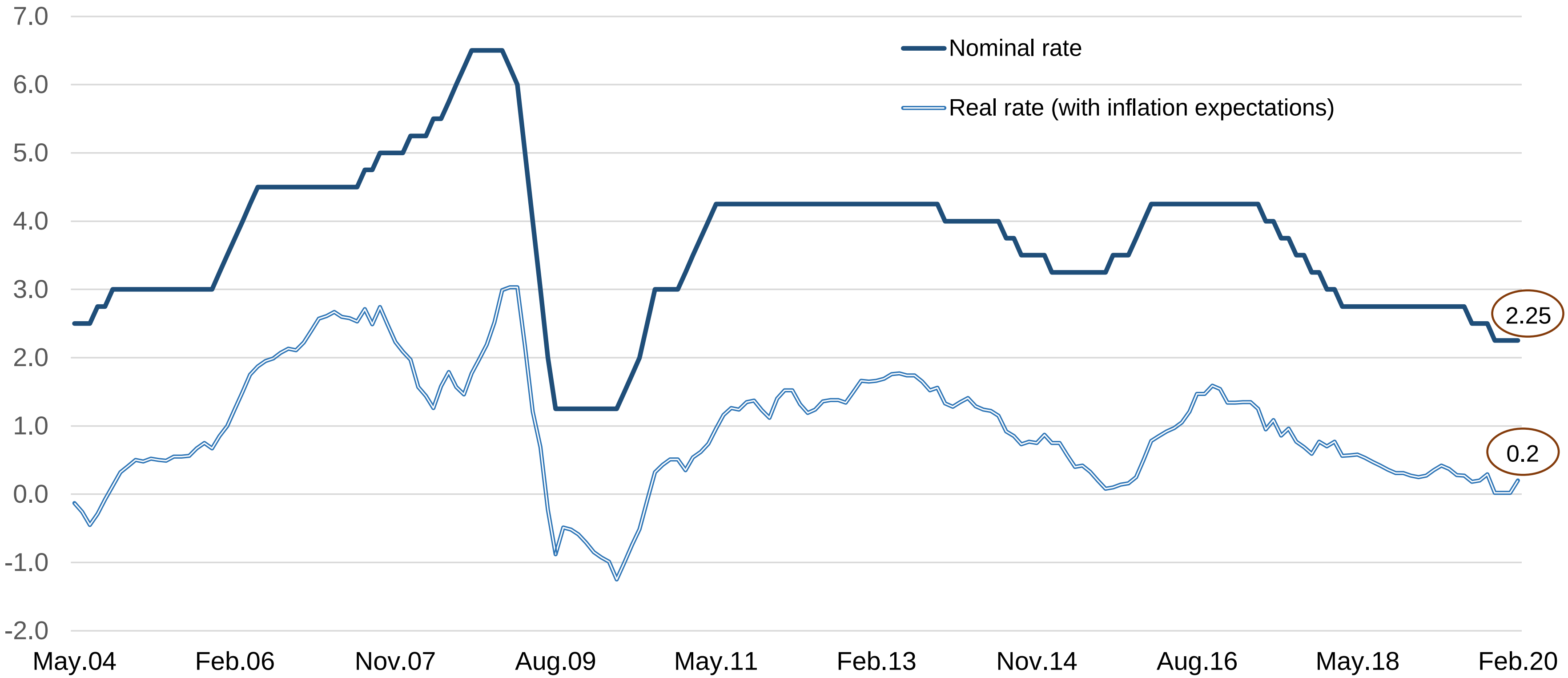
Monetary Policy Statement
February 2020

February 14, 2020

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to maintain the reference rate at 2.25 percent.

