



Press Release

MONETARY PROGRAM FOR JUNE 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. Thus:**
 - a. **The monetary operations of injection and withdrawal of liquidity by means of auctions will be oriented to place the interbank interest rate around 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.**
2. **In this decision it has been considered:**
 - a. **The Metropolitan Lima Consumer Price Index (CPI) increased 0,1 percent in May. Thus, the CPI inflation over last twelve months diminished from 2,0 percent in April to 1,8 percent in May, being located in the lower section of the inflation target range (between 1,5 percent and 2,5 percent). In turn, the 12-month core inflation decreased from 1,3 to 1,2 percent.**
 - b. **The 2005 inflation forecast is maintained at a similar level of the one in the January Inflation Report (2,3 percent). The inflation forecast for the following months shows a transitory fall to a level around the lower limit of the target range (1,5 percent). For 2006 it is projected that the inflation converge to a nearby level of the target range center (2,5 percent).**
 - c. **In the first months of the year it's being observed a higher dynamism of the economic activity, explained by the investment, private consumption and exports expansion. The export and import volumes (capital goods and industrial supplies) are above of what was forecasted in the January Inflation Report. Likewise, the terms of trade are above the expectations due to the higher export prices, in spite of the higher oil international prices.**

If the tendency observed in the economic activity is maintained, it would be expected that the GDP growth rates in 2005 and 2006 be around 5 percent.

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 deposits subject to a payment: 2.25 percent.
5. The session in which the Board will approve the following Monthly Monetary Program (July 2005) will be held on July 7th, 2005.

Lima June 2, 2005