

Contributors

Juan Manuel Herrera, Senior Economist
+52.55.2299.6675 (Mexico)
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

Latam Daily: Chile CPI Meets Expectations

CHILE: MAY CPI OF 0.2% M/M (4.4% Y/Y), IN LINE WITH OUR EXPECTATIONS

- Preliminarily, we project negative CPI for June

This morning, INE released May CPI data showing a 0.2% m/m (4.4% y/y) rise in prices, in line with our projection and the market expectations. Core CPI (ex-volatiles) rose 0.4% m/m, marginally above our point projection, but accumulating a negative surprise of 0.2% since last March compared to the last Monetary Policy Report (MPR) baseline scenario. The main reason for this surprise in the May CPI (ex-volatiles) comes from Cyber Day, where we observed high diffusion in goods and services, an aspect already characteristic of the month prior to Cyber Day, but which manifested itself much more intensely this time. In this context, the reversal we could observe in the June CPI could also be larger than that observed in previous years. We raise the risk that the June CPI will not only be negative, but markedly negative, with zero impact on gasoline, but with a significant drop in international air transport and the usual reversal of goods prices during Cyber Day.

By division, the main positive contributions came from food and household equipment. As anticipated, dairy products and eggs contributed positively to this inflation record, which was partially offset by the drop in the prices of fresh fruits and vegetables. Similarly, the rise in the prices of goods and services for household maintenance explained a large part of the positive impact in the household equipment division, which includes products such as detergents, disinfectants, dishwashing liquid, and others.

Inflationary diffusion increased prior to Cyber Day, but with higher-than-usual impacts. Our projection assumed an increase in total inflationary diffusion explained by goods, which materialized similarly to that observed last year. However, while the number of goods ex-volatiles that increased in price was as expected, the magnitude of their price gains was higher than anticipated (raising the significant risk of a reversal in the June CPI). On the other hand, services diffusion was markedly above its historical average (61%), although the magnitude of the observed increases and their impact on the total CPI were in line with our projection (chart 1 and 2). This also points to reversals in the June CPI.

We preliminarily project June CPI between -0.1% and -0.3% m/m, with declines in international air transport services, some volatile and ex-volatiles goods, low or zero impact on services, and no impact on gasoline.

Chart 1

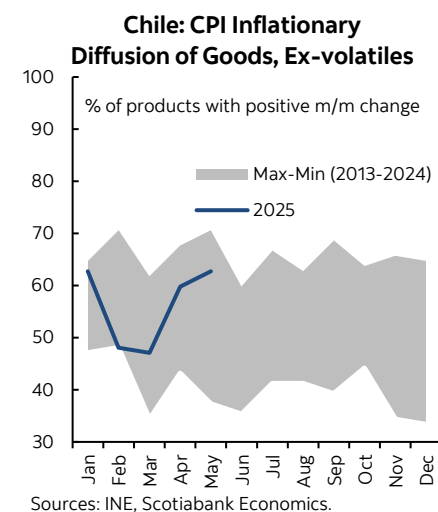
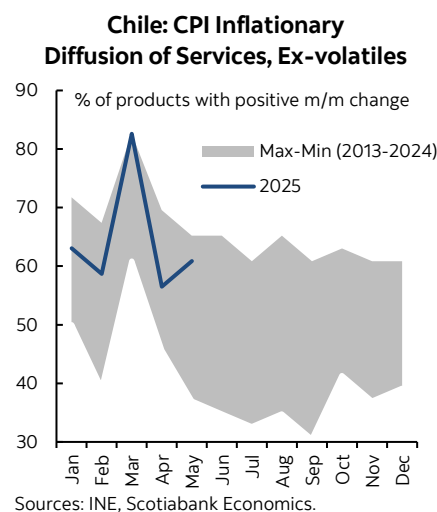


Chart 2



—Aníbal Alarcón

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