



## Summary

# Inflation Report

March 2024

This **Inflation Report** has been prepared with information as of the fourth quarter of 2023 on the Balance of Payments and Gross Domestic Product; as of January 2024, on monthly GDP; and as of February 2024 on Non-Financial Public Sector operations, monetary accounts, inflation, financial markets and exchange rates.

Tighter credit, shrinking private sector savings surpluses and certain supply shocks may slow down **global growth**, from 3.1 in 2023 to 2.8 percent in 2024. By 2025, growth is estimated at 3.1 percent, with global inflation under control and lower international interest rates.

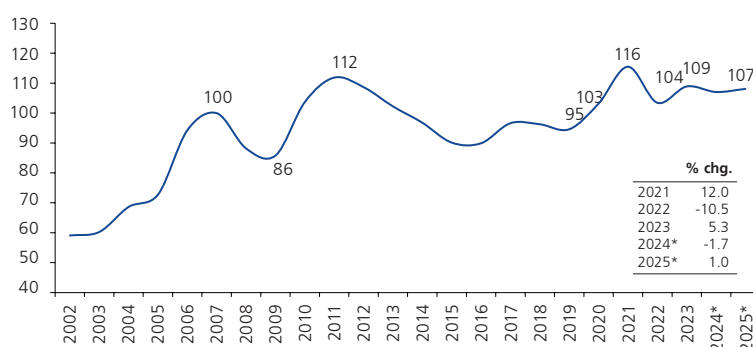
In 2023, **terms of trade** increased by 5.3% as a result of greater declines in import prices compared to declining export prices. Increased oil supplies, improved agricultural weather, and concerns about a slowing Chinese recovery during most of the year all contributed to this outcome.

A moderate decline in the terms of trade is anticipated in 2024 (-1.7 percent). Less pronounced than projected in the previous report, it is accounted for by estimated 0.5 percent lower import prices, in turn influenced by the downside revision of oil prices triggered by expectations of an oversupplied market. The terms of trade are projected to recover in 2025 (1.0 percent).

**GLOBAL GROWTH**  
(Annual % chg.)

	PPP*	2022	2023		2024		2025	
			IR Dic.	IR Mar.	IR Dic.	IR Mar.	IR Dic.	IR Mar.
<b>Developed economies</b>	<b>41.7</b>	<b>2.7</b>	<b>1.7</b>	<b>1.6</b>	<b>1.1</b>	<b>1.4</b>	<b>1.9</b>	<b>1.8</b>
<i>Of which:</i>								
1. United States	15.5	2.1	2.4	2.5	1.2	2.0	2.0	1.8
2. Eurozone	12.0	3.5	0.5	0.4	0.7	0.6	2.0	1.8
3. Japan	3.8	1.1	1.6	1.9	0.9	0.7	0.8	0.8
4. United Kingdom	2.3	4.0	0.5	0.1	0.4	0.3	1.5	1.2
5. Canada	1.4	3.4	1.4	1.1	0.9	0.9	2.3	2.0
<b>Developing economies</b>	<b>58.2</b>	<b>4.0</b>	<b>3.9</b>	<b>4.2</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>	<b>4.1</b>
<i>Of which:</i>								
1. China	18.6	3.0	5.0	5.2	4.8	4.6	4.5	4.3
2. India	7.2	6.8	6.3	7.6	6.0	6.2	6.0	6.2
3. Russia	2.9	-2.2	2.0	3.6	1.3	1.3	1.0	1.0
4. Latin America and the Caribbean	7.2	3.9	2.0	2.2	1.7	1.5	2.4	2.5
Argentina	0.7	5.2	-2.5	-1.5	-1.0	-2.5	2.5	3.5
Brazil	2.3	2.9	3.0	2.9	1.5	1.5	2.0	2.0
Chile	0.4	2.4	-0.5	0.0	2.0	2.0	2.0	2.0
Colombia	0.6	7.5	1.3	0.6	2.0	1.6	3.0	3.0
Mexico	1.8	3.1	3.2	3.2	1.8	2.0	2.0	2.0
Peru	0.3	2.7	-0.5	-0.6	3.0	3.0	3.0	3.0
<b>World Economy</b>	<b>100.0</b>	<b>3.4</b>	<b>3.0</b>	<b>3.1</b>	<b>2.7</b>	<b>2.8</b>	<b>3.0</b>	<b>3.1</b>

\* Base 2022.  
Source: FMI, Consensus Forecast.

