

BANCO CENTRAL DE RESERVA DEL PERU
WEEKLY REPORT N° 34
August 24, 2001

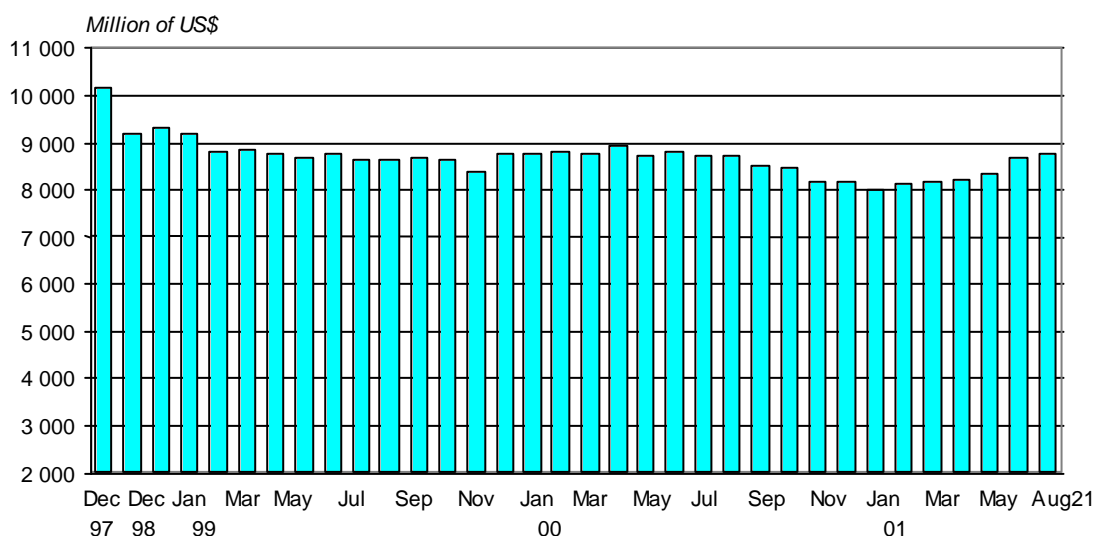
Content

Net International Reserves increased US\$ 67 million
Banks' current account balance at S/. 146 million
Average monetary base at S/. 5 339 million
Interbank interest rates decreased
Exchange rate at S/. 3,50
Monetary accounts: August 7
Peru's bonds spread at 6,3 percent
Global demand and supply: II quarter
Investment rate at 17 percent of GDP during the second quarter
Current account deficit at 1,8 percent of GDP
Public sector's overall deficit decreased as of second quarter
Public Treasury' cash flow
General Stock Index increased 1,2 percent

Net International Reserves increased US\$ 67 million

As of August 21, the net international reserves (NIR) of the Central Reserve Bank of Peru amounted to US\$ 8 767 million, up US\$ 67 million from end-July. The increase is due to higher financial system deposits (US\$ 145 million), valuation changes (US\$ 6 million) and net interest earnings (US\$ 7 million), which were partially offset by the net withdrawal of public sector deposits at the Central Bank (US\$ 91 million), lower Insurance Deposit Fund deposits (US\$ 1 million) and sales of foreign currency (US\$ 1 million). The foreign exchange position amounted to US\$ 2 609 million, up US\$ 7 million from end-July.

**BCRP net international reserves
(December 1997 - August 2001)**



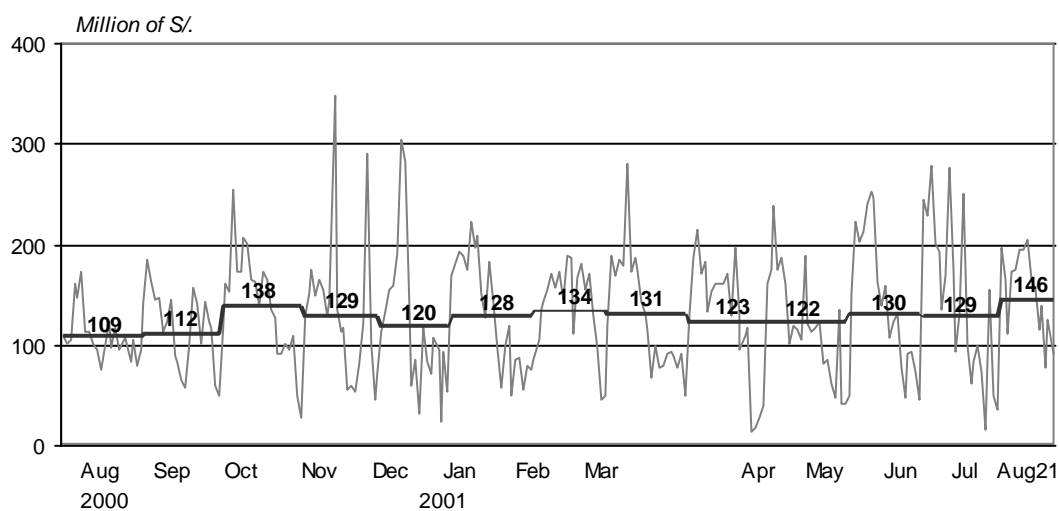
Banks' current account balance at S/. 146 million

