



MONETARY PROGRAM FOR MAY 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 April, the YoY inflation rate rose slightly to 0.48 percent, a rate still below the lower band of the inflation target range (1.0 percent). This is explained mainly by the reversal of the supply shocks in a context of economic activity that shows a lower level than the potential level of growth. Moreover, trend inflation measurements show levels close to the midpoint of the target range;
 - ii. The expected YoY rate of inflation fell slightly to 2.17 percent in April;
 - iii. Indicators of economic activity show clear signs of a greater dynamism, although GDP remains below its potential level of growth, and
 - iv. The world economy continues to show positive indicators, although there is still uncertainty in international financial markets.
2. The YoY inflation rate is projected to return to be within the target range in the second quarter 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 in a context of anchored inflation expectations.
3. Recent indicators of inflation and activity reflect the following:
 - i. Inflation in April showed a rate of -0.14 percent, as a result of which the YoY inflation rate rose from 0.36 percent in March to 0.48 percent in April. Inflation without food and energy recorded a rate of 0.01 percent, as a result of which the YoY rate fell from 1.99 percent in March to 1.91 in April, within the target range.
 - ii. Most indicators of business expectations improved in April and continue to be on the optimistic side. Moreover, several indicators of economic activity, consumption, and investment show a recovery as well.
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 June on its Meeting of June 7, 2018.

Lima, May 10, 2018