

BANCO CENTRAL DE RESERVA DEL PERU
WEEKLY REPORT N° 40
October 5, 2001

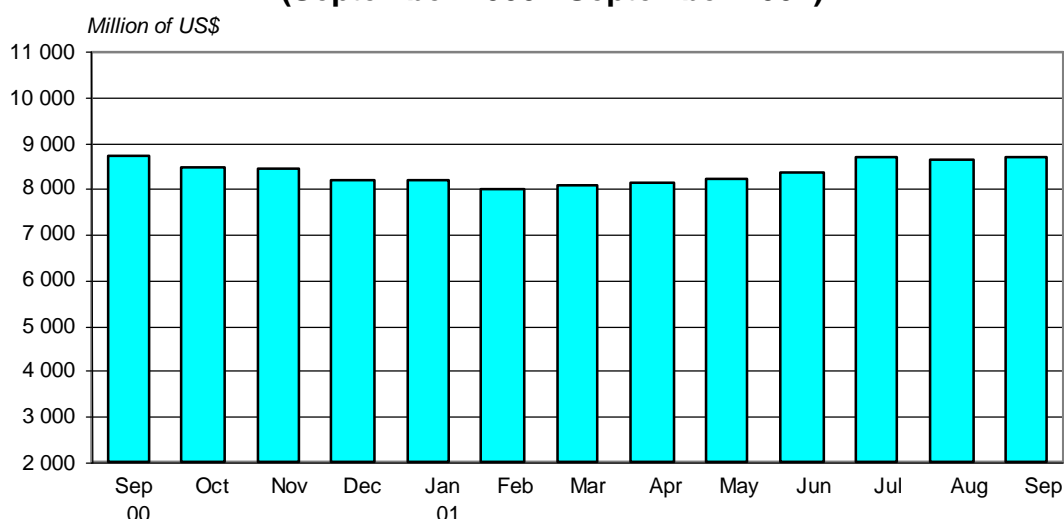
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Net International Reserves at US\$ 8 679 million

In September, the net international reserves (NIR) of the Central Reserve Bank of Peru amounted to US\$ 8 679 million, up US\$ 19 million from end-August and US\$ 499 million from end-2000. The increase of NIR during September is due to higher financial system deposits (US\$ 54 million), investment yields (US\$ 29 million) and purchases of foreign currency (US\$ 1 million), which were partially offset by the withdrawal of public sector deposits (US\$ 58 million), lower Insurance Deposit Fund deposits (US\$ 6 million) and other operations (US\$ 1 million). On the other hand, the foreign exchange position amounted to US\$ 2 657 million, up US\$ 30 million from end-August, mainly due to investment yields.

**BCRP net international reserves
(September 2000 - September 2001)**



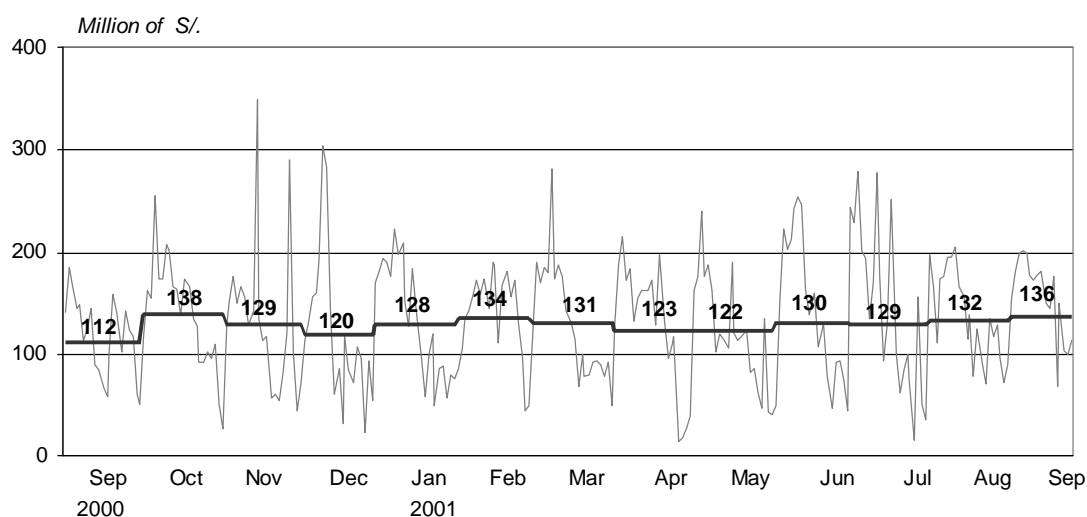
Banks' current account balance at S/. 136 million

