



**CENTRAL RESERVE BANK OF PERU**

# **Monetary Policy Statement October 2022**

**October 7, 2022**

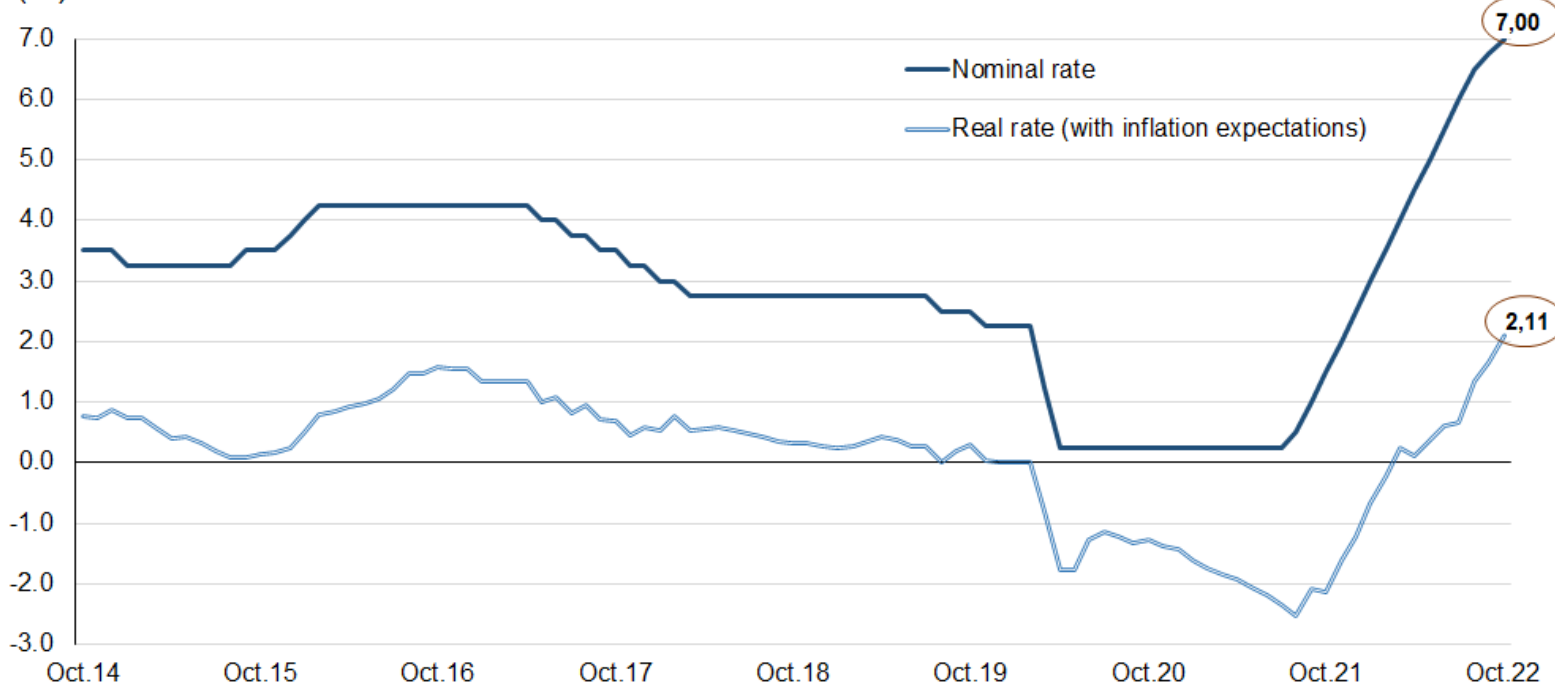


# CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 25 bps to 7.00 percent, thus continuing to adjust its monetary policy stance.

## Policy interest rate

(%)



|                                    | 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 |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>(I) Nominal rate</b>            | 1.50   | 2.00   | 2.50   | 3.00   | 3.50   | 4.00   | 4.50   | 5.00   | 5.50   | 6.00   | 6.50   | 6.75   | 7.00   |
| <b>(II) Inflation expectations</b> | 3.64   | 3.61   | 3.71   | 3.68   | 3.73   | 3.75   | 4.39   | 4.62   | 4.89   | 5.35   | 5.16   | 5.10   | 4.89   |
| <b>(III) Real rate: (I)-(II)</b>   | -2.14  | -1.61  | -1.21  | -0.68  | -0.23  | 0.25   | 0.11   | 0.38   | 0.61   | 0.65   | 1.34   | 1.65   | 2.11   |



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\*

(%)

|          | <b>MPIR</b> | <b>1-Year ahead inflation expectations**</b> | <b>Ex ante Real Rate</b> |
|----------|-------------|--|--------------------------|
| Brazil   | 13.75       | 5.19   | 8.57                     |
| Chile    | 10.75       | 7.00   | 3.75                     |
| Colombia | 10.00       | 7.04   | 2.96                     |
| Mexico   | 9.25        | 5.68   | 3.57                     |
| Peru     | 7.00        | 4.89   | 2.11                     |

\* Policy rates as of October 6, 2022 and inflation expectations as of September 2022.

