



# Summary Inflation Report

June 2023

This **Inflation Report** has been prepared with information as of the first quarter of 2023 for the balance of payments and gross domestic product; as of April 2023 for the non-financial public sector operations; and as of May for the monetary accounts, inflation, financial markets and the exchange rate.

**Global economic activity** grew faster than expected in the first few months of the year, driven mainly by the expansion of the services sector. This is attributed to the increase in private consumption, the easing of restrictions in several developed economies, favorable conditions in supply chains, and the recovery in China following the reopening of its economy. Taking these factors into account, estimated global growth for 2023 has been revised up from 2.4 to 2.5 percent. For 2024, however, growth is revised down slightly to 2.8 percent, in line with expectations of a slowdown at the end of the fourth quarter of 2023 that would extend into the first quarters of the following year.

The **terms of trade** declined by 4.9 percent year-on-year in the first quarter of 2023, although they remained above pre-pandemic levels. This decline occurred in the context of a deteriorating global demand outlook, concerns about a possible slowdown in China, and tighter monetary policy by major central banks.

The terms of trade are expected to recover by 3.7 percent in 2023 and 2.5 percent in

**GLOBAL GDP GROWTH**

(Annual % change)

	PPP*	2022	2023		2024	
			IR Mar.	IR Jun.	IR Mar.	IR Jun.
<b>Developed economies</b>	<b>41.7</b>	<b>2.7</b>	<b>0.7</b>	<b>0.8</b>	<b>1.4</b>	<b>1.2</b>
<b>Of which</b>						
1. USA	15.6	2.1	0.8	1.0	1.2	1.0
2. Eurozone	12.0	3.5	0.4	0.5	1.3	1.1
3. Japan	3.8	1.1	1.2	1.0	1.1	1.1
4. United Kingdom	2.3	4.0	-0.8	-0.2	0.7	0.7
5. Canada	1.4	3.4	1.0	1.0	1.6	1.3
<b>Emerging economies</b>	<b>58.3</b>	<b>4.0</b>	<b>3.7</b>	<b>3.7</b>	<b>4.1</b>	<b>4.0</b>
<b>Of which</b>						
1. China	18.5	3.0	5.2	5.4	5.0	5.0
2. India	7.3	6.8	6.0	6.0	6.0	6.0
3. Russia	2.9	-2.2	-2.9	-2.0	1.6	1.3
4. Latin America and the Caribbean	7.3	3.9	1.2	1.1	2.0	1.9
Argentina	0.7	5.2	0.0	-0.5	1.8	1.8
Brazil	2.3	2.9	0.9	0.9	1.8	1.7
Chile	0.4	2.4	-1.0	-0.8	2.0	2.0
Colombia	0.6	7.5	0.5	0.5	1.5	1.7
Mexico	1.8	3.1	1.1	1.3	1.9	1.6
Peru	0.3	2.7	2.6	2.2	3.0	3.0
<b>World Economy</b>	<b>100.0</b>	<b>3.4</b>	<b>2.4</b>	<b>2.5</b>	<b>2.9</b>	<b>2.8</b>

\* Percentage share of each country or region in the world GDP of Purchasing Power Parity (PPP) 2022.  
Source: IMF and Consensus Forecast.

**TERMS OF TRADE: 2022 - 2024**

	2022	2023*			2024*	
		Q1	IR Mar.23	IR Jun.23	IR Mar.23	IR Jun.23
<b>Terms of Trade</b>						
Annual average % chg.	<b>-10.5</b>	<b>-4.9</b>	<b>3.9</b>	<b>3.7</b>	<b>0.9</b>	<b>2.5</b>
<b>Price of exports</b>						
Annual average % chg.	<b>1.8</b>	<b>-6.1</b>	<b>-0.7</b>	<b>-3.1</b>	<b>1.2</b>	<b>1.9</b>
Copper (US\$ cents per pound)	400	404	400	388	397	383
Zinc (US\$ cents per pound)	158	142	137	124	131	117
Lead (US\$ cents per pound)	98	97	95	96	81	96
Gold (US\$ per troy ounce)	1,801	1,888	1,857	1,999	1,942	2,126
<b>Price of imports</b>						
Annual average % chg.	<b>13.7</b>	<b>-1.3</b>	<b>-4.4</b>	<b>-6.6</b>	<b>0.3</b>	<b>-0.6</b>
Oil (US\$ per barrel)	95	76	76	73	72	68
Wheat (US\$ per ton)	370	333	309	317	286	288
Maize (US\$ per ton)	273	270	248	235	226	205

\* Forecast.  
Source: BCRP.

