

BANCO CENTRAL DE RESERVA DEL PERÚ



Press Release

MONETARY PROGRAM APPROVED BY THE BOARD OF THE BANK FOR MARCH 2003

1. In February, the rate of inflation was 0,47 percent, mainly due to the increase in some non-storable foodstuff due to supply delays as well as the increase in the international oil price. Last 12 month rate of inflation in February reached 2,8 percent.

Core inflation, the component that excludes high variability items from the CPI basket, was 0,08 percent in February and 1,7 percent in the last 12 month.

In the short term, the main inflationary risk is the increase in the international price of oil. As long as this increase does not affect neither the other prices nor inflationary expectations, the Central Bank will not take any compensatory action. **Monetary policy decisions are oriented to attain a 2,5 percent rate of inflation with a 1 percent point margin.**

2. The Board of the Bank established that in March the borrowing and lending Central Bank operations remain at:
 - **4,25 percent:** For monetary regulation credits and direct temporary purchase of BCR's papers.
 - **3,0 percent:** for overnight deposits.
3. The interest rate of monetary regulation credits and direct temporary purchases of BCR's securities will equal to the interbank interest rate when this rate be higher than 4,25 percent. In February, the interbank interest rate was 3,8 percent, similar to January.
4. For March, the estimated range for the banks' current account balance held at the Central Bank will be S/. 170 million to S/. 190 million on a daily basis.
5. The following interest rates will be used in foreign-currency operations:
 - The effective annual rate for monetary regulation credits will be the 1-month LIBOR plus one percentage point.
 - 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.
6. For foreign exchange temporary purchase operations (swap operations), the commission is maintained to an implicit effective annual cost of **4,25 percent**.

Lima, March 6, 2003