

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

Nº 13 – March, 26 2004

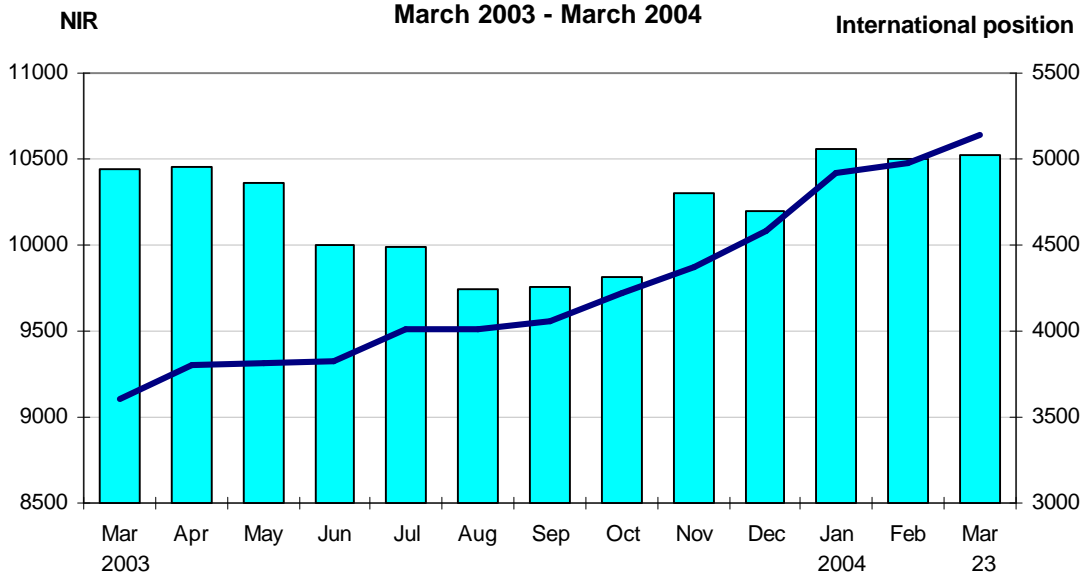
Net international reserves at US\$ 10 518 million

As of **March 23**, net international reserves (NIR) of the Central Reserve Bank amounted to US\$ 10 518 million, up US\$ 15 million from end-February. This increase is due to net purchases of foreign currency (US\$ 148 million) and investment yield (US\$ 39 million), partially offset by lower public sector and financial system

deposits (US\$ 142 and US\$ 29 million, respectively).

In the year, NIR have increased US\$ 324 million, whereas the Central Bank international position expanded US\$ 561 million, reaching a balance of US\$ 5 144 million.

