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Latam Daily: BCCh Holds, Gasoline Price Rise Boosts Inflation Outlook

- **Chile: BCCh keeps the policy rate at 4.5% as expected, with a neutral bias**

The BCCh kept the policy rate at 4.5%, adopting a bias that reads more neutral than in the January meeting, signaling a longer rate hold stance. In light of external inflationary pressures and uncertainty regarding the duration of the shock, the inflation forecast for the year was revised upward, while convergence to target is now pushed back to 2027. This marks a break from the disinflationary trend observed over recent months prior to the outbreak of the war.

The March Monetary Policy Report (MPR) rate corridor will be key to assess whether the staff envisions convergence toward the midpoint of the neutral rate range (4.25%) over the policy horizon. Given the uncertainty surrounding inflation dynamics and global activity, we expect the rate corridor to incorporate alternative scenarios in both directions, including more “inflationary” paths should the conflict prove short-lived, as well as downside scenarios for activity and inflation if the conflict extends over time.

For now, the Board’s baseline scenario points to higher inflation and lower growth in 2026. According to the statement, the scenario assumes no further significant increases in international prices, while domestic demand moderates its pace of expansion, also incorporating the fiscal tightening announced by the government.

The international backdrop is marked by higher oil prices, with implications for global inflation and activity. In this context, the Board highlights a tightening in global financial conditions and a decline in copper prices, effectively offsetting the stronger external impulse observed at the start of the year. The statement also notes market expectations of policy rates being held or increased by major central banks globally, a view mirrored in local market expectations for the MPR, which currently price in at least two rate hikes over the year.

Fuel Prices: Direct and Indirect Inflationary Impacts

The government confirmed an increase of CLP 370 per litre in gasoline prices and CLP 570 per litre in diesel prices, effective as of Thursday, March 26th. These adjustments will be incorporated into the March CPI calculation. Taken together, we estimate a direct inflationary impact of 0.4 ppts on March CPI, followed by an additional 1.0 ppt on April CPI. Considering direct and indirect effects, we revise upward our CPI inflation projection for December 2026 to 4.5% y/y.

What lies ahead in the coming months? If current fuel price levels are maintained, we expect only one additional gasoline price adjustment in May, with a limited CPI incidence of around 0.10 ppt in that month. In contrast, diesel prices still have pending accumulated increases of approximately CLP 180 per litre, which are yet to be fully passed through. This implies an additional 0.1 ppts impact on CPI distributed over the remainder of the year, broadly equivalent to around 0.01 ppts per month.

Indirect effects over the coming months. Beyond the direct impact, second-round effects are likely to materialize in other CPI components that are traditionally sensitive to fuel costs. These include goods and services with a high fuel content in their cost structures, such as intercity transportation services, private passenger transport (taxis), school transportation, tourism packages, condominium common expenses, electricity tariffs, bread, air transportation, among others.

In addition, UF indexation mechanisms remain a relevant transmission channel. We estimate that around 30% of the total CPI basket and close to 70% of the services basket are indexed to the UF. As a reference, the cumulative increase in electricity tariffs between

March 25, 2026

June 2024 and January 2025 generated a direct CPI incidence of 1.3 ppt, suggesting that additional inflationary pressure stemming from indexation effects is likely going forward.

Additional cost pressures from changes in diesel tax exemptions. On top of fuel price dynamics, the Ministry of Finance announced the elimination of the diesel excise tax exemption for non-transport firms, including mining companies, electricity generators, and industrial producers, among others. These sectors will now be aligned with the current refund scheme applicable to cargo transport firms, implying a maximum recovery of 31% of the diesel excise tax paid.

We expect further indirect inflationary effects from this measure, particularly through higher electricity tariffs, to the extent that regulated customer contracts are indexed to diesel prices. Moreover, upward price adjustments in other affected industries cannot be ruled out, alongside negative effects on corporate profitability, as higher fuel-related costs are only partially offset under the new tax regime.

—Aníbal Alarcón

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