



Press Release

MONETARY PROGRAM FOR AUGUST 2005

CENTRAL BANK KEPT REFERENCE INTEREST RATE AT 3.00%

1. **The Board of the Central Bank approved to keep the reference interest rates for the interbank market at 3,00 percent. It was also approved to maintain the lending and deposit interest rates for the Central Bank operations:**
 - a. **For direct repos and monetary regulation credits, the rate is kept at 3.75 percent.**
 - b. **For overnight deposits, the rate is maintained at 2.25 percent.**
2. In this decision it has been considered:
 - a. The Metropolitan Lima Consumer Price Index (CPI) increased 0,10 percent in July. Thus, the CPI inflation over last twelve months diminished from 1,5 percent in June to 1,4 percent in July. In turn, the 12-month core inflation was maintained at 0,9 percent.
 - b. The CPI inflation forecast shows that this would be located for more months around the lower limit of the inflation target range, gradually converging toward the center of the range.
 - c. The economy grows at a sustained rhythm, without inflationary pressures. It is estimated that the economic activity have expanded approximately in 6,0 percent in the first semester of 2005 and it is projected to grow around 5,0 percent during the second semester of the year.
3. In case that 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. The interest rates for the following operations in dollars between the Central Bank and the Financial System are:
 - a. Monetary regulation credits: 1-month LIBOR plus one percentage point.
 - b. Overnight deposits: overnight LIBOR minus 3/8 of a percentage point.
 - c. Swaps: the commission is maintained to a level that implies a minimum annual effective cost of 3.75 percent.

- d. Reserve requirement in foreign currency subject to a payment: 2.25 percent.
- 5. The session in which the Board will approve the following Monetary Program (September 2005) will be held on September 1st, 2005.