



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

March 2021

March 12, 2021

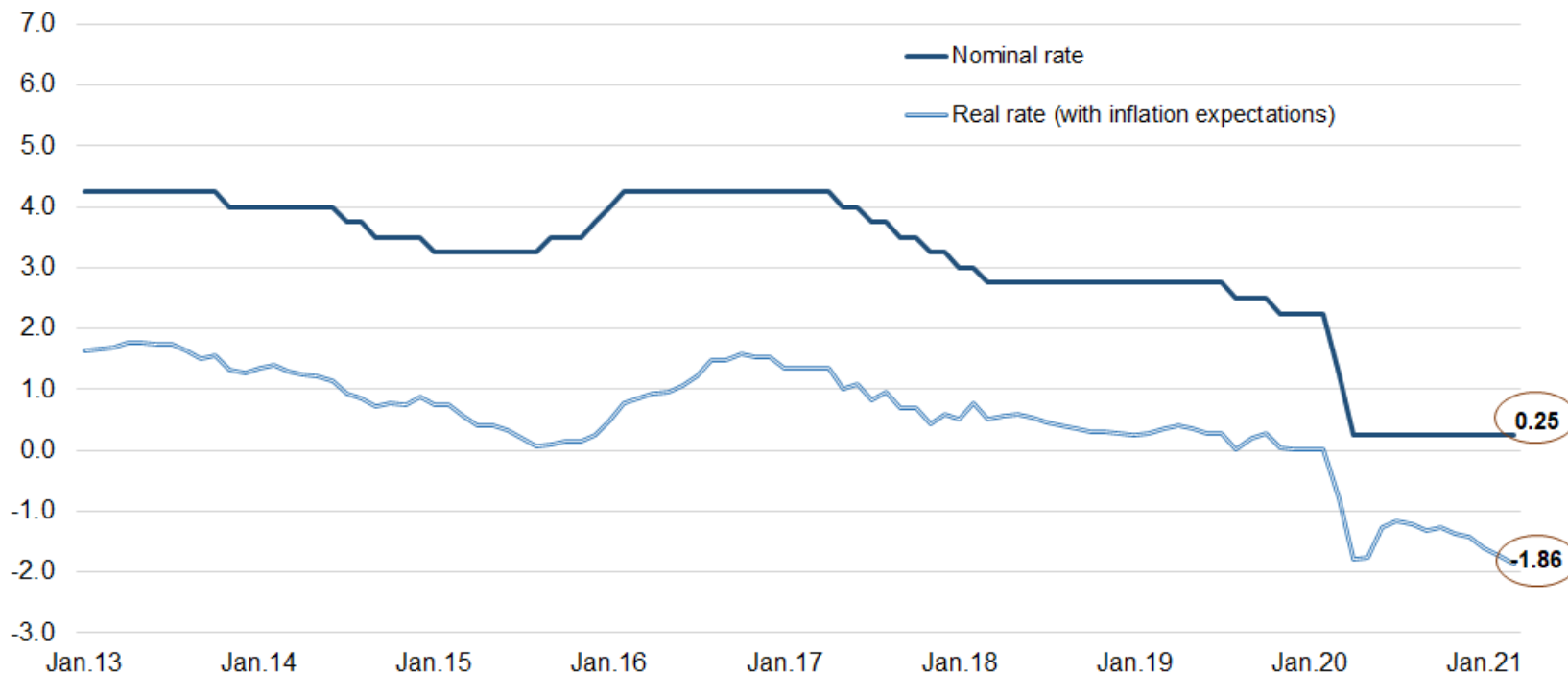


CENTRAL RESERVE BANK OF PERU

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

(%)



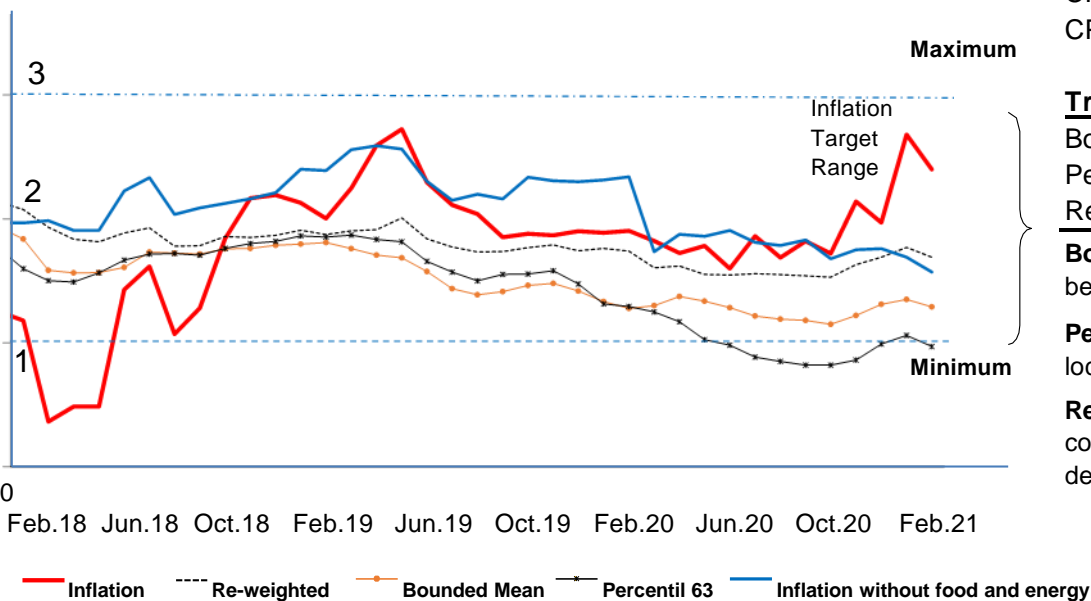
	Dec.16	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Dec.17	Jan.18	Mar.18	Aug.19	Nov.19	Mar.20	Apr.20	Jun.20	Sep.20	Dec.20	Jan.21	Feb.21	Mar.21
(I) Nominal rate	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	2.71	2.90	3.00	2.92	2.79	2.81	2.66	2.48	2.23	2.48	2.21	2.05	2.03	1.52	1.57	1.68	1.85	1.98	2.11
(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	-1.86

