

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

Nº 23 – June 10, 2005

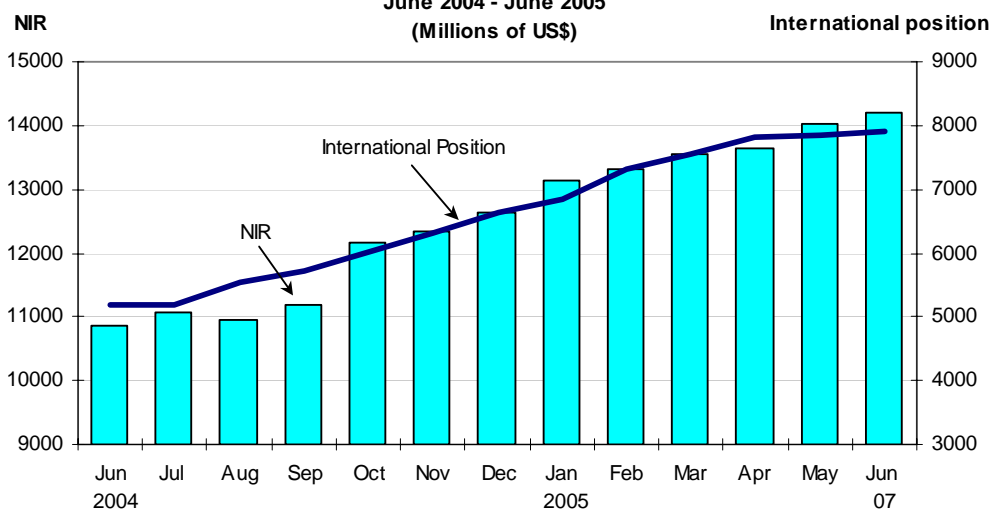
Net international reserves at US\$ 14 203 millions

As of **June 7**, net international reserves (NIR) amounted to US\$ 14 203 millions, up US\$ 187 millions from end-May. This increase was due to higher financial system deposits in US\$ 152 millions, net purchases of foreign exchange over-the-counter mechanism by US\$ 33 millions and investment yield in US\$ 7 millions. This

evolution was partially offset by operations with ALADI by US\$ 5 millions.

Year-to-date, NIRs have increased US\$ 1 572 millions, whereas the **Central Bank's international position** (US\$ 7 899 millions) grew by US\$ 1 260 millions.

Net international reserve and international position of the Central Reserve Bank
June 2004 - June 2005
(Millions of US\$)

