



Press Release

MONETARY PROGRAM FOR MARCH 2005

CENTRAL BANK KEPT REFERENCE INTEREST RATE AT 3.00%

1. In February, the Consumer Price Index of Metropolitan Lima (CPI) diminished 0.23 percent. Thus, the 12-month inflation reached 1.7 percent; lower than in January (3.0 percent). This evolution continues reflecting the reversion of the inflationary effect of the supply shocks that affected the economy in 2004. Core inflation, indicator of the inflationary trend, was 1.4 percent over last 12 months.

For the remainder of the year 2005 the forecasts of the Inflation Report of January 2005 are maintained. Thus, it would continue the partial reversion of the inflationary supply shocks that affected the economy last year. The 12-month inflation would converge toward the lower section of the target range (1.5 to 2.5 percent) in most of months of this year.

With respect to the determinants of the 2005 inflation, it remains the inflation expectations of the agents 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 keep the reference interest rates of the monetary operations:**
 - a. **The monetary operations of injection and withdrawal of liquidity by means of auctions will be oriented 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 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. For March, 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 (April 2005) will be held on April 7th, 2005.

Lima, March 3 2005