

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

Nº 01 – January 7, 2005

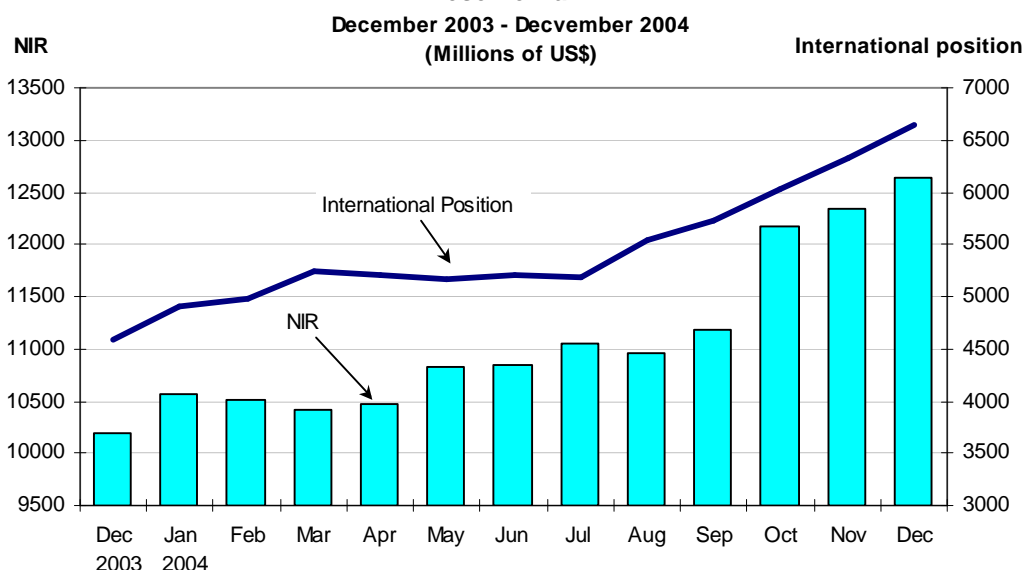
#### Net international reserves at US\$ 12 631 million

As of **December 2004**, the ultimate data of the net international reserves (NIR) amounted to US\$ 12 631 million, up US\$ 294 million from end-November. This increase was mainly due to net foreign exchange purchases (US\$ 346 million), higher financial system deposits (US\$ 14 million) and investment yields (US\$ 20 million), which were partially offset by foreign exchange sales to the public sector

(US\$ 40 million), lower public sector and Insurance Deposit Fund's deposits (US\$ 42 and US\$ 2 million, respectively) and an transitory deposit in ALADI (US\$ 3 million).

In **2004**, the NIRs recorded an increase of US\$ 2 437 million and the Central Bank international position (US\$ 6 639 million) augmented US\$ 2 056 million.

