



**CENTRAL RESERVE BANK OF PERU**

# **Monetary Policy Statement February 2023**

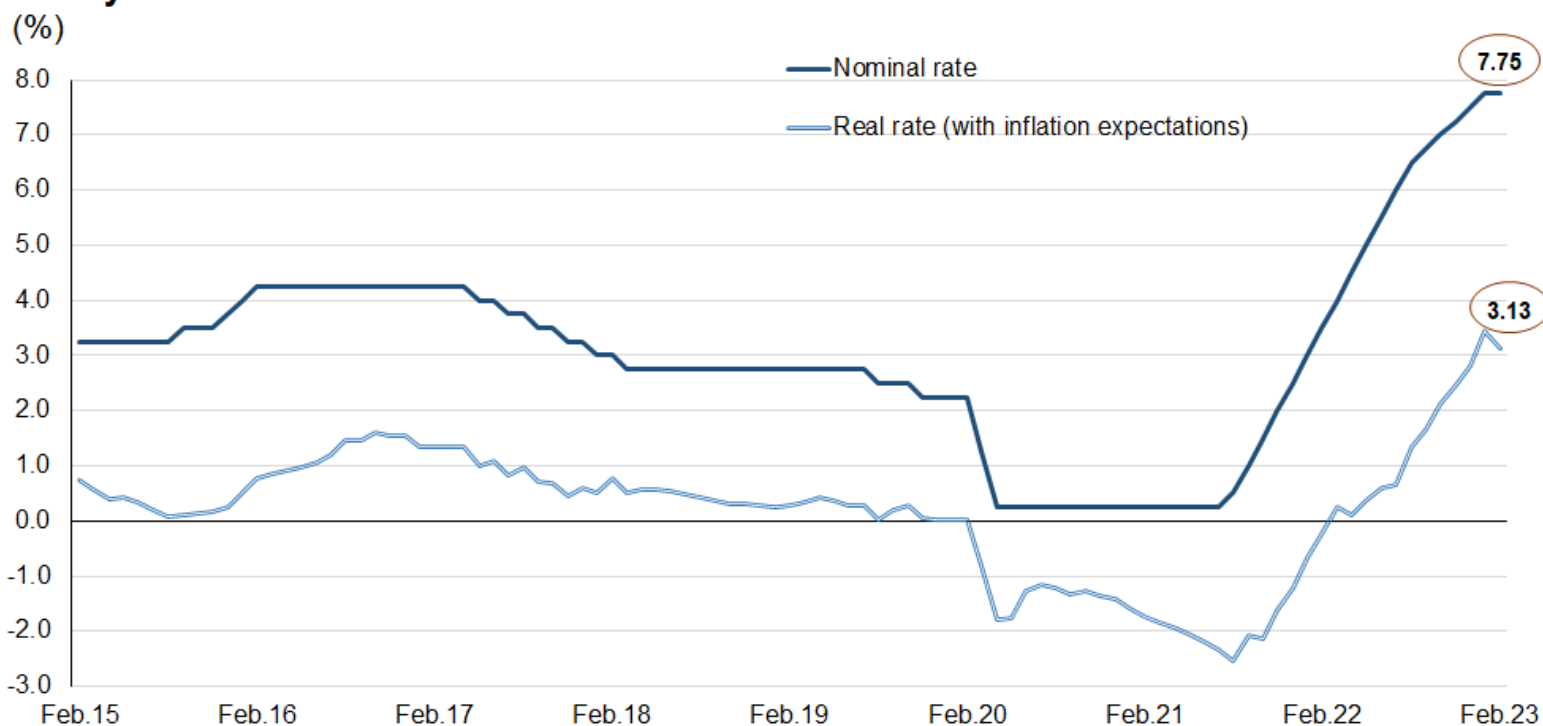
**February 10, 2023**



# CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to maintain the reference rate at 7.75 percent. This pause 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 recent political unrest.

## Policy interest rate



	Feb.22	Mar.22	Apr.22	May.22	Jun.22	Jul.22	Aug.22	Sep.22	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23
<b>(I) Nominal rate</b>	3.50	4.00	4.50	5.00	5.50	6.00	6.50	6.75	7.00	7.25	7.50	7.75	7.75
<b>(II) Inflation expectations</b>	3.73	3.75	4.39	4.62	4.89	5.35	5.16	5.10	4.89	4.78	4.68	4.30	4.62
<b>(III) Real rate: (I)-(II)</b>	-0.23	0.25	0.11	0.38	0.61	0.65	1.34	1.65	2.11	2.47	2.82	3.45	3.13



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\* (%)

	<b>MPIR</b>	<b>1-Year ahead inflation expectations**</b>	<b>Ex ante Real Rate</b>
Brazil	13.75	5.60	8.15
Colombia	12.75	7.72	5.03
Chile	11.25	5.00	6.25
Mexico	11.00	4.98	6.02
Peru	7.75	4.62	3.13

\* Policy rates as of February 9, 2023 and inflation expectations as of January 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 January, month-on-month inflation was 0.23 percent and core inflation was 0.05 percent.

## Monthly Trend Indicators of Inflation

Monthly percentage change

	CPI	Re-weighted <sup>1/</sup>	Bounded mean <sup>2/</sup>	Percentil 63 <sup>3/</sup>	CPI excluding food and energy <sup>4/</sup>
Dec-21	0.78	0.60	0.63	0.68	0.66
Jan-22	0.04	0.32	0.42	0.50	-0.16
Feb-22	0.31	0.44	0.41	0.44	0.21
Mar-22	1.48	0.81	0.94	0.77	0.83
Apr-22	0.96	0.69	0.68	0.82	0.45
May-22	0.38	0.77	0.74	0.84	0.60
Jun-22	1.19	0.86	0.91	0.99	0.86
Jul-22	0.94	0.73	0.83	0.87	0.74
Aug-22	0.67	0.59	0.59	0.64	0.31
Sep-22	0.52	0.48	0.46	0.52	0.33
Oct-22	0.35	0.52	0.62	0.63	0.50
Nov-22	0.52	0.52	0.47	0.50	0.23
Dec-22	0.79	0.63	0.63	0.77	0.54
Jan-23	0.23 ↓	0.31 ↓	0.30 ↓	0.34 ↓	0.05 ↓

1/ **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.

