Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

August 15, 2025

Latam Daily: BCRP Holds as Expected, Colombian Retail and Manufacturing Recap

- **Peru: BCRP maintains policy rate unchanged**
- **Colombia: June's retail and manufacturing show resilience despite falling short of forecasts**

PERU: BCRP MAINTAINS POLICY RATE UNCHANGED

The Board of the Central Reserve Bank of Peru (BCRP) decided to maintain its reference rate unchanged at 4.50% in August, marking the fourth consecutive month at this level—following one rate cut and three pauses (chart 1). This decision was in line with our expectations at Scotiabank and with market consensus (as reflected in the Bloomberg median). The spread between the BCRP's reference rate and the Fed's remains at zero.

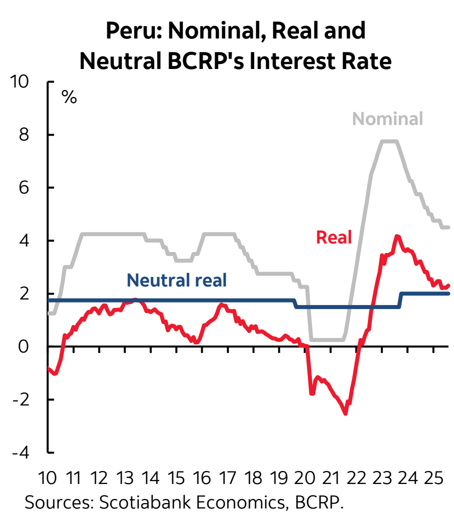
The August statement closely resembled those issued in July, June, and May, reiterating the following key points:

- Headline inflation is expected to remain at the lower end of the target range (1%–3%) in the coming months, before gradually moving toward the midpoint (2%).
- Economic activity expectations recovered compared to the previous month. Most current situation and expectations indicators remained in the optimistic range (chart 2).
- The global economic outlook has worsened, and financial market volatility persists.

As a result of the decision, the real interest rate rose from 2.22% to 2.31%, due to a decline in 12-month inflation expectations from 2.28% in June to 2.19% in July. The real rate remains above the 2.00% level considered neutral, suggesting that the BCRP retains room for an additional 25 basis point cut (chart 1 again). However, this will depend on the evolution of international trade tensions and whether local economic expectations weaken significantly. For now, we maintain our year-end forecast of 4.50%.

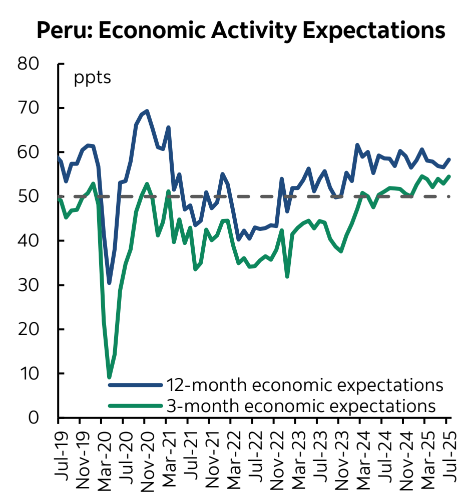
Regarding August's inflation, we expect a monthly rate close to 0.0%, below the 20-yr average of 0.29%. This reflects a correction following July's seasonal effects associated with the national holiday vacation period, as well as the appreciation of the PEN, which is exerting downward pressure on the prices of imported goods and electricity tariffs. Consequently, annual headline inflation is projected to decline to approximately 1.5%. We maintain our year-end forecast of 2.3%, albeit with a downward bias.

Chart 1



Sources: Scotiabank Economics, BCRP.

Chart 2



Sources: Scotiabank Economics, BCRP.

