

BANCO CENTRAL DE RESERVA DEL PERU
WEEKLY REPORT N° 45
November 9, 2001

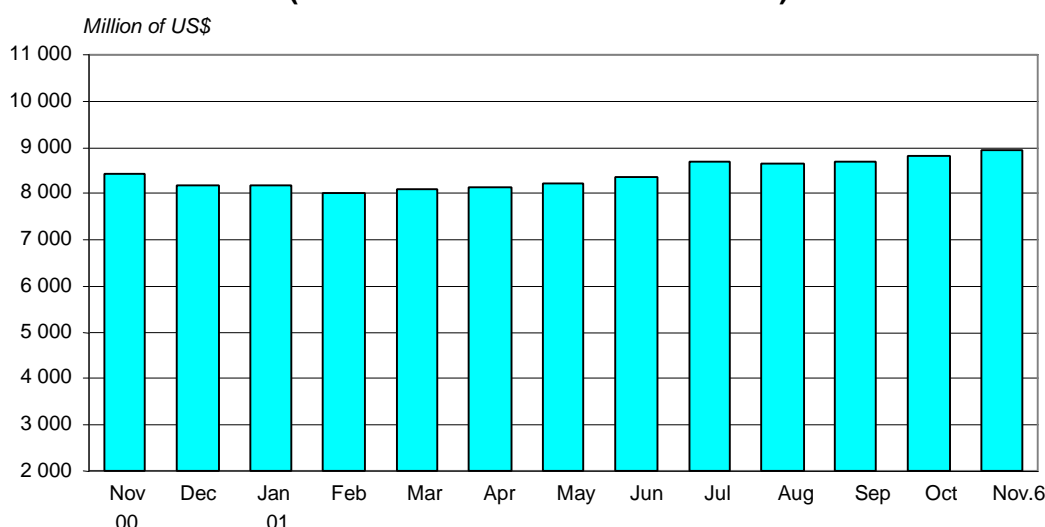
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Net International Reserves at US\$ 8 919 million

As of November 6, the net international reserves (NIR) of the Central Reserve Bank of Peru amounted to US\$ 8 919 million, up US\$ 124 million from end-October and US\$ 739 million from end-2000. The increase of NIR during November is due to higher financial system deposits (US\$ 104 million), purchases of foreign currency through the Over-the-Counter (US\$ 19 million) and investment yields (US\$ 3 million), which were partially offset by the withdrawal of public sector deposits (US\$ 2 million). On the other hand, the foreign exchange position amounted to US\$ 2 750 million, up US\$ 19 million from end-October and mainly explained by purchases of foreign currency through the Over-the-Counter.

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



Banks' current account balance at S/. 159 million

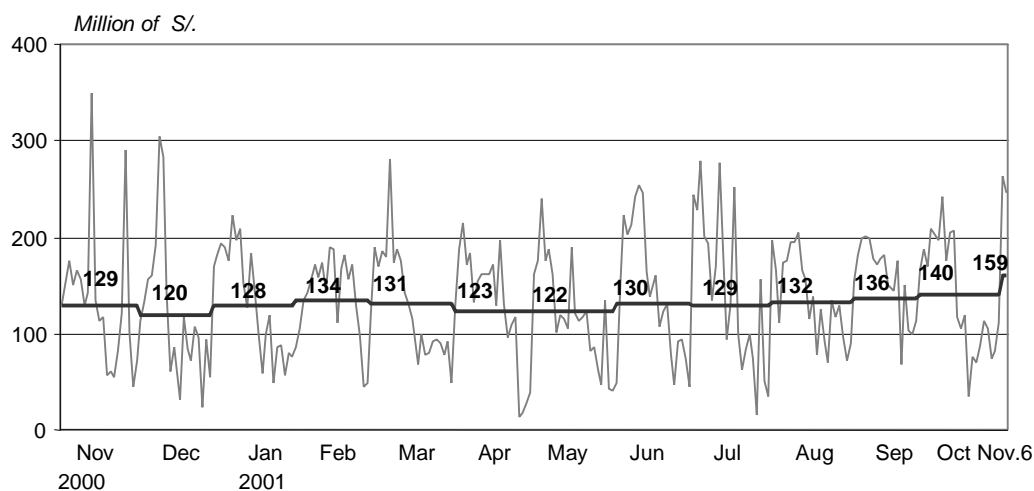
As of November 6, the banks' current account held at the Central Bank was S/. 159 million on a daily average basis. For the current month, the range announced by the Bank for the operating target is S/. 135-145 million. It should be noted that October balance amounted to S/. 140 million, within the range announced by the Bank for that month (S/. 132-142 million) and 2,9 percent higher than in September.