As of August 21, the banks' current account held at the Central Bank was S/. 146 million on a daily average basis. For the current month, the range announced by the Bank for the operating target is S/. 130-140 million.

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

| | Banks' current account balance at the end of previous day's operations | Banks' operations with Banco de la Nación | Redemption of CDBCRP | Other banking operations redemption with the Central Bank | 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 |
|--------------|--|---|----------------------|---|---|--|-------------------------|---|-------------------------|
| | 1 | 2 | 3 | 4 | 5 | | 7 | | |
| June 2000 | 149 | -18 | 16 | -21 | 35 | 162 | -16 | 146 | 13,6 |
| July | 117 | -48 | 26 | -152 | 20 | -31 | 155 | 118 | 11,3 |
| December | 120 | -38 | 41 | -107 | 20 | 38 | 83 | 120 | 11,4 |
| January 2001 | 128 | -41 | 10 | -84 | 58 | 77 | 58 | 128 | 10,8 |
| February | 135 | -27 | 27 | -30 | 38 | 157 | -9 | 134 | 11,0 |
| March | 131 | -34 | 16 | -13 | 37 | 137 | -7 | 131 | 10,3 |
| April | 124 | -73 | 16 | -353 | 40 | -243 | 368 | 123 | 12,5 |
| May | 122 | -28 | 14 | -157 | 48 | -2 | 125 | 122 | 12,7 |
| June | 130 | -34 | 18 | -50 | 37 | 113 | 29 | 130 | 16,0 |
| July | 129 | -30 | 31 | -20 | 25 | 151 | -6 | 129 | 8,4 |
| August 21 | 144 | -32 | 8 | 18 | 55 | | -45 | | 5,8 |

Banks' current account deposits at the BCRP (August 2000 - August 2001)



On August 17 and 20, the Central Bank made 2 temporary purchases of CDBCRPs amounting to S/. 95 million, at an average interest rate of 5,2 percent. On August 21, an auction of CDBCRPs was carried out for S/. 20 million, with a maturity of 1 year and an average interest rate of 10,1 percent.

Temporary purchase of CDBCRP

| Date | Amount (Million of S/.) | Interest rate (%) | Term (days) |
|------------------|-------------------------|-------------------|-------------|
| August 17 | 60 | 5,1 | 3 |
| August 20 | 35 | 5,5 | 1 |

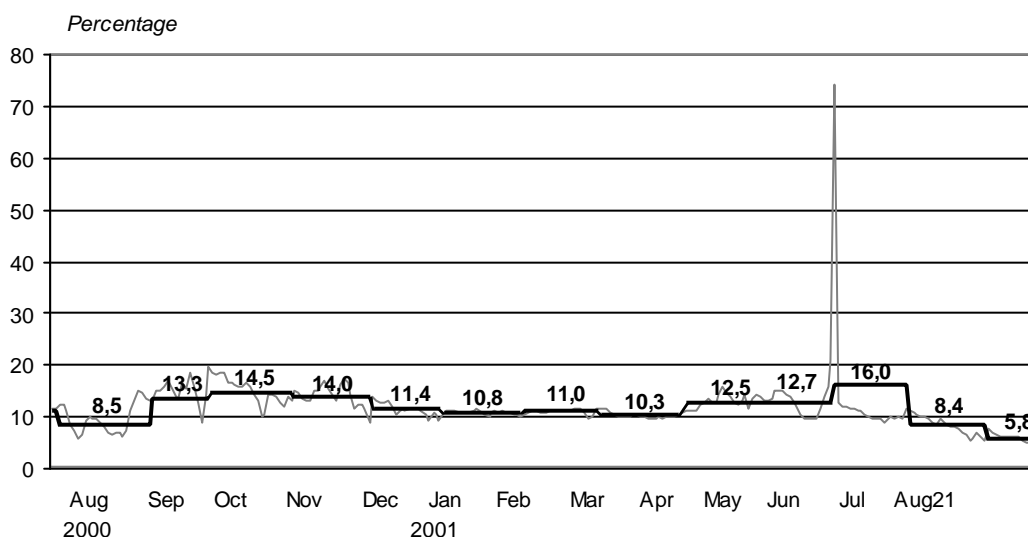
Average monetary base at S/. 5 339 million