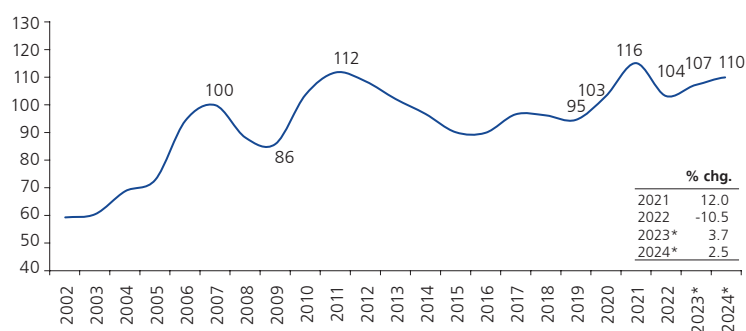
2024. Prices of industrial metals (copper and zinc) are expected to be lower in 2023 than estimated in the previous report due to lower growth in China's real estate sector and normalization of production. Similarly, prices of oil are expected to be lower due to the outlook for lower demand and high production levels, and prices of food products, such as soybean oil and maize, are expected to be lower due to fewer supply chain disruptions and the outlook for higher soybean production. It is worth noting that the main upside risk to the price of the latter is the occurrence of an El Niño event. A higher gold price is expected around 2024, which would increase the average export price. Lower oil and food prices are also anticipated.

The annualized **current account** deficit narrowed from 4.0 percent of GDP at the end of 2022 to 2.9 percent in the first quarter of 2023. This is due to lower profits of foreign direct investment companies in the country and a lower deficit in services. As primary production is estimated to decline in 2023 and FDI profits are estimated to be higher than initially expected –based on performance to date–, the current account deficit is revised up to 1.9 percent of GDP in 2023 and 1.3 percent in 2024. The gradual narrowing of the current account deficit over the forecast horizon is in line with the recovery of private savings, lower import freight costs and the normalization of services exports (inbound tourism).

**National economic activity** contracted 0.4 percent in the first quarter of 2023. This result is mainly explained by the contraction in private investment and the

### TERMS OF TRADE: 2002-2024

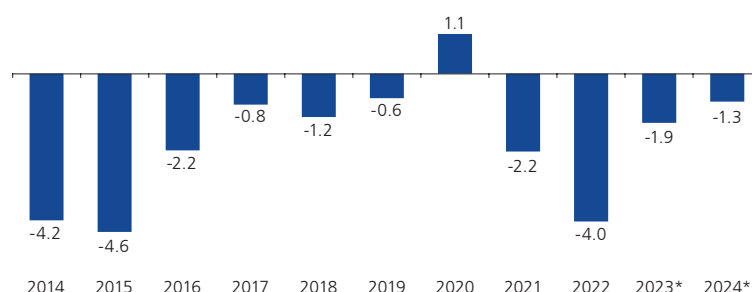
(Index 100=2007)



\* Forecast.  
Source: BCRP.

### CURRENT ACCOUNT BALANCE: 2014-2024

(% GDP)



\* Forecast.  
Source: BCRP.

### BALANCE OF PAYMENTS

(Million US\$)

