



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement December 2020

December 11, 2020

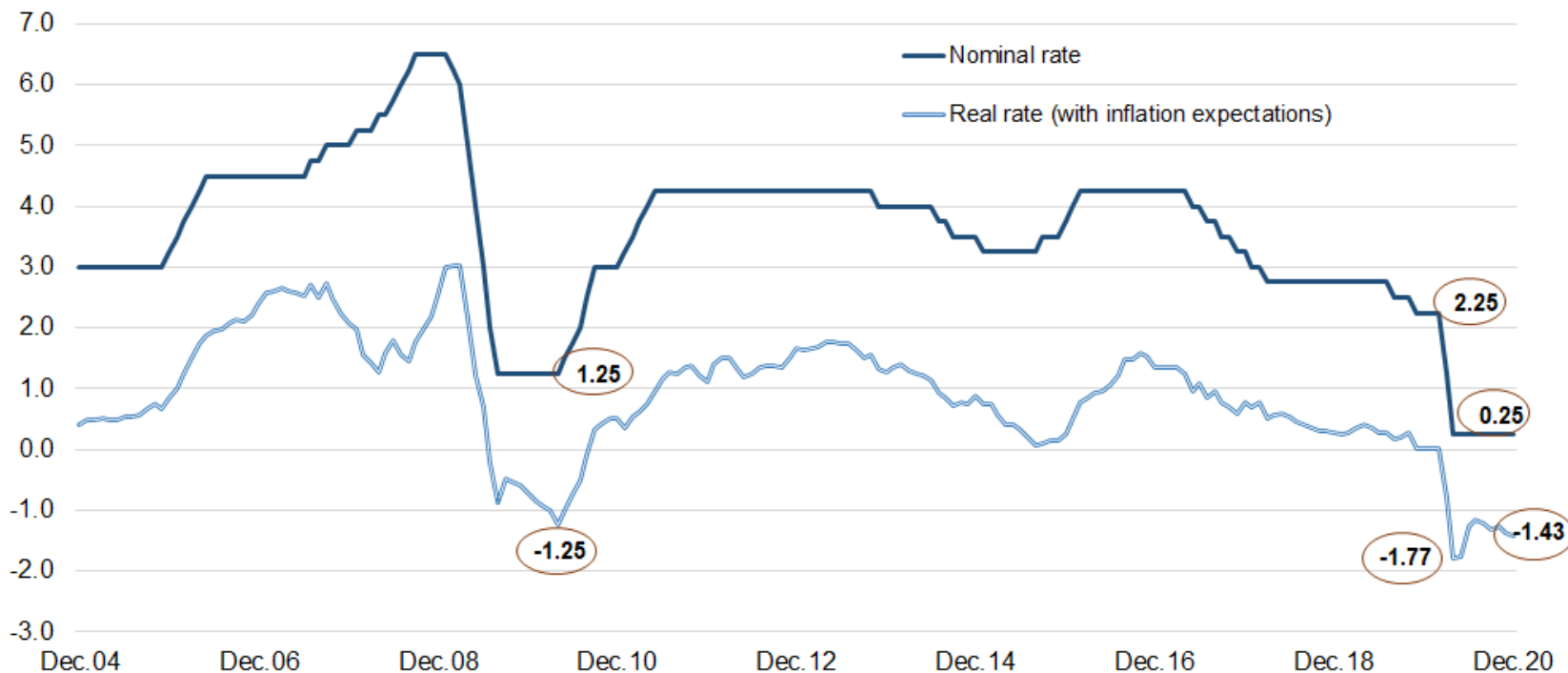


CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to continue its expansionary policy stance, maintaining the reference rate at 0.25 percent and implementing further liquidity injection operations.

Policy interest rate

(%)



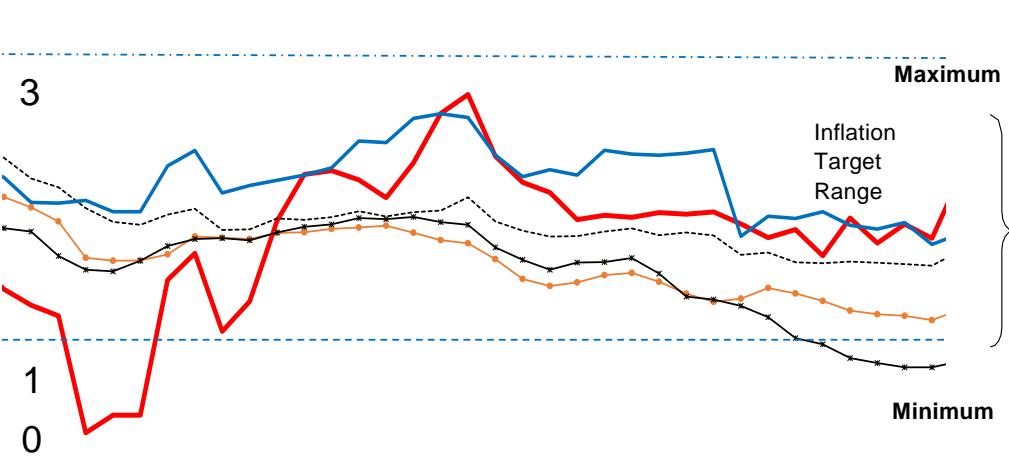
	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Feb.20	Mar.20	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	
(I) Nominal rate	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	2.91	3.00	3.05	2.89	2.73	2.66	2.48	2.30	2.19	2.32	2.23	2.23	2.05	2.03	2.02	1.52	1.40	1.46	1.57	1.51	1.62	1.68	
(III) Real rate: (I)-(II)	1.34	1.25	0.95	0.86	0.77	0.59	0.77	0.70	0.56	0.18	0.02	0.02	-0.80	-1.78	-1.77	-1.27	-1.15	-1.21	-1.32	-1.26	-1.37	-1.43	



Inflation in 2020 will lie at the center of the target range due to transitory factors; and inflation in 2021 is expected to be around the lower limit of the target range, as domestic demand, although in recovery, will remain low.