As of August 21, the daily average balance of the monetary base was S/. 5 339 million, 0,3 percent higher than in July. On August 21, the monetary base amounted to S/. 5 254 million, down 4,6 percent (S/. 256 million) from end-July, reflecting the net issuance of CDBCRP (S/. 315 million), higher deposits of the Insurance Deposit Fund (S/. 9 million) and the public sector (S/. 3 million) as well as sales of foreign currency to international entities (S/. 4 million), which were partially offset by the withdrawal of overnight deposits in domestic currency (S/. 41 million) as well as net interest payments and other outlays (S/. 34 million).

Interbank interest rate in domestic currency decreased

From August 1 to 21, the interbank interest rate in domestic currency was 5,8 percent, lower than in July (8,4 percent). In the same period, the corresponding rate in foreign currency was 3,9 percent, compared with 4,1 percent in July.

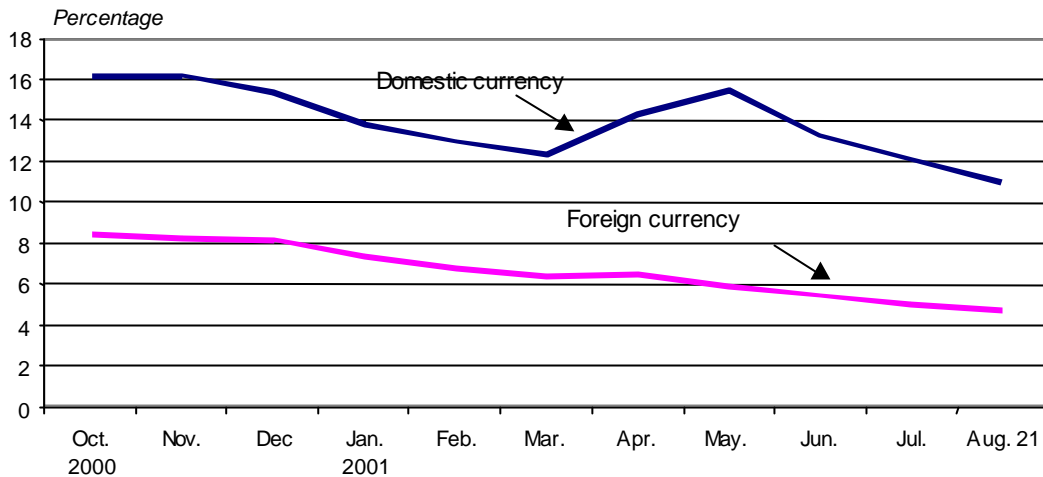
**Interbank interest rate in domestic currency
(August 2000 - August 2001)**



Average lending rates in domestic and foreign currency decreased

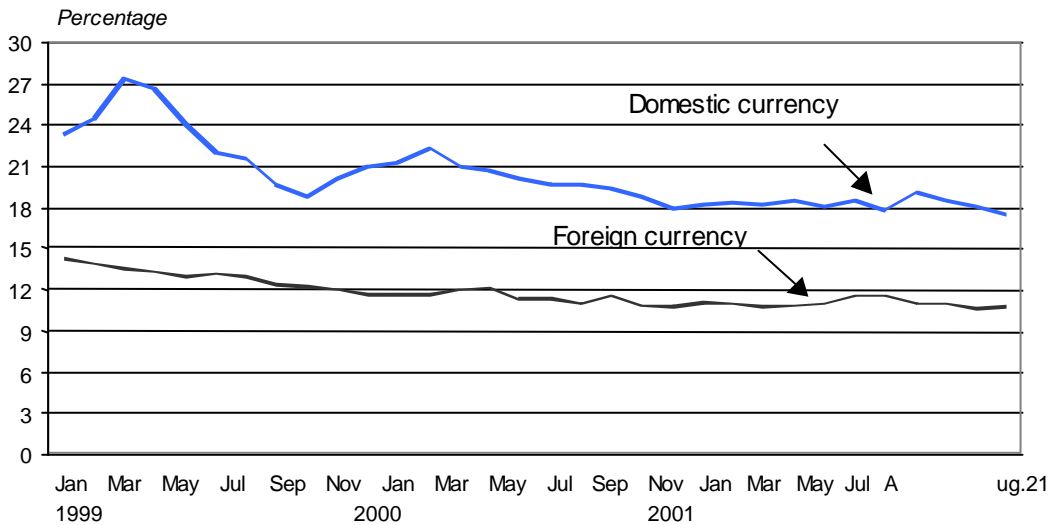
The corporate prime interest rate in domestic currency (on 90-day loans to low-risk clients) declined from 12,1 percent in July to 11,0 percent as of August 21. The rate in foreign currency also decreased from 5,0 percent last month to 4,7 percent.

