



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT - MAY 2020 BCRP MAINTAINED THE REFERENCE INTEREST RATE AT 0.25%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to continue with an expansionary policy stance, maintaining the reference rate at 0.25 percent and implementing further liquidity injection operations, in light of the following developments:
  - i. Annual inflation is expected to be around the lower band of the inflation target in the forecast horizon, in view of the significant slowdown of domestic demand.
  - ii. Year-on-year inflation fell from 1.8 percent in March to 1.7 percent in April. One-year-ahead expected inflation fell from 2.0 percent in March to 1.5 percent in April.
  - iii. Economic activity continues to be severely affected, on a temporary basis, by adverse shocks in aggregate supply and demand. Business expectations indicators on GDP growth have deteriorated significantly.
  - iv. Risks to global economic activity have materialized and include a global recession in the first half of the year.
2. BCRP will continue to take all necessary actions to sustain the payments system and the credit channel in the economy. Thus, it has been carrying out liquidity injection operations, such as security and currency repos, achieving a considerable reduction in the interest rates of these operations with maturity terms between 6 months and 3 years. In addition, on April 23, BCRP started auctions of government-backed repos, having placed a total of S/. 25.391 billion as of May 7 at an average interest rate of 1.08 percent for the clients of financial entities.
3. The Board considers it appropriate to maintain a strong expansionary monetary stance for an extended period and while the negative effects of the pandemic on inflation and its determinants persist. The Central Bank pays close attention to new information and stands ready to extend monetary stimulus in different ways.
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 June 11, 2020.

Lima, May 7, 2020