

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

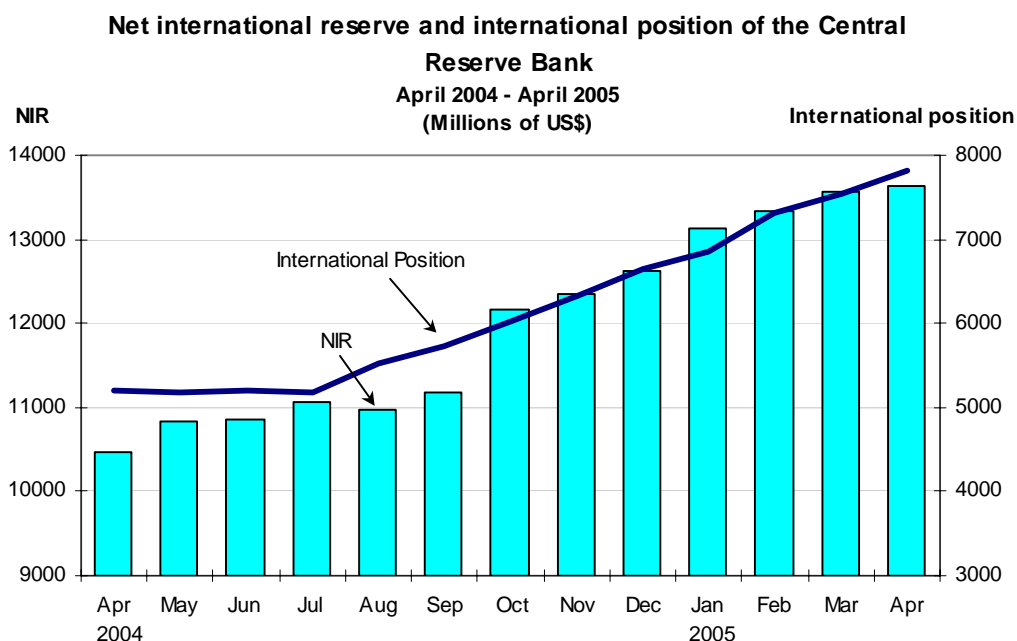
Nº 18 – May 6, 2005

Net international reserves at US\$ 13 629 millions

In **April**, net international reserves (NIR) amounted to US\$ 13 629 millions, up US\$ 74 millions from end-March. This increase was mainly due to net foreign exchange purchases by US\$ 254 millions (purchases over-the-counter mechanism by US\$ 353 millions and sales to the public sector by US\$ 100 millions), higher Insurance Deposit Fund's deposits US\$ 1 million, investment yield in US\$ 6 millions and operations with ALADI by US\$ 5

millions. This evolution was partially offset by lower financial system and public sector deposits in US\$ 181 y US\$ 5 millions, respectively, and by changes in the value of currencies and gold (US\$ 8 millions).

Year-to-date, NIRs have increased US\$ 998 millions. whereas the **Central Bank's international position** (US\$ 7 807 millions) grew by US\$ 1 168 millions.