	2022	2023*		2024*		
		Q1	IR Mar.23	IR Jun.23	IR Mar.23	IR Jun.23
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>-9,908</b>	<b>-1,027</b>	<b>-3,898</b>	<b>-5,274</b>	<b>-2,343</b>	<b>-3,760</b>
% GDP	-4.0	-1.7	-1.4	-1.9	-0.8	-1.3
<b>1. Trade Balance</b>	<b>10,333</b>	<b>3,655</b>	<b>13,844</b>	<b>14,260</b>	<b>14,233</b>	<b>15,659</b>
a. Exports	66,235	15,489	68,179	66,131	70,327	68,824
Of which:						
i) Traditional	47,760	10,782	48,600	46,929	49,289	48,297
ii) Non-Traditional	18,221	4,643	19,351	18,993	20,820	20,329
b. Imports	55,902	11,835	54,334	51,872	56,094	53,165
<b>2. Services</b>	<b>-8,642</b>	<b>-1,870</b>	<b>-6,847</b>	<b>-6,626</b>	<b>-5,388</b>	<b>-5,403</b>
<b>3. Primary income (factor income)</b>	<b>-17,373</b>	<b>-4,294</b>	<b>-16,515</b>	<b>-18,980</b>	<b>-16,700</b>	<b>-20,035</b>
<b>4. Secondary income (transfers)</b>	<b>5,773</b>	<b>1,483</b>	<b>5,620</b>	<b>6,072</b>	<b>5,513</b>	<b>6,018</b>
Of which: Remittances	3,708	942	3,873	3,894	3,989	4,028
<b>II. FINANCIAL ACCOUNT 1/</b>	<b>-9,246</b>	<b>-1,861</b>	<b>-6,699</b>	<b>-6,614</b>	<b>-4,843</b>	<b>-7,260</b>
<b>1. Private Sector</b>	<b>-10,203</b>	<b>-2,710</b>	<b>-4,512</b>	<b>-5,828</b>	<b>-2,524</b>	<b>-4,460</b>
a. Long-term	-14,587	-2,964	-4,512	-5,828	-2,524	-4,460
b. Short-term	4,385	254	0	0	0	0
<b>2. Public Sector 2/</b>	<b>957</b>	<b>849</b>	<b>-2,187</b>	<b>-786</b>	<b>-2,319</b>	<b>-2,800</b>
<b>III. NET ERRORS AND OMISSIONS</b>	<b>-4,427</b>	<b>-745</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. BALANCE OF PAYMENTS</b>	<b>-5,089</b>	<b>89</b>	<b>2,801</b>	<b>1,339</b>	<b>2,500</b>	<b>3,500</b>
IV=(I+III)-II=(1-2)						
1. Change in NIR balance	-6,612	851	2,801	2,101	2,500	3,500
2. Valuation effect	-1,523	762	0	762	0	0

1/ The financial account and its components (private and public sector) are expressed as assets net of liabilities. Therefore, a negative sign implies an inflow of external capital.

2/ Considers the purchase and sale between residents and non-residents of government bonds issued abroad or in the local market.

IR: Inflation Report.

\* Forecast.

slowdown in private consumption, in a context of social conflicts and the absence of large mining projects. The reduction in private spending affected activity in the manufacturing, construction and services sectors, while at the same time there was a buildup of inventories in the period, mainly in mining and manufacturing companies.

The information observed to May reflects the negative impact of El Niño Costero (the Coastal El Niño event) and the delay in the first anchovy fishing season, which implies lower growth in the agricultural and fishing sectors. Similarly, private spending in the first quarter was lower than expected in the March Report, which, together with a slower recovery in business confidence, will translate into lower annual growth in non-primary GDP. As a result, growth forecasts for 2023 have been revised down from 2.6 to 2.2 percent.

GDP is projected to grow at a rate of 3.0 percent in 2024, supported by an improvement in domestic demand and non-primary sectors. The projection in this report assumes the occurrence of a weak global El Niño event and a scenario of socio-political stability that allows for a continued recovery in business confidence. Thus, observed GDP is expected to reach its potential level by the end of the projection horizon.

The cumulative **fiscal deficit** over the past twelve months increased from 1.7 to 2.4 percent of GDP between December 2022 and May 2023, reflecting the deterioration in current revenues. Given the outlook for lower economic growth and lower export prices, as well as the advance recorded so

**GDP BY PRODUCTION SECTOR**  
(Real % change)

	2022	2023*			2024*	
		I,Trim.	IR Mar.23	IR Jun.23	IR Mar.23	IR Jun.23
<b>Primary GDP</b>	<b>0.8</b>	<b>4.7</b>	<b>5.1</b>	<b>4.0</b>	<b>3.0</b>	<b>2.9</b>
Agriculture and livestock	4.4	-0.2	2.2	0.4	2.7	2.7
Fishing	-13.7	22.4	5.0	-15.0	3.5	10.5
Metallic mining	-0.1	3.2	7.0	8.3	3.1	2.4
Hydrocarbons	4.0	-1.1	4.7	4.7	4.9	4.9
Based on raw materials	-2.6	20.8	5.3	0.0	2.0	3.3
<b>Non-Primary GDP</b>	<b>3.2</b>	<b>-1.7</b>	<b>1.9</b>	<b>1.7</b>	<b>3.1</b>	<b>3.1</b>
Non-primary industries	2.1	-6.6	1.0	0.0	3.0	3.0
Electricity and water	3.9	4.6	4.6	4.3	3.9	3.9
Construction	3.0	-11.5	1.0	0.0	3.2	3.2
Commerce	3.3	2.2	2.2	2.5	3.5	3.5
Services	3.4	-0.7	2.1	1.9	2.9	2.9
<b>Gross Domestic Product</b>	<b>2.7</b>	<b>-0.4</b>	<b>2.6</b>	<b>2.2</b>	<b>3.0</b>	<b>3.0</b>

