



MONETARY PROGRAM FOR NOVEMBER 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 October, the YoY rate of inflation and the indicators of trend inflation showed levels within the inflation target range;
 - ii. The expected YoY rate of inflation remained at 2.4 percent in October;
 - iii. Some indicators of economic activity show temporary signs of lower dynamism in the third quarter and economic activity remains below its potential level of growth, and
 - iv. Greater risk and increased financial volatility, both associated with recent commercial tensions and with uncertainty in financial markets, could affect global economic activity.
2. The YoY inflation rate is projected to remain within the target range and around 2.0 percent. The Board considers that it is appropriate to maintain an expansionary policy stance while inflation expectations are anchored in a context in which the level of economic activity is below its potential level of growth.
3. Recent indicators of inflation and activity reflect the following:
 - i. Inflation in October showed a rate of 0.08 percent, as a result of which the YoY inflation rate rose from 1.3 percent in September to 1.8 percent in October 2018. Moreover, inflation without food and energy recorded a rate of 0.06 percent, as a result of which the YoY rate remained at 2.1 percent.
 - ii. Most indicators of business expectations remained on the optimistic side in October. Furthermore, indicators of economic activity showed a recovery in October.
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. Currency and security direct repos and rediscount operations: i) 3.30 percent for the first 10 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 10 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 December on its Meeting of December 13, 2018.