

CENTRAL RESERVE BANK OF PERU WEEKLY REPORT

N° 09 – March 4, 2005

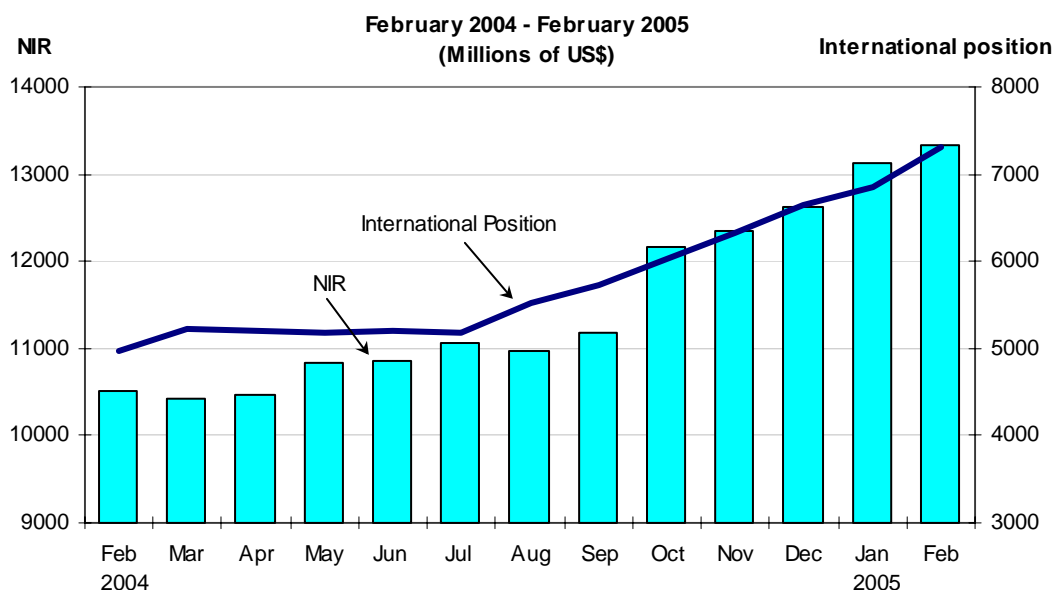
Net international reserves at US\$ 13 328 million

As of **February 28**, net international reserves (NIR) amounted to US\$ 13 328 million, up US\$ 203 million from end-January. This increase was mainly due to net foreign exchange purchases (US\$ 462 million), higher public sector deposits (US\$ 127 million) and investment yield (US\$ 47 million) which were partially

offset by lower financial system deposits (US\$ 381 million) and foreign exchange sales to the public sector (US\$ 50 million).

Year-to-date, NIRs have increased US\$ 697 million, whereas the **Central Bank's international position** (US\$ 7 304 million), grew by US\$ 665 million.

