



MONETARY PROGRAM FOR JULY 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 2.0 percent target in the 2015-2016 forecast horizon and takes into account that: i) economic activity continues growing at levels below its potential level; ii) inflation expectations have increased, but remain within the target range; iii) international indicators show mixed signals of global economic recovery, as well as high volatility in external financial markets and foreign exchange markets, and iv) domestic inflation has been affected by temporary supply-side factors that have been reversing more gradually than expected.

2. Inflation in June showed a rate of 0.33 percent, as a result of which the interannual rate of inflation rose from 3.37 percent in May to 3.54 percent in June. The monthly rate of inflation is explained by the increase observed in the prices of gas (7.0 percent), sugar (9.9 percent), meals outside the home (0.4 percent), onions (11.1 percent), water rates (2.7 percent), and gasoline and lubricants (3.1 percent). Inflation without food and energy showed a rate of 0.26 percent, as a result of which the interannual rate of inflation rose from 2.84 percent in May to 3 percent in June. Inflation is expected to show a rate of 3 percent at end-2015 and a rate of 2.8 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 to make changes in its monetary policy instruments if it is necessary.
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: 3.80 percent.
 - 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 August 13, 2015.