



PRESS RELEASE

MONETARY POLICY STATEMENT JANUARY 2024 BCRP REDUCED THE REFERENCE RATE TO 6.50%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) agreed to reduce the reference rate by 25 bps to 6.50 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 December, month-on-month inflation was 0.41 percent, while core inflation was 0.36 percent. Year-on-year inflation fell from 3.6 percent in November to 3.2 percent in December, while core inflation decreased from 3.1 percent in November to 2.9 percent in December. Both indicators have been decreasing since the beginning of 2023, with core inflation within the target range.
 - ii. Following a surge in global inflation since the latter half of 2021, inflation in most countries has shown a decreasing trend. In Peru, the decline has been more marked between June and December 2023, as some of the transitory effects caused by restrictions in the supply of certain food items have receded.
 - iii. One-year-ahead expected inflation fell from 3.15 percent to 3.83 percent between November and December, within the inflation target range.
 - iv. Year-on-year inflation is projected to reach the target range in the coming months. However, there are risks related to climatic factors, mainly from El Niño phenomenon effects.
 - v. In December, the leading indicators show mixed results while expectations indicators improved moderately, but most of them remain in pessimistic territory. Economic activity and domestic demand have been affected by shocks arising from social conflicts at the beginning of 2023 and the coastal El Niño.
 - 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: 3.75 percent per year.
 - ii. Direct security/currency repo and rediscount operations: i) 7.00 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 February 8, 2024.

Lima, January 11, 2024