



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement September 2022

September 9, 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 6.75 percent, thus continuing to normalize its monetary policy stance.



	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
(I) Nominal rate	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50	5.00	5.50	6.00	6.50	6.75
(II) Inflation expectations	3.07	3.64	3.61	3.71	3.68	3.73	3.75	4.39	4.62	4.89	5.35	5.16	5.10
(III) Real rate: (I)-(II)	-2.07	-2.14	-1.61	-1.21	-0.68	-0.23	0.25	0.11	0.38	0.61	0.65	1.34	1.65



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	6.10	7.65
Chile	10.75	7.30	3.45
Colombia	9.00	6.18	2.82
Mexico	8.50	6.39	2.12
Peru	6.75	5.10	1.65

* Policy rates as of September 8, 2022 and inflation expectations as of August 2022.

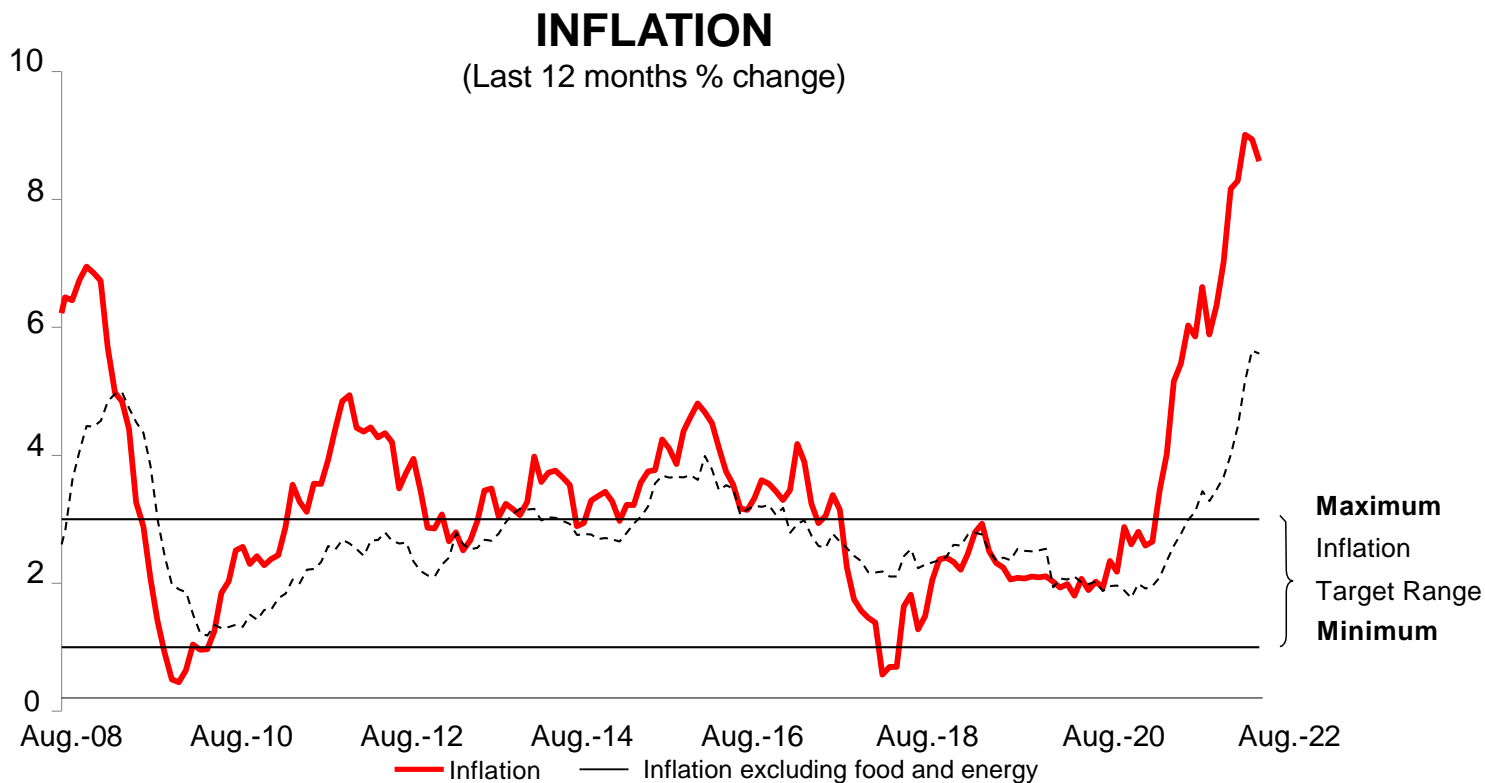
** Obtained by interpolation based on expectations as of December 2022 and 2023 in the cases of Brazil and Mexico (the other central banks publish the data directly).

