

DECEMBER 2025

Iberoamerican strategic consultancy in Attraction, Influence, Transformation and Anticipation.

Latin America closes a complex year with political and economic challenges still unresolved ahead of 2026



Latin America closes a complex and dynamic 2025, with many issues still open heading into 2026. One example is the long-awaited signing of the agreement between the **European Unio**n and **Mercosur**, initially scheduled for mid-December and now postponed to January.

One of the certainties December has delivered is **Chile's** political shift to the right following the victory of **José Antonio Kast**, where security and immigration were decisive factors. **Colombia** will elect a new president next year. Despite the defeat of the government's tax and health care reforms, the left leads the polls with Senator **Iván Cepeda**.

Peru will also hold presidential elections, with 36 candidates registered so far. However, the main political news of the month was the conviction of former presidents Martín Vizcarra and Pedro Castillo. In Brazil, former president Jair Bolsonaro could see his sentence substantially reduced after Congress approved a controversial bill. Lula's expected veto would open a new legal front before the Supreme Court.

In **Argentina**, inflation picked up after 18 months of deceleration, and the government is pushing a liberal-leaning labor reform that has sparked union protests. In contrast, **Mexico** moved forward with legislation to reduce the workweek to 40 hours. It also approved tariffs on Asian products, a gesture toward the **U.S.** ahead of **USMCA** negotiations, though criticized by **Beijing**.

Paraguay also strengthened ties with Washington after signing a security cooperation agreement. The country led the region in economic growth this year, a trend expected to continue. Uruguay likewise stands out regionally, with its minimum wage set to remain the highest in **South America** next year, while inflation has stayed within the target range for 30 consecutive months.

Seeking to join this growth path, **Ecuador** signed agreements and strengthened relations with **Peru** and the **UAE**, and secured financing from the **IDB** and **CAF**.

In addition to delaying the **Mercosur** agreement, the **EU** announced **stricter controls** on imported food products, significantly affecting **Latin American exporters**. It also postponed the implementation of its **Deforestation Law** by one year, giving producers in the region more time to adapt.





Government fast-tracks labor reform leveraging its congressional advantage

President Javier Milei submitted a labor reform bill to Congress proposing greater flexibility in working conditions, a reduction in employer contributions, and changes to the severance pay system. The government aims to fast-track the bill before the end of the year, which involves defining the Senate committees that will handle it and setting a timetable to move it forward quickly. The initiative has been rejected by the General Confederation of Labor (CGT) and other unions, which have called for protests.

Following the October elections, the renewal of Congress took effect on December 10. In this context, La Libertad Avanza consolidated itself as the largest minority in the Chamber of Deputies, reaching 56 lawmakers and strengthening its position with former members of PRO and the UCR, allied parties. This gives the ruling coalition a more favorable position in the lower house.

SOCIAL CONTEXT

Social protests over labor reform and warnings of a repressive response by the government

In response to the labor reform bill, various social movements, trade unions and political organizations announced mobilizations, marches and community meals against what they describe as "austerity policies and labor reform" promoted by La Libertad Avanza. Government officials downplayed the scope of these calls, questioned their mobilization capacity and reiterated that the so-called "anti-roadblock protocol" would be enforced.

This protocol came into force two years ago and has been criticized by human rights organizations. Amnesty International warned of a significant deterioration in freedom of expression and assembly in Argentina, with a sustained increase in state repression. According to the organization, between 2024 and 2025 at least 2,557 people were injured during demonstrations due to the illegitimate or disproportionate use of force, including rubber bullet impacts, exposure to tear gas and pepper spray, baton blows and other forms of violence.



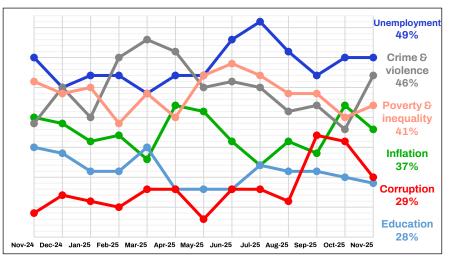
Javier Milei Approval

President of Argentina



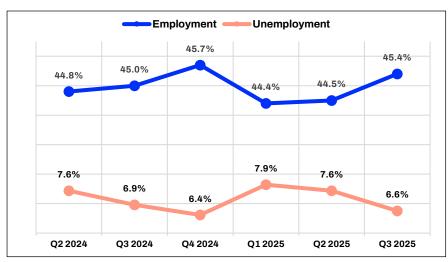
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: INDEC



Inflation rises after 18 months of decline, and announcement of exchange-rate control measures

Monthly inflation in November stood at 2.5%, 0.2 percentage points higher than the previous month, while year-on-year inflation reached 31.4%, a slight increase from 31.3% in October, ending an 18-month period of deceleration.

In monetary policy, the Central Bank announced a significant change to the exchange-rate regime: starting January 1, 2026, adjustments to the peso band will be linked to monthly inflation, instead of the fixed 1% adjustment applied so far, with the aim of stabilizing the exchange rate and rebuilding reserves.

In addition, new public debt securities were issued in pesos and dollars for an equivalent of 32 trillion pesos and USD 3.5 billion to finance the Treasury.

ARS/USD Exchange Rate



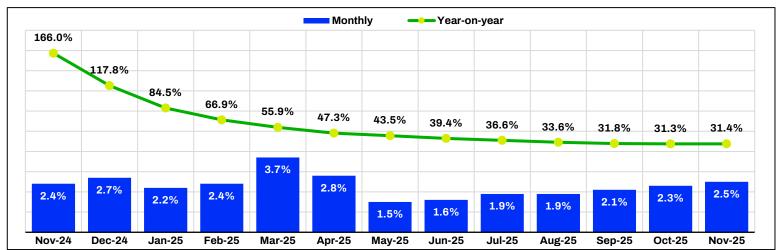
Source: BCRA

Country Risk



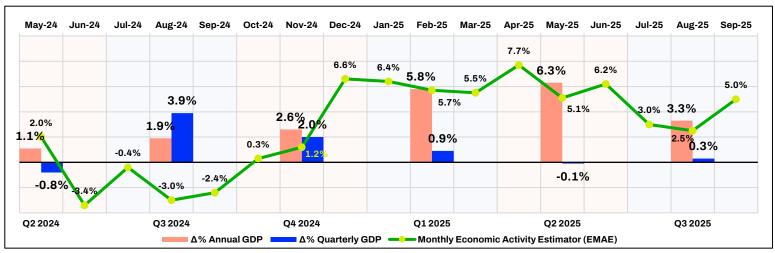
Source: JP Morgan. EMBI

Inflation Trend



Source: INDEC

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +4.3%

Source: INDEC





Zambelli's resignation and protests against the Dosimetry Bill heighten political tensions

Bolsonaro-aligned congresswoman Carla Zambelli resigned after the Federal Supreme Court (STF) annulled the Chamber of Deputies' vote that had shelved the proceedings to strip her of her seat. Sentenced to more than 15 years in prison for crimes including the hacking of the National Justice Council's system, she remains detained in Italy awaiting extradition. Allies from the Liberal Party argue that the resignation, which avoids a formal removal, is intended to strengthen her defense before the Italian courts.

