

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

Nº 18 – April 30, 2004

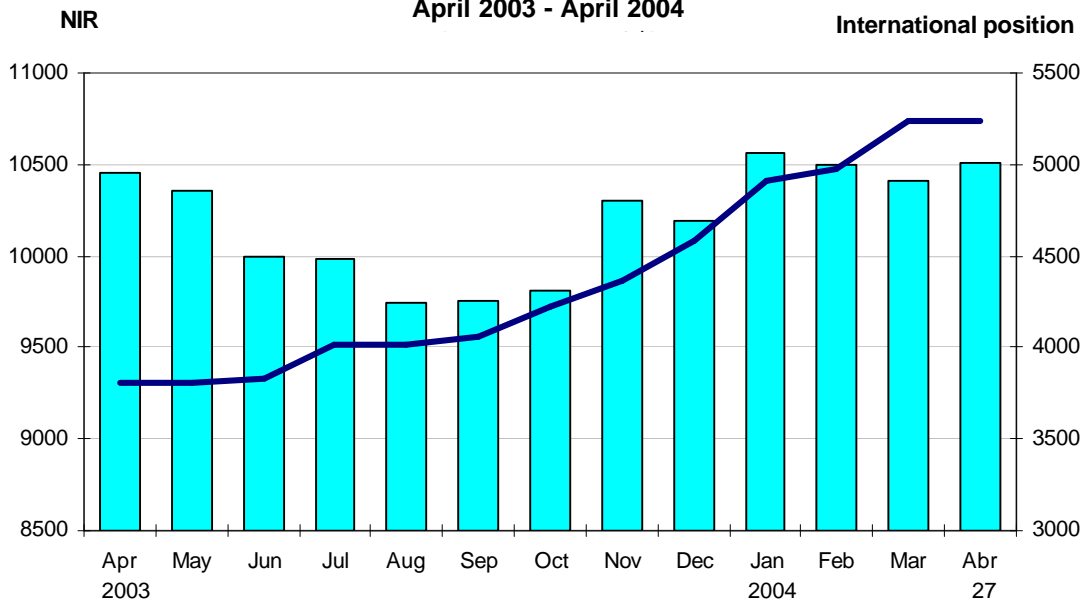
Net international reserves at US\$ 10 505 million

On **April 27**, net international reserves (NIR) of the Central Reserve Bank amounted to US\$ 10 505 million, up US\$ 94 million from end-March. The operations that made possible this increase were net purchases of foreign currency (US\$ 151 million), higher deposits of the financial system and the Insurance Deposit Fund (US\$ 78 and 2 million, respectively) and interest earnings (US\$ 11 million). However, these operations were partially offset by foreign currency sales oriented to

public debt service payments (US\$ 105 million), lower public sector deposits (US\$ 2 million) and the valuation effect (US\$ 42 million) as a result of a lower gold quotation.

In the year, NIR have increased US\$ 310 million. On the other hand, **Central Bank international position** amounted to US\$ 5 241 million, up US\$ 658 million from end-2003.

