



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement February 2021

February 12, 2021

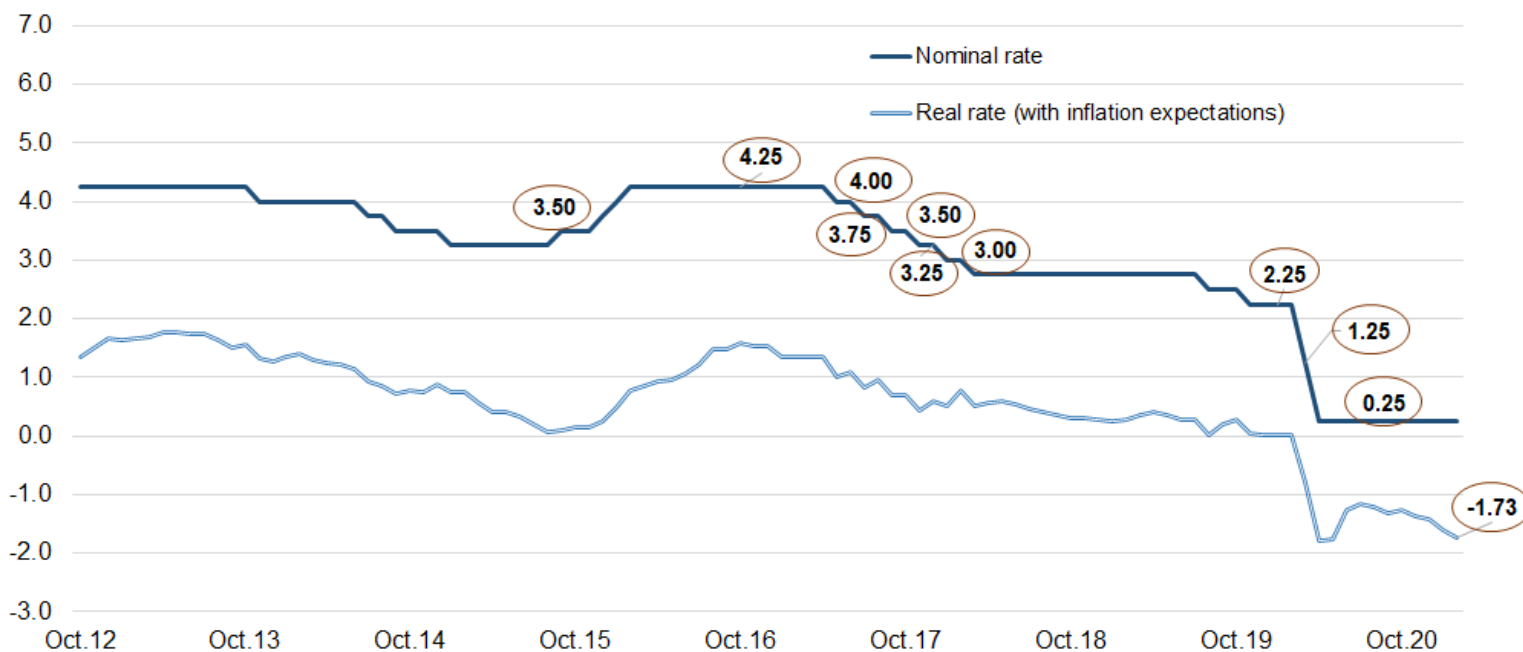


CENTRAL RESERVE BANK OF PERU

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.

Policy interest rate

(%)

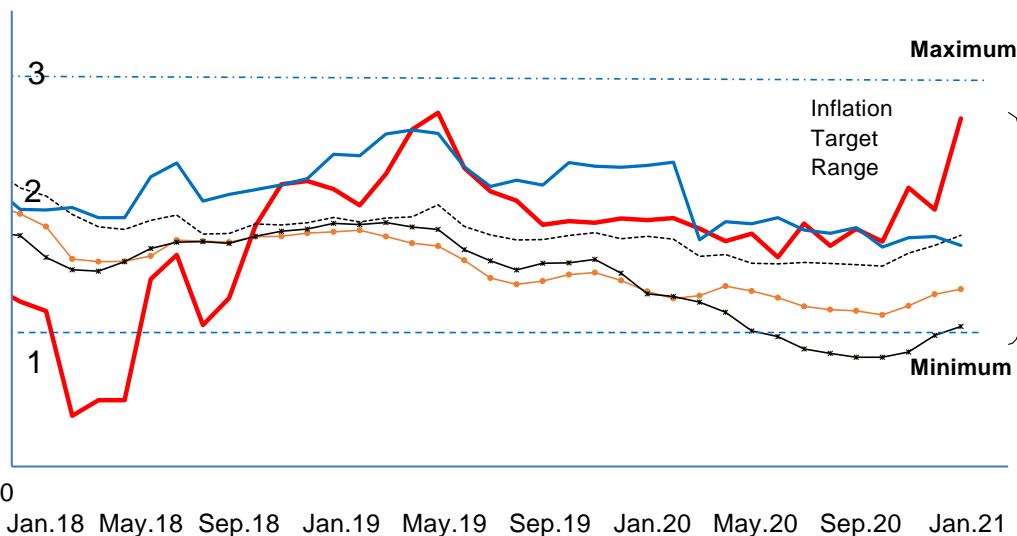


	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Mar.20	Apr.20	Jun.20	Sep.20	Dec.20	Jan.21	Feb.21
(I) Nominal rate	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	2.71	2.90	3.00	2.92	2.79	2.81	2.66	2.48	2.23	2.48	2.21	2.05	2.03	1.52	1.57	1.68	1.85	1.98
(III) Real rate: (I)-(II)	1.54	1.35	1.00	0.83	0.71	0.44	0.59	0.52	0.52	0.02	0.04	-0.80	-1.78	-1.27	-1.32	-1.43	-1.60	-1.73



Year-on-year inflation increased from 2.0 percent in December to 2.7 percent in January due to specific supply factors that led to higher prices of some goods and energy. Trend inflation remains in the lower part of the target range. Thus, year-on-year core inflation was 1.7 percent in January at the center of the target.

