



**CENTRAL RESERVE BANK OF PERU**

# **Monetary Policy Statement October 2020**

**October 9, 2020**

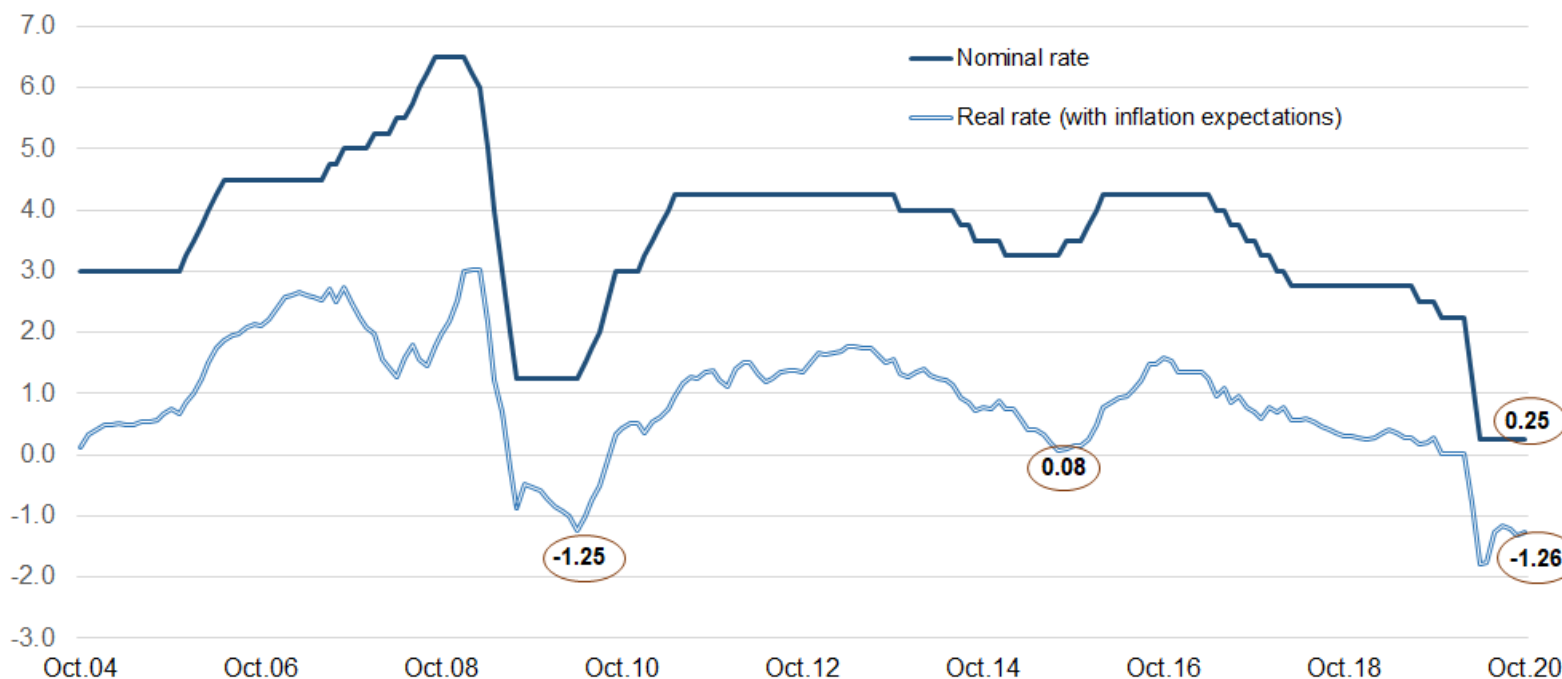


# CENTRAL RESERVE BANK OF PERU

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

(%)



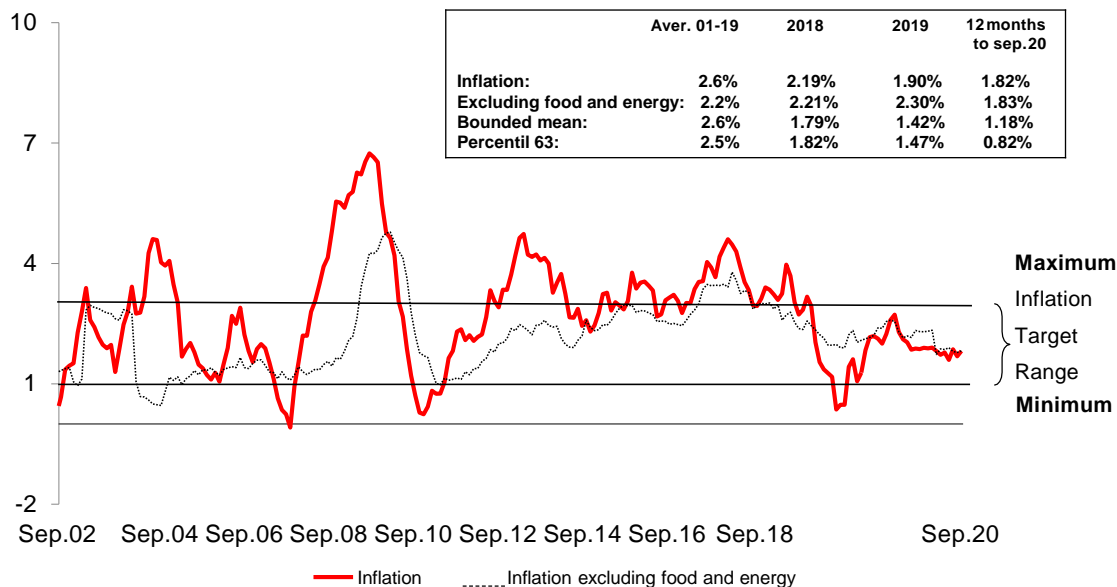
	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Mar.20	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	
(I) Nominal rate	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	2.91	3.00	3.05	2.89	2.73	2.66	2.48	2.30	2.19	2.32	2.23	2.03	2.02	1.51	1.52	1.40	1.46	1.57	1.51	
(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	-0.78	-1.77	-1.26	-1.27	-1.15	-1.21	-1.32	-1.26	



# CENTRAL RESERVE BANK OF PERU

**Inflation in Metropolitan Lima was 0.14 percent in September, with which year-on-year inflation increased from 1.7 percent in August to 1.8 percent in September.**

