



## **PRESS RELEASE**

### **MONETARY POLICY STATEMENT NOVEMBER 2019 BCRP LOWERED REFERENCE RATE TO 2.25%**

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to cut the reference rate from 2.50 to 2.25 percent, in light of the following developments:
  - i. 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.
  - ii. Monthly inflation was 0.11 percent in October, bringing up year-on-year inflation to 1.88 percent, from 1.85 percent in September. With monthly inflation excluding food and energy at 0.23 percent in October, the year-on-year figure increased to 2.34 percent, from 2.16 percent in September due to a transitory increase in water, electricity, and transportation rates. Monthly inflation would have been negative without these items.
  - iii. One-year ahead expected inflation as of October remains at 2.2 percent.
  - iv. Primary industries' weak performance in January-September was partially offset by a recovery in non-primary industries. The slowdown in public investment over the same period is expected to revert in the remainder of the year. Business conditions expectations improved slightly in October. Economic activity indicators point to a more gradual closure of the output gap.
  - v. Global growth risks decreased as trade tensions moderated.
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.
3. 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: 1.00 percent per year.
  - ii. Direct security/currency repo and rediscount operations: i) 2.80 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 2.80 percent.
4. The BCRP Board's next monetary policy session will take place on December 12, 2019.

Lima, November 7, 2019