



**CENTRAL RESERVE BANK OF PERU**

# **Monetary Policy Statement October 2021**

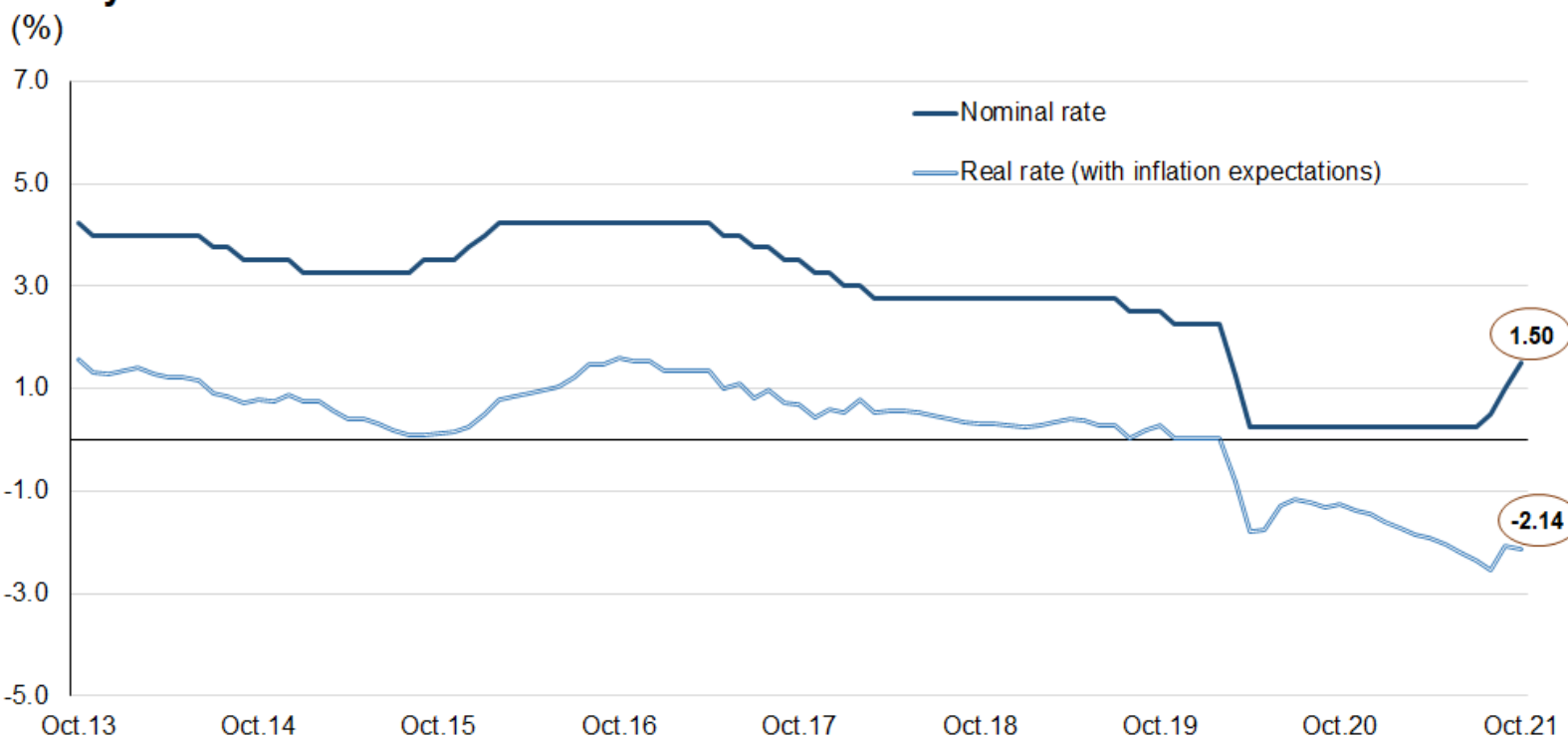
**October 8, 2021**



# 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 1.50 percent. Monetary policy is still expansionary, with a historically low reference interest rate. The current decision does not necessarily imply a cycle of successive increases in the reference rate.

## Policy interest rate



	May.20	Jun.20	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
<b>(I) Nominal rate</b>	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	0.25	0.25	0.50	1.00	1.50
<b>(II) Inflation expectations</b>	2.02	1.52	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
<b>(III) Real rate: (I)-(II)</b>	-1.77	-1.27	-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

Source: BCRP

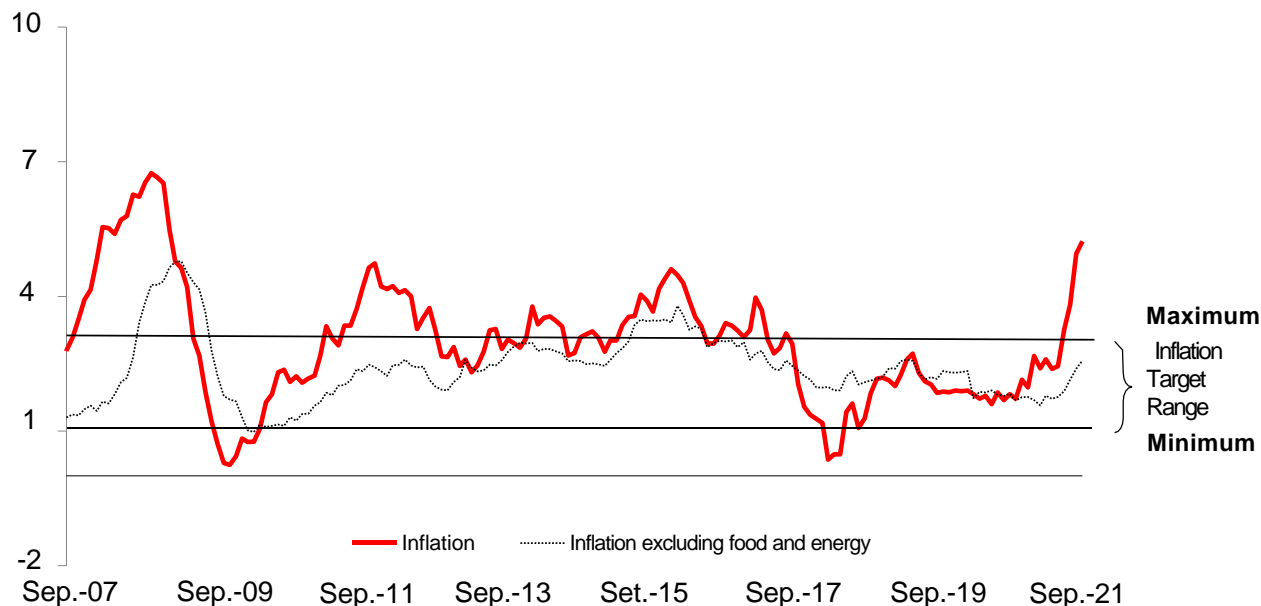


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Year-on-year inflation increased from 4.95 percent in August to 5.23 percent in September, temporarily above the target range due mainly to a surge in international food and fuel prices, as well as exchange rate depreciation.

## INFLATION

(Last 12 months % change)



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



A common factor behind the inflation increase in the world has been the significant rise in international commodity prices, particularly in oil (61 percent so far this year) and in some foods such as wheat (59 percent since December 2019), maize (31 percent since December 2019) and in soybean oil (106 percent since December 2019).

