

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

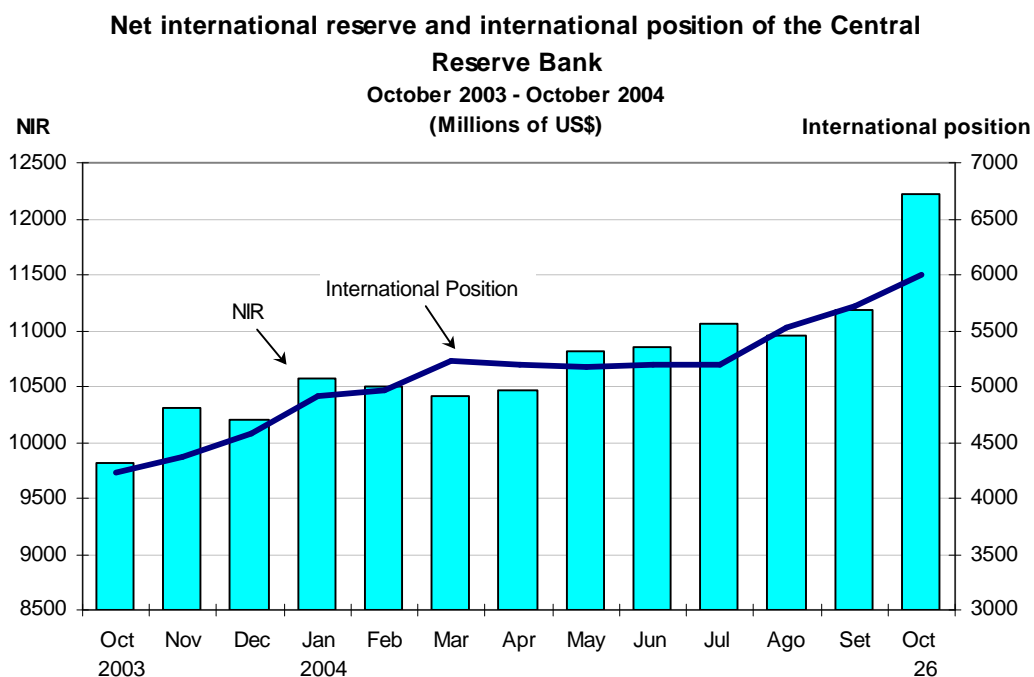
Nº 43 – October 29, 2004

Net international reserves at US\$ 12 220 million

As of **October 26**, net international reserves (NIR) amounted to US\$ 12 220 million, up US\$ 1 034 million from end-September. This increase was mainly due to net foreign exchange purchases (US\$ 314 million), higher public deposits -mainly explained by the issue of Euro denominated sovereign bonds- and Insurance Deposit Fund's deposits (US\$ 848 and US\$ 1 million, respectively)

and investment yield (US\$ 27 million) which were partially offset by lower financial system (US\$ 96 million) and foreign exchange sales to the public sector (US\$ 61 million).

Starting this year, NIRs have increased US\$ 2 026 million, whereas the **Central Bank's international position** (US\$ 5 998 million) grew by US\$ 1 415 million.