In September 25, the banks' current account held at the Central Bank was S/. 136 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
		2	3	4	5		7		
September 2000		-31	31	-16	46		-32		13,3
December		-38	41	-107	20		83		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		-34	16	-13	37		-7		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		-34	18	-50	37		29		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		-39	14	-31	36		18		5,8

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



Average monetary base at S/. 5 138 million

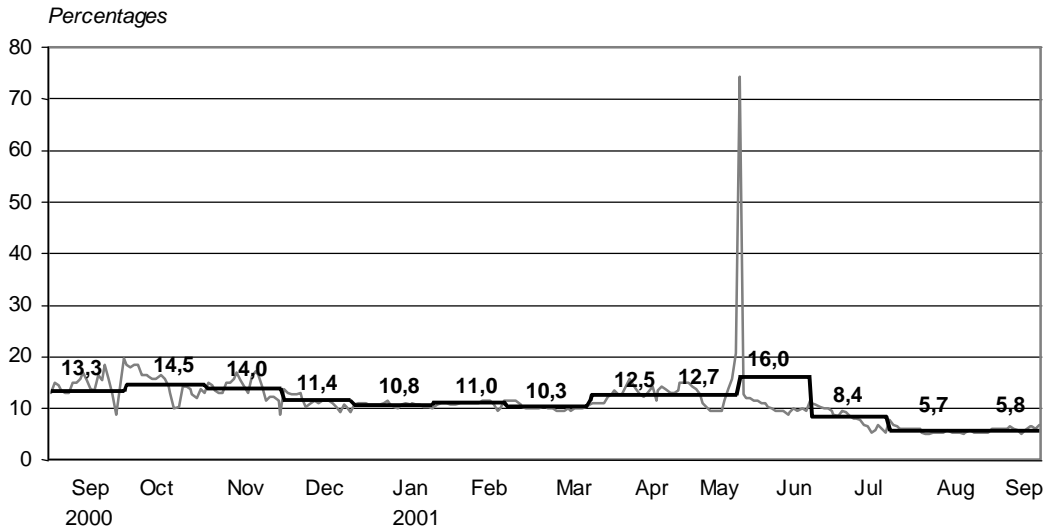
In September, the daily average balance of the monetary base was S/. 5 138 million, 3,0 percent lower than in August (reversing the seasonal rise of July -6,0 percent-) but 3,9 percent higher than in September 2000 average.

On September 30, the monetary base amounted to S/. 5 108 million, down 1,6 percent (S/. 84 million) from end-August, reflecting higher public sector deposits (S/. 123 million), net issuance of CDBCRP (S/. 30 million), overnight deposits in domestic currency (S/. 10 million) and higher Insurance Deposit Fund deposits (S/. 5 million), which were partially offset by the temporary purchases of bills (S/. 55 million), interest payments and other outlays (S/. 24 million) and net purchases of foreign currency and swap operations (S/. 5 million).

