

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

Nº 46 – November 19, 2004

QUARTERLY MACROECONOMIC INDICATORS

GDP grew 4,8% in the third quarter

Gross domestic product grew by 4,8% over the third quarter, showing a positive trend for the thirteenth consecutive quarter. The accumulate growth over the year is

4,4%. The evolution of this quarter was explained by the 17,8% growth in exports and 6,5% in private investment.

GLOBAL DEMAND AND SUPPLY
(Annual growth rates) 1/

	2003					2004		
	I	II	III	IV	Año	I	II	III
GLOBAL DEMAND (1+2)	5.9	3.3	3.1	2.8	3.7	4.4	4.6	5.6
1. Domestic demand	5,5	2,4	3,2	2,2	3,3	2,8	4,4	3,1
a. Private Consumption	4,3	2,8	2,7	2,4	3,1	3,1	2,8	3,4
b. Public Consumption	4,7	1,4	0,4	5,0	2,9	-0,2	2,9	6,5
c. Gross fixed investment	7,0	4,7	5,5	4,5	5,4	5,3	7,5	6,9
- Private	7,3	5,3	6,6	2,8	5,4	8,0	11,7	6,5
- Public	5,0	1,9	-0,5	11,7	5,0	-11,9	-13,0	9,0
2. Exports 2/	7,8	8,3	2,2	5,8	5,9	13,8	5,8	17,8
GLOBAL SUPPLY (3+4)	5,9	3,3	3,1	2,8	3,7	4,4	4,6	5,6
3. Gross Domestic Product	5,7	3,6	3,0	2,9	3,8	4,9	3,6	4,8
4. Imports 2/	7,0	1,5	3,2	1,8	3,3	1,4	11,5	10,0

1/ Preliminary.

2/ Comprises non-financial goods and services.

Growth in **private investment** was reflected mainly in the increase in capital goods imports (not including building materials), which grew by 16,9% in nominal terms. Throughout the year the private investment has grown 8,7%, associated with the investments of mining companies as Yanacocha, Southern, Antamina, Doe Run and Cerro Verde, investments of Pluspetrol (Camisea), Lima Airport Partners and from other companies associated to export activities.

Private consumption increased 3,4% in a context of a growing disposable national income of 5,9% and urban employment (in businesses of 10 and more workers) of 2,7%. This evolution was reflected in the increment of 7,6% of the consumer goods' imports, the advance of 23,3% in the consumption credits of the financial system, the growth of 26,9% in the sales of vehicles and the increase of 20,1 percent of the sales of department stores. Up to September, the private consumption accumulates a rate of 3,1 percent.

Public consumption grew 6,5% because of the wages and salaries of the central government, EsSalud and the local governments and the purchases of goods and services of central government.

Public investment increased 9,0 percent after falling in the two first quarters of the year. The result of the third quarter was consequence of the greater capital expenditures in works carried out along all the country by Foncodes as well as by the investments carried out by the regional governments and the greater expenditures of the central government, mainly in transportation. Up to September public consumption grew 3,2% and public investment fell 5,2% as a result of the first semester.

The high growth rate of **exports** was observed so much in the traditional products as in the non-traditional products. In the first group it can be emphasized the growth of fishmeal (109,2 percent), copper (28,3 percent), lead (19,7 percent) and coffee

(17,7 percent). In the second one, the main growths were observed in the textiles, farm, metals and jewelry. In the three first quarters of the year the exports accumulate a growth of 12,5 percent, rate that were not registered since the year 1997.

Imports increased 10,0% mainly of raw materials for industry (26,1%), transportation equipment (62,1%) and capital goods for industry (6,6%), and in smaller measured by the imports of non-durable consumption goods (13,1 percent). During the three first quarters imports accumulates a growth of 7,7%.

GDP by sectors

In a similar way to what happened in the second quarter, in the third quarter non-primary sectors headed the growth with a rate of 6,1%, emphasizing the increment of 7,1% in the non-primary manufacture. In turn, the primary sectors grew 0,9 percent, mainly by fishing and by the start of the production of the natural gas of Camisea.

GROSS DOMESTIC PRODUCT
(Annual growth rates)

	2003					2004		
	I	II	III	IV	Año	I	II	III
Agriculture and Livestock	2,2	4,0	2,5	-0,4	2,3	1,8	-4,6	-1,1
Agriculture	0,6	3,8	1,7	-2,0	1,6	0,8	-7,7	-3,7
Livestock	4,0	3,8	3,1	1,3	3,0	3,0	2,1	2,1
Fishing	-12,8	-13,8	-17,3	-7,5	-12,6	13,1	26,0	33,7
Mining and Fuel	4,5	10,3	7,9	4,9	6,9	12,4	2,5	1,5
Metallic mining	5,0	11,1	9,2	5,6	7,7	13,9	3,1	0,6
Natural gas and oil	-6,2	-1,2	-7,3	-3,1	-4,5	-5,4	-4,3	12,7
Manufacturing	5,6	0,8	1,8	0,6	2,1	4,6	6,1	6,1
Based on raw materials	-0,7	-2,3	0,8	-4,4	-1,8	1,4	6,8	1,5
Non-primary	7,2	1,7	2,1	2,1	3,2	5,3	5,9	7,1
Electricity and water	4,6	4,0	4,5	3,7	4,2	4,7	4,2	4,1
Construction	4,0	6,0	3,2	3,9	4,2	7,2	4,0	3,5
Commerce	8,0	3,6	2,6	1,2	3,8	3,1	1,8	4,3
Other services	5,4	3,5	2,7	4,3	4,0	5,4	4,2	6,8
GROSS AGGREGATED VALUE (GAV)	5,3	3,6	2,9	2,8	3,6	5,2	3,0	5,0
Taxes on products and import duties	9,6	3,2	4,5	4,2	5,3	2,6	10,0	2,9
GDP	5,7	3,6	3,0	2,9	3,8	4,9	3,6	4,8
Primary sector GAV	2,2	4,1	3,7	0,6	2,8	5,8	0,0	0,9
Non-primary sector GAV	6,1	3,4	2,7	3,3	3,8	5,0	3,9	6,1

The **agriculture and livestock** sector diminished 1,1% because of the drought in the north coast that generated a smaller production of rice, sugar cane and hard yellow corn; also the presence of early rains in the high forest permitted a coffee crops advancement and a smaller dynamism of poultry.