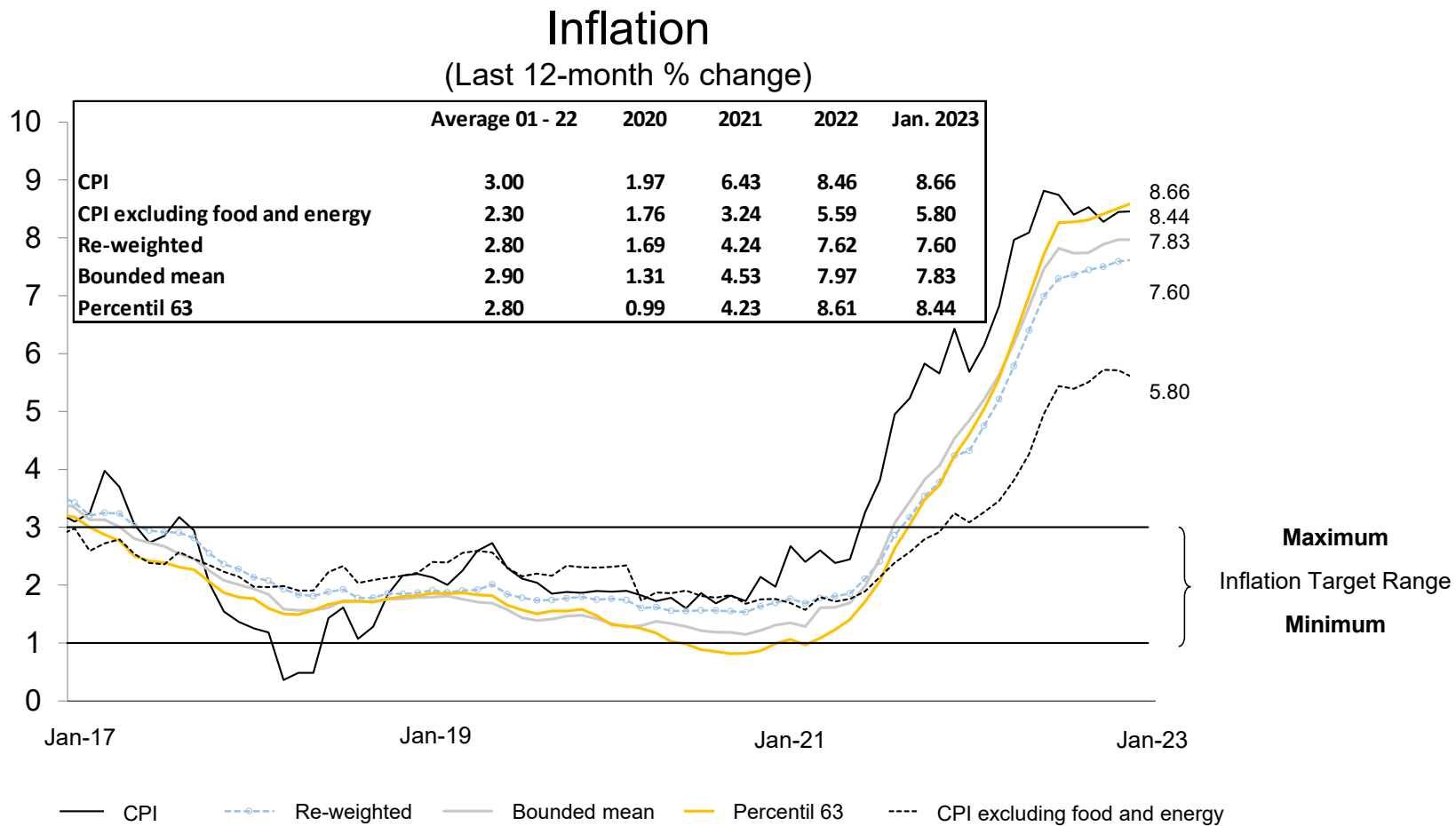
2/ **Bounded mean**: Weighted average of the percentage change of prices between the 34th and 84th percentiles.

3/ **Percentile 63**: Corresponds to the percentage changes of the item placed in the 63rd percentile.

4/ **CPI excluding food and energy**: CPI excluding food, fuel and electricity



Year-on-year inflation increased from 8.46 percent in December to 8.66 percent in January, due to higher prices for locally produced food, while core inflation increased from 5.59 percent in December to 5.80 percent in January, both above the upper limit of the inflation target range.



