



**CENTRAL RESERVE BANK OF PERU**

# **Monetary Policy Statement**

## **January 2021**

**January 15, 2021**

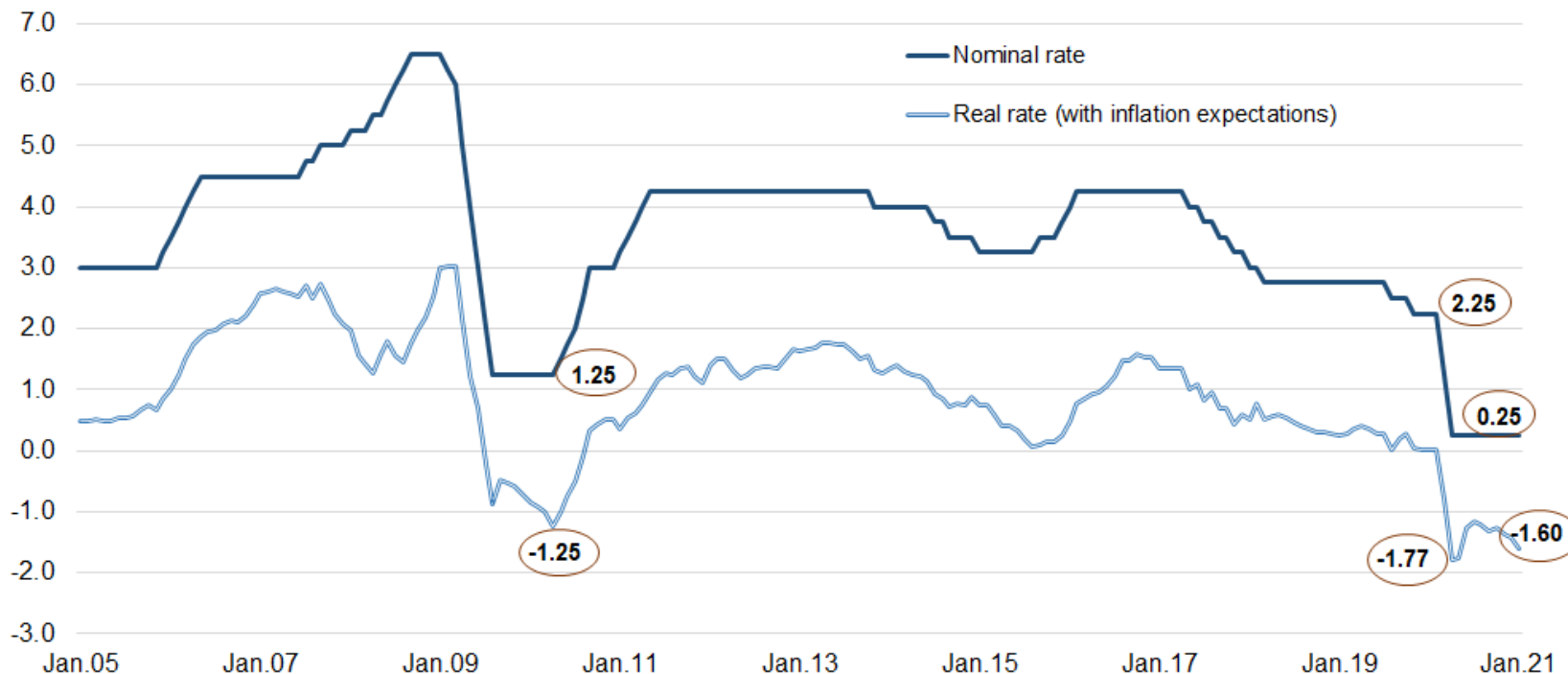


# CENTRAL RESERVE BANK OF PERU

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

(%)

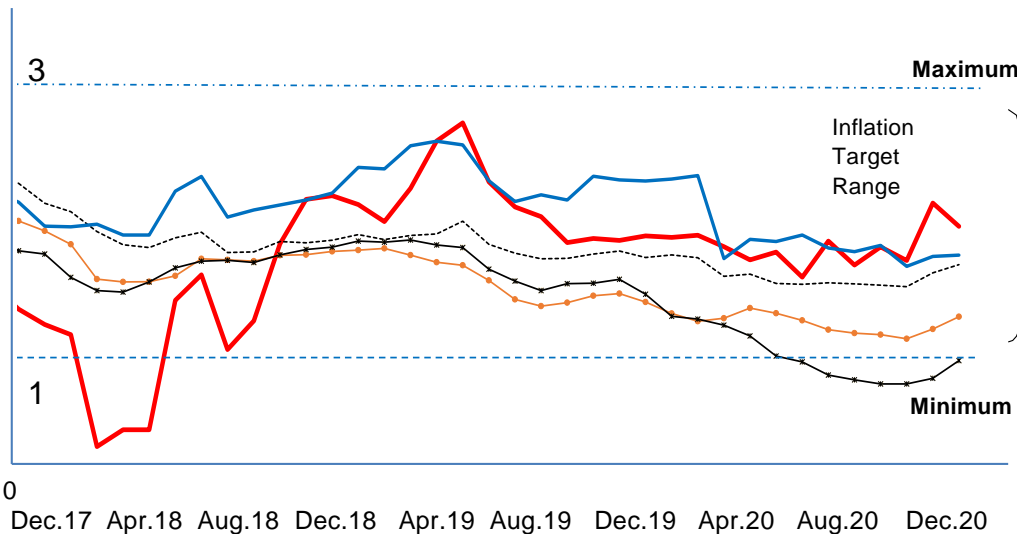


	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Mar.20	Apr.20	Jun.20	Sep.20	Dec.20	Jan.21
<b>(I) Nominal rate</b>	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	1.25	0.25	0.25	0.25	0.25	0.25
<b>(II) Inflation expectations</b>	2.71	2.90	3.00	2.92	2.79	2.81	2.66	2.48	2.23	2.48	2.21	2.05	2.03	1.52	1.57	1.68	1.85
<b>(III) Real rate: (I)-(II)</b>	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



Year-on-year inflation decreased from 2.1 percent in November to 2.0 percent in December due to lower food prices. Trend inflation remains in the lower part of the target range. Year-on-year core inflation was 1.76 percent in December.

## INFLATION (Last 12 months % change)



	Annual average	Annual % change	
	2001-2020	Nov.20	Dec.20
CPI	2.56	2.14	1.97
CPI excluding food and energy	2.13	1.75	1.76
<b>Trend indicators</b>			
Bounded mean	2.52	1.22	1.31
Percentile 63	2.45	0.86	0.99
Re-weighted	2.47	1.63	1.69

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.

