



MONETARY PROGRAM FOR MAY 2011

BCRP RAISES THE REFERENCE INTEREST RATE FROM 4.0% TO 4.25%

1. The Board of the Central Reserve Bank of Peru approved to raise the monetary policy reference rate from 4.0 percent to 4.25 percent.

This measure is aimed at offsetting the impact of the rise in the international prices of food and fuels on inflation expectations, in a context of high growth of domestic demand. Future adjustments in the reference rate will depend on new information on the evolution of inflation and its determinants.

2. Current and advanced indicators of activity continue showing a rapid growth of economic activity, although lower than in previous months. In May the production of electricity grew 8.4 percent, lower than the increase of 10 percent in the first quarter. On the other hand, even though the indicators of global economic continue to be favorable, there are still risks such as the fiscal situation in some industrialized countries and the crisis in the Middle East and North Africa.
3. Inflation in April showed a rate of 0.68 percent, as a result of which annual inflation recorded a rate of 3.34 percent. Core inflation, which registered 0.40 percent, accumulated an annual growth of 2.6 percent. Inflation excluding food and energy showed a rate of 0.31 percent and an accumulated annual rate of 1.86 percent. These results would be indicating that the rate of inflation in March is mainly explained by supply factors.
4. The Board continues to oversee the projection of inflation and its determinants and stands ready to adopt future 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 detailed below:
 - a. Overnight deposits: 3.45 percent.
 - b. Direct repo and rediscount operations: 5.05 percent.
 - c. Swap: a commission equivalent to a minimum annual effective cost of 5.05 percent.

6. The Board will approve the Monetary Program for May on its session of June 9, 2011.