



PRESS RELEASE

MONETARY POLICY STATEMENT OCTOBER 2019 BCRP MAINTAINS REFERENCE RATE AT 2.50%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to maintain the reference rate at 2.50 percent, in light of the following developments:
 - i. Year-on-year inflation and inflation trend indicators as of September were within the BCRP's target range.
 - ii. One-year ahead expected inflation as of September was 2.21 percent.
 - iii. Primary industries' weak performance during the first half of the year began to reverse in July, and non-primary industries continue to recover. The recovery of public investment in September, after a lower performance in January-August, is expected to continue in the remainder of the year.
 - iv. Global growth risks persist as trade tensions continue.
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 its expansionary monetary policy and pays close attention to new information on inflation and its determinants in considering future changes in this stance.
3. According to recent inflation and economic activity indicators:
 - i. Monthly inflation was 0.01 percent in September, bringing down year-on-year inflation to 1.85 percent, from 2.04 percent in August. With monthly inflation excluding food and energy at 0.01 percent in September, the year-on-year figure decreased to 2.16 percent, from 2.20 percent in August.
 - ii. Business conditions expectations improved slightly in September. Activity indicators point to a more 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: 1.25 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 November 7, 2019.

Lima, October 10, 2019