



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

March 2022

March 11, 2022

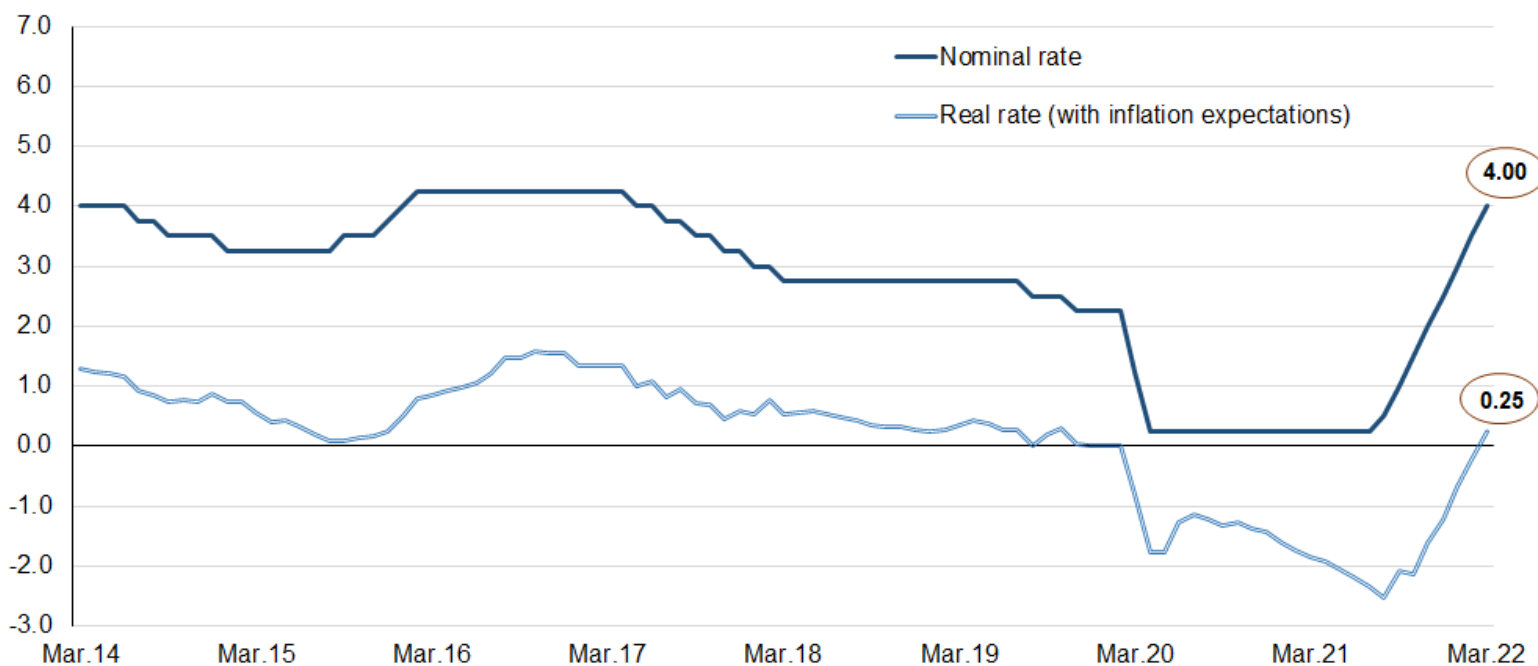


CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 4.0 percent, thus continuing to normalize its monetary policy stance.

Policy interest rate

(%)



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 Mar.22

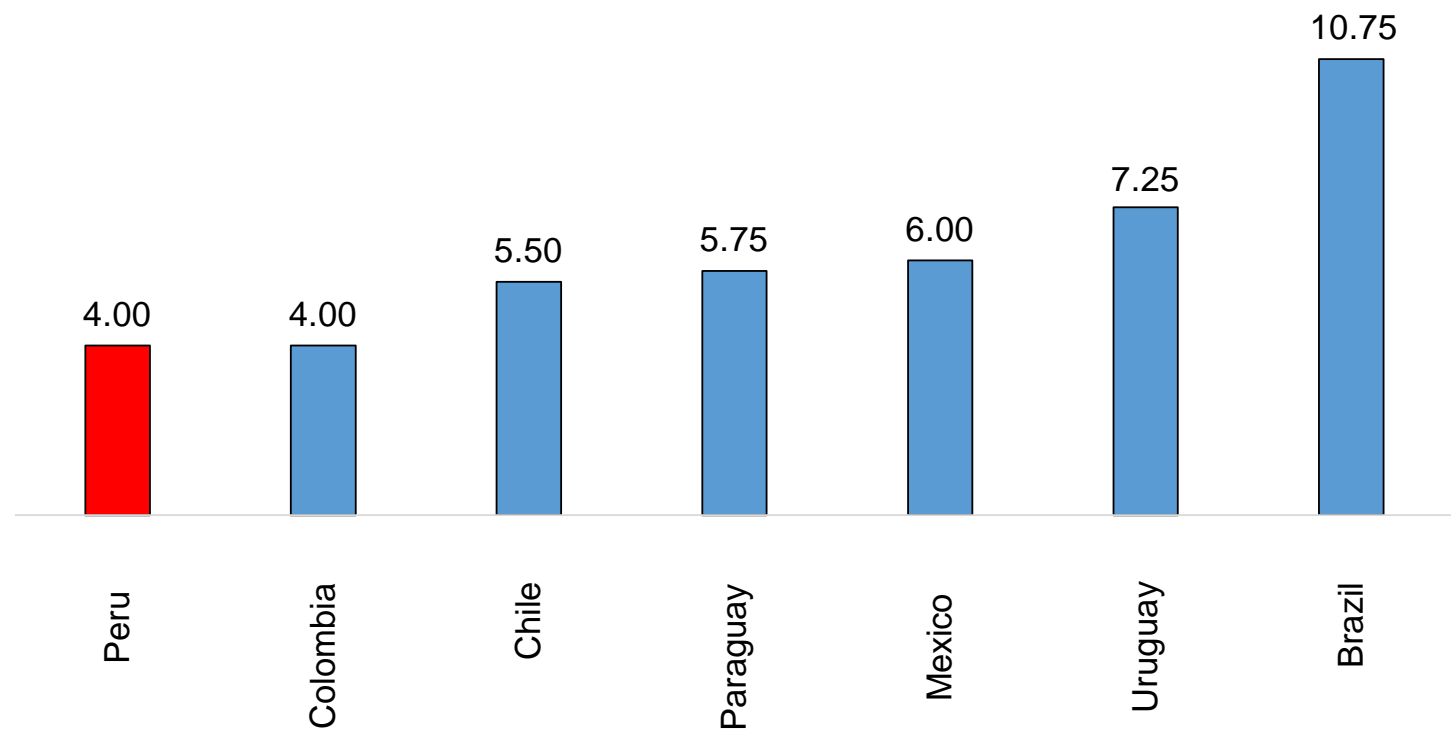
	Sep.20	Oct.20	Nov.20	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	May.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	Nov.21	Dec.21	Jan.22	Feb.22	Mar.22
(I) Nominal rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	1.00	1.50	2.00	2.50	3.00	3.50	4.00
(II) Inflation expectations	1.57	1.51	1.62	1.68	1.85	1.98	2.11	2.17	2.30	2.43	2.60	3.03	3.07	3.64	3.61	3.71	3.68	3.73	3.75
(III) Real rate: (I)-(II)	-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	0.25

Source: BCRP



Peru's monetary policy interest rate of 4.0 percent remains as one of the lowest in the region.