**TERMS OF TRADE, 2002-2025**  
(Index 100 = 2007)

\* Forecast.  
Source: BCRP.

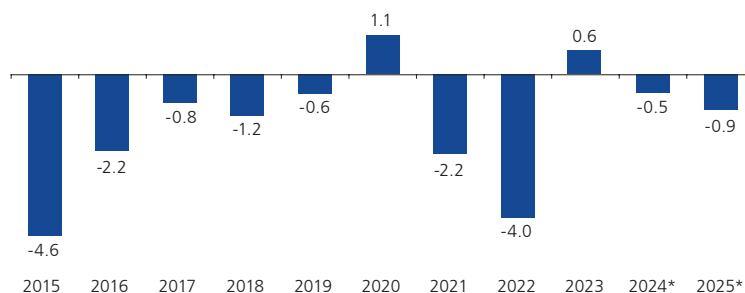
The **current account** climbed from a 4.0 percent of GDP deficit in 2022 to a surplus of 0.6 percent in 2023 reflecting falling imports, declining freight costs, the positive impact of normal health conditions on tourism, higher yields on foreign assets, due to higher global interest rates, and lower profits of companies holding foreign direct investments in Peru.

A current account output deficit of 0.5 percent is forecast for 2024 and 0.9 percent in 2025. The 2024 deficit will be driven by the projected reduction in the terms of trade and the boost to imports, consistent with the recovery in domestic demand.

Following several supply shocks, such as social unrest, bad weather, and the avian flu pandemic, which collectively reduced productive capacity and had a knock-on effect on private sector income and confidence, **domestic economic activity** fell by 0.6 percent in 2023. The decline in household spending power brought about by steady and notable rises in food costs, along with a decline in the market for non-traditional goods, primarily from North America, further exacerbated these circumstances.

The economic forecast for 2024 assumes that normal weather would return in the second quarter, propelling the recovery of the primary industries including agriculture, fisheries, and related manufacturing. Furthermore, once inflation returns to the target range, purchasing power should be less affected. Sociopolitical stability that encourages private investment could increase private spending and have a positive effect on non-primary sectors like manufacturing, services, and construction, all of which could

**CURRENT ACCOUNT: 2015-2025**  
(% GDP)



\* Forecast.  
Source: BCRP.

**BALANCE OF PAYMENTS**  
(Million USD)

	2023	2024*		2025*	
		IR Dic.23	IR Mar.24	IR Dic.23	IR Mar.24
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>1,677</b>	<b>-2,213</b>	<b>-1,385</b>	<b>-3,419</b>	<b>-2,440</b>
% GDP	0.6	-0.8	-0.5	-1.2	-0.9
<b>1. Trade Balance</b>	17,401	14,994	15,527	16,392	16,643
a. Exports	67,241	66,771	66,720	70,383	70,254
Of which:					
i) Traditional	48,600	47,802	47,316	49,577	48,944
ii) Non-Traditional	18,424	18,762	19,203	20,631	21,140
b. Imports	49,840	51,777	51,193	53,991	53,611
<b>2. Services</b>	-7,822	-6,884	-6,876	-6,008	-6,149
<b>3. Primary income (factor income)</b>	-14,686	-17,019	-16,921	-20,463	-19,745
<b>4. Secondary income (transfers)</b>	6,785	6,696	6,884	6,660	6,812
Of which: Remittances	4,446	4,505	4,580	4,640	4,717
<b>II. FINANCIAL ACCOUNT 1/</b>	<b>1,010</b>	<b>-4,913</b>	<b>-4,085</b>	<b>-5,959</b>	<b>-4,980</b>
% GDP	0.4	-1.8	-1.5	-2.1	-1.8
<b>1. Private Sector</b>	130	-2,241	-1,937	-4,747	-3,863
a. Long-term	360	-2,241	-1,937	-4,747	-3,863
b. Short-term	-230	0	0	0	0
<b>2. Public Sector 2/</b>	880	-2,672	-2,148	-1,213	-1,117
<b>III. NET ERRORS AND OMISSIONS</b>	<b>-3,427</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. BALANCE OF PAYMENTS</b>	<b>-2,760</b>	<b>2,700</b>	<b>2,700</b>	<b>2,540</b>	<b>2,540</b>
<b>IV= (I+III) - II = (1-2)</b>					
<b>1. Change in NIR balance</b>	-850	2,700	2,700	2,540	2,540
<b>2. Valuation effect</b>	1,910	0	0	0	0

