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Latam Daily: Chile GDP Beats Forecasts

CHILE: MARCH GDP FAR EXCEEDS CONSENSUS

- **Economy expanded 2.0% y/y in Q1-25, driven by permanent and transitory factors**

On Friday, May 2nd, the Central Bank of Chile (BCCh) published March GDP growth of 3.8% y/y, above consensus expectations (Bloomberg: 3.1%; Survey of Economists: 2.2%), but in line with our projection. Regarding the year-over-year change, the month saw a positive calendar effect, but also a significant recovery in momentum (chart 1 and 2). In this regard, the seasonally adjusted monthly change was 0.8% (2.2% q/q SAAR), with mining, along with services and commerce, showing positive results across all economic sectors.

The strong performance of the mining sector is due to a recovery in copper production due to maintenance and interruptions in previous months, so we do not expect any reversals in the coming months. Sustained production growth at some mines would allow the mining sector to continue contributing to growth in the coming months, a sector that, according to Cochilco, is expected to increase its production by 4.6% during 2025. The BCCh's statement refers to the positive performance of personal services in the monthly comparison, which could be explained by the increase in healthcare services observed in March. With this, GDP reached its highest seasonally adjusted level in the historical series, as did the services sector.

Public investment grew 13% y/y in real terms during Q1-25, which could also be behind the strong performance of economic activity. According to figures from the MinFin, capital expenditures grew by 18.5% compared to the approved law, marking the highest level of execution in the last 15 years (since 2010).

On the downside, temporary factors may have explained the drop in the other goods GDP. These sectors together subtracted 0.2 pts from the seasonally adjusted growth rate for the month. In this regard, we estimate that the fishing sector has shown a normalization of GDP levels after its positive performance in February. Therefore, the monthly comparison may have been unfavourable in March, but this will not continue to affect momentum going forward.

The Central Bank's GDP growth scenario is not in jeopardy despite the trade war. Indeed, in the June IPoM, the BCCh should pencil in higher-than-expected GDP growth, which will offset the weaker external momentum and the downward revision in global growth, leading to the 2025 GDP growth projection remaining between 1.75% and 2.75%. Regarding inflation, we do not expect significant revisions to the 3.8% inflation rate, and Scotiabank maintains its 3.5% projection. The projections that would be most likely to be

Chart 1

Chile: Level of GDP by Sector

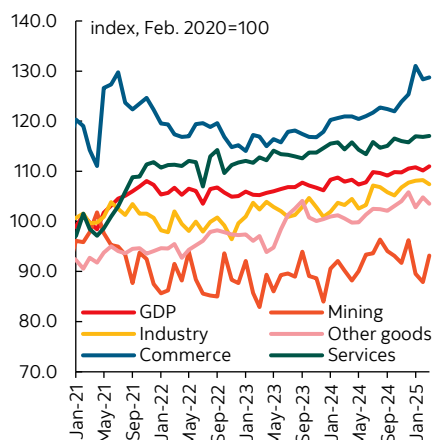
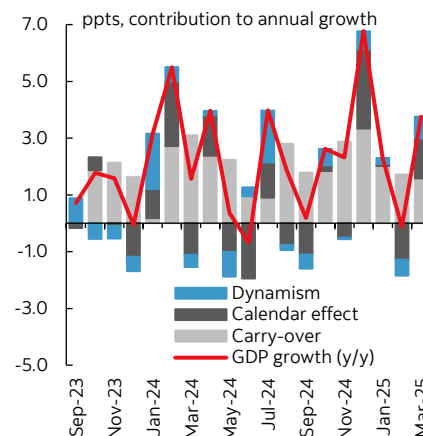


Chart 2

Chile: Monthly GDP Growth



May 5, 2025

revised would be those for 2026. In this context, the arrival to a neutral policy rate would not be urgent, and the rate corridor that contemplates cuts in September and December would remain in place. For tactical reasons alone, the monetary authority could bring forward the first rate cut to July, which would largely depend on whether the Fed takes the first step and inflation negatively surprises the baseline scenario.

We project that April GDP growth will be between 1.5% and 2.5% y/y given the high comparison base for April 2024, which had three more business days than April 2023 and showed an expansion of 4.0% y/y. Seasonally adjusted growth should remain marginally positive, driven by domestic demand that should continue to grow at a limited rate.

—Aníbal Alarcón

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