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

		Spot				% change <sup>1/</sup>		
		Dec.19	Dec.20	Sep.21	Oct 7, 21	Oct.21/Dec.20	Oct.21/Sep.21	Oct.21/Dec.19
WTI Oil	(US\$ per barrel)	61.1	48.5	75.0	78.2	61.2	4.2	28.1
LPG*	(US\$ per barrel)	23.9	31.4	57.3	59.8	90.5	4.5	150.0
Gasoline*	(US\$ per barrel)	73.8	57.8	84.1	84.2	45.7	0.1	14.1
Wheat**	(US\$ per ton)	177.8	231.1	278.5	283.3	22.6	1.7	59.3
Maize**	(US\$ per ton)	148.4	186.6	196.4	194.9	4.4	-0.8	31.3
Soybean**	(US\$ per ton)	756	977	1,513	1,557	59.4	2.9	105.9
Baltic Index	(US\$ Index)	1,090	1,366	5,167	5,647	313.4	9.3	418.1
Exchange rate	S/ per US\$	3.314	3.620	4.133	4.094	13.1	-0.9	23.5

1/ Comparison as of October is with respect to October 7.

\* International reference prices published by OSINERGMIN as of October 4, 2021.

\*\* Data as of October 7, 2021.

Source: Reuters, USDA and OSINERGMIN.



The price increase in food, 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		
	Sep.21 / Aug.21	Sep.21 / Dec.20	Sep.21 / Dec.19
Industrial inputs	0.3	26.6	31.3
Plastics	-0.6	46.2	55.5
Iron and Steel	2.6	48.3	53.1
Textiles	-5.7	12.4	4.6
Papers	-0.5	23.9	12.9
Chemical goods	-2.5	10.1	14.9
Organic chemicals	-0.8	31.6	36.3
Rest	1.5	22.4	29.6
<i>Of Which:</i>			
Fertilizers	4.7	55.4	38.1

Source: Sunat.

Elaboration: BCRP.



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 (13.1 percent since December 2020).

## INFLATION

(% Change)

Item	Weight	2019	2020	September 2021
				% Change 12 months
<b>CPI</b>	<b>100.0</b>	<b>1.90</b>	<b>1.97</b>	<b>5.23</b>
<b>1. CPI excluding food and energy</b>	<b>56.4</b>	<b>2.30</b>	<b>1.76</b>	<b>2.57</b>
<b>2. Food and energy</b>	<b>43.6</b>	<b>1.43</b>	<b>2.22</b>	<b>8.36</b>
<b>i. Food</b>	<b>37.8</b>	<b>1.00</b>	<b>2.24</b>	<b>6.88</b>
Chicken meat	3.0	-7.3	6.6	15.6
Bread	1.9	0.9	0.3	13.7
Oils	0.5	-2.3	4.1	63.8
Lemon	0.2	-4.6	13.7	3.9
Onion	0.4	-31.5	12.5	3.8
Fresh legumes	0.2	5.9	-6.5	14.1
Meals outside the home	11.7	1.7	1.0	2.9
<b>ii. Energy</b>	<b>5.7</b>	<b>4.32</b>	<b>2.13</b>	<b>18.09</b>
Fuels	2.8	-0.4	-4.2	32.7
Gasoline and lubricants	1.3	0.6	-11.2	38.8
Gas	1.4	-1.7	2.0	29.7
Electricity	2.9	8.0	6.7	8.3

Source: INEI.



# CENTRAL RESERVE BANK OF PERU

The items most linked to the exchange rate, international prices, and the Wholesale Price Index (WPI) explain 54 percent (2.8 percentage points) of the interannual inflation rate as of September (5.23 percent). The prices of these items (28 percent of the basket) increased 10.3 percent in the last 12 months.

## INFLATION

(% Change)

	Weight	% Chg 12 m Dec-20	Weighted Contribution	% Chg 12 m Sep-21	Weighted Contribution
<b>CPI</b>	<b>100.00</b>	<b>1.97</b>	<b>1.97</b>	<b>5.23</b>	<b>5.23</b>
<b><u>Items related to the Exchange rate</u></b>	<b>14.06</b>	<b>1.66</b>	<b>0.21</b>	<b>3.44</b>	<b>0.44</b>
Appliances	1.29	-0.42	0.00	2.48	0.02
Personal care items	4.93	0.75	0.03	1.03	0.05
Cleaning articles	0.92	0.74	0.01	2.27	0.02
Medicinal products	2.08	5.53	0.11	2.07	0.04
Vehicle purchase	1.62	3.34	0.06	9.82	0.17
Spare parts and car wash	0.21	2.15	0.00	5.51	0.01
Vehicle repair	0.20	2.04	0.00	6.67	0.01
Rentals	2.41	0.50	0.01	1.54	0.03
Plane tickets	0.41	-3.32	-0.01	27.94	0.09
<b><u>Items linked to International Prices and Exchange Rate</u></b>	<b>9.83</b>		<b>0.19</b>		<b>1.86</b>
<b>Linked to food commodities</b>	<b>7.03</b>	<b>4.83</b>	<b>0.30</b>	<b>16.50</b>	<b>1.07</b>
Chicken meat	2.96	6.63	0.17	15.57	0.42
Bread	1.92	0.25	0.00	13.66	0.23
Sugar	0.53	16.41	0.08	6.35	0.04
Noodles	0.54	5.60	0.03	8.85	0.05
Oils	0.52	4.09	0.02	63.84	0.29
Eggs	0.58	0.00	0.00	8.12	0.04
<b>Fuels</b>	<b>2.79</b>	<b>-4.20</b>	<b>-0.11</b>	<b>32.70</b>	<b>0.79</b>
Gasoline and lubricants	1.30	-11.16	-0.14	38.83	0.41
Gas	1.40	1.97	0.02	29.71	0.37
Other fuels	0.09	3.02	0.00	7.82	0.01
Consumption of natural gas for home	0.01	-5.26	0.00	11.77	0.00
<b><u>Items related to WPI</u></b>	<b>1.64</b>		<b>0.06</b>		<b>0.21</b>
Water consumption	1.64	3.03	0.06	11.20	0.21
<b><u>Items related to the exchange rate, WPI and prices</u></b>	<b>2.95</b>		<b>0.24</b>		<b>0.30</b>
Electricity	2.95	6.73	0.24	8.35	0.30
<b><u>Total items related to exchange rate, WPI and prices</u></b>	<b>28.47</b>	<b>2.58</b>	<b>0.70</b>	<b>10.34</b>	<b>2.81</b>
<b><u>Rest</u></b>	<b>71.54</b>	<b>1.75</b>	<b>1.27</b>	<b>3.32</b>	<b>2.42</b>



Year-on- year core inflation was 2.57 percent in September.

## Inflation and Trend Indicators

(Annual % change)

	Annual average	Annual % change	
	2001-2020	Aug.21	Sep.21
CPI	2.6	4.95	5.23
CPI excluding food and energy	2.1	2.39	2.57
<b><u>Trend indicators</u></b>			
Bounded mean	2.5	3.08	3.44
Percentile 63	2.4	2.64	3.04
Re-weighted	2.5	2.89	3.19

**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.

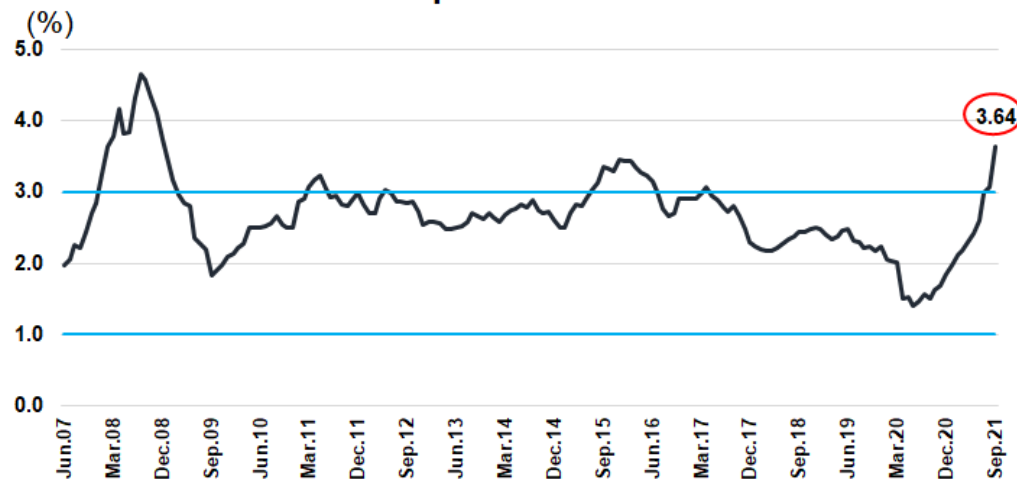
**Re-weighted:** Reduces the weight of items with greater volatility, considers the original weights of each item between the standard deviation of their monthly percentage changes.





