

BANCO CENTRAL DE RESERVA DEL PERU

WEEKLY REPORT N° 36

September 7, 2001

Content

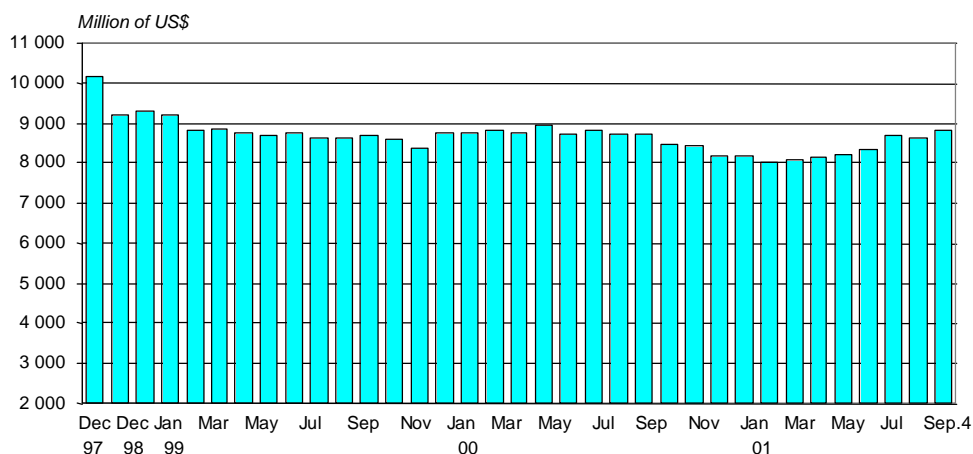
Net International Reserves increased US\$ 151 million
Banks' current account balance at S/. 129 million
Average monetary base at S/. 5 206 million
Interbank interest rates decreased
Peru's bonds spread at 5,8 percent
Macroeconomic expectations as of September
Exchange rate at S/. 3,49
Inflation August 2001: -0,3 percent
Gross domestic product dropped 0,8 percent in July
Trade balance recorded a surplus of US\$ 80 million in July
Central government operations: July
Public Treasury' cash flow: August
General Stock Index decreased 0,8 percent
Monetary Program for 2001- Information Note: September 2001

Net International Reserves increased US\$ 151 million

As of September 4, the net international reserves (NIR) of the Central Reserve Bank of Peru amounted to US\$ 8 812 million, up US\$ 151 million from end-August. The increase is due to higher financial system deposits (US\$ 159 million), which were partially offset by valuation changes and other operations (US\$ 4 million), net interest payments (US\$ 3 million) and the withdrawal of public sector deposits (US\$ 1 million). The foreign exchange position amounted to US\$ 2 623 million, down US\$ 4 million from end-August.

During August the NIR decreased US\$ 40 million, reflecting the withdrawal of public sector deposits at the Central Bank (US\$ 99 million), lower Insurance Deposit Fund deposits (US\$ 1 million) and sales of foreign currency to international entities as well as other operations (US\$ 4 million), which were partially offset by the increase in financial system deposits at the Central Bank (US\$ 38 million) and investment yield (US\$ 26 million). The foreign exchange position amounted to US\$ 2 627 million as of August 31, up US\$ 25 million from end-July.

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



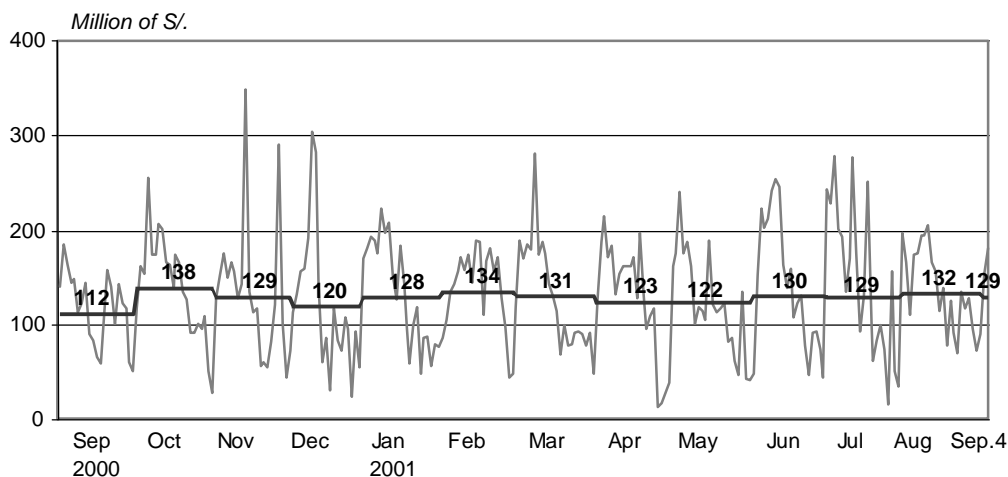
Banks' current account balance at S/. 129 million

