



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

November 2021

November 12, 2021

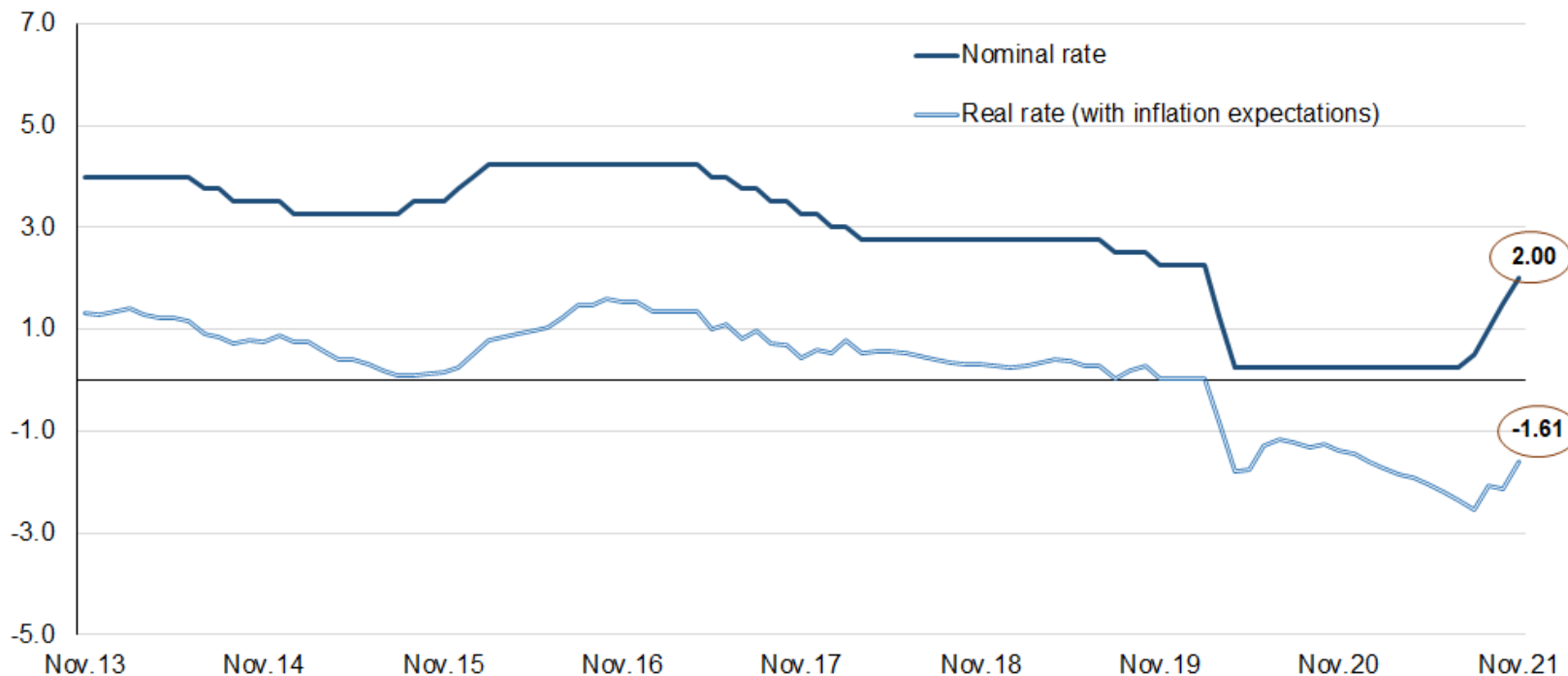


CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 2.00 percent. Monetary policy is still expansionary, and the current decision does not necessarily imply a cycle of successive increases in the reference rate.

Policy interest rate

(%)

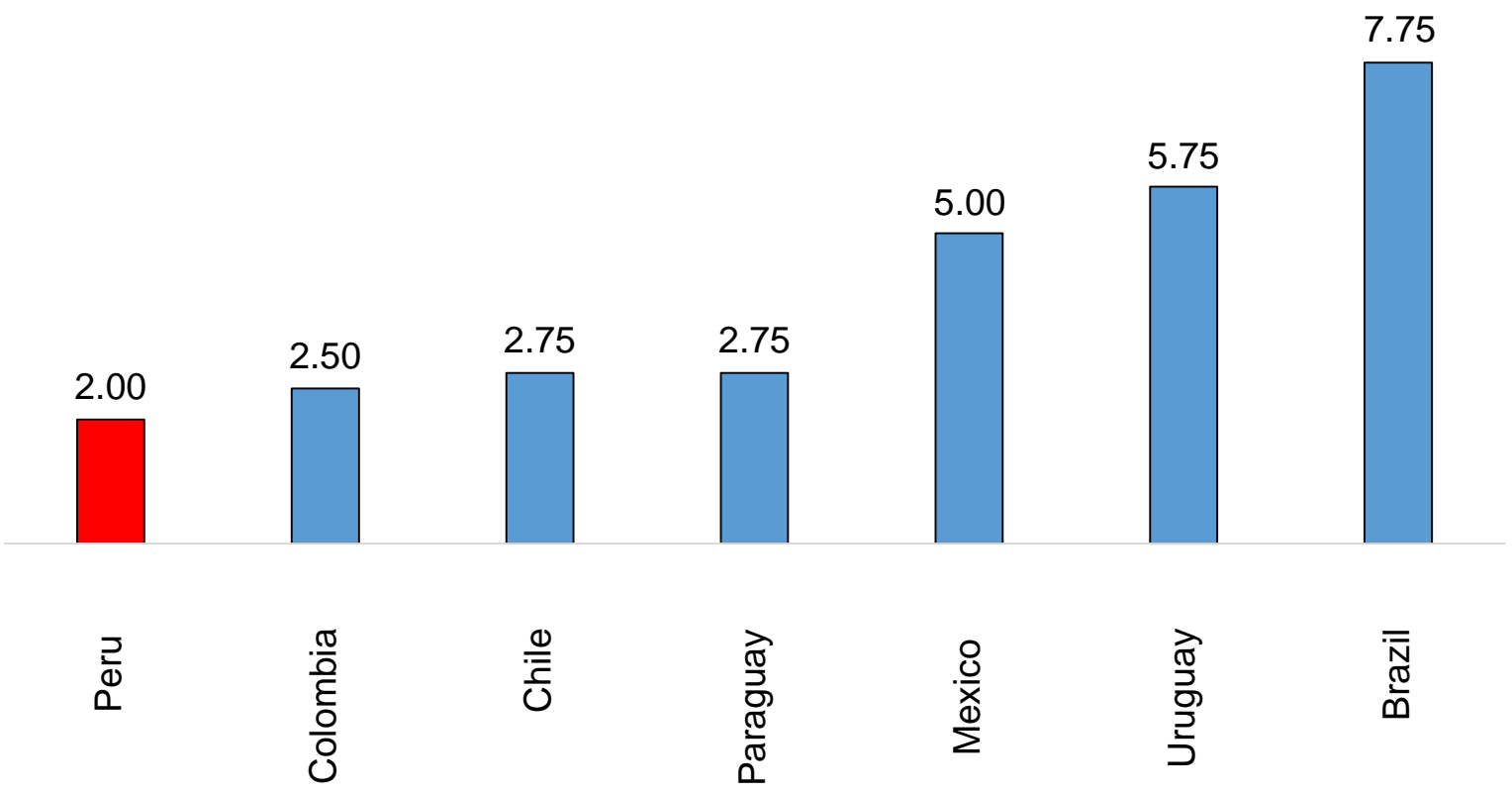


	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	May.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21
(I) Nominal rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	1.00	1.50	2.00
(II) Inflation expectations	1.40	1.46	1.57	1.51	1.62	1.68	1.85	1.98	2.11	2.17	2.30	2.43	2.60	3.03	3.07	3.64	3.61
(III) Real rate: (I)-(II)	-1.15	-1.21	-1.32	-1.26	-1.37	-1.43	-1.60	-1.73	-1.86	-1.92	-2.05	-2.18	-2.35	-2.53	-2.07	-2.14	-1.61



Peru's monetary policy interest rate of 2.0 percent is one of the lowest at the international level.