The **fishing** sector grew 33,7% respect to the same period of the previous year. The greater disembark of anchovy on July (224,1%) has influenced this result.

The **mining and fuel** sector registered an increment of 1,5%, supported in the greater production of fuels (12,7%) and mining metallic (0,6%). In fuels, the growth of the natural gas production (79,5%) was explained by the start of operations of Camisea's Lot 88 operated by Pluspetrol. In the metallic mining sector emphasized the higher production of copper by the greater law in Antamina, the resume of operations of Tintaya and the expansion of Southern Peru; silver and leads, by the recovery of the Cerro de Pasco unit of Volcan; as well as of iron, by the greater Chinese demand to Shougang Peru. This positive behavior was reduced by the smaller production of gold (-15,3%), by the smaller production of Yanacocha and the exhaustion of Pierina (Barrick); as well as the lower production of

zinc (-11,5%) by a smaller law of Antamina.

The **manufacturing** sector increased 6,1%, mainly by the non-primary manufacturing (7,1%), while the industry based on raw materials registered an increase of 1,5%.

The production of the non-primary manufacturing is explained by the higher production of the textile, leather and footwear; industry of the paper products; wood and furniture and non-metallic minerals, and in smaller measure the industry of the iron and steel. This result obeyed to the continue increment of the non-traditional exports (37,1%), to the dynamism of the construction sector and the increase of the domestic demand encouraged by new products and containers. In turn, in the industry based on raw materials it is emphasized the increment of the fishing production because of the higher availability of anchovy.

The **construction sector** grew 3,5 percent, associated to the development of housing programs whose dynamism reflects itself in the residential segment of the mortgage market: the mortgage credit of the financial system increased 13,5% in the third quarter (12,6% in the banking businesses), particularly of Mivivienda credits (loans increases of 30,4%).

A current account surplus of 1,0% of GDP was observed after 15 years

In the third quarter of 2004 the **current account balance** registered a surplus of US\$ 173 million (1,0% of the GDP), fact that was not registered since the third quarter of 1989. This positive balance represented an improvement of US\$ 399 million respect to the deficit of the third quarter of 2003. This result obeys mainly to the increment of US\$ 597 million in the trade balance, that passed from a surplus of US\$ 233 million in the third quarter of 2003 to one of US\$ 830 million in the third quarter of 2004. Inside this sector, exports were increased US\$ 1 049 million (45%), reaching US\$ 3 368 million due to the favorable evolution of the prices (16%) as of the volumes exported (25%). The imports

increased US\$ 452 million (22%) reaching a balance of US\$ 2 538 million. The evolution registered by the trade balance was compensated by the increment of the utilities of the businesses with foreign participation in US\$ 263 million (106%), that reached US\$ 512 million in the third quarter.

The **financial account** registered a positive capital flow of US\$ 120 million, of which US\$ 300 million corresponded to the private sector and are explained mainly by the foreign direct investment (US\$ 502 million). By methodology, this total incorporates the utilities retained by the business, which could be capitalized or distributed later to the shareholders. In this quarter the

registration by other external assets of private sector was positive in US\$ 44 million. In turn, the financial account of public sector was negative in US\$ 143 million and the capitals of short time limit

registered a negative flow of US\$ 37 million. With this evolution the profit of **net international reserves** was of US\$ 332 million in this period.

BALANCE OF PAYMENTS

(Millions of US\$)

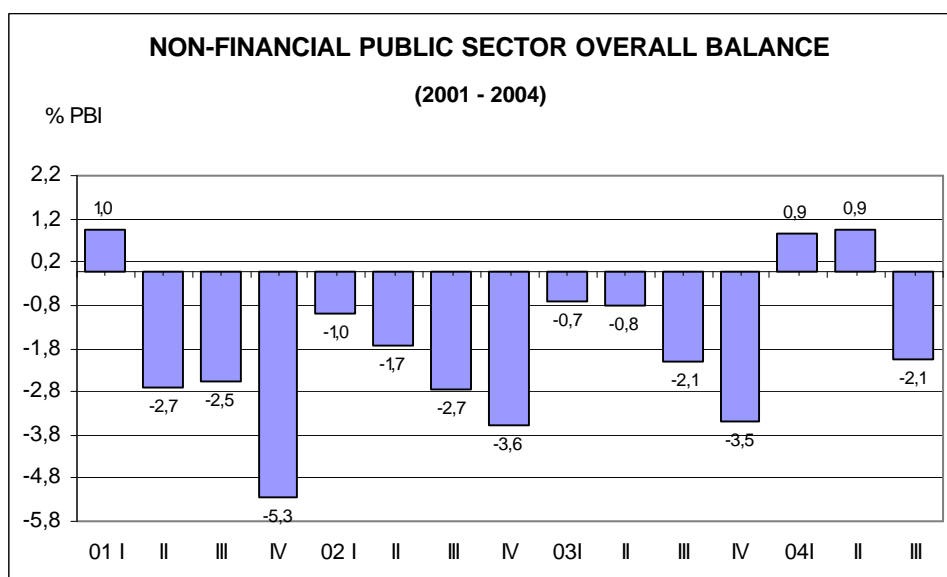
	2003					2004		
	I	II	III	IV	Year	I	II	III
I. CURRENT ACCOUNT BALANCE	- 514	- 193	- 226	- 128	- 1 061	- 129	- 225	173
1. Trade balance	- 18	205	233	311	731	605	407	830
a. Exports	2 024	2 188	2 320	2 454	8 986	2 736	2 823	3 368
b. Imports	- 2 041	- 1 983	- 2 087	- 2 144	- 8 255	- 2 130	- 2 416	- 2 538
2. Services	- 250	- 234	- 239	- 208	- 931	- 246	- 251	- 226
a. Exports	381	397	457	444	1 679	418	441	485
b. Imports	- 631	- 631	- 696	- 651	- 2 609	- 664	- 692	- 711
3. Investment income	- 509	- 447	- 553	- 573	- 2 082	- 813	- 727	- 799
a. Private	- 321	- 238	- 298	- 356	- 1 213	- 548	- 503	- 552
b. Public	- 188	- 209	- 255	- 218	- 869	- 265	- 225	- 248
4. Current transfers	263	282	333	342	1 221	324	346	368
II. FINANCIAL ACCOUNT	1 015	- 405	- 233	537	914	359	683	120
1. Private sector	304	14	- 290	54	82	286	190	300
2. Public sector	597	- 320	- 154	562	685	- 36	265	- 143
3. Short-term capital	114	- 99	212	- 79	147	109	228	- 37
III. EXCEPTIONAL FINANCING	1	2	8	53	64	2	1	16
IV. BCRP NET INTERNATIONAL RESERVES FLOW (1-2) (Increased with negative sign)	- 851	470	288	- 385	- 479	- 209	- 441	- 291
1. Change in Central Bank reserves	- 845	446	241	- 439	- 596	- 217	- 444	- 332
2. Valuation change and monetization of gold	6	- 23	- 46	- 54	- 118	- 8	- 3	- 41
V. NET ERRORS AND OMISSIONS	349	127	162	- 77	561	- 23	- 18	- 17

