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GLOBAL ECONOMICS

LATAM WEEKLY

November 20, 2026

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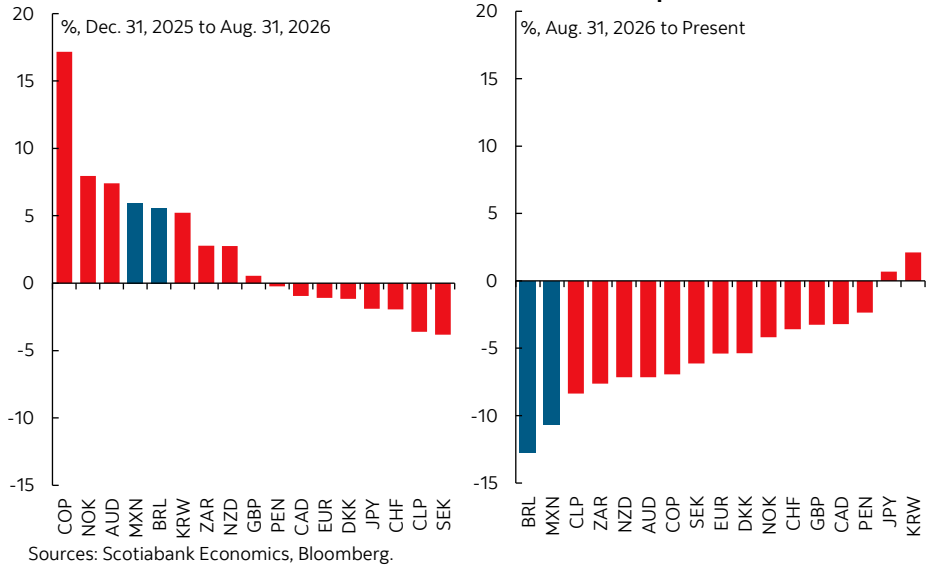
Latam Weekly: Mexico and Brazil CPI, Banxico Quarterly Report

HIGHLIGHTS

- **It's a quieter week in Latam and the globe on the economic front, as markets look liable to maintain their focus on AI/tech-related sentiment.**
- **Mid-month Mexican and Brazilian CPI, Q3 GDP details out of Mexico and Peru, and Banxico's quarterly report are the data highlights in Latam, while global markets will focus on U.S. PCE inflation data and PMIs from around the world.**
- **In today's report, our economists in Mexico cover the latest industry-level data ahead of INEGI's revision to Q3 GDP figures that will provide greater sectoral details.**
- **The team in Chile dig into the third quarter's 1.1% y/y contraction, with an expectation that growth will significantly recover next year on the back of strong investment growth.**

Chart of the Week

The Mexican Peso and Brazilian Real Go From Notable Gainers to Clear Underperformers



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Syed Hasnain Abbas, Economic Analyst.

Mexico and Brazil CPI, Banxico Quarterly Report

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- **It's a quieter week in Latam and the globe on the economic front, as markets look liable to maintain their focus on AI/tech-related sentiment.**
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- **In today's report, our economists in Mexico cover the latest industry-level data ahead of INEGI's revision to Q3 GDP figures that will provide greater sectoral details.**
- **The team in Chile dig into the third quarter's 1.1% y/y contraction, with an expectation that growth will significantly recover next year on the back of strong investment growth.**

It's a quieter week in Latam and the globe on the economic front. With markets largely trading on AI/tech-related sentiment it's difficult to see next week's global release calendar drawing enough attention to significantly impact the broad trading mood. From tracking 10–15% year-to-date gains between August and October, the S&P 500 is now sitting only about ~2.5% higher since end-2025, while the Nasdaq today slipped into a small drop for the year.

Mexico's IPC built up a solid cushion from October through last week that helps it stay up around 7% ytd, but Brazil's Ibovespa 3% ytd gain is well off its pre-second round election highs of +30%, and Chile's IPSA is down ~2% ytd (from ~10% gains as recently as September). Latam currencies have also underperformed amid market anxiety, weakening by around 7% against the USD in the case of the BRL and COP compared to two Fridays ago, followed by -4% for the CLP, and -2.5% for the MXN, while the PEN's 1% loss is fairly moderate amid broad safety/Fed bets-driven USD gains.

Mid-month CPI data out of Mexico and Brazil are the regional data standouts, with Mexico's Q3 GDP second release telling us things that we mostly already know (though with more detail), and while we know that Peru's Q3 GDP grew by 3.1%, we'll get expenditure components in Monday's report that should show strong private investment and consumption gains. Finally, Banxico's quarterly report out on Thursday may shed some on light on just what the bank is seeing (and we're not) that is green-lighting rate cuts. Global S&P PMIs kick off the week, and mid-week U.S. PCE data will refine Fed hike bets, as will Friday's French and Spanish HICP in the case of the ECB. Dell and HP quarterly results, while not top-top tier in the space, may influence tech sentiment.

