



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement June 2022

June 10, 2022

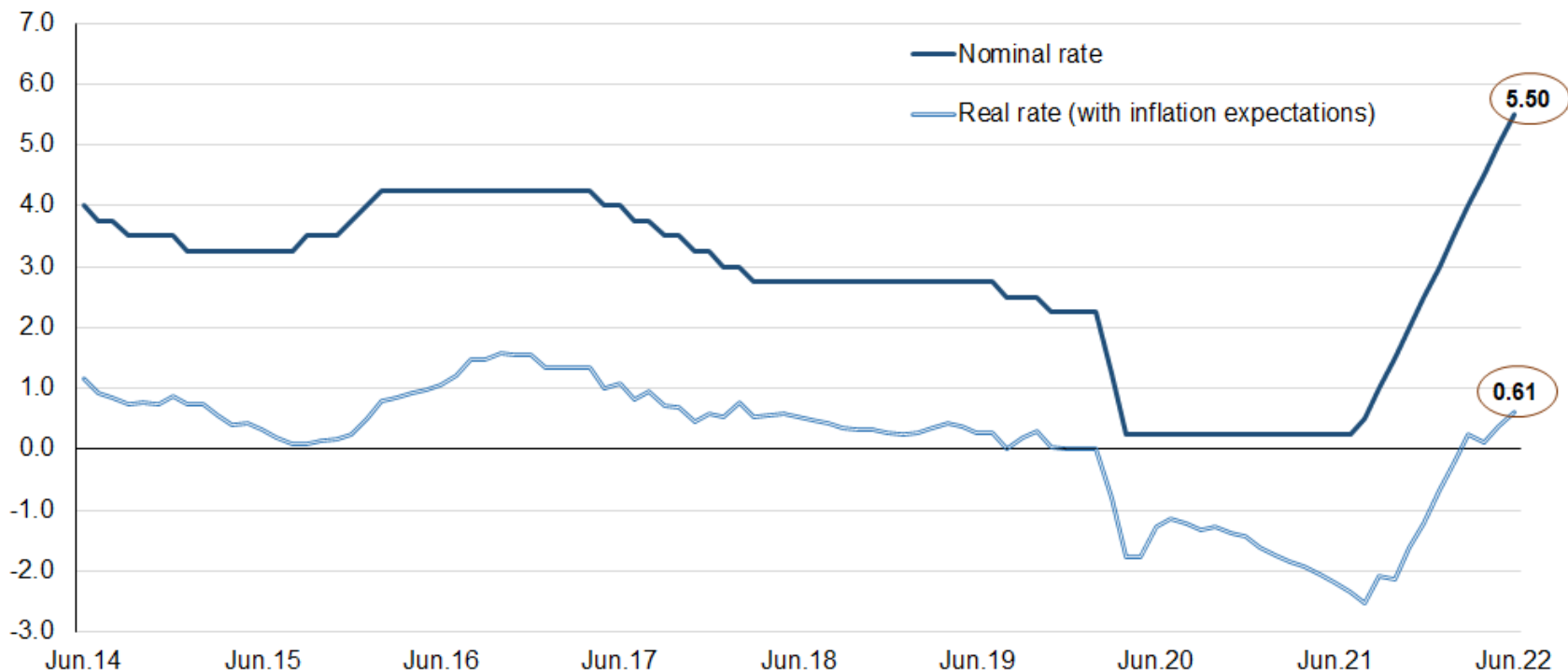


CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 5.5 percent, thus continuing to normalize its monetary policy stance.

Policy interest rate

(%)



	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	Mar.22	Apr.22	May.22	Jun.22
(I) Nominal rate	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	4.00	4.50	5.00	5.50
(II) Inflation expectations	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	3.75	4.39	4.62	4.89
(III) Real rate: (I)-(II)	-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	0.25	0.11	0.38	0.61

Source: BCRP



After the start of the withdrawal of the monetary stimulus last year, the region's central banks have recorded positive real interest rates in recent months.

Ex ante Real Monetary Policy Interest Rates in Latin America*

(%)

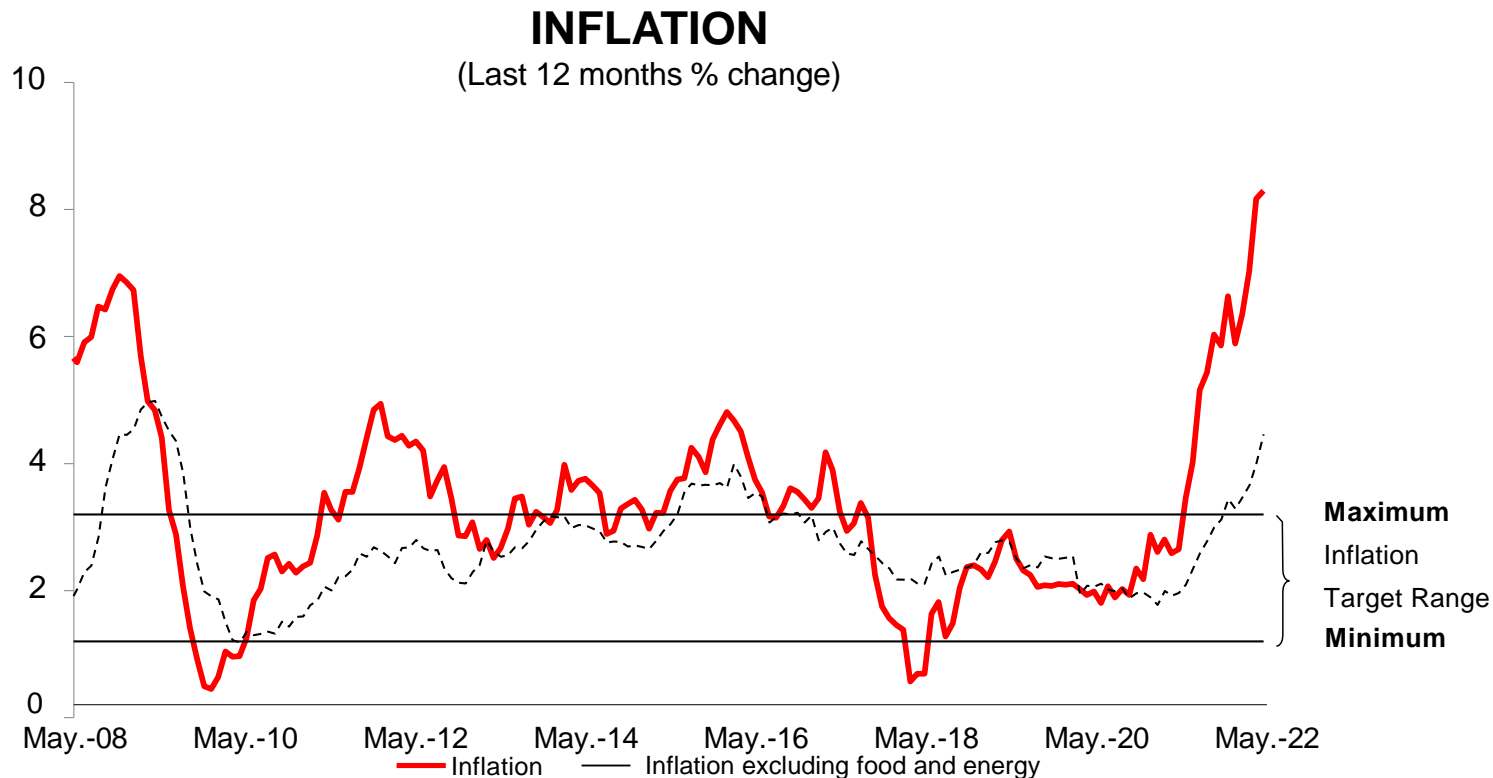
	MPIR	1-Year ahead inflation expectations**	Ex ante Real Rate
Brazil	12.75	7.02	5.74
Chile	9.00	6.20	2.80
Colombia	6.00	5.23	0.77
Mexico	7.00	5.78	1.22
Peru	5.50	4.89	0.61