Fiscal deficit of 2,1% of the GDP in the third quarter

During the third quarter of 2004 the **overall balance of the Non-Financial Public Sector** turned out to be negative in 2,1% of the GDP, similar level to the observed in the same quarter of the previous year. It was explained by the deterioration of the primary balance that reflected mainly the greater level of the central government's non-financial expenditure that passed from 15,3% to 16,0% of the GDP, compensated by the higher current revenues that increased from 15,3% to 15,4% of the GDP and by the result of the state-owned businesses and the rest of public entities.

The increase of the central government expenditures sought to revert the delays in the execution observed during the first semester, being accumulated an equivalent expense of 13,7% of the GDP, higher in real terms in 3,1% to the one in the period January-September of 2003.

The deficit accumulated during January-September of 2004 was of 0,1 percent of the GDP, lower in 1,1 percentage points of the product to the one registered in the same period of 2003, due to the surplus of the first semester.



NON-FINANCIAL PUBLIC SECTOR OPERATIONS
(Percentage of GDP)

	2003					2004		
	I	II	III	IV	Year	I	II	III
1. Central government current revenues	15,1	14,0	15,3	15,5	15,0	15,1	14,7	15,4
Tax revenues	13,1	12,3	13,1	13,5	13,0	13,4	13,2	13,5
Non-tax revenues	2,0	1,6	2,2	2,1	2,0	1,7	1,5	2,0
2. Central government non-financial expenditures	13,7	13,4	15,3	17,2	14,9	12,5	12,7	16,0
Current expenditure	12,3	11,8	13,6	14,3	13,0	11,6	11,5	13,8
Capital expenditure	1,5	1,6	1,7	2,9	1,9	0,9	1,3	2,2
3. Others	0,4	0,5	0,4	0,3	0,4	0,9	0,8	0,6
4. Primary balance	1,8	1,0	0,4	-1,4	0,4	3,5	2,8	0,0
5. Interest payments	2,5	1,8	2,5	2,1	2,2	2,6	1,9	2,1
6. <u>Overall balance</u>	<u>-0,7</u>	<u>-0,8</u>	<u>-2,1</u>	<u>-3,5</u>	<u>-1,8</u>	<u>0,9</u>	<u>0,9</u>	<u>-2,1</u>
7. Net financing	0,7	0,8	2,1	3,5	1,8	-0,9	-0,9	2,1
- External	4,4	-1,8	-0,9	4,2	1,4	-0,4	1,4	-0,4
- Domestic	-3,7	2,6	2,9	-1,0	0,3	-0,9	-2,4	2,4
- Privatization	0,0	0,0	0,1	0,2	0,1	0,4	0,0	0,0

During the third quarter the **current revenues** of the central government represented 15,4% of the GDP, higher in 0,1 of percentage points of the product respect to the observed in the same period of the previous year. This improvement is explained by a higher value-added tax (from 6,8% to 7,2% of the GDP) and of the income tax (from 3,5% to 3,7% of the GDP), as well as by the tax to the financial transactions (0,3 of a percentage point of the GDP).

The **non-financial expenditure of the central government** increased to 16,0% of the GDP, up in 0,7 of a percentage point of the GDP, that represented an increase of 10,8% in real terms to what was executed in the same quarter of 2003. The non-financial current expenditures and the capital expenditures had a positive evolution, increasing in 0,2% and 0,5% of the GDP, respectively; being reverted the decreasing tendency in the expense of the central government observed to the second quarter of 2004.

During this quarter the Non-Financial Public Sector deficit was financed mainly with domestic sources (2,4% of the GDP) while, in net terms, the external financing was negative (-0,4% of the GDP). The **domestic financing** corresponded mainly to the use of accumulated deposits in the first semester and included the emission of internal bonds by S/. 398 million. No redemptions of these titles were registered. The external disbursements received in the quarter were US\$ 244 million, while the repayment of the external debt was US\$ 318 million.

the privatization of Petroperu terminals and real estate and lands. During the third quarter, the transfer option of the Las Bambas project was adjudicated to Xstrata of Switzerland, which offered a US\$ 121 million. Of this total US\$ 45,5 million corresponds to right option payment and US\$ 45,5 million to the initial social contribution that will be destined to a trust for the development of the zone where the project is located. The project will generate a minimum investment of US\$ 42 million during the period of exploration (5 years) and US\$ 1 000 million during the infrastructure construction (3 years).

