

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

Nº 03 – January 21, 2005

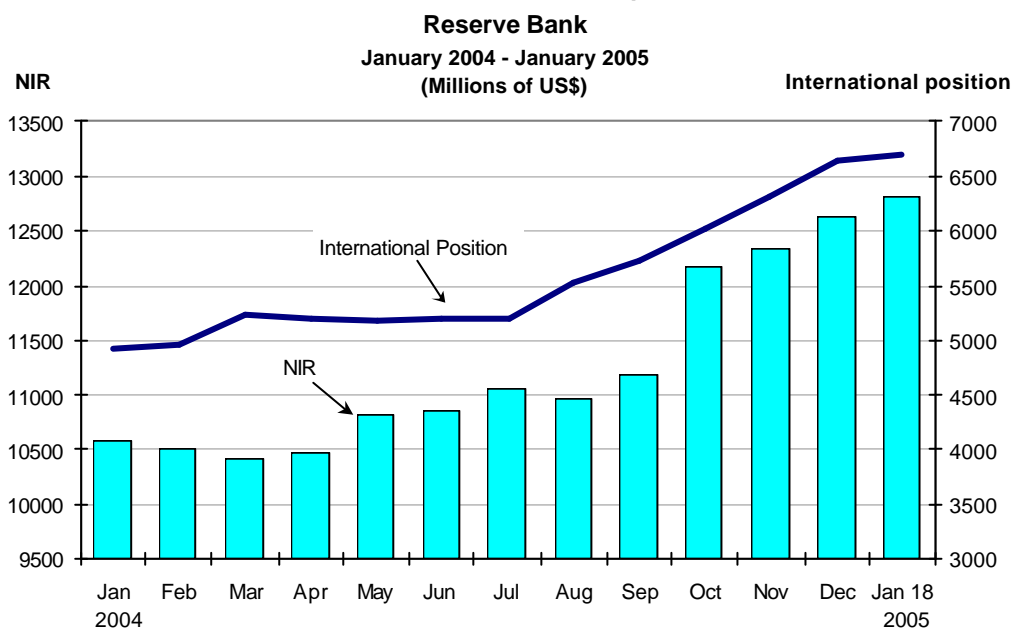
#### Net international reserves at US\$ 12 809 million

As of **January 18**, net international reserves (NIR) amounted to US\$ 12 809 million, up US\$ 178 million respect to the end 2004. This increase was mainly due to net foreign exchange purchases (US\$ 165 million), higher financial system and Insurance Deposit Fund's deposits (US\$ 154 and US\$ 5 million, respectively) and investment yield (US\$ 10 million), which were partially offset by the valuation

effect (US\$ 62 million), lower public sector deposits (US\$ 50 million) and foreign exchange sales to the public sector (US\$ 43 million).

To the same date, the **Central Bank's international position** reached US\$ 6 700 million, a year-to-date increase of US\$ 61 million.

Net international reserve and international position of the Central



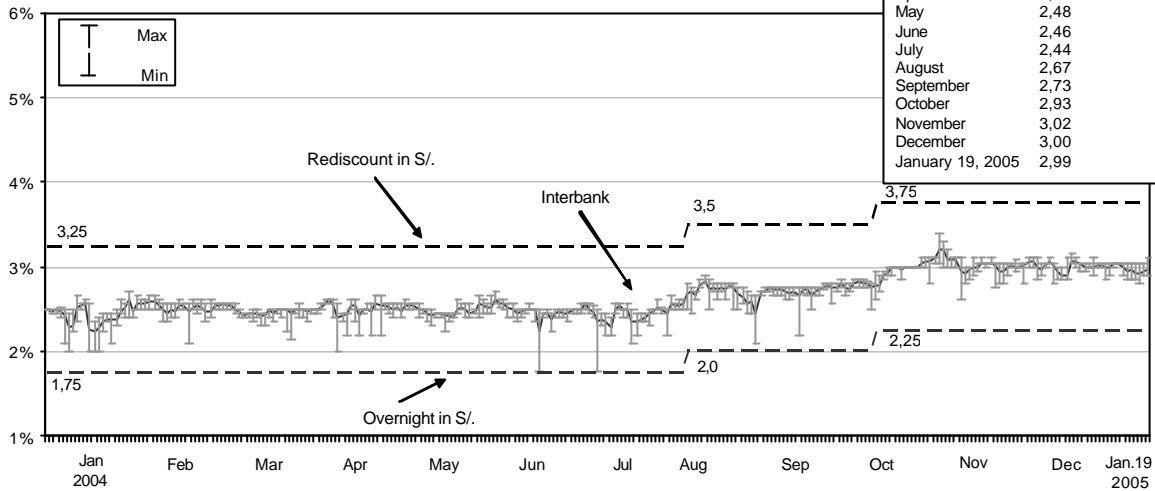
#### Interbank interest rate at 2,99%

Between **January 1 and 19**, the average interbank interest rate in domestic currency

