



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

September 2020

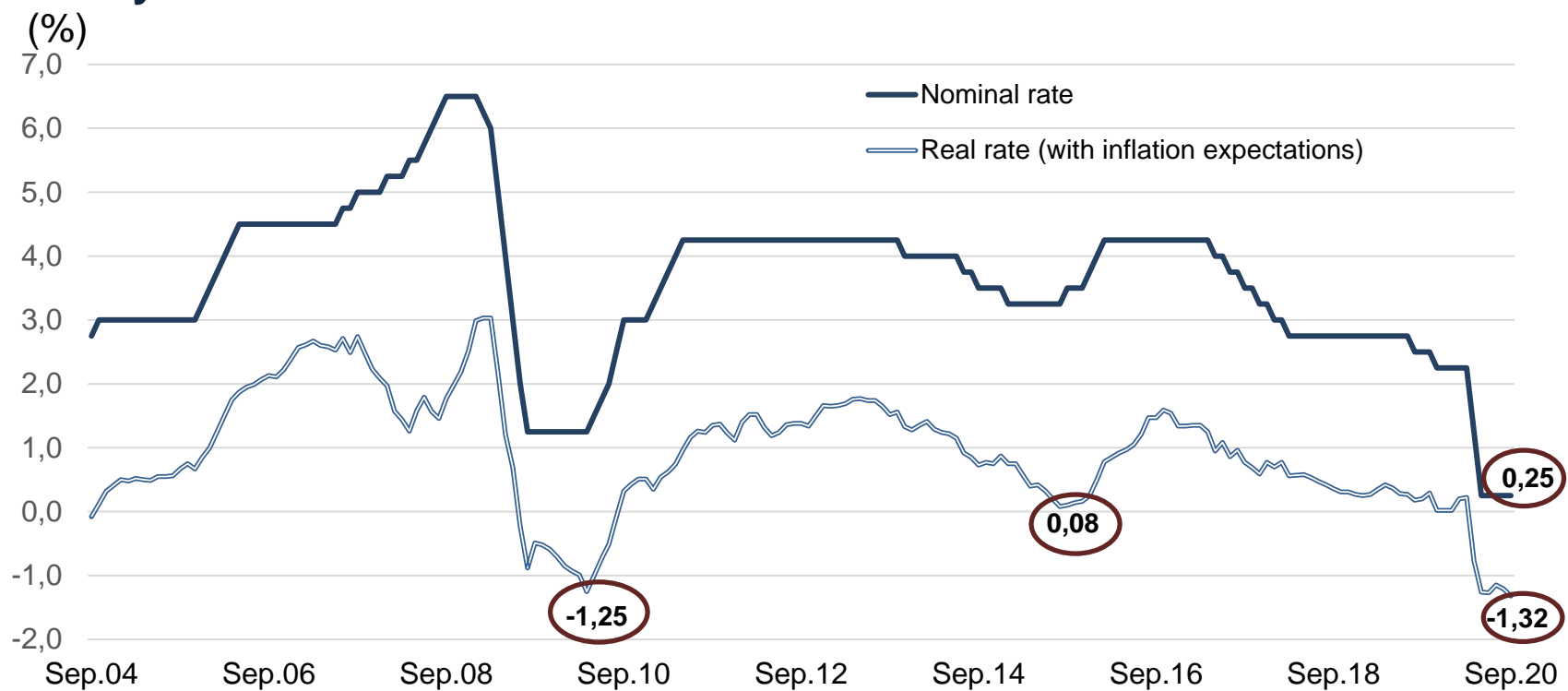
September 11, 2020



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

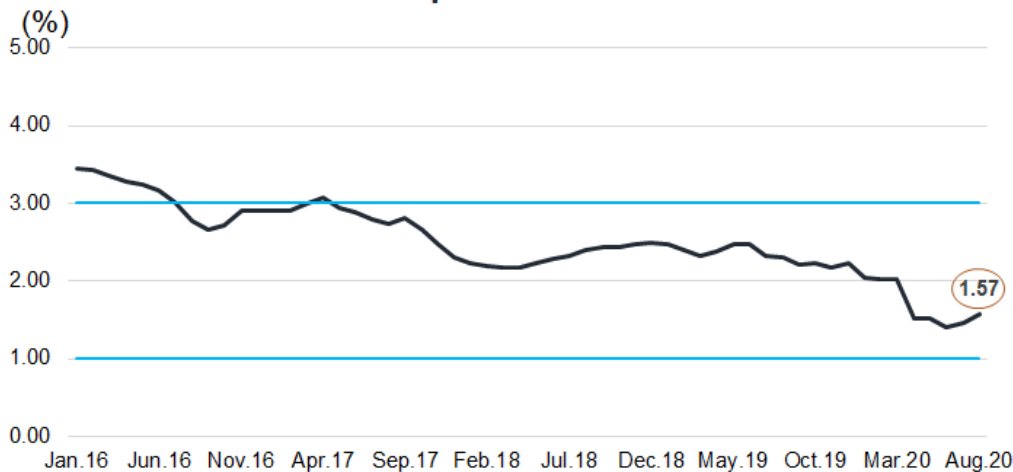


	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Mar.20	Abr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20
(I) Nominal rate	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	2.25	1.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	2.91	3.00	3.05	2.89	2.73	2.66	2.48	2.30	2.19	2.32	2.23	2.03	2.02	1.51	1.52	1.40	1.46	1.57
(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	0.22	-0.77	-1.26	-1.27	-1.15	-1.21	-1.32



Inflation in 2020 and 2021 is expected to fall below the target range due to a significant weakening of domestic demand. One-year ahead expected inflation was 1.6 percent in August.

1-Year ahead inflation expectations*



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

Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:			
	Jun 30	Jul 31	Aug 31	
Economic analysts ^{1/}				
2020	1.50	1.10	1.40	↑
2021	2.00	2.00	2.00	=
2022	2.10	2.25	2.25	
Financial entities ^{2/}				
2020	0.60	1.00	0.90	↓
2021	1.50	1.50	1.55	↑
2022	2.00	2.00	2.00	
Non-financial firms ^{3/}				
2020	2.00	2.00	2.00	=
2021	2.20	2.00	2.00	=
2022	2.23	2.22	2.20	

1/ 15 analysts in June, 15 in July, and 17 in August 2020.

2/ 16 financial entities in June, 16 in July, and 14 in August 2020.