The **privatization revenues** of this quarter (S/. 13 million) corresponded to quotas by

MONTHLY AND WEEKLY INFORMATION

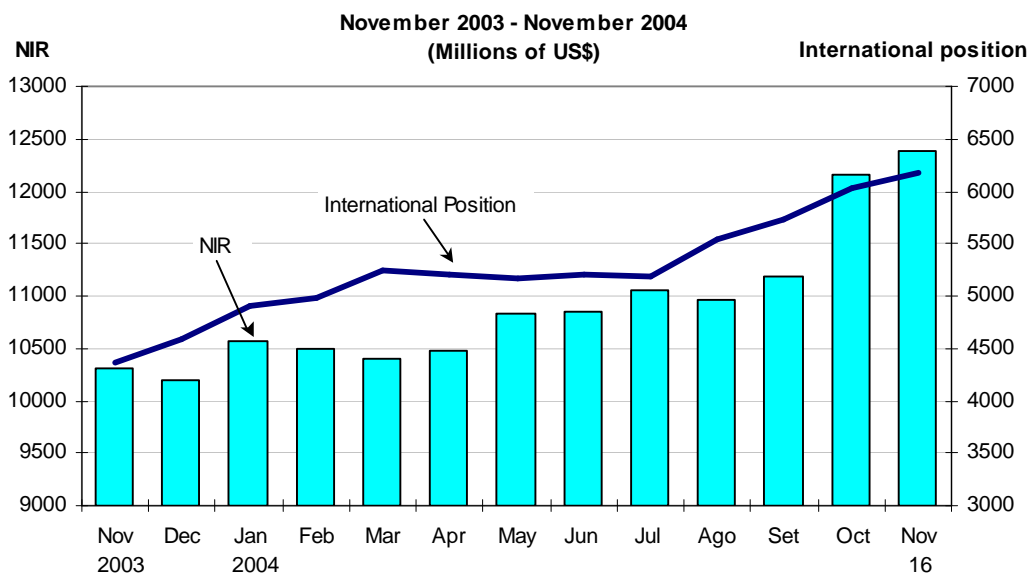
Net international reserves at US\$ 12 386 million

As of **November 16**, net international reserves (NIR) amounted to US\$ 12 386 million, up US\$ 221 million from end-October. This increase was mainly due to net foreign exchange purchases (US\$ 176 million), higher financial system deposits (US\$ 82 million) and investment yield (US\$ 32 million) which were partially offset

by foreign exchange sales to the public sector (US\$ 40 million) and lower public sector deposits (US\$ 27 million).

Starting this year, NIRs have increased US\$ 2 192 million, whereas the **Central Bank's international position** (US\$ 6 179 million) grew by US\$ 1 596 million.

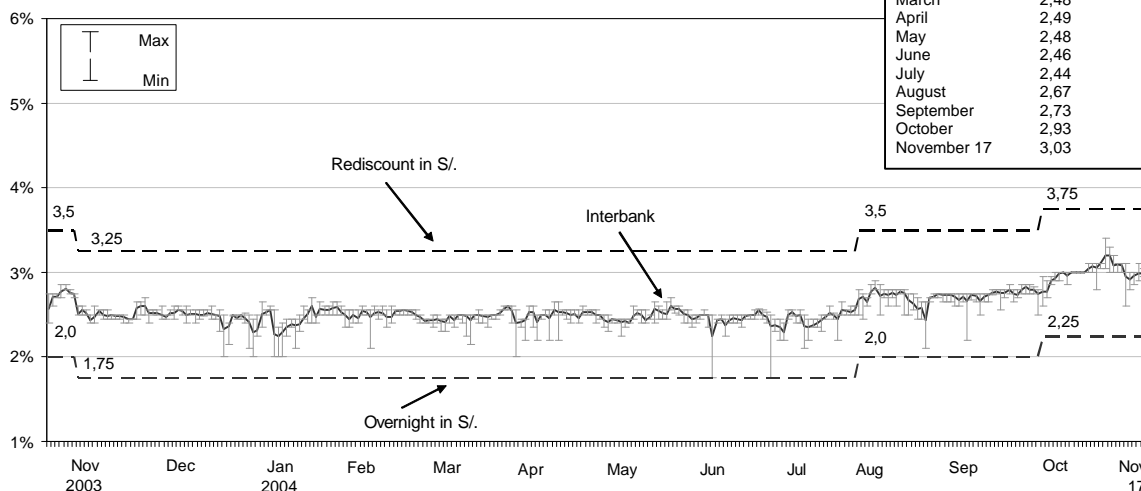
Net international reserve and international position of the Central Reserve Bank



Interbank interest rate at 3,03 %

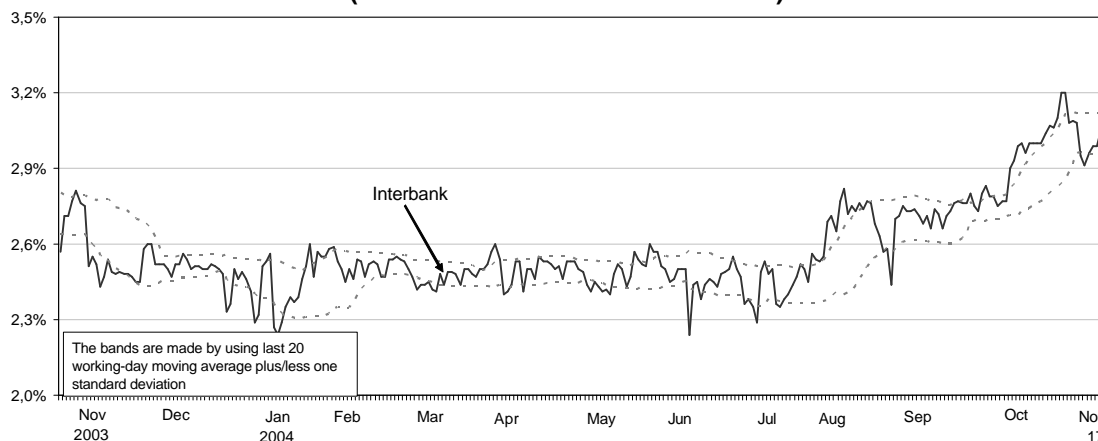
As of **November 17**, the average interbank interest rate in domestic currency was 3,03%, higher than October's (2,93 %).

