



Peru's economic outcome in 2023

Julio Velarde




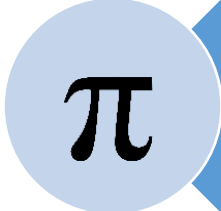
**Governor
Central Reserve Bank of Peru**

March 2024



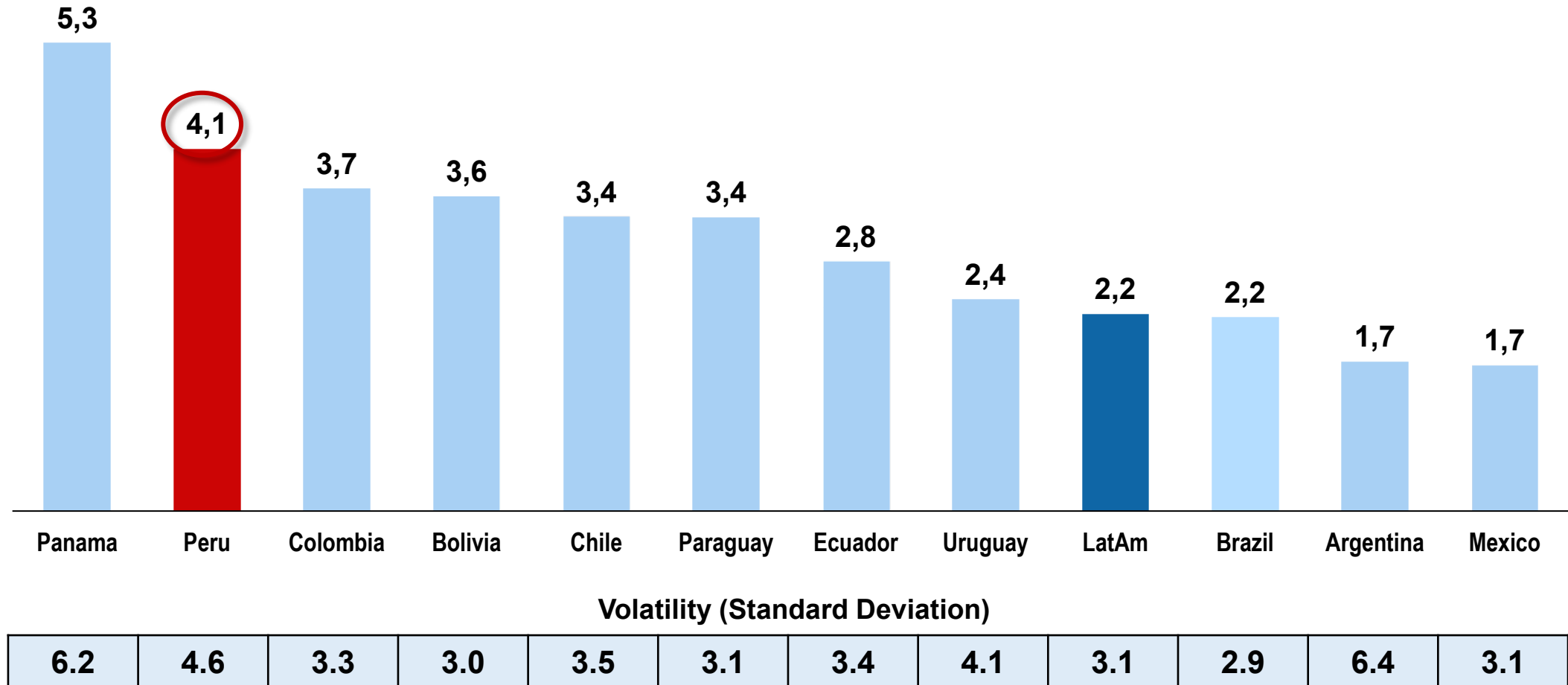
BANCO CENTRAL DE RESERVA DEL PERÚ

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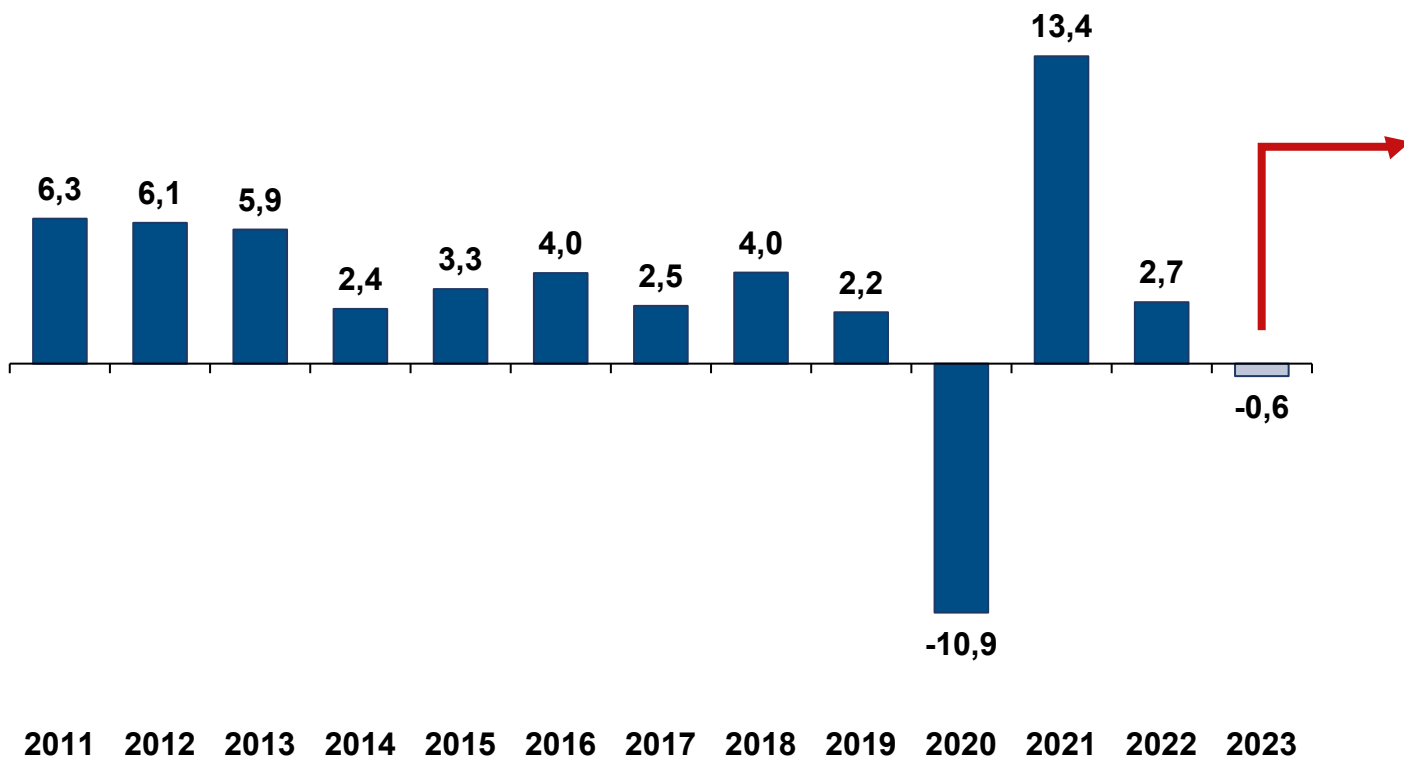
Peru has grown 4.1% on average over the last two decades.

REAL GDP AVERAGE ANNUAL GROWTH, 2001-2023 (%)



GDP in 2023 was affected by transitory negative shocks.

REAL GDP GROWTH, 2011-2023 (%)



IMPACT ON 2023 GDP GROWTH (in pp)

