



## PRESS RELEASE

### **MONETARY POLICY STATEMENT JUNE 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 May were within the BCRP's target range;
  - ii. One-year ahead expected inflation as of May was 2.47 percent;
  - iii. Primary industries show a weak performance as a result of temporary supply shocks, while non-primary industries maintain a moderate growth momentum mainly because of the slow pace of public investment, which is expected to revert in the second half of the year; and,
  - iv. Global growth risks remain tilted to the downside; and trade tensions have intensified in recent weeks, thereby exacerbating international financial volatility.
2. Year-on-year inflation is expected to remain within the target range and converge towards 2.0 percent over the forecast horizon. The BCRP Board considers that it is appropriate to maintain an expansionary stance as long as inflation expectations remain anchored and economic activity is below its potential level.
3. According to recent inflation and economic activity indicators:
  - i. Monthly inflation was 0.15 percent (2.73 percent year-on-year) in May 2019. Monthly inflation excluding food and energy was 0.14 percent (remained at 2.60 percent year-on-year) in May.
  - ii. Business conditions expectations moderated in May but remain on the optimistic side. Non-primary activity indicators 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 July 11, 2019.

Lima, June 13, 2019