Monetary Policy Interest Rates in Emerging Economies: November 2021 (%)

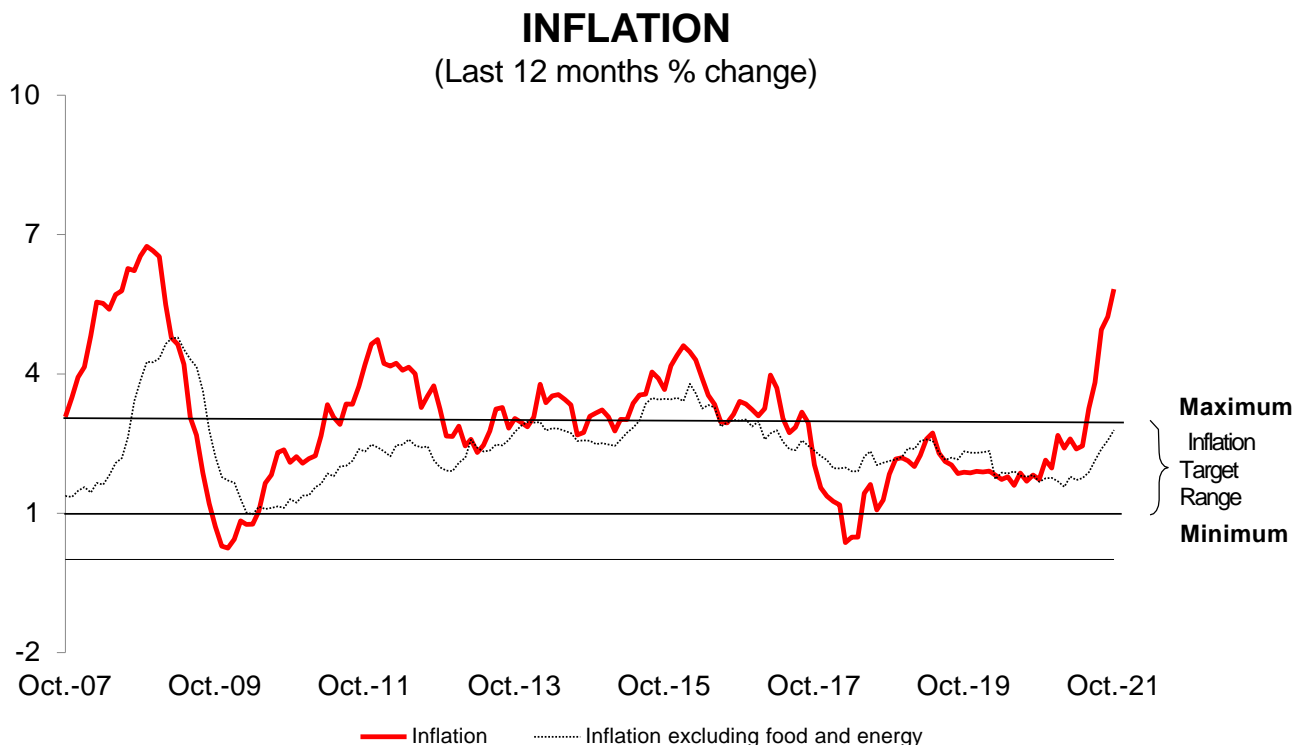


Source: Central Banks.



CENTRAL RESERVE BANK OF PERU

Year-on-year inflation increased from 5.23 percent in September to 5.83 percent in October, temporarily above the target range due mainly to a surge in international food and fuel prices, as well as exchange rate depreciation.



Last 12 months % change	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21	Jun. 21	Jul. 21	Aug. 21	Sep. 21	Oct. 21
Inflation	2.68	2.40	2.60	2.38	2.45	3.25	3.81	4.95	5.23	5.83
Inflation excluding food and energy	1.69	1.57	1.79	1.72	1.76	1.89	2.14	2.39	2.57	2.79

Source: BCRP



A common factor behind the inflation increase in the world has been the significant rise in international commodity prices, particularly in oil (73 percent so far this year) and in some foods such as wheat (77 percent since December 2019), maize (58 percent since December 2019) and in soybean oil (97 percent since December 2019).

International Food and Fuel Quotes (US\$ per unit of measure)

		Spot				% change ^{1/}		
		Dec.19	Dec.20	Oct.21	Nov 9, 21	Nov.21/Dec.20	Nov.21/Oct.21	Nov.21/Dec.19
WTI Oil	(US\$ per barrel)	61.1	48.5	83.6	84.2	73.4	0.7	37.8
LPG*	(US\$ per barrel)	23.9	31.4	63.4	62.2	98.2	-1.9	160.2
Gasoline*	(US\$ per barrel)	73.8	57.8	94.4	94.8	64.1	0.5	28.5
Wheat**	(US\$ per ton)	177.8	231.1	298.4	314.9	36.2	5.5	77.1
Maize**	(US\$ per ton)	215.7	256.7	323.6	341.5	33.1	5.5	58.3
Soybean**	(US\$ per ton)	756	977	1,572	1,487	52.2	-5.4	96.6
Baltic Index	(US\$ Index)	1,090	1,366	3,519	2,805	105.3	-20.3	157.3
Exchange rate	S/ per US\$	3.314	3.620	3.992	4.027	11.2	0.9	21.5

1/ Comparison as of November is with respect to November 9.

* International reference prices published by OSINERGMIN as of November 7, 2021.

** Data as of November 10, 2021.

Source: Reuters, USDA and OSINERGMIN.



The price increase in oil and other fuels, as well as the restrictions of the COVID-19 pandemic that limit access to other basic inputs, would have affected the cost of industrial products. It is worth highlighting that the increase in the price of fertilizers and manures puts additional pressure on food inflation as it affects the production costs of perishable agricultural crops.

Import Prices

Item	% Change	
	Oct 21 / Dec. 20	Oct. 21 / Dec. 19
Industrial inputs	27.9	32.7
Plastics	46.8	56.2
Iron and Steel	54.2	59.2
Textiles	15.7	7.7
Papers	27.2	15.9
Chemical goods	11.7	16.5
Organic chemicals	35.5	40.4
Rest	22.2	29.4
<i>Of Which:</i>		
Fertilizers	63.3	45.1

Source: Sunat.

Elaboration: BCRP.



CENTRAL RESERVE BANK OF PERU

These rises in international prices produced an inflation increase through higher production costs of basic foodstuffs in the family basket such as bread and noodles (due to wheat is its main input), chicken meat (because of maize and soy cake are its main inputs), and vegetable oil (caused by soybean oil, which is its main input). Additionally, the increase in oil prices have had a direct and indirect impact on inflation through higher transportation costs, as well as by the significant increase in the exchange rate (11.2 percent since December 2020).

INFLATION

(% Change)

Item	Weight	2019	2020	October 2021
				% Change 12 months
CPI	100.0	1.90	1.97	5.83
1. CPI excluding food and energy	56.4	2.30	1.76	2.79
2. Food and energy	43.6	1.43	2.22	9.40
i. Food	37.8	1.00	2.24	7.54
Chicken meat	3.0	-7.3	6.6	17.4
Bread	1.9	0.9	0.3	14.3
Oils	0.5	-2.3	4.1	64.0
Lemon	0.2	-4.6	13.7	5.7
Onion	0.4	-31.5	12.5	11.2
Fresh legumes	0.2	5.9	-6.5	19.6
Meals outside the home	11.7	1.7	1.0	3.5
ii. Energy	5.7	4.32	2.13	21.68
Fuels	2.8	-0.4	-4.2	35.0
Gasoline and lubricants	1.3	0.6	-11.2	44.5
Gas	1.4	-1.7	2.0	29.2
Electricity	2.9	8.0	6.7	12.9

Source: INEI.



Year-on- year core inflation was 2.79 percent in October.

