

BANCO CENTRAL DE RESERVA DEL PERÚ



Press Release

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

1. In April, the Consumer Price Index of Metropolitan Lima was $-0,05$ percent, with a last 12 month inflation of 2,6 percent. The monthly decrease reflected the decline in foodstuffs prices. On the other hand, underlying inflation, which excludes high volatility items from the CPI basket, such as fuels, was 0,03 percent in April and 1,6 percent through last 12 months.

For the remain of the year, CPI projections indicate lower inflationary pressures. The Central Bank will continue monitoring the general prices behaviour in order to **attain the end-of-year inflation target of 2,5 percent with a 1 percent tolerance (up or down)**.

2. For May, the Board of the Bank decided to maintain borrowing and lending interest rates for Central Bank operations at:
 - a. **4,25 percent**: for monetary regulation credits and direct temporary purchases of BCR's securities.
 - b. **3,0 percent**: for commercial banks' overnight deposits at the.
3. In April, the average interbank interest rate was 3,8 percent, similar to those prevailing since last December (3,8 percent). 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 4,25 percent.
4. For May, the estimated range for commercial banks' current account balances held at the Central Bank is S/. 190 million to S/. 210 million, on a daily basis. In April, this balance was S/. 211 million (whereas the estimated range was S/. 190 million to S/. 210 million). Considering this banking liquidity amount, the average interbank interest rate was 3,8 percent.
5. 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, May 8, 2003