

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

Nº 31 – August 6, 2004

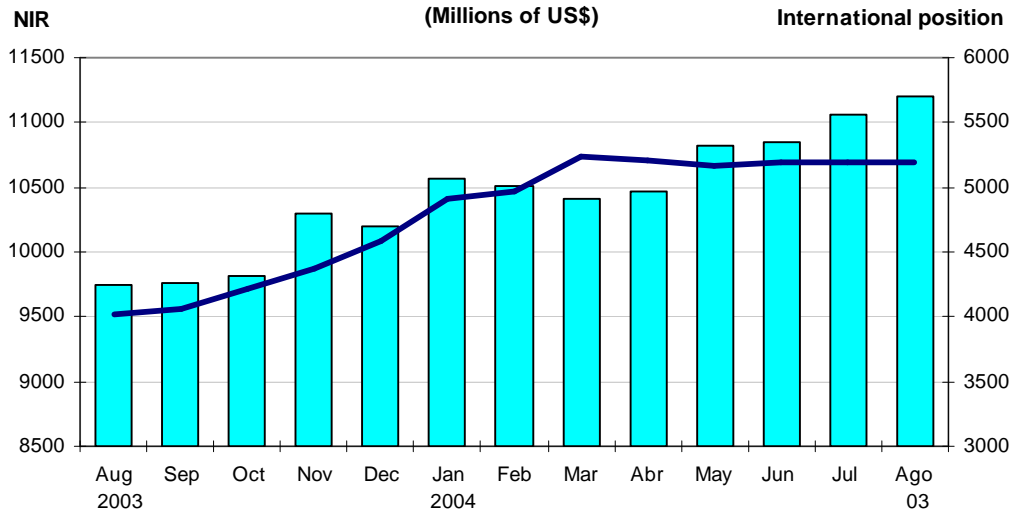
#### Net international reserves at US\$ 11 201 million

In **July**, net international reserves (NIR) amounted to US\$ 11 057 million, up US\$ 202 million from June. The NIR increase resulted from higher financial system's, public sector's and Insurance Deposit Fund's deposits (US\$ 138, 72 and 3 million, respectively) as well as purchases of foreign currency (US\$ 38 million), investment yield (US\$ 5 million) and other operations (US\$ 2 million), which were partially offset by sales of foreign currency to public sector (US\$ 50 million) and the valuation effect (US\$ 6 million).

As of **August 3**, NIR soared US\$ 144 million to a US\$ 11 201 million balance, reflecting the increase of financial system's and public sector's deposits as well as investment yield (US\$ 137, 2 and 5 million, respectively).

In the year, NIRs have increased US\$ 1 007 million, whereas the **Central Bank's international position** (US\$ 5 195 million) grew by US\$ 611 million.

Net international reserve and international position of the  
Central Reserve Bank  
August 2003 - August 2004  
(Millions of US\$)