Inflation and Trend Indicators

(Annual % change)

	Annual average	Annual % change	
	2001-2020	Sep.21	Oct.21
CPI	2.6	5.23	5.83
CPI excluding food and energy	2.1	2.57	2.79
<u>Trend indicators</u>			
Bounded mean	2.5	3.44	3.83
Percentile 63	2.4	3.04	3.47
Re-weighted	2.5	3.19	3.56

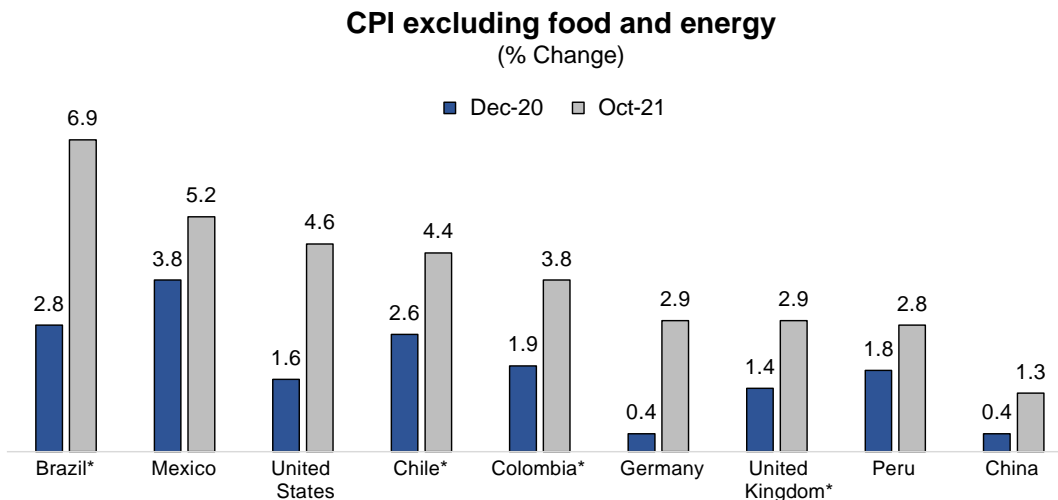
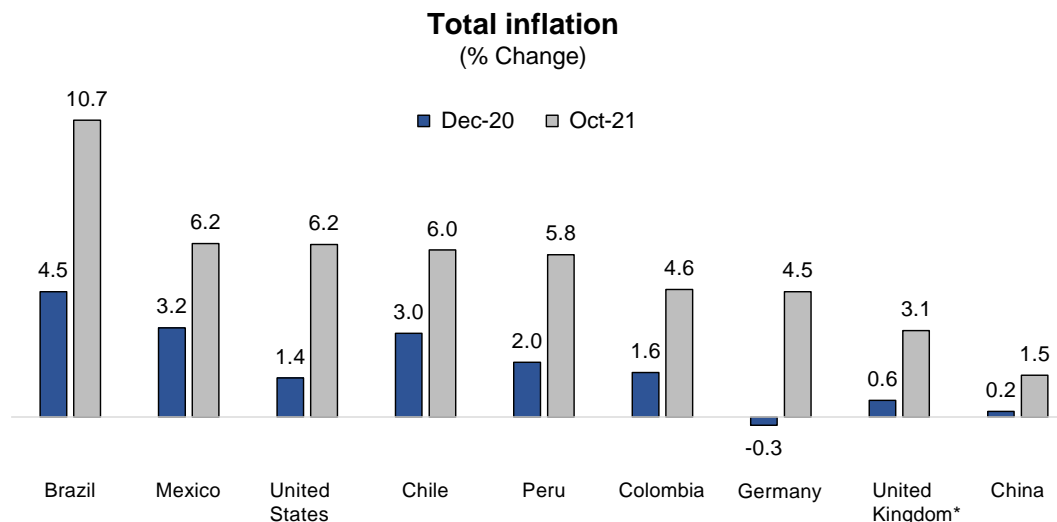
Bounded mean: Weighted average of the percentage change of prices between the 34th and 84th percentiles.

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.



In October 2021, total inflation and core inflation in Peru were among the lowest at the international level.



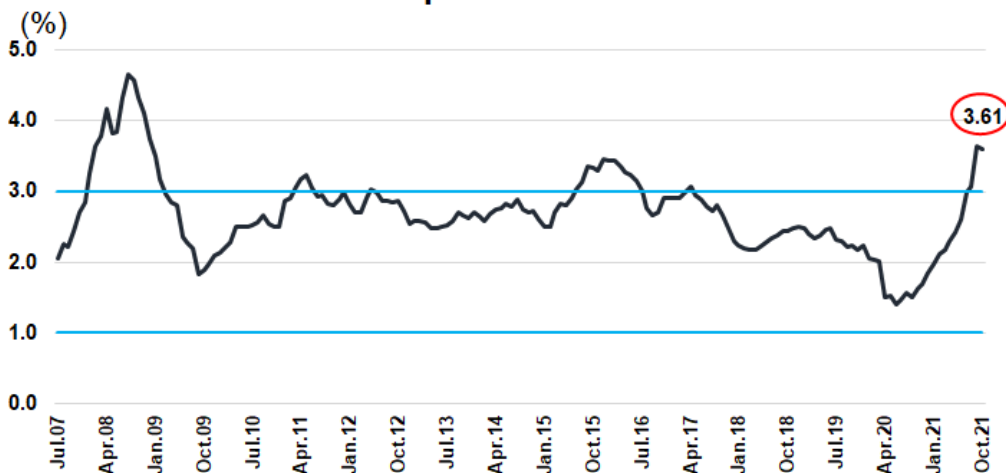
* Information as of September 2021.
Source: Central Banks and Statistical Institutes.



One-year-ahead expected inflation remained at 3.6 percent in October and is forecast at 3.3 percent for 2022, slightly above the upper limit of the inflation target range.

Survey of Macroeconomic Expectations: Inflation (%)

1-Year ahead inflation expectations*



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

Source: BCRP

	Survey date:			
	Aug 31.	Sep 30.	Oct 31.	
Economic analysts¹				
2021	3.74	4.60	5.10	↑
2022	2.55	3.00	3.15	↑
2023	2.80	2.80	2.90	
Financial entities²				
2021	3.60	5.00	5.01	↑
2022	3.00	3.50	3.50	=
2023	3.00	3.00	3.00	
Non-financial firms³				
2021	3.20	3.70	4.00	↑
2022	3.00	3.00	3.00	=
2023	3.00	3.00	3.00	

¹ 17 analysts in August, 16 in September and 18 in October 2021.

² 15 financial entities in August, 13 in September and 18 in October 2021.

³ 298 non financial firms in August, 290 in September and 284 in October 2021.



Economic activity in the January-August 2021 period is close around the pre-pandemic level, although the sectors most intensive in human contact are those most affected by COVID-19.

Gross Domestic Product

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

	Weight 2020 ^{1/}	2020	21/20			21/19		
		Year	Jul.	Aug.	Jan.-Aug.	Jul.	Aug.	Jan.-Aug.
Primary GDP	23.1	-7.7	-0.9	3.0	8.6	-4.3	-6.3	-3.1
Agriculture and Livestock	6.4	1.4	11.1	6.0	1.8	5.9	3.4	3.3
Fishing	0.5	4.2	-41.4	-29.9	12.3	-25.8	-28.1	1.7
Mining	8.8	-13.8	1.4	5.1	16.1	-5.2	-6.0	-5.8
Fuel	1.5	-11.0	-13.6	-8.4	-8.3	-18.0	-23.4	-16.9
Primary industries	3.6	-2.0	-14.7	0.2	9.9	-9.1	-9.5	2.1
Non-primary GDP	76.9	-12.0	17.3	14.3	21.7	1.7	3.8	1.1
Non-primary industries	8.5	-16.4	15.9	15.2	36.1	0.4	3.6	3.2
Electricity and water	2.0	-6.1	7.1	5.9	11.2	1.7	3.2	1.3
Construction	5.6	-13.9	37.4	25.5	75.2	20.2	18.0	18.2
Commerce	10.2	-16.0	13.3	9.9	26.5	1.4	1.5	-2.1
Total Services	50.6	-10.3	16.6	14.1	14.4	-0.1	2.8	-0.4
Transportation	4.3	-26.7	38.6	32.8	20.3	-4.8	-4.0	-14.4
Lodging and restaurants	1.7	-50.5	124.2	96.5	36.6	-36.8	-23.0	-39.5
Telecommunications	5.7	4.8	7.6	6.5	8.2	12.7	12.9	11.7
Financial and insurance	7.2	13.7	5.1	2.8	12.0	21.9	23.1	22.7
Business services	4.1	-19.7	21.1	13.5	21.2	-12.4	-7.6	-8.4
Public administration	5.5	4.1	3.2	3.0	4.6	7.1	7.0	8.8
Other services	14.0	-10.0	12.4	11.1	9.6	-2.3	-1.8	-2.4
Taxes	8.1	-12.9	21.6	19.2	26.0	1.8	6.0	3.2
Gross Domestic Product	100.0	-11.0	12.9	11.8	18.6	0.4	1.6	0.2