**Net international reserve and international position of the Central Reserve Bank**

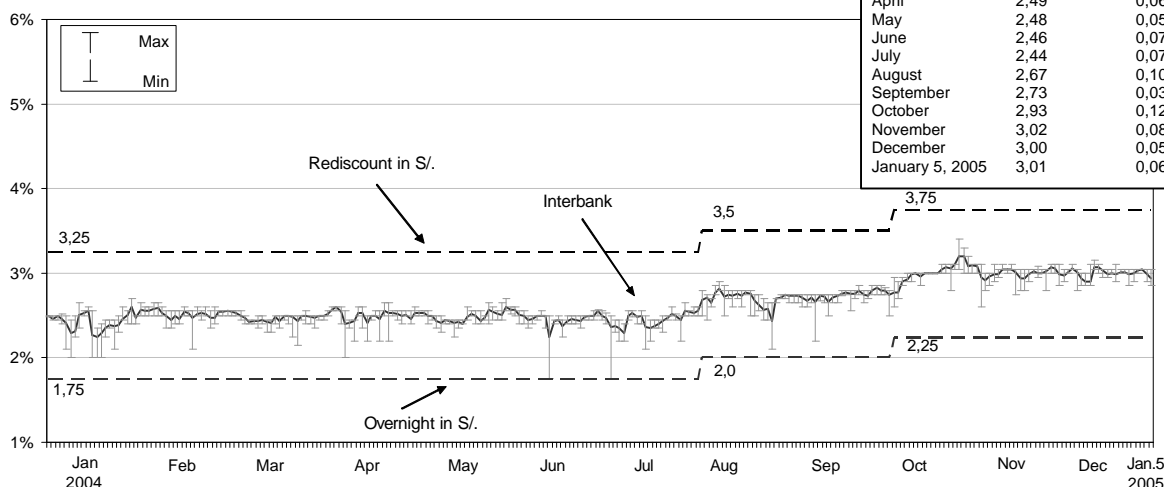


#### Interbank interest rate at 3,01%

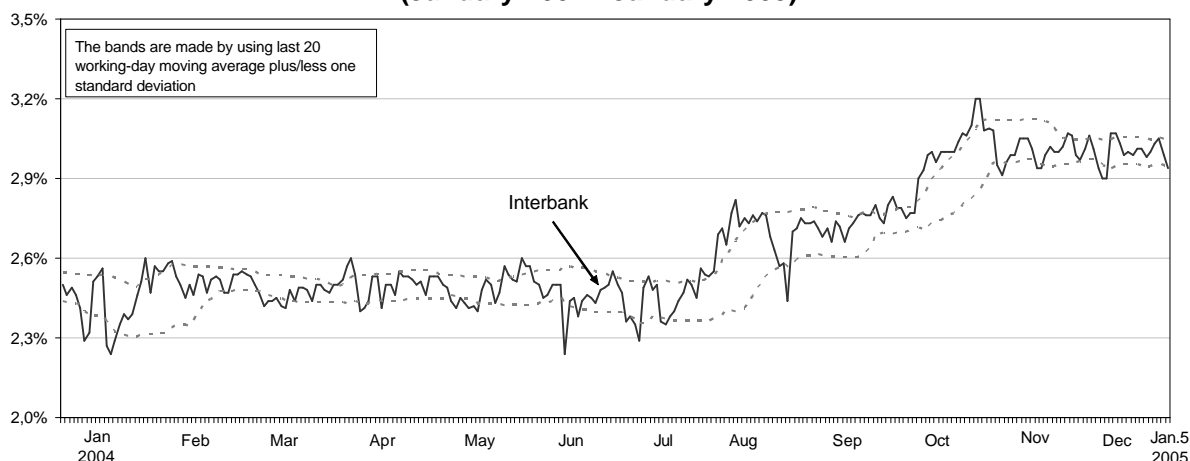
Between **December 1 and 31**, the average interbank interest rate in domestic currency was 3,00%, slightly lower than November's

(3,02%). As of **January 5**, this average was 3,01%.

### Interest rates in domestic currency (January 2004 - January 2005)



### Interbank interest rate in domestic currency (January 2004 - January 2005)



## Monetary operations

In **December**, the daily average balance of banks' liquidity at the Central Bank was S/. 267 million. Between **December 30 and January 5**, the Central Bank made the following operations:

- Auctions of CDBCRP with a: i) 1-week maturity by S/. 50 million at an average interest rate of 2,97%; ii) 10-month by S/. 90 million at 4,29%; iii) 1-year by S/. 80 million at 4,17%; iv) 17-month by S/. 60 million at 4,94%; v) 1,5-year in

two occasions by S/. 80 million at 4,89% and 4,80%; vi) 2-year by S/. 30 and S/. 50 million at 5,56% and 5,20%, respectively and vii) 3-year by S/. 30 and S/. 40 million at 6,60% and 6,28%, respectively.

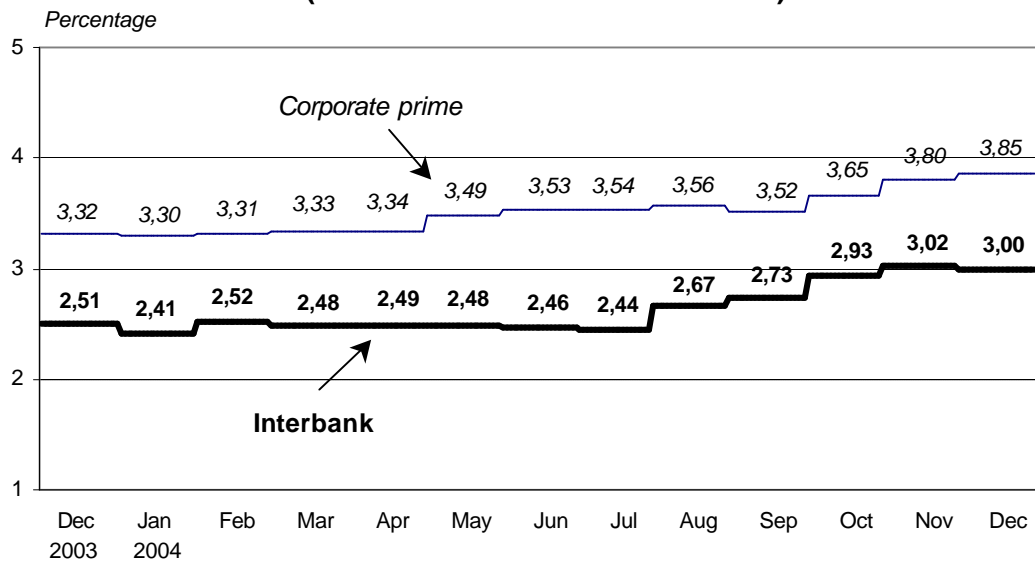
- Auctions of temporary purchase of CDBCRP and Treasury bonds with a 1-day maturity by S/. 80 million at an interest rate of 3,09%.

- Foreign currency purchase over-the-counter mechanism by US\$ 25 million at an average exchange rate of S/. 3,274 per dollar.
- Overnight deposits on December 30 and 31 by S/. 129 and S/. 51,5 million, respectively.