One-year-ahead expected inflation increased from 3.1 percent in August to 3.6 in September; and is forecasted at 3.25 percent for 2022, slightly above the upper limit of the inflation target range.

## 1-Year ahead inflation expectations\*



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

Source: BCRP

## Survey of Macroeconomic Expectations: Inflation (%)

	Survey date:			
	Jul 31.	Aug 31.	Sep 30.	
<b>Economic analysts<sup>1</sup></b>				
2021	3.10	3.74	4.60	↑
2022	2.80	2.55	3.00	↑
2023	2.80	2.80	2.80	
<b>Financial entities<sup>2</sup></b>				
2021	3.30	3.60	5.00	↑
2022	3.00	3.00	3.50	↑
2023	3.00	3.00	3.00	
<b>Non-financial firms<sup>3</sup></b>				
2021	2.70	3.20	3.70	↑
2022	2.50	3.00	3.00	=
2023	2.50	3.00	3.00	

<sup>1</sup> 14 analysts in July, 17 in August and 16 in September 2021.

<sup>2</sup> 9 financial entities in July, 15 in August and 13 in September 2021.

<sup>3</sup> 291 non financial firms in July, 298 in August and 290 in September 2021.



**Economic activity is close to 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		21/20			21/19		
		2020 <sup>1/</sup>	Year	Jun	Jul	Jan.-Jul.	Jun	Jul	Jan.-Jul.
<b>Primary GDP</b>	<b>23.1</b>	<b>-7.7</b>	<b>2.7</b>	<b>-1.0</b>	<b>9.4</b>	<b>-2.5</b>	<b>-4.3</b>	<b>-2.6</b>	
Agriculture and Livestock	6.4	1.4	8.9	11.1	1.3	7.6	5.9	3.2	
Fishing	0.5	4.2	-37.7	-41.4	16.0	-7.6	-25.8	4.0	
Mining	8.8	-13.8	7.1	1.4	17.9	-7.5	-5.2	-5.8	
Fuel	1.5	-11.0	11.9	-13.6	-8.3	-10.1	-18.0	-15.8	
Primary industries	3.6	-2.0	-11.1	-14.7	11.2	-2.4	-9.1	3.6	
<b>Non-primary GDP</b>	<b>76.9</b>	<b>-12.0</b>	<b>31.7</b>	<b>17.3</b>	<b>22.9</b>	<b>2.2</b>	<b>1.7</b>	<b>0.7</b>	
Non-primary industries	8.5	-16.4	39.7	15.9	40.1	8.0	0.4	3.2	
Electricity and water	2.0	-6.1	15.2	7.1	12.0	2.9	1.7	1.0	
Construction	5.6	-13.9	90.7	37.4	87.0	8.8	20.2	18.2	
Commerce	10.2	-16.0	38.1	13.3	29.7	-0.4	1.4	-2.7	
Total Services	50.6	-10.3	24.7	16.6	14.5	1.0	-0.1	-0.9	
Transportation	4.3	-26.7	62.5	38.6	18.7	-10.0	-4.8	-15.8	
Lodging and restaurants	1.7	-50.5	225.9	124.2	28.4	-46.8	-36.8	-42.1	
Telecommunications	5.7	4.8	5.9	7.6	8.5	12.2	12.7	11.6	
Financial and insurance	7.2	13.7	6.2	5.1	13.5	22.6	21.9	22.7	
Business services	4.0	-19.7	48.4	21.1	22.4	-6.7	-12.4	-8.5	
Public administration	5.5	4.1	5.4	3.2	4.8	9.3	7.1	9.1	
Other services	14.0	-10.0	18.7	12.4	9.4	-3.1	-2.3	-2.4	
Taxes	8.1	-12.9	42.3	21.6	27.1	9.8	1.8	2.8	
<b>Gross Domestic Product</b>	<b>100.0</b>	<b>-11.0</b>	<b>23.4</b>	<b>12.9</b>	<b>19.7</b>	<b>1.1</b>	<b>0.4</b>	<b>0.0</b>	

1/ Implicit weighting for 2020 at 2007 prices.

Source: INEI and BCRP



As of the second quarter, the Peruvian economy is one of the closest to its previous level in 2019.

## Real GDP\*

	2020				2021			
	Annual % Change				Annual % Change		% Chg. respect to 2019	
	1Q	2Q	3Q	4Q	1Q	2Q	1Q	2Q
Germany	-1.9	-11.3	-3.7	-2.9	-3.1	9.4	-4.9	-3.0
France	-5.4	-18.6	-3.6	-4.3	1.7	18.7	-3.8	-3.4
Italy	-5.8	-18.2	-5.2	-6.5	-0.7	17.3	-6.5	-4.0
Spain	-4.3	-21.6	-8.6	-8.9	-4.2	17.5	-8.3	-7.9
Netherlands	-0.2	-9.2	-2.6	-2.9	-2.4	9.7	-2.6	-0.4
United Kingdom	-2.2	-21.4	-8.5	-7.3	-6.1	22.2	-8.2	-4.0
United States	0.6	-9.1	-2.9	-2.3	0.5	12.2	1.1	2.0
Argentina*	-5.2	-19.0	-10.1	-4.3	2.5	17.9	-2.8	-4.5
Brazil*	-0.3	-10.9	-3.9	-1.1	1.0	12.4	0.7	0.1
Chile	0.2	-14.2	-9.0	0.0	0.5	18.1	0.7	1.3
Colombia	0.7	-15.8	-8.5	-3.6	1.1	17.6	1.8	-1.0
Mexico	-1.3	-18.7	-8.7	-4.5	-3.6	19.6	-4.9	-2.8
Peru	-3.9	-29.9	-8.8	-1.4	4.5	41.9	0.4	-0.5

\* Q: Quarter

\*\* Annual percentage change for the second quarter of 2021 were estimated using monthly series as of June 2021.

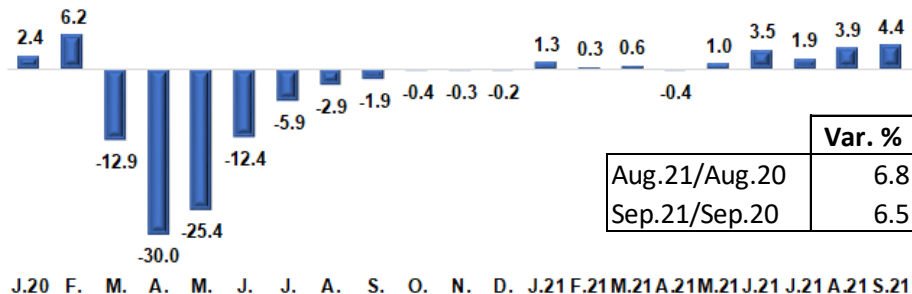
Source: Statistical Institutes and Central Banks..



Indicators for August and September show that economic activity would remain slightly below its pre-pandemic level.