**Rewighted:** 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.

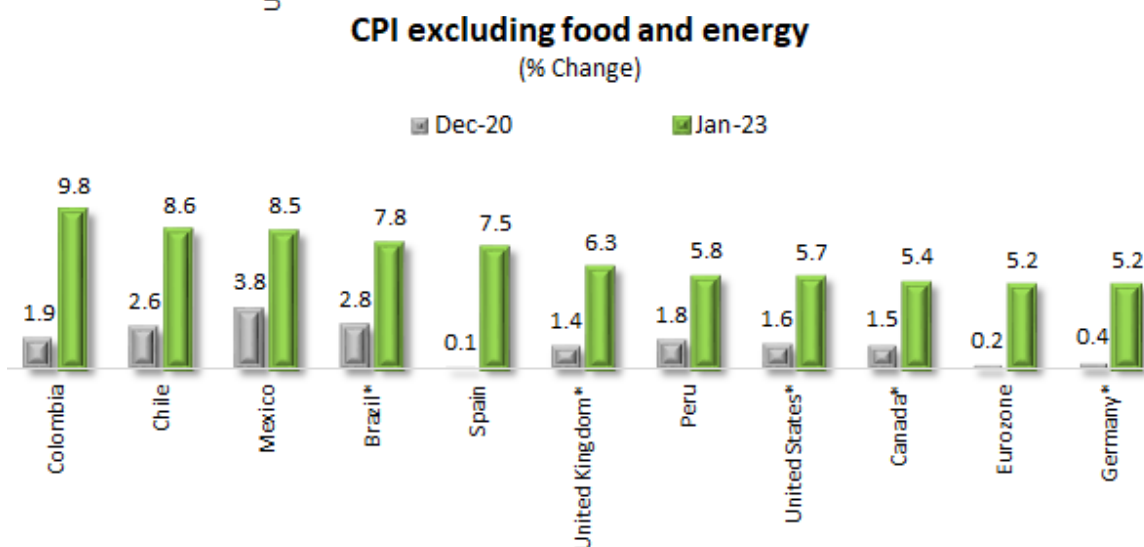
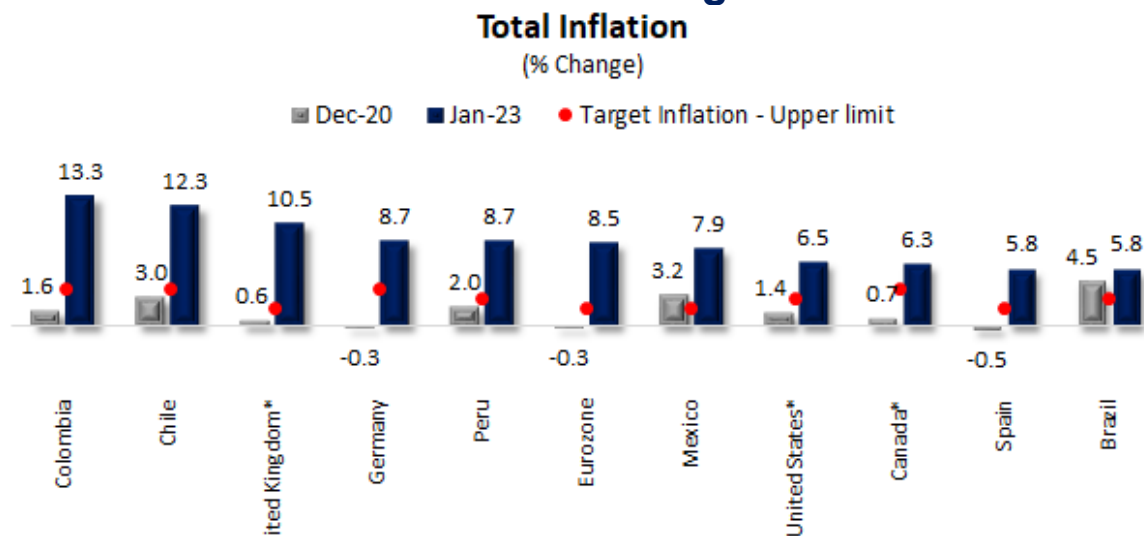
**Percentile 63:** Corresponds to the percentage changes of the item placed in the 63rd percentile.

**CPI excluding food and energy:** CPI excluding food, fuel and electricity



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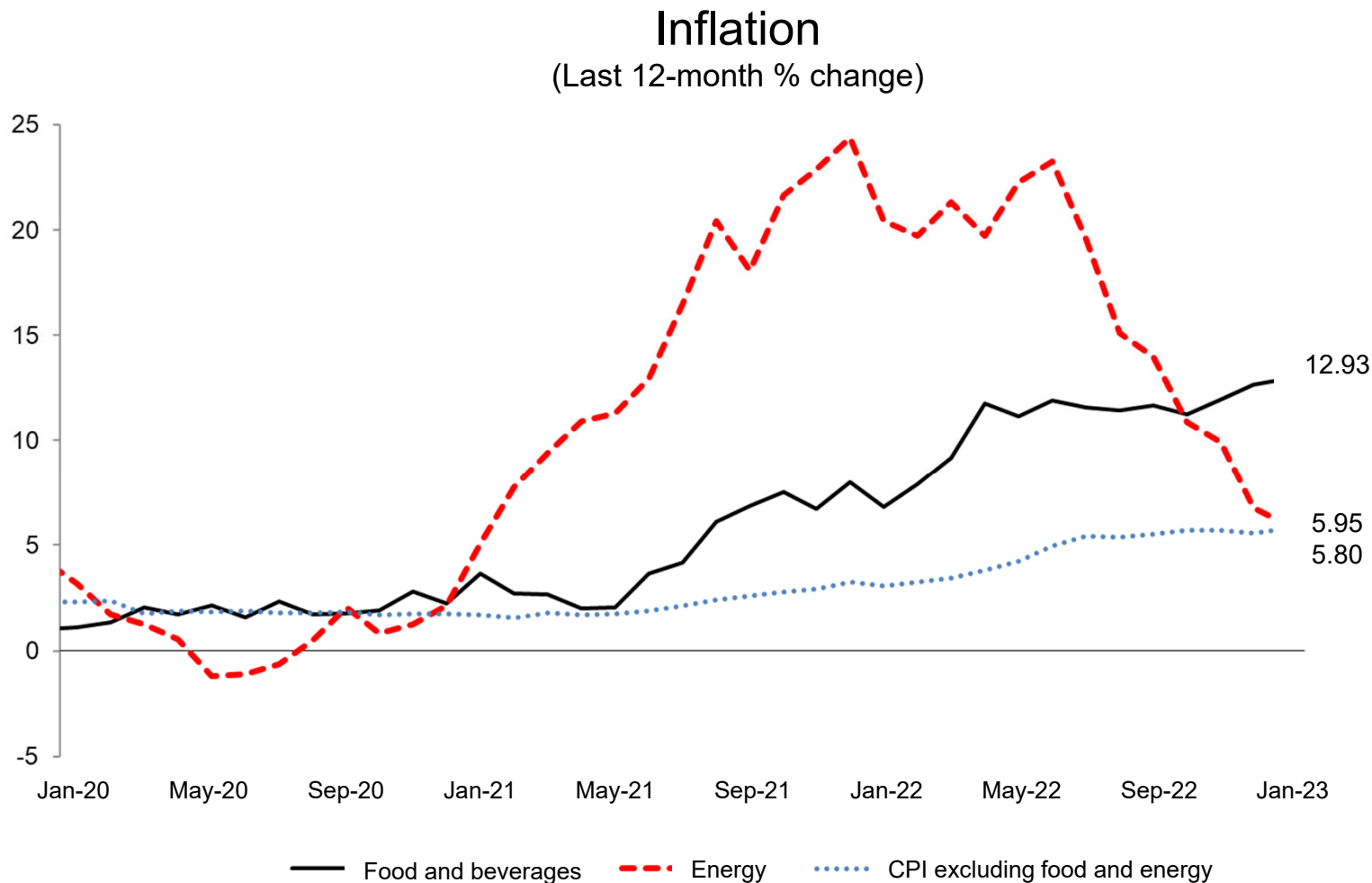
The significant increase in international food and fuel prices since the second half of 2021, accentuated by international conflicts, has led to a sharp increase in global inflation in magnitudes not seen in many years and towards levels significantly higher than the inflation targets of central banks,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