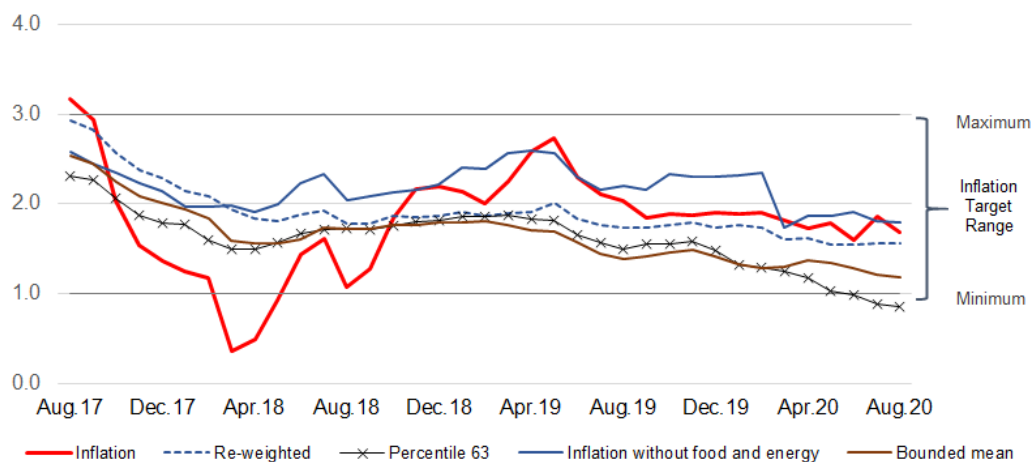
3/ 260 non-financial firms in June, 260 in July, and 311 in August 2020.



Year-on-year inflation decreased from 1.9 percent in July to 1.7 percent in August, while trend inflation remains in the lower part of the target range.

Inflation

(Last 12 months % change)



	Annual average	Annual % change	
	2001-2019	Jul.20	Aug.20
CPI	2.59	1.86	1.69
CPI excluding food and energy	2.15	1.81	1.79

Trend indicators			
Bounded mean	2.58	1.22	1.19
Percentile 63	2.53	0.88	0.85
Re-weighted	2.51	1.56	1.55

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.

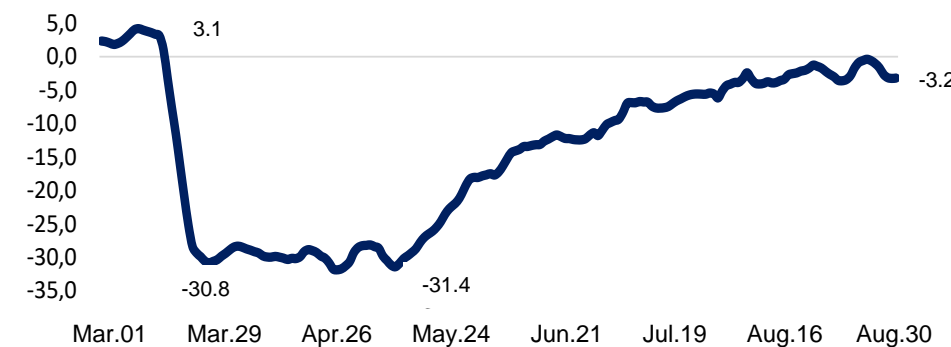
Re-weighted: Reduces the weight of items with greater volatility, considers the original weights of each item between the standard deviation of their monthly percentage changes.



Leading indicators point to a recovery in July and August, although they remain below last year's levels.

Daily Electricity Production

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

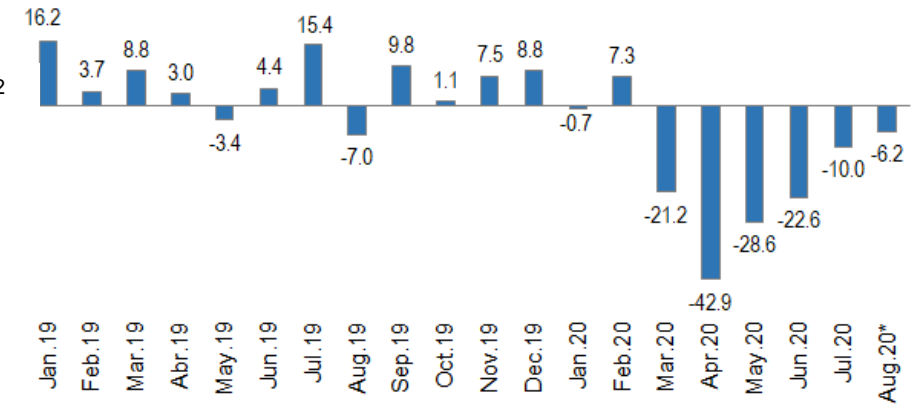


	1-15 Mar.	16-31 Mar.	April	May	June	July	August
% change	2.5	-27.4	-30.0	-25.4	-12.4	-5.9	-2.8
GWh	155	108	103	109	127	135	138

Source: COES

Non traditional exports*

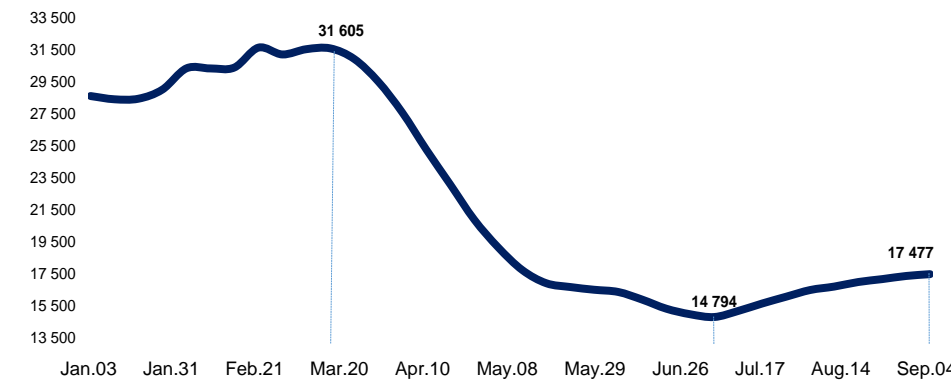
(% change respect to the same period of the previous year)



