

BANCO CENTRAL DE RESERVA DEL PERÚ

Monetary Program for 2001- Information Note: June 2001

The BCRP reduces its reference interest rate from 11,0 to 10,5 percent and rises the benchmark for monetary operations in 4 percent

1. The revision of the forecast elaborated for the assessment of the Multiannual Macroeconomic Framework of the Ministry of Finance underlines that the **target** for the annual inflation in 2001 will be within the range announced in the Monetary Program for that year (2,5-3,5 percent). As a consequence, the **intermediate target**, which indicates an increase in the monetary base of 3,0 to 5,0 percent has been maintained. These provisions consider an increment of real GDP of 1,5 percent (2,5 percent in the Monetary Program) and Nominal GDP of 4,6 percent (6,1 percent in the Monetary Program). It is estimated that the **operative target** (the average daily balance of the current accounts held by banks at the Central Bank to be taken as benchmark) will be reached. The benchmark announced for the year 2001 is S/. 130-S/. 145 million. From January to May, the average balance was S/. 128 million.
2. For the month of June, the Board increased 4 percent the range referred to in the previous paragraph to **S/. 125 - S/. 135 million as a daily average**. In May, the said balance was S/. 122 million, which fell within the announced range (S/. 120 – S/. 130 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 June 7:
 - a. For monetary regulation credits in domestic currency, the effective interest rate would be **the average of the top-decile interbank interest rates, or 10,5 percent, whichever is highest**. This rate implied a reduction with respect to the rate effective since April 6 (11,0 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 0,0171 percent, equivalent to an effective **10,5 percent** annual cost. This cost is lower than that effective since April 6 (11,0 percent).
4. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be **7,0 percent**. This rate implied a reduction with respect to the rate effective since May 4 (7,5 percent), which is consistent with the evolution of the international interest rates along the year.
 - 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.
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.

Lima, June 6' 2001