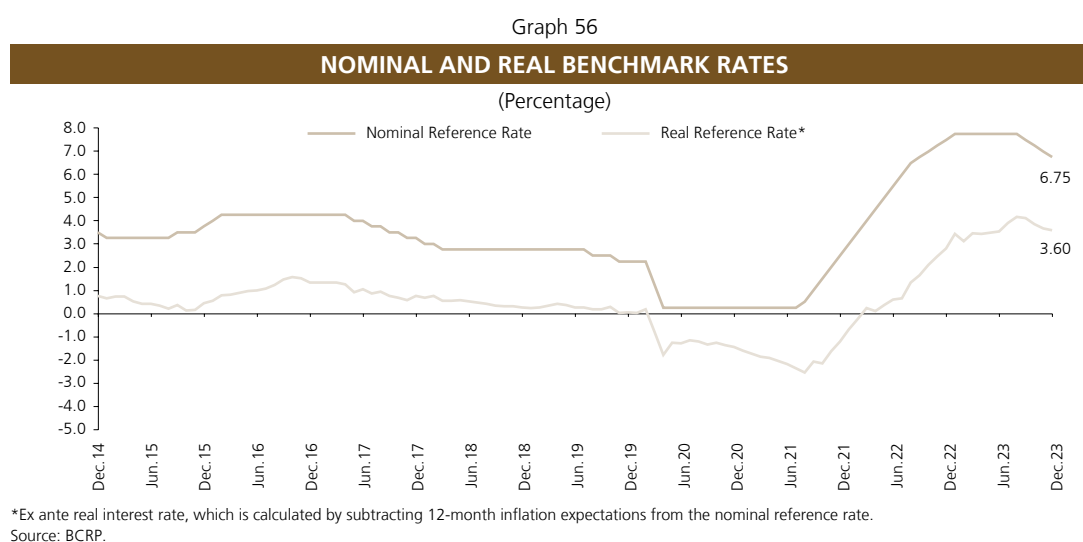


# 05. LIQUIDITY AND CREDIT

## 1. MONETARY POLICY

In January 2023, the Board of Directors of BCRP agreed to raise the BCRP benchmark rate by 25 basis points to 7.75 percent, continuing the sequence of rate hikes initiated in August 2021, in response to the significant increase in inflation at the global level. Subsequently, between February and August 2023, the Board decided to keep the benchmark rate unchanged, and then between September and December 2023 reduced it by 25 basis points each time, bringing the benchmark rate from 7.75 to 6.75 percent (a 100 basis point cut).

The monthly decision on the benchmark rate takes into account inflation forecasts and inflation determinants, such as the evolution of the output gap, changes in international prices, the exchange rate, supply factors and inflation expectations of economic agents.



The decisions to **maintain** the benchmark rate, **adopted between February and August 2023**, were based on the following information:

- i. The twelve-month inflation rate decreased from 8.66 percent in January 2023 to 5.88 percent in July 2023. The twelve-month non-food and energy inflation rate decreased from 5.80 percent in January 2023 to 3.89 percent in July 2023. Both indicators declined from 5.80 percent in

January 2023 to 3.89 percent between June and July 2023, but continued to remain above the upper limit of the inflation target range.

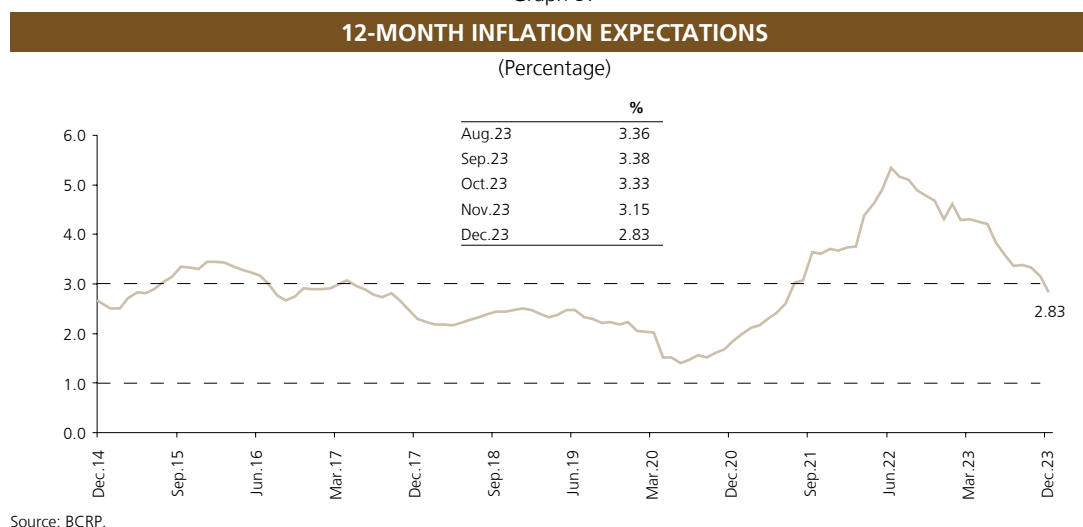
- ii. The strong increase in international energy and food prices since the second half of 2021, accentuated by international conflicts, led to a strong increase in global inflation rates at the global level in magnitudes not seen in many years and towards levels significantly above the inflation targets of central banks, although in most countries a downward trend had been observed. In the Peruvian case, there were recorded transitorily effects on inflation due to restrictions in the supply of some food products, which began to dissipate in June.
- iii. It was projected that year-on-year inflation would continue to decline in the following months, which would be close to the target range by the end of the year and would reach that range at the beginning of next year, due to the moderation of the effect of international food and energy prices, the reversion of supply shocks in the agriculture sector and a reduction in inflation expectations for the rest of 2023. However, there were risks associated with climatic factors.
- iv. Twelve-month inflation expectations declined from 4.62 percent in January 2023 to 3.57 percent in July 2023, still above the inflation target range.
- v. Most leading indicators and expectations for the economy were in the pessimistic range. Shocks related to social conflicts and the coastal El Niño had a greater impact on economic activity and domestic demand than expected.
- vi. The outlook for growth in world economic activity pointed to a moderation, although global risk remained due to the effects of restrictive monetary policy in advanced economies and international conflicts.

For its part, the decisions to **reduce** the benchmark rate, **adopted between September and December 2023**, took into account the following:

- i. The twelve-month inflation rate decreased from 5.58 percent in August 2023 to 3.64 percent in November 2023. The twelve-month non-food and energy inflation rate decreased from 3.81 percent in August 2023 to 3.09 percent in November 2023. Both indicators have declined since the beginning of 2023, but remained above the upper limit of the inflation target range.
- ii. After the significant increase in inflation rates at the global level since the second half of 2021, in most countries a downward trend was observed during the year, more marked since June in the Peruvian case, as some of the transitory effects on inflation due to restrictions in the supply of certain foodstuffs dissipated.
- iii. Year-on-year inflation was projected to reach the target range in early 2024 and year-on-year inflation excluding food and energy was projected to be within the target range by the end of 2023. This was explained by the moderation of the effect of international prices of several items, the reversal of supply shocks in the agricultural sector and the projected reduction in inflation expectations. However, there were risks associated with climatic factors, mainly from the El Niño phenomenon.
- iv. Twelve-month inflation expectations were reduced from 3.36 percent in August 2023 to 3.15 percent in November 2023, still above the inflation target range. It is worth mentioning that, as of December 2023, twelve-month inflation expectations stood at 2.83 percent, within the BCRP's target range.
- v. Most leading indicators and expectations for the economy were in the pessimistic range. Economic activity and domestic demand were affected by shocks derived from social conflicts and the coastal El Niño, which had a greater impact than expected.

- vi. The growth outlook for world economic activity pointed to a moderation. In addition, there was greater volatility in international financial markets and there was still global risk due to the effects of international conflicts and lower growth in China.

Graph 57

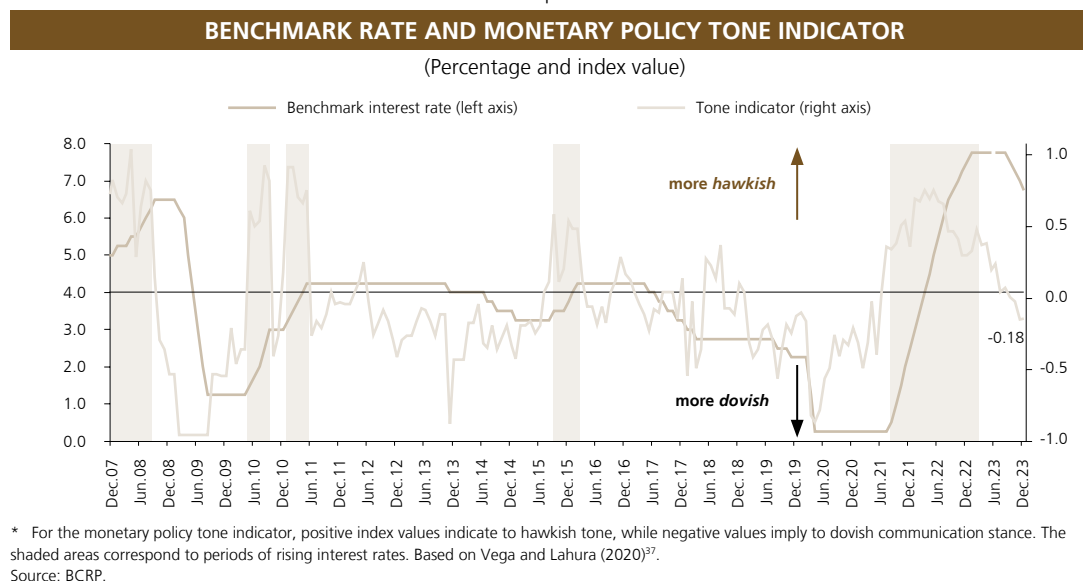


In terms of communication, the Monetary Program briefing notes stated that the future guidance on monetary policy the following:

- In February 2023, in line with the beginning of the pause in the benchmark rate, it was stated that “This decision (the word *pause* was used only in February) does not necessarily imply the end of the cycle of interest rate hikes” and that “Future adjustments in the benchmark rate will be conditional on new information on inflation and its determinants, including the macroeconomic effects of recent social developments”.
- The previous statements maintained the same tenor (except for the allusion to social events, which was removed in May) until August, when the clarification that “this decision does not necessarily imply the end of the interest rate hike cycle” was eliminated.
- In September, with the beginning of the reductions in the reference rate, the statement “This decision does not necessarily imply a cycle of successive interest rate reductions” was added, which was maintained for the rest of the year.
- Throughout the year, the paragraph referring to “The Board of Directors is particularly attentive to new information regarding inflation and its determinants, including the evolution of inflation expectations and economic activity, in order to consider, if necessary, changes in the monetary policy stance. The Board reaffirms its commitment to take the necessary actions to ensure the return of inflation to the target range over the forecasts horizon”. The only modification was made in February when the condition “if necessary” was added.

Regarding the tone and communication signals of monetary policy, the tone indicator used by the BCRP recorded a decreasing trend during 2023, and reached between November and December its lowest levels of the year. Since September 2023, coinciding with the first decision to reduce the reference rate, this index was compatible with a *dovish* monetary policy stance.

Graph 58

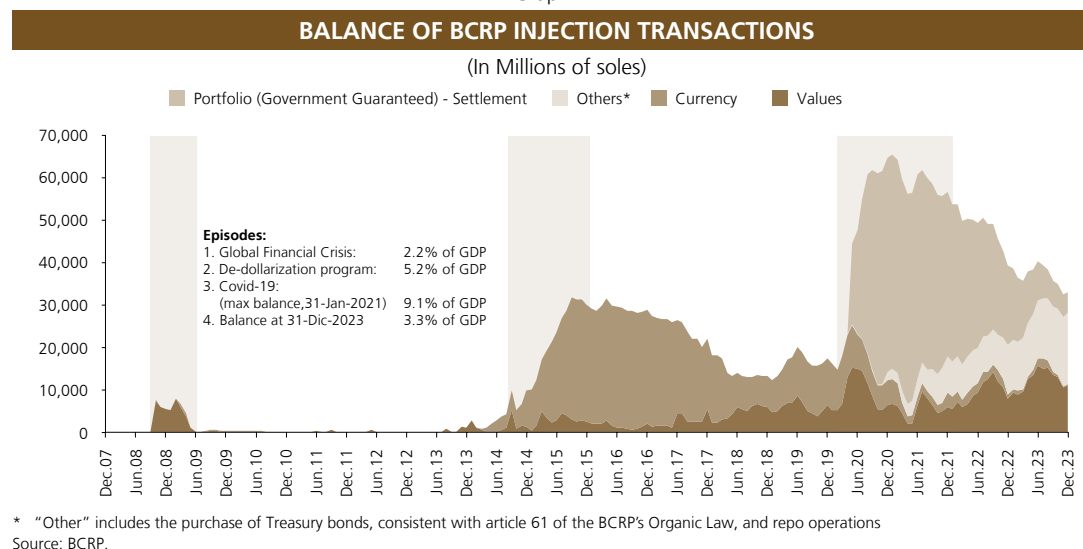


## Monetary operations

The balance of liquidity injection operations in domestic currency decreased from S/ 39,288 million at the end of 2022 to S/ 33,052 million at December 31, 2023, mainly explained by the amortization of Loan portfolio repos guaranteed by the National Government- from the Reactiva Perú program (S/ 13,884 million). This balance of liquidity injection operations is equivalent to 3.3 percent of GDP, of which S/ 4,837 million corresponds to the amount settled of government-secured repos of credit portfolio.