For Tuesday's H1-Nov Mexican CPI, we estimate that headline inflation held at 3.9% y/y but core inflation picked up 0.1pts to 3.9%. Thus, both readings will be only marginally inside Banxico's 2–4% tolerance band, and the bank expects that both will quickly fall to the low 3s around mid-2027 and touch the 3% goal from Q4 of next year. Under these forecasts it's no surprise that the majority of the board was motivated to lower the overnight rate by 25bps a couple of weeks ago, as outlined in the minutes published earlier this week (see **here**).

In contrast to Banxico, economists expect practically no movement in headline and core inflation between now and end-2027, with results to the Citi survey of economists published today showing the median projecting 3.9% and 3.8% respective levels next December.

Inflation consistently sitting above the 3% midpoint of the 2–4% target band and often near its upper limit and expected to remain around there over the medium-term points to over-accommodative monetary policy that would not require additional easing (instead, the opposite). A tolerance band allows for some volatility and discretion in policymaking, but with the expectation that inflation oscillates around the 3% midpoint, not that it often knocks against the ceiling and sometimes surpasses it—in a way, it looks more like a 3–4% target band with allowance for overshoots.

Given the dovish stance of Banxico's governing board and the fact that Heath—whose view in the minutes was that the discussion should have been to hike or hold and not to hold or cut—leaves the bank at the end of the year (and will likely be replaced by someone more open to cuts), we are not expecting policy rate hikes in the near term and forecast that Banxico will stay true to its word that the policy rate should be kept unchanged at 6.25% for a prolonged period.

We certainly understand the view of markets that are betting on multiple Banxico rate hikes over the coming quarters, in light of off-target inflation and expectations, the Fed's own hiking cycle and MXN risks, and some better-than-expected domestic economic trends of late. But, in recent quarters, Banxico has been more inclined to take advantage of opportunities that allow some downward tweaks to the policy rate (e.g. suppose inflation comes in lower than expected in Q1-27), or it would likely strongly resist data or market pressure to tighten policy. Thursday's Banxico quarterly report may elaborate somewhat on the balance of risks to the inflation goal, but we're generally more interested in the special discussion topics that are included in the document.

In the case of Brazil, inflation is seen rising from 4.6% to 4.8% y/y in November's IPCA-15, and thus its highest level since June (possibly October 2025 if above 4.8%), as food inflation continues to accelerate while downward progress in underlying inflation has somewhat stalled. For Brazilian markets, fiscal developments and expectations remain the leading domestic shot-caller. On Thursday, Reuters reported that President Lula is nearing a decision on who will lead the Finance Ministry in his next term beginning on January 5th. VP Alckmin and Piaui governor Fonteles are floated as the leading candidates to replace Durigan; with the former representing the market's likely preferred option among the two.

Country Updates

Chile—Q3 GDP Contraction Shapes a Recession Year, Though Revisions Erase the Technical Recession

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- **We project a 0.3% contraction in GDP in 2026**

National Accounts figures for the third quarter, released by the Central Bank, showed a sharp contraction in economic activity: GDP fell 1.1% y/y and 1.8% q/q in seasonally adjusted terms, the steepest sequential decline since the pandemic. With these figures, a recession year is taking shape. GDP contracted 0.5% y/y through the first nine months, and our estimate for 2026 is now a 0.3% contraction, the first annual decline since 2020. However, the same release revised second-quarter GDP up to a marginal 0.1% q/q SA expansion (previously a contraction). As a result, the economy no longer met the definition of a technical recession (two consecutive quarters of seasonally adjusted contraction): the declines in Q1 (-0.5% q/q) and Q3 (-1.8% q/q) are separated by a quarter of slightly positive growth. The distinction is technical rather than economic, since activity has stagnated or fallen for three quarters in a row.

Mining explains most of the third-quarter contraction. Mining GDP plunged 14.7% y/y (copper: -17.5% y/y) and 12.9% q/q SA, subtracting about 1 pp from annual growth. Non-mining GDP grew 1.0% y/y but fell 0.2% q/q SA, so weakness is not confined to copper. Construction contracted again (-5.0% y/y; -1.8% q/q SA), its fifth consecutive seasonally adjusted decline, consistent with a residential segment still waiting for the incentives of the National Reconstruction Act. Positive contributions came from commerce (+1.5% y/y), utilities (+6.0% y/y), agriculture (+10.2% y/y) and personal services (+0.8% y/y). These partly offset the drag from mining and construction. However, non-mining GDP remained resilient, highlighting the economy's ability to absorb multiple adverse shocks.