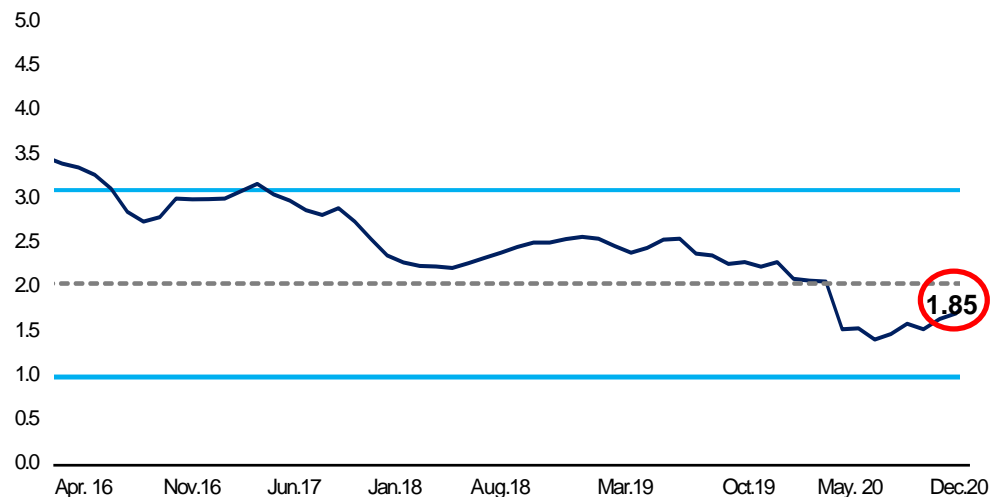
Re-weighted: Reduces the weight of items with greater volatility, considers the original weights of each item between the standard deviation of their monthly percentage changes.

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



One-year ahead expected inflation was 1.85 percent in December.

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



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

## Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:			
	Oct 31.	Nov 30.	Dec 31.	
<b>Economic analysts <sup>1</sup></b>				
2021	2.00	1.90	2.05	↑
2022	2.10	2.00	2.00	
<b>Financial entities <sup>2</sup></b>				
2021	1.35	1.50	1.65	↑
2022	1.95	2.00	2.00	
<b>Non-financial firms <sup>3</sup></b>				
2021	2.00	2.00	2.00	=
2022	2.07	2.00	2.20	

<sup>1</sup> 19 analysts in October, 22 in November and 16 in December 2020.

<sup>2</sup> 14 financial entities in October, 14 in November and 16 in December 2020.

<sup>3</sup> 319 non financial firms in October, 315 in November and 306 in December 2020.



GDP decreased 2.8 percent in November, continuing its recovery trend. Also, it is worth highlighting the positive results of construction and agriculture sectors and the moderation of the fall in trade and services sectors.

## Gross Domestic Product

(Annual % change)

	Estructure	2020	
	2019 <sup>1/</sup>	Nov.	Jan.-Nov.
<b>Primary GDP</b>	<b>22.1</b>	<b>-3.7</b>	<b>-8.9</b>
Agriculture and Livestock	5.6	1.3	1.0
Fishing	0.4	-0.7	-6.4
Mining	11.0	-3.1	-14.6
Fuel	1.9	-13.9	-11.1
Primary industries	3.3	-6.8	-5.6
<b>Non-primary GDP</b>	<b>77.9</b>	<b>-2.6</b>	<b>-13.4</b>
Non-primary industries	9.1	-3.1	-18.7
Electricity and water	1.9	-0.3	-6.7
Construction	5.8	17.3	-19.8
Commerce	10.8	-2.5	-17.4
Services	50.3	-5.0	-11.1
<b>Gross Domestic Product</b>	<b><u>100.0</u></b>	<b><u>-2.8</u></b>	<b><u>-12.4</u></b>

1/ Weighting from 2019 to prices 2007

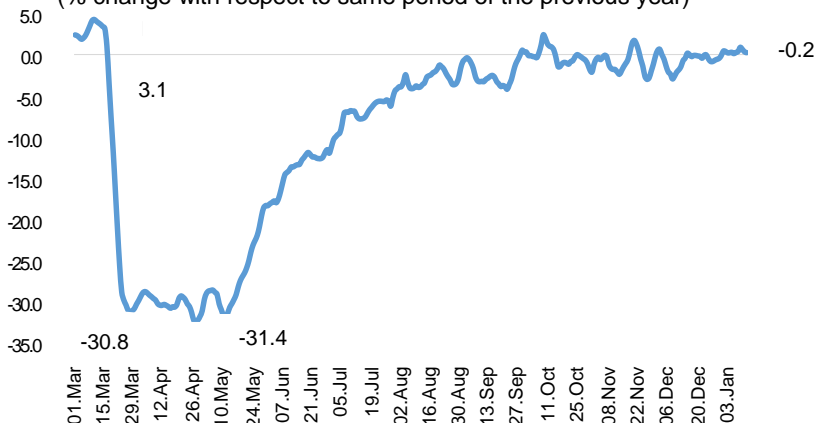
Source: INEI and BCRP



Leading indicators continued to improve in December at a higher than expected rate, although they remain below the levels recorded at the end of 2019.

## Daily Electricity Production

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

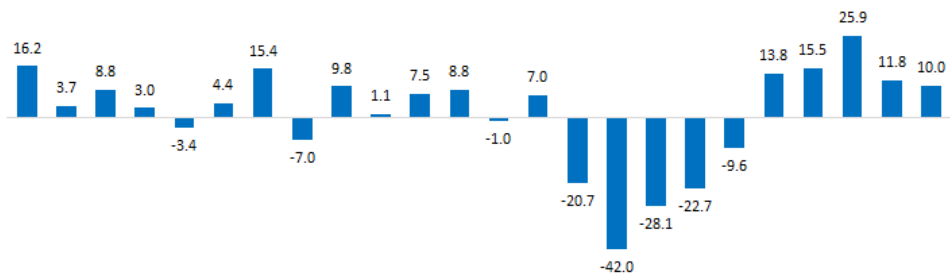


	1-15 Mar.	16-31 Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
% change	2.5	-27.4	-30.0	-25.4	-12.4	-5.9	-2.8	-1.9	-0.4	-0.3	-0.4
GWh	155	108	103	109	127	135	138	141	145	147	149

Source: COES.