* Policy rates as of June 9, 2022, and inflation expectations as of May 2022.

** Obtained by interpolation based on expectations as of December 2022 and 2023 in the cases of Brazil and Mexico (the other central banks publish the data directly).



Year-on-year inflation increased from 7.96 percent in April to 8.09 percent in May, above the target range, due to the upsurge of significant increases in international food and fuel prices.



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	Feb. 22	Mar. 22	Apr. 22	May. 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	6.15	6.82	7.96	8.09
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	3.26	3.46	3.81	4.26

Source: BCRP



Year-on-year core inflation also rose from 3.81 percent in April to 4.26 percent in May, above the upper limit of the inflation target range.

Inflation and Trend Indicators

(Annual % change)

	Annual average	Annual % change					
	2001-2020	Dec.21	Jan.22	Feb.22	Mar.22	Apr.22	May.22
CPI	2.6	6.43	5.68	6.15	6.82	7.96	8.09
CPI excluding food and energy	2.1	3.24	3.08	3.26	3.46	3.81	4.26
<u>Trend indicators</u>							
Bounded mean	2.5	4.53	4.85	5.21	5.63	6.19	6.80
Percentile 63	2.4	4.23	4.61	5.05	5.57	6.28	6.98
Re-weighted	2.5	4.25	4.34	4.77	5.23	5.81	6.42

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.



The increase in prices of oil and other fuels, as well as the restrictions of the COVID-19 pandemic that limit access to other basic supplies, raised the cost of industrial products. The increase in the price of manure and fertilizers has exerted additional pressure on food prices, since it affects the production costs of perishable agricultural crops.

Import Prices

Item	% Change	
	Dec. 21 / Dec. 20	May. 22 / Dec. 21
Industrial inputs	34.4	7.4
Plastics	52.2	-2.1
Iron and Steel	62.1	-3.7
Textiles	26.0	8.6
Papers	31.5	14.9
Chemical goods	15.5	12.8
Organic chemicals	45.1	3.0
Rest	28.5	11.4
<i>Of Which:</i>		
Fertilizers	111.3	40.7

Source: Sunat.

Elaboration: BCRP.



World economic activity has been recovering, although at a slower pace due to the persistence of bottlenecks in the global supply of goods and services and the reversal of monetary stimuli in advanced economies, the confinement measures in China and international conflicts. The significant increase in international energy and food prices since the second half of last year, recently accentuated by international conflicts, has led to a sharp increase in global inflation rates to magnitudes not seen in many years in advanced economies and in the economics of the region.

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

		Spot						% change ^{1/}	
		Dec.19	Dec.20	Dec.21	Apr.22	May.22	Jun 07, 22	Dec.21/Dec.20	Jun.22/Dec.21
WTI Oil	(US\$ per barrel)	61.1	48.5	77.0	104.7	114.7	119.4	58.7	55.1
LPG*	(US\$ per barrel)	23.9	31.4	46.5	57.7	53.9	54.6	48.3	17.3
Gasoline*	(US\$ per barrel)	73.8	57.8	82.2	120.7	140.3	145.0	42.3	76.4
Wheat	(US\$ per ton)	177.8	231.1	294.5	406.3	428.2	422.3	27.4	43.4
Maize	(US\$ per ton)	148.4	186.6	227.9	310.6	296.6	298.0	22.2	30.7
Soybean	(US\$ per ton)	756	977	1,434	1,856	1,718	1,706	46.7	19.0
Baltic Index	(US\$ Index)	1,090	1,366	2,217	2,404	2,566	2,514	62.3	13.4
Exchange rate	S/ per US\$	3.314	3.620	3.991	3.839	3.715	3.752	10.2	-6.0

