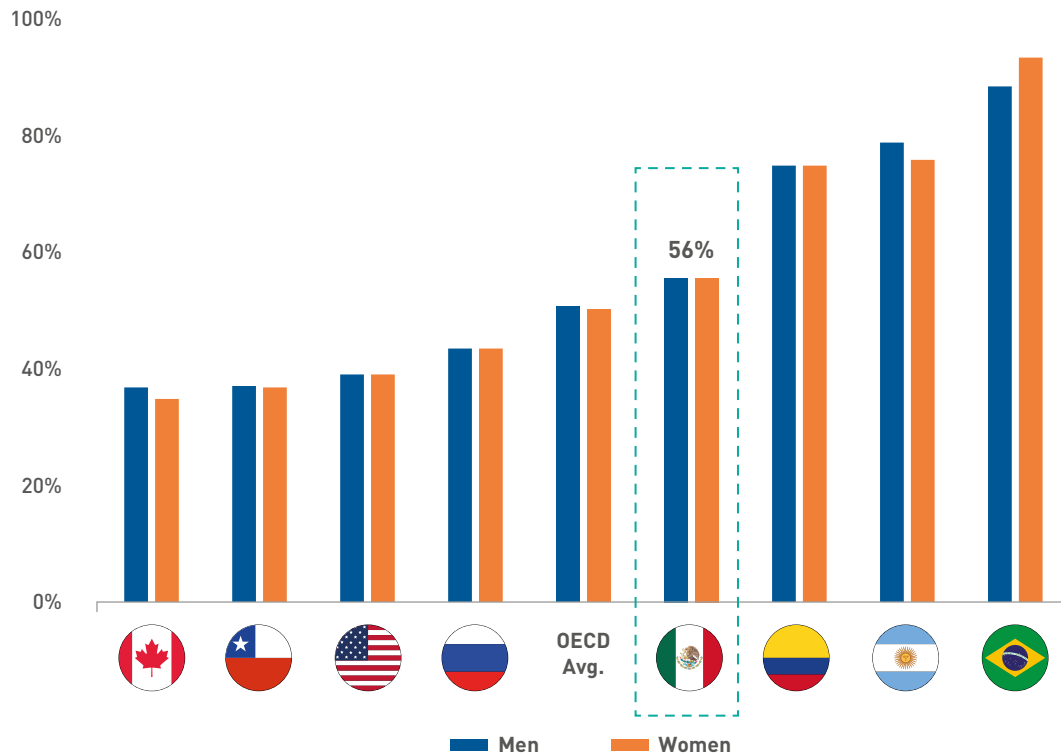
Amendments concerning Mexico's labor market and social security system will likely take center stage ahead of elections.

Pension Reform

- The reform seeks to guarantee that all **workers affiliated with IMSS or ISSSTE receive a pension equivalent to 100% of their salary** at the moment of retirement.
- President López Obrador has stated that said **increment in pensions would be funded with public resources**, rather than through larger employer or employee contributions.
- Even as we wait for the details of this reform bill, **concerns have emerged about the pressures this could add on public finances**, especially without a fiscal reform that increases public revenues.

Mexico's gross pension replacement rates, which measure how effectively a pension system provides a retirement income to substitute earnings, already fare well compared to OECD peers. Notably, no country's rate reaches 100%.

-Gross Pension Replacement Rate per Country, %



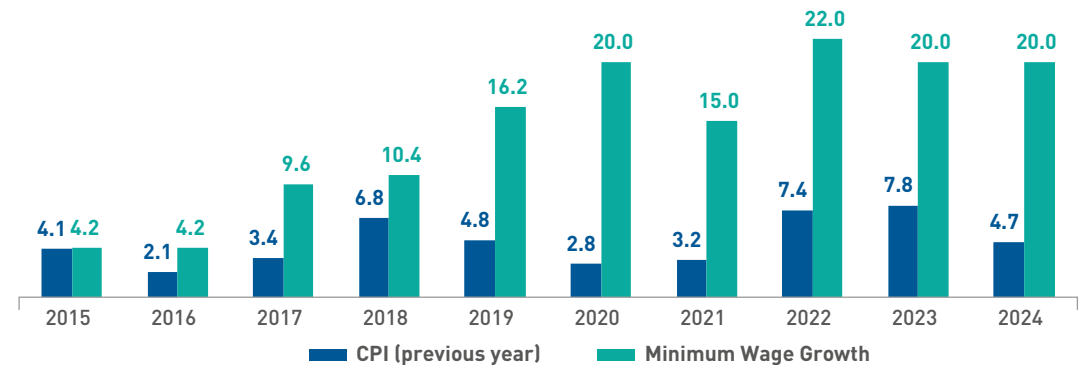
Source: National Statistics Agency (INEGI); Organization for Economic Cooperation and Development (OECD)

