



# *annual report 2000*



BANCO CENTRAL DE RESERVA DEL PERÚ

# CENTRAL RESERVE BANK OF PERU

## BOARD OF DIRECTORS

Germán Suárez Chávez  
*Chairman of the Board*

Guillermo Castañeda Mungi  
*Vice-Chairman*

Gianfranco Castagnola Zúñiga  
Alfredo Jalilie Awapara  
Francisco Pardo Mesones  
Mario Tovar Velarde  
Manuel Ulloa van Peborgh  
*Directors*

# CENTRAL RESERVE BANK OF PERU

## Senior Officers

Javier de la Rocha Marie  
*General Manager*

Marylin Choy Chong  
*Central Manager for Technical Affairs*

Armando Arteaga Quiñe  
*Central Manager for Administrative Affairs*

Juan Ramírez Andueza <i>Manager for Credit and Financial Regulation</i>	Luis Martínez Green <i>Deputy Manager for Credits</i>  Mario Mesía Lizaraso <i>Deputy Manager for Financial Regulation and Evaluation</i>	Adrián Armas Rivas <i>Deputy Manager for the Monetary Sector</i>  Gladys Choy Chong <i>Deputy Manager for the External Sector</i>
Carlos Ballón Avalos <i>Manager for International Operations</i>	Jorge Patrón Worm <i>Deputy Manager for Foreign International Investment</i>  Teresa San Bartolomé Gelicich <i>Deputy Manager for International Agreements</i>	Jorge Estrella Viladegut <i>Deputy Manager for the Public Sector</i>  Susana Ishisaka Frukawa <i>Deputy Manager for Research and Global Analysis</i>  Teresa Lamas Pérez <i>Deputy Manager for the Real Sector</i>
Pacífico Huamán Soto <i>Manager for Treasury</i>	Augusto Otero Castro <i>Deputy Manager for Custody</i>  Saúl Paredes Zúñiga <i>Deputy Manager for the National Mint</i>  José Arturo Pastor Porras <i>Deputy Manager for Analysis and Programming for Bills and Coins</i>	Emilio Pallette Celi <i>Manager for Accounting and Supervision</i>  Carmen Aguilar Mondoñedo <i>Deputy Manager for Accounting</i>  Luis Valdivia Acevedo <i>Deputy Manager for Supervision</i>
Margarita Imano Konno <i>Administration Manager</i>	Roberto Eslava Robles <i>Deputy Manager for Personnel</i>  Arturo Handabaka García <i>Deputy Manager for Administrative Services</i>	Ricardo Chávez Caballero <i>Deputy Manager for Systems Development</i>  Luis Mosso Gonzáles <i>Systems Manager</i>  Rolando Pacheco Campusano <i>Deputy Manager for Operations and Users' Support</i>  Juan Carlos Pacheco Pacheco <i>Deputy Manager for Technical Services</i>
Alberto Merino Silicani <i>Legal Affairs</i>	Jorge Bravo Benites <i>Legal Affairs</i>	José Ponce Vigil <i>Internal Auditor</i>  Alberto Aquino Velaochaga <i>Supervisor</i>  Romano Batagelj Cobolli <i>Systems Auditor</i>

Pedro Arnillas Gamio  
*Consultant Attorney*

Humberto Peirano Portocarrero  
*Secretary General*

José Rocca Espinoza  
*Institutional Relations Office*

### Branch Heads

Arequipa  
José Monzón García

Cusco  
Javier Curo García

Huancayo  
Alejandro Rozas Alosilla Velasco

Iquitos  
Raúl Castro Alegría

Piura  
Carlos Alatriza Gironzini

Puno  
Flavio Miraval Bedoya

Trujillo  
Jaime Esquivel Rodríguez

## INTRODUCTION

The Peruvian economy grew 3,1 percent in the year 2000, but showed a distinct declining trend along the year, associated with the negative impact of political uncertainty on private investment. The economic scenario was further deteriorated by the effect of a restrictive fiscal policy stance since the third quarter, which was adopted after an expansive phase due to the electoral process.

The 3,7 percent inflation rate—equal to the one registered in 1999—fell within the 3,5-4,0 percent range announced by the Central Bank as the annual objective of monetary policy. In order to achieve this target, the Central Bank continued to control strictly the rate of growth of the monetary base, which was limited to 6 percent on average (below the announced 8-10 percent range). This outcome was explained by a lower growth of nominal GDP, relative to its original forecast (7 percent versus 9 percent). Additionally, financial uncertainty induced a 1,0-percent increase in the velocity of monetary circulation, versus an estimated 1,5-percent reduction.

As in previous years, daily monetary control was based on limits on banks' domestic-currency balances held at the Central Bank. In the year 2000, the volatility of the current accounts diminished relative to 1999, thus improving monetary policy signaling, and reducing in turn the volatility of domestic-currency interest rates. These decreased on average from 14,9 percent in 1999 to 12,7 percent in the 2000.

In the year 2000 net international reserves decreased US\$ 224 million, down from a US\$ 780-million decline in the previous year. However, the international liquidity position showed solid indicators: net international reserves reached US\$ 8 180 million, equivalent to 13 months of imports, 5 times the monetary base or 122 percent of public and private debt maturities falling due within the following year.

The current account deficit of the balance of payments diminished from US\$ 1 919 million in 1999 to US\$ 1 627 million in the year 2000 (from 3,7 to 3,0 percent of GDP, respectively), due to the reduction in the trade deficit from US\$ 631 million in 1999 to US\$ 321 million in the 2000. The



---

improvement in the trade balance was explained by a US\$ 909 million increase in exports, partially compensated by a US\$ 600 million increase in imports.

The balance of payments' financial account amounted to US\$ 1 108 million in 2000, similar to the level registered in the previous year. It should be stressed that the decline in short-term capital outflows (from US\$ 1 676 million in 1999 to US\$ 368 million in 2000), was compensated by a decrease in private-sector long-term capital inflows (from US\$ 2 399 million in 1999 to US\$ 1 199 million in 2000). In particular, the uncertainty caused by the political situation caused direct investment plus private-sector long-term loans to decrease from US\$ 2 479 million in 1999 to US\$ 1 244 million in 2000.

The fiscal deficit was 3,2 percent of GDP, a 0,1-percent point increase relative to 1999. This result was influenced by the decrease in central government tax revenues from 12,5 to 12,1 percent of GDP.

In the year 2000 the non-financial public sector deficit was S/. 5 942 million. Net external financing of the deficit was S/. 2 280 million, equivalent to US\$ 654 million (external debt disbursements amounting to US\$ 1 299 million, minus amortizations amounting to US\$ 635 million). Net domestic financing reached S/. 2 235 million, explained mainly by the withdrawal of Public Treasury foreign-currency privatization deposits held at the Central Bank. Privatization revenues reached S/. 1 427 million, equivalent to US\$ 409 million (the most significant privatization operations were the sales of state-owned shares in Edegel and ElectroCahua).

Public finances in 2000 were characterized by two clearly differentiated periods. In the first semester, the deficit increased if compared with a similar period in the previous year, due to an expansive stance associated with the electoral cycle, while in the second semester public expenditures were adjusted to avoid an increase in the fiscal deficit. However, the annual limit of 2,0 percent of GDP established by the Fiscal Responsibility and Transparency Law was not met.

Summarizing, at the beginning of the year 2000 the Peruvian economy was recovering from the financial international crises, but experienced a slowdown in its level of economic activity due to domestic political instability. Nevertheless, an improvement in the external accounts was achieved and the inflation objective was fulfilled.