



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

January 2020

January 10, 2020

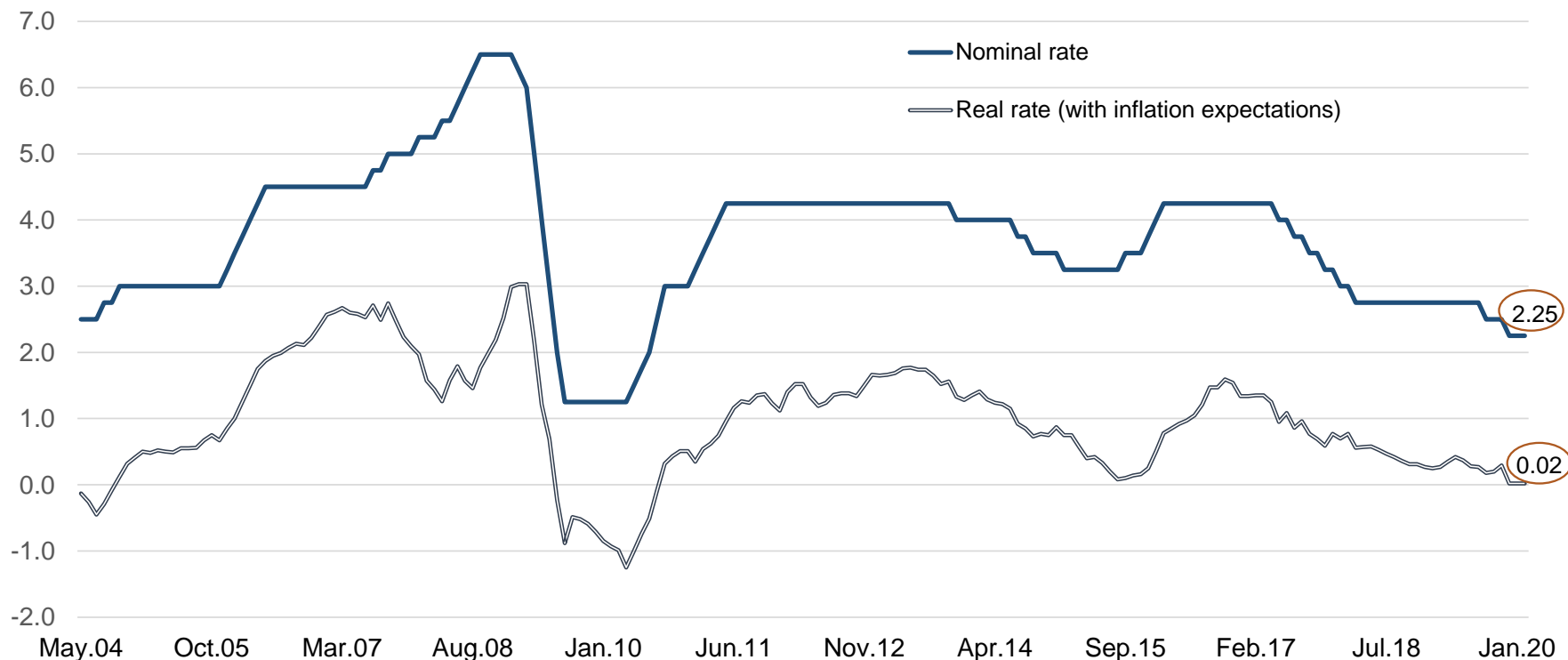


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The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to maintain the reference rate at 2.25 percent.

Policy interest rate

(%)



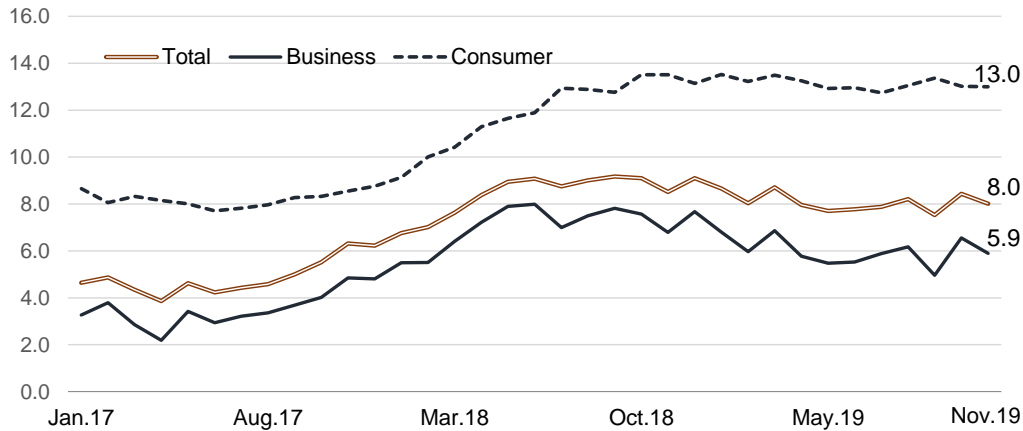
	Dec.15	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Jan.20
(I) Nominal rate	3.75	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	2.25
(II) Inflation expectations	3.50	2.91	3.00	3.05	2.89	2.73	2.66	2.48	2.30	2.19	2.32	2.23	2.23
(III) Real rate: (I)-(II)	0.25	1.34	1.25	0.95	0.86	0.77	0.59	0.77	0.70	0.56	0.18	0.02	0.02