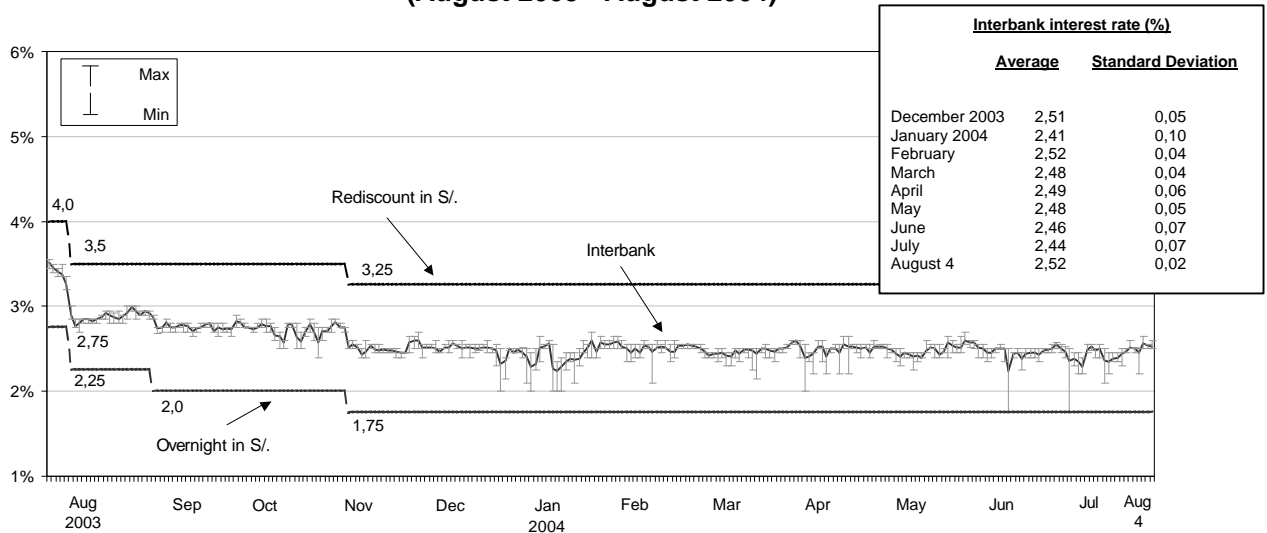


#### Interbank interest rate at 2,52%

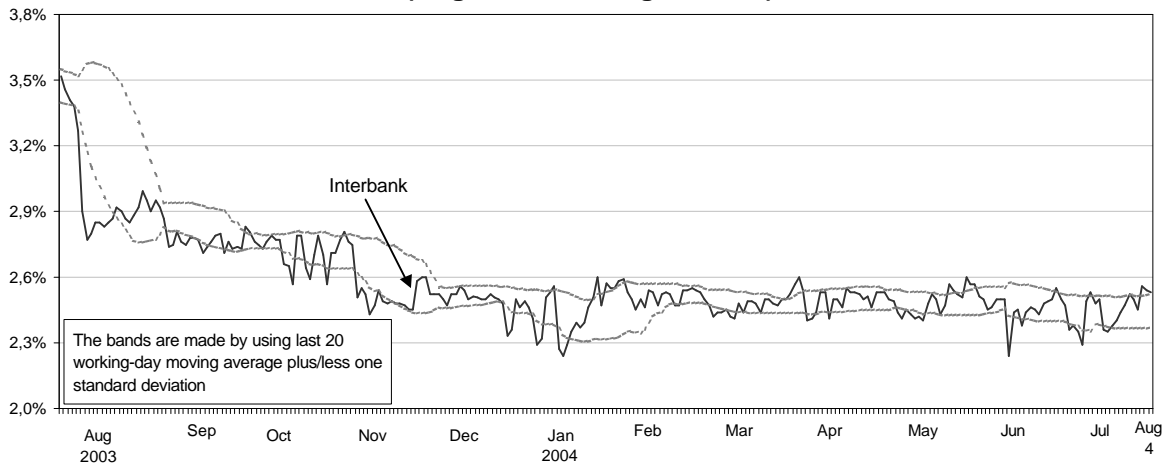
In **July**, the average interbank interest rate in domestic currency was 2,44%, lower

than in June (2,46%). As of **August 4**, this rate averaged 2,52%.

### Interest rates in domestic currency (August 2003 - August 2004)



### Interbank interest rate in domestic currency (August 2003 - August 2004)



## Monetary operations

In **July**, the daily average balance of banks' liquidity at the Central Bank was S/. 190 million. Between **July 22 and August 4**, the Central Bank made the following operations:

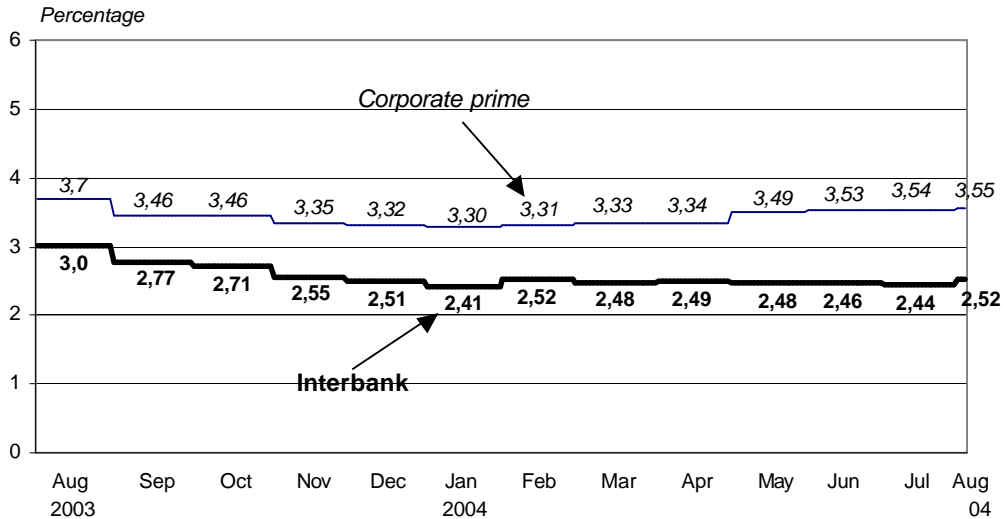
- Auctions of temporary purchase of CDBCRP and Treasury bills with a i) 1-day maturity by S/. 160, 165, 50 and 100 million at average interest rates of 2,48; 2,62; 2;60 and 2,61%, respectively; and ii) 3-day by S/. 145 and 175 million at 2,41 and 3,29%, respectively.
- Overnight deposits on July 26 and 30 by S/. 21 and 42 million, respectively.