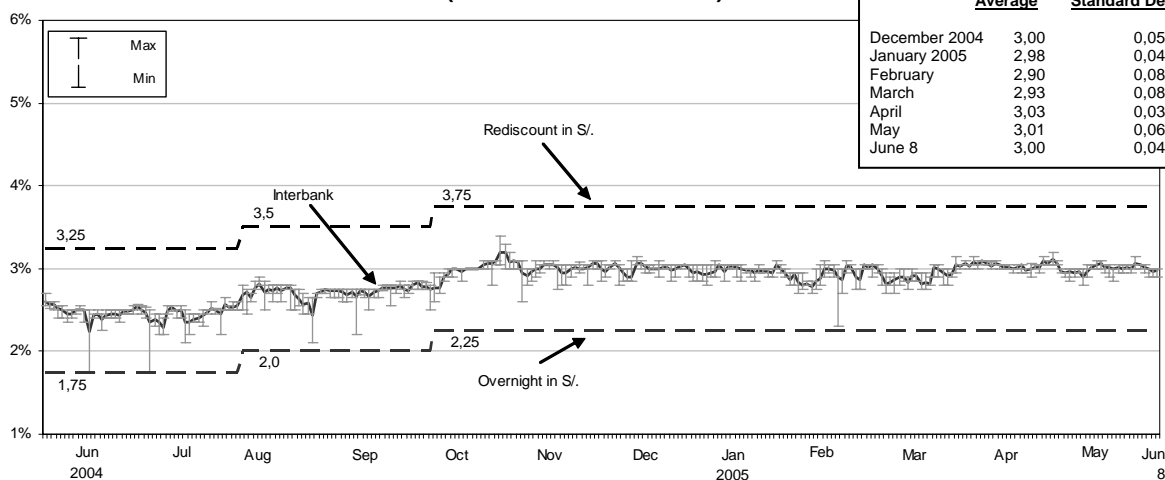


Interbank interest rate at 3,0 percent

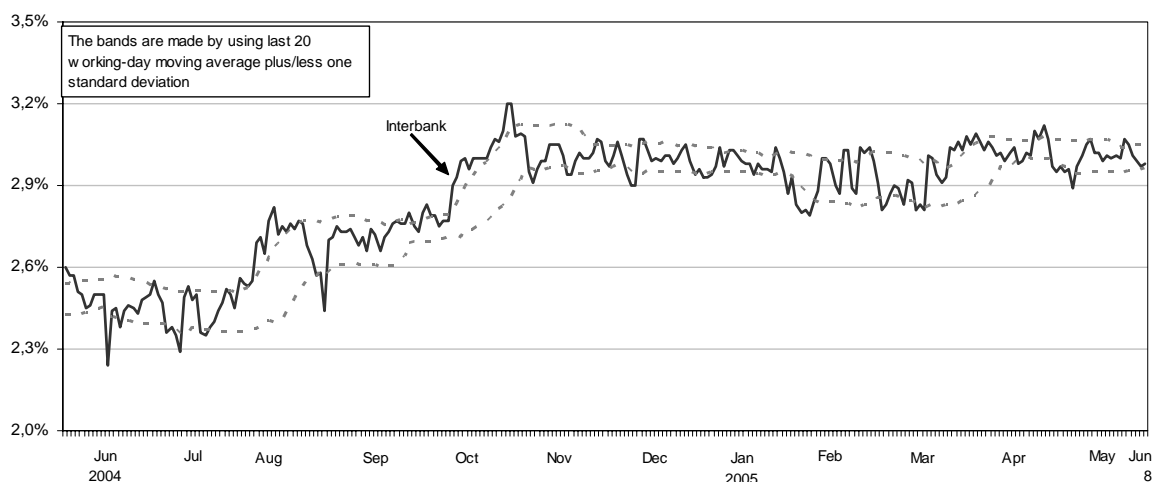
Between **June 1 and 8**, the average interest rate in domestic currency was

3,0 percent.

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



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



Monetary operations

Between **June 2 and 8**, the Central Bank made the following operations:

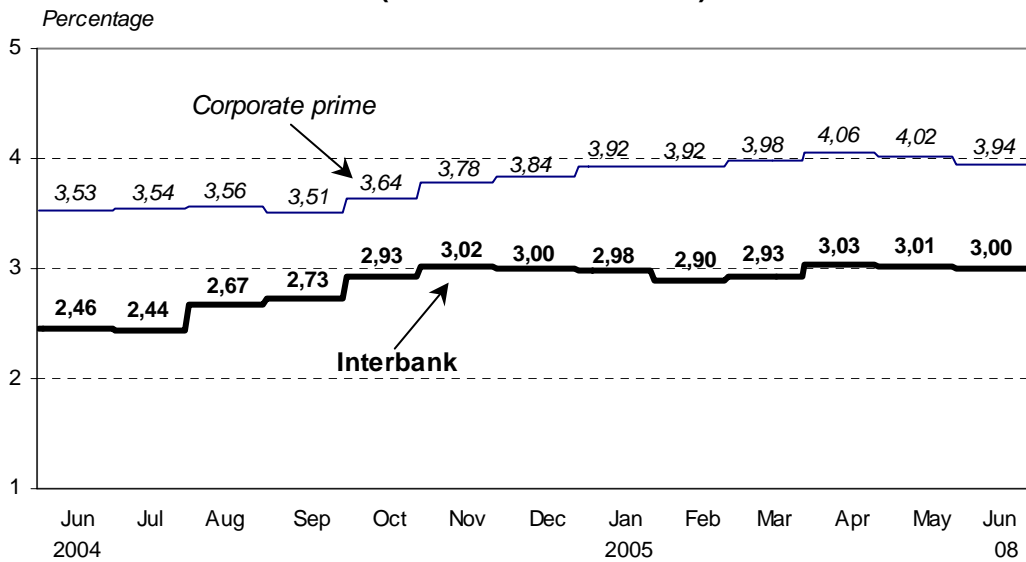
- Auctions of CDBCRP with a: i) 7-month maturity by S/. 80 millions, in two occasions, at an average interest rate of 3,75 percent; ii) 1-year by S/. 60 millions, in two opportunities, at 4,20 and 4,14 percent; iii) 17-month by S/. 60 millions at 4,45 percent; iv) 1,5-year by S/. 60 millions at 4,75 percent; v) 2-year by S/. 20 millions at 5,13 percent and vi) 3-year by S/. 20 millions at 6,31 percent.
- Auctions of temporary purchase of CDBCRP and BTP with a: i) 1-day by S/. 400 and S/. 200 millions at 3,09 and 3,01 percent, respectively and ii) 3-day by S/. 420 millions at 3,0 percent.
- Foreign currency purchase over-the-counter mechanism by US\$ 36 millions at an average exchange rate of S/. 3,254.
- Overnight deposits on June 3 and 8 by S/. 2,5 and S/. 136 millions, respectively.

Corporate prime interest rate at 3,94 percent

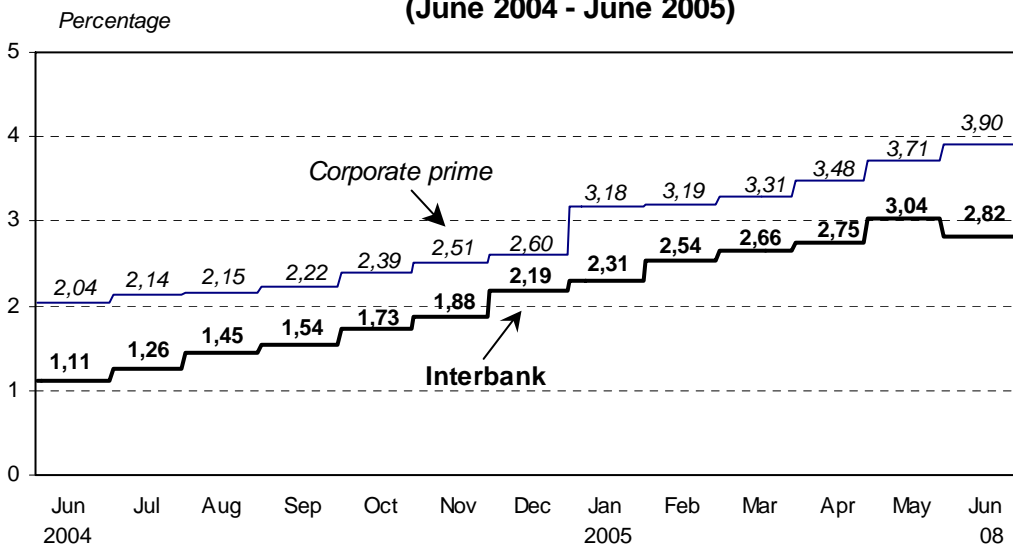
As of **June 8**, the 90-day average corporate prime interest rate in domestic currency decreased from 4,02 in May to

3,94 percent, meanwhile the rate in dollars increased from 3,71 to 3,90 percent.