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

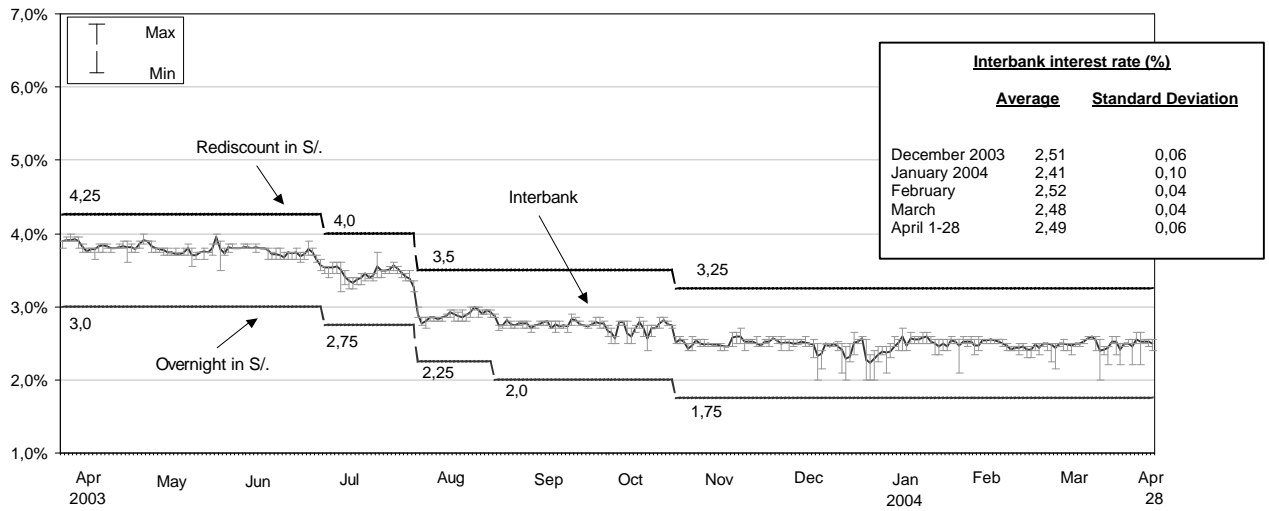


Interbank interest rate at 2,49%

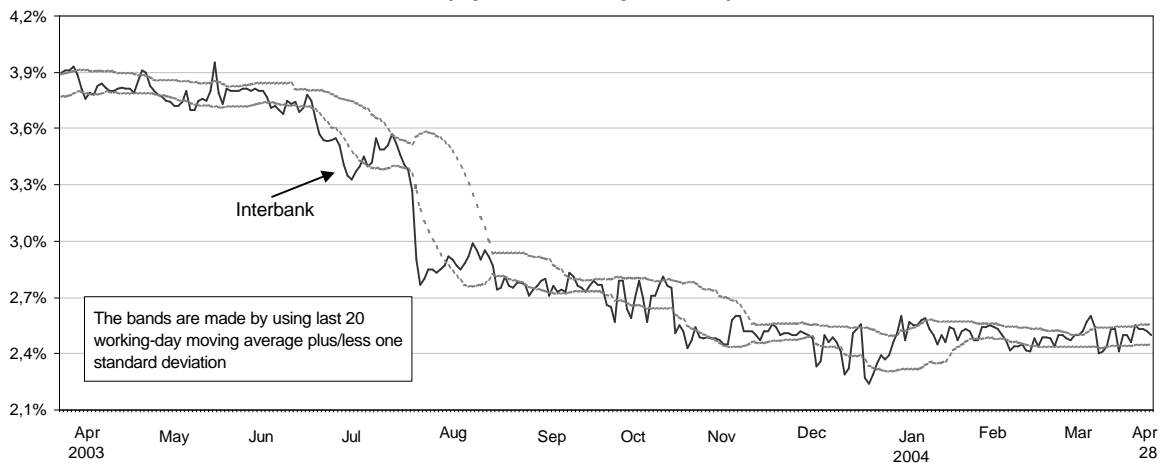
Between **April 1 and 28**, the average interbank interest rate in domestic currency was 2,49%, slightly higher than in March (2,48%). It should be noted that this rate is

within the corridor set by BCR operations' interest rates: 3,25% for monetary regulation credits and 1,75% for overnight deposits.

**Interest rates in domestic currency
(April 2003 - April 2004)**



**Interbank interest rate in domestic currency
(April 2003 - April 2004)**



Monetary operations

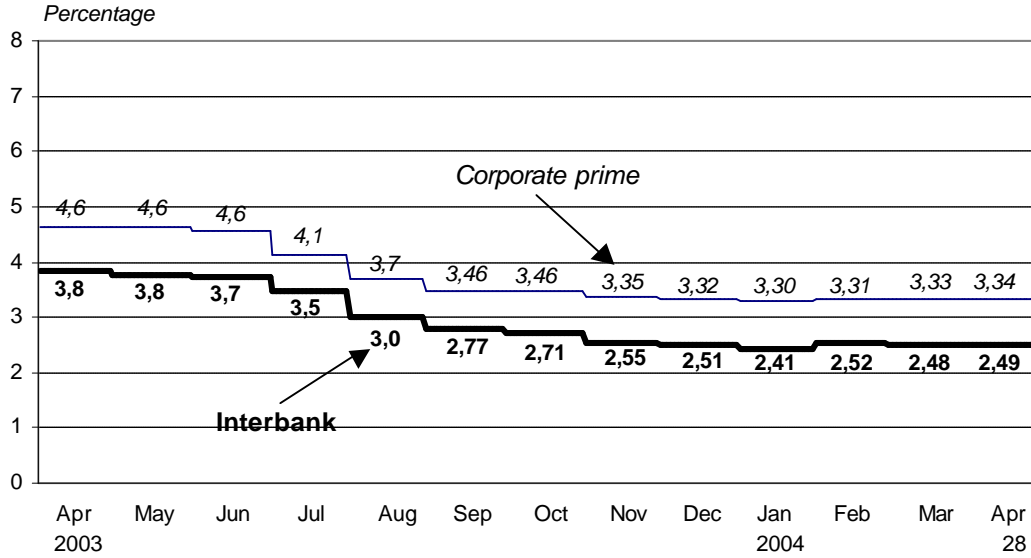
As of **April 28**, the daily average balance of banks' liquidity at the Central Bank was S/. 207 million. Between **April 22 and 28**, the Central Bank made the following operations:

- Auctions of temporary purchase of CDBCRP and BTP with i) 1-day maturity amounting to S/. 220, 280, 210 and 270 million at average interest rates of 2,52%, 2,55%, 2,53%, and 2,53%, respectively and ii) 3-day by S/. 325 and 50 million at 2,56% and 2,52%, respectively.
- Overnight deposits on April 23, 26, 27 and 28 by S/. 64, 1, 26 and 20 million, respectively.

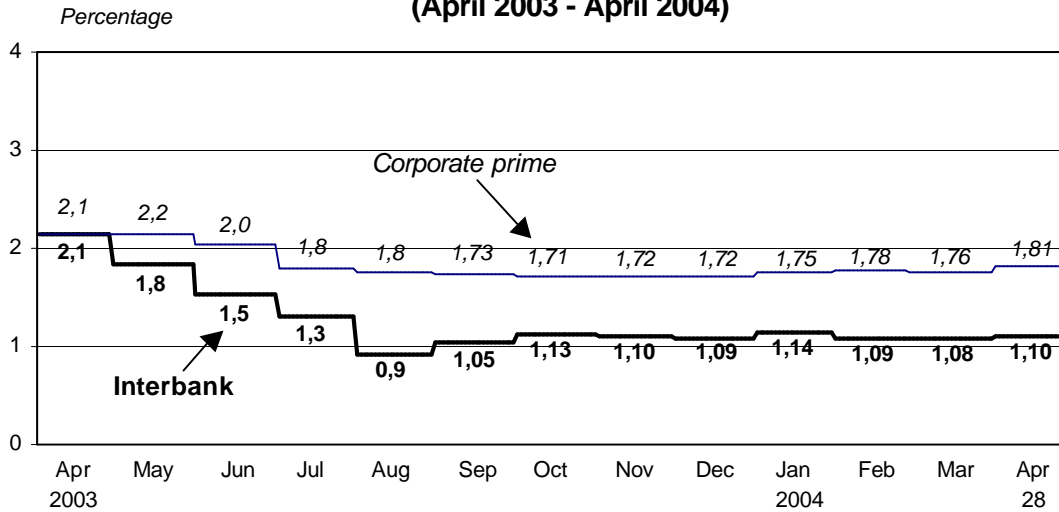
Corporate prime interest rate at 3,34%

Between April 1 and 28, the average corporate prime interest rate in domestic currency was 3,34%, higher than in March (3,32%). Over the same period, the rate in dollars passed from 1,76% to 1,82%.

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



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



Exchange rate: S/. 3,484

Over the period **April 21 to 28**, the exchange rate increased from S/. 3,470 to S/. 3,484 per US dollar. As of April 28, the **balance of net forward sales** soared US\$ 19 million against end-March,

whereas the **banks' exchange position** fell US\$ 120 million over the same period.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2002	December 2003	March 2004	April 28
a. Net sales to the public (i-ii)	905	607	504	523
i. Forward sales to the public	1 141	834	927	1 027
ii. Forward purchases to the public	236	227	423	504
b. Banks' exchange position	642	530	588	468

Monetary base as of April 22, 2004

The monetary base balance as of April 22 was S/. 7 175 million, up 1,7% from end-March. In average terms, the year on year growth of the monetary base was 17,5% compared with 15,7% in March.