Source: BCRP



Year-on-year inflation decreased from 2.7 percent in January to 2.4 percent in February 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 1.6 percent in February.

INFLATION (Last 12 months % change)



	Annual average	Annual % change	
	2001-2020	Jan.21	Feb.21
CPI	2.56	2.68	2.40
CPI excluding food and energy	2.13	1.69	1.57

Trend indicators

Bounded mean	2.52	1.35	1.29
Percentile 63	2.45	1.06	0.97
Re-weighted	2.47	1.77	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.

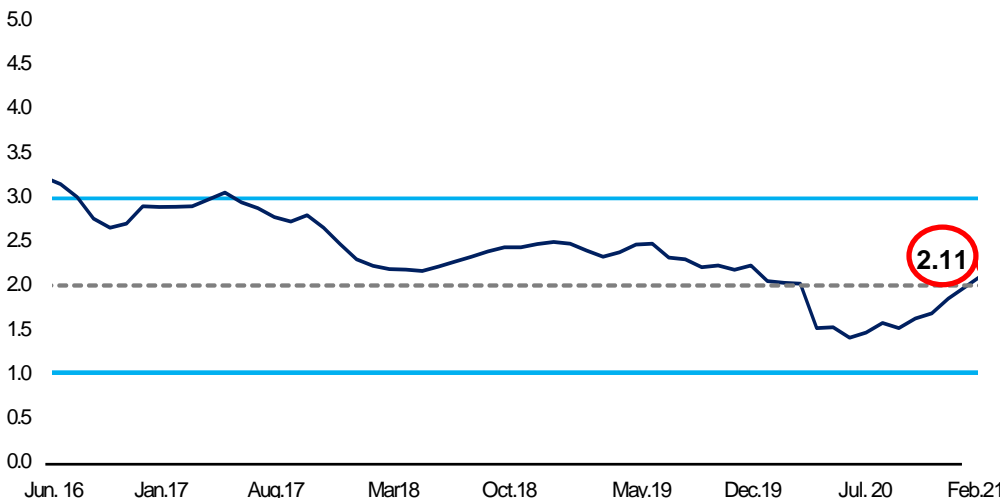
Re-weighted: Reduces the weight of items with greater volatility, considers the original weights of each item between the standard deviation of their monthly percentage changes.

Source: BCRP



One-year ahead expected inflation was 2.1 percent in February.

1-Year ahead Inflation expectations*
(%)



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

Source: BCRP

Survey of Macroeconomic Expectations: Inflation (%)

	<u>Survey date:</u>		
	Dec 31.	Jan 31.	Feb 28.
Economic analysts ¹			
2021	2.05	2.00	2.20
2022	2.00	2.00	2.30
2023			2.50
Financial entities ²			
2021	1.65	1.95	2.00
2022	2.00	2.00	2.00
2023			2.00
Non-financial firms ³			
2021	2.00	2.00	2.00
2022	2.20	2.00	2.20
2023			2.20

¹ 16 analysts in December, 14 in January and 15 in February 2021.

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

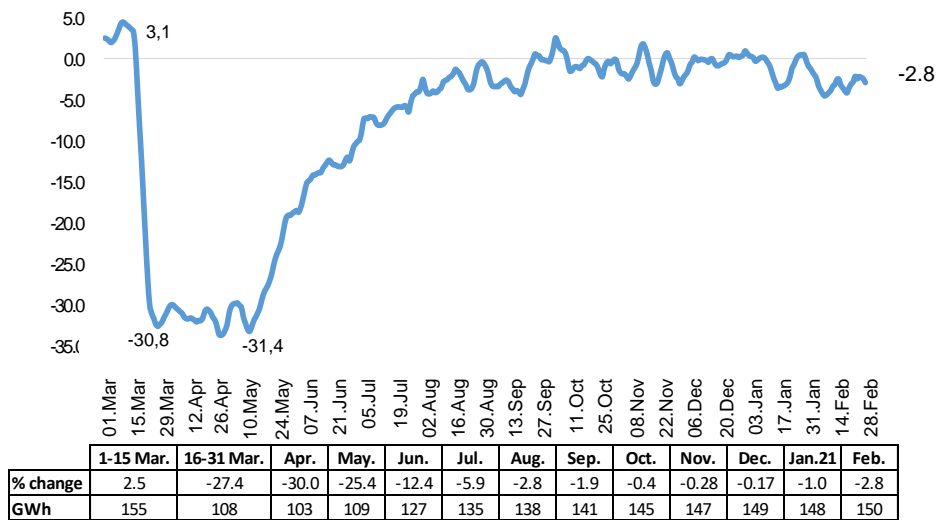
³ 306 non financial firms in December, 300 in January and 300 in February 2021.



