



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

November 2020

November 13, 2020

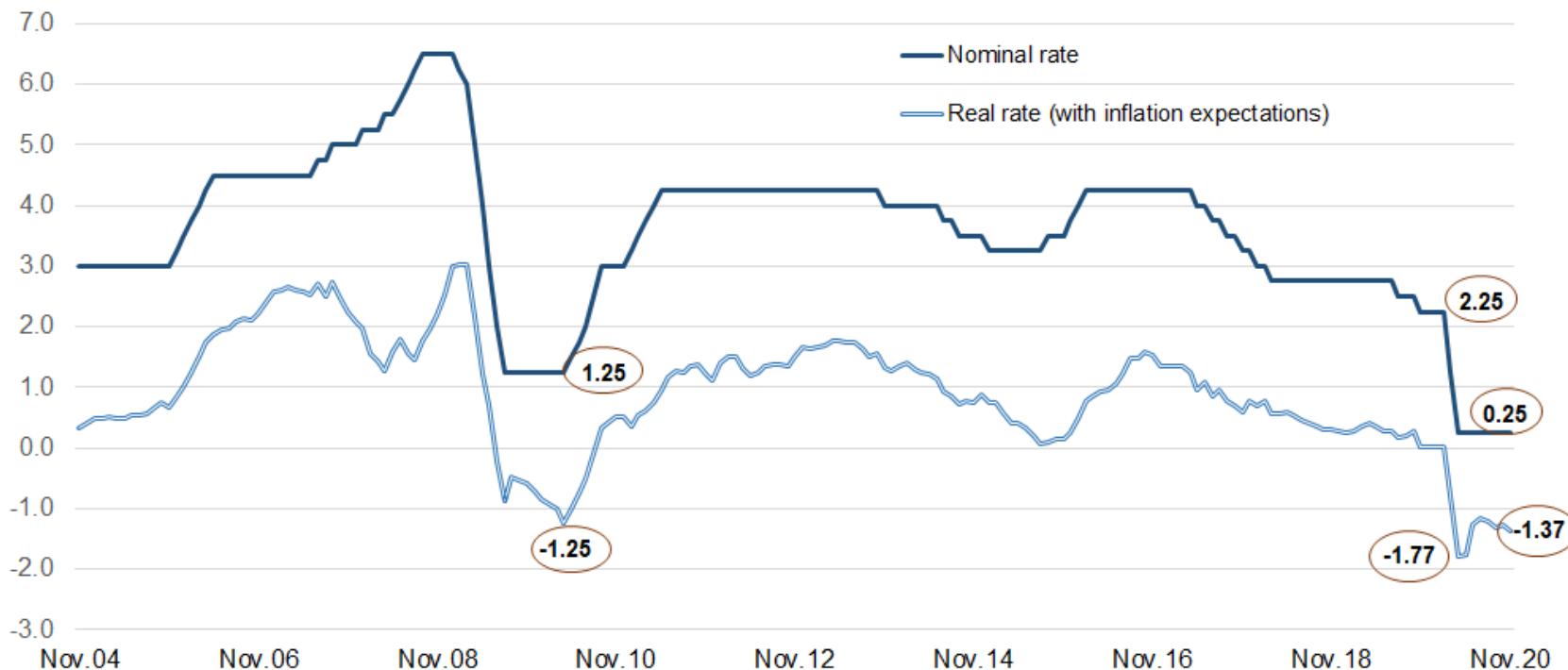


CENTRAL RESERVE BANK OF PERU

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

(%)

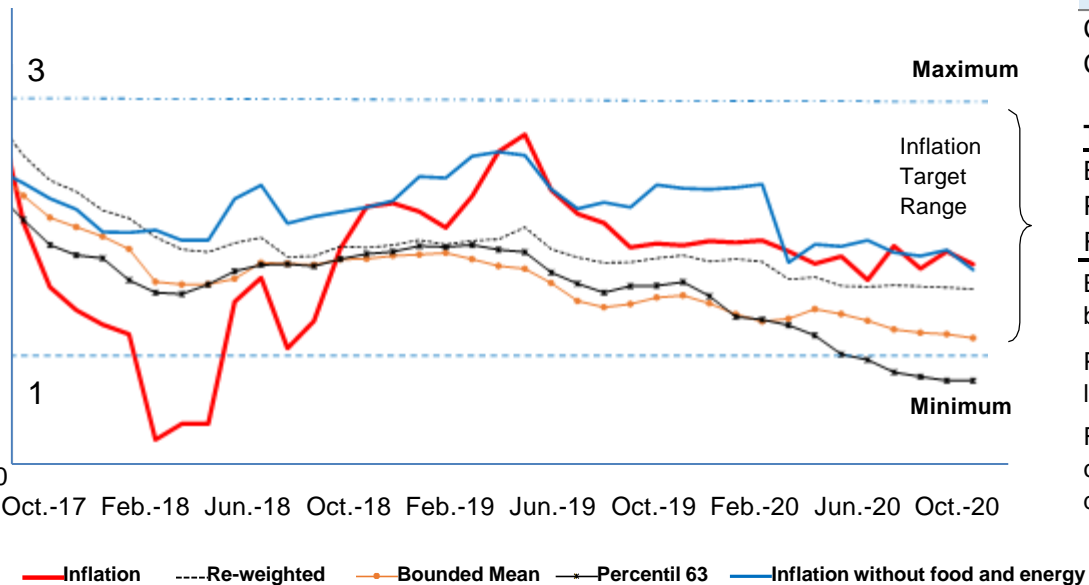


	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Feb.20	Mar.20	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	
(I) Nominal rate	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	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	
(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	



Trend inflation remains in the lower part of the target range.

