



MONETARY PROGRAM FOR OCTOBER 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 fact that inflation's deviation from the target has reflected mainly transitory supply factors in a domestic context characterized by an economic pace of growth close to the economy's potential rate of growth and in an external context characterized by high uncertainty in international financial markets, lower terms of trade, and 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 September showed a monthly rate of 0.54 percent, a higher rate than in August due mainly to increases in the prices of perishable food products, which were affected by adverse domestic weather conditions. As a result of this, inflation in the last 12 months rose from 3.53 percent in August to 3.74 percent in September. Core inflation recorded a rate of 0.19 percent in September and thus accumulated a rate of 3.47 percent in the last 12 months, a lower rate than in the previous month. Inflation excluding food and energy was almost nil (-0.04 percent) and showed an annual rate of 2.14 percent.
3. In September, inflation continued to be affected by unfavorable local supply conditions observed in the case of some perishable food products, such as potato and some citrus fruits. Despite this, inflation is expected to gradually converge towards the target range in the next months.
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 Monetary Program for November will be approved on the Board's session of November 8, 2012.