

# MNI Peru Central Bank Preview – December 2025

Monetary policy decision and statement press release: 2300GMT/1800ET - Thursday, December 11, 2025.

## MNI POV: Further Easing May Be Considered

The BCRP interest rate decision looks like being a close call, with a slight majority of analysts leaning towards a third consecutive rate hold at 4.25%. Economic activity is continuing to grow around its potential rate, and the policy rate is already very close to neutral, limiting the urgency for a further cut at this juncture. However, the continued strength of the PEN, which is trading at multi-year highs against the dollar, presents a downside risk to the inflation outlook, even as the headline rate remains near the bottom of the 1-3% target range. As such, risks remain skewed to a further 25bp cut in the coming meetings.

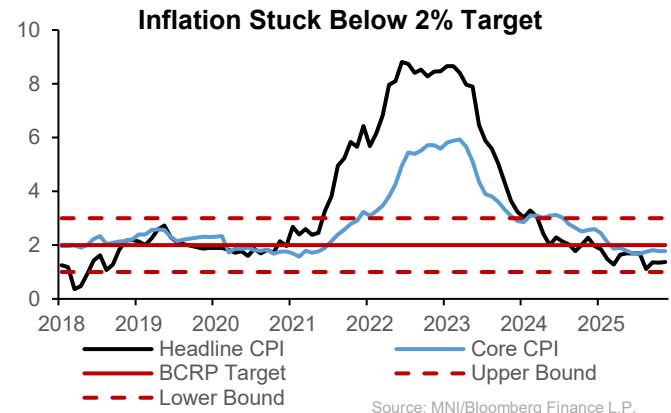
## Inflation Pressures Remain Very Well Contained

The BCRP has maintained its data dependent stance over the last two meetings, while keeping the policy rate unchanged, but providing no guidance on future rate decisions. The Board continues to place emphasis on new information about inflation, particularly core inflation, inflation expectations and economic activity, which together still paint a mixed picture ahead of this week's meeting. Although economic growth is strengthening, the inflation backdrop remains benign, and inflation expectations continue to be anchored just above the 2% target.

Last month, the Board described the recent fall of inflation as "transitory", saying that it still expects the headline rate to approach the midpoint of the target range in the coming months. It also still sees core inflation remaining around 2% in the projected horizon. However, latest inflation data revealed yet another downside surprise in November, with headline consumer prices rising by just 0.11% m/m last month. This kept the annual rate broadly unchanged at 1.37% y/y, marking a 12<sup>th</sup> consecutive month below the 2% target. While food prices edged higher in November, this was offset by a decline in utility costs. Excluding food and energy, core inflation also remained very well contained, with prices there rising by just 0.06% m/m, leaving the annual rate unchanged at 1.77% y/y. Meanwhile, inflation expectations are stable within the target range, sitting at 2.19% in October. With the policy rate at 4.25%, this leaves the ex-ante real rate at 2.06%, just above the 2.0% neutral estimate.

## Economic Activity Still Around Potential

Despite the BCRP's expectation for inflation to trend higher over the coming months, the ongoing strength of the PEN presents a downside risk to those forecasts. Supported by Peru's robust BoP position and improving terms of trade, the PEN continues to trade at multi-year highs against the US dollar. Against this backdrop, the BCRP has continued to intervene in the FX market over the last month, buying ~\$850mn in the spot market over the period, the first such interventions since April 2020. The intervention looks aimed more at capping further appreciation of the PEN against the dollar, but with the Fed expected to cut further, the pressure on the FX rate could prompt the Board to consider a rate cut this week.



As noted, however, domestic activity remains resilient, with the economy growing by a better than expected 3.9% y/y in September. As a result, real GDP rose by 1.2% q/q in Q3, improving from +0.4% q/q in Q2. On an annual basis, real GDP rose by 3.4% y/y, up from 2.6% in Q2, keeping the economy on course to grow by 3.2% this year or a little more. Growth was driven by domestic demand, which rose by 3.6% q/q, supported by a pick-up in private consumption and investment. Looking ahead, the economy is expected to remain well supported over the next year by rising investment, particularly in the mining sector, with GDP growth likely to remain close to 3%. Political uncertainty remains a risk, however, ahead of the April 2026 general election, which could generate some volatility for the PEN.

## Analyst Views (Alphabetical Order)

A slight majority of analysts in the latest Bloomberg survey (6/11) expect the BCRP to remain on hold this week. The remaining five analysts expect a 25bp cut to 4.00%.

### **BBVA: Fed Cut and BCRP FX Intervention Could Back Rate Cut, See 4.0% Terminal Rate**

- A Fed cut could back the easing option, as could recent interventions by the BCRP to moderate PEN strength. Markets are still divided, though, and the BCRP could wait until next year to cut as rates are close to neutral, and 4.0% is considered the terminal rate.

### **BNY Mellon: Rising US Rate Differential Should Anchor PEN**

- The BCRP will hold rates at 4.25% at its December meeting. With the Fed likely to cut and open up an even larger rate gap versus Peruvian nominal and real rates (which are approaching 3% based on Lima inflation), the currency should remain stable.
- There is much greater investor focus on political developments as investor flows into Latin America are aligning with binary policy outcomes, whether realised or perceived. BNY Mellon continue to see Latin American assets performing well, but with low nominal rates, hedge ratios for Peru will remain more elevated compared to peers.

