



**CENTRAL RESERVE BANK OF PERU**

# **Monetary Policy Statement**

## **June 2021**

**June 11, 2021**

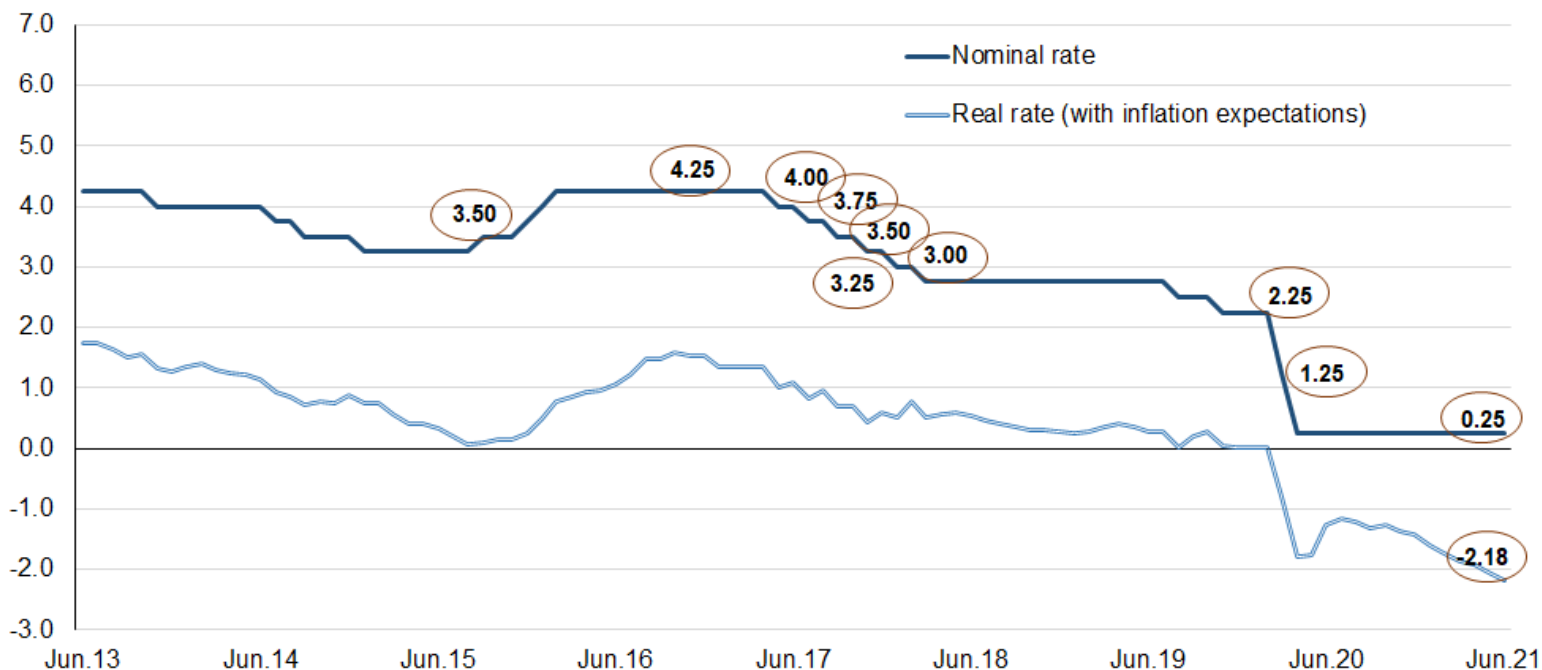


# CENTRAL RESERVE BANK OF PERU

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

(%)



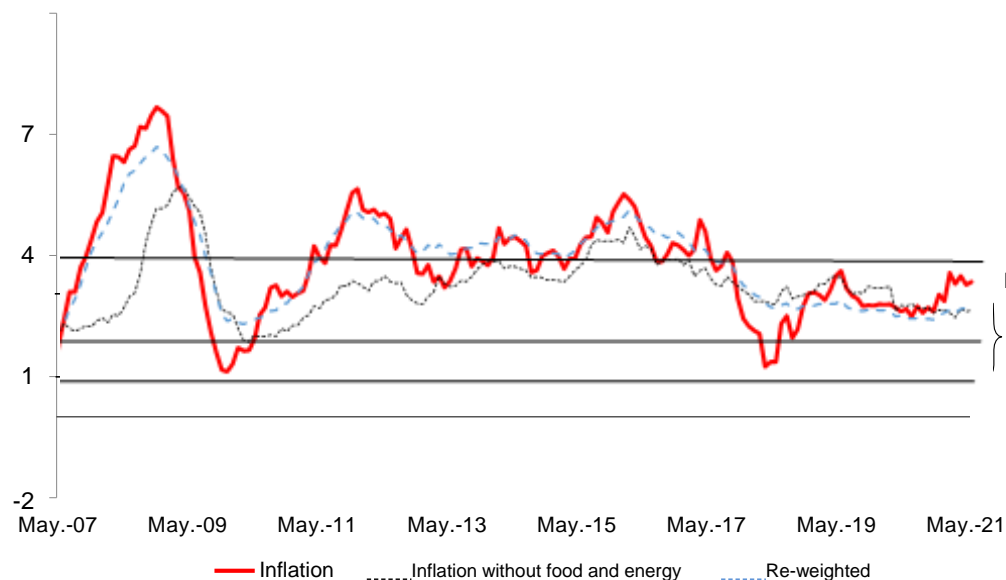
	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Jan.18	Mar.18	Aug.19	Nov.19	Mar.20	Apr.20	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	May.21	Jun.21
(I) Nominal rate	4.25	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	2.90	3.00	2.92	2.79	2.81	2.48	2.23	2.48	2.21	2.05	2.03	1.68	1.85	1.98	2.11	2.17	2.30	2.43
(III) Real rate: (I)-(II)	1.35	1.00	0.83	0.71	0.44	0.52	0.52	0.02	0.04	-0.80	-1.78	-1.43	-1.60	-1.73	-1.86	-1.92	-2.05	-2.18

