

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

Nº 20 – May, 20 2005

QUARTERLY MACROECONOMIC INDICATORS

GDP growth in 5,4 percent was prompted by private investment and exports

Gross domestic product continues showing positive results and grew 5,4 percent in the first quarter of 2005, prompted by the increment of 19,9 percent in exports and of 7,7 percent in private investment. This evolution is framed in a favorable terms of trade context and in an environment with stable macroeconomic conditions.

Private investment continued with the positive trend initiated in the third quarter of 2002. The wins in the terms of trade, the higher sales and profits and the improvement in the businessmen's expectations prompted the businesses to carry out projects of technological renewal and plant enlargements to respond to the higher demand. In this quarter, emphasized the disbursements carried out for the construction of the project Alto Chicama; likewise, Southern continued with its expansion and modernization program in Toquepala. Other mining and hydrocarbons businesses that continued investing were Antamina, Minera Yanacocha and Pluspetrol in the Camisea project.

Private sector businesses of the manufacturing, electric, commercial and

hotel sectors and services carried out so much investments in non-residential construction (plant enlargements and construction of new locals) as in the acquisition of new machinery. The latter was reflected in the 21,4 percent increase of capital goods imports (without building materials).

Private consumption increased 4,0 percent associated to the 6,8 percent increase of the national disposable income and to the 3,9 percent growth of the urban employment in businesses of 10 and more employees. This positive evolution was reflected in several indicators as the 23 percent growth in the financial businesses' credits of consumption, the increment of 25 percent in the sales of new vehicles and the higher production of some groups of the non-primary manufacture associated to the beer consumption (19,4 percent), dairy products (10,3 percent) and beauty and cleaning products (13,3 percent), among others. Other indicators as the evaluation of this year school campaign realize greater sales (13 percent) respect to the same period of the previous year.

GLOBAL DEMAND AND SUPPLY

(Annual growth rates) 1/

	2004					2005
	I	II	III	IV	Year	I
GLOBAL DEMAND (1+2)	4,5	4,3	5,6	7,9	5,6	6,9
1. Domestic demand	2,7	4,0	3,0	5,3	3,8	4,4
a. Private Consumption	3,1	3,0	3,6	4,0	3,4	4,0
b. Public Consumption	-0,2	3,3	6,5	4,8	3,8	10,6
c. Gross fixed investment	5,1	7,5	8,0	13,7	8,7	7,6
- Private	8,0	11,6	6,6	11,3	9,3	7,7
- Public	-12,7	-13,1	16,1	23,1	5,5	7,0
2. Exports 2/	14,7	5,8	17,7	21,3	15,0	19,9
GLOBAL SUPPLY (3+4)	4,5	4,3	5,6	7,9	5,6	6,9
3. Gross Domestic Product	4,8	3,2	4,7	6,6	4,8	5,4
4. Imports 2/	2,7	11,6	10,1	15,8	10,1	16,3

1/ Preliminary.

2/ Comprises non-financial goods and services.

Public consumption increased 10,6 percent due to the higher expenditures in wages and salaries of the central government, that grew 18,3 percent in nominal terms. In turn, **public investment** registered an increase of 7,0 percent prompted by projects developed by some state owned businesses as Sedapal, Petroperú and Electroperú.

Exports continued growing, registering so much increases in the traditional products as in the non-traditional. Among the first, stood out the volumes of zinc (28 percent), copper (8 percent), molibdeno (72 percent), fishmeal (59 percent) and coffee (56 percent) compensating the reduction of 8 percent in the gold exports. The non-traditional exports grew 25 percent emphasizing textiles, chemistry, agribusiness and fishing. On the other hand, **imports** increased 25 percent, supported by the increments of raw materials (31 percent) and capital goods (19 percent) for industry.

Productive sectors

Analyzing the growth by sectors, in the first quarter of the year the **non-primary sector** grew 6,2 percent; while the **primary** one did it in 1,1 percent. The non-primary sector was prompted by the growth of the non-primary manufacture (6,7 percent) explained so much by the higher domestic demand (3,9 percentage points) as external (2,8 percentage points), and of the construction sector (2,8 percent) that was favored by the development of housing programs. In the primary sector mixed results were observed. On the one hand, the farm sector increased 3,0 percent due to the higher production of rice, potato, coffee and agriculture exports; while by the other, the manufacture based on raw materials registered a decrease of 3,3 percent due to the smaller production of sugar and fish oil and fishmeal.

GROSS DOMESTIC PRODUCT

(Annual growth rates) 1/

	2004					2005
	I	II	III	IV	Year	I
Agriculture and Livestock	2,0	-5,4	-0,8	2,8	-1,1	3,0
Agriculture	1,2	-8,1	-3,2	2,3	-3,2	2,9
Livestock	2,5	1,0	2,0	2,7	2,0	3,0
Fishing	18,9	32,4	46,2	27,0	30,5	1,3
Mining and Fuel	12,9	2,8	1,4	5,0	5,4	0,8
Metallic mining	14,2	3,2	0,6	3,6	5,2	-1,6
Natural gas and oil	-5,4	-4,3	12,7	25,5	7,1	34,1
Manufacturing	5,2	6,0	6,3	9,1	6,7	4,9
Based on raw materials	1,8	7,8	2,7	5,5	4,6	-3,3
Non-primary	5,4	5,8	7,4	10,3	7,2	6,7
Electricity and water	4,9	4,4	4,1	4,9	4,6	3,5
Construction	7,0	4,0	3,5	4,4	4,7	2,8
Commerce	3,4	2,1	5,4	9,2	4,8	5,6
Other services	4,5	2,6	5,2	6,5	4,7	6,8
<u>GROSS AGGREGATED VALUE (GAV)</u>	5,0	2,4	4,6	6,8	4,6	5,2
Taxes on products and import duties	3,0	12,0	6,3	4,6	6,4	7,2
<u>GDP</u>	4,8	3,2	4,7	6,6	4,8	5,4
Primary sector GAV	6,3	0,0	1,4	4,8	2,8	1,1
Non-primary sector GAV	4,7	3,1	5,4	7,3	5,1	6,2

1/ Preliminary.

