



## **MONETARY PROGRAM FOR MARCH 2018 BCRP LOWERED THE POLICY INTEREST RATE TO 2.75%**

1. The Board of the Central Reserve Bank of Peru approved to lower the monetary policy interest rate to 2.75 percent. This decision takes into account the following factors:
  - i. Inflation in February continued declining and showed a rate in the lower band of the inflation target range for the fourth consecutive month due mainly to the reversal of the supply shocks and due to a level of economic activity lower than the potential level of growth. Inflation in March is projected to fall below 1.0 percent and to gradually 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 2.19 percent in February 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, 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 February showed a rate of 0.25 percent, as a result of which the year-to-year inflation rate fell from 1.25 percent in January to 1.18 percent in February 2018. Inflation without food and energy recorded a rate of 0.14 percent, as a result of which the year-to-year rate remained at 1.97 percent, also within the target range.
  - ii. The indicators of business expectations deteriorated in February, 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 Monetary Program for the month of April will be approved on the Board Meeting of April 12, 2018.

Lima, March 8, 2018