



MONETARY PROGRAM FOR SEPTEMBER 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, the rate of inflation has been affected by temporary factors on the side of supply, and international financial conditions are still uncertain, even though some positive signals have been observed in the developed economies.

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

2. Inflation in August showed a rate of 0.54 percent due mainly to the rise in the prices of perishable food products and electricity. Inflation in the last 12 months rose from 3.24 percent in July to 3.28 percent in August. The rate of inflation without food and energy was 0.14 percent (2.46 percent in the last 12 months) and core inflation showed a rate of 0.31 percent (3.56 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 and the indicators associated with the external market have shown a slight recovery, which has had a favorable impact on the prices of export products.
4. The Board has been adopting measures aimed at making the reserve requirements regime more flexible in order to promote a more orderly evolution of credit as well as the dedollarization of credit. In September the mean maximum rate of reserve requirements in domestic currency was lowered from 19 to 17 percent and the marginal rate of reserve requirements in this currency was lowered from 25 to 20 percent. These measures have allowed to release immediately funds in domestic currency amounting to a total of S/. 2 billion. Should it be 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 October will be approved on the Board's meeting of October 10.