



MONETARY PROGRAM FOR JULY 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. In June, the YoY rate of inflation was within the inflation target range. The monthly rate of inflation reflects in part the rise in the excise tax. On the other hand, indicators of trend have risen compared to May, but continue to be close to the midpoint of the target range;
 - ii. The expected YoY rate of inflation registered 2.28 percent in June;
 - iii. Indicators of economic activity show clear signs of a greater dynamism, although GDP remains below its potential level of growth, and
 - iv. Greater risk and increased financial volatility, both associated with recent commercial tensions, could affect global economic activity.

2. The YoY inflation rate is projected to remain within the target range in July and to gradually converge to 2.0 percent by the end of the year. The Board considers that it is appropriate to maintain an expansionary policy stance until it is certain that this convergence will take place when inflation expectations are anchored in a context in which the level of economic activity is close to its potential level of growth.

3. Recent indicators of inflation and activity reflect the following:
 - i. Inflation in June showed a rate of 0.33 percent, as a result of which the YoY inflation rate rose from 0.93 percent in May to 1.43 percent in June 2018. Inflation without food and energy recorded a rate of 0.28 percent, as a result of which the YoY rate rose from 2.0 percent in May to 2.23 in June, within the target range.
 - ii. Indicators of business expectations continue to be on the optimistic side, although they showed lower levels than in the previous month. Moreover, a recovery is observed in several indicators of economic activity, consumption, and investment.

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 August on its Meeting of August 9, 2018.

Lima, July 12, 2018