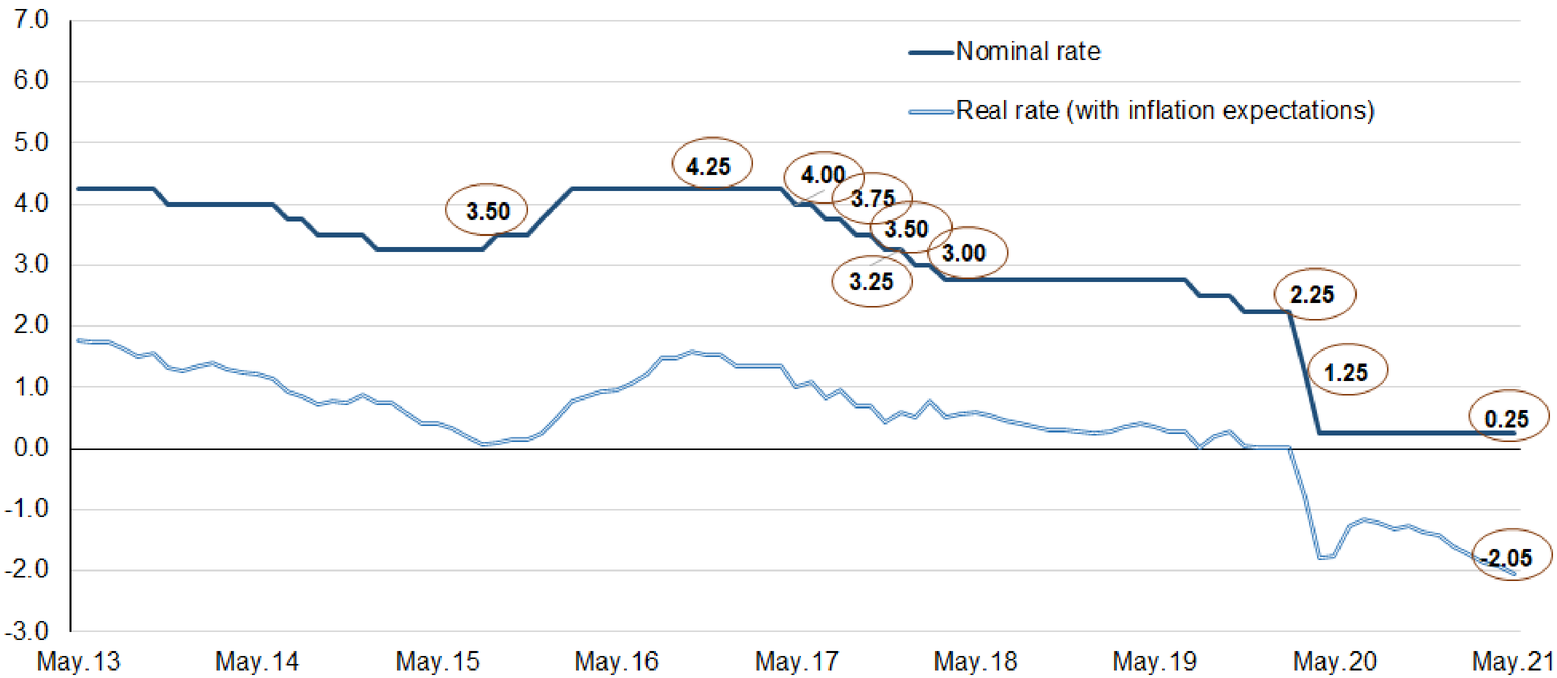
Monetary Policy Statement
May 2021

May 14, 2021

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
(%)

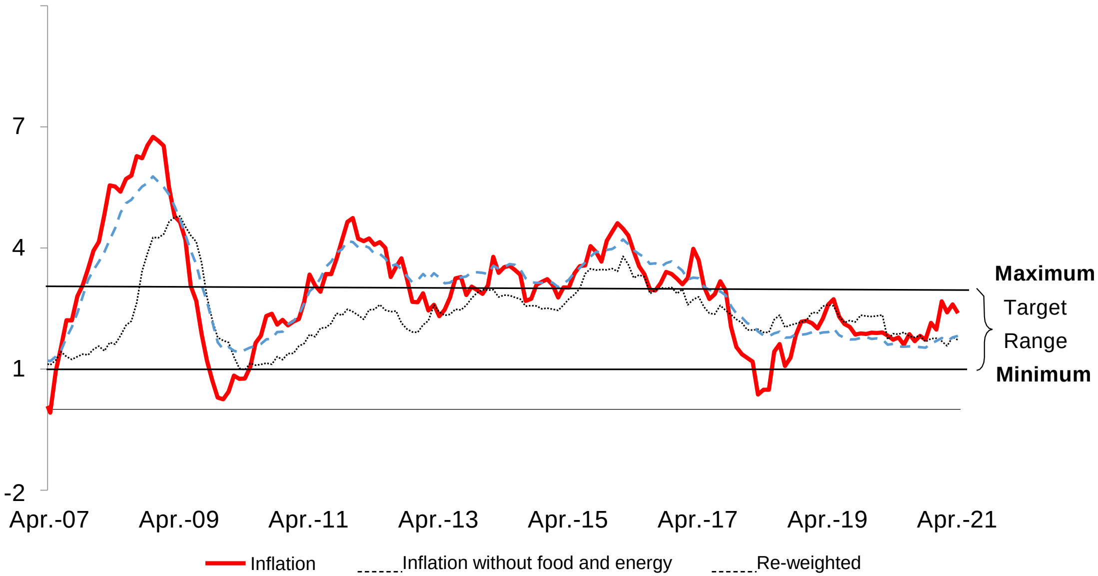


	Apr.17	May.17	Jul.17	Sep.17	Nov.17	Jan.18	Mar.18	Aug.19	Nov.19	Mar.20	Apr.20	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	May.21
(I) Nominal rate	4.25	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
(II) Inflation expectations	2.90	3.00	2.92	2.79	2.81	2.48	2.23	2.48	2.21	2.05	2.03	1.68	1.85	1.98	2.11	2.17	2.30
(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