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

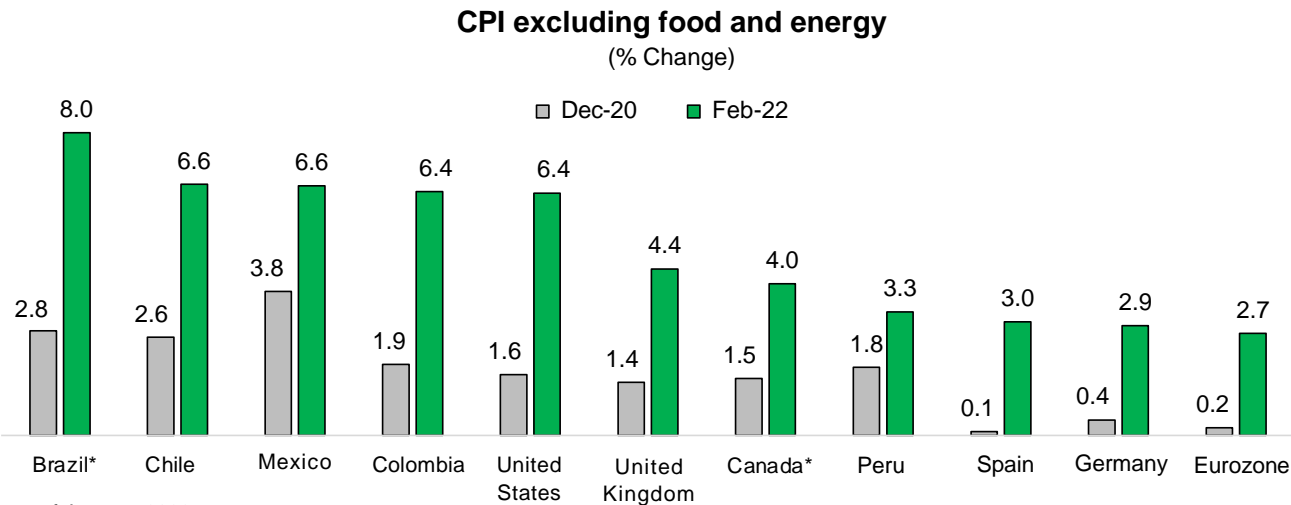
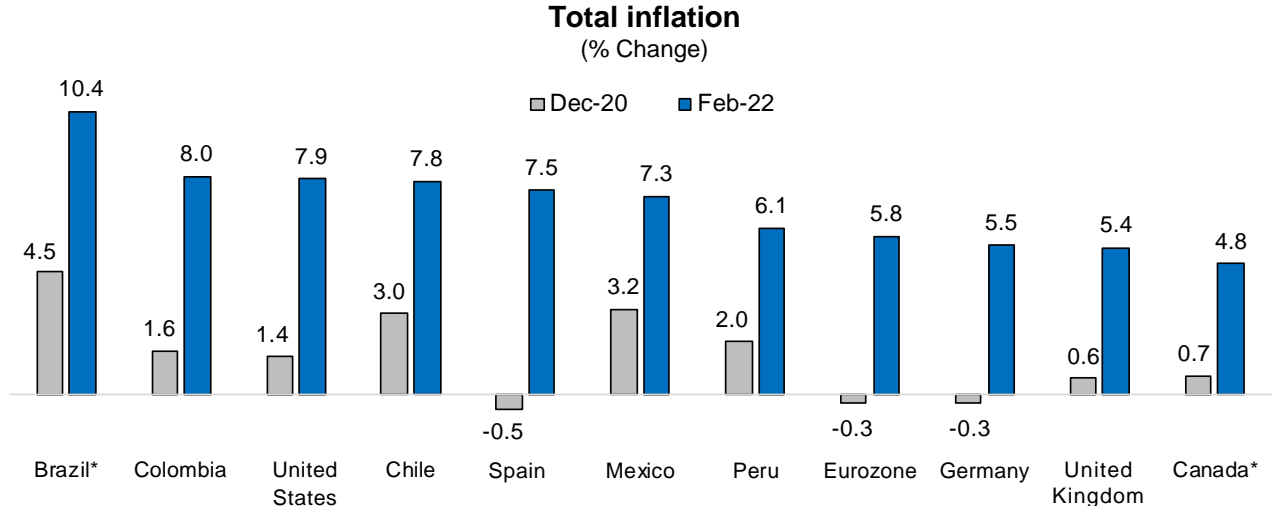


Source: Central Banks.



CENTRAL RESERVE BANK OF PERU

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

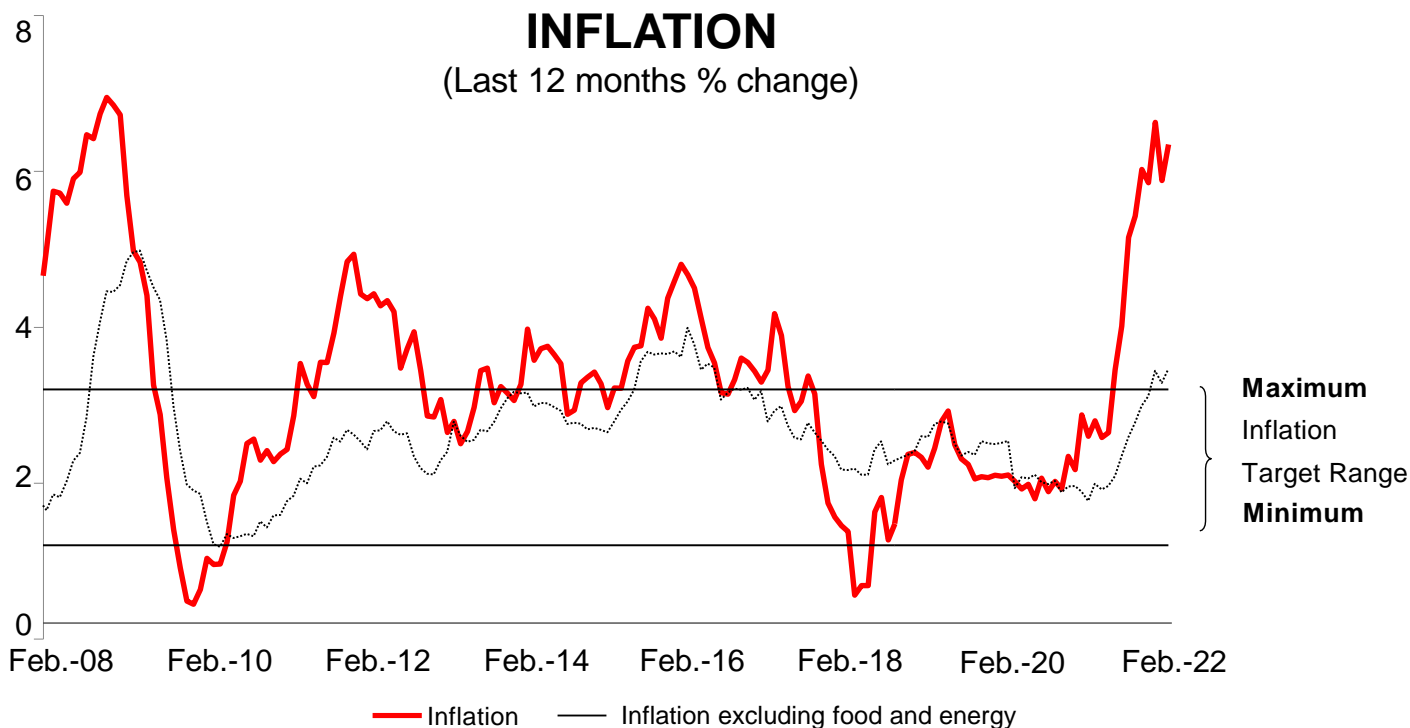


*Information as of January 2022.

Source: Statistical institutes and central banks.



