



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

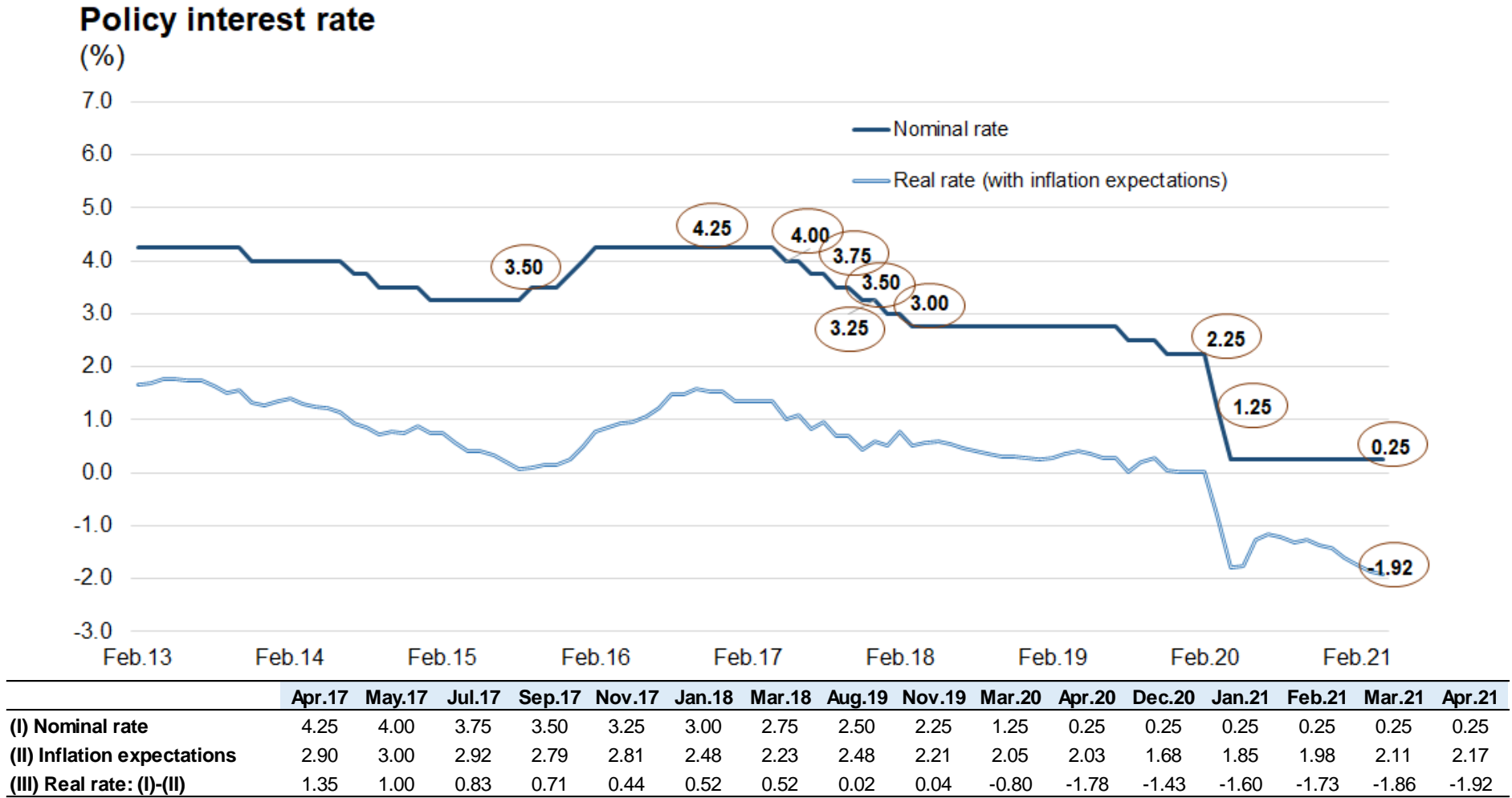
April 2021

April 9, 2021



CENTRAL RESERVE BANK OF PERU

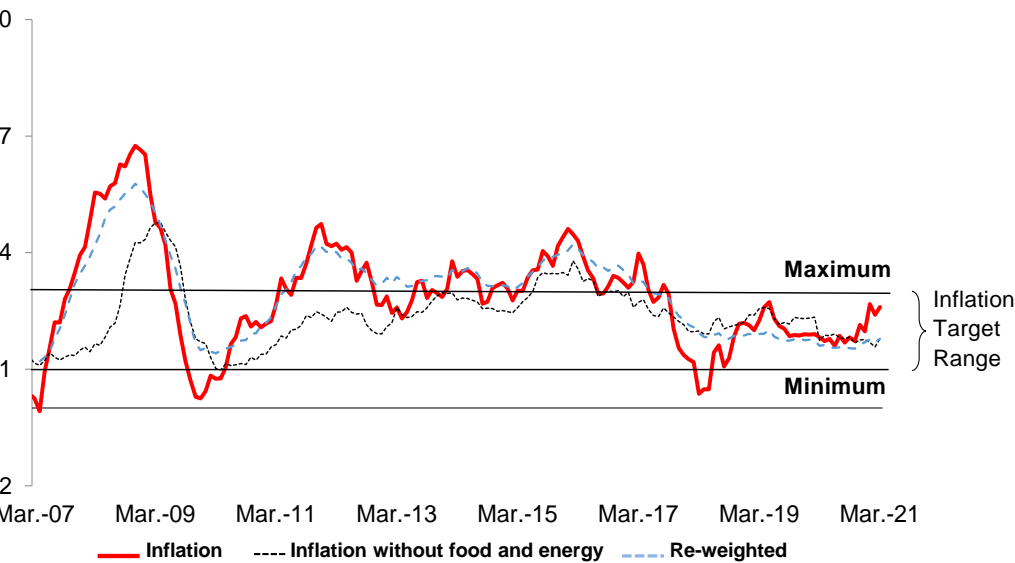
The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to continue its expansionary policy stance, maintaining the reference rate at 0.25 percent and implementing further liquidity injection operations.





