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April 29, 2022

**The Acting Chair's Summing Up
Peru—2022 Article IV Consultation
Executive Board Meeting 22/40
April 29, 2022**

Executive Directors agreed with the thrust of the staff appraisal. They commended the Peruvian authorities for a decisive macroeconomic policy response, sustained by very strong policy frameworks and buffers, that helped mitigate the impact of the Covid-19 pandemic and support a strong economic recovery. Directors noted, however, that the macroeconomic outlook remains uncertain, and external and domestic risks are still elevated. Against this background, they concurred that the policy mix should strike a balance between responding to rising inflation and managing downside risks to growth, as the impact of the pandemic on employment and poverty continues to be reversed. Directors also underscored the importance of maintaining and further strengthening policy institutional frameworks.

Directors agreed that fiscal policy should remain broadly neutral in the short term but a gradual consolidation, encompassing revenue mobilization and expenditure rationalization, including pension reforms, will be necessary to address emerging spending needs while preserving fiscal sustainability. They welcomed the authorities' steps to clarify policy intentions by aligning the fiscal rules and the medium-term budgeting framework, as well as their commitment to strengthen the Fiscal Council with technical assistance from the Fund.

Directors agreed that further tightening of monetary policy is warranted to bring inflation and inflation expectations back to the target range and help adjust to tighter global financial conditions. While foreign exchange intervention is warranted to contain excess volatility, Directors underscored that reducing its frequency would facilitate market development and de-dollarization.

Directors supported the gradual unwinding of pandemic-era prudential policies in a context of limited financial system vulnerabilities. They concurred that closing remaining regulatory and supervisory gaps and further enhancing systemic risk assessment will be important to strengthen financial resilience. Directors noted that exploring the introduction of a central-bank digital currency will require a thorough assessment of risks and costs.

Directors agreed that a renewed structural reform agenda in the context of the OECD accession process will be critical to mitigate scarring from the pandemic and support a green and inclusive recovery. They stressed the importance of addressing informality in the labor market,

*A typographical error corrected in line 2 of the first paragraph.

especially among women. More effective public services and greater transparency, including through civil service reform and anti-corruption measures, as well as a stable and predictable legal and regulatory environment, will be key to these efforts. Steps will also be needed to reduce risks from climate change, ease the transition to a low-emission economy, and contribute to global mitigation efforts.

It is expected that the next Article IV consultation with Peru will be held on the standard 12-month cycle.