



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

November 2022

November 11, 2022

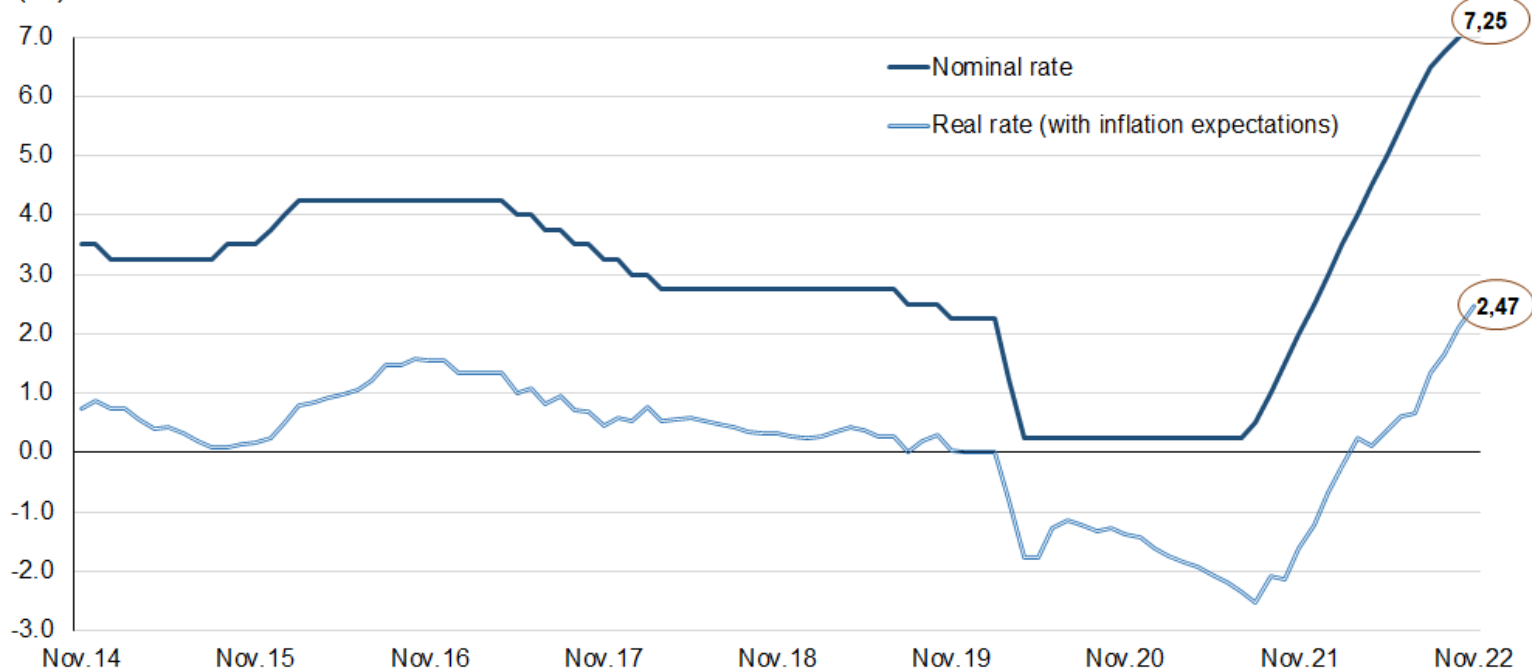


CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 25 bps to 7.25 percent, thus continuing to adjust its monetary policy stance.

Policy interest rate

(%)



	Nov.21	Dec.21	Jan.22	Feb.22	Mar.22	Apr.22	May.22	Jun.22	Jul.22	Aug.22	Sep.22	Oct.22	Nov.22
(I) Nominal rate	2.00	2.50	3.00	3.50	4.00	4.50	5.00	5.50	6.00	6.50	6.75	7.00	7.25
(II) Inflation expectations	3.61	3.71	3.68	3.73	3.75	4.39	4.62	4.89	5.35	5.16	5.10	4.89	4.78
(III) Real rate: (I)-(II)	-1.61	-1.21	-0.68	-0.23	0.25	0.11	0.38	0.61	0.65	1.34	1.65	2.11	2.47



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	5.05	8.70
Chile	11.25	6.30	4.95
Colombia	11.00	7.27	3.73
Mexico	10.00	5.66	4.34
Peru	7.25	4.78	2.47

* Policy rates as of November 10, 2022 and inflation expectations as of October 2022.