Year-on-year inflation increased from 2.4 percent in February to 2.6 percent in March due to supply factors that led to higher prices of some goods. Trend inflation remains in the lower part of the target range. Thus, year-on-year core inflation was 1.8 percent in March.

INFLATION (Last 12 months % change)



Source: BCRP

	Annual average 2001-2020	Annual % change Mar.21
CPI	2.56	2.60
CPI excluding food and energy	2.13	1.79

Trend indicators		
Bounded mean	2.52	1.61
Percentile 63	2.45	1.08
Re-weighted	2.46	1.78

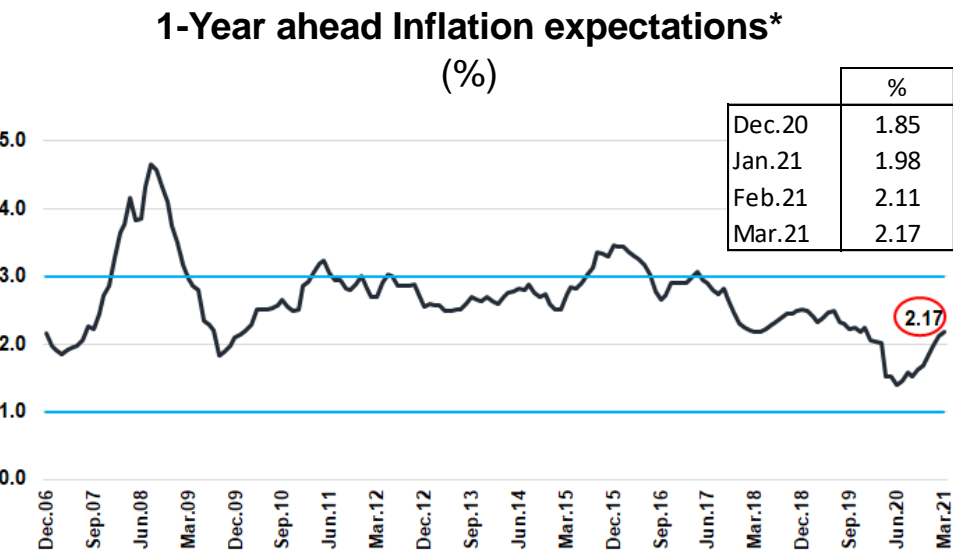
Bounded mean: Weighted average of the percentage change of prices between the 34th and 84th percentiles.

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 was 2.2 percent in March.



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

Source: BCRP

Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:		
	Jan 31.	Feb 28.	Mar 31.
Economic analysts ¹			
2021	2.00	2.20	2.20
2022	2.00	2.30	2.18
2023		2.50	2.30
Financial entities ²			
2021	1.95	2.00	2.20
2022	2.00	2.00	2.00
2023		2.00	2.00
Non-financial firms ³			
2021	2.00	2.00	2.00
2022	2.00	2.20	2.20
2023		2.20	2.20

¹ 14 analysts in January, 15 in February and 18 in March 2021.

² 16 financial entities in January, 14 in February and 13 in March 2021.

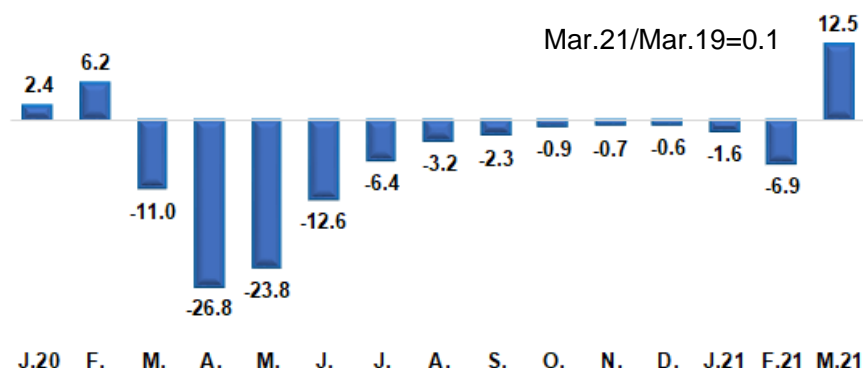
³ 300 non financial firms in January, 300 in February and 308 in March 2021.



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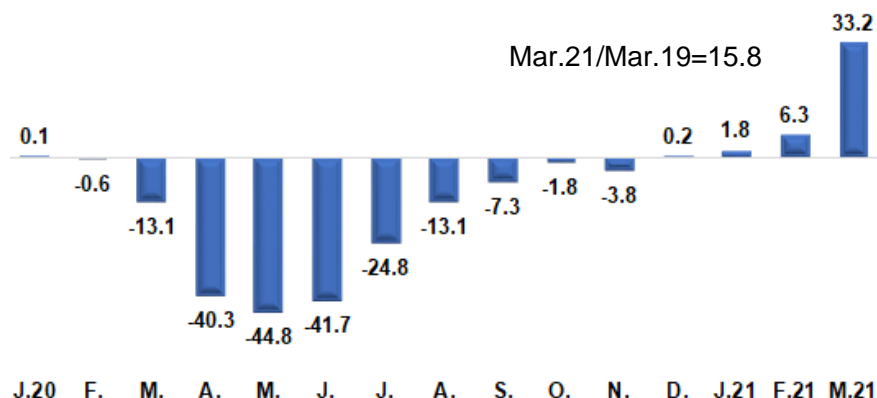
Leading indicators continued to recover in March.

