



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT JULY 2022 BCRP RAISES THE REFERENCE RATE TO 6.00%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to raise the reference interest rate by 50 bps to 6.00 percent, thus continuing to normalize its monetary policy stance. This decision takes into account the following developments:
  - i. Year-on-year inflation increased from 8.09 percent in May to 8.81 percent in June, above the target range, due to significant increases in international food and fuel prices. Year-on-year core inflation also rose from 4.26 percent in May to 4.95 percent in June, above the upper limit of the inflation target range.
  - ii. The significant and continuous increase in international energy and food prices since the second half of last year, accentuated by international conflicts, has led to a sharp increase in global inflation in magnitudes not seen in many years and towards levels significantly higher than the inflation targets of central banks, both in advanced and other economies in the region. Thus, inflation is expected to return to the target range between the second and the third quarter of next year.
  - iii. The downward path of year-on-year inflation is expected to begin in July of this year, due to the moderation of the effects of international food and energy prices and an economy still below potential.
  - iv. One-year-ahead expected inflation increased from 4.89 to 5.35 percent between May and June, above the upper limit of the inflation target range.
  - v. Most leading indicators and expectations for economic activity deteriorated in June and remain pessimistic.
  - vi. Global economic activity is improving at a slower pace due to the persistent bottlenecks in the global supply of goods and services, the reversal of monetary stimulus in advanced economies, the confinement measures in China, and international conflicts.
2. The Board is particularly attentive to new information on inflation and its determinants, including the evolution of inflation expectations and economic activity, with an aim to consider changes in the monetary stance so that inflation returns to the target range over the forecast horizon.
3. The Board also decided the following interest rates on its window facility operations in domestic currency with financial entities:
  - i. Overnight deposits: 4.00 percent per year.
  - ii. Direct security/currency repo and rediscount operations: i) 6.50 percent per year for the first 10 operations in the last 3 months and ii) the interest rate set by the Monetary and Exchange Operations Committee for operations in addition to these 10 operations in the last 3 months. In addition, the Monetary and Exchange Operations Committee may establish higher rates based on the amount of the operations.
4. The BCRP Board's next monetary policy session will take place on August 11, 2022.

Lima, July 7, 2022