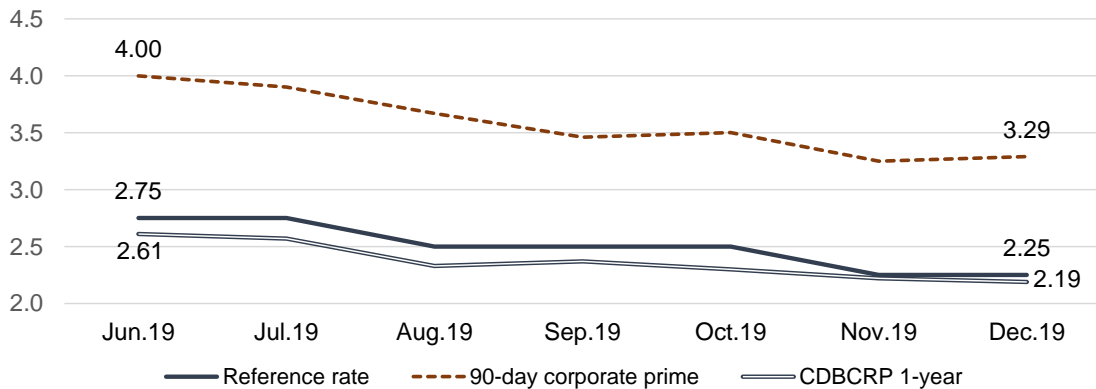
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Money market interest rates have been declining while the growth of credit to the private sector holds at a high level.

Credit to the private sector (Annual % change)



Interest rate in soles (%)

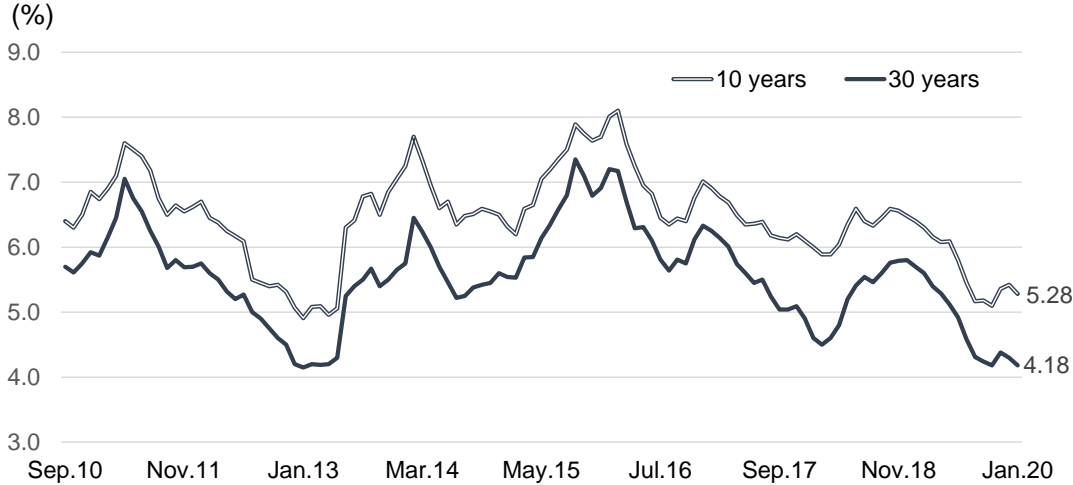




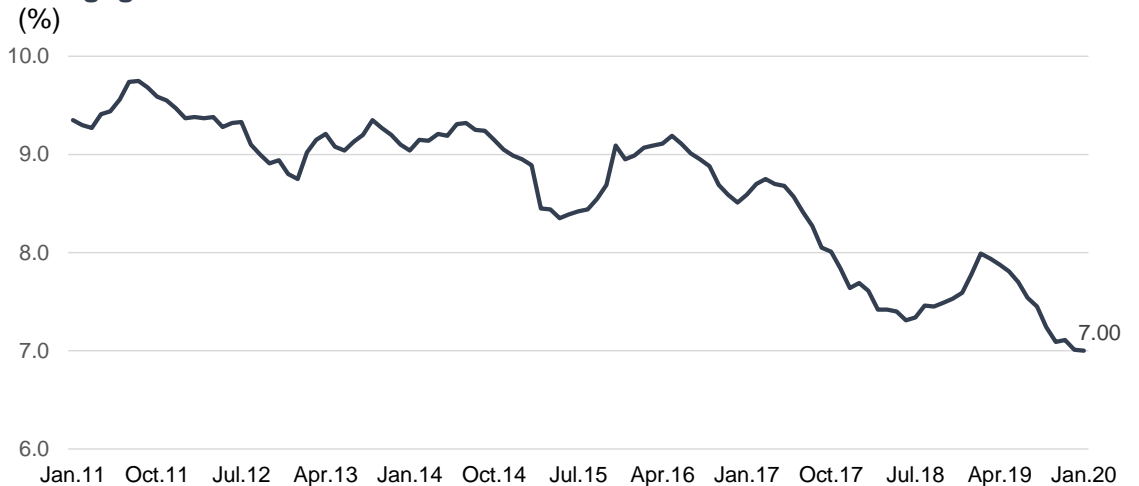
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Long-term interest rates in soles have decreased in recent months.

