

Electoral reform takes the stage in Mexico

- ▶ This report discusses the constitutional amendment on electoral reform currently under discussion in Mexico. The proposal aims to eliminate proportional representation in the election of senators and deputies, change campaign financing, and abolish local electoral authorities. Since the governing Morena party holds a constitutional majority, it is very likely that the proposed changes will be implemented by the next electoral cycle in 2027. However, the elimination of proportional seating could be delayed until the 2030 cycle to avoid additional disruptions.
- ▶ We also discuss two other legal reforms already implemented, namely in the labor market and the telecommunications sector. Mexico's labor reform was finalized in December 2024 and focuses on regulating work on digital platforms, while other initiatives are still in place such as reducing working hours from 48 to 40 hours, providing two rest days instead of one. The telecommunications reform seeks to modernize the infrastructure while centralizing control over the sector to boost sovereignty. This includes replacing the autonomous Federal Telecommunications Institute with the Regulatory Commission of Telecommunication, which will be part of the new Digital Transformation and Telecommunications Agency under executive control.
- ▶ Sheinbaum's public approval remains historically high, providing her with the legitimacy to pursue these reforms while managing trade uncertainties with the country's main partner. In our view, the electoral reform is a high-stakes initiative with potentially lasting impacts on Mexico's institutions. Eliminating proportional representation historically benefits the incumbent party at the expense of minority groups. Even if institutional fundamentals remain solid in the near term, heightened political risk perception - also stemming from previous reforms such as the judicial reform and the elimination of autonomous institutions - could impact the sovereign risk rating, affect business decisions, and create a more uncertain domestic environment.

Towards the end of his administration, former President Andrés Manuel López Obrador (AMLO) presented "Plan C", which consisted of twenty constitutional reforms. Since then, almost all amendments have been approved, facilitated by the incumbent's super-majority in Congress. Some of the approved reforms include the judicial reform, the elimination of autonomous agencies, and the integration of the National Guard into the Ministry of Defense (SEDENA). However, a reform to the electoral system, which primarily aims to eliminate proportional representation in the election of senators and deputies, as well as introduce changes in campaign financing and local electoral authorities, is still pending.

President Claudia Sheinbaum remains on track to deliver all 20 constitutional reforms. This report characterizes the proposed electoral reform, highlighting some changes compared to the draft presented by AMLO two years ago. Since Morena holds a constitutional majority, it is very likely that changes will be consolidated by the next electoral cycle in 2027, although eliminating proportional seating could be delayed until the 2030 cycle to avoid additional disruptions. We also discuss two other reforms related to the labor market and the telecommunications sector.

1. Electoral Reform

Recently, President Sheinbaum announced the creation of a presidential commission to implement an electoral reform. The president also announced the initiation of a nationwide survey and the start of public consultations on the matter. The proposal is not unanimously supported within Morena but is unlikely to face significant public opposition.

How does Mexico's electoral process currently operate?

Elections are organized and overseen by the National Electoral Institute (INE). This autonomous entity is responsible for federal, state, and local elections across all three branches. The INE also regulates campaign financing and media access. Currently, campaign financing is both public and private, although the constitution mandates that public funding must take precedence over private sources.

Branch	Official	Seats	Term duration	Re-election?
Executive	President	1	6 years	no
Legislative	Chamber of Deputies	500	3 years	Max 4 terms
	Senate of the Republic	128	6 years	Max 2 terms
Judicial	Justice	9	12 years	no
	Magistrate	5	6 years	no
	Magistrate (superior and regional chambers)	7	6 years	no
		15	6 years	no
	Magistrate	910	9 years	Max 2 terms
	Judge	737	9 years	Max 2 terms

Voting is voluntary in Mexico, and all citizens over 18 years of age are eligible to vote. Following the judicial reform this year, all three branches - executive, legislative, and judicial - are now subject to popular vote. Members of the legislature are directly elected for 3-year terms (federal and local deputies) or 6-year terms (senators). They are eligible for re-election for up to 4 or 2 terms, respectively.

All legislative elections use a mixed (and complex) electoral voting system. In the Chamber of Deputies elections, 300 deputies are elected by "first-past-the-post" system, meaning the candidate with the most votes wins, even if they do not have more than 50% of the valid votes. The other 200 deputies are elected by party-list votes using proportional representation, with five multi-member districts of 40 seats each. For the Senate, 96 seats are filled through mixed-member proportional representation (3 seats for each of the 32 federative entities), and 32 senators are elected by party-list proportional representation on a nationwide basis.

