



Weekly Economic Report

January 2, 2020

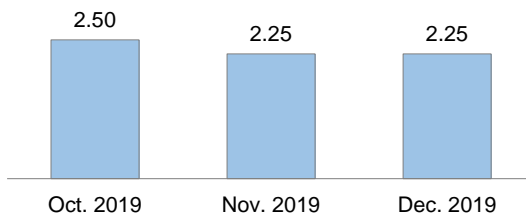
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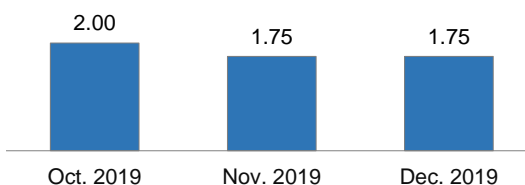
INTERBANK INTEREST RATE IN SOLES AT 2.25 PERCENT

On December 31, the **interbank interest rate** in soles showed an annual rate of 2.25 percent and this rate in dollars registered 1.75 percent.

Interbank interest rate in soles
(%)

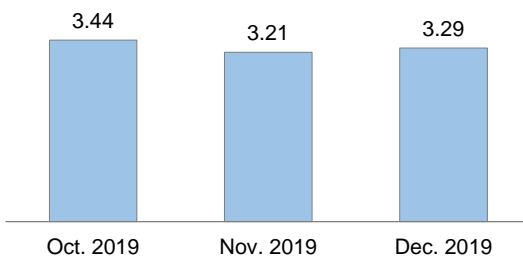


Interbank interest rate in US dollars
(%)

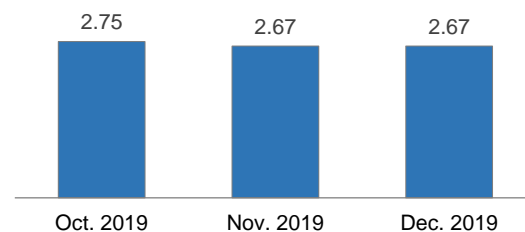


On the same date, the **90-day corporate prime rate** –the interest rate charged by commercial banks to lower risk businesses– in soles was 3.29 percent, while the prime rate in dollars was 2.67 percent.

90-day corporate prime rate in soles
(%)

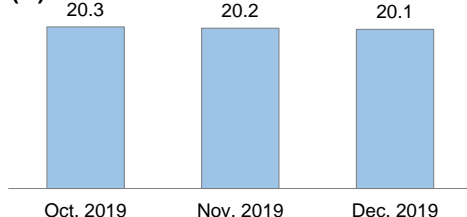


90-day corporate prime rate in US dollars
(%)

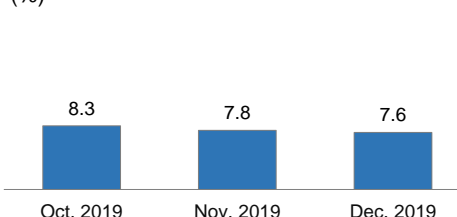


At the end of December, the **small business interest rate** in soles was 20.1 percent, while the prime rate in dollars was 7.6 percent.

Small business interest rate more than 360 days in soles (%)

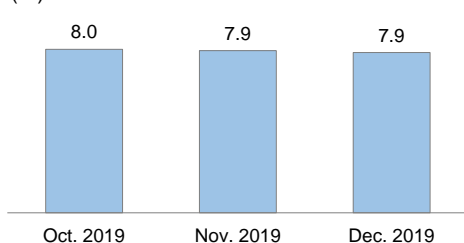


Small business interest rate more than 360 days in US dollars (%)

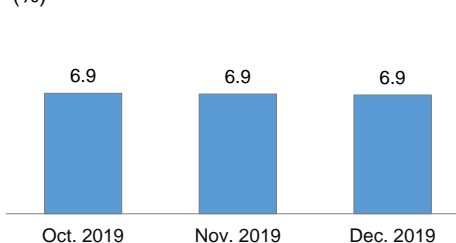


On the same date, the **mortgage interest rate** in soles showed an annual rate of 7.9 percent and this rate in dollars registered 6.9 percent.

Mortgage interest rate in soles (%)



Mortgage interest rate in US dollars (%)



BCRP MONETARY OPERATIONS

As of December 31, BCRP has made the following **monetary operations**:

- i. CD BCRP: The balance of BCRP certificates of deposit on December 31 was S/ 28.43 billion, with an average interest rate of 2.5 percent, while this balance at end-November was S/ 29.91 billion, with a similar interest rate.

