



# BANCO CENTRAL DE RESERVA DEL PERÚ

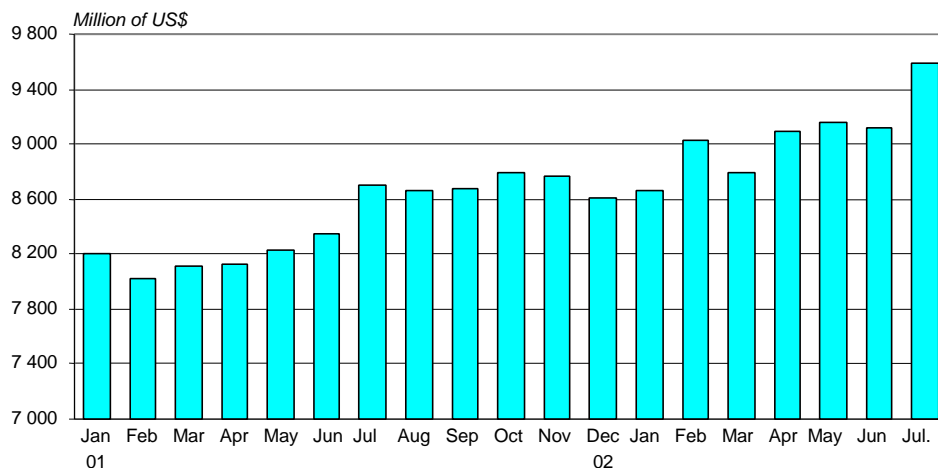
## WEEKLY REPORT N° 31- August 2, 2002

### Net International Reserves: US\$ 9 594 million

As of July 31, the net international reserves (NIR) of the Central Reserve Bank of Peru amounted to US\$ 9 594 million, up US\$ 468 million from end-June due to increase of public sector (US\$ 231 million), financial system (US\$ 231 million) and Insurance

Deposit Fund deposits (US\$ 10 million) that were partially offset by investment yields and other operations (US\$ 4 million). On the other hand, the net international position amounted to US\$ 3 178 million, down US\$ 4 million from end-June.

**BCR net international reserves  
(January 2001 - July 2002)**

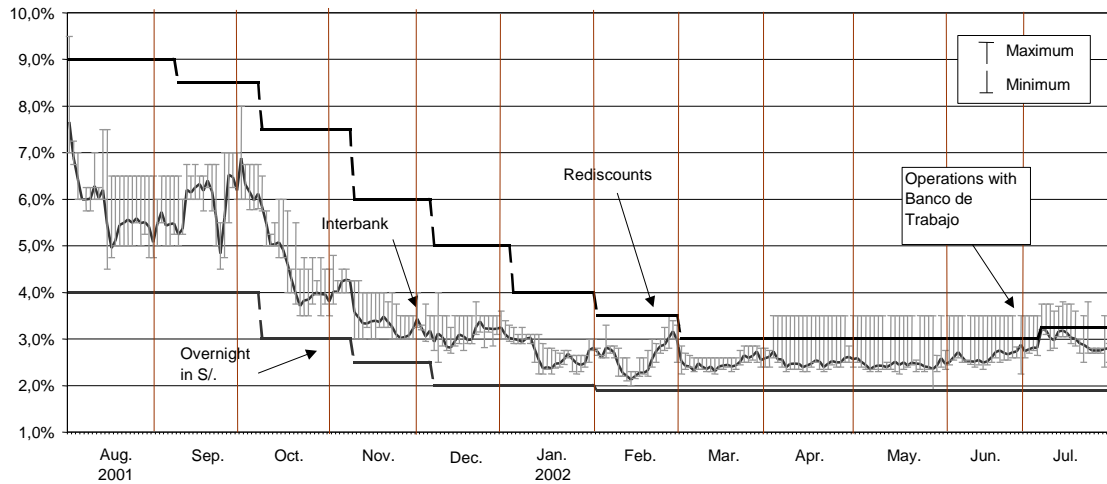


### Interbank interest rate: 2,9 percent

In July, the interbank interest rate was 2,9 percent, higher than in June (2,6 percent) in line with the higher demand for disposable liquidity in order to meet

monthly reserve requirement as well as the increase in the reference BCR interest rate from 3,0 to 3,25 percent since July 5.

