



PRESS RELEASE

MONETARY POLICY STATEMENT – JUNE 2020 BCRP MAINTAINED THE REFERENCE INTEREST RATE AT 0.25%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to continue with an 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 this year would be below the target range due to the significant weakening of domestic demand.
 - ii. One-year-ahead expected inflation fell from 2.2 percent at the end of December 2019 to 1.5 percent in May.
 - iii. Year-on-year inflation rose from 1.72 percent in April to 1.78 percent in May, while inflation excluding food and energy prices fell from 1.87 percent to 1.85 percent.
 - iv. Economic activity continues to be severely affected by the effects of social isolation measures. Business expectations indicators on GDP growth have recovered slightly in May, in line with the gradual resumption of economic activities.
 - v. Risks to global economic activity have materialized, including a global recession this year.
2. BCRP will continue to take all necessary actions to sustain the payments system and the credit channel in the economy. As of June 10, the liquidity injection operations carried out by BCRP amount to S/ 44.3 billion, of which S/ 20.6 billion was Government-backed repo operations. In addition, BCRP has approved repo operations that promote credit rescheduling, thereby injecting liquidity and promoting a more quickly passthrough of the reductions in the reference interest rate to the interest rates of the new credits granted by the financial system enterprises.
3. The Board considers it appropriate to maintain a strong expansionary monetary stance for an extended period and while the negative effects of the pandemic on inflation and its determinants persist. The Central Bank pays close attention to new information and stands ready to extend monetary stimulus in different ways.
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 July 9, 2020.

Lima, June 11, 2020