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



**Monthly corporate prime interest rate in foreign currency
(June 2004 - June 2005)**



Exchange rate: S/. 3,254

Between **June 1 and 8**, the asked banking system exchange rate stayed on S/. 3,254 per dollar. Up to June 7, the bank's balance of net forward sales increased in

US\$ 59 millions from end-May meanwhile the bank's exchange position decreased in US\$ 8 millions.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2003	December 2004	May 2005	June 7
a. Net sales to the public (i-ii)	607	699	538	597
i. Forward sales to the public	834	1 163	979	1 062
ii. Forward purchases to the public	227	464	440	466
b. Banks' exchange position	536	340	358	350

Monetary base as of June 7, 2005

The **monetary base** balance as of June 7 was S/. 9 835 millions up 4,6 percent (S/. 433 millions) from end-May. In average terms, the year on year rate of growth of the monetary base in this period was 28,1 percent (27,6 percent in May).

The main explanations for this result were CDBCRP's net redemptions (S/. 150 millions), purchases of foreign currency over-the-counter mechanism (US\$ 33 millions or S/. 107 millions), lower financial system *overnight* deposits (S/. 104 millions) and lower public sector deposits (S/. 47 millions).

Banking system monetary accounts as of May 22, 2005

Through last 4 weeks, liquidity in **domestic currency** increased 1,6 percent (S/. 445 millions), to a balance of S/. 27 413 millions. Credit to the private sector in the same currency augmented 2,8 percent (S/. 331 millions) to S/. 12 117 millions. However, in annual terms this aggregates grew by 32,6 and 14,8 percent, respectively.

Liquidity in **foreign currency** increased 4,0 percent (US\$ 383 millions) to US\$ 10 059 millions (an annual growth rate of 8,9 percent). Credit to the private sector in the same currency augmented 2,0 percent (US\$ 203 millions) to US\$ 10 234 millions (an annual growth rate of 4,0 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%	3,8%	31,0%	0,4%	12,9%	-0,5%	4,3%	-10,1%	11,5%	-0,1%	3,5%
Mar.	-0,2%	25,7%	3,7%	33,8%	2,8%	12,1%	-2,0%	2,2%	8,5%	27,0%	0,4%	3,4%
Apr.	5,2%	26,6%	-1,1%	33,1%	1,6%	13,9%	5,3%	6,6%	11,1%	31,3%	2,1%	4,3%
May.15	4,8%	26,0%	3,3%	31,6%	0,9%	14,4%	2,7%	5,9%	-4,4%	11,4%	2,9%	4,0%
May.22	3,8%	29,2%	1,6%	32,6%	2,8%	14,8%	4,0%	8,9%	-6,6%	7,2%	2,0%	4,0%
Memo:												
Balance as of Apr.22 (Mill.S/. or Mill.US\$)	9 169		26 968		11 786		9 676		971		10 030	
Balance as of May.22 (Mill.S/. or Mill.US\$)	9 514		27 413		12 117		10 059		907		10 234	
1/ Short term external liabilities of banking enterprises.												

Trade surplus at US\$ 186 million in April

In **April 2005**, the trade balance recorded a surplus of US\$ 186 million, up US\$ 132 million from a year ago; thus, the cumulative surplus in the period January-April was US\$ 1 235 million. It should be noted that the trade balance is in surplus for 24 months in a row.

This month **exports** totaled US\$ 1 246 million, up US\$ 360 million or 41 percent from April 2004. Traditional exports increased US\$ 266 million –or 42 percent– due to higher exports of copper (US\$ 127 million or 90 percent), oil & derivatives (US\$ 73 million or 163 percent) and molybdenum (US\$ 72 million or 353 percent). On the other hand, exports of non-traditional products increased US\$ 95

million (39 percent) due to soaring sales of farm products (US\$ 25 million or 56 percent) –such as paprika and asparagus–, chemicals (US\$ 24 million or 92 percent) and textiles (US\$ 17 million or 21 percent), which altogether accounted for 68 percent of this sector's growth.