Net international reserve and international position of the Central Reserve Bank

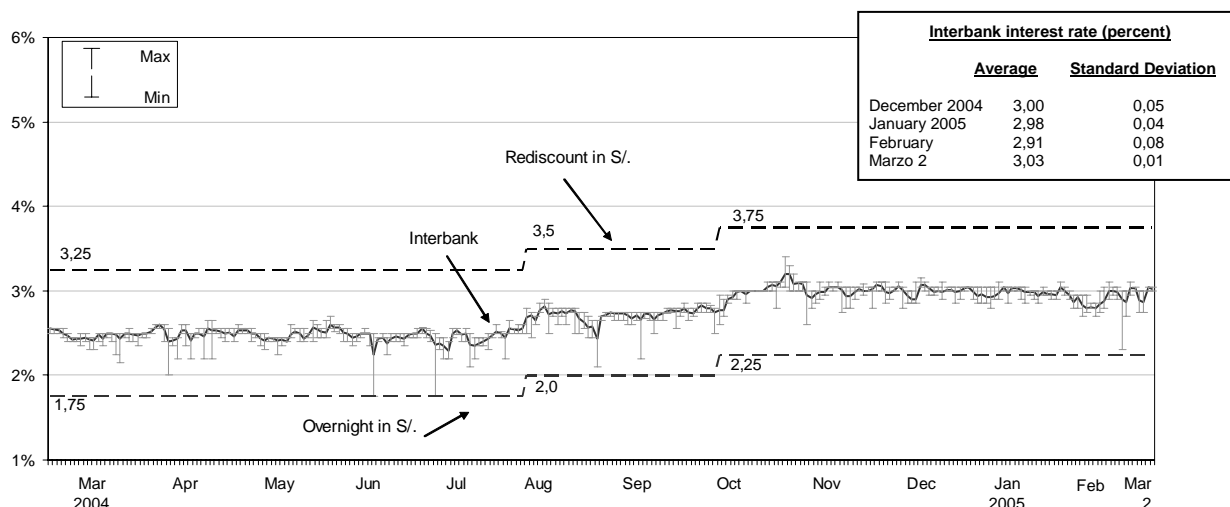


Interbank interest rate at 3,03%

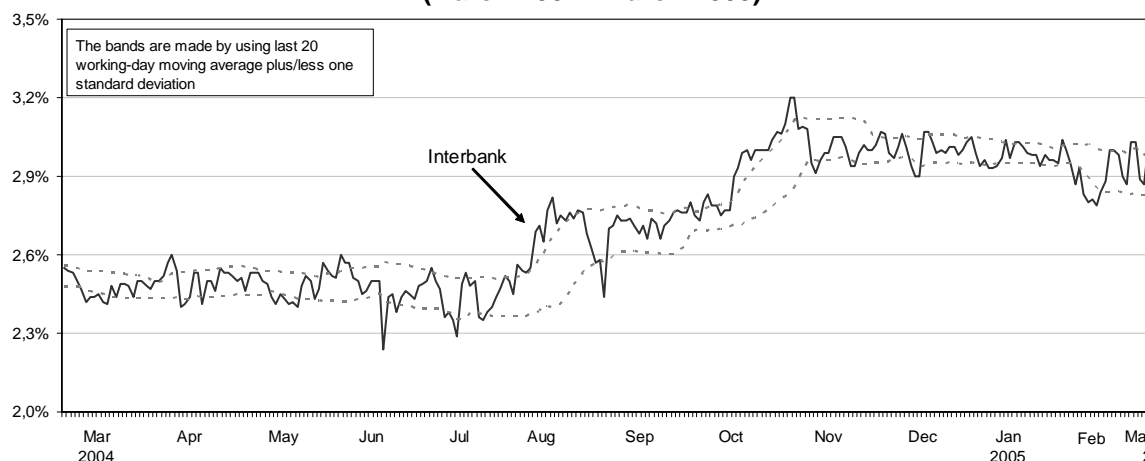
As of **March 2**, the average interbank interest rate in domestic currency was

3,03%, higher than February's and January's (2,91% and 2,98%, respectively).

Interest rates in domestic currency (March 2004 - March 2005)



Interbank interest rate in domestic currency (March 2004 - March 2005)



Monetary operations

As of **March 2**, the daily average balance of banks' liquidity at the Central Bank was S/. 483 million and S/. 232 million in February inside the expected range for the month (S/.220 million – S/. 240 million). Between **February 24 and March 2**, the Central Bank made the following operations:

- Auctions of CDBCRP with a: i) 7-day maturity by S/. 50 and S/. 50 million at an average interest rate of 3,00% and 3,02%, respectively; ii) 3-month by

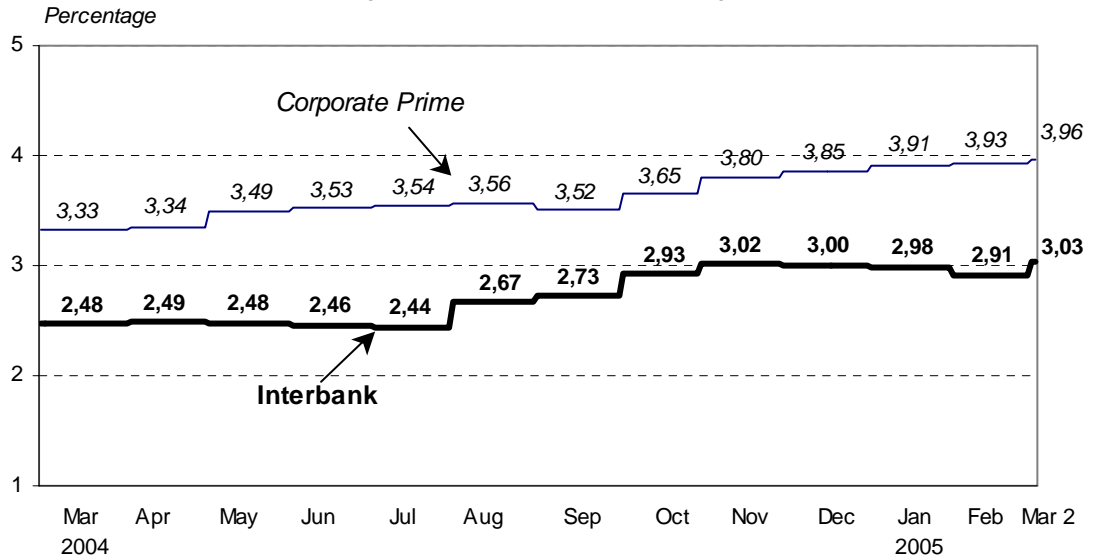
S/. 30 and S/. 50 million at 3,70% and 3,81%, respectively; iii) 6-month by S/. 50 million at 4,23%.

- Foreign currency purchase over-the-counter mechanism by US\$ 76 million at an average exchange rate of S/. 3,258.
- Overnight deposits on February 24, 25 and 28 by S/. 86, S/. 158 and S/. 210 million, respectively.

