

Contributors

Juan Manuel Herrera
Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

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

Jackeline Piraján, Head Economist, Colombia
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

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

Brian Pérez, Quant Analyst
+52.55.5123.1221 (Mexico)
bperezgu@scotiabank.com.mx

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

Latam Daily: Chile GDP, Mexico Macro, and Peru Politics Updates

- **Chile: GDP stalls y/y, falls m/m in September with broad-based sectoral weakness**
- **Mexico: Fixed investment falls on construction drag, while private consumption slows on lower imported goods spending**
- **Peru: Antauro Humala unmasked on Halloween; previewing September GDP growth**

CHILE: GDP STALLS Y/Y, FALLS M/M IN SEPTEMBER WITH BROAD-BASED SECTORAL WEAKNESS

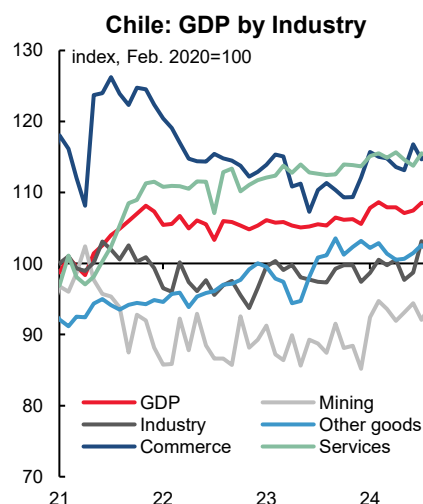
- **GDP shows signs of worrisome stagnation. Rate cuts need to be accelerated, although inflation and CLP depreciation could impede this.**

On Monday, November 4th, the central bank (BCC) released September's GDP, which registered a null variation with respect to last year (to total 2.2% y/y in Q3-24), which represents a surprise for consensus and our own projections, which were around 1 ppts above. The seasonally adjusted GDP series contracted 0.8% m/m (+1% y/y) with a generalized fall at the non-mining sector level, evidencing a worrisome stagnation of activity that keeps GDP at a level similar to that observed at the end of 2021 (chart 1). We estimate that September's GDP was in line with the BCC's baseline scenario, although it would be consistent with GDP ending 2024 with an expansion of 2.4%, which would be projected in the next IPoM in December.

Non-mining GDP registered a lower-than-estimated recovery, especially in services. Although there was a recovery in personal services, affected by the weather events in August, the rest of the services registered a significant contraction. In this sense, business services stood out, which again showed a drop, being the main sector explaining the decline in services and revealing a weakness related to the slow progress of private investment in recent months, but also to a complex period of fewer working days and interferences.

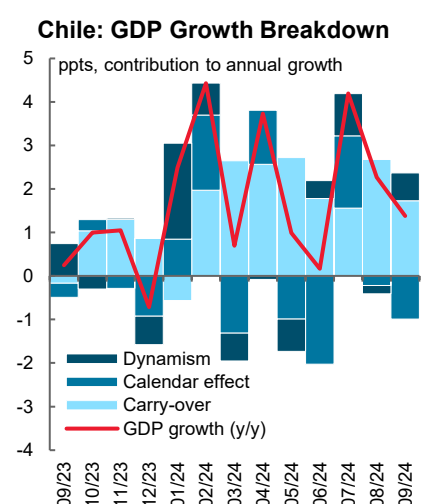
We revise our baseline scenario for GDP expansion in 2024 down to 2.4% (previous: 2.7%), which would be consistent with quarterly growth for Q4-24 at around 3% y/y, largely influenced by favourable comparison bases (chart 2). However, the bias of this projection is marginally positive given that the last quarter of the year features three additional working days that could have a somewhat larger than usual impact, this time positive, as was the case with the lower number of working days observed earlier this year.

Chart 1



Sources: Scotiabank Economics, BCC.

Chart 2



Sources: Scotiabank Economics, BCC.

