



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

March 2020

March 13, 2020

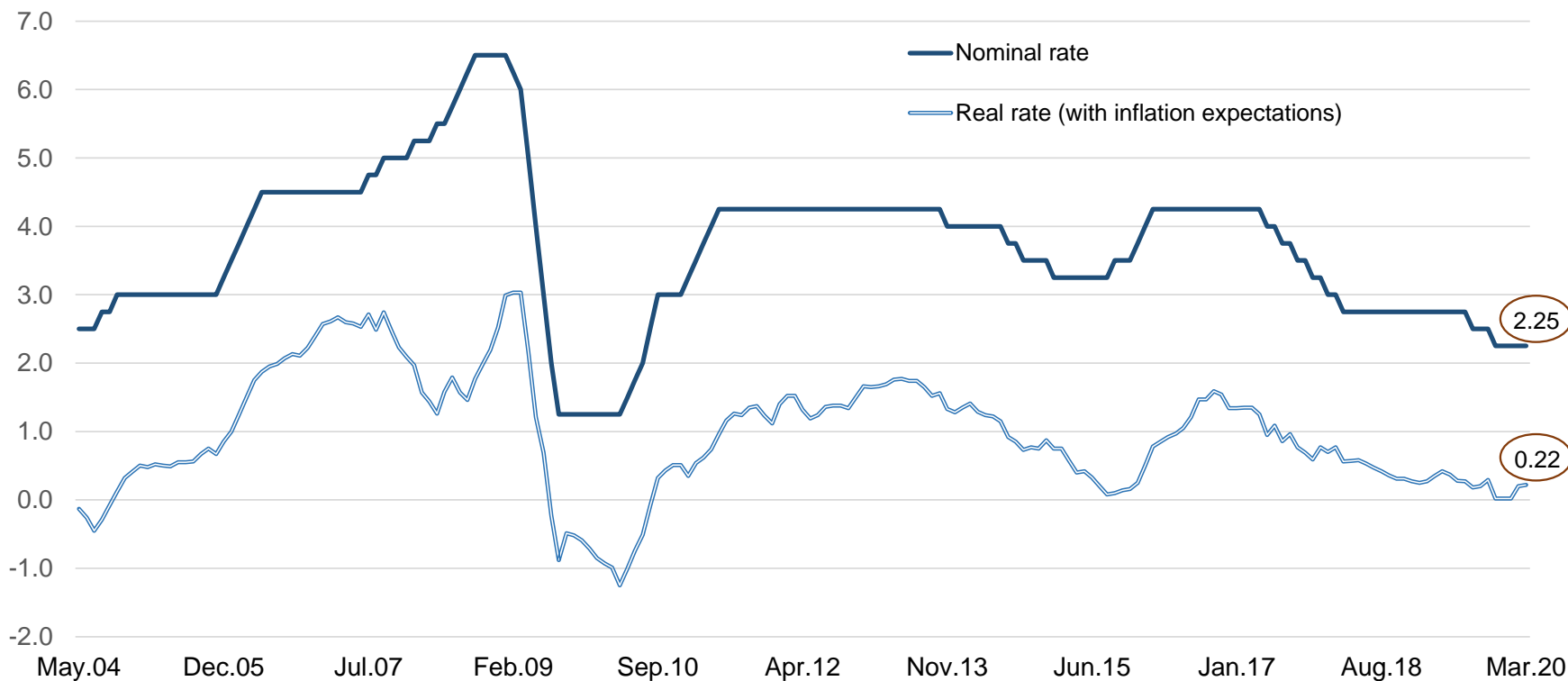


CENTRAL RESERVE BANK OF PERU

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

(%)