Interest rates in domestic currency (November 2003 - November 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	2,93	0,12
November 17	3,03	0,09

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



Monetary operations

As of **November 17**, the daily average balance of banks' liquidity at the Central Bank was S/. 331 million. Between **November 11 and 17**, the Central Bank made the following operations:

- Auctions of CDBCRP with a: i) 7-day maturity by S/. 80, S/. 100 and S/. 100 million at an average interest rate of 2,96, 2,97 and 3,01%, respectively;
- Auctions of temporary purchase of CDBCRP and Treasury bonds with a: ii) 5-month by S/. 30 million at 3,90%; iii) 6-month by S/. 80 million at 4,05%; iv) 1-year by S/. 30, S/. 70 and S/. 70 million at 4,66, 4,64 and 4,71%, respectively and v) 18-month by S/. 30 million at 5,42%.

i) 3-day maturity by S/. 40 million at an average interest rate of 2,99%.

at an average exchange rate of S/. 3,305 per dollar.

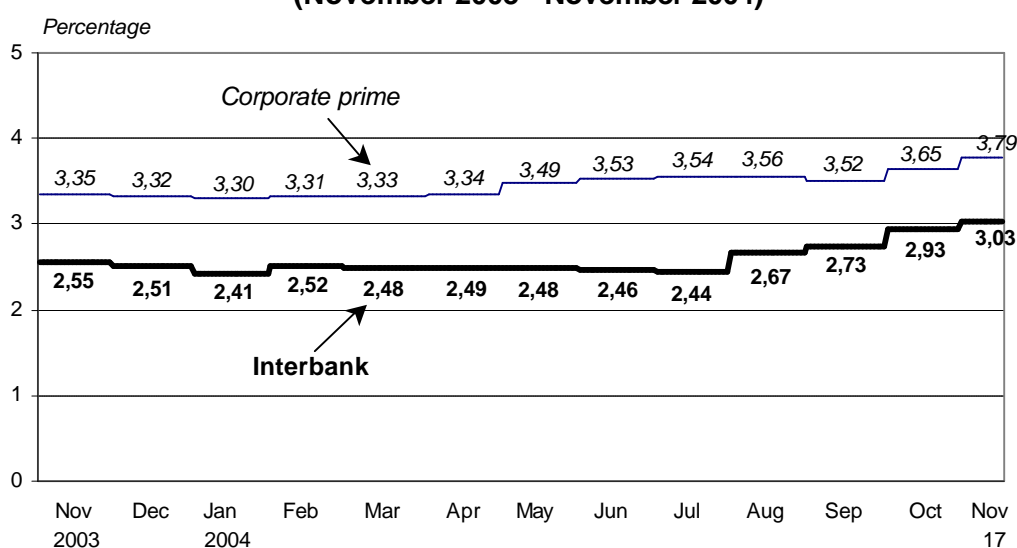
- Foreign currency purchase over-the-counter mechanism by US\$ 74 million
- Overnight deposits on November 11, 16 and 17 by S/. 40, S/. 27 and S/. 27 million, respectively.

Corporate prime interest rate at 3,79%

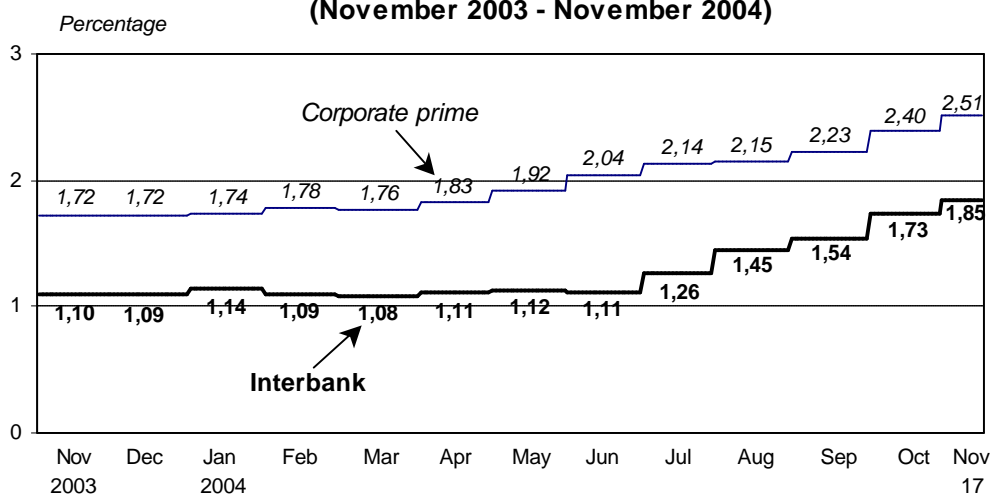
As of **November 17**, the 90-day average corporate prime interest rate in domestic currency raised from 3,65% in October to

3,79% and the rate in dollars from 2,40% to 2,51% following the international trend.

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



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



Exchange rate: S/. 3,306

Between **November 10 and 17**, the banking system exchange rate slightly decreased from S/. 3,308 to S/. 3,306. Up to November 17, the **balance of net**

forward sales dropped by US\$ 4 million with respect to October and the **bank's exchange position** diminished by US\$ 7 million.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2002	December 2003	October	November 17
a. Net sales to the public (i-ii)	905	607	581	577
i. Forward sales to the public	1 141	834	984	969
ii. Forward purchases to the public	236	227	403	392
b. Banks' exchange position	643	536	534	528

Monetary base as of November 15, 2004

The **monetary base** balance as of November 15 was S/. 7 991 million down 0,9% (S/. 76 million) from end-October. In average terms, the year on year rate of growth of the monetary base was 23,1% compared with 22,1% in October.

The main explanations for this result were net issue of CDBCRP (S/. 305 million), the maturity of temporary purchase of

securities (S/. 165 million), the foreign exchange sales to the public sector (US\$ 40 million or S/. 132 million) and higher deposits of the public sector (S/. 25 million) which were partially offset by foreign currency purchases over-the-counter mechanism (US\$ 156 million or S/. 515 million) and the lower financial enterprises' overnight deposits (S/. 10 million).

Gross Domestic Product grew by 4,5% in September

GDP recorded a 4,5% growth in **September**, for 39 months in a row, driven by the non-primary sectors, in particular by non-primary manufacturing, other services and electricity and water. On the other hand, primary activities showed lower dynamism explained by the weakening of manufacturing based on raw materials.