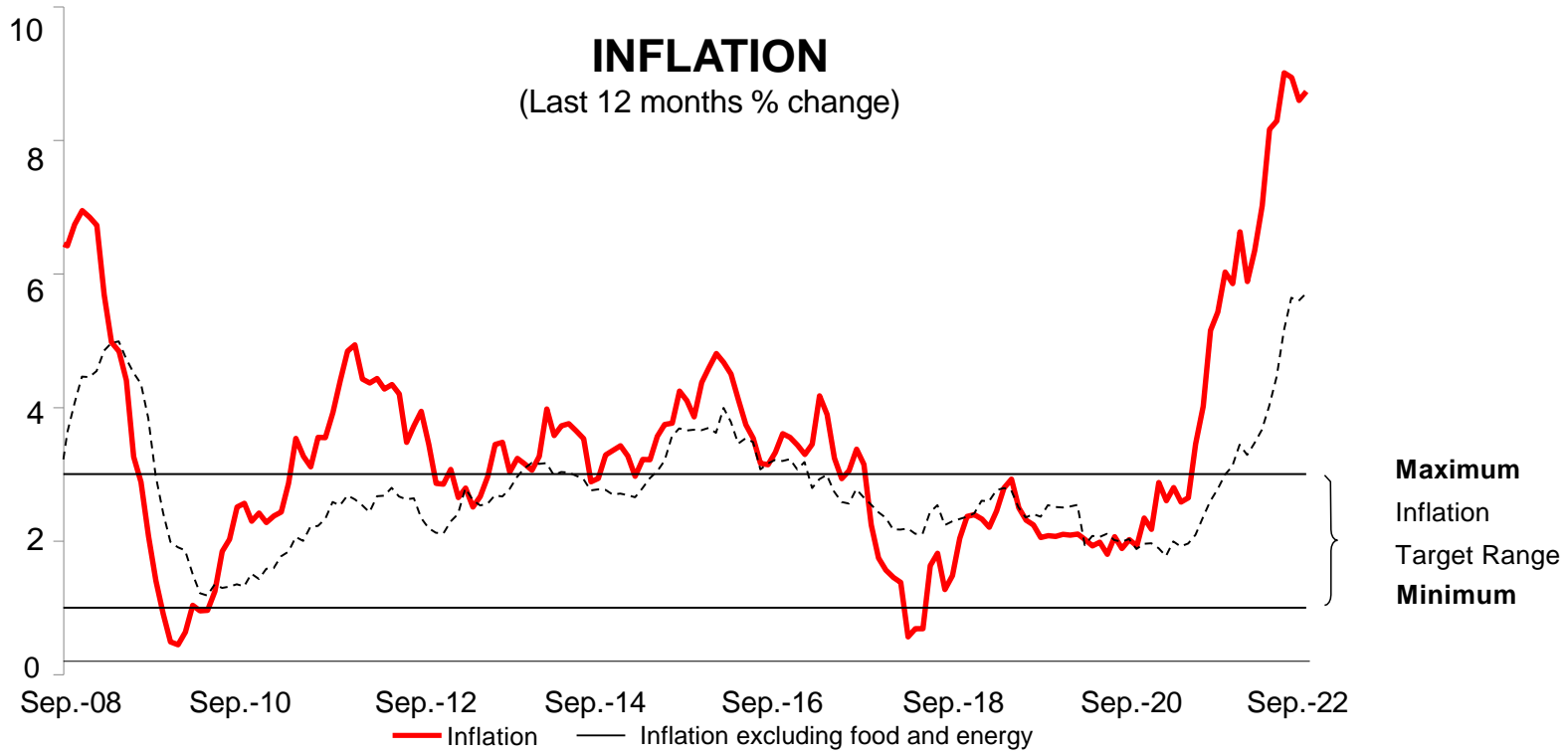
\*\* Obtained by interpolation based on expectations as of December 2022 and 2023 in the cases of Brazil and Mexico (the other central banks publish the data directly).

Source: Central Banks



# CENTRAL RESERVE BANK OF PERU

Year-on-year inflation increased from 8.40 percent in August to 8.53 percent in September, above the target range, due to significant increases in international food and fuel prices. Core inflation increased from 5,39 percent in August to 5.51 percent in September, above the upper limit of the inflation target range.



