



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement February 2022

February 11, 2022

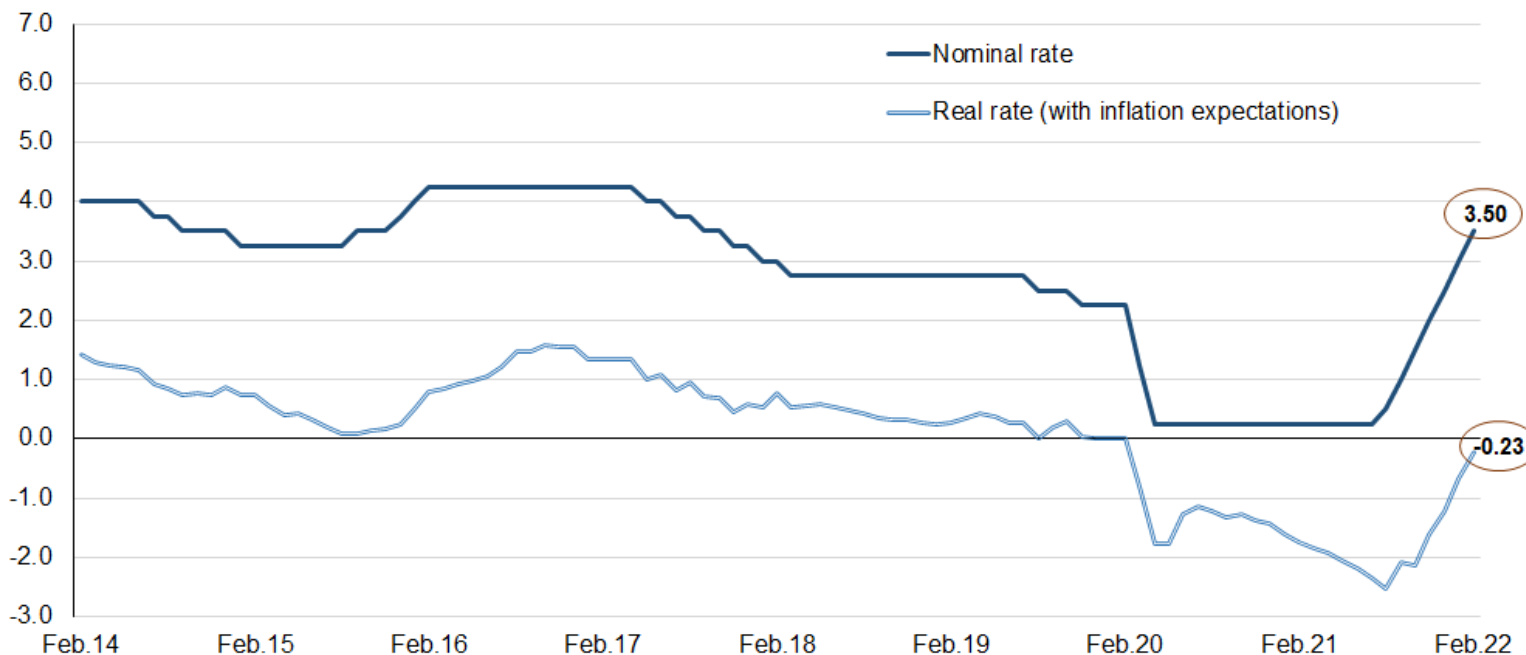


CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 3.5 percent, continuing the normalization of the stance of monetary policy.

Policy interest rate

(%)

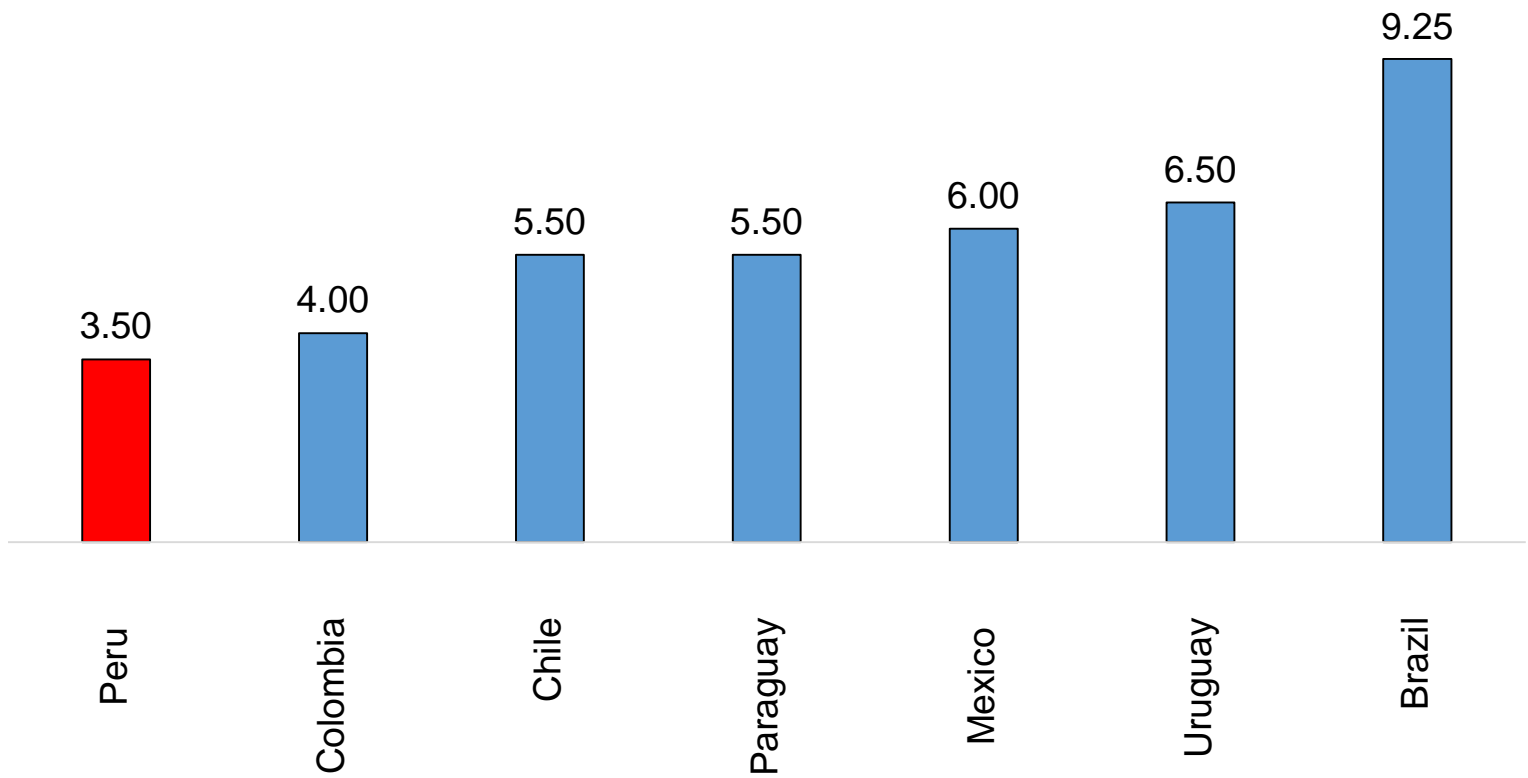


	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	May.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Jan.22	Feb.22
(I) Nominal rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	1.00	1.50	2.00	2.50	3.00	3.50
(II) Inflation expectations	1.46	1.57	1.51	1.62	1.68	1.85	1.98	2.11	2.17	2.30	2.43	2.60	3.03	3.07	3.64	3.61	3.71	3.68	3.73
(III) Real rate: (I)-(II)	-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	-1.21	-0.68	-0.23



Peru's monetary policy interest rate of 3.5 percent is one of the lowest at the international level.

