



## **MONETARY PROGRAM FOR DECEMBER 2013**

### **BCRP MAINTAINS THE REFERENCE INTEREST RATE AT 4.0%**

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy reference rate at 4.0 percent.

This level of the reference rate is compatible with an inflation forecast of 2 percent in the forecast horizon (2014 – 2015) and takes into account that: i) inflation expectations remain anchored within the inflation target range; ii) GDP has been recording lower growth rates than the country's potential level of growth; iii) recent indicators show some recovery in the world economy, and iv) the supply factors that affected inflation are reversing.

2. Inflation in November showed a rate of -0.22 percent and thus inflation in the last 12 months declined from 3.04 percent in October to 2.96 percent in November. Inflation without food and energy registered a rate of 0.19 percent (2.89 percent in the last 12 months) and core inflation showed a rate of 0.20 percent (3.68 percent in the last 12 months).

Inflation is forecast to remain initially close to the upper band of the target range in the following months due to the lagging effect of the supply shocks and to converge thereafter to the 2 percent target in 2014.

3. A slowdown in the pace of economic growth has been observed until the third quarter as a result of the lower growth recorded by our exports due to the deceleration of economic activity in our main trading partners and due to lower export prices. Indicators of activity at November indicate a recovery of economic activity in the last quarter.
4. The rate of reserve requirements in domestic currency was lowered from 16 to 15 percent in December with the purpose of supporting the dynamism of credit in soles.
5. The Board oversees the inflation forecasts and inflation determinants and, if necessary, will implement additional measures to ease its monetary policy instruments.
6. The Board of the Central Bank also approved to reduce the annual interest rates on lending and deposit operations in domestic currency (not included in auctions) between the BCRP and the financial system, as described below:
  - a. Overnight deposits: 3.20 percent.
  - b. Direct repo and rediscount operations: 4.80 percent.
  - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.80 percent.
7. The Monetary Program for January 2014 will be approved on the Board's meeting to be held on January 9, 2013.