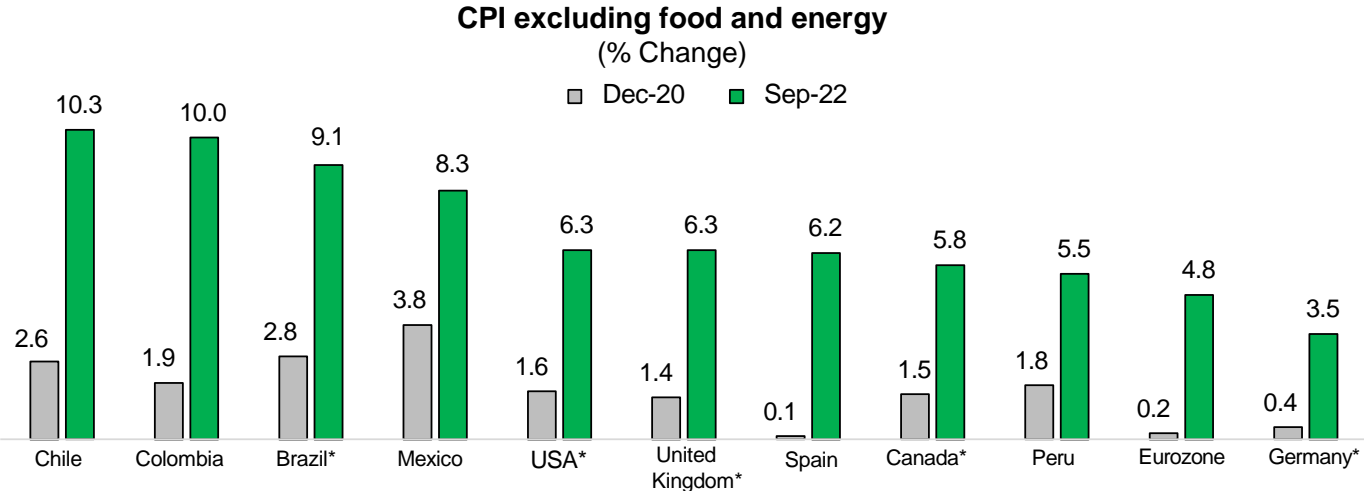
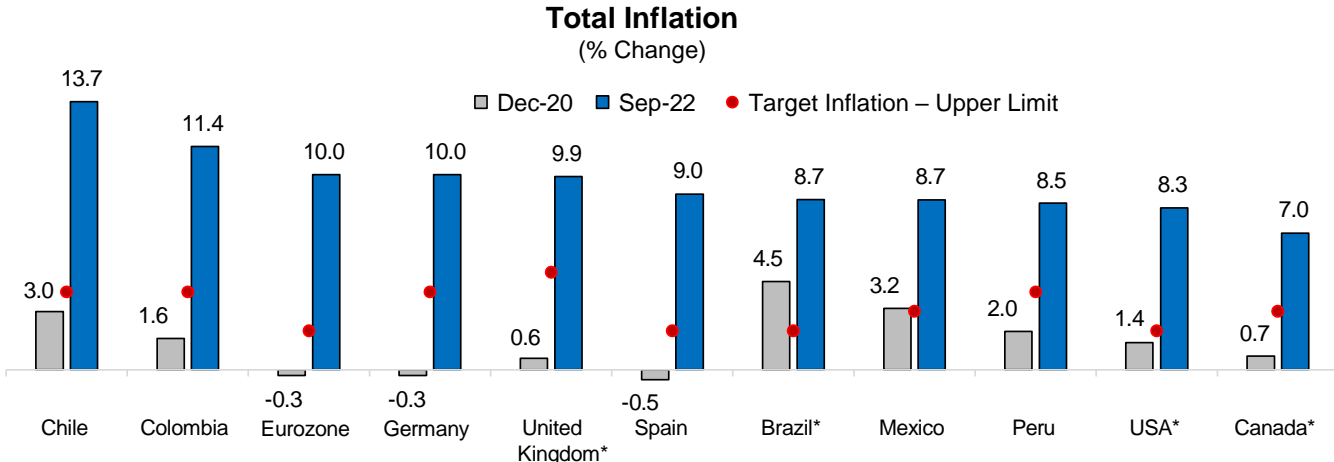
| Last 12 months % change                    | Jan. 21 | Feb. 21 | Mar. 21 | Apr. 21 | May. 21 | Jun. 21 | Jul. 21 | Aug. 21 | Sep. 21 | Oct. 21 | Nov. 21 | Dec. 21 | Jan. 22 | Feb. 22 | Mar. 22 | Apr. 22 | May. 22 | Jun. 22 | Jul. 22 | Aug. 22 | Sep. 22 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Inflation</b>                           | 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    |
| <b>Inflation excluding food and energy</b> | 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    |

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 August 2022. Source: Statistical institutes and central banks.



