MONETARY PROGRAM FOR FEBRUARY 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 the fact that inflation continues reflecting both the reversal of the shocks on the side of supply and a pace of economic growth close to the economy's potential level of growth .

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

2. Inflation in January showed a rate of 0.12 percent, which reflected mainly the rise in the prices of meals outside the home. Inflation in the last 12 months increased from 2.65 percent in December to 2.87 percent in January. On the other hand, core inflation registered a rate of 0.29 percent (3.34 percent in the last 12 months) and inflation excluding food and energy showed a rate of 0.04 percent (2.09 percent in the last 12 months).

    Inflation is expected to converge to the 2 percent target in the next months due to the improvement of food supply conditions and due to a pace of growth of economic activity close to the economy's level of potential output, in a context in which global economic activity continues to show weak indicators.

3. Current and advanced indicators of activity show that the growth of the Peruvian economy has stabilized around its long-term sustainable level of growth, even though the indicators associated with the external market still register a weak performance.

4. 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.

5. The Board will approve the Monetary Program for March on its session of March 7, 2013.