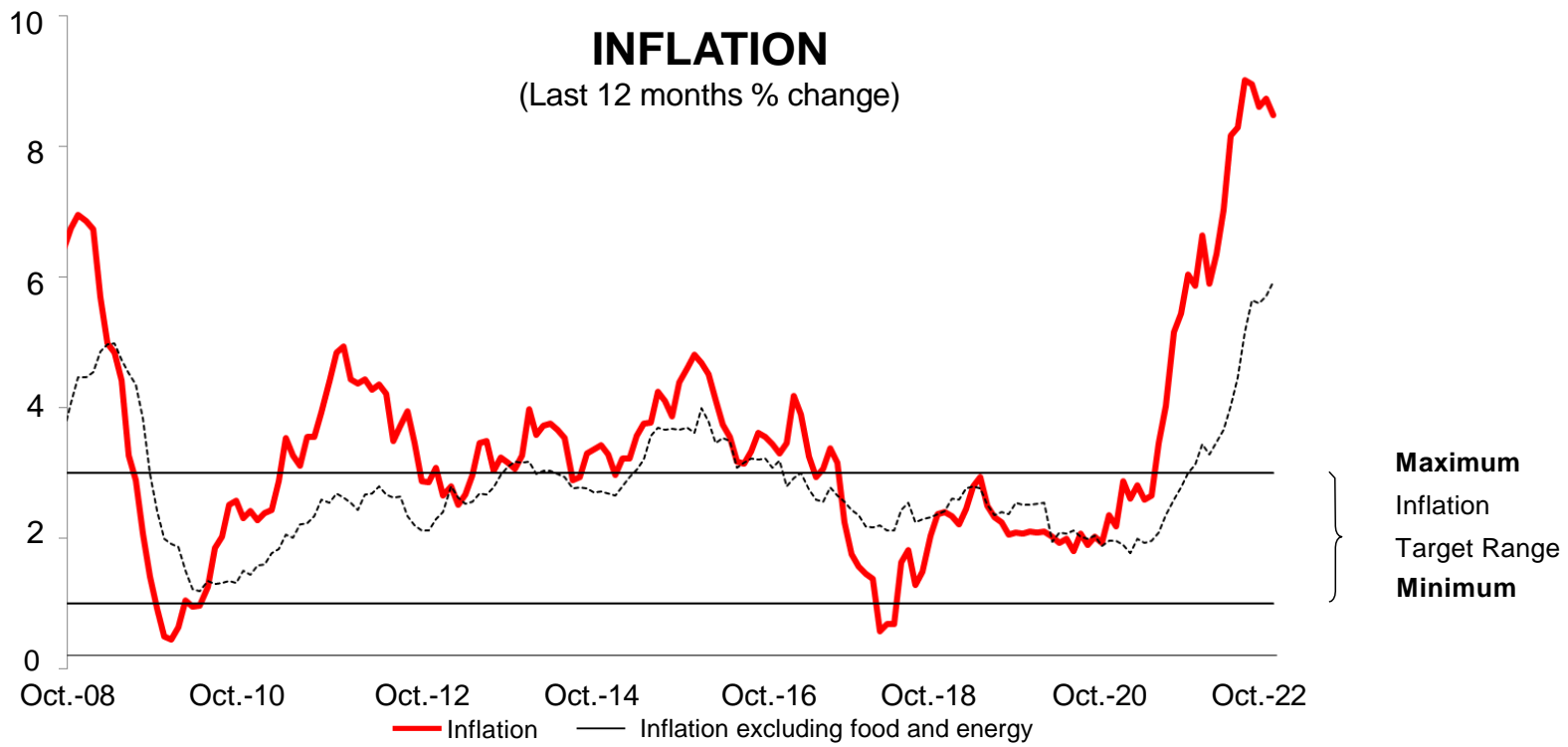
** Obtained by interpolation based on expectations as of December 2022 and 2023 in the cases of Brazil and Mexico (the other central banks publish the data directly).

Source: Central Banks



CENTRAL RESERVE BANK OF PERU

Year-on-year inflation fell from 8.53 percent in September to 8.28 percent in October, while the twelve-month inflation rate excluding food and energy increased from 5.51 percent in September to 5.72 percent in October. Both indicators were above the upper limit of the inflation target range.