INFLATION (Last 12 months % change)



	Annual average	Annual % change	
	2001-2020	Dec.20	Jan.21
CPI	2.56	1.97	2.68
CPI excluding food and energy	2.13	1.76	1.69
Trend indicators			
Bounded mean	2.52	1.31	1.35
Percentile 63	2.45	0.99	1.06
Re-weighted	2.47	1.69	1.77

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.

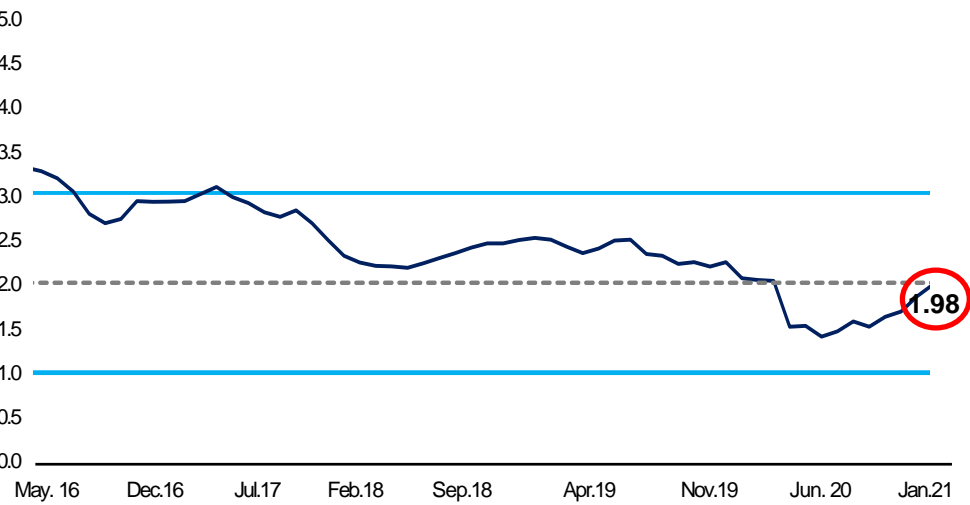
Re-weighted: Reduces the weight of items with greater volatility, considers the original weights of each item between the standard deviation of their monthly percentage changes.

— Inflation
 - - - Re-weighted
 — Bounded Mean
 — Percentil 63
 — Inflation without food and energy



One-year ahead expected inflation was 2.0 percent in January.

1-Year ahead Inflation expectations*
(%)



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

Survey of Macroeconomic Expectations: Inflation (%)

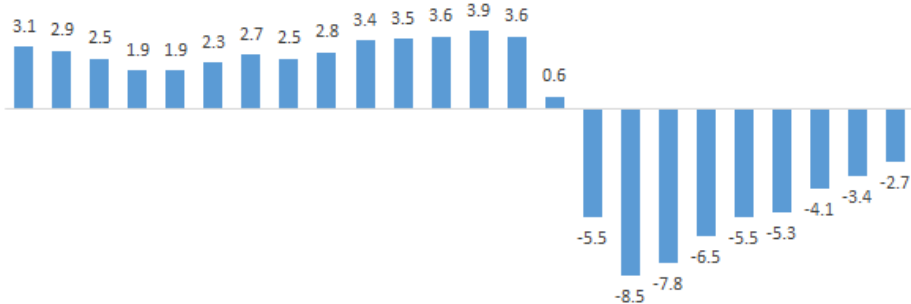
	<u>Survey date:</u>			
	Nov 30.	Dec 31.	Jan 31.	
Economic analysts ¹				
2021	1.90	2.05	2.00	↓
2022	2.00	2.00	2.00	
Financial entities ²				
2021	1.50	1.65	1.95	↑
2022	2.00	2.00	2.00	
Non-financial firms ³				
2021	2.00	2.00	2.00	=
2022	2.00	2.20	2.00	

¹ 22 analysts in November, 16 in December and 14 in January 2021.
² 14 financial entities in November, 16 in December and 16 in January 2021.
³ 315 non financial firms in November, 306 in December and 300 in January 2021.



In December, the labor market and the private consumption continuing their recovering.

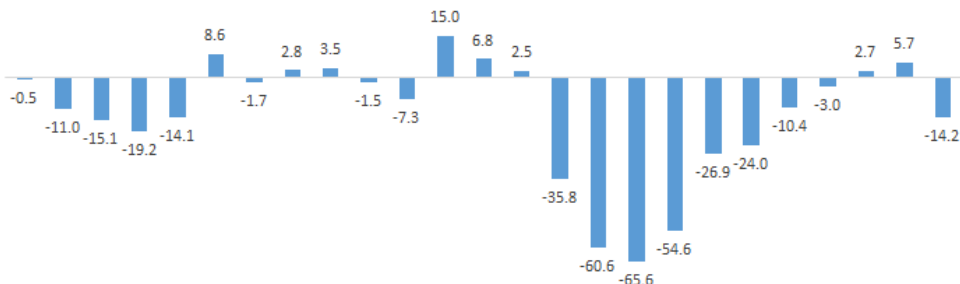
Formal jobs - Electronic Payroll (Annual % change)