From November 1 to 6, the Central Bank made purchases of foreign currency by US\$ 9,5 and US\$ 10 million (on November 5 and 6). In the same period, the Bank made two repos totaling S/. 200 million at an average interest rate of 4,2 percent.

**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		
November 2000		-33	21	-139	35		118		14,0
December		-38	41	-107	20		83		11,4
January 2001		-41	10	-84	58		58		10,8
February		-27	27	-30	38		-9		11,0
March		-34	16	-13	37		-7		10,3
April		-73	16	-353	40		368		12,5
May		-28	14	-157	48		125		12,7
June		-34	18	-50	37		29		16,0
July		-30	31	-20	25		-6		8,4
August		-32	5	23	50		-44		5,7
September		-39	14	-31	36		18		5,8
October		-44	16	-84	31		84		4,5
November 1-6		-133	0	-38	104		134		4,1

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

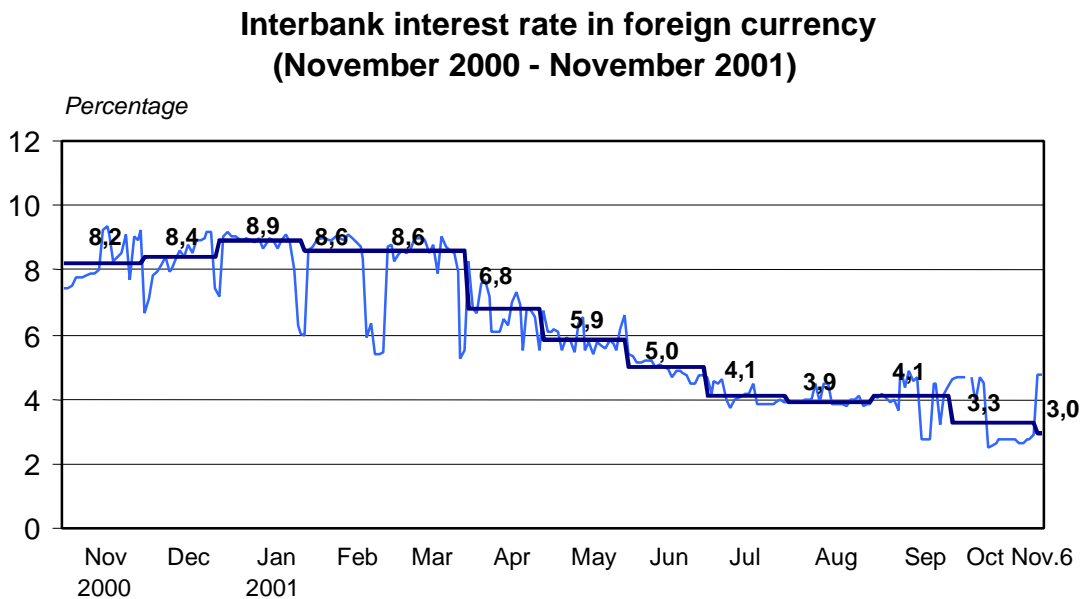
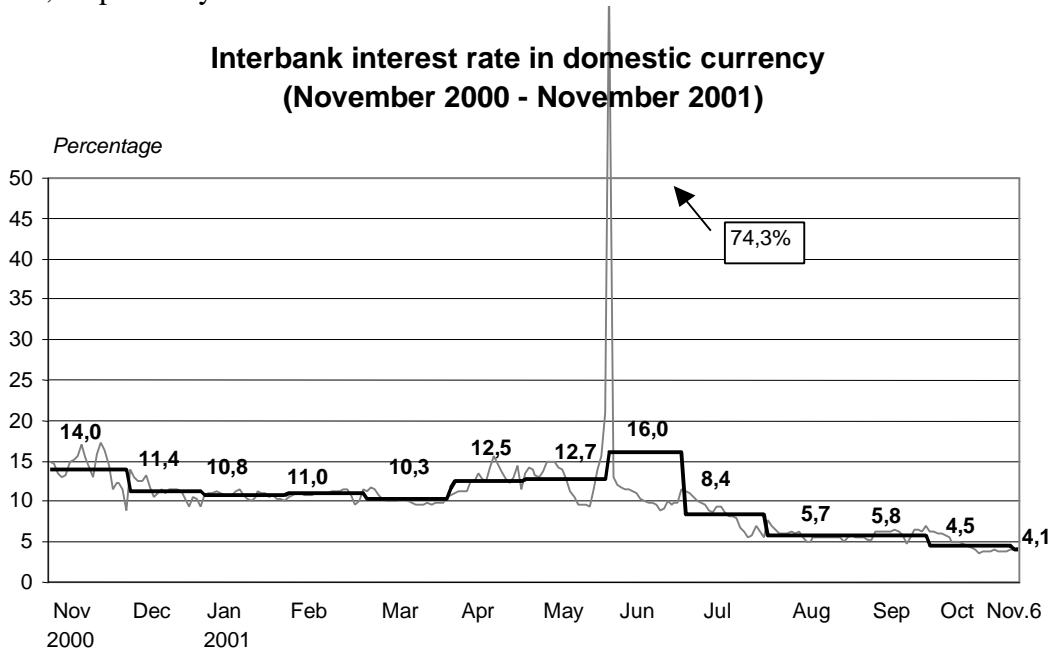