Source: BCRP

Year-on-year inflation decreased from 2.6 percent in March to 2.4 percent in April due to lower supply-side pressures. Trend inflation remains at the lower part of the target range. Year–on–year core inflation was 1.7 percent in April.

INFLATION
(Last 12 months % change)



Source: BCRP

	Annual average 2001-2020	Annual % change Apr.21
CPI	2.56	2.38
CPI excluding food and energy	2.13	1.72
Trend indicators		
Bounded mean	2.52	1.62
Percentile 63	2.45	1.23
Re-weighted	2.46	1.82

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

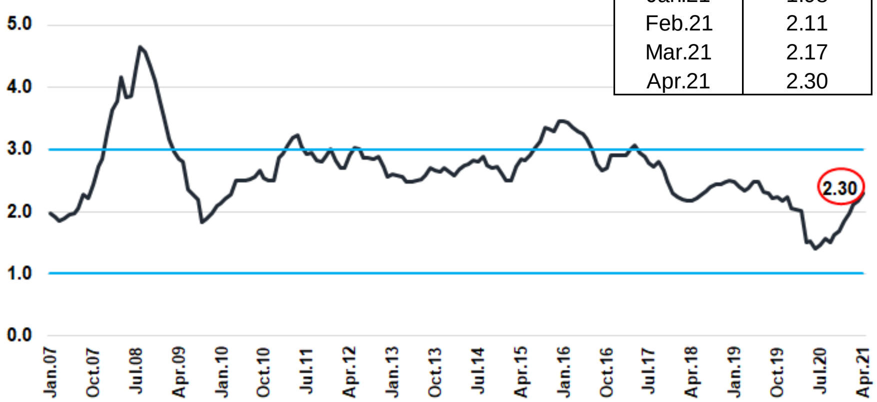
Percentile 63: Corresponds to the percentage changes of the item located in the 63th percentile.

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 2.3 percent in April.

1-Year ahead Inflation expectations*

(%)



	%
Jan.21	1.98
Feb.21	2.11
Mar.21	2.17
Apr.21	2.30

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

Source: BCRP

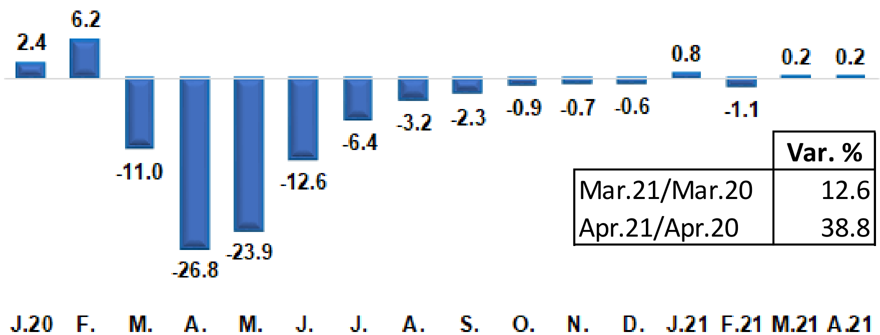
Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:		
	Feb 28.	**Mar 31.**	**Apr 30.**
Economic analysts [1]			
2021	2.20	2.20	2.50
2022	2.30	2.18	2.20
2023	2.50	2.30	2.00
Financial entities [2]			
2021	2.00	2.20	2.30
2022	2.00	2.00	2.00
2023	2.00	2.00	2.00
Non-financial firms [3]			
2021	2.00	2.00	2.20
2022	2.20	2.20	2.30
2023	2.20	2.20	2.30

[1] 15 analysts in February, 18 in March and 14 in April 2021.
[2] 14 financial entities in February, 13 in March and 13 in April 2021.
[3] 300 non financial firms in February, 308 in March and 322 in April 2021.

Leading indicators moderated in April ...

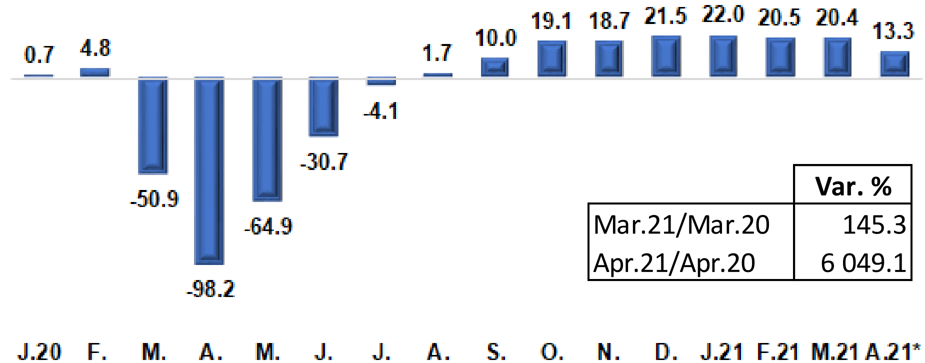
Electricity without mining
(% change compared to the same period in 2019)



	Var. %
Mar.21/Mar.20	12.6
Apr.21/Apr.20	38.8

Source: COES.