Source: Central Banks



CENTRAL RESERVE BANK OF PERU

Year-on-year inflation decreased from 8.74 percent in July to 8.40 percent in August, above the target range, due to significant increases in international food and fuel prices. Core inflation fell from 5.44 percent in July to 5.39 percent in August, above the upper limit of the inflation target range.



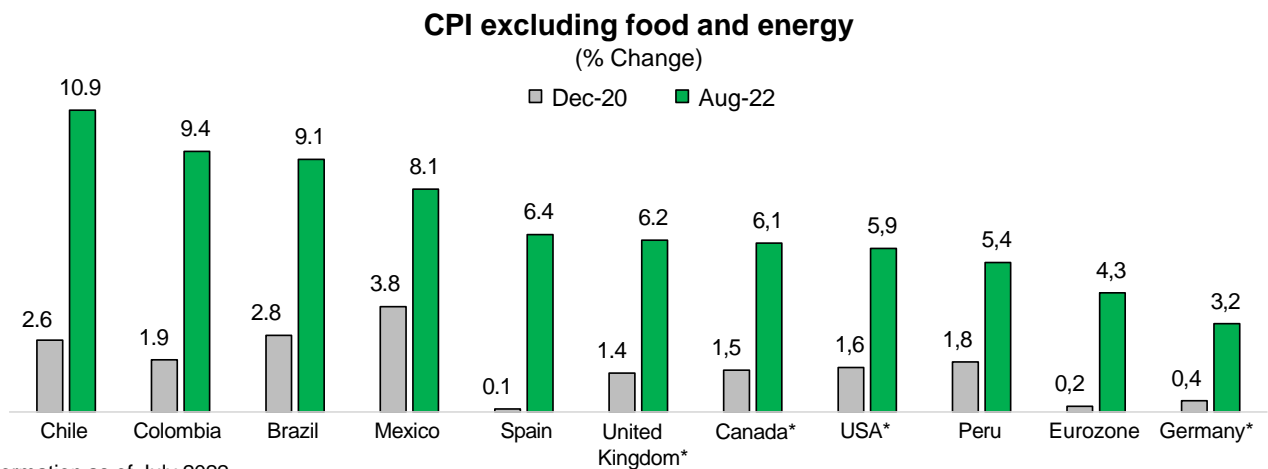
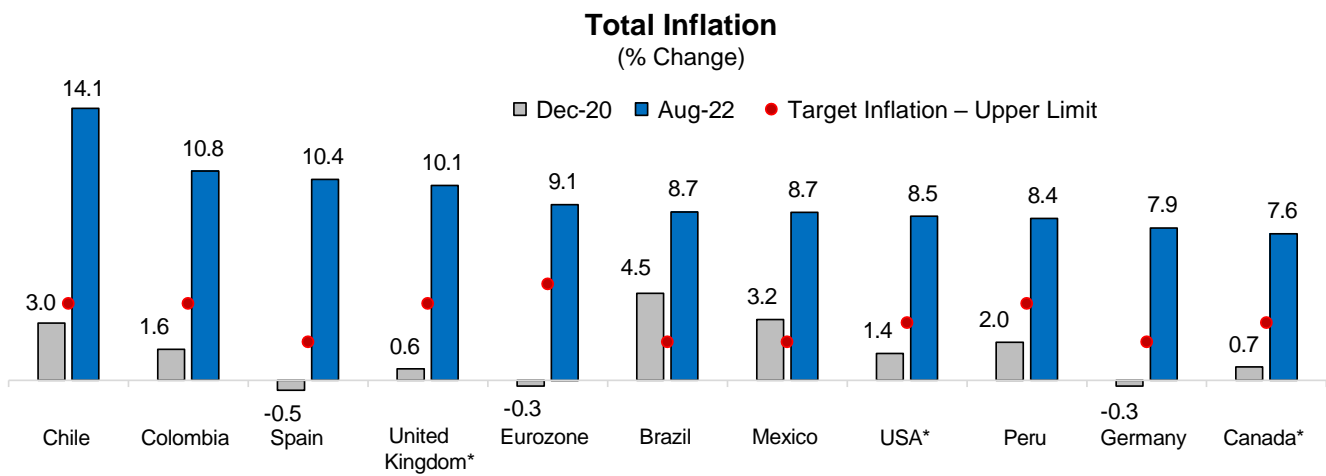
Last 12 months % change	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21	Jun. 21	Jul. 21	Aug. 21	Sep. 21	Oct. 21	Nov. 21	Dec. 21	Jan. 22	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	Aug. 22
Inflation	2.68	2.40	2.60	2.38	2.45	3.25	3.81	4.95	5.23	5.83	5.66	6.43	5.68	6.15	6.82	7.96	8.09	8.81	8.74	8.40
Inflation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

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 July 2022.