The expanding operations of the monetary base were the purchases of foreign currency over the counter (US\$ 151 million

or S/. 521 million), the net redemption of CDBCRP (S/. 155 million) and temporary purchases of securities (S/. 150 million). These operations were partially offset by increased public sector deposits (S/. 402 million) and the net sales of foreign currency to the public sector (US\$ 100 million or S/. 346 million).

March banking system monetary accounts

In March, liquidity in **domestic currency** rose 1,4% (S/. 286 million) to a balance of S/. 20 694 million (annual growth of 12,9%). On the other hand, credit to the private sector increased 3,0 % in March to S/. 10 437 million, up 6,0% from a year ago.

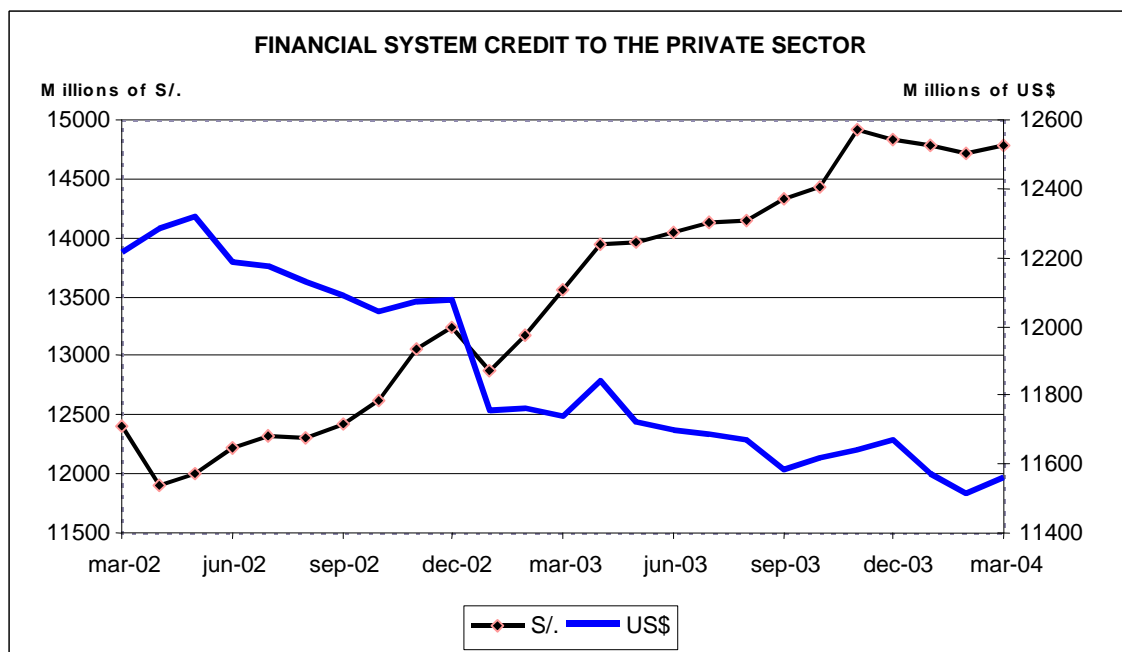
In **foreign currency**, liquidity increased US\$ 3 million to US\$ 9 192 million, down 5,1% from a year ago. Credit in the same currency (US\$ 9 575 million) was 0,8% lower than February and 3,7% than a year ago.

END OF PERIOD MONETARY AGGREGATES OF THE BANKING SYSTEM												
	BASE MONETARY		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%
Mar.	0,7%	16,6%	1,4%	12,9%	3,0%	6,0%	0,0%	-5,1%	-5,0%	8,0%	0,8%	-3,7%
Memo:												
Balance as of Feb.29 (Mill.S/. or Mill.US\$)	7 009		20 408		10 137		9 189		723		9 502	
Balance as of Mar.31 (Mill.S/. or Mill.US\$)	7 055		20 694		10 437		9 192		686		9 575	
1/ Short term external liabilities of banking enterprises.												

Financial system credit to the private sector

Over March 2004, financial system credit to the private sector increased 0,5% in soles and 0,4% in foreign currency.

However, through last 12 month credit in soles grew by 9,1% whereas it dropped 1,5% in foreign currency.



