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## Latam Weekly: Decided Decisions, Macro Updates, and Trade Negotiations

### ECONOMIC OVERVIEW

- There should be no surprises from all key Latam and G10 central bank decisions next week, with rate cuts from the Fed and BoC and rate holds from the BCCh, BanRep, ECB, and BoJ widely expected. The focus will be on forward guidance, which may be limited in Chile ahead of elections while Colombian officials may express worries about next year's minimum wage hike.
- Mexican 3Q GDP is next week's Latam data highlight, with the data expected to show a contraction in economic activity from year-ago and quarter-ago levels, reflecting weak domestic demand conditions and external challenges. In today's report, the team goes over the recently approved tax increases for 2026 which may only act as a small support for public finances.
- A possible meeting between Trump and Xi in Asia will be in focus for markets, with the trading mood also driven by earnings releases by U.S. tech giants.

### PACIFIC ALLIANCE COUNTRY UPDATES

- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight Mexico.

### MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period October 25–November 7 across the Pacific Alliance countries and Brazil.

#### Chart of the Week

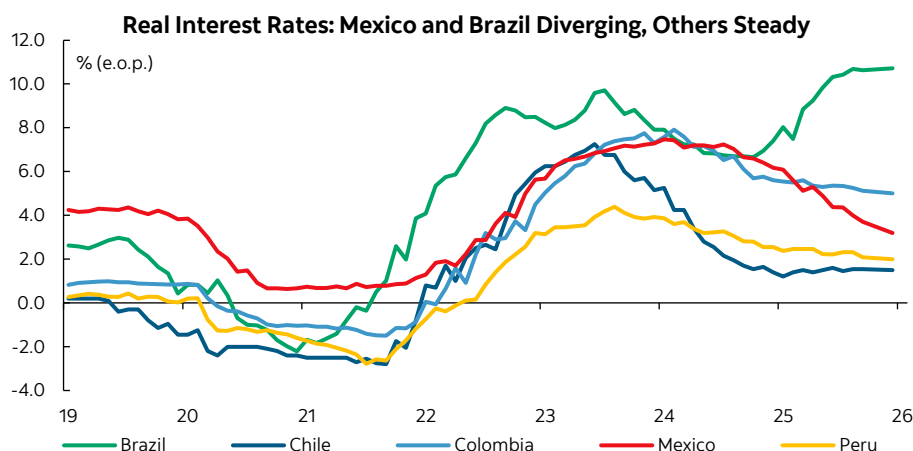


Chart of the Week: Prepared by: Anthony Bambokian, Senior Economic Analyst.

## Economic Overview: Decided Decisions, Macro Updates, and Trade Negotiations

- **There should be no surprises from all key Latam and G10 central bank decisions next week, with rate cuts from the Fed and BoC and rate holds from the BCCh, BanRep, ECB, and BoJ widely expected. The focus will be on forward guidance, which may be limited in Chile ahead of elections while Colombian officials may express worries about next year's minimum wage hike.**
- **Mexican 3Q GDP is next week's Latam data highlight, with the data expected to show a contraction in economic activity from year-ago and quarter-ago levels, reflecting weak domestic demand conditions and external challenges. In today's report, the team goes over the recently approved tax increases for 2026 which may only act as a small support for public finances.**
- **A possible meeting between Trump and Xi in Asia will be in focus for markets, with the trading mood also driven by earnings releases by U.S. tech giants.**

The final week of the month will bring something for everyone, with Latam and G10 central bank policy announcements and GDP releases, unemployment data in the Pacific Alliance, and a highly awaited possible meeting between Presidents Trump and Xi following weeks of building U.S.-China trade tensions. Peru and Brazil are the exceptions, with relatively quiet calendars. On top of economic and political developments, global markets will move to the beat of earnings releases by Apple, Meta, Amazon, and Alphabet among other major names.

Chile's central bank is first up, with a monetary policy announcement on Tuesday that is universally expected to leave the benchmark rate unchanged at 4.75%. With elections around the corner (November 16<sup>th</sup>), robust economic activity, and some recent heat in inflation prints, there's no real reason for the BCCh to loosen policy further next week. Unemployment rate data due on Wednesday, followed by retail sales and industrial/manufacturing/copper production figures out on Thursday may help us refine expectations for the December meeting.

However, markets are relatively unconvinced that we will see rate cuts again this year, with less than 10bps priced in by year-end. On the flip side, results to the BCCh's economists survey published earlier this week showed respondents are still very much biased in favour of a cut, with about 75% of them forecasting a 4.50% rate at year-end—with this share even increasing from 65% at the September survey. Speaking of surveys, CADEM presidential poll results published last Sunday show the left's Jara at 29% compared to the right's Kast at 24% in the first-round vote, but the latter's would-be second round lead has widened to 49–33 compared to 47–36 a week prior.

At the opposite end, BanRep closes the week with an expected rate hold at 9.25%—which we expect will remain the case until 2Q26. August economic activity data released on Monday was somewhat disappointing, with a slowdown to 2.0% from 4.4% in July falling short of forecasts of around 3%. But, seasonal or base effect factors may have played an outsized role in driving a soft print while the economy is still tracking an expansion of about 2.5% this year on the back of strong household spending (see [here](#)); we'll also see what Friday unemployment figures have to say. The bank's guidance will be the main thing to watch next week, with a focus on their views regarding the government's possible double-digit minimum wage increase for 2026 and the upside inflation risks it would generate.

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October 24, 2025

Mexican 3Q GDP data on Thursday is the region's main economic release next week, and it's not expected to be a good one. After registering no year-on-year growth in 2Q, following a 0.9% expansion in 1Q, Mexico's economy is seen contracting by around 0.5% y/y in the third quarter. Monthly economic activity data showed that GDP fell by 1.1% and 0.9% y/y in July and August, respectively, due to a pronounced contraction in manufacturing (-1.9% and -3.1%) joining ongoing construction weakness, but also a weak showing for the services sector.

