



MONETARY PROGRAM FOR JANUARY 2018 BCRP LOWERED THE POLICY INTEREST RATE TO 3.0%

1. The Board of the Central Reserve Bank of Peru approved to lower the monetary policy interest rate from 3.25 to 3.0 percent. This decision takes into account the following factors:
 - i. Inflation in December continued decreasing and showed a rate in the lower band of the inflation target range for the second consecutive year due mainly to the reversal of the supply shocks as well as due to a level of economic activity lower than the potential growth rate. Inflation is projected to continue declining in the first months of 2018 and to converge thereafter to 2.0 percent. Moreover, trend inflation measurements continue decreasing and are expected to remain close to the middle of the target range during this year;
 - ii. Expectations of inflation in 12 months continued declining and fell from 2.48 percent in November to 2.30 percent in December 2017;
 - iii. In the fourth quarter of 2017, public expenditure, particularly investment expenditure, grew less than forecast, as a result of which the gap between economic activity and its potential level of growth increased, and
 - iv. The world economy continues to show positive indicators, with positive signals in the prices of commodities and in capital flows to the emerging economies.
2. The Board pays 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 December recorded a rate of 0.16 percent, as a result of which the year-to-year inflation rate fell from 1.54 percent in November to 1.36 percent in December. Inflation without food and energy showed a rate of 0.29 percent, as a result of which the year-to-year rate fell from 2.23 percent in November to 2.15 percent in December, also within the target range.
 - ii. The indicators of business expectations showed more moderate levels in December, but remain on the optimistic side.
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: 1.75 percent.
 - ii. Direct repos and rediscount operations: i) 3.55 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 3.55 percent.
5. The Monetary Program for the month of February will be approved on the Board Meeting of February 8, 2018.

Lima, January 11, 2018