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**Latam Daily: Peru CPI Recap**

• **Peru: Core inflation remains persistent in June.**

Lima inflation came in at 0.12% m/m in June, slightly above what was expected by the market consensus (+0.10%), but below the historical average of the last 20 years (+0.19%), for a yearly inflation rate increase from 2.0% to 2.3%.

Food prices increased by 0.11%, while prices for restaurants and hotels rose by 0.20%, and transport prices saw an increase of 0.18%. In contrast, other prices categories remained relatively stable. The prices that declined in May were related to the disappearance of El Niño and the normalization of supply chains. However, in June, some of these prices adjusted upwards, such as fish and potato prices.

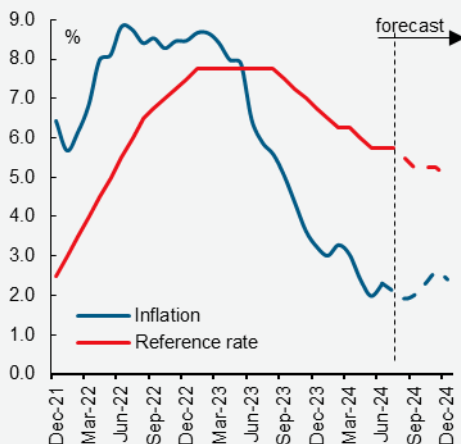
Core inflation increased by +0.16%, similar to the historical average of the last 20 years (+0.15%), to remain at 3.1% in year-on-year terms. This means that core inflation continues to show signs of persistence, having accumulated five consecutive months above the upper limit of the target range set by the BCRP (1%–3%).

Considering the persistence in core inflation, pressures on the PEN (alongside other currencies in Latam due to a hawkish stance by the Federal Reserve), and economic activity showing better dynamics than expected (with a surprising 5.3% growth reading in April and our forecasts pointing to a continuation of the recovery, at a 4% rate in May), we expect the BCRP to keep its reference rate unchanged at 5.75% at its meeting on July 11. These factors also lead us to increase our reference rate projection from 4.50% to 5.00% by end-2024, though we maintain our year-end headline inflation forecast of 2.4%.

—Ricardo Avila

Chart 1

**Peru: Inflation and Reference Rate**



Sources: Scotiabank Economics, BCRP.

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