As of September 4, the banks' current account held at the Central Bank was S/. 129 million on a daily average basis, compared with S/. 132 million in August (which was inside the range announced by the Bank for that month, 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	6=1+2+3+4+5	7	8=6+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	130	-32	5	23	50	180	-44	132	5,7
September 4	106	-21	18	-33	57	143	25	129	5,5

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



On August 29, the Central Bank made 1 auction of CDBCRPs amounting to S/. 20 million, with a 1-year maturity and an average interest rate of 9,6 percent (the lowest at that term). On August 31 and September 3, the Bank carried out two temporary purchases of CDBCRP, totaling S/. 80 million at an average interest rate of 5,1 percent.

Temporary purchase of CDBCRP

Date	Amount (Million of S/.)	Interest rate (%)	Term (days)
August 31	30	5,0	3
September 3	50	5,2	1

Average monetary base at S/. 5 206 million

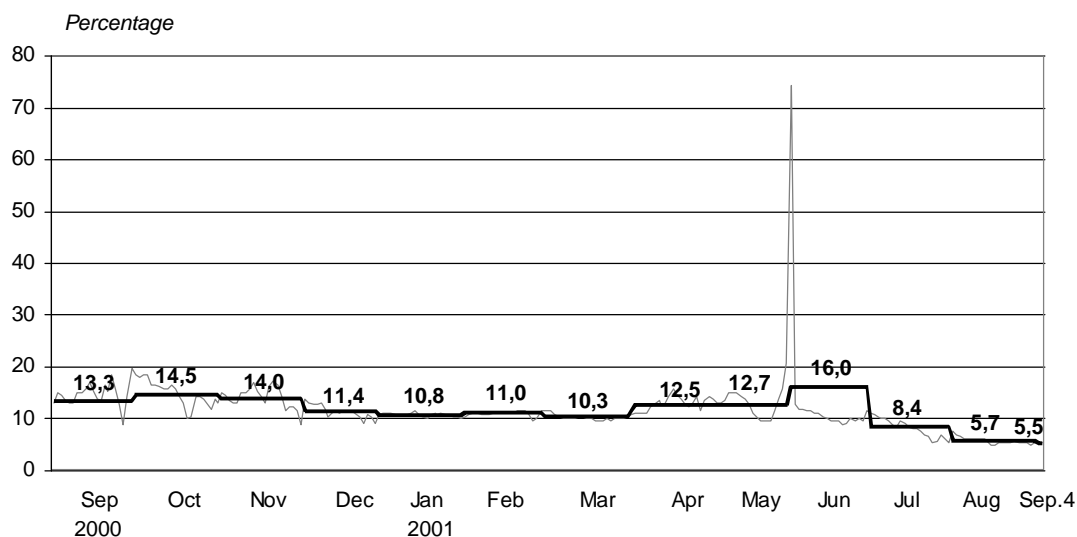
As of September 4, the daily average balance of the monetary base was S/. 5 206 million, 1,7 percent lower than in August. On September 4, the monetary base amounted to S/. 5 213 million, up 0,4 percent (S/. 20 million) from end-August, reflecting the net redemption of CDBCRP (S/. 35 million) and overnight deposits (S/. 15 million), which were partially offset by the redemption of temporary purchases of CDBCRP (S/. 30 million).

During August, the daily average balance of the monetary base was S/. 5 296 million, 0,5 percent lower than in July. On August 31, the monetary base amounted to S/. 5 192 million, down 5,8 percent (S/. 318 million) from end-July, due to the net issuance of CDBCRP (S/. 445 million), higher deposits of the Insurance Deposit Fund (S/. 9 million) and the public sector at the Central Bank (S/. 4 million) as well as sales of foreign currency to international entities (S/. 3 million), which were partially offset by the withdrawal of overnight deposits in domestic currency (S/. 71 million), net interest payments and other outlays (S/. 42 million) and temporary purchases of CDBCRP (S/. 30 million).