Average monetary base at S/. 5 374 million

As of November 6, the daily average balance of the monetary base was S/. 5 374 million, up 4,8 percent from October and 7,9 percent from the same month a year ago. On November 6, the monetary base amounted to S/. 5 341 million, down 0,4 percent (S/. 22 million) from end-October reflecting the lower cash demand after the last long weekend. The operations that explained the lower monetary base were higher public sector deposits (S/. 215 million), which were partially offset by the temporary purchases of bills (S/. 125 million), and purchases through the Over-the Counter (S/. 67 million).

Interbank interest rates decrease

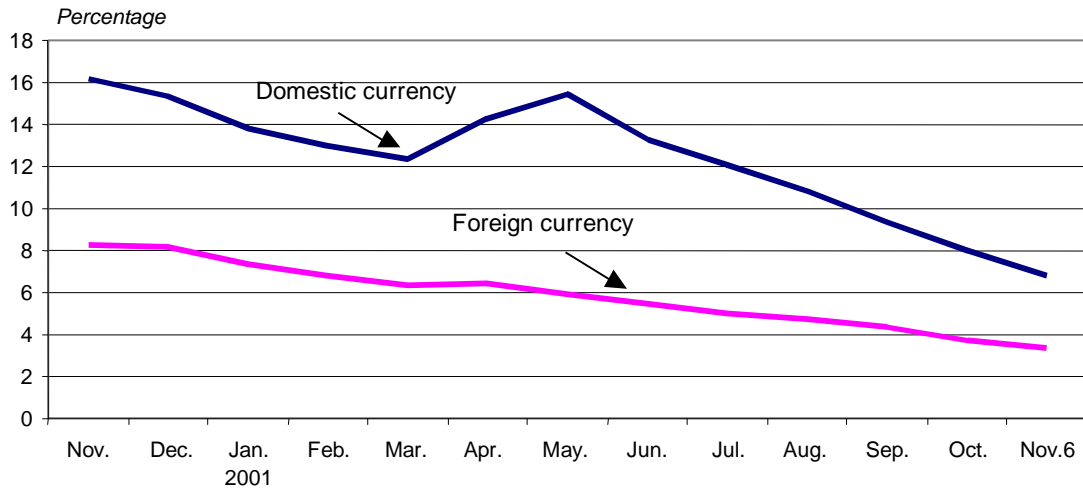
In October, the interbank interest rate in domestic currency was 4,5 percent, lower than in September (5,8 percent). In the same period, the corresponding rate in foreign currency passed from 4,1 to 3,3 percent. As of November 6, these rates were 4,1 and 3,0 percent, respectively.