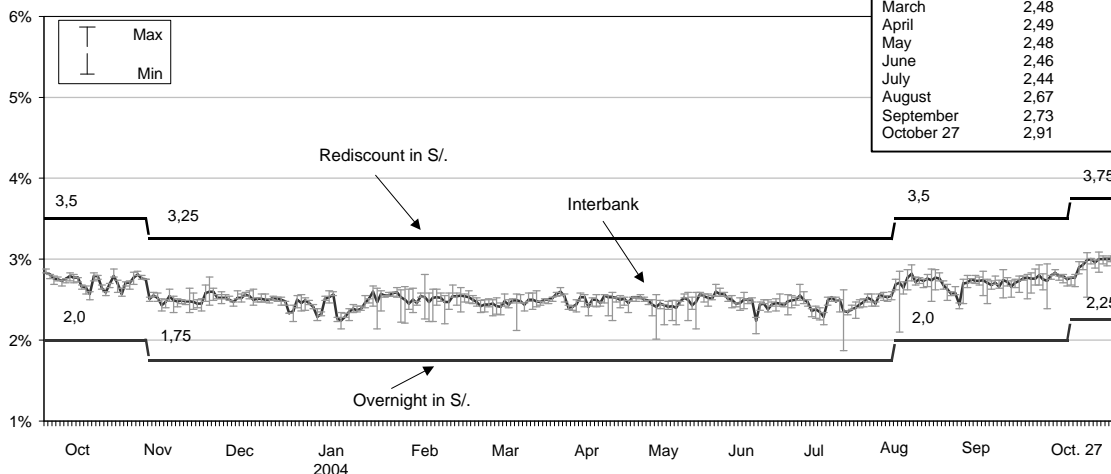


Interbank interest rate at 2,91%

As of **October 27**, the average interbank interest rate in domestic

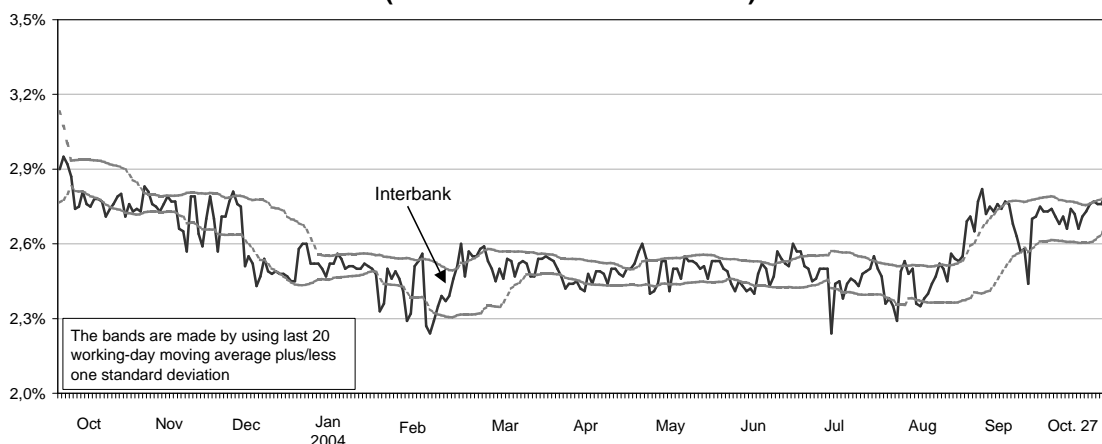
currency was 2,91%, higher than September's (2,73%).

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



Interbank interest rate (percent)		
	Average	Standard Deviation
December 2003	2,51	0,05
January 2004	2,41	0,10
February	2,52	0,04
March	2,48	0,04
April	2,49	0,06
May	2,48	0,05
June	2,46	0,07
July	2,44	0,07
August	2,67	0,10
September	2,73	0,03
October 27	2,91	0,11

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



Monetary operations

As of **October 27**, the daily average balance of banks' liquidity at the Central Bank was S/. 231 million. Between **October 21 and 27**, the Central Bank made the following operations:

