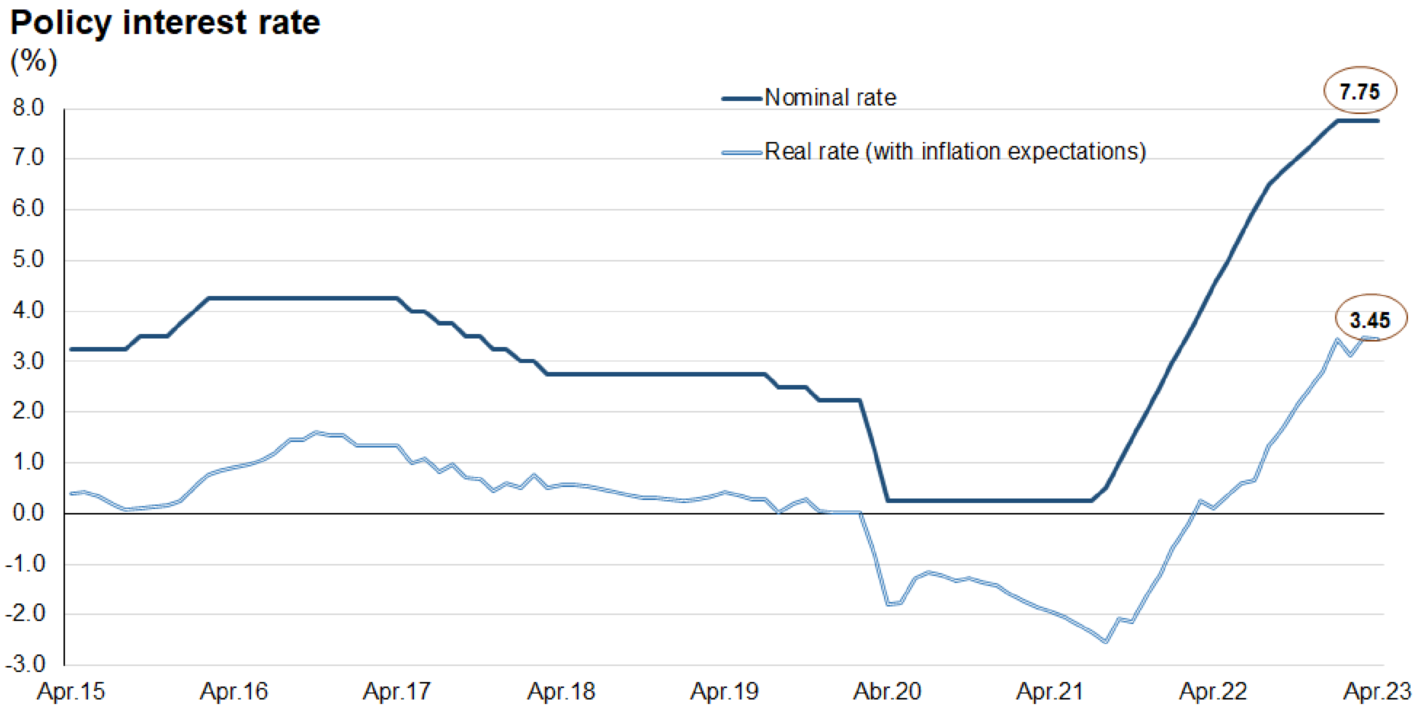
CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement April 2023

April 14, 2023

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to maintain the reference rate at 7.75 percent. This decision does not necessarily imply an end to the BCRP's monetary tightening cycle. Future reference rate adjustments will be conditional on new information about inflation and its determinants, including the macroeconomic effects of the political unrest of previous months.



	Apr.22	May.22	Jun.22	Jul.22	Aug.22	Sep.22	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23	Apr.23
(I) Nominal rate	4.50	5.00	5.50	6.00	6.50	6.75	7.00	7.25	7.50	7.75	7.75	7.75	7.75
(II) Inflation expectations	4.39	4.62	4.89	5.35	5.16	5.10	4.89	4.78	4.68	4.30	4.62	4.29	4.30
(III) Real rate: (I)-(II)	0.11	0.38	0.61	0.65	1.34	1.65	2.11	2.47	2.82	3.45	3.13	3.46	3.45

Source: BCRP

Inflation is a global phenomenon. Central banks have raised their interest rates since 2021, 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	5.50	8.25
Colombia	13.00	7.21	5.79
Chile	11.25	4.50	6.75
Mexico	11.25	4.88	6.37
Peru	7.75	4.30	3.45

* Policy rates as of April 13, 2023 and inflation expectations as of March 2023.