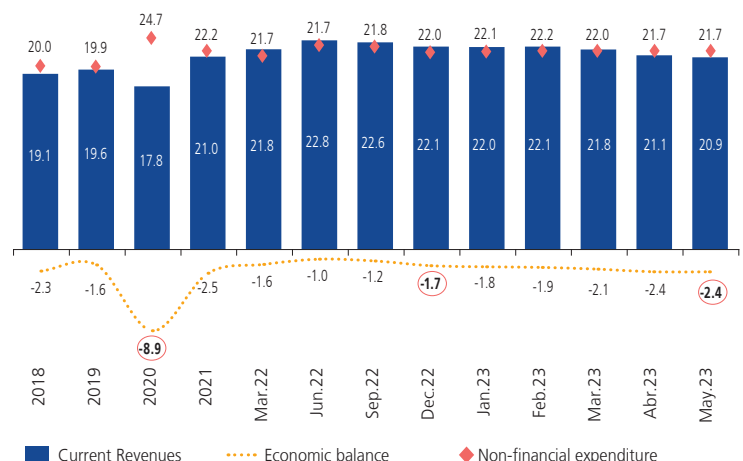
IR: Inflation Report.  
\* Forecast.  
Source: BCRP.

**DOMESTIC DEMAND AND GDP**  
(Real % change)

	2022	2023*			2024*	
		Q1	IR Mar.23	IR Jun.23	IR Mar.23	IR Jun.23
<b>Domestic demand</b>	<b>2.3</b>	<b>-1.4</b>	<b>2.1</b>	<b>1.5</b>	<b>2.9</b>	<b>2.9</b>
Private consumption	3.6	0.7	2.8	2.6	3.0	3.0
Public consumption	-3.4	-6.0	2.0	2.0	3.0	3.0
Private investment	-0.4	-12.0	-0.5	-2.5	1.8	1.8
Public investment	7.7	-1.0	1.0	1.5	4.0	4.0
Change on inventories (contribution)	0.1	1.4	0.0	0.0	0.0	0.0
<b>Exports</b>	<b>6.1</b>	<b>-1.1</b>	<b>3.9</b>	<b>3.4</b>	<b>3.5</b>	<b>3.3</b>
<b>Imports</b>	<b>4.4</b>	<b>-5.0</b>	<b>1.9</b>	<b>0.8</b>	<b>2.9</b>	<b>2.9</b>
<b>Gross Domestic Product</b>	<b>2.7</b>	<b>-0.4</b>	<b>2.6</b>	<b>2.2</b>	<b>3.0</b>	<b>3.0</b>

IR: Inflation Report.  
\* Forecast.  
Source: BCRP.

**ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2018-2023**  
(Accumulated last 12 months - % GDP)



Memo: The economic balance is calculated as current income - non-financial expenses + others (capital income and primary result of public companies) - debt service payment.  
Source: MEF, SUNAT, and BCRP.

far this year, the budget deficit is revised upward to 1.9 and 1.8 percent of GDP in 2023 and 2024, respectively.

**Debt net** of non-financial public sector deposits is projected to decline from 21.0 to 20.9 percent of GDP between 2022 and 2023 and to increase to 21.4 percent of GDP by the end of the projection horizon.

