



## **MONETARY PROGRAM FOR AUGUST 2010**

### **BCRP RAISED THE REFERENCE RATE TO 2.5%**

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference rate from 2.0 percent to 2.5 percent

This measure is mainly preventive in a context of strong dynamism of domestic demand, a situation that requires to continue withdrawing monetary stimulus in order to maintain inflation within the target range.

2. Current and advanced indicators of activity show a rapid growth of economic activity. In July the production of electricity grew 12.8 percent, imports of capital goods grew 30 percent, imports of inputs grew 35 percent, and imports of non-durable goods grew 31 percent, which reflects the strength of private consumption and private investment. An acceleration of the growth of public spending is being observed at the same time: public spending increased 14 percent in May and 22 percent in June.
3. Inflation in July recorded a rate of 0.36 percent, mainly due to the rise of food prices as a result of supply factors. With this, annual inflation increased to 1.82 percent. Core inflation, which showed a rate of 0.08 percent, accumulated an annual growth of 1.79 percent and remains around the 2 percent target.
4. The Board continues to oversee the projection of inflation and its determinants and stands ready to adopt future adjustments in monetary policy instruments in order to ensure that inflation falls within the target range.
5. The Board also approved to raise 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: 3.30 percent.
  - b. Overnight deposits: 1.70 percent.
  - c. Swap: a commission equivalent to a minimum annual effective cost of 3.30 percent.
6. The Board will approve the Monetary Program for September on its session of September 9, 2010.