



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement May 2022

May 13, 2022

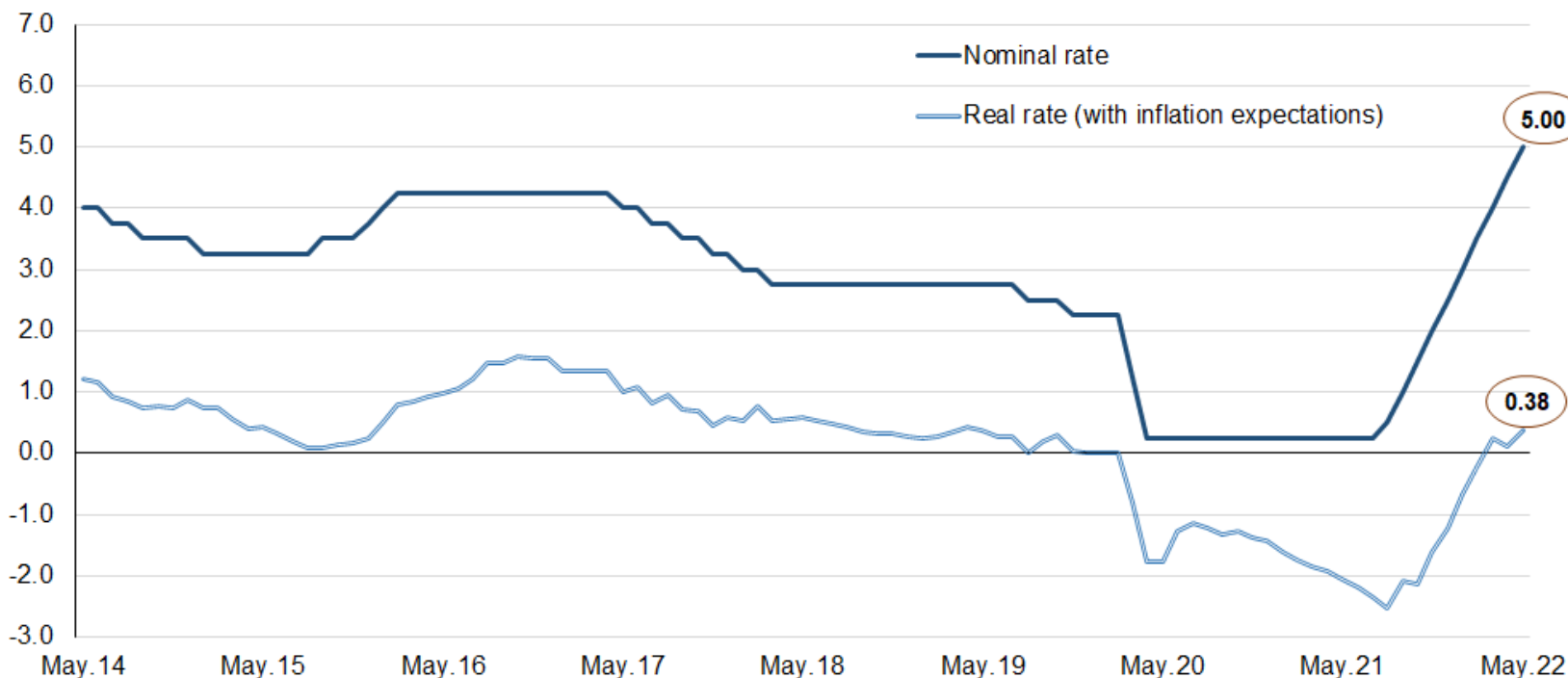


CENTRAL RESERVE BANK OF PERU

The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 5.0 percent, thus continuing to normalize its monetary policy stance.

Policy interest rate

(%)



	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	Apr.22	May.22
(I) Nominal rate	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	4.50	5.00
(II) Inflation expectations	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	4.39	4.62
(III) Real rate: (I)-(II)	-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	0.11	0.38

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* (%)

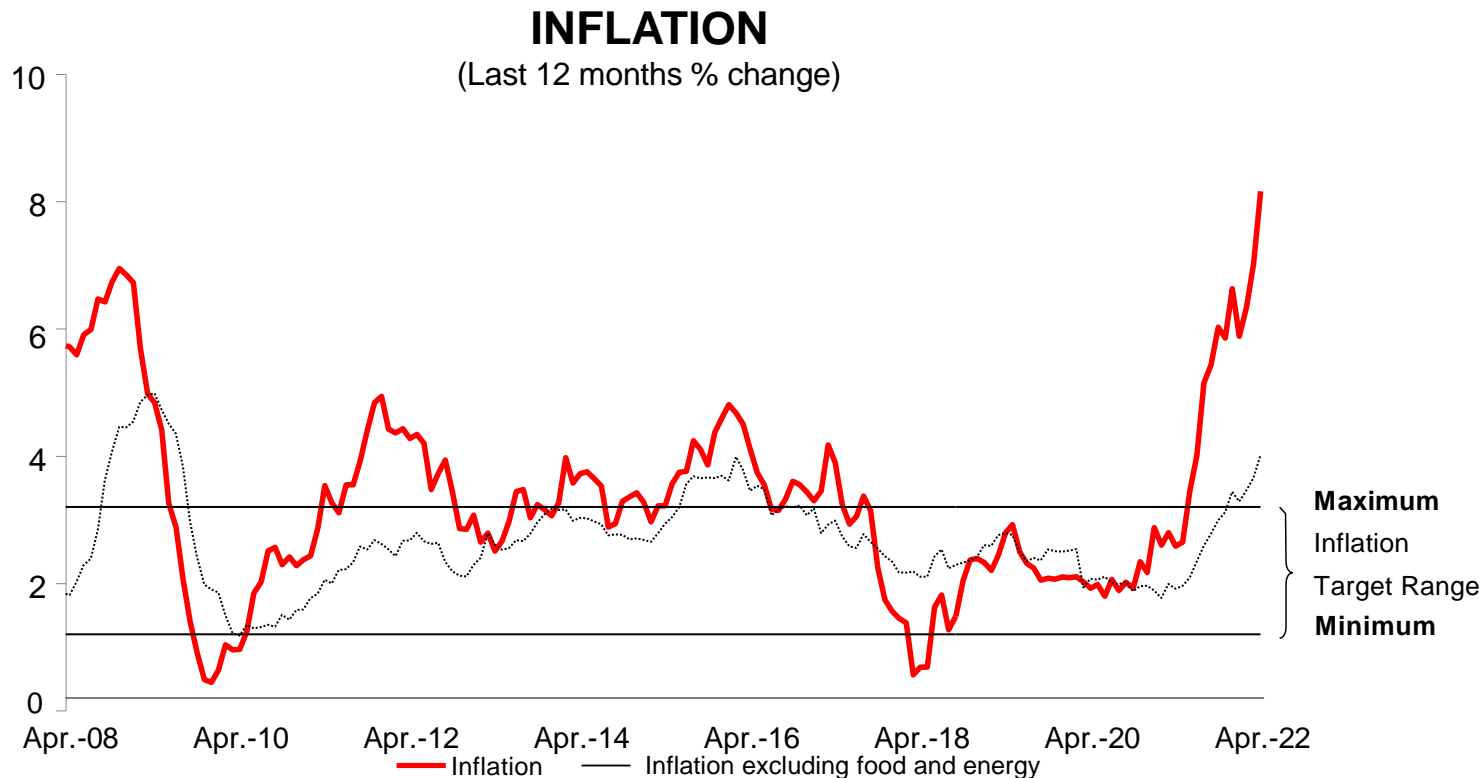
	MPIR	1-Year ahead inflation expectations**	Ex ante Real Rate
Brazil	12.75	6.94	5.81
Chile	8.25	6.20	2.05
Colombia	6.00	4.63	1.37
Mexico	7.00	6.10	0.91
Peru	5.00	4.62	0.38

