



MONETARY PROGRAM FOR MAY 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 showing levels below its potential level; ii) inflation expectations remain anchored 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, which will reverse gradually.

2. Inflation in April showed a rate of 0.39 percent, as a result of which the interannual rate of inflation remained at 3.02 percent in April. The monthly rate of inflation is explained by the increase observed in the prices of meals outside the home (0.5 percent), fish (7.5 percent), and tomatoes (24.2 percent). Inflation without food and energy showed a rate of 0.34 percent, as a result of which the interannual rate of inflation rose from 2.58 percent in March to 2.74 percent in April.
3. Recent indicators of economic activity and business and consumer expectations continue showing a weak economic cycle, with lower GDP growth rates than the potential output levels.
4. In May, the Central Bank has continued lowering the rate of reserve requirements in domestic currency –from 7.5 to 7.0 percent– with the aim of supporting the growth of credit in soles.
5. The Board oversees the inflation forecasts and inflation determinants, and stands ready to make changes in its monetary policy instruments 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: 2.00 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.
7. The Monetary Program for the following month will be approved on the Board meeting to be held on June 11, 2015.