J.19 F. M. A. M. J. J. A. S. O. N. D. J.20 F. M. A. M. J. J. A. S. O. N. D.20

Source: SUNAT

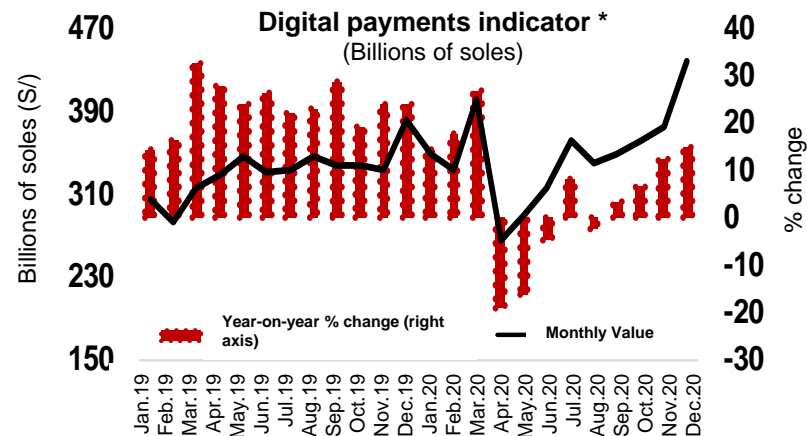
Volume of imports of Durable Consumer Goods (Annual % change)



J.19 F. M. A. M. J. J. A. S. O. N. D. J.20 F. M. A. M. J. J. A. S. O. N. D. J.21*

* Preliminary Data for January 2021

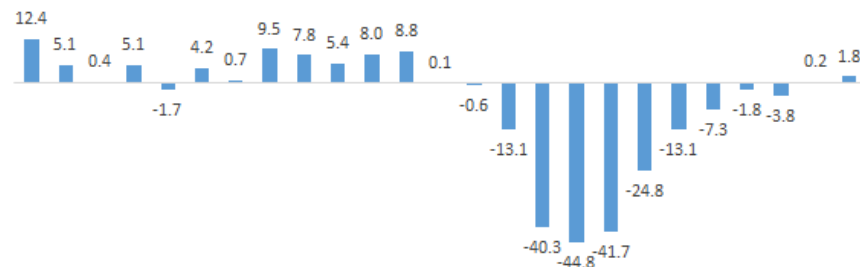
Source: SUNAT.



(*) Includes payments from clients of participants in the LBTR system, electronic transfers in the CCE, intra-bank transfers, debit and credit card payments, direct debits and electronic money.

Source: BCRP.

Domestic value-added tax (Annual real % change)



J.19 F. M. A. M. J. J. A. S. O. N. D. J.20 F. M. A. M. J. J. A. S. O. N. D. J.21

Source: SUNAT



In December, the private formal employment decreased 228 thousand compared to the same month of the previous year, corresponding mainly to the services sector (230 thousand jobs) and commerce sector (31 thousand jobs). On the other hand, the agricultural sector is the only one that registered an increase in formal jobs (14 thousand jobs).

Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	December				Year			
	2019	2020	Change	% change	2019	2020	Change	% change
Total	3,918	3,691	-228	-5.8	3,800	3,565	-235	-6.2
Agriculture and Livestock ^{1/}	540	554	14	2.6	451	481	30	6.7
Fishing	22	22	0	1.2	22	21	-1	-4.6
Mining	108	102	-6	-5.7	108	102	-6	-5.5
Manufacturing	466	454	-11	-2.4	476	441	-35	-7.3
Electricity	16	14	-2	-12.3	15	14	-1	-7.5
Construction	216	216	0	0.2	214	182	-32	-14.9
Commerce	632	600	-31	-4.9	624	592	-32	-5.1
Services	1,886	1,656	-230	-12.2	1,867	1,686	-181	-9.7

1/ Includes processing and preservation of fruits and vegetables.

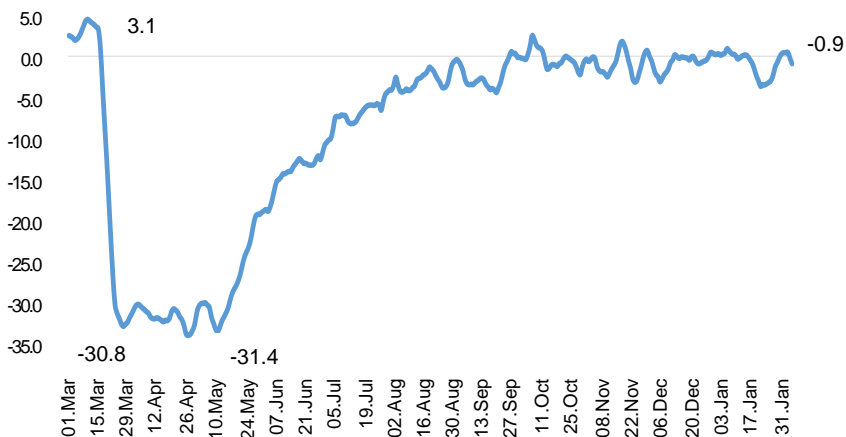
Source: SUNAT.



The recovery of leading indicators moderated in January.

Daily Electricity Production

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

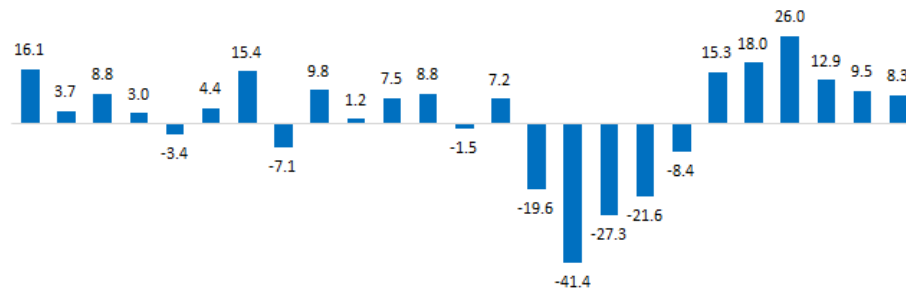


	1-15 Mar.	16-31 Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
% change	2.5	-27.4	-30.0	-25.4	-12.4	-5.9	-2.8	-1.9	-0.4	-0.28	-0.35	-1.2
GWh	155	108	103	109	127	135	138	141	145	147	149	148

Source: COES.

