BOX I.2:

Recent behavior of goods prices

The variability of goods prices has increased in recent years. This Box analyzes this increase and its causes. Among these, the increased occurrence of shocks stands out, as does the greater relevance of massive discounting events, explaining a significant portion of the monthly price movements around the months in which they occur. This background justifies greater caution in analyzing the short-term trajectory of inflation and placing greater weight on its medium-term trends.

Characterizing the variability of goods prices

The CPI is comprised of goods and services, which account for 55 and 45% of the total basket, respectively. The monthly variation in goods prices has remained highly variable over the last two years, exceeding the levels observed up to 2019 and that shown by services (Figure I.23). In any case, since 2024, much of this increased variability has tended to be offset over time, without significantly affecting the annual trajectory of inflation.

Guzmán *et al.* (2025) estimate a set of conditional volatility models at the CPI subclass level. The results show that, starting in 2019, there has been a generalized and common increase in the volatility of monthly changes in goods prices. In contrast, volatility for services remains close to its historical average (Figure I.24). A similar conclusion can be drawn analyzing changes in the frequency of price adjustments using microdata. For goods, this frequency is higher than that observed in 2018-19, with no significant difference over time is found for services. This higher adjustment frequency is observed in both increases and decreases in goods prices and is statistically significant (Guzmán *et al.*, 2025).

Reasons that explain the increase in the variability of goods prices

There are several reasons behind the increase in the variability of goods prices. Firstly, in recent years, the economy has been exposed to numerous demand and supply shocks (see, for example, Box I.1, December 2022 IPoM; Box II.2, June 2025 IPoM), as well as high exchange rate volatility (Box I.4, March 2023 IPoM). The greater frequency and magnitude of these shocks are consistent with increased price variability. In fact, monthly volatility in goods prices has increased not only in Chile, but also globally (Guzmán *et al.*, 2025).[1]/

Another possible explanation points to the occurrence of massive discount events in recent years. Guzmán *et al.* (2025) conduct an analysis at the CPI subclass level for goods, identifying those most sensitive to this type of event. Specifically, they find that between 20 and 30% of all goods included in the CPI (between 10 and 15% of the total basket) fall into this category. The results suggest that, both in the month of the event and in the months before and after it, these goods show greater movements than those observed in the other subclasses, explaining a significant portion of the monthly movements around these events (Figure I.25).

The reaction of prices during these events has tended to increase in recent years, coinciding with the rise in sales around them.[2]/ In particular, Guzmán *et al.* (2025) estimate that the impact of one of these events on CPI-sensitive goods between 2021 and 2025 is slightly more than twice the average effect of the past 15 years. Thus, its impact on the CPI is estimated to be between 0.1 and 0.3 percentage points downward in the month it occurs.[3]/

[1]/ Changes in the cost structure of trade since the pandemic, associated with the increase in the digital channel for goods marketing, may also have contributed to the increased volatility.

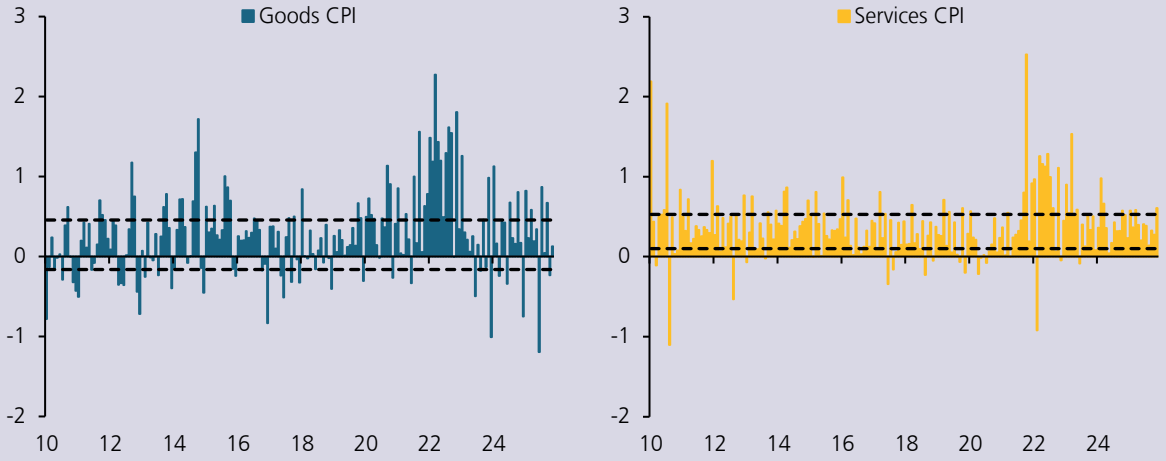
[2]/ Annual spending on these events as a fraction of durable consumption in 2024-2025 has doubled compared to 2019.

[3]/ Measuring the impact of the event on the CPI depends on multiple factors, among which the coincidence between the date of occurrence of the event and the date of collection of the information by INE stands out.

