



Bladex Weekly

LatAm Insight

October 19 to 23, 2026

BLADEX

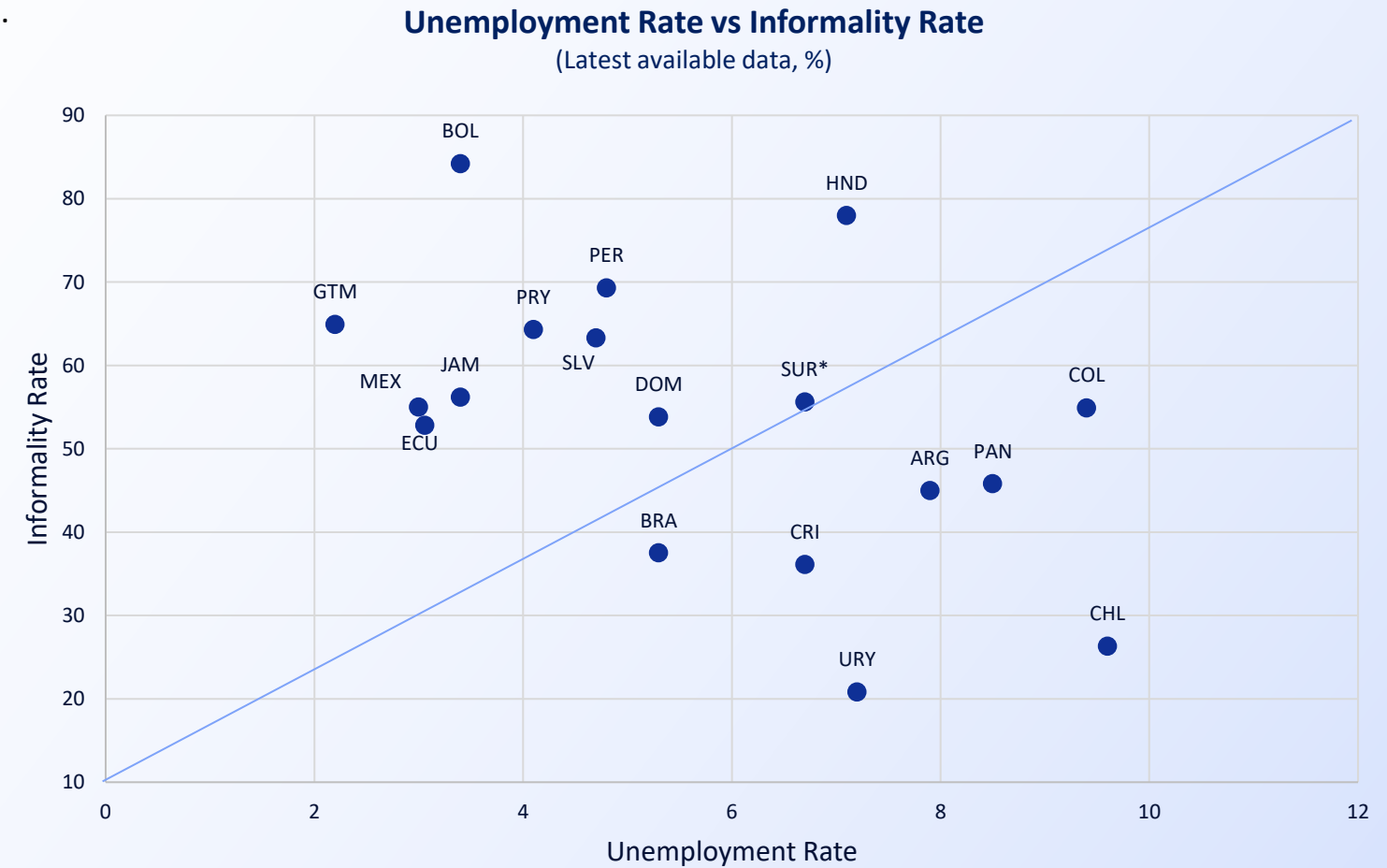
Macro Story of the Week:

Employment in Latin America: Job quality and quantity do not go hand in hand.