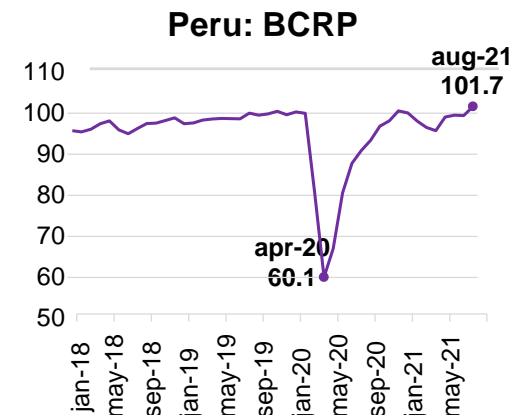
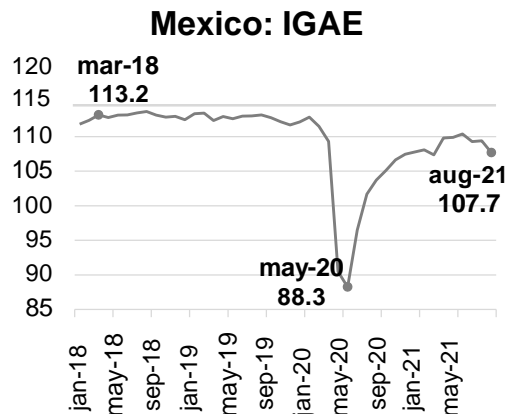
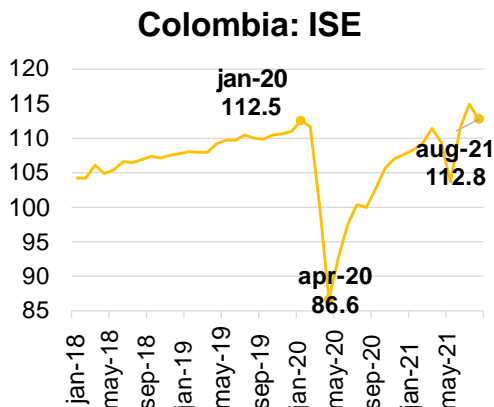
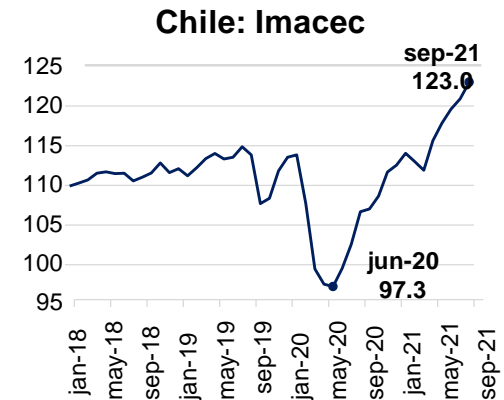
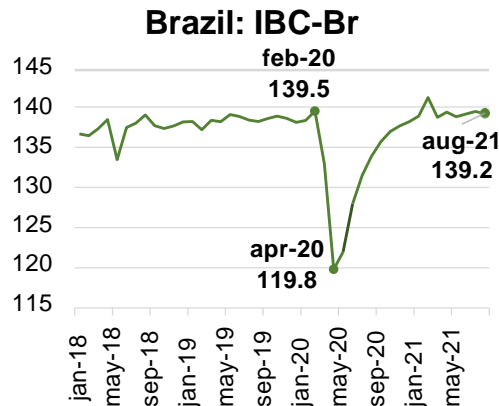
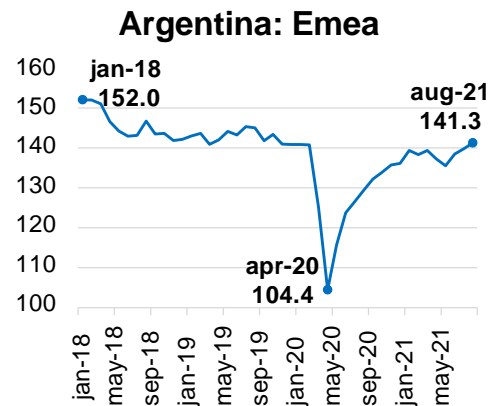
1/ Implicit weighting for 2020 at 2007 prices.

Source: INEI and BCRP



CENTRAL RESERVE BANK OF PERU

As of August, the Peruvian economy is one of those that shows the highest recovery compared to its previous level in 2019.



	Argentina	Brazil	Chile	Colombia	Mexico	Peru
Current level (% de Feb.)	100	100	108	101	97	102

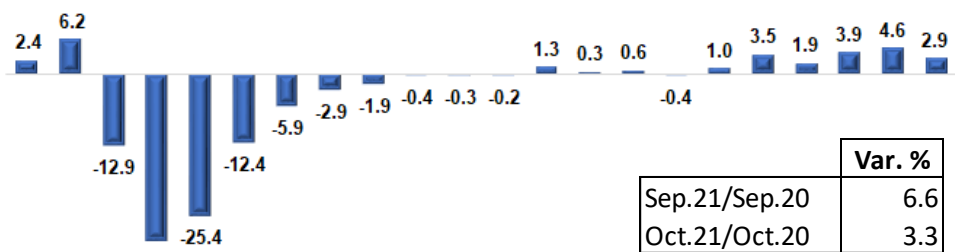
Source: Central Banks and Statistical Institutes. Seasonally adjusted series.



Indicators for September and October show that economic activity would remain above its pre-pandemic level.

Average monthly electricity production (GWh)

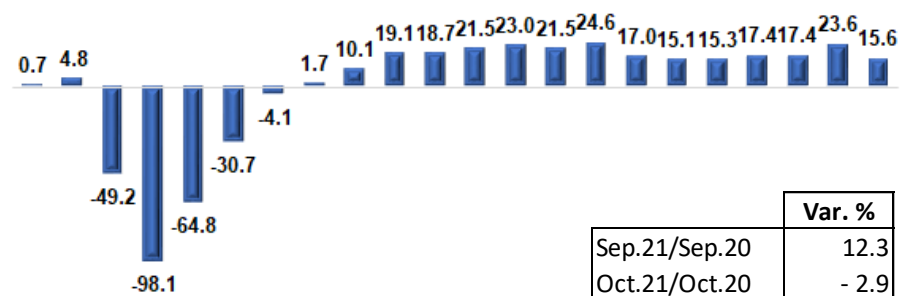
(% change respect to the same period in 2019)



J.20 F. M. A. M. J. J. A. S. O. N. D. J.21 F.21 M.21 A.21 M.21 J.21 J.21 A.21 S.21 O.21
Source: COES.

Domestic consumption of cement*

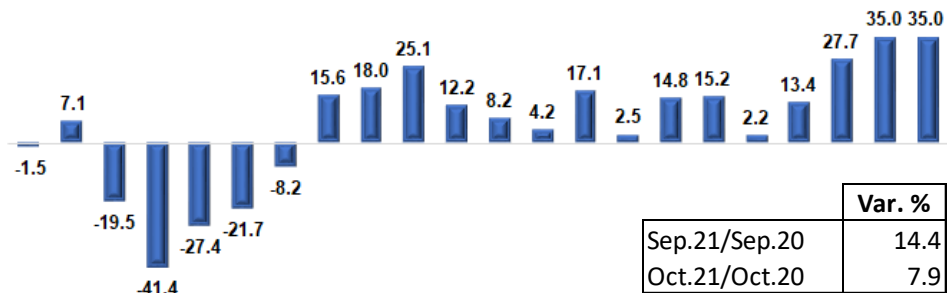
(% change respect to the same period in 2019)



J.20 F. M. A. M. J. J. A. S. O. N. D. J.21 F.21 M.21 A.21 M.21 J.21 J.21 A.21 S.21 O.21
* Data for October represents a forecast.
Source: Cement companies.

Non traditional exports*

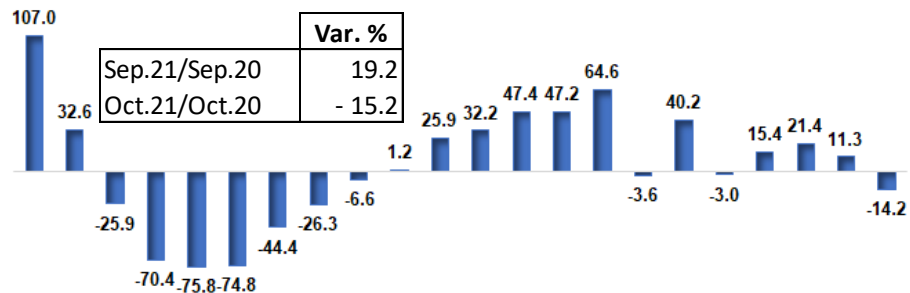
(% change respect to the same period in 2019)



J.20 F. M. A. M. J. J. A. S. O. N. D. J.21 F.21 M.21 A.21 M.21 J.21 J.21 A.21 S.21 O.21
* Data for October represents a forecast.
Source: Sunat.