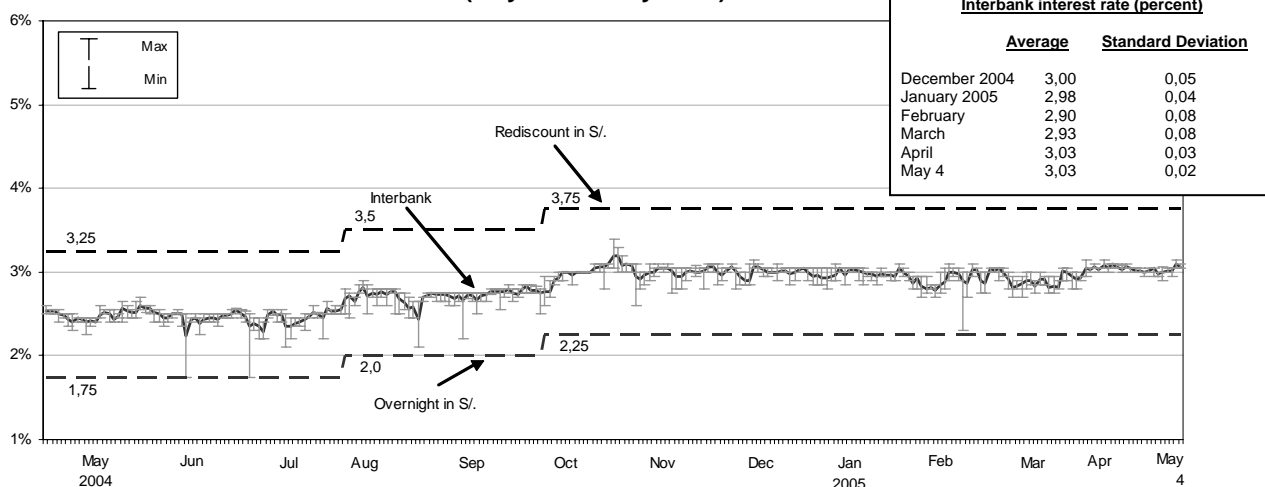


Interbank interest rate at 3,03 percent

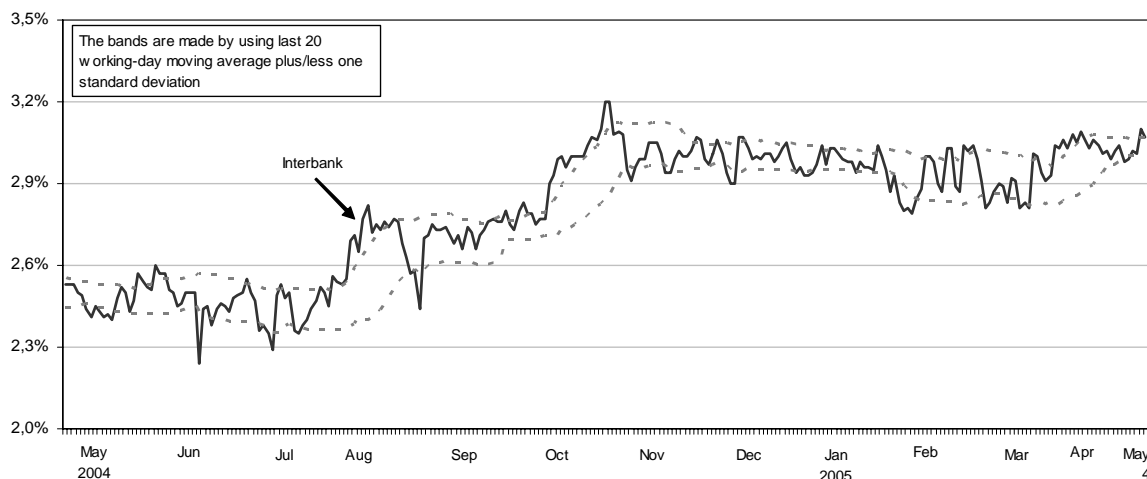
In **April**, the average interest rate in domestic currency was 3,03 percent. As

of **May 4**, this average stayed in 3,03 percent.

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



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



Monetary operations

Between **April 28 and May 4**, the Central Bank made the following operations:

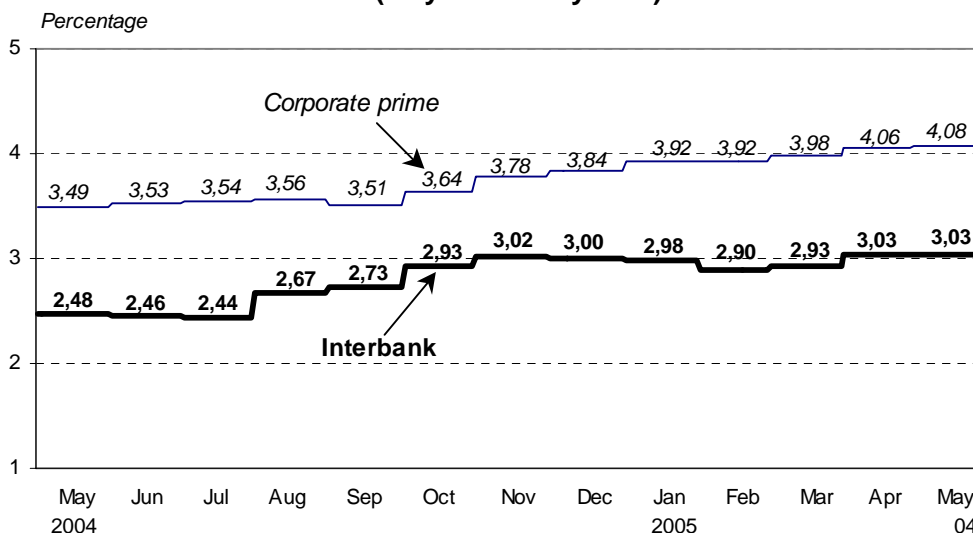
- Auctions of temporary purchase of CDBCRP and BTP with a: i) 1-day maturity by S/. 545, S/. 100 and S/. 640 millions at an average interest rate of 3,13, 3,14, and 3,12 percent, respectively; ii) 4-day by S/. 105 millions at 3,01 percent and iii) 7-day by S/. 50 millions at 3,15 percent.
- Foreign currency purchase over-the-counter mechanism by US\$ 51 millions at an average exchange rate of S/. 3,257.
- Overnight deposits on April 28 and 29 by S/. 47,8 and S/. 57,7 millions, respectively.

