



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

May 2023

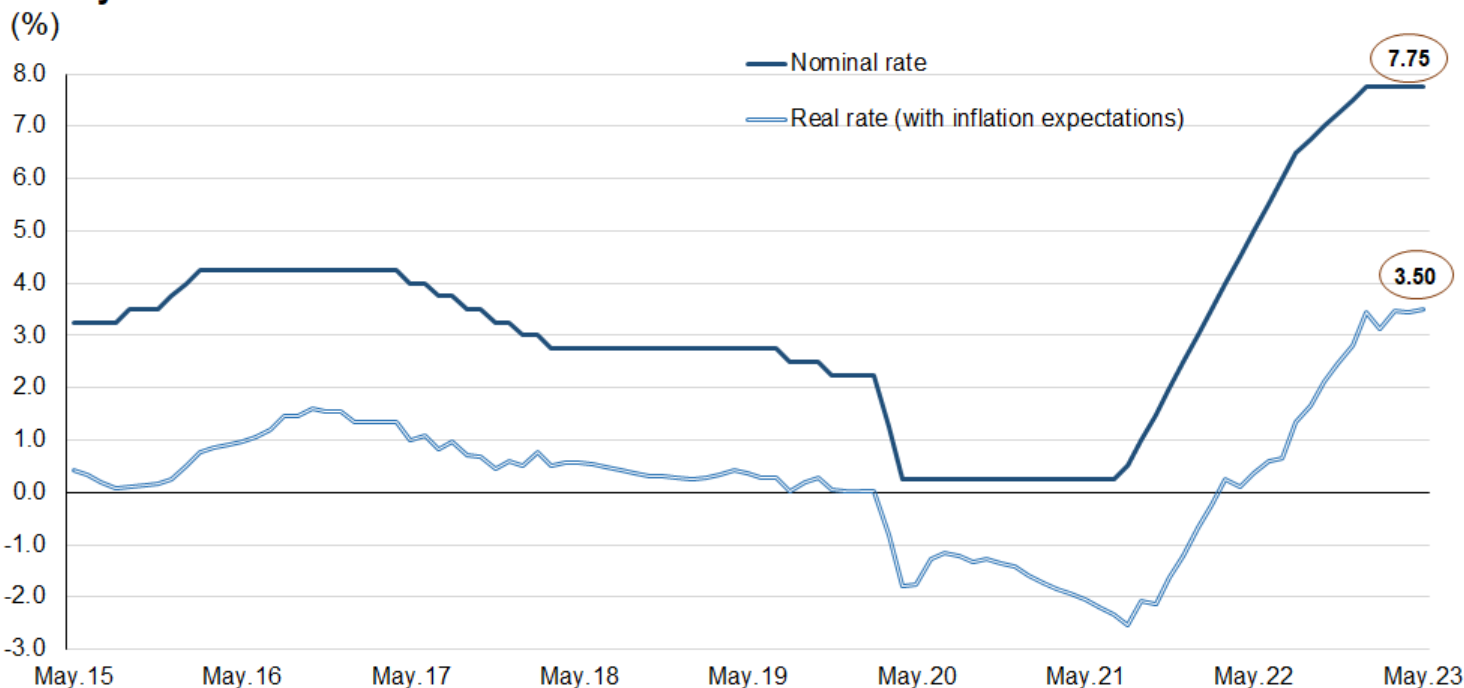
May 12, 2023



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 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.

Policy interest rate



	May.22	Jun.22	Jul.22	Aug.22	Sep.22	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23	Apr.23	May.23
(I) Nominal rate	5.00	5.50	6.00	6.50	6.75	7.00	7.25	7.50	7.75	7.75	7.75	7.75	7.75
(II) Inflation expectations	4.62	4.89	5.35	5.16	5.10	4.89	4.78	4.68	4.30	4.62	4.29	4.30	4.25
(III) Real rate: (I)-(II)	0.38	0.61	0.65	1.34	1.65	2.11	2.47	2.82	3.45	3.13	3.46	3.45	3.50



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	5.74	8.01
Colombia	13.25	7.00	6.25
Chile	11.25	4.50	6.75
Mexico	11.25	4.89	6.36
Peru	7.75	4.25	3.50

