



BANCO CENTRAL DE RESERVA DEL PERÚ

100 AÑOS | 1922 - 2022

# Peru: Monetary Policy decisions in the face of local and global uncertainty

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Central Reserve Bank of Peru

March 2022

LarrainVial 

**100 años** de  
**servicio al país**



# Contents



**Economic performance**



**Inflation and monetary policy actions**



**Closing remarks**

**Peru's economic activity showed a rapid recovery since the end of 2020, although with a more gradual trend since the second half of 2021.**

**SEASONALLY ADJUSTED INDEX OF ECONOMIC ACTIVITY**  
(Base 100 = 4Q 2019)

**Peru: BCRP**

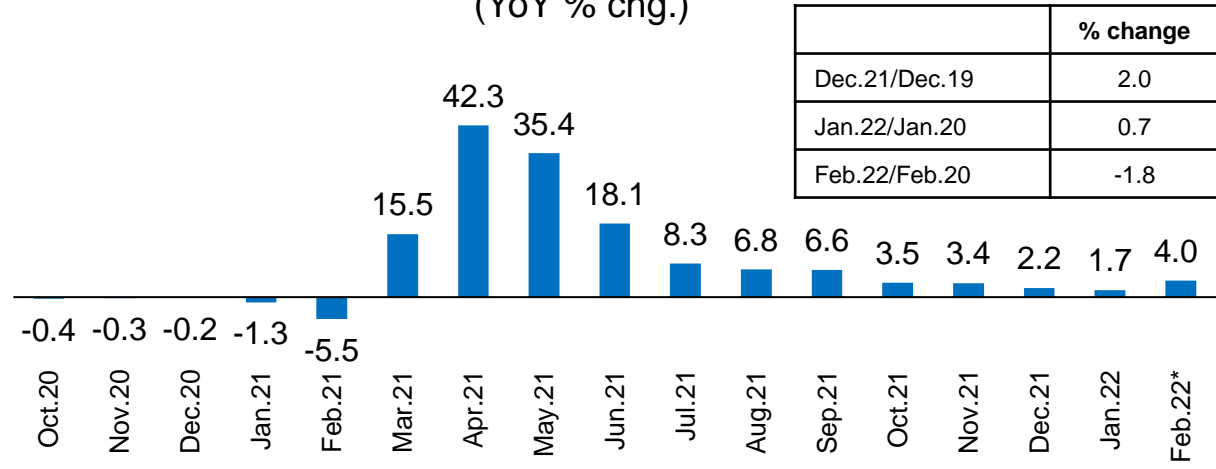


	1Q21	2Q21	Jul.21	Aug.21	Sep.21	3Q21	Oct.21	Nov.21	Dec.21	4Q21	Jan.22
Peru	97.9	98.6	99.5	101.4	102.4	101.1	101.2	101.5	102.4	101.7	102.4

Source: INEI and BCRP

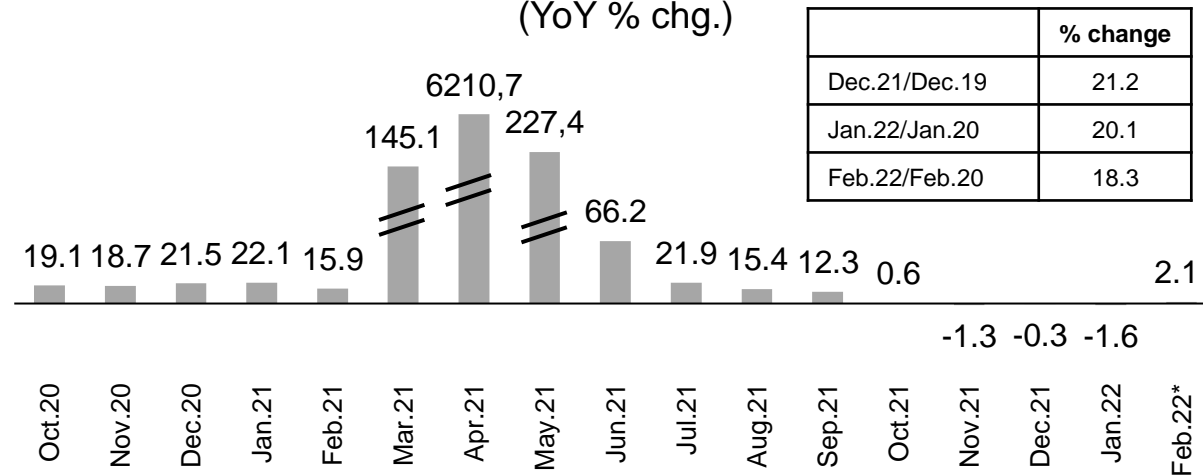
Economic indicators show mixed results in their recovery, with higher growth in indicators related to private consumption and a slowdown in those related to public and private investment.

### ELECTRICITY DEMAND (YoY % chg.)



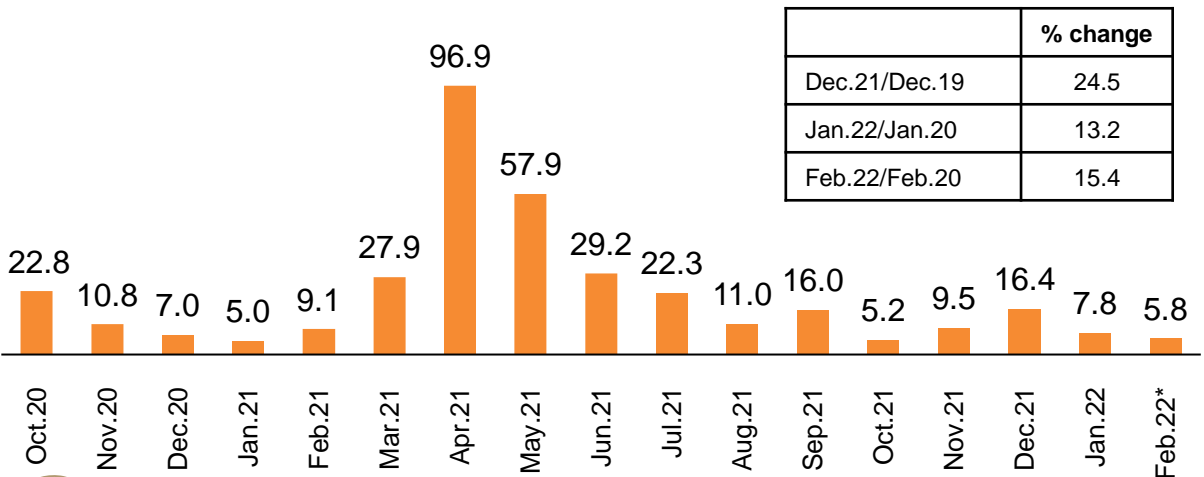
	% change
Dec.21/Dec.19	2.0
Jan.22/Jan.20	0.7
Feb.22/Feb.20	-1.8

### CEMENT DEMAND (YoY % chg.)



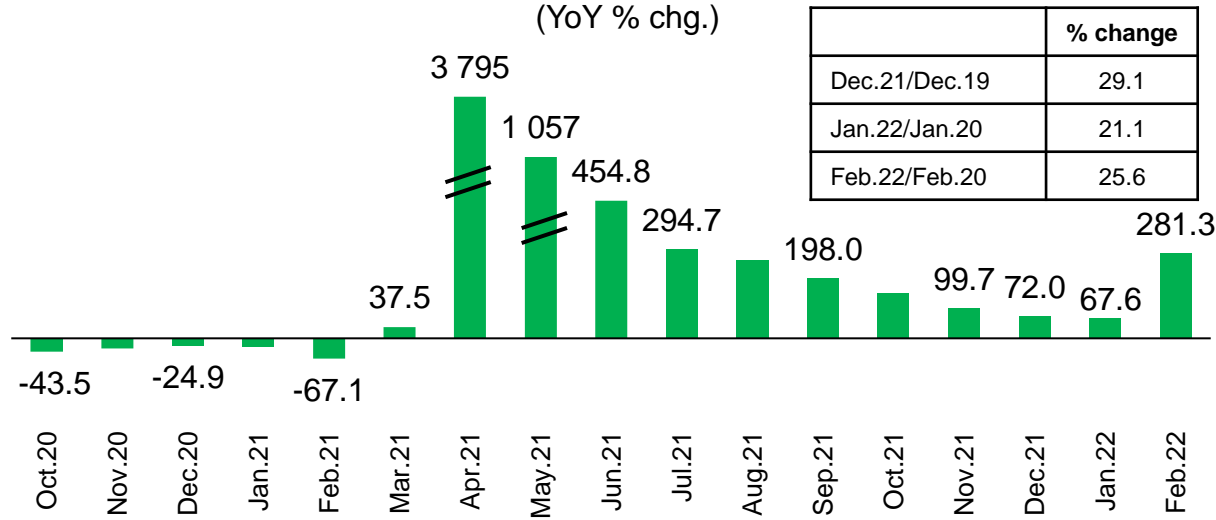
	% change
Dec.21/Dec.19	21.2
Jan.22/Jan.20	20.1
Feb.22/Feb.20	18.3

### NON-TRADITIONAL EXPORT VOLUME (YoY % chg.)



	% change
Dec.21/Dec.19	24.5
Jan.22/Jan.20	13.2
Feb.22/Feb.20	15.4

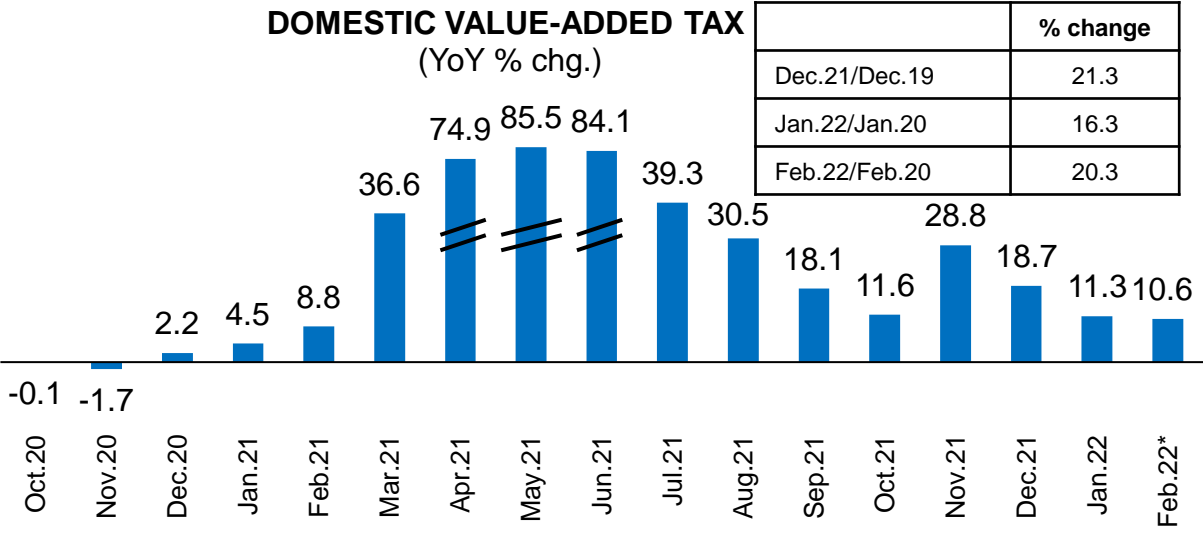
### CREDIT/DEBIT CARD TRANSACTIONS IN RESTAURANTS (YoY % chg.)



	% change
Dec.21/Dec.19	29.1
Jan.22/Jan.20	21.1
Feb.22/Feb.20	25.6

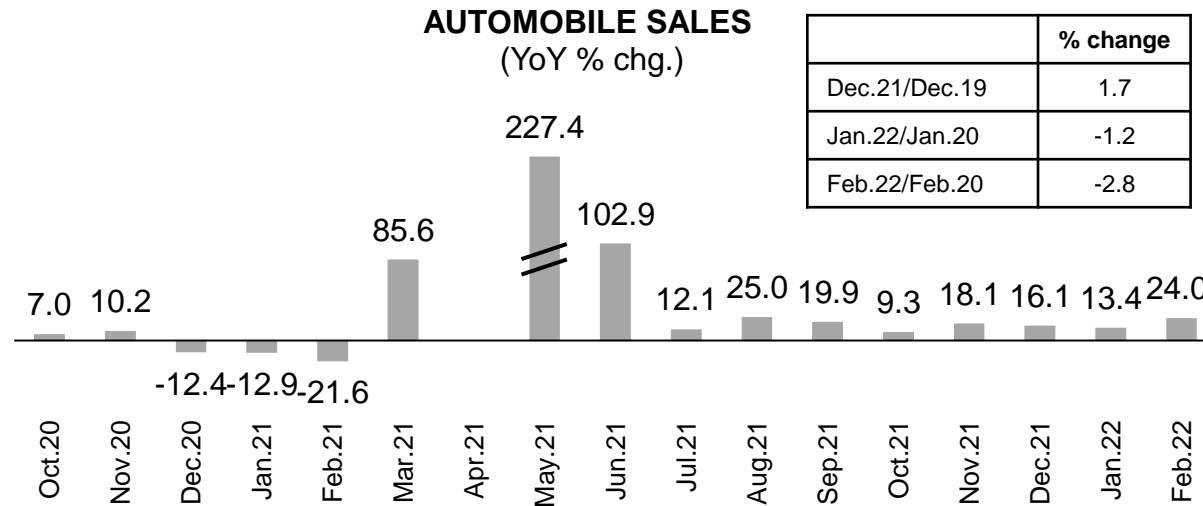
**Economic indicators show mixed results in their recovery, with higher growth in indicators related to private consumption and a slowdown in those related to public and private investment.**

**DOMESTIC VALUE-ADDED TAX**  
(YoY % chg.)



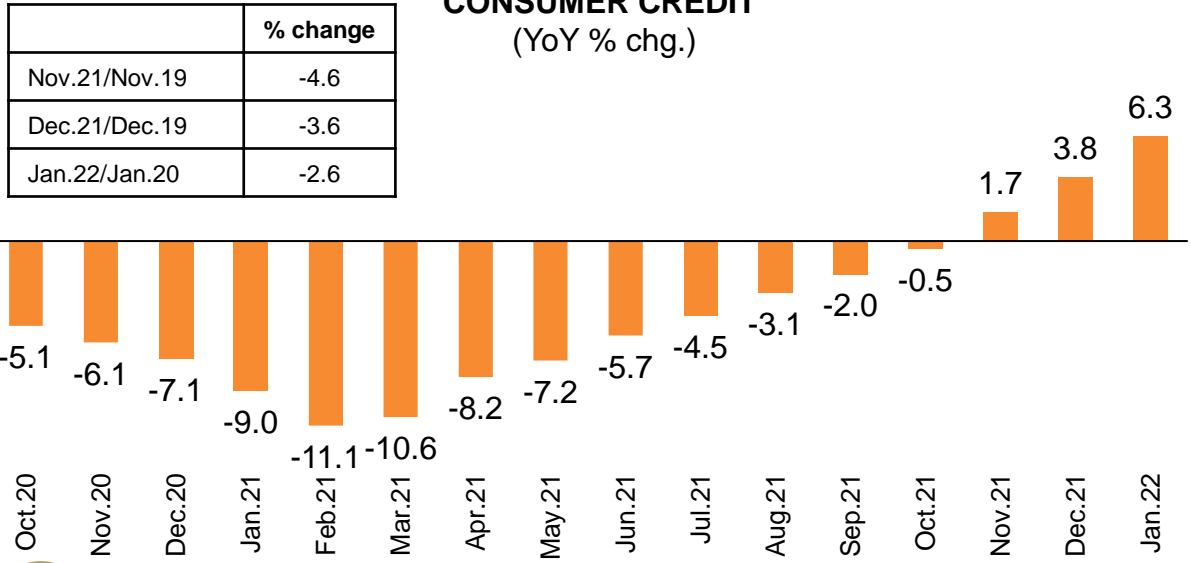
	% change
Dec.21/Dec.19	21.3
Jan.22/Jan.20	16.3
Feb.22/Feb.20	20.3

