

## Latam Daily: Chile's April Price Pressures Focused in Small Set of Goods

- Chile: April inflation stayed at 0.4% m/m, which pushed annual headline inflation up from 2.9% y/y in March to 3.3% y/y

### CHILE: APRIL INFLATION STAYED AT 0.4% M/M, WHICH PUSHED ANNUAL HEADLINE INFLATION UP FROM 2.9% Y/Y IN MARCH TO 3.3% Y/Y

INE released [price data](#) for April on Friday, May 7, which confirmed that the month saw sequential inflation at 0.4% m/m sa, the same as in March, but higher than the 0.3% m/m sa expected by the market and ourselves. Base effects pushed annual headline inflation up from 2.9% y/y in March to 3.3% in April ([chart 1](#)). Although the benchmark inflation rate has now moved above the BCCh's 3% y/y target, we continue to see it coming back down in the second half of 2021 despite the injection of liquidity from pension-fund withdrawals, which is pushing up prices for food and building materials. As noted in the May 7 [Latam Weekly](#), we forecast headline inflation to close 2021 at 3.0% y/y.

In broad terms, actual price data continue to evolve in line with the outlook for inflation that we articulated some time ago: goods prices are on the rise, while services prices remain very subdued. However, in contrast with previous months, inflation of goods prices in April was much more focused in a very small group of non-durable products rather than a generalized process. Durable-goods prices, in contrast, have remained relatively stable despite the steady rise in the USDCLP exchange rate over the course of 2021 and significant demand pressure. Consequently, as the economy continues to open up and public-health restrictions are eased, these price increases could be reversed without being offset by accelerating inflation in Chile's services sectors.

Looking at the details, April inflation was mainly explained by increases in the prices of relatively volatile goods such as food and fuel, as well as rises in the prices of core goods, especially non-durable items ([chart 2](#)). Thus, core inflation reached 0.1% m/m in April ( 2.8% y/y), due to the 0.3% m/m

Chart 1

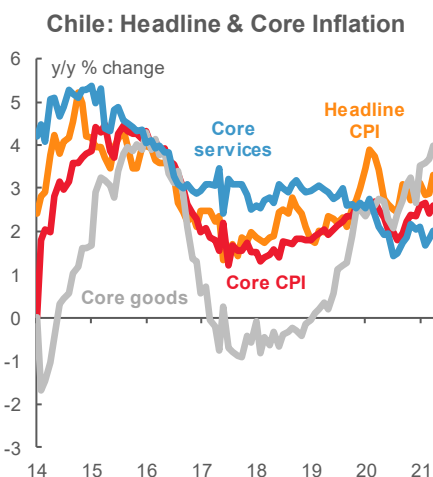
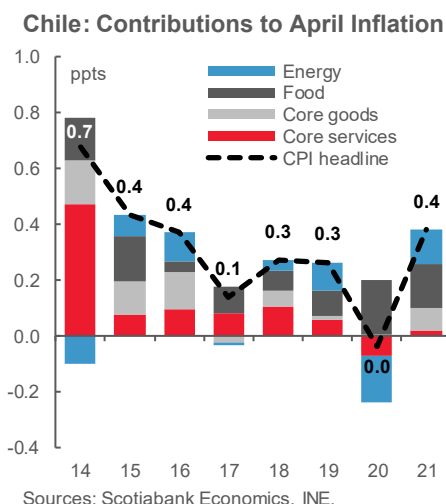


Chart 2



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increase in core goods (4.3% y/y), while services showed negligible inflation during the month (2% y/y). The greatest impact on monthly inflation came from the rise in food prices (0.8% m/m; contribution: 0.16 pts), especially in non-perishable goods, and the price of energy (1.6% m/m; contribution: 0.12 pts). The 0.09 pts contribution from gasoline prices was driven by the rise in the international price of oil, which was only partially offset by movements in the peso.

**For May, we preliminarily project sequential inflation of 0.2–0.3% m/m sa, again with a large contribution from fuels and a greater boost in mass consumer-goods prices stemming from the third round of pension-fund withdrawals, which began to be paid at the beginning of the month.**

—Carlos Muñoz

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