



MONETARY PROGRAM FOR AUGUST 2013

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 economic growth in the country is close to the economy's potential level of growth, inflation expectations remain anchored within the target range, uncertainty about international financial conditions persists, and the rate of inflation was affected by temporary factors on the side of supply.

The Board oversees the inflation forecasts and inflation determinants to consider future adjustments in monetary policy instruments.

2. Inflation in July registered a rate of 0.55 percent due mainly to the rise in the prices of some perishable food products and transportation. Inflation in the last 12 months rose from 2.77 percent in June to 3.24 percent in July. Core inflation showed a rate of 0.33 percent (3.52 percent in the last 12 months), and inflation without food and energy showed a rate of 0.28 percent (2.48 percent in the last 12 months).

Inflation is expected to return to the target range in the third quarter as a result of an improvement in food supply conditions and of inflation expectations anchored to the target range.

3. Current and advanced indicators of activity show that the growth of the Peruvian economy is close to its long-term sustainable level of growth, even though the indicators associated with the external market still show a weak performance that affects the prices and volumes of export products.
4. The Board has been adopting measures since April with the aim of making the reserve requirements regime more flexible in order to foster a more orderly evolution of credit and promote increased financing sources in soles. These measures have allowed to immediately release funds in domestic currency for a total of S/. 1 billion and funds in foreign currency for a total of US\$ 150 million, and it is estimated that a total of US\$ 200 million will be released in the rest of the year. If necessary, the Board will adopt additional measures to make the regime of required reserves more flexible.
5. The Board of the Central Bank 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 September will be approved on the Board's meeting of September 12, 2013.