**AUTOMOBILE SALES**  
(YoY % chg.)



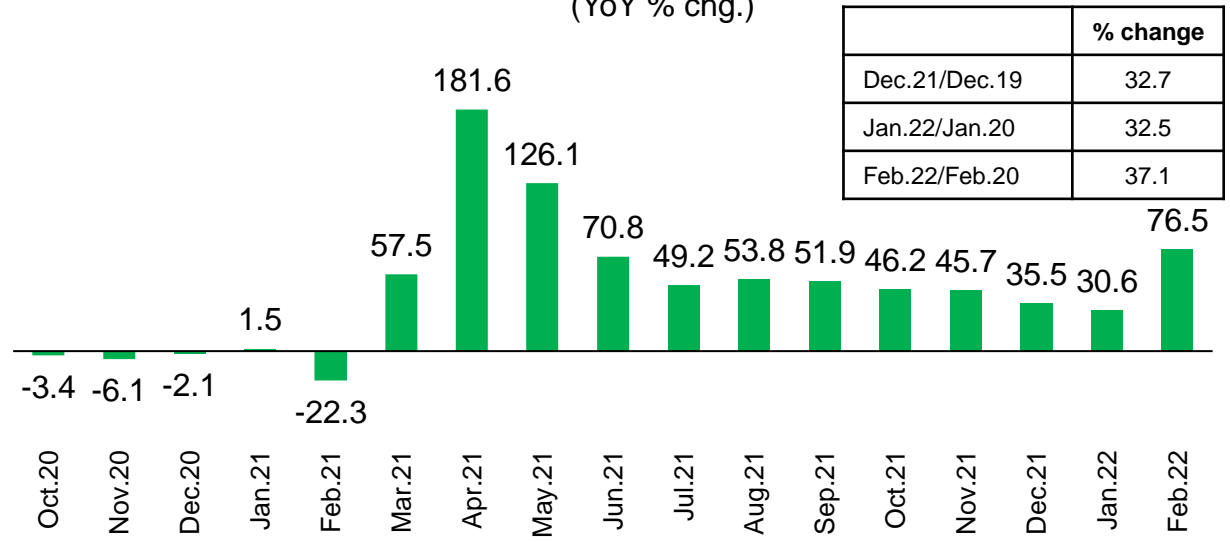
	% change
Dec.21/Dec.19	1.7
Jan.22/Jan.20	-1.2
Feb.22/Feb.20	-2.8

**CONSUMER CREDIT**  
(YoY % chg.)



	% change
Nov.21/Nov.19	-4.6
Dec.21/Dec.19	-3.6
Jan.22/Jan.20	-2.6

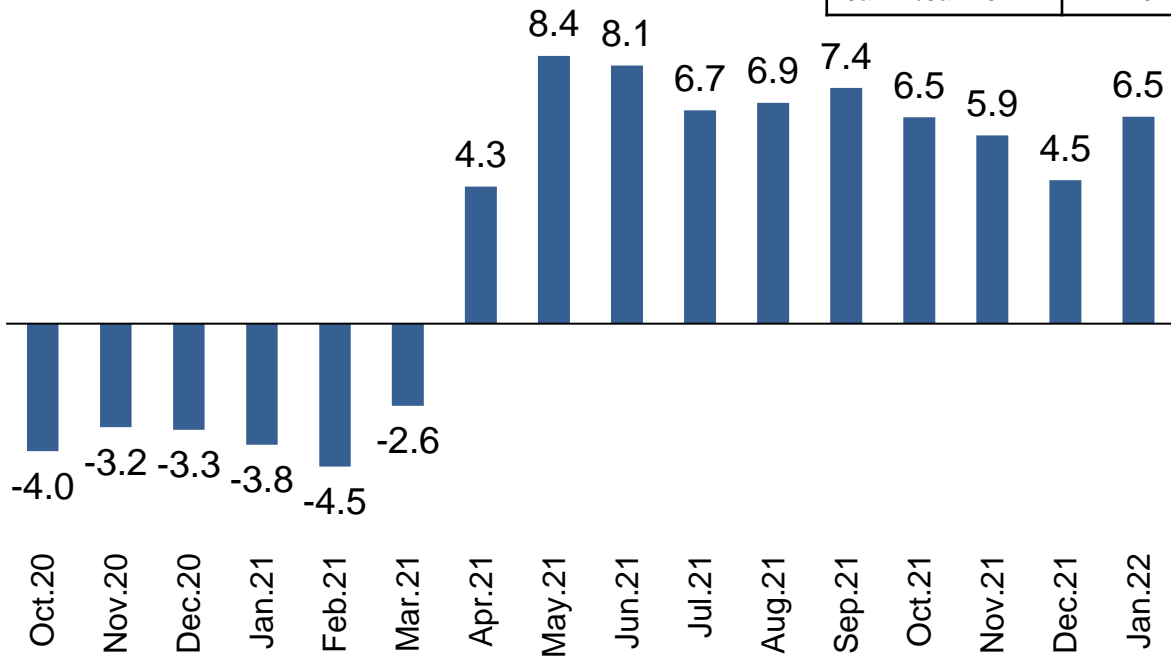
**CREDIT/DEBIT CARD TRANSACTIONS**  
(YoY % chg.)



	% change
Dec.21/Dec.19	32.7
Jan.22/Jan.20	32.5
Feb.22/Feb.20	37.1

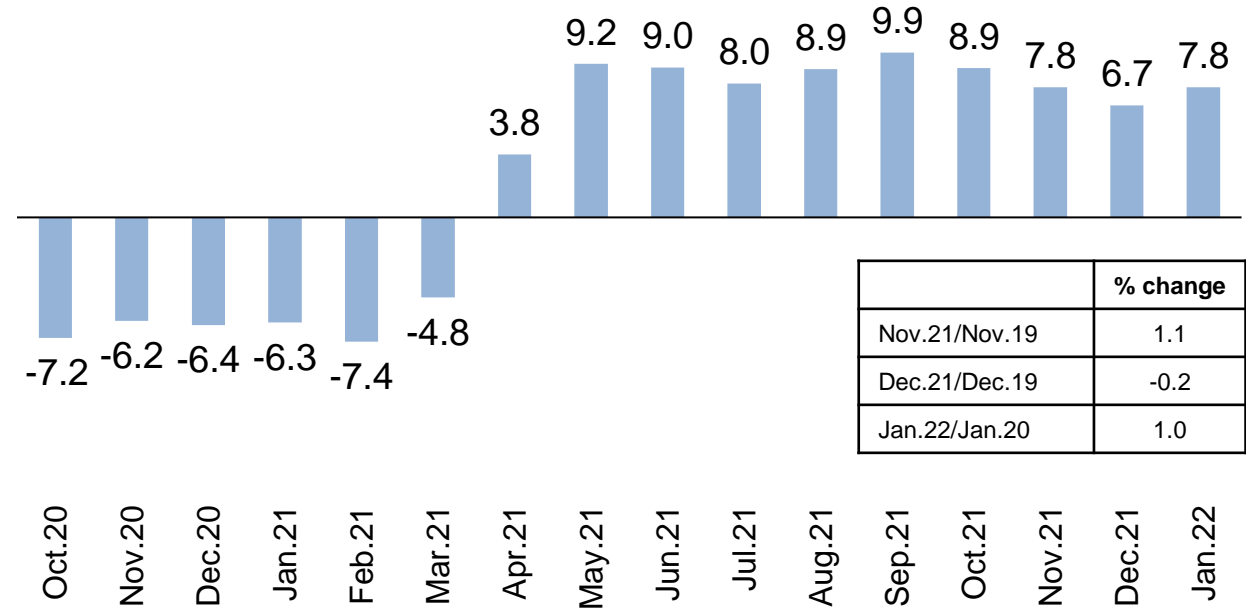
In January, formal employment continued showing positive rates by 10th-consecutive months. The number of formal jobs created increased 6.5 percent with respect to January 2021. The number of formal workers exceeds pre-crisis levels since August 2021.

### FORMAL WORKERS (YoY % chg.)



	% change
Nov.21/Nov.19	2.2
Dec.21/Dec.19	2.6
Jan.22/Jan.20	1.9

### PRIVATE SECTOR WORKERS (YoY % chg.)



	% change
Nov.21/Nov.19	1.1
Dec.21/Dec.19	-0.2
Jan.22/Jan.20	1.0

Source: SUNAT.

**Economic activity has continued its recovery, with the normalization of consumer spending and health restrictions. Mining production would increase in 2023 with the start of operations at the Quellaveco mine. Potential risks to growth would come from a scenario of less political and social stability**

**GDP BY ECONOMIC SECTORS**  
(Annual % change)

	Prom. 2001-2019	2020	2021	2022*	2023*
<b>Primary GDP</b>	<b>3.9</b>	<b>-7.8</b>	<b>5.5</b>	<b>5.3</b>	<b>5.8</b>
Agricultural and livestock	3.6	1.0	3.8	2.7	2.8
Fishing	1.7	4.2	2.8	4.4	4.4
Mining	5.0	-13.8	9.7	5.9	8.4
Hydrocarbons	2.9	-11.0	-4.6	13.4	4.0
Manufacture	2.3	-2.0	1.9	4.1	3.5
<b>Non-primary GDP</b>	<b>5.1</b>	<b>-11.9</b>	<b>15.6</b>	<b>2.9</b>	<b>2.5</b>
Manufacture	4.1	-16.4	24.6	1.4	3.3
Electricity and water	5.4	-6.1	8.6	2.3	5.0
Construction	6.2	-13.5	34.9	0.5	2.5
Commerce	5.3	-16.0	17.8	2.4	2.5
Services	5.2	-10.3	11.8	3.7	2.3
<b><u>Gross Domestic Product</u></b>	<b><u>4.8</u></b>	<b><u>-11.0</u></b>	<b><u>13.3</u></b>	<b><u>3.4</u></b>	<b><u>3.2</u></b>

\*Forecast

Source: BCRP.

**Exports would increase its contribution to GDP growth in 2022-2023, whereas domestic demand, in particular investment, would grow at a more moderate pace.**

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

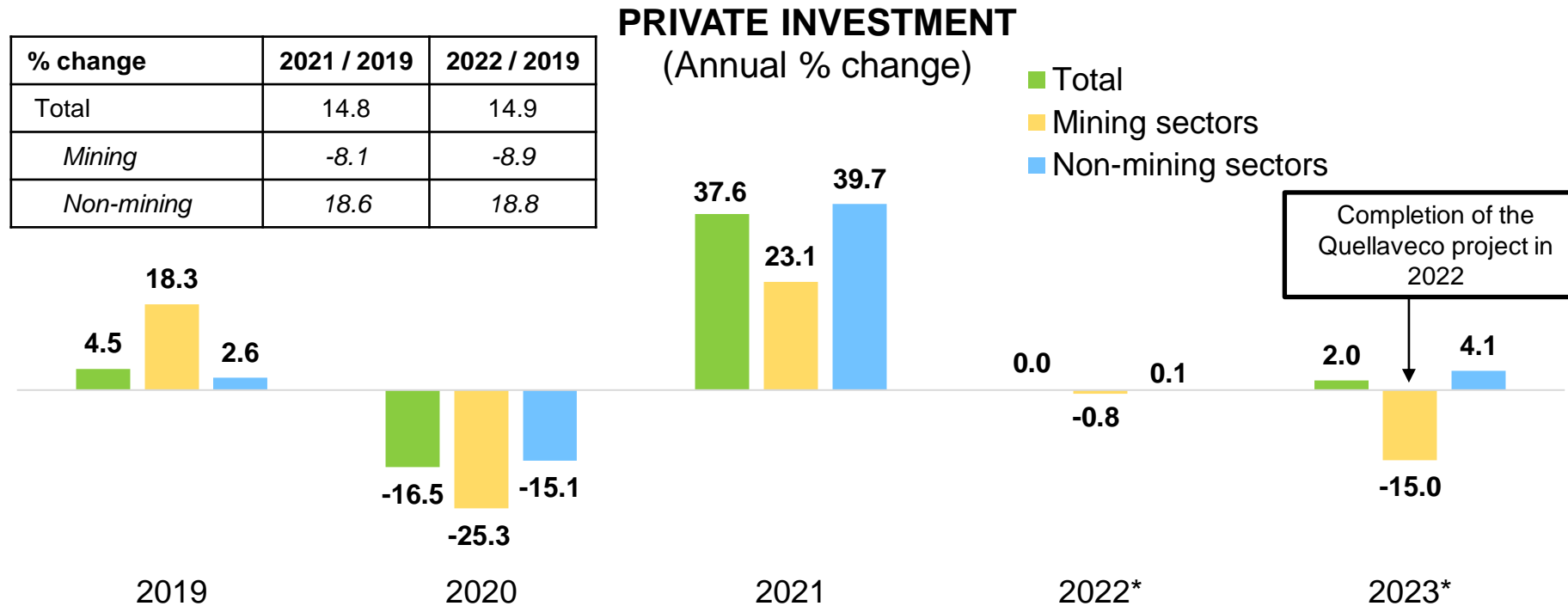
	Prom. 2001-2019	2020	2021	2022*	2023*
<b>Domestic Demand</b>	<b>5.1</b>	<b>-9.5</b>	<b>14.4</b>	<b>3.0</b>	<b>3.0</b>
Private Consumption	4.9	-9.8	11.7	4.1	3.5
Public Consumption	4.7	7.6	10.7	1.5	2.0
Private Investment	4.6	-16.5	37.6	0.0	2.0
Public Investment	6.7	-15.5	23.7	4.0	1.6
<b>Exports</b>	<b>5.1</b>	<b>-20.5</b>	<b>14.0</b>	<b>7.5</b>	<b>7.6</b>
<b>Imports</b>	<b>6.5</b>	<b>-15.6</b>	<b>18.8</b>	<b>5.6</b>	<b>6.7</b>
<b><u>Gross Domestic Product</u></b>	<b><u>4.8</u></b>	<b><u>-11.0</u></b>	<b><u>13.3</u></b>	<b><u>3.4</u></b>	<b><u>3.2</u></b>

\*Forecast

Source: BCRP.



Private investment increased in 2021 driven by the development of housing and infrastructure projects. Going forward, the rate of growth of private investment will depend on how the mineral price cycle evolves, on business expectations and on a political environment that provides stability to the country.

