

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

Nº 10 – March 11, 2005

In this *Nota Semanal* the statistical content of the **Payments System** section is modified, expanding the information provided in the previous issue to a national level. Likewise, five tables with information of the Real Time Gross Settlements (RTGS) and the use of payment mechanisms different from cash are incorporated.

Net international reserves at US\$ 13 417 million

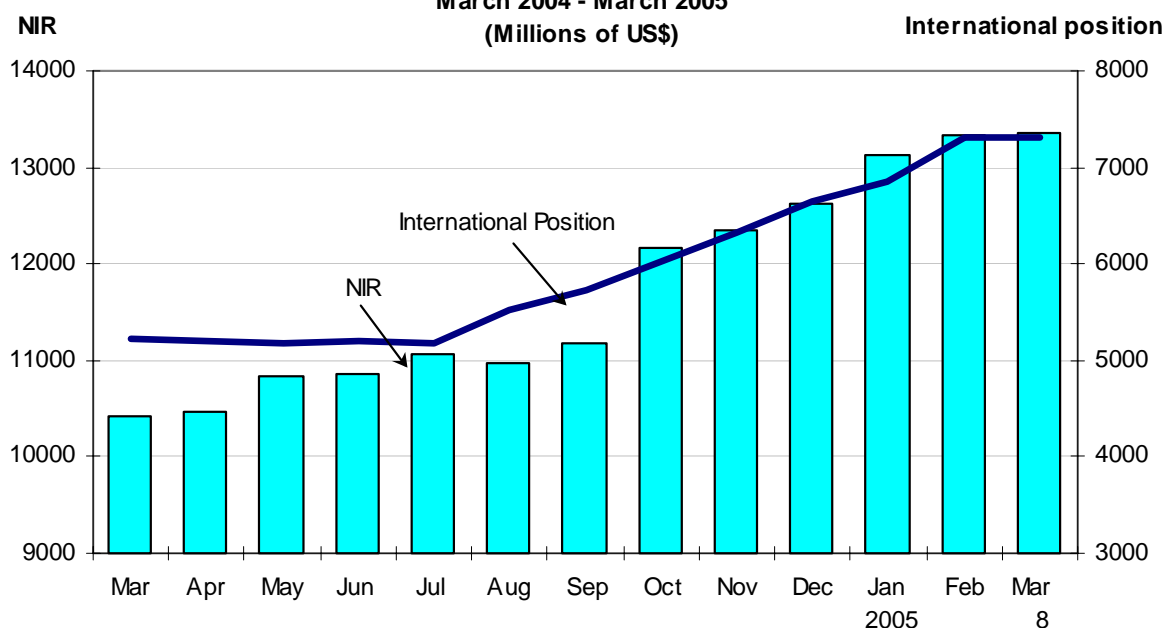
As of **March 8**, net international reserves (NIR) amounted to US\$ 13 417 million, up US\$ 90 million from end-February. This increase was mainly due to financial system deposits (US\$ 128 million), net foreign exchange purchases (US\$ 89 million) and investment yield (US\$ 16

million); which were partially offset by lower public sector deposits (US\$ 143 million).

Year-to-date, NIRs have increased US\$ 786 million, whereas the **Central Bank's international position** (US\$ 7 408 million), grew by US\$ 769 million.

Net international reserve and international position of the Central Reserve Bank

March 2004 - March 2005
(Millions of US\$)