Non traditional exports

(Annual % change)



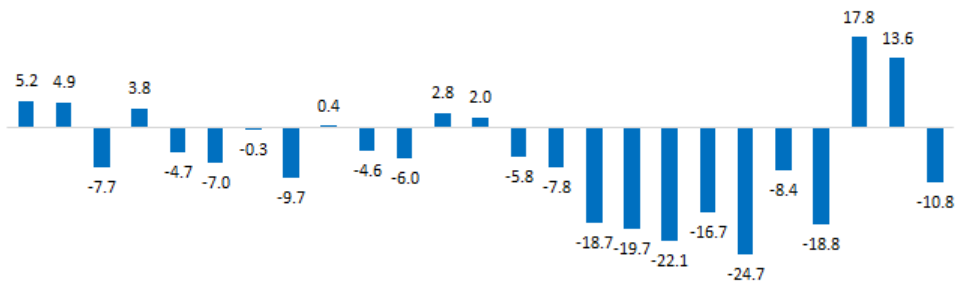
J.19 F. M. A. M. J. J. A. S. O. N. D. J.20 F. M. A. M. J. J. A. S. O. N. D. J.21*

* Preliminary Data for January 2021

Source: SUNAT.

Imports of raw materials and intermediate goods

(Annual % change)



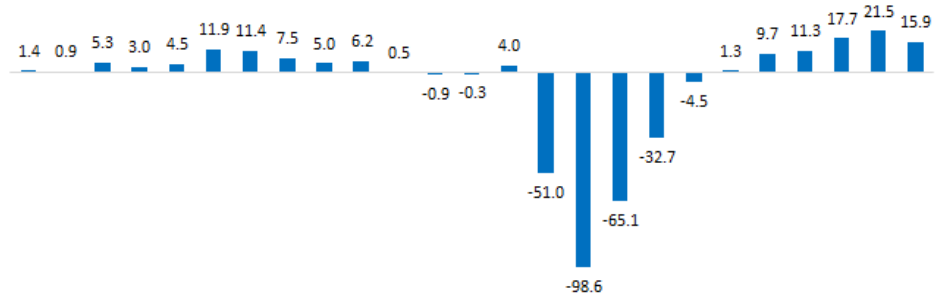
J.19 F. M. A. M. J. J. A. S. O. N. D. J.20 F. M. A. M. J. J. A. S. O. N. D. J.21*

* Preliminary Data for January 2021

Source: SUNAT.

Domestic consumption of cement

(Annual real % change)



J.19 F. M. A. M. J. J. A. S. O. N. D. J.20 F. M. A. M. J. J. A. S. O. N. D. J.21*

* Data for January 2021 is estimated with preliminary information from companies

Source: INEI, cement companies.



Firms' growth expectations deteriorated in January ...

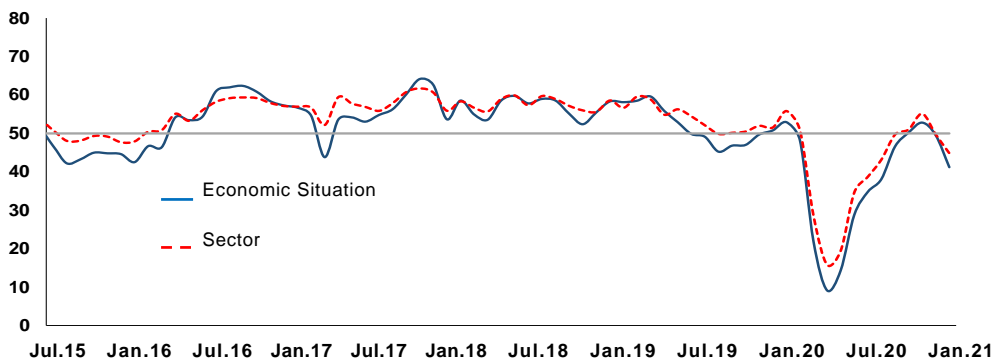
Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Nov.2020	Dec.2020			Jan.2021			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	52.8	49.5	↓	>	41.2	↓	<	0.63
	IN 12 MONTHS	61.5	41.5	69.3	65.4	↓	>	61.1	↓	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	55.1	49.7	↓	>	44.8	↓	<	0.67
	IN 12 MONTHS	61.5	43.4	69.8	64.3	↓	>	61.2	↓	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	55.6	52.8	↓	>	45.5	↓	>	0.66
	IN 12 MONTHS	66.6	46.4	70.6	69.0	↓	>	62.7	↓	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	58.2	53.6	↓	>	48.4	↓	>	0.66
	IN 12 MONTHS	68.0	47.4	71.2	70.3	↓	>	64.3	↓	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	47.6	44.9	↓	<	43.3	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	57.1	53.5	↓	>	52.0	↓	>	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