In comparative terms, the total balance of liquidity injection operations at the end of 2023 is 4.2 times higher than the maximum balance of these operations reached during the 2008-2009 international financial crisis (S/ 7,877 million), 1.0 times the maximum balance reached during the period of falling commodity prices (2013-2016) and the de-dollarization program (S/ 31,789 million), and 0.5 times the maximum balance recorded during the COVID-19 pandemic (S/ 65,339 million).

Graph 59



<sup>37</sup> Vega, M. and E: Lahura (2020). Assessing central bank communication through monetary policy statements: Results for Colombia, Chile and Peru. Working Papers 2020-017, Central Reserve Bank of Peru

Table 60

BALANCE OF BCRP INJECTION TRANSACTIONS									
(In Millions of soles)									
Episode	Date	Values	Currency (Regular)	Currency (Expansion)	Currency (Replacement)	Portfolio (Warranty and Alternative)	Portfolio (Warranty State) - Liquidation	Others*	Total
Financial Crisis 2008-2009	Oct.08	7,383	300	0	0	0	0	0	7,683
	Nov.08	5,959	30	0	0	0	0	0	5,989
	Dec.08	5,412	0	0	0	0	0	0	5,412
	Jan.09	5,239	0	0	0	0	0	0	5,239
	Feb.09	7,877	0	0	0	0	0	0	7,877
	Mar.09	5,989	735	0	0	0	0	0	6,724
De-dollarization Program	Dec.14	1,300	8,600	0	0	0	0	0	9,900
	Mar.15	4,900	8,600	2,200	1,500	0	0	0	17,200
	Jun.15	2,631	11,500	5,100	4,305	0	0	0	23,536
	Sep.15	3,034	16,050	7,900	4,805	0	0	0	31,789
	Dec.15	2,500	14,900	7,900	4,805	0	0	0	30,105
COVID-19 crisis	Jun.20	14,947	8,095	0	0	260	24,338	0	47,640
	Sep.20	8,604	5,895	0	0	304	47,002	0	61,805
	Dec.20	6,309	5,970	0	0	464	50,729	1,321	64,793
	Mar.21	4,454	2,430	0	0	1,491	49,907	1,321	59,603
	Jun.21	6,476	1,922	0	0	2,330	47,968	2,078	60,773
	Sep.21	6,470	1,842	0	0	4,512	43,770	2,078	58,672
Post-pandemic	Dec.21	5,963	3,342	0	0	6,441	38,827	2,078	56,651
	Jan.23	9,348	782	0	0	6,335	16,892	5,313	38,670
	Feb.23	8,908	782	0	0	6,329	15,075	5,313	36,407
	Mar.23	9,508	582	0	0	6,320	13,478	5,823	35,712
	Apr.23	12,458	482	0	0	6,315	12,075	6,464	37,794
	May.23	13,358	1,197	0	0	6,310	10,311	7,087	38,263
	Jun.23	15,558	1,797	0	0	6,306	9,224	7,483	40,368
	Jul.23	15,003	2,257	0	0	6,299	7,785	7,869	39,214
	Aug.23	15,203	1,697	0	0	6,292	6,919	8,333	38,445
	Sep.23	13,492	732	0	0	6,287	6,328	8,935	35,774
	Oct.23	13,042	317	0	0	6,280	5,736	9,553	34,929
	Nov.23	10,517	262	0	0	6,272	5,285	10,095	32,431
	Dec.23	11,032	227	0	0	6,264	4,837	10,692	33,052

\* The item "Others" includes the purchase of Public Treasury bonds, in line with article 61 of the BCRP's Organic Law.  
Source: BCRP.

The balance of injection operations has been decreasing, given the amortizations of the Reactiva Perú program that imply a decrease in the balance of credit repos guaranteed by the National Government. This dynamic was partially offset by purchases of Public Treasury Bonds and the periodic placement of injection instruments such as Securities Repo.

Table 61

LIQUIDITY INJECTION PROGRAMS					
(In Billions of soles)					
Program	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23
Credit repos guaranteed by the National Government	0.0	50.7	38.8	18.7	4.8
of which: repo balance for rescheduling	0.0	0.0	14.1	11.3	4.7
Credit rescheduling repos	0.0	0.5	4.8	4.7	4.6
Long-term credit expansion repos	0.0	1.3	5.5	5.4	5.0
Purchase of Treasury Bonds*	0.0	1.3	2.1	5.3	10.7
Rest **	17.4	11.0	5.4	5.2	7.9
<b>Total</b>	<b>17.4</b>	<b>64.8</b>	<b>56.7</b>	<b>39.3</b>	<b>33.1</b>

\* At liquidated value.

\*\* Regular repos such as securities and currency repos.

Source: BCRP.

During 2023, the BCRP purchased Public Treasury Bonds (BTP) with maturities between 2028 and 2040. These operations are part of the group of instruments available to the BCRP to permanently inject liquidity into the financial system. In circumstances in which they are considered necessary, these operations are carried out in a preventive manner and are specifically oriented to an adequate regulation of the financial system's liquidity. Thus, since March 2023, BTP auctions were called for a total settled value of S/ 5,379 million. This value, added to the purchases made in previous years, implies a settled balance of BTP purchases by the BCRP of S/ 10,692 million at the end of 2023.

Likewise, the increase in 2023 of holdings of securities issued by the Public Treasury in the secondary market amounted to S/ 4,573 million, where such flow considers the repurchase of global bonds by the Public Treasury from the BCRP in June 2023 (amount equivalent to S/ 806 million at the original settlement exchange rate) within the framework of the OAD. It should be pointed out that Article 61 of the BCRP's Organic Law establishes that the issuing entity is empowered to purchase in the secondary market securities issued by the Public Treasury, as long as the annual increase in the holdings of such securities, valued at their acquisition price, does not exceed 5 percent of the balance of the monetary base at the close of the preceding year.

Table 62

PURCHASES OF TREASURY BONDS				
(In Millions of soles)				
Bond	Expiration Date	Nominal Amount	Settlement Amount	Operations
BTP 2028	12 Aug.28	254	238	6
BTP 2029	12 Feb.29	1,075	1,052	24
BTP 2031	12 Aug.31	979	943	22
BTP 2032	12 Aug.32	970	973	23
BTP 2033	12 Aug.33	873	911	27
BTP 2034	12 Aug.34	432	374	13
BTP 2037	12 Aug.37	479	476	15
BTP 2040	12 Aug.40	489	413	14
<b>TOTAL 2023</b>		<b>5,551</b>	<b>5,379</b>	<b>144</b>

Source: BCRP.

## Reserves

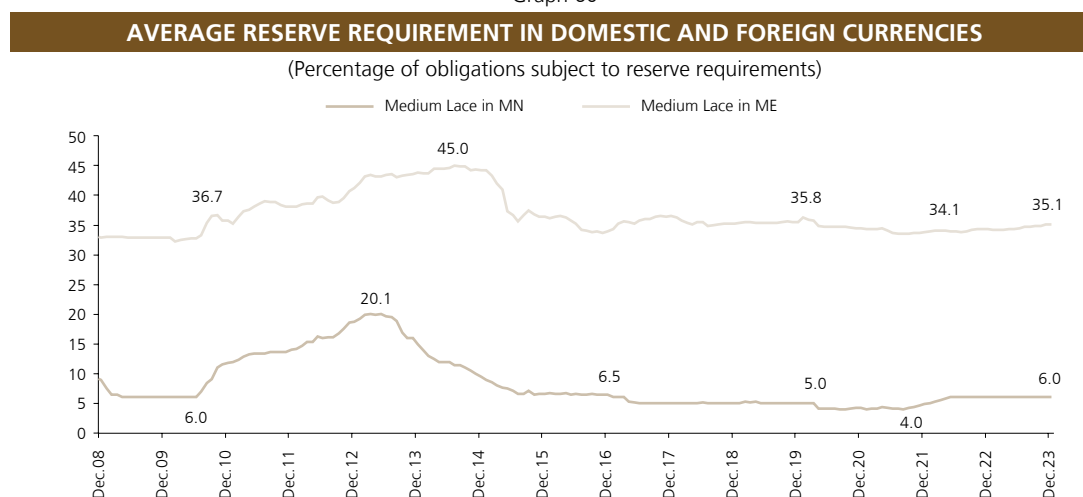
In June 2023, **Circular 0011-BCRP** on Reserve requirements in foreign currency was approved. This Circular indicated that, as of July 2023, the computation of the additional reserve requirement has been modified based on the evolution of total credit in foreign currency. Thus, for those financial institutions whose average daily balance of total credits in foreign currency is lower than USD 200 million as of June 2023, the limit will be USD 200 million. For the rest, the limit in force as of June 2023 will apply. These limits will be increased by an amount equivalent to 30 percent of the accumulated flow of average credit in domestic currency as of June 2023, provided it is positive.

The following are excluded from the calculation of the average daily balance of total credits in foreign currency: (i) credits destined to foreign trade and those granted as of January 1, 2015 with a term greater than 3 years and an amount greater than USD 10 million; (ii) up to USD 500 million, credits granted as of July 1, 2023 with a term greater than 1 year and an amount greater than USD 5 million. For the calculation of the average accumulated flow of credit in domestic currency, loans under the Reactiva Perú Program, mortgage, consumer and foreign trade loans are excluded.

Additionally, the aforementioned Circular established an increase in the reserve requirement rate for obligations with average maturity terms equal to or less than 2 years with foreign financial institutions (special reserve requirement regime) from 9 to 35 percent, for obligations contracted as of July 1, 2023. At the end of 2023, the average reserve requirement rates in Sol and dollars are 6.0 and 35.1 percent, respectively. It should be noted that the reserve requirement rate in dollars is

higher than that in Sol for macroprudential purposes in order to promote financial intermediation in Sol, since the BCRP is the lender of last resort. Sol only in domestic currency.

Graph 60



Source: BCRP.

## 2. INTEREST RATES

The evolution of the interbank rate closely followed the BCRP monetary policy benchmark rate. During the year, there was an increase of 0.25 percentage points in January and, subsequently, a reduction of 1.0 percentage point between September and December of the same year. Coincidentally, the monthly average interbank interest rate in Sol decreased 0.6 percentage points, to accumulate an annual average of 6.9 percent. Interest rates on deposits and loans in Sol recorded mixed variations depending on the type of deposit or loan. On the one hand, interest rates paid by preferential clients, as well as those paid by large and medium-sized companies, were reduced. On the other hand, interest rates for microcredits and consumer loans increased.

Table 63

INTEREST RATES FOR SOL OPERATIONS				
(Percentages)				
	2021	2022	2023	Percentage points change 2023/2022
Interbank	2.3	7.5	6.9	-0.6
Deposits up to 30 days 1/	0.7	3.7	3.3	-0.4
Deposits from 30 to 60 days 1/	0.8	3.7	6.1	2.4
Deposits from 60 to 180 days 1/	0.9	4.8	5.9	1.1
Deposits from 180 to 360 days 1/	2.9	6.9	5.0	-1.9
Deposits over 360 days 1/	3.1	5.9	5.0	-0.9
Preferred 90-day asset	2.9	8.7	7.7	-1.1
Large companies	5.7	10.6	10.2	-0.4
Medium-sized enterprises	8.8	14.1	13.3	-0.8
Small business	19.3	22.5	22.9	0.3
Micro business	32.3	36.3	37.7	1.4
Micro business 2/	38.8	39.3	43.9	4.6
Consumer	41.8	49.6	56.9	7.3
Consumer 2/	40.4	47.7	54.3	6.6
Mortgage	6.9	9.9	9.1	-0.8
FTAMN 3/	20.8	28.3	28.4	0.1

1/ Deposit rates correspond to natural persons.

2/ Corresponds to the average interest rates of the financial system.

3/ Average market lending rate for the last 30 days.

Source: SBS - Average interest rates of banks

For its part, interest rates in dollars did not have a defined trend and their behavior was associated with the evolution of international interest rates and the margins of each line of business.

Table 64

INTEREST RATES FOR OPERATIONS IN DOLLARS				
(Percentages)				
	2021	2022	2023	Variation in percentage points 2023/2022
3-month Libor	0.2	4.7	5.6	0.9
Interbank	0.3	4.2	5.5	1.3
Deposits up to 30 days 1/	0.1	1.1	3.4	2.3
Deposits from 30 to 60 days 1/	0.2	1.7	3.8	2.1
Deposits from 60 to 180 days 1/	0.3	2.1	3.2	1.2
Deposits from 180 to 360 days 1/	0.4	3.2	2.7	-0.6
Deposits over 360 days 1/	0.8	2.9	3.0	0.1
Preferred 90-day asset	1.0	5.5	6.3	0.8
Large companies	4.3	7.8	8.8	1.0
Medium-sized enterprises	5.9	8.8	9.8	1.1
Small business	10.3	12.2	13.2	1.0
Micro business	7.4	12.7	15.5	2.8
Micro business 2/	17.1	9.4	16.1	6.7
Consumer	33.4	41.0	45.9	4.9
Consumer 2/	33.9	37.1	40.8	3.7
Mortgage	5.0	8.3	7.9	-0.4
FTAMEX 3/	8.0	11.4	13.5	2.1

1/ Deposit rates correspond to natural persons.  
2/ Corresponds to the average interest rates of the financial system.  
3/ Average market lending rate for the last 30 days.  
Source: SBS - Average interest rates of banks.

### 3. MONETARY AGGREGATES AND CREDIT

Credit growth to the private sector was lower than in previous years. This was due to the amortization of credits granted by the financial reactivation programs promoted by the government to counterbalance the recessionary effect of the COVID-19 pandemic. This caused credit to companies to shrink by 2.3 percent per year, and an expansion of 3.7 percent if the amortization of loans from the aforementioned programs is not taken into account. This particularly affected credit to the medium-size business sector, which recorded a contraction of 11.7 percent per year compared to a possible expansion of 1.5 percent without the amortizations of loans granted under the programs with National Government guarantees.