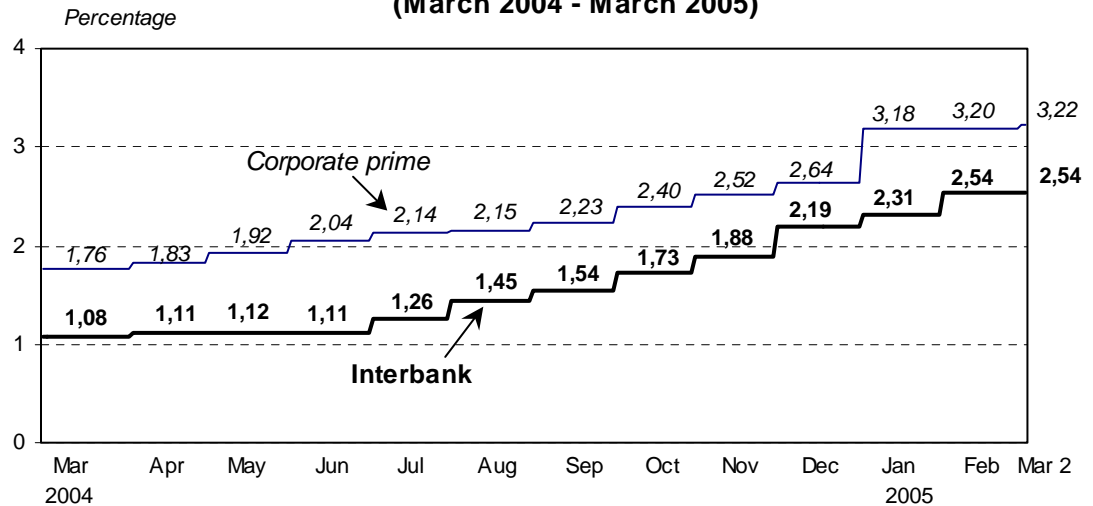
Corporate prime interest rate at 3,96%

As of **March 2**, the 90-day average corporate prime interest rate in domestic currency raised from 3,93% in February to 3,96% and the rate in dollars from 3,20% to 3,22%.

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



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



February inflation: -0,23%

In February the inflation was of -0,23 percent, accumulating a variation of 1,68 percent in the last 12 months. Four areas have contributed with -0,36 percentage points to the inflation of the month: poultry (-0,20 points), fish (-0,10 points), fuel and

rice (-0,03 points, each one). On the contrary, four areas have contributed with 0,16 percentage points to the inflation of the month: other vegetables and tomato (0,05 points, each one), papaya (0,04 points) and eggs (0,02 points).

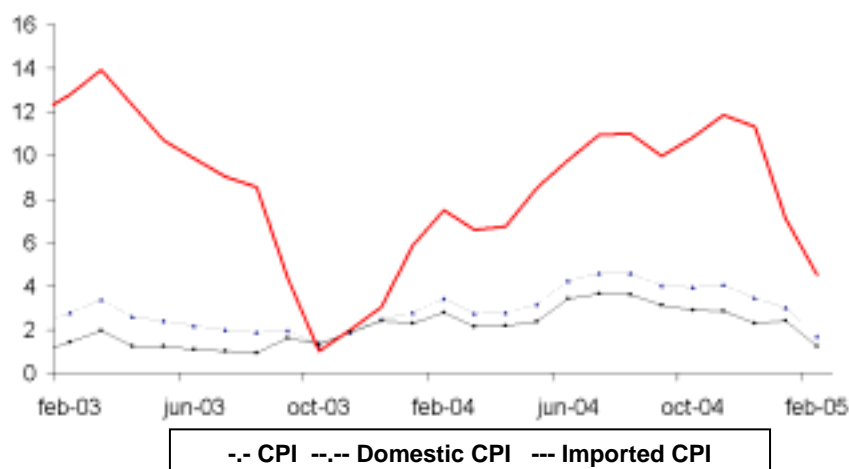
INFLATION
(annual percentage change)

