



MONETARY PROGRAM FOR JANUARY 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 of 2 percent in the forecast horizon (2014 – 2015) 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 some recovery in the world economy, and iv) the supply factors that affected inflation are reversing.

2. Inflation in December showed a rate of 0.17 percent and thus inflation in the last 12 months declined from 2.96 percent in November to 2.86 percent in December. Inflation without food and energy registered a rate of 0.48 percent (2.97 percent in the last 12 months) and core inflation showed a rate of 0.23 percent (3.74 percent in the last 12 months).

Inflation is forecast to remain initially close to the upper band of the target range in the following months due to the lagging effect of the supply shocks and to converge thereafter to the 2 percent target in 2014.

3. A slowdown has been observed in the pace of economic growth until the third quarter of 2013 as a result of the lower growth of our exports due to the deceleration of economic activity in our main trading partners and due to lower export prices. Indicators of activity at December indicate a recovery of economic activity in the last quarter.
4. The rate of maximum mean reserve requirements and marginal reserve requirements in domestic currency was lowered from 15 to 14 percent in January with the purpose of supporting the dynamism of credit in soles. Moreover, the rate of reserve requirements for foreign trade liabilities was lowered from 20 to 14 percent.
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: 3.20 percent.
- b. Direct repo and rediscount operations: 4.80 percent.
- c. Swaps: a commission equivalent to a minimum annual effective cost of 4.80 percent.

7. The Monetary Program for the following twelve months will be approved on the Board meetings to be held according to the following schedule:

February 13	March 13	April 10	May 8
June 12	July 10	August 7	September 11
October 9	November 13	December 11	January 8 (2015)

8. In 2014 the BCRP will publish its Inflation Reports on the following dates:

April 25	July 18	October 17	January 16 (2015)
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