

Policy Panel: Heterogeneous impact of inflation

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Disclaimer: The views expressed in this presentation are mine and do not necessarily represent those of the Central Reserve Bank of Peru (BCRP).

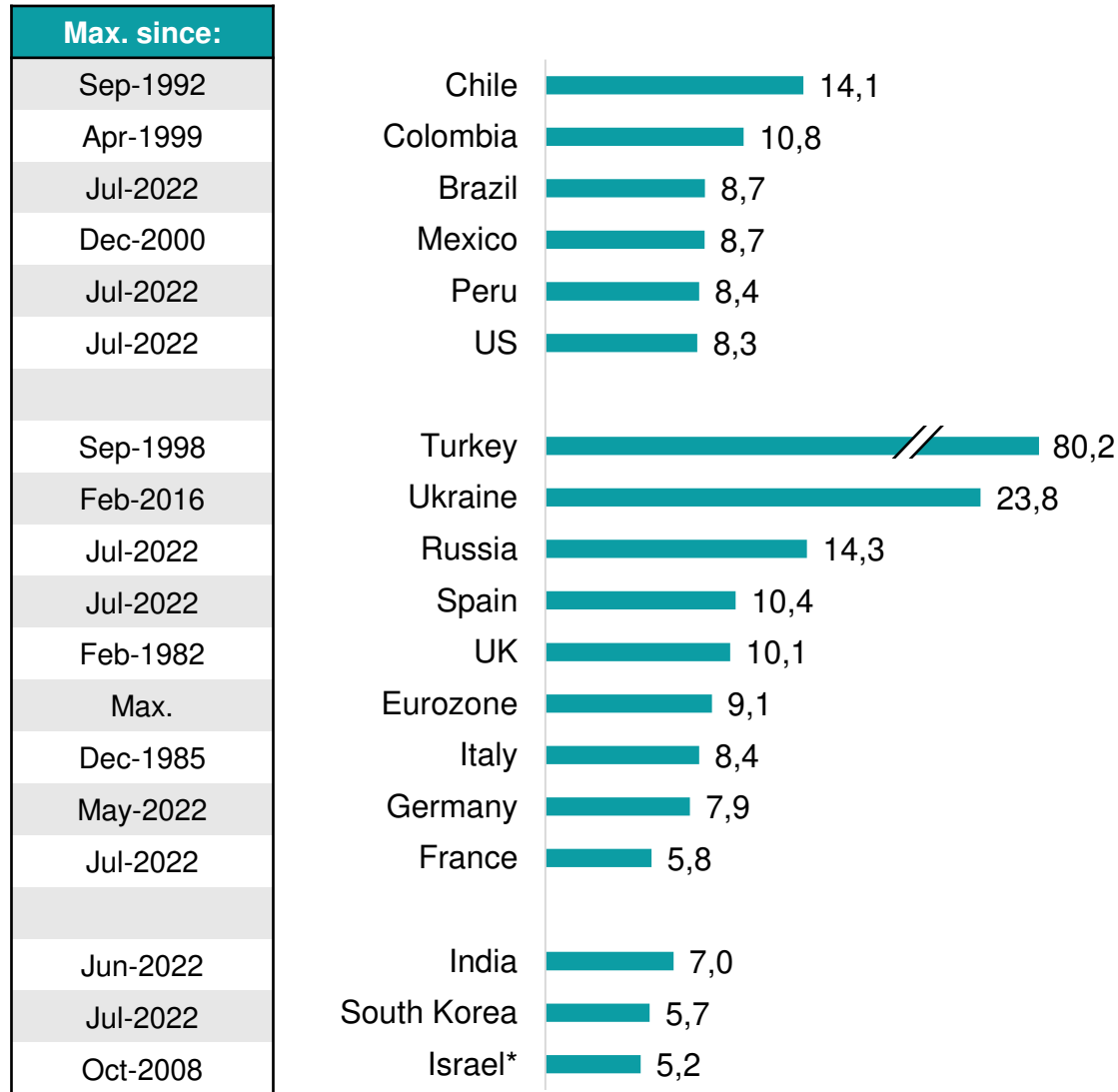


BANCO CENTRAL DE RESERVA DEL PERÚ

100 años

In some countries, inflation continues to register values close to the maximum of several years.