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



In the case of domestic inflation, it has been exacerbated by the political unrest since December.

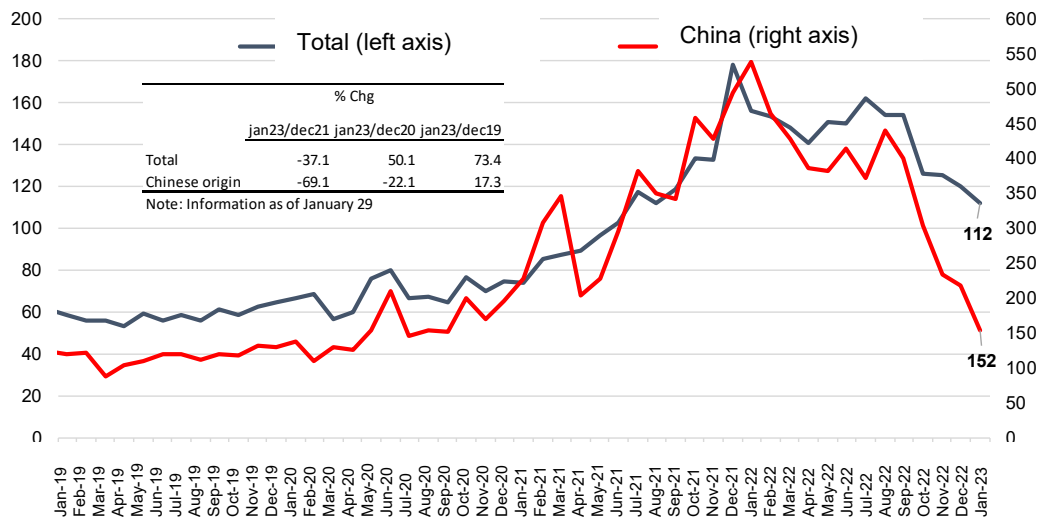


Source: INEI

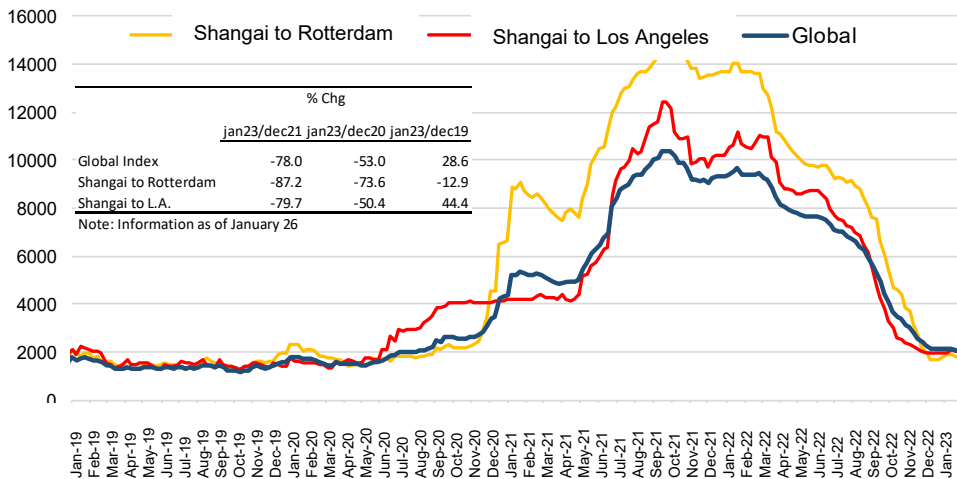


## Import freight rates show a decreasing trend.

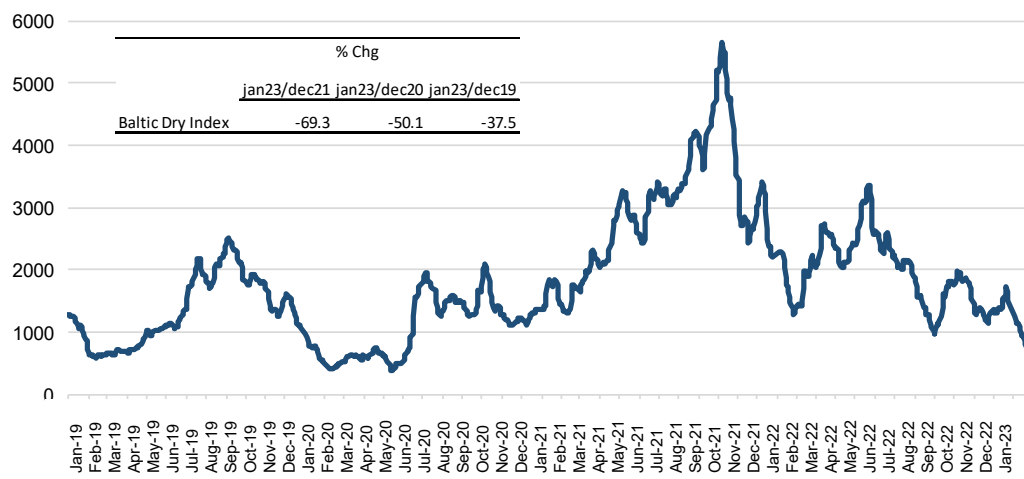
### Freight rates by region of origin (US\$/MT)



