

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

Nº 26 – July 1, 2005

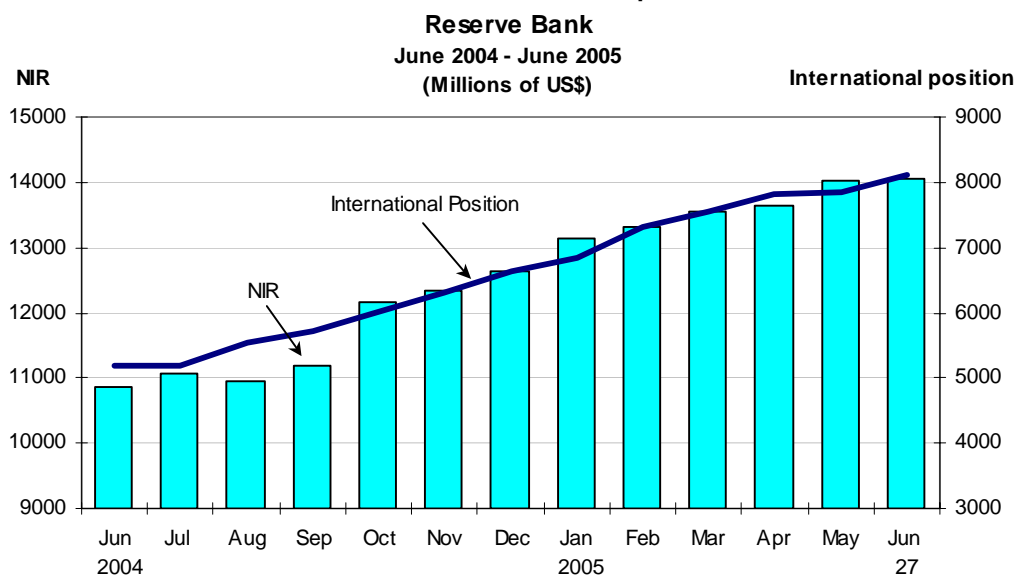
Net international reserves at US\$ 14 044 millions

As of **June 27**, net international reserves (NIR) amounted to US\$ 14 044 millions, up US\$ 28 millions from end-May. This increase was mainly due to net purchases of foreign exchange by US\$ 265 millions (purchases over-the-counter mechanism by US\$ 355 millions and sales to the public sector by US\$ 90 millions), higher public sector deposits in US\$ 41 millions and investment yield in US\$ 27 millions. This

evolution was partially offset by lower financial system deposits in US\$ 291 millions and changes in the value of currencies and gold in US\$ 16 millions.

Year-to-date, NIRs have increased US\$ 1 413 millions, whereas the **Central Bank's international position** (US\$ 8 110 millions) grew by US\$ 1 471 millions.