Current account surplus of 1,8 percent of GDP

In the first quarter of 2005 the **current account** surplus was US\$ 326 million (1,8 percent of GDP), higher in US\$ 368 million to the deficit observed in the same quarter of 2004. In this quarter, it continues the favorable trend of export prices (1,8 percent), which combined with the increment in the volumes exported (mainly in the fish, petroleum and derivatives and mining sectors), prompted, for eight quarters in a row, the achievement of a commercial surplus that reached US\$ 1 049 million, higher in US\$ 406 million respect to the one in the first quarter of 2004. On the other hand, import prices grew 7,8 percent, so the terms of trade fell in 2,1 percent.

The commercial surplus was the determinant factor to maintain, by third consecutive quarter, a positive result in the balance of payments current account. It was in part compensated by the increment in investment income deficit (US\$ 55 million), in which the increment of the private deficit (US\$ 93 million) was partly compensated by the decrease in the public sector deficit (US\$ 38 million). The negative services balance was increased in US\$ 5 million, while the current transfers enlarged in US\$ 22 million. The surplus was higher in US\$ 307 million respect the fourth quarter of 2004, mainly due to the higher commercial surplus (US\$ 174 million).

BALANCE OF PAYMENTS

(Millions of US\$)

	2 004					2005
	I	II	III	IV	Year	I
I. CURRENT ACCOUNT BALANCE	- 43	- 170	184	19	- 10	326
<i>(as percentage of GDP)</i>	<i>- 0,3</i>	<i>- 1,0</i>	<i>1,1</i>	<i>0,1</i>	<i>- 0,0</i>	<i>1,8</i>
1. Trade balance	643	430	845	875	2 793	1 049
a. Exports	2 767	2 853	3 389	3 607	12 617	3 707
b. Imports	- 2 124	- 2 423	- 2 545	- 2 732	- 9 824	- 2 658
2. Services	- 207	- 219	- 175	- 241	- 843	- 212
a. Exports	443	440	577	454	1 914	481
b. Imports	- 650	- 659	- 752	- 695	- 2 756	- 693
3. Investment income	- 805	- 726	- 854	- 1 036	- 3 421	- 860
a. Private	- 543	- 504	- 605	- 799	- 2 451	- 636
b. Public	- 262	- 222	- 249	- 237	- 970	- 224
4. Current transfers	326	345	368	421	1 461	349
II. FINANCIAL ACCOUNT	385	583	204	1 072	2 244	737
1. Private sector	322	73	284	347	1 027	478
2. Public sector	- 49	256	- 132	913	988	167
3. Short-term capital	112	254	52	- 188	230	93
III. EXCEPTIONAL FINANCING	2	1	1	22	26	3
IV. BCRP NET INTERNATIONAL RESERVES FLOW (1-2)	- 209	- 441	- 291	- 1 368	- 2 309	- 984
<i>(Increased with negative sign)</i>						
1. Change in Central Bank reserves	- 217	- 444	- 332	- 1 444	- 2 437	- 924
2. Valuation change and monetization of gold	- 8	- 3	- 41	- 77	- 128	60
V. NET ERRORS AND OMISSIONS	- 136	27	- 99	255	48	- 82
Note:						
Gross external financing to the private sector	662	538	563	468	2 232	601

In the first quarter of 2005 the **financial account** reached US\$ 737 million, mainly due to the private sector financial flow (US\$ 478 million). The latter is explained by the flows of the foreign direct investment and net long-term loans (US\$ 450 million). It stood out the higher long-term private loans disbursements associated to the mining sector, the smaller investment of the financial sector abroad (in a portfolio change context in favor of the domestic currency) and the increment of the banking system short-term liabilities associated to the higher foreign trade.

In the public capital flow (US\$ 167 million) stood out the higher disbursements, mainly by the placement of sovereign bonds abroad by US\$ 427 million at market value (US\$ 400 million at face value), that counteracted the higher amortization and higher assets abroad, mainly by deposits of the Oficina de Normalizacion Previsional ONP (US\$ 100 million). In turn, the short-term capital flows elevated to US\$ 93 million. Thus, in the first quarter the net international reserves of the BCRP increased in US\$ 924 million.

Fiscal surplus of 2,0 percent of GDP

During the first quarter of 2005, the Non-Financial Public Sector **overall balance** (SPNF) registered a surplus of 2,0 percent of GDP, upper in 1,1 percentage points of GDP with respect to the first quarter of 2004 and the most favorable figure since the first semester of 1997. This result was due to the improvement in the non-financial public sector primary balance in 0,6 of percentage point of GDP and the smaller maturity debt interests in 0,5 percent of GDP.

The increment of the **primary balance** was explained mainly to the central government evolution, due to the dynamism of tax incomes. Likewise, it was observed a better outcome in the non-financial state owned businesses and local governments.

The central government **current revenues** reached 15,8 percent of the

PBI, which implied a growth of 11 percent in real terms compared with similar period of the previous year. This performance is explained mainly by the major dynamism of income tax (18 percent in real terms).

The improvement of the income tax was explained by the higher activity, the improvement of the mineral prices and the increment of corporate taxes from 27 to 30 percent. These two last factors had an especially important effect in the regularization payments, because the payments in advance in 2004 did not reflect the increment of the rate, neither the total impact of the higher international prices. The value-added tax registered a growth of 9 percent in real terms, due to the higher imports, as well as to the new administrative measures -as the inclusion of new goods and services to the Detractions System in August of 2004 and the application of the Perceptions System since January 2005 to some local sales-

NON-FINANCIAL PUBLIC SECTOR OPERATIONS
(Percentage of GDP)