The oil price increase, mainly since 2021, as well as the restrictions of the COVID-19 pandemic that limit access to other basic inputs, raised the cost of industrial products. In this regard, the increase in the price of manures and fertilizers has exerted additional pressure on food prices, since it affects the production costs of perishable agricultural crops.

## Import Prices

| Item              | % Change             |                      |                      |
|-------------------|----------------------|----------------------|----------------------|
|                   | Dec. 21 /<br>Dec. 20 | Sep. 22 /<br>Dec. 21 | Sep. 22 /<br>Jul. 22 |
| Industrial inputs | 34.4                 | 1.9                  | -4.2                 |
| Plastics          | 52.2                 | -10.0                | -7.0                 |
| Iron and Steel    | 62.1                 | 1.7                  | -2.9                 |
| Textiles          | 26.0                 | 6.9                  | -5.8                 |
| Papers            | 31.5                 | 19.4                 | 0.6                  |
| Chemical goods    | 15.5                 | 17.9                 | -5.7                 |
| Organic chemicals | 45.1                 | -2.4                 | -3.8                 |
| Rest              | 28.5                 | 0.8                  | -3.8                 |
| <i>Of Which:</i>  |                      |                      |                      |
| Fertilizers       | 111.3                | 23.7                 | -7.1                 |

Source: Sunat.

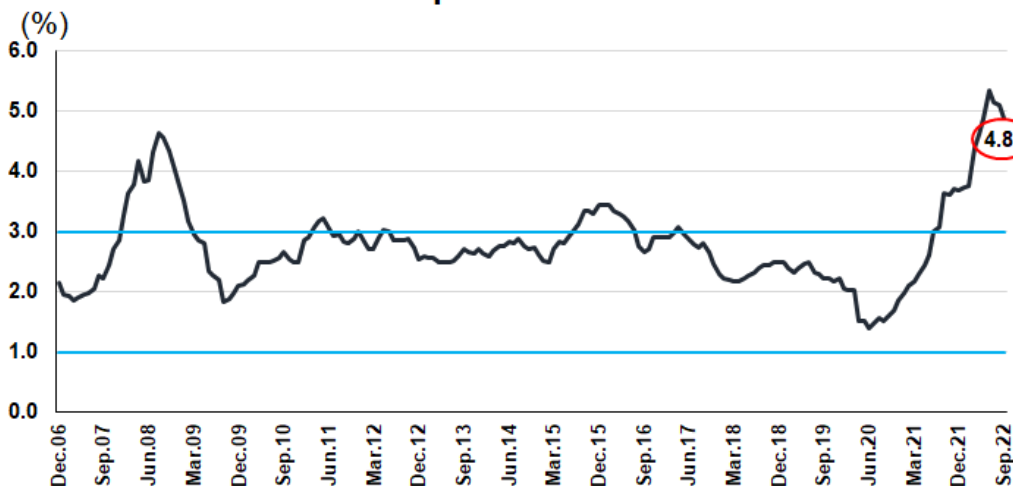
Elaboration: BCRP.



One-year-ahead expected inflation decreased from 5.10 to 4.89 percent between August and September, 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: |         |         |   |
|--|--------------|---------|---------|---|
|  | Jul 27.      | Aug 31. | Sep 30. |   |
| <b>Economic analysts<sup>1</sup></b>   |              |         |         |   |
| 2022                                   | 7.45         | 7.30    | 7.70    | ↑ |
| 2023                                   | 3.50         | 4.00    | 4.00    | = |
| 2024                                   | 3.00         | 3.00    | 3.00    | = |
| <b>Financial entities<sup>2</sup></b>  |              |         |         |   |
| 2022                                   | 6.80         | 7.30    | 7.30    | = |
| 2023                                   | 4.00         | 4.00    | 4.05    | ↑ |
| 2024                                   | 3.65         | 3.50    | 3.50    | = |
| <b>Non-financial firms<sup>3</sup></b> |              |         |         |   |
| 2022                                   | 6.50         | 7.00    | 7.00    | = |
| 2023                                   | 4.50         | 4.30    | 4.50    | ↑ |
| 2024                                   | 3.90         | 4.00    | 4.00    | = |

<sup>1</sup> 18 analysts in July, 19 in August and 20 in September 2022.