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

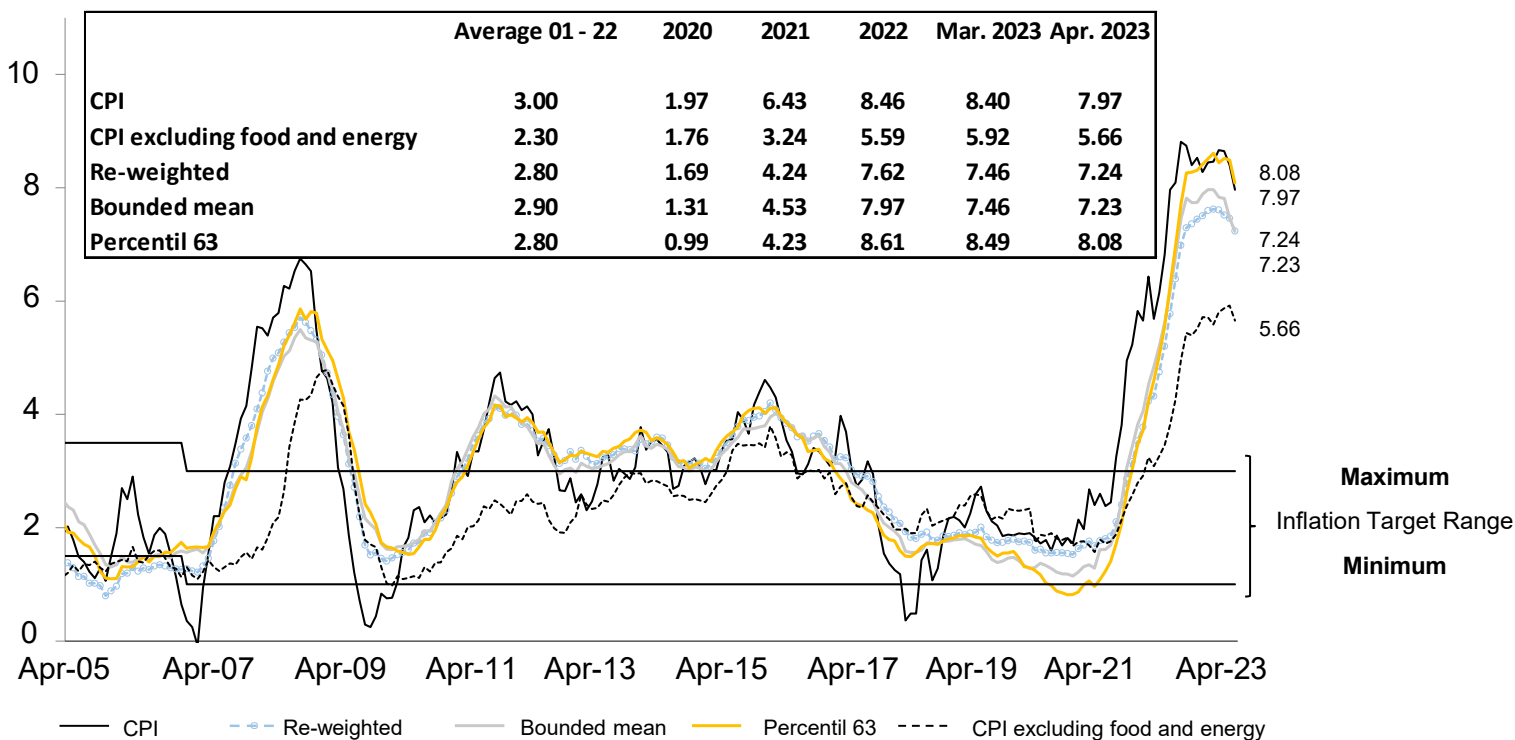


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In April, month-on-month inflation was 0.56 percent and core inflation was 0.20 percent. Year-on-year inflation fell from 8.40 percent in March to 7.97 percent in April, while core inflation decreased from 5.92 percent in March to 5.66 percent in April, both above the upper limit of the inflation target range.

Inflation

(Last 12-month % change)



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.

Percentil 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



All trend indicators showed lower monthly changes than those of March.

Monthly Inflation Trend Indicators

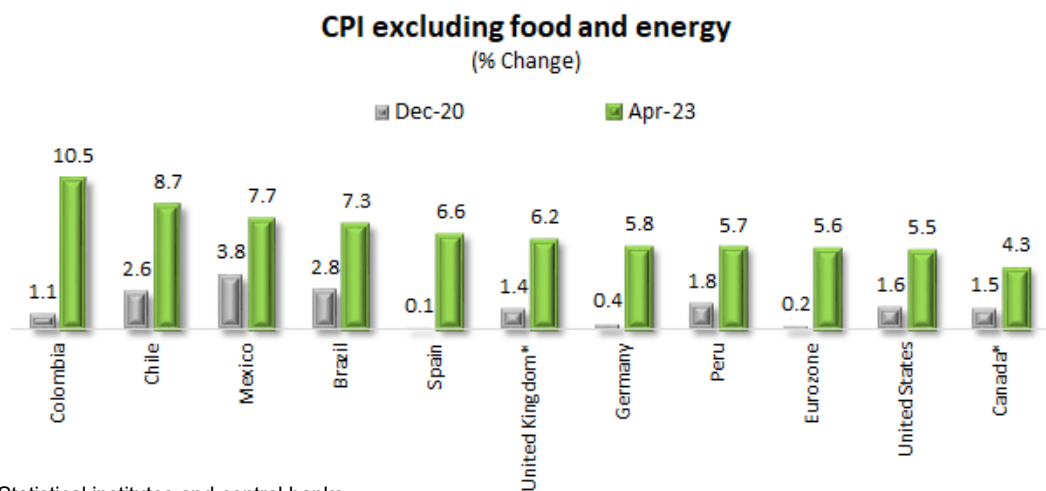
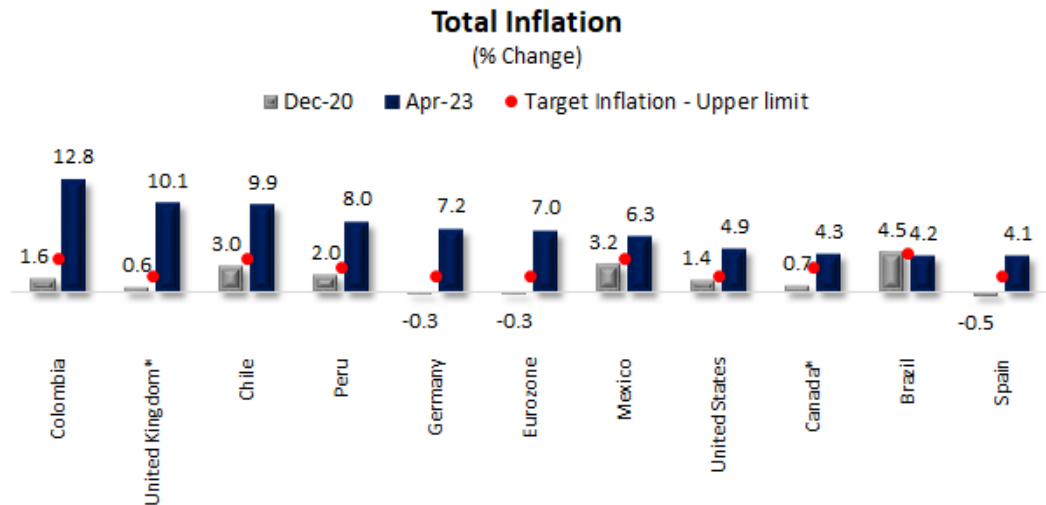
Monthly percentage change