Year-on-year inflation was 6.15 percent in February, 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	Feb. 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
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

Source: BCRP



Year-on-year core inflation was 3.26 percent in February, 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	Feb.22
CPI	2.6	5.66	6.43	5.68	6.15
CPI excluding food and energy	2.1	2.91	3.24	3.08	3.26
<u>Trend indicators</u>					
Bounded mean	2.5	4.06	4.53	4.85	4.95
Percentile 63	2.4	3.73	4.23	4.61	4.73
Re-weighted	2.5	3.80	4.25	4.35	4.78

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

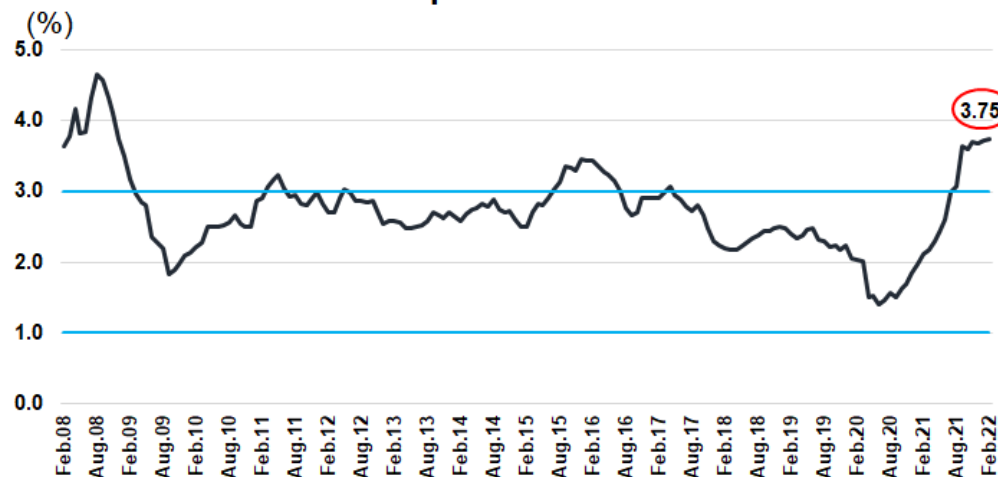
Percentile 63: Corresponds to the percentage changes of the item located in the 63th percentile.

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 3.73 percent to 3.75 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:			
	Dec 31.	Jan 31.	Feb 28. ⁰	
Economic analysts¹				
2022	3.60	3.85	4.00	↑
2023	2.90	2.85	3.00	↑
2024			3.00	
Financial entities²				
2022	3.75	3.75	3.80	↑
2023	3.00	3.00	3.00	=
2024			3.00	
Non-financial firms³				
2022	3.50	3.50	4.00	↑
2023	3.00	3.00	3.20	↑
2024			3.00	

¹ 17 analysts in December, 16 in January and 19 in February 2022.

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

³ 267 non financial firms in December, 306 in January and 303 in February 2022.

Source: BCRP



With the significant increase in international energy and food prices so far this year, recently accentuated by international conflicts, inflation is expected to return to the target range in the middle of the first half of next year. Likewise, recent international conflicts have increased uncertainty and pushed up the price of oil.

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

		Spot					% change ^{1/}	
		Dec.19	Dec.20	Dec.21	Feb.22	Mar 9, 22	Dec.21/Dec.20	Mar.22/Dec.21
WTI Oil	(US\$ per barrel)	61.1	48.5	77.0	95.7	109.8	58.7	42.6
LPG*	(US\$ per barrel)	23.9	31.4	46.5	58.2	62.9	48.3	35.2
Gasoline*	(US\$ per barrel)	73.8	57.8	82.2	103.8	112.0	42.3	36.2
Wheat	(US\$ per ton)	177.8	231.1	294.5	350.2	409.5	27.4	39.1
Maize	(US\$ per ton)	148.4	186.6	227.9	268.1	289.1	22.2	26.8
Soybean	(US\$ per ton)	756	977	1,434	1,599	1,656	46.7	15.5
Baltic Index	(US\$ Index)	1,090	1,366	2,217	2,040	2,352	62.3	6.1
Exchange rate	S/ per US\$	3.314	3.620	3.991	3.782	3.728	10.2	-6.6

1/ Comparison as of March 22 is with respect to March 9.

* International reference prices published by OSINERGMIN as of March 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	
	Feb. 22 / Feb. 21	Feb. 22 / Feb. 19
Industrial inputs	28.0	31.4
Plastics	38.4	32.5
Iron and Steel	49.9	40.9
Textiles	23.8	4.7
Papers	37.1	10.6
Chemical goods	13.9	28.5
Organic chemicals	29.7	33.2
Rest	23.5	35.2
Of Which:		
Fertilizers	117.3	90.3

Source: Sunat.

Elaboration: BCRP.



Economic activity has been continuously above the pre-pandemic level since mid-2021. The most intensive sectors in human contact have been recovering with advances in mass vaccination and lower impact of the pandemic.

GROSS DOMESTIC PRODUCT

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

	Weight 2020 ^{1/}	2020	21/20			21/19		
		Year	Q.4	Dec.	Year	Q.4	Dec.	Year
Primary GDP	23.1	-7.8	-3.1	-4.5	5.5	-3.0	0.4	-2.7
Agriculture and Livestock	6.4	1.0	5.6	9.2	3.8	5.9	6.5	4.9
Fishing	0.5	4.2	-7.4	-12.6	2.8	28.3	86.7	7.1
Mining	8.8	-13.8	-4.2	-7.1	9.7	-6.5	-9.7	-5.5
Fuel	1.5	-11.0	2.0	0.6	-4.6	-10.7	-10.3	-15.2
Primary industries	3.6	-2.0	-13.1	-13.3	1.9	-4.2	22.5	-0.1
Non-primary GDP	76.9	-11.9	5.0	3.5	15.6	3.2	3.5	1.8
Non-primary industries	8.5	-16.4	7.3	9.1	24.6	6.1	7.6	4.2
Electricity and water	2.0	-6.1	3.0	2.5	8.6	2.7	2.2	1.9
Construction	5.6	-13.5	-5.8	-8.9	34.7	13.1	14.8	16.7
Commerce	10.2	-16.0	3.9	2.7	17.8	1.1	1.0	-1.0
Total Services	50.6	-10.3	6.7	5.0	11.8	1.8	1.7	0.3
<u>GDP</u>	<u>100.0</u>	<u>-11.0</u>	<u>3.2</u>	<u>1.7</u>	<u>13.3</u>	<u>1.8</u>	<u>2.8</u>	<u>0.8</u>

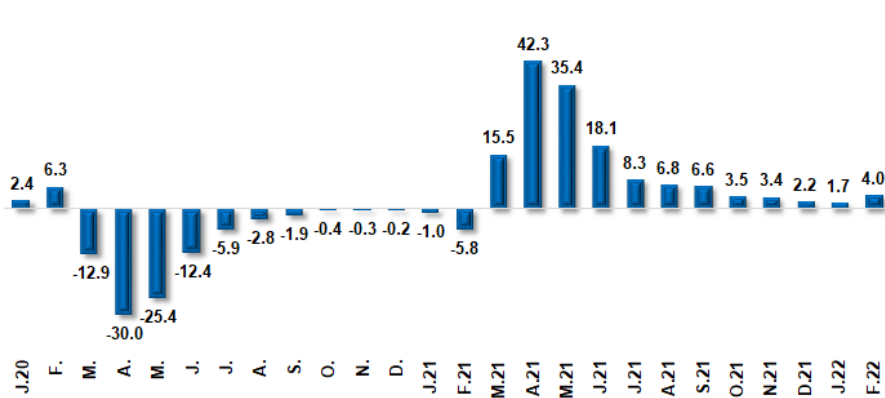
1/ Implicit weighting for 2020 at 2007 prices.

Source: INEI and BCRP



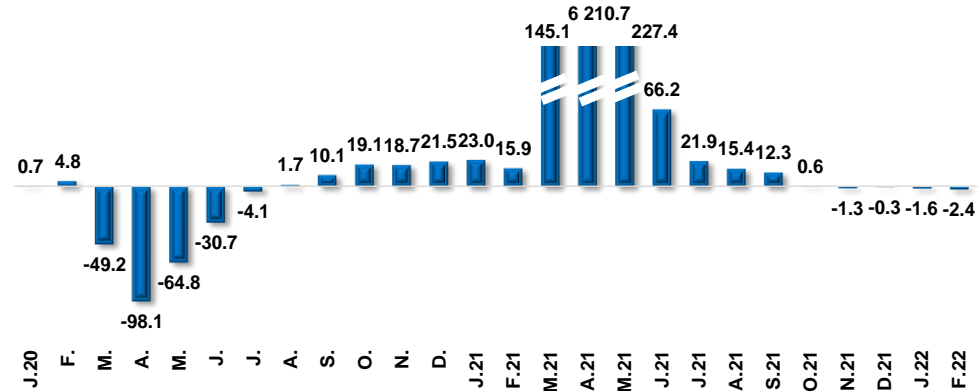
Indicators for February show that the recovery in private consumption and employment remains with greater mobility of citizens.