Source: Statistical institutes and central banks.



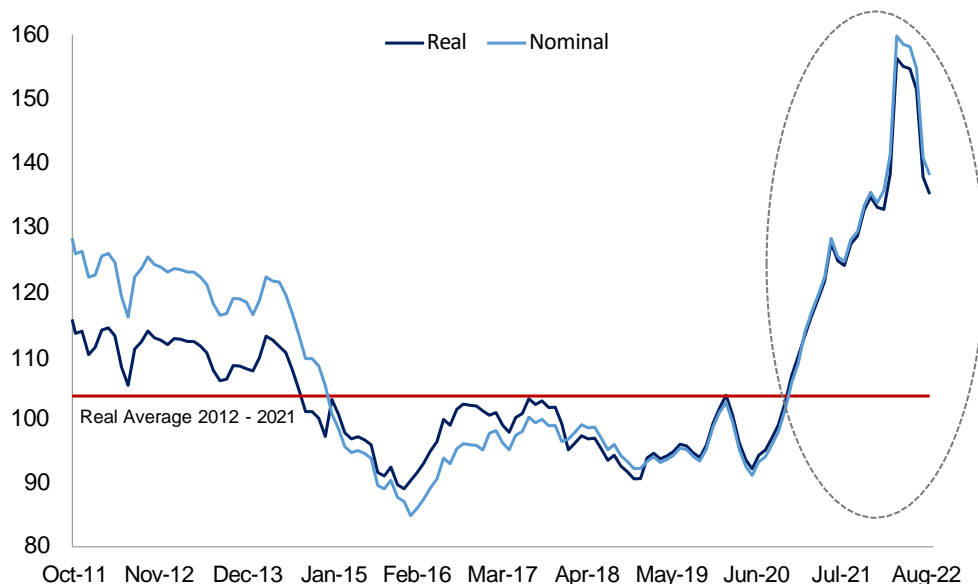
The oil price increase, mainly since 2021, as well as the restrictions of the COVID-19 pandemic that limit access to other basic inputs, raised the cost of industrial products. In this regard, the increase in the price of manures and fertilizers has exerted additional pressure on food prices, since it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

Import Prices

Item	% Change		
	Dec. 21 /	Aug. 22 /	Aug. 22 /
	Dec. 20	Dec. 21	Jun. 22
Industrial inputs	34.4	4.7	-1.2
Plastics	52.2	-4.6	-2.9
Iron and Steel	62.1	4.6	0.1
Textiles	26.0	7.5	-3.0
Papers	31.5	18.4	1.6
Chemical goods	15.5	17.2	3.0
Organic chemicals	45.1	-0.8	-6.0
Rest	28.5	4.1	-1.3
<i>Of Which:</i>			
Fertilizers	111.3	24.0	-4.3

Source: Sunat.
Elaboration: BCRP.

FAO Food Price Index* (Base 2014 - 2016 = 100)



* The real price index is the nominal price index deflated by the World Bank's manufacturing unit value index.

Source: FAO



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On September 8, the exchange rate stands at S/3.883 per dollar, which caused an appreciation of 2.7 percent compared to December 31, 2021 (S/3.991).

Exchange Rate

(currency units per dollar)