## Corporate prime interest rate at 3,55%

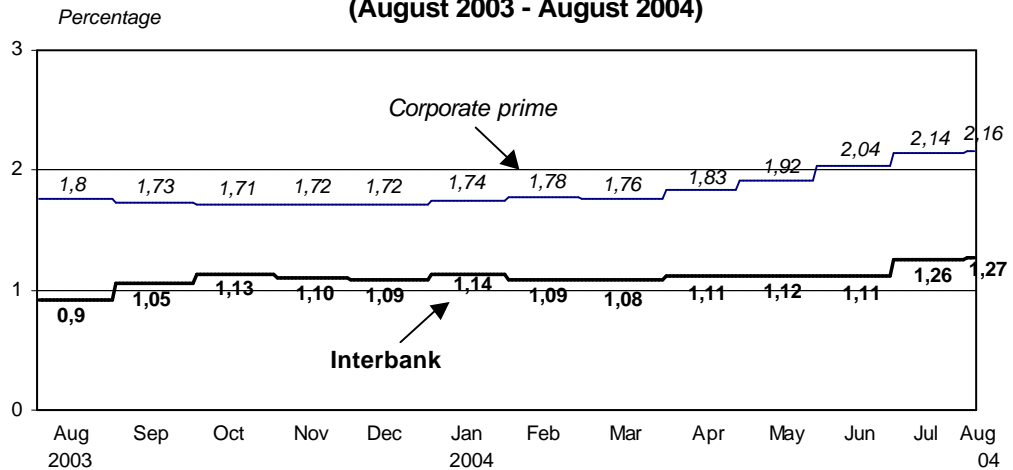
In **July**, the 90-day average corporate prime interest rate in domestic currency rose to 3,54% from 3,53% in June whereas

the rate in dollars from 2,04 to 2,14%, over the same period. As of **August 4**, these rates were 3,55 and 2,16%, respectively.

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



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



## Exchange rate: S/. 3,421

As of **August 4**, the exchange rate reached S/. 3.421. In **July**, the **exchange rate** quoted at S/. 3.442, equivalent to a 1 percent appreciation against June. In the year, nominal appreciation is 0,9 percent.

In **real terms**, the difference between domestic and external prices (0,6 percent) together with the 1 percent nominal appreciation determined a real appreciation of 0,4 percent.

It should be noted the US dollar depreciation against the Canadian dollar (2,6 percent), euro (1,0 percent), the Sterling pound (0,8 percent) and a number of Latin currencies.

In July, the exchange rate recorded a appreciatory trend so as the exchange rate closed at S/. 3,422. This evolution was explained by the excess of supply of foreign currency that is associated to the increasing trade surplus, that in July reached US\$ 250 million (historical record) and to the increase of the deposits in foreign currency that surpassed the

US\$ 270 million. These factors determined low expectations of depreciation (measured by three month forward operations), together with seasonal factors such as payment of bonuses and taxes.

In this month, the Central Bank made purchases of US\$ 38 million, totaling US\$ 877 million in the year.

In July, the **balance of net forward sales** decreased US\$ 8 million compared to June, whereas the **bank's exchange position** dropped in US\$ 7 million.

**MULTILATERAL EXCHANGE RATE INDEX  
(1994=100)**



**BANKS' EXCHANGE POSITION  
(Millions of US\$)**

	December 2002	December 2003	June 2004	July
<b>a. Net sales to the public (i-ii)</b>	<b>905</b>	<b>607</b>	<b>542</b>	<b>534</b>
i. Forward sales to the public	1 141	834	1 060	987
ii. Forward purchases to the public	236	227	518	454
<b>b. Banks' exchange position</b>	<b>643</b>	<b>536</b>	<b>610</b>	<b>603</b>

## July inflation: 0,19 percent

July rate of **inflation** was 0,19%. Cumulative inflation through last 12-month and January-July period were 4,6 and 3,2% respectively. Over July, five agriculture products explained 0,18 percentage points of monthly inflation:

sugar (0,08 ppt), poultry (0,03 ppt), papaya (0,03 ppt), onion (0,02 ppt) and potato (0,02 ppt). Domestic gas contributed with another 0,09 ppt and transport with 0,06 ppt. On the other hand, fish had a negative contribution (-0,13 ppt).

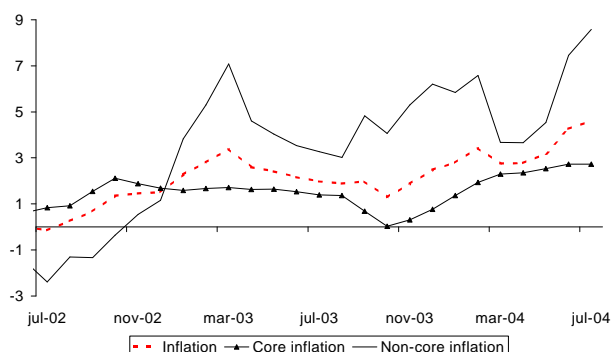
**INFLATION RATE**  
(Annual percentage change)