* Policy rates and inflation expectations as of April 2022 (in the case of Peru, Chile and Brazil the policy rate corresponds to 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 6.82 percent in March to 7.96 percent in April, 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
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
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

Source: BCRP



Year-on-year core inflation also rose from 3.46 percent in March to 3.81 percent in April, above the upper limit of the inflation target range.

Inflation and Trend Indicators

(Annual % change)

	Annual average	Annual % change					
	2001-2020	Nov.21	Dec.21	Jan.22	Feb.22	Mar.22	Apr.22
CPI	2.6	5.66	6.43	5.68	6.15	6.82	7.96
CPI excluding food and energy	2.1	2.91	3.24	3.08	3.26	3.46	3.81
<u>Trend indicators</u>							
Bounded mean	2.5	4.06	4.53	4.85	5.21	5.63	6.19
Percentile 63	2.4	3.73	4.23	4.61	5.05	5.57	6.28
Re-weighted	2.5	3.80	4.25	4.34	4.77	5.23	5.81

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	
	Apr. 22 / Apr. 21	Apr. 22 / Apr. 19
Industrial inputs	22.3	41.9
Plastics	9.6	39.0
Iron and Steel	29.8	47.3
Textiles	17.4	11.1
Papers	37.2	18.3
Chemical goods	16.9	31.5
Organic chemicals	19.0	40.1
Rest	24.9	50.2
<i>Of Which:</i>		
Fertilizers	162.7	159.1

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 11, 22	Dec.21/Dec.20	May.22/Dec.21
WTI Oil	(US\$ per barrel)	61.1	48.5	77.0	104.7	105.7	58.7	37.3
LPG*	(US\$ per barrel)	23.9	31.4	46.5	57.7	56.8	48.3	22.1
Gasoline*	(US\$ per barrel)	73.8	57.8	82.2	120.7	129.9	42.3	58.1
Wheat	(US\$ per ton)	177.8	231.1	294.5	406.3	441.1	27.4	49.8
Maize	(US\$ per ton)	148.4	186.6	227.9	310.6	310.4	22.2	36.2
Soybean	(US\$ per ton)	756	977	1,434	1,856	1,840	46.7	28.3
Baltic Index	(US\$ Index)	1,090	1,366	2,217	2,404	3,052	62.3	37.7
Exchange rate	S/ per US\$	3.314	3.620	3.991	3.839	3.790	10.2	-5.0