## Average monthly electricity production (GWh)

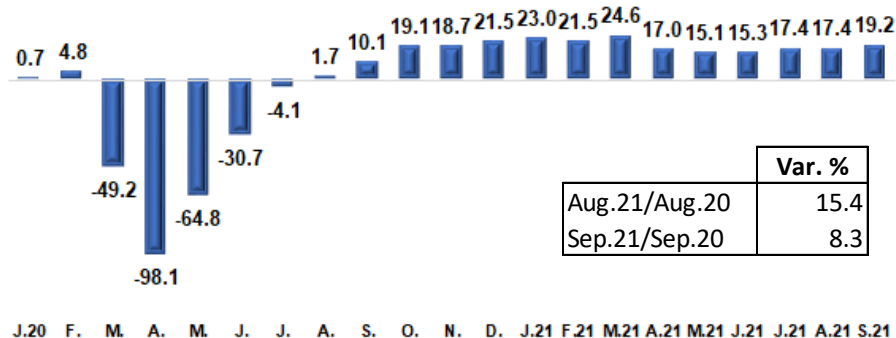
(% change respect to the same period in 2019)



Source: COES.

## Domestic consumption of cement

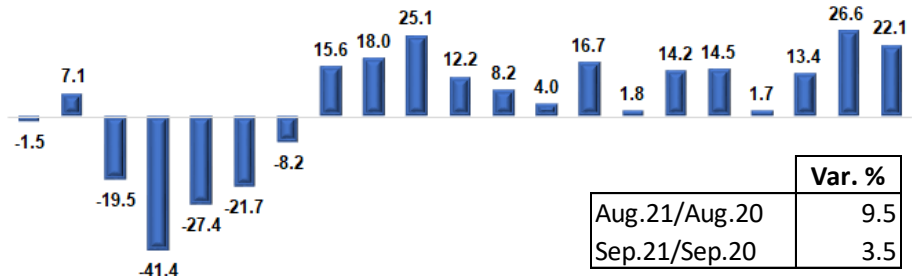
(% change respect to the same period in 2019)



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

## Non traditional exports\*

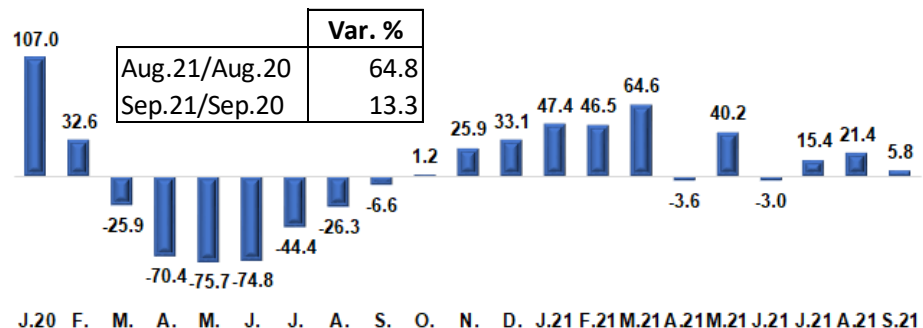
(% change respect to the same period in 2019)



\* Data for September represents a forecast.  
Source: Sunat.

## Real Investment of the General Government

(% change respect to the same period in 2019)

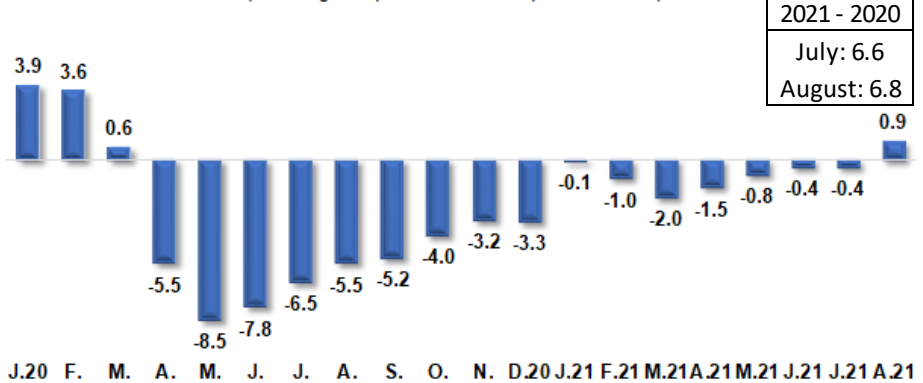


Source: MEF.

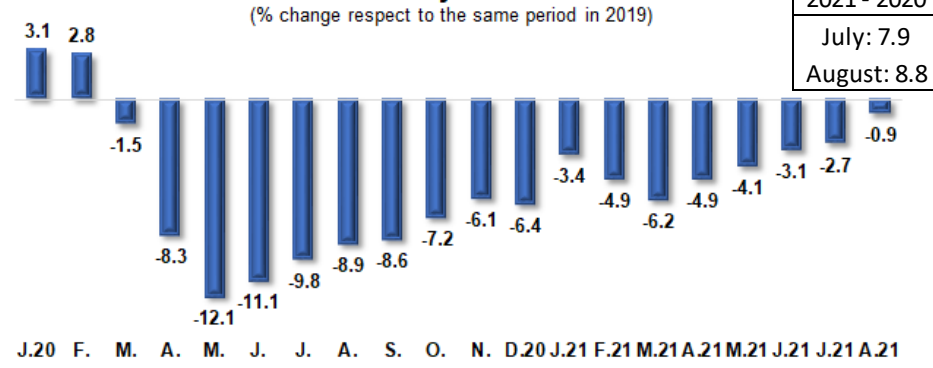


Respect to the same period in 2019, formal jobs (including the private and public sector) rose 0.9 percent in August, while the formal wage bill increased 5.4 percent.

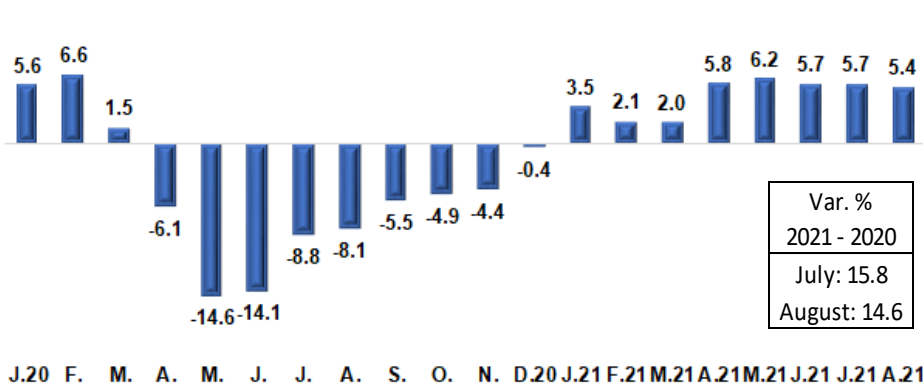
**Formal employment - Electronic Payroll**  
(% change respect to the same period in 2019)



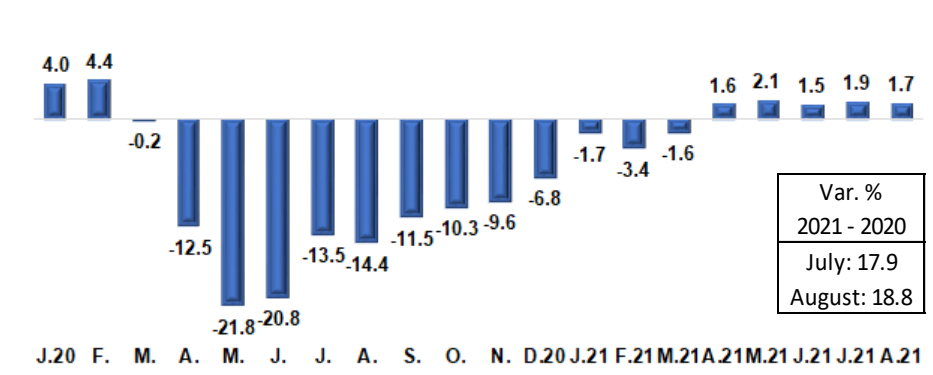
**Private sector formal employment - Electronic Payroll**  
(% change respect to the same period in 2019)