Electricity without mining
(Annual % change)



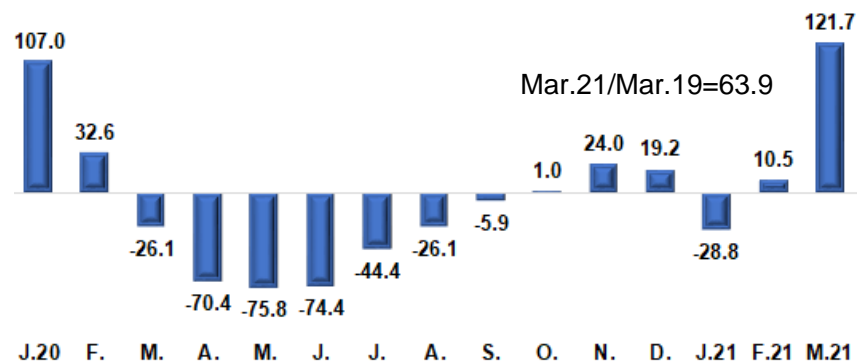
Source: COES.

Domestic value-added tax
(Annual real % change)



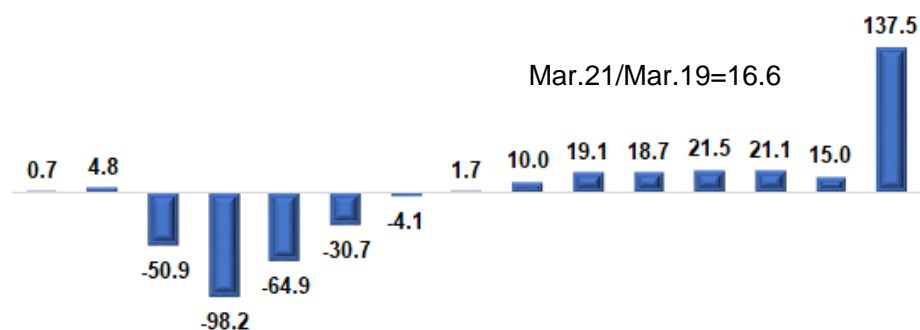
Source: SUNAT.

Real Investment of the General Government
(Annual real % change)



Source: MEF.

Domestic consumption of cement
(Annual % change)



J.20 F. M. A. M. J. J. A. S. O. N. D. J.21 F.21 M.21*

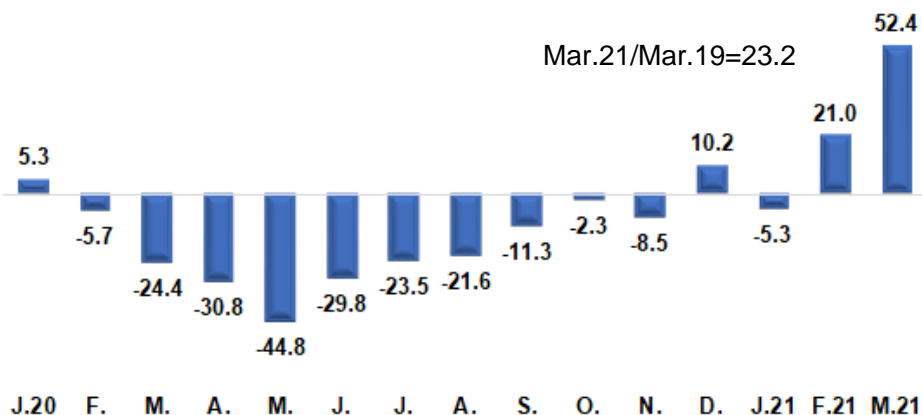
* Data for March 2021 is estimated with preliminary information from cement companies.
Source: Cement companies.



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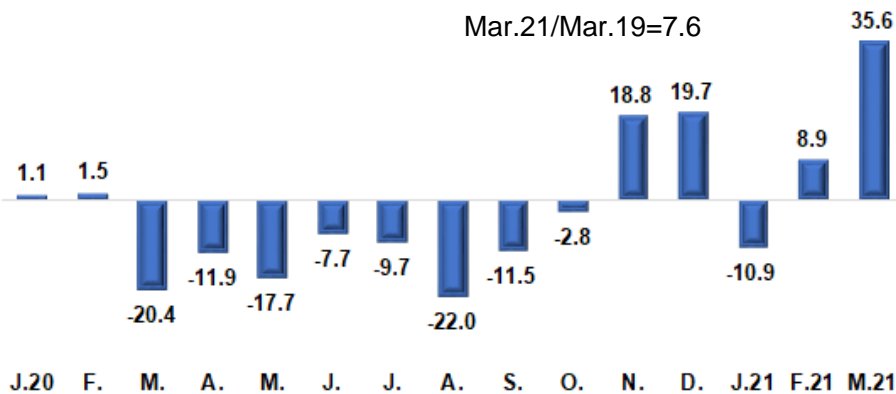
Leading indicators continued to recover in March.