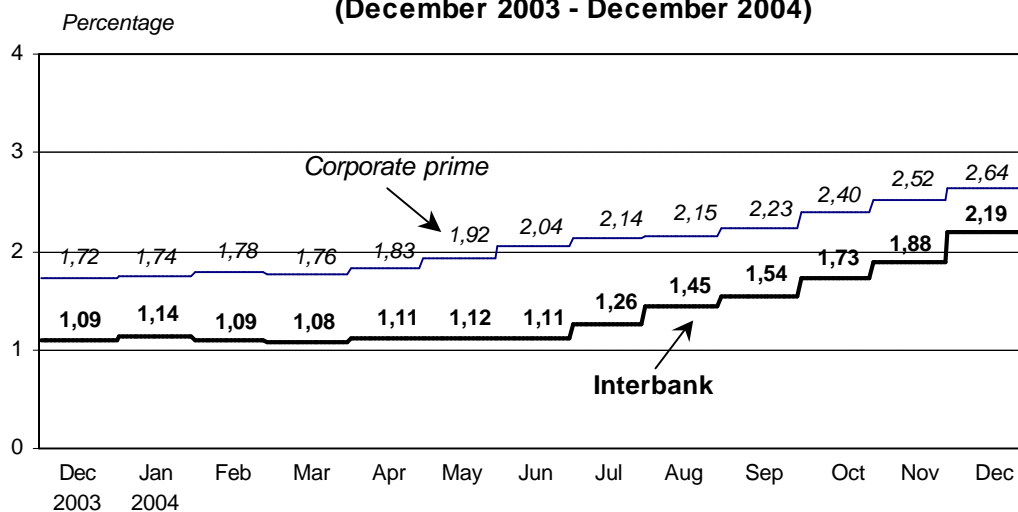
## Corporate prime interest rate at 3,85%

In **December**, the 90-day average corporate prime interest rate in domestic currency raised from 3,80% in November to 3,85% and the rate in dollars from 2,52% to 2,64%.

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



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



## Macroeconomic Expectations

Between December 20 and 30, the Central Bank carried out the monthly Macroeconomic Expectations survey

among 32 financial enterprises, 345 non-financial firms and 18 economic analysts with the following results:

### FINANCIAL SYSTEM INSTITUTIONS

(Median<sup>1/</sup> of the sample)

	Date of the survey		
	Oct. 29 2/	Nov. 30 3/	Dec. 30 4/
<b>Inflation (%)</b>			
Monthly: January	--	--	0,2
Annual: 2005	2,8	2,5	2,5
2006	--	--	2,5
<b>GDP growth (%)</b>			
Monthly: November	4,5	4,5	5,0
December	--	4,2	4,5
January	--	--	4,0
Annual: 2005	4,3	4,3	4,2
2006	--	--	4,1
<b>Exchange rate (S/. per US\$)</b>			
Monthly: January	--	--	3,28
December 2005	3,40	3,37	3,32
December 2006	--	--	3,35
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
Monthly: January	--	--	3,0
December 2005	3,8	3,8	4,0
December 2006	--	--	4,5

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 29 financial institutions.

3/ 28 financial institutions.

4/ 32 financial institutions.

### NON-FINANCIAL SYSTEM FIRMS

(Median<sup>1/</sup> of the sample)

	Date of the survey		
	Oct. 29 2/	Nov. 30 2/	Dec. 30 2/
<b>Inflation (%)</b>			
Annual: 2005	3,0	3,0	3,0
2006	--	--	3,0
<b>GDP growth (%)</b>			
Annual: 2005	4,3	4,4	4,3
2006	--	--	4,2
<b>Exchange rate (S/. per US\$)</b>			
December 2005	3,48	3,45	3,40
December 2006	--	--	3,50

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 345 non-financial institutions.

### ANALYSTS

(Median<sup>1/</sup> of the sample)

	Date of the survey		
	Oct. 29 2/	Nov. 30 3/	Dec. 30 3/
<b>Inflation (%)</b>			
Monthly: January	--	--	0,2
Annual: 2005	2,5	2,5	2,5
2006	--	--	2,5
<b>GDP growth (%)</b>			
Monthly: November	5,3	5,0	5,7
December	--	4,7	5,0
January	--	--	4,2
Annual: 2005	4,5	4,1	4,5
2006	--	--	4,0
<b>Exchange rate (S/. per US\$)</b>			
Monthly: January	--	--	3,29
December 2005	3,40	3,39	3,35
December 2006	--	--	3,43
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
Monthly: January	--	--	3,0
December 2005	3,4	3,8	3,5
December 2006	--	--	4,3

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 17 analysts.

3/ 18 analysts.

## Inflation was 3,48% in 2004

The **inflation** of December was of -0,01%, accumulating a variation of 3,48% in 2004. Five areas have contributed with -0,25 percentage points to the inflation of the month: fish (-0,11 points), potato (-0,07 points), poultry (-0,03 points) and telephone

and fuels (-0,02 points each one). On the contrary, three areas have contributed with 0,15% age points to the inflation of the month: eggs (0,06 points), national transportation (0,05 points) and urban transportation (0,04 points).

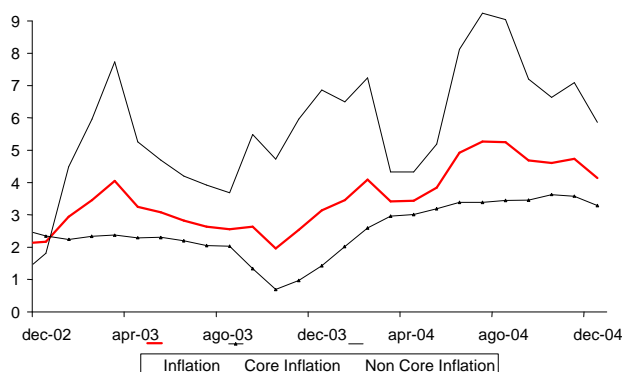
**INFLATION RATE**  
(Annual percentage change)