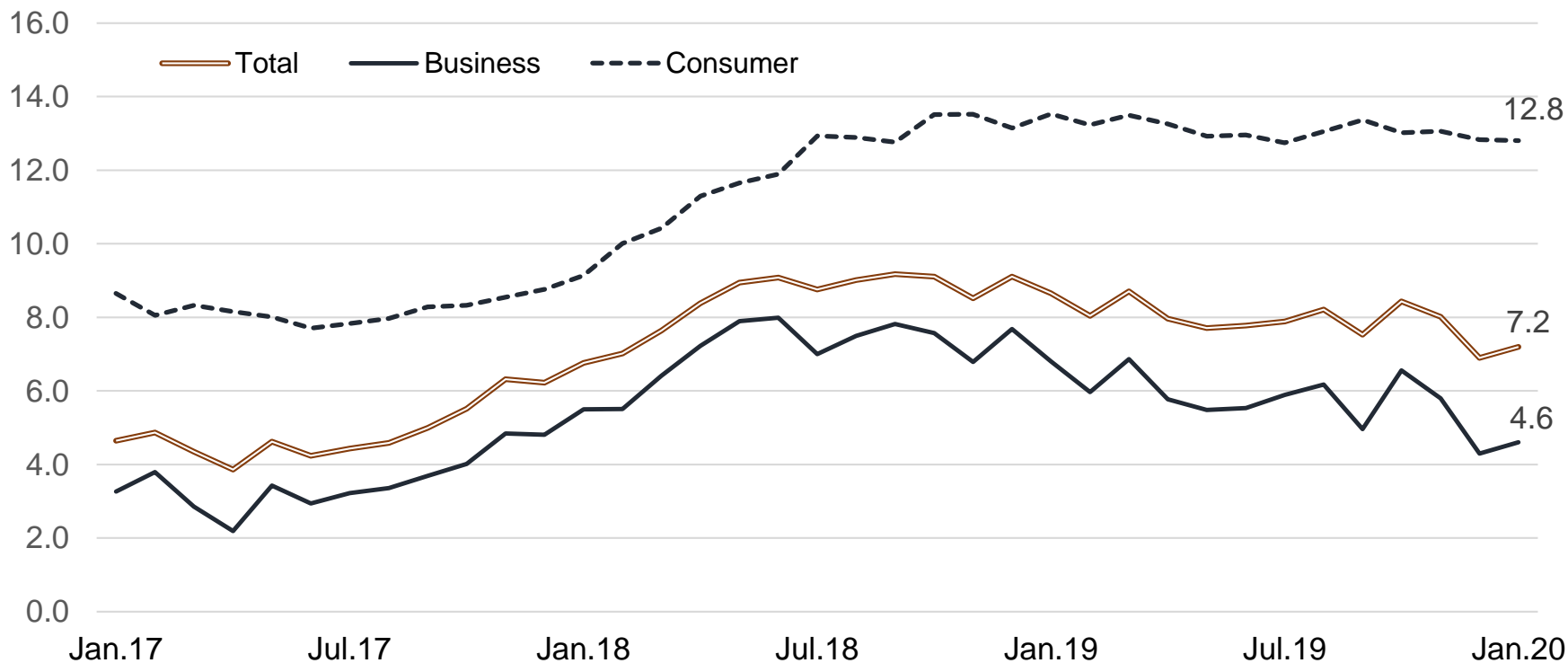


	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Feb.20	Mar.20
(I) Nominal rate	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	2.25	2.25
(II) Inflation expectations	2.91	3.00	3.05	2.89	2.73	2.66	2.48	2.30	2.19	2.32	2.23	2.05	2.03
(III) Real rate: (I)-(II)	1.34	1.25	0.95	0.86	0.77	0.59	0.77	0.70	0.56	0.18	0.02	0.20	0.22



Credit to the private sector holds at a high level.

Credit to the private sector (Annual % change)



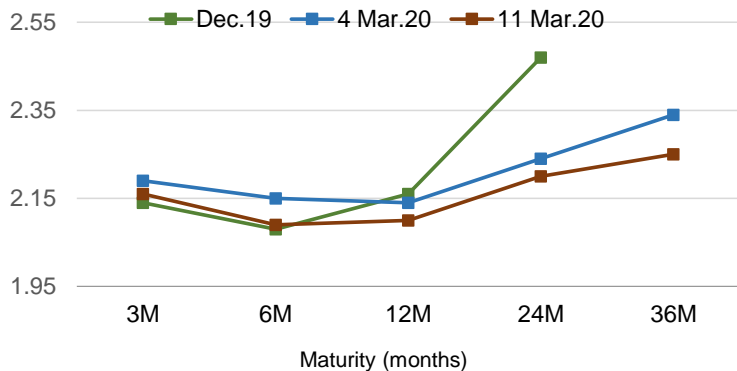


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Money market interest rates have been declining in line with expectations of an additional reduction in the reference interest rate.

