



Press Release

MONETARY PROGRAM FOR JANUARY 2005

CENTRAL BANK KEPT REFERENCE INTEREST RATE AT 3.00%

1. As of December 2004, the cumulative year inflation was 3.48 percent, thus achieving the annual inflation target for the third consecutive year, as the inflation was located inside the target range (2.5 percent with a rank of tolerance of a percentage point up or downward). In turn, the Core inflation was 2.63 percent in the 2004.

In December, the Consumer Price Index of Metropolitan Lima (CPI) diminished 0.01 percent due mainly to the reduction in the price of the food (-0.2 percentage points), fuels (-0.3 percentage points) and telephone rates (-1.9 percentage points).

Transitorily between June and November 2004, 12-month inflation was above the upper limit of the target range (3.5 percent) mainly due to supply shocks in food and fuels. In this period, the Central Bank increased in two opportunities the reference interest rate (August and October), passing from 2.5 to 3.0 percent in a preventive way to guarantee the convergence of the inflation toward the goal. The partial reversion of these shocks and the appreciation of the Nuevo Sol have influenced in the convergence of the inflation toward the upper limit of the goal in the 2004, according to the Inflation Report of August. Likewise, the projections of the last report of August with respect to the evolution of the inflation in the 2005, are maintained. That is, it is expected the continuity of the shocks reversion in the 2005, so the inflation will converge toward the target level (2.5 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 January, the forecasted range for the daily average balance of banks' deposits held at BCRP is S/. 240 - S/. 260 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 chronogram of the 2005 sessions in which the Board will approve the Monthly Monetary Program is the following:

February 3 th	March 3 th	April 7 th	May 5 th
June 2 nd	July 7 th	August 4 th	September 1 th
October 6 th	November 3 th	December 1 th	

7. The Central Bank will issue its **Inflation Report** in the following dates:

February 4 th	June 3 th	September 2 th
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Lima, January 6, 2005