March increase of soles-denominated credit (S/. 67 million) obeyed to the expansion of banking enterprises (S/. 56 million) and Banco de la Nación (S/. 40

million), partially offset by lower micro-finance institutions (S/. 26 million). Through last 12 months, credit expanded in S/. 1 230 million (micro-finance

institutions –S/. 544 million-, institutional investors –S/. 466 million-, Banco de la

Nación –S/. 205 million- and banking enterprises –S/. 154 million-).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN DOMESTIC SECTOR

	Millions of nuevos soles			Percentage change	
	mar03	feb04	mar04	Mar.04/ Mar.03	Mar.04/ Feb.04
Commercial banks 1/	7 976	8 074	8 130	1,9	0,7
Banco de la Nación	426	591	631	48,1	6,9
Microfinance institutions	3 081	3 651	3 625	17,7	-0,7
Banks (Microfinance credits) 2/	620	706	940	51,5	33,1
Local government S&Ls	915	1 095	1 121	22,5	2,4
Rural S&Ls	145	185	189	30,7	2,1
Saving and credit cooperatives	410	466	466	13,7	--
Edpymes	141	170	171	21,0	0,7
Financial companies	850	1 029	738	-13,1	-28,3
Institutional investors 3/	1 676	2 145	2 142	27,8	-0,1
AFPs	1 115	1 414	1 417	27,1	0,2
Insurance companies	505	569	575	14,0	1,1
Mutual funds	57	162	149	162,4	-7,9
Leasing companies and others	395	258	257	-35,0	-0,1
Total financial system	13 555	14 718	14 785	9,1	0,5

1/ Excludes the microfinance credits.

2/ From this Weekly Report this heading incorporates the credit of the banking enterprises. Previously it only considered the credit of Banco de Trabajo and Mibanco.

3/ Mainly securities issued by the private sector.

The expansion of dollar-denominated credits (US\$ 46 million) was recorded in banking enterprises (US\$ 74 million), partially offset by the decrease in institutional investors (US\$ 17 million). Over last 12 months, the US\$ 177 million

drop was a result of lowered banking credits (US\$ 373 million) and leasing (US\$ 61 million), partially offset by the purchases of bonds by institutional investors (US\$ 269 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Millions of US dollars			Percentage change	
	mar03	feb04	mar04	Mar.04/ Mar.03	Mar.04/ Feb.04
Commercial banks1/	9 621	9 174	9 248	-3,9	0,8
Banco de la Nación	36	22	22	-38,0	0,0
Microfinance institutions	428	505	508	18,7	0,7
Banks (Microfinance credits) 2/	86	86	87	1,1	0,8
Local government S&Ls	122	187	190	56,3	1,6
Rural S&Ls	43	48	48	12,4	1,6
Saving and credit cooperatives	104	112	112	7,3	--
Edpymes	34	40	40	17,7	-0,1
Financial companies	39	31	30	-21,7	-3,2
Institutional investors 3/	895	1 181	1 164	30,0	-1,5
AFPs	468	537	536	14,4	-0,3
Insurance companies	33	69	63	87,6	-9,5
Mutual funds	393	574	565	43,8	-1,6
Leasing companies and others	760	635	622	-18,2	-2,1
Total financial system	11 740	11 517	11 563	-1,5	0,4

1/ Excludes microfinance credits.

2/ From this Weekly Report this heading incorporates the credit of the banking enterprises. Previously it only considered the credit of Banco del Trabajo and Mibanco.

3/ Mainly securities issued by the private sector.

Last 12 month primary surplus: S/. 1 110 million

As of March 2004, **central government operations** through last 12 months recorded a S/. 1 110 million surplus, compared with the S/. 147 million surplus over the period April 2002-March 2003. This increase was explained by higher current (8%) and capital revenue (19%), that exceeded the increase in non-financial expenditure (5%). On the other hand, interest payments increased 7% to S/. 4 369 million; hence, the overall deficit reached S/. 3 258 million, down S/. 672 million from the previous period.

In March, central government operations recorded a S/. 253 million primary surplus, compared with S/. 484 million in March 2003. Interests amounted to S/. 331 million, S/. 43 million lower than a year ago. Hence, the overall balance passed from a S/. 110 million surplus in March 2003 to a S/. 78 million deficit this month. The increase in current revenue (4%), mainly of tax revenues (7%), was counteracted by greater non-financial expenditure in 15%.