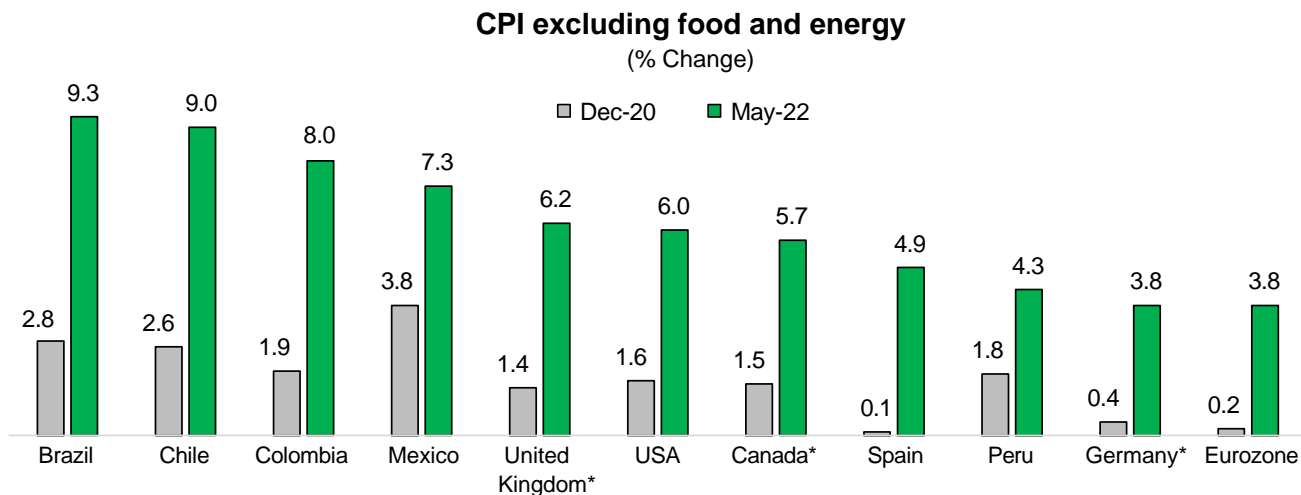
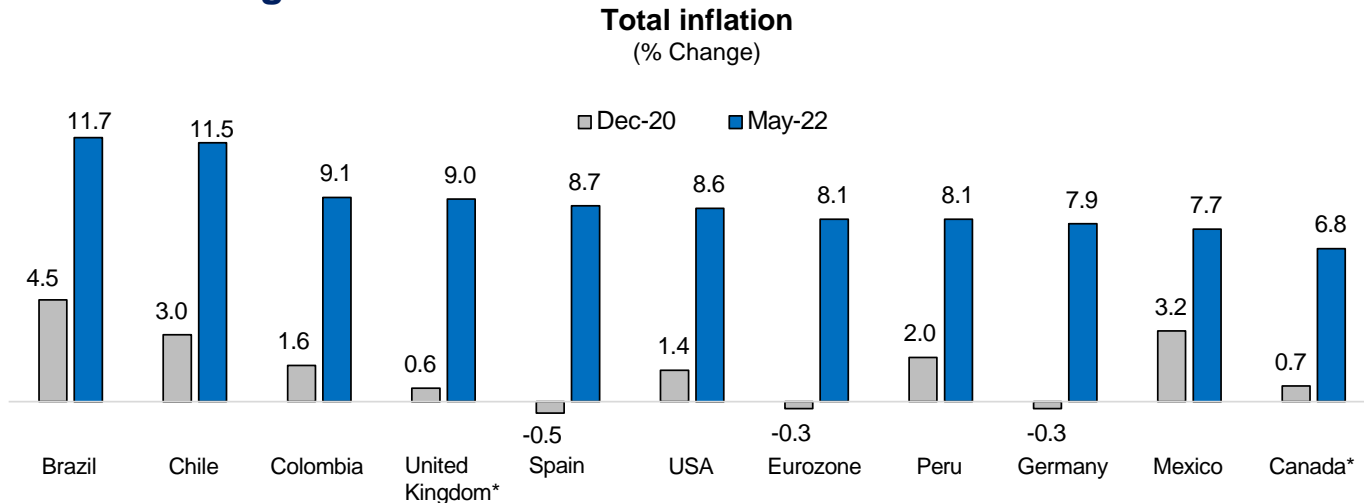
1/ Comparison as of Jun 22 is with respect to June 7.

* International reference prices published by OSINERGMIN as of June 6, 2022.

Source: Reuters, USDA and OSINERGMIN.



The significant rise in inflation is worldwide and total inflation as well as core inflation in Peru were among the lowest at the regional level.



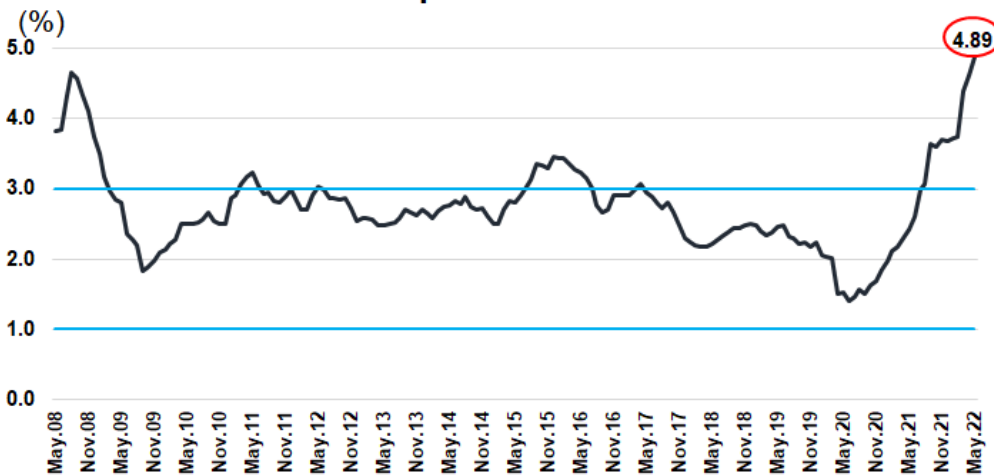
*Information as of April 2022.

Source: Statistical institutes and central banks.



One-year-ahead expected inflation increased from 4.62 percent to 4.89 percent, between April and May, 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:			
	Mar 31.	Apr 30.	May 31.	
Economic analysts¹				
2022	5.00	5.50	6.00	↑
2023	3.10	3.20	3.80	↑
2024	3.00	3.00	3.00	→
Financial entities²				
2022	4.50	5.00	5.50	↑
2023	3.50	3.50	3.55	↑
2024	3.00	3.10	3.00	↓
Non-financial firms³				
2022	4.20	5.00	5.80	↑
2023	3.50	4.00	4.00	→
2024	3.20	3.50	3.80	↑

¹ 21 analysts in March, 17 in April and 19 in May 2022.

