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GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: BCCh Holds, Mexico's Economic Package and Inflation, Peruvian Real Estate

- **Chile: The BCCh maintains a cautious stance amid external inflationary risks**
- **Mexico: 2027 economic package—gradual fiscal consolidation, revenue assumptions, Pemex support reduction and risks to the public finance outlook**
- **Peru: Real estate sector on track for double-digit growth in 2026**

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CHILE: THE BCCH MAINTAINS A CAUTIOUS STANCE AMID EXTERNAL INFLATIONARY RISKS

On September 8th, the Central Bank of Chile (BCCh) kept the monetary policy rate unchanged at 4.50%, in line with widespread market expectations. Regarding its assessment of the external backdrop, the BCCh stated that the Middle East conflict remains the "main source of concern," noting a recent escalation that pushed oil prices back toward levels close to USD 100 per barrel. In addition, the statement highlighted the persistence of global inflationary risks, which continues to warrant a restrictive stance among major central banks.

On the domestic front, the BCCh acknowledged the downside surprise in July economic activity and a further deterioration in labour market conditions, including employment destruction at the margin. Against this backdrop, the September Monetary Policy Report (MPR) released today showed a downward revision to the 2026 GDP growth forecast to a range of 0.25%–0.75% (midpoint: 0.5%), representing the largest negative swing relative to the prior MPR since the pandemic. Under this framework, the BCCh's baseline scenario encompasses our 0.7% GDP growth forecast for this year, to which we have recently incorporated a downside bias following the broadly weak performance observed in July.

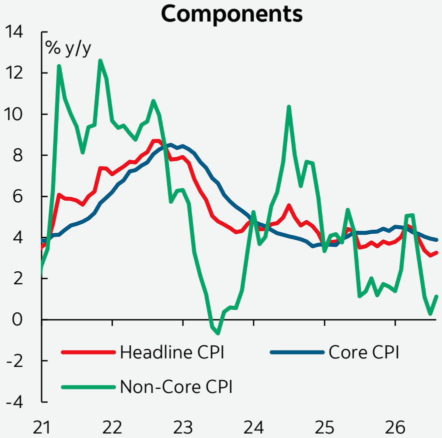
The September MPR also includes a modest upward revision to the inflation forecast for December 2026, from 4.2% y/y to 4.3% y/y. However, it is worth noting that this projection does not incorporate the recent upside surprise in August CPI, which we estimate added between 0.2 and 0.3 percentage points. As a result, a more realistic year-end inflation outlook would likely fall within a range of 4.5%–4.6% y/y, broadly consistent with our baseline scenario.

Regarding the rate trajectory, the policy corridor shows no significant changes, signaling a prolonged pause while maintaining a cautious tone toward external inflationary risks. At the same time, the BCCh underscored the weakness of domestic economic conditions, which could lead the economy to post three consecutive quarters of seasonally adjusted contractions, a situation not seen since the 2008 global financial crisis.

—Anibal Alarcón

Chart 1

Mexico: Monthly Inflation and Its Main Components



Sources: Scotiabank Economics, INEGI.

MEXICO: 2027 ECONOMIC PACKAGE—GRADUAL FISCAL CONSOLIDATION, REVENUE ASSUMPTIONS, PEMEX SUPPORT REDUCTION AND RISKS TO THE PUBLIC FINANCE OUTLOOK

The 2027 Economic Package presented by the Ministry of Finance considers an economic growth scenario of between 1.5% and 2.5%, with inflation converging to 3.0% by year-end and Banxico's reference rate at 6.0%. On the fiscal front, the government expects to continue with a gradual consolidation strategy, reducing the public deficit from 4.1% of GDP in 2026 to 3.9% in 2027, supported by higher tax revenue—equivalent to 15.4% of GDP—with a fiscal reform in between, although with tax adjustments focused on strengthening the tax base.

In terms of debt, the Package estimates the Historical Balance of Public Sector Borrowing Requirements at 54.0% for 2026 and 55% for 2027. According to the document, fiscal adjustment will rely mainly on the rationalization and reallocation of spending, with a notable reduction of almost 70% in government support for Pemex, which would decline from 263.5 billion pesos in 2026 to 81.1 billion in 2027, under the assumption that the company achieves a financial surplus of 95.1 billion pesos. At the same time, resources allocated to public investment and social programs will increase, offset by cuts in other budget items.

Overall, the package reflects an effort to remain on a path toward fiscal consolidation, although the feasibility of the fiscal targets will depend on the materialization of the assumptions regarding economic growth, revenue collection, spending control, and Pemex's operating performance.

AUGUST INFLATION REPORT SHOWS HEADLINE MODERATION, CORE INFLATION STILL PRESSURED

In August, headline inflation moderated, moving from 3.12% to 3.26% (chart 1), slightly below consensus expectations of 3.30%, and remained below 4% for the fourth consecutive month. Core inflation declined from 3.95% to 3.88%, also below the consensus estimate of 3.92%. Within core inflation, goods decreased from 3.52% to 3.41%, while services eased slightly from 4.36% to 4.33%, with education at 6.04% and housing at 3.57%. Meanwhile, non-core inflation accelerated from 0.29% to 1.13%, as the agricultural component continued to fall to -1.53%, with fruits and vegetables at 4.10% and livestock products at -5.22%, while energy and government-authorized tariffs stood at 3.33%.

