



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

August 2022

August 12, 2022

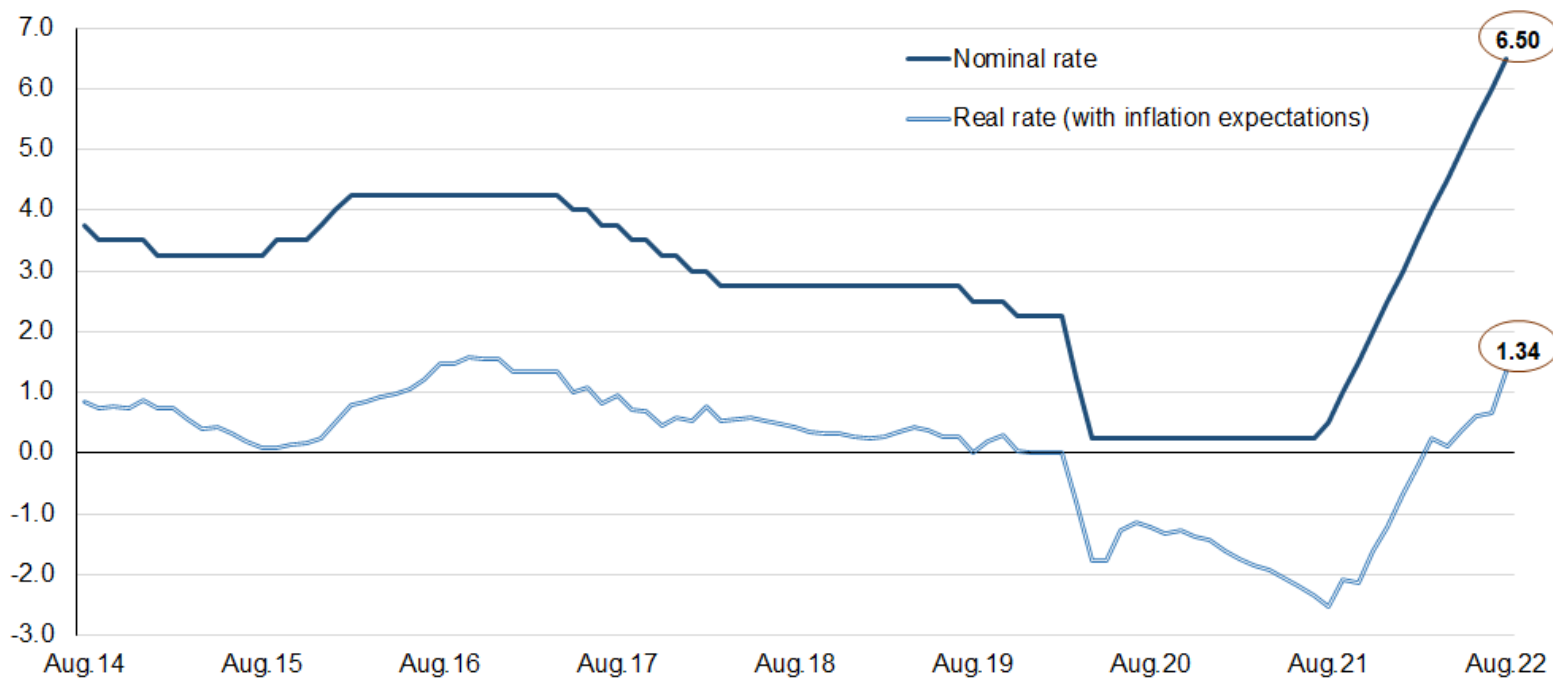


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The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 6.5 percent, thus continuing to normalize its monetary policy stance.

Policy interest rate

(%)



	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Jan.22	Feb.22	Mar.22	Apr.22	May.22	Jun.22	Jul.22	Aug.22
(I) Nominal rate	0.50	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50	5.00	5.50	6.00	6.50
(II) Inflation expectations	3.03	3.07	3.64	3.61	3.71	3.68	3.73	3.75	4.39	4.62	4.89	5.35	5.16
(III) Real rate: (I)-(II)	-2.53	-2.07	-2.14	-1.61	-1.21	-0.68	-0.23	0.25	0.11	0.38	0.61	0.65	1.34



Inflation is a global phenomenon. Central banks have raised their interest rates since last year, based on their own macroeconomic conditions.

