Public Affairs Chatter

Economic Stability at Risk? Sheinbaum's Social Agenda Faces Financial Scrutiny

The economy has been the early focus of Claudia Sheinbaum's administration, supporting efforts to instill confidence in both domestic and international investors. During her inaugural speech, Sheinbaum committed to macroeconomic stability, pledging respect for the autonomy of the Bank of Mexico and careful management of public debt. She also asserted that "The investments of national and foreign shareholders will be safe in our country." This aimed to calm market anxieties and reassure businesses operating in Mexico, instilling confidence in her leadership. Yet, the critical question remains—how sustainable is the balance between fiscal responsibility and expanded social spending?

Sheinbaum's investor-centric strategy was on display in her call with U.S. President Joe Biden, where they discussed bilateral cooperation on economic, cultural, and trade issues. While this signals a potentially robust partnership with the U.S. and Canada through the USMCA (T-MEC), it also raises concerns about Mexico's reliance on North American markets to maintain economic stability, especially given the uncertain direction of domestic policy and change in USA government from next year (in particular if Trump wins).

Sheinbaum will attend the CEO Dialogue in CDMX on October 15, 2024, and is expected to address concerns about the judicial reform and investment issues. The forum seeks to foster public policy recommendations and synergies to boost regional investment and competitiveness in North America. It was created in 2013 by the **Consejo Coordinador Empresarial (CCE)** and the **U.S. Chamber of Commerce** as a high-level institutional mechanism for interaction between business leaders from both countries, but until Economy Minister Ebrard tweeted about his and Sheinbaum's plan to attend this year, was not well known outside elite business circles. About 45 CEOs are expected to attend, 30 already active in Mexico, and 15 with plans to expand here.

Sheinbaum has also pressed forward with her ambitious social agenda, announcing new welfare programs, including pensions for women aged 60 to 64 and universal scholarships for public school students. While these initiatives align with the ethos of the Fourth Transformation, they have triggered warnings from economists who are wary of their financial viability. The burden of expanding public spending—particularly alongside existing programs—could strain Mexico's public finances.

Despite Sheinbaum's assurance of fiscal prudence, critics argue that fulfilling these promises without sustained economic growth or increased tax revenues will be a significant challenge. Balancing a robust social agenda with the need to maintain investor confidence and fiscal discipline is no easy feat, and the risk of undermining economic stability is real if not carefully managed.

A key test for the government and financial markets will be details of the 2025 budget, which has to be released before November 15th and then debated and approved by Congress before year-end. Markets are expecting a deficit under 4% of GDP, from 6% of GDP in 2024, excluding one-off Central Bank profits from the devaluation of the Mexican peso. Should the deficit be any larger than this, or based on implausible assumptions, then markets may be rattled again, and concerns of downgrades of Mexican debt by rating agencies next year become more acute.

Meanwhile, the unexpected departure last week of respected deputy Finance Minister Gabriel Yorio and his replacement by the relatively unknown Edgar Amador has for sure left the Finance Ministry with a less experienced team. It has also led to speculation on whether apart from a tense personal relationship, policy differences with the less orthodox finance minister on the size of the deficit for next year and other economic issues may have prompted his exit.

Judicial Reform Showdown: Supreme Court Faces Political Pressure and Accusations of Overreach

The Supreme Court has agreed to review the constitutionality of the judicial reform, emphasizing its responsibility to "guarantee the autonomy and independence of the organs and members of the federal judiciary." The Court reiterated that it falls within its mandate to "resolve any controversy within the Judicial Power of the Federation."

However, this decision has not come without strong opposition. Justices Yasmín Esquivel, Loretta Ortiz, and Lenia Batres—closely aligned with the ruling party—voted against the review. Batres went so far as to call the Court's decision a "coup," accusing it of overreaching and “usurping powers it does not possess." She argued that this move undermines constitutional supremacy and threatens the foundation of the separation of powers and the rule of law in Mexico. Such pointed rhetoric highlights deep divisions within the Court, reflecting the broader political battle over the future of judicial independence in the country.

Adding to the controversy, Norma Piña Hernández, Chief Justice of the Supreme Court of Justice (SCJN), has faced criticism for her refusal to provide the Senate with the necessary information for judicial candidate lists. Piña claims the judiciary is legally prohibited from handing over the requested data due to ongoing judicial suspensions. However, many view this explanation as a bureaucratic delay tactic meant to block the progress of judicial reform.

Senate leaders have swiftly condemned the SCJN’s stance, accusing the judiciary of deliberately obstructing the process and insisting that this resistance will not stop the reform from moving forward. Despite the judiciary's reluctance, the Senate has affirmed that judges and magistrates will be elected by universal, direct, and secret vote in June 2025, as planned. This refusal from the SCJN goes beyond legal matters and is seen as an effort to safeguard judicial autonomy against mounting political pressure. The looming question is whether these delaying tactics will be enough to derail a reform poised to reshape Mexico's judicial system fundamentally.

Ley Silla: A Costly Burden on Small Businesses

This week's approval of the "Ley Silla" (Chair Law) by the Mexican Chamber of Deputies has sparked a critical debate over its actual costs and practicality. While the law, which requires employers to provide seating for workers who stand for extended periods, is grounded in workers' rights, its implementation raises serious concerns—particularly about the financial burden it places on businesses. Critics argue that compliance costs could disproportionately affect small and medium-sized enterprises (SMEs), the backbone of Mexico's economy.
For many smaller companies, providing seating for all employees could mean restructuring workspaces, purchasing new equipment, and potentially slowing down operations—steps with steep price tags.

Though the legislation is well-intentioned, it seems to overlook the practical realities of various industries, in sectors like retail, manufacturing, and services, where space is often tight, and workers need to stay mobile, enforcing the law could reduce productivity and efficiency. The Chamber of Deputies has not sufficiently addressed how these costs will be mitigated or how businesses, particularly those operating on thin margins, will be supported through the transition.

Moreover, critics question whether the law is even necessary in its current form. While worker comfort is crucial, many argue that alternative solutions—like industry-specific regulations or financial assistance for SMEs—would have been more effective. The lack of a clear economic plan or phased implementation strategy leaves workers and businesses in a precarious position. If not carefully managed, the "Ley Silla" could unintentionally harm the workforce it aims to protect, leading to layoffs, increased operational costs, or even business closures.

Contact:
Laura Camacho
Executive Director Miranda Public Affairs
laura.camacho@miranda-partners.com