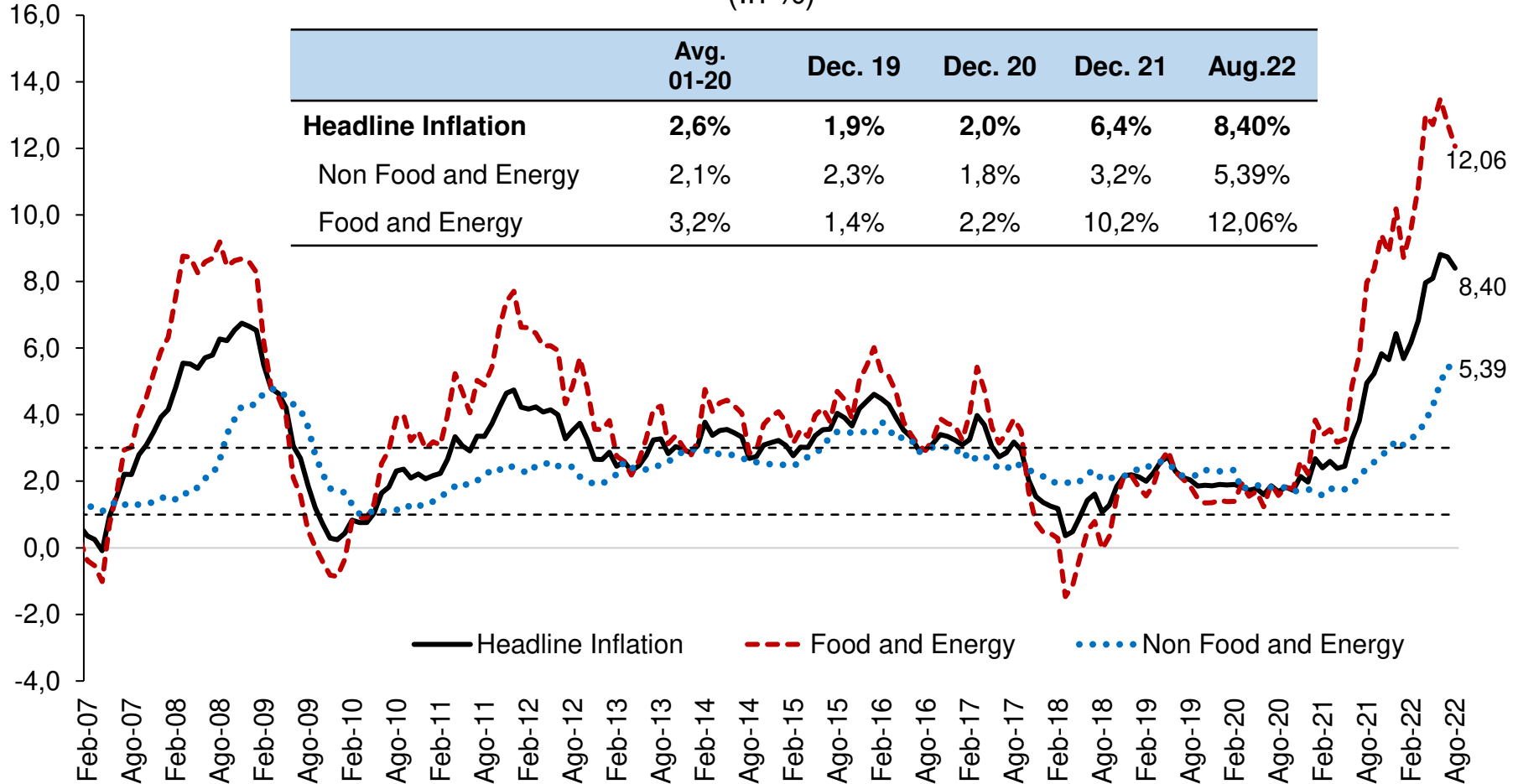
YoY Inflation in August 2022



* As of July 2022.
Source: Trading Economics.