Imports amounted to US\$ 1 060 million in April, up US\$ 228 million or 27 percent from a year ago. It was recorded higher acquisitions of raw materials and intermediate goods (US\$ 125 million or 28 percent) –mainly fuels and intermediate goods for the industry–, capital goods (US\$ 71 million or 35 percent) and consumer goods (US\$ 35 million or 22 percent).

TRADE BALANCE
(Millions of US\$)

	Monthly data			Annual data				
	2004	April	Var. %	May.2003	Apr.2004	May.2004	C/A	C/B
		2005		Apr.2004	Mar.2005	Apr.2005		
			A	B	C			
EXPORTS	<u>886</u>	<u>1 246</u>	<u>40,7</u>	<u>10 069</u>	<u>13 556</u>	<u>13 917</u>	<u>38,2</u>	<u>2,7</u>
Traditional products	635	901	41,9	7 093	9 765	10 031	41,4	2,7
Non-traditional products	241	336	39,4	2 866	3 672	3 767	31,4	2,6
Other products	10	9	- 6,3	110	119	118	7,4	- 0,5
IMPORTS	<u>832</u>	<u>1 060</u>	<u>27,4</u>	<u>8 483</u>	<u>10 357</u>	<u>10 585</u>	<u>24,8</u>	<u>2,2</u>
Consumer goods	160	195	21,5	1 838	2 061	2 096	14,0	1,7
Raw materials and intermediate goods	455	580	27,5	4 496	5 665	5 790	28,8	2,2
Capital goods	205	277	34,7	2 063	2 496	2 567	24,4	2,9
Other goods	11	8	- 27,0	87	136	133	52,1	- 2,2
TRADE BALANCE	<u>53</u>	<u>186</u>	<u>247,4</u>	<u>1 586</u>	<u>3 199</u>	<u>3 331</u>	<u>110,0</u>	<u>4,1</u>

Finally, **terms of trade** in April soared 3 percent since the increase in export prices (15 percent) exceeded that in import prices (11,7 percent).

TERMS OF TRADE
(1994=100)



2012 Global bond spread at 1,86 percent

Over the period **June 1 to 8**, the **2012 global bond** spread fell slightly from 1,87 to 1,86 percent; whereas the **EMBI+ Peru** spread decreased from 2,08 to 1,94

percent. It should be noted that on June 2, the Peruvian bond spreads recorded historic minimums, 1,71 percent for the global bond and 1,92 for the EMBI+.

Country risk indicators
(June 2004 - June 2005)



International markets

From **June 1 to 8**, the **gold** price soared 2,3 percent to US\$ 426 per Troy

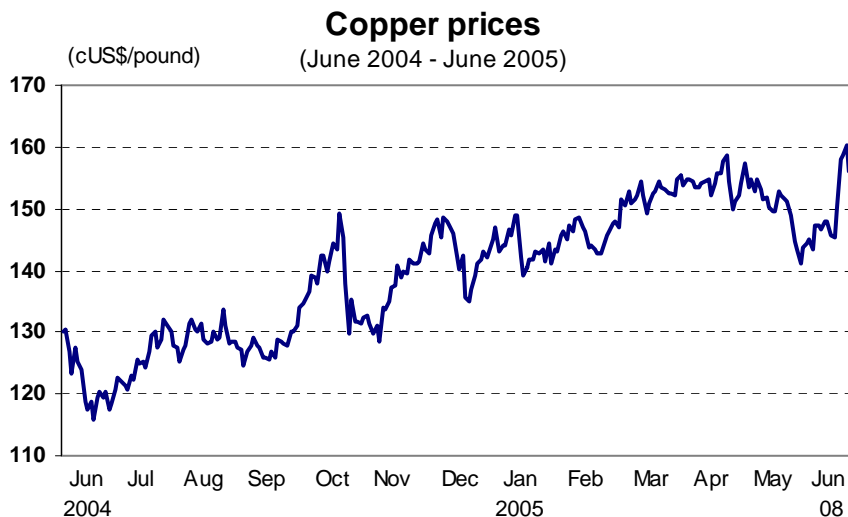
ounce, due to the weakening of the US dollar.