INFLATION (Last 12 months % change)



	Annual average	Annual % change	
	2001-2019	Sep.20	Oct.20
CPI	2.59	1.82	1.72
CPI excluding food and energy	2.15	1.83	1.68

Trend indicators

Bounded mean	2.58	1.18	1.15
Percentile 63	2.53	0.82	0.82
Re-weighted	2.51	1.54	1.53

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

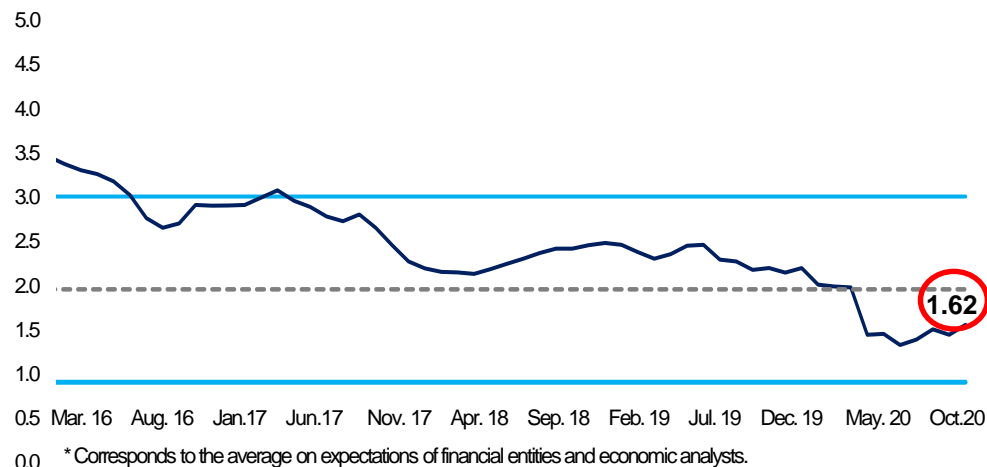
Percentile 63: Corresponds to the percentage changes of the item located in the 63th percentile.

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 in 2020 and 2021 is expected to be around the lower limit of the target range due to a significant weakening of domestic demand. One-year ahead expected inflation was 1.6 percent in October.

1-Year ahead Inflation expectations*
(%)



Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:			
	Aug 31.	Sep 30.	Oct 31.	
Economic analysts ¹				
2020	1.40	1.20	1.50	↑
2021	2.00	1.75	2.00	↑
2022	2.00	2.00	2.10	↑
Financial entities ²				
2020	0.90	1.00	1.15	↑
2021	1.55	1.50	1.35	↓
2022	2.00	2.00	1.95	↓
Non-financial firms ³				
2020	2.00	2.00	2.00	=
2021	2.00	2.00	2.00	=
2022	2.20	2.05	2.07	↑

¹ 17 analysts in August, 21 in September and 19 in October 2020.

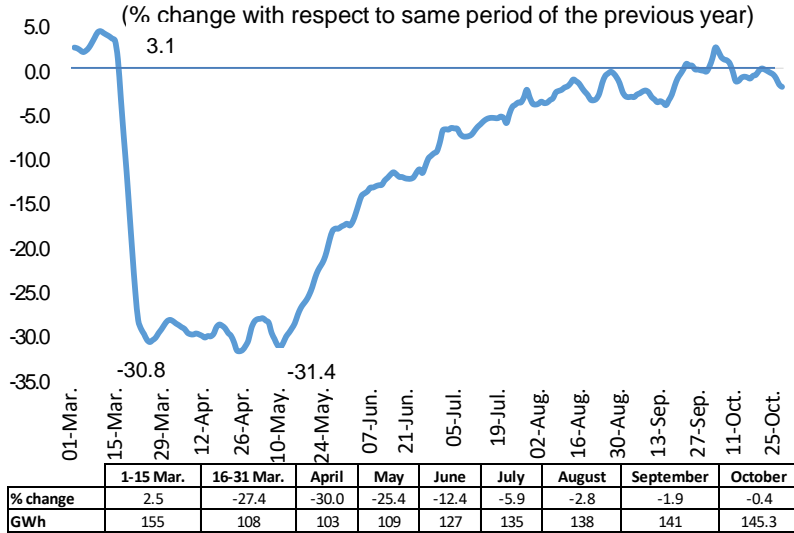
² 19 financial entities in August, 16 in September and 14 in October 2020.

³ 294 non financial firms in August, 316 in September and 319 in October 2020.



