

Trip Notes



Peru, Chile & Colombia
October 2026

Aktia

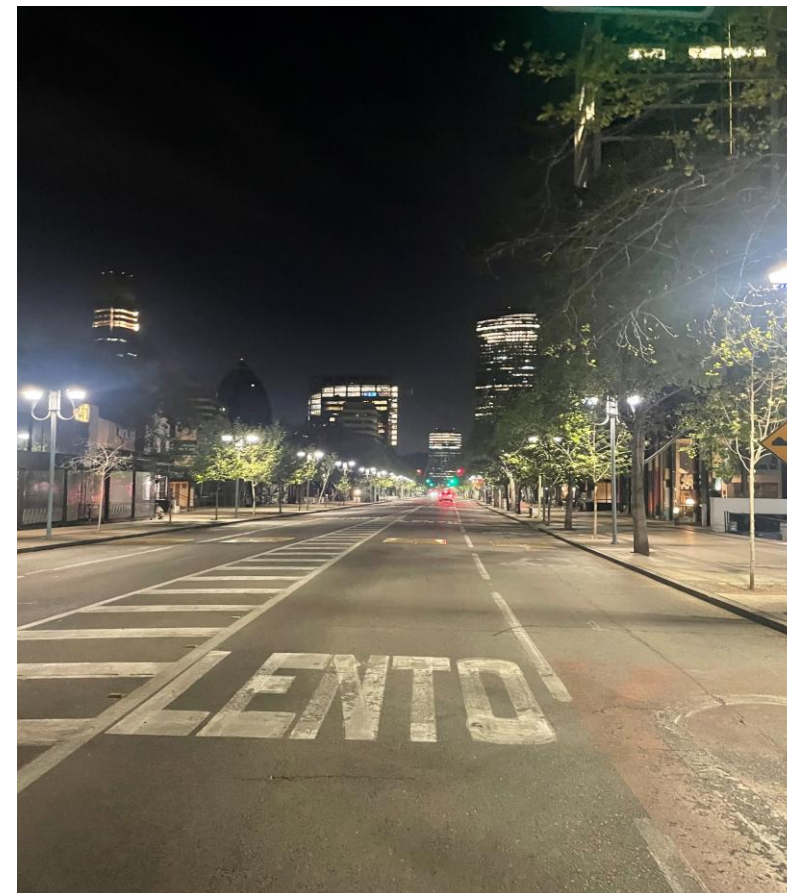
Overview

We visited Peru, Chile and Colombia in October 2026 to meet policymakers, economists and market participants and assess the sovereign credit and macroeconomic outlook across the region. A common theme across all three countries was that the challenge has shifted from macroeconomic stabilization to policy execution. While institutional frameworks remain broadly supportive, future performance will depend on governments' ability to translate policy objectives into stronger investment, higher growth and improved fiscal outcomes.

Natural resources remain a key driver of economic activity and external balances, particularly in Peru and Chile, where mining and copper-related investment opportunities are substantial. However, permitting delays, regulatory complexity and infrastructure constraints continue to hinder the conversion of project pipelines into actual investment and production. Both countries benefit from relatively strong institutions, credible central banks and resilient sovereign balance sheets, although Peru continues to face political and security-related challenges while Chile is working to revive growth in a more investment-friendly political environment.

Colombia stands apart as a fiscal rather than a growth story. Discussions were dominated by concerns over fiscal deficits, financing needs and the credibility of the government's consolidation plans. While strong market access, multilateral support and potential IMF involvement help contain near-term financing risks, the medium-term outlook will depend on the authorities' ability to deliver meaningful fiscal adjustment and stabilize debt dynamics.

Overall, the trip reinforced our view that Peru and Chile are primarily investment and growth execution stories, while Colombia's investment case is increasingly driven by fiscal credibility and debt stabilization.



Peru

Our meetings in Peru reinforced the view that the country remains one of the stronger sovereign credits in emerging markets, with low public debt, substantial external buffers and a highly credible central bank. The more interesting question is therefore not debt sustainability, but whether the improved political environment can translate into stronger investment, better project execution and ultimately higher potential growth. Across the meetings, the recurring message was that Peru has significant investment opportunities, particularly in mining and infrastructure, but execution remains the key constraint.