Gold prices



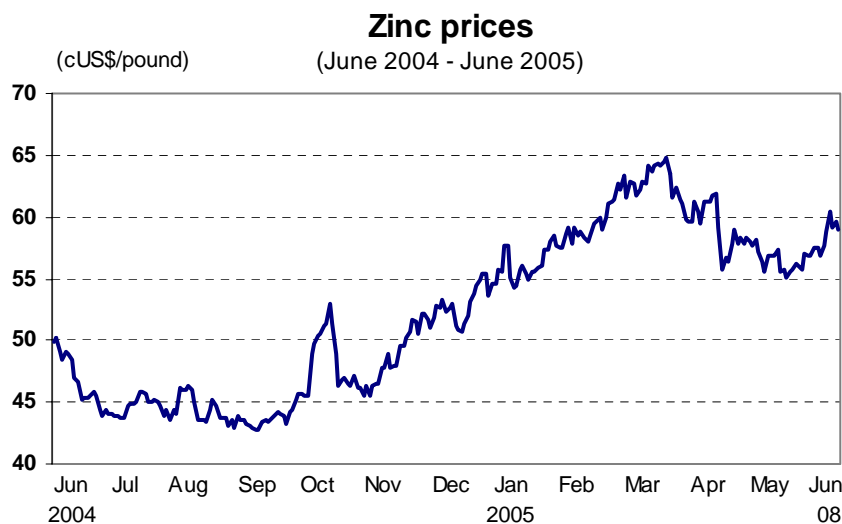
Over this period **copper** price increased 7,5 percent to US\$ 1,56 per Troy ounce –on June 7 it recorded the maximum level of last 16 years: US\$ 1,60 per pound-. The inventory fall in the London Metal

Exchange, the Shangai Metal Exchange and COMEX was the main reason for this price uprise. For instance, the London Metal Exchange recorded its lowest level in 30 years (41 thousand MT).



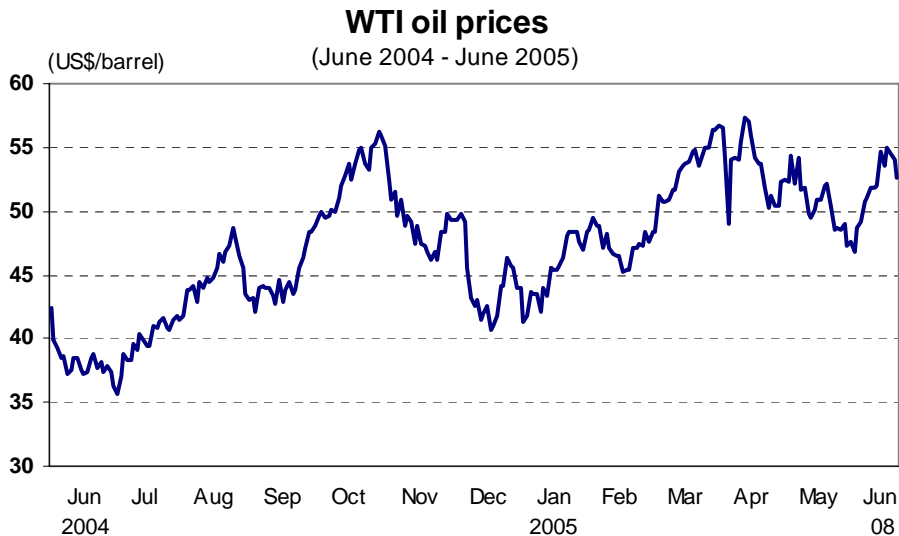
The **zinc** price rose 2,3 percent to US\$ 0,59 per ounce, reflecting the fall in LME inventories, from 523 to 520

thousand MT, the lowest since the second quarter of 2002.