	CPI	Re-weighted ^{1/}	Bounded mean ^{2/}	Percentil 63 ^{3/}	CPI excluding food and energy ^{4/}
Dec-18	0.18	0.15	0.14	0.16	0.34
Dec-19	0.21	0.11	0.08	0.06	0.34
Mar-20	0.65	0.28	0.22	0.15	0.42
Jun-20	-0.27	0.06	0.01	0.00	0.07
Sep-20	0.14	0.11	0.10	0.10	0.05
Dec-20	0.05	0.16	0.18	0.18	0.34
Mar-21	0.84	0.37	0.54	0.27	0.64
Jun-21	0.52	0.31	0.29	0.30	0.20
Sep-21	0.40	0.40	0.45	0.49	0.23
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	0.80	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
Feb-23	0.29	0.36	0.39	0.51	0.27
Mar-23	1.25	0.75	0.62	0.74	0.88
Apr-23	0.56	0.48	0.46	0.44	0.20



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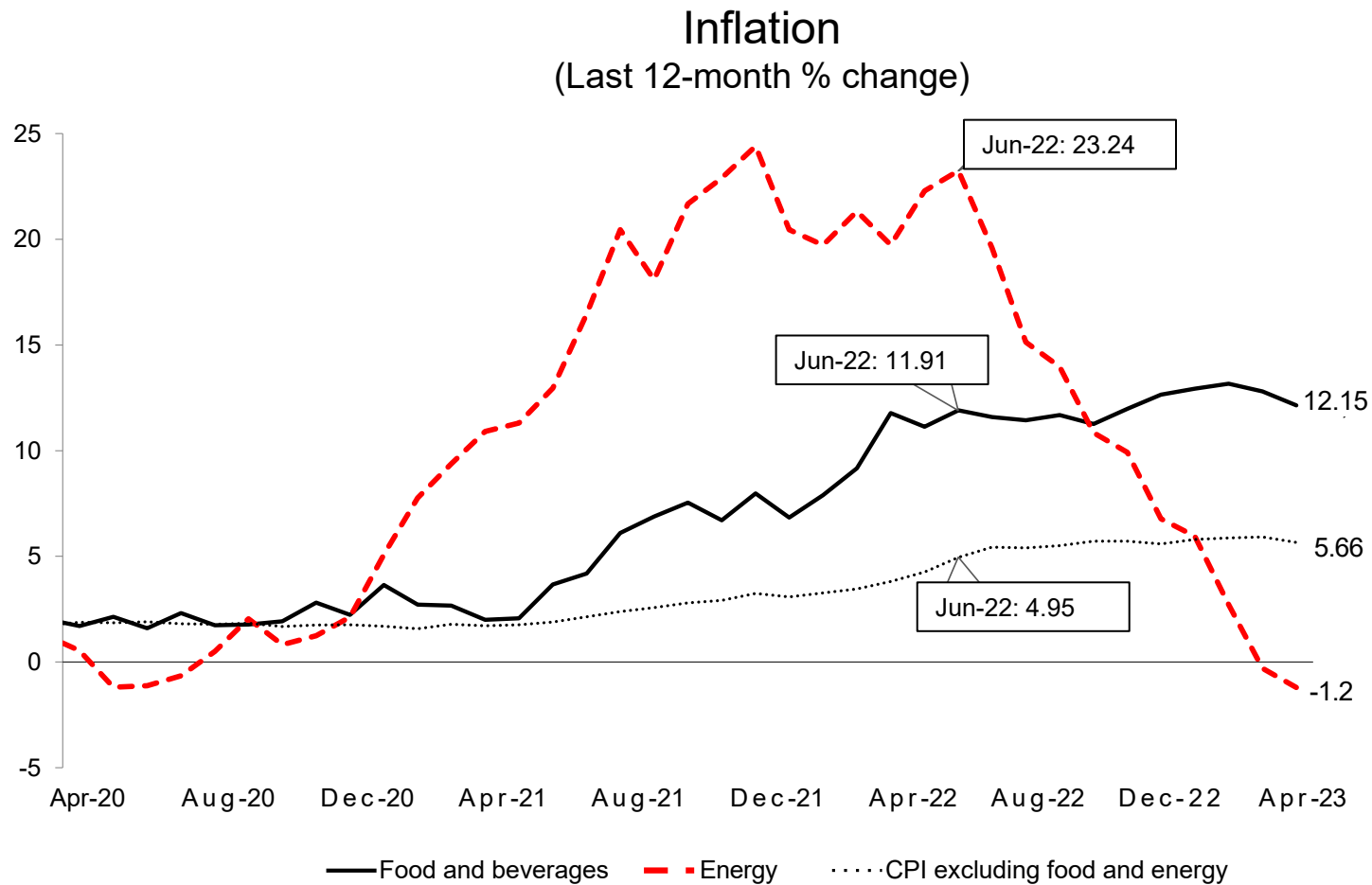
The significant increase in international food and fuel prices since the second half of 2021, accentuated by international conflicts, has led to a sharp increase in global inflation in magnitudes not seen in many years and towards levels significantly higher than the inflation targets of central banks,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