Source: BCRP



Year-on-year inflation increased from 2.38 percent in April to 2.45 percent in May due to supply-side pressures. Trend inflation remains at the lower part of the target range. Year-on-year core inflation was 1.8 percent in May.

## INFLATION (Last 12 months % change)



	Annual average 2001-2020	Annual % change May.21
CPI	2.56	2.45
CPI excluding food and energy	2.13	1.76
<b>Trend indicators</b>		
Bounded mean	2.52	1.70
Percentile 63	2.45	1.41
Re-weighted	2.46	1.87

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

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

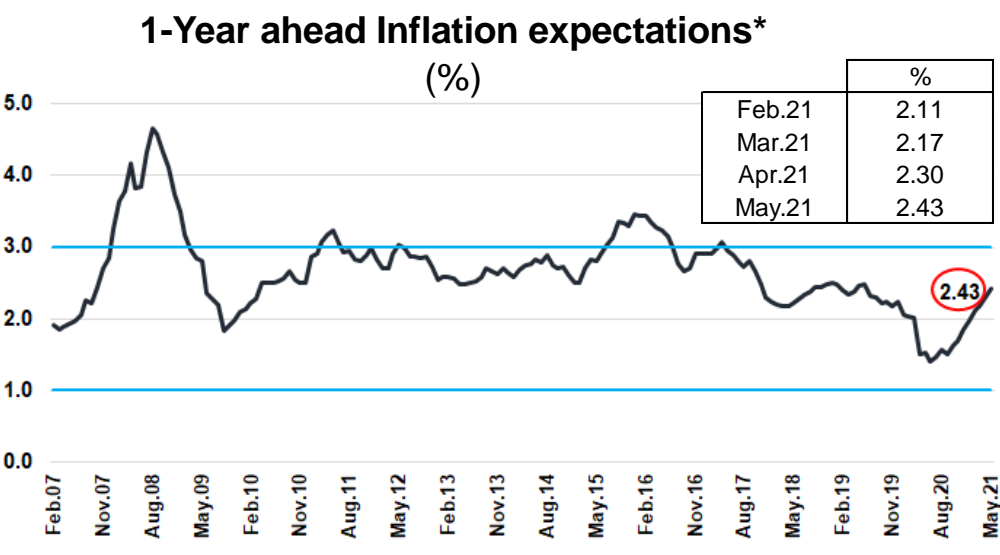
**Minimum** **Re-weighted**: Reduces the weight of items with greater volatility, considers the original weights of each item between the standard deviation of their monthly percentage changes.

Source: BCRP



One-year ahead expected inflation was 2.4 percent in May.

## Survey of Macroeconomic Expectations: Inflation (%)



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

Source: BCRP

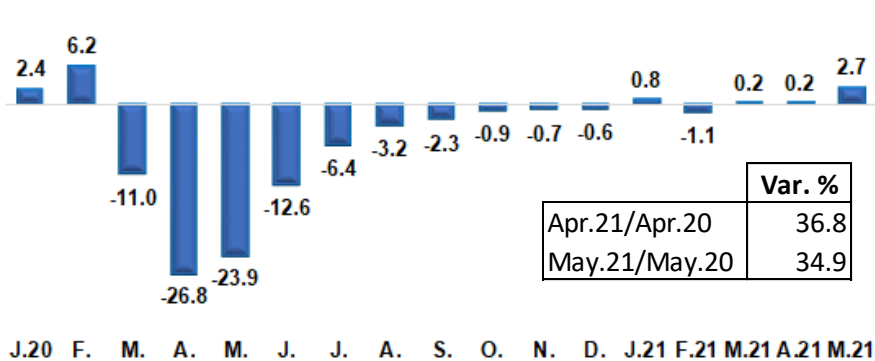
	Survey date:		
	Mar 31.	Apr 30.	May 31.
<b>Economic analysts</b>			
2021	2.20	2.50	2.50
2022	2.18	2.20	2.45
2023	2.30	2.00	2.45
<b>Financial entities</b>			
2021	2.20	2.30	2.50
2022	2.00	2.00	2.20
2023	2.00	2.00	2.00
<b>Non-financial firms</b>			
2021	2.00	2.20	2.39
2022	2.20	2.30	2.30
2023	2.20	2.30	2.30