* Data for August 2020 is estimated.
Source: Sunat

Number of Job Ads on Websites ^{1/}

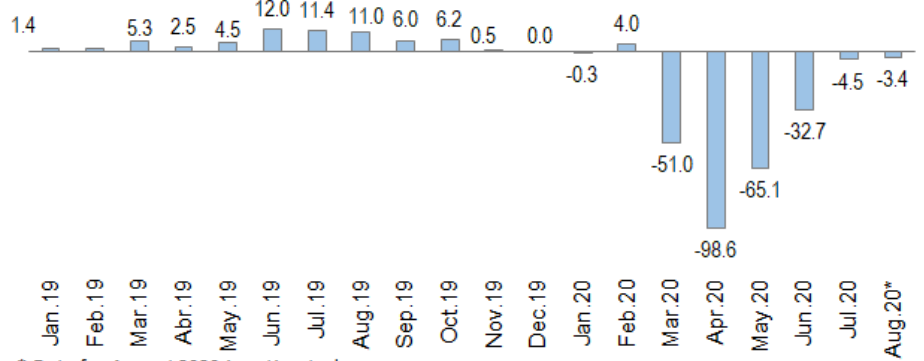
(4 week moving average)



^{1/} Job announcements with 7 days old since date of publication.
Source: Aptitus, Bumeran and Computrabajo

Domestic consumptions of cement

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



* Data for August 2020 is estimated.
Source: Cement enterprises.



While firms' growth expectations continued to recover in August, most remain in pessimistic territory.

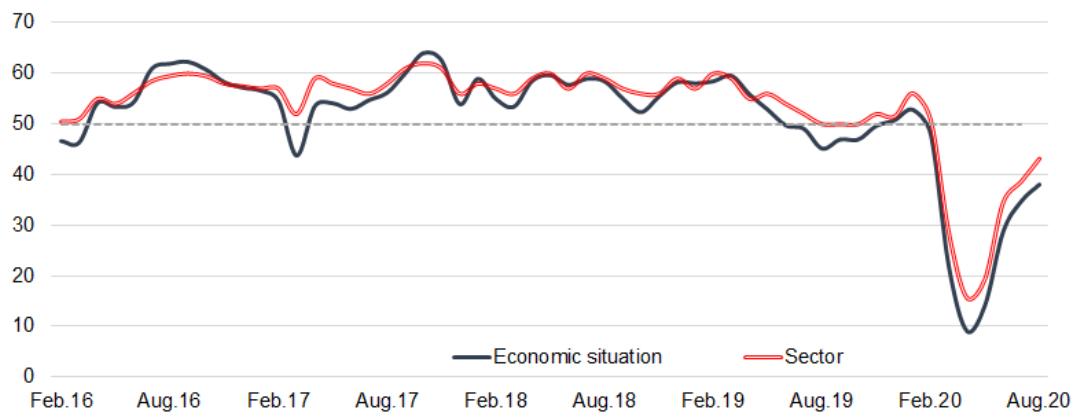
Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Jun.2020	Jul.2020				Aug.2020			Correlation with GDP ^{1/}
EXPECTATION:												
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	28.8	34.8	↑	<		38.1	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	53.1	53.5	↑	>		58.0	↑	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	34.6	38.7	↑	<		43.2	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	54.7	56.3	↑	>		60.2	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	36.6	43.4	↑	<		45.9	↑	<	0.66
	IN 12 MONTHS	66.6	46.4	56.5	60.2	↑	>		63.6	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	38.6	46.6	↑	<		47.6	↑	<	0.66
	IN 12 MONTHS	68.0	47.4	55.3	60.5	↑	>		63.5	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	32.9	37.5	↑	<		40.6	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	45.5	47.4	↑	<		49.0	↑	<	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



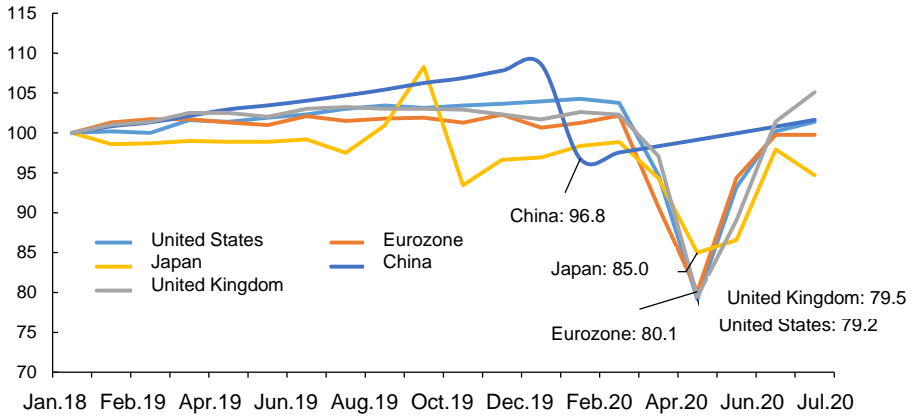
Source: BCRP.



Global economic activity is recovering gradually during the second half of the year, but remains below last year's levels.

Retail Sales

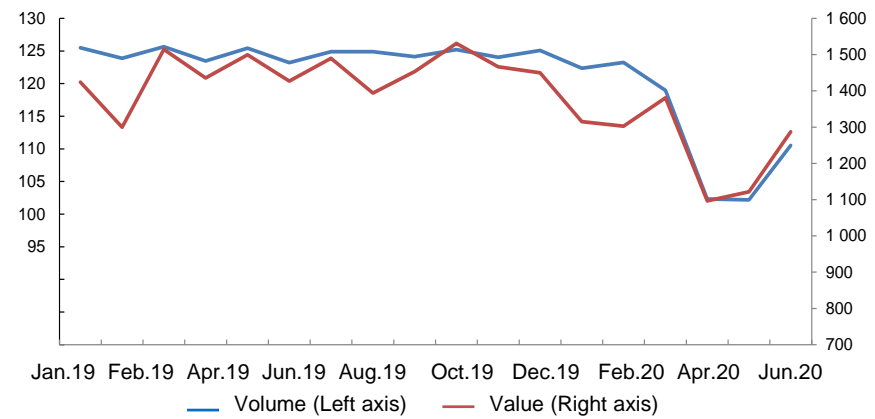
(Dec. 2018 Index = 100)



Source: Investing and Trading Economics

World Exports

(Volume index 2010 = 100 and billions of US \$)



Source: WTO and World Trade Center



In August, metal and oil prices rose in line with a recovery in economic activity, stimulus in the main developed economies and the depreciation of the dollar. They continue with the upward trend since April.

