Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

September 8, 2026

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Latam Daily: Chilean CPI Overshoots, Mixed Mexican Autos

- **Chile: August CPI came in at 0.6% m/m (4.1% y/y), significantly above expectations**
- **Mexico: Automotive sector shows mixed signals in August**

CHILE: AUGUST CPI CAME IN AT 0.6% M/M (4.1% Y/Y), SIGNIFICANTLY ABOVE EXPECTATIONS

- **Our 4.5% year-end inflation forecast is likely to become the new market consensus soon**

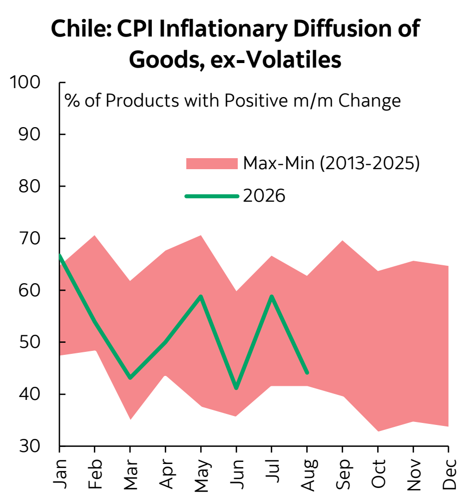
CPI rose 0.6% m/m (4.1% y/y), significantly above the market consensus, survey-based expectations, inflation forwards, and our own forecast (all at 0.3% m/m). Core CPI excluding volatile items was in line with our projections, while the surprise was mainly driven by volatile components within the transportation and food divisions. We also note an increase in the diffusion of core services inflation which, although not accompanied by higher inflation so far, raises concerns about future price pressures in the coming months. Our early forecast of inflation around 4.5% in December is beginning to be validated by incoming data.

We estimate that the Central Bank will revise its inflation forecast upward and deliver a more hawkish message regarding the policy rate. Despite labour market slack and the recession currently affecting the economy, the Board is likely to adopt a more hawkish tone regarding the future path of the monetary policy rate at today's announcement. This would be supported by intensifying geopolitical risks, rising fuel prices, persistently higher labour costs, an exchange rate that remains weaker than implied by fundamentals, and the price effects associated with the El Niño phenomenon.

Inflation diffusion eased broadly in line with expectations, although with heterogeneous dynamics (chart 1). The share of products registering price increases at the headline level remained close to historical averages, while core CPI diffusion was lower, mainly due to weaker diffusion among goods. However, services diffusion accelerated once again (chart 2), led by the transportation and health divisions.

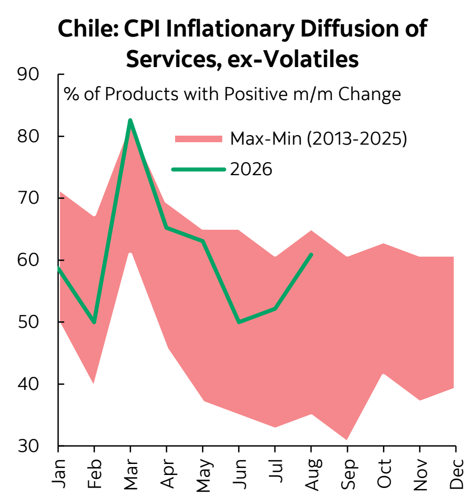
We expect September CPI to be heavily influenced by energy-related items. In addition to the imminent increase in fuel prices, which exceeds the adjustment typically allowed under the MEPCO mechanism, we have identified increases in the energy component of residential electricity tariffs following the implementation of Decree 8T-2026. Together, these two categories could contribute around 0.3 percentage points to September CPI, creating a high inflation floor for a month that is typically characterized by numerous seasonal price increases.

Chart 1



Sources: INE, Scotiabank Economics.

Chart 2



Sources: INE, Scotiabank Economics.

Our 4.5% inflation forecast for December 2026 now appears conservative, leading us to introduce an upward bias to the outlook. Our assessment that inflation would be increasingly driven by volatile items during the second half of the year is beginning to materialize in the data. Indeed, the August CPI print strengthens our scenario of inflation ending the year above market projections, a view we adopted early this year following the international fuel price shock.

Inflation expectations are likely to adjust upward, potentially fueling an incipient de-anchoring process over the coming months. The August print, together with expectations for a September reading at or above the current market consensus (0.5% m/m), should lead to upward revisions in inflation forecasts for the months ahead, initially driven by volatile components. Should the effects of El Niño intensify and additional increases in energy prices materialize, the two-year inflation expectation in the Economic Expectations Survey (EEE) could move away from the 3% target for the first time since 2023.

The BCCh is likely to raise its 2026 inflation forecast, incorporating the effects of the El Niño phenomenon. Market projections for September place annual inflation at around 4.3% y/y, significantly above the level projected in the June Monetary Policy Report for the end of the third quarter (3.8% y/y). This would likely be sufficient to prompt an upward revision to the bank's December inflation forecast of 4.2% y/y, incorporating higher fuel prices and the effects of El Niño. An important question is whether higher inflation driven by volatile items could lead the Board to consider policy rate hikes at upcoming meetings. In our view, this will ultimately depend on whether two-year inflation expectations show signs of becoming de-anchored.

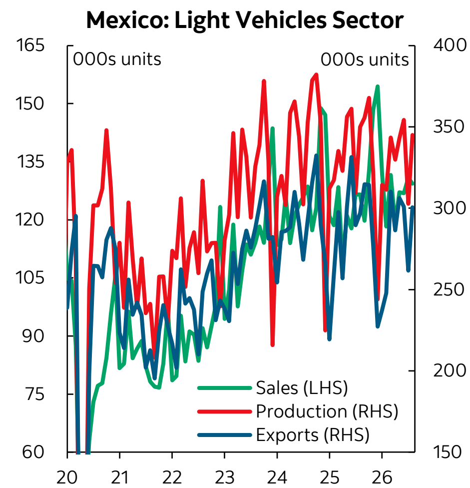
—Aníbal Alarcón

MEXICO: AUTOMOTIVE SECTOR SHOWS MIXED SIGNALS IN AUGUST

In August, the automotive outlook showed mixed signals (chart 3). A total of 344,940 vehicles were produced, representing an annual decline of 1.4% (from the previous -2.2%). Exports increased by 1.3% year over year, reaching 300,475 vehicles exported. Meanwhile, 129,362 light vehicles were sold, posting an annual variation of 2.2% (down from 3.4%). In the January –August period, production totaled 2,465,140 vehicles, an annual variation of -0.8%; sales reached 1,014,715 units, with a 4.7% increase; and exports amounted to 2,251,254 units, with an annual variation of -0.1%.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

Chart 3



Sources: Scotiabank Economics, INEGI.