Labor markets across Latin America exhibit deep structural differences, as lower unemployment does not necessarily translate into better working conditions. Countries such as Bolivia, Paraguay, Guatemala, Peru, and El Salvador report unemployment rates below 5%—levels close to full employment—but face informality rates above 60%. This combination suggests that, given the limited creation of formal jobs, informal employment acts as a buffer that keeps unemployment in check, albeit at the cost of weaker social protection, lower tax contributions, limited financial inclusion, less income stability, and lower productivity.

By contrast, economies such as Chile and Uruguay have the region’s lowest informality rates—below 30%—despite reporting higher unemployment. Brazil and Costa Rica also rank among the countries with lower informality, although they continue to face challenges in generating employment. Meanwhile, Colombia, Argentina, and Panama face a twofold challenge, combining high unemployment with informality rates ranging from 45% to 60%.

These differences highlight that the region’s main labor-market challenge lies not only in creating jobs, but also in improving their quality and productivity. It is also worth noting that persistently high informality restricts social-protection coverage, hinders access to formal financing, and pressures fiscal accounts by limiting the tax base.



Regional Highlights



Panama

The deficit narrows, but the earthquake puts the fiscal position to the test.

The Non-Financial Public Sector deficit reached US\$3.387 billion as of August, equivalent to 3.6% of GDP, after narrowing by US\$560.7 million year over year. The improvement was supported by higher revenue and a 34.3% reduction in the primary deficit. The government is counting on Panama Canal contributions and year-end dividends from public-sector entities to meet its 3.5% fiscal-deficit target for 2026. However, interest payments rose 6.1% and continue to weigh on public finances. Meanwhile, the U.S. Geological Survey estimated that potential losses associated with the October 9 earthquake could amount to nearly 1% of GDP, based on a preliminary model, potentially adding further pressure to the public accounts.



Honduras

The country moves closer to a US\$120 million IMF disbursement.

Honduras is undergoing the sixth and final review of its IMF-supported program after meeting or implementing 11 of the 17 structural benchmarks. A successful review could unlock approximately US\$120 million in budget support. Central Bank of Honduras President Roberto Lagos explained that six commitments remain outstanding, including regulatory matters, audits, and reforms to the state-owned electricity company ENEE. At the same time, compliance with monetary and international-reserve targets places the country in a favorable position ahead of the review. The electricity sector is a key component of the assessment. Lagos reported that outstanding debt to power generators has been reduced by 51%, although technical losses remain high.



Costa Rica

Electricity reform loses power in Congress.

The Legislative Assembly rejected the government-sponsored electricity-system reform in its second debate. The bill received 31 votes in favor and 23 against, falling short of the 38 votes required for approval. Debated for nearly four years, the proposal sought to open the market to greater private-sector participation, attract investment, and modify the responsibilities of the Costa Rican Electricity Institute (ICE). The bill's rejection leaves the current framework in place, although efforts to modernize the sector could continue through new initiatives, with the El Niño phenomenon adding to the challenges ahead.



El Salvador

Pension agreement eases liquidity pressures but does not resolve the fiscal challenge.

Moody's views positively the country's plan to address US\$2.3 billion in pension obligations accumulated between 2023 and 2027 following the grace period agreed as part of the debt restructuring. Under the arrangement described by the IMF, the obligations would be settled through new 46-year certificates, avoiding a substantial cash outflow in 2027. However, the agency warns that public debt would exceed 90% of GDP, underscoring the need to maintain primary surpluses and pursue further fiscal consolidation to support the country's credit profile.



Trinidad and Tobago

The government is banking on stronger growth.

Prime Minister Kamla Persad-Bissessar rejected claims that Trinidad and Tobago is in recession, highlighting the IMF's growth forecasts of 0.8% for 2026 and 3% for 2027. She also noted that the government has refinanced more than TT\$21 billion, equivalent to US\$3.1 billion, in inherited debt, while another TT\$70 billion, or US\$10.4 billion, will mature over the next five years. In addition, she defended plans to divest loss-making state-owned enterprises to reduce the burden on public finances.