	2004					2005
	I	II	III	IV	Year	I
1. Central government current revenues	15,1	15,0	15,3	15,2	15,2	15,8
<i>Real percentage change</i>	7%	12%	8%	7%	8%	11%
2. Central government non-financial expenditures	12,5	12,9	15,8	17,2	14,6	12,9
<i>Real percentage change</i>	-3%	0%	11%	9%	5%	10%
Current expenditure	11,6	11,6	13,7	14,3	12,8	12,1
<i>Real percentage change</i>	1%	3%	8%	9%	5%	11%
Capital expenditure	0,9	1,3	2,2	3,0	1,8	0,8
<i>Real percentage change</i>	-35%	-19%	36%	11%	2%	1%
3. Others	0,9	0,8	0,5	-0,1	0,5	1,2
4. Primary balance	3,5	3,0	0,0	-2,1	1,0	4,1
5. Interest payments	2,6	1,8	2,1	1,9	2,1	2,1
6. Overall balance	0,9	1,1	-2,1	-4,0	-1,1	2,0
7. Net financing	-0,9	-1,1	2,1	4,0	1,1	-2,0
- External	-0,4	1,5	-0,5	5,3	1,5	0,7
- Domestic	-1,0	-2,7	2,6	-1,4	-0,7	-2,8
- Privatization	0,4	0,0	0,0	0,2	0,2	0,0

The **non-financial expenditures** of the central government reached to 12,9 percent of GDP, upper in 0,4 percent of GDP with respect to similar period of the previous year (10 percent in real terms). This higher expenditure was registered basically in the current expenditures, due so much to the salary increments during 2004 as much as to the payments in advance of the scholar bonus in February (the previous year this was carried out in April). It implied a growth of wages and salaries expenditures of 0,4 percent of the PBI.

Transfers to local governments reached S/. 867 million, higher in S/. 177 million to the one in the first quarter of the previous year, due mainly to the collection of local government promotion taxes (S/. 51 million) and the petroleum canon (S/. 39 million).

The state owned businesses registered an overall surplus of S/. 243 million, reflecting an improvement of S/. 137 million respect to the similar period of the previous year. It impacted in this result the surplus of Petroperu and Electroperu, partly counteracted by the deficit of Sedapal.

The SPNF **interest** reached 2,1 percent of GDP, lower in 0,5 percentage points to the figure of the previous year, owed to the smaller interests maturity of external debt (0,3 percent of GDP) and of domestic debt (0,2 percent of GDP). The first factor was explained by the Nuevo Sol appreciation, and the second by the effect of the smaller inflation on the bonds accrued interests.

During this quarter the net **external financing** was equivalent to US\$ 125 million. The latter included US\$ 630 million of disbursements, of which US\$ 56

million corresponded to investment projects, US\$ 150 million to a credit of the Inter-american Development Bank and US\$ 427 million by the placement of global bonds by means of a reopening of the Global Bond 2033.

The **domestic financing** was negative in S/. 1 655 million. During the quarter domestic sovereign bonds were placed by S/. 641,6 million and S/. 20,5 million were paid off. It generated cash deposits in the Public Treasury by S/. 719 million and US\$ 261 million.

In the first quarter of the year **privatizations and concessions** were carried out by a total value of US\$ 31 million and commitments of investment by US\$ 311 million. It stood out the concession of the Bayovar Project of Phosphates to the Brazilian business Vale Do Rio Doce that offered to exploit annually 3,3 million TM of phosphoric rock and to execute investments by US\$ 300 million. The concession of the fourth band of cell phone system was judged to the business Sercotel INC. (Group Carso-Telmex) that offered US\$ 21,1 million and to execute a minimum investment of US\$ 11 million. In turn, the 15 percent state participation in the Southern Electric Network INC. (Redesur) of US\$ 4,4 million, was acquired by AC Capital SAFI INC. The incomes in cash of the quarter reached US\$ 6,5 million.

The **public debt balance** at the end of the quarter reached US\$ 30 668 million, equivalent to 43 percent of GDP, smaller in 3,2 percentage points respect to the first quarter of 2004. The external debt was US\$ 24 351 million (34,2 percent of GDP), while the domestic debt was US\$ 6 317 million (8,9 percent of GDP).

Liquidity in domestic currency increased to 9,7 percent of GDP

In the first quarter of 2005, the liquidity in domestic currency increased from 9,3 percent of GDP in the last quarter of 2004 to 9,7 percent of GDP. In turn, the credit

of the banking system to private sector registered an equivalent level to 18,4 percent of GDP, lower than the registered in the previous quarter (18,8 percent).

**Banking system broad money and credit to the private sector
(Percentage of GDP)**

	Broad money		Credit to the private sector	
	Domestic currency	Total	Domestic currency	Total
2004	9,3	23,1	4,6	18,8
I	8,9	24,2	4,7	20,5
II	9,0	23,8	4,6	20,0
III	9,0	23,4	4,6	19,4
IV	9,3	23,1	4,6	18,8
2005				
I	9,7	23,2	4,6	18,4

WEEKLY REPORT

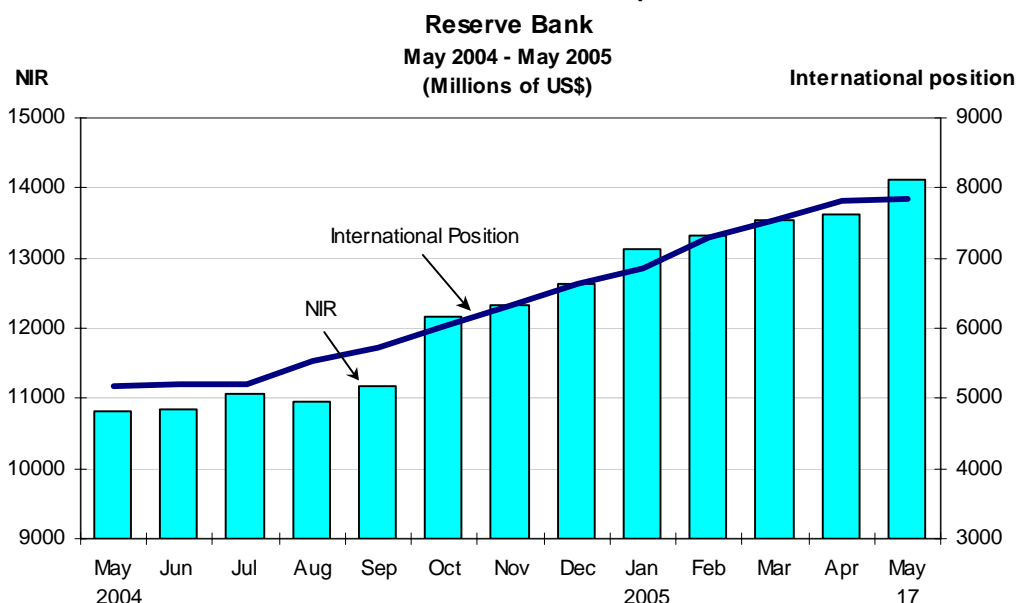
Net international reserves at US\$ 14 124 millions