Monetary Policy Interest Rates in Emerging Economies: February 2022 (%)

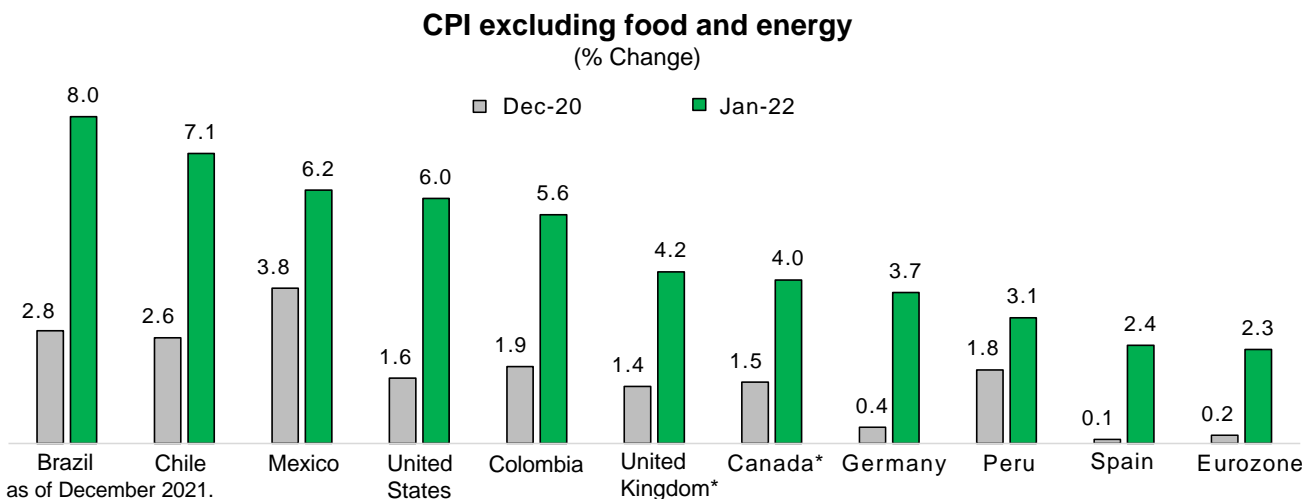
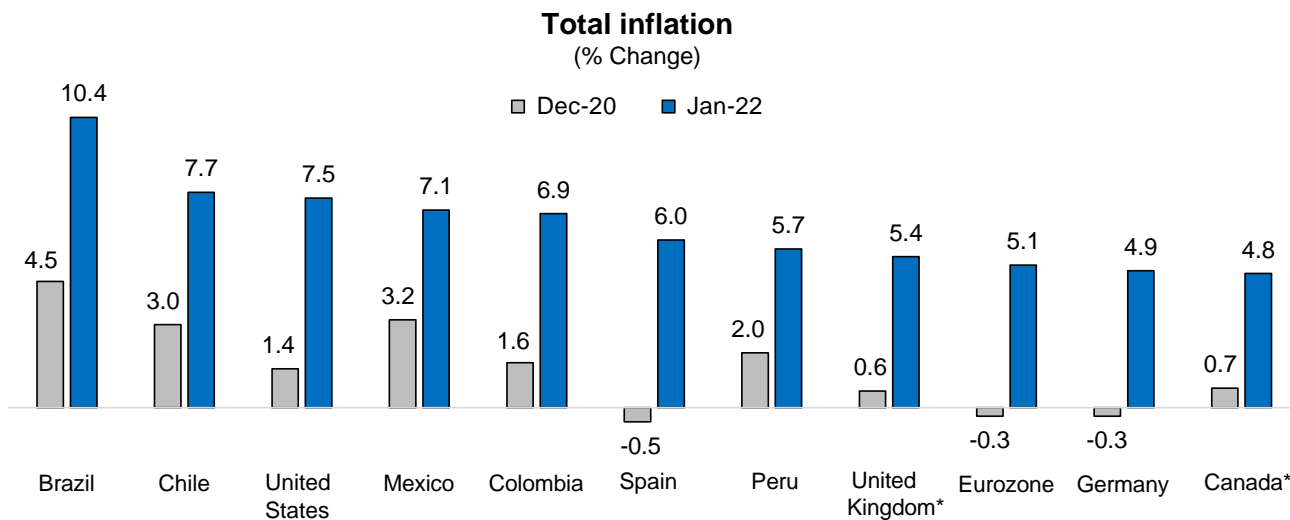


Source: Central Banks.



CENTRAL RESERVE BANK OF PERU

An acceleration of inflation rates is observed in the world since the middle of last year. In January 2022, total inflation and core inflation in Peru were among the lowest at the international level.



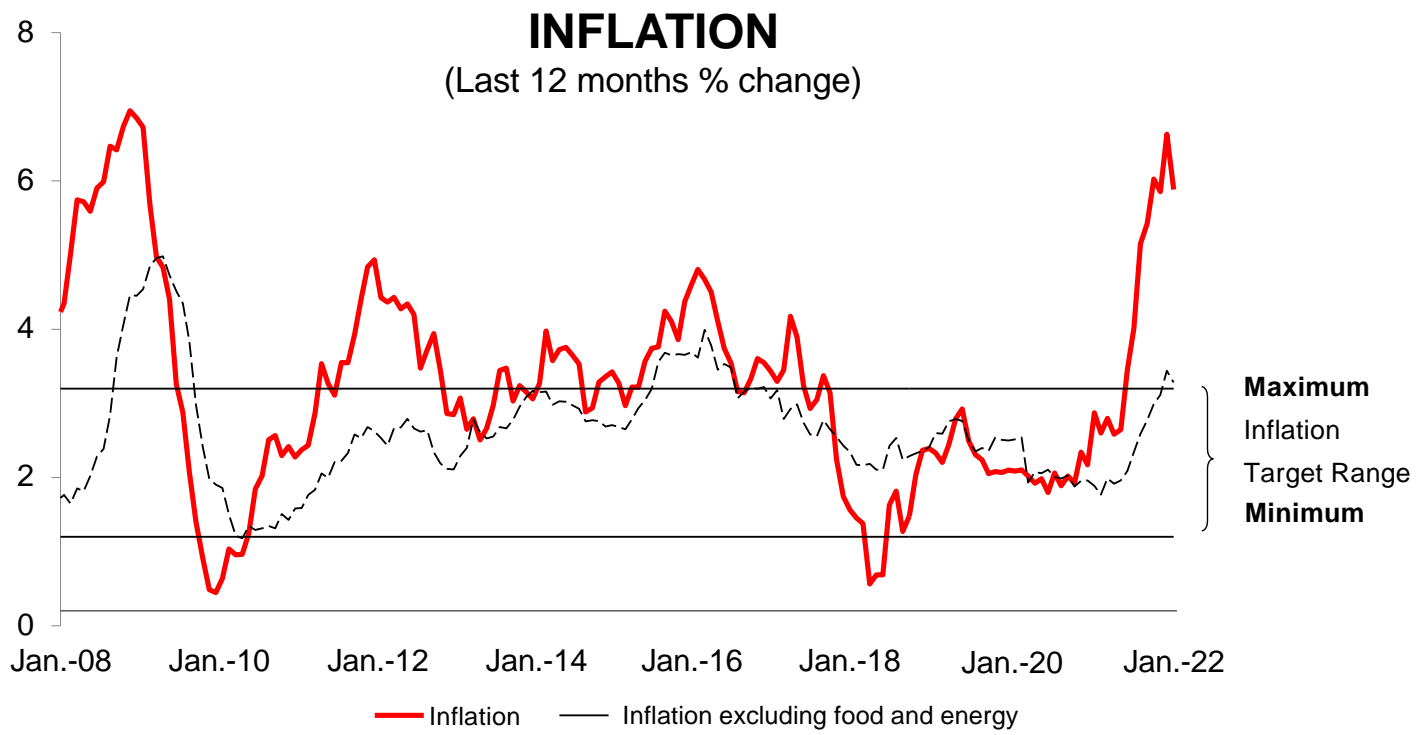
*Information as of December 2021.

Source: Statistical institutes and central banks.