Net international reserve and international position of the Central

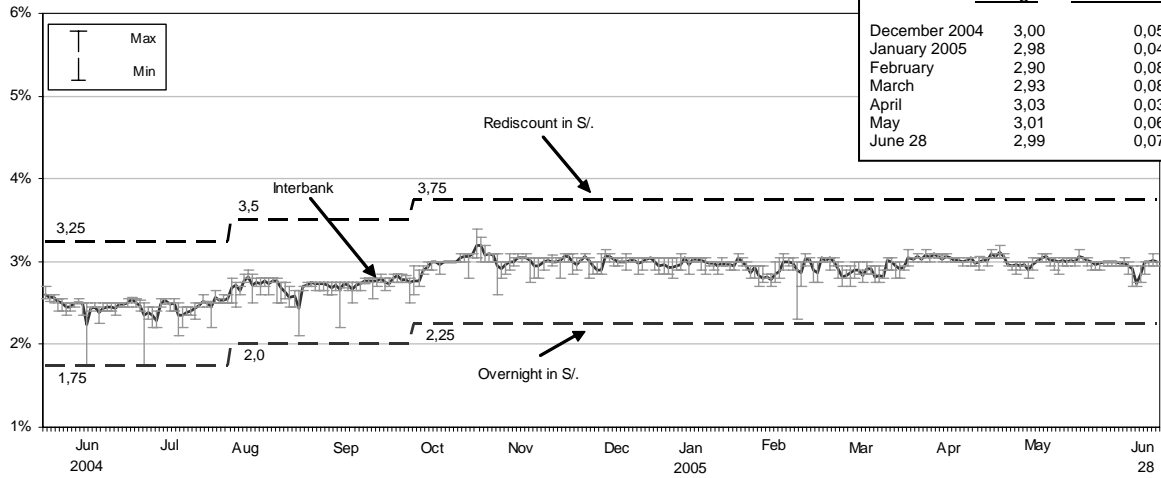


Interbank interest rate at 2,99 percent

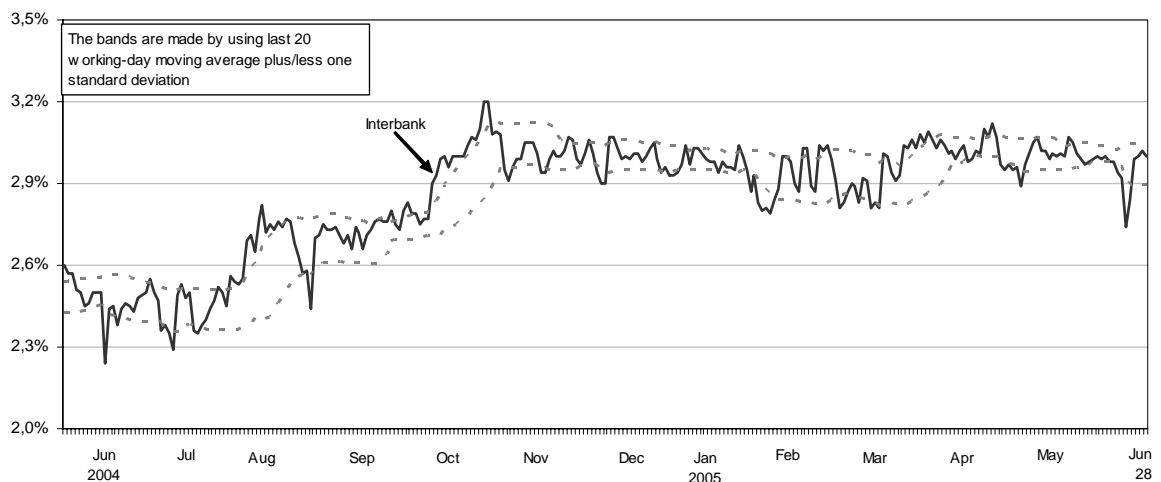
Between **June 1 and 28**, the average interest rate in domestic currency was

2,99 percent.

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



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



Monetary operations

Between **June 23 and 28**, the Central Bank made the following operations:

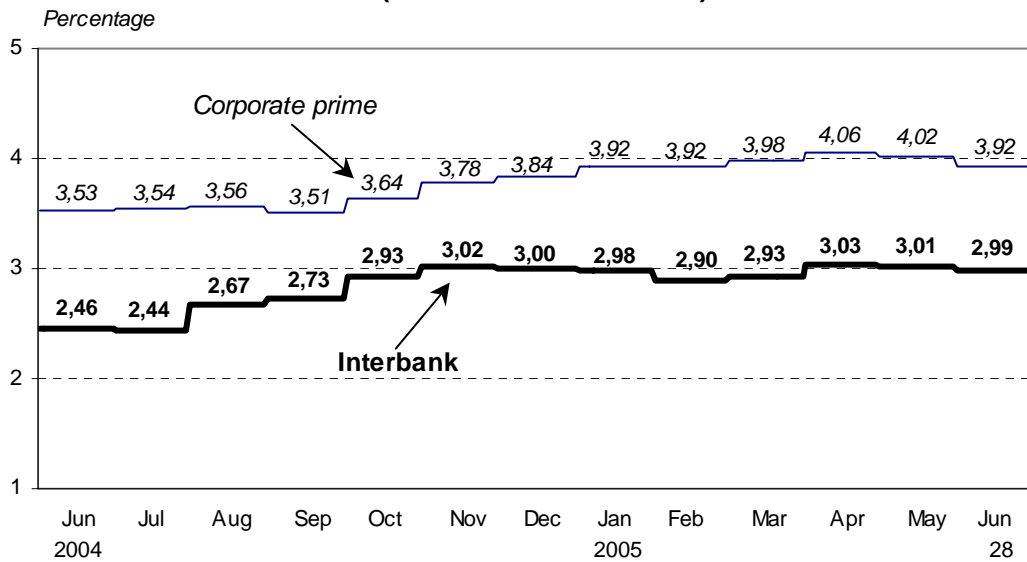
- Auctions of CDBCRP with a 1-week maturity by S/. 65 and S/. 57 millions at an average interest rate of 3,00 and 3,06 percent, respectively.
- Auctions of temporary purchase of CDBCRP and BTP with a 1-day maturity by S/. 165 millions at 3,02 percent and 3-day by S/. 130 millions at 3,02 percent.
- Foreign currency purchase over-the-counter mechanism by US\$ 70 millions at an average exchange rate of S/. 3,254.
- Overnight deposits on June 24 and 28 by S/. 86 y S/. 20,5 millions, respectively.