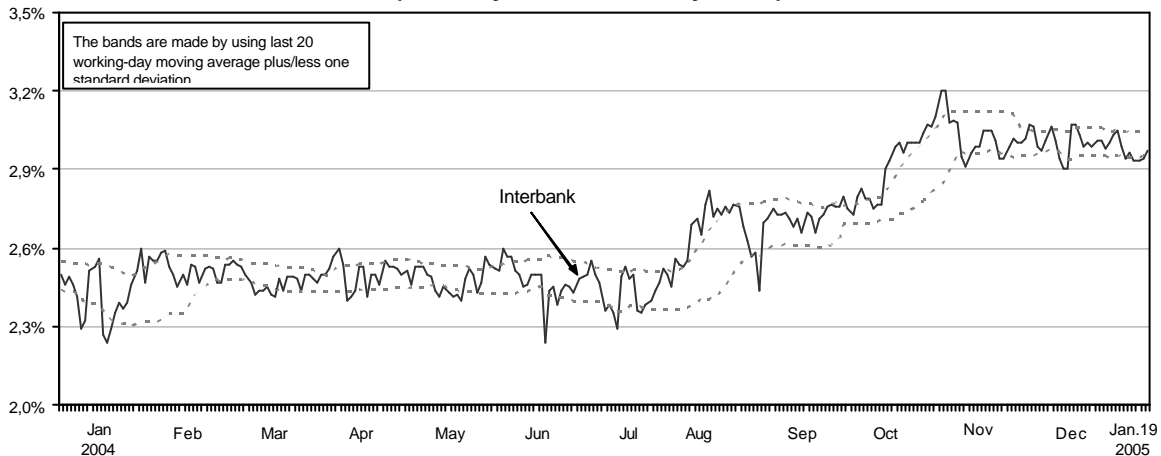
was 2,99%, slightly lower than December's (3,00%).

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

Interbank interest rate (percent)		
	Average	Standard Deviation
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	3,02	0,08
December	3,00	0,05
January 19, 2005	2,99	0,04



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



**Monetary operations**

As of **January 19**, the daily average balance of banks' liquidity at the Central Bank was S/. 311 million. Between **January 13 and 19**, the Central Bank made the following operations:

- Auctions of CDBCRP with a i) 7-day maturity by S/. 50 and S/. 74 million at an average interest rate of 2,97% and 3,03%, respectively; ii) 3-month by S/. 30 million at 3,58%; iii) 10-month by S/. 50 million at 4,23%; iv) 1-year by S/. 30 million at 4,35%; v) 1,5-year by

S/. 12 million at 4,91% and vi) 2-year by S/. 30 million at 5,31%.

