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# Latam Daily: BCRP Holds, Mexican Industrial Production Drops

- **Peru: BCRP keeps its policy rate unchanged and leaves its year-end inflation forecast intact**
- **Mexico: Industrial production fell in January, with an annual variation of -1.1%**

## PERU: BCRP KEEPS ITS POLICY RATE UNCHANGED AND LEAVES ITS YEAR-END INFLATION FORECAST INTACT

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

The statement notes that global risk has increased due to the conflict in the Middle East, reflecting heightened volatility in financial markets and a higher price of oil. Despite this, they continue to project that both headline and core inflation will remain around 2.0% by the end of 2026 and 2027. However, they indicate that inflation will temporarily lie in the upper bound of the target range (between 2.0% and 3.0%) over the coming months, due to factors—expected to be temporary—associated with climate-related phenomena, the international rise in energy prices, and disruptions in the domestic supply of natural gas.

Other key points from the March statement include:

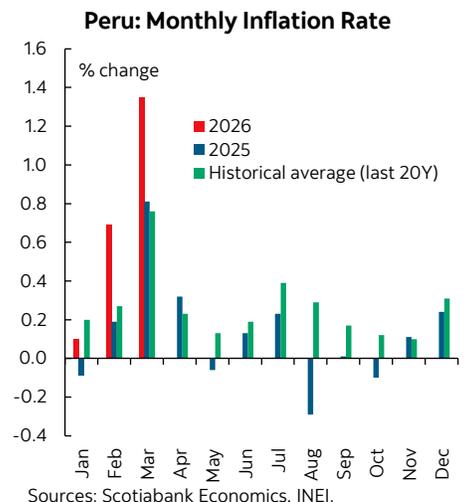
- Headline and core inflation rose to 2.2% year-on-year in February, above the midpoint of the target range (2.0%). The increase was driven by water tariffs and supply-side factors affecting certain food items.
- Inflation expectations increased from 2.0% to 2.1% in February.
- Economic activity remains close to its potential level and leading indicators continue to show solid performance. However, during the past month, most current-condition and expectations indicators deteriorated (chart 1), although they remained within the optimistic range. (The survey would already incorporate the outlook related to the conflict in the Middle East.)

We preliminarily estimate that monthly inflation in March will be around 1.35%, above the historical average of 0.8% (chart 2). Consequently, annual inflation would rise from 2.2% in February to 2.75% in March. March is seasonally high due to the education sector, as the

**Chart 1**



**Chart 2**



school year begins. In addition, the international and domestic energy crises will affect energy inflation and the transportation sector. Moreover, we continue to observe price pressures in food items stemming from supply-side factors. For the time being, we maintain our year-end inflation forecast at 2.2%, although we view the balance of risks as tilted to the upside.

—Ricardo Avila

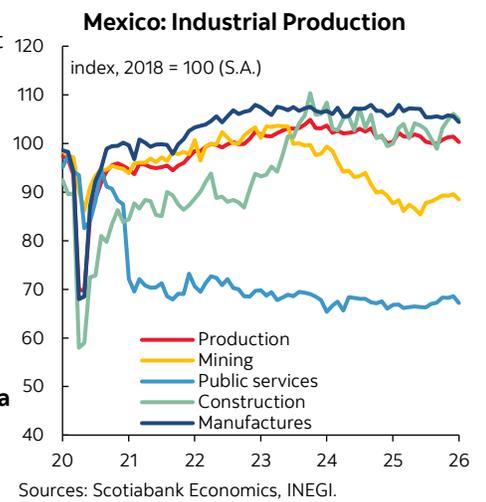
**MEXICO: INDUSTRIAL PRODUCTION FELL IN JANUARY, WITH AN ANNUAL VARIATION OF -1.1%**

In January, the Monthly Indicator of Industrial Activity (IMAI) fell (chart 3), with an annual variation of -1.1% in original figures, returning to negative territory after last month's positive reading. By component, and in annual terms, mixed signals were observed. Mining showed slight growth of 0.8%, driven by oil extraction (4.0%) and offset by mining-related services (-8.5%). The energy industry grew 0.4%, and construction increased 4.0%, continuing this positive trend for the fourth consecutive month. Manufacturing declined again, this time by -3.0%, affected by textile manufacturing (-10.4%) and transportation equipment manufacturing (-9.5%), although petroleum-derived product manufacturing stood out positively (18.4%).

Regarding the monthly comparison in seasonally adjusted figures, industrial activity fell -1.1%, with all components showing declines: mining -1.1%, utilities -1.9%, construction -1.1%, and manufacturing -1.1%.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

Chart 3



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