* Information as of March 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 items and heavy rainfall in March.

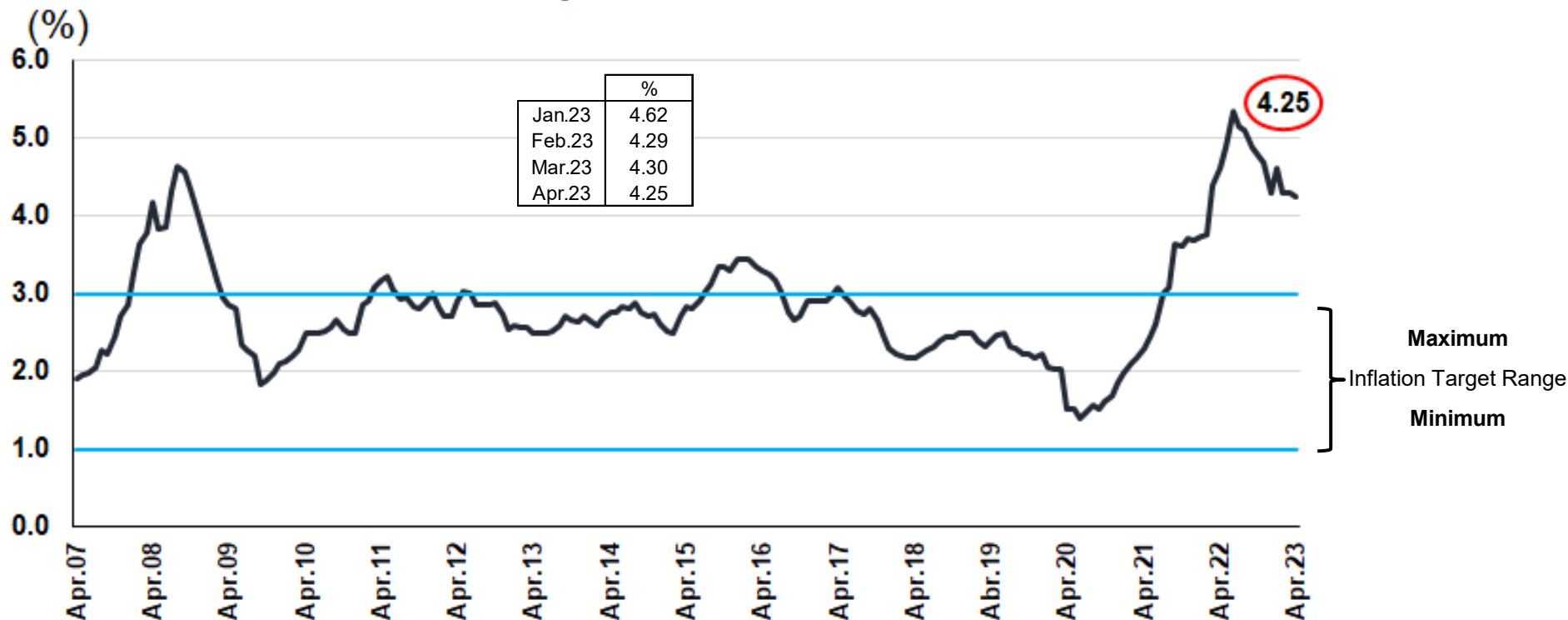


Source: INEI



One-year-ahead expected inflation decreased from 4.30 percent in March to 4.25 percent in April, above the upper limit of the inflation target range. The 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*