Agriculture and livestock output grew 0,4%, boosted by an increase in livestock but attenuated by lower agricultural production. Among the first, dairy products and beef and pork meat where the highlights whilst among the second a lower production sugar cane caused by draughts in Lambayeque and La Libertad, coffee and cotton due to a sooner harvest in

Piura. These results were compensated by a higher production of rice coming from the Amazonian regions, potato from the central coast valleys and hard yellow maize that substituted rice production in the north.

The **fishing** sector grew by 29,8% due to the higher extraction for human consumption as a consequence of mayor deploys of Mackerel, Jurel and seafood for fresh fish industry and Pota for the frozen fish industry. Meanwhile catch of Jurel and was smaller for the canned industry. During this month, fishing for industrial consumption was reduced due to government constrictions for reproduction purposes.

GROSS DOMESTIC PRODUCT
(Annual growth rates)

	September		January - September	
	2003	2004	2003	2004
Agriculture and Livestock	0,7	0,4	3,0	-1,8
Agriculture	-0,5	-0,7	2,4	-4,1
Livestock	1,8	1,4	3,6	1,7
Fishing	-19,6	29,8	-14,4	24,1
Mining and Fuel	10,4	0,5	7,6	5,4
Metallic mining	12,0	-1,3	8,4	5,6
Natural gas and oil	-7,5	23,6	-4,9	1,0
Manufacturing	3,1	4,0	2,6	5,6
Based on raw materials	5,3	-9,4	-0,8	3,5
Non-primary	2,6	7,1	3,6	6,1
Electricity and water	2,6	5,6	4,4	4,3
Construction	3,5	5,0	4,3	4,9
Commerce	1,5	4,1	4,6	3,0
Other services	2,1	6,1	3,8	5,4
<u>GROSS AGGREGATED VALUE (GAV)</u>	<u>2,7</u>	<u>4,5</u>	<u>3,9</u>	<u>4,3</u>
Taxes on products and import duties	6,6	4,6	5,7	5,1
<u>GDP</u>	<u>3,1</u>	<u>4,5</u>	<u>4,0</u>	<u>4,4</u>
Primary sector GAV	4,9	-0,8	3,4	2,0
Non-primary sector GAV	2,2	5,8	4,0	5,0
Domestic demand indicator	3,5	3,5	3,7	3,5

The **mining and fuel** sector recorded a 0,5% increase based on an increases in natural gas and oil production, which was compensated by lower metallic mining. Regarding natural gas and oil production, the increase in the sectors output is explained by the start of natural gas production in field 88 of Pluspetrol (Camisea). Lower metallic mining production is explained by lower gold production by Barrick due to lower yields in Pierina mine and by Yanacocha due to a reduction in production at La Quinoa. To this, a reduction in zinc was added caused by lower yields in Antamina.

Manufacturing grew by 4,0%, due to the increased production in non-primary industries (7,1%) which was offset by lower manufacturing based on raw materials (-9,4%). The later was dampened

by lower refined oil production in La Pampilla as a consequence of 15-day maintenances; sugar, due to lower cane supplies caused by draughts; frozen and canned fish caused by lower supply of Jurel and Mackerel. Non primary manufacturing was boosted by textile, leather and shoe, paper and printing, chemicals rubber and plastics. Compensating these increases, drops in electric machinery, pharmaceuticals and metallic products.

Among manufacturing industries, the highlights where: knitted fabrics thanks to higher exports; yarns, threads and finished textiles were boosted by local demand and by booming textile exports. As well, explosives, natural essences and materials for the soft drink and textile industries.

**Industries with higher increases
September 2004**

CIIU	Var. %	
	Year	Contrib. % 1/
Knitted fabrics	49,4	1,7
Yarns, threads and finished textiles	19,1	0,8
Explosives and natural and chemical essences	33,7	0,8
Other paper and paperboard articles	25,2	0,5
Dairy products	15,3	0,5
Tiles	20,5	0,4
Soft drink	14,5	0,4

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

The branches that showed lower production where machinery for the electric energy industry due to the fact of last year exceptional public demand,

metallic products for construction due to the culmination of some project constructions, jewelry, fertilizers and nitrogen compounds.

**Industries with higher decreases
September 2004**

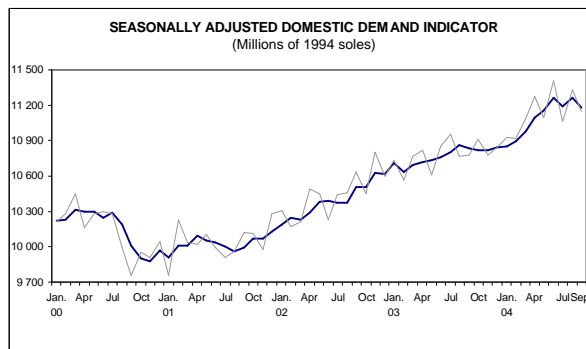
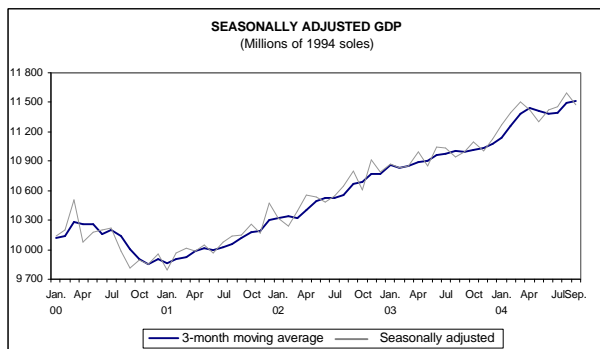
CIIU	Var. %	
	Year	Contrib. % 1/
Manufacture of electricity distribution and control apparatus	-71,3	-0,7
Manufacture of structural metal products	-16,2	-0,4
Fertilizers and nitrogen compounds	-30,9	-0,3
Jewellery and related articles	-30,8	-0,3
Miscellaneous manufacturing products	-11,6	-0,3
Other metallic products	-7,4	-0,2
Cement	-4,7	-0,2
Pharmaceutical products	-9,5	-0,2

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

Construction augmented by 5,0% thanks to home building programs.

