



PRESS RELEASE

MONETARY POLICY STATEMENT JULY 2021 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 liquidity injection operations, in light of the following developments:
 - i. Year-on-year inflation increased from 2.45 percent in May to 3.25 percent in June being temporarily above the target range due to supply-side pressures. Trend inflation remains around the center of the target range. Year-on-year core inflation was 1.9 percent in June.
 - ii. Inflation is expected to return to the target range in the next twelve months and remain within that range in 2022, 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 2.43 percent in May to 2.60 in June and hence the real reference rate kept going down.
 - iv. Most leading indicators and expectations about the economy deteriorated in June.
 - 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. 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 electoral uncertainty and the BCRP's actions were intended to mitigate this volatility. As of July 7, BCRP injection operations totaled S/ 62,758 million, of which S/ 47,654 million were associated with government-backed repos.
3. 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.
4. The BCRP Board's next monetary policy session will take place on August 12, 2021.

Lima, July 8, 2021