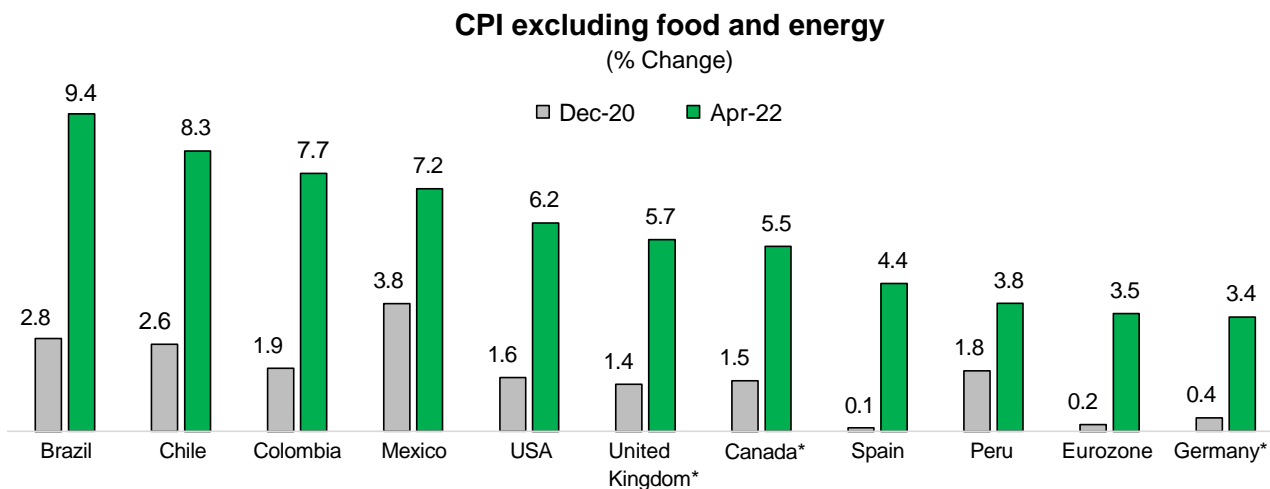
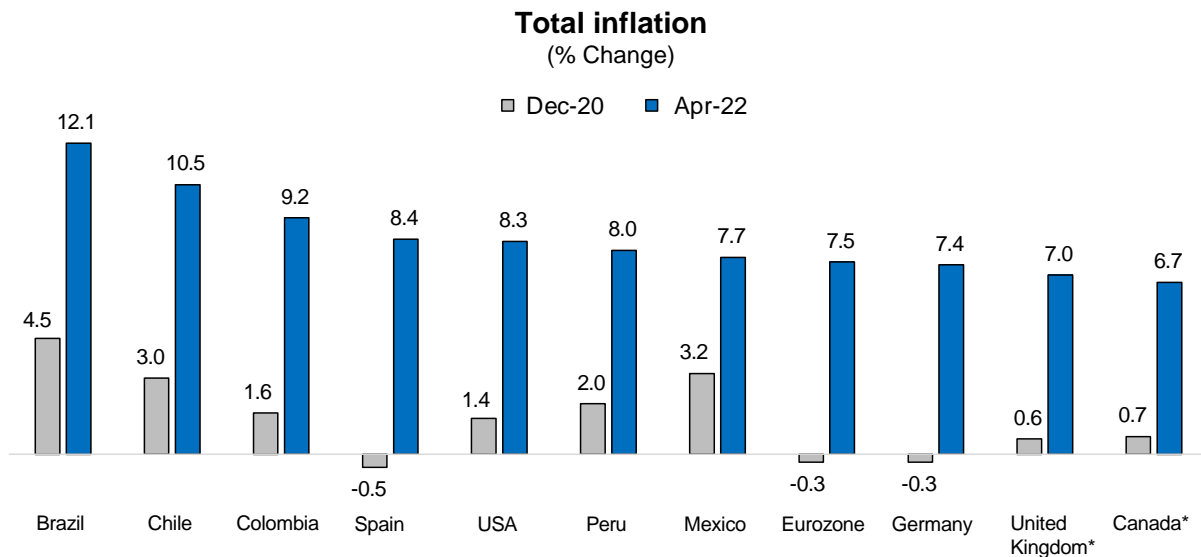
1/ Comparison as of May 22 is with respect to May 11.

* International reference prices published by OSINERGMIN as of May 9, 2022.

Source: Reuters, USDA and OSINERGMIN.



Total inflation and core inflation in Peru were among the lowest at the regional level.



*Information as of March 2022.

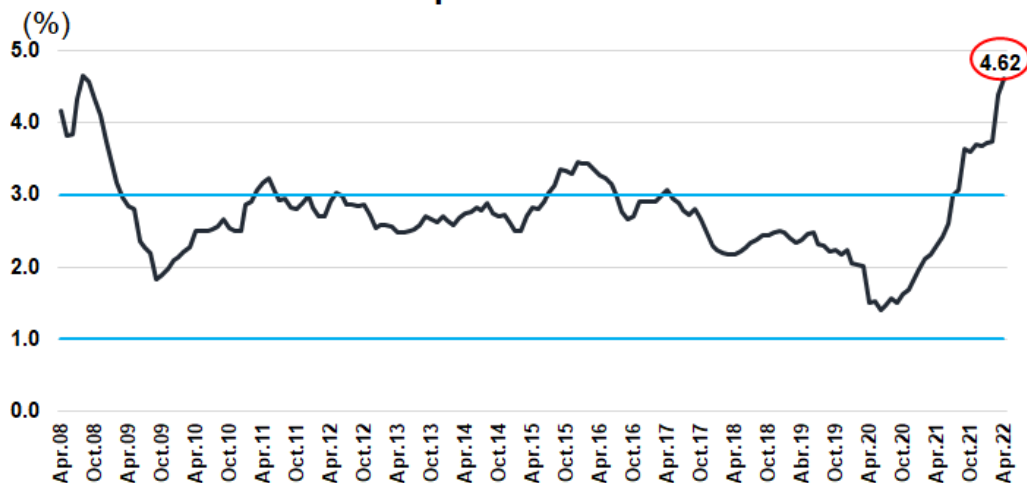
Source: Statistical institutes and central banks.



One-year-ahead expected inflation increased from 4.39 percent to 4.62 percent, between March and April, above the upper limit of the inflation target range.

Survey of Macroeconomic Expectations: Inflation (%)

1-Year ahead inflation expectations*



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

Source: BCRP

	Survey date:			
	Feb 28.	Mar 31.	Apr 30.	
Economic analysts¹				
2022	4.00	5.00	5.50	↑
2023	3.00	3.10	3.20	↑
2024	3.00	3.00	3.00	=
Financial entities²				
2022	3.80	4.50	5.00	↑
2023	3.00	3.50	3.50	=
2024	3.00	3.00	3.10	↑
Non-financial firms³				
2022	4.00	4.20	5.00	↑
2023	3.20	3.50	4.00	↑
2024	3.00	3.20	3.50	↑

¹ 19 analysts in February, 21 in March and 17 in April 2022.
² 13 financial entities in February, 15 in March and 15 in April 2022.
³ 303 non financial firms in February, 295 in March and 294 in April 2022.