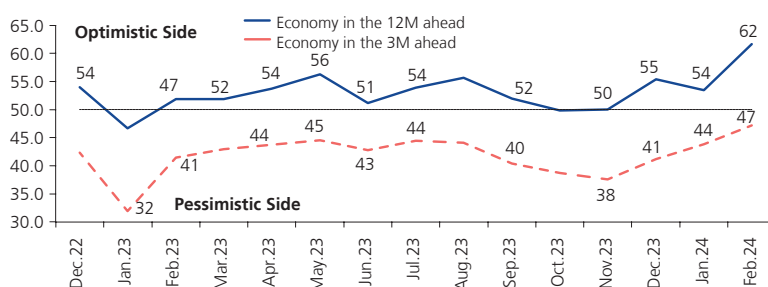
1/ The financial account and its components (private and public sector) are expressed as assets net of liabilities. Therefore, a negative sign implies an inflow of external capital.

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.

**EXPECTATIONS ABOUT THE ECONOMY IN 3 AND 12 MONTHS AHEAD**  
(Index)



Source: BCRP, SUNAT, and cement companies.

contribute to an annual GDP growth of 3.0 percent.

A comparable GDP growth rate is projected for 2025, assuming normal weather conditions and a stable macroeconomic and socio-political climate to facilitate the ongoing recovery of private expenditure.

Between 2022 and 2023, the **budget deficit** increased from 1.7 to 2.8 percent of GDP due to a decrease in economic activity and a decline in imports and exports' quotes. The deficit experienced a rise to 3.0 percent in February 2024, primarily attributed to an increase in non-financial expenditure and, to a lesser degree, debt interest service. Based on the anticipated resurgence in economic activity and the anticipated increase in export prices during the forecast timeframe, it is anticipated that the budget deficit will be contained within the prescribed limitations of 2.0 and 1.5 percent of GDP in the years 2024 and 2025, correspondingly. This prediction presupposes that public expenditure is effectively managed, particularly in 2024, to attain the budgetary objectives established for that year.

The estimated increase in the **net debt** for non-financial Public Sector deposits, is expected to rise from 22.4 to 24.7 percent of GDP during the period from 2023 to 2025. Simultaneously, it is anticipated that the **gross debt** will rise from 32.9 to 33.5 percent of GDP over the same timeframe. The disparity in the rise of net and gross debt can be attributed to the presumption of a heightened utilization of Public Sector deposits for the purpose of funding the fiscal deficit.

### GDP BY ECONOMIC SECTORS

(Real % change)

	2023	2024*		2025*	
		IR Dic.23	IR Mar.24	IR Dic.23	IR Mar.24
<b>Primary GDP</b>	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>	<b>3.1</b>	<b>3.1</b>
Agriculture and livestock	-2.9	3.5	3.5	3.5	3.5
Fishing	-19.7	10.5	10.5	14.4	14.4
Metallic mining	9.5	2.0	2.0	2.2	2.2
Hydrocarbons	0.7	2.9	1.5	3.8	4.2
Manufacture	-1.8	3.9	3.9	4.1	4.1
<b>Non-Primary GDP</b>	<b>-1.5</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>
Manufacture	-8.2	3.1	3.1	3.0	3.0
Electricity and water	3.7	3.9	3.9	3.0	3.0
Construction	-7.9	3.2	3.2	3.4	3.4
Commerce	2.4	3.2	3.2	2.7	2.7
Services	-0.4	3.0	3.0	3.0	3.0
<b>GDP</b>	<b>-0.6</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>

IR: Inflation Report.  
\* Forecast.

Source: BCRP.