	Weighting	Monthly	12-month indicator			Average annual indicator		
		Jul. 2004	Jul. 2003	Jun. 2004	Jul. 2004	Jul. 2003	Jun. 2004	Jul. 2004
<b>I. CORE INFLATION</b>	<b>68,3</b>	<b>-0,01</b>	<b>1,39</b>	<b>2,73</b>	<b>2,73</b>	<b>1,61</b>	<b>1,48</b>	<b>2,03</b>
<b>Goods</b>	<b>41,8</b>	<b>-0,03</b>	<b>1,21</b>	<b>3,28</b>	<b>3,35</b>	<b>1,62</b>	<b>1,38</b>	<b>2,12</b>
Food	20,7	0,08	1,58	6,77	7,15	1,90	2,34	3,98
Textile and footwear	7,6	-0,17	0,93	1,31	1,09	1,04	0,91	1,08
Electrical appliances	1,0	-0,90	-1,27	-1,26	-1,84	2,16	-1,85	-2,10
Other industrial goods	12,5	-0,06	0,98	-0,91	-1,09	1,47	0,33	0,01
<b>Services</b>	<b>26,6</b>	<b>0,01</b>	<b>1,67</b>	<b>1,88</b>	<b>1,77</b>	<b>1,60</b>	<b>1,64</b>	<b>1,88</b>
Restaurants	12,0	0,10	1,55	1,82	1,82	1,25	1,49	1,74
Education	5,1	0,00	3,12	3,70	3,60	2,91	3,25	3,79
Health	1,3	-0,32	2,45	1,51	1,35	2,97	2,23	2,38
Renting	2,3	-0,49	0,49	0,39	0,10	1,23	0,44	0,46
Other services	5,9	0,12	0,92	1,02	0,76	1,07	0,86	0,91
<b>II. NON-CORE INFLATION</b>	<b>31,7</b>	<b>0,58</b>	<b>3,27</b>	<b>7,46</b>	<b>8,58</b>	<b>2,51</b>	<b>4,87</b>	<b>6,41</b>
Food	14,8	0,14	-3,39	13,21	14,33	-1,61	4,05	7,46
Fuel	3,9	1,81	14,72	11,56	14,88	15,63	8,80	10,53
Transportation	8,4	0,83	11,27	0,02	0,30	4,87	7,16	6,27
Utilities	4,6	0,25	-0,08	0,03	0,81	0,28	-0,69	-0,77
<b>III. INFLATION</b>	<b>100,0</b>	<b>0,19</b>	<b>1,98</b>	<b>4,26</b>	<b>4,61</b>	<b>1,91</b>	<b>2,56</b>	<b>3,43</b>
<b>Note.-</b>								
Imported inflation	12,1	0,63	9,02	9,79	10,96	9,70	6,06	7,82
Core inflation excluding food	47,6	-0,05	1,31	1,00	0,84	1,25	1,11	1,18
Total food	33,2	0,11	-0,38	10,17	10,77	0,41	3,54	6,05

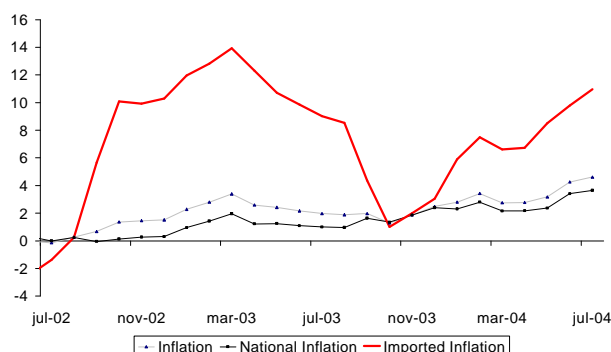
**Core inflation** was -0,01% in July and 2,7 through last 12 months, whereas the **non-core component of inflation** reached 0,58% this month and 8,6% through last 12 month.

**Excluding foodstuffs and beverage core inflation** was -0,05% in July and 0,8% through last 12 months. On the other hand, **imported inflation** was 0,63% this month and 11,0% through last 12 months.

**INFLATION AND CORE INFLATION**  
(Last 12-month cumulative variation)



**INFLATION AND IMPORTED INFLATION**  
(Last 12-month cumulative variation)



## Macroeconomic Expectations

Between July 16 and 27, the Central Bank carried out the monthly Macroeconomic Expectations survey among 29 financial

enterprises, 345 non-financial businesses and 17 economic analysts with the following results:

### FINANCIAL SYSTEM INSTITUTIONS (Median<sup>1/</sup> of the sample)

	Date of the survey		
	May. 31 2/	Jun. 30 2/	Jul. 27 3/
<b>Inflation (%)</b>			
Monthly: august	--	--	0,2
Annual: 2004	2,7	3,1	3,3
2005	2,5	2,5	2,9
<b>GDP growth (%)</b>			
Monthly: june	3,5	3,7	4,0
july	--	3,9	4,0
august	--	--	4,0
Annual: 2004	4,0	4,2	4,2
2005	4,0	4,0	4,0
<b>Exchange rate (S/. per US\$)</b>			
Monthly: august	--	--	3,44
December 2004	3,50	3,49	3,46
December 2005	3,55	3,53	3,50
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
Monthly: august	--	--	2,5
December 2004	2,8	2,8	2,8
December 2005	3,3	3,1	3,3
<i>In U.S. Dollars</i>			
Monthly: august	--	--	1,3
December 2004	1,5	1,5	1,6
December 2005	2,0	2,0	2,3

1/ The median indicates the central value of the sample in order to reduce the bias due to extreme value.