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



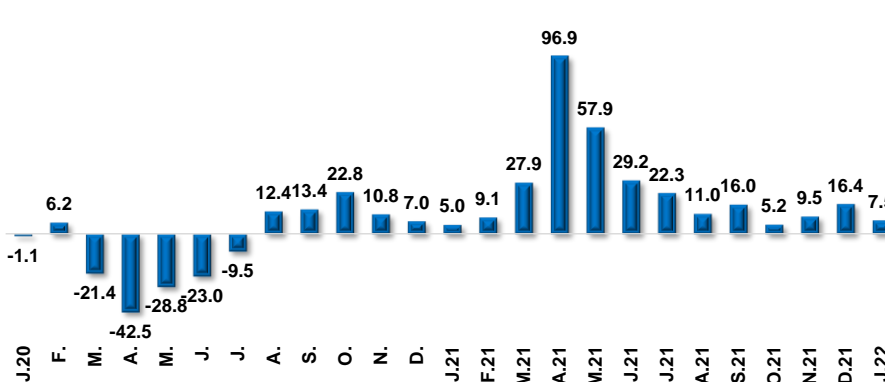
Source: COES.

Domestic consumption of cement
(Annual % change)



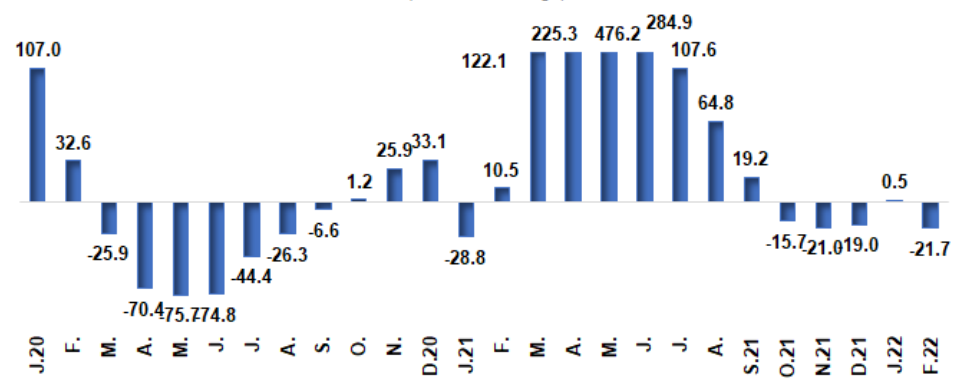
Source: Cement companies and UNACEM.

Non traditional exports*
(Annual % change)



Source: Sunat.

Real Investment of the General Government
(Annual % change)



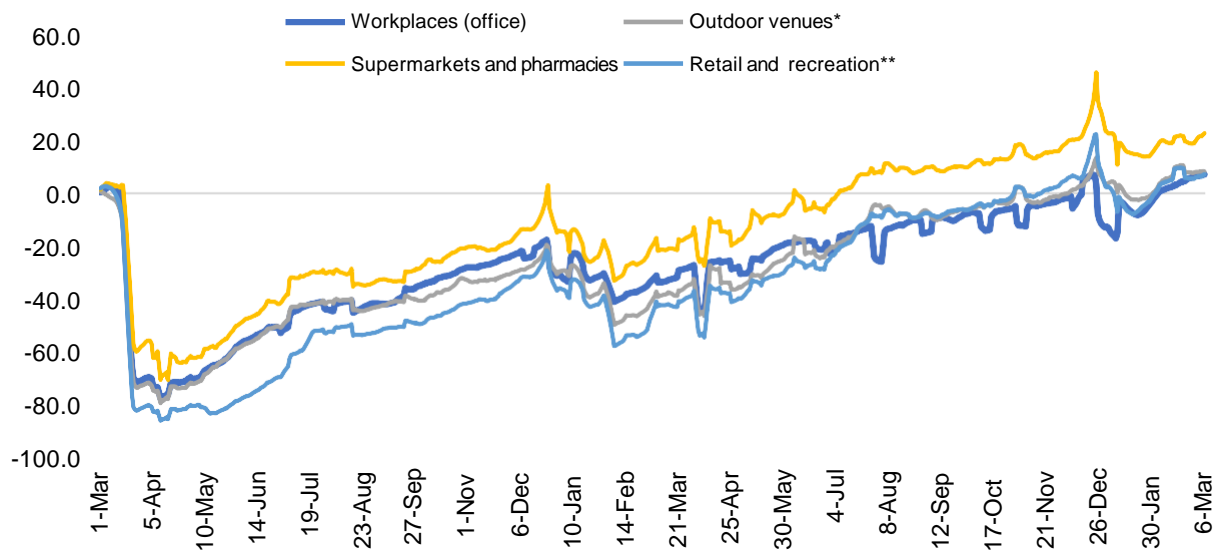
Source: MEF. * Change of investment in real terms.



As of March 6, the 7-day moving average of mobility changes was above the pre-pandemic level.^{2/}

Changes in mobility

(7-day moving average of the chg% with respect to the reference value 1/)



	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	6 Mar.***
Supermarkets and pharmacies	-9.5	-22.0	-28.2	-18.1	-17.6	-9.7	-3.8	5.2	9.2	9.7	13.8	15.2	28.2	14.1	20.4	23.0
Workplaces (office)	-24.7	-30.3	-38.4	-31.3	-31.4	-23.5	-20.5	-17.3	-12.8	-9.5	-7.3	-6.2	-2.6	-6.9	3.9	7.1
Outdoor venues*	-26.7	-35.4	-47.1	-36.7	-36.4	-29.5	-21.5	-12.5	-7.5	-7.9	-2.8	-2.2	5.2	-0.8	7.7	8.3
Retail and recreation**	-30.7	-40.5	-55.1	-40.7	-42.3	-33.4	-26.8	-14.2	-8.1	-7.3	-2.1	0.7	9.7	-5.2	6.3	7.1

*** Moving average 7 days

1/ With information as of March 6. The reference value is the median of the day of the week corresponding to the 5-week period, between January 3 and February 6, 2020.

