



MONETARY PROGRAM FOR MARCH 2011

BCRP RAISES THE REFERENCE INTEREST RATE FROM 3.50% TO 3.75%

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference rate from 3.50 percent to 3.75 percent.

The nature of this rise in the reference rate is mainly preventive in a context of rising international food and energy prices. This measure is aimed at offsetting the potential impact of these supply factors on inflation expectations in a context of growth of domestic demand. 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 February the production of electricity grew 10.1 percent. On the other hand, even though more favorable indicators of global economic activity are being observed, there are still risks associated with the fiscal situation in some industrialized countries and with the crisis in the Middle East and North Africa.
3. Inflation in February recorded a rate of 0.38 percent, as a result of which annual inflation registered a rate of 2.23 percent. Core inflation, which showed a rate of 0.21 percent, accumulated an annual growth of 2.14 percent and remains around the 2 percent target. Inflation excluding food and energy showed a rate of 0.17 percent and an accumulated annual rate of 1.57 percent. These results would be indicating that the rate of inflation in February is mainly explained by supply factors.
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 detailed below:
 - a. Overnight deposits: 2.95 percent.
 - b. Direct repo and rediscount operations: 4.55 percent.
 - c. Swap: a commission equivalent to a minimum annual effective cost of 4.55 percent.
6. The Board will approve the Monetary Program for April on its session of April 7, 2011.