		End of period					Accumulated change (%)**				
		Dec.19	Dec.20	Dec.21	Jun.22	Aug.22	As of September 8. 2022	Aug.22	Dec.21	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	95.67	104.69	108.70	109.66	0.9	14.6	21.9	13.8
Eurozone	US\$ per Euro	1.121	1.222	1.137	1.048	1.005	1.000	-0.6	-12.1	-18.2	-10.8
United Kingdom	US\$ per Pound	1.326	1.367	1.353	1.218	1.162	1.150	-1.0	-15.0	-15.8	-13.2
Japan	Yen	109	103	115	136	139	144	3.7	25.2	39.6	32.7
Australia	US\$ per AUD	0.702	0.769	0.726	0.690	0.684	0.675	-1.3	-7.0	-12.3	-3.8
Canada	CAD	1.299	1.273	1.264	1.287	1.313	1.309	-0.3	3.6	2.9	0.8
Brazil	Real	4.02	5.19	5.57	5.26	5.18	5.22	0.6	-6.4	0.4	29.6
Colombia	Peso	3,287	3,428	4,065	4,152	4,427	4,400	-0.6	8.2	28.3	33.8
Chile	Peso	753	711	852	918	896	881	-1.7	3.4	24.0	17.0
Mexico	Peso	18.93	19.91	20.53	20.12	20.14	19.97	-0.9	-2.7	0.3	5.5
Argentina	Peso	60	84	103	125	139	141	1.7	37.4	67.7	135.7
Peru	Sol	3.314	3.619	3.991	3.827	3.855	3.883	0.7	-2.7	7.3	17.2

* An increase in the index implies an appreciation of the dollar, except in the euro and the pound.

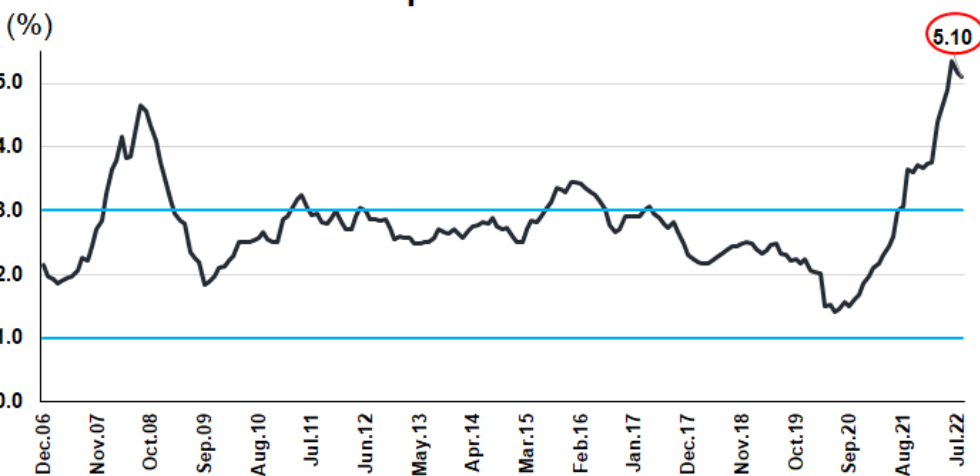
** Comparison of 2022 is with respect to September 8.

Source: Reuters



One-year-ahead expected inflation decreased from 5.16 to 5.10 percent between July and August, 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:			
	Jun 30.	Jul 27.	Aug 31.	
Economic analysts¹				
2022	7.00	7.45	7.30	↓
2023	4.00	3.50	4.00	↑
2024	3.00	3.00	3.00	=
Financial entities²				
2022	6.40	6.80	7.30	↑
2023	4.00	4.00	4.00	=
2024	4.00	3.65	3.50	↓
Non-financial firms³				
2022	6.00	6.50	7.00	↑
2023	4.50	4.50	4.30	↓
2024	3.90	3.90	4.00	↑

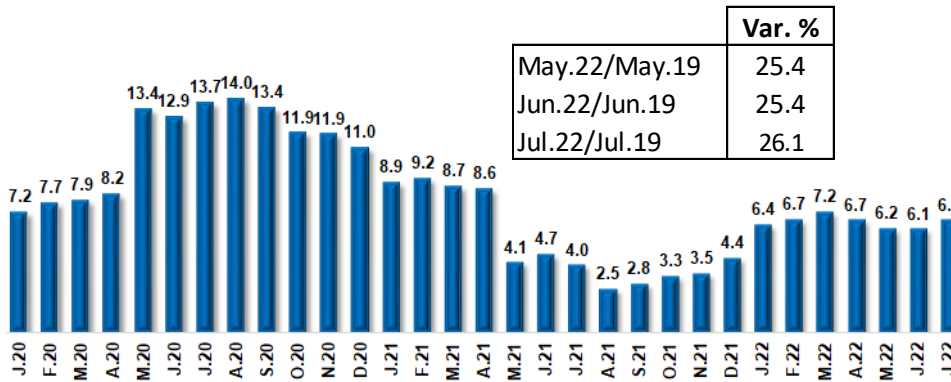
¹ 19 analysts in June, 18 in July and 19 in August 2022.
² 13 financial entities in June, 16 in July and 16 in August 2022.
³ 284 non financial firms in June, 287 in July and 296 in August 2022.



