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Latam Daily: Chile Inflation Misses, Mexico's Meets

- **Chile:** A sharp and broad-based disinflationary surprise reopens the door for a December rate cut
- **Mexico:** CPI meets; mixed auto sector figures

CHILE: OCTOBER CPI SURPRISE—0.0% M/M (3.4% Y/Y)

October's CPI came in at 0.04% m/m, significantly below both market expectations and our own forecast (0.3% m/m). The surprise was widespread across divisions, with notable downside deviations in several services, particularly within the transport category. Core inflation (ex-volatile items) fell by 0.1% m/m, driven by a 0.3% m/m decline in goods prices and a marginal 0.1% m/m increase in services—the smallest October rise in recent years. Annual inflation stood at 3.4% y/y for both headline and core measures, well below the 4.0% y/y projected in the September Monetary Policy Report (IPoM).

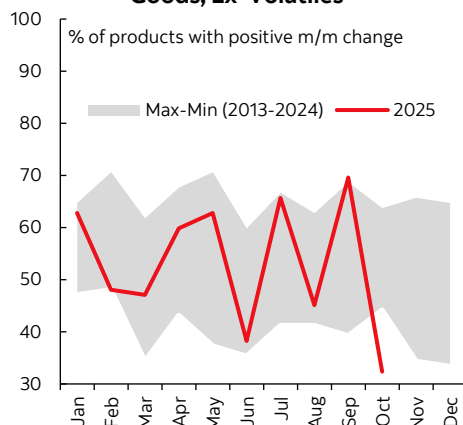
Transport app services and streaming subscriptions led the negative contributions in October's CPI. At the division level, the largest surprises were concentrated in transport and communications. Within transport, private passenger transport services (e.g., Uber, Cabify, Didi) fell by 6.8% m/m (contribution: -0.03 ppts), likely reversing the sharp increase seen in September. Similarly, audiovisual content subscriptions (e.g., Netflix, Spotify) posted another decline, contributing -0.024 ppts to headline inflation. Together, app-based services accounted for two of the four largest negative product-level contributions in October.

Inflation diffusion hit new historical lows, reflecting broad-based disinflation across the basket. Headline CPI diffusion dropped to 38.9%—a record low for October. The same trend was observed in the core basket, mainly due to historically low diffusion in goods (chart 1), and to a lesser extent, reduced services diffusion (chart 2) compared to the previous month. Consecutive monthly adjustments over the past three months have returned to historical lows, easing concerns raised by September's inflation print. Part of the decline may be attributed to the early-October Cyber event, which contributed to lower prices in goods and some services. Additionally, key services posted very modest increases such as rent (0.1% m/m), its smallest October monthly rise since at least 2013.

The surprise is evident for markets and the Central Bank, likely increasing the probability of a December rate cut. However, since October's CPI may not signal a sustained trend, we await confirmation from November's print before revising our current 50% probability of a cut at the final monetary policy meeting of 2025. We expect nominal swap rates up to 6 months to decline following this unexpected reading.

Chart 1

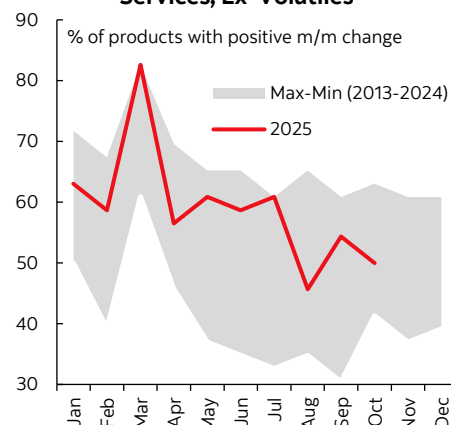
Chile: CPI Inflationary Diffusion of Goods, Ex-Volatiles



Sources: Scotiabank Economics, INE.

Chart 2

Chile: CPI Inflationary Diffusion of Services, Ex-Volatiles



Sources: Scotiabank Economics, INE.

—Aníbal Alarcón

November 7, 2025

MEXICO: CPI MEETS; MIXED AUTO SECTOR FIGURES

In October 2025, inflation recorded a monthly increase of 0.36%, in line with analysts' expectations but higher than the 0.23% observed in the previous month. As a result, annual inflation stood at 3.57%, virtually matching the estimated 3.56% and below the 3.76% seen in September. Core inflation rose 0.29% month-over-month and 4.28% year-over-year (chart 3), in line with forecasts of 4.27%, with widespread increases across its components. Goods were notable, especially food, beverages, and tobacco (5.26% y/y), as well as services, where education stood out (5.82% y/y). Meanwhile, the non-core component increased 0.63% monthly and reached 1.18% annually, driven by adjustments in electricity tariffs, while agricultural products declined by -0.90%. Among the items with the greatest upward impact were electricity, air transportation, tourism services, and professional services; in contrast, green tomatoes, avocados, oranges, and lemons contributed to the downside.

Producer Price Index Trends

In the same month, producer prices eased to 2.96% y/y from 3.06% previously. By sector, prices for primary activities rose from 0.48% to 0.65%. Industrial activity prices moderated from 2.54% to 2.28%, with the largest increase in construction. Meanwhile, services accelerated from 4.22% to 4.32%.

Automotive Industry Performance: Production and Exports

According to INEGI, 367,870 light vehicles were produced in October (chart 4), representing a -3.72% decline compared to the previous year, marking three consecutive months of contractions. Year-to-date production has fallen -0.69% versus the same period last year. In contrast, light vehicle sales rose 5.99% y/y to 129,736 units, although cumulative sales through October showed only a marginal increase of 0.11%. Finally, exports contracted -5.45% y/y in October, totaling 314,217 units. Year-to-date, 2.88 million units have been shipped abroad, a -1.5% annual decline, with the United States as the main destination, accounting for 78.7% of total exports.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

Chart 3

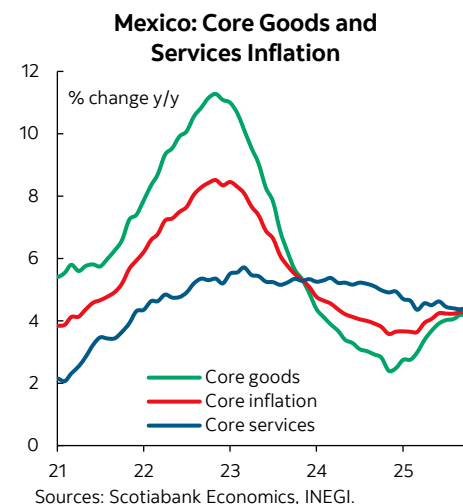
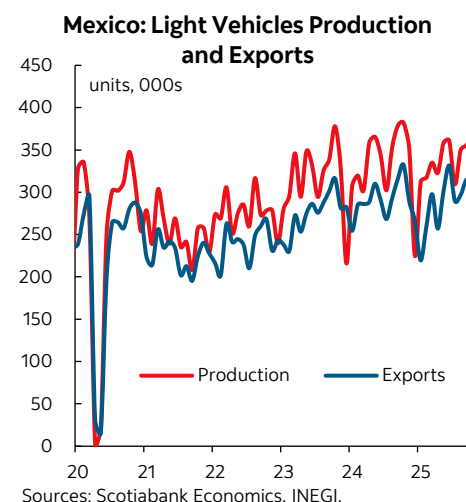


Chart 4



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