## Most leading indicators improved in May.

### Electricity without mining

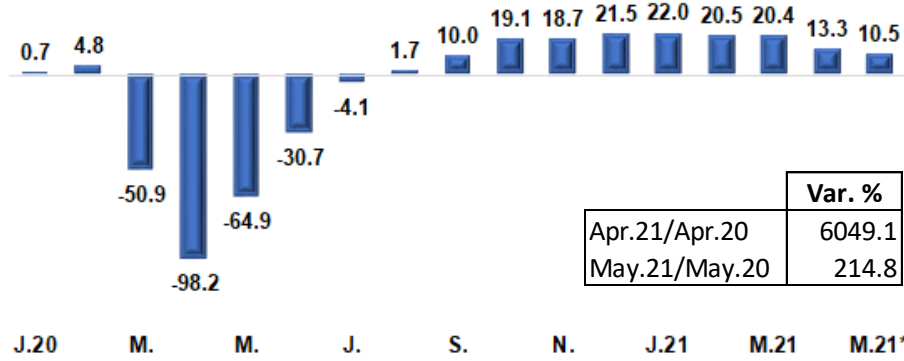
(% change compared to the same period in 2019)



Source: COES.

### Domestic consumption of cement

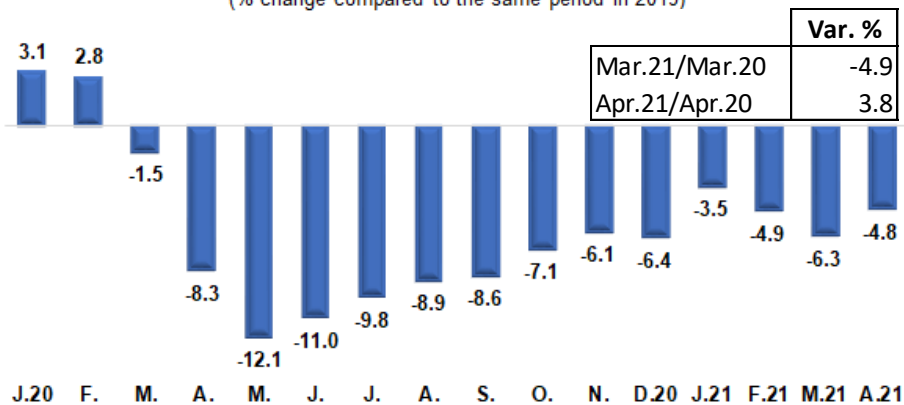
(% change compared to the same period in 2019)



\* Data for May represents a forecast.  
Source: Cement companies.

### Formal jobs in the private sector - Electronic Payroll

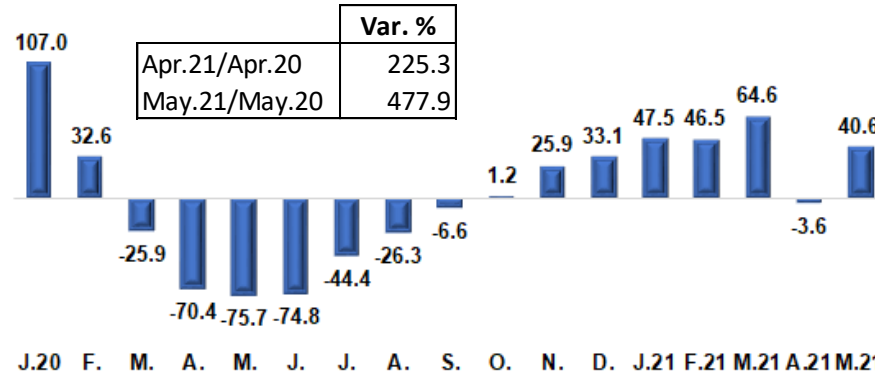
(% change compared to the same period in 2019)



Source: SUNAT.

### Real Investment of the General Government

(% change compared to the same period in 2019)



Source: MEF.



Total formal employment at the national level decreased 1.6 percent in April and 1.3 percent in the January-April period compared to 2019. In the private sector, formal jobs fell 4.8 percent in April and 4.9 percent in the January-April period.

## Formal jobs - Electronic Payroll

(Thousands of positions)

	April							Jan - Apr	
	2019	2020	2021	Chg. 2021/2020		Chg. 2021/2019		% Change 21/20	% change 21/19
				Thousands	%	Thousands	%		
<b>Total 1/</b>	<b>5,259</b>	<b>4,969</b>	<b>5,177</b>	<b>209</b>	<b>4.2</b>	<b>-82</b>	<b>-1.6</b>	<b>-1.9</b>	<b>-1.3</b>
Private	3,840	3,521	3,656	135	3.8	-184	-4.8	-3.9	-4.9
Public	1,419	1,448	1,521	74	5.1	102	7.2	3.2	8.4
Lima	3,270	3,055	3,119	64	2.1	-151	-4.6	-4.2	-4.4
Rest of Peru	1,971	1,893	2,017	124	6.5	46	2.3	1.1	2.7

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



Global economic recovery is expected to be more pronounced in the next quarters, as the vaccination process continues around the world, and significant stimulus packages are implemented in developed countries.

