

BANCO CENTRAL DE RESERVA DEL PERU
WEEKLY REPORT N° 50
December 14, 2001

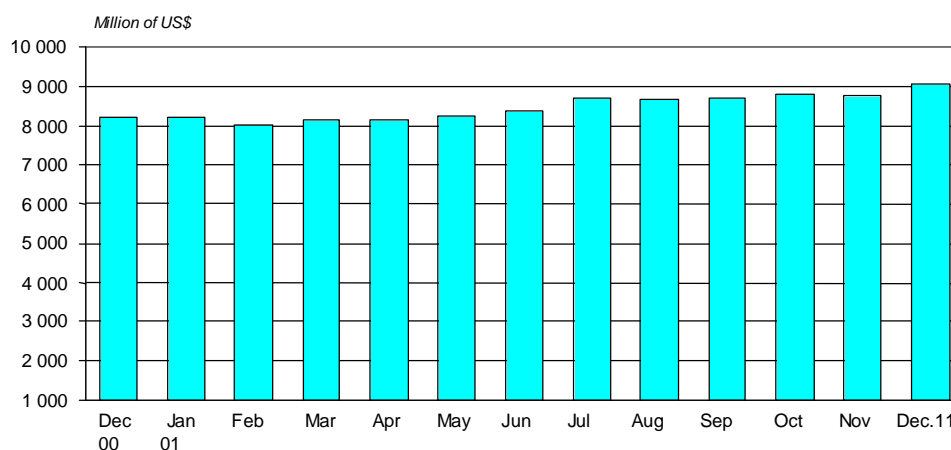
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Net International Reserves at US\$ 9 395 million

As of December 11, the net international reserves (NIR) of the Central Reserve Bank of Peru amounted to US\$ 9 395 million, up US\$ 628 million from end-November and US\$ 1 215 million from end-2000. The increase of NIR during December obeys to higher financial system (US\$ 504 million) –which corresponds to privatization funds- and public sector deposits (US\$ 101 million) –which corresponds to CAF disbursements- as well as purchases of foreign currency (US\$ 28 million). These operations were partially offset by the net interest payments (US\$ 3 million) and valuation changes (US\$ 2 million). On the other hand, the foreign exchange position amounted to US\$ 2 854 million, up US\$ 26 million from end-November.

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



Banks' current account balance at S/. 217 million

As of December 11, the banks' current account held at the Central Bank was S/. 217 million on a daily average basis. For the current month, the range announced by the Bank for the operating target is S/. 150-160 million.

From December 5 to 11, the Central Bank issued CDBCRP by S/. 415 million. On December 7, 10 and 11 the Bank made purchases of foreign currency CDBCRP by US\$ 5, US\$ 5 and US\$ 6 million, respectively.

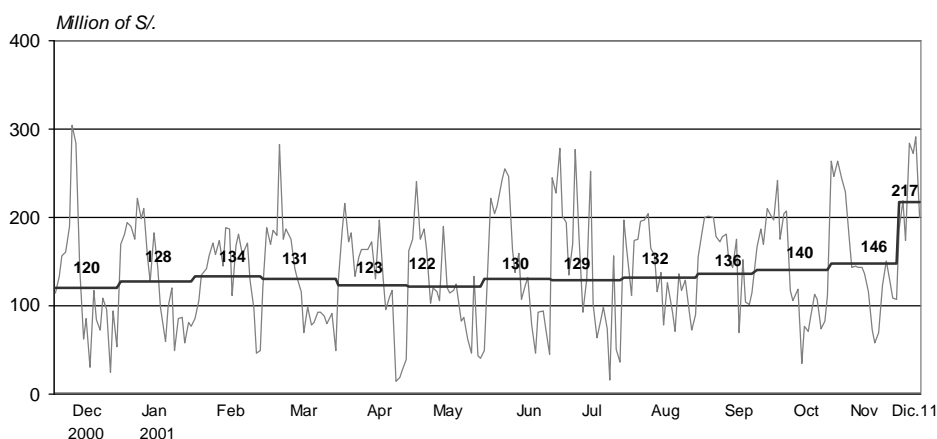
Issuance of CDBCRP

Date	Term	Amount (Million of S/.)	Interest rate (%)
December 6	14 weeks	100	3,34
December 7	6 months	65	3,94
December 7	1 year	30	5,13
December 10	18 weeks	20	3,26
December 10	6 months	80	3,78
December 11	1 week	90	2,73
December 11	1 year	30	5,37
Total		415	