—Ricardo Avila

Contributors

Juan Manuel Herrera, Senior Economist
+52.55.2299.6675 (Mexico)
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Jackeline Piraján, Head Economist, Colombia
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Ricardo Avila, Senior Analyst
+51.1.211.6000 Ext. 16558 (Peru)
ricardo.avila@scotiabank.com.pe

Valentina Guio, Senior Economist
+57.601.745.6300 Ext. 9166 (Colombia)
daniela.guio@scotiabankcolpatria.com

August 15, 2025

COLOMBIA: JUNE'S RETAIL AND MANUFACTURING SHOW RESILIENCE DESPITE FALLING SHORT OF FORECASTS

On Thursday, August 14th, the National Institute of Statistics (DANE) published manufacturing production and retail sales data for June 2025. Manufacturing production increased 2.2% y/y, below market expectations (2.7% y/y), and retail sales increased 10.1% y/y below market expectations (11.6% y/y). Household consumption continues to follow a positive trend, particularly in technological sectors, reflecting a notable boost in private consumption. This upward momentum suggests increased consumer confidence and possibly greater access to disposable income or credit. Meanwhile, industrial sectors that experienced a downturn last year are now showing signs of recovery, although the rebound is less robust than expected.

Manufacturing output increased by 2.2% y/y, driven by higher production in chemical products, transport equipment, sugar and panela, and apparel (chart 3). The June results reflect a positive turnaround in the manufacturing sector compared to the same month last year, when output contracted by -4.9% y/y. However, seasonally adjusted data showed a 1.5% m/m contraction (chart 4). Within this context, chemical products, transport, and apparel industries contributed positively to the overall increase, partially offset by declines in the beverages industry, pharmaceutical products, paper and cardboard, and chemical substances. During the second quarter of the year, manufacturing production increased by 0.6% y/y and 1.2% YTD. While these are positive results, they still reflect a performance that falls short of expectations, suggesting that the sector's recovery is progressing at a slower pace than anticipated.

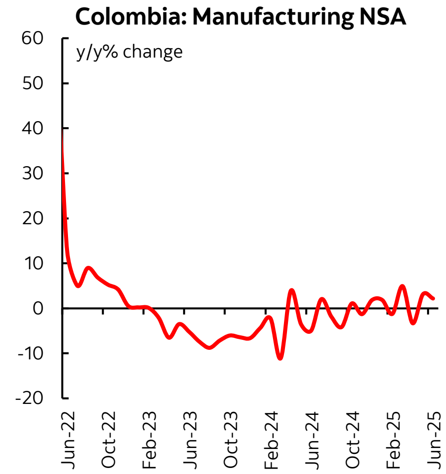
Retail sales maintained their positive trend, reflecting a continued boost in private consumption—particularly in the telecommunications sectors. In June, retail sales grew by 10.1% y/y (chart 5), while seasonally adjusted data (excluding vehicles) showed a 0.3% m/m increase (chart 6). This annual growth was driven by strong performance in technological equipment, vehicles, and durable goods such as household appliances and other domestic products. During the second quarter, retail sales increased by 11.6% y/y, and YTD growth reached 10.8% y/y, both exceeding expectations for the period. This robust performance is occurring despite persistently high interest rates and inflation that has yet to fully normalize. Households appear to be using credit moderately, while savings buffers remain solid, suggesting that the recovery in private consumption is built on stronger foundations compared to the post-pandemic rebound.

Today, DANE will release GDP results for Q2 2025, where we expect an annual growth between 2.6% and 3.0%. Commerce is emerging as one of the main drivers of this expansion, while service sectors such as leisure and public administration, although still posting positive figures, are beginning to lose momentum. Recent economic data have reinforced the central bank's cautious stance; at its July 31st meeting, the Board surprised analysts by keeping the policy rate unchanged, contrary to expectations of a resumed easing cycle. In our view, economic activity remains solid, the output gap is still negative but expected to close by 2026, and fiscal uncertainty continues to be a major concern for the Board. For these reasons, we do not anticipate any rate cuts at BanRep's meetings for the remainder of the year, implying that the interest rate will likely remain at 9.25% through the end of 2025.

