



MONETARY PROGRAM FOR JANUARY 2016 BCRP RAISES THE POLICY INTEREST RATE TO 4.0%

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy interest rate by 25 bps to 4.0 percent. This level of the policy rate is compatible with an inflation that foresees that inflation will converge to the target range in 2016, but takes into account the following factors:
 - i) Inflation expectations are above the inflation target range.
 - 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, the effect of these factors not being foreseen to extend in a general manner to the rest of prices.
 - iii) Economic activity has been recovering.
 - iv) International indicators show mixed signals of global economic recovery, as well as volatility in external financial and foreign exchange markets.
2. The Board oversees the inflation forecasts and inflation determinants and stands ready to make adjustments in its monetary policy rate to lead inflation to the target range in the policy horizon, should it be necessary.
3. Inflation in December showed a rate of 0.45 percent, as a result of which the interannual rate of inflation rose from 4.17 percent in November to 4.40 percent in December. The monthly rate of inflation is explained by the increase observed in the prices of perishable food products and transportation rates. Inflation without food and energy recorded a rate of 0.53 percent, as a result of which the interannual rate of inflation rose from 3.46 percent in November to 3.49 in December.
4. Recent indicators of economic activity and business and consumer expectations show an economic cycle with lower GDP growth rates than the potential output levels, but with a faster pace of growth in the fourth quarter of 2015. In 2016 the economy is foreseen to grow at rates similar to those of the potential output.
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: 2.75 percent.
 - b. Direct repos and rediscount operations: i) 4.55 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 4.55 percent.
6. The Board will approve the Monetary Program for February at the Board meeting that will be held on February 11, 2016.