



# IMF April Publications – Fiscal Stains and Select Opportunities in a Fragmenting World



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The April IMF publications are seeing the current global shock as structural rather than cyclical, with geopolitical tensions amplifying fiscal stress, shrinking policy space, and creating asymmetric outcomes across countries rather than broad-based relief.

Rising public debt and persistently higher interest rates are narrowing governments' room to maneuver just as inflation, defense spending, and weaker growth further erode fiscal buffers, increasing sensitivity to policy credibility.

Latin America enters this period with a mixed but relatively stronger starting point, benefiting selectively from higher energy prices and stronger institutions, even as inflation risks, slowing growth, and political uncertainty complicate the outlook.

Despite macro headwinds, regional fixed income has shown resilience and continues to offer selective opportunities that favor fundamental theses rather than broad exposure.

The global economy in 2026 finds itself navigating a far more complex and fragile landscape than many anticipated at the start of the year. What began as a gradual post-pandemic normalization and recovery from the price dislocations associated with Liberation Day, has been disrupted by the escalation of conflict in the Middle East. While much of the immediate focus has centered on energy markets and commodity price dynamics, a more consequential and underappreciated dimension of this shock lies in its implications for the global fiscal outlook.

### IMF's Fiscal Monitor – April 2026 edition

Recent publications from the International Monetary Fund, including the April 2026 Fiscal Monitor and Regional Economic Outlook for the Western Hemisphere, provide a useful framework for understanding how this geopolitical development is reshaping fiscal trajectories across both advanced and emerging economies. **The Fund's assessment is clear: the current environment is not merely cyclical in nature but reflects a structural deterioration in fiscal conditions, compounded by tighter financial constraints and elevated geopolitical uncertainty.**

At the global level, the IMF characterizes the fiscal impact of the Middle East conflict as highly asymmetric. Low-income, energy-importing economies are expected to bear the brunt of the adjustment, facing higher import costs, weaker growth, and limited policy flexibility. In contrast, the group of beneficiaries is narrower than in previous commodity shocks, as even traditional energy exporters – particularly in the Gulf – are directly exposed to the conflict's broader eco-

economic and financial spillovers. This asymmetry underscores a key point: **the current shock is less conducive to broad-based fiscal relief and more likely to exacerbate divergence across countries.**

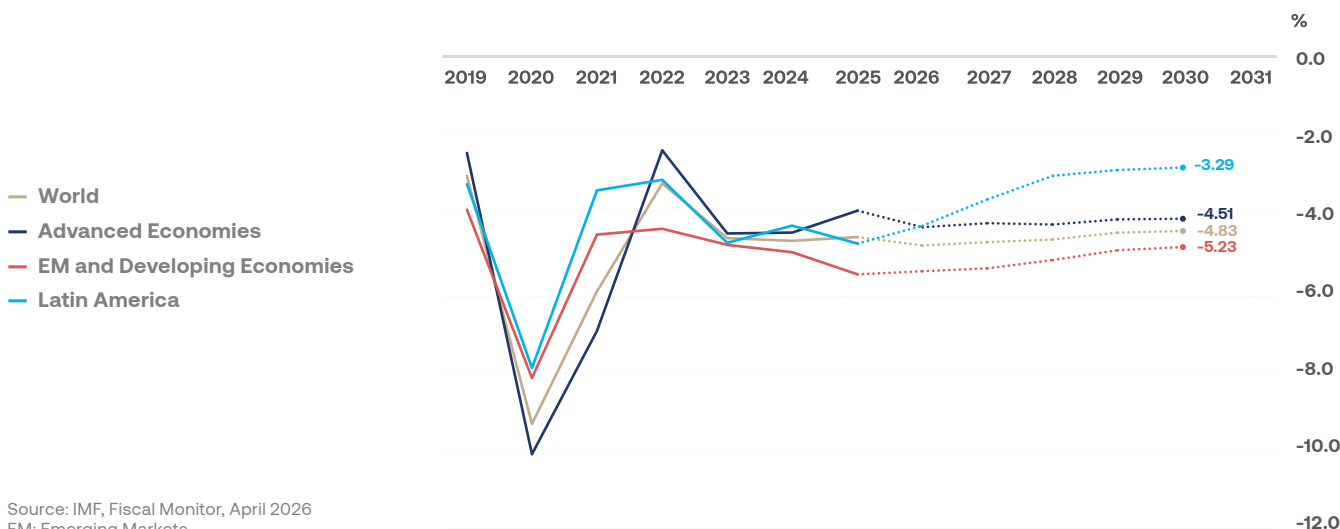
Perhaps more concerning is the trajectory of global public debt. The IMF now projects that global gross debt will approach 100% of GDP by 2029, a level not seen since the aftermath of World War II. This projection is especially troubling when considered alongside today’s higher interest rate environment and increased market sensitivity to fiscal slippage. **Governments are therefore operating with a much narrower margin for error, as the cost of borrowing remains elevated and investor tolerance for fiscal deterioration has diminished.** In practical terms, the space for countercyclical fiscal policy is shrinking at precisely the moment when it may be most needed.