Leading indicators and firms' growth expectations improved in February...

Daily Electricity Production

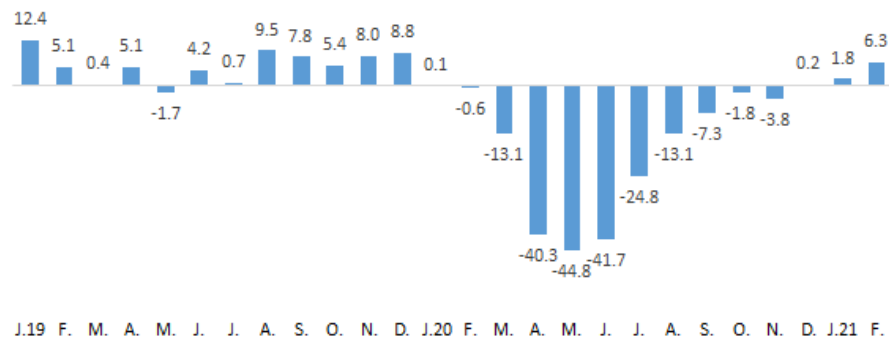
(% change with respect to same period of the previous year)



Source: COES.

Domestic value-added tax

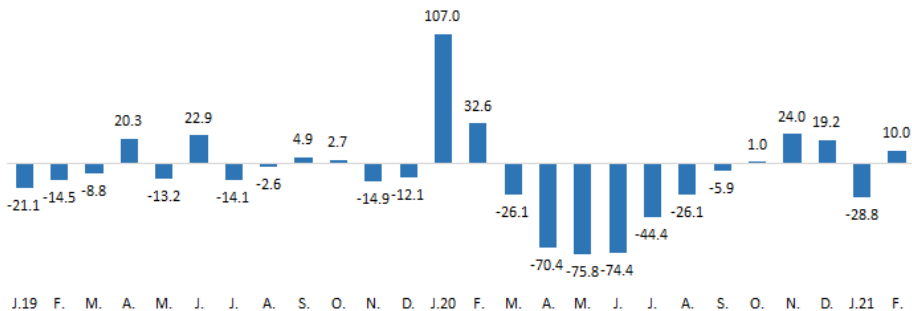
(Annual real % change)



Source: SUNAT

Real Investment of the General Government

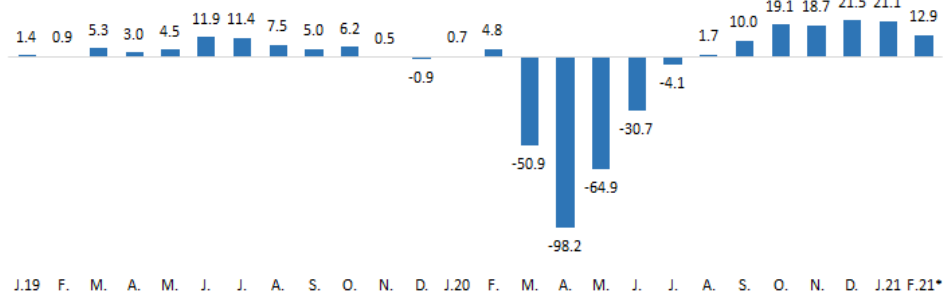
(Annual real % change)



Source: MEF.

Domestic consumption of cement

(Annual real % change)

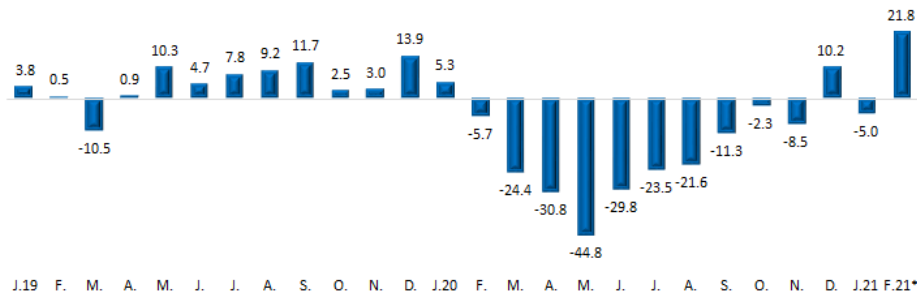


* Data for February 2021 is estimated with preliminary information from companies
Source: INEI and cement companies



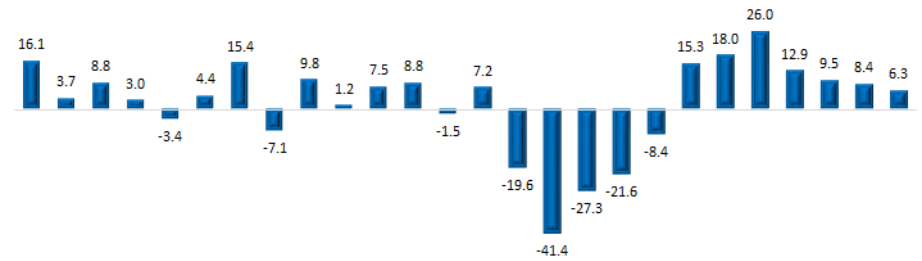
Leading indicators and firms' growth expectations improved in February...