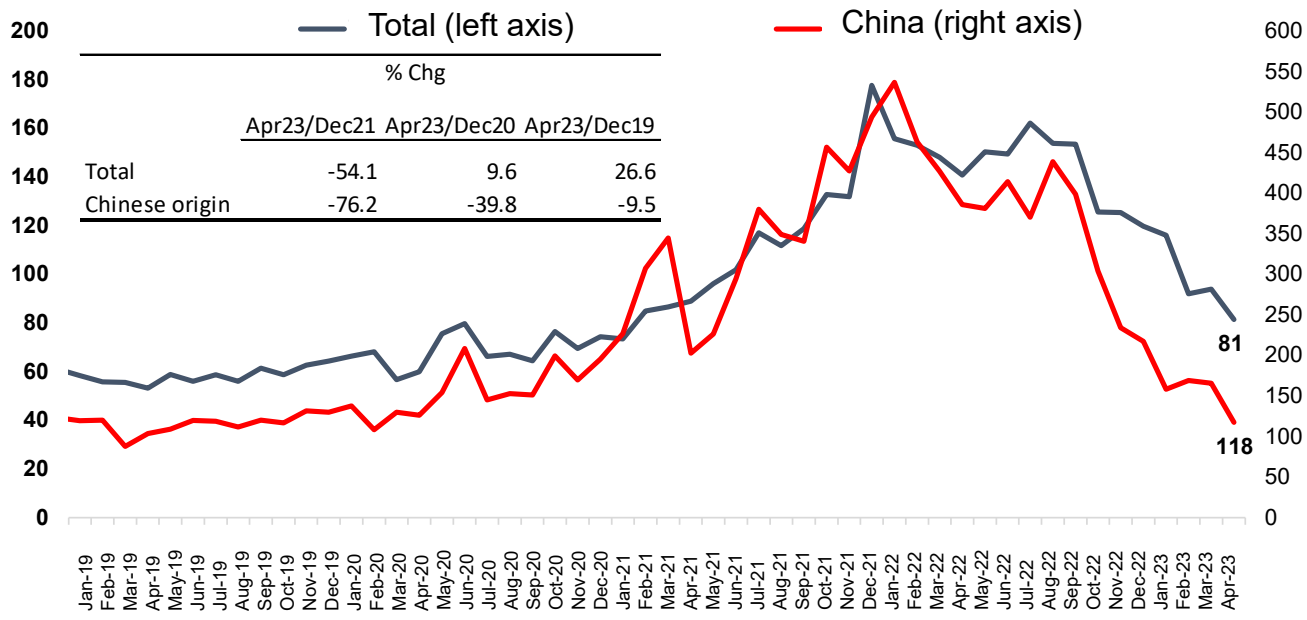


* Corresponds to the average on expectations of financial entities and economic analysts.



Import freight rates show a decreasing trend.

Import freight to Peru according to region of origin (US\$ per ton)

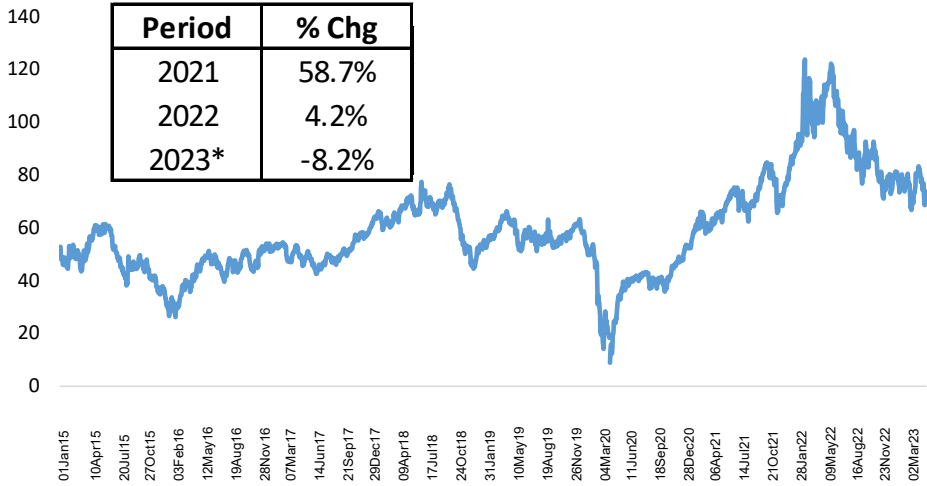


Source: Sunat and BCRP.

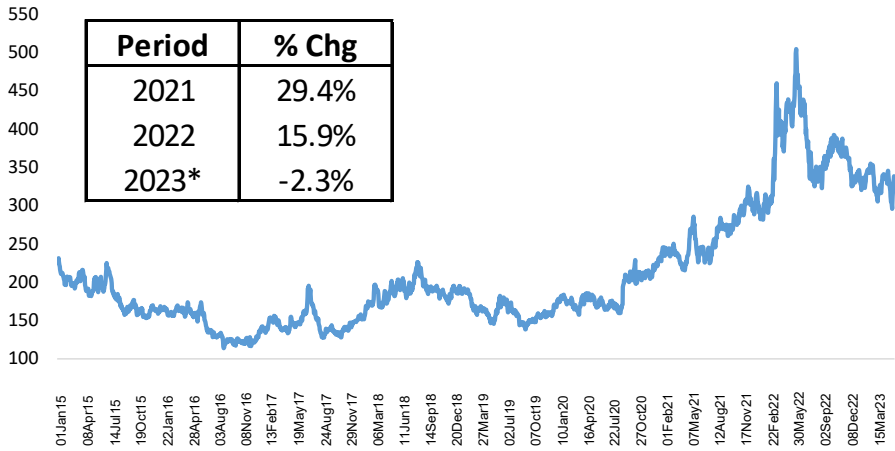


International fuel and grain prices also continue their downward trend.

