



Press Release
MONETARY PROGRAM FOR JULY 2006

CENTRAL BANK MAINTAINS REFERENCE RATE AT 4.50%

1. The Board of the BCRP acknowledge the following information:
 - a. The Consumer Price Index of Metropolitan Lima (CPI) decreased 0.1 percent in June, as a result of which the CPI inflation rate over the last twelve months was 1.8 percent, within the target range (1.5 percent – 3.5 percent). On the other hand, core inflation over the last 12 months was 1.3 percent.
 - b. In the January-May period, the Gross Domestic Product (GDP) grew 6 percent with respect to the same period last year. This evolution reflects the continuous dynamic performance of economic activity, with domestic demand growing at a rate of nearly 8 percent.
 - c. The average exchange rate decreased 0.5 percent to S/. 3.26 per dollar in June. The real exchange rate fell 1.3 percent (2.9 percent of real depreciation in the last twelve months), an evolution that was associated with the appreciation of other currencies against the US dollar. On June 5, the Central Bank intervened in the exchange market purchasing US\$ 2.5 million.
 - d. The interbank interest rate was 4.53 percent in June, close to the reference level (4.5 percent), while the 90-day corporate prime rate for loans in soles fell from 6.0 percent to 5.8 percent between May and June.
 - e. The country risk indicator by the end of June was 169 bps, a level similar to that recorded by the close of May (168 bps). On the other hand, the 15-year maturity sovereign bond yield decreased from 8.26 to 8.14 percent. A greater volatility was recorded in the international markets of capitals and commodities during this month, although it was offset following a statement issued by the United States Federal Reserve.
2. The Board of the Central Bank approved to maintain the interbank reference interest rate at 4.50 percent. This decision has been taken taking into account that:
 - a. Between December 2005 and May 2006, as a result of a partial withdrawal of monetary stimulation, the reference interest rate rose by

150 basis points. The Central Bank will continue to assess all relevant macroeconomic information to guarantee that the necessary measures are in place to maintain inflation within the target range.

- b. Forecasts on the dynamism of economic activity in the period 2006-2007 (around 5.5 percent) are consistent with the inflation target (from 1.5 to 3.5 percent).
3. The Board approved the following interest rates for the BCRP operations:
- a. For direct repo and rediscount operations, the rate continues to be 5.25 percent.
 - b. For overnight deposits, the rate continues to be 4.00 percent.
4. The interest rates for the following operations in dollars between the Central Bank and the Financial system are established as follows:
- a. Rediscount operations: 1-month LIBOR plus one percent.
 - b. Overnight deposits: overnight LIBOR minus $\frac{3}{8}$ of a percentage point.
 - c. Swap: the commission continues to be at a level that implies a minimum annual effective cost of 5.25 percent.
 - d. Reserve requirements in foreign deposits subject to payment: the rate is increased to 2.5 percent.
5. The Board will approve the following Monetary Program (for the month of August 2006) on the session to be held on August 3, 2006.

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