## Interest rates in domestic currency (August 2001 - July 2002)



### Banks' current account balance: S/. 205 million

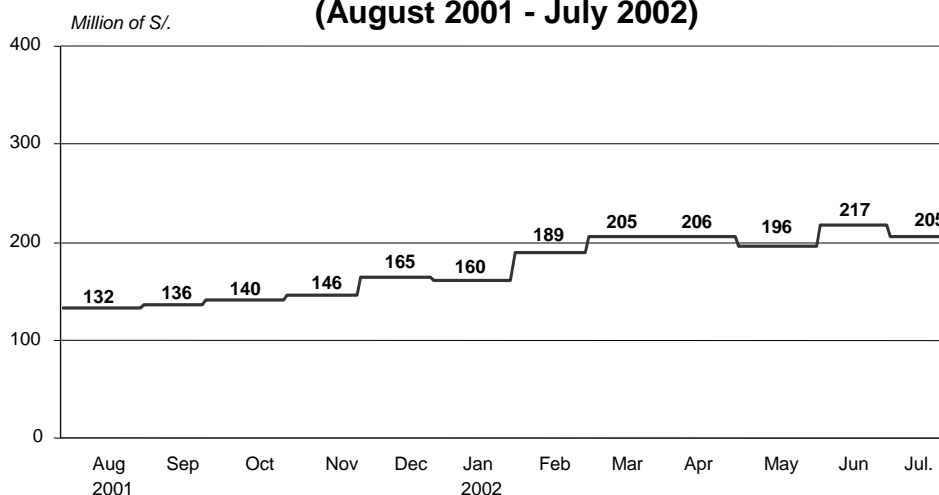
In July, the banks' current account held at the Central Bank was S/. 205 million on a daily average basis, within the range announced for that month (S/. 205 million to S/. 215 million on a daily average basis).

Between July 24 and 31, the Bank made auctions of temporary purchases of CDBCRP and BTP totaling S/. 400 million, at an average interest rate of 2,8 percent. The Bank also made overnight deposits by S/. 132 million.

#### Banks' current account at the Central Bank and monetary operations (Million of S/.)

|   | July      |           |            |           |
|---|-----------|-----------|------------|-----------|
|   | 24        | 25        | 26         | 31        |
| 1 Current account of the banking system before Central Bank operations      | <b>5</b>  | <b>40</b> | <b>-65</b> | <b>24</b> |
| 2 Central Bank operations   | 65        | 20        | 115        | 68        |
| a. Auction of temporary purchase of CDBCRP and BTP                          | 95        | 45        | 150        | 110       |
| - Average interest rate   | 2,72%     | 2,75%     | 2,76%      | 2,77%     |
| b. Overnight deposits   | -30       | -25       | -35        | -42       |
| 3 Current account of the banking system after Central Bank operations (1+2) | <b>70</b> | <b>60</b> | <b>50</b>  | <b>92</b> |
| Note:   |           |           |            |           |
| Last 30 day average of the current account                                  | 220       | 219       | 216        | 203       |

### Banks' current account at the BCR (August 2001 - July 2002)

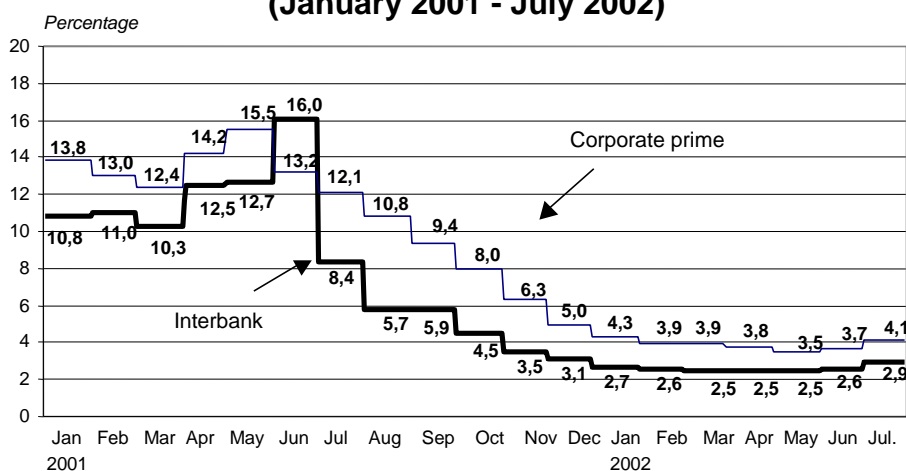


### Corporate prime interest rate: 4,1 percent

In July, the corporate prime interest rate in domestic currency was 4,1 percent,

higher than the average recorded in June (3,7 percent).

