



## Press Release

### BOARD OF THE CENTRAL BANK APPROVED MONETARY PROGRAM FOR APRIL 2004

#### REFERENCE INTEREST RATE IS KEPT AT 2,50%

1. In March the Consumer Price Index of Metropolitan Lima (CPI) increased 0.46 percent. Cumulative inflation through last 12 month reached 2.8 percent, lower than in February (3.4 percent). Core inflation, a price indicator that excludes high volatility items was 2.3 percent over last 12 months.

As mentioned in January Inflation Report, inflation is expected to rise over the first months of the year due to the increase in the international prices of some foods (wheat and soybean oil) as well as a shortage of domestic agricultural supply (potato, rice, vegetables and sugar). An additional factor is the recent hike in international oil quotations. However, annual inflation as of December 2004 would remain within the target range (2.5 percent with a plus/less 1 percent margin).

2. The average interbank interest rate was 2.48 percent in March, similar to that seen in February (2.52 percent).
3. **For April, the Board of the Central Bank decided to maintain the reference interest rates for monetary operations off auction:**
  - a. **3.25 percent: for direct repos and monetary regulation credits**
  - b. **1.75 percent: for overnight deposits.**

**The monetary operations regarding injection or withdrawal of liquidity by means of auctions will be made in order to place the interbank interest rate in the center of this corridor of reference interest rates (2.50 percent).**

4. In case the market interbank interest rate be higher than 3.25 percent, monetary regulation credits and direct repos will be charged with the market interbank interest rate.
5. For April, the forecasted range for the daily average balance of banks' deposits held at BCRP is S/. 170 - S/.190 million. This balance is neither a target nor a monetary policy stance indicator, since it is also affected by seasonal factors as well as liquidity demand changes.
6. The interest rates for Central Bank's operations in dollars are:
  - a. Monetary regulation credits: 1-month LIBOR plus one percentage point
  - b. Overnight deposits: an interest rate equivalent to the rate for similar BCRP's deposits held abroad
  - c. Swaps, the commission that implies a minimum annual effective cost of 3.25 percent is maintained
7. May Monetary Program will be approved in the Board of Directors meeting of May 6, 2004.

**Lima, April 1, 2004**