Yields on Peruvian sovereign bonds



Mortgage interest rate in soles *



* As of January 8.

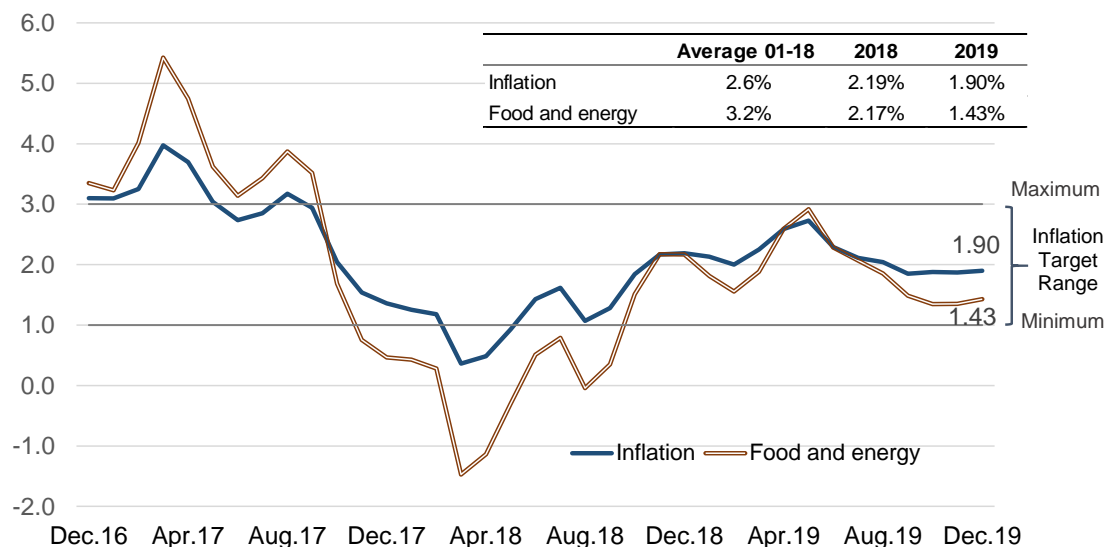


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Monthly inflation was 0.21 percent in December, consequently, year-on-year inflation remained at 1.9 percent in December 2019. With monthly inflation excluding food and energy at 0.34 percent in December, the year-on-year figure also remained at 2.3 percent.

Inflation

(Last 12 months % change)



	Annual average 2001-2019	Annual % change 2018	Annual % change 2019
CPI	2.59	2.19	1.90
CPI excluding food and energy	2.15	2.21	2.30

Trend indicators

Bounded mean	2.58	1.79	1.42
Percentile 63	2.53	1.82	1.47
Re-weighted	2.51	1.86	1.75

Bounded mean: Weighted average of the percentage change of prices between the 34th and 84th percentiles.

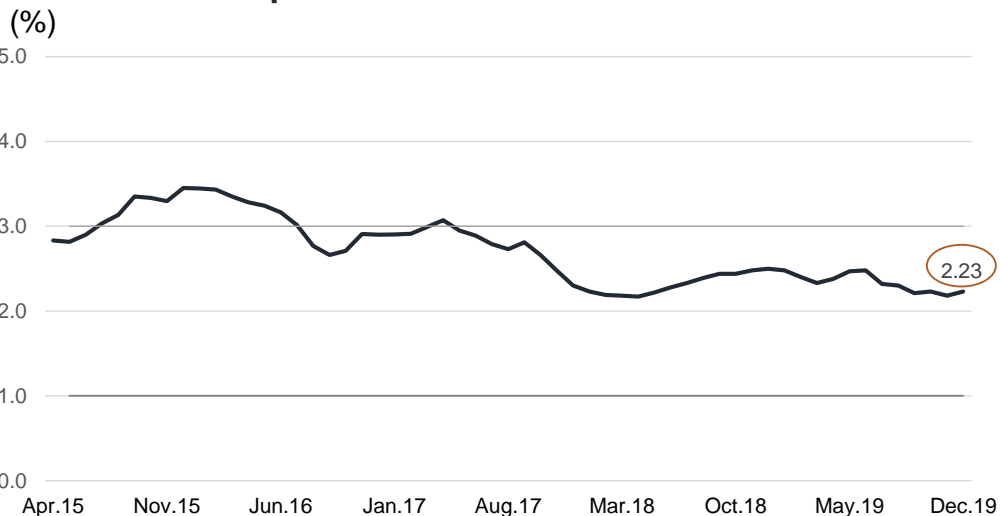
Percentile 63: Corresponds to the percentage changes of the item located in the 63th percentile.

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 December remained at 2.2 percent.