International quotation (end of period)

		Dec.19	Mar.20	Jul.20	Aug.20	Sep. 20	% change of Aug.20 respect to:		
							Jul.20	Mar.20	Dec.19
Products of exports									
Copper	(US\$ cents per pound)	2.792	2.176	2.924	3.052	3.043	4.4	40.3	9.3
Zinc	(US\$ cents per pound)	1.040	0.847	1.043	1.147	1.082	10.0	35.4	10.3
Gold	(US\$ per troy ounce)	1,514.8	1,609.0	1,768.1	1,964.9	1,944.3	11.1	22.1	29.7
Silver	(US\$ per troy ounce)	17.85	13.97	24.39	28.14	26.88	15.4	101.4	57.6
Products of imports									
Oil	(US\$ per barrel)	61.1	20.5	40.3	42.6	37.0	5.8	108.1	-30.2
Wheat	(US\$ per ton)	177.8	183.0	170.1	202.5	203.9	19.0	10.6	13.8
Maize	(US\$ per ton)	148.4	128.7	117.3	130.7	134.6	11.4	1.5	-11.9
Soy bean	(US\$ per ton)	756.4	591.5	671.1	756.8	741.9	12.8	28.0	0.1

* As of September 10

Source: Reuters



Peru has had the lower volatility against the dollar.

Exchange rate (end of period)

		Dec.19	Mar.20	Jul.20	Aug.20	Sep 10, 20	Sep 11, 20	% change of Aug.20 respect to:		
								Jul.20	Mar.20	Dec.19
Dollar Index	Spot	96.39	99.05	93.35	92.14	93.34	93.34	-1.3	-7.0	-4.4
Eurozone	Euro*	1.121	1.103	1.178	1.194	1.182	1.184	1.3	8.2	6.4
Japan	Yen	108.61	107.54	105.83	105.91	106.13	106.17	0.1	-1.5	-2.5
Brazil	Real	4.025	5.205	5.223	5.494	5.319	5.302	5.2	5.5	36.5
Chile	Peso	753	854	758	777	770	768	2.5	-9.0	3.2
Colombia	Peso	3287	4065	3733	3741	3707	3715	0.2	-8.0	13.8
Mexico	Peso	18.93	23.67	22.28	21.89	21.44	21.32	-1.7	-7.5	15.6
Peru	Sol	3.314	3.432	3.536	3.544	3.547	3.573	0.2	3.3	6.9

* 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 10, 20	Sep 11, 20	Change in bps. of Aug.20 respect to:		
								Jul.20	Mar.20	Dec.19
Germany	EUR	-0.19	-0.47	-0.53	-0.40	-0.43	-0.48	13	8	-21
USA	USD	1.92	0.67	0.53	0.71	0.68	0.67	18	4	-121
Japan	YPN	-0.02	0.01	0.01	0.05	0.02	0.02	3	4	7
Brazil	BRL	6.79	7.92	6.57	7.09	7.19	7.22	52	-83	30
Chile	CLP	3.17	3.61	2.40	2.39	2.60	2.68	-1	-122	-77
Colombia	COL	6.35	7.19	5.89	5.68	5.39	5.40	-21	-151	-66
Mexico	MXN	6.89	7.07	5.71	6.07	5.96	5.95	35	-100	-82
Peru	PEN	4.23	4.89	3.22	3.29	3.41	3.46	7	-160	-94

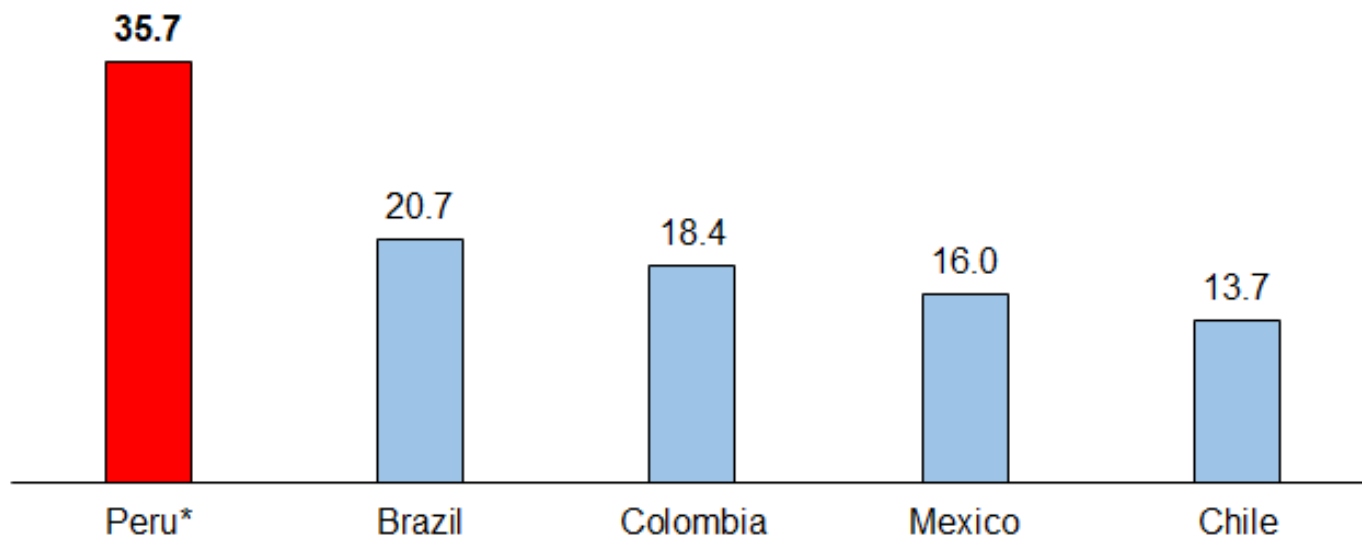
Source: Reuters



The NIR as a percentage of Peru's GDP are the highest in the region.

Net International Reserves

(As % GDP)



*Peru as of September 10. Other countries as of June 2020.

