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Latam Daily: Chilean and Colombian Inflation Undershoots

- **Chile:** June CPI at **-0.4% m/m (4.1% y/y)** with a sharp decline in food and clothing
- **Colombia:** June inflation slows more than expected, driven by food and energy price drops

CHILE: JUNE CPI AT -0.4% M/M (4.1% Y/Y) WITH A SHARP DECLINE IN FOOD AND CLOTHING

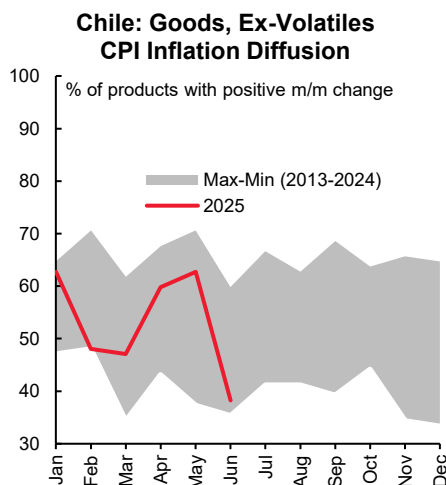
- **The CPI inflationary diffusion hits historic low, symptomatic of weak private consumption in Q2-25**

On Tuesday, July 8th, the INE released the June CPI, which decreased 0.41% m/m (4.1% y/y), a downward surprise for market expectations (Bloomberg and Surveys: -0.2%) but closer to our projection (-0.3%) and heading toward our 2025 annual inflation projection of 3.5%. This reading represents a significant downward surprise for the Central Bank's baseline scenario, which considered a projection of -0.15% m/m. However, the surprise was concentrated in volatile items, especially food and clothing, since its projection for the CPI ex volatiles was in negative territory. In this context, we do not expect a particularly stimulative monetary policy reaction from the BCC, which should implement the expected 25 bps cut this coming July 29th, recognizing a negative headline surprise but a positive one at the core level (led by services).

The total inflationary diffusion, that is, the percentage of products that experienced price increases during the month, was the lowest on record, not only for the month but for all months since 2013. This is explained by the "collapse" in the price of goods following Cyber Day in June (chart 1). In any case, while several of these goods are considered volatile, it reflects the slowdown in private consumption, which has led retailers to apply particularly aggressive discounts to clothing and food.

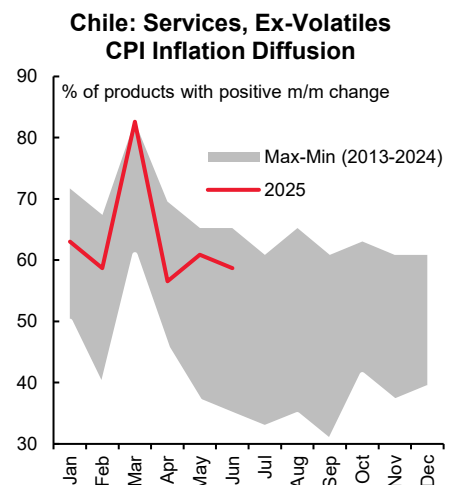
Rising labour costs are pushing up inflation in services. Services partially offset the sharp drop observed in goods inflation, which is also reflected in the inflation diffusion indicators (chart 2). For the second consecutive month, services inflationary diffusion is at the high end of its historical range, similar to what was observed during the first quarter of this year. Domestic services, dental services, and food outside the home, as well as some goods where labour represents a significant percentage of their cost structure, such as bread, stood out among the products with the greatest impact within the basket. In addition to the recent real adjustments in the minimum wage and the implementation of the reduction in the working hours, the coming months will see an increase in mandatory employer contributions due to the pension reform.

Chart 1



Sources: INE, Scotiabank Economics.

Chart 2



Sources: INE, Scotiabank Economics.

We estimate that July inflation is headed for a lower reading than the market expected. The Comptroller’s Office has not acknowledged the tariff adjustment decree, which would increase the price of electricity by around 7% on average, so some of the major distribution companies that have published their rates for July do not factor in the increase. It should be noted that the INE methodology indicates that the cutoff date for valuing the service is the 15th, so an increase cannot yet be completely ruled out. If the electricity rate increases in July, combined with a partial reversal of the price declines observed in the June CPI, does not materialize, this could lead to the July CPI being markedly below what is implied by forwards. Added to this would be the negative impact that we estimate gasoline will have in the seventh month of the year.

—Aníbal Alarcón

COLOMBIA: JUNE INFLATION SLOWS MORE THAN EXPECTED, DRIVEN BY FOOD AND ENERGY PRICE DROPS

Colombia’s monthly CPI inflation rate was 0.10% m/m in June, according to data published by DANE on Monday, July 7th, 2025. This result came in below analysts’ expectations from the BanRep analyst survey (0.19% m/m) and Scotiabank Colpatría’s forecast (0.24% m/m). During the month, 11 out of the 12 consumption groups recorded positive monthly changes, with the restaurants and hotels and transportation categories accounting for 80% of the total monthly inflation.

