



## **MONETARY PROGRAM FOR OCTOBER 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 September, the YoY rate of inflation and the indicators of trend inflation showed levels within the inflation target range;
  - ii. The expected YoY rate of inflation was 2.44 percent in September;
  - iii. Some indicators of economic activity show temporary signs of lower dynamism and economic activity remains below its potential level of growth, and
  - iv. Greater financial volatility, associated with recent commercial tensions and uncertainty in the international markets, could affect global economic activity.
2. The YoY inflation rate is projected to remain within the target range in October and to gradually converge to 2.0 percent in the short-term. 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 September showed a rate of 0.19 percent, as a result of which the YoY inflation rate rose from 1.07 percent in August to 1.28 percent in September 2018. Inflation without food and energy recorded a rate of 0.04 percent, as a result of which the YoY rate rose from 2.04 percent in August to 2.09 percent in September, within the target range.
  - ii. Most indicators of business expectations continue to be on the optimistic side in September. Moreover, a more gradual recovery is observed in indicators of economic activity.
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 November on its Meeting of November 8, 2018.

Lima, October 11, 2018.