Thousands of Brazilians protested against the "Dosimetry Bill", approved by Congress, arguing that it could reduce the sentences of Jair Bolsonaro and others involved in the attempted coup of January 8, 2023. President Lula da Silva has announced that he will veto the bill, although Congress could override the veto, opening a new legal front before the Federal Supreme Court.

SOCIAL CONTEXT

Blackouts, dengue and rising living costs shape daily life

In São Paulo, an electricity crisis involving utility company Enel caused recurrent blackouts affecting thousands of residents. The situation sparked protests and debates over regulation and the responsibility of companies holding essential service concessions.

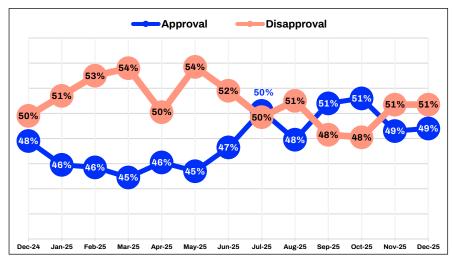
The start of summer has driven a surge in dengue and other arbovirus cases, prompting stronger prevention campaigns as the public calls for more effective responses. Police violence has also returned to the national debate following deaths during operations in peripheral neighborhoods, reigniting discussions on security, use of force and human rights.

Rising living costs are squeezing household budgets, particularly due to higher energy, food and service expenses, increasing debt levels toward the end of the year. Worker protests, including by app-based delivery drivers and service sector professionals, have gained visibility as they denounce labor precariousness and demand better conditions and social protection.



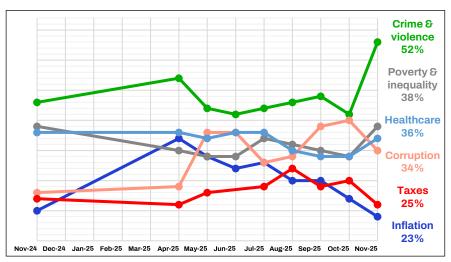
Lula de Silva Approval

President of Brazil



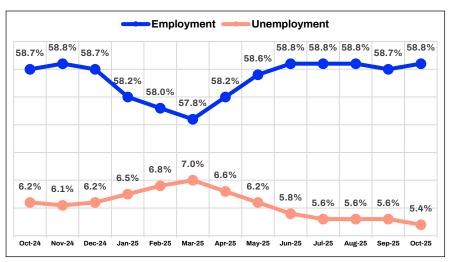
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: IBGE



Growth forecast revised downward, with a trade surplus that is shrinking

Brazil revised down its 2025 growth forecast to 2.2%, reflecting a more challenging international environment. Despite this, the trade balance remained in surplus in the cumulative figures through November, although with a year-on-year decline of nearly 16%. Reduced sales to the United States, amid the trade war and the imposition of new tariffs, have been one of the main sources of pressure.

Despite this backdrop, the Central Bank is maintaining a restrictive monetary policy, with interest rates at 15%, as inflation, while beginning to moderate, still requires close attention.

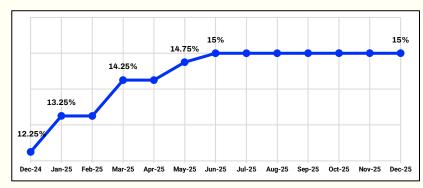
This is compounded by the delay in signing the agreement between the European Union and Mercosur, now postponed at least until January, while Brazil warns that the bloc could prioritize negotiations with other partners if the process does not move forward.

BRL/USD Exchange Rate



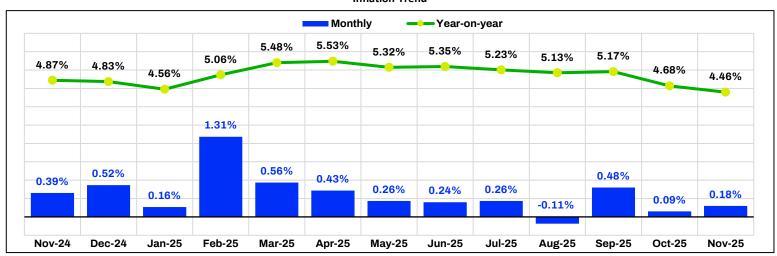
Source: BCB

Selic Rate



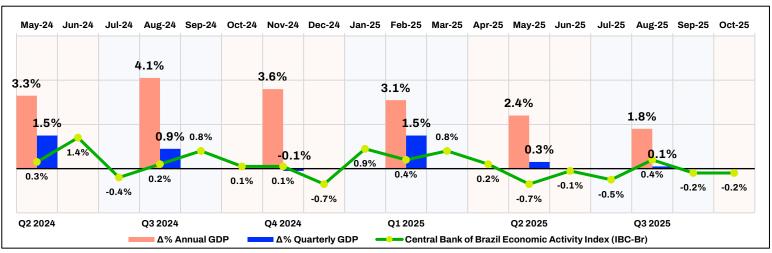
Source: BCB

Inflation Trend



Source: IBGE

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +2.5%

Source: IBGE





José Antonio Kast wins the presidency in Chile, marking a shift to the right

José Antonio Kast, from the Republican Party, was elected president, winning 58.18% of the vote against Jeannette Jara of the Communist Party, who secured 41.82%. The result marks a significant change in the country's political cycle, moving from a left-wing government to a right-wing one.

During the campaign, Kast focused his message on restoring public order, combating organized crime and controlling irregular migration, while also assuring that previously acquired civil rights would not be rolled back.

At the institutional level, the new administration will hold a majority in the Chamber of Deputies, facilitating the passage of ordinary legislation. However, the Senate remains evenly balanced, requiring negotiation to advance constitutional reforms and bills that demand broader consensus, including key areas such as security, the economy and education.

SOCIAL CONTEXT

Insecurity, immigration and economic slowdown were key to Kast's victory

The electorate's shift to the right reflects a set of social and economic concerns that have built up in recent years. Chief among them is rising insecurity, with a perception of weakened public order and the expansion of organized crime, particularly in urban and border areas. Migration has also been a central issue, viewed as insufficiently regulated and, in some cases, linked to strains on public services and social cohesion.