Ex ante Real Monetary Policy Interest Rates in Latin America* (%)

	MPIR	1-Year ahead inflation expectations**	Ex ante Real Rate
Brazil	13.75	6.39	7.36
Chile	9.75	7.10	2.65
Colombia	9.00	5.80	3.20
Mexico	8.50	6.15	2.35
Peru	6.50	5.16	1.34

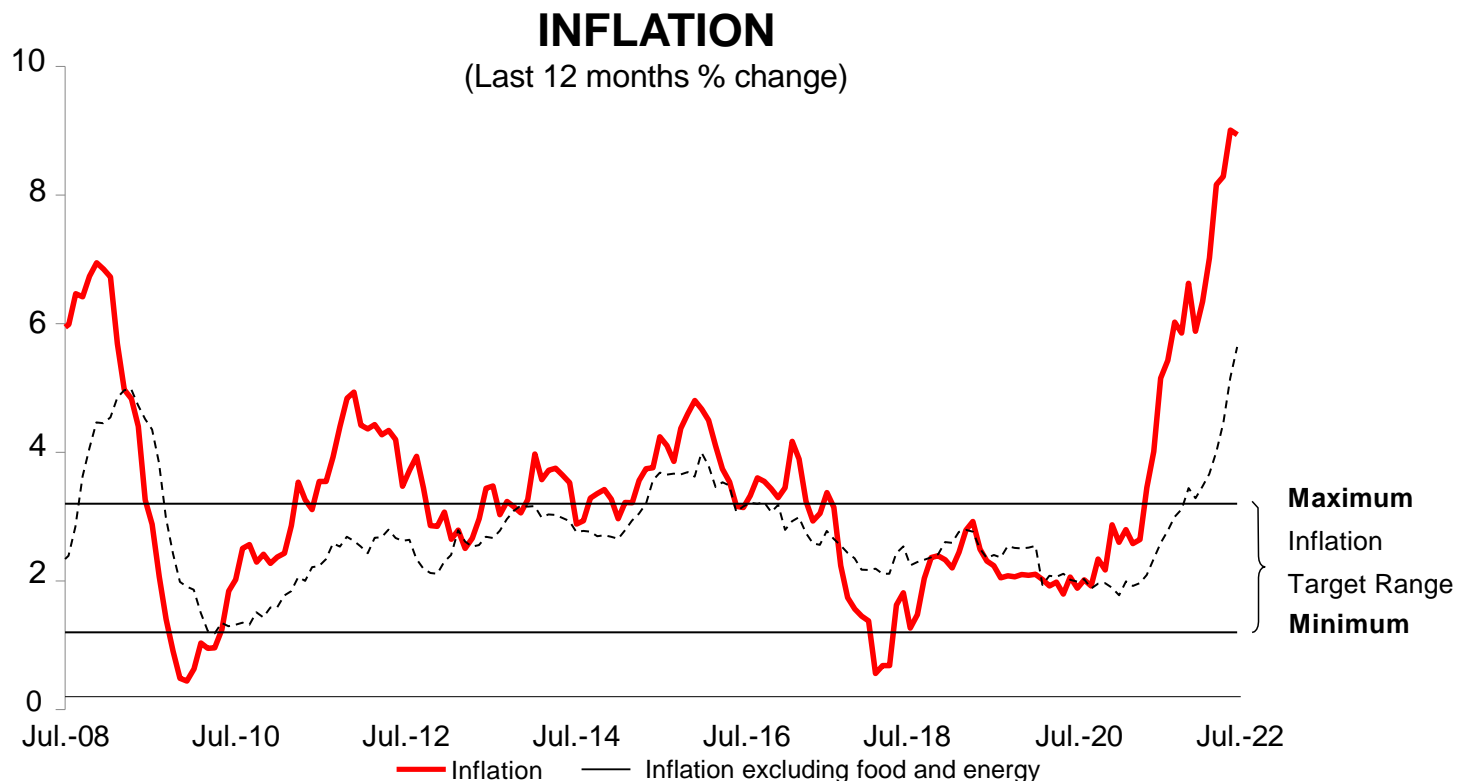
* Policy rates as of August 11, 2022 and inflation expectations as of July 2022.

** Obtained by interpolation based on expectations as of December 2022 and 2023 in the cases of Brazil and Mexico (the other central banks publish the data directly).