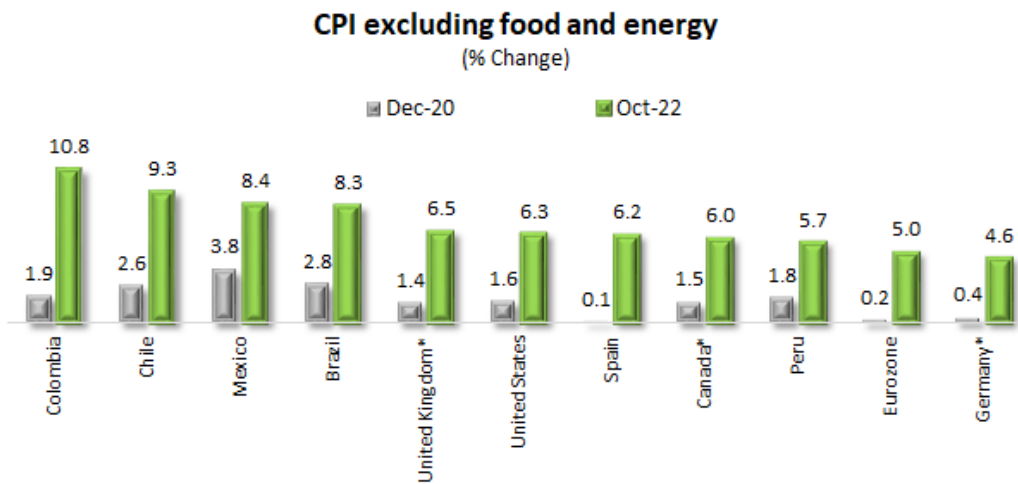
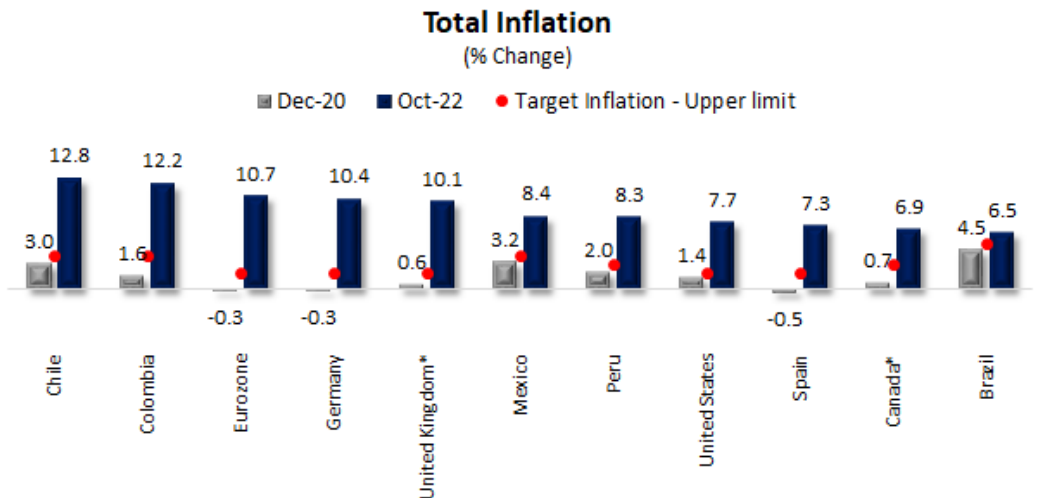
Last 12 months % change	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21	Jun. 21	Jul. 21	Aug. 21	Sep. 21	Oct. 21	Nov. 21	Dec. 21	Jan. 22	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22
Inflation	2.68	2.40	2.60	2.38	2.45	3.25	3.81	4.95	5.23	5.83	5.66	6.43	5.68	6.15	6.82	7.96	8.09	8.81	8.74	8.40	8.53	8.28
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	5.39	5.51	5.72

Source: BCRP



CENTRAL RESERVE BANK OF PERU

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.