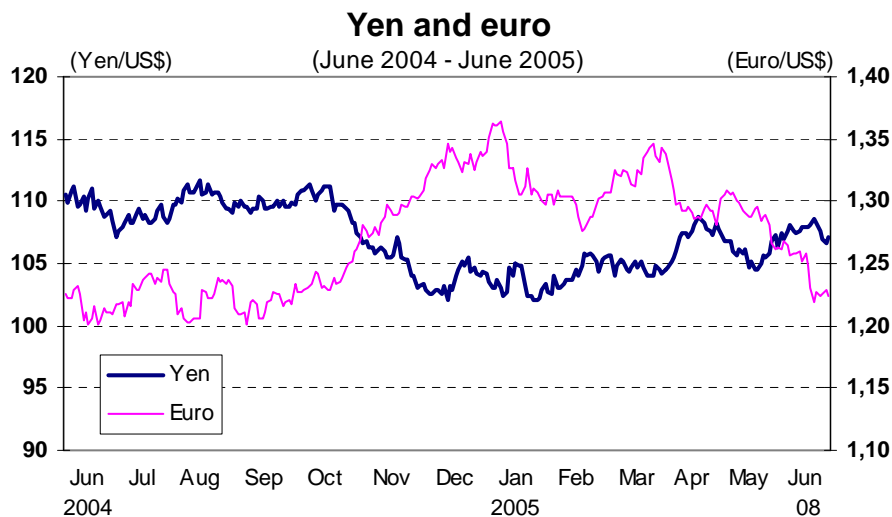
The **WTI oil** price decreased 3,8 percent to US\$ 52,5 per barrel, due to the higher distilled inventories in the United States

as well as the lower projected demand of China for 2005, according to the US Energy Department.



During the period under analysis, the **US dollar** depreciated 0,4 percent against the euro and 1,3 percent against the yen. The latter reflected higher corporate outlays in

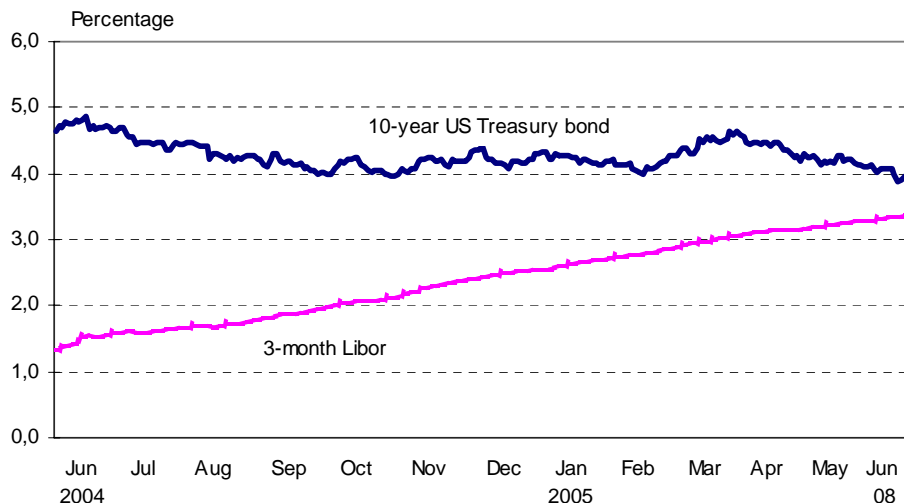
plant & equipment in Japan over IQ2005, which grew by 7,4 percent to US\$ 127 billion, the highest since IIIQ2001.



Between **June 1 and 8**, the **3-month Libor** increased from 3,35 to 3,38 percent, whereas the **yield of the 10-year-**

matured US Treasury bond rose from 3,89 to 3,94 percent, recovering from the drop of May.

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



Lima Stock Exchange

As of **June 8**, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 2,7 and 2,6 percent, respectively, reflecting the good

performance of fishing, mining and building companies. Year-to-date, these indices have increased 8,6 and 8,4 percent.

LSE indicators
(June 2004 - June 2005)