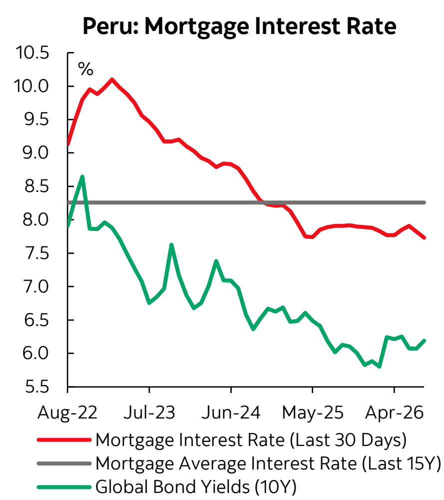
Among the products with the greatest upward impact—ordered by incidence—were onions, with a monthly variation of 32.70%; eggs, with 8.91%; owner-occupied housing, with 0.22%; small restaurants, diners, and taco shops, with 0.43%; and other fruits, with 7.12%. In contrast, potatoes, LP gas, chicken, and automobiles maintained downward price movements this month. In sequential monthly terms, headline inflation increased 0.20%, core inflation rose 0.16%, and non-core inflation advanced 0.36%.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

PERU: REAL ESTATE SECTOR ON TRACK FOR DOUBLE-DIGIT GROWTH IN 2026

By year-end 2026, the real estate sector is expected to post a double-digit growth rate, following the trend in the construction sector. The result we expect in 2026 is based on the projected growth in the placement of New Mortgage Loans (NML), which would reach a record level. This scenario would be explained mainly by higher home sales in Lima, as well as by the recovery in lending for social housing after three consecutive years of decline.

Chart 2



Sources: Scotiabank Economics, BCR, SBS.

The positive performance expected by year-end 2026 would be driven by the gradual decline in mortgage rates, which would lower monthly payments. This trend is consistent with the yield on the 10-year sol-denominated bond, a benchmark for long-term lending, whose July average stood below the December 2025 level (chart 2). In addition, the lower sol-dollar exchange rate in recent months has reduced home prices in sol terms, as housing units are mostly listed in dollars. Finally, stronger formal employment and income growth would further support home-buying decisions.

In disaggregated terms, by year-end 2026 we project that NML placements will increase by around 10%, growing for a third consecutive year and totaling slightly more than 45 thousand loans (41,057 loans in 2025). If this figure materializes, it would exceed the record number of mortgage loans placed in 2021 (43,882 loans). As mentioned, this result would be supported by new home sales in Lima, which we expect to grow by close to 18% by year-end 2026, reaching around 30 thousand units, a projection based on figures from the Confederation of Real Estate Developers of Peru (CODIP, by its Spanish acronym). This would be complemented by a recovery in social housing sales, given that loan disbursements under the New MIVIVIENDA Loan (NCMV,by its Spanish acronym) program would exceed the level reached in 2025 (9,157 loans), a year in which placements fell 2%, marking the lowest annual figure since 2020 (pandemic).

Performance as of July 2026

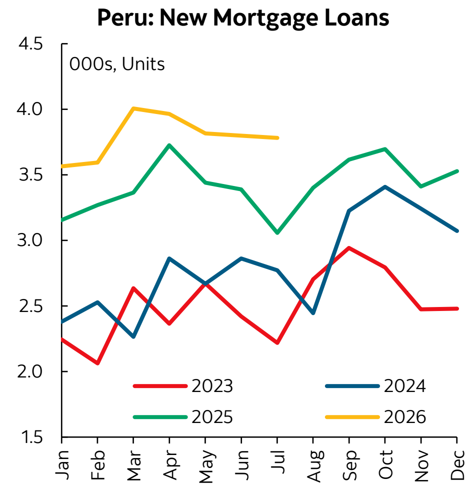
Between January and July, 26,525 new mortgage loans were placed, up 13.3% y/y compared with the same period in 2025, 3,782 loans were granted in July (chart 3), according to SBS figures. Along the same lines, the growth rate in home sales during July (+24% y/y) was the highest rate since August 2025. Meanwhile, home sales in Lima reached 17,871 units between January and July 2026, 25% y/y higher than in the same period of 2025, according to CODIP information.

Several factors explain these results, including lower average bank mortgage lending rates (7.73% in July versus 7.89% in December 2025), relative stability in apartment prices (home prices rose 1.1% in 1Q26 according to the Central Reserve Bank of Peru (BCRP), a lower sol-dollar exchange rate in recent months, which reduced the home prices in sol terms (3.40 in July compared with the average of 3.57 soles per dollar in 2025), and improved employment and income—especially in the private sector.

This was complemented by the recovery in NCMV loan disbursements, including Mivivienda loans and the CRC Service program—Risk Hedging Service—for the final tranche of social housing values, with 5,161 loans placed as of July, 6% higher than in the same period of 2025. After three consecutive years of decline, we expect this year's placements to exceed the 2025 level, as the post-election environment has remained broadly supportive of housing demand and there have been no significant changes in the country's economic policy.

—Carlos Asmat

Chart 3



Sources: Scotiabank Economics, SBS.