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## Latam Daily: Chile's Inflation Surges Higher

- **Chile: Annual inflation rises to 13.1% in July and is still rising**

### CHILE: ANNUAL INFLATION RISES TO 13.1% IN JULY AND IS STILL RISING

**The central bank has no choice but to raise the reference rate by no less than 75 bps at the September meeting.** On Monday, August 8, the national statistical agency (INE) released the CPI for July, which increased 1.37% m/m (13.1% y/y) (chart 1), above consensus expectations (1.2%), the Economic Expectations Survey (1%), and Scotiabank's projection (1.14%). Once again, increases in goods and services prices were highly diffused. Around 63% of the products in the consumption basket rose m/m, mainly owing to inflationary inertia; an economy in which consumption shows little sign of slowing, and a multilateral depreciation of the CLP that accelerated in July.

**By components, July inflation was mainly explained by volatile items (chart 2), though CPI inflation excluding volatile remains high, standing at 0.9% m/m in July.** While we continue to see high inflation in services, goods prices increased significantly in the month. The largest contributions to inflation came from transportation and food.

**We estimate that inflation for August will be between 1.0 and 1.1% m/m, reaching its year-on-year historical maximum of around 14%.** Among the main contributions, we anticipate an additional increase in electricity fares, along with higher gasoline and diesel prices and positive contributions of food, mainly those affected by the recent depreciation of the CLP, such as meat and other imports.

**For the central bank, the current conjuncture unequivocally points to upward adjustments in the benchmark rate.** We reiterate an adjustment of (no less than) 75 basis points in the September meeting that would place the reference rate at 10.5%, pending additional increases of 50 bps, conditional to the absence of new inflationary surprises.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

Chart 1

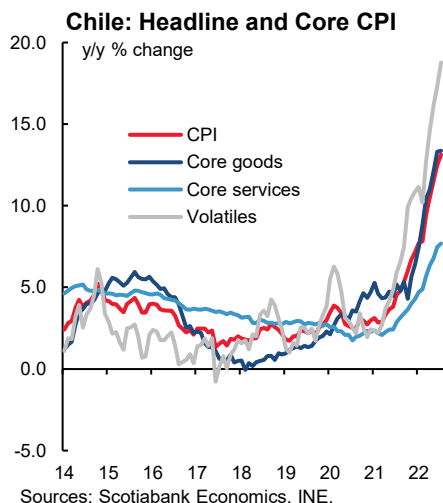
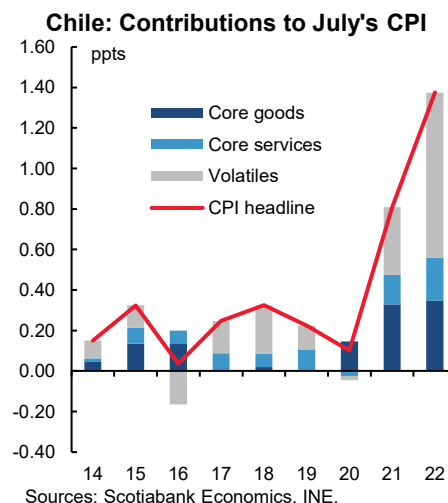


Chart 2



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