

Informative Note on the Monetary Program: August 2001

The BCRP reduces its reference interest rate in domestic currency from 10,0 to 9,0 percent and from 6,5 to 6,0 in foreign currency, as well as the benchmark for monetary operations to a S/. 130 – S/. 140 million range.

1. For the month of August, the Board approved a range of S/. 130 - S/. 140 million on a daily average for its operating target, lower than the July range (S/. 135 – S/. 145 million), in line with the lower demand for current account balances observed in July as a consequence of the flexibility in the conditions of the monetary regulation credits of the Central Bank. For this reason, the current account balance in July was S/. 129 million, which fell below the announced range.
2. 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 August 3:
 - a. For monetary regulation credits in domestic currency, the effective interest rate would be the weighted average of the interbank interest rate, or 9,0 percent, whichever is highest. It should be noted that the new level of the reference interest rate for monetary regulation credits implied a reduction for the third consecutive month. Since July 6, this rate was 10,0 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 0,0138 percent per day, equivalent to an effective 9,0 percent annual cost. This cost is lower than that effective since July 6 (10,0 percent).
3. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be 6,0 percent. This rate implied a reduction with respect to the rate effective since July 6 (6,5 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.
4. The Central bank grants monetary regulation credits in domestic and foreign currency on a regular basis.
5. 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.
6. Attached to this informative note is a summary chart on the monetary policy decisions in the last 6 months.

Lima, August 2, 2001

BANCO CENTRAL DE RESERVA DEL PERÚ

Operating target for the Banks' Current Account and the reference interest rates approved by the Central Bank Board of Directors: 2001

	Actual						Program August
	February	March	April	May	June	July	
1. Operating Target: Current Account (In million of S/.)							
Range	125-135	128-138	130-140	120-130	125-135	135-145	130-140
Revision			120-130				
Actual	134	131	123	122	130	129	
(As a percentage of TOSE) ^{1/}	(1,23)	(1,18)	(1,12)	(1,10)	(1,16)	(1,14)	(1,14-1,23)
2. Reference interest rates (In percentages)							
a. Monetary regulation credits							
a.1. In Nuevos Soles	12,5	11,5	11,0	11,0	10,5	10,0	9,0
a.2. In Us dollars	8,5	8,5	8,5	7,5	7,0	6,5	6,0
b. Depósitos overnight							
b.1. In Nuevos Soles	4,5	4,0	4,0	4,0	4,0	4,0	4,0
b.2. In US dollars ^{2/}	5,5	5,3	4,8	4,2	3,9	3,8	
3. Commission for swaps operations							
Commission	0,0172	0,0165	0,0159	0,0174	0,0171	0,0158	0,0138
Effective annual rate	12,5	11,5	11,0	11,0	10,5	10,0	9,0
Memo:							
Interbank interest rate	11,0	10,3	12,5	12,7	10,6 ^{3/}	8,4	

1/ Liabilities subject to reserve requirements.

2/ Equivalent to the average obtained by the Central Bank for similar deposits abroad.

3/ The rate for June 1 (74,3 percent) is not included.