

BANCO CENTRAL DE RESERVA DEL PERÚ

Informative note on the Monetary Program: March 2001

Increase in the benchmark for monetary operations and reduction of BCRP operations' interest rates

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.

For the month of March, the range referred to in the previous paragraph will be **S/. 128 - S/. 138 million as a daily average**. In February, the said balance was S/. 134 million, within the announced range (S/. 125 – S/. 135 million) and higher than in January (S/. 128 million).

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 March 2:

- a. For monetary regulation credits in domestic currency, the effective interest rate would be **the average of the top-decile interbank interest rates, or 11,5 percent, whichever is highest**. This rate implied a reduction with respect to the rate ruling since January 4 (12,5 percent).
- b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **4,0 percent**. Until March 1, this rate was 4,5 percent
- c. For foreign exchange temporary purchase operations (swap operations), the commission will be 0,0165 percent, equivalent to an effective **11,5 percent** annual cost. This cost is lower than that ruling since January 4 (12,5 percent).

The increase in the benchmark for monetary operations and the decrease in the reference interest rates for monetary regulation credits and overnight deposits as well as the commissions for swap operations are justified by the declining trend on inflation expectations of economic agents for the current year. This trend is expected to continue, addressing to new adjustments in the benchmark and reductions in the interest rates before mentioned.

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.

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.