



MONETARY PROGRAM FOR APRIL 2018

BCRP MAINTAINED THE POLICY INTEREST RATE AT 2.75%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 2.75 percent. This decision takes into account the following factors:
 - i. Inflation in March continued declining for five consecutive months and, as anticipated, showed a rate below the lower band of the inflation target range (1.0 percent). This is explained mainly by the reversal of the supply shocks and by a level of economic activity that is lower than the potential level of growth. The YoY inflation rate is projected to return to be within the target range in the second quarter and to gradually converge thereafter to 2.0 percent by the end of the year. Moreover, trend inflation measurements showed levels close to the midpoint of the target range;
 - ii. Expectations of inflation in 12 months continued decreasing and registered a rate of 2.18 percent in March 2018;
 - iii. Economic activity continues to grow at levels below its potential level of growth, amid a context of low inflation, and
 - iv. The world economy continues to show positive indicators, although uncertainty in international financial markets has increased.
2. The Board pays 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 March showed a rate of 0.49 percent, as a result of which the YoY inflation rate fell from 1.18 percent in February to 0.36 percent in 2018. Inflation without food and energy recorded a rate of 0.85 percent, as a result of which the YoY rate increased from 1.97 percent in February to 1.99 percent in March, within the target range.
 - ii. Most indicators of business expectations deteriorated in March, although they continue to be on the optimistic side.
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: 1.50 percent.
 - ii. Direct repos and rediscount operations: i) 3.30 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.
 - iii. Swaps: a commission equivalent to a minimum annual effective cost of 3.30 percent.
5. The Board will approve the Monetary Program for the month of May on its Meeting of May 10, 2018.

Lima, April 12, 2018