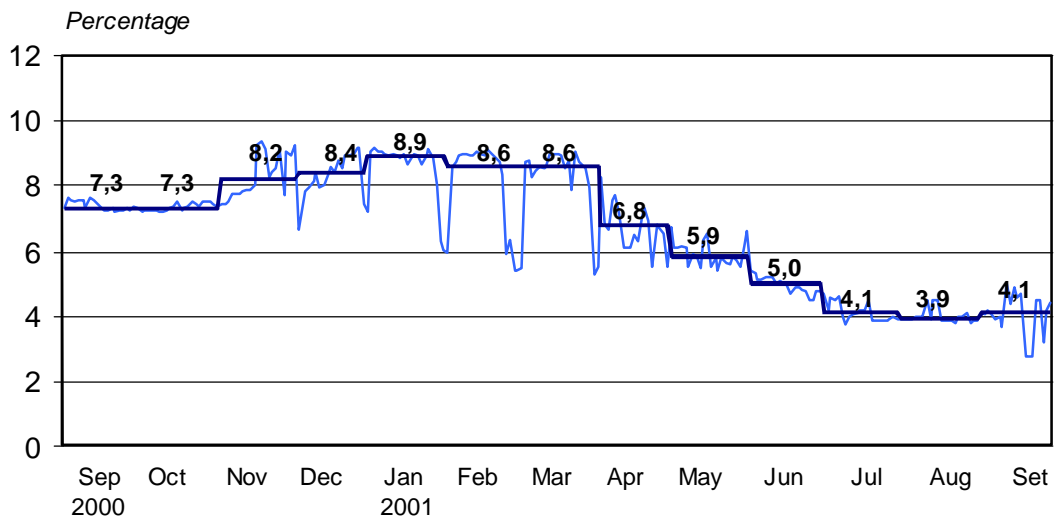
Interbank interest rates decreased

In September, the interbank interest rate in domestic currency was 5,8 percent, slightly higher than in August (5,7 percent). In the same period, the corresponding rate in foreign currency passed from 3,9 to 4,1 percent.

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



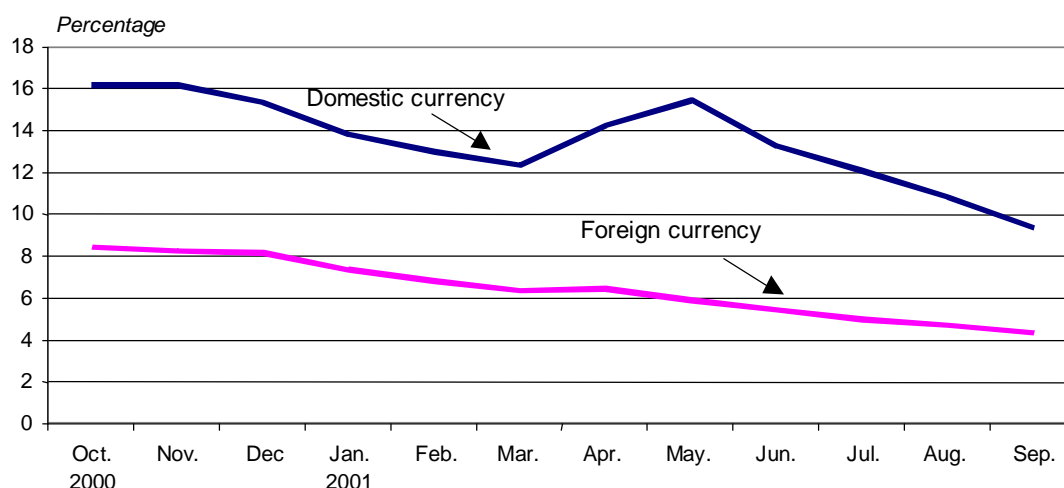
**Interbank interest rates in foreign currency
(September 2000 - September 2001)**



Average lending rates in domestic and foreign currency decreased

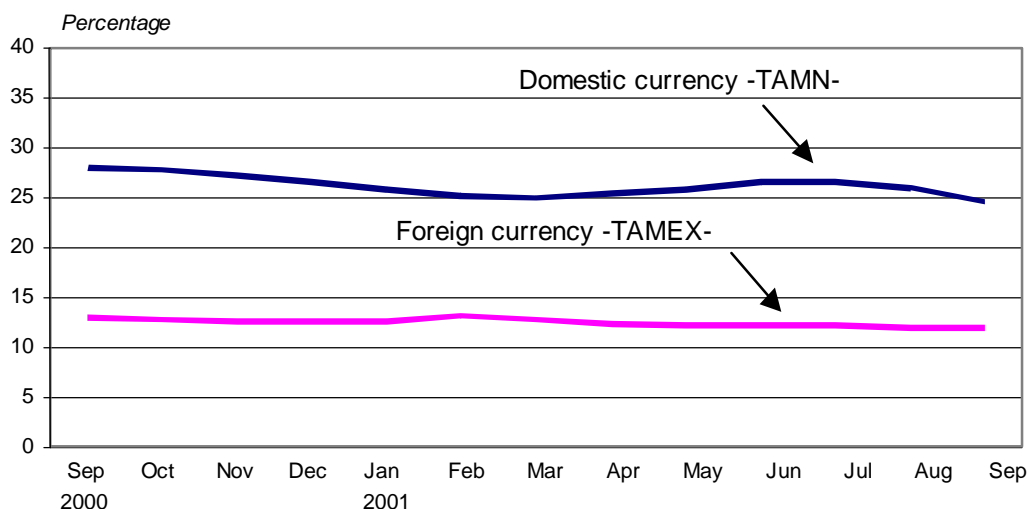
The corporate prime interest rate in domestic currency (on 90-day loans to low-risk clients) declined from 10,8 percent in August to 9,4 percent in September. The rate in foreign currency also decreased from 4,7 percent last month to 4,4 percent.

