



Press Release

MONETARY PROGRAM FOR OCTOBER 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 forecasts of the Inflation Report of August are maintained. The CPI inflation over last twelve months is 1.1 percent in September. It is expected that in the next months, the decreasing tendency of the inflation rate is reverted and located around the lower limit (1.5 percent) at the end of the year. According to the last Inflation Report, it is expected that the inflation over last 12 months is located in the lower range of the target (1.5 - 2.5 percent) throughout the next year.
 - b. The dynamism of the economic activity in the forecasted horizon is consistent with this convergence of inflation towards its target level in 2006. The GDP grew 4.9 percent in July, accumulating an increase in the first seven months of the year of 5.8 percent. The results of June and July (4.6 percent and 4.9 percent) represent only one slight and transitory deceleration that would be reverted in the following months. Growth projections of 5.5 and 5.0 percent for years 2005 and 2006 are maintained.
 - c. In August 2005 exports reached a level of US\$ 1,473 million. With this result, during the last 12 months the exports reached an amount higher to the US\$ 15 billion, being expected a level superior to the US\$ 16 billion at the end of the year. The evolution of export prices would continue being favorable. So if this tendency continues, it would be a higher expansion of the trade balance in the year. As of August the accumulated trade surplus over the last twelve months is US\$ 4.1 billion.
 - d. The Consumer Price Index of Metropolitan Lima (CPI) diminished 0.1 percent in September, with which the inflation rate over the last twelve months diminished from 1.2 percent in August to 1.1 percent in September. The core inflation (that isolates the most volatile components of the Consumer Price Index basket) in the last twelve months, diminished from 0.8 percent in August to 0.7 percent in September.
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 (November 2005) will be held on November 3th, 2005.

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