	weighting	Month	12-month indicator			annual average indicator		
		Feb. 2005	Feb. 2004	Jan. 2005	Feb. 2005	Feb. 2004	Ene. 2005	Feb. 2005
I. CORE INFLATION	68,3	-0,05	1,93	2,14	1,43	1,20	2,57	2,53
Goods	41,8	-0,05	2,22	2,39	1,36	0,94	3,08	3,00
Food and Beverages	20,7	-0,13	3,79	4,96	3,08	1,13	6,33	6,26
Textiles and Footwear	7,6	0,15	0,91	1,59	1,54	0,79	1,27	1,32
Electrical appliances	1,0	0,05	-1,08	-3,43	-3,90	-1,12	-2,00	-2,24
Other industrial goods	12,5	-0,05	0,68	-1,03	-1,28	0,89	-0,81	-0,97
Services	26,6	-0,05	1,48	1,76	1,55	1,59	1,78	1,79
Restaurants	12,0	0,01	1,17	1,80	1,71	1,36	1,77	1,82
Education	5,1	0,09	3,01	4,53	4,52	3,06	3,91	4,04
Health	1,3	-0,08	2,59	1,20	0,44	2,78	1,47	1,29
Renting	2,3	0,00	0,89	-1,67	-1,96	0,75	-0,27	-0,50
Other services	5,9	-0,30	0,74	0,60	0,12	0,83	0,74	0,69
II. NON-CORE INFLATION	31,7	-0,61	6,58	4,90	2,20	4,86	5,98	5,60
Food	14,8	-1,05	6,74	2,45	-2,58	0,44	7,82	6,99
Fuel	3,9	-0,60	6,96	14,53	12,42	13,66	11,99	12,43
Transportation	8,4	-0,11	10,25	3,77	3,66	10,96	2,00	1,51
Utilities	4,6	-0,19	-0,89	4,70	4,42	-0,16	1,61	2,05
III. INFLATION	100,0	-0,23	3,43	3,03	1,68	2,36	3,68	3,53
Note								
Imported inflation	12,1	-0,19	7,49	7,06	4,50	7,20	9,34	9,06
Core inflation without food and beverages	47,6	-0,01	1,13	0,90	0,70	1,23	0,95	0,91
Total foods	33,2	-0,56	5,69	4,02	0,58	1,08	7,49	7,04
Core inflation without bread, rice, pasta and edible oils	60,6	0,00	0,79	1,39	1,14	0,91	1,14	1,17

The core inflation of the month was -0,05 percent and 1,43 percent in the last twelve months, while the monthly non-core inflation was of -0,61 percent and 2,20 percent in the last twelve months. The core inflation without food and

beverages was of -0,01 percent (0,70 percent in the last twelve months). The imported inflation was of -0,19 percent (4,50 percent in the last twelve months).

INFLATION, DOMESTIC INFLATION AND IMPORTED INFLATION
(% change, last 12 months)



Macroeconomic Expectations

Between February 18 and 28, the Central Bank carried out the monthly Macroeconomic Expectations survey among 29 financial system institutions,

345 non-financial system firms and 20 economic analysts with the following results:

FINANCIAL SYSTEM INSTITUTIONS

(Median^{1/} of the sample)

	Date of the survey		
	Dec. 30 2/	Jan. 31 3/	Feb. 28 4/
Inflation (%)			
Monthly: March	--	--	0,2
Annual: 2005	2,5	2,5	2,5
2006	2,5	2,5	2,6
GDP growth (%)			
Monthly: January	4,0	4,0	4,5
February	--	4,0	4,4
March	--	--	4,5
Annual: 2005	4,2	4,5	4,5
2006	4,1	4,5	4,5
Exchange rate (S/. per US\$)			
Monthly: March	--	--	3,25
December 2005	3,32	3,30	3,28
December 2006	3,35	3,35	3,33
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: March	--	--	3,0
December 2005	4,0	3,9	3,5
December 2006	4,5	4,5	4,3

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

2/ 32 financial institutions.

3/ 28 financial institutions.

4/ 29 financial institutions.

ANALYSTS

(Median^{1/} of the sample)

	Date of the survey		
	Dec. 30 2/	Jan. 31 2/	Feb. 28 3/
Inflation (%)			
Monthly: March	--	--	0,2
Annual: 2005	2,5	2,5	2,5
2006	2,5	2,5	2,8
GDP growth (%)			
Monthly: January	4,2	4,5	4,7
February	--	4,5	4,7
March	--	--	4,7
Annual: 2005	4,5	4,5	4,5
2006	4,0	4,1	4,0
Exchange rate (S/. per US\$)			
Monthly: March	--	--	3,25
December 2005	3,35	3,34	3,30
December 2006	3,43	3,45	3,38
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: March	--	--	3,0
December 2005	3,5	3,8	3,4
December 2006	4,3	4,0	4,2

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

2/ 18 analysts.

3/ 20 analysts.

NON-FINANCIAL SYSTEM FIRMS

(Median^{1/} of the sample)

	Date of the survey		
	Dec. 30 2/	Jan. 31 2/	Feb. 28 2/
Inflation (%)			
Annual: 2005	3,0	3,0	3,0
2006	3,0	3,0	3,0
GDP growth (%)			
Annual: 2005	4,3	4,3	4,5
2006	4,2	4,1	4,5
Exchange rate (S/. per US\$)			
December 2005	3,40	3,35	3,35
December 2006	3,50	3,45	3,45