## INFLATION (Last 12 months % change)

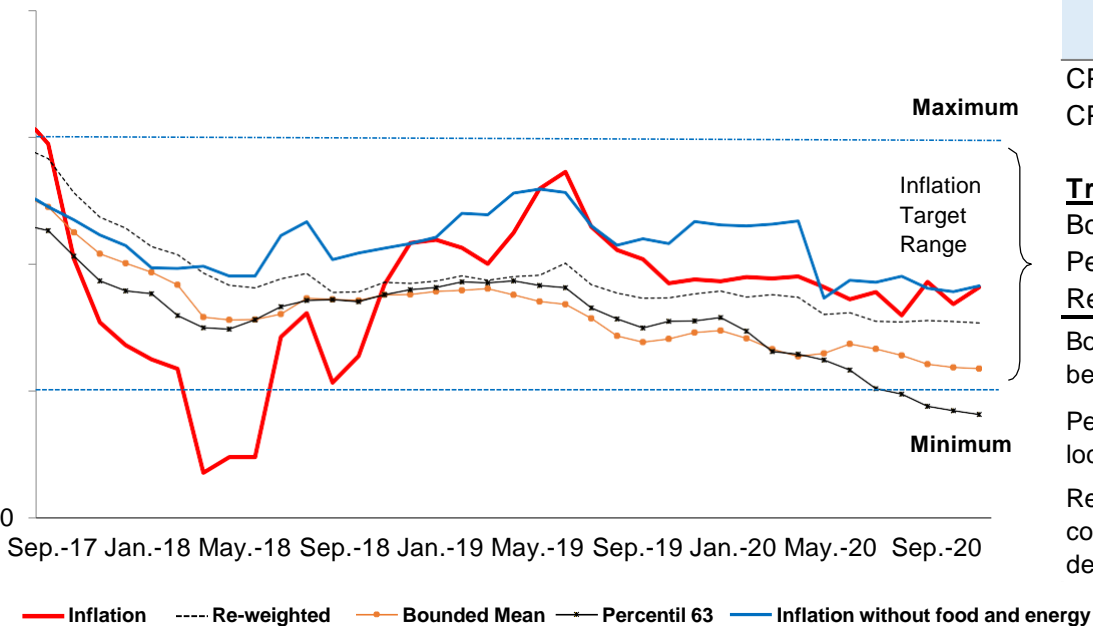


	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
<b>Total Inflation</b>														
Monthly	0.06	0.01	0.11	0.11	0.21	0.05	0.14	0.65	0.10	0.20	-0.27	0.46	-0.11	0.14
12 months	2.04	1.85	1.88	1.87	1.90	1.89	1.90	1.82	1.72	1.78	1.60	1.86	1.69	1.82
<b>Inflation excluding food and energy</b>														
Monthly	0.14	0.01	0.23	0.04	0.34	0.07	0.15	0.42	0.18	0.13	0.07	0.03	0.11	0.05
12 months	2.20	2.16	2.34	2.31	2.30	2.31	2.34	1.73	1.87	1.86	1.91	1.81	1.79	1.83
<b>Food and energy prices</b>														
Monthly	-0.03	0.01	-0.03	0.19	0.07	0.04	0.13	0.91	0.01	0.30	-0.66	0.98	-0.37	0.24
12 months	1.85	1.49	1.35	1.35	1.43	1.39	1.39	1.93	1.55	1.69	1.24	1.92	1.57	1.81



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

## INFLATION (Last 12 months % change)



	Annual average	Annual % change	
	2001-2019	Aug.20	Sep.20
CPI	2.59	1.69	1.82
CPI excluding food and energy	2.15	1.79	1.83
<b>Trend indicators</b>			
Bounded mean	2.58	1.19	1.18
Percentile 63	2.53	0.85	0.82
Re-weighted	2.51	1.55	1.54

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

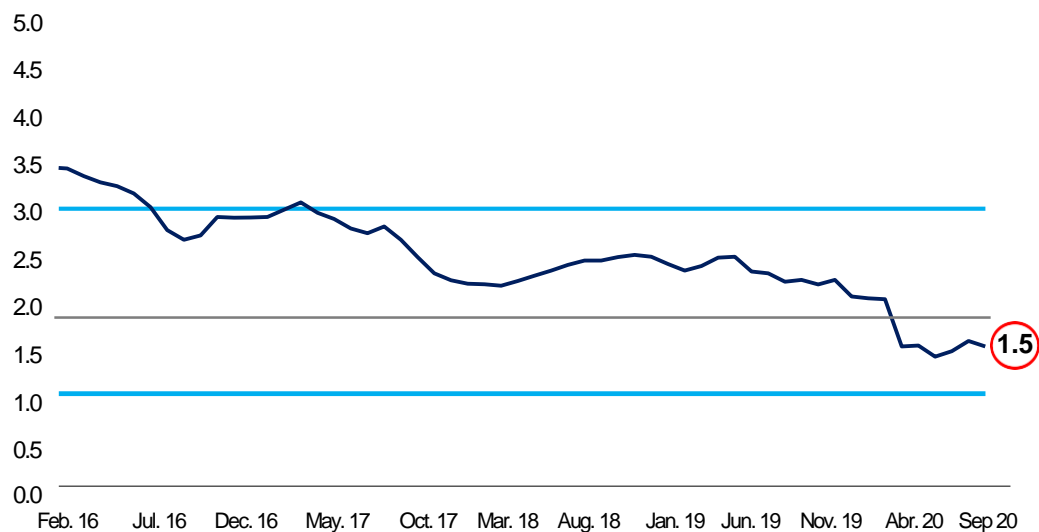
Percentile 63: Corresponds to the percentage changes of the item located in the 63th percentile.

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 1.5 percent in September.

## 1-Year ahead Inflation expectations\* (%)



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

## Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:			
	Jul 31.	Aug 31.	Sep 30.	
<b>Economic analysts<sup>1</sup></b>				
2020	1.10	1.40	1.20	↓
2021	2.00	2.00	1.80	↓
2022	2.25	2.25	2.00	↓
<b>Financial entities<sup>2</sup></b>				
2020	1.00	0.90	1.00	↑
2021	1.50	1.55	1.50	↓
2022	2.00	2.00	2.00	=
<b>Non-financial firms<sup>3</sup></b>				
2020	2.00	2.00	2.00	=
2021	2.00	2.00	2.00	=
2022	2.22	2.20	2.05	↓

<sup>1</sup> 115 analysts in July, 17 in August and 21 in September 2020.

<sup>2</sup> 16 financial entities in July, 14 in August and 16 in September 2020.

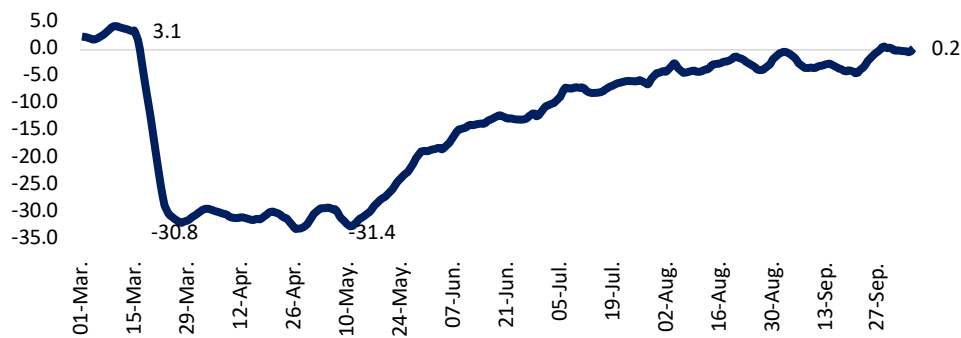
<sup>3</sup> 260 non-financial firms in July, 311 in August and 316 in September 2020.