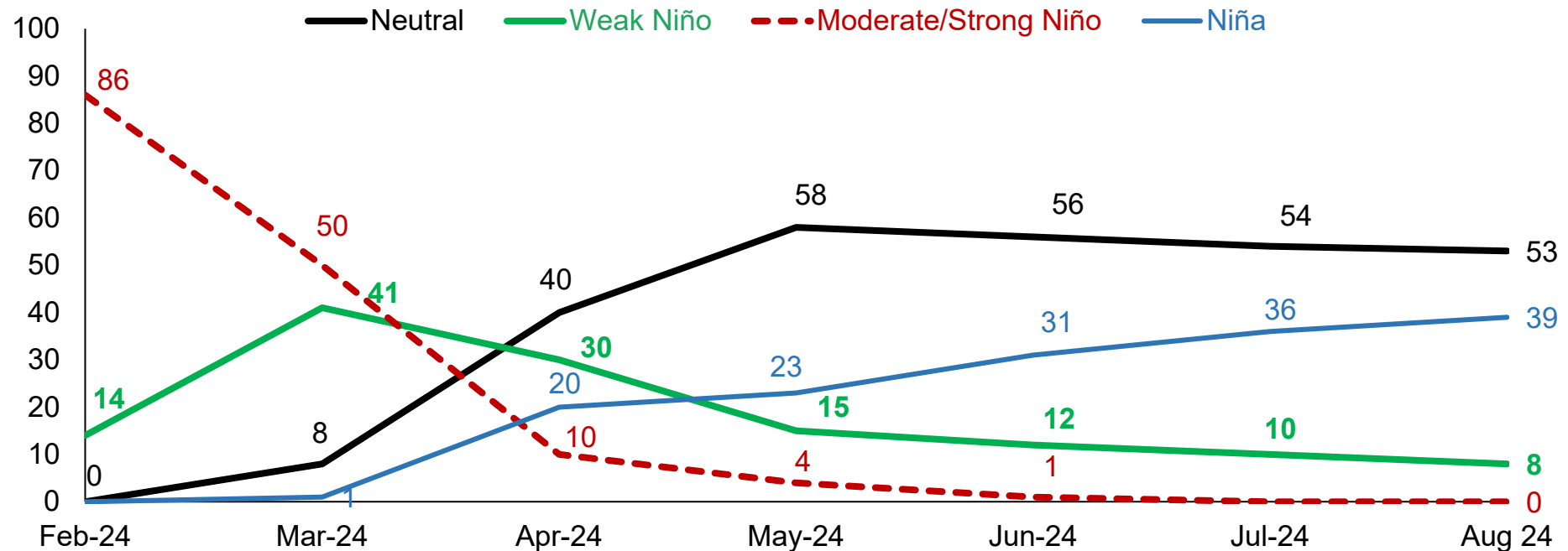
Droughts	-0.1
Aviar flu	-0.1
Social conflicts	-0.8
El Niño	-1.1
Low business confidence	-0.3
Lower non-commodity exports	-0.2
Low investment of regional and local governments	-0.1
TOTAL	-2.7

Source: BCRP.

El Niño without major impact on activity: The risks associated with the impact of climatic factors from El Niño on the GDP of 2024 have decreased.

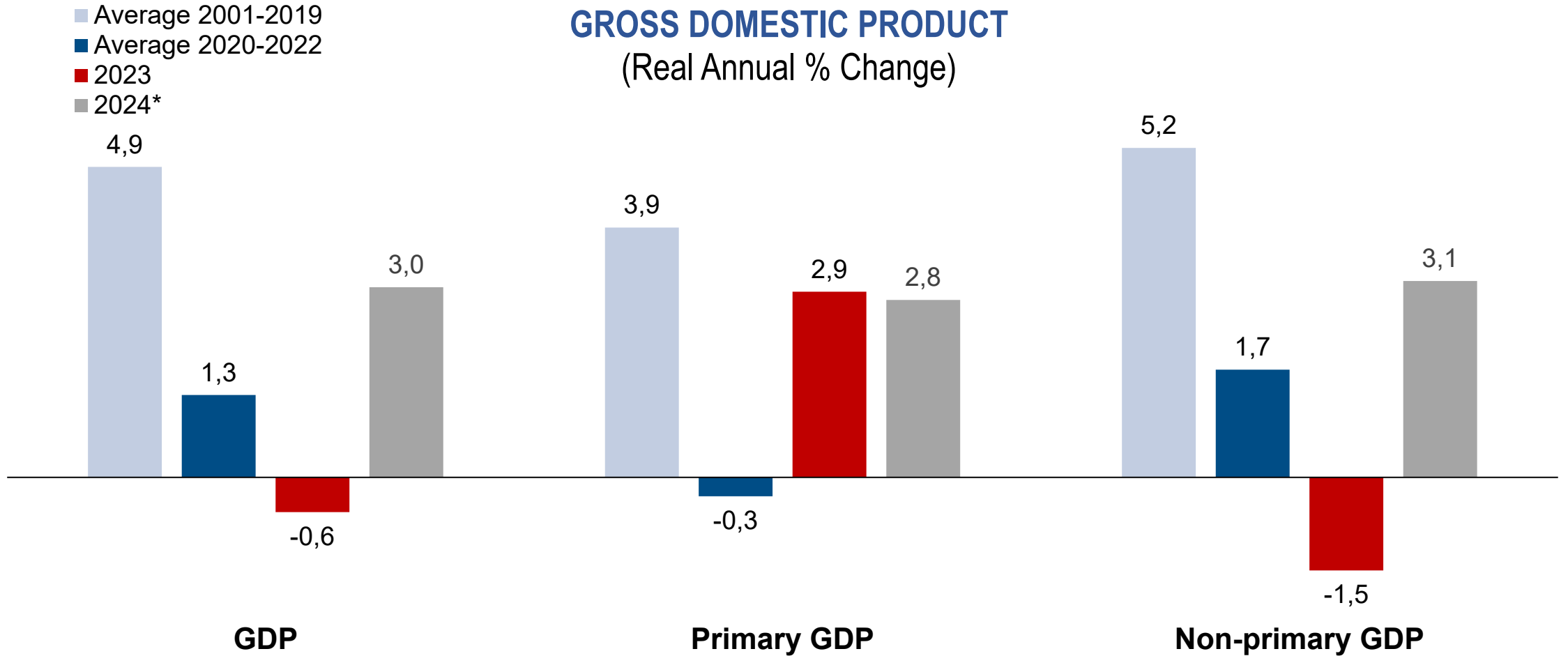
ESTIMATED PROBABILITIES OF ANOMALOUS WARM AND COLD CONDITIONS IN THE EASTERN PACIFIC (NIÑO REGION 1+2)

(%)



Source: Technical Report of February 16, 2024 - ENFEN.

Growth in 2024 will be driven by a recovery in non-primary sectors.



* Forecast IR Dec 2023.
Source: BCRP.

Activity registered a contraction of 0.6 % in 2023, due to social unrest at the beginning of the year and climate anomalies. An annual growth rate of 3.0 % is projected for 2024-2025.

GROSS DOMESTIC PRODUCT BY INDUSTRY

(Real annual % change)

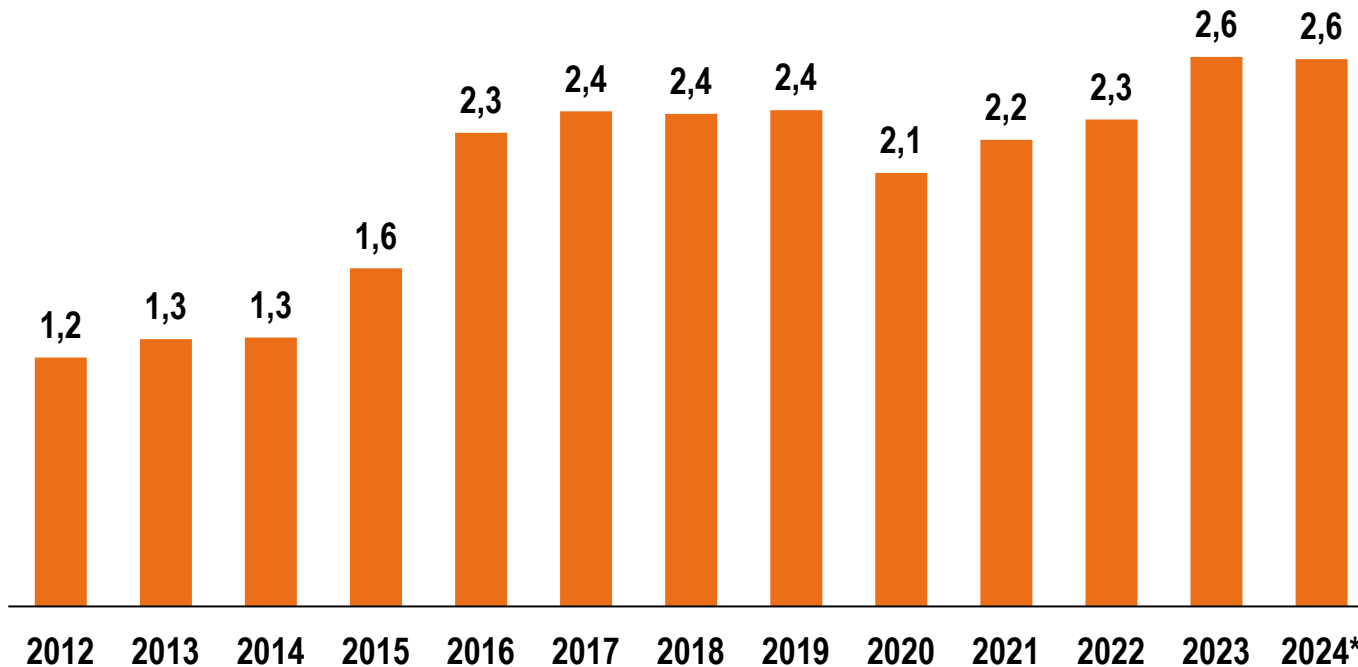
	2022	2023	2024*	2025*
Primary GDP	0,9	2,9	2,8	3,1
Agriculture	4,5	-2,9	3,5	3,5
Fishing	-11,4	-19,7	10,5	14,4
Mining	0,0	9,5	2,0	2,2
Hydrocarbons	4,0	0,7	2,9	3,8
Manufacturing	-2,5	-1,8	3,9	4,1
Non-primary GDP	3,2	-1,5	3,1	3,0
Manufacturing	2,2	-8,2	3,1	3,0
Electricity & Water	3,9	3,7	3,9	3,0
Construction	3,0	-7,9	3,2	3,4
Commerce	3,3	2,4	3,2	2,7
Services	3,3	-0,4	3,0	3,0
<u>Gross Domestic Product</u>	<u>2,7</u>	<u>-0,6</u>	<u>3,0</u>	<u>3,0</u>

*Forecast

Source: BCRP.