### Drewry's Global Container Index (US\$ per 40-foot container)



### Baltic Dry Index



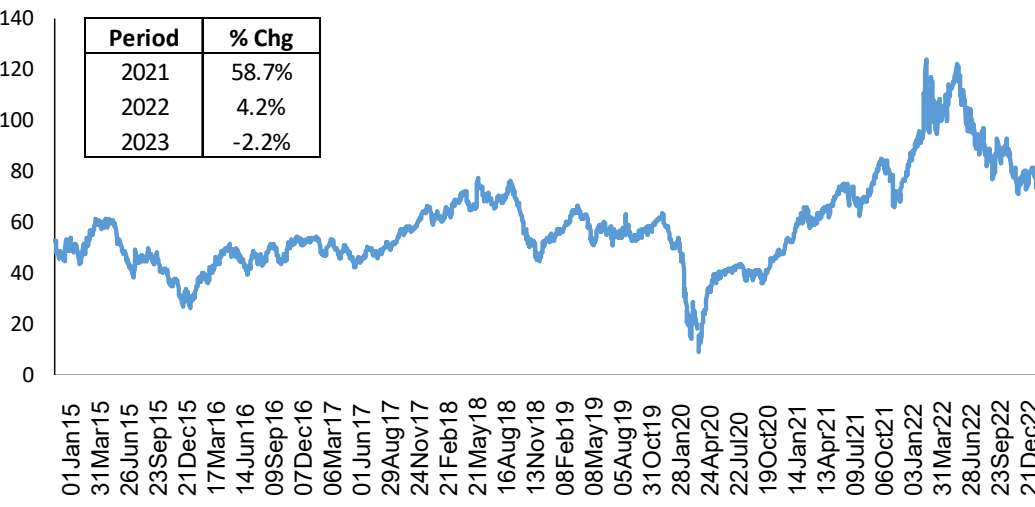
Source: Sunat, BCRP, Drewry and Baltic.



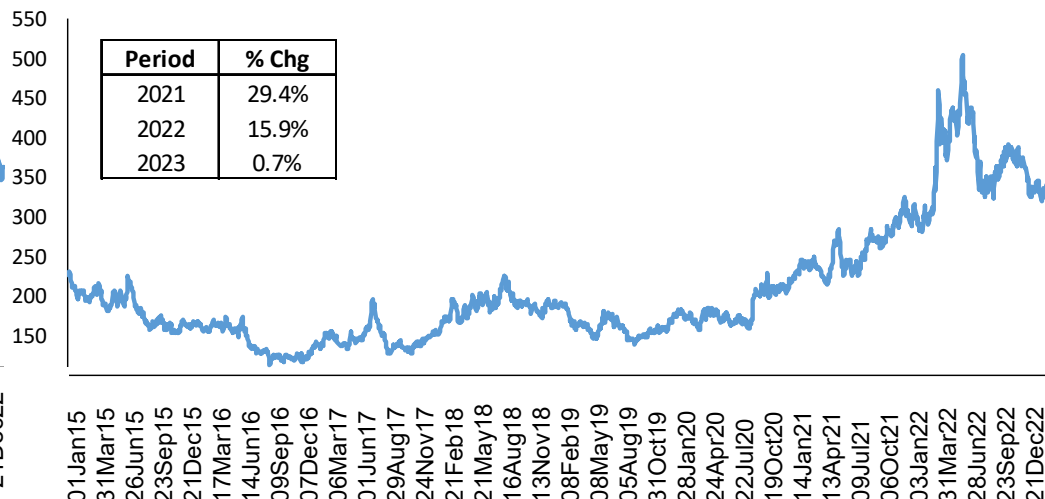


## International fuel and grain prices also continue their downward trend.

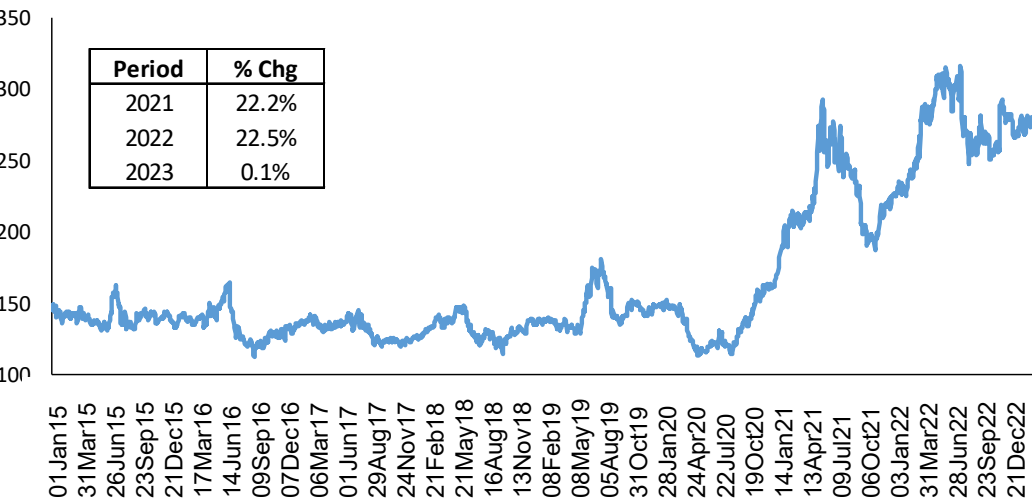
### Oil (West Texas Intermediate, US\$/barrel)