The conflict itself is expected to reinforce these pressures through multiple transmission channels.

Higher food and energy prices will continue to feed into inflation, while tighter financial conditions and slower economic activity weigh on revenue generation. At the same time, rising defense expenditures are likely to place additional strain on already stretched government budgets. The cumulative effect is a further erosion of fiscal buffers across much of the global economy.

Against this challenging backdrop, the IMF emphasizes the importance of institutional strength as a key differentiator. Emerging markets that have invested in credible macroeconomic frameworks – such as independent central banks, inflation-targeting regimes, and robust local currency debt markets – are better positioned to absorb external shocks. This observation is particularly relevant when assessing the outlook for Latin America, a region that enters this period with a mixed but, in relative terms, somewhat more favorable starting point (see graph 1).

**Graph 1: General government fiscal balance (% of GDP)**  
**– still room for improvement**



Source: IMF, Fiscal Monitor, April 2026  
 EM: Emerging Markets

## IMF's Regional Outlook – Western Hemisphere

From a macroeconomic perspective, Latin America stands to benefit modestly from higher energy prices, particularly in oil-exporting economies such as Brazil, Colombia, and Guyana. Improved terms of trade in these countries are expected to support external balances, provide a degree of fiscal relief, and underpin economic activity. Indeed, the IMF suggests that, on net, several of these economies may experience a positive economic impact from the current environment. However, these gains are neither uniform nor sufficient to offset the broader challenges facing the region.

Inflation remains a central concern across Latin America, regardless of a country's energy profile. Rising fuel and transportation costs, alongside higher food prices and input costs, are feeding into broader price pressures. Recent data already point to a reacceleration of inflation in several key economies. Peru, for instance, has experienced a notable uptick driven by fuel price shocks, disruptions in natural gas supply, and adverse climate conditions. Mexico and Colombia have also seen increases in both headline and core inflation, with Colombia fac-

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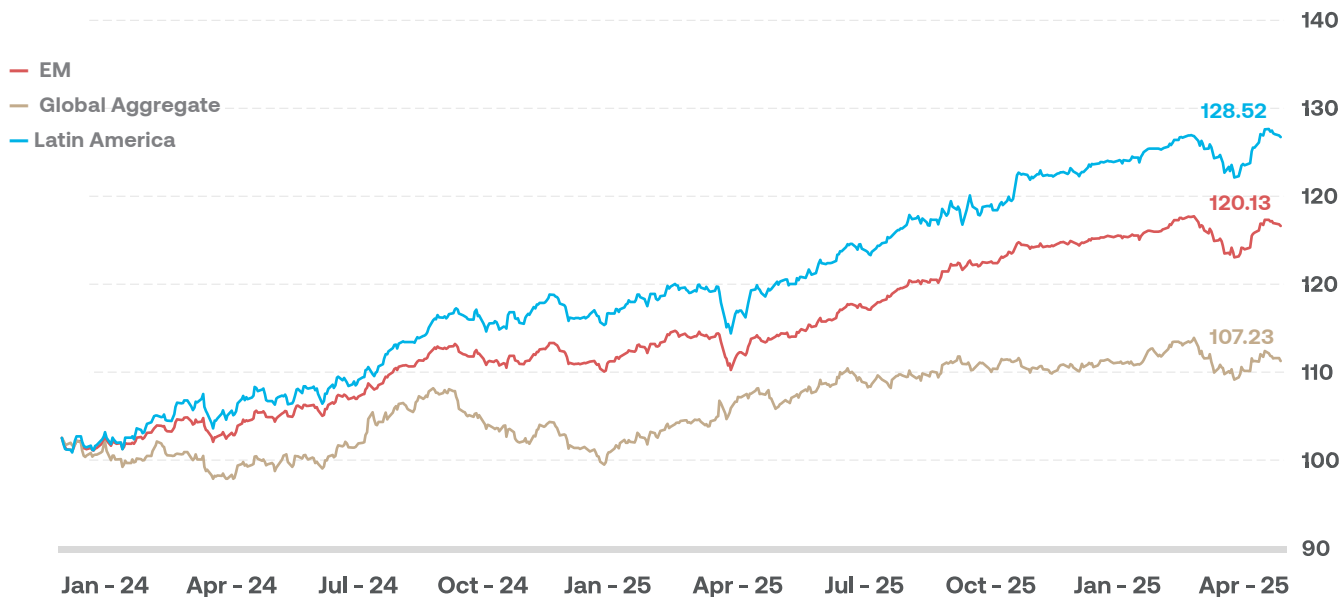
ing an additional layer of uncertainty related to concerns over central bank independence.