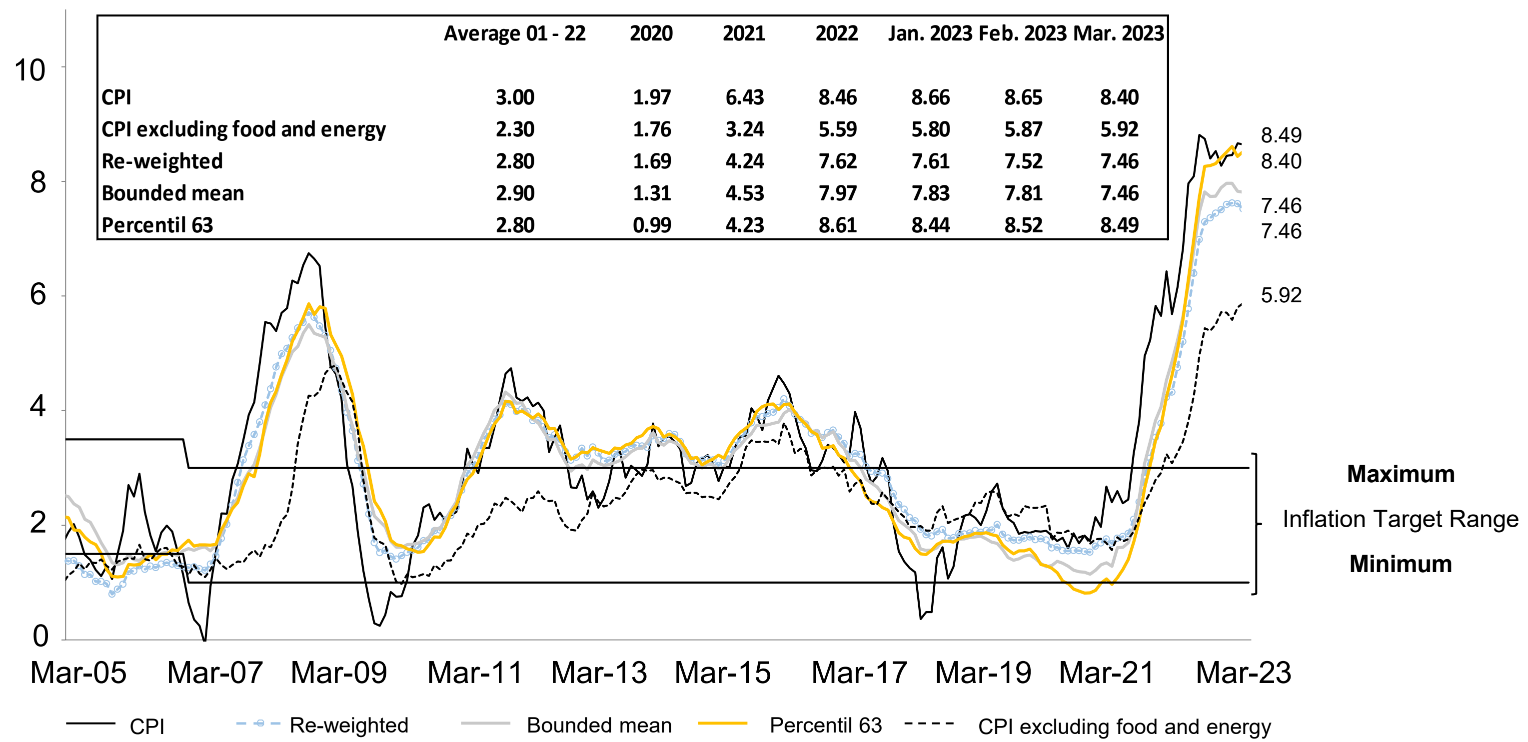
** Obtained by interpolation based on expectations as of December 2023 and 2024 in the cases of Brazil and Mexico (the other central banks publish the data directly).

Source: Central Banks

In March, month-on-month inflation was 1.25 percent and core inflation was 0.88 percent. Year-on-year inflation fell from 8.65 percent in February to 8.40 percent in March, while core inflation increased from 5.87 percent in February to 5.92 percent in March, both above the upper limit of the inflation target range.

Inflation

(Last 12-month % change)

