



Bladex Weekly

LatAm Insight

October 5 to 9/ 2026

BLADEX

Macro Story of the Week:

The Super El Niño Has Arrived: From Climate Impacts to Economic Concerns Across Latin America.

Among the key developments to watch in Latin America is the arrival of an exceptionally strong El Niño event. Recent estimates suggest that its intensity could be comparable to some of the most severe episodes on record, leading several organizations to classify it as a “Super El Niño.”

The effects of El Niño are far from uniform across Latin America. **While the northern part of the region, particularly Mexico, Central America, and Colombia, tends to experience drier-than-normal conditions, countries in the Southern Cone (Uruguay, Paraguay, Chile, and Argentina) typically see above-average rainfall, which could even prove beneficial for the agricultural cycle.** Meanwhile, **Peru, Ecuador, and Brazil form a third group, as they may simultaneously face drought conditions in some areas while experiencing heavy rainfall and flooding in others.** Within this group, along with Panama and Colombia, are some of the countries exposed to the most significant risks associated with the phenomenon, reflecting both the magnitude of the expected climate anomalies and the high sensitivity of their economies to disruptions in strategic sectors such as energy, transportation, agriculture, and infrastructure.

The risks associated with El Niño extend well beyond the climate itself. Inflation, economic growth, and fiscal positions across several countries could come under pressure as the phenomenon affects highly sensitive sectors, including agriculture, energy, transportation, and infrastructure..

Expected Intensity of El Niño Impacts Across Latin America



Regional Highlights



Panama

Stronger growth prospects and an improving reputation, but important challenges remain.

The IMF projects that the country will grow by around 5% in 2026, up from an estimated 4.4% in 2025, and acknowledges progress in reducing the fiscal deficit, which declined to 3.7% of GDP last year. However, the Fund warned that fiscal consolidation will require additional permanent revenue measures, greater spending efficiency, and further reforms to the pension system. At the same time, Panama was removed from the European Union's Annex I list of non-cooperative tax jurisdictions, where it had remained since 2020, and was moved to Annex II. Nevertheless, the country will continue to be monitored until it completes the OECD evaluation process on the exchange of tax information.



Dominican Republic

Tourism accelerates, bringing the country closer to the 10-million-visitor milestone.

The country welcomed 684,831 visitors in September, bringing total arrivals to 9.24 million between January and September 2026, a 16.4% year-over-year increase. Air arrivals reached 533,735 travelers, while cruise passengers contributed 151,096 visitors. Year-to-date, the country received 7.14 million air travelers and 2.10 million cruise passengers. The United States remained the largest source market, and the government expects total arrivals to surpass 10 million visitors in October, setting a record.



Costa Rica

Deflation ends in September after 16 consecutive months.

Annual inflation rose to 0.34% in September, ending a streak of 16 consecutive months of negative readings. Consumer prices increased 0.11% month-over-month, although they still show a cumulative decline of 0.39% in 2026. The rebound was driven by new vehicle prices, mobile phone services, and rents, while gasoline, airline tickets, and certain food products partially offset those increases. The data signals a change in trend, although inflationary pressures remain moderate and inflation continues to run well below the Central Bank's 3.0% target.



El Salvador

Fuel prices are adding pressure to inflation.

Annual inflation rose to 3.60% in September, from 3.19% in August, extending the upward trend observed since March. The largest contribution came from transportation, which increased 9.63% year-over-year, followed by food and non-alcoholic beverages (4.44%) and restaurants and hotels (4.38%). The acceleration coincided with higher fuel prices during the month. The Central Bank expects inflation to close the year at 2.5%.



Guatemala

The Constitutional Court overturns the Banguat appointment as inflation picks up.

The Constitutional Court overturned the appointment of Jonathan Menkos as President of the Bank of Guatemala (Banguat) and the Monetary Board, citing the incompatibility of assuming the position without first resigning his seat in Congress. Vice President José Alfredo Blanco Valdés will temporarily lead the central bank. Meanwhile, annual inflation rose to 4.69% in September, up from 3.37% in August, surpassing the midpoint of the 4% inflation target. Higher fuel prices, along with rising production and transportation costs, have been among the main sources of inflationary pressure.

Regional Highlights



Brazil

Flávio Bolsonaro puts forward a broad constitutional reform agenda ahead of the runoff election.