2/ The reference period is considered as the pre-pandemic level

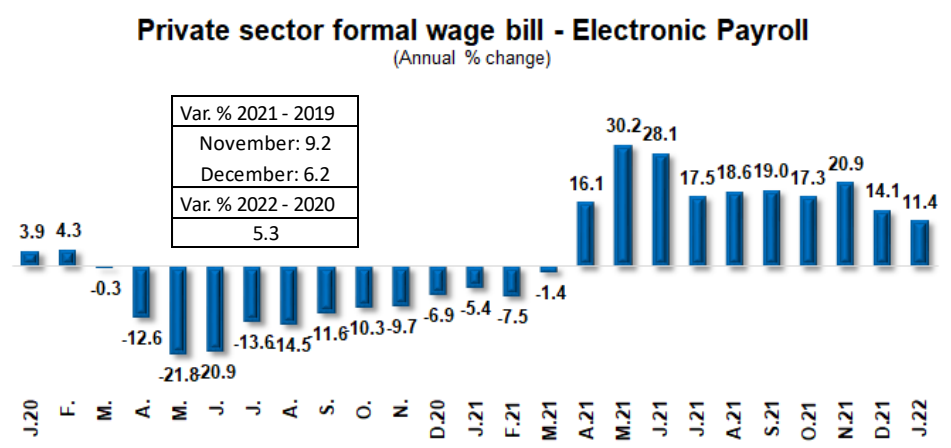
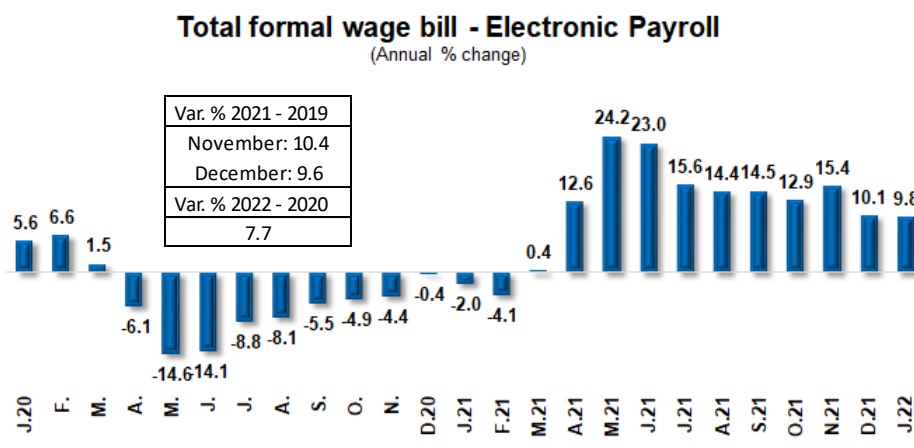
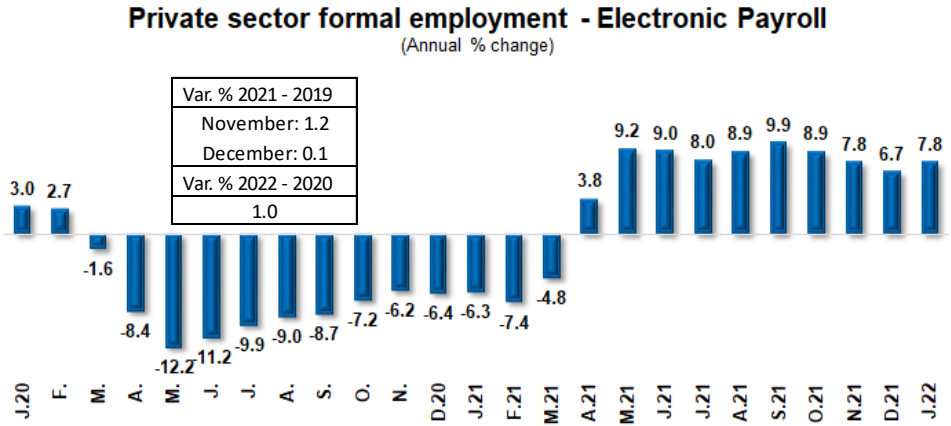
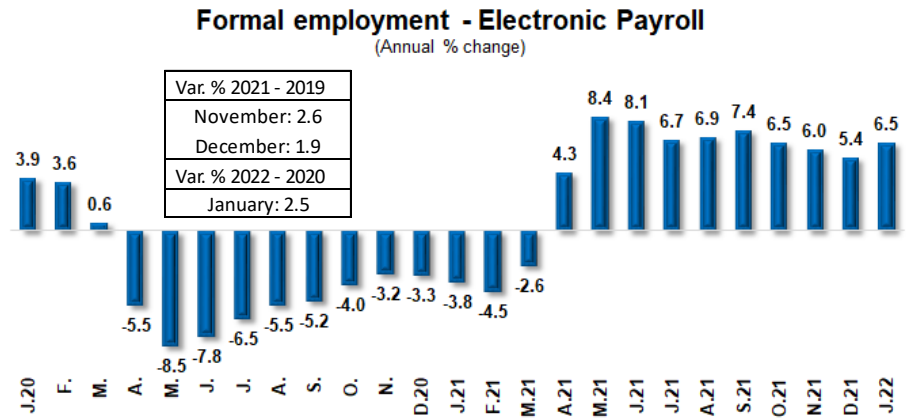
- Includes places such as national parks, beaches, squares and marinas.

- ** Includes places such as restaurants, cafes, shopping malls, museums, libraries, and movie theaters

Source: Google Mobility Report.



In January, formal employment at the national level increased 6.5 percent compared to January 2021, while the formal wage bill increased by 9.8 percent, mainly due to the increase in the private sector. Formal jobs exceed pre-pandemic levels since August 2021.



Source: SUNAT - Monthly Payment Form.



Formal jobs in the private sector increased by 7.8 percent in January, driven by the growth rate in the employment in Lima and the rest of the country, and by the increase in the service sector (9.3 percent), mining sector (8.9 percent) and agriculture sector (7.9 percent).

Formal jobs - Electronic Payroll

(Thousands of positions)

	January						
	2020	2021	2022*	Chg. 2022/2021		Chg. 2022/2020	
				Thousands	%	Thousands	%
Total 1/	5,276	5,077	5,406	329	6.5	130	2.5
Private	3,802	3,562	3,841	279	7.8	39	1.0
Public	1,474	1,514	1,565	51	3.3	91	6.1
Lima	3,190	2,992	3,167	175	5.8	-23	-0.7
Rest of Peru	2,069	2,066	2,195	128	6.2	126	6.1

Formal jobs in the Private Sector - Electronic Payroll

(Thousands of positions)

	December						
	2020	2021	2022*	Change 2022 / 2021		Change 2022 / 2020	
				Thousands	%	Thousands	%
Total	3,802	3,562	3,841	279	7.8	39	1.0
Agriculture and Livestock ^{1/}	524	532	574	42	7.9	49	9.4
Fishing	21	21	21	0	-1.1	0	-1.5
Mining	102	102	111	9	8.9	9	8.7
Manufacturing	470	446	467	21	4.6	-3	-0.6
Electricity	14	14	15	1	9.3	1	8.4
Construction	229	228	228	0	0.1	-1	-0.4
Commerce	631	604	636	32	5.3	5	0.8
Services	1,807	1,611	1,761	150	9.3	-46	-2.6
Not specified	3	4	28	23	n.a.	25	n.a.

* As of January 2022

1/ Includes processing and preservation of fruits and vegetables.

Source: SUNAT - Monthly Payment Form.



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

Macroeconomic Expectations: Survey Results

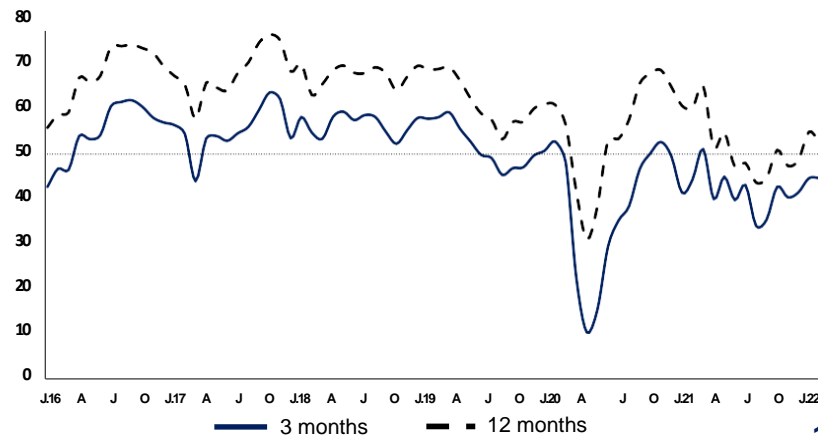
		Dec.2019	Mar.2020	Dec.2021	Jan.2022			Feb.2022			Correlation with GDP ^{1/}
EXPECTATION:											
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	41.2	44.5	↑	<	44.5	=	<	0.63
	IN 12 MONTHS	61.5	41.5	48.6	55.1	↑	>	52.7	↓	>	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	46.2	48.8	↑	<	49.5	↑	<	0.67
	IN 12 MONTHS	61.5	43.4	53.7	59.2	↑	>	57.2	↓	>	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	51.0	49.8	↓	<	51.7	↑	>	0.66
	IN 12 MONTHS	66.6	46.4	58.6	61.7	↑	>	60.0	↓	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	49.6	50.5	↑	>	52.6	↑	>	0.66
	IN 12 MONTHS	68.0	47.4	60.4	62.5	↑	>	61.9	↓	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	46.2	48.0	↑	<	49.5	↑	<	0.66
	IN 12 MONTHS	54.0	39.6	52.8	56.0	↑	>	55.7	↓	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{2/}	51.3	29.9	42.8	45.1	↑	<	49.1	↑	<	0.65
	IN 12 MONTHS ^{2/}	59.3	40.0	50.8	54.1	↑	>	53.9	↓	>	0.65
EXPECTATION OF THE AVERAGE PRICE:											
SUPPLIES IN 3 MONTHS		51.5	52.9	66.6	66.0	↓	>	64.4	↓	>	0.63
SALE IN 3 MONTHS		56.4	49.7	65.2	63.9	↓	>	63.1	↓	>	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