Average lending rates in domestic and foreign currency decreased

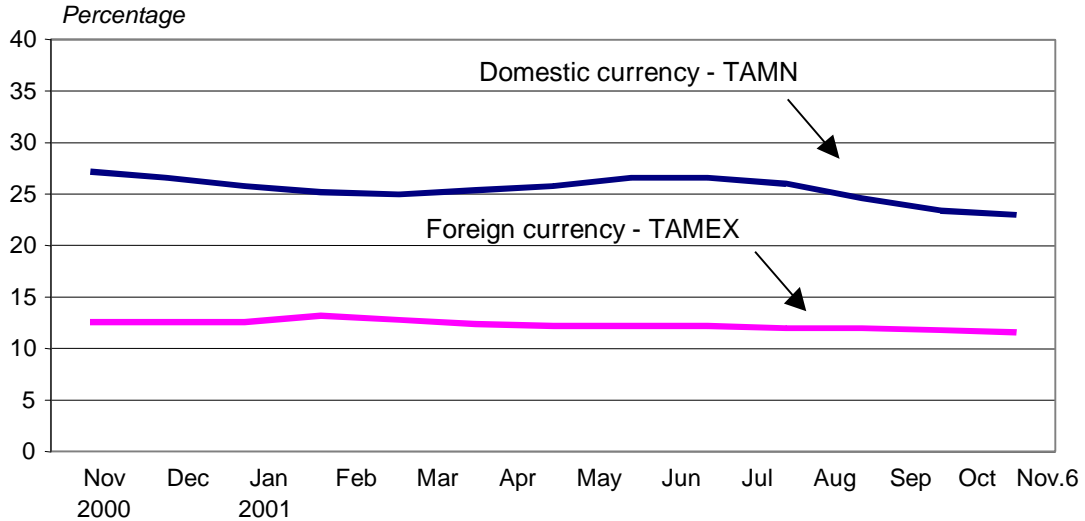
The corporate prime interest rate in domestic currency (on 90-day loans to low-risk clients) declined from 9,4 percent in September to 8,0 percent in October. The rate in foreign currency also decreased from 4,4 percent last month to 3,7 percent. As of November 6, these rates were 6,8 and 3,3 percent in domestic and foreign currency, respectively.

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



In October, the average lending interest rate in domestic currency (TAMN) was 23,5 percent, lower than last month's average (24,7 percent). Over that period, the rate in foreign currency (TAMEX) passed from 12,0 to 11,9 percent. As of November 6, these rates were 23,0 and 11,7 percent, respectively.

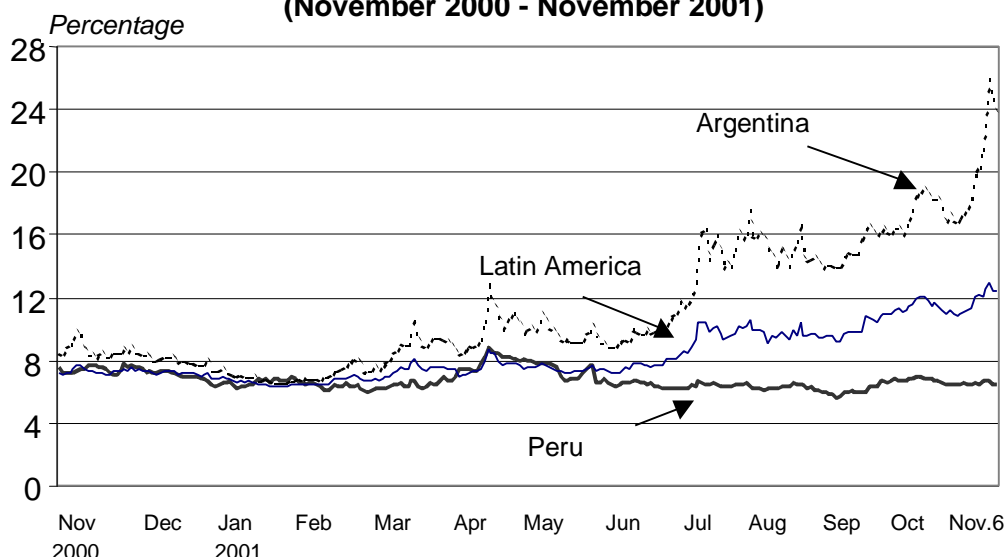
**Active lending interest rates in domestic and foreign currency
(November 2000 - November 2001)**



Peru's bonds spread at 6,5 percent

In October, 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 6,7 percent, higher than in September (6,3 percent). However, as of November 6 the spread declined to 6,5 percent. On the other hand, the average spread of Latin-American bonds increased from 11,5 percent in October and 12,6 percent as of November 6.

**Spread of sovereign bonds
(November 2000 - November 2001)**



Exchange rate at S/. 3,46

In October, the ask exchange rate in the banking system was S/. 3,46, 0,8 percent lower than last month's average (S/. 3,49). In the last 12 months, the exchange rate fell 1,2 percent and 1,7 percent in the period January-October.