1-Year ahead expected inflation*



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

Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:			
	Oct 31, 2019	Nov 30, 2019	Dec 31, 2019	
Economic analysts 1/				
2020	2.4	2.2	2.3	↑
2021	2.5	2.5	2.5	
Financial entities 2/				
2020	2.2	2.2	2.2	=
2021	2.3	2.3	2.3	
Non-financial firms 3/				
2020	2.5	2.4	2.4	=
2021	2.5	2.5	2.5	

1/ 16 analysts in October, 19 in November, and 16 in December 2019.

2/ 15 financial entities in October, 22 in November, and 15 in December 2019.

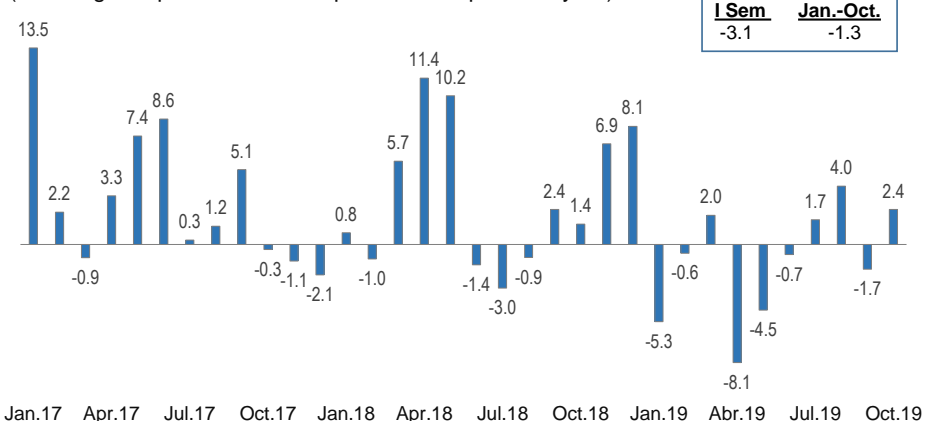
3/ 335 non-financial firms in October, 346 in November, and 335 in December 2019.



The weak performance of primary industries and General Government investment in 2019...

Primary GDP

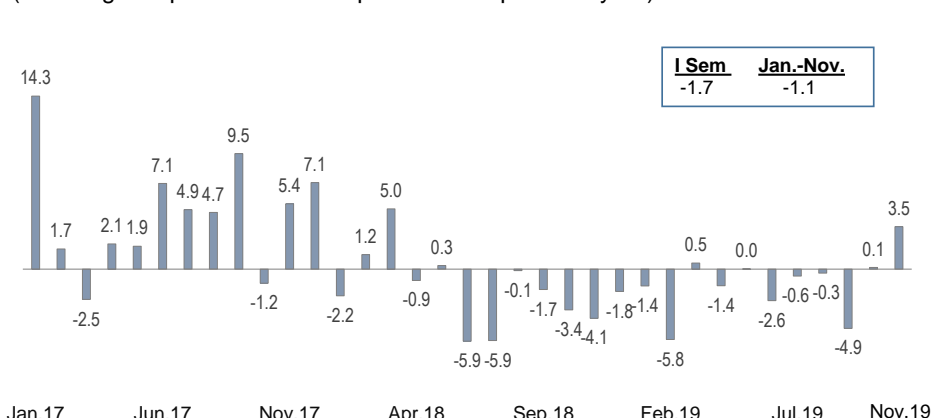
(% change respect to the same period of the previous year)



I Sem -3.1
Jan.-Oct. -1.3

Metallic mining

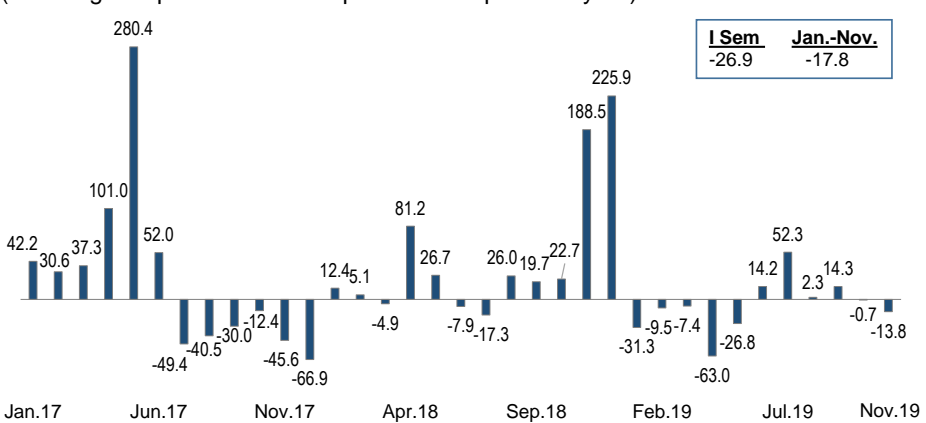
(% change respect to the same period of the previous year)