Year-on-year inflation increased from 1.7 percent in October to 2.1 percent in November due to higher food and energy prices associated with transitory supply-side factors. Trend inflation remains in the lower part of the target range. Year-on-year core inflation was 1.75 percent in November.

INFLATION (Last 12 months % change)



	Annual average 2001-2019	Annual % change	
		Oct.20	Nov.20

CPI	2.59	1.72	2.14
CPI excluding food and energy	2.15	1.68	1.75

Trend indicators

Bounded mean	2.58	1.15	1.22
Percentile 63	2.53	0.82	0.86
Re-weighted	2.51	1.53	1.63

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 located in the 63th percentile.

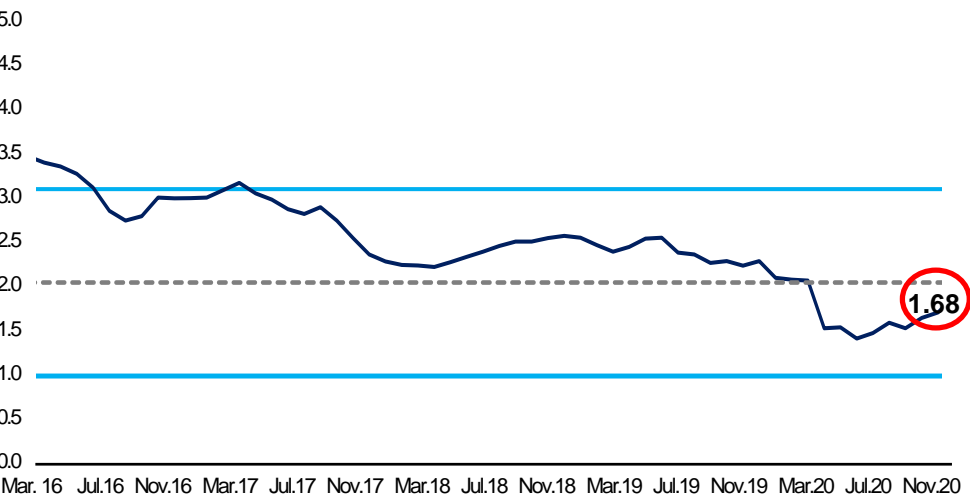
Re-weighted: Reduces the weight of items with greater volatility, considers the original weights of each item between the standard deviation of their monthly percentage changes.

— Inflation
 — Inflation without food and energy
 — Re-weighted
 - - - - Bounded Mean
 —●— Percentil 63



One-year ahead expected inflation was 1.7 percent in November.

1-Year ahead Inflation expectations*
(%)



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

Survey of Macroeconomic Expectations: Inflation (%)

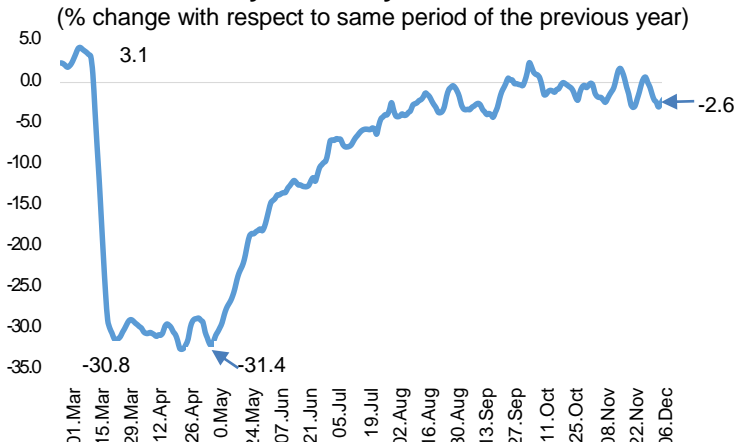
	Survey date:			
	Sep 30.	Oct 31.	Nov 30.	
Economic analysts ¹				
2020	1.20	1.50	1.50	=
2021	1.75	2.00	1.90	↓
2022	2.00	2.10	2.00	
Financial entities ²				
2020	1.00	1.15	1.50	↑
2021	1.50	1.35	1.50	↑
2022	2.00	1.95	2.00	
Non-financial firms ³				
2020	2.00	2.00	1.90	↓
2021	2.00	2.00	2.00	=
2022	2.05	2.07	2.00	

¹ 21 analysts in September, 19 in October and 22 in November 2020.
² 16 financial entities in September, 14 in October and 14 in November 2020.
³ 316 non financial firms in September, 319 in October and 315 in November 2020.



Leading indicators continued to improve at a higher than expected rate, although they remain below last year's levels

Daily Electricity Production

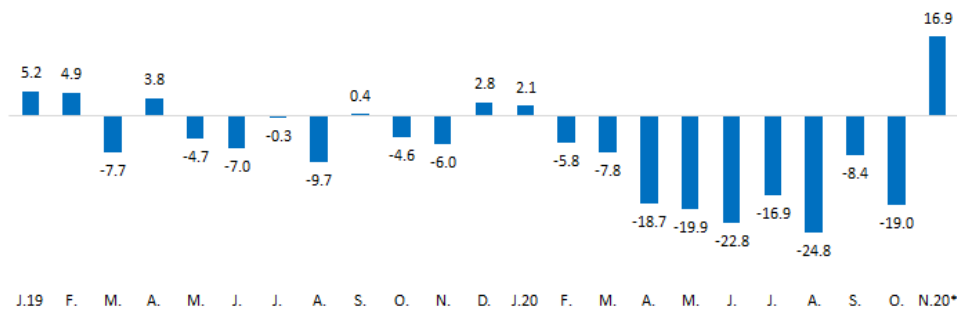


	1-15 Mar.	16-31 Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
% change	2.5	-27.4	-30.0	-25.4	-12.4	-5.9	-2.8	-1.9	-0.4	-0.3
GWh	155	108	103	109	127	135	138	141	145	147

Source: COES.