As of **May 17**, net international reserves (NIR) amounted to US\$ 14 124 millions, up US\$ 496 millions from end-April. This increase was mainly due to net purchases of foreign exchange by US\$ 107 millions (purchases over-the-counter mechanism by US\$ 157 millions and sales to the public sector by US\$ 50 millions), higher financial system and public sector deposits in US\$ 409 and US\$ 40 millions, respectively,

and investment yield in US\$ 6 millions. This evolution was partially offset by changes in the value of currencies and gold in (US\$ 66 millions).

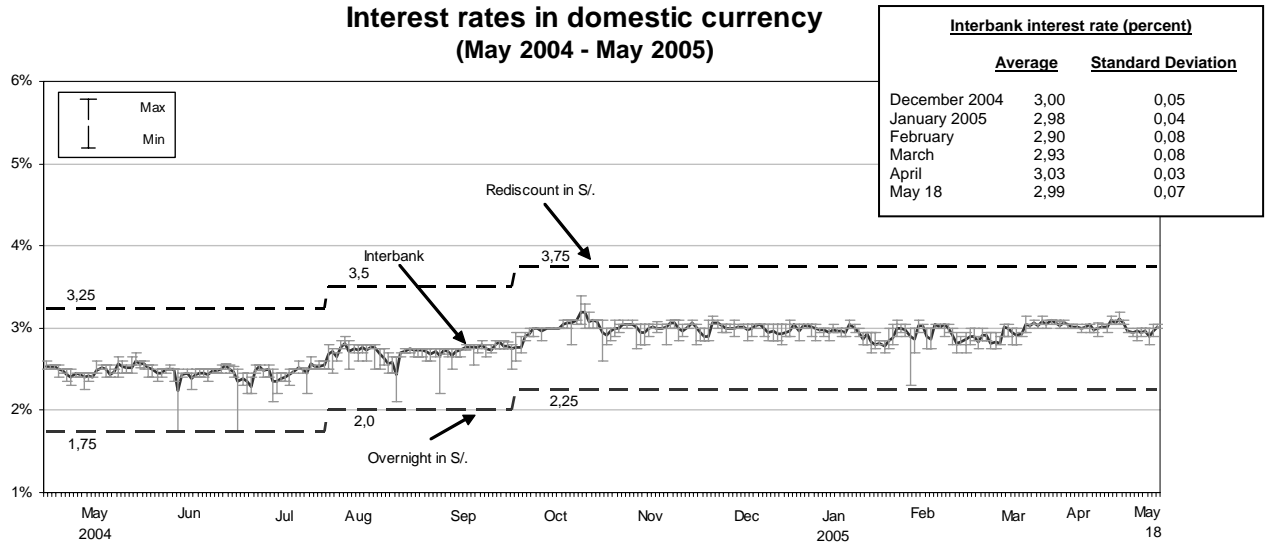
Year-to-date, NIRs have increased US\$ 1 493 millions, whereas the **Central Bank's international position** (US\$ 7 849 millions) grew by US\$ 1 210 millions.

Net international reserve and international position of the Central

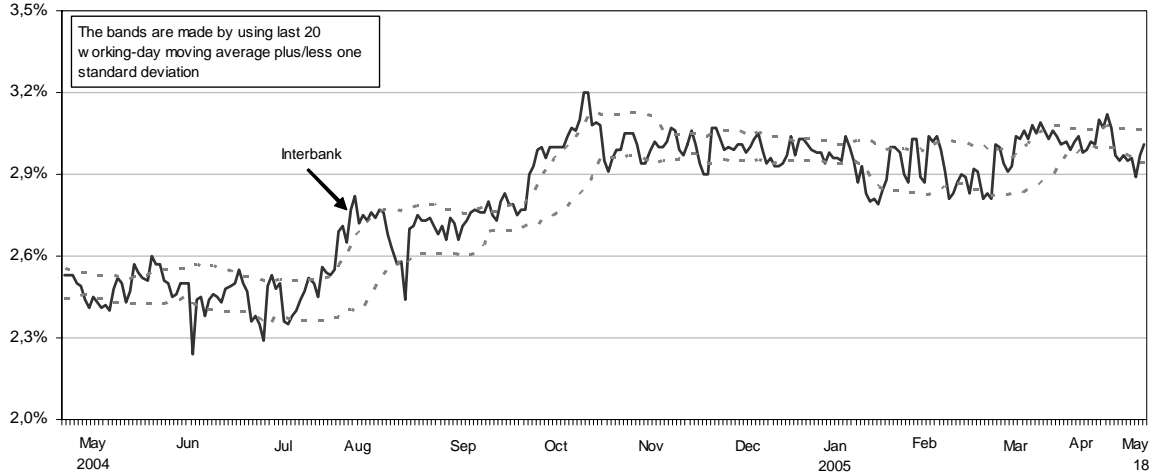


Interbank interest rate at 2,99 percent

Between **May 1 and 18**, the average interest rate in domestic currency was 2,99 percent.



