



## **MONETARY PROGRAM FOR SEPTEMBER 2008**

### **BCRP RAISES THE REFERENCE INTEREST RATE FROM 6.25% TO 6.50%**

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy interest rate from 6.25 to 6.50 percent, thus accumulating an increase of 200 basis points in this rate since July 2007. Together with the other monetary adjustments implemented since the beginning of this year, these measures are aimed at steering inflation to gradually return to the target range and at preventing that the rises in the international prices of food and fuels may translate into inflation expectations in a context of a higher growth of domestic demand than that of the potential output.

Last twelve-month inflation in August was 6.27 percent, influenced mainly by supply factors, particularly the higher prices of food, fuels and electricity, which together increased 9.2 percent, while the prices of the rest of goods and services showed an increase of 2.64 percent.

2. However, a reduction is being observed in the international prices of food inputs and fuels, originated in the slowing of industrialized economies, and should be reflected in domestic prices. Together with the slower pace of growth expected in the expansion of domestic demand and in inflation expectations, this trend should allow inflation's convergence to the target range.
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, and will continue to adjust the monetary stance to ensure inflation's gradual convergence to the target range.
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: 7.25 percent.
  - b. Overnight deposits: 5.75 percent.
  - c. Swap: a commission equivalent to a minimum annual effective cost of 7.25 percent.
5. The Board will approve the Monetary Program for October on its session of October 9. The BCRP will publish its third Inflation Report this year on October 17.