



Press Release

MONETARY PROGRAM FOR OCTOBER 2004

CENTRAL BANK RAISES REFERENCE INTEREST RATE FROM 2.75% TO 3.00%

1. In September, the Consumer Price Index of Metropolitan Lima (CPI) increases 0.02 percent. The cumulative inflation in the January-September period stayed at 3.2 percent. Core inflation, indicator of the inflationary trend, was 2.3 percent in similar period.

Transitorily, 12-month inflation is above the upper limit of the target range due to supply shocks in foods and fuels during the first semester. The Import Goods Price Index increased 9.3 percent in the January-September period.

The Central Bank forecasts that the 2004 cumulative inflation will be near to the upper limit of the target range (3.5 percent) and, around the mid-point of the range (2.5 percent) for 2005. Core inflation will be slightly above the mid-point of the range in both years.
2. **The Board of the Central Bank approved to raise in 25 basis points 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 went up from 3.50 percent to 3.75 percent.**
 - c. **For overnight deposits, the rate went up from 2.00 percent to 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 October, the forecasted range for the daily average balance of banks' deposits held at BCRP is S/. 190 - S/. 210 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. November Monetary program will be approved in the Board of Directors meeting of November 4, 2004.

Lima, October 7, 2004