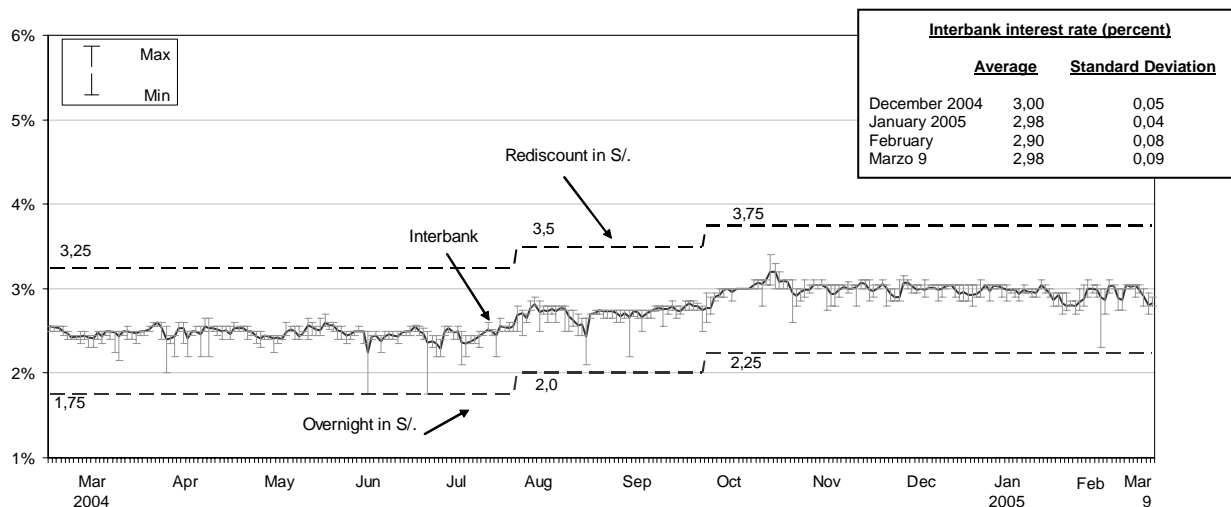


Interbank interest rate at 2,98%

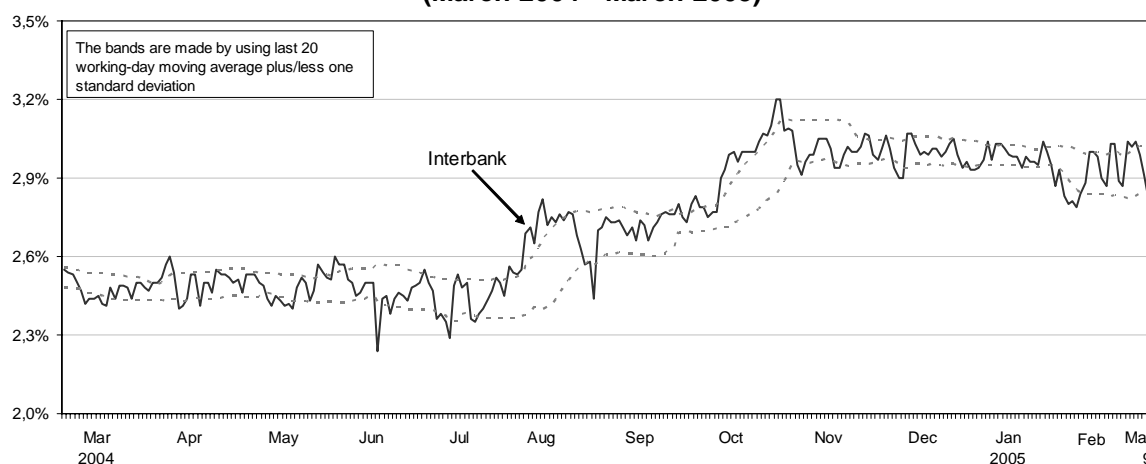
As of **March 9**, the average interbank interest rate in domestic currency was

2,98%, higher than February's (2,90%).

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



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



Monetary operations

As of **March 9**, the daily average balance of banks' liquidity at the Central Bank was S/. 613 million. Between **March 3 and 9**, the Central Bank made the following operations:

