



MONETARY PROGRAM FOR AUGUST 2009

BCRP REDUCED REFERENCE INTEREST RATE TO 1.25%

1. The Board of the Central Reserve Bank of Peru approved to reduce the monetary policy reference interest rate for the seventh consecutive month. This rate has been reduced from 2.0 to 1.25 percent, as a result of which this rates accumulates a reduction of 525 basis points so far this year.

This decision is based on the sustained reduction observed in the rate of inflation –from 6.65 percent in December to 2.68 percent in July– and on the continuous reduction of inflation expectations. The Central Bank does not foresee inflationary pressures in the next months.

2. Inflation in July showed a rate of 0.19 percent, as a result of which accumulated inflation in the last 12 months declined for the eighth consecutive month, falling within the target range. Inflation is expected to continue declining in the next months, showing rates close to the lower band of the target range by the end of the year.
3. With this new reduction, the reference interest rate has reached a new historical minimum level. The reduction of the reference rate has been translating into lower interest rates in the financial system and in the capital market. Unless important modifications should occur in terms of inflation forecasts or the determinants of inflation, the need for new adjustments in the reference rate is not foreseen.
4. The Board also approved to reduce the following annual interest rates on active and passive operations in domestic currency (not included in auctions) between the BCRP and the financial system as described below:
 - a. Direct repo and rediscount operations: 2.05 percent.
 - b. Overnight deposits: 0.45 percent.
 - c. Swap: a commission equivalent to a minimum annual effective cost of 2.05 percent.
 - d. The interests on reserve requirements in foreign currency corresponding to additional reserve requirements, provided that they are deposited at this Central Bank, will be equivalent to 60 percent of the London Interbank Offered Rate (LIBOR rate).
5. The Board will approve the Monetary Program for the next month on its session of September 10, 2009.