



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT DECEMBER 2021 BCRP RAISES THE REFERENCE RATE TO 2.5%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 2.50 percent. Monetary policy is still expansionary and the current decision does not necessarily imply a cycle of successive increases in the reference rate. This decision takes into account the following developments:
  - i. Year-on-year inflation decreased from 5.83 percent in October to 5.66 percent in November, temporarily above the target range due mainly to a surge in international food and fuel prices, as well as exchange rate depreciation. Year-on-year core inflation was 2.91 percent in November.
  - ii. Inflation is expected to return to the target range in the second half of next year, as transitory pressures (exchange rate and international fuel and grain prices) recede, with economic activity below potential.
  - iii. One-year-ahead expected inflation increased from 3.6 percent in October to 3.7 percent in November and is forecast at 3.5 percent for 2022, above the upper limit of the inflation target range.
  - iv. Most indicators of expectations for economic activity deteriorated in November, and a few are located in pessimistic territory.
  - v. Global economic activity is improving, although at a slower pace due to new COVID-19 outbreaks, the emergence of new variants, and bottlenecks in global supply of goods and services. This recovery is expected to continue into the next quarters, as the vaccination rollout continues around the world and significant stimulus packages are implemented in developed countries.
2. The Board is particularly attentive to new information on inflation expectations and economic activity, with an aim to consider, if necessary, changes in the monetary stance. Based on the available information, the Board sees the convenience of maintaining an expansionary stance for an extended period through a gradual withdrawal of monetary stimulus. The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. In a context of uncertainty, financial volatility persists, with BCRP policies aiming at mitigating it.
3. The Board also decided the following interest rates on its window facility operations in domestic currency with financial entities:
  - i. Overnight deposits: 1.85 percent per year.
  - ii. Direct security/currency repo and rediscount operations: 3.0 percent per year.
4. The schedule of monetary policy meetings for the next twelve months is the following:

January 6	February 10	March 10
April 7	May 12	June 9
July 7	August 11	September 8
October 6	November 10	December 7

Lima, December 9, 2021