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# Latam Daily: Peru Inflation Miss Recap

## PERU: INFLATION SURPRISES LOWER IN SEPTEMBER

- **Headline and core inflation data below expectations to lead the BCRP to cut its reference rate by 25 bps in October, from 5.25% to 5.00%**

Peruvian prices decreased by 0.28% m/m in September, well lower than the consensus forecast of a 0.08% rise and the historical average over the last 20 years of 0.17%—but closer to our estimate of -0.10%. With this, yearly inflation decreased from 2.0% in August to 1.8% in September (chart 1), leaving headline prices growth below the midpoint of the 1–3% BCRP target range.

Core prices, a trend component that excludes food and energy, were unchanged from the previous month in contrast to an average 0.11% increase over the last 20 years but in line with our estimates. In year-over-year terms, it decreased slightly from 2.8% in August to 2.6% in September, due to base effects. With August’s print, that makes two months when core inflation has sat within the target range.

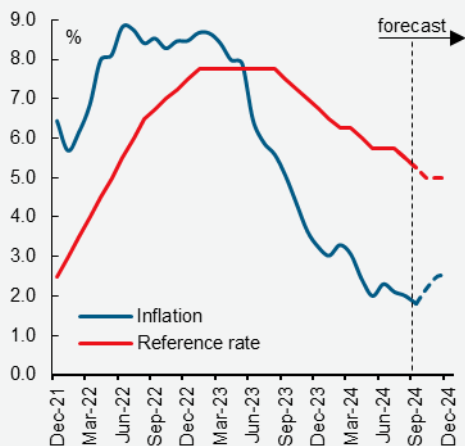
The decrease in headline inflation is mainly explained by a strong variation in egg prices (-9.7%), a correction in garlic prices (-26.4%) due to a normalization in its supply, and a fall in corn prices (-21.8%) due better harvest levels. Inflation at the national level (not only in Lima) fell from 1.7% to 1.5%, placing it within the inflation target range for the past eight months.

Inflation remained around 2% during the Q3, as expected. For Q4-24, we expect inflation to rise above the midpoint of the target range (2%) due less helpful comparison bases. Our baseline scenario estimates inflation at 2.5% at year-end, but with a slight downward bias. We will continue to monitor price developments in October.

—Ricardo Avila

Chart 1

Peru: Inflation and Reference Rate



Sources: Scotiabank Economics, BCRP.

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