



# Summary Inflation Report

December 2022

This **Inflation Report** has been prepared with information on the balance of payments and gross domestic product as of the third quarter of 2022; information on monthly GDP and monetary accounts as of October 2022; and information on Non-Financial Public Sector operations, inflation, financial markets and exchange rate as of November.

**Global economic activity** continued to be affected by high energy prices, China's "zero COVID" policy, the reduction of surplus savings generated during the pandemic, geopolitical uncertainty and tightening monetary conditions. While the global growth estimate for 2022 is maintained at 2.8 percent, the projection for 2023 has been revised down from 2.7 percent to 2.3 percent. A recovery to 2.9 percent is expected for 2024, following the reversal of supply shocks.

The **terms of trade** would remain above pre-pandemic levels, although they would be lower than those forecast in the previous Report. They are projected to decrease by 10.1 percent in 2022 and 4.2 percent in 2023 –more than estimated in the September Report (-7.2 and -2.4 percent, respectively)– due to the downward correction in metal prices. The projected drop of 4.2 percent in 2023 takes into account a gradual

## GLOBAL GDP GROWTH (Annual % change)

	PPP*	2021	2022		2023		2024
			IR Sep.	IR Dec.	IR Sep.	IR Dec.	IR Dec.
<b>Developed economies</b>	<b>42.2</b>	<b>5.2</b>	<b>2.2</b>	<b>2.4</b>	<b>1.3</b>	<b>0.6</b>	<b>1.4</b>
<b>Of which</b>							
1. USA	15.9	5.7	1.7	1.9	1.2	0.6	1.2
2. Eurozone	12.0	5.3	2.5	3.0	1.0	0.0	1.3
3. Japan	3.9	1.6	1.8	1.6	1.5	1.2	1.2
4. United Kingdom	2.3	7.4	3.5	4.1	0.1	-0.5	0.7
5. Canada	1.4	4.6	3.6	3.3	2.0	1.1	1.9
6. Others	6.8	5.0	2.4	2.4	1.8	1.4	2.4
<b>Emerging economies</b>	<b>57.8</b>	<b>6.7</b>	<b>3.3</b>	<b>3.2</b>	<b>3.8</b>	<b>3.6</b>	<b>4.0</b>
<b>Of which</b>							
1. China	18.7	8.1	3.3	3.0	5.0	4.8	4.8
2. India	7.0	8.9	7.3	7.0	6.0	6.0	5.5
3. Russia	3.1	4.7	-7.0	-3.4	-2.3	-2.9	1.8
4. Latin America and the Caribbean	7.3	6.0	2.3	2.9	1.8	1.5	2.3
Argentina	0.7	10.3	2.8	4.0	0.8	0.5	2.0
Brazil	2.4	4.6	1.8	2.4	1.0	0.9	2.0
Chile	0.4	11.7	1.9	1.9	0.0	-0.5	2.0
Colombia	0.6	10.6	6.0	7.0	2.5	1.8	2.8
Mexico	1.9	4.8	1.8	2.1	1.6	1.3	2.1
Peru	0.3	13.6	3.0	2.9	3.0	2.9	3.0
5. Others	21.7	5.3	4.5	4.3	4.0	3.8	3.8
<b>World Economy</b>	<b>100.0</b>	<b>6.0</b>	<b>2.8</b>	<b>2.8</b>	<b>2.7</b>	<b>2.3</b>	<b>2.9</b>

\* Base 2021.  
Source: IMF and Consensus Forecast.

## TERMS OF TRADE: 2021 - 2024

	2021	2022*		2023*		2024*	
		Jan.-Sep.	IR Sep.22	IR Dec.22	IR Sep.22	IR Dec.22	IR Dec.22
<b>Terms of Trade</b>							
<i>Annual average % chg.</i>	<b>11.8</b>	<b>-8.5</b>	<b>-7.2</b>	<b>-10.1</b>	<b>-2.4</b>	<b>-4.2</b>	<b>1.0</b>
<b>Price of exports</b>							
<i>Annual average % chg.</i>	<b>30.3</b>	<b>6.5</b>	<b>5.4</b>	<b>2.3</b>	<b>-4.3</b>	<b>-6.6</b>	<b>0.9</b>
<i>Copper (US\$ cents per pound)</i>	422	412	399	399	358	358	355
<i>Zinc (US\$ cents per pound)</i>	136	166	164	157	144	129	120
<i>Lead (US\$ cents per pound)</i>	100	99	99	97	94	92	86
<i>Gold (US\$ cents per ounce)</i>	1,799	1,825	1,822	1,791	1,821	1,743	1,819
<b>Price of imports</b>							
<i>Annual average % chg.</i>	<b>16.6</b>	<b>16.4</b>	<b>13.6</b>	<b>13.7</b>	<b>-2.0</b>	<b>-2.4</b>	<b>-0.2</b>
<i>Oil (US\$ per barrel)</i>	68	98	97	96	85	81	74
<i>Wheat (US\$ per ton)</i>	259	373	355	370	309	335	306
<i>Maize (US\$ per ton)</i>	226	274	266	273	240	259	238

