



Press Release

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

1. In June, the Consumer Price Index of Metropolitan Lima declined 0,47 percent. Last 12 month inflation was 2,2 percent, against 2,4 percent in May. Underlying inflation, an indicator which excludes high volatility items from the CPI basket, was nil in June (1,5 percent through last 12 months).
2. Central Bank's May inflation report forecasted an end-of-year inflation within the lower band of the range (1,5 to 2,5 percent). Recent developments indicate declining inflationary pressures, with increasing probabilities that 2003 inflation will be close to the bottom limit of the range.
3. The Board of the Bank approved to cut **off-auction reference interest rates** in 25 bps. Therefore, the reference interest rates will be as follows:
 - a. **4,0 percent: for monetary regulation credits and direct temporary purchases of BCR's securities**
 - b. **2,75 percent: for commercial banks' overnight deposits at the BCR**
4. The Board of the Bank will continue watching the evolution of main macroeconomic variables, in order to carried out the necessary actions that reduce the risk of an annual inflation lower than 1,5 percent.
5. 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 4 percent.
6. **In June, the average interbank interest rate was 3,74 percent, slightly lower than those prevailing since December 2002 (3,8 percent).**
7. **For July, the estimated range for commercial banks' current account balances held at the Central Bank is S/. 195 million to S/. 215 million, on a daily basis. In June, this balance was S/. 204 million (within the estimated range of S/. 190 million to S/. 210 million).**
8. 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 **4,25 percent**.

Lima, July 3 2003