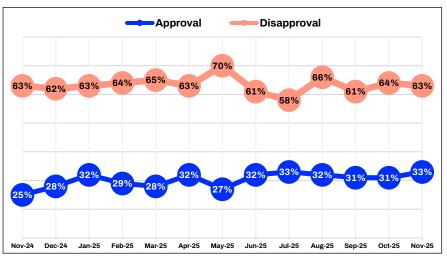
Economic deceleration, inflation and difficulties in accessing stable employment reinforced demands for greater stability and development. Rising living costs further heightened perceptions of social vulnerability.

In this context, Kast's message, focused on public order, border control and economic reactivation, channeled broad-based social discontent, steering voters toward the search for certainty and practical solutions rather than ideological alignment.



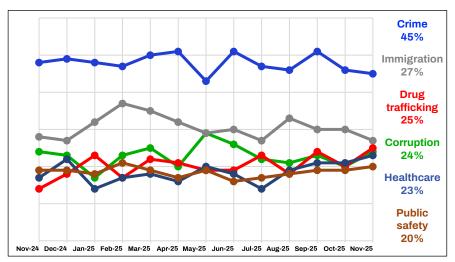
Gabriel Boric
Approval

President of Chile



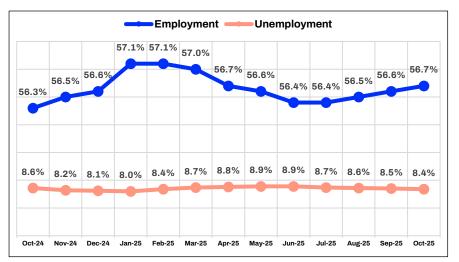
Source: Plaza Pública de Cadem

Main Public Concerns



Source: Pulso Ciudadano de Activa

Labor Market Trend



Source: INE



Markets and the business community react positively to the election outcome

The election result was welcomed by business leaders and financial markets, which interpreted it as the start of a political cycle offering greater stability, security and growth. A more favorable environment for investment is expected, with reduced regulatory uncertainty and an agenda aimed at reviving the economy, formal employment and competitiveness.

The private sector is calling for fewer bureaucratic hurdles, a review of the tax burden, lower labor costs and greater efficiency in public spending, with the goal of returning to sustained development and achieving potential growth above 4% in the medium term.

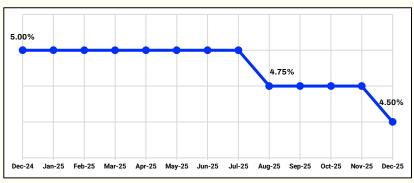
Following the election, the IPSA index extended its rally to record highs, while the Chilean peso gradually appreciated. This was supported by high copper prices and a favorable external environment. In addition, the Central Bank cut its policy rate from 4.75% to 4.50%.

CLP/USD Exchange Rate



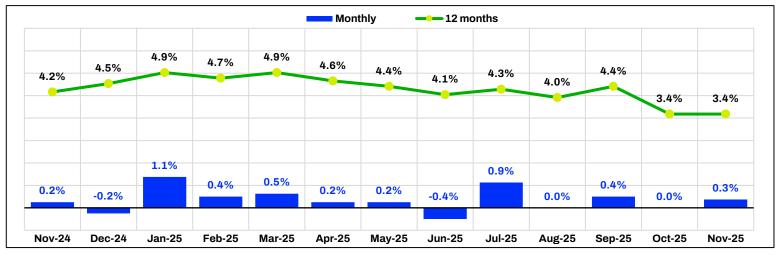
Source: SII

Monetary Policy Rate



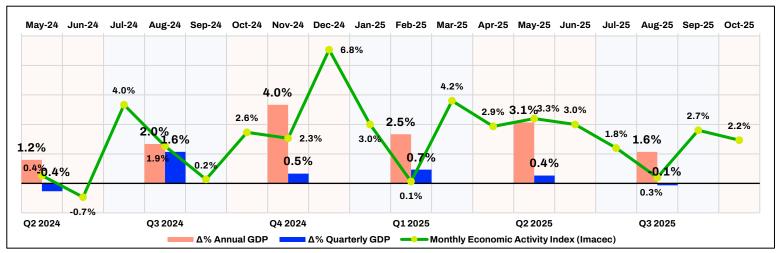
Source: BCCh

Inflation Trend



Source: INE

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +2.5%

Source: BCCh





Colombia

POLITICAL CONTEXT

Legislative deadlock and left-wing leadership in the polls ahead of the presidential elections

The government closes the first phase of the final legislative session with its agenda blocked. The rejection of the tax reform in the Senate leaves a significant gap in the 2026 budget and led to the collapse of the health care reform, which was tied to the resources from the tax overhaul. The opposition warned that the health reform lacked sufficient funding, although critics argue that the paralysis also aimed to avoid reducing the power of the EPS (private entities that administer health services).

In this scenario, President Gustavo Petro has raised the possibility of declaring an economic emergency and has revived rhetoric around a constituent assembly.

On the electoral front, legislative elections will be held in March ahead of the May presidential vote, along with primaries to define candidates. Polls place Iván Cepeda (left) in the lead, followed by Abelardo de la Espriella (right) and Sergio Fajardo (CONTEXT)

Violent ELN armed strike and rising attacks against social leaders

The ELN announced a nationwide armed strike between December 14 and 17, an action aimed at forcing the population to suspend economic and social activities through threats and violent acts. The objective was to protest U.S. foreign policy under the Trump administration. Attacks were reported on road infrastructure, police stations and incidents affecting civilians. The actions were concentrated in regions with a historic presence of the group, such as Catatumbo, Cauca and Arauca.

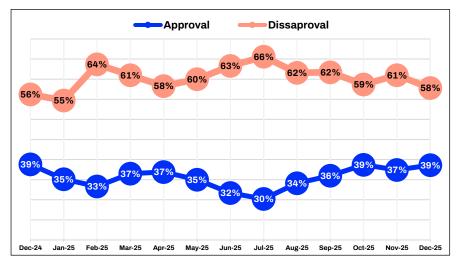
This coincides with an increase in violence against social leaders and human rights defenders. According to the UN Office of the High Commissioner for Human Rights, between January and November 2025 there were 198 reported killings of such individuals, with higher incidence in rural areas and ethnic communities.

At the same time, the government is exploring possible talks with urban criminal gangs as part of its security strategy.