Corporate prime interest rate at 4,08 percent

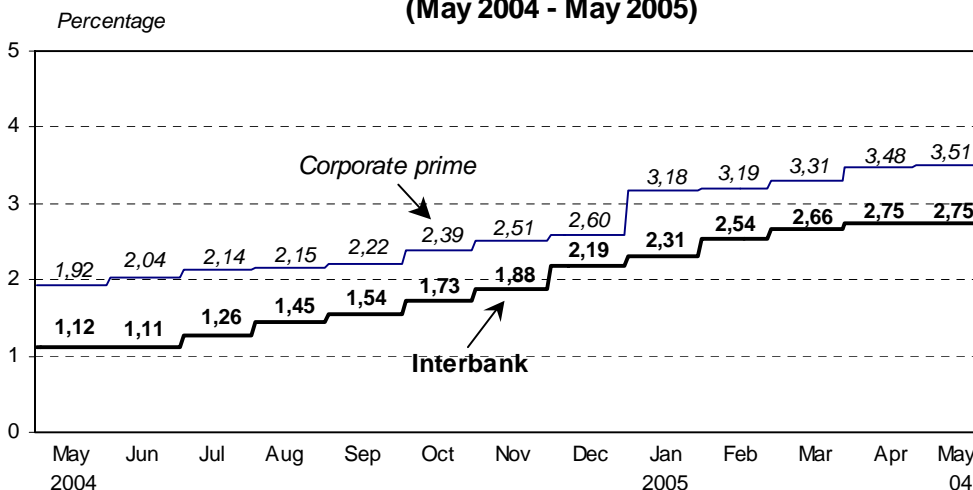
In **April**, the 90-day average corporate prime interest rate in domestic currency raised from 3,98 in March to 4,06 percent and the rate in dollars from 3,31 to 3,48

percent. As of **May 4**, the corporate rate in domestic and foreign currency were 4,08 and 3,51 percent, respectively.

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



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



Exchange rate: S/. 3,258

As of **May 4**, the asked banking system exchange rate was S/. 3,258. In **April**, the average exchange rate was S/. 3,26 per dollar, what implied no nominal monthly

variation. The year-to-date appreciation was maintained at 0,7 percent and the year-to-year appreciation was 6,1 percent.

During this month, the Central Reserve Bank intervened by purchases over-the-counter mechanism by US\$ 353 millions, which were partially offset by sales of foreign currency to the Public Treasury by US\$ 100 millions.

In April, the bank's balance of net forward sales increased in US\$ 45 millions and the bank's exchange position augmented US\$ 5 millions.

BANKS' EXCHANGE POSITION
(Millions of US\$)

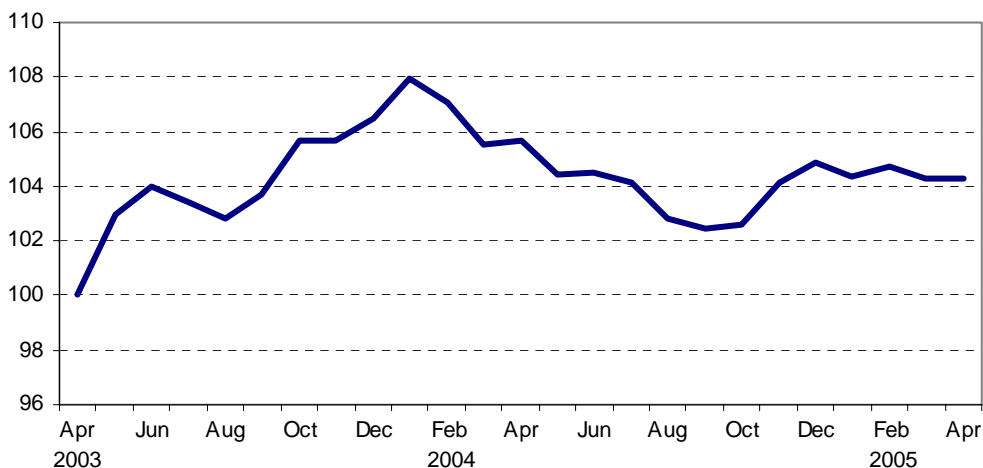
	December 2003	December 2004	March 2005	April
a. Net sales to the public (i-ii)	607	699	518	564
i. Forward sales to the public	834	1 163	1 003	1 019
ii. Forward purchases to the public	227	464	484	455
b. Banks' exchange position	536	340	382	387

The real exchange rate maintains stable

In April, the **real exchange rate** maintained stable. This responded to the fact that no difference was registered among external and domestic prices (0,1 percent each) and by the nil variation in the nominal exchange rate. In annual terms, the real exchange rate appreciated 1,4 percent, explained by the appreciation of the nominal exchange rate (6,1 percent) partially offset by the difference among external prices (7,2 percent) and domestic prices (2,0 percent).

It is worth to note that in the monthly variation of the external prices, the US dollar appreciated (in average terms and for a second consecutive month) against the Euro, the Yen, the Canadian dollar, the Sterling Pound, and several other currencies from Asia. Regarding the currencies in the region, the dollar depreciated (except for Bolivia) against: the Brazilian real (4,9 percent), the Chilean peso (1,2 percent), the Argentine peso (0,5 percent), the Colombian peso (0,4 percent) and the Mexican peso (0,4 percent).