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



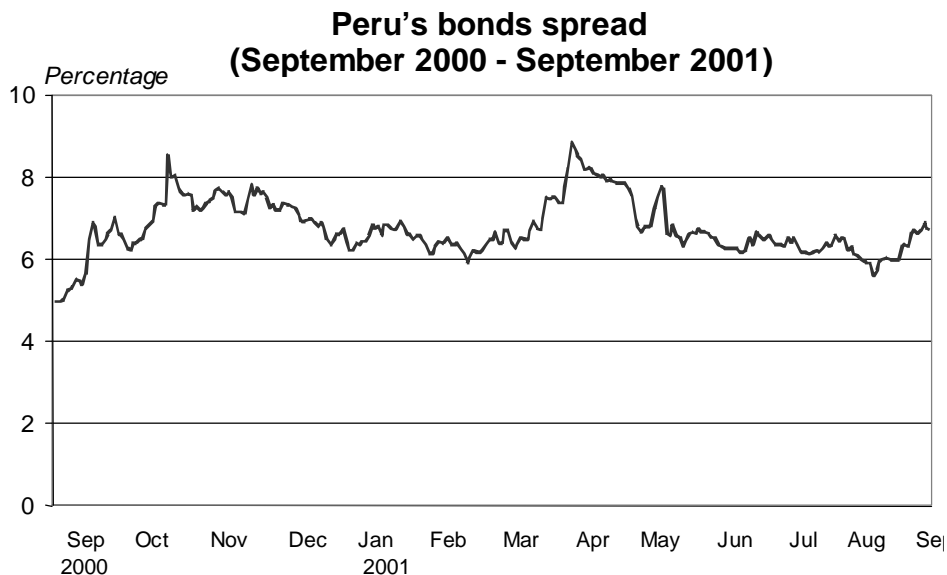
The average lending interest rate in domestic currency (TAMN) was 24,7 percent, lower than last month's average (26,1 percent). Over that period, the rate in foreign currency (TAMEX) passed from 12,1 percent to 12,0 percent.

**Active lending interest rates in domestic and foreign currency
(September 2000 - September 2001)**



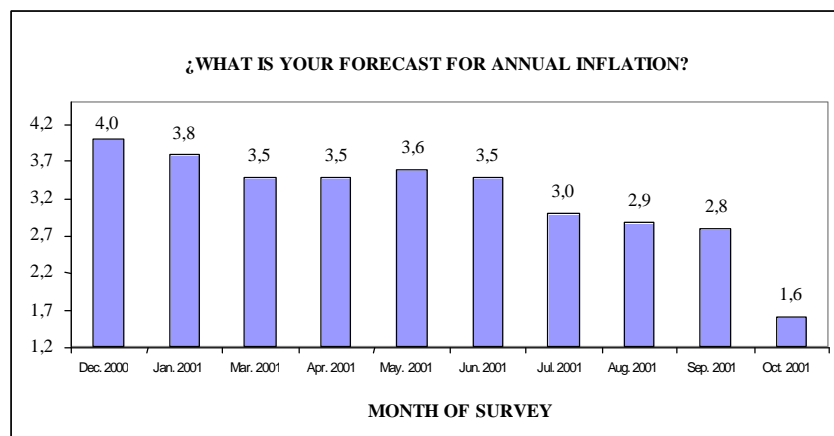
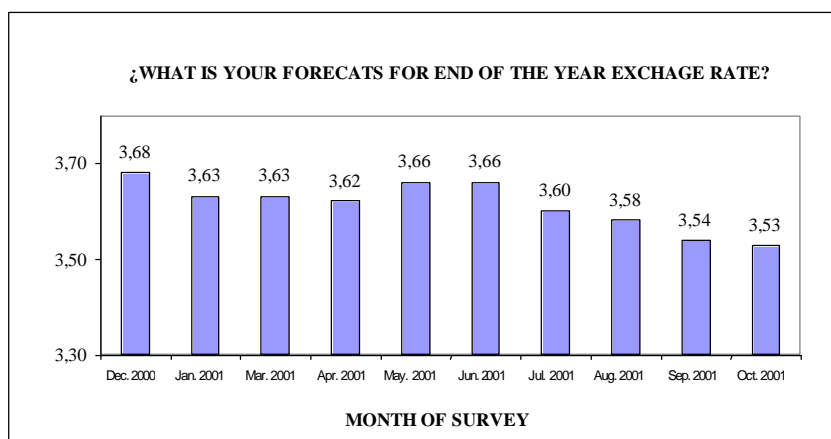
Peru's bonds spread at 6,3 percent

