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Latam Daily: Peru's Headline and Core Inflation Rise in November

- Peru: November inflation rises**

Headline and core inflation rose in November, due to a base effect and higher prices for some products in the month and in line with what we were expecting.

Headline inflation was +0.09% monthly in November, slightly above what was expected by the Bloomberg consensus (+0.05%) but similar to the historical average of the last 20 years (+0.10%) and in line with our estimate (+0.10%). This means that annual inflation accelerated from 2.0% in October to 2.3% in November, above the midpoint of the BCRP's target range (1%–3%). Thus, there are eight consecutive months in which inflation remains controlled within the target range.

Core inflation, the trend component that excludes food and energy, had a slight increase of +0.06%, locating itself below the historical average of the last 20 years (+0.14%) and in line with our estimates. In year-on-year terms, it registered a rebound to 2.6%, from the 2.5% in October, after slowing down for four consecutive months.

The increase in general inflation is mainly explained by a sharp rise in the prices of fish (+20%) due to the ban that began in September, avocado (+13%) due to anomalous weather conditions and electricity (0.9%). Inflation at the national level (not just in Lima) increased from 1.7% in October to 2.1% in November, placing it within the inflation target range for the past 10 months.

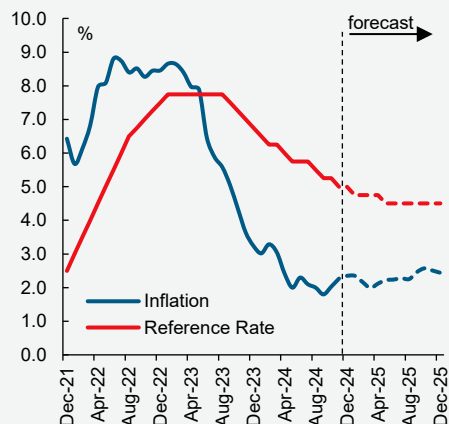
Regarding the BCRP reference rate decision, we had already mentioned in our November 4th report that an additional cut would be made by the end of the year, which became effective on November 7th, so we are inclined to think that for the meeting on December 12th the rate will remain unchanged at 5.00%, because the level is already very close to what we estimate as the terminal level (4.50%) and the Fed currently has a more cautious stance according to its latest statements.

It's likely that December headline inflation will be above its historical average of the last 20 years (0.32%). Our year-end estimate of 2.4% remains valid, however, we would not be surprised if it ends at 2.3%.

—Ricardo Avila

Chart 1

Peru: Inflation and Reference Rate



Sources: Scotiabank Economics, BCRP.

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