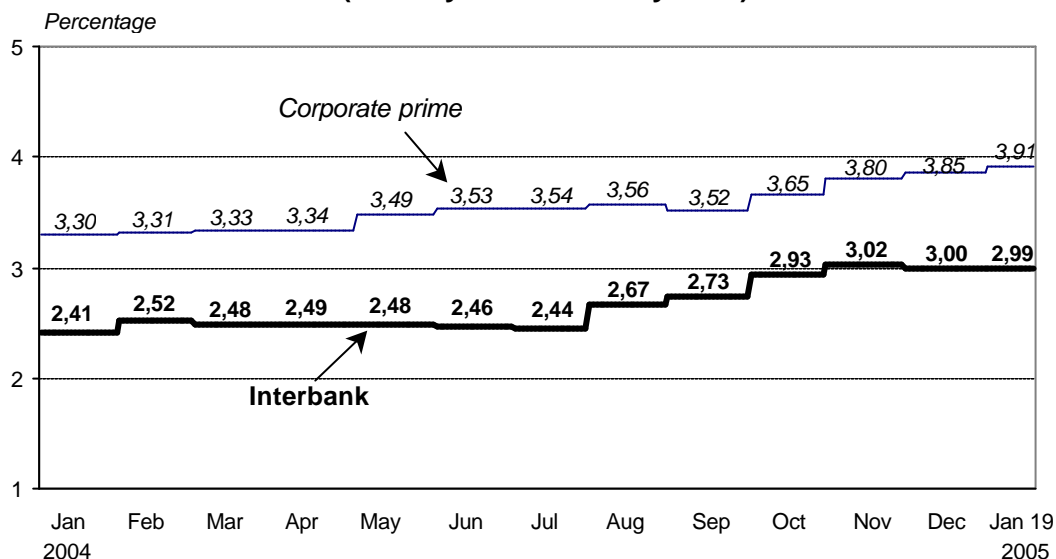
- Foreign currency purchase over-the-counter mechanism by US\$ 73,5 million at an average exchange rate of S/. 3,262.
- Overnight deposits on January 13, 14, 17, 18 and 19 by S/. 27, S/. 27, S/. 107, S/. 77 and S/. 52 million, respectively.

## Corporate prime interest rate at 3,91%

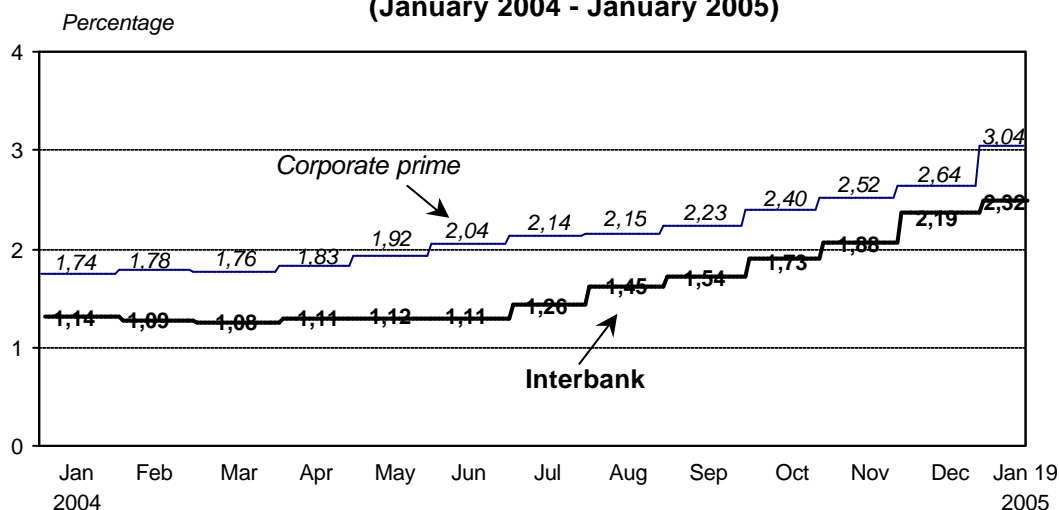
As of **January 19**, the 90-day average corporate prime interest rate in domestic currency raised from 3,85% in December to

3,91% and the rate in dollars from 2,64% to 3,04% following the international trend.

**Monthly average interest rate in domestic currency  
(January 2004 - January 2005)**



**Monthly average interest rate in foreign currency  
(January 2004 - January 2005)**



### Exchange rate: S/. 3,264

Between **January 12 and 19**, the banking system exchange rate decreased from S/. 3,268 to S/. 3,264. Up to January 19, the **balance of net forward sales** dropped

US\$ 12 million with respect to December 2004 and the **bank's exchange position** diminished US\$ 9 million.

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

	December 2003	November 2004	December	January 19 2005
<b>a. Net sales to the public (i-ii)</b>	<b>607</b>	<b>607</b>	<b>651</b>	<b>639</b>
i. Forward sales to the public	834	1 004	1 174	1 057
ii. Forward purchases to the public	227	397	523	418
<b>b. Banks' exchange position</b>	<b>536</b>	<b>512</b>	<b>387</b>	<b>379</b>

### Monetary base as of January 15, 2005

By seasonal factors, the **monetary base** balance as of January 15 was S/. 9 043 million down 3,0% (S/. 284 million) from end-December. In average terms, the year on year rate of growth of the monetary base in this period was 25,0% (23,3% in December).

