



MONETARY PROGRAM FOR NOVEMBER 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 is gradually converging to 2.0 percent in the monetary policy horizon and takes into account that:
 - i) 12-Month inflation expectations are within the target range;
 - ii) The effects of the rise in the prices of some food products and fuels on the rate of inflation in September and October have been transitory, so inflation is expected to converge soon to the inflation target range;
 - iii) Local economic activity has been growing at a rate close to its potential growth level, and
 - iv) The global economy continues showing mixed signals of recovery in production and employment, as well as increased uncertainty in international financial markets. In this scenario, the Peruvian economy maintains sound fundamentals.
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. Inflation is expected to register rates around 3.0 percent in 2016 and 2.0 percent in 2017.
3. Inflation in October showed a rate of 0.41 percent due to rises in the prices of some food products, as a result of which the year-to-year rate of inflation rose from 3.13 percent in September to 3.41 percent in October. Inflation without food and energy recorded a rate of 0.12 percent, as a result of which the year-to-year rate declined from 3.01 percent to 3.00 percent. Inflation expectations continue to show a declining path within the target range in the next two years.
4. Indicators of business expectations still show high levels and remain on the optimistic side. In line with this, GDP is expected to grow 3.8 percent in 2016 and 4.2 percent in 2017. However, the indicators associated with construction and manufacturing have fallen in the past three months due to the weakness of investment.
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 Board will approve the Monetary Program for December on December 15, 2016.