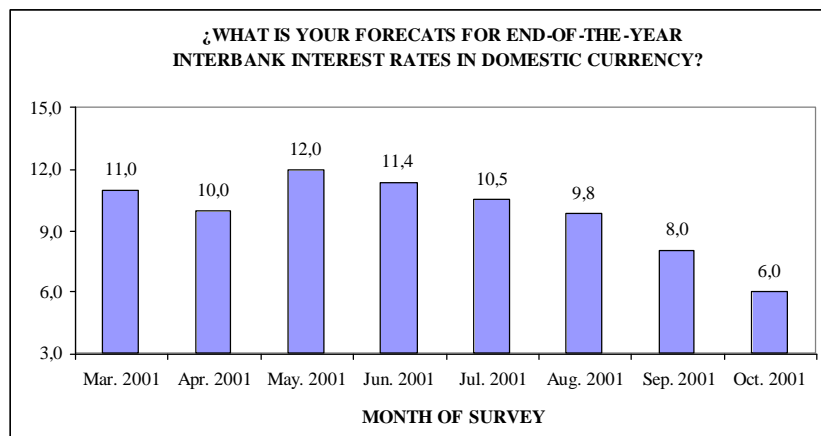
In September, the spread between the yield of Peruvian bonds and the interest rate on US Treasury bills (a proxy for the country risk perceived by investors) was 6,3 percent, similar to August. Conversely, the average spread of Latin-American bonds increased from 9,7 percent in August to 10,4 percent in September.



Macroeconomic expectations as of October

From September 20 to 27, the Central Bank carried out the Macroeconomic Expectations Survey upon a sample of 28 financial entities (among banks, insurance companies, pension administrator funds and consumption credit institutions), which indicated a decrease on inflation, depreciation and interest rates expectations.





On the other hand, the survey applied to non-financial enterprises pointed out the following expectations:

Non-financial enterprises
(Median^{1/} of the sample)

	As of September 27
Exchange rate	
December 2001	3,55
December 2002	3,68
Annual inflation	
2000	2,5
2001	3,0
GDP growth	
2001	1,0
2002	3,5

The median is used in order to reduce the bias of the sample.

Exchange rate at S/. 3,49

In September, the ask exchange rate in the banking system was S/. 3,49, 0,05 percent lower than last month's average. In the last 12 months, the exchange rate rose 0,1 percent, but decreased 0,8 percent in the period January-September.

In real terms, the exchange rate decreased 0,1 percent, reflecting November's nominal appreciation and the difference between domestic inflation (0,06 percent) and external inflation (0,04 percent). In the period January-September the real exchange rate decreased 2,8 percent and in a similar amount in the last 12 months.

The net balance of foreign currency sales in the forward market increased from US\$ 596 million in August to US\$ 572 million in September, whereas the banks' exchange position passed from US\$ 446 million to US\$ 667 million over the same period, from which US\$ 178 million correspond to banking enterprises' capitalization.