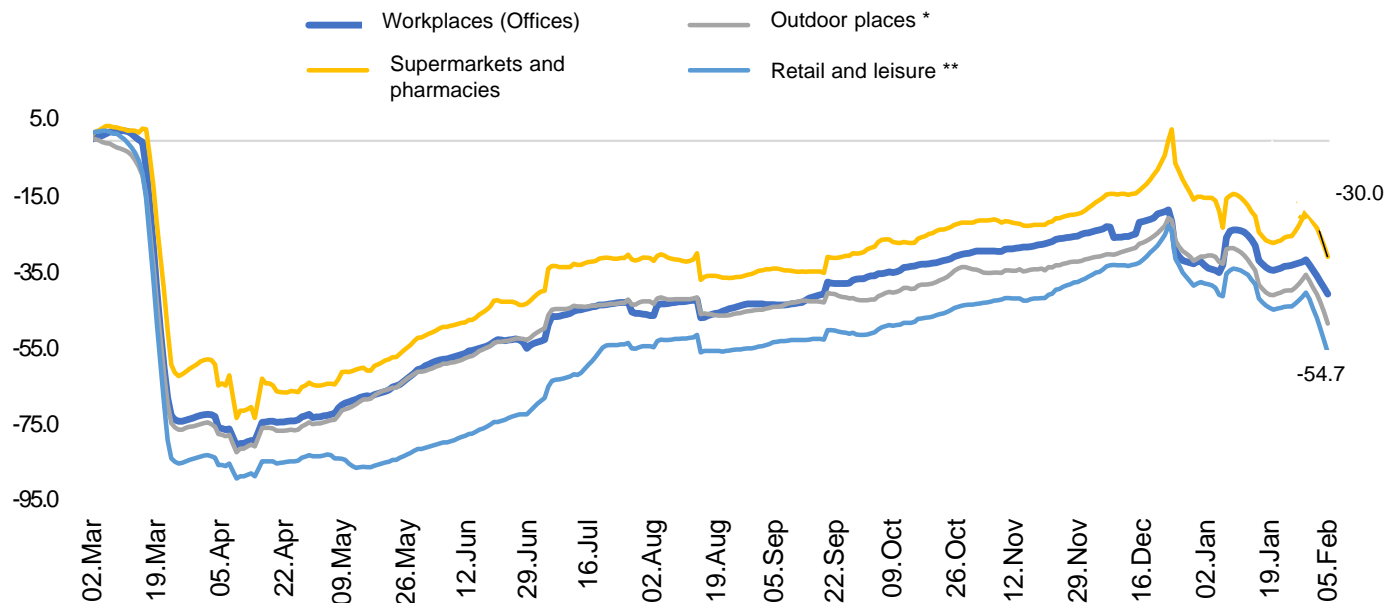
Source: BCRP



... considering the intensified impact of the pandemic on the economy due to the beginning of a second wave of contagions and the new restriction measures.

Changes in mobility

(7-day moving average of % chg. with respect to the reference value^{1/})



	Dec-20	Jan-21	1-5 Feb
Supermarkets and pharmacies	-9.5	-22.0	-30.2
Workplaces (Offices)	-24.7	-30.3	-43.8
Outdoor places*	-26.7	-35.4	-47.4
Retail and leisure**	-30.7	-40.5	-55.8

1/ The reference value is the median of the day corresponding to the 5-week period, between January 3 and February 6, 2020.

* Includes places such as national parks, beaches, squares, and sports centres.

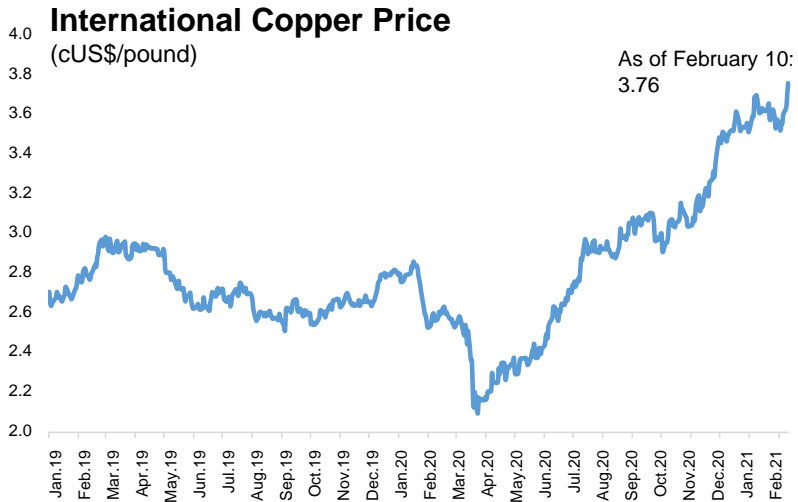
** Includes places like restaurants, coffee shops, shopping malls, museums, libraries and cinemas.

Source: Google Mobility Report

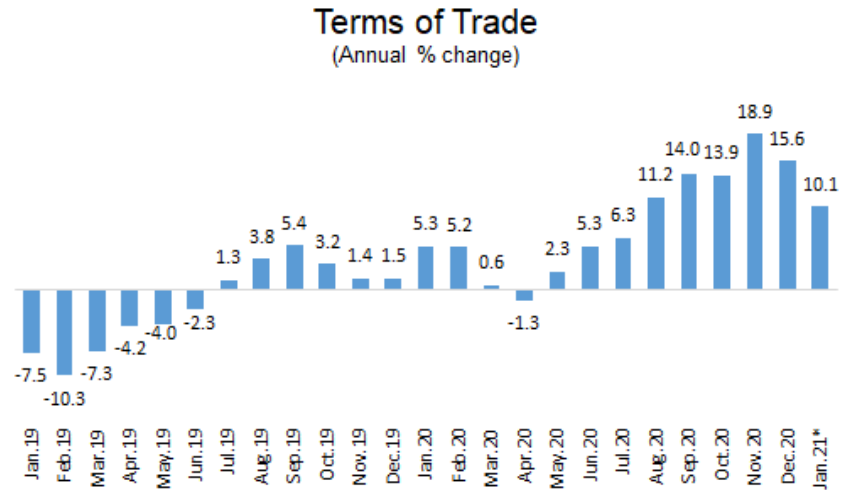


CENTRAL RESERVE BANK OF PERU

Global economic activity has been improving, but at a more moderate pace due to social confinement measures in the face of the new pandemic outbreak. Nevertheless, a strong increase has been observed in the international price of minerals, where copper has reached a value of US\$ 3.76 per pound. In this regard, an inter-annual growth rate of the Terms of Trade of 10.1 percent is expected in January.



Source: Reuters



* Forecast
Source: BCRP



CENTRAL RESERVE BANK OF PERU

Peruvian Sol remained one of the most stable currencies in the region. In addition, the Central Bank intervenes in the foreign exchange market to reduce the volatility of the exchange rate.

