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Latam Daily: November CPI Data Leave December BCCh Cut in Play

- **Chile: November CPI at 0.3% m/m (3.4% y/y) keeps the door open for a rate cut on December 16th**

November CPI came in at 0.3% m/m, below our point estimate of 0.36% (forward markets: 0.36%; Bloomberg median: 0.3%), bringing annual inflation to 3.4% y/y. The expected reversal was observed across the total basket, ex-volatiles, and goods, with broad-based increases ahead of Black Friday, consistent with recent years (chart 1). This suggests a decline in goods diffusion in December. Of greater concern is the services component, where inflation diffusion accelerated to its highest level in the past decade (chart 2), driven mainly by generalized price increases in communications, housing, and restaurants. Among goods, while price increases were not significant in magnitude, bread (+1.6% m/m) stood out for its incidence, reflecting cost shocks faced by the economy this year (electricity tariffs and labour costs).

We expect inflation to reach the 3.0% target as early as January, or even slightly below, nearly three quarters ahead of the timeline anticipated in the September IPoM. The inflation scenario has surprised by 0.4 ppts at the headline level and 0.3 ppts at the core level over the past three months. Accordingly, we anticipate a downward revision in the December 2025 inflation forecast from 4.0% to 3.7% y/y.

Our preliminary projection for December CPI is between -0.1% and 0.0% m/m (fwd: -0.10%). Gasoline prices should fall again, with an incidence between -0.05 and -0.10 ppts, alongside declines in some vegetables and electronic items. We expect reversals of November's goods price increases following Black Friday, assuming a significant reduction in core goods diffusion. In this context, and amid real and nominal currency appreciation, conditions appear favourable for a flat or negative CPI print in December. As we have repeatedly noted, the best antidote to rising labour costs is a strong currency appreciation, which offsets past and upcoming cost pressures. We remain in the midst of this appreciation cycle and continue to expect the CLP to trade around \$890 in the coming weeks, consistent with our base scenario for 2025 outlined several quarters ago.

We reiterate our call for a 25 bps rate cut on December 16th, alongside the December IPoM (December 17th), where we expect the Central Bank to project 2025 GDP growth at 2.5% and investment expanding by no less than 6.0%, broadly in line with our long-standing expectations, and inflation ending the year at 3.7%. For 2026, growth should rise toward

Chart 1

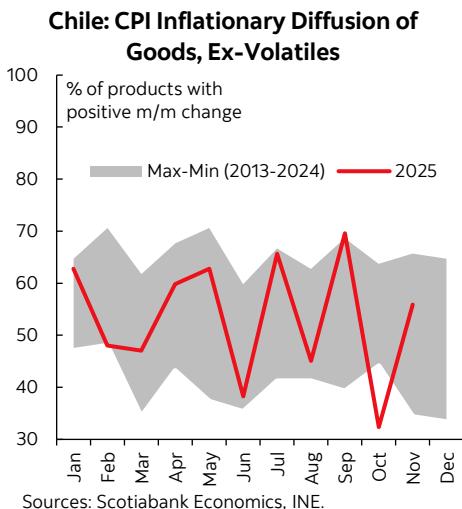
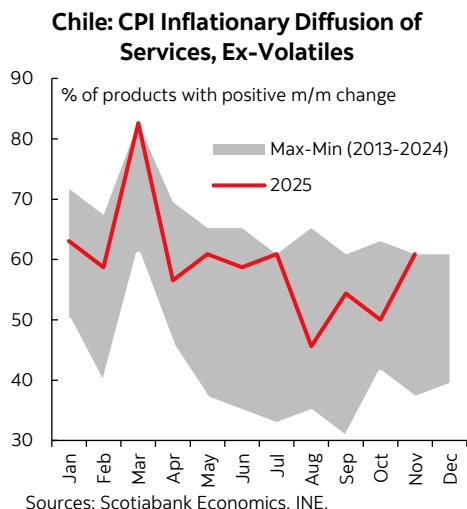


Chart 2



December 5, 2025

the 2.0–3.0% range, with inflation near 3% by December. Given that the 3.0% target will be reached in January—almost three quarters earlier than expected in the September IPoM—we also anticipate the corridor to allow for another 25 bps cut in January, bringing the policy rate to the new neutral centre of 4.25%. While conditions are in place to reveal the new neutral rate estimate (Scotia: 3.75–4.75%), we are not certain the Central Bank will disclose it, likely maintaining its guidance that the neutral rate remains at the upper end of the current range (3.5–4.5%).

—Aníbal Alarcón

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