Policy interest rate

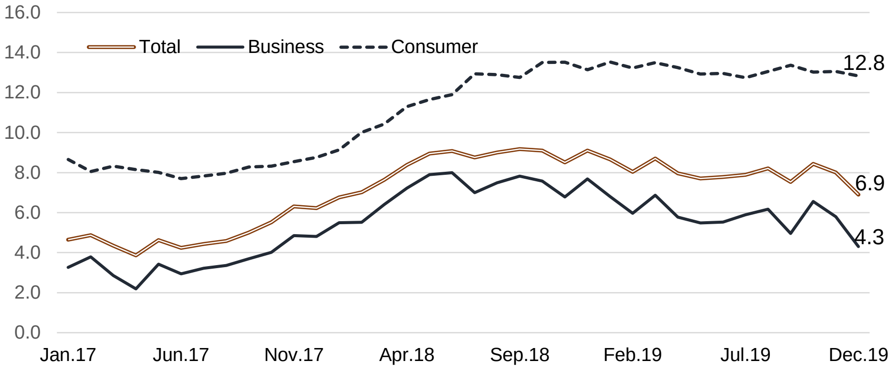
(%)



	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Jan.20	Feb.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	2.25
(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
(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	0.20

Money market interest rates have been declining while the growth of credit to the private sector holds at a high level.

Credit to the private sector
(Annual % change)



Interest rate in soles [1/]
(%)

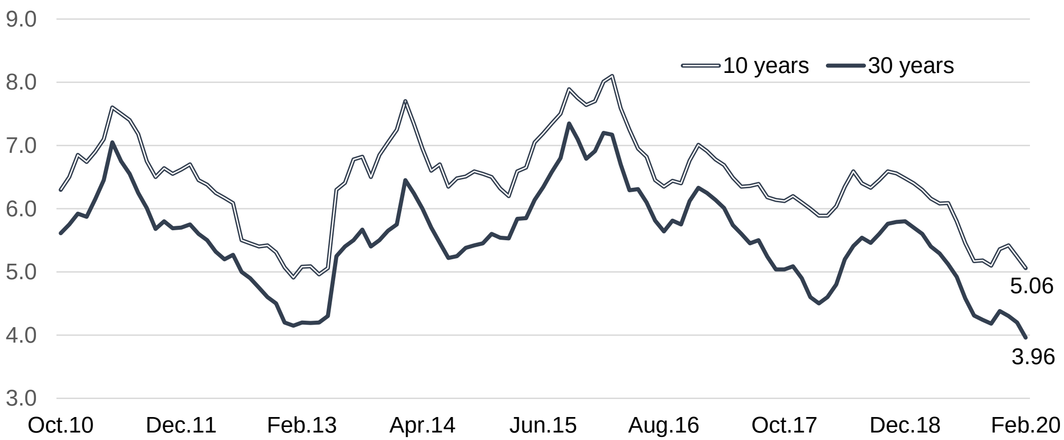
	Dec.18	Jun.19	Nov.19	Dec.19	Jan.20	Feb.20	Chg. (b.p.) Feb.20-Jun.19
Reference	**2.75**	**2.75**	**2.25**	**2.25**	**2.25**	**2.25**	**-50**
CDBCRP							
12-months	2.92	2.63	2.20	2.16	2.15	2.09	-54
18-months	3.15	2.65	2.27	2.24	2.19	2.13	-52
Corporate prime							
Lending 3-months	4.5	4.0	3.2	3.3	3.2	3.2	-81
Deposits 3-months	4.0	3.5	3.8	2.8	2.8	2.8	-74
Lending							
Corporates	4.9	4.5	3.9	3.8	3.9	3.6	-88
Mortgage	7.6	7.7	7.1	7.0	7.0	7.0	-74
Deposits: Individuals							
1-month	2.4	2.3	1.7	1.6	1.6	1.7	-51
6 to 12-months	3.5	3.6	3.2	3.3	3.3	3.2	-38
Deposits: Businesses							
1-month	3.1	2.9	2.2	2.3	2.3	2.2	-75
2 to 3-months	3.9	3.3	2.7	2.8	2.9	2.8	-57
3 to 6-months	4.3	3.8	3.0	3.1	3.0	2.9	-91

1/ Annual rates for operations in the last 30 working days.
*As of February 12.
Source: SBS and BCRP.

CENTRAL RESERVE BANK OF PERU

Long-term interest rates in soles have reached historic lows in recent months.