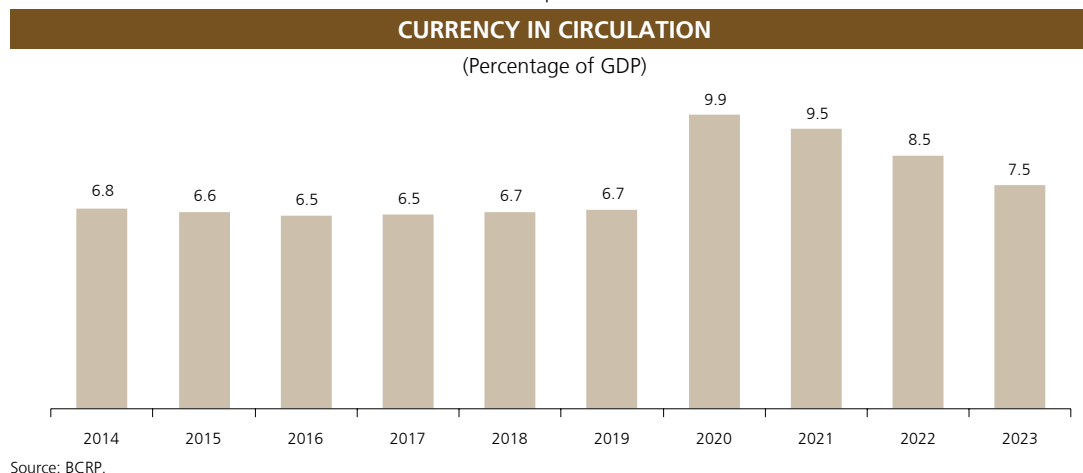
The lower dynamism of credit was observed mainly in domestic currency, which grew by 0.8 percent, while credit in dollars increased by 3.1 percent. Thus, the dollarization ratio of credit increased from 22.9 percent in December 2022 to 23.3 percent in December 2023.

#### 3.1 CURRENCY IN CIRCULATION

Currency in circulation in the hands of the public as of December 2023 represented 7.5 percent of GDP, a decrease from the value recorded in December 2022 (8.5 percent).



Graph 61



### 3.2 LIQUIDITY

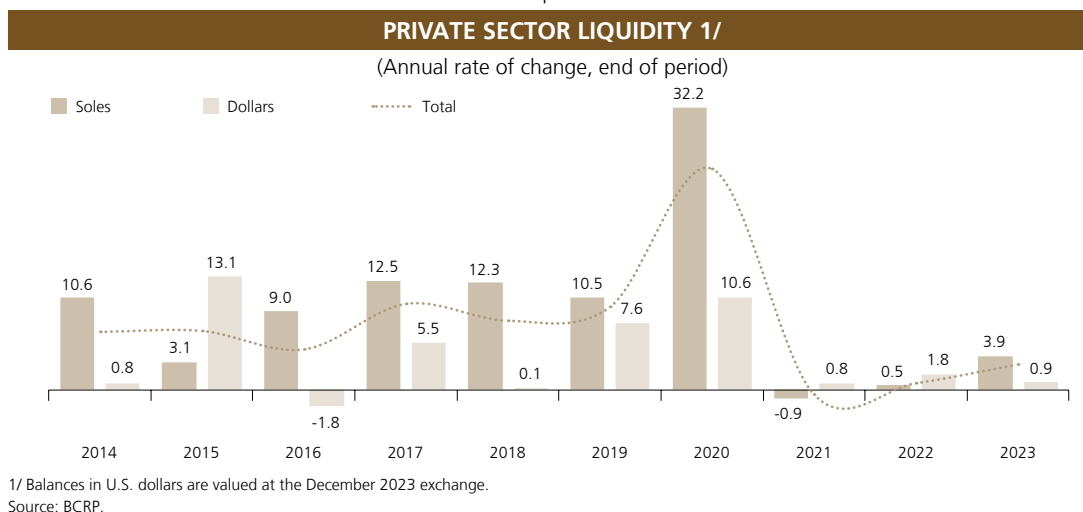
During 2023 private sector liquidity recorded a growth rate of 3.0 percent, however, as a percentage of GDP, the value of that aggregate decreased from 47.5 percent in 2022 to 45.5 percent in 2023.

By type of liabilities, the components that grew the most were demand and term deposits, excluding in the latter case deposits for service time compensation (CTS). Savings deposits, on the other hand, decreased. According to currencies, the growth of deposits in Sol was higher than that of dollar deposits: 5.2 percent versus 1.2 percent.

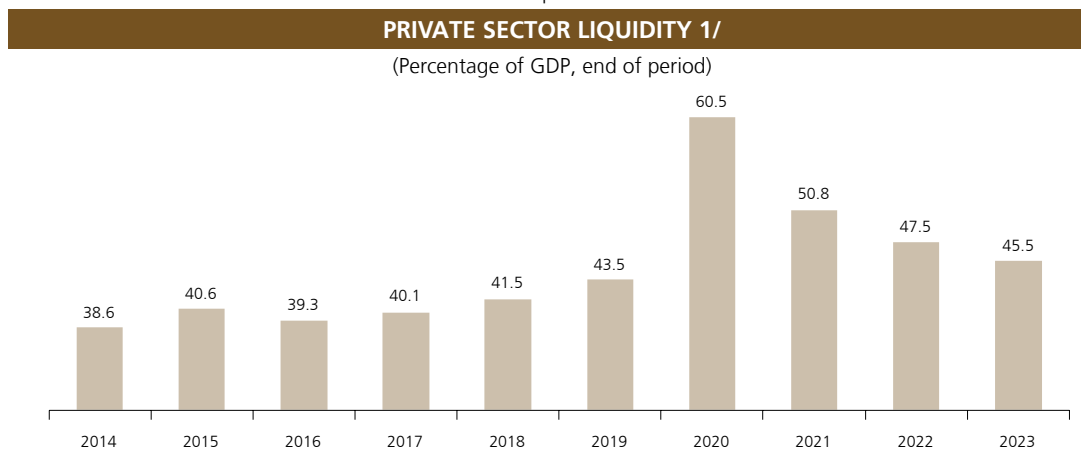
By type of depositor, deposits held by individuals and non-profit legal entities increased (3.5 percent), as did those held by companies (4.2 percent).

The dollarization ratio of liquidity at constant exchange rates declined by an average of 0.6 percentage points, from 29.1 percent in December 2022 to 28.5 percent in December 2023. For deposits, dollarization decreased from 35.0 percent to 34.1 percent. The dollarization of nonprofit deposits decreased from 31.4 percent to 31.3 percent, while that of for-profit deposits decreased from 40.5 percent to 38.4 percent.

Graph 62



Graph 63



1/ Balances in dollars are valued at the average end-of-period buying and selling exchange rates.  
Source: BCRP.

Table 65

	Balances in millions of soles			Growth rates (%)	
	2021	2022	2023	2022	2023
<b>Currency in circulation</b>	<b>83,058</b>	<b>79,890</b>	<b>75,399</b>	<b>-3.8</b>	<b>-5.6</b>
<b>Money</b>	<b>144,621</b>	<b>136,968</b>	<b>137,087</b>	<b>-5.3</b>	<b>0.1</b>
<b>Deposits 1/</b>	<b>347,334</b>	<b>352,503</b>	<b>365,931</b>	<b>1.5</b>	<b>3.8</b>
<b>In Domestic currency</b>	<b>225,538</b>	<b>229,083</b>	<b>240,993</b>	<b>1.6</b>	<b>5.2</b>
Demand deposits	61,563	57,078	61,688	-7.3	8.1
Savings deposits	106,469	95,254	91,641	-10.5	-3.8
Term deposits	57,506	76,751	87,665	33.5	14.2
Term deposits excluding CTS	48,226	68,259	80,507	41.5	17.9
CTS	9,280	8,492	7,157	-8.5	-15.7
<b>In Foreign currency (Mills USD)</b>	<b>32,829</b>	<b>33,267</b>	<b>33,676</b>	<b>1.3</b>	<b>1.2</b>
Demand deposits	13,523	11,887	12,080	-12.1	1.6
Savings deposits	12,035	12,135	10,667	0.8	-12.1
Term deposits	7,271	9,244	10,930	27.1	18.2
Term deposits excluding CTS	6,531	8,567	10,387	31.2	21.2
CTS	740	677	542	-8.4	-19.9
<b>Liquidity 1/</b>	<b>437,552</b>	<b>441,420</b>	<b>454,702</b>	<b>0.9</b>	<b>3.0</b>
In soles	311,331	312,966	325,057	0.5	3.9
In dollars (Millions of USD)	34,022	34,624	34,945	1.8	0.9

1/ Balances in U.S. dollars are valued at the December 2023 exchange rate.  
Source: BCRP.

Table 66

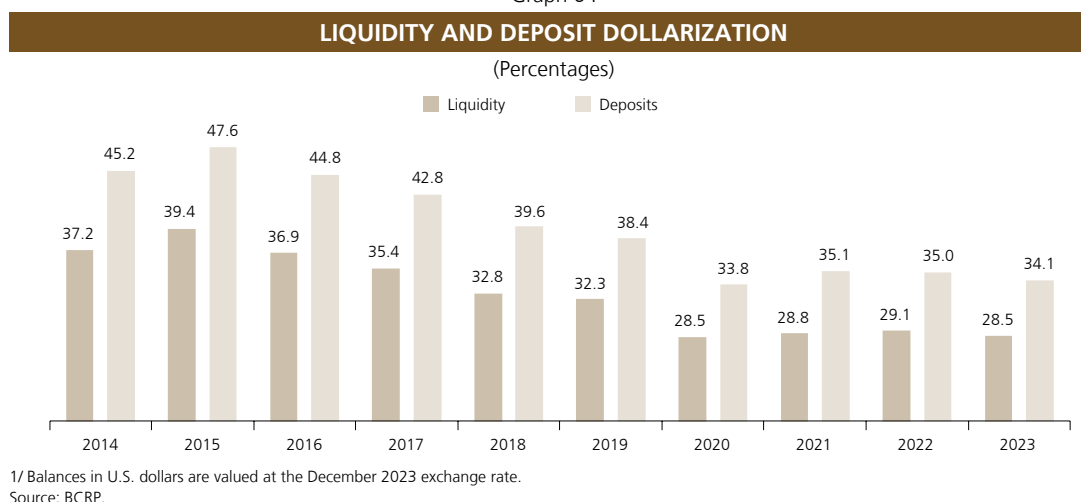
	Balances in Millions of soles			Growth rates (%)	
	2021	2022	2023	2022	2023
<b>Individuals 2/</b>	<b>203,002</b>	<b>212,144</b>	<b>219,667</b>	<b>4.5</b>	<b>3.5</b>
In soles	142,160	145,520	150,876	2.4	3.7
In dollars (Millions of USD)	16,399	17,958	18,542	9.5	3.3
<b>Companies</b>	<b>144,332</b>	<b>140,359</b>	<b>146,264</b>	<b>-2.8</b>	<b>4.2</b>
In soles	83,378	83,563	90,117	0.2	7.8
In dollars (Millions of USD)	16,430	15,309	15,134	-6.8	-1.1
<b>Total</b>	<b>347,334</b>	<b>352,503</b>	<b>365,931</b>	<b>1.5</b>	<b>3.8</b>
In soles	225,538	229,083	240,993	1.6	5.2
In dollars (Millions of USD)	32,829	33,267	33,676	1.3	1.2

1/ Balances in dollars are valued at the exchange rate of December 2023.

2/ Includes non-profit legal entities.

Source: BCRP.

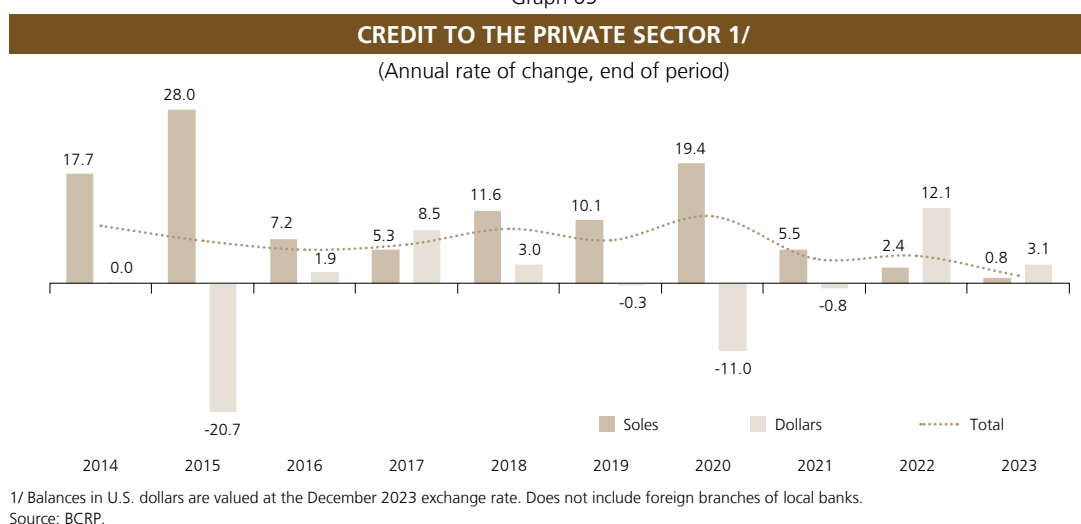
Graph 64



### 3.3 CREDIT TO THE PRIVATE SECTOR

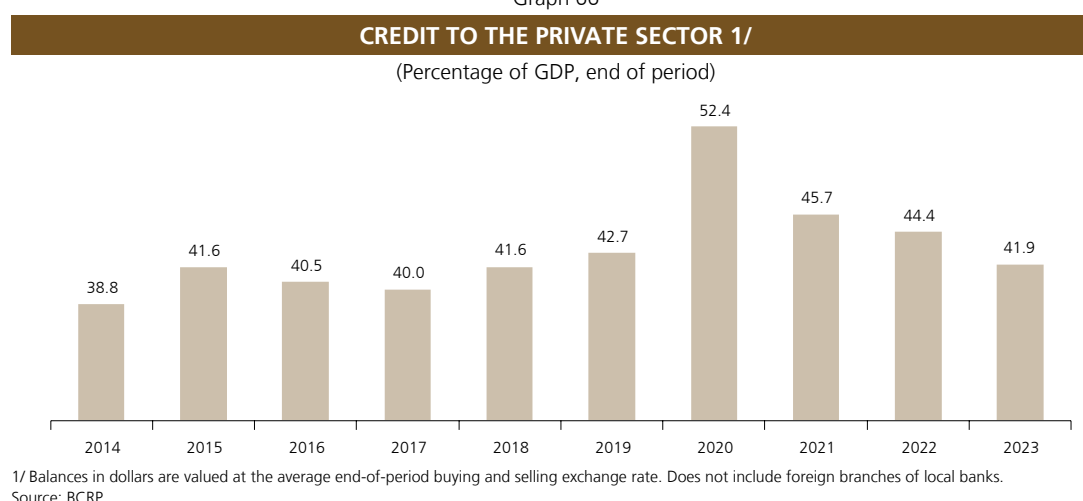
The balance of total credit to the private sector from deposit-creating corporations increased 1.3 percent in 2023, which represented a slowdown from the previous year's expansion (4.5 percent). As a percentage of GDP, the balance of credit to the private sector represented 41.9 percent, down from 44.4 percent in 2022. The non-performing loans rate of deposit-creating corporations increased from 4.0 percent to 4.3 percent.