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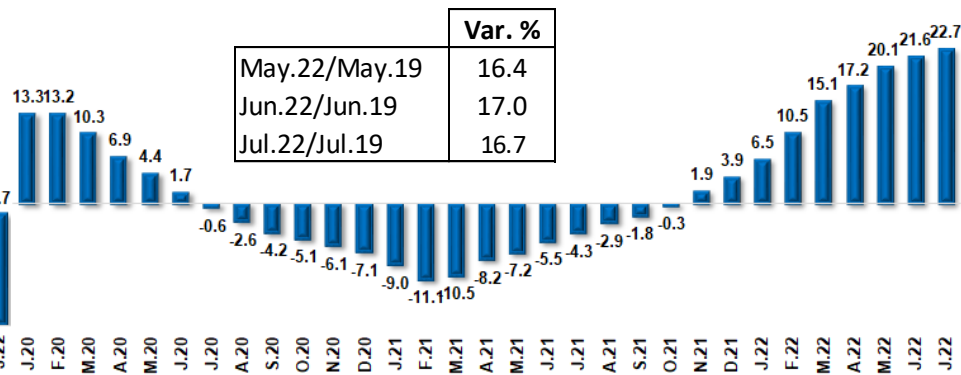
Different economic activity and leading indicators show that the recovery of private consumption remains.

Credit to the private sector*
(Annual % change)



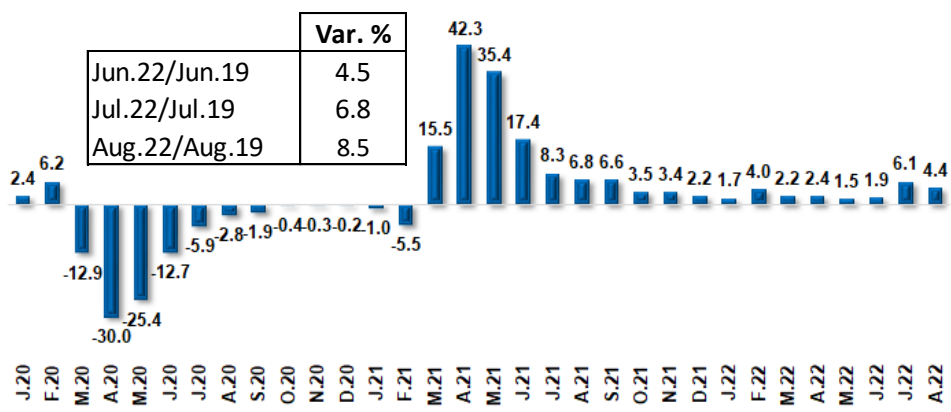
Source: * Balances are valued at constant exchange rate S/ 3.62 per US\$.

Consumer loans*
(Annual % change)



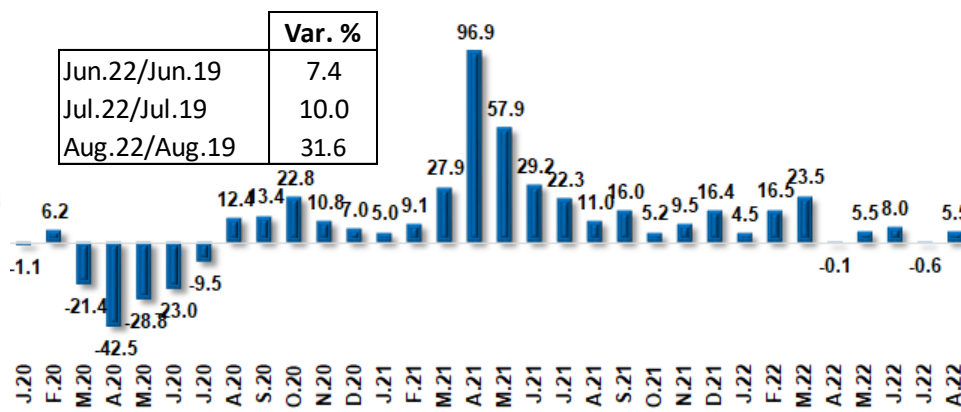
Source: * Balances are valued at constant exchange rate S/ 3.62 per US\$.

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



Source: COES.

