



## MONETARY PROGRAM FOR OCTOBER 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 following factors: i) economic growth in the country is close to the economy's potential level of growth; ii) inflation expectations remain anchored within the target range; iii) the supply factors that affected inflation are reversing, and iv) international financial conditions are still uncertain, even though recent indicators of global activity show some recovery.

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

2. Inflation in September showed a rate of 0.11 percent due mainly to the rise in the prices of perishable food products and electricity. Inflation in the last 12 months rose from 3.28 percent in August to 3.83 percent in September. The rate of inflation without food and energy was 0.08 percent (2.58 percent in the last 12 months) and core inflation showed a rate of 0.22 percent (3.60 percent in the last 12 months).

Inflation is expected to remain within the target range in the following months as a result of an improvement in food supply conditions and of 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, while the indicators associated with the external market have shown a slight recovery, which has had a favorable impact on the prices of export products.
4. The Board has been adopting measures aimed at making the reserve requirements regime more flexible in order to promote an orderly evolution of credit and provide the financial system with greater sources of credit in soles. In October the mean maximum rate of reserve requirements in domestic currency was lowered from 17 to 16 percent and the marginal rate of reserve requirements in this currency was lowered from 20 to 16 percent. In addition to this, additional reserve requirements conditional to the expansion of credit in foreign currency have been established to consolidate the dedollarization of loans. These reserve requirements will be applied if a bank's balance of loans in dollars in the domestic market exceeds 5 percent of the balance at September 2013. Should it be necessary, the Board will adopt additional measures to make the regime of required reserves more flexible.
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 Monetary Program for November will be approved on the Board's meeting that will be held on November 7, 2013.