Regional Highlights



Argentina

The economy cools as recession risks reemerge.

Argentina's economic activity contracted 1.7% year over year in August, while cumulative growth for the year stood at 1.2%, according to the Monthly Economic Activity Estimator (EMAE). Although activity increased 0.1% from July, the improvement was insufficient to reverse the broader stagnation. Manufacturing declined 3.2%, commerce fell 3.5%, and construction contracted 2.5%, while mining provided the largest positive contribution. To avoid a technical recession in the third quarter, the economy would need to grow by approximately 8.6% in September—an outcome that appears difficult to achieve given the persistent weakness in key sectors and an unfavorable statistical base.



Colombia

The earthquake, the change in government, and fiscal adjustment weighed on economic growth.

Economic activity contracted 0.04% year over year in August, compared with expectations for 1.5% growth, while declining 3.1% month over month. The result reflected the impact of the August 10 earthquake, adverse weather conditions, lower fiscal spending associated with the change in government, and signs of moderating consumption. Primary and secondary activities fell 3.2% and 3.0%, respectively, while the tertiary sector expanded 1.1%. The result has prompted analysts to reinforce their downside bias on the growth outlook, in a scenario that leaves economic authorities with limited room to implement countercyclical policies.



Mexico

U.S. trade negotiations stall over tariffs.

USMCA trade negotiations between Mexico and the United States have stalled amid disagreements over tariffs on steel, aluminum, and related products. Mexico is seeking a reduction in the 50% tariffs on metals and improved conditions for the automotive sector. The lack of consensus could delay an agreement until after the November 3 U.S. legislative elections, prolonging uncertainty for companies with investment decisions on hold.



Ecuador

El Niño puts pressure on the 2027 Budget.

The government is preparing its 2027 Budget, which must be submitted by October 31, while facing the challenge of reducing the fiscal deficit to 0.9% of GDP. El Niño could weaken revenue collection and increase spending on infrastructure and social assistance, while higher transfers to the Ecuadorian Social Security Institute (IESS) would add further pressure. In addition, the cost of fuel subsidies could rise if elevated international prices persist, complicating the adjustment of the public accounts.



Peru

The BCRP completes its Board for the 2026–2031 term as the government relaxes its fiscal targets.

The Senate elected Oswaldo Molina, José Ricardo Stok, and Juan José Marthans as new members of the Central Reserve Bank of Peru's Board for the 2026–2031 term, completing its seven-member governing body. The Board will continue to be chaired by Julio Velarde. The vote did not fully follow the ranking established by the evaluation committee, as Marthans—who placed fifth—secured enough votes to join the institution. In addition, Keiko Fujimori's government announced higher public spending, which entails a larger fiscal deficit than previously expected for 2027.

Key Global Developments



Treasuries reclaim their role as a safe-haven asset.

U.S. Treasury bonds rallied and the 10-year yield fell below 5% as investors sought safety amid a sharp correction in artificial intelligence-related stocks. Yields declined by as much as 13 basis points across the curve, also supported by a pullback in expectations for Federal Reserve rate hikes. Demand for Treasuries strengthened despite the rise in oil prices, which exceeded US\$112 per barrel during the week—an indication that the flight to safety triggered by the equity selloff outweighed inflation concerns.



Persian Gulf crude flows recover, but at a much higher cost.

Oil exports from the Persian Gulf surpassed the levels recorded before the war between the United States and Iran, with flows exceeding 24 million barrels per day, supported by U.S. protection, ship-to-ship transfers, and alternative routes. However, keeping supply routes open has become significantly more expensive. The cost of shipping crude to China on a supertanker has reached a record of approximately US\$37.3 per barrel, while war-risk insurance premiums have risen to as much as 10% of a vessel's value, compared with less than 3% before the conflict.



