Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Chilean GDP Picks Up, Peruvian CPI Rises Above 5%

- **Chile: September GDP up 0.2% y/y reveals solid growth across commerce, industry and services**
- **Peru: Inflation surprises to the upside in October and hits a three-year high**

CHILE: SEPTEMBER GDP UP 0.2% Y/Y REVEALS SOLID GROWTH ACROSS COMMERCE, INDUSTRY AND SERVICES

- **Non-mining activity reaches a historical high**

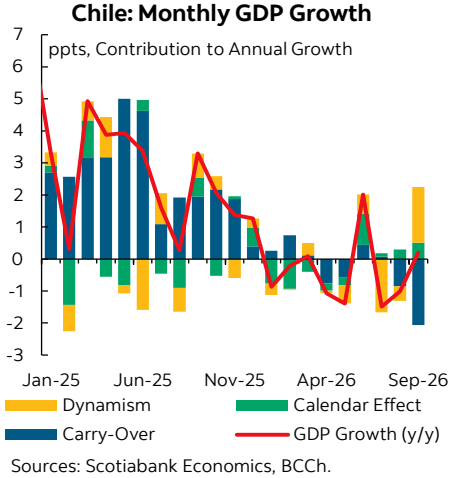
September GDP rose 0.2% y/y, slightly above market expectations, reflecting a broad-based recovery across sectors, with the exception of Other Goods (charts 1 and 2). Non-mining GDP increased 0.9% m/m SA, reaching the highest level in the seasonally adjusted series, driven by the services sector which also posted a record high during the month on the back of strong business and transportation services. Mining activity remained in annual contraction (-12.1% y/y), although it showed a partial recovery at the margin relative to the previous month (9.8% m/m SA), supported by favourable weather conditions in September that allowed a normalization of extraction levels.

Public investment gained momentum in September, although it remains insufficient to materially boost growth. Capital expenditure execution reached 56.6% of the annual budget, accelerating 18.5% in real terms relative to the previous month, although still accumulating a decline of 11.7% during the first nine months of the year. By ministry, Housing stood out, posting annual growth of 5.7%, largely explained by higher capital transfers associated with housing subsidy payments. While public investment remains lagging and is still likely to end 2026 with significant underexecution, early signs of recovery are emerging and could provide some support to growth in the final part of the year.

From a monetary policy perspective, the latest activity figures suggest that the economy performs better when weather-related disruptions are absent, lending additional support to the view that growth conditions are improving as climate shocks dissipate, particularly those associated with the El Niño phenomenon.

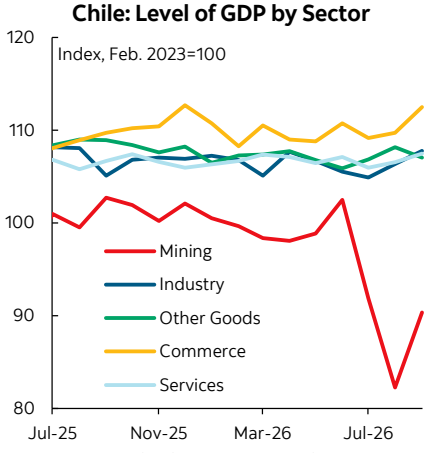
October GDP, with one fewer working day, is expected to post a negative annual reading, which we estimate between -1.0% and -2.0% y/y. Weather conditions and labour disruptions linked to collective bargaining negotiations weighed on mining activity during the month, while severe rainfall affected personal services related to education in several municipalities through school closures. Along the same lines, electricity generation likely

Chart 1
Chile: Monthly GDP Growth



Sources: Scotiabank Economics, BCCh.

Chart 2
Chile: Level of GDP by Sector



Sources: Scotiabank Economics, BCCh.

ceased to provide a positive contribution to GDP momentum, while commerce appears to have weakened amid lower-than-expected sales during the Cyber Monday event held in early-October. Although we expect partial offsetting contributions from other sectors, these are unlikely to be sufficient to deliver positive year-on-year growth, given demanding comparison bases. At Scotiabank, we maintain our forecast of a 0.3% contraction in total GDP in 2026, alongside a 0.7% y/y expansion in non-mining GDP.