Yield curve of CDBCRP

(%)



Interest rate in soles ^{1/}

(%)

	Dec.18	Jun.19	Nov.19	Dec.19	Jan.20	Feb.20	Mar.20	Chg. (b.p.) Mar.20-Jun.19
Reference CDBCRP	2.75	2.75	2.25	2.25	2.25	2.25	2.25	-50
12-months	2.92	2.63	2.20	2.16	2.15	2.18	2.10	-53
18-months	3.15	2.65	2.27	2.24	2.19	2.25	2.16	-49
Corporate prime								
Lending 3-months	4.5	4.0	3.2	3.3	3.2	3.2	3.0	-97
Deposits 3-months	4.0	3.5	2.8	2.8	2.8	2.7	2.6	-90
Lending								
Corporates	4.9	4.5	3.9	3.8	3.9	3.4	3.4	-106
Mortgage	7.6	7.7	7.1	7.0	7.0	7.0	6.9	-86
Deposits: Individuals								
1-month	2.4	2.3	1.7	1.6	1.6	1.7	1.6	-61
6 to 12-months	3.5	3.6	3.2	3.3	3.3	3.1	3.1	-50
Deposits: Businesses								
1-month	3.1	2.9	2.2	2.3	2.3	2.1	2.1	-86
2 to 3-months	3.9	3.3	2.7	2.8	2.9	2.6	2.9	-38
3 to 6-months	4.3	3.8	3.0	3.1	3.0	3.0	3.2	-66

^{1/} Annual rates for operations in the last 30 working days.

Source: SBS and BCRP.

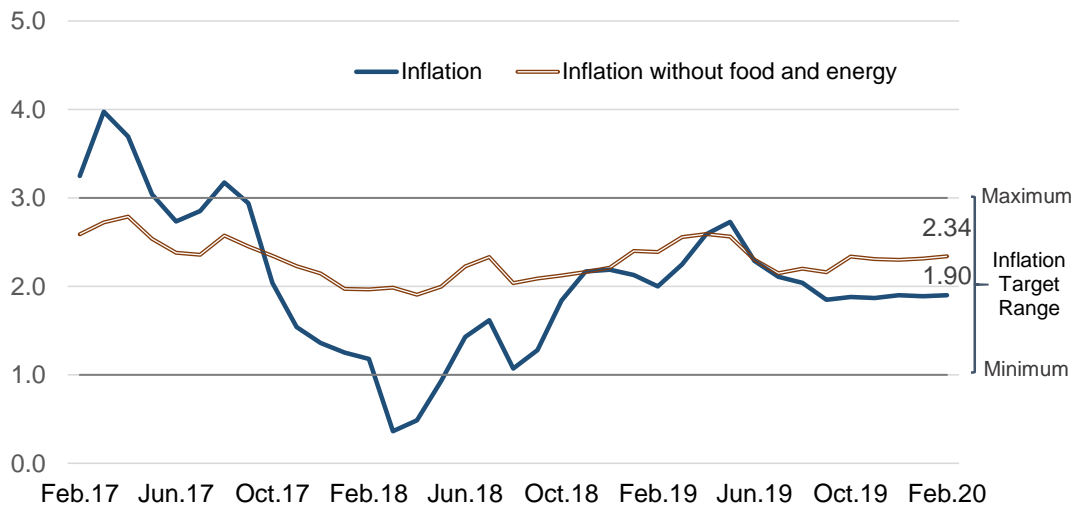


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Monthly inflation was 0.14 percent in February, consequently, year-on-year inflation remained at 1,9 percent in February 2020. With monthly inflation excluding food and energy at 0.15 percent in February, the year-on-year figure also remained at 2.3 percent.

Inflation

(Last 12 months % change)



	Annual average	Annual % change		
	2001-2019	2018	2019	Feb.20
CPI	2.59	2.19	1.90	1.90
CPI excluding food and energy	2.15	2.21	2.30	2.34

Trend indicators

Bounded mean	2.58	1.79	1.42	1.28
Percentile 63	2.53	1.82	1.47	1.29
Re-weighted	2.51	1.86	1.75	1.74

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.



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One-year ahead expected inflation as of February decreased from 2.1 to 2.0 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:			
	Dec 31, 2019	Jan 31, 2020	Feb 29, 2020	
Economic analysts 1/				
2020	2.25	2.05	2.00	↓
2021	2.50	2.25	2.20	↓
2022			2.40	
Financial entities 2/				
2020	2.20	2.00	2.00	=
2021	2.30	2.30	2.10	↓
2022			2.30	
Non-financial firms 3/				
2020	2.40	2.20	2.10	↓
2021	2.50	2.40	2.30	↓
2022			2.40	

1/ 18 analysts in December 2019, 18 in January, and 18 in February 2020.