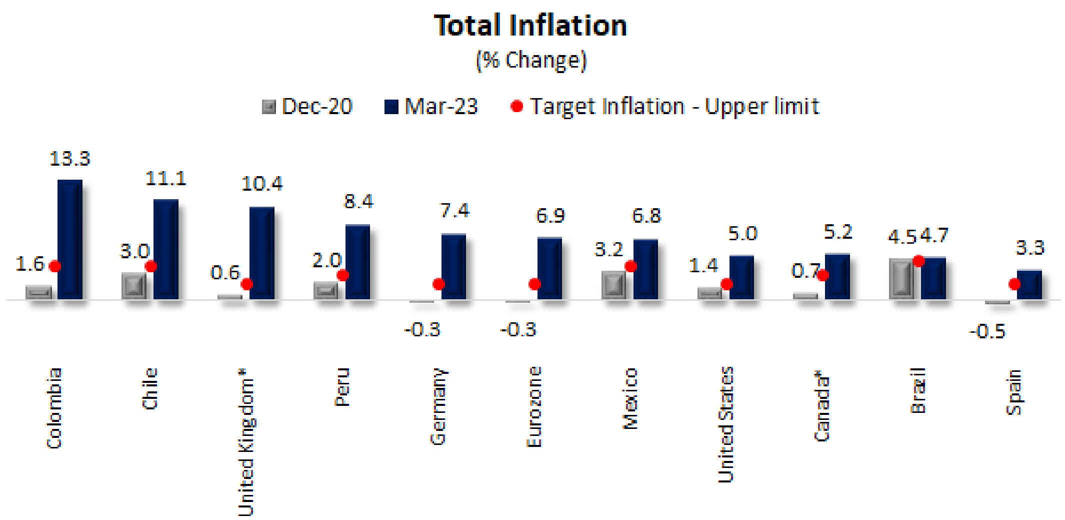


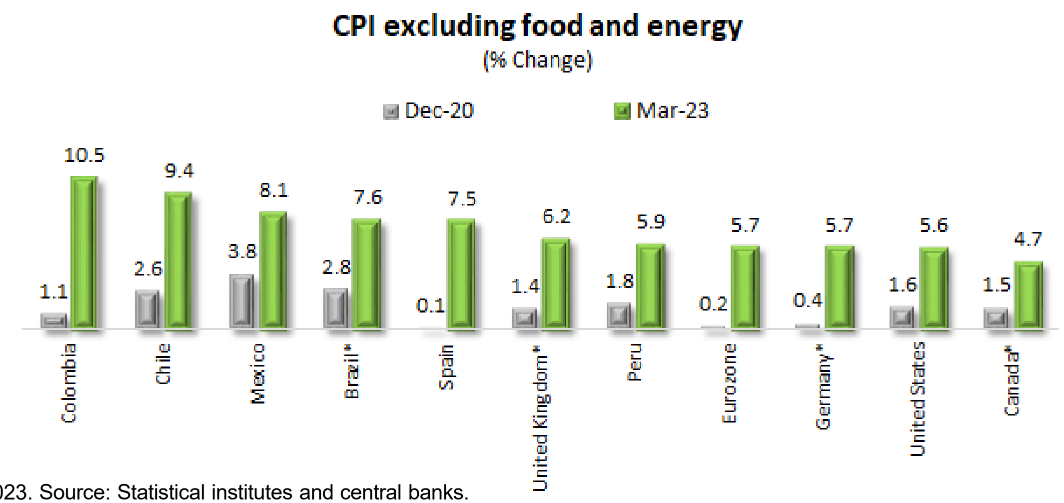
	Average 01 - 22	2020	2021	2022	Jan. 2023	Feb. 2023	Mar. 2023
CPI	3.00	1.97	6.43	8.46	8.66	8.65	8.40
CPI excluding food and energy	2.30	1.76	3.24	5.59	5.80	5.87	5.92
Re-weighted	2.80	1.69	4.24	7.62	7.61	7.52	7.46
Bounded mean	2.90	1.31	4.53	7.97	7.83	7.81	7.46
Percentil 63	2.80	0.99	4.23	8.61	8.44	8.52	8.49

Reweighted: Reduces the weight of items with greater volatility, considers the original weights of each item over the standard deviation of their monthly percentage changes.
Bounded mean: Weighted average of the percentage change of prices between the 34th and 84th percentiles.
Percentile 63: Corresponds to the percentage changes of the item placed in the 63rd percentile.
CPI excluding food and energy: CPI excluding food, fuel and electricity

Source: BCRP

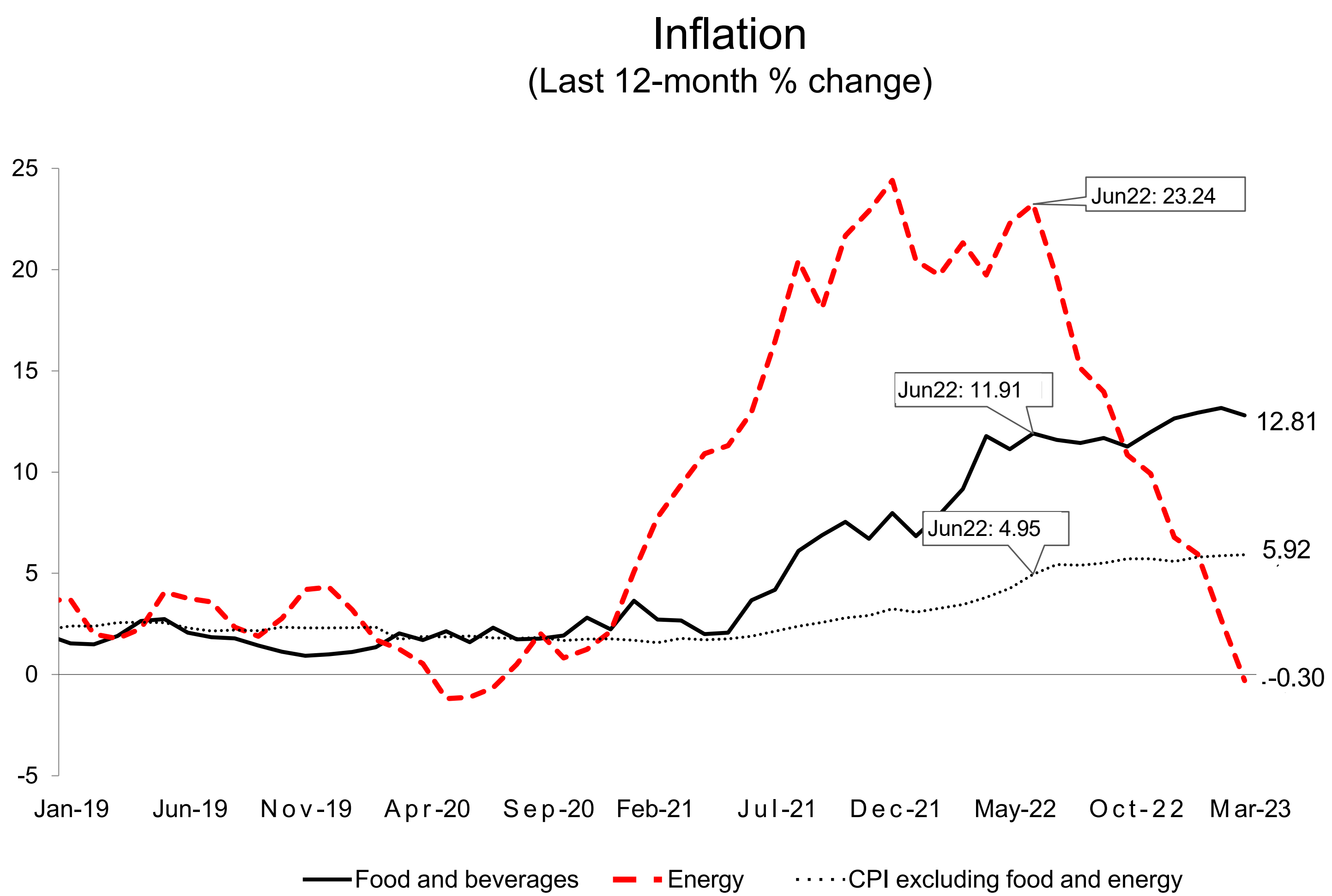
The significant increase in international food and fuel prices since the second half of 2021, accentuated by international conflicts, has led to a sharp increase in global inflation in magnitudes not seen in many years and towards levels significantly higher than the inflation targets of central banks, both in advanced and other economies in the region.