MULTILATERAL EXCHANGE RATE INDEX
(1994=100)



April inflation: 0,12 percent

The **inflation** of April was of 0,12 percent, accumulating a variation of 2,02 percent over last 12 months. Five areas have contributed with 0,31 percentage points to the inflation of the month: onions (0,10 points), fuels and carrots (0,06 points each), fresh legumes (0,05 points, each)

and potatoes (0,04 points). On the contrary, five areas have contributed with -0,23 percentage points: citrics (-0,07), poultry (-0,06), papaya (-0,05 points), domestic transportation (-0,04 points) and fish (-0,01 points).

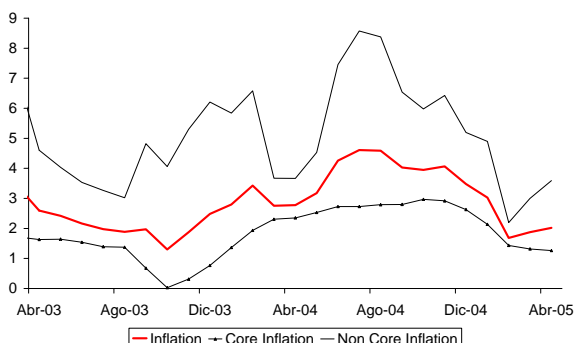
INFLATION RATE
(Annual percentage change)

	Weighting	Monthly	12-month indicator			Average annual indicator		
		Apr. 2005	Apr. 2004	Mar. 2005	Apr. 2005	Apr. 2004	Mar. 2005	Apr. 2005
I. CORE INFLATION	68,3	0,03	2,35	1,32	1,26	1,31	2,44	2,35
Goods	41,8	-0,06	2,66	1,31	1,21	1,11	2,89	2,76
Food	20,7	-0,12	5,38	2,57	2,07	1,62	6,06	5,77
Textile and footwear	7,6	0,10	1,29	1,61	1,40	0,87	1,37	1,38
Electrical appliances	1,0	-0,40	-1,06	-3,59	-3,76	-1,51	-2,44	-2,66
Other industrial goods	12,5	-0,01	-0,71	-0,67	-0,03	0,62	-1,04	-0,99
Services	26,6	0,15	1,88	1,33	1,35	1,62	1,75	1,70
Restaurants	12,0	0,18	1,85	1,46	1,29	1,42	1,81	1,76
Education	5,1	0,00	3,61	3,20	3,30	3,16	4,00	3,97
Health	1,3	-0,12	1,45	0,96	0,81	2,50	1,17	1,12
Renting	2,3	0,00	0,59	-1,96	-2,05	0,63	-0,73	-0,95
Other services	5,9	0,37	0,95	0,66	1,10	0,82	0,66	0,68
II. NON CORE INFLATION	31,7	0,31	3,67	3,00	3,59	4,50	5,54	5,53
Food	14,8	0,53	7,10	-0,53	1,04	1,80	6,34	5,81
Fuel	3,9	1,17	3,97	11,32	11,55	9,94	13,06	13,70
Transportation	8,4	-0,39	0,13	3,97	3,53	9,10	1,77	2,05
Utilities	4,6	0,00	-0,51	3,90	3,39	-0,56	2,46	2,79
III. INFLATION	100,0	0,12	2,78	1,88	2,02	2,32	3,45	3,39

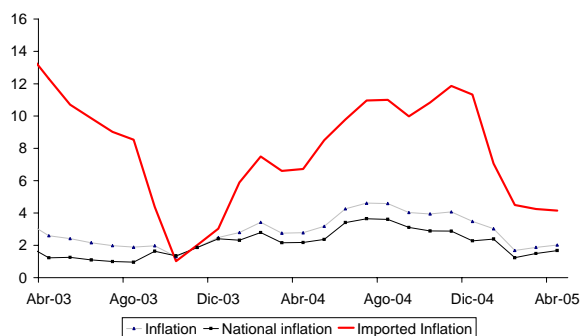
Core inflation was 0,03 percent in April and 1,26 percent over last 12 months. On the other hand, the **non-core component of inflation** was 0,31 percent this month and 3,59 percent in annual terms.

Core inflation excluding foodstuffs and beverages amounted to 0,09 percent this month (0,90 percent over last 12 months). Finally, **imported inflation** was 0,30 percent in April and 4,15 percent in annual terms.

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



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



Monetary base as of April 30, 2005

The **monetary base** balance as of April 30 was S/. 9 328 millions up 5,2 percent (S/. 462 millions) from end-March. In average terms, the year on year rate of growth of the monetary base in this period was 25,5 percent (27,6 percent in March).

The main explanations for this result were CDBCRP's net redemptions (S/. 1 301

millions), purchases of foreign currency over-the-counter mechanism (US\$ 353 millions or S/. 1 150 millions) and temporary purchases of securities (S/. 385 millions). These operations were partially compensated by higher public sector deposits (S/. 2 045 millions) and sales of foreign currency to the public sector (US\$ 100 millions or S/. 326 millions).

Banking system monetary accounts as of April 7, 2005

Through last 4 weeks, liquidity in **domestic currency** increased 1,2 percent (S/. 329 millions), to a balance of S/. 27 546 millions. Credit to the private sector in the same currency augmented 3,9 percent (S/. 450 millions) to S/. 11 865 millions. However, in annual terms this aggregates grew by 32,7 and 12,5 percent, respectively.

