



PRESS RELEASE

MONETARY POLICY STATEMENT OCTOBER 2023 BCRP REDUCED THE REFERENCE RATE TO 7.25%

1. The Board of Directors of the Central Reserve Bank of Peru (BCRP) decided to reduce the reference rate by 25 bps to 7.25 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 September, month-on-month inflation was 0.02 percent and core inflation was 0.13 percent. Year-on-year inflation fell from 5.6 percent in August to 5.0 percent in September, while core inflation decreased from 3.8 percent in August to 3.6 percent in September. Both indicators have been decreasing since the beginning of 2023 but remain above the upper limit of the inflation target range.
 - ii. Following a surge in global inflation since the latter half of 2021, inflation in most countries has shown a decreasing trend throughout the year. In Peru, transitory effects caused by restrictions in the supply of certain food items persist, although some of them have begun to recede since June.
 - iii. One-year-ahead expected inflation remained stable at 3.4 percent, approaching the upper limit of the inflation target range.
 - iv. 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 in the impact of several international prices, a reversal of agricultural supply shocks, and lower projected inflation expectations. However, there are risks related to climatic factors.
 - v. The leading and expectations indicators for economic activity in September deteriorated relative to the previous month and most of them 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. Additionally, 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: 4.50 percent per year.
 - ii. Direct security/currency repo and rediscount operations: i) 7.75 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 November 9, 2023.

Lima, October 5, 2023