



MONETARY PROGRAM FOR MAY 2016

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. The Board has taken this decision considering that:
 - i) The rise in the prices of some food products and utilities has been reversing and the depreciation of the sol against the dollar has slowed down;
 - ii) Inflation expectations have continued reversing gradually;
 - iii) Local economic activity has been recovering, and
 - iv) The global economy continues showing mixed signals of recovery in terms of production and employment as well as lower volatility in financial markets.
2. The Board oversees the inflation forecasts and inflation determinants to evaluate the convenience of making additional adjustments in the monetary policy rate. Inflation is expected to return to be within the target range in a period of time similar to the monetary policy horizon.
3. Inflation in April showed a rate of 0.01 percent, as a result of which the interannual rate of inflation fell from 4.3 percent in March to 3.9 percent in April. The lower monthly rate of inflation is explained by a partial reversal of food prices and by the lower exchange rate of the dollar against the sol. Inflation without food and energy recorded a rate of 0.03 percent, as a result of which the interannual rate of inflation fell from 3.6 percent in March to 3.2 percent in April. The inflation rate expected for 2016 is 3.4 percent, while the rate expected for 2017 is 2.9 percent and the estimated rate for 2018 is 2.6 percent.
4. Recent indicators of economic activity and business expectations show similar GDP growth rates to those of the potential output levels.
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 the 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 June at the Board meeting that will be held on June 9, 2016.