**Corporative prime interest rates in domestic
and foreign currency
(October 2000 - August 2001)**



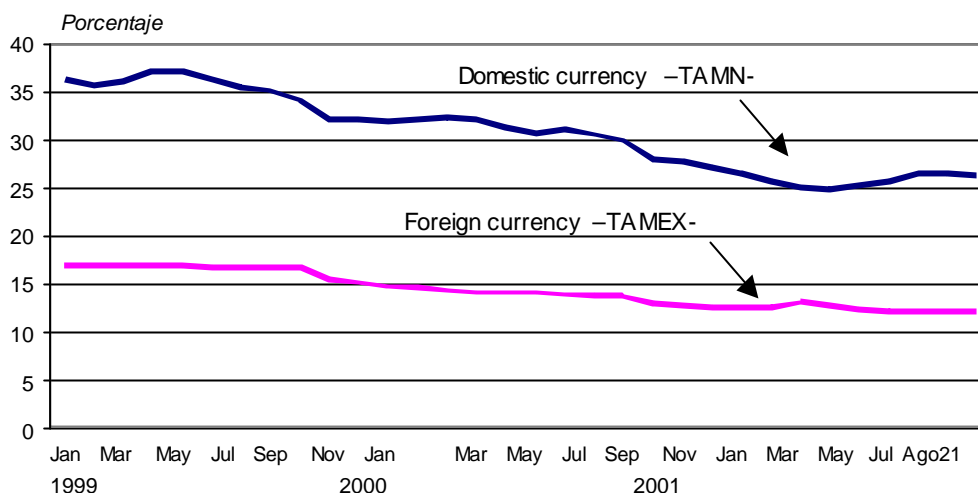
The 90-day prime interest rate on soles-denominated loans averaged 17,5 percent, lower than the July average (18,1 percent). On the other hand, the rate on dollar-denominated loans increased from 10,6 to 10,8 percent.

**Prime interest rates
(January 1999 - August 2001)**



The average lending interest rate in domestic currency (TAMN) was 26,5 percent, slightly lower than last month's average (26,6 percent). Over that period, the rate in foreign currency (TAMEX) passed from 12,4 percent to 12,2 percent.

Average lending interest rates (January 1999 - August 2001)



Exchange rate at S/. 3,50

As of August 21, the ask exchange rate in the banking system averaged S/. 3,50, down 0,2 percent from July.

The balance of net foreign currency sales in the forward market increased from US\$ 599 million in July to US\$ 616 million as of August 21, whereas the banks' exchange position passed from US\$ 463 million to US\$ 447 million over the same period.

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

| | December 2000 | June | July | August 1-21 |
|--|---------------|-----------|----------|-------------|
| i. Forward sales to the public | 0 | -2 | 4 | -3 |
| - New sales | 12 | 16 | 19 | 12 |
| - Redemptions | 12 | 18 | 14 | 15 |
| ii. Forward purchases to the public | -2 | 2 | 0 | -3 |
| - New purchases | 6 | 13 | 10 | 12 |
| - Redemptions | 8 | 11 | 10 | 15 |
| iii. Net spot purchases to the public | 0 | 6 | 3 | 0 |
| - Purchases | 87 | 84 | 80 | 75 |
| - Sales | 87 | 78 | 77 | 75 |
| Memo: | | | | |
| Close balance as of: | | | | |
| a. Forward sales to the public | 653 | 979 | 1 122 | 1 092 |
| b. Forward purchases to the public | 213 | 470 | 523 | 476 |
| c. Net sales to the public (a-b) | 440 | 509 | 599 | 616 |
| d. Banks' exchange position | 630 | 600 | 463 | 447 |