Imports of raw materials and intermediate goods

(Annual % change)

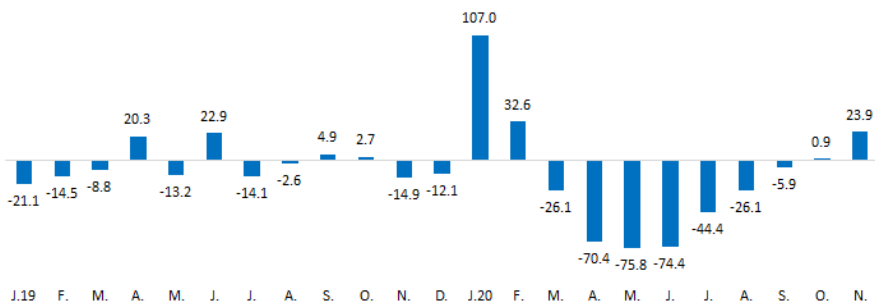


* Preliminary Data for November 2020

Source: SUNAT.

Real Investment of the General Government

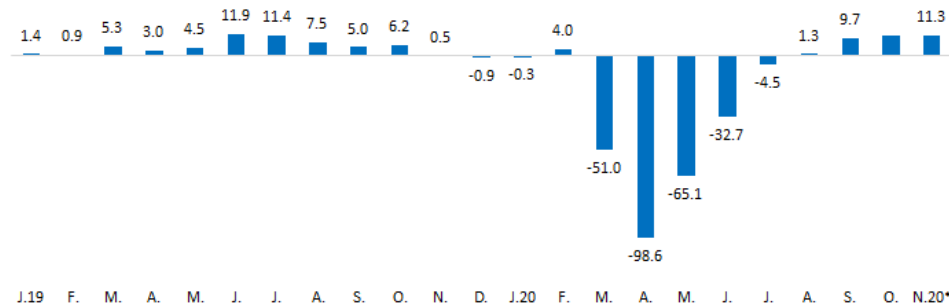
(Annual real % change)



Source: MEF.

Domestic consumption of cement

(Annual real % change)



* Data for November 2020 is estimated with preliminary information from companies

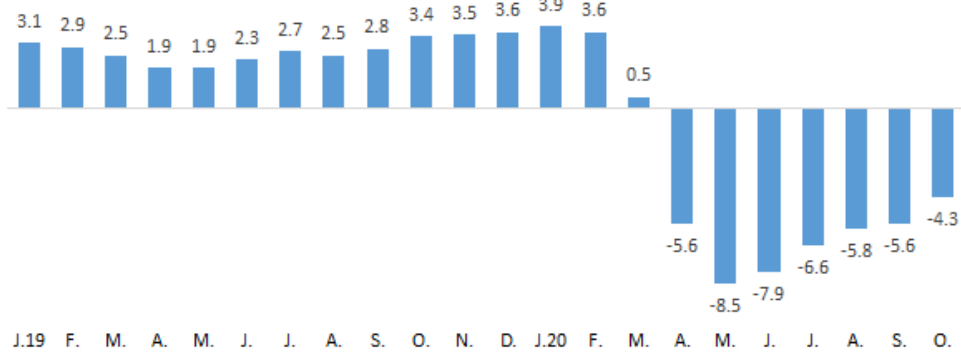
Source: INEI, cement companies.



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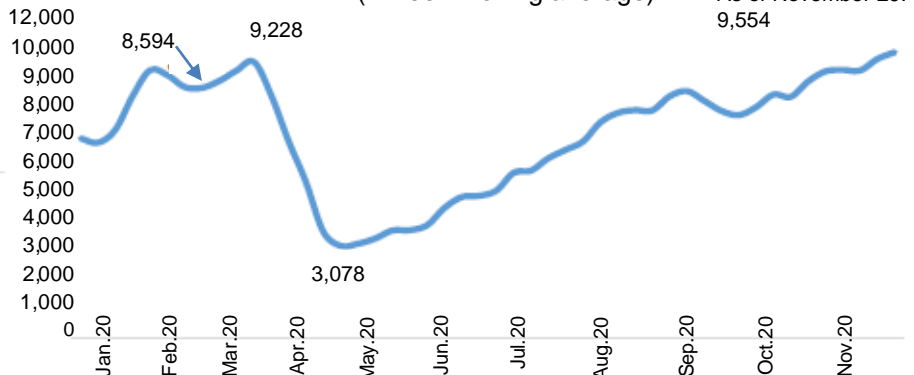
Leading indicators continued to improve at a higher than expected rate, although they remain below last year's levels

Formal jobs - Electronic Payroll
(Annual % change)



Source: SUNAT.