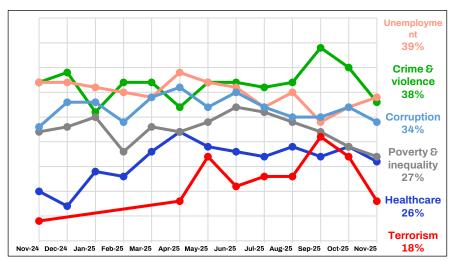
Gustavo Petro Approval

President of Colombia



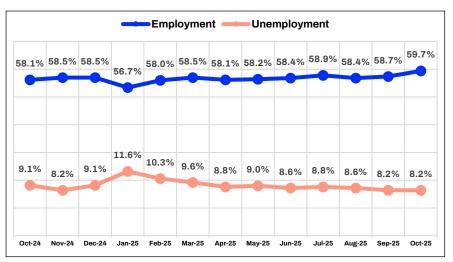
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: DANE



Moderate growth, easing inflation and wage debate

GDP grew 3.6% year-on-year in the third quarter, driven by consumption and domestic demand. As a result, cumulative growth through September reached 2.8% compared to the same period in 2024, although challenges persist in sectors such as industry, construction and mining.

Inflation fell to 5.3% in November. While this represents an improvement from levels above 7% seen in early 2024, it remains above the Central Bank's 3% target. This environment shapes negotiations over the 2026 minimum wage: unions are calling for a 16% increase, while business associations propose 7.21%, arguing that higher hikes would put pressure on inflation, labor costs and public spending.

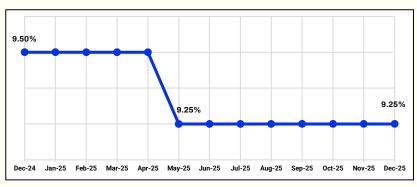
Meanwhile, the OECD reported that in 2024 Colombia recorded a labor informality rate of 69.2%, the second highest in Latin America.

COP/USD Exchange Rate



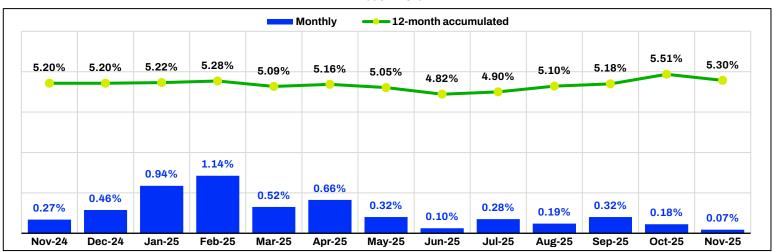
Source: Banco de la República

Intervention Rate



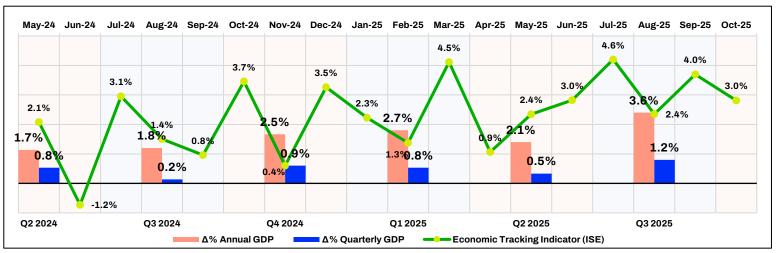
Source: Banco de la República

Inflation Trend



Source: DANE

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +2.6%

Source: DANE





Executive maintains international agenda as the Legislature enters recess

During his tour of the United Arab Emirates, President Daniel Noboa signed a Bilateral Investment Promotion and Protection Treaty and several memorandums on anti-corruption, artificial intelligence and labor mobility. The agenda also included agreements to promote a future technology free trade zone and the inauguration of the Embassy in Abu Dhabi.

In addition, Ecuador and Peru held the 16th Binational Cabinet meeting, prioritizing cooperation on border security, the fight against organized crime, and a shared agenda on energy, trade and infrastructure.

Meanwhile, the National Assembly will be in recess from December 22, 2025 to January 5, 2026, suspending plenary sessions, committee work and legislative deadlines. This pause comes amid a heavy legislative workload, with more than 1,500 bills accumulated and several pending initiatives on security, productive development and oversight.

SOCIAL CONTEXT

Three critical fronts put public management to the test

Reduced rainfall linked to the "veranillo" (little summer) has forced a cut in hydropower output and an increase in more expensive thermal generation, in order to preserve strategic reservoirs such as Mazar, whose level remains close to 93% of its maximum capacity. Although authorities rule out power outages in the short term, the system reveals structural vulnerabilities related to limited thermal capacity and dependence on electricity imports from Colombia.

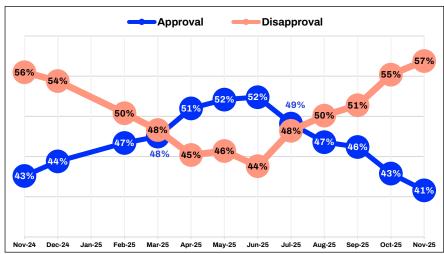
Public security continues to deteriorate, with more than 8,200 homicides and rising violence in smaller towns, placing the country as the sixth most violent in the world, according to ACLED.

In the health sector, epidemiological surveillance has been strengthened in response to influenza A(H3N2), and a nationwide vaccination campaign remains active to prevent severe cases, with no more lethal variants detected.



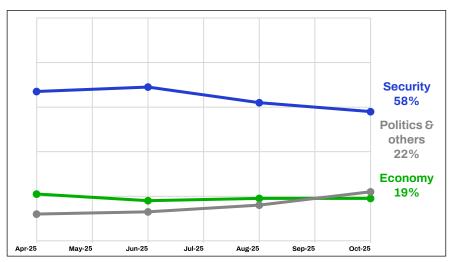
Daniel Noboa
Approval

President of Ecuador



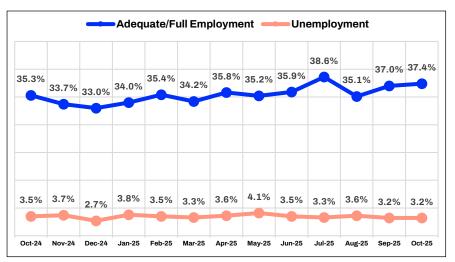
Source: CB Consultora Opinión Pública

Main Public Concerns



Source: Centro de Investigaciones y Estudios Especializados - CIEES

Labor Market Trend



Source: INEC



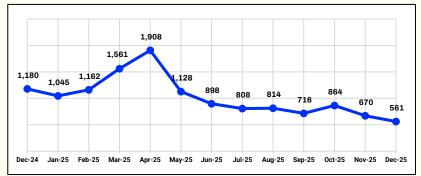
Moderate growth and multilateral support will shape the economic path in 2026

The basic minimum wage will increase from USD 470 to USD 482 in 2026, following an agreement between employers and workers within the National Labor and Wage Council. The adjustment follows the approval of the 2026 budget, which sets revenues and expenditures at USD 46.255 billion and a deficit of USD 5.413 billion.