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



Monetary operations

Between **May 12 and 18**, the Central Bank made the following operations:

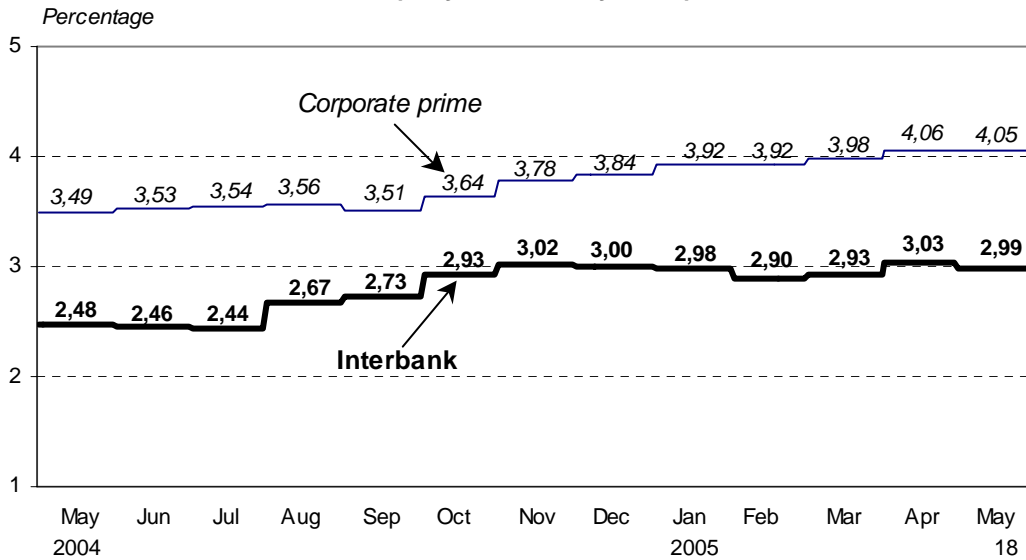
- Auctions of CDBCRP with a: i) 7-day maturity by S/. 20 millions at an average interest rate of 3,03 percent.
- Foreign currency purchase over-the-counter mechanism by US\$ 103,5 millions at an average exchange rate of S/. 3,254.

Corporate prime interest rate at 4,05 percent

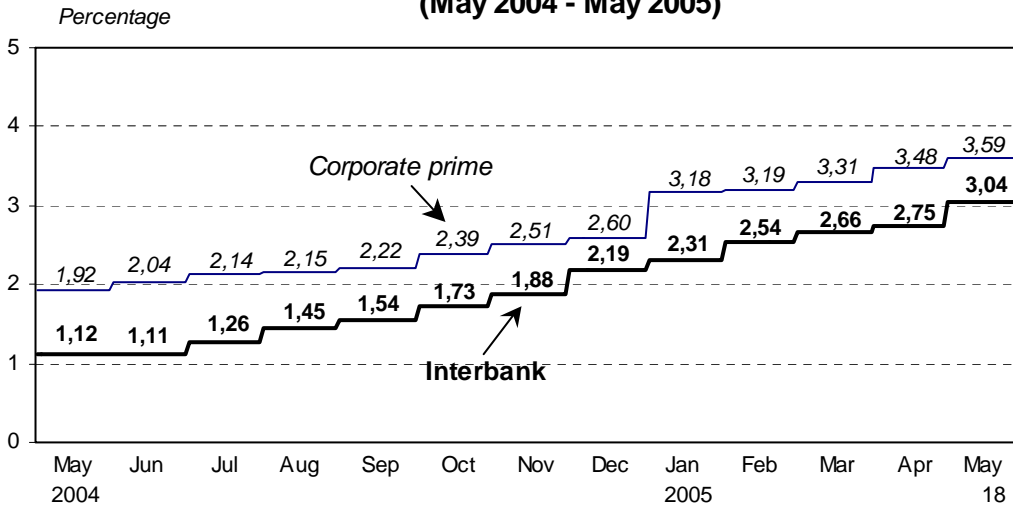
As of **May 18**, the 90-day average corporate prime interest rate in domestic currency decreased from 4,06 in April to

4,05 percent, meanwhile the rate in dollars increased from 3,48 to 3,59 percent.

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/. 3,256

Between **May 11 and 18**, the asked banking system exchange rate stayed on S/. 3,256. Up to May 17, the bank's balance of net forward sales diminished

US\$ 11 millions from end-April meanwhile the bank's exchange position decreased in US\$ 54 millions.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2003	December 2004	April 2005	May 17
a. Net sales to the public (i-ii)	607	699	564	553
i. Forward sales to the public	834	1 163	1 019	1 003
ii. Forward purchases to the public	227	464	455	450
b. Banks' exchange position	536	340	387	334

Monetary base as of May 15, 2005

The **monetary base** balance as of May 15 was S/. 9 488 millions, up 1,7 percent (S/. 160 millions) from end-April. In average terms, the year on year rate of growth of the monetary base in this period was 27,2 percent (25,5 percent in April).

The main explanations for this result were purchases of foreign currency over-the-counter mechanism (US\$ 114 millions or

S/. 370 millions), CDBCRP's net redemptions (S/. 239 millions) and lower financial system *overnight* deposits (S/. 58 millions). These operations were partially offset by the redemption of temporary purchases of securities (S/. 385 millions), sales of foreign currency to the public sector (US\$ 30 millions or S/. 98 millions) and higher public sector deposits (S/. 44 millions).

Gross Domestic Product grew by 4,0 percent in March

The **GDP** grew 4,0 percent in March, maintaining a growth for 45 months in a row. As in similar months, the dynamism of output came from mainly the non-primary sectors, in particular, from the non-primary manufacture. Non primary sectors increased at a lower rate, with highlights among agriculture and livestock and mining.

Agriculture and Livestock increased 3,1 percent, reflecting the higher production of rice due to greater crops and yields particularly in San Martin and Arequipa;

rice, as a prevision mechanism to a decrease in the price after better hidrological conditions in La Libertad and greater yields in Pasco; coffee, due to favorable climate conditions in San Martin, Amazonas and Cajamarca; bird meat due to an increase in production in Lima, Ica and La Libertad. Attenuating these results the diminution of sugar cane crops in Lambayeque, Lima La Libertad and Ancash, due to lags in the droughts that affected producer zones during 2004, as well as internal conflicts confronted by several sugar enterprises.

