

LatAm Macro Viewpoint

Eye on elections: The economic consequences of political shifts in LatAm

The region will elect five presidents in the next two years

LatAm has a busy electoral calendar in the next two years with presidential elections in Chile, Colombia, Costa Rica, Peru, and Brazil. In addition, voters in Argentina, Chile, Colombia, Peru, and Brazil will choose legislators and Mexicans will select members of the judiciary. Given the potential economic and market ramifications, we examine what to expect in each country.

Will the Pink wave fade or march on?

At stake is whether LatAm will move to more orthodox economic policies. In Ecuador, President Daniel Noboa was re-elected (April 13) with a larger share of Congress (44% vs 10% before), a result that surprised markets and implied continuity in established economic approaches. Polls point to a potential move from the left to the right in Chile, Colombia, and Peru, and continued center policies in Costa Rica. And the discussion is already taking place in Brazil, even with the presidential election more than a year away.

All eyes are on the southern cone this year

First up this year are key votes in Argentina and Chile. Argentina's legislative elections occur in October and President Javier Milei's party has the potential to gain ground in Congress as it starts with a very low base and as Milei's popularity remains high amid the economic recovery. Market friendly policies could continue and be accompanied by structural reforms. With Chile's presidential and legislative elections in November, center-right leaders are ahead in most polls. Local analysts we met in a recent trip were optimistic about a potential transition to pro-business policies and a cut in the deficit.

In '26, attention turns to Colombia, Peru & especially...

Next year the focus will be on potential shifts away from the left in Colombia, Peru, and Brazil. The first election in 2026 will be Costa Rica, where current President Rodrigo Chaves maintains a high approval rating. Thus, a continuation of policies is likely. Next will be Colombia, where right wing candidates are leading most polls, and local analysts say this reflects the electorate's perception that taxes are too high and government too big. In Peru, recent reforms are likely to bring a measure of political stability which could set the stage for a government more attuned to the markets. Currently polls show right-wing candidates as leading, although a high number of undecideds remain.

...Brazil, where the debt trajectory is at stake

The main attraction will be in Brazil in October 2026. Even with the vote a long way off, the market has already begun reacting to election news given that fiscal concerns are top of mind for investors. The recent sharp drop in President Lula's popularity has fueled speculation that the country could move away from the left and toward fiscal prudence. The next administration's approach to government debt will be of utmost importance given that the primary surplus needed to stabilize debt is above 2.5% of GDP.

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Table of Contents

A busy electoral calendar in LatAm	2
Ecuador: Noboa reelected, orthodox economic policies likely to continue	2
Mexico: First ever judicial election	3
Argentina: Mid-term elections key for structural reforms	4
Chile: Moving to the Right?	5
Costa Rica: Fiscal and crime in the spotlight	6
Colombia: U-turn on economic policies	7
Peru: Hoping for political stability	7
Brazil: Debt trajectory at stake	8
Research Analysts	15

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A busy electoral calendar in LatAm

LatAm has a busy electoral calendar with five presidential elections in the next two years (Chile, Costa Rica, Colombia, Peru, Brazil), five legislative elections (Argentina, Chile, Colombia, Peru, and Brazil) and even one judiciary election (Mexico) (Exhibit 1). Elections usually have important economic consequences in LatAm, especially presidential ones, so in this report we look at each election and its potential economic consequences.

The main issue at stake is whether LatAm will move to more orthodox economic policies. The first presidential election in the following months is in Chile, and the busy electoral calendar will end in October next year with the main attraction: the presidential election in Brazil.

Exhibit 1: Electoral calendar for the LatAm region

There are three elections for the rest of 2025, four for 2026.