Domestic demand fell 0.9% q/q SA, with private consumption and investment both declining in seasonally adjusted terms. Household consumption contracted 0.3% q/q SA. The decline was concentrated in durable goods (-0.7% q/q) and services (-1.3% q/q), while non-durables rebounded (+0.9% q/q). This composition shows households postponing discretionary spending amid a weak labour market and high fuel costs. In annual terms, household consumption slowed to 0.7% y/y, from 2.8% a year ago. Government consumption fell 0.3% q/q SA, in line with the ongoing fiscal consolidation.

Investment declined across all its components. Gross fixed capital formation fell 3.6% q/q SA (-6.7% y/y). Machinery and equipment dropped 6.9% q/q SA (-10.1% y/y), and construction and other works fell 1.5% q/q SA (-4.1% y/y), the fourth consecutive quarterly decline of this component. Investment subtracted 1.7 pp from annual GDP growth, the largest drag among expenditure components. It reverses the capex cycle that supported growth in 2025. On the external side, exports fell 2.1% q/q SA, dragged by mining shipments (-6.6% q/q SA), while imports rose 0.8% q/q SA, so net exports also weighed on the quarter.

Q4 will need a strong rebound for the year to close at -0.3%. Our forecast implies Q4 GDP growth of around 0.2% y/y. Because the Q4-2025 base is demanding, this requires a significant sequential recovery, mainly from a normalization of mining output after an exceptionally weak third quarter. The balance of risks remains tilted to the downside: if mining does not recover, or if construction and machinery investment keep contracting, the annual decline could be deeper.

Investment should rebound strongly in 2027, and we expect gross fixed capital formation to grow 6%. The latest report of the Capital Goods Corporation (CBC) supports this view. As of Q3-26, its registry includes 989 projects with defined schedules, totaling USD 96.9 bn for 2026–2030. This is up 1.8% from the previous quarter, led by public works and real estate. For 2027, the CBC's preliminary estimate is USD 24.5 bn, broadly unchanged from 2026 (USD 24.7 bn), which is itself about 14% above the average of the last decade. The composition matters more for the cycle. Spending on equipment would peak in 2027 at USD 8.8 bn (+10% vs. 2026), as large energy and mining projects move from civil works to equipment installation. This is precisely the component that fell 10.1% y/y in Q3. Moreover, the 2027 figure only includes projects that already have defined schedules, and the CBC itself sees potential for it to reach the levels of 2025–2026. Together with the low comparison base left by this year's contraction and the incentives of the Reconstruction Act, these figures support our forecast of 6% investment growth. Investment would thus be the main driver of the 3.5% GDP growth we project for 2027. The main risk is a slower materialization of projects: new entries to the CBC registry fell in Q3, and some large mining decisions have been postponed.

Mexico—Q3 GDP Gain Backed by Construction and Commerce

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Next week, Mexico's revised GDP estimate for the third quarter will be released. We expect a downward revision from the preliminary INEG's estimate, as recent indicators point to somewhat weaker-than-initially-estimated momentum in both industry and services. In its preliminary number, INEGI reported annual real GDP growth of 3.2% y/y in 3Q, supported by gains of 3.3% in tertiary activities and 3.1% in secondary activities. However, monthly indicators released since then, which incorporate more complete information for September, suggest that both components may have performed somewhat more moderately.

On the industrial side, industrial production averaged 2.7% annual growth during the third quarter, below the 3.1% initially estimated for secondary activities. Momentum weakened toward the end of the quarter, with output increasing by just 1.3% y/y in September, after growth above 3.0% in each of the previous two months. While construction remained the main driver of industrial activity, manufacturing continued to underperform, contracting 0.3% y/y in 3Q, slightly more than the 0.2% decline recorded in the previous quarter. Year to date, industrial production has expanded by only 1.0%, driven mainly by a 3.8% increase in construction, while manufacturing output has remained broadly stagnant. Although some manufacturing industries have benefited from stronger external demand, particularly those related to computer equipment and petroleum products, this has not been enough to generate a broad-based recovery across the sector.

The signals from services are more mixed. According to the IGAE, tertiary activities averaged 3.8% annual growth in July and August, supported primarily by a recovery in wholesale trade and resilient retail activity. Trade indicators released this week reinforced this trend: in September, wholesale sales rose 9.0% y/y and retail sales increased 2.2%, bringing their average growth rates for 3Q to 7.0% and 2.5%, respectively. However, the strength in trade contrasts with more moderate performance across other service activities. In September, total revenues from non-financial private services increased by just 1.7% y/y, suggesting that momentum across tertiary activities may have been less broad-based than the trade figures alone would imply.

