



PRESS RELEASE

MONETARY POLICY STATEMENT AUGUST 2021 BCRP RAISES THE REFERENCE RATE TO 0.50%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to continue with an expansionary monetary policy, setting the reference interest rate at 0.50 percent. Thus, the real interest rate of monetary policy is maintained at negative levels and historical lows. This decision takes into account the following developments:
 - i. The year-on-year inflation rate increased from 3.25 percent in June to 3.81 percent in July being temporarily above the target range due to factors such as the increase in international prices of food and fuel, as well as the exchange rate. Trend inflation remains around the center of the target range. Year-on- year core inflation was 2.14 percent in July.
 - ii. Inflation is expected to return to the target range in the next twelve months and remain within that range for the rest of next year, due to the reversal of the effects of transitory factors on the inflation rate (exchange rate, fuel and grain prices in international markets) and that economic activity will remain below its potential level.
 - iii. One-year-ahead expected inflation increased from 2.6 percent in June to 3.0 in July, upper limit of the inflation target range.
 - iv. Most leading indicators and expectations about the economy remain pessimistic in July.
 - v. Global economic recovery is expected to be more pronounced in the next quarters, as the vaccination process continues around the world, and significant stimulus packages are implemented in developed countries.
2. The Board considers it appropriate to maintain an expansionary stance as long as the negative effects of the pandemic on inflation and its determinants persist and is especially attentive to new information referring to inflation expectations and the evolution of economic activity to consider, if necessary, changes in the monetary policy position. The BCRP will continue to take the necessary steps to sustain the payments system and credit flows. Financial markets were highly volatile in a context of uncertainty and the BCRP's actions were intended to mitigate this volatility
3. The Board also decided to raise the following interest rates on its window facility operations in domestic currency with financial entities:
 - i. Overnight deposits: 0.35 percent per year.
 - ii. Direct security/currency repo and rediscount operations: 1.0 percent per year.
4. The BCRP Board's next monetary policy session will take place on September 9, 2021.

Lima, August 12, 2021