² 15 financial entities in March, 15 in April and 14 in May 2022.

³ 295 non financial firms in March, 294 in April and 295 in May 2022.

Source: BCRP



In March 2022, economic activity continued to be above the pre-pandemic level. The most intensive sectors in human contact have been recovering with advances in mass vaccination.

GROSS DOMESTIC PRODUCT

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

	Weight	2020	2021	22/21
	2021 ^{1/}	Year	Year	Q1
Primary GDP	21.2	-7.6	5.8	-0.4
Agriculture and Livestock	5.9	1.0	4.2	3.7
Fishing	0.5	4.2	2.8	-26.2
Mining	8.5	-13.8	9.8	-0.6
Fuel	1.2	-11.0	-4.6	11.6
Primary industries	3.3	-2.0	3.2	-8.5
Non-primary GDP	78.8	-12.0	15.7	5.0
Non-primary industries	9.4	-16.4	25.2	5.6
Electricity and water	1.8	-6.1	8.5	3.4
Construction	6.8	-13.3	34.7	34.7
Commerce	10.5	-16.0	17.8	5.9
Total Services	50.3	-10.4	11.9	5.4
<i>Of Which:</i>				
Transportation and storage	4.6	-26.6	17.7	12.4
Lodging and restaurants	2.2	-50.7	43.3	49.4
Telecommunications	5.6	4.8	7.6	4.1
Business services	4.2	-19.7	14.4	3.2
GDP	100.0	-11.0	13.5	3.8

1/ Implicit weighting for 2020 at 2007 prices.

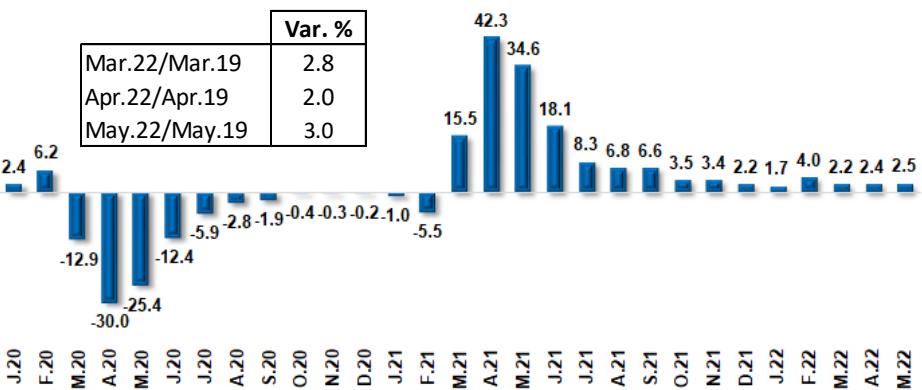
Source: INEI



CENTRAL RESERVE BANK OF PERU

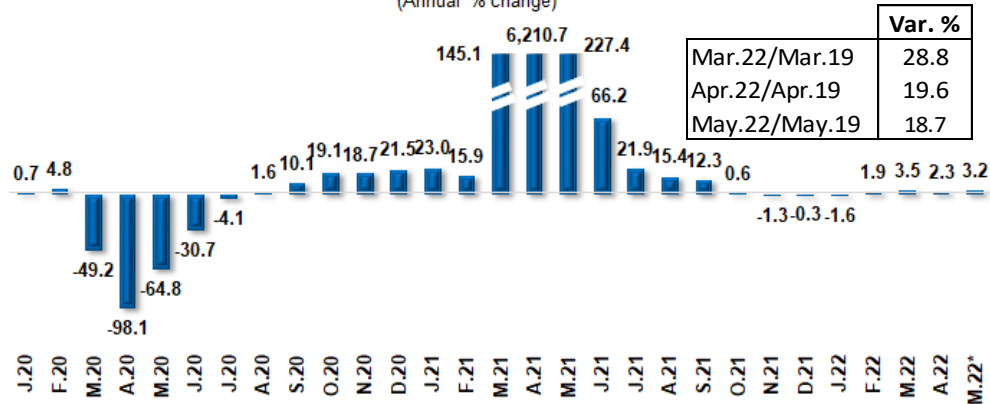
The leading indicators at the end of May indicate that the recovery in private consumption continues.

Average monthly electricity production (GWh)
(Annual % change)



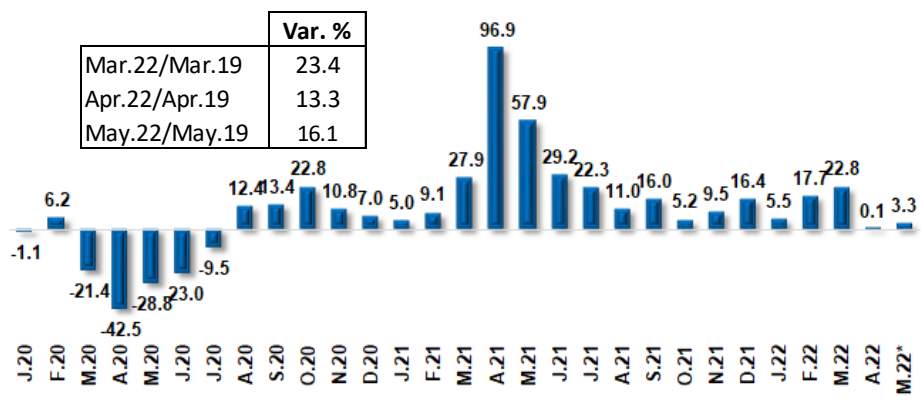
Source: COES.