\* Forecast.  
Source: BCRP.

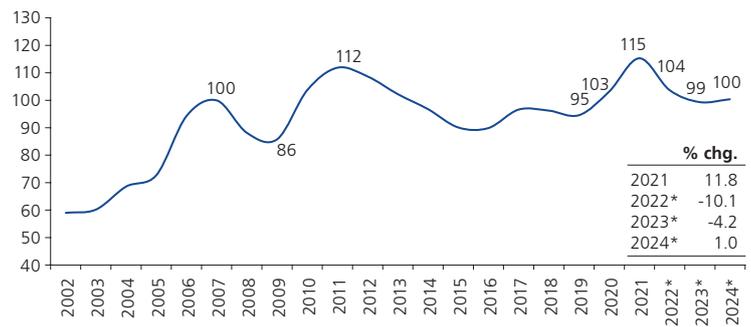
normalization of oil and natural gas supply, which would reduce import prices, as well as lower world growth, which would continue to put downward pressure on industrial metal prices. On the other hand, a 1.0 percent increase is expected in 2024, led by a recovery in export prices.

The accumulated **current account** in the last four quarters went from showing a deficit of 2.3 percent of GDP at the end of 2021 to showing a deficit of 4.4 percent in the third quarter of 2022. This was associated with the increase in the value of imports, higher profits of companies with foreign direct investment in the country and the high deficit of the services account. Since lower primary production is estimated for 2022, along with lower terms of trade and the slowdown in the world economy, the current account deficit has been revised up to 4.5 percent of GDP for 2022 and to 2.7 percent for 2023. The gradual reduction of the current account deficit over the projection horizon is aligned with the recovery of private savings, lower import freight rates and the recovery of exports of services (international tourism).

**Economic activity** between January and September 2022 grew 2.9 percent year-on-year, led by the dynamism of private consumption, which was reflected in the expansion of the trade and services sectors, as well as by the recovery of exports.

### TERMS OF TRADE: 2002-2024

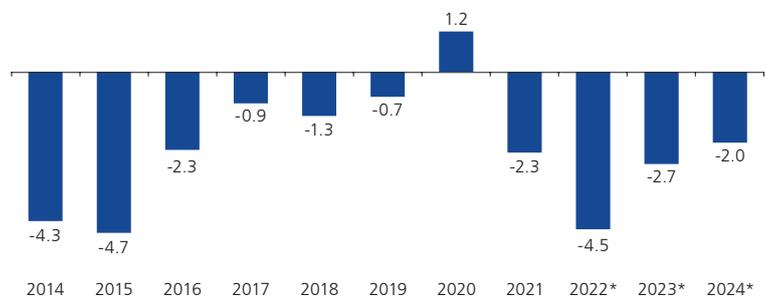
(Index 100 = 2007)



\* Forecast.  
Source: BCRP.

### CURRENT ACCOUNT: 2014-2024

(% GDP)



\* Forecast.  
Source: BCRP.

### BALANCE OF PAYMENTS

(Million US\$)