Leading indicators continued to show a significant recovery as of October, although they remain below last year's levels

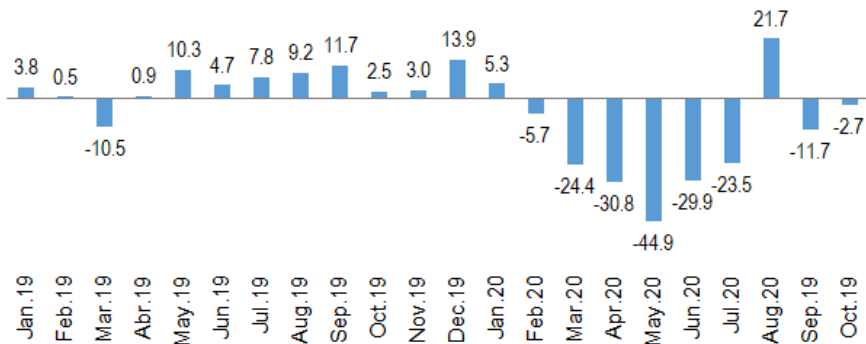
Daily Electricity Production



Source: COES.

Imports of capital goods

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

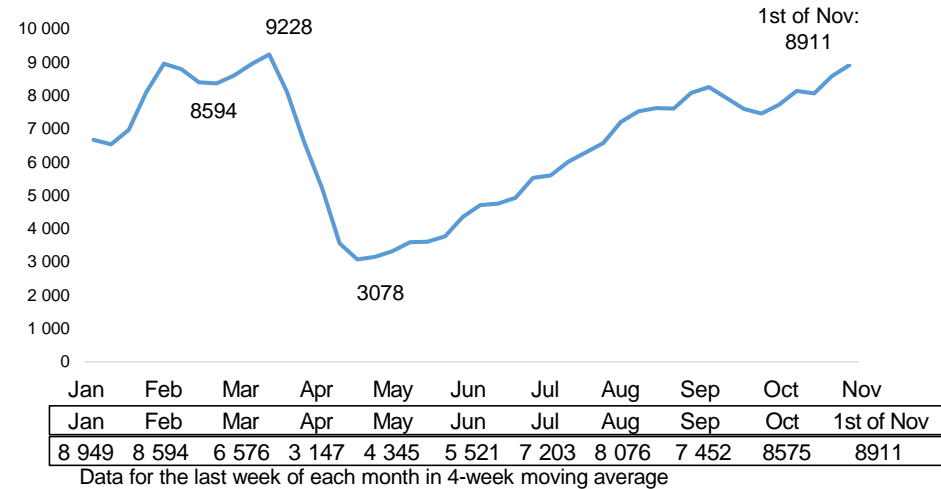


* Preliminary Data for October 2020.

Source: SUNAT.

Number of New Affiliates

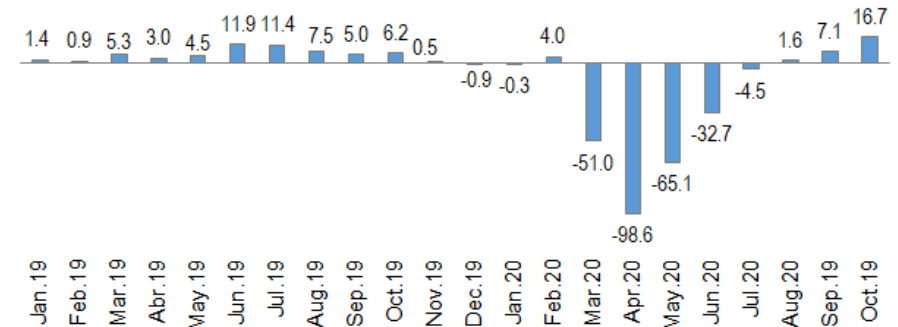
(4 week moving average)



Source: SBS.

Domestic consumption of cement

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



* Data for October 2020 is estimated.

Source: Cement enterprises.



Firms' growth expectations continued to recover in October.

