

ECONOMIC VIEW

Latin America
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LatAm Outlook: Election Season

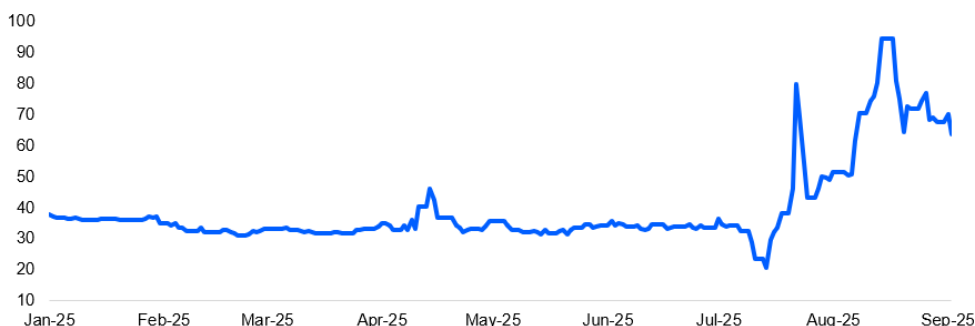
- Despite resilience in 2025, we expect Latin America's GDP growth to slow in 2026
- After tariffs, elections in Latin America's major economies will be at the forefront
- Argentina's outlook has deteriorated amid a recent run on the peso

While trade policy will loom large over the economic landscape over the coming year, elections in Latin America's major economies are not far behind. Over the past decade, the political landscape in Latin America has been characterized by large pendulum swings, with frustration over perennially low growth generally set to favor candidates on the right in upcoming contests, lending a sliver of upside risk. Argentina's October midterms and Chile's November general election lead off the electoral calendar, while voters in Brazil, Colombia and Peru will elect new presidents over the course of 2026.

Argentina's midterm elections result will have a large bearing on the economic outlook, with the policies underpinning the nascent recovery in jobs and output potentially at risk. Until a few months ago, President Milei's right coalition seemed poised for a landslide victory amid declining inflation and a recovering economy. However, the situation has changed significantly amid the recent turbulence in financial markets, a stagnating economy, and a series of corruption scandals.

Argentina Faces Financial Turbulence Ahead of Elections

Repo interest rate, %



Sources: Central Bank of Argentina, Moody's Analytics

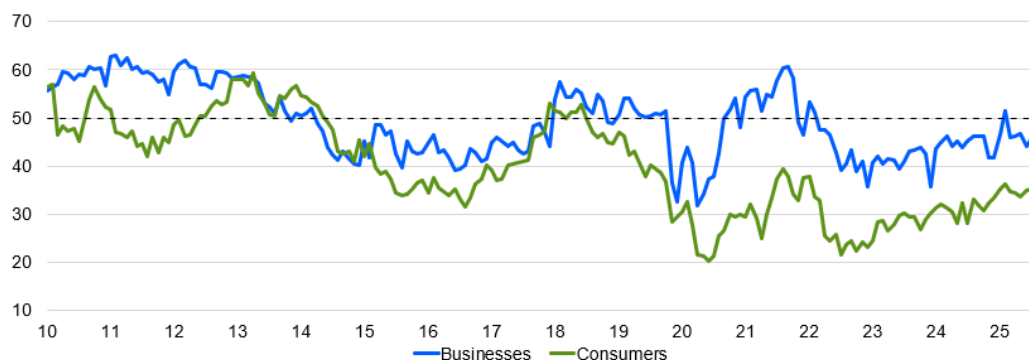
We still expect Milei's coalition to add some seats in Congress in October, but a simple majority seems unattainable, even when considering other right-wing parties. The center-left Peronist coalition has gained the most in recent polls and might hold on to its simple majority in Congress. Without a majority, Milei will face additional challenges in advancing his ambitious agenda during the second part of his mandate. Markets might also lose faith in the sustainability of the macroeconomic adjustment program, centered around a strict fiscal discipline. In that case, expectations could deteriorate significantly in 2026 and 2027, thus hurting growth.

In Chile, voters' frustration with perennially low growth will frame this fall's presidential campaign, overshadowing demands for large-scale economic and social change that propelled current President Gabriel Boric to power in December 2021. While Chile's leading presidential candidates differ on how to reignite growth, there is a broad consensus on the need to do so, marking a departure from past campaigns that were framed mainly by social concerns. Boric, who campaigned as the leader of Chile's leftist parties, ultimately pivoted to

the center, moderating his proposals for a copper mining royalty and pension and tax reforms. However, broad discontent with low growth, a weak job market, and deteriorating public security will likely favor coalitions from the right. The possibility of a right coalition controlling both the presidency and the lower house of Congress lends upside risk to the outlook for government finance and private investment.