Flávio Bolsonaro, candidato del Partido Liberal (PL) y ganador de la primera vuelta presidencial en Brasil, propuso impulsar una reforma constitucional que incluiría cambios en el funcionamiento del Poder Judicial, el fin de la reelección presidencial, una menor edad de responsabilidad penal y revisiones a la reforma tributaria. El planteamiento cobra relevancia tras el avance del PL en el Congreso, donde contará con 28 senadores desde febrero. Sin embargo, las modificaciones constitucionales requerirán mayorías calificadas. Cabe señalar que Bolsonaro obtuvo el 47% de votos en la primera vuelta y disputará la segunda vuelta el 25 de octubre frente a Lula da Silva.



Colombia

Inflation regains momentum and reinforces pressure on interest rates.

Annual inflation in Colombia rose to 6.29% in September, with a 0.37% monthly increase and cumulative inflation of 5.74% year-to-date. The main pressures came from food, education, and housing, while restaurants and hotels recorded the highest annual increase at 9.44%. Inflation remains well above the Banco de la República's 3% target, reinforcing the case for a restrictive monetary policy stance at a time when the central bank has already raised its policy rate to 12.25%.



Peru

The BCRP surprises markets by keeping rates at 4.25%, reinforcing a cautious stance on inflation.

The Central Reserve Bank of Peru (BCRP) kept its benchmark rate unchanged at 4.25%, surprising markets that had anticipated a 25-basis-point increase. The decision comes amid a rebound in September inflation and 12-month inflation expectations that remain near the upper end of the target range. The Board opted to maintain a prudent stance while it assesses the persistence of price pressures and their transmission to the broader economy. The decision extends the current policy pause and keeps the focus on inflation developments before considering any further rate adjustments.



Mexico

Inflation rises, but core inflation gives Banxico some room to maneuver.

Annual inflation in Mexico increased to 3.45% in September, from 3.26% in August, although it came in slightly below market expectations. By contrast, core inflation eased to 3.75%, down from 3.88%. Both measures remain within Banxico's tolerance range around its 3% inflation target. The central bank recently left its benchmark rate unchanged at 6.50% for a third consecutive meeting and indicated that future decisions will depend on exchange-rate dynamics, economic slack, and inflation expectations.



Ecuador

The government aims to avoid power outages despite dry-season conditions and El Niño risks.

President Daniel Noboa stated that the country will avoid electricity rationing during the most critical weeks of the dry season, supported by infrastructure improvements, the leasing of two power barges, and additional private-sector generation capacity. Ecuador's electricity matrix relies on hydropower for nearly 72% of total generation, leaving the system exposed to drought conditions and a potential intensification of the El Niño phenomenon.

Key Global Developments



The Fed leaves the door open to another rate hike before year-end.

The September meeting minutes showed that most Federal Reserve officials viewed another rate increase before year-end as appropriate after raising the target range to 3.75%-4.00%. Support for additional tightening stemmed from persistent inflation and signs of stronger economic activity. However, subsequent comments from Philip Jefferson and John Williams tempered expectations of an immediate move, with markets assigning roughly a 20% probability to a hike in October. For December, markets are pricing in an additional 25-basis-point increase with a probability exceeding 70%.



Trump signals openness to a truce with Iran, but oil continues to reflect a significant geopolitical risk premium.

The United States ruled out new attacks against Iran before the November 3 midterm elections and stated that discussions with Tehran remain constructive, temporarily reducing the risk of an immediate escalation. Nevertheless, disagreements over the Strait of Hormuz and Iran's nuclear program remain unresolved, while attacks on vessels along the Gulf's main oil shipping route continue to increase. Brent crude remains above USD 100 per barrel, indicating that geopolitical uncertainty continues to exert a meaningful influence on energy prices.



The Bank of Japan may opt for a pause in October before considering a move in December.

Policy Board member Ayano Sato supported continued gradual normalization of monetary policy but emphasized that there is no predetermined schedule for further rate hikes. After opposing the September increase, Sato stated that future decisions will depend on incoming data on consumption, income, and inflation. Her remarks reinforced expectations that the Bank of Japan will leave rates unchanged in October and reassess the case for tightening in December, as higher energy prices and yen weakness continue to elevate inflation risks.



France joins the pressure building across global bond markets.

Sovereign bond yields in developed markets have climbed to multi-decade highs, driven by rising energy prices, persistent inflation, and growing public financing needs. This week, France experienced a particularly sharp increase in its 10-year government bond yield, which approached 5%, its highest level since 2002, amid a large fiscal deficit and concerns surrounding the approval of the 2027 Budget, which carries substantial financing requirements.