Yields on Peruvian sovereign bonds
(%)



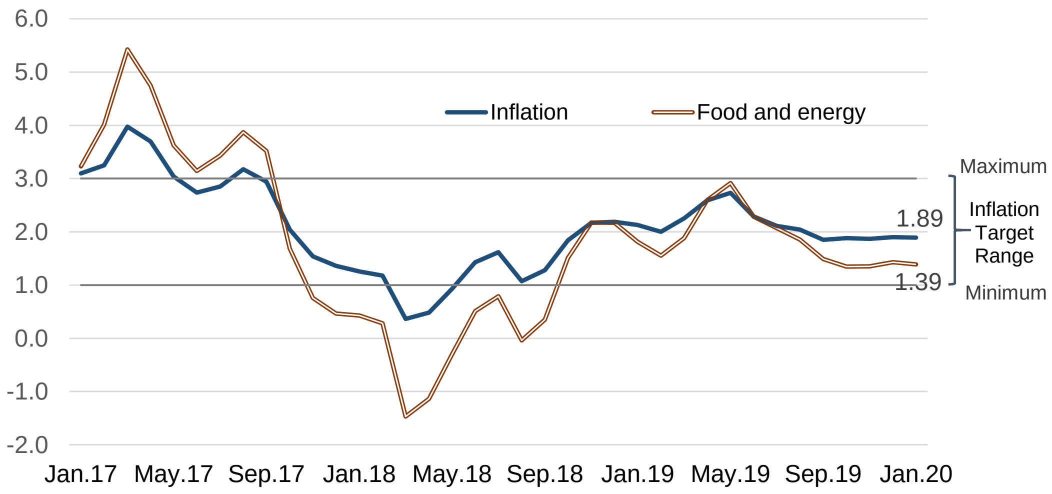
Mortgage interest rate in soles *
(%)

* As of February 12.

CENTRAL RESERVE BANK OF PERU

Monthly inflation was 0.05 percent in January, consequently, year-on-year inflation remained at 1,9 percent in January 2020. With monthly inflation excluding food and energy at 0.07 percent in January, the year-on-year figure also remained at 2.3 percent.

Inflation
(Last 12 months % change)



	Annual average	Annual % change		
	2001-2019	2018	2019	Jan.20
CPI	2.59	2.19	1.90	1.89
CPI excluding food and energy	2.15	2.21	2.30	2.31
Trend indicators				
Bounded mean	2.58	1.79	1.42	1.33
Percentile 63	2.53	1.82	1.47	1.31
Re-weighted	2.51	1.87	1.74	1.76

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.

One-year ahead expected inflation as of January decreased from 2.23 to 2.05 percent.

1-Year ahead inflation expectations*
(%)

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

Survey of Macroeconomic Expectations: Inflation
(%)

	Survey date: Nov 30, 2019	Dec 31, 2019	Jan 31, 2020
Economic analysts 1/			
2020	2.20	2.25	2.05
2021	2.50	2.50	2.25
Financial entities 2/			
2020	2.20	2.20	2.00
2021	2.30	2.30	2.30
Non-financial firms 3/			
2020	2.40	2.40	2.20
2021	2.50	2.50	2.40

1/ 18 analysts in November, 16 in December 2019, and 18 in January 2020.
2/ 19 financial entities in November, 15 in December 2019, and 19 in January 2020.
3/ 356 non-financial firms in November, 335 in December 2019, and 356 in January 2020.

Primary industries and public investment had a weak performance in 2019

Gross Domestic Product

(Real % change)