## Real GDP

(Annual % change)

	2020				2021
	Q.1	Q.2	Q.3	Q.4	Q.1
Germany	-2.2	-11.3	-3.8	-3.3	-3.1
France	-5.5	-18.4	-3.5	-4.6	1.2
Italy	-5.8	-18.2	-5.2	-6.6	-0.8
Spain	-4.3	-21.6	-8.6	-8.9	-4.3
Netherlands	-0.2	-9.3	-2.4	-2.8	-2.8
UK	-2.2	-21.4	-8.5	-7.3	-6.1
USA	0.3	-9.0	-2.8	-2.4	0.4
Argentina*	-5.2	-19.0	-10.1	-4.3	2.4
Brazil	-0.3	-10.9	-3.9	-1.1	1.0
Chile	0.2	-14.3	-9.0	0.0	0.3
Colombia	0.7	-15.8	-8.5	-3.6	1.1
Mexico	-1.3	-18.7	-8.7	-4.5	-3.6
Peru	-3.6	-30.0	-9.0	-1.7	3.8

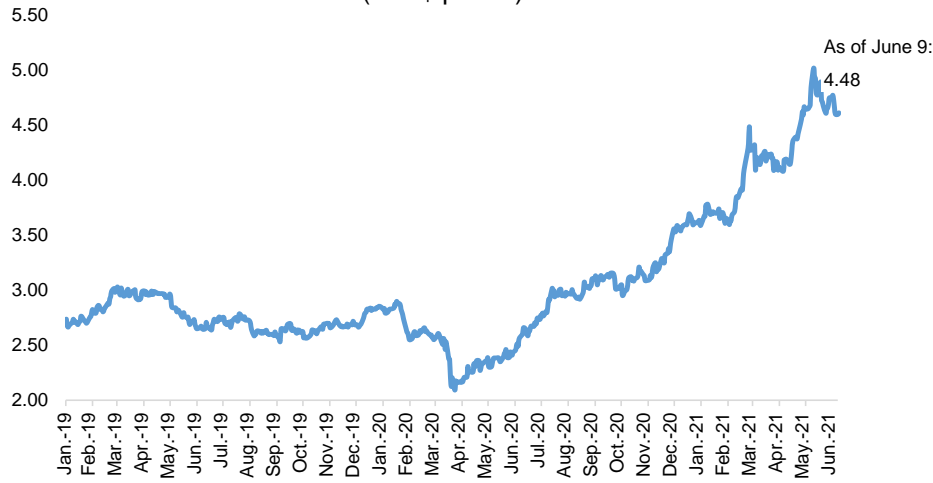
\* Preliminary

Source: Statistical Institutes and Central Banks of each country.



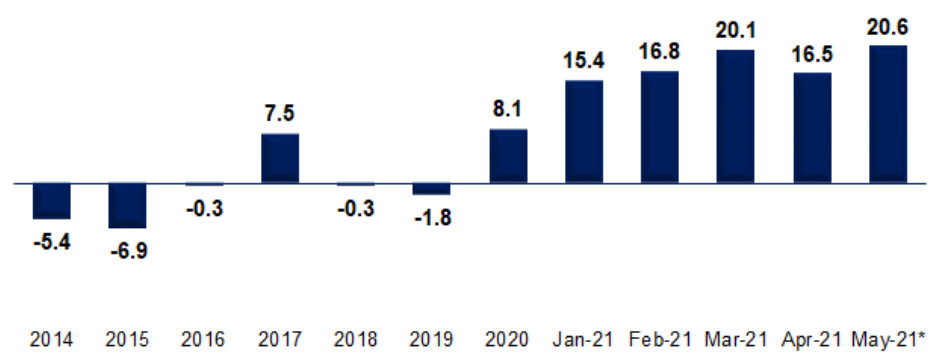
A strong increase in the international price of minerals remains, and specially in copper, gold and zinc. In this regard, an inter-annual growth rate of the Terms of Trade of 20.6 percent is expected in May.