CENTRAL RESERVE BANK OF PERU

Year-on-year inflation was 5.68 percent in January, 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	Nov. 21	Dec. 21	Jan. 22
Inflation	2.68	2.40	2.60	2.38	2.45	3.25	3.81	4.95	5.23	5.83	5.66	6.43	5.68
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	2.91	3.24	3.08

Source: BCRP



Year-on-year core inflation was 3.08 percent in January, above the upper limit of the target range.

Inflation and Trend Indicators

(Annual % change)

	Annual average	Annual % change		
	2001-2020	Nov.21	Dec.21	Jan.22
CPI	2.6	5.66	6.43	5.68
CPI excluding food and energy	2.1	2.91	3.24	3.08
<u>Trend indicators</u>				
Bounded mean	2.5	4.06	4.53	4.85
Percentile 63	2.4	3.73	4.23	4.61
Re-weighted	2.5	3.80	4.25	4.35

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

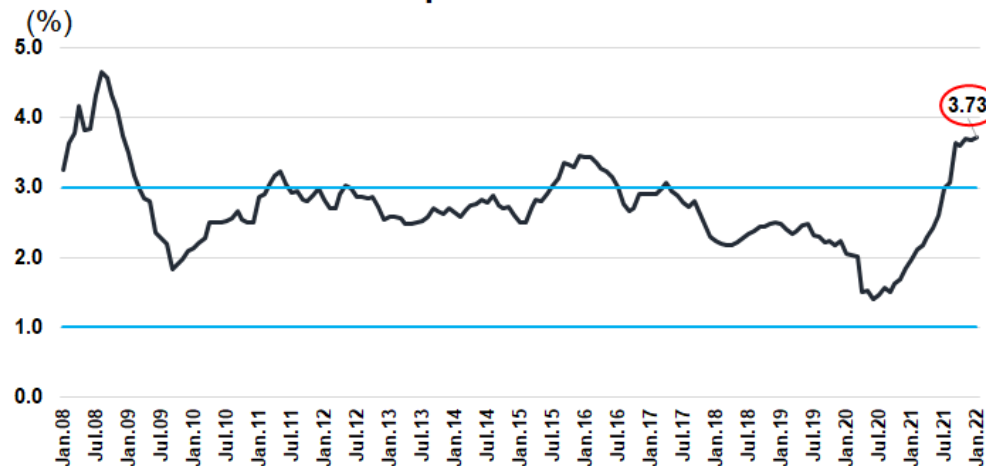
Percentile 63: Corresponds to the percentage changes of the item located in the 63th percentile.

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



One year ahead expected inflation for 2022 increased from 3.68 percent to 3.73 percent, 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:			
	Nov 30.	Dec 31.	Jan 31.	
Economic analysts¹				
2022	3.55	3.60	3.85	↑
2023	2.80	2.90	2.85	
Financial entities²				
2022	3.50	3.75	3.75	=
2023	3.00	3.00	3.00	
Non-financial firms³				
2022	3.21	3.50	3.50	=
2023	3.00	3.00	3.00	

¹ 16 analysts in November, 17 in December and 16 in January 2022.

² 15 financial entities in November, 13 in December and 16 in January 2022.

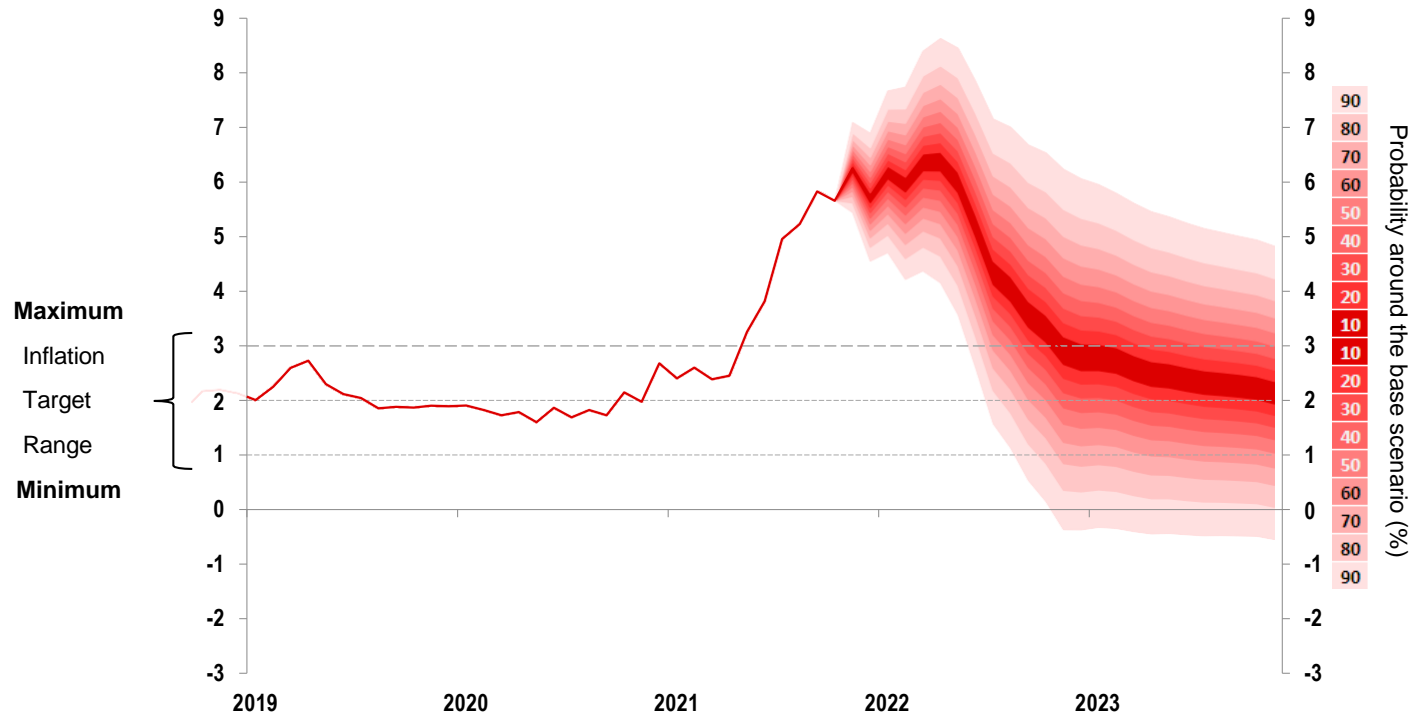
³ 287 non financial firms in November, 267 in December and 306 in January 2022.

Source: BCRP



Inflation is expected to return to the target range in the fourth quarter of the year, as transitory pressures (exchange rate and international fuel and grain prices) recede, with economic activity below potential.

Inflation Forecast: 2022 – 2023 (Last 12-month % change)



Source: BCRP



A higher persistence in the rise of international energy and food prices is observed.

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

		Spot					% change ^{1/}	
		Dec.19	Dec.20	Dec.21	Jan.22	Feb 8, 22	Dec.21/Dec.20	Feb.22/Dec.21
WTI Oil	(US\$ per barrel)	61.1	48.5	77.0	88.2	89.4	58.7	16.1
LPG*	(US\$ per barrel)	23.9	31.4	48.3	55.2	56.4	48.3	16.6
Gasoline*	(US\$ per barrel)	73.8	57.8	84.7	98.1	98.9	42.3	16.8
Wheat	(US\$ per ton)	177.8	231.1	294.5	295.1	302.4	27.4	2.7
Maize	(US\$ per ton)	148.4	186.6	227.9	239.4	242.5	22.2	6.4
Soybean	(US\$ per ton)	756	977	1,434	1,439	1,506	46.7	5.0
Baltic Index	(US\$ Index)	1,090	1,366	2,217	1,418	1,503	62.3	-32.2
Exchange rate	S/ per US\$	3.314	3.620	3.991	3.846	3.837	10.2	-3.9

1/ Comparison as of February 22 is with respect to February 8.

* International reference prices published by OSINERGMIN as of February 7, 2022.