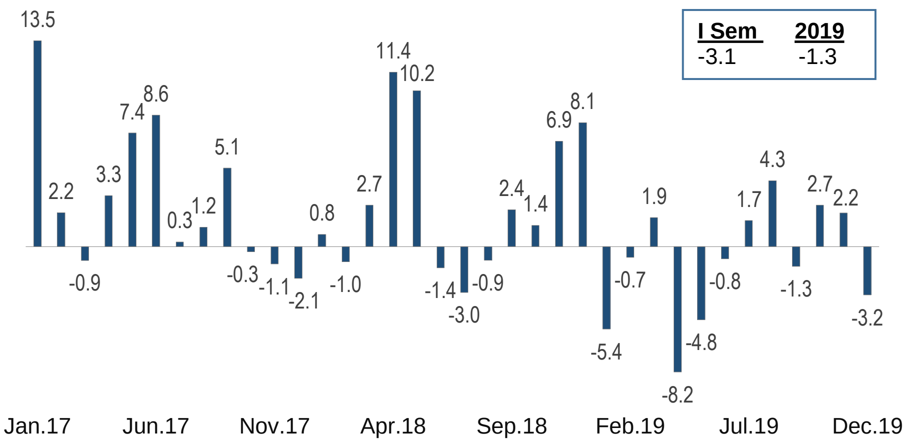
	2014	2015	2016	2017	2018	2019
Primary GDP	**-2.5**	**6.7**	**9.6**	**3.0**	**3.6**	**-1.3**
Agriculture and livestock	1.6	3.5	2.7	2.8	7.8	3.2
Fishing	-27.9	15.9	-10.1	4.7	47.7	-25.9
Mining	-2.2	15.7	21.2	4.5	-1.7	-0.8
Hydrocarbons	4.0	-11.5	-5.1	-2.4	0.0	4.6
Manufacturing	-9.4	1.6	-0.7	1.6	12.9	-8.8
Non-Primary GDP	**3.8**	**2.4**	**2.5**	**2.2**	**4.1**	**3.2**
Manufacturing	-1.5	-2.5	-1.6	-0.9	3.4	1.2
Electricity and water	4.9	5.9	7.3	1.1	4.4	3.9
Construction	1.9	-5.8	-3.2	2.1	5.3	1.5
Commerce	4.4	3.9	1.8	1.0	2.6	3.0
Services	5.1	4.1	4.1	3.2	4.4	3.8
GDP	**2.4**	**3.3**	**4.1**	**2.4**	**4.0**	**2.2**

Source: INEI and BCRP.

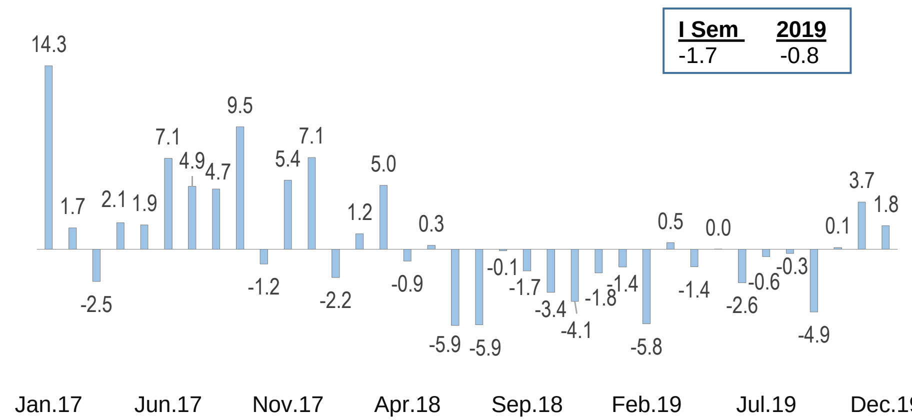
CENTRAL RESERVE BANK OF PERU

The highest contraction of the primary industries was recorded in the first semester.

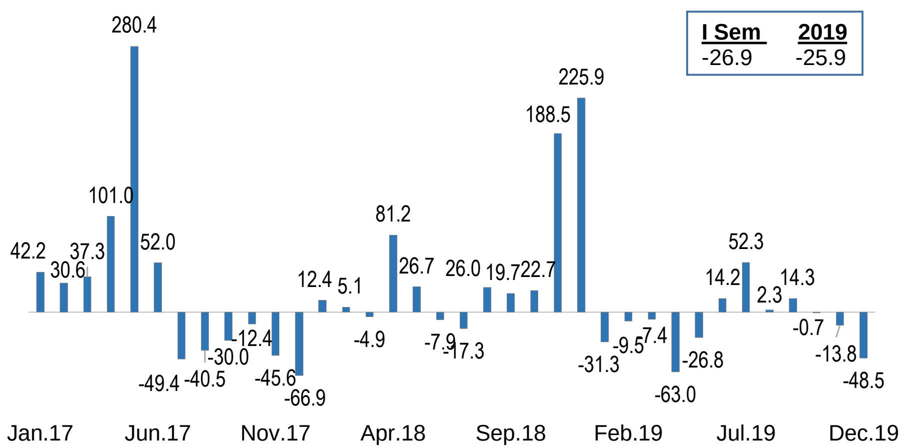
Primary GDP
(% change respect to the same period of the previous year)