The main explanations for this result were net issue of CDBCRP (S/. 844 million) and

sales of foreign currency to the public sector (US\$ 18 million or S/. 59 million) which were partially offset by foreign currency purchases over-the-counter mechanism (US\$ 138 million or S/. 451 million), lower public sector deposits (S/. 76 million) and lower financial enterprises' overnight deposits (S/. 25 million).

### Gross Domestic Product grew by 8,4% in November

The **GDP** grew 8,4% in November, maintaining a growth for 41 months in a row. All sectors registered increases. In the non-primary sectors, the non-primary manufacture and the commerce stand out, while in the primary sectors the main sectors were the fishing and the manufacture based on raw materials. The growth during January-November was of 4,6%.

**Agriculture and Livestock** increased 3,2%, reflecting the higher production of

potato due to greater crops and yields, particularly in Lima and Huanuco; rice, also by the increase of crops and yields, standing out the regions of Tumbes and San Martin; garlic, because of the higher sow areas in Arequipa; and tomato, owed to higher crop areas and yields in Ica. The bovine meat production also registered an increment, especially in Lima, Ayacucho and Piura. In contrast, the sugar cane was reduced in Lambayeque and La Libertad due to the drought; and hard yellow corn, especially in the last region.

## GROSS DOMESTIC PRODUCT

(Annual growth rates)

	November		January - November	
	2003	2004	2003	2004
<b>Agriculture and Livestock</b>	-1,4	3,2	2,6	-1,5
Agriculture	-2,7	5,8	2,0	-3,6
Livestock	0,0	0,7	3,2	1,7
<b>Fishing</b>	-2,7	30,7	-10,4	22,4
<b>Mining and Fuel</b>	5,2	5,2	7,1	5,1
Metallic mining	6,0	3,2	8,0	5,0
Natural gas and oil	-4,1	30,4	-4,7	6,2
<b>Manufacturing</b>	1,1	10,8	2,5	6,1
Based on raw materials	-1,9	9,5	-0,3	3,6
Non-primary	2,0	11,2	3,3	6,8
<b>Electricity and water</b>	4,3	4,6	4,3	4,2
<b>Construction</b>	-0,4	8,4	4,2	4,4
<b>Commerce</b>	-1,6	12,2	4,0	3,7
<b>Other services</b>	0,5	10,0	3,7	5,5
<b>GROSS AGGREGATED VALUE (GAV)</b>	<b>0,5</b>	<b>9,4</b>	<b>3,6</b>	<b>4,6</b>
Taxes on products and import duties	2,6	-0,1	5,3	4,0
<b>GDP</b>	<b>0,7</b>	<b>8,4</b>	<b>3,8</b>	<b>4,6</b>
Primary sector GAV	0,9	6,0	3,3	2,2
Non-primary sector GAV	0,4	10,3	3,7	5,3
Domestic demand indicator	-0,2	8,2	3,4	3,5

The 30,7% increment of **fishing** was supported by the higher disembarks of anchovy, despite the smaller number of anchovy's fishing days with respect to the previous year in the seaboard north center. Likewise, an increase of the fishing for human consumption was observed due to the greater extraction of tuna and shellfish for preserves; giant squid and hake for frozen; and horse mackerel, mackerel and other shellfish for fresh.

The **mining and fuel** industry grew 5,2% due to the higher production copper, iron, gold and natural gas liquids in the Lot 88 of Pluspetrol (*Camisea*). The higher copper production reflected the increase in Antamina, the resume of operations of BHP Billiton *Tintaya* and the greater milling capacity of Southern Peru (*Toquepala*). The iron grew due to the plant maintenance works in Shougang Hierro Peru performed the same month of the previous year. The production of gold was supported by the increments of *Yanacocha*, *Ares* and *Buenaventura*.

**Manufacturing** grew 10,8% in November, explained by the greater activity of the non-primary manufacture (11,2%) and the manufacture based on raw materials (9,5%). The latter obeys to the increment of fishmeal and non-ferrous metals and oil refining that compensated the smaller production of sugar. The higher production of fishmeal was explained by the larger anchovy catches; while the non-ferrous metals and oil refining grew due to the higher production of Southern and Petroperu, respectively. The decrease of the sugar was explained by the drought that affected the performances and the availability of cane. The dynamism of the non-primary manufacture responded to the one in the textile, leather and footwear; chemical products, rubber and plastics; food, beverages and tobacco and paper and printing. The increment was reduced by the low dynamism in the metallic products, electric machinery and diverse food products.