CENTRAL GOVERNMENT OPERATIONS

(Millions of nuevos soles)

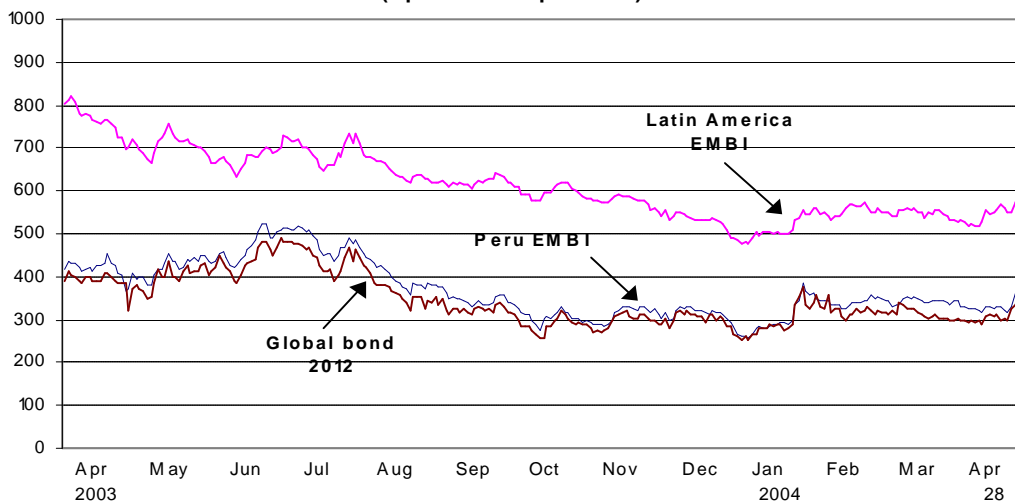
	March			Apr 2002	Mar 2003	Apr 2003	C/A	C/B
	2003	2004	Var%	Mar 2003	Feb 2004	Mar 2004		
				A	B	C		
1. CURRENT REVENUES	2 744	2 846	3,7	29 562	31 902	32 004	8,3	0,3
A. TAX REVENUE	2 399	2 560	6,7	25 186	28 055	28 216	12,0	0,6
B. NON-TAX REVENUE	346	286	-17,1	4 376	3 847	3 788	-13,4	-1,5
2. NON-FINANCIAL EXPENDITURE	2 265	2 596	14,6	29 698	30 899	31 230	5,2	1,1
A. CURRENT EXPENDITURE	1 981	2 355	18,9	25 623	26 962	27 337	6,7	1,4
B. CAPITAL EXPENDITURE	284	241	-15,3	4 075	3 936	3 893	-4,5	-1,1
3. CAPITAL REVENUE	5	3	-34,8	283	337	336	18,5	-0,5
<u>4. PRIMARY BALANCE</u>	<u>484</u>	<u>253</u>		<u>147</u>	<u>1 341</u>	<u>1 110</u>		
5. INTEREST PAYMENTS	374	331	-11,6	4 077	4 412	4 369	7,2	-1,0
<u>6. OVERALL BALANCE</u>	<u>110</u>	<u>-78</u>		<u>-3930</u>	<u>-3071</u>	<u>-3258</u>		
7. NET FINANCING	-110	78		3 930	3 071	3 258		
1. Financing abroad	649	-340		4 296	2 195	1 207		
A. Disbursements	1 012	98		7 790	6 321	5 406		
B. Amortizations	-363	-437		-3 494	-4 126	-4 200		
2. Domestic financing	-771	415		-1 746	695	1 882		
3. Privatization	13	3		1 380	180	170		

Spread of Global bond 2012 at 3,53%

As of **April 28**, the spread of the **Peruvian Global bond 2012** was 3,53%, higher than end-March (3,0%), whereas the spread of the **sovereign bonds** rose from 3,43% to 3,75% over the same period. The emerging spreads has been ailed by the possibility that the Fed raises interest rates and thus capital flows to the emerging economies

reduce. On April 26, the government issued a US\$ 500 million worth global bond with a 12-year maturity and a 8,4% yield (an spread of 395 bps over the US Treasury bond due in 2014). This is the fifth issuance made by the Peruvian government since February 2002.