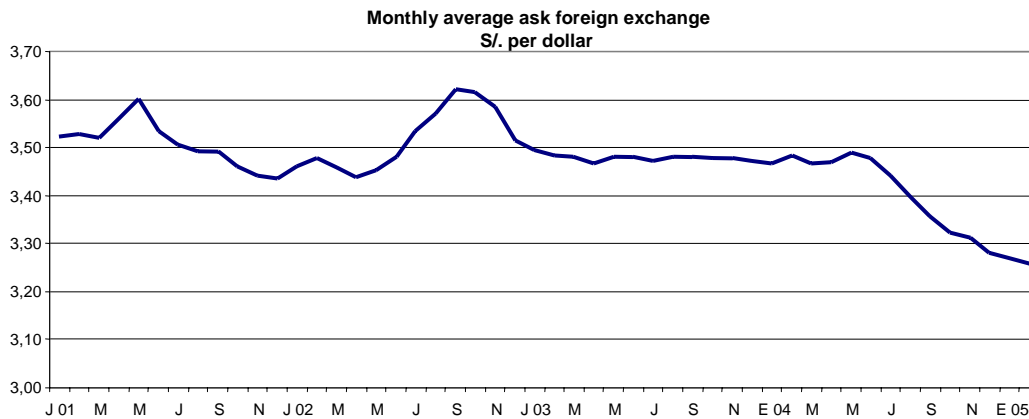
1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 345 non-financial institutions.

Exchange rate: S/. 3,260

In February the average exchange rate was S/. 3,260 per dollar, what implied a nominal appreciation of 0,3 percent respect al average of the previous month. In end-period terms, the exchange rate passed from S/. 3,264 to S/. 3,259 vis-a-

vis the dollar. During the month there were some days of higher upward pressures because of the payments of taxes, lower forward sales demand and by a higher spot supply.



In the month, the net forward sales diminished from US\$ 571 million to US\$ 461 million and the bank's exchange position descended from

US\$ 427 to US\$ 331 million. In the month the BCRP's net purchases of foreign currency over the counter was US\$ 462 million.

BANKS' EXCHANGE POSITION (Millions of US\$)

	December 2003	December 2004	January 2005	February
a. Net sales to the public (i-ii)	607	655	571	461
i. Forward sales to the public	834	1 168	1 231	927
ii. Forward purchases to the public	227	513	660	465
b. Banks' exchange position	536	383	427	331

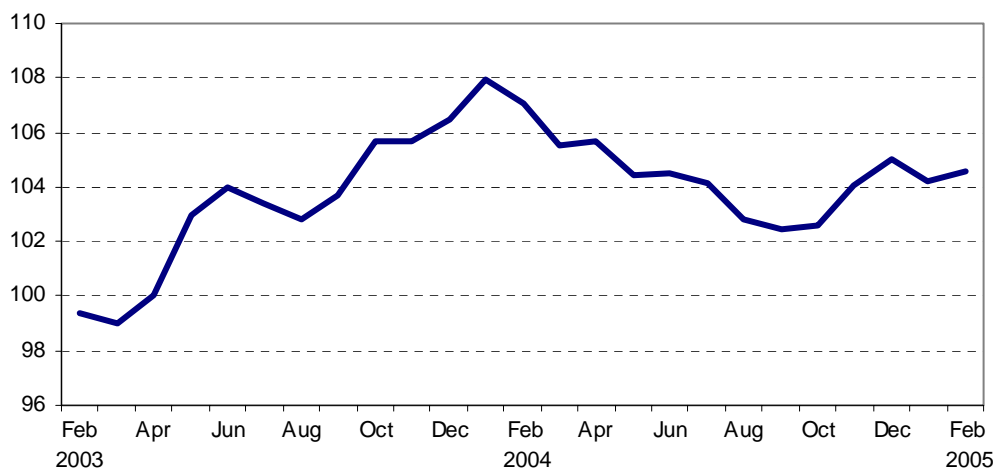
February real exchange rate

As of February the real foreign exchange rate depreciated with respect to January in 0,4 percent. This result is explained basically because the nominal appreciation of 0,3 percent was more than compensated with the differential among the variation of external prices (0,4 percent) and domestic prices (-0,2 percent). During the year, the

real exchange rate appreciated 0,4 percent.

The variation of the external prices of the month includes the effect of the dollar depreciation, on average, with respect to almost all the currencies of our commercial partners with exception of the euro, Canadian dollar and the yen.

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



Monetary base as of February 28, 2005

The monetary base balance as of February 28 was S/. 8 881 million up 2,0% (S/. 177 million) from end-January. In average terms, the year on year rate of growth of the monetary base in this period was 25,6% (24,9% in January).

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

the-counter mechanism (US\$ 462 million or S/. 1 505 million) and the lower public sector deposits (S/. 63 million). These operations were compensated by the CDBCRP's net placements (S/. 1 137 million), the sales of foreign currency to the public sector (US\$ 50 million or S/. 163 million) and financial system overnight deposits (S/. 158 million).

Banking system monetary accounts: February 7 2005

Through last 4 weeks, liquidity in domestic currency increased 1,4% (S/. 369 million), to a balance of S/. 26 025 million. Credit to the private sector in the same currency augmented 0,5% (S/. 60 million) to S/. 11 367 million. However, in annual terms this aggregates grew by 26,8% and 12,8%, respectively.