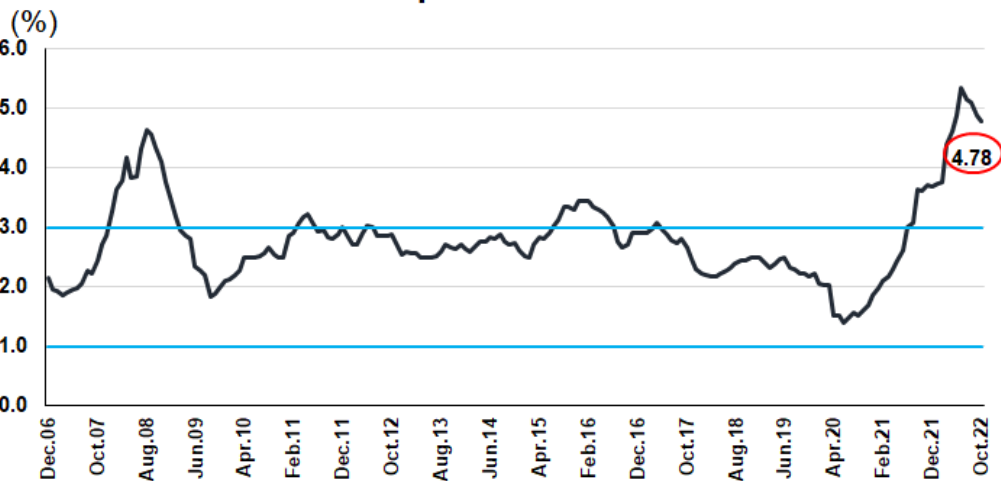


* Information as of September 2022. Source: Statistical institutes and central banks.



One-year-ahead expected inflation decreased from 4.89 percent in September to 4.78 percent in October, while for the year 2023 they are placed at 4.19 percent, above the upper limit of the inflation target range.

1-Year ahead inflation expectations*



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

Source: BCRP

Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:			
	Aug 31.	Sep 30.	Oct 31.	
Economic analysts¹				
2022	7.30	7.70	8.00	↑
2023	4.00	4.00	4.10	↑
2024	3.00	3.00	3.00	=
Financial entities²				
2022	7.30	7.30	7.50	↑
2023	4.00	4.05	4.28	↑
2024	3.50	3.50	3.50	=
Non-financial firms³				
2022	7.00	7.00	7.50	↑
2023	4.30	4.50	5.00	↑
2024	4.00	4.00	4.00	=

¹ 19 analysts in August, 20 in September and 15 in October 2022.

² 16 financial entities in August, 14 in September and 16 in October 2022.

³ 296 non financial firms in August, 318 in September and 290 in October 2022.

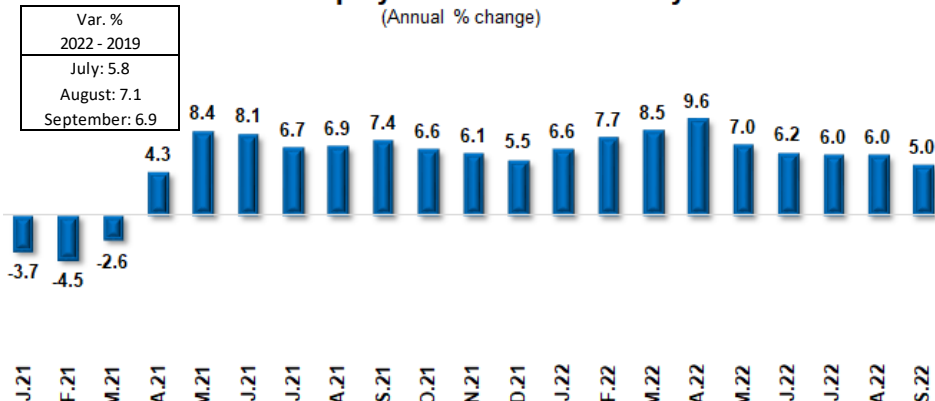


CENTRAL RESERVE BANK OF PERU

In September 2022, total formal employment at the national level increased 5.0 percent compared to September 2021, mainly due to the growth of employment in the private sector (6.0 percent).