Implications for monetary policy? For now, the course of monetary policy should continue to be influenced by nominal factors, as there is a clear conviction that real factors (economic activity, domestic demand and employment) are in a territory where they require monetary stimulus. The inflationary records of October (Scotia estimate: 0.5% m/m) and November, together with the depreciation of the CLP would mark the magnitude of the benchmark rate cut that we will have at the December monetary policy meeting. For now, we continue to expect a 25bps cut, but increasing the dose to 50bps could be part of the new central bank scenario revealed in the December IPoM if we observe particularly low inflation and the exchange rate shows some appreciation. In the latter case, the international scenario in the coming weeks will be crucial.

—Aníbal Alarcón

MEXICO: FIXED INVESTMENT FALLS ON CONSTRUCTION DRAG, WHILE PRIVATE CONSUMPTION SLOWS ON LOWER IMPORTED GOODS SPENDING

During August, Gross Fixed Investment (GFI) fell -1.9% from a 6.6% increase the previous month. In detail, machinery and equipment increased by 3.5% (9.5% previously), the domestic subcomponent rose by 5.9% (8.4% previously) and imports by 1.9% (10.2% previously). Construction led the fall, with a significant drop of -6.1% (4.2% previously) after twenty-two months of a dynamic rhythm of a 15.2% rise on average, as non-residential fell by -8.7% (-0.1% previously) and the residential subcomponent by -1.1% (10.8% previously), see chart 3. In the January–August period, the index grew by 6.8% YTD. In the seasonally adjusted monthly comparison, the GFI showed a drop of -1.9% (2.0% previously), highlighting that construction decreased by -4.0% m/m, investment in transport equipment, both domestic and imported, remained strong, as they grew by 13.8% y/y and 20.0% y/y.

By type of buyer, private machinery and equipment registered its second consecutive month of growth, with an increase of 3.3% y/y. The public component grew by 7.8%, accumulating consecutive increases since January 2022, largely driven by government projects. As for private construction, it fell by -5.1%, marking its first decline in nineteen months. In contrast, the public component experienced its fourth consecutive decrease, this time of -10.6% y/y.

For its part, private consumption for August moderated its pace by growing 2.3% y/y (5.2% previously), where national consumption increased 1.5%. In detail, national goods rose 1.2% (3.5% previously), while services increased 1.7% (1.8% previously). On the other hand, imported goods showed a sharp slowdown, growing 7.3% from a previous expansion of 23.9%, with durable goods increasing by 11.3% (27.9% previously), semi-durable goods by 18.8% (48.8% previously) and non-durable goods by 0.9% (13.1% previously). In its seasonally adjusted monthly comparison, private consumption rose just 0.2% (0.9% previously), as imported goods cooled to 0.8% (vs. 3.9% in July), see chart 4.

The Mexican economy faces a challenging outlook for 2025, with expectations of a slowdown due to the decrease in government spending and a moderate pace in consumption. Gross Fixed Investment has already shown an annual decline, given that construction suffered a significant contraction despite an increase in machinery and equipment. In addition, the results of the US elections could negatively impact trade, affecting the demand for Mexican goods, as well as investment competitiveness.

—Rodolfo Mitchell, Brian Pérez & Miguel Saldaña

PERU: ANTAURO HUMALA UNMASKED ON HALLOWEEN

Antauro Humala may be out of the 2026 election. The radical leftist, who has stated that, if elected, he would ignore the Constitution, close Congress, and place virtually all ex-presidents of Peru before a firing squad (including his brother, Ollanta Humala, 2011–2016) is facing a Supreme Court decision on the illegality of his party.

