



## **MONETARY PROGRAM FOR DECEMBER 2015**

### **BCRP RAISES THE POLICY INTEREST RATE TO 3.75%**

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy interest rate by 25 bps to 3.75 percent. This level of the policy rate is compatible with an inflation that foresees that inflation will converge to the target range in 2016, but takes into account the following factors:
  - i) Inflation expectations are above the inflation target range.
  - ii) Inflation has been affected by temporary supply factors such as the rise in the prices of some food products and utilities as well as by the depreciation of the nuevo sol against the dollar, the effect of these factors not being foreseen to extend in a general manner to the rest of prices.
  - iii) Economic activity has been recovering gradually.
  - iv) International indicators show mixed signals of global economic recovery, as well as volatility in external financial markets and foreign exchange markets.
2. The Board oversees the inflation forecasts and inflation determinants and stands ready to make adjustments in its monetary policy rate to lead inflation to the target range in the policy horizon, should it be necessary.
3. Inflation in November recorded a rate of 0.34 percent, as a result of which the interannual rate of inflation rose from 3.66 in October to 4.17 percent in November. The monthly rate of inflation is explained by the increase observed in the prices of perishable food products. Inflation without food and energy showed a rate of 0.12 percent, as a result of which the interannual rate of inflation registered 3.46 percent in November, a similar rate to that observed in the previous month.
4. Recent indicators of economic activity and business and consumer expectations show an economic cycle with lower GDP growth rates than the potential output levels, but with a faster pace of growth in the fourth quarter of the year. It is estimated that the economy will be growing at rates similar to those of the potential output in 2016.
5. The Board of the Central Bank also approved to raise the annual interest rates on lending and deposit operations in domestic currency (not included in auctions) between the BCRP and the financial system, as specified below:
  - a. Overnight deposits: 2.50 percent.
  - b. Direct repos and rediscount operations: i) 4.30 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 4.30 percent.
6. The Monetary Program for the following twelve months will be approved on the Board meetings to be held according to the following schedule:

|            |             |             |
|------------|-------------|-------------|
| January 14 | February 11 | March 10    |
| April 14   | May 12      | June 9      |
| July 14    | August 11   | September 8 |
| October 13 | November 10 | December 15 |
7. In 2016 the BCRP will publish its Inflation Reports on the following dates:

March 18

June 17

September 16

December 16