Real Investment of the General Government

(% change respect to the same period in 2019)

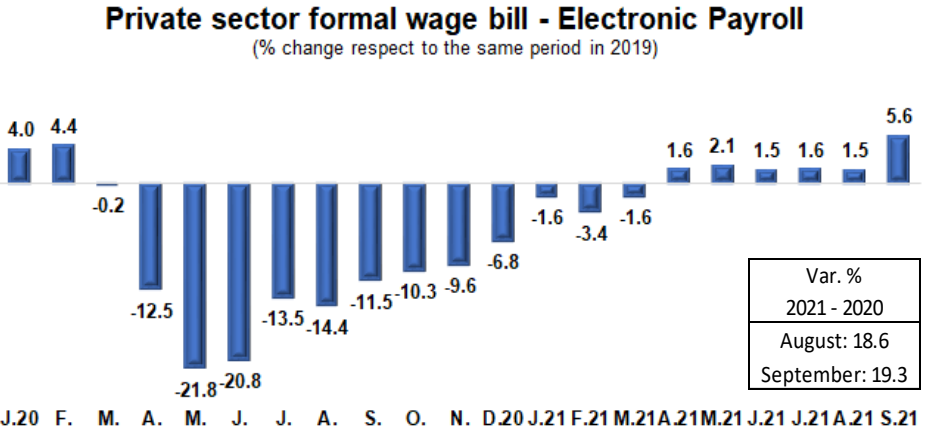
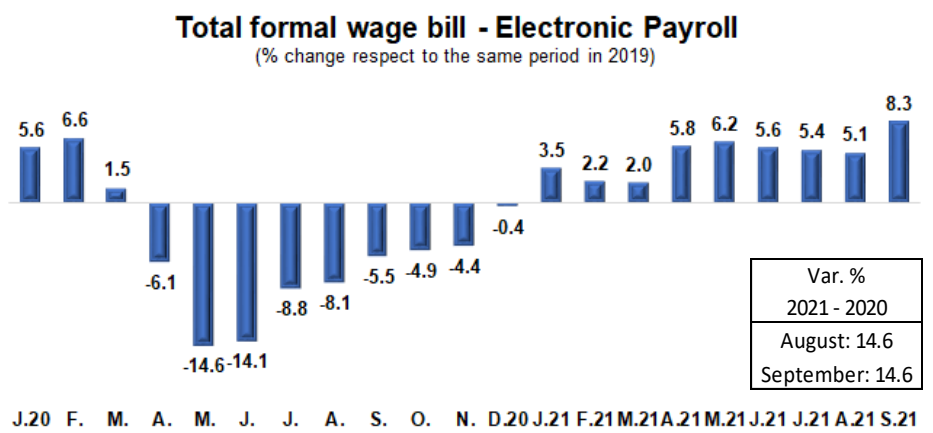
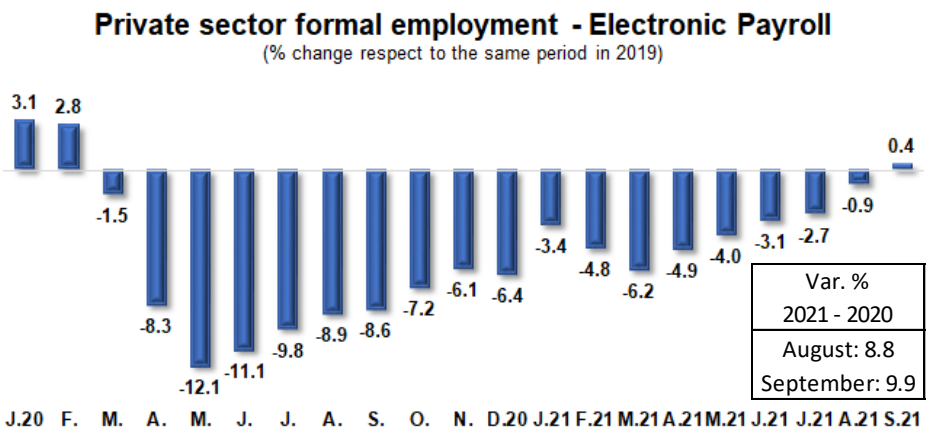
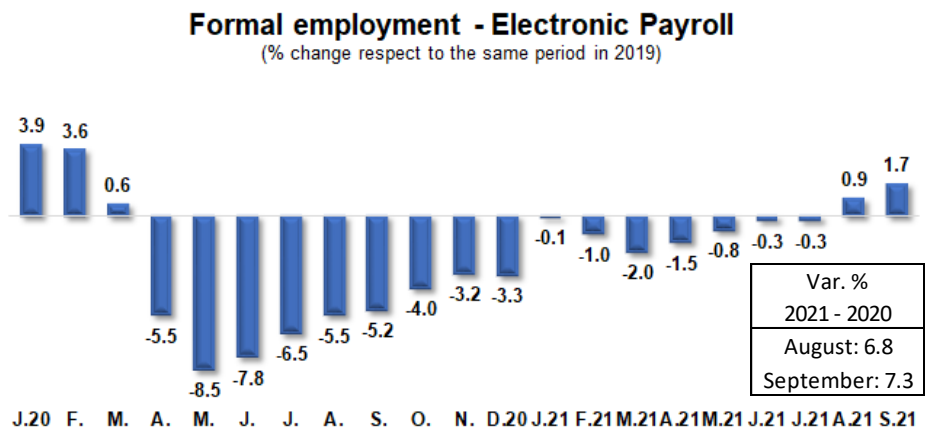


J.20 F. M. A. M. J. J. A. S. O. N. D. J.21 F.21 M.21 A.21 M.21 J.21 J.21 A.21 S.21 O.21
Source: MEF.



CENTRAL RESERVE BANK OF PERU

Respect to the same period in 2019, formal jobs (including the private and public sector) rose 1.7 percent in September, while the formal wage bill increased 8.3 percent.



Source: SUNAT



In September, 348 thousand formal jobs have increased in the private sector compared to September 2020, and the level is slightly above the pre-pandemic level.

Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	September							Jan - Sep	
	2019	2020	2021	Change 2021 / 2020		Change 2021 / 2019		% Chg.	% Chg.
				Thousands	%	Thousands	%	21/20	21/19
Total	3,854	3,521	3,869	348	9.9	16	0.4	2.9	-3.3
Agriculture and Livestock ^{1/}	471	542	589	47	8.7	118	25.2	0.5	5.7
Fishing	20	18	19	1	5.6	-1	-2.5	4.2	-1.2
Mining	106	99	113	15	15.2	8	7.3	9.7	5.7
Manufacturing	473	434	460	26	6.0	-13	-2.7	2.7	-4.2
Electricity	16	14	16	2	13.7	0	1.2	4.4	-0.4
Construction	244	201	250	49	24.4	6	2.6	31.1	7.2
Commerce	622	578	627	49	8.5	5	0.8	2.5	-1.6
Services	1,899	1,630	1,774	145	8.9	-125	-6.6	0.0	-8.0

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT.



Most leading indicators and expectations about the economy improved in October, but some are still in the pessimistic tranche.

Macroeconomic Expectations: Survey Results

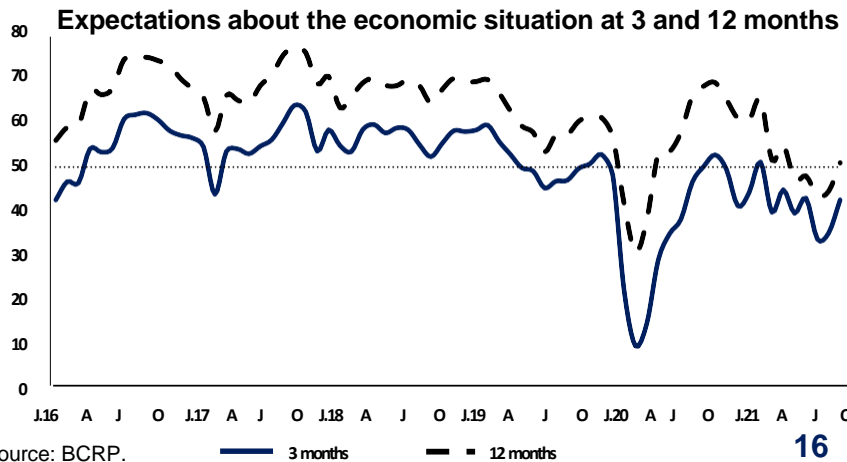
		Dec.2019	Mar.2020	Aug.2021	Sep.2021			Oct.2021			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	33.6	35.0	↑	<	42.5	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	43.5	44.5	↑	<	51.0	↑	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	42.4	44.8	↑	<	48.7	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	49.8	51.7	↑	>	56.2	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	46.2	46.6	↑	<	51.5	↑	>	0.66
	IN 12 MONTHS	66.6	46.4	51.8	54.2	↑	>	57.8	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	48.1	49.5	↑	<	53.6	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	54.4	56.2	↑	>	61.5	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	44.1	46.3	↑	<	47.1	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	48.6	52.3	↑	>	52.9	↑	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{3/}	51.3	29.9	39.4	40.0	↑	<	44.7	↑	<	0.65
	IN 12 MONTHS ^{3/}	59.3	40.0	46.3	48.6	↑	<	52.4	↑	>	0.65

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. For the indicators of current situation and finances, the contemporary correlation is shown, while for the rest of expectations the correlation with three-period advanced GDP is presented.