Peru maintains its position as one of the largest producers of minerals in the world.

COPPER PRODUCTION, 2012-2024* (millions of tons)



*Forecast (IR December 2023).
Source: BCRP.

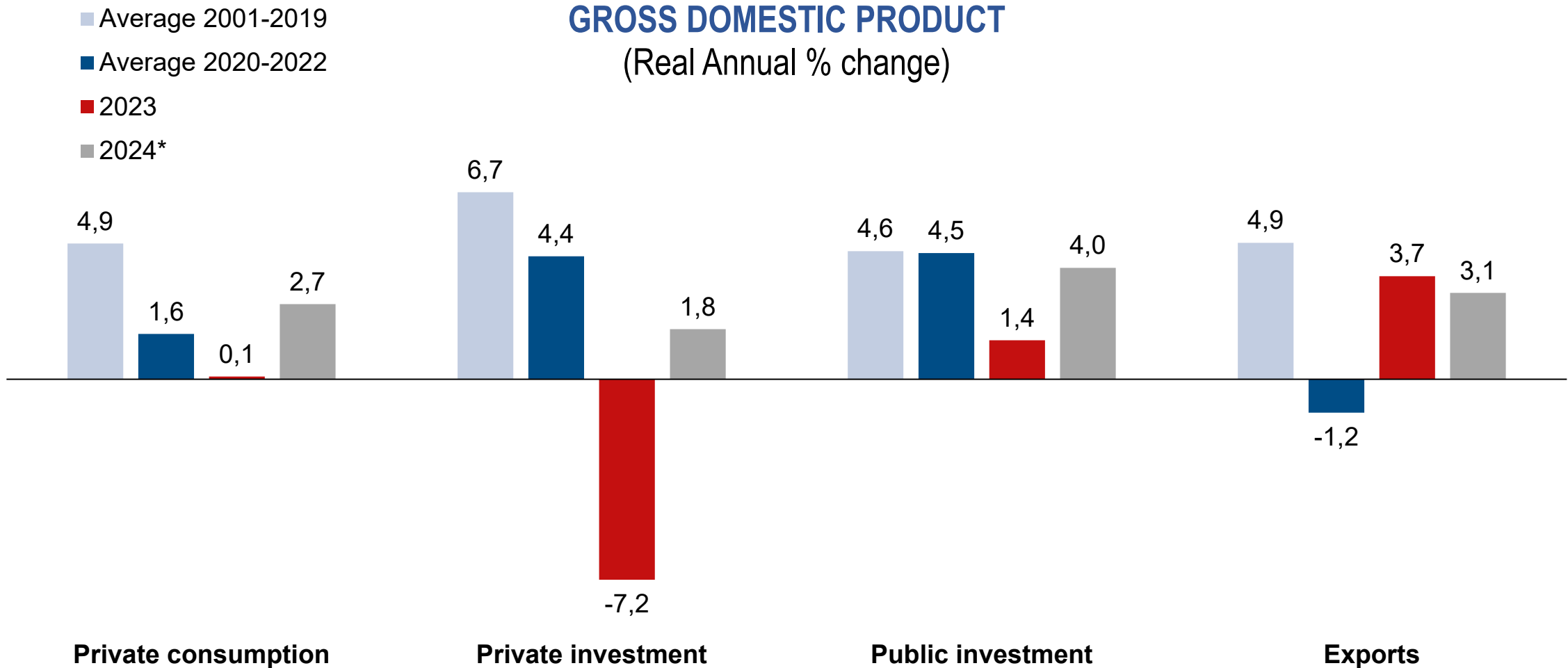
	2023 (USD million)**	Ranking***
Copper	23 345	2
Silver	98	3
Zinc	2 348	2
Lead	1 838	5
Molybdenum	1 650	3
Tin	643	4
Gold	10 893	11

** 2023 Peru's exports value.

***2023 World Mining Production (e).

Source: BCRP and Mineral Commodity Summaries 2024 - US Geological Survey.

On the expenditure side, private consumption, public investment and exports will drive growth in 2024.



* Forecast IR Dec 2023.
Source: BCRP.

Social conflicts (early in the year) and El Niño (throughout the year) affected the income and confidence of the private sector in 2023. We expect that domestic demand will recover in 2024 - 2025.

GROSS DOMESTIC PRODUCT BY EXPENDITURE

(Real annual % change)

	2022	2023	2024*	2025*
Domestic demand	2,3	-1,7	2,9	2,9
Private consumption	3,6	0,1	2,7	2,8
Public consumption	-3,4	3,3	2,0	2,0
Private investment	-0,4	-7,2	1,8	3,0
Public investment	7,7	1,4	4,0	4,5
Change in inventories (contrib.)	0,1	-0,8	0,3	0,0
Exports	6,1	3,7	3,1	3,8
Imports	4,4	-0,9	2,7	3,3
<u>Gross Domestic Product</u>	<u>2,7</u>	<u>-0,6</u>	<u>3,0</u>	<u>3,0</u>

*Forecast

Source: BCRP.

Private investment will recover in 2024-2025 driven by mining investment.

PRIVATE INVESTMENT, 2019-2025 (Real % change)

	2019	2020	2021	2022	2023*	2024*	2025*
TOTAL	4,5	-16.5	36.9	-0.4	-7.2	1.8	3.0
Residential	4,7	-14.5	35.4	1.3	-13.2	2.8	3.0
Non Residential	4,4	-17.5	37.7	-1.3	-4.3	1.3	3.0
<i>Mining</i>	<i>18,3</i>	<i>-25.3</i>	<i>23.0</i>	<i>-5.5</i>	<i>-13.3</i>	<i>5.1</i>	<i>4.0</i>
<i>Other</i>	<i>1,3</i>	<i>-15.4</i>	<i>41.1</i>	<i>-0.4</i>	<i>-2.6</i>	<i>0.7</i>	<i>2.8</i>

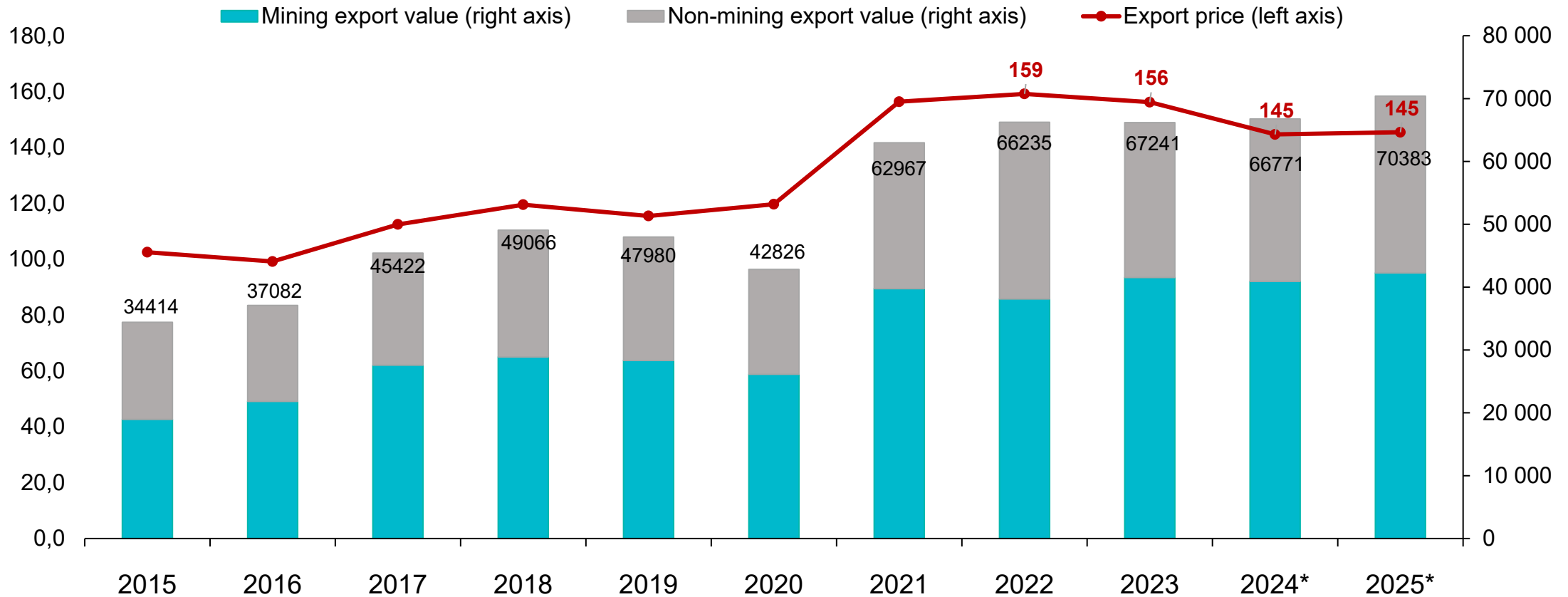
*Forecast

Source: MINEM and BCRP.