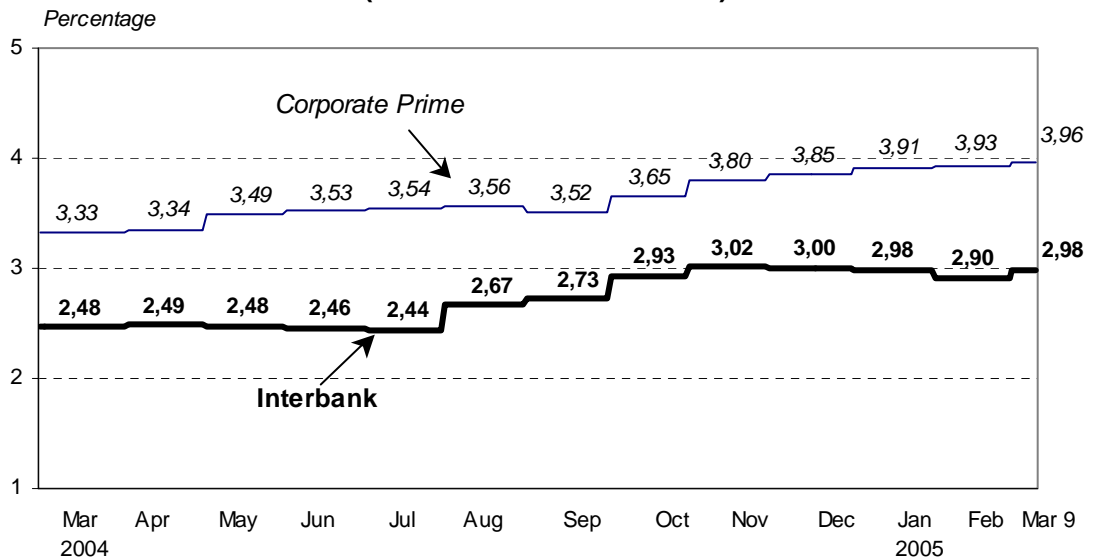
- Auctions of CDBCRP with a: i) 7-day maturity by S/. 109,9, S/. 40, S/. 90,1, S/. 80, S/. 100 y S/. 20 million at an average interest rate of 3,06, 3,07, 3,05, 3,06, 3,07 and 3,02, respectively; ii) 3-month by S/. 40 and S/. 40 million at 3,65% and 3,72%, respectively; iii) 6-month by S/. 40 million at 4,10%; iv) 9-month by S/. 70 million at 4,32%; v) 1-year by S/. 80 and S/. 30 million at 4,55 and 4,56%, respectively, and vi) 2-year by S/. 20 million at 5,37%.
- Foreign currency purchase over-the-counter mechanism by US\$ 89 million at an average exchange rate of S/. 3,259.
- Overnight deposits on March 8 and 9 by S/. 10 and S/. 25,1 million, respectively.

Corporate prime interest rate at 3,96%

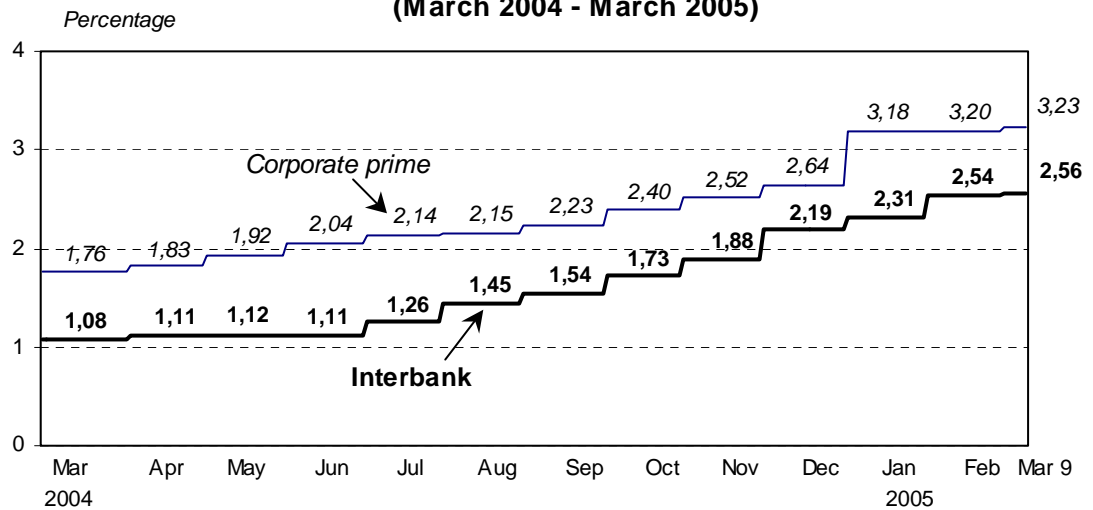
As of **March 9**, the 90-day average corporate prime interest rate in domestic currency raised from 3,93% in February to

3,96% and the rate in dollars from 3,20% to 3,23%.

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



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



Exchange rate: S/. 3,259

Between **March 2 and 9**, the banking system exchange rate slightly decreased from S/. 3,261 to S/. 3,259. As of March 9, the balance of net forward sales dropped

US\$ 52 million respect to February and the bank's exchange position increased US\$ 7 million.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2003	December 2004	January 2005	February	March 9
a. Net sales to the public (i-ii)	607	655	571	461	409
i. Forward sales to the public	834	1 168	1 231	927	902
ii. Forward purchases to the public	227	513	660	465	493
b. Banks' exchange position	536	383	427	331	338

Monetary base as of March 7, 2005

The monetary base balance as of March 7 was S/. 9 492 million up 6,9% (S/. 611 million) from end-February. In average terms, the year on year rate of growth of the monetary base in this period was 28,4% (25,6% in February).

