



## Press Release

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

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

1. In June the Consumer Price Index of Metropolitan Lima (CPI) increased 0.56 percent, due mainly to the increase in the prices of some foods. Core inflation was 0.22 percent. Cumulative inflation through last 12 month reached 4.26 percent, higher than in May (3.18 percent), since June 2003 inflation was negative in 0.47 percent. However, core inflation, an indicator of the inflationary trend was 2.73 percent over last 12 months.

In 2004, inflation would be transitorily above the upper limit of the target range due to supply shocks in foods and fuels during the first semester. The Central Bank will pay special attention to the inflationary pressures over the next months in order to take the preventive measures to meet the inflation target. Inflation for 2004 and 2005 is expected to fall within the target range (1.5-3.5 percent).

2. The average interbank interest rate was 2.46 percent in June, slightly lower than in May (2.48 percent).
3. **For July, 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 July, 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. August Monetary Program will be approved in the Board of Directors meeting of August 5, 2004.

**Lima, July 1, 2004**