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Latam Daily: BanRep Survey and Peru GDP Recap

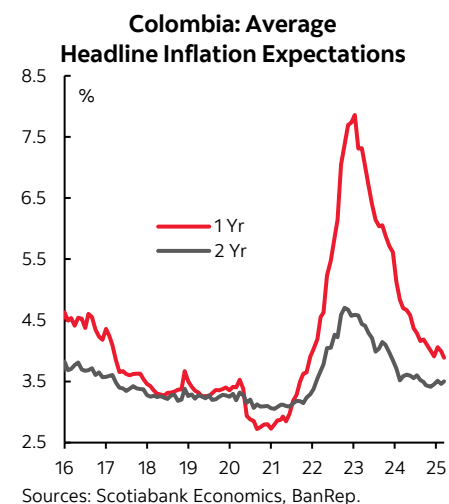
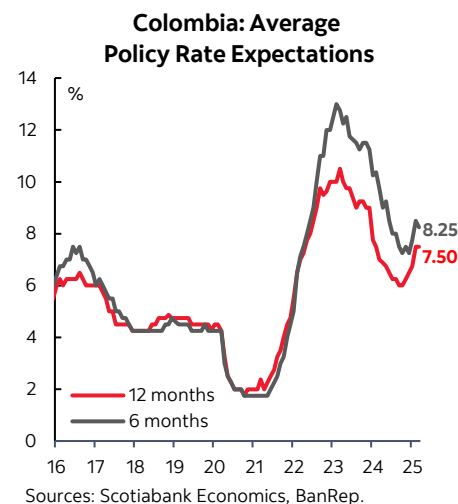
- **Colombia: BanRep Survey**—inflation expectations increased; however, analysts maintain their expectation for a rate cut in March
- **Peru: GDP** still cruising above 4% in January; Lima unemployment rises in February, but it's seasonal

COLOMBIA: BANREP SURVEY—INFLATION EXPECTATIONS INCREASED; HOWEVER, ANALYSTS MAINTAIN THEIR EXPECTATION FOR A RATE CUT IN MARCH

The central bank released its latest economist expectation survey late Friday, March 14th. Inflation expectations increased again, reacting to the inflation spike recorded in February, with annual headline inflation rising from 5.22% in January to 5.28%, exceeding analysts' expectations. Inflation expectations for the end of 2025 were revised from 4.35% in the February survey to 4.54% in March, an increase of 19bps. For the one-year horizon, the expectation was 3.89%, a decrease of 10bps compared to the previous survey, while the two-year expectation increased from 3.46% to 3.50% (chart 1). In the short term, the inflation expectation for March is 0.58%, which could lead to annual inflation falling from 5.28% to 5.15%. Scotiabank Colpatria's projection is 0.54% m/m and 5.10% y/y.

Regarding monetary policy, analysts expect a 25bps cut at the March 31st meeting. In its last monetary policy decision, the BanRep board of directors decided to keep the rate stable at 9.50%, given international trade uncertainty, further tightening of global financial conditions, and domestic inflation risks given a complex fiscal outlook and high wage increases for 2025. Although both inflation readings for 2025 (January and February) showed upward surprises, the median analyst expects the rate cut cycle to resume at the next interest rate decision, perhaps due to the majorities that the government would have within the board following the appointment of co-directors Laura Moisa and Cesar Giraldo. Interest rate expectations for the end of 2025 and 2026 remain stable at 7.75% and 6.50%, respectively.

Scotiabank Colpatria's monetary policy expectations diverge from the consensus. The board is expected to vote again to keep the policy rate stable at 9.50% at its March meeting, given the inflation surprise and a projection that inflation will not reach the target range in 2025. Furthermore, international volatility and uncertainty regarding tariff policies could lead to continued caution in decisions. By the end of 2025, the interest rate is expected to fall to 8%; however, the trajectory will depend on inflation and the local fiscal outlook. By 2026, the rate is expected to reach its terminal level of 6.50%.

