



## MONETARY PROGRAM FOR DECEMBER 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. This decision is consistent with an inflation forecast in which inflation converges to 2 percent towards the end of 2017 and takes into account that:
  - i) Expectations of inflation in 12 months have increased slightly, but continue showing a declining path within the target range in the next two years;
  - ii) The water deficit generated by adverse climate factors has been affecting inflation in transitory manner;
  - iii) Domestic economic activity is expected to grow at a rate close to its potential growth level in the following quarters, and
  - iv) The global economy shows signals of recovery and lower volatility in international financial markets.
2. The Board oversees new data on inflation and inflation determinants in the forecast horizon to evaluate the convenience of making additional adjustments in the monetary policy rate.
3. Inflation in November showed a rate of 0.29 percent due to rises in the prices of some food products and electricity rates, which has led the year-to-year rate of inflation to decline from 3.41 percent in October to 3.35 percent in November. Inflation without food and energy recorded a rate of 0.15 percent, as a result of which the year-to-year rate remains at 3.00 percent.
4. The indicators associated with construction and manufacturing have fallen in recent months due to the weakness of investment. However, indicators of business expectations remain at high levels on the optimistic side. GDP is expected to grow 3.9 percent in 2016 and 4.2 percent in 2017.
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 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 Monetary Program for the following 12 months will be approved on the Board meetings to be held on the following dates:

January 12	February 9	March 9
April 6	May 11	June 8
July 13	August 10	September 14
October 12	November 9	December 14
7. Moreover, in 2017 BCRP will publish its Inflation Reports on the following dates:

March 24	June 16	September 15	December 15
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