



## **MONETARY PROGRAM FOR OCTOBER 2017 BCRP MAINTAINED THE POLICY INTEREST RATE AT 3.50%**

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 3.50 percent. This decision takes into account the following factors:
  - i) Inflation returned to the target range due to the reversal of the supply shocks. Moreover, the measurements of inflation trends are also within the inflation target range and inflation is projected to continue declining in the following months;
  - ii) Expectations of inflation in 12 months continue to be within the inflation target range;
  - iii) The pace of growth of domestic economic activity continues to be below its potential growth level, although it is expected to show greater dynamism due to the increase of government and private expenditure, and
  - iv) The world economy continues to show a gradual recovery, although there is still some uncertainty associated with an eventual reversal of central banks' monetary stimulus in the advanced economies.
2. The Board gives close attention to new data on inflation and inflation determinants and stands ready to make additional adjustments in the Central Bank's monetary policy stance should this be necessary.
3. Inflation in September recorded a rate of -0.02 percent, as a result of which the year-to-year rate of inflation fell from 3.17 percent in August to 2.94 percent in September, within the target range (between 1 and 3 percent). Inflation is expected to remain within this range in during 2017 and 2018. Inflation without food and energy showed a rate of -0.01 percent, as a result of which the year-to-year rate fell from 2.57 percent in August to 2.45 percent in September, also within the target range.
4. The indicators of business expectations have continued to improve in September and remain on the optimistic side. Expectations of GDP growth for 2017 show rates between 2.5 and 2.9 percent.
5. 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:
  - a. Overnight deposits: 2.25 percent.
  - b. Direct repos and rediscount operations: i) 4.05 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.
  - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.05 percent.
6. The Board of BCRP will approve the Monetary Program for November on its meeting of November 9, 2017.

Lima, October 12, 2017