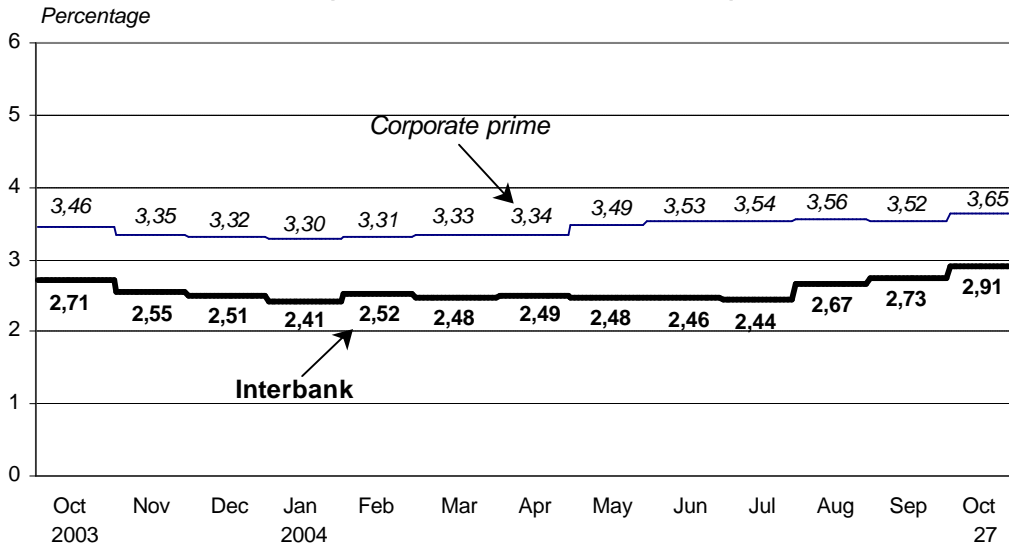
- Auctions of CDBCRP with a: i) 7-day maturity by S/. 50 million at an average interest rate of 3,13%; ii) 7-month by S/. 40 million at 4,17%; iii) 1-year by S/. 50 and S/. 90 million at 3,92 and 4,63%, respectively; iv) 18-month by S/. 60 million at 5,27% and v) 2-year by S/. 30 million at 5,88%.
- Auctions of temporary purchase of CDBCRP and Treasury bonds with a 1-day maturity by S/. 120 million at an average interest rate of 3,07%.
- Foreign currency purchase over-the-counter mechanism by US\$ 59,5 million at an average exchange rate of S/. 3,313 per dollar.
- Overnight deposits on October 22 and 25 by S/. 45 and S/. 25 million, respectively.

Corporate prime interest rate at 3,65%

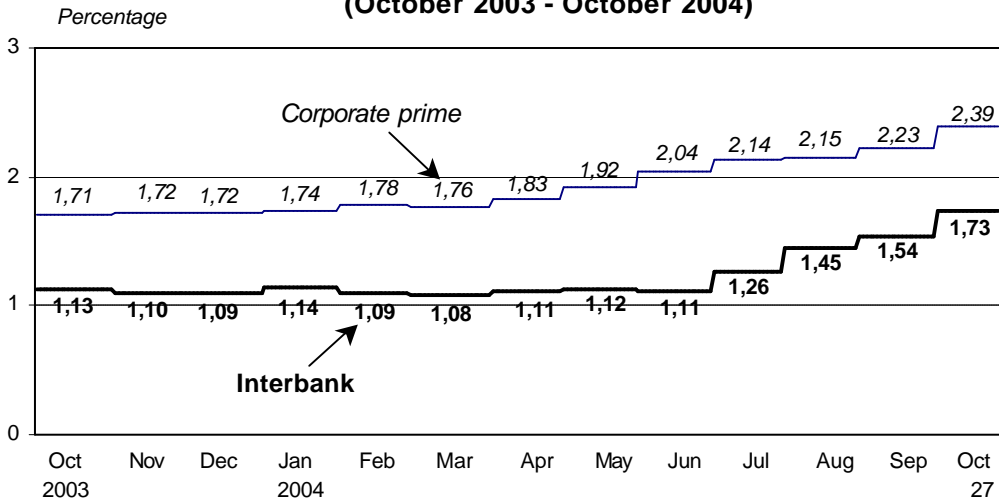
As of **October 27**, the 90-day average corporate prime interest rate in domestic currency raised from 3,52% in September

to 3,65% and the rate in dollars from 2,23% to 2,39%, over the same period.

**Monthly average interest rate in domestic currency
(October 2003 - October 2004)**



**Monthly average interest rate in foreign currency
(October 2003 - October 2004)**



Exchange rate: S/. 3,321

Between **October 20 and 27**, the banking system exchange rate augmented from S/. 3,318 to S/. 3,321 within a context of lower forward purchases to the public.

