



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT DECEMBER 2023 BCRP REDUCED THE REFERENCE RATE TO 6.75%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to reduce the reference rate by 25 bps to 6.75 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 November, month-on-month inflation was -0.16 percent, while core CPI showed no variation. Year-on-year inflation fell from 4.3 percent in October to 3.6 percent in November, while core inflation decreased from 3.3 percent in October to 3.1 percent in November. 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 3.33 percent to 3.15 percent between October and November but remained above the upper limit of the inflation target range.
  - iv. Year-on-year inflation is projected to reach the target range in the coming months, and year-on-year core inflation will be within the target range by the end of 2023, 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 November show mixed results 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 in a context of lower inflationary pressures. Additionally, 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: 4.00 percent per year.
  - ii. Direct security/currency repo and rediscount operations: i) 7.25 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 schedule of monetary policy meetings for the next twelve months is the following:

January 11	February 8	March 7
April 11	May 9	June 13
July 11	August 8	September 12
October 10	November 7	December 12

Lima, December 14, 2023