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		-52	14	-10	47		1		3,5
December 1-11		9	34	15	30		-75		3,1

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



Average monetary base at S/. 5 476 million

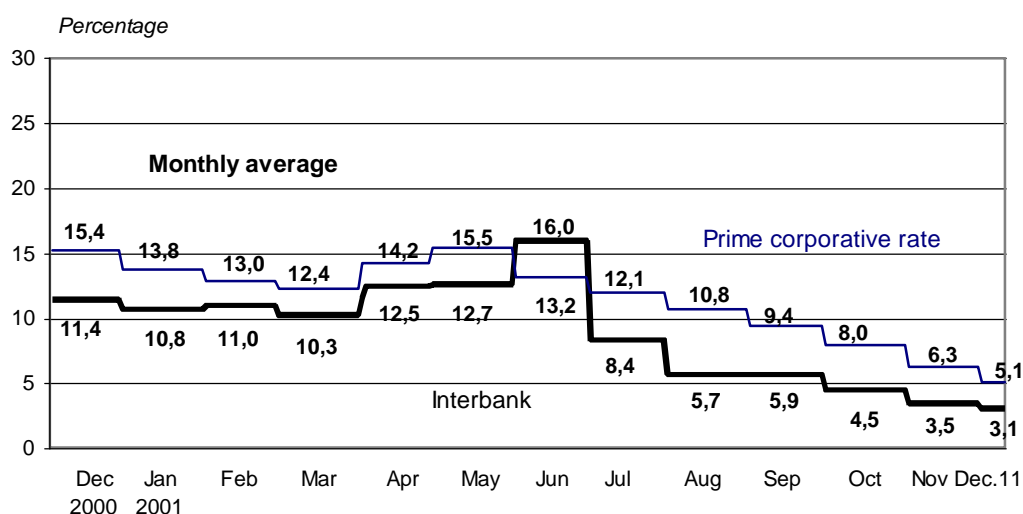
As of December 11, the daily average balance of the monetary base was S/. 5 476 million, up 3,4 percent from November. On December 11, the monetary base amounted to S/. 5 534 million, up 4,0 percent (S/. 215 million) from end-November. The

operations that explained the higher monetary base were the withdrawal of public sector deposits (S/. 381 million), purchases of foreign currency (S/. 95 million) and other outlays (S/. 11 million), which were partially offset by the net issuance of CDBCRP (S/. 175 million), higher overnight deposits (S/. 60 million) and the redemption of temporary purchases of CDBCRP (S/. 37 million).

Interest rates decrease

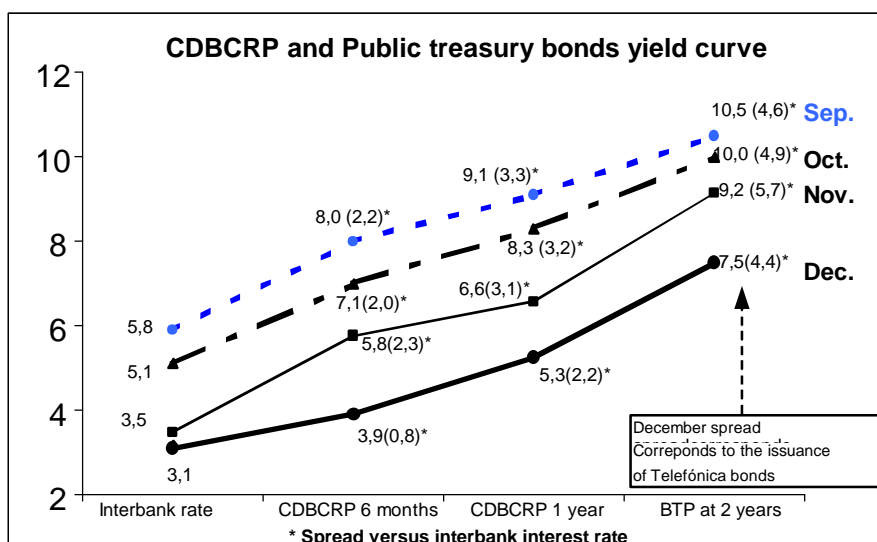
As of December 11, the interbank interest rate in domestic currency decreased from 3,5 percent in November to 3,1 percent, whereas the corporate prime interest rate declined from 6,3 percent in November to 5,1 percent. In the same period, the average lending interest rate in domestic currency (TAMN) increased from 22,7 to 22,9 percent. As of December 11, these rates were 2,8, 4,9 and 22,6 percent, respectively.

