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Latam Daily: Chile CPI Rises, Highest Print in Nearly 5 Years; BCRP Macro Expectations

- **Chile:** Fuel price increases were not fully captured in April—stronger increases in transportation services are likely in May
- **Peru:** Economic expectations internalize the local and international environment, as expected

CHILE: FUEL PRICE INCREASES WERE NOT FULLY CAPTURED IN APRIL—STRONGER INCREASES IN TRANSPORTATION SERVICES ARE LIKELY IN MAY

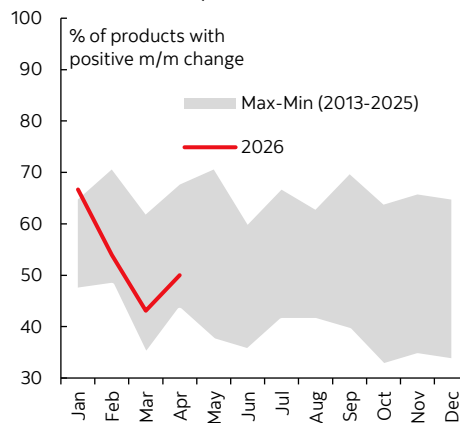
April CPI came in at 1.3% m/m (4.0% y/y), below survey expectations (FTS: 1.6%), market consensus (1.5%), and our forecast (1.7%). Around 75% of the monthly print was explained solely by higher gasoline and diesel prices (0.98 ppts contribution), alongside additional upside from increases in liquefied gas and piped gas prices. While we observed indirect effects across some goods and services (e.g., higher bread prices, interurban bus fares, rents), there were significant declines in airfares (domestic and international). These declines likely reflect the INE's price collection methodology rather than a genuine price compression by the industry. Given that we have identified price increases in these services, we see upside risks to May inflation, driven by indirect effects not yet captured and indexation channels, particularly affecting services inflation.

April CPI did not yet exhibit broad-based increases in goods, and only limited pass-through into services. Inflation diffusion, both for headline and CPI excluding volatile items, remained at the lower end of its historical range, largely explained by the low share of goods showing price increases—mostly concentrated in food (charts 1 and 2). This raises concerns about potential lagged pass-through into May, especially as core inflation ex-volatile remains contained (+0.5% m/m) despite the significant oil price shock.

The 2.3% cumulative inflation over the last two months is likely to trigger indexation effects in the coming months. Approximately 30% of the CPI basket consists of items whose pricing depends on past inflation (regulated and indexed components), including rents, financial expenses, and insurance. These categories have so far not shown significant adjustments despite the March–April CPI accumulation, but increases are highly likely in the near term. Absent a meaningful decline in domestic fuel prices, headline inflation could approach 5% y/y by mid-year.

Chart 1

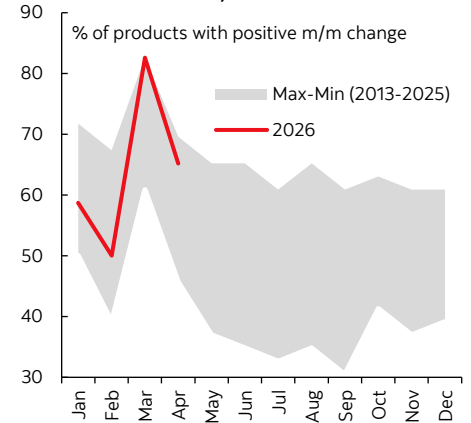
Chile: CPI Inflationary Diffusion of Goods, Ex-Volatiles



Sources: Scotiabank Economics, INE.

Chart 2

Chile: CPI Inflationary Diffusion of Services, Ex-Volatiles



Sources: Scotiabank Economics, INE.

—Aníbal Alarcón

PERU: ECONOMIC EXPECTATIONS INTERNALIZE THE LOCAL AND INTERNATIONAL ENVIRONMENT, AS EXPECTED

The Central Reserve Bank of Peru has published its Macroeconomic Expectations Report, based on surveys of economic agents from the financial system, economic analysts, and non-financial corporations. We observe that expectations are increasingly internalizing the effects of the conflict in the Middle East and, domestically, political and electoral uncertainty. The largest adjustments are observed in financial variables, while business expectations have deteriorated, although they remain within expansionary territory.

Regarding economic activity, the expected GDP growth rate for 2026 remains unchanged, within a range of 2.9% to 3.1%, slightly below our projection of 3.2%.

Twelve-month inflation expectations have increased again, rising from 2.5% in March to 2.8% in April, remaining within the target range (1.0%-3.0%) (chart 3). Inflation expectations for 2026 have also risen, widening to a range between 2.5% and 3.2%—compared to a range of 2.3% to 2.8% in March—while expectations for 2027 have increased to 2.5%, up from 2.2%–2.3% in March. We project inflation to close this year at 3.2% and to decline to 2.0% by 2027, under the assumption that international oil prices begin to ease next month. Otherwise, inflationary pressures would likely remain elevated.

Exchange rate expectations have also increased for the end of this year, reaching a range of PEN 3.43 to PEN 3.50 per US dollar, compared to a March range of PEN 3.38 to PEN 3.45. We are maintaining our forecast of PEN 3.35 per US dollar, under a scenario in which the new government preserves an investment-friendly stance.

Finally, business expectations—measured across 12 indicators—and assessments of current conditions—based on six indicators—have deteriorated in most components (table 1). This outcome is consistent with prevailing local and international conditions; nevertheless, indicators continue to remain within optimistic territory.

Chart 3

Peru: 12-Month Expected Inflation

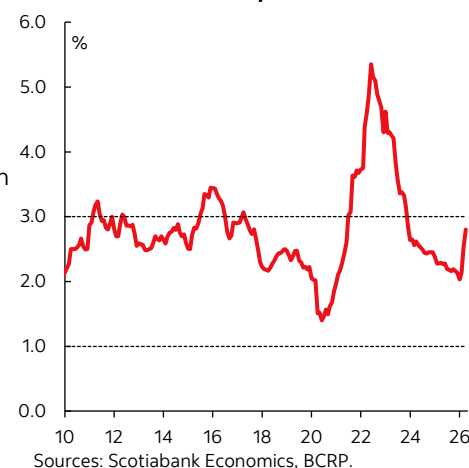


Table 1: Peru - Business Expectations				
Expectation	Jan-26	Feb-26	Mar-26	Apr-26
Economy (3 Months)	56.5	50.2	52.0	44.6
Economy (12 Months)	64.8	59.7	60.0	51.2
Company Sector (3 Months)	58.6	54.0	55.0	51.1
Company Sector (12 Months)	67.6	62.0	62.1	56.5
Company Situation (3 Months)	69.9	57.4	57.1	55.1
Company Situation (12 Months)	71.0	67.2	65.1	60.9
Product Demand (3 Months)	61.0	59.2	61.4	55.6
Product Demand (12 Months)	73.0	70.4	68.8	65.5
Investment (3 Months)	58.2	57.3	60.3	55.8
Investment (12 Months)	67.0	65.8	65.1	60.5

Sources: Scotiabank Economics, BCRP.

—Ricardo Avila

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