### DOMESTIC DEMAND AND GDP

(Real % change)

	2023	2024*		2025*	
		IR Dic.23	IR Mar.24	IR Dic.23	IR Mar.24
<b>Domestic demand</b>	<b>-1.7</b>	<b>2.9</b>	<b>3.1</b>	<b>2.9</b>	3.0
Private consumption	0.1	2.7	2.7	2.8	2.8
Public consumption	3.3	2.0	2.0	2.0	2.0
Private investment	-7.2	1.8	2.3	3.0	3.0
Public investment	1.4	4.0	4.0	4.5	4.5
Change on inventories (contribution)	-0.8	0.3	0.4	0.0	0.0
<b>Exports</b>	<b>3.7</b>	<b>3.1</b>	<b>2.7</b>	<b>3.8</b>	<b>3.3</b>
<b>Imports</b>	<b>-0.9</b>	<b>2.7</b>	<b>3.0</b>	<b>3.3</b>	<b>3.1</b>
<b>GDP</b>	<b>-0.6</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>

IR: Inflation Report.

\* Forecast.

Source: BCRP.

### ENFEN: WARM ANOMALIES MORE LIKELY IN SUMMER 2024 IN THE REGION NIÑO 1+2

(%)

Date of communiqué ENFEN	Most likely intensity of the warm anomaly			
	Jan.24	Feb.24	Mar.24	Apr.24
15-Dec-2023	Moderate	Moderate	Weak	Neutral
29-Dec-2023	Moderate	Moderate	Weak	Neutral
12-Jan-2023	Weak	Weak	Neutral	Neutral
24-Jan-2024	n.d.	Weak	Neutral	Neutral
16-Feb-2024	n.d.	Moderate	Weak	Neutral
01-Mar-2023	n.d.	n.d.	Weak	Neutral
<b>Observed</b>	<b>Moderate</b>	<b>Moderate*</b>	<b>n.d.</b>	<b>n.d.</b>

n.d.: Non disposable.

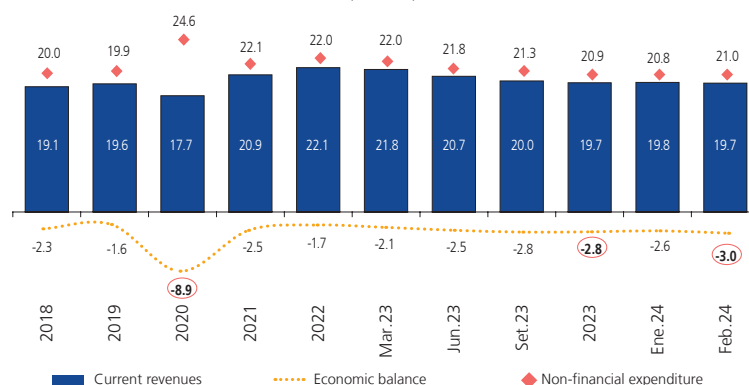
■ = projected start month of neutral conditions (neutral scenario has the highest probability).

\* Estimate with the latest available projection of February 16.

Source: ENFEN, IGP.

### ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2018 - 2024

(% GDP)



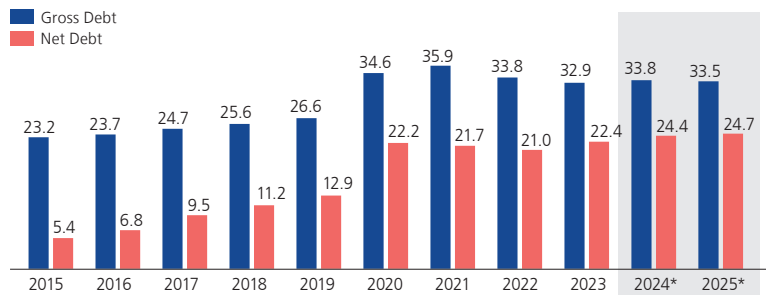
Memo: The economic balance is calculated as current revenues - non-financial expenditure + others (capital income and primary result of state-owned companies) - payment of debt service.  
Source: MEF, SUNAT and BCRP.

During the period spanning from January to February 2024, the Board of Directors of BCRP made the decision to decrease the **benchmark rate** by 25 basis points on each occasion, resulting in a reduction of the benchmark rate from 6.75 to 6.25 percent. The transmission of these judgments underscored that this does not necessarily indicate a recurring pattern of consecutive reductions in interest rates. Additionally, it was noted that any modifications in the benchmark rate will be contingent upon novel data regarding inflation and its underlying factors.