Liquidity in **foreign currency** dropped 1,9 percent (US\$ 188 millions) to US\$ 9 475 millions (an annual growth rate of 3,0 percent). Credit to the private sector in the same currency increased 0,5 percent (US\$ 45 millions) to US\$ 9 899 millions (an annual growth rate of 2,7 percent).

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												
Jan.	-6,7%	25,0%	0,4%	25,4%	-0,2%	11,9%	0,5%	2,1%	22,7%	26,4%	0,3%	2,7%
Feb.	2,0%	26,7%	3,9%	31,1%	0,3%	12,8%	-0,4%	4,5%	-11,1%	10,3%	-0,1%	3,5%
Mar.	-0,2%	25,7%	3,6%	33,8%	2,9%	12,1%	-2,3%	2,1%	10,9%	28,4%	0,4%	3,4%
Apr.7	-2,9%	20,7%	1,2%	32,7%	3,9%	12,5%	-1,9%	3,0%	4,3%	18,3%	0,5%	2,7%
Memo:												
Balance as of Mar.7 (Mill.S/. or Mill.US\$)	9 492		27 216		11 415		9 663		839		9 854	
Balance as of Apr.7 (Mill.S/. or Mill.US\$)	9 218		27 546		11 865		9 475		875		9 899	
1/ Short term external liabilities of banking enterprises.												

Macroeconomic Expectations

Between April 19 and 29, Central Bank of Peru conducted the monthly Macroeconomic Expectations survey

among 29 financial system institutions, 345 non-financial system firms and 23 analysts with the following results:

FINANCIAL SYSTEM INSTITUTIONS (Median^{1/} of the sample)

	Date of the survey		
	Feb. 28 2/	Mar. 31 2/	Apr. 29 2/
Inflation (%)			
Monthly: May	--	--	0,2
Annual: 2005	2,5	2,5	2,5
2006	2,6	2,5	2,5
GDP growth (%)			
Monthly: March	4,5	4,5	4,5
April	--	4,5	4,5
May	--	--	4,5
Annual: 2005	4,5	4,5	4,5
2006	4,5	4,3	4,2
Exchange rate (S/. per US\$)			
Monthly: May	--	--	3,26
December 2005	3,28	3,28	3,28
December 2006	3,33	3,33	3,34
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: May	--	--	3,0
December 2005	3,5	3,8	3,6
December 2006	4,3	4,5	4,5

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

2/ 29 financial institutions.

ANALYSTS (Median^{1/} of the sample)

NON-FINANCIAL SYSTEM FIRMS (Median^{1/} of the sample)

	Date of the survey		
	Feb. 28 2/	Mar. 31 2/	Apr. 29 2/
Inflation (%)			
Annual: 2005	3,0	2,8	2,8
2006	3,0	3,0	3,0
GDP growth (%)			
Annual: 2005	4,5	4,5	4,5
2006	4,5	4,5	4,5
Exchange rate (S/. per US\$)			
December 2005	3,35	3,32	3,30
December 2006	3,45	3,40	3,40

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

2/ 345 non-financial institutions.

	Date of the survey		
	Feb. 28 3/	Mar. 31 4/	Apr. 29 4/
Inflation (%)			
Monthly: May	--	--	0,1
Annual: 2005	2,5	2,5	2,5
2006	2,8	2,5	2,5
GDP growth (%)			
Monthly: March	4,7	4,9	5,0
April	--	4,6	4,9
May	--	--	5,0
Annual: 2005	4,5	4,6	5,0
2006	4,0	4,0	4,5
Exchange rate (S/. per US\$)			
Monthly: May	--	--	3,26
December 2005	3,30	3,29	3,28
December 2006	3,38	3,38	3,33
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: May	--	--	3,0
December 2005	3,4	3,7	3,5
December 2006	4,2	4,5	4,4

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

2/ 20 analysts.

3/ 19 analysts.

4/ 23 analysts.

Besides, the Central Bank made the quarterly survey among analysts with the

following results:

ANALYSTS
(Median^{1/} of the sample)

	Jan. 31 2/		Apr. 29 3/	
	2005	2006	2005	2006
Real % change				
Domestic demand	4,2	4,0	4,3	4,2
Private consumption	3,8	3,7	3,9	3,7
Private gross fixed Investment	6,5	5,0	8,1	6,3
Export of goods	5,6	5,0	8,0	6,1
Import of goods	7,5	6,1	10,7	7,5
% of GDP				
Current account deficit	0,4	0,2	0,1	0,2
Public sector deficit	1,2	1,2	1,0	1,0
Nominal % change				
Monetary base	9,0	8,5	14,0	10,0
Credit to the private sector	4,5	3,4	3,0	3,0

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

2/ 18 analysts.

3/ 23 analysts.

March trade surplus: US\$ 395 million

In **March 2005** the trade balance registered a surplus for 23th consecutive months. It reached to US\$ 395 millions, higher in US\$ 168 millions than in March of 2004.