Domestic consumption of cement
(Annual % change)



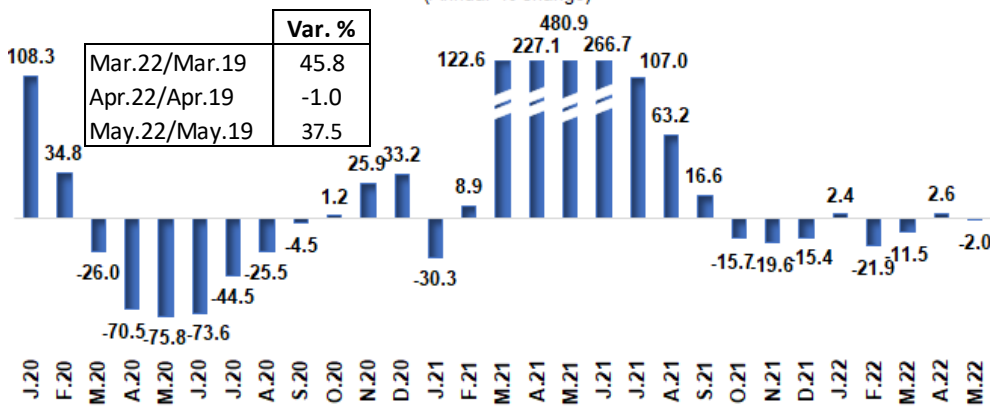
Source: Cement companies. * Forecast for May.

Non traditional exports
(Annual % change)



Source: Sunat. * Forecast for May.

Real Investment of the General Government*
(Annual % change)



Source: MEF. * Change of investment in real terms.

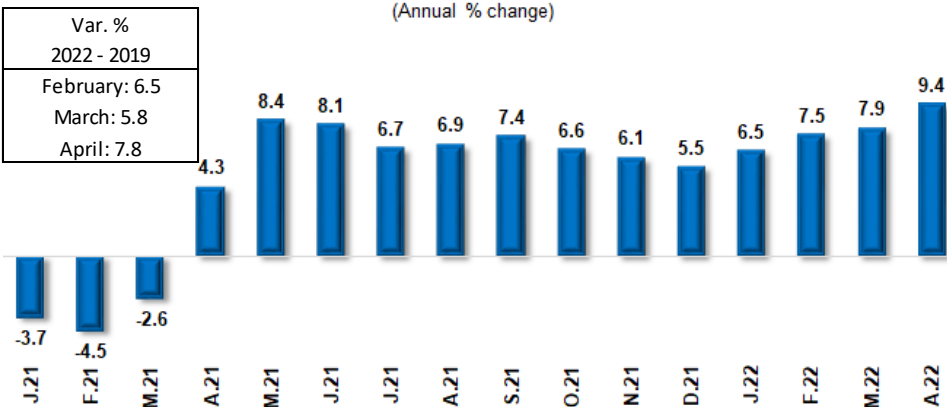


CENTRAL RESERVE BANK OF PERU

In April, total formal employment at the national level increased 9.4 percent compared to April 2021, mainly due to the growth of employment in the private and public sectors, both in Lima and in the rest of the country. For its part, the total wage bill increased 11.9 percent, due to the increase in formal employment and in the average income.

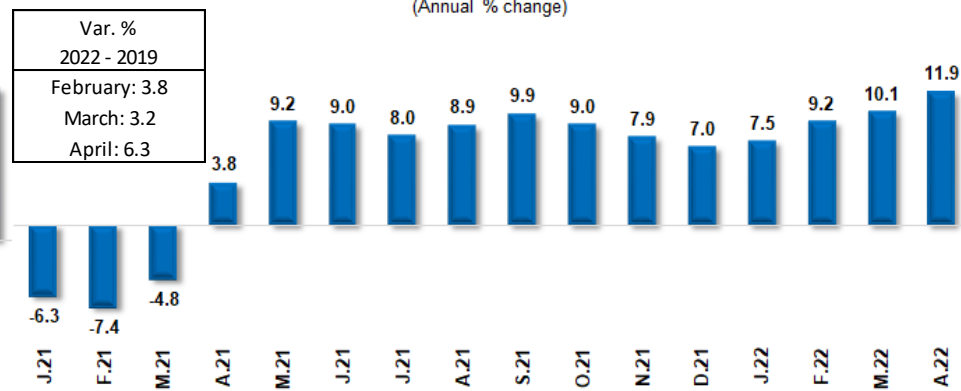
Formal employment - Electronic Payroll

(Annual % change)



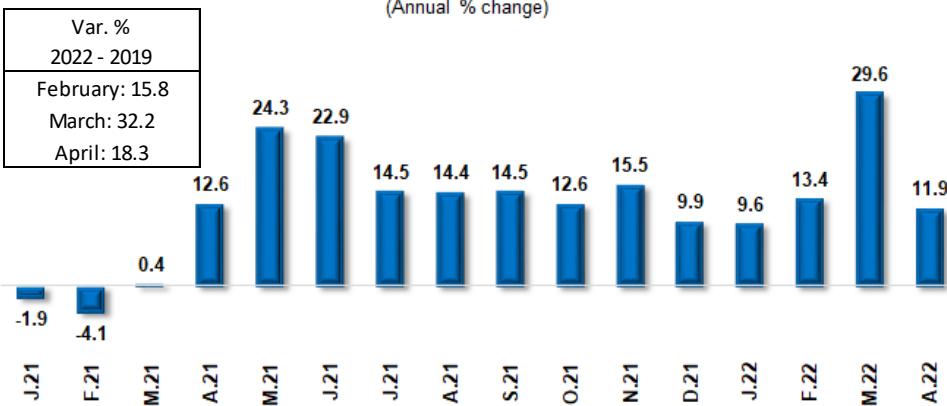
Private sector formal employment - Electronic Payroll

(Annual % change)



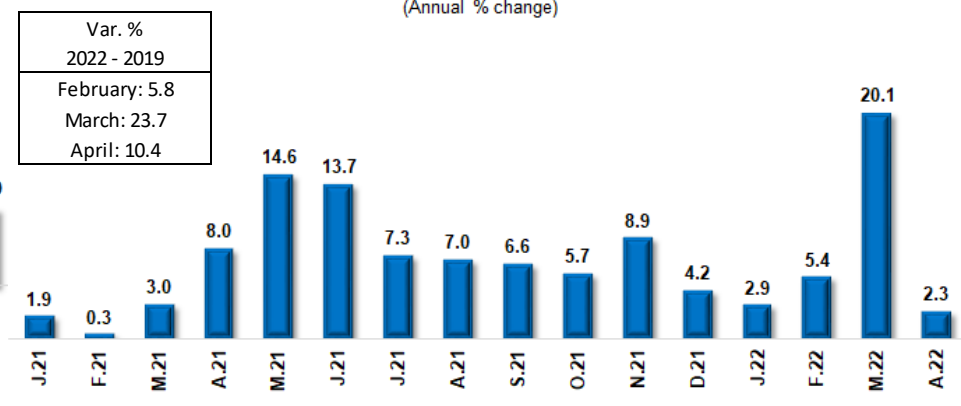
Total formal wage bill - Electronic Payroll

(Annual % change)



Formal Average Income - Electronic Payroll

(Annual % change)



Source: SUNAT - Monthly Payment Form.