**Net international reserve and international position of the Central Reserve Bank
March 2003 - March 2004**

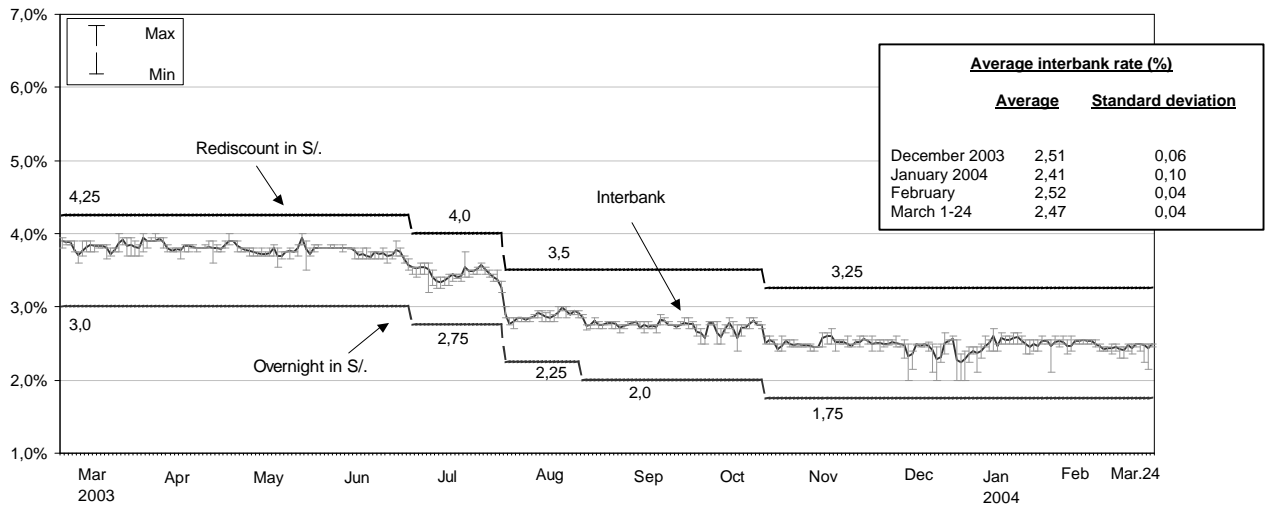


Interbank interest rate at 2,47 percent

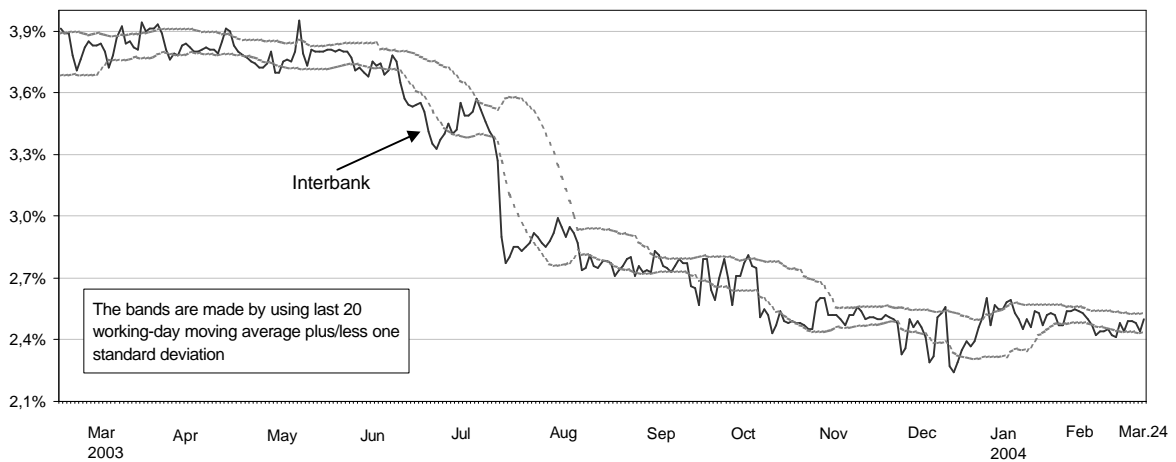
Between **March 1 and 24**, the interbank interest rate in domestic currency averaged

2,47 percent, lower than in February (2,52 percent).

Interest rates in domestic currency (March 2003 - March 2004)



Interbank interest rate in domestic currency (March 2003 - March 2004)



Monetary operations

As of **March 24**, the daily average balance of banks' liquidity at the Central Bank was S/. 219 million. Between **March 18 and 24**, the Central Bank made the following operations:

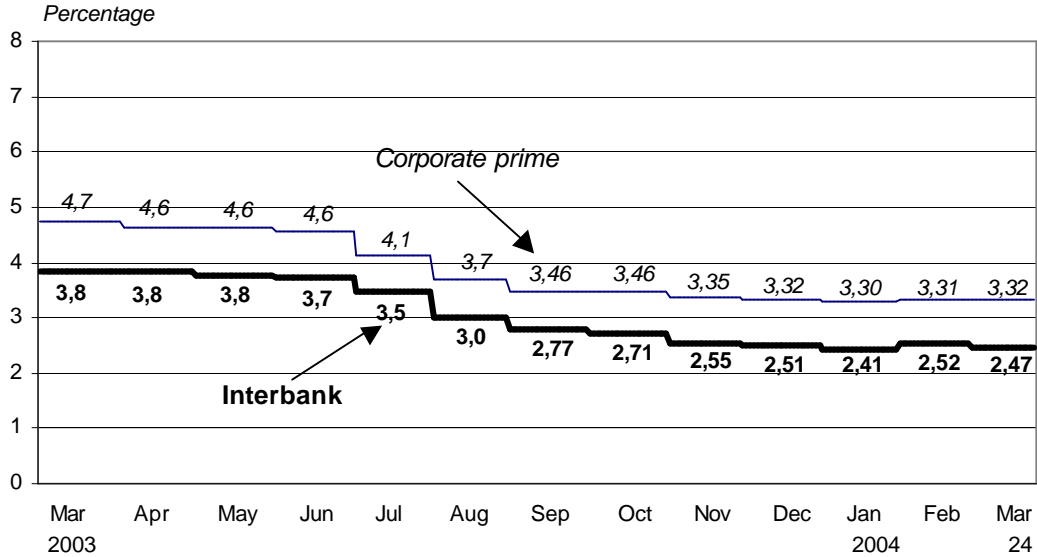
- Auctions of CDBCRP with a i) 8 month maturity by S/. 100 million at an average interest rate of 3,24 percent; ii) 1-year amounting to S/. 120 million at 3,43 percent; iii) 18-month by S/. 25 million at 3,85percent and iv) 2-year by S/. 80 million at 4,38 percent.
- Auctions of temporary purchase of CDBCRP and BTP with a 1-day maturity amounting to S/. 25 and S/. 30 million both at an interest rate of 2,51 percent.
- Purchases of foreign currency over the counter by US\$ 75 million, at an average exchange rate of S/. 3,461.
- Overnight deposits on March 18, 19, 23 and 24 amounting to S/. 40; 43; 25,3 and 45 million, respectively.