<sup>2</sup> 16 financial entities in July, 16 in August and 14 in September 2022.

<sup>3</sup> 287 non financial firms in July, 296 in August and 318 in September 2022.

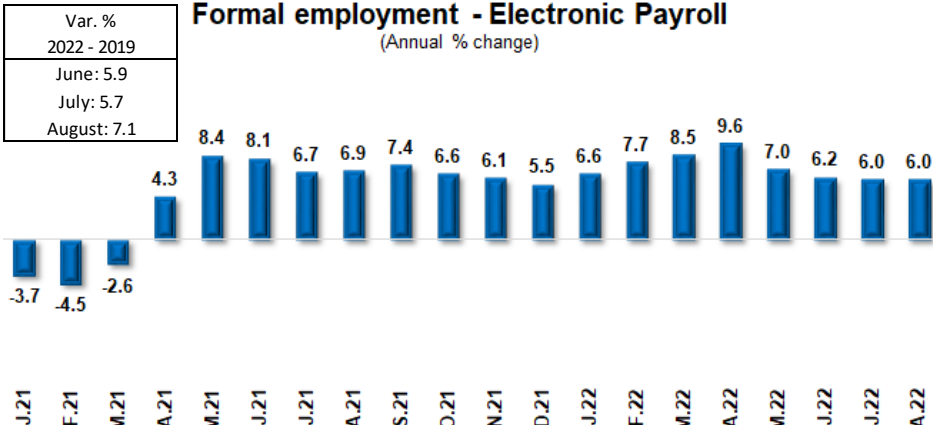


# CENTRAL RESERVE BANK OF PERU

In August 2022, total formal employment at the national level increased 6.0 percent compared to August 2021, mainly due to the growth of employment in the private sector (7.4 percent).

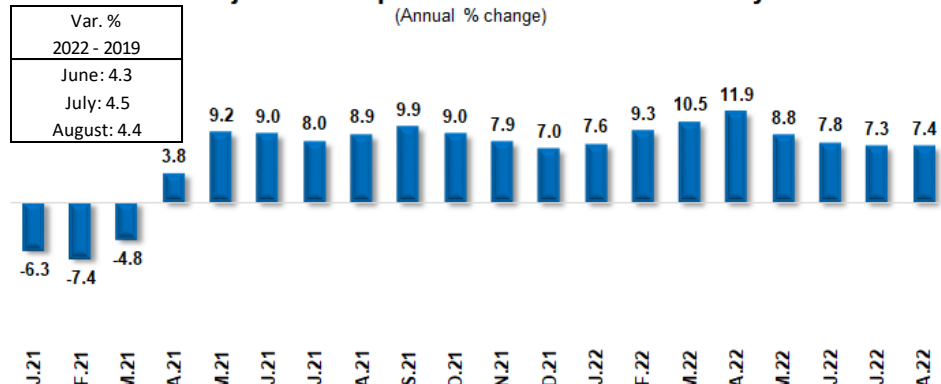
**Formal employment - Electronic Payroll**

(Annual % change)



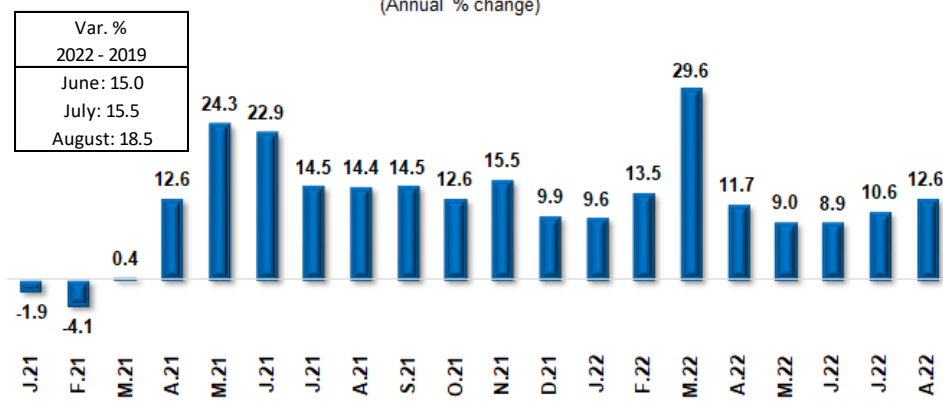
**Formal jobs in the private sector - Electronic Payroll**

(Annual % change)



