



MONETARY PROGRAM FOR AUGUST 2017 BCRP MAINTAINED THE POLICY INTEREST RATE AT 3.75%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 3.75 percent. This decision takes into account the following factors:
 - i) Inflation remains within the target range and inflation without food and energy has continued to decline within the inflation target range. Both rates are expected to converge to 2.0 percent by the end of the year;
 - ii) Expectations of inflation in 12 months have also continued to decrease within the inflation target range;
 - iii) The pace of growth of domestic economic activity continues to be below its potential growth level. Economic activity is expected to recover in the following quarters as a result of increased government and private spending, and
 - iv) The world economy continues to show a gradual recovery, although there is still some uncertainty about the policies of developed countries, particularly about the reversal of central banks' monetary stimulus in these economies.
2. The Board gives special close attention to new data on inflation and inflation determinants, especially data about inflation expectations and the evolution of economic activity, to continue easing the monetary policy stance in the short term.
3. Inflation in July recorded a rate of 0.20 percent, as a result of which the year-to-year rate of inflation rose from 2.73 percent in June to 2.85 percent in July, within the target range. Inflation without food and energy showed a rate of 0.17 percent, as a result of which the year-to-year rate fell from 2.38 percent in June to 2.36 percent in July, within the target range as well. Inflation is forecast to remain within this range during 2017 and 2018.
4. The indicators of business expectations remain on the optimistic side and GDP is expected to grow between 2.5 and 3.0 percent in 2017.
5. The Board of the Central Bank also approved to maintain the annual interest rates on lending and deposit operations in domestic currency (not included in auctions) between BCRP and the financial system, as specified below:
 - a. Overnight deposits: 2.50 percent.
 - b. Direct repos and rediscount operations: i) 4.30 percent for the first 15 operations carried out by a financial institution in the last 12 months, and ii) the interest rate set by the Committee of Monetary and Foreign Exchange Operations for additional operations to the 15 first operations carried out in the last 12 months.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.30 percent.
6. The Board of BCRP will approve the Monetary Program for September on its meeting of September 14, 2017.

Lima, August 10, 2017