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 from September 2017.

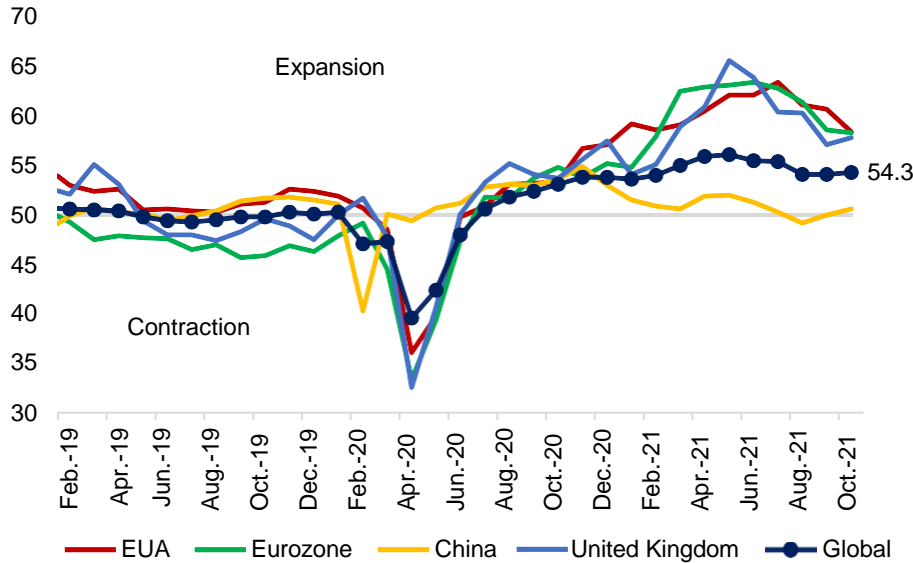




CENTRAL RESERVE BANK OF PERU

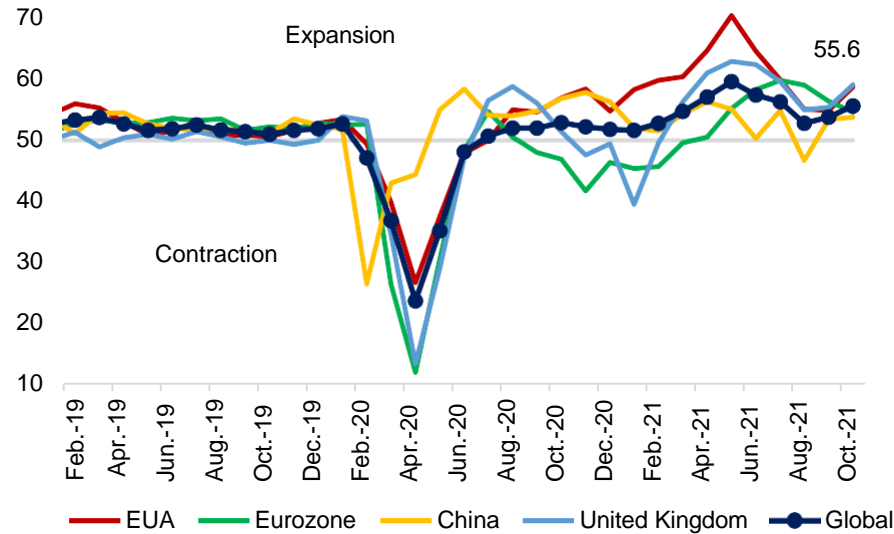
World economic activity, although at a slower pace, has been recovering and this process is expected to continue in the coming quarters as vaccination in the world and significant fiscal stimulus programs in developed countries continue to advance.

PMI Global Manufacturing (Index Value)



Source: Markit Economics.

PMI Global Services (Index Value)



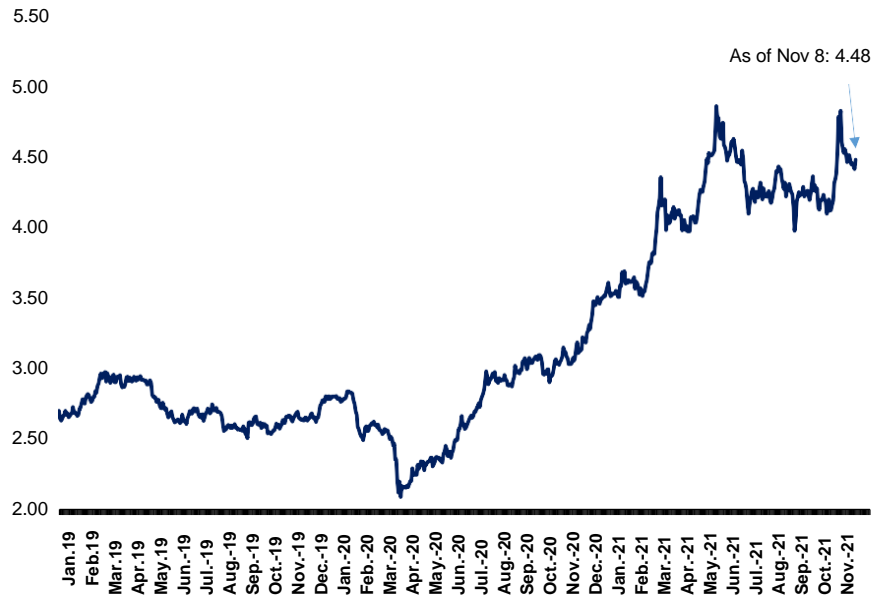
Source: Markit Economics.



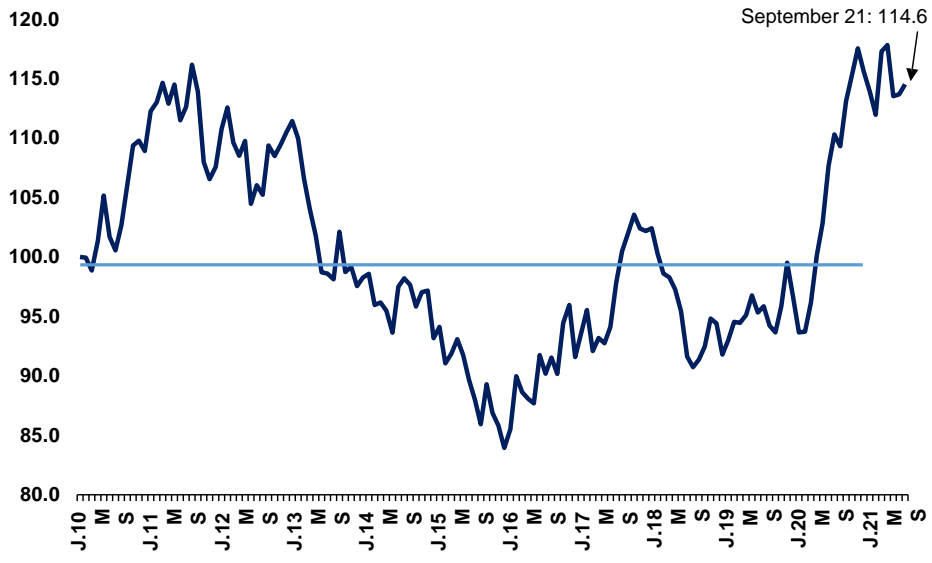
CENTRAL RESERVE BANK OF PERU

A strong increase in the international price of minerals remains, and especially in copper, gold and zinc. In this regard, the terms of trade continue at a historically high level.

