



## Press Release

### MONETARY PROGRAM FOR JULY 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 of 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 0,26 percent in June. Thus, the CPI inflation over last twelve months diminished from 1,8 percent in May to 1,5 percent in June, in line with the May Inflation Report. This level corresponds to the lower section of the inflation target range (1,5 percent). In turn, the 12-month core inflation decreased from 1,2 to 0,9 percent.
  - b. The 2005 inflation forecast is maintained at a similar level of the one in the May Inflation Report. The path of the forecasted inflation shows that this would be maintained for more months around the lower limit of the inflation target range, before initiating its convergence toward its goal, what would be achieved during 2006.
  - c. The main macroeconomic forecasts of the May Inflation Report are maintained. Domestic economy continues growing consistently and it is estimated that economic activity would be expanded around 6,0 percent in the second quarter and 5,0 percent in 2005.
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  $\frac{3}{8}$  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 Monthly Monetary Program (August 2005) will be held on August 4th, 2005.