GDP growth of 1.8% is projected for 2026, weighed down by lower oil revenues and high dependence on financing, with more than 70% of tax revenues allocated to interest payments and amortization. Even so, social transfers and funding for education, health and social security are being maintained.

The government also secured financing: the IDB approved more than USD 200 million for SME lending and a USD 250 million guarantee for social housing, while CAF committed USD 303 million, including USD 223 million for electricity transmission and USD 80 million for the Quito Metro.

Country Risk



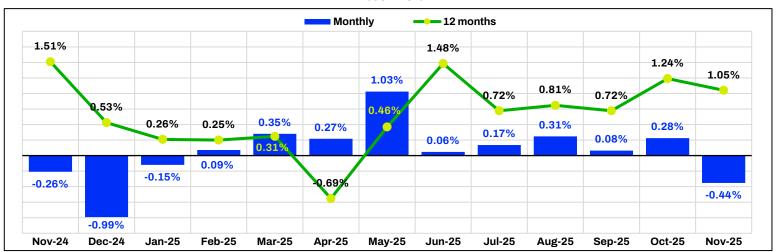
Source: BCE

Reference Lending Rate



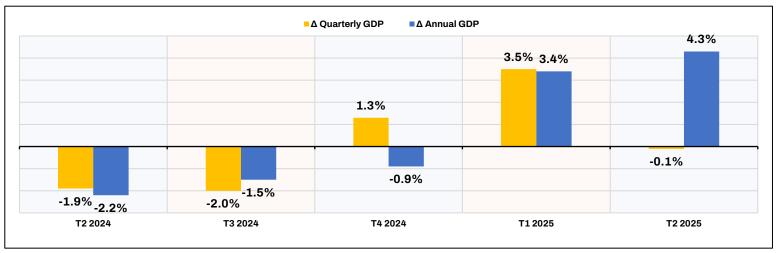
Source: BCE

Inflation Trend



Source: INEI

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +3.2%

Source: BCE





SCJN tightens control over judicial selection as Mexico boosts security ties with Canada

The Supreme Court of Justice of the Nation (SCJN) published amendments to its internal regulations that grant its presidency a dominant role in the selection of candidates for judges, magistrates and justices ahead of the 2027 judicial elections.

Chief Justice Hugo Aguilar Ortiz will be able to propose to the full court the composition of the Evaluation Committee, the first technical filter in the process, and submit the final lists of candidates, consolidating his position as a central actor in determining who appears on the ballot.

Separately, Security Secretary Omar García Harfuch held a call with Canadian authorities to strengthen bilateral security cooperation. During the conversation, they agreed to intensify the joint action plan, exchange strategic information and coordinate efforts against transnational organized crime, in the context of growing international cooperation promoted by the Mexican government.

SOCIAL CONTEXT

Shorter workweek and minimum wage hike usher in a new labor phase

The Chamber of Deputies approved the initiative to reduce the workweek from 48 to 40 hours, which will be debated in the Senate starting in February 2026. The reform establishes a gradual implementation, reducing the workweek by two hours per year between 2027 and 2030. It also bans overtime for minors and sets daily working hour limits.

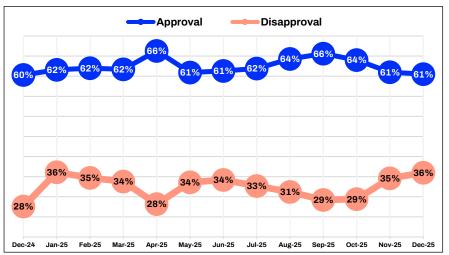
In addition, the government announced a 13% increase in the minimum wage for 2026, bringing it to 315.04 pesos per day (approximately 9,582 pesos per month, around USD 533) and 440.87 pesos per day in the Northern Border Free Zone. The measure will take effect on January 1, as part of a policy aimed at strengthening workers' purchasing power. As a result, a minimum wage will be sufficient to purchase 2.0 basic consumption baskets, compared with 1.8 in 2025.



Claudia Sheinbaum

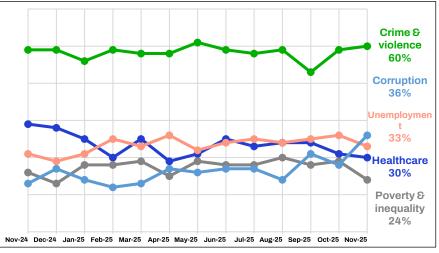
Approval

President of Mexico



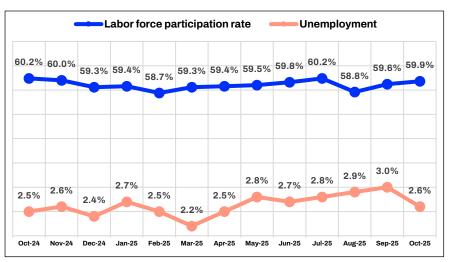
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: INEGI



Congress approves circular economy law and tariffs on Asian imports

Congress approved the General Circular Economy Law, which introduces Extended Producer Responsibility and a management model focused on recycling and reuse. Organizations such as Greenpeace have warned about risks of greenwashing, potential health impacts and the law's limitations.

New tariffs were also approved on Asian imports from China and from countries without a trade agreement, with increases ranging from 5% to 50% in sectors such as automotive, textiles and steel. These tariffs will take effect on January 1. The measure has been interpreted as a gesture toward Washington ahead of the USMCA review, although the Executive denies this and presents it as a boost to domestic production and a way to reduce the deficit with China. Beijing criticized the tariffs, and the opposition warned of price increases and negative effects on consumption.

MXN/USD Exchange Rate



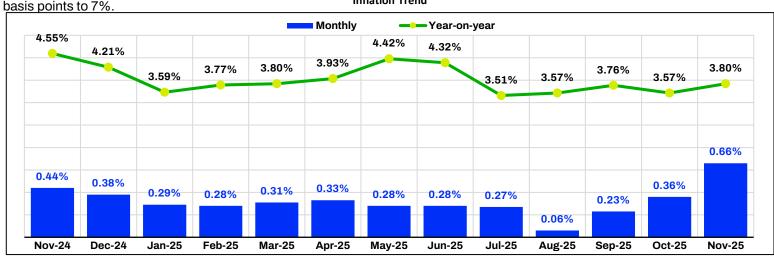
Source: Banxico

Reference Interest Rate



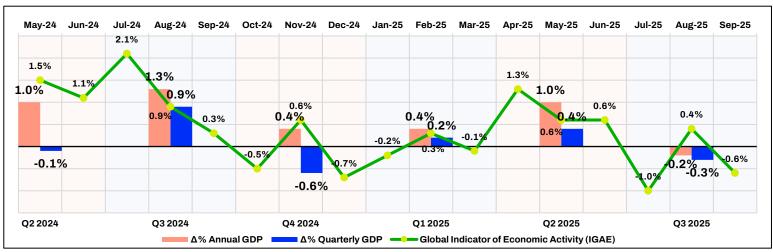
Source: Banxico

In addition, Banxico cut the benchmark interest rate by 25



Source: Banxico

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +0.4%

Source: Banxico





Security agreement with the U.S. and new law to promote renewable energy

Foreign Minister Rubén Ramírez Lezcano and U.S. Secretary of State Marco Rubio signed a cooperation agreement in Washington on security, organized crime and drug trafficking, which must be submitted to the Paraguayan Congress for ratification.

