



PRESS RELEASE

MONETARY POLICY STATEMENT SEPTEMBER 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 August were within the BCRP's target range.
 - ii. One-year ahead expected inflation as of August was 2.30 percent.
 - iii. Primary industries had a weak performance in the first half of the year as a result of temporary supply shocks, which began to reverse in July. On the other hand, non-primary industries have begun to recover, although at a lower rate than expected. Public investment showed a lower performance in January-August, which is expected to revert in the remainder of the year.
 - iv. Global growth risks persist and trade tensions continue to create high 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, 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 this stance.
3. According to recent inflation and economic activity indicators:
 - i. Monthly inflation was 0.06 percent in August, bringing down year-on-year inflation to 2.04 percent, from 2.11 percent in July. With monthly inflation excluding food and energy at 0.14 percent in August, the year-on-year figure increased to 2.20 percent, from 2.15 percent in July.
 - ii. Business conditions expectations continued to moderate in August. Non-primary activity indicators continue to 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 October 10, 2019.

Lima, September 12, 2019