	Weighting	Monthly	12-month indicator			Average annual indicator		
		Dec. 2004	Dec. 2003	Nov. 2004	Dec. 2004	Dec. 2003	Nov. 2004	Dec. 2004
<b>I. CORE INFLATION</b>	<b>68,3</b>	<b>0,04</b>	<b>0,77</b>	<b>2,92</b>	<b>2,63</b>	<b>1,19</b>	<b>2,35</b>	<b>2,51</b>
<b>Goods</b>	<b>41,8</b>	<b>0,05</b>	<b>0,29</b>	<b>3,61</b>	<b>3,19</b>	<b>0,92</b>	<b>2,74</b>	<b>2,98</b>
Food	20,7	0,13	-0,08	7,52	6,82	0,98	5,51	6,09
Textile and footwear	7,6	0,18	0,91	1,55	1,36	0,79	1,17	1,20
Electrical appliances	1,0	-0,56	-1,91	-2,44	-2,83	-0,59	-1,79	-1,87
Other industrial goods	12,5	-0,14	0,70	-1,11	-1,24	1,03	-0,52	-0,68
<b>Services</b>	<b>26,6</b>	<b>0,03</b>	<b>1,53</b>	<b>1,85</b>	<b>1,75</b>	<b>1,61</b>	<b>1,75</b>	<b>1,76</b>
Restaurants	12,0	0,08	1,25	1,79	1,78	1,39	1,67	1,72
Education	5,1	0,09	3,02	4,54	4,63	3,01	3,67	3,81
Health	1,3	-0,13	2,19	1,58	1,18	3,03	1,59	1,51
Renting	2,3	-0,30	0,99	-1,18	-1,57	0,71	0,17	-0,05
Other services	5,9	0,03	0,85	0,75	0,48	0,86	0,80	0,77
<b>II. NON CORE INFLATION</b>	<b>31,7</b>	<b>-0,12</b>	<b>6,21</b>	<b>6,43</b>	<b>5,20</b>	<b>4,58</b>	<b>6,14</b>	<b>6,06</b>
Food	14,8	-0,71	5,24	4,46	1,85	-0,01	8,30	8,00
Fuel	3,9	-0,34	8,94	18,71	17,77	16,30	10,73	11,46
Transportation	8,4	1,10	10,99	2,99	3,49	9,29	3,10	2,53
Utilities	4,6	-0,35	-1,98	6,56	6,19	0,18	0,46	1,14
<b>III. INFLATION</b>	<b>100,0</b>	<b>-0,01</b>	<b>2,48</b>	<b>4,07</b>	<b>3,48</b>	<b>2,26</b>	<b>3,58</b>	<b>3,66</b>
<b>Note.-</b>								
Imported inflation	12,1	-0,17	3,03	11,87	11,33	8,11	8,57	9,25
Core inflation excluding food	47,6	0,00	1,14	0,94	0,81	1,28	0,99	0,96
Total food	33,2	-0,23	2,58	6,61	5,01	0,71	7,27	7,46

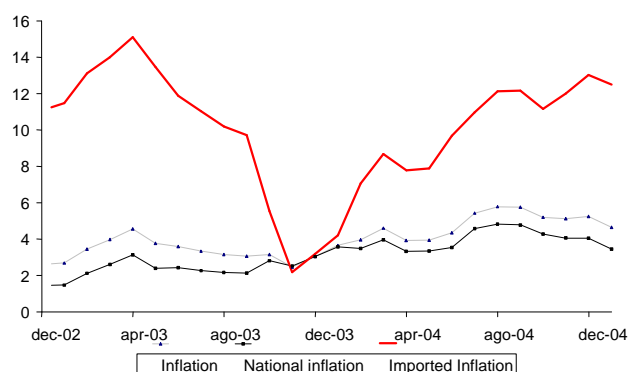
**Core inflation** was 0,04% in December and 2,63% over last 12 months. On the other hand, the **non-core component of inflation** was -0,12% this month and 5,20% in annual terms.

**Core inflation excluding foodstuffs and beverages** amounted to 0,00% this month (0,81% over last 12 months). Finally, **imported inflation** reached -0,17% in December and 11,33% in annual terms.

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



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



### Exchange rate: S/. 3,274

As of **January 5**, the banking system ask exchange rate is S/. 3,274 per dollar. In **December** the average exchange rate was S/. 3,282 per dollar (similar to the level of January of 1999), what implied a nominal appreciation of 0,9% respect to the average of the previous month, and 5,5% in the year. This is a usual evolution of December because of the seasonal demand of local currency for the bonus payments on wages and salaries. Although, the pressure on the exchange rate was partly counteracted by the greater demand of forward operations.

The upward evolution of the month also reflected the maintenance of the low expectations of depreciation associated with the maintenance of the favorable

development of the external accounts and the regional context.

The Central Bank intervened through foreign currency purchases over-the-counter mechanism by US\$ 345 million, accumulating in the year purchases by US\$ 2 339,6 million.

In the month and with respect to November, a higher spot supply of dollars was observed mainly on the part of the public (US\$ 404 million) and of the Banco de la Nación (US\$ 65 million). This flow was balanced with the purchases of the BCRP by US\$ 345 million, the fall of the **bank's exchange position** in US\$ 125 million and the increment of the balance of **net forward sales** in US\$ 44 million.

