

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

Nº 25 – June 24, 2005

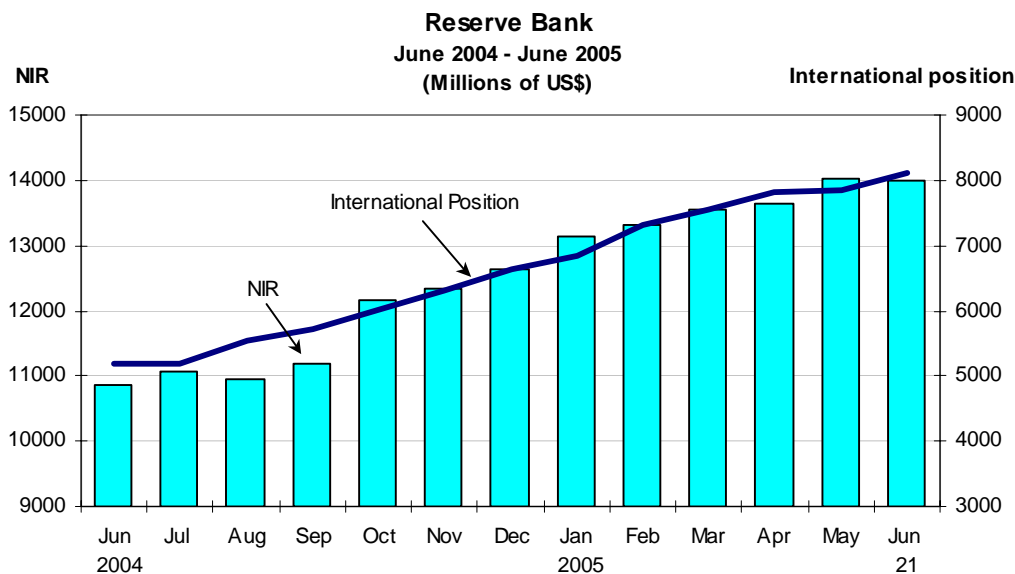
#### Net international reserves at US\$ 14 005 millions

As of **June 21**, net international reserves (NIR) amounted to US\$ 14 005 millions, down US\$ 11 millions from end-May. This decrease was due to lower financial system and public sector deposits in US\$ 203 and US\$ 85 millions, respectively. This evolution was partially offset by net purchases of foreign exchange by US\$ 250 millions (purchases over-the-counter mechanism by US\$ 280 millions and sales

to the public sector by US\$ 30 millions), investment yield in US\$ 21 millions and changes in the value of currencies and gold in US\$ 6 millions.

Year-to-date, NIRs have increased US\$ 1 374 millions, whereas the **Central Bank's international position** (US\$ 8 116 millions) grew by US\$ 1 477 millions.

