

International Commentary — June 11, 2025

Unwinding the Tide. Latin America's Shift to the Political Right

Summary

Left-leaning policy platforms gathered momentum across Latin America after COVID, sparking the region's second "Pink Tide" political phenomenon. However, those same administrations have seen approval ratings decline and overall popularity falter more recently. Over the next 18 months, most major Latin American nations will host elections, and in our view, regional politics will shift to the right side of the political spectrum. As the political pendulum moves right, we expect the second Latin American "Conservative Wave" to improve longer-term political risk profiles as well as bring about regional financial market stability. But before the "Conservative Wave" fully forms, policies that typically generate regional financial market instability are likely to be pursued in full force, which in the interim, can create short-term volatility across regional and local financial markets.

Economist(s)

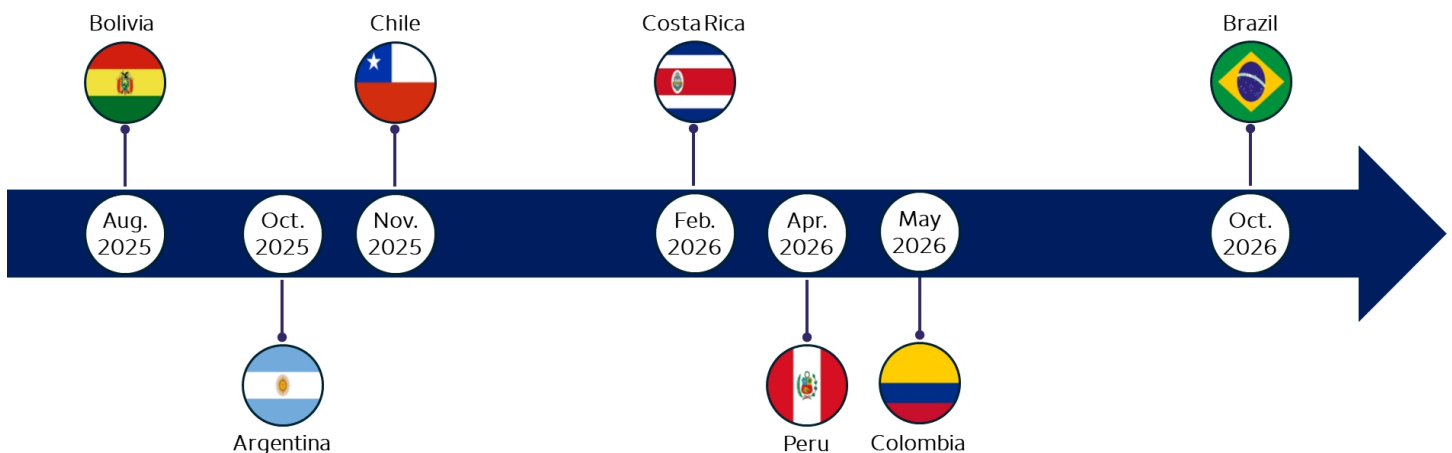
Brendan McKenna

International Economist | Wells Fargo Economics
Brendan.McKenna@wellsfargo.com | 212-214-5637

Unwinding the Tide. Latin America's Shift to the Political Right

Latin America has experienced multiple eras of political ebbs and flows: starting with the Spanish American wars of independence in the 1800s to the original “Pink Tide” and beyond. As fascinating as the entire Latin American political saga is, for the purposes of this report, we will focus on the “Pink Tide” and “Conservative Wave” eras of the last 40–50 years. When we say “Pink Tide”, we are referring to the rise of left-leaning political platforms and more liberal politicians across Latin America. Pink Tide support started in the 1980s, many decades after the wars of independence ended and right-wing governments dominated political office. Multiple catalysts sparked the original Pink Tide, including: regional democratization, economic malaise following multiple sovereign debt crises in Latin America, and global acceptance of more liberal policy ideologies. Pink Tide momentum gathered throughout the 1990s and eventually culminated with Venezuela electing Hugo Chavez in 1998. Left-leaning politicians remained popular through the end of the 20th century and into the mid-2000s with most Latin American nations participating in the trend. By the 2010s, Pink Tide momentum slowed. The death of Hugo Chavez in 2013 may have been the starting point for the shift away from left-leaning policy platforms, although multiple developments over the next few years—including the Odebrecht case, Operation Car Wash, the end of the commodity supercycle and sluggish economic growth—heavily contributed to the effective end of the first Pink Tide and the start of the “Conservative Wave.”

The “Conservative Wave” was a political phenomenon that saw right-leaning governments elected across Latin America. For example, Argentina pushed back on Peronism with the election of Mauricio Macri in 2015. Brazil impeached Dilma Rousseff in 2015, and following a temporary conservative caretaker government, elected the far-right Jair Bolsonaro in 2018. Peru and Chile both opted for conservative political platforms during this time, while Bolivia, Ecuador, Guatemala, Honduras and Paraguay also voted for right-leaning presidential candidates to lead policymaking. Overall, the “Conservative Wave” era put right-leaning and conservative policymakers largely in control of Latin America's political theater through the end of the last decade. By the time COVID hit, the Conservative Wave was fading, and the pandemic all but ended Latin America's shift to the right side of the political spectrum. Not only did COVID upend the Conservative Wave, but the pandemic also acted as a starting point for Latin America's second “Pink Tide.” Over the course of the early post-COVID years, left-leaning policy agendas saw renewed interest from voters across the region. Bolivia elected Luis Arce and the Movement for Socialism party, Peru opted for the socialist Pedro Castillo, Honduras and Chile elected left-leaning presidents, Colombia chose the first leftist government in the country's recent history, and the trend was punctuated by the return of the far-left Lula in Brazil for a third term. For most of the post-pandemic era, Latin American politics have been dominated by left-leaning political ideologies.