Exports once again reached historic levels in 2023 due to higher metals volumes and prices (copper, gold and zinc), agricultural and fishing products.

EXPORTS: VALUE AND PRICE INDEX, 2015-2025

(Million USD, Index 2007 = 100, respectively)



*Forecast IR Dec 2023.

Source: BCRP.

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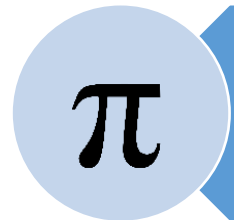
Economic Activity



Fiscal Accounts



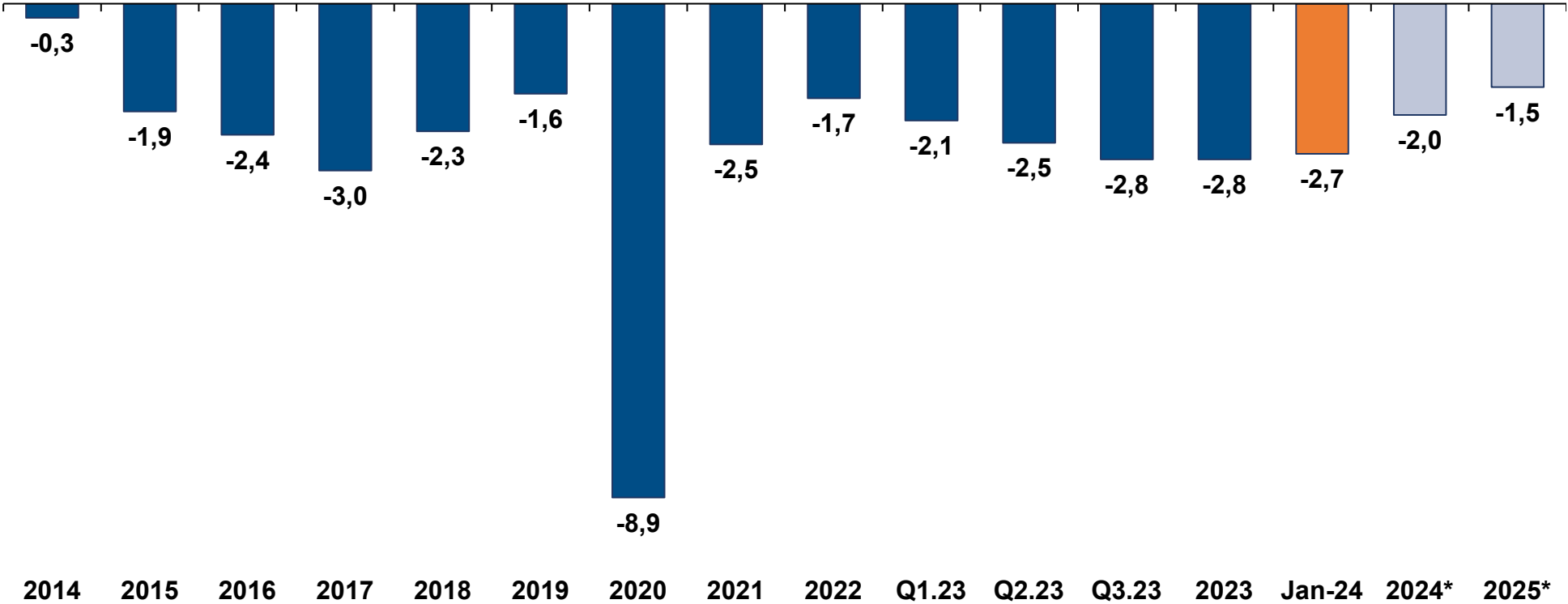
Monetary Policy



Inflation

The forecasted deficits for 2024 and 2025 are consistent with the fiscal rule.

NON-FINANCIAL PUBLIC SECTOR OVERALL BALANCE: 2014 - 2025
(% of GDP)

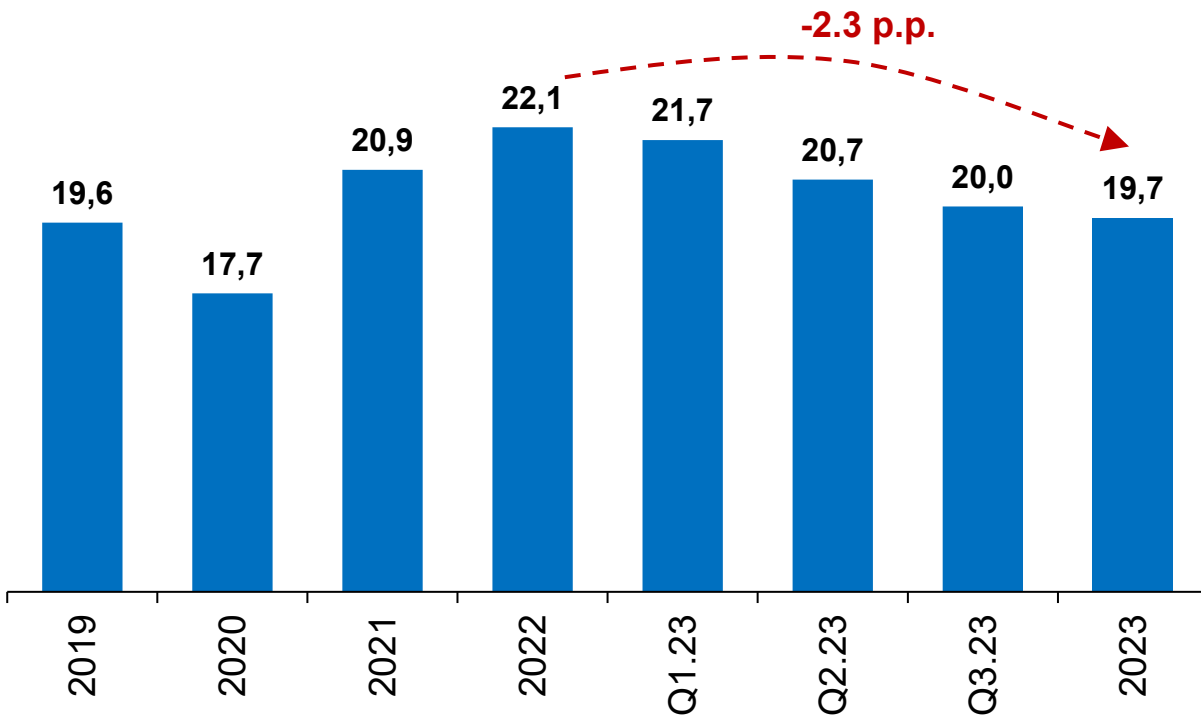


*Forecast
Note: The annual data for 2023 is preliminary.
Source: BCRP.

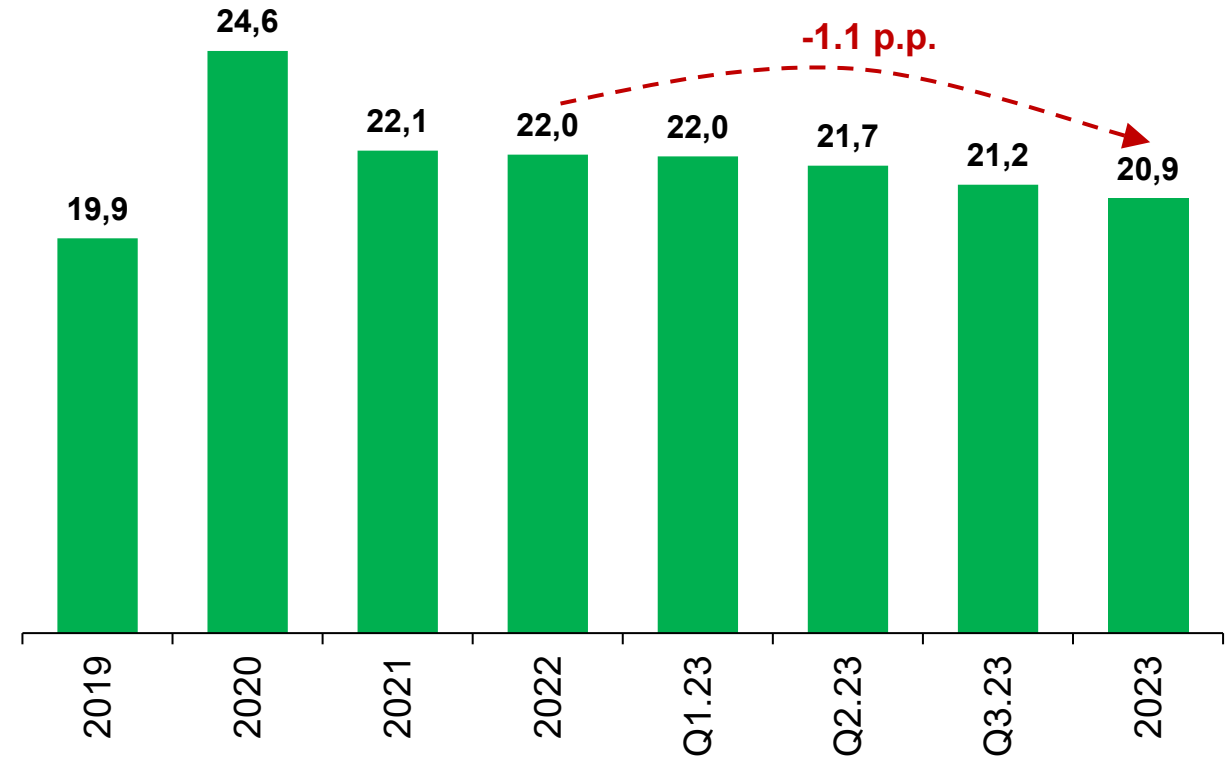
The largest deficit in 2023 was due to a drop in government revenues. By 2024, a recovery in income is expected and therefore a reduction in the fiscal deficit.

