



## **MONETARY PROGRAM FOR SEPTEMBER 2010**

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

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference rate from 2.5 percent to 3.0 percent.

This measure is mainly preventive in a context of strong dynamism of domestic demand, a situation in which withdrawing monetary stimulus is advisable in order to maintain inflation within the target range. However, future adjustments in the reference rate will depend on new information on the evolution of inflation and its determinants.

2. Current and advanced indicators of activity continue showing a rapid growth of economic activity. In August the production of electricity grew 9.0 percent and the demand for cement is estimated to have grown 15 percent.
3. Inflation in August recorded a rate of 0.27 percent, mainly as a result of the rise observed in food prices due to supply factors. With this, annual inflation increased to 2.3 percent. Core inflation, which showed a rate of 0.24 percent, accumulated an annual growth of 1.9 percent and remains around the 2 percent target. Moreover, inflation without considering food and energy increased from 1.11 percent in July to 1.15 percent. Inflation expectations remained anchored within the tolerance range.
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: 3.80 percent.
  - b. Overnight deposits: 2.20 percent.
  - c. Swap: a commission equivalent to a minimum annual effective cost of 3.80 percent.

6. The Board will approve the Monetary Program for October on its session of October 7, 2010.