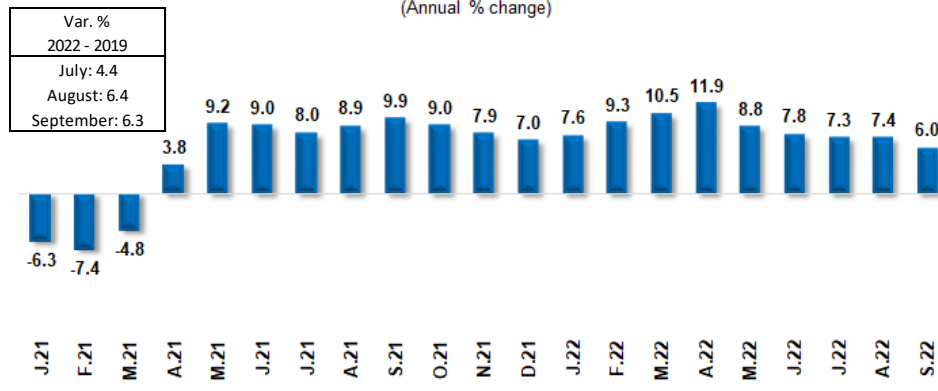
Formal employment - Electronic Payroll

(Annual % change)



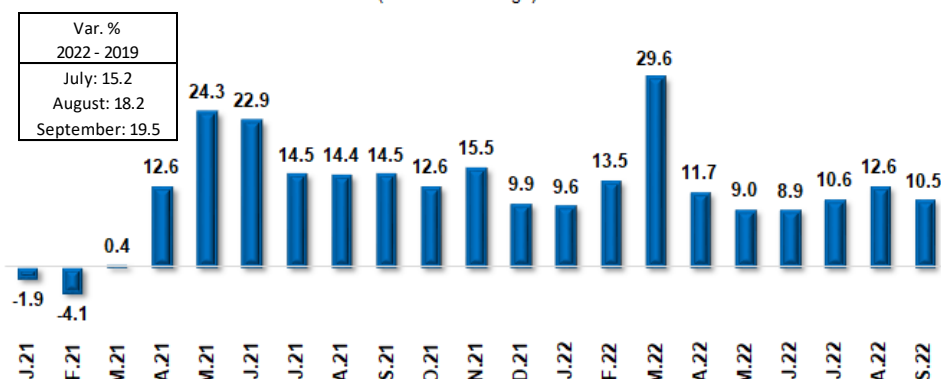
Formal jobs in the private sector - Electronic Payroll

(Annual % change)



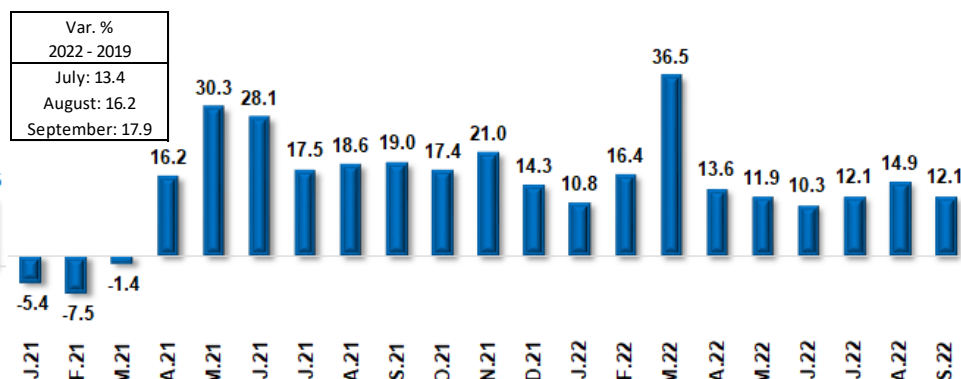
Total formal wage bill - Electronic Payroll

(Annual % change)



Private sector formal wage bill - Electronic Payroll

(Annual % change)



Source: SUNAT - Monthly Payment Form.



In September 2022, formal jobs in the private sector increased 6.0 percent compared to September 2021, mainly due to growth in the services sector.

Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	September								Jan - Sep	
	2019	2020	2021	2022	Change 2022 / 2021		Change 2022 / 2019		% Chg.	% Chg.
					Thousands	%	Thousands	%	22/21	22/19
Total	3,854	3,517	3,865	4,097	232	6.0	243	6.3	8.5	4.9
Agriculture and Livestock ^{1/}	471	542	590	586	-4	-0.7	115	24.4	8.7	15.2
Fishing	20	18	19	19	0	1.4	0	-2.4	-0.8	-2.0
Mining	102	96	111	115	4	3.5	13	12.7	6.9	14.4
Manufacturing	475	436	463	479	15	3.3	4	0.9	4.2	0.2
Electricity	14	14	15	17	2	11.2	3	19.6	9.9	20.2
Construction	243	200	249	237	-12	-4.9	-6	-2.6	-1.5	5.4
Commerce	625	580	627	665	38	6.0	40	6.4	7.9	5.8
Services	1,902	1,629	1,780	1,959	179	10.0	57	3.0	11.1	2.2
Not specified	2	2	10	21	11	n.a.	18	n.a.	n.a.	n.a.