## Leading indicators point to a significant recovery in the third quarter ...

### Daily Electricity Production

(Annual % change of the moving average 7 with respect to the moving average of the same day of 2019)

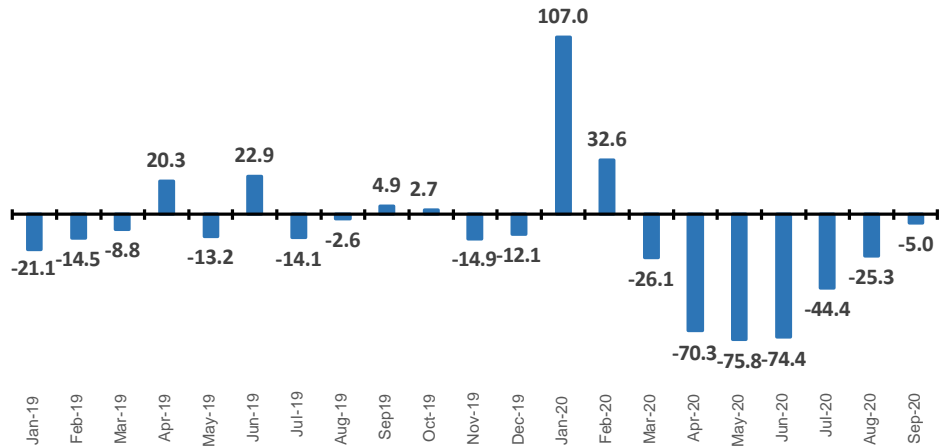


	1-15 Mar.	16-31 Mar.	April	May	June	July	August	September
% change	2.5	-27.4	-30.0	-25.4	-12.4	-5.9	-2.8	-1.9
GWh	155	108	103	109	127	135	138	141

Source: COES

### Investment of the General Government

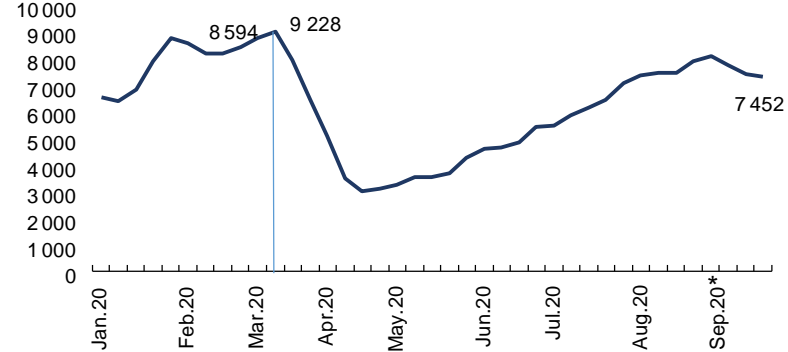
(% change with respect to same period of the previous year)



Source: MEF

### Number of New Affiliates

(4 week moving average)



Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
8 949	8 594	6 576	3 147	4 345	5 521	7 203	8 076	7 452

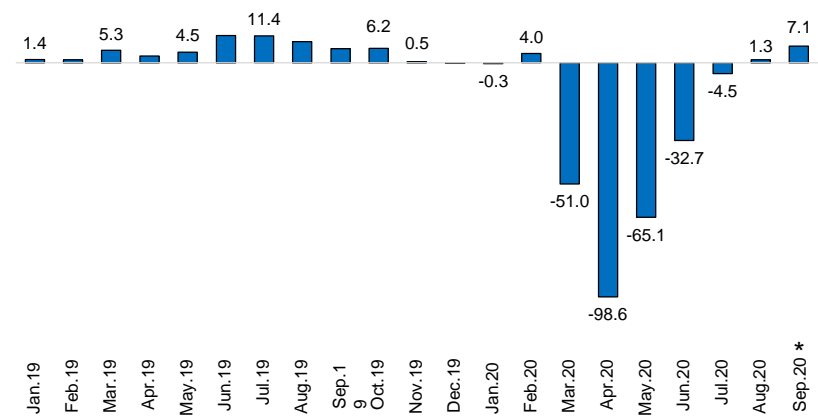
Data for the last week of each month in 4-week moving average.

\* Data for September 2020 is at the fourth week.

Source: SBS

### Domestic consumption of cement

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



\* Data for September 2020 is estimated

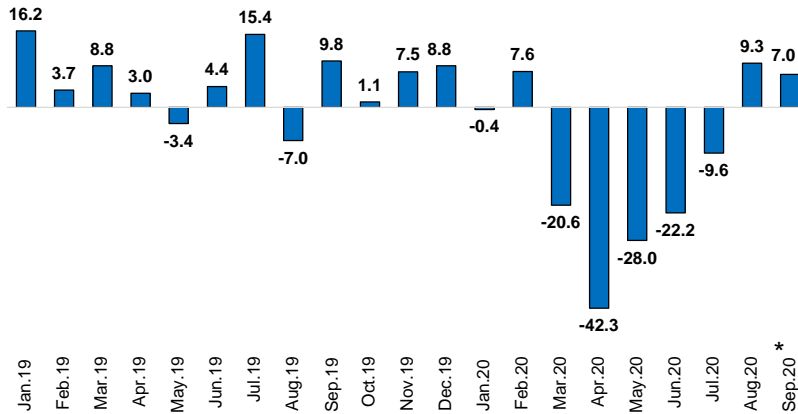
Source: Cement companies



... although they remain below last year's levels.

### Non traditional exports

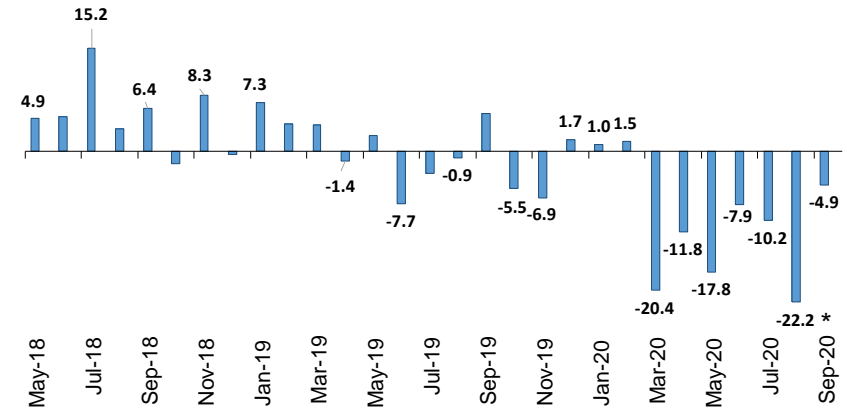
(% change respect to the same period of the previous year)