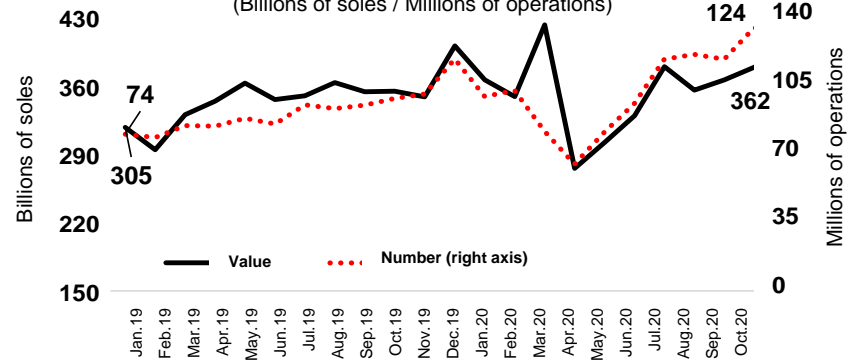
Number of New Affiliates
(4 week moving average)



Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	As of Nov. 29:
8,949	8,594	6,576	3,147	4,345	5,521	7,203	8,076	7,452	8,911	9,554

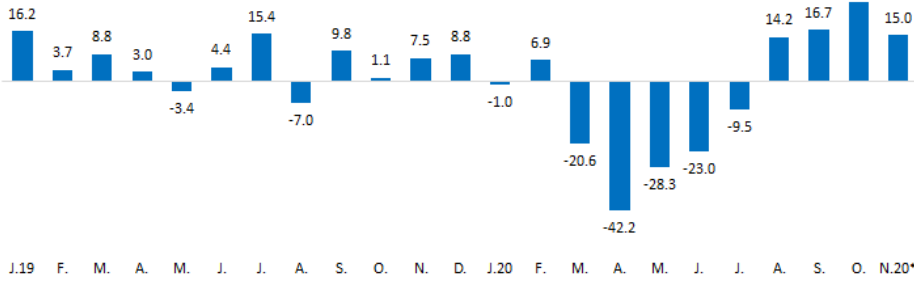
Data for the last week of each month in 4-week moving average.
Source: SBS

Digital payments indicator *
(Billions of soles / Millions of operations)



(*) Includes payments from clients of participants in the LBTR system, electronic transfers in the CCE, intra-bank transfers, debit and credit card payments, direct debits and electronic money.
Source: BCRP.

Non traditional exports
(Annual % change)



* Preliminary Data for November 2020
Source: SUNAT.



Private formal employment in October continued to recover compared to the third quarter of 2020. Thus, the rate fell from -9.3 percent in the third quarter to -7.1 percent in October.

Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	October				Third Quarter			
	2019	2020	Change	% change	2019	2020	Change	% change
Total	3,901	3,624	-278	-7.1	3,783	3,432	-352	-9.3
Agriculture and Livestock ^{1/}	497	581	84	16.8	420	480	60	14.3
Fishing	20	19	-1	-4.4	21	20	-1	-5.1
Mining	109	102	-8	-7.0	108	97	-11	-10.3
Manufacturing	473	433	-40	-8.5	473	425	-48	-10.1
Electricity	16	14	-2	-12.5	15	13	-2	-12.3
Construction	231	213	-19	-8.1	223	171	-52	-23.1
Commerce	621	576	-45	-7.3	619	568	-51	-8.2
Services	1,902	1,629	-273	-14.3	1,879	1,612	-267	-14.2
Not specified	31	58	26	84.8	25	44	20	79.7

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT.



The number of formal jobs registered a rate of -4.3 percent in October, lower than that observed in the third quarter (-6.0 percent).

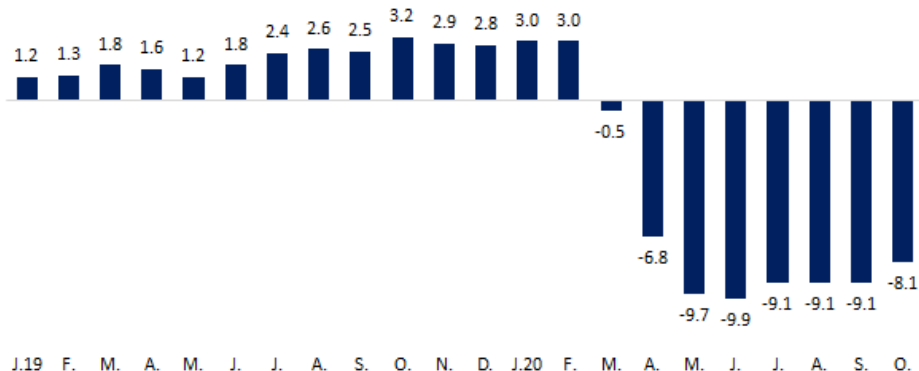
Formal jobs - Electronic Payroll (Thousands of positions)

	October				Third Quarter			
	2019	2020	Change	% change	2019	2020	Change	% change
Total	5,415	5,181	-233	-4.3	5,273	4,956	-317	-6.0
Lima	3,229	2,965	-263	-8.1	3,195	2,904	-291	-9.1
Rest of Peru	2,138	2,145	7	0.3	2,037	1,995	-42	-2.1

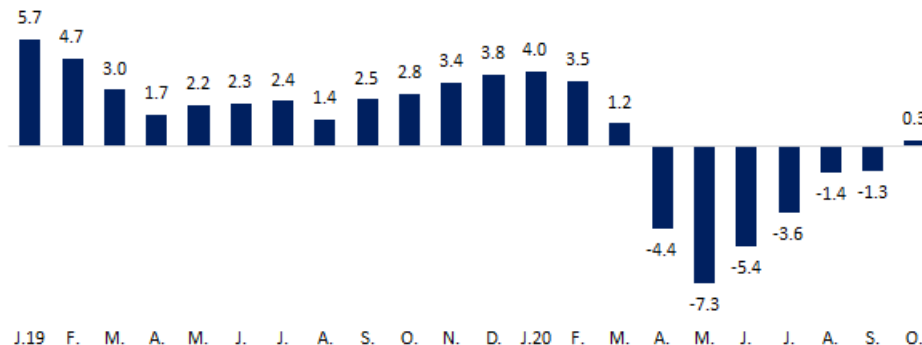
1 / The sum of employment by area does not give the total due to the number of jobs that cannot be classified (1.1 percent of the total).