* Information as of February 2023. Source: Statistical institutes and central banks.

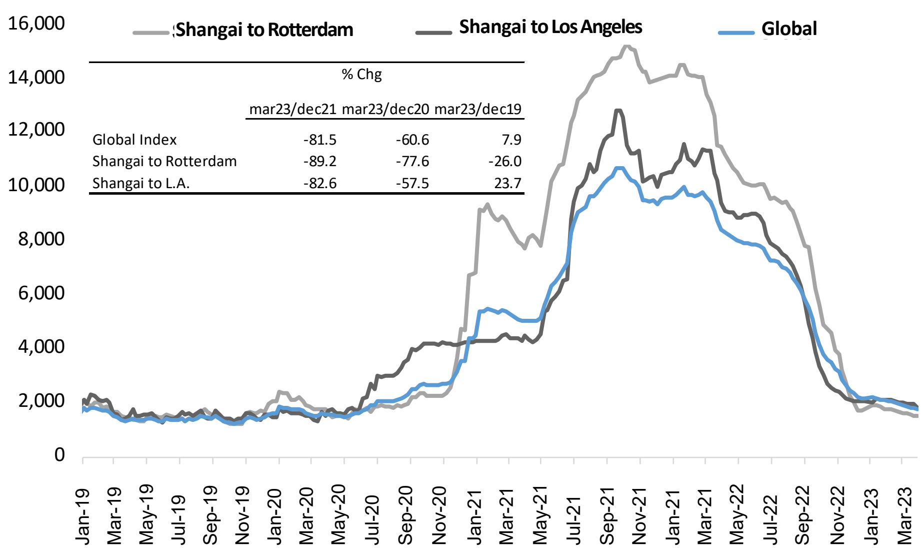
In the Peruvian case, there were transitory inflation effects due to restrictions in the supply of some food and the heavy rains of the last month.



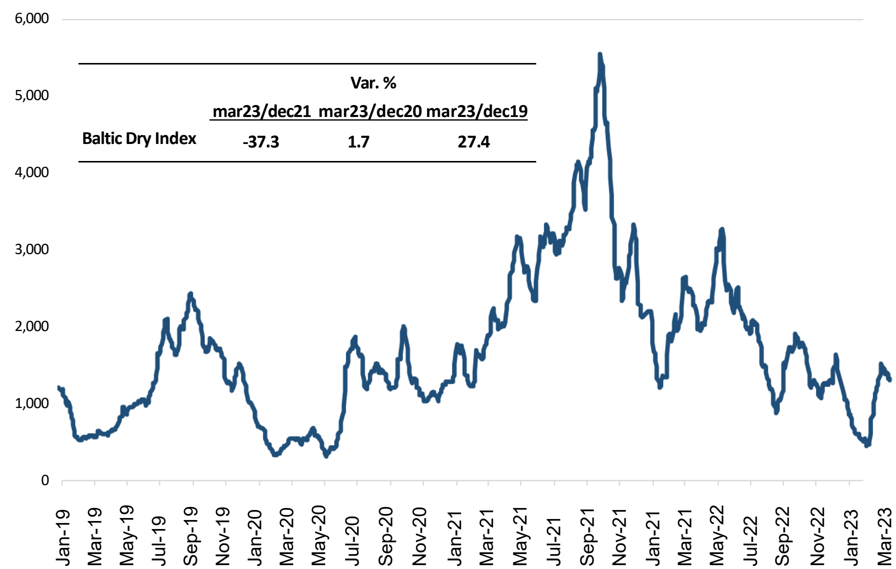
Source: INEI

Import freight rates show a decreasing trend.

