



## Press Release

### MONETARY PROGRAM FOR MAY 2005

#### CENTRAL BANK KEPT REFERENCE INTEREST RATE AT 3.00%

1. In April, the Consumer Price Index of Metropolitan Lima (CPI) augmented 0.12 percent. Thus, the 12-month inflation reached 2.0 percent; lower than the Central Bank inflation target (2.5 percent), but within the target range (1.5 – 3.5 percent). Core inflation, indicator of the inflationary trend, was 1.3 percent over last 12 months.

For the remainder of the year 2005 the forecasts of the Inflation Report of January 2005 are maintained (2.3 percent). In the first months of 2005, there is a boost in the economic activity and a stronger Peruvian currency vis-à-vis the US dollar.

The improve in the economic activity is explained by higher domestic demand and private investment. The export and import (capital goods and industrial inputs) volumes are above the forecast from January Inflation Report. Also, the terms of trade are higher than expected thanks to favorable export prices even though upper oil prices.

Under these trends in the economic activity, there is expected that the GDP will be close to 5 percent in 2005.

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. 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.
  
5. The session in which the Board will approve the following Monthly Monetary Program (June 2005) will be held on June 2nd, 2005.

**Lima, May 5 2005**