I Sem -1.7
Jan.-Nov. -1.1

Fishing

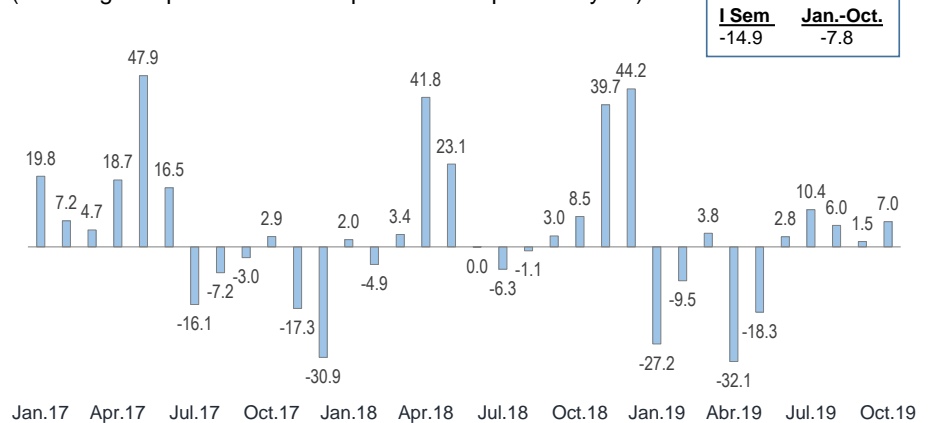
(% change respect to the same period of the previous year)



I Sem -26.9
Jan.-Nov. -17.8

Primary manufacturing

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

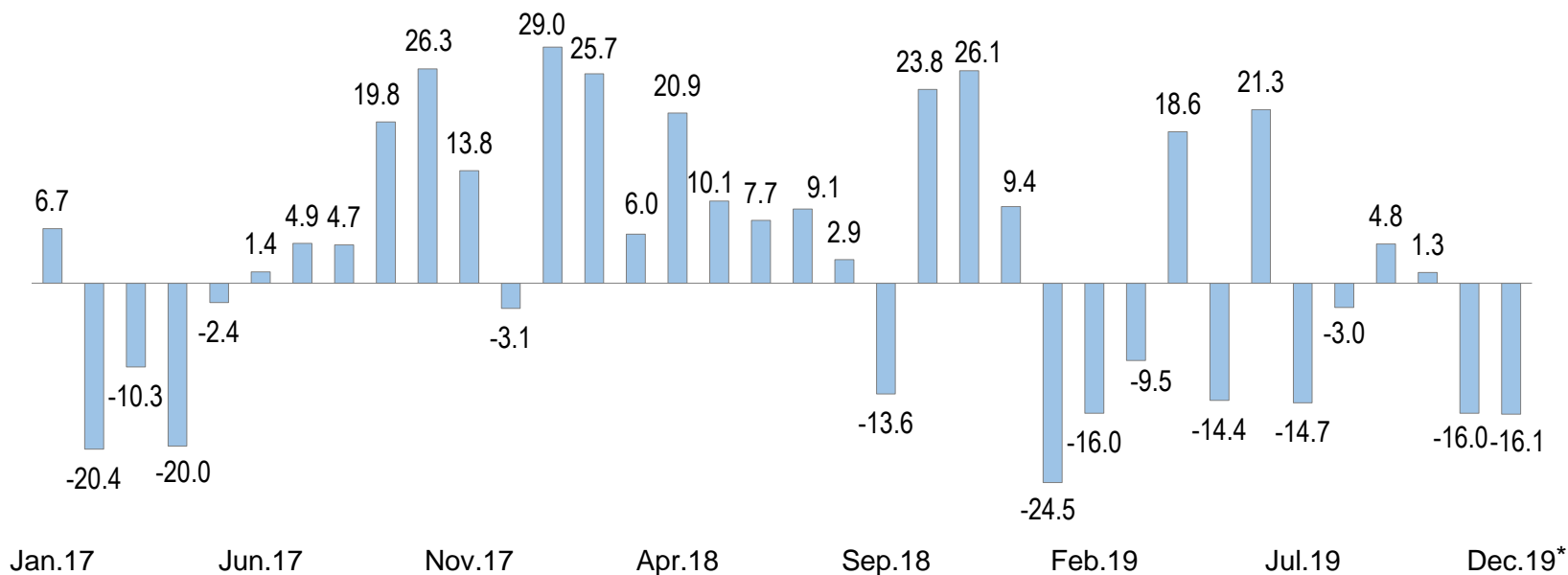


I Sem -14.9
Jan.-Oct. -7.8



The weak performance of primary industries and General Government investment in 2019...

Investment of the General Government (Real % change)



* Preliminary data.