Monetary accounts: August 7

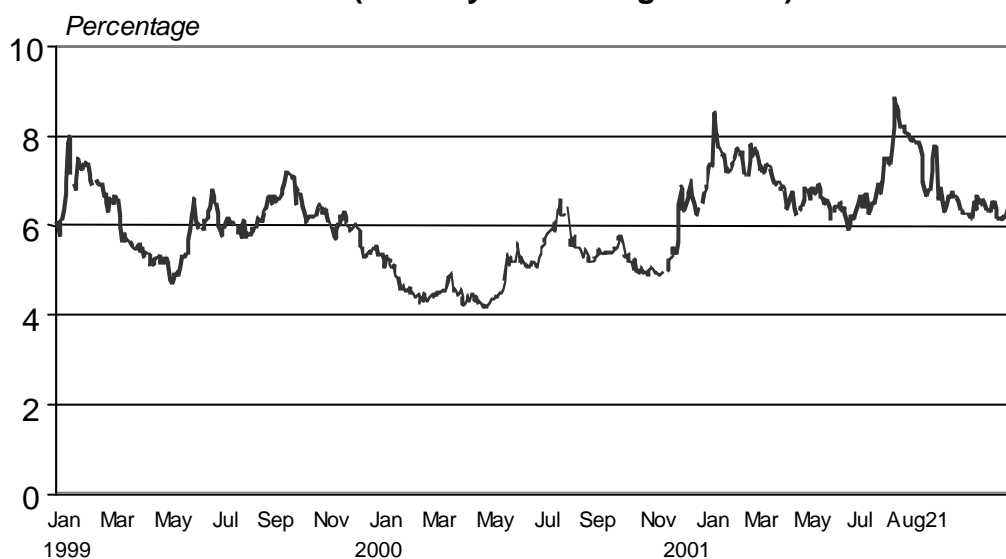
From July 7 to August 7, liquidity in domestic currency increased 1,9 percent (S/. 265 million) to S/. 14 536 million. In annual terms, this aggregate increased 6,6 percent. On the other hand, credit to the private sector in domestic currency increased 1,5 percent (S/. 126 million) to S/. 8 839 million. Growth in the last 12 months for this variable was 6,8 percent.

Liquidity in foreign currency increased 0,6 percent (US\$ 59 million) to US\$ 9 636 million, whereas last-12 month growth for this variable was 0,5 percent. Short-term external liabilities amounted to US\$ 1 612 million, up US\$ 116 million (7,8 percent) from end-July. Finally, credit to the private sector (US\$ 11 343 million) decreased 0,2 percent (US\$ 27 million) in the last 4 weeks and in the same amount in annual terms.

Peru's bonds spread at 6,3 percent

As of August 21, the spread between the yield of Peruvian bonds and the interest rate on US Treasury bills (a proxy for the country risk perceived by investors) was 6,3 percent, lower than in July (6,4 percent). Conversely, the average for Latin American bonds rose from 9,5 percent in July to 9,8 percent as of August 21.

**Peru's bonds spread
(January 1999 - August 2001)**



Global demand and supply: II quarter

During the second quarter, domestic demand fell 1,8 percent (compared with a growth of 5,1 percent in the same quarter of 2000). This drop reflects the decrease in gross domestic investment (13,9 percent), which is mostly explained by the contraction of private sector expenditure. The latter is in line with a decrease in construction (6 percent) and demand for capital goods (15 percent). Within domestic demand, private consumption rose 1,5 percent, whereas public sector consumption dropped 2,8 percent compared with the same quarter a year ago (when it grew 12,2 percent).

Exports of goods and services increased 4,2 percent in the second quarter. Notwithstanding, GDP fell 1 percent over this period.