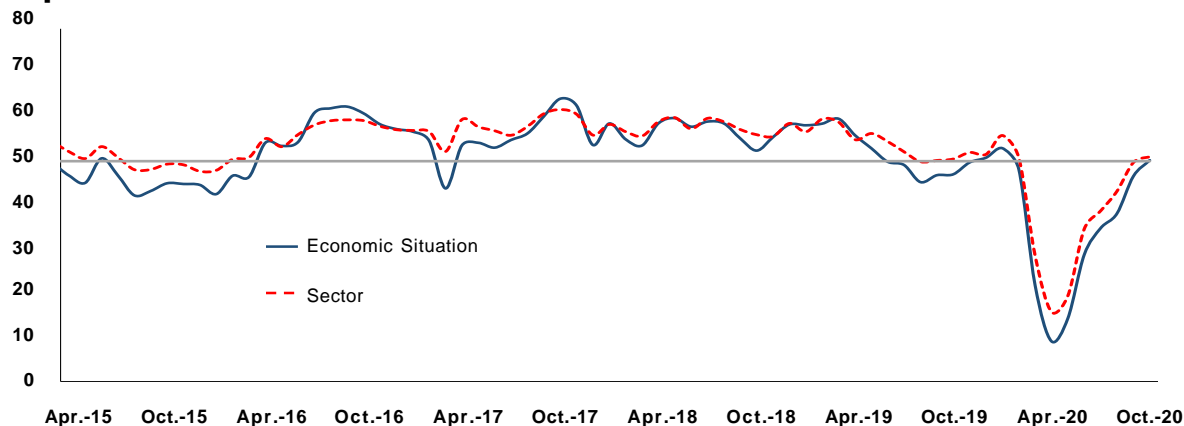
Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Aug.2020	Sep.2020			Oct.2020			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	38.1	46.6	↑	<	50.2	↑	>	0.63
	IN 12 MONTHS	61.5	41.5	58.0	66.2	↑	>	68.5	↑	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	43.2	49.7	↑	<	51.0	↑	>	0.67
	IN 12 MONTHS	61.5	43.4	60.2	66.8	↑	>	67.4	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	45.9	51.6	↑	>	52.3	↑	>	0.66
	IN 12 MONTHS	66.6	46.4	63.6	67.1	↑	>	68.9	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	47.6	51.3	↑	>	52.3	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	63.5	67.4	↑	>	69.4	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	40.6	43.1	↑	<	44.8	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	49.0	54.4	↑	>	55.0	↑	>	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.

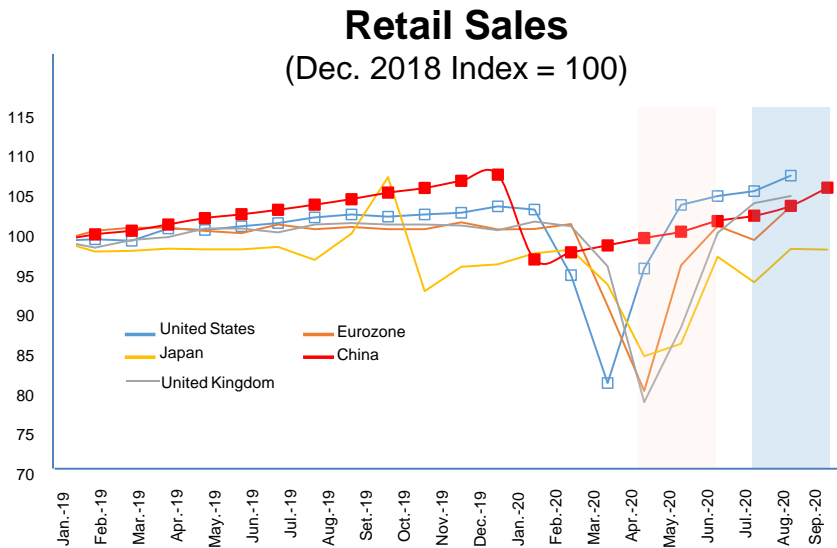
Expectations about the economic situation and sector in 3 months



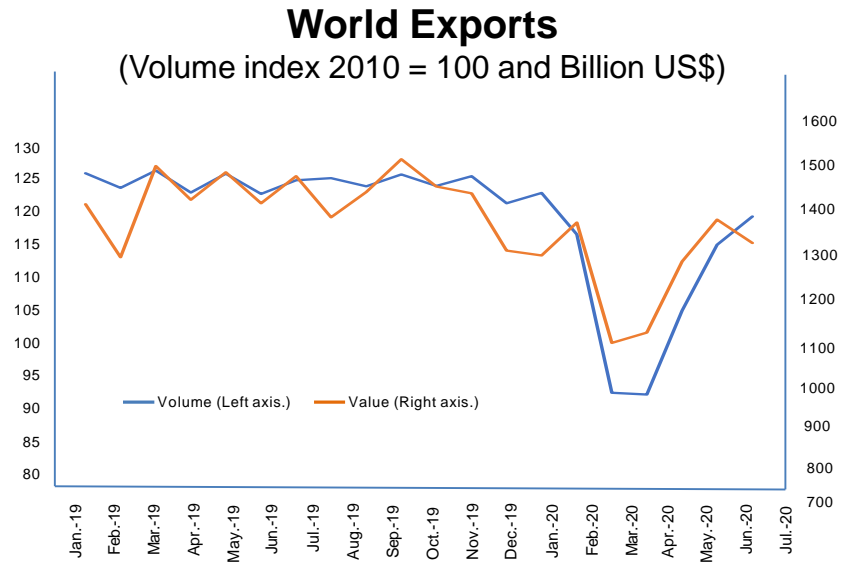
Source: BCRP



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



Source: Investing and Trading Economics



Source: OMC and World Trade Center



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Peruvian Sol remained one of the most stable currencies.