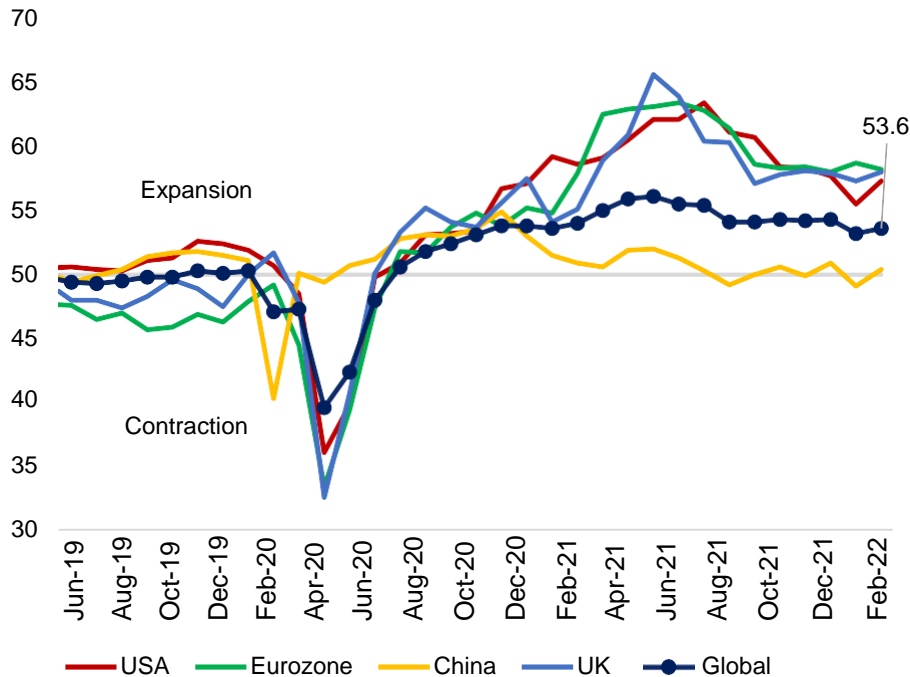
Source: BCRP.



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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. However, recent international conflicts have increased uncertainty in the recovery of the world economy and in the magnitude of upward pressures on commodity prices. Global manufacturing and services PMIs recovered slightly in February after being affected in previous months by containment measures against the expansion of the Omicron variant.

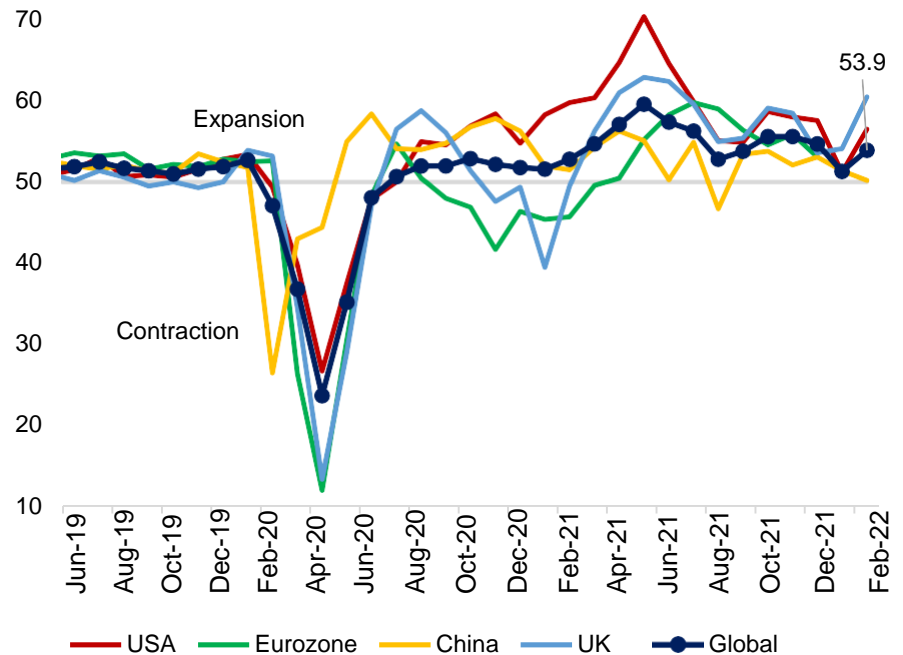
PMI Global Manufacturing ^{1/}
(Index value)



^{1/} This indicator does not include the impact of the warlike tensions between Russia and Ukraine.

Source: Markit Economics.

PMI Global Services ^{1/}
(Index value)



^{1/} This indicator does not include the impact of the warlike tensions between Russia and Ukraine.

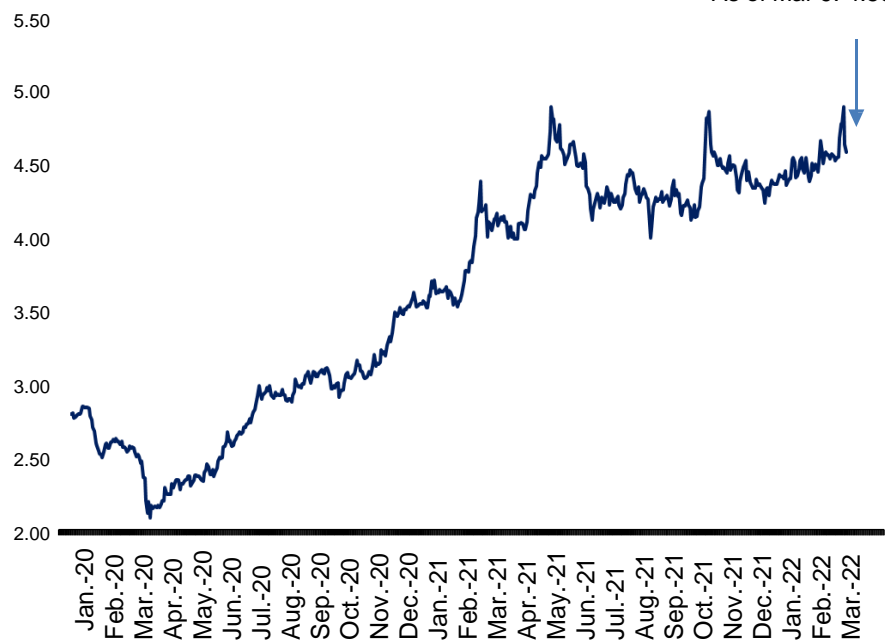
Source: Markit Economics.



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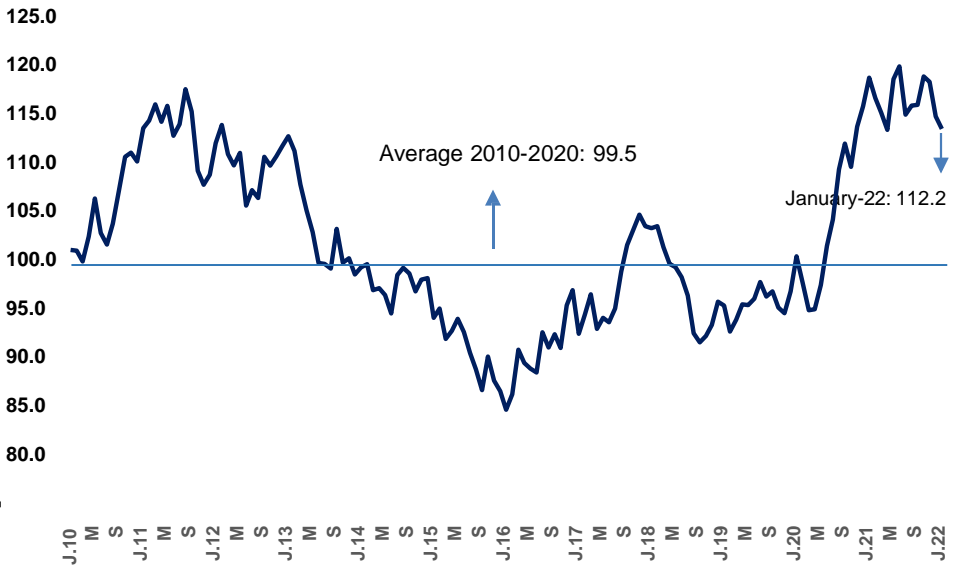
A strong increase in the international price of minerals remains, especially in copper, gold, and zinc. In this regard, the terms of trade continue at a historically high level.