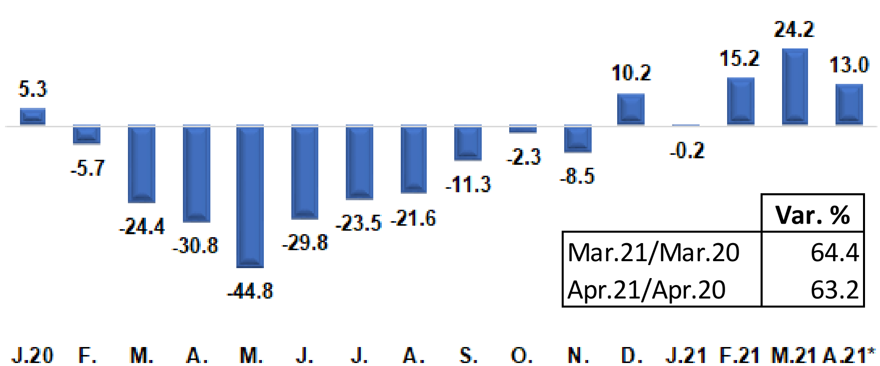
Domestic consumption of cement
(% change compared to the same period in 2019)



	Var. %
Mar.21/Mar.20	145.3
Apr.21/Apr.20	6 049.1

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

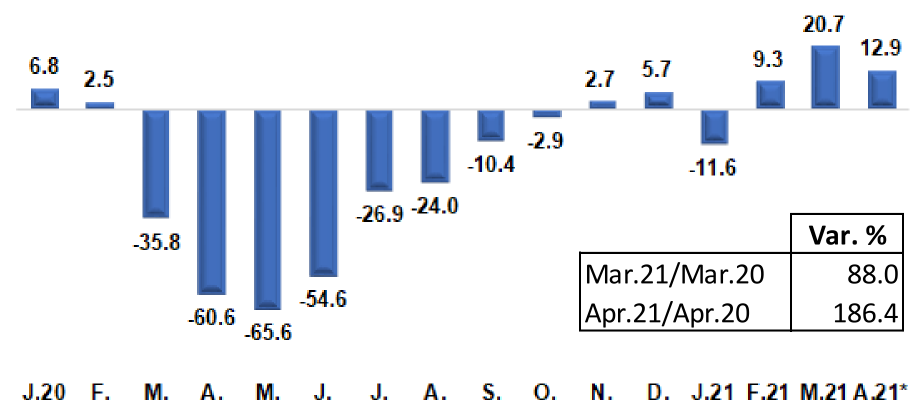
Volume of imports of capital goods without construction materials and without mobile phones
(% change compared to the same period in 2019)



	Var. %
Mar.21/Mar.20	64.4
Apr.21/Apr.20	63.2

* Preliminary data for April 2021.
Source: SUNAT.

Volume of Imports of Durable Consumer Goods
(% change compared to the same period in 2019)



	Var. %
Mar.21/Mar.20	88.0
Apr.21/Apr.20	186.4

* Preliminary data for April 2021.
Source: SUNAT.

… and most indicators of firms' growth expectations deteriorated relative to the previous month.

Macroeconomic Expectations: Survey Results

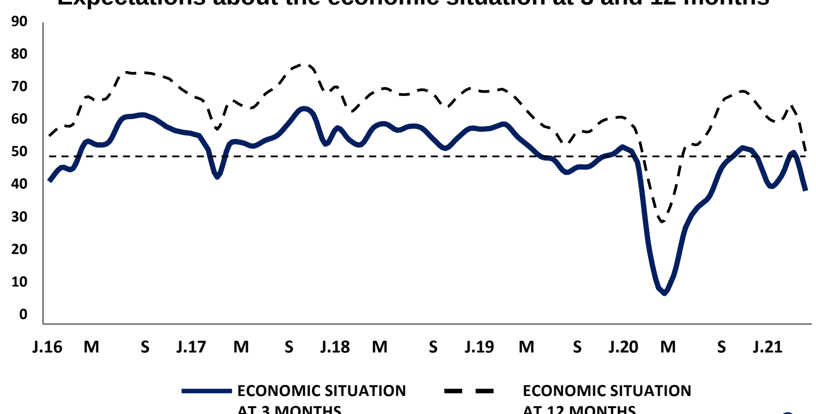
		Dec.2019	Mar.2020	Feb.2021	Mar.2021			Apr.2021			Correlation with GDP [1/]
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	44.2	51.2	↑	>	39.7	↓	<	0.63
	IN 12 MONTHS	61.5	41.5	60.7	65.6	↑	>	51.6	↓	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	47.0	53.5	↑	>	46.7	↓	<	0.67
	IN 12 MONTHS	61.5	43.4	61.1	65.7	↑	>	54.6	↓	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	49.3	53.9	↑	>	48.3	↓	<	0.66
	IN 12 MONTHS	66.6	46.4	65.1	67.5	↑	>	56.2	↓	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	50.5	54.4	↑	>	50.2	↓	>	0.66
	IN 12 MONTHS	68.0	47.4	65.1	66.8	↑	>	60.7	↓	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	46.8	48.1	↑	<	47.3	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	54.7	55.3	↑	>	50.2	↓	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS [2/]	51.3	29.9	46.3	51.4	↑	>	45.0	↓	<	0.65
	IN 12 MONTHS [2/]	59.3	40.0	56.6	61.8	↑	>	50.0	↓	=	0.65
EXPECTATION OF THE AVERAGE PRICE:											
SUPPLIES IN 3 MONTHS		51.5	52.9	58.8	62.0	↑	>	64.2	↑	>	0.63
SALE IN 3 MONTHS		56.4	49.7	56.9	58.7	↑	>	61.3	↑	>	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.