Interbank interest rate in domestic currency decreased

In August, the interbank interest rate in domestic currency was 5,7 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. As of September 4, the interbank interest rate in domestic currency was 5,5 percent, whereas the rate in foreign currency remained at 3,9 percent.

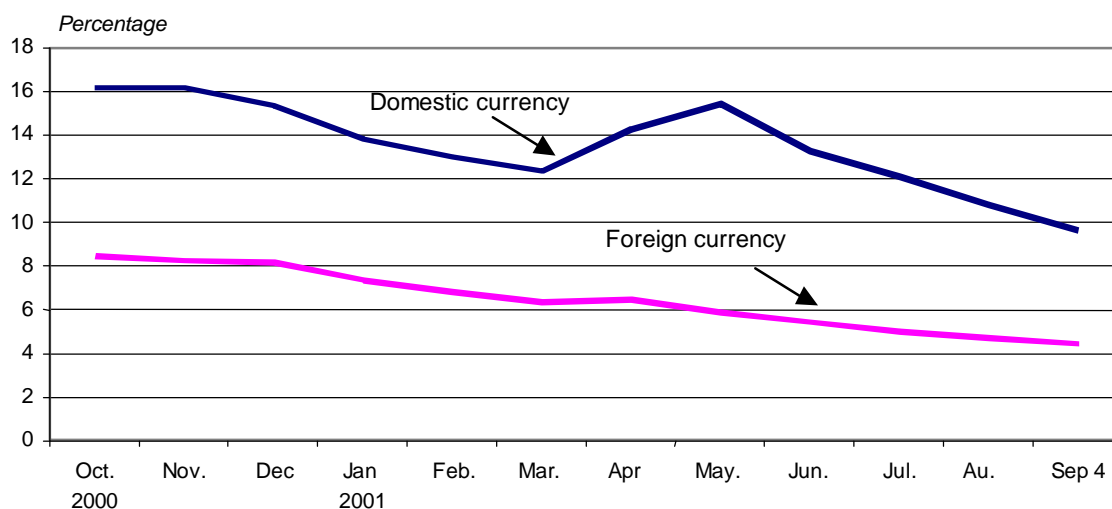
**Interbank interest rates in domestic currency
(September 2000 - September 2001)**



Average lending rates in domestic and foreign currency decreased

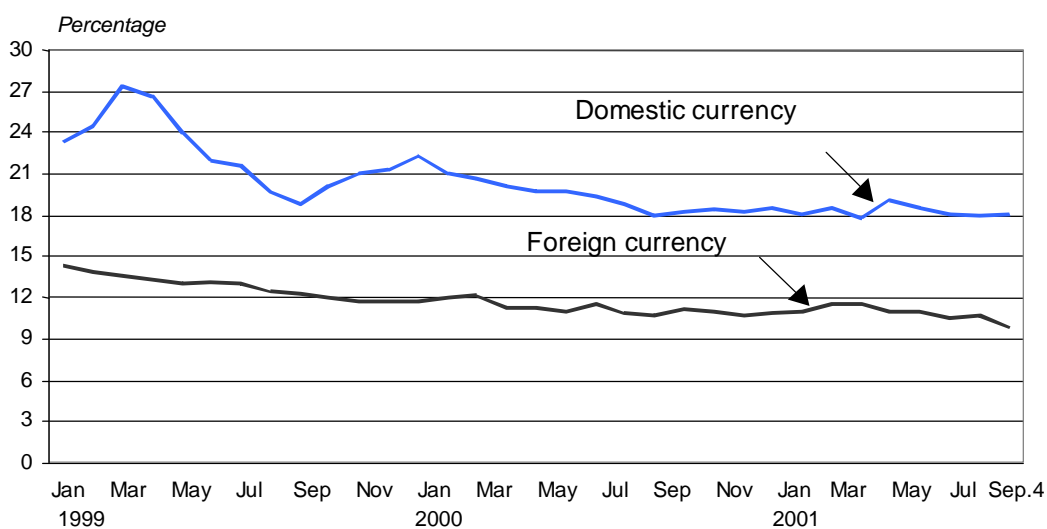
The corporate prime interest rate in domestic currency (on 90-day loans to low-risk clients) declined from 12,1 percent in July to 10,8 percent as of August 31. The rate in foreign currency also decreased from 5,0 percent last month to 4,7 percent. As of September 4, these rates were 9,7 and 4,5 percent, respectively.