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



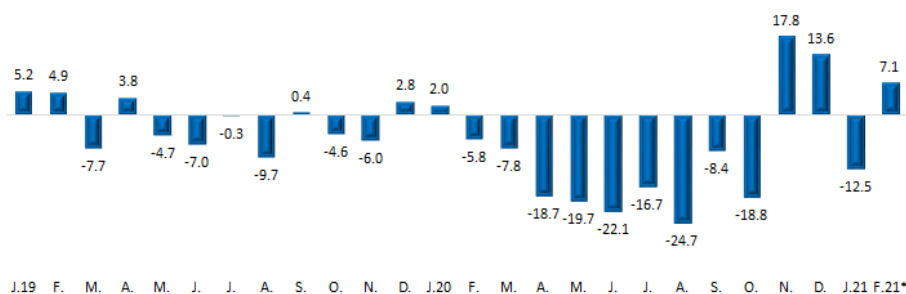
* Preliminary data for February 2021
Source: SUNAT.

Non traditional exports
(Annual % change)



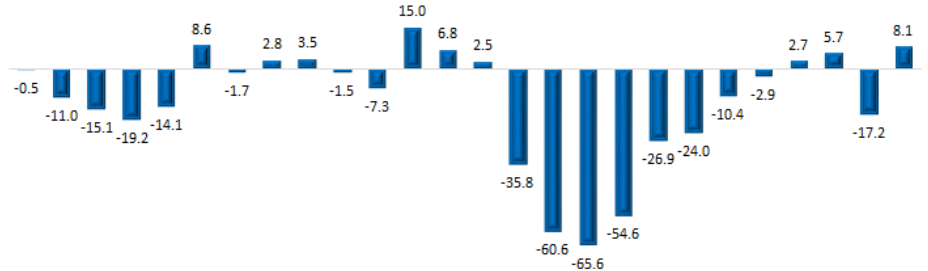
* Preliminary data for February 2021
Source: SUNAT.

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



* Preliminary data for February 2021
Source: SUNAT.

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



* Preliminary data for February 2021
Source: SUNAT.



...while most remain in the pessimistic territory.

Macroeconomic Expectations: Survey Results

	Dec.2019	Mar.2020	Dec.2020	Jan.2021			Feb.2021			Correlation with GDP ^{1/}
CURRENT SITUATION:										
BUSINESS SITUATION	53.4	41.1	46.0	42.5	↓	<	45.6	↑	<	0.56
LEVEL OF SALES	54.2	30.3	52.7	48.1	↓	<	46.2	↓	<	0.49
PRODUCTION LEVEL	50.0	23.5	47.8	47.0	↓	<	45.4	↓	<	0.44
DEMAND COMPARED TO THE EXPECTED DEMAND	40.0	23.0	40.2	37.8	↓	<	39.9	↑	<	0.68
PURCHASING ORDERS COMPARED TO THE PREVIOUS MONTH	51.2	27.5	47.9	47.3	↓	<	44.3	↓	<	0.52
UNWANTED INVENTORY DAYS ^{2/}	8.9	5.9	12.2	13.0	↓	<	9.9	↑	<	-0.36
EXPECTATION:										
ECONOMIC SITUATION:										
IN 3 MONTHS	50.8	21.8	49.5	41.2	↓	<	44.2	↑	<	0.63
IN 12 MONTHS	61.5	41.5	65.4	61.1	↓	>	60.7	↓	>	0.42
SECTOR:										
IN 3 MONTHS	51.5	28.5	49.7	44.8	↓	<	47.0	↑	<	0.67
IN 12 MONTHS	61.5	43.4	64.3	61.2	↓	>	61.1	↓	>	0.33
COMPANY'S SITUATION:										
IN 3 MONTHS	56.1	28.3	52.8	45.5	↓	<	49.3	↑	<	0.66
IN 12 MONTHS	66.6	46.4	69.0	62.7	↓	>	65.1	↑	>	0.66
ABOUT DEMAND:										
IN 3 MONTHS	55.1	30.7	53.6	48.4	↓	<	50.5	↑	>	0.66
IN 12 MONTHS	68.0	47.4	70.3	64.3	↓	>	65.1	↑	>	0.66
NEW PERSONNEL HIRED:										
IN 3 MONTHS	48.6	35.9	44.9	43.3	↓	<	46.8	↑	<	0.66
IN 12 MONTHS	54.0	39.6	53.5	52.0	↓	>	54.7	↑	>	0.58
COMPANY'S INVESTMENT:										
IN 3 MONTHS ^{3/}	51.3	29.9	45.8	44.3	↓	>	46.3	↑	<	0.65
IN 12 MONTHS ^{3/}	59.3	40.0	57.3	54.7	↓	>	56.6	↑	>	0.65
EXPECTATION OF THE AVERAGE PRICE:										
SUPPLIES IN 3 MONTHS	51.5	52.9	57.6	59.0	↑	>	58.8	↓	>	0.63
SALE IN 3 MONTHS	56.4	49.7	56.1	57.0	↑	>	56.9	↓	>	0.59

