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Latam Daily: Chile GDP Contracts, Peru Inflation Jumps

- **Chile: A challenging start to the year—achieving growth above 2.5% in 2026 will require stronger private investment, full execution of public investment, and a recovery in confidence indicators**
- **Peru: Inflation exceeds the midpoint of the Central Bank’s target range**

CHILE: A CHALLENGING START TO THE YEAR

GDP contracted 0.1% y/y in January, falling short of market expectations (consensus: +1.0% y/y). This print should be analyzed jointly with December’s GDP, which had surprised to the upside due to temporary factors that appear to have reversed in January. As such, the figure does not change our baseline annual growth outlook, though it reduces the probability of scenarios with growth above 2.5% in 2026.

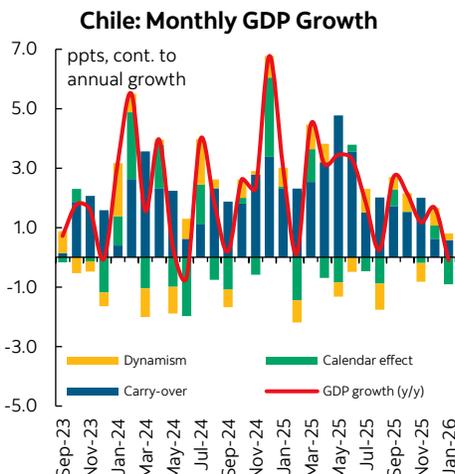
Excluding calendar effects, underlying activity is recovering only gradually (chart 1). January had fewer working days than a year ago, subtracting around 0.9ppts from annual growth. At the same time, weaker momentum in commerce and manufacturing, together with reversals in the “rest of goods” category, explain the flat annual growth of non-mining GDP (0.1% m/m SA).

A sharp decline in fruit exports negatively affected wholesale commerce. Reversing the strong performance seen in December, the sector made a negative contribution to total commerce, posting drops both in annual terms and on a seasonally adjusted monthly basis, led by the food industry. Similarly, agricultural and forestry activity fully unwound December’s gains, driving a m/m SA contraction in the “rest of goods” component of January GDP.

Commerce may benefit from greater liquidity beginning in February. The payment of benefits related to years of contributions and adjustments for life-expectancy differences injected more than USD 130 million per month into the economy starting in February (chart 2). Combined with the increase in the Universal Guaranteed Pension (PGU), this likely provided an additional boost to retail trade. On the investment side, machinery and equipment imports continue to grow at a solid pace, improving short-term prospects for wholesale sales and broader economic activity.

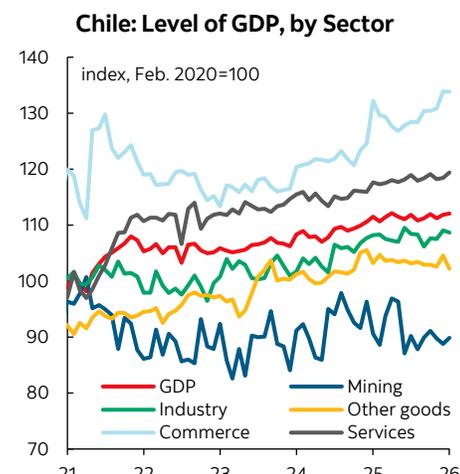
Carry-over for the year remains at 0.6%, meaning statistical factors make it more difficult to achieve growth above 2.5% in 2026. Moreover, weaker momentum at the margin implies the economy must grow at above-average monthly SA rates just to reach 2.5% for

Chart 1



Sources: Scotiabank Economics, BCCh.

Chart 2



Sources: Scotiabank Economics, BCCh.

the year. At Scotia we maintain our 2.5% growth forecast for 2026, supported by strong investment dynamics and a recovery in private consumption in the coming months, though we remain conservative regarding upside scenarios.

Monetary policy decision: Recent developments in the Middle East warrant particular attention from the Central Bank ahead of this month’s meeting. However, if the impacts remain concentrated in higher oil prices without spillovers to other products (food, transportation costs, or significant CLP depreciation) domestic conditions would still support a 25 bps cut, given weak employment creation, inflation below 3%, and subdued internal demand.

—Aníbal Alarcón

PERU: INFLATION EXCEEDS THE MIDPOINT OF THE CENTRAL BANK’S TARGET RANGE

Both headline and core inflation rose in February, surpassing the midpoint of the Central Reserve Bank of Peru’s (BCRP) target range—that is, exceeding 2.0%.

Headline inflation accelerated from 1.7% in January to 2.2% in February, marking the highest annual rate since November 2024. On a monthly basis, consumer prices increased by 0.7%, above the Bloomberg market consensus of 0.3% and closer to our expectation of 0.5%. Core inflation also increased, with the annual rate rising from 2.0% in January to 2.2% in February—the highest level since January 2025.

Chart 3

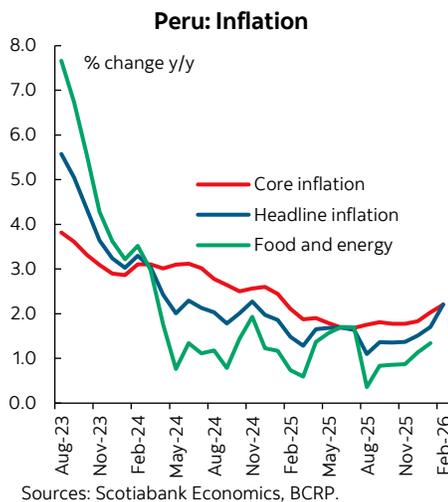
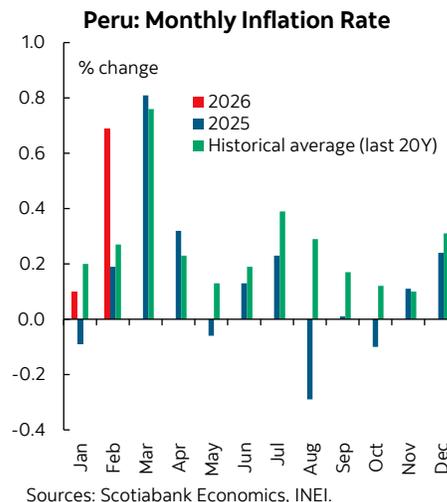


Chart 4



The main driver of the inflation uptick was the category of food and non-alcoholic beverages. Within this group, there were notable price increases in chicken (+9%) and chicken eggs (+18%), both of which carry significant weight in the basic consumption basket. These price pressures have been evident since the first weeks of January and are linked to high temperatures that have reduced productivity in the poultry sector. Another product experiencing a sharp increase was peas, whose price has nearly doubled due to intense rainfall in the highlands.

These shocks are expected to be temporary and should reverse once weather conditions normalize, typically within two to three months. For March—an inflationary month due to education-related expenses—headline inflation could rise further if El Niño-related effects persist. By year-end, however, we maintain our forecast for headline inflation at 2.2%.

—Ricardo Avila

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