Net international reserve and international position of the Central

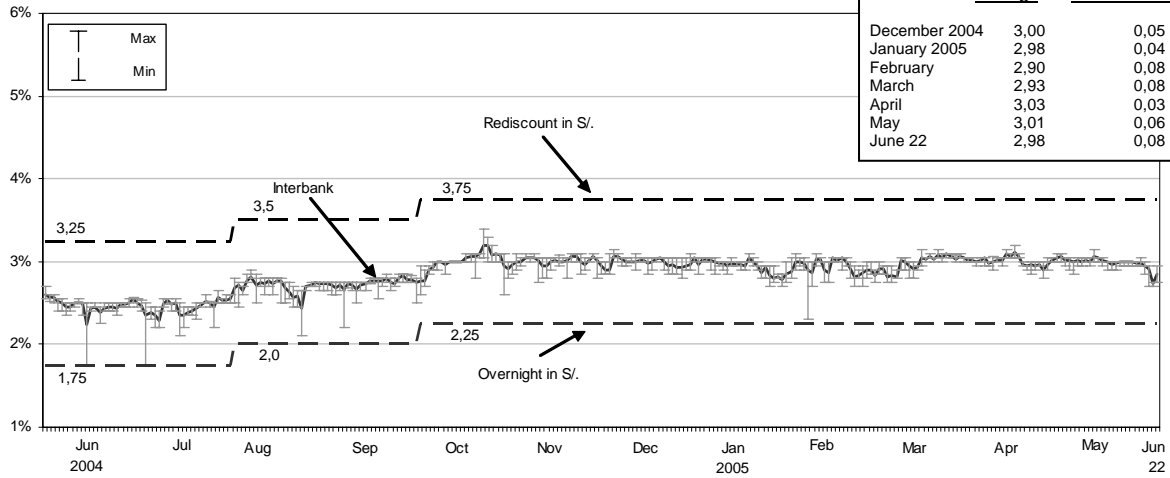


#### Interbank interest rate at 2,98 percent

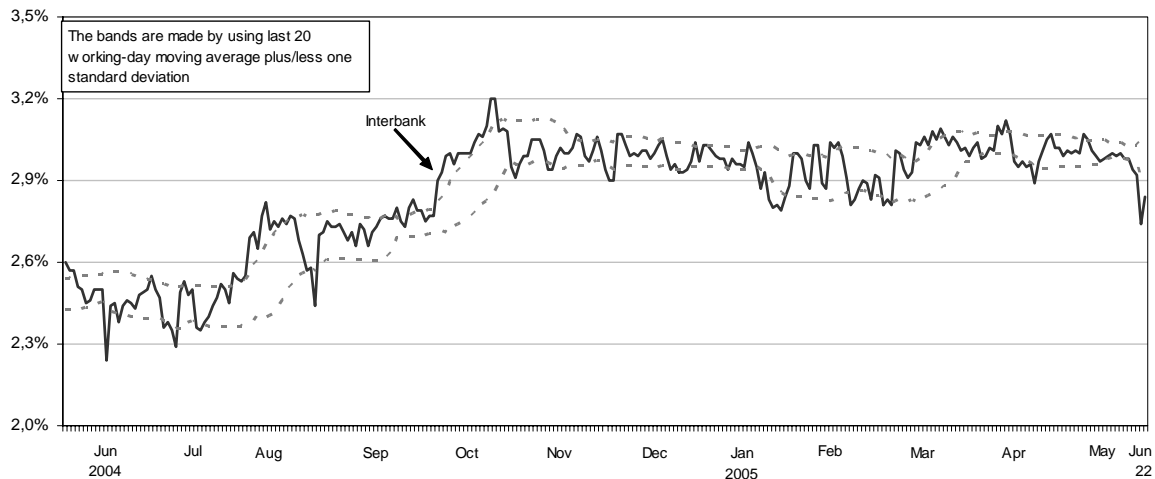
Between **June 1 and 22**, the average interest rate in domestic currency was

2,98 percent.

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



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



## Monetary operations

Between **June 16 and 22**, the Central Bank made the following operations:

- Auctions of CDBCRP with a: i) 1-week maturity by S/. 50 millions (in two occasions) and S/. 30 millions at an average interest rate of 3,02, 3,01 and 3,00 percent; ii) 6-month by S/. 50 millions at 3,87 percent; iii) 7-month by S/. 100 millions (in two occasions) at 3,78 and 3,89 percent; iv) 1-year by S/. 80, S/. 100 and S/. 40 millions at 4,35, 4,33 and 4,38 percent, respectively; v) 13-month by S/. 100 millions at 4,34 percent; vi) 15-month by S/. 40,1 and S/. 50

millions at 4,53 and 4,54 percent; vii) 2-year by S/. 30 millions at 5,27 percent and viii) 3-year by S/. 30 millions at 6,20 percent.

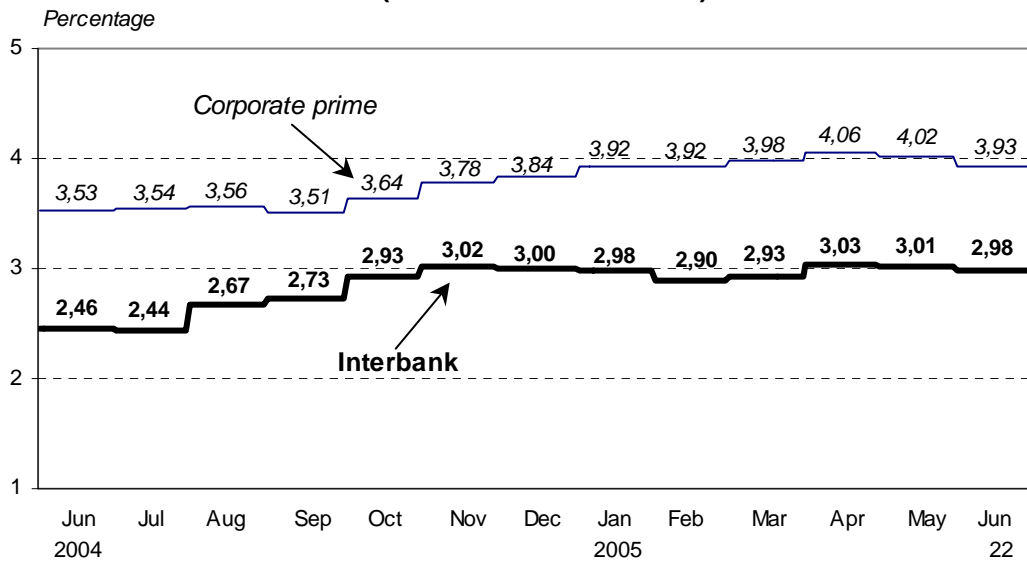
- Foreign currency purchase over-the-counter mechanism by US\$ 65,5 millions at an average exchange rate of S/. 3,252.
- Overnight deposits on June 17, 20 and 21 by S/. 307,5; S/. 238,6 and S/. 167 millions, respectively.