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT



Most of the leading indicators and expectations about economic activity remain in the pessimistic tranche.

Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Aug.2022	Sep.2022			Oct.2022		Correlation with GDP ^{1/}	
<u>CURRENT SITUATION:</u>											
BUSINESS SITUATION		53.4	41.1	49.0	48.4	↓	<	48.7	↑	<	0.56
LEVEL OF SALES		54.2	30.3	46.3	49.3	↑	<	45.8	↓	<	0.49
PRODUCTION LEVEL		50.0	23.5	46.8	47.0	↑	<	45.4	↓	<	0.44
DEMAND COMPARED TO THE EXPECTED DEMAND		40.0	23.0	38.5	38.1	↓	<	36.9	↓	<	0.68
PURCHASING ORDERS COMPARED TO THE PREVIOUS MONTH		51.2	27.5	44.2	48.7	↑	<	43.4	↓	<	0.52
UNWANTED INVENTORY DAYS ^{2/}		8.9	5.9	11.3	13.9	↑	<	11.8	↓	<	-0.36
<u>EXPECTATION:</u>											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	35.6	36.5	↑	<	35.7	↓	<	0.63
	IN 12 MONTHS	61.5	41.5	42.6	42.9	↑	<	43.5	↑	<	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	44.4	44.8	↑	<	43.9	↓	<	0.67
	IN 12 MONTHS	61.5	43.4	50.4	51.0	↑	>	51.6	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	46.1	48.7	↑	<	48.4	↓	<	0.66
	IN 12 MONTHS	66.6	46.4	54.1	54.9	↑	>	57.4	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	47.9	51.3	↑	>	48.0	↓	<	0.66
	IN 12 MONTHS	68.0	47.4	57.0	55.9	↓	>	58.8	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	46.5	48.7	↑	<	47.9	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	51.7	52.4	↑	>	53.3	↑	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{3/}	51.3	29.9	45.1	46.0	↑	<	44.3	↓	<	0.65
	IN 12 MONTHS ^{3/}	59.3	40.0	51.9	51.9	▬	>	53.6	↑	>	0.65
<u>EXPECTATION OF THE AVERAGE PRICE:</u>											
SUPPLIES IN 3 MONTHS		51.5	52.9	64.8	61.8	↓	>	61.0	↓	>	0.63
SALE IN 3 MONTHS		56.4	49.7	61.2	60.5	↓	>	56.3	↓	>	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/ Days of unwanted inventories show the difference between the days of inventories corresponding to each month minus the days of desired inventories according to the companies.

3/ Correlation with Private Investment from September 2017 to December 2019, recording an optimal lag (t=-3 for 3-month investment and t=-6 for 12-month investment).

