

Latam Daily: Peru BCRP Institutes Interest-Rate Cap, Pres. Candidates Spar, New Poll

- Peru: BCRP institutes interest-rate cap; Castillo and Fujimori challenge each other to debate as gap between them narrows

PERU: BCRP INSTITUTES INTEREST-RATE CAP; CASTILLO AND FUJIMORI CHALLENGE EACH OTHER TO DEBATE AS GAP BETWEEN THEM NARROWS

I. Central bank establishes 83.4% interest-rate cap

On Wednesday, April 28, the BCRP (i.e., the central bank) established 83.4% per annum as the ceiling for interest rates on consumer and small-business loans—well above current policy rates (chart 1). The BCRP also provided the [methodology](#) it will follow for determining future rate ceilings. The basic rule is that the rate ceiling is to be adjusted every six months to be equal to twice the average rate for consumer loans over the previous two to seven months. In this initial setting, the average rate from October 2020 to March 2021 was 41.7%. Despite the publication of the methodology, it's not clear how the ceiling will evolve over time since the interest-rate cap itself lowers the average rate for consumer loans. The ceiling will apply from May 10.

The BCRP established this ceiling in keeping with a recent law on the matter developed and passed by Congress. The central bank expressed its concern that the interest-rate cap could leave higher-risk clients without access to credit. The BCRP, in establishing the ceiling, apparently sought to have as little impact on the financial system as possible, while at the same time avoiding an impression that it was following the law only in name. Concurrent with the central bank's move, public attorneys (i.e., the Procuraduría) for the Ministry of Finance submitted to the Constitutional Court a petition that the law that imposed an interest rate ceiling be declared unconstitutional.

II. Presidential candidates challenge each other to debate as gap between them narrows

The local pollster Datum [released](#) today, Friday, April 30, a poll showing Keiko Fujimori narrowing the gap with Pedro Castillo by a third. The poll, undertaken between Tuesday, April 27, and Friday, April 30, showed Castillo adding three points to his share of voter intentions, up from 41% in a previous Datum poll to 44%. Fujimori, however, increased her share more substantially from 26% to 34%, which narrowed the gap with Castillo from 15 percentage points to 10. The share of undecided voters fell from 18% to 11% and the slice of “blank” voters from 15% to 11%.

Our read: this was a sizeable reduction in the gap between the two over only one week. However, Castillo's lead is still comfortable and, perhaps more importantly, he is not losing votes: he continues to have a fairly high share. As expected, Fujimori is gaining, perhaps even faster than anticipated; but, with Castillo's support still firm, there is no assurance that she can catch up completely. Unless Castillo starts losing votes, Fujimori will need to garner the support of most of the currently undecided voters and also some of the blank

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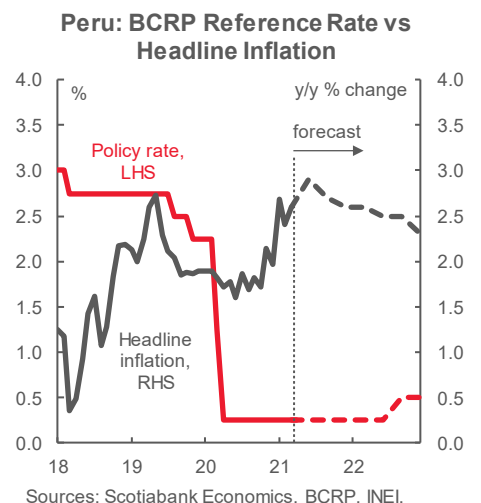
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Chart 1



voters to overtake her rival. Even though there is likely to be some hidden support for Fujimori not currently captured in the polls, the run-off remains an uphill battle for her.

Pedro Castillo was taken to a hospital on Thursday, due to breathing problems. This may be due to the stress of the campaign given that Castillo recovered from COVID-19 only in March, although some believe he may be trying to avoid debating Keiko Fujimori on Saturday, May 1. Castillo and Fujimori each challenged each other to a debate in a battle of words over recent days. Castillo dared Fujimori to debate in Chota, a place in Cajamarca that for Castillo would be equivalent to playing on home court. Fujimori accepted immediately and proposed that the debate take place this Sunday, May 2. Castillo countered with a proposal for Saturday, May 1. One wonders how this debate will be organized. Typically, the National Elections Board (Jurado Nacional de Elecciones in Spanish) establishes debate dates, invites the candidates to participate, and undertakes the organization of the event.

Meanwhile, Keiko Fujimori announced the names of part of her “technical team”. Fujimori may have wished to make the point that she actually has a team, in part to underscore the fact that Castillo does not. Castillo has been under great pressure to release names of a viable team, something which he has not been able to do. However, the names released by Fujimori were underwhelming and included controversial figures such as Jorge Baca in charge of economic policy. Baca is suspected of having links to Vladimiro Montesinos, a key advisor to ex-President Alberto Fujimori (1990–2000) and the centre of a range of corruption scandals that eventually brought down Fujimori’s administration. Perhaps as a result of the backlash to the announcements, Keiko Fujimori indicated that Luis Carranza was joining her team. Carranza is a prestigious economist who was Finance Minister during the second Alan García Government (2006–11).

For his part, Castillo has come under fire for saying that he would deactivate Peru’s Defensoría del Pueblo, an institution that has a mandate to defend fundamental rights and ensure that State institutions perform their responsibilities. Put on the defensive on the issue, Castillo backtracked, as has become his wont: he indicated that he would not abolish the Defensoría, but, rather, would “reinforce it to the benefit of the most vulnerable [people].”

—Guillermo Arbe

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