



Press Release

MONETARY PROGRAM FOR DECEMBER 2004

CENTRAL BANK KEPT REFERENCE INTEREST RATE AT 3.00%

1. In November, the Consumer Price Index of Metropolitan Lima (CPI) increased 0.29 percent mainly due to the rise in urban transportation (0.13 percentage points), fuels (0.15 percentage points) and electric tariffs (0.16 percentage points). The cumulative year inflation is 3.49 percent. Excluding the higher urban transportation fares the monthly inflation would have being 0.16 percent in November and 3.24 percent in January-November. Additionally, if we exclude the increase in fuels, the November inflation would have being 0.01 percent and 2.37 percent in the January-November period. Core inflation, indicator of the inflationary trend, was 2.59 percent in that period.

Transitorily, 12-month inflation is above the upper limit of the target range mainly due to supply shocks in food and fuels. The Imported Goods Price Index increased 11.5 percent in the January-November period, while the Domestic Goods Price Index rose 2.26 percent.

Due to these transitory factors, the Central Bank forecasted in the August Inflation Report that the 2004 cumulative inflation will be near the upper limit of the target range. For 2005, forecast inflation will be around the mid-point of the target range (2.5 percent).

2. **The Board of the Central Bank approved to kept the reference interest rates of the monetary operations:**
 - a. **The monetary operations regarding injection and withdrawal of liquidity by means of auctions will be made in order to place the interbank interest rate around the center of the corridor set by the reference interest rates (3.00 percent).**
 - b. **For direct repos and monetary regulation credits, the rate is kept at 3.75 percent.**
 - c. **For overnight deposits, the rate is maintained at 2.25 percent.**
3. In case of the interbank interest rate be higher than 3.75 percent, monetary regulation credits and direct repos will be charged with the market interbank interest rate.
4. For December, the forecasted range for the daily average balance of banks' deposits held at BCRP is S/. 230 - S/. 250 million. This average balance is neither a target nor a monetary policy stance indicator, since it also reflects, among others, seasonal factors as well as liquidity demand changes.
5. 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 is maintained to a level that implies a minimum annual effective cost of 3.75 percent.
6. Next Monetary Program will be approved in the Board of Directors meeting of January 6, 2005.

Lima, December 9, 2004