Besides by October 27, the balance of **net forward sales** increased by US\$ 30 million and the **bank's exchange position** in US\$ 17 million.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2002	December 2003	September 2004	October 27
a. Net sales to the public (i-ii)	905	607	550	580
i. Forward sales to the public	1 141	834	1 056	998
ii. Forward purchases to the public	236	227	505	418
b. Banks' exchange position	643	536	492	509

Monetary base as of October 22, 2004

The **monetary base** balance as of October 22 was S/. 7 896 million, up 2,3% (S/. 178 million) from end-September. In average terms, the year on year rate of growth of the monetary base was 21,4% compared with 20,0% in September.

counter mechanism (US\$ 269 million or S/. 892 million) and the lower financial enterprises' overnight deposits (S/. 39 million), which were partially offset by net auctions of CDBCRP (S/. 680 million), the net sales of foreign currency to the public sector (US\$ 24 million or S/. 79 million) and higher public sector deposits (S/. 45 million).

The main explanations for this result were foreign currency purchases over-the-

Banking system monetary accounts as of October 7, 2004

Through last 4 weeks, liquidity in **domestic currency** increased 2,4% (S/. 525 million), to a balance of S/. 22 376 million. Credit to the private sector in the same currency augmented 1,4% (S/. 153 million) to S/. 10 852 million. However, in annual terms this aggregates grew by 15,7 and 6,9%, respectively.

Liquidity in **foreign currency** raised 0,6% (US\$ 59 million) to US\$ 9 595 million, up 2,9% from a year ago. Credit to the private sector in the same currency dropped 0,9% (US\$ 91 million) to US\$ 9 714 million (a nil annual growth rate).

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%	2,6%	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%	1,5%	12,9%	3,6%	6,3%	0,0%	-5,2%	-4,7%	8,8%	0,5%	-3,7%	
Apr.	4,4%	18,2%	-0,6%	12,6%	0,0%	2,6%	0,9%	-3,8%	7,4%	4,0%	1,2%	-3,5%	
May.	0,7%	20,3%	0,5%	12,3%	-0,2%	1,9%	-0,4%	-3,3%	13,6%	20,7%	1,5%	-1,2%	
Jun.	0,7%	19,2%	-0,4%	13,8%	0,8%	3,9%	3,1%	-1,4%	3,5%	28,6%	0,7%	-0,4%	
Jul.	9,9%	21,0%	2,5%	10,3%	1,0%	4,9%	2,4%	2,3%	-5,5%	17,2%	0,5%	0,9%	
Aug.	-5,2%	18,6%	1,6%	13,9%	0,9%	6,6%	-2,0%	0,5%	-5,1%	20,6%	-1,3%	-0,5%	
Sep.	-1,0%	20,5%	2,6%	16,8%	1,2%	8,0%	0,1%	1,5%	7,7%	31,8%	-1,1%	-0,5%	
Oct.7	3,2%	23,7%	2,4%	15,7%	1,4%	6,9%	0,6%	2,9%	2,9%	16,8%	-0,9%	0,0%	
Memo:													
Balance as of Sep.7 (Mill.S/. or Mill.US\$)	7 929		21 851		10 699		9 535		809		9 805		
Balance as of Oct.7 (Mill.S/. or Mill.US\$)	8 181		22 376		10 852		9 595		832		9 714		
1/ Short term external liabilities of banking enterprises.													

Annual primary fiscal surplus of S/. 1 786 million at September

As of October 2004, **central government operations** through last 12 months recorded a S/. 1 786 million surplus, compared with the S/. 754 million surplus over the period October 2002-September 2003. The latter was explained by the S/. 3 613 million increase of current revenue (12%) that exceeded the expansion of non-financial expenditure in S/. 2 534 million (8%). Cumulative interests (S/. 4 333 million) grew by 2%; hence, the overall deficit (S/. 2 547 million) was S/. 952 million lower to the same period from a year ago.

In **September**, central government operations recorded a S/. 395 million overall deficit (S/. 11 million deficit in the similar month from the past year). The primary deficit reached S/. 90 million (as opposed to an overall surplus of S/. 358 during September 2003) due to the increase in non-financial expenditure (29%), as opposed to a smaller increase in current income (13%). On the other hand,

interest amounted to S/. 305 million, up 18% from a year ago.