**Total formal wage bill - Electronic Payroll**  
(% change respect to the same period in 2019)



**Private sector formal wage bill - Electronic Payroll**  
(% change respect to the same period in 2019)





**In August, 302 thousand formal jobs have increased in the private sector compared to August 2020; albeit it remains below the pre-pandemic level.**

## Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	August							Jan - Aug	
	2019	2020	2021	Change 2021 / 2020		Change 2021 / 2019		% Chg.	% Chg.
				Thousands	%	Thousands	%	21/20	21/19
<b>Total</b>	<b>3,767</b>	<b>3,432</b>	<b>3,734</b>	<b>302</b>	<b>8.8</b>	<b>-33</b>	<b>-0.9</b>	<b>2.1</b>	<b>-3.8</b>
Agriculture and Livestock <sup>1/</sup>	416	487	499	12	2.4	83	19.9	-0.8	3.0
Fishing	20	19	20	0	2.2	-1	-2.7	4.1	-1.1
Mining	105	96	113	16	17.1	8	7.8	9.1	5.6
Manufacturing	472	429	457	28	6.5	-15	-3.3	2.3	-4.4
Electricity	16	14	16	2	14.7	0	2.3	3.3	-0.6
Construction	235	184	245	61	33.3	10	4.3	32.0	7.8
Commerce	621	577	620	43	7.5	-1	-0.1	1.7	-1.9
Services	1,880	1,621	1,749	128	7.9	-131	-7.0	-1.1	-8.2
Not specified	2	5	16	11	236.7	14	628.7	152.3	425.3

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT.



**Most leading indicators and expectations about the economy improved slightly in September, but it remains in the pessimistic tranche.**

## Macroeconomic Expectations: Survey Results

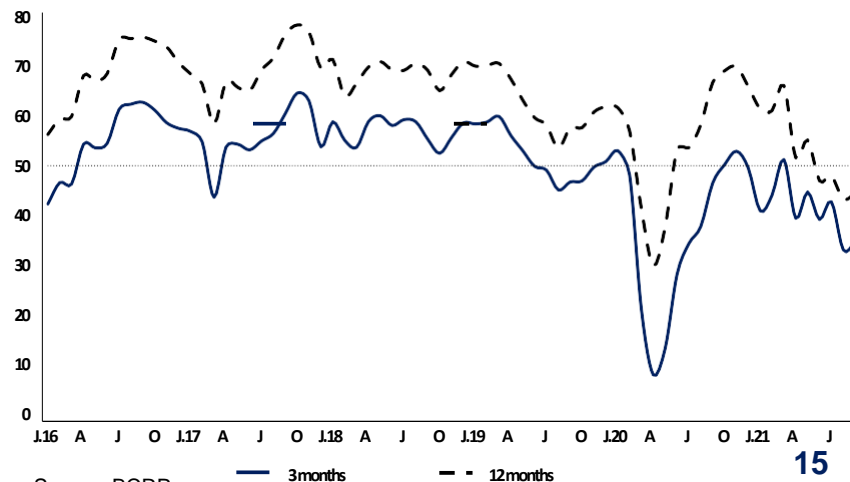
		Dec.2019	Mar.2020	Jul.2021	Aug.2021			Sep.2021			Correlation with GDP <sup>1/</sup>
<b>EXPECTATION:</b>											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	42.9	33.6	↓	<	35.0	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	48.0	43.5	↓	<	44.5	↑	<	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	45.4	42.4	↓	<	44.8	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	50.9	49.8	↓	<	51.7	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	48.0	46.2	↓	<	46.6	↑	<	0.66
	IN 12 MONTHS	66.6	46.4	52.8	51.8	↓	>	54.2	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	51.4	48.1	↓	<	49.5	↑	<	0.66
	IN 12 MONTHS	68.0	47.4	56.6	54.4	↓	>	56.2	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	47.7	44.1	↓	<	46.3	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	49.3	48.6	↓	<	52.3	↑	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS <sup>2/</sup>	51.3	29.9	42.6	39.4	↓	<	40.0	↑	<	0.65
	IN 12 MONTHS <sup>2/</sup>	59.3	40.0	47.2	46.3	↓	<	48.6	↑	<	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/ Correlation with Private Investment from September 2017 to December 2019, recording an optimal lag (t=-3 for 3-month investment and t=-6 for 12-month investment).

**Expectations about the economic situation at 3 and 12 months**



Source: BCRP.

— 3months      - - 12months





Global economic activity has been recovering and this process is expected to remain in the coming quarters as the vaccination process continue to advance in the world as well as the significant fiscal stimulus programs in developed countries.

## Global GDP Growth

(Annual % change)

	PPP*	2020	2021 IR Sep	2022 IR Sep
<b>Developed economies</b>	<b>42.5</b>	<b>-4.7</b>	<b>5.4</b>	<b>4.1</b>
<b>Of which</b>				
1. USA	16.0	-3.5	6.5	4.4
2. Europe	12.0	-6.6	4.8	4.6
3. Japan	4.0	-4.8	3.0	2.7
4. United Kingdom	2.3	-9.9	6.6	5.2
5. Canada	1.4	-5.4	6.1	4.2
6. Other	6.8	-4.1	4.9	3.4
<b>Developing economies</b>	<b>57.5</b>	<b>-2.2</b>	<b>6.1</b>	<b>4.5</b>
<b>Of which</b>				
1. China	18.6	2.3	8.5	5.6
2. India	6.7	-8.0	9.5	6.5
3. Russia	3.1	-3.1	3.5	2.7
4. Latin America and the Caribbean	7.3	-6.9	5.4	2.7
Argentina	0.6	-9.9	5.8	2.2
Brazil	2.4	-4.1	5.0	2.1
Chile	0.4	-5.8	8.4	3.0
Colombia	0.6	-6.8	6.3	3.7
Mexico	1.9	-8.2	5.6	3.0
Peru	0.3	-11.0	11.9	3.4
5. Other	17.9	-4.0	4.9	4.5
Sub-Saharan Africa	3.1	-1.9	3.3	3.9
<b>World Economy</b>	<b>100.0</b>	<b>-3.3</b>	<b>5.8</b>	<b>4.4</b>

