



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT NOVEMBER 2023 BCRP REDUCED THE REFERENCE RATE TO 7.00%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to reduce the reference rate by 25 bps to 7.00 percent. This decision does not necessarily imply a sequence of interest rate reductions. Future reference rate adjustments will be conditional on new information about inflation and its determinants.
2. The decision to reduce the reference rate considered the following information and projections:
  - i. In October, month-on-month inflation was -0.32 percent and core inflation was 0.22 percent. Year-on-year inflation fell from 5.0 percent in September to 4.3 percent in October, while core inflation decreased from 3.6 percent in September to 3.3 percent in October. Both indicators have been decreasing since the beginning of 2023 but remain above the upper limit of the inflation target range.
  - ii. Following a surge in global inflation since the latter half of 2021, inflation in most countries has shown a decreasing trend throughout the year. In Peru, there is a more marked downward trend in inflation since June, as some of the transitory effects caused by restrictions in the supply of certain food items recede.
  - iii. One-year-ahead expected inflation fell from 3.4 percent to 3.3 percent between September and October, approaching the upper limit of the inflation target range.
  - iv. The downward trend in year-on-year inflation is forecast to continue, reaching the target range at the beginning of next year, due to a moderation in the impact of several international prices, a reversal of agricultural supply shocks, and lower projected inflation expectations. However, there are risks related to climatic factors, mainly from El Niño phenomenon effects.
  - v. The leading and expectations indicators for economic activity in October deteriorated relative to the previous month and most of them remain in pessimistic territory. Economic activity and domestic demand have been affected by shocks arising from social conflicts and the coastal El Niño, the impacts of which were greater than expected.
  - vi. The outlook for global economic activity has moderated. Additionally, there is more volatility in the international financial markets, and global risks remain due to the effects of international conflicts, and lower growth rates in China.
3. The Board is particularly attentive to new information on inflation and its determinants, including the evolution of inflation expectations and economic activity, to consider, if necessary, additional changes in the monetary stance. The Board reaffirms its commitment to adopt the necessary actions to ensure the return of inflation to the target range over the forecast horizon.
4. The Board also decided the following interest rates on its window facility operations in domestic currency with financial entities:
  - i. Overnight deposits: 4.25 percent per year.
  - ii. Direct security/currency repo and rediscount operations: i) 7.50 percent per year for the first 10 operations in the last 3 months and ii) the interest rate set by the Monetary and Exchange Operations Committee for operations in addition to these 10 operations in the last 3 months. In addition, the Monetary and Exchange Operations Committee may establish higher rates based on the amount of the operations.
5. The BCRP Board's next monetary policy session will take place on December 14, 2023.

Lima, November 9, 2023