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TODAY'S CONTRIBUTORS:

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Latam Daily: Broad-Based Rise in Chilean GDP

Chile: October GDP at 2.2% y/y with broad-based sector recovery

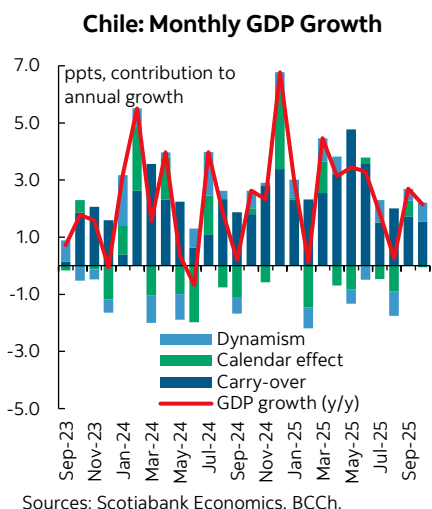
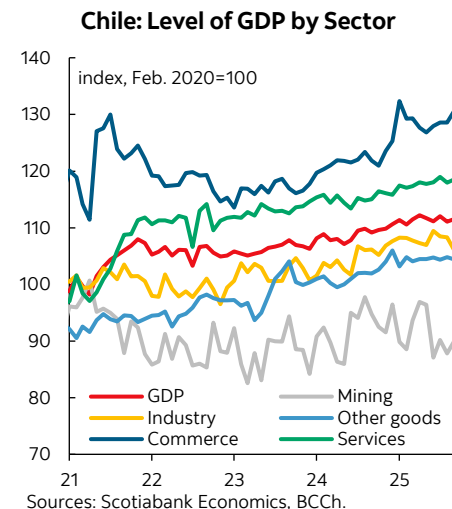
GDP expanded by 2.2% y/y in October, broadly in line with market expectations and ours. Growth was widespread across economic sectors, with personal services standing out. Despite some volatility, non-mining activity has consistently expanded this year, reaching record levels both in aggregate and non-mining terms. Seasonal factors were not relevant in October given the absence of additional business days. For November and December, we expect a slight acceleration in monthly activity, consistent with our unchanged GDP growth forecast of 2.5% for 2025.

October saw a solid expansion even after excluding seasonal effects. The carry-over effect was the main contributor to the annual GDP increase, although monthly momentum also supported the 2.2% y/y expansion (chart 1). Conversely, seasonal factors—closely linked to calendar effects—had no significant impact this month, mainly due to no difference in business days compared to last year. In fact, seasonally adjusted (SA) GDP grew 2.5% y/y, confirming a solid expansion excluding seasonal elements. We estimate virtually no seasonal impact in November and December.

Broad-based growth was seen across economic sectors (chart 2). Compared to the previous month, total SA GDP expanded 0.7% m/m, driven by mining (+1.4% m/m), which continues to recover lost production levels, while non-mining GDP grew 0.6% m/m—the strongest pace since June—largely supported by services, particularly personal services. Commerce expanded 0.1% m/m, mainly due to retail trade performance. Overall, carry-over (assuming zero activity growth for the rest of the year) stands at 2.4%.

Non-mining GDP continues to show solid growth. Despite fluctuations, non-mining sectors have expanded this year, accumulating an annualized quarterly growth rate of 0.9% in October. Consistent with our 2.5% forecast for 2025, further expansions in seasonally adjusted non-mining GDP in November and December would push quarterly annualized growth close to 3%, with GDP levels reaching historical highs.

The execution of public investment accelerated significantly in October. According to the Budget Office's data, capital expenditure grew 26% y/y in real terms, the largest annual increase for an October month since 2019. As a result, public investment accumulated a 5.5% increase this year, with 68% of budgeted spending executed, providing some support to activity in recent months.

Chart 1

Chart 2


December 1, 2025

December rate cut? Yes, but not due to activity or capacity gap arguments. The main driver of a 25bp cut in December would be inflation and its determinants. The window to cut the policy rate and reach the neutral level of 4.25% is mainly present in December and January meetings, as the output gap is closed and consumption shows solid momentum supported by credit and improving confidence indicators, in a context where labour costs will continue to rise within the policy horizon. Annual inflation expected to reach 3.0% after January CPI would open the space for the BCCh to deliver a cut in December and another “potentially” in January, leaving the policy rate at 4.25% for an extended period while awaiting local and external developments. This should come alongside the disclosure of a new estimate for the neutral policy rate.

—Aníbal Alarcón

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