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# Latam Daily: External Risks Restrict Cut Expectations on Low Chile CPI

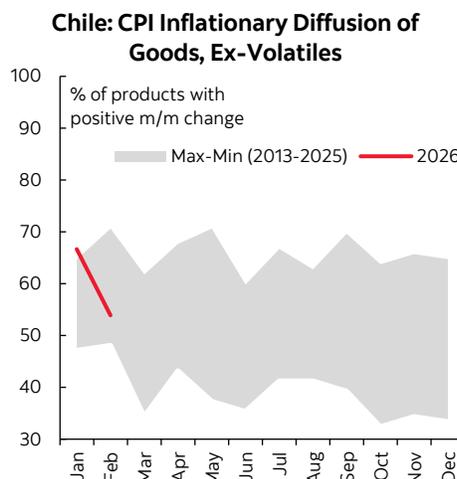
- **Chile: February CPI at 0% m/m (2.4% y/y) would have supported another policy rate cut, but external conditions are currently limiting the BCCh's room**

February's CPI printed at 0% m/m (2.4% y/y), a positive development for consumers and the Central Bank, coming in at the lower end of expectations and slightly below our own forecast (+0.10%). Although core inflation (excluding volatiles) matched our projection, its monthly variation was the lowest for a February in the past five years, largely due to flat core goods inflation following January's sharp increase. This print clearly surprises the Central Bank's December Monetary Policy Report (IPoM) scenario to the downside. That said, inflationary risks from the global environment remain significant and could inject volatility throughout the first half of the year—mainly via higher fuel prices.

February's flat inflation was driven by declines in volatile components (electricity tariffs and fuels) combined with historically low core inflation. Relative to our forecast, we saw no surprises in core goods or core services; however, some volatile services posted larger-than-expected declines, such as common expenses, lodging, and insurance. For the latter, we estimate the drop reflects discounts and promotional pricing in auto insurance, likely associated with the lower incidence of violent vehicle theft reported by the Public Prosecutor's Office in 2025. Diffusion indicators behaved broadly in line with expectations (charts 1 and 2), with a reversal in goods inflation after January's spike and a normalization in services, which have been hovering around their recent averages for several months.

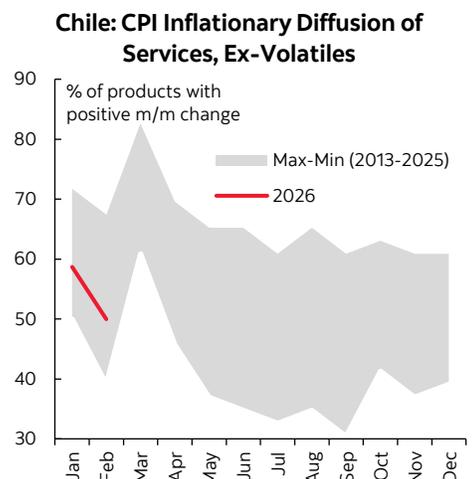
From a domestic standpoint, the backdrop was set for the Central Bank to deliver a 25 bps rate cut after this CPI print. For this month's Monetary Policy Meeting, the key inputs were: a labour market showing counter-seasonal weakness, decelerating real wages, a CLP that had experienced significant multilateral appreciation until last week, a February CPI that slightly surprised on the downside with a flat monthly print, and activity data revealing softness in commerce despite improving confidence indicators. However, the global environment has shifted abruptly. The CLP's appreciation has reversed sharply, and external conditions have turned more complex as higher oil prices and some increases in transportation costs revive concerns about a global supply-side shock. Given that the policy rate is already close to the midpoint of the neutral range (4.25%), we believe that the option of waiting is increasingly becoming the most likely scenario—unless global risks ease meaningfully in the very near term.

**Chart 1**



Sources: Scotiabank Economics, INE.

**Chart 2**



Sources: Scotiabank Economics, INE.

—Aníbal Alarcón

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