GLOBAL DEMAND AND SUPPLY
(Rates of growth)

| | 2000 | | | | | 2001 | |
|------------------------------|------------|------------|------------|-------------|------------|-------------|-------------|
| | I | II | III | IV | Year | I | II |
| I. Global demand | 5,5 | 5,7 | 2,9 | -1,2 | 3,2 | -1,3 | -1,0 |
| 1. Domestic demand | 5,3 | 5,1 | 2,4 | -2,8 | 2,4 | -1,9 | -1,8 |
| a. Private consumption | 4,7 | 4,3 | 3,7 | 2,8 | 3,9 | 1,2 | 1,5 |
| b. Public consumption | 11,6 | 12,2 | 2,8 | -4,0 | 5,1 | -7,1 | -2,8 |
| c. Gross domestic investment | 4,6 | 4,8 | -2,6 | -20,2 | -3,7 | -9,5 | -13,9 |
| Fixed gross investment | 5,1 | 0,1 | -10,7 | -12,7 | -5,0 | -11,2 | -12,0 |
| <i>i. Private</i> | 5,4 | 1,1 | -4,2 | -9,2 | -2,0 | -6,5 | -7,4 |
| <i>ii. Public</i> | 3,8 | -3,1 | -30,2 | -24,4 | -15,4 | -31,4 | -28,0 |
| 2. Exports 1/ | 7,2 | 10,0 | 5,5 | 9,1 | 7,9 | 2,8 | 4,2 |
| II. Global supply | 5,5 | 5,7 | 2,9 | -1,2 | 3,2 | -1,3 | -1,0 |
| 3. GDP | 5,4 | 5,6 | 3,3 | -1,7 | 3,1 | -2,4 | -1,0 |
| 4. Imports 1/ | 6,4 | 6,3 | 0,3 | 1,7 | 3,6 | 5,4 | -1,5 |

1/ Of non-financial goods and services.

Investment rate at 17 percent of GDP during the second quarter

In the second quarter of 2001, the investment rate was 17 percent of GDP, 3 percentage points lower than in the same period a year ago. Private investment decreased 1,7 percentage points (from 15,8 to 13,9 percent of GDP), whereas public investment as a percentage of GDP decreased 1,1 points, to 3,1 percent of GDP.

External savings amounted to 1,8 percent of GDP, whereas domestic savings was 15,2 percent, 0,9 percentage points of GDP lower than in the same quarter of 2000.

INVESTMENT AND SAVINGS
(Percentage of GDP)

| | 2000 | | | | | 2001 | |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | I | II | III | IV | Year | I | II |
| Domestic savings | 19,2 | 16,3 | 18,6 | 14,3 | 17,1 | 17,1 | 15,2 |
| Public sector | 1,8 | 1,6 | 1,0 | -1,2 | 0,8 | 3,3 | 0,8 |
| Private sector | 17,4 | 14,7 | 17,6 | 15,5 | 16,3 | 13,8 | 14,4 |
| External savings | 3,2 | 3,7 | 0,9 | 4,3 | 3,0 | 3,7 | 1,8 |
| SAVINGS = INVESTMENT | 22,4 | 20,0 | 19,5 | 18,6 | 20,1 | 20,8 | 17,0 |
| Public investment | 3,8 | 4,2 | 3,7 | 4,1 | 4,0 | 2,7 | 3,1 |
| Private investment | 18,6 | 15,8 | 15,8 | 14,5 | 16,1 | 18,1 | 13,9 |

Current account deficit at 1,8 percent of GDP

In the second quarter, the current account deficit of the balance of payments amounted to US\$ 253 million (equivalent to 1,8 percent of GDP), which is US\$ 265 million lower than in the same quarter of 2000. The improvement in the current account reflects the decrease in the trade deficit (US\$ 141 million), the service balance (US\$ 38 million) and in the income balance (US\$ 84 million).

The financial account amounted to US\$ 359 million, US\$ 15 million higher than in the second quarter of 2000. The latter is explained by higher public capital flows (US\$ 374 million), whereas private capital flows decreased from US\$ 426 million to US\$ 163 million. As a consequence, net international reserves increased US\$ 231 million in the second quarter.

BALANCE OF PAYMENTS
(Million of US\$)