—Aníbal Alarcón

PERU: INFLATION SURPRISES TO THE UPSIDE IN OCTOBER AND HITS A THREE-YEAR HIGH

October's inflation report was released yesterday. We expected annual headline inflation to rise from 4.5% to 4.9%; however, the figure surprised to the upside, reaching 5.25%. On a monthly basis, prices increased by 0.6% in October, above the historical average of around 0.1% over the past 20 years, excluding the pandemic period (charts 3 and 4).

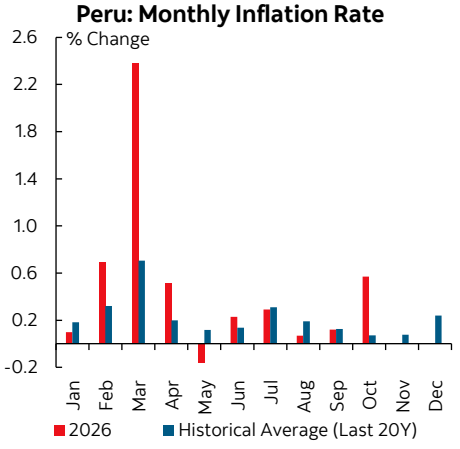
This marked the first month in the past six in which inflation deviated significantly from its historical average, reflecting some persistence in supply-side shocks. Among the products recording the largest price increases were fish, peas, and potatoes, amid less favorable weather conditions. Higher fuel prices, associated with the rebound in international oil prices, also contributed to the increase. In contrast, products with significant weight in the consumer basket, such as chicken and eggs, continued to record price declines. By category, the increase was mainly driven by food and non-alcoholic beverages (+1.6%), transport (+0.8%), and restaurants and hotels (+0.2%). Meanwhile, the decline in communication (-1.4%) partially offset the overall increase.

Despite the significant rise in headline inflation, core inflation excluding transportation increased only moderately, from 1.8% in September to 2.0% in October. Part of this increase reflects a base effect, as monthly inflation stood at -0.1% in October 2025. As a result, inflation excluding the most volatile components remains contained, at the midpoint of the Central Reserve Bank of Peru's (BCRP) target range, suggesting that, for now, the recent supply-side shocks have not spread more broadly across the consumer basket.

Looking ahead to the BCRP's next meeting on November 12th, both a rate hike and another pause remain possible. A key input will be 12-month inflation expectations in the bank's survey results scheduled for release on November 5th. We do not expect a significant increase, and the figure could remain close to the 3.1% reported in October, given that inflation expectations for December 2027 remain considerably lower, at 2.75%, even if October's inflation reading puts some upward pressure on that forecast

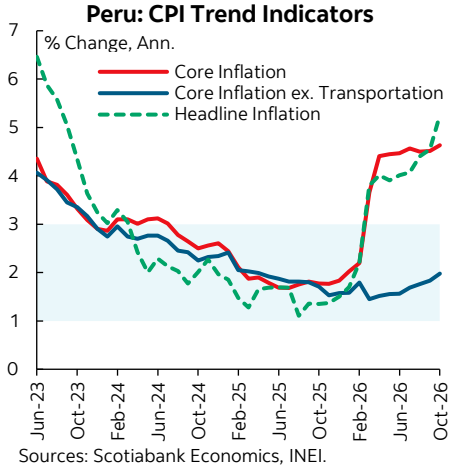
Against this backdrop, and considering that core inflation excluding transportation remains contained, we continue to lean toward the BCRP keeping its policy rate unchanged in November. However, the balance has shifted following October's upside inflation surprise, making the evolution of inflation expectations particularly relevant for the upcoming decision.

Chart 3



Sources: Scotiabank Economics, INEI.

Chart 4



Sources: Scotiabank Economics, INEI.

—Ricardo Avila

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