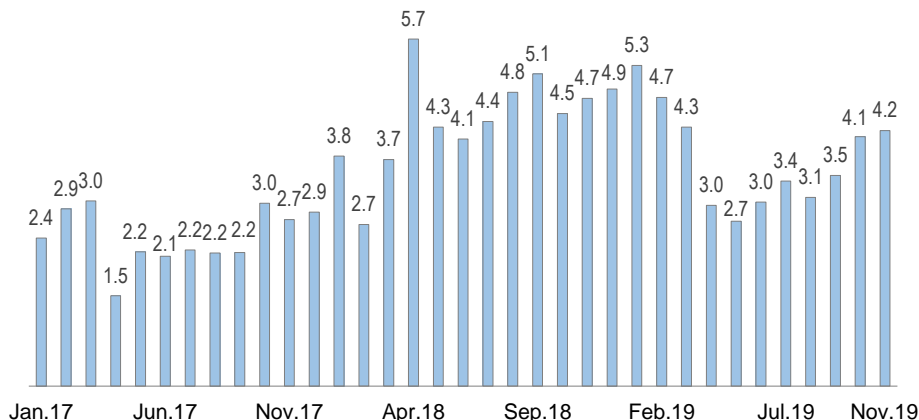


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... was attenuated by the activity in non-primary industries.