## Corporate prime interest rate at 3,93 percent

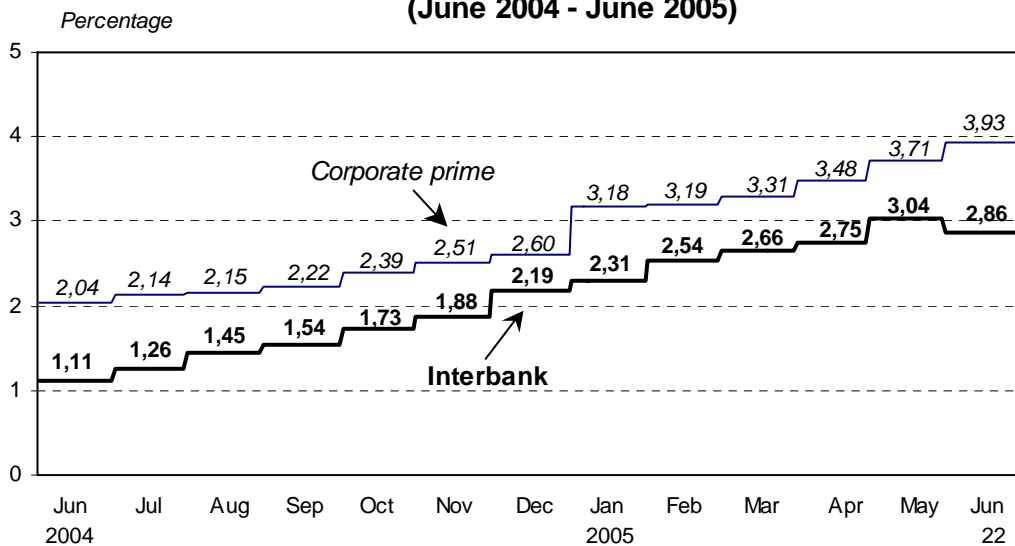
As of **June 22**, the 90-day average corporate prime interest rate in domestic currency decreased from 4,02 percent in

May to 3,93 percent, meanwhile the rate in dollars increased from 3,71 to 3,93 percent.

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



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



### Exchange rate: S/. 3,253

Between **June 15 and 22**, the asked banking system exchange rate slightly increased from S/. 3,252 to S/. 3,253 per dollar. Up to June 21, the bank's balance

of net forward sales decreased in US\$ 49 millions from end-May and the bank's exchange position dropped in US\$ 37 millions.

**BANKS' EXCHANGE POSITION**  
(Millions of US\$)

	December 2003	December 2004	May 2005	June 21
<b>a. Net sales to the public (i-ii)</b>	<b>607</b>	<b>699</b>	<b>538</b>	<b>489</b>
i. Forward sales to the public	834	1 163	979	1 160
ii. Forward purchases to the public	227	464	440	670
<b>b. Banks' exchange position</b>	<b>536</b>	<b>340</b>	<b>358</b>	<b>321</b>

### Monetary base as of June 15, 2005

The **monetary base** balance as of June 15 was S/. 9 454 millions up 0,6 percent (S/. 52 millions) from end-May. In average terms, the year on year rate of growth of the monetary base in this period was 28,0 percent (27,6 percent in May).

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

counter mechanism (US\$ 220 millions or S/. 714 millions), temporary purchases of securities (S/. 100 millions) and lower financial system *overnight* deposits (S/. 14 millions). These operations were partially offset by CDBCRP's net placements (S/. 530 millions) and higher public sector deposits (S/. 302 millions).

### Banking system monetary accounts as of May 31, 2005

In May, liquidity in **domestic currency** increased 0,1 percent (S/. 18 millions), to a balance of S/. 27 382 millions. Credit to the private sector in the same currency augmented 1,7 percent (S/. 201 millions) to S/. 12 123 millions. However, in annual terms this aggregates grew by 32,3 and 16,1 percent, respectively.