GROSS DOMESTIC PRODUCT
(Annual growth rates)

	March		January - March	
	2004	2005	2004	2005
Agriculture and Livestock	0,4	3,1	2,0	3,0
Agriculture	-1,0	2,6	1,2	2,9
Livestock	1,8	3,7	2,5	3,0
Fishing	34,7	-2,0	18,9	1,3
Mining and Fuel	9,8	2,7	12,9	0,8
Metallic mining	10,9	0,2	14,2	-1,6
Natural gas and oil	-8,7	36,2	-5,4	34,1
Manufacturing	8,1	2,1	5,2	4,9
Based on raw materials	0,0	-5,3	1,8	-3,3
Non-primary	8,6	3,7	5,4	6,7
Electricity and water	4,7	3,4	4,9	3,5
Construction	8,6	-0,1	7,0	2,8
Commerce	5,1	3,0	3,4	5,6
Other services	7,0	4,7	4,5	6,8
<u>GROSS VALUE ADDED (GVA)</u>	<u>6,5</u>	<u>3,4</u>	<u>5,0</u>	<u>5,2</u>
Taxes on products and import duties	-0,3	10,7	3,0	7,2
<u>GDP</u>	<u>5,9</u>	<u>4,0</u>	<u>4,8</u>	<u>5,4</u>
Primary sector GVA	4,2	1,6	6,3	1,1
Non-primary sector GVA	7,1	3,8	4,7	6,2
Domestic demand indicator	3,2	2,0	2,7	4,4

The 2 percent decreased of **fishing** was supported by the lower disembarks of anchovy in the southern coast. In this zone, fishery is limited to the continuation of extraction limits. In contrast, fishery for human consumption registered an increase thanks to a greater extraction of Tuna, Pota, Lobster and frozen Tuna.

The **mining and fuel** industry grew 2,7 percent. The result was influenced by the greater production of gold in Yanacocha and Barrick and the natural gas and oil subsector which grew for a ninth consecutive month in a row, maintaining the initial positive effect of the operations in Camisea (Block 88) during June 2004. The fall in the production of copper, by the reduction in Southern Peru's and Tintaya's production counteracted these increments. As well zinc fell as a consequence of lower yields in Antamina.

Manufacturing increased explained by the greater activity of the non-primary manufacture (3,7 percent) but a lower manufacturing activity based on raw materials (5,3 percent). The latter obeys to the fall in sugar production as a consequence less disposition of cane, the lower refinement of no ferrous metals, principally, refined zinc by Doe Run and blister copper by Southern Peru; the contraction of canned and frozen food and fish meal; and the lower refinement of oil at La Pampilla Refinery because of lower petroleum exports and lesser gasoline sales in the internal market. On the other hand, non primary manufacturing continued to increase thanks to the dynamism of the printing and paper industry; food, beverages and tobacco; chemical products and non-metallic minerals.

The branches that registered the higher increments were chemical substances as a consequence of greater exports of coloring substances and caustic soda, paper and carton boards because of a

earlier start of the scholar campaign, and other paper and carton board materials for their increase in exports.

**Industries with higher increases
March 2005**

CIU	Var. %	
	Year	Contrib. % 1/
Basic chemicals	40,8	0,9
Paper and paperboard	55,0	0,8
Other paper and paperboard products	31,6	0,7
Beer and malt beverage	26,5	0,5
Glass	27,3	0,4
Dairy products	12,5	0,3
Knitted fabrics	8,0	0,3
Tiles	17,5	0,3

1/ Percent contribution to non primary manufacturing
Source: Ministerio de la Producción.

Branches with the greatest falls were electrical bards because during same month of the previous year an exceptional project was held, explosives, natural

essences and chemicals by a lower demand derived from the mining sector, drinks and soda by the increment in prices from the beginning of the year.

**Industries with higher decreases
March 2005**

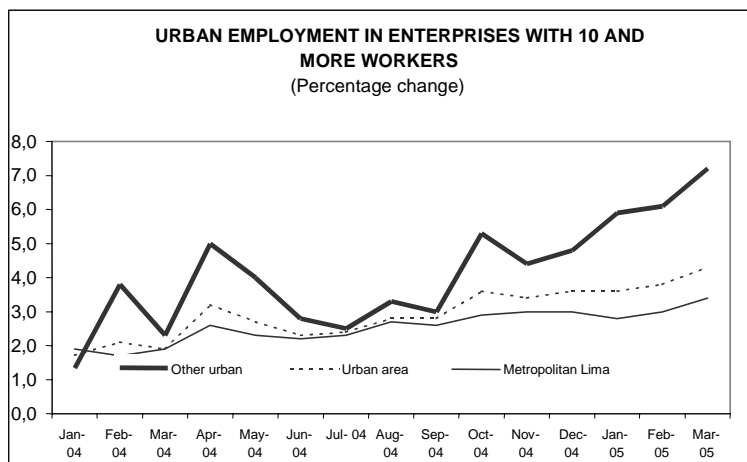
CIU	Var. %	
	Year	Contrib. % 1/
Manufacture of electricity distribution and control apparatus	-69,2	-1,3
Explosives and natural and chemical essences	-10,9	-0,4
Soft drink	-9,9	-0,4
Manufacture of basic iron and steel	-9,8	-0,3

1/ Percent contribution to non primary manufacturing
Source: Ministerio de la Producción.

Construction fell 0,1 percent, due to lower expenditure in the construction and repairing of highways.

In March the **employment** in firms with 10 or more workers increased 4,3 percent 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 extractive activities (15,4 percent), manufacture sector (4,5 percent), commerce (1,7 percent), and services (4,5 percent). The employment in Metropolitan Lima grew 3,4 percent.



URBAN EMPLOYMENT IN ENTERPRISES WITH 10 AND MORE WORKERS
(Percentage change)

	Metropolitan Lima	Other urban	Urban area
2004	2,4	3,5	2,7
January	1,9	1,3	1,7
February	1,7	3,8	2,1
March	1,9	2,3	1,9
April	2,6	5,0	3,2
May	2,3	4,0	2,7
June	2,2	2,8	2,3
July	2,3	2,5	2,4
August	2,7	3,3	2,8
September	2,6	3,0	2,8
October	2,9	5,3	3,6
November	3,0	4,4	3,4
December	3,0	4,8	3,6
2005			
January	2,8	5,9	3,6
February	3,0	6,1	3,8
March	3,4	7,2	4,3

Urban areas excluding Metropolitan Lima experienced a 7,2 percent increase in employment; in Ica grew by 29,9 percent due to a greater production of asparagus and grapefruit. In Chincha by 14,1 percent due to a greater extractive and industrial activity (namely, in the production of asparagus, textiles and fish meal). In Iquitos 14,1 percent as a consequence of greater exploration activity in petroleum rich zones. Evenly, there was an increase in the manufacturing employment due to a

greater turistic flow and the greater dynamism of forestall activities.