In real terms, the exchange rate decreased 1,4 percent, reflecting October's nominal appreciation (0,8 percent) and the difference between domestic inflation (0,04 percent) and external inflation (-0,5 percent). In the period January-October the real exchange rate decreased 3,6 percent and 4,0 percent in the last 12 months.

The net balance of foreign currency sales in the forward market increased from US\$ 572 million in September to US\$ 595 million in October and US\$ 614 million as of November 6, whereas the banks' exchange position passed from US\$ 667 million in September to US\$ 527 million in October and to US\$ 487 million as of November 6.

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

	December 2000	August 2001	September	October	November 1-6
End-of-period balance:					
a. Net sales to the public (i-ii)	440	596	572	595	614
i. Forward sales to the public	653	1 065	1 059	1 039	1 031
ii. Forward purchases to the public	213	470	496	443	417
b. Banks' exchange position	630	446	667	527	487
Flows:					
I. Forward sales to the public	0	-3	-1	-1	5
- New sales	12	12	12	15	31
- Redemptions	12	15	13	16	26
II. Forward purchases to the public	-2	-3	-1	-2	-5
- New purchases	6	9	9	8	15
- Redemptions	8	12	10	10	20
III. Net spot purchases to the public	0	3	4	6	6
- Purchases	87	76	78	85	99
- Sales	87	73	74	79	93

Inflation October 2001: 0,04 percent

In October, the **Consumer Price Index** (CPI) increased 0,04 percent, as a consequence of the increase in non-tradable food prices (0,7 percent) offset by the fall in oil (-2,3 percent) and public services (-0,3 percent). The 12 month inflation was 0,7 percent and 0,5 percent in the period January - October.

Tradable product prices decreased 0,2 percent in October and increased 0,6 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.

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 October and 1,5 percent in the last 12 months.

	INFLATION (Percentage changes)									
	2000					2001				
	Aug.	Sep.	Oct.	Jan.-Oct.	12 month	Aug.	Sep.	Oct.	Jan.-Oct..	12 month
GENERAL INDEX	0.47	0.56	0.23	3.51	4.25	-0.30	0.06	0.04	0.46	0.68
TRADABLE PRODUCTS	0.2	0.4	0.5	3.5	3.9	-0.4	-0.1	-0.2	-0.6	0.6
Food	0,1	-0,2	-0,1	0,5	0,2	-0,2	0,1	0,1	-1,1	-1,2
Textile & footwear	0,1	0,1	0,2	2,0	2,5	0,1	0,1	0,0	1,6	2,2
Fuel	0,6	3,8	4,2	20,6	23,0	-2,9	-1,0	-2,3	-8,5	-1,1
Electrical appliances	0,1	0,3	0,4	1,1	1,6	-0,3	0,1	-0,3	0,6	1,3
Others	0,2	0,3	0,3	4,0	4,9	-0,1	-0,1	0,2	1,6	2,7
NON-TRADABLE PRODUCTS	0.7	0.7	0.1	3.5	4.5	-0.2	0.2	0.2	1.2	0.7
Food	1,1	1,2	-0,4	3,9	3,5	-0,9	0,5	0,7	1,7	-2,0
Services	0,5	0,4	0,3	3,3	5,0	0,0	0,0	-0,1	1,0	1,9
Others	0,5	0,9	0,3	3,1	3,5	0,0	0,0	0,1	0,3	0,7
Note:										
Underlying inflation	0,4	0,2	0,2	2,5	2,9	-0,1	0,0	0,0	0,7	1,5