Source: SUNAT.

Formal jobs in Lima - Electronic Payroll (Annual % change)



Formal jobs in Rest of Peru - Electronic Payroll (Annual % change)



Formal jobs	O.19	N.	D.	J.20	F.	M.	A.	M.	J.	J.	A.	S.	O.
Lima (Thousands)	3,229	3,225	3,220	3,161	3,160	3,276	3,036	2,863	2,850	2,889	2,902	2,922	2,965

Source: SUNAT

Formal jobs	O.19	N.	D.	J.20	F.	M.	A.	M.	J.	J.	A.	S.	O.
Rest of Peru (Thousands)	2,138	2,180	2,177	2,062	1,996	2,074	1,883	1,795	1,845	1,919	1,996	2,068	2,145

Source: SUNAT



Firms' growth expectations continued to recover in November.

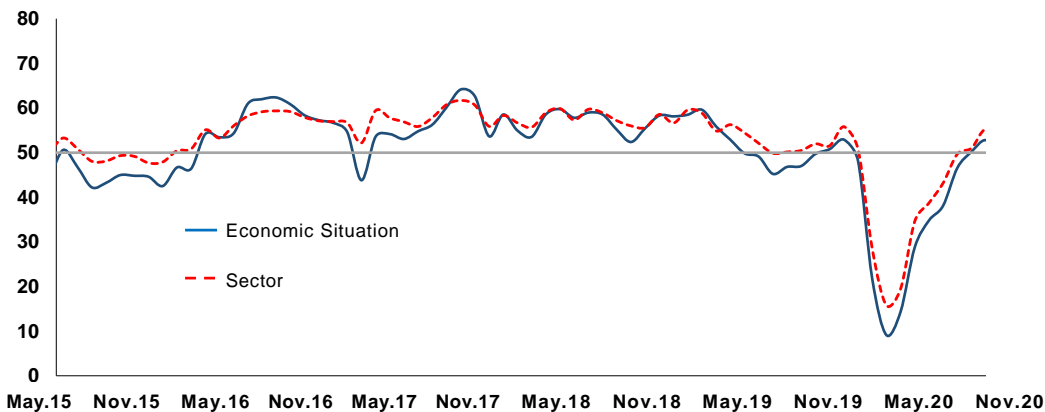
Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Sep.2020	Oct.2020			Nov.2020			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	46.6	50.2	↑	>	52.8	↑	>	0.63
	IN 12 MONTHS	61.5	41.5	66.2	68.5	↑	>	69.3	↑	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	49.7	51.0	↑	>	55.1	↑	>	0.67
	IN 12 MONTHS	61.5	43.4	66.8	67.4	↑	>	69.8	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	51.6	52.3	↑	>	55.6	↑	>	0.66
	IN 12 MONTHS	66.6	46.4	67.1	68.9	↑	>	70.6	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	51.3	52.3	↑	>	58.2	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	67.4	69.4	↑	>	71.2	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	43.1	44.8	↑	<	47.6	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	54.4	55.0	↑	>	57.1	↑	>	0.58

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.

Expectations about the economic situation and sector in 3 months

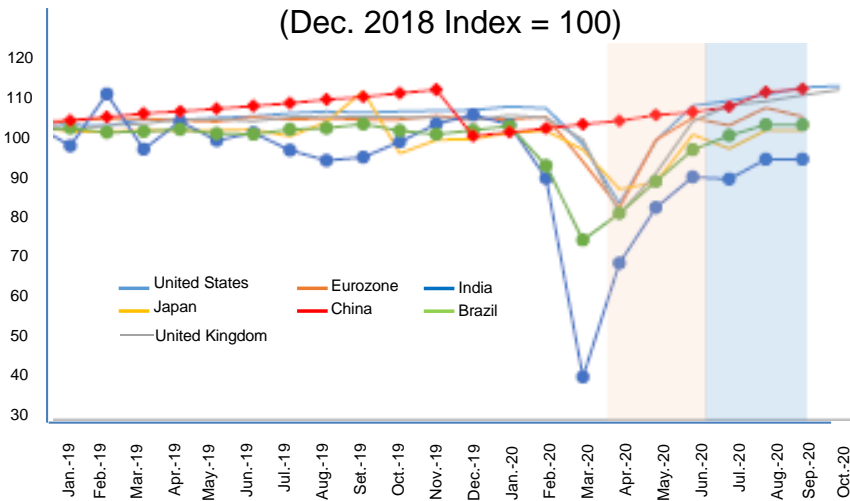


Source: BCRP



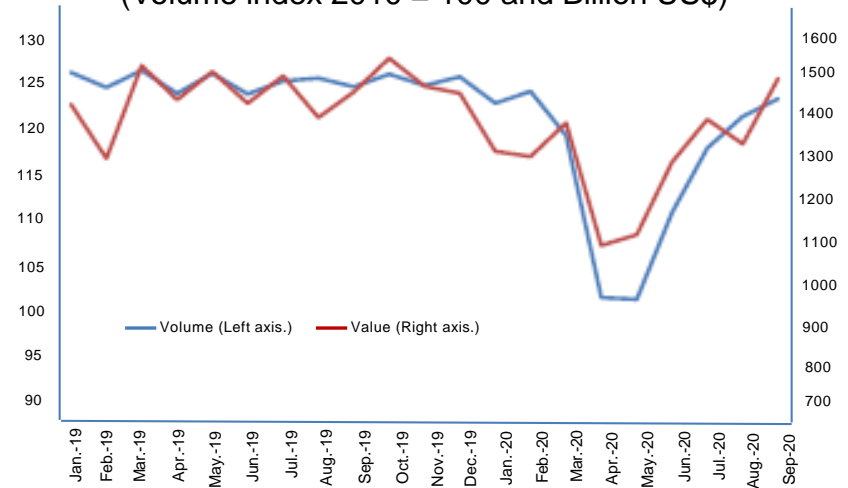
Global economic activity has been improving, but remains below last year's levels.