Year-on-year inflation stood at 8.40 percent in August, after reaching a maximum level of 8.81 percent in June, driven by the higher price of food with a high imported content and fuel.

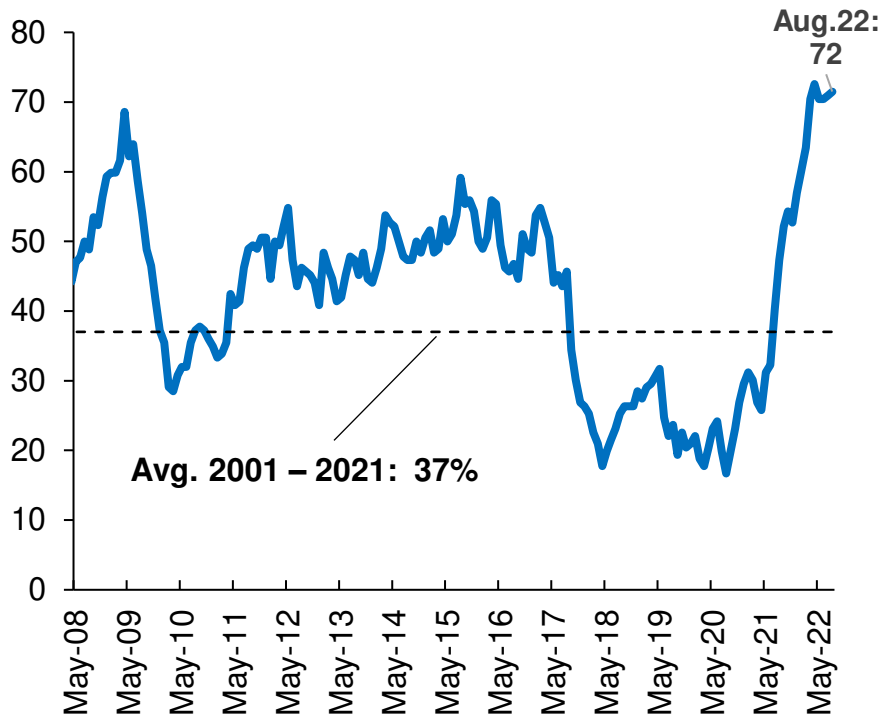
INFLATION, 2007-2022
(In %)



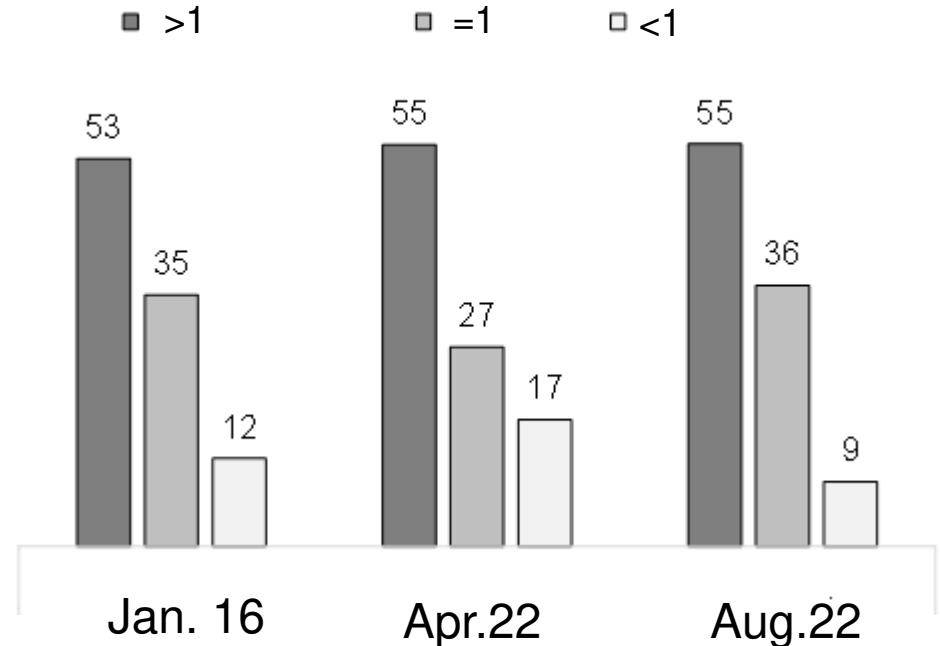
Fuente: INEI, BCRP.