## Non traditional exports

(Annual % change)

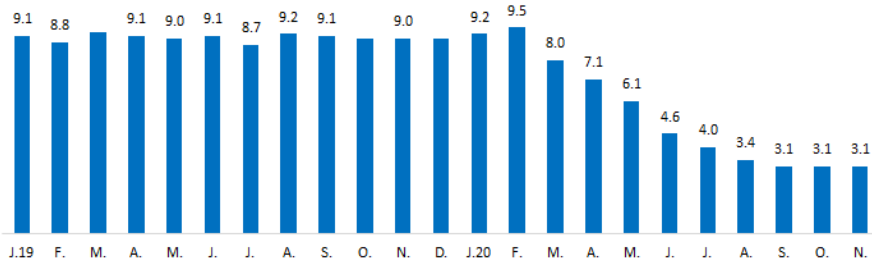


\* Preliminary Data for December 2020

Source: SUNAT.

## Mortgage credit

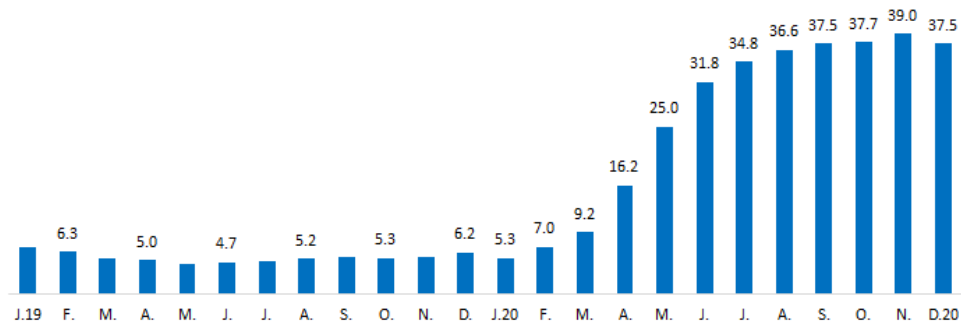
(Annual % change)



Source: Balance of entities of the Financial System

## Nominal average currency

(Annual real % change)

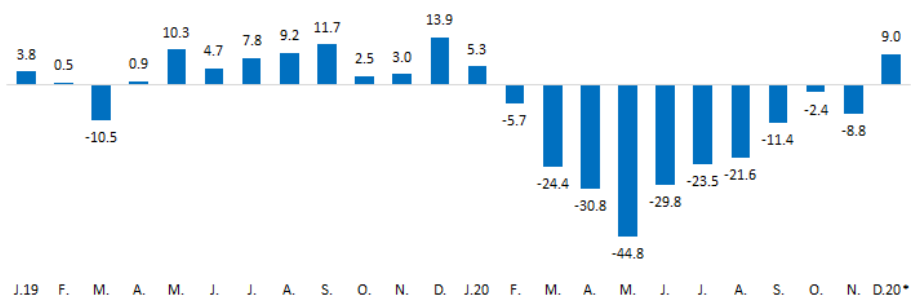


Source: Balance of entities of the Financial System



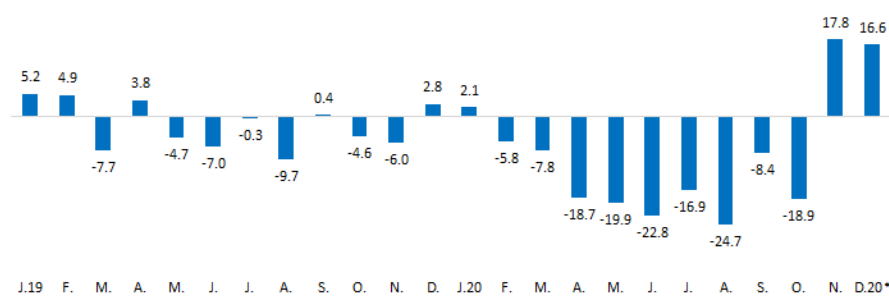
## Investment recorded a significant recovery.

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



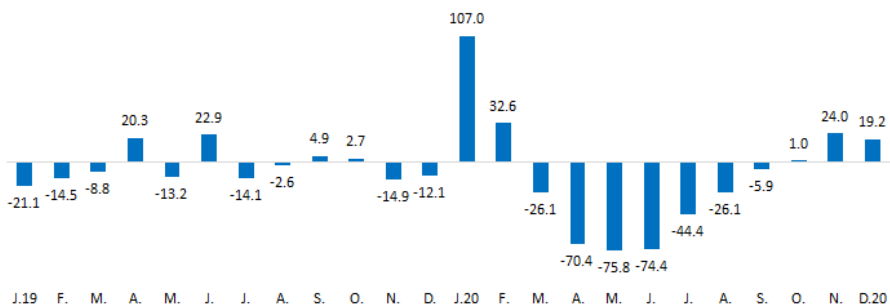
\* Preliminary Data for December 2020  
Source: SUNAT.

Imports of raw materials and intermediate goods  
(Annual % change)



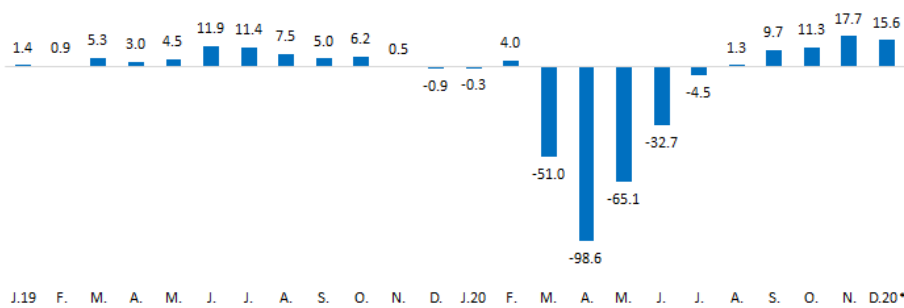
\* Preliminary Data for December 2020  
Source: SUNAT.

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



Source: MEF.

Domestic consumption of cement  
(Annual real % change)

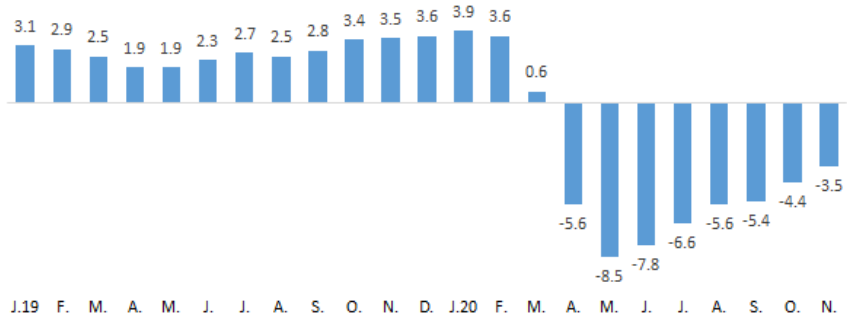


\* Data for December 2020 is estimated with preliminary information from companies  
Source: INEI, cement companies.