Chart 3

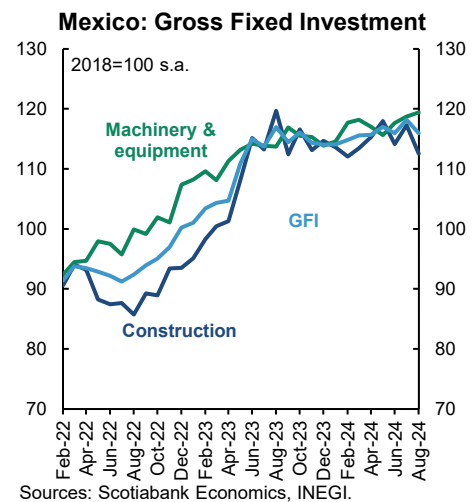
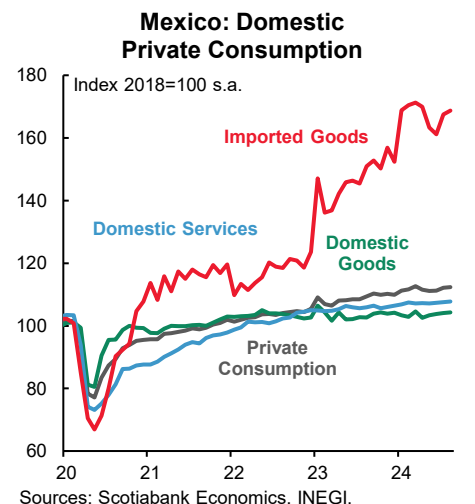


Chart 4



Antauro is the leader of the political party named, surprisingly, A.N.T.A.U.R.O (for Alianza Nacional de Trabajadores, Agricultores, Universitarios, Reservistas y Obreros). On October 31st, the Supreme Court determined that the political party was illegal, that its registration as a political organization should be annulled and that the party should be dissolved. This determination was in response to a demand by the Attorney General’s office arguing that the party advocated anti-democratic ideals and incited violence.

We’re not too sure about the legal grounds for the Supreme Court determination (were any laws actually broken?), but, as a purely practical matter, there is a sense of relief by many over the possibility that Antauro Humala may no longer be a contender for the 2026 presidential elections.

We stress the word ‘may’, as Antauro still has room to maneuver. Antauro has stated that he plans to appeal the Supreme Court decision. But, even if the Supreme Court decision is upheld, its decision only affects the party, not Antauro himself. Antauro would still have the possibility of being the presidential candidate of some other registered party. Then, there is also Congress, which could conceivably formulate some legal avenue to facilitate an Antauro candidacy. There are, then, a number of ‘ifs’ to be worked out. However, none of these alternatives are very clear nor straightforward. And, meanwhile, Antauro’s possibilities as a contender appear diminished.

PREVIEWING SEPTEMBER GDP GROWTH

Early sector GDP numbers were released for mining and fishing on November 1st. Mining GDP growth was 1.7%, y/y. This was below our forecast of 4.0% growth. Meanwhile, oil & gas fell 3.3%, y/y, led by natural gas products.

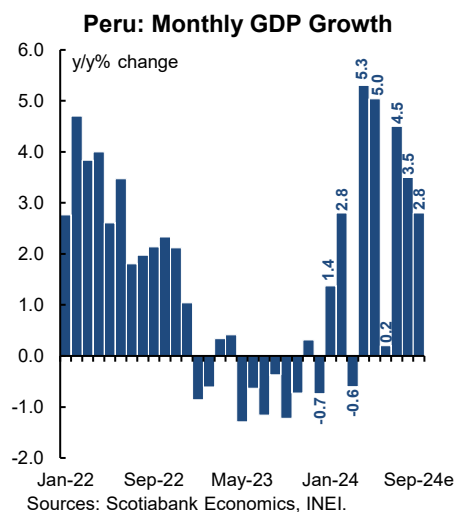
Finally, fishing fell 14.6%, y/y. Although September was an off-season month for fishmeal fishing (which actually rose), the fact that non-fishmeal fishing was also very weak was discouraging.

Other, indirect growth indicators were mostly positive, albeit somewhat subdued. Electricity growth was a mild 2.0%, y/y. Cement sales fell 0.05%, although this was compensated—in terms of impact on construction GDP—by a 13.4% increase in government investment.

Considering all these factors, we estimate that aggregate GDP growth will reach 2.8%, y/y, in September (chart 5). This is down slightly from our previous monthly forecast of 3.0%, but does not alter our quarterly expectations of 3.6% GDP growth for Q3. Monthly growth is starting to settle down into a tighter range. We are still on trend for 3.0% GDP growth for full-year 2024.

—Guillermo Arbe

Chart 5



This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.