Corporate prime interest rate at 3,92 percent

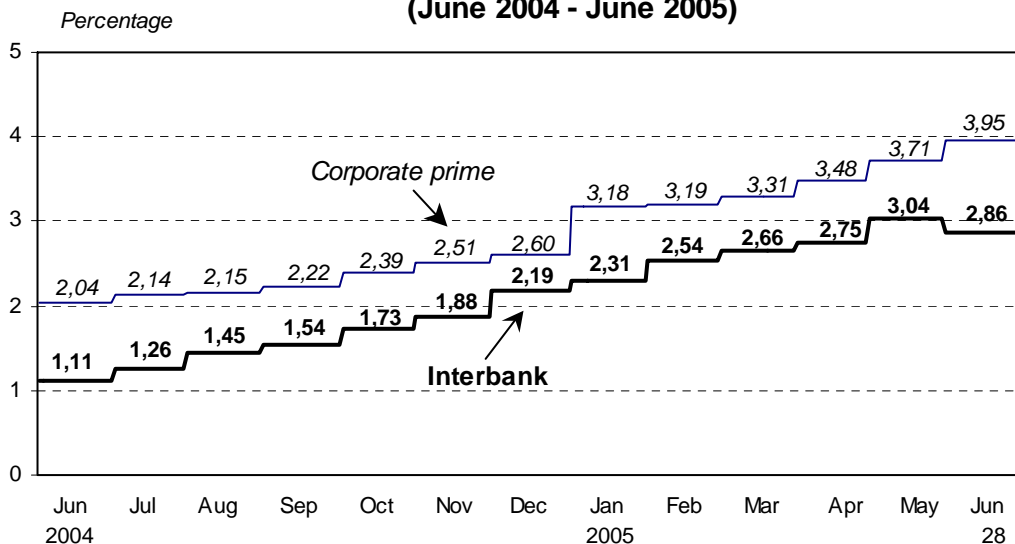
As of **June 28**, the 90-day average corporate prime interest rate in domestic currency decreased from 4,02 percent in

May to 3,92 percent, meanwhile the rate in dollars increased from 3,71 to 3,95 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/. 3,254

Between **June 22 and 28**, the asked banking system exchange rate slightly increased from S/. 3,253 to S/. 3,254 per dollar. Up to June 28, the bank's balance

of net forward sales decreased in US\$ 36 millions from end-May and the bank's exchange position dropped in US\$ 48 millions.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2003	December 2004	May 2005	June 28
a. Net sales to the public (i-ii)	607	699	538	502
i. Forward sales to the public	834	1 163	979	1 149
ii. Forward purchases to the public	227	464	440	646
b. Banks' exchange position	536	340	358	310

Monetary base as of June 22, 2005

The **monetary base** balance as of June 22 was S/. 9 520 millions, up 1,3 percent (S/. 118 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).

counter mechanism (US\$ 285 millions or S/. 927 millions) and lower financial system *overnight* deposits (S/. 104 millions). These operations were partially offset by CDBCRP's net placements (S/. 900 millions), sales of foreign currency to the public sector (US\$ 30 millions or S/. 98 millions) and higher public sector deposits (S/. 11 millions).

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

Banking system monetary accounts as of June 7, 2005

Through last 4 weeks, liquidity in **domestic currency** increased 0,3 percent (S/. 87 millions), to a balance of S/. 27 693 millions. Credit to the private sector in the same currency augmented 1,6 percent (S/. 192 millions) to S/. 12 092 millions. However, in annual terms this aggregates grew by 34,3 and 16,1 percent, respectively.

Liquidity in **foreign currency** increased 1,6 percent (US\$ 155 millions) to US\$ 10 049 millions (an annual growth rate of 7,5 percent). Credit to the private sector in the same currency augmented 2,0 percent (US\$ 204 millions), to US\$ 10 353 millions (an annual growth rate of 5,9 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%	0,3%	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%
Jun.7	-1,6%	28,1%	0,3%	34,3%	1,6%	16,1%	1,6%	7,5%	6,8%	8,1%	2,0%	5,9%
Memo:												
Balance as of May.7 (Mill.S/. or Mill.USS)	9 998		27 606		11 901		9 893		896		10 149	
Balance as of Jun.7 (Mill.S/. or Mill.USS)	9 835		27 693		12 092		10 049		957		10 353	
1/ Short term external liabilities of banking enterprises.												