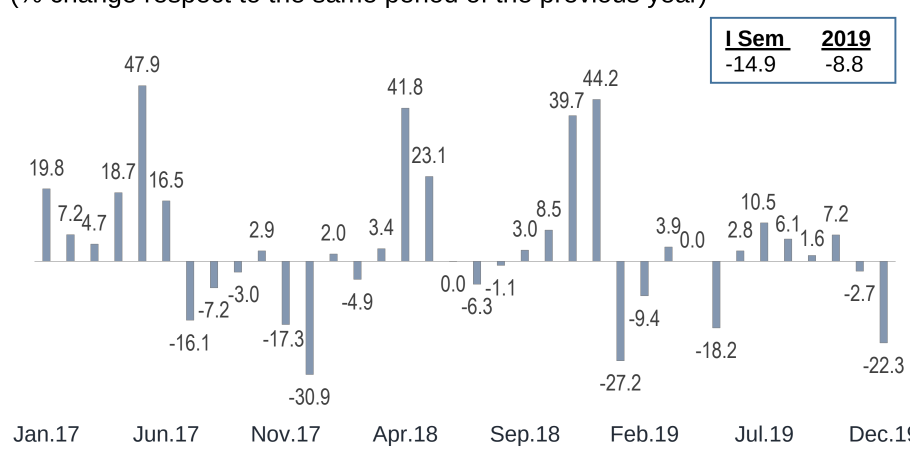
Metallic mining
(% change respect to the same period of the previous year)



Fishing
(% change respect to the same period of the previous year)

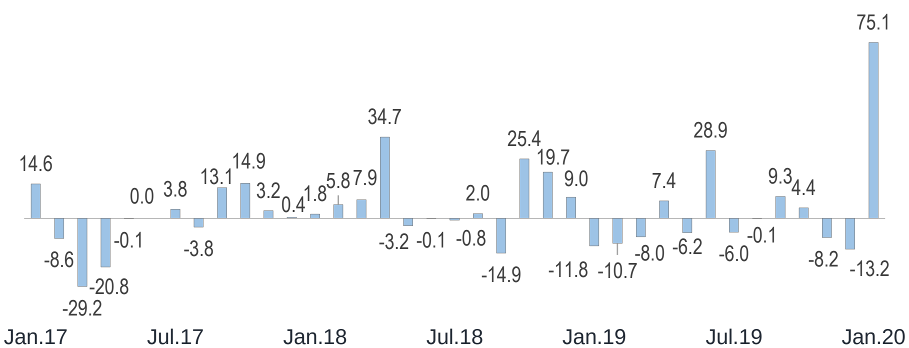


Primary manufacturing
(% change respect to the same period of the previous year)

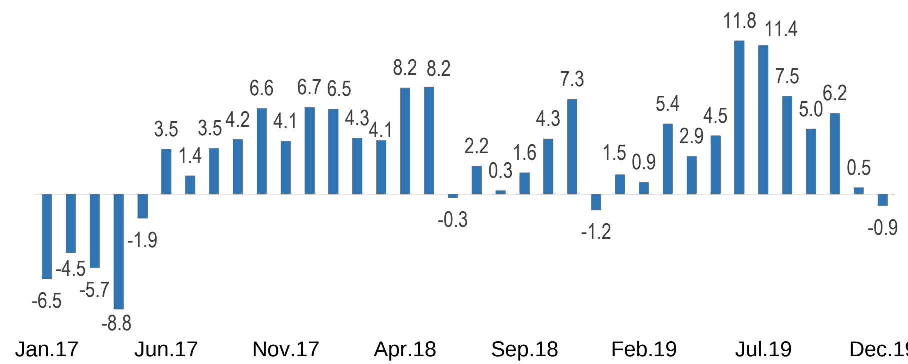


Public investment improved in January and economic activity indicators point to a gradual closure of the output gap…