Source: Central Banks



Year-on-year inflation decreased from 8.81 percent in June to 8.74 percent in July, above the target range, due to significant increases in international food and fuel prices. Core inflation rose from 4.95 percent in June to 5.44 percent in July, above the upper limit of the inflation target range.



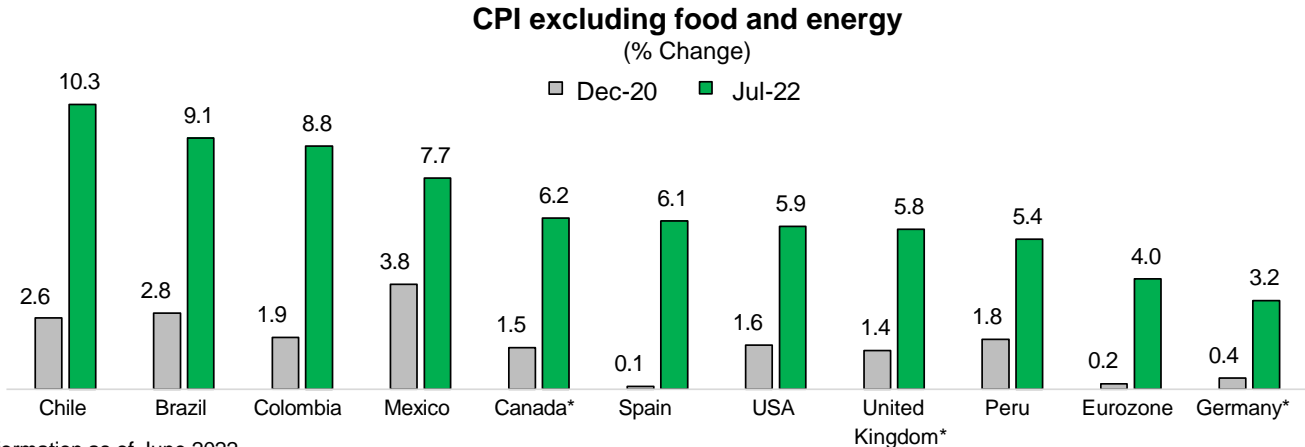
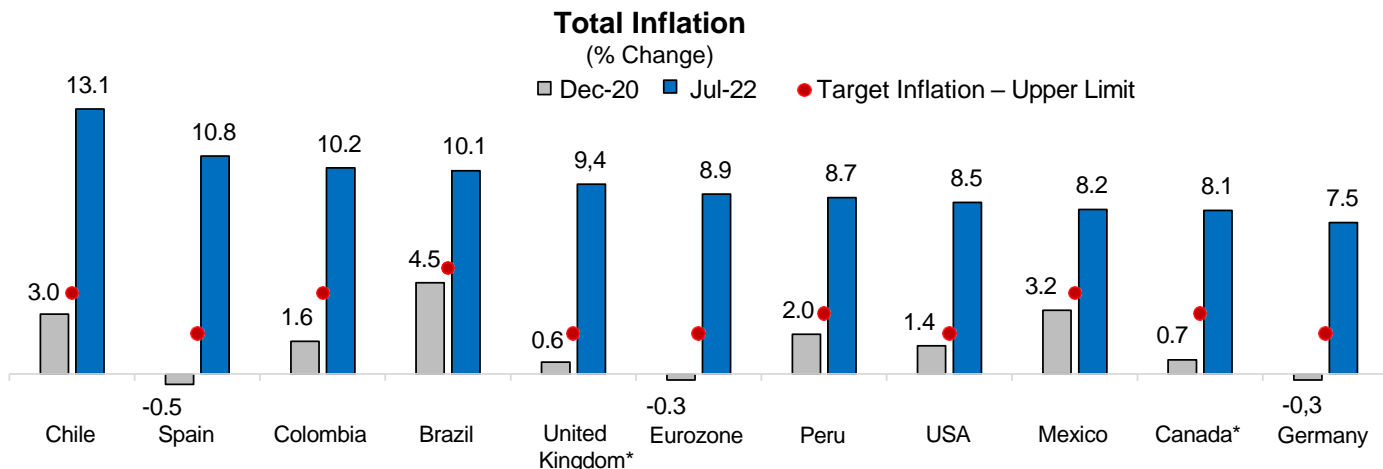
Last 12 months % change	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21	Jun. 21	Jul. 21	Aug. 21	Sep. 21	Oct. 21	Nov. 21	Dec. 21	Jan. 22	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22
Inflation	2.68	2.40	2.60	2.38	2.45	3.25	3.81	4.95	5.23	5.83	5.66	6.43	5.68	6.15	6.82	7.96	8.09	8.81	8.74
Inflation excluding food and energy	1.69	1.57	1.79	1.72	1.76	1.89	2.14	2.39	2.57	2.79	2.91	3.24	3.08	3.26	3.46	3.81	4.26	4.95	5.44

