



## **MONETARY PROGRAM FOR SEPTEMBER 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 August, 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 was 2.39 percent in August;
  - iii. Some indicators of economic activity show temporary signs of lower dynamism and economic activity 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 September 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 August showed a rate of 0.13 percent, as a result of which the YoY inflation rate fell from 1.62 percent in July to 1.07 percent in August 2018. Inflation without food and energy recorded a rate of 0.09 percent, as a result of which the YoY rate fell from 2.33 percent in July to 2.04 percent in August, within the target range.
  - ii. Most indicators of business expectations continue to be on the optimistic side in August. Moreover, a more gradual recovery is observed in indicators of economic activity.
  
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 October on its Meeting of October 11, 2018.

Lima, September 13, 2018