



MONETARY PROGRAM FOR MARCH 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) Expectations of inflation in 12 months remain within the target range and continue showing a declining path;
 - ii) Climate alterations have been affecting the price of some foodstuffs, but this is expected to have a temporary impact;
 - iii) The pace of growth of domestic economic activity has slowed down in a context of lower public expenditure. However, economic activity is expected to grow at a rate close to its potential growth level in the following quarters as a result of increased investment and better terms of trade, and
 - iv) The global economy shows signals of recovery, but there is uncertainty about developed countries' policies.
2. The Board oversees new data on inflation and inflation determinants to assess the convenience of making additional adjustments in the monetary policy rate.
3. Inflation in February recorded a rate of 0.32 percent due to rises in the prices of some food products as a result of climate factors, which has led the year-to-year rate of inflation to increase from 3.10 percent in January to 3.25 percent in February. Inflation without food and energy showed a rate of 0.14 percent, as a result of which the year-to-year rate decreased from 2.98 percent in January to 2.56 percent in February, within the target range.
4. The indicators of business expectations have declined in February, but remain within the optimistic side. In line with this, GDP is expected to grow between 3.5 and 3.8 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 April on its meeting of April 6, 2017.