September **current revenue** amounted to S/. 2 993 million, up 13% similar to last year level. Tax revenue increased 16% (S./ 2 631 million) due to higher collection of Income Tax (23%), IGTV (16%), duties (13%) and other revenues (83%), which where partially offset by lower excise taxes (3%) and higher devolutions (39%). This expansion in government revenues is explained by a greater economic activity, improvements in terms of trade, higher investments and the impact of the financial transactions tax.

Non-financial expenditure totaled S/. 3 094 million, up S/. 694 million from September 2003, reflecting the increase in current non-financial expenditures in S/. 397 million (19%) as of an increment in capital expenditure S/. 297 million (112%). The increase in current expenditure was explained by an increase in transfers and

purchases of goods and services (28% and 19%, respectively) and in a lower extent to wages (10%). The increase in capital expenditure was due to regulation on authorized expenditure in previous months, specially that related to local and regional governments which was directed through the central government.

External financing was negative (S/. 32 million) because S/. 437 were received as disbursements and S/. 469 million were paid as amortization. Meanwhile, **internal financing** was positive S/. 424 million. S/. 195 million corresponding to issues of sovereign debt and S/. 199 million related to the withdrawal of Public Treasury deposits.

CENTRAL GOVERNMENT OPERATIONS

(Millions of Nuevos Soles)

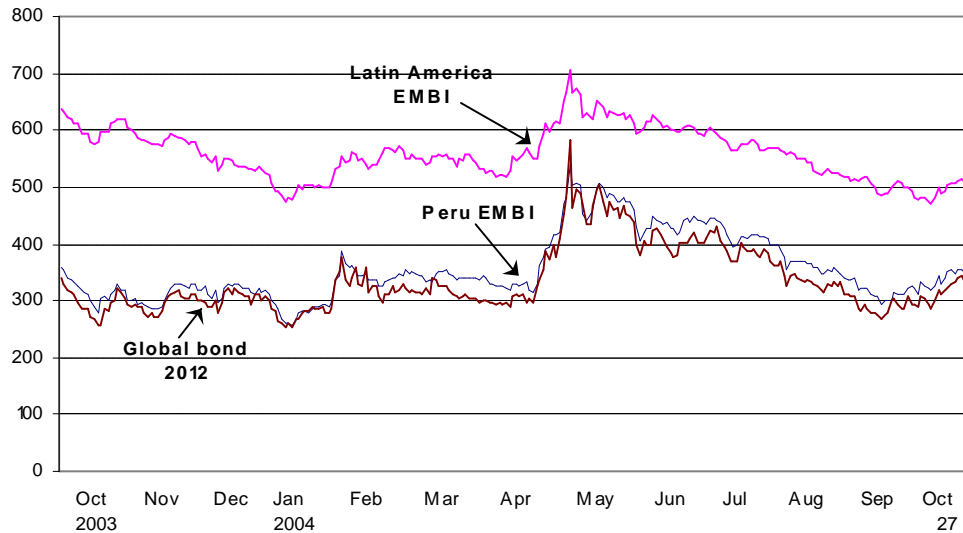
	Monthly data			Oct 2002	Sep 2003	Oct 2003	C/A	C/B
	September		% var.	Sep 2003	Ago 2004	Sep 2004		
	2003	2004		A	B	C		
1. CURRENT REVENUES	2 653	2 993	12,8	30 824	34 097	34 437	11,7	1,0
2. NON-FINANCIAL EXPENDITURE	2 400	3 094	28,9	30 454	32 294	32 988	8,3	2,1
A. CURRENT EXPENDITURE	2 135	2 532	18,6	26 682	28 516	28 913	8,4	1,4
B. CAPITAL EXPENDITURE	265	562	111,9	3 772	3 778	4 075	8,0	7,9
3. CAPITAL REVENUES	106	10	-90,1	384	431	336	-12,4	-22,0
4. PRIMARY BALANCE	<u>358</u>	<u>-90</u>		<u>754</u>	<u>2 234</u>	<u>1 786</u>		
5. INTEREST PAYMENTS	370	305	-17,6	4 253	4 398	4 333	1,9	-1,5
6. OVERALL BALANCE	<u>-11</u>	<u>-395</u>		<u>-3 499</u>	<u>-2 163</u>	<u>-2 547</u>		
7. NET FINANCING	11	395		3 499	2 163	2 547		
1. External	10	-32		2 630	3 049	3 007		
A. Disbursements	419	437		6 287	7 447	7 466		
B. Amortizations	-408	-469		-3 657	-4 398	-4 459		
2. Domestic	-3	424		653	-1 272	-845		
3. Privatization	4	3		217	386	386		