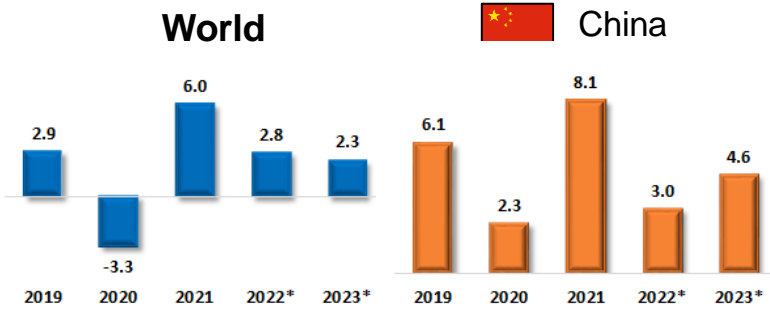
Source: BCRP



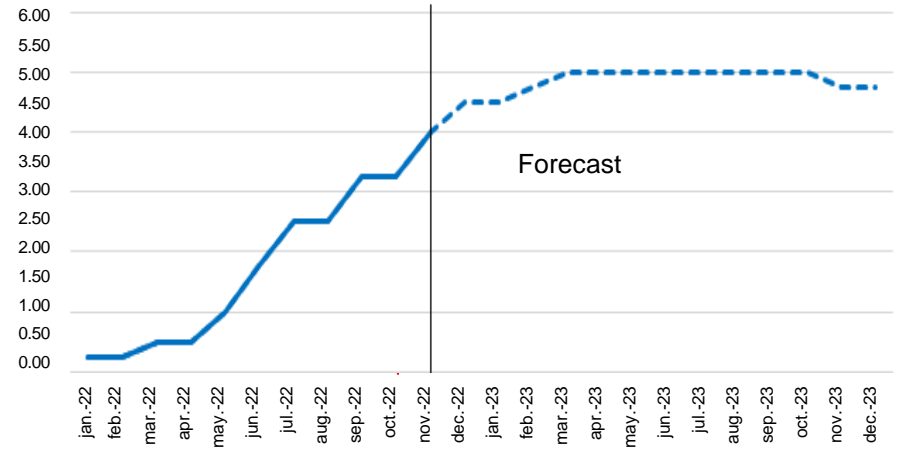
CENTRAL RESERVE BANK OF PERU

The outlook for global economic activity this year and the next has deteriorated due to expected policy interest rate hikes in advanced economies, lower growth in China, and international conflicts.

GDP growth (% change)



Fed rate and Market Expectation* (%)



*Forecast. Data for 2021 is preliminary.
Source: IMF and Consensus Forecast.

*Forecast uses implicit rate of the futures market as of November 10, 2022.
Source: Fed and Reuters

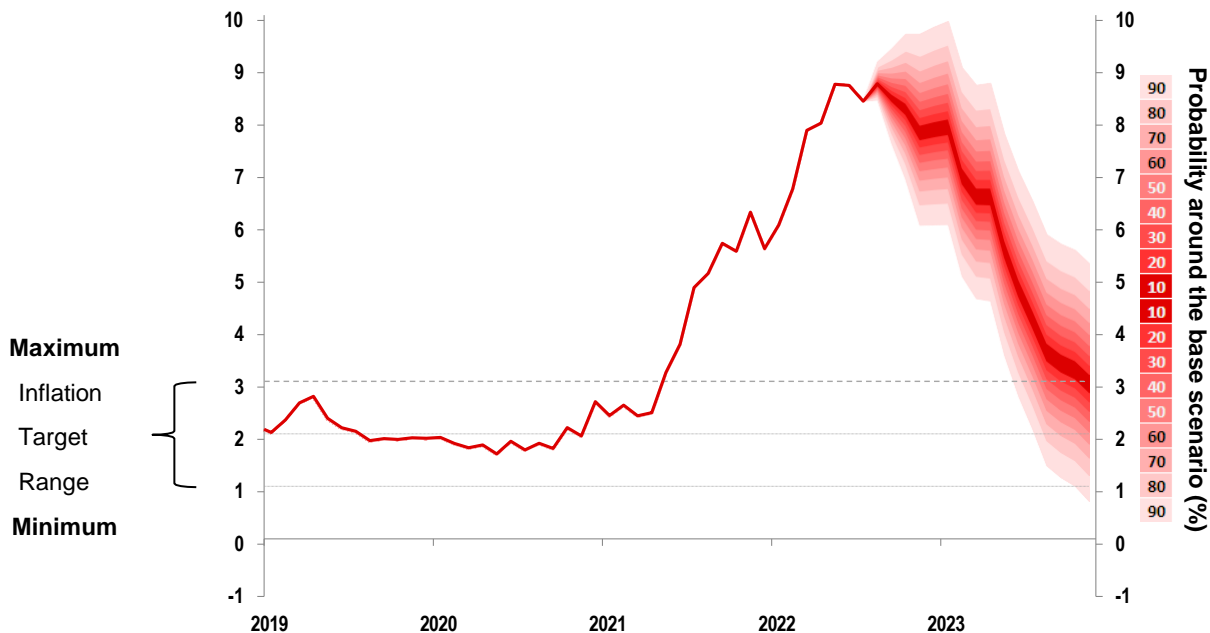


A downward trend in year-on-year inflation is forecast with a return to the target range in the second half of next year, due to a moderation of the impact of international food and fuel prices, and to a reduction in inflation expectations.

The Board is particularly attentive to new information on inflation and its determinants, including the evolution of inflation expectations and economic activity, to consider changes in the monetary stance. The Board reaffirms its commitment to adopt necessary actions to ensure the return of inflation to the target range over the forecast horizon.

Inflation Forecast: 2022 – 2023

(Last 12-month % change)



Source: BCRP – IR Sep 2022



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

November 2022

November 11, 2022