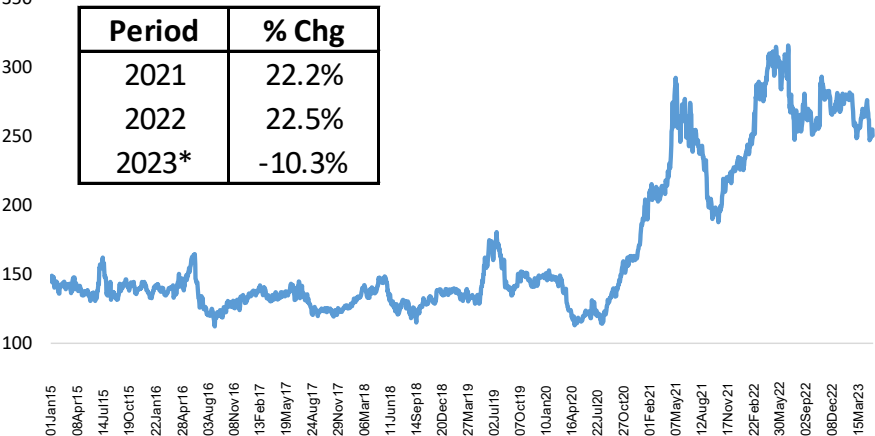
Oil (West Texas Intermediate, US\$/barrel)



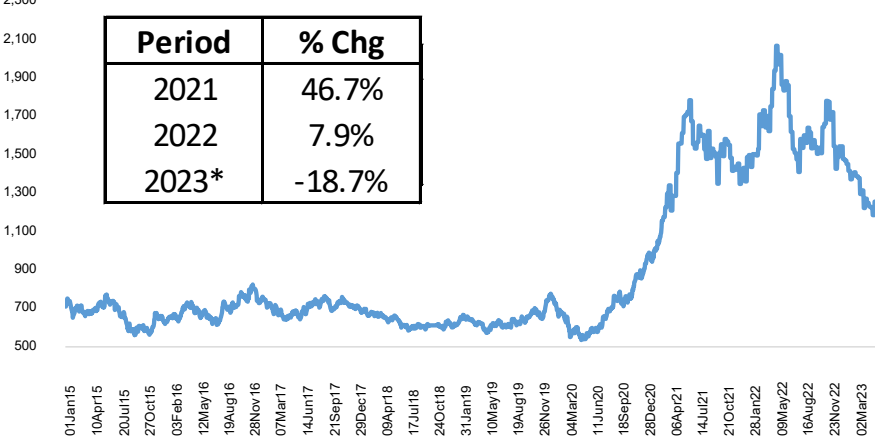
Wheat Price (HRW US\$/MT)



Maize Price (US\$ MT)



Soybean oil Price (US\$ MT)

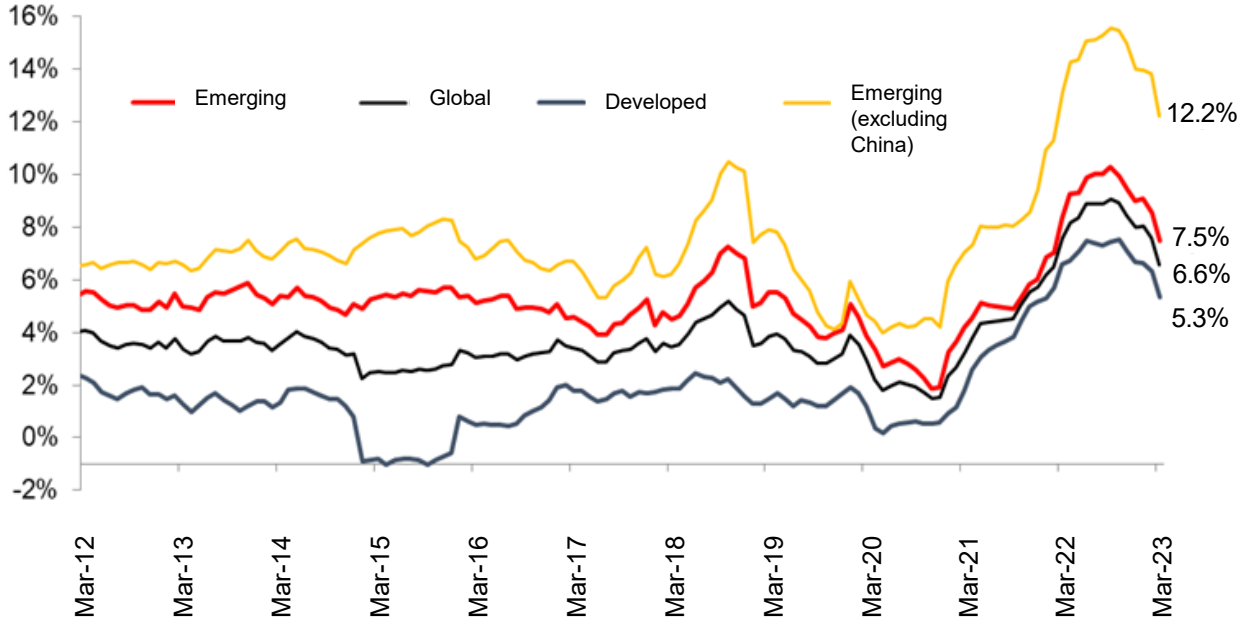


Note: For 2023, accumulated change as of May 09.
Source: Reuters.