2/ 15 financial entities in December 2019, 19 in January, and 15 in February 2020.

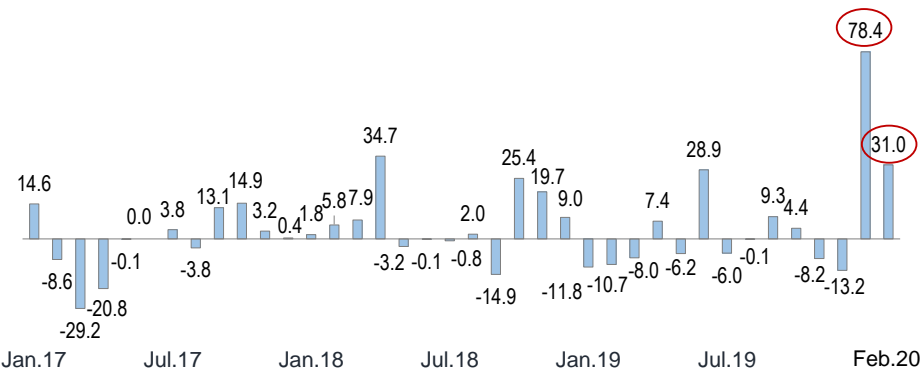
3/ 344 non-financial firms in December 2019, 356 in January, and 344 in February 2020.



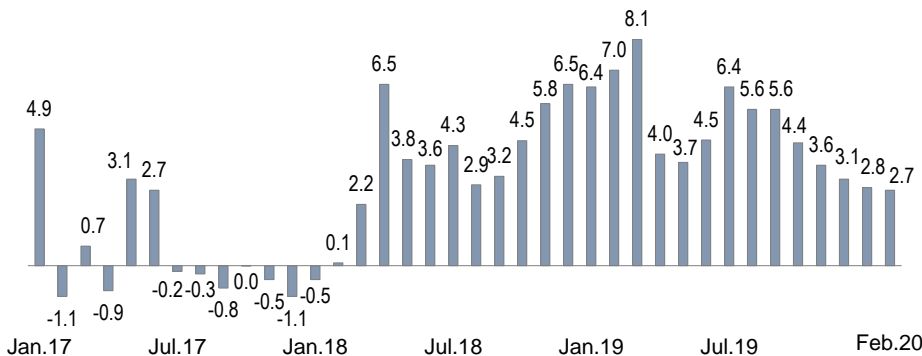
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In the first two months of the year public investment rose and economic activity indicators show a modest recovery.

Public investment
(Real % change)

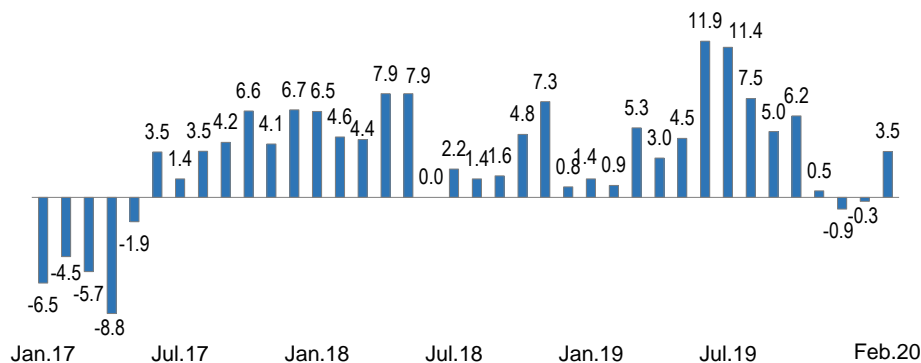


Electricity *
(% change respect to the same period of the previous year)

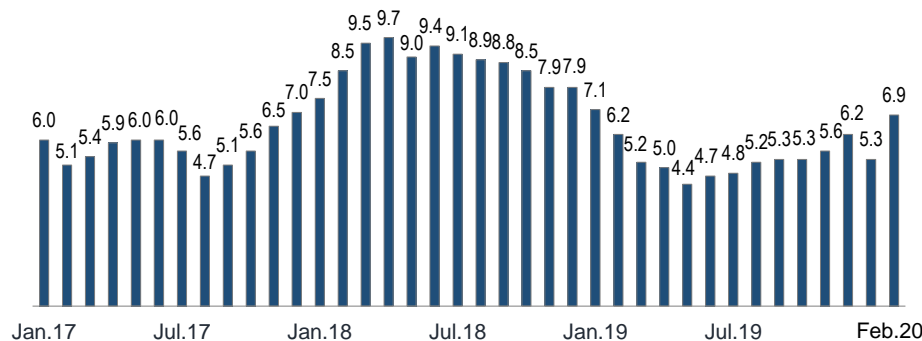


* No mining and the effect of the leap year.