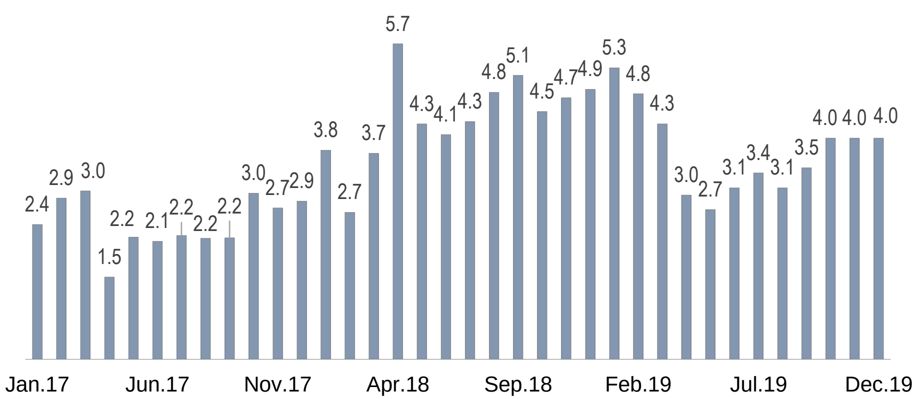
Public investment
(Real % change)



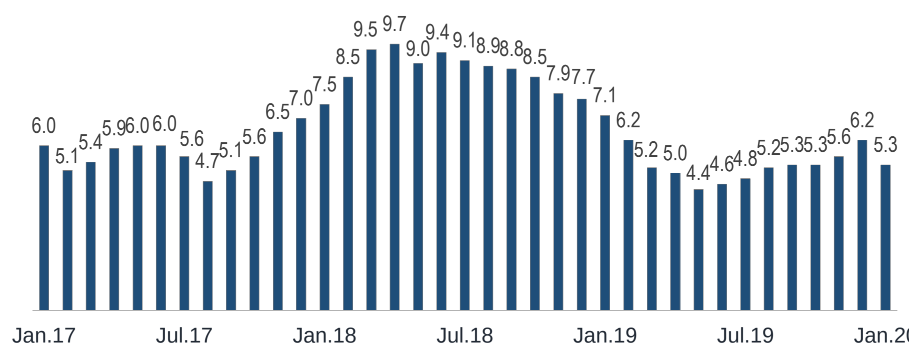
Domestic consumption of cement
(% change respect to the same period of the previous year)



Formal jobs in the private sector
(% change respect to the same period of the previous year)



Nominal average currency in circulation
(% change respect to the same period of the previous year)



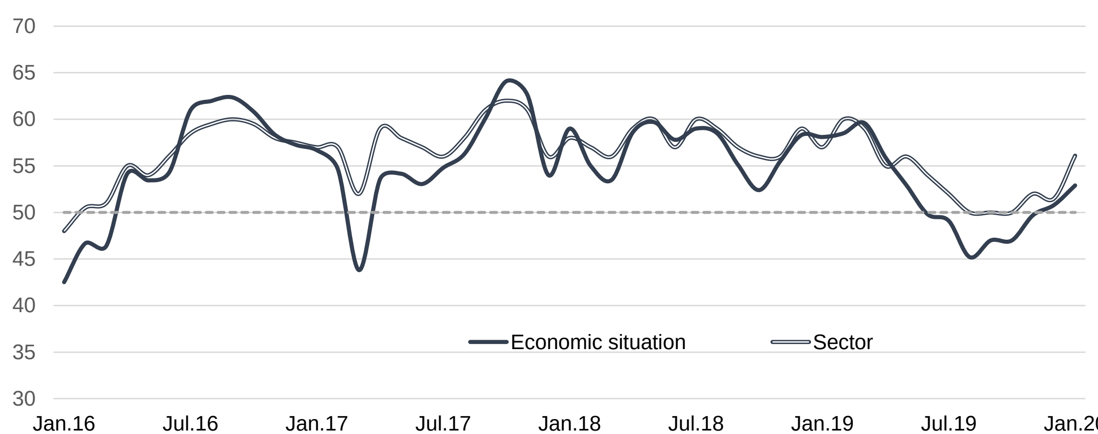
… while business conditions expectations improved respect to December.