\* Data for September 2020 is estimated.  
Source: Sunat

### Imports of raw materials and intermediate goods

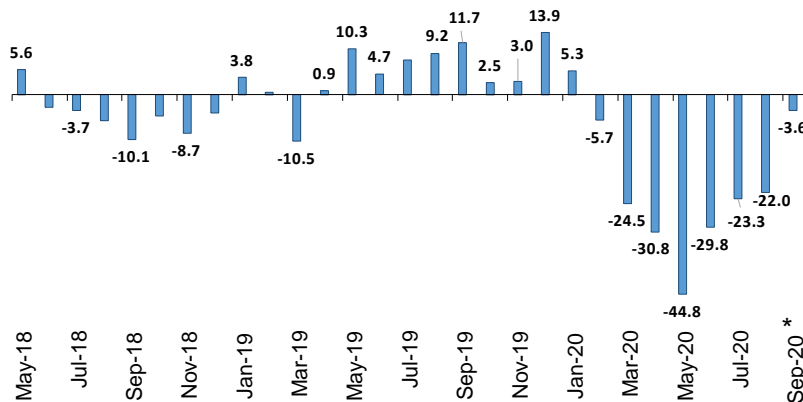
(% change respect to the same period of the previous year)



\* Data for September 2020 is estimated.  
Source: Sunat

### Imports of capital goods

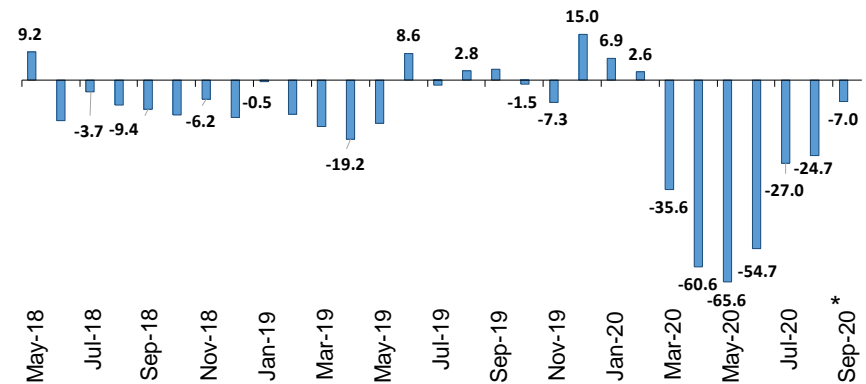
(% change respect to the same period of the previous year)



\* Data for September 2020 is estimated.  
Source: Sunat

### Imports of consumer goods

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



\* Data for September 2020 is estimated.  
Source: Sunat



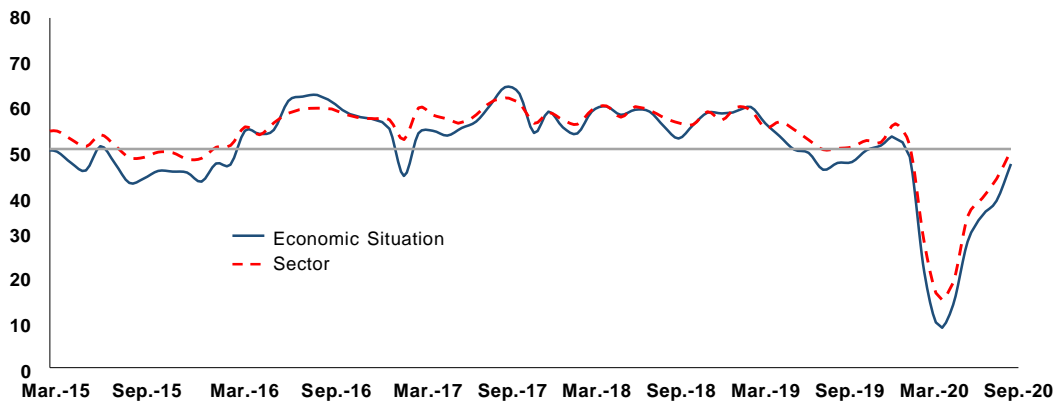
## Firms' growth expectations continued to recover in September.

### Macroeconomic Expectations: Survey Results

	December 2019	March 2020	July 2020	August 2020			September 2020			Correlation with GDP <sup>1/</sup>
<b>EXPECTATION:</b>										
ECONOMIC SITUATION IN 3 MONTHS	50.8	21.8	34.8	38.1	↑	<	46.6	↑	<	0.63
ECONOMIC SITUATION IN 12 MONTHS	61.5	41.5	53.5	58.0	↑	>	66.2	↑	>	0.42
SECTOR IN 3 MONTHS	51.5	28.5	38.7	43.2	↑	<	49.7	↑	<	0.67
SECTOR IN 12 MONTHS	61.5	43.4	56.3	60.2	↑	>	66.8	↑	>	0.33
COMPANY'S SITUATION IN 3 MONTHS	56.1	28.3	43.4	45.9	↑	<	51.6	↑	>	0.66
COMPANY'S SITUATION IN 12 MONTHS	66.6	46.4	60.2	63.6	↑	>	67.1	↑	>	0.66
ABOUT DEMAND IN 3 MONTHS	55.1	30.7	46.6	47.6	↑	<	51.3	↑	>	0.66
ABOUT DEMAND IN 12 MONTHS	68.0	47.4	60.5	63.5	↑	>	67.4	↑	>	0.66
NEW PERSONNEL HIRED IN 3 MONTHS	48.6	35.9	37.5	40.6	↑	<	43.1	↑	<	0.66
NEW PERSONNEL HIRED IN 12 MONTHS	54.0	39.6	47.4	49.0	↑	<	54.4	↑	>	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

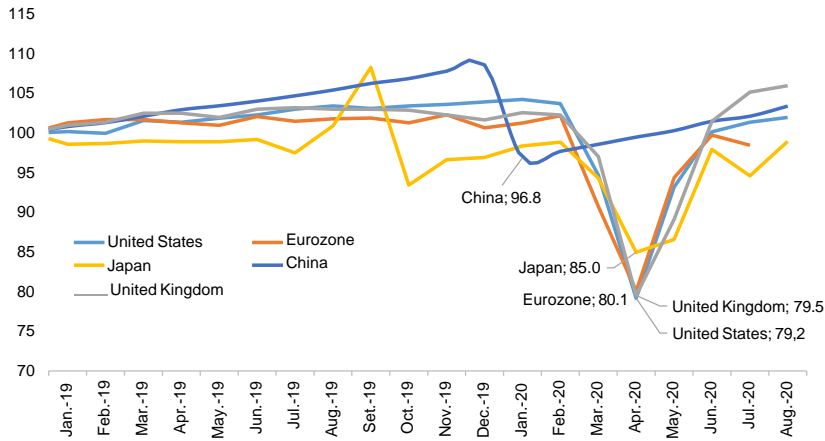




Global economic activity has been improving faster than expected, but remains below last year's levels.

