Scotiabank.

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Peruvian Inflation Surprises Higher

- **Peru: Headline inflation surprised to the upside, while core inflation remained broadly stable**

Headline inflation rose by 0.23% month-over-month in June, compared with Bloomberg consensus expectations of a 0.07% increase. As a result, annual inflation returned to 4.0% in June, up from 3.9% in May, remaining above the target range of 1%–3% for the fourth consecutive month.

Core inflation increased by 0.08% in June, lifting the annual rate from 4.4% in May to 4.5%. This appears to indicate persistent price pressures in less volatile components. However, it is important to note that core inflation includes transport services inflation (e.g. urban and interurban land transportation fares), which is influenced by the increase in oil prices. Excluding transportation provides a cleaner measure of less volatile components, which remains within the target range and even below the midpoint of the target band (chart 1).

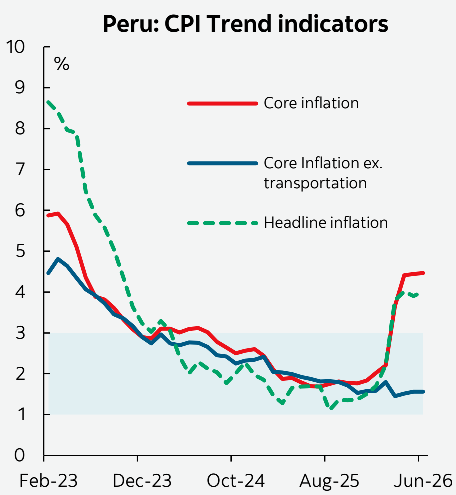
At a disaggregated level, the main contributions to the overall inflation result came from three categories:

1. Food and non-alcoholic beverages: Prices increased by 0.7%. On the one hand, prices of some products with a significant weight in the basic consumption basket declined, such as chicken (-4.9%) and potatoes (-7.1%). On the other hand, fish prices rose sharply (+48.7%) due to the El Niño phenomenon, which causes some species to move into deeper waters or migrate southward.
2. Restaurants and hotels: Prices increased by 0.4%, maintaining the upward pressures observed since March.
3. Transportation: Prices declined by 0.5%, driven by lower fuel prices (-6.5%) amid a normalization of international oil prices. There is still considerable room for this category to continue correcting downward.

Looking ahead, our baseline scenario assumed that international oil prices would begin to moderate in June, as indeed occurred. Under this assumption, we had projected inflation to decline to 3.2% by end-2026, still above the target range of 1%–3%. However, the El Niño phenomenon adds new inflationary pressures for late 2026 and early 2027. As a result, we will revise our forecast upward, although the probability that inflation returns to the target range by March 2027 remains high, mainly due to base effects.

—Ricardo Avila

Chart 1



Sources: Scotiabank Economics, INEI.