The rate of expansion for **credit to the private sector** decreased from 4.5 to 1.3 percent between 2022 and 2023. However, in January 2024, this variable had a year-on-year growth of 1.0 percent. The primary cause of this evolution is mostly attributed to a decrease in loan demand due to a decline in domestic demand. In the future, it is anticipated that there will be a resurgence in loan demand, aligning with the projected trends in domestic demand and output. Therefore, it is anticipated that the rate of loan expansion to the private sector will increase to 3.5 percent in 2024 and 5.0 percent in 2025.

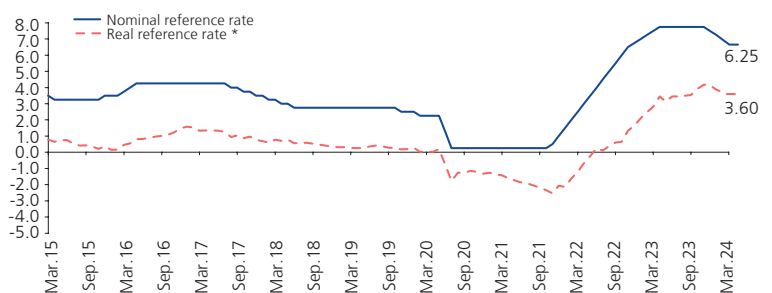
The year-on-year **inflation** rate continued to decrease between November 2023 and January 2024, as it went down from 3.64 to 3.02 percent driven by the correction in some food prices such as onions and lemons, meals away from home, and cheaper local transportation. Inflation net of food and energy price hikes fell from 3.09 to 2.86 percent in the same period, within the target range. In February and due to one-off supply factors (water rates and some food items),

**NON-FINANCIAL PUBLIC SECTOR DEBT: 2015- 2025**  
(% GDP)



\* Forecast.  
Source: BCRP.

**REFERENCE INTEREST RATE**  
(ln %)



\* With expectation on inflation.  
Source: BCRP.

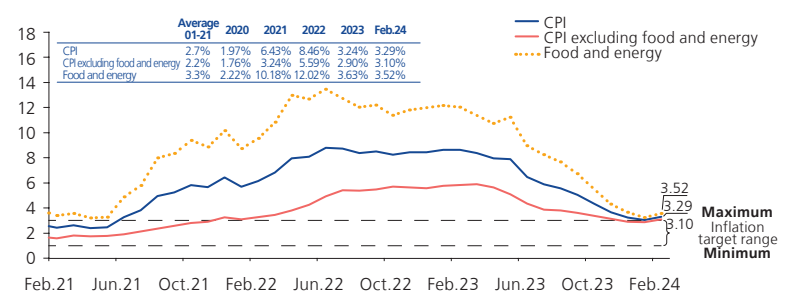
**CREDIT TO THE PRIVATE SECTOR 1/**  
(Annual growth rates)

	Dec.19	Dec.20	Dec.21	Dec.22	Jun.23	Sep.23	Dec.23	Jan.24
<b>Businesses</b>	<b>4.3</b>	<b>20.0</b>	<b>3.7</b>	<b>-1.5</b>	<b>-4.4</b>	<b>-4.0</b>	<b>-2.3</b>	<b>-2.5</b>
Corporate and large companies	4.3	6.6	8.1	1.0	-3.7	-2.8	-0.3	-1.3
Medium-sized enterprises	0.3	47.9	0.1	-13.8	-15.0	-14.1	-11.7	-11.2
Small business and Micro business	8.4	24.1	-1.0	7.7	5.0	3.5	2.2	3.2
<b>Individuals</b>	<b>11.5</b>	<b>-3.2</b>	<b>4.8</b>	<b>15.9</b>	<b>10.2</b>	<b>9.7</b>	<b>7.1</b>	<b>6.5</b>
Consumer	13.3	-7.1	3.1	21.8	13.7	12.7	8.3	7.3
Car loans	12.0	-2.2	7.5	16.0	18.4	13.0	11.4	10.1
Credit cards	13.4	-20.3	-41.1	32.7	20.9	16.5	10.4	9.3
Rest	13.4	-0.5	21.5	19.8	12.0	11.8	7.7	6.7
Mortgage	8.7	3.0	7.2	8.0	5.2	5.3	5.4	5.3
<b>TOTAL</b>	<b>7.0</b>	<b>10.9</b>	<b>4.1</b>	<b>4.5</b>	<b>0.9</b>	<b>1.1</b>	<b>1.3</b>	<b>1.0</b>
<b>Memo:</b>								
<b>Businesses without Reactiva</b>	<b>4.3</b>	<b>-6.9</b>	<b>11.5</b>	<b>8.4</b>	<b>4.3</b>	<b>3.5</b>	<b>3.7</b>	<b>2.9</b>
<b>Total without Reactiva Peru</b>	<b>7.0</b>	<b>-6.2</b>	<b>8.8</b>	<b>11.3</b>	<b>6.8</b>	<b>6.0</b>	<b>5.1</b>	<b>4.4</b>

