



*Press Release*

**MONETARY PROGRAM APPROVED BY THE BOARD OF THE  
BANK FOR JANUARY 2004**

1. In December, the Consumer Price Index of Metropolitan Lima rise 0,56 percent mainly due to increased of foodstuffs prices like potatoes and rice. The annual inflation rate for 2003 was in its target (2,5 percent). Core inflation, an indicator which excludes high volatility items from the CPI basket, was 0,30 percent in December.

The average interbank interest rate was 2,51 percent in December, slightly lower to the rate recorded in the previous month (2,55 percent). In 2003 there were 4 reductions of the monetary policy's references rates, that induced diminutions of 25 basis points in the interbank rate in 3 occasions (July, September and November) and one of 50 basis points (August).

2. The monetary policy's decisions are based on inflation forecasts and have like goal to anticipate rise or loss pressures in prices growth. Central Bank's August inflation report forecasted a 2004 inflation within the lower band of the range (1,5 – 2,5 percent).
3. **The Board of the Bank approved to maintain in January borrowing and lending interest rates for Central Bank operations at:**
  - a. **3,25 percent: for monetary regulation credits and direct temporary purchases of BCR's securities.**
  - b. **1,75 percent: for commercial banks' overnight deposits at the BCR.**

**The monetary operations of injection and retirement of liquidity by auctions will be oriented to obtain that the interbank interest rate is in the middle of the range of reference interest rates (2,50 percent).**

4. 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 3,25 percent.
5. For January, the estimated range for commercial banks' current account balances held at the Central Bank is S/. 170 million to S/. 190 million, on a daily basis. The level of this average balance is not a goal, nor an indicator of the degree of flexibility of the monetary policy, because it reflects additionally seasonal factors and movements in the demand of liquidity.
6. 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 3,25 percent.

7. The chronogram of the sessions in which the Board will approve the Monthly Monetary Program is the following:

February 5 <sup>th</sup>	March 4 <sup>th</sup>	April 7 <sup>th</sup>	May 6 <sup>th</sup>	June 3 <sup>rd</sup>	July 8 <sup>th</sup>
August 5 <sup>th</sup>	September 9 <sup>th</sup>	October 7 <sup>th</sup>	November 4 <sup>th</sup>	December 9 <sup>th</sup>	

8. The Central Bank will issue its **Inflation Report** in the following dates:

February 6 <sup>th</sup>	June 4 <sup>th</sup>	September 10 <sup>th</sup>
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