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	
	Jan. 22 / Jan. 21	Jan. 22 / Jan. 19
Industrial inputs	33.3	34.0
Plastics	49.6	34.1
Iron and Steel	56.3	41.4
Textiles	25.3	4.3
Papers	33.6	6.4
Chemical goods	19.0	32.7
Organic chemicals	45.6	36.7
Rest	27.9	39.2
Of Which:		
Fertilizers	128.0	98.0

Source: Sunat.

Elaboration: BCRP.



Economic activity in the January-November 2021 period is above the pre-pandemic level. The most intensive sectors in human contact are those most affected by COVID-19, but they have been recovering.

GROSS DOMESTIC PRODUCT

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

	Weight 2020 ^{1/}	2020	21/20			21/19		
		Year	Q.3	Nov.	Jan.-Nov.	Q.3	Nov.	Jan.-Nov.
Primary GDP	23.1	-7.7	3.0	-3.6	6.5	-3.7	-7.2	-3.0
Agriculture and Livestock	6.4	1.4	9.6	2.0	2.9	7.8	3.0	4.5
Fishing	0.5	4.2	-37.8	13.0	6.1	-28.6	12.7	-0.4
Mining	8.8	-13.8	6.2	-5.8	11.6	-3.8	-8.9	-5.1
Fuel	1.5	-11.0	-6.2	-1.9	-5.1	-19.1	-15.5	-15.6
Primary industries	3.6	-2.0	-9.0	-8.9	4.4	-9.8	-14.2	-1.8
Non-primary GDP	76.9	-12.0	13.8	5.5	17.1	3.1	3.8	1.7
Non-primary industries	8.5	-16.4	14.5	8.9	26.7	4.4	7.8	4.2
Electricity and water	2.0	-6.1	6.3	3.2	9.2	2.9	2.8	1.9
Construction	5.6	-13.9	23.8	-5.8	43.4	18.3	11.6	16.6
Commerce	10.2	-16.0	10.1	3.8	19.6	1.2	1.3	-1.2
Total Services	50.6	-10.3	13.7	7.1	12.7	1.5	2.7	0.2
<u>GDP</u>	<u>100.0</u>	<u>-11.0</u>	<u>11.4</u>	<u>3.5</u>	<u>14.7</u>	<u>1.6</u>	<u>1.3</u>	<u>0.7</u>

1/ Implicit weighting for 2020 at 2007 prices.

Source: INEI and BCRP

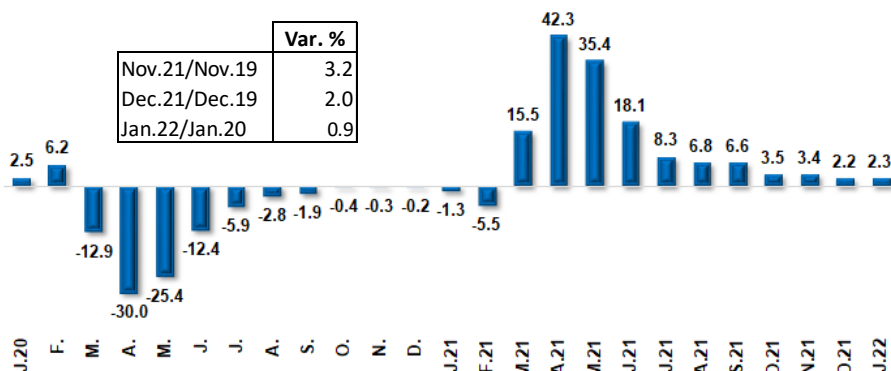


CENTRAL RESERVE BANK OF PERU

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

Average monthly electricity production (GWh)

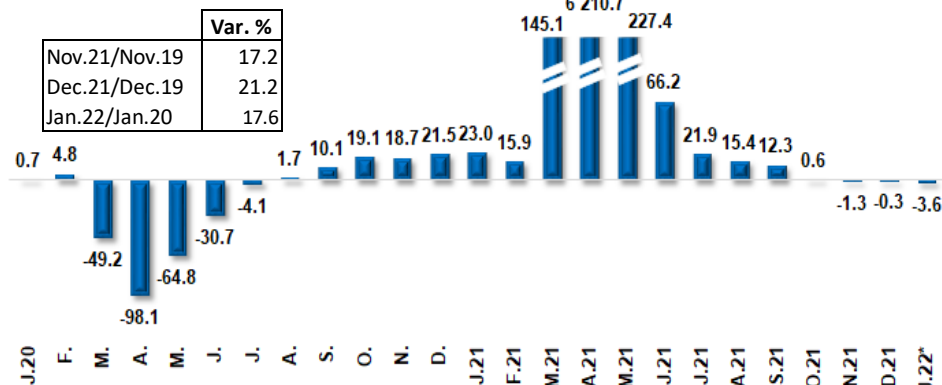
(Annual % change)



Source: COES.

Domestic consumption of cement

(Annual % change)

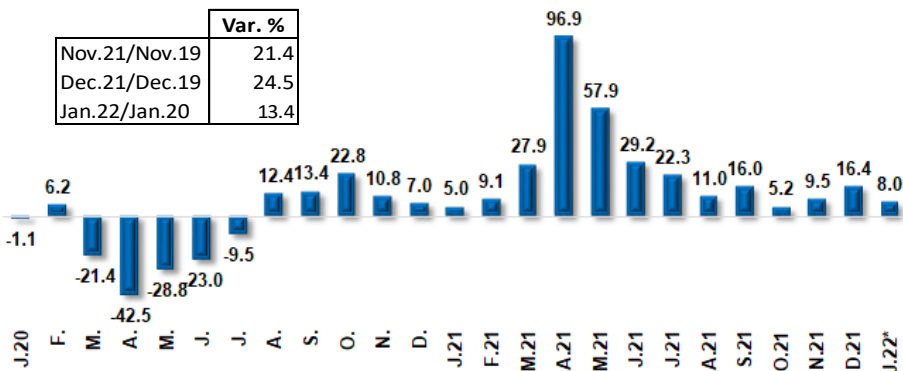


* Data for January represents a forecast.

Source: Cement companies and UNACEM.

Non traditional exports*

(Annual % change)

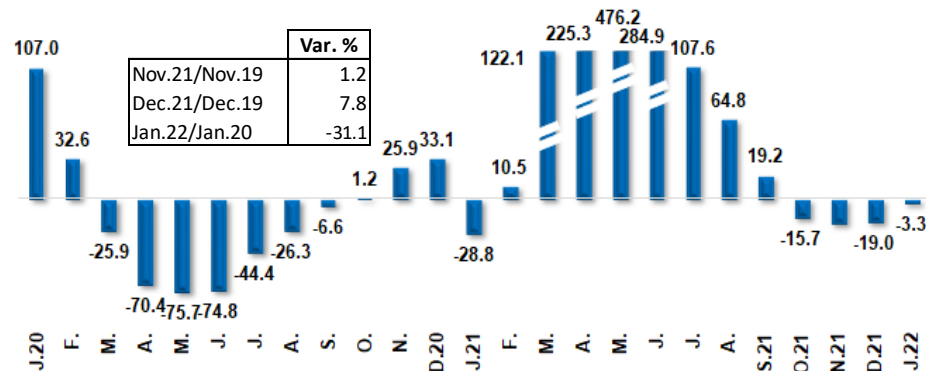


* Data for January represents a forecast.

Source: Sunat.

Real Investment of the General Government

(Annual % change)



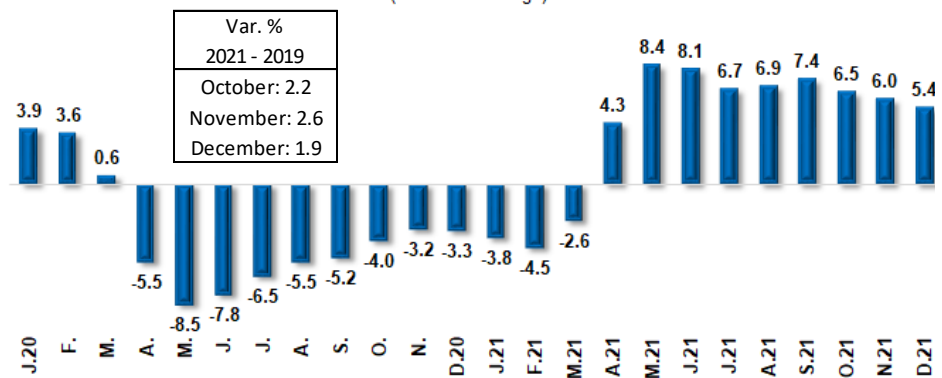
Source: MEF.