On 3m/3m basis with seasonally-adjusted data, Mexico's economy contracted by 0.2% in the quarter to August, compared to the 0.6% expansion it tracked in the quarter to May or 0.5% to June, which lined up with the 3Q reading of 0.6% q/q. Put another way, Mexico's economy likely contracted in y/y and q/q terms during the third quarter, reflecting a challenging domestic backdrop of weak hiring, weak investment, and soft confidence compounded by external risks in U.S. trade policy.

On the political front, our team in Mexico discusses in today's report the recent approval of special taxes for the 2026 fiscal year. The law has established a huge 87% tax hike on sugary drinks, with a 100% levy on tobacco products like vapes and pouches, as well as a 50% tax hike on online gambling, and 8% on violent video games, among others. The tax law is expected to lift public revenues by around MXN 75bn in 2026 but not materially alter the worrying path of Mexican government finances.

Outside of the region, the Fed and the BoC are widely expected to announce 25bps cuts on Wednesday, while the ECB and BoJ are seen keeping policy rates steady on Thursday with the latter perhaps offering more exciting forward guidance colour. U.S. GDP scheduled for Thursday is unlikely to arrive due to the now second-longest U.S. government shutdown, but we will get 3Q GDP data from a handful of Eurozone countries, and the bloc as whole, over Thursday and Friday, alongside inflation readings from the region. Canada also releases monthly GDP data to end the week.

## Pacific Alliance Country Updates

### Mexico—2026 Tax Hikes Approved

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Last week, Mexico's House of Representatives approved the Special Tax on Production and Services (IEPS) Law for the 2026 fiscal year. One of the most significant changes is the increase in the tax on sugary drinks, which will rise from \$1.64 to \$3.08 per litre—an 87% hike. Héctor Saúl Téllez, Deputy Coordinator for Economic Affairs of the PAN party, estimates that this adjustment will generate revenues of \$75.29 billion pesos in 2026, a 73.8% increase compared to the current year.

Additionally, for the first time, a tax of \$1.50 per litre will be applied to beverages sweetened with non-caloric sweeteners, which were previously not included in this legislation.

Regarding nicotine and tobacco products, a 100% tax will be imposed on all items containing nicotine, such as pouches and vapes, along with a 200% ad valorem tax on cigars. Moreover, the specific tax per cigarette will increase from \$0.64 to \$0.85 in 2026, leading to a 32.8% rise in cigarette prices, with further gradual increases expected through 2030.

Other consumer products affected by this reform include violent video games: 8% increase, online betting platforms: 50% increase, games of chance and lotteries: tax rate will rise from 30% to 50%, among others.

The most immediate adverse effect of this reform will be its impact on consumer prices. It is estimated that the tax increase on soft drinks alone could contribute 5 basis points to inflation in 2026.

The central argument behind this reform is the promotion of public health and well-being. This is supported by alarming data: 70% of Mexico's adult population is overweight or obese, and 90% of type II diabetes cases are directly linked to excess weight. However, for the effects of this fiscal policy to be sustainable and long-lasting, it must be accompanied by concrete actions in the healthcare sector.

Currently, public health spending has decreased by 11%, representing just 2.6% of GDP—well below the minimum recommended by the World Health Organization, which suggests investing at least 6% of GDP.

The IEPS reform for the 2026 fiscal year reflects an effort by the Mexican government to discourage the consumption of harmful products and boost tax revenue. While these adjustments will have short-term inflationary effects, their success will depend on a comprehensive strategy that includes increased investment in the healthcare system. Without a parallel strengthening of public health spending, the expected benefits in terms of social well-being may be limited, turning this reform into a revenue-generating measure rather than an effective public health policy.

## Forecast Updates: Central Bank Policy Rates and Outlook

### Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2025	End-2026	
<b>Chile, BCCh, TPM</b>	4.75%	Oct-28	4.75%	4.50%	4.25%	We expect a rate cut in December, although this remains highly dependent on core inflation and, crucially, the exchange rate.
<b>Colombia, BanRep, TII</b>	9.25%	Oct-31	9.25%	9.25%	7.50%	In September, BanRep maintained its interest rate at 9.25% in a split decision, reflecting a cautious stance in the face of various risks. The majority opted not to modify the rate, citing strong economic performance, uncertainty about meeting the inflation target, international volatility and fiscal issues. We do not anticipate further cuts in 2025, projecting erratic inflation which could close the year above 5%. Fiscal plans under discussion and the upcoming 2026 minimum wage hike decision at year-end, which will be key for next year's inflation picture, reinforce expectations for the central bank to remain on hold until Q2-26, when greater clarity on these two fronts will allow for a more informed decision.
<b>Mexico, Banxico, TO</b>	7.50%	Nov-06	7.25%	7.00%	6.50%	In September, Banxico cut its benchmark interest rate by 25 basis points to 7.50%, aligning with the Federal Reserve's move. However, the decision was not unanimous—Deputy Governor Heath voted to keep the rate unchanged due to persistent inflationary pressures in core components. Looking ahead, Banxico signaled openness to further rate cuts, noting that monetary policy remains restrictive and inflationary pressures continue to ease. Based on this guidance, we anticipate a terminal policy rate of 7.00% for 2025.
<b>Peru, BCRP, TIR</b>	4.25%	Nov-13	4.25%	4.25%	4.25%	We expect no changes in the upcoming meeting of the Central Bank (BCRP). The real interest rate (2.09%) remains very close to the estimated neutral rate (2.0%). Economic activity is growing around its potential level, and short- and medium-term economic expectations (3m and 12m) remain solid. Therefore, the BCRP has no real reason to deviate from this neutral zone.
<b>Brazil, BCB, Selic</b>	15.00%	Nov-05	15.00%	15.00%	12.50%	