Drewry's Global Container Index
(US$ per 40 ft container)



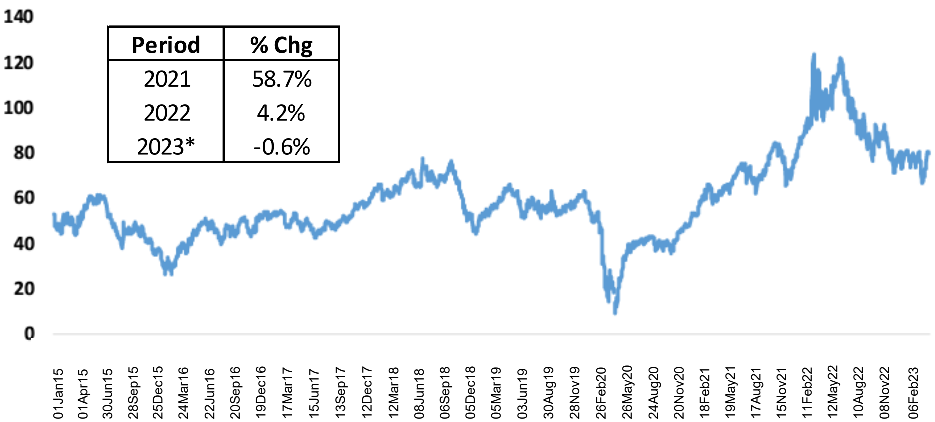
Baltic Dry Index



Source: Sunat, BCRP, Drewry and Baltic.

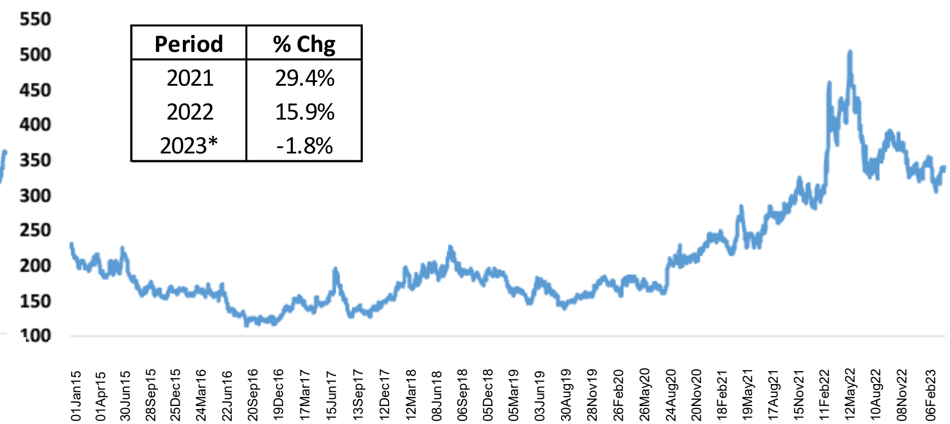
International fuel and grain prices also continue their downward trend.

Oil (West Texas Intermediate, US$/barrel)



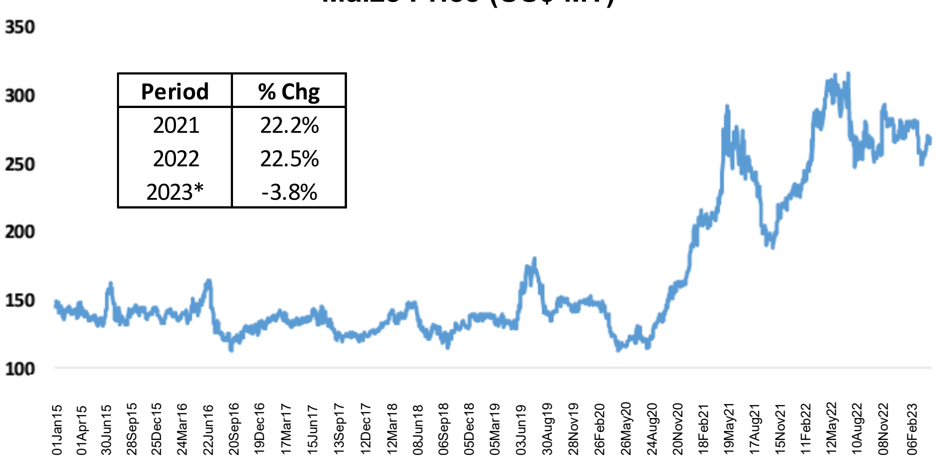
Period	% Chg
2021	58.7%
2022	4.2%
2023*	-0.6%

Wheat Price (HRW US$/MT)



