



MONETARY PROGRAM FOR FEBRUARY 2014

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 2014-2015 forecast horizon 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 would become more moderate.

2. Inflation in January registered a rate of 0.32 percent and thus inflation in the last 12 months rose from 2.86 percent in December to 3.07 percent in January, which reflected the rise in the prices of some food products due to transitory supply factors. This explains that the rate of inflation without food and energy was 0.03 percent (2.95 percent in the last 12 months).

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

3. Economic activity slowed down until the third quarter of 2013 as a result of the lower growth of our exports associated with the deceleration of economic activity in our main trading partners and with lower export prices. Indicators of activity and the surveys on macroeconomic expectations show a recovery of economic activity in the first quarter of this year.
4. The rate of maximum mean reserve requirements and marginal reserve requirements in domestic currency was lowered from 14 to 13 percent in February 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 repos and rediscount operations: 4.80 percent.
- c. Swaps: a commission equivalent to a minimum annual effective cost of 4.80 percent.

7. The Board will approve the Monetary Program for March on its meeting of March 13, 2014.