Interest rate of auctions of CD BCRP (%)

	Term (months)		
	6	12	18
2 Dec.	2.14		
4 Dec.			2.23
5 Dec.		2.20	
9 Dec.	2.14		
11 Dec.			2.23
12 Dec.		2.17	
16 Dec.	2.11		
18 Dec.			2.22
19 Dec.		2.17	
23 Dec.		2.17	
26 Dec.		2.08	
30 Dec.	2.06		

- ii. Overnight deposits: As of December 31, the balance of this instrument was S/ 2.12 billion, with an average interest rate of 1.0 percent. At end-November the balance was S/ 1.57 billion, with the same interest rate.
- iii. Currency repos: The balance of regular currency repos as of December 31 was S/ 11.05 billion, with an interest rate of 3.9 percent. On the other hand, the balance at end-November was S/ 11.25 billion, with the same interest rate.

Moreover, like at the end of November, credit expansion repos and credit substitution repos showed zero balances.

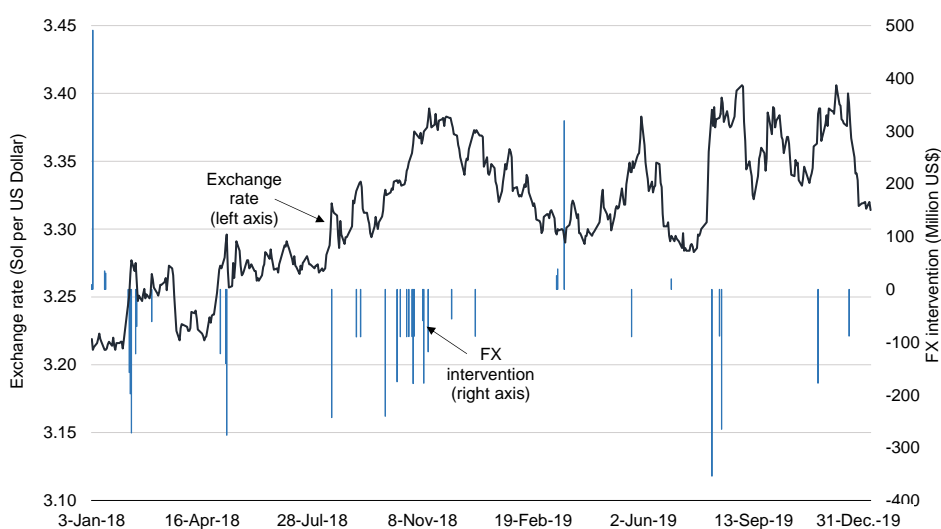
- iv. Security repos: The balance of security repos as of December 31 was S/ 4.65 billion with an average interest rate of 3.6 percent, while this balance at the end of November was S/ 4.95 billion, with the same rate.
- v. Term deposits: The balance of term deposits as of December 31 was zero, as was the end of November.
- vi. Auctions of Treasury funds: The balance of this instrument as of December 31 was S/ 4.10 billion, with an average interest rate of 3.9 percent. At the end of November, this instrument showed the same balance with an interest rate of 4.1 percent.

As of December 31, BCRP showed a long position of US\$ 88 million in its **foreign exchange operations**.

- i. Foreign exchange interventions: BCRP did not intervene in the spot market.
- ii. FX Swaps-sell: The balance of this instrument at December 31 was S/ 900 million (US\$ 266 million), with an average interest rate of -0.8 percent. At the end of November, this instrument showed a balance of S/ 600 million (US\$ 178 million), with an interest rate of -0.1 percent.
- iii. CDLD BCRP, CDR BCRP, and FX Swaps-buy: these instruments showed zero balances as of December 31.

The **interbank selling price of the dollar** closed at S/ 3.31 per dollar at the end of December, lower by 2.7 percent than the price at the end of November, As a result, the sol accumulates an appreciation of 1.6 percent so far this year.

Exchange rate and FX intervention of BCRP ^{1/}



^{1/} Includes sell / purchases of US\$, placements of CDR BCRP and FX-Swaps, and CDLD BCRP.

As of December 31, the **monetary base** has increased by S/ 3.78 billion compared to the end of November, due to banks' higher demand for currency. Moreover, the decrease of public sector deposits at BCRP has increased the monetary base by S/ 396 million. In this context, BCRP injected liquidity through the net placement of security repos (S/ 1.40 billion) and the net maturity of CDBCRP (S/ 1.44 billion); these operations being offset in part by the net maturity of currency repos (S/ 200 million) and the net placement of term deposits (S/ 543 million)

In the last 12 months, the monetary base has increased by 5.2 percent, mainly as a result of the 4.8 percent increase in the banknotes and coins issued in the same period, in line with the expansion of economic activity.