Corporate earnings season delivers mixed signals, including weak guidance in some cases.

The week brought mixed earnings results from major companies. Meta reported a 26% increase in revenue to US\$64 billion, while IBM beat expectations with sales of US\$17.1 billion. RTX also exceeded forecasts and raised its full-year outlook, supported by a record US\$340 billion backlog. By contrast, Tesla reported a 44% decline in quarterly profit, sending its shares down approximately 3%, while Netflix disappointed investors with weak fourth-quarter guidance despite revenue growth.



Exports accelerate China's growth as the central bank keeps rates unchanged.

China's economy expanded 4.5% year over year in the third quarter, driven by exports and industrial production despite continued weakness in consumption and real estate investment. Cumulative growth reached 4.6% through September, in line with the government's official target of 4.5%–5%. Against this backdrop, the People's Bank of China kept its one-year benchmark rate at 3% and its five-year rate at 3.5%, extending its monetary-policy pause as challenges to domestic demand persist.

Regional Currencies

Currency	Spot	1 W	1 M	YTD	1 Y
BRL	5.04	-0.44%	-2.54%	-7.93%	-6.38%
CLP	988.87	0.41%	2.78%	9.80%	4.70%
COP	3186.88	0.38%	-2.71%	-15.64%	-17.91%
MXN	18.75	1.40%	6.95%	4.10%	1.88%
PYG	5775.80	0.38%	-2.33%	-12.47%	-18.47%
PEN	3.44	0.19%	1.55%	2.44%	1.61%
UYU	40.15	0.15%	0.02%	3.07%	0.61%
CRC	453.00	0.53%	0.74%	-8.94%	-9.85%
DOP	60.46	-1.75%	1.76%	-4.41%	-5.65%
DXY	101.68	-0.16%	0.58%	3.41%	2.77%

Currency Appreciation

Currency Depreciation

EMBI by Country in Latin America

Percentage points

Country	5Y	3Y	2Y	1Y	YTD	1M	1W	22-Oct-26	
Uruguay	1.33	0.90	0.89	0.41	0.68	0.69	0.77	0.83	Low relative to peers
Chile	1.56	1.54	1.15	1.00	0.89	0.87	0.95	1.03	
Perú	1.61	1.84	1.56	1.24	1.35	1.05	1.14	1.21	
Paraguay	2.42	2.27	1.58	1.24	1.01	1.06	1.14	1.29	
Panamá	1.82	2.29	2.54	1.86	1.55	1.18	1.26	1.33	
Guatemala	2.60	2.39	2.06	1.47	1.41	1.13	1.27	1.41	High relative to peers
Costa Rica	4.92	2.56	2.08	1.76	1.41	1.28	1.42	1.56	
Brasil	3.27	2.05	2.03	1.99	1.96	1.62	1.61	1.66	
Rep.Dominicana	3.53	3.11	2.13	1.78	1.69	1.61	1.81	1.93	
Honduras	3.95	3.69	3.47	2.98	2.34	1.56	1.77	1.98	
México	3.53	3.78	3.07	2.22	2.22	1.92	2.13	2.25	
Colombia	2.87	3.43	3.13	2.54	2.75	2.05	2.17	2.31	
El Salvador	10.29	7.74	5.05	3.72	3.26	2.59	2.93	3.10	
Bolivia	4.79	18.14	18.11	11.65	6.73	4.31	4.98	5.04	
Ecuador	8.15	17.60	12.49	7.59	4.92	4.33	5.35	5.95	
Argentina	16.72	26.12	11.01	10.81	5.61	5.54	6.24	7.06	
Venezuela	312.73	201.37	214.36	145.19	127.41	43.26	41.80	44.20	
LATAM EMBI*	4.59	5.43	3.54	3.02	2.41	2.10	2.27	2.44	