Exchange Rate (end of period)

		Dec.18	Dec.19	Oct.20	Nov 06, 20	Nov 12, 20	Nov 13, 20	Accumulated change (%)*				
								Today	Week	Month	Dec.19	Dec.18
Dollar Index	Spot	96.17	96.39	94.04	92.23	92.95	92.95	0.0	0.8	-1.2	-3.6	-3.3
Eurozone	US\$ per Euro	1.144	1.121	1.165	1.187	1.180	1.182	0.2	-0.4	1.5	5.5	3.4
United Kingdom	US\$ per Pound	1.281	1.326	1.294	1.316	1.311	1.316	0.3	0.0	1.7	-0.8	2.7
Japan	Yen	109.93	108.61	104.64	103.33	105.12	104.64	-0.5	1.3	0.0	-3.7	-4.8
Brazil	Real	3.880	4.019	5.745	5.365	5.458	5.520	1.1	2.9	-3.9	37.3	42.2
Colombia	Peso	3245	3285	3869	3721	3642	3636	-0.2	-2.3	-6.0	10.7	12.0
Chile	Peso	693	752	773	751	761	767	0.9	2.2	-0.7	2.1	10.8
Mexico	Peso	19.65	18.93	21.17	20.54	20.63	20.50	-0.7	-0.2	-3.2	8.3	4.3
Argentina	Peso	37.65	59.86	78.32	79.03	79.50	79.73	0.3	0.9	1.8	33.2	111.8
Peru	Sol	3.369	3.314	3.616	3.594	3.641	3.649	0.2	1.5	0.9	10.1	8.3
South Africa	Rand	14.38	13.99	16.24	15.58	15.64	15.60	-0.3	0.1	-4.0	11.5	8.5
Indian	Rupee	69.77	71.35	74.55	73.97	74.68	74.59	-0.1	0.8	0.1	4.5	6.9
Turkey	Lira	5.290	5.948	8.345	8.520	7.687	7.663	-0.3	-10.1	-8.2	28.8	44.9
Russia	Ruble	69.68	61.92	79.35	77.22	77.09	77.59	0.7	0.5	-2.2	25.3	11.4
China	Yuan (onshore)	6.876	6.962	6.692	6.608	6.611	6.604	-0.1	-0.1	-1.3	-5.1	-4.0
South Korea	Won	1114	1154	1136	1121	1115	1109	-0.5	-1.1	-2.4	-3.9	-0.4
Indonesia	Rupiah	14375	13880	14620	14190	14140	14150	0.1	-0.3	-3.2	1.9	-1.6
Thailand	Baht	32.33	29.76	31.14	30.62	30.22	30.17	-0.2	-1.5	-3.1	1.4	-6.7
Malaysia	Ringgitt	4.130	4.089	4.151	4.126	4.128	4.120	-0.2	-0.1	-0.7	0.8	-0.2
Philippines	Peso	52.49	50.65	48.53	48.17	48.46	48.17	-0.6	0.0	-0.7	-4.9	-8.2

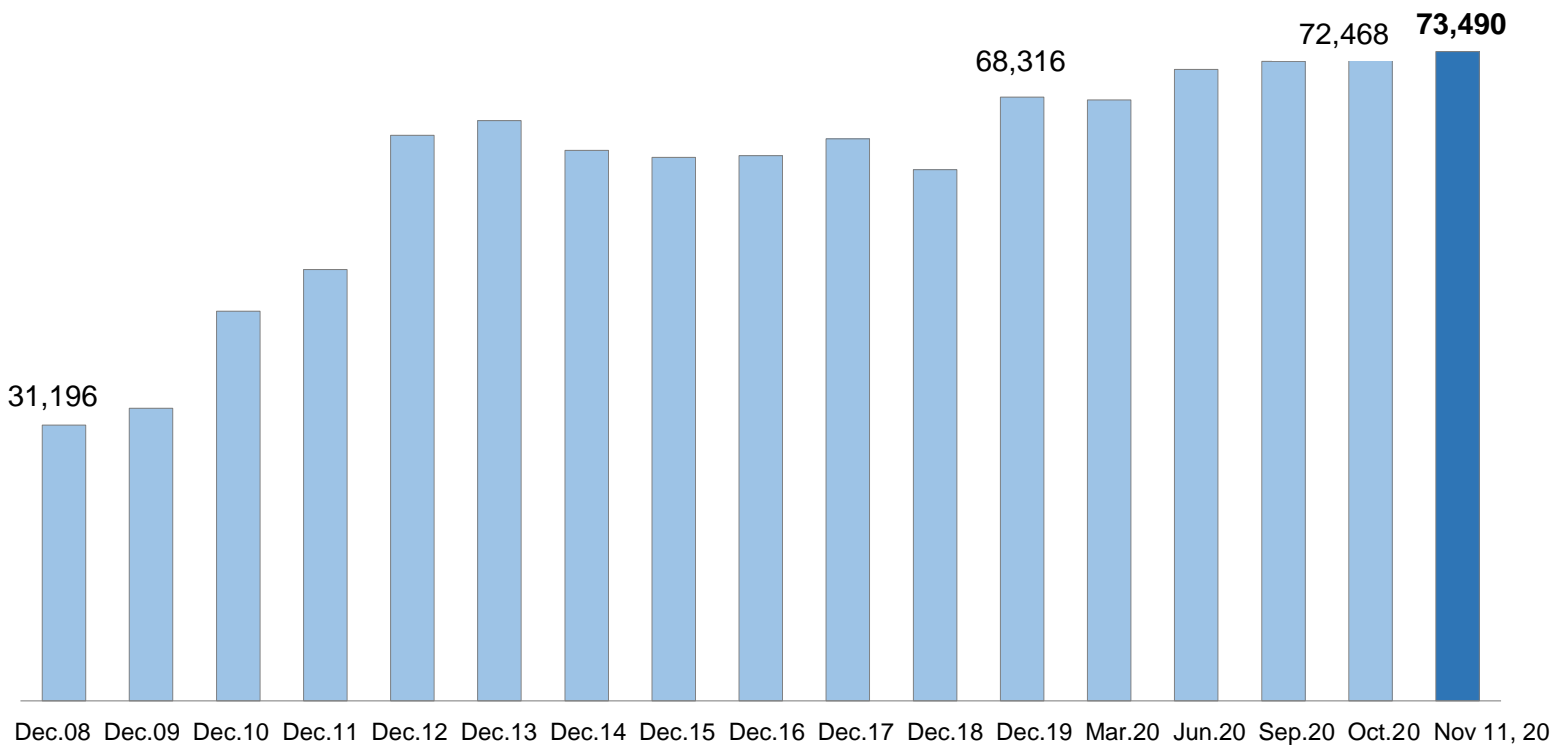
* An increase in the index implies an appreciation of the dollar, except in the euro and the pound.