Corporate prime interest rate at 3,32 percent

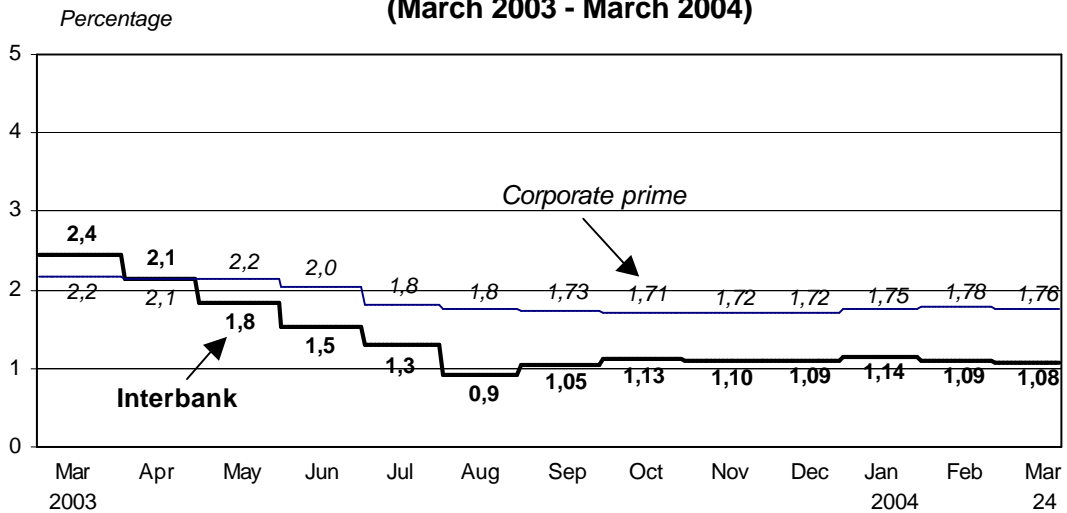
Between **March 1 and 24**, the average corporate prime interest rate in domestic currency increased to 3,32 from 3,31 percent

in January. Over the same period, the rate in dollars passed from 1,78 to 1,76 percent.

**Monthly average interest rates in domestic currency
(March 2003 - March 2004)**



**Monthly average interest rates in foreign currency
(March 2003 - March 2004)**



Exchange rate: S/. 3,461

Over the period **March 17 to 24**, the exchange rate decreased from S/. 3,466 to S/. 3,461 per US dollar, reflecting higher domestic currency requirement during the annual income tax clearance season.

As of March 24, the **balance of net forward sales** dropped US\$ 91 million against end-February, whereas the **banks' exchange position** increased US\$ 45 million over the same period.

BANKS' EXCHANGE POSITION (Millions of US\$)

	December 2002	December 2003	February 2004	March 24
a. Net sales to the public (i-ii)	905	607	591	500
i. Forward sales to the public	1 141	834	1 005	926
ii. Forward purchases to the public	236	227	414	426
b. Banks' exchange position	642	530	550	595

Monetary base as of March 22, 2004

The balance of **monetary base** as of March 22 was S/. 7 083 million, up 1,1 percent from end-February. In average terms, the year on year growth of the monetary base was 15,4 percent compared with 15,5 percent in February.

The expanding operations of the monetary base were the purchases of foreign

currency (US\$ 160 million or S/. 555 million) and the withdrawal of financial system deposits (S/. 25 million). These operations were partially offset by the net issuance of CDBCRP (S/. 334 million), net sales of foreign currency to the public sector (US\$ 32 million or S/. 111 million) and the net redemption of securities (S/. 85 million).

February banking system monetary accounts

In February, liquidity in **domestic currency** dropped 0,7 percent (S/. 144 million) to a balance of S/. 20 408 million. In annual terms this aggregate rose 13,3 percent. On the other hand, credit to the private sector decreased 0,1 percent to S/. 10 137 million, up 4,5 percent from a year ago.

