



PRESS RELEASE

MONETARY POLICY STATEMENT OCTOBER 2020 BCRP MAINTAINED REFERENCE RATE AT 0.25%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to continue its expansionary policy stance, maintaining the reference rate at 0.25 percent and implementing further liquidity injection operations, in light of the following developments:
 - i. Inflation in 2020 and 2021 is expected to be around the lower limit of the target range due to a significant weakening of domestic demand.
 - ii. One-year ahead expected inflation was 1.5 percent in September.
 - iii. Year-on-year inflation increased from 1.7 percent in August to 1.8 percent in September, while trend inflation remains in the lower part of the target range.
 - iv. Leading indicators point to a significant recovery in the third quarter, although they remain below last year's levels, while firms' growth expectations continued to recover in September.
 - v. Global economic activity has been improving faster than expected, but remains below last year's levels.
2. The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of October 6, the BCRP's liquidity injection operations totaled S/ 60.5 billion, of which S/ 47.8 billion were associated with government-backed repos. In this context, credit to the private sector grew 14.4 percent year-on-year in August, with interest rates declining steadily since April. Additionally, phase two of the "Reactiva Peru" program continued in September, with 29 auction sessions since June 30 totaling S/ 25.1 billion at an average interest rate of 1.72 percent.
3. The Board considers it appropriate to maintain a strong expansionary monetary stance for as long as the negative effects of the pandemic on inflation and its determinants persist. The BCRP stands ready to expand monetary stimulus using a range of instruments.
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 November 12, 2020.

Lima, October 7, 2020