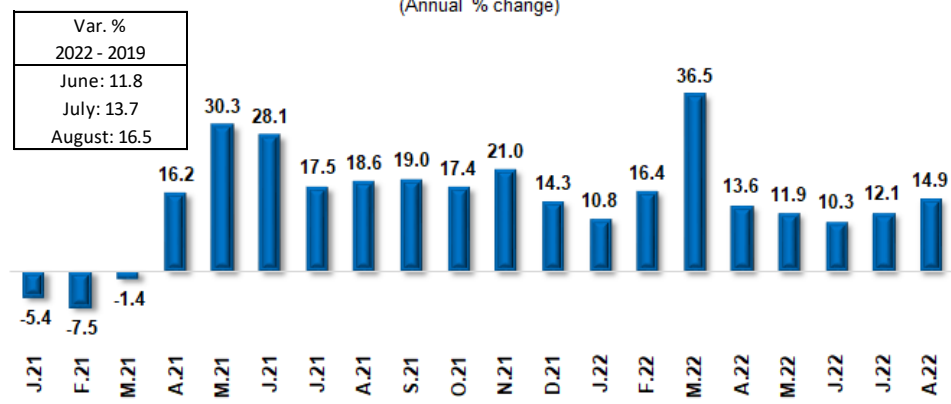
**Total formal wage bill - Electronic Payroll**

(Annual % change)



**Private sector formal wage bill - Electronic Payroll**

(Annual % change)



Source: SUNAT - Monthly Payment Form.





In August 2022, formal jobs in the private sector increased 7.4 percent compared to August 2021, mainly due to growth in the services sector.

## Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

|   | August       |              |              |              |                    |            |                    |            | Jan - Aug  |            |
|---|--------------|--------------|--------------|--------------|--------------------|------------|--------------------|------------|------------|------------|
|   | 2019         | 2020         | 2021         | 2022         | Change 2022 / 2021 |            | Change 2022 / 2019 |            | % Chg.     | % Chg.     |
|   |              |              |              |              | Thousands          | %          | Thousands          | %          | 22/21      | 22/19      |
| <b>Total</b>                            | <b>3,767</b> | <b>3,428</b> | <b>3,733</b> | <b>4,008</b> | <b>275</b>         | <b>7.4</b> | <b>242</b>         | <b>6.4</b> | <b>8.8</b> | <b>4.7</b> |
| Agriculture and Livestock <sup>1/</sup> | 416          | 487          | 500          | 519          | 20                 | 3.9        | 103                | 24.8       | 10.3       | 13.9       |
| Fishing                                 | 20           | 19           | 19           | 20           | 0                  | 0.7        | 0                  | -2.1       | -1.1       | -2.0       |
| Mining                                  | 101          | 94           | 110          | 116          | 6                  | 5.2        | 15                 | 14.6       | 7.3        | 14.6       |
| Manufacturing                           | 474          | 430          | 460          | 476          | 16                 | 3.4        | 2                  | 0.5        | 4.3        | 0.2        |
| Electricity                             | 13           | 14           | 15           | 17           | 2                  | 12.8       | 3                  | 23.1       | 9.7        | 20.2       |
| Construction                            | 234          | 182          | 243          | 235          | -8                 | -3.5       | 1                  | 0.5        | -1.0       | 6.5        |
| Commerce                                | 624          | 579          | 621          | 663          | 42                 | 6.7        | 39                 | 6.3        | 8.1        | 5.7        |
| Services                                | 1,883        | 1,620        | 1,754        | 1,944        | 190                | 10.8       | 61                 | 3.2        | 11.2       | 2.0        |
| Not specified                           | 2            | 2            | 10           | 19           | 9                  | n.a.       | 17                 | n.a.       | n.a.       | n.a.       |

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT



## Several leading indicators and expectations for economic activity recovered in September, but most remain pessimistic.