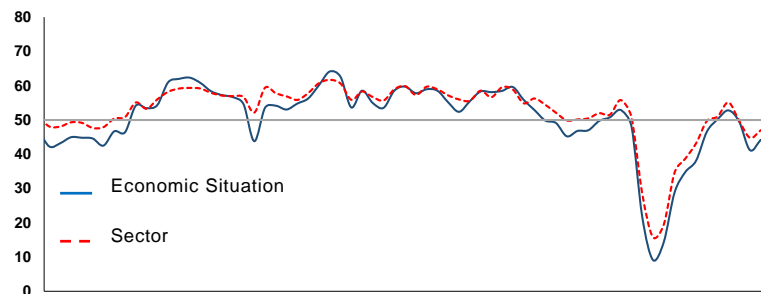
Memo: Greater than 50 points (neutral) means that confidence is on the optimistic tranche and less than 50 points in the pessimistic tranche.

1/ Correlations from December 2007 to December 2019, respectively.

2/ Days of unwanted inventories show the difference between the days of inventories corresponding to each month minus the days of desired inventories according to the companies.

3/ Correlation with Private Investment since September 2017.

Expectations about the economic situation and sector in 3 months

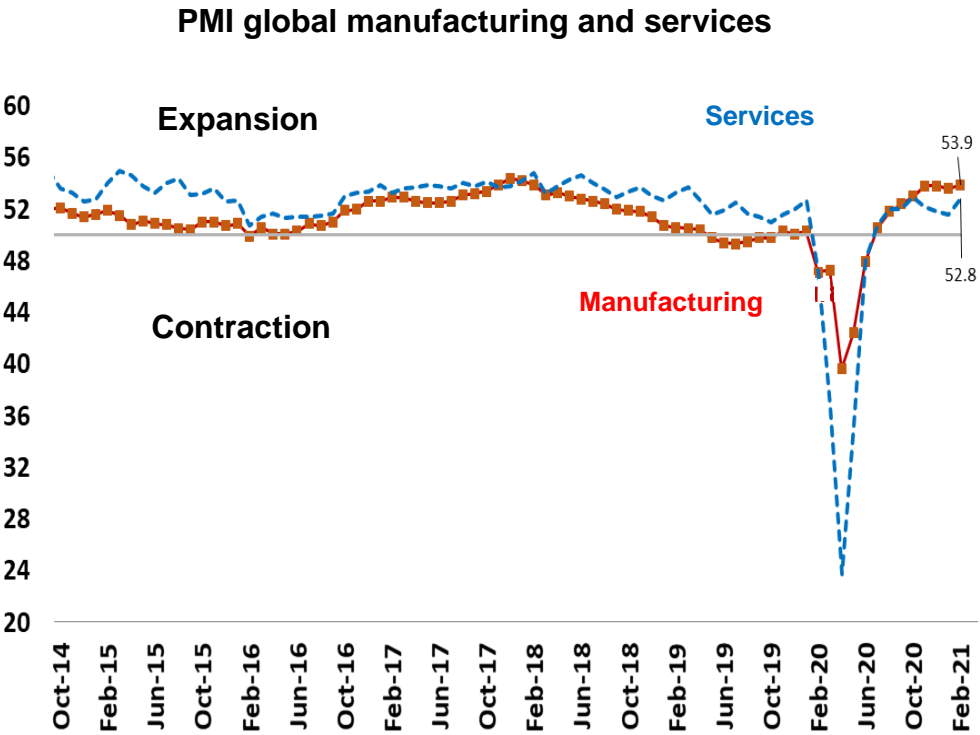


Aug.15 Feb.16 Aug.16 Feb.17 Aug.17 Feb.18 Aug.18 Feb.19 Aug.19 Feb.20 Aug.20 Feb.21
Source: BCRP



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.



Source: Markit.

Seasonally adjusted GDP (Annual % change)

	2019		2020		
	Q.4	Q.1	Q.2	Q.3	Q.4
Germany	0.4	-2.2	-11.3	-4.0	-3.9
France	0.8	-5.7	-18.8	-3.9	-5.0
Italy	0.1	-5.6	-18.1	-5.1	-6.6
Spain	1.7	-4.2	-21.6	-9.0	-9.1
UK	1.2	-2.2	-21.0	-8.7	-7.8
USA	2.3	0.3	-9.0	-2.8	-2.5
Argentina ^{1/}	-0.3	-4.6	-19.6	-10.1	-4.8
Brazil ^{1/}	1.5	-1.3	-10.9	-3.9	-0.9
Chile	-2.4	0.4	-14.0	-10.3	-0.5
Colombia	3.3	0.3	-15.9	-8.4	-3.6
Mexico	-0.7	-2.2	0.0	-8.6	-4.6
Peru	1.7	-4.8	-29.7	-9.0	-1.7

^{1/} The fourth quarter is estimated with the monthly index of economic activity.
 Source: Federal Reserve Bank of St Louis, Office for National Statistics of UK, Eurostat, Central Banks and Statistical Institutes.



