



MONETARY PROGRAM FOR OCTOBER 2010

BCRP MAINTAINS THE REFERENCE INTEREST RATE AT 3.0%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy reference rate at 3.0 percent.
2. This decision takes into account the recent evolution of inflation and its determinants, which advises to make a pause in the preventive adjustments of the reference rate initiated in May of this year. Current and advanced indicators of activity show a slight moderation in the growth of economic activity, in line with the forecasts of our Inflation Report. Future adjustments in the reference rate will depend on new information on the evolution of inflation and its determinants.
3. Inflation in September recorded a rate of -0.03 percent, mainly as a result of the decline of food prices. With this, annual inflation recorded 2.37 percent. Core inflation, which showed a rate of 0.14 percent, accumulated an annual growth of 1.88 percent and remains around the 2 percent target. Moreover, inflation without considering food and energy fell from 1.15 percent in August to 1.12 percent in September. Inflation expectations remain anchored within the tolerance range.
4. Indicators of economic activity in September show a moderation of growth. The production of electricity increased 7.6 percent (9.2 percent in August) and the demand for cement is estimated to have grown 11.0 percent (11.1 percent in August). Moreover, indicators of global economic activity confirm projections of a more moderate growth in the following quarters.
5. 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.
6. 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: 3.80 percent.
 - b. Overnight deposits: 2.20 percent.
 - c. Swap: a commission equivalent to a minimum annual effective cost of 3.80 percent.
7. The Board will approve the Monetary Program for November on its session of November 11, 2010.