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Latam Daily: BCRP Holds Rates Once Again

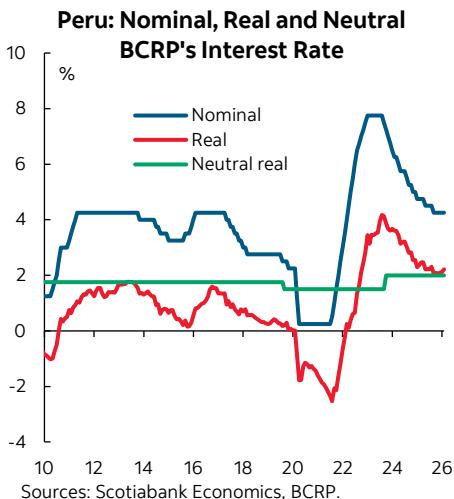
The Board of the Central Reserve Bank of Peru (BCRP) decided to keep its policy interest rate unchanged at 4.25% in February, marking the fifth consecutive month without adjustments (chart 1). This decision was in line with our expectations and market consensus (as reflected in the Bloomberg median).

The January statement shows no significant changes. The following key points are highlighted:

- Annual headline inflation is expected to converge toward the midpoint of the target range (1%–3%) in the coming months, while core inflation is projected to remain around 2.0%.
- Inflation expectations have declined from 2.1% in December to 2.0% in January.
- Leading indicators show solid performance in January. Expectations regarding economic activity and current conditions remain within the optimistic range (chart 2), in a context where economic activity is hovering around its potential level.
- Global economic prospects point to stronger-than-expected growth, and the terms of trade remain exceptionally favourable for the economy.

We preliminarily estimate that monthly headline inflation for February will be positive, standing at around +0.2%. As a result, twelve-month inflation is likely to remain at 1.7%.

Twelve-month inflation expectations have decreased, falling from an average of 2.13% in January to 2.03% in February. For this reason, the real interest rate rose from 2.12% to 2.22%, moving further above the neutral rate (2.0%). This opens the door for the BCRP to deliver an additional 25 bps rate cut. We maintain our terminal rate forecast of 4.00% for 2026. Our base case is that the next rate cut will take place in March; however, it would not be surprising if the cut takes place during 2Q26.

Chart 1**Chart 2**

—Ricardo Avila

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