The political backdrop has improved compared with recent years. The new bicameral Congress provides an additional layer of legislative scrutiny, while a fragmented opposition should give the government greater scope to build issue-specific coalitions. However, governability should not be confused with an easy reform environment. The government still needs to negotiate support for its agenda, while Congress remains a potential source of fiscal pressure through expenditure initiatives. Security has also become an increasingly important political issue, particularly around organised crime, extortion and illegal mining. Regional politics remain highly relevant for mining and infrastructure projects, as local governments and communities can materially influence project execution.

On the growth side, private investment is the main potential upside catalyst. The mining pipeline is substantial, particularly in copper, and there is scope for a meaningful increase in production if projects move into construction. Infrastructure investment could provide an additional boost. However, the meetings consistently highlighted that the constraint is not the availability of projects or capital, but the ability to execute. Permitting, community relations, water availability, infrastructure, security and administrative capacity remain important bottlenecks. Public investment faces similar challenges, with a significant stock of delayed or incomplete projects. Improving execution could therefore have a larger growth impact than simply increasing investment budgets.

The fiscal balance sheet remains strong, but the flow dynamics warrant closer attention. Low public debt provides considerable fiscal space, yet expenditure pressures are increasing through defence, education, public-sector benefits, infrastructure and other legislated commitments. The 2027 deficit target was discussed at around 1.4% of GDP, although there was a risk that the eventual outcome could be closer to 2% if additional spending pressures materialise. Petroperú remains a contingent liability, although the government's approach appears increasingly focused on financial discipline and restructuring rather than unlimited support. Tax and labour reforms are also intended to address Peru's high level of informality by improving incentives for workers and companies to enter the formal economy.

	2027F	2026F	2025	2024	2023	2012 - 2022
Real GDP (% annual percent change)	2.8%	2.8%	3.4%	3.5%	-0.4%	3.2%
Inflation (% annual percent change)	1.8%	2.5%	1.5%	2.4%	6.3%	3.3%
Overall Fiscal Balance (% of GDP)	-2.0%	-2.0%	-2.4%	-3.5%	-2.7%	-1.8%
Government Debt (% of GDP)	30.9%	30.0%	30.2%	32.1%	32.4%	26.3%
Current Account (% of GDP)	2.5%	3.4%	3.1%	2.2%	0.3%	-2.5%
Import Cover	21.3*	21.3	19.5	17.5	16.5	17.9

*Latest value that exists for Import Cover
Sources: Aktia, IMF and Macrobond

Peru

The central bank remains a clear institutional strength. El Niño is expected to create temporary inflation pressure through food, transport, fuel and agricultural supply, but the central bank views this primarily as a supply shock. The policy response will depend on whether these pressures generate second-round effects or materially higher inflation expectations rather than on headline inflation alone. Large international reserves and the ability to intervene in FX markets provide additional policy flexibility. Longer term, the central bank's concern is less about macro stability and more about Peru's relatively weak productivity and potential growth.

Overall, the trip reinforced a constructive fundamental view of Peru. The sovereign's strong balance sheet, external buffers and monetary-policy credibility provide substantial downside protection. The main upside would come from converting the large mining and infrastructure pipeline into actual construction, production and stronger potential growth. The principal risks are gradual fiscal slippage, weak project execution, security and illegal mining, and El Niño. For hard-currency sovereign debt, the fundamental case remains strong, but positioning should ultimately remain valuation-sensitive given the already high quality of the credit.

Our View: We remain constructive on Peru and maintain an overweight position in our hard currency strategy, supported by strong sovereign fundamentals, low debt levels and sizeable mining-related growth potential. The key catalyst is improved investment execution, while political and security risks remain manageable relative to the country's balance-sheet strength. In local currency strategy, we are invested in Peru, as despite the political volatility the fundamentals have remained strong, and the central bank credibility is high.



Chile

Chile continues to stand out as one of the stronger and more defensive sovereign credits in emerging markets, supported by credible institutions, a well-established macro policy framework, deep domestic capital markets and a significant copper endowment. The main message from the trip, however, was that Chile’s challenge has shifted from macroeconomic stability toward restoring investment and potential growth. Economic activity remains relatively weak, and while the medium-term outlook could improve materially, this will depend on whether a more investment-friendly policy environment translates into actual project execution.