Exchange Rate (end of period)

		Dec.19	Dec.20	Jan.21	Feb 11, 21	Accumulated change (%)*		
						Jan.21	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	90.58	90.38	-0.2	0.5	-6.2
Eurozone	US\$ per Euro	1.121	1.221	1.214	1.214	0.0	-0.6	8.3
United Kingdom	US\$ per Pound	1.326	1.367	1.370	1.383	0.9	1.1	4.3
Japan	Yen	108.61	103.24	104.68	104.72	0.0	1.4	-3.6
Brazil	Real	4.019	5.194	5.463	5.364	-1.8	3.3	33.5
Colombia	Peso	3285	3415	3568	3522	-1.3	3.1	7.2
Chile	Peso	752	710	735	722	-1.8	1.7	-4.0
Mexico	Peso	18.93	19.87	20.59	19.93	-3.2	0.3	5.3
Argentina	Peso	59.86	84.08	87.30	88.27	1.1	5.0	47.5
Peru	Sol	3.315	3.620	3.638	3.641	0.1	0.6	9.8
South Africa	Rand	13.99	14.69	15.16	14.63	-3.5	-0.4	4.5
Indian	Rupee	71.35	73.04	72.88	72.71	-0.2	-0.4	1.9
Turkey	Lira	5.948	7.432	7.310	7.016	-4.0	-5.6	18.0
Russia	Ruble	61.92	73.79	75.75	73.57	-2.9	-0.3	18.8
China	Yuan (onshore)	6.962	6.525	6.425	6.454	0.5	-1.1	-7.3
	Yuan (offshore)	6.959	6.976	6.446	6.417	-0.4	-8.0	-7.8
South Korea	Won	1154	1084	1118	1103	-1.3	1.7	-4.4
Indonesia	Rupiah	13880	14040	14020	13970	-0.4	-0.5	0.6
Thailand	Baht	29.76	30.04	29.86	29.85	0.0	-0.6	0.3
Malaysia	Ringgit	4.089	4.020	4.040	4.041	0.0	0.5	-1.2
Philippines	Peso	50.65	48.01	48.06	48.02	-0.1	0.0	-5.2

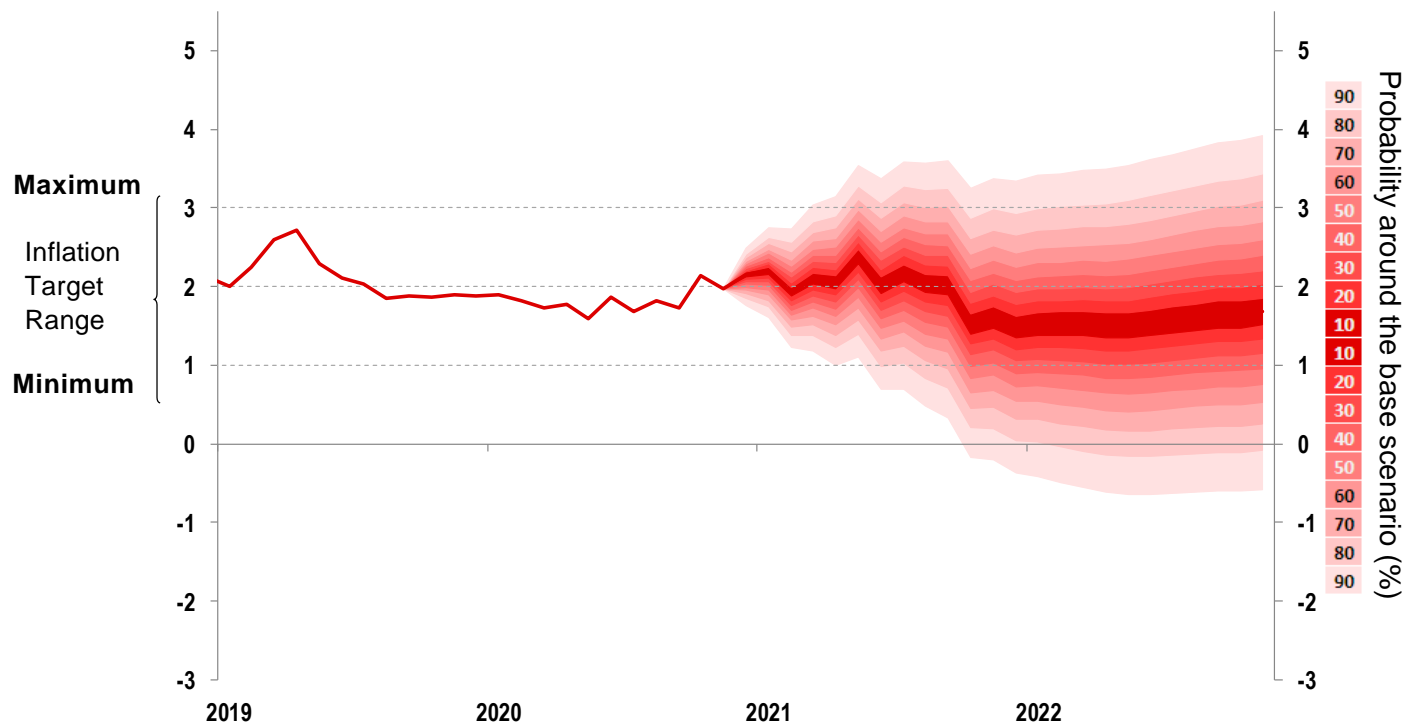
* An increase in the index implies an appreciation of the dollar, except in the euro and the pound.