### International Copper Price (cUS\$/pound)



Source: Reuters

### Terms of Trade (Annual % change)

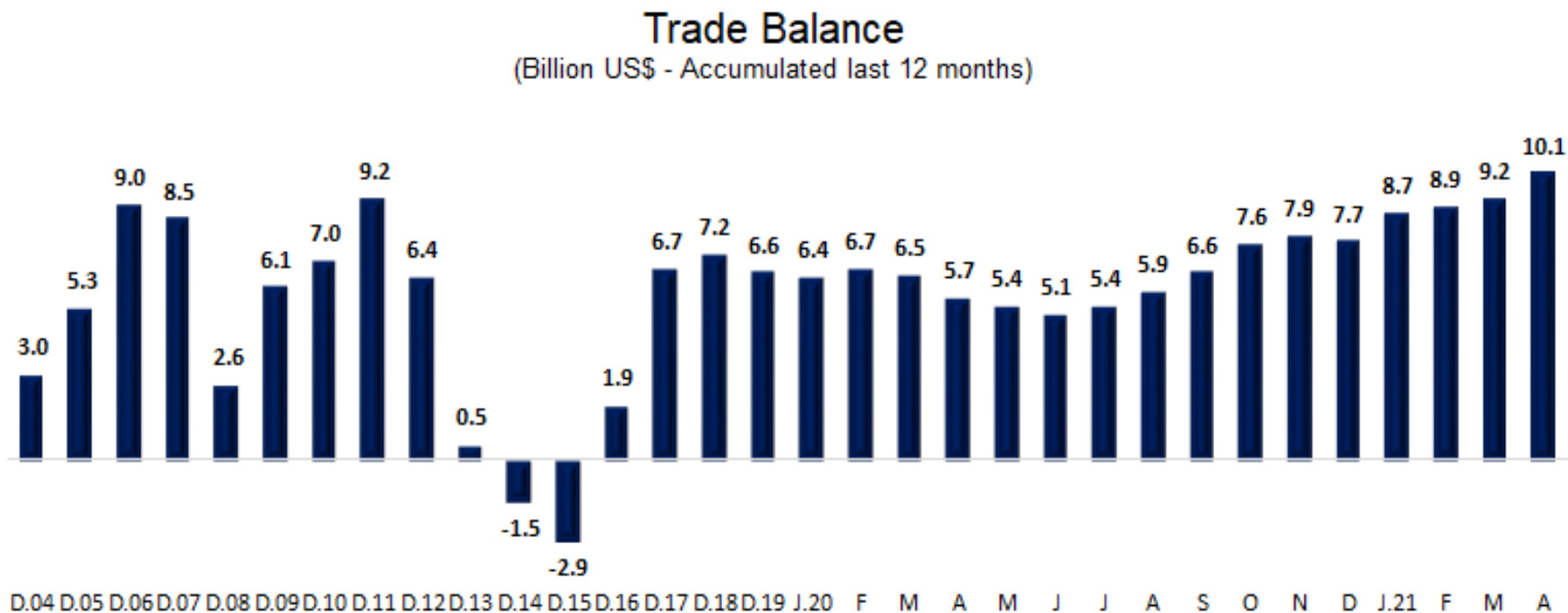


\* Forecast  
Source: BCRP.





The trade balance surplus in the last 12 months is the historical maximum.