Graph 65



The slowdown in lending during the year was mainly due to a lower level of economic activity and was reflected in a 2.3 percent drop in the balance of loans to companies. Personal loans, on the other hand, continued to grow (7.1 percent), although at a slower rate than in the previous year.

Graph 66



In the segment of loans to companies, credit to the corporate sector and large companies - which represents the largest percentage of the total - decreased 0.3 percent during the year, despite the fact that the nonperforming loans rate in this segment fell from 1.4 percent to 1.0 percent. Lending to the small and microenterprise segment grew 2.2 percent versus the previous year, even though the non-performing loans rate in this segment increased from 6.4 to 6.9 percent. The medium-sized business segment suffered the largest contraction in loans (-11.7 percent), which was due to the strong increase in its non-performing loans rate, which rose from 11.6 to 13.4 percent.

With respect to personal loans, consumer credit grew 8.3 percent (21.8 percent in 2022) despite an increase in its non-performing loans rate from 2.5 to 3.6 percent (1.1 percentage point). Mortgage credit grew 5.4 percent (8.0 percent in 2022) with a slight increase in its non-performing loans from 2.6 to 2.7 percent. Within consumer loans, vehicle loans increased 11.4 percent (16.0 percent in 2022) and credit card loans rose 10.4 percent (32.7 percent in the previous year).

Table 67

<b>CREDIT TO THE PRIVATE SECTOR TOTAL 1/</b>					
	Balances in Millions of soles			Growth rates (%)	
	2021	2022	2023	2022	2023
<b>Companies</b>	<b>258,616</b>	<b>254,715</b>	<b>248,742</b>	<b>-1.5</b>	<b>-2.3</b>
Corporate and large companies	130,381	131,575	131,242	0.9	-0.3
Medium-sized enterprises	69,852	60,234	53,184	-13.8	-11.7
Small and micro business	58,383	62,906	64,316	7.7	2.2
<b>Individuals</b>	<b>136,690</b>	<b>158,385</b>	<b>169,674</b>	<b>15.9</b>	<b>7.1</b>
Consumer	78,051	95,043	102,925	21.8	8.3
Car loans	2,519	2,922	3,256	16.0	11.4
Credit cards	12,765	16,934	18,693	32.7	10.4
Rest	62,767	75,187	80,976	19.8	7.7
Mortgage	58,638	63,342	66,749	8.0	5.4
<b>TOTAL</b>	<b>395,306</b>	<b>413,100</b>	<b>418,416</b>	<b>4.5</b>	<b>1.3</b>

1/ Balances in U.S. dollars are valued at the December 2023 exchange rate. Does not include foreign branches of local banks.  
Source: BCRP.

By currencies, credit to the private sector in domestic currency grew 0.8 percent during 2023 and credit in dollars grew 3.1 percent. As expected, credit growth in Sol was directed more towards microcredit (small and microenterprise plus personal loans). The expansion of dollar loans was concentrated in the corporate segments and also in consumer loans. The dollarization ratio of credit -valued at constant December 2023 exchange rates- rose from 22.9 percent to 23.3 percent. The dollarization of credit to companies rose from 33.0 percent to 34.9 percent, while the dollarization of credit to individuals fell from 6.7 percent to 6.3 percent

Table 68

CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY					
	Balances in Millions of soles			Growth rates (%)	
	2021	2022	2023	2022	2023
<b>Companies</b>	<b>184,127</b>	<b>170,588</b>	<b>161,830</b>	<b>-7.4</b>	<b>-5.1</b>
Corporate and large companies	73,186	64,563	61,316	-11.8	-5.0
Medium-sized enterprises	54,310	44,803	37,845	-17.5	-15.5
Small and micro business	56,631	61,223	62,669	8.1	2.4
<b>Individuals</b>	<b>126,663</b>	<b>147,787</b>	<b>158,948</b>	<b>16.7</b>	<b>7.6</b>
Consumer	73,860	89,929	97,421	21.8	8.3
Car loans	2,164	2,609	2,930	20.5	12.3
Credit cards	11,162	15,018	16,534	34.6	10.1
Rest	60,534	72,302	77,957	19.4	7.8
Mortgage	52,803	57,858	61,527	9.6	6.3
<b>TOTAL</b>	<b>310,790</b>	<b>318,375</b>	<b>320,779</b>	<b>2.4</b>	<b>0.8</b>

Source: BCRP.

Table 69

CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY 1/					
	Balances in Millions of US dollars			Growth rates (%)	
	2021	2022	2023	2022	2023
<b>Companies</b>	<b>20,078</b>	<b>22,676</b>	<b>23,426</b>	<b>12.9</b>	<b>3.3</b>
Corporate and large companies	15,416	18,063	18,848	17.2	4.3
Medium-sized enterprises	4,189	4,159	4,135	-0.7	-0.6
Small and micro business	472	454	444	-4.0	-2.1
<b>Individuals</b>	<b>2,703</b>	<b>2,856</b>	<b>2,891</b>	<b>5.7</b>	<b>1.2</b>
Consumer	1,130	1,379	1,483	22.0	7.6
Car loans	96	84	88	-11.8	4.0
Credit cards	432	516	582	19.5	12.7
Rest	602	778	814	29.2	4.6
Mortgage	1,573	1,478	1,408	-6.0	-4.8
<b>TOTAL</b>	<b>22,781</b>	<b>25,532</b>	<b>26,317</b>	<b>12.1</b>	<b>3.1</b>

1/ Does not include foreign branches of local banks.

Source: BCRP.

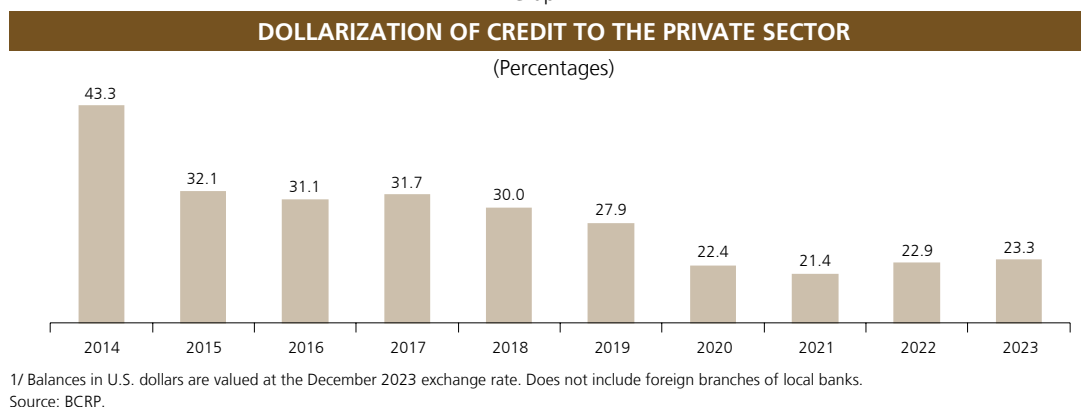
Table 70

DOLLARIZATION OF CREDIT TO THE PRIVATE SECTOR 1/			
(Percentage)			
	2021	2022	2023
<b>Companies</b>	<b>28.8</b>	<b>33.0</b>	<b>34.9</b>
Corporate and large companies	43.9	50.9	53.3
Medium-sized enterprises	22.2	25.6	28.8
Small and micro business	3.0	2.7	2.6
<b>Individuals</b>	<b>7.3</b>	<b>6.7</b>	<b>6.3</b>
Consumer	5.4	5.4	5.3
Vehicular	14.1	10.7	10.0
Credit cards	12.6	11.3	11.5
Rest	3.6	3.8	3.7
Mortgage	10.0	8.7	7.8
<b>TOTAL</b>	<b>21.4</b>	<b>22.9</b>	<b>23.3</b>

1/ Balances in U.S. dollars are valued at the December 2023 exchange rate. Does not include foreign branches of local banks.

Source: BCRP.

Graph 67



As of 2023, the annual rate of change of credit in domestic currency for the corporate and large company segment was -5.0 percent; for medium-size companies, -15.5 percent; and for MSEs, 2.4 percent. However, if the effect of reclassification between enterprise segments is omitted, the corporate and large enterprise segment would have decreased by 6.1 percent, the medium enterprise segment would have decreased by 19.2 percent, and MSEs would have grown by 6.2 percent. A company could move to a higher (lower) segment if its level of indebtedness or level of sales increases (falls).

Table 71

	Balances (Millions of S/)			Growth rates (%)					
	Dec.21	Dec.22	Dec.23	Dec.21/Dec.20		Dec.22/Dec.21		Dec.23/Dec.22	
				Without Reclassif.	With Reclassif.	Without Reclassif.	With Reclassif.	Without Reclassif.	With Reclassif.
<b>Credit to companies</b>	<b>184,127</b>	<b>170,588</b>	<b>161,830</b>	<b>4.8</b>	<b>4.8</b>	<b>-7.4</b>	<b>-7.4</b>	<b>-5.1</b>	<b>-5.1</b>
Corporate and large companies	73,186	64,563	61,316	7.0	10.5	-11.5	-11.8	-6.1	-5.0
Medium-sized enterprises	54,310	44,803	37,845	-3.3	2.2	-22.0	-17.5	-19.2	-15.5
Small and microbusiness	56,631	61,223	62,669	9.7	0.4	12.1	8.1	6.2	2.4

Source: CCR and Trial Balance.

The variation in loans to medium-sized companies in domestic currency is mainly explained by the variation in the credit balances of the Reactiva program, since, in 2020, the increase was due to this liquidity injection program and, on the other hand, between 2022 and 2023, the negative flows go hand in hand with the amortizations and cancellations of Reactiva. The latter was in part offset in part by new loans to this segment and by the balances of companies reclassified to this segment.

Table 72

	Flows (Millions of S/)			
	2020/2019	2021/2020	2022/2021	2023/2022
<b>Total</b>	<b>25,384</b>	<b>1,212</b>	<b>-9,121</b>	<b>-6,845</b>
Reactiva	25,652	-3,006	-11,203	-7,612
New credits 1/	5,182	5,776	5,367	5,162
Reclassification 2/	6,342	2,949	2,414	1,630
Punished 3/	-78	-159	-562	-215
Rest 4/	-11,714	-4,348	-5,137	-5,811
<b>Total Balance</b>	<b>52,714</b>	<b>53,926</b>	<b>44,805</b>	<b>37,960</b>

1/ Compares both months in question. Excludes new loans associated with Reactiva.

2/ Represents the difference between the balances reclassified to medium-size companies minus what was no longer in that segment.

3/ Change in the balance of written-off loans (as to contribution to EBITDA).

4/ Includes amortizations, cancellations, among others

Source: CCR.

### 3.4 CREDITS REPROGRAMMED

One of the measures to mitigate the effect of the COVID-19 pandemic during 2020 was the rescheduling of loans. Consistent with the normalization of the health situation, during the course of the year, a decrease in the number of rescheduled loans continued to be observed. When analyzed by segment, the largest reduction between the end of 2022 and 2023 occurred in loans granted to small and medium-sized companies. Likewise, during the period between November and December 2023, these two segments experienced the largest decrease in loan rescheduling.

Table 73

BALANCE OF RESCHEDULED LOANS 1/										
	Balances (Millions S/)								Flows (Millions S/)	
	Dec.22	Jun.23	Jul.23	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Dec.23/ Dec.22	Dec.23/ Nov.23
Corporate	619	122	118	115	98	91	87	70	-550	-17
Large	1,241	879	815	802	779	751	584	529	-712	-55
Medium	3,535	2,939	2,785	2,689	2,550	2,488	2,000	1,863	-1,672	-137
Small	2,059	1,407	1,254	1,148	1,028	983	661	565	-1,494	-96
Micro	189	142	121	103	87	84	53	45	-145	-8
Consumer	1,704	1,073	987	917	842	791	623	550	-1,153	-72
Mortgage	3,636	3,211	3,131	3,048	2,971	2,926	2,624	2,547	-1,088	-77
Total	12,982	9,773	9,211	8,822	8,356	8,114	6,632	6,169	-6,813	-463

1/ Balances in U.S. dollars are valued at the period-end accounting exchange rate.  
Source: Audited balance sheets of depository corporations.

