



MONETARY PROGRAM FOR NOVEMBER 2014

BCRP MAINTAINED THE POLICY INTEREST RATE AT 3.50%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 3.50 percent.

This level of the benchmark rate is compatible with the forecast that inflation will be converging to 2.0 percent target in 2015. This forecast takes into account that: i) current and advanced indicators of economic activity continue showing a pace of growth below the potential level of growth; ii) inflation expectations remain anchored within the target range, and iii) recent international indicators show mixed signals of global economic recovery, as well as increased volatility in financial and exchange markets.

2. Inflation in October showed a rate of 0.38 percent, as a result of which inflation in the last 12 months rose from 2.74 percent in September to 3.09 percent in October due to transitory supply factors. Inflation without food and energy recorded a rate of 0.12 percent, as a result of which the interannual rate of inflation fell from 2.57 percent in September to 2.56 percent in October.
3. Current and advanced indicators of activity continue to show a weak economic cycle, with lower GDP growth rates than the ones of the potential output.
4. In November, the BCRP has continued lowering the reserve requirement rate in domestic currency –from 10.5 to 10.0 percent– with the aim of supporting the growth of credit in soles.
5. The Board oversees the inflation forecasts and inflation determinants, and will implement additional monetary easing measures if it is necessary.
6. The Board of the Central Bank also approved to maintain 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: 2.30 percent.
 - b. Direct repos and rediscount operations: 4.30 percent.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.30 percent.

7. The Board will approve the Monetary Program for December on December 11, 2014.