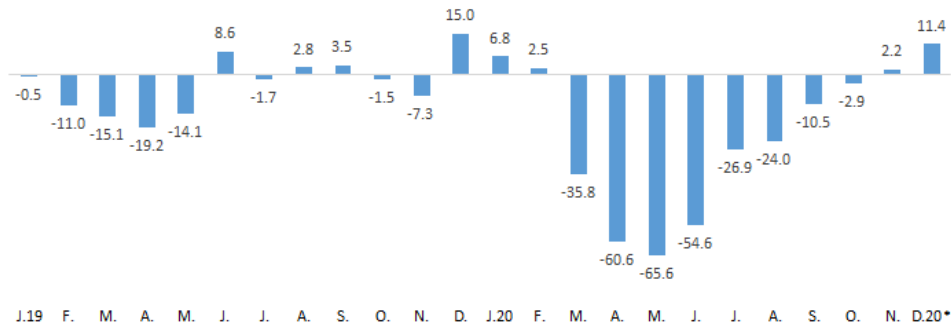
## Labor market and private consumption have been recovering.

**Formal jobs - Electronic Payroll**  
(Annual % change)



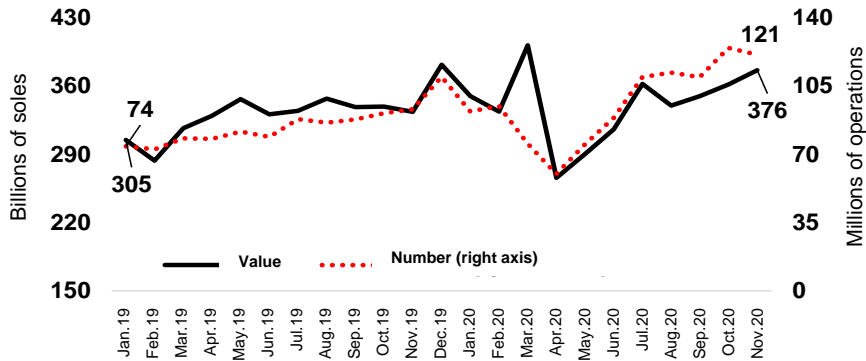
Source: SUNAT.

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



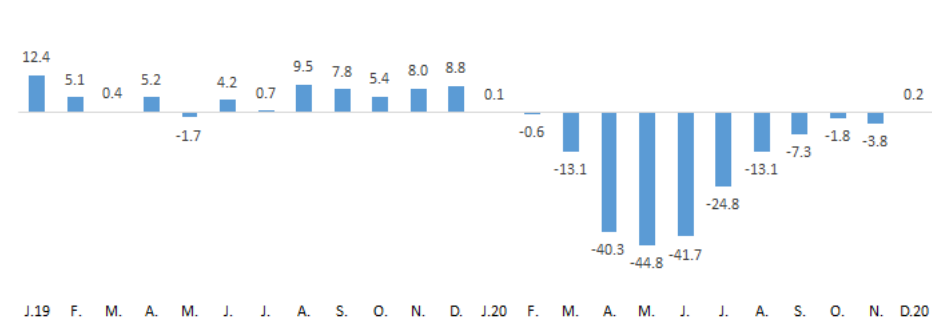
\* Preliminary Data for December 2020  
Source: SUNAT.

**Digital payments indicator \***  
(Billions of soles / Millions of operations)



(\* ) 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)



Source: SUNAT.





Private formal employment in November continued to recover, registering a contraction of 6.1 percent (-9.2 percent in the third quarter). The number of formal jobs in the private sector rose from 3,434 thousand in the third quarter to 3,688 thousand in November.

## Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	November				Third Quarter			
	2019	2020	Change	% change	2019	2020	Change	% change
<b>Total</b>	<b>3,928</b>	<b>3,688</b>	<b>-240</b>	<b>-6.1</b>	<b>3,783</b>	<b>3,434</b>	<b>-349</b>	<b>-9.2</b>
Agriculture and Livestock <sup>1/</sup>	526	601	75	14.2	420	481	60	14.3
Fishing	20	20	0	-0.9	19	18	-1	-5.5
Mining	108	103	-4	-4.1	108	97	-11	-10.3
Manufacturing	471	435	-36	-7.7	473	424	-48	-10.2
Electricity	16	14	-2	-12.3	15	13	-2	-12.3
Construction	227	218	-9	-3.8	223	172	-51	-23.0
Commerce	625	585	-39	-6.3	619	569	-50	-8.1
Services	1,903	1,647	-256	-13.4	1,881	1,616	-266	-14.1

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT.



The number of formal jobs registered a contraction rate of -3.5 percent in November, lower than that observed in the third quarter (-5.8 percent).

## Formal jobs - Electronic Payroll

(Thousands of positions)

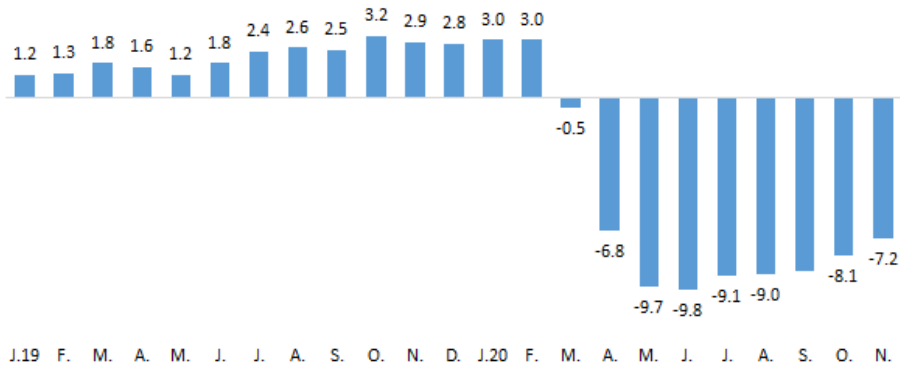
	November				Third Quarter			
	2019	2020	Change	% change	2019	2020	Change	% change
<b>Total</b>	<b>5,454</b>	<b>5,265</b>	<b>-189</b>	<b>-3.5</b>	<b>5,273</b>	<b>4,965</b>	<b>-308</b>	<b>-5.8</b>
Lima	3,225	2,992	-233	-7.2	3,195	2,906	-289	-9.0
Rest of Peru	2,180	2,195	15	0.7	2,037	2,001	-35	-1.7

1 / The sum of employment by area does not give the total due to the number of jobs that cannot be classified (1.1 percent of the total).

