



PRESS RELEASE

MONETARY POLICY STATEMENT SEPTEMBER 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 fall below the target range due to a significant weakening of domestic demand.
 - ii. One-year ahead expected inflation was 1.6 percent in August.
 - iii. Year-on-year inflation decreased from 1.9 percent in July to 1.7 percent in August, while trend inflation remains in the lower part of the target range.
 - iv. Leading indicators point to a recovery in July and August, although they remain below last year's levels. While firms' growth expectations continued to recover in August, most remain in pessimistic territory.
 - v. Global economic activity is recovering gradually during the second half of the year, 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 September 9, the BCRP's liquidity injection operations totaled S/ 60.7 billion, of which S/ 44.2 billion were associated with government-backed repos. In this context, credit to the private sector grew 14.2 percent year-on-year in July, with interest rates declining steadily since April. Additionally, phase two of the "Reactiva Peru" program continued in August, with 23 auction sessions totaling S/ 24.8 billion at an average interest rate of 1.70 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 October 7, 2020.

Lima, September 10, 2020