\* in terms of 2020

Source: IMF, Consensus Forecast and BCRP

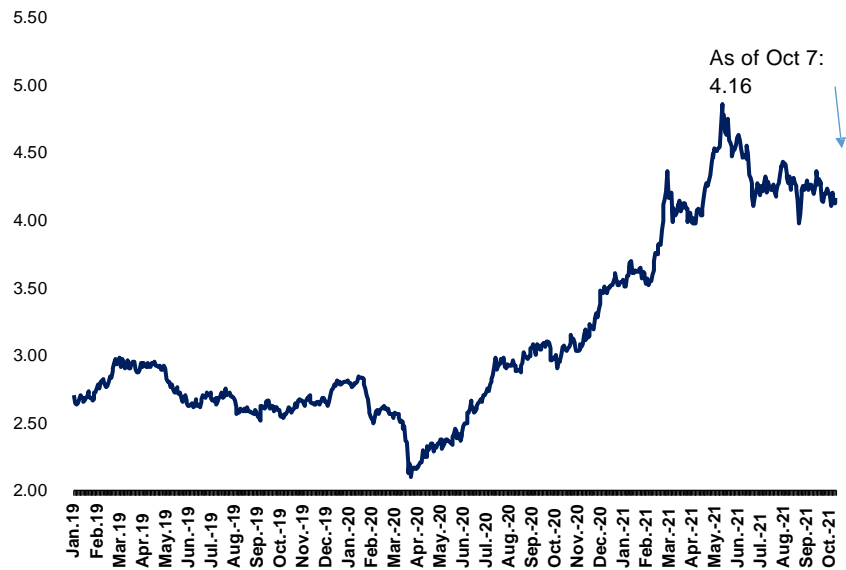




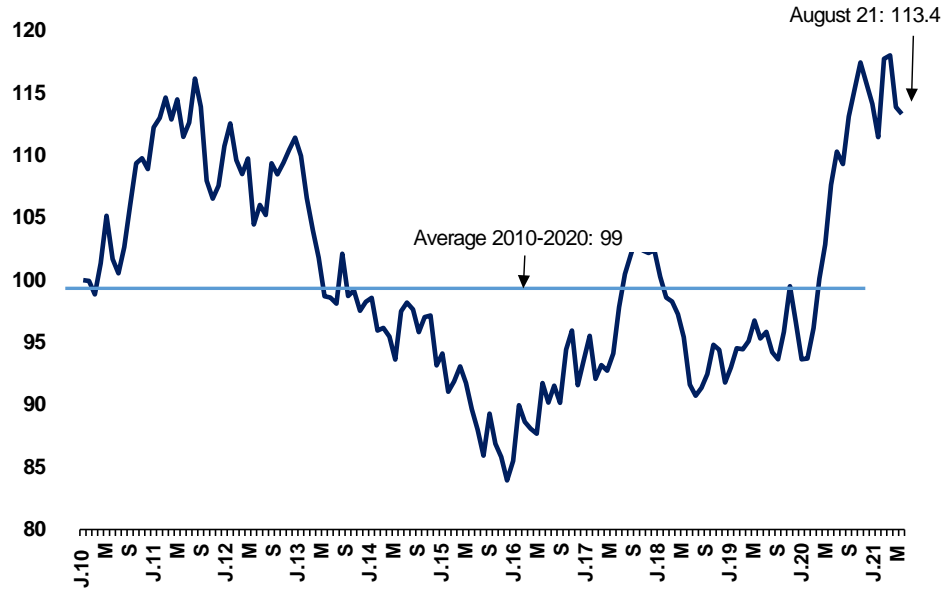
# CENTRAL RESERVE BANK OF PERU

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)



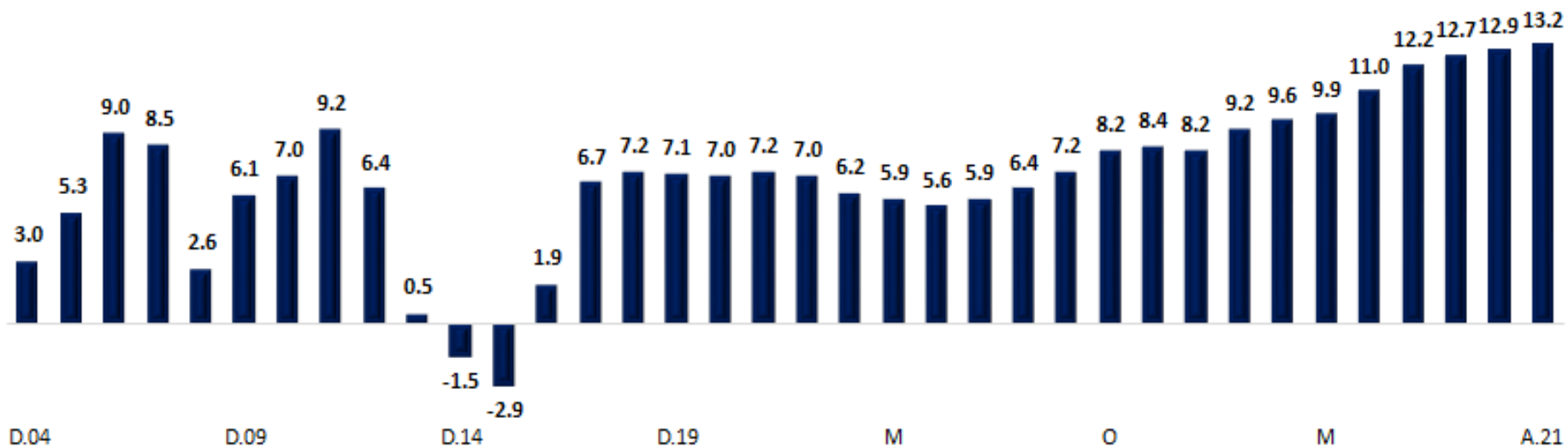
Source: Reuters



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

### Trade Balance

(Billion US\$ - Accumulated last 12 months)



Source: BCRP.



# CENTRAL RESERVE BANK OF PERU

Financial markets were highly volatile in a context of uncertainty and the BCRP's actions were intended to mitigate this volatility. As of October 7, the exchange rate was S/ 4.094 per dollar, recording an appreciation of 0.9 percent respect to September 30 (S/ 4.133), albeit showing a depreciation of 13.1 percent respect to December 31, 2020 (S/ 3.620).

## Exchange Rate (currency units per dollar)

		End of period					Accumulated change (%)*			
		Dec.19	Dec.20	Aug.21	Sep.21	Oct 07, 21	Sep.21	Aug.21	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	92.63	94.23	94.16	-0.1	1.7	4.7	-2.3
Eurozone	US\$ per Euro	1.121	1.221	1.181	1.158	1.156	-0.2	-2.1	-5.3	3.1
United Kingdom	US\$ per Pound	1.326	1.367	1.375	1.347	1.362	1.1	-1.0	-0.4	2.7
Japan	Yen	108.61	103.24	110.02	111.27	111.46	0.2	1.3	8.0	2.6
Brazil	Real	4.019	5.194	5.149	5.443	5.516	1.3	7.1	6.2	37.2
Colombia	Peso	3,285	3,415	3,767	3,805	3,772	-0.9	0.2	10.5	14.8
Chile	Peso	752	710	773	811	813	0.3	5.3	14.6	8.2
Mexico	Peso	18.93	19.87	20.06	20.63	20.64	0.0	2.9	3.9	9.1
Argentina	Peso	59.86	84.08	97.74	98.73	98.94	0.2	1.2	17.7	65.3
Peru	Sol	3.314	3.620	4.089	4.133	4.094	-0.9	0.1	13.1	23.5

