



## PRESS RELEASE

### **MONETARY POLICY STATEMENT AUGUST 2019 BCRP LOWERED REFERENCE RATE TO 2.50%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to cut the reference rate from 2.75 to 2.50 percent, thereby loosening the monetary policy stance, in light of the following developments:
  - i. Year-on-year inflation and inflation trend indicators as of July were within the BCRP's target range;
  - ii. One-year ahead expected inflation as of July was 2.32 percent;
  - iii. Primary industries show a weak performance as a result of temporary supply shocks, while non-primary industries show slowing growth momentum. The slowdown in public investment in January-July is expected to revert in the remainder of the year; and
  - iv. Global growth risks persist and the recent escalation in trade tensions exacerbated international financial volatility.
2. This decision does not necessarily imply additional reductions in the policy rate. The BCRP Board pays close attention to new information on inflation and its determinants in assessing future changes in the monetary policy stance. Year-on-year inflation is expected to remain within the target range close to 2.0 percent over the forecast horizon, with a downside bias due to the possibility of a lower-than-expected increase in domestic demand.
3. According to recent inflation and economic activity indicators:
  - i. Monthly inflation was 0.20 percent in July, bringing down year-on-year inflation to 2.11 percent, from 2.29 percent in June. With monthly inflation excluding food and energy at 0.12 percent in July, the year-on-year figure decreased to 2.15 percent, from 2.30 percent in June.
  - ii. Business conditions expectations continued its moderation in July. Non-primary activity indicators continue to point to a more gradual closure of the output gap.
4. The Board also decided to reduce the interest rates on BCRP off-auction credit and deposit operations in domestic currency with financial entities.
  - i. Overnight deposits: 1.25 percent per year.
  - ii. Direct security/currency repo and rediscount operations: i) 3.05 percent per year for financial entities' first 10 operations over the last 12 months; and ii) the rate fixed by the BCRP Monetary and Foreign Exchange Operations Committee for operations other than financial entities' first 10 operations over the last 12 months.
  - iii. Dollar swaps: a fee equal to a minimum annual effective cost of 3.05 percent.
5. The BCRP Board's next monetary policy session will take place on September 12, 2019.

Lima, August 8, 2019