Liquidity in foreign currency rose 1,0% (US\$ 92 million) to US\$ 9 683 million (an annual growth rate of 2,5%). Credit to the private sector in the same currency increased 0,2% (US\$ 17 million), to US\$ 9 846 million (an annual growth rate of 2,6%).

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.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR
2003												
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%
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%	-0,1%	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%	2,8%	17,0%	1,6%	8,0%	-0,1%	1,3%	6,5%	30,6%	-1,2%	-0,6%
Oct.	4,5%	24,3%	6,7%	24,1%	3,5%	12,3%	-0,9%	-0,1%	-17,1%	2,8%	-0,7%	-1,1%
Nov.	0,6%	21,7%	2,9%	25,6%	0,4%	9,4%	0,4%	1,1%	4,2%	2,7%	1,0%	-0,4%
Dec.	14,9%	25,3%	5,7%	28,1%	1,0%	11,9%	0,8%	1,4%	1,6%	4,5%	1,1%	1,3%
2005												
Ene.	-6,7%	25,0%	0,3%	25,3%	-0,2%	11,8%	0,9%	2,4%	22,4%	26,1%	0,2%	2,6%
Feb.7	-2,5%	24,1%	1,4%	26,8%	0,5%	12,8%	1,0%	2,5%	-2,0%	14,3%	0,2%	2,6%
Memo:												
Balance as of Jan.7 (Mil.S/. or Mill.US\$)	9 226		25 656		11 307		9 592		907		9 828	
Balance as of Feb.7 (Mil.S/. or Mill.US\$)	8 996		26 025		11 367		9 683		889		9 846	

1/ Short term external liabilities of banking enterprises.

Spread of the Global bond 2012: 2,21%

Between **February 23 and 28**, the spread of the Peruvian Global Bond 2012 decreased from 2,21% to 1,97% and the spread of the EMBI+ sovereign bonds from 2,30% to 2,11% which is the lowest level in historical records. Respectively, these indicators were 2,38 and 2,39 during January. These spreads have been following the same trend for all the region as the US economy is showing a mild

growth and as the emerging market economies are showing some strength and positive. As well, positive declarations by Rodrigo Rato, the IMF director, and the IMF mission that visited Peru have supported the fell. During **February**, in monthly terms, the bond spread descended from 2,42% to 2,35%, while the EMBI+ followed did the same falling from 2,32% to 2,22%.

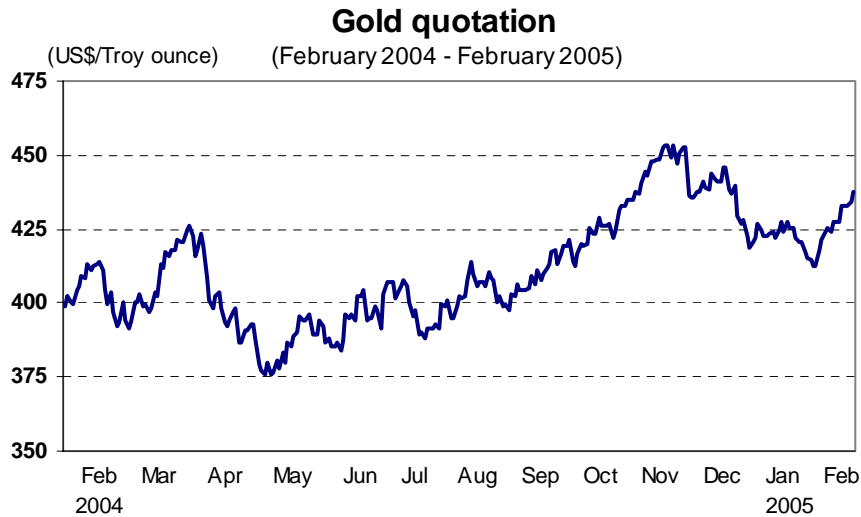
Country risk indicators
(February 2004 - February 2005)