International Copper Price (cUS\$/pound)



Terms of Trade: 2010-2021 (2007=100)



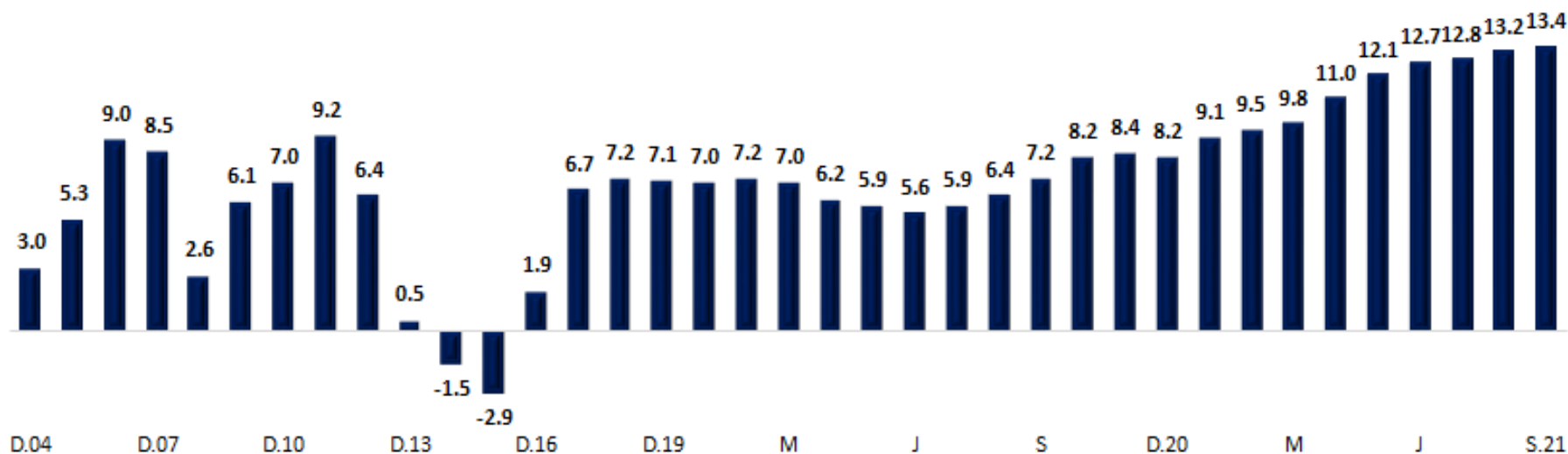
Source: Reuters



The trade balance surplus for the last 12 months at the end of September 2021 is at all-time highs.

Trade Balance

(Billion US\$ - Accumulated last 12 months)



Source: BCRP.



CENTRAL RESERVE BANK OF PERU

Financial markets have continued to show volatility in a context of uncertainty and the BCRP's actions were oriented to mitigate these volatilities. As of November 10, the exchange rate was S/ 4.027 per dollar, recording a depreciation 0.9 percent respect to October 29 (S/ 3.992) and 11.2 percent respect to December 31, 2020 (S/ 3.620).

Exchange Rate (currency units per dollar)

		End of period				Accumulated change (%)*		
		Dec.19	Dec.20	Oct.21	Nov 10, 21	Oct.21	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	94.12	94.57	0.5	5.2	-1.9
Eurozone	US\$ per Euro	1.121	1.221	1.156	1.152	-0.4	-5.7	2.7
United Kingdom	US\$ per Pound	1.326	1.367	1.369	1.347	-1.6	-1.5	1.6
Japan	Yen	108.61	103.24	114.00	113.89	-0.1	10.3	4.9
Brazil	Real	4.019	5.194	5.637	5.475	-2.9	5.4	36.2
Colombia	Peso	3,285	3,415	3,758	3,873	3.1	13.4	17.9
Chile	Peso	752	710	813	791	-2.7	11.5	5.3
Mexico	Peso	18.93	19.87	20.55	20.45	-0.5	2.9	8.0
Argentina	Peso	59.86	84.08	99.62	100.14	0.5	19.1	67.3
Peru	Sol	3.315	3.620	3.992	4.027	0.9	11.2	21.5

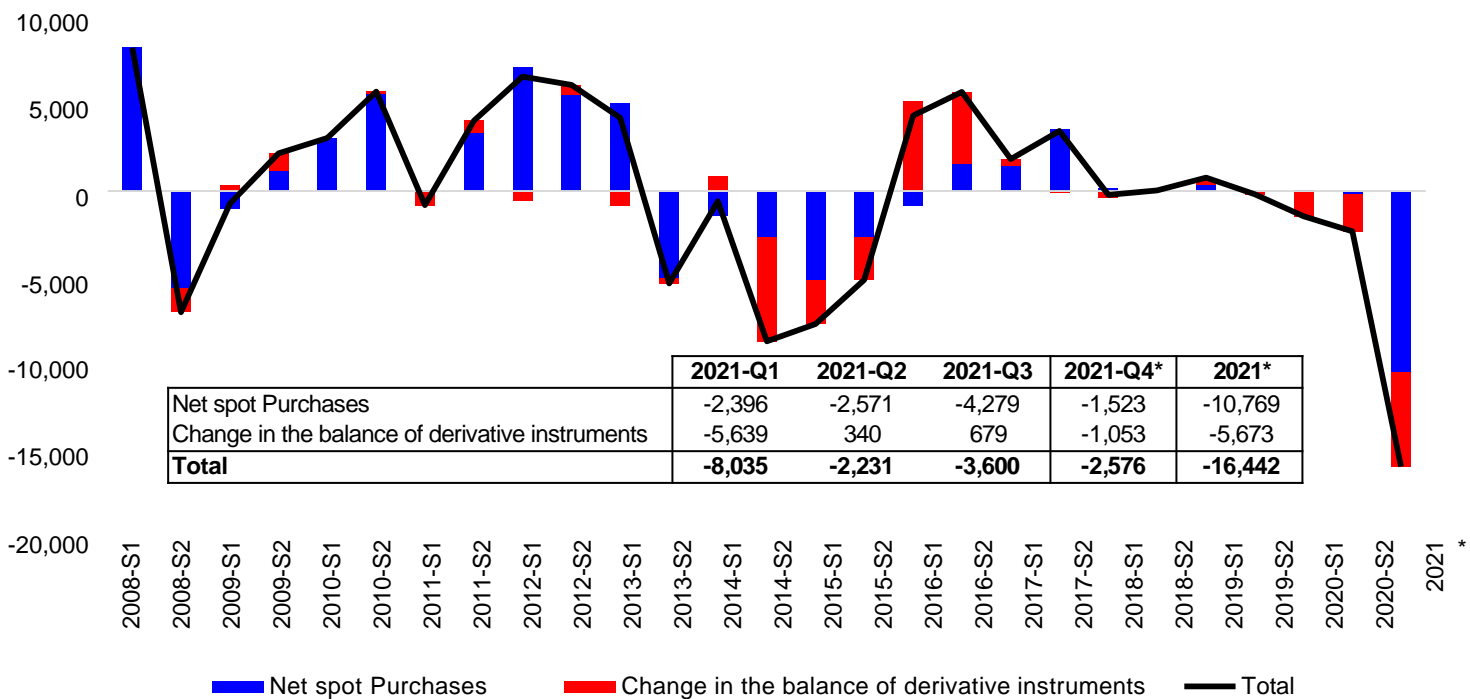
* An increase in the index implies an appreciation of the dollar, except in the euro and the pound.

Source: Reuters



So far this year, the BCRP has offered US\$ 16.4 billion in the foreign exchange market through sales in the spot market (US\$ 10.8 billion), the net placement of exchange derivatives and the net placement of certificates indexed to the exchange rate (US\$ 5.7 billion).

