



## **MONETARY PROGRAM FOR JUNE 2009**

### **BCRP REDUCED REFERENCE INTEREST RATE TO 3.0%**

1. The Board of the Central Reserve Bank of Peru approved to reduce the monetary policy reference interest rate for the fifth consecutive month, from 4.0 to 3.0 percent, as a result of which this rates accumulates a reduction of 350 basis points so far this year.

This decision is based on the sustained reductions observed in the rate of inflation –as a result of which this rate has declined from 6.7 percent in December to 4.2 percent in May– and in inflation expectations, as well as on the slowdown observed in economic activity.

2. Inflation in May showed a rate of -0.04 percent, as a result of which accumulated inflation in the last 12 months declined for the sixth consecutive month. Inflation and inflation expectations are expected to continue declining in the next months, thus allowing inflation's convergence to the target range in the third quarter of this year. Should this trend persist, the Bank will continue loosening its monetary policy stance
3. The Board also approved to maintain the following annual interest rates on active and passive operations in domestic currency (not included in auctions) between the BCRP and the financial system:
  - a. Direct repo and rediscount operations: 3.80 percent.
  - b. Overnight deposits: 2.20 percent.
  - c. Swap: a commission equivalent to a minimum annual effective cost of 3.80 percent.
4. The Board will approve the Monetary Program for the next month on its session of July 9, 2009.