



## MONETARY PROGRAM FOR JULY 2008

### **BCRP RAISES REFERENCE INTEREST RATE FROM 5.75% TO 6.0% AND RAISES RESERVE REQUIREMENTS**

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference interest rate from 5.75 to 6.0 percent. Together with the series of monetary adjustments implemented so far this year, this increase in the reference interest rate is aimed at preventing that the rises observed in the international prices of food and fuels will translate into higher inflation expectations in a context of a high pace of growth of both public and private expenditure.

The Board also approved to raise banks' reserve requirements in domestic currency and in foreign currency as from August. These measures are in line with the rises of reserve requirements implemented as from February, April, and May, as well as with having raised the reference interest rate from 4.5 to 6.0 percent between July 2007 and July 2008.

2. Reserve requirement measures in force as from August include the following:
  - a. Minimum reserve requirements, whose application extends to all obligations in domestic and foreign currency, are raised from 8.5 to 9.0 percent.
  - b. Marginal reserve requirements for obligations in foreign currency are raised from 45 to 49 percent.
3. The Board will continue to oversee the evolution of inflation and its determinants, particularly in terms of indicators of demand pressures and expectations of inflation. The Board also reiterates that any required adjustments will be implemented in order to ensure inflation's gradual convergence to the target range in a context of sustained economic growth.
4. The Board also approved the following annual interest rates on active and passive operations between the BCRP and the financial system:
  - a. Direct repo and rediscount operations: 6.75 percent.
  - b. Overnight deposits: 5.25 percent.
  - c. Swap: a commission equivalent to a minimum annual effective cost of 6.75 percent.
5. The Board will approve the Monetary Program for August on its session of August 7.