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



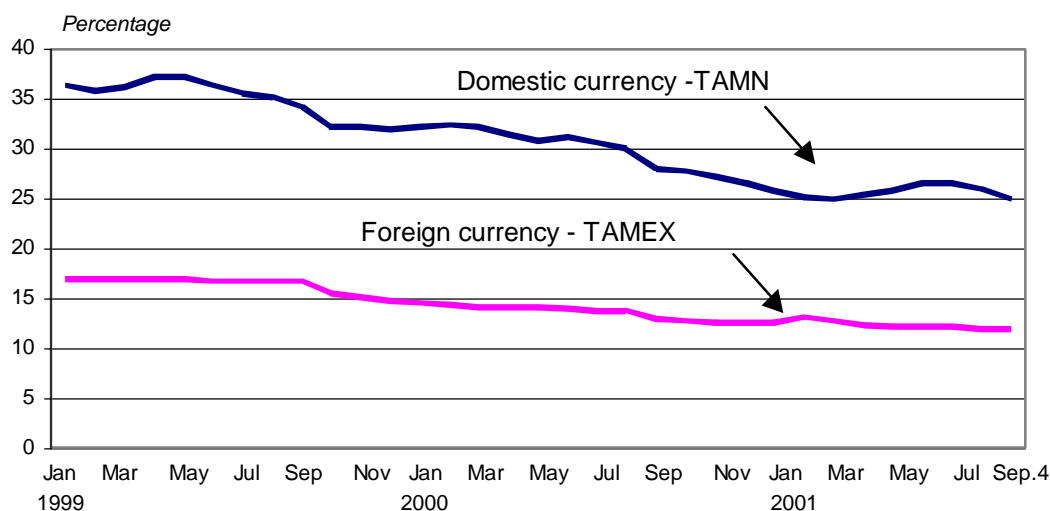
The 90-day prime interest rate on soles-denominated loans averaged 17,8 percent, lower than the July average (18,1 percent). On the other hand, the rate on dollar-denominated loans increased from 10,6 to 10,8 percent. As of September 4, these rates were 18,1 and 9,9 percent, respectively.

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



The average lending interest rate in domestic currency (TAMN) was 26,1 percent, as of August 31, lower than last month's average (26,6 percent). The rate in foreign currency (TAMEX) passed from 12,4 percent to 12,1 percent. As of September 4, these rates were 25,0 and 12,0 percent, respectively.

