

Contributors

Juan Manuel Herrera, Director
+52.55.2299.6675 (Mexico)
juanmanuel.herrera@scotiabank.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Aníbal Alarcón, Senior Economist
+56.2.2619.5465 (Chile)
anibal.alarcon@scotiabank.cl

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Martha Cordova, Economic Research Specialist
+52.55.5435.4824 (Mexico)
martha.cordovamendez@scotiabank.com.mx

Ricardo Avila, Senior Analyst
ricardo.avila@scotiabank.com.pe

Latam Daily: Mexican and Chilean CPI Slows, Peruvian Confidence Improves

- **Chile:** July CPI at 0.1% m/m (3.5% y/y), in line with consensus
- **Mexico:** Inflation continues to ease; Mixed signals in the automotive sector
- **Peru:** Business confidence improves, but inflation expectations rise

CHILE: JULY CPI AT 0.1% M/M (3.5% Y/Y), IN LINE WITH CONSENSUS

- **But showing early signs of climate-related pressures and, for now, only limited second-round effect**

July CPI came in at 0.1% m/m (3.5% y/y, from 4.3% y/y), broadly in line with market expectations (fwd: 0.16%; BCCh economists survey: 0.2%; BCCh traders survey: 0.1%). The print surprised us relative to our point forecast (0.17%) due to a smaller-than-expected increase in electricity tariffs, which was roughly half of the adjustment announced by the National Energy Commission (CNE). Beyond the headline figure, which was largely shaped by the negative contribution from fuels (-0.4%), the composition of the basket provides a more relevant signal. Early impacts from adverse weather conditions and some second-round effects are becoming visible in selected items, although they remain far from generalized, as weak demand continues to limit broader pass-through.

Inflation diffusion increased significantly (chart 1 and 2), in line with expectations, while the magnitude of price increases was surprisingly elevated. The rebound in non-core goods prices following June's Cyber sales partly explained the broader inflation diffusion observed during the month, together with price increases within the volatile CPI basket. In services, while inflation diffusion remained below historical averages, the magnitude of price changes was above the historical range typically observed in July, suggesting that several relevant services recorded substantial increases, including rents and domestic services, among others. Thus, while generalized service price increases are not yet evident, those categories experiencing inflation are posting relatively large increases.

Although headline inflation was in line with consensus expectations, new cost shocks affecting households and firms continue to emerge. The INE reported a 2.4% increase in electricity tariffs (0.08pp contribution), below the 4.9% adjustment announced by the CNE, adding to the 0.6% increase in rents, the second-largest rise on record for this item. Within goods, bread prices increased again (0.7% m/m), standing around 3% above February levels, while fresh vegetables posted an initial acceleration (3.4%; 0.05pp contribution) during a month when the effects of the El Niño phenomenon began to

Chart 1

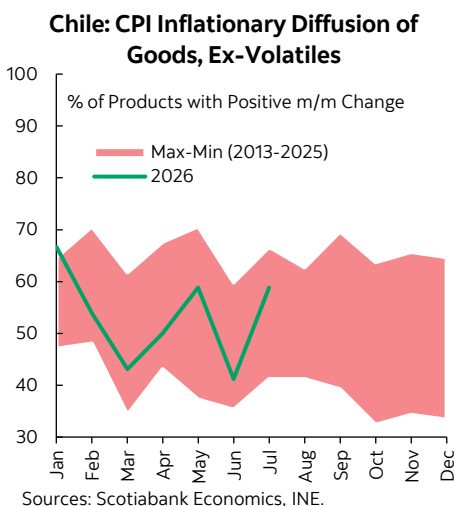
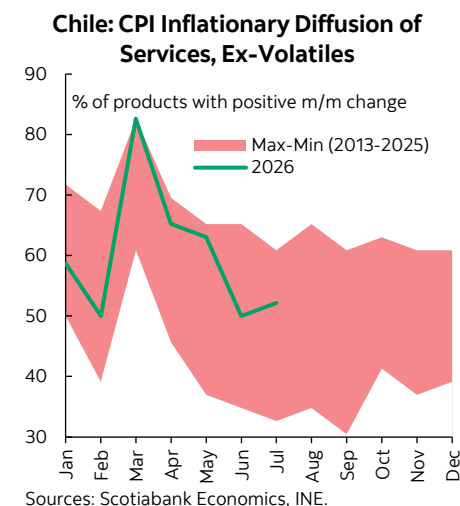


