

**PERU**Ministry
of Economy and Finance

interest rate at 3.00% as inflation nears the lower end of the target range

Investor Relations Office

Highlights

1. Inflation continued its downward trend, with the headline price index at 1.25% yoy. February 14, 2018 | 23:03 GMT-5
2. Indicators of business confidence improved slightly in January.

Details

The Board of the Central Reserve Bank of Peru decided to leave unchanged its benchmark monetary policy rate at 3.00% (see Exhibit 1) on declining inflation and economic activity below its potential. On January, BCRP cut its rate 25bp as inflation lagged.

This decision takes into account that: (i) supply shocks reversed, and as a consequence, inflation dropped further in January; (ii) inflation expectations are also declining; (iii) economic activity is growing below its potential; (iv) global economic activity continued showing favorable indicators; (v) positive signs related to commodity prices; and (vi) capital inflows to emerging economies, although international financial markets are experiencing some uncertainty.

In its statement, the Board informed it would pay close attention to new information on inflation and its determinants, to consider if deemed necessary, further changes to the monetary policy stance.

Inflation measurements continued showing a downward trend as previous months; the headline price index was 0.13% for January (prev. 0.16%) and 1.25% yoy. In the first month of 2018, all consumption groups saw price gains, with the exception of transport and communication prices (-0.84% for the month and -0.14% yoy). House rents, oil and electricity prices advanced the most, with 0.50% for the month and 3.33% yoy. Excluding food and energy prices, inflation came negative at -0.13% (prev. 0.29%) and 1.97% yoy (prev. 2.15%), right in the middle of the target range (see Exhibit 2).

The BCRP expects inflation will continue to decline around the lower end of the range, but will converge to 2% in the medium and long term. Inflation expectations for the next 12 months eased further to 2.23% (prev. 2.30%, see Exhibit 3). Inflation expectations for 2018 and 2019, as reported by analysts, kept their previous levels of 2.4% and 2.5%, respectively. Business confidence on the economy for the next 3 and 12 months improved slightly in January (see Exhibit 4).

You can find more information at (link in Spanish):

<http://www.bcrp.gob.pe/docs/Transparencia/Notas-Informativas/2018/nota-informativa-2018-02-08-1.pdf>

Monthly Monetary Update | SUMMARY

Key numbers

change over prev.	as of:	
one week change	one month change	as of:

Source: Central Reserve Bank of Peru and National Institute of Statistics and Informatics of Peru.

¹ As reported by economic analysts on the BCRP survey.

² Is the result of the simple average of 12-month expectations by the financial system and economic analysts.

³ Index on business confidence surveyed by the BCRP.

Contact Information

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