### Macroeconomic Expectations: Survey Results

|  | Dec.2019                   | Mar.2020 | Jul.2022 | Aug.2022 |      |   | Sep.2022 |      |   | Correlation with GDP <sup>1/</sup> |      |
|--|----------------------------|----------|----------|----------|------|---|----------|------|---|------------------------------------|------|
| <b><u>CURRENT SITUATION:</u></b>                 |                            |          |          |          |      |   |          |      |   |                                    |      |
| BUSINESS SITUATION                               | 53.4                       | 41.1     | 48.0     | 49.0     | ↑    | < | 48.4     | ↓    | < | 0.56                               |      |
| LEVEL OF SALES                                   | 54.2                       | 30.3     | 47.1     | 46.3     | ↓    | < | 49.3     | ↑    | < | 0.49                               |      |
| PRODUCTION LEVEL                                 | 50.0                       | 23.5     | 49.4     | 46.8     | ↓    | < | 47.0     | ↑    | < | 0.44                               |      |
| DEMAND COMPARED TO THE EXPECTED DEMAND           | 40.0                       | 23.0     | 37.0     | 38.5     | ↑    | < | 38.1     | ↓    | < | 0.68                               |      |
| PURCHASING ORDERS COMPARED TO THE PREVIOUS MONTH | 51.2                       | 27.5     | 46.0     | 44.2     | ↓    | < | 48.7     | ↑    | < | 0.52                               |      |
| UNWANTED INVENTORY DAYS                          | 8.9                        | 5.9      | 13.9     | 11.3     | ↓    | < | 13.9     | ↑    | < | -0.36                              |      |
| <b><u>EXPECTATION:</u></b>                       |                            |          |          |          |      |   |          |      |   |                                    |      |
| ECONOMIC SITUATION:                              |                            |          |          |          |      |   |          |      |   |                                    |      |
|  | IN 3 MONTHS                | 50.8     | 21.8     | 34.3     | 35.6 | ↑ | <        | 36.5 | ↑ | <                                  | 0.63 |
|  | IN 12 MONTHS               | 61.5     | 41.5     | 43.0     | 42.6 | ↓ | <        | 42.9 | ↑ | <                                  | 0.42 |
| SECTOR:  |                            |          |          |          |      |   |          |      |   |                                    |      |
|  | IN 3 MONTHS                | 51.5     | 28.5     | 43.2     | 44.4 | ↑ | <        | 44.8 | ↑ | <                                  | 0.67 |
|  | IN 12 MONTHS               | 61.5     | 43.4     | 48.9     | 50.4 | ↑ | >        | 51.0 | ↑ | >                                  | 0.33 |
| COMPANY'S SITUATION:                             |                            |          |          |          |      |   |          |      |   |                                    |      |
|  | IN 3 MONTHS                | 56.1     | 28.3     | 46.2     | 46.1 | ↓ | <        | 48.7 | ↑ | <                                  | 0.66 |
|  | IN 12 MONTHS               | 66.6     | 46.4     | 52.5     | 54.1 | ↑ | >        | 54.9 | ↑ | >                                  | 0.66 |
| ABOUT DEMAND:                                    |                            |          |          |          |      |   |          |      |   |                                    |      |
|  | IN 3 MONTHS                | 55.1     | 30.7     | 49.3     | 47.9 | ↓ | <        | 51.3 | ↑ | >                                  | 0.66 |
|  | IN 12 MONTHS               | 68.0     | 47.4     | 55.6     | 57.0 | ↑ | >        | 55.9 | ↓ | >                                  | 0.66 |
| NEW PERSONNEL HIRED:                             |                            |          |          |          |      |   |          |      |   |                                    |      |
|  | IN 3 MONTHS                | 48.6     | 35.9     | 47.3     | 46.5 | ↓ | <        | 48.7 | ↑ | <                                  | 0.66 |
|  | IN 12 MONTHS               | 54.0     | 39.6     | 50.8     | 51.7 | ↑ | >        | 52.4 | ↑ | >                                  | 0.58 |
| COMPANY'S INVESTMENT:                            |                            |          |          |          |      |   |          |      |   |                                    |      |
|  | IN 3 MONTHS <sup>2/</sup>  | 51.3     | 29.9     | 44.2     | 45.1 | ↑ | <        | 46.0 | ↑ | <                                  | 0.65 |
|  | IN 12 MONTHS <sup>2/</sup> | 59.3     | 40.0     | 50.2     | 51.9 | ↑ | >        | 51.9 | ■ | >                                  | 0.65 |
| <b><u>EXPECTATION OF THE AVERAGE PRICE:</u></b>  |                            |          |          |          |      |   |          |      |   |                                    |      |
| SUPPLIES IN 3 MONTHS                             |                            |          |          |          |      |   |          |      |   |                                    |      |
|  |                            | 51.5     | 52.9     | 67.9     | 64.8 | ↓ | >        | 61.8 | ↓ | >                                  | 0.63 |
| SALE IN 3 MONTHS                                 |                            |          |          |          |      |   |          |      |   |                                    |      |
|  |                            | 56.4     | 49.7     | 61.1     | 61.2 | ↑ | >        | 60.5 | ↓ | >                                  | 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

