



## **MONETARY PROGRAM FOR JUNE 2010**

### **BCRP RAISED THE REFERENCE RATE TO 1.75%**

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference rate from 1.50 percent to 1.75 percent

This measure is mainly preventive given the strong dynamism of domestic demand and implies maintaining monetary stimulus in a context in which no inflationary pressures are observed.

This decision does not necessarily imply a sequence of rises in the reference interest rate, which will depend on the evaluation of inflation determinants

2. Current and advanced indicators of production show a highly favorable evolution of the economy in the second quarter. Indicators worth pointing out include the growth of manufacturing, increased demand for electricity and for imports, and greater dynamism in the construction sector. The global economy is also showing signs of recovery, even though uncertainty associated with the fiscal weakening of some European countries persists in international financial markets.
3. The rate of inflation in May was 0.24 percent, as a result of which annual inflation increased to 1.04 percent. Core inflation, which showed a rate of 0.14 percent, accumulated an annual growth of 1.8 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 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: 2.55 percent.
  - b. Overnight deposits: 0.95 percent.
  - c. Swap: a commission equivalent to a minimum annual effective cost of 2.55 percent.
6. The Board will approve the Monetary Program for July on its session of July 8, 2010.