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



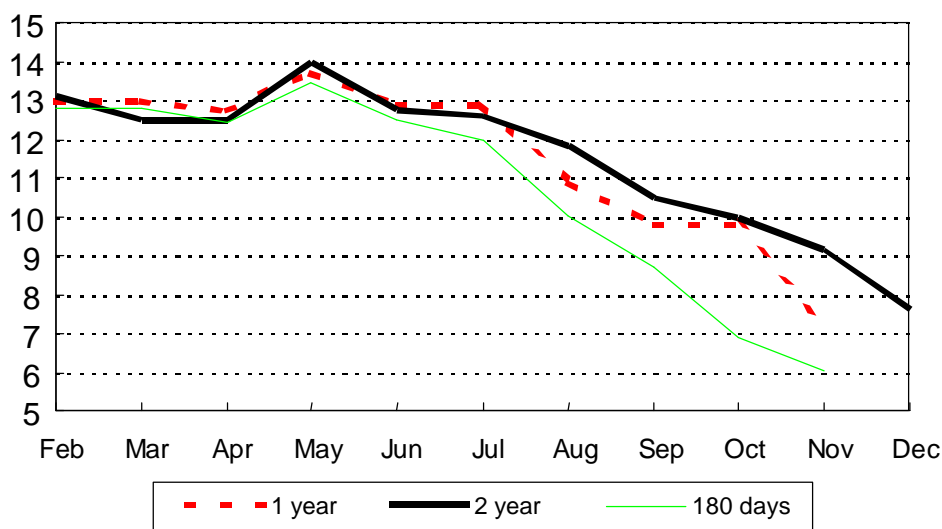
The decrease in interbank interest rate responds to lower financial costs of CDBCRP and Public Treasury bonds, which are risk-free financial assets, which can be used as a benchmark for setting the interest rates of other financial assets.

The following graph depicts the yield curve of low risk assets such as CDBCRP and Public Treasury bonds. As can be appreciated, the yield curve has moved downwards in every term, which denotes confidence in the recently seen decreasing trend of interest rates. These curves have a common origin in 1-day interbank operations interest rates. It should be noted that the spread between the yield of these assets and the interbank interest rate have decreased in every term along this period.



The same pattern is observed in the interest rates of fixed income instruments in the capital market (such as bonds and commercial bills) as seen in the following graph. Thus, in November the government issued 2 year bonds at an effective interest rate of 9,1 percent (versus 10 percent in October), whereas Telefónica del Perú issued bills with a 1-year maturity at 7,2 percent (versus 9,8 percent in September). In December, this company issued bonds with a 2-year maturity at 7,6 percent.