Monetary accounts: October 22

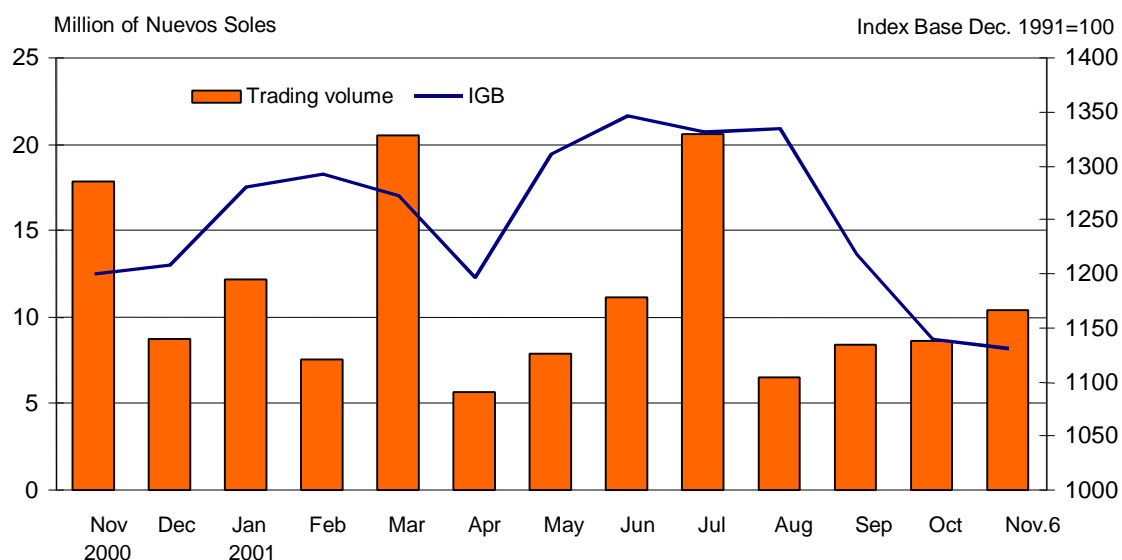
From September 22 to October 22, liquidity in domestic currency increased 0,5 percent to S/. 14 614 million. In annual terms this aggregate increased 8,4 percent. On the other hand, credit to the private sector in domestic currency increased 2,1 percent to S/. 9 078 million. Growth in the last 12 months for this variable was 6,4 percent.

Liquidity in foreign currency decreased 0,1 percent (US\$ 12 million) to US\$ 9 681 million, however in increased 4,4 percent in the last-12 month. Credit to the private sector (US\$ 11 109 million) decreased 0,4 percent (US\$ 45 million) in the last 4 weeks and 0,8 percent in the last 12 months.

General Index decreased 0,7 percent

As of October 31, the Lima Stock Exchange decreased relative to end-September by 6,5 percent in the General Index and 7,0 percent in the Blue Chip Index. In the period November 1 to 6, the General and Blue Chip indices decreased 0,7 and 1,0 percent, respectively and 6,4 percent and 10,1 percent, respectively, in the year

**Stock market indicators
(November 2000 - November 2001)**



Lima, November 9, 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: November 2001

1. For the month of November, the Board increased the range for its operating target at **S/. 135 - S/. 145 million as a daily average**. In October, the said balance was S/. 140 million, which fell within the announced range (S/. 132 – S/. 142 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 November 9:
 - a. For monetary regulation credits in domestic currency, the effective interest rate would be **the weighted average of the interbank interest rates, or 6,0 percent, whichever is highest**. It should be noted that this is the fourth consecutive month in which the Bank reduced this rate. Formerly, the said rate was 7,5 percent.
 - b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **2,5 percent**. The latter rate was 3,0 percent.
 - c. For foreign exchange temporary purchase operations (swap operations), the commission implies an effective annual cost of **6,0 percent**. The latter cost was 7,5 percent.
3. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be **4,5 percent**. The latter rate was 5,0 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. Besides, the Central Bank operations will be oriented to reduce volatility in the exchange market.
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, November 8, 2001

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

	2001										Program November
	February	March	April	May	June	July	August	September	October		
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		135-145
Revised			120-130								
Actual	134	131	123	122	130	129	132	136	140		
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		6,0
a.2. In foreign currency	8,5	8,5	8,5	7,5	7,0	6,5	6,0	5,5	5,0		4,5
b. Overnight deposits											
b.1. In domestic currency	4,5	4,0	4,0	4,0	4,0	4,0	4,0	4,0	3,0		2,5
b.2. In foreign currency 1/	5,5	5,3	4,8	4,2	3,9	3,8	3,7	3,2	2,5		1/
3. Swap commission											
Commission	0,0172	0,0165	0,0159	0,0174	0,0171	0,0158	0,0138	0,0134	0,0138		3/
Annual percentage rate	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5	7,5		6,0

Note:

Interbank interest rate in domestic currency	11,0	10,3	12,5	12,7	10,6 ^{2/}	8,4	5,7	5,9	4,5	
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1/ Similar to BCRP international overnight deposits' interest rate abroad.

2/ June 1 quotation not included (74,3 percent).

3/ Since October, the swap commission is calculated on a daily basis and considering the international levels.