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

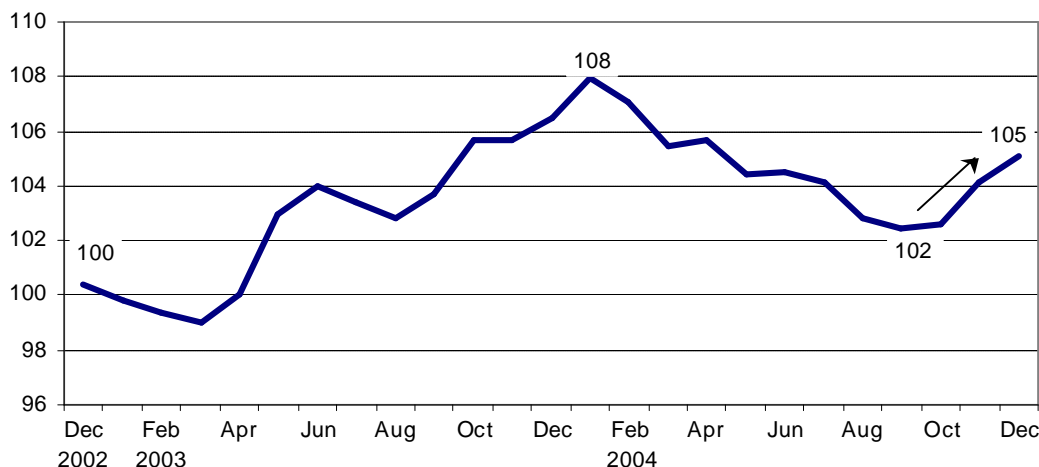
	December 2002	December 2003	November 2004	December
<b>a. Net sales to the public (i-ii)</b>	<b>905</b>	<b>607</b>	<b>607</b>	<b>651</b>
i. Forward sales to the public	1 141	834	1 004	1 174
ii. Forward purchases to the public	236	227	397	523
<b>b. Banks' exchange position</b>	<b>643</b>	<b>536</b>	<b>512</b>	<b>387</b>

### The real exchange rate depreciates 0,9% in December

In December the **real exchange rate** depreciated 0,9% regarding November. This result is explained basically because the nominal appreciation of 0,9% was more than compensated by the differential among the variation of the external prices (1,8%) and the domestic prices (-0,01%). In 2004, the real exchange rate diminished 1,3%, as a result of the nominal appreciation partly compensated by the differential of external prices (8,0%) and domestic prices (3,5%).

In the variation of the external prices in the month, the dollar depreciation with respect to almost all the currencies of our commercial partners was considered. The dollar depreciated with respect to the sterling pound (3,6%), euro (3,1%), Japanese yen (0,9%), the currencies of Asia, and to the currencies of the region (Colombian peso 4,9%, Chilean peso 3,8%, real 2,6% and Mexican peso 1,5%).

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



### Monetary base as of December 31, 2004

By seasonal factors, the **monetary base** balance as of December 31 (S/. 9 327 million) up 14,9% (S/. 1 210 million) from end-November. In average terms, the year on year rate of growth of the monetary base in this period was 23,3% (23,0% in November). With it, the growth of the average balance of the monetary base in 2004 was 18,8% (7,4% in 2003).

The main explanations for the result of December were foreign currency purchases over-the-counter mechanism (US\$ 345 million or S/. 1 130 million), lower public sector deposits (S/. 476 million) and lower financial enterprises' overnight deposits (S/. 80 million) which were partially offset by net issue of CDBCRP (S/. 460 million) and sales of foreign currency to the public sector (US\$ 40 million or S/. 131 million).

### Banking system monetary accounts as of December 15, 2004

Through last 4 weeks, liquidity in **domestic currency** increased 8,2% (S/. 1 945 million), to a balance of S/. 25 688 million. Credit to the private sector in the same currency augmented 1,3% (S/. 146 million) to S/. 11 445 million. However, in annual terms this aggregates grew by 26,2% and 9,4%, respectively.

Liquidity in **foreign currency** dropped 0,1% (S/. 11 million) to US\$ 9 599 million (an annual growth rate of 0,9%). Credit to the private sector in the same currency rose 1,9% (US\$ 188 million) to US\$ 9 871 million (an annual growth rate of 0,6%).

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.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	
	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	
<b>2003</b>													
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%	
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%	
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%	
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%	1,5%	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%	-0,1%	14,1%	0,8%	3,9%	3,0%	-1,5%	3,4%	28,4%	0,7%	-0,3%	
Jul.	9,9%	21,0%	2,6%	10,7%	1,2%	5,1%	2,4%	2,2%	-5,1%	17,6%	0,5%	0,8%	
Aug.	-5,2%	18,6%	1,3%	14,0%	0,4%	6,2%	-1,8%	0,6%	-5,2%	20,8%	-1,2%	-0,5%	
Sep.	-1,0%	20,5%	2,7%	16,9%	1,6%	8,0%	0,1%	1,5%	7,5%	31,8%	-1,2%	-0,5%	
Oct.	4,5%	24,3%	6,2%	23,4%	3,4%	12,3%	-1,0%	-0,1%	-18,0%	2,6%	-0,6%	-1,0%	
Nov.	0,6%	21,7%	2,7%	24,6%	0,3%	9,3%	0,0%	0,6%	4,6%	2,9%	1,0%	-0,3%	
Dec.7	4,8%	20,6%	3,5%	24,6%	0,0%	9,5%	0,9%	1,3%	1,9%	0,9%	1,3%	-0,5%	
Dec.15	9,2%	22,2%	8,2%	26,2%	1,3%	9,4%	-0,1%	0,9%	2,9%	3,7%	1,9%	0,6%	
Memo:													
Balance as of Nov.15 (Mill.S/. or Mill.US\$)	7 991		23 744		11 299		9 611		733		9 684		
Balance as of Dec.15 (Mill.S/. or Mill.US\$)	8 730		25 688		11 445		9 599		754		9 871		
1/ Short term external liabilities of banking enterprises.													