Meanwhile, by type of financial institutions, the largest declines occurred in banks and municipal savings banks compared to 2022 and in rural banks and savings banks compared to November 2023.

Table 74

Table 74

BALANCE OF RESCHEDULED LOANS 1/										
	Balances (Millions S/)								Flows (Millions S/)	
	Dec.22	Jun.23	Jul.23	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Dec.23/ Dec.22	Dec.23/ Nov.23
Banks	10,105	7,993	7,564	7,324	7,005	6,806	5,821	5,513	-4,591	-307
Financial	448	227	215	195	174	168	128	98	-349	-30
Municipal cash registers	2,201	1,439	1,320	1,222	1,096	1,060	605	551	-1,650	-54
Rural banks	229	114	112	81	81	80	78	6	-223	-72
<b>Total</b>	<b>12,982</b>	<b>9,773</b>	<b>9,211</b>	<b>8,822</b>	<b>8,356</b>	<b>8,114</b>	<b>6,632</b>	<b>6,169</b>	<b>-6,813</b>	<b>-463</b>

1/ Balances in U.S. dollars are valued at the period-end accounting exchange rate.  
Source: Audited balance sheets of depository corporations.

## 4. GLOBAL FINANCING TO THE PRIVATE SECTOR

In addition to credit from deposit-creating corporations, global financing to the private sector includes financing through other financial institutions such as mutual funds, insurance companies and private pension funds, as well as direct foreign loans to companies. During the year, overall financing grew 1.4 percent (2.8 percent in 2022).

Table 75

FINANCING EXTENDED TO THE PRIVATE SECTOR 1/					
	Balances in Millions of soles			Growth rates (%)	
	2021	2022	2023	2022	2023
<b>I. CREDIT OF DEPOSITORY CORPORATIONS</b>	<b>395,306</b>	<b>413,100</b>	<b>418,416</b>	<b>4.5</b>	<b>1.3</b>
Domestic currency	310,790	318,375	320,779	2.4	0.8
Foreign currency (Millions of USD)	22,781	25,532	26,317	12.1	3.1
Dollarization (%)	21.4	22.9	23.3		
<b>II. CREDIT FROM OTHER FINANCIAL COMPANIES 2/</b>	<b>42,520</b>	<b>41,058</b>	<b>40,855</b>	<b>-3.4</b>	<b>-0.5</b>
Domestic currency	26,594	25,961	26,464	-2.4	1.9
Foreign currency (Millions of USD)	4,293	4,069	3,879	-5.2	-4.7
Dollarization (%)	37.5	36.8	35.2		
Of which:				-	-
AFPs Credit	17,415	14,341	13,185	-17.7	-8.1
Mutual fund credit	2,471	2,152	1,917	-12.9	-10.9
Insurance credit	15,484	16,836	18,761	8.7	11.4
<b>III. EXTERNAL INDEBTEDNESS (Millions of USD)</b>	<b>105,626</b>	<b>104,356</b>	<b>107,013</b>	<b>-1.2</b>	<b>2.5</b>
	<b>28,471</b>	<b>28,128</b>	<b>28,844</b>	<b>-1.2</b>	<b>2.5</b>
Short-term (Millions of USD)	4,334	3,958	4,216	-8.7	6.5
Medium and long term (Millions of USD)	24,137	24,170	24,628	0.1	1.9
<b>IV. TOTAL</b>	<b>543,452</b>	<b>558,514</b>	<b>566,284</b>	<b>2.8</b>	<b>1.4</b>
Domestic currency	337,383	344,336	347,243	2.1	0.8
Foreign currency (Millions of USD)	55,544	57,730	59,041	3.9	2.3
Dollarization (%)	37.9	38.3	38.7		

1/ Balances in U.S. dollars are valued at the December 2023 exchange rate.

2/ Includes loans and fixed-income investments by institutional investors.

Source: BCRP.

The main component of global financing is credit granted by deposit-creating corporations, whose annual growth was 1.3 percent. The second largest component was direct financing obtained by companies from abroad, whose annual expansion was 2.5 percent (-1.2 percent in 2022).

The third component of global financing is direct domestic financing obtained by companies through the capital markets. This source comprises local issues of bonds and other assets through public or private offerings to be acquired by local institutional investors such as AFPs, mutual funds and insurance companies. The balance of this financing decreased 0.5 percent compared to the previous year, which implies that the amount of new issues is lower than the amount of issues redeemed, due to the lower dynamism of the stock market. In other words, companies find it less advantageous under current conditions to finance themselves by issuing securities than by using regular credit channels.

## 5. FINANCIAL INDICATORS

During 2023, the financial system recorded a slight decrease in profitability levels. This was the result of the increase in provision expenses due to the deterioration of credit risk indicators, which occurred in an environment of lower economic growth and due to the effects of weather phenomena and social conflicts. However, the system's main strength remains its comfortable solvency levels.



Bank solvency, measured by the overall capital ratio, remains above the current legal minimum (9 percent until August 2024). This higher level is due, in part, to the regulatory change for the adaptation to Basel III standards, implemented by the SBS since the beginning of 2023. This modification allowed, among other things, to compute all the profits for the year within the Equity.

Table 76

FINANCIAL INDICATORS OF THE BANKS 1/				
(Percentage)				
	2021	2022	2023	Average 2014-2023
Overall capital ratio	14.9	14.4	16.4	14.9
Overdue portfolio/gross placements 2/	3.8	4.0	4.3	3.3
High-risk portfolio/gross placements 3/	5.6	5.7	6.4	4.8
Provision for high-risk placements/portfolio	103.8	102.3	97.7	108.2
Return on equity ratio (ROE)	13.3	17.3	14.3	16.6
Return on Assets Ratio (ROA)	1.4	2.0	1.8	1.8

1/ Includes Bank of China as of 2020, and Bci as of 2022.

2/ The past-due portfolio is equal to the past-due portfolio and the portfolio in judicial collection.

3/ The high-risk portfolio is equal to the overdue portfolio plus the refinanced and restructured portfolio.

Source: Superintendency of Banking, Insurance and AFPs.

In 2023, banks' non-performing loans ratio recorded a moderate increase, mainly due to consumer loans (the non-performing loans ratio increased from 2.7 to 4.0 percent) and, to a lesser extent, to the arrears observed in small and medium-sized companies. As a result, banks have been making larger write-offs in order to control credit risk indicators.

Table 77

BANKS: OVERDUE PORTFOLIO BY DEBTOR TYPE AND SIZE 1/				
(Percentage)				
	2021	2022	2023	Average 2014-2023
Corporate loans	0.6	0.8	0.3	0.3
Credits to large companies	1.4	1.9	1.9	1.3
Credits to medium-sized enterprises	9.5	11.5	13.4	7.9
Credits to small business	9.4	8.2	9.7	8.8
Credits to microbusiness	4.4	4.9	4.3	3.7
Consumer loans	2.5	2.7	4.0	3.5
Mortgage loans	3.1	2.6	2.7	2.6
<b>Total direct loans</b>	<b>3.8</b>	<b>3.9</b>	<b>4.3</b>	<b>3.3</b>

1/ Includes Bank of China as of 2020, and Bci as of 2022.

Source: Superintendency of Banking, Insurance and AFPs.

Non-bank entities were the most affected by economic conditions in 2023, because their loan portfolios have greater exposure to borrowers who are more vulnerable to changes in the economic cycle and have lower incomes. Financial companies, cajas municipales and credit companies generated profits during the year, but these were lower than those reported in the previous year. On the other hand, rural savings banks recorded higher losses. These results are explained by the increase in provision expenses, as well as lower loan income due to the slow down in loan growth and loan rescheduling.

Table 78

FINANCIAL INDICATORS OF NON-BANK ENTITIES				
(Percentage)				
	2021	2022	2023	Average 2014-2023
<b>Overdue portfolio/gross placements 1/</b>				
Financial companies	5.4	5.5	6.8	6.1
Municipal cash registers	5.0	5.4	5.7	5.7
Rural banks 2/	7.6	6.4	6.1	6.6
Credit companies 3/	5.1	5.3	6.9	4.3
<b>Provision for high-risk investments/portfolio 4/</b>				
Financial companies	112.3	119.7	107.4	116.8
Municipal cash registers	123.6	104.9	96.6	106.2
Rural banks 2/	107.0	112.7	105.2	112.9
Credit companies 3/	87.6	99.8	93.2	127.5
<b>Return on equity ratio (ROE)</b>				
Financial companies	5.2	15.0	3.8	10.6
Municipal cash registers	3.1	8.8	3.4	9.6
Rural banks 2/	-15.2	-1.4	-11.6	-4.0
Credit companies 3/	13.8	7.8	6.4	9.5

1/ Overdue receivables and receivables in judicial collection.

2/ CRAC Sipán and CRAC Raíz are excluded in all years. The SBS authorized the voluntary dissolution of Sipán in September 2021. In 2023, the SBS intervened in Raíz.

3/ GMG, Progreso, BBVA Consumer, Credivisión and Acceso Crediticio are excluded in all years. In 2021, the SBS authorized the voluntary dissolution of GMG and Progreso, which ceased to be supervised companies in May and August, respectively. In 2022, the SBS authorized the voluntary dissolution of BBVA Consumer and Credivisión, which ceased to be supervised companies since February and October, respectively. In 2023, the SBS withdrew Acceso Crediticio's operating license as a credit company. In 2021, TOTAL Servicios Financieros is included, and in 2022 Volvo Financial Services.

4/ The high-risk portfolio is equal to the overdue portfolio plus the refinanced and restructured portfolio.

Source: Superintendency of Banking, Insurance and AFPs.

In general terms, non-banks recorded a larger overdue portfolio compared to the previous year, which resulted in a lower coverage of their high-risk portfolio with their provisions and, in some cases, lower solvency levels. As a result, this group of institutions continued to take measures to strengthen their equity, including the extension of maturities and the issuance of new subordinated debt, as well as capital contributions made by shareholders.

## 6. TYPE OF CHANGE

In 2023, the Peruvian Sol appreciated 2.6 percent against the US dollar in nominal terms (from S/ 3.81 to S/ 3.71 per dollar), in a year of high volatility of risk assets and dollar oscillations at the global level.

In the first half of 2023, the exchange rate showed a downward trend, in an environment of a weakening dollar at the global level and high volatility in the local and foreign markets due to: (i) the expectation of a moderation in the US monetary policy due to the correction of different inflation metrics and a decrease in the perception of recession risk in said country; (ii) banking tensions in the United States in the first quarter; (iii) the risk of lower growth in China; (iv) the greater local political noise in the first quarter due to the lack of consensus between the Executive and the Legislative to determine the date for the early elections; and (v) the high demand for dollars from the corporate sector.

On the other hand, in the second half of 2023 the exchange rate presented an upward trend due to: (i) the strengthening of the dollar at the global level (DXY), mainly in the third quarter; (ii) changes in the expectation of the start of monetary easing in the United States, where it was internalized that interest rates would remain high for longer; (iii) the high demand for dollars from the corporate sector in the spot market and from non-resident investors in the derivatives market; (iv) the slowdown of economic growth in China; and (v) the start of the monetary policy interest rate reduction cycle in Peru since September.

Table 79

EXCHANGE RATES 1/ AND COMMODITY PRICES 2/		Dec.20	Dec.21	Dec.22	Dec.23	% chg. Dec.23 vs		
						Dec.22	Dec.21	Dec.20
<b>Dollar Index</b>	UM per USD	90	96	104	101	-2.1	5.9	12.7
<b>Eurozone</b>	Euro*	1.222	1.137	1.071	1.104	3.1	-2.9	-9.6
<b>Japan</b>	Yen	103.3	115.1	131.1	141.0	7.6	22.6	36.6
<b>Brazil</b>	Real	5.19	5.57	5.29	4.85	-8.2	-12.9	-6.6
<b>Chile</b>	Peso	710	851	848	881	3.9	3.5	24.1
<b>Colombia</b>	Peso	3,415	4,065	4,847	3,873	-20.1	-4.7	13.4
<b>Mexico</b>	Peso	19.87	20.49	19.47	16.95	-12.9	-17.2	-14.7
<b>Peru</b>	Sol	3.62	3.99	3.81	3.71	-2.6	-7.1	2.4
<b>Copper</b>	cUSD/pound	352	446	381	389	2.1	-12.8	10.6
<b>Gold</b>	USD/ounce	1,898	1,829	1,824	2,063	13.1	12.8	8.7
<b>Oil</b>	USD/barrel	48.5	75.2	80.3	71.7	-10.7	-4.7	47.7

1/ In all cases a positive percentage change implies an appreciation of the dollar, except for the euro.

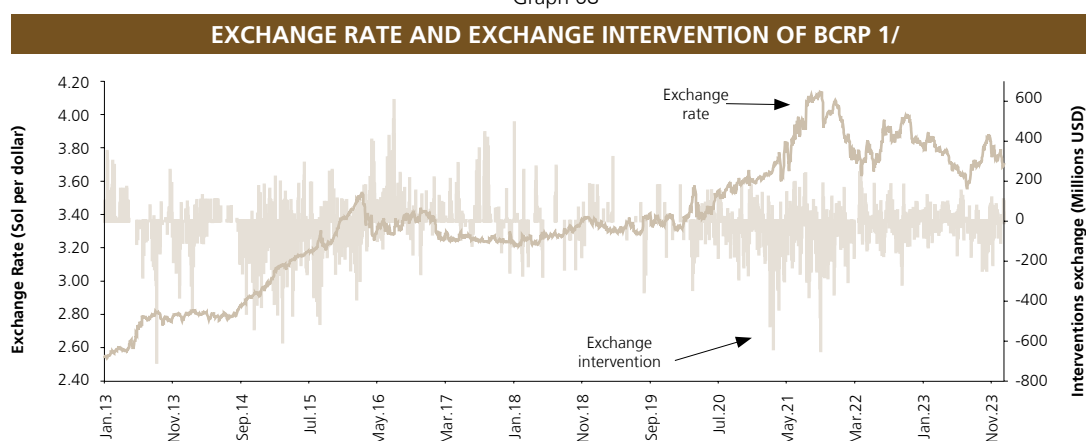
2/ End of period.