Source: BCRP



In February 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	21/22		22/21		22/20	
		2021 ^{1/}	Year	Q.4	Year	Jan.	Feb.	Jan.
Primary GDP	21.2	-7.6	-2.9	5.5	1.6	-0.7	1.6	-4.0
Agriculture and Livestock	5.9	1.0	5.6	3.8	5.1	3.0	6.6	2.3
Fishing	0.5	4.2	-7.4	2.8	-30.3	-21.1	19.0	-15.7
Mining	8.5	-13.8	-3.9	9.8	3.4	-2.0	-3.9	-3.0
Fuel	1.2	-11.0	2.0	-4.6	9.8	13.1	-7.3	-10.5
Primary industries	3.2	-2.0	-13.1	1.9	-6.8	-7.3	5.8	3.1
Non-primary GDP	78.8	-11.9	4.9	15.6	3.2	6.4	2.1	2.5
Non-primary industries	9.3	-16.4	7.3	24.6	0.5	6.4	2.1	8.5
Electricity and water	1.9	-6.1	3.0	8.5	3.1	4.4	3.0	-0.5
Construction	6.8	-13.3	-5.8	34.7	-0.6	-2.5	15.6	11.9
Commerce	10.5	-16.0	3.9	17.8	2.3	7.5	2.1	1.4
Total Services	50.3	-10.3	6.6	11.8	4.3	7.3	0.8	0.8
Services	41.8	-9.8	6.7	10.4	4.0	7.8	0.9	0.3
Transportation and storage	4.5	-26.6	14.0	17.7	9.2	15.8	-12.6	-12.7
Lodging and restaurants	2.2	-50.7	45.6	43.3	30.4	92.7	-10.8	-18.8
Telecommunications	5.5	4.8	6.3	7.6	3.5	5.7	11.9	13.2
Financial and insurance	6.8	13.7	-6.4	5.9	-7.0	-2.2	10.6	14.8
Business services	4.1	-19.7	5.1	14.4	3.3	3.6	-6.6	-8.4
Public administration	5.1	4.1	3.6	4.2	3.8	3.9	8.9	8.9
Other services	13.5	-10.0	7.2	8.8	4.0	5.1	1.2	-0.1
Taxes	8.6	-12.9	6.1	19.2	5.6	4.9	0.5	3.7
GDP	100.0	-11.0	3.2	13.3	2.8	4.9	2.0	1.1

1/ Implicit weighting for 2020 at 2007 prices.

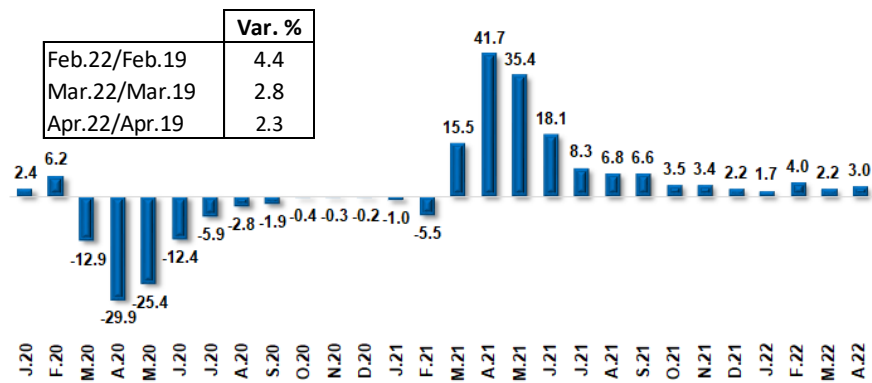
Source: INEI



The indicators for April indicate that the recovery in private consumption continues.

Average monthly electricity production (GWh)

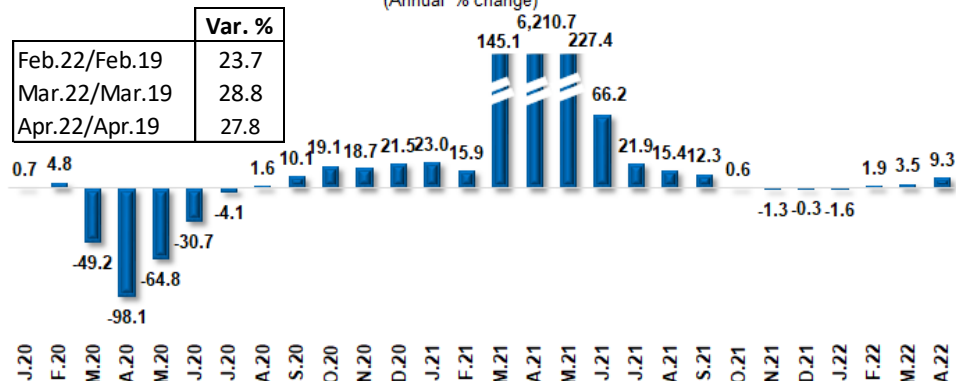
(Annual % change)



Source: COES.

Domestic consumption of cement

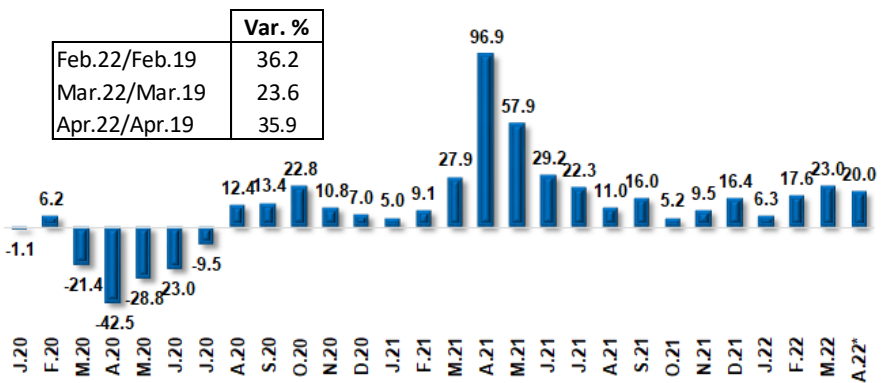
(Annual % change)



Source: Cement companies.

Non traditional exports

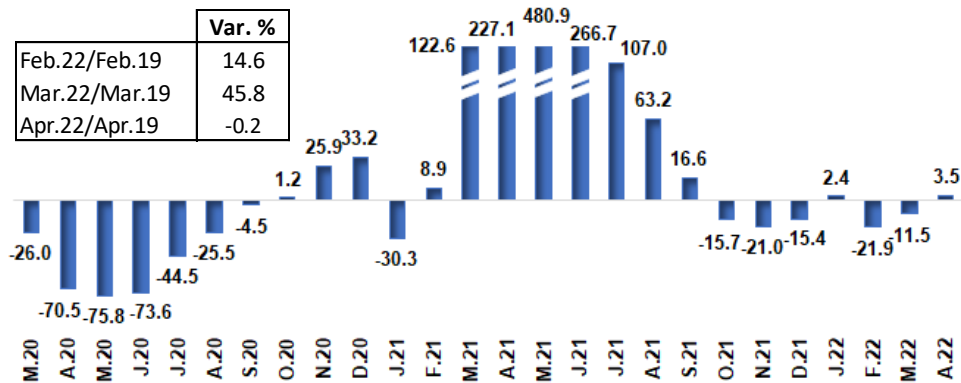
(Annual % change)



Source: Sunat. Forecast for April*.