	2021	2022*		2023*		2024*
		Jan.-Sep.	IR Sep.22	IR Dec.22	IR Sep.22	
<b>I. CURRENT ACCOUNT</b>						
<b>BALANCE</b>	<b>-5,273</b>	<b>-9,567</b>	<b>-9,305</b>	<b>-11,145</b>	<b>-4,897</b>	<b>-7,026</b>
% GDP	-2.3	-5.3	-3.8	-4.5	-1.8	-2.7
<b>1. Trade Balance</b>	14,833	6,902	12,346	9,234	12,226	7,538
a. Exports	63,151	49,125	68,725	65,914	70,242	65,125
Of which:						
i) Traditional	46,585	35,747	49,417	46,896	49,266	44,901
ii) Non-Traditional	16,373	13,190	19,053	18,757	20,751	19,977
b. Imports	48,317	42,224	56,379	56,681	58,017	57,587
<b>2. Services</b>	-7,347	-6,295	-8,704	-8,323	-7,853	-6,831
<b>3. Primary income (investment income)</b>	-18,127	-14,256	-18,318	-17,578	-14,783	-13,277
<b>4. Secondary income (Current transfers)</b>	5,367	4,082	5,371	5,523	5,514	5,545
Of which: Remittances	3,592	2,742	3,720	3,720	3,869	3,869
<b>II. FINANCIAL ACCOUNT 1/</b>	<b>-15,627</b>	<b>-9,186</b>	<b>-6,818</b>	<b>-10,481</b>	<b>-4,897</b>	<b>-7,026</b>
<b>1. Private Sector</b>	-37	-9,520	-5,498	-9,882	-2,869	-4,861
a. Long-term	-16,675	-12,865	-9,638	-13,174	-2,869	-4,837
b. Short-term	16,638	3,345	4,140	3,292	0	0
<b>2. Public Sector 2/</b>	-15,590	334	-1,320	-599	-2,028	-2,165
<b>III. NET ERRORS AND OMISSIONS</b>	-5,944	-1,653	0	-1,653	0	0
<b>IV. TOTAL</b>	<b>4,410</b>	<b>-2,034</b>	<b>-2,487</b>	<b>-2,317</b>	<b>0</b>	<b>0</b>
<b>IV = (I+III) - II = (1-2)</b>						
<b>1. Change in Central Bank reserves</b>	3,789	-4,295	-3,783	-4,578	0	0
<b>2. Valuation changes</b>	-622	-2,260	-1,296	-2,260	0	0

1/ Financial account and its components (private and public sector) are expressed as net assets of liabilities. Thus, a negative sign means an inflow of foreign capital.

2/ Considers the sale and purchase between residents and non-residents of government bonds issued abroad or in the local market.

IR: Inflation Report.

\* Forecast.

In this chart, the accounts of the Balance of Payments and the Position of Foreign Assets and Liabilities are presented in a new format, according to the adoption of the Sixth Edition of the IMF Balance of Payments Manual (reclassification of transactions, new items and changes in denomination of certain headings).

Source: BCRP.

In 2022, the economy is estimated to grow 2.9 percent, a lower rate than that projected in the previous Report, due to a lower expected growth of the primary sectors mainly because of the lower mining production observed until September. Similarly, the growth forecast for 2023 has been revised from 3.0 to 2.9 percent, due to lower growth in private spending, associated with a less favorable international context and a more gradual recovery of business confidence in a context of social stability. In 2024, the economy is expected to grow at a rate of 3.0 percent with domestic demand as the main component of growth. Without significant inflationary pressures on the demand side, GDP is estimated to be close to its potential level in the projection horizon,

The cumulative **fiscal deficit** over the last twelve months decreased from 2.5 to 1.6 percent of GDP between December 2021 and November 2022, reflecting the increase in current revenues due to the recovery of economic activity and to favorable mineral prices. The deficit is projected to be equivalent to 1.6 percent of output in 2022 and 2023 and to 1.5 percent in 2024.

The **net debt** of the non-financial public sector (NFPS) is expected to decline from 21.8 to 21.6 percent of GDP between 2021 and 2022, and to remain at the same level towards the end of the projection horizon. **Gross**