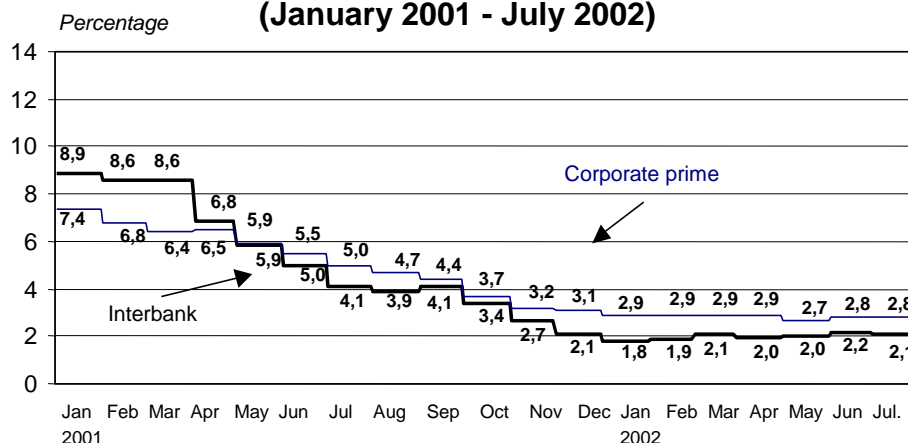
### Average interest rates in domestic currency (January 2001 - July 2002)



On the other hand, the corporate prime interest rate in foreign currency as of July 31 was 2,7 percent, lower than the

average rate recorded in June (2,8 percent).

## Average interest rates in foreign currency (January 2001 - July 2002)



### Exchange rate: S/. 3,535

In July, the exchange rate was S/. 3,535, up 1,5 percent from June average (S/. 3,482). In the last 12 month, the exchange rate has increased 0,8 percent.

In July, the balance of forward sales increased from US\$ 1 210 million on June 30 to US\$ 1 304 million on July 31. On the other hand, the banks' covered exchange position diminished from US\$ 645 million to US\$ 613

million, reflecting the forward operations.

In real terms, the multilateral real exchange rate increased 2,3 percent in July, reflecting the domestic currency depreciation (1,5 percent) and the difference between domestic inflation (0,03 percent) and external inflation (0,8 percent). In the period January-July the real exchange rate increased 1,0 percent.

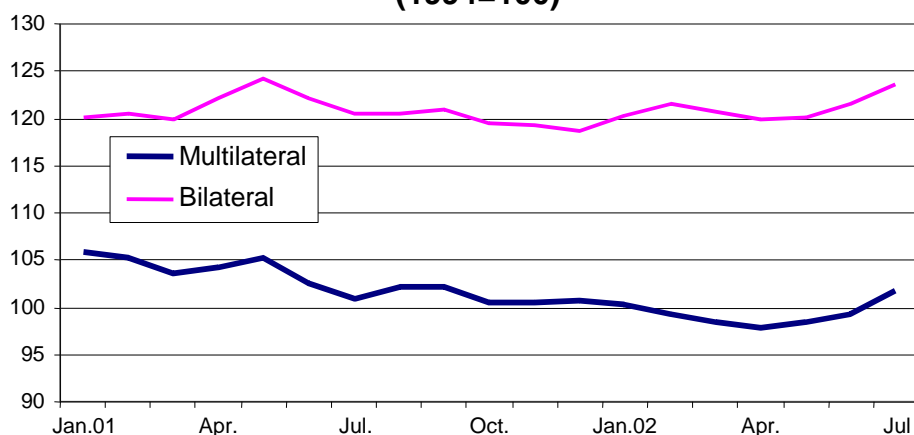
#### Banks' exchange market operations to the public: Daily average (Million of US\$)