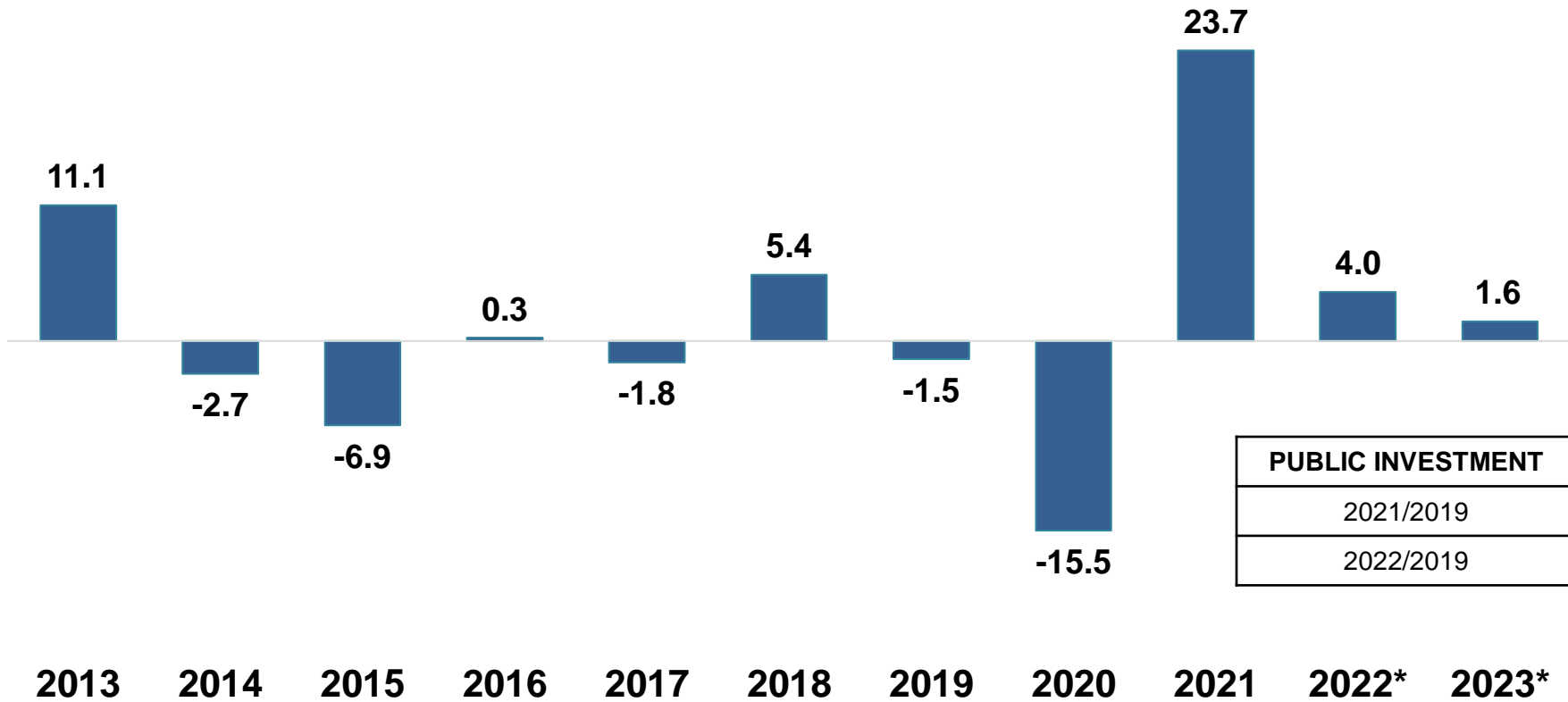


Private investment: US\$ millions	2019	2020	2021	2022*	2023*
Total	41,733	34,347	46,321	48,772	51,112
Mining	5,909	4,327	5,238	5,500	4,800
Non-mining	35,825	30,019	41,083	43,272	46,312

\*Forecast  
Source: MINEM and BCRP.

Public investment is expected to grow at more moderate rates over the next two years, in line with the change in subnational authorities at the end of this year.

**PUBLIC INVESTMENT**  
(Annual % change)



PUBLIC INVESTMENT	% change
2021/2019	4.6
2022/2019	8.8

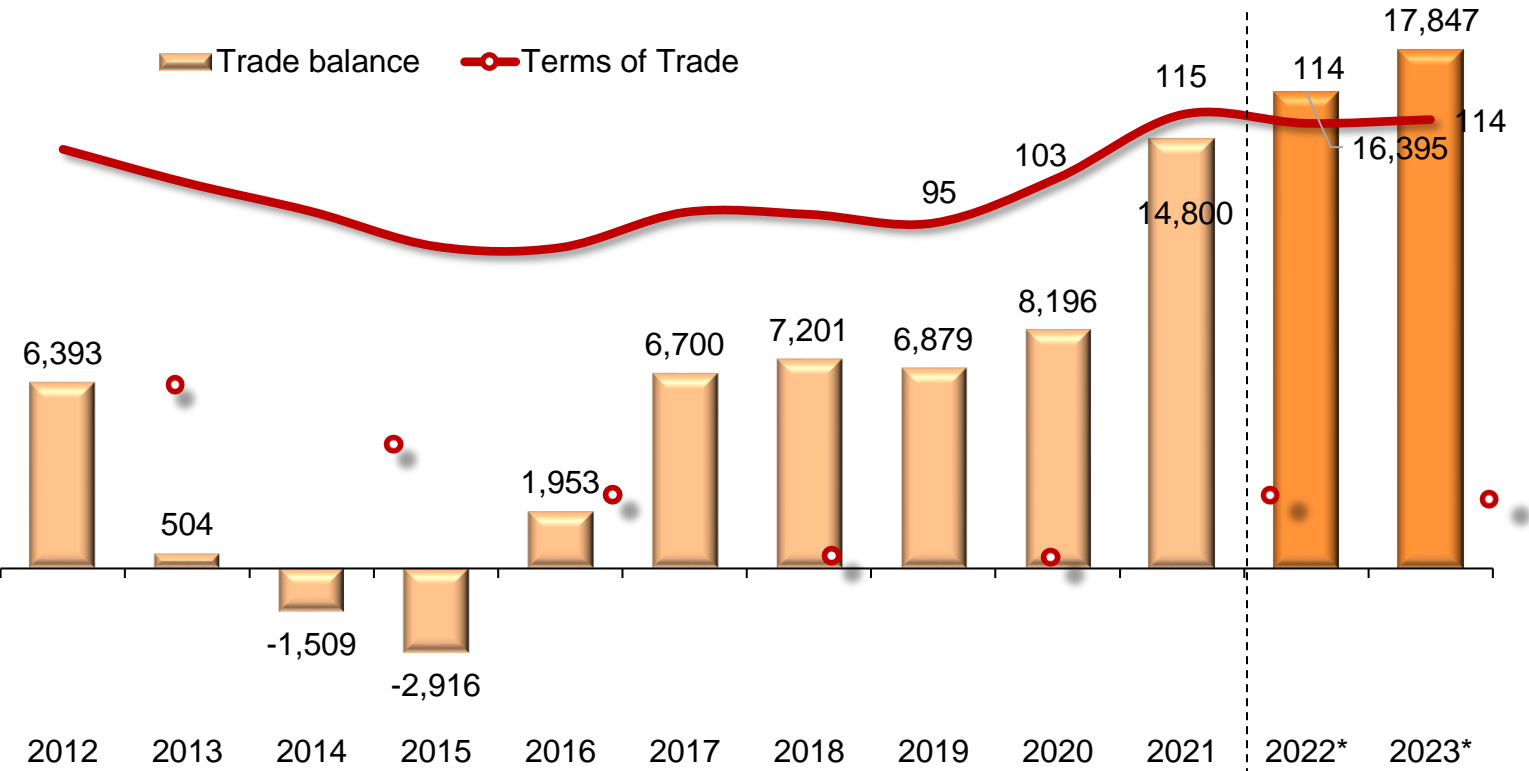
A record trade surplus was reached in 2021. A similar result is expected for 2022 and 2023 despite higher fuel and food prices. The trade surplus would increase in 2023 with the normalization of import prices and the recovery of primary production.

Anual % change	2021	2022*	2023*
<b>1. Value:</b>			
Exports	47,1	12,7	5,0
Imports	39,2	13,3	3,9
<b>2. Volumen:</b>			
Exports	12,8	5,7	5,9
Imports	19,4	4,7	5,4
<b>3. Precio:</b>			
Exports	30,3	6,6	-0,9
Imports	16,6	8,1	-1,5

\*Forecast IR March 2022.  
Source: BCRP.

**TRADE BALANCE AND TERMS OF TRADE, 2012-2023**

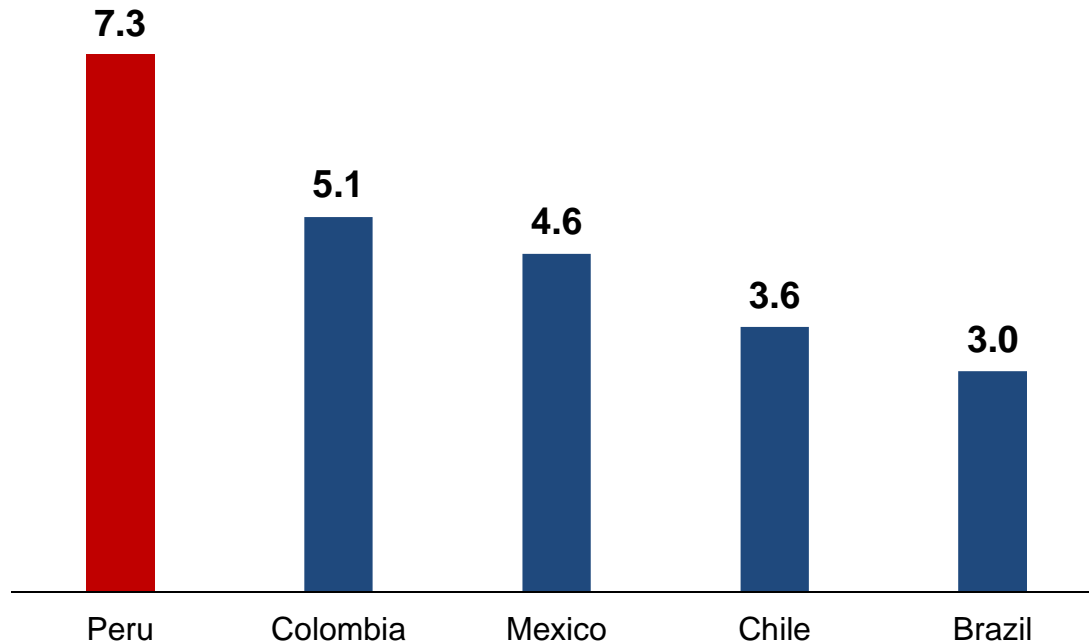
(Million US\$ and Index 2007 = 100, respectively)



\*Forecast. Inflation Report March 2022.  
Source: BCRP.

According to data published in January, non-commodity exports grew by 29% in the last 12 months and reached the highest growth in the region in the last five years.

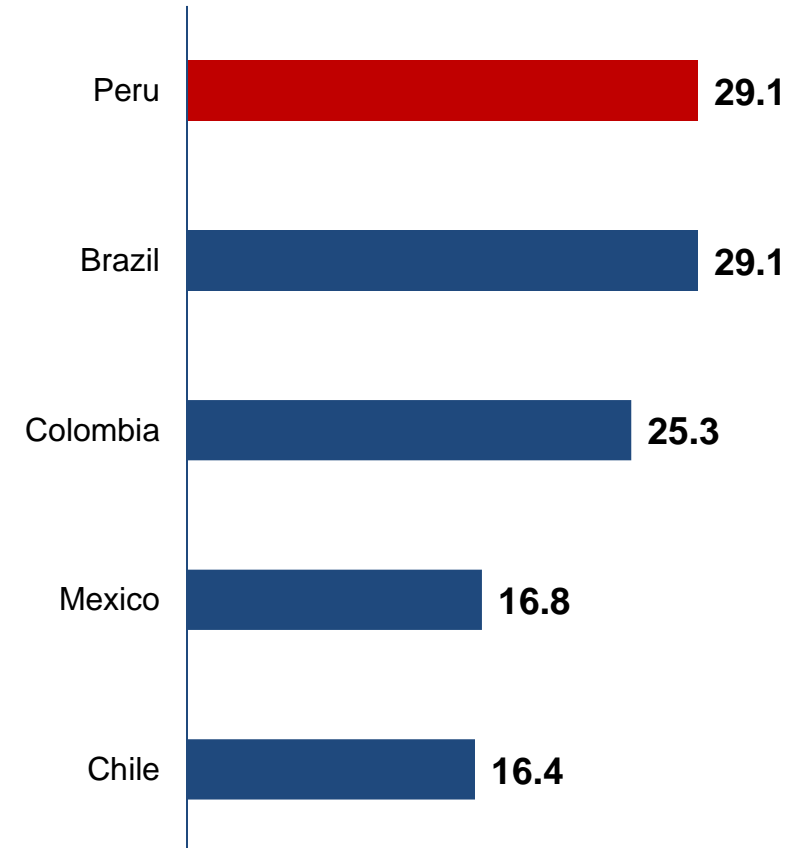
**NON-COMMODITY EXPORTS**  
Feb 2017 – Jan 2022  
(Average annual growth)



Chile: excludes mining exports  
 Colombia: corresponds to September-August and excludes coffee, coal, oil and derivatives, ferro-nickel and non-monetary gold.  
 Brazil: corresponds to industrial exports (semi-manufactured and manufactured)  
 Mexico: excludes oil exports.

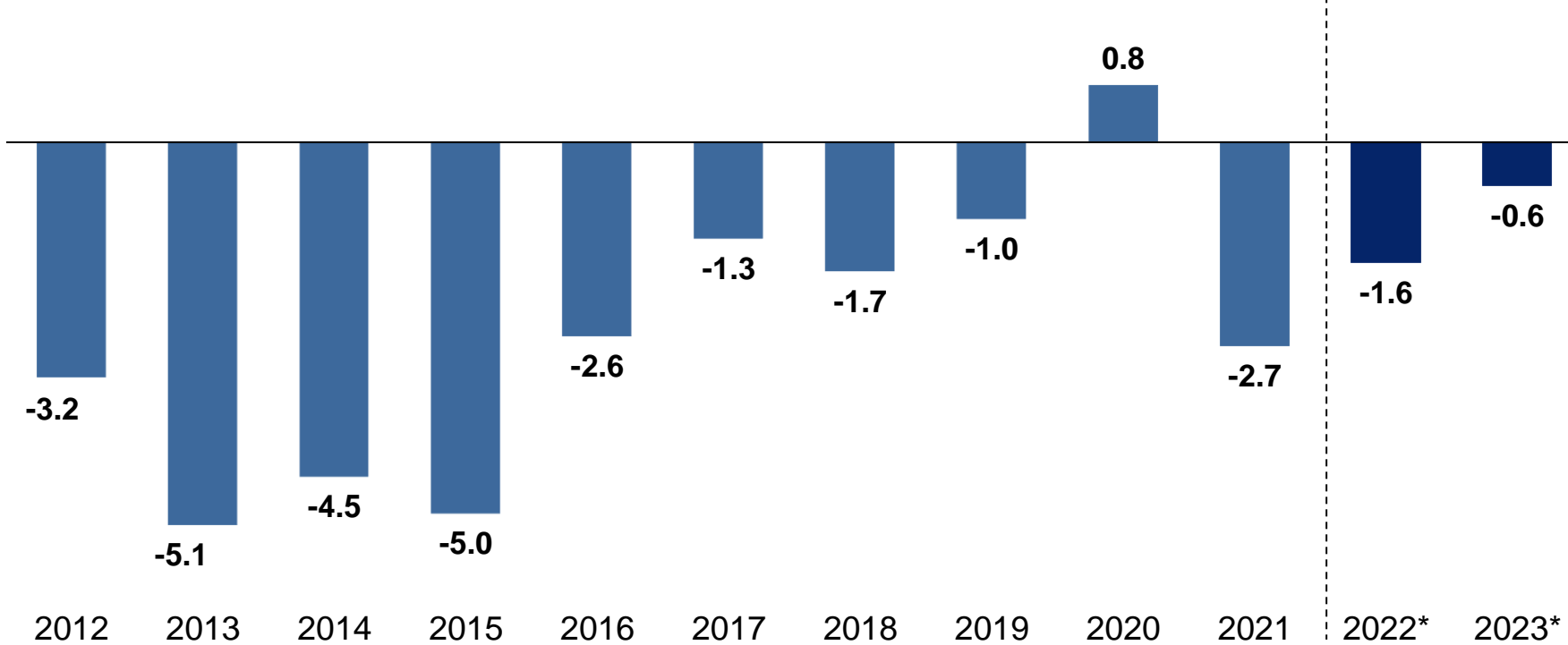
Source: SUNAT, Central Banks (Chile, Colombia, Mexico) and Minister of Finance (Brazil).

