Scotiabank

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LATAM DAILY

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Latam Daily: Chile Tax Reform Bill, Weak Mexican Activity

- **Chile: Government presents new Tax Reform bill, which includes personal tax increases**
- **Mexico: Tracking zero growth in 2025**

CHILE: GOVERNMENT PRESENTS NEW TAX REFORM BILL, WHICH INCLUDES PERSONAL TAX INCREASES

The Minister of Finance outlined some of the measures included in the bill sent to the Chamber of Deputies on Monday, July 21st, which aim to provide benefits to SMEs through lower taxes and exemptions. Among the measures highlighted are the exemption from corporate tax and the establishment of a single tax (monotributo), which will allow SMEs to comply with their tax obligations through a fixed payment of 1 UTM (USD 72). The bill also includes measures to benefit the middle class, highlighting the possibility of deducting property rental expenses and a limit on real estate tax payments for pensioners. All of these measures are estimated to have a fiscal cost of USD 1 bn per year.

To offset this, the government is proposing an increase in the marginal personal tax rate for taxpayers with monthly incomes exceeding CLP 8.2 million (USD 8,500), from 35% to 38%, as well as the application of a marginal rate of 40% for individuals with monthly incomes exceeding CLP 10.2 million (USD 10,600). At the same time, some exemptions from corporate tax payments are being eliminated.

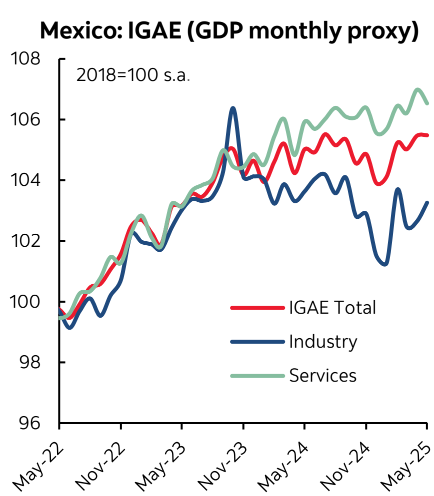
On the other hand, the Budget Office will present its Public Finance Report corresponding to Q2 to Congress. It is expected to ratify the fiscal spending reduction measures committed in the previous report, which are necessary to meet the structural deficit target this year.

—Aníbal Alarcón

MEXICO: TRACKING ZERO GROWTH IN 2025

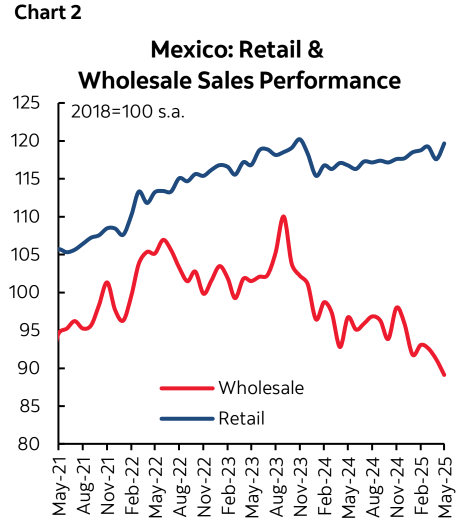
The Global Indicator of Economic Activity (IGAE) moderated its annual decline in May, improving from -1.7% to -0.2% y/y (vs. 0.44% consensus), marking its second consecutive drop. By components, agriculture and livestock led the rebound, rising from -1.5% to 5.4%, while industry posted a smaller contraction, improving from -4.0% to -0.8%, mainly due to a slight recovery in manufacturing to 0.5% and stagnation in construction (0.0%). Meanwhile, services also showed a milder decline, from -0.4% to -0.2%, with wholesale

Chart 1



Sources: Scotiabank Economics, INEGI.

Chart 2



Sources: Scotiabank Economics, INEGI.

trade deteriorating further to -9.9%, while retail trade rose to 2.4%. The strongest growth was seen in business support services, which expanded by 16.5%. As a result, the index averaged 0.0% YTD in the first five months of the year compared to the same period a year earlier (chart 1).

On a seasonally adjusted monthly basis, the IGAE remained unchanged (0.0% m/m) from the previous 0.4%, supported by a rebound in primary activities (3.6%) and moderate growth in industry (0.6%), which offset a decline in services (-0.4%). Looking ahead, we expect economic weakness to persist in the coming months, with services affected by slower formal job creation and industry especially weighed down by ongoing uncertainty from both domestic and international factors.

According to INEGI, retail sales in May 2025 surprised to the upside, posting an annual increase of 2.7% y/y, beating both the expected 1.1% and the previous 2.0% decline in April. This rebound was mainly driven by strong growth in groceries, food, beverages, ice, and tobacco (+4.9%), textiles, jewelry, fashion accessories, and footwear (+8.8%), stationery, leisure items, and other personal goods (+9.5%), and sales exclusively through internet, printed catalogs, television, and similar channels (+9.6%). On a seasonally adjusted monthly basis, retail sales rose by 1.8% m/m. On the other hand, wholesale sales recorded a sharp contraction of -9.1% y/y, deepening the previous month's -1.5% drop. Six out of seven components saw declines of over 7%, marking the steepest fall since October of last year (chart 2).

—Rodolfo Mitchell & Miguel Saldaña