



## **MONETARY PROGRAM FOR SEPTEMBER 2014**

### **BCRP LOWERED THE REFERENCE INTEREST RATE TO 3.50%**

1. The Board of the Central Reserve Bank of Peru approved to lower the monetary policy reference rate to 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 weaker-than-expected pace of growth; ii) inflation expectations remain anchored within the inflation target range; iii) recent indicators show mixed signals of recovery in the world economy, and iv) the supply factors that led inflation to increase are moderating.

This decision does not imply a sequence of reference rate cuts.

2. Inflation in August registered a negative rate of 0.09 percent, as a result of which inflation in the last 12 months fell from 3.33 percent in July to 2.69 percent in August, within the target range again. Inflation excluding food and energy showed a negative rate of 0.03 percent, as a result of which the interannual rate of inflation fell from 2.73 percent in July to 2.55 percent in August.
3. Current and advanced indicators of activity continue to show a weaker economic cycle than the one expected, with lower GDP growth rates than the potential output due mainly to the lower dynamism observed in investment and exports.
4. The Board oversees the inflation forecasts and inflation determinants, and will implement additional monetary easing measures if it is necessary.
5. The Board of the Central Bank also approved to lower 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.
6. The Board will approve the Monetary Program for October on its meeting of October 9, 2014.