Domestic consumption of cement *
(% 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)



* Estimated data of February 2020.



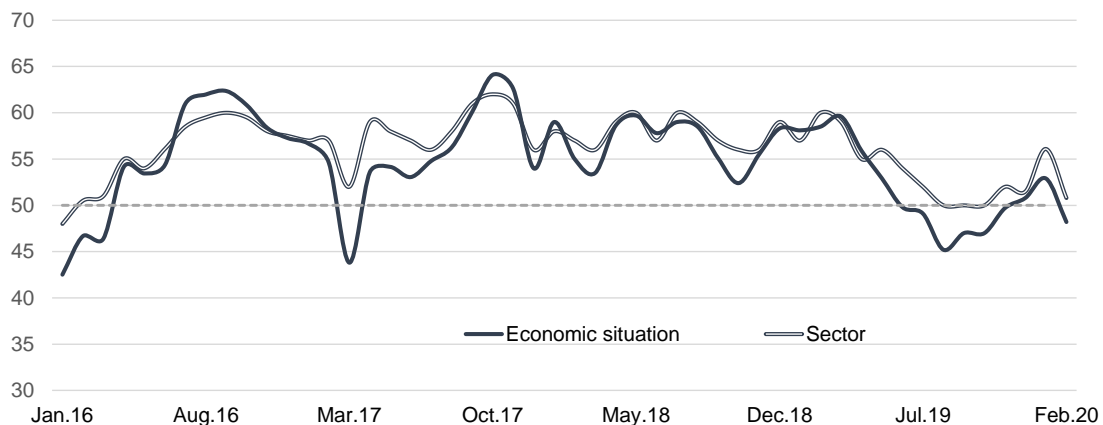
However, business expectations deteriorated in February.

Macroeconomic Expectations: Survey Results ^{1/}

		Dec.2019	Jan.2020			Feb.2020		
EXPECTATION:								
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	52.9	↑	>	48.2	↓	<
	IN 12 MONTHS	61.5	61.3	↓	>	56.8	↓	>
SECTOR:	IN 3 MONTHS	51.5	55.8	↑	>	50.8	↓	>
	IN 12 MONTHS	61.5	62.7	↑	>	59.0	↓	>
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	58.1	↑	>	54.9	↓	>
	IN 12 MONTHS	66.6	67.6	↑	>	65.6	↓	>
ABOUT DEMAND:	IN 3 MONTHS	55.1	57.7	↑	>	55.5	↓	>
	IN 12 MONTHS	68.0	70.0	↑	>	67.1	↓	>
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	49.1	↑	<	48.5	↓	<
	IN 12 MONTHS	54.0	54.6	↑	>	53.3	↓	>
COMPANY'S INVESTMENT:	IN 3 MONTHS	51.3	53.4	↑	>	50.6	↓	>
	IN 12 MONTHS	59.3	59.0	↓	>	56.0	↓	>