Source: BCRP



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The significant increase in international food and fuel prices since the second half of last year, accentuated by international conflicts, has led to a sharp increase in global inflation in magnitudes not seen in many years and towards levels significantly higher than the inflation targets of central banks, both in advanced and other economies in the region.



*Information as of June 2022.

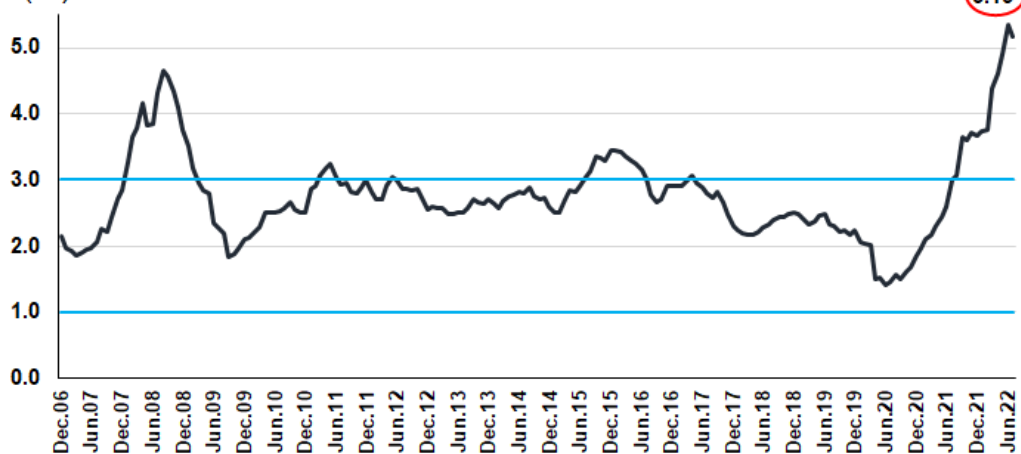
Source: Statistical institutes and central banks.



One-year-ahead expected inflation decreased from 5.35 to 5.16 percent between June and July, above the upper limit of the inflation target range.

Survey of Macroeconomic Expectations: Inflation (%)

1-Year ahead inflation expectations* (%)



* Corresponds to the average on expectations of financial entities and economic analysts.

Source: BCRP

	Survey date:			
	May 31.	Jun 30.	Jul 31.	
Economic analysts¹				
2022	6.00	7.00	7.45	↑
2023	3.80	4.00	3.50	↓
2024	3.00	3.00	3.00	=
Financial entities²				
2022	5.50	6.40	6.80	↑
2023	3.55	4.00	4.00	=
2024	3.00	4.00	3.65	↓
Non-financial firms³				
2022	5.80	6.00	6.50	↑
2023	4.00	4.50	4.50	=
2024	3.80	3.90	3.90	=

¹ 19 analysts in May, 19 in June and 18 in July 2022.

² 14 financial entities in May, 13 in June and 16 in July 2022.

³ 295 non financial firms in May, 284 in June and 287 in July 2022.

