

BI-WEEKLY LATIN AMERICA SNAPSHOT

March 31, 2026

On this edition, **Chile** faces its largest fuel price adjustment in decades, putting pressure on consumers and testing support for the Kast administration. **U.S.–Venezuela** relations move toward a gradual reopening of diplomatic channels; **Peru** heads into a highly fragmented presidential election in April; and in **Brazil**, President Luiz Inácio Lula da Silva confirmed Vice President Geraldo Alckmin as his running mate ahead of a competitive race. In **Argentina**, a court partially suspended key provisions of President Javier Milei’s labor reform, while **Panama** and **Costa Rica** work to advance a cross-border railway initiative aimed at strengthening regional connectivity and trade.

Top Developments

Chile faces fuel price shock with inflationary and growth implications. Chile is experiencing its largest fuel price adjustment in decades following the government’s decision to effectively phase out the Fuel Price Stabilization Mechanism (MEPCO), triggering a sharp domestic shock. As of March 26, gasoline prices increased by approximately 30–32%, while diesel surged by over 60%, reflecting Chile’s high exposure to rising global oil prices amid ongoing tensions in the Middle East.

President José Antonio Kast called for “responsibility” and “solidarity” from both citizens and opposition parties, framing the measure as necessary to safeguard public finances in a context of severe fiscal constraints. Finance Minister Jorge Quiroz emphasized that the administration inherited strained fiscal conditions, arguing that the magnitude of the external shock required a full and immediate pass-through of higher international oil prices to domestic consumers.

The adjustment is expected to have a significant inflationary impact. Chile’s Central Bank revised its 2026 inflation forecast upward from 3.2% to 4.0%, with price pressures likely to materialize as early as the second quarter. Economists estimate that fuel alone could contribute between 1.0 and 1.2 percentage points to monthly inflation, given its weight in the consumer price index. Growth expectations for 2026 have also been revised downward to a 1.5%–2.5% range, reflecting tighter financial conditions and reduced household purchasing power.

U.S.–Venezuela reopen diplomatic channels through phased engagement. The United States has begun restoring operations at its embassy in Caracas, marking a step toward reestablishing diplomatic relations suspended since 2019. The reopening remains partial, with personnel focused on rebuilding operational capacity, while consular services have yet to resume. Also, a Venezuelan delegation visited Washington to advance the reactivation of diplomatic representation and explore opportunities to strengthen bilateral ties.

At the same time, opposition leader María Corina Machado met again with U.S. Secretary of State Marco Rubio, highlighting Washington’s effort to maintain ties with multiple political stakeholders. The dual engagement reflects a strategy to shape the terms of Venezuela’s transition while securing long-term political and economic alignment.

Peru heads into fragmented presidential election. Peru is heading into its April 12 general elections in a context of sustained political instability, with 35 presidential candidates competing and none surpassing 12% in voting intention, reflecting a highly fragmented electoral landscape. The election follows nearly a decade of institutional turbulence, during which the country has had nine presidents in ten years, six of whom did not complete their terms.

Polling data underscores widespread voter disaffection, with close to 60% of the electorate still undecided, pointing to a highly fragmented and unpredictable race. This fragmentation extends to congressional elections, where only a limited number of parties are expected to surpass the electoral threshold, despite the reintroduction of a bicameral legislature. Early surveys suggest a likely runoff in June, with right-leaning candidates leading a divided field. Keiko Fujimori, leader of “Fuerza Popular”, and Rafael López Aliaga, former mayor of Lima, are among the frontrunners, both polling in the low double digits. These dynamics point to a probable second-round contest and a constrained governing environment, as a fragmented Congress and limited electoral mandates may complicate coalition-building and reduce the scope for structural reforms.

Lula confirms Alckmin as running mate ahead of presidential race. Brazil’s President Luiz Inácio Lula da Silva confirmed that Vice President Geraldo Alckmin will once again serve as his running mate in the October presidential elections, reaffirming the alliance that facilitated his return to power in 2022. The announcement puts an end to months of speculation and signals continuity in the administration’s political strategy.

A seasoned political figure and former governor of São Paulo, Alckmin has played a key role within the government, particularly on economic and commercial policy, and is seen as instrumental in maintaining dialogue with business sectors. The decision reflects Lula’s intention to preserve a broad governing coalition that spans left-leaning and centrist constituencies, while reinforcing electoral appeal among moderate voters and the private sector.

Lula is expected to face a highly competitive and polarized race against Flávio Bolsonaro, son of former president Jair Bolsonaro. Recent polling suggests a technical tie between the leading candidates, pointing to a closely contested election and a potentially volatile campaign environment.

Court partially suspends Milei’s labor reform in setback for government agenda. Argentina’s labor reform agenda under President Javier Milei has faced a significant judicial setback, as a labor judge ordered the provisional suspension of more than 80 articles of the recently approved Labor Modernization Law. The ruling responds to a legal challenge filed by the country’s main labor federation, the General Confederation of Labor (CGT), and halts the implementation of key provisions pending a final decision.

The court determined that several elements of the reform could potentially affect constitutional rights and pose an imminent risk to workers, justifying precautionary measures. As a result, 82 of the 218 articles of the law have been temporarily suspended, including provisions related to strike limitations, union activities, collective bargaining, and changes to severance, probation periods, and working conditions. Among the most sensitive provisions affected are those redefining platform workers as independent contractors, modifying dismissal compensation frameworks, and removing longstanding labor protections. The ruling also puts on hold measures that could have restricted union operations and altered the legal framework governing labor disputes.

While the decision is provisional and subject to appeal, it represents a meaningful challenge to one of the administration's flagship reforms and underscores the role of the judiciary and organized labor as key counterweights to the government's broader deregulation agenda.

Panama–Costa Rica advance cross-border railway integration project. Costa Rican Institute of Railways (INCOFER) and Panama's National Railway Ministry have signed a memorandum of understanding on railway development, laying the groundwork for a potential cross-border corridor that could reshape connectivity across the isthmus. The project, led initially by Panamanian authorities, envisions a 475-kilometer rail line linking Panama City to Paso Canoas on the Costa Rica border. The proposed master plan includes 14 strategic stations, connecting key urban and logistics hubs across the country.

Beyond passenger mobility, the initiative is designed to strengthen regional logistics by improving freight transport capacity and facilitating trade flows between both countries. The project also aims to support tourism development and broader economic integration, positioning rail infrastructure as a strategic component of Central America's connectivity and competitiveness agenda.

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