International markets

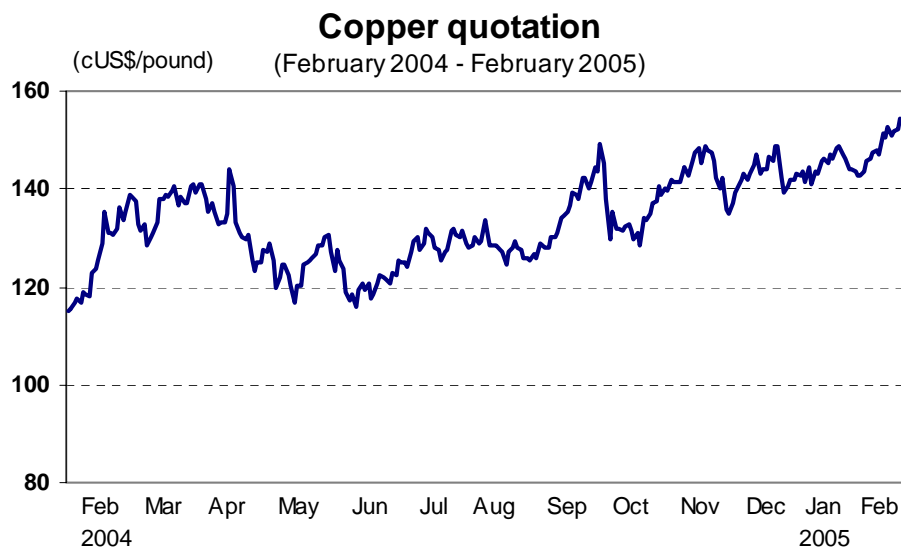
Between **February 23 and 28**, the **gold** quotation increased 1,1% to US\$ 437 per troy ounce due to the US dollar weakening compared to other principal currencies. This facts arise as a consequence of no important hikes in the interest rates

expectations and an important commercial deficit in the US. Meanwhile, by the end of the month, investors feared inflationary pressures (due to oil prices) and found refuge on this metal.



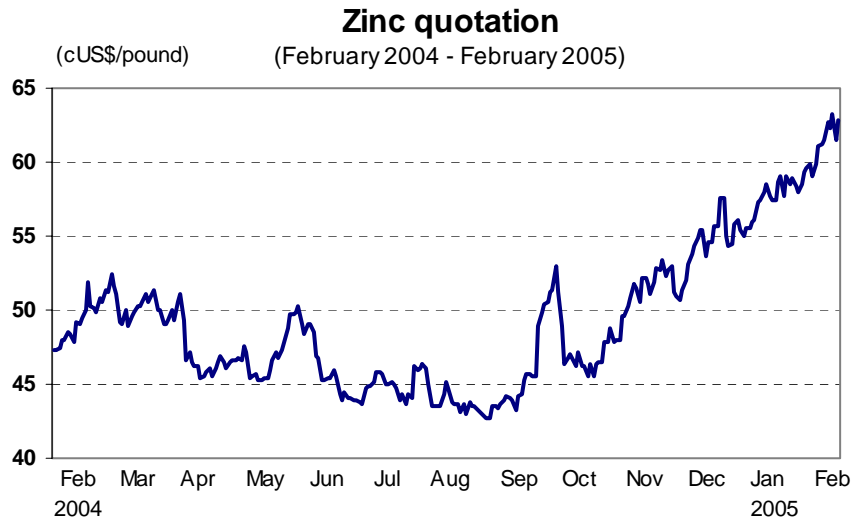
During the same period, the **copper** quotation increased 2,5% to US\$ 1,54 and recorded the highest level after 16 years (US\$ 1,53 per pound). During **February**, the quotation raised 3,96% due

to the weakening of the dollar and expectations of a broader demand by its principal consumers (specially China whose refined copper imports grew by 9,7% in January).



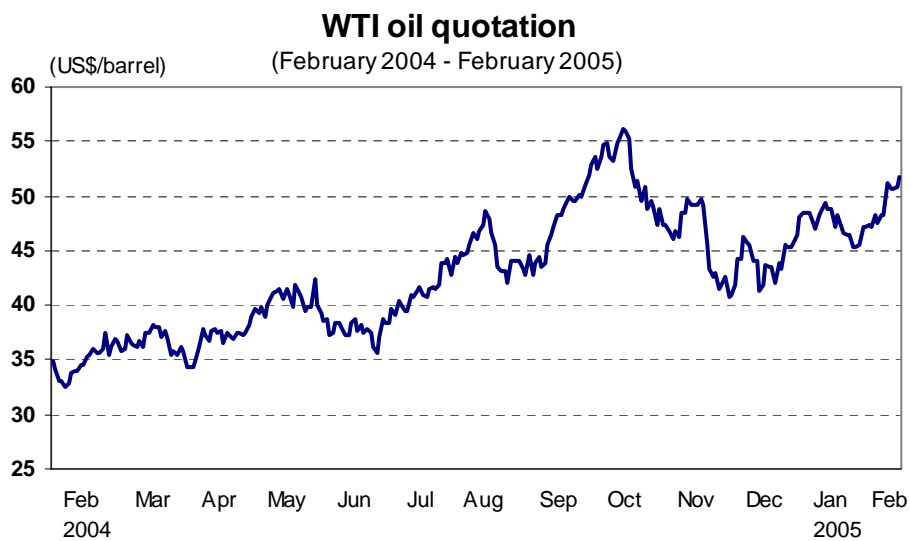
The **zinc** quotation rose 0,8% to US\$ 0,63. During the week, the inventories of the LME from 607 to 601

thousand MT. During **February**, the zinc quotation increased by 6,3%.



