



Press Release

BOARD OF THE CENTRAL BANK APPROVED MONETARY PROGRAM FOR SEPTEMBER 2003

1. Monetary policy decisions are based on inflation forecasts in order to foresee inflationary or deflationary pressures. August Inflation Report presents an end-of-year inflation forecast near the lower limit of the announced range (1,5 percent) for 2003 and within the lower band (1,5 to 2,5 percent) for 2004. This forecast reflects the lower dynamism of domestic demand, a domestic currency appreciation and an increased supply of agricultural products.

2. In August, the Consumer Price Index of Metropolitan Lima (CPI) increased 0,01 percent. Therefore, last 12 month inflation was 1,89 percent, down from July (1,98 percent). On the other hand, core inflation, a price indicator that excludes high volatility components from the CPI basket, was 0,08 percent in August and 1,4 percent through last 12 months.

Interbank interest rate averaged 3,01 percent in August, down from the previous month (3,47 percent), following the 50 basis point reduction in BCR's reference interest rates. The daily average balance of banks' current account deposits at the Central Bank was S/. 188 million, below the range projected for that month (S/. 190 million to S/. 210 million).

3. **The Board of the Central Bank approved the reduction of overnight deposit interest rates in 25 basis points. Therefore, the reference interest rates for off auction monetary operations will be:**

- a. **3,50 percent: for direct temporary purchases of securities and monetary regulation credits**
- b. **2,00 percent: for overnight deposits**

The monetary operations regarding injection or withdrawal of liquidity by means of auctions are made in order to place the interbank interest rate within the reference corridor (2,75 percent).

4. In case, the interbank interest rate exceeds 3,5 percent, monetary regulation credits and direct temporary purchases of security operations will be charged with the market interbank interest rate.

5. For September the forecasted range for the daily average balance of banks' deposits held at BCR is S/. 180 million to S/. 200 million, in line with the lower liquidity requirements recorded in August. It should be noted that this balance is not a target, nor an monetary stance indicator, since it is affected by seasonal factors as well as liquidity requirement changes.

6. The reference interest rate for BCR's operations in dollars are:

- a. Monetary regulation credits: LIBOR at 1 month plus one percentage point
- b. Overnight deposits: an interest rate equivalent to the rate for similar BCR's deposits held abroad
- c. Swaps, the commission that implies an annual effective cost of 3,5 percent is maintained

Lima, September 4, 2003