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

Key Economic Charts

Chart 1

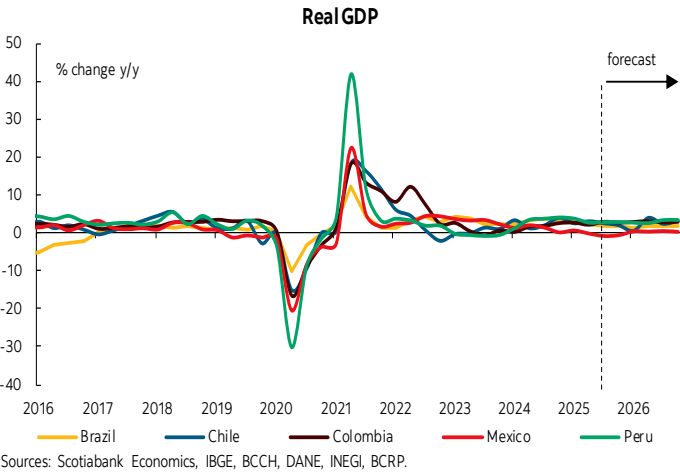


Chart 2

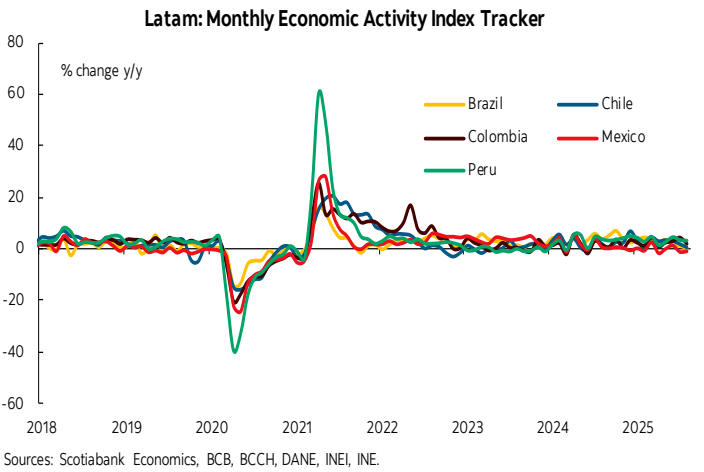


Chart 3

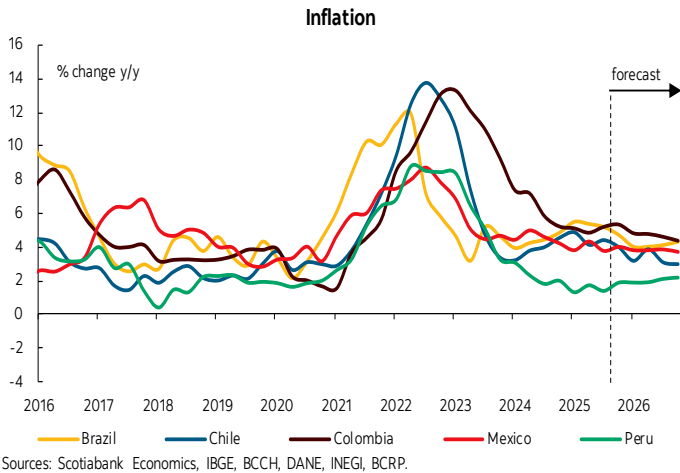


Chart 4

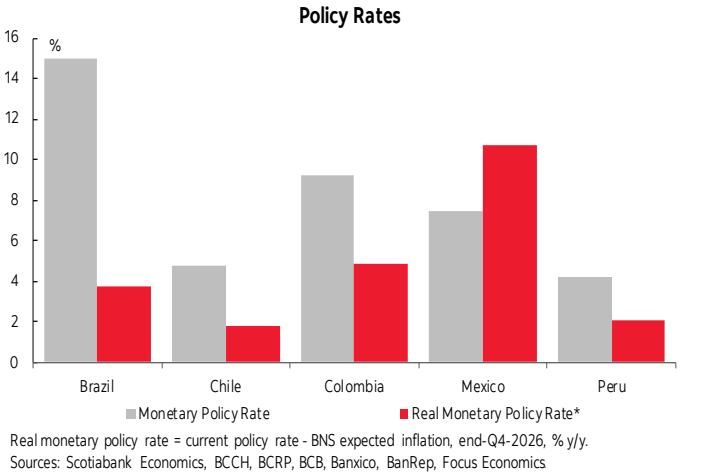
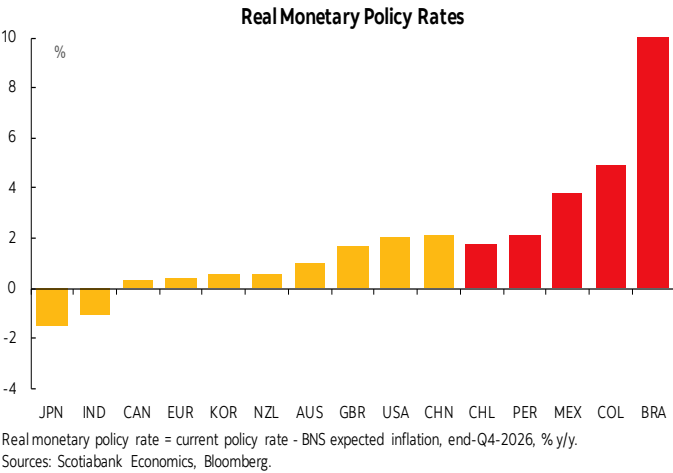