Key Elements of Sheinbaum's Electoral Reform (2025–2026):

- **Preserving INE's autonomy:** National Electoral Institute (INE in Spanish) will remain autonomous, rejecting proposals to eliminate it as an independent electoral body.
- **Reducing election-related costs:** The reform aims to lower spending on electoral processes and administrative overhead, echoing earlier demands by AMLO.
- **Scaling back public funding for parties:** Seeks to significantly reduce political party financing, aligning with AMLO's previous proposals but potentially less drastic.
- **Eliminating plurinominal seats:** Plans to remove proportional representation seats - 200 deputies and 32 senators - and shift toward purely majoritarian elections (first-past-the-post).
- **Transforming electoral bodies and representation:** Proposes to abolish local electoral authorities (OPLE), consolidating them into a national electoral institute.
- **Direct election of electoral councilors:** Introduces a popular vote to select INE/INEC councilors, a move intended to increase participation but criticized for potential politicization.
- **Consultative and phased approach:** A presidential commission has been formed to design the reform, incorporating public surveys and stakeholder engagement to seek consensus before formal submission.

Main differences between Sheinbaum and AMLO’s electoral reform:

Reducing the number of multi-member legislators is the main proposal in President Sheinbaum's electoral reform. This system allocates a portion of legislative seats based on the percentage of votes each party receives, rather than solely on direct districts wins¹. Historically, this type of electoral system benefits the incumbent party at the expense of minority groups. As the proposal is still in its early stages and undergoing public consultations, details regarding the new rules for electing legislative seats are not yet fully available. For instance, AMLO’s proposal contemplated the elimination of 200 plurinominal deputies and 64 senators, leaving only 300 deputies elected by majority and 64 senators, two for each of the 32 federal entities. Although the electoral reform could save some fiscal resources and aid in fiscal consolidation, the savings may not be significant.

Feature	AMLO’s 2024 Proposal	Sheinbaum’s Current Reform Plan
INE reform	Replace with INEC, centralizing control	Retains INE autonomy, though with some restructuring
Plurinominal representation	Full elimination of seats proportional seats	Same intention but presented with broader consensus process
Party financing cuts	Halve or more severe reductions	Cuts still strong, but implementation may be moderated
Electoral council selection	Direct election under AMLO	Same mechanism proposed, though with advisory framing
Legislative support	Lacked qualified majority; blocked by court	Morena now holds majorities, improving prospects
Consultation process	Minimal	Emphasized, via public surveys/consultations and expert engagement

Discussion Timeline and the Legislative Process:

- **Initial framework started in June 2025:** Sheinbaum’s government committed to a reform consistent with AMLO’s prior objectives but signals more emphasis on consultation (“do the people’s will”) and less acrimony.
- **Presidential commission launched in early August 2025:** tasked with stakeholder dialogue, drafting, and public legitimacy-building.
- **Public opinion surveys deployed:** Surveys were launched in August 2025 to assess views on costly plurinominal seats and party financing, aiming to anchor the reform in citizen support.
- **Expected legislative debate:** A formal debate is anticipated to begin in the next Congressional session, likely starting in September 2025, aiming for a constitutional change that requires qualified majority support.
- **Presidential consideration:** the Presidential Commission for Electoral Reform will present its main conclusions to Sheinbaum early next year.

¹ For more detail see: [The Mexican Electoral System - Instituto Nacional Electoral](#)

Other Electoral Reforms in Latin America:

Other proposals for electoral reforms taking place in LatAm include those in El Salvador and Nicaragua:

El Salvador – Constitutional Overhaul

- Unlimited presidential re-election is now permitted.
- The Presidential term extended from 5 to 6 years.
- Run-off elections abolished.
- All elections (presidential, legislative, municipal) synchronized in 2027.
- Reform approval with near-total congressional control by the ruling party.

Nicaragua – Expansion of Presidential Powers

- Proposed reforms (pending second legislative approval):
 - Extend presidential term from 5 to 6 years.
 - Appoint president's wife as co-president.
 - Expand executive influence over media under regulatory guise.