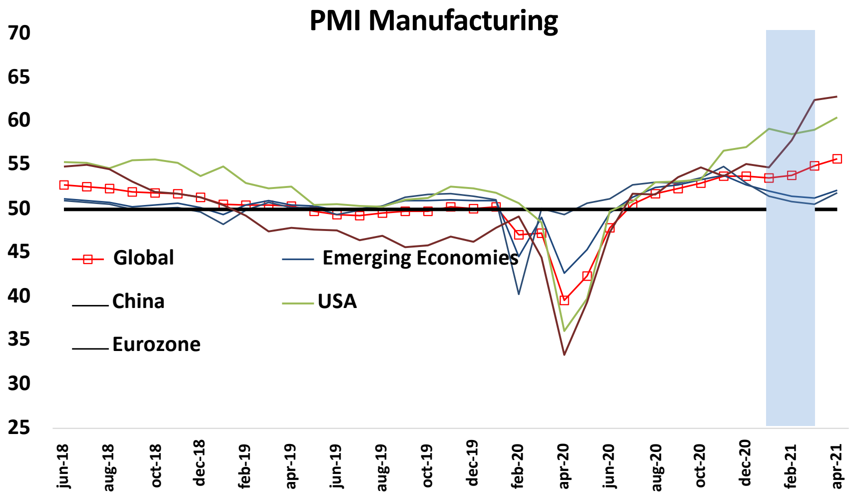
2/ Correlation with Private Investment since September 2017.

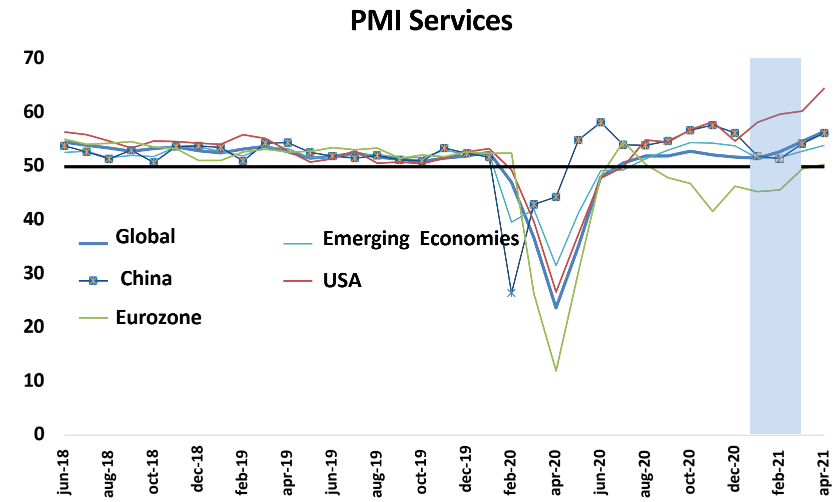
Expectations about the economic situation at 3 and 12 months

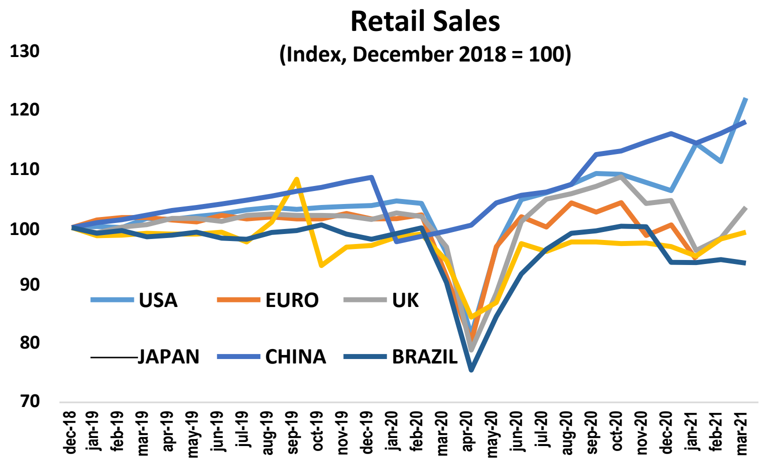


Source: BCRP

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.



