Board members agreed that a rate reduction of either 75 or 100 basis points was most appropriate, policymakers wrote in the minutes to their April meeting, when they slowed the pace of easing with a cut of 75 basis points. While domestic demand remains weak, the smaller drop provided more leeway in the event that assumptions in their outlook don’t materialize, they wrote.

“Although the peso depreciation and global cost shocks pointed to greater pressure on prices, both factors would tend to dissipate within the monetary policy horizon,” they wrote in the minutes published on Wednesday. “Moreover, given the slack in sectors linked to goods consumption, the pass-through of their effects on inflation would be moderate.”

Central bankers led by Rosanna Costa have turned more cautious as the peso weakens the most in emerging markets this year, raising chances of new price pressures. Policymakers also lifted their 2024 economic growth and inflation forecasts after data surprised to the upside. Put together, investors are now weighing odds of an even slower pace of rate reductions going forward.

Read more: Chile Economists Expect Central Bank to Slow Rate Cuts Again

The peso has slumped nearly 10% this year, dragged down by factors including global US dollar strength and the Federal Reserve’s delays to its own monetary easing.

Chile’s economic activity rose for the second straight month in February on increases across multiple sectors, according to the central bank’s proxy for gross domestic product. The result supported the government view that the nation’s recovery is gradually gaining strength following a weak 2023.

Meanwhile, consumer prices rose 0.4% in March from the month prior, less than all forecasts in a Bloomberg survey of analysts. Annual inflation eased to 3.7% in the chained series, slowing closer to the 3% target.

“Although it was possible that inflation would rise in the short term, in the medium term there were still forces at work that would bring it back to the 3% target within the two-year policy horizon,” central bankers wrote in the minutes.

Central bankers see annual inflation at 3.8% in December and 3% at the end of 2025, according to their forecasts published earlier this month.