

Contributors

Juan Manuel Herrera, Senior Economist
+56.2.2299.6675 (Mexico)
juanmanuel.herrera@scotiabank.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
ricardo.avila@scotiabank.com.pe

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Martha Cordova, Economic Research Specialist
+52.55.5435.4824 (Mexico)
martha.cordovamendez@scotiabank.com.mx

Latam Daily: BCRP Holds, Sees Inflation Overshoot; Weak Mexican Industrial Production

- **Peru: BCRP maintains policy rate and projects inflation returning to target range by year-end**
- **Mexico: Industrial activity—weak annual performance with mixed sectoral signals**

PERU: BCRP MAINTAINS POLICY RATE AND PROJECTS INFLATION RETURNING TO TARGET RANGE BY YEAR-END

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

The statement highlights that headline monthly inflation in March was 2.4%, raising the annual rate to 3.8%, while monthly core inflation stood at 2.1%, lifting the annual rate to 3.7%. This significant increase was driven by various supply shocks: the sharp rise in international oil prices, the disruption of natural gas supply during the first half of the month, and adverse weather conditions that pushed up the prices of certain food items.

At present, these inflationary pressures are considered transitory, under the assumption that the Middle East conflict will conclude before mid-year. Accordingly, the BCRP projects inflation will return to the target range (1%–3%) by the end of 2026 and stabilize around 2.0% in 2027, as the effects of supply shocks gradually dissipate.

Furthermore, the BCRP notes that economic activity remains close to its potential level, with leading indicators through March continuing to show a solid performance.

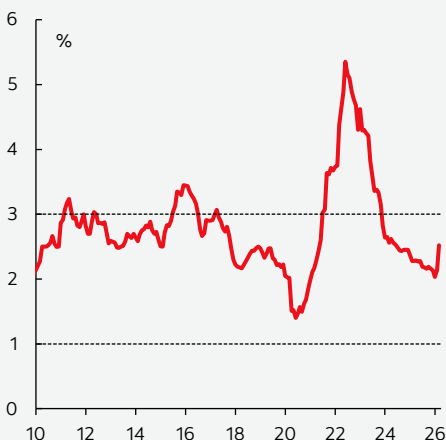
Finally, the statement underscores that global risks remain elevated due to the Middle East conflict. Nevertheless, global economic growth prospects for this year remain positive, and Peru’s terms of trade continue to be favourable.

Separately, the BCRP released its March survey of macroeconomic expectations, reflecting sentiment one month after the onset of the Middle East conflict. The survey results are as follows:

- 12-month inflation expectations: Increased from 2.1% to 2.5%, returning to levels last seen nearly two years ago (since June 2024).

Chart 1

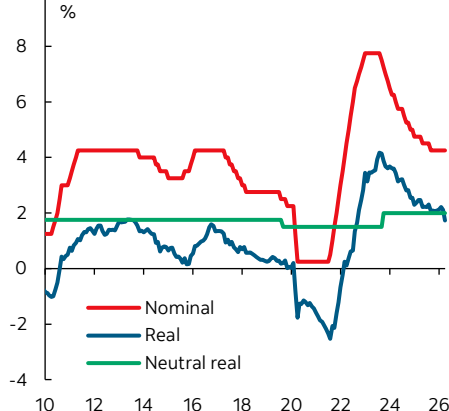
Peru: 12 Month - Expected Inflation



Sources: Scotiabank Economics, BCRP.

Chart 2

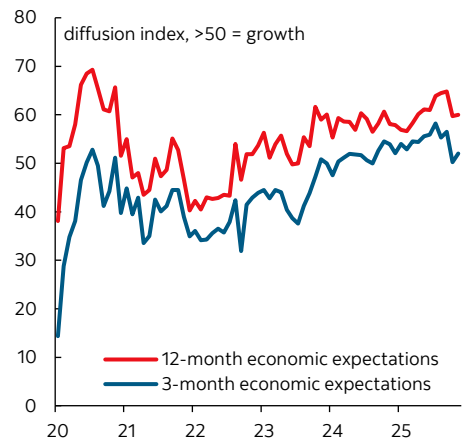
Peru: Nominal, Real and Neutral BCRP's Interest Rate



Sources: Scotiabank Economics, BCRP.

Chart 3

Peru: Economic Activity Expectations



Sources: Scotiabank Economics, BCRP.

- Inflation expectations for 2026 rose from a range of 2.0%–2.2% to 2.3%–2.8%.
- Economic activity expectations for 2026 declined from a range of 3.1%–3.2% to 2.9%–3.1%.
- Exchange rate expectations for end-2026 increased from a range of 3.38–3.40 soles per U.S. dollar to 3.38–3.45 soles per U.S. dollar.
- Most current situation and economic expectations indicators remained in the optimistic zone. Among these, short-term (3-month and 12-month) activity expectations improved compared to the previous month.

With the rise in 12-month inflation expectations and the policy rate held at 4.25%, the real interest rate has fallen below the neutral rate for the first time in nearly four years (since August 2022). Should this situation persist, it could open the possibility of future increases in the policy rate.

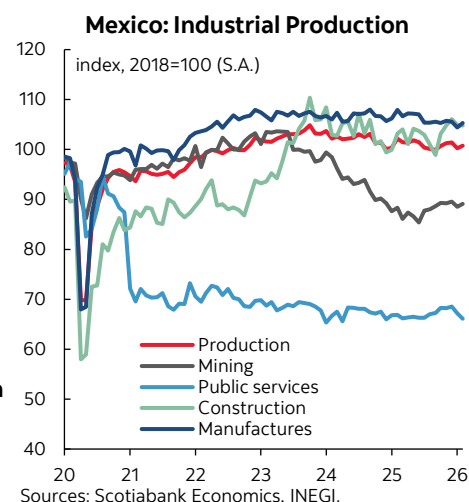
—Ricardo Avila

MEXICO: INDUSTRIAL ACTIVITY—WEAK ANNUAL PERFORMANCE WITH MIXED SECTORAL SIGNALS

In February, the Monthly Indicator of Industrial Activity (IMAI) fell, registering an annual variation of -1.3% in original figures, in negative territory for the second consecutive month. By component, and also in annual terms, mixed signals were observed. Mining posted slight growth of 1.1%, supported by mining-related services (19.5%) and offset by non-oil mining (-7.2%). The energy sector declined by -1.5% and manufacturing by -2.2%, with widespread contractions across subcomponents, except for the manufacturing of petroleum-related products (30.8%). Construction was the only positive component, continuing this trend for the fifth consecutive month, with a growth rate of 0.8%, driven by civil engineering (3.2%) and specialized construction activities (4.1%). In month-over-month seasonally adjusted terms, industrial activity grew by 0.4%, mining by 0.6%, public utilities declined by -1.4%, construction increased by 0.3%, and manufacturing rose by 0.7%.

—Rodolfo Mitchell, Miguel Saldaña, Martha Cordova

Chart 4



This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.