Retail Sales (Dec. 2018 Index = 100)



Source: Investing and Trading Economics

World Exports (Volume index 2010 = 100 and Billion US\$)

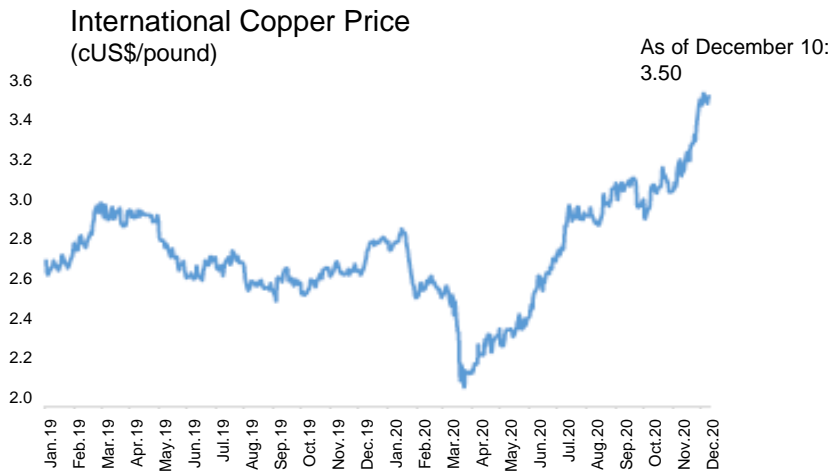


Source: OMC and World Trade Center

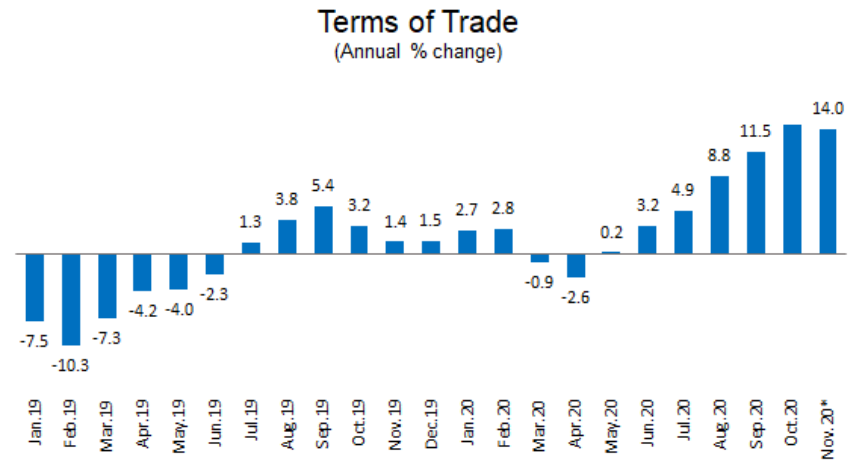


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A strong increase has been observed in the international price of minerals, where copper has reached a value of US\$ 3.50 per pound (the highest level since March 2013). In this regard, an inter-annual growth rate of the Terms of Trade of 14 percent is expected in November (maximum variation observed since March 2011).



Source: Reuters



* Forecast
Source: BCRP



Peruvian Sol remained one of the most stable currencies in the region

Exchange Rate (end of period)

		Dec.18	Dec.19	Nov.20	Dec 01, 20	Dec 07, 20	Accumulated change (%)*				
							Today	Week	Month	Dec.19	Dec.18
Dollar Index	Spot	96.17	96.39	91.87	91.31	90.84	0.2	-0.5	-1.1	-5.8	-5.5
Eurozone	US\$ per Euro	1.144	1.121	1.193	1.207	1.212	0.0	0.4	1.6	8.1	6.0
United Kingdom	US\$ per Pound	1.281	1.326	1.332	1.342	1.331	-0.9	-0.8	-0.1	0.4	3.9
Japan	Yen	109.93	108.61	104.27	104.30	104.03	-0.1	-0.3	-0.2	-4.2	-5.4
Brazil	Real	3.880	4.019	5.332	5.206	5.085	-1.4	-2.3	-4.6	26.5	31.0
Colombia	Peso	3245	3285	3594	3547	3488	0.7	-1.6	-3.0	6.2	7.5
Chile	Peso	693	752	761	760	744	0.1	-2.0	-2.2	-1.0	7.4
Mexico	Peso	19.65	18.93	20.17	20.02	19.85	0.4	-0.8	-1.5	4.9	1.0
Argentina	Peso	37.65	59.86	81.30	81.43	81.48	-0.2	0.1	0.2	36.1	116.4
Peru	Sol	3.369	3.314	3.608	3.611	3.604	0.4	-0.2	-0.1	8.7	7.0
South Africa	Rand	14.38	13.99	15.47	15.24	15.17	-0.3	-0.5	-1.9	8.4	5.5
Indian	Rupee	69.77	71.35	73.99	73.48	73.83	0.1	0.5	-0.2	3.5	5.8
Turkey	Lira	5.290	5.948	7.828	7.825	7.803	0.1	-0.3	-0.3	31.2	47.5
Russia	Ruble	69.68	61.92	76.33	75.76	73.50	-0.7	-3.0	-3.7	18.7	5.5
China	Yuan (onshore)	6.876	6.962	6.576	6.571	6.530	0.0	-0.6	-0.7	-6.2	-5.0
South Korea	Won	1114	1154	1109	1106	1084	0.0	-2.0	-2.3	-6.1	-2.7
Indonesia	Rupiah	14375	13880	14090	14100	14080	0.0	-0.1	-0.1	1.4	-2.1
Thailand	Baht	32.33	29.76	30.28	30.25	30.17	-0.1	-0.3	-0.4	1.4	-6.7
Malaysia	Ringgit	4.130	4.089	4.073	4.078	4.070	0.3	-0.2	-0.1	-0.5	-1.5
Philippines	Peso	52.49	50.65	48.12	48.05	48.17	0.1	0.2	0.1	-4.9	-8.2

