



CENTRAL RESERVE BANK OF PERU

Monetary Policy Statement

September 2023

September 15, 2023



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MONETARY POLICY STATEMENT SEPTEMBER 2023 BCRP REDUCED THE REFERENCE RATE TO 7.50%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to reduce the reference rate by 25 bps to 7.50 percent. This decision does not necessarily imply a sequence of interest rate reductions. Future reference rate adjustments will be conditional on new information about inflation and its determinants.
2. The decision to reduce the reference rate considered the following information and projections:
 - i. In August, month-on-month inflation was 0.38 percent and core inflation 0.24 percent. Year-on-year inflation fell from 5.88 percent in July to 5.58 percent in August, while core inflation decreased from 3.89 percent in July to 3.81 percent in August. Both indicators have been decreasing since the beginning of 2023 but remain above the upper limit of the inflation target range.
 - ii. The sharp increase in international food and fuel prices since the second half of 2021, 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, although in most countries, a decreasing trend is observed throughout the year. In the Peruvian case, there were transitory effects on inflation greater than expected due to restrictions in the supply of some food items, some of which would have begun to recede since June.
 - iii. The downward trend in year-on-year inflation is forecast to continue, reaching the target range at the beginning of next year, due to a moderation of the impact of international food and fuel prices, a reversal of agricultural supply shocks, and declining inflation expectations. However, there are risks related to climatic factors.
 - iv. One-year-ahead expected inflation decreased from 3.57 percent in July to 3.36 percent in August, approaching the upper limit of the inflation target range.
 - v. The leading and expectations indicators for economic activity in July show a moderate recovery compared to the previous month but remain in pessimistic territory. The shocks derived from social conflicts and the coastal El Niño have had a greater than expected impact on economic activity and domestic demand.
 - vi. The outlook for global economic activity has moderated; however, global risks remain due to monetary tightening in advanced economies, lower growth rates in China and international conflicts.
3. The Board is particularly attentive to new information on inflation and its determinants, including the evolution of inflation expectations and economic activity, to consider, if necessary, additional changes in the monetary stance. The Board reaffirms its commitment to adopt the necessary actions to ensure the return of inflation to the target range over the forecast horizon.
4. The Board also decided the following interest rates on its window facility operations in domestic currency with financial entities:
 - i. Overnight deposits: 4.75 percent per year.
 - ii. Direct security/currency repo and rediscount operations: i) 8.00 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.
5. The BCRP Board's next monetary policy session will take place on October 5, 2023.

Lima, September 14, 2023

There was no presentation of the Monetary Program. This date coincided with the release of the Inflation Report.



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