



PRESS RELEASE

MONETARY POLICY STATEMENT DECEMBER 2020 BCRP MAINTAINED REFERENCE RATE AT 0.25%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to continue its expansionary policy stance, maintaining the reference rate at 0.25 percent and implementing further liquidity injection operations, in light of the following developments:
 - i. Inflation in 2020 will lie at the center of the target range due to transitory factors; and inflation in 2021 is expected to be around the lower limit of the target range, as domestic demand, although in recovery, will remain low.
 - ii. One-year ahead expected inflation was 1.7 percent in November.
 - iii. Year-on-year inflation increased from 1.7 percent in October to 2.1 percent in November due to higher food and energy prices associated with transitory supply-side factors. Trend inflation remains in the lower part of the target range. Year-on-year core inflation was 1.75 percent in November.
 - iv. Leading indicators continued to improve at a higher than expected rate, although they remain below last year's levels, while firms' growth expectations continued to recover in November.
 - v. Global economic activity has been improving, but remains below last year's levels.
2. The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of December 9, the BCRP's liquidity injection operations totaled S/ 61.5 billion, of which S/ 50.2 billion were associated with government-backed repos. In this context, credit to the private sector grew 13.1 percent year-on-year in October, with interest rates declining steadily since April.
3. The Board considers it appropriate to maintain a strong expansionary monetary stance for as long as the negative effects of the pandemic on inflation and its determinants persist. The BCRP stands ready to expand monetary stimulus using a range of instruments.
4. The Board also decided to maintain the following interest rates on its window facility operations in domestic currency with financial entities:
 - i. Overnight deposits: 0.15 percent per year.
 - ii. Direct security/currency repo and rediscount operations: 0.50 percent per year.
5. The schedule of monetary policy meetings for the next twelve months is the following

January 14	February 11	March 11
April 8	May 13	June 10
July 8	August 12	September 9
October 7	November 11	December 9

Lima, December 10, 2020