**GDP BY PRODUCTION SECTOR**  
(Real % change)

	2021	2022*		2023*		2024*	
		Jan.-Sep.	IR Sep.22	IR Dec.22	IR Sep.22	IR Dec.22	IR Dec.22
<b>Primary GDP</b>	<b>6.4</b>	<b>-0.6</b>	<b>1.9</b>	<b>0.7</b>	<b>5.8</b>	<b>6.3</b>	<b>2.8</b>
Agriculture and livestock	4.6	4.1	2.4	3.5	2.4	2.4	2.7
Fishing	9.9	-16.6	-5.7	-13.4	5.3	11.6	3.5
Metallic mining	10.5	-2.8	1.6	0.0	8.4	8.6	2.8
Hydrocarbons	-4.6	6.9	8.0	4.2	4.7	4.7	4.9
Based on raw materials	3.2	-4.1	-0.2	-1.8	4.9	6.9	2.0
<b>Non-Primary GDP</b>	<b>15.7</b>	<b>3.9</b>	<b>3.3</b>	<b>3.4</b>	<b>2.3</b>	<b>2.0</b>	<b>3.1</b>
Non-primary industries	25.2	4.1	3.6	2.8	2.6	2.0	3.0
Electricity and water	8.5	3.5	3.0	3.8	5.0	5.0	3.9
Construction	34.5	2.0	0.5	3.5	2.0	1.3	3.2
Commerce	17.8	3.5	2.6	3.1	2.5	2.4	3.5
Services	11.8	4.2	3.7	3.6	2.2	2.0	2.9
<b>Gross Domestic Product</b>	<b>13.6</b>	<b>2.9</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>

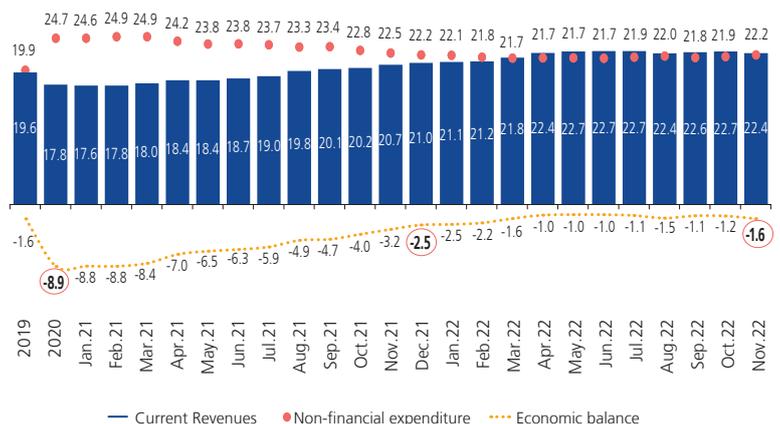
IR: Inflation Report  
\*Forecast.  
Source: BCRP.

**DOMESTIC DEMAND AND GDP**  
(Real % change)

	2021	2022*		2023*		2024*	
		Jan.-Sep.	IR Sep.22	IR Dec.22	IR Sep.22	IR Dec.22	IR Dec.22
<b>Domestic demand</b>	<b>14.7</b>	<b>2.5</b>	<b>2.5</b>	<b>2.7</b>	<b>2.7</b>	<b>2.5</b>	<b>3.1</b>
Private consumption	12.4	5.1	4.2	4.4	3.1	3.0	3.0
Public consumption	10.6	-0.2	1.5	-1.6	2.0	2.0	3.0
Private investment	37.4	0.2	0.0	0.0	1.8	1.0	2.5
Public investment	24.9	0.6	2.1	6.0	0.0	0.0	4.0
Change on inventories (contribution)	-2.5	-0.9	-0.5	-0.2	0.0	0.0	0.0
<b>Exports</b>	<b>13.7</b>	<b>6.1</b>	<b>5.5</b>	<b>5.0</b>	<b>7.7</b>	<b>6.4</b>	<b>2.5</b>
<b>Imports</b>	<b>18.6</b>	<b>4.1</b>	<b>3.8</b>	<b>4.3</b>	<b>6.5</b>	<b>4.6</b>	<b>2.9</b>
<b>Gross Domestic Product</b>	<b>13.6</b>	<b>2.9</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>

IR: Inflation Report.  
\* Forecast.  
Source: BCRP.

**ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2019-2022**  
(Accumulated last 12 months - % GDP)



Memo: The economic balance is calculated as current income - non-financial expenses + others (capital income and primary result of public companies) - debt service payment.  
Source: MEF, SUNAT, and BCRP.

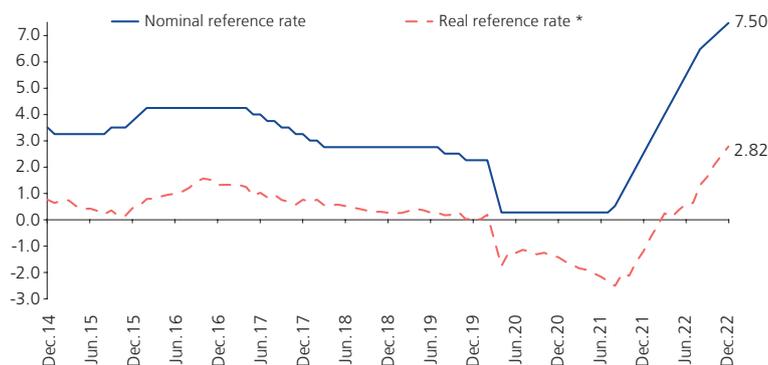
**debt** is foreseen to go from 35.9 to 34.1 percent of GDP between 2021 and 2022, and to finally stand at 32.1 percent in 2024, this decreasing dynamics being explained by the evolution of public deposits.