Volume of imports of capital goods without construction materials and without mobile phones
(Annual % change)



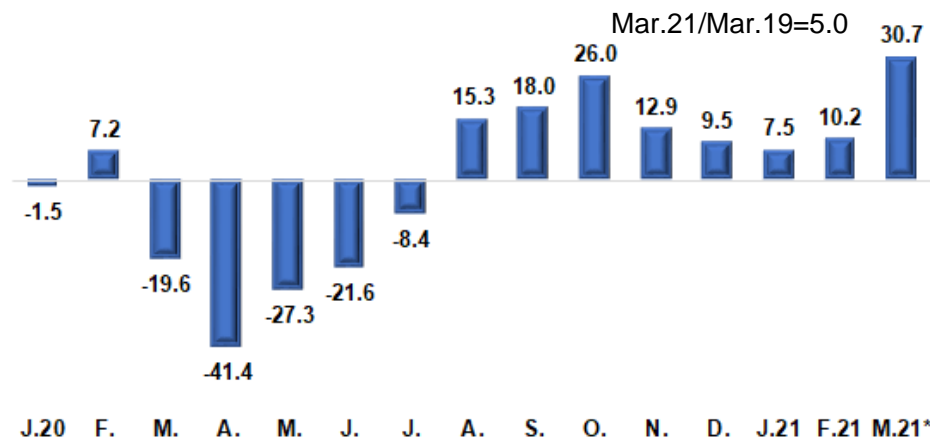
Source: SUNAT.

Volume of Imports of Raw Materials for Industry
(Annual % change)



Source: SUNAT.

Non traditional exports
(Annual % change)

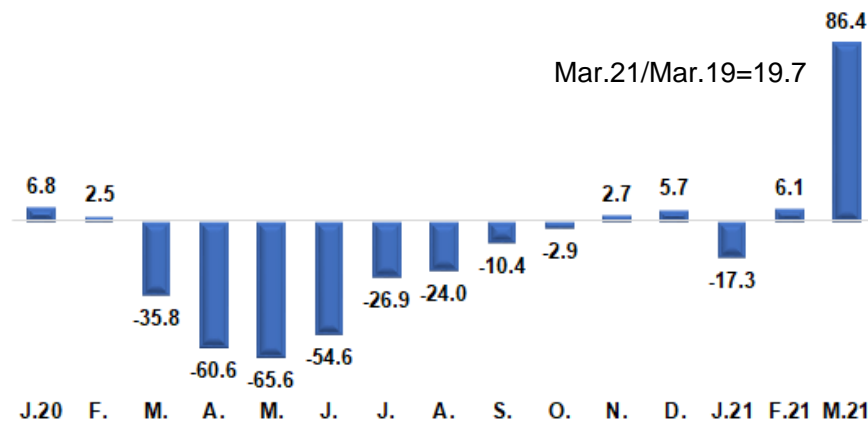


J.20 F. M. A. M. J. J. A. S. O. N. D. J.21 F.21 M.21*

* Preliminary data for March 2021.

Source: SUNAT.

Volume of Imports of Durable Consumer Goods
(Annual % change)



Source: SUNAT.



CENTRAL RESERVE BANK OF PERU

...while most firms' growth expectations are in optimistic territory.

Macroeconomic Expectations: Survey Results

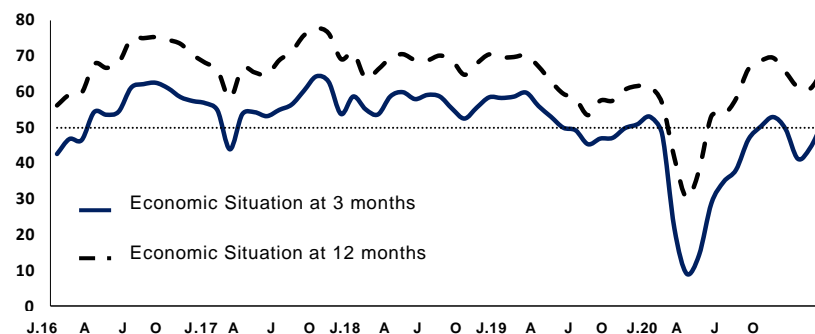
		Dec.2019	Mar.2020	Jan.2021	Feb.2021			Mar.2021			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	41.2	44.2	↑	<	51.2	↑	>	0.63
	IN 12 MONTHS	61.5	41.5	61.1	60.7	↓	>	65.6	↑	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	44.8	47.0	↑	<	53.5	↑	>	0.67
	IN 12 MONTHS	61.5	43.4	61.2	61.1	↓	>	65.7	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	45.5	49.3	↑	<	53.9	↑	>	0.66
	IN 12 MONTHS	66.6	46.4	62.7	65.1	↑	>	67.5	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	48.4	50.5	↑	>	54.4	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	64.3	65.1	↑	>	66.8	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	43.3	46.8	↑	<	48.1	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	52.0	54.7	↑	>	55.3	↑	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{2/}	51.3	29.9	44.3	46.3	↑	<	51.4	↑	>	0.65
	IN 12 MONTHS ^{2/}	59.3	40.0	54.7	56.6	↑	>	61.8	↑	>	0.65
EXPECTATION OF THE AVERAGE PRICE:											
SUPPLIES IN 3 MONTHS		51.5	52.9	59.0	58.8	↓	>	62.0	↑	>	0.63
SALE IN 3 MONTHS		56.4	49.7	57.7	56.9	↓	>	58.7	↑	>	0.59

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.

2/ Correlation with Private Investment since September 2017.

Expectations about the economic situation at 3 and 12 months



Source: BCRP



CENTRAL RESERVE BANK OF PERU

Global economic activity is expected to be more pronounced in next quarters as vaccination process continues around the world and significant stimulus packages are issued in United States.