Most leading indicators and expectations for economic activity remain pessimistic but recovered in May.

Macroeconomic Expectations: Survey Results

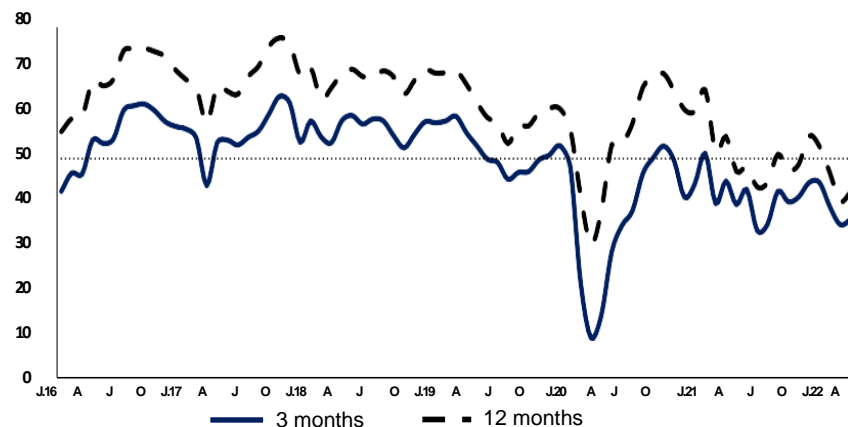
		Dec.2019	Mar.2020	Mar.2022	Apr.2022			May.2022			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	39.0	34.9	↓	<	36.1	↑	<	0.63
	IN 12 MONTHS	61.5	41.5	46.7	40.3	↓	<	42.3	↑	<	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	49.0	43.5	↓	<	46.2	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	55.1	48.9	↓	<	51.8	↑	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	50.7	47.9	↓	<	48.3	↑	<	0.66
	IN 12 MONTHS	66.6	46.4	57.5	52.8	↓	>	55.6	↑	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	54.3	50.4	↓	>	52.3	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	60.9	55.9	↓	>	59.8	↑	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	50.2	48.4	↓	<	47.9	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	53.6	50.2	↓	>	51.7	↑	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{2/}	51.3	29.9	48.6	45.0	↓	<	46.6	↑	<	0.65
	IN 12 MONTHS ^{2/}	59.3	40.0	53.5	50.6	↓	>	54.0	↑	>	0.65
EXPECTATION OF THE AVERAGE PRICE:											
SUPPLIES IN 3 MONTHS		51.5	52.9	72.4	67.4	↓	>	71.9	↑	>	0.63
SALE IN 3 MONTHS		56.4	49.7	65.5	64.2	↓	>	63.3	↓	>	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. 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.



CENTRAL RESERVE BANK OF PERU

On June 8, the exchange rate stands at S/ 3.767 per dollar, which caused an appreciation of 5.6 percent compared to December 31, 2021 (S/ 3.991) and a depreciation of 4.1 percent with respect to December 31, 2020 (S/ 3.619).

Exchange Rate

(currency units per dollar)

		End of period					Accumulated change (%)**				
		Dec.19	Dec.20	Dec.21	Apr.22	May.22	As of June 8. 2022	May.22	Dec.21	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	95.67	102.96	101.75	102.54	0.8	7.2	14.0	6.4
Eurozone	US\$ per Euro	1.121	1.222	1.137	1.055	1.073	1.072	-0.2	-5.8	-12.3	-4.4
United Kingdom	US\$ per Pound	1.326	1.367	1.353	1.257	1.260	1.254	-0.5	-7.4	-8.3	-5.4
Japan	Yen	108.61	103.25	115.08	129.70	128.67	134.25	4.3	16.7	30.0	23.6
Australia	US\$ per AUD	0.702	0.769	0.726	0.706	0.718	0.719	0.2	-1.0	-6.5	2.5
Canada	CAD	1.299	1.273	1.264	1.285	1.265	1.256	-0.7	-0.6	-1.3	-3.3
Brazil	Real	4.025	5.194	5.571	4.972	4.735	4.899	3.5	-12.1	-5.7	21.7
Colombia	Peso	3,287	3,428	4,065	3,963	3,774	3,803	0.8	-6.4	10.9	15.7
Chile	Peso	753	711	852	852	824	822	-0.2	-3.5	15.7	9.2
Mexico	Peso	18.93	19.91	20.53	20.43	19.66	19.58	-0.4	-4.6	-1.7	3.4
Argentina	Peso	59.87	84.15	102.74	115.31	120.19	121.45	1.0	18.2	44.3	102.8
Peru	Sol	3.314	3.619	3.991	3.839	3.715	3.767	1.4	-5.6	4.1	13.7

* 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 June 8.

Source: Reuters



Since last year, long-term interest rates have been increasing worldwide as a consequence of the global growth expectations, the increase in inflation and by the higher risk aversion due to fears of the escalation of the conflict in Ukraine.

