



MONETARY PROGRAM FOR JULY 2009

BCRP REDUCED REFERENCE INTEREST RATE TO 2.0%

1. The Board of the Central Reserve Bank of Peru approved to reduce the monetary policy reference interest rate from 3.0 to 2.0 percent. This is the sixth month of consecutive reductions, as a result of which this rates accumulates a reduction of 450 basis points so far this year.

This decision is based on the sustained reduction observed in the rate of inflation –from 6.7 percent in December to 3.06 percent in June–, on the reduction of inflation expectations to 2 percent, and on the slowdown observed in terms of economic activity.

2. With this new reduction, the reference interest rate has reached a historical minimum, thus consolidating a significant monetary stimulus. The implementation of future adjustments in this rate will depend on the evolution of the main macroeconomic indicators.
3. Inflation in June recorded a rate of -0.34 percent, as a result of which accumulated inflation in the last 12 months declined for the seventh consecutive month, falling very close to the target range. Inflation and inflation expectations are expected to continue declining in the next months, which would allow inflation's convergence to the target range in this month and the rate of inflation to be within the lower band of the target range at the end of the year.
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: 2.80 percent.
 - b. Overnight deposits: 1.20 percent.
 - c. Swap: a commission equivalent to a minimum annual effective cost of 2.80 percent.
5. The Board will approve the Monetary Program for the next month on its session of August 6, 2009.