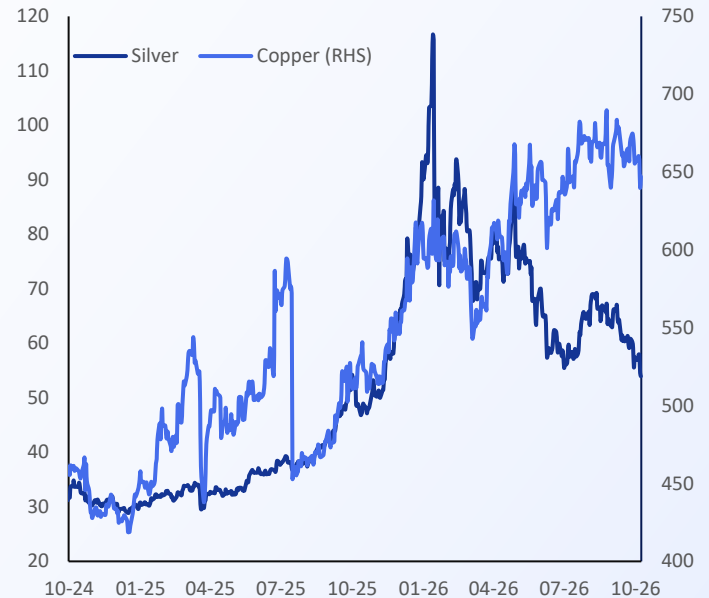
Commodities

Oil & Gold Prices
(USD/b , USD/oz)



	23-Oct-26	1 W	1 M	YTD	1 Y
Brent	114.9	4.6%	11.5%	88.9%	74.2%
WTI	101.3	-0.1%	9.9%	76.4%	64.0%
Gold	4031.5	-3.2%	-6.0%	-6.7%	-2.3%

Silver & Copper Prices
(USD/oz, US\$/lb)



	23-Oct-26	1 W	1 M	YTD	1 Y
Copper	647.1	-1.6%	-4.2%	11.7%	23.2%
Silver	54.0	-5.3%	-16.3%	-24.7%	10.3%

Interest rates

	23/Oct/2026	1 W	1 M	YTD	1 Y
FED Effective Rate	3.88	3.88	3.88	3.64	4.11
SOFR 1 D	3.90	3.88	3.87	3.76	4.24
SOFR 1 M	3.94	3.95	3.90	3.72	3.99
SOFR 3 M	4.07	4.08	4.05	3.69	3.86
SOFR 6 M	4.24	4.24	4.21	3.62	3.69
SOFR 12 M	4.52	4.50	4.50	3.47	3.46

Calendar | October 26 to 30

Monday 26	Tuesday 27	Wednesday 28
	 Trade Balance Sep P: 605.4m S: --  Overnight Rate Target Sep P: 4.5% S: --	 FOMC Rate Decision (Upper Bound) Oct-26 P: 4.0% S: 4.0%
Thursday 29	Friday 30	
 Unemployment Rate Sep P: 9.6% S: --  PCE Price Index MoM Sep P: 0.3% S: 0.5%  PCE Price Index YoY Sep P: 3.4% S: 3.6%  Core PCE Price Index MoM Sep P: 0.2% S: 0.3%  Core PCE Price Index YoY Sep P: 3.0% S: 3.1%  GDP Annualized QoQ 3Q A P: 2.2% S: 3.0%  Personal Consumption 3Q A P: 3.8% S: 3.4%  Core PCE Price Index QoQ 3Q A P: 3.30% S: 2.4%	 National Unemployment Rate Sep P: 5.3% S: --  GDP NSA YoY 3Q P P: 2.1% S: 2.3%  Retail Sales YoY Sep P: 3.4% S: --  GDP SA QoQ 3Q P P: 1.4% S: 0.4%  Manufacturing Production YoY Sep P: -2.6% S: --  National Unemployment Rate Sep P: 9.4% S: --  Overnight Lending Rate Sep P: 12.25% S: 12.25%  Unemployment Rate 3Q P: 3.7% S: --  Economic Activity YoY Aug P: 4.5% S: --	

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