



MONETARY PROGRAM FOR AUGUST 2012

BCRP MAINTAINS THE REFERENCE INTEREST RATE AT 4.25%

1. The Board of the Central Reserve Bank of Peru approved to maintain the monetary policy reference rate at 4.25 percent.

This decision is based on that inflation's deviation from the target has reflected transitory supply factors and on that the economy's pace of growth is close to its potential rate of growth. Moreover, uncertainty remains in international financial markets, which is being reflected in the decline of terms of trade and in prospects of lower growth in both developed and emerging countries.

The Board oversees the inflation forecasts and inflation determinants to consider additional adjustments in monetary policy tools.

2. Inflation in July registered a monthly rate of 0.09 percent, as a result of which inflation in the last 12 months declined from 4.00 percent in June to 3.28 percent in July. Core inflation recorded a rate of 0.20 percent in July and thus accumulated a rate of 3.58 percent in the last 12 months. Inflation excluding food and energy showed a rate of 0.16 percent and an annual rate of 2.42 percent.
3. The evolution of inflation in July shows that the supply factors that led inflation to rise transitorily above the target range continue to reverse. Adverse climate conditions in the major producing countries of grains have temporarily raised the international prices of these commodities. Despite this price rises, inflation is expected to gradually converge to the target range in the rest of the year.
4. Some current and advanced indicators of activity show that the economy's growth has stabilized around its long-term sustainable level of growth, although the indicators associated with the external market register a weak performance. On the other hand, indicators of global economic activity show that uncertainty about the pace of global economic activity has increased.
5. The Board also approved to maintain the annual interest rates on lending and deposit operations in domestic currency (not included in auctions) between the BCRP and the financial system, as described below:
 - a. Overnight deposits: 3.45 percent.
 - b. Direct repo and rediscount operations: 5.05 percent.
 - c. Swaps: a commission equivalent to a minimum annual effective cost of 5.05 percent.
6. The Board will approve the Monetary Program for September on its session of September 6, 2012.