In the energy sector, President Santiago Peña enacted Law No. 7599, allowing electricity generation from non-hydropower renewable sources. The law opens private sector participation in the production, commercialization and export of clean energy such as solar, wind and biomass. Its goal is to diversify the energy matrix and encourage investment.

Additionally, Paraguay expressed support for Argentine Rafael Grossi's candidacy for UN Secretary-General, highlighting his experience and leadership at the head of the IAEA.

SOCIAL CONTEXT

Bus drivers' strike against public transport law reform

Bus drivers in the Asunción Metropolitan Area staged a transport strike on December 16–17. The protest demanded the resignation of the Deputy Minister of Transport and criticized provisions of the system reform that limit the right to strike and regulate employment continuity under new operators. The government deployed its own buses to maintain mobility, and no major incidents were reported.

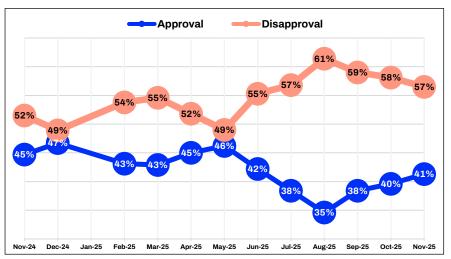
Citizens expect that the recent decline in the U.S. dollar will be reflected in basic goods prices, although importers note that cost reductions will take time to reach consumers due to prescheduled orders.

The Ministry of Education launched the National Educational Care Plan for Students with Autism Spectrum Disorder (PLANATEA), effective 2025–2030, which includes teacher training, care protocols and support materials to strengthen inclusive education.



Santiago Peña Approval

President of Paraguay



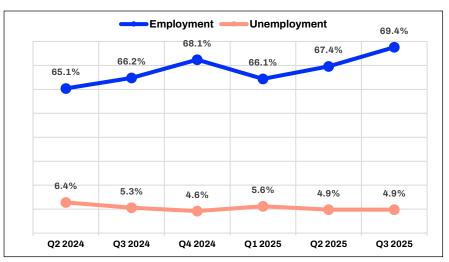
Source: CB Consultora Opinión Pública

Country Risk



Source: JP Morgan, EMBI

Labor Market Trend



Source: INE



Strong economic growth and formal employment, along with improved credit rating

Paraguay recorded the highest growth in formal employment in the region, with an increase of 15.3%, according to the ILO. The National Statistics Institute (INE) also reported a reduction in informality, from 62% to 58%, while the unemployment rate remains at 4.9%.

The Central Bank projects GDP growth of 6% in 2025 and 4.2% in 2026, despite an international context marked by uncertainty, high interest rates, and commodity price volatility.

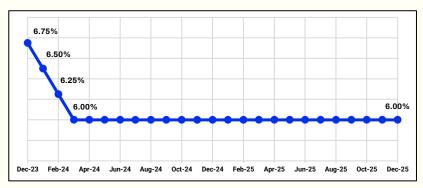
This is complemented by the improvement of the country's credit profile, which reached its second Investment Grade after Standard & Poor's upgraded it to BBB-, complementing Moody's Baa3 rating from last year. In the foreign exchange market, the guaraní strengthened against the U.S. dollar, which fell to G. 6,700, accumulating a 16.5% depreciation since April.

PYG/USD Exchange rate



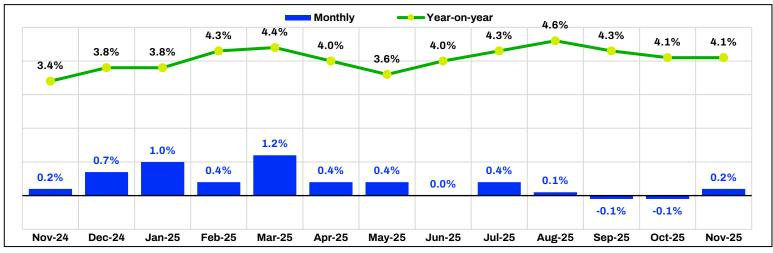
Source: BCP

Reference interest rate



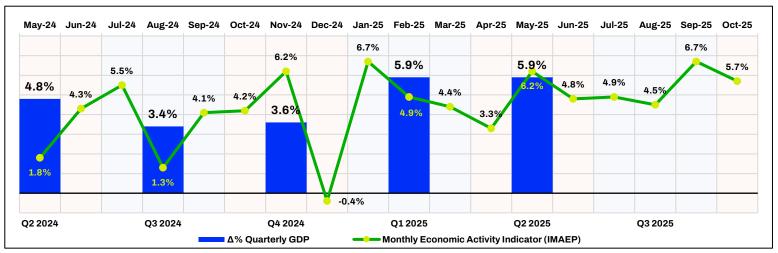
Source: BCP

Inflation Trend



Source: BCP

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +5.5%

Source: BCP





36 candidates will compete for the presidency in 2026, with 2 former presidents sentenced

The National Office of Electoral Processes (ONPE) organized the internal elections to determine the presidential, congressional and Andean Parliament candidacies. The process concluded with 36 presidential contenders who will compete in the general elections scheduled for July 2026.

The political landscape was marked by the sentencing of two former presidents: Martín Vizcarra, to 14 years in prison for bribery during his administration in Moquegua, and Pedro Castillo, to 11 years and 5 months for conspiracy in the 2022 attempted coup. Both join other former leaders incarcerated at Barbadillo prison.

On the international front, President José Jerí made his first official visit to Ecuador, where he was received by his counterpart Daniel Noboa. During the visit, they held bilateral meetings, inaugurated the 16th Binational Cabinet, and signed the Quito Declaration 2025, outlining priority areas for joint work.

SOCIAL CONTEXT

Business growth and advances in financial inclusion and connectivity

The business sector showed strong momentum in Q3 2025, with the creation of 101,556 companies, a 29.2% year-on-year increase, and the closure of 50,879 companies, 41.7% fewer than the previous year. Lima accounted for 36.2% of new businesses, predominantly individual entrepreneurs (64.3%). Women led in commerce and services, while men dominated construction and mining. Employment continued to be concentrated in microenterprises.

