



Press Release

BOARD OF THE CENTRAL BANK APPROVED MONETARY PROGRAM FOR MARCH 2004

REFERENCE INTEREST RATE IS KEPT AT 2.50%

1. In February the Consumer Price Index of Metropolitan Lima (CPI) increased 1.09 percent. Cumulative inflation through last 12 month reached 3.4 percent, higher than in January (2.8 percent). However, core inflation, a price indicator that excludes high volatility items grew 1.9 percent over last 12 months.

As mentioned in January Inflation Report, the rate of inflation is expected to rise temporarily the first months of the year, due to the increase of the international price of wheat and soybean oil as well as a shortage in the domestic agricultural supply (potato, rice, vegetables and sugar). Besides, an increase in the price of poultry was registered in February.

The projections included in the January Inflation Report point out that inflation will meet the target of 2.5 percent for 2004.

2. Interbank interest rate averaged 2.52 percent in February, higher than in January (2.41 percent)
3. **For March, 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 March, 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. April Monetary Program will be approved in the Board of Directors meeting of April 7, 2004.

Lima, March 4, 2004