Global GDP Growth

(Annual % change)

	PPP*	2020	2021 IR Mar	2022 IR Mar
Developed economies	42.5	-4.7	5.2	3.3
Of which				
1. USA	16.0	-3.5	6.5	3.3
2. Europe	12.0	-6.6	4.7	3.8
3. Japan	4.0	-4.8	2.7	2.2
4. United Kingdom	2.3	-9.9	4.5	3.3
5. Canada	1.4	-5.4	4.9	3.8
6. Other	6.8	-4.1	4.6	3.1
Developing economies	57.5	-2.2	6.2	4.5
Of which				
1. China	18.6	2.3	8.4	5.7
2. India	6.7	-8.0	11.0	6.5
3. Russia	3.1	-3.1	3.4	2.7
4. Latin America and the Caribbean	7.3	-6.9	4.1	2.7
5. Other	17.9	-4.0	4.8	4.5
<u>World Economy</u>	<u>100.0</u>	<u>-3.3</u>	<u>5.8</u>	<u>4.0</u>

* in terms of 2020

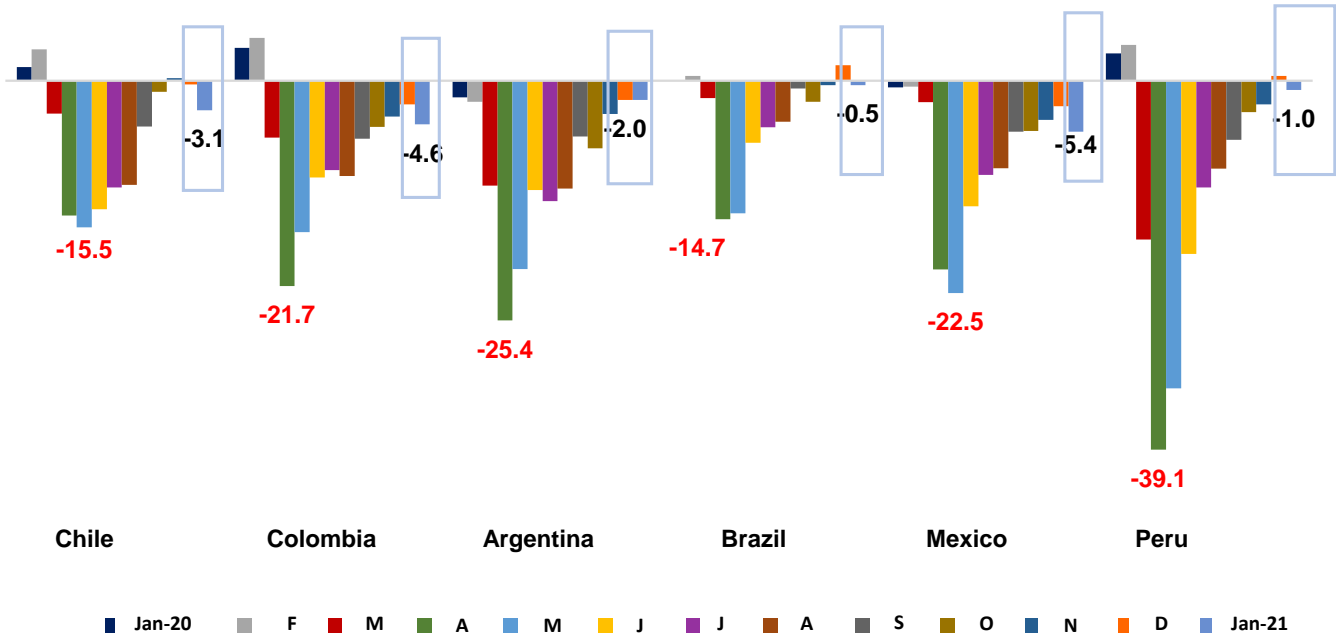
Source: IMF and Consensus Forecast.



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In January, the region's economic activity registered a contraction compared to the level of January 2020. This evolution reflected a deterioration with respect to the annual variation observed in December by the second wave of Covid-19. Thus, after Brazil, Peru is the second country with the lowest contraction.

Indicators of economic activity
(Annual % change)



Activity Index
(Annual % change)

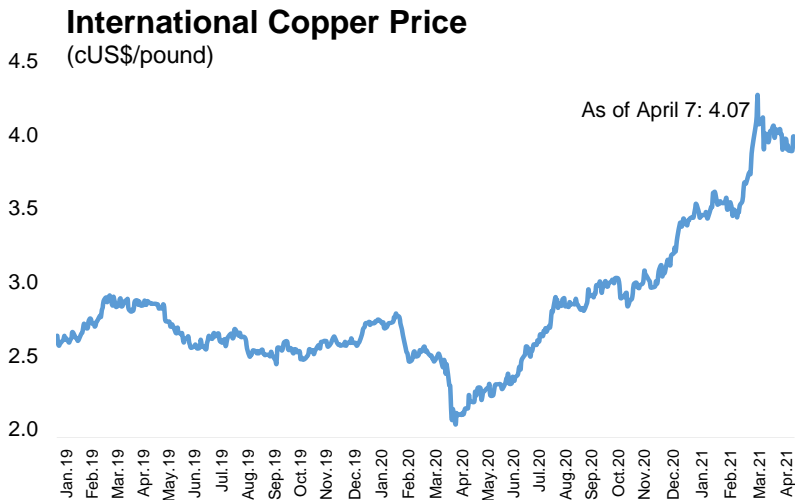
	Dec.	Jan.
Arg.	-2.0	-2.0
Bra.	+1.6	-0.5
Col.	-2.5	-4.6
Chi.	-0.4	-3.1
Per.	+0.5	-1.0
Mex.	-2.7	-5.4

Source: Central Banks and Statistical Institutes.