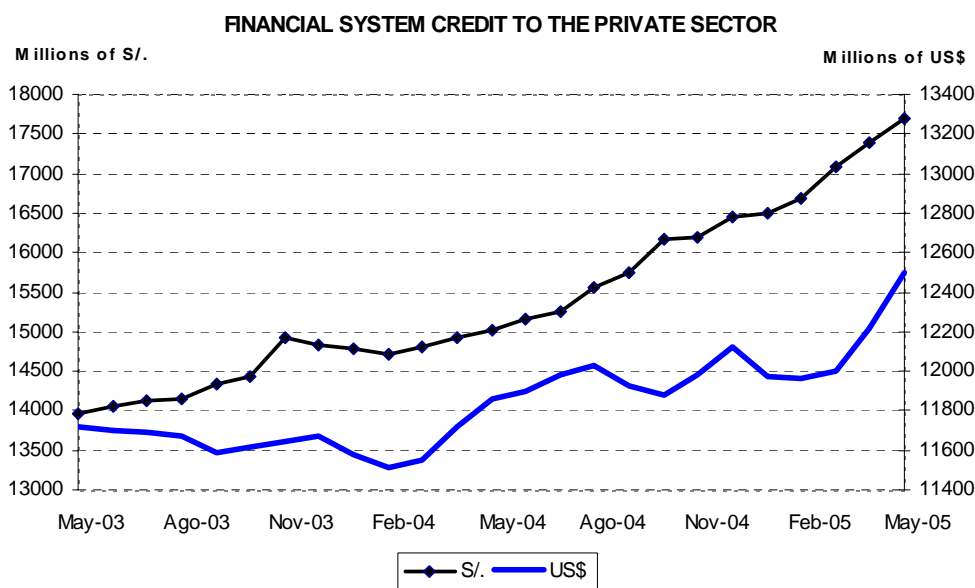
Liquidity in **foreign currency** increased 1,9 percent (US\$ 184 millions) to US\$ 10 071 millions (an annual growth rate of 9,1 percent). Credit to the private sector in the same currency augmented 2,1 percent (US\$ 211 millions) to US\$ 10 318 millions (an annual growth rate of 5,0 percent).

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.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	VAR.(%)	
	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	
<b>2003</b>													
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%	
<b>2004</b>													
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%	
<b>2005</b>													
Jan.	-6,7%	25,0%	0,3%	25,3%	-0,2%	11,9%	0,5%	2,1%	24,7%	28,4%	0,3%	2,7%	
Feb.	2,0%	26,7%	3,8%	30,8%	0,4%	12,9%	-0,5%	4,3%	-9,4%	14,1%	-0,1%	3,5%	
Mar.	-0,2%	25,7%	3,7%	33,6%	2,8%	12,1%	-2,0%	2,2%	6,0%	27,0%	0,4%	3,4%	
Apr.	5,2%	26,6%	-1,1%	32,9%	1,6%	13,9%	5,3%	6,6%	11,1%	31,3%	2,1%	4,3%	
May.	0,8%	26,7%	0,1%	32,3%	1,7%	16,1%	1,9%	9,1%	-2,1%	13,2%	2,1%	5,0%	
Memo:													
Balance as of Apr.30 (Mill.S/. or Mill.US\$)	9 328		27 365		11 923		9 887		975		10 107		
Balance as of May.31 (Mill.S/. or Mill.US\$)	9 402		27 382		12 123		10 071		954		10 318		
1/ Short term external liabilities of banking enterprises.													

## Financial system credit to the private sector

During May, following the trend initiate in March, the financial system credit to the private sector grow in soles (1,7 percent) and in dollars (2,3 percent). In this manner, the annual rate of growth of the

credit in soles passed from 16,6 percent in April to 17,8 percent in May, and the growth rate in dollars from 4,3 percent to 5,4 percent.



The increment of the credit in **soles**, during May, obeyed to commercial banks (S/. 196 millions), mainly by higher consumer credits; to microfinance institutions (S/. 95 millions); and to institutional investors (S/. 16 millions). With

these results, the annual growth rate of the private sector's credit from commercial banks (excluding microfinance credits) increased from 8,4 percent in April to 11,4 percent in May.

## FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY

	Millions of S/.			Percentage change	
	May04	Apr05	May05	May.05/ May.04	May.05/ Apr.05
Commercial banks 1/	8 021	8 738	8 934	11,4	2,2
Banco de la Nación	731	1 162	1 157	58,3	-0,5
<b>Microfinance institutions</b>	<b>3 750</b>	<b>4 624</b>	<b>4 719</b>	<b>25,8</b>	<b>2,0</b>
Banks (microfinance credits)	951	1 206	1 234	29,8	2,4
Local government S&Ls	1 182	1 496	1 512	28,0	1,1
Rural S&Ls	211	274	278	31,4	1,4
Cooperatives	456	526	526	15,4	-,-
Edpymes	181	245	249	37,4	1,5
Financial companies	769	878	919	19,6	4,8
<b>Institutional investors 2/</b>	<b>2 241</b>	<b>2 552</b>	<b>2 568</b>	<b>14,6</b>	<b>0,6</b>
AFPS	1 452	1 529	1 527	5,2	-0,1
Insurance companies	601	821	821	36,6	-,-
Mutual funds	188	202	220	16,9	8,9
<b>Leasing companies and others</b>	<b>280</b>	<b>321</b>	<b>321</b>	<b>15,0</b>	<b>0,1</b>
<b>Total Financial System</b>	<b>15 023</b>	<b>17 398</b>	<b>17 700</b>	<b>17,8</b>	<b>1,7</b>

