



## **MONETARY PROGRAM FOR MARCH 2016 BCRP MAINTAINED THE POLICY INTEREST RATE AT 4.25%**

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy interest rate at 4.25 percent. The Board has taken this decision considering that:
  - i) The global economy continues showing mixed signals of recovery in terms of production and employment as well as lower volatility in financial markets, with currency appreciation trends in the emerging economies and a rise in commodity prices being observed.
  - ii) Inflation has been affected by temporary supply factors, such as the rise in the prices of some food products and utilities, as well as by the depreciation of the sol against the dollar, which has reversed in part.
  - iii) The increases in consumer prices have affected the expected rate of inflation, pushing it above the target range.
  - iv) Local economic activity has been recovering.
2. The Board oversees the inflation forecasts and inflation determinants, including how inflation expectations evolve, to evaluate the convenience of making additional adjustments in the monetary policy rate. Inflation is expected to gradually return to be within the target range in a period of time similar to the monetary policy horizon.
3. Inflation in February showed a rate of 0.17 percent, as a result of which the interannual rate of inflation fell from 4.6 percent January to 4.5 percent in February. The monthly rate of inflation is explained by the increase observed in the prices of education services and meals outside the home. Inflation without food and energy recorded a rate of 0.52 percent, as a result of which the interannual rate of inflation rose from 3.4 percent in January to 3.8 in February. In January, the rate of inflation expected for 2016 was 3.5 percent while the rate of inflation expected for 2017 is estimated to be between 3.0 and 3.5 percent.
4. Recent indicators of economic activity and business expectations show GDP growth rates similar to those of the potential output levels.
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: 3.0 percent.
  - b. Direct repos and rediscount operations: i) 4.80 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 4.80 percent.
6. The Board will approve the Monetary Program for April at the Board meeting that will be held on April 14, 2016.