Country risk indicators
(April 2003 - April 2004)



International markets

Between **April 21 and 28**, the **gold** quotation decreased 1,6% to US\$ 387 per Troy ounce due to the strengthening of the

US dollar, which provoked a lower demand of European and Asian (mainly Chinese) investors in the gold market.

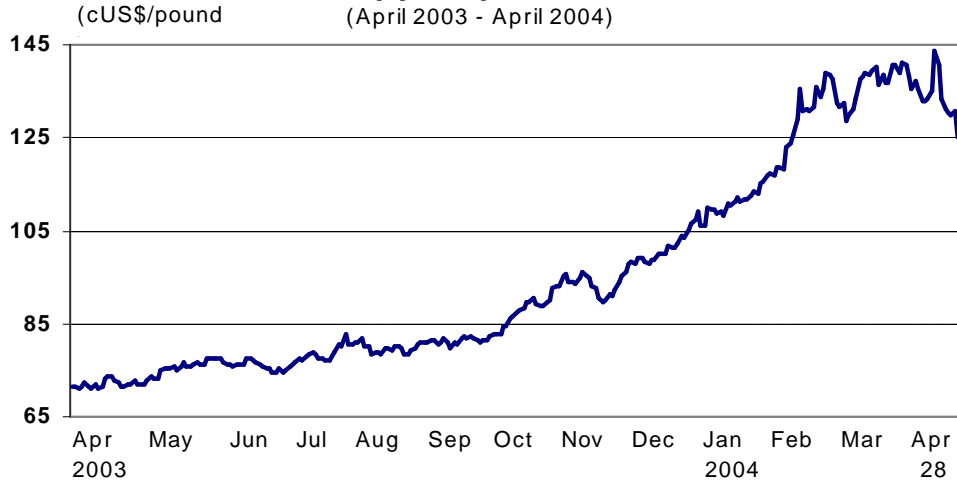
Gold quotation
(April 2003 - April 2004)



The **copper** quotation dropped 6,1% to US\$ 1,25 per pound due to policies adopted in China oriented to slowdown the economy

and avoid inflationary risks. However, LME inventories declined once more from 160 to 153 thousand MT.

Copper quotation



In the week under analysis, the **zinc** quotation increased 1,1 % to US\$ 0,46 per pound due to the expected deficit in the western world for 2004 in 70 thousand M.T: after the 118 thousand M.T surplus of 2003.

LME inventories decreased from 780 to 765 thousand MT, after the recovery of 100 thousand MT recorded between March 24 and April 13.

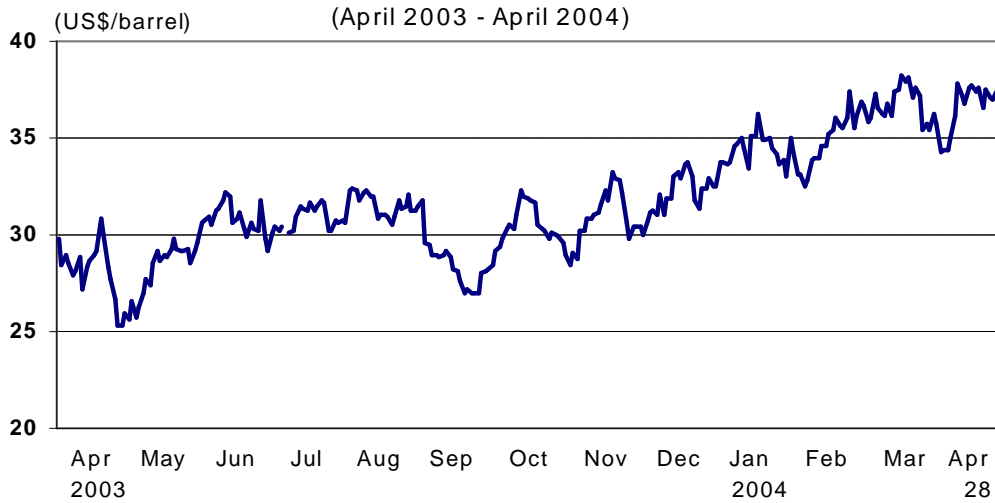
Zinc quotation



The WTI oil price increased 3,4% to US\$ 37,8 per barrel, due to a likely

increase in OPEC's official oil price limits.

