

MNI Peru Central Bank Preview – January 2026

Monetary policy decision and statement press release: 2300GMT/1800ET - Thursday, January 08, 2026.

MNI POV: Current Policy Stance Remains Justified

Expectations are firmly tilted towards the BCRP holding the reference rate steady at 4.25% in January. Robust activity data and inflation data consistent with the 1-3% target range should keep additional policy easing as unwarranted at this juncture. Furthermore, analysts believe the policy rate will not be used as an instrument to lean against recent PEN appreciation.

Inflation Pressures Remain Well Contained

Peru's central bank committee has maintained the 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.

Copper Surge Supporting PEN, 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 an additional ~\$1.7bn in the spot market. An additional positive impulse for the currency has been the impressive advance for copper prices, which have traded above \$13,000 a ton for the first time. This extends last year's impressive rally as mine outages and trade dislocations fuel concerns over supplies of the key industrial metal.

Domestic activity remains resilient, with the economy growing in line with expectations in October, at 3.6% y/y, with robust growth across domestic demand components still present. In seasonally adjusted terms, the economy expanded by 1.4% Q/q in the third quarter last year, up from 0.4% in the prior quarter, the tenth consecutive sequential quarterly expansion. Analysts continue to highlight that leading indicators such as rising business confidence, robust formal job creation, and double-digit annual capital goods imports growth, signal ongoing solid growth momentum.

PetroPeru Restructure Add Fiscal Risks as Election Looms

Peru's government recently published a decree to restructure struggling state-owned Petroleos del Peru SA. The decree allows for PetroPeru's assets to be split into different units, including the new \$6 billion Talara refinery. The decree only talks about asset restructuring but doesn't address the company's debt obligations, which total about \$5.45 billion, according to S&P. Peru's private investment promotion agency Proinversion will be in charge of the restructuring and have said they will publish their plan within 60 days of the January 05 announcement.

Additional risks surrounding the upcoming elections on April 12 are worth noting, given the long period of instability under ex-President Boluarte, who comfortably had one of the lowest approval ratings in global politics. Clear favourites have yet to emerge following the December primaries, although if Chile's election is a credible signpost, then a shift to the right may be likely. Polling data has suggested that around a third of respondents have yet to support a candidate, which, combined with the large number of varying candidates adds multiple layers of uncertainty to who could compete in a likely June 07 runoff.

Analyst Views (Alphabetical Order)

BBVA: Likely Hold as BCRP Fine Tunes Policy

- The BCRP is likely to continue fine-tuning its policy and extend the rate pause, given that the more consistent intervention is limiting PEN appreciation below USDPEN3.37.

BNY Mellon: Expect a More Cautious Approach Toward Easing

- The BCRP may hold rates for a fourth consecutive meeting as underlying conditions since the December meeting have not changed much. Inflation on a sequential basis is now running at a slightly faster pace, which may require some additional vigilance.
- Had the December FOMC meeting been more dovish, Latin American central banks would have commenced 2026 with more policy space. At this rate, BNY expect a more cautious approach toward easing, and holding real rates at closer to 3% should also help the sol (PEN) perform.

Goldman Sachs: Relatively High Bar For Further Cuts

- Goldman Sachs expect the BCRP to leave the policy rate unchanged at 4.25% and offer no guidance on the next move. The committee will likely reaffirm a benign inflation outlook with a neutral balance of risks. GS still see a relatively high bar for further cuts.
- The decision to remain on hold is supported by most recent staff forecast revisions. The MPC's assessment of domestic activity improved, given a gradual but steady recovery in business sentiment, and receding downside risks to domestic growth from a lower external impulse.
- Since the last MPC meeting, the BCRP has purchased about US\$1.7bn in the spot market. GS see these operations as serving two purposes. First, they help lean against the wind to arrest the recent exchange rate appreciation, which 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. Second, some of them also reflect direct central bank's purchases from the Pension Fund Managers to moderate exchange rate volatility from the transitory liquidation of foreign assets to meet drawdown demand—anticipating the eighth round of pension fund withdrawals.

Itaú: BCRP In Fine Tuning Stage of Easing Cycle

- Itaú expect inflation to gradually edge up in 2026 and converge toward 2%, the centre of the BCRP's target range, while inflation expectations remain firmly anchored. Favourable exchange-rate dynamics and low oil prices pose downside risks, however.
- Itaú believe the Central Bank is now in the fine-tuning stage of the cycle and that the BCRP is likely to hold the policy rate at 4.25% this week, before delivering a final 25 bp cut at the end of Q1.

JP Morgan: Expecting BCRP Rate Hold This Week

- Although inflation has printed below target for several consecutive months, there appears to be little risk of inflation expectations drifting below the central bank's goal, according to JP Morgan.
- Meanwhile, JPM highlight the output gap has closed, and the economy is expected to stay near its potential through 2026 and 2027, based on the central bank's estimate of 3.0% potential GDP growth for both years. Against this backdrop, they see a strong case for the central bank to hold its policy rate at 4.25%, broadly consistent with an ex-ante real neutral rate of 2%.
- Looking ahead, the normalization of food prices and a closed output gap should drive headline to 2.4%oya by December'26.

Scotiabank:

- Thursday's decision is expected to be another hold at a reference rate of 4.25% for a fourth straight meeting. CPI data has not altered the pattern of readings in the lower half of the 1-3% target range. Key is that economic growth remains strong as indicated by the monthly activity index that continues to grow at around 3.5% y/y.