**NON-COMMODITY EXPORTS**  
Feb 2021 – Jan 2022  
(Annual growth)



# Current account would continue decreasing due to an increase in exports of goods and services and lower transportation costs.

**Current Account: 2012-2023**  
(Percentage of GDP)



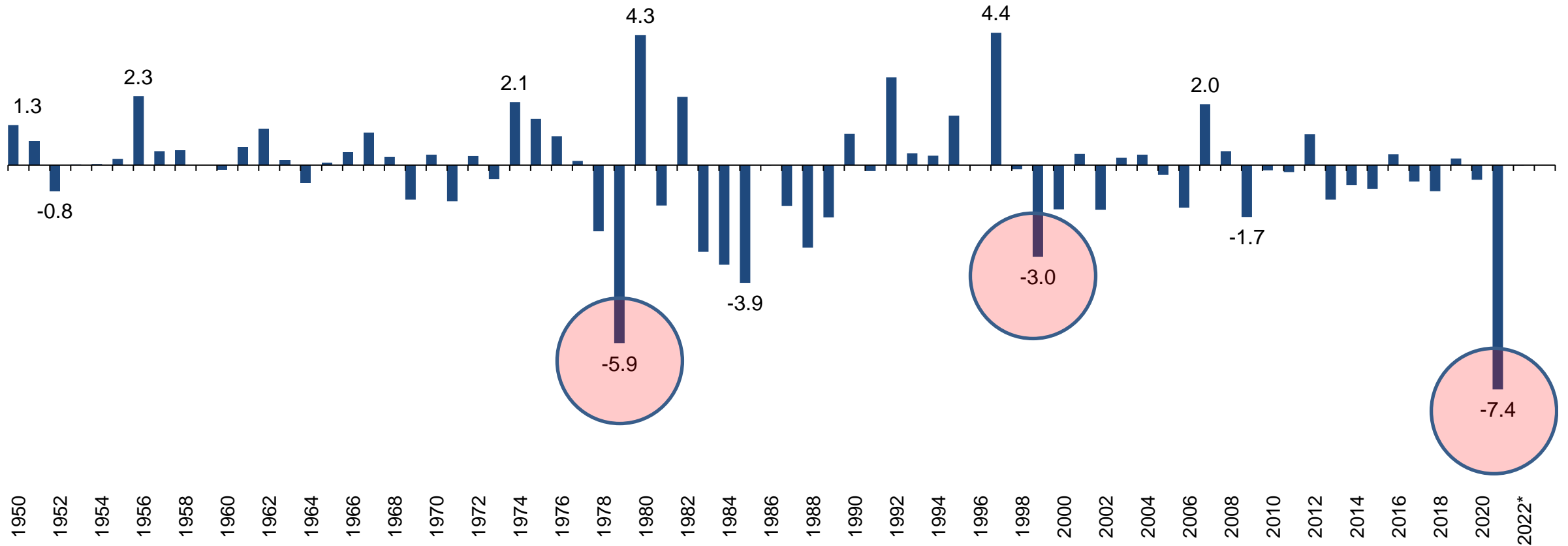
Current Account (% of GDP)	2021	2022*
Brazil	-0.5	-1.7
Uruguay	-1.3	-0.3
Colombia	-4.4	-4.0
Mexico	0.0	-0.3
<b>Peru</b>	<b>-2.7</b>	<b>-1.6</b>
Chile	-2.5	-2.2

\*Forecast.  
Source: IMF (WEO October 2021) and BCRP (Peru).

\*Forecast IR March 2022.  
Source: BCRP.

In 2021, capital outflows have been equivalent to 7.4 percent of GDP, reaching an all-time high.

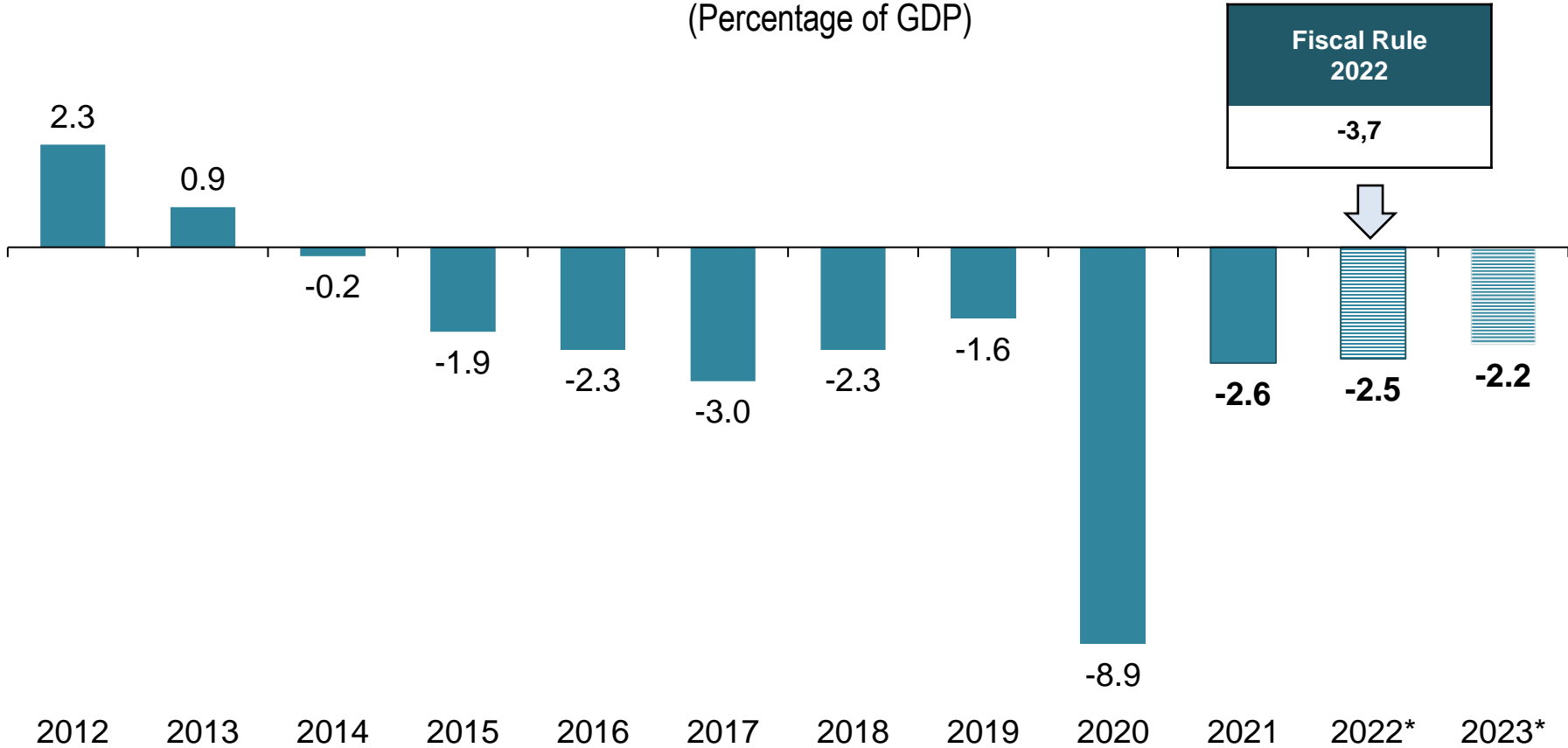
### SHORT-TERM CAPITAL FLOWS (% of GDP)



\* Forecast . Source: BCRP

The fiscal deficit is expected to decrease throughout the forecast horizon, to 2.2% of GDP in 2023, reflecting a recovery in current revenues and non-financial expenditure consolidation relative to 2020.

**NON FINANCIAL PUBLIC SECTOR: OVERALL BALANCE**  
(Percentage of GDP)



	2020	2021	2022*
<b>Overall balance (% of GDP)</b>			
Brazil	-13.4	-6.2	-7.6
Uruguay	-4.7	-4.2	-3.6
Colombia	-6.9	-8.4	-6.1
Ecuador	-6.1	-2.3	0.1
Mexico	-4.5	-4.2	-3.3
Paraguay	-7.2	-5.2	-4.0
<b>Peru</b>	<b>-8.9</b>	<b>-2.6</b>	<b>-2.5</b>
Chile	-7.1	-7.9	-3.4

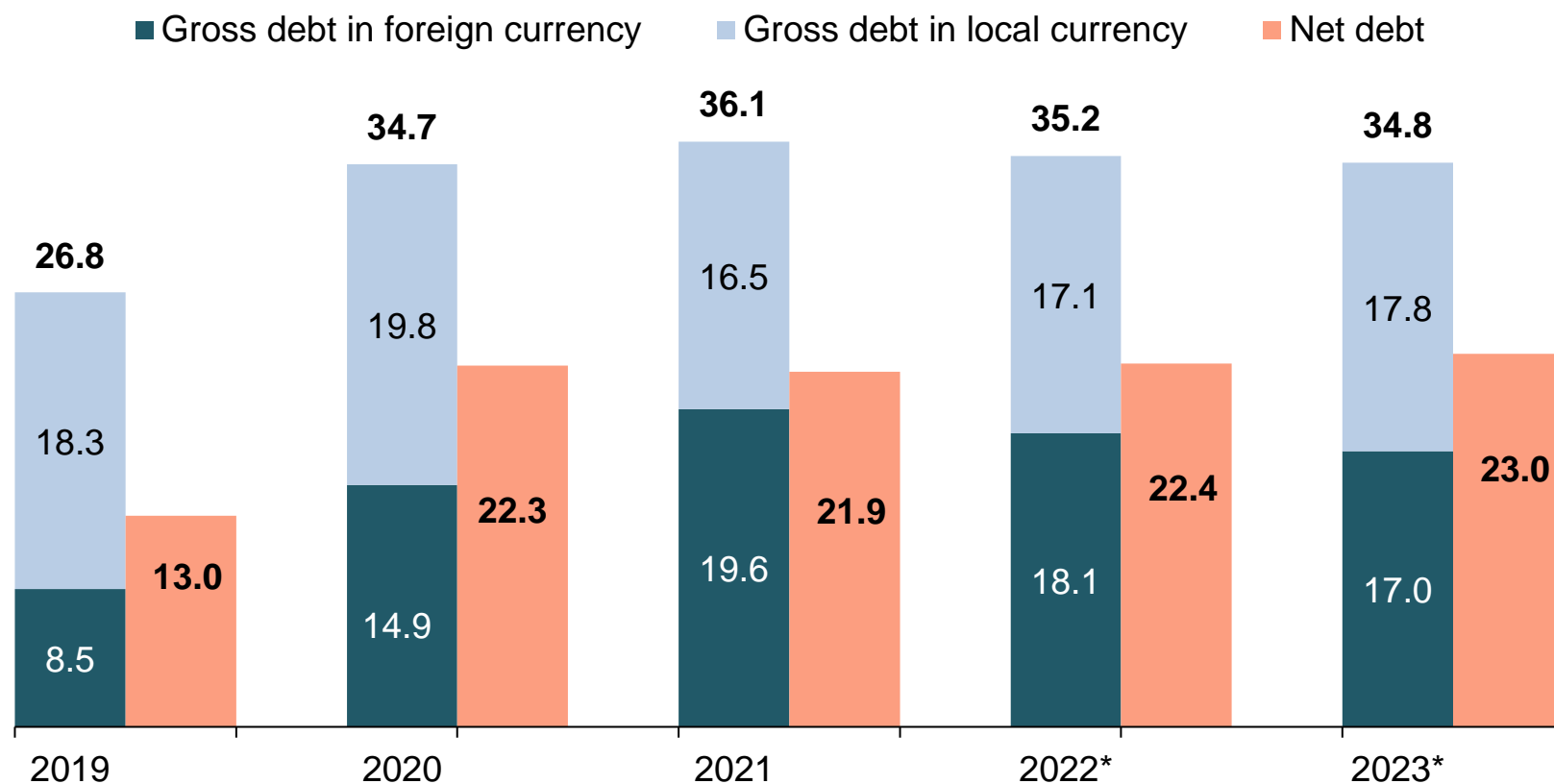
\* Forecast  
Source: IMF for all the countries but Peru (BCRP), and Consensus Forecast (March) for 2022 forecast.

\* Forecast. Source: BCRP



# Public gross debt will reach 34.8% of GDP by 2023. Net debt will increase to 23.0% of GDP in 2023.

## NON-FINANCIAL PUBLIC SECTOR DEBT (Percentage of GDP)



Gross Debt (% of GDP)	2020	2021*
Brazil	98.9	90.6
Uruguay	68.1	67.5
Colombia	65.4	66.7
Ecuador	61.2	61.0
Mexico	61.0	59.8
Paraguay	36.7	38.4
<b>Peru</b>	<b>34.7</b>	<b>36.1</b>
Chile	32.5	34.4

Source: IMF-World Economic Outlook (October 2021) and BCRP (Peru).

\* Forecast. Source: BCRP.