Macroeconomic Expectations: Survey Results [1/]

		Nov.2019	Dec.2019			Jan.2020		
EXPECTATION:								
ECONOMIC SITUATION:	IN 3 MONTHS	49.7	50.8	↑	>	52.9	↑	>
	IN 12 MONTHS	60.5	61.5	↑	>	61.3	↓	>
SECTOR:	IN 3 MONTHS	52.0	51.5	↓	>	55.8	↑	>
	IN 12 MONTHS	60.3	61.5	↑	>	62.7	↑	>
COMPANY'S SITUATION:	IN 3 MONTHS	57.1	56.1	↓	>	58.1	↑	>
	IN 12 MONTHS	66.8	66.6	↓	>	67.6	↑	>
ABOUT DEMAND:	IN 3 MONTHS	56.1	55.1	↓	>	57.7	↑	>
	IN 12 MONTHS	69.2	68.0	↓	>	70.0	↑	>
NEW PERSONNEL HIRED:	IN 3 MONTHS	50.0	48.6	↓	<	49.1	↑	>
	IN 12 MONTHS	54.1	54.0	↓	>	54.6	↑	>

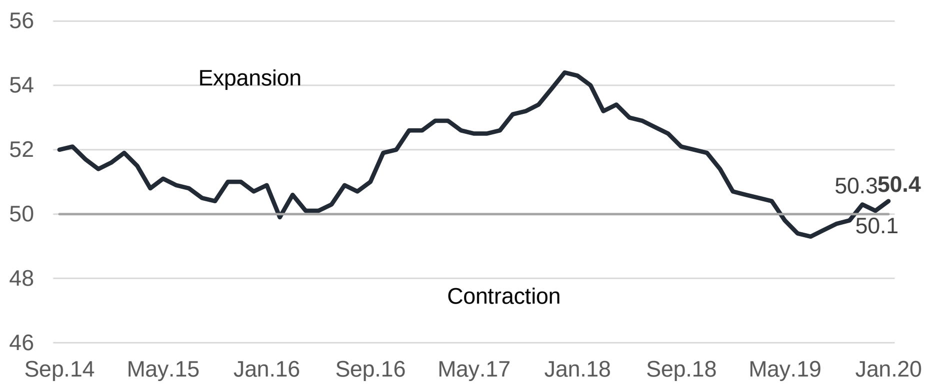
1/ Greater than 50 points (neutral) means that confidence is on the optimistic tranche and less than 50 points in the pessimistic tranche.

Expectations about the economic situation and sector in 3 months

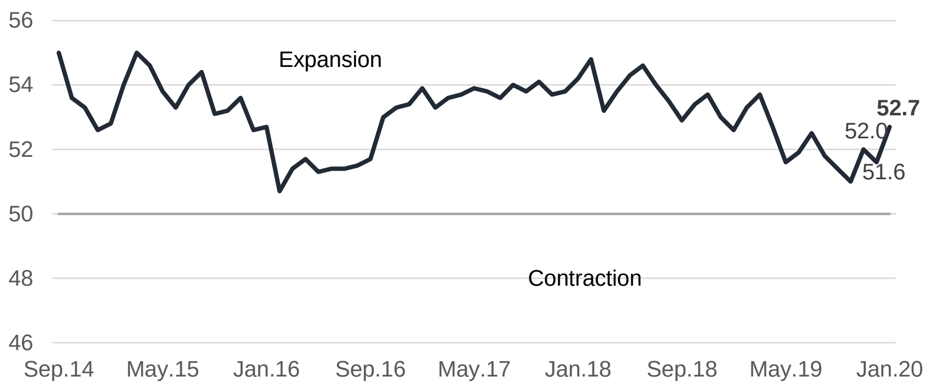


Global growth risks from trade tensions have attenuated…

PMI global manufacturing
(JP Morgan)



PMI global services
(JP Morgan)



Copper price*
(cUS$/pound)

WTI Oil price*
(US$/barrel)

* As of February 13, 2020.

… although the impact of the COVID-19 is still uncertain.

Comparison of SARS and COVID-19

	SARS	COVID-19
Events		
First occurrence notified	Nov. 16th, 2002	Dec. 08th, 2019
Reported to WHO	February 10th, 2003	December. 31st, 2019
Human to human transmission	January 19th, 2003	January 20th, 2020
Beginnins of Chinese New Year	February 1st, 2003	January 25th, 2020
Magnitude		
Number of patients infected	8,096	64,447
Deceased	774	1,384
Mortality rate	9.6%	2.1%

Data as of February 14.