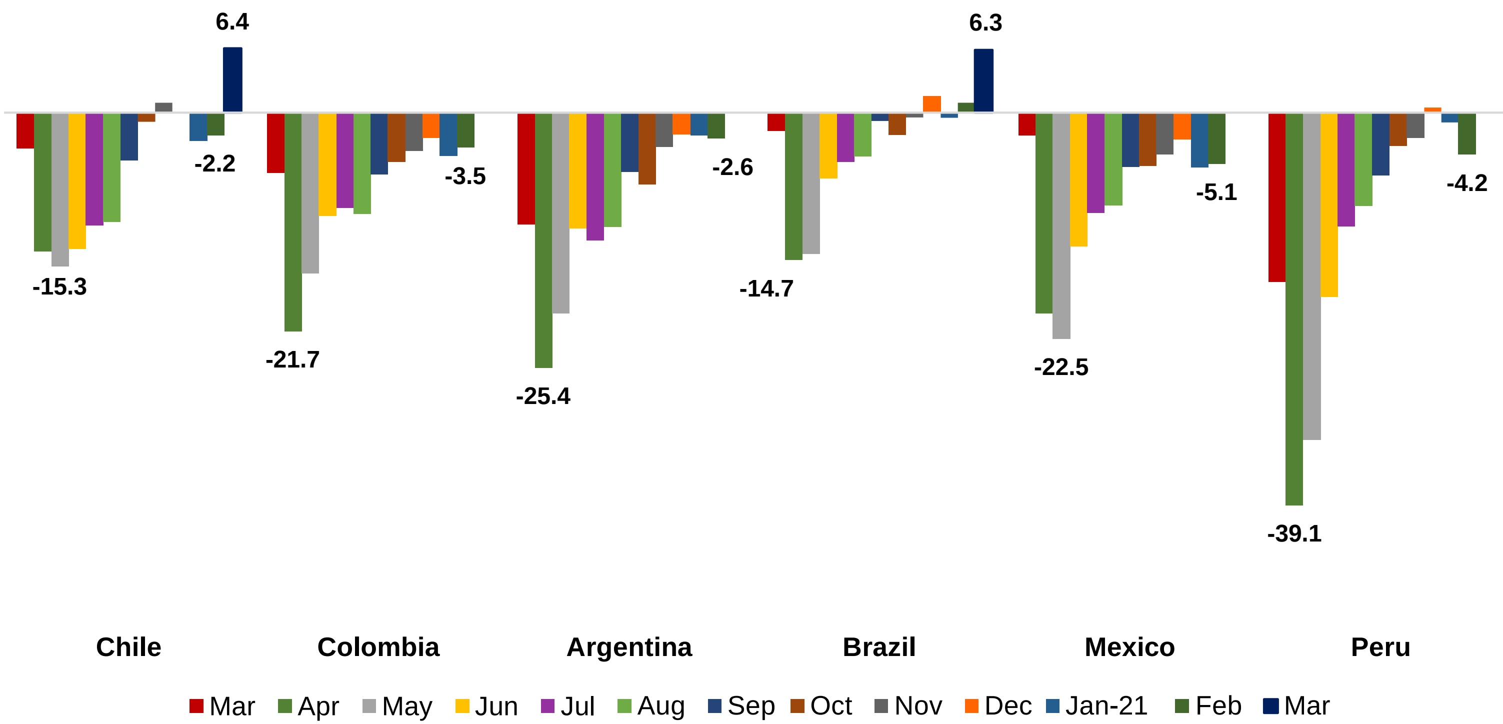




Source: Investing and Trading Economics

In February, the region's economic activity registered a contraction compared to the level of February 2020. This evolution reflected a deterioration with respect to the annual change observed in December because of the new restrictions to face the second wave of Covid-19.

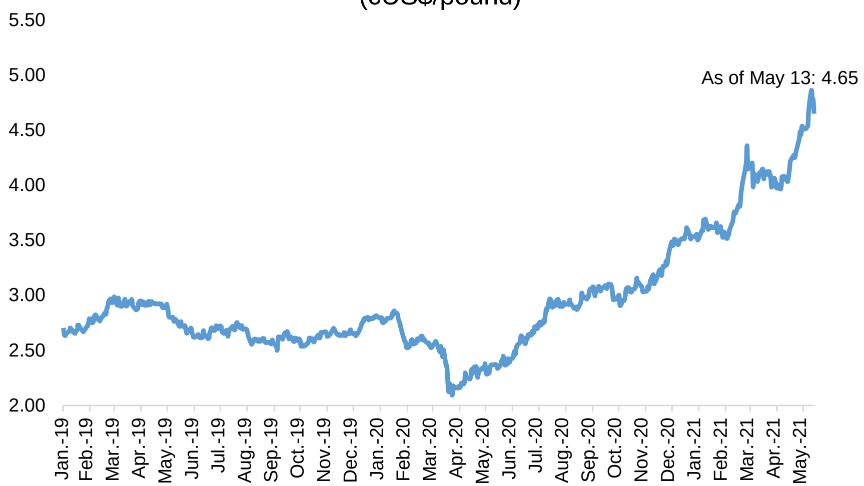
Indicators of economic activity
(Annual % change)



Source: Central Banks and Statistical Institutes.