	Mexico	Argentina	Chile	Costa Rica	Colombia	Peru	Brazil*
Authorities to be elected	Federal Judges	Legislative (1/2 Lower House, 1/3 of Senate)	Presidential and Legislative (Lower House, 1/2 of the Senate)	Presidential and Legislative	Presidential and Legislative	Presidential and Legislative	President, Vice-President, State Governors, Federal Deputies and Senators
Election date / first round	June 1, 2025	October 26, 2025	November 16, 2025 December 14, 2025	February 1, 2026 April 5, 2026	Congress: March 8, 2026 President: May 31, 2026 June 21, 2026	April 12, 2026	October 4, 2026
Second round	--	--				June 7, 2026	October 2025, 2026
Is the vote mandatory?	Yes, but not voting is not sanctioned	Yes, for the voters between 18-70 years old.	No	Yes, but not voting is not sanctioned	No	Yes, for voters up to 70 years old	Yes, for the voters between 18-70 years old. 16-18 years, +70 and illiteracy are non-mandatory criteria
Number of Voters (mn)	99.8	35.9	15.3	3.7	40	27.5	159

Source: Electoral Authorities

Notes: *estimates dates for Brazil, elections usually take place in the 1st and last Sunday of October, but official dates have not been released by electoral court yet

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Ecuador: Noboa reelected, orthodox economic policies likely to continue

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Electoral result is a surprise for the market

The runoff presidential election took place on April 13. According to official results, President Daniel Noboa won the runoff election with 55.6% versus 44.4% for the Correista candidate, Luisa Gonzalez. The difference is around 1.17 million votes. The results was a surprise to the markets considering Eurobonds were trading at depressed prices (mid-40s) under the dominant view that Luisa Gonzalez was showing better momentum in the polls (see report: Ecuador Watch: Noboa's victory in elections implies continuity in orthodox economic policies 14 April 2025).

Noboa likely to have stronger governability in 2nd term

One reason to be optimistic about the economic outlook in Ecuador is that President Noboa will have a much larger representation in Congress in the second term, 2025-2029 (66 seats out of 151, 44%) than in the first, 2023-2025 (14 out of 137, 10%). This will make it easier to form a working majority in Congress, which would strengthen governance and facilitate the passage of economic reforms. A comprehensive Constitutional reform is one of the main topics in the agenda for the second term.



Continuity of orthodox economic policies

In our view, Noboa's economic policies will be anchored by the following pillars: i) fiscal discipline, ii) engagement with IMF to facilitate external financing, iii) promotion of extractive sectors (oil and mining), iv) deregulation of electricity sector (seeking more private sector participation), v) efforts to deepen trade and financial openness, and vi) geopolitical alignment to the US.

Constitutional reform is a risky move

It is unclear whether Noboa will venture to do Constitutional reform because it's a risky move (the Correistas will also have a large representation in Congress, 44.4% of seats, and could influence the outcome). Nevertheless, it's evident that some aspects of Ecuador's Constitution discourage foreign direct investment which is critical for strengthening the dollarization monetary framework. These aspects are, inter alia, firms' lack of access to international arbitration (e.g.: in 2011 local court sentenced Chevron to pay US\$ 9.5bn accusing it of environmental damage), the government's mandatory control of the strategic sectors of the economy, the impediments for making labor legislation more flexible, and the ambiguous definitions of private property.

Mexico: First ever judicial election

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First ever judiciary election includes the Supreme Court

Mexico will have the first of two ever judiciary election on June 1, 2025. Around 100 million Mexicans (those with a valid voter ID) will be called to elect 881 federal judges from a pool of more than 4000 candidates in Mexico's first ever judicial election. The judicial election was the main proposal of last year's judicial reform, which was approved in September.

The election will be among the most complex in Mexican history, as voters will receive 6 different ballots, with more than 10 different candidates in each (e.g., there are 64 candidates running for a seat in the Supreme Court). The most important seats that will be up for election are the 9 seats in the Supreme Court (previously 11 seats, which were cut down to 9). Other notable seats that will be subject to popular vote are 2 seats in the Federal Electoral Tribunal (TEPJF, which among other things, validates the result of presidential elections), and the 5 seats that make up the newly created Judicial Discipline Tribunal (TDJ), whose main task is to investigate and sanction judges who violate the law. In total, apart from the Supreme Court, Mexican voters will elect half of the federal judiciary, with the remaining half scheduled for election in 2027.

The campaigning season began on March 30 and will last until May 28. Candidates are barred from receiving either public or private financing for their campaigns, have strict spending limits, and are not allowed to promote themselves (or be promoted by a third party) using paid spots on any form of physical or digital media (radio, television, social media, newspapers). The law also forbids political parties from publicly endorsing candidates.

