



## **MONETARY PROGRAM FOR JUNE 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 the one hand, on the fact that inflation's deviation from the target has been mainly due to transitory supply factors and, on the other hand, on the fact that the economy's pace of growth is close to its potential rate of growth. In addition, uncertainty in international financial markets has increased again, which is reflected in the drop of the international prices of commodities.

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

2. Inflation in May recorded a monthly rate of 0.04 percent, which reflected the lower prices of some perishable agricultural products and the decline of electricity and inter-province transport rates. As a result of this, annual inflation registered a rate of 4.14 percent. Moreover, core inflation in May showed a rate of 0.33 percent and thus accumulated a rate of 3.77 percent in the last 12 months. Inflation excluding food and energy recorded a rate of 0.23 percent and an annual rate of 2.59 percent.
3. The evolution of inflation in May shows that the supply factors that led inflation to rise transitorily above the target range would have started to reverse. Thus, annual inflation is expected to decline in a more sustained manner as from mid-2012, after which inflation would converge towards the target range.
4. Some current and advanced indicators of activity show that the economy's growth has stabilized around its long-term sustainable level of growth. 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 Monetary Program for July will be approved on the Board's session of July 12, 2012.