Minimum Wage

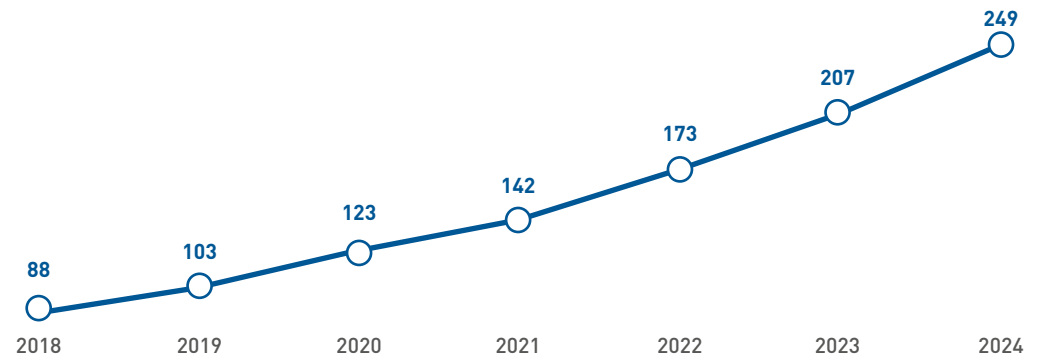
- The reform seeks to guarantee that **the minimum wage will grow annually beyond Mexico's inflation rate**. It is yet unclear if that measure would include a limit on annual increases.
- Notably, **Mexico's daily minimum wage has risen by 182% during President López Obrador's term**, from P\$88 in 2018 to P\$249 in 2024.
- Said measure could **cause further inflationary pressures** and complicate the Central Bank's task to preserve the purchasing power.

Mexico's minimum wage has consistently grown beyond the previous year's inflation rate. If passed, the specifics of the amendment on minimum wage increases will be relevant to forecast price dynamics going forward.

-Mexico's CPI (YOY %); Mexico's Minimum Wage Growth (YOY %)



-Mexico's Daily Minimum Wage (MXN)



UPCOMING CONSTITUTIONAL AMENDMENTS: WHAT TO EXPECT

Political amendments will also grab the spotlight and, even if not approved by Congress, they are likely to become a recurring subject for the incumbent party after the elections.

Judicial Reform

- The reform seeks to **allow the appointment of judges, Supreme Court justices, and high-ranking State judges through a direct popular vote.**
- Supreme Court justices are currently nominated by the President subject to a two-thirds approval of the Mexican Senate, remaining in office for fifteen years.
- Recall that President López Obrador appointed five Supreme Court justices during his term, **and the incoming president will be able to appoint another four**, which could shift the Court's balance.
- **Concerns about the judiciary's independence may arise**, as judicial decisions could become biased, lopsided in favor of popularity principles rather than the law.