International Copper Price (cUS\$/pound)



Source: Reuters

Terms of Trade: 2010-2022* (2007=100)



* As of January 2022.
Source: BCRP



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In a context of uncertainty, financial volatility persists, with BCRP policies aiming at mitigating it. As of March 10, the exchange rate was S/ 3.725 per dollar, recording an appreciation of 6.7 percent with respect to December 31, 2021 (S/ 3.991) and a depreciation of 2.9 percent with respect to December 31, 2020 (S/ 3.620).

Exchange Rate

(currency units per dollar)

		End of period						Accumulated change (%)*			
		Dec.19	Dec.20	Dec.21	Feb.22	As of Mar 3. 2022	As of Mar 10. 2022	Week	Feb.22	Dec.21	Dec.20
Dollar Index	Spot	96.39	89.94	95.97	96.71	97.79	98.39	0.6	1.7	2.5	9.4
Eurozone	US\$ per Euro	1.121	1.221	1.137	1.122	1.106	1.101	-0.5	-1.9	-3.2	-9.9
United Kingdom	US\$ per Pound	1.326	1.367	1.353	1.342	1.335	1.313	-1.6	-2.2	-3.0	-4.0
Japan	Yen	108.61	103.24	115.08	114.99	115.46	116.15	0.6	1.0	0.9	12.5
Australia	US\$ per AUD	0.702	0.769	0.726	0.726	0.733	0.733	0.1	1.0	1.0	-4.7
Canada	CAD	1.299	1.273	1.263	1.268	1.268	1.280	0.9	0.9	1.3	0.5
Brazil	Real	4.019	5.194	5.570	5.160	5.032	5.071	0.8	-1.7	-9.0	-2.4
Colombia	Peso	3,285	3,415	4,065	3,933	3,755	3,771	0.4	-4.1	-7.2	10.4
Chile	Peso	752	710	851	798	795	806	1.3	0.9	-5.3	13.5
Mexico	Peso	18.93	19.87	20.49	20.46	20.63	21.02	1.9	2.7	2.6	5.8
Argentina	Peso	59.86	84.08	102.68	107.39	108.03	108.78	0.7	1.3	5.9	29.4
Peru	Sol	3.315	3.620	3.991	3.782	3.731	3.725	-0.2	-1.5	-6.7	2.9

* 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 March 10.

Source: Reuters



Since last year, long-term interest rates have recovered worldwide due to global and regional growth expectations, as well as by the greater risk aversion because of the fears of the escalation of the conflict in Ukraine. 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 Mar 9, 2022 (bps)	
	Dec.19	Dec.20	Dec.21	Feb. 22	Mar. 22	Feb. 22	Dec.21
United States	1.92	0.92	1.51	1.83	1.94	11	43
Germany	-0.19	-0.57	-0.18	0.13	0.21	8	40
France	0.12	-0.34	0.20	0.60	0.66	5	46
Italy	1.41	0.54	1.17	1.71	1.68	-3	51
Spain	0.46	0.04	0.56	1.11	1.14	3	58
Greece	1.43	0.62	1.32	2.51	2.37	-14	106
United Kingdom	0.82	0.19	0.97	1.41	1.52	12	56
Japan	-0.02	0.02	0.07	0.19	0.16	-3	10
Brazil	6.79	6.90	10.84	11.57	12.17	60	133
Chile	3.17	2.65	5.68	5.92	5.82	-10	14
Colombia	6.34	5.39	8.22	9.50	9.76	26	153
Mexico	6.89	5.53	7.56	7.93	8.37	44	81
Peru	4.23	3.50	5.87	6.17	6.66	49	79

*With information as of March 9.

Source: Reuters



Average lending interest rates in soles and some other rates are around long-term averages.

Interest rate in domestic currency^{1/}

(%)

	Dec.18	Dec.19	Dec.20	Mar.21	Jun.21	Sep.21	Dec.21	Jan.22	Feb.22	Mar.22	Historical average ^{2/}
Reference	2.75	2.25	0.25	0.25	0.25	1.00	2.50	3.00	3.50	4.00	3.34
TAMN ^{3/}	14.37	14.35	12.10	11.20	10.73	10.49	11.21	11.18	11.39	11.43	15.84
90-day corporate prime ^{4/}	4.52	3.29	0.68	0.55	0.88	1.48	3.09	3.83	4.34	4.35	3.98
Corporates ^{4/}	4.90	3.80	2.51	2.23	1.44	2.06	3.22	4.18	4.40	4.65	4.86
Large companies ^{4/}	6.42	6.01	4.60	3.92	3.70	4.20	5.65	6.07	6.38	6.53	6.49
Medium-sized enterprises ^{4/}	9.84	9.28	6.07	7.95	7.28	7.91	8.75	9.09	9.73	10.65	9.73
Small business ^{4/}	18.50	18.03	17.23	18.21	17.64	18.09	19.28	19.82	20.11	20.10	20.01
Micro business ^{4/}	32.70	31.32	30.09	32.84	32.37	31.58	32.34	32.86	34.15	34.58	32.24
Mortgage ^{4/}	7.60	7.00	6.39	5.89	5.87	6.37	6.85	6.87	7.03	7.40	8.27
10-year sovereign bond	5.62	4.64	3.50	4.97	5.37	6.44	5.87	6.13	6.17	6.47	5.44
TIPMN ^{4/}	2.47	2.25	0.98	0.89	0.81	0.81	1.10	1.21	1.38	1.42	2.19
Deposit rate 90-day corporate prime ^{4/}	4.01	2.81	0.19	0.14	0.38	0.93	2.63	3.34	3.91	3.90	3.22
Deposits over 1 year to People ^{4/}	3.68	3.47	1.97	1.93	2.03	2.46	3.09	2.98	3.47	3.64	4.08

1/ Information as of March 9, with the exception of the reference rate, which is as of March 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/ Average market interest rate of the current credit balance granted by banking companies in domestic currency.

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

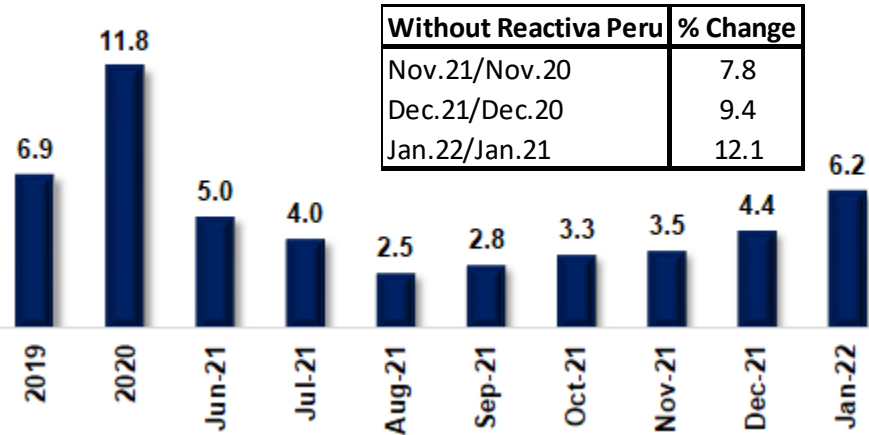
Source: BCRP and SBS.