NON-FINANCIAL PUBLIC SECTOR, 2019 - 2023 (% of GDP)

REVENUES



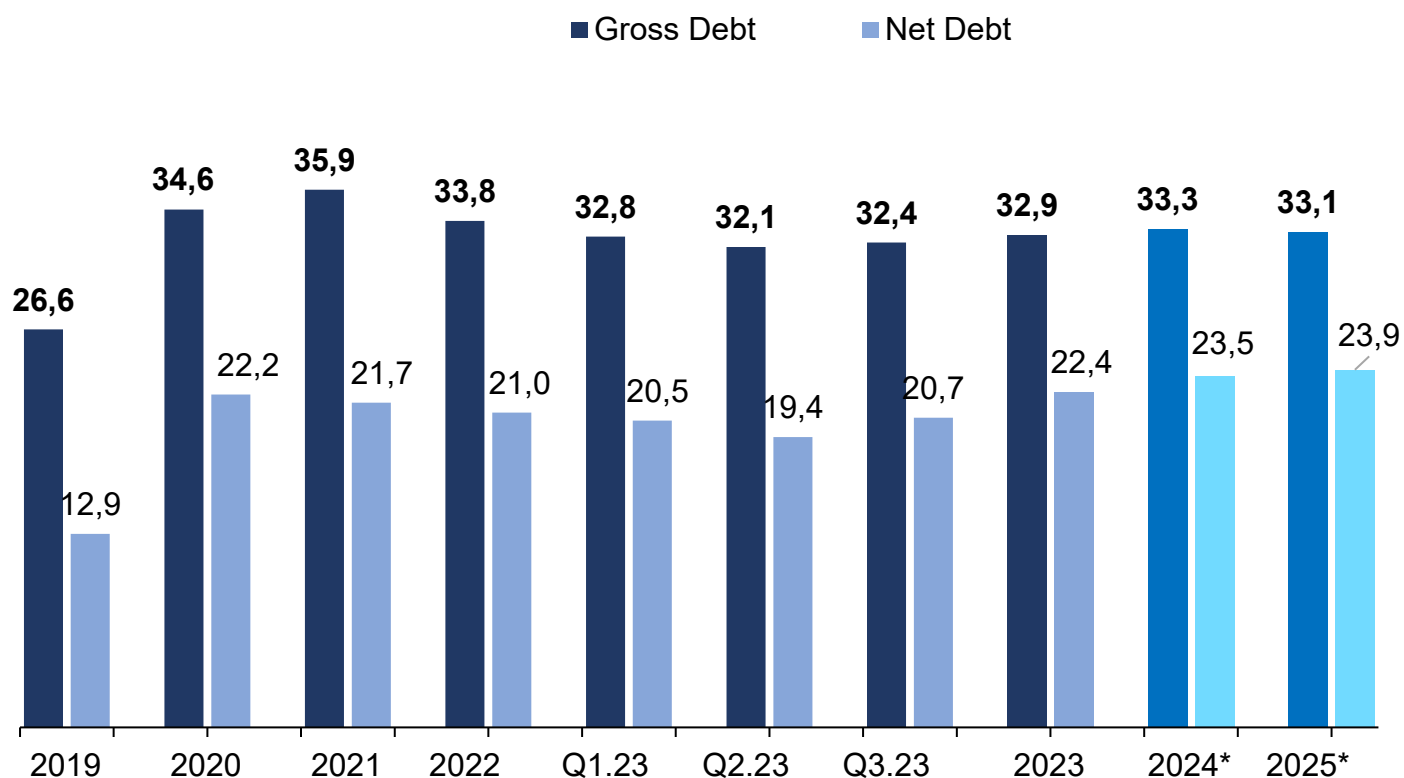
EXPENDITURES



Note: The 2023 data corresponds to the sum of the last 12-months. The annual data for 2023 is preliminary.
Source: BCRP.

Public debt is expected to remain as the lowest in the region.

NON-FINANCIAL PUBLIC SECTOR DEBT (% of GDP)



Gross Debt (% of GDP)	2020	2021	2022	2023*
Peru	34.6	35.9	33.8	32.9
Chile	32.4	36.3	38.0	38.4
Paraguay	36.9	37.5	40.8	40.9
Mexico	58.5	56.9	54.1	52.7
Colombia	65.7	64.0	60.4	55.0
Uruguay	68.1	63.4	59.3	61.6
Brazil	96.0	90.1	85.3	88.1

*Forecast, except for Peru
Source: World Economic Outlook (October 2023), except for Peru.

Note: The annual data for 2023 is preliminary.

*Forecast

Source: BCRP.

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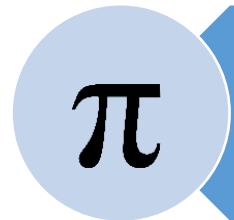
Economic Activity



Fiscal Accounts



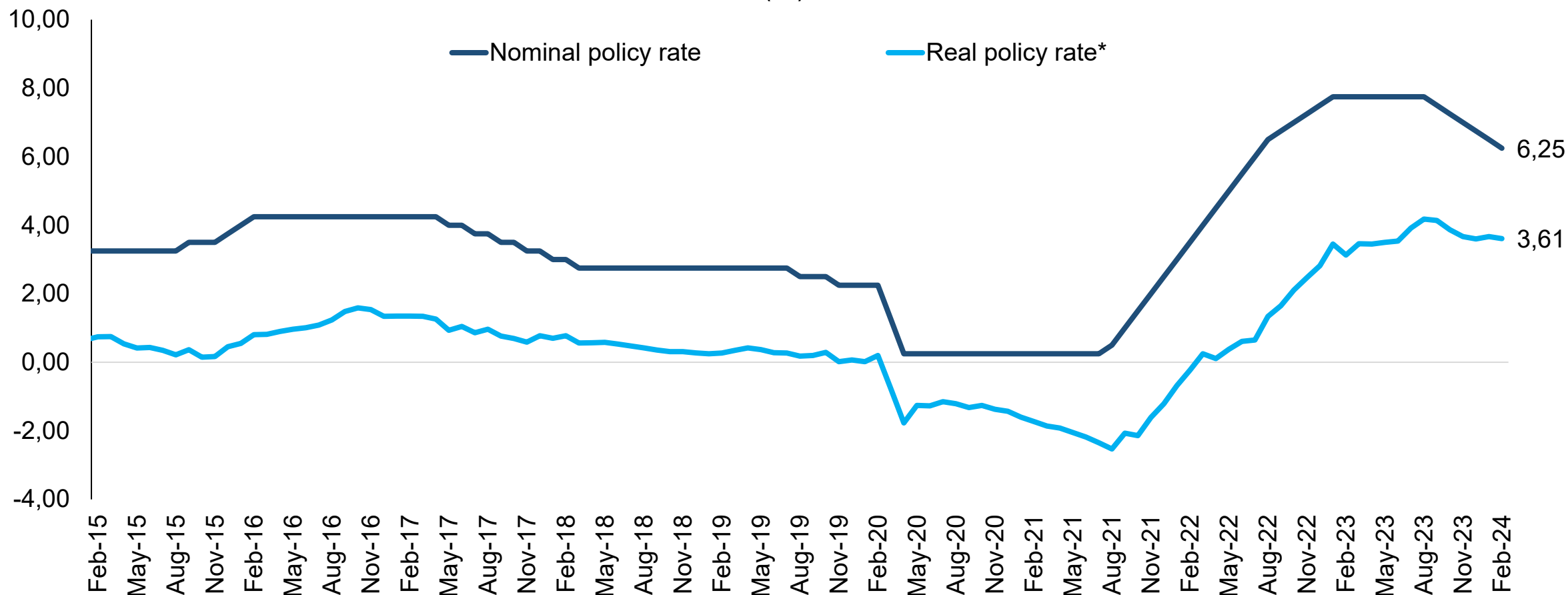
Monetary Policy



Inflation

For the sixth consecutive month, the BCRP reduced its policy rate by 25 bps, setting it at 6.25 percent, the lowest rate among the main countries in the region.