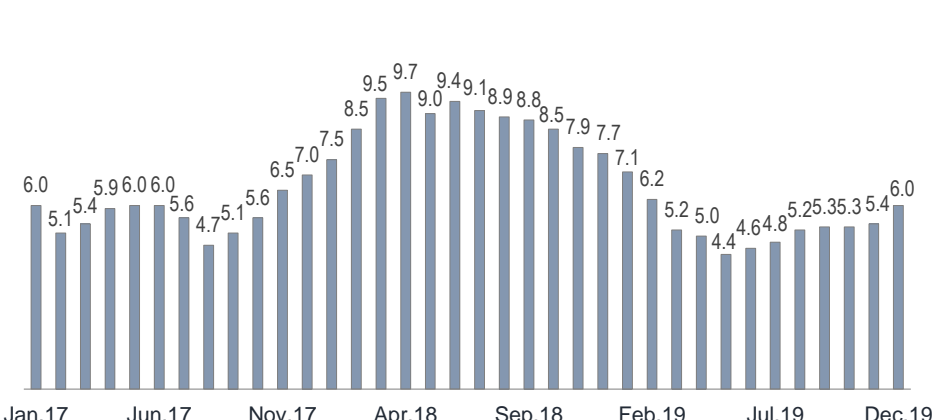
Formal jobs in the private sector

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



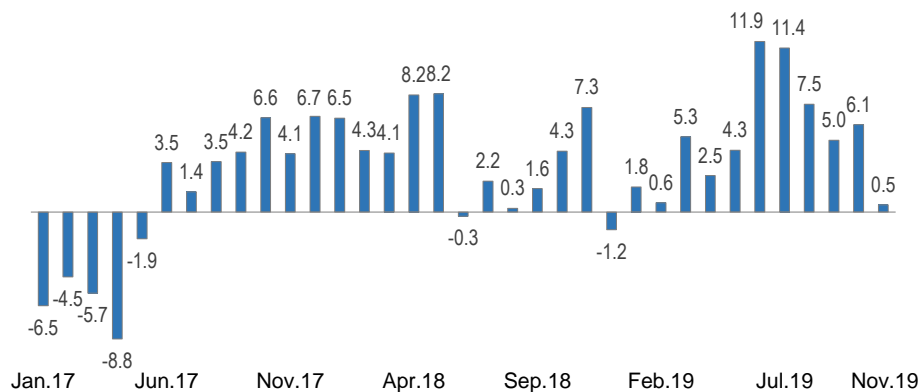
Nominal average currency in circulation

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



Domestic consumption of cement

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

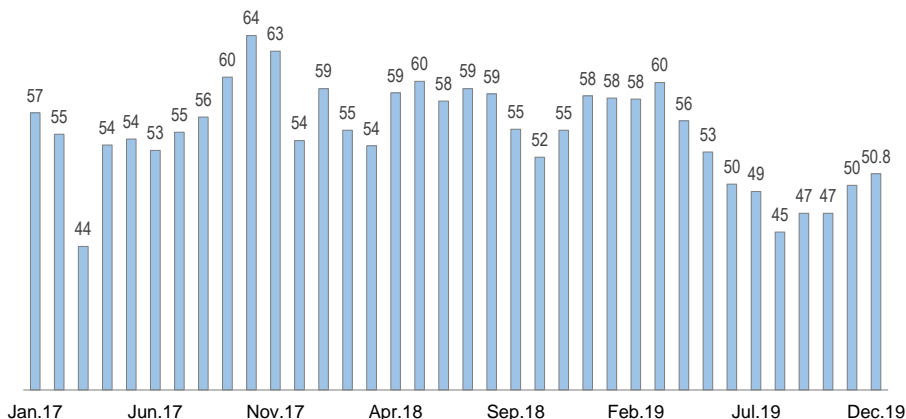




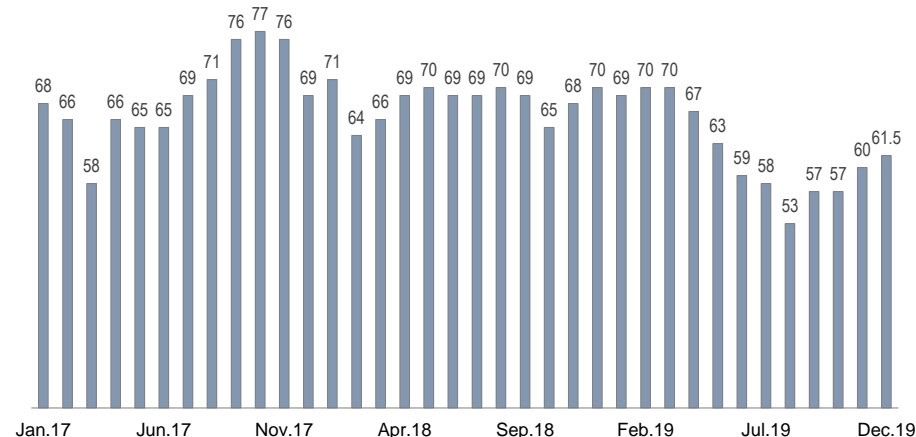
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Business conditions expectations as of December remained stable with respect to November, while economic activity indicators point to a gradual closure of the output gap.

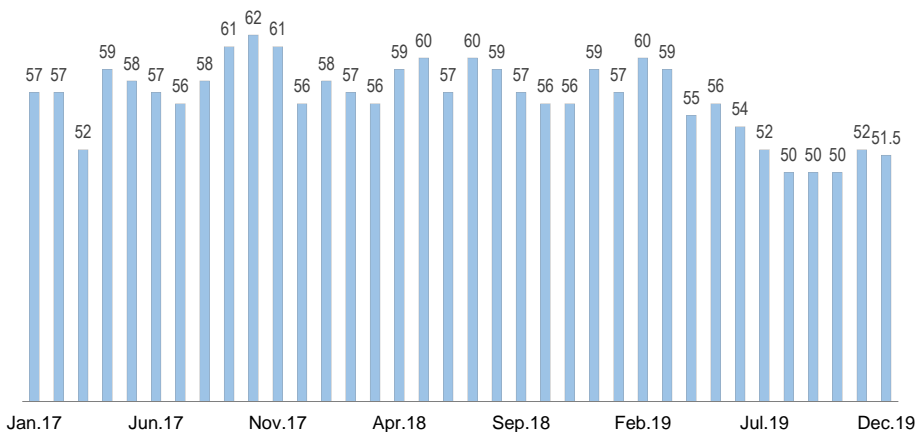
Expectations about the economic situation in 3 months



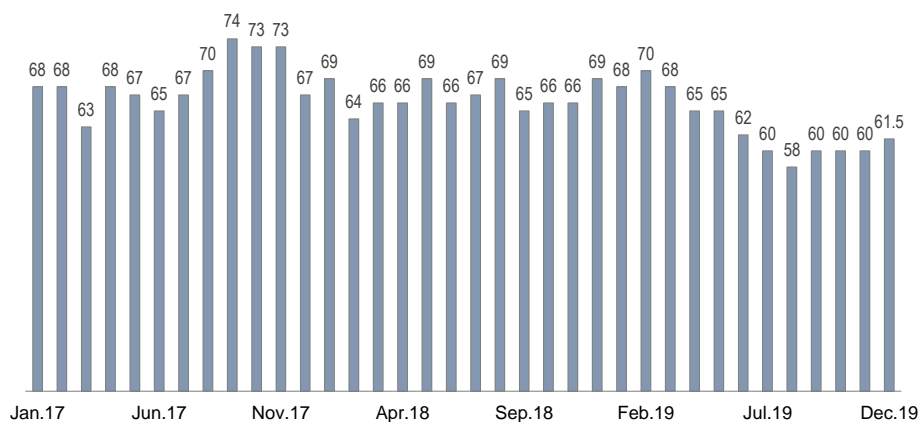
Expectations about the economic situation in 12 months