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

May's increased in dollar denominated credit was due to higher credit of commercial banks (US\$ 208 millions), explained by higher credits of foreign trade

(US\$ 188 millions); higher credit of institutional investors (US\$ 65 millions); and of microfinance institutions (US\$ 9 millions).

## FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Millions of US\$			Percentage change	
	May04	Apr05	May05	May.05/ May.04	May.05/ Apr.05
Commercial banks 1/	9 495	9 732	9 940	4,7	2,1
Banco de la Nación	22	22	22	-0,5	-0,0
<b>Microfinance institutions</b>	<b>548</b>	<b>680</b>	<b>689</b>	<b>25,8</b>	<b>1,3</b>
Banks (microfinance credits)	94	134	140	49,0	4,6
Local government S&Ls	213	258	260	22,2	0,7
Rural S&Ls	47	55	55	16,0	0,2
Cooperatives	122	152	152	24,8	-,-
Edpymes	43	50	51	17,5	1,2
Financial companies	29	32	32	10,4	1,7
<b>Institutional investors 2/</b>	<b>1 185</b>	<b>1 140</b>	<b>1 205</b>	<b>1,7</b>	<b>5,8</b>
AFPS	570	593	636	11,5	7,3
Insurance companies	59	97	97	64,3	-,-
Mutual funds	556	450	473	-15,0	5,0
<b>Leasing companies and others</b>	<b>614</b>	<b>643</b>	<b>646</b>	<b>5,2</b>	<b>0,6</b>
<b>Total Financial System</b>	<b>11 864</b>	<b>12 216</b>	<b>12 503</b>	<b>5,4</b>	<b>2,3</b>

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

## Fiscal surplus at S/. 89 million in May 2005

**Central government operations** through last 12 months recorded a S/. 3 170 million surplus (compared to S/. 1 838 million over the period June 2003-May 2004). Current revenues were up in S/. 5 191 million (16 percent), exceeding the increase in non-financial expenditure (S/. 3 702 million or 12 percent). Since interests totaled S/. 4 435 million, the overall deficit reached S/. 1 265 million, down S/. 1 324 million from the period June 2003-May 2004.

In May 2005, the central government overall balance recorded a S/. 89 million surplus, down by the same amount from a year ago. The primary surplus was S/. 403 million, S/. 79 million lower than in May 2004, reflecting the increase in non-financial expenditure (14 percent), whereas current revenues and interests grew by 9 and 3 percent, respectively.

### CENTRAL GOVERNMENT OPERATIONS

(Millions of Nuevos Soles)

	Monthly data			12-month period			C/A	C/B
	May			Jun 2003	May 2004	Jun 2004		
	2004	2005	% var.	May 2004	Apr 2005	May 2005		
			A	B	C			
<b>1. CURRENT REVENUES</b>	<b>2 996</b>	<b>3 267</b>	<b>9,1</b>	<b>33 071</b>	<b>37 990</b>	<b>38 262</b>	<b>15,7</b>	<b>0,7</b>
A. TAX REVENUE	2 640	2 813	6,5	28 969	33 464	33 637	16,1	0,5
B. NON TAX REVENUE	356	454	27,6	4 102	4 526	4 624	12,7	2,2
<b>2. NON-FINANCIAL EXPENDITURE</b>	<b>2 525</b>	<b>2 868</b>	<b>13,6</b>	<b>31 623</b>	<b>34 983</b>	<b>35 325</b>	<b>11,7</b>	<b>1,0</b>
A. CURRENT EXPENDITURE	2 277	2 594	13,9	27 858	30 648	30 965	11,2	1,0
B. CAPITAL EXPENDITURE	248	274	10,4	3 765	4 335	4 361	15,8	0,6
<b>3. CAPITAL REVENUES</b>	<b>11</b>	<b>3</b>	<b>-70,3</b>	<b>390</b>	<b>241</b>	<b>234</b>	<b>-40,0</b>	<b>-3,1</b>
<b>4. PRIMARY BALANCE</b>	<b>482</b>	<b>403</b>		<b>1 838</b>	<b>3 249</b>	<b>3 170</b>		
<b>5. INTEREST PAYMENTS</b>	<b>303</b>	<b>313</b>	<b>3,3</b>	<b>4 428</b>	<b>4 425</b>	<b>4 435</b>	<b>0,2</b>	<b>0,2</b>
<b>6. OVERALL BALANCE</b>	<b>178</b>	<b>89</b>		<b>-2 589</b>	<b>-1 176</b>	<b>-1 265</b>		
<b>7. NET FINANCING</b>	<b>-178</b>	<b>-89</b>		<b>2 589</b>	<b>1 176</b>	<b>1 265</b>		
1. External	1 560	-74		2 874	5 021	3 387		
A. Disbursements	1 781	193		7 162	9 626	8 039		
B. Amortizations	-220	-267		-4 289	-4 605	-4 652		
2. Domestic	-1 744	-87		-685	-4 015	-2 358		
3. Privatization	6	72		401	170	236		