Exports in March reached US\$ 1 328 millions, higher in US\$ 325 millions (32 percent) to those of March 2004. The foreign sales of traditional products grew by 38 percent, mainly by the higher exports of rest of minerals (where the highlight was molybdenum that increased in US\$ 67 million) and petroleum and other derivatives after higher volumes were sold (7 percent) and better export prices (73 percent). In turn, non-traditional exports increased 28 percent by the higher sales of metal-mechanical products (66 percent), chemicals (34 percent) and textiles (18 percent), explaining 67 percent of the improvement. Among textile products the

areas that grew more were the exports of ready-to-wears (US\$ 17 million) such as shirts, t-shirts and sweatshirts. In turn, the dynamism of chemical exports obeyed to the higher shipments of organic and inorganic products, oils and essences, and make-ups. While in the metal-mechanicals products, the highlights were accessories and batteries for phones.

Imports reached US\$ 933 millions in March, up 20 percent with respect to March 2004, explained by the increase of the raw materials and intermediate goods (19 percent), principally synthetic fibers, resin and other plastics in primary forms and cotton; higher purchases of capital goods (19 percent); standing out the purchases of machinery for the manufacture and higher consumer goods acquisitions (19 percent) mainly clothing and perfumes.

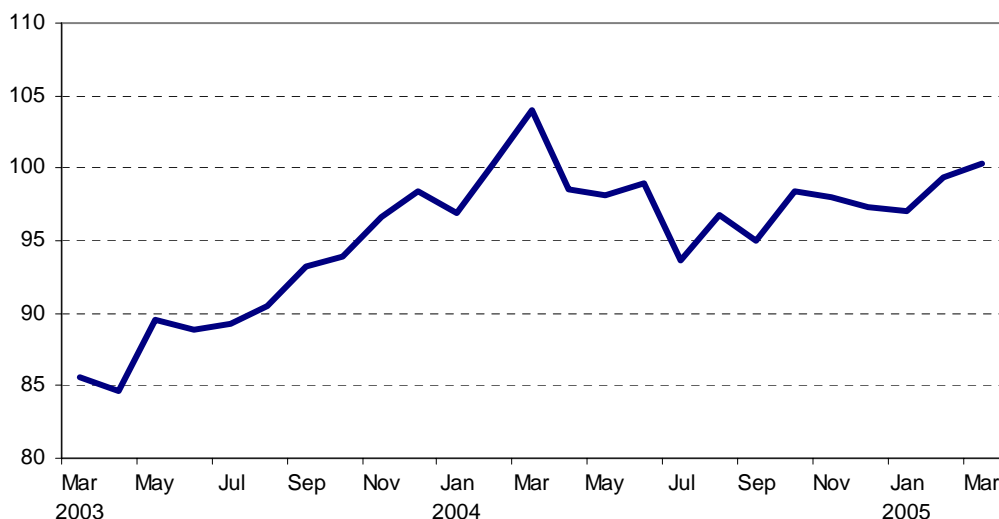
TRADE BALANCE
(Millions of US\$)

	Monthly data			Annual data				
	2004	March	% var.	Apr.2003	Mar.2004	Apr.2004	C/A	C/B
		2005		Mar.2004	Feb.2005	Mar.2005		
			A	B	C			
EXPORTS	<u>1 003</u>	<u>1 328</u>	<u>32,4</u>	<u>9 709</u>	<u>13 181</u>	<u>13 506</u>	<u>39,1</u>	<u>2,5</u>
Traditional products	719	991	37,9	6 797	9 372	9 644	41,9	2,9
Non-traditional products	275	326	18,3	2 796	3 688	3 738	33,7	1,4
Other products	9	12	26,1	116	121	124	6,3	2,0
IMPORTS	<u>776</u>	<u>933</u>	<u>20,3</u>	<u>8 344</u>	<u>10 188</u>	<u>10 345</u>	<u>24,0</u>	<u>1,5</u>
Consumer goods	155	184	19,0	1 843	2 036	2 065	12,1	1,4
Raw materials and intermediate goods	430	514	19,4	4 418	5 578	5 662	28,2	1,5
Capital goods	183	219	19,4	2 007	2 459	2 495	24,3	1,4
Other goods	7	15	120,2	76	115	123	62,0	7,3
TRADE BALANCE	<u>227</u>	<u>395</u>	<u>73,8</u>	<u>1 366</u>	<u>2 994</u>	<u>3 162</u>	<u>131,5</u>	<u>5,6</u>

In the first quarter, the **terms of trade** decreased 1,5 percent respect to the same quarter of 2004. The prices of exports

increased in 6,2 percent, while the prices of the imports did it in 7,8 percent.

TERMS OF TRADE
(1994=100)



Spread of the Global bond 2012: 2,14 percent

During **April**, in monthly terms, the Peruvian Global Bond 2012 spread augmented from 2,12 to 2,35 percent, while the Peruvian EMBI+ did the same from 2,26 to 2,46 percent.

On **May 4**, the Peruvian Global Bond 2012 spread was 2,14 percent and the Peruvian EMBI+ was 2,24 percent.