**Active lending interest rates in domestic and foreign currency
(January 1999 - September 2001)**



Peru's bonds spread at 5,8 percent

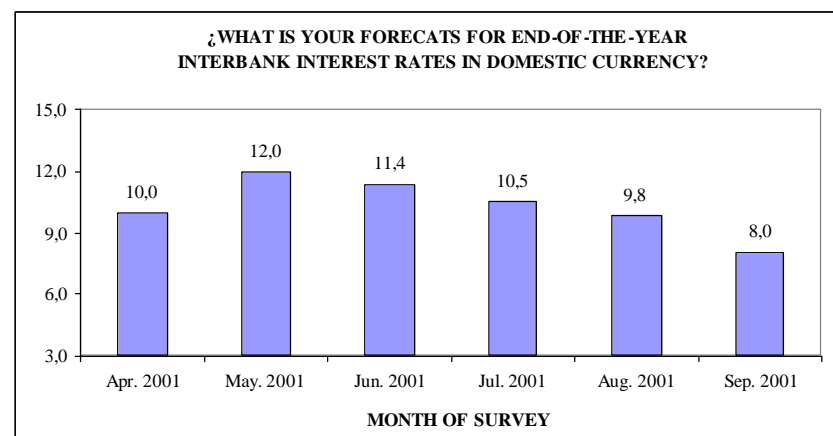
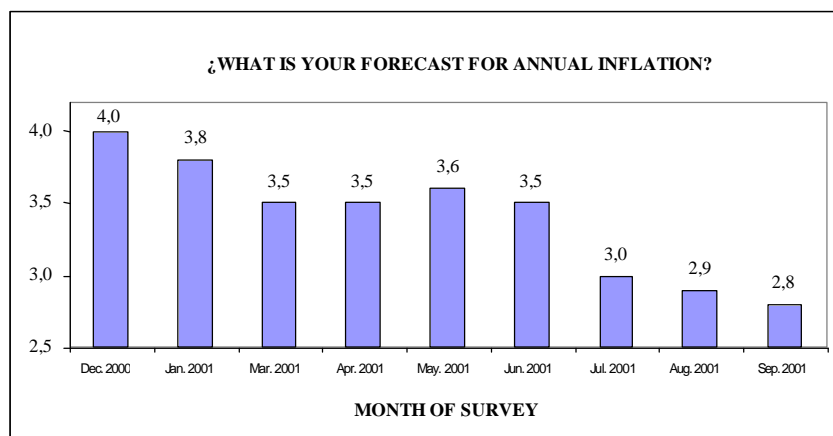
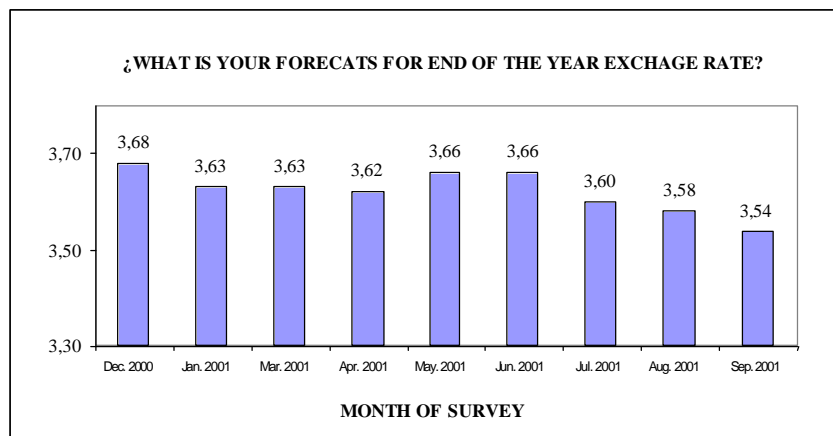
On September 4, the spread between the yield of Peruvian bonds and the interest rate on US Treasury bills (a proxy for the country risk perceived by investors) was 5,8 percent, lower than in August. The average for Latin American bonds was 9,2 percent in the same period. In August the Peruvian spread was 6,3 percent, compared with the average Latin-American spread, which rose from 9,5 percent in July to 9,7 in August.

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



Macroeconomic expectations as of September

From August 20 to 24, the Central Bank carried out the Macroeconomic Expectations Survey upon a sample of 30 financial entities (among banks, insurance companies, pension administrator funds and consumption credit institutions). The survey indicated a decrease on inflation, depreciation and interest rates expectations.



Exchange rate at S/. 3,49

In August, the ask exchange rate in the banking system averaged S/. 3,49, down 0,3 percent from July. In the period January-August the exchange rate has increased 0,4 percent, whereas in the last 12 moth it has recorded a decrease of 0,8 percent. The nominal appreciation in August, along with a domestic inflation of -0,3 percent and an external inflation of 1,3 percent, made possible a real increase of 1,3 percent. However, the real exchange rate has decreased 2,7 percent from January to August and 3,4 percent in the last 12 months.

The balance of net foreign currency sales in the forward market increased from US\$ 599 million in July to US\$ 596 million in August, whereas the banks' exchange position passed from US\$ 462 million to US\$ 446 million over the same period.

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

	December 2000	June	July	
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	9
- Redemptions	8	11	10	12
iii. Net spot purchases to the public	0	6	3	3
- Purchases	87	84	80	76
- Sales	87	78	77	73
Memo:				
Close balance as of:				
a. Forward sales to the public	653	979	1 122	1 065
b. Forward purchases to the public	213	470	523	470
c. Net sales to the public (a-b)	440	509	599	596
d. Banks' exchange position	630	600	463	446

Inflation August 2001: -0,30 percent

In August, the **Consumer Price Index (CPI)** decreased 0,30 percent, as a consequence of the fall in food (-0,5 percent) and oil prices (-2,9 percent). The 12 month inflation was 1,4 percent and 0,36 percent in the period January to August.

The **underlying inflation**, a measure of the Consumer Price Index trend, which excludes high volatility products such as non-tradable food, fuel and transportation prices, was -0,05 percent in August and 1,8 percent in the last 12 months.

