

Executive Summary

In today's Latin American national elections, the opposition has an 80% likelihood of winning, according to recent statistics. Following the 2015 commodities crisis and especially after the COVID pandemic, opposition parties won nearly 80% of the elections in the region. We observe a similar pattern in Medellín, Cali, and gubernatorial races for Colombia's regional elections. However, President Gustavo Petro's regional victories in 2022 were not upheld in October 2023. Colombia regressed as the political left lost key races in cities such as Bogotá and Valle del Cauca, compared to 2019, and in most of the key Pacific and Caribbean regions, compared to 2022. President Petro is strengthening his ambitious reform agenda but faced limited success during the first half of 2023, as inflationary pressures on the supply side have waned.

Colombian regional politics work similarly to the stock market, which is crucial for institutional stability or instability, political actors' prevalence and survival, and campaign design. Before the "political IPO," aka Election Day, several parties bet on various candidates. Taking the simile to its extreme, candidates offer "political shares" to preferred clients, which parties purchase. After the IPO (Election Day), additional shares may be sold to the losing parties if they opt to join the governing coalition.

What could be the implications of the unfavorable October 29th outcomes? Initially, Petro's ability to govern will be affected, as political parties attempt to readjust to the new political landscape. Members of Congress will face a predicament. If they support Petro's reform initiatives and his administration further declines, they may end up remaining with a failing administration for too long. Legislators depend on the national budget to sustain their regions, hence they are inclined to continue bargaining with the Petro administration.

President Petro, desperate and angry that the Central Bank has not yet initiated the cutting cycle, argued that public investment should help boost the economy as private demand is collapsing. This declaration followed the Q3 GDP contraction of 0.3%, as reported by Dane. According to the President's point of view, the Central Bank would be solely responsible for this situation. He stated that outdated "fundamentalist neoliberal ideas" are hindering the ability to strengthen the economy through public investment due to limits imposed by the Medium-Term Fiscal Framework and the Fiscal Rule.

Additionally, our estimate predicts Colombian net cocaine exports will reach a value between \$6 billion and \$10 billion in 2022 (1.7% to 2.9% of GDP), 45% lower than Bloomberg's reported estimate of \$18.2 billion. However, it cannot be denied that coca and cocaine production has reached extremely alarming levels. It is possible that these levels are still lower, relative to GDP, than during Pablo Escobar's prime.