## Retail Sales

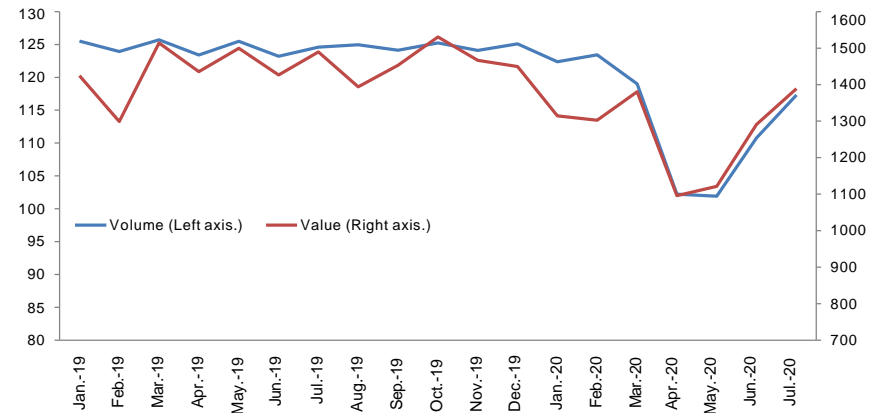
(Dec. 2018 Index = 100)



Source: Investing and Trading Economics

## World Exports

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



Source: WTO and World Trade Center



# CENTRAL RESERVE BANK OF PERU

The exchange rates and interest rates of sovereign bonds increased in recent weeks in the region. However, the Peruvian Sol remained one of the most stable currencies.

## Exchange rate (End of Period)\*

		Dec.19	Mar.20	Jul.20	Aug.20	Sep.20	Oct 8, 20	% change of Sep.20 respect to:	
								Aug.20	Dec.19
<b>Dollar Index</b>	Spot	96.39	99.05	93.35	92.14	93.63	93.61	1.6	-2.9
<b>Eurozone</b>	Euro	1.121	1.103	1.178	1.194	1.176	1.176	-1.4	4.9
<b>Japan</b>	Yen	108.61	107.54	105.83	105.91	105.98	106.02	0.1	-2.4
<b>Brazil</b>	Real	4.025	5.205	5.223	5.494	5.611	5.592	2.1	39.4
<b>Chile</b>	Peso	753	854	758	777	795	799	2.4	5.6
<b>Colombia</b>	Peso	3287	4065	3733	3741	3836	3840	2.5	16.7
<b>Mexico</b>	Peso	18.93	23.67	22.28	21.89	21.55	21.39	-1.6	13.8
<b>Peru</b>	Sol	3.314	3.432	3.536	3.544	3.572	3.581	0.8	7.8

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

Source: Reuters

## Bonds in Local Currency (End of Period)

		Dec.19	Mar.20	Jul.20	Aug.20	Sep.20	Oct 8, 20	change in bps. of Sep.20 respect to:	
								Aug.20	Dec.19
<b>Germany</b>	EUR	-0.19	-0.47	-0.53	-0.40	-0.52	-0.52	-13	-34
<b>USA</b>	USD	1.92	0.67	0.53	0.71	0.69	0.76	-2	-123
<b>Japan</b>	YPN	-0.02	0.01	0.01	0.05	0.01	0.03	-4	3
<b>Brazil</b>	BRL	6.79	7.92	6.57	7.09	7.65	7.91	56	86
<b>Chile</b>	CLP	3.17	3.61	2.40	2.39	2.68	2.67	28	-49
<b>Colombia</b>	COL	6.35	7.19	5.89	5.68	5.68	5.74	0	-66
<b>Mexico</b>	MXN	6.89	7.07	5.71	6.07	6.11	6.16	5	-78
<b>Peru</b>	PEN	4.23	4.89	3.22	3.29	3.51	3.42	22	-72

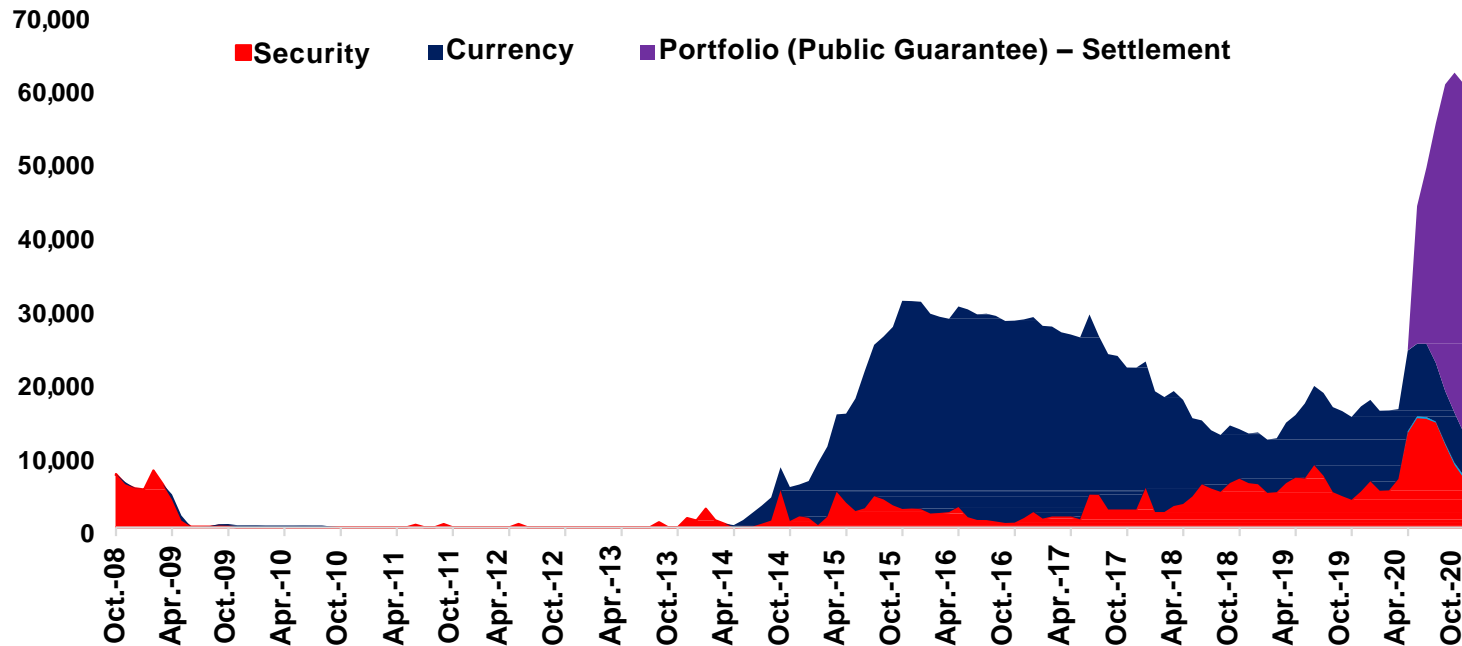
Source: Reuters



# CENTRAL RESERVE BANK OF PERU

The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of October 8, the BCRP's liquidity injection operations totaled S/ 61 billion, of which S/ 48.2 billion were associated with government-backed repos.