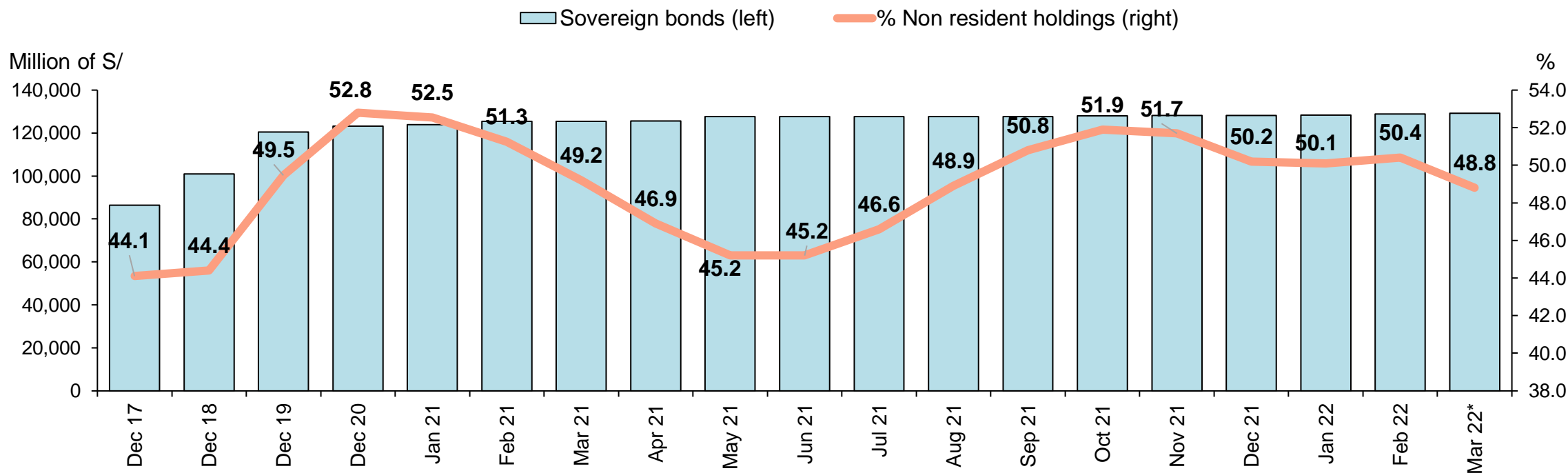


# Non-resident investors increased their share of Peruvian sovereign bond holdings, from 45.2% in June 2021 to 49% in March 2022.

## STOCK OF SOVEREIGN BONDS AND NON-RESIDENT BOND HOLDINGS

(Stock in million of S/ and holdings in %)

Sovereign bond stock (In million of S/)	March 2022*
Non resident	62 420
Total	123 343



\* Preliminary information. As of March 23.

Source: BCRP, CAVALI, MEF, SBS.

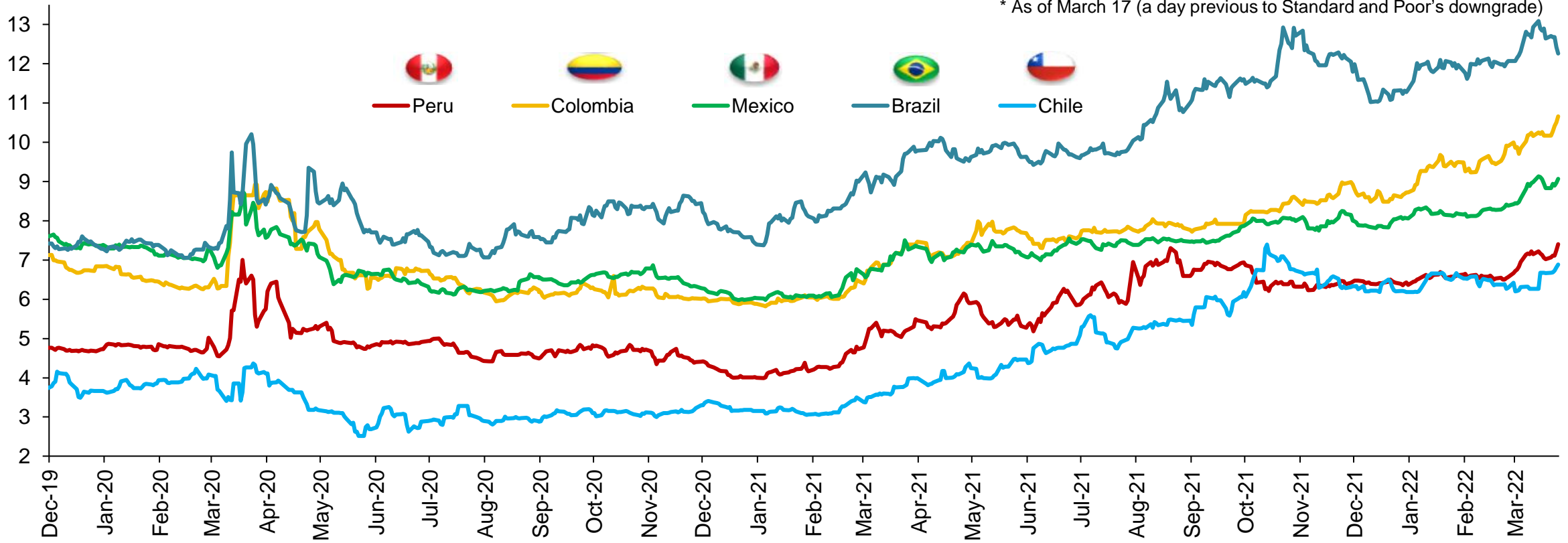


**Sovereign yields in Latam increased between December 2021 and March 2022 due to the tightening of monetary policy worldwide and higher risk aversion due to the conflict between Russia and Ukraine. Peru's sovereign yield remains as one of the lowest in the region.**

**10 YEAR SOVEREIGN BOND YIELDS**  
(Percentage, end of period)

	Dec. 19	Dec. 20	Dec. 21	17 Mar.*	25 Mar.
Peru	4.2	3.5	5.9	6.56	6.90
Colombia	6.3	5.4	8.2	9.67	10.17
Mexico	6.9	5.5	7.6	8.45	8.57
Brazil	6.8	6.9	10.8	12.40	11.76
Chile	3.2	2.7	5.7	6.18	6.39

\* As of March 17 (a day previous to Standard and Poor's downgrade)



# Contents



**Economic performance**



**Inflation and monetary policy actions**



**Closing remarks**

# In 2022, most currencies in the region have appreciated in a scenario of withdrawal of the monetary policy stimulus and after 2 years of depreciatory pressures.

## LATAM: EXCHANGE RATE

Monetary unit per dollar  
(Index 100=31 Dec 2008)

	Cumulative % change 2020 vs 2008	Dec.20/ Dec.19(%)	Dec.21/ Dec.20 (%)	Mar.22* / Dec.21 (%)
<b>Perú (PEN)</b>	<b>2.6</b>	<b>9.2</b>	<b>10.3</b>	<b>-5.6</b>
Chile (CLP)	23.8	-5.6	19.9	-6.9
Colombia (COP)	53.3	4.3	18.6	-7.0
México (MXN)	107.0	5.2	3.1	-1.5
Brasil (BRL)	166.3	29.0	7.3	-13.0



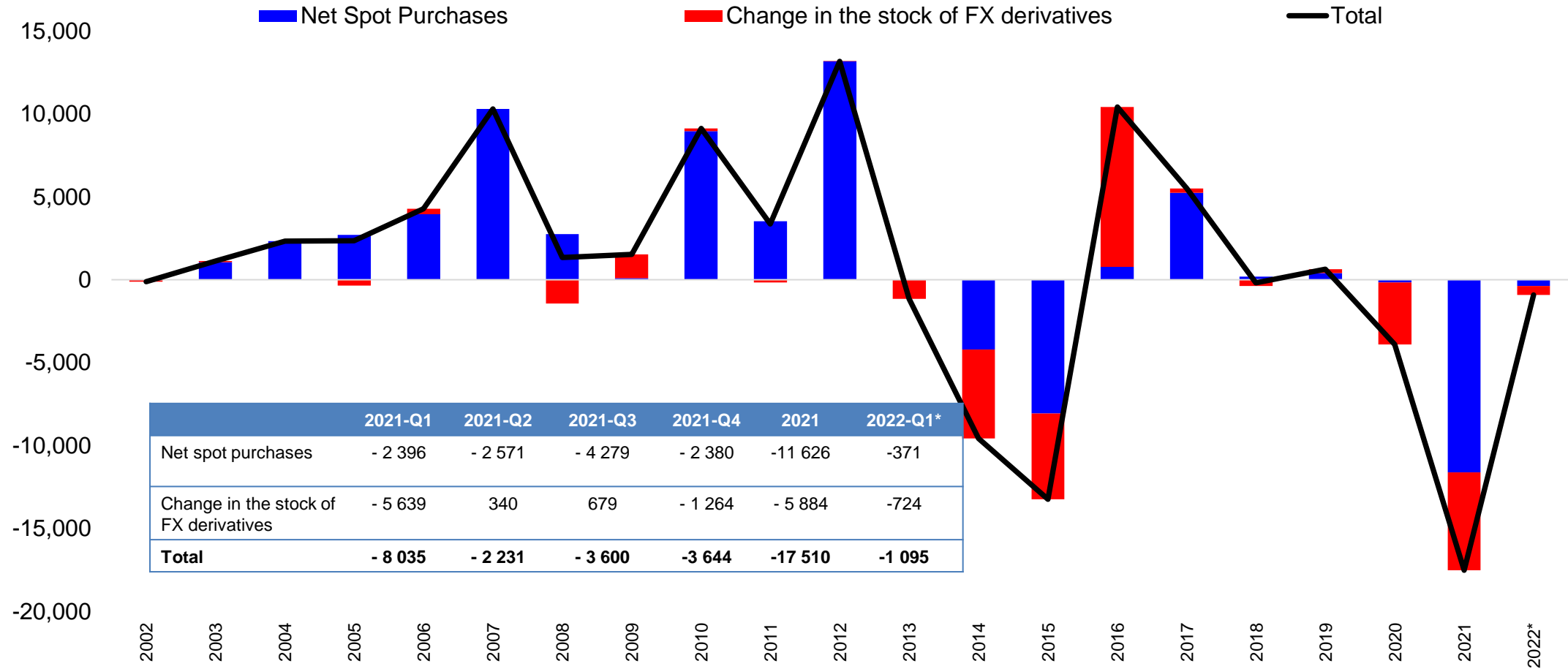
\* As of March 22.

Source: Reuters.



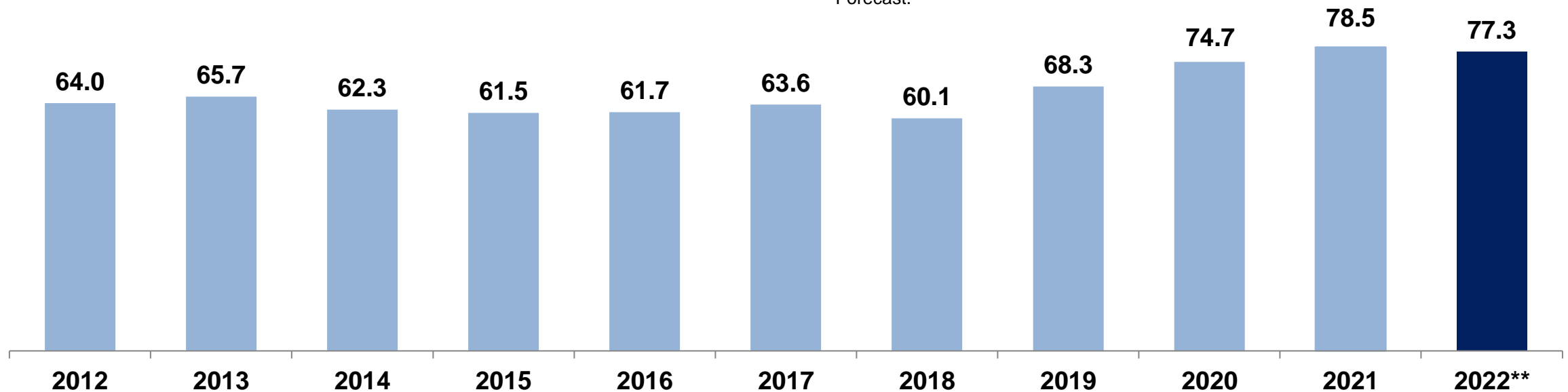
# The BCRP intervened through sales in the spot market and foreign exchange derivatives. In 2021, the BCRP supplied USD 17.5 billion to the FX market (a historic high)

**FX INTERVENTION BY SEMESTER**  
(USD million)



Peru's external position is strong due to a considerable FX reserve buffer; and has been reinforced by a precautionary US \$ 11.2-billion Flexible Credit Line (FCL) with the IMF.

## FOREIGN EXCHANGE RESERVES (Billions of US\$)



## INTERNATIONAL COVERAGE INDICATORS

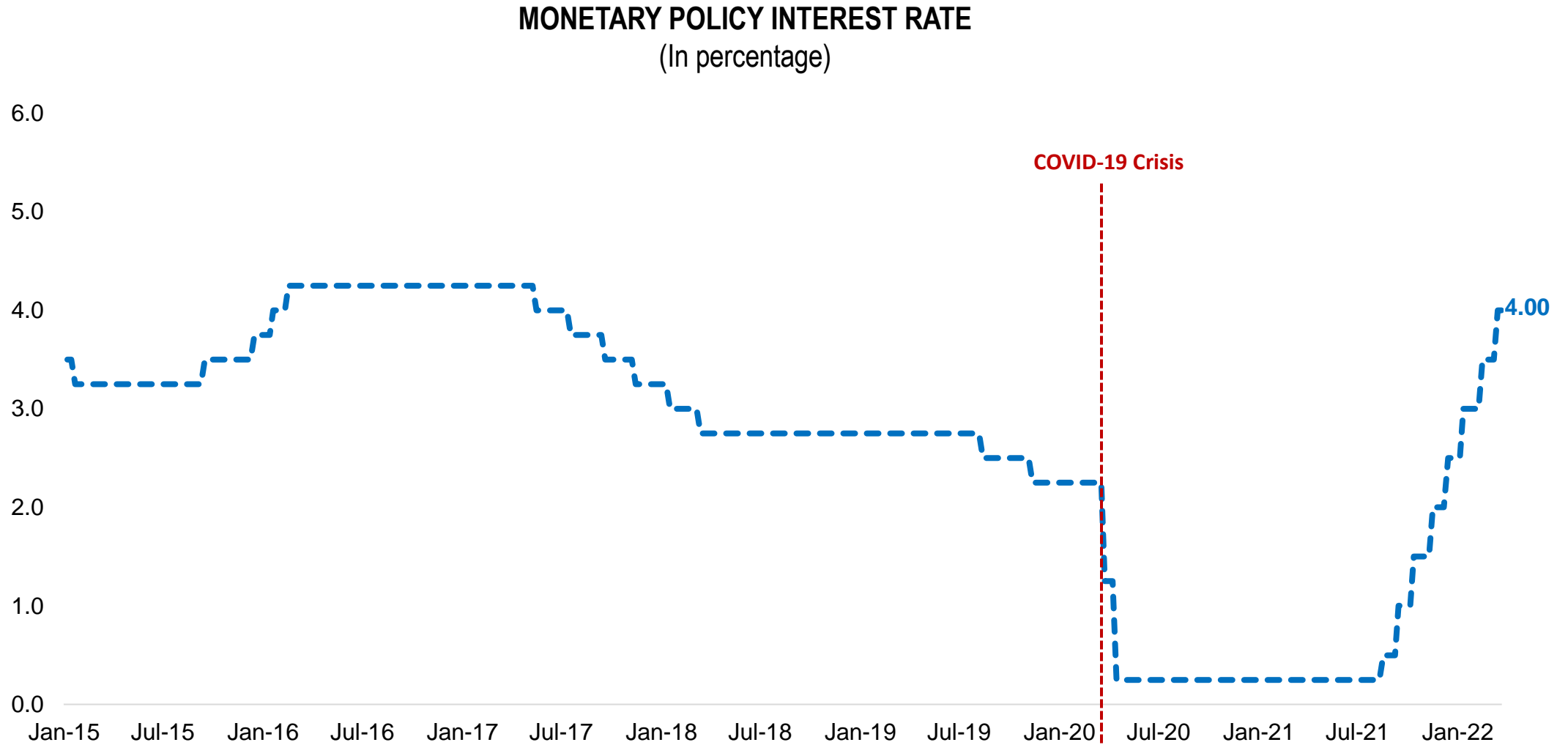
	2019	2020	2021	2022*
NIR as percentage of:				
a) GDP	29,6	36,4	34,9	32,1
b) Short term external debt <sup>1/</sup>	498	561	518	502
c) Short term external debt + current account deficit	424	635	368	401

<sup>1/</sup> Includes the stock of short term debt plus 1 year ahead amortization of private and public debt.

