



## MONETARY PROGRAM FOR JULY 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 the rate of inflation is within the target range in a context of economic growth in the country close to the economy's potential level of growth amid international financial uncertainty.

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

2. Inflation in June recorded a rate of 0.26 percent due mainly to the rise in the prices of some food products and fuels. Inflation in the last 12 months rose from 2.46 percent in May to 2.77 percent in June. Core inflation showed a rate of 0.26 percent (3.38 percent in the last 12 months), and inflation excluding food and energy showed a rate of 0.16 percent (2.35 percent in the last 12 months).

Inflation is expected to converge to the center of the target range in the next months due to the improvement observed in the conditions of food supply, to a pace of growth of economic activity close to the economy's level of potential output, and to 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 to make the reserve requirements regime more flexible. Thus, the amount of long-term liabilities not subject to reserve requirements was raised in May to 2.3 times the effective equity of a financial institution with the aim of promoting increased long-term financing in soles, and a maximum limit of 20 percent was established in June for the mean rate of reserve requirements in soles in order to reduce the dispersion of required reserves in the different financial entities and promote intermediation in soles, releasing in this way S/. 500 million. If necessary, the Board will adopt additional measures to make the regime of required reserves more flexible in order to promote a more orderly evolution of credit.
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 Board will approve the Monetary Program for August on its session of August 8, 2013.