Source: SUNAT.

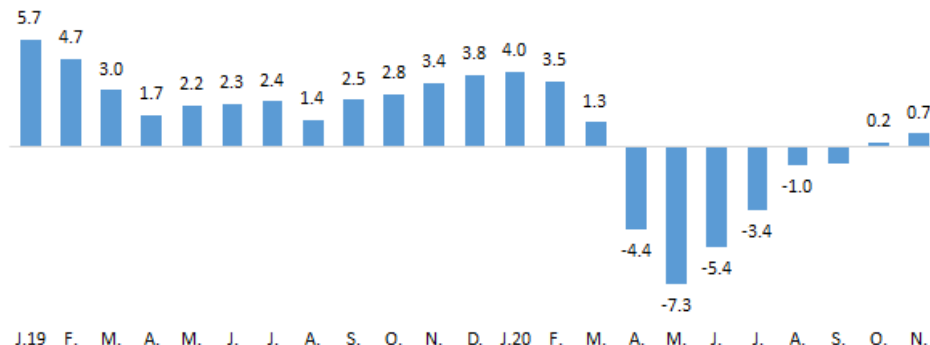
## Formal jobs in Lima - Electronic Payroll

(Annual % change)



## Formal jobs in Rest of Peru - Electronic Payroll

(Annual % change)



Formal jobs	N.19	D.	J.20	F.	M.	A.	M.	J.	J.	A.	S.	O.	N.
Lima (Thousands)	3,225	3,220	3,161	3,160	3,277	3,036	2,864	2,850	2,890	2,904	2,925	2,966	2,992

Source: SUNAT

Formal jobs	N.19	D.	J.20	F.	M.	A.	M.	J.	J.	A.	S.	O.	N.
Rest of Peru (Thousands)	2,180	2,177	2,062	1,997	2,074	1,884	1,796	1,846	1,923	2,004	2,078	2,143	2,195

Source: SUNAT



## Firms' growth expectations regarding GDP growth moderated in December.

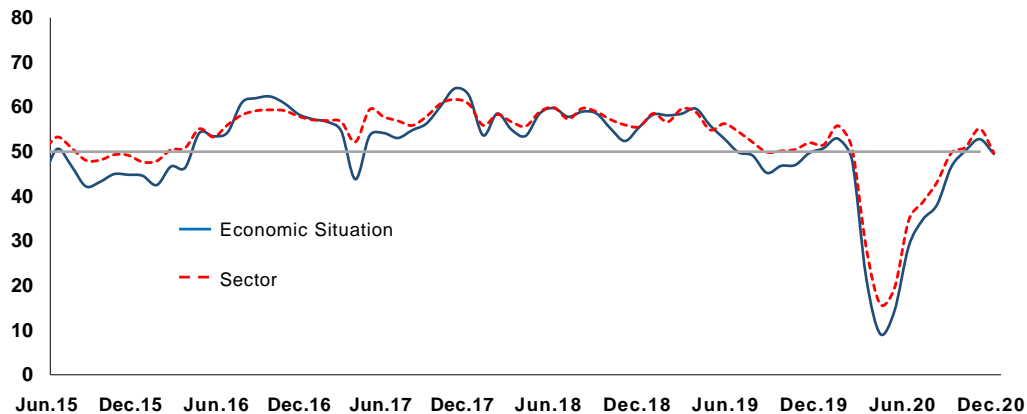
### Macroeconomic Expectations: Survey Results

		Dec.2019	Mar.2020	Oct.2020	Nov.2020			Dec.2020			Correlation with GDP <sup>1/</sup>
<b>EXPECTATION:</b>											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	50.2	52.8	↑	>	49.5	↓	<	0.63
	IN 12 MONTHS	61.5	41.5	68.5	69.3	↑	>	65.4	↓	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	51.0	55.1	↑	>	49.7	↓	<	0.67
	IN 12 MONTHS	61.5	43.4	67.4	69.8	↑	>	64.3	↓	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	52.3	55.6	↑	>	52.8	↓	>	0.66
	IN 12 MONTHS	66.6	46.4	68.9	70.6	↑	>	69.0	↓	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	52.3	58.2	↑	>	53.6	↓	>	0.66
	IN 12 MONTHS	68.0	47.4	69.4	71.2	↑	>	70.3	↓	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	44.8	47.6	↑	<	44.9	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	55.0	57.1	↑	>	53.5	↓	>	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

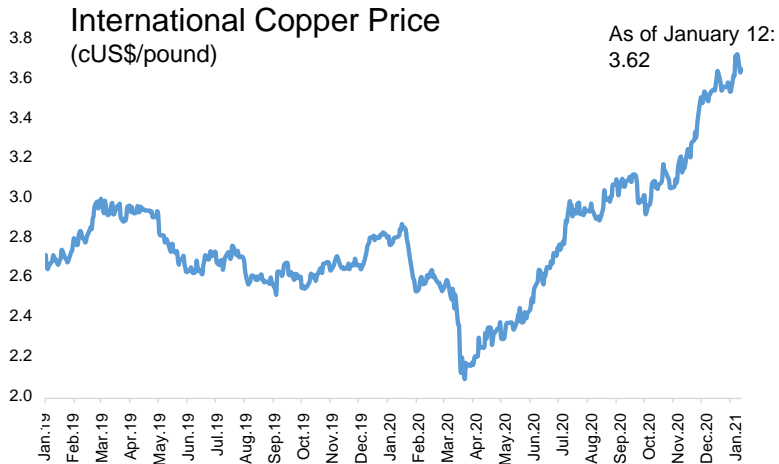


Source: BCRP

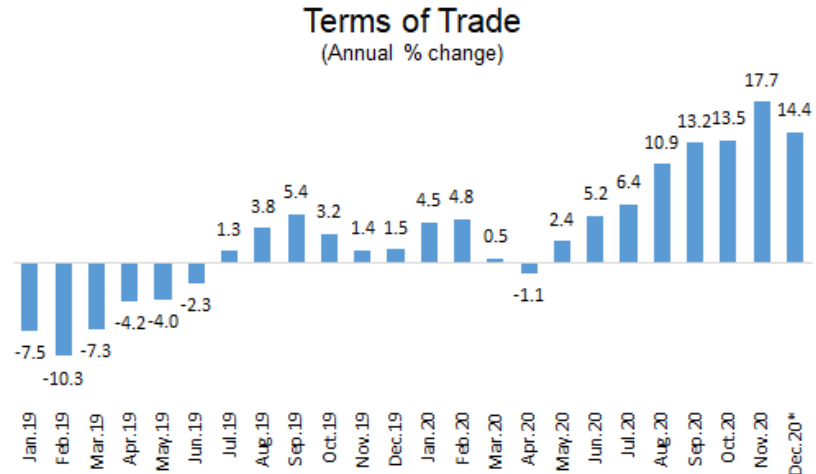


# CENTRAL RESERVE BANK OF PERU

World economic activity has been improving, but it still remains at lower levels than those of 2019. Nevertheless, a strong increase has been observed in the international price of minerals, where copper has reached a value of US\$ 3.62 per pound. In this regard, an inter-annual growth rate of the Terms of Trade of 14.4 percent is expected in December.