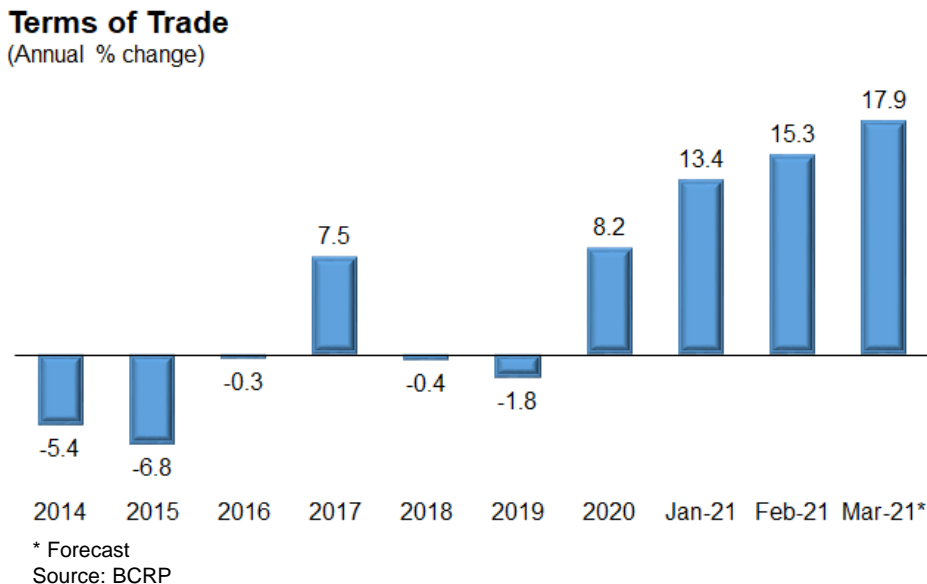


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A strong increase has been observed in the international price of minerals, where copper recorded a value higher than US\$ 4.0 per pound. In this regard, an inter-annual growth rate of the Terms of Trade of 17.9 percent is expected in March.



Source: Reuters





CENTRAL RESERVE BANK OF PERU

The trade balance surplus was US\$ 749 million in February 2021. Exports totaled US\$ 4.21 billion (17.9 percent compared to February 2020), while imports recorded US\$ 3.46 billion (15.9 percent compared to February 2020).

TRADE BALANCE

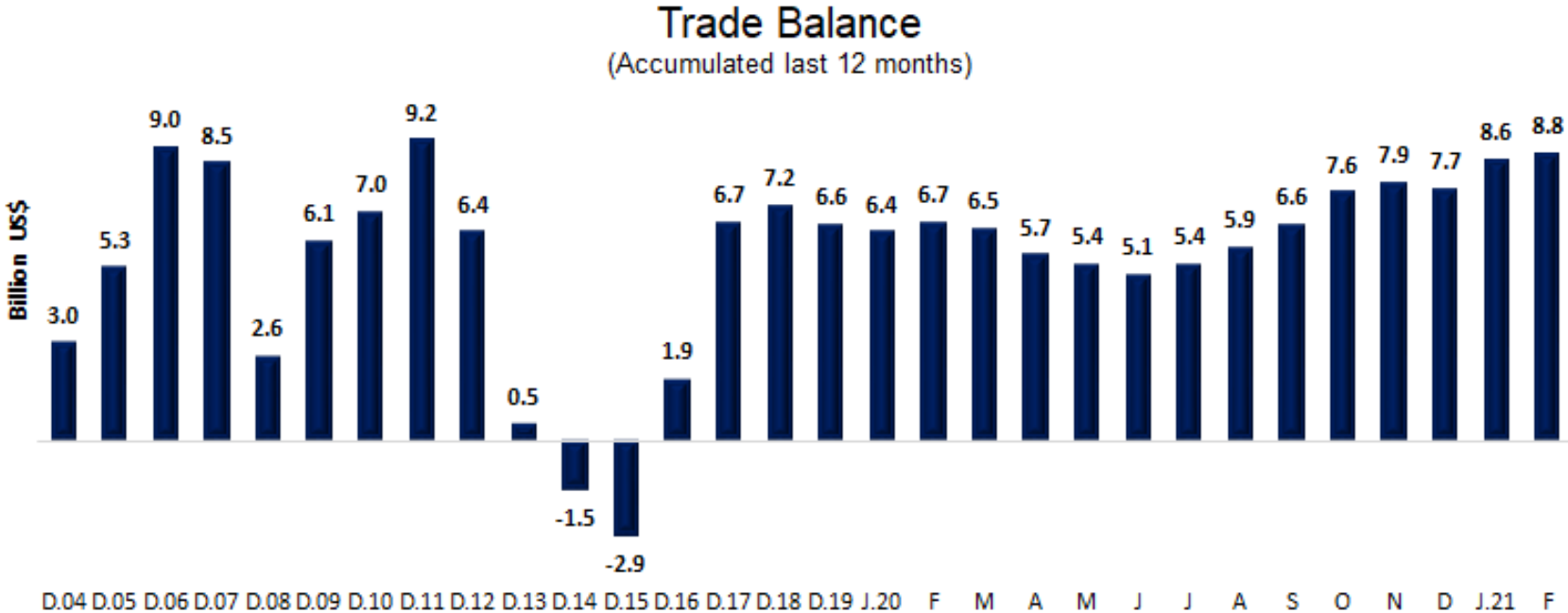
(Million US\$)

	2020	2021		February		January - February			
	Feb. (a)	Jan.	Feb. (b)	(b) - (a)	Annual % change	2020 (i)	2021 (ii)	(ii)-(i)	% Chg.
1. EXPORTS	3,567	4,442	4,207	639	17.9	7,462	8,648	1,187	15.9
Traditional products	2,540	3,129	3,026	486	19.1	5,214	6,156	941	18.1
Non-traditional products	1,014	1,300	1,167	154	15.2	2,221	2,467	246	11.1
Other	13	13	13	0	-3.4	27	26	-1	-3.7
2. IMPORTS	2,984	3,264	3,457	473	15.9	6,585	6,721	136	2.1
Consumer goods	768	676	798	30	3.9	1,576	1,474	-103	-6.5
Raw materials and intermediate goods	1,370	1,550	1,622	252	18.4	3,089	3,172	83	2.7
Capital goods	840	1,028	1,032	192	22.8	1,901	2,060	159	8.4
Other goods	5	9	5	0	2.1	19	15	-4	-20.4
3. TRADE BALANCE	583	1,178	749	166		877	1,927	1,050	

Source: Sunat and BCRP



The trade balance surplus in the last 12 months showed values not recorded in the last 10 years.