Chart 5



Key Market Charts

Chart 1

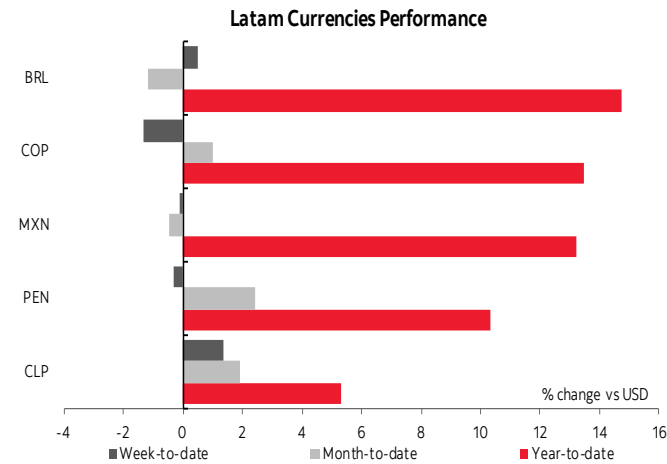


Chart 2

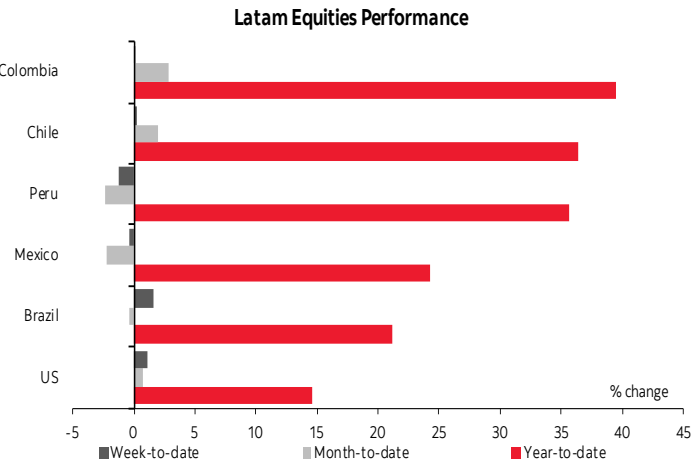


Chart 3

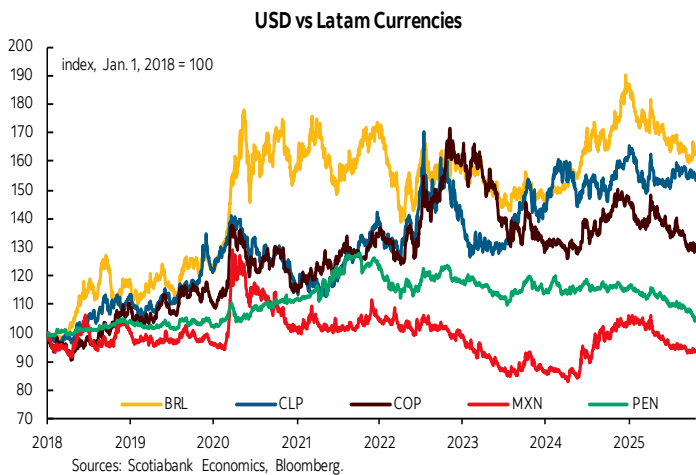
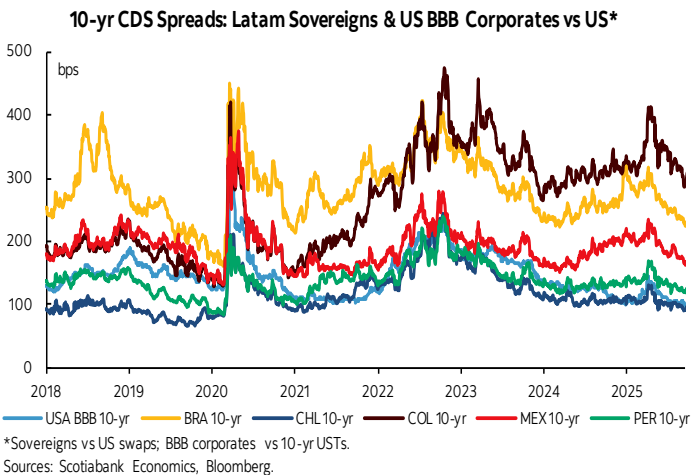