Source: Reuters

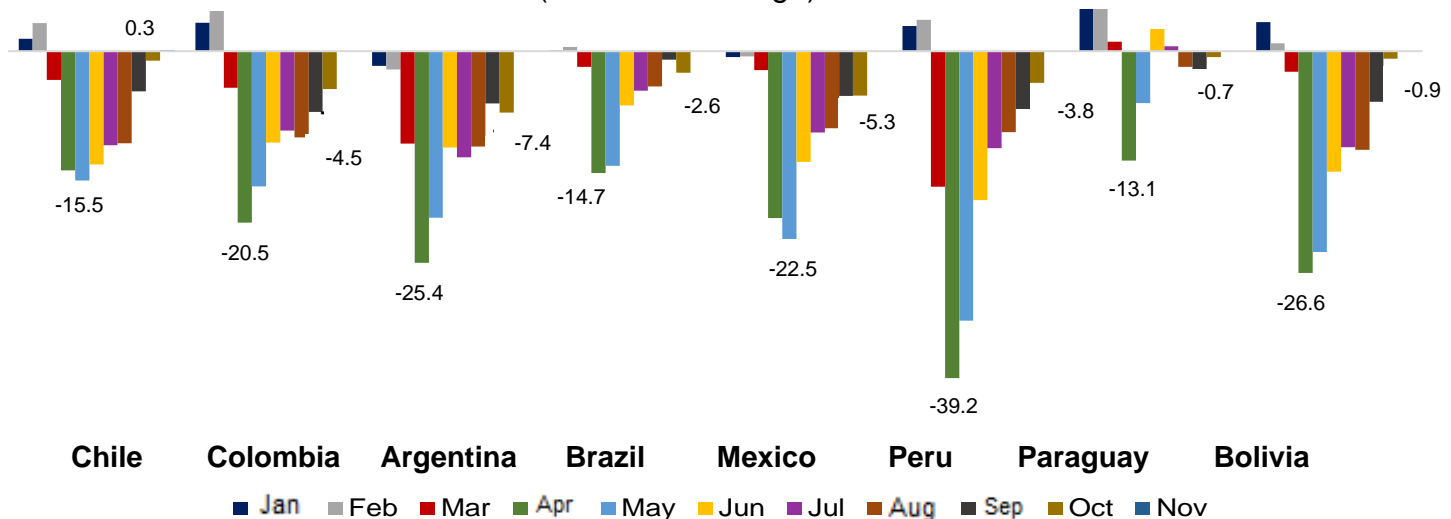


\* Forecast  
Source: BCRP



Economic activity in the region continues to recover, although at a slower rate than expected.

**Indicators of economic activity**  
(Annual. % change)



Annual. % change	Argentina	Brazil	Bolivia	Chile	Colombia	Mexico	Paraguay	Peru
Feb. 2020	-2.2	0.5	0.9	3.3	4.8	-0.6	7.8	3.7
April	-25.4	-14.7	-26.6	-14.3	-20.5	-20.0	-13.1	-39.2
June	-11.6	-6.5	-14.5	-13.6	-11.0	-13.3	2.7	-17.8
September	-6.3	-1.0	-6.1	-4.8	-7.3	-5.4	-2.2	-6.9
October	-7.4	-2.6	-0.9	-1.2	-4.5	-5.3	-0.7	-3.8

Source: Central Banks and Statistical Institutes



**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.18	Dec.19	Dec.20	Jan 14, 21	Accumulated change (%)*			
						Today	Month	Dec.19	Dec.18
Dollar Index	Spot	96.17	96.39	89.94	90.49	0.2	0.6	-6.1	-5.9
Eurozone	US\$ per Euro	1.144	1.121	1.221	1.212	-0.3	-0.8	8.1	6.0
United Kingdom	US\$ per Pound	1.281	1.326	1.367	1.363	-0.1	-0.3	2.8	6.4
Japan	Yen	109.93	108.61	103.24	104.05	0.2	0.8	-4.2	-5.3
Brazil	Real	3.880	4.019	5.194	5.290	-0.2	1.9	31.6	36.3
Colombia	Peso	3245	3285	3415	3478	0.1	1.9	5.9	7.2
Chile	Peso	693	752	710	739	0.3	4.2	-1.6	6.7
Mexico	Peso	19.65	18.93	19.87	19.85	0.0	-0.1	4.9	1.0
Argentina	Peso	37.65	59.86	84.08	85.64	0.1	1.9	43.1	127.5
Peru	Sol	3.369	3.315	3.620	3.616	0.0	-0.1	9.1	7.3
South Africa	Rand	14.38	13.99	14.69	15.18	-0.5	3.3	8.4	5.6
Indian	Rupee	69.77	71.35	73.04	73.12	0.0	0.1	2.5	4.8
Turkey	Lira	5.290	5.948	7.432	7.386	-0.1	-0.6	24.2	39.6
Russia	Ruble	69.68	61.92	73.79	73.42	-0.4	-0.5	18.6	5.4
China	Yuan (onshore)	6.876	6.962	6.525	6.472	0.1	-0.8	-7.0	-5.9
South Korea	Won	1114	1154	1084	1098	0.1	1.2	-4.9	-1.4
Indonesia	Rupiah	14375	13880	14040	14050	0.0	0.1	1.2	-2.3
Thailand	Baht	32.33	29.76	30.04	30.03	0.0	0.0	0.9	-7.1
Malaysia	Ringgit	4.130	4.089	4.020	4.034	-0.2	0.3	-1.3	-2.3
Philippines	Peso	52.49	50.65	48.01	48.03	-0.1	0.0	-5.2	-8.5