**Balance of BCRP Repo operations\***  
(Million S/)

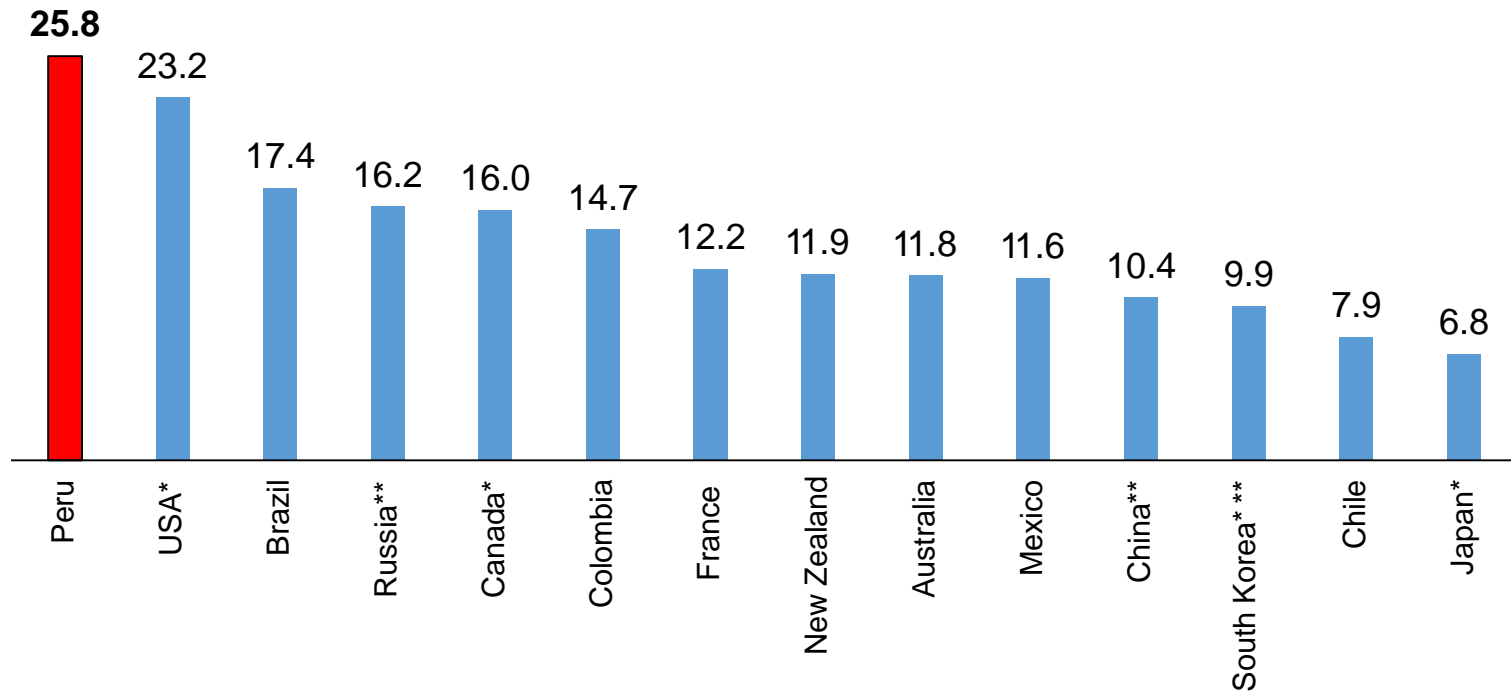


\* As of October 8.



Global liquidity has grown in most countries.

**Liquidity (M3) – August 2020**  
(Annual % change)



\* July 2020

\*\* M2

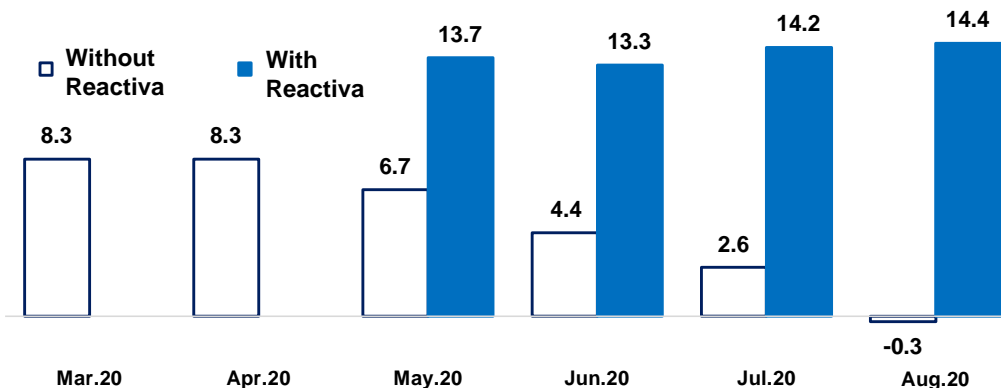
Source: Central Banks



In this context, credit to the private sector grew 14.4 percent year-on-year in August.

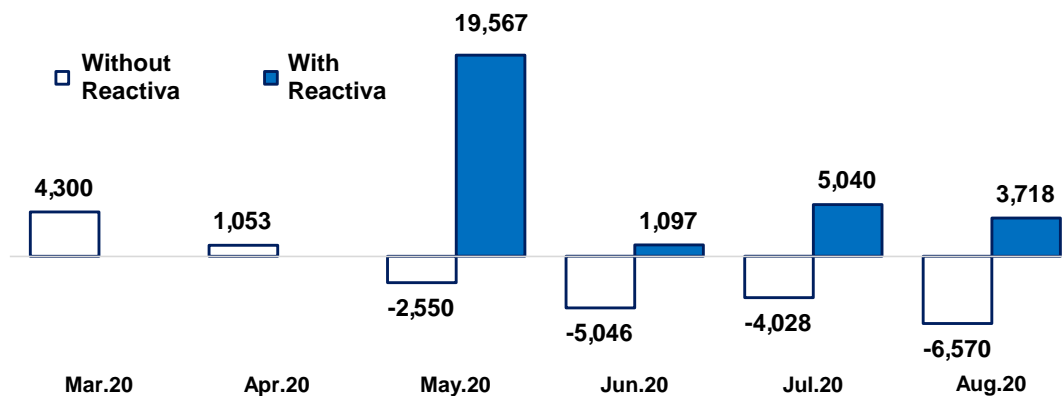
## Growth of credit to the private sector

(Annual % change)