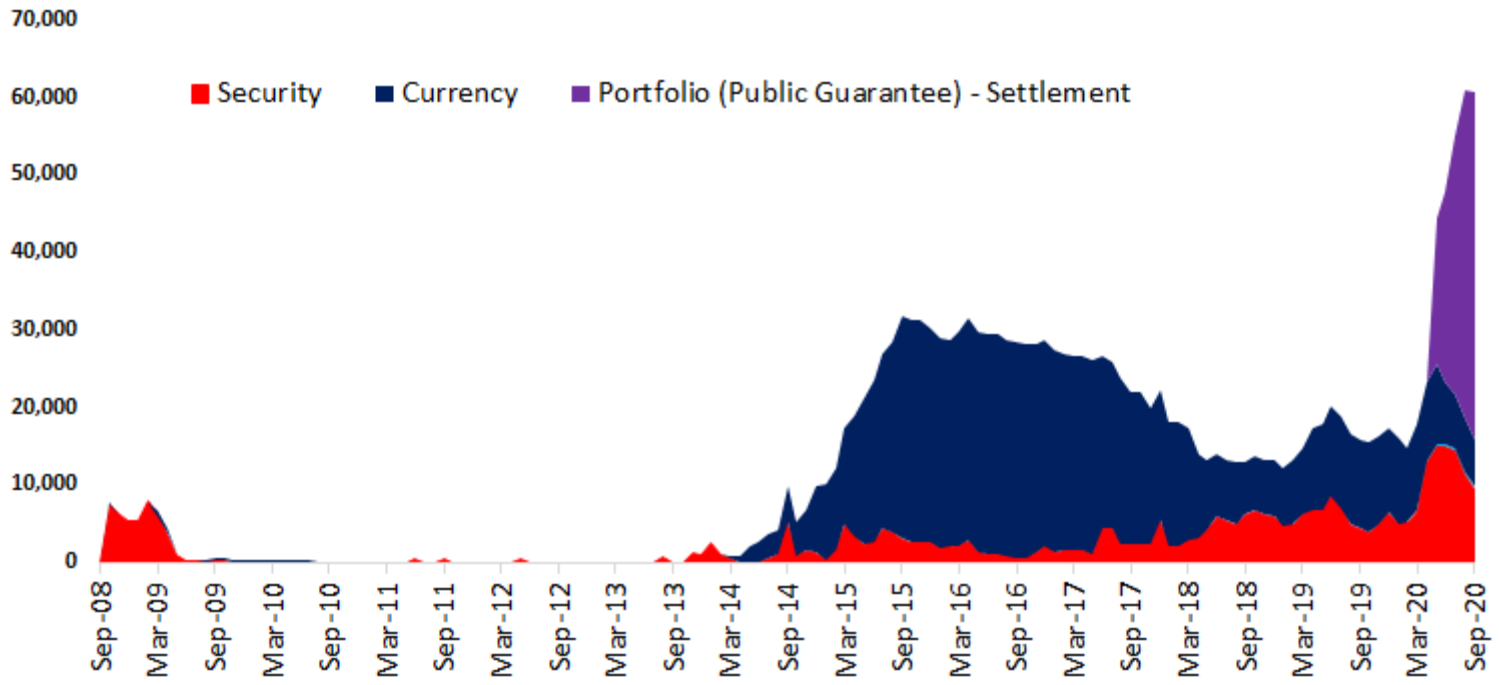
Source: BCRP and CEIC.



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The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of September 10, the BCRP's liquidity injection operations totaled S/ 60.8 billion, of which S/ 44.3 billion were associated with government-backed repos.

Balance of BCRP Repo operations*
(Million S/)

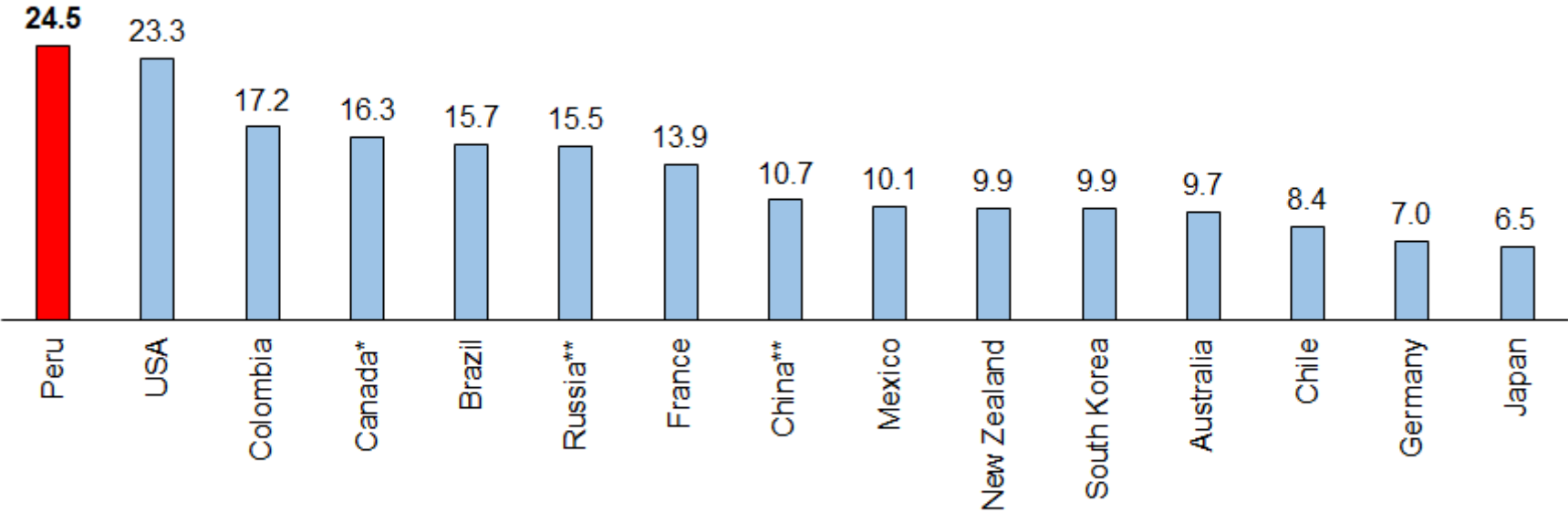


* As of September 10.



Global liquidity has grown in most countries.