Source: Reuters.

The Peruvian Sol stands out against other currencies in the region with the lowest annual volatility. In terms of performance, the greater demand for dollars from the non-financial sector and the beginning of the easing of the benchmark interest rate, and with it the reduction in the monetary policy rate differential, partly explain the upward trend in the Peruvian PEN exchange rate during the second half of 2023.

Flows in the foreign exchange market in 2023 were a net demand of USD 2,836 million, while the BCRP presented a net supply of USD 2,433 million. This net demand for dollars is broken down into: (i) net demand in the derivatives market for USD 2,765 million, mainly from non-resident investors and the corporate sector; and (ii) net demand for dollars in the *spot market* for USD 71 million, mainly from companies in the corporate sector, which were offset by net supply from mining companies (USD 10,024 million) and retailers (USD 4,098 million). The AFPs net demanded USD 1,105 million in the *spot market* and net bid around USD 1,658 million in the derivatives market. In contrast with previous years, the AFPs net bought foreign securities for a total of USD 2,161 million.

Graph 68



1/ Includes: Purchases/sales of dollars in the spot market; net maturities of foreign exchange swap sales and CDR-BCRP; and net CDLD BCRP and swap placements.

Source: BCRP.

For its part, non-resident investors in 2023 demanded dollars in the *spot* and derivatives markets for USD 932 million and USD 2,319 million, respectively. In a context of uncertainty in the international market and a reduction in the interest rate differential, investments in local government bonds decreased by S/. 4,676 million. In the case of banks, the overall position decreased by USD 403 million in 2023 (in 2022 this position decreased by USD 120 million).

## 7. FINANCIAL SAVINGS AND CAPITAL MARKETS

Financial savings include the total assets held by firms and households in the financial system. These savings can take the form of deposit holdings (mainly savings, time deposits, among others), securities holdings, mutual fund shares, life insurance and contributions to private pension funds. In 2023, the balance of this aggregate increased 8.8 percent, mainly due to the increase in retirement funds, whose value grew 16.2 percent.

Table 80

FINANCIAL SAVINGS COMPONENTS 1/					
	Balances in Millions of soles			Growth rates (%)	
	2021	2022	2023	2022	2023
Savings deposits	151,118	140,277	131,213	-7.2	-6.5
Term deposits	84,482	111,048	128,214	31.4	15.5
Mutual fund shares	28,688	25,409	30,410	-11.4	19.7
Direct holdings of securities	5,103	6,969	11,264	36.6	61.6
Participation in life insurance reserves	12,391	13,989	15,144	12.9	8.3
Participation in private pension funds	131,918	104,630	121,586	-20.7	16.2
Rest	2,970	3,203	3,411	7.9	6.5
<b>TOTAL</b>	<b>416,670</b>	<b>405,526</b>	<b>441,242</b>	<b>-2.7</b>	<b>8.8</b>

1/ Balances in U.S. dollars are valued at the December 2023 exchange rate.  
Source: BCRP.

By currency, financial savings in soles grew more (10.3 percent per year) than financial savings in dollars (4.8 percent per year), which was partly due to the fact that pension savings in soles were higher than those in dollars (4.8 percent per year) -which represents 27 percent of the total- is always counted in Sol. Other components of financial savings, such as public deposits or mutual fund shares, had a relatively higher growth in dollars.

Table 81

FINANCIAL SAVINGS			
(End of period balances)			
	Domestic currency (mill S/)	Foreign currency (mill USD)	Total 1/ (mill S/)
2013	184,630	18,849	254,560
2014	206,279	18,962	276,628
2015	217,189	22,255	299,756
2016	242,734	22,114	324,775
2017	278,771	24,556	369,873
2018	289,978	24,278	380,050
2019	328,583	27,218	429,562
2020	357,861	29,340	466,713
2021	315,967	27,144	416,670
2022	296,622	29,354	405,526
2023	327,121	30,760	441,242
<b>Growth rates</b>			
2022	-6.1	8.1	-2.7
2023	10.3	4.8	8.8

1/ Balances in U.S. dollars are valued at the December 2023 exchange rate.  
Source: BCRP.

## 7.1 PRIMARY FIXED INCOME MARKET

At the end of 2023, the balance of outstanding fixed-income securities issued through public offerings in the local market totaled S/ 22,107 million, which implies a decrease of 3.9 percent with respect to the balance at the end of 2022 (S/ 23,012 million). These figures include both bonds and short-term instruments in circulation, placed through public offerings by non-government issuers and therefore exclude sovereign bonds regularly issued by the Public Treasury.

The flow of securities placed during the year was S/ 4,107 million, higher than the previous year (S/ 1,873 million in 2022), but even lower than the amounts recorded in years prior to COVID-19 (S/ 5,971 million per year average issued between 2016 and 2019). A total of 64 fixed-income issues were recorded through public offerings. Almost all of these issues were short-term (one year or less) and there were only two issues for terms longer than 1 year.

Table 82

PRIVATE SECTOR FIXED-INCOME SECURITIES 1/					
	Annual amount			Growth rates (%)	
	2021	2022	2023	2022	2023
<b>End of period balances</b>					
<b>(Millions soles)</b>	<b>24,844</b>	<b>23,012</b>	<b>22,107</b>	<b>-7.4</b>	<b>-3.9</b>
Non-financial issuers	14,590	13,448	12,899	-7.8	-4.1
Financial issuers 2/	10,254	9,564	9,208	-6.7	-3.7
<b>Currency composition</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		
Soles	85.1	84.6	85.4		
Soles, Fixed rate	80.9	79.9	81.3		
Soles, VAC-indexed rate	4.2	4.7	4.1		
Dollars	14.9	15.4	14.6		
Balances as percentages of GDP	2.8	2.5	2.2		

1/ Balances in U.S. dollars are valued at the December 2023 exchange rate.

2/ Securities issued or originated by financial system companies, including Banco de la Nación, Cofide and Mivivienda.

Source: BCRP and Superintendencia del Mercado de Valores (SMV)

By type of issuer, non-financial private companies placed public offerings for an equivalent value of S/ 1,211 million (S/ 173 million in 2022). With this, the balance of securities of these companies recorded a 4.1 percent decrease compared to the previous year. For its part, financial system companies placed securities for a value of S/ 2,896 million (in 2022 they placed securities for S/ 1,700 million), ending with a balance of outstanding securities of S/ 9,208 million. The largest single issue was made by the insurance company Pacífico Peruano Suiza in May for the equivalent of S/ 221 million (USD 60 million), followed closely by Alicorp with an issue of S/ 175 million in December.

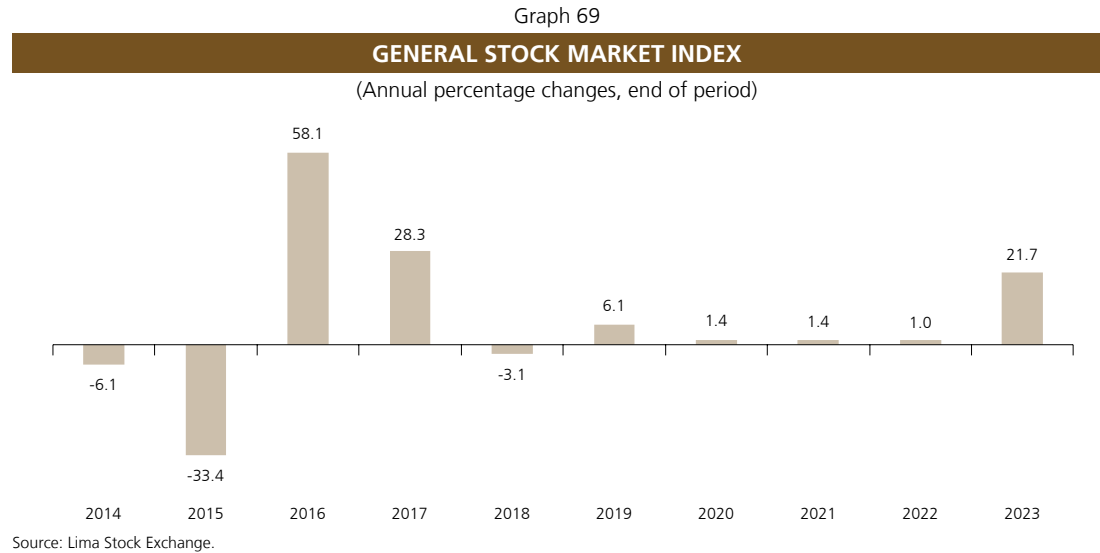
By currency, Sol bonds accounted for 85.4 percent of the outstanding balance (84.6 percent at the end of 2022) and dollar-denominated bonds for 14.6 percent (15.4 percent in 2022). Fixed-rate Sol bonds accounted for 81.3 percent of the balance (79.9 percent in 2022), while inflation-indexed bonds -VAC- represented 4.1 percent (4.7 percent in 2022).

The average term of the flow of placements, weighted by the amount placed, was 1.5 years for Sol securities and 7.4 years for dollar securities. The longest placement term in 2023 was 12 years, which corresponded to Alicorp in December.

7.2 STOCK MARKET

During the year, the Lima Stock Exchange (BVL) posted positive results. The main index, the SP/BVL PERU GENERAL or general index, had a positive annual return of 21.7 percent, higher than the previous year (1.0 percent). The selective SP/BVL LIMA 25 index recorded an annual gain of 9.6 percent, after declining 0.5 percent in 2022. And finally, the SP/BVL PERU SELECT index had an annual increase of 21.0 percent (its return was negative 1.3 percent in 2022).

The economic context was mainly marked by a lower level of domestic economic activity, greater social conflicts and high but decreasing inflation rates, both domestically and abroad. The markets have been waiting for the US Federal Reserve to begin cutting interest rates. The stock market rally in December -which was a determining factor in the annual results- responds in large part to the perception that this expected cut would begin soon during 2024.



At the sector level, the indices with the highest returns were mining (45.4 percent) and services (31.5 percent), while the index with the highest losses was construction (-11.5 percent).

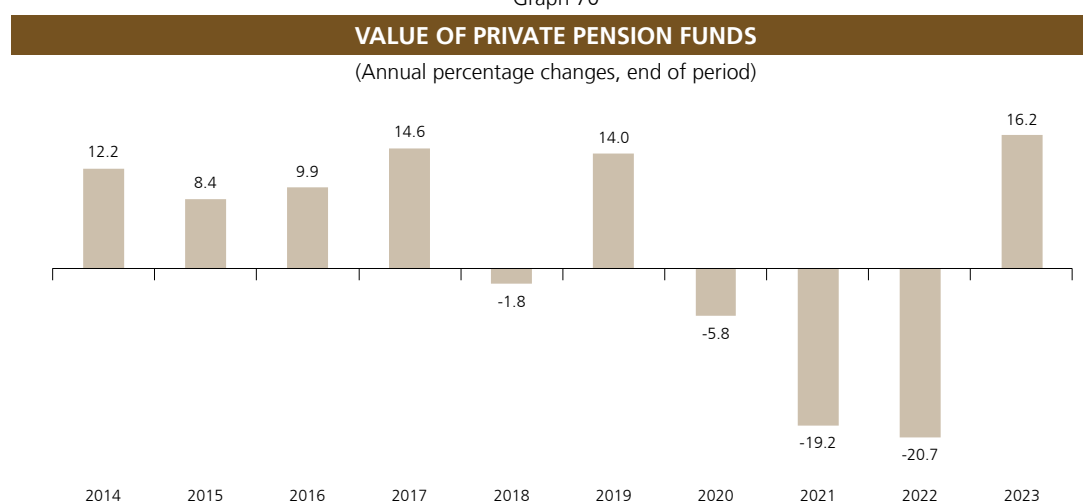
Trading volumes were lower than in the previous year. Equity trading decreased 29.1 percent compared to 2023, totaling S/ 7,452 million. Bond trading decreased 50.4 percent, reaching a total of S/ 1,590 million per year. Market capitalization at the end of the year was S/ 657,589 million, 21.7 percent higher than the value recorded at the end of 2022 (S/ 540,354 million).

The amount of dematerialized shares (those recorded electronically in Cavali) was S/ 215,361 million at the end of 2023, equivalent to 32.8 percent of market capitalization (35.4 percent in 2022). The share of non-resident investors in total dematerialized shares decreased from 34.1 percent in 2022 to 31.3 percent in 2023.

### 7.3 PRIVATE SYSTEM OF PENSIONS

The value of private pension fund assets increased 16.2 percent during 2023, recording a value of S/ 121,586 million in December (S/ 104,630 million in 2022). The number of members of the system increased 5.3 percent and reached 9.3 million people. The percentage of contributing members in relation to the total number of members rose from 39.5 percent in December 2022 to 40.7 percent in September 2023 (latest available data), still below the situation that existed before the pandemic (the ratio of contributing members was 44 percent in December 2019).

Graph 70



Source: Superintendency of Banking, Insurance and AFPs (SBS).

The real return of the private pension funds was positive. Pension fund type 2 - which accounts for twothirds of the total and is therefore the most representative - had a real return of 6.5 percent per year. The other fund types also had positive real returns.