* An increase in the index implies an appreciation of the dollar, except in the euro and the pound.

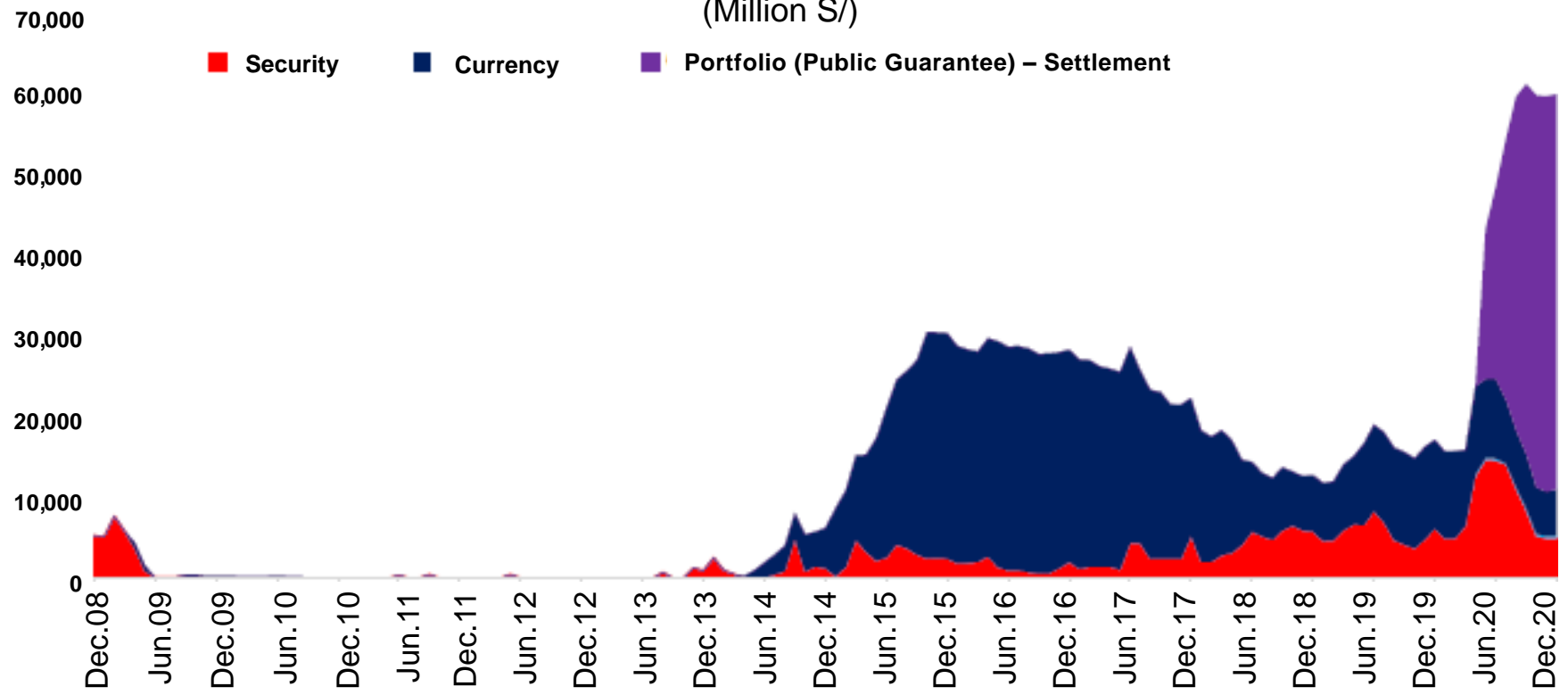
Source: Reuters



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The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of December 9, the BCRP's liquidity injection operations totaled S/ 61.5 billion, of which S/ 50.2 billion were associated with government-backed repos.

Balance of BCRP Repo Operations* (Million S/)



* Information as of December 9, 2020.

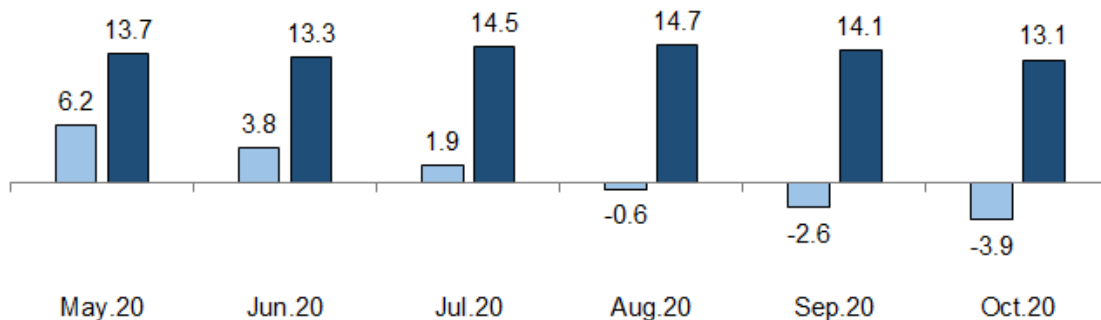


In this context, credit to the private sector grew 13.1 percent year-on-year in October.

