



MONETARY PROGRAM FOR AUGUST 2015

BCRP MAINTAINED THE POLICY INTEREST RATE AT 3.25%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 3.25 percent.

This level of the policy rate is compatible with the forecast that inflation will converge to the target range in the 2015-2016 forecast horizon and takes into account that: i) economic activity is recovering, but continues growing at levels below its potential level; ii) inflation has been affected by temporary supply factors, such as foreign exchange depreciation and the rise of the prices of some food products, fuels, and utility rates. The Board's decision also takes into account that: i) inflation expectations have increased, reaching similar rates to the upper bank of the inflation target range, and ii) international indicators show mixed signals of global economic recovery, as well as high volatility in external financial markets and foreign exchange markets.

2. Inflation in July showed a rate of 0.45 percent, as a result of which the interannual rate of inflation rose from 3.54 percent in June to 3.56 percent in July. The monthly rate of inflation is explained by the increase observed in electricity rates (2.9 percent), water rates (5.3 percent), urban fares (0.7 percent), and domestic transportation (16.0 percent). Inflation without food and energy showed a rate of 0.59 percent, as a result of which the interannual rate of inflation rose from 3.0 percent in June to 3.36 percent in July. Inflation is expected to show a rate of 3.15 percent at end-2015 and a rate of 2.95 percent at end-2016.
3. Recent indicators of economic activity and business and consumer expectations continue showing an economic cycle with lower GDP growth rates than the potential output levels.
4. The Board oversees the inflation forecasts and inflation determinants and stands ready, should it be necessary, to make adjustments in its monetary policy rate to lead inflation to the target range in the horizon of monetary policy effectiveness.
5. 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 specified below:
 - a. Overnight deposits: 2.00 percent.
 - b. Direct repos and rediscount operations: i) 3.80 percent for the first 15 operations carried out by a financial institution in the last 12 months, and ii) the interest rate set by the Committee of Monetary and Foreign Exchange Operations for additional operations to the 15 first operations carried out in the last 12 months.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 3.80 percent.
6. The Monetary Program for the following month will be approved on the Board meeting to be held on September 10, 2015.