10-year Sovereign Bond Yield

(%)

	End of Period						Accumulated change as of June 8, 2022 (bps)			
	Dec.19	Dec.20	Dec.21	Apr. 22	May. 22	Jun. 22	May. 22	Dec.21	Dec.20	Dec.19
United States	1.92	0.92	1.51	2.94	2.85	3.03	18	152	211	111
Germany	-0.19	-0.57	-0.18	0.94	1.12	1.35	23	153	192	154
France	0.12	-0.34	0.20	1.46	1.64	1.87	24	168	222	176
Italy	1.41	0.54	1.17	2.77	3.12	3.37	26	220	283	196
Spain	0.46	0.04	0.56	1.97	2.22	2.48	26	192	244	202
Greece	1.43	0.62	1.32	3.33	3.56	3.96	39	264	334	253
United Kingdom	0.82	0.19	0.97	1.90	2.10	2.25	15	128	205	143
Japan	-0.02	0.02	0.07	0.22	0.24	0.24	1	18	23	26
Brazil	6.79	6.90	10.84	12.30	12.58	12.88	30	204	598	610
Chile	3.17	2.65	5.68	6.64	6.31	6.41	10	73	376	324
Colombia	6.34	5.39	8.22	10.31	10.58	11.32	73	310	593	498
Mexico	6.89	5.53	7.56	9.09	8.63	8.96	33	140	343	207
Peru	4.23	3.50	5.87	7.87	7.53	7.74	21	187	424	351

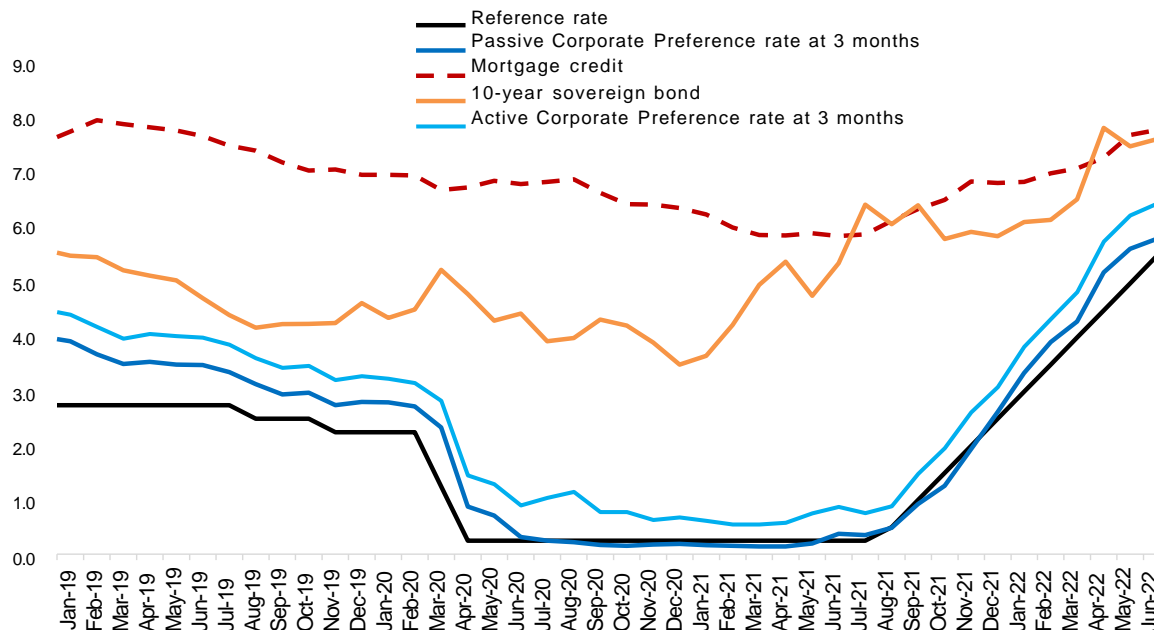
*With information as of June 8.

Source: Reuters



In line with the increase in the reference interest rate, since last year, interest rates in the financial system have been increasing, mainly those with lower credit risk and shorter terms.

Interest Rates in Domestic Currency^{1/} (%)



	End of period				Long term average ^{3/}
	Dec. 20	Dec. 21	May. 22	Jun. 22	
Reference rate	0.25	2.50	5.00	5.50	3.34
Active Corporate Preference rate 3 months ^{2/}	0.68	3.09	6.26	6.47	4.03
Mortgage ^{2/}	6.39	6.85	7.74	7.83	8.26
10-year sovereign bond	3.50	5.87	7.53	7.66	5.49
Passive Corporate Preference rate 3 months ^{2/}	0.19	2.63	5.64	5.82	3.27

1/ As of June 6, except for the reference rate, which is as of June 10. Corresponds to banking companies, with the exception of the 10-year sovereign bond rate.

2/ Average interest rate in annual terms of operations carried out by banking companies in the last 30 business days.

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

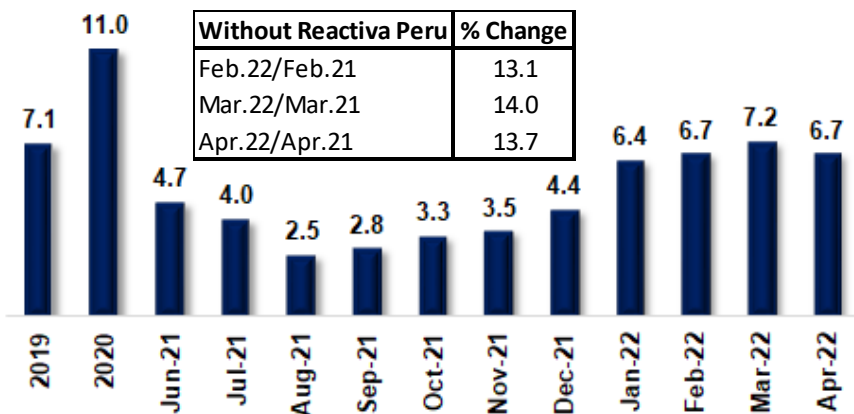


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In recent months, the growth of credit to the private sector has been recovering, especially the credit to natural persons.