Source: Reuters



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 the year, as economic activity will remain below its potential level over the forecast horizon (2021-2022). 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)

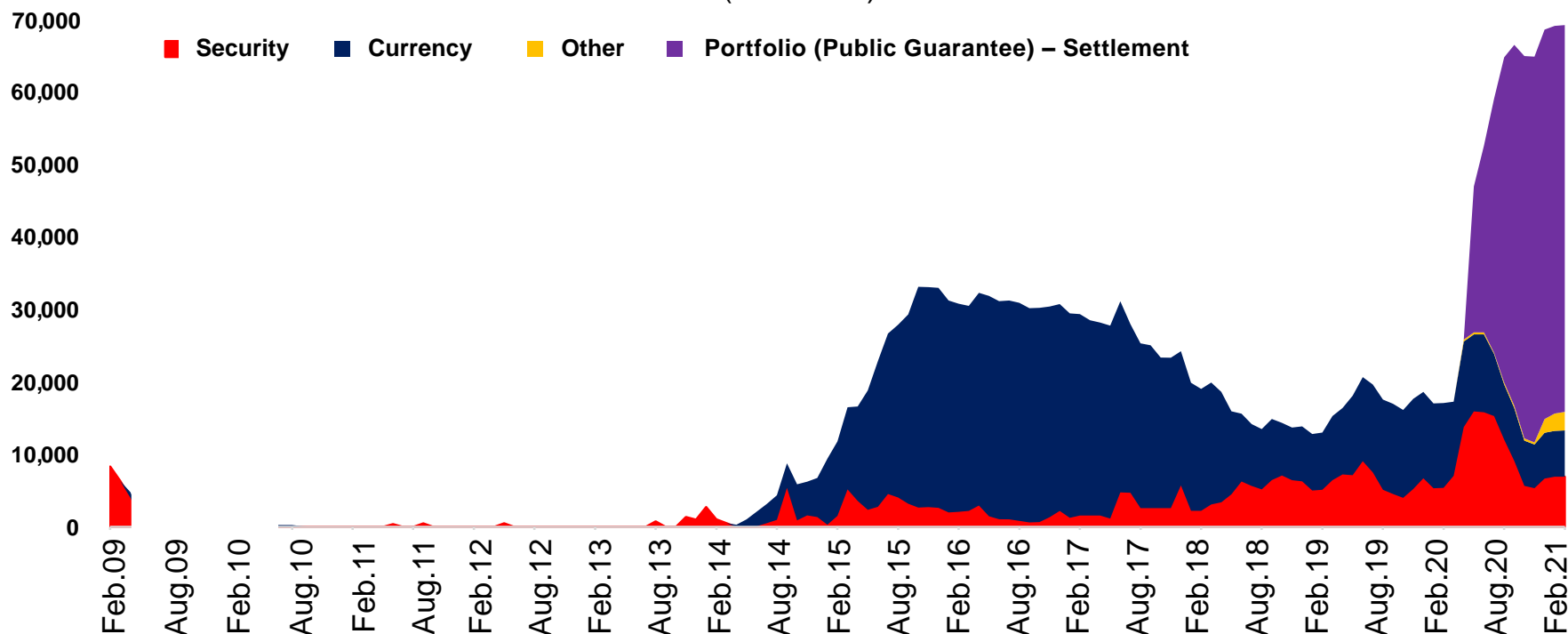




CENTRAL RESERVE BANK OF PERU

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 February 11, BCRP injection operations totaled S/ 64,545 million, of which S/ 50,348 million were associated with government backed repos, S/ 1,092 million with repos conditioned to credits rescheduling, and S/ 245 million with repos conditioned to the expansion of long-term credit.

Balance of BCRP Repo Operations* (Million S/)

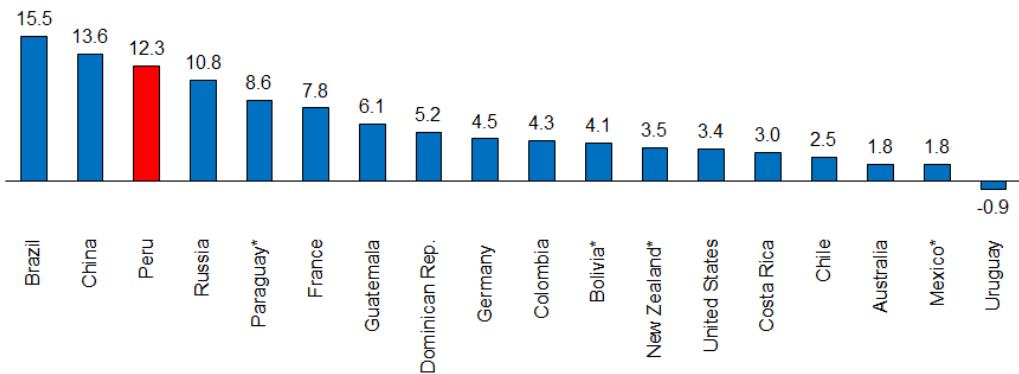


* Information as of February 11, 2021.

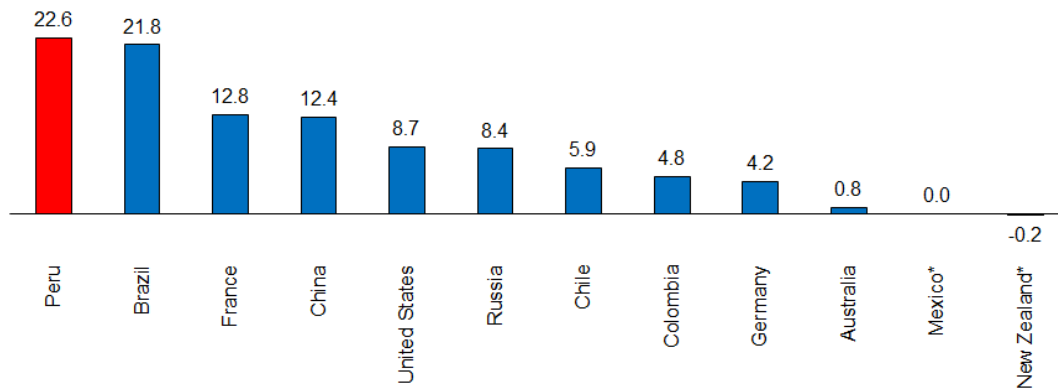


In this context, credit to the private sector grew 12.3 percent in 2020.