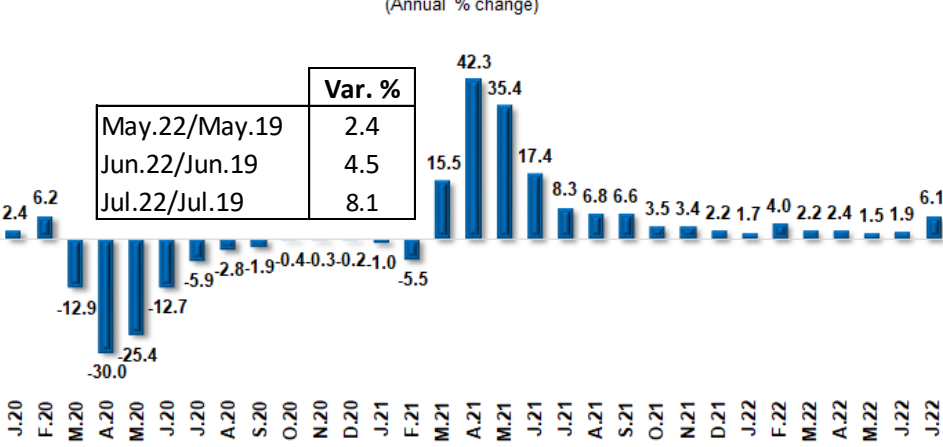
Source: BCRP



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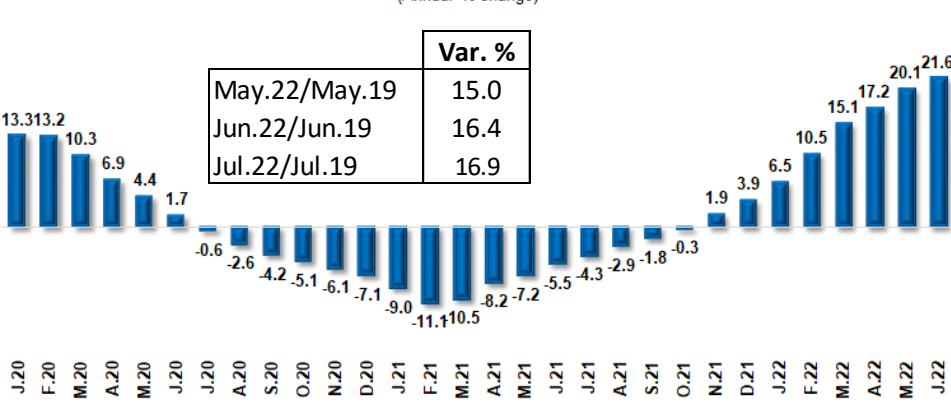
Different indicators of economic activity show that the recovery of private consumption continues.

Average monthly electricity production (GWh)
(Annual % change)



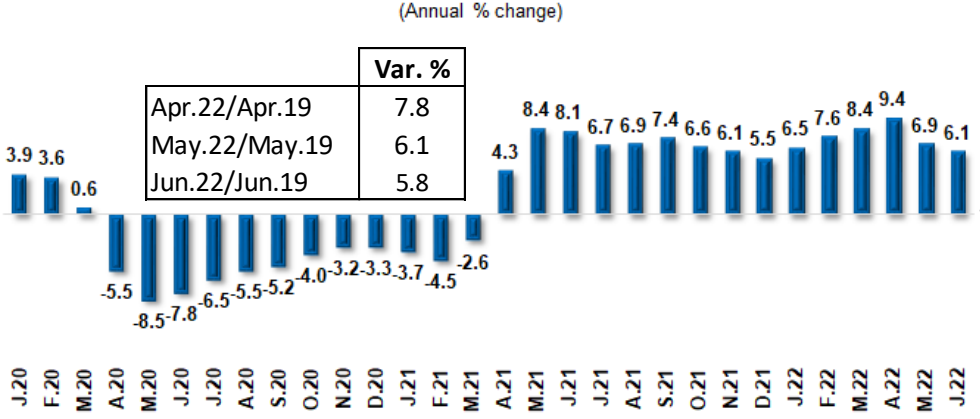
Source: COES.

Consumer loan*
(Annual % change)



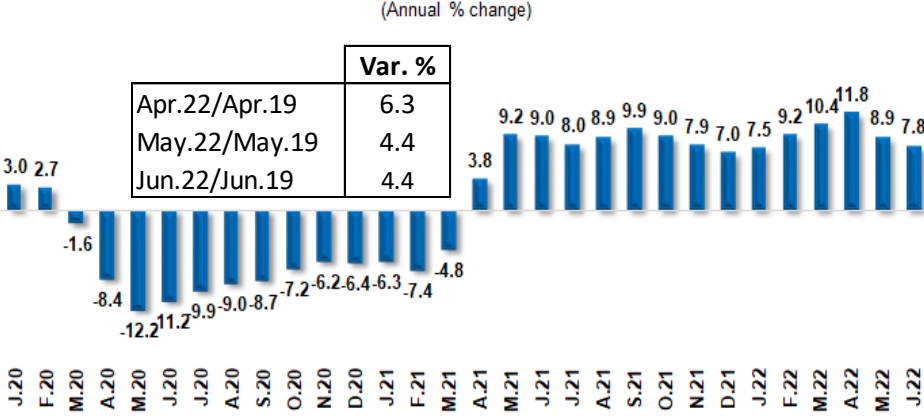
Source: * Balances are valued at constant exchange rate S/ 3.62 per US\$.