Supreme Court Justices

Nominated by President López Obrador

Juan Luis Alcántara Carrancá



Term ends Dec. 2033

Yasmín Esquivel



Term ends Mar. 2034

Ana Margarita Ríos Farjat



Term ends Dec. 2034

Loretta Ortiz



Term ends Nov. 2036

Lenia Batres Guadarrama



Term ends Dec. 2038

Nominated by Presidents Calderón or Peña Nieto

Norma Lucía Piña Hernández



Term ends Dec. 2030

Luis María Aguilar Morales



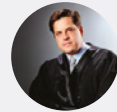
Term ends Nov. 2024

Jorge Mario Pardo Rebolledo



Term ends Feb. 2026

Alfredo Gutiérrez Ortiz Mena



Term ends Dec. 2027

Alberto Pérez Dayán



Term ends Dec. 2027

Javier Laynez Potisek



Term ends Dec. 2030

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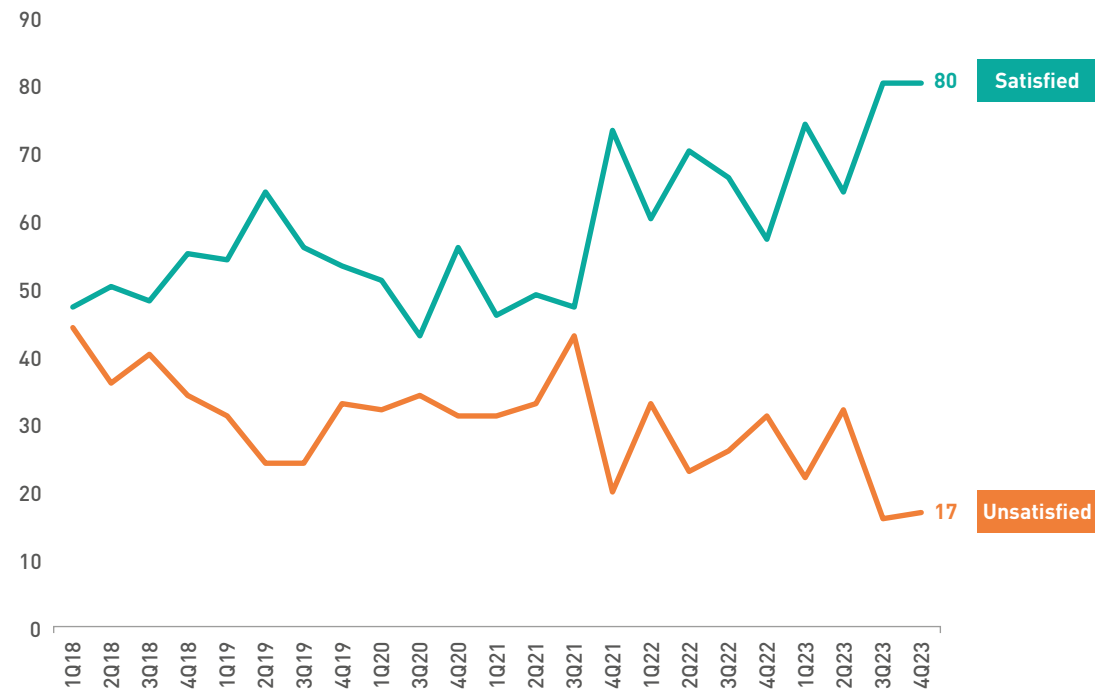
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Electoral Reform

- The reform will likely propose the **appointment of the National Electoral Institute’s (INE) board members and the Electoral Court’s (TEPJF) high-ranking judges through a direct popular vote.**
- The reform is also likely to seek the **removal of at-large representatives, known as *plurinominales* (200 deputies and 32 senators),** and a reduction in the budget of political parties.
- Recall that **similar reforms were proposed earlier in the presidential term.** The first attempt of a constitutional amendment (proposed in April 2022) was batted down by Congress, while the second proposal (known as “Plan B”) aimed to reform secondary laws that were ultimately overturned by Mexico’s Supreme Court in June 2023.
- There are growing concerns that **the autonomy of electoral institutions and the impartiality of electoral processes could be jeopardized.**

Most of the population approves of the performance of Mexico’s electoral authorities.

-Citizen satisfaction with the performance of the National Electoral Institute (INE) and the fulfillment of its duties, % of respondents



-Citizen satisfaction with the performance of the Electoral Court (TEPJF) and the fulfillment of its duties, % of respondents



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Although the specifics of certain reforms remain unknown, some of them may have to do with autonomous bodies, the recall of mandate and the armed forces, among others.



Autonomous Bodies

- President López Obrador has voiced his intention to propose the **dissolution of all the autonomous bodies**, including but not limited to the **National Antitrust Authority (Cofece)**, the **National Institute of Transparency, Access to Information, and Protection of Personal Data (INAI)**, the **Energy Regulatory Commission (CRE)**, and the **Federal Telecommunications Institute (IFT)**.



National Guard

- President López Obrador has been vocal about his intention to **push again for the National Guard to be under the umbrella of the Ministry of Defense**.
- Recall that this reform was approved earlier in his term but was ultimately **ruled unconstitutional by the Supreme Court of Justice** in April 2023 and would likely face a similar path if passed again.



