



Press Release

MONETARY PROGRAM FOR NOVEMBER 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.** In this decision it has been considered:
 - a. The Consumer Price Index of Metropolitan Lima (CPI) increased 0.14 percent in October. Thus, the inflation rate over the last twelve months increased from 1.1 percent in September to 1.3 percent in October. For the fourth consecutive month, the inflation rate is located below the lower limit of the target range (1.5 percent).
 - b. Nevertheless, it is expected that the inflation rate is located around the lower limit at the end of the year and between 1.5 and 2.5 percent throughout the year 2006, reaching around the 2.5 percent target at the end of that year.
 - c. 2005 GDP growth will be close to 6 percent and the rate projected for 2006 stays at 5 percent. In the third quarter, domestic demand is showing a higher growth than GDP. It is being observed recently a real exports' growth slowdown, although with rates higher than 5 percent according to the forecasts of the August Inflation Report. The terms of trade evolution continues being favorable for the economy.
2. It was also approved to maintain the lending and deposit interest rates for 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.
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 in foreign currency subject to a payment: 2.25 percent.
- 5. The session in which the Board will approve the following Monetary Program (December 2005) will be held on December 1th, 2005.

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