Table 83

<b>PORTFOLIO OF PRIVATE PENSION FUNDS</b>			
(Percentage Structure)			
	2021	2022	2023
<b>I. DOMESTIC INVESTMENTS</b>	<b>56.1</b>	<b>63.2</b>	<b>61.1</b>
Deposits	3.7	4.8	3.4
In soles	3.3	4.3	3.3
In dollars	0.5	0.5	0.1
Bonds and Fixed income	27.9	32.1	34.6
BCRP Instruments	-	-	-
Sovereign Bonds	15.6	19.2	24.4
Private bonds	12.3	12.9	10.1
Stocks and equities	24.4	26.3	23.1
Shares	17.8	19.8	17.8
Investment funds and securitization instruments	6.6	6.5	5.3
<b>II. INVESTMENTS ABROAD</b>	<b>43.4</b>	<b>36.9</b>	<b>39.8</b>
<b>III. TRANSIT OPERATIONS</b>	<b>0.6</b>	<b>-0.1</b>	<b>-0.9</b>
<b>IV. TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Fund assets (millions of Soles)</b>	<b>131,918</b>	<b>104,630</b>	<b>121,586</b>
As a percentage of GDP	15.0	11.2	12.2

Source: Superintendency of Banking, Insurance and AFPs (SBS).

The percentage of investments made abroad increased from 36.9 percent to 39.8 percent during 2023, almost 3 percentage points. On the other hand, the weight of local assets decreased. Even so, within the local components, the weight of fixed-income instruments increased (from 32.1 percent to 34.6 percent), mainly due to higher purchases of government bonds.

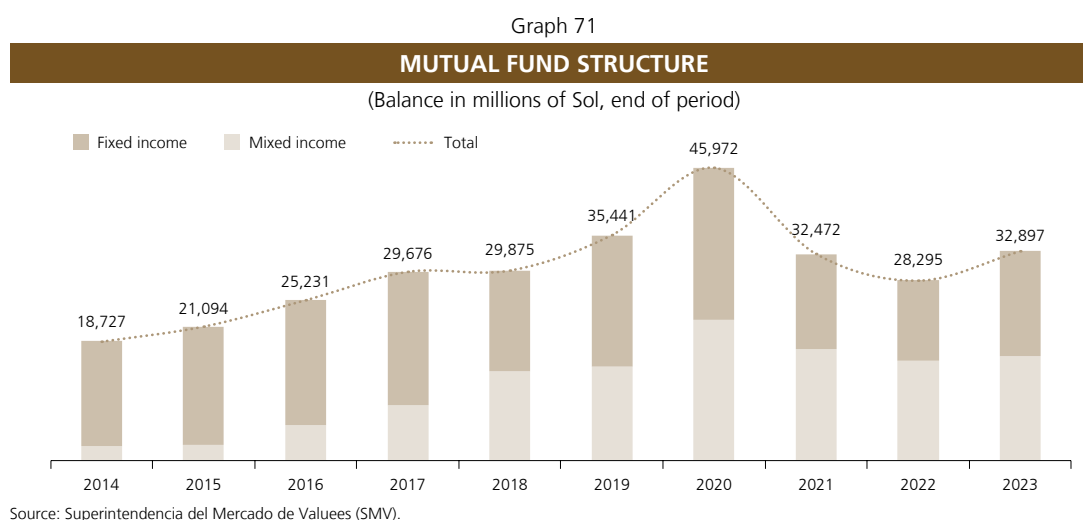
By fund type, the type 2 or mixed fund (which has a maximum of 45 percent in equities) accounted for 66.7 percent of the total value of the funds and had a real return of 6.5 percent per year. The type 3 fund or capital appreciation fund (which has a maximum of 80 percent in equities) accounted for 12.1 percent and had a real return of 1.9 percent per year. The type 1 fund or capital preservation fund (which has a maximum of 10 percent in equities) accounted for 16.5 percent and had a real return of 12.4 percent. For its part, the zero fund or capital protection fund (which invests only in fixed income) had a share of 4.7 percent and its real return was 5.1 percent.

The balance of voluntary contributions amounted to S/ 2,008 million (S/ 2,110 million in 2022), which represented 1.6 percent of the total accumulated funds (2.0 percent in 2022). Most of these contributions were for non-pension purposes (S/ 1,803 million).

#### 7.4 MUTUAL FUNDS OF INVESTMENT

The combined assets of mutual funds increased 16.3 percent over the previous year and closed 2023 with a balance of S/. 32,897 million (3.3 percent of GDP). The number of participants increased 1.9 percent to 348 thousand people at the end of the year (341 thousand in 2022). The number of mutual funds operating at the end of the year was 252 funds, of which 50 are Sol-denominated mutual funds and 202 are dollar-denominated funds.

In terms of assets under management, by currency, the relative share of Sol mutual funds decreased from 29.8 percent to 28.2 percent, while the percentage share of dollar mutual funds increased from 70.2 percent to 71.8 percent.



The share of mutual funds' foreign investments decreased from 54.4 percent to 51.4 percent over 2023. Among domestic investments, the share of deposits increased (from 30.4 percent to 37.7 percent) and of equity instruments (from 2.2 percent to 2.4 percent). Investment in local domestic fixed-income instruments decreased from 10.5 to 7.9 percent.



Table 84

MUTUAL FUND PORTFOLIO			
(Percentage Structure)			
	2021	2022	2023
<b>I. DOMESTIC INVESTMENTS</b>	<b>51.6</b>	<b>45.6</b>	<b>48.6</b>
Deposits	33.8	30.4	37.7
In soles	18.0	18.8	22.7
In dollars	15.8	11.6	15.0
Bonds and Fixed income	11.1	10.5	7.9
BCRP Instruments	0.4	-	-
Sovereign Bonds	0.3	0.3	0.6
Private bonds	10.4	10.1	7.3
Stocks and equities	3.3	2.2	2.4
Others	3.4	2.5	0.6
<b>II. INVESTMENTS ABROAD</b>	<b>48.4</b>	<b>54.4</b>	<b>51.4</b>
<b>III. TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Mutual fund assets (millions of Soles)</b>	<b>32,472</b>	<b>28,295</b>	<b>32,897</b>
As a percentage of GDP	3.7	3.0	3.3

Source: Superintendencia del Mercado de Valores (SMV).

## 8. PAYMENT SYSTEMS

### High and Low Value Payments

In 2023, the growing trend of digital payment adoption in the country continues, increasing by 77 percent in the number of transactions of the Digital Payments Indicator (DPI). This trend is characterized by:

- i) A steady increase in the use of digital payments for lower value transactions.
- ii) An oriented to payment instruments that offer a better user experience: immediacy, 24x7 schedules, beneficiary identification, low or zero cost and interoperability.

Table 85

HIGH AND LOW VALUE PAYMENTS								
(Monthly average, value in millions of Soles and number in millions of transactions)								
Payment Instrument	2021		2022		2023		Average 2023-2022	
	Value	Number	Value	Number	Value	Number	Value	Number
<b>HIGH VALUE</b>	<b>322,376</b>	<b>0.08</b>	<b>381,683</b>	<b>0.09</b>	<b>405,420</b>	<b>0.09</b>	<b>6%</b>	<b>4%</b>
RTGS* System	322,376	0.08	381,683	0.09	405,420	0.09	6%	4%
- Clients of the participants	189,939	0.06	198,804	0.07	197,497	0.07	-1%	0%
- Participants' own	132,437	0.02	182,879	0.02	207,923	0.02	14%	20%
<b>LOW VALUE</b>	<b>282,883</b>	<b>163</b>	<b>303,229</b>	<b>277</b>	<b>313,599</b>	<b>490</b>	<b>3%</b>	<b>76%</b>
1. Intrabank Transfers	233,682	89	244,366	159	246,733	290	1%	82%
- Via Digital wallets	2,125	32	5,513	94	10,374	212	88%	127%
- Via Other channels	231,557	57	238,853	66	236,359	78	-1%	19%
2. Via Other channel	456	4	1,197	19	3,603	65	201%	245%
- Via Digital wallets	456	4	1,197	19	3,603	65	201%	245%
3. CCE System**	30,893	9	36,918	13	40,627	16	10%	28%
- Credit transfers	19,843	4	22,848	4	23,803	4	4%	-2%
- Immediate transfers	5,157	5	7,704	9	10,598	12	38%	40%
- Checks	5,894	0.1	6,366	0.1	6,226	0.1	-2%	-7%
4. Payment cards	8,843	55	11,597	81	13,844	113	19%	38%
- Debit Cards	3,915	38	5,085	53	6,392	77	26%	45%
- Credit cards	4,928	18	6,512	28	7,452	35	14%	26%
5. Intrabank checks	8,264	0.5	8,308	0.5	7,790	0.5	-6%	-9%
6. Automatic debits	634	4	690	4	739	5	7%	8%
7. Bim: Payments and Transfers	111	0.7	152	0.6	263	0.7	73%	15%
<b>Digital Payments Indicator***</b>	<b>458,664</b>	<b>162</b>	<b>487,359</b>	<b>277</b>	<b>497,080</b>	<b>489</b>	<b>2%</b>	<b>77%</b>

\* Real Time Gross Settlement System.

\*\* Electronic Clearing House.

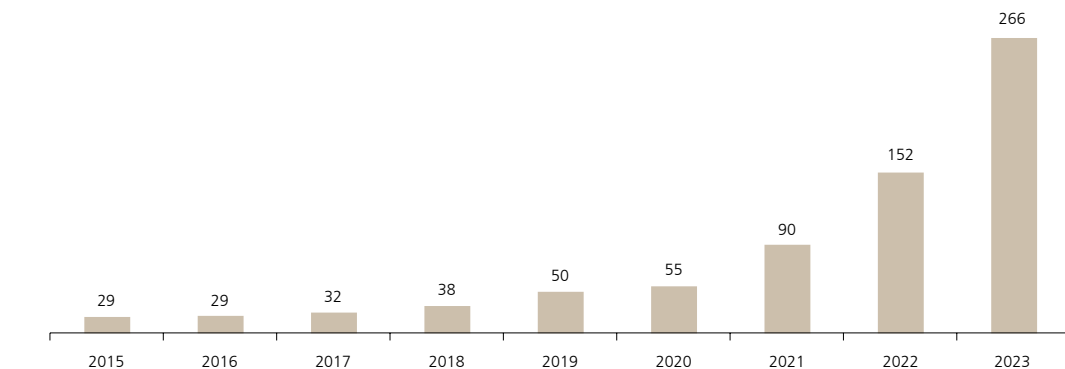
\*\*\* Includes customer-ordered RTGS transfers, intrabank transfers, interbank transfers via digital wallets, transfers via ECC, payment cards, automatic debits and BIM transactions.

Source: BCRP.

The progress of payment digitization can be seen in the rapid increase in the number of payments per capita.

Graph 72

### NUMBER OF DIGITAL PAYMENTS PER CAPITA



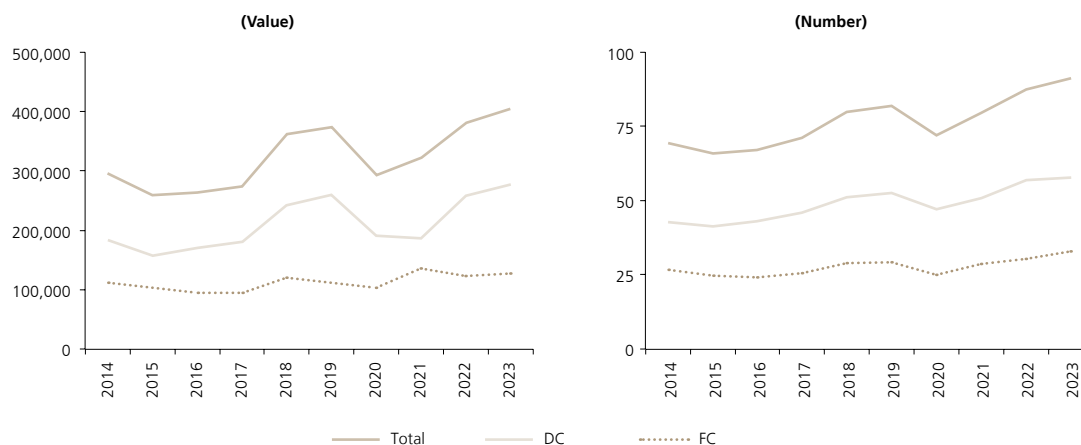
Note: Considers the population between 18 and 70 years old and the number of transactions of the Digital Payments Indicator.  
Source: BCRP.

The RTGS system, the main payment system in Peru, which processes high-value fund transfers between companies in the financial system, increased its value and number of transactions by 6 percent and 4 percent, respectively, in 2023, due to higher transactions between participants (loans and transfers). By currency, the value of transactions in domestic currency increased by 7.5 percent, while in foreign currency (U.S. dollars) it increased by 6 percent, compared to the previous year.

Graph 73

### OPERATIONS IN THE LBTR SYSTEM

(Monthly average, value in millions of Soles and number of transactions in thousands)

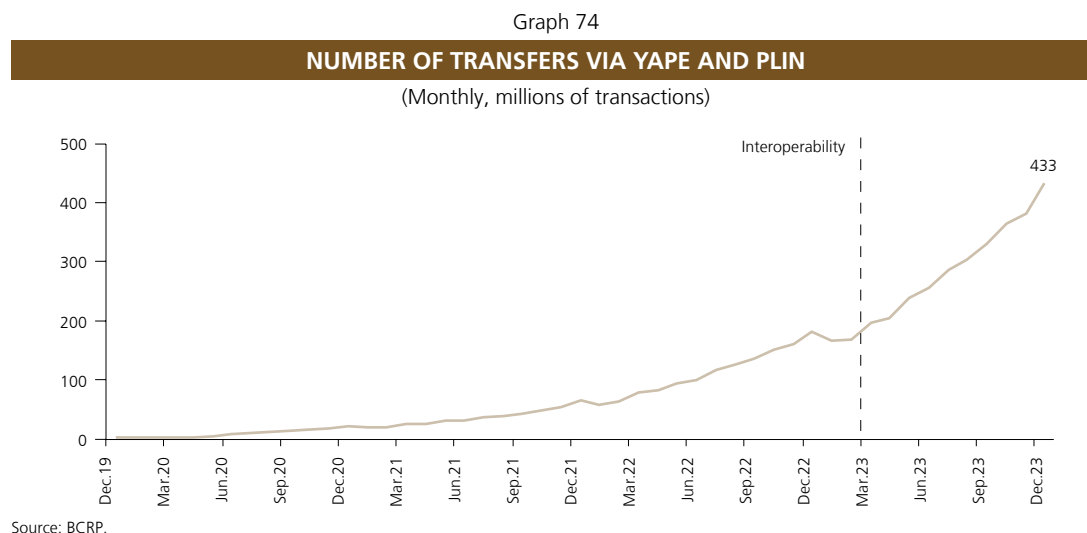


Source: BCRP.