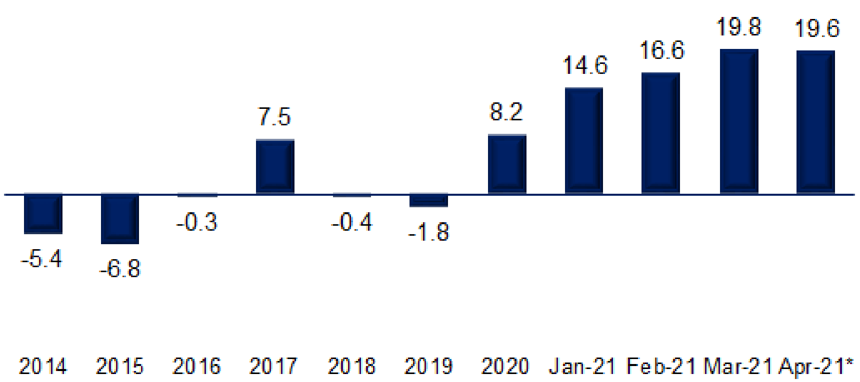
A strong increase in the international price of minerals remains, where copper recorded a historical record. In this regard, an inter-annual growth rate of the Terms of Trade of 19.6 percent is expected in April.

International Copper Price
(cUS$/pound)



Source: Reuters

Terms of Trade
(Annual % change)



* Forecast
Source: BCRP.

The trade balance surplus was US$ 427 million in March 2021. Exports totaled US$ 4,374 million (showing a growth rate of 52.9 percent compared to March 2020), while imports recorded US$ 3,947 million (displaying a growth rate of 53.1 percent compared to March 2020).

TRADE BALANCE

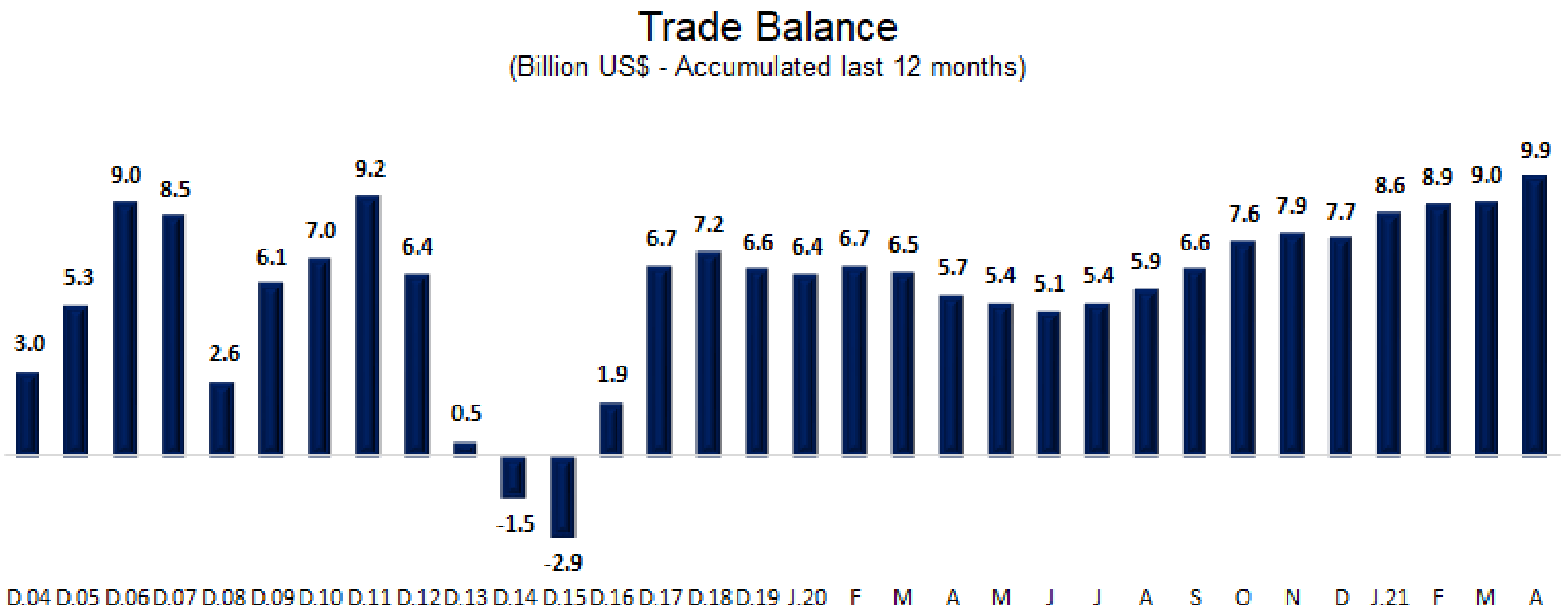
(Million US$)

	2020	2021		March		I Quarter			
	Mar. (a)	Feb.	Mar. (b)	(b) - (a)	Annual % change	2020 (i)	2021 (ii)	(ii)-(i)	% Chg.
1. EXPORTS	**2,860**	**4,302**	**4,374**	**1,514**	**52.9**	**10,322**	**13,135**	**2,813**	**27.3**
Traditional products	2,038	3,120	3,262	1,224	60.1	7,252	9,526	2,275	31.4
Non-traditional products	810	1,170	1,094	284	35.1	3,031	3,565	534	17.6
Other	12	13	18	5	40.6	39	43	4	10.4
2. IMPORTS	**2,579**	**3,476**	**3,947**	**1,368**	**53.1**	**9,163**	**10,690**	**1,527**	**16.7**
Consumer goods	597	804	911	314	52.5	2,174	2,392	219	10.1
Raw materials and intermediate goods	1,231	1,626	1,816	585	47.5	4,320	4,993	673	15.6
Capital goods	746	1,041	1,214	468	62.7	2,647	3,284	637	24.1
Other goods	4	5	6	1	30.6	23	20	-2	-10.6
3. TRADE BALANCE	**282**	**826**	**427**	**146**		**1,159**	**2,445**	**1,286**	

Source: Sunat and BCRP.