## Monthly flow of credit to the private sector

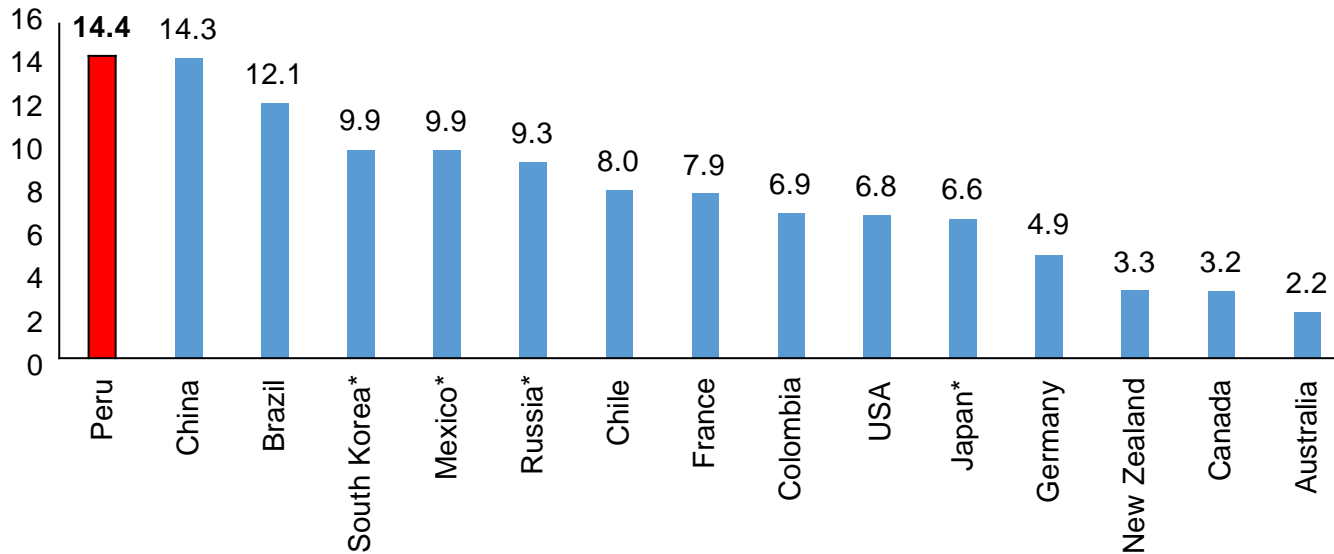
(Million S/)





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

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



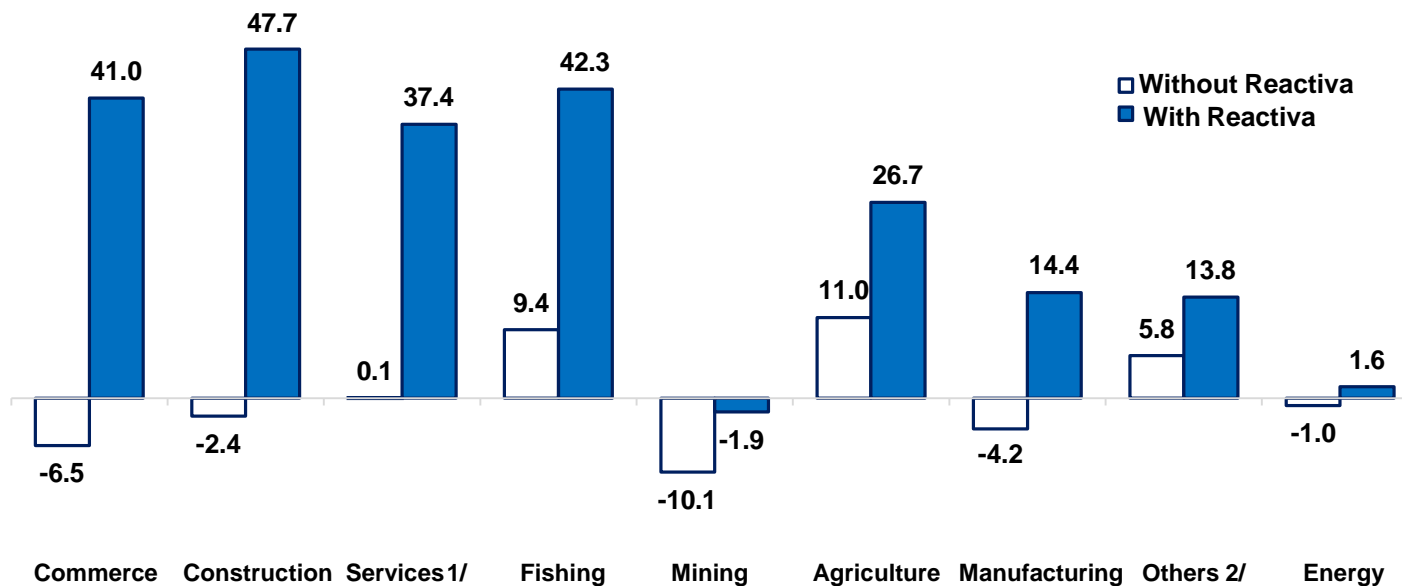
\* As of July 2020.

Source: Central Banks.



The Reactiva Peru Program has reached all sectors.

### Growth of Business Loans by Economic Sector – August 2020 (Annual % change)



1/ Includes hotels and restaurants, transportation, Real estate act., business act., education and social services.

2/ Includes credit to households for business purposes, not sectorized, community serv. and non-profit.

Source: BSI



Additionally, phase two of the “Reactiva Peru” program continued in September, with 30 auction sessions since June 30 totaling S/ 25.2 billion at an average interest rate of 1.72 percent.

### Repos of Portfolio with Government Guarantee Phase 2\*:

Guarantee percentage	Auctioned amount (million soles)	Allocated amount* (million soles)	Interest rate for clients (%)		
			Minimum	Maximum	Average
80	3,550	879	1.25	2.15	1.66
90	17,850	10,265	0.99	2.50	1.38
95	25,300	8,166	0.60	3.00	1.43
98	34,450	5,851	0.55	5.00	2.73
<b>Total</b>	<b>81,150</b>	<b>25,161</b>	<b>0.55</b>	<b>5.00</b>	<b>1.72</b>

\*As of October 8.

### Repos of Portfolio with Government Guarantee\*

Guarantee percentage	Auctioned amount (million soles)	Allocated amount* (million soles)	Interest rate for clients (%)		
			Minimum	Maximum	Average
80	13,800	9,597	0.79	2.15	1.16
90	35,850	24,271	0.90	2.50	1.21
95	32,700	14,264	0.54	3.00	1.30
98	36,079	7,029	0.50	5.00	2.57
<b>Total</b>	<b>118,429</b>	<b>55,161</b>	<b>0.50</b>	<b>5.00</b>	<b>1.40</b>

\*As of October 8.





**98 percent of the enterprises that received Reactiva Peru Program loans are small and micro businesses.**

## REACTIVA loans by size of companies<sup>1/</sup>

	Credit Amount		Number of Enterprises		Average Sale <sup>2/</sup>	
	(Million S/)	Participation (%)	(Units)	Participation (%)	(Million S/)	Participation (%)
Corporate and large companies	28,147	49.8	6,450	1.3	28,669	65.0
Medium-sized enterprises	2,785	4.9	1,967	0.4	1,357	3.1
Small businesses and Microbusinesses	25,559	45.2	470,458	98.2	14,060	31.9
<b>Total</b>	<b>56,491</b>	<b>100.0</b>	<b>478,875</b>	<b>100.0</b>	<b>44,086</b>	<b>100.0</b>

1/ With information from COFIDE as of October 8, 2020. For the classification of company size, the amount of annual sales is used according to information from SUNAT.

2/ In the case of microenterprises without sales information, the average sales of that category have been imputed.

Note: The criteria to classify the companies is made according to the information from SUNAT.