Banks' exchange market operations to the public: Daily average

(Million of US\$)

	December 2000	June		August	
End-of-period balance:					
a. Net sales to the public (i-ii)	440	509	599	596	572
i. Forward sales to the public	653	979	1 122	1 065	1 059
ii. Forward purchases to the public	213	470	523	470	496
b. Banks' exchange position	630	600	462	446	667
Flows:					
I. Forward sales to the public	0	-2	4	-3	-1
- New sales	12	16	19	12	12
- Redemptions	12	18	14	15	13
II. Forward purchases to the public	-2	2	0	-3	-1
- New purchases	6	13	10	9	9
- Redemptions	8	11	10	12	10
III. Net spot purchases to the public	0	6	3	3	4
- Purchases	87	84	80	76	78
- Sales	87	78	77	73	74

Inflation September 2001: 0,06 percent

In September, the **Consumer Price Index (CPI)** increased 0,06 percent, as a consequence of the increase in non-tradable food prices (0,5 percent) offset by the fall in oil (-1,0 percent) and public services (-0,3 percent). The 12 month inflation was 0,9 percent and 0,42 percent in the period January - September.

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 0,02 percent in September and 1,6 percent in the last 12 months.

Tradable product prices decreased 0,1 percent in September and increased 1,2 percent in the last 12 month, whereas non-tradable product prices rose 0,2 percent in September and 0,7 percent in the last 12 months.

INFLATION
(Percentage changes)

	2000				2001			
	Jul.	Aug.	Sep.	Jan-Sep.	Jul.	Aug.	Sep.	Jan-Sep.
<u>GENERAL INDEX</u>	<u>0,52</u>	<u>0,47</u>	<u>0,56</u>	<u>3,27</u>	<u>0,17</u>	<u>-0,30</u>	<u>0,06</u>	<u>0,42</u>
TRADABLE PRODUCTS	<u>0,4</u>	<u>0,2</u>	<u>0,4</u>	<u>3,0</u>	<u>-0,5</u>	<u>-0,4</u>	<u>-0,1</u>	<u>-0,4</u>
Food								
Textile & footwear	0,2	0,1	-0,2	0,6	-0,6	-0,2	0,1	-1,1
Fuel	0,2	0,1	0,1	1,8	0,2	0,1	0,1	1,7
Electrical appliances	2,2	0,6	3,8	15,7	-2,0	-2,9	-1,0	-6,3
Others	0,0	0,1	0,3	0,6	-0,4	-0,3	0,1	0,9
	0,4	0,2	0,3	3,7	-0,1	-0,1	-0,1	1,4
NON-TRADABLE PRODUCTS								
Food	<u>0,6</u>	<u>0,7</u>	<u>0,7</u>	<u>3,4</u>	<u>0,6</u>	<u>-0,2</u>	<u>0,2</u>	<u>1,0</u>
Services								
Others	1,4	1,1	1,2	4,4	1,9	-0,9	0,5	1,0
	0,2	0,5	0,4	3,0	0,1	0,0	0,0	1,0
Note:	0,1	0,5	0,9	2,8	0,0	0,0	0,0	0,2
Underlying inflation								

Monetary accounts: September 15

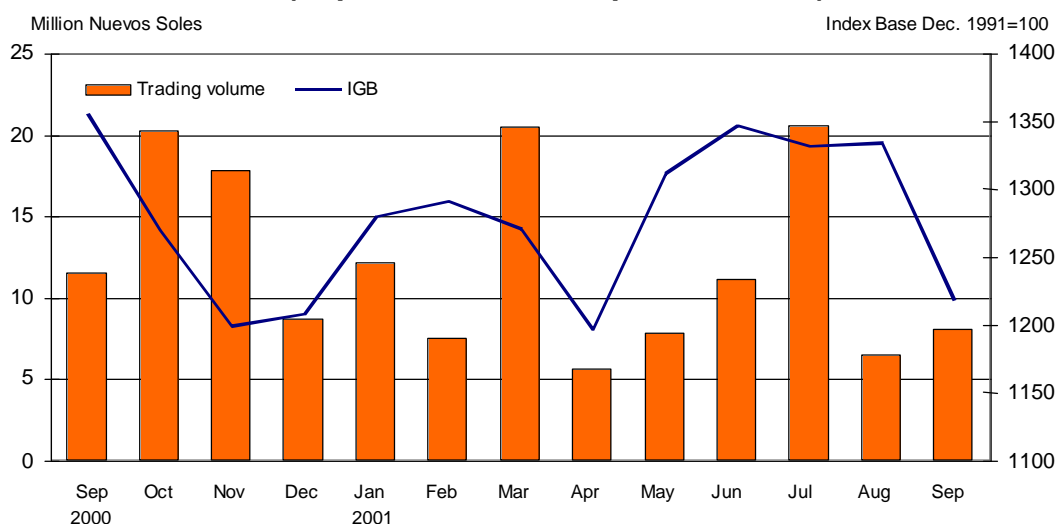
From August 15 to September 15, liquidity in domestic currency increased 2,6 percent (S/. 383 million) to S/. 14 919 million. In annual terms this aggregate increased 9,5 percent. On the other hand, credit to the private sector in domestic currency decreased 0,5 percent (S/. 41 million) to S/. 8 942 million. Growth in the last 12 months for this variable was 3,5 percent.