\*Forecast.

\*\*As of March 21. Source: BCRP.

Monetary policy operates opportunistically. The central bank lowered its policy interest rate to 0.25 percent in March 2020 just at the start of the pandemic. Then, since August of last year, the Central Bank has been raising its monetary policy rate on 8 occasions up to 4.0 percent in March 2022

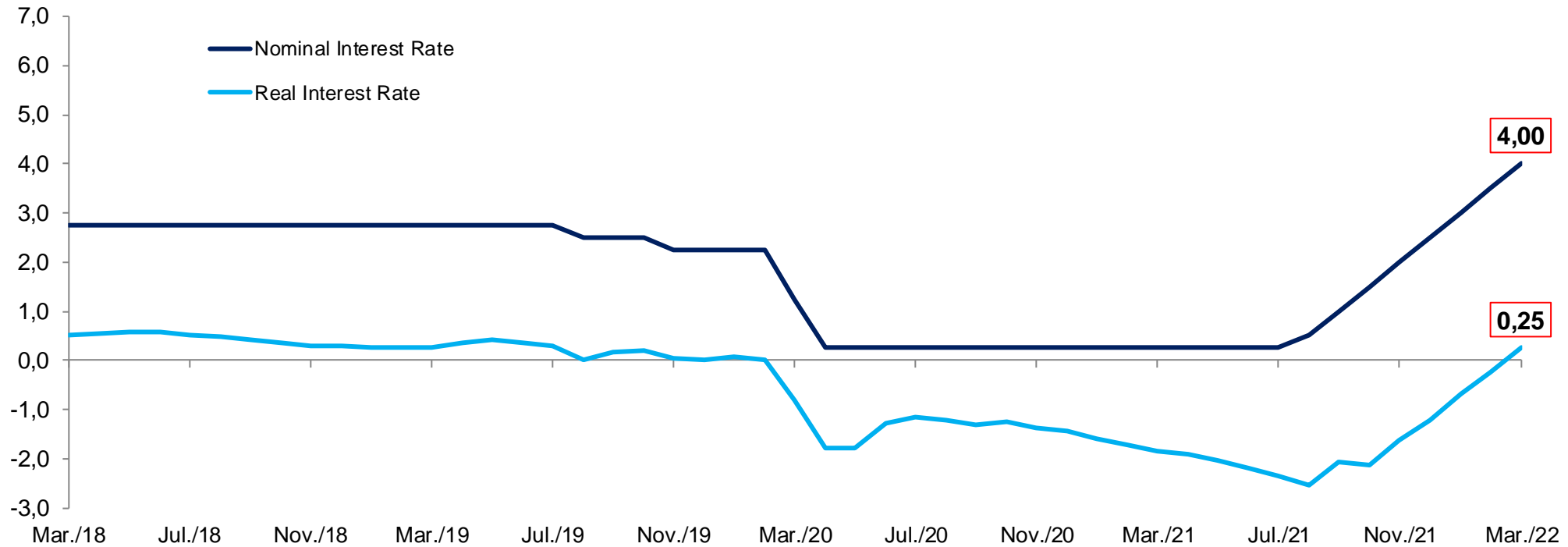


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As of March 23, 2022.  
Source: BCRP and SBS.

## With the latest hike, the real interest rate turned positive (+0.25%)

**NOMINAL AND REAL REFERENCE INTEREST RATE\***  
(In percentage)



\*With inflation expectations.

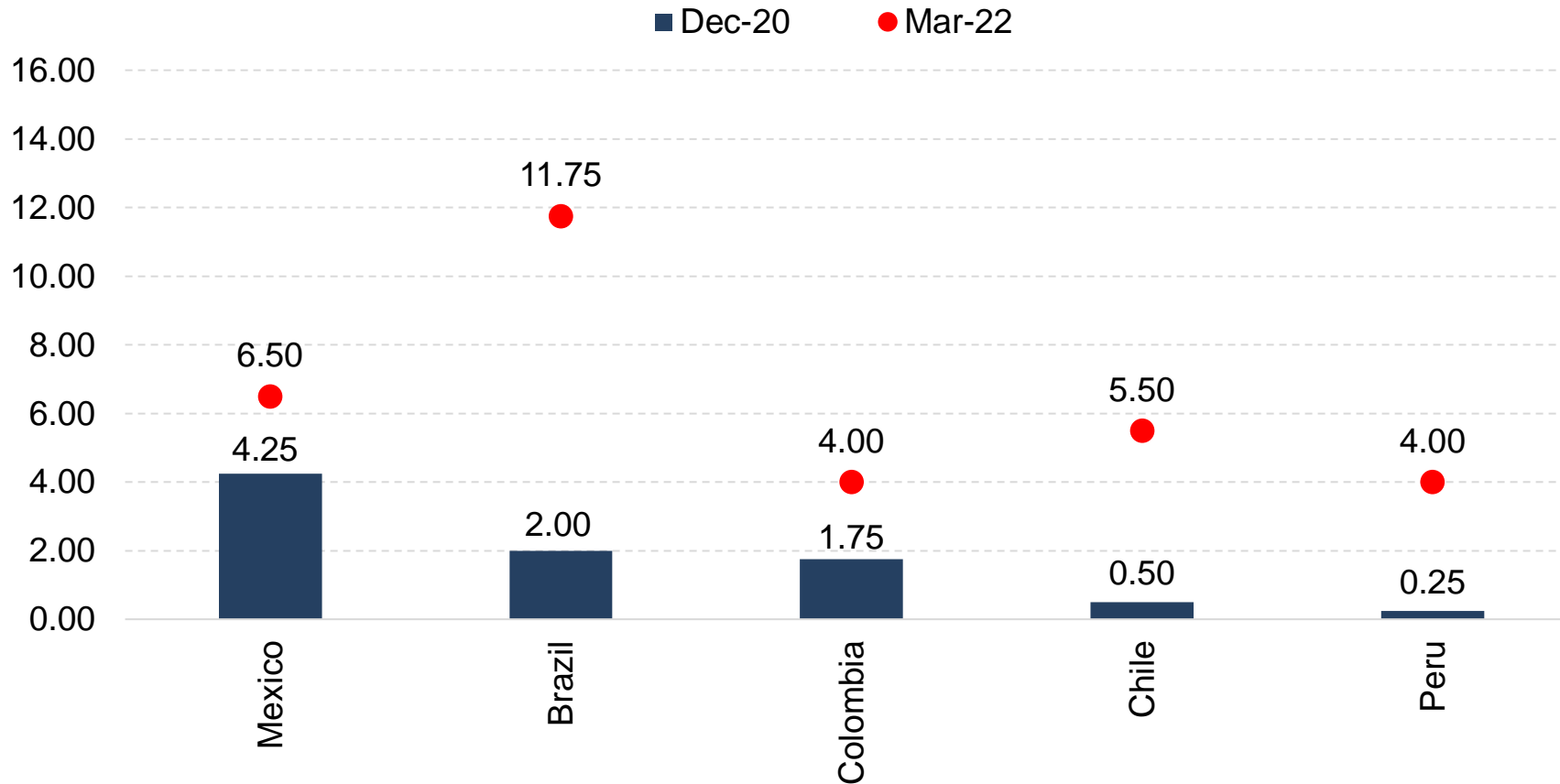
	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	May.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Jan.22	Feb.22	Mar.22
(I) Nominal Rate	0,25	0,25	0,25	0,25	0,25	0,25	0,25	0,25	0,50	1,00	1,50	2,00	2,50	3,00	3,50	4,00
(II) Inflation Expectations	1,68	1,85	1,98	2,11	2,17	2,30	2,43	2,6	3,03	3,07	3,64	3,61	3,71	3,68	3,73	3,75
(III) Real Rate: (I)-(II)	-1,43	-1,60	-1,73	-1,86	-1,92	-2,05	-2,18	-2,35	-2,53	-2,07	-2,14	-1,61	-1,21	-0,68	-0,23	0,25

Source: BCRP.



# Central banks in the region have raised their policy rates since August 2021.

## Monetary Policy Interest Rates (%)

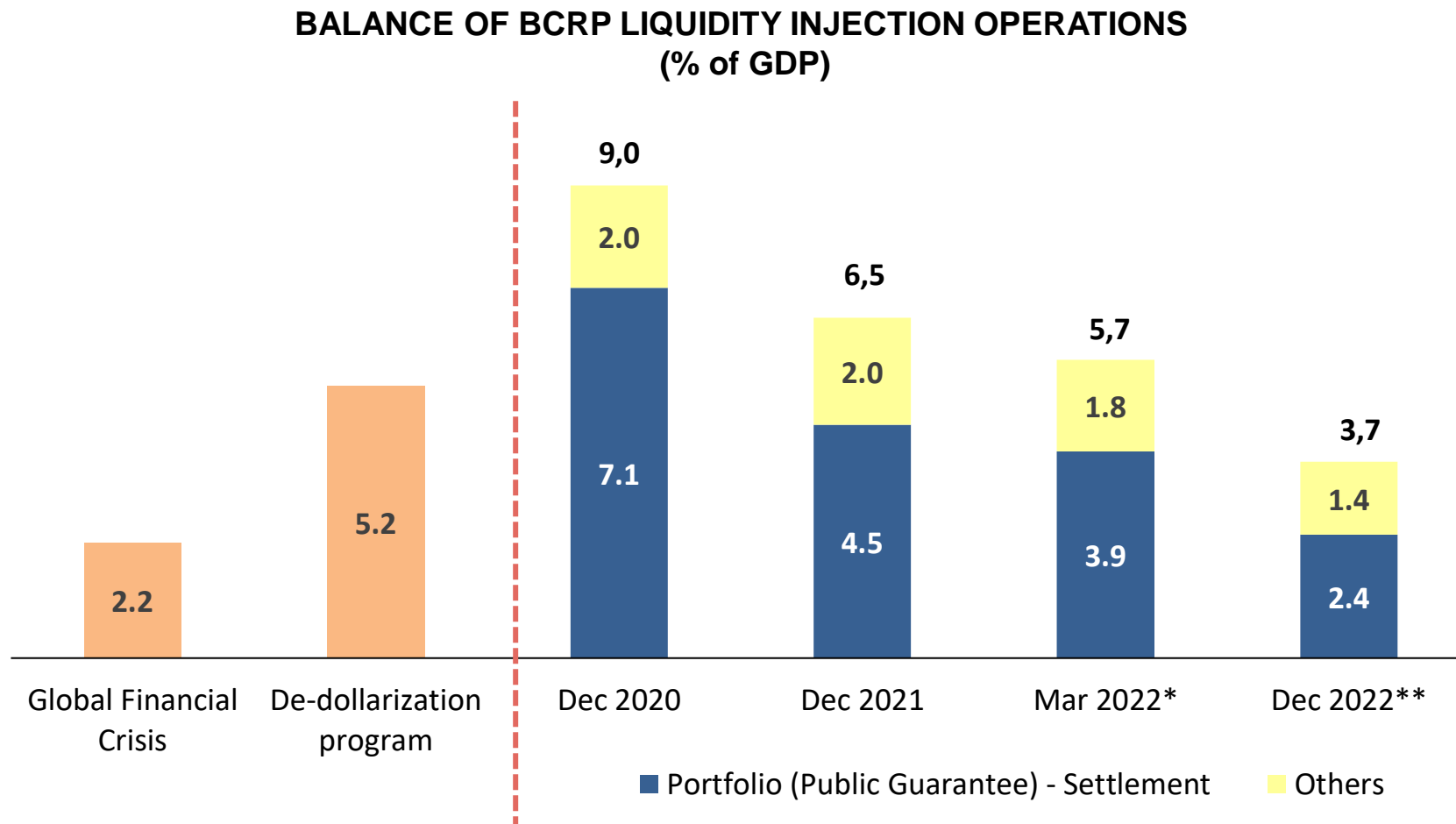


Country	Ex ante real reference rate*
Mexico	1.77
Brazil	6.58
Colombia	-0.35
Chile	0.48
<b>Peru</b>	<b>0.25</b>

\*Nominal reference rate as of March. Inflation expectations as of February, except for Colombia (March) and Mexico (January).

Source: Central Banks.

**Currently, the balance of liquidity operations of the Central Bank represents 5.7 percent of GDP (a third lower than the level at the end of 2020) and is expected to reduce below 4.0 percent of GDP at the end of the year.**



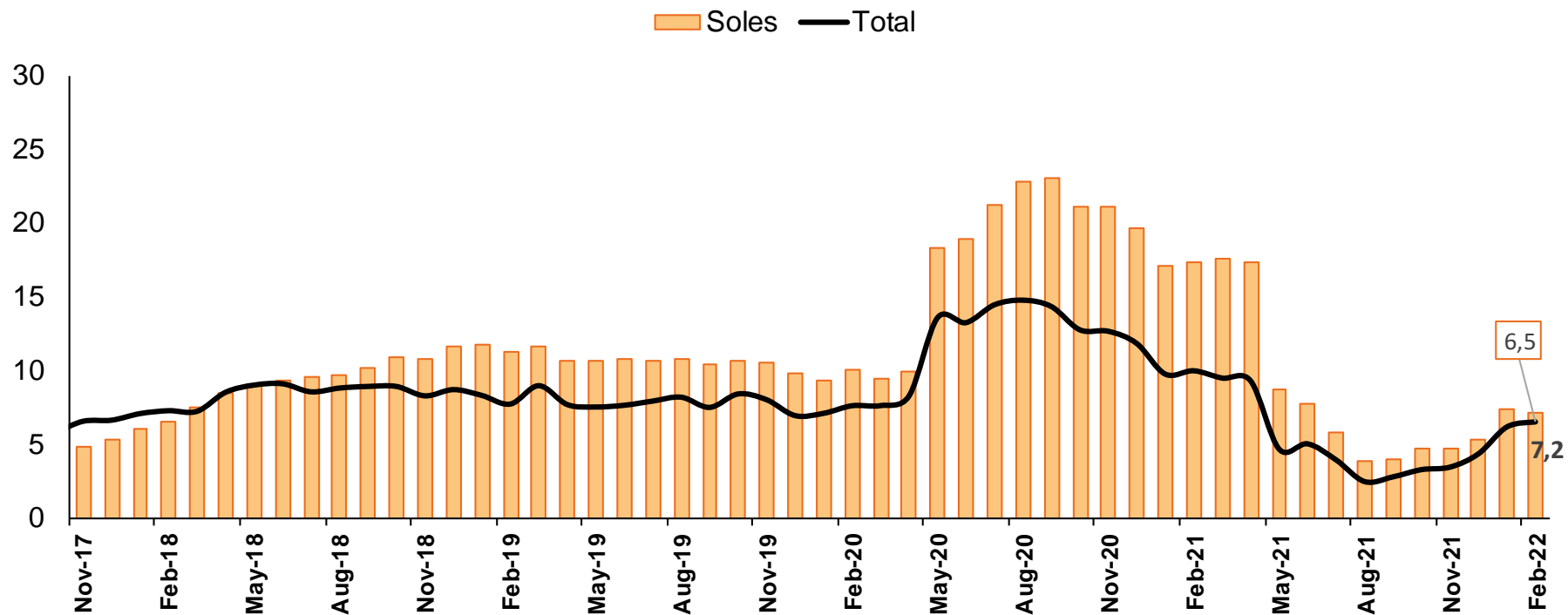
\*As of March 21, 2022.

