



PRESS RELEASE

MONETARY POLICY STATEMENT JULY 2019 BCRP MAINTAINS REFERENCE RATE AT 2.75%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to maintain the reference rate at 2.75 percent, in light of the following developments:
 - i. Year-on-year inflation and inflation trend indicators as of June were within the BCRP's target range;
 - ii. One-year ahead expected inflation as of June was 2.48 percent;
 - iii. Primary industries show a weak performance as a result of temporary supply shocks, while non-primary industries maintain a moderate growth momentum. Public investment has registered a slow pace in the first half of the year, which is expected to revert in the second half; and
 - iv. Global growth risks persist, although international financial volatility has decreased due to expectations of a more expansionary monetary policy stance in advanced economies.
2. Year-on-year inflation is expected to remain within the target range and converge towards 2.0 percent over the forecast horizon, with a downside bias due to the possibility of a lower-than-expected increase in domestic demand. The BCRP Board considers that it is appropriate to maintain an expansionary monetary policy stance and pays close attention to new information on inflation and its determinants in assessing future changes in the stance.
3. According to recent inflation and economic activity indicators:
 - i. Monthly inflation was -0.09 percent in June, bringing down year-on-year inflation to 2.29 percent, from 2.73 percent in May. With monthly inflation excluding food and energy at 0.02 percent in June, the year-on-year figure decreased to 2.3 percent, from 2.6 percent in May.
 - ii. Business conditions expectations moderated in June, especially three-months ahead expectations. Non-primary activity indicators continue to point to a gradual closure of the output gap.
4. The Board also decided to maintain the interest rates on BCRP off-auction credit and deposit operations in domestic currency with financial entities.
 - i. Overnight deposits: 1.50 percent per year.
 - ii. Direct security/currency repo and rediscount operations: i) 3.30 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 3.30 percent.
5. The BCRP Board's next monetary policy session will take place on August 8, 2019.

Lima, July 11, 2019