



MONETARY PROGRAM FOR NOVEMBER 2013

BCRP LOWERED THE REFERENCE INTEREST RATE TO 4.0%

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

The new level of the reference rate is compatible with an inflation forecast of 2.0 percent in the 2014-2015 forecast horizon and also takes into account that: i) economic growth in the country is slowing down to rates below the economy's potential level of growth; ii) recent indicators show a lower growth in the world economy; iii) inflation expectations have declined and remain anchored within the target range, and iv) the supply factors that affected inflation transitorily are reversing.

This decision is preventive and does not imply a sequence of reductions in the reference interest rate.

2. Inflation in October showed a rate of 0.04 percent (3.04 percent in the last 12 months). Inflation without food and energy registered a rate of 0.13 percent (2.76 percent in the last 12 months) and core inflation showed a rate of 0.23 percent (3.69 percent in the last 12 months).

Inflation is expected to remain within 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. Current and advanced indicators of activity show a weakening in the level of economic activity reflecting the lower growth recorded by our exports as a result of both the economic slowdown of our main trading partners and lower export prices.
4. The Board oversees the inflation forecasts and inflation determinants and, if necessary, will implement additional easing measures in the BCRP monetary policy instruments.
5. 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.
6. The Monetary Program for December will be approved on the Board's meeting to be held on December 12, 2013.