Source: Reuters



As of November 11, 2020, the level of International Reserves rose to US\$ 73.5 billion, US\$ 5.2 billion higher than that registered by the end of December 2019 and one of the highest in the region.

Net International Reserves (Million US\$)

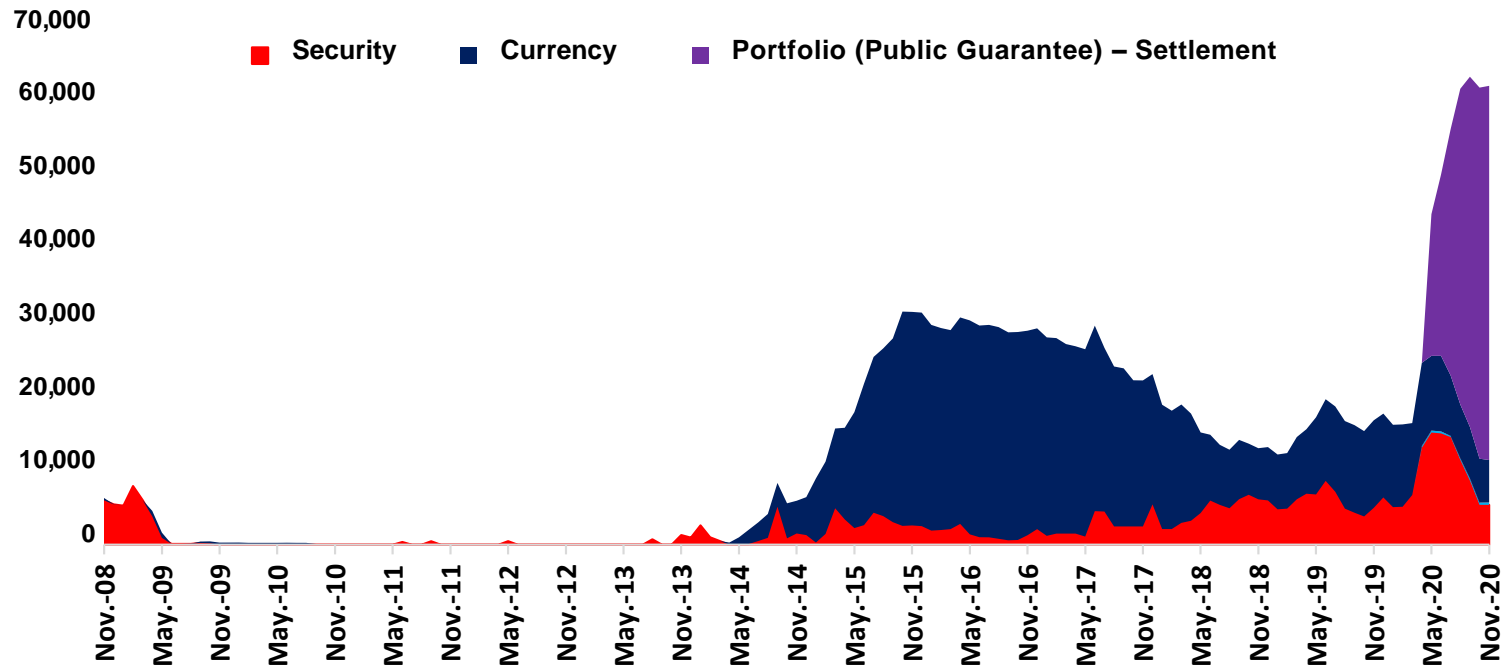




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The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of November 11, the BCRP's liquidity injection operations totaled S/ 61.7 billion, of which S/ 50.2 billion were associated with government-backed repos.