Liquidity (M3): July 2020
(Annual % change)

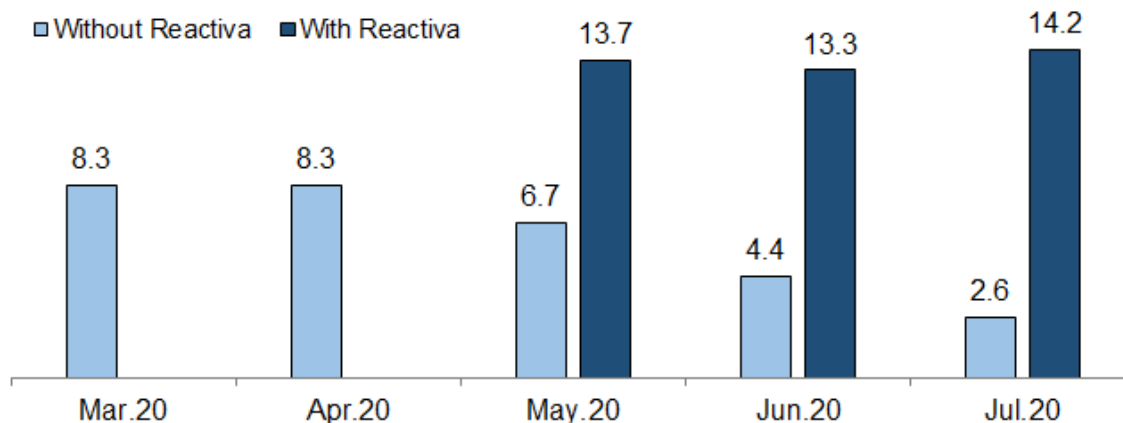


*June 2020.
** M2
Source: Central banks.

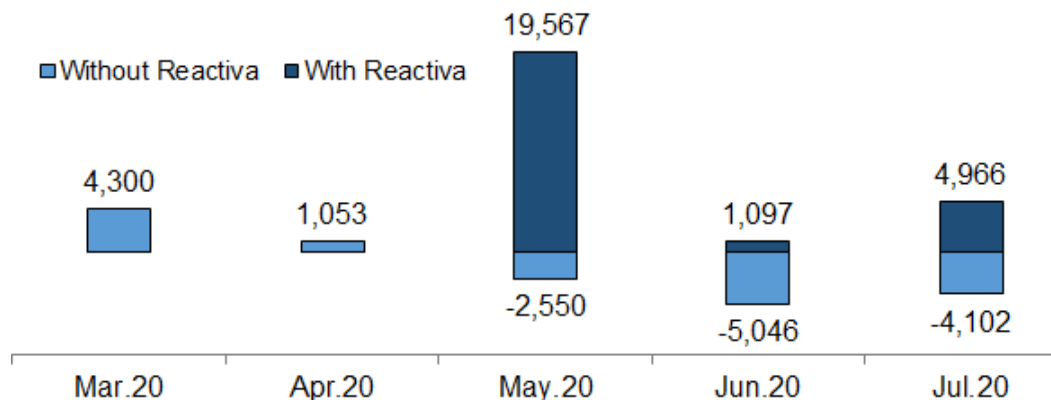


In this context, credit to the private sector grew 14.2 percent year-on-year in July.

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



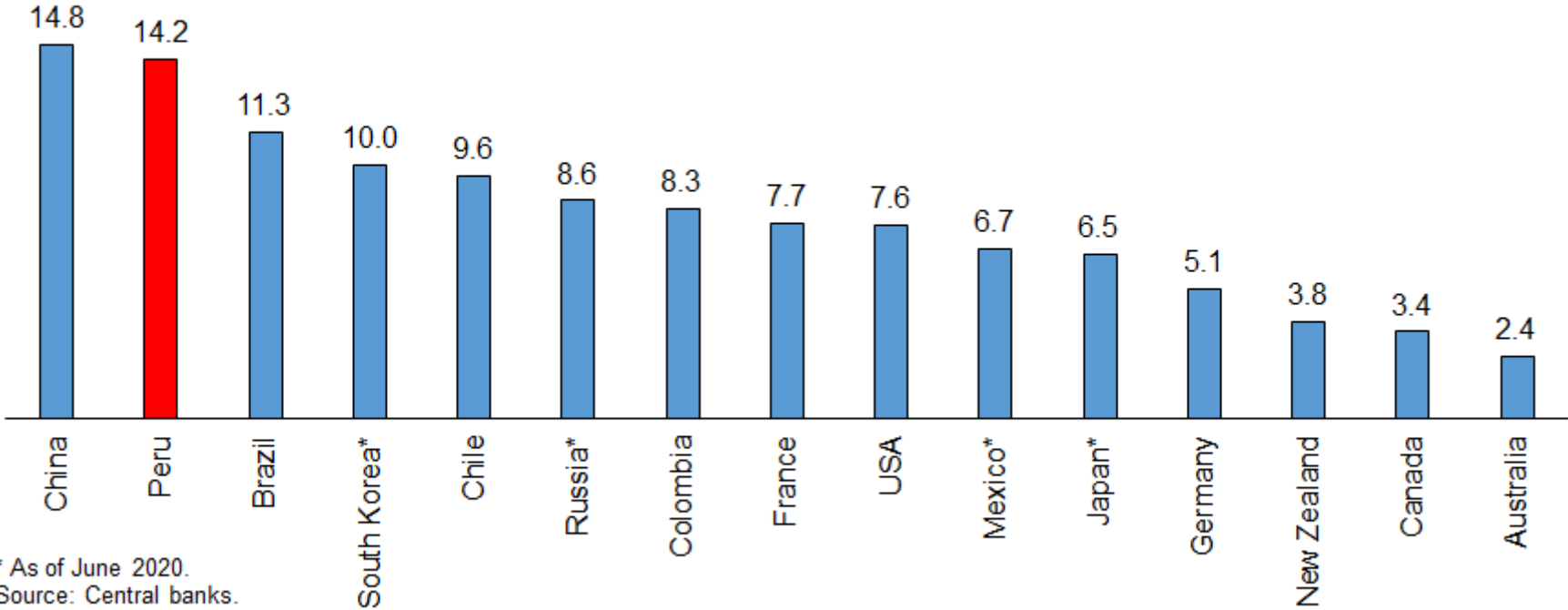
Monthly flow of credit to the private sector (Million S/)





Credit to the private sector has been growing countercyclical.