In **foreign currency**, liquidity decreased 2,7 percent (US\$ 258 million) over February and 5,3 percent through last 12 months, reaching a balance of US\$ 9 189 million. Credit in the same currency (US\$ 9 502 million) was 0,9 percent lower than in January and down 3,1 percent from a year ago.

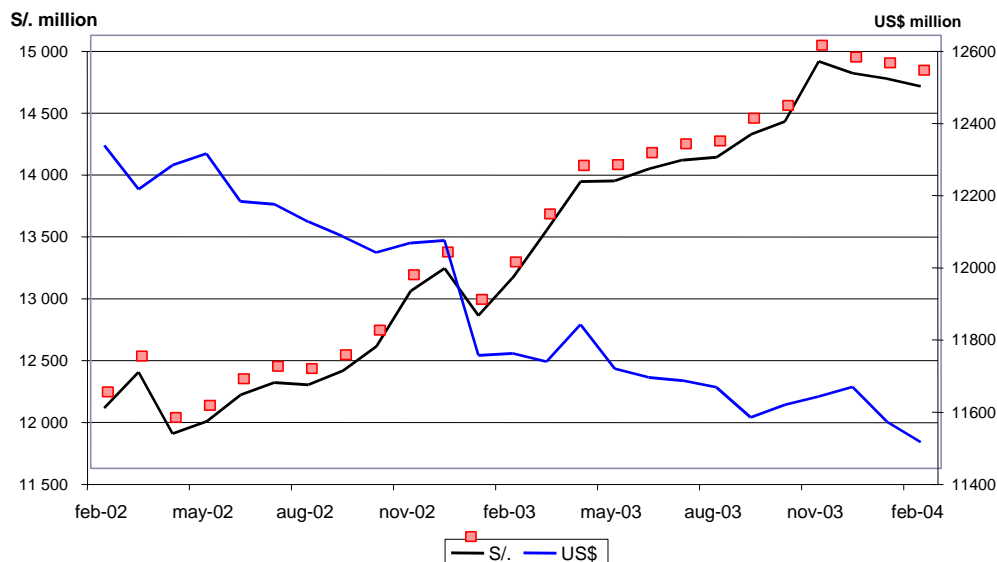
END OF PERIOD MONETARY AGGREGATES OF THE BANKING SYSTEM												
	MONETARY BASE		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		LIABILITIES 1/		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR
2002												
Dec.	11,1%	11,0%	6,3%	10,6%	0,8%	7,1%	-2,7%	1,4%	-4,8%	-34,3%	-0,3%	-3,6%
2003												
Jan.	-9,2%	9,4%	-3,1%	10,8%	-3,6%	5,4%	0,0%	2,8%	-11,0%	-40,5%	-2,9%	-5,2%
Feb.	-0,3%	8,3%	2,6%	11,3%	3,8%	7,5%	-0,1%	2,8%	10,5%	-38,0%	-0,2%	-6,7%
Mar.	-1,1%	5,0%	1,8%	10,6%	1,6%	6,3%	-0,1%	4,1%	-15,3%	-44,9%	-0,4%	-6,1%
Apr.	3,1%	9,5%	-0,3%	11,1%	3,6%	14,6%	-0,6%	3,4%	12,4%	-35,8%	1,0%	-5,7%
May.	-1,1%	8,4%	0,8%	12,1%	0,4%	14,0%	-0,9%	2,7%	-2,2%	-39,1%	-0,9%	-6,8%
Jun.	1,7%	6,5%	-1,7%	7,8%	-1,1%	11,2%	1,1%	3,5%	-2,8%	-42,7%	-0,2%	-6,5%
Jul.	8,3%	2,8%	5,8%	7,3%	0,1%	10,5%	-1,3%	-1,6%	3,7%	-42,8%	-0,7%	-6,8%
Aug.	-3,3%	4,2%	-1,6%	6,8%	-0,7%	9,9%	-0,2%	-3,6%	-7,8%	-46,1%	0,1%	-6,0%
Sep.	-2,5%	6,0%	0,1%	9,3%	-0,1%	7,9%	-0,8%	-3,1%	-1,5%	-45,9%	-1,1%	-6,0%
Oct.	1,4%	6,4%	0,7%	11,9%	-0,5%	5,7%	0,5%	-3,9%	5,4%	-41,4%	-0,1%	-5,3%
Nov.	2,8%	9,7%	1,7%	13,3%	3,0%	7,2%	-0,7%	-5,7%	4,3%	-12,3%	0,2%	-5,5%
Dec.	11,5%	10,1%	3,6%	10,5%	-1,2%	5,1%	0,5%	-2,6%	-0,1%	-8,0%	-0,6%	-5,8%
2004												
Jan.	-6,4%	13,4%	2,7%	17,1%	-0,3%	8,7%	-0,1%	-2,7%	1,3%	4,7%	-1,3%	-4,3%
Feb.	0,7%	14,5%	-0,7%	13,3%	-0,1%	4,5%	-2,7%	-5,3%	1,7%	-3,7%	-0,9%	-4,9%
Memo:												
Balance as of Jan. 29 (Mill.S/.or Mill.US\$)	6 962		20 553		10 150		9 447		711		9 590	
Balance as of Feb. 29 (Mill.S/.or Mill.US\$)	7 009		20 408		10 137		9 189		723		9 502	
1/ Short term external liabilities of banking enterprises.												