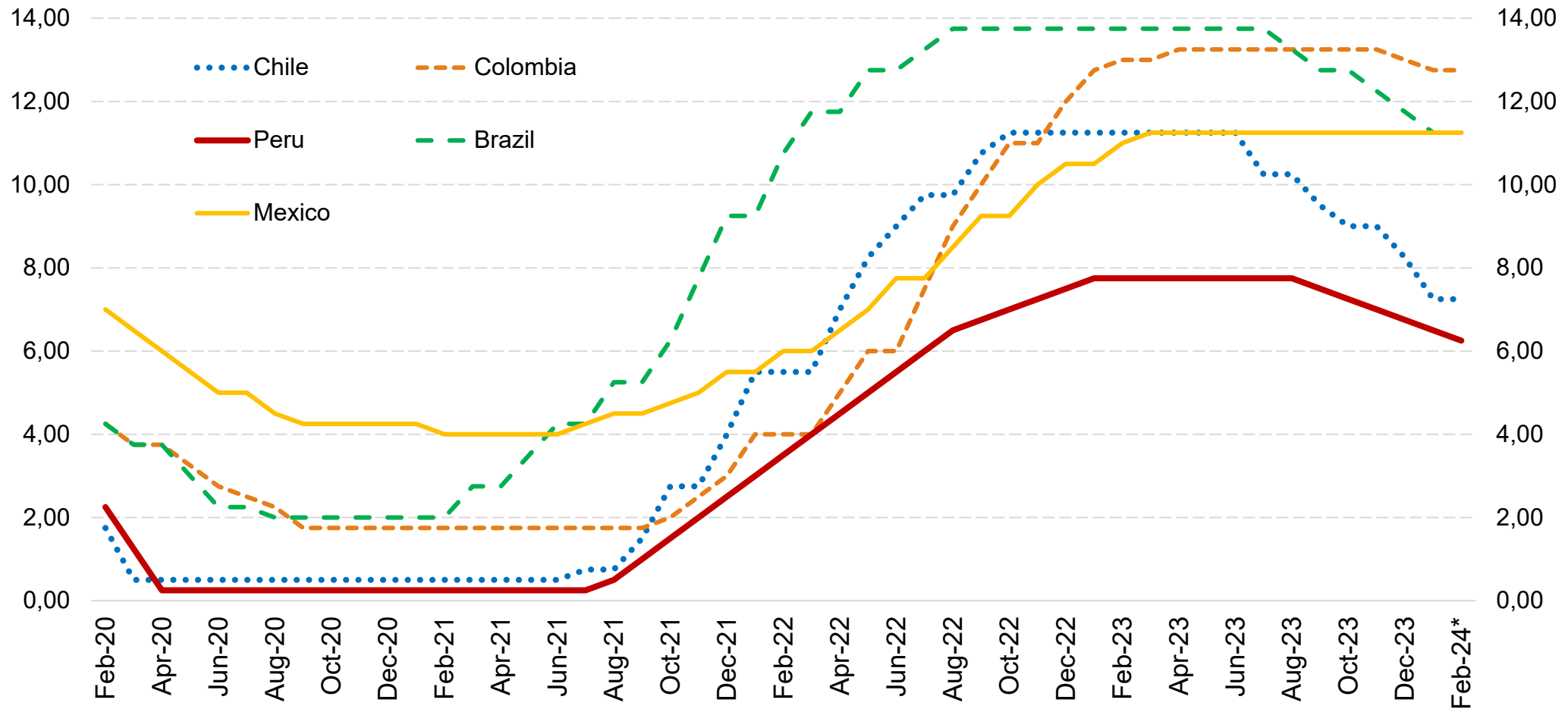
BCRP POLICY RATE (%)



*With inflation expectations.
Source: BCRP.

During the last cycle of monetary adjustment, Peru's policy interest rate was the one that had the least adjustment among the countries in the region.

LATAM: MONETARY POLICY INTEREST RATE (%)
End of period



*As of February 14. Source: Central banks.

Both the nominal and real rates remain as the lowest in the region.

EX ANTE REAL MONETARY POLICY RATES* (%)

Country	Monetary Policy Rate	Inflation Expectations 12 months**	Ex- ante real rate
Colombia	12.75	5.17	7.58
Brazil	11.25	3.78	7.47
Mexico	11.25	4.13	7.12
Chile	7.25	3.00	4.25
Peru	6.25	2.64	3.61

*Policy rates as of February 14, 2024, and inflation expectations as of January 2024 (Brazil, Colombia, Mexico and Peru) and as of February 2024 for Chile.

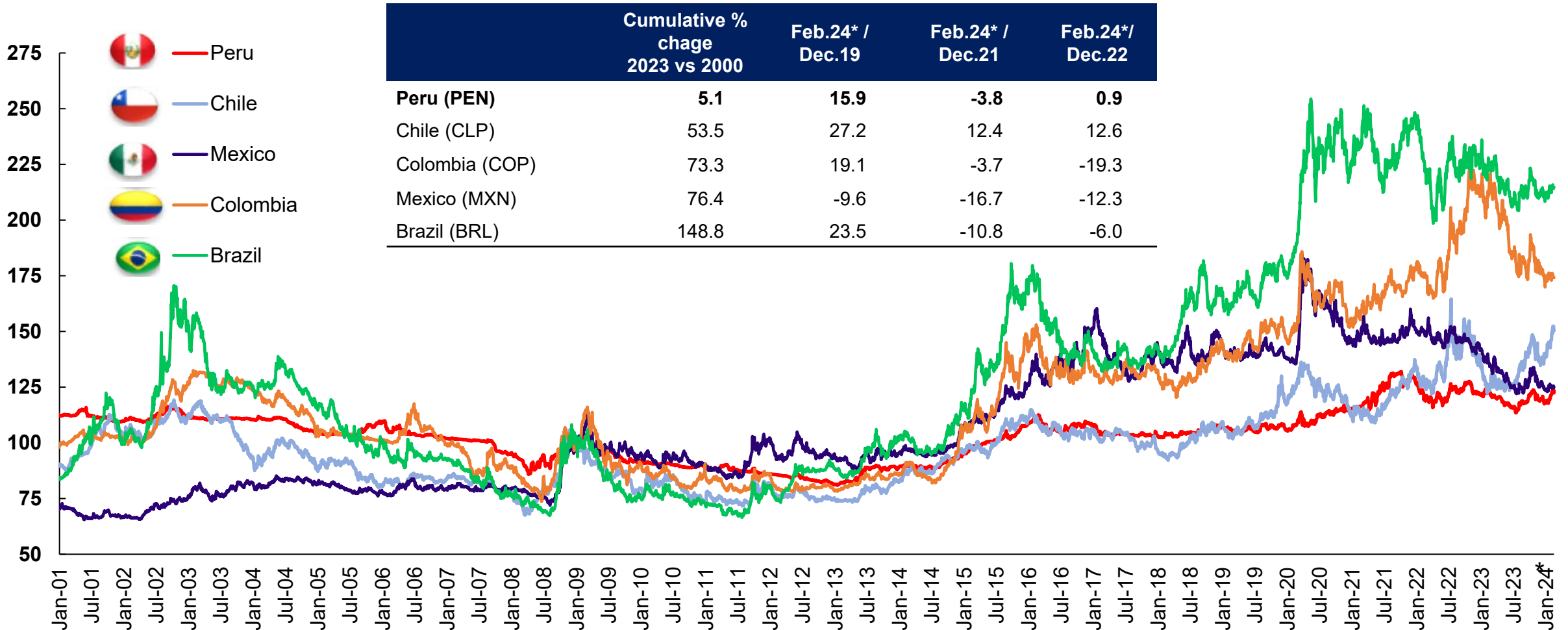
**Obtained by interpolation based on expectations of December 2024 and 2025 in the cases of Brazil and Mexico (other central banks publish the number directly).

Source: Central banks and Trading Economics.

PEN has remained stable due to a low long-run inflation rate.

LATAM: EXCHANGE RATE

Monetary unit per dollar (Index 100=31 Dec 2008)

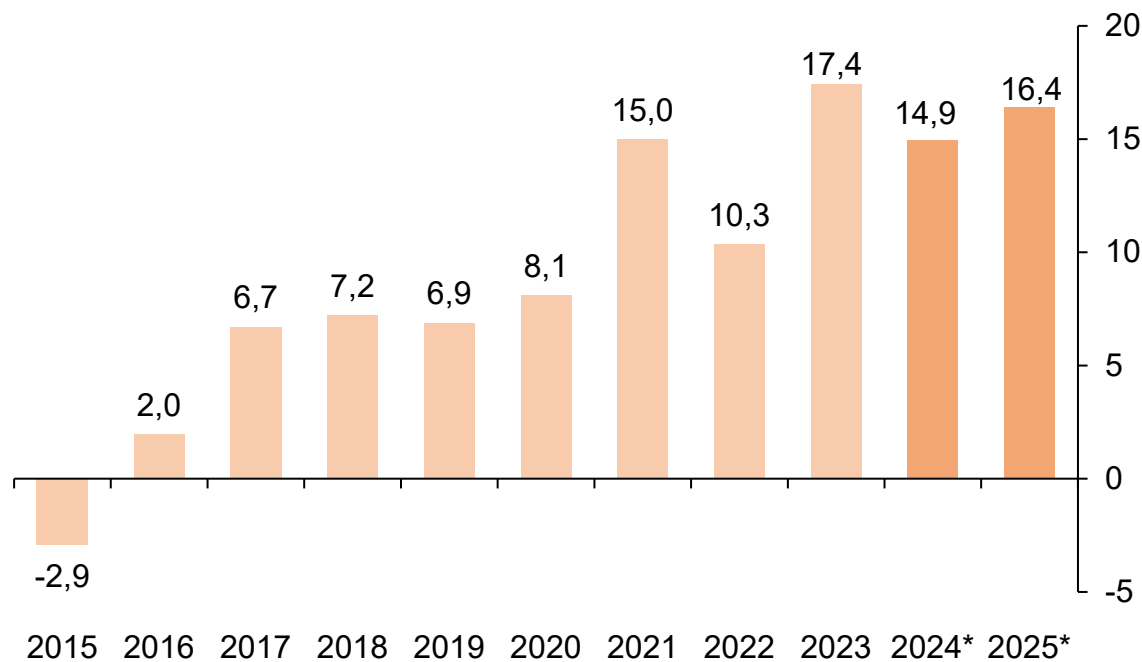


* As of February 15.