The growth outlook remains subdued in the near term, reflecting soft domestic demand and weaker mining activity. Inflation has also been somewhat sticky, partly due to fuel and other supply-side pressures, which limits the scope for aggressive monetary easing despite weak activity. The central bank remains highly credible and should continue to take a cautious, data-dependent approach. The peso is therefore likely to remain influenced not only by copper prices, but also by domestic growth, interest-rate differentials, oil prices and broader policy credibility.

On the fiscal side, Chile’s institutional framework remains an important credit strength, and government debt remains manageable. The key issue is increasingly execution rather than the framework itself. Weak growth makes fiscal consolidation more difficult, while higher copper revenues should not be used to finance permanent increases in expenditure. Maintaining spending discipline and credible offsets for new policy initiatives will therefore be important in preserving Chile’s fiscal advantage relative to peers. There is no immediate debt-sustainability concern, but persistent fiscal slippage would gradually weaken one of the sovereign’s strongest credit anchors.

The most important potential upside comes from mining and private investment. High copper prices, together with a sizeable investment pipeline, create a favorable backdrop, but the meetings repeatedly highlighted that copper prices alone are not enough. Chile needs to convert the investment pipeline into higher production. Permitting delays, declining ore grades, water and energy constraints, infrastructure requirements and execution challenges at state-owned mining operations remain important bottlenecks. Faster permitting and greater regulatory certainty could therefore have a meaningful impact on investment, exports and ultimately potential growth.

The political and policy environment appears to be moving in a more investment-friendly direction, with permitting, taxation, infrastructure, security and regulatory certainty increasingly central to the policy agenda. The key question is implementation. Political fragmentation can still make major reforms difficult, meaning that investors will ultimately judge the policy shift through actual project approvals, capital expenditure and investment decisions rather than announcements.

	2027F	2026F	2025	2024	2023	2012 - 2022
Real GDP (% annual percent change)	2.6%	2.4%	2.3%	2.6%	0.5%	2.6%
Inflation (% annual percent change)	3.3%	2.9%	4.2%	3.9%	7.6%	4.0%
Overall Fiscal Balance (% of GDP)	-1.9%	-2.5%	-2.8%	-2.8%	-2.3%	-2.4%
Government Debt (% of GDP)	44.4%	42.5%	41.8%	41.7%	39.4%	23.9%
Current Account (% of GDP)	-1.8%	-0.8%	-2.3%	-1.5%	-3.1%	-4.5%
Import Cover	6.6*	6.6	6.1	5.9	6.6	6.6

*Latest value that exists for Import Cover
Sources: Aktia, IMF and Macrobond

Chile

From a portfolio perspective, the trip reinforced a constructive view on Chile's underlying credit quality, but a more cautious view on valuation. The sovereign retains strong institutional and external buffers and should remain relatively defensive within EM. The upside case requires stronger private investment, faster permitting and higher mining production to lift potential growth while fiscal discipline is maintained. The main risks are continued weak growth, fiscal slippage, delays in mining investment and reform implementation, and adverse inflation or FX dynamics. With hard-currency spreads already tight, Chile offers strong defensive characteristics, but limited compensation for disappointment if the expected improvement in growth and investment fails to materialize.

Our View: In our EM local currency strategy, we do not currently have investments in Chile as from the valuation point of view we see better opportunities elsewhere. Conversely, in our hard currency strategy we hold an overweight position in Chile. While the growth outlook is not stellar, we see Chile as a highly rated, stable credit with strong institutions and relative policy credibility serving its place in our portfolio.



Colombia

Colombia’s sovereign credit outlook was generally seen as challenging but manageable, with the principal vulnerability centered on fiscal execution rather than near-term market access. Across meetings with policymakers, economists, political analysts and market participants, there was broad agreement that the current fiscal trajectory is unsustainable and that a meaningful multi-year adjustment is unavoidable. CARF estimates the 2026 fiscal deficit at around 7.9% of GDP, compared with the government’s 7.2% estimate, and sees only limited scope for adjustment during the remainder of 2026.

The underlying challenge is increasingly structural: pensions, healthcare, fuel subsidies, transfers to regional governments and a rising interest burden have made expenditure significantly more rigid. Interest costs alone could approach 4.7% of GDP, materially reducing the government’s room for discretionary spending. While estimates of the required adjustment varied, discussions generally pointed to an initial package of around 2% of GDP, followed by a broader multi-year consolidation. The Ministry of Finance envisages an adjustment of approximately 4.5–5% of GDP over five years, with a greater emphasis on expenditure restraint than previous tax led consolidation efforts.

