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# Latam Daily: BanRep, Mexico GDP, Chile Macro; Peru CPI Preview

- Peru: April inflation should fall comfortably within the BCRP target range

French, and then Eurozone, inflation and GDP beats have global rates markets on offer, with yields gradually rising and undoing a good portion of yesterday's declines. The risk mood looks a bit negative today as the USD strengthens against most major currencies—the MXN stands out with a small gain to trade below 17—and US equity futures trade slightly weaker, while metals are on the backfoot against crude oil unwinding a very small part of its Monday decline on ceasefire optimism. G10 markets await Canadian Feb/Mar GDP and US Q1 employment cost index data, both at 8.30ET.

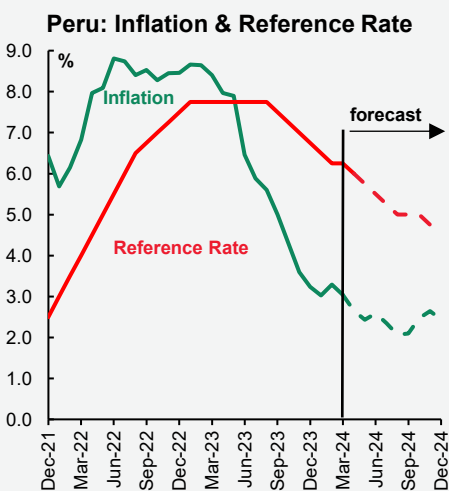
Today's Latam calendar is packed with key data and events before local markets close for Labour Day tomorrow—though that doesn't stop Peru's INEI from releasing April CPI data (see below). At 14ET, BanRep will deliver its policy decision where a 50bps cut is universally expected in a split vote (Fin Min Bonilla will probably vote for 100bps). We refer our readers to our Colombia team's preview in yesterday's [Latam Daily](#), highlighting that the bank's board remains cautious about "the convergence to the [inflation] target rate being slow, and, in the communique and in [the March meeting] minutes, they emphasized their compromise to take inflation within the target range by mid-2025, which shows that they are very concerned about credibility."

At 8ET, Mexico's INEGI publishes Q1 GDP figures that are expected to show the q/q pace holding at an underwhelming 0.1% rise with not much doing in the y/y rate at 2.3% y/y from 2.5% in Q4-23. Assuming no change in output in March, then the IGAE monthly data would point to about 2% y/y growth for Q1 but also a small negative quarter-on-quarter due to weakness in construction and manufacturing while services remain in decent shape. Regardless, the Q1 expansion will undershoot Banxico's forecast of 2.8% but this is no reason to favour a May cut. This is especially true after last week's strong H1-Apr CPI print. Despite the beat generally coming from non-core categories, Banxico is worried about unanchored expectations and elevated headline inflation readings don't help here.

At 9ET, Chile releases a collection of March macro data: retail sales, commercial activity, unemployment rate, industrial/manufacturing production, and copper output. Combined, the data will greatly impact expectations for Thursday's monthly economic activity release, where we expect a below-consensus 0.5% y/y rise (see our team's preview [here](#)). We got some relatively hawkish comments from BCCh Pres Costa yesterday, who noted that officials need to be cautious about the speed of rate cuts but also that inflation expectations remain well anchored.

—Juan Manuel Herrera

Chart 1



Sources: Scotiabank Economics, BCRP.

## PERU: APRIL INFLATION SHOULD FALL COMFORTABLY WITHIN THE BCRP TARGET RANGE

The main economic figure that will be released this week is inflation for April on May 1<sup>st</sup>. The key prices that we track point to a monthly inflation of just under 0.2%. If so, yearly inflation for April should fall decisively within the BCRP target range (1% to 3%), to around 2.7%, from 3.0% in March. This would give the BCRP plenty of room to reduce its reference rate on May 9<sup>th</sup>, which is what we expect, from 6.00% currently, to 5.75%.

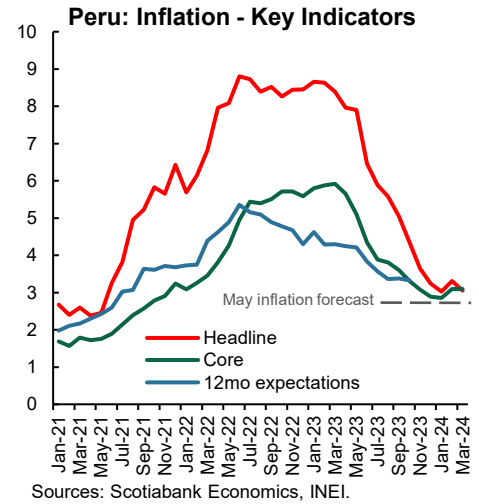
The BCRP has been giving mixed signals lately regarding their intentions. We view the BCRP as mostly concentrated on inflation and how it is performing with regards to its target inflation range. It has also signaled its concern over interest rate differentials between the BCRP and Fed policy rates that could eventually motivate an outflow of

offshore short-term capital from PEN assets. Of the two concerns, the first appears to be much more important. The BCRP paused in reducing rates in March, after February inflation rose to 3.3%, moving away from its target range. In April inflation declined to 3.0%, on the cusp of the target range, and the BCRP lowered its rate. If inflation falls below the 3.0% range ceiling tomorrow, as we foresee that it will, then we would expect the BCRP to lower its rate despite uncertainty regarding the Fed rate.

On May 1<sup>st</sup>, March GDP growth figures for mining and for fishing are also on tap. Fishing is immaterial, as March was between fishing seasons. Fishing growth in April, however, could be quite impressive. Apparently, there are plenty of fish in the sea. Last year’s lacklustre catch, due to El Niño, has allowed the supply to be replenished, and the current cold ocean water is making the fish readily available. As a result, the government has determined a higher-than-usual quota for anchovy (fishmeal) fishing. The fishing season began recently in the latter half of April, and it’s our understanding that it is going extremely well.

Mining output has been quite robust, up 10.7% y/y in January–February. Daily production in March should maintain this rhythm. However, March this year has two working days less due to Easter (which was in April in 2023), and this should weaken the monthly figure somewhat. No worries, though, as March’s Easter losses will be April’s gains.

Chart 2



—Guillermo Arbe

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