

**Contributors**

**Juan Manuel Herrera**, Senior Economist  
+52.55.2299.6675 (Mexico)  
[juanmanuel.herrera@scotiabank.com](mailto:juanmanuel.herrera@scotiabank.com)

**Guillermo Arbe**, Head Economist, Peru  
+51.1.211.6052 (Peru)  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Jorge Selaive**, Head Economist, Chile  
+56.2.2619.5435 (Chile)  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

**Eduardo Suárez**, VP, Latin America Economics  
+52.55.9179.5174 (Mexico)  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

**TODAY'S CONTRIBUTORS:**

**Aníbal Alarcón**, Senior Economist  
+56.2.2619.5465 (Chile)  
[anibal.alarcon@scotiabank.cl](mailto:anibal.alarcon@scotiabank.cl)

## Latam Daily: Chile's Central Bank Keeps the Policy Rate at 4.5%, as Widely Expected

- **Chile: Downside risks to inflation push the board to signal a revision of its baseline scenario**

On Tuesday, January 27<sup>th</sup>, the Central Bank kept the policy rate at 4.5%, as widely expected. On this occasion, the board chose not to surprise the market and surveys despite being in the position to bring the policy rate to the centre of the estimated neutral range (4.25%), given that the activity gap is closed and inflation is close to target. However, the discussion within the board appears to have been centered on assessing whether it will be necessary to bring the policy rate below the neutral level over the projection horizon, rather than on the decision of cutting or not cutting the policy rate in this meeting, since it seems evident to us that the neutral level of 4.25% will be reached at the next meeting in light of the new scenario and the risks to inflation. Conditional on short-term inflation developments, we do not rule out that scenarios placing the policy rate at the lower bound of its neutral level over the projection horizon gain traction within the board as they outline the new rate corridor. In that sense, it is likely that the market will continue to expect additional cuts that take the policy rate below its neutral level, along with year-over-year inflation readings below 3% for all of 2026.

A few weeks ahead of its publication, the board anticipates a revision to the short-term scenario contained in the December IPoM given significant surprises. The 6% nominal appreciation experienced by the peso since the previous monetary meeting would have been the main surprise relative to the IPoM's baseline scenario, as it has developed more quickly than expected by the Central Bank and would have direct implications for goods inflation. Added to this is the clear downside surprise in the December CPI—both headline and core—and the less visible downside surprise in November's GDP, which would leave 2025 GDP at the verge of growing one or two tenths less than projected in the December IPoM. While all this was not sufficient argument to cut the policy rate by another 25 basis points in this meeting, we estimate that the option was discussed within the board and was likely preferred by at least one board member.

At Scotia, we estimate that headline inflation would remain below 3% for most of 2026, with the risk of quickly moving toward 2% due to the negative contribution from gasoline (at least through March), the decline in electricity tariffs during the first quarter, and the recent multilateral appreciation of the peso, which has been the key element making the inflation (and policy rate) scenario contained in the December IPoM obsolete. In this regard, the spot real exchange rate stands around 98 points (1986=100), at the lower end of the level estimated as long-term by the Central Bank, reflecting significant real appreciation that is disinflationary for tradable goods (58% of the CPI basket). We estimate that this risk scenario—characterized by inflation risks near 2% and an appreciated exchange rate—would require a policy rate at the lower end of its neutral range.

—Aníbal Alarcón

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 construed 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.