



## MONETARY PROGRAM FOR OCTOBER 2009

### BCRP MAINTAINS THE REFERENCE INTEREST RATE AT 1.25%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy reference interest rate at 1.25 percent.

This decision to maintain the monetary stimulus unchanged is based on the sustained reduction of annual inflation –inflation has declined from 6.65 percent in December to 1.2 percent in September– and on the continuous reduction of inflation expectations.

2. Inflation in September showed a rate of -0.09 percent as a result of the decline of the prices of some foodstuffs. Annual inflation is expected to transitorily fall below the lower band of the target range in the next months, in line with the forecasts of our last Inflation Report, as a result of the reversal of some supply shocks observed last year. Core inflation, which for the most part isolates these effects, recorded a rate of 0.16 percent, showing a similar rate to the one observed in the last 5 months (equivalent to an annual rate of 2 percent). Unless important changes were to be observed in inflation forecasts and in inflation determinants, no new adjustments are foreseen in the reference rate.
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 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).
4. The Board will approve the Monetary Program for the next month on its session of November 5, 2009.