INFLATION
(Percentage changes)

	2000				2001			
	Jun.	Jul.	Aug.	Jan-Aug.	Jun.	Jul.	Aug.	Jan-Aug.
GENERAL INDEX	0,06	0,52	0,47	2,7	-0,06	0,17	-0,30	0,36
TRADABLE PRODUCTS	0,3	0,4	0,2	2,6	0,0	-0,5	-0,4	-0,3
Food	0,1	0,2	0,1	0,8	-0,5	-0,6	-0,2	-1,2
Textile & footwear	0,2	0,2	0,1	1,7	0,2	0,2	0,1	1,6
Fuel	0,8	2,2	0,6	11,5	0,6	-2,0	-2,9	-5,4
Electrical appliances	-0,2	0,0	0,1	0,4	-0,9	-0,4	-0,3	0,7
Others	0,6	0,4	0,2	3,4	0,3	-0,1	-0,1	1,5
NON-TRADABLE PRODUCTS	-0,1	0,6	0,7	2,7	-0,1	0,6	-0,2	0,8
Food	-0,7	1,4	1,1	3,1	-0,5	1,9	-0,9	0,5
Services	0,1	0,2	0,5	2,6	0,1	0,1	0,0	1,0
Others	0,1	0,1	0,5	1,9	0,0	0,0	0,0	0,2
Note:								
Underlying inflation	0,21	0,26	0,35	2,07	-0,01	-0,09	-0,05	0,69

Gross domestic product dropped 0,8 percent in July

In July, **gross domestic product (GDP)** fell 0,8 percent compared with the same month of the previous year (when it increased 5,4 percent). During July, primary sectors remained steady because the higher metal mining activity was offset by the drop in fishing, agriculture and non-primary industries. On the other hand, non-primary sectors fell 1,0 percent due to lower activity in construction.

GROSS DOMESTIC PRODUCT
(Rates of growth)

	July		January-July	
	2000	2001	2000	2001
Agriculture and livestock	8,8	-4,1	6,6	-2,4
<i>Agriculture</i>	8,4	-9,1	7,6	-5,4
<i>Livestock</i>	10,4	3,8	5,1	2,7
Fishing	74,0	-31,0	26,8	-5,7
Mining and oil products	0,2	17,4	2,6	2,5
<i>Mining</i>	0,7	20,2	3,8	3,2
<i>Oil products</i>	-4,9	-2,8	-7,7	-3,7
Manufacturing	10,8	-3,3	11,2	-1,8
<i>Based on raw materials</i>	33,9	-7,6	16,3	-1,3
<i>Non-primary industries</i>	4,6	-1,8	9,6	-2,0
Construction	-2,1	-8,2	1,3	-10,8
Trade	6,9	-1,1	7,4	-1,0
Other	3,6	0,0	3,7	-0,7
GDP	5,4	-0,8	5,5	-1,5
<i>Primary sectors</i>	11,8	0,0	7,7	-1,0
<i>Non primary sectors</i>	4,0	-1,0	5,0	-1,6
Domestic demand	5,8	-2,5	5,3	-1,9

Trade balance recorded a surplus of US\$ 80 million in July

In July, the trade balance recorded a surplus of US\$ 80 million, up US\$ 32 million from July 2000. In the period January-July, the trade deficit amounted to US\$ 122 million, down US\$ 121 million (50 percent) from the same period of the previous year.

TRADE BALANCE
(Million of US\$)

	July			July		
	2000	2001	Var. %	2000	2001	Var. %
<u>Trade balance</u>	<u>47,1</u>	<u>79,5</u>	<u>68,6</u>	<u>-243,1</u>	<u>-122,4</u>	<u>49,7</u>
<u>Exports</u>	645,4	708,1	9,7	3 977,7	4 090,0	2,8
Traditional products	441,8	477,2	8,0	2 736,6	2 735,7	0,0
Mining	128,1	149,6	16,7	600,2	682,6	13,7
Petroleum and derivatives	36,3	21,5	-40,7	115,4	80,9	-29,9
Agriculture	241,8	282,2	16,7	1 799,1	1 734,5	-3,6
Fishing	35,6	23,9	-32,8	222,0	237,7	7,1
Non-traditional products	179,6	225,0	25,3	1 147,2	1 260,3	9,9
Agriculture	28,4	33,6	18,2	206,2	214,3	4,0
Textile	62,1	61,2	-1,4	398,1	405,2	1,8
Fishing	19,0	17,2	-9,5	104,2	124,6	19,5
Fabricated metal products	9,7	49,8	412,9	55,1	103,7	88,4
Chemical	17,0	20,5	20,9	121,0	141,3	16,8
Based metal industries	19,1	16,1	-15,8	124,2	121,1	-2,5
Non-metal	4,8	3,8	-19,8	25,4	30,6	20,3
Others	19,6	22,8	16,4	113,0	119,4	5,6
Others	24,1	5,9	-75,6	93,8	94,0	0,2
<u>Imports</u>	598,3	628,6	5,1	4 220,7	4 212,4	-0,2
Consumer goods	117,0	133,1	13,8	799,0	869,3	8,8
Inputs	322,8	318,3	-1,4	2 064,0	2 100,5	1,8
Capital goods	151,2	172,2	13,9	1 258,2	1 189,6	-5,5
Others	7,3	5,1	-31,0	99,5	53,0	-46,8