Growth of credit to the private sector

(Annual % change)

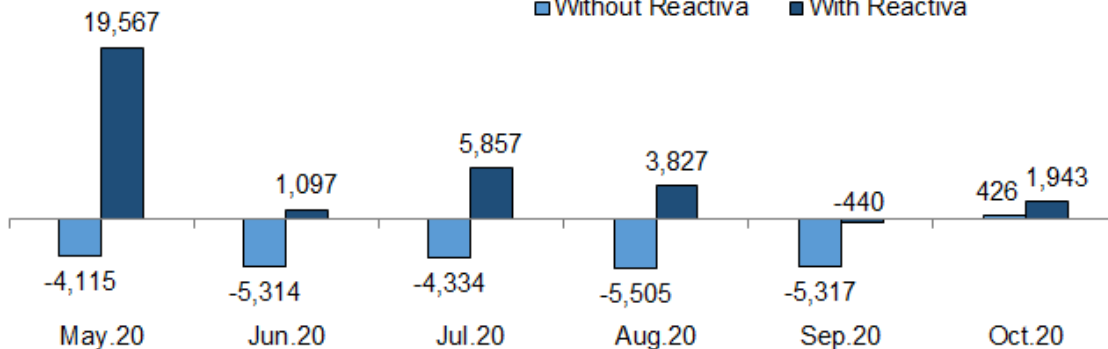
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Monthly flow of credit to the private sector

(Million S/)

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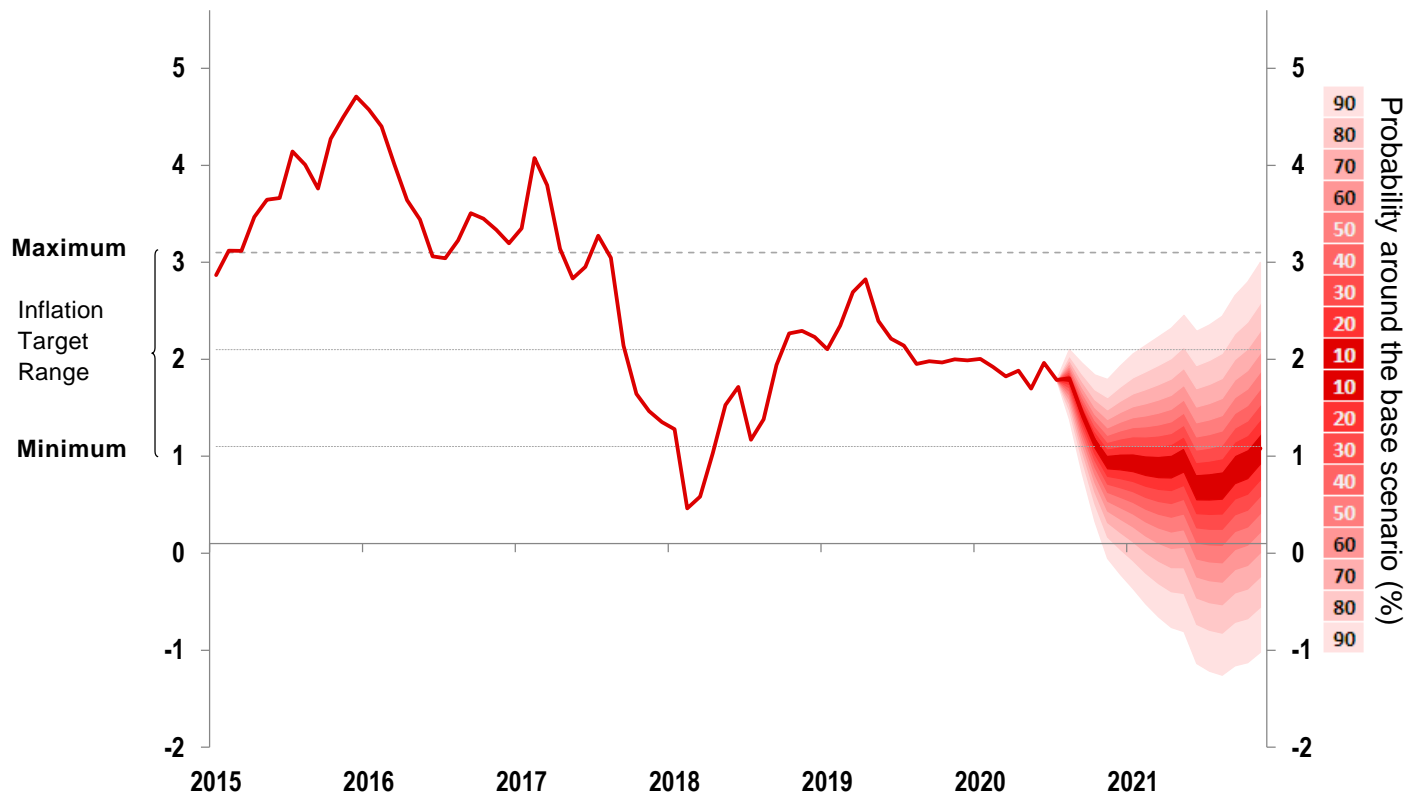


Source: Trial Balance of the financial entities and COFIDE Report



The Board considers it appropriate to maintain a strong expansionary monetary stance for as long as the negative effects of the pandemic on inflation and its determinants persist. The BCRP stands ready to expand monetary stimulus using a range of instruments.

Inflation Forecast: 2020-2021 (Last 12-month % change)





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