Baltic Dry Index (BDI)*

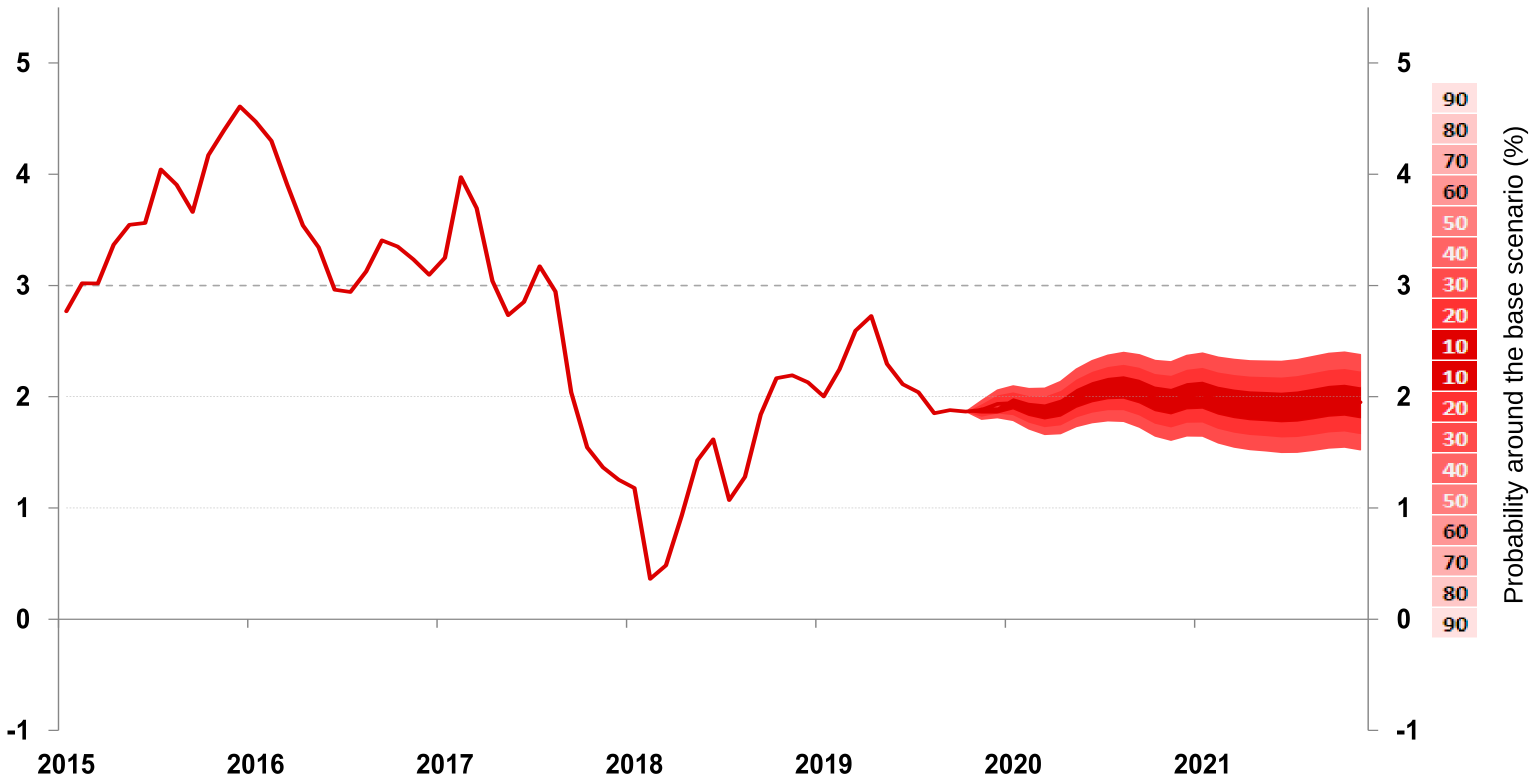
* This indicator measures the cost of freight for bulk cargo.

CENTRAL RESERVE BANK OF PERU

Year-on-year inflation is expected to be around 2.0 percent over the forecast horizon, with a moderate downside bias due to the possibility of a lower-than expected increase in domestic demand. The BCRP Board pays close attention to new information on inflation and its determinants in assessing future changes in the monetary policy stance.

Inflation forecast

(Last 12-month % change)



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement
February 2020

February 14, 2020