In July, **exports** totaled US\$ 708 million, up US\$ 63 million (10 percent) from the previous year due to higher non-traditional exports (25 percent) and traditional exports (8 percent). **Imports** amounted to US\$ 629 million, US\$ 30 million (5 percent) higher than in July 2000, reflecting higher acquisitions of capital and consumer goods (14 percent in both cases).

Central government operations: July 2001

In July, the central government recorded an **overall deficit** of S/. 481 million, S/. 232 million lower than in July 2000, reflecting the increase in current revenues (3,8 percent) and the decrease in non-financial expenditure (7,0 percent). In the period January-July, the overall deficit amounted to S/. 2 035 million, down S/. 1 180 million from the same period in 2000. This decrease is explained by the reduction in non-financial expenditures (-9,9 percent in real terms), which offset lower tax revenues (-2,5 percent in real terms).

CENTRAL GOVERNMENT OPERATIONS						
(Million of S/.)						
	July			January-July		
	2000	2001	Real%	2000	2001	Real%
1. CURRENT REVENUE	2 121	2 249	3,8	15 787	15 846	- 2,5
2. NON FINANCIAL EXPENDITURE	2 710	2 574	- 7,0	17 085	15 846	- 9,9
<i>a. Current</i>	2 256	2 235	- 3,0	13 962	13 587	- 5,5
<i>b. Capital</i>	455	339	- 27,0	3 123	2 259	- 29,7
3. OTHER OPERATIONS	6	18	190,0	275	152	- 46,3
4. INTERESTS	<u>- 583</u>	<u>- 307</u>		<u>- 1 022</u>	<u>152</u>	
5. TRANSFERS OF STATE-OWNED ENTERPRISES	130	174	31,7	2 193	2 187	- 3,2
6. OVERALL BALANCE (1+2++3+4+5)	- 713	- 481		- 3 215	- 2 035	

Public Treasury cash flow

In August, the Public Treasury cash flow in domestic currency was negative in S/. 6 million. Revenues amounted to S/. 1 715 million, from which S/. 1 910 million came from tax collecting. On the other hand, Public Treasury payments were S/. 1 721 million, including S/. 1 655 million of non-financial expenditure.

The Public Treasury cash flow in foreign currency was negative in US\$ 103 million as a result of the withdrawal of deposit of the public sector at the Central Bank. The balance of those deposit amounted to US\$ 595 million.

