



MONETARY PROGRAM FOR JUNE 2017

BCRP MAINTAINED THE POLICY INTEREST RATE AT 4.0%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 4.0 percent. Tby 25 basis points to 4.25 percent. This decision takes into account the following factors:
 - i) The supply shocks that affected inflation in the first quarter continued to reverse in May, as a result of which inflation has come closer to the upper band of the inflation target range;
 - ii) Expectations of inflation in 12 months have returned to the 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 spending and due to the effect of the higher export prices observed so far this year, and
 - iv) The world economy continues to show a gradual recovery, although there is still some uncertainty about developed countries' policies.
2. The Board oversees new data on inflation and inflation determinants, especially data about inflation expectations and the evolution of economic activity, to assess the convenience of easing the monetary policy stance further in the short term.
3. Inflation in May recorded a rate of -0.42 percent due to the significant reversal of increases in the prices of some foodstuffs, as a result of which the year-to-year rate of inflation fell for the second consecutive month, from 3.69 percent in April to 3.04 percent in May. Inflation without food and energy showed a rate of 0.08 percent, as a result of which the year-to-year rate dropped from 2.79 percent in April to 2.54 percent in May, within the target range. Inflation is forecast to converge to the target range during 2017.
4. The indicators of business expectations remain on the optimistic side, although showing lower levels than those observed in the first quarter. GDP is expected to grow between 2.6 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: 2.75 percent.
 - b. Direct repos and rediscount operations: i) 4.55 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 4.55 percent.
6. The Board will approve the Monetary Program for July on its meeting of July 13, 2017.

Lima, June 8, 2017