



MONETARY PROGRAM FOR SEPTEMBER 2015

BCRP RAISED THE POLICY INTEREST RATE TO 3.50%

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

The new 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) inflation expectations have increased, reaching levels similar to the upper rate of the inflation target range; ii) inflation has been affected by temporary events, such as the rise of the prices of some food products and the depreciation of the nuevo sol against the dollar, the effect of these factors not being foreseen to extend in a general manner to the rest of prices; 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) economic activity has been recovering gradually.

The new level of the policy rate is compatible with a real interest rate of 0.5 percent and reflects an expansionary monetary policy stance.

2. 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. The Board points out that the Central Bank has not started a sequence of hikes in its policy interest rate.
3. Inflation in August showed a rate of 0.38 percent, as a result of which the interannual rate of inflation rose from 3.56 percent in July to 4.04 percent in August. The monthly rate of inflation is explained by the increase observed in the prices of perishable food products and electricity rates. Inflation without food and energy showed a rate of 0.09 percent, as a result of which the interannual rate of inflation rose from 3.36 percent in July to 3.48 percent in August, which reflects the effect of the changes recorded in the exchange rate. Inflation is expected to show a rate of 3.4 percent at end-2015 and a rate of 3.0 percent at end-2016.
4. 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, but with a faster pace of growth in the second half of the year. It is estimated that the economy would be growing at rates similar to those of the potential output in 2016.
5. The Board of the Central Bank also approved to raise 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: 2.25 percent.
 - b. Direct repos and rediscount operations: i) 4.05 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 4.05 percent.
6. The Monetary Program for the following month will be approved on the Board meeting to be held on October 15, 2015.