Chart 1

Chart 2


March 18, 2025

Regarding the exchange rate, the consensus revised its outlook downward for 2025 and upward for 2026. For December 2025, analysts estimate an exchange rate of 4,267.35 pesos, which represents a slight downward revision compared to the 4,274.60 pesos projected in the previous survey. For 2026, the expectation was revised upward to 4,202.76 pesos from the previously projected 4,169.07 pesos. Scotiabank Colpatría's projection for 2025 is 4,367 pesos, and for 2026, 4,364 pesos.

Key points from the survey:

- **Short-term inflation expectations.** For March, the consensus is 0.58% m/m, implying annual inflation of 5.15% y/y, lower than the current 5.28%. The maximum expectation is 0.81% and the minimum is 0.35%. Scotiabank Colpatría's projection is 0.54% m/m and 5.10% y/y. Core inflation, excluding food, projected by analysts is 0.56%.
- **Medium-term inflation expectations.** Inflation expectations for December 2025 rose 19 basis points to 4.54% (table 1). The expectation for the one-year horizon decreased by 10bps to 3.69%, and expectations for the two-year horizon increased by 4bps to 3.50%.
- **Monetary policy rate.** The median of expectations is for a 25 basis point cut at the March 31st meeting, which would leave a rate of 9.25%. For 2025, the rate is estimated to fall to 7.75% (chart 2).
- **FX.** Projections for the US dollar exchange rate for the end of 2025 averaged 4,267.60 pesos (7 pesos less than the previous survey). By December 2026, respondents, on average, expect a change rate of 4,202.76 pesos.

—Daniela Silva

PERU: GDP STILL CRUISING ABOVE 4% IN JANUARY

Peru's GDP growth was 4.1%, YoY, in January. This was the third consecutive month of +4% growth. However, not too much should be read into the figure per se, as the strong post-Niño fishing season added between half and one percentage point to growth in the November–January period (chart 3).

Balancing the good and the bad, January MoM growth, at 0.3%, wasn't great. The most encouraging thing to note in MoM terms was the 2.9% increase in construction. Up 4.1% in YoY terms as well, construction is finally performing well, after lagging the economy during most of 2024. This improvement is largely linked to government spending, which was particularly strong in January. We are still awaiting evidence that construction in the private sector is also picking up.

Outside of construction, a number of domestic demand linked sectors did well in January, albeit mostly in services. Business and government services both surpassed 4%, and transportation rose a surprisingly strong 7.9%, YoY. The latter may have reflected a delay in seasonal rains this year compared to last.

Unlike service sectors, non-resource goods production, including industrial manufacturing and electricity, were weakish, coming in well below 2%. These are key sectors, and their lack of momentum gives us pause. Once again, industrial manufacturing, and, for other reasons, construction, will be the sectors to watch to understand the true strength of growth.

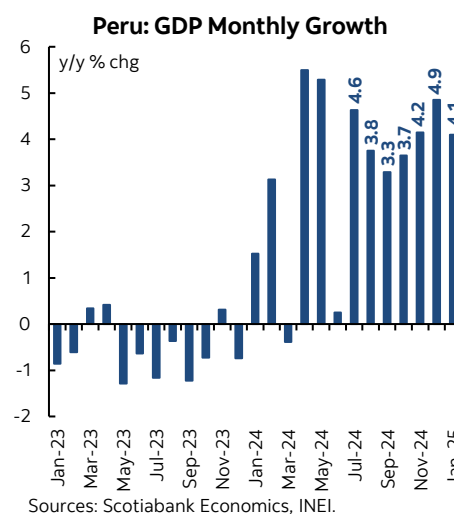
There isn't much notable to say about other sectors, including agriculture, metals mining and commerce, all of which grew broadly in line with expectations.

The downside anomaly was the 9.1% decline in oil & gas, which, we understand, reflected the impact of landslides on the gas pipeline (table 2).