CENTRAL RESERVE BANK OF PERU

A strong increase has been observed in the international price of minerals, where copper remained growth until the end of February and currently has reached a value of US\$ 4.03 per pound. In this regard, an inter-annual growth rate of the Terms of Trade of 12.8 percent is expected in February.

International Copper Price

(cUS\$/pound)

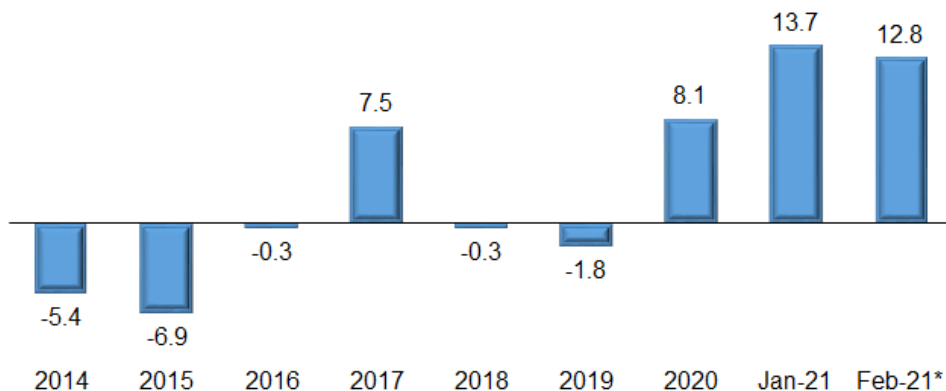


As of March 9: 4.03

Source: Reuters

Terms of Trade

(Annual % change)



* Forecast

Source: BCRP



CENTRAL RESERVE BANK OF PERU

Peruvian Sol remained as one of the most stable currencies in the region.

Exchange Rate (currency units per dollar)

		End of period				Accumulated change (%)*		
		Dec.19	Dec.20	Feb.21	Mar 11, 21	Feb.21	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	90.88	91.68	0.9	1.9	-4.9
Eurozone	US\$ per Euro	1.121	1.221	1.207	1.195	-1.0	-2.2	6.6
United Kingdom	US\$ per Pound	1.326	1.367	1.393	1.395	0.1	2.0	5.2
Japan	Yen	108.61	103.24	106.58	108.64	1.9	5.2	0.0
Brazil	Real	4.019	5.194	5.599	5.611	0.2	8.0	39.6
Colombia	Peso	3285	3415	3645	3521	-3.4	3.1	7.2
Chile	Peso	752	710	724	718	-0.8	1.1	-4.5
Mexico	Peso	18.93	19.87	20.85	20.76	-0.4	4.5	9.7
Argentina	Peso	59.86	84.08	89.82	90.78	1.1	8.0	51.7
Peru	Sol	3.315	3.620	3.650	3.696	1.3	2.1	11.5
South Africa	Rand	13.99	14.69	15.09	14.99	-0.7	2.0	7.1
Indian	Rupee	71.35	73.04	73.92	72.69	-1.7	-0.5	1.9
Turkey	Lira	5.948	7.432	7.423	7.535	1.5	1.4	26.7
Russia	Ruble	61.92	73.79	74.16	73.70	-0.6	-0.1	19.0
China	Yuan (onshore)	6.962	6.525	6.473	6.491	0.3	-0.5	-6.8
	Yuan (offshore)	6.959	6.976	6.478	6.492	0.2	-6.9	-6.7
South Korea	Won	1154	1084	1124	1132	0.7	4.4	-1.9
Indonesia	Rupiah	13880	14040	14240	14395	1.1	2.5	3.7
Thailand	Baht	29.76	30.04	30.47	30.59	0.4	1.8	2.8
Malaysia	Ringgit	4.089	4.020	4.052	4.105	1.3	2.1	0.4
Philippines	Peso	50.65	48.01	48.73	48.44	-0.6	0.9	-4.4