Source: Wells Fargo Economics

But more recently, political momentum and the political pendulum has tentatively shifted back to the right, and a second Conservative Wave is in the early stages of taking shape. Paraguay elected the right-leaning Santiago Pena not long ago, Ecuador opted for a conservative political platform in recent elections, and Argentina pushed back on Peronism again by opting for the far-right Javier Milei in 2023. In fairness, we say a tentative shift to the right, as the left-leaning MORENA won Mexico's presidential and congressional elections in a landslide last year, while Uruguay's presidential

election also yielded a more liberal policymaking platform. However, going forward, we believe the second Conservative Wave will gather significant momentum. Countries across the region will head to the polls over the next 18 months or so, and in our view, the large majority of elections—if not all—will result in right-leaning governments coming to office. This trend is likely to be most visible in economically important countries such as Chile, Colombia, Peru, and Brazil as incumbents and their respective political parties continue to see approval ratings and broader popularity decline. Argentina is a modest exception, as the nation will only host congressional elections this year. While Milei himself is not up for re-election, he—as well as his policy platform—are essentially facing a referendum. Milei remains very popular, and with Argentina's economy recovering and overall conditions improving, Argentine voters are likely to opt for further progress on the reform agenda and double-down on Milei's far-right policy mix.

Generally speaking, the next Conservative Wave should act as a long-term catalyst for regional and local improvements in political risk as well as financial market stability. Not always, but for the most part, right-leaning governments have focused on fiscal discipline and making progress toward balanced budgets relative to left-leaning administrations. Historically, large fiscal deficits and rising debt burdens have generated financial market volatility across Latin American and country-specific asset prices, a dynamic that is still present today. Should governments across Latin America embark on a shift toward more public finance responsibility, a key source of risk premium could be partially lifted. Risk premiums could fall the most in the more systemically important countries with acute fiscal issues, such as Colombia and Brazil, and to a lesser extent, post-Milei Argentina. More fiscal discipline is a key dynamic behind why we include a relief rally in most of our Latin America FX forecasts around the time of each local election. This is true in Colombia, Brazil, Chile, and Peru, while we have also flagged the possibility of nominal Argentine peso strength following congressional elections. However, the shift to the political right and more financial-market-friendly policies is unlikely to be seamless. In most cases, particularly in Colombia and Brazil, we expect fiscal spending to pick up pace as incumbent presidents seek to support individual re-election prospects or their respective party's campaign. So, while the second Conservative Wave may bring about longer-term market stability and contain political risk, in the interim a further erosion of public finances, a spike in political risk, and local markets volatility are likely to materialize before the shift fully develops.

As elections come more into focus, we plan on publishing deeper dives into the dynamics surrounding each vote. As mentioned, we believe each election will result in more market-friendly outcomes. However, we will lay out policy platforms for leading candidates as well as produce a scenario analysis for how local financial markets could perform in our base case as well as alternative scenarios. We have already produced politically focused reports on [Brazil](#) and [Argentina](#), and in the coming weeks, we will publish a follow-up on Argentina as well as layout early scenarios for Chile's election. We expect elections from the Latin American region to be relatively top of mind, and we plan on commenting frequently on dynamics leading into elections, but also as policies are proposed and eventually implemented by new administrations.

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report. All reports published by the Economics Group are disseminated and available to all clients simultaneously through electronic publication to our public website. Clients may also receive our reports via third party vendors. We are not responsible for the redistribution of our reports by third-party aggregators. Any external website links included in this report are not maintained, controlled or operated by WFBNA. WFBNA does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of WFBNA.

This publication has been prepared for informational purposes only and is not intended as a recommendation, offer or solicitation with respect to the purchase or sale of any security or other financial product, nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report or such earlier date as may be indicated for a particular price or forecast. The views and opinions expressed in this report are those of its named author(s) or, where no author is indicated, the Economics Group; such views and opinions are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report. Neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks, and is a wholly-owned subsidiary of Wells Fargo & Company.

You are permitted to store, display, analyze, modify, reformat, copy, duplicate and reproduce this report and the information contained within it for your own use and for no other purpose. Without the prior written consent of WFBNA, no part of this report may be copied, duplicated or reproduced in any form by any other means. In addition, this report and its contents may not be redistributed or transmitted to any other party in whole or in part, directly or indirectly, including by means of any AI Technologies (defined below) through which this report or any portion thereof may be accessible by any third-party. "AI Technologies" means any deep learning, machine learning, and other artificial intelligence technologies, including without limitation any and all (a) proprietary algorithms, software, or systems that make use of or employ neural networks, statistical learning algorithms (such as linear and logistic regression, support vector machines, random forests or k-means clustering) or reinforcement learning, or curated data sets accessible by any of the foregoing or (b) proprietary embodied artificial intelligence and related hardware or equipment. In addition, certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by WFBNA, its affiliates or one or more third parties (collectively, "Protected Content"). Protected Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Protected Content included in this report for purposes other than fair use requires permission from WFBNA or, in the case of content attributed to any third party, the third-party copyright owner. You may not alter, obscure, or remove any copyright, trademark or any other notices attached to or contained within this report. All rights not expressly granted herein are reserved by WFBNA or the third-party providers from whom WFBNA has obtained the applicable information. © 2025 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the "Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Act for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in MiFID2. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE