



PRESS RELEASE

MONETARY POLICY STATEMENT AUGUST 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 1.5 percent in July.
 - iii. Year-on-year inflation increased temporarily from 1.6 percent in June to 1.9 percent in July, while trend inflation remains in the lower part of the target range.
 - iv. Leading indicators point to a recovery in July relative to the previous month. Firms' growth expectations continued to recover in July, in line with gradual economic reopening, although they remain at historic lows.
 - v. Risks to global economic activity materialized, including a global recession with a partial rebound in the second half of the year.
2. The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. As of August 12, the BCRP's liquidity injection operations totaled S/ 56.9 billion, of which S/ 36.4 billion were associated with government-backed repos. In this context, credit to the private sector grew 13.3 percent year-on-year in June and interest rates decreased significantly. In addition, phase two of the "Reactiva Peru" program continued in July, with 14 auction sessions totaling S/ 22.8 billion at an average interest rate of 1.64 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 extend 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 September 10, 2020.

Lima, August 13, 2020