Monetary balance of the Central Reserve Bank of Peru

(Million S/)

	Balance			Flows	
	Dec 31, 18	Nov 30, 19	Dec 31, 19	2019	Dec 19, 31
I. NET INTERNATIONAL RESERVES	202,609	227,021	226,126	27,042	5,099
<i>(Millions US\$)</i>	<i>60,121</i>	<i>66,771</i>	<i>68,316</i>	<i>8,195</i>	<i>1,545</i>
1. Foreign Exchange Position	39,548	42,173	42,619	3,071	446
2. Deposits of the Commercial Banks	12,898	16,873	17,096	4,198	223
3. Deposits of the Public Sector	8,202	8,318	9,188	986	870
II. NET DOMESTIC ASSETS	-141,242	-166,236	-161,561	-23,845	-1,319
1. Credit to the financial sector in soles	-9,017	-8,330	-6,230	2,788	2,100
a. Security repos	5,950	4,950	6,350	400	1,400
b. Currency repos	7,358	11,250	11,050	3,692	-200
c. Securities issued	-24,523	-27,058	-25,615	-1,091	1,444
i. CDBCRP	-24,523	-27,058	-25,615	-1,091	1,444
d. Auctions of funds of Public sector	4,000	4,100	4,100	100	0
e. Other deposits in soles	-1,802	-1,572	-2,115	-313	-543
2. Net assets public sector in soles ^{1/}	-45,439	-52,521	-52,125	-6,686	396
Holding of CDBCRP by Banco de la Nació	-2,538	-2,850	-2,750	-350	100
3. Credit to the financial sector in dolars	-43,465	-57,368	-56,587	-13,855	-736
<i>(Millions US\$)</i>	<i>-12,898</i>	<i>-16,873</i>	<i>-17,096</i>	<i>-4,198</i>	<i>-223</i>
a. Deposits in foreign currency	-12,898	-16,873	-17,096	-4,198	-223
4. Net assets public sector in dollars	-25,749	-26,219	-28,409	-3,109	-2,876
<i>(Millions US\$)</i>	<i>-7,641</i>	<i>-7,711</i>	<i>-8,583</i>	<i>-942</i>	<i>-871</i>
5. Other Net Accounts	-17,572	-21,798	-18,210	-2,982	-204
III. MONETARY BASE (I+II) ^{2/}	61,367	60,785	64,565	3,198	3,779
<i>(% change 12 months)</i>	<i>7.3%</i>	<i>7.2%</i>	<i>5.2%</i>		

1/ Public sector excluding auctions of funds of PT and BN.

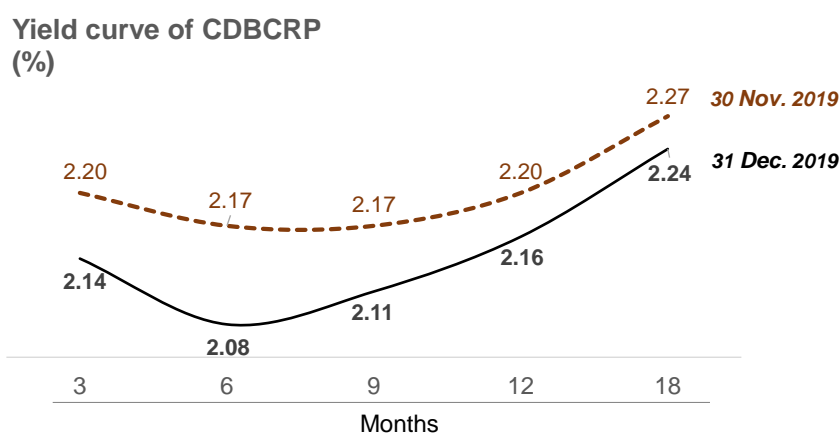
2/ Currency plus reserve requirement in domestic currency.

SHORT-TERM YIELD CURVES

On December, the yield curve of CD BCRP shows lower values than those observed at the end of November, influenced by the reduction of the BCRP benchmark interest rate.

