



## **MONETARY PROGRAM FOR APRIL 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 been mainly due to 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, inflation expectations for this year are anchored within the target range. Future adjustments in the reference interest rate will depend on the evolution of inflation and its determinants

2. Inflation in March registered a monthly rate of 0.77 percent, reflecting mainly the rise in the prices of education (tuition and fees) and chicken, items which contributed with 0.55 percentage points to the rate of inflation this month. As a result of this, the annual rate of inflation recorded 4.23 percent. Moreover, core inflation in March showed a rate of 0.62 percent and thus accumulated a rate of 3.82 percent in the last 12 months. Inflation excluding food and energy registered a rate of 0.57 percent and an annual rate of 2.47 percent. Inflation expectations for this year and for next year fall within the target range.

Even though rises in the international prices of fuels and domestic supply shocks are being observed, the impact of these factors on inflation is expected to reverse more strongly since mid-2012 and the annual rate of inflation is expected to converge thereafter towards the target range.

3. Some current and advanced indicators of activity show that the economy's growth has stabilized around its long-term sustainable level of growth. On the other hand, indicators of global economic activity show that uncertainty about the pace of global economic activity persists.
4. 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.

5. The Monetary Program for May will be approved on the Board's session of May 10, 2012.