



MONETARY PROGRAM FOR FEBRUARY 2018 BCRP MAINTAINED THE POLICY INTEREST RATE AT 3.0%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 3.0 percent. This decision takes into account the following factors:
 - i. Inflation in January continued declining and showed a rate in the lower band of the inflation target range for the third consecutive month due mainly to the reversal of the supply shocks as well as due to a level of economic activity lower than the potential level of growth. Inflation is projected to remain around the lower band of the target range in the first months of 2018 and to converge thereafter to 2.0 percent. Moreover, trend inflation measurements continue decreasing and are expected to remain close to the middle of the target range during this year;
 - ii. Expectations of inflation in 12 months continued decreasing and registered a rate of 2.29 percent in January 2018;
 - iii. Economic activity continues to grow at levels below its potential level of growth, and
 - iv. The world economy continues to show positive indicators, with positive signals in the prices of commodities and in capital flows to the emerging economies, 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 January showed a rate of 0.13 percent, as a result of which the year-to-year inflation rate fell from 1.36 percent in December to 1.25 percent in January. Inflation without food and energy recorded a rate of -0.13 percent, as a result of which the year-to-year rate fell from 2.15 percent in December to 1.97 percent in January, also within the target range.
 - ii. The indicators of business expectations improved in January and 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: 1.75 percent.
 - ii. Direct repos and rediscount operations: i) 3.55 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.
 - iii. Swaps: a commission equivalent to a minimum annual effective cost of 3.55 percent.
5. The Monetary Program for the month of March will be approved on the Board Meeting of March 8, 2018.

Lima, February 8, 2018