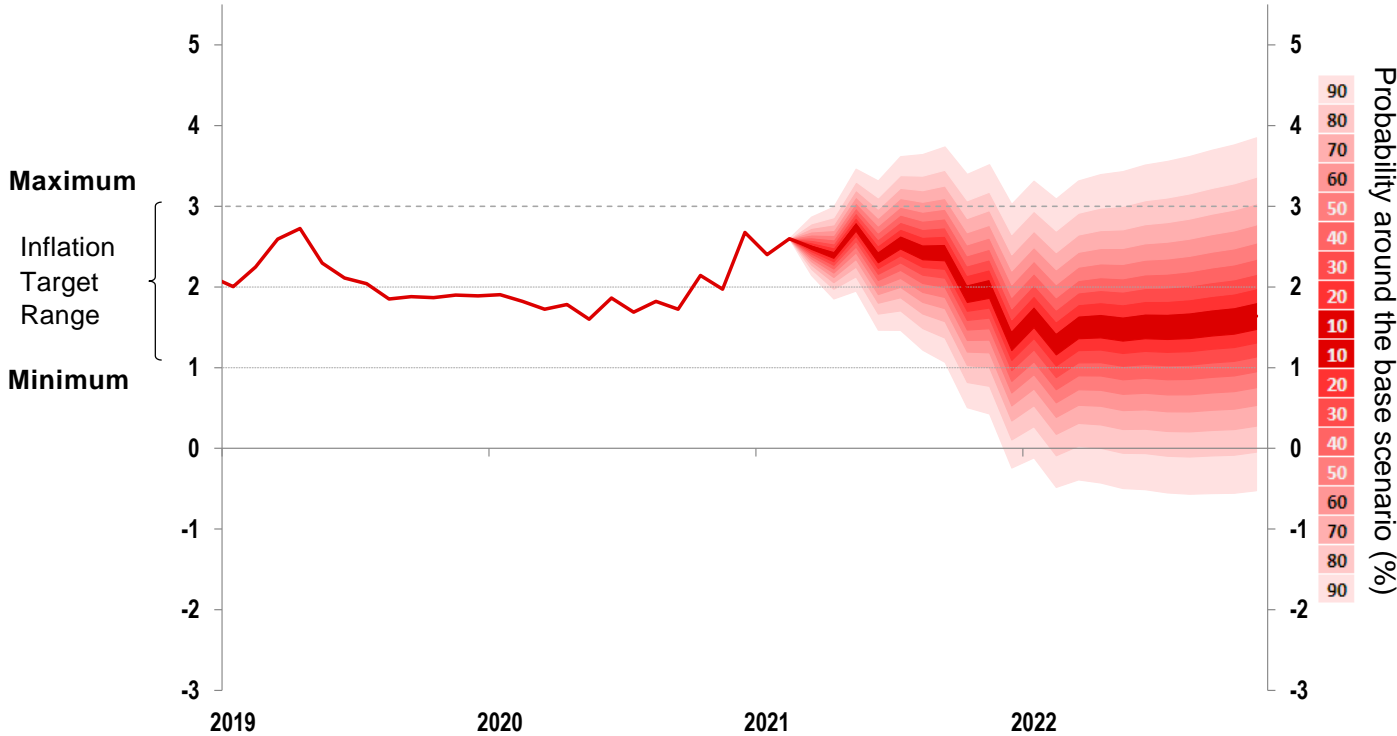
Source: BCRP



Inflation is expected to remain within the target range throughout 2021 and 2022; and to lie at the lower part of the range by the end of 2022, as economic activity will remain below its potential level. 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.

Inflation Forecast: 2021-2022

(Last 12-month % change)



