



MONETARY PROGRAM FOR APRIL 2008

BCRP RAISES REFERENCE INTEREST RATE FROM 5.25% TO 5.50% AND RAISES RESERVE REQUIREMENT RATES

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference interest rate from 5.25 to 5.50 percent. Moreover, the Board also approved to raise the requirements of reserves for financial entities in both domestic and foreign currencies as of May. These measures are in line with the increases of reserve requirements approved in January and March, as well as with having raised the reference interest rate from 4.5 to 5.25 percent between July 2007 and January 2008.
2. The reserve requirement measures to be applied as of May will be the following:
 - a. The minimum reserve requirements will be raised from 8 to 8.5 percent.
 - b. The marginal reserve requirements in domestic currency will be raised from 20 to 25 percent and the marginal reserve requirements in foreign currency will be raised from 40 to 45 percent.
 - c. The marginal reserve requirements for obligations in domestic currency with non-resident financial entities, which will not be remunerated, will be raised from 40 to 120 percent.
 - d. Long-term external obligations in foreign currency will not be subject to reserve requirements as long as they do not exceed 200 percent of the capital and reserves of the financial entity.
3. This increase in the rates of reserve requirements is estimated to be equivalent to increasing the reference rate by 50 basis points.
4. These monetary measures are adopted in order to offset the pace of growth of credit and thus prevent that the price rises originated by food supply shocks translate in a lasting manner into inflation expectations.
5. The Board reiterated the monetary policy commitment of gradually reaching the inflation target of 2 percent, plus or minus one percentage point, in a context in which the rises in consumer prices are mainly explained by events that are beyond the control of monetary policies.
6. During the session, the Board approved the following annual interest rates for active and passive operations between the BCRP and the financial system:
 - a. Direct repo and rediscount operations: 6.25 percent.
 - b. Overnight deposits: 4.75 percent.
 - c. Swap: a commission equivalent to a minimum annual effective cost of 6.25 percent.
7. The Board will approve the following Monetary Program on its session of May 8.