

BANCO CENTRAL DE RESERVA DEL PERÚ



Press release

MONETARY PROGRAM APPROVED BY THE BOARD OF THE BANK FOR DECEMBER 2002

1. In November, the daily average balance of the banks' current account was **S/. 165 million**, below the range announced for that month (S/. 170 million to S/. 190 million). The lower demand for funds in the current account was explained by the less reserves requirement associated to lower liabilities in domestic currency in the month.
2. The Board of the Bank assessed the monetary policy stance for December and established the following:
 - a. The targeted range for the banks' current account balance held at the Central Bank will be **S/. 180 million to S/. 200 million on a daily average basis**, considering the higher liquidity requirements in the last month of the year.
 - b. For monetary regulation credits and temporary purchase of CDBCRP and Treasury bonds out of auction, the effective interest rate was reduced to level equivalent to **the weighted average of the interbank interest rates, or 4,5 percent, whichever is highest**. In November, the reference rate for these operations was 4,75 percent.
 - c. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate remains at **3,0 percent**.
 - d. For foreign exchange temporary purchase operations (swap operations), the commission is reduced to an implicit minimum effective annual cost of **4,5 percent**. In November, the implicit minimum effective annual cost was 4,75 percent.
3. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be the 1-month LIBOR plus one percentage point.
 - 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. The previous framework is consistent with the current annual inflation forecast (2,5 percent with a ± 1 percentage point).
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, which mean avoiding inflationary or deflationary pressures.

Lima, December 6, 2002