Current dominating party could dominate preferences

Current President Claudia Sheinbaum has a high approval rate (~ 80%, per El Financiero) and her party dominates both houses of Congress. It is likely that the population continues to show its preference for candidates that have a similar profile as the current government. If that is the case, given the complete overhaul of the Supreme Court at this time, there would be fewer checks and balances in Mexico, which does not bode well for investment, in our view.



Uncertainty will likely remain high

We believe that the judicial election will keep uncertainty high in Mexico, as this is a complete departure from Mexico's previous system. Previously, Supreme Court judges were nominated by the President and approved by the Senate and federal judges were subject to having experience in junior positions, passing exams, and being confirmed by a judicial oversight board. Therefore, we expect significant uncertainty once the new judges are elected and take office, as there will likely be doubts regarding the functioning of the judicial system. Moreover, there could be frictions with the US due to the magnitude of the institutional change, which could add to the already heightened tensions between the two countries due to the developing trade conflict, drugs, and migration issues.

Argentina: Mid-term elections key for structural reforms

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Economic recovery in time for midterms?

Argentina will hold legislative (mid-term) election on October 26, 2025. Argentines will elect half of the Lower House (127 seats out of 257) and one third of the Senate (24 out of 72 senators).

President Javier Milei's party is the one with the most potential to gain ground in Congress as it starts with a very low base and as Milei's popularity remains high amid the economic recovery. Milei's party La Libertad Avanza (LLA) has only 16% of seats in the Lower House and 11% in the Senate.

The Justicialist Party (Kirchnerists and Peronists) is the one that has more seats at stake in the Senate as they did well in the election six year ago. In the Lower House, in turn, the PRO party (Mauricio Macri) has more seats up for grab, as it performed well in the mid-term elections four years ago. Other interesting aspects is whether a potential coalition could be formed (e.g. between LLA and PRO) the Province of Buenos Aires and whether Cristina Kirchner runs for seat in that district.

Continuity is likely: more structural reforms

Elections are key for the continuity of market friendly policies and for deeper structural reforms.

A good election result for Milei's La Libertad Avanza and allies could bode well for structural reforms, including potential labor reform (more flexibility), tax reform (to simplify the tax code), further privatization and deregulation and a trade agreement with the US, among others. Also, watch whether La Libertad Avanza and close allies obtain the 1/3 of one House (which suffices to stop impeachment process or the reversal of presidential vetoes). If LLA and market friendly forces reach half of one House, this could prevent rejection of presidential decrees.

Legislative elections for provincial congresses will also be held, but not necessarily at the same time of the national elections. This includes local elections in the city of Buenos Aires on May 18 and in the province of Buenos Aires in September.

Note that the government managed to suspend the primary elections (originally set for August), which gives more time to implement the stabilization program before the start of the political cycle and recover the economy.



Amid the new IMF program ([see our report: Argentina Viewpoint, 14 April 2025](#)), Argentina is letting the exchange rate to fluctuate in a band. So far, the program has been successful as the depreciation of the official exchange rate has been marginal (2% since the new system), the parallel ARS appreciated about 20% as Central Bank removed capital controls on households (positive for the government's popularity) and the inflation impact of the FX regime change seems to be limited so far.

The \$20b IMF program, accompanied by FX flexibility and fiscal tightening should dissipate concerns about the ability to pay and will be supportive to FX reserves. We believe inflation will drop below 2% mom by the elections, which bodes well for the government's popularity.

Chile: Moving to the Right?

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Boric's approval is quite low, a change could happen

On November 16, 2025, Chileans will elect a new president to replace Gabriel Boric (left, Frente Amplio). They will also select 100% of the Lower House and about 50% of the Senate.

Evelyn Matthei (center-right leader) is ahead in most polls for president. She is followed by Jose Kast (right party Republicanos), Carolina Toha (center left), Johannes Kaiser (independent right, libertarian), in different positions depending on the poll. Former president Michelle Bachelet has said she will not run this time.

It is important to see whether the center-left and the left build a formal coalition or not. In the previous election, they ran separately, though the Socialist party eventually joined the government providing several ministers, including Toha. On the Right side, Kast and Kaiser's parties have a pre-agreement to run together in the congressional elections.