Balance of BCRP Repo operations* (Million S/)

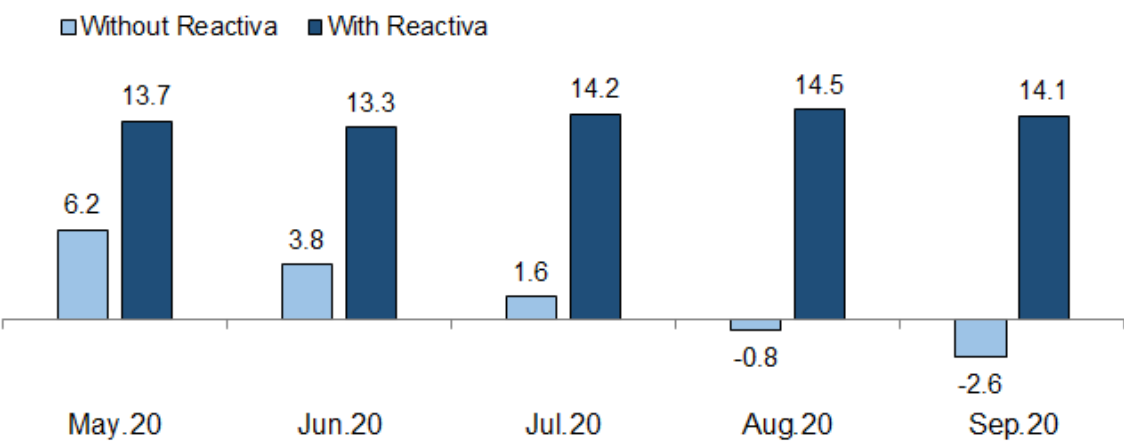


* As of November 11.

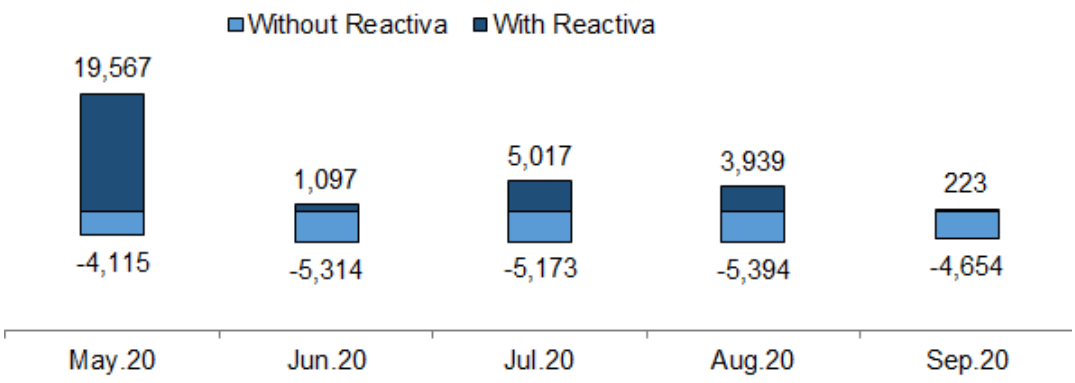


In this context, credit to the private sector grew 14.1 percent year-on-year in September.

Growth of credit to the private sector (Annual % change)



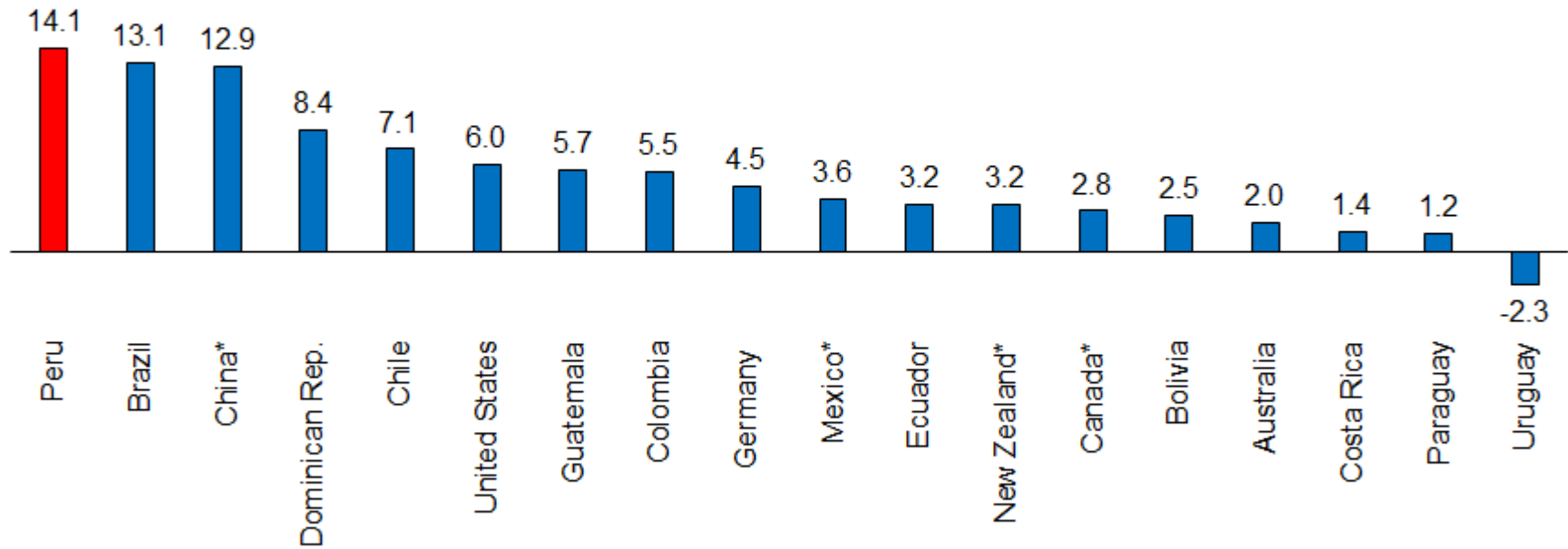
Monthly flow of credit to the private sector (Million S/)