Chart 2



August 7, 2026

materialize. These developments come on top of the 1.0% m/m increase in wages registered in June and the one percentage point increase in mandatory pension contributions introduced in August, both of which add to labour costs for firms employing formal workers.

Fresh vegetable prices are beginning to reflect the impact of weather-related events associated with the El Niño phenomenon. While adverse weather conditions intensified in southern Chile starting in June, northern regions were primarily affected during the second half of July. Differences in the geographic concentration of agricultural production suggest heterogeneous effects across products. Potatoes and onions, which are sourced mainly from southern regions, have displayed a noticeable acceleration in prices over recent months. Tomatoes, meanwhile, registered a decline in July, although recent rainfall and road disruptions in northern Chile point to upside risks for their price trajectory in the coming months.

From a monetary policy perspective, we do not see direct short-term implications from this release. On the one hand, new increases in labour and energy costs are clearly entering the economy, particularly electricity tariffs, whose impact is more persistent in nature. On the other hand, the headline inflation reading did not surprise and showed no evidence of generalized second-round effects. For now, we expect the Central Bank to maintain its cautious stance and present a baseline scenario featuring higher inflation and lower GDP growth for 2026 in the September 8th Monetary Policy Report.

—Anibal Alarcón

MEXICO: INFLATION CONTINUES TO EASE

In July, headline inflation continued to ease, declining from 3.37% to 3.12% (chart 3), in line with consensus and reaching its lowest level since May 2020. Core inflation eased from 4.03% to 3.95%, slightly above consensus expectations of 3.94%. Within the core component, goods inflation moved from 3.55% to 3.52%, while services eased from 4.49% to 4.36%—with education at 5.93% and housing at 3.62%. Meanwhile, non-core inflation slowed again, moving from 1.11% to 0.29%, as agricultural products fell to -3.34%; fruits and vegetables stood at 2.10%, while livestock products came in at -6.89%. Energy and government-regulated tariffs stood at 3.31%.

Among the products with the largest upward impact—ranked by incidence—were onions, with a monthly change of 18.97%; owner-occupied housing, at 0.26%; small restaurants, diners, and taco shops, at 0.37%; and other prepared foods, at 0.81%. In contrast, tomatoes, LP gas, and automobiles posted price declines this month. On a sequential monthly basis, headline inflation rose 0.03%, core inflation increased 0.23%, and non-core inflation fell -0.67%.

MIXED SIGNALS IN THE AUTOMOTIVE SECTOR

In July, the automotive landscape showed mixed signals (chart 4). A total of 302,673 vehicles were produced, representing an annual decline of -2.2% (from -1.87% previously). Exports also posted declines, with 261,534 vehicles exported, a -9.7% difference (from -9.2%) compared with July of last year. Meanwhile, 130,835 light vehicles were sold, showing annual growth of 3.4% (from 7.7%). In the January–July cumulative period, production totaled 2,298,977 vehicles, an annual change of -0.65%; sales reached 885,353 units, with a 5.04% increase; and exports totaled 1,950,779 units, with an annual change of -0.26%.

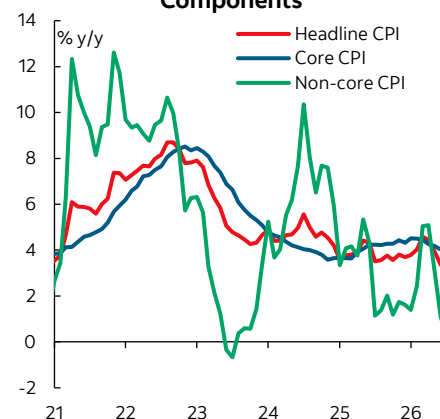
—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

PERU: BUSINESS CONFIDENCE IMPROVES, BUT INFLATION EXPECTATIONS RISE

The Central Reserve Bank of Peru (BCRP) recently released its July survey of macroeconomic expectations. The results point to a notable improvement in business confidence, with indicators surpassing pre-pandemic levels (chart 5). At the same time, however, inflation expectations have come under greater upward pressure (chart 6).

