



PRESS RELEASE

MONETARY POLICY STATEMENT JANUARY 2021 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 at the beginning of 2021 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 because even though domestic demand is recovering, economic activity remains below its potential level.
 - ii. One-year ahead expected inflation was 1.85 percent in December.
 - iii. Year-on-year inflation decreased from 2.1 percent in November to 2.0 percent in December due to lower food prices. Trend inflation remains in the lower part of the target range. Year-on-year core inflation was 1.76 percent in December.
 - iv. Leading indicators continued to improve in December at a higher than expected rate, although they remain below the levels recorded at the end of 2019, while firms' growth expectations moderated in December.
 - v. Global economic activity has been improving, but it remains below the level observed in 2019.
2. The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of January 13, the BCRP's liquidity injection operations totaled S/ 64.9 billion, of which S/ 50.6 billion were associated with government-backed repos. In this context, credit to the private sector grew 12.4 percent year-on-year in November 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. In particular, the BCRP has recently added new monetary Operations Conditional on the Expansion of Long-Term Credit in order to reinforce the transmission of its monetary policy actions towards long-term interest rates.
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 BCRP Board's next monetary policy session will take place on February 11, 2021

Lima, January 14, 2021