



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT JULY 2023 BCRP MAINTAINED THE REFERENCE RATE AT 7.75%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to maintain the reference rate at 7.75 percent. This decision does not necessarily imply an end to the BCRP's monetary tightening cycle. Future reference rate adjustments will be conditional on new information about inflation and its determinants.
2. The decision to maintain the reference rate considered the following information and projections:
  - i. In June, month-on-month inflation was -0.15 percent because of the reduction in food and energy prices (-0.49 percent). Core inflation was 0.14 percent. Year-on-year inflation fell from 7.89 percent in May to 6.46 percent in June, while core inflation decreased from 5.11 percent in May to 4.35 percent in June. Both indicators significantly fell but remain above the upper limit of the inflation target range.
  - ii. The sharp increase in international food and fuel prices since the second half of 2021, accentuated by international conflicts, has led to a sharp increase in global inflation in magnitudes not seen in many years and towards levels significantly higher than the inflation targets of central banks, although in most countries it started to decline. In the Peruvian case, there were transitory inflation effects due to restrictions in the supply of some food items, which began to recede in June.
  - iii. The downward trend in year-on-year inflation is forecast to continue in the following months, near the target range at the end of the year and approaching the range beginning next year, due to a moderation of the impact of international food and fuel prices, a reversal of agricultural supply shocks, and declining inflation expectations in the rest of the year. However, there are risks related to climatic factors
  - iv. One-year-ahead expected inflation decreased from 4.21 percent in May to 3.83 percent in June, above the upper limit of the inflation target range.
  - v. The leading and expectations indicators for economic activity in June show deterioration compared to the previous month, with the majority persisting in pessimistic territory.
  - vi. The outlook for global economic activity has moderated; however, global risks remain due to monetary tightening in advanced economies and international conflicts.
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, 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 to maintain the following interest rates on its window facility operations in domestic currency with financial entities:
  - i. Overnight deposits: 5.25 percent per year.
  - ii. Direct security/currency repo and rediscount operations: i) 8.25 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 BCRP Board's next monetary policy session will take place on August 10, 2023.

Lima, July 13, 2023