Country risk indicators
(May 2004 - May 2005)



International markets

In **April**, the average price of the **gold** was US\$ 430 per ounce decreasing 1,1 percent respect to March, influenced by a stronger

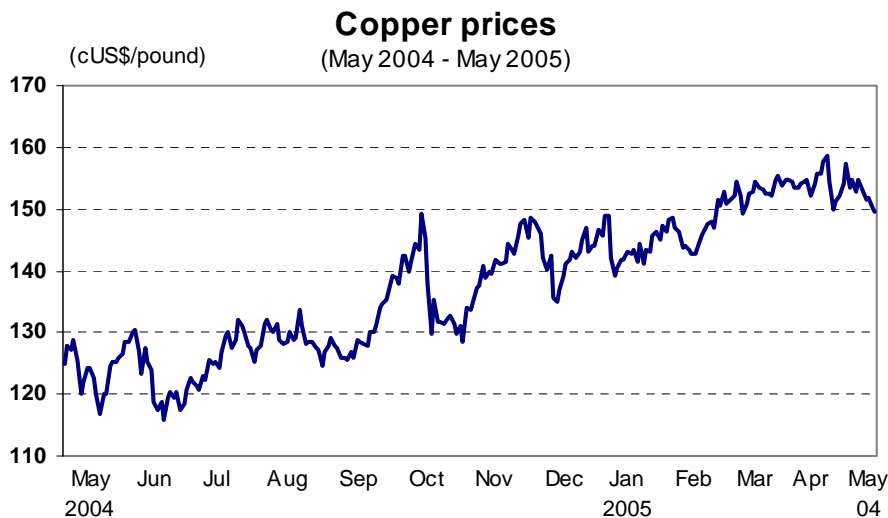
US dollar. On **May 4**, the gold prices was US\$ 429 per ounce.

Gold prices
(US\$/Troy ounce) (May 2004 - May 2005)



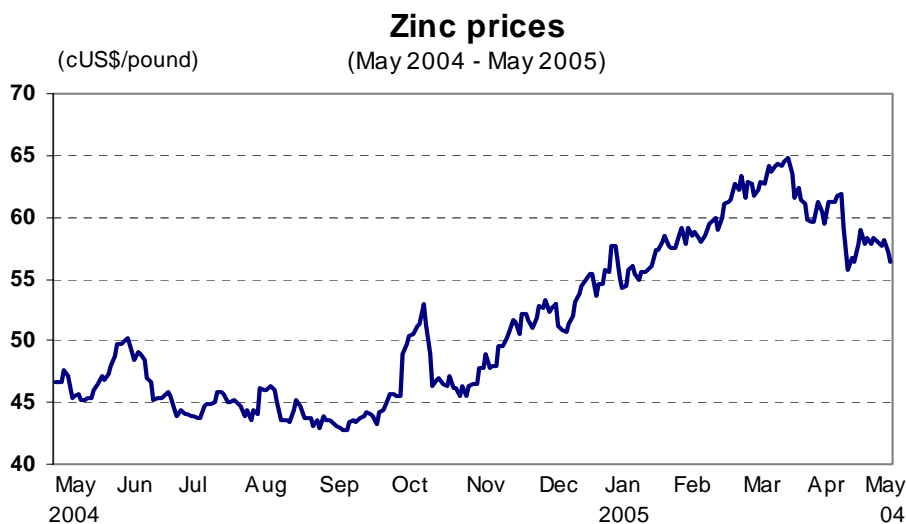
During the same period, the average **copper** price was US\$ 1,54 per pound increasing 0,5 percent due to a higher than expected GDP growth in China and

low global inventories. On **May 4**, the copper price was US\$ 1,49 per pound responding to worries about the US economy.



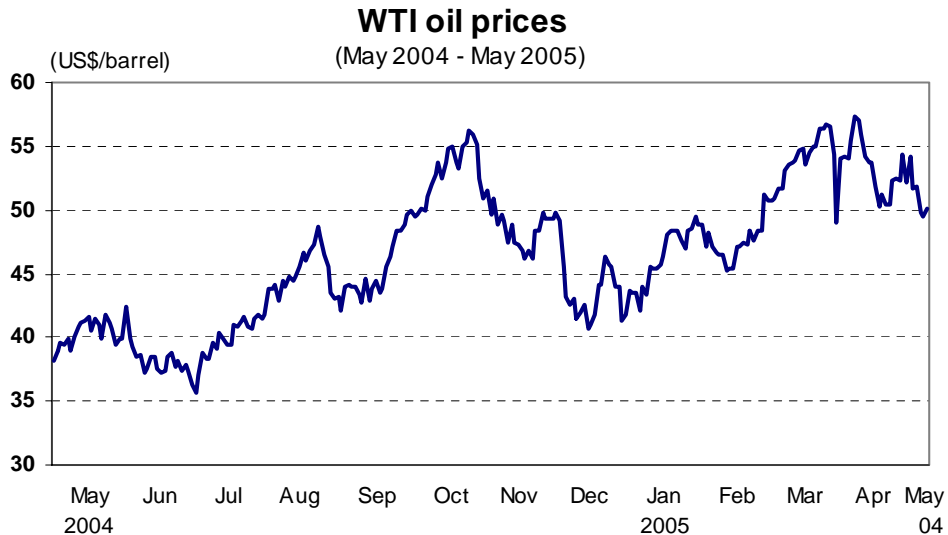
During **April**, the **zinc** average price decreased 5,7 percent to US\$ 0,58 per pound due to taking profits and selling of

institutional investors. On **May 4**, the zinc price decreased to 0,56 per pound.