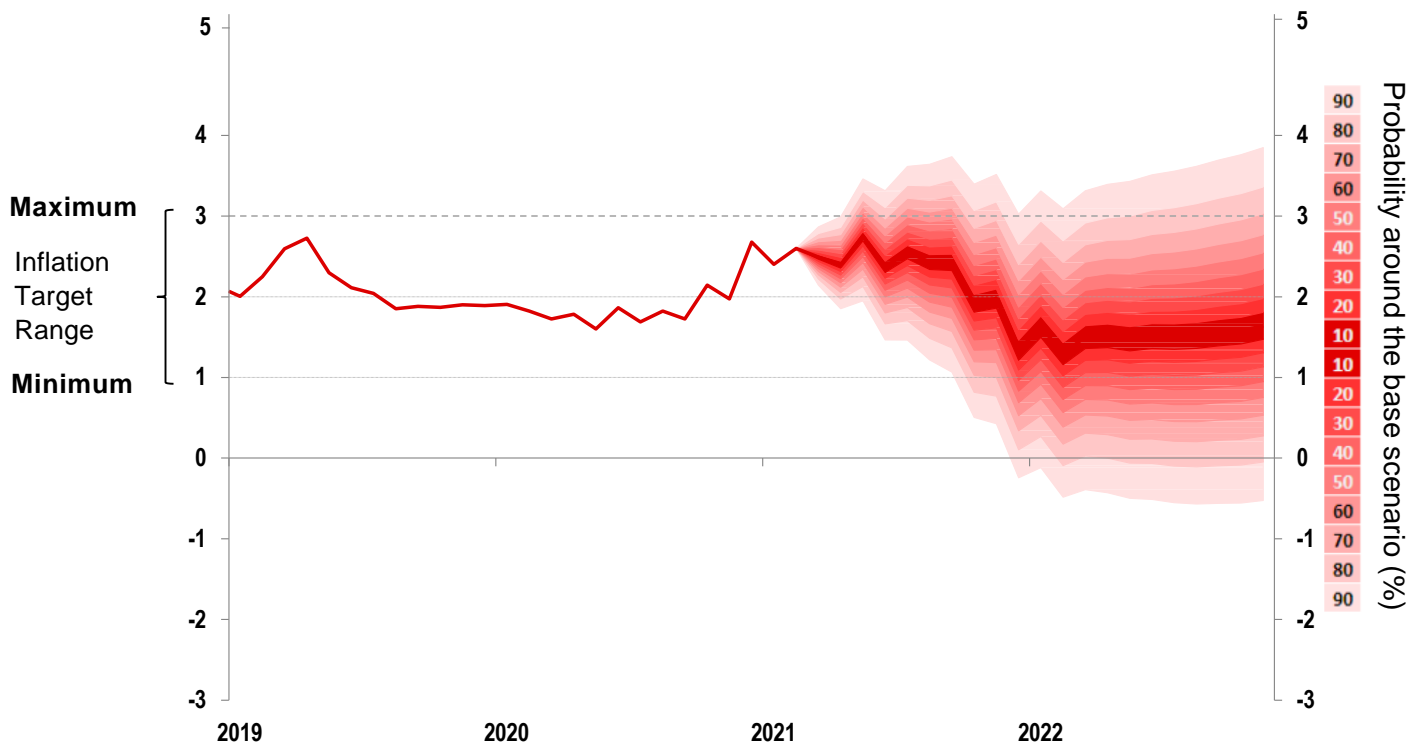


Source: BCRP.



Inflation is expected to remain within the target range throughout 2021 and 2022; and to lie at the lower part of the range during 2022, as economic activity will remain below its potential level. The Board considers it appropriate to maintain a strong expansionary monetary stance as long as the negative effects of the pandemic on inflation and its determinants persist.

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



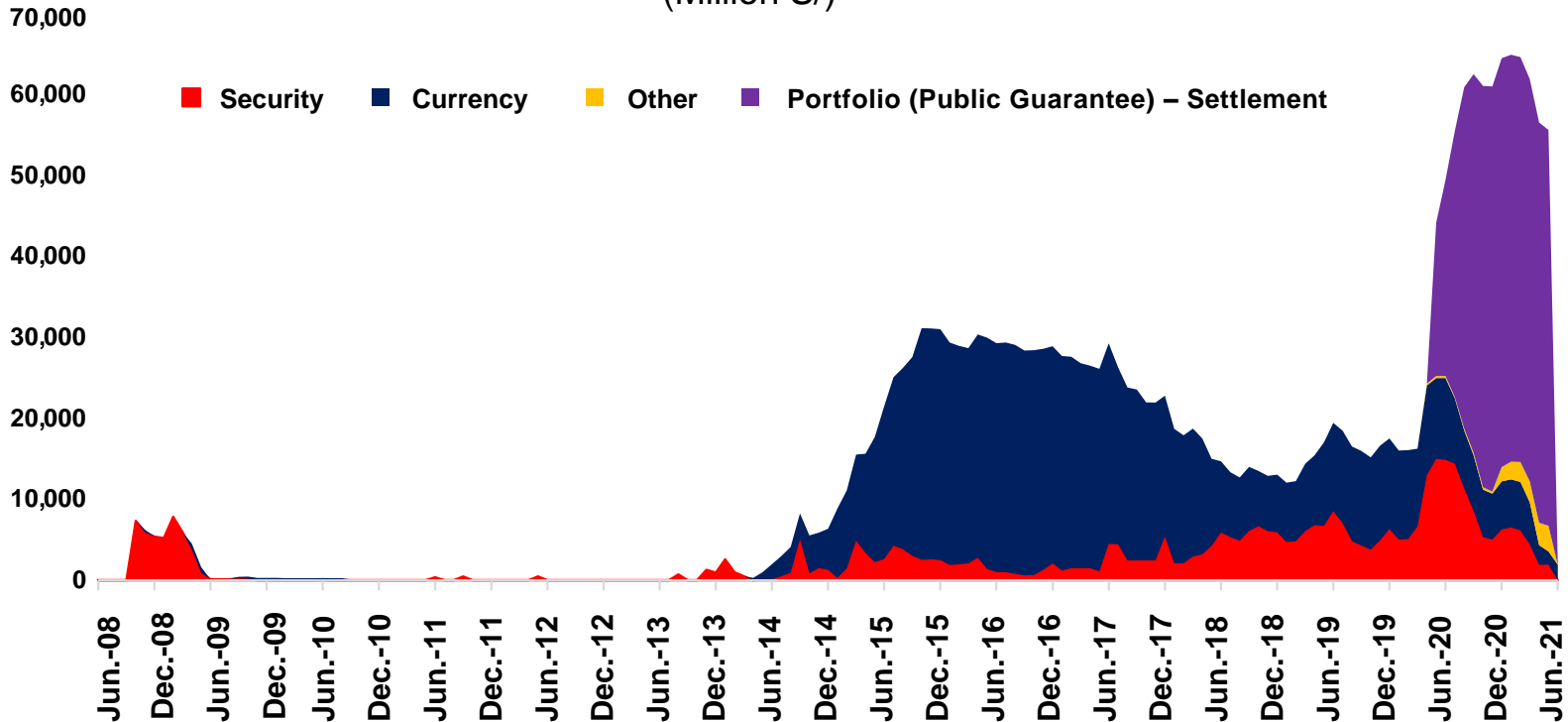
Source: BCRP



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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 June 9, BCRP injection operations totaled S/ 56,670 million, of which S/ 48,870 million were associated with government backed repos.