Spread of Global bond 2012 at 3,08%

Between **October 20 and 27**, the spread of the Peruvian Global bond ten year bond and the sovereign bonds where reduced

from 3,31 to 3,08% and from 3,55 to 3,35%, respectively in line with sovereign debt revalorization.

Country risk indicators
(October 2003 - October 2004)



International markets

Between **October 20 and 27**, the **gold** quotation maintained its value of US\$ 426 per Troy ounce due to the weakening of the US dollar. It is worthwhile to note that

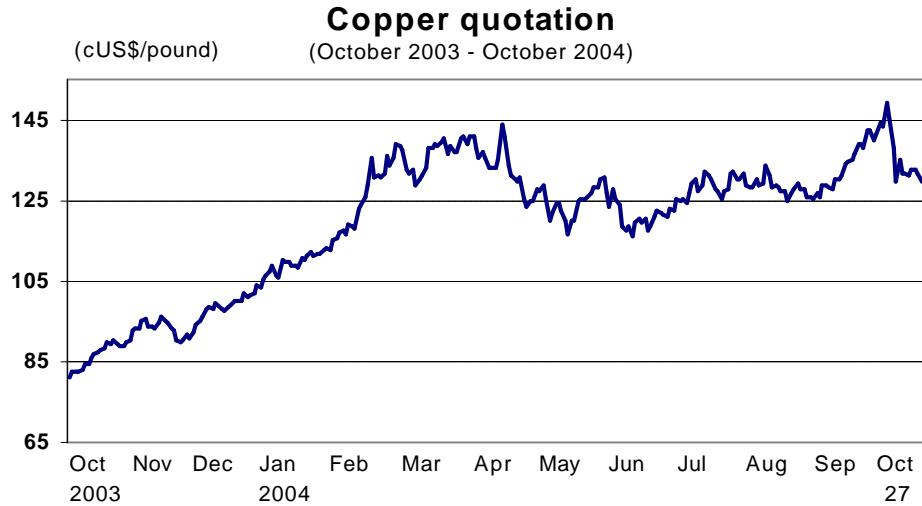
at Monday 25, gold quotation closed at \$429 per troy ounce, the highest level in almost 16 years.

Gold quotation



The **copper** quotation fell 0,2% to US\$1,31 because of the worrying that petroleum prices might cool down all mayor economies demanding copper. The Chilean Copper Commission (Cochilco)

projected that this metal quotation would fluctuate in the 2005 from US\$ 1,16 - US\$ 1,20 per ounce, inferior to the estimated of the present year (US\$ 1,26 - US\$ 1,30 per ounce).



In the period under analysis, the **zinc** quotation increased 0,2% to US\$ 0,46 per pound, due to a technical bounce back and the fall in the stock registered at the LME inventories remained from 715 to 709

thousand MT. Additionally, the International Lead and Zinc Study Group projected a deficit in the western hemisphere refined zinc market of 157 and 101 thousand MT in 2004 and 2005, respectively.



The **WTI oil** price fell 4.5% to US\$ 52,5 per barrel thanks to higher than expected crude inventories in the United States and

the resolution of the labor conflict in Norway (third world exporter).