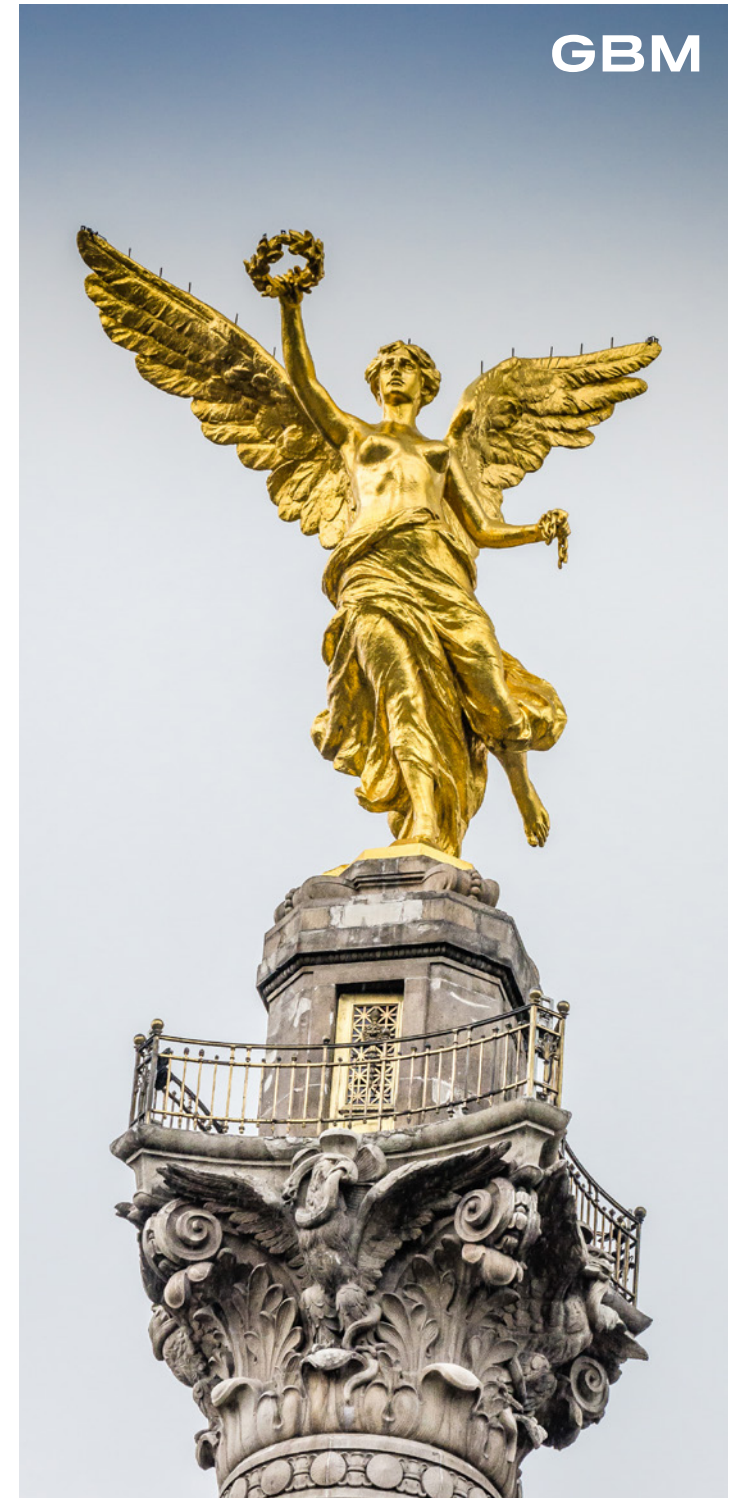
Recall of Mandate

- President López Obrador will propose **modifications to the recall of mandate process, lowering the minimum participation from 40 to 30% of registered voters**, allegedly to encourage citizen participation.
- Be mindful that, in April 2022, when this mechanism was first implemented, citizen participation was 17.8%.
- The recall of mandate, which must be invoked by the citizenship, can only be requested within three months after the conclusion of the presidential term's third year. **In other words, the next time this could be requested would be in late 2027 or early 2028.**



Other Topics

- Although the President has been reluctant to reveal the rest of constitutional amendments, experts believe these could include welfare, austerity measures, and the railway system.
- Aside from the constitutional amendments, with which he aims to modify thirty-six constitutional articles, **he has asserted his plans to propose a around twenty reforms to secondary laws**, which would require a simple majority vote (50% +1) in both Chambers of Congress.



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