



PRESS RELEASE

MONETARY POLICY STATEMENT JULY 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 further decreased to 1.4 percent in June.
 - iii. Year-on-year inflation decreased from 1.8 percent in May to 1.6 percent in June, while trend inflation remains in the lower part of the target range.
 - iv. Economic activity has been severely affected by the effects from social confinement. Firm's growth expectations continued to recover in June, 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 July 8th, the BCRP's liquidity injection operations totaled S/ 48 billion, of which S/ 25.8 billion were associated with government-backed repos. In this context, the credit to the private sector grew 13.7 percent year-on-year in May and interest rates decreased significantly. In addition, on June 30th the authorities launched the phase two of the "Reactiva Peru" program, with five auction sessions totaling S/ 17.7 billion at an average interest rate of 1.49 percent and a with greater share of small and micro enterprises.
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 August 13, 2020.

Lima, July 9, 2020.