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

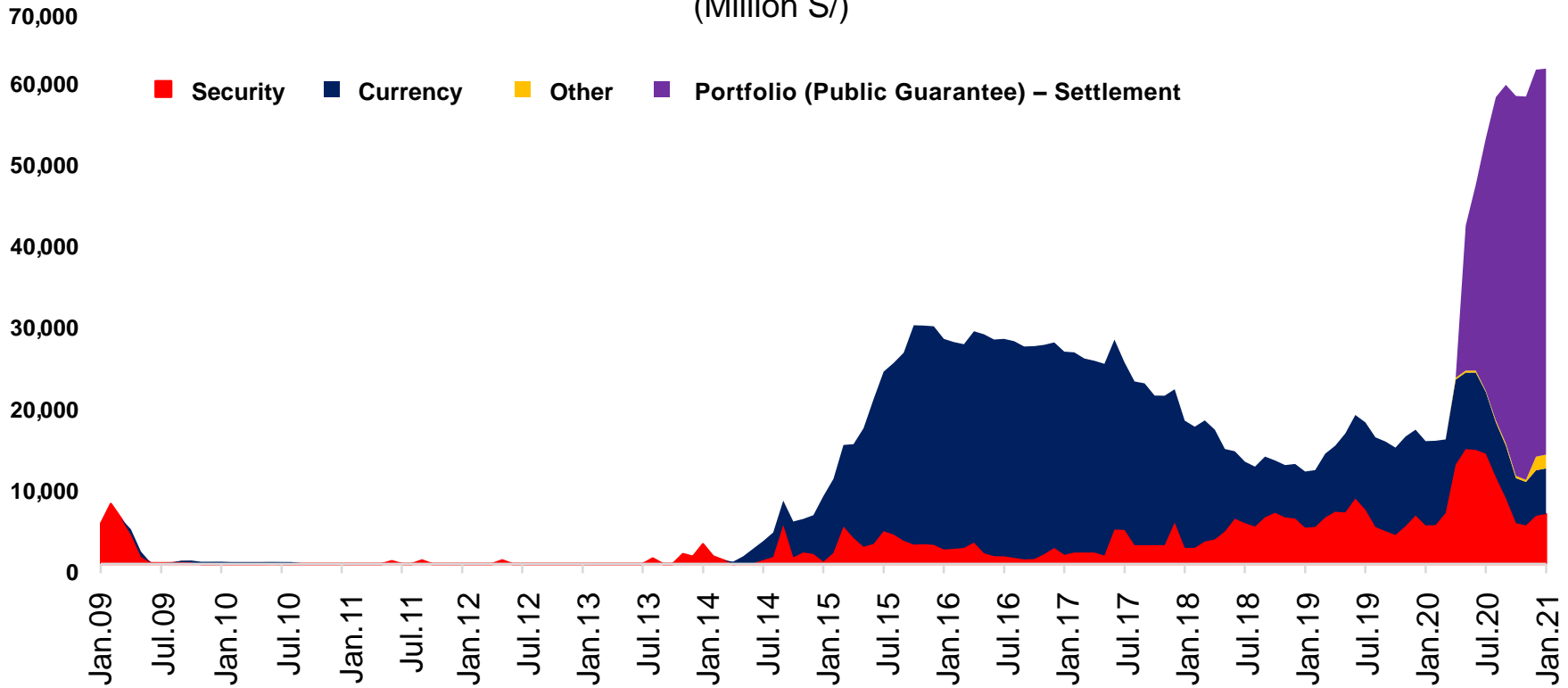
Source: Reuters



# CENTRAL RESERVE BANK OF PERU

The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of January 13, the BCRP's liquidity injection operations totaled S/ 64.9 billion, of which S/ 50.6 billion were associated with government-backed repos.

### Balance of BCRP Repo Operations\* (Million S/)

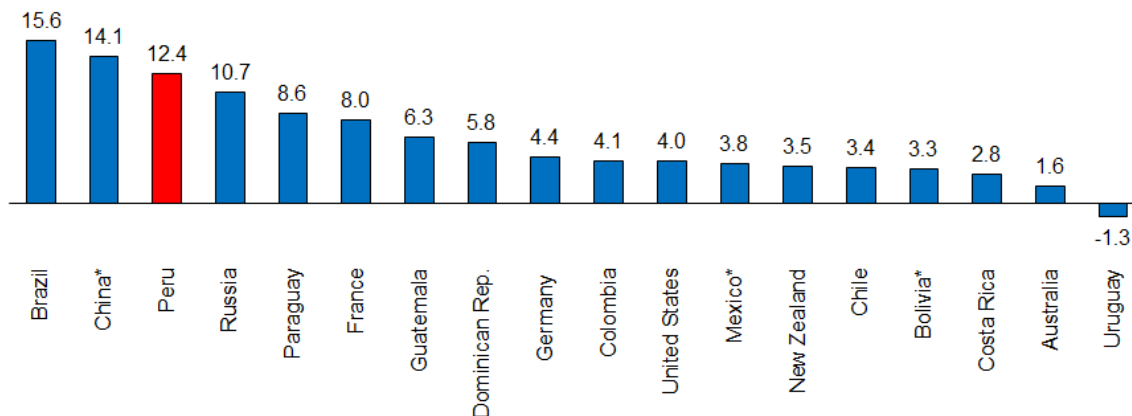


\* Information as of January 13, 2021.



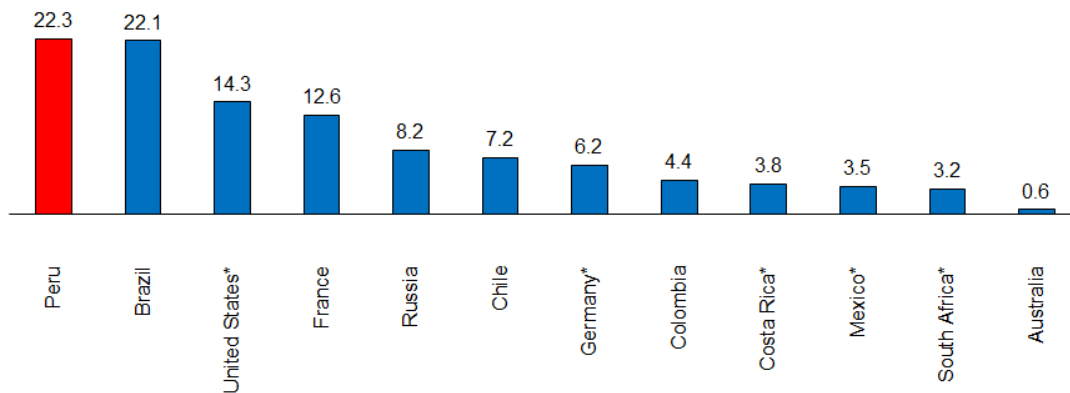
## In this context, credit to the private sector grew 12.4 percent year-on-year in November...