Financial system credit to the private sector

Over February 2004, financial system credit to the private sector fell 0,4 percent in soles and 0,5 percent in foreign currency. However, through last 12 month

credit in soles grew by 11,8 percent whereas it dropped 2,1 percent in foreign currency.

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR



February decrease of soles-denominated credit (S/. 61 million) obeyed to the contraction of banking enterprises (S/. 73

million) and institutional investors (S/. 61 million), partially offset by the increase of micro-finance institutions (S/. 35 million)

and Banco de la Nación (S/. 33 million). Through last 12 months, credit expanded in S/. 1 549 million (micro-finance

institutions -S/. 737 million-, institutional investors -S/. 621 million- and banking enterprises -S/. 131 million-).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY

	Millions of nuevos soles			Percentage change	
	feb-03	jan-04	feb-04	Feb.04/ Feb.03	Feb.04/ Jan.04
Commercial banks1/	7 701	7 905	7 832	1,7	-0,9
Banco de la Nación	407	558	591	45,3	5,9
Microfinance institutions	3 156	3 858	3 893	23,4	0,9
Banks (Trabajo and Mibanco)	781	953	948	21,4	-0,5
Local government S&Ls	888	1 083	1 095	23,3	1,1
Rural S&Ls	143	181	185	29,6	2,4
Saving and credit cooperatives	381	459	466	22,6	1,5
Edpymes	135	172	170	26,0	-1,0
Financial companies	829	1 010	1 029	24,1	1,9
Institutional investors 2/	1 524	2 206	2 145	40,8	-2,8
AFPs	986	1 463	1 414	43,4	-3,4
Insurance companies	496	568	569	14,8	0,2
Mutual funds	42	175	162	284,3	-7,4
Leasing companies and others	382	253	258	-32,6	1,7
Total financial system	13 169	14 779	14 718	11,8	-0,4

1/ Excludes Banco del Trabajo and Mibanco.

2/ Mainly securities issued by the private sector.

The contraction of dollar-denominated credit (US\$ 57 million) was due to the decrease of banking enterprises (US\$ 108 million) that exceeded the expansion of institutional investors (US\$ 57 million). Over last 12 months, the US\$ 246 million

drop resulted from lowered banking credits (US\$ 484 million) and leasing (US\$ 104 million), partially offset by the purchases of bonds by institutional investors (US\$ 334 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Millions of US dollars			Percentage change	
	feb-03	jan-04	feb-04	Feb.04/ Feb.03	Feb.04/ Jan.04
Commercial banks1/	9 694	9 318	9 210	-5,0	-1,2
Banco de la Nación	36	22	22	-38,0	-0,0
Microfinance institutions	379	471	468	23,5	-0,6
Banks (Trabajo and MiBanco)	40	49	50	25,0	2,0
Local government S&Ls	117	186	187	60,5	0,9
Rural S&Ls	44	48	48	9,2	0,2
Saving and credit cooperatives	101	116	112	11,1	-3,7
Edpymes	33	40	40	21,0	-0,6
Financial companies	44	32	31	-29,6	-3,7
Institutional investors 2/	847	1 124	1 181	39,4	5,0
AFPs	462	522	537	16,3	3,0
Insurance companies	35	60	69	96,1	16,1
Mutual funds	349	543	574	64,3	5,8
Leasing companies and others	807	638	635	-21,3	-0,4
Total financial system	11 763	11 574	11 517	-2,1	-0,5

1/ Excludes Banco del Trabajo and Mibanco.

2/ Mainly securities issued by the private sector.

Last 12 month primary surplus as of February: S/. 1 374 million

As of February 2004, last 12 month **central government operations** recorded a S/. 1 374 million surplus, compared with the S/. 510 million deficit of the period March 2002-February 2003. This resulted from higher current (11 percent) and capital revenue (14 percent), that

exceeded the increase in non-financial expenditure (5 percent). Interest payments increased 8 percent to S/. 4 412 million. Hence, the overall deficit reached S/. 3 038 million, a decrease of S/. 1 562 million against the previous period.