|  | December 2001 | March      | June       | July       |
|--|---------------|------------|------------|------------|
| <b>End-of-period balance:</b>                |               |            |            |            |
| <b>a. Net sales to the public (i-ii)</b>     | <b>586</b>    | <b>683</b> | <b>869</b> | <b>977</b> |
| i. Forward sales to the public               | 834           | 1 054      | 1 210      | 1 304      |
| ii. Forward purchases to the public          | 248           | 371        | 341        | 328        |
| <b>b. Banks' exchange position</b>           | <b>587</b>    | <b>635</b> | <b>645</b> | <b>613</b> |
| <b>Flows:</b>                                |               |            |            |            |
| <b>I. Forward sales to the public</b>        | <b>-4</b>     | <b>-3</b>  | <b>3</b>   | <b>6</b>   |
| - New sales                                  | 11            | 29         | 42         | 47         |
| - Redemptions                                | 15            | 32         | 39         | 41         |
| <b>II. Forward purchases to the public</b>   | <b>-3</b>     | <b>-1</b>  | <b>0</b>   | <b>2</b>   |
| - New purchases                              | 12            | 8          | 13         | 22         |
| - Redemptions                                | 15            | 9          | 13         | 20         |
| <b>III. Net spot purchases to the public</b> | <b>3</b>      | <b>21</b>  | <b>30</b>  | <b>23</b>  |
| - Purchases                                  | 78            | 111        | 96         | 100        |
| - Sales                                      | 75            | 90         | 66         | 77         |

On the other hand, the bilateral real exchange rate (with the United states)

increased 1,6 percent in July and 4,1 percent in the period January-July.

### Real exchange rate index (1994=100)



### July Inflation: 0,03 percent

In July 2002, the Consumer Price Index (CPI) increased 0,03 percent, recording a 0,65 percent variation in the period January-July and a 0,14 percent contraction in the last 12 months. In July, the product that recorded a price increase were: transportation (14,2

percent), poultry (5,4 percent), papaya (5,2 percent) and banana (3,0 percent), partially offset by the decrease in fresh vegetables (-15,9 percent), fresh fish (-10,3 percent), carrot (-10,1 percent), pumpkin (-9,1 percent) and onion (-7,2 percent).

#### INFLATION: JULY 2002 (Percentage changes)

| Highest positive variations |                   |              | Highest negative variations |                   |               |
|-----------------------------|-------------------|--------------|-----------------------------|-------------------|---------------|
| Items                       | Percentage change | Contribution | Items                       | Percentage change | Contribution  |
| Poultry                     | 5,4               | 0,193        | Fresh fish                  | -10,3             | -0,120        |
| Transportation              | 14,2              | 0,036        | Fresh vegetables            | -15,9             | -0,093        |
| Rent                        | 0,7               | 0,016        | Onion                       | -7,2              | -0,043        |
| Kerosene                    | 1,2               | 0,014        | Carrot                      | -10,1             | -0,024        |
| Flights                     | 3,4               | 0,013        | Pumpkin                     | -9,1              | -0,024        |
| Papaya                      | 5,2               | 0,013        | Tomato                      | -3,8              | -0,013        |
| Female garment              | 0,5               | 0,012        | Corn                        | -3,9              | -0,010        |
| Banana                      | 3,0               | 0,011        | Egg                         | -0,7              | -0,007        |
| Restaurants                 | 0,1               | 0,010        | Fresh fruits                | -1,8              | -0,007        |
| Condiments                  | 1,5               | 0,009        | Rice                        | -0,3              | -0,007        |
| <b>Total</b>                |                   | <b>0,327</b> |                             |                   | <b>-0,348</b> |

The inflationary trend measured by the core inflation recorded a 0,14 percent

increase in July and a 0,45 percent increment in the period January-July.

## Macroeconomic expectations

The expected value of the annual inflation in 2002 and 2003 remains at 2,0 and 2,5 percent, respectively, according to financial and non-financial institutions. On the other hand, the survey to consultants indicates a decrease in inflation expectations from 1,7 percent to 1,6 percent for 2002, but remained at 2,1 percent for 2003.

Expectations on GDP growth for 2002 remains at 3,0 percent according to financial and non-financial enterprises, whereas consultants revised the forecast (from 3,0 to 3,2 percent). For 2003,

economic growth expectations have decreased from 3,5 to 3,4 percent and from 3,9 to 3,5 percent according to financial institutions and consultants, respectively, whereas non-financial institutions maintain their forecast (3,5 percent).

The end-of-year expected exchange rate is S/. 3,55 for financial institutions and consultants and S/. 3,58 for non-financial enterprises. The expected interbank interest rate is 3,3 percent according to financial institution and 2,8 percent to consultants.