Real Investment of the General Government*

(Annual % change)



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

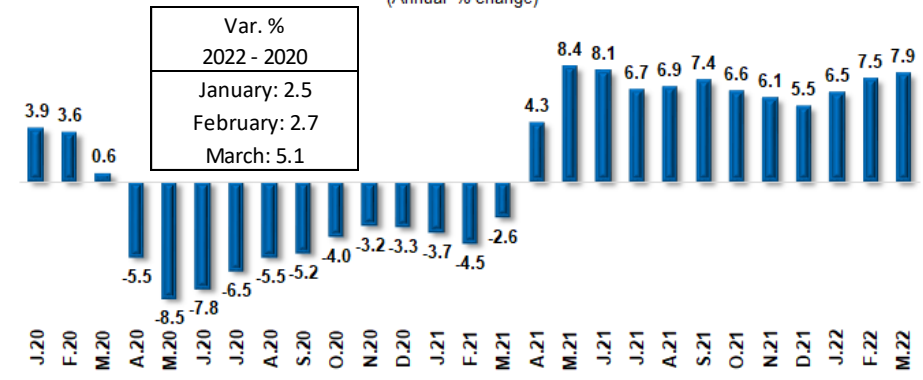


CENTRAL RESERVE BANK OF PERU

In March, total formal employment at the national level increased 7.9 percent compared to March 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 30.5 percent, due to the increase in formal employment and in the average income.

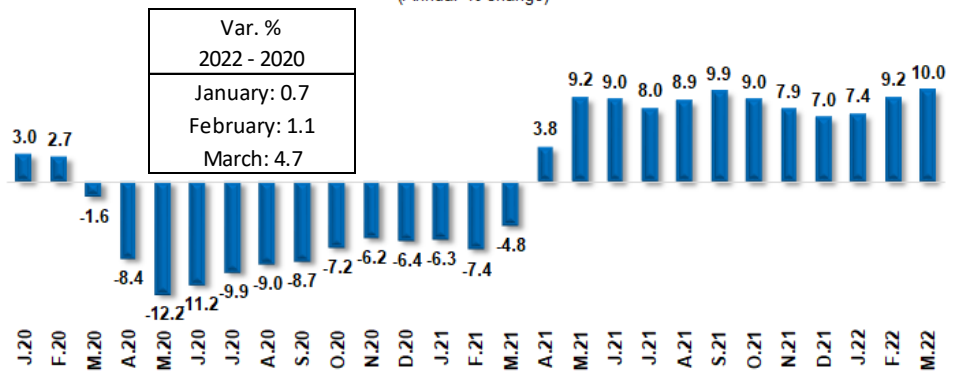
Formal employment - Electronic Payroll

(Annual % change)



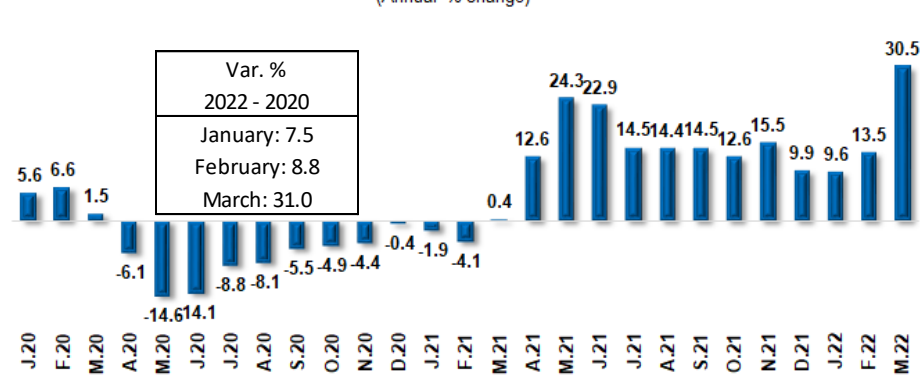
Private sector formal employment - Electronic Payroll

(Annual % change)



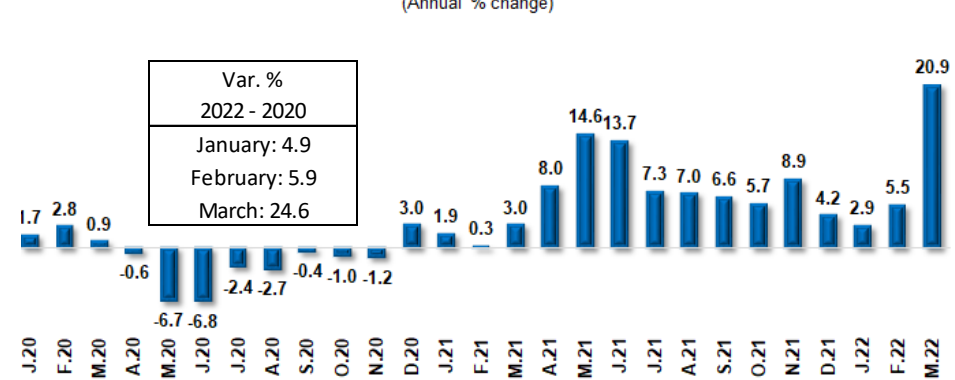
Total formal wage bill - Electronic Payroll

(Annual % change)



Formal Average Income - Electronic Payroll

(Annual % change)



Source: SUNAT - Monthly Payment Form.



Indicators of expectations about the economy deteriorated in April.