The branches that registered the higher increments were knitted fabrics, prompted by higher exports; diverse manufactures as bijouterie and pencils; toilet and cleaning products by higher production of detergents; explosive, natural and chemistry essences due to the higher

demand of the mining sector; dairy products, due to the higher diversification of products for the domestic market and the exports of evaporated milk; and machinery for mining industry mainly by the demand derived from the Project of Gas de Camisea.

**Industries with higher increases  
November 2004**

CIU	Var. %	
	Year	Contrib. % 1/
Textile products	17,7	1,4
Miscellaneous manufacturing products	23,2	0,6
Toilet and cleaning products	23,6	0,6
Explosives and natural and chemical essences	18,5	0,6
Dairy products	16,3	0,6
Manufacture of machinery for mining, quarrying and construction	351,9	0,5
Other metallic products	17,1	0,5
Glass	25,3	0,5
Basic chemicals	17,1	0,4
Tiles	18,3	0,4

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

The branches that registered a negative contribution were jewellery and related articles, originated by the halt of operations of Charpas enterprise; cutlery, hand tools and general hardware, due to the temporary paralysis of one of the main

businesses of the sector and diverse food products caused by the decrease of instant coffee production, the end of operations of Transandina enterprise and the smaller production of refreshments.

**Industries with higher decreases  
November 2004**

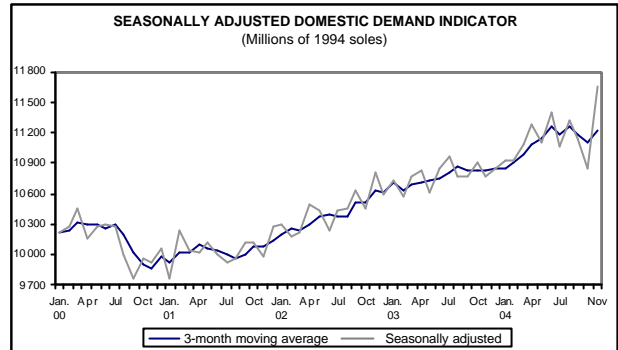
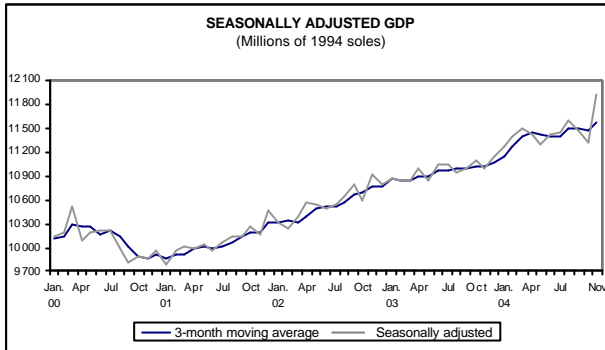
CIU	Var. %	
	Year	Contrib. % 1/
Jewellery and related articles	-45,2	-0,5
Cutlery, hand tools and general hardware	-74,1	-0,5
Other food products	-6,9	-0,1
Other general purpose machinery	-83,2	-0,1
Manufacture of articles of concrete, cement and plaster	-6,6	-0,1