Conclusions

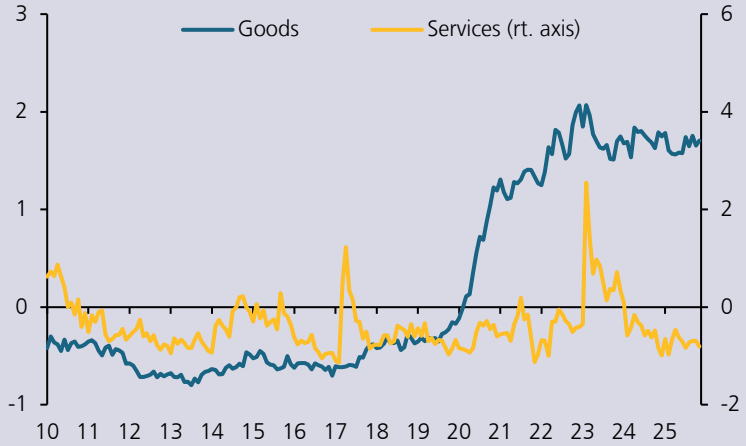
Although annual goods inflation has fallen with respect to 2022-2023 values, its month-on-month variability remains high across the board, affecting the reading of the data at the margin and highlighting the importance of giving greater weight to medium-term inflation trends. The recent evolution of the various inflation trend metrics that the Central Bank regularly monitors[4]/ is consistent with inflation converging to the target in early 2026 (Figure I.26), in line with the projections contained in the central scenario of this IPoM.

FIGURE I.23
Monthly CPI inflation for goods and services (1)
(monthly change, percent)



(1) Horizontal lines represent the 2nd and 8th deciles of the respective monthly variations between 2010 and 2019. Excludes energy. Source: Central Bank of Chile and National Statistics Institute.

FIGURE I.24
Principal component of monthly volatility of the CPI for goods and services (1)
(normalized indices)

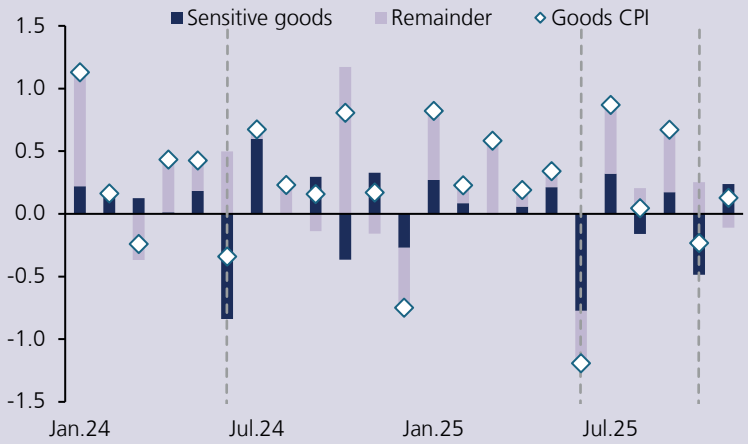


(1) Corresponds to the first principal component of the conditional volatility of errors estimated at the level of those subclasses (excluding energy) in which the presence of heteroskedasticity is detected.
Source: Central Bank of Chile and National Statistics Institute.

[4]/ See Box I.2, March 2024 IPoM and the minutes cited therein.

FIGURE I.25

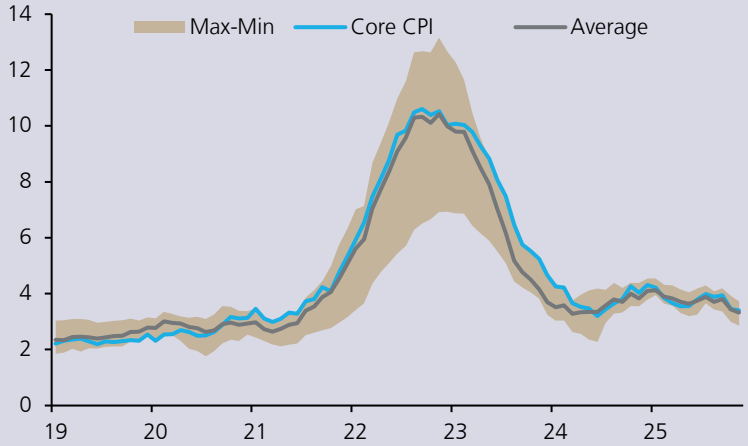
Monthly CPI inflation for goods sensitive to massive discount events (1)
(monthly change, contribution, percentage points)



(1) The sensitive goods index corresponds to those subclasses of the goods CPI (excluding energy) in which it is estimated that massive supply events of the last five years have had a negative and significant impact. Vertical lines indicate months with massive discount events.
Source: Central Bank of Chile and National Statistics Institute.

FIGURE I.26

Measures of inflation trend (1)(2)(3)
(annual change, percent)



(1) Several variable exclusion trend measures (excluding different products each month) are considered within the gray range, including: trimmed mean, volatility-trimmed mean, median, and variance-adjusted mean. (2) Non-volatile CPI is an index that excludes products whose price movements are considered uninformative of the inflation trend. For this, it considers not only the volatility of its component subclasses, but also other desirable properties in a measure of core inflation, such as persistence, bias with respect to headline inflation, and predictive error. The last estimate of the non-volatile CPI basket was made in early 2024, and since then, the monthly volatility of goods has not changed significantly (Figure I.24). (3) Series consider splicing with reference series.
Source: Central Bank of Chile and National Statistics Institute.