



PRESS RELEASE

MONETARY POLICY STATEMENT MARCH 2022 BCRP RAISES THE REFERENCE RATE TO 4.0%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 4.0 percent, thus continuing to normalize its monetary policy stance. This decision takes into account the following developments:
 - i. Year-on-year inflation was 6.15 percent in February, 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 3.26 percent in February, above the upper limit of the target range.
 - ii. With the significant increase in international energy and food prices so far this year, recently accentuated by international conflicts, inflation is expected to return to the target range in the first half of next year. The downward path of year-on-year inflation would begin in July of this year, as transitory pressures (exchange rate and international fuel and grain prices) recede, with economic activity below potential.
 - iii. One-year-ahead expected inflation for 2022 increased from 3.73 percent to 3.75 percent, above the upper limit of the inflation target range.
 - iv. Most indicators of expectations for economic activity remained in pessimistic territory in February.
 - v. 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 expectations and economic activity, with an aim to consider, if necessary, changes in the monetary stance so that inflation returns to the target range over the forecast horizon. 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: 2.50 percent per year.
 - ii. Direct security/currency repo and rediscount operations: i) 4.50 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 April 7, 2022.

Lima, March 10, 2022