Paris, 23 June 2026

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## EcoFlash

### Presidential Election in Colombia: A 180-Degree Turn

**In Colombia, the right-wing populist candidate Abelardo de la Espriella won the second round of the presidential election on Sunday, 21 June, which achieved a record voter turnout of 63.4%. Preliminary estimates indicate that he secured 49.7% of the votes, narrowly surpassing left-wing candidate Iván Cepeda, who garnered 48.7% and represented a continuation of the policies of outgoing President Gustavo Petro (2022-2026). This election marks a significant shift to the right for the country, following the lead of Argentina and Chile, now governed by President Javier Milei (since December 2023) and President Antonio Kast (since March 2026), respectively. Meanwhile, Peru is still counting the votes from the second round of the presidential election and may soon follow suit, while Brazil is due to go to the polls in October.**

In the financial markets, investors reacted positively to the election outcome. Since 31 May, the date of the first round in which Abelardo de la Espriella topped the poll, the Colombian peso has appreciated by 7.1% against the US dollar, while the average yield on 10-year sovereign bonds has fallen by 150 basis points. Investors have been attracted by the new president's pro-market programme, which promises a clean break with the previous administration. Similar to his Argentinian and Chilean counterparts, he advocates for economic liberalisation and a rapid consolidation of public finances, as Colombia registered one of the largest fiscal deficits in Latin America[1] in 2025.

**Economic growth: a rebalancing of growth drivers rather than an acceleration?**

Between 2023 and 2025, Colombia's economic growth averaged 1.6% per year, compared to an average of 2.3% in the region. This growth was driven by consumption (+2.2% per year on average), especially government consumption (+3.5% per year). By contrast, investment contracted by 3.6% per year. Consequently, the investment ratio fell from 19.1% of GDP in 2022 to 16.1% of GDP in 2025, marking a twenty-year low.

The economic liberalisation promised by A. de la Espriella could revive private investment by reducing interventionism and the uncertainty that accompanies it. He intends to lift the ban on issuing new licences for hydrocarbon exploration and on hydraulic fracturing (fracking), two measures introduced by G. Petro's administration and aimed at steering the country towards an energy transition. Crude-oil production should therefore rebound after a 1.5% decline since 2022. Goods exports (+0.2% per year on average from 2023 to 2025) are also expected to rise, as hydrocarbons account for 46% of total exports (2022-2025 average).

Consumption growth, however, is likely to slow, at least in the short term. The fiscal austerity programme will significantly impact government consumption (15.7% of GDP in 2025). A. de la Espriella has announced plans to cut 700,000 public-sector jobs (about 3% of the labour force), which the private sector will struggle to absorb. Unemployment is therefore expected to rise in the coming months, following a steady decline over the past two years (from 10.7% in March 2024 to 8.7% in April 2026). The poverty rate, which fell from 36.6% to 28% between 2022 and 2025, thanks in part to several minimum-wage revaluations, could climb again.

Therefore, A. de la Espriella's victory is likely to result in a rebalancing of growth drivers rather than an acceleration of growth[2]. Moreover, downside risks to growth are not negligible. The risk of blockades associated with possible social movements is high, given the electorate's deep polarisation and the new president's controversial socio-economic agenda. His proposals to abolish the Special Jurisdiction for Peace (JEP)—a cornerstone of the 2016 peace accords—and to intensify military operations against drug trafficking could further destabilise an already fragile security situation. The negative impact on the economy could be considerable, particularly in the tourism sector, which has recently emerged as the second-largest source of foreign-exchange receipts behind oil.

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[1] See **In Latin America, the energy crisis is expected to have a moderate impact on public finances**.

[2] In his programme, A. de la Espriella forecasts to lift annual growth to 7% per year.

**Public Finances: What will be the extent of fiscal consolidation?**

Public finances have deteriorated over the past two years. The central government deficit widened to an average of 6.5% of GDP in 2024-2025, while central government debt reached 64.4% of GDP at the end of 2025, up 5 percentage points (pp) since the end of 2022.

A. de la Espriella has committed to a rapid consolidation of public finances and a return to adherence to the fiscal rule[3] that was suspended in June 2025. According to the CARF[4] (an independent state body), a fiscal adjustment of almost 4pp of GDP will be required by the end of 2027 to bring the fiscal balance back into line with the rule next year. To restore market confidence, the new president has appointed J. M. Restrepo—former Finance Minister under right-wing President Iván Duque—as vice-president.

The first signs of fiscal consolidation could appear as early as Q4 2026. Nevertheless, several obstacles could impede the process. On the expenditure front, the plan to intensify the fight against narcotrafficking could increase security spending. The government's ability to cut other outlays is likely to be limited, as "rigid" expenditures associated with recent reforms (decentralisation, pensions, health) account for over 80% of total spending. On the revenue front, tax receipts could fall if de la Espriella's proposed tax cuts are implemented.

Furthermore, the president may find it difficult to get reforms through Congress, given his outsider status and his rejection of the traditional political elite. Despite the legislative elections in March, Congress remains highly polarised, with the *Pacto Histórico*—the party of G. Petro and I. Cepeda—holding the most seats. Consequently, de la Espriella could struggle to forge the alliances necessary to pass contentious fiscal reforms and budget laws.

In short, A. de la Espriella's victory provides a temporary relief for public finances, helped by lower yields on sovereign bonds. To maintain investor confidence, his administration will need to lay the groundwork for fiscal consolidation quickly. However, numerous hurdles remain, which may contribute to increased volatility in financial markets over the coming months.

**Lucas Plé**

[3] The rule that sets the fiscal balance target based on the gap between the central government's net debt level, its maximum permissible ceiling (71% of GDP), and its long-term target (55% of GDP).

[4] Autonomous Committee for the Fiscal Rule.