2/ 28 financial institutions.

3/ 29 financial institutions.

### CONSULTANTS

(Median of the sample)

	Date of the survey		
	May. 31 1/	Jun. 30 1/	Jul. 27 1/
<b>Inflation (%)</b>			
Monthly: august	--	--	0,1
Annual: 2004	2,7	2,9	3,3
2005	2,5	2,3	2,3
<b>GDP growth (%)</b>			
Monthly: june	4,2	4,0	3,8
july	--	4,0	4,0
august	--	--	4,5
Annual: 2004	4,3	4,5	4,5
2005	4,1	4,3	4,1
<b>Exchange rate (S/. per US\$)</b>			
Monthly: august	--	--	3,45
December 2004	3,49	3,49	3,48
December 2005	3,56	3,56	3,50
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
Monthly: august	--	--	2,5
December 2004	2,7	2,6	2,8
December 2005	3,1	3,0	3,0
<i>In U.S. Dollars</i>			
Monthly: august	--	--	1,3
December 2004	1,5	1,5	1,3
December 2005	2,0	2,5	2,0

1/ 17 consultants.

### NON-FINANCIAL SYSTEM INSTITUTIONS

(Median of the sample)

	Date of the survey		
	May. 31 1/	Jun. 30 1/	Jul. 27 1/
<b>Inflation (%)</b>			
Annual: 2004	2,5	2,8	3,0
2005	2,5	2,6	2,8
<b>GDP growth (%)</b>			
Annual: 2004	4,0	4,0	4,0
2005	4,0	4,0	4,0
<b>Exchange rate (S/. per US\$)</b>			
December 2004	3,52	3,51	3,50
December 2005	3,60	3,60	3,58

1/ 345 non-financial institutions.

Besides, the Central Bank made the quarterly survey among consultants with

the following results:

**CONSULTANTS**

(Median of the sample)

	Apr. 30 1/		Jul. 27 1/	
	2004	2005	2004	2005
<b>Real % change</b>				
Domestic demand	3,8	3,9	4,0	4,2
Private consumption	3,5	3,5	3,7	3,9
Private gross fixed Investment	5,2	5,0	6,2	4,8
Export of goods	14,7	10,1	19,1	6,4
Import of goods	7,4	7,4	9,2	5,1
<b>% of GDP</b>				
Current account deficit	1,3	1,1	0,5	0,4
Public sector deficit	1,6	1,6	1,5	1,2
<b>Nominal % change</b>				
Terms of trade	3,0	2,5	4,5	1,2
Monetary base	10,0	10,0	10,0	10,0
Credit to the private sector	0,9	3,0	2,1	5,0

1/ 17 consultants.

**Banking system monetary accounts: July 7, 2004**

Through last 4 weeks, liquidity in **domestic currency** decreased 0,1% (S/. 10 million) to a balance of S/. 20 590 million. Credit to the private sector in the same currency soared 0,9% (S/. 90 million) to S/. 10 503 million. In annual terms these aggregates grew by 11,7 and 4,2%, respectively.

In foreign **currency liquidity** rose 2,8% (US\$ 259 million) to US\$ 9 600 million, down 0,4% from a year ago. Credit to the private sector (US\$ 9 913 million) increased 1,3% (US\$ 125 million). In annual terms, this aggregate dropped 0,1%.

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
<b>2002</b>												
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%
<b>2003</b>												
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%
<b>2004</b>												
Jan.	-6,4%	13,4%	2,6%	17,0%	-0,2%	8,8%	-0,2%	-2,7%	1,4%	4,8%	-1,0%	-4,0%
Feb.	0,7%	14,5%	-0,6%	13,3%	-0,5%	4,2%	-2,7%	-5,3%	1,9%	-3,3%	-0,9%	-4,6%
Mar.	0,7%	16,6%	1,2%	12,7%	3,2%	6,0%	0,0%	-5,1%	-5,4%	8,0%	0,6%	-3,6%
Apr.	4,4%	18,2%	-0,2%	12,7%	0,5%	2,8%	1,0%	-3,6%	10,8%	6,6%	1,2%	-3,4%
May.	0,7%	20,3%	0,2%	12,1%	-0,4%	2,0%	-0,6%	-3,4%	11,7%	21,7%	1,3%	-1,2%
Jun.	0,7%	19,2%	-0,3%	13,6%	0,8%	3,9%	3,0%	-1,6%	2,5%	28,3%	0,7%	-0,3%
Jul.7	-0,8%	16,8%	-0,1%	11,7%	0,9%	4,2%	2,8%	-0,4%	5,1%	23,9%	1,3%	-0,1%
Memo:												
Balance as of Jun.7 (Mill.S/. or Mill.USS)	7 678		20 601		10 413		9 342		884		9 787	
Balance as of Jul.7 (Mill.S/. or Mill.USS)	7 616		20 590		10 503		9 600		929		9 913	
1/ Short term external liabilities of banking enterprises.												