Table 1: Colombia—Headline Inflation Expectations

	Average	Change vs previous survey, bps
Mar-2025, m/m % change	0.58	...
Dec-2025, y/y % change	4.54	19
1Y ahead, y/y % change	3.89	-10
Dec-2026, y/y % change	3.69	7
2Y ahead, y/y % change	3.50	4

Sources: Scotiabank Economics, BanRep.

Chart 3


March 18, 2025

All in all, GDP growth continued to be robust in January. Looking forward, growth signs are largely encouraging for February–March. Note, however, that there will be one less day in February this year (2024 was a leap-year), and the fishing season ended in January. As a result, GDP growth in February should come in closer to 3.0%–3.5%.

After February, the YoY base advantage of recent months will be more bouncy and less reliable, finally disappearing altogether by mid-year 2025.

LIMA UNEMPLOYMENT RISES IN FEBRUARY, BUT IT'S SEASONAL

Unemployment in Lima rose to 6.3% in February (actually, over the December–February period, which is how it's measured) from 6.2% in January, and a low of 5.5% in Q4-2024. This upturn in the unemployment trend follows normal seasonal patterns linked to Peru's summer vacations season (chart 4).

Compared to previous years, this year's figure is the lowest unemployment rate for a February since at least 2018. So, one could argue that the result is actually more positive than negative and does not contradict the encouraging signals that we had been receiving from the labour market in recent months.

Having said that, job creation in Lima was up a modest 2.6%, YoY, the mildest increase in nearly two years. Dig further, however, and you find that adequate (formal) employment rose a huge 10.8%, while underemployment fell 9.5%. In fact, since Q3-2024, adequate employment has been accelerating more or less at the same pace that underemployment is declining in Lima (chart 5). This is encouraging, in that formal employment tends to be higher quality and more enduring.

—Guillermo Arbe

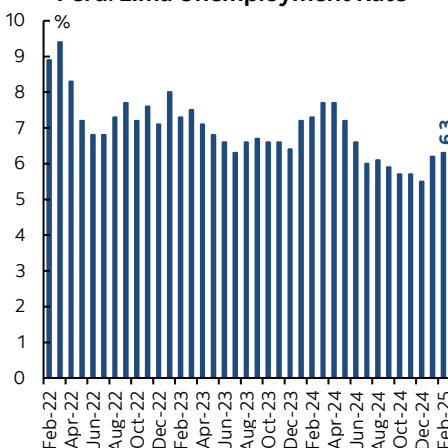
Table 2: Peru—GDP Growth for January 2025 (%)

	Jan y/y	Jan m/m
GDP	4.1	0.3
Agriculture & Livestock	3.2	-1.5
Agriculture	3.1	na
Fishing	23.5	9.4
Mining and Oil & Gas	1.4	-0.4
Mining	3.2	na
Oil & Gas	-9.1	na
Industrial Manufacturing	1.3	na
Electricity and water	1.5	0.3
Construction	4.1	2.9
Commerce	3.2	0.1
Transportation	7.9	0.2
Hotels & Restaurants	3.3	-0.4
Telecom	0.2	-2.0
Financial Services	-0.4	0.9
Business Services	4.2	1.2
Government Services	4.4	na
Other services	4.3	na

Sources: Scotiabank Economics, INEI.

Chart 4

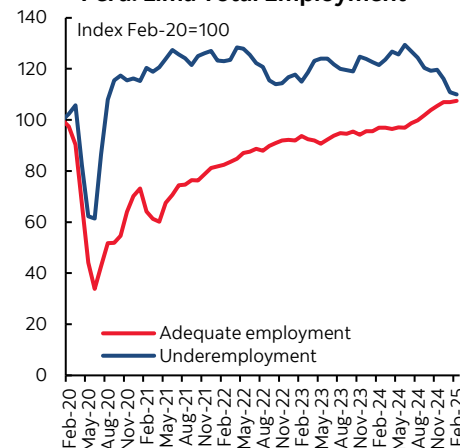
Peru: Lima Unemployment Rate



Sources: Scotiabank Economics, INEI.

Chart 5

Peru: Lima Total Employment



Sources: Scotiabank Economics, INEI.

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