2. Labor Reform

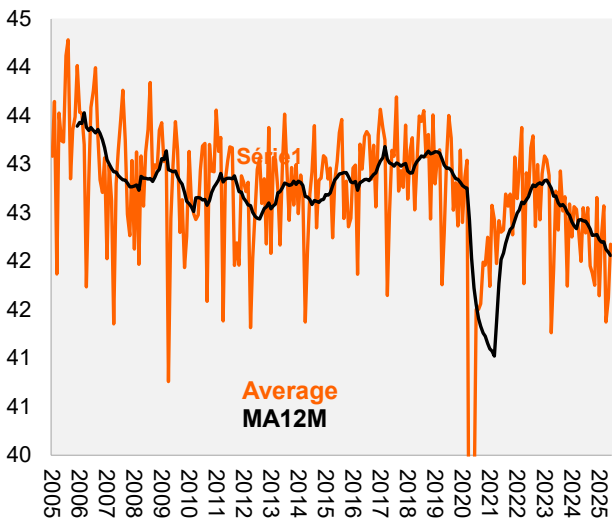
Key Elements of Sheinbaum's Labor Reform (2024–2026):

The Sheinbaum administration has implemented several reforms that increase the cost of labor, in the context of a tight labor market, reflected by an unemployment rate still close to historical lows, and solid real wage growth.

- **Reduction in Working Hours:** Proposal to shorten the legal workweek from 48 to 40 hours, providing two rest days instead of one.
- **“Silla Law” (Right to a Seat):** Employers must provide chairs with backrests or ensure rest periods during the workday, especially in sectors where prolonged standing is common. Approved by the Chamber of Deputies in October 2024; pending Senate approval, followed by a 180-day compliance period after publication in the Official Gazette.
- **Digital Platforms Workers' Rights:** The Chamber of Deputies (December 2024) unanimously passed reforms granting app-based workers (e.g. Uber, DiDi, Rappi) access to social security, a Christmas bonus, the ability to unionize, and protections against violence. Given Morena's dominance in both houses, the matter was quickly approved by a landslide majority. Chile and Spain are among other countries that already have labor rules for digital platform workers.
- **Prohibition of Replacing Minimum Wage with Tips:** The reform passed in the Chamber requires employers to pay the legal minimum wage and prohibits substituting it with tips; it also includes fair distribution of tips.
- **New 1 October Holiday Every Six Years:** Amendment to the Labor Law establishes 1 October - a presidential inauguration day - as a mandatory rest day every six years, coinciding with the change of administration.

There has been a declining trend in working hours per week since the pandemic.

Working hours per week in Mexico

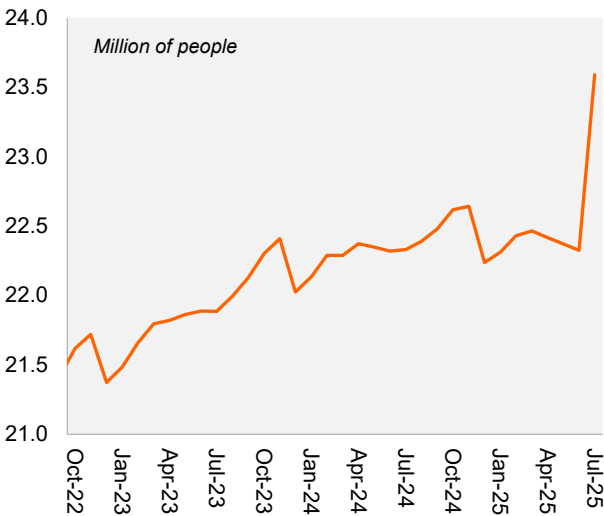


Source: INEGI, Itaú.

The results of the Digital Platforms Workers' Rights initiative are already visible in official data. The Mexican Social Security Institute (IMSS) reported that formal employment in July increased by 1.266 million (+5.6% YoY) compared to the previous month, driven by the pilot program for workers on digital platforms, mainly delivery app workers. This added more people, primarily in temporary formal jobs, bringing total employment to 23.6 million. The government originally estimated the target audience of the reform to be around 685 thousand workers. The higher-than-expected number of workers joining may reflect the government's underestimation of the interest in enrolling for social security benefits. When a worker registers with the IMSS, their family can also gain access to benefits. Our sense is that, given most of these workers are men, the appeal of joining IMSS likely increased.

July25 formal employment data from IMSS increased by 1,266k (+5.6% YoY)...