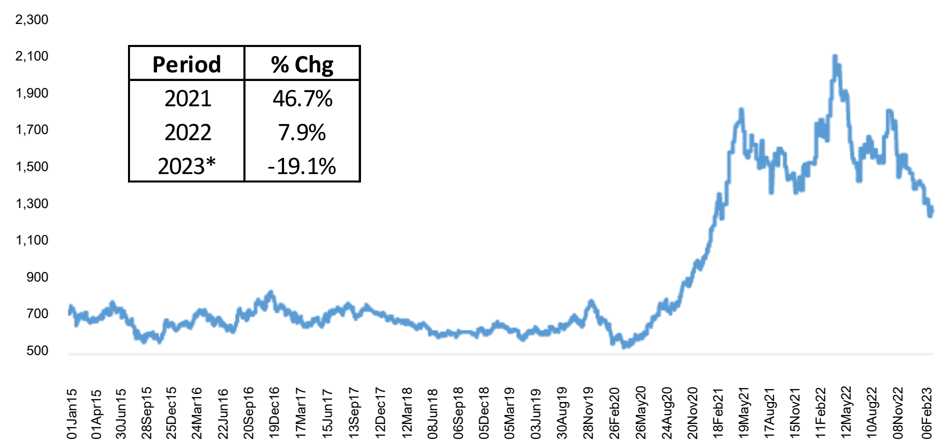
Period	% Chg
2021	29.4%
2022	15.9%
2023*	-1.8%

Maize Price (US$ MT)



Period	% Chg
2021	22.2%
2022	22.5%
2023*	-3.8%

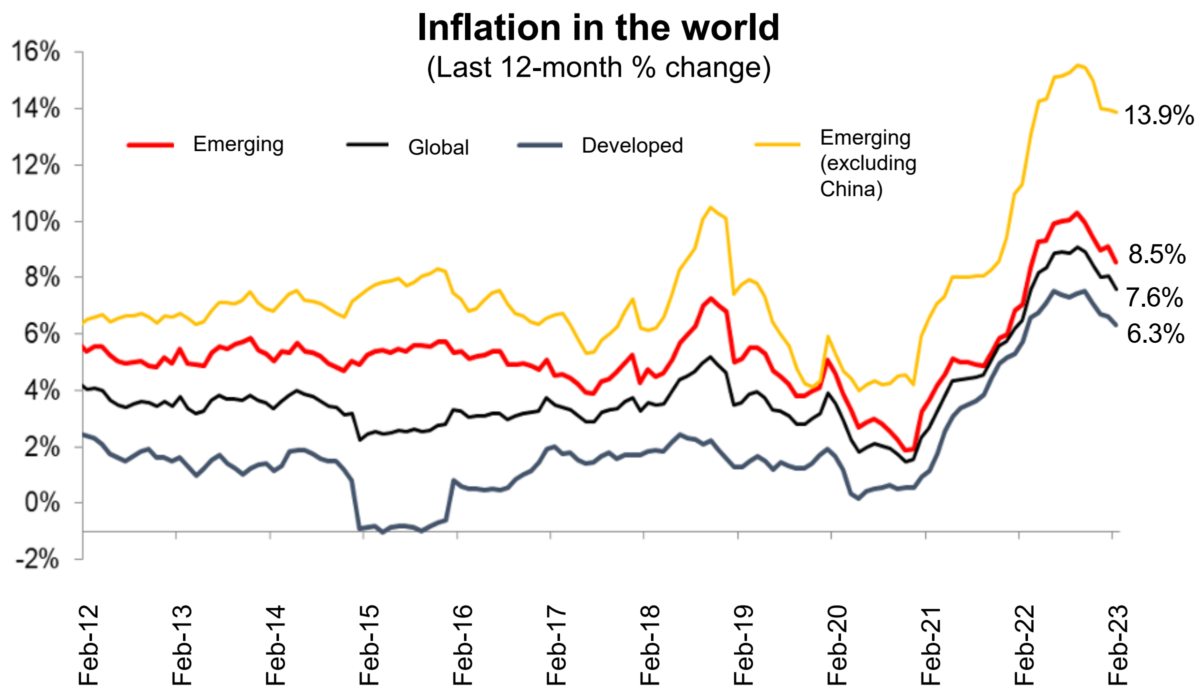
Soybean oil Price (US$ MT)



Period	% Chg
2021	46.7%
2022	7.9%
2023*	-19.1%

Note: For 2023, accumulated variation as of April 11.
Source: Reuters.

Global inflation in February continued to fall, although with regional differences.



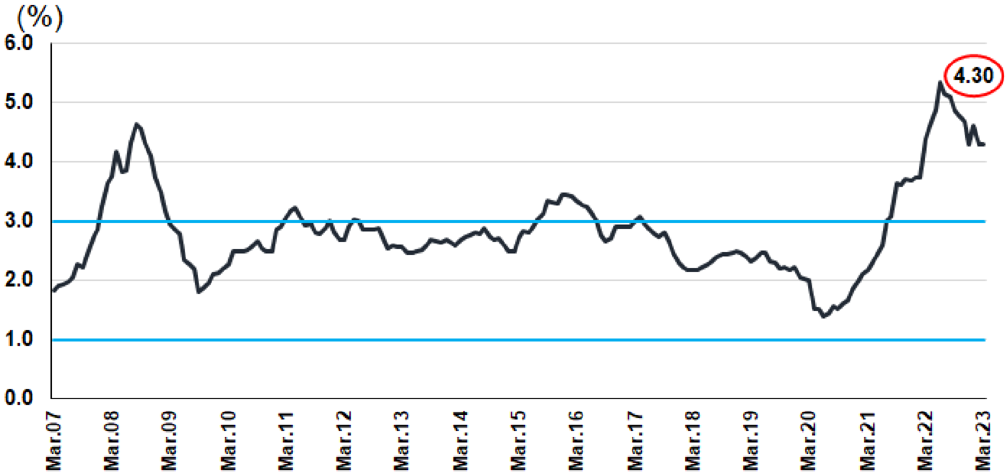
Proportion of countries with an increase in their annual inflation rate
(%)