Non traditional exports
(Annual % change)



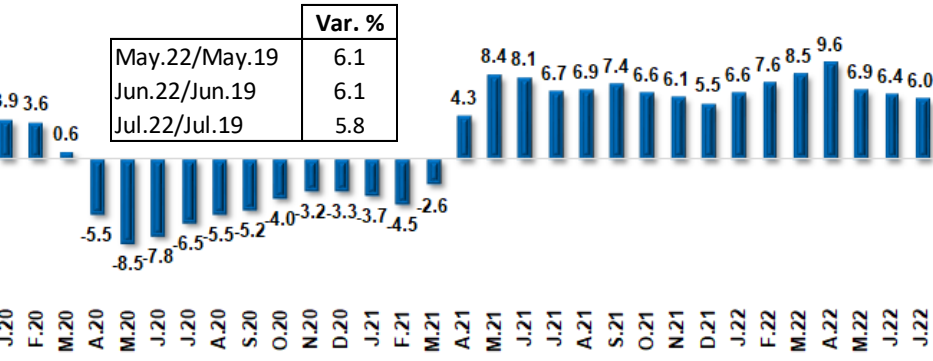
Source: Sunat. * Forecast for July.



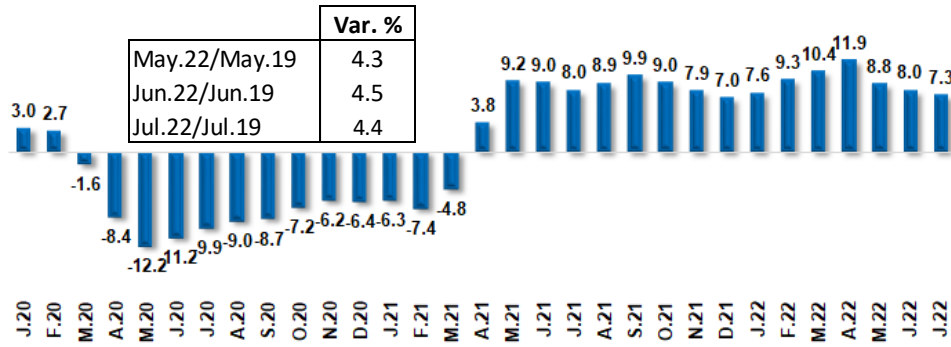
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In July 2022, total formal employment at the national level increased 6.0 percent compared to July 2021, mainly due to the growth of employment in the private sector (7.3 percent).

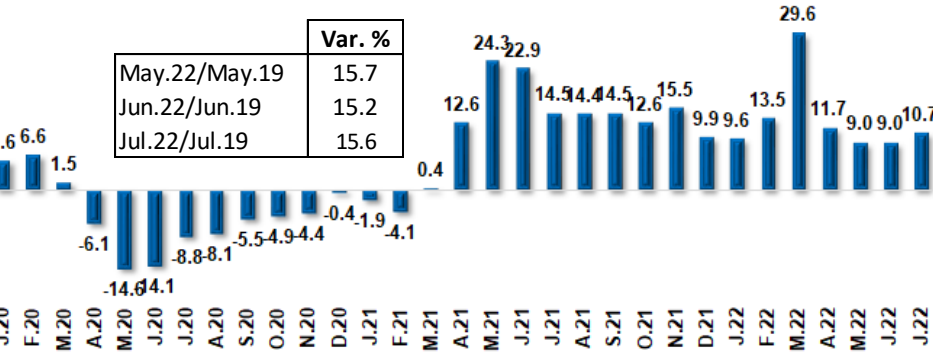
Formal employment - Electronic Payroll
(Annual % change)



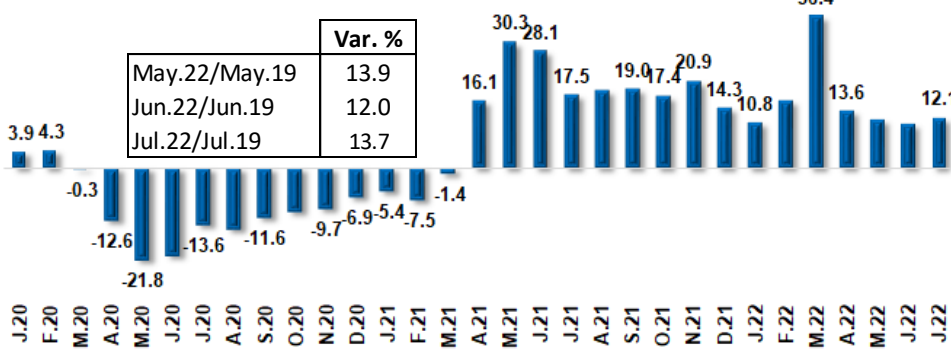
Private sector formal employment - Electronic Payroll
(Annual % change)



Total formal wage bill - Electronic Payroll
(Annual % change)



Private sector formal wage bill - Electronic Payroll
(Annual % change)



Source: SUNAT - Monthly Payment Form.