Liquidity in foreign currency rose 0,1 percent (US\$ 13 million) to US\$ 9 644 million, whereas last-12 month growth for this variable was 3,3 percent. Short-term external liabilities amounted to US\$ 1 440 million, down US\$ 192 million (11,8 percent) from end-August. Finally, credit to the private sector (US\$ 11 176 million) decreased 0,8 percent (US\$ 94 million) in the last 4 weeks and 0,5 percent in the last 12 months.

General Index decreased 8,8 percent

In September, the Lima Stock Exchange decreased relative to end-August by 8,8 percent in the General Index and 8,3 percent in the Blue Chip Index. In the year, the General Index increased 0,8 percent, whereas the Blue Chip index fell 2,3 percent.

Stock market indicators (September 2000 - September 2001)



Lima, October 5, 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 Note: October 2001

1. For the month of October, the Board increased the range for its operating target at **S/. 132 - S/. 142 million as a daily average**. In September, the said balance was S/. 136 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 October 5:
 - a. For monetary regulation credits in domestic currency, the effective interest rate would be **the weighted average of the interbank interest rates, or 7,5 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 8,5 percent.
 - b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **3,0 percent**. The latter rate was 4,0 percent.
 - c. For foreign exchange temporary purchase operations (swap operations), the commission implies an effective annual cost of **7,5 percent**. The latter cost was 8,5 percent.
3. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be **5,0 percent**. The latter rate was 5,5 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.
4. The Central Bank grants monetary regulation credits in domestic and foreign currency on a regular basis.
5. For domestic currency operations, the Central Bank Board approved a new facility regarding temporary purchase of CDBCRP and Public Treasury bonds in domestic currency, besides the usual auction mechanisms, which holds maturities and interest rates of regulation credits.
6. For the current year, the rate of inflation falls below the range announced in the 2001 Monetary Program, reflecting a lower than expected economic activity. It should be noted, that the Central Bank has been widening banking liquidity and reducing its operations' interest rates.
7. 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, October 4, 2001

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

	2001								Program October
	February	March	April	May	June	July	August	September	
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	132-142
Revision			120-130						
Actual	134	131	123	122	130	129	132	136	
(As a percentage of TOSE) ^{1/}	(1,23)	(1,18)	(1,12)	(1,10)	(1,16)	(1,14)	(1,14)	(1,16)	(1,12 - 1,21)
2. Reference interest rates (In percentage)									
a. Monetary regulation credits, temporary purchase of CDBCRP and Treasury bonds out of auctions									
a.1. In domestic currency	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5	7,5
a.2. In foreign currency	8,5	8,5	8,5	7,5	7,0	6,5	6,0	5,5	5,0
b. Overnight deposits									
b.1. In domestic currency	4,5	4,0	4,0	4,0	4,0	4,0	4,0	4,0	3,0
b.2. In foreign currency ^{2/}	5,5	5,3	4,8	4,2	3,9	3,8	3,7	3,2	^{2/}
3. Swap 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	7,5
Note:									
Interbank interest rates in domestic currency	11,0	10,3	12,5	12,7	10,6	8,4	5,7	5,8	

1/ Total liabilities subject to reserve

2/ Equivalent to the average obtained by the Central Bank for similar deposits abroad .