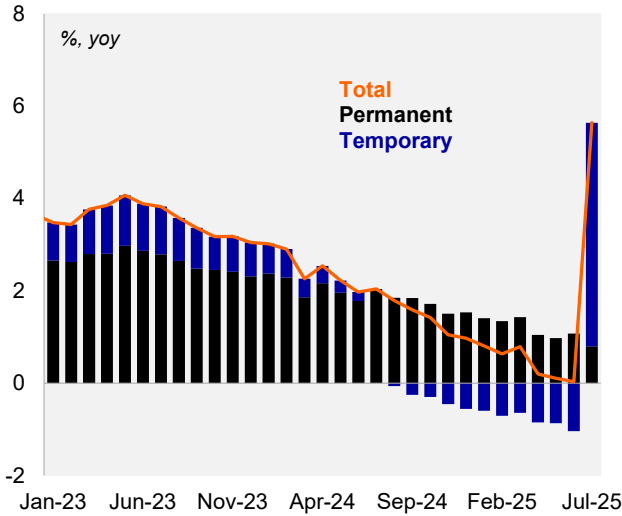
Formal jobs (IMSS)



Source: IMSS, Itaú

... as a result of pilot plan for the program for workers on digital platforms (temporary formal jobs)

Formal jobs (IMSS)



Source: IMSS, Itaú

3. Telecommunication reform

The telecommunications reform, which took effect on July 17, aims to modernize the infrastructure while centralizing control over the sector to enhance sovereignty. The reform is expected to be implemented between 4Q25 and 2Q26.

Key Points of the Sheinbaum's Telecom Reform (2025):

- **Elimination of the Federal Telecommunications Institute (IFT):** The reform plans to replace the autonomous IFT with the Regulatory Commission of Telecommunication, which will be part of a new Digital Transformation and Telecommunications Agency under Executive control.
- **Digital inclusion:** Expands universal access obligations to close the digital gap in underserved areas.
- **Content Regulation:** Imposes restrictions on foreign political or ideological content, requiring prior government approval for dissemination.
- **Creation of a citizens' council consisting of five members:** Manage concessions, protect audience rights, and advise on the concession-granting processes.

Differences from AMLO's Reform Approach (2018–2024)

- **State control vs. private investment:** AMLO favored state-led infrastructure projects (e.g., CFE Telecom), whereas the current reform encourages (limited) private sector participation.
- **Digital strategy:** AMLO prioritized social programs for connectivity, while the new reform focuses on market-driven connectivity.

Final remarks

This report briefly discusses Mexico's electoral reform as part of the final phase of AMLO's "Plan C". The reform aims to eliminate proportional representation in the election of senators and deputies and introduce some changes in campaign financing and local electoral authorities. We expect President Sheinbaum to implement the proposed changes, supported by a constitutional majority and public surveys and consultations. Other reforms, such as those in the labor market and telecommunications sector, are also underway. Sheinbaum's public approval remains historically high, providing her with the legitimacy to pursue these reforms while managing trade uncertainties with the country's main trading partner.

In our view, Sheinbaum's electoral reform is a high-stakes initiative with potentially lasting impacts on Mexico's institutions. Eliminating proportional representation historically benefits the incumbent party at the expense of minority groups. Even if institutional fundamentals remain solid in the near term, heightened political risk perception - also stemming from previous reforms such as the judicial reform and the elimination of autonomous institutions - could impact the sovereign risk rating, affect business decisions, and create a more uncertain domestic environment.

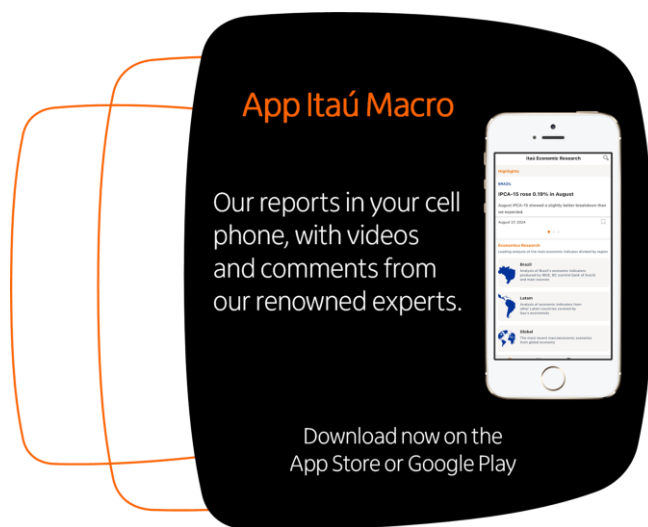
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