



MONETARY PROGRAM FOR APRIL 2014

BCRP MAINTAINS THE REFERENCE INTEREST RATE AT 4.0%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy reference rate at 4.0 percent.

This level of the reference rate is compatible with an inflation forecast converging to 2 percent in the 2014-2015 horizon and takes into account that: i) inflation expectations remain anchored within the inflation target range; ii) GDP has been recording lower growth rates than the country's potential level of growth; iii) recent indicators show mixed signals of recovery in the world economy, and iv) the supply factors that led inflation to increase are becoming more moderate.

2. Inflation in March registered a rate of 0.52 percent and thus inflation in the last 12 months fell from 3.78 percent in February to 3.38 percent in March. The rate of inflation without food and energy was 0.78 percent as a result of which the rate of inflation in the last 12 months declined from 2.96 to 2.78 percent.

Inflation is forecast to remain initially close to the upper band of the target range due to the lagging effect of the supply shocks and to converge thereafter to the 2 percent target.

3. Indicators of activity and the surveys on macroeconomic expectations point to a growth of economic activity in the first semester of this year, although at a lower rate than expected.
4. The BCRP has continued lowering the rate of reserve requirements in domestic currency, reducing the rate from 12.5 to 12 percent in April with the purpose of supporting the dynamism of credit in soles.
5. The Board oversees the inflation forecasts and inflation determinants and, if necessary, will implement additional measures to ease its monetary policy instruments.
6. The Board of the Central Bank also approved to reduce the annual interest rates on lending and deposit operations in domestic currency (not included in auctions) between the BCRP and the financial system, as described below:
 - a. Overnight deposits: 2.80 percent.
 - b. Direct repos and rediscount operations: 4.80 percent.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.80 percent.
7. The Board will approve the Monetary Program for May on its meeting of May 8, 2014.