The composition of Congress is important for the outlook for structural reforms. Currently, the sum of right parties has over 50% of the Senate, while the sum of left parties has a majority in the Lower House. But these parties do not always vote together.

Fragmentation of the political system is expected to remain a challenge for governability and structural reforms. A political reform to reduce the number of parties was analyzed recently, but discussion seems to be postponed. A bill to reduce permit times for large scale investment is expected to pass this year. Tax reform is still being analyzed. Recall that pension reform ([see our Chile Viewpoint](#) report) was already approved.

A transition to more market friendly policies is possible

In our recent trip to Chile, local economists we met were optimistic about a potential transition to a more market friendly government. The biggest concern of locals is the fiscal deficit (around 3% of GDP). Main presidential candidates are aware of the issue. Matthei proposed \$6bn in spending cuts (1.7% of GDP). Also, local entrepreneurs are optimistic the new government will improve the framework for real investments, speeding up processes. The Left's frontrunner candidate, Carolina Toha (former minister of the interior), is perceived as more market friendly than president Boric.

Costa Rica: Fiscal and crime in the spotlight

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Presidential and Congress elections in 1H 2026

Costa Rica will have Presidential and Legislative elections on February 1, 2026. A Presidential runoff election will take place on April 5 in case no candidate gets over 40% of the votes in the first round. The last presidential candidate to win in the first round was Laura Chinchilla in 2010 and there have been second round elections in the past three electoral cycles.

Most of voters still undecided

According to the polls from University of Costa Political Studies Institute (CIEP), the average approval rate of President Rodrigo Chaves is the highest for a presidential term in the past 13 year with approval rates above 50%; surveys from IPSOS and CID Gallup also show President Chaves' approval above former presidents. This bodes well for the candidate supported by the government's party. Indeed, looking at the same polls, Laura Fernandez from Partido Pueblo Soberano (PPS) has a high vote intention in the early polls. Note that undecided voters are close to 70% in the polls as most parties have not confirmed their candidacies.

President Chaves continues to have confrontations with other branches of power and is currently being accused by the Attorney General of extortion. However, note that the impeachment figure does not exist in Costa Rica.

Other candidates or pre-candidates that are ranked in the early polls are Alvaro Ramos (Liberación Nacional, PLN), Juan Carlos Hidalgo (Unidad Social Cristiana, PUSC), Fabricio Alvarado (Nueva República, PNR), Eliezer Feinzag (Liberal Progresista, PLP), Natalia Diaz (Unidos Podemos, UP) and Claudia Dobles (Accion Ciudadana, PAC).

Crime and insecurity on the spotlight

The themes that will likely be at the center stage of the political debates during the campaign period are crime and insecurity, corruption, government efficiency, cost of life and employment as the population considers them to be the main issues in the country, according to the public opinion polls.

Fiscal challenges likely to continue

In our view, the upcoming government will have to deal with the pending issue of the government issuance. Note that in Costa Rica congress must approve every multilateral loan or external debt issuance in a separate vote from the budget and this is one of the reasons why the government issuance in the local market is high and the treasury even issues in USD in the domestic market.

The fiscal balance deteriorated a bit in 2024 but we expect the primary surplus to remain above 1% of GDP this year. Government debt has declined below 60% of GDP mainly due to the currency appreciation and this gives the government more room for budget adjustments. One issue to keep an eye on is the likely financial deterioration of the Social Security Institute (CCSS). The CCSS authorities argue that they may have to use the reserve funds to pay some pensions this year, well ahead of the original schedule.

Colombia: U-turn on economic policies

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Presidential and Congress elections in 1H2026

Colombia will have Congress elections in March 2026, along with primaries for the three political coalitions (left, center, and right) whose objective is to pick a presidential candidate. The presidential election will be held in May 2026 (and a possible run-off in June). Candidates have the choice to opt out from the primaries. For instance, Vicky Davila, right-wing candidate who ranks 1st in three of the four presidential polls published in 2025, is suggesting she might not participate in the primaries.