Source: Reuters.

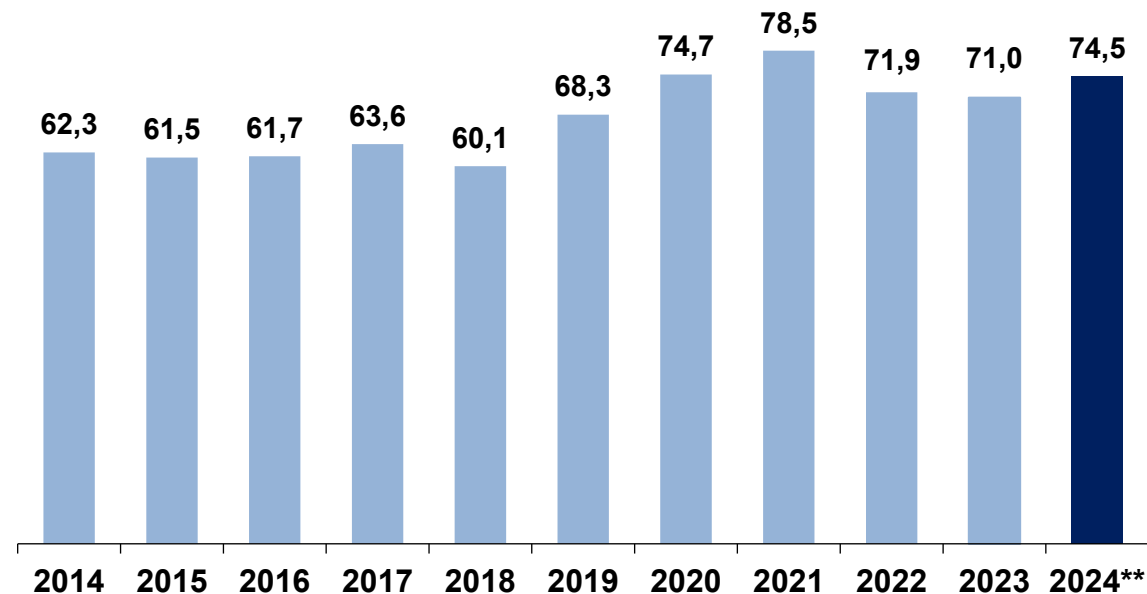
Trade surplus continues to show historical records. The high level of FX reserves provides a buffer against external shocks.

TRADE BALANCE (2015-2025)
(USD Billion)



*Forecast IR Dec 2023.
Source: BCRP.

FOREIGN EXCHANGE RESERVES
(USD Billion)



**As of February 14. Source: BCRP.

	2021	2022	2023	2024*
NIR as percentage of:				
a) GDP	34.7	29.3	27.0	27.1
b) Short term external debt ^{1/}	578	468	487	468
c) Short term external debt + current account deficit	421	285	478	411

^{1/} Includes the stock of short-term debt plus 1 year ahead amortization of private and public debt.

*Forecast.

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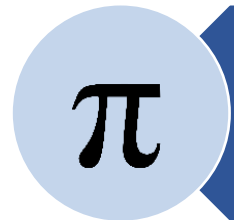
Economic Activity



Fiscal Accounts



Monetary Policy

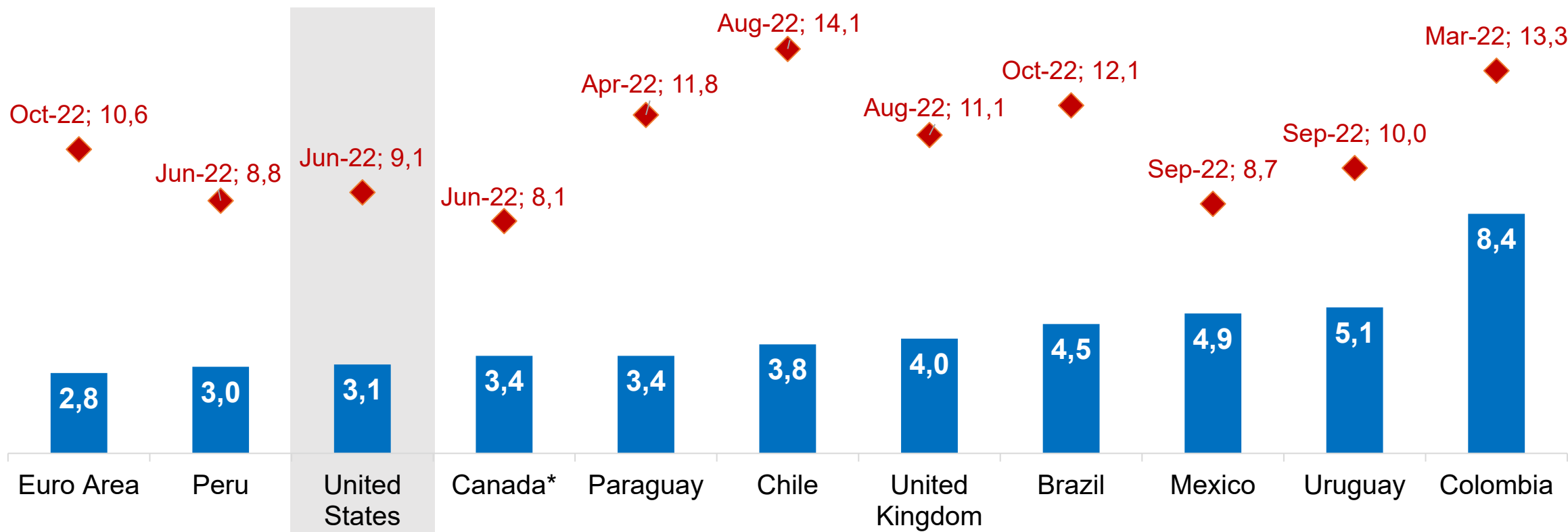


Inflation

In the region, inflation has been receding from its 2022 highs, yet remains above target levels.

HEADLINE INFLATION (%, YoY)

■ Jan-24 ◆ Post-COVID Maximum



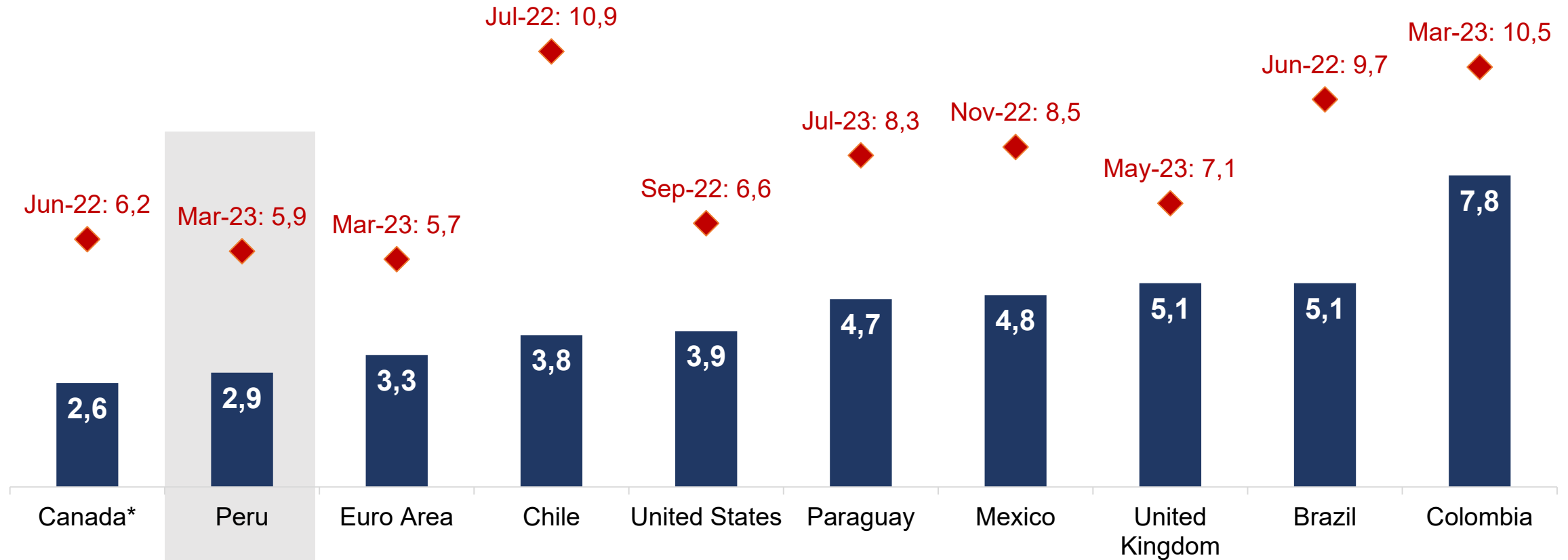
*As of December 2023.

