



## MONETARY PROGRAM FOR DECEMBER 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 November, the YoY inflation rate and trend inflation indicators showed levels within the inflation target range;
  - ii. The expected YoY inflation rate was 2.48 percent in November;
  - iii. Economic activity indicators show higher dynamism in the fourth quarter, even though the output level remains below its potential, and
  - iv. Greater risk on global economic activity and increased financial volatility, both associated to recent 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 are anchored in a context in which the level of economic activity is below its potential.
3. Recent indicators of inflation and activity reflect the following:
  - i. Inflation in November showed a rate of 0.12 percent, as a result of which the YoY inflation rate rose from 1.8 percent in October to 2.2 percent in November 2018. Moreover, inflation excluding food and energy recorded a rate of 0.07 percent, as a result of which the YoY rate rose from 2.1 percent in October to 2.2 percent in November.
  - 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 in annual terms.
  - 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 following 12 months will be approved on the Board meetings to be held on the following dates:

January 10	February 7	March 7
April 11	May 9	June 13
July 11	August 8	September 12
October 10	November 7	December 12
6. In 2019, the BCRP will publish its first Inflation Report on March 29.