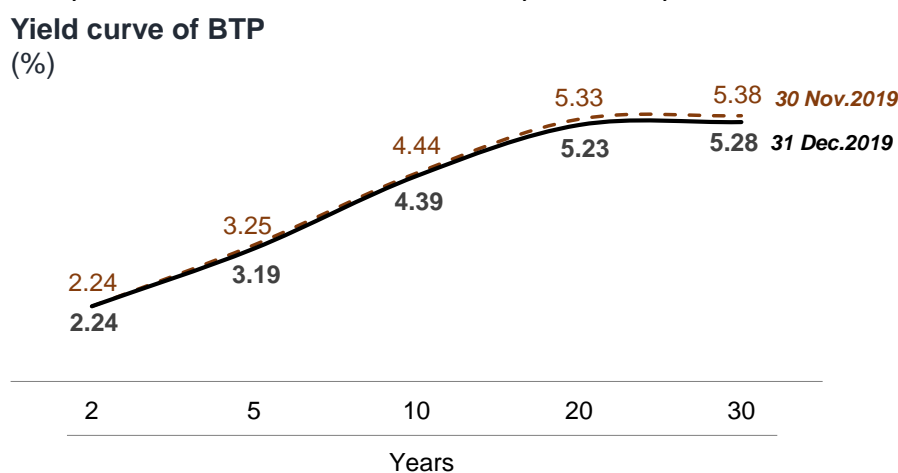
BCRP Certificates of Deposit (CD BCRP) are a monetary sterilization instrument that can be traded in the market or used in interbank repos or in repos with BCRP. The yields in the representative terms –3 months to 18 months– provide a guide for short-term

financial operations. The shape of this yield curve is influenced by expectations of future monetary policy rates and by market liquidity conditions.



PUBLIC TREASURY BONDS

Markets use the yield on the Public Treasury bonds as a benchmark for terms of 2 years or more. As of December 31, 2019, the yield curve of sovereign bonds shows lower values than the ones registered at the end of November in 5-year, 10-year, 20-year, and 30-year bonds, while it shows a same yield for 2-year bonds.

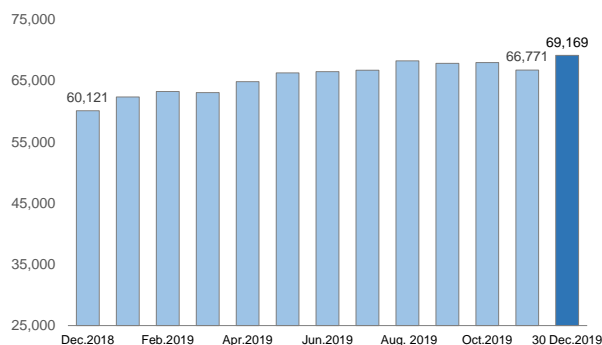


INTERNATIONAL RESERVES AT US\$ 69.17 BILLION AS OF DECEMBER 30

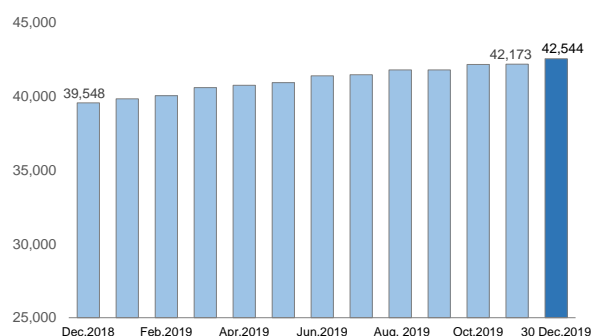
As of December 30, Peru's net international reserves amounted to US\$ 69.17 billion higher by US \$ 2.40 billion at the end of November and higher by US\$ 9.05 billion compared to the one registered at the end of December 2018. The RINs consist of liquid international assets and their current level is equivalent to 30 percent of GDP.

The foreign exchange position of BCRP on December 30 was US\$ 42.54 billion, a figure US\$ 371 million higher than at the end of November and US\$ 3.0 billion higher than at the end of December 2018.

Net International Reserves
(Million US\$)



Exchange Position
(Million US\$)



INTERNATIONAL MARKETS

Copper and gold prices up in international markets

In December, the price of **copper** rose 5.4 percent to US\$ 2.79 the pound.

This price rise reflected the reduction of global inventories, especially at the London Metal Exchange.

Copper Price
(cUS\$/pound)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
US\$ 2.79/pound	-0.5	5.4	3.5

Gold Price
(US\$/tr. ounce)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
US\$ 1,487.1 / tr. ounce	0.3	1.8	16.0

In the same month, the price of **gold** climbed 1.8 percent to US\$ 1,487.1 a troy ounce.

This rise in the price was associated with the depreciation of the US dollar against its major counterpart currencies.