In July 2022, total formal employment in the private sector increased 7.3 percent compared to July 2021, mainly due to growth in the services sector.

Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	July								Jan - Jul	
	2019	2020	2021	2022	Change 2022 / 2021		Change 2022 / 2019		% Chg.	% Chg.
					Thousands	%	Thousands	%	22/21	22/19
Total	3,718	3,349	3,618	3,883	265	7.3	165	4.4	9.1	4.4
Agriculture and Livestock ^{1/}	379	421	408	421	13	3.2	42	11.1	11.5	12.4
Fishing	21	21	21	21	0	2.2	0	0.5	-1.2	-1.9
Mining	100	93	110	115	5	4.9	15	14.9	7.6	14.7
Manufacturing	474	429	459	472	13	2.8	-2	-0.4	4.5	0.2
Electricity	13	13	14	16	2	13.3	3	22.5	9.2	19.8
Construction	230	161	240	233	-7	-2.9	4	1.5	-0.7	7.5
Commerce	622	580	616	660	43	7.1	37	6.0	8.3	5.6
Services	1,876	1,628	1,739	1,927	188	10.8	50	2.7	11.3	1.9
Not specified	2	2	10	17	7	n.a.	15	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 August, but most remain in the pessimistic range.

Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Jun.2022	Jul.2022			Aug.2022			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	34.1	34.3	↑	<	35.6	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	40.5	43.0	↑	<	42.6	↓	<	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	43.2	43.2	▬	<	44.4	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	49.2	48.9	↓	<	50.4	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	48.7	46.2	↓	<	46.1	↓	<	0.66
	IN 12 MONTHS	66.6	46.4	53.9	52.5	↓	>	54.1	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	50.6	49.3	↓	<	47.9	↓	<	0.66
	IN 12 MONTHS	68.0	47.4	58.0	55.6	↓	>	57.0	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	48.9	47.3	↓	<	46.5	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	51.3	50.8	↓	>	51.7	↑	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{2/}	51.3	29.9	44.7	44.2	↓	<	45.1	↑	<	0.65
	IN 12 MONTHS ^{2/}	59.3	40.0	51.0	50.2	↓	>	51.9	↑	>	0.65
EXPECTATION OF THE AVERAGE PRICE:											
SUPPLIES IN 3 MONTHS		51.5	52.9	72.1	67.9	↓	>	64.8	↓	>	0.63
SALE IN 3 MONTHS		56.4	49.7	62.4	61.1	↓	>	61.2	↑	>	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