May **current revenue** amounted to S/. 3 267 million, reflecting both higher tax and non-tax revenue. The former grew by 7 percent to S/. 2 813 million. Collection on tariffs increased 26 percent, on value added 13 percent and on other taxes 27 percent. There was also higher tax refund (21 percent) and lower excise tax collection (18 percent) and no entries for the extraordinary solidarity tax and the additional advance of income tax. The

higher tax collection reflected: (i) higher economic activity, (ii) the 33 percent growth in imports and (iii) better terms of trade. On the other hand, non-tax revenue were S/. 454 million, 28 percent up from a year ago, due to more oil and gas royalties and canon (140 percent) and new mining royalties (S/. 35 million, including 2004 second semester clearance).

**Non-financial expenditure** amounted to S/. 2 868 million, up S/. 343 million from a year ago (nominal increase of 14 percent). Current expenditure grew by S/. 317 million, whereas capital expenditure increased S/. 26 million. The former due to higher transfers and wages & salaries (22 and 13 percent, respectively) and the latter due to higher transfer to local governments.

**Foreign financing** was negative in S/. 74 million (US\$ 23 million), since amortization amounted to US\$ 82 million and disbursements to US\$ 59 million.

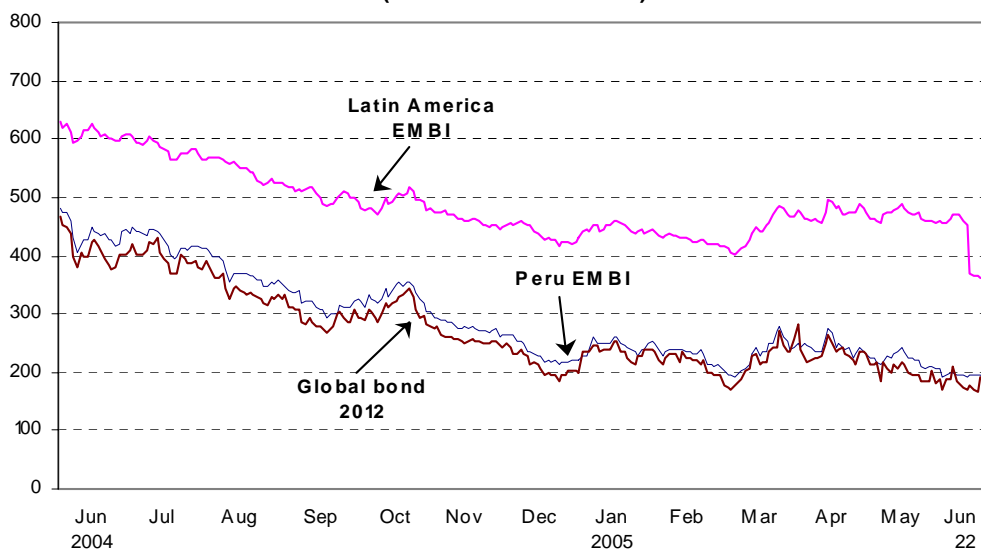
**Domestic financing** was also negative in S/. 87 million. There were sovereigns bonds placements by S/. 188 million and a swap of financial system consolidation bonds for sovereign bonds by S/. 851 million. Besides, Public Treasury deposits grew S/. 196 million.

### 2012 Global bond spread at 1,92 percent

Over the period **June 15 to 22**, the **2012 global bond** spread increased from 1,70 to 1,92 percent; whereas the **EMBI+ Peru**

spread increased from 1,96 to 2,02 percent.

