



MONETARY PROGRAM FOR JULY 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 one hand, on the fact that inflation's deviation from the target has reflected mainly transitory supply factors and, on the other hand, on the fact that the economy's pace of growth is close to its potential rate of growth. Moreover, high uncertainty is still observed in international financial markets and is being reflected in the decline of terms of trade and in prospects of lower growth in both developed and emerging countries.

The Board oversees the inflation forecasts and inflation determinants to consider additional adjustments in monetary policy tools.

2. Inflation in June showed a monthly rate of -0.04 percent, as a result of which inflation in the last 12 months declined from 4.14 percent in May to 4.00 percent in June. Core inflation recorded a rate of 0.20 percent in June and thus accumulated a rate of 3.64 percent in the last 12 months. Inflation excluding food and energy registered a rate of 0.13 percent and an annual rate of 2.46 percent.
3. The evolution of inflation in June shows that the supply factors that led inflation to rise transitorily above the target range continue to reverse. Annual inflation is therefore expected to decline in a sustained manner in the rest of the year, with inflation converging to the target range.
4. Some current and advanced indicators of activity show that the economy's growth has stabilized around its long-term sustainable level of growth, although the indicators associated with the external market register a weak performance. On the other hand, indicators of global economic activity show that uncertainty about the pace of global economic activity has increased.
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 July will be approved on the Board's session of August 9, 2012.