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Latam Daily: Peru's Reference Rate Remains Unchanged

- **Peru: BCRP interest rate ends 2024 at 5.00%**

The board of the Central Bank of Peru (BCRP) kept the local rate unchanged at 5.00%, in line with what was expected by market consensus, the Bloomberg median and our forecast at Scotiabank.

Regarding the statement, there are some interesting points to consider. The first relates to inflation. While they do not provide any indications about the future dynamic of local inflation, unlike previous statements, they do emphasize that global inflation is decreasing at a slower pace.

The second element is economic activity. The BCRP highlighted in its statement that economic activity is around its potential level. This reinforces the central bank's confidence, as inflationary pressures from the level of production remain low at this level.

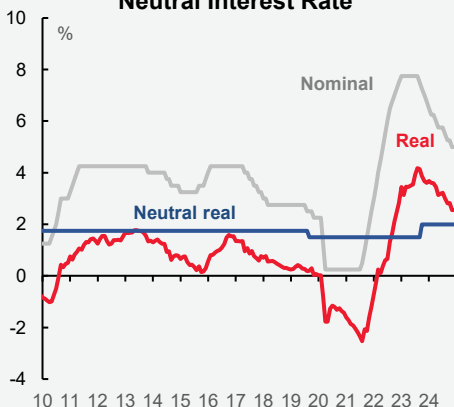
Finally, the BCRP toughened its wording regarding the international context. The statement indicates that there is uncertainty regarding the possible application of trade policies in the new government of Donald Trump.

By keeping the reference rate at 5.00%, the spread with the Fed rate remains positive at +25bps and could be expanded after the Fed meeting on December 18th at +50bps, a spread not seen since before the pandemic, in February 2020. On the other hand, the real interest rate remains at 2.55%, approaching the 2.0% level which is considered neutral. We expect two additional 25bps cuts during H1-2025, to 4.50%, which is the level we consider to be the terminal rate.

—Ricardo Avila

Chart 1

Peru: BCRP's Nominal, Real & Neutral Interest Rate



Sources: Scotiabank Economics, BCRP.

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