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

**Construction** raised 8,4%, due to the higher production prompted by the gold project *Alto Chicama*.

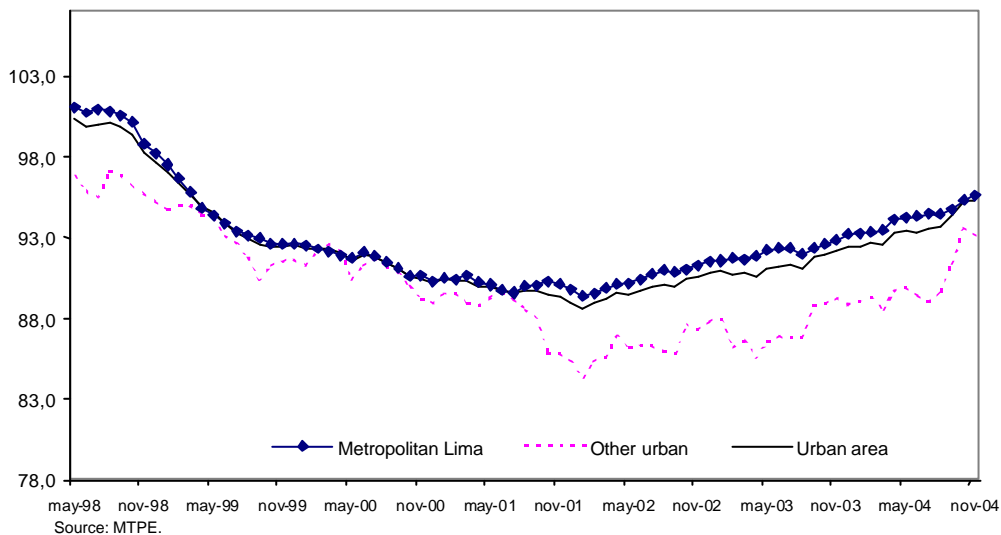
**Seasonally adjusted GDP** grew by 5,4%, reaching the highest level in the year. Domestic demand raised 7,4% in seasonally adjusted terms.



In November the **employment** in firms with 10 or more workers increased 3,4% in the urban area with respect to similar month of the previous year, according to information reported by the Ministry of

Labor and Social Promotion, having registered a growth in the manufacture sector (4,0%), transportation (1,0%), and services (3,7%). The employment in Metropolitan Lima grew 3,0%.

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



Urban areas excluding Metropolitan Lima experienced a 4,4% increase in employment; in Ica grew by 14,0% and in Chincha by 2,8% due to a more dynamic agro-industrial industry related to asparagus and grapes harvests. In Piura the increase in 10,9% was also explained by the manufacturing activity and services;

in Iquitos the growth in employment was 11,5% thanks to the dynamic in petroleum explorations and in the wood and transport industries prompted in part by tourism. In Arequipa, the increment of 2,9% was explained by the dynamism in the industrial sector, mainly due to the textile for foreign markets.

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

	November 2004/ November 2003	Jan.-Nov.2004/ Jan.-Nov.2003
Urban Peru	3,4	2,6
Metropolitan Lima	3,0	2,4
Other Urban	4,4	3,4
Ica	14,0	8,8
Iquitos	11,5	6,1
Piura	10,9	8,7
Pisco	6,4	1,6
Trujillo	6,0	5,7
Paíta	5,1	8,4
Arequipa	2,9	2,5
Chincha	2,8	4,6
Pucallpa	2,2	0,2
Huancayo	2,1	2,7
Cusco	0,0	0,4
Cajamarca	-0,4	1,4
Chimbote	-0,4	2,9
Chiclayo	-1,8	-1,2
Puno	-2,8	-4,8
Tarapoto	-3,2	-0,9
Tacna	-3,6	-3,4

Source: MTPE, Monthly Statistical Report.

**December outlook**

Preliminary data for December indicates that:

- Anchovy catch increased 309,4%, according to IMARPE.
- According to Perupetro, oil production grew 13,7% while natural gas extraction increased by 82,6%.
- Local sales of cement increased 9,1% excluding dispatches to Yanacocha. Source: Asocem.
- Energy production grew by 8,3%, according to COES.
- Sunat reported that the excise tax collection fell 18,7%, whereas duty collection increased 17,7%.