In December, the price of **zinc** dropped 0.3 percent to US\$ 1.04 the pound.

This fall in the price is in line with China's negative trade date, attenuated by the reduction of global inventories.

Zinc Price
(ctv. US\$/pound)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
US\$ 1.04 / pound	0.6	-0.3	-9.0

The price of **WTI oil** climbed 5.3 percent to US\$ 61.2 the barrel in December.

The cuts in OPEP production and lower crude oil inventories in the United States account for this price rise.

WTI Oil Price
(US\$/barrel)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
US\$ 61.2 / barrel	0.1	5.3	35.6

International prices of grains up

In December, the price of **maize** increased 5.5 percent to US\$ 143.7 a ton.

The price was favored by greater demand of the grain and a delay in maize harvest in the United States.

Maize price
(US\$/ton)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
US\$ 143.7 / ton	0.8	5.5	9.3

In the same period, the price of **wheat** rose 7.9 percent to US\$ 211.6 a ton.

This price was influenced by lesser commercial tensions between the US and China and by lower inventories of this crop in the United States.

Wheat price (US\$/ton)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
US\$ 211.6 / ton	3.8	7.9	-3.8

The price of **soybean** oil climbed 15.9 percent to US\$ 789.9 a ton in December.

This price rise reflected the increase in the prices of palm oil and crude oil; this last associated with the use of soybean oil to produce biodiesel.

Soybean oil price (US\$/ton)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
US\$ 789.9 / ton	5.8	15.9	30.7

Dollar depreciated in international markets

In December, the **US dollar** appreciated 1.8 percent against the **euro**, influenced by political noise in the United States and by the contrast between positive economic data in the Eurozone and negative ones in the United States.

Evolution of US\$ per Euro (US\$/Euro)



% change			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
1.12 US\$/euro	1.1	1.8	-2.3

The US dollar has been appreciating against most other currencies in recent years, as reflected in the evolution of the FED index. This appreciation of the dollar is associated with expectations that the Federal Reserve (FED) will start normalizing its interest rates and more recently by other central banks' easing of monetary policy.

FED index

(January 06=100)



Variation in basis points			
27 Dec.2019	20 Dec.2019	29 Nov.2019	31 Dec.2018
115.3	-0.5	-1.7	-0.3

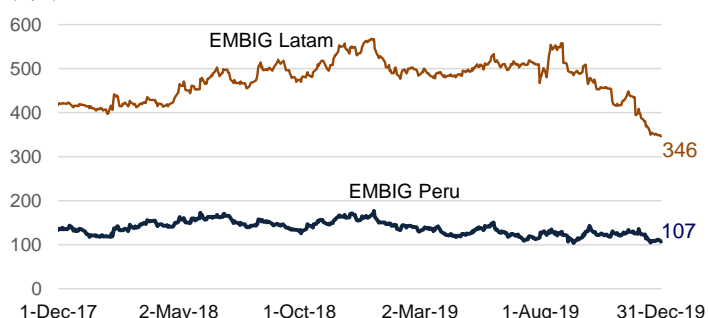
Country risk falls to 107 basis points

In December, the country risk indicator, measured by the **EMBIG Peru** spread, fell from 126 to 107 bps.

Moreover, the **EMBIG LatinAmerica** spread fell 48 bps to 346 bps in a context of progress in the trade negotiations between the United States and China.

Country Risk Indicator

(Bps)



	Variation in basis points			
	31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
EMBIG Peru (bps)	107	-3	-19	-61
EMBIG Latam (bps)	346	-6	-48	-222

Yield on 10-year US Treasuries at 1.92 percent

In December, the yield on the 10-year **Treasury bonds** rose 14 bps to 1.92 percent, influenced by lower trade tensions between the United States and China.

10-Year US Treasury rate

(%)



Variation in basis points			
31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
1.92%	2	14	-77

INDICES OF THE LIMA STOCK EXCHANGE RISE

In December, the **General Index** (IGBVL-Peru General) of the Lima Stock Exchange (LSE) rose 2.2 percent while the **Selective Index** (ISBVL-Lima 25) climbed 6.0 percent, influenced by positive data of the international prices of main metals.

Year-to-date, the General Index has risen 6.1 percent, while the Selective Index has fallen 2.8 percent.

Peru General index of the LSE

(Base Dec.1991=100)



	As of:		% change compared to:	
	31 Dec.2019	24 Dec.2019	29 Nov.2019	31 Dec.2018
Peru General	20,526	0.5	2.2	6.1
Lima 25	25,753	1.3	6.0	-2.8