Between October and December 2022, the Board of Directors of BCRP continued with the adjustment of the monetary policy stance initiated in August 2021, increasing the **benchmark rate** by 25 basis points each time. As a result, the benchmark rate rose from 6.75 percent in September to 7.50 percent in December 2022. The real benchmark rate stands at 2.82 percent in December 2022 (above the estimated neutral real rate of 1.50 percent), after having reached a historic low of -2.53 percent in August 2021.

In GDP terms, the balance of **liquidity injection operations** on December 12 was equivalent to 4.6 percent of GDP (6.4 percent of GDP in December 2021), with S/ 19.8 billion corresponding to government-secured repos of credit portfolio (S/ 38.8 billion in December 2021).

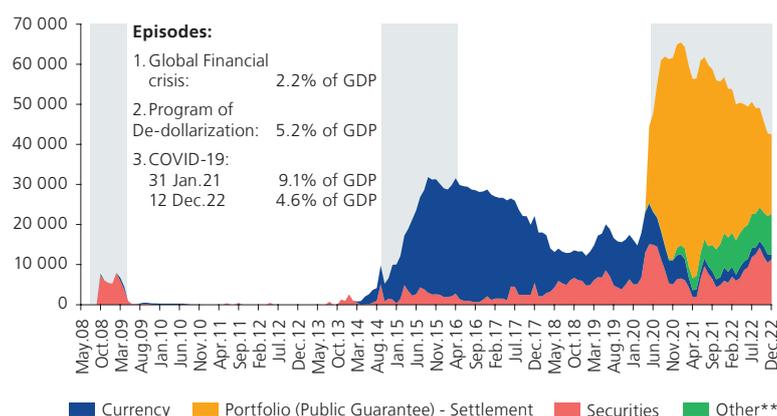
The growth of **credit to the private sector** accelerated from a year-on-year rate of 4.4 percent in December 2021 to 5.6 percent in October 2022, mainly due to the credit to individuals component. With this performance, the projection for the growth rate of credit to the private sector remains at 5.5 percent in 2022.

**NOMINAL AND REAL REFERENCE INTEREST RATE**  
(%)



\* With expectations on inflation.  
Source: BCRP.

**BALANCE OF MONETARY INJECTION OPERATIONS OF BCRP\***  
(In mill. S/)



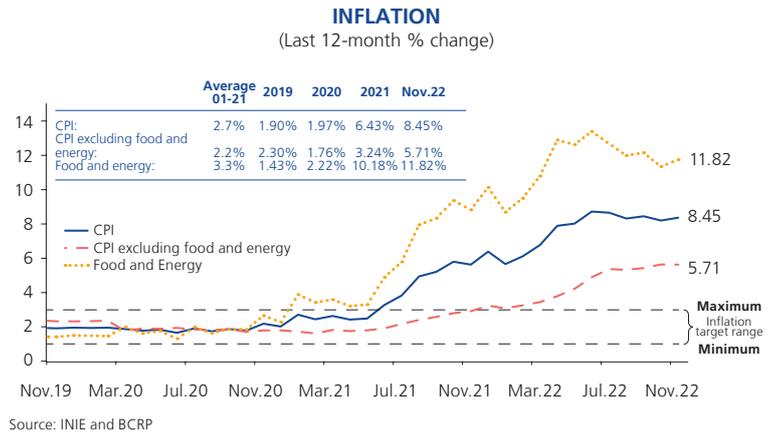
\* As of December 12, 2022.  
\*\* The item "Other" includes the purchase of Public Treasury bonds, in line with article 61 of the BCRP Organic Law, and Repos operations of portfolio loans.  
Source BCRP.