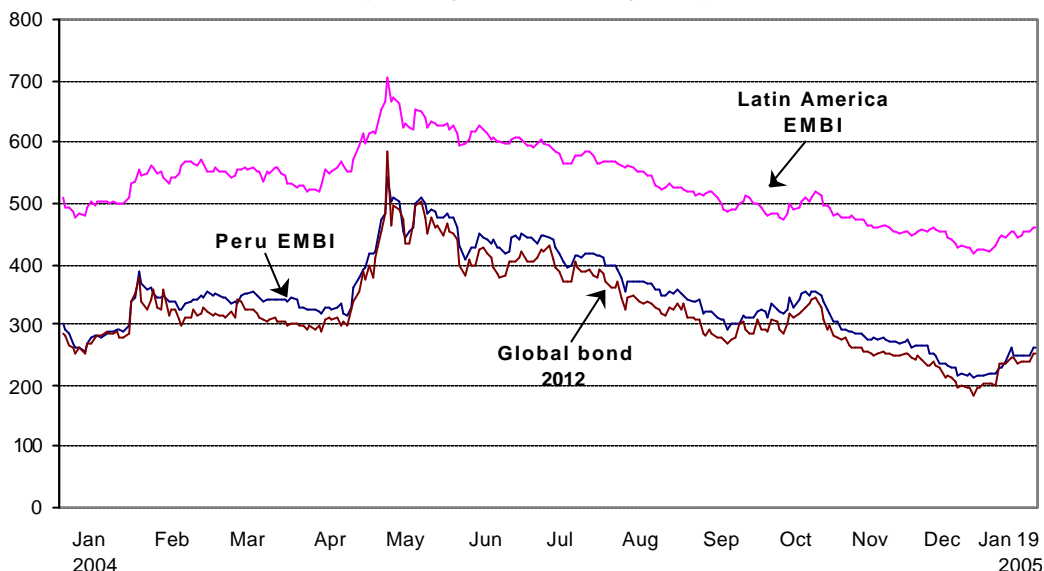


### Spread of Global bond 2012 at 2,52%

Between **January 12 and 19**, the spread of the **Peruvian Global Bond 2012** increased from 2,36% to 2,52% and the spread of the **sovereign bonds** from 2,51% to 2,60%.

The total emerging debt continues been affected by the investors concern as the FED would rise its interest rate at a higher rhythm than initially expected.

**Country risk indicators**  
(January 2004 - January 2005)

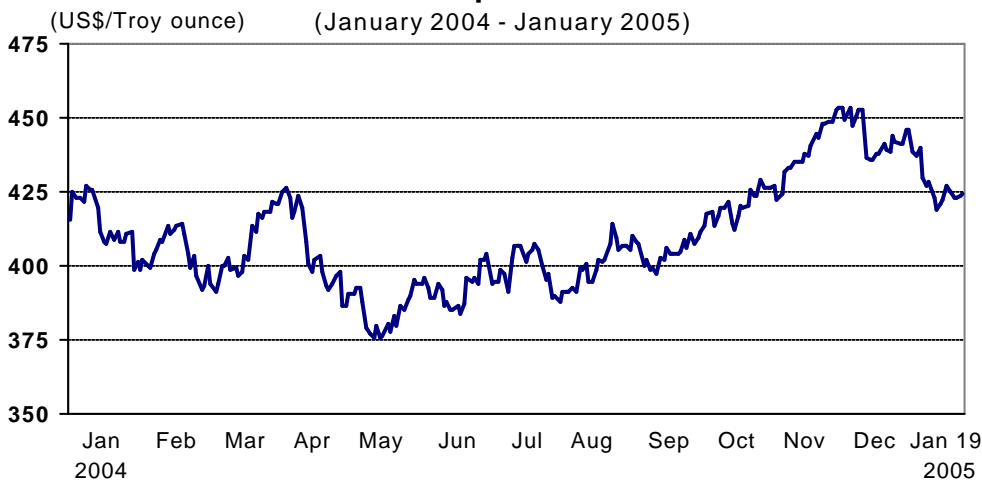


### International markets

Between **January 12 and 19**, the **gold** quotation decreased 0,7% to US\$ 424 per

troy ounce due to the US dollar strengthening.

### Gold quotation



During the same period, the **copper** quotation increased 0,5% to US\$ 1,43 per pound because of the higher housing starts in the United States and the lower

London Metal Exchange inventories from 47 to 44 MT thousand, it's lowest level since may 1988.

## Copper quotation



In similar period, the **zinc** quotation rose 4,2% to US\$ 0,57 per pound, reaching a new maximum in 7 years, due to the reduction in the LME inventories from 638 to 629 MT thousand and the

announcement of the Chinese refinery Zhuzou (3% of the world production) of the cut of its production in a third, because of energy supply problems.

## Zinc quotation



Between **January 12 and January 19**, the **WTI oil** price increased 2,5% to US\$ 47,6 per barrel due to the projections of lower temperatures in the United States, the

concern of new cuts in the OPEC quotas, and the possible reduction of the Iraqi supplies.

