

BI-WEEKLY LATIN AMERICA SNAPSHOT

October 6, 2026

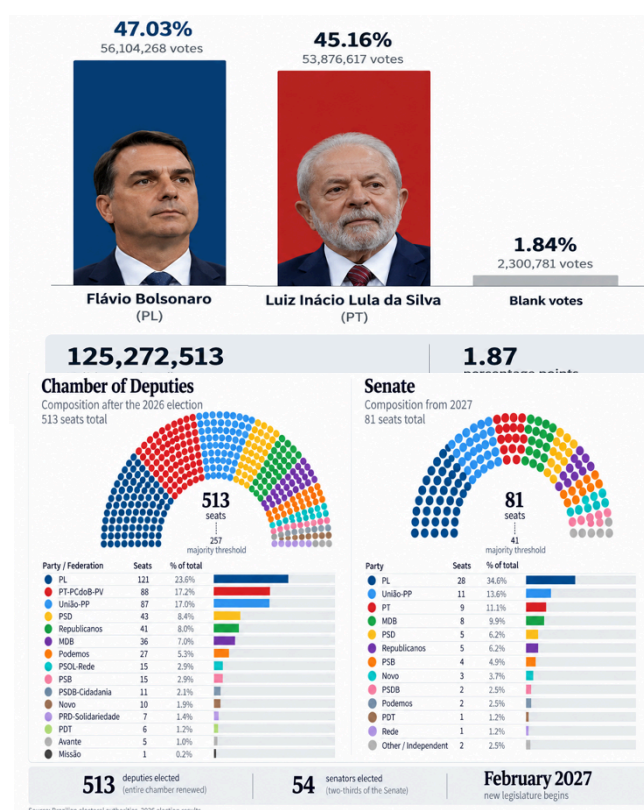
In this biweekly edition, **Brazil** is heading to a presidential runoff election, while **Colombia** turns to the IMF as its central bank tightens monetary policy amid persistent inflation. **El Salvador** formally sets its February 2027 elections, with President Nayib Bukele seeking a third consecutive term under the country's revised electoral framework. On the trade front, **Costa Rica** joins the Digital Economy Partnership Agreement, strengthening its integration into global digital trade, while Brazil begins implementing the **Mercosur–EFTA** free trade agreement, expanding the bloc's preferential access to European markets.

Top Developments

Brazil's presidential election heads to a runoff as Bolsonaro leads first round. Brazil's October 4 general election sent the presidential race to a second round between Flávio Bolsonaro (PL) and President Luiz Inácio Lula da Silva (PT). With virtually all ballots counted, Bolsonaro received 47.03% of valid votes, compared with 45.16% for Lula. Neither candidate secured the required majority, setting up a runoff on October 25.

The election also reshaped Congress. Bolsonaro's Liberal Party (PL) emerged as the largest party in both chambers, winning 121 of 513 seats in the Chamber of Deputies and expanding its Senate representation to 28 of 81 seats. The Senate result is particularly significant: PL will begin the next legislature with the largest single-party caucus in the chamber since 1988.

Financial markets reacted strongly to the first-round results and the congressional gains by Bolsonaro-aligned parties. Brazil's Bovespa stock index rose more than 8%, while the real strengthened more than 4% against the U.S. dollar, reflecting investor expectations that the election outcome could increase the prospects for fiscal consolidation and market-oriented reforms.



Colombia turns to IMF as Central Bank tightens monetary policy. Colombia has formally requested an International Monetary Fund (IMF) technical mission to conduct its Article IV consultation, which will assess the country's fiscal strategy, economic growth, employment, inflation, financial system and broader macroeconomic risks. The review is also expected to open a broader dialogue over potential forms of cooperation with the IMG, as President Abelardo de la Espriella's government seeks to stabilize public finances and rebuild investor confidence.

The renewed IMF engagement comes as monetary policy remains restrictive. On September 30, "Banco de la República" raised its benchmark interest rate by 25 basis points to 12.25%, its first decision with Finance Minister Miguel Gómez on the Board. The central bank cited persistent inflationary pressures, with annual headline inflation reaching 6.2% in August and year-end expectations rising to 6.8%. At the same time, economic activity has weakened, complicating the policy outlook. The government supported the moderate rate increase while emphasizing external inflationary pressures, including higher energy prices. Together, the

IMF outreach and tighter monetary policy highlight the dual fiscal and inflation challenge facing Colombia's new administration. Restoring fiscal credibility while containing inflation without further weakening economic activity is likely to remain a central economic-policy challenge in the coming months.

El Salvador sets February 2027 elections as Bukele seeks third term. El Salvador's Supreme Electoral Tribunal (TSE) has formally set February 28, 2027 for the country's general elections, when voters will elect the president and vice president, members of the Legislative Assembly and municipal councils. Candidates for the presidency, vice presidency and legislature can register between October 1 and November 19, marking the formal start of the next phase of the electoral process. President Nayib Bukele, in office since 2019, has secured the nomination of his ruling "Nuevas Ideas" party and will seek a third consecutive term. His candidacy follows constitutional reforms approved in 2025 that allow immediate presidential reelection without restrictions, extend presidential terms from five to six years and eliminate the presidential runoff. Under the new rules, the candidate receiving the largest number of valid votes in February will win the presidency. The opposition is also beginning to define its candidates. Former lawmaker Maytee Iraheta has been selected by "ARENA", while doctor and union leader Rafael Aguirre will represent the "FMLN".

Costa Rica joins Digital Economy Partnership Agreement. Costa Rica formally joined the Digital Economy Partnership Agreement (DEPA) becoming its fifth member alongside Chile, New Zealand, Singapore and South Korea. The accession strengthens Costa Rica's participation in international frameworks governing the rapidly expanding digital economy. Originally established by Chile, New Zealand and Singapore in 2020, DEPA provides a framework for facilitating digital trade and cross-border data flows, while promoting cooperation in areas including artificial intelligence, digital identities and online consumer protection.

For Costa Rica, membership complements its strategy of attracting technology investment and expanding participation in digital services and global value chains. More broadly, its accession increases Latin America's representation in an agreement designed to shape emerging rules for digital commerce, with Chile and Costa Rica now participating from the region.

Brazil begins implementing Mercosur–EFTA Free Trade Agreement. Brazil has formally incorporated the Mercosur–European Free Trade Association (EFTA) Free Trade Agreement into domestic law, allowing the deal to begin taking effect with Iceland on October 1 and Norway on November 1. Implementation with Switzerland and Liechtenstein will follow once those countries complete their respective domestic procedures. Signed in September 2025, the agreement expands preferential market access between Mercosur and EFTA, including tariff reductions, duty-free quotas and full liberalization for selected products. Key Mercosur exports benefiting from the agreement include ethanol and soybean meal, while EFTA will eliminate tariffs on all industrial and fishery products covered by the agreement.

Brazil will immediately liberalize approximately 97% of bilateral trade, giving the agreement significant coverage from its initial implementation. Although EFTA represents a relatively small market of around 15 million consumers, its members are high-income economies, making the agreement an additional step in Mercosur's broader strategy to diversify trade relationships and expand access to European markets.

2026 ELECTORAL CALENDAR



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