## November trade surplus: US\$ 169 million

November 2004 saw a surplus in the **trade balance** –for nineteenth consecutive month- of US\$ 169 million, up US\$ 99 million from a year ago. Thus, last 12 month surplus record reached US\$ 2 479 million.

**Export** amounted US\$ 1 072 million this month, US\$ 314 million or 42% higher than November 2003 (an increase of 45% for traditional products and 37% for non-traditional ones). Traditional exports were mainly accounted for a higher sale of mining products (US\$ 163 million i.e. a 42% increase). On the other hand, higher export of non-traditional products were accounted for chemicals (US\$ 37 million i.e. 128% increase) and textile (US\$ 25 million or 34% increase). Against the previous month, exports dropped 6% (US\$ 66 million) mainly due to lower

mining exports partially offset by higher chemical non-traditional exports.

**Imports** amounted to US\$ 903 million, the highest level recorded. It implies a 31% growth with respect to November 2003 and a 6% increase with respect to the previous month. The increase with respect to November 2003 is explained by higher raw materials and intermediate good purchases (31%), particularly raw material for industry (35%), capital goods acquisitions (34%), mainly capital goods for industry (26%) and consumer goods imports (28%), particularly non durables (36%). With respect to the previous month, imports were superior by 6%, which obeyed to consumer goods (14%), capital goods (9%) and raw materials and intermediate goods (2%).



## TRADE BALANCE (Millions of US\$)

	Monthly data			Annual data				
	November			Dec.2002	Nov.2003	Dec.2003	C/A	C/B
	2003	2004	% var.	Nov.2003	Oct.2004	Nov.2004		
			A	B	C			
<b>EXPORTS</b>	<u>757</u>	<u>1 072</u>	<u>42</u>	<u>8 829</u>	<u>11 731</u>	<u>12 046</u>	<u>36,4</u>	<u>2,7</u>
Traditional products	494	716	45	6 145	8 285	8 508	38,4	2,7
Non-traditional products	252	346	37	2 568	3 326	3 420	33,2	2,8
Other products	11	10	- 9	116	119	118	1,8	- 0,9
<b>IMPORTS</b>	<u>688</u>	<u>903</u>	<u>31</u>	<u>8 204</u>	<u>9 352</u>	<u>9 567</u>	<u>16,6</u>	<u>2,3</u>
Consumer goods	165	210	28	1 857	1 887	1 933	4,1	2,4
Raw materials and intermediate goods	360	472	31	4 254	5 116	5 228	22,9	2,2
Capital goods	157	210	34	2 018	2 248	2 301	14,0	2,4
Other goods	6	10	76	74	101	105	42,0	4,4
<b>TRADE BALANCE</b>	<u>-69</u>	<u>-169</u>	<u>-143</u>	<u>-625</u>	<u>-2 379</u>	<u>-2 479</u>	<u>-296,3</u>	<u>-4,2</u>

**Terms of trade** increased 1,5% during November with respect to the same month of 2003. Average export prices grew 11,2%, exceeding the increase in import prices (9,6%). The twelve month variation in export prices was due to higher quotations of copper (61,8%), tin (71,9%), iron (6,2%), gold (12,8%), silver (42,5%),

lead (56,5%), zinc (11,0%) and oil (47,4%). The twelve month variation in import prices was due to higher quotation for oil (21,8%), wheat (4,9%), soybean oil (6,2%), sugar (33,0%) and dairy (18,4%), that compensated the fall in rice (1,2%) and maize (3,5%).

## TERMS OF TRADE (1994=100)

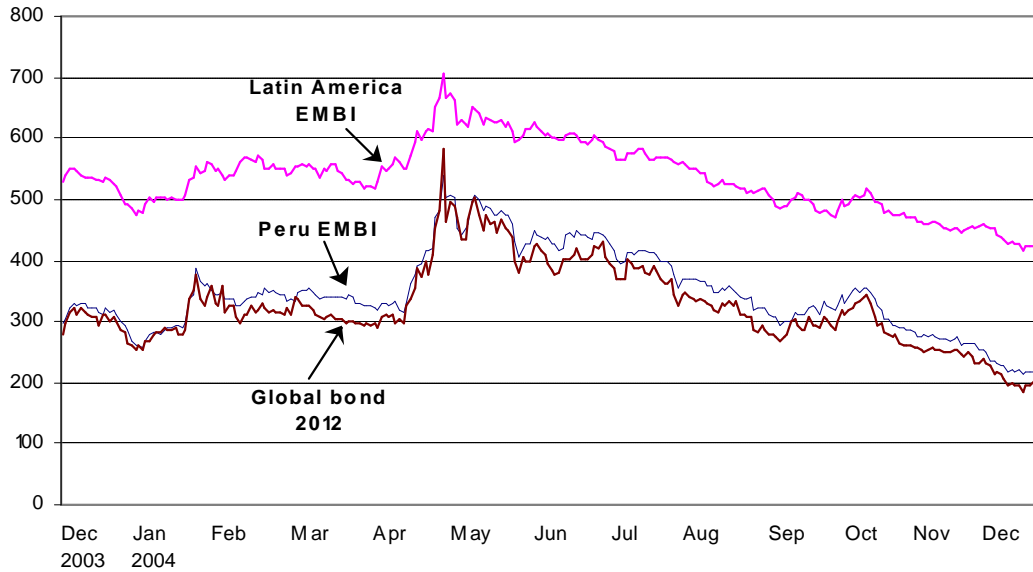


## Average spread of Global bond 2012 at December: 2,16%

During **December**, the **Global bond 2012** average spread dropped from 2,60% to 2,16% and the average spread of the **sovereign bonds** from 2,82% to 2,36%. The emerging debt spreads fell in

December to historical minimum. In the case of Peru, the reduction was influenced by the announcement to pre-pay US\$ 500 million of external debt to the Paris Club.