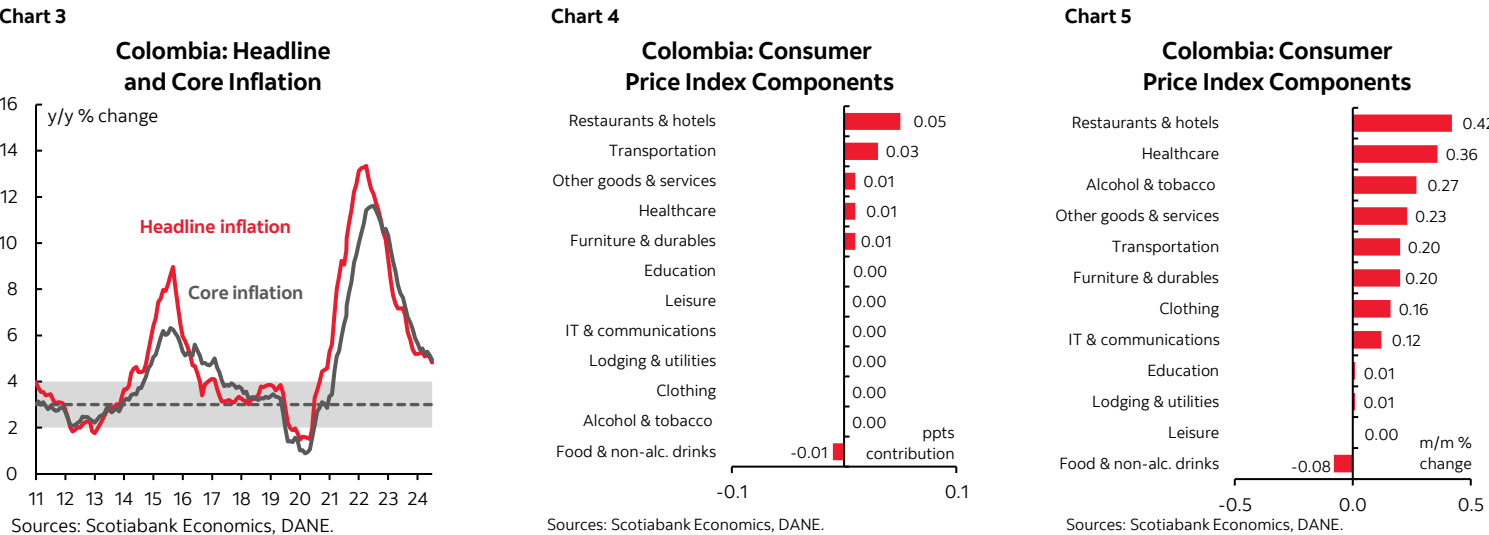
The downside surprise was mainly driven by electricity fees and food prices, while most other CPI components showed moderate changes. Energy services declined for the second consecutive month, falling by -1.95% m/m and subtracting 5.74 basis points from headline inflation (chart 3). Meanwhile, food prices registered a slight decline of -0.08% m/m, led by decreases in key items such as tomatoes and potatoes. On the other hand, positive variations in services—particularly in restaurants, hotels, and transportation—were influenced by seasonal effects related to the month’s holidays.

June’s data confirms that indexation pressures were consolidated in the first half of the year, and their impact is expected to diminish in the coming months.

On an annual basis, inflation fell from 5.05% in May to 4.82% in June, marking a 38 bps decline compared to the end of 2024 (5.20% y/y). Non-food inflation decreased from 5.13% y/y to 4.94% y/y, while core inflation (excluding food and regulated items) remained stable at 4.77% y/y. Services inflation edged down slightly from 6.06% to 6.00%, reflecting its persistent nature due to indexation effects. Meanwhile, goods inflation rose from 1.45% to 1.58% y/y.

Despite the relief provided by the latest inflation figures, the main drivers of the decline—food and regulated prices—pose a bittersweet scenario for BanRep. In June, the central bank’s board voted to hold the policy rate at 9.25%, with a split decision. The majority cited high uncertainty around fiscal sustainability, and the meeting minutes also highlighted concerns about potential upside risks to inflation in 2026, particularly due to political decisions regarding the minimum wage.

Looking ahead to July, the policy debate is expected to remain difficult. Our base case is a 25 bps rate cut to 9.00%, although the likelihood of further cuts by year-end is diminishing, as inflation may rebound toward the end of 2025.



Additional highlights:

- **Two groups accounted for 80% of total inflation.** Restaurants and hotels were the largest contributors to inflation, with a monthly increase of 0.42% and a contribution of 5 basis points (charts 4, 5). Food services outside the home were the largest contributors, with a 0.38% m/m variation, while hotels showed modest variations. In second place, transportation showed a 0.20% m/m variation, contributing 3 bps to the total monthly variation, mainly explained by the holidays during the month that increase the flow of passengers to various tourist destinations.
- **Food products offset part of the inflation.** Food products registered a negative variation in June of -0.08% m/m, subtracting 1 bps from total inflation. 37% of the food basket registered negative variations, with potatoes (-13.79%) and tomatoes (-7.30%) contributing the most to the decrease. Meanwhile, food items such as beef, coffee, and onions were the largest contributors, with increases of 0.86% m/m, 6.19% m/m, and 6.09% m/m.
- **Rental rates and energy contributed to low inflation in June.** The lodging and utilities sector showed a 0.01% m/m variation, contributing nothing to the total monthly increase. Energy rates registered a negative variation of -1.95% m/m, while gas rates fell -0.50% m/m. Rental rates, meanwhile, registered a +0.34% m/m variation, lower than the 0.59% recorded in May.
- **Services inflation continues a downtrend.** Services inflation registered a 0.35% m/m variation and 6% y/y, with leisure services showing zero variations despite the holiday season. Meanwhile, goods inflation registered a 0.17% m/m variation and 1.58% y/y variation, with increases in some furniture and household items.

—Jackeline Piraján & Daniela Silva

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