Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

December 2, 2025

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Latam Daily: Mexico Remittances and Peru Inflation

- **Mexico: Remittances for October**
- **Peru: November inflation continues to reinforce the perception of stability**

MEXICO: REMITTANCES FOR OCTOBER

The outlook for remittances remains unfavourable (chart 1), with several indicators in negative territory. In October, remittance inflows totaled $5.6 billion, representing an annual decline of -1.7%, smaller than the drop recorded in September (-2.6%). Year-to-date figures also show a contraction of -5.1%, totaling $51.3 billion. Likewise, the total number of transfers fell by -5.4%, marking seven consecutive months of decreases. Finally, the average amount per transfer stood at $402.7, with an annual increase of 4.0%. U.S. immigration policies continue to pose a significant risk to remittance forecasts for the remaining months of the year.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

PERU: NOVEMBER INFLATION CONTINUES TO REINFORCE THE PERCEPTION OF STABILITY

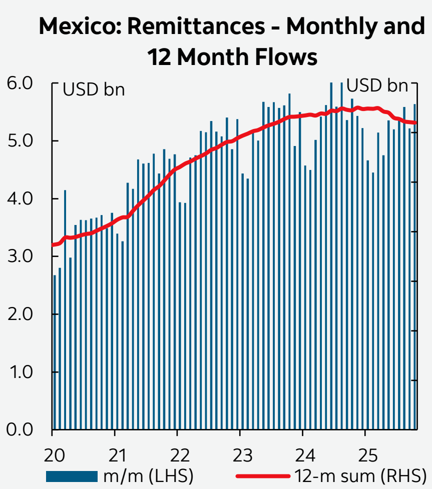
Headline inflation rose by 0.1% MoM in November, below the 0.2% increase expected by the consensus of analysts surveyed by Bloomberg and by our own estimates. Consequently, annual inflation remained stable at 1.4% for the third consecutive month.

At a disaggregated level, the main contributions came from four categories:

- Food and non-alcoholic beverages (+0.41%), driven primarily by a rebound in meat prices, such as chicken and fish.
- Restaurants and hotels (+0.19%).
- Housing, electricity and gas (-0.37%), due to lower electricity and gas tariffs.
- Communications (-0.8%), reflecting a reduction in telephone service charges.

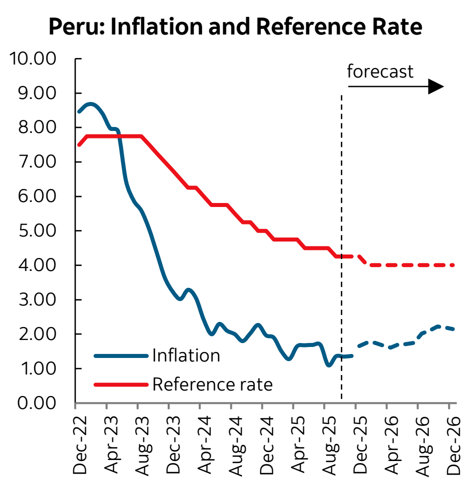
Core inflation—the trend component that excludes food and energy—edged up by 0.06% in November, below the 20-year historical average (+0.14%) but similar to the figure recorded in November 2024 (+0.06%). On an annual basis, it remained unchanged at 1.8% for the fourth consecutive month.

Chart 1



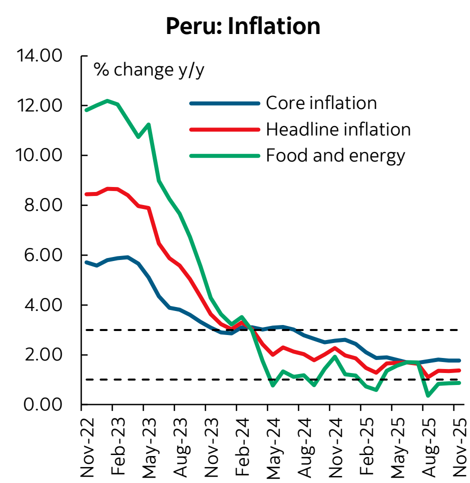
Sources: Scotiabank Economics, Banxico.

Chart 2



Sources: Scotiabank Economics, BCRP.

Chart 3



Sources: Scotiabank Economics, BCRP.

National annual inflation declined from 1.3% in October to 1.2% in November. Of the 26 cities where inflation is measured, 11 were within the target range (compared to 13 in September), while 15 were below the range (up from 13 in October), five of which remain in negative territory.

We expect monthly headline inflation in December to be positive and higher than the rate recorded in December 2024 (+0.11%), which was the lowest December reading in 19 years—a noteworthy outcome given seasonal patterns. Therefore, annual inflation is likely to rise slightly by year-end, though it should remain below our estimate of 1.7%.

Meanwhile, according to the latest Central Bank survey (November 10th), inflation expectations for 2025 continued to decline and are now between 1.9% and 2.0%.

Inflationary pressures remain subdued, supported by a strong sol and low import prices. In this context, we reaffirm our view that inflation will stay below the midpoint of the target range (2.0%) during the first half of 2026.

Regarding the policy rate, we continue to expect an additional 25 bps cut, bringing the terminal rate to 4.00%. We believe there is a higher likelihood that this adjustment will occur in the early months of 2026. Currently, the Central Bank's stance is neutral, as the real rate stands at 2.06%, close to the 2.0% level considered neutral. We believe an additional cut would not alter this neutral position.

—Ricardo Avila