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

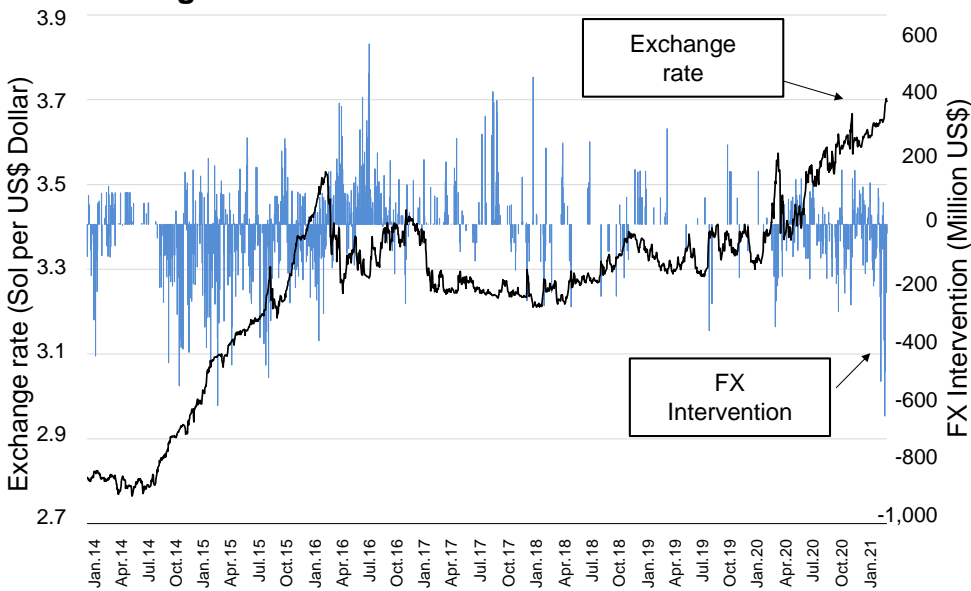
Source: Reuters



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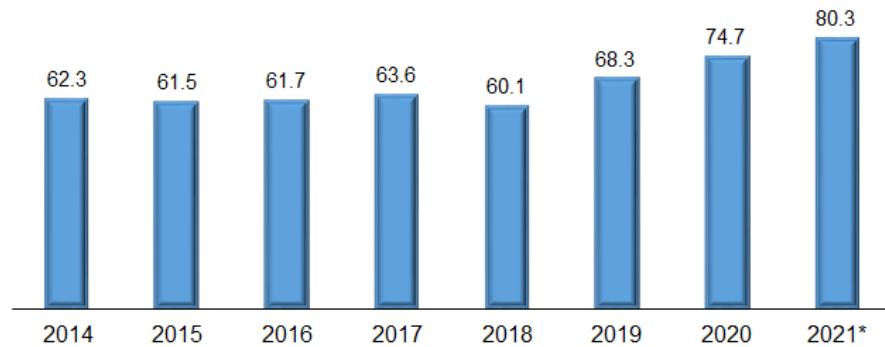
In addition, the Central Bank intervenes in the foreign exchange market to reduce the volatility of the exchange rate.

Exchange rate and FX intervention of BCRP ^{1/}



^{1/} Includes purchases/sell of US\$ in the spot market, placements of CDLD BCRP, CDR BCRP and FX-Swaps
Source: Reuters

Net International Reserves (Billion US\$)

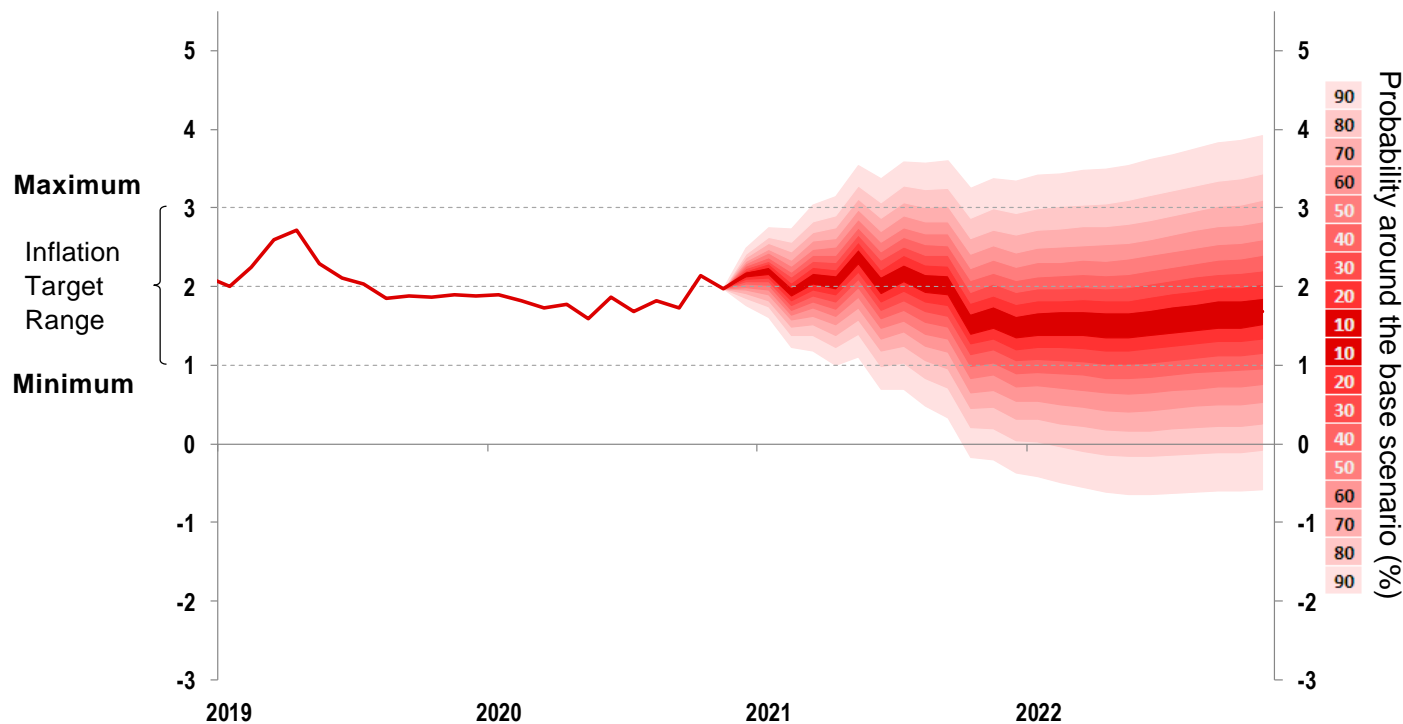


* As of March 10.
Source: BCRP.



