Scotiabank.

GLOBAL ECONOMICS

LATAM DAILY

January 8, 2026

Latam Daily: Chile CPI Miss Points to January Cut, As Does Mexico's Undershoot

- **Chile: 25bps cut in January is now our base case, postponement has fewer arguments in its favour**
- **Mexico: December CPI surprised to the downside, with headline inflation closing the year at 3.69% and core inflation at 4.33%. Producer prices moderated to 2.06%**

CHILE: 25BPS CUT IN JANUARY IS NOW OUR BASE CASE, POSTPONEMENT HAS FEWER ARGUMENTS IN ITS FAVOUR

December CPI came in at –0.19% m/m (3.5% y/y), surprising market expectations and ours to the downside, as well as the baseline scenario in the BCCh's December MPR (–0.1%). Core CPI (ex-volatiles) fell 0.1% m/m (3.3% y/y), reflecting a 0.3% m/m drop in goods prices and a 0.1% m/m increase in services, both below expectations. Among volatile items, fruit and vegetable prices declined, along with expected drops in gasoline prices.

A genuine downside surprise in core CPI for the BCCh's baseline scenario. The December MPR projected core inflation ending at 3.4% y/y (actual: 3.3%), assuming monthly core CPI at 0.04% (actual: –0.06%). While part of the surprise may be linked to volatility in goods prices during Cyber events, some key services showed very muted inflation readings, such as rental services (0% m/m for the second consecutive month).

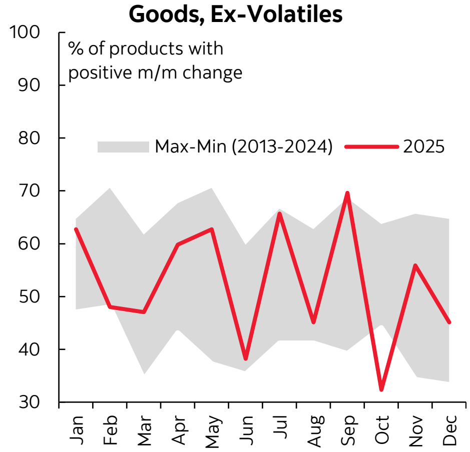
Inflation diffusion indicators reveal no significant upward pressures, especially in goods (chart 1 and 2). Total CPI diffusion stands at 41.3%, back at the lower end of its historical range for the month, mainly contained by services, which remain high due to recent cost increases. For goods, the expected Cyber-day effect in December is evident—a phenomenon we have monitored for months and that the BCCh recently flagged as a key source of CPI volatility. For January, we expect some upward reversal in goods sensitive to discount events, partly offset by the recent CLP appreciation, announced electricity tariff cuts, and lower fuel prices.

Cutting the policy rate by 25bps in January has become our base case for the following reasons:

- **Significant real and nominal CLP appreciation.** The peso is near our projection but stronger than the BCCh's baseline scenario, as noted by one Board member. The spot REER is slightly below 100 pts (1986=100), signaling a meaningful real appreciation with disinflationary effects on tradable goods (58% of the CPI basket).

Chart 1

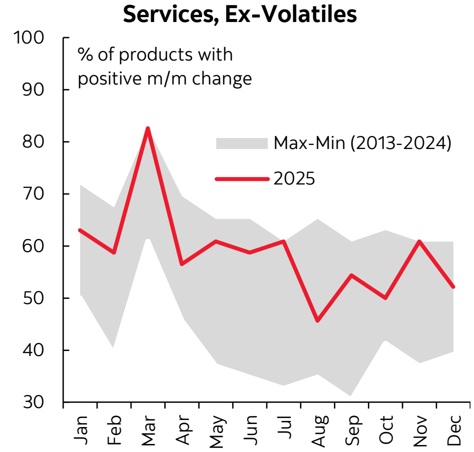
Chile: CPI Inflationary Diffusion of Goods, Ex-Volatiles



Sources: Scotiabank Economics, INE.

Chart 2

Chile: CPI Inflationary Diffusion of Services, Ex-Volatiles



Sources: Scotiabank Economics, INE.

Contributors

Juan Manuel Herrera, Senior Economist
+52.55.2299.6675 (Mexico)
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Aníbal Alarcón, Senior Economist
+56.2.2619.5465 (Chile)
anibal.alarcon@scotiabank.cl

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Martha Cordova, Economic Research Specialist
+52.55.5435.4824 (Mexico)
martha.cordovamendez@scotiabank.com.mx

- **Labour market shows new slack.** The latest data reveal a deterioration in private salaried job creation and, more importantly, an increase in the SA unemployment rate to 8.6%, above the BCCh's NAIRU range, pointing to additional labour market slack and disinflationary pressures.
- **November GDP weakened broadly.** IMACEC fell –0.6% m/m SA, well below consensus and the BCCh's baseline scenario.
- **Inflation likely below 3% y/y until at least May 2026,** with risks of falling further due to negative contributions from gasoline (through March) and electricity tariffs in January CPI. While pension-related payments starting in January may boost private consumption, their inflationary impact should be second-order.

Waiting until late March for the next rate cut—bringing it to 4.25%—could represent a monetary policy delay, potentially triggering an overly contractionary stance. Advancing the cut to January's meeting, combined with a neutral bias and clear communication, would not conflict with recent local and external developments. It would not necessarily be seen as policy lag nor as the start of a cycle pushing the policy rate below neutral if the BCCh communicates its strategy effectively.

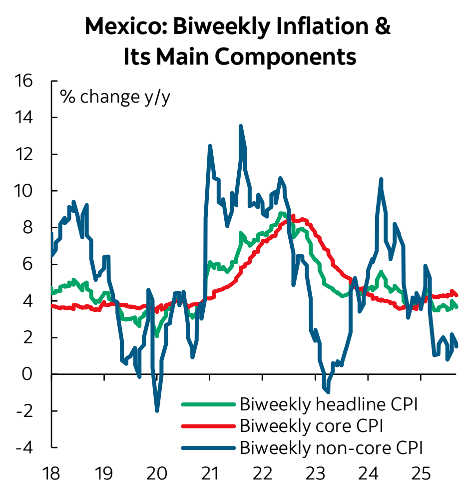
—Aníbal Alarcón

MEXICO: DECEMBER CPI SURPRISED TO THE DOWNSIDE, WITH HEADLINE INFLATION CLOSING THE YEAR AT 3.69% AND CORE INFLATION AT 4.33%. PRODUCER PRICES MODERATED TO 2.06%

In December, headline inflation slowed from 3.80% in November to close the year at 3.69% (chart 3), below the 3.76% consensus. Core inflation fell slightly from 4.43% to 4.33% (vs. 4.34% consensus). Within its components, goods decreased slightly from 4.37% to 4.30%, while services dropped from 4.49% to 4.35%. Among the products with the greatest upward impact were air transportation, prepared foods, and housing, while eggs and chicken helped contain price increases. Meanwhile, non-core inflation declined from 1.73% to 1.61%, continuing its downtrend over the last three fortnights. On a sequential biweekly basis, headline inflation rose 0.28% and core inflation 0.41%, while non-core inflation fell -0.16%.

Also in December, the producer price index moderated from 2.36% to 2.06% year-over-year. By activity groups, primary activities posted a -3.78% annual decline, while the index for industrial activities rose 1.39%, led by a 3.93% increase in construction compared to 0.91% in manufacturing. Lastly, services showed the fastest growth rate, at 4.09%.

Chart 3



Sources: Scotiabank Economics, INEGI.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova