

BANCO CENTRAL DE RESERVA DEL PERU
WEEKLY REPORT N° 09
March 2, 2001

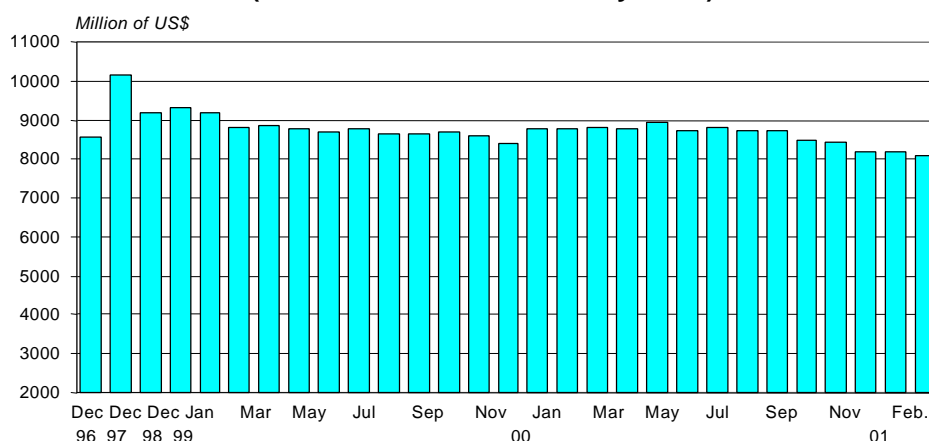
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Net International Reserves at US\$ 8 018 million

In February, the net international reserves (NIR) of the Central Reserve Bank of Peru decreased US\$ 183 million with respect to January, to US\$ 8 018 million. This decrease reflects lower financial system deposits (US\$ 123 million) and public sector deposits (US\$ 45 million), temporary purchases of Treasury bonds (US\$ 14 million), the withdrawal of Insurance Deposit Fund deposits (US\$ 6 million), payments to the IMF (US\$ 3 million) and sales of foreign currency to international organizations (US\$ 1 million), that were partially offset by investment yield (US\$ 9 million). On the other hand, the exchange position amounted to US\$ 2 637 million, up US\$ 11 million from end-January.

**BCRP net international reserves
(December 1996 – February 2001)**



Average monetary base at S/. 5 046 million

In February, the daily average balance of the monetary base was S/. 5 046 million, 2,5 percent lower than in January. On February 28, the monetary base amounted to S/. 4 960 million, down 2,1 percent (S/. 106 million) from end-January. This decrease is due mainly to the net redemption of temporary purchases of CDBCRP (S/. 190 million), the net issuance of CDBCRP (S/. 45 million), the increase of Insurance Deposit Funds

deposits (S/. 3 million) and sales of foreign currency to international organizations (S/. 2 million) that were partially offset by the withdrawal of public sector deposits (S/. 84 million), overnight deposits (S/. 6 million) interest payments and other (S/. 44 million).

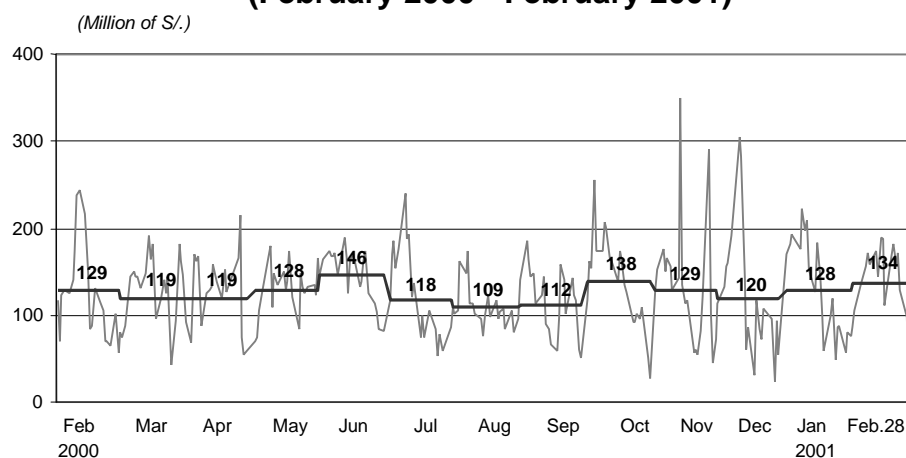
Banks' current account balance at S/. 134 million

From February 21 to 28, the banks' current account was S/. 113 million on a daily average basis. Over this period, the BCRP withdrew liquidity by S/. 12 million. As of February 28, the banks' current account averaged S/. 134 million.

Monetary operations: daily average
(Million of S/.)

	Current account balance at the end of previous day's operations	Net negative clearance + transfers from Banco de la Nación	Redemption of swaps, repos and rediscounts of the Central Bank	Redemption of CDBCRP	Cash transfers that affect the bank's current account balance	Current account of banking system before Central Bank operations	Central bank operations	Current account after Central Bank operations	Interbank interest rate
Average	1	2	3	4	5		7		
June 2000	149	-18	-21	16	35	162	-16	146	13,6
July	118	-49	-152	26	20	-31	155	118	11,3
August	109	-23	-45	10	56	107	2	109	8,5
September	113	-31	-16	31	46	149	-32	112	13,3
October	139	-47	-73	22	32	75	65	138	14,5
November	127	-33	-139	21	35		118		14,0
December	120	-38	-107	41	20		83		11,4
January 2001	128	-39	-80	9	60		52		10,8
February	135	-29	-80	22	40		46		11,0
February									
February 21	181	-115	-20	0	61		50		11,5
February 22	157	-25	-50	0	39		50		11,4
February 23	171	-29	-50	0	11		25		10,9
February 26	128	-2	-25	0	66		-70		9,6
February 27	97	49	0	0	45		-145		10,0
February 28	46	-71	30	0	25		20		11,6
February 21-28	140	-32	-19	0	41		-12		10,7

Banks' Current account deposits at the BCRP (February 2000 - February 2001)



From February 21 to 28, the Bank made 4 temporary purchases of CDBCRP totaling S/. 115 million, at an average interest rate of 11 percent. On February 26 and 27, the Bank auctioned CDBCRP by S/. 185 million at an average interest rate of 12 percent.

Temporary purchases of CDBCRP

Date	Amount (Million of S/.)	Interest rate (%)	Term (days)
February 21	50	11,4	1
February 22	20	11,3	1
February 23	25	10,4	1
February 28	20	10,4	1

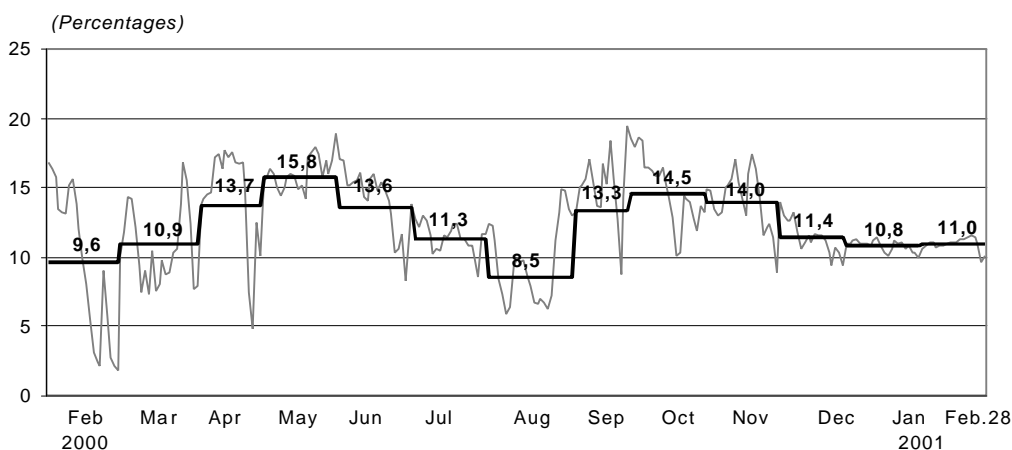
Auctions of CDBCRP

Date	Amount (Million of S/.)	Interest rate (%)	Term
February 26	70	12,1	20 weeks
February 27	115	12,0	20 weeks

Interbank interest rate in domestic currency at 11,0 percent

In February, the interbank interest rate in domestic currency averaged 11,0 percent, slightly higher than in January (10,8 percent).

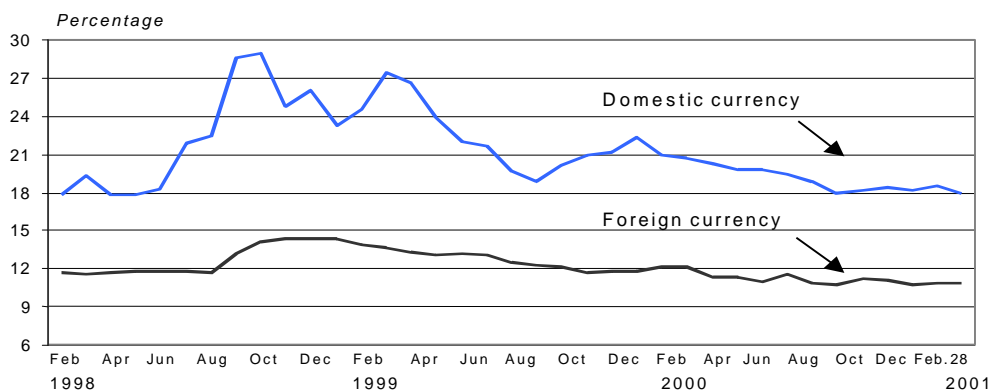
**Interbank interest rate in domestic currency
(February 2000 - February 2001)**



Average lending rates in domestic currency decreased

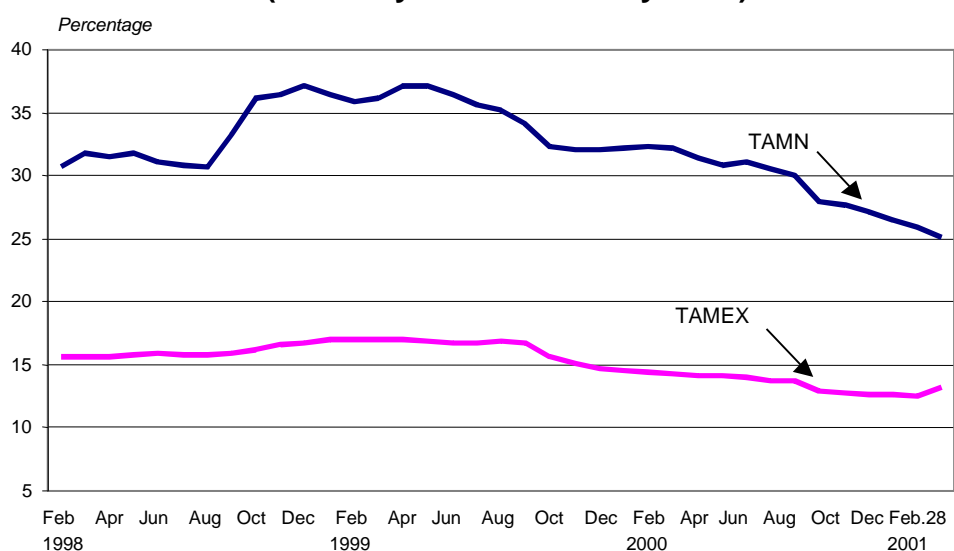
In February, the 90-day prime interest rate on soles-denominated loans averaged 18,1 percent, lower than in January (18,5 percent). On the other hand, the rate on dollar-denominated loans passed from 10,8 to 11,0 percent.

**Prime interest rates
(February 1998 - February 2001)**



The average lending interest rate in soles (TAMN) was 25,1 percent, lower than in the previous month (25,9 percent), while the rate in foreign currency (TAMEX) was 13,2 percent, higher than in January (12,6 percent).

Average lending rates in domestic and foreign currency (February 1998 - February 2001)



Spread of PDI Brady bond at 6,4 percent

In February, the spread of the Peruvian Past Due Interest Brady bonds with respect to the US Treasury bonds (a proxy for the country risk perceived by investors) was 6,4 percent, slightly lower than in January (6,5 percent).

Stripped spread of PDI Brady bonds (February 1998 - February 2001)



Inflation: February 2001

In February the rate of inflation was 0,25 percent, higher than in January (0,19 percent). The 12-month rate of inflation was 3,6 percent (versus 3,9 percent in January). In this month, tradable product prices decreased 0,1 percent, whereas non-tradable product prices grew 0,5 percent.

INFLATION (Percentage changes)						
	2000			2001		
	Jan.	Feb.	Jan.-Feb.	Jan.	Feb.	Jan.-Feb.
<u>GENERAL INDEX</u>	<u>0,07</u>	<u>0,48</u>	<u>0,55</u>	<u>0,19</u>	<u>0,25</u>	<u>0,43</u>
<u>TRADABLE PRODUCTS</u>	<u>0,1</u>	<u>0,2</u>	<u>0,3</u>	<u>0,2</u>	<u>-0,1</u>	<u>0,1</u>
Food	-0,3	-0,3	-0,6	-0,1	-0,4	-0,6
Textile & Footwear	0,2	0,1	0,3	0,2	0,1	0,3
Fuel	1,1	2,6	3,8	1,5	0,2	1,7
Electrical appliances	0,4	-0,9	-0,5	0,2	0,2	0,4
Others	0,4	0,3	0,7	0,3	0,1	0,4
<u>NON-TRADABLE PRODUCTS</u>	<u>0</u>	<u>0,7</u>	<u>0,7</u>	<u>0,1</u>	<u>0,5</u>	<u>0,7</u>
Food	-1,1	1,4	0,3	0,3	1,6	1,9
Services	0,5	0,4	0,9	0	0,1	0,1
Others	0,5	0,2	0,7	0,1	0,1	0,2

Exchange rate at S/. 3,53

In February, the ask exchange rate in the banking system averaged S/. 3,53, 0,2 percent higher than in January. In real terms, the exchange rate fell 0,3 percent, reflecting the difference between external deflation (0,2 percent) and internal inflation (0,3 percent).

The daily average sales of foreign currency in the forward market in February was lower than redemptions by US\$ 1 million, whereas new purchases exceeded redemptions by US\$ 1 million. In the spot market, net purchases to the public passed from US\$ 2 million last month to US\$ 10 million in February.

Banks' exchange market operations to the public: Daily average
(Million of US\$)

	December	January	February		
			14-20	21-28	1-28
i. <u>Forward sales to the public</u>	-1	5	-6	4	-1
- Purchase	11	18	15	22	17
- Sales	12	13	21	18	18
ii. <u>Forward purchases to the public</u>	-2	4	8	0	1
- New purchases	6	15	13	8	10
- Redemptions	8	11	5	8	9
iii. <u>Net spot purchases to the public</u>	0	2	18	14	10
- Purchases	87	84	90	95	89
- Sales	87	82	72	81	79

Monetary accounts as of February 7

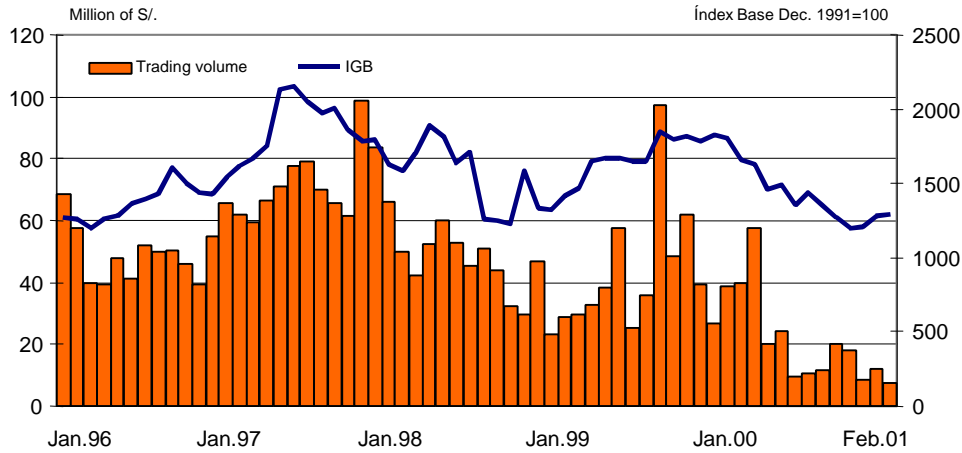
From January 7 to February 7, liquidity in domestic currency dropped 1,9 percent to S/. 13 830 million. In annual term this aggregate rose 6,4 percent. On the other hand, credit to the private sector in domestic currency increased 1,3 percent (S/. 119 million) in the last 4 weeks (to S/. 8 992 million) and 2,2 percent in the last 12 months.

Liquidity in domestic currency rose 0,1 percent (US\$ 10 million) from January 7 to February 7 to US\$ 9 422 million, whereas short-term external liabilities of the banking system augmented 1,9 percent (US\$ 30 million). Credit to the private sector decreased 1,4 percent (US\$ 159 million) and 2,0 percent in annual terms.

General index increases 0,9 percent

In February, the Lima Stock Exchange increased with respect to end-January by 0,9 percent in the General Index, but decreased 1,0 percent in the Blue Chip Index. In the year, these indices have increased 6,9 and 6,4 percent, respectively.

**Stock Market Indicators
(January 1996 - February 2001)**



Lima, March 2, 2001

The weekly report releases economic information to be published (with broader detail) in the weekly bulletin the following Monday. The weekly report published on Fridays is released via facsimile for a charge or free via email (acorrales@bcrp.gob.pe). A subscription can be requested to telephone (51-1) 4266250 ext. 3817 or email. The monthly fee for the facsimile is S/. 12 (Peru only) and US\$ 49 (overseas).

Monetary Program for 2001- Information Notice

Increase in the benchmark for monetary operations and reduction of BCRP operations' interest rates

As anticipated in the Monetary Program Report for 2001, The Central Reserve Bank Board of Directors established that, on the first Friday of each month, the Bank would announce the range for the average daily balance of the current accounts held by banks at the Central Bank, to be taken as benchmark for monetary operations during the month. Additionally, the Bank will announce the interest rates to be maintained during the month for monetary regulation credits and overnight deposits held by banks at the Central Bank.

For the month of March, the range referred to in the previous paragraph will be **S/. 128 - S/. 138 million as a daily average**. In February, the said balance was S/. 134 million, within the announced range (S/. 125 – S/. 135 million) and higher than in January (S/. 128 million).

The Central Bank Board of Directors also established that the following interest and commission rates would be used in domestic-currency Central Bank operations since March 2:

- a. For monetary regulation credits in domestic currency, the effective interest rate would be **the average of the top-decile interbank interest rates, or 11,5 percent, whichever is highest**. This rate implied a reduction with respect to the rate ruling since January 4 (12,5 percent).
- b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **4,0 percent**. Until March 1, this rate was 4,5 percent
- c. For foreign exchange temporary purchase operations (swap operations), the commission will be 0,0165 percent, equivalent to an effective **11,5 percent** annual cost. This cost is lower than that ruling since January 4 (12,5 percent).

The increase in the benchmark for monetary operations and the decrease in the reference interest rates for monetary regulation credits and overnight deposits as well as the commissions for swap operations are justified by the declining trend on inflation expectations of economic agents for the current year. This trend is expected to continue, addressing to new adjustments in the benchmark and reductions in the interest rates before mentioned.

The following interest rates will be used in foreign-currency operations:

- a. The effective annual rate for monetary regulation credits will be **8,5 percent**.
- b. For overnight deposits held by banks at the Central Bank, the rate is equivalent to the average obtained by the Central Bank for similar deposits abroad.

If justified by financial conditions, the values mentioned above could be modified in order to ensure the attainment of the objective to preserve monetary stability.