Key Highlights:

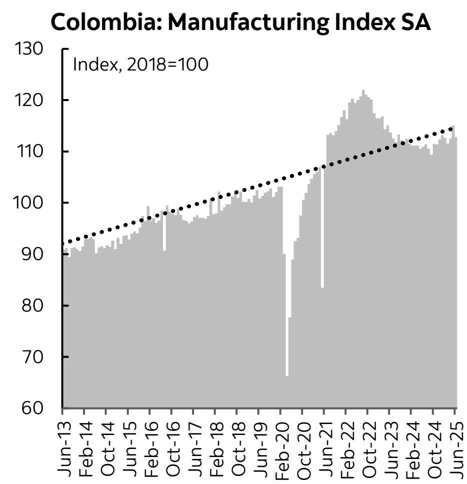
- **Manufacturing production increased by 2.2% y/y, with 21 out of 39 activities showing annual expansion.** On the positive side, sectors such as chemical products (+14.1% y/y), transport equipment (+43.9% y/y), sugar and panela (+26.4% y/y), milk products (+12.3% y/y), and apparel (+12.7% y/y) contributed a combined 2.1 percentage points to the overall result. However, this growth was partially offset by declines in the beverages

Chart 3



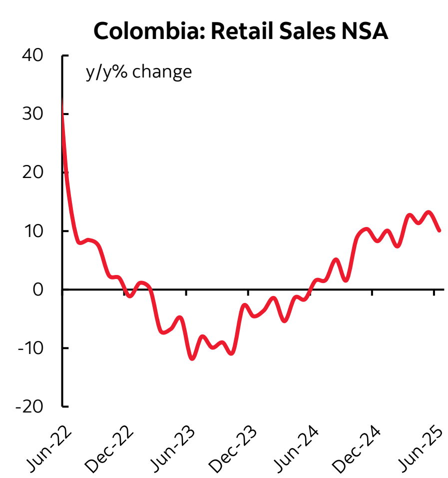
Sources: Scotiabank Economics, DANE.

Chart 4



Sources: Scotiabank Economics, DANE.

Chart 5



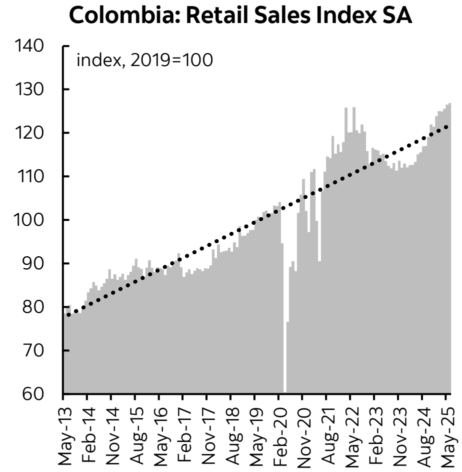
Sources: Scotiabank Economics, DANE.

industry (-5.1% y/y), pharmaceutical products (-6.3% y/y), paper and cardboard (-5.6% y/y), and chemical substances (-7.7% y/y), which together subtracted 1.5 percentage points from the total, limiting the sector's overall momentum.

- **Retail sales grew by 10.1% y/y, with 18 out of 19 activities registering positive variations.** The strongest contributions came from telecommunication equipment sales (+57.0% y/y), vehicle sales (+20.9% y/y for household vehicles and +19.3% y/y for others), and household appliances (+24.2% y/y). Notably, the apparel sector has shown consistent improvement, marking six consecutive months of growth after nearly two years of contraction, highlighting a broader recovery in consumer demand across durable and semi-durable goods.

- **From July 2024 to June 2025, retail sales expanded by 8.4% y/y, with telecommunication equipment leading the growth through a 42.8% y/y increase, while apparel sales declined by 3.2% y/y.** Over the same period, manufacturing output rose by 0.4% y/y, supported by strong performance in transport equipment (+33.1% y/y), the food industry (+5.5% y/y), and the cleaning products sector (+3.8% y/y), all contributing positively to the indicator. In contrast, the pharmaceutical industry (-9.5% y/y), oil and fuel production (-5.0% y/y), and the beverages industry (-2.3% y/y) were the main sectors dragging down overall manufacturing performance.

Chart 6



Sources: Scotiabank Economics, DANE.

—Valentina Guio