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



\* As of June 9. 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.



Financial markets were highly volatile in a context of electoral uncertainty and the BCRP's actions were intended to mitigate this volatility.

## Exchange Rate (currency units per dollar)

		End of period					Accumulated change (%)*				
		Dec.19	Dec.20	May.21	Jun 03, 21	Jun 10, 21	Yesterday	Week	Month	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	90.03	90.51	90.08	0.0	-0.5	0.0	0.2	-6.6
Eurozone	US\$ per Euro	1.121	1.221	1.223	1.212	1.217	-0.1	0.4	-0.5	-0.4	8.6
United Kingdom	US\$ per Pound	1.326	1.367	1.421	1.410	1.417	0.4	0.5	-0.3	3.7	6.9
Japan	Yen	108.61	103.24	109.54	110.28	109.31	-0.3	-0.9	-0.2	5.9	0.6
Brazil	Real	4.019	5.194	5.217	5.078	5.055	-0.1	-0.4	-3.1	-2.7	25.8
Colombia	Peso	3285	3415	3706	3659	3604	0.5	-1.5	-2.8	5.5	9.7
Chile	Peso	752	710	722	719	719	0.0	0.1	-0.4	1.3	-4.3
Mexico	Peso	18.93	19.87	19.95	20.15	19.68	-0.3	-2.4	-1.3	-1.0	4.0
Argentina	Peso	59.86	84.08	94.49	94.62	95.09	0.0	0.5	0.6	13.1	58.9
Peru	Sol	3.32	3.62	3.84	3.87	3.90	1.2	0.6	1.5	7.7	17.6