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)



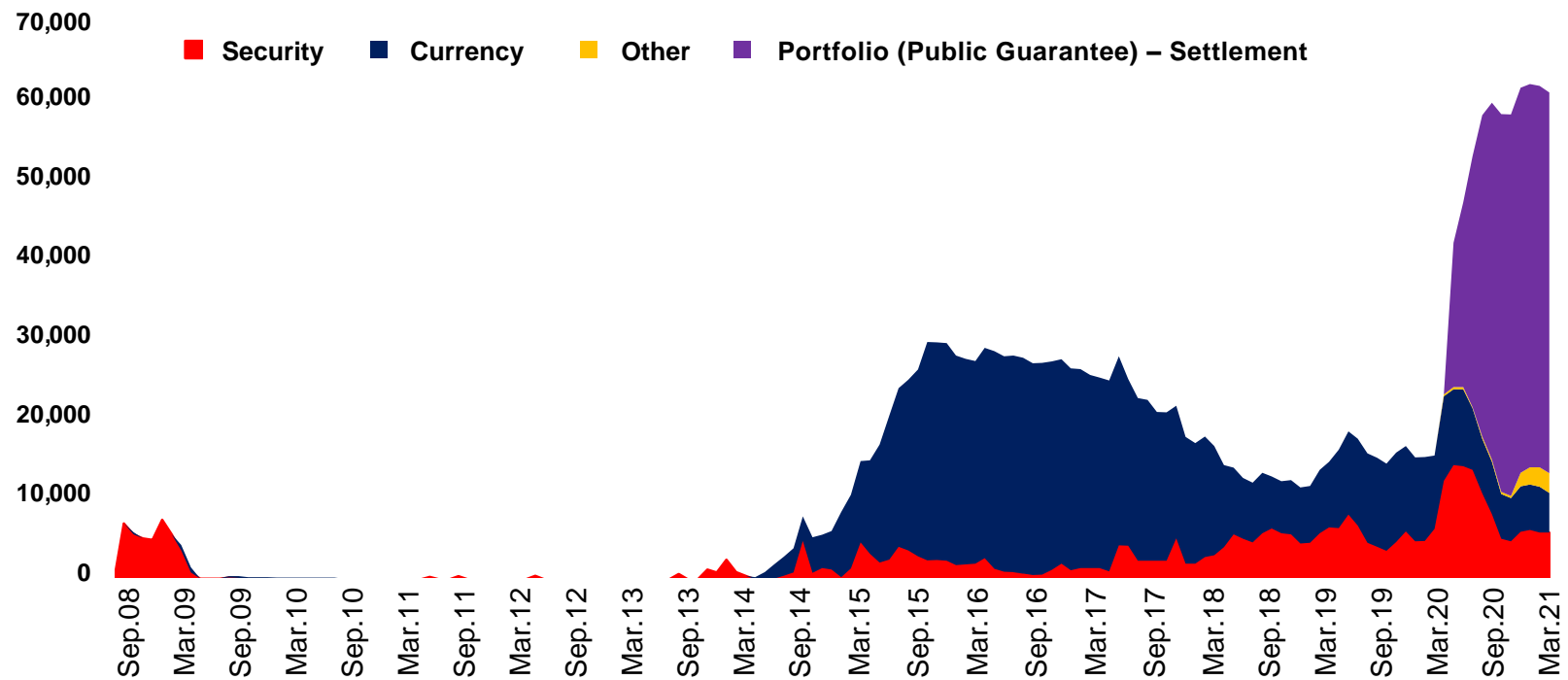
Source: BCRP



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 March 10, BCRP injection operations totaled S/ 63,724 million, of which S/ 50,122 million were associated with government backed repos, S/ 1,272 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/)



* As of March 10. 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.



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	Historical average ^{2/}
Reference	2.75	2.25	1.25	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	11.1	16.3
90-day corporate prime	4.5	3.3	2.8	1.5	0.7	0.6	0.5	0.6	4.2
Corporates ^{4/}	4.9	3.8	3.6	4.0	2.5	2.4	2.2	2.3	5.1
Large companies ^{4/}	6.4	6.0	5.9	5.6	4.6	4.3	4.4	4.2	6.7
Medium-sized enterprises ^{4/}	9.8	9.3	8.9	8.1	6.1	8.1	8.5	8.5	9.9
Small business ^{4/}	18.5	18.0	18.1	18.2	17.2	18.6	18.2	18.2	20.1
Micro business ^{4/}	32.7	31.3	32.6	33.1	30.1	31.9	32.4	33.0	32.2
Consumer ^{4/}	44.9	40.9	39.3	41.4	39.5	39.8	38.5	39.0	41.5
Mortgage ^{4/}	7.6	7.0	6.7	6.8	6.4	6.3	6.0	6.0	8.4
10-year sovereign bond	5.7	4.6	5.3	4.8	3.5	4.4	4.2	5.1	5.4
TIPMN ^{5/}	2.5	2.3	2.1	1.9	1.0	0.9	0.9	0.9	2.3

1/ Information as of March 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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