| | 2000 | | | | | 2001 | |
|--|--------------|--------------|--------------|--------------|----------------|--------------|--------------|
| | I | II | III | IV | Year | I | II |
| I. CURRENT DEFICIT | - 422 | - 518 | - 120 | - 567 | - 1 627 | - 476 | - 253 |
| (In percentage of GDP) | - 3,2 | - 3,7 | - 0,9 | - 4,3 | - 3,0 | - 3,7 | - 1,8 |
| 1. Trade balance | - 136 | - 155 | 66 | - 97 | - 321 | - 188 | - 14 |
| a. Exports | 1 651 | 1 681 | 1 847 | 1 849 | 7 028 | 1 648 | 1 734 |
| b. Imports | - 1 786 | - 1 836 | - 1 781 | - 1 946 | - 7 349 | - 1 836 | - 1 748 |
| 2. Services | - 176 | - 186 | - 175 | - 246 | - 783 | - 200 | - 148 |
| a. Exports | 384 | 377 | 428 | 386 | 1 575 | 385 | 378 |
| b. Imports | - 560 | - 562 | - 603 | - 633 | - 2 357 | - 585 | - 525 |
| 3. Income | - 377 | - 430 | - 265 | - 471 | - 1 542 | - 343 | - 346 |
| a. Private | - 250 | - 270 | - 250 | - 257 | - 1 027 | - 216 | - 197 |
| b. Public | - 127 | - 159 | - 15 | - 213 | - 514 | - 126 | - 149 |
| 4. Transfers | 266 | 252 | 254 | 247 | 1 018 | 254 | 255 |
| II. FINANCIAL ACCOUNT | 558 | 344 | 180 | 26 | 1 108 | 206 | 359 |
| 1. Private sector | 397 | 426 | 195 | 181 | 1 199 | 261 | 163 |
| 2. Public sector | 278 | - 90 | 66 | 23 | 277 | 18 | 284 |
| 3. Short-term capitals | - 117 | 8 | - 81 | - 178 | - 368 | - 73 | - 88 |
| III. EXCEPTIONAL FINANCING | 0 | 0 | 0 | - 58 | - 58 | 29 | 0 |
| IV. BCRP NET INTERNATIONAL RESERVES BCRP (12) | - 416 | 96 | - 57 | 567 | 190 | 37 | - 223 |
| (Negative sign indicates increase) | | | | | | | |
| 1. Flow of NIR | - 400 | 93 | - 34 | 565 | 224 | 69 | - 231 |
| 2. Valuation and gold effect | 16 | - 3 | 23 | - 2 | 34 | 32 | - 8 |
| V. NET ERRORS AND OMISSION | 281 | 77 | - 3 | 32 | 387 | 204 | 117 |

Public sector's overall deficit decreased as of second quarter

In the second quarter, the non-financial public sector was 2,3 percent of GDP, lower than in the same period a year ago (2,7 percent of GDP), reflecting the contraction of non-financial expenditure from 15,0 to 14,5 percent of GDP thanks to the interest burden decrease of the external debt (from 2,3 to 2,2 percent of GDP), as well as the improvement of the rest of the public sector operations (from 0,3 to 0,4 percent of GDP), which were partially offset by the decrease in central government current revenues from 14,3 to 13,9 percent of GDP.

NON-FINANCIAL PUBLIC SECTOR OPERATIONS
(Percentage of GDP)

| | 2000 | | | | | 2001 | |
|---|-------------|-------------|-------------|-------------|-------------|------------|-------------|
| | I | II | III | IV | Año | I | II |
| 1. Central government current revenue | 14,7 | 14,3 | 14,2 | 15,8 | 14,7 | 14,6 | 13,9 |
| 2. Central government non-financial expenditure | 15,5 | 15,0 | 15,7 | 15,9 | 15,5 | 13,2 | 14,5 |
| 3. Others | 0,9 | 0,3 | 0,2 | -1,9 | -0,1 | 1,6 | 0,4 |
| 4. Primary balance | 0,1 | -0,4 | -1,4 | -2,0 | -0,9 | 3,0 | -0,2 |
| 5. Interests | 2,2 | 2,3 | 1,5 | 3,1 | 2,3 | 2,3 | 2,2 |
| 6. Overall balance | -2,0 | -2,7 | -2,9 | -5,1 | -3,2 | 0,7 | -2,3 |
| 7. Financing | 2,0 | 2,7 | 2,9 | 5,1 | 3,2 | -0,7 | 2,3 |
| a. External | 2,4 | -0,2 | 1,9 | 0,9 | 1,2 | 0,4 | 1,8 |
| b. Domestic | -1,2 | 1,6 | 0,4 | 4,0 | 1,2 | -1,4 | 0,4 |
| c. Privatization | 0,8 | 1,4 | 0,6 | 0,2 | 0,8 | 0,4 | 0,2 |

Public Treasury cash flow

In July, Public Treasury revenues in domestic currency amounted to S/. 1 754 million, S/. 48 million higher than in July 2000. On the other hand, Public Treasury payments were S/. 2 259 million. As a consequence the balance was negative in S/. 505 million.

In foreign currency, external debt service amounted to US\$ 89 million, funded with revenues in foreign currency (US\$ 32 million), BID disbursements (US\$ 99 million) and privatization income (US\$ 13 million). The latter allowed an increase in resources by US\$ 56 million.