## June trade surplus: US\$ 135 million

In June, the **trade balance** was positive in US\$ 135 million, down US\$ 2 million from a year ago. Thus, last 12 month surplus reached US\$ 1 553 million.

**This month, exports** amounted to US\$ 959 million, up US\$ 157 million (20% for the aggregate whereas 19% for traditional exports and 21% for the non-traditional) from a year ago. The growth of traditional exports is basically due to mining exports that grew by 32%

(US\$ 123 million). Non- traditional exports where lead by fabricated metals which increased 205% (US\$ 12 million) and textile products 16% (US\$ 11 million). **Compared with May**, exports decreased in US\$ 17 million (2%) as a result of lower non-traditional sales (12%) even though traditional exports grew by 2%. Lower textile exports (15%) and agriculture and livestock ones (17%) mainly explained the drop in the non-traditional exports.

### TRADE BALANCE (Millions of US\$)

	Monthly data			Annual data				
	June			Jul.2002	Jun.2003	Jul.2003	C/A	C/B
	2003	2004	% Var.	Jun.2003	May.2004	Jun.2004		
			A	B	C			
<b>1. EXPORTS</b>	<b>801</b>	<b>959</b>	<b>20</b>	<b>8 368</b>	<b>10 167</b>	<b>10 325</b>	<b>23,4</b>	<b>1,5</b>
Traditional products	579	692	19	5 878	7 101	7 213	22,7	1,6
Non-traditional products	212	257	21	2 379	2 950	2 995	25,9	1,5
Other products	10	9	-3	111	117	117	5,3	- 0,2
<b>2. IMPORTS</b>	<b>664</b>	<b>823</b>	<b>24</b>	<b>7 951</b>	<b>8 613</b>	<b>8 772</b>	<b>10,3</b>	<b>1,8</b>
Consumer goods	147	150	2	1 830	1 840	1 844	0,7	0,2
Raw materials and intermediate goods	353	479	36	4 100	4 597	4 724	15,2	2,8
Capital goods	159	187	18	1 947	2 098	2 126	9,2	1,3
Other goods	6	7	14	74	78	78	6,2	1,1
<b>3. TRADE BALANCE</b>	<b>137</b>	<b>135</b>	<b>-1</b>	<b>416</b>	<b>1 555</b>	<b>1 553</b>	<b>272,9</b>	<b>- 0,1</b>

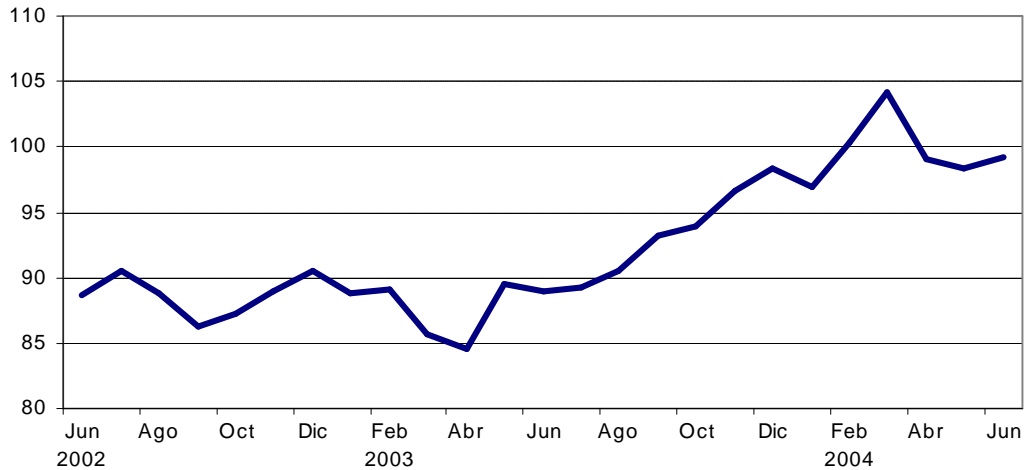
Over June, **imports** totaled US\$ 823 million, up 24% and 8% on year to year basis and monthly basis respectively. The former increase is explained by more acquisitions of raw materials and intermediate goods (36%), particularly fuels (73%), capital good imports (18%), industrial machinery (18%) and consumption goods (2%).

**Terms of trade** rose 11,7% in June (month to month), due to the marked

increased in export prices (19,4%) that exceeded the increase in import prices (6,9%). The growth of export prices obeys to higher quotations for copper (60,1%), tin (92,7%), iron (28,0%), gold (10,1%), silver (30,5%), lead (60,5%), zinc (30,7%) and oil & derivatives (14,2%) whereas the increase in import prices is a result of dearer crude oil & derivatives (28,8%), wheat (12,1%), soybean (32,8%), meat (13,2%), dairy products (15,9%), and maize (13,5%).