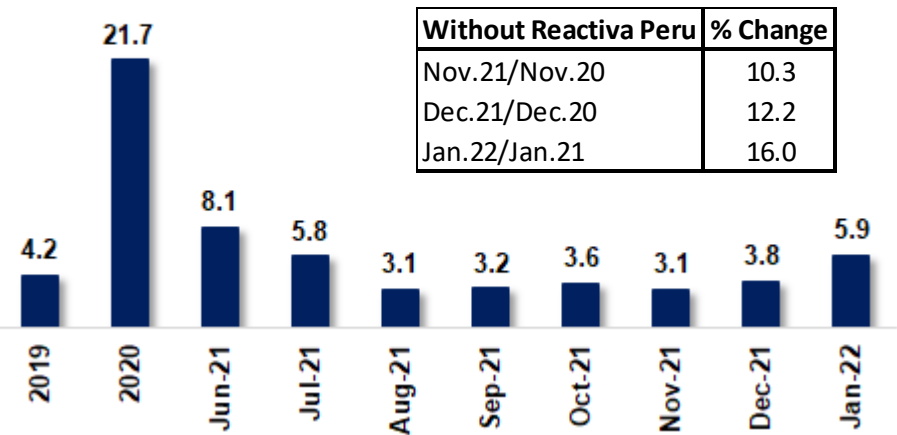
CENTRAL RESERVE BANK OF PERU

In recent months, the credit growth rate has been recovering.

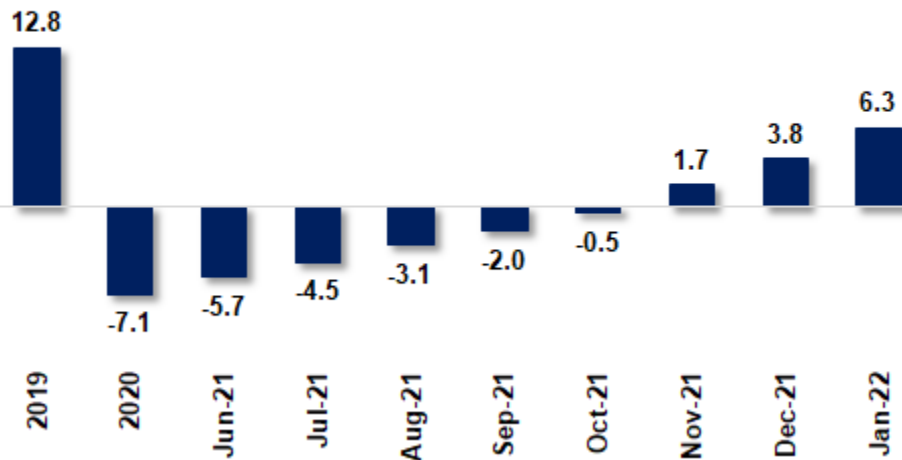
Credit to the private sector
(12-month % change)



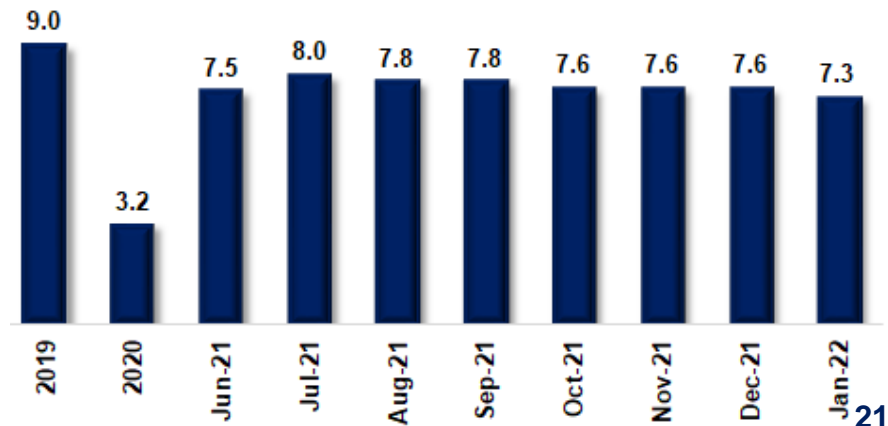
Credit to firms
(12-month % change)



Consumer credit
(12-month % change)



Mortgage credit
(12-month % change)

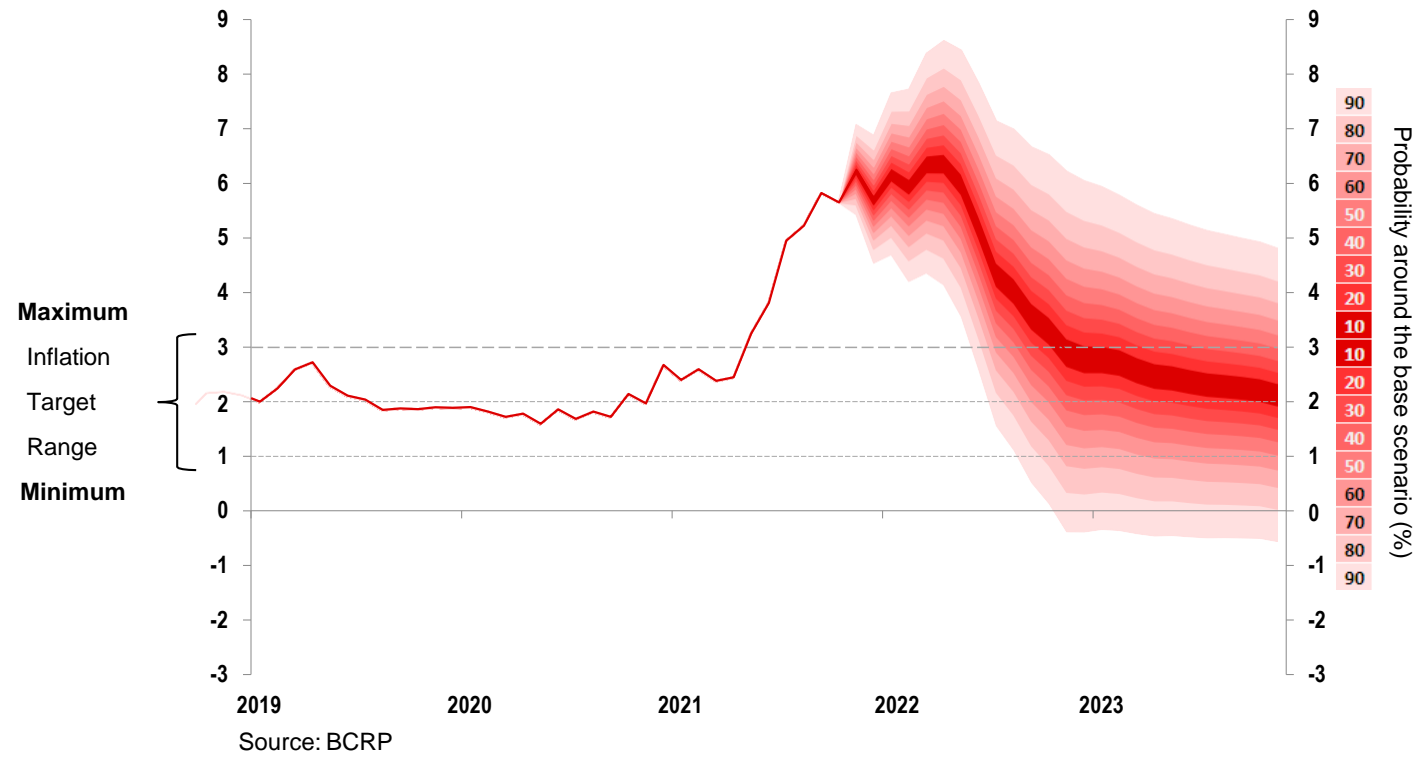


Source: Financial statement of financial entities.



Inflation is expected to return to the target range in the first half of next year. The downward path of year-on-year inflation would begin in July of this 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 so that inflation returns to the target range over the forecast horizon.

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





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Monetary Policy Statement

March 2022

March 11, 2022