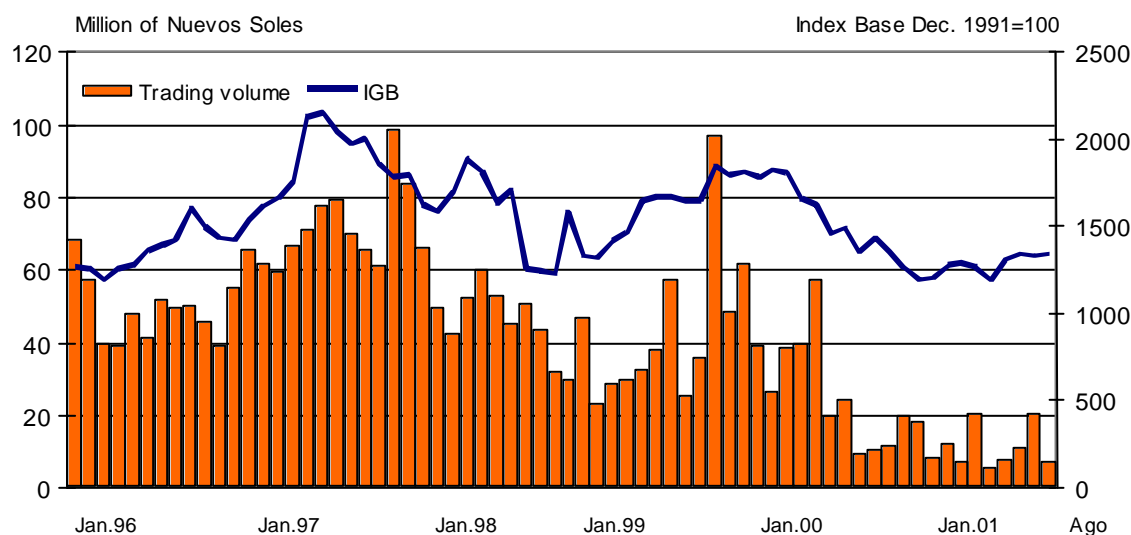
PUBLIC TREASURY CASH FLOW

| | July | | | January-July | | |
|--|--------|--------|-------|--------------|---------|-------|
| | 2000 | 2001 | Var % | 2000 | 2001 | Var % |
| A. DOMESTIC CURRENCY (Millions of Nuevos Soles) | | | | | | |
| I. REVENUES | 1 622 | 1 754 | 8,2 | 12 276 | 12 074 | -1,6 |
| II. PAYMENTS | -2 207 | -2 259 | 2,3 | -12 922 | -12 557 | -2,8 |
| III. PURCHASE (-) / SELLING (+) of foreign currency | 135 | 0 | | 296 | -360 | |
| IV. OVERALL BALANCE (I+II+III) | -451 | -505 | | -349 | -843 | |
| Note: | | | | | | |
| Deposits of Public Treasury in domestic currency | -893 | -612 | | -893 | -612 | |
| Floating debt | 425 | 538 | | 425 | 538 | |
| Bonds stock | 0 | 500 | | 0 | 500 | |
| B. FOREIGN CURRENCY (Millions of US dollars) | | | | | | |
| I. REVENUES | 18 | 32 | 81,7 | 133 | 179 | 34,5 |
| II. PURCHASE (+) / SELLING (-) of foreign currency | -39 | 0 | | -86 | 102 | |
| III. PAYMENTS 1/ | -38 | -89 | 134,6 | -884 | -927 | 4,8 |
| IV. OVERALL BALANCE (I+II+III) | -59 | -56 | | -837 | -646 | |
| Note: | | | | | | |
| Deposits of Public Treasury in foreign currency 2/ | 837 | 696 | | 837 | 696 | |
| Privatization and Promcepri | 656 | 212 | | 656 | 212 | |
| Other available accounts | 18 | 296 | | 18 | 296 | |
| Intangible accounts | 163 | 188 | | 163 | 188 | |

General Index increases 1,2 percent

As of August 21, the Lima Stock Exchange increased relative to end-July by 1,2 percent in the General Index and 0,8 percent in the Blue Chip Index. In the year, these indices have increased 11,5 percent and 7,2 percent, respectively.

**Stock market indicators
(January 1996 - August 2001)**



Lima, August 24, 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 (acorales@bcpr.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).