Chart 4



Yield Curves

Chart 1

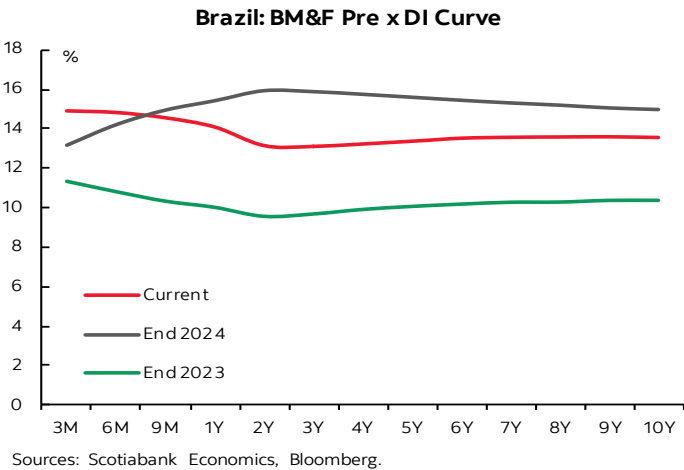


Chart 2

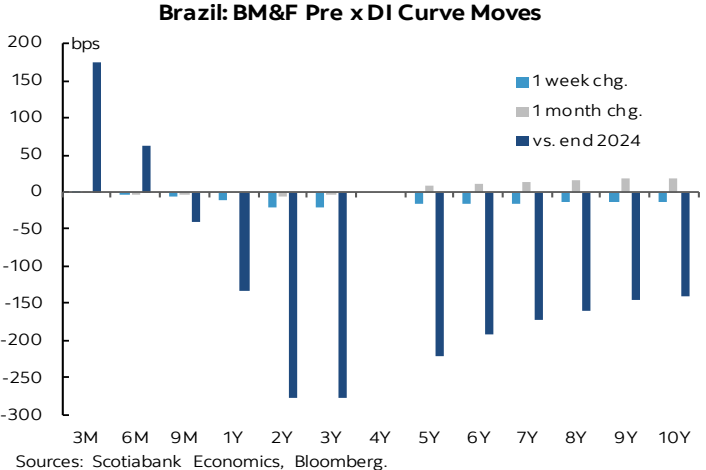


Chart 3

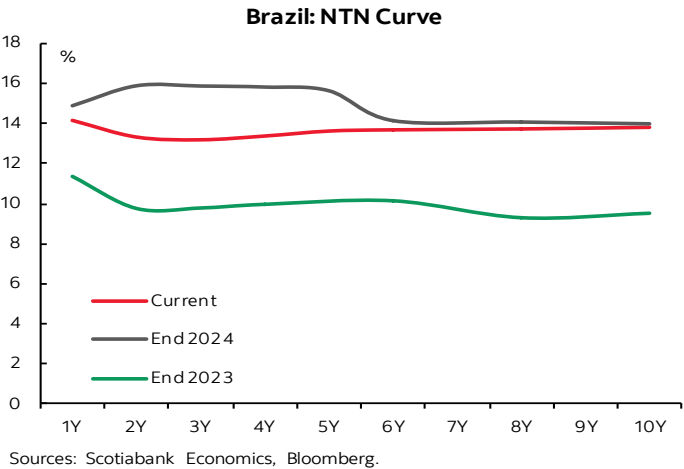


Chart 4

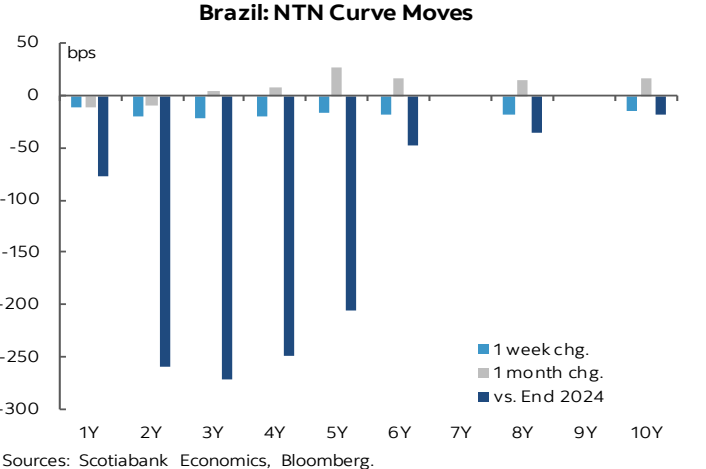


Chart 5

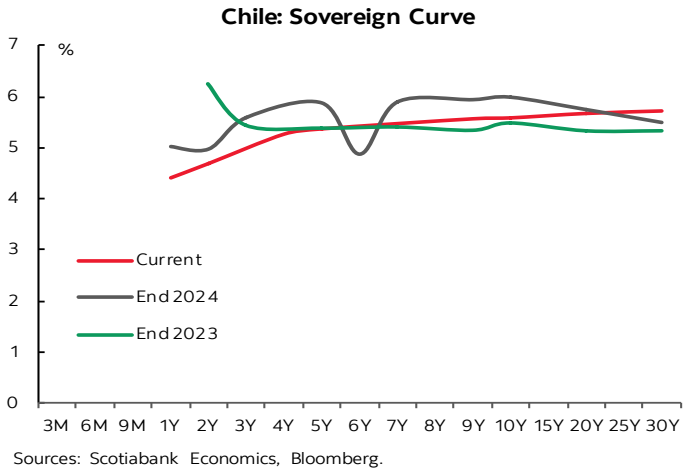
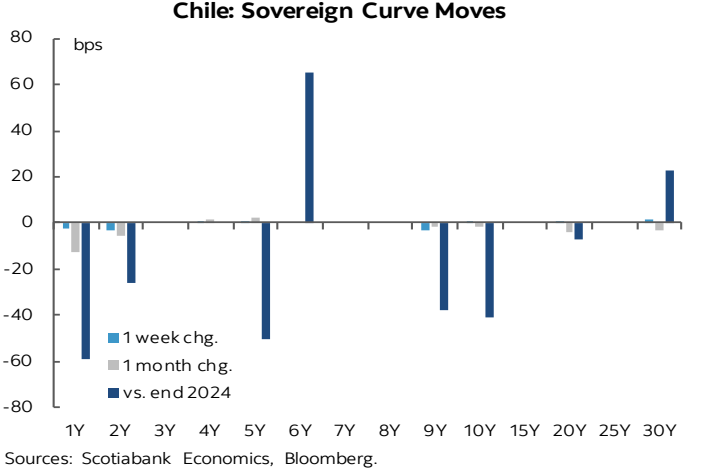


