



MONETARY PROGRAM FOR NOVEMBER 2017 BCRP LOWERED THE POLICY INTEREST RATE TO 3.25%

1. The Board of the Central Reserve Bank of Peru approved to lower the monetary policy interest rate from 3.50 to 3.25 percent. This decision takes into account the following factors:
 - i. Inflation in October continued decreasing and reached the middle of the inflation target range. The measurements of inflation trends continue declining and are within the target range as well. Moreover, both measurements of inflation are forecast to remain within the target range in 2017 and 2018;
 - ii. Expectations of inflation in 12 months continued to be within the target range and are expected to continue declining in the following months;
 - iii. The pace of growth of economic activity is recovering rapidly although it continues to be below its potential growth level in a context of low inflation, and
 - iv. The world economy continues recovering gradually, although there is some uncertainty associated with an eventual reversal of monetary stimulus in the advanced economies.
2. The Board gives 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 October recorded a rate of -0.47 percent, as a result of which the year-to-year rate of inflation fell from 2.94 percent in September to 2.04 percent in October. Inflation is expected to remain within this range during 2017 and 2018. Inflation without food and energy showed a rate of 0.02 percent, as a result of which the year-to-year rate fell from 2.45 percent in September to 2.35 percent in October, also within the target range.
 - ii. The indicators of business expectations have continued to improve in October and remain on the optimistic side, although economic growth remains below its potential level.
4. The Board of the Central Bank also approved to lower 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: 2.00 percent.
 - ii. Direct repos and rediscount operations: i) 3.80 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 3.80 percent.
5. The Board of BCRP will approve the Monetary Program for December on its meeting of December 14, 2017.

Lima, November 9, 2017