2012 Global bond's spread at 1,93 percent

Over the period **June 22 to 28**, the **2012 global bond's** spread increased slightly from 1,92 to 1,93 percent and the **EMBI+ Peru** spread from 2,02 to 2,03 percent. The emerging debt market is awaiting to next

Fed's meeting where a 25 basis points increase is anticipated. With this raise, the ninth in a row, Fed's interest rate should be 3,25 percent.

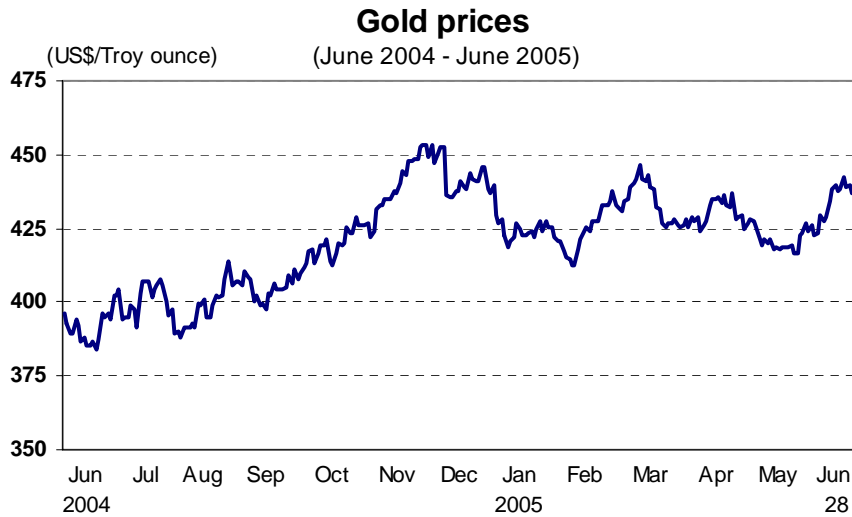
Country risk indicators
(June 2004 - June 2005)



International markets

From June 22 to 28, **gold** price decreased 0,3 percent to US\$ 437 per Troy ounce,

due to a profit-taking following the US\$ 20 uprise along the first three weeks of June.



The **copper** price soared 0,5 percent to US\$ 1,62 per Troy ounce over the period under analysis and 11,3 percent in June, reflecting the concern of low inventories in

global metals exchanges. It should be noted that LME's inventories fell from 33 to 30 thousand metric tones.



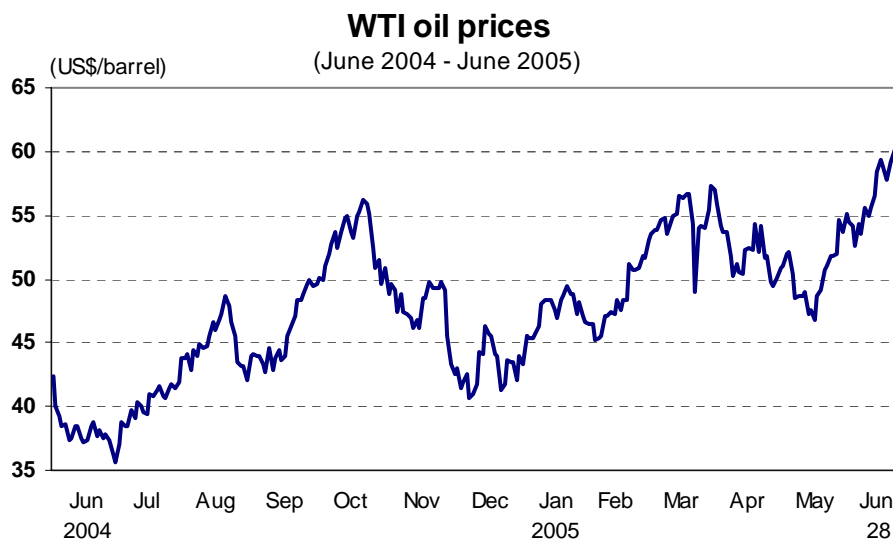
The **zinc** price decreased 3,3 percent to US\$ 0,56 per ounce during the week, due to investment funds' technical sales once the price was below the 200-day moving average level. On the other hand, China

mine Lanping started to operate this week. This mine has a 100 thousand metric ton potential output, the highest in this Asian nation.