Chart 6





Yield Curves

Chart 7

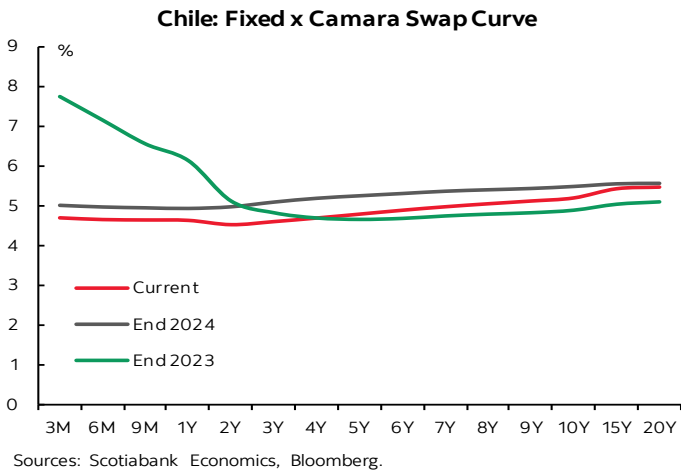


Chart 8

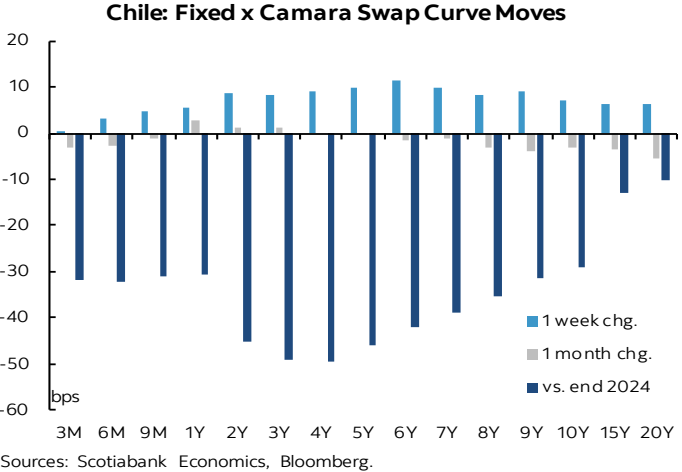


Chart 9

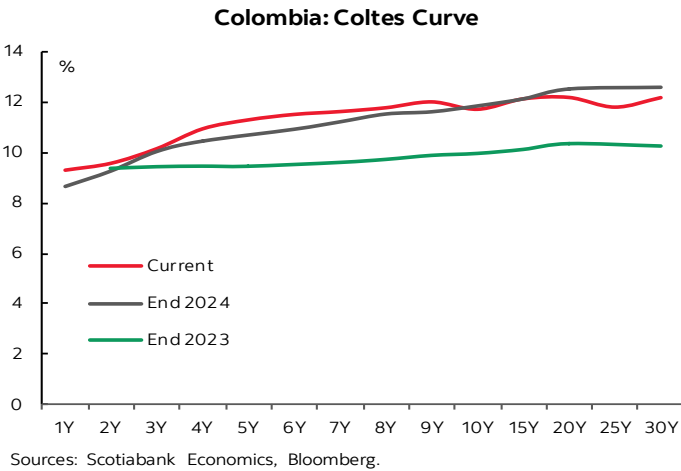


Chart 10

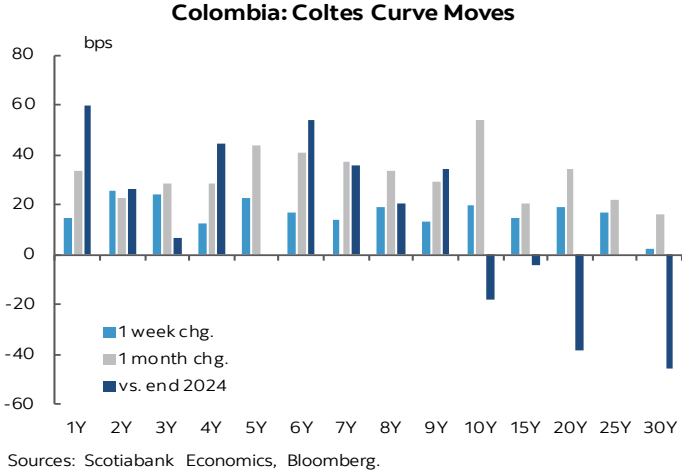


Chart 11

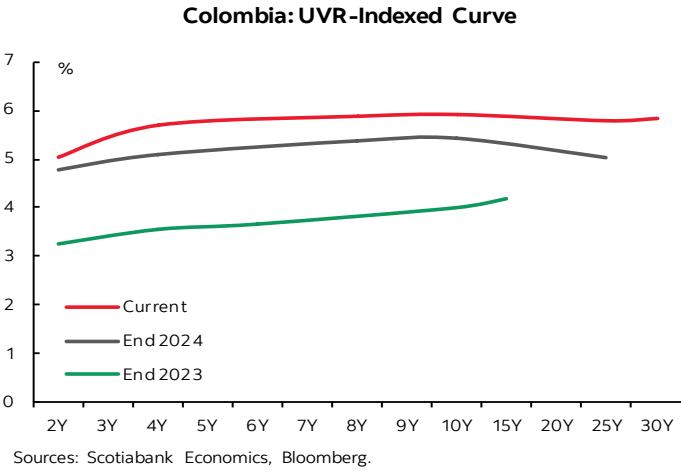
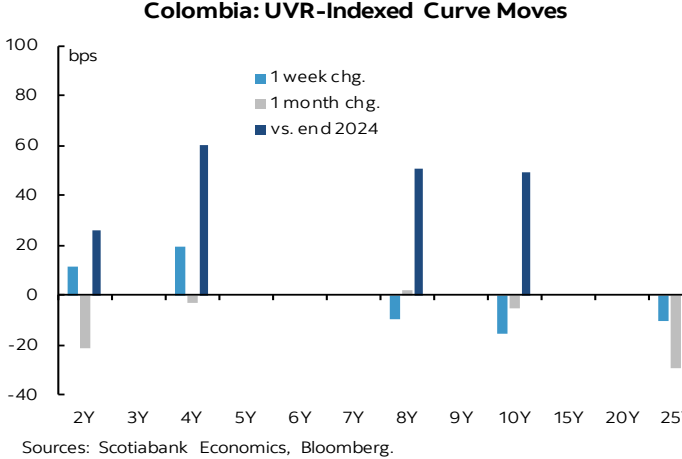
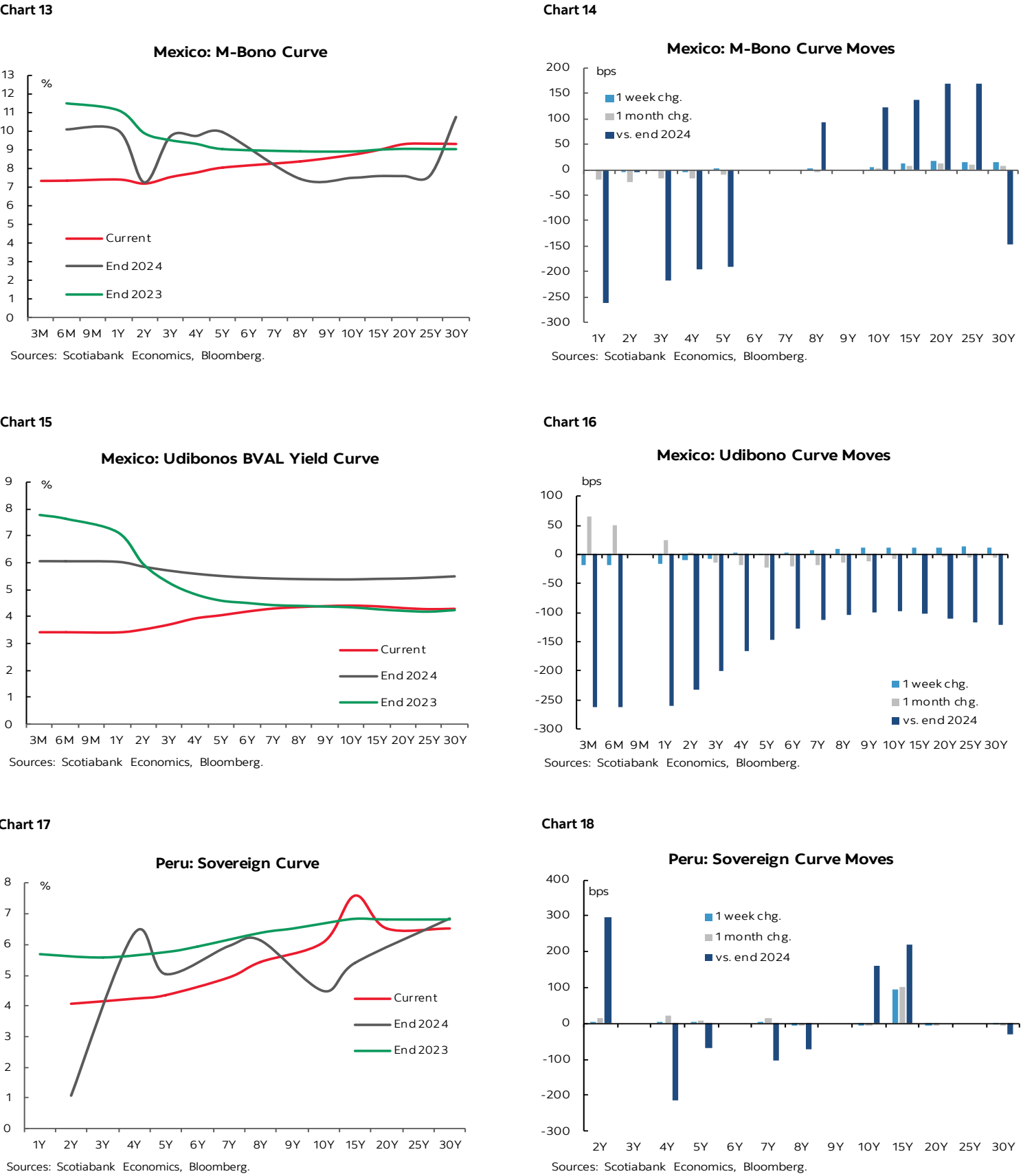