	September	October	November	December	January	February
Total	56	48	34	32	40	37
Latin America	33	32	41	50	42	40
Asia	49	38	29	46	47	38
Europe	80	62	24	17	32	33

Source: Tading Economics.
Elaboration: BCRP

One-year-ahead expected inflation stood at 4.3 percent in March, above the upper limit of the inflation target range. A downward trend in year-on-year inflation is forecast to continue in the following months, with a return to the target range in the fourth quarter of this year, due to a moderation of the impact of international food and fuel prices, a reversal of agricultural supply shocks, and declining inflation expectations in the rest of the year.

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: Jan 31.	Feb 28.	Mar 31.	
Economic analysts[1]				
2023	4.80	4.00	4.30	↑
2024	3.00	3.00	3.00	=
2025		2.80	2.50	↓
Financial entities[2]				
2023	4.65	5.00	5.00	=
2024	4.00	3.50	3.50	=
2025		3.00	3.00	=
Non-financial firms[3]				
2023	5.00	5.50	5.70	↑
2024	4.00	4.00	4.00	=
2025		3.85	4.00	↑

[1] 19 analysts in January, 17 in February and 18 in March 2023.
[2] 18 financial entities in January, 17 in February and 18 in March 2023.
[3] 284 non financial firms in January, 284 in February and 283 in March 2023.

Various leading and expectation indicators for economic activity improved in March, but they remain in pessimistic territory.

Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Jan.2023	Feb.2023			Mar.2023			Correlation with GDP 1/
CURRENT SITUATION:											
BUSINESS SITUATION		53.4	41.1	46.3	48.2	↑	<	48.4	↑	<	0.56
LEVEL OF SALES		54.2	30.3	39.0	41.8	↑	<	47.4	↑	<	0.49
PRODUCTION LEVEL		50.0	23.5	42.2	39.5	↓	<	42.9	↑	<	0.44
DEMAND COMPARED TO THE EXPECTED DEMAND		40.0	23.0	34.4	36.8	↑	<	36.7	↓	<	0.68
PURCHASING ORDERS COMPARED TO THE PREVIOUS MONTH		51.2	27.5	38.5	41.0	↑	<	43.6	↑	<	0.52
UNWANTED INVENTORY DAYS 2/		8.9	5.9	14.1	12.6	↓	<	11.6	↓	<	-0.36
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	31.9	41.5	↑	<	42.9	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	46.6	51.9	↑	>	51.9	=	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	39.7	44.0	↑	<	46.5	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	50.9	54.7	↑	>	54.5	↓	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	44.6	48.0	↑	<	50.2	↑	>	0.66
	IN 12 MONTHS	66.6	46.4	54.9	58.9	↑	>	57.6	↓	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	45.3	48.5	↑	<	51.9	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	56.0	60.2	↑	>	60.7	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	43.0	45.3	↑	<	44.7	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	49.6	54.0	↑	>	52.1	↓	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS 3/	51.3	29.9	43.6	45.9	↑	<	47.0	↑	<	0.65
	IN 12 MONTHS 3/	59.3	40.0	50.8	55.1	↑	>	53.3	↓	>	0.65
EXPECTATION OF THE AVERAGE PRICE:											
SUPPLIES IN 3 MONTHS		51.5	52.9	58.8	55.6	↓	>	54.6	↓	>	0.63
SALE IN 3 MONTHS		56.4	49.7	60.1	54.7	↓	>	57.9	↑	>	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.