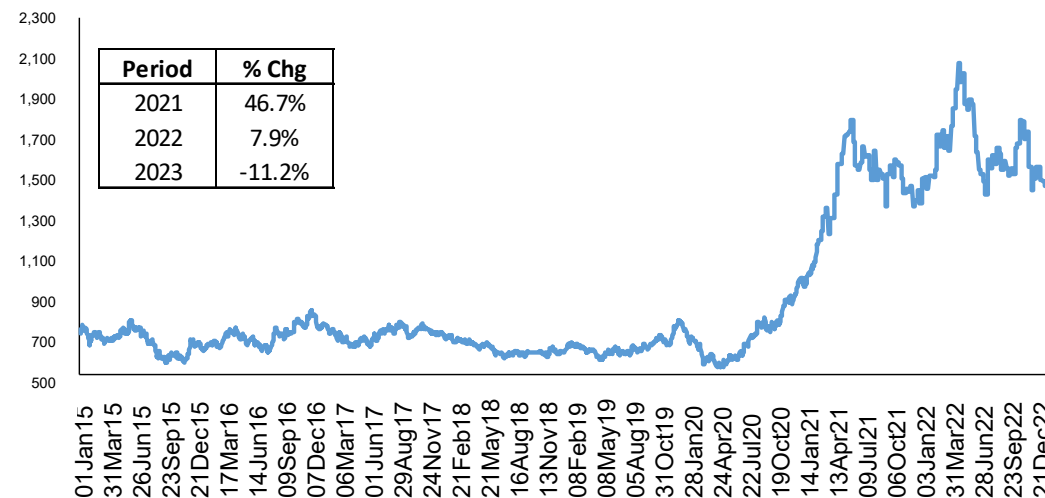
### Wheat Price (HRW US\$/MT)



### Maize Price (US\$ MT)



### Soybean oil Price (US\$ MT)

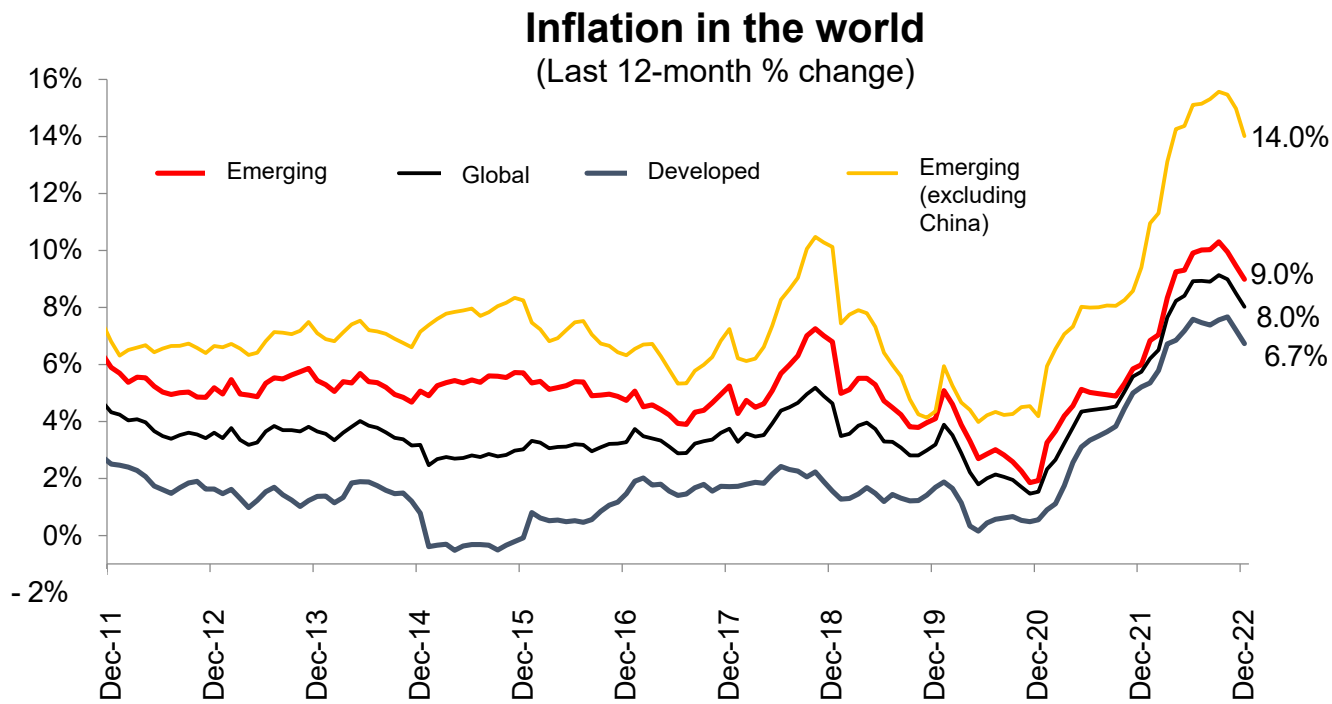


Note: For 2023, accumulated variation as of February 9.

Source: Reuters.



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



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

	September	October	November	December
<b>Total</b>	56	48	34	32
<b>Latin America</b>	33	32	41	50
<b>Asia</b>	49	38	29	46
<b>Europe</b>	80	62	24	17