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

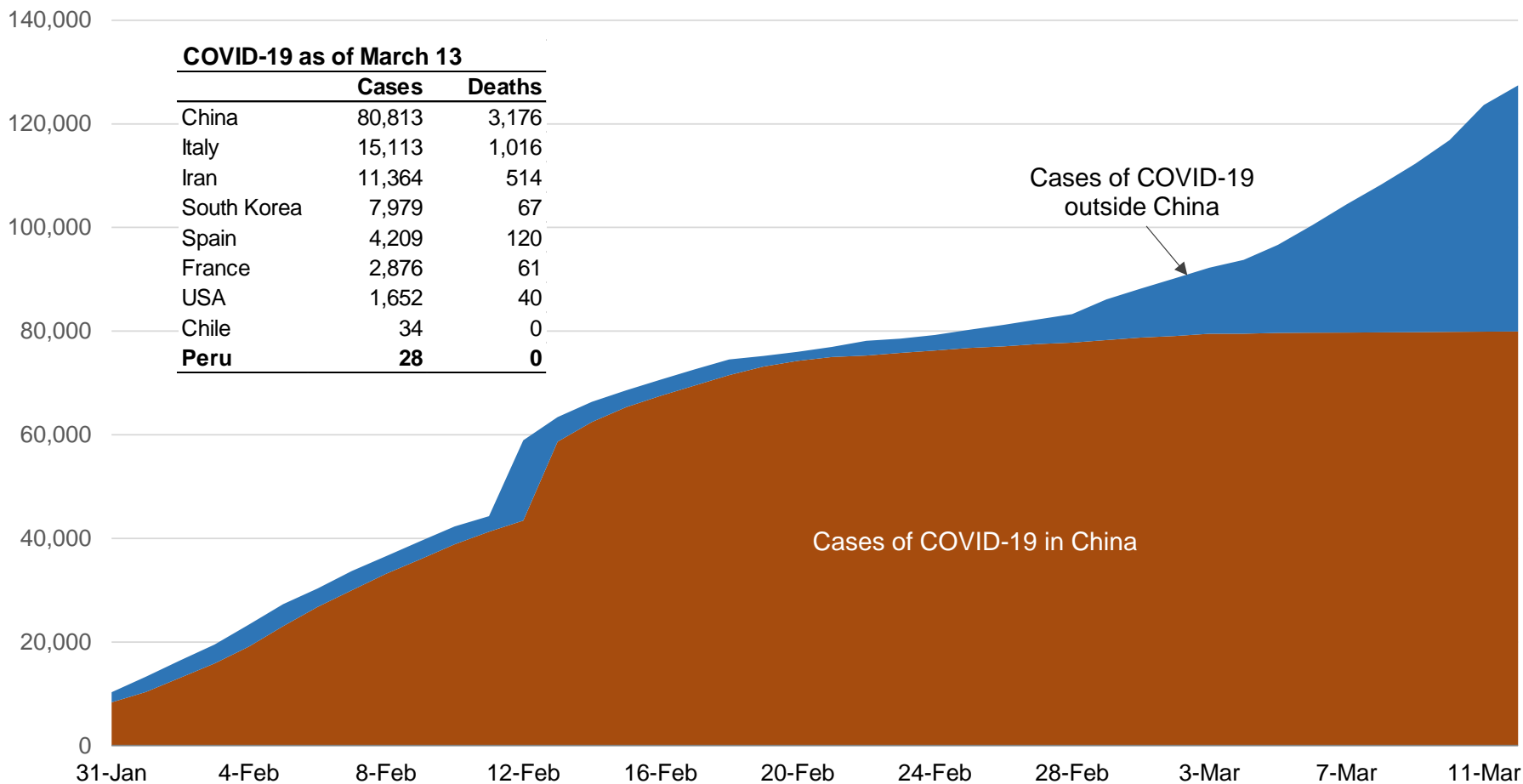
Expectations about the economic situation and sector in 3 months





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The risks regarding global and local economic activity have been accentuated by the impact of COVID-19...

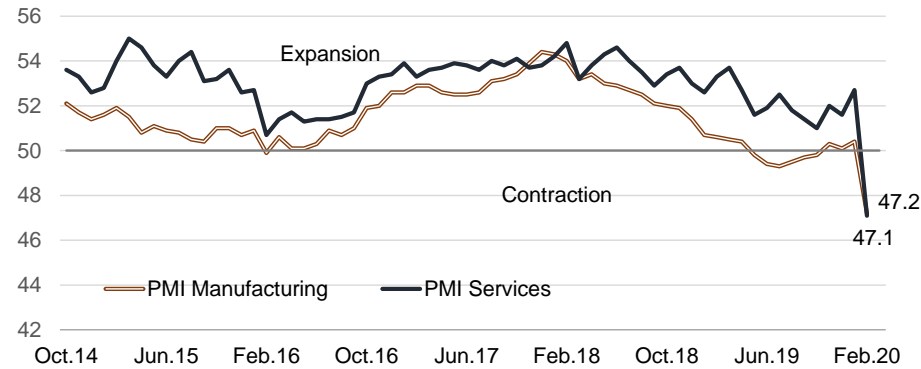




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....Volatility in international financial markets has increased significantly.