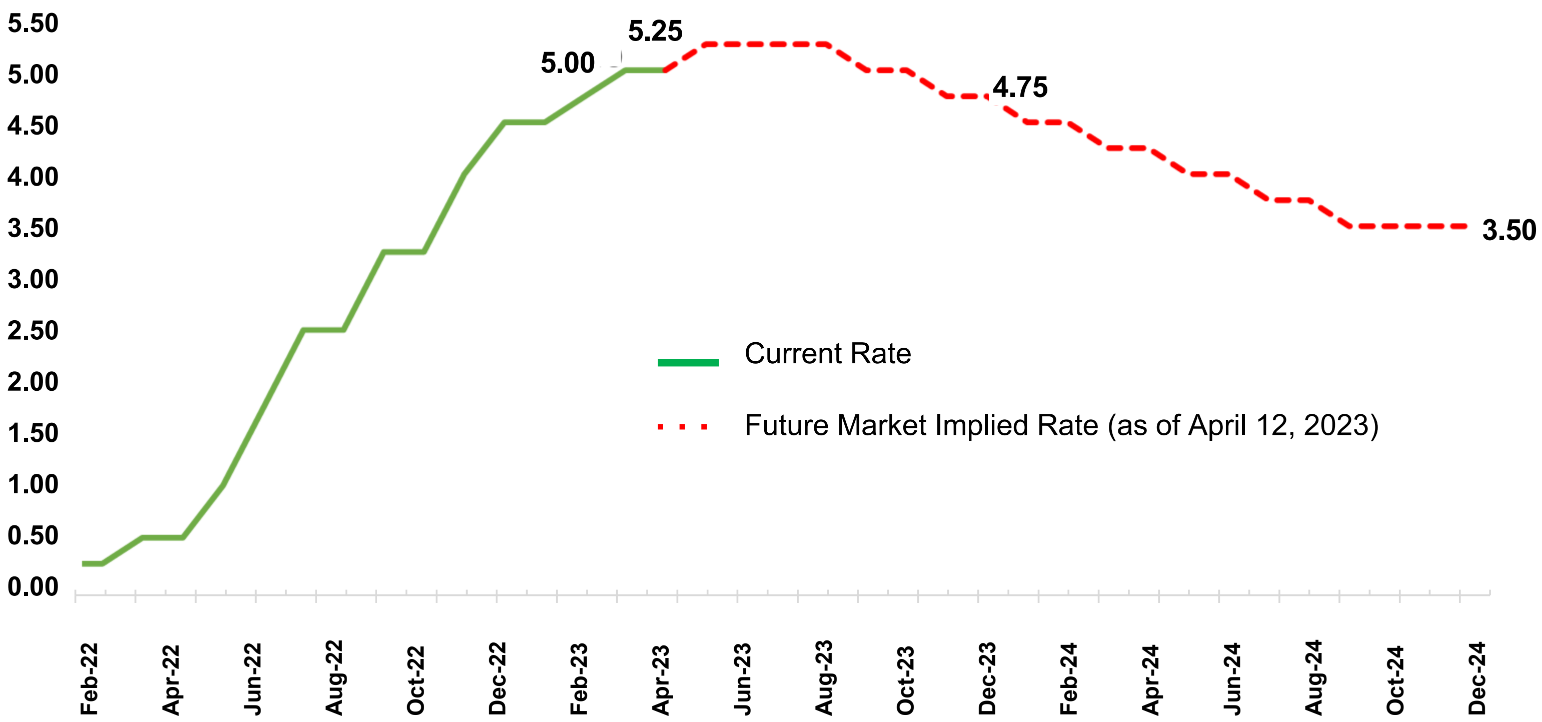
2/ Days of unwanted inventories show the difference between the days of inventories corresponding to each month minus the days of desired inventories according to the companies.

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

The outlook for global economic activity has moderated; however, global risks remain due to monetary tightening in advanced economies, international conflicts, and uncertainty in energy commodity prices.

FED: Rate and Market Expectations*
(%, upper limit)

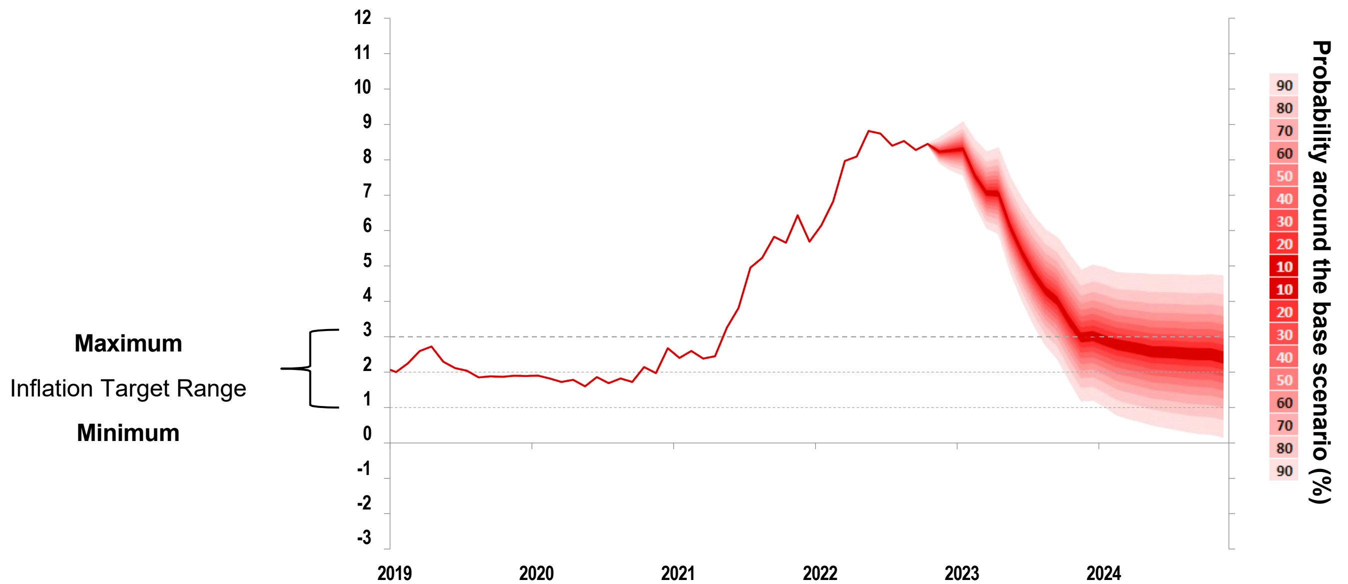


* Forecast uses implied future market rate as of April 12, 2023
Source: FED and Reuters

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

Inflation Forecast: 2022 – 2024

(Last 12-month % change)



Source: BCRP Inflation Report

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