



## Press Release

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

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

1. In April the Consumer Price Index of Metropolitan Lima (CPI) decreased 0.02 percent. Cumulative inflation through last 12 month reached 2.78 percent, similar to March (2.76 percent). Core inflation, a price indicator that excludes high volatility items was 2.35 percent over last 12 months.

As mentioned in January Inflation Report, inflation was expected to rise temporarily over the first months of the year due to the increase in the international prices of some foods and fuels as well as a shortage in domestic agricultural supply. Once these shocks were over in April, inflation forecasts converged to low monthly rates until the end of the year. Inflation might fall out of the target range in some months, due to the supply shock during the I quarter 2004 and the fact that inflation was negative in similar months over 2003.

Cumulative inflation at the end of the year is expected to meet the target range.

2. The average interbank interest rate was 2.49 percent in April, similar to March (2.48 percent).
3. **For May, 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 May, 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. June Monetary Program will be approved in the Board of Directors meeting of June 3, 2004.

Lima, May 6, 2003