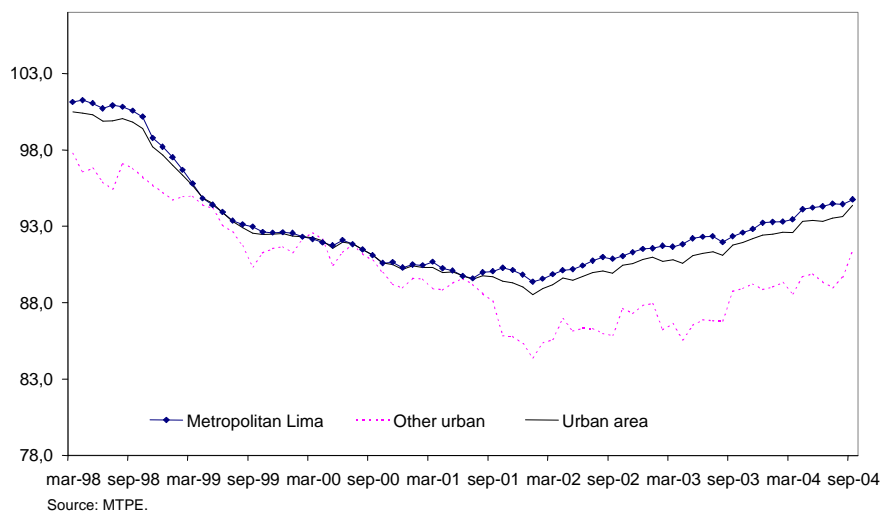
Seasonally adjusted GDP fell by 1,0% after growing for three consecutive months while the internal demand indicator fell 1,1%, after growing 2,8% in August.



During September, **employment** in firms with 10 or more workers grew by 2,8%, in urban areas according to the Ministry of Labor. This increase stood out in

manufacturing (2,9%) and services (4,4%). During the same period, employment in Metropolitan Lima grew by 2,6%.

Urban employment in enterprises with 10 and more workers
(Seasonally adjusted indices, October 1997 = 100)



Urban areas excluding Metropolitan Lima experienced an 3,0% increase in employment; in Piura grew by 12% due to a more dynamic agro-industrial industry and transport and service activity; in Iquitos growth in employment was 6,5% thanks to improvements in the wood and

transport industries. A broader demand of employment in asparagus, paprika and artichoke as well as services and extraction explain Trujillo's growth (7,3%). Arequipa achieved 3,7% growth lead by textile related industries to the foreign market.

URBAN EMPLOYMENT BY MAIN CITIES IN ENTERPRISES WITH 10 AND MORE WORKERS
(Annual percentage change)

	Sep. 2004/ Sep. 2003	Jan. - Set. 2004 Jan. - Set. 2003
Urban Peru	2,8	2,4
Metropolitan Lima	2,6	2,2
Other Urban	3,0	3,1
Piura	12,0	8,0
Trujillo	7,3	5,5
Huancayo	6,9	2,9
Chincha	6,7	4,0
Iquitos	6,5	5,0
Pisco	5,5	0,5
Cusco	4,0	0,2
Arequipa	3,7	2,4
Cajamarca	2,1	2,4
Ica	1,6	7,3
Pucallpa	0,8	-0,4
Tarapoto	0,1	-0,6
Tacna	-1,1	-3,4
Chiclayo	-1,4	-1,0
Puno	-6,4	-5,2
Chimbote	-8,1	2,5
Paita	-10,8	10,1

Source: MTPE, Monthly Statistical Report.

October outlook

Preliminary data for October indicates that:

- Anchovy catch dropped 29,1%, according to IMARPE.
- According to Perupetro, oil production grew 25,5% while natural gas extraction increased by 61,2%.

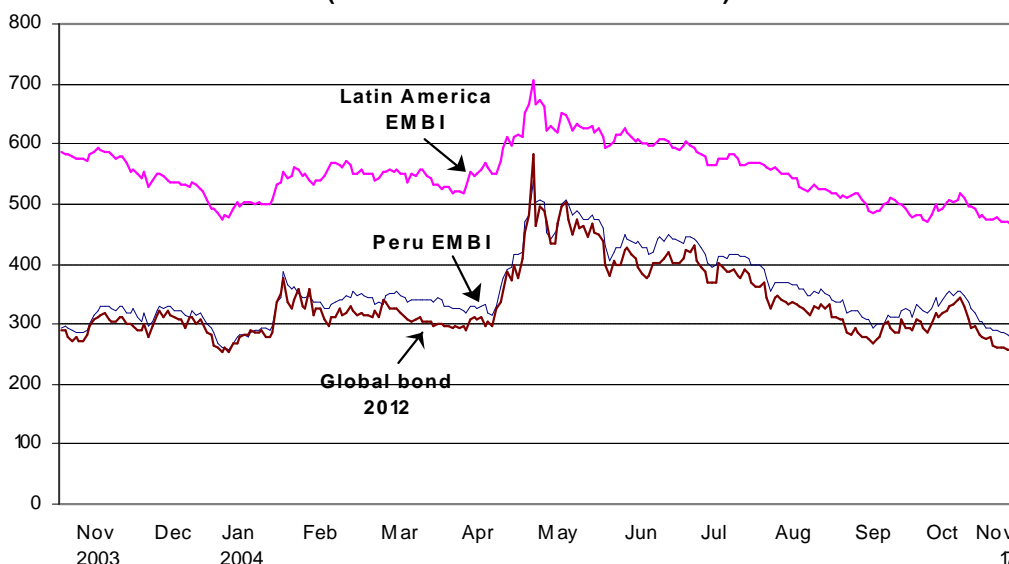
- Local sales of cement increased 2,5% excluding dispatches to Yanacocha. Source: Asocem.
- Energy production grew by 4,4%, according to COES.
- Sunat reported that the excise tax collection fell 1,7%, whereas duty collection increased 9,1%.

Spread of Global bond 2012 at 2,51%

Between **November 10 and 17**, the spread of the **Peruvian Global ten year bond** where reduced from 2,62 to 2,51% (new historical minimum) and the spread of the **sovereign bonds** dropped from 2,87 to 2,78%. Up to November 17, the EMBI+ spread of emerging economies was

reduced to a new historical level of: 383 pbs. The fall in spreads to minimum levels is associated to the high liquidity of external markets, to the decrease en oil prices, better economic fundamentals in emerging economies and the upgrade of Russia's sovereign bond to investment grade (BBB-).