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

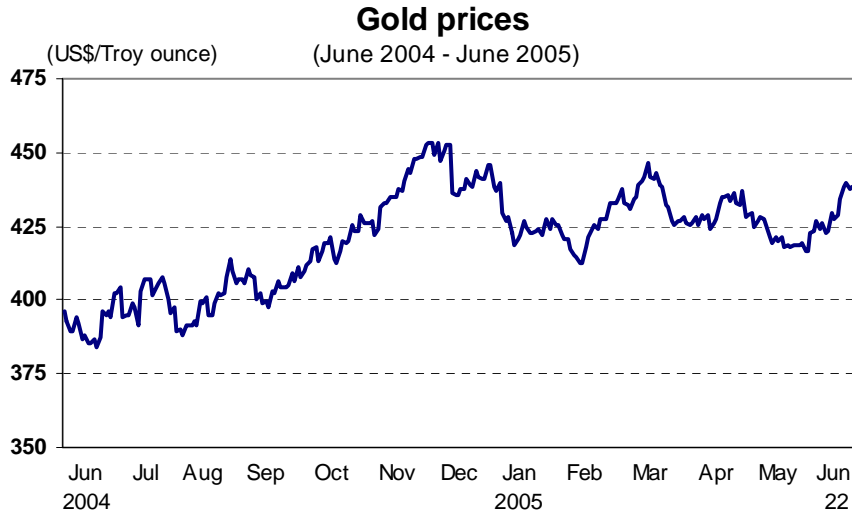




**International markets**

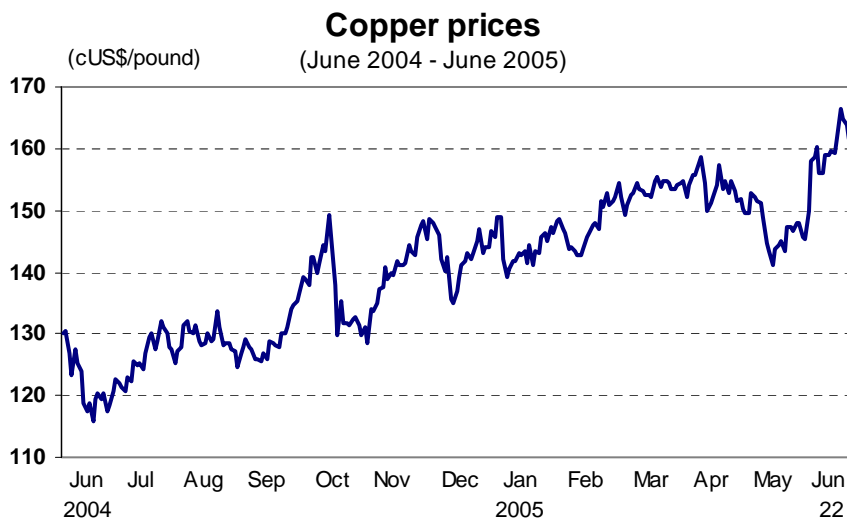
From **June 15 to 22**, the **gold** price soared 2,1 percent to US\$ 438 per Troy ounce, reflecting a broader demand for

this precious metal as a non-risk asset after higher oil prices.



Over the same period **copper** price increased 1,4 percent to US\$ 1,62 per Troy ounce, due to low inventories. It should be noted that on June 17 the copper reached a last 17 year maximum of

US\$ 1,66 per pound. LME inventories fell to its lowest level since July 1974 (33 thousand MT). Besides, Cerro Colorado mine remains closed after the earthquake in Northern Chile.



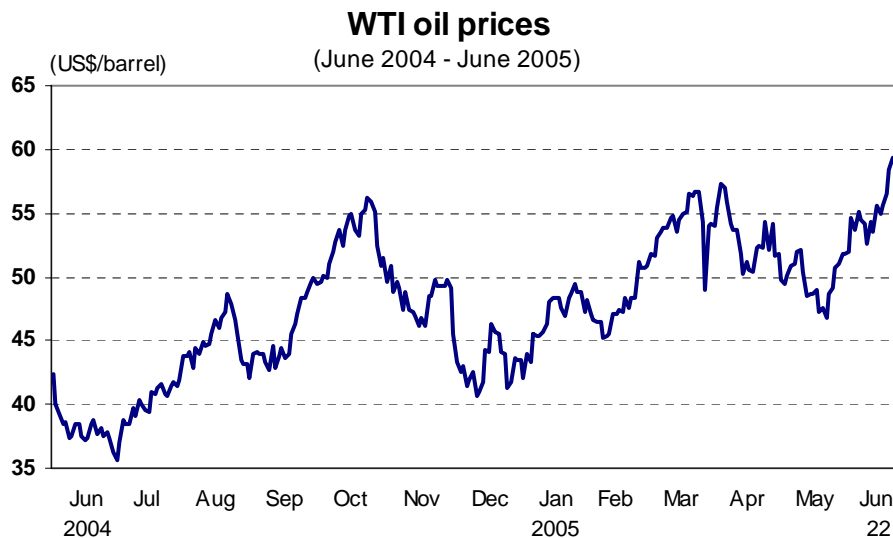
The **zinc** price rose 1,4 percent to US\$ 0,57 per ounce, following the copper

price and the drop in LME inventories from 623 to 615 thousand MT.