In December, formal employment at the national level increased 5.4 percent compared to December 2020, while the formal wage bill increased by 10.1 percent, mainly due to the increase in the private sector. Formal jobs exceed pre-pandemic levels since August 2021.

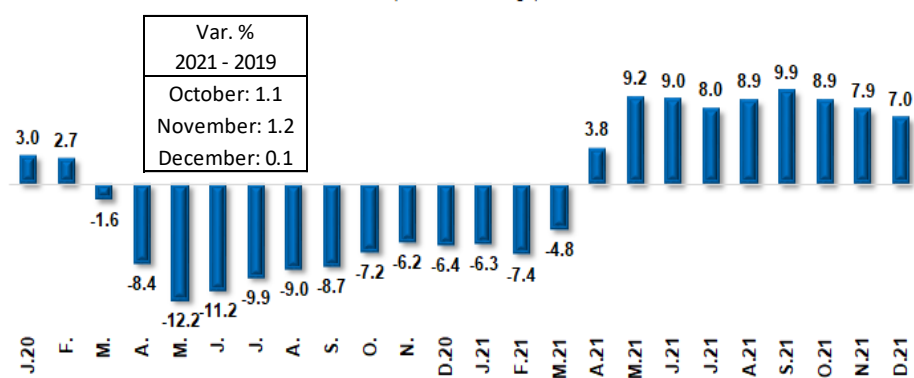
Formal employment - Electronic Payroll

(Annual % change)



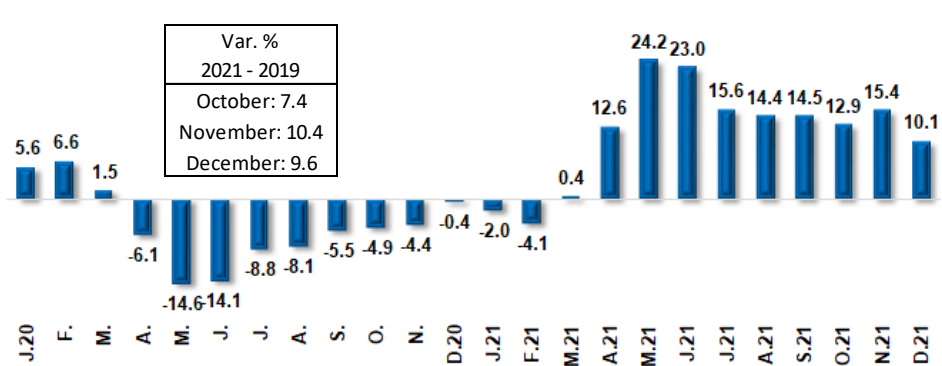
Private sector formal employment - Electronic Payroll

(Annual % change)



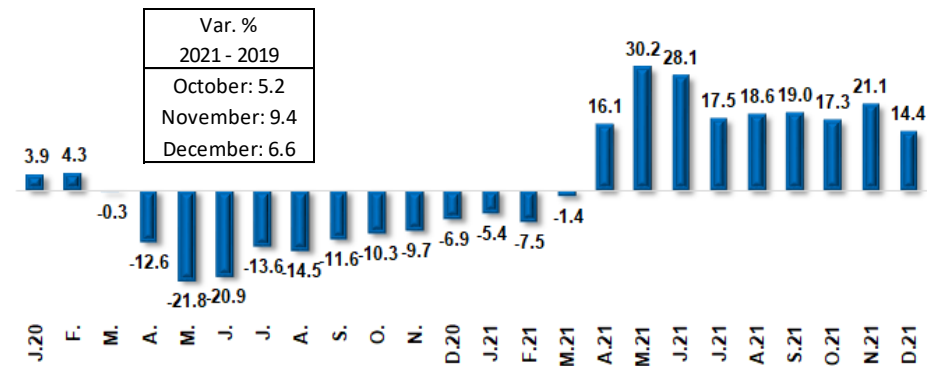
Total formal wage bill - Electronic Payroll

(Annual % change)



Private sector formal wage bill - Electronic Payroll

(Annual % change)





Formal jobs in the private sector increased by 7.0 percent in December, driven by the growth rate in the employment in Lima and the rest of the country, and by the mining sector (11.3 percent) and service sector (8.3 percent).

	December					Year	
	2019	2020	2021	Chg. 2021/2020		% Change 21/20	% change 21/19
				Thousands	%		
Total 1/	5,447	5,266	5,552	286	5.4	3.9	0.3
Private	3,913	3,661	3,917	256	7.0	4.2	-2.3
Public	1,533	1,604	1,635	30	1.9	3.3	7.2
Lima	3,247	3,051	3,209	158	5.2	2.7	-3.0
Rest of Peru	2,180	2,197	2,302	105	4.8	5.4	5.2

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

Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	December						Year		
	2019	2020	2021	Change 2021 / 2020		Change 2021 / 2019		% Chg. 21/20	% Chg. 21/19
				Thousands	%	Thousands	%		
Total	3,913	3,661	3,917	256	7.0	3	0.1	4.2	-2.3
Agriculture and Livestock ^{1/}	541	563	588	26	4.6	47	8.7	2.0	9.3
Fishing	22	22	21	-1	-2.3	0	-0.4	2.9	-1.4
Mining	104	101	113	11	11.3	9	8.6	10.6	7.1
Manufacturing	469	443	465	23	5.1	-3	-0.7	3.4	-3.4
Electricity	14	14	15	1	5.7	1	8.8	5.8	8.8
Construction	230	233	243	10	4.4	13	5.6	24.6	6.9
Commerce	637	611	637	26	4.2	0	0.0	3.5	-1.0
Services	1,895	1,671	1,809	139	8.3	-85	-4.5	2.1	-7.4
Not specified	2	3	24	21	n.a.	22	n.a.	n.a.	n.a.

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT - Monthly Payment Form.



Most indicators of expectations for economic activity remained in the pessimistic territory in January.

Macroeconomic Expectations: Survey Results

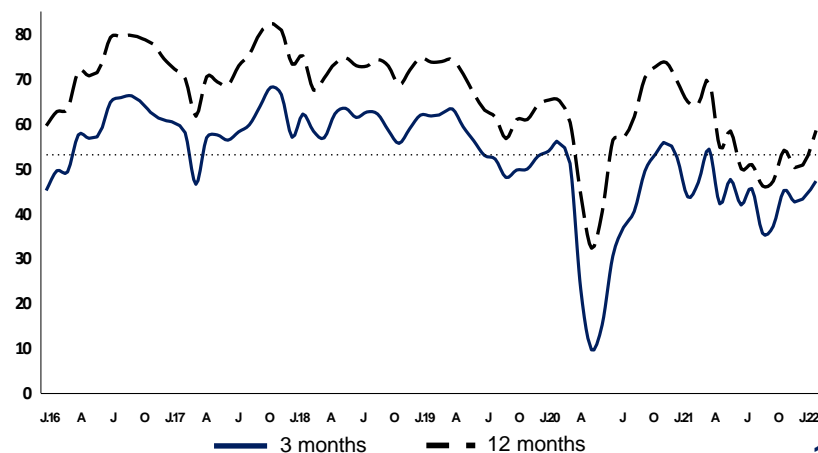
		Dec.2019	Mar.2020	Nov.2021	Dec.2021			Jan.2022			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	40.1	41.2	↑	<	44.5	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	47.3	48.6	↑	<	55.1	↑	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	46.8	46.2	↓	<	48.8	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	53.2	53.7	↑	>	59.2	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	51.3	51.0	↓	>	49.8	↓	<	0.66
	IN 12 MONTHS	66.6	46.4	56.7	58.6	↑	>	61.7	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	52.2	49.6	↓	<	50.5	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	60.5	60.4	↓	>	62.5	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	49.5	46.2	↓	<	48.0	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	53.2	52.8	↓	>	56.0	↑	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{2/}	51.3	29.9	43.3	42.8	↓	<	45.1	↑	<	0.65
	IN 12 MONTHS ^{2/}	59.3	40.0	50.6	50.8	↑	>	54.1	↑	>	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 since September 2017 to December 2019

Expectations about the economic situation at 3 and 12 months



Source: BCRP.



