

BANCO CENTRAL DE RESERVA DEL PERÚ

Informative note on the Monetary Program: April 2001

The BCRP reduces its reference interest rate from 11,5 to 11,0 percent and rises the benchmark for monetary operations in 1,5 percent

1. As anticipated in the Monetary Program Report for 2001, The Central Reserve Bank Board of Directors established that, on the first Friday of each month, the Bank would announce the range for the average daily balance of the current accounts held by banks at the Central Bank, to be taken as benchmark for monetary operations during the month. Additionally, the Bank will announce the interest rates to be maintained during the month for monetary regulation credits and overnight deposits held by banks at the Central Bank.
2. For the month of April, the Board increased 1,5 percent the range referred to in the previous paragraph to **S/. 130 - S/. 140 million as a daily average**. In March, the said balance was S/. 131 million, which fell within the announced range (S/. 128 – S/. 138 million).
3. The Central Bank Board of Directors also established that the following interest and commission rates would be used in domestic-currency Central Bank operations since April 6:
 - a. For monetary regulation credits in domestic currency, the effective interest rate would be **the average of the top-decile interbank interest rates, or 11,0 percent, whichever is highest**. This rate implied a reduction with respect to the rate effective since March 2 (11,5 percent).
 - b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **4,0 percent**. This rate is effective since March 2.
 - c. For foreign exchange temporary purchase operations (swap operations), the commission will be 0,0159 percent, equivalent to an effective **11,0 percent** annual cost. This cost is lower than that effective since March 2 (11,5 percent).
4. With the decrease in the reference interest rates for monetary operations in domestic currency, the decline in financial system interest rates is expected to continue. To that extent, the increment of 1,5 percent in the range referred lines above it is justified.

It should be noted that the increase in the Consumer Price Index in the first quarter is in line with the target for 2001 (2,5 to 3,5 percent). March inflation (0,5 percent or 3,6 percent in annual terms) is due to temporary events affecting food products, which are expected to cease in April.

5. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be **8,5 percent**.
 - b. For overnight deposits held by banks at the Central Bank, the rate is equivalent to the average obtained by the Central Bank for similar deposits abroad.
6. If justified by financial conditions, the values mentioned above could be modified in order to ensure the attainment of the objective to preserve monetary stability.

Lima, April 6, 2001