**CREDIT TO THE PRIVATE SECTOR<sup>1/</sup>**  
(Annual growth rate)

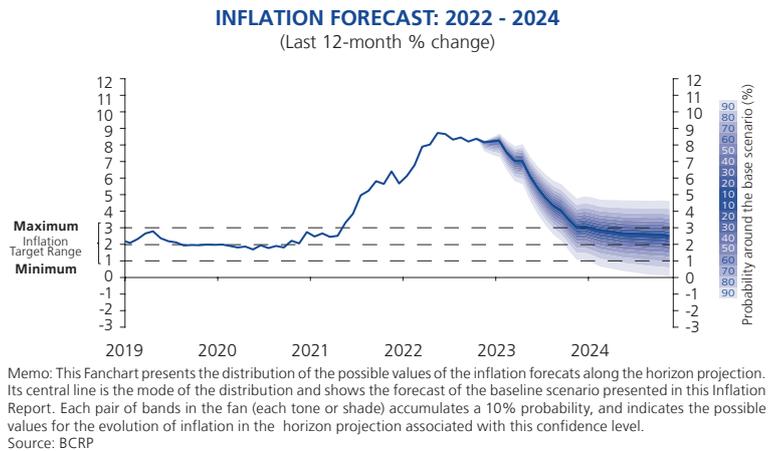
	Dec.19	Dec.20	Dec.21	Mar.22	Jun.22	Sep.22	Oct.22
<b>Business</b>	<b>4.3</b>	<b>20.3</b>	<b>3.9</b>	<b>4.9</b>	<b>1.2</b>	<b>0.1</b>	<b>-0.4</b>
Corporate and large companies	4.4	6.8	8.1	10.7	4.1	3.4	2.7
Medium-sized enterprises, small and micro business	4.3	36.2	0.0	-0.5	-1.8	-3.2	-3.5
<b>Individuals</b>	<b>11.5</b>	<b>-3.1</b>	<b>5.4</b>	<b>11.7</b>	<b>15.9</b>	<b>17.2</b>	<b>17.1</b>
Consumer	13.3	-7.1	3.9	15.1	21.7	23.6	23.5
Car loans	12.0	-2.3	7.6	13.8	12.6	17.9	18.0
Rest	13.4	-7.3	3.8	15.1	22.0	23.8	23.7
Mortgage	8.8	3.0	7.4	7.3	8.3	8.9	8.8
<b>TOTAL</b>	<b>7.1</b>	<b>11.0</b>	<b>4.4</b>	<b>7.3</b>	<b>6.1</b>	<b>5.9</b>	<b>5.6</b>
<b>Memo:</b>							
<b>BUSINESSES WITHOUT REACTIVA PERU</b>	<b>4.3</b>	<b>-7.0</b>	<b>12.1</b>	<b>15.6</b>	<b>11.6</b>	<b>10.3</b>	<b>9.7</b>
<b>TOTAL WITHOUT REACTIVA PERU</b>	<b>7.1</b>	<b>-5.4</b>	<b>9.4</b>	<b>14.0</b>	<b>13.3</b>	<b>12.9</b>	<b>12.6</b>

<sup>1/</sup> Balances are valued at constant exchange rate on December 2020.  
Source: BCRP.

After reaching a peak of 8.81 percent in June, the **inflation** rate has been gradually decreasing with some fluctuations, recording a rate of 8.45 percent in November. Inflation excluding food and energy prices rose from 4.95 to 5.71 percent in the same period, above the target range. The different indicators of trend inflation are also above the target range.

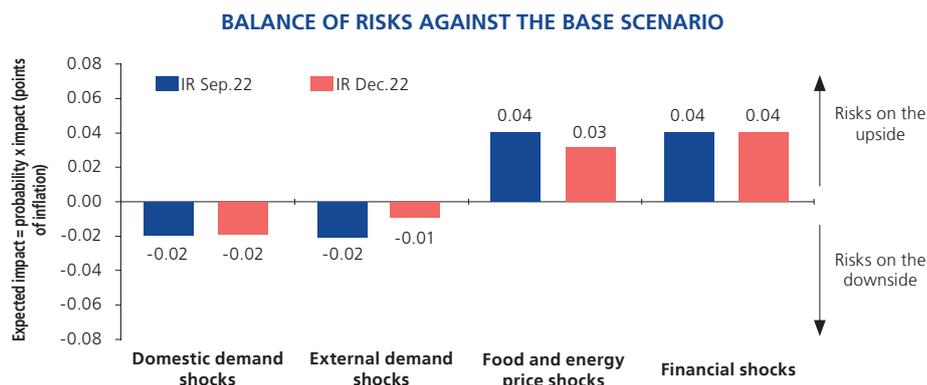


On the other hand, inflation is projected to register 3.0 percent next year and 2.4 percent in 2024, within the target range. This forecast assumes the reversal of the effect of transitory factors on the inflation rate (international food and energy prices) in a context in which inflation expectations return to the target range and GDP remains around its potential level.