Davila, Bolivar, and Fajardo are leading the polls

Unlike in 2021, the year before the 2022 elections, when Gustavo Petro's candidacy was very strong, this time the right-wing is leading most of the polls. Journalist Vicky Davila, former editor of *Semana* magazine, is positioning herself as the outsider. She has some of Javier Milei's advisers working with her (e.g., Chilean libertarian Axel Kaiser). Davila proposes government downsizing, lower taxes, boosting oil & gas production, and deregulation. On the left, writer and former Senator Gustavo Bolivar appears as the top candidate. He embodies the continuity of the Petro administration. Bolivar currently serves as the head of the government's Social Prosperity Agency. Meanwhile, among the centrist candidates, mathematician and former Governor of Antioquia Sergio Fajardo is standing out. His name recognition is high. It's the third time he is running for President.

Expectations of U-turn in economic policies

Political analysts that we met in our most recent trip to Colombia say the diminished strength of leftist candidates in the polls, compared to the 2022 elections, reflects the people's perception that taxes are high and government largesse. After three tax reforms since 2019, government spending is ~4% of GDP above trend (almost the same as in 2020). A survey from Fedesarrollo, an economic think tank, shows business confidence is depressed. Perhaps because of policies such as: high minimum wage hikes (12% in 2024, 9.5% in 2025), arbitrary changes in electricity regulation, intervention/nationalization of the largest health insurance firms, violation of the fiscal rule law, prohibition of new oil contracts, progressive tax hikes (targeting the wealthy and corporations), and a pension reform that forces ~80% of people to join the pay-as-you-go regime.

Peru: Hoping for political stability

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Presidential and Congress elections in 2Q 2026

Peru will have presidential and legislative elections on 12 April 2026. If no presidential candidate gets more than 50%, there will be a runoff for President in June. The last time a candidate won in the first round was Alberto Fujimori in 1995. Since then, Peruvian politics have featured a weakening trend in traditional parties, the fragmentation of power, and instability. Between 2018 and now, Peru had six presidents, including impeachments, resignations, a Congress dissolution, and a failed coup. The 2026 presidential & legislative elections will feature 45 political parties (from 18 in 2021), amid a sharp increase in homicide rates (see our report, [Downside risks to potential GDP due to insecurity](#)). We think the main demands of the population in this election will be improvements in security, economic conditions, and political stability.



Fujimori, Lopez Aliaga, and orphaned leftist voters

There are very few polls on the presidential election published recently. The Peru 21-Ipsos survey shows Keiko Fujimori (leader of the Fujimorista party, Fuerza Popular) and Rafael Lopez Aliaga (Mayor of Lima) leading the race. They are both right-wing, conservative candidates. Keiko Fujimori lost in the runoff of the three previous elections (vs. Humala in 2011, Kuczynski in 2016, and Castillo in 2021), given a sweeping anti-Fujimori vote that manifested itself in the end (fueled by resentment of her father's autocratic regime). Notably, the polls are showing a high number of undecided voters and no strong leftist contender. This may be because the main leftist candidate, Antauro Humala, was disqualified last year by the Supreme Court, under the argument that his political party is undemocratic. It's also worth mentioning that Congress has passed laws to disqualify former President Martin Vizcarra. Vizcarra is considered a competitive candidate by political analysts (he had ~80% approval as president as per the Peru 21-Ipsos survey) and is offering a presidential pardon for Pedro Castillo (to lure votes from the left). Nevertheless, the polls are not measuring him. Vizcarra may appeal to the Inter-American Court of Human Rights, like Gustavo Petro did in Colombia when he faced a similar situation.

Downside risks for the economy and markets

Peru's presidential elections – at least the first round – usually have a negative effect on the markets. Private investment decisions are put on hold (in fact that's one of the reasons for why we expect a GDP growth slowdown next year, to 2.9%) and financial asset prices face negative pressure. Moreover, there's a permanent risk of impeachment and social protests looming on President Dina Boluarte. Boluarte's approval rate is 3%-4%, the lowest in LatAm. Looking ahead, we see some reforms that may be helpful to achieve more political stability (which is beneficial for the economy). We are talking about the creation of two Congress chambers (Lower House and Senate) and the new rules on the "Matter of Confidence" (MoC) provision of the Constitutions. The reforms are already fully approved. Starting from July 2026, Peru will have two Congress Chambers, which we believe will make it harder to impeach presidents. Also, that a President will no longer be capable of invoking the MoC (without the consent of Congress) eliminates another source of political instability. During the Vizcarra administration (2018-2020), the MoC was used to pressure Congress (ultimately leading to its dissolution in 2019).