The percentage of CPI items with a year-on-year variation greater than 3 percent has stabilized around 70. A large percentage of firms have increased their prices one or more times in a year.

DISPERSION INDEX: % OF CPI COMPONENTS WITH YoY VARIATION ABOVE 3%



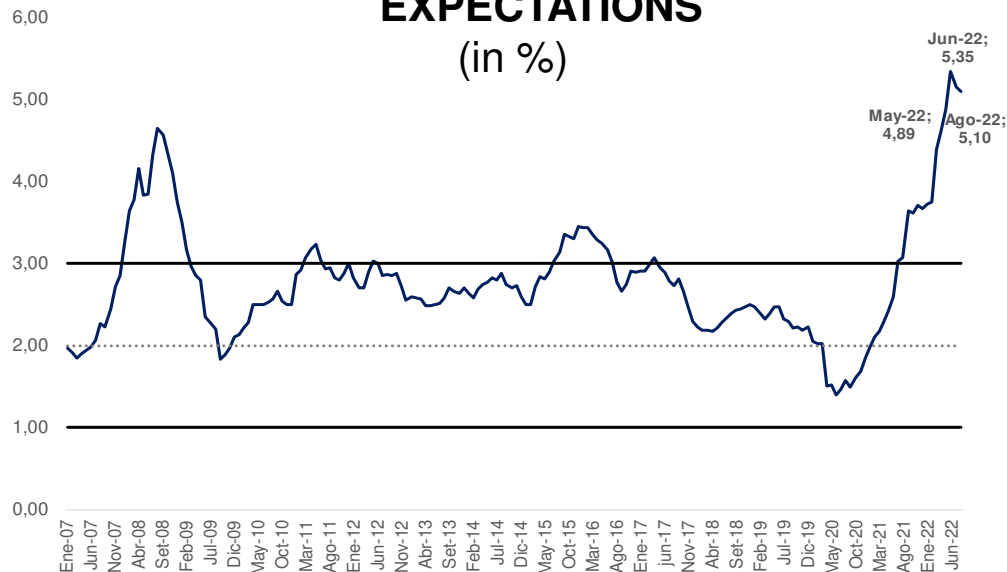
PRICE CHANGE FREQUENCY OF FIRMS IN ONE YEAR (% OF FIRMS)



Source: BCRP.

Monetary Policy actions are oriented to induce inflation expectations towards the target range.

12-month AHEAD INFLATION EXPECTATIONS (in %)



Source: BCRP.

Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:		
	30 Jun.	31.Jul	31.Aug
Economic experts /1			
2022	7,00	7,45	7,30
2023	4,00	3,50	4,00
2024	3,00	3,00	3,00
Financial entities /2			
2022	6,40	6,80	7,30
2023	4,00	4,00	4,00
2024	4,00	3,65	3,50
Non-financial firms /3			
2022	6,00	6,50	7,30
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

Source: BCRP

BCRP Policy Framework

Inflation Targeting

- **Target Range:** 1% - 3%
- **Operational Target:** Interbank Rate

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Liquidity Provision

- **Main Purpose:** to prevent financial stress and avoid unintended effect in the interest rate yield curve slope
- **Injection:** Repo Operations (Short and Long run)
- **Sterilization:** CD and CDV (short and médium run)

