



MONETARY PROGRAM FOR DECEMBER 2017 **BCRP MAINTAINED THE POLICY INTEREST RATE AT 3.25%**

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 3.25 percent. This decision takes into account the following factors:
 - i. Inflation in November continued decreasing within the inflation target range due to the reversal of supply shocks. Inflation is projected to continue declining in the next months and to converge thereafter to 2.0 percent by the end of 2018. Moreover, the measurements of inflation trends continue decreasing and are expected to remain within the target range in 2017 and 2018;
 - ii. Expectations of inflation in 12 months fell within the target range and are forecast to continue declining in the following months to 2.0 percent;
 - iii. Economic activity is showing a faster pace of growth as a result of increased public and private expenditure, although it continues to be below its potential growth level, and
 - iv. The world economy continues recovering gradually, although there is some uncertainty associated with an eventual reversal of monetary stimulus in the advanced economies.
2. The Board gives close attention to new data on inflation and inflation determinants to consider the convenience of making additional adjustments in the Central Bank's monetary policy stance should it be necessary.
3. Recent indicators of inflation and activity reflect the following:
 - i. Inflation in November recorded a rate of -0.20 percent, as a result of which the year-to-year rate of inflation fell from 2.04 percent in October to 1.54 percent in November. Inflation without food and energy showed a rate of 0.03 percent, as a result of which the year-to-year rate fell from 2.35 percent in October to 2.23 percent in November, also within the target range.
 - ii. The indicators of business expectations remain on the optimistic side, although economic growth remains below its potential level.
4. 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:
 - i. Overnight deposits: 2.00 percent.
 - ii. Direct repos and rediscount operations: i) 3.80 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.
 - iii. Swaps: a commission equivalent to a minimum annual effective cost of 3.80 percent.
5. The Monetary Program for the following 12 months will be approved on the Board meetings to be held on the following dates:

January 11	February 8	March 8
April 12	May 10	June 7
July 12	August 9	September 13
October 11	November 8	December 13

6. Moreover, in 2018 BCRP will publish its Inflation Reports on the following dates:

March 23	June 15	September 21	December 21
----------	---------	--------------	-------------