During the past month, the price of **oil** decreased 2,7 percent to US\$ 52,8 per barrel responding to higher OPEC production and higher inventories in USA as

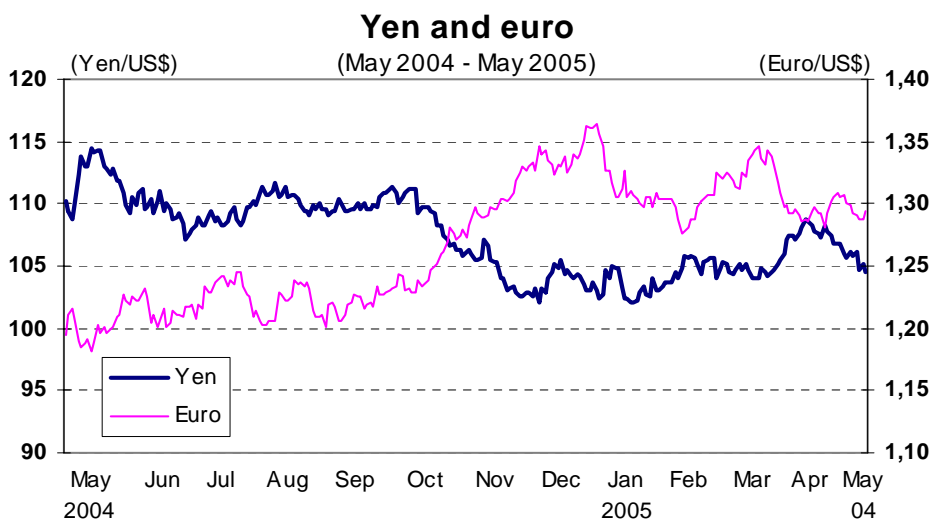
mentioned by the US Department of Energy. On **May 4**, the oil price was US\$ 50,4 per barrel.



In the period of analysis, the **US dollar** appreciated 2 percent vis-à-vis the **euro** and 1,8 percent the **yen**.

percent, and it is expected to do the same in its next meetings. The higher differences in interests rates benefit the US dollar.

In May, the US Federal Reserve increased 25 basis points its reference rate to 3

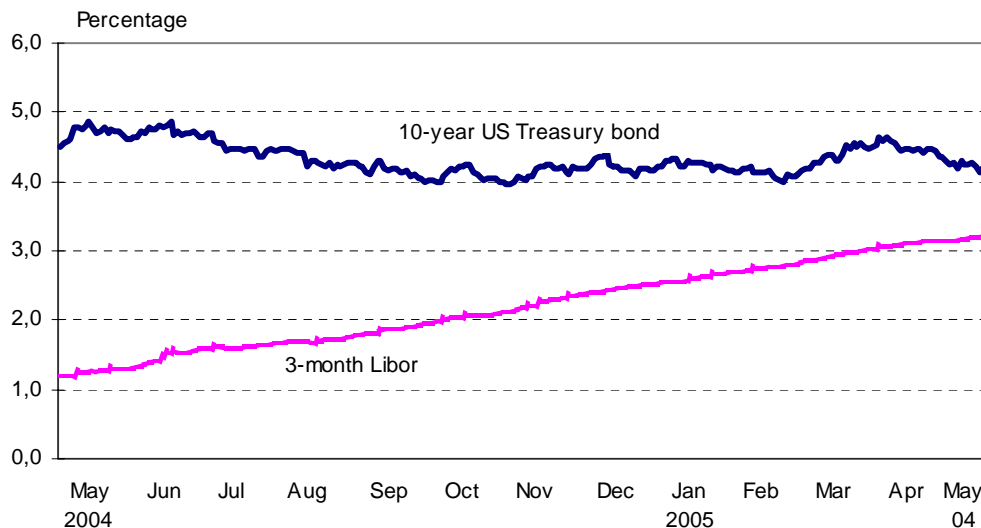


During **April**, the average yield of the US Treasury with a 10-year maturity decreased from 4,49 to 4,32 percent,

while the 3-month LIBOR rose from 3,02 to 3,15 percent.

Libor and yield of 10-year matured US Treasury bond

(May 2004 - May 2005)



Lima Stock Exchange

In **April**, the **General** and the **Selective** indexes decreased 4,2 and 4,4 percent, respectively, influenced by lower zinc prices. On **May 4**, the General and the

Selective indexes decreased 2,5 and 2,2 percent, respectively. Year-to-date, the indexes increased 4,7 and 4,2 percent, respectively.

LSE indicators
(May 2004 - May 2005)

