



MONETARY PROGRAM FOR MAY 2010

BCRP RAISED THE REFERENCE INTEREST RATE TO 1.50%

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference rate from 1.25 percent to 1.50 percent.

The nature of this measure is mainly preventive given that the clear indicators about the growth of production, in a context without inflationary pressures, allow reducing monetary stimulus.

This decision does not necessarily imply the beginning of a sequence of rises in the reference interest rate, which will depend on the evaluation of inflation determinants.

2. Several current and advanced indicators of production show a highly favorable evolution. Indicators worth pointing out include the growth of manufacturing, increased demand for electricity and for imports, greater dynamism in the construction sector, the re-initiation of important investment projects, and investors' optimistic outlook. Moreover, the global economy is also showing signs of recovery, as a result of which growth forecasts are being revised upwards. Nonetheless, there are still some risk factors associated with the fiscal soundness of some developed economies.
3. Inflation in April recorded a rate of 0.03 percent, as a result of which annual inflation remains at 0.76 percent. Core inflation, which showed a rate of 0.23 percent, accumulated an annual growth of 1.85 percent, reflecting that no inflationary pressures are observed to date.
4. The Board continues to oversee the projection of inflation and its determinants and stands ready to adopt adjustments in monetary policy instruments in order to ensure that inflation falls within the target range.
5. The Board also approved to raise the following annual interest rates on active and passive operations in domestic currency (not included in auctions) between the BCRP and the financial system as described below:
 - a. Direct repo and rediscount operations: 2.30 percent.
 - b. Overnight deposits: 0.70 percent.
 - c. Swap: a commission equivalent to a minimum annual effective cost of 2.30 percent.
6. The Board will approve the Monetary Program for June on its session of June 10, 2010.