### Financial enterprises (Median of the sample)

|  | Date of the survey |            |            |
|--|--------------------|------------|------------|
|  | May 30 1/          | June 28 2/ | July 31 2/ |
| <b><i>Inflation (%)</i></b>                |                    |            |            |
| August 2002                                | --                 | --         | 0,2        |
| Acumulate december 2002                    | 2,0                | 2,0        | 2,0        |
| Acumulate december 2003                    | 2,5                | 2,5        | 2,5        |
| <b><i>Exchange rate (S/. por US\$)</i></b> |                    |            |            |
| August 2002                                | --                 | --         | 3,54       |
| December 2002                              | 3,50               | 3,53       | 3,55       |
| December 2003                              | 3,60               | 3,60       | 3,65       |
| <b><i>Interbank interest rate (%)</i></b>  |                    |            |            |
| <i>In nuevos soles</i>                     |                    |            |            |
| August 2002                                | --                 | --         | 2,9        |
| December 2002                              | 3,0                | 3,0        | 3,3        |
| <i>In U.S. dollars</i>                     |                    |            |            |
| August 2002                                | --                 | --         | 2,0        |
| December 2002                              | 2,5                | 2,4        | 2,4        |
| <b><i>GDP growth (%)</i></b>               |                    |            |            |
| May 2002                                   | 3,0                | 3,0        | 3,5        |
| June 2002                                  | --                 | 3,0        | 3,0        |
| August 2002                                | --                 | --         | 2,5        |
| Year 2002                                  | 3,0                | 3,0        | 3,0        |
| Year 2003                                  | 3,5                | 3,5        | 3,4        |

1/ Sample: 29 financial enterprises

2/ Sample: 28 financial enterprises

**Non Financial enterprises**  
(Median of the sample)

|                                     | Date of the survey |            |            |
|-------------------------------------|--------------------|------------|------------|
|                                     | May 30 1/          | June 28 2/ | July 31 1/ |
| <b>Inflation (%)</b>                |                    |            |            |
| Acumulate december 2002             | 2,0                | 2,0        | 2,0        |
| Acumulate december 2003             | 2,5                | 2,5        | 2,5        |
| <b>Exchange rate (S/. por US\$)</b> |                    |            |            |
| December 2002                       | 3,52               | 3,55       | 3,58       |
| December 2003                       | 3,61               | 3,65       | 3,67       |
| <b>Crecimiento del PBI (%)</b>      |                    |            |            |
| Year 2002                           | 3,0                | 3,0        | 3,0        |
| Year 2003                           | 3,5                | 3,5        | 3,5        |

1/ Sample: 342 non financial enterprises

2/ Sample: 335 non financial enterprises

**Consultants**  
(Median of the sample)

|                                     | Date of the survey |            |            |
|-------------------------------------|--------------------|------------|------------|
|                                     | May 30 1/          | June 28 2/ | July 31 3/ |
| <b>Inflation (%)</b>                |                    |            |            |
| August 2002                         | --                 | --         | 0,2        |
| Acumulate december 2002             | 1,9                | 1,7        | 1,6        |
| Acumulate december 2003             | 2,3                | 2,1        | 2,1        |
| <b>Exchange rate (S/. por US\$)</b> |                    |            |            |
| August 2002                         | --                 | --         | 3,54       |
| December 2002                       | 3,50               | 3,50       | 3,55       |
| December 2003                       | 3,57               | 3,60       | 3,64       |
| <b>Interbank interest rate (%)</b>  |                    |            |            |
| <i>In nuevos soles</i>              |                    |            |            |
| August 2002                         | --                 | --         | 2,7        |
| December 2002                       | 2,9                | 2,8        | 2,8        |
| December 2003                       | 3,6                | 3,5        | 3,5        |
| <b>GDP growth (%)</b>               |                    |            |            |
| June 2002                           | --                 | 3,4        | 4,0        |
| July 2002                           | --                 | --         | 3,0        |
| Year 2002                           | 3,1                | 3,0        | 3,2        |
| Year 2003                           | 4,0                | 3,9        | 3,5        |

1/ Sample: 12 consultants

2/ Sample: 14 consultants

3/ Sample: 15 consultants

Additionally, the quarterly survey carried out upon consultants on July 31

upon selective economic indicators brought the following results:

**Consultants**  
(Median of the sample)

|                                | March 27 1/ |      | July 31 2/ |      |
|--------------------------------|-------------|------|------------|------|
|                                | 2002        | 2003 | 2002       | 2003 |
| Domestic demand                | 3,0         | 4,0  | 2,5        | 2,9  |
| Private consumption            | 2,2         | 3,6  | 2,4        | 3,0  |
| Private gross fixed investment | 3,7         | 5,8  | 1,6        | 3,8  |
| Current account deficit        | 2,4         | 2,7  | 2,0        | 2,5  |
| Exports of goods               | 9,0         | 8,3  | 6,9        | 6,0  |
| Imports of goods               | 5,0         | 7,0  | 2,4        | 5,6  |
| Terms of trade                 | 0,5         | 1,8  | 2,1        | 1,0  |
| Fiscal deficit                 | 2,4         | 2,0  | 2,5        | 2,2  |
| Monetary base                  | 7,0         | 7,3  | 9,5        | 6,5  |
| Credit to the private sector   | 3,9         | 6,5  | 4,0        | 5,1  |

1/ Sample: 16 consultants

2/ Sample: 15 consultants

## Liquidity in domestic currency increased 2,7 percent

Between June 7 and July 7, liquidity in domestic currency increased 2,7 percent (S/. 447 million) to S/. 16 883 million (recording and annual increase of 20,8 percent). Credit to the private sector in domestic currency grew 1,3 percent (S/. 121 million) totaling S/. 9 268 million as of July 7 (annual growth of 8,4 percent).

Liquidity in foreign currency increased 0,1 percent (US\$ 8 million) to US\$ 9 184 million in the last four weeks, but fell 2,1 percent in annual terms. Short-term external liabilities increased 2,5 percent (US\$ 36 million) totaling US\$ 1 452 million. Credit to the private sector in foreign currency (US\$ 10 723 million) decreased 0,1 percent (US\$ 10 million) in the last 4 weeks and 3,0 percent in annual terms.

| MONETARY AGGREGATES (end of period)                       |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |
|---|------------------|-----------------|------------------|-----------------|------------------|-----------------|-------------------|-----------------|--------------------------------------|-----------------|------------------|-----------------|--|
|   | Monetary base    |                 | Liquidity in S/. |                 | Credit in S/.    |                 | Liquidity in US\$ |                 | Short-term liabilities <sup>1/</sup> |                 | Credit in US\$   |                 |  |
|   | VAR.(%)<br>Month | VAR.(%)<br>Year | VAR.(%)<br>Month | VAR.(%)<br>Year | VAR.(%)<br>Month | VAR.(%)<br>Year | VAR.(%)<br>Month  | VAR.(%)<br>Year | VAR.(%)<br>Month                     | VAR.(%)<br>Year | VAR.(%)<br>Month | VAR.(%)<br>Year |  |
| <b>1998</b>   |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |
| Dec.  | 12,8%            | 5,5%            | 3,9%             | -2,4%           | 2,2%             | 6,6%            | 0,3%              | 1,3%            | -13,0%                               | -3,5%           | -0,6%            | 8,1%            |  |
| <b>1999</b>   |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |
| Dec.  | 18,1%            | 17,0%           | 5,8%             | 11,6%           | -4,1%            | -5,3%           | -1,9%             | 2,4%            | 1,3%                                 | -36,3%          | 1,7%             | -1,6%           |  |
| <b>2000</b>   |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |
| Dec.  | 14,6%            | -4,0%           | 5,4%             | 2,5%            | -0,3%            | 0,9%            | 0,5%              | 1,5%            | 4,6%                                 | -17,2%          | -1,0%            | -4,5%           |  |
| <b>2001</b>   |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |
| Mar.  | 0,1%             | 0,5%            | 2,5%             | 3,7%            | 0,9%             | 1,0%            | 0,7%              | -1,7%           | 3,8%                                 | -4,1%           | 0,8%             | -3,4%           |  |
| Jun.  | 1,1%             | 1,6%            | -1,1%            | 3,6%            | -0,5%            | 1,2%            | 0,8%              | -1,2%           | 6,2%                                 | -4,9%           | -0,2%            | -3,7%           |  |
| Set.  | -1,6%            | 5,1%            | 0,0%             | 4,8%            | 0,2%             | 1,1%            | 0,5%              | 3,1%            | -17,1%                               | -17,3%          | -0,7%            | -3,9%           |  |
| Dec.  | 14,4%            | 7,9%            | 8,0%             | 13,5%           | 1,6%             | 2,7%            | -1,9%             | 1,2%            | -4,0%                                | -21,8%          | 0,7%             | -3,8%           |  |
| <b>2002</b>   |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |
| Jan.  | -7,8%            | 10,8%           | -3,2%            | 14,5%           | -1,8%            | 1,1%            | -0,8%             | 1,2%            | -2,8%                                | -21,4%          | -1,1%            | -3,2%           |  |
| Feb.  | 0,7%             | 13,9%           | 1,9%             | 18,2%           | 1,7%             | 3,6%            | -0,2%             | 1,2%            | 5,7%                                 | -15,8%          | 1,2%             | -1,8%           |  |
| Mar.  | 2,0%             | 16,1%           | 2,4%             | 18,2%           | 2,7%             | 5,5%            | -1,5%             | -1,0%           | -5,2%                                | -23,1%          | -1,1%            | -3,6%           |  |
| Apr.  | -1,2%            | 9,9%            | -0,8%            | 14,9%           | -3,4%            | 2,7%            | 0,1%              | -1,5%           | 4,8%                                 | -14,7%          | 1,2%             | -2,5%           |  |
| May.  | -0,1%            | 14,5%           | 0,1%             | 16,9%           | 0,6%             | 4,2%            | -0,3%             | -1,6%           | 3,2%                                 | -8,4%           | 0,0%             | -3,1%           |  |
| Jun.  | 3,5%             | 17,2%           | 1,6%             | 20,1%           | 1,7%             | 6,4%            | 0,0%              | -2,4%           | 4,3%                                 | -10,1%          | -0,1%            | -3,0%           |  |
| Jul.07  | 5,2%             | 20,7%           | 2,7%             | 20,8%           | 1,3%             | 8,4%            | 0,1%              | -2,1%           | 2,5%                                 | -2,5%           | -0,1%            | -3,0%           |  |
| Memo:   |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |
| Balance as of Jun.7<br>(Mill.S/ or Mill.US\$)             | 5 889            |                 | 16 436           |                 | 9 147            |                 | 9 176             |                 | 1 416                                |                 | 10 732           |                 |  |
| Balance as of Jul.7<br>(Mill.S/ or Mill.US\$)             | 6 196            |                 | 16 883           |                 | 9 268            |                 | 9 184             |                 | 1 452                                |                 | 10 723           |                 |  |
| 1/ Short term external liabilities of banking enterprises |                  |                 |                  |                 |                  |                 |                   |                 |                                      |                 |                  |                 |  |