1/ For the months of August to March, exports of copper, zinc and molybdenum have been estimated on the basis of production levels in the cases of companies that, having made shipments, are not yet included in the export registry.

The trade balance surplus in the last 12 months is the highest since April 2012.

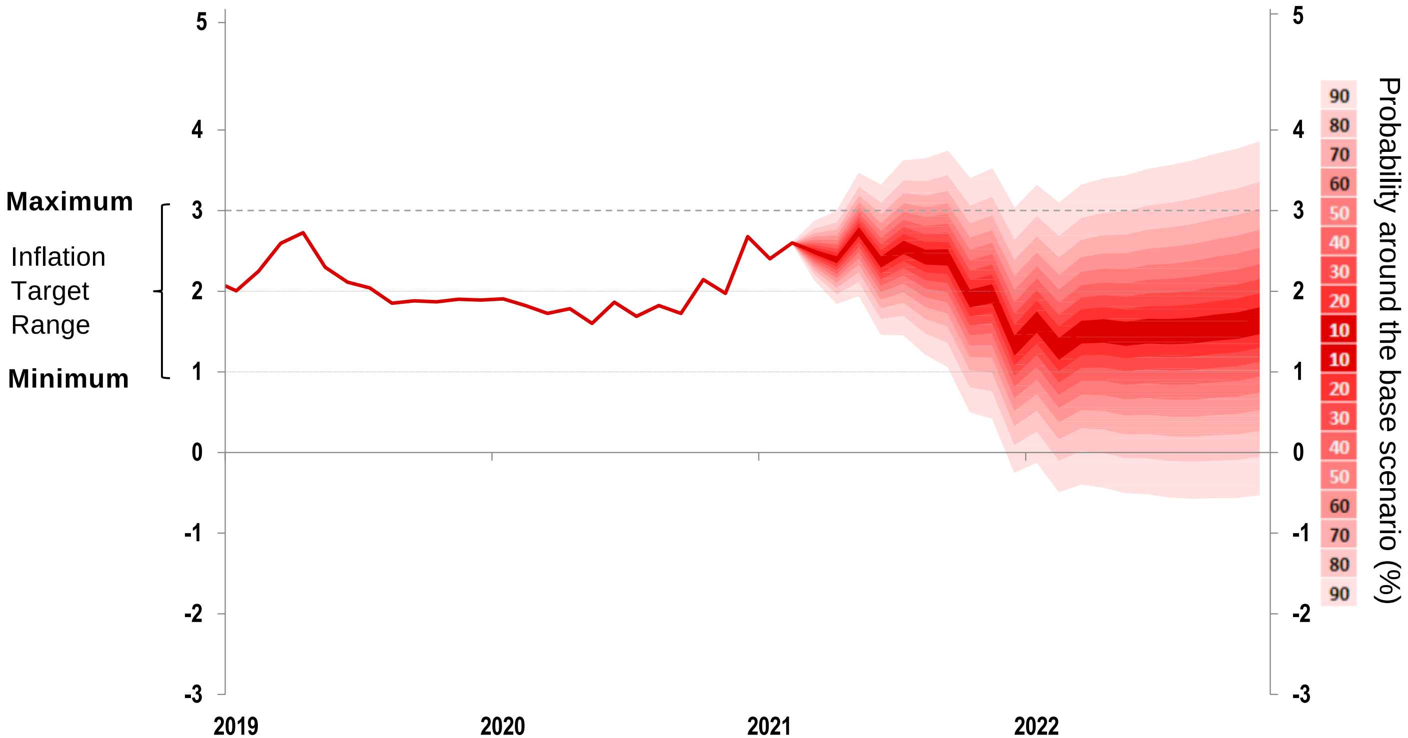


Source: BCRP

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 for as long as the negative effects of the pandemic on inflation and its determinants persist.

Inflation Forecast: 2021-2022

(Last 12-month % change)