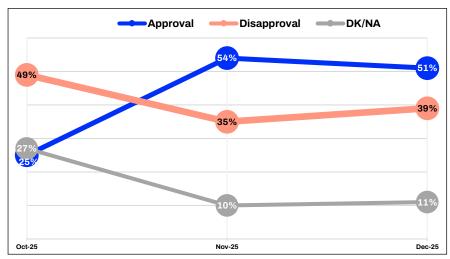
At the same time, access to financial services, internet and health insurance grew: 59% of women and 63.9% of men had bank accounts, and internet usage was nearly universal among those with higher education.

The Supervisory Agency for Private Investment in Telecommunications (OSIPTEL) set new maximum rates for transportation and internet access in regional projects, reducing costs by up to 83% for public entities and strengthening digital connectivity.



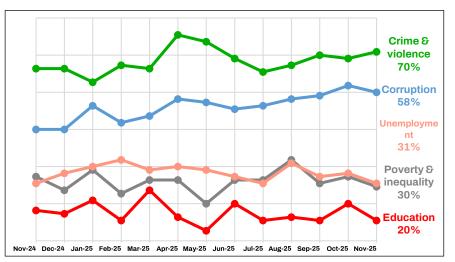
José Jerí Approval

President of Peru



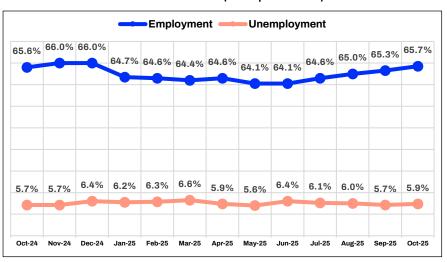
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend (Metropolitan Lima)



Source: INEI



Favorable outlook: inflation under control, moderate growth, and business confidence

The Central Reserve Bank of Peru (BCRP) decided to maintain the reference interest rate at 4.25%, considering that inflation is under control and expectations remain within the target range.

Macroeconomic indicators show relatively positive performance and point to moderate growth. The BCRP projects the economy could expand above 3.2% in 2025, supported by foreign trade and a rebound in private investment, which could grow up to 6% in a more favorable scenario.

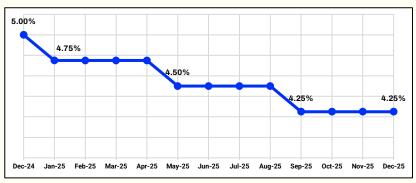
Business confidence is reinforced by institutional resilience and the ability to adapt to political volatility. Paul Castillo, BCRP manager, noted that the U.S. Federal Reserve maintains a cautious stance after cutting interest rates, in a context of balanced risks, and highlighted the boost in non-traditional exports and credit, with stable inflation around 2%.

PEN/USD Exchange Rate



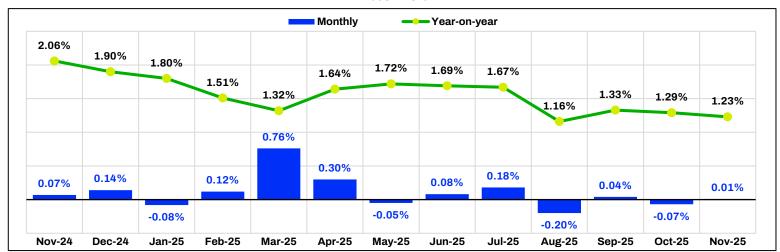
Source: Sunat

Reference Interest Rate



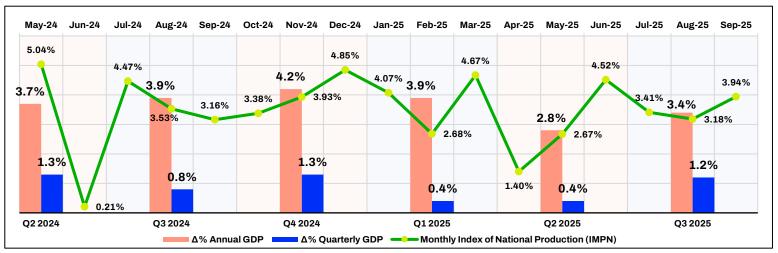
Source: BCRP

Inflation Trend



Source: INEI

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +3.2%

Source: INEI





Internal political tension and active international agenda

The government's decision to maintain the contract with the Spanish shipyard Cardama sparked controversy. The continuation occurs despite "strong indications of fraud or embezzlement against the State," leading to political clashes between the ruling party and the opposition, as well as the opening of administrative investigations into public resource management.

Uruguay participated in the debate on the ratification of the European Union–Mercosur trade agreement, whose key vote in the EU, initially scheduled for mid-December, was postponed to January and could have significant effects on foreign trade and regional integration.

The ruling Broad Front issued a statement condemning the U.S. threats of invasion against Venezuela, reflecting Uruguay's active role in regional diplomacy and its foreign policy stance.

SOCIAL CONTEXT

Uruguay will maintain the highest minimum wage in South America in 2026

The government announced that the national minimum wage will increase by 7.54% in 2026, reaching 24,572 pesos (USD 624). With this adjustment, Uruguay will retain the highest minimum wage in South America, ahead of Chile (USD 581), and only surpassed by Costa Rica (USD 725) in Latin America. The increase will be applied in two stages: 4.1% from January and 3.4% from July.

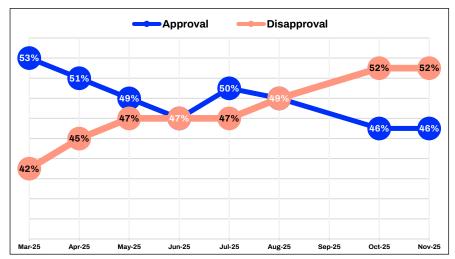
Meanwhile, the President of the Social Security Bank (BPS) announced a nearly 6% rise in retirement pensions, a key measure to preserve the purchasing power of seniors amid price increases.

The National Statistics Institute (INE) reported that the unemployment rate was around 7.3% in October, with slight improvements in activity and employment, important indicators for social cohesion.



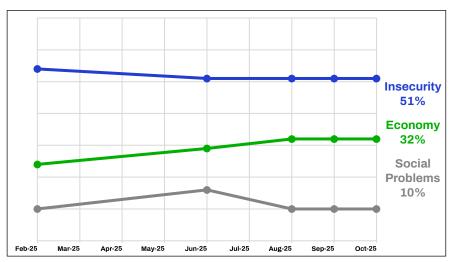
Yamandú Orsi _{Approval}

President of Uruguay



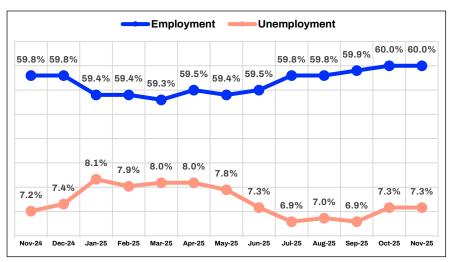
Source: CB Consultora Opinión Pública

Main Public Concerns



Source: FACTUM

Labor Market Trend



Source: INE



Moderate growth, controlled inflation, and fiscal benefits along the border with Brazil

According to Central Bank data, GDP recorded a seasonally adjusted contraction of 0.2% in Q3, although year-on-year growth was 1.2% compared to the same period in 2024, mainly driven by trade and services, particularly accommodation and food services.