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

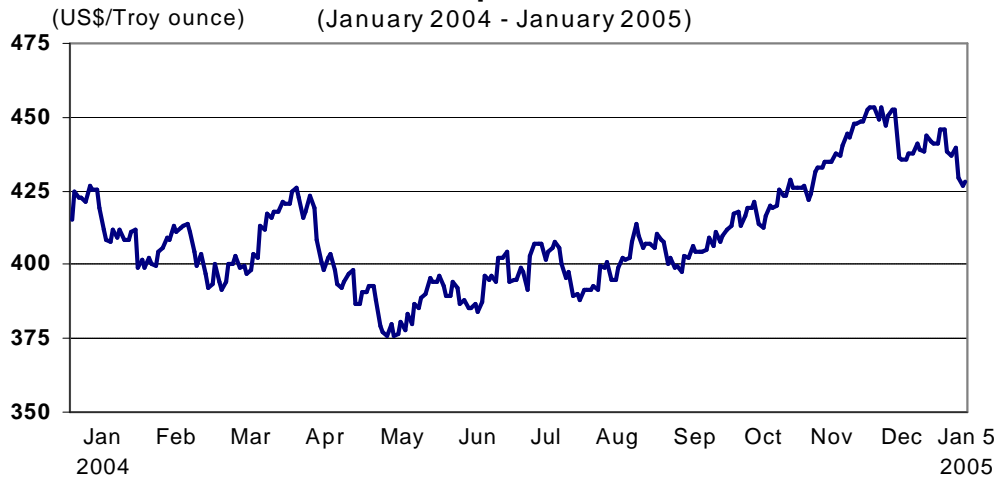


## International markets

In **December**, the **gold** average quotation increased 0,5% to US\$ 443 per troy ounce

due to the US dollar weakening against other hard currencies.

### Gold quotation



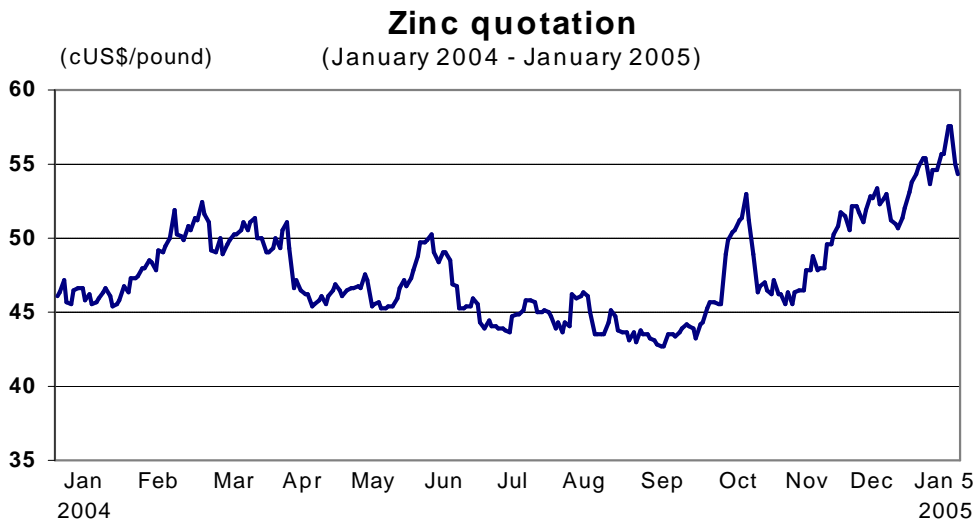
During the same month, the **copper** average quotation increased 0,8% to US\$ 1,43 per pound due to the weakening of the US dollar and the low level of

stocks. During December the London Metal Exchange inventories fell from 60 to 49 thousands MT.



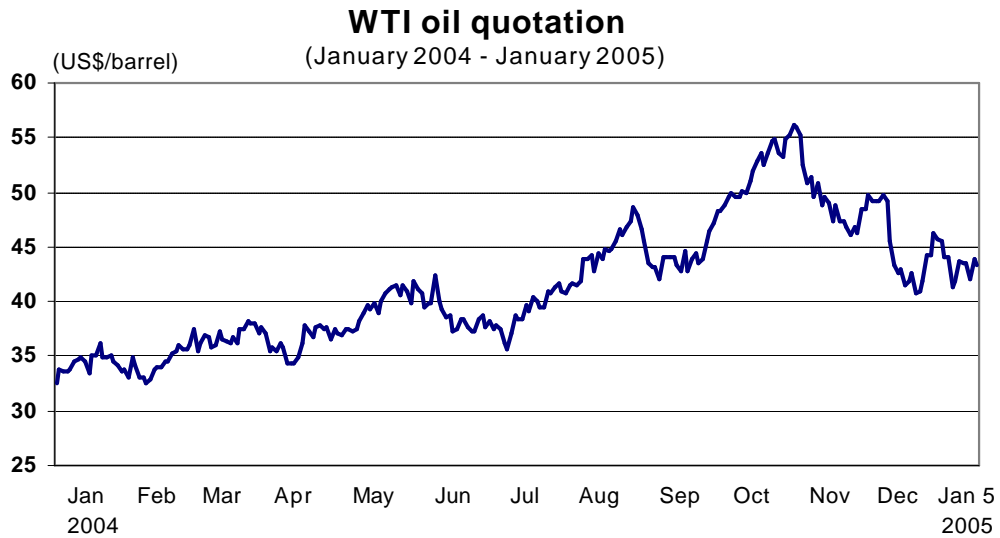
In the same period, the **zinc** average price augmented 7,7% to US\$ 0,54 per pound due to higher demand from institutional