**Note:** The criteria for classifying corporate loans by credit segment are in accordance with the SBS definition valid until June 2023. In July 2023, by means of SBS Resolution N° 02368-2023, a change in the classification of loans is made.  
**Corporate:** Annual sales of more than S/ 200 million (idem).  
**Large companies:** Annual sales between S/ 20 million and S/ 200 million (Annual sales between S/ 20 million and S/ 200 million; or maintaining issues in the capital market in the last year).  
**Medium-sized companies:** Annual sales between S/ 5 million and S/ 20 million (Total indebtedness of more than S/ 300 thousand or annual sales of no more than S/ 20 million).  
**Small companies:** Annual sales less than S/ 5 million and total indebtedness greater than S/ 20 thousand (Total indebtedness between S/ 20 thousand and S/ 300 thousand).  
**Micro enterprises:** Annual sales of less than S/ 5 million and total indebtedness of less than S/ 20 thousand (Total indebtedness of no more than S/ 20 thousand).  
 1/ The constant exchange rate as of December 2023 is maintained.  
 Source: BCRP.

**INFLATION**

(Last 12-month % change)

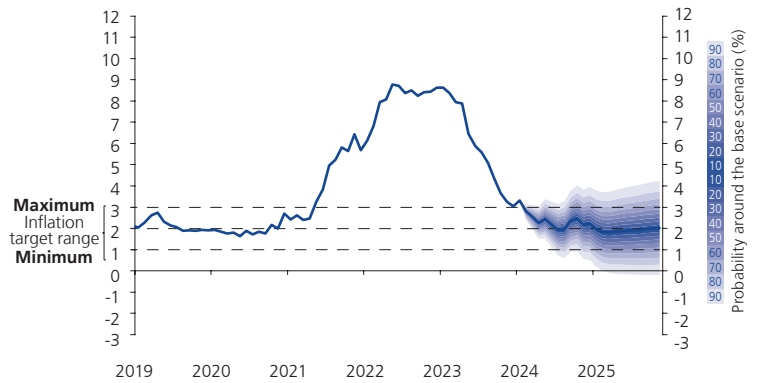


Source: BCRP.

total and non-food and energy inflation rose to 3.31 and 3.10 percent, respectively.

The projected inflation rate for 2024 is 2.2 percent, indicating a downward revision compared to the earlier forecast of 2.3 percent. The adjustment is made in response to the decreased impact of meteorological phenomena on food prices in previous months. In the present setting, it is anticipated that inflation, excluding the categories of food and energy, will persist in its declining trend. Consequently, it is anticipated that the overall inflation rate will fall within the goal range of 2.0 percent by the year 2025.

**INFLATION FORECAST: 2024 - 2025**  
(% change last twelve months)

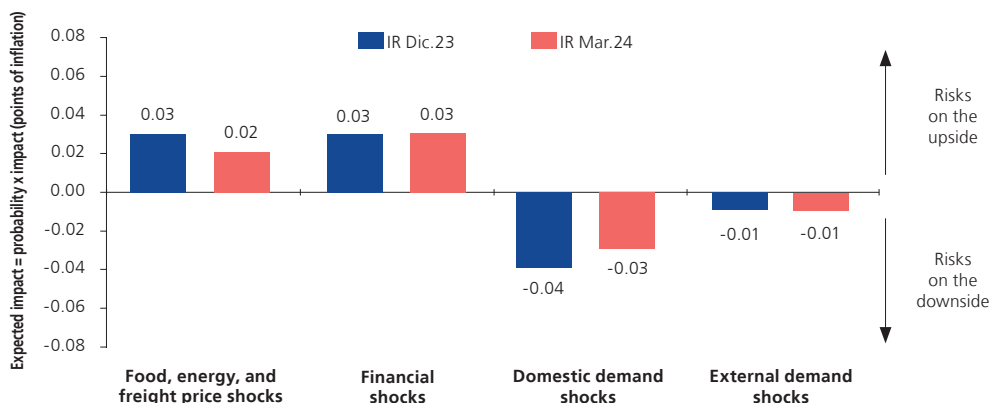


Note: This Fanchart presents the distribution of possible inflation projection values over the projection horizon. Its central line is the mode of the distribution and shows the baseline scenario projection presented in this Inflation Report. Each pair of Fanchart bands (each shade) accumulates a 10% probability and indicates the possible values for the evolution of inflation over the projection horizon associated with this confidence level.  
Source: BCRP.