Microbusinesses : annual sale between 0 to 150 UIT

Small businesses: annual sale between 150 to 1,700 UIT

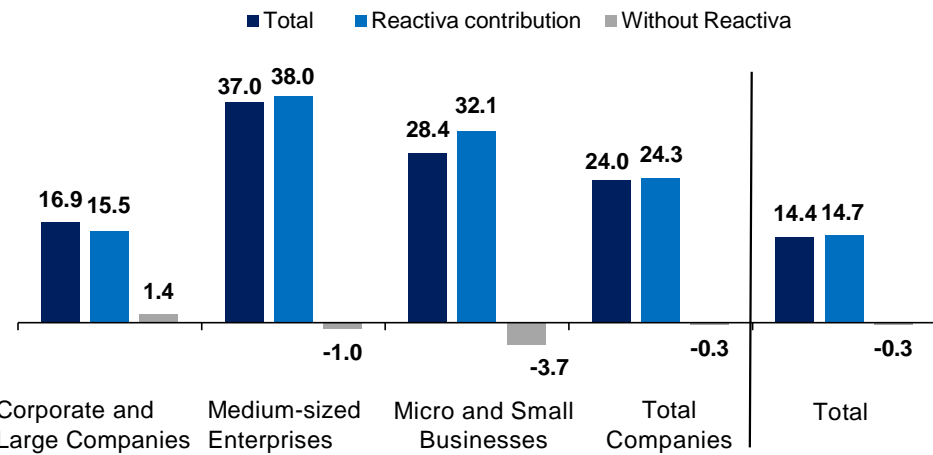
Medium-sized enterprises: annual sale between 1,700 to 2,300 UIT

Large companies: annual sale greater than 2,300 UIT

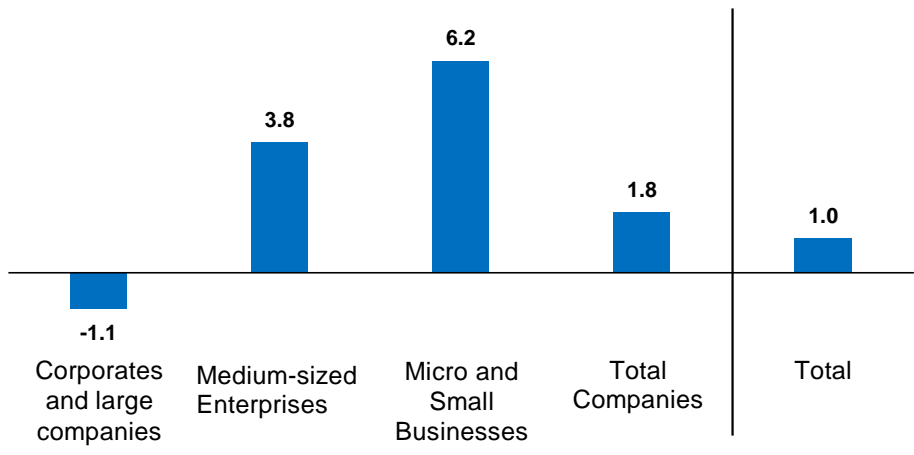


Medium, small and micro enterprises have increased their contribution to credit growth with the Reactiva Peru Program.

### Growth of credit in August 2020 (Annual % change)



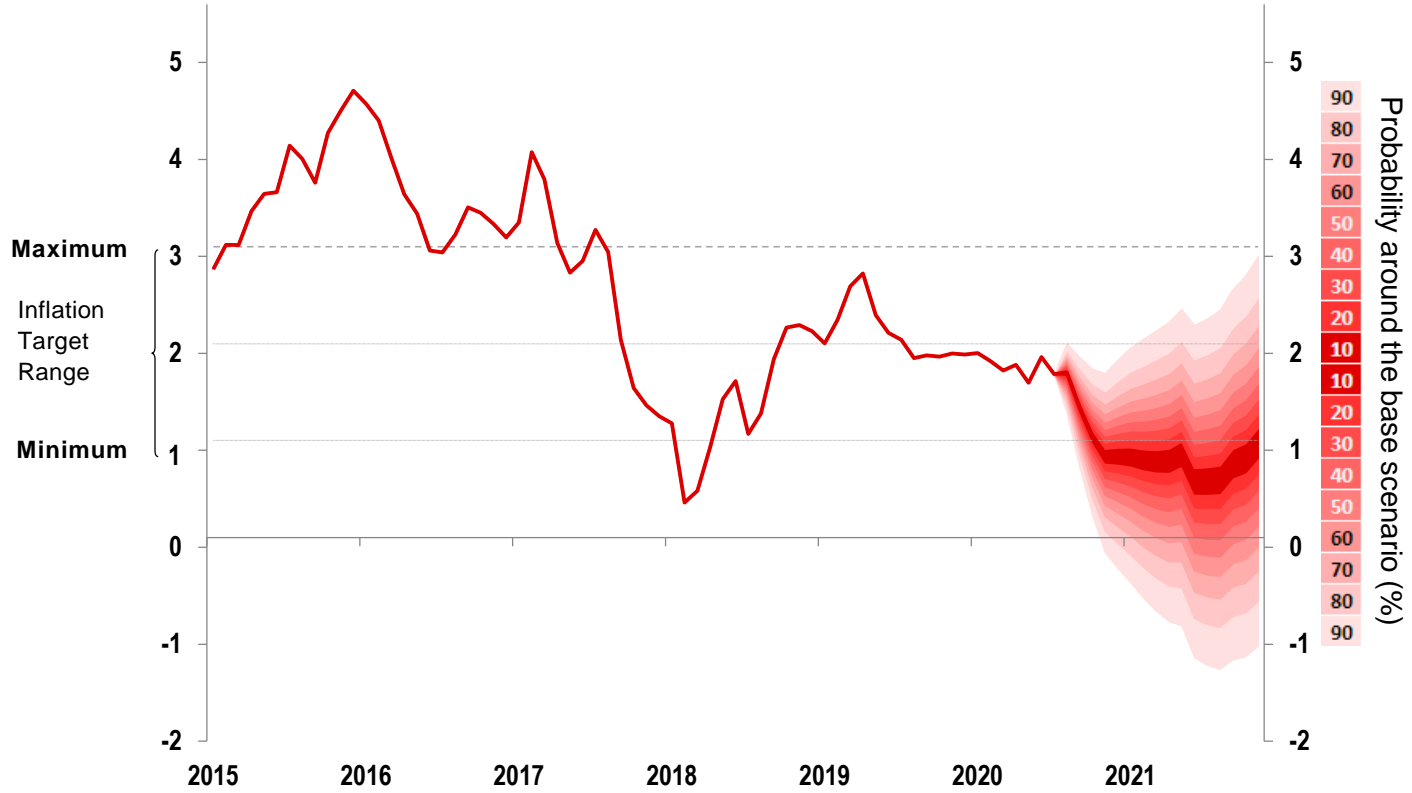
### Credit to business in August 2020 (Monthly % change)





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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# **Monetary Policy Statement October 2020**

**October 9, 2020**