



Press Release

MONETARY PROGRAM FOR FEBRUARY 2005

CENTRAL BANK KEPT REFERENCE INTEREST RATE AT 3.00%

1. In January, the Consumer Price Index of Metropolitan Lima (CPI) increased 0.10 percent. Thus, the 12-month inflation reached 3.03 percent; lower than in December 2004 (3.48 percent). Core inflation, indicator of the inflationary trend, was 2.14 percent over last 12 months.

The projections of the last Inflation Report of August 2004 with respect to the evolution of the inflation in 2005 are maintained. That is, it is expected to continue the reversion of the inflationary shocks that happened in 2004. In this context, the inflation will converge toward the lower section of the target range (1.5 to 2.5 percent) in most of the months of this year.

With respect to the determinants of the 2005 inflation, the expectations of the agents are around 2.5 percent, moderate import goods inflation and an expected economic growth of 4.5 percent.

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 February, the forecasted range for the daily average balance of banks' deposits held at BCRP is S/. 220 - S/. 240 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 maintained to a level that implies a minimum annual effective cost of 3.75 percent.
6. The session in which the Board will approve the following Monthly Monetary Program (March 2005) will be held March 3rd, 2005.

Lima, February 3 2005