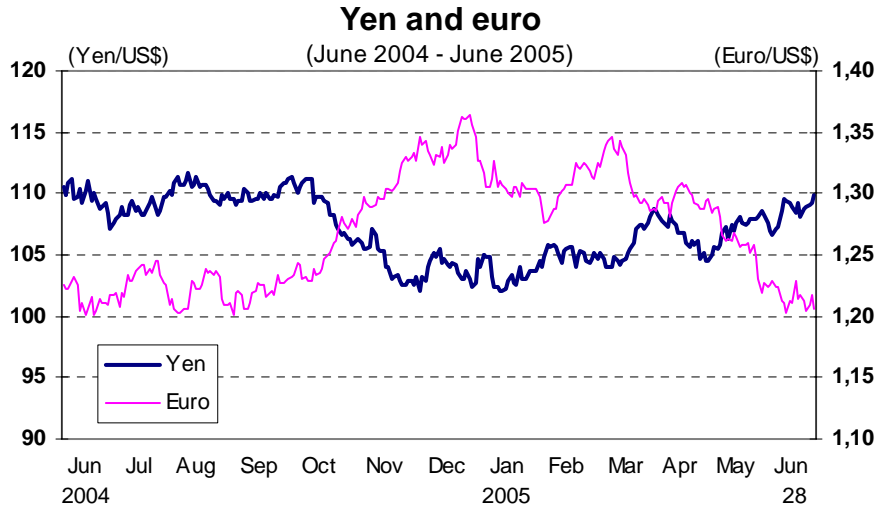
The **WTI oil** price increased 0,6 percent to US\$ 58,2 per barrel, after recording an historic maximum of US\$ 60,5 on June 27, due to the concern about oil producers'

capacity to meet higher global demand as well as the uncertainty of the new nationalist government in Iran (second OPEC's highest producer).



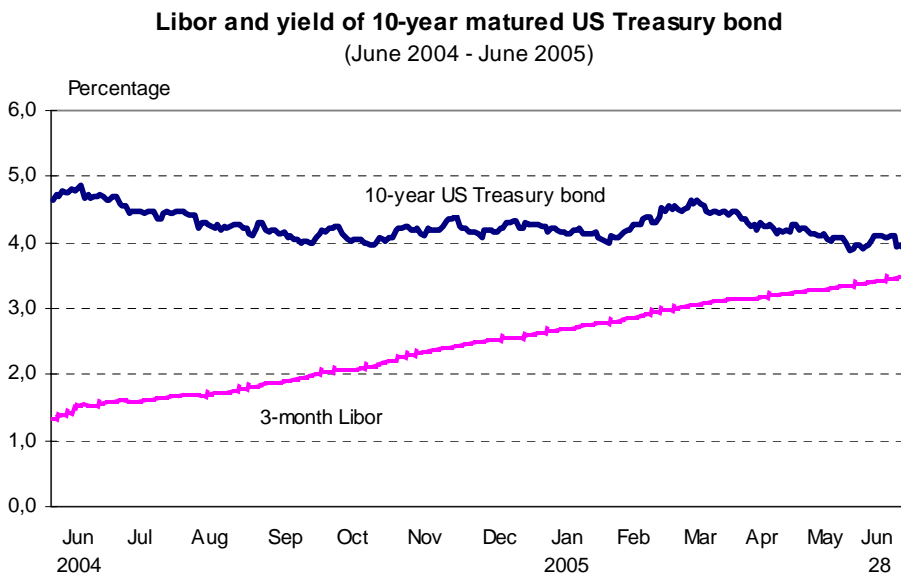
Between **June 22 and 28**, the **US dollar** appreciated 0,5 against the **euro** and 1,0 percent against the **yen**; thanks to higher interest rates and economic growth in the US than in Europe. For instance, US

economic growth was revised upwards in the first quarter (from 3,5 to 3,8 percent). On the other hand, Japanese trade surplus has been affected by the oil price escalation.



Over this period, the **3-month Libor** increased from 3,46 to 3,49 percent, whereas the **yield of the 10-year-matured US Treasury bond** passed from

3,94 to 3,97 percent, due to a higher than expected increase in US consumer confidence for June.



Lima Stock Exchange

As of **June 28**, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 3,0 and 1,7 percent, respectively, reflecting the expectations for second quarter's financial statements

of Austral (fishing) and Santa Luisa (mining) companies. In the year, these indices have increased 8,9 and 7,5 percent, respectively.

LSE indicators
(June 2004 - June 2005)