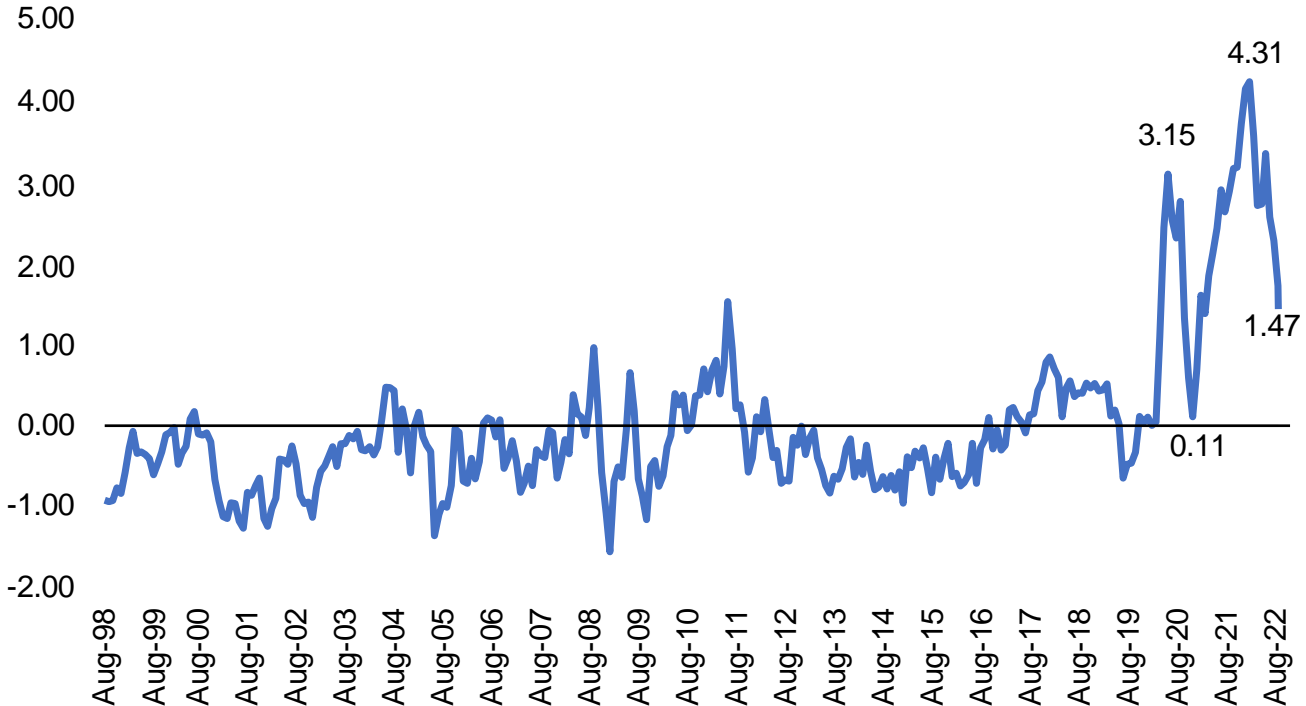
Source: BCRP



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.

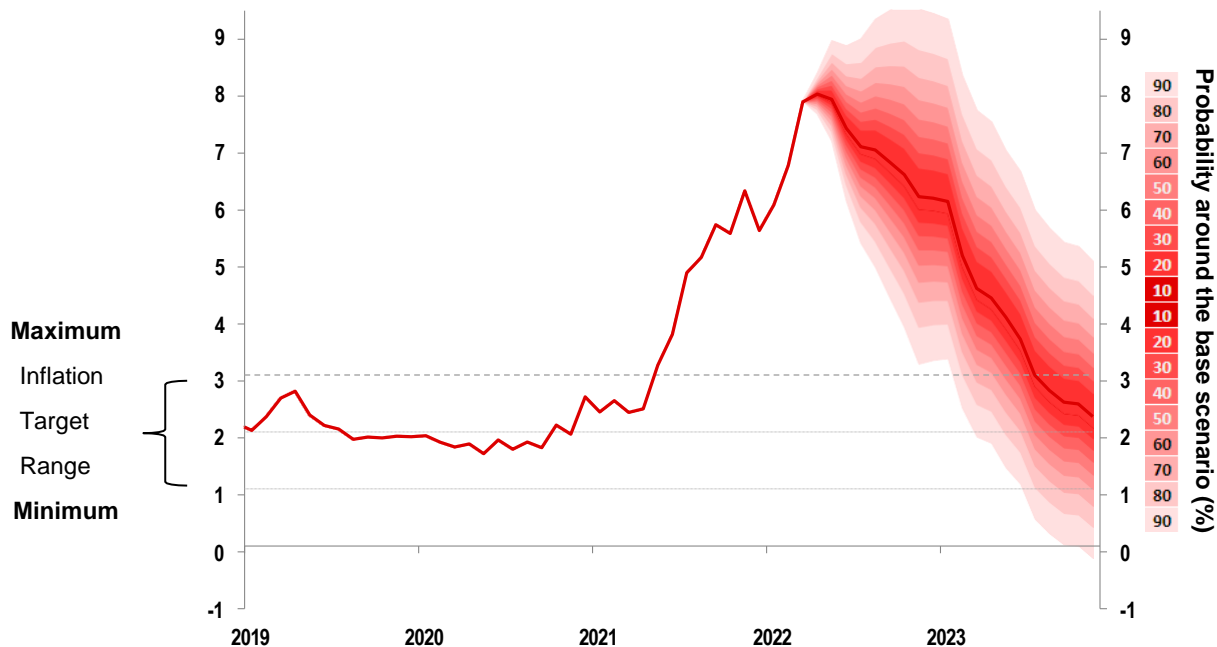


A downward trend in year-on-year inflation is forecast with a return to the target range in the second half of next year, due to a moderation of the impact of international food and fuel prices, and to a reduction in inflation expectations.

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 June 2022



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