Brazil: Debt trajectory at stake

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Elections are still far away

Elections in Brazil will take place in October 2026. Brazilians will elect the next President, Vice-President, State Governors (27), Federal Deputies (513), Senators (54 out of 81) and local legislative representatives. There are still 18 months left for the elections, but given fiscal concerns, the market has already begun reacting to election news/popularity and electoral polls. The next administration will be key to determine the path of the government debt, as the primary surplus needed to stabilize it is between 2.5% and 3.0% of GDP according to our calculations, well above the current target of a balanced primary result.

What's left for the Left?

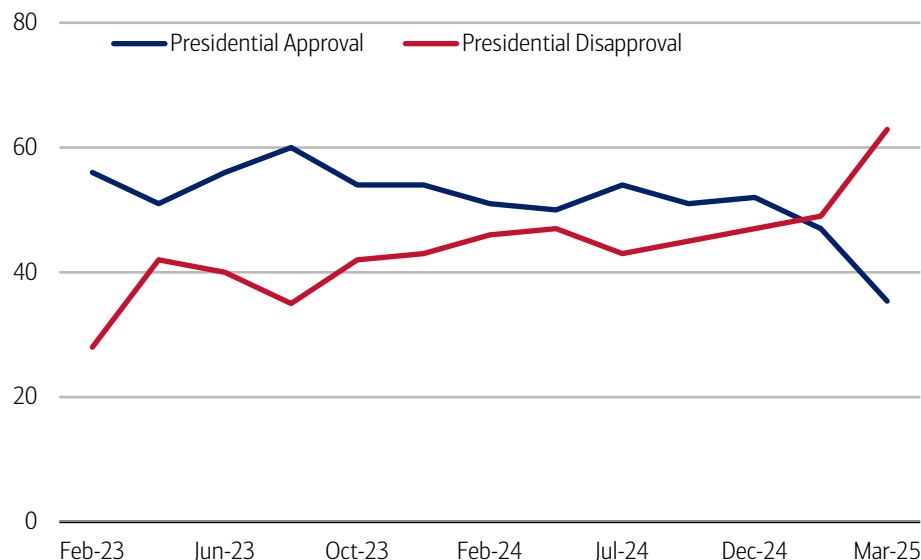
As President Lula gets closer to the end of his term (Dec-26), speculation on whether he will run for re-election started to grow. Lula is currently 79 years old, meaning that he would take office for his next term at age of 81, and finish it by age 85. Therefore, there is an ongoing discussion regarding his willingness to go through another election.



Moreover, there was a sharp drop in his popularity recently, mainly due to high and persistent food inflation (Exhibit 2). The government has announced measures (private payroll loans and income tax exemptions) to try to boost the government's approval.

Exhibit 2: Presidential popularity

Lula's approval shifted in February 2025 due to persistent food inflation



Source: Genial Quaest

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Another issue for the left is that there is no natural successor for Lula. Local consultants mentioned that Finance Minister Fernando Haddad could be an eventual candidate for the PT (Workers Party) in the elections (again, as in previous elections), in case President Lula decides not to run. That said, Lula remains the key candidate for the left in the 2026 elections, but there is still uncertainty on whether he will run, and, if not, who will replace him.

What's right for the Right?

If the scenario is uncertain for the left wing, it is even more unclear for the right wing. Currently, it seems the right's favored candidate, former president Bolsonaro, is currently ineligible until 2030, due to accusations regarding the soundness of the Brazilian electoral system. Furthermore, the Brazilian Supreme Court accepted the charges against Bolsonaro, making him a defendant for participating in the coup d'état on January 8th, 2023.

Bolsonaro still states that he will run for presidency in 2026, but that seems unlikely due to the legal issues. As on the left, there is no favorite name on the right to replace the former president's candidacy. According to the media, two people close to the former president have been considered as plausible candidates, his wife, Michelle Bolsonaro, and one of his sons, Eduardo Bolsonaro. These names seem more aligned with the ideological right. On the other hand, according to political analysts, a name that has come up in the market for the right is Tarcísio de Freitas, who is currently the governor of São Paulo state. We note that Tarcísio has not announced a candidacy and supports Bolsonaro's candidacy. However, local consultants believe that he could wait until elections are closer to announce his intention to run. Other names on the right that could possibly run, which have surfaced in the media, include Romeu Zema (Minas Gerais state governor), Ratinho Jr. (Paraná state governor) and Ronaldo Caiado (Goiás state governor).