Despite these signs of moderation in 3Q, private-sector analysts have revised their growth expectations higher, to 1.5% for the current year and 1.83% for the following year, compared with the 1.1% estimate for 2026 at mid-year.

Overall, the latest monthly data suggest that the 3.2% annual growth reported in the preliminary estimate may have marginally overstated the strength of economic activity in 3Q. In particular, industrial data point to a weaker expansion than initially expected, while in services, robust trade activity contrasts with signs of moderation elsewhere. We see limited scope for strength in services to fully offset the moderation observed in industry. As a result, the balance of risks is clearly tilted toward a downward revision to GDP in next week's release.

Market Events & Indicators for November 21–December 4

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-24	7:00	PPI m/m	Oct	--	--	2.7	--
Nov-27	7:00	Unemployment Rate	Oct	--	--	9.8	--
Nov-30	7:00	Retail Sales y/y	Oct	--	--	4.4	--
Nov-30	7:00	Commercial Activity y/y	Oct	--	--	2.7	--
Nov-30	7:00	Industrial Production y/y	Oct	--	--	-2.7	--
Nov-30	7:00	Manufacturing Production y/y	Oct	--	--	2.0	--
Nov-30	7:00	Copper Production Total (MT)	Oct	--	--	387870	--
Dec-01	6:30	Economic Activity m/m	Oct	--	--	1.9	--
Dec-01	6:30	Economic Activity y/y	Oct	--	--	0.2	--
Nov 30-Dec 03		IMCE Business Confidence	Nov	--	--	46.7	--
Dec-04	7:00	Nominal Wage y/y	Oct	--	--	7.7	--

MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-23	7:00	GDP NSA y/y	3Q F	3.1	--	3.2	--
Nov-23	7:00	GDP SA q/q	3Q F	--	--	0.9	--
Nov-23	7:00	Economic Activity IGAE y/y	Sep	--	--	3.3	--
Nov-23	7:00	Economic Activity IGAE m/m	Sep	--	--	0.6	--
Nov-23	7:00	GDP Nominal y/y	3Q	--	--	6.3	--
Nov-24	7:00	Bi-Weekly CPI y/y	Nov	3.9	--	3.9	--
Nov-24	7:00	Bi-Weekly CPI (%)	Nov	0.6	--	0.4	--
Nov-24	7:00	Bi-Weekly Core CPI y/y	Nov	3.9	--	3.8	--
Nov-24	7:00	Bi-Weekly Core CPI (%)	Nov	0.2	--	0.2	--
Nov-25	10:00	Current Account Balance (USD mn)	3Q	--	--	8927	--
Nov-26	7:00	Unemployment Rate NSA	Oct	3.0	--	2.9	--
Nov-26	13:30	Mexican Central Bank Releases Inflation Report					
Nov-27	7:00	Trade Balance (USD mn)	Oct	--	--	-606	--
Nov-27	7:00	Exports (USD mn)	Oct	--	--	77797	--
Nov-27	7:00	Imports (USD mn)	Oct	--	--	78403	--
Nov-30		Mexican Public Balance (MXN bn)	Oct	--	--	-969	--
Dec-01	13:00	IMEF Manufacturing Index SA	Nov	--	--	49.8	--
Dec-01	13:00	IMEF Non-Manufacturing Index SA	Nov	--	--	50.6	--
Dec-01	10:00	Remittances Total (USD mn)	Oct	--	--	5362	--
Dec-01	10:00	S&P Global Mexico Manufacturing PMI	Nov	--	--	49.5	--
Dec-01	10:00	Central Bank Economist Survey					
Dec-02	7:00	Vehicle Domestic Sales	Nov	--	--	137438	--
Dec-04	7:00	Gross Fixed Investment NSA y/y	Sep	--	--	5.7	--
Dec-04	7:00	Gross Fixed Investment SA m/m	Sep	--	--	-1.8	--
Dec-04	7:00	Private Consumption y/y	Sep	--	--	1.3	--
Dec 04-10		Formal Job Creation Total (000's)	Nov	--	--	161.1	--

PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-23		GDP y/y	3Q	3.1	3.3	2.6	--
Dec-01	10:00	Lima CPI y/y	Nov	--	--	5.3	--
Dec-01	10:00	Lima CPI m/m	Nov	--	--	0.6	--