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



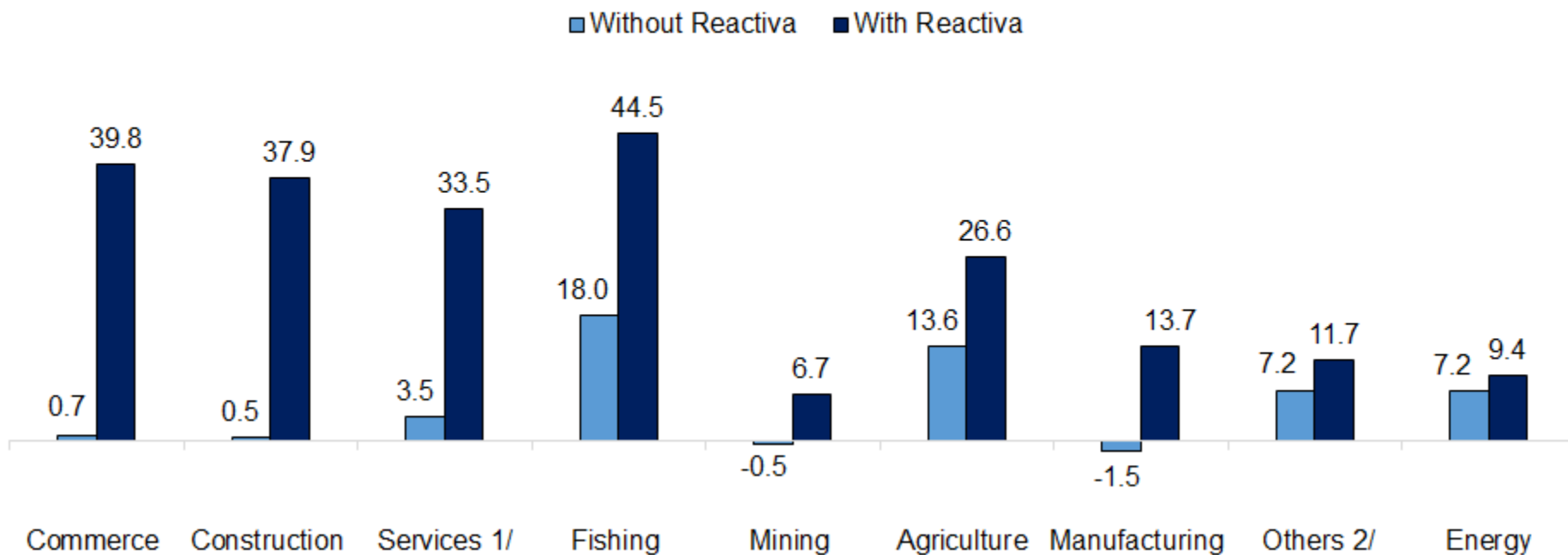
* As of June 2020.
Source: Central banks.



The Reactiva Peru Program has reached all sectors ...

Growth of Business Loans by Economic Sector - July 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 and Datamart



... with interest rates declining steadily since April.

Interest rate in domestic currency ^{1/}

(%)

	Dec.19	Mar.20	Apr.20	May.20	Jun.20	Jul.20	Aug.20	Sep.20*	Historical average	Accum. % respect to Feb.
Reference	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	3.44	-2.00
Interbank	2.25	2.03	0.57	0.24	0.21	0.24	0.25	0.22	3.48	-1.99
90-day corporate prime	3.29	2.83	1.46	1.29	0.90	1.04	1.15	1.11	4.33	-2.01
Corporates	3.80	3.63	4.04	2.94	3.03	2.84	2.66	2.59	5.20	-0.74
Large companies	6.01	5.86	5.58	1.98	2.56	3.64	3.07	3.24	6.76	-3.02
Medium-sized enterprises	9.28	8.86	8.05	2.41	3.86	3.96	2.57	2.80	10.04	-7.00
Small businesses	18.03	18.14	18.16	2.04	4.29	4.94	3.29	3.81	20.35	-14.98
Micro businesses	31.32	32.56	33.13	3.22	3.79	4.33	4.44	5.43	32.34	-26.92
FTAMN	18.24	16.04	11.22	6.00	8.82	10.32	9.20	10.36	20.45	-10.63

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

* Information as of September 9, 2020.

** Average since September 2010.

Source: SBS and BCRP



CENTRAL RESERVE BANK OF PERU

Additionally, phase two of the “Reactiva Peru” program continued in August, with 23 auction sessions totaling S/ 24.8 billion at an average interest rate of 1.70 percent since June 30.

Repos of Portfolio with Government Guarantee Phase 2*:

Guarantee percentage	Auctioned amount (million soles)	Allocated amount* (million soles)	Interest rate for clients (%)			Allocated amount* (%)
			Minimum	Maximum	Average	
80	2,150	875	1.25	2.15	1.66	3.5
90	15,050	10,234	0.99	2.50	1.38	41.3
95	20,400	7,985	0.60	2.50	1.41	32.2
98	27,450	5,706	0.55	5.00	2.69	23.0
Total	65,050	24,800	0.55	5.00	1.70	100.0

*As of September 10.

Repos of Portfolio with Government Guarantee*

Guarantee percentage	Auctioned amount (million soles)	Allocated amount* (million soles)	Interest rate for clients (%)			Allocated amount* (%)
			Minimum	Maximum	Average	
80	12,400	9,593	0.79	2.15	1.16	17.5
90	33,050	24,240	0.90	2.50	1.21	44.2
95	27,800	14,083	0.54	2.50	1.29	25.7
98	29,079	6,884	0.50	5.00	2.53	12.6
Total	102,329	54,800	0.50	5.00	1.38	100.0

*As of September 10.



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

REACTIVA loans by size of companies ^{1/}

	Credit Amount		Number of Enterprises		Average Sale ^{2/}	
	(Million S/)	Participation (%)	(Units)	Participation (%)	(Million S/)	Participation (%)
Corporate and large companies	27,384	51.7	6,325	1.5	27,753	65.7
Medium-sized enterprises	2,622	4.9	1,903	0.4	1,313	3.1
Small businesses and Microbusinesses	22,985	43.4	427,463	98.1	13,154	31.2
Total	52,991	100.0	435,691	100.0	42,220	100.0

1/ With information from COFIDE as of September 7, 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