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



\* As of October 2020.  
Source: Central Banks.

### Loans to Business: November 2020 (Annual % change)



\* As of October 2020.  
Source: Central Banks.





...with interest rates declining steadily since April.

## Interest rate in domestic currency<sup>1/</sup>

(%)

	Dec.18	Dec.19	Feb.20	Mar.20	Apr.20	Jun.20	Sep.20	Dec.20	Jan.21*	Historical average*	Change Jan.21 - Dec.20	Accum. % respect to Dec. (basis points)	
												Month	Dec.19
Reference	2.75	2.25	2.25	1.25	0.25	0.25	0.25	0.25	0.25	3.3	0	0	-200
TAMN	14.37	14.35	14.1	13.7	13.1	12.2	12.6	12.1	12.2	16.4	5	-16	-225
FTAMN	20.38	18.24	19.8	16.0	10.91	8.8	12.5	17.6	17.9	20.3	39	184	-69
90-day corporate prime	4.5	3.3	3.2	2.8	1.5	0.9	0.8	0.7	0.7	4.2	0	5	-261
Corporates	4.9	3.8	3.4	3.6	4.0	3.0	2.5	2.5	2.5	5.1	1	52	-129
Large companies	6.4	6.0	6.1	5.9	5.6	2.6	4.1	4.6	4.6	6.7	-5	7	-141
Medium-sized enterprises	9.8	9.3	9.6	8.9	8.1	3.9	4.2	6.1	7.2	9.9	117	68	-321
Small business	18.5	18.0	18.3	18.1	18.2	4.3	6.2	17.2	17.9	20.2	68	387	-80
Micro business	32.7	31.3	31.4	32.6	33.1	3.8	10.7	30.1	31.1	32.2	102	335	-123
Consumer	44.9	40.9	38.1	39.3	41.4	38.6	38.3	39.5	40.5	41.5	105	258	-136
Mortgage	7.6	7.0	7.0	6.7	6.8	6.8	6.7	6.4	6.4	8.5	-4	-6	-61
10-year sovereign bond	5.7	4.6	4.5	5.3	4.8	4.4	4.3	3.5	3.6	5.4	14	-44	-114

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

\* Information as of January 13, 2021.

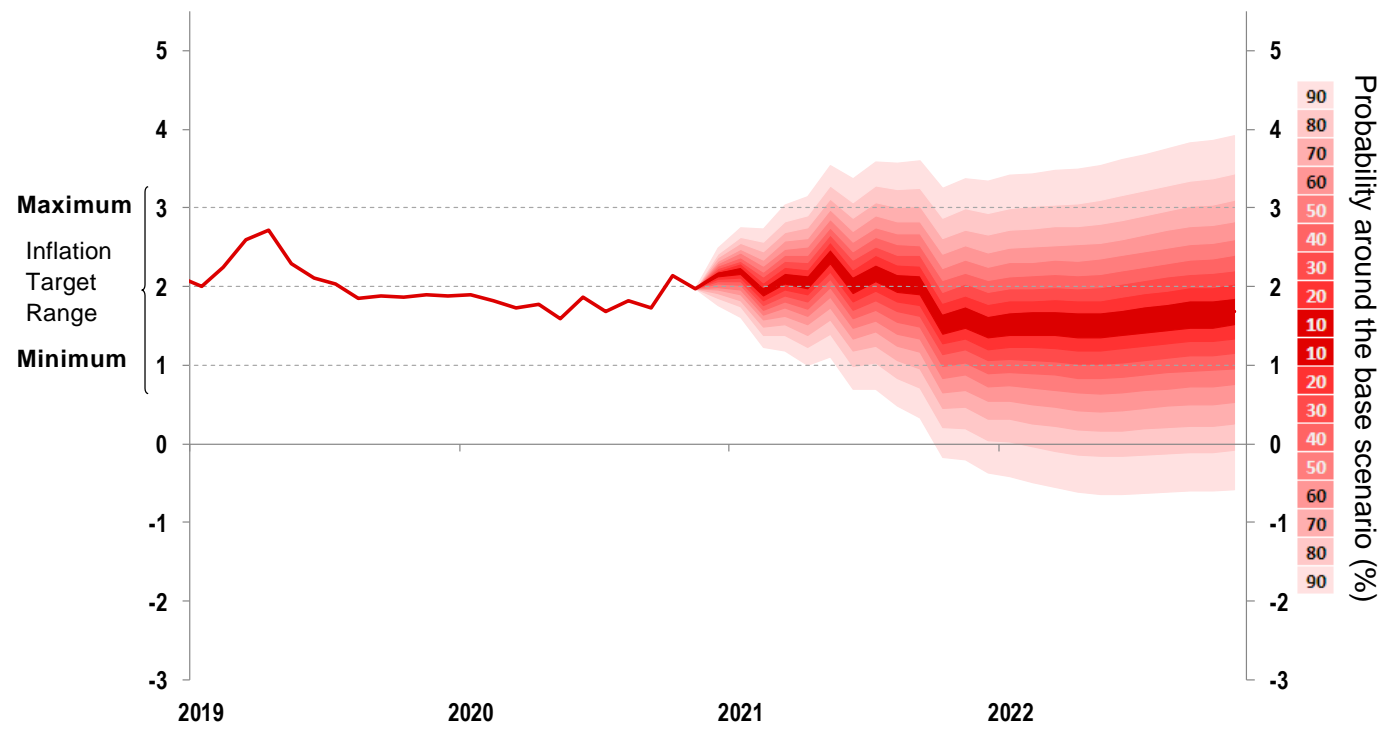
\*\* Average since September 2010.

Source: SBS and BCRP



Inflation at the beginning of 2021 will lie at the center of the target range due to transitory factors; and inflation in 2021 is expected to be around the lower limit of the target range because even though domestic demand is recovering, economic activity remains 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. The BCRP stands ready to expand monetary stimulus using a range of instruments.

## Inflation Forecast: 2021-2022 (Last 12-month % change)





In particular, the BCRP has recently added new monetary Operations Conditional on the Expansion of Long-Term Credit in order to reinforce the transmission of its monetary policy actions towards long-term interest rates.

## Security Repos conditioned to the Expansion of Long-Term Credits (Million S/ and rates in percentage)

<b>Date</b>	<b>Term</b>	<b>Awarded Amount</b>	<b>Rate</b>
January 6, 2021	3 years	245	0.5
	<b>Total</b>	<b>245</b>	



**CENTRAL RESERVE BANK OF PERU**

# **Monetary Policy Statement**

## **January 2021**

**January 15, 2021**