



MONETARY PROGRAM FOR JUNE 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 May, inflation showed a YoY rate of 0.93 percent, a rate below the lower band of the inflation target range. This is explained mainly by the reversal of the supply shocks in a context of a lower level of economic activity than the potential level of growth. On the other hand, trend inflation measurements show levels close to the midpoint of the target range;
 - ii. The expected YoY rate of inflation registered 2.22 percent in May;
 - iii. Indicators of economic activity show clear signs of a greater dynamism, although GDP remains below its potential level of growth, and
 - iv. The world economy continues to show positive indicators, although there is still uncertainty in international financial markets.
2. The YoY inflation rate is projected to return to be within the target range in June and to gradually converge to 2.0 percent by the end of the year. The Board considers that it is appropriate to maintain an expansionary policy stance until it is certain that this convergence will take place when inflation expectations are anchored in a context in which the level of economic activity is close to its potential level of growth..
3. Recent indicators of inflation and activity reflect the following:
 - i. Inflation in May showed a rate of 0.02 percent, as a result of which the YoY inflation rate rose from 0.48 percent in April to 0.93 percent in May. Inflation without food and energy recorded a rate of 0.17 percent, as a result of which the YoY rate rose from 1.91 percent in April to 2.0 in May.
 - ii. Most indicators of business expectations improved in May and continue to be on the optimistic side. Moreover, a recovery is observed in several indicators of economic activity, consumption, and investment.
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 repos and rediscount operations: i) 3.30 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 3.30 percent.
5. The Board will approve the Monetary Program for July on its Meeting of July 12, 2018.