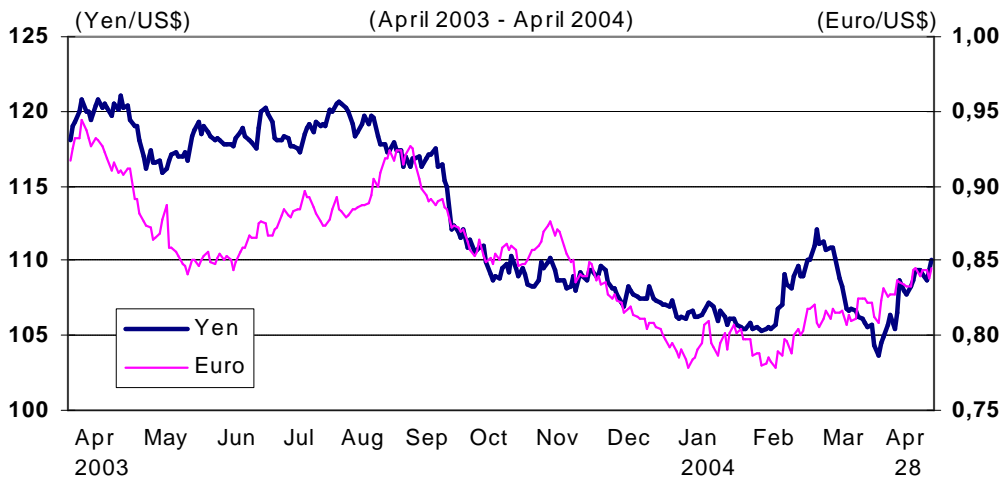
WTI oil quotation



The **US dollar** appreciated 0,7% against the **yen** and remained steady against the **euro**. The European currency was favored by the

Statement of the ECB president who praised the regional economy recovery.

Yen and euro

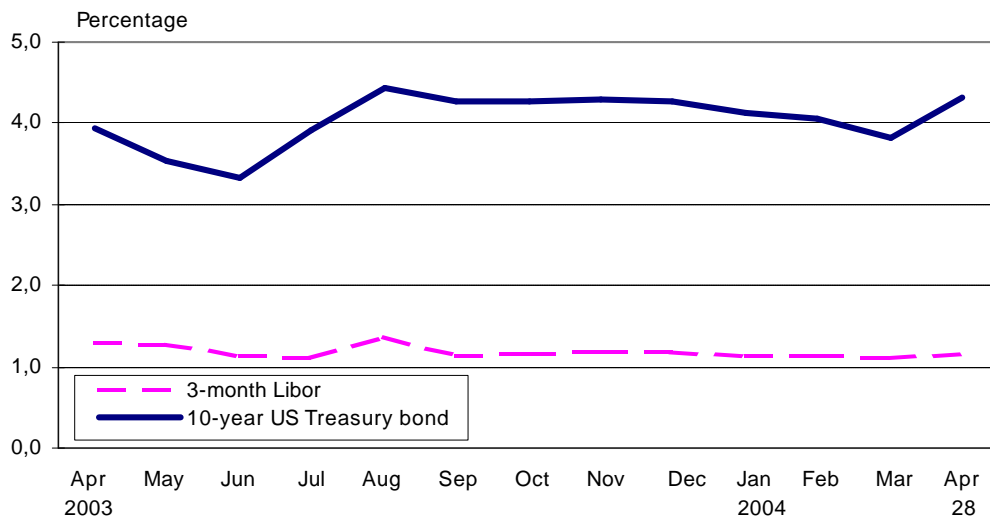


Between **April 21 and 28**, the **3-month Libor** remained at 1,17%, whereas the **yield of US Treasury bonds with a 10 year maturity** soared from 4,43 to 4,50%. The

demand for US Treasuries fell after the increase in durable good orders and the rise in the consumer confidence index.

Libor and yield of 10-year matured US Treasury bond

(April 2003 - April 2004)



Lima Stock Exchange (LSE)

As of **April 28**, the LSE recorded a 2,8% seatback in the **General Index** and a 7,7% one in the **Blue Chip Index**, mainly reflecting lower mineral quotations.

However, cumulative increase in the year is 17,5% for the General Index and 20,4% for the Blue Chip.

LSE indicators

(April 2003 - April 2004)

