

BANCO CENTRAL DE RESERVA DEL PERU

Press release



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

- ✓ ***The Board of the Bank decided to rise the average balance of the banks' current account and to reduce the Central Bank interest rate in domestic currency from 3,5 to 3,0 percent***
- 1. The Board of the Bank decided to rise the average balance of the banks' current account to S/. 185 million- S/. 195 million on a daily average basis, which is consistent with a higher preference for domestic currency. In February, the current account balance was S/. 189 million, higher than the operating target of that month (S/. 160 million to S/. 170 million). The latter is associated with the recomposition of the banks' reserve requirement, which rose the demand of current account in order to substitute cash in vaults in compliance of the legal minimum reserve requirement (6 percent).
- 2. Considering this higher demand of current account funds, the Bank rose the disposal of banking liquidity with respect to the February Monetary Program announce in order to avoid interbank interest rates rising pressures. Thus, the average interbank interest rate in domestic currency was 2,6 percent in February, compared with 2,7 percent in January.
- 2. The Board of the Bank also established for domestic currency operation the following:
 - a. For monetary regulation credits and temporary purchase of CDBCRP and Treadury bonds out of auctions, the effective interest rate would be **the weighted average of the interbank interest rates, or 3,0 percent, whichever is highest**. Formerly, the said rate was 3,5 percent.
 - b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate remained at **1,9 percent**.
 - c. For foreign exchange temporary purchase operations (swap operations), the commission implies an effective annual cost of **3,0 percent**. The former cost was 3,5 percent.
- 3. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be **2,75 percent**. Formerly, the said rate was 3,0 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. Besides, the Central Bank operations will be oriented to reduce volatility in the exchange market.
- 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, which mean avoiding inflationary or deflationary pressures.

Lima, March 7, 2001

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Operational target and reference rate approved by the Board of the Bank

	2001											2002		Program March 2002
	February	March	April	May	June	July	August	September	October	November	December	January	February	
1. Operational target: current account (In million of S/.)														
Rango e	125-135	128-138	130-140	120-130	125-135	135-145	130-140	130-140	132-142	135-145	150-160	160-170	160-170	185-195
Revised			120-130											
Actual	134	131	123	122	130	129	132	136	140	146	165	160	189	
2. Reference interest rates (In percentages)														
a. Monetary regulation credits, temporary purchase of CDBCRP and Treasury bonds out of auction														
a.1. In domestic currency	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5	7,5	6,0	5,0	4,0	3,5	3,0
a.2. In foreign currency	8,5	8,5	8,5	7,5	7,0	6,5	6,0	5,5	5,0	4,5	4,5	3,5	3,0	2,75
b. Overnight deposits														
b.1. In domestic currency	4,5	4,0	4,0	4,0	4,0	4,0	4,0	4,0	3,0	2,5	2,0	2,0	1,9	1,9
b.2. In foreign currency 1/	5,5	5,3	4,8	4,2	3,9	3,8	3,7	3,2	2,5	2,1	1,8	1,8	1,8	1/
3. Swap commissions														
Commission	0,0172	0,0165	0,0159	0,0174	0,0171	0,0158	0,0138	0,0134	0,0138	0,0115	0,0089	0,0070	0,0053	3/
Annual percentage rate	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5	7,5	6,0	5,0	4,0	3,5	3,0

Note:

Interbank interest rate in domestic currency	11,0	10,3	12,5	12,7	10,6 ^{2/}	8,4	5,7	5,9	4,5	3,5	3,1	2,7	2,6
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1/ Similar to BCRP international overnight deposits' interest rate abroad.

2/ June 1 quotation (74,3 percent) not included.

3/ Since October, the swap commission is calculated on a daily average basis and considering international levels.