Global economic activity is improving, although at a slower pace due to the impact of COVID-19, persistent bottlenecks in the global supply of goods and services, and uncertainty in the pace of reversal of monetary stimulus in advanced economies.

Global GDP Growth

(Annual % change)

	PPP*	2020	2021*	2022**	2023**
Developed economies	42.5	-4.7	4.9	4.0	2.2
Of which					
1. USA	16.0	-3.5	5.7	4.0	2.2
2. Eurozone	12.0	-6.6	5.2	4.3	2.1
3. Japan	4.0	-4.8	2.2	3.0	1.4
4. United Kingdom	2.3	-9.9	6.9	5.0	1.4
5. Canada	1.4	-5.4	5.1	4.1	2.7
6. Other	6.8	-4.1	4.7	3.3	2.6
Developing economies	57.5	-2.2	6.2	4.6	4.3
Of which					
1. China	18.6	2.3	8.1	5.2	5.3
2. India	6.7	-8.0	9.5	6.9	6.3
3. Russia	3.1	-3.1	4.2	2.6	2.1
4. Latin America and the Caribbean	7.3	-7.0	5.9	2.3	2.4
5. Other	17.9	-4.0	5.0	4.7	4.6
World Economy	100.0	-3.3	5.7	4.3	3.4

* Data executed for the United States, China and the Eurozone. Forecast of December 2021 according to the Inflation Report for the Rest of the countries.

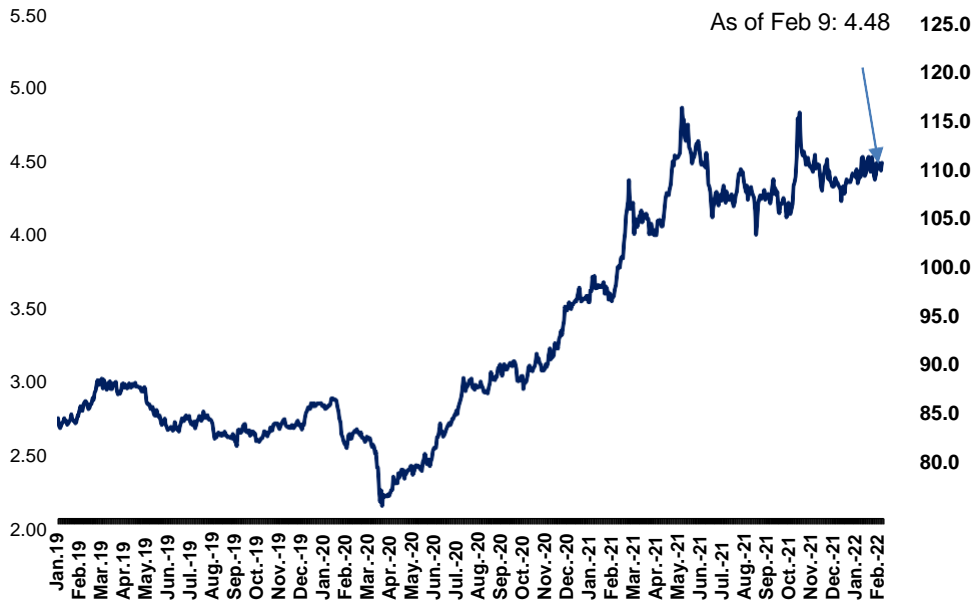
** Forecast of December 2021 according to the Inflation Report.



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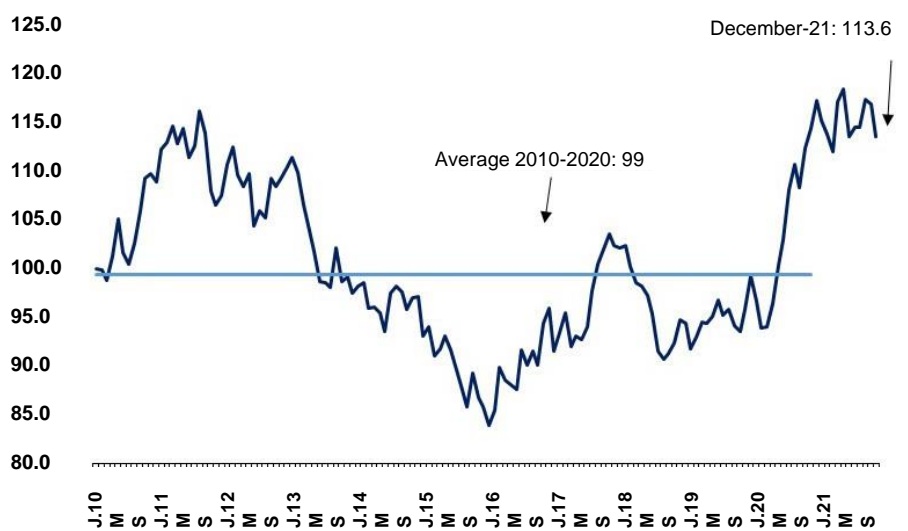
The external environment has been highly favorable to the Peruvian economy. A strong increase in the international price of minerals remains, especially in copper, gold, and zinc. In this regard, the terms of trade continue at a historically high level.

International Copper Price (cUS\$/pound)



Source: Reuters

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



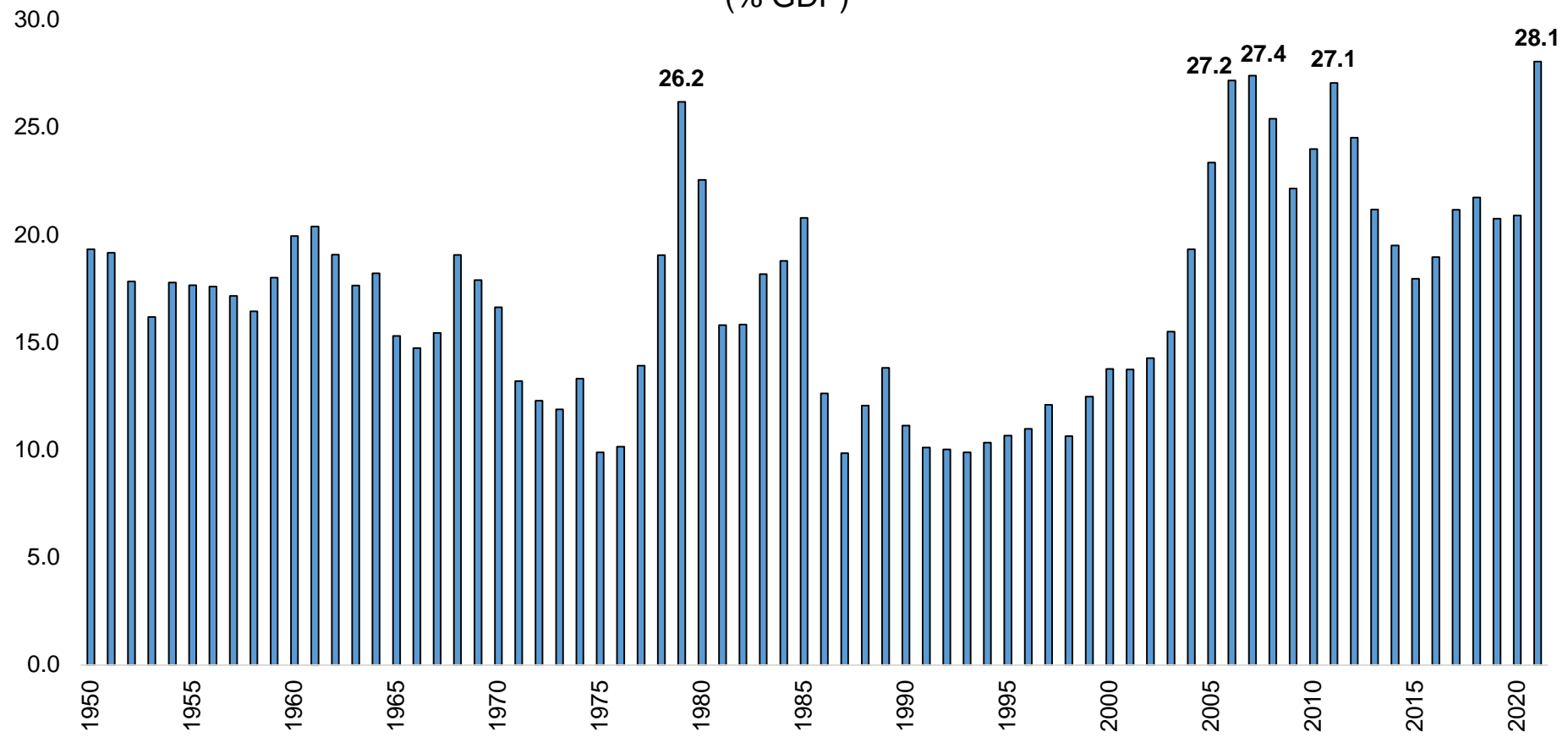
* Data for December 2021 represents a forecast.