PMI global manufacturing and services (JP Morgan)



Exchange rate (S/ per US\$)



WTI Oil price (US\$/barrel)



Copper price (cUS\$/pound)



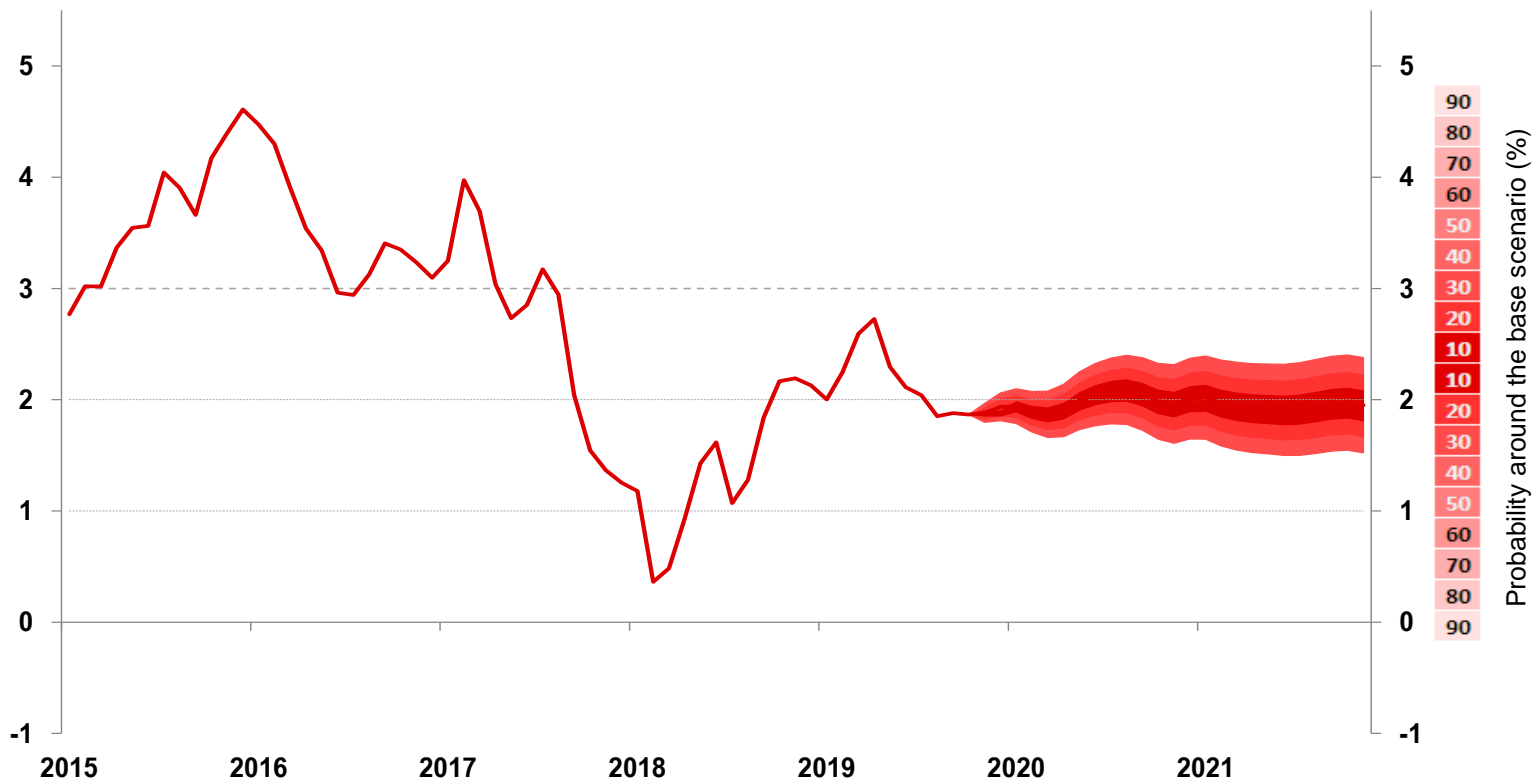
Memo: Exchange rate and commodities as of March 12.



Year-on-year inflation is expected to be around 2.0 percent over the forecast horizon, with a downside bias due to a lower increase in domestic demand. The BCRP Board pays close attention to new information on inflation and its determinants to expand the monetary stimulus when appropriate.

Inflation forecast

(Last 12-month % change)





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