



Press Release

**MONETARY PROGRAM APPROVED BY THE BOARD OF THE
BANK FOR DECEMBER 2003**

1. In November, the Consumer Price Index of Metropolitan Lima rise 0,17 percent. Last 12 month inflation was 1,88 percent, against 1,30 percent in October. Core inflation, an indicator which excludes high volatility items from the CPI basket, was 0,20 percent in November and 0,31 percent through last 12 month

The average interbank interest rate was 2,56 percent in November, lower than the rate recorded in the previous month (2,71 percent), like result of the reduction of the reference interest rates of the Central Bank in November (25 basis points).

2. The monetary policy's decisions are based on inflation forecasts and have like goal to anticipate rise or loss pressures in prices growth. Central Bank's August inflation report forecasted a 2004 inflation within the lower band of the range (1,5 – 2,5 percent).
3. **The Board of the Bank approved to maintain borrowing and lending interest rates for Central Bank operations at:**
 - a. **3,25 percent: for monetary regulation credits and direct temporary purchases of BCR's securities.**
 - b. **1,75 percent: for commercial banks' overnight deposits at the BCR.**

The monetary operations of injection and retirement of liquidity by auctions will be oriented to obtain that the interbank interest rate is in the middle of the range of reference interest rates (2,50 percent).

4. The interest rate for rediscount operations and direct temporary purchase of securities will be the interbank market interest rate, when this one be higher than 3,25 percent.
5. For December, the estimated range for commercial banks' current account balances held at the Central Bank is S/. 180 million to S/. 200 million, on a daily basis. The level of this average balance is not a goal, nor an indicator of the degree of flexibility of the monetary policy, because it reflects additionally seasonal factors and movements in the demand of liquidity.
6. 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.
 - c. For foreign exchange temporary purchase operations (swap operations), the commission is maintained at an implicit effective annual cost of 3,25 percent.

Lima, December 4, 2004