CENTRAL GOVERNMENT OPERATIONS

(Millions of nuevos soles)

	Monthly data			Annual data				
	February			Mar 2002	Feb 2003	Mar 2003	C/A	C/B
	2003	2004	% Var.	Feb 2003	Jan 2004	Feb 2004		
	A	B	C					
1. CURRENT REVENUES	2 226	2 553	14,7	28 735	31 605	31 932	11,1	1,0
A. TAX REVENUE	1 904	2 253	18,3	24 433	27 705	28 054	14,8	1,3
B. NON-TAX REVENUE	322	300	-6,8	4 302	3 900	3 878	-9,9	-0,6
2. NON-FINANCIAL EXPENDITURE	2 372	2 121	-10,6	29 542	31 146	30 896	4,6	-0,8
A. CURRENT EXPENDITURE	2 070	1 964	-5,1	25 492	27 066	26 961	5,8	-0,4
B. CAPITAL EXPENDITURE	302	157	-48,0	4 050	4 080	3 935	-2,9	-3,6
3. CAPITAL REVENUE	3	4	20,4	296	337	338	13,9	0,2
4. PRIMARY BALANCE	-143	435		-510	796	1 374		
5. INTEREST PAYMENTS	497	615	23,8	4 090	4 294	4 412	7,9	2,8
6. OVERALL BALANCE	-640	-180		-4600	-3498	-3038		
7. NET FINANCING	640	180		4 600	3 498	3 038		
1. Financing abroad	1 402	244		3 505	3 372	2 215		
A. Disbursements	1 828	728		6 980	7 440	6 340		
B. Amortizations	-426	-484		-3 475	-4 068	-4 126		
2. Domestic financing	-767	-69		-371	-55	643		
3. Privatization	4	4		1 466	181	181		

In **February**, central government operations recorded a S/. 435 million surplus, compared with a S/. 143 million deficit a year ago. Interests amounted to S/. 615 million, S/. 118 million higher than a year ago. Hence, the overall deficit passed from S/. 640 million in February 2003 to S/. 180 million in February 2004. Current revenue increase of 15 percent, reflecting the 21 percent in income tax collection and lower non-financial

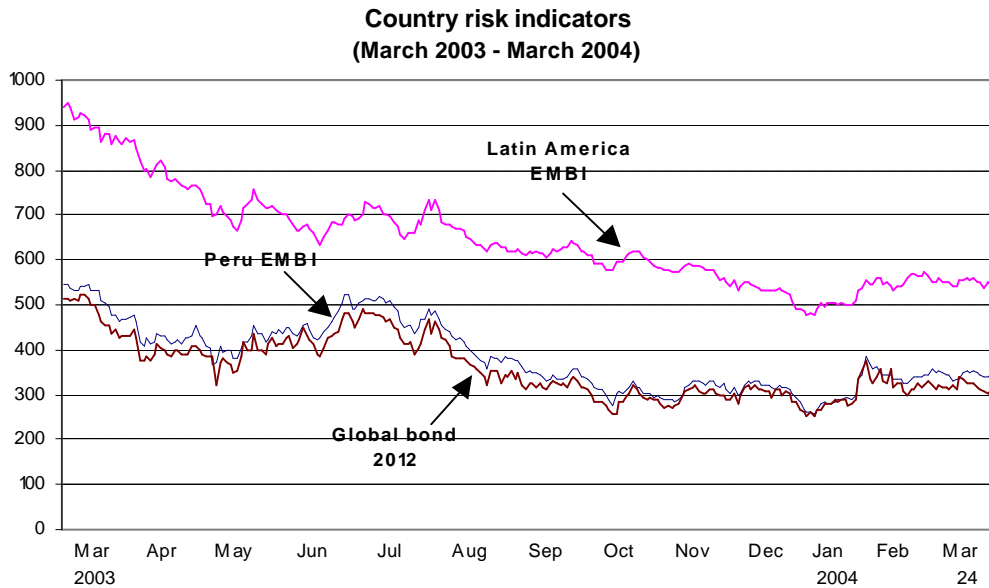
expenditure (11 percent) offset higher interest payments (24 percent).

Foreign financing was positive in S/. 244 million, resulting from disbursements amounting to US\$ 209 million and debt amortization to US\$ 139 million. On the other hand, **domestic financing** was negative in S/. 69 million. Sovereign bonds were placed by S/. 187 million and Treasury bills paid by S/. 100 million.