Employment in Pisco and Piura grew by 10,4 percent and 10,3 percent respectively. In Pisco, the employment augmented in the transport and communications and the same in Piura were employment concentrated in manufacturing activities such as (agroindustrial activities and cotton processing) and cotton.

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

	March 2005/ March 2004	Jan.-Mar. 05/ Jan.-Mar. 04
Urban area	4,3	3,9
Metropolitan Lima	3,4	3,1
Other urban	7,2	6,4
Ica	29,9	23,7
Chincha	14,1	8,8
Iquitos	14,1	13,9
Pisco	10,4	8,5
Piura	10,3	13,0
Pucallpa	6,1	2,7
Trujillo	6,1	6,3
Cusco	5,5	5,2
Arequipa	3,1	1,8
Chiclayo	2,4	1,2
Cajamarca	1,9	3,1
Huancayo	1,8	3,7
Tarapoto	1,7	0,7
Tacna	0,6	-1,6
Chimbote	0,2	0,8
Puno	-3,2	-1,2
Paita	-7,2	-10,9

Source: MTPE, Monthly Statistical Report.

April outlook

Preliminary data for April related to fishery, hydrocarbons, construction, electricity and tax collection indicates that:

- Anchovy catch increased 13,0 percent, according to IMARPE.
- According to Perupetro, oil production grew 37,1 percent while natural gas extraction increased by 63,2 percent.
- Local sales of cement increased 13,4 percent, excluding dispatches to Yanacocha. Source: Asocem.
- Energy production grew by 5,2 percent, according to COES.
- Sunat reported that the excise tax collection fell 2,6 percent, whereas duty collection increased 25,5 percent.

2012 Global Bond's spread: 2.14 percent

Over the period **May 11 to 18**, the 2012 Global Bond's spread rose from 2,07 to 2,14 percent, whereas the EMBI+ Peru's increased from 2,27 to 2,36. Institutional

investors' concern regarding hedge fund losses –a downgrade in General Motors' and Ford's credit rating- affected the emerging debt.

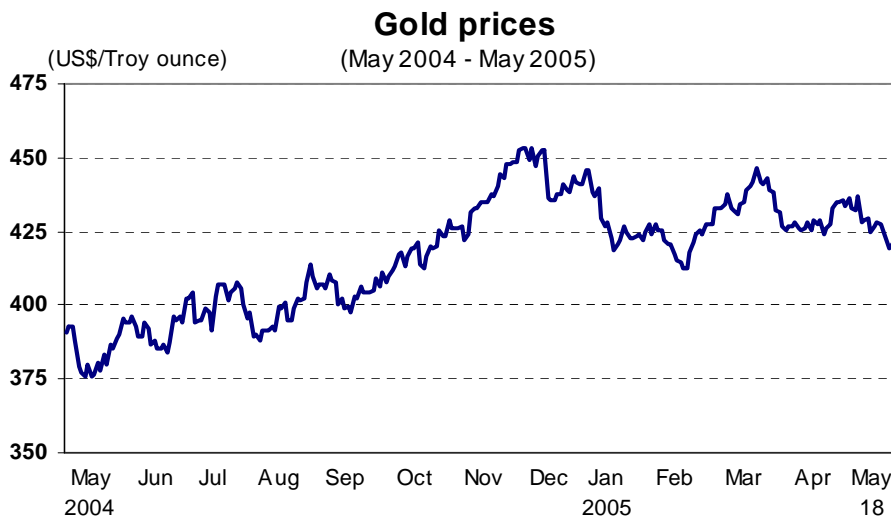
**Country risk indicators
(May 2004 - May 2005)**



International markets

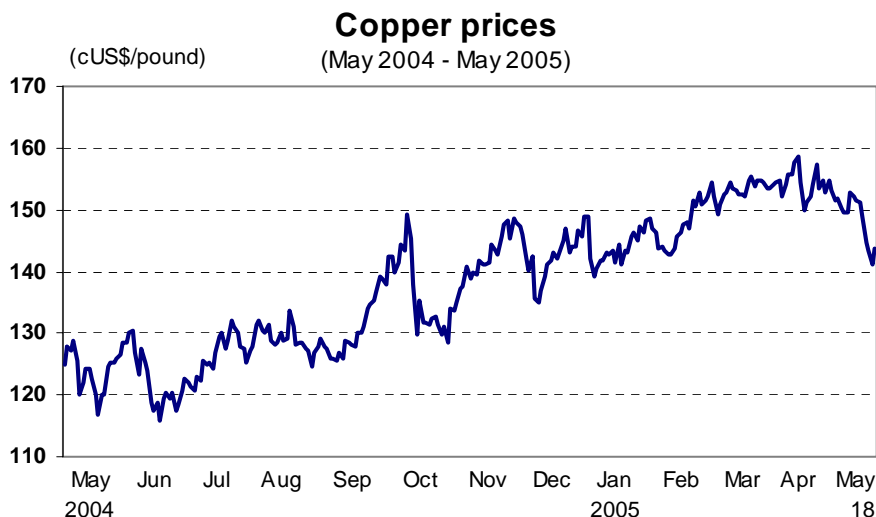
From **May 11 to 18**, gold price fell 1,7 percent (to US\$ 420 per Troy ounce), reflecting the strengthening of the US

dollar. It should be noted that on May 16, the gold quotation recorded its last 3 month lowest level.



Copper price dropped 4,9 percent to US\$ 1,44 per pound due to higher investment funds' technical sales, the strengthening of the US dollar and the fall below its last 200

day moving average level. Moreover, Shanghai Metal Exchange recorded an inventory increase.



The **zinc** quotation fell 2,8 percent to US\$ 0,56 per pound given the US dollar

appreciation which propelled a liquidation of positions by the investment funds.