\*\* Forecast

Source: BCRP.

# The injection of liquidity through BCRP operations, including the government-guaranteed loan program, allowed for countercyclical credit growth.

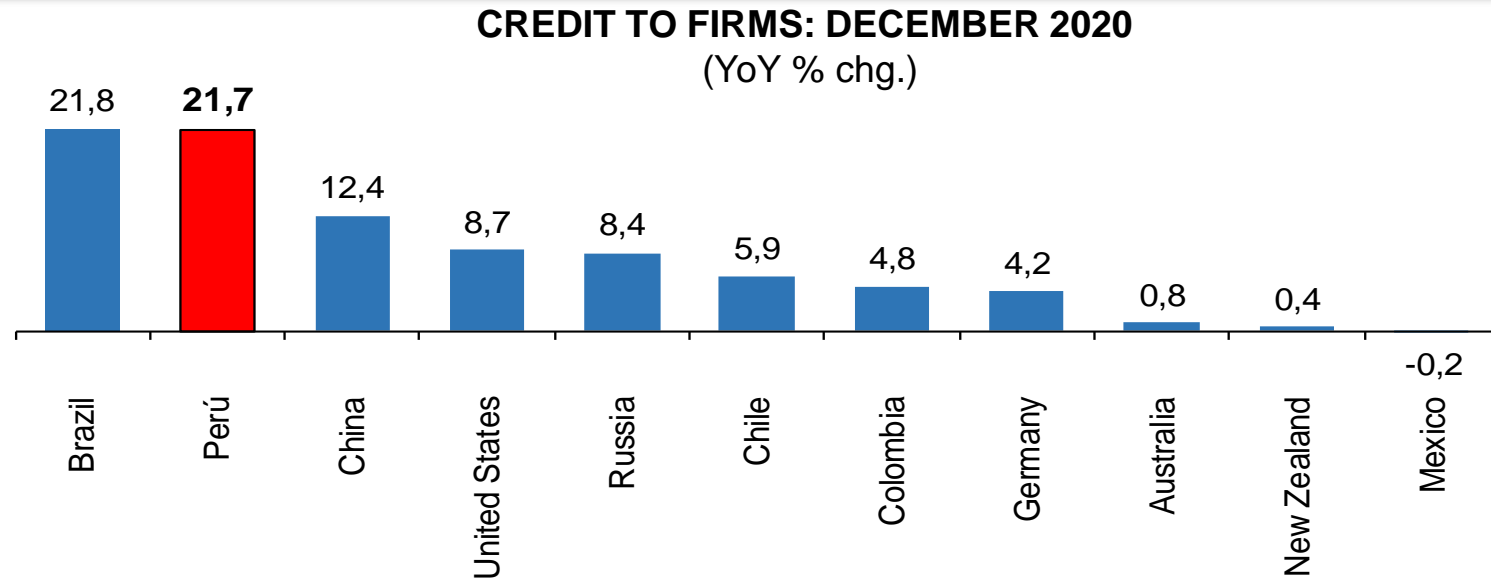
## CREDIT TO THE PRIVATE SECTOR (Annual percentage change)



	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Jan-22	Feb-22
<b>Domestic Currency</b>	9,8	9,4	18,9	23,1	19,7	17,5	7,7	3,9	5,2	7,3	7,2
<b>Foreign Currency</b>	-0,4	2,8	-2,1	-9,8	-10,6	-13,4	-3,6	-1,3	1,1	2,0	4,0
<b>Total</b>	6,9	7,6	13,2	14,3	11,8	9,5	5,0	2,8	4,4	6,2	6,5

1/ Calculated with constant exchange rate of December 2019.

# Liquidity injection through BCRP operations, including under the *Reactiva Perú* government-guaranteed loan program, promoted countercyclical credit growth.



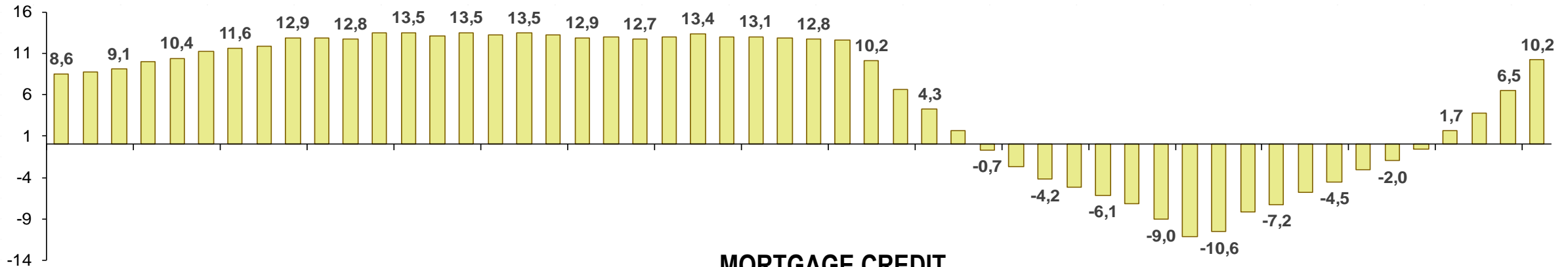
\*As of January 2022.

\*\*Excluding amortization payments of the Govm. Guarantee Loan Program.

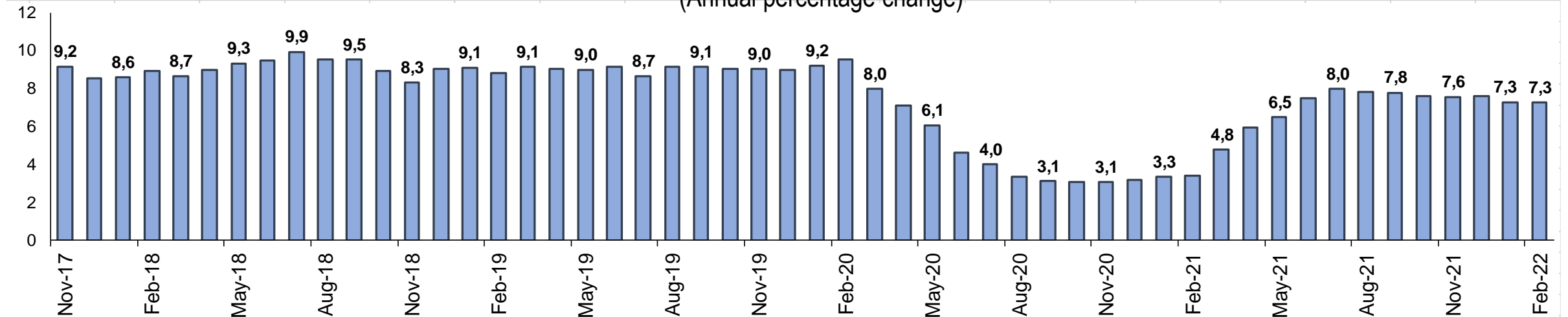
Source: Central Banks.

**Mortgage credit maintained a favorable evolution since the beginning of 2021. In contrast, consumer credit began its recovery in November 2021. In February consumption credit grew 10.2 percent, whereas mortgage credit grew 7.3 percent.**

**CONSUMPTION CREDIT**  
(Annual percentage change)

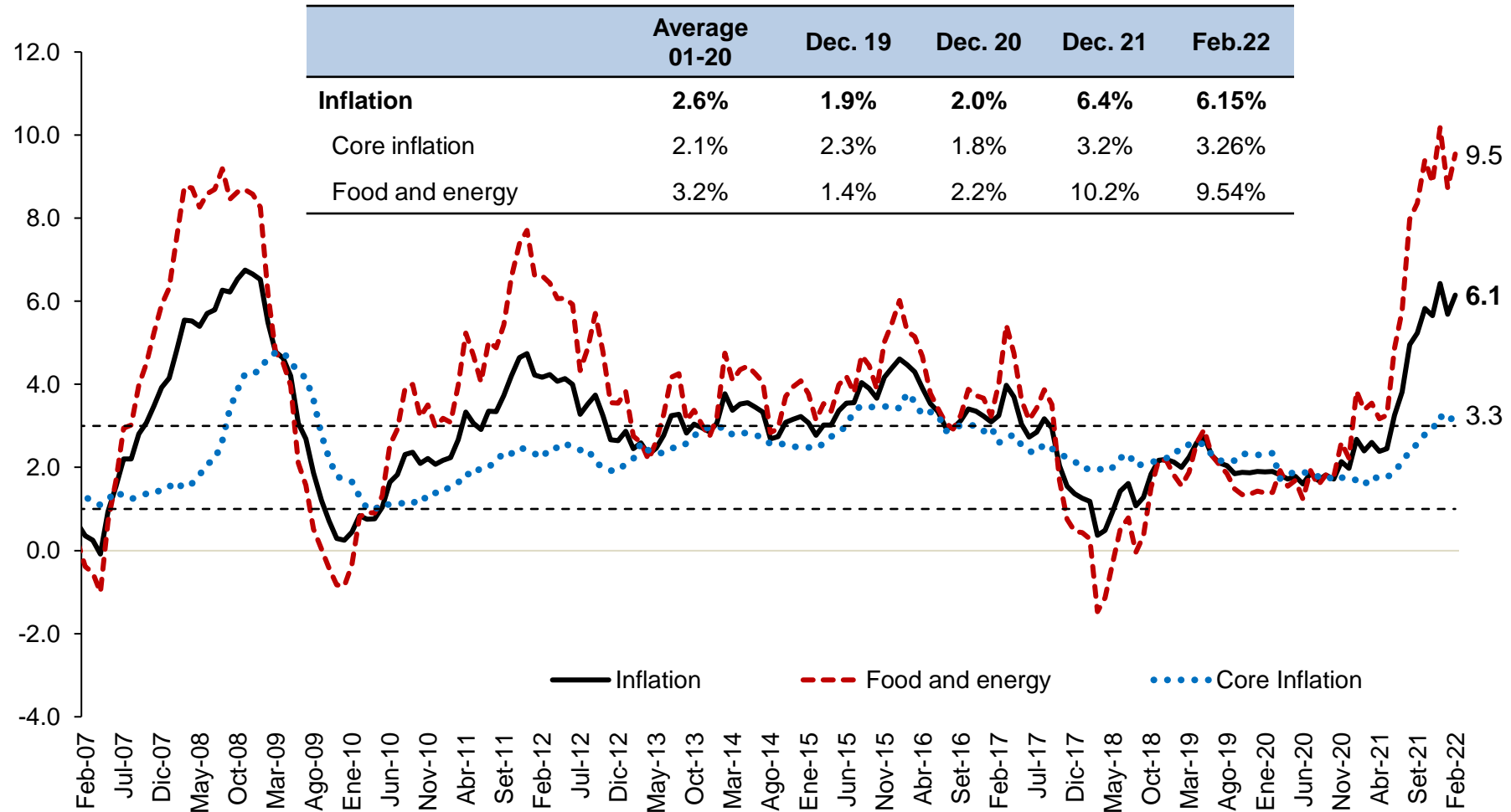


**MORTGAGE CREDIT**  
(Annual percentage change)



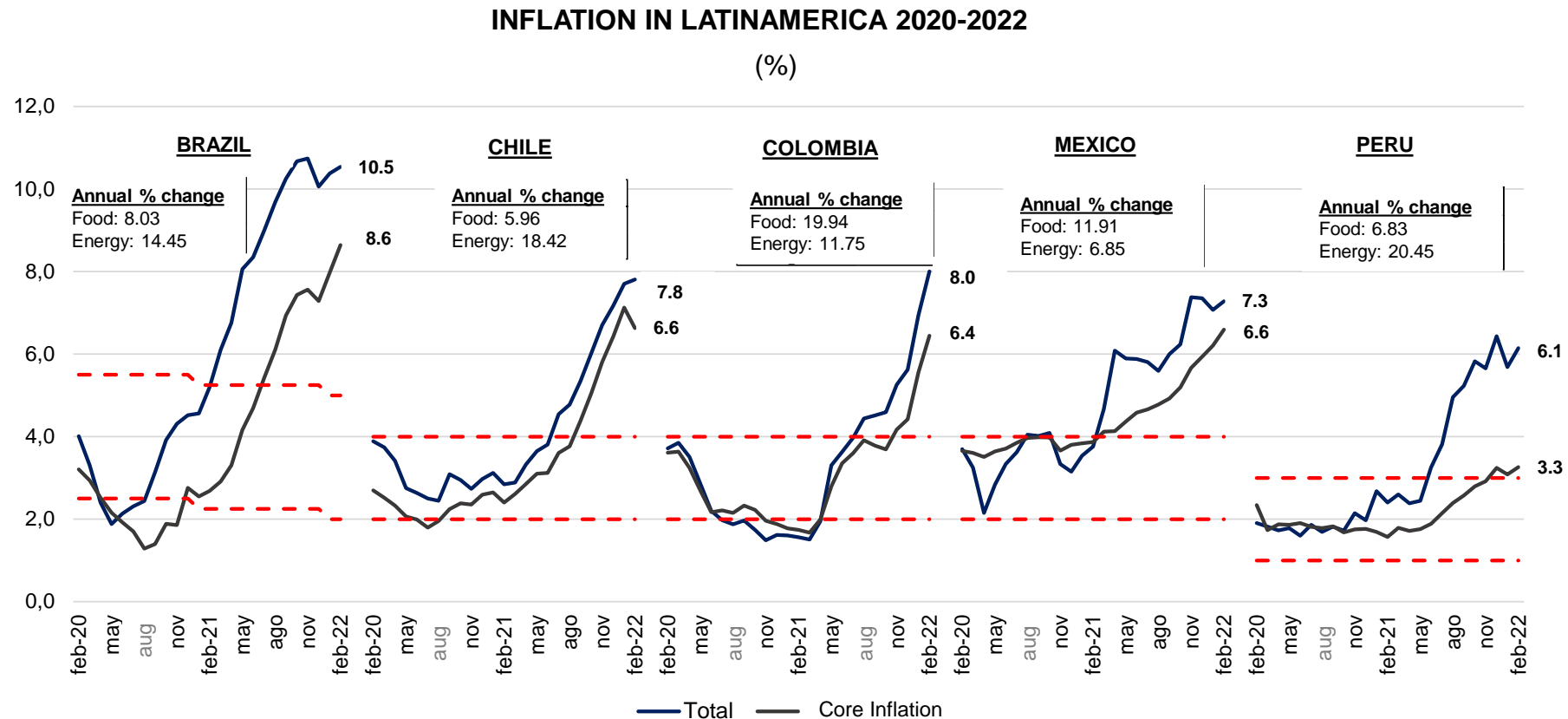
The dynamics of headline inflation in 2021 was highly affected by the external component: prices of food, oil and the exchange rate. The price of items related to the exchange rate, international prices and wholesale prices increased 11 percent in February 2022

**INFLATION, 2007-2022**  
(YoY % chg.)



Source: INEI, BCRP.