Source: Bloomberg and trading economics.  
Elaboration: BCRP



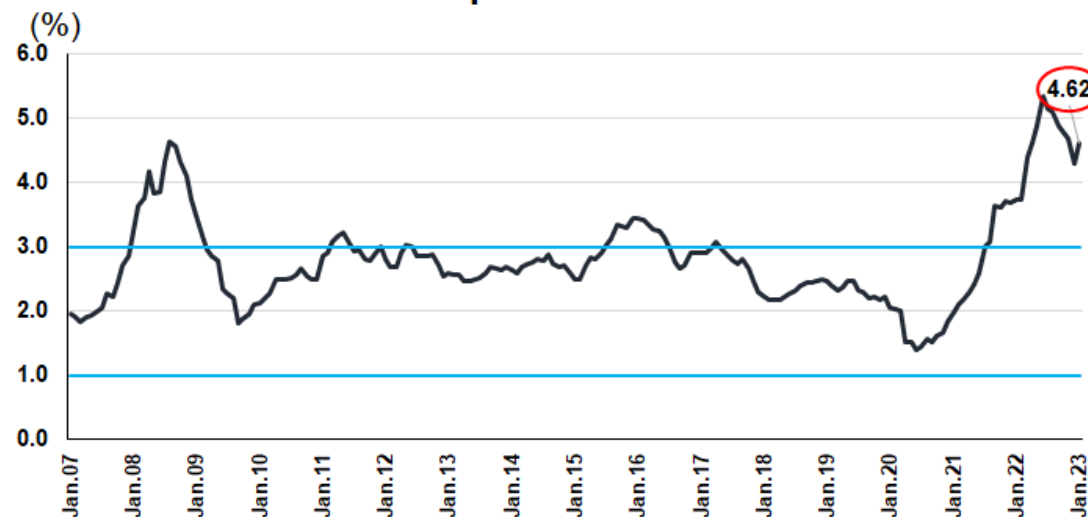
# CENTRAL RESERVE BANK OF PERU

One-year-ahead expected inflation increased from 4.30 percent in December to 4.62 percent in January, above the upper limit of the inflation target range.

A downward trend in year-on-year inflation is forecast since March, 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.

## Survey of Macroeconomic Expectations: Inflation (%)

1-Year ahead inflation expectations\*



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

	Survey date:			
	Nov 30.	Dec 30.	Jan 31.	
<b>Economic analysts<sup>1</sup></b>				
2023	4.20	4.10	4.80	↑
2024	3.00	3.00	3.00	=
<b>Financial entities<sup>2</sup></b>				
2023	4.60	4.50	4.65	↑
2024	3.50	3.50	4.00	↑
<b>Non-financial firms<sup>3</sup></b>				
2022	7.50	8.00	8.00	=
2023	4.50	4.50	5.00	↑
2024	4.00	4.00	4.00	=

<sup>1</sup> 19 analysts in November, 17 in December and 19 in January 2023.

<sup>2</sup> 15 financial entities in November, 14 in December and 18 in January 2023.

<sup>3</sup> 296 non financial firms in November, 285 in December and 284 in January 2023.



## Most leading and expectations indicators for economic activity deteriorated in January, and remain in pessimistic territory.

### Macroeconomic Expectations: Survey Results

	Dec.2019	Mar.2020	Nov.2022	Dec.2022		Jan.2023		Correlation with GDP <sup>1/</sup>			
<b><u>CURRENT SITUATION:</u></b>											
BUSINESS SITUATION	53.4	41.1	48.6	50.0	↑	=	46.3	↓	<	0.56	
LEVEL OF SALES	54.2	30.3	46.3	42.9	↓	<	39.0	↓	<	0.49	
PRODUCTION LEVEL	50.0	23.5	46.5	44.4	↓	<	42.2	↓	<	0.44	
DEMAND COMPARED TO THE EXPECTED DEMAND	40.0	23.0	36.7	37.3	↑	<	34.4	↓	<	0.68	
PURCHASING ORDERS COMPARED TO THE PREVIOUS MONTH	51.2	27.5	43.6	42.7	↓	<	38.5	↓	<	0.52	
UNWANTED INVENTORY DAYS <sup>2/</sup>	8.9	5.9	12.7	16.0	↑	<	14.1	↓	<	-0.36	
<b><u>EXPECTATION:</u></b>											
ECONOMIC SITUATION:											
	IN 3 MONTHS	50.8	21.8	37.9	42.4	↑	<	31.9	↓	<	0.63
	IN 12 MONTHS	61.5	41.5	43.3	54.0	↑	>	46.6	↓	<	0.42
SECTOR:											
	IN 3 MONTHS	51.5	28.5	42.8	47.1	↑	<	39.7	↓	<	0.67
	IN 12 MONTHS	61.5	43.4	49.5	58.5	↑	>	50.9	↓	>	0.33
COMPANY'S SITUATION:											
	IN 3 MONTHS	56.1	28.3	46.4	48.0	↑	<	44.6	↓	<	0.66
	IN 12 MONTHS	66.6	46.4	54.3	59.4	↑	>	54.9	↓	>	0.66
ABOUT DEMAND:											
	IN 3 MONTHS	55.1	30.7	49.3	48.9	↓	<	45.3	↓	<	0.66
	IN 12 MONTHS	68.0	47.4	56.3	62.7	↑	>	56.0	↓	>	0.66
NEW PERSONNEL HIRED:											
	IN 3 MONTHS	48.6	35.9	45.0	44.4	↓	<	43.0	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	48.2	53.0	↑	>	49.6	↓	<	0.58
COMPANY'S INVESTMENT:											
	IN 3 MONTHS <sup>3/</sup>	51.3	29.9	46.5	45.7	↓	<	43.6	↓	<	0.65
	IN 12 MONTHS <sup>3/</sup>	59.3	40.0	51.9	55.3	↑	>	50.8	↓	>	0.65
<b><u>EXPECTATION OF THE AVERAGE PRICE:</u></b>											
SUPPLIES IN 3 MONTHS	51.5	52.9	57.1	56.1	↓	>	58.8	↑	>	0.63	
SALE IN 3 MONTHS	56.4	49.7	57.0	58.8	↑	>	60.1	↑	>	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/ 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.