The main explanations for this result were the lower public sector deposits (S/. 266

million), the cancellation of financial system's overnight deposits (S/. 210 million) and the purchases of foreign currency over-the-counter mechanism (US\$ 62 million or S/. 201 million). These operations we compensated by the CDBCRP's net placements (S/. 80 million)

Banking system monetary accounts: February 22 2005

Through last 4 weeks, liquidity in domestic currency increased 2,8% (S/. 728 million), to a balance of S/. 26 305 million. Credit to the private sector in the same currency augmented 0,4% (S/. 51 million) to S/. 11 367 million. However, in annual terms this aggregates grew by 30,0% and 13,2%, respectively.

Liquidity in foreign currency rose 0,4% (US\$ 37 million) to US\$ 9 590 million (an annual growth rate of 1,2%). Credit to the private sector in the same currency increased 0,5% (US\$ 51 million), to US\$ 9 895 million (an annual growth rate of 3,6%).

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.15	-4,8%	22,2%	2,1%	27,5%	0,5%	12,4%	0,5%	1,7%	-2,2%	17,2%	-0,8%	2,3%
Feb.22	-0,8%	25,4%	2,8%	30,0%	0,4%	13,2%	0,4%	1,2%	-4,6%	15,3%	0,5%	3,6%
Memo:												
Balance as of Jan.22	8 765		25 577		11 394		9 552		892		9 845	
(Mill.S/. or Mill.US\$)												
Balance as of Feb.22	8 699		26 305		11 445		9 590		851		9 895	
(Mill.S/. or Mill.US\$)												
1/ Short term external liabilities of banking enterprises.												

January 2005 trade surplus: US\$ 333 million

In **January 2005** the trade balance registered a surplus by twentieth first consecutive month. This reached to US\$ 333 million, higher in US\$ 174 million than in January of 2004.

Exports in January reached US\$ 1 239 million, higher in US\$ 384 million (45 percent) to those of January 2004. The foreign sales of traditional products enlarged in 51 percent, mainly by the higher exports of copper (162 percent) associates to greater volumes (94 percent) and prices (41 percent), compensated partly by the smaller exports of gold due to the lower volumes sold (30 percent). In turn, non-traditional exports increased 32 percent by the higher sales of chemical products (84 percent), agriculture and livestock (20 percent) and textiles (16 percent), explaining 59 percent of the improvement. Inside the chemical products

the areas that grew more were the exports of essential oils and toiletries (US\$ 17 million), mainly. In turn, the dynamism of the agricultural exports obeyed to the greater shipments of fruits and essences, while in the textile area it is noteworthy the sales of articles of clothing as shirts, sweaters and undershirts.

Imports reached US\$ 907 million in January, up 30 percent with respect to January 2004, explained by the increase of the raw materials acquisitions (36 percent), it is remarkable the supplies for industry as semi-processed mining and chemical products; capital goods (27 percent), standing out the purchases of machinery for the industry; and of consumption goods (21 percent) mainly non-durable as the food.

Trade Balance
(US millions)

	Monthly data			Annual data					
	January		Var. %	Feb.2003	Jan.2004	Feb.2004		C/A	C/B
	2004	2005		Jan.2004	Dec.2004	Jan.2005	C		
	A	B	C						
Exports	<u>856</u>	<u>1 239</u>	<u>44,8</u>	<u>9 149</u>	<u>12 547</u>	<u>12 931</u>	<u>41,3</u>	<u>3,1</u>	
Traditional	595	899	50,9	6 371	8 886	9 189	44,2	3,4	
Non-traditional	251	331	31,6	2 663	3 541	3 621	36,0	2,2	
Other	9	10	7,7	115	120	120	4,2	0,6	
Imports	<u>697</u>	<u>907</u>	<u>30,1</u>	<u>8 237</u>	<u>9 818</u>	<u>10 028</u>	<u>21,7</u>	<u>2,1</u>	
Consumer goods	132	159	20,5	1 839	1 980	2 007	9,2	1,4	
Raw materials and intermediate goods	370	502	35,8	4 354	5 358	5 490	26,1	2,5	
Capital goods	188	239	26,7	1 968	2 366	2 417	22,8	2,1	
Other goods	7	7	3,3	77	113	114	48,3	0,2	
Trade balance	<u>159</u>	<u>333</u>	<u>109,1</u>	<u>912</u>	<u>2 729</u>	<u>2 903</u>	<u>218,4</u>	<u>6,4</u>	

As of January, the **terms of trade** increased 1,5 percent respect al same month of 2004. The prices of exports

increased in 7,2 percent, while the prices of the imports did it in 5,7 percent.