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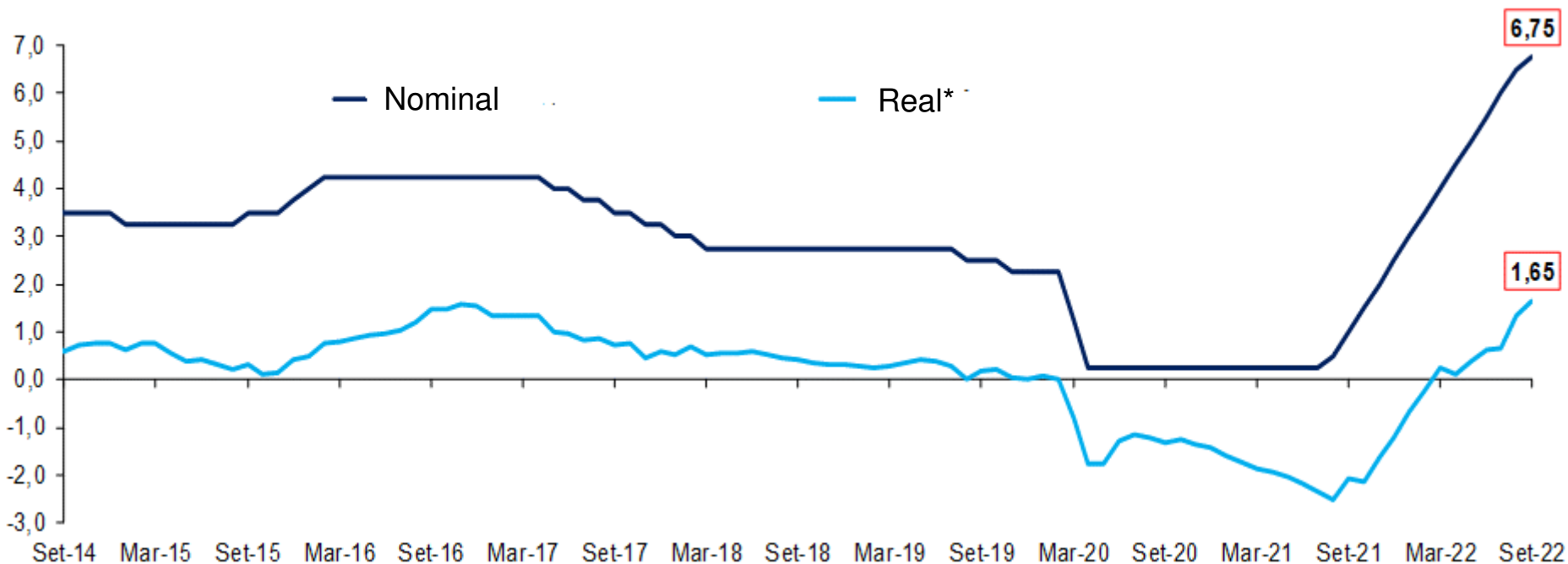
Controlled Risks of Dollarization

- Higher Reserve Requirements in USD
- FX Intervention to reduce Exchange Rate Volatility
- FX Reserves Accumulation

BCRP Balance Sheet

The BCRP has continued with the normalization of the monetary policy position that began in August 2021. With this, the Central Bank signals its commitment to continue reducing inflation until it falls back within the target range.

MONETARY POLICY RATE (In %)



* With inflation expectations

Source: BCRP.

For 2022, inflation is projected to be 7.8 percent due to the increase in the prices of imported goods and the impact of the executed depreciation. Inflation is expected to enter the target range in the second half of 2023 after the reversal of fuel and grain prices on inflation.

YoY Inflation Forecast, 2022 – 2023

(in %)

	Weigh.	2010-19	2018	2019	2020	2021	2022*	2023*
CPI	100,0	2,9	2,2	1,9	2,0	6,4	7,8	3,0
1. CPI without Food and Energy	55,3	2,4	2,2	2,3	1,8	3,2	5,7	3,5
2. Food and Energy	44,7	3,4	2,2	1,4	2,2	10,2	10,3	2,4