Macroeconomic Expectations: Survey Results

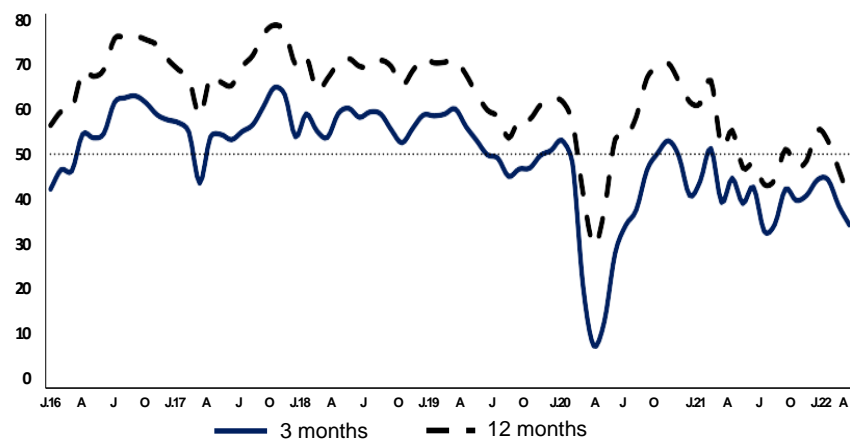
		Dec.2019	Mar.2020	Mar.2022		Apr.2022			Correlation with GDP ^{1/}	
EXPECTATION:										
ECONOMIC SITUATION:	IN 3 MONTHS	50.8	21.8	39.0	↓	<	34.9	↓	<	0.63
	IN 12 MONTHS	61.5	41.5	46.7	↓	<	40.3	↓	<	0.42
SECTOR:	IN 3 MONTHS	51.5	28.5	49.0	↓	<	43.5	↓	<	0.67
	IN 12 MONTHS	61.5	43.4	55.1	↓	>	48.9	↓	<	0.33
COMPANY'S SITUATION:	IN 3 MONTHS	56.1	28.3	50.7	↓	>	47.9	↓	<	0.66
	IN 12 MONTHS	66.6	46.4	57.5	↓	>	52.8	↓	>	0.66
ABOUT DEMAND:	IN 3 MONTHS	55.1	30.7	54.3	↑	>	50.4	↓	>	0.66
	IN 12 MONTHS	68.0	47.4	60.9	↓	>	55.9	↓	>	0.66
NEW PERSONNEL HIRED:	IN 3 MONTHS	48.6	35.9	50.2	↑	>	48.4	↓	<	0.66
	IN 12 MONTHS	54.0	39.6	53.6	↓	>	50.2	↓	>	0.58
COMPANY'S INVESTMENT:	IN 3 MONTHS ^{2/}	51.3	29.9	48.6	↓	<	45.0	↓	<	0.65
	IN 12 MONTHS ^{2/}	59.3	40.0	53.5	↓	>	50.6	↓	>	0.65
EXPECTATION OF THE AVERAGE PRICE:										
SUPPLIES IN 3 MONTHS		51.5	52.9	72.4	↑	>	67.4	↓	>	0.63
SALE IN 3 MONTHS		56.4	49.7	65.5	↑	>	64.2	↓	>	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 May 11, the exchange rate stands at S/3.790 per dollar, which caused an appreciation of 5.0 percent compared to December 31, 2021 (S/3.991) and a depreciation of 4.7 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	Mar.22	Apr.22	As of May 04. 2022	As of May 11. 2022	Week	Apr.22	Dec.21	Dec.20	Dec.19
Dollar Index	Spot	96.39	89.94	95.97	98.31	102.96	102.59	103.86	1.2	0.9	8.6	15.5	7.7
Eurozone	US\$ per Euro	1.121	1.222	1.137	1.107	1.055	1.062	1.053	-0.9	-0.1	-7.4	-13.8	-6.1
United Kingdom	US\$ per Pound	1.326	1.367	1.353	1.314	1.257	1.263	1.227	-2.9	-2.4	-9.3	-10.3	-7.5
Japan	Yen	108.61	103.25	115.08	121.70	129.70	129.09	129.75	0.5	0.0	12.7	25.7	19.5
Australia	US\$ per AUD	0.702	0.769	0.726	0.748	0.706	0.726	0.695	-4.3	-1.6	-4.3	-9.7	-1.0
Canada	CAD	1.299	1.273	1.264	1.251	1.285	1.275	1.298	1.9	1.1	2.7	2.0	0.0
Brazil	Real	4.025	5.194	5.571	4.741	4.972	4.920	5.129	4.2	3.2	-7.9	-1.2	27.4
Colombia	Peso	3,287	3,428	4,065	3,764	3,963	4,065	4,084	0.5	3.1	0.5	19.1	24.2
Chile	Peso	753	711	852	786	852	854	862	0.9	1.2	1.2	21.3	14.5
Mexico	Peso	18.93	19.91	20.53	19.87	20.43	20.02	20.28	1.3	-0.7	-1.2	1.8	7.1
Argentina	Peso	59.87	84.15	102.74	111.01	115.31	116.02	117.09	0.9	1.5	14.0	39.1	95.6
Peru	Sol	3.314	3.619	3.991	3.680	3.839	3.770	3.790	0.5	-1.3	-5.0	4.7	14.4

* 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 May 11.