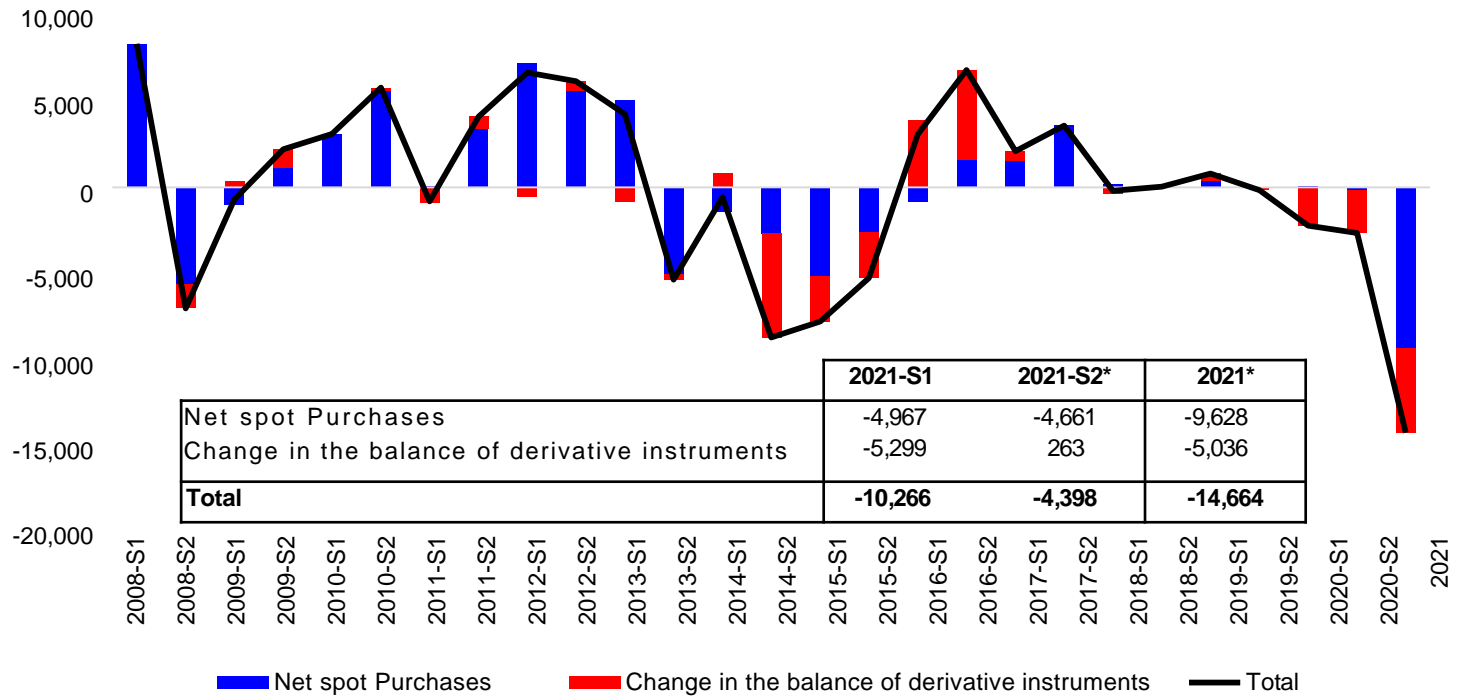
\* An increase in the index implies an appreciation of the dollar, except in the euro and the pound.

Source: Reuters



So far this year, the BCRP has offered US\$ 14.6 billion in the foreign exchange market through sales in the spot market (US\$ 9.6 billion), the net placement of exchange derivatives and the net placement of certificates indexed to the exchange rate (US\$ 5.0 billion).

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



\* Data as of October 7.  
Source: BCRP

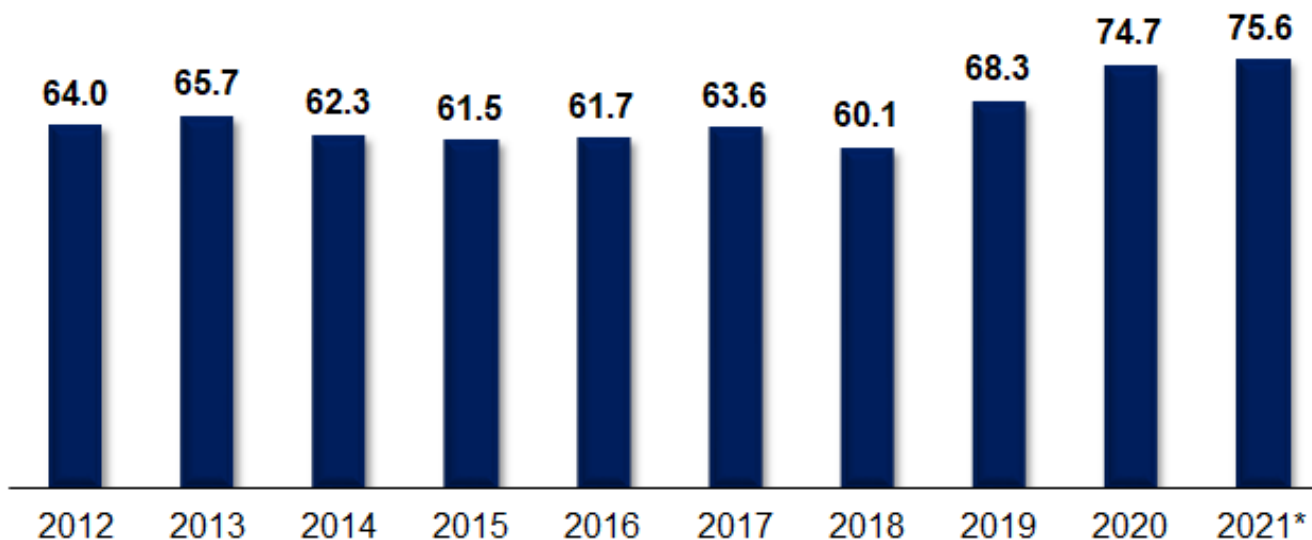


# CENTRAL RESERVE BANK OF PERU

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 October 6.

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 October 7 (bps)	
	Dec.19	Dec.20	Sep.21	As of October 7, 2021	Sep.21	Dec.20
<b>United States</b>	<b>1.92</b>	<b>0.92</b>	<b>1.49</b>	<b>1.57</b>	<b>8</b>	<b>65</b>
Germany	-0.19	-0.57	-0.20	-0.19	1	39
France	0.12	-0.34	0.15	0.16	0	50
Italy	1.41	0.54	0.86	0.86	0	31
Spain	0.46	0.04	0.46	0.46	0	42
Greece	1.43	0.62	0.85	0.87	2	25
United Kingdom	0.82	0.19	1.02	1.08	6	88
Japan	-0.02	0.02	0.07	0.07	0	5
Brazil	6.79	6.90	11.11	11.09	-3	419
Chile	3.17	2.65	5.61	6.41	80	376
Colombia	6.34	5.39	7.41	7.38	-3	199
Mexico	6.89	5.53	7.37	7.50	13	197
<b>Peru</b>	<b>4.64</b>	<b>3.50</b>	<b>6.44</b>	<b>5.92</b>	<b>-52</b>	<b>242</b>

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<sup>1/</sup>

(%)

	Dec.18	Dec.19	Dec.20	Mar.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Historical average <sup>2/</sup>
Reference	2.8	2.3	0.25	0.25	0.25	0.25	0.50	1.00	1.50	3.1
TAMN <sup>3/</sup>	14.4	14.4	12.1	11.2	10.7	10.7	10.6	10.5	10.4	16.0
90-day corporate prime	4.5	3.3	0.7	0.6	0.9	0.8	0.9	1.5	1.6	4.0
Corporates <sup>4/</sup>	4.9	3.8	2.5	2.2	1.4	2.2	1.9	2.1	2.2	4.9
Large companies <sup>4/</sup>	6.4	6.0	4.6	3.9	3.7	3.4	3.4	4.2	4.3	6.5
Medium-sized enterprises <sup>4/</sup>	9.8	9.3	6.1	8.0	7.3	5.2	4.8	7.9	7.8	9.7
Small business <sup>4/</sup>	18.5	18.0	17.2	18.2	17.6	17.6	17.5	18.1	18.2	20.0
Micro business <sup>4/</sup>	32.7	31.3	30.1	32.8	32.4	32.4	31.6	31.6	31.6	32.2
Mortgage <sup>4/</sup>	7.6	7.0	6.4	5.9	5.9	5.9	6.2	6.4	6.3	8.3
10-year sovereign bond	5.7	4.6	3.5	5.0	5.4	6.5	6.1	6.4	5.9	5.4
TIPMN <sup>5/</sup>	2.5	2.3	1.0	0.9	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	1.0	3.2
Deposits over 1 year to People	3.7	3.5	2.0	1.9	2.0	2.0	2.2	2.5	2.5	4.1

1/ Information as of October 7, 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.