Spread of the Global bond 2012: 1,85%

Between **March 2 and 9**, the spread of the Peruvian Global Bond 2012 decreased from 1,96% to 1,85% and the spread of the sovereign bonds from 2,09% to 1,98%, the lowest level in historical records. As of March 9, in

average monthly terms, the bond spread descended from 2,22% in February to 1,82%, while the EMBI+ followed a similar trend as it fell from 2,35% to 2,01%.

Country risk indicators
(March 2004 - March 2005)



International markets

Between March 2 and 9, **gold** price increased 1,9% to US\$ 440 per ounce due to the fact that the US dollar's volatility has increased when compared against the Euro. Expectations on high

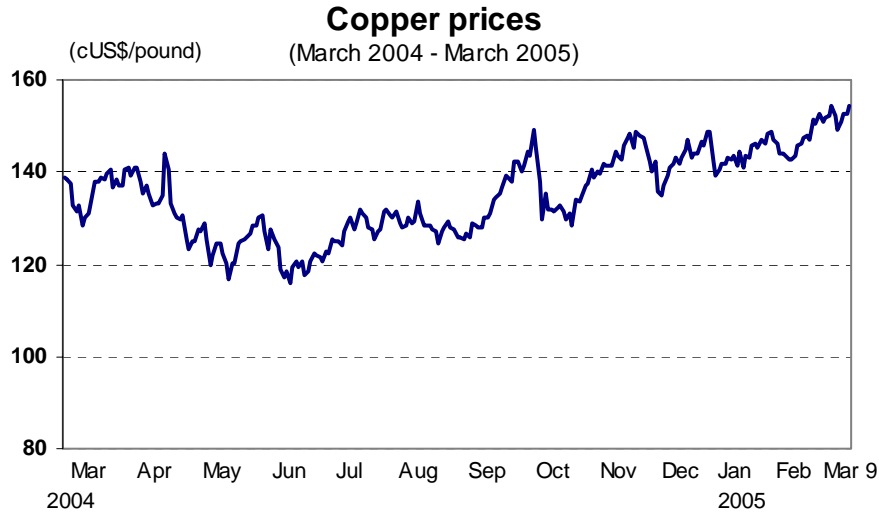
energy costs have also lead to an increase for this metal as a safeguard. These events have led to the price reach, as of March 8, its highest level for 16 years.

Gold prices



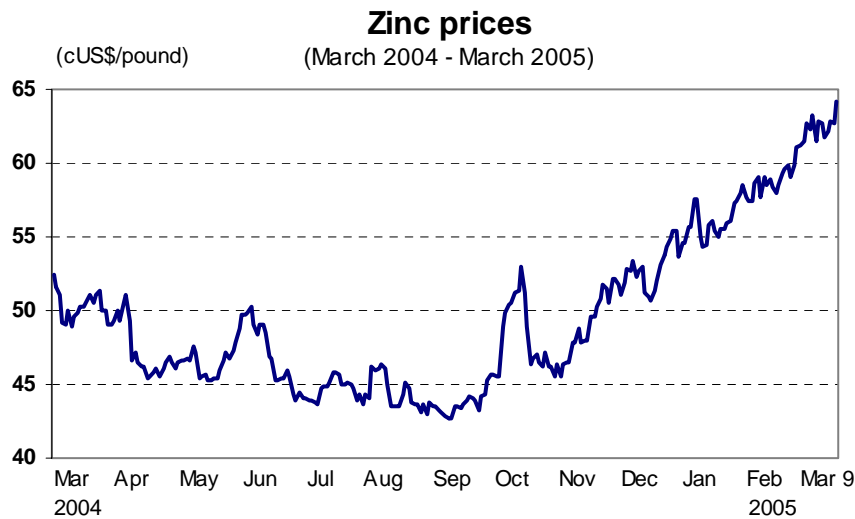
During the same period, **copper** prices increased 2,8% to US\$ 1,53 per pound and recorded its highest level. This is a consequence of expectations on a greater

demand by all over the world and especially in view of the low level of inventories in Shanghai.



The **zinc** quotation rose 3,2% to US\$ 0,64 per pound thanks to purchases done by

institutional investors and greater demand in China.



