



## MONETARY PROGRAM FOR DECEMBER 2012

### 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 to decline and that it has returned to the target range after the shocks on the side of supply partially reversed in a domestic context characterized by an economic pace of growth close to the economy's potential growth and in an external context still characterized by high uncertainty.

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

2. Inflation in November showed a monthly rate of -0.14 percent, a similar rate to the one registered in September (-0.16 percent, which reflected the reversal of the prices of perishable food products. With this result, inflation in the last 12 months fell from 3.25 percent in October to 2.66 percent in November. Core inflation showed a rate of 0.20 percent and thus accumulates a rate of 3.23 percent in the last 12 months, a lower rate than in the previous month. Inflation excluding food and energy showed a monthly rate of 0.07 percent and an annual rate of 1.92 percent.
3. Supply conditions for perishable food products continued improving in November, which contributed to the reversal of the supply shocks that had been affecting inflation transitorily. As a result of this, inflation returned to the target range. This trend is expected to continue in 2013 with inflation gradually converging towards the 2 percent target.
4. Some current and advanced indicators of activity show that the growth of the Peruvian economy has stabilized around its long-term sustainable level of growth, although the indicators associated with the external market still register a weak performance.
5. 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.
6. The Monetary Program for January 2013 will be approved on the Board's session that will be held on January 10, 2013.