Source: Reuters



Since last year, long-term interest rates have recovered 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 May 12, 2022 (bps)			
	Dec.19	Dec.20	Dec.21	Mar. 22	Apr. 22	May. 22	Apr. 22	Dec.21	Dec.20	Dec.19
United States	1.92	0.92	1.51	2.34	2.94	2.83	-11	132	191	91
Germany	-0.19	-0.57	-0.18	0.55	0.94	0.84	-10	102	141	103
France	0.12	-0.34	0.20	0.98	1.46	1.36	-10	116	170	124
Italy	1.41	0.54	1.17	2.04	2.77	2.71	-6	154	217	130
Spain	0.46	0.04	0.56	1.43	1.97	1.88	-10	131	183	141
Greece	1.43	0.62	1.32	2.65	3.33	3.34	2	203	272	191
United Kingdom	0.82	0.19	0.97	1.61	1.90	1.66	-24	69	147	84
Japan	-0.02	0.02	0.07	0.21	0.22	0.24	2	18	23	26
Brazil	6.79	6.90	10.84	11.62	12.30	12.71	41	187	581	592
Chile	3.17	2.65	5.68	6.24	6.64	6.73	9	105	408	356
Colombia	6.34	5.39	8.22	9.69	10.31	11.05	74	282	566	471
Mexico	6.89	5.53	7.56	8.25	9.09	8.84	-25	128	331	195
Peru	4.23	3.50	5.87	6.55	7.87	8.02	15	215	452	379

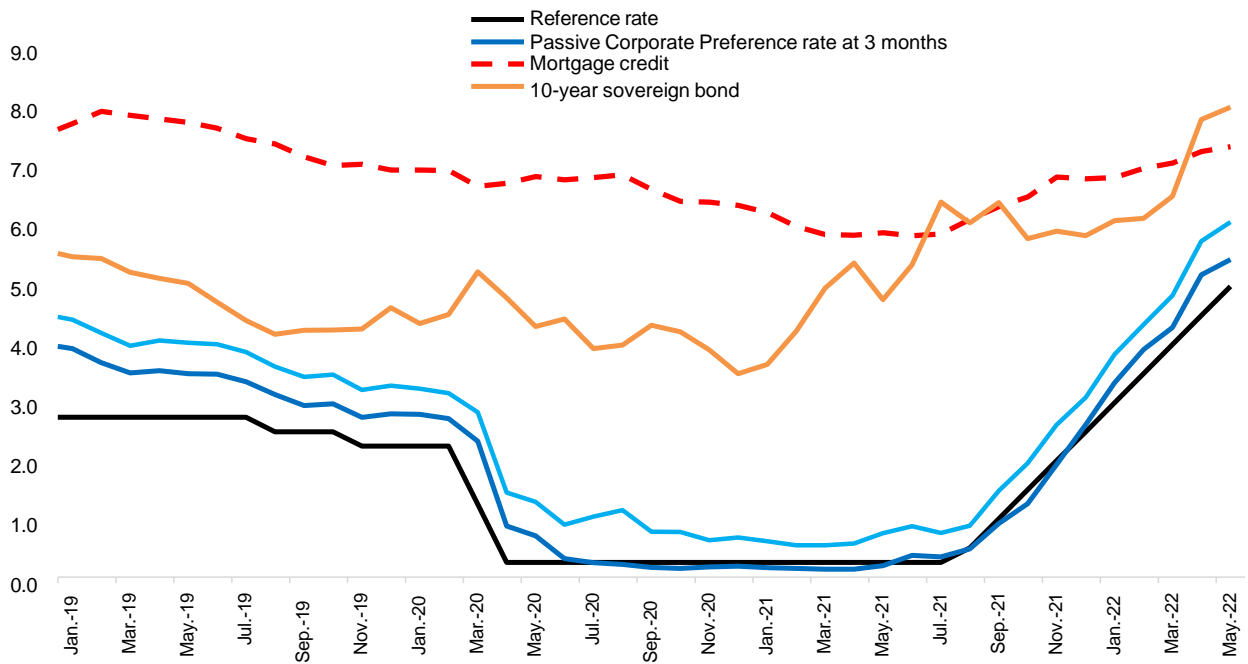
*With information as of May 12.

Source: Reuters



In line with the increase in the reference rate, interest rates 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	Apr. 22	May. 22	
Reference rate	0.25	2.50	4.50	5.00	3.34
Active Corporate Preference rate 3 months ^{2/}	0.68	3.09	5.78	6.10	4.01
Mortgage ^{2/}	6.39	6.85	7.32	7.40	8.26
10-year sovereign bond	3.50	5.87	7.87	8.08	5.48
Passive Corporate Preference rate at 3 months ^{2/}	0.19	2.63	5.20	5.46	3.25

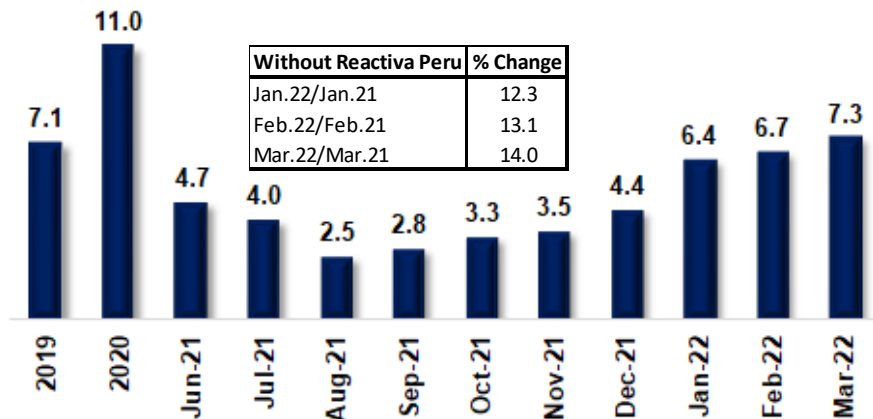
1/ As of May 12. Corresponds to banking companies.
 2/ Average interest rate in annual terms of the operations carried out by banking companies in the last 30 business days.
 3/ Average since September 2010, with the exception of the reference rate for which the average is since September 2003.



In recent months, credit growth has been recovering.