Beijing defends the yuan as Europe increases pressure over China's trade surplus.

The People's Bank of China (PBOC) rejected allegations that it is deliberately keeping the yuan weak to boost exports, amid mounting criticism from Europe over widening trade imbalances. China posted a record trade surplus of nearly USD 1.2 trillion in 2025, while the European Union's trade deficit with China reached EUR 361 billion. The PBOC maintained that market forces play a decisive role in exchange-rate formation and stressed that it neither targets a specific yuan level nor pursues competitive devaluations.

Regional Currencies

Currency	Spot	1 W	1 M	YTD	1 Y
BRL	4.99	-4.27%	-2.29%	-8.83%	-7.03%
CLP	978.39	-0.37%	5.49%	8.64%	2.90%
COP	3201.54	-3.39%	3.16%	-15.25%	-17.61%
MXN	18.33	0.66%	8.50%	1.80%	-0.33%
PYG	5704.50	-2.24%	-3.40%	-13.55%	-18.64%
PEN	3.46	0.19%	3.04%	2.86%	0.93%
UYU	40.16	-0.71%	-0.16%	3.11%	0.27%
CRC	453.92	-0.87%	1.32%	-8.75%	-9.88%
DOP	61.42	2.54%	4.63%	-2.90%	-2.56%
DXY	102.31	0.41%	3.53%	4.05%	2.78%

● Currency Appreciation

● Currency Depreciation

EMBI by Country in Latin America

Percentage Points

Country	5Y	3Y	1Y	YTD	1M	1W	8-Oct-26	
Uruguay	1.41	0.97	0.68	0.68	0.70	0.82	0.77	Low relative to peers
Chile	1.53	1.46	0.97	0.89	0.89	1.01	0.95	
Perú	1.71	1.79	1.19	1.35	1.07	1.18	1.13	
Paraguay	2.37	2.22	1.19	1.01	1.15	1.26	1.17	
Guatemala	2.61	2.51	1.47	1.41	1.16	1.35	1.26	High relative to peers
Panamá	1.92	2.31	1.80	1.55	1.23	1.37	1.25	
Costa Rica	4.92	2.52	1.62	1.41	1.31	1.48	1.40	
Honduras	3.54	3.76	2.64	2.34	1.50	1.80	1.76	
Brasil	3.02	2.12	1.89	1.96	1.70	1.78	1.60	
Rep.Dominicana	3.56	3.32	1.71	1.69	1.62	1.89	1.82	
México	3.56	3.85	2.13	2.22	1.99	2.16	2.07	
Colombia	2.86	3.60	2.55	2.75	2.02	2.36	2.24	
El Salvador	10.16	7.83	3.77	3.26	2.65	2.86	2.90	
Bolivia	4.71	16.19	13.20	6.73	4.61	5.05	4.98	
Ecuador	8.16	18.37	8.22	4.92	4.25	5.13	5.28	
Argentina	16.02	26.74	10.71	5.61	4.97	6.49	5.88	
Venezuela	310.22	403.15	160.27	127.41	40.24	45.95	41.04	
LATAM EMBI*	4.44	5.55	2.96	2.41	2.09	2.38	2.22	

Commodities

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



	9-Oct-26	1 W	1 M	YTD	1 Y
Brent	104.1	4.7%	2.9%	71.1%	59.7%
WTI	91.4	2.3%	-4.9%	59.1%	48.6%
Gold	4184.6	-0.5%	-4.9%	-3.1%	5.2%

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



	9-Oct-26	1 W	1 M	YTD	1 Y
Copper	670.1	1.9%	-2.7%	15.7%	27.7%
Silver	60.8	-0.9%	-9.6%	-15.1%	23.4%

Interest rates

	9/Oct/2026	1 W	1 M	YTD	1 Y
FED Effective Rate	3.88	3.88	3.63	3.64	4.10
SOFR 1 D	3.87	3.87	3.64	3.76	4.13
SOFR 1 M	3.92	3.92	3.77	3.72	4.05
SOFR 3 M	4.04	4.05	3.84	3.69	3.91
SOFR 6 M	4.19	4.23	3.97	3.62	3.78
SOFR 12 M	4.47	4.54	4.16	3.47	3.59

Calendar – October 12 to 16

Monday 12		
	Economic Activity YoY	Aug
P: 2.5% S: --		

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