



MONETARY PROGRAM FOR SEPTEMBER 2017

BCRP LOWERED THE POLICY INTEREST RATE TO 3.50%

1. The Board of the Central Reserve Bank of Peru approved to lower the monetary policy interest rate by 25 basis points to 3.50 percent.

This level of the benchmark rate is compatible with an inflation forecast in which inflation remains within the target range during 2017 and 2018. This forecast takes into account the following factors:

- i) The increase in prices of some food products and water tariffs in August will have a transitory effect on inflation. Measures of inflationary trend are within the target range and are projected to continue to decline in the coming months;
 - ii) Expectations of inflation in 12 months' time continued to decrease, standing at 2.7 percent in August;
 - iii) The pace of growth of domestic economic activity continues to be below its potential growth level. Economic activity is expected to recover as a result of increased government and private spending, and
 - iv) The world economy continues to show a gradual recovery, although there is still some uncertainty associated with a possible reversal of central banks' monetary stimulus in developed countries.
2. The Board oversees new data on inflation and inflation determinants to assess the convenience of making additional changes in the monetary policy stance if deemed necessary.
 3. Inflation in August recorded a rate of 0.67 percent, as a result of which the year-to-year rate of inflation rose from 2.85 percent in July to 3.17 percent in August. If it not considers the contribution of the increases in prices of water and lemon, the inflation on the month would be 0.07 percent and the year-to-year inflation, 2.41 percent. Inflation without food and energy recorded 0.38 percent, as a result of which the year-to-year rate rose from 2.36 percent in July to 2.57 percent in August, within the target range (1-3 percent). Inflation is forecast to converge to the target range during 2017 and remain within this range during 2018.
 4. The indicators of business expectations have improved and remain on the optimistic side. GDP is expected to grow between 2.5 and 3.0 percent in 2017.
 5. 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:
 - a. Overnight deposits: 2.25 percent.
 - b. Direct repos and rediscount operations: i) 4.05 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.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.05 percent.
 6. The Board will approve the Monetary Program for October on its meeting of October 12, 2017.

Lima, September 14, 2017