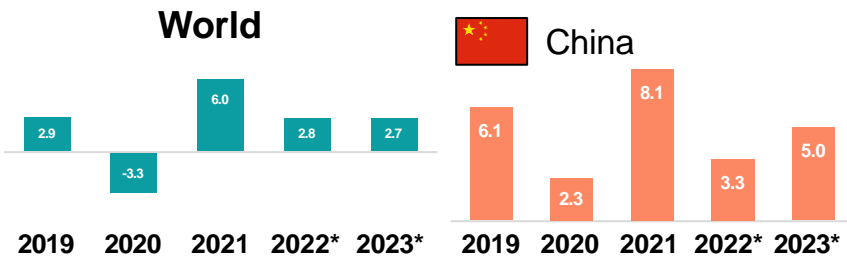
Source: BCRP



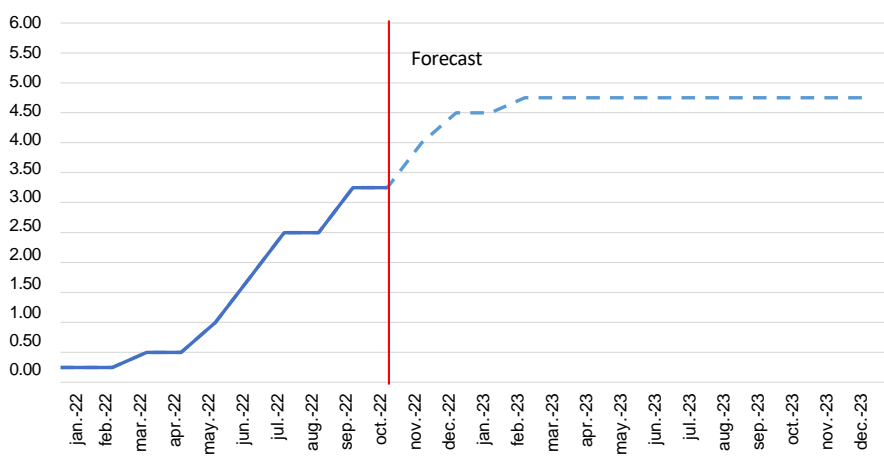
# CENTRAL RESERVE BANK OF PERU

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 (August 2022).

\*Forecast uses implicit rate of the futures market as of October 6, 2022.  
Source: Fed, BCRP, Reuters

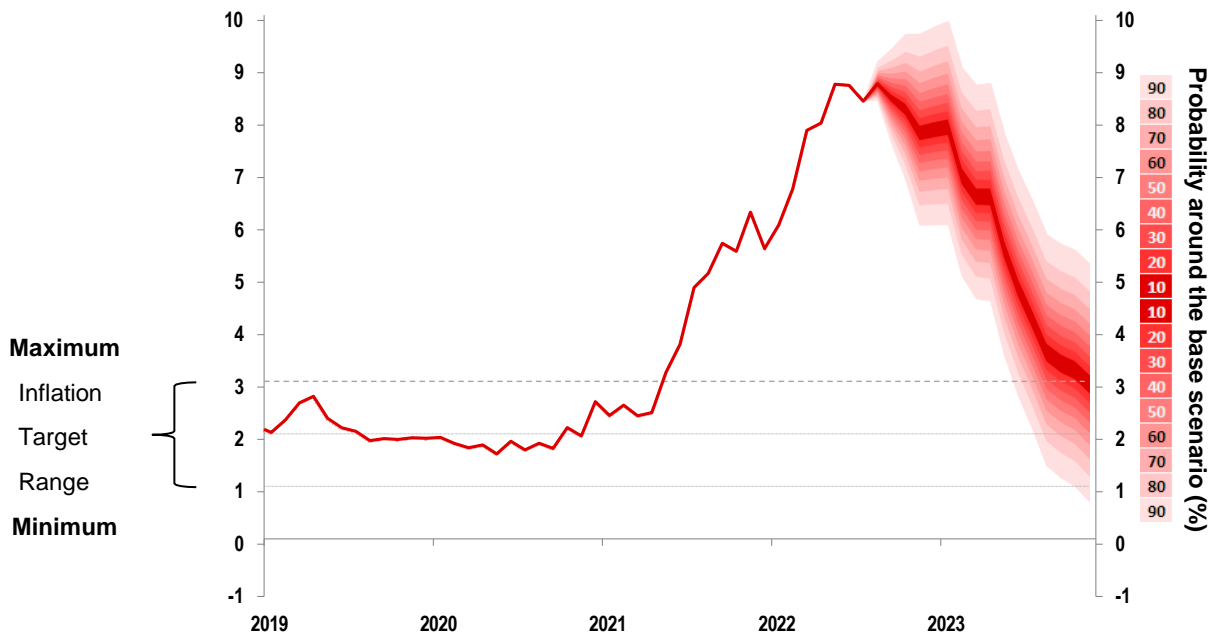


A downward trend in year-on-year inflation is forecast with a return to the target range in the second half of next year, due to a moderation of the impact of international food and fuel prices, and to a reduction in inflation expectations.

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 October 2022**

**October 7, 2022**