Chart 3

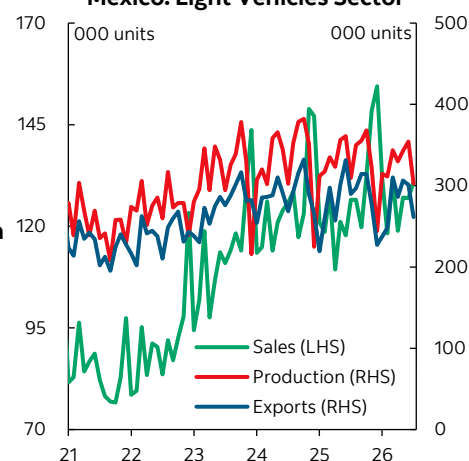
Mexico: Monthly Inflation & Its Main Components



Sources: Scotiabank Economics, INEGI.

Chart 4

Mexico: Light Vehicles Sector



Sources: Scotiabank Economics, INEGI.

Following Keiko Fujimori's victory in the presidential runoff election, which was widely perceived as supporting continuity in economic policy, all business confidence indicators have continued to improve, reversing the deterioration observed during April and May after the first-round election results.

In particular, expectations regarding the economy over the next three months returned to optimistic territory (above 50 points) in June and continued to strengthen in July, reaching their highest level since November 2017. Likewise, 12-month economic expectations have recorded a significant recovery, rising to their highest level since February 2019.

The survey also revealed an improvement in economic agents' expectations for the main macroeconomic indicators:

- 12-month inflation expectations: Increased from 2.8% to 3.0%, reaching the upper bound of the central bank's target range and marking the highest reading since December 2023. This reflects a context of increased probability of a strong to extraordinary El Niño event during the southern hemisphere's summer season, as well as the recent escalation of the conflict in the Middle East, which has renewed upward pressure on oil prices.
- Inflation expectations for 2026: Both the range and the degree of dispersion increased, from 2.8%–3.2% to 3.0%–3.85%. These figures remain below our forecast of 4.2%.
- Economic growth expectations for 2026: Expectations edged up from a range of 3.1%–3.2% to 3.1%–3.3%. Our forecast remains higher at 3.5%. While El Niño-related weather conditions could negatively affect certain sectors of the economy, the resilience of activities linked to domestic demand continues to support a favourable outlook for economic growth.
- Exchange rate expectations for end-2026: Expectations declined once again, from a range of PEN 3.36–3.44 per U.S. dollar to PEN 3.35–3.40 per U.S. dollar. This is consistent with stronger confidence among economic agents and a perception of lower political risk. Our forecast remains unchanged at PEN 3.35 per U.S. dollar.

—Ricardo Avila

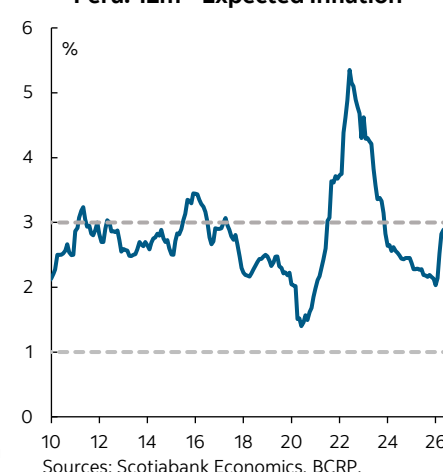
Chart 5

Peru: Economic Activity Expectations



Chart 6

Peru: 12m - Expected Inflation



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 constructed 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.