Source: BCRP



In 2021, exports represented 28.1 percent of GDP, the highest level recorded since 1950.

Exports (% GDP)



Source: SUNAT



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As of February 9, the exchange rate was S/ 3.805 per dollar, recording an appreciation of 4.7 percent with respect to December 31, 2021 (S/ 3.991) and a depreciation of 5.1 percent with respect to December 31, 2020 (S/ 3.620).

Exchange Rate

(currency units per dollar)

		End of period						Accumulated change (%)*			
		Dec.18	Dec.19	Dec.20	Dec.21	Jan.22	As of Feb 9. 2022	2022**	2021	2020	2019
Dollar Index	Spot	96.17	96.39	89.94	95.97	96.54	95.50	-0.5	6.7	-6.7	0.2
Eurozone	US\$ per Euro	1.144	1.121	1.221	1.137	1.123	1.143	0.5	-6.9	8.9	-2.0
United Kingdom	US\$ per Pound	1.281	1.326	1.367	1.353	1.345	1.353	0.0	-1.1	3.1	3.5
Japan	Yen	109.93	108.61	103.24	115.08	115.10	115.44	0.3	11.5	-4.9	-1.2
Brazil	Real	3.880	4.019	5.194	5.570	5.304	5.263	-5.5	7.3	29.2	3.6
Colombia	Peso	3.245	3,285	3,415	4.065	3.941	3.932	-3.3	19.1	3.9	1.2
Chile	Peso	693	752	710	851	800	813	-4.5	19.9	-5.6	8.5
Mexico	Peso	19.65	18.93	19.87	20.49	20.63	20.49	0.0	3.1	5.0	-3.7
Argentina	Peso	37.65	59.86	84.08	102.68	105.00	105.89	3.1	22.1	40.5	59.0
Peru	Sol	3.377	3.315	3.620	3.991	3.846	3.805	-4.7	10.2	9.2	-1.8

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

** Comparison of 2022 is with respect to February 9.

Source: Reuters



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

10-year Sovereign Bond Yield

(%)

	End of Period					Accumulated change as of Feb 9, 2022 (bps)	
	Dec.19	Dec.20	Dec.21	Jan. 22	Feb. 22	Jan. 22	Dec.21
United States	1.92	0.92	1.51	1.78	1.93	16	42
Germany	-0.19	-0.57	-0.18	0.01	0.21	20	39
France	0.12	-0.34	0.20	0.42	0.66	24	47
Italy	1.41	0.54	1.17	1.29	1.75	46	58
Spain	0.46	0.04	0.56	0.75	1.06	32	50
Greece	1.43	0.62	1.32	1.88	2.44	56	113
United Kingdom	0.82	0.19	0.97	1.30	1.43	13	46
Japan	-0.02	0.02	0.07	0.17	0.21	3	14
Brazil	6.79	6.90	10.84	11.32	11.48	17	64
Chile	3.17	2.65	5.68	6.03	5.97	-5	29
Colombia	6.34	5.39	8.22	8.99	8.92	-7	69
Mexico	6.89	5.53	7.56	7.66	7.68	2	12
Peru	4.23	3.50	5.87	6.13	6.06	-7	19

*With information as of February 9.

Source: Reuters



Interest rates in soles remain below long-term averages rates.

Interest rate in domestic currency^{1/}

(%)

	Dec.18	Dec.19	Dec.20	Mar.21	Jun.21	Sep.21	Dec.21	Jan.22	Feb.22	Historical average ^{2/}
Reference	2.75	2.25	0.25	0.25	0.25	1.00	2.50	3.00	3.50	3.34
TAMN ^{3/}	14.37	14.35	12.10	11.20	10.73	10.49	11.21	11.18	11.22	15.87
90-day corporate prime	4.52	3.29	0.68	0.55	0.88	1.48	3.09	3.83	4.12	4.23
Corporates ^{4/}	4.90	3.80	2.51	2.23	1.44	2.06	3.22	4.18	4.18	4.86
Large companies ^{4/}	6.42	6.01	4.60	3.92	3.70	4.20	5.65	6.07	6.39	6.49
Medium-sized enterprises ^{4/}	9.84	9.28	6.07	7.95	7.28	7.91	8.75	9.09	9.37	9.72
Small business ^{4/}	18.50	18.03	17.23	18.21	17.64	18.09	19.28	19.82	20.07	20.01
Micro business ^{4/}	32.70	31.32	30.09	32.84	32.37	31.58	32.34	32.86	33.35	32.21
Mortgage ^{4/}	7.60	7.00	6.39	5.89	5.87	6.37	6.85	6.87	6.91	8.28
10-year sovereign bond	5.62	4.64	3.50	4.97	5.37	6.44	5.87	6.13	6.07	5.43
TIPMN ^{5/}	2.47	2.25	0.98	0.89	0.81	0.81	1.10	1.21	1.27	2.19
Deposit rate 90-day corporate prime	4.01	2.81	0.19	0.14	0.38	0.93	2.63	3.34	3.68	3.21
Deposits over 1 year to People	3.68	3.47	1.97	1.93	2.03	2.46	3.09	2.98	3.07	4.08

1/ Information as of February 9, with the exception of the reference rate, which is as of February 11. Corresponds to banking companies.

2/ Average since September 2010, with the exception of the reference rate for which the average rate is since September 2003.

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.

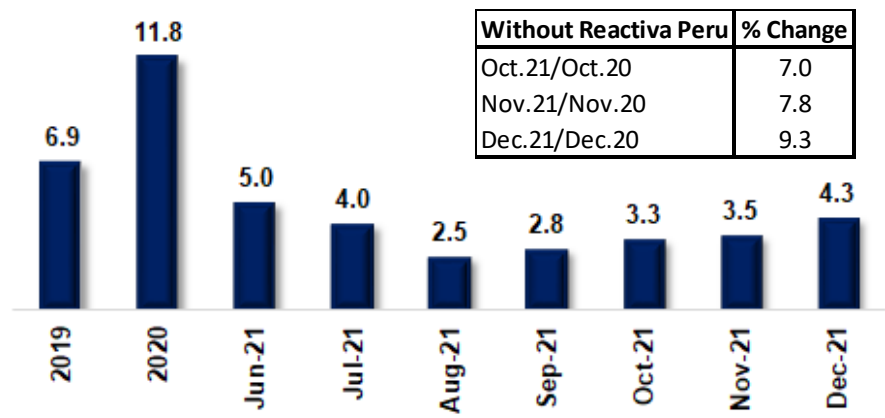
Source: BCRP and SBS.