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for November 21–December 4

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-23	6:25	Central Bank Weekly Economist Survey					
Nov-24	6:00	FGV Consumer Confidence	Nov	--	--	84.7	--
Nov-26	6:30	Current Account Balance (USD mn)	Oct	--	--	-5100	--
Nov-26	6:30	Foreign Direct Investment (USD mn)	Oct	--	--	11295	--
Nov-26	7:00	IBGE Inflation IPCA-15 m/m	Nov	--	--	0.3	--
Nov-26	7:00	IBGE Inflation IPCA-15 y/y	Nov	--	--	4.6	--
Nov-27	6:30	Outstanding Loans m/m	Oct	--	--	0.4	--
Nov-27	6:30	Total Outstanding Loans (BRL bn)	Oct	--	--	7444	--
Nov-27	7:00	National Unemployment Rate	Oct	--	--	5.2	--
Nov-27		Central Govt Budget Balance (BRL bn)	Oct	--	--	4.8	--
Nov-30	6:25	Central Bank Weekly Economist Survey					
Nov-30	6:30	Net Debt % GDP	Oct	--	--	70.0	--
Nov-30		Formal Job Creation Total	Oct	--	--	121305	--
Dec-01	8:00	S&P Global Brazil Manufacturing PMI	Nov	--	--	46.1	--
Dec-02	7:00	GDP q/q	3Q	--	--	0.5	--
Dec-02	7:00	GDP y/y	3Q	--	--	2.0	--
Dec-03	7:00	Industrial Production m/m	Oct	--	--	-0.7	--
Dec-03	7:00	Industrial Production y/y	Oct	--	--	-2.5	--
Dec-03	8:00	S&P Global Brazil Composite PMI	Nov	--	--	44.4	--
Dec-03	8:00	S&P Global Brazil Services PMI	Nov	--	--	44.5	--
Dec-04	13:00	Trade Balance Monthly (USD mn)	Nov	--	--	9318	
Dec-04	13:00	Exports Total (USD mn)	Nov	--	--	37807	--
Dec-04	13:00	Imports Total (USD mn)	Nov	--	--	28490	--

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-25		Industrial Confidence	Oct	--	--	8.3	--
Nov-25		Retail Confidence	Oct	--	--	28.6	--
Nov-30	10:00	National Unemployment Rate	Oct	--	--	8.0	--
Nov-30	10:00	Urban Unemployment Rate	Oct	--	--	8.3	--
Nov-30		Central Bank Board Meeting					
Nov-30		Central Bank Board Meeting					
Dec-01	10:00	Davivienda Colombia PMI Mfg	Nov	--	--	51.7	--
Dec-01		Current Account Balance (USD mn)	3Q	--	--	-4702	--
Dec-03	10:00	Exports FOB (USD mn)	Oct	--	--	5411	--

Forecasts at time of publication.
Sources: Scotiabank Economics, Bloomberg.

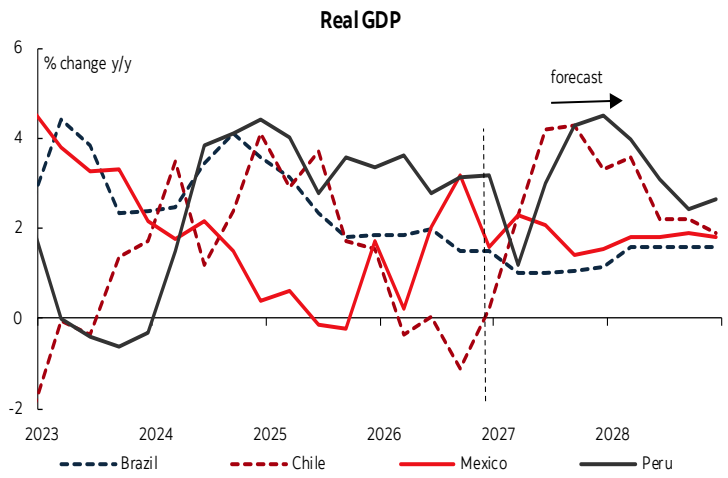
Forecast Updates: Central Bank Policy Rates and Outlook

		Next Scheduled Meeting		BNS Forecast			
	Current	Date	BNS	End-2026	End-2027	End-2028	BNS Guidance for Next Monetary Policy Meeting
Chile, BCCh, TPM	4.50%	Dec-15	4.75%	4.75%	5.00%	4.50%	
Mexico, Banxico, TO	6.25%	Dec-17	6.25%	6.25%	6.25%	6.25%	In Banxico's latest monetary policy decision, the governing board cut the interest rate by 25bps in a divided decision after a more dovish stance in their last published minutes. We expect there to be no changes over the balance of 2026 and 2027. We maintain our forecast subject to the inflation and exchange rate trajectories in the upcoming months.
Peru, BCRP, TIR	4.50%	Dec-10	4.50%	4.50%	4.50%	4.50%	
Brazil, BCB, Selic	13.75%	Dec-09	13.75%	13.75%	12.50%	11.00%	

