



MONETARY PROGRAM FOR JANUARY 2015

BCRP LOWERED THE POLICY INTEREST RATE FROM 3.50% TO 3.25%

1. The Board of the Central Reserve Bank of Peru approved to lower the monetary policy interest rate by 25 bps to 3.25 percent.

This level of the benchmark rate is compatible with the forecast that inflation will be converging more rapidly to the 2.0 percent target in 2015. This forecast also takes into account that: i) economic activity continues showing levels below its potential levels; ii) inflation expectations remain anchored within the target range; iii) recent international indicators show mixed signals of global economic recovery, as well as increased volatility in financial markets, and iv) the lower international prices of crude oil have started to gradually reflect in the domestic market.

This interest rate reduction does not imply successive interest rate cuts.

2. Inflation in December showed a rate of 0.23 percent, as a result of which the interannual rate of inflation rose from 3.16 percent in November to 3.22 percent in December. Inflation without food and energy registered a rate of 0.49 percent, as a result of which the interannual rate of inflation rose from 2.49 percent in November to 2.51 percent in December.
3. Recent indicators of activity continue showing a weak economic cycle, with lower GDP growth rates than the potential output rates in 2014 and significant drops in the rates of primary activities due to negative supply factors.
4. In January, the BCRP has continued lowering the rate of reserve requirements in domestic currency –from 9.5 to 9.0 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 lower 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: 2.05 percent.
 - b. Direct repos and rediscount operations: 4.05 percent.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.05 percent.
7. The Monetary Program for the month of February will be approved on the Board meeting to be held on February 12, 2015.