



Press Release

BOARD OF THE CENTRAL BANK APPROVED MONETARY PROGRAM FOR SEPTEMBER 2004

REFERENCE INTEREST RATE IS KEPT AT 2.75%

1. In August, the Consumer Price Index of Metropolitan Lima (CPI) diminished 0.01 percent. The cumulative inflation in the January-August period was 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 9.0 percent in the January-August period.

The Central Bank forecasts that the 2004 cumulative inflation will be near to the upper bound of the target range (3.5 percent) and, around the mid-point of the range (2.5 percent) for 2005. The policies that the Central Bank is adopting are oriented to achieve the convergence of the inflation toward its target.
2. **The Board of the Central Bank decided to maintain the reference interest rates of the monetary operations off auction:**
 - a. **The monetary operations regarding injection or 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 (2.75 percent).**
 - b. **For direct repos and monetary regulation credits, the rate is kept at 3.5 percent.**
 - c. **For overnight deposits, the rate is maintained at 2.0 percent.**
3. In case of the interbank interest rate be higher than 3.5 percent, monetary regulation credits and direct repos will be charged with the market interbank interest rate.
4. For September, the forecasted range for the daily average balance of banks' deposits held at BCRP is S/.170 - S/.190 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 kept to a level that implies a minimum annual effective cost of 3.5 percent.
6. October Monetary program will be approved in the Board of Directors meeting of October 7, 2004.

Lima, September 9, 2004