



Press Release

BOARD OF THE CENTRAL BANK APPROVED MONETARY PROGRAM FOR JUNE 2004

REFERENCE INTEREST RATE IS KEPT AT 2,50%

1. In May the Consumer Price Index of Metropolitan Lima (CPI) increased 0.35 percent, due to transitory shocks in the supply of foods and fuels. Cumulative inflation through last 12 month reached 3.18 percent, higher than in April (2.78 percent), since May 2003 rate was negative in 0.03 percent. Core inflation, a price indicator that excludes high volatility items was 2.53 percent over last 12 months.

Inflation in 2004 and 2005 is expected to meet the target range (1.5-3.5 percent). However, 12 month inflation might be transitorily over this range in some months of the year due to supply shocks and an statistical effect since inflation was negative between April and July 2003.

2. The average interbank interest rate was 2.48 percent in May, similar to April (2.49 percent).
3. **For June, 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 June, the forecasted range for the daily average balance of banks' deposits held at BCR 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. July Monetary Program will be considered in the Board of Directors meeting of July 1, 2004.

Lima, June 3, 2004