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

Inflation in the world
(Last 12-month % change)



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

	September	October	November	December	January	February	March
Total	56	48	34	32	40	37	25
Latin America	33	32	41	50	42	40	12
Asia	49	38	29	46	47	38	21
Europe	80	62	24	17	32	33	11

Source: Reuters and Tading Economics.
Elaboration: BCRP.



The leading and expectations indicators for economic activity reflect conditions similar to those in the previous month, with the majority persisting in pessimistic territory.

Macroeconomic Expectations: Survey Results

	Dec.2019	Mar.2020	Feb.2023	Mar.2023			Apr.2023			Correlation with GDP ^{1/}
<u>CURRENT SITUATION:</u>										
BUSINESS SITUATION	53.4	41.1	48.2	48.4	↑	<	46.9	↓	<	0.56
LEVEL OF SALES	54.2	30.3	41.8	47.4	↑	<	47.2	↓	<	0.49
PRODUCTION LEVEL	50.0	23.5	39.5	42.9	↑	<	46.9	↑	<	0.44
DEMAND COMPARED TO THE EXPECTED DEMAND	40.0	23.0	36.8	36.7	↓	<	36.5	↓	<	0.68
PURCHASING ORDERS COMPARED TO THE PREVIOUS MONTH	51.2	27.5	41.0	43.6	↑	<	46.5	↑	<	0.52
UNWANTED INVENTORY DAYS ^{2/}	8.9	5.9	12.6	11.6	↓	<	10.8	↓	<	-0.36
<u>EXPECTATION:</u>										
ECONOMIC SITUATION:										
IN 3 MONTHS	50.8	21.8	41.5	42.9	↑	<	43.9	↑	<	0.63
IN 12 MONTHS	61.5	41.5	51.9	51.9	▬	>	53.7	↑	>	0.42
SECTOR:										
IN 3 MONTHS	51.5	28.5	44.0	46.5	↑	<	46.2	↓	<	0.67
IN 12 MONTHS	61.5	43.4	54.7	54.5	↓	>	54.3	↓	>	0.33
COMPANY'S SITUATION:										
IN 3 MONTHS	56.1	28.3	48.0	50.2	↑	>	49.4	↓	<	0.66
IN 12 MONTHS	66.6	46.4	58.9	57.6	↓	>	58.0	↑	>	0.66
ABOUT DEMAND:										
IN 3 MONTHS	55.1	30.7	48.5	51.9	↑	>	50.6	↓	>	0.66
IN 12 MONTHS	68.0	47.4	60.2	60.7	↑	>	59.6	↓	>	0.66
NEW PERSONNEL HIRED:										
IN 3 MONTHS	48.6	35.9	45.3	44.7	↓	<	46.5	↑	<	0.66
IN 12 MONTHS	54.0	39.6	54.0	52.1	↓	>	53.9	↑	>	0.58
COMPANY'S INVESTMENT:										
IN 3 MONTHS ^{3/}	51.3	29.9	45.9	47.0	↑	<	45.5	↓	<	0.65
IN 12 MONTHS ^{3/}	59.3	40.0	55.1	53.3	↓	>	55.0	↑	>	0.65
<u>EXPECTATION OF THE AVERAGE PRICE:</u>										
SUPPLIES IN 3 MONTHS	51.5	52.9	55.6	54.6	↓	>	54.9	↑	>	0.63
SALE IN 3 MONTHS	56.4	49.7	54.7	57.9	↑	>	57.0	↓	>	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.

