



MONETARY PROGRAM FOR JULY 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) Inflation expectations have continued to reverse gradually;
 - ii) The effects of the rise in the prices of some food products and utilities as well as the effects of the exchange rate on inflation have been reversing;
 - iii) Local economic activity has been showing a pace of growth close to its potential growth level, 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 before the end of the year.
3. Inflation in June showed a rate of 0.14 percent, as a result of which the year-to-year rate of inflation has fallen from 3.5 percent in May to 3.3 percent in June. The items that explained the rate of inflation in June were gasoline, fish, and cigarette. Inflation without food and energy recorded a rate of 0.2 percent, as a result of which the year-to-year rate remained at 3.3 percent. Inflation expectations have continued to decrease gradually and continue showing a declining path from an expected rate of 3.2 percent in the next 12 months to a rate of 2.9 percent in 2017 and a rate of 2.5 percent in 2018.
4. 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 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.
5. The Board will approve the Monetary Program for August at the Board meeting that will be held on August 11, 2016.