Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

January 2, 2026

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Latam Daily: Chile GDP Disappoints with Broad-Based Sectoral Weakness

- **Chile: November GDP at 1.2% y/y disappoints with broad-based sectoral weakness. The option for an additional policy rate cut this month remains open, contingent on no surprises in December CPI**

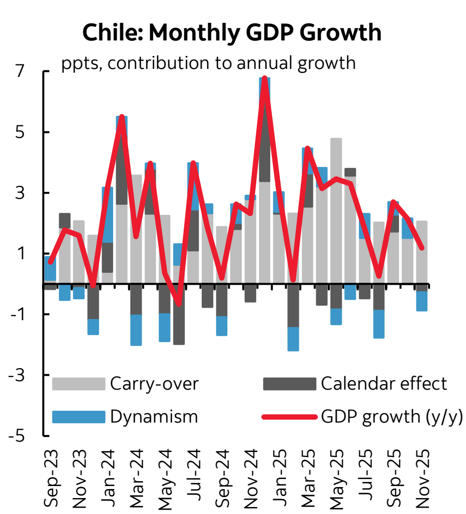
Chilean GDP rose by 1.2% y/y in November on a -0.6% m/m change, reflecting contractions across all sectors except commerce, which recorded the only monthly increase (+0.3% m/m). Mining, manufacturing, other goods, and services all declined, with services showing the sharpest drop (-0.6% m/m), leaving non-mining activity down 0.5% m/m (chart 1 and 2).

Alongside the services contraction, manufacturing fell again (-0.1% m/m), accumulating a 1.9% decline in H2-25. This contrasts with the sustained recovery in commerce (+0.3% m/m), which has grown 2.4% in H2-25. Wholesale trade remains supported by private investment in machinery and equipment, particularly in mining and energy, a trend likely to persist given favourable investment prospects.

Public investment contracted 17% y/y in real terms, marking its steepest November decline in 12 years. Execution slowed, reaching 74.3%, even below last year's 74.5%. The drop mainly reflects lower health-sector investment and reduced capital transfers to municipalities, aimed at urban improvements. With the year nearly closed, under-execution of the public investment budget in 2025 appears almost certain amid ongoing fiscal adjustments.

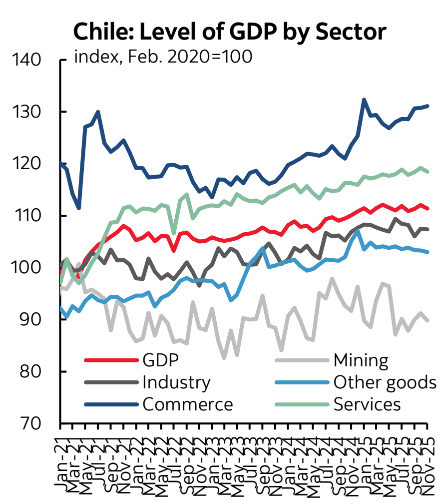
For monetary policy, this disappointing activity print—following labour market deterioration in the quarter ending November—reinforces the case for an early policy rate cut at the January meeting. Peso appreciation has significantly paved the way for inflation convergence, while employment and non-mining activity remain weak at the margin. In this context, the Central Bank could bring the policy rate to the centre of the neutral range as early as this month, despite the Monetary Policy Report's corridor signaling the next cut for July. At Scotiabank, we await December CPI to assess conditions for an early move to the neutral rate of 4.25%. Our forecast for December CPI is -0.1% m/m and +0.1% m/m for core CPI.

Chart 1



Sources: Scotiabank Economics, BCCh.

Chart 2



Sources: Scotiabank Economics, BCCh.

—Aníbal Alarcón