Formal employment - Electronic Payroll
(Annual % change)



Source: SUNAT - Monthly Payment Form.

Private sector formal employment* - Electronic Payroll
(Annual % change)



Source: SUNAT - Monthly Payment Form.



Most of the leading and expectations indicators about the economy deteriorated in July and remain in the pessimistic range.

Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	May.2022	Jun.2022			Jul.2022			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	36.1	34.1	↓	<	34.3	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	42.3	40.5	↓	<	43.0	↑	<	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	46.2	43.2	↓	<	43.2	▬	<	0.67
	IN 12 MONTHS	61.5	43.4	51.8	49.2	↓	<	48.9	↓	<	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	48.3	48.7	↑	<	46.2	↓	<	0.66
	IN 12 MONTHS	66.6	46.4	55.6	53.9	↓	>	52.5	↓	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	52.3	50.6	↓	>	49.3	↓	<	0.66
	IN 12 MONTHS	68.0	47.4	59.8	58.0	↓	>	55.6	↓	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	47.9	48.9	↑	<	47.3	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	51.7	51.3	↓	>	50.8	↓	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{2/}	51.3	29.9	46.6	44.7	↓	<	44.2	↓	<	0.65
	IN 12 MONTHS ^{2/}	59.3	40.0	54.0	51.0	↓	>	50.2	↓	>	0.65
EXPECTATION OF THE AVERAGE PRICE:											
SUPPLIES IN 3 MONTHS		51.5	52.9	71.9	72.1	↑	>	67.9	↓	>	0.63
SALE IN 3 MONTHS		56.4	49.7	63.3	62.4	↓	>	61.1	↓	>	0.59

Memo: Greater than 50 points (neutral) means that confidence is on the optimistic tranche and less than 50 points in the pessimistic tranche.

1/ Correlations from December 2007 to December 2019, respectively. For the indicators of current situation and finances, the contemporary correlation is shown, while for the rest of expectations the correlation with three-period advanced GDP is presented.

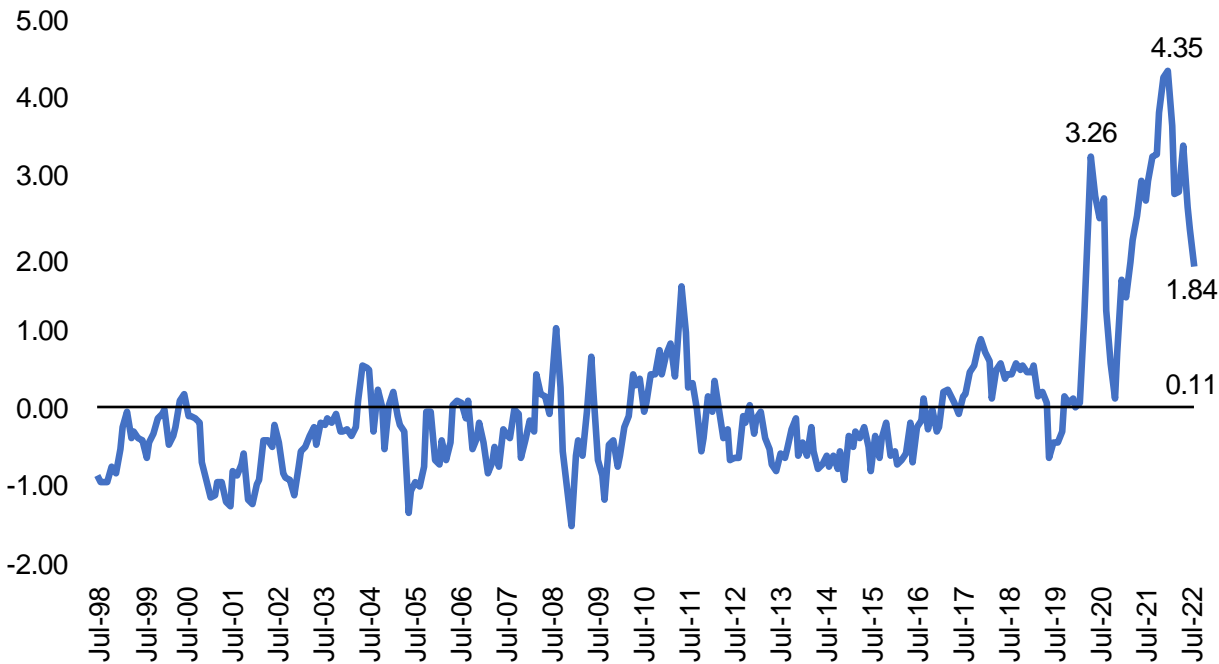
2/ Correlation with Private Investment since September 2017 to December 2019