Inflation rose 0.14% in November, aided by falling vegetable prices and the appreciation of the peso against the dollar. This brought year-on-year inflation down to 4.09%, marking 30 consecutive months within the target range of 3%–6%.

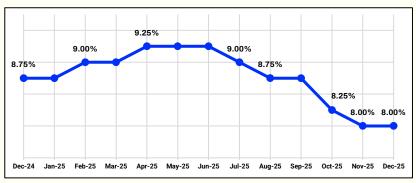
To mitigate price differences along the border with Brazil, the government implemented fiscal benefits at crossings such as Artigas, Rivera, and Chuy. These measures include exemptions from employer contributions, reduced VAT on debit card purchases, and special import regimes for local businesses, aimed at narrowing price gaps with nearby Brazilian towns.

UYU/USD Exchange Rate



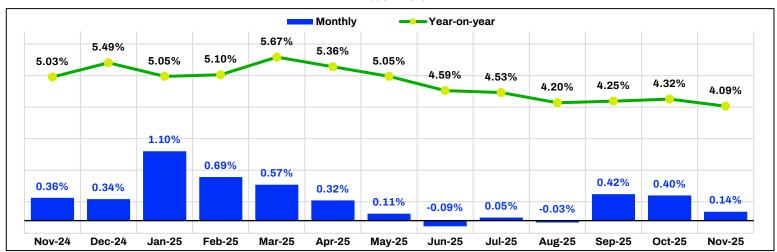
Source: BCU

Monetary Policy Rate



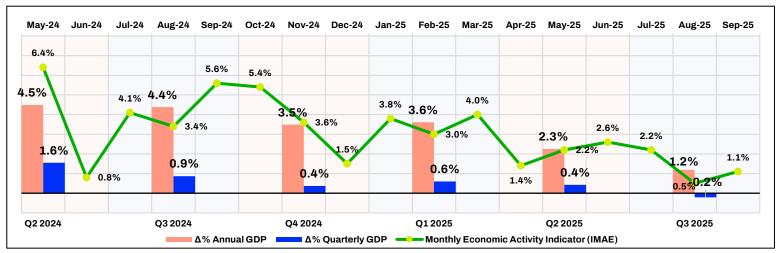
Source: BCU

Inflation Trend



Source: INE

Economic Trends



Expected GDP Growth by End-2025 (ECLAC) → +2.2%

Source: BCU



EUROPEAN PERSPECTIVE FOR LATIN AMERICA

EU-Mercosur: signing postponed to January due to internal EU tensions

The European Commission has decided to postpone the signing of the EU-Mercosur trade agreement until January, initially scheduled for December in Brazil. President Ursula von der Leyen explained the delay by citing difficulties in addressing the demands of several member states, particularly France and Italy, which requested more time to finalize safeguards aimed at protecting European farmers from potential market distortions, especially in the beef and poultry sectors.

The political calendar is crucial. Brussels aims to set the decision for mid-January, ahead of the first plenary session of the European Parliament, to avoid legal challenges that could delay the agreement's entry into force. The change in timing was reinforced after a conversation between Italian Prime Minister Giorgia Meloni and Brazilian President Lula da Silva, during which Rome requested additional time to According consolidate domestic support. Commission, Mercosur countries would accept this new schedule.

However, the delay increases the political risk for the pact. Pro-EU member states, led by Germany, warn that further delays could weaken the agreement permanently by strengthening parliamentary opposition and complicating subsequent phases, especially as Paraguay assumes the Mercosur presidency. As a signal to the agricultural sector, the EU has accelerated a complementary text that would allow reintroducing tariffs if Latin American imports destabilize the European market.

Brussels tightens food import controls

The European Commission announced a reinforcement of official controls on imported food products, including increased audits in third countries. Measures include a 50% rise in inspections of non-EU countries, stronger border monitoring, enhanced tracking of products with a history of non-compliance, and the creation of a working group focused on pesticides, animal feed, and animal welfare. Additionally, 500 officials will be trained and rules on traces of banned pesticides updated.

This tightening could significantly impact Latin American exporters, especially in sectors such as fruits, vegetables, cocoa, coffee, and fisheries. Countries like Ecuador, Peru, Chile, Costa Rica, and Colombia may face more audits, stricter traceability requirements, and temporary shipment suspensions if standards are not met. The announcement aligns with the EU's regulatory shift toward stricter food chain controls and could redefine key trade flows with the region.

EU agrees to delay and simplify deforestation law, affecting Latin American exporters

The European Parliament and member states reached a provisional political agreement to postpone the application of the EU Deforestation Law by one year and simplify several due diligence requirements. Large companies must comply by December 30, 2026, and micro and small enterprises by June 30, 2027. The agreement also shifts responsibility for due diligence declarations to companies introducing a product to the EU market for the first time, reduces obligations for micro-operators, and excludes printed products from the regulation. Brussels will issue a report in 2026 on the administrative impact of the regulation.

The delay and adjustments aim to facilitate technical implementation and respond to concerns from companies and member states. For Latin America, the decision provides more time to meet traceability requirements affecting key supply chains such as cocoa, coffee, soy, meat, palm, and timber. While the formal environmental ambition remains unchanged, the postponement could modulate the adaptation pace of producers and governments in the region, amid concerns over costs and administrative burdens.

EU and Chile hold first political and trade councils under the new Advanced Agreement

The EU and Chile held the first meetings of the Joint Council and Trade Council in Brussels following the partial entry into force of the Advanced Framework Agreement and the Interim Trade Agreement. Both instruments aim to place sustainable development, democracy, human rights, and economic cooperation at the center of a modernized relationship. They also expressed their intention to cooperate in multilateral forums, support UN reforms, and uphold a rules-based international order.

The meetings included political and thematic discussions on security, green and digital transitions, research, astronomy, renewable hydrogen, and critical raw materials. The joint statement emphasized the intention to advance market access, investment, and supply chains. For Latin America, the process consolidates Chile as a key player in strategic areas (clean energy, minerals, and digitalization) and fits into a broader EU effort to strengthen its engagement with the region following the EU-CELAC Summit in November.



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