



## MONETARY PROGRAM FOR FEBRUARY 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 takes into account the lower growth being recorded by some components of expenditure, the current international financial risks, and the rise of inflation associated mainly with temporary supply factors. Future adjustments in the reference interest rate will depend on the evolution of inflation and its determinants

2. Inflation in January recorded a monthly rate of -0.1 percent, as a result of which the annual rate of inflation declined from 4.74 to 4.23 percent. Core inflation in January showed a rate of 0.22 percent and thus accumulated a rate of 3.68 percent in the last 12 months (a similar rate to the one recorded in December). Inflation excluding food and energy registered a rate of -0.13 percent and an annual rate of 2.33 percent (lower than the annual rate of 2.42 percent recorded in the previous month). The supply shocks that affected inflation last year are expected to continue to reverse in the following months, which should contribute to the convergence of annual inflation to the target range towards mid-2012. Thus, a rate of inflation of 2 percent is forecast for end 2012.
3. Some current and advanced indicators of activity show a moderation of growth in the economy. For example, even though sales of electricity continued to grow in January, they showed a lower pace of growth than in December. Moreover, indicators of global economic activity have shown a better-than-expected evolution, but uncertainty in international financial markets persists and growth in 2012 is expected to be lower than in the previous year.
4. The Board continues to oversee the projection of inflation and its determinants and stands ready to adopt future adjustments in monetary policy instruments on a prompt and timely basis
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 Monetary Program for March will be approved on the Board's session of March 8, 2012.