**TERMS OF TRADE (1994=100)  
(June 2002 - June 2004)**



**Spread of Global bond 2012 at 3,62%**

As of **August 4**, the spreads of the Peruvian Global bond 2012 and of the EMBI+ sovereign bond quoted at 3,62 and 3,99%, respectively. In **July**, the average

spread of the Global was 3,98%, down from June (4,11%), whereas the average spread of the EMBI+ decreased from 4,39 to 4,23%.

**Country risk indicators  
(August 2003 - August 2004)**



### International markets

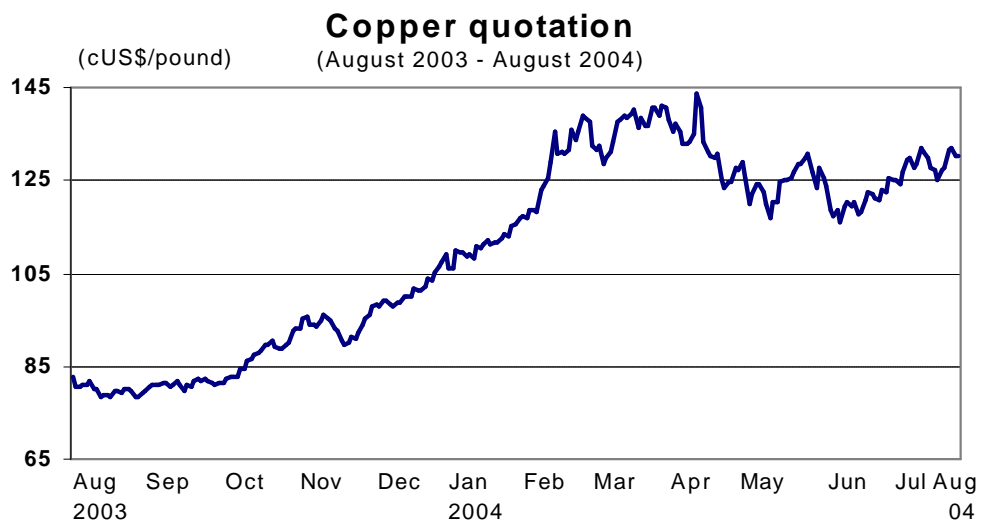
In **July**, the **gold** average quotation increased 1,5% to US\$ 398 per Troy ounce due to the weakness of the US

dollar. As of **August 4**, the gold quoted at US\$ 393 per Troy ounce.



In **July**, the **copper** average quotation increased 4,5% (to US\$ 1,27) reflecting higher projected demand and the strike of a mine in Mexico (La Caridad) and the fire

in a Chilean smelter (Altonorte). As of **August 4**, the copper quotation reached US\$ 1,30, whereas LME inventories dropped from 92 to 85 thousand MT.



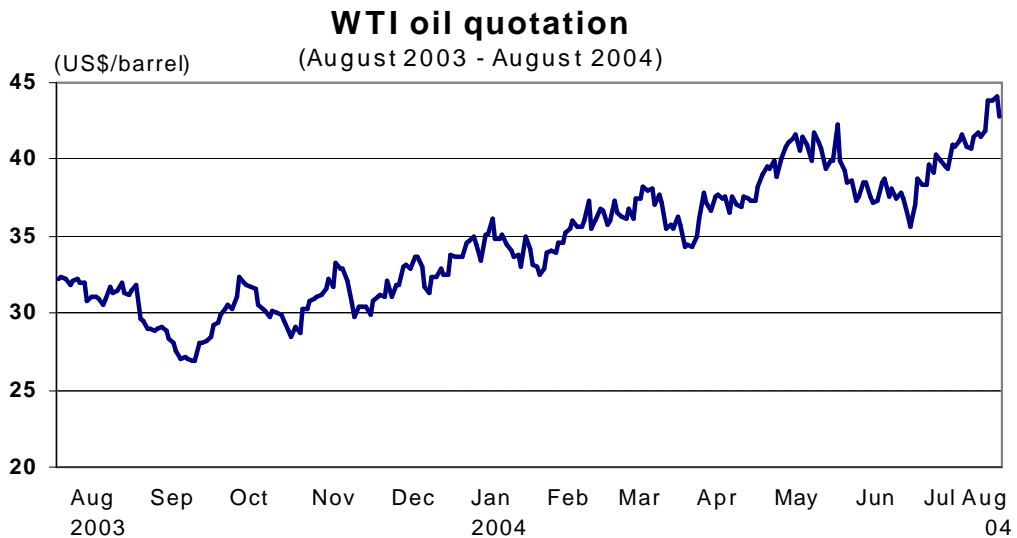
In **July**, the **zinc** average quotation decreased 3,2% to US\$ 0,45 per pound. As of **August 4**, the zinc quotation rose to

US\$ 0,46 per pound as long with a increase in LME inventories from 707 to 719 thousand MT.