Ahead of Chile's Elections, Mood on the Economy is Still Dour

Sentiment indexes, Chile, >50 is optimism



Sources: Central Bank of Chile, Moody's Analytics

Electoral campaigns in Brazil, Colombia and Peru are still unfolding, and significant developments could occur between now and election day. Brazilian President Luis Inácio Lula da Silva is enjoying a poll surge following the imposition of U.S. tariffs. However, tight monetary conditions and a slowing economy will significantly shape the electoral landscape.

Economic Recap

Latin American economies have shown resilience in 2025 amid an uncertain external environment and multiple domestic challenges. We anticipate the region's GDP will expand by 2.3% in 2025, a slight upward revision from our previous forecasts, although still below the region's potential. Brazil, Latin America's largest economy, has performed better than anticipated in 2025, thanks to a robust labor market. A strong currency has also bolstered private consumption. The Brazilian economy is expected to decelerate compared with 2024, but by less than anticipated. A more restrictive monetary policy, above-target inflation, and fiscal constraints will prevent growth from accelerating in 2025. Thus, Brazil's GDP is expected to grow 2.5% in 2025 following a 3% increase in 2024.

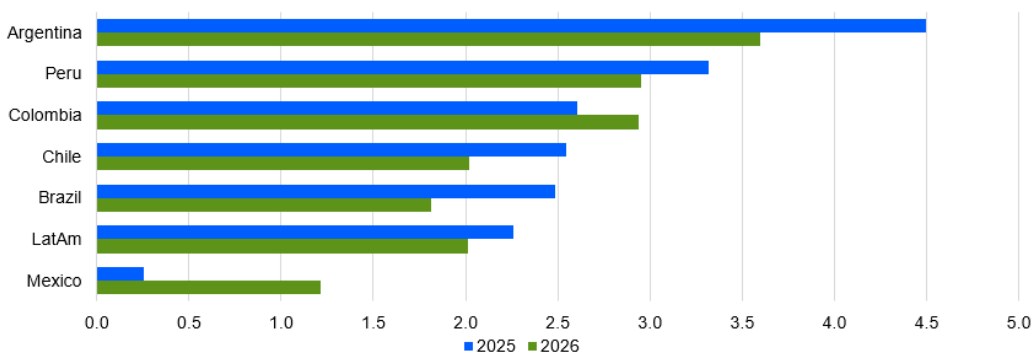
The Mexican economy has also performed better than expected amid the uncertainty of U.S. tariffs. Mexico's GDP will grow 0.3% in 2025, better than the slight contraction we had anticipated a few months ago. Declining interest rates and low unemployment have supported consumption in recent months, thus helping the economy offset the drag created by a restrictive fiscal policy and an uncertain external environment.

However, Argentina's outlook has deteriorated amid a recent run on the peso. The peso depreciated sharply after the government lifted capital controls in April. In September, the peso exchange rate reached the upper limit of the trading band set by the central bank. Low international reserve levels limit the central bank's capacity to intervene in the market and defend the peso. Thus, policymakers had no choice but to raise domestic interest rates sharply, which hurt consumption and investment spending. The government received a much-needed boost in mid-September, after the U.S. government offered a financial package to lift the ailing peso. This will buy the government some time and allow interest rates to decrease. Yet some damage has already been done to the real economy. GDP is expected to grow by 4.5% in 2025, down from the 5.3% projected a few months ago.

The outlook for the Andean economies has not changed materially, but we have made some upward revisions recently. The Chilean economy is expected to expand by 2.5% in 2025, driven by higher-than-expected copper prices and looser monetary conditions. In Colombia, declining unemployment and recovering credit growth are expected to drive 2.6% growth in 2025 following a 1.6% increase in 2024. Above-target inflation and policy uncertainty will prevent a more robust recovery. Meanwhile, the Peruvian economy is expected to grow by 3.3% in 2025, surpassing the previously anticipated growth rate. Low inflation, high copper prices, and government spending will boost the economy.