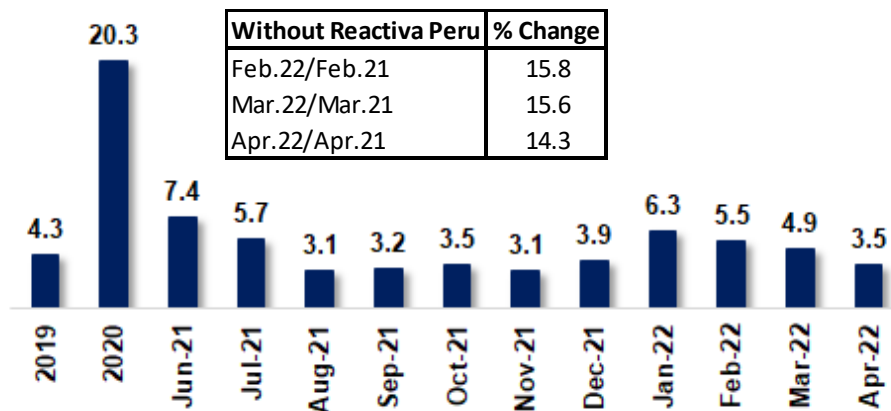
Credit to the private sector

(12-month % change)



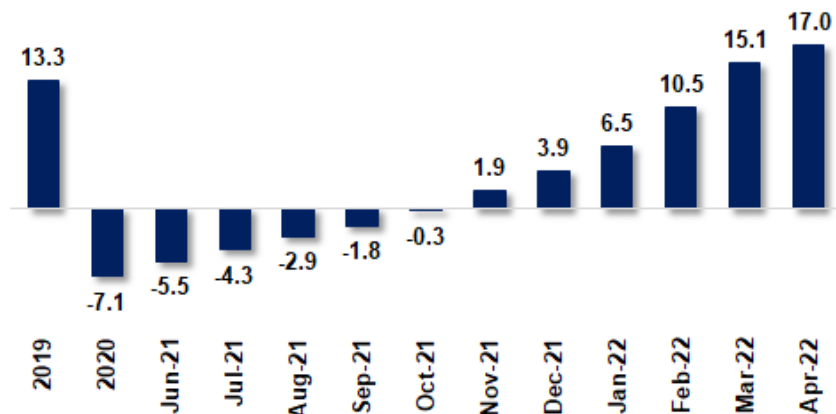
Credit to firms

(12-month % change)



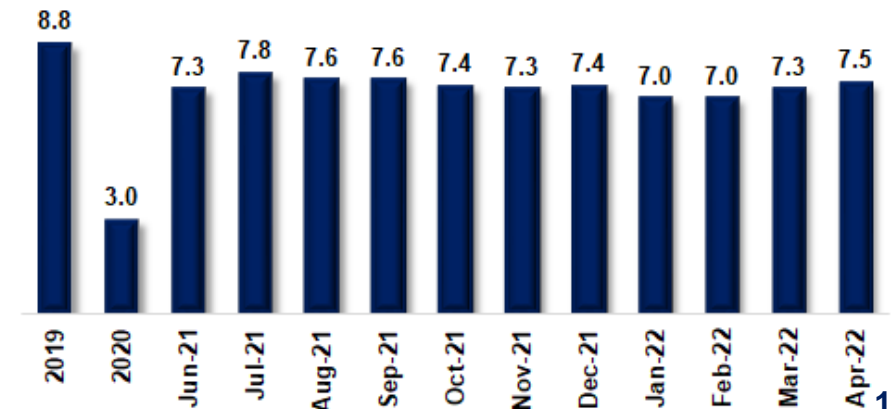
Consumer credit

(12-month % change)



Mortgage credit

(12-month % change)



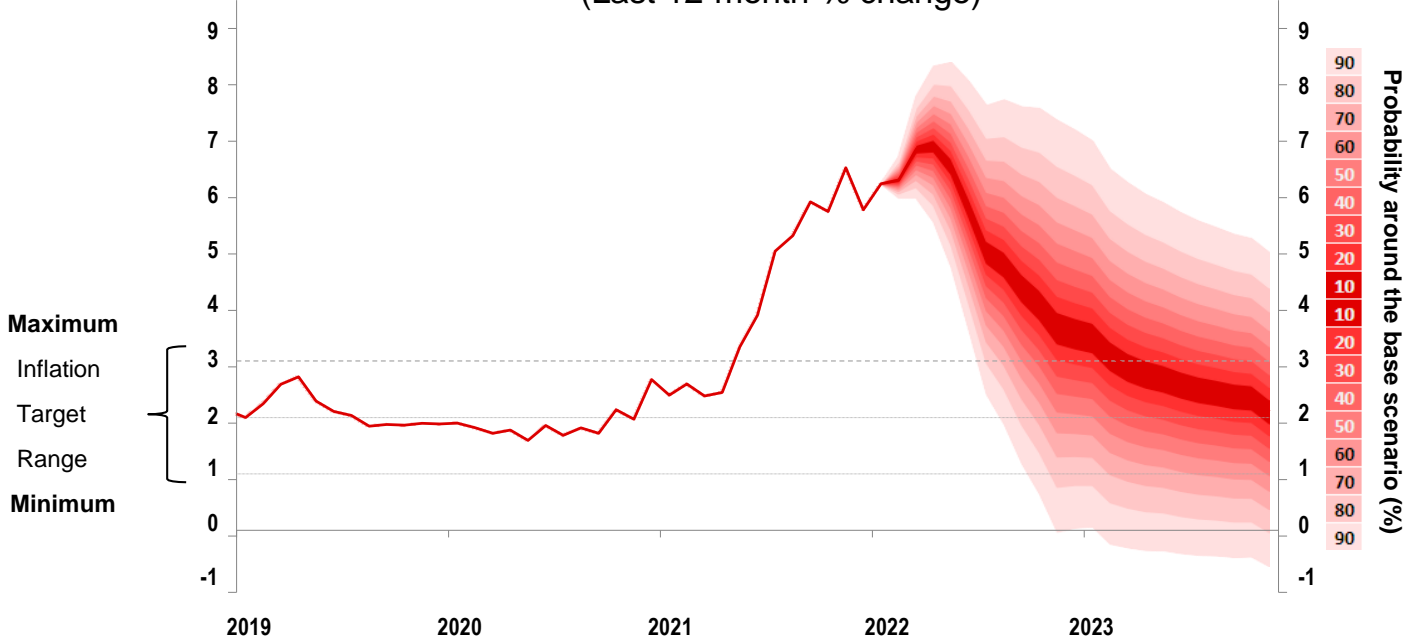


Inflation is projected to return to the target range between the second and third quarters of next year. The downward path of year-on-year inflation would begin in July of this year, due to the beginning of the reversal of the effect of various factors on the inflation rate and its expectations (exchange rate, international prices of fuels and grains) and to the fact that the activity economy will still be below its potential level.

The Board is particularly attentive to new information on inflation and its determinants, including the evolution of inflation expectations and economic activity, with an aim to consider 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 – IR March 2022



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June 2022

June 10, 2022