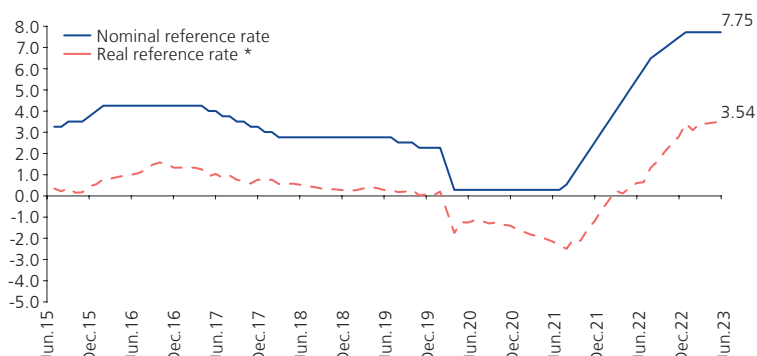
**Gross debt** is projected to continue its downward trend, reaching 31.6 percent of GDP in 2024, as a result of the decline in the ratio of public sector deposits to GDP.

The Board of Directors of BCRP decided to raise the BCRP **benchmark rate** by 25 basis points to 7.75 percent in January 2023. Subsequently, it decided to maintain this rate between February and June. The BCRP has stated that this decision does not necessarily imply the end of the hiking cycle and that it remains attentive to new information on the evolution of inflation and its determinants.

**Credit to the private sector** recorded an expansion of 2.7 percent per year in April 2023 (4.6 percent in 2022). This result was supported by the increase in credit to individuals, especially consumer credit. Taking these results into account, the growth rate of credit to the private sector is projected to be 4.0 and 5.0 percent in 2023 and 2024, respectively.

The year-over-year **inflation** rate has continued to decline in recent months, falling from 8.46 percent at the end of 2022 to 7.89 percent in May 2023. The decline was due to the correction in energy prices, a slower pace of increase in the item of meals consumed away from

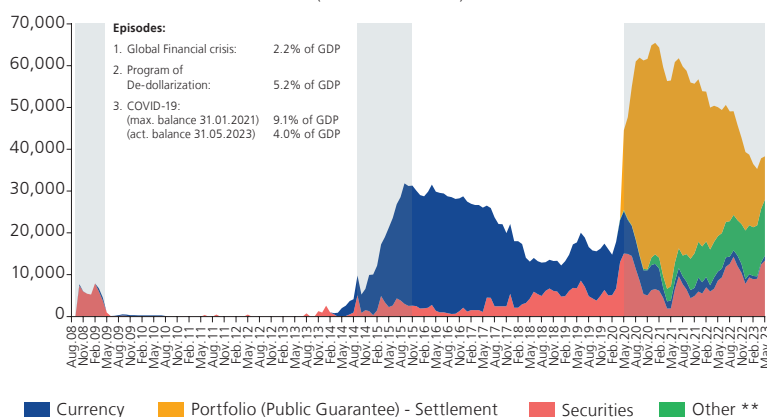
### REFERENCE INTEREST RATE (%)



\* With expectation on inflation.  
Source: BCRP.

### BALANCE OF MONETARY INJECTION OPERATIONS OF BCRP

(Balance in mill. S/)



\* As of May 31.  
\*\* The item "Other" includes the purchase of Public Treasury bonds, in line with article 61 of the BCRP Organic Law, and Repos operations of portfolio loans.  
Source BCRP.

### CREDIT TO THE PRIVATE SECTOR 1/ (Annual growth rate)

	Dec.19	Dec.20	Dec.21	Mar.22	Jun.22	Sep.22	Dec.22	Mar.23	Abr.23
<b>Businesses</b>	<b>4.2</b>	<b>19.7</b>	<b>3.6</b>	<b>4.6</b>	<b>1.1</b>	<b>0.4</b>	<b>-1.4</b>	<b>-3.1</b>	<b>-2.6</b>
Corporate and large companies	4.3	6.4	8.0	10.6	4.2	4.0	1.2	-2.2	-1.2
Medium-sized enterprises, small and micro business	4.2	35.6	-0.5	-1.0	-2.1	-3.3	-4.0	-4.2	-4.1
<b>Individuals</b>	<b>11.4</b>	<b>-3.2</b>	<b>4.8</b>	<b>11.2</b>	<b>15.4</b>	<b>17.3</b>	<b>15.9</b>	<b>13.1</b>	<b>12.1</b>
Consumer	13.3	-7.2	3.1	14.5	21.2	24.0	21.8	17.7	16.3
Car loans	12.0	-2.2	7.3	13.4	12.3	17.6	15.9	18.7	19.3
Rest	13.4	-7.3	3.0	14.5	21.5	24.2	22.0	17.7	16.2
Mortgage	8.6	2.9	7.1	7.0	8.1	8.8	8.0	6.7	6.1
<b>TOTAL</b>	<b>6.9</b>	<b>10.7</b>	<b>4.0</b>	<b>6.9</b>	<b>5.9</b>	<b>6.1</b>	<b>4.6</b>	<b>2.6</b>	<b>2.7</b>
<b>Memo:</b>									
<b>BUSINESSES WITHOUT REACTIVA PERU</b>	<b>4.2</b>	<b>-7.0</b>	<b>11.5</b>	<b>15.0</b>	<b>11.3</b>	<b>10.4</b>	<b>8.4</b>	<b>6.2</b>	<b>6.8</b>
<b>TOTAL WITHOUT REACTIVA PERU</b>	<b>6.9</b>	<b>-5.5</b>	<b>8.8</b>	<b>13.5</b>	<b>12.9</b>	<b>13.1</b>	<b>11.3</b>	<b>8.9</b>	<b>8.9</b>