investors and lower stocks at the LME which fell from 674 a 629 thousands TM.



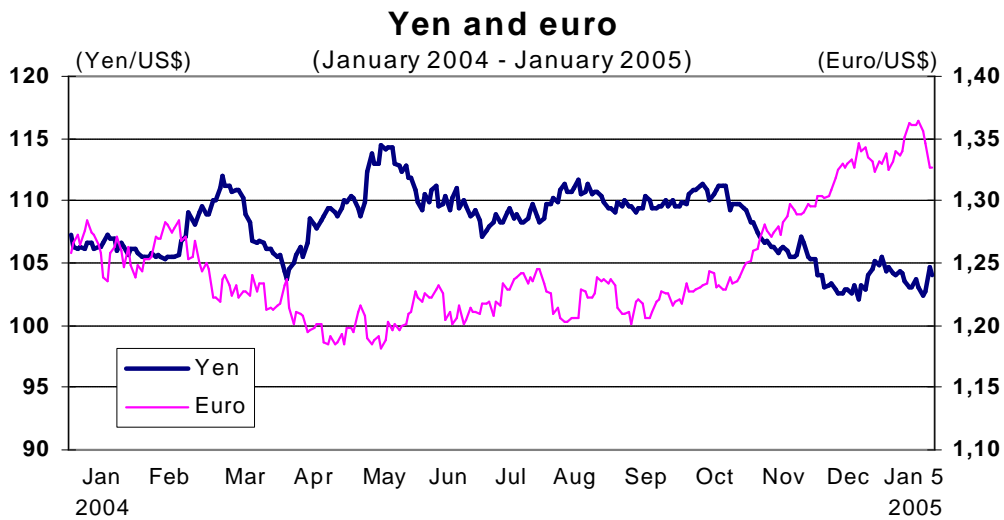
The **WTI oil** price fell 10,6% to US\$ 43,3 due to the increase in US crude inventories,

including heating gas. It also was supported by higher temperatures in the United States.



The **dollar** depreciate 3,0% against the **euro** and 0,8% against the **yen** due to the

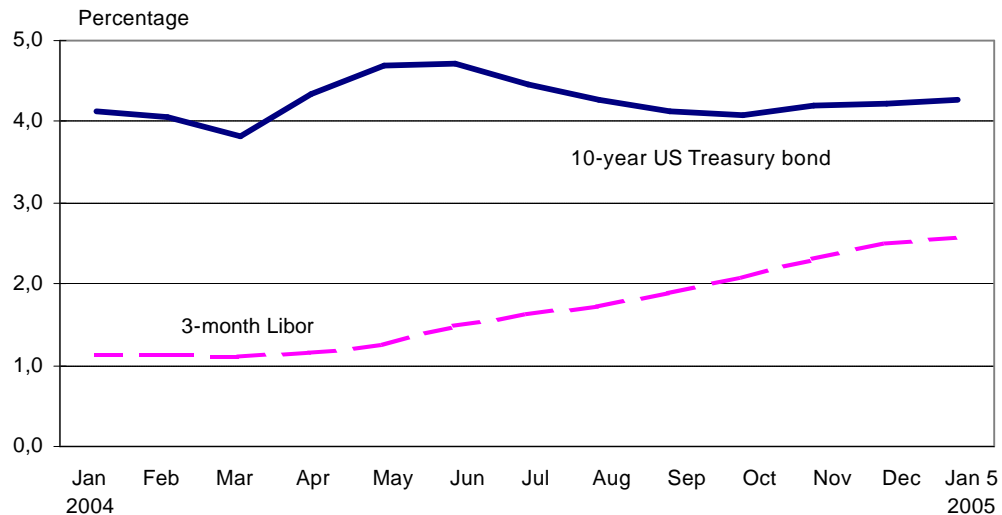
worries about the trade and fiscal balance disequilibrium in the United States.



Between **November 30** and **December 31**, the **3-month Libor** rate increased from 2,41% to 2,56% and the yield of the

**10-years US Treasury bond** dropped from 4,35% to 4,22% in a period of high volatility.

**Libor and yield of 10-year matured US Treasury bond**  
(January 2004 - January 2005)



### Lima Stock Exchange (LSE)

As of **January 5**, the LSE augmented 0,7% in its **General Index** and its **Blue Chip Index**.

In **2004**, these indexes record cumulative increases of 52,4% and 54,2%, respectively that follows the returns obtain in 2003 (75,2% and 81,8%).

**LSE indicators**  
(January 2004 - January 2005)