FX Intervention of the BCRP (Million US\$)



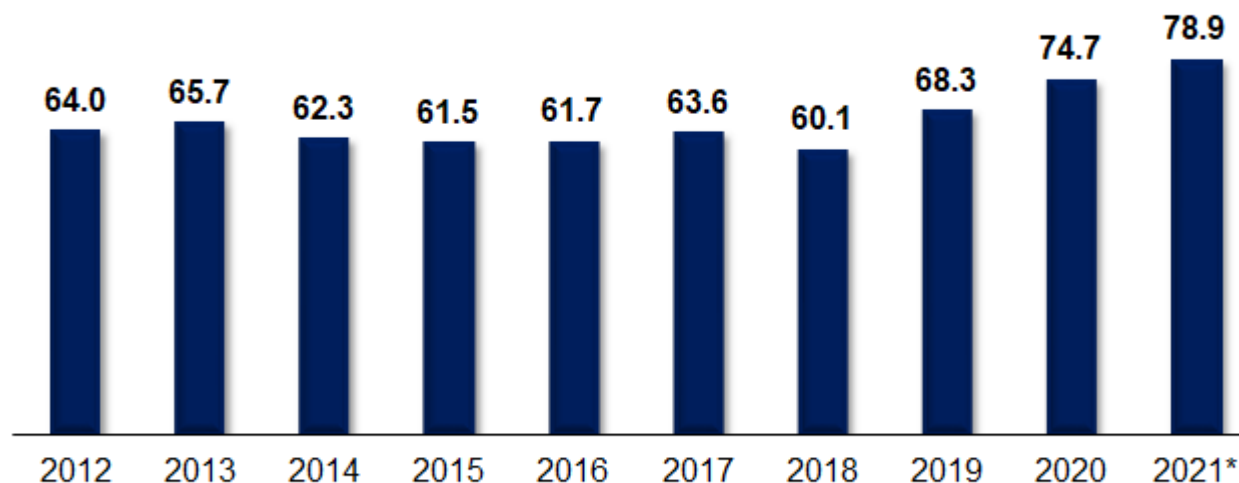
* Data as of November 10.
Source: BCRP



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. Likewise, the NIR level is higher than the one recorded prior to the pandemic (US\$ 67.6 billion as of February 2020). In addition, it is counted since May 2020 with an automatic freely available credit line from the IMF for approximately US\$ 11.5 billion.

Net International Reserves

(Billion US\$)



* As of November 9.
Source: BCRP.



So far this year, the long-term interest rates have recovered worldwide due to global growth expectations. Despite this, Peru's sovereign bond rates continue to be as one of the lowest in the region.

10-year Sovereign Bond Yield

(%)

	End of Period				Accumulated change as of Nov 10 (bps)	
	Dec.19	Dec.20	Oct.21	As of Nov 10, 2021	Oct.21	Dec.20
United States	1.92	0.92	1.56	1.55	0	64
Germany	-0.19	-0.57	-0.11	-0.25	-14	32
France	0.12	-0.34	0.27	0.11	-16	45
Italy	1.41	0.54	1.17	0.94	-23	39
Spain	0.46	0.04	0.61	0.46	-15	41
Greece	1.43	0.62	1.31	1.14	-17	52
United Kingdom	0.82	0.19	1.03	0.92	-11	73
Japan	-0.02	0.02	0.09	0.06	-4	4
Brazil	6.79	6.90	12.22	11.55	-66	465
Chile	3.17	2.65	6.05	5.61	-45	296
Colombia	6.34	5.39	7.82	7.74	-8	235
Mexico	6.89	5.53	7.49	7.33	-16	181
Peru	4.64	3.50	5.82	5.89	7	239

Source: Reuters



Interest rates in soles increased respect to the previous month but remain below the long-term averages. In this regard, the BCRP will continue to take the necessary steps to sustain the payment system and credit flows.

Interest rate in domestic currency^{1/}

(%)

	Dec.18	Dec.19	Dec.20	Mar.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Historical average ^{2/}
Reference	2.8	2.3	0.25	0.25	0.25	0.25	0.50	1.00	1.50	2.00	3.1
TAMN ^{3/}	14.4	14.4	12.1	11.2	10.7	10.7	10.6	10.5	10.5	10.7	16.0
90-day corporate prime	4.5	3.3	0.7	0.6	0.9	0.8	0.9	1.5	2.0	2.1	4.0
Corporates ^{4/}	4.9	3.8	2.5	2.2	1.4	2.2	1.9	2.1	2.5	2.6	4.9
Large companies ^{4/}	6.4	6.0	4.6	3.9	3.7	3.4	3.4	4.2	4.9	5.0	6.5
Medium-sized enterprises ^{4/}	9.8	9.3	6.1	8.0	7.3	5.2	4.8	7.9	8.6	8.7	9.7
Small business ^{4/}	18.5	18.0	17.2	18.2	17.6	17.6	17.5	18.1	18.4	18.6	20.0
Micro business ^{4/}	32.7	31.3	30.1	32.8	32.4	32.4	31.6	31.6	30.9	31.0	32.2
Mortgage ^{4/}	7.6	7.0	6.4	5.9	5.9	5.9	6.2	6.4	6.5	6.6	8.3
10-year sovereign bond	5.7	4.6	3.5	5.0	5.4	6.5	6.1	6.4	5.8	5.8	5.4
TIPMN ^{5/}	2.5	2.3	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	2.2
Deposit rate 90-day corporate prime	4.0	2.8	0.2	0.1	0.4	0.4	0.5	0.9	1.3	1.4	3.2
Deposits over 1 year to People	3.7	3.5	2.0	1.9	2.0	2.0	2.2	2.5	2.8	2.9	4.1

1/ Information as of November 8, with the exception of the reference rate, which is as of November 12. Corresponds to banking companies.

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.

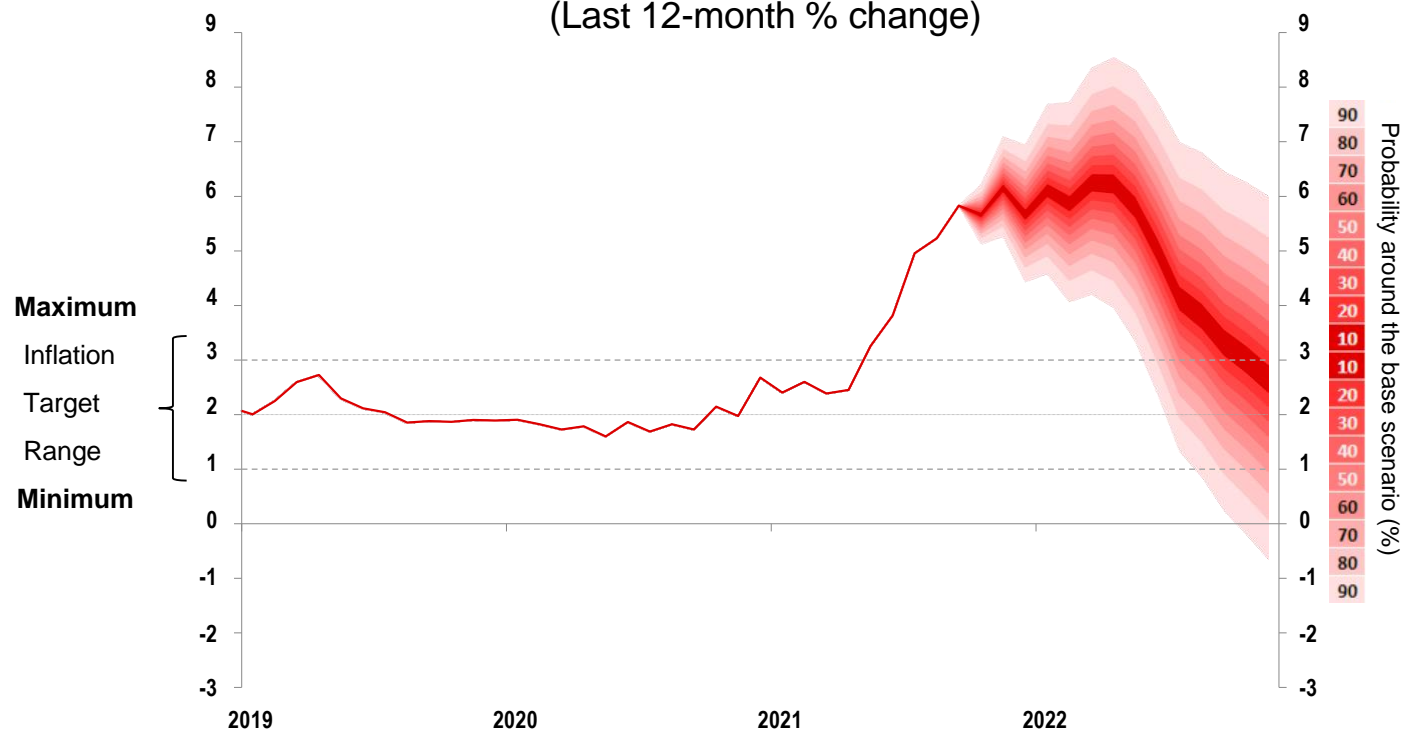
Source: BCRP and SBS.



Inflation is expected to return to the target range in the second half of next year, as transitory pressures (exchange rate and international fuel and grain prices) recede, with economic activity below potential. The Board is particularly attentive to new information on inflation expectations and economic activity, with an aim to consider, if necessary, changes in the monetary stance. Based on the available information, the Board sees the convenience of maintaining an expansionary stance for an extended period through a gradual withdrawal of monetary stimulus.

Inflation Forecast: 2021 – 2022

(Last 12-month % change)





CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

November 2021

November 12, 2021