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



International Markets

Between **November 10 and 17**, the **gold** quotation increased 2,2% to US\$ 444 per Troy ounce, the highest level in sixteen

years due to the weakening of the US dollar and a broader demand by India's and the Middle East's jewelry industries.

Gold quotation



The **copper** quotation augmented 1,2% to US\$ 1,42. This fact is explained by the weakening of the US dollar that led investors to find refuge in base metals and by the prolongation of a strike in El Abra mine in Chile (property of Phelps

Dodge). Besides this, copper inventories are at their lowest level for 14 registering a fall from 70 to 65 thousand MT in the last week at the London Metal Exchange (LME). This level is 85% inferior to the registered by the end of 2003.

Copper quotation



In the period under analysis, the **zinc** quotation raised 5,7% to US\$ 0,51 after projections indicate that China will become a net zinc importer for the first time since 1990. China is the principal world

consumer with 22% of global demand for refined zinc. During the past week, the inventories at the LME fell from 693 to 686 thousand MT.

Zinc quotation

(cUS\$/pound) (November 2003 - November 2004)



The **WTI oil** price fell 4,1% to US\$ 46,8 per barrel due to the expectation that the increases in US crude inventories generate enough supply of heating oil to meet the winter's demand. Nevertheless, the lower

than normal temperatures didn't has allowed generate the necessary increase of heating oil's inventories (16% below its level of a year ago).

WTI oil quotation

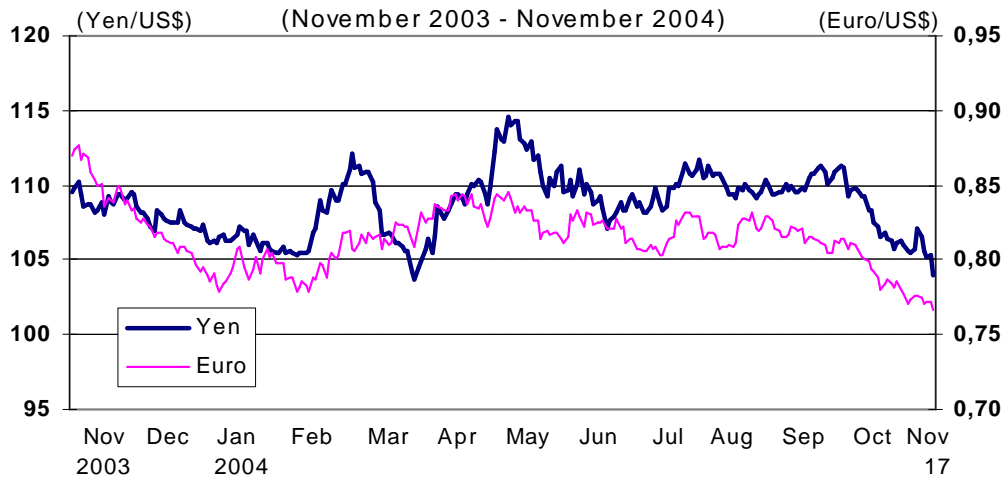
(US\$/barrel) (November 2003 - November 2004)



In the week under analysis, the **US dollar** depreciated by 1,2% and 2,9% against the **euro** and **yen**, respectively. The lower US dollar demand was explained by a US

trade deficit over US\$ 50 billion and that the foreign investment in financial assets was smaller than the previewed.

Yen and euro

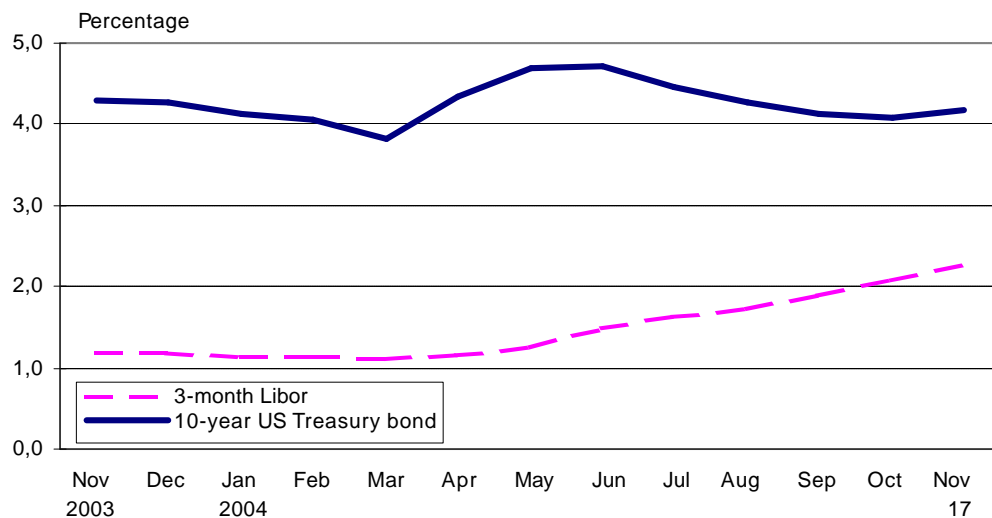


Between **November 10 and 17**, the **3-month Libor** interest rate raised from 2,28 to 2,33% whereas the **yield of US**

Treasury bonds with a 10 year maturity fell from 4,24 to 4,13% although showing a volatile behavior.

Libor and yield of 10-year matured US Treasury bond

(November 2003 - November 2004)



Lima Stock Exchange (LSE)

As of **November 17**, the LSE increased 1,7% and 0,9% in its **General Index** and its **Blue Chip Index**, respectively thanks to the a better development of Telefonica del Perú after the company fixed December 31 as the date to return contributions of capital to the shareholders. As well, Southern

Perú, Milpo and Corona benefited from the increase in the price of metals.

In the year, these indexes record cumulative increases of 48,0% and 48,1%, respectively.

LSE indicators
(November 2003 - November 2004)