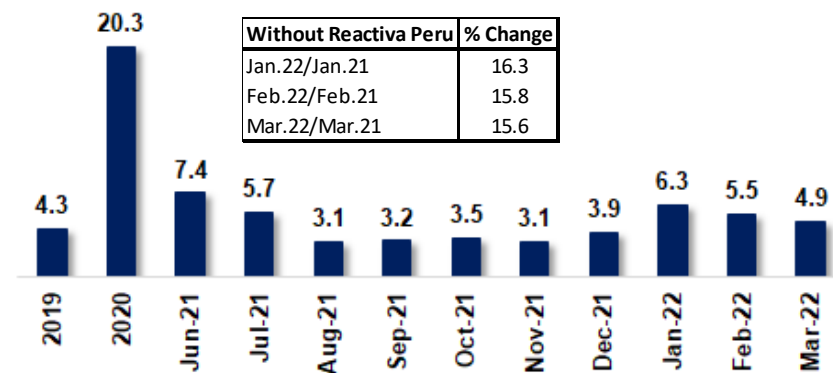
Credit to the private sector

(12-month % change)



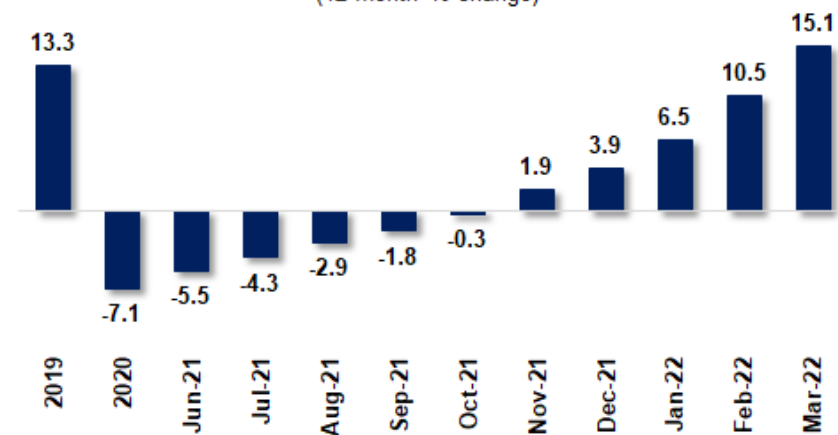
Credit to firms

(12-month % change)



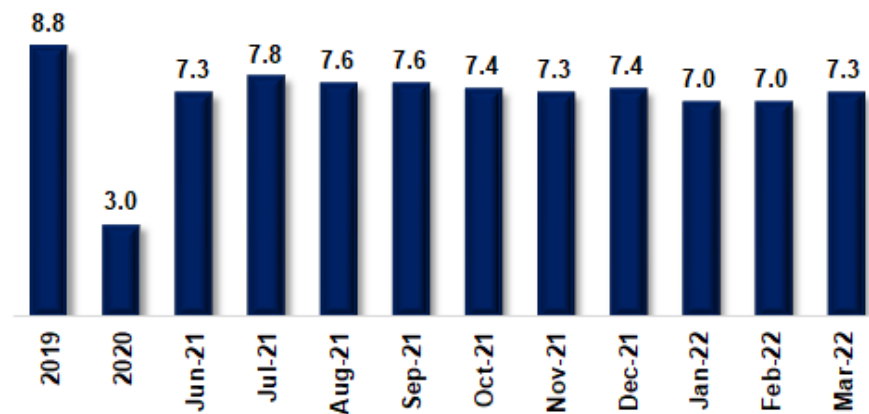
Consumer credit

(12-month % change)



Mortgage credit

(12-month % change)



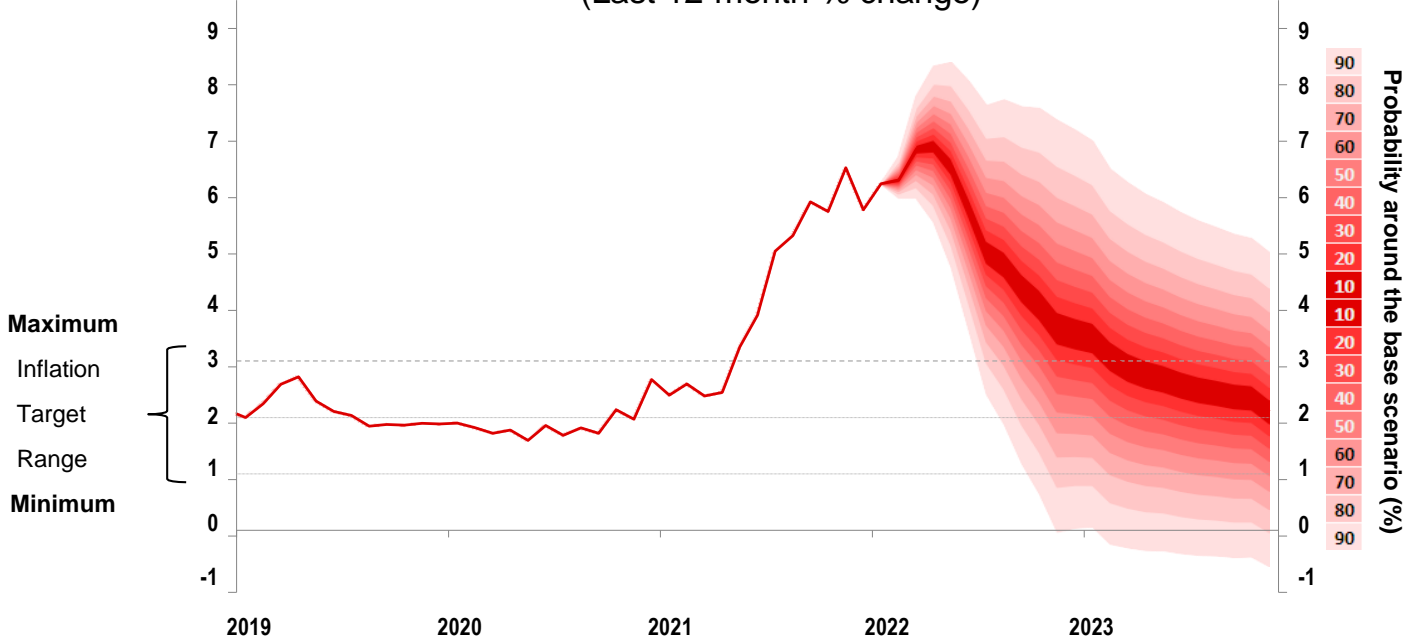


Inflation is projected to return to the target range between the second and third quarters of next year. The downward path of year-on-year inflation would begin in July of this year, due to the beginning of the reversal of the effect of various factors on the inflation rate and its expectations (exchange 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



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement May 2022

May 13, 2022