



Press Release

MONETARY PROGRAM FOR NOVEMBER 2004

CENTRAL BANK KEPT REFERENCE INTEREST RATE AT 3.00%

1. In October, the Consumer Price Index of Metropolitan Lima (CPI) decreased 0.02 percent. The cumulative year inflation remained at 3.2 percent for four consecutive months. Core inflation, indicator of the inflationary trend, was 2.4 percent in the January-October period.

Transitorily, 12-month inflation is above the upper limit of the target range mainly due to supply shocks in food and fuels during the first semester. The Imported Goods Price Index increased 10.3 percent in the January-October period.

The Central Bank forecasts that the 2004 cumulative inflation will be near the upper limit of the target range (3.5 percent), only if fuel and transportation prices do not register increases. For 2005, forecast inflation will be around the mid-point of the target range (2.5 percent) for 2005.

2. **The Board of the Central Bank approved to kept the reference interest rates of the monetary operations:**
 - a. **The monetary operations regarding injection and withdrawal of liquidity by means of auctions will be made in order to place the interbank interest rate around the center of the corridor set by the reference interest rates (3.00 percent).**
 - b. **For direct repos and monetary regulation credits, the rate is kept at 3.75 percent.**
 - c. **For overnight deposits, the rate is maintained at 2.25 percent.**
3. In case of the interbank interest rate be higher than 3.75 percent, monetary regulation credits and direct repos will be charged with the market interbank interest rate.
4. For November, the forecasted range for the daily average balance of banks' deposits held at BCRP is S/. 200 - S/. 220 million. This average balance is neither a target nor a monetary policy stance indicator, since it also reflects, among others, seasonal factors as well as liquidity demand changes.
5. 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 is raised to a level that implies a minimum annual effective cost of 3.75 percent.
6. December Monetary Program will be approved in the Board of Directors meeting of December 9, 2004.

Lima, November 4, 2004