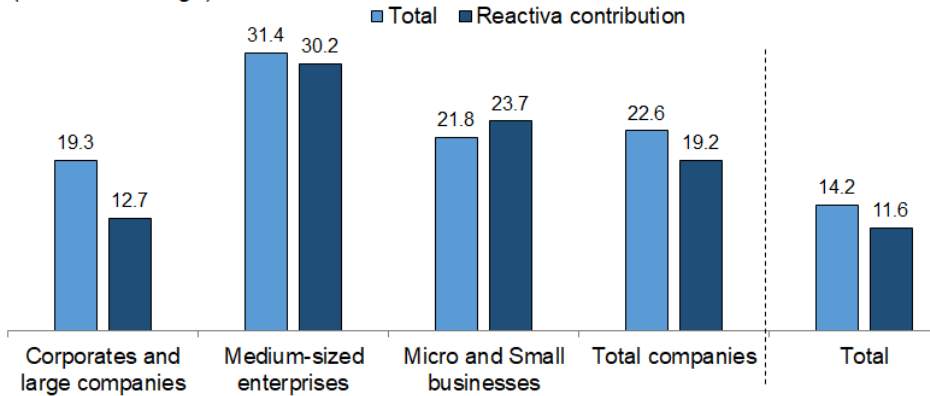
Medium-sized enterprises: annual sale between 1,700 to 2,300 UIT

Large companies: annual sale greater than 2,300 UIT

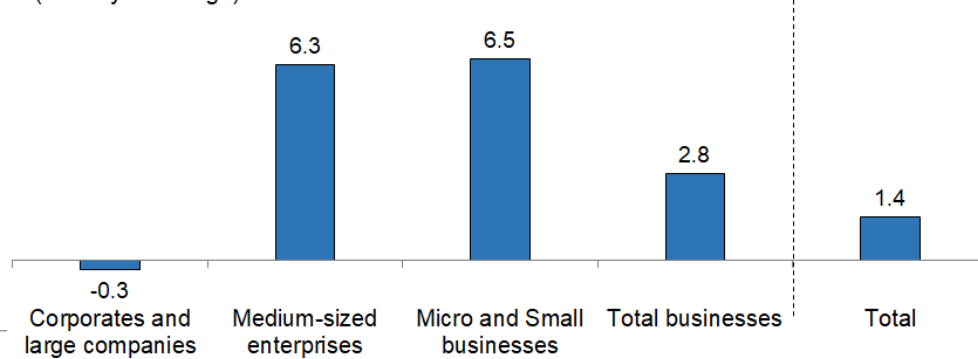


Medium, small and micro enterprises have increased their contribution to credit growth with the Reactiva Peru Program.

Growth of credit in July 2020
(Annual % change)



Credit to business in July 2020
(Monthly % change)

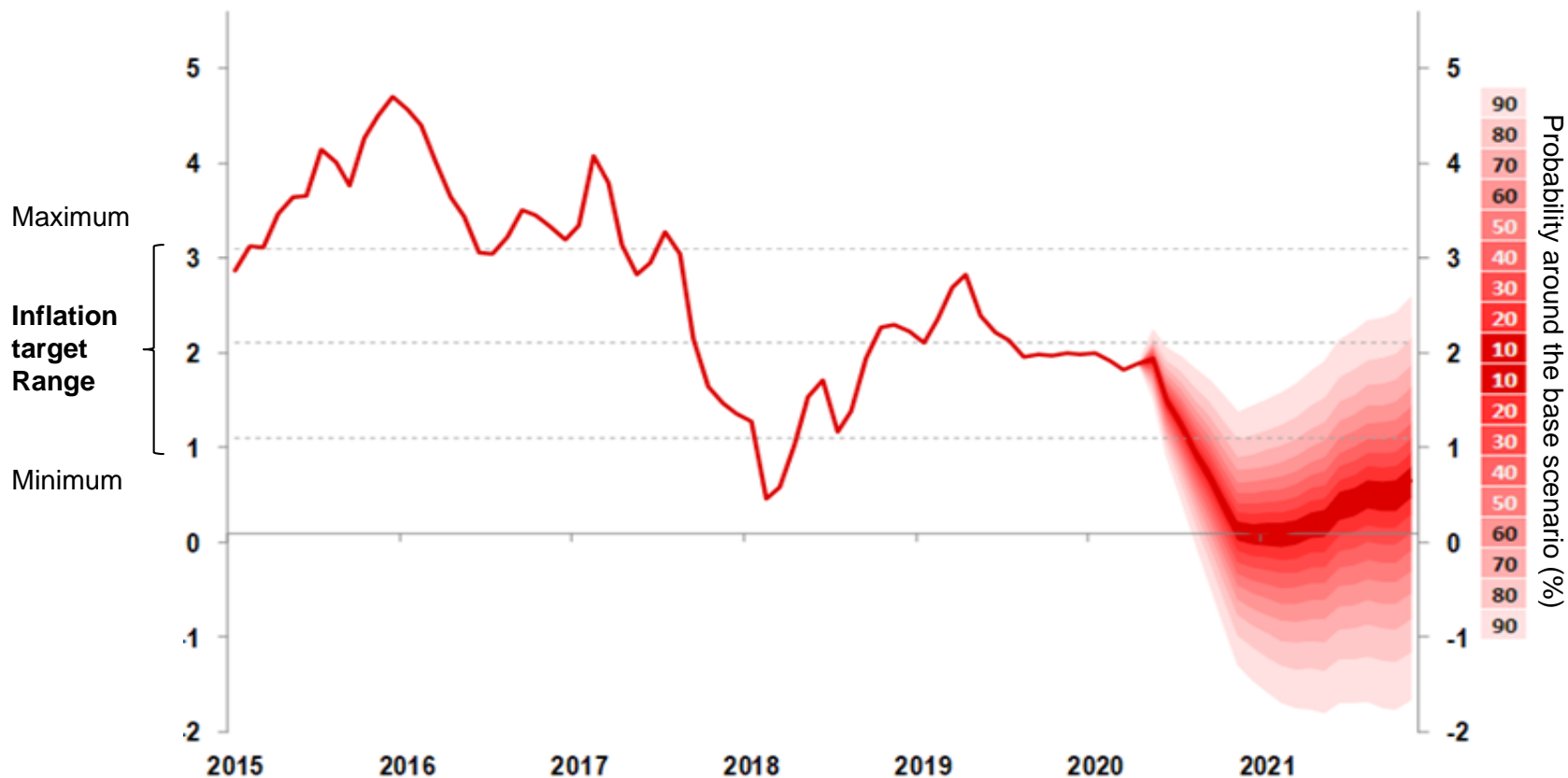




The Board considers it appropriate to maintain a strong expansionary monetary stance for as long as the negative effects of the pandemic on inflation and its determinants persist. The BCRP stands ready to expand monetary stimulus using a range of instruments.

Inflation forecast: 2020-2021

(Last 12-month % change)





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