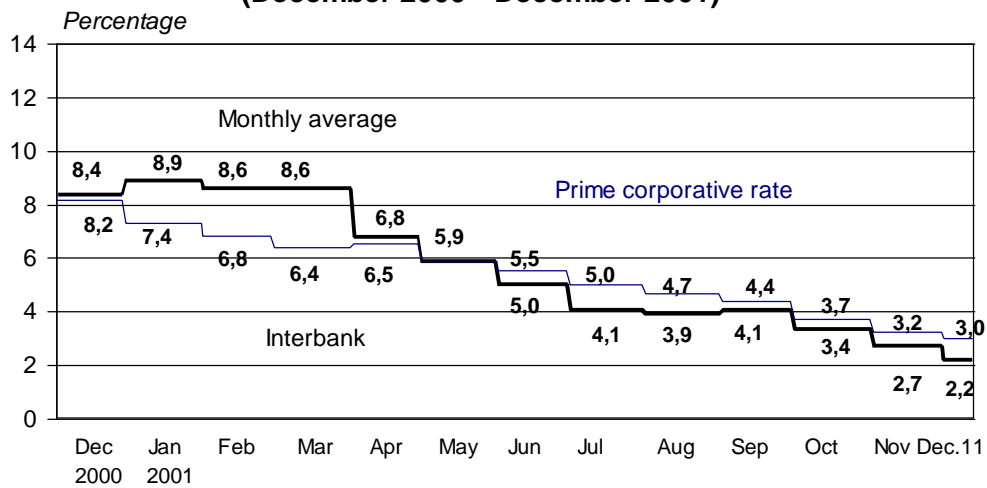
Domestic currency interest rates in the capital market ^{1/}



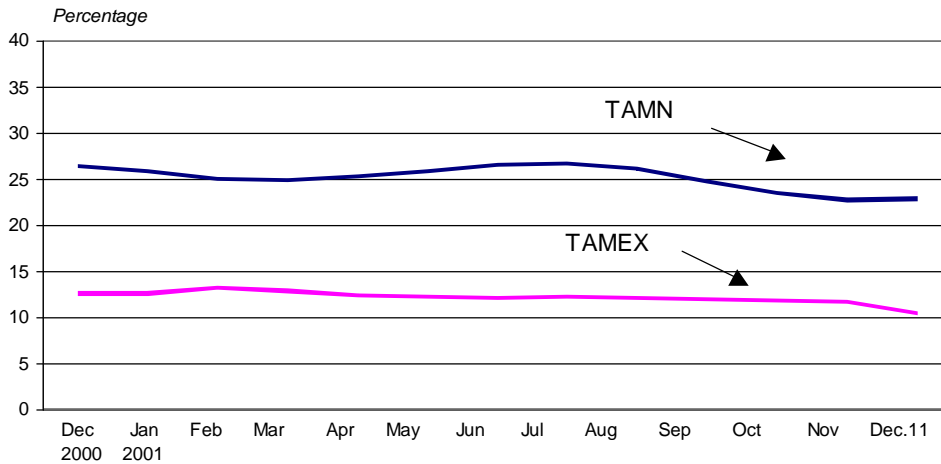
^{1/} Commercial bills and low-risk bonds (Public Treasury and Telefónica).

In foreign currency, the interbank rate passed from 2,7 percent in November to 2,2 percent as of December 11. The corporate prime interest rate in foreign currency declined from 3,2 percent to 3,0 percent. In the same period, the average lending interest rate in foreign currency (TAMEX) also declined from 11,7 to 10,4 percent. On December 11, these rates were 1,9, 3,0 and 10,1 percent, respectively.

**Interbank interest rate in foreign currency
(December 2000 - December 2001)**



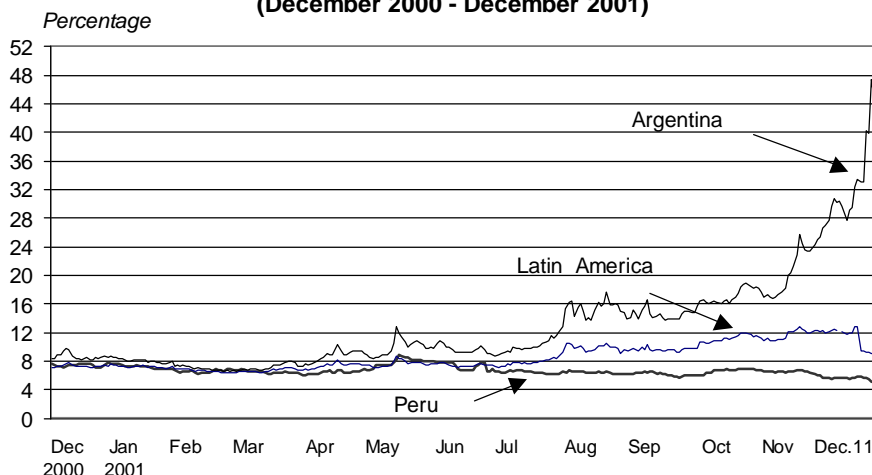
**Average lending interest rates
(December 2000 - December 2001)**



Peru's bonds spread at 5,2 percent

As of December 11, 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 5,2 percent, lower than the levels in November (5,8 percent) and October (6,7 percent).

