



MONETARY PROGRAM FOR OCTOBER 2014

BCRP MAINTAINED THE REFERENCE INTEREST RATE AT 3.50%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy reference rate at 3.50 percent.

This level of the reference rate is compatible with a projected rate of inflation within the target range in 2014 and with inflation converging to 2.0 percent in 2015. This forecast takes into account that: i) current and advanced indicators of economic activity continue to show a pace of growth below their potential; ii) inflation expectations remain anchored within the inflation target range; iii) recent international indicators show mixed signals of recovery in the world economy, as well as higher volatility in financial and exchange markets, and iv) the supply factors that led inflation to increase are moderating.

2. Inflation in September showed a rate of 0.16 percent, as a result of which inflation in the last 12 months rose from 2.69 percent in August to 2.74 percent in September, within the target range. Inflation without food and energy recorded a rate of 0.09 percent, as a result of which the interannual rate of inflation rose from 2.56 percent in August to 2.57 percent in September.
3. Current and advanced indicators of activity continue to show a weak economic cycle, with lower GDP growth rates than the potential output, although some signals of recovery have been observed in September.
4. In October, the BCRP has continued lowering the rate of reserve requirements in domestic currency –from 11.0 to 10.5 percent– with the aim of supporting the growth of credit in soles.
5. The Board oversees the inflation forecasts and inflation determinants, and will implement additional monetary easing measures if it is necessary.
6. 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 the BCRP and the financial system, as described below:
 - a. Overnight deposits: 2.30 percent.
 - b. Direct repos and rediscount operations: 4.30 percent.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 4.30 percent.
7. The Board will approve the Monetary Program for November on its meeting of November 13, 2014.