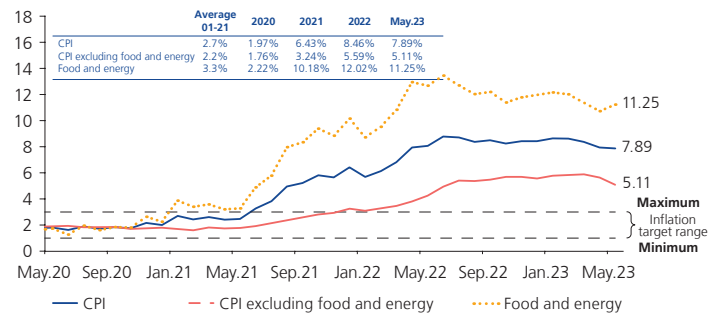
1/ Balances are valued at constant exchange rate on December 2022.  
Source: BCRP.

home, and a reduction in non-food and energy inflation (from 5.59 to 5.11 percent in the same period). Trend inflation indicators remained on a downward trend, although they are still above the target range.

The inflation rate is projected to reach 3.3 percent by the end of 2023. This upward revision from the March Report (3.0 percent) takes into account the effect of adverse weather events and avian influenza on food prices. Inflation is expected to decline over the forecasts horizon and close at 2.4 percent in 2024. The return to the target range assumes a reversal of the impact of transitory factors on prices (exchange rate, international fuel and grain prices), a context in which inflation expectations are expected to return to the target range and economic activity is expected to be around its potential level.

**INFLATION**

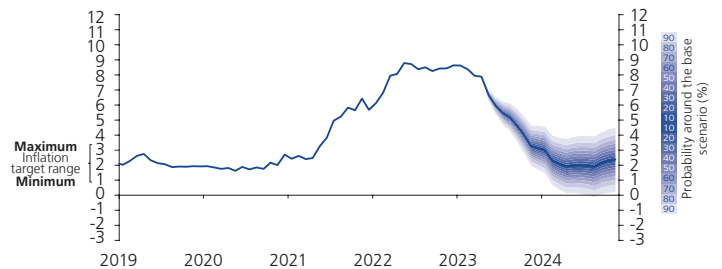
(Last 12-month % change)



Source: BCRP.

**INFLATION FORECAST: 2023 - 2024**

(Last 12-month % change)



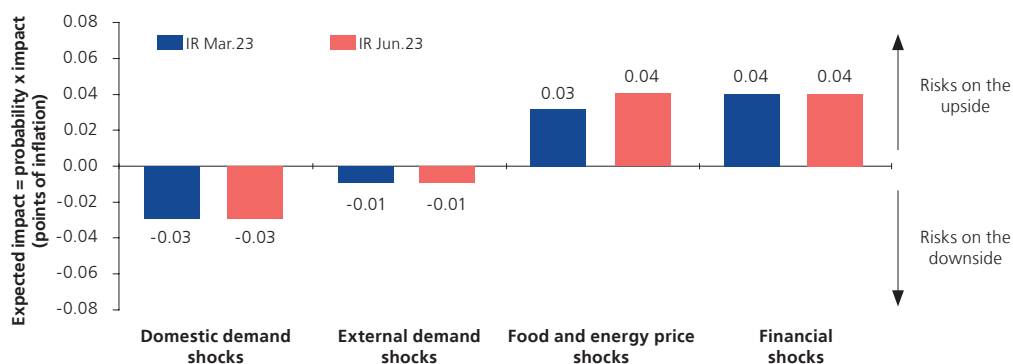
Memo: This Fanchart presents the distribution of the possible values of the inflation forecasts along the horizon projection. Its central line is the mode of the distribution and shows the forecast of the baseline scenario presented in this Inflation Report. Each pair of bands in the fan (each tone or shade) accumulates a 10% probability, and indicates the possible values for the evolution of inflation in the horizon projection associated with this confidence level.