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



Exchange rate at S/. 3,43

On December 11, the ask exchange rate in the banking system was S/. 3,431, 0,12 percent lower than in November (S/. 3,435). However, the exchange rate has remained steady (at S/. 3,43) in most of December, notwithstanding the start of the tax period. The Central bank intervened in the exchange market by purchasing US\$ 16 million on December 7, 10 and 11.

The balance of foreign currency sales in the forward market increased slightly from US\$ 943 million in November to US\$ 945 million as of December 11, whereas the banks' exchange position passed from US\$ 585 million to US\$ 559 million in the above mentioned period.

Banks' exchange market operations to the public: Daily average (Million of US\$)						
	December 2000	August 2001	September	October	November	December 1-11
End-of-period balance:						
a. Net sales to the public (i-ii)	440	596	572	595	618	610
i. Forward sales to the public	653	1 065	1 068	1 039	943	945
ii. Forward purchases to the public	213	470	496	441	325	336
b. Banks' exchange position	630	446	667	527	585	559
Flows:						
I. Forward sales to the public	0	-3	-1	-1	-4	-1
- New sales	12	12	12	15	16	9
- Redemptions	12	15	13	16	20	10
II. Forward purchases to the public	-2	-3	-1	-2	-5	0
- New purchases	6	9	9	8	8	14
- Redemptions	8	12	10	10	13	14
III. Net spot purchases to the public	0	3	4	6	16	-6
- Purchases	87	76	78	85	91	63
- Sales	87	73	74	79	75	68

Gross domestic product rose 2,2 percent in October

The **gross domestic product** (GDP) rose 2,2 percent in October compared with October 2000. It should be noted that 50 percent of this growth was explained by the mining project Antamina. **Primary sectors** grew 8,6 percent on average –reflecting the increase in mining (17,5 percent), agriculture (2,1 percent), fishing (4,0 percent) and raw material processing (7,8 percent). On the other hand, **non-primary sectors** grew 0,9 percent, due to the increase in construction, non-primary industry, trade and other services. In the period January-October the GDP decreased 0,7 percent.

GROSS DOMESTIC PRODUCT
(Rates of growth)

	October		January-October	
	2000	2001	2000	2001
Agriculture and livestock	3,1	2,1	6,2	-1,0
<i>Agriculture</i>	0,2	2,8	6,5	-3,3
<i>Livestock</i>	7,6	1,5	6,0	2,3
Fishing	-22,8	4,0	15,8	-5,2
Mining and oil products	3,3	17,5	2,7	8,2
<i>Mining</i>	4,1	19,4	3,8	9,5
<i>Oil products</i>	-5,1	1,3	-6,8	-2,4
Manufacturing	1,2	1,9	8,9	-1,5
<i>Based on raw materials</i>	-6,8	7,8	12,3	-0,3
<i>Non-primary industries</i>	3,7	0,5	7,9	-1,8
Construction	-12,1	0,6	-1,2	-9,1
Trade	1,9	1,6	6,1	-1,0
Other	0,8	0,9	2,9	-0,4
GDP	0,4	2,2	4,3	-0,7
<i>Primary sectors</i>	0,2	8,6	6,5	1,7
<i>Non primary sectors</i>	0,4	0,9	3,9	-1,3
Domestic demand	-0,8	0,2	3,8	-1,6

Trade deficit in October: US\$ 7 million

In October, the **trade deficit** amounted to US\$ 7 million and US\$ 136 million in the period January-October (compared with US\$ 113 million in the same period a year ago).

