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## Latam Daily: BCCh Releases June IPoM, Further Rate Cuts a Possibility

- **Chile: Central Bank would cut the policy rate one or two more times this year to 5.25–5.5%**

On Wednesday, June 19<sup>th</sup>, the Central Bank (BCCh) released its June IPoM, in which it slightly raised its GDP growth projection for this year from 2.6% to 2.7% (range of 2.25% to 3%), approaching our projection of 3%, which we maintain unchanged. By spending components, the BCCh revised upwards its private consumption growth projection to 2.5% (previously 2%) as well as its investment projection to -0.3% (previously -2%).

Regarding inflation, the BCCh raised its projection from 3.8% to 4.2% y/y for December 2024, mainly due to a greater upward impact resulting from the expected increase in electricity fares this year. Despite this, the average inflation projected for this year was reduced from 3.8% to 3.7%, in part recognizing some downward surprises in Q1-24 records and the impact of falls in fuel prices. For 2025, the projection increased from 3% to 3.6% y/y as of December, due to the direct and indirect effects of the increase in electricity fares. Recognizing the same supply shock, we raise our inflation projection for December of this year to 4% and for December 2025 to 3.5%.

The Central Bank also modified the working assumption for the policy rate for December of this year, from 5% to 5.5%. The higher-than-expected domestic inflation and the increase in the Fed's rate projection for 2024 were part of the factors that explained this upward revision in the benchmark rate. With this, the Central Bank's base scenario only incorporates one additional cut of 25bps in the rate for 2024, which would take place in the last part of the year. At Scotiabank we do not rule out observing two policy rate cuts this year, conditional on the evolution of inflation in the coming months. Finally, the BCCh also modified upwards its projection for the average price of copper for this year to 4.3 dollars per pound. Consistent with this, it also revised downwards its RER projection for the projection horizon.

—Aníbal Alarcón

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