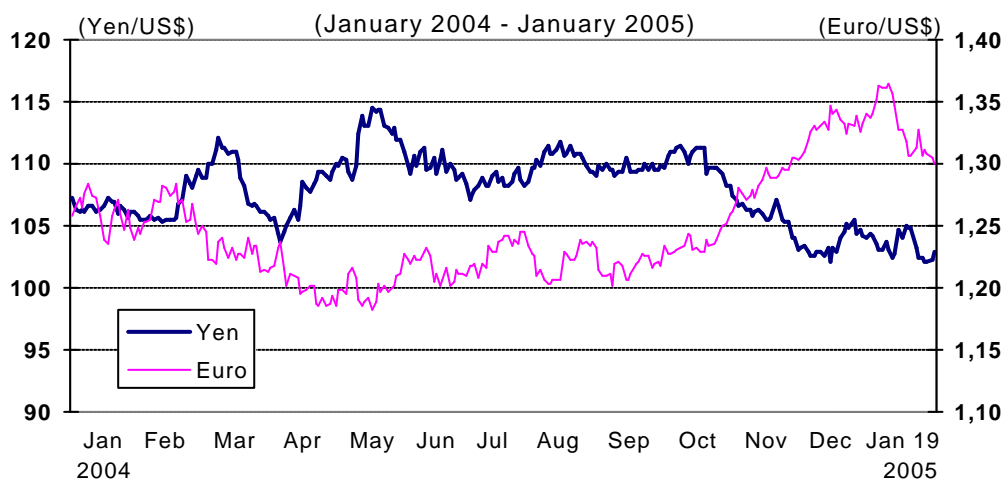
**WTI oil quotation**



During this week, the **US dollar** appreciated by 2,0% against **euro** and 0,4% against **yen**. The dollar was benefited by the diffusion of the net capital inflows in the United States reached

US\$ 81 billion in November, over the US\$ 48 billion in October. This figure diminishes the fears about the sources of financing the current account deficit.

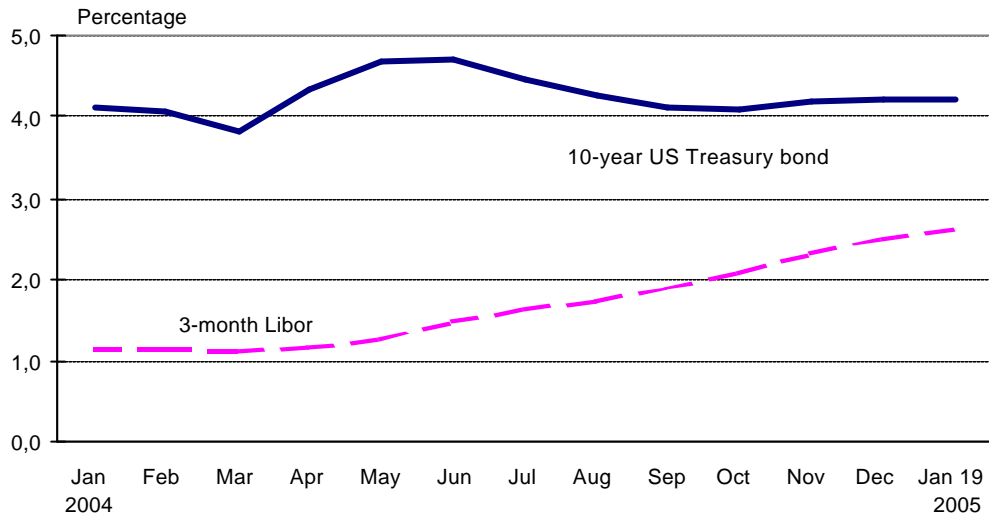
**Yen and euro**



Between **January 12 and 19**, the **3-month Libor** raised from 2,64% to 2,68%, whereas the yield of the **US Treasuries** with a 10-year maturity decreased from 4,24% to 4,18% due to the better than expected inflation figures in

the United States. The CPI registered a decrease of 0,1% in December when it was expected to remain constant. For 2004, the CPI accumulated an increment of 3,3%.

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



### Lima Stock Exchange (LSE)

As of **January 19**, the LSE increased 3,0% and 2,6% in its **General Index** and its **Blue Chip Index**, respectively. Up to the year, it can be highlighted the performance of the

Alicorp shares due to the investors' positive expectation with respect to 2004 outcomes and of the zinc mining companies because of the positive outlook for 2005.

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