Between March 2 and 9, the **WTI oil** price increased 3,2% to US\$ 54,8 per barrel owing to the fact that refineries are operating at a lesser capacity, as stated by the US government, and that others have reduced

their operations by technical causes. However, an announcement by OPEP of further production increases (up to 2 million additional barrels) compensated upward pressures.

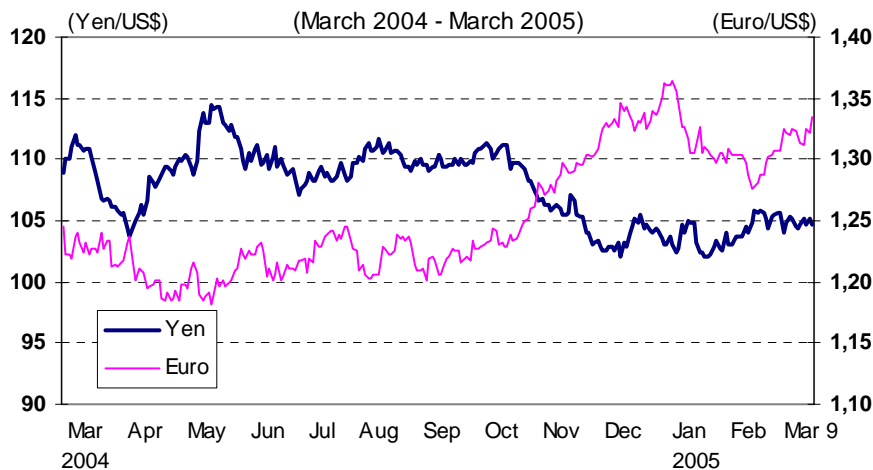
WTI oil prices



During the period of analysis, the **dollar** depreciated 2,0% against the **euro** and 0,7% against the **yen**. The dollar depreciated (reverting last week's trend) due to rumours that, since inflationary and wage increase pressures have eased, the rate of increase of the interest rates by the

FED will be slower. With respect to the Yen, the dollar experienced some volatility under a context of positive remarks on the Japanese economy (the consumer confidence index in that country has increased for a third month in a row).

Yen and euro

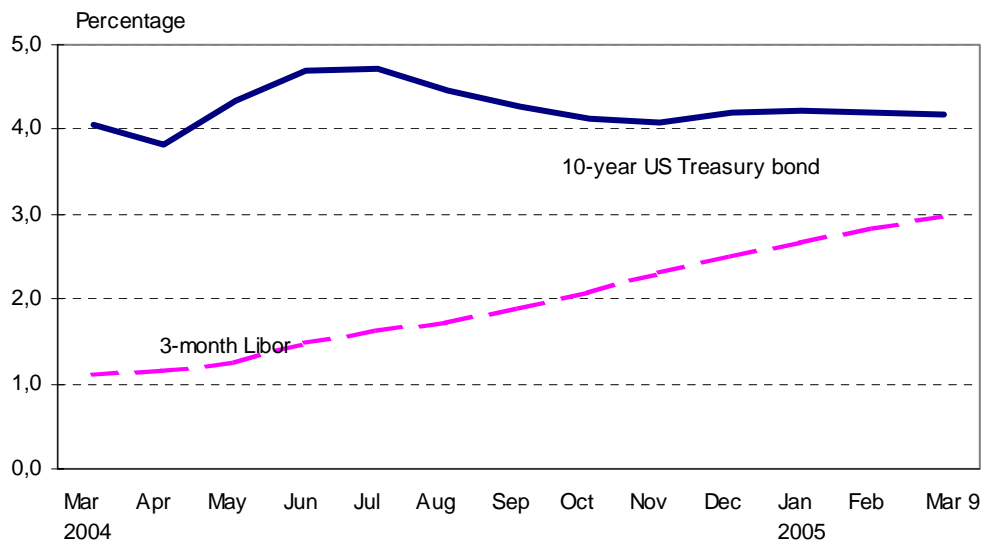


Between March 2 and 9, the 3-month **Libor** rose from 2,94% to 2,98%, whereas the yield of the **US Treasuries** with a 10-year maturity increased from 4,38% to

4,52% after profit taking and greater inflation expectations generated by price increases in raw materials.

Libor and yield of 10-year matured US Treasury bond

(March 2004 - March 2005)



Lima Stock Exchange (LSE)

As of March 9, the **General Index** and LSE increased 2,5% and 1,9% respectively. In

the year to date, both indexes grew by 12,6% and 11,4%.

LSE indicators (March 2004 - March 2005)