The progress in the digitization of low-value or retail payments reflects the public's greater preference for using digital payments, especially those that provide a better user experience. Not only has this expanded the number of payments, it has also implied a further deepening of digitization in low-value payments.

The rapid growth in the number of wallet payments (intrabank and interbank) is noteworthy. increased their share of low-value payments from 41 percent in 2022 to 57 percent in 2023, largely due

to the development of interoperability between the main wallets: Yape and Plin (BBVA, Interbank and Scotiabank) as of March 2023.



In contrast, card payments reduced their share from 29 percent in 2022 to 23 percent in 2023. Also, over the same period, the number of transfers via ECCs contracted from 5 percent to 3 percent of total retail payments.

During 2023, immediate transfers continued to grow, driven by their wide availability (24 hours a day, 7 days a week) and, in some cases, free of charge when the amount is less than S/. 500 or is made through digital channels (internet banking). Thus, immediate transfers went from representing 70 percent of the number of ECC transactions in 2022 to 77 percent in 2023, with credit transfers in low-value transactions lagging behind.

In the case of checks processed by the ECC, the downward trend in its operations was accentuated in 2023, which contracted by 7 percent with respect to 2022, representing only 0.7 percent of the total number of ECC operations (1 percent in 2022).

In the case of Bim, the number of operations has increased by 15 percent over 2022, driven mainly by the increase in services offered to clients (payment of services, transfers from participants to the client for loan purposes, connection with companies specializing in remittances, among others).

### Interoperability

As established in the Payment Services Interoperability Regulation (Circular 024-2022- BCRP), the regulated entities complied with the implementation of Phase 1 (digital wallets) and Phase 2 of Interoperability (wallets, mobile applications, Immediate Transfers and QR Codes) within the established deadlines (March and September 2023, respectively). In both cases, the deployment was progressive and controlled, mitigating operational risks and incidents and ensuring the minimum impact on the payment ecosystem and encouraging the incremental adoption of the new functionality. The effort and commitment of the regulated entities to implement the Interoperability Regulation within the established deadlines should be highlighted. The BCRP permanently accompanied all the entities, facilitating and coordinating with technology providers for the necessary integrations.

## Regulation and Supervision

**In June 2023, the BCRP authorized limited access of Electronic Money Issuing Companies (EEDE) to the ECC and the RTGS System.** Circular 010-2023-BCRP amended the Regulation of Exchange and Clearing Service Companies to authorize limited access of EEDEs to the ECC, only to the Immediate Transfers service, and access to the RTGS System. Likewise, the requirements to be met by EEDEs were published on the BCRP's website.

**The BCRP incorporated the EEDE as a Regulated Entity to implement the interoperability of its payment services.** Through Circular 013-2023-BCRP, dated July 11, 2023, it modified the Interoperability Regulations for Payment Services Provided by Payment Providers, Agreements and Systems, to include EEDEs as Regulated Entities.

**In November 2023, through Circular No. 0021-2023-BCRP, the Regulations of the Exchange and Clearing Services Companies were modified to allow limited access to the CCE's clearing services to savings and credit cooperatives not authorized to collect funds from the public (Immediate Transfers),** whose procedure is published in the Central Bank's Institutional Portal.

During the fourth quarter of 2023, visits were made to the Electronic Clearinghouse S.A. (CCE), which manages the clearing and settlement system for checks and other clearing instruments, and Cavali S.A., which manages the Multibank Securities Settlement System (SLMV). During these visits, it was verified that, during 2023, the supervised systems continued to comply with current regulations; they improved their risk management and implemented measures that strengthened their operational continuity. Likewise, they have implemented or are addressing the observations and opportunities for improvement identified. It was also verified that continuity and contingency tests were carried out with successful results.

**During 2023, progress was made in the implementation of the Regulation of Payment Agreements with Cards (Circular No. 0027-2022-BCRP).** In this regard, the record of entities participating in the card market has been kept up to date.

Table 86

NUMBER OF CARD PAYMENT AGREEMENT PARTICIPANTS				
Entity role	Card Payment Network			
	Visa	Mastercard	American Express	Diners
Emitters	37	22	2	1
Acquirers	5	5	1	1
Payment Facilitators	20	19	14	14
<b>Total</b>	<b>62</b>	<b>46</b>	<b>17</b>	<b>16</b>

Likewise, in compliance with the provisions of the Circular in force, the regulated entities have published on their web portals the commissions charged for interchange fee and discount rate, as applicable. In October 2023, the BCRP made a first publication, in the statistics section of the Payment System, of the commissions charged in the card market, disaggregated by trade segment and type of card, which increases transparency in the market for the benefit of informed decision making by economic agents.

**In 2023, we continued with the registration of new entities as QR code and digital wallet providers, in accordance with the provisions of the Code Payment Service Regulations QR (Circular N°0003-**

**2020-BCRP).** The registration of the CCE as a QR code provider is noteworthy. Thus, the QR registry has registered six QR code providers, six digital wallets and four entities that are QR code and digital wallet providers, as shown below:

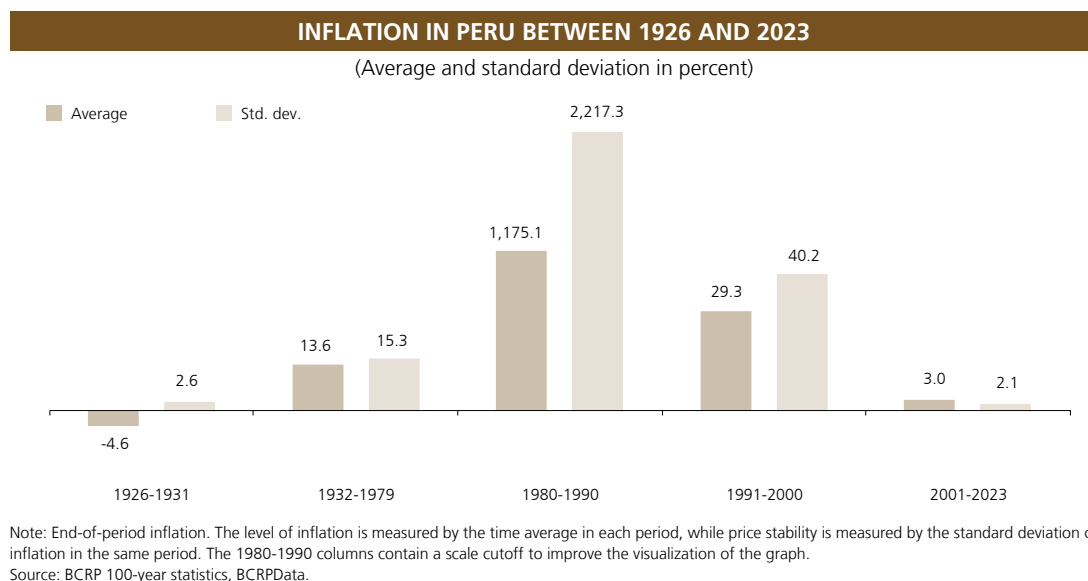
Table 87

ENTITIES RECORDED IN THE QR REGISTRY	
Type of registration	Entity
As a QR Code Provider	Niubiz
	Vendemás
	YellowPepper
	Izipay
	BBVA Acquirer
	Electronic Clearing House (ECC)
As a Digital Wallet	Ligo (TPP)
	Financiera Oh
	Interbank (IzipayYa)
	Prex (Prexpe)
	Bitel (Bipay)
	Financiera Efectiva
As a QR Code Provider and Digital Wallet	BCP (Yape)
	Caja Cusco (Wayki)
	APDE Bim (Bim)
	GMoney (Kontigo and W)

Source: BCRP.

### Box 5 EPISODES OF HIGH INFLATION IN PERU

Over the last 100 years, Peru has faced several inflationary episodes under different monetary regimes<sup>38</sup>. In contrast, under the current regime of inflation targeting (MEI), the country has achieved the lowest and most stable inflation in its history.



Prior to 1993, there were episodes of hyperinflation and high inflation in periods of fiscal dominance, when public deficits were financed with monetary issuance. Between 1922 and 1932, deflationary episodes were recorded, reversed by the suspension of convertibility (established under the gold standard) and the beginning of the issuance of fiat money by the BCRP in 1932. However, since that year several inflationary episodes occurred, especially in the 1940s, during World War II, and the 1970s, due to oil shocks and the collapse of the Bretton Woods system. During this period, the BCRP focused on maintaining the exchange rate parity and financing the Government.

The monetary disorder of the 1970s and the global inflation of the late 1980s preceded the hyperinflation of 1988-1990. Following the stabilization program initiated in 1990, the longest period of disinflation in Peru's history began, marking a trend towards lower and more stable inflation and laying the groundwork for the BCRP to adopt the MEI scheme.

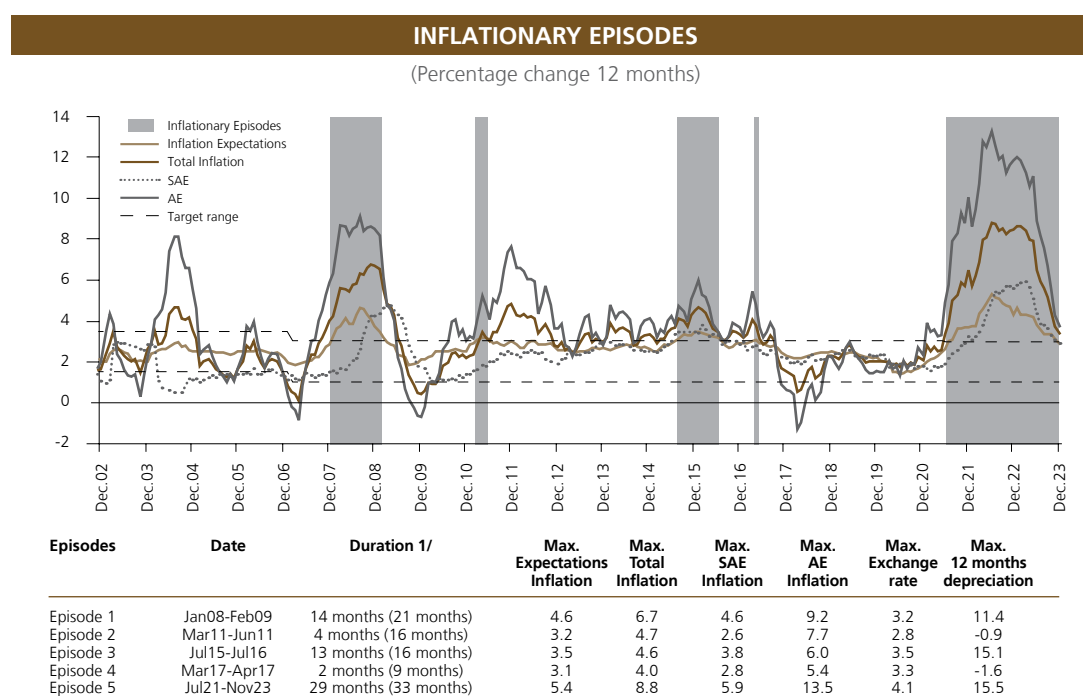
At the same time, several conditions must be met to achieve low and stable inflation under the MEI scheme, especially central bank autonomy and competent monetary policy design. In this line, the BCRP has designed several tools to anticipate inflationary events and counterbalance them in a timely manner. As an example of the BCRP's performance, Peruvian inflation has been among the lowest and most stable in the region, even during the last inflationary episode.

After 22 years since the adoption of the MEI scheme, it can be observed that inflation expectations have remained in the target range for most of the time (77 percent).<sup>39</sup> During this period, multiple

<sup>38</sup> Due to data availability, for the historical perspective, prior to 2002, inflationary episodes simply refer to periods of high inflation. After 2002, the behavior of inflation expectations is considered.

<sup>39</sup> Expectations published in BCRPData are considered, which is an average that includes expectations of economic analysts and financial companies.

shocks of different types have materialized, whose inflationary effects were systematically counterbalanced with preventive measures implemented by the BCRP. However, five episodes were recorded in which inflationary expectations outweighed the upper limit of the target range (3 percent).



1/ In parentheses is the time in which total inflation remains outside the target range.

Note: An inflationary episode is defined as those months in which inflation expectations outweigh the upper limit of the target range.

Source: BCRP.

In November 2023, the last of these concluded, which was the longest (29 months) since the adoption of the MEI scheme. This episode was marked by various shocks, both external and internal, especially the discordance between supply and demand recovery in the post-pandemic, the rise in international grain and energy prices due to the war in Ukraine, domestic political turmoil and the El Niño event of 2023.

All these episodes, in which inflation expectations were outside the target range, have been of a temporary nature, with a short or medium duration. In the long run, the credibility of the BCRP's monetary policy prevailed, which led to the return of expectations to the target range over the policy horizon.