



## **MONETARY PROGRAM FOR JANUARY 2019**

### **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 December, the YoY inflation rate and trend inflation indicators showed levels within the inflation target range;
  - ii. The expected YoY rate of inflation was 2.50 percent in December;
  - iii. Economic activity indicators showed signs of higher dynamism in the fourth quarter of 2018, even though the output level remains below its potential, and
  - iv. There are still risks in terms of global economic activity and increased financial volatility, associated with commercial tensions and uncertainty in financial markets.
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 remain anchored in a context in which the level of economic activity is below its potential level.
3. Recent indicators of inflation and activity reflect the following:
  - i. Inflation in December showed a rate of 0.18 percent, as a result of which the YoY inflation rate remained at 2.2 percent in December 2018. Moreover, inflation excluding food and energy prices recorded a rate of 0.34 percent, as a result of which the YoY rate remained at 2.2 percent in December.
  - ii. Most indicators of business expectations have improved and remain on the optimistic side. Furthermore, indicators of economic activity continue recovering.
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 security and currency 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 Monetary Program for the month of February will be approved on the Board meeting to be held on February 7, 2019.

Lima, January 10, 2019