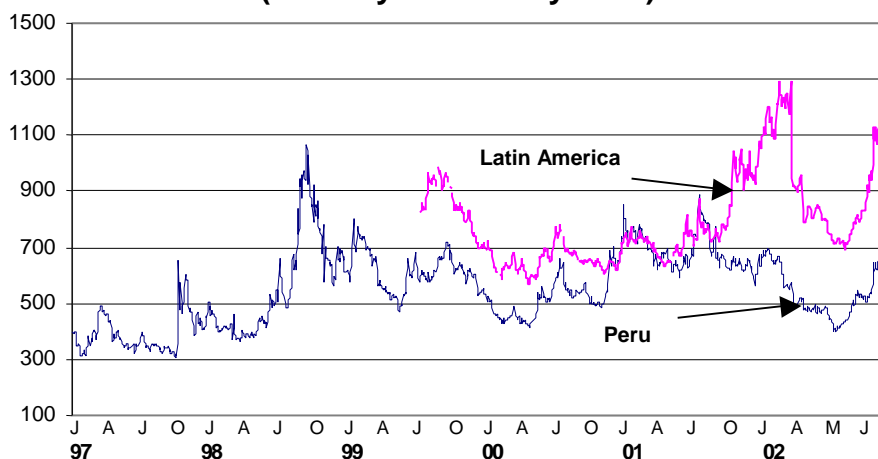
## Peru's bonds spread: 7,0 percent

In July, the spread between the yield of Peruvian Brady bonds and the interest rate on US Treasury bills (a proxy for the country risk perceived by investors) was 7,0 percent, higher than in June (5,7 percent). On July 31, that spread came to 8,7 percent higher than as of end-June (6,2 percent) reflecting the

regional problems, in particular the financial problems in Uruguay.

The spread of the global Peruvian bond spread with the 10 year maturity US bond passed from 5,5 percent in June to 7,2 percent in July and from 6,1 to 8,5 percent in end-of-period terms.

