



Press Release

BOARD OF THE CENTRAL BANK APPROVED MONETARY PROGRAM FOR FEBRUARY 2004

REFERENCE INTEREST RATE IS KEPT AT 2.50%

1. In January 2004, the Consumer Price Index of Metropolitan Lima (CPI) increased 0.54 percent. Cumulative inflation through last 12 month reached 2.8 percent, more than in December 2003 (2.5 percent). However, core inflation, a price indicator that excludes high volatility items grew 1.4 percent over last 12 months.

The faster path for annual inflation in the last three months is mainly determined by the imported component of food supply, such as the international price hikes in wheat and soy oil (with the consequent impact on the prices of bread and edible oil), as well as a troubled domestic supply of potato, peas, rice and sugar.

2. The projections included in the January Inflation Report point out that inflation will meet the target of 2.5 percent for 2004.
3. **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 are made in order to place the interbank interest rate in the center of this corridor of reference interest rates (2.50 percent). The interbank interest rate was 2.41 percent in January, lower than in December (2.51 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 February, 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. March Monetary Program will be approved in the Board of Directors meeting of March 4, 2004.

Lima, February 5, 2004