Source: BCRP.

**Balance of risks**

The **balance of risks to the inflation projection** has shifted further to the upside compared with the previous report. Risks to the projection mainly include the following contingencies: (i) lower demand in the event that business and consumer confidence does not recover due to the persistence of political instability; (ii) a slowdown in global growth, which would imply lower demand for exports; (iii) an intensification of geopolitical tensions, which could exacerbate and prolong the current energy and food crisis; (iv) the possibility of climatic events, such as a strong global El Niño, with a strong negative impact on the economy; and (v) upward pressure on the exchange rate, capital outflows and increased financial market volatility due to episodes of heightened political uncertainty, disruptions to growth or a tightening of international financial conditions.

**BALANCE OF RISKS AGAINST THE BASE SCENARIO**



IR: Inflation Report.  
Source: BCRP.

## SUMMARY OF INFLATION REPORT FORECAST

	2022	2023*		2024*	
		IR Mar.23	IR Jun.23	IR Mar.23	IR Jun.23
<b>Real % change</b>					
1. Gross Domestic Product	2.7	2.6	2.2	3.0	3.0
2. Domestic demand	2.3	2.1	1.5	2.9	2.9
a. Private consumption	3.6	2.8	2.6	3.0	3.0
b. Public consumption	-3.4	2.0	2.0	3.0	3.0
c. Fixed private investment	-0.4	-0.5	-2.5	1.8	1.8
d. Public investment	7.7	1.0	1.5	4.0	4.0
3. Exports (good and services)	6.1	3.9	3.4	3.5	3.3
4. Imports (good and services)	4.4	1.9	0.8	2.9	2.9
5. Global economic growth	3.4	2.4	2.5	2.9	2.8
<b>Memo:</b>					
Output gap <sup>1/</sup> (%)	0.0	-0.5 ; 0.5	-0.7 ; 0.0	-0.5 ; 0.5	-0.5 ; 0.5
<b>% change</b>					
6. Inflation	8.5	3.0	3.3	2.4	2.4
7. Expected inflation <sup>2/</sup>	6.3	4.5	4.9	3.3	3.3
8. Expected depreciation <sup>2/</sup>	-5.1	0.4	0.4	0.9	0.9
9. Terms of trade	-10.5	3.9	3.7	0.9	2.5
a. Export prices	1.8	-0.7	-3.1	1.2	1.9
b. Import prices	13.7	-4.4	-6.6	0.3	-0.6
<b>Nominal % change</b>					
10. Currency in circulation	-3.8	-1.0	-3.5	0.0	-1.0
11. Credit to the private sector	4.6	4.5	4.0	6.0	5.0
<b>% GDP</b>					
12. Gross fixed investment	25.3	24.2	23.8	24.0	23.4
13. Current account of the balance of payments	-4.0	-1.4	-1.9	-0.8	-1.3
14. Trade balance	4.2	5.1	5.2	5.0	5.3
15. Long-term external financing of the private sector <sup>3/</sup>	6.0	1.7	2.1	0.9	1.5
16. Current revenue of the general government	22.1	20.9	20.7	20.8	20.7
17. Non-financial expenditure of the general government	22.0	20.9	21.0	20.9	21.0
18. Overall balance of the non-financial public sector	-1.7	-1.6	-1.9	-1.5	-1.8
19. Balance of total public debt	33.8	32.8	32.1	32.1	31.6
20. Balance of net public debt	21.0	21.4	20.9	21.2	21.4

IR: Inflation Report

\* Forecast.

1/ Differential between GDP and trend GDP (in % of trend GDP).

2/ Survey on expectations to the analysts and financial entities carried out at the time of publication of the respective Inflation Report. Data observed in the case of depreciation for 2022, and the average of expectations throughout year in case of inflation has been considered.

3/ Includes net direct investment, foreign assets investment from residents (AFP), foreign net portfolio investment, and private sector's long term disbursement. Positive sign indicates net inflow of foreign capital.