The outlook for global economic activity this year and the next has deteriorated due to the expected unwinding of stimulus in advanced economies, international conflicts, and persistent global supply bottlenecks, despite some improvement in recent months.

Global Supply Chain Pressures Index

(Deviations from the historical average)



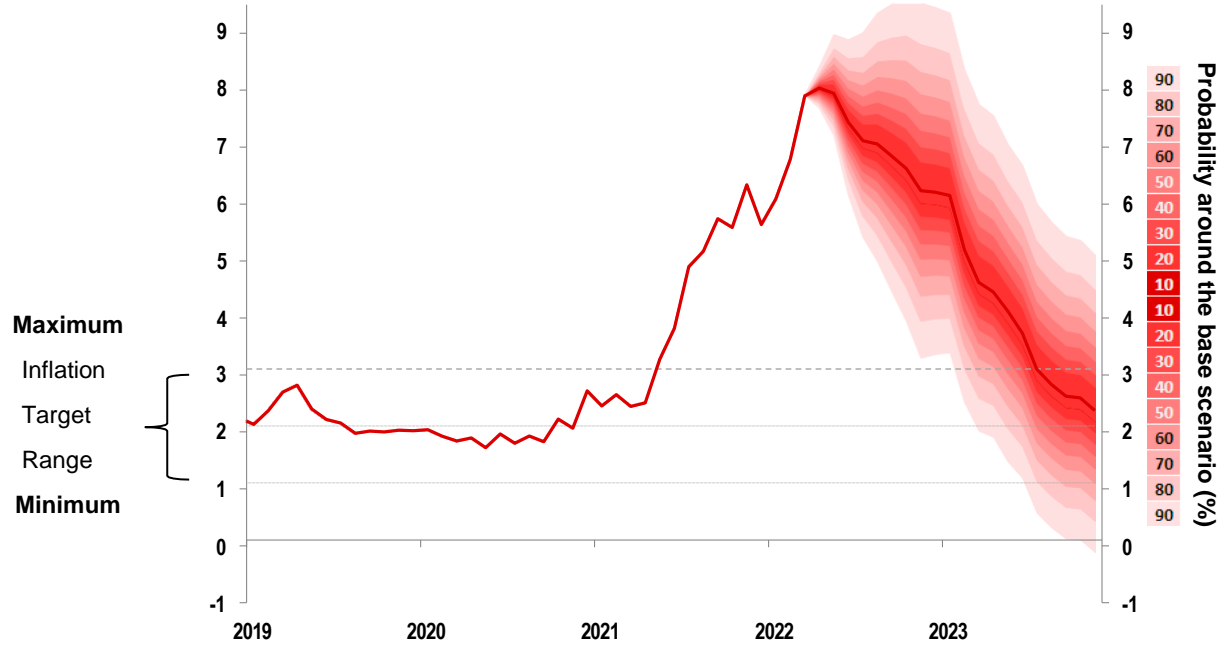
Source: FED.



Inflation is expected to return to the target range in the second half of next year. A downward trend in year-on-year inflation is forecast due to a moderation of the impact of international food and fuel prices, and to a reduction in inflation expectations.

The Board is particularly attentive to new information on inflation and its determinants, including the evolution of inflation expectations and economic activity, with an aim to consider changes in the monetary stance so that inflation returns to the target range over the forecast horizon.

Inflation Forecast: 2022 – 2023 (Last 12-month % change)



Source: BCRP – IR June 2022



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