



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT APRIL 2022 BCRP RAISES THE REFERENCE RATE TO 4.50%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 4.50 percent, thus continuing to normalize its monetary policy stance. This decision takes into account the following developments:
  - i. Year-on-year inflation increased from 6.15 percent in February to 6.82 percent in March, above the target range, due to the upsurge of significant increases in international food and fuel prices. Year-on-year core inflation also rose, although to a lesser extent, from 3.26 percent in February to 3.46 percent in March, above the upper limit of the inflation target range.
  - ii. The significant increase in international energy and food prices since the second half of last year, recently accentuated by international conflicts, has led to sharp increases in global inflation rates in magnitudes not seen in many years both in advanced and other economies in the region. Thus, inflation is expected to return to the target range between the second and the third quarter of next year.
  - iii. The downward path of year-on-year inflation would begin in next July, as transitory pressures (exchange rate and international fuel and grain prices) begin to recede, with the economic activity still below its potential level.
  - iv. One-year-ahead expected inflation increased from 3.75 percent to 4.39 percent, above the upper limit of the inflation target range.
  - v. Most indicators of expectations for economic activity deteriorated in March.
  - vi. Global economic activity is improving, although at a slower pace due to the impact of COVID-19, persistent bottlenecks in the global supply of goods and services, and uncertainty in the pace of reversal of monetary stimulus in advanced economies. However, recent international conflicts have increased uncertainty in the recovery of the world economy and in the magnitude of upward pressures on commodity prices.
2. The Board is particularly attentive to new information on inflation and its determinants, including the evolution of inflation expectations and economic activity, with an aim to consider changes in the monetary stance so that inflation returns to the target range over the forecast horizon.
3. The Board also decided the following interest rates on its window facility operations in domestic currency with financial entities:
  - i. Overnight deposits: 3.0 percent per year.
  - ii. Direct security/currency repo and rediscount operations: i) 5.0 percent per year for the first 10 operations in the last 3 months that a financial institution carries out since March 11, 2022; 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.
4. The BCRP Board's next monetary policy session will take place on May 12, 2022.

Lima, April 7, 2022