Expectations about the sector in 3 months



Expectations about the and sector in 12 months

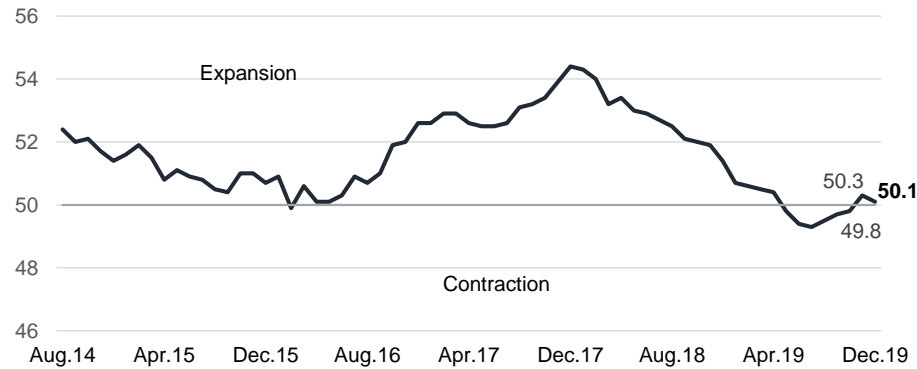




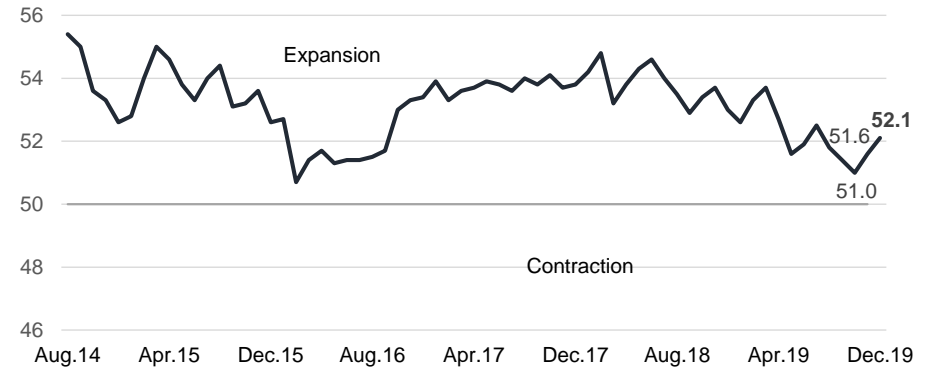
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Global growth risks from trade tensions have attenuated, although the impact of the recent geopolitical events on international energy prices is still uncertain.

PMI global manufacturing
(JP Morgan)



PMI global services
(JP Morgan)



Copper price*
(cUS\$/pound)



WTI Oil price*
(US\$/barrel)



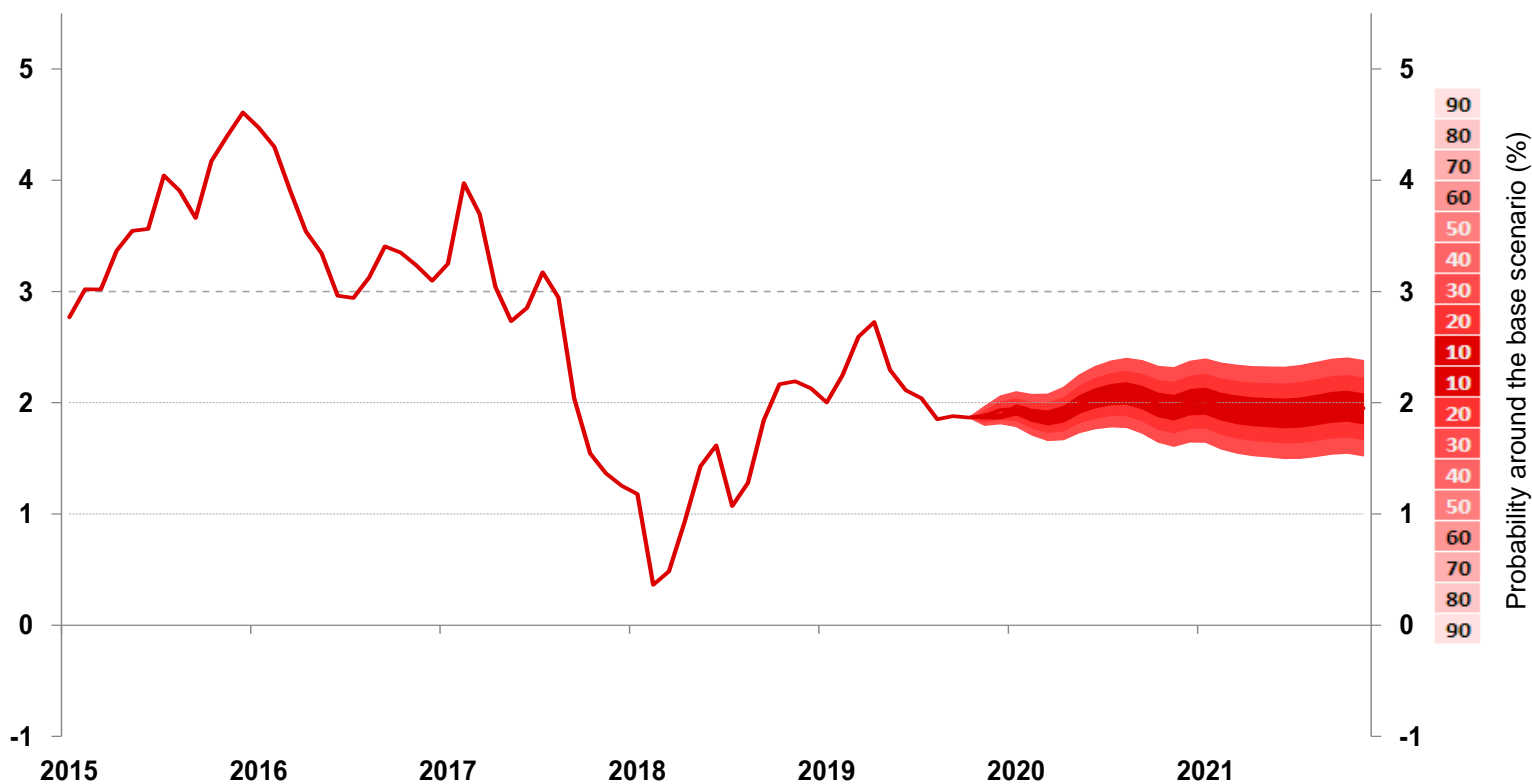
* As of January 9, 2020.



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)





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