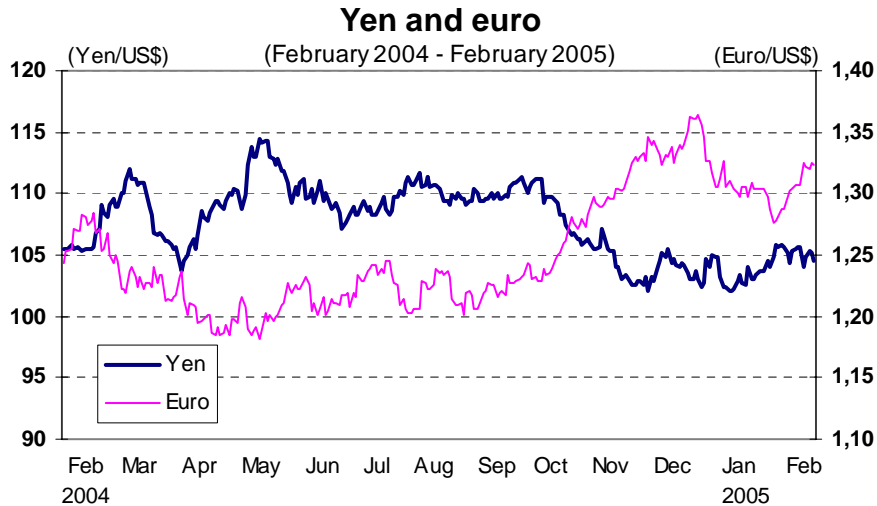
Between **February 23 and 28**, the **WTI oil** price increased 2,1% to US\$ 51,8 per barrel. During the past month, the price of oil increased 10,5% due to speculation on a probable cut down in the OPEP's second trimester production and the

increase of this years consumption projection (by the same organization). It is also expected that temperatures be below normal levels in the US and Europe, boosting demand for this fuel.



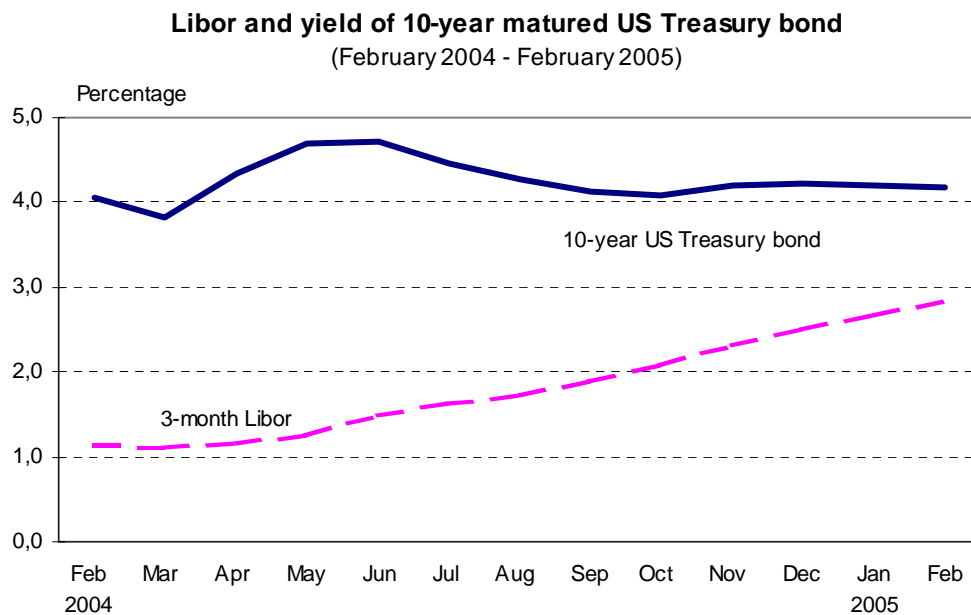
In the period of analysis, the **dollar** depreciated 0,2% against the **euro** and 0,3% against the **yen**. The dollar depreciated due to rumours that the principal US reserves holders in Asia where planning to diversify some of their

portfolio with other currencies, and thanks to Japan's good indicators. During **February**, the dollar depreciated 1,6% against the Euro and appreciated 0,9 against the Yen.



Between **February 23 and 28**, the **3-month Libor** rose from 2,87% to 2,92%, whereas the yield of the US Treasuries with a 10-year maturity increased from 4,26% to 4,38% due to expectations in

increases in yields after the Governor of the Federal Reserve of the US stated that a moderate increase in interest rates has been programmed and some inflationary fears.



Lima Stock Exchange (LSE)

As of **February**, the General Index and LSE increased 5,1% and 5,3% respectively. During the week a fusion between Southern Peru and Mexico Mining Company and the growth of the

construction sector (Cementos Pacasmayo C and Cementos Arequipa) boosted the stocked indexes. As of the end-of-year to date, both indexes grew by 9,9% and 9,3%.

LSE indicators
(February 2004 - February 2005)