**Balance of risks**

The upward bias in the **balance of risks to the inflation projection** relative to the December report is maintained. Risks to the forecasts include mainly the following contingencies: (i) relatively intense nature-related phenomena, which could disrupt global supply chains and domestic market supplies that would translate into higher food prices and transportation costs; (ii) financial shocks resulting from upward pressures on the exchange rate, capital outflows and greater volatility in financial markets due to episodes of greater political uncertainty or increased volatility in international financial markets; (iii) domestic demand shocks because of slow recovery of consumer and business confidence, which could deteriorate the outlook for private spending (the impact of this risk has been reduced with respect to December); and (iv) external demand shocks due to more sluggish global growth, implying lower demand for our export products.

**INFLATION RISKS BALANCE SHEET**



Source: BCRP.

## SUMMARY OF INFLATION REPORT FORECAST

	2023	2024*		2025*	
		IR Dec.23	IR Mar.24	IR Dec.23	IR Mar.24
<b>Real % change</b>					
1. Gross Domestic Product	-0.6	3.0	3.0	3.0	3.0
2. Domestic demand	-1.7	2.9	3.1	2.9	3.0
a. Private consumption	0.1	2.7	2.7	2.8	2.8
b. Public consumption	3.3	2.0	2.0	2.0	2.0
c. Fixed Private investment	-7.2	1.8	2.3	3.0	3.0
d. Public investment	1.4	4.0	4.0	4.5	4.5
3. Exports of goods and services	3.7	3.1	2.7	3.8	3.3
4. Imports of goods and services	-0.9	2.7	3.0	3.3	3.1
5. World GDP growth	3.1	2.7	2.8	3.0	3.1
<b>Memo:</b>					
Output gap 1/ (%)	-1.8 ; -0.8	-1.3 ; -0.3	-1.3 ; -0.3	-0.7 ; 0.3	-0.7 ; 0.3
<b>% chg.</b>					
6. Inflation (end of period)	3.2	2.3	2.2	2.0	2.0
7. Expected inflation 2/	4.4	3.1	2.7	2.5	2.5
8. Expected depreciation 2/	-2.5	0.4	1.0	0.9	-0.5
9. Terms of Trade	5.3	-1.8	-1.7	1.3	1.0
a. Export prices	-1.9	-1.0	-2.2	1.8	2.2
b. Import prices	-6.8	0.7	-0.5	0.5	1.2
<b>Nominal % change</b>					
10. Currency	-5.6	-2.5	-1.7	0.0	0.0
11. Credit to the private sector	1.3	3.5	3.5	5.0	5.0
<b>% GDP</b>					
12. Gross fixed investment	22.9	22.9	23.0	23.0	23.0
13. Current account of the balance of payments	0.6	-0.8	-0.5	-1.2	-0.9
14. Trade Balance	6.5	5.4	5.6	5.6	5.9
15. Long-term external financing of the private sector 3/	-0.1	0.8	0.7	1.6	1.4
16. Current revenue of the general government	19.7	20.3	20.2	20.5	20.7
17. Non-financial expenditure of the general government	20.9	20.7	20.5	20.5	20.5
18. Overall balance of the non-financial public sector	-2.8	-2.0	-2.0	-1.5	-1.5
19. Balance of total public debt	32.9	33.3	33.8	33.1	33.5
20. Balance of net public debt	22.4	23.5	24.4	23.9	24.7

IR: Inflation Report

\* Forecast.

1/ Differential between GDP and potential GDP (as a percentage of potential GDP).

2/ Expectations survey to analysts and financial entities carried out at the time of publication of the respective Report on Inflation. For 2023, the information observed in the case of depreciation and the average of the expectations to throughout the year in the case of inflation.

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