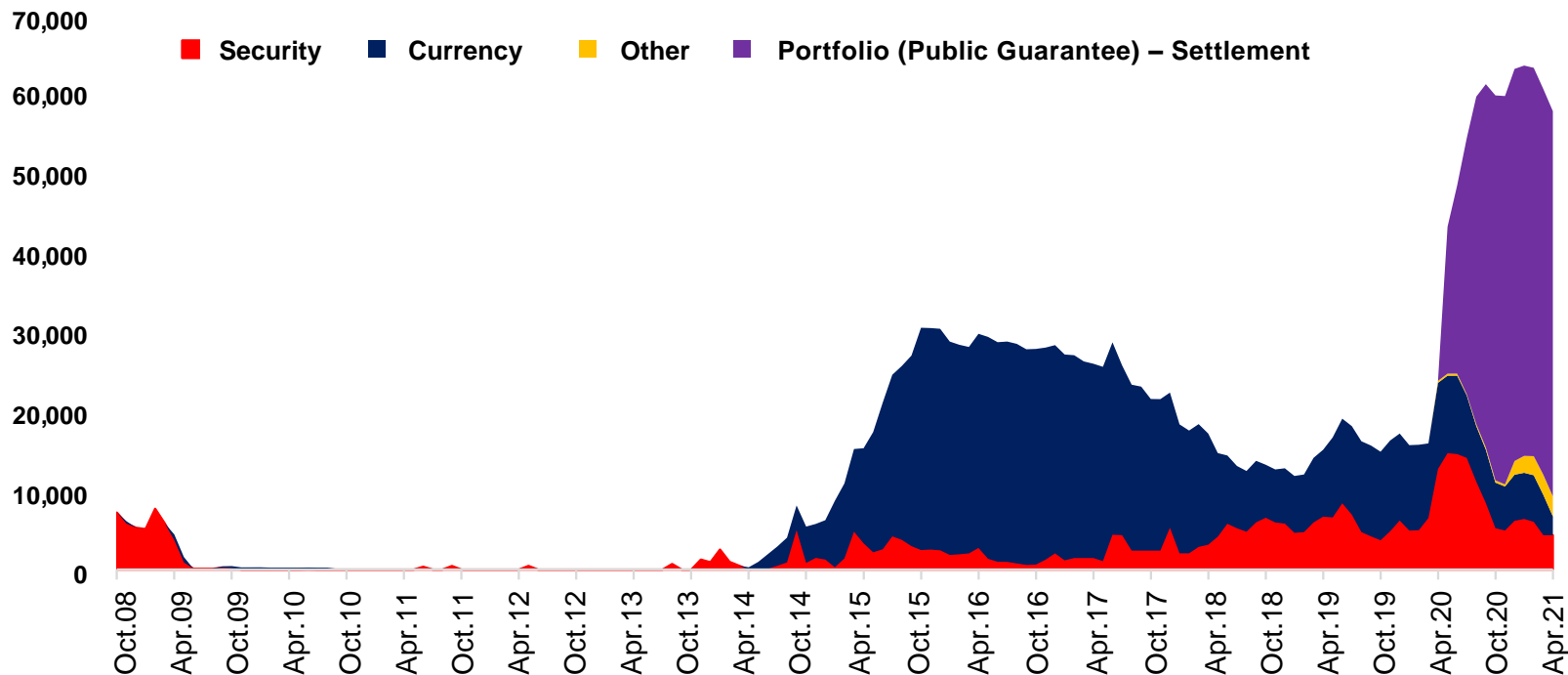
Source: BCRP



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The BCRP will continue to take the necessary steps to sustain the payments system and credit flows, and stands ready to expand monetary stimulus using a range of instruments. As of April 7, BCRP injection operations totaled S/ 58,408 million, of which S/ 49,830 million were associated with government backed repos.

Balance of BCRP Repo Operations* (Million S/)



* As of April 7. The item "Other" includes the purchase of Public Treasury bonds, in line with article 61 of the BCRP's Organic Law, and loan portfolio reporting operations associated with rescheduling.

Source: BCRP.



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Interest rates in soles are at historically low levels.

Interest rate in domestic currency^{1/}

(%)

	Dec.18	Dec.19	Mar.20	Apr.20	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	Historical average ^{2/}
Reference	2.75	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	3.3
TAMN ^{3/}	14.37	14.35	13.7	13.1	12.1	11.9	12.2	11.2	11.2	16.3
90-day corporate prime	4.5	3.3	2.8	1.5	0.7	0.6	0.5	0.6	0.5	4.1
Corporates ^{4/}	4.9	3.8	3.6	4.0	2.5	2.4	2.2	2.2	2.3	5.0
Large companies ^{4/}	6.4	6.0	5.9	5.6	4.6	4.3	4.4	3.9	3.9	6.6
Medium-sized enterprises ^{4/}	9.8	9.3	8.9	8.1	6.1	8.1	8.5	8.0	7.9	9.9
Small business ^{4/}	18.5	18.0	18.1	18.2	17.2	18.6	18.2	18.2	18.1	20.1
Micro business ^{4/}	32.7	31.3	32.6	33.1	30.1	31.9	32.4	32.8	32.3	32.2
Mortgage ^{4/}	7.6	7.0	6.7	6.8	6.4	6.3	6.0	5.9	5.9	8.4
10-year sovereign bond	5.7	4.6	5.3	4.8	3.5	4.4	4.2	5.0	4.8	5.4
TIPMN ^{5/}	2.5	2.3	2.1	1.9	1.0	0.9	0.9	0.9	0.9	2.3

1/ Information as of April 7, 2021.

2/ Average since September 2010.

3/ Annual average lending rate in domestic currency.

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

5/ Annual average deposit rate in domestic currency.

Source: BCRP and SBS.



Long-term interest rates have recovered worldwide due to expectations of global economic growth in the coming quarters.

10-year Sovereign Bond Yield

	End of Period				Accumulated change as of April 8 (bps)	
	Dec.19	Dec.20	Mar.21	As of April 8, 2021	Mar.21	Dec.20
United States	1.92	0.92	1.74	1.62	-12	71
Germany	-0.19	-0.57	-0.29	-0.34	-4	24
France	0.12	-0.34	-0.05	-0.08	-4	26
Italy	1.41	0.54	0.67	0.66	-1	12
Spain	0.46	0.04	0.34	0.33	0	29
Greece	1.43	0.62	0.86	0.82	-4	20
United Kingdom	0.82	0.19	0.84	0.75	-10	56
Japan	-0.02	0.02	0.09	0.09	0	7
Brazil	6.79	6.90	9.28	9.41	13	251
Chile	3.17	2.65	3.49	3.34	-15	69
Colombia	6.34	5.39	6.96	6.52	-45	113
Mexico	6.89	5.53	6.84	6.45	-39	92
Peru	4.64	3.50	4.97	4.74	-23	124

Source: Reuters



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