Spread of Global bond 2012 at 3,12 percent

As of **March 24**, the spread of the **Peruvian Global bond 2012** averaged 3,12 percent, down from February (3,23 percent), whereas the spread of the **sovereign bond** fell from 3,56 percent to 3,42 percent over the same period. The market reacted positively to the FED

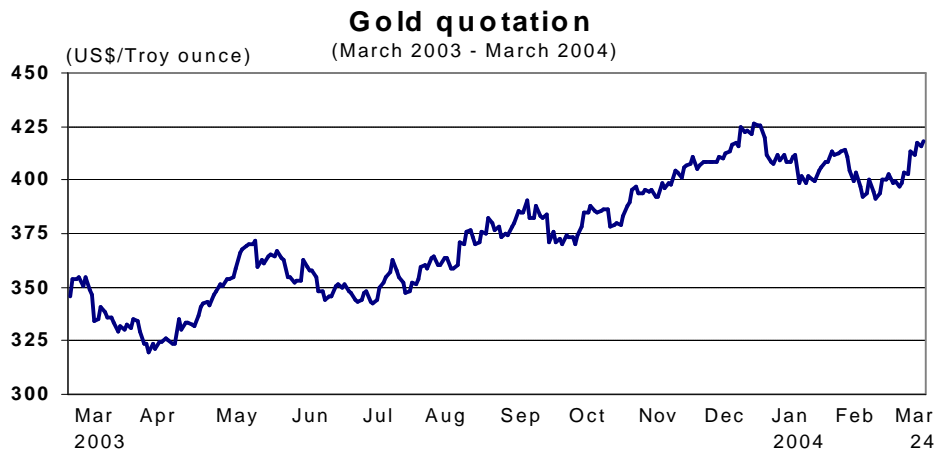
decision to maintain its interest rate at 1 percent, the reduction of Brazilian Central Bank policy rate in 0,25 bps (from 16,5 to 16,25 percent), the good regional outlook and IMF support to Argentina (through a US\$ 3 billion loan).



International markets

Between **March 17 to 24**, the **gold** quotation increased 3,9 percent to US\$ 418,2 per Troy ounce due to the higher

preference for gold as a strong asset after the March 11 attack in Madrid and the tenser situation in the Middle East.



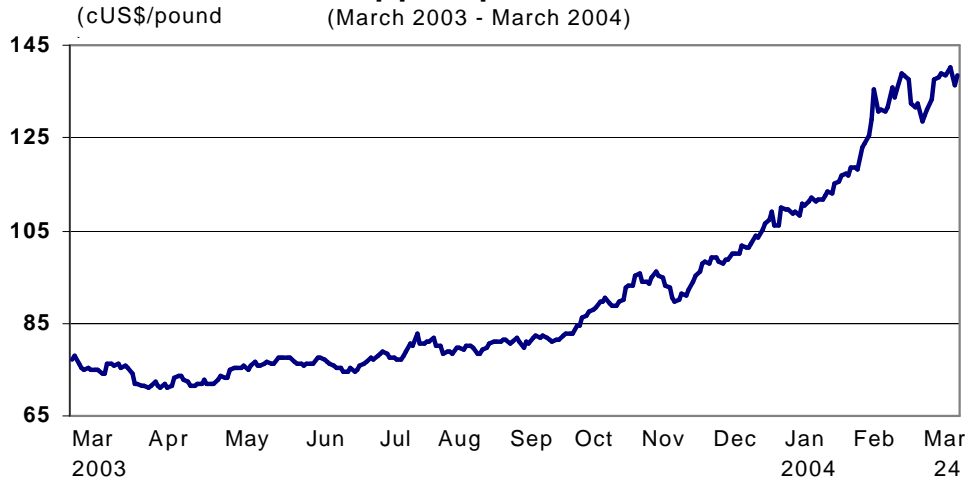
The **copper** quotation dropped 0,2 percent to US\$ 1,39 per pound mainly by profit

taking, According to the International Cooper Study Group world copper demand

would increase 6,4 percent in 2004 and 4,6 percent in 2005. On the other hand, LME

inventories decreased from 235 to 210 thousand MT.

Copper quotation



In the week under analysis, **zinc** quotation fell 2,3 percent to US\$ 0,50 per pound in line with other base metals quotations. LME

inventories declined from 701 to 690 thousand MT over this period.