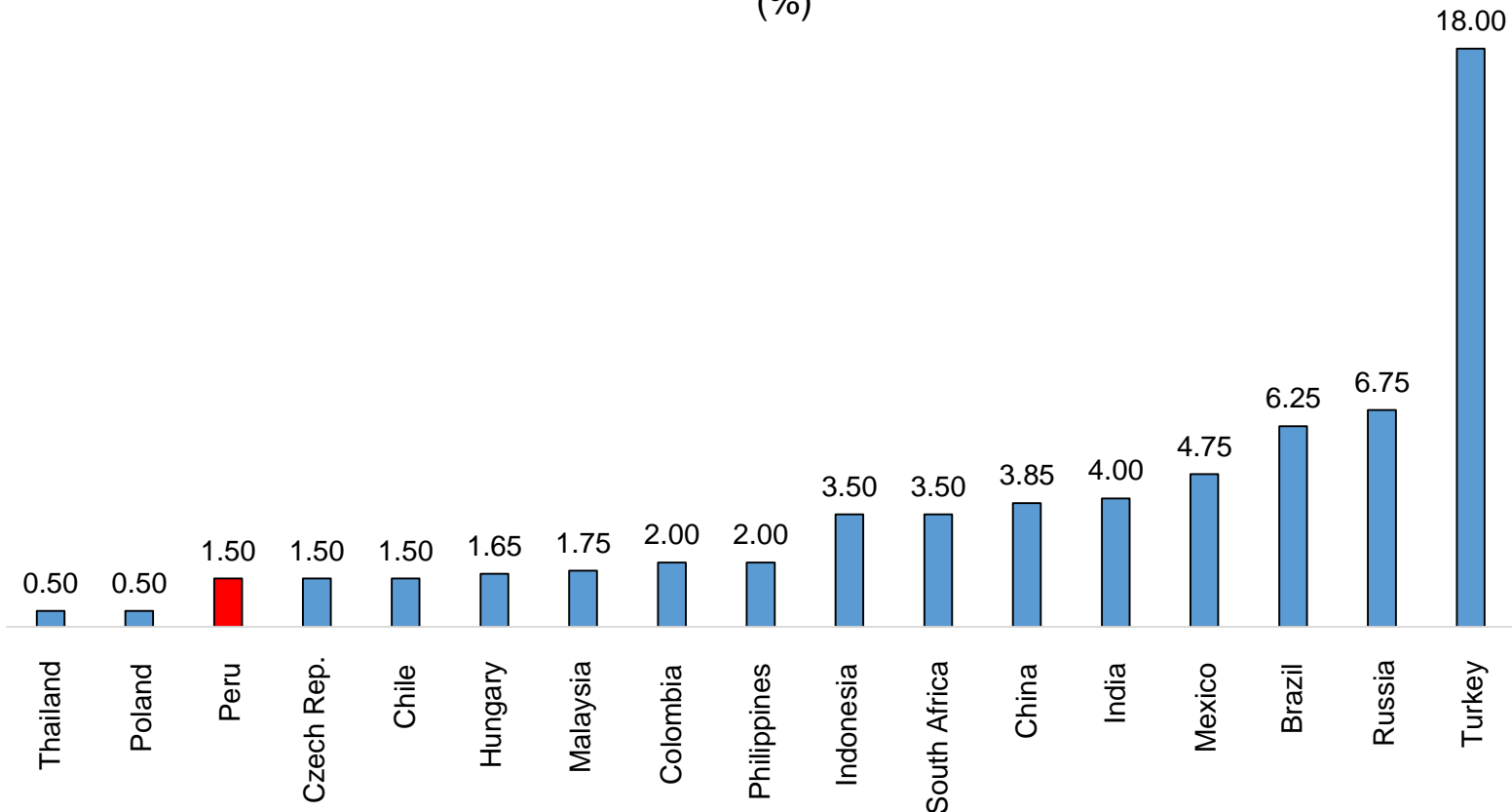
5/ Annual average deposit rate in domestic currency.

Source: BCRP and SBS.



Peru's monetary policy interest rate of 1.5 percent is one of the lowest at the international level. In this regard, additional increases in monetary policy interest rates are expected in the coming months in the vast majority of emerging countries.

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



Source: Central Banks.

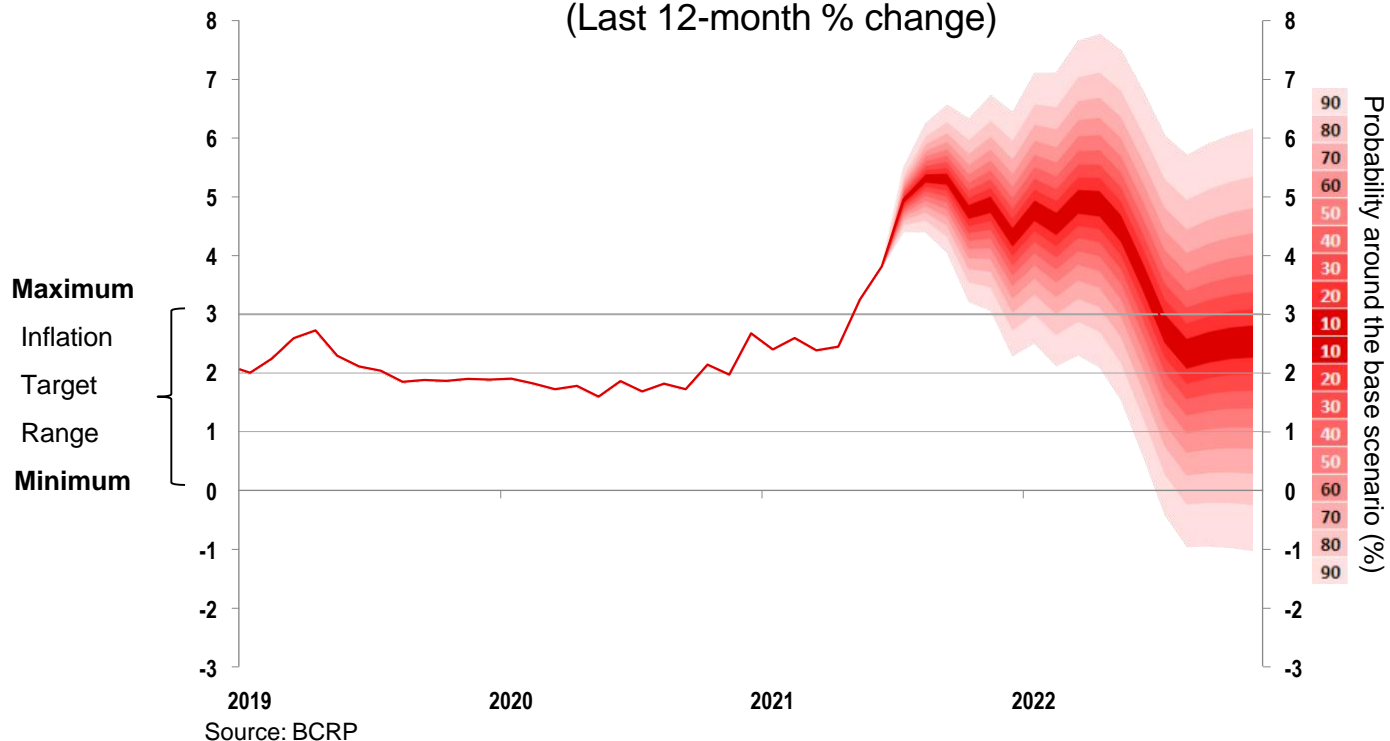




Inflation is expected to return to the target range in the next twelve months and remain within that range in 2022, due to the reversal of the effect of transitory factors on the inflation rate (like the exchange rate, and the fuel and grain prices in international markets), since economic activity will remain still below its potential level. The Board is especially attentive to new information referring to inflation expectations and the evolution of economic activity to consider, if necessary, changes in the monetary policy position. 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 October 2021**

**October 8, 2021**