### Spread of sovereign bonds (January 1997 - July 2002)





## International markets

In July, the gold international quotation (US\$ 313,3 per once troy) down 2,6 percent from June due to the volatility of the US dollar and the US stock

market. On the other hand, the silver quotation (US\$ 5,0 per once Troy). recorded a 0,6 percent

### Gold quotation

(January 2001 - July 2002)



The copper quotation closed at cUS\$ 72,1 per lb, down 3,4 percent from June, due to the volatility of international stock exchanges, which weakened the market expectation about

a greater future demand. The LME inventories decreased 0,6 percent to 884 100 MT balance. On the other hand, the zinc quotation increased 3,7 percent to cUS\$ 36,1 per lb.

### Copper quotation

(January 2001 - July 2002)



The WTI oil quotation was US\$ 26,9 per barrel, up 5,4 percent from June, reflecting the strong decrease in US inventories as well as a greater demand of refineries in response to lower prices

as well as the expectations about a world economic recovery in 2003 during according to the US Energy National Agency.

## Oil quotation (January 2001 - July 2002)



The 3-month Libor decreased from 1,9 percent in June to 1,8 percent in July, whereas the yield of the US Treasury bond with a 10 year maturity passed

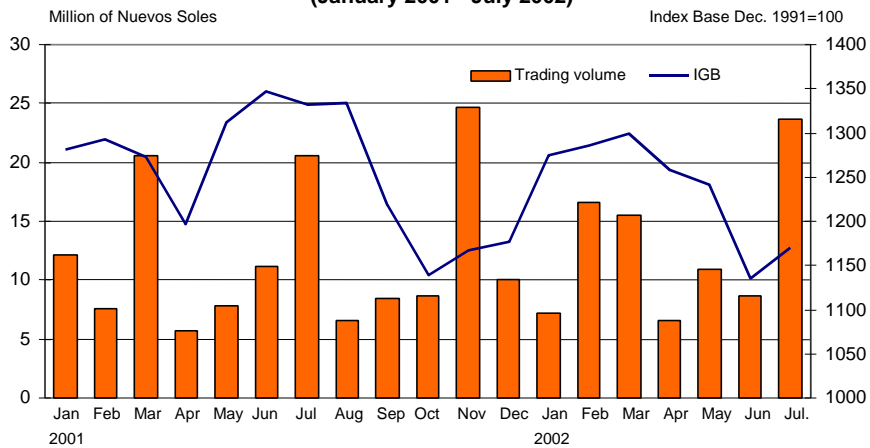
from 4,80 percent to 4,46 percent, reflecting the higher demand of fixed income instruments given the uncertainty in the US stock market.

## General Index increased 3,1 percent

As of July 31, the Lima Stock Exchange increased 3,1 and 2,9 percent in the General and Blue Chip Index,

respectively. However, in the year these indices have decreased 0,6 and 3,9 percent, respectively.

## Stock market indicators (January 2001 - July 2002)



## *Lima, August 2, 2002*

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 (mreyes@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).

# BANCO CENTRAL DE RESERVA DEL PERÚ



*Press release*

## **MONETARY PROGRAM APPROVED BY THE BOARD OF THE BANK FOR AUGUST 2002**

1. In July, the daily average balance of the banks' current account was **S/. 205 million**, within the range announced for that month (S/. 205 million to S/. 215 million). The interbank interest rate in domestic currency growth from 2,6 percent in June to 2,9 percent in July. In that month, the interest rate for monetary regulation credits was increased from 3,0 percent to 3,25 percent.
2. The Board of the Bank assessed the monetary policy stance for August and established the following:
  - a. The targeted range for the banks' current account balance held at the Central Bank will be maintained at **S/. 190 million to S/. 200 million on a daily average basis**.
  - b. For monetary regulation credits and temporary purchase of CDBCRP and Treasury bonds out of auctions, the effective interest rate remains as **the weighted average of the interbank interest rates, or 3,25 percent, whichever is highest**.
  - c. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate remained at **1,9 percent**.
  - d. For foreign exchange temporary purchase operations (swap operations), the commission which implies an effective annual cost of **3,25 percent** is maintained.
3. The following interest rates will be used in foreign-currency operations:
  - a. The effective annual rate for monetary regulation credits will be the 1-month LIBOR plus one percentage point.
  - 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 previous framework is consistent with the current annual inflation forecast and that it finish above the lower inflation range.
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, which mean avoiding inflationary or deflationary pressures.

Lima, August 2, 2002

