



MONETARY PROGRAM FOR MAY 2019

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 April, the YoY inflation rate and trend inflation indicators showed levels within the inflation target range;
 - ii. The expected YoY rate of inflation was 2.38 percent in April;
 - iii. Indicators of non-primary economic activity continue showing signs of dynamism, while primary activity shows a weak performance; as a result, production remains below its potential, and
 - iv. There are still risks in terms of global economic activity and greater volatility has been observed in international financial markets over the past few days due to commercial tensions.
2. The YoY inflation rate is projected to remain within the target range and around 2.0 percent in the forecast horizon. The Board considers that it is appropriate to maintain an expansionary policy stance while inflation expectations remain anchored, in a context in which the level of economic activity is below its potential level.
3. Recent indicators of inflation and activity reflect the following:
 - i. Inflation in April showed a rate of 0.20 percent, as a result of which the YoY inflation rate registered 2.59 percent in April 2019 due to the statistical effect associated with the negative inflation rate in April 2018. Moreover, the monthly rate of inflation excluding food and energy prices was 0.04 percent, as a result of which the YoY rate remained at 2.6 percent in April.
 - ii. Indicators of business expectations declined in April, but remain on the optimistic side. Furthermore, indicators of non-primary economic activity continue pointing to a gradual closure of the output gap.
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 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 month of June will be approved on the Board meeting to be held on June 13, 2019.

Lima, May 9, 2019