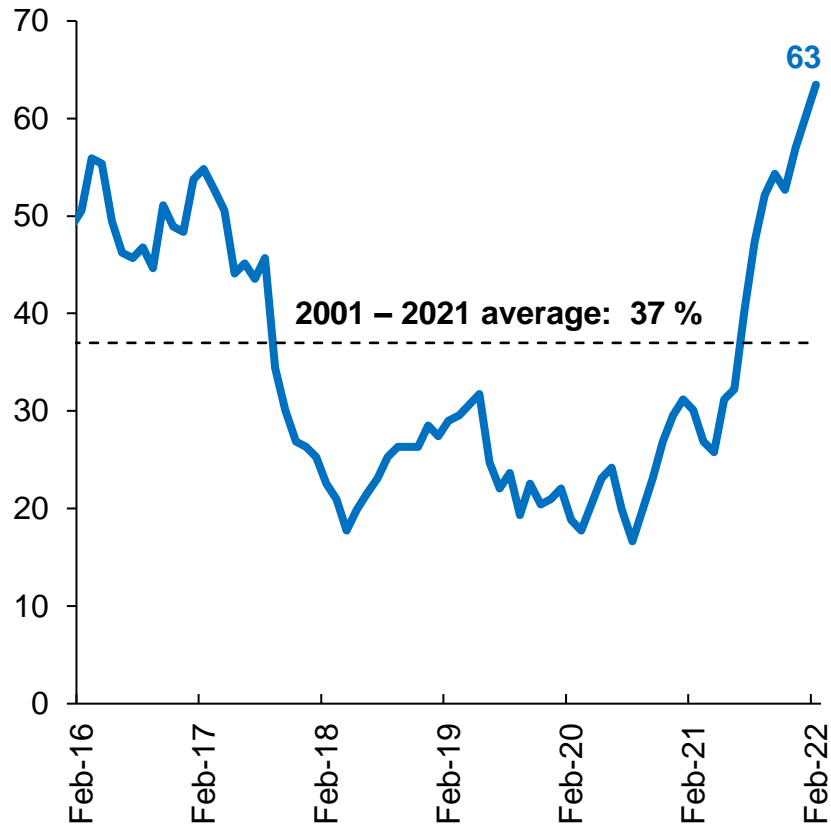
# The increase in inflation has been generalized worldwide. As of February 2022, Peru registers one of the lowest headline and core inflation rates in Latin America.



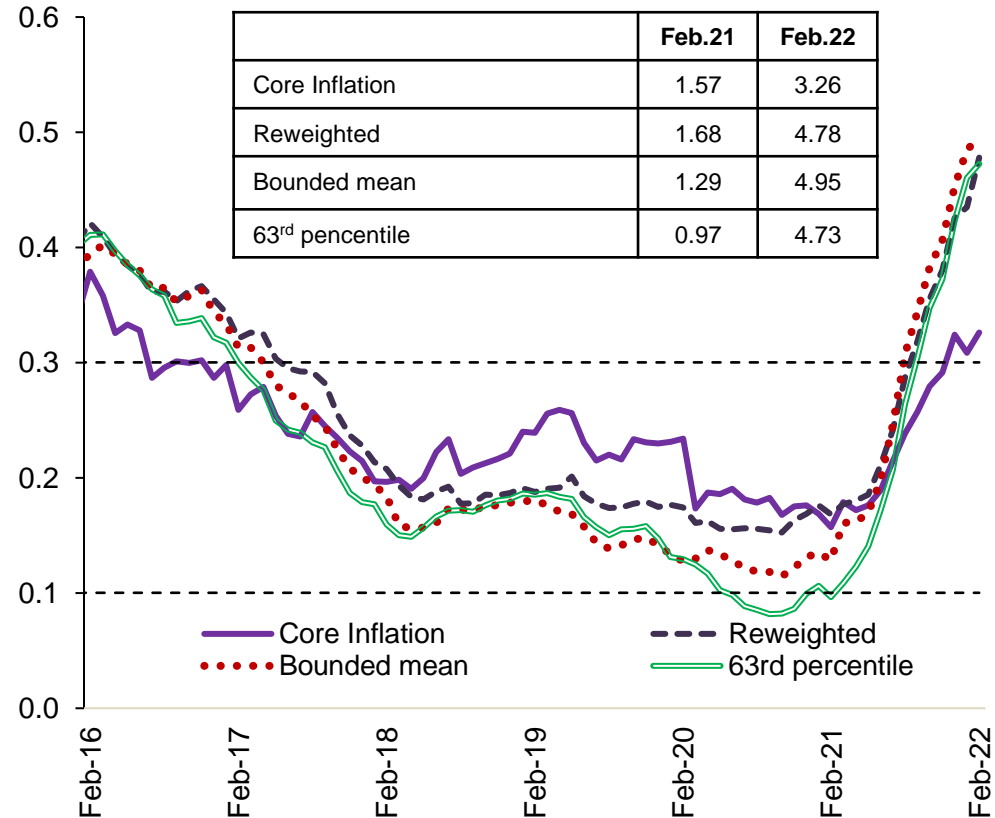
Source: central banks and statistical institutes of each country.

# Trend inflation indicators were above the target range in February.

**DISPERSION INDEX: % OF BASKET ITEMS WITH VARIATION GREATER THAN 3%**



**INFLATION TREND MEASURES (YoY % chg.)**



Source: BCRP.

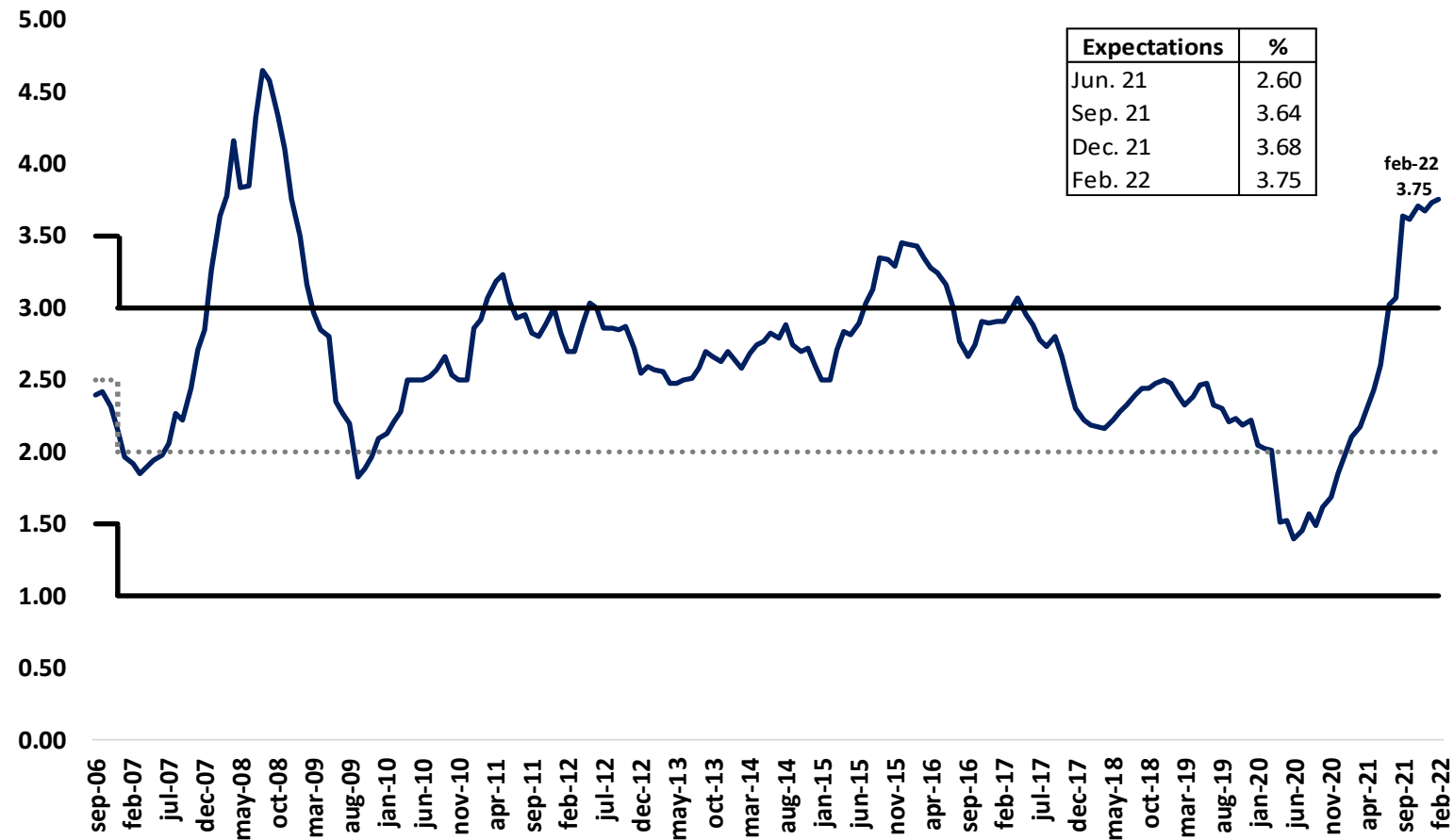
Note:

1. CPI excluding food and energy: CPI excluding food, fuel and electricity.
2. Reweighted: Reduces the weight of items with greater volatility, dividing the original weights of each item by the standard deviation of their monthly percentage variations.
3. Bounded mean: Weighted average of the percentage variations in prices located between the 34th and 84th percentiles.
4. 63rd percentile: Corresponds to the percentage variation of the item located in the 63rd percentile.



**12-month inflation expectations continued to rise and in February 2022 reached 3.75 percent, temporarily above the upper limit of the inflation target range.**

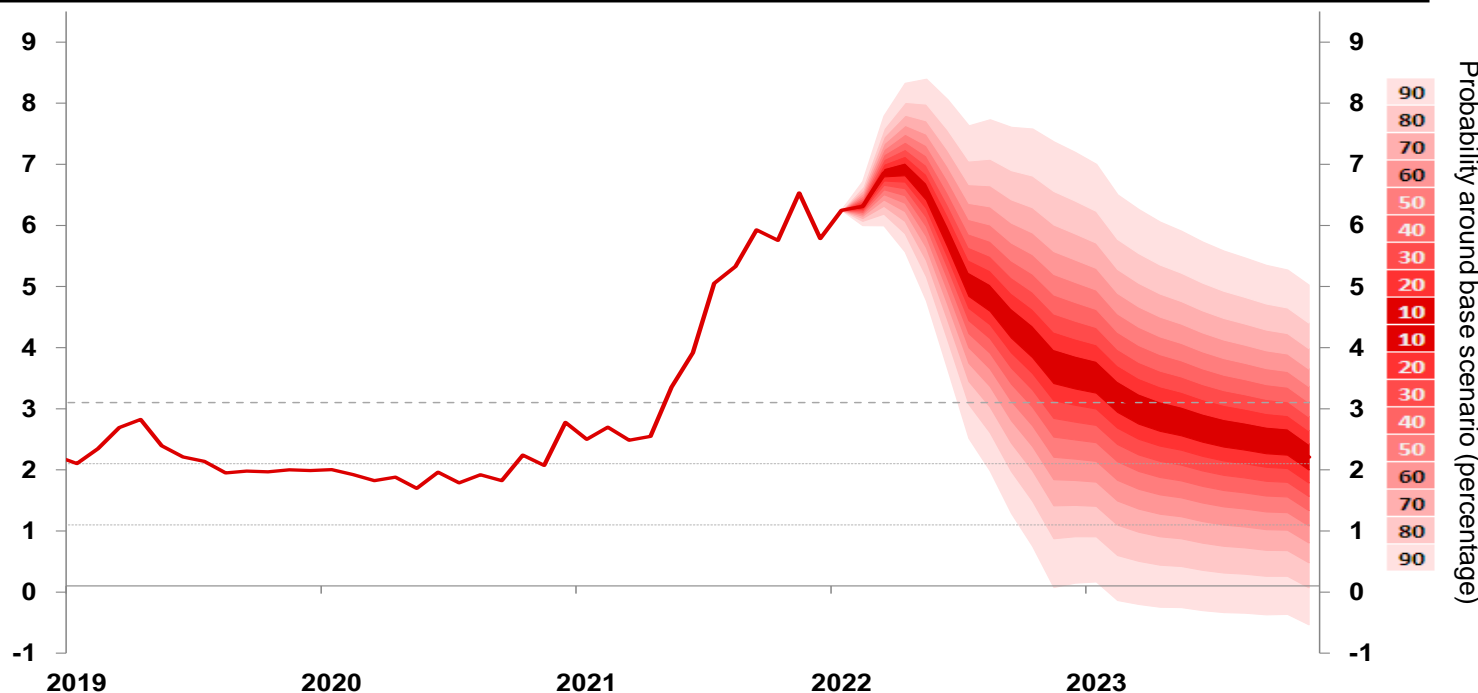
### 12-MONTH INFLATION EXPECTATIONS (%)



# Inflation is expected to start its downward trend by July 2022 and converge towards the target range in the first semester of 2023.

## INFLATION FORECAST, 2022-2023 (YoY % chg.)

	Weight	2010-19	2018	2019	2020	2021	2022*	2023*
<b><u>Inflation</u></b>	<b><u>100.0</u></b>	<b><u>2.9</u></b>	<b><u>2.2</u></b>	<b><u>1.9</u></b>	<b><u>2.0</u></b>	<b><u>6.4</u></b>	<b><u>3.6</u></b>	<b><u>2.1</u></b>
<b>1. Core inflation</b>	<b>55.3</b>	<b>2.4</b>	<b>2.2</b>	<b>2.3</b>	<b>1.8</b>	<b>3.2</b>	<b>3.2</b>	<b>2.0</b>
<b>2. Food and energy</b>	<b>44.7</b>	<b>3.4</b>	<b>2.2</b>	<b>1.4</b>	<b>2.2</b>	<b>10.2</b>	<b>4.0</b>	<b>2.2</b>



**Note:** The graph shows the probability of occurrence of inflation values in the future, according to the combination of statistical analysis and the balance of risks. Each band concentrates 5% of probability and the total of bands cover 90% of probability. The darkest bands contain the trajectory of the baseline scenario.  
Source: BCRP.

## Contents



**Economic performance**



**Inflation and monetary policy actions**



**Closing remarks**

# CLOSING REMARKS

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- 1. The BCRP expects all economic sectors to recover to the pre-crisis levels for the 2023 and that headline inflation converges to the target inflation range in the first semester of 2023.**
- 2. The normalization of monetary policy is supported not only by raising its policy rate but also by reducing the central bank's balance sheet.**
- 3. The Central Bank will continue to monitor various indicators of the global economy and assess the magnitude of the risks that may affect our economy in order to take action in a timely manner.**
- 4. It is crucial to preserve a stable and predictable economic and legal framework.**



BANCO CENTRAL DE RESERVA DEL PERÚ

100 AÑOS | 1922 - 2022

# Peru: Monetary Policy decisions in the face of local and global uncertainty

**Julio Velarde**

Governor

Central Reserve Bank of Peru

March 2022

LarrainVial 

**100 años** de  
**servicio al país**