Chart 12



Yield Curves



## Market Events &amp; Indicators for October 25–November 7

## BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-27	4:00	FIPE CPI - Weekly (%)	26-Oct	--	--	0.6	
Oct-27	7:00	FGV Consumer Confidence	Oct	--	--	87.5	
Oct-27	7:25	Central Bank Weekly Economist Survey		--			
Oct-28	7:00	FGV Construction Costs m/m	Oct	--	--	0.2	
Oct-28	14:00	Trade Balance Weekly (USD mn)	26-Oct	--	--	1108.86	
Oct-29	7:30	Personal Loan Default Rate (%)	Sep	--	--	6.8	
Oct-29	7:30	Outstanding Loans m/m	Sep	--	--	0.5	
Oct-29	7:30	Total Outstanding Loans (BRL bn)	Sep	--	--	6757.3	
Oct-29		Federal Debt Total (BRL bn)	Sep	--	--	8145	
Oct-30	7:00	FGV Inflation IGPM m/m	Oct	--	--	0.4	
Oct-30	7:00	FGV Inflation IGPM y/y	Oct	--	--	2.8	
Oct-30		Central Govt Budget Balance (BRL bn)	Sep	--	--	-15.6	
Oct-31	7:30	Nominal Budget Balance (BRL bn)	Sep	--	--	-91.5	
Oct-31	7:30	Primary Budget Balance (BRL bn)	Sep	--	--	-17.3	
Oct-31	7:30	Net Debt % GDP	Sep	--	--	64.2	
Oct-31	8:00	National Unemployment Rate (%)	Sep	--	--	5.6	
Oct 30-31		Formal Job Creation Total	Sep	--	--	147358	
Nov-03	6:00	FGV CPI IPC-S (%)	2-Nov	--	--	0.2	
Nov-03	6:25	Central Bank Weekly Economist Survey		--			
Nov-03	8:00	S&P Global Brazil Manufacturing PMI	Oct	--	--	46.5	
Nov-04	3:00	FIPE CPI - Monthly (%)	Oct	--	--	0.7	
Nov-04	7:00	Industrial Production y/y	Sep	--	--	-0.7	
Nov-04	7:00	Industrial Production m/m	Sep	--	--	0.8	
Nov-05	8:00	S&P Global Brazil Composite PMI	Oct	--	--	46	
Nov-05	8:00	S&P Global Brazil Services PMI	Oct	--	--	46.3	
<b>Nov-05</b>	<b>16:30</b>	<b>Selic Rate (%)</b>	<b>5-Nov</b>	<b>15.00</b>	<b>--</b>	<b>15.00</b>	
Nov 03-05		Vehicle Sales Fenabrave	Oct	--	--	243265	
Nov-06	13:00	Trade Balance Monthly (USD mn)	Oct	--	--	2989.89	
Nov-06	13:00	Exports Total (USD mn)	Oct	--	--	30530.9	
Nov-06	13:00	Imports Total (USD mn)	Oct	--	--	27541	
Nov-07	6:00	FGV Inflation IGP-DI y/y	Oct	--	--	2.31	
Nov-07	6:00	FGV Inflation IGP-DI m/m	Oct	--	--	0.36	
Nov 06-07		Vehicle Sales Anfavea	Oct	--	--	243230	
Nov 06-07		Vehicle Exports Anfavea	Oct	--	--	52544	
Nov 06-07		Vehicle Production Anfavea	Oct	--	--	243405	

## CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
<b>Oct-28</b>	<b>17:00</b>	<b>Overnight Rate Target (%)</b>	<b>28-Oct</b>	<b>4.75</b>	<b>4.75</b>		We expect the Central Bank of Chile to maintain the rate at its October meeting and cut the policy rate in December, although this remains largely dependent on core inflation and, crucially, the exchange rate.
Oct-29	8:00	Unemployment Rate (%)	Sep	8.4	--	8.6	We estimate a slight increase in employment in the quarter ending in September, which would be greater than the growth in the labour force.
Oct-30	8:00	Retail Sales y/y	Sep	5.0	--	5.3	
Oct-30	8:00	Commercial Activity y/y	Sep	--	--	4.8	
Oct-30	8:00	Industrial Production y/y	Sep	--	--	-1.9	
Oct-30	8:00	Manufacturing Production y/y	Sep	9.7	--	1.8	The year-over-year projection assumes two additional business days than last year.
Oct-30	8:00	Copper Production Total (MT)	Sep	--	--	423643	
Nov-03	6:30	Economic Activity m/m	Sep	--	--	-0.7	
Nov-03	6:30	Economic Activity y/y	Sep	--	--	0.5	
Nov-06	7:00	Nominal Wage y/y	Sep	--	--	2.0	
Nov 03-06		Vehicle Sales Total	Oct	--	--	31871	
Nov-07	6:00	CPI y/y Chained	Oct	--	--	4.4	
Nov-07	6:00	CPI m/m	Oct	--	--	0.4	
Nov-07	6:30	Exports Total (USD mn)	Oct	--	--	8426.23	
Nov-07	6:30	Imports Total (USD mn)	Oct	--	--	7493.69	
Nov-07	6:30	Trade Balance (USD mn)	Oct	--	--	932.54	
Nov-07	6:30	International Reserves (USD mn)	Oct	--	--	47421.5	
Nov-07	6:30	Copper Exports (USD mn)	Oct	--	--	4392.22	
Nov 03-07		IMCE Business Confidence	Oct	--	--	46.59	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

## Market Events &amp; Indicators for October 25–November 7

## COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-29		Retail Confidence	Sep	--	--	26.5	
Oct-29		Industrial Confidence	Sep	--	--	5.3	
Oct-31	11:00	Urban Unemployment Rate (%)	Sep	--	7.7	7.8	
Oct-31	11:00	National Unemployment Rate (%)	Sep	--	--	8.6	
<b>Oct-31</b>	<b>14:00</b>	<b>Overnight Lending Rate (%)</b>	<b>31-Oct</b>	<b>9.25</b>	<b>9.25</b>	<b>9.25</b>	
Nov-04	10:00	Davivienda Colombia PMI Mfg	Oct	--	--	52	
Nov-04	10:00	Exports FOB (USD mn)	Sep	--	--	3842.2	
Nov-05		Quarterly Monetary Policy Report		--	--	--	
Nov-06	17:00	Colombia Monetary Policy Minutes		--	--	--	

## MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-27	8:00	Trade Balance (USD mn)	Sep	--	--	-1943.9	
Oct-27	8:00	Exports (USD mn)	Sep	--	--	55718.2	
Oct-27	8:00	Imports (USD mn)	Sep	--	--	57662.1	
Oct-28	8:00	Unemployment Rate NSA (%)	Sep	--	--	2.93	
Oct-28	11:00	International Reserves Weekly (USD mn)	24-Oct	--	--	249744	
Oct-30	8:00	GDP NSA y/y	3Q P	--	--	0.1	
Oct-30	8:00	GDP SA q/q	3Q P	--	--	0.6	
Oct-30		Mexican Public Balance	Sep	--	--	-581.1	
Oct-31	11:00	Net Outstanding Loans (MXN bn)	Sep	--	--	7097.7	
Nov-03	10:00	S&P Global Mexico Manufacturing PMI	Oct	--	--	49.6	
Nov-03	10:00	Remittances Total (USD mn)	Sep	--	--	5578.2	
Nov-03	10:00	Central Bank Economist Survey		--	--		
Nov-03	13:00	IMEF Manufacturing Index SA	Oct	--	--	46.5	
Nov-03	13:00	IMEF Non-Manufacturing Index SA	Oct	--	--	48.8	
Nov-04	7:00	Vehicle Domestic Sales	Oct	--	--	117182	
Nov-04	7:00	Leading Indicators m/m	Sep	--	--	0.2	
Nov-04	7:00	Consumer Confidence	Oct	--	--	46.5	
Nov-04	10:00	International Reserves Weekly (USD mn)	31-Oct	--	--	249744	
Nov-05	7:00	Gross Fixed Investment NSA y/y	Aug	--	--	-6.6	
Nov-05	7:00	Gross Fixed Investment SA m/m	Aug	--	--	1.56	
Nov-05	7:00	Private Consumption y/y	Aug	--	--	0.07	
Nov-05		Citi Survey of Economists		--	--		
<b>Nov-06</b>	<b>14:00</b>	<b>Overnight Rate (%)</b>	<b>6-Nov</b>	<b>7.25</b>	<b>--</b>	<b>7.50</b>	
Nov-07	7:00	CPI m/m	Oct	--	--	0.2	
Nov-07	7:00	CPI Core m/m	Oct	--	--	0.3	
Nov-07	7:00	CPI y/y	Oct	--	--	3.8	
Nov-07	7:00	CPI Core y/y	Oct	--	--	4.3	
Nov-07	7:00	Bi-Weekly CPI (%)	31-Oct	--	0.4	0.3	
Nov-07	7:00	Bi-Weekly Core CPI (%)	31-Oct	--	0.2	0.2	
Nov-07	7:00	Bi-Weekly CPI y/y	31-Oct	--	3.7	3.6	
Nov-07	7:00	Bi-Weekly Core CPI y/y	31-Oct	--	4.3	4.2	
Nov-07	7:00	Vehicle Production	Oct	--	--	355525	
Nov-07	7:00	Vehicle Exports	Oct	--	--	314656	
Nov 04-07		Formal Job Creation Total	Oct	--	--	-116.8	
Nov 07-18		ANTAD Same-Store Sales y/y	Oct	--	--	0.5	

## PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-01	11:00	Lima CPI m/m	Oct	0.0	--	0.0	
Nov-01	11:00	Lima CPI y/y	Oct	1.5	--	1.4	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

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Local Market Coverage

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