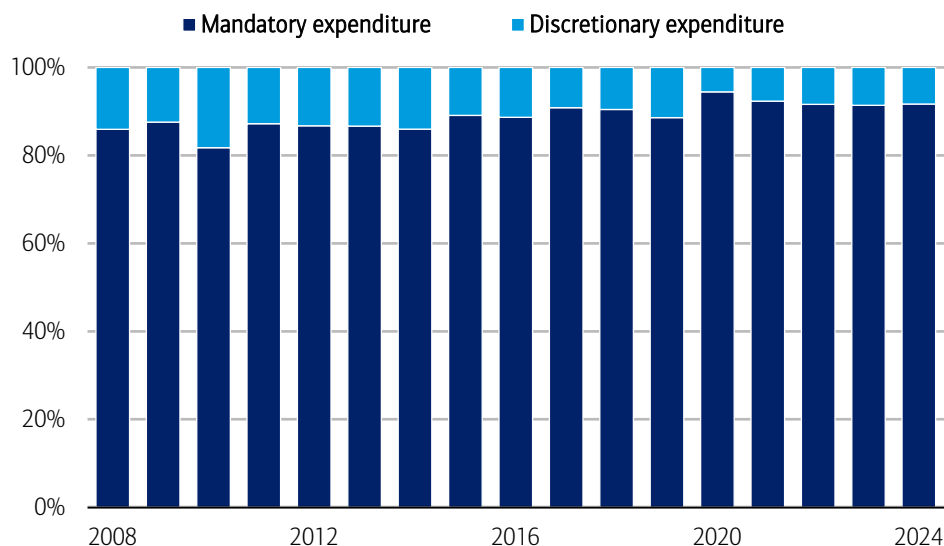
Fiscal fitness: balancing the books

The most relevant implication from this election is the Brazilian government debt trajectory in the coming years. The market is no longer considering that significant

additional fiscal reforms will be done by the current administration, but something needs to be done ahead to create conditions for debt stabilization.

Exhibit 3: Share of primary expenses according to status

Mandatory expenses correspond to more than 90% of total primary expenses in 2024



Source: National Treasury

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Brazilian government gross debt is at 75.3% of GDP, and we forecast it at 83.7% by YE25, and at 86.6% by YE26. Considering 2.2% potential GDP growth and real rates at 5.15%, the necessary primary surplus to stabilize debt would be 2.6% of GDP. Brazil is a bit far from reaching this level, as the current administration is struggling to deliver a 0% of GDP deficit. To be able to increase the primary balance, the government needs to resume the approval of structural reforms and cut back on expenses. The most significant reform to support reduction of expenses ahead would be the de-linkage of pensions and social benefits from the minimum wage, as 24.5% of primary expenses are linked to it. Therefore, any policy to increase the minimum wage in real terms would increase the pressure over public finance significantly. Another relevant reform would be the removal of mandatory status from some expenses, as mandatory expenses correspond to more than 90% of primary expenses, reducing the margin for the expenditure cuts (Exhibit 3).

Exhibit 4: Brazil elections dates and facts

General elections to take place on November 2026

1st Round	October 4th, 2026*
2 nd Round	October 25 th , 2026*
Mandatory vote criteria	Between 18-70 years of age
Optional vote criteria	Between 16 and 18 years of age Above 70 years of age Illiteracy
Number of voters	159 million (2024 elections)
Is reelection allowed?	Yes, for a maximum of 2 subsequent terms (then after one term away can run again)

Source: BofA Global Research, Electoral Authorities

Elections usually take place in the 1st and last Sunday of October, but official dates have not been released by electoral court yet

Exhibit 4: Brazil elections dates and facts

General elections to take place on November 2026

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*Estimated dates. Elections usually take place in the 1st and last Sunday of October, but official dates have not been released by electoral court yet

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