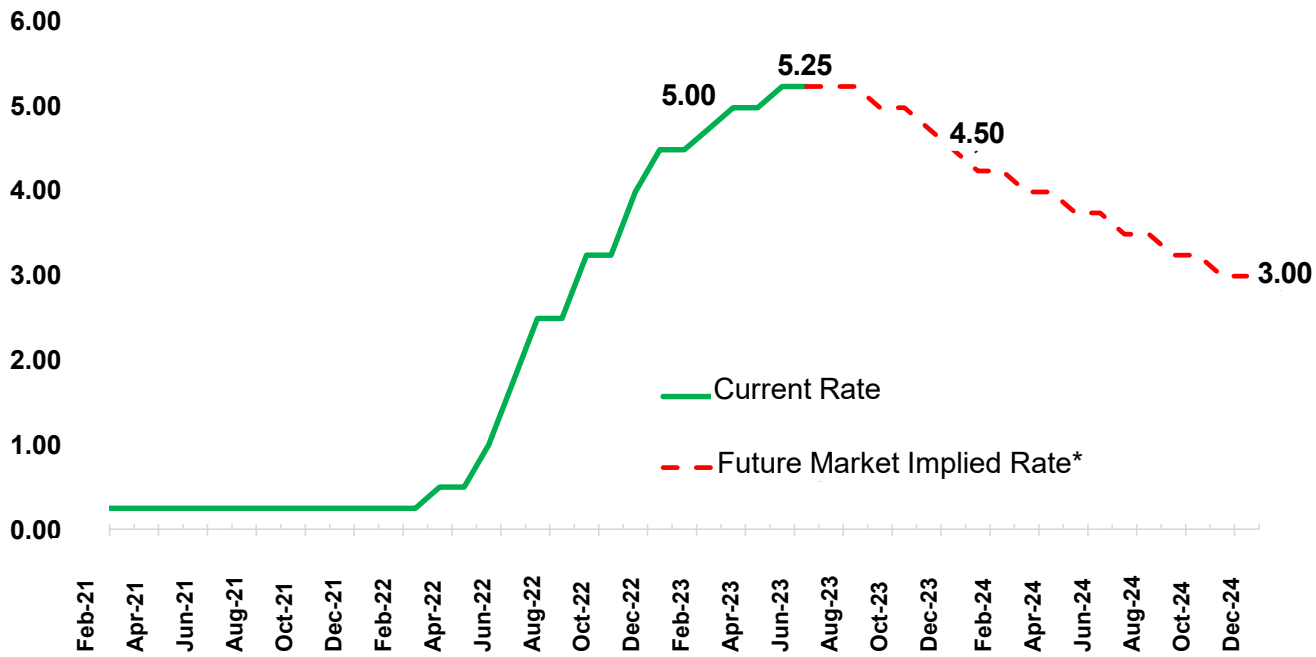
3/ Correlation with Private Investment from September 2017 to December 2019, recording an optimal lag (t=-3 for 3-month investment and t=-6 for 12-month investment).

Source: BCRP



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

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



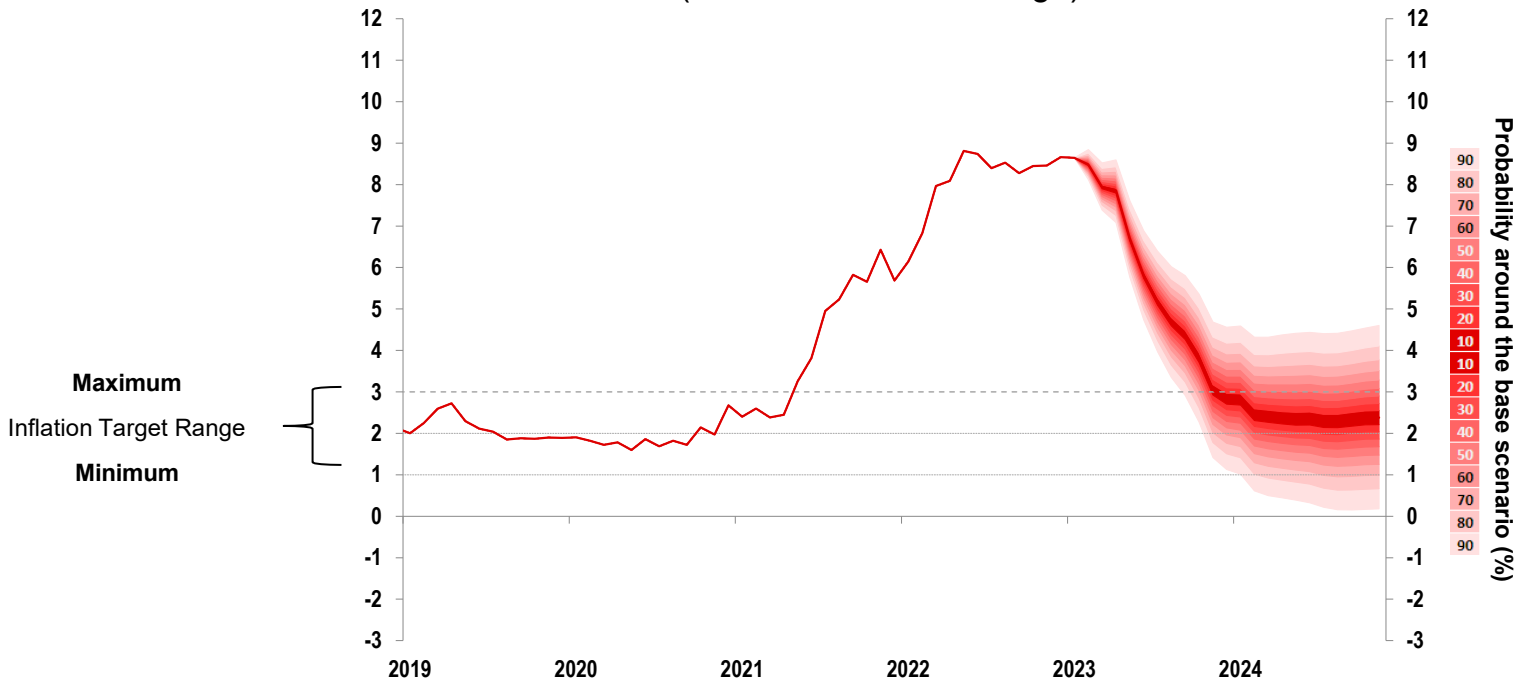
* Forecast uses implied future market rate as of May 11, 2023
Source: FED and Reuters



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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