



MONETARY PROGRAM FOR APRIL 2017 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 the target range during 2017 and takes into account the following factors:
 - i) The faster pace of inflation observed recently is transitory and is associated with the supply shocks caused by the effects of El Niño;
 - ii) Expectations of inflation in 12 months are temporarily close to the upper band of the inflation target range;
 - iii) The pace of growth of domestic economic activity has continued to slow down in the first quarter of 2017, showing a pace of growth below its potential growth level. Economic activity is expected to gradually show greater dynamism in the following quarters as a result of increased government spending and higher export prices, and
 - iv) The global economy shows signals of recovery, although there is still uncertainty about developed countries' policies.
2. The Board oversees new data on inflation and inflation determinants, giving particularly close attention to data about the reversal observed in terms of supply shocks, to ease the monetary policy stance in the short term.
3. Inflation in March showed an extraordinary high rate (1.3 percent) due to rises in the prices of some foodstuffs that were affected by the severe rains associated with El Niño. As a result, the year-to-year rate of inflation rose from 3.25 percent in February to 3.97 percent in March. Inflation without food and energy showed a rate of 0.84 percent, as a result of which the year-to-year rate increased from 2.56 percent in February to 2.72 percent in March, within the target range. It should be pointed out that, historically, inflation has been affected by supply shocks that have increased it transitorily and reversed thereafter, which is also what is happening today.
4. The indicators of business expectations declined in March. In line with this, GDP is expected to grow between 3.0 and 3.5 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 Board will approve the Monetary Program for May on its meeting of May 11, 2017.