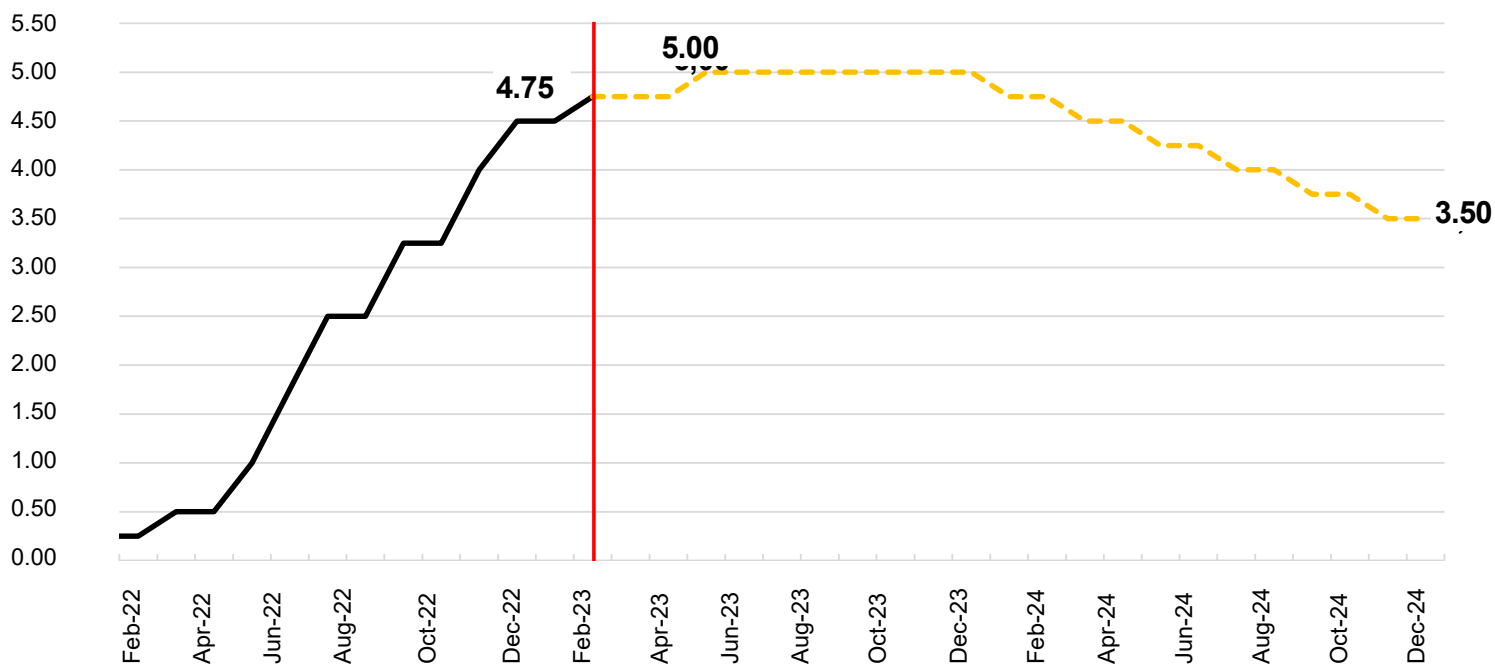
3/ Correlation with Private Investment from September 2017 to December 2019, recording an optimal lag (t=-3 for 3-month investment and t=-6 for 12-month investment).

Source: BCRP



The outlook for global economic activity has improved slightly; however, global risks remain due to monetary tightening in advanced economies, the impact of inflation on consumption, and international conflicts.

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



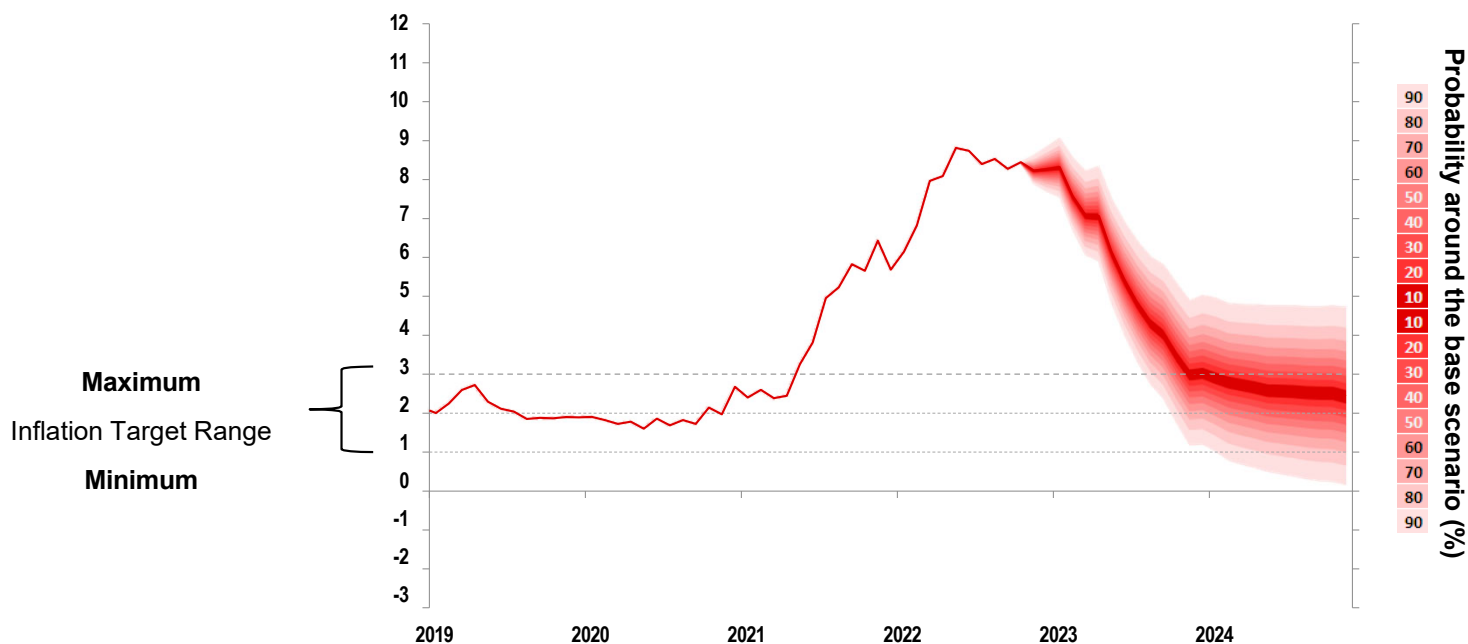
\* Forecast uses implied futures market rate as of February 9, 2023  
Source: FED and Reuters



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



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# **Monetary Policy Statement**

## **February 2023**

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