In response to these dynamics, central banks across the region have adopted a cautious and data-dependent stance. The uncertainty surrounding the duration and potential escalation of the Middle East conflict has reduced visibility on the inflation path, prompting policymakers to favor a more measured approach to interest rate decisions. Rather than rushing into easing cycles, most institutions are signaling a willingness to wait for clearer evidence before adjusting policy, thereby preserving credibility while trying to anchor inflation expectations.

At the same time, growth dynamics are beginning to show signs of moderation. Recent activity indicators suggest that economic momentum is softening in several major economies, including Mexico, Brazil, and Chile, where year-over-year growth readings have turned negative. Colombia continues to expand but at a decelerating pace, while Peru stands out as a relative bright spot, with activity levels remaining close to potential. This emerging divergence within the region highlights the importance of country-level differentiation when assessing investment opportunities.

Fiscal conditions, while comparatively more stable than in other regions, remain a source of vulnerability. Brazil and Colombia, in particular, exhibit some of the largest fiscal deficits and highest debt burdens in Latin America. These challenges are further complicated by upcoming electoral cycles, which introduce the risk of policy shifts toward increased public spending. In both countries, the political landscape suggests the possibility of administrations that may favor expanded subsidy programs and looser fiscal discipline. Absent credible spending controls, such developments could exacerbate existing fiscal imbalances and undermine investor confidence.

**Graph 2: Latam fixed income has remained a better investment alternative – Bloomberg fixed income indices**



Source: Bloomberg, Insigneo. Data as of April 28, 2026, where December 30, 2023 = 100  
 EM: Emerging Markets

Despite these macroeconomic and fiscal headwinds, Latin American fixed income has demonstrated notable resilience. Over the past two years, the region has outperformed both the broader emerging market complex and global aggregate bond indices, reflecting a combination of attractive carry, improving institutional credibility, and relatively disciplined monetary policy (see graph 2). This performance underscores the region’s continued relevance within global portfolios, particularly in an environment where yield remains scarce and differentiation across emerging markets is increasingly pronounced.

From an investment standpoint, the current environment reinforces the importance of selectivity and thematic positioning. Broad-based exposure to the region is unlikely to deliver optimal outcomes; instead, investors should focus on specific “pockets of value”

where macro tailwinds and structural drivers align. One such area is the North American integration theme, where a potential extension of the T-MEC agreement would benefit companies leveraged to nearshoring and regional supply chain realignment, including issuers such as Cemex, Banorte, and Fibra Uno. Another area of interest lies in Argentina’s energy sector, where continued development of the Vaca Muerta formation and associated infrastructure projects could unlock significant value. Companies such as YPF, Vista Energy, and Pampa Energía are well positioned to capitalize on this opportunity, provided that investment momentum is sustained.

Ultimately, the investment landscape in Latin America – and indeed globally – is being shaped by a confluence of forces that include geopolitical fragmentation, fiscal constraints, and persistent inflationary pres-

asures. In such an environment, the case for diversified and actively managed portfolios becomes particularly compelling. **Investors must balance regional and sectoral exposures while maintaining a disciplined focus on issuer fundamentals and policy credibility.**

In conclusion, while Latin America is not insulated from the challenges facing the global economy, it offers a combination of relative resilience and selective opportunity. Commodity-linked advantages and identifiable areas of structural growth provide a foundation for

outperformance, albeit within a highly uncertain and evolving context. Navigating this landscape will require not only a clear understanding of macroeconomic dynamics but also a rigorous, bottom-up approach to investment selection. ■



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