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

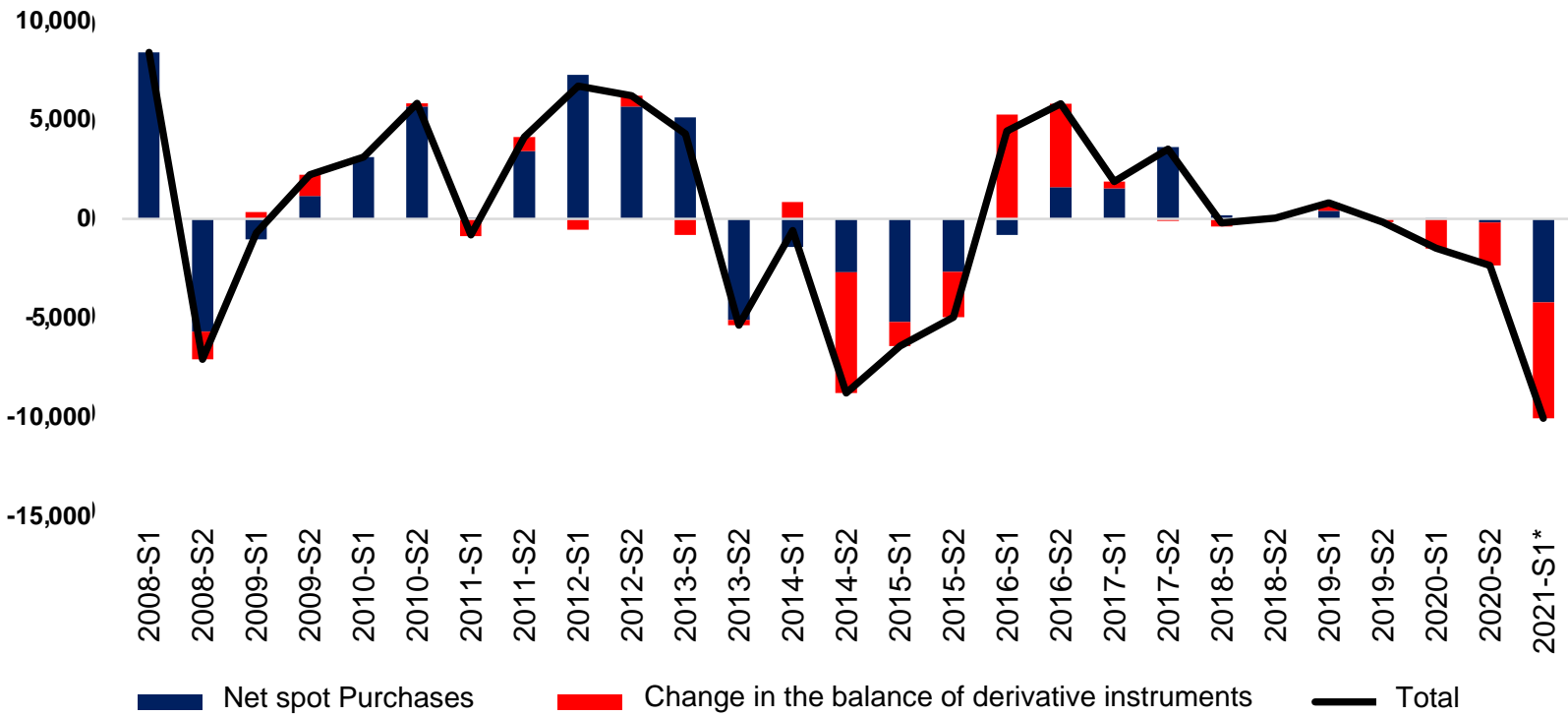
Source: Reuters



# CENTRAL RESERVE BANK OF PERU

So far this year, the BCRP has offered US\$ 10.3 billion in the foreign exchange market through sales in the spot market (US\$ 4.3 billion) and net placement of exchange derivatives (US\$ 6 billion), which represents the largest intervention recorded in the sell position in a semester.

### FX Intervention of the BCRP by semesters (Million US\$)



\* As of June 9.  
Source: BCRP.

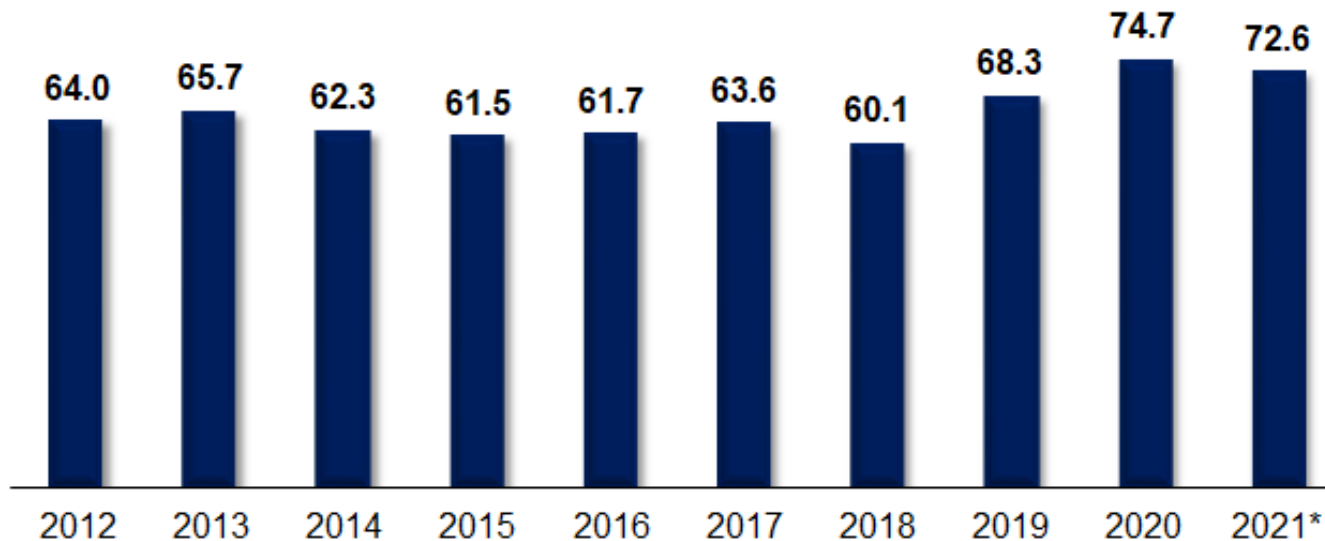


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The BCRP has a solid external position, reflected in the adequate level of International Reserves, which allows the economy to have a high reaction capacity to continue facing adverse contingencies

## Net International Reserves

(Billion US\$)



\* As of June 9.  
Source: BCRP.



So far this year, the long-term interest rates have recovered worldwide due to hopeful expectations of global growth while in some countries of the region they have recently risen due to idiosyncratic reasons. Despite this, Peru's sovereign bond rates continue to be one of the lowest in the region.

## 10-year Sovereign Bond Yield

(%)

	End of Period				Accumulated change as of June 9 (bps)	
	Dec.19	Dec.20	May.21	As of June 9, 2021	May.21	Dec.20
<b>United States</b>	<b>1.92</b>	<b>0.92</b>	<b>1.60</b>	<b>1.49</b>	<b>-11</b>	<b>57</b>
Germany	-0.19	-0.57	-0.19	-0.25	-6	33
France	0.12	-0.34	0.17	0.12	-5	46
Italy	1.41	0.54	0.91	0.83	-8	29
Spain	0.46	0.04	0.46	0.40	-6	36
Greece	1.43	0.62	0.82	0.83	0	20
United Kingdom	0.82	0.19	0.79	0.73	-6	54
Japan	-0.02	0.02	0.08	0.06	-2	5
Brazil	6.79	6.90	9.13	9.00	-13	211
Chile	3.17	2.65	3.97	4.34	37	169
Colombia	6.34	5.39	7.19	6.80	-39	141
Mexico	6.89	5.53	6.58	6.57	-1	104
<b>Peru</b>	<b>4.64</b>	<b>3.50</b>	<b>4.77</b>	<b>5.27</b>	<b>50</b>	<b>177</b>



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