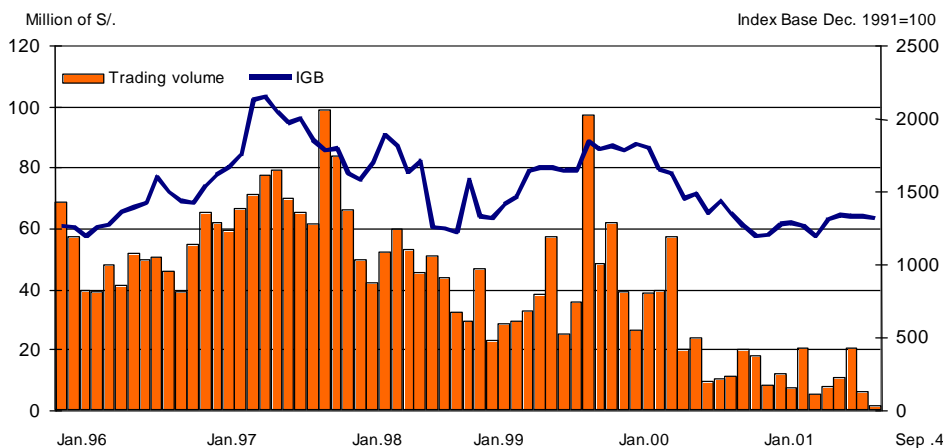
PUBLIC TREASURY CASH FLOW

	August			January-August		
	2000	2001	Var %	2000	2001	Var %
A. DOMESTIC CURRENCY (Millions of Nuevos Soles)						
I. REVENUES	1 697	1 715	1,0	13 973	13 789	-1,3
II. PAYMENTS	- 1 799	- 1 721	-4,3	- 14 720	- 14 278	-3,0
III. PURCHASE (-) / SELLING (+) of foreign currency	147	0		443	- 360	
IV. OVERALL BALANCE (I+II+III)	45	- 6		- 304	- 849	
Note:						
Deposits of Public Treasury in domestic currency	- 848	- 618				
Floating debt	422	545				
Bonds stock	0	500				
B. FOREIGN CURRENCY (Millions of US dollars)						
I. REVENUES	33	9	-72,8	166	188	13,3
II. PURCHASE (+) / SELLING (-) of foreign currency	- 42	0		- 128	102	
III. PAYMENTS	- 102	- 112	10,5	- 986	- 1 039	5,4
IV. OVERALL BALANCE (I+II+III)	- 111	- 103		- 948	- 750	
Note:						
Deposits of Public Treasury in foreign currency 2/	732	595				
Privatization and Promcepri	530	215				
Other available accounts	37	191				
Intangible accounts	165	189				

General Index decreased 0,8 percent

As of September 4, the Lima Stock Exchange increased relative to end-August by 0,8 percent in the General Index and 0,6 percent in the Blue Chip Index. In the year, these indices have increased 9,5 percent and 5,9 percent, respectively.

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



Lima, September 7, 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).

Monetary Program for 2001- Information Note: September 2001

The BCRP reduces its reference interest rate from 9,0 to 8,5 percent in domestic currency and from 6,0 to 5,5 percent in foreign currency and set the operating target range at S/. 130- S/. 140 million

1. For the month of September, the Board maintained the range for its operating target at **S/. 130 - S/. 140 million as a daily average**. In August, the said balance was S/. 132 million, which fell within the announced range (S/. 130 – S/. 140 million).
2. 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 September 7:
 - a. For monetary regulation credits in domestic currency, the effective interest rate would be **the weighted average of the interbank interest rates, or 8,5 percent, whichever is highest**. It should be noted that this is the fourth consecutive month in which the Bank reduced this rate. In August, the said rate was 9,0 percent.
 - b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **4,0 percent**. This rate is effective since March 2.
 - c. For foreign exchange temporary purchase operations (swap operations), the commission will be 0,0134 percent, equivalent to an effective **8,5 percent** annual cost. This cost is lower than that effective since August 3 (9,0 percent).
3. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be **5,5 percent**. This rate implied a reduction with respect to the rate effective since August 3 (6,0 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.
4. The Central Bank grants monetary regulation credits in domestic and foreign currency on a regular basis.
5. 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.

Lima, September 6, 2001

Operational target and reference interest rates approved by the Board of Directors of the Central Bank: 2001

	2001							Program September
	February	March	April	May	June	July	August	
1. Operational target: Current account (In million of S/.)								
Range	125-135	128-138	130-140	120-130	125-135	135-145	130-140	130-140
Revision			120-130					
Actual	134	131	123	122	130	129	132	
(As a percentage of TOSE)	(1,23)	(1,18)	(1,12)	(1,10)	(1,16)	(1,14)	(1,14)	(1,11-1,20)
2. Reference interest rates (In percentage)								
a. Monetary regulation credits								
b.1. In domestic currency	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5
b.2. In foreign currency	8,5	8,5	8,5	7,5	7,0	6,5	6,0	5,5
b. Overnight deposits								
b.1. In domestic currency	4,5	4,0	4,0	4,0	4,0	4,0	4,0	4,0
b.2. In foreign currency	5,5	5,3	4,8	4,2	3,9	3,8	3,7	
3. Swaps commission								
Commission	0,0172	0,0165	0,0159	0,0174	0,0171	0,0158	0,0138	0,0134
Annual percentage rate	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5

Note:

Interbank interest rate in domestic currency	11,0	10,3	12,5	12,7	10,6	8,4	5,7
--	------	------	------	------	------	-----	-----