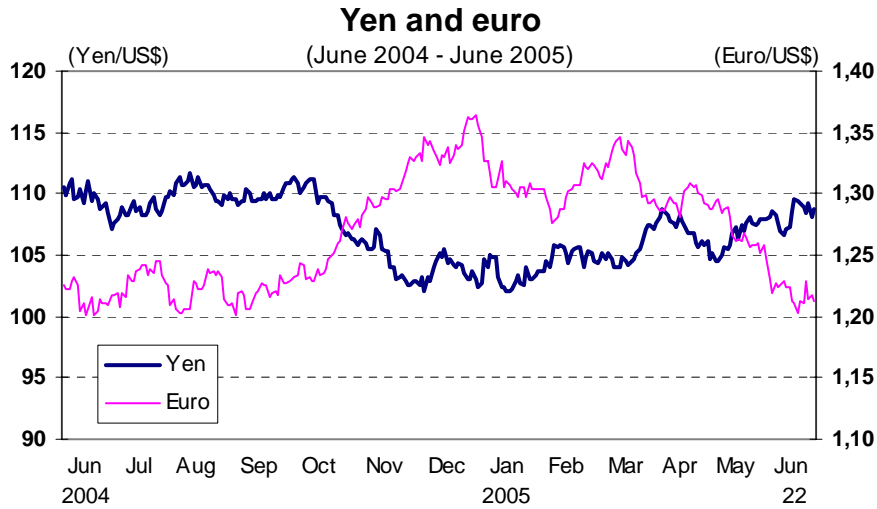
The **WTI oil** price increased 4,1 percent to US\$ 57,8 per barrel, recording an historic maximum of US\$ 59,4 on June 20, due to

the concern about OPEC's and refinery's capacity to meet higher global demand.



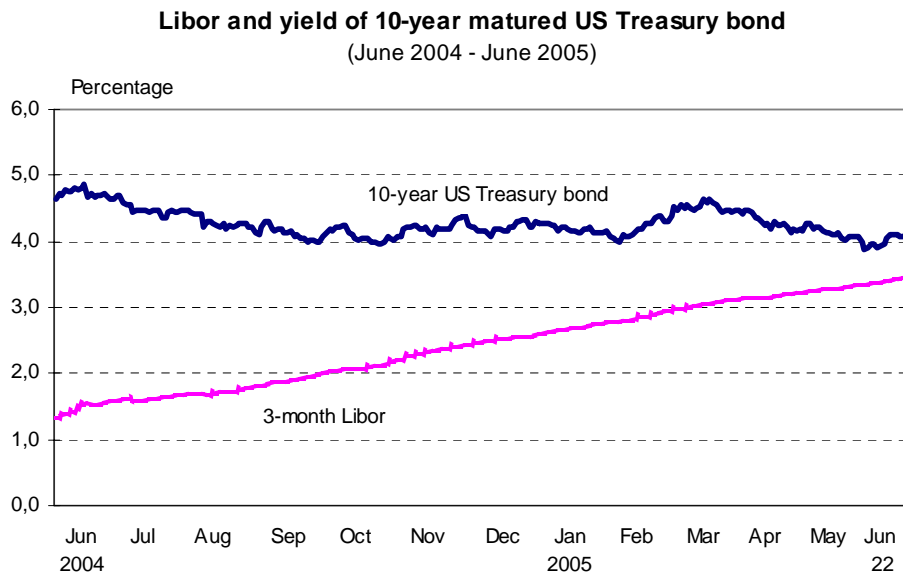
During the period under analysis, the **US dollar** remained steady against the **euro** and appreciated 0,3 percent against the **yen**; due to record US current account

deficit in the first quarter: US\$ 195 billion or 6,4 percent of GDP (above US\$ 190 billion market expected) as well as the upward revision for the IVQ2004 figure.



Between **June 15 and 22**, the **3-month Libor** increased from 3,42 to 3,46 percent, whereas the **yield of the 10-year-matured US Treasury bond** dropped from 4,10 to 3,94 percent. The demand for

US treasuries increased reflecting the concern about global economic growth which would end up the Fed's interest rate raise cycle sooner than expected.



### Lima Stock Exchange

As of **June 22**, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 3,4 and 2,8 percent. Stocks that growth most last week were Austral,

Graña y Montero and Backus. In the year, these indices have increased 9,4 and 8,6 percent, respectively.

**LSE indicators**  
(June 2004 - June 2005)