TRADE BALANCE
(Million of US\$)

	October				January-October			
	2000	2001	Flow	Var. %	2000	2001	Flow	Var. %
Exports	681	601	-80	-11,8	5 860	5 923	62	1,1
Traditional products	457	405	-51	-11,3	4 032	3 959	-73	-1,8
<i>Mining</i>	75	23	-51	-69	842	833	-8	-1
<i>Petroleum and derivatives</i>	31	29	-3	-8,5	211	164	-47	-22,4
<i>Agriculture</i>	307	310	2	0,8	2 630	2 604	-26	-1
<i>Fishing</i>	44	44	0	0,8	350	357	8	2,2
Non-traditional products	214	182	-31	-14,7	1 680	1 806	126	7,5
<i>Agriculture</i>	45	47	2	5	310	335	25	8,1
<i>Textile</i>	71	46	-25	-34,8	577	556	-21	-3,6
<i>Fishing</i>	17	17	0	-1,6	156	176	20	13,1
<i>Fabricated metal products</i>	10	9	-1	-12,6	78	132	54	68,7
<i>Chemical</i>	20	23	2	11,7	173	206	34	19,5
<i>Based metal industries</i>	24	12	-11	-47,3	183	163	-20	-10,7
<i>Non-metal</i>	5	5	0	9,2	37	49	12	31,4
<i>Others</i>	23	24	1	3,7	167	189	22	13,1
Others	11	14	3	25,2	148	158	10	6,6
<i>Fishing concessions</i>	3	8	5	197,5	83	99	16	19,2
<i>Other</i>	8	6	-2	-30,3	65	59	-6	-9,6
Imports	706	608	-98	-13,9	6 109	6 058	-51	-0,8
Consumer goods	141	149	9	6,2	1 181	1 283	102	8,7
Inputs	390	294	-96	-24,6	3 057	3 049	-9	-0,3
Capital goods	167	155	-12	-7,5	1 748	1 632	-116	-6,7
Others	8	10	2	24,6	122	94	-28	-22,9
Trade balance	-25	-7	18	71,2	-249	-136	113	45,5

In the period January-October, **exports** rose 1,1 percent. Traditional exports fell 1,8 percent, whereas non-traditional increased 7,5 percent. It should be noted the fall in average export prices (-16 percent), whereas embankments volume grew 5 percent.

Conversely, **imports** decreased 0,8 percent. In particular, capital goods acquisitions fell 6,7 percent. Average import prices declined 9 percent, reflecting the lower international price of oil, whereas the imported volume decreased 5 percent in line with the lower international demand over that period.

Central government operations: October

In October, the central government **current revenue** amounted to S/. 2 174 million, from which S/. 1 900 million correspond to tax collection and S/. 275 million to non-tax revenues. **Tax collection** recorded a slight increase in real terms (0,2 percent), due to the increase in income tax, the tax on state assets (IAE) and the Special Tax Amnesty Regime. The latter was partially offset by lower value added tax and tariff collection. **Non-tax revenue** fell sharply (-70,8 percent in real terms) due to lower transfers from state-owned enterprises to the central government, as well as lower royalties and oil canon. These factors explained the decrease in current revenues compared with October 2000 (-23,3 percent in real terms).

Non-financial expenditure increased to S/. 2 330 million, up 5,5 percent in real terms from October 2000. It should be noted the increment in capital expenditure (9,8 percent in real terms).

The **primary balance** passed from S/. 743 million surplus in October 2000 (including a S/. 675 million transfer from state-owned enterprises) to a S/. 136 million deficit in October. Public debt interest service amounted to S/. 137 million (versus S/. 458 million in October 2000, as a result of the deference of the Brady bonds service due to the Elliot Associates litigation).