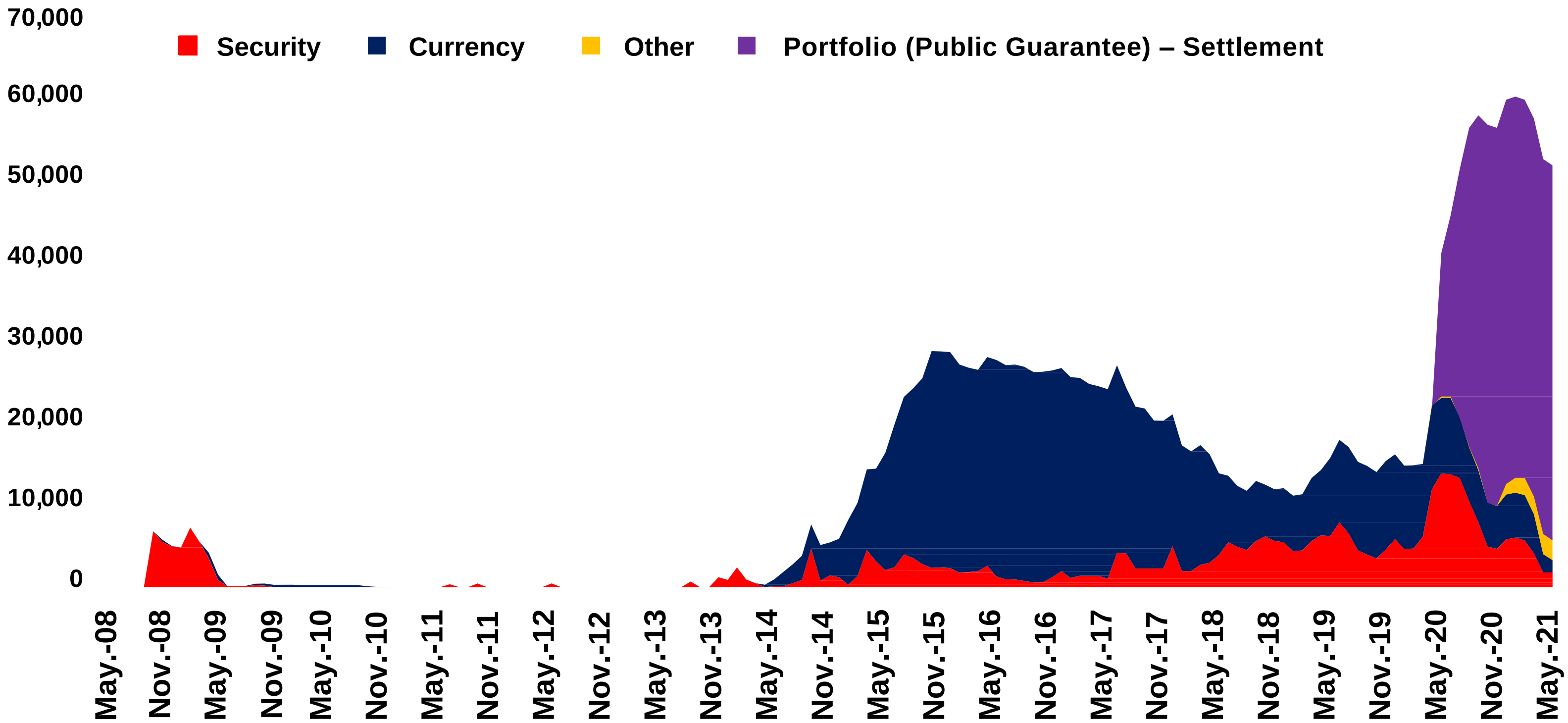


Source: BCRP

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 May 12, BCRP injection operations totaled S/ 56,005 million, of which S/ 49,409 million were associated with government backed repos.

Balance of BCRP Repo Operations*

(Million S/)



* As of May 12. 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	Apr.21	May.21	Historical average[2/]
Reference	2.75	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	3.2
TAMN[3/]	14.37	14.35	13.7	13.1	12.1	11.9	12.2	11.2	10.9	10.9	16.2
90-day corporate prime	4.5	3.3	2.8	1.5	0.7	0.6	0.5	0.6	0.6	0.6	4.1
Corporates[4/]	4.9	3.8	3.6	4.0	2.5	2.4	2.2	2.2	1.8	2.1	5.0
Large companies[4/]	6.4	6.0	5.9	5.6	4.6	4.3	4.4	3.9	3.8	2.7	6.6
Medium-sized enterprises[4/]	9.8	9.3	8.9	8.1	6.1	8.1	8.5	8.0	8.0	5.5	9.9
Small business[4/]	18.5	18.0	18.1	18.2	17.2	18.6	18.2	18.2	18.0	17.8	20.1
Micro business[4/]	32.7	31.3	32.6	33.1	30.1	31.9	32.4	32.8	31.6	31.5	32.2
Mortgage[4/]	7.6	7.0	6.7	6.8	6.4	6.3	6.0	5.9	5.9	5.9	8.4
10-year sovereign bond	5.7	4.6	5.3	4.8	3.5	3.7	4.2	5.0	5.4	4.9	5.4
TIPMN[5/]	2.5	2.3	2.1	1.9	1.0	0.9	0.9	0.9	0.9	0.9	2.3

1/ Information as of May 12, 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 next quarters.

10-year Sovereign Bond Yield

(%)

	End of Period				Accumulated change as of May 12 (bps)	
	Dec.19	Dec.20	Apr.21	As of May 12, 2021	May.21	Dec.20
United States	**1.92**	**0.92**	**1.63**	**1.69**	**7**	**78**
Germany	-0.19	-0.57	-0.20	-0.13	8	45
France	0.12	-0.34	0.16	0.26	10	60
Italy	1.41	0.54	0.90	1.02	12	48
Spain	0.46	0.04	0.47	0.56	9	52
Greece	1.43	0.62	0.98	1.03	4	40
United Kingdom	0.82	0.19	0.84	0.88	4	69
Japan	-0.02	0.02	0.09	0.08	-1	6
Brazil	6.79	6.90	9.12	9.40	28	250
Chile	3.17	2.65	3.75	3.50	-25	85
Colombia	6.34	5.39	6.91	7.47	55	208
Mexico	6.89	5.53	6.89	6.98	9	145
Peru	**4.64**	**3.50**	**5.40**	**4.93**	**-47**	**143**

Source: Reuters

CENTRAL RESERVE BANK OF PERU

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May 2021

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