The key uncertainty is political implementation. While Congressional support for a fiscal adjustment focused on expenditure cuts should be achievable, political contacts consistently highlighted the risk that fiscal legislation is diluted during the approval process. Potential measures include reductions in temporary public-sector employees, expiry of temporary contracts, lower subsidies and transfers, VAT-base broadening and reductions in tax expenditures. Security is likely to remain a higher political priority for voters than fiscal consolidation, particularly for the next administration. Nevertheless, political discussions suggested that the post-Petro government is likely to be more market oriented, with greater emphasis on security, regulatory predictability and private investment. This could improve confidence, but a more orthodox policy orientation would not automatically translate into rapid fiscal adjustment given the fragmented legislature.

Financing requirements are substantial, particularly in 2027, but Colombia retains several important funding channels. Gross financing needs were estimated at around 12% of GDP, split approximately 7.5% domestic and 4.5% external (not taking into account the planned fiscal adjustment bill). External financing discussions generally envisaged USD 8–10bn of Eurobond issuance alongside sizeable multilateral funding, while the Ministry of Finance intends to increase pre-financing, lengthen maturities, reduce reliance on short-term T-bills and move toward a formal 2027–30 borrowing strategy. Domestic absorption capacity nevertheless warrants monitoring. Pension funds already have significant exposure to TES and cannot be assumed to absorb unlimited incremental issuance without an adjustment in pricing. Greater reliance on external markets and multilaterals can alleviate pressure on the domestic market but does not remove the need to stabilize the underlying debt trajectory.

	2027F	2026F	2025	2024	2023	2012 - 2022
Real GDP (% annual percent change)	2.5%	2.3%	2.6%	1.5%	0.8%	3.3%
Inflation (% annual percent change)	5.2%	5.9%	5.1%	6.6%	11.7%	4.4%
Overall Fiscal Balance (% of GDP)	-4.3%	-5.2%	-5.7%	-6.0%	-2.9%	-3.6%
Government Debt (% of GDP)	61.3%	60.9%	59.9%	61.0%	55.4%	50.8%
Current Account (% of GDP)	-2.6%	-2.5%	-2.4%	-1.7%	-2.3%	-4.5%
Import Cover	11.2*	11.2	11.1	11.5	11.9	11.0

*Latest value that exists for Import Cover
Sources: Aktia, IMF and Macrobond

Colombia

IMF involvement therefore represents an important potential catalyst. The IMF was discussed not only as a source of financing but, more importantly, as an external policy anchor that could support a credible multi-year fiscal adjustment. Several counterparts viewed IMF conditionality as politically useful in providing external justification for difficult expenditure measures. The Ministry of Finance had not yet determined the preferred facility, but technical discussions were progressing. A credible IMF supported framework, combined with multilateral financing and successful pre-financing, would materially reduce near-term refinancing concerns.

The macroeconomic backdrop complicates the adjustment. The central bank (BanRep) sees limited economic slack and estimates potential growth at only around 1.7–1.8%. At the same time, El Niño, food price pressures, minimum-wage indexation and fiscal expansion create upside inflation risks. Food inflation could rise toward 10–10.5% YoY in early 2027, potentially pushing headline inflation toward 7.7%. Fiscal slippage is therefore increasingly relevant for monetary policy and reduces the scope for rapid rate cuts. This creates an unfavorable policy mix in which tight monetary conditions coexist with elevated sovereign financing requirements.

For sovereign investors, the central conclusion is that near-term liquidity risk appears manageable, while medium-term fiscal credibility remains the key sovereign risk. Colombia continues to benefit from diversified market access, a deep domestic investor base, multilateral financing options and the potential availability of IMF support. The Ministry of Finance also appears increasingly focused on improving debt-management practices and smoothing the 2027 financing profile.

Colombia's immediate financing risks appear contained, but medium-term credit performance will depend on the government's ability to deliver credible fiscal consolidation and stabilize debt. Failure to do so could leave the country facing a combination of elevated borrowing needs, persistent inflation and restrictive monetary policy.

Our View: In both our local and hard currency strategies, we have decreased our holdings in Colombia due to weak fiscal outlook. The post-election fiscal outlook is now more constructive, but regarding fiscal consolidation the execution risk which is not reflected in valuations. For our local currency strategy, we also view the currency as very rich.



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