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

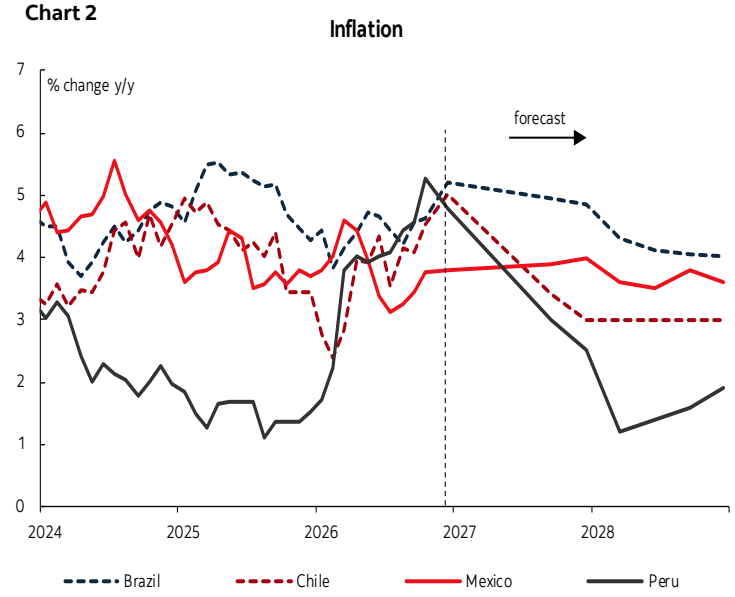
Key Economic Charts

Chart 1



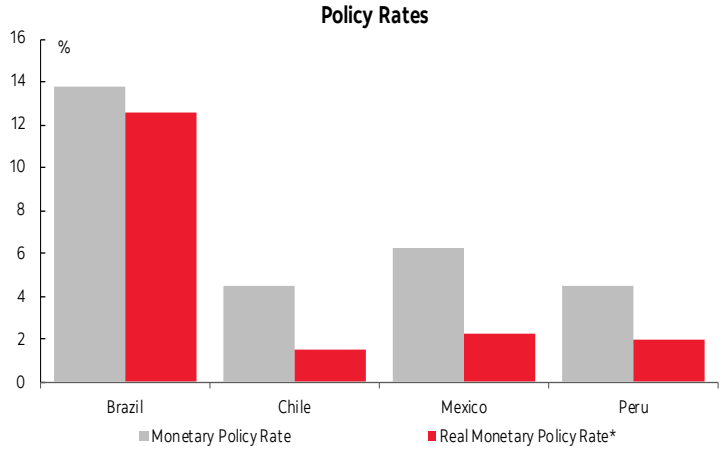
Sources: Scotiabank Economics, IBGE, BCCH, INEGI, BCRP.

Chart 2



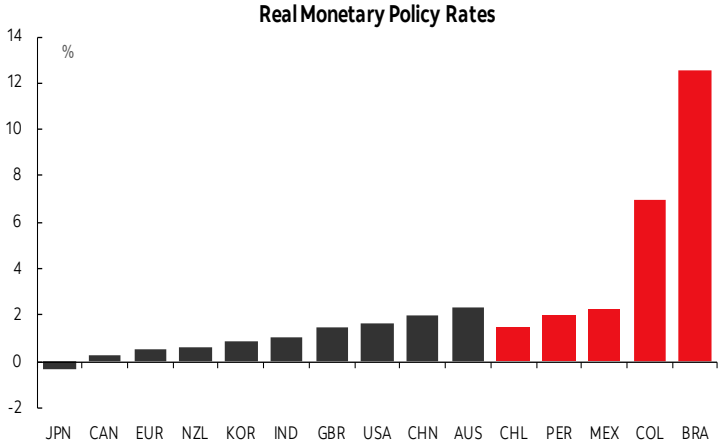
Sources: Scotiabank Economics, IBGE, BCCH, INEGI, BCRP.

Chart 3



Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2027, % y/y.
Sources: Scotiabank Economics, BCCH, BCRP, BCB, Banxico, BanRep, Focus Economics.