### Balance Risk

The **balance of risks to the inflation projection** remains skewed to the upside. The risks in the forecasts mainly consider the following contingencies: (i) slowdown in global growth, which would imply lower demand for our exports; (ii) a lower level of local activity if business and consumer confidence does not recover, and if there are delays in the execution of public spending; (iii) intensification of geopolitical tensions, which could exacerbate and prolong the current energy and food crisis; and (iv) upward pressures on the exchange rate, capital outflows and greater volatility in financial markets due to episodes of greater political uncertainty, disruptions in growth, or a faster withdrawal of monetary stimulus in developed countries.



## SUMMARY OF INFLATION REPORT FORECAST

	2021	2022*		2023*		2024*
		IR Sep.22	IR Dec.22	IR Sep.22	IR Dec.22	IR Dec.22
<b>Real % Change</b>						
1. Gross Domestic Product	13.6	3.0	2.9	3.0	2.9	3.0
2. Domestic demand	14.7	2.5	2.7	2.7	2.5	3.1
a. Private consumption	12.4	4.2	4.4	3.1	3.0	3.0
b. Public consumption	10.6	1.5	-1.6	2.0	2.0	3.0
c. Fixed private investment	37.4	0.0	0.0	1.8	1.0	2.5
d. Public investment	24.9	2.1	6.0	0.0	0.0	4.0
3. Exports (good and services)	13.7	5.5	5.0	7.7	6.4	2.5
4. Imports (good and services)	18.6	3.8	4.3	6.5	4.6	2.9
5. Global economic growth	6.0	2.8	2.8	2.7	2.3	2.9
<b>Memo:</b>						
Output gap <sup>1/</sup> (%)	-0.4	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5
<b>% change</b>						
6. Inflation	6.4	7.8	8.2	3.0	3.0	2.4
7. Expected inflation <sup>2/</sup>	3.5	7.3	7.8	4.0	4.2	3.3
8. Expected depreciation <sup>2/</sup>	12.1	-3.5	-1.7	-0.6	-0.5	-0.4
9. Terms of trade	11.8	-7.2	-10.1	-2.4	-4.2	1.0
a. Export prices	30.3	5.4	2.3	-4.3	-6.6	0.9
b. Import prices	16.6	13.6	13.7	-2.0	-2.4	-0.2
<b>Nominal % change</b>						
10. Currency in circulation	16.0	1.5	0.0	1.5	1.2	0.0
11. Credit to the private sector	4.4	5.5	5.5	5.2	5.2	6.0
<b>% GDP</b>						
12. Gross fixed investment	25.2	25.0	25.5	24.6	25.0	24.9
13. Current account of the balance of payments	-2.3	-3.8	-4.5	-1.8	-2.7	-2.0
14. Trade balance	6.6	5.0	3.8	4.6	2.9	2.8
15. Long-term external financing of the private sector <sup>3/</sup>	7.4	3.9	5.4	1.1	1.8	1.7
16. Current revenue of the general government	21.0	21.8	22.2	20.9	21.2	21.0
17. Non-financial expenditure of the general government	22.2	22.1	22.0	21.4	21.2	21.1
18. Overall balance of the non-financial public sector	-2.5	-1.9	-1.6	-1.8	-1.6	-1.5
19. Balance of total public debt	35.9	33.8	34.1	32.8	33.1	32.1
20. Balance of net public debt	21.8	21.3	21.6	21.5	21.6	21.6

RI: IR: Inflation Report

\* Forecast.

1/ Differential between GDP and Potential GDP (in % of Potential GDP).

2/ Survey on expectations to the analysts and financial entities carried out at the time of publication of the respective Inflation Report. Data observed in the case of depreciation for 2021, and the average of expectations throughout year in case of inflation has been considered.

3/ Includes net direct investment, foreign assets investment from residents (AFP), foreign net portfolio investment, and private sector's long term disbursement. Positive sign indicates net inflow of foreign capital.