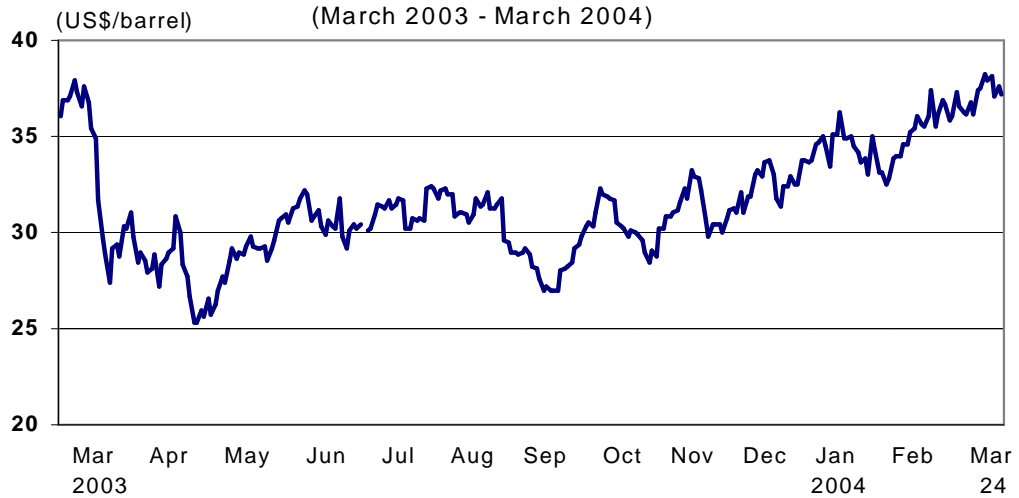
Zinc quotation



The **WTI oil** price decreased 2,7 percent to US\$ 37,2 per barrel, reflecting the likely

delay of OPEC quota cut announced for April.

WTI oil quotation



The **US dollar** appreciated 0,9 percent against the **euro** and depreciated 1,9 percent against the **yen**. The euro was affected by the lost of consumer confidence in Italy and the downward revision of

German economic growth by JP Morgan, Morgan Stanley among other investment banks. Conversely, Japan shows a greater dynamism in its industrial sector (a 2,6 percent growth in January).

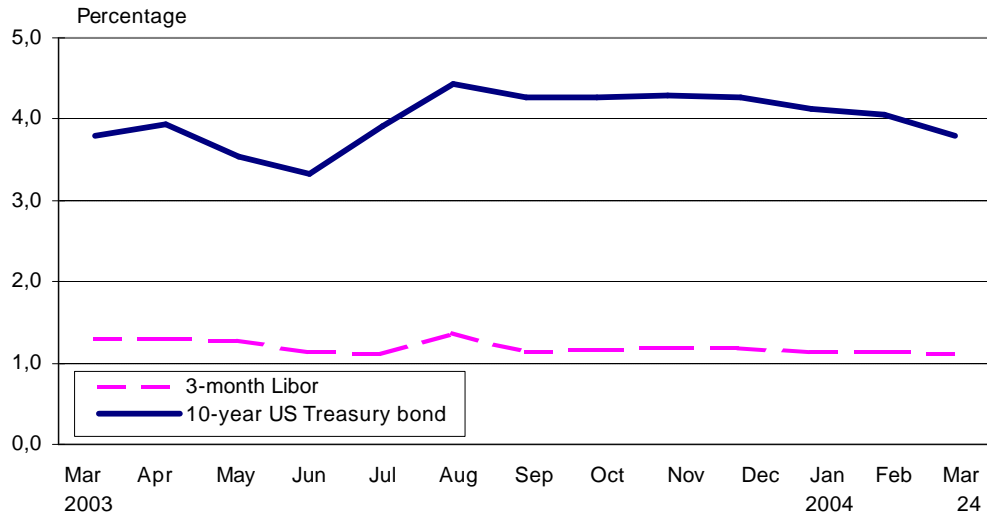
Yen and euro



Between **March 17 and 24**, the **3 month Libor** remained at 1,11 percent, whereas the yield of **US Treasury bonds with a 10 year maturity** was 3,71 percent. The higher

demand for low-risk assets offset the effect of positive economic indicators in the US (a lower number of unemployment benefit requests).

Libor and yield of 10-year matured US Treasury bond
(March 2003 - March 2004)



Lima Stock Exchange

As of **March 24**, the LSE recorded a 6,3 percent growth in the **General Index** and a 6,8 percent in the **Blue Chip Index**. Cumulative increase in the year is 20 percent for the General Index and 24 percent for the Blue Chip. This week was

marked by the good performance of Minsur (due to lower tin inventories) and Buenventura (a hike in the gold price) which increased 10,4 percent and 6,6 percent, respectively.

LSE indicators
(March 2003 - March 2004)