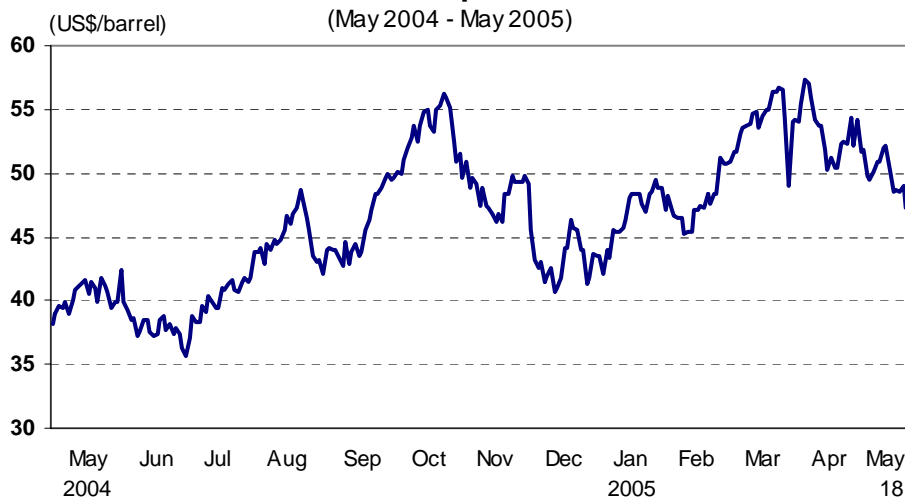
Zinc prices



Over the same period, **WTI oil** quotation decreased 6,3 percent to US\$ 47,3 per barrel reflecting the lower expected Chinese demand (from 7,9 to 7,4 percent

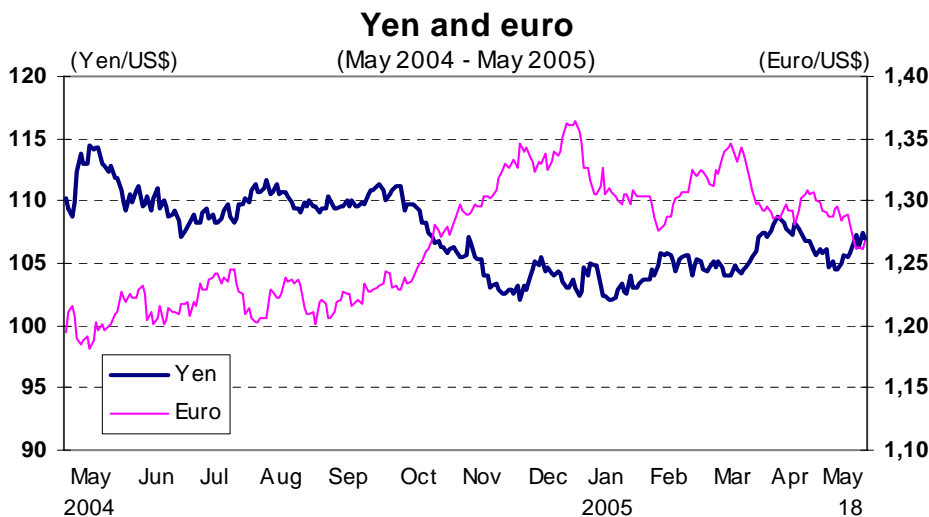
according to the International Energy Agency). Furthermore, US inventories of oil and crude reached 334 million of barrels, the highest level since 1999.

WTI oil prices



The **US dollar** appreciated 1,0 percent against the **Euro** and 1,1 percent against the **Yen**, thanks to the good performance of detail sales in the US. Also, a further

differential between interest rates in the US and Eurozone is expected, in behalf of the US dollar.

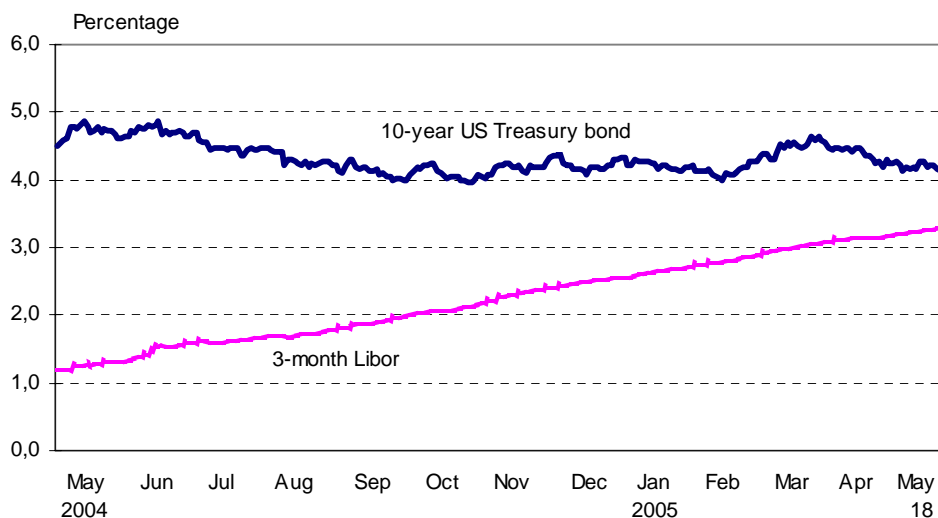


Between **May 11 and 18**, **3-month Libor** passed from 3,26 to 3,28 percent, whereas the **yield of the 10 year matured US Treasury bond** decreased from 4,20 to 4,09, given the higher demand for these securities. The latter

obeys to the Standard & Poor's downgrade in General Motors' and Ford's credit rating. On the other hand, a nil figure for April core inflation in the US increased the expectation upon a gradual Fed's interest rates increase.

Libor and yield of 10-year matured US Treasury bond

(May 2004 - May 2005)



Lima Stock Exchange

As of **May 18**, the **General** and **Blue Chip** indices of Lima Stock Market dropped 3,5 and 3,2 percent, respectively. The fall in mineral

quotations mainly accounted for this loss. Notwithstanding, cumulative increase in the year is 3,7 for the General Index and 3,1 percent for the Blue Chip Index.

LSE indicators
(May 2004 - May 2005)