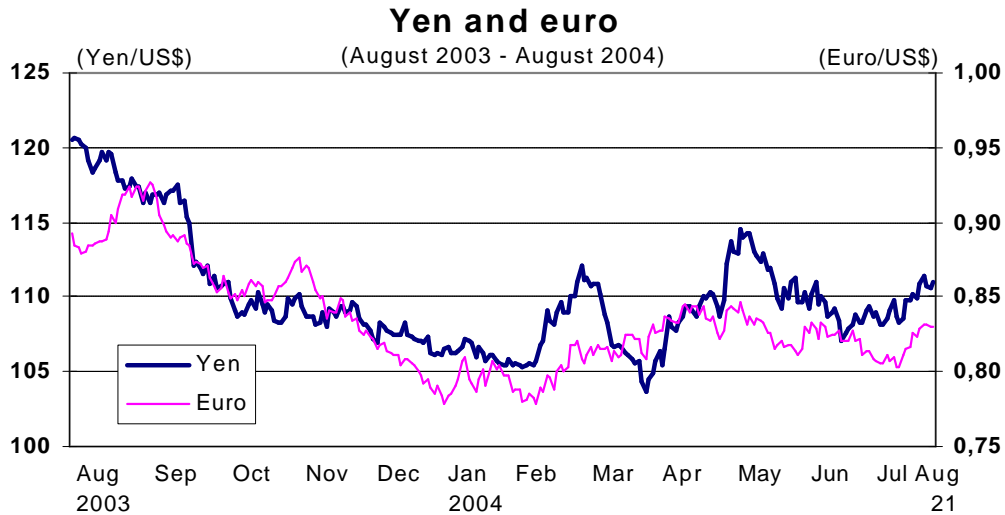
The **WTI oil** price increased by 7,3% (to US\$ 40,8 per barrel) due to the fears of a insufficient supply given the economic expansion of main importers such as the US, China and Japan and Yukos Oil Co's

financial problems. Furthermore, the OPEC has stated that prospects of increasing supply are limited. As of **August 4**, WTI oil quoted at US\$ 42,8 per barrel.



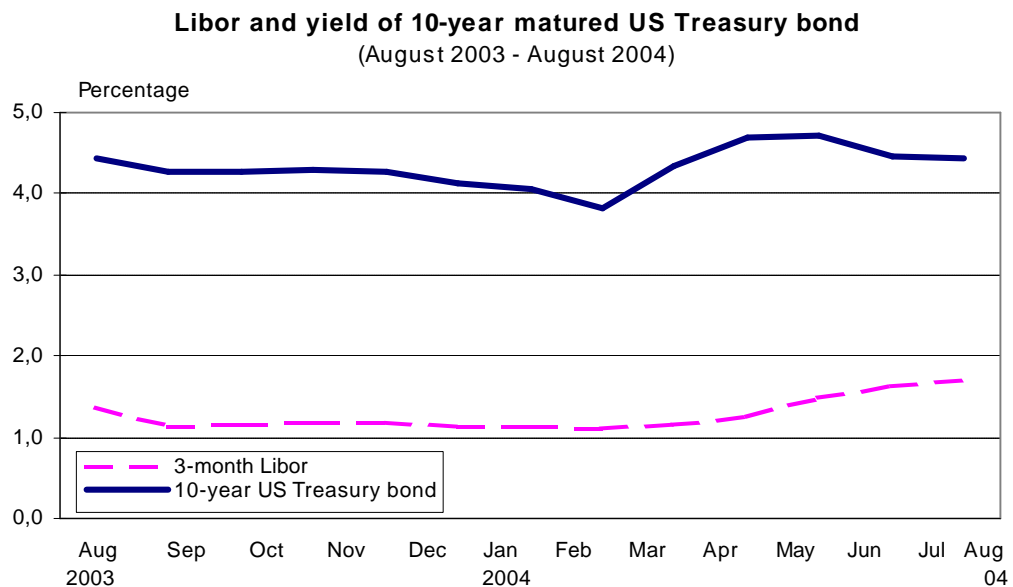
In average terms, the **US dollar** depreciated 1,2 and 0,2% against the **euro** and **yen** respectively, due to the release of weaker than expected

economic indicators (non-farm payrolls, orders of durable goods, second quarter GDP) that lowered the expectations of a FED's interest rate rise.



Between June 30 and July 31, the **3-month Libor** rose from 1,61 to 1,70%, whereas the **yield of US Treasury bonds**

**with a 10 year** fell from 4,58 to 4,48%. The demand for US Treasuries was favored by lower inflationary pressures.



### Lima Stock Exchange (LSE)

In **July**, the LSE decreased 2,1% in its **General Index** and 1,9% in the **Blue Chip Index**. As of **August 4**, both indices

dropped 0,2%. However, in the year these indices record cumulative increases of 15,8% and 17,2%, respectively.

**LSE indicators  
(August 2003 - August 2004)**