Source: National statistics offices and central banks.

Peru's core inflation ranks among the lowest in both neighboring countries and major developed economies.

CORE INFLATION (%, YoY)

■ Jan-24 ◆ Post-COVID Maximum

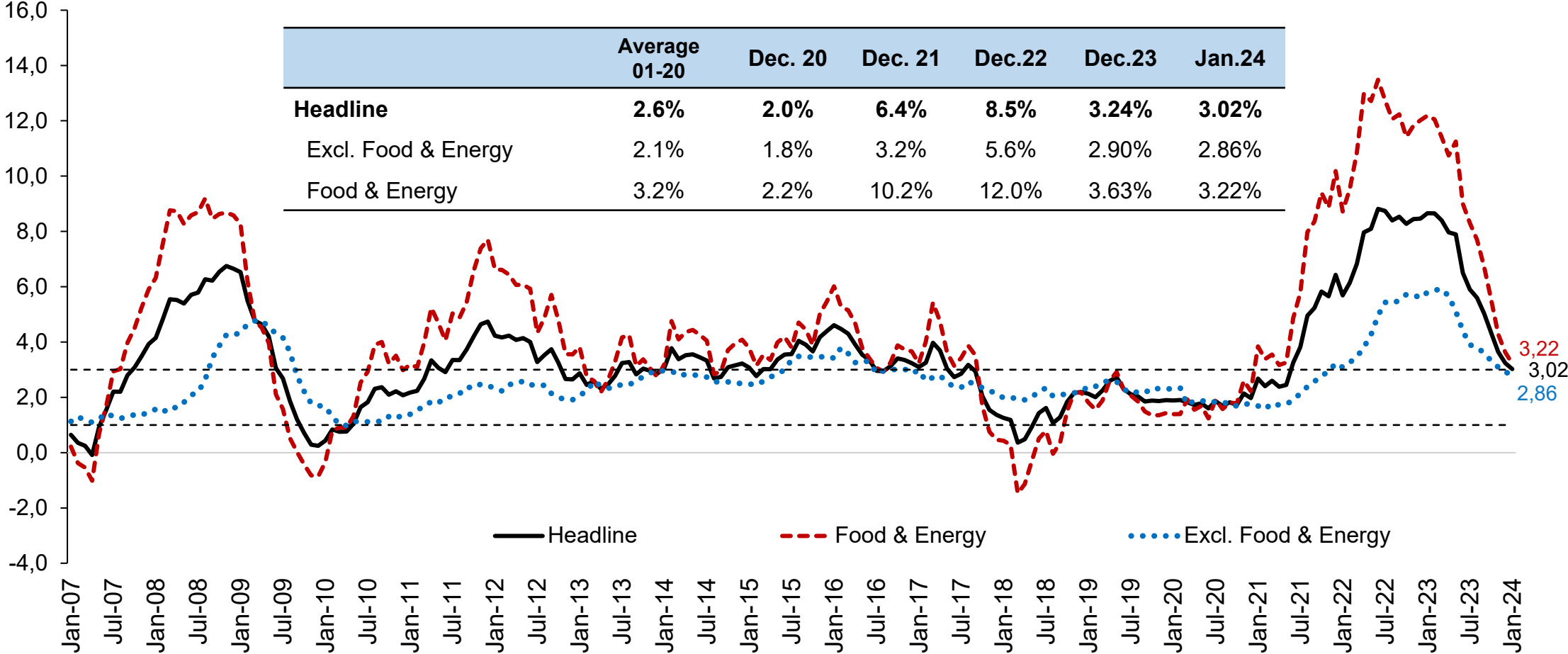


*As of December 2023.

Source: National statistics offices and central banks.

The inflation rate in January (3.02 %) was lower than that of December (3.24 %). The result is mainly due to a more pronounced deceleration in food prices.

INFLATION, 2007-2024 (YoY % chg.)

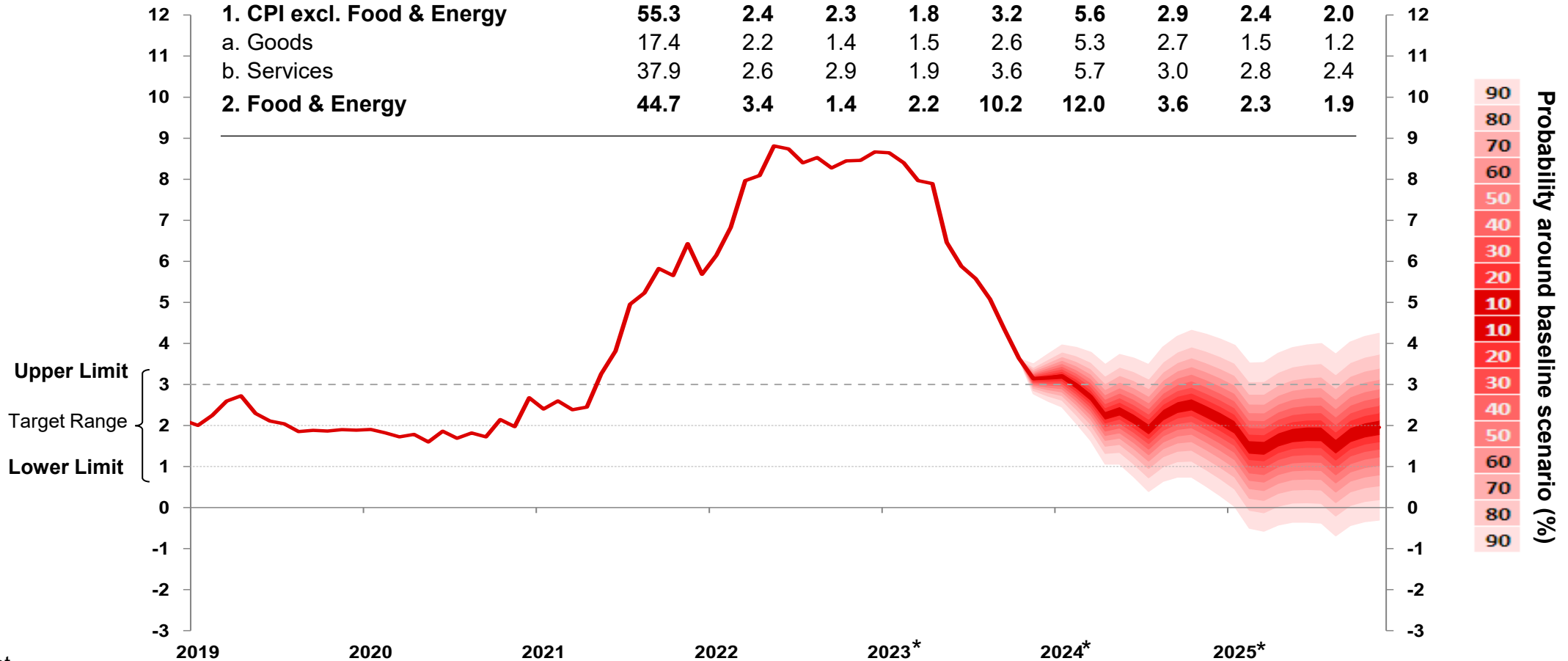


Source: INEI, BCRP.

Headline inflation is forecast to return within the target band in the first months of 2024.

INFLATION FORECAST, 2024 – 2025 (YoY % change)

	Weight	2010-19	2019	2020	2021	2022	2023	2024*	2025*
Headline CPI	100.0	2.9	1.9	2.0	6.4	8.5	3.2	2.3	2.0
1. CPI excl. Food & Energy	55.3	2.4	2.3	1.8	3.2	5.6	2.9	2.4	2.0
a. Goods	17.4	2.2	1.4	1.5	2.6	5.3	2.7	1.5	1.2
b. Services	37.9	2.6	2.9	1.9	3.6	5.7	3.0	2.8	2.4
2. Food & Energy	44.7	3.4	1.4	2.2	10.2	12.0	3.6	2.3	1.9



*Forecast.

CLOSING REMARKS

1. The headline and core inflation have gradually decreased throughout 2023 and reached the target range between December 2023 and January 2024. The success in controlling inflation is attributed to the effectiveness of monetary policy and Peru's robust macro fundamentals.
2. GDP has been heavily affected by supply shocks in 2023, including social unrest, anomalous weather conditions, and an outbreak of bird flu. However, activity is forecast to recover in 2024, aided by the reversal of supply shocks and a gradual recovery in private confidence.
3. Peru's sound fiscal accounts and high FX reserves will continue to provide adequate buffers against external shocks.



Peru's economic outcome in 2023

Julio Velarde

**Governor
Central Reserve Bank of Peru**

March 2024



BANCO CENTRAL DE RESERVA DEL PERÚ