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



Loans to Business: 2020
(Annual % change)



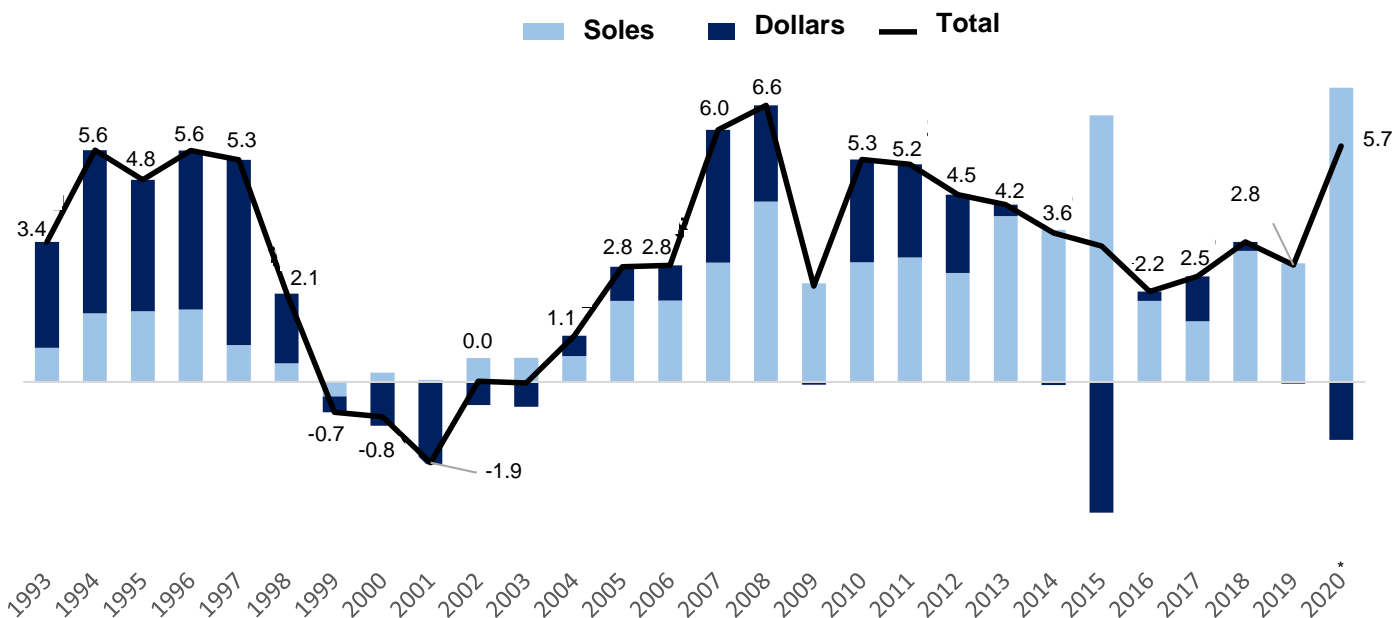
*/ Information as of November, 2020
Source: Central Banks.



CENTRAL RESERVE BANK OF PERU

The greater dynamism of credits is reflected in the high ratio of credit flows to GDP, which changed from 2.8 percent in 2019 to 5.7 percent in 2020, with a greater share of credits in soles as a result of the Reactiva Peru Program implementation.

Credit Flow (% GDP)



Annual Flow (Million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Domestic currency (S/)	4,752	5,584	9,141	15,419	8,658	12,055	14,053	13,288	21,742	20,950	38,975	12,762	10,127	23,287	21,926	50,039
Foreign currency (US\$)	2,008	2,422	10,199	8,218	-253	10,395	10,534	9,570	1,462	-440	-19,131	1,419	7,523	1,574	-343	-9,883

Ratio (% GDP)

Domestic currency	1.9	2.0	2.9	4.3	2.4	2.9	3.0	2.6	4.0	3.6	6.4	1.9	1.5	3.1	2.8	7.1
Foreign currency	0.8	0.8	3.2	2.3	-0.1	2.5	2.2	1.9	0.3	-0.1	-3.1	0.2	1.1	0.2	0.0	-1.4

* Preliminary Data for 2020

Source: Balance of entities of the Financial System, COFIDE, INEI and BCRP



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	Historical average ^{2/}
Reference	2.75	2.25	1.25	0.25	0.25	0.25	0.25	3.3
TAMN ^{3/}	14.37	14.35	13.7	13.1	12.1	11.9	11.8	16.2
90-day corporate prime	4.5	3.3	2.8	1.5	0.7	0.6	0.7	4.2
Corporates ^{4/}	4.9	3.8	3.6	4.0	2.5	2.4	2.4	5.1
Large companies ^{4/}	6.4	6.0	5.9	5.6	4.6	4.3	4.4	6.7
Medium-sized enterprises ^{4/}	9.8	9.3	8.9	8.1	6.1	8.1	8.7	9.9
Small business ^{4/}	18.5	18.0	18.1	18.2	17.2	18.6	18.6	20.2
Micro business ^{4/}	32.7	31.3	32.6	33.1	30.1	31.9	32.1	32.2
Consumer ^{4/}	44.9	40.9	39.3	41.4	39.5	39.8	39.1	41.5
Mortgage ^{4/}	7.6	7.0	6.7	6.8	6.4	6.3	6.2	8.5
10-year sovereign bond	5.6	4.6	5.3	4.8	3.5	3.7	3.7	5.4
TIPMN ^{5/}	2.5	2.3	2.1	1.9	1.0	0.9	0.9	2.3

1/ Information as of February 10, 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.



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