CENTRAL RESERVE BANK OF PERU

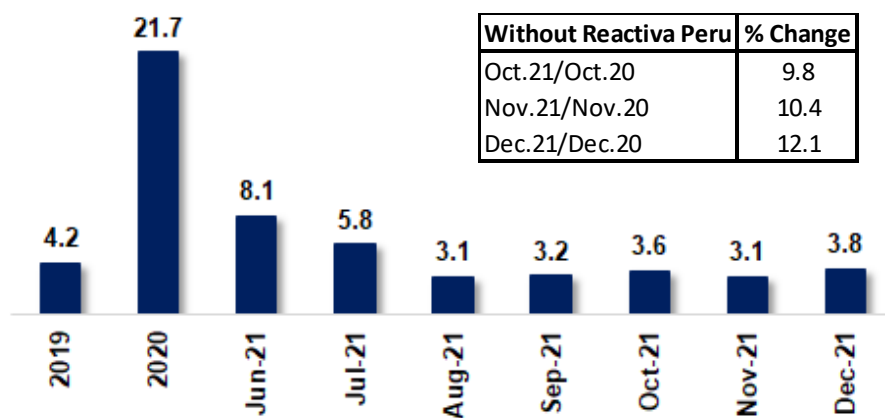
In recent months, the credit growth rate has continued to accelerate, in particular in consumer credit.

Credit to the private sector
(12-month % change)



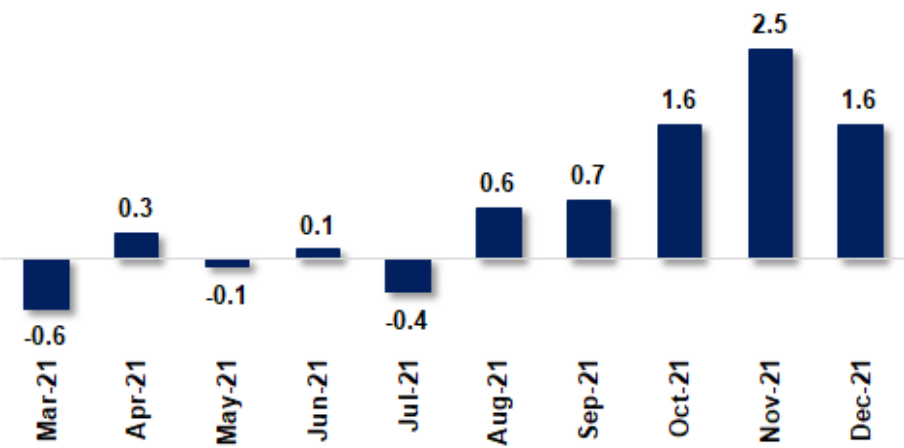
Without Reactiva Peru	% Change
Oct.21/Oct.20	7.0
Nov.21/Nov.20	7.8
Dec.21/Dec.20	9.3

Credit to firms
(12-month % change)

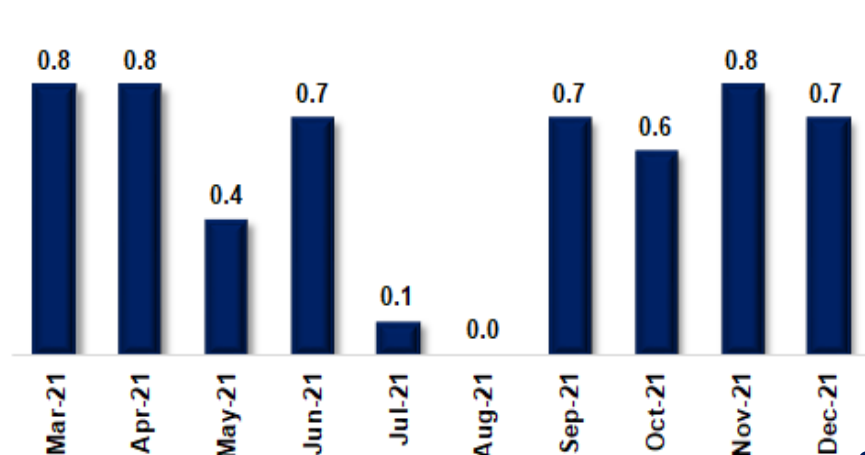


Without Reactiva Peru	% Change
Oct.21/Oct.20	9.8
Nov.21/Nov.20	10.4
Dec.21/Dec.20	12.1

Consumer credit
(Monthly % change)



Mortgage credit
(Monthly % change)

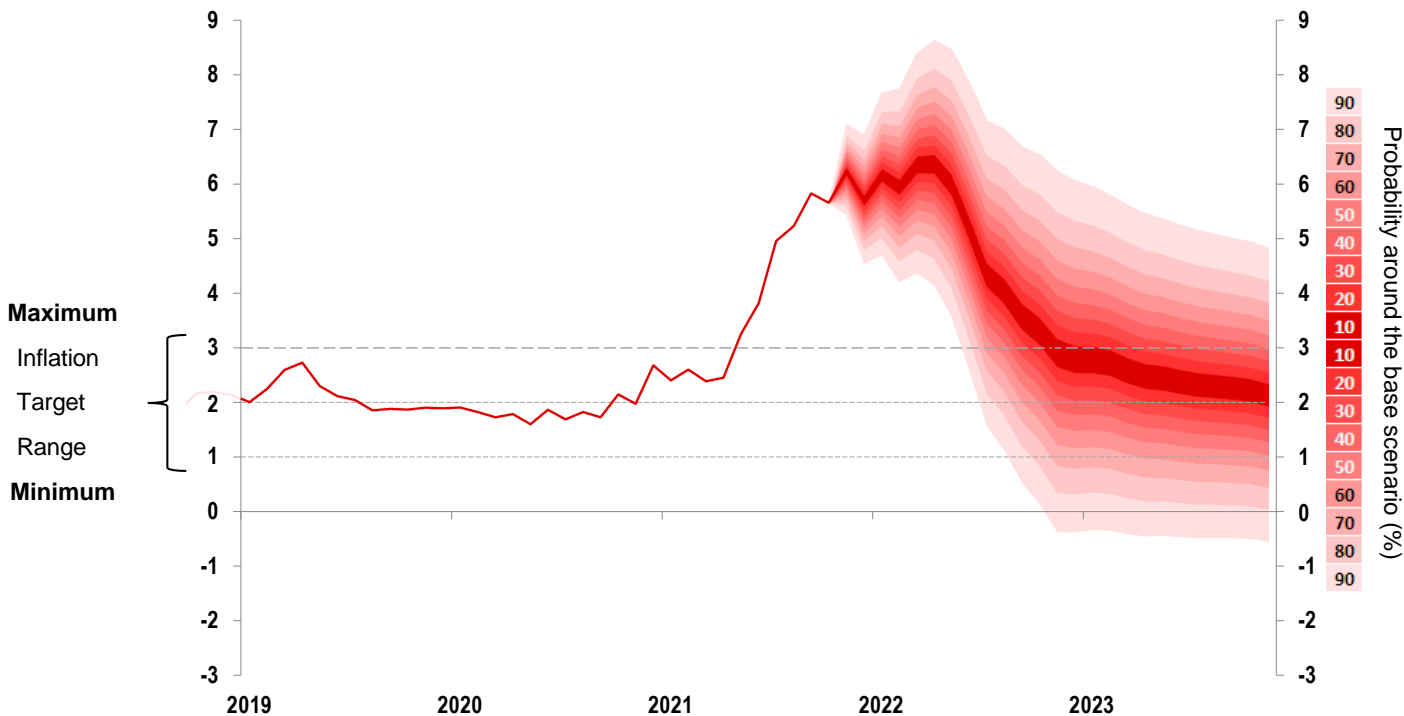


Source: Financial statement of financial entities.



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 so that inflation returns to the target range over the forecast horizon

Inflation Forecast: 2022 – 2023 (Last 12-month % change)



Source: BCRP



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement February 2022

February 11, 2022