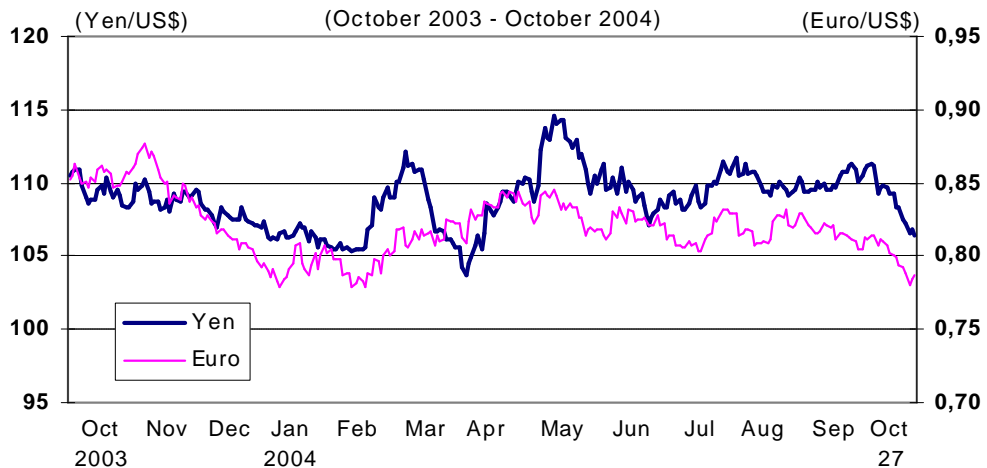
WTI oil quotation



The **US dollar** depreciated by 1,0% and 1,8% against the **euro** and **yen**, respectively. The former due to distress over the high current account deficit and deceleration in United States output. During Monday 25, the dollar reached an

8-month minimum of against the Euro. Afterwards, these losses where partially offset by the reversion on the 2005 Eurozone's growth projections from 2,3% to 2,0% by the European commission.

Yen and euro

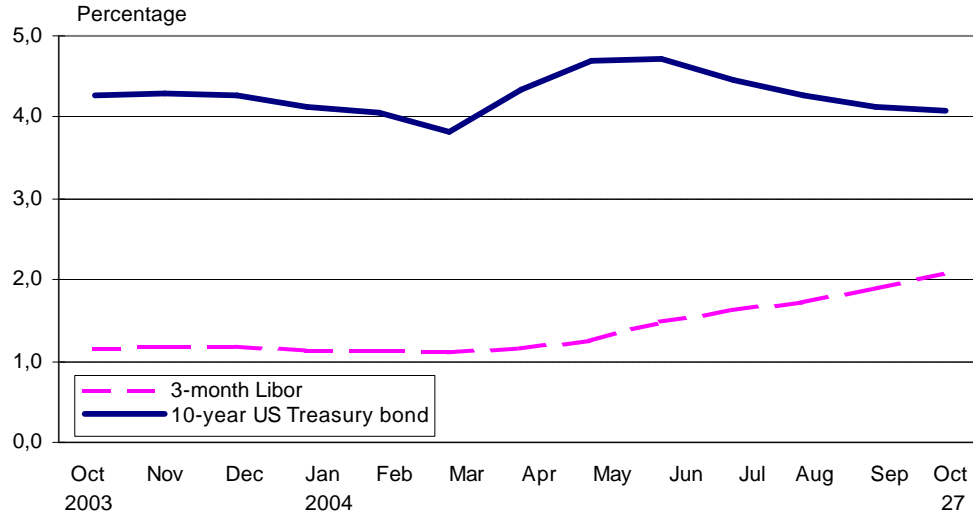


The past week, the **3-month Libor** where raised from 2,09% to 2,13%, whereas the **yield of US Treasury bonds with a 10**

year maturity increased from 3,98% to 4,09% thanks to lower petroleum prices and better stock exchange indexes.

Libor and yield of 10-year matured US Treasury bond

(October 2003 - October 2004)



Lima Stock Exchange (LSE)

As of **October 27**, the LSE increased 7,8% and 6,1% in its **General Index** and its **Blue Chip Index**, respectively. Last week was observed a profit taking in stocks related to construction (Aceros Arequipa and Graña y

Montero) and lower quotations of Volcan shares due to lower than expected financial statements. In the year, these indexes record cumulative increases of 45,1% and 45,8%, respectively.

LSE indicators
(October 2003 - October 2004)