Credit to the private sector has been growing countercyclical and is one of the fastest growing worldwide.

Credit to the private sector: September 2020 (Annual % change)

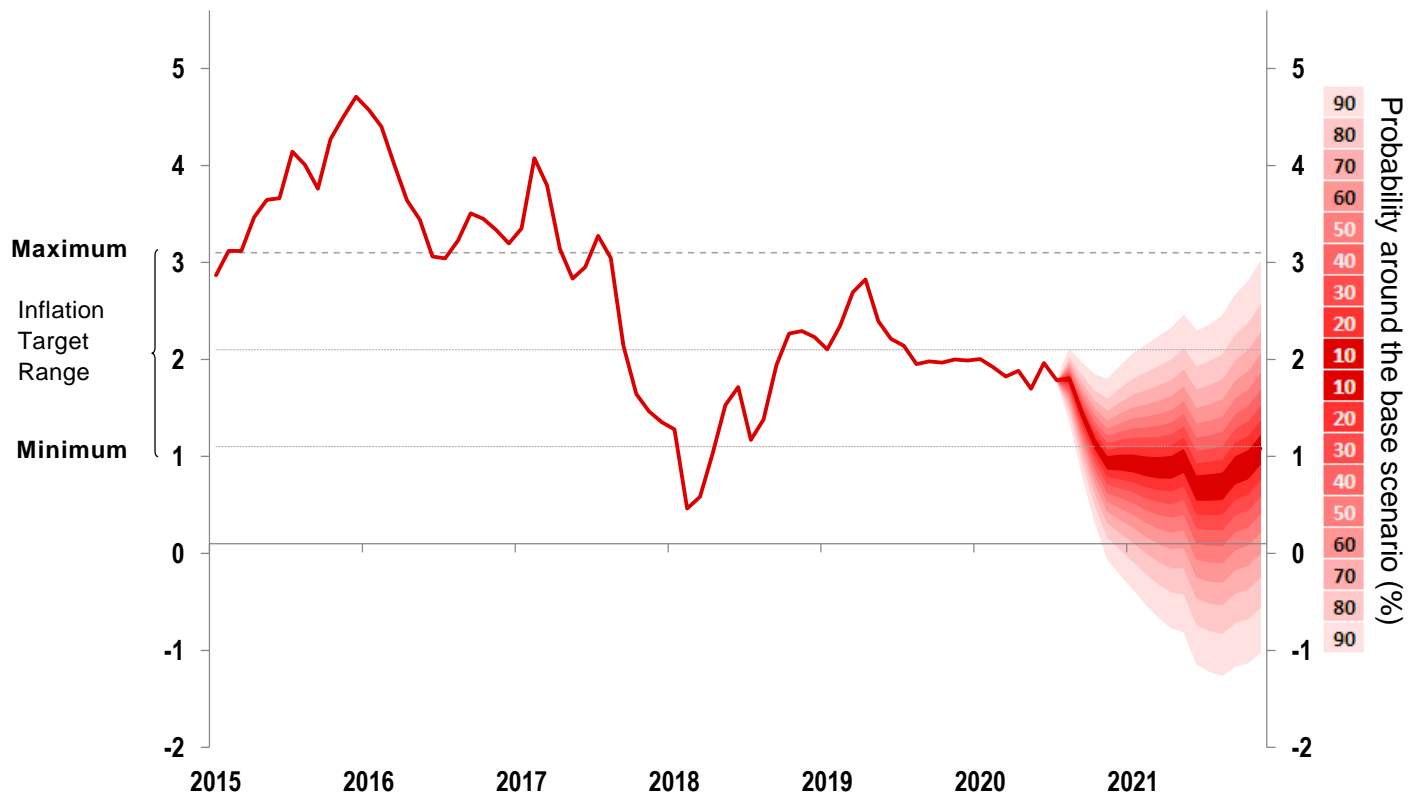


* As of August 2020.
Source: Central banks.



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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