Resilience amid External and Domestic Headwinds

Real GDP growth, %



Source: Moody's Analytics

A weaker 2026

Despite the resilience in 2025, we expect Latin America's GDP growth to slow in 2026. Among the largest economies, all but Mexico and Colombia will weaken next year amid an unfavorable external environment and the timing of their respective business cycles. Thus, the region's GDP is expected to grow by 2% in 2026, which is below its potential growth rate. Moreover, uncertainty surrounding the outlook remains unusually high. The U.S. trade policy will remain a source of risk in 2026, primarily for Mexico. In Brazil, the economy is expected to slow in 2026 as monetary restrictions stay in place and the electoral cycle hinders investment. Above-target inflation and fiscal constraints will also remain a drag in 2026. The Mexican economy will accelerate modestly in 2026 as monetary conditions become more expansive, and negotiations on the future of the U.S.-Mexico-Canada Agreement will dispel some of the uncertainty around nearshoring and help to stabilize investment.

In Argentina, the recovery will continue in 2026 but at a slower pace. Lower inflation will support consumption, but interest rates might need to stay high for longer to help stabilize the peso. In the Andes, the Colombian economy will benefit from election-related spending in 2026. Lower inflation and a rebound in credit growth will also help bring growth closer to its potential. However, policy uncertainty and shrinking oil and coal industries will remain a drag. The Chilean economy is expected to slow down as a new government takes office in 2026, and copper prices are likely to weaken somewhat. High unemployment will also hinder private consumption in the coming year. Meanwhile, the Peruvian economy will experience a moderate cyclical deceleration in 2026.

LatAm Forecast Summary

Latin America Macro Summary - Forecast									
	GDP, % change yr ago			Inflation, % change yr ago			Unemployment rate, %		
	2025	2026	2027	2024	2025	2026	2025	2026	2027
Mexico	0.3	1.2	2.6	4.7	4.0	3.4	2.7	2.9	3.6
Brazil	2.5	1.8	2.7	4.4	5.1	3.5	6.8	6.2	6.9
Argentina	5.0	3.6	3.5	219.4	41.5	25.3	7.4	7.1	6.9
Chile	2.5	2.0	2.2	3.9	4.3	3.2	8.5	8.7	8.1
Colombia	2.6	2.9	3.1	6.6	5.1	4.3	10.2	9.0	9.0
Peru	3.3	3.0	3.0	2.3	1.8	2.2	5.1	4.5	4.1
Uruguay	2.1	2.1	3.1	4.9	4.6	4.1	7.8	7.9	7.7
	Policy Rate, %			Exchange Rate: local currency per USD			Sovereign Yield, %		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Mexico	10.9	8.4	7.4	18.33	19.40	18.91	9.67	9.47	8.99
Brazil	10.9	14.4	12.0	5.39	5.67	5.62	11.92	14.48	14.25
Argentina	56.0	32.0	26.1	916.28	1239.10	1490.98			
Chile	6.2	4.8	4.2	943.74	955.65	926.78	5.61	5.21	5.05
Colombia	11.4	9.3	8.1	4076.74	4145.83	4185.60	10.74	12.28	11.21
Peru	5.7	4.6	4.2	3.75	3.63	3.66	6.81	6.34	5.83
Uruguay	8.8	8.8	8.0	41.83	43.24	42.28			
	Stock Market			House Price Index			Industrial Production Index		
	2024	2025	2026	2025	2026	2027	2025	2026	2027
Mexico	53,951	55,369	56,457	243.8	266.3	286.6	101.5	101.6	104.7
Brazil	128,215	133,050	139,149	235.8	247.1	266.9	103.0	103.6	105.6
Argentina	1,565,379	2,298,968	3,083,877	12940.7	21939.4	27015.5	116.7	120.9	124.3
Chile	17,261	20,216	21,224	199.9	207.2	221.2	102.9	104.0	105.0
Colombia	1,341	1,675	1,969	357.4	403.1	448.3	114.0	117.6	121.4
Peru	29,006	30,882	32,316	253.2	259.0	265.7	133.7	137.6	141.5
Uruguay				549.6	577.0	606.0	116.1	119.9	124.9
	Current Account Balance, % of GDP			Central Government Budget Balance, % of GDP					
	2025	2026	2027	2025	2026	2027			
Mexico	-3.0	-6.9	-5.8	-5.2	-5.8	-5.0			
Brazil	-2.1	-0.1	-0.2	-6.3	-7.5	-8.2			
Argentina	-2.0	-1.9	-2.2	0.4	-0.4	-1.3			
Chile	-1.4	-2.1	-2.3	-2.2	-2.1	-2.2			
Colombia	-2.9	-3.6	-3.7	-4.7	-5.3	-6.3			
Peru	0.7	-1.7	-1.8	-2.9	-2.5	-2.5			
Uruguay	-1.2	-1.8	-2.1	-4.9	-4.4	-3.5			

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