### **Goldman Sachs: See BCRP Remaining on Hold, Reiterate Data Dependent Stance**

- Goldman Sachs expects the BCRP to leave the policy rate unchanged at 4.25%, reiterating a data-dependent stance and offering no guidance on the next move. The committee will likely reaffirm a benign inflation outlook with a neutral balance of risks. GS also expects the MPC to judge domestic activity as tracking near potential, while acknowledging that recent activity prints have been slightly stronger than anticipated.
- The decision to remain on hold is supported by the outcome of the November meeting, when the MPC left the ex-ante real policy rate unchanged at 2.1%, only a touch above the estimated 2.0% neutral rate. The MPC's assessment of domestic activity improved at the margin, alongside a gradual recovery in business sentiment. In turn, the committee downplayed the October downside inflation surprise, framing it as transitory.
- With the output gap essentially closed, medium-term expectations well anchored, and the upside tilt to GS' 2025 growth forecast of 3.3% - exceeding their forecasts for all Latam peers except Argentina - there is little urgency to bring the policy stance below neutrality.
- Since the last MPC meeting, the central bank has purchased about \$0.8bn in the spot market. GS sees these operations aimed primarily at leaning against the wind to arrest the recent exchange rate appreciation. The FX strengthening has been more directly influenced by record-high terms of trade and trade in goods surplus than by the interest rate differential with the Fed, which - despite some widening after recent FOMC cuts - remains fairly tight by historical standards. At the margin, these interventions raise the probability of an opportunistic 25bp rate cut.

### **Itaú (Dec 01): Anticipate One Final Rate Cut to a Neutral 4%**

- Itaú expect headline inflation to rise moderately in December, partly due to base effects, reaching 1.6% y/y. The balance of risks remains somewhat tilted to the downside. For 2026, they anticipate inflation will gradually rise toward the BCRP's 2% inflation target.
- Favourable exchange rate dynamics and low oil prices place a downside risk to Itaú's call. Given the benign inflation outlook, Itaú anticipates one final 25bp rate cut, bringing the policy rate to a neutral 4%. With the output gap largely closed and inflation expectations anchored, there is limited need to extend monetary policy into expansionary territory.

### **JP Morgan: Expect Another Rate Hold, CPI Pressures to Pick Up Next Year**

- Annual inflation continues to navigate below the 2% target, despite food prices increasing in November. The Lima CPI inched higher by just 11 bp in November, below JP Morgan's forecast for 0.2%. Thus, on an annual basis, inflation continues to undershoot the central bank's 2% target midpoint, registering a modest 1.4% y/y increase.

- JPM anticipates headline inflation closing the year at 1.5% y/y. For next year, further normalisation of food CPI and a closed output gap should drive headline to 2.5% y/y by December'26. Despite below target trailing inflation, JPM expects the BCRP to keep the policy rate stable at 4.25%.

#### **Natixis: Maintain Forecast for 4.0% Terminal Rate, as Dec Meeting Looks a Close Call**

- Inflation remains low, but growth is accelerating, a combination that gives the BCRP some justification to delay further easing. At the same time, an expected Fed cut and the strength of the PEN increase the likelihood of a policy rate reduction at the December 11 meeting.
- Inflation data for November came in at 1.37% y/y, slightly above October's 1.35%. On a monthly basis, CPI rose 0.11%, reflecting modest upward pressure from food, non-alcoholic beverages, and transportation, partially offset by declines in housing and utilities. Inflation thus remains comfortably below the 2% target and inflation expectations are well anchored around the target.
- On the other hand, activity data continues to strengthen. Real GDP expanded 3.4% y/y in Q3, accelerating from 2.6% in Q2. On a seasonally adjusted basis, GDP grew 1.2% q/q. The recovery was driven by solid domestic demand: private consumption benefited from higher employment and labour income, while government consumption and public investment also picked up. Non-primary sectors - including commerce, services, and construction - led the expansion and helped offset weakness in primary sectors such as mining.
- Natixis maintain their forecast for a 4.0% terminal policy rate. However, the timing of the next move remains uncertain. With conflicting signals - stronger growth arguing for caution, but external conditions and currency dynamics favouring a cut - the December meeting could be a close call.

#### **Scotiabank: Lean Towards a Hold This Week, With Final Cut to Come Early-26**

- Scotiabank think the BCRP will keep rates on hold at its Thursday meeting. But with recent inflation data and falling inflation expectations, it would not be terribly surprising if they opt for a cut this week instead of in early-2026, as Scotia expects. Ultimately, it's a minor adjustment and the timing of it this week or next month is not of major significance.
- Recent data showed inflation slowed to 1.2% in November from 1.3% and while Scotia expects an acceleration in December, headline inflation may still only close the year in the mid-1s. Falling actual and expected inflation (as per the BCRP's survey) have given the bank room to cut by an additional 25bp without impacting its neutral stance.
- Meanwhile, economic activity continues to hover around potential, supported by resilient three-month and twelve-month economic expectations, signalling sustained robustness.