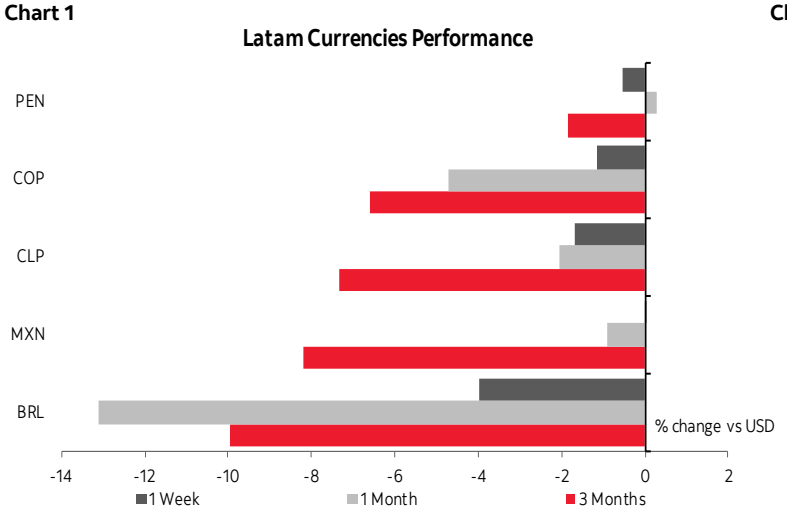
Chart 4



Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2027, % y/y.
Sources: Scotiabank Economics, Bloomberg.

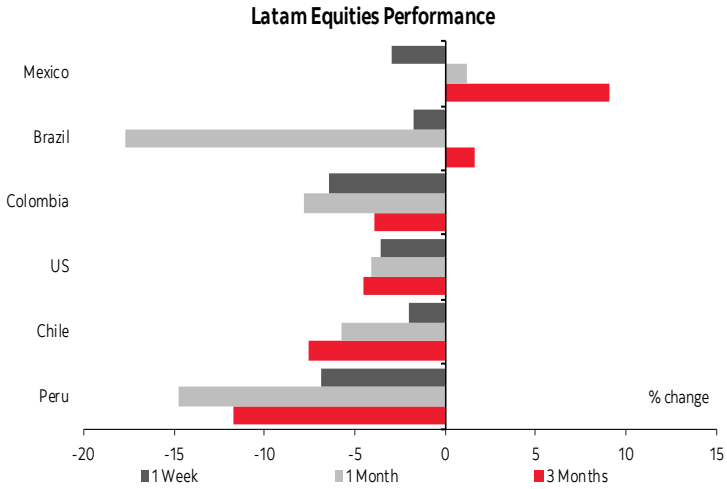
Key Market Charts

Chart 1



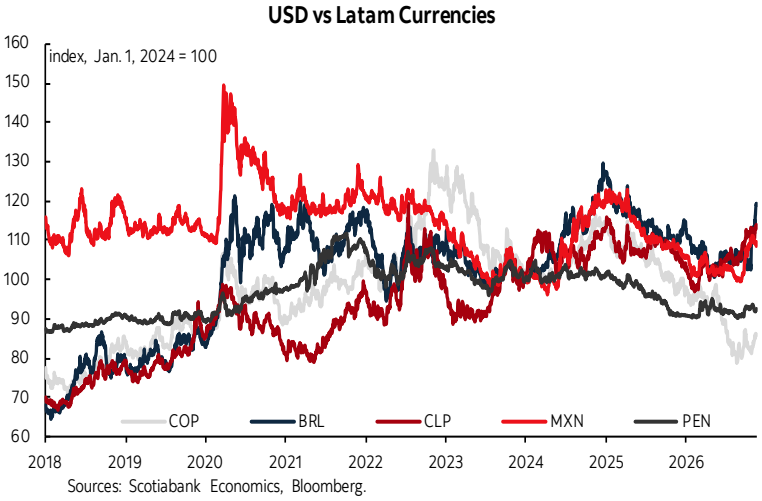
Sources: Scotiabank Economics, Bloomberg.

Chart 2



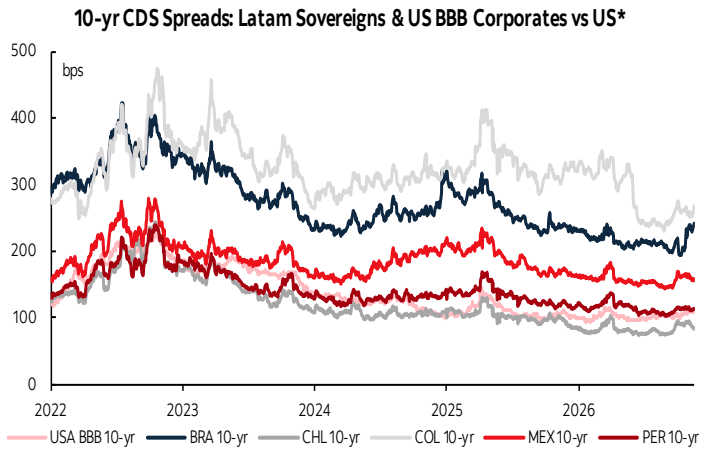
Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4



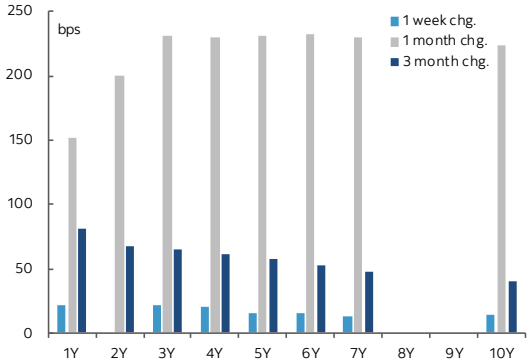
*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs.

Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 1

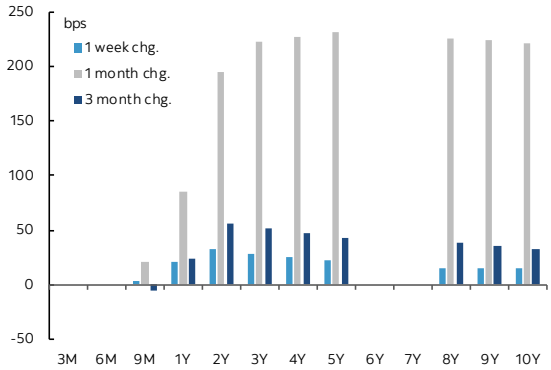
Brazil: NTN Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 2

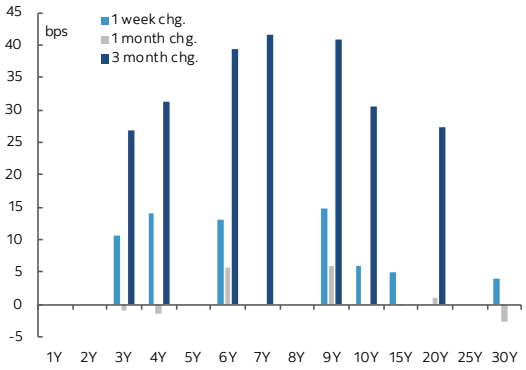
Brazil: BM&F Pre x DI Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 3

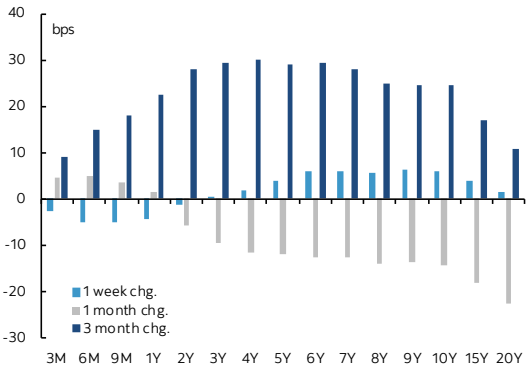
Chile: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 4

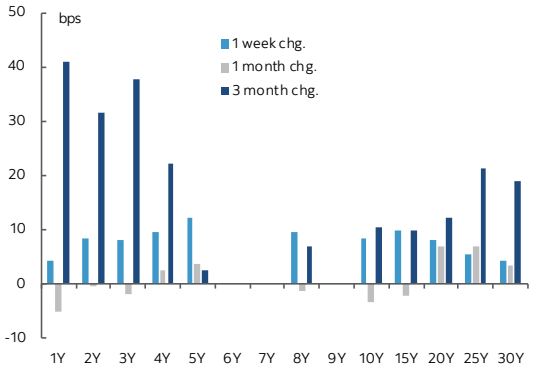
Chile: Fixed x Camara Swap Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 5

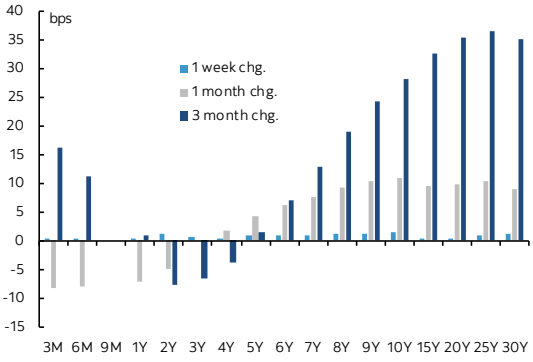
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 6

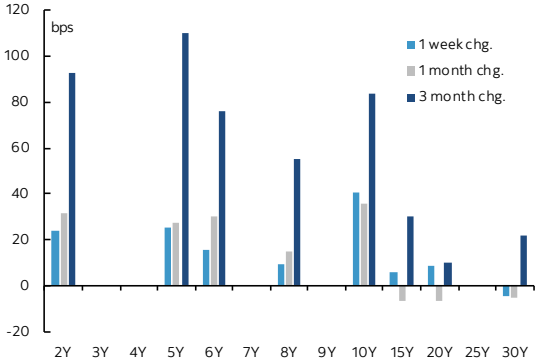
Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 7

Peru: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

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