CENTRAL GOVERNMENT OPERATIONS						
(Million of S/.)						
	October			January-October		
	2000	2001	Real %	2000	2001	Real %
1. CURRENT REVENUE	2 816	2 174	-23,3	23 047	22 491	-4,7
<i>a. Tax revenue</i>	1 882	1 900	0,2	18 790	19 565	1,7
<i>b. Non-tax revenue</i>	933	275	-70,8	4 257	2 926	-32,7
2. NON FINANCIAL EXPENDITURE	2 194	2 330	5,5	23 845	22 579	-7,5
<i>a. Current</i>	1 838	1 936	4,6	19 582	19 255	-4
<i>b. Capital</i>	356	394	9,8	4 263	3 323	-23,9
3. OTHER OPERATIONS	122	19	-84,4	460	187	-60,2
4. PRIMARY BALANCE (1-2+3)	743	-136		-339	99	
5. INTEREST	458	137	-70,4	3 174	3 129	-3,7
6. OVERALL BALANCE (45)	285	-273		-3 512	-3 030	

Public Treasury' cash flow: November

In November, the Public Treasury cash flow in domestic currency was negative in S/. 148 million. Revenues amounted to S/. 1 813 million (7,7 percent higher than November 2000 in nominal terms). Cash payments amounted to S/. 1 929 million, up 18,0 percent in nominal terms from November 2000, and explained by the increase in civil servants remunerations in force since September 2001 and the higher domestic debt service from Public Treasury Bonds. In turn, cash payments in November 2000 reflected the fiscal adjustment measures. Furthermore, there were purchase of foreign currency by US\$ 15 million.

In **foreign currency**, the cash flow was negative in US\$ 49 million, reflecting US\$ 11 million revenues, purchases of foreign currency of US\$ 15 million and external debt service of US\$ 75 million. As a result, the balance of the Public Treasury accounts at the Central Bank amounted to US\$ 470 million.

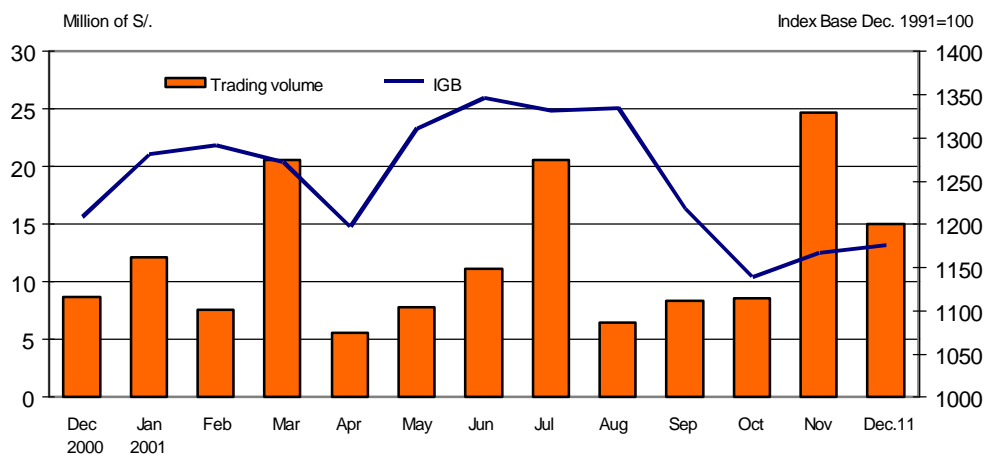
PUBLIC TREASURY CASH FLOW

	November			January-November		
	2000	2001	Var %	2000	2001	Var %
A. DOMESTIC CURRENCY (Millions of Nuevos Soles)						
I. REVENUES	1702	1833	7,7	19533	19062	-2,4
II. PAYMENTS	-1635	-1929	18,0	-19705	-19732	0,1
III. PURCHASE (-) / SELLING (+) of foreign currency	0	-52		576	-533	
IV. OVERALL BALANCE (I+II+III)	67	-148		404	-1202	
B. FOREIGN CURRENCY (Millions of US dollars)						
I. REVENUES	31	11	-65,6	340	241	-29,2
II. PURCHASE (+) / SELLING (-) of foreign currency	0	15		-167	152	
III. PAYMENTS	-71	-75	5,2	-1452	-1438	-1,0
IV. OVERALL BALANCE (I+II+III)	-40	-49		-1279	-1046	

General Index increased 0,7 percent

As of December 11, the Lima Stock Exchange increased relative to end-November by 0,7 percent in the General Index and 0,5 percent in the Blue Chip Index. However, in the year, the General and Blue Chip index have decreased 2,9 and 6,7 percent, respectively.

Stock market indicators (December 2000 - December 2001)



Lima, December 14, 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).