

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

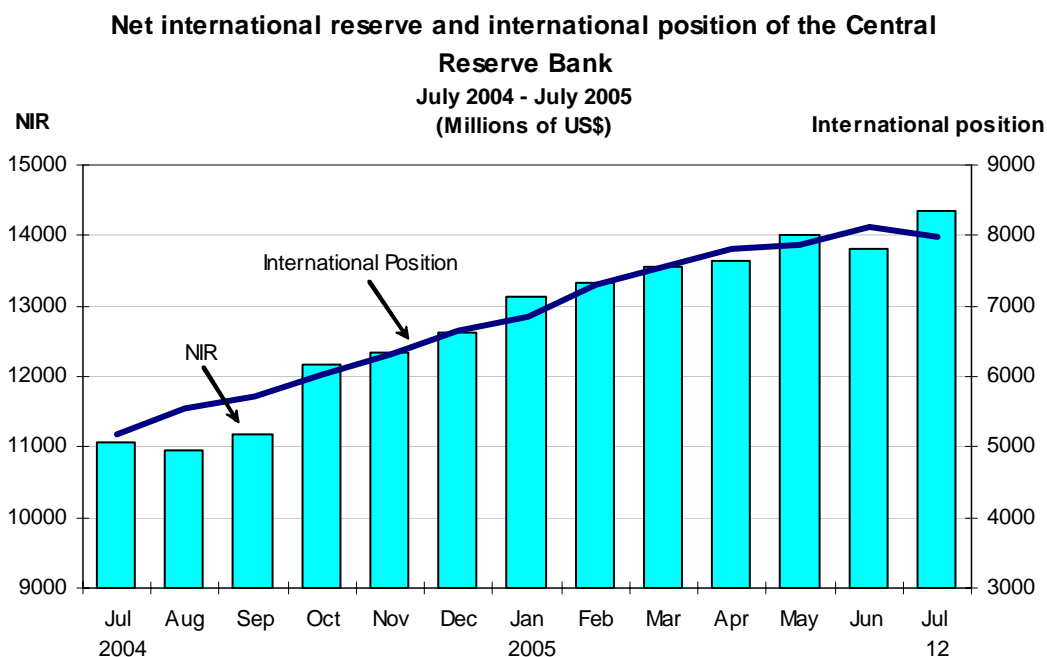
Nº 28 – July 15, 2005

Net international reserves at US\$ 14 363 millions

As of **July 12**, net international reserves (NIR) amounted to US\$ 14 363 millions, up US\$ 545 millions from end-June. This increase was mainly due to higher public sector and financial system deposits in US\$ 489 and US\$ 205 millions, respectively; purchases of foreign currency by US\$ 387 millions; changes in the value of currencies and gold in US\$ 13 millions, and investment yield in US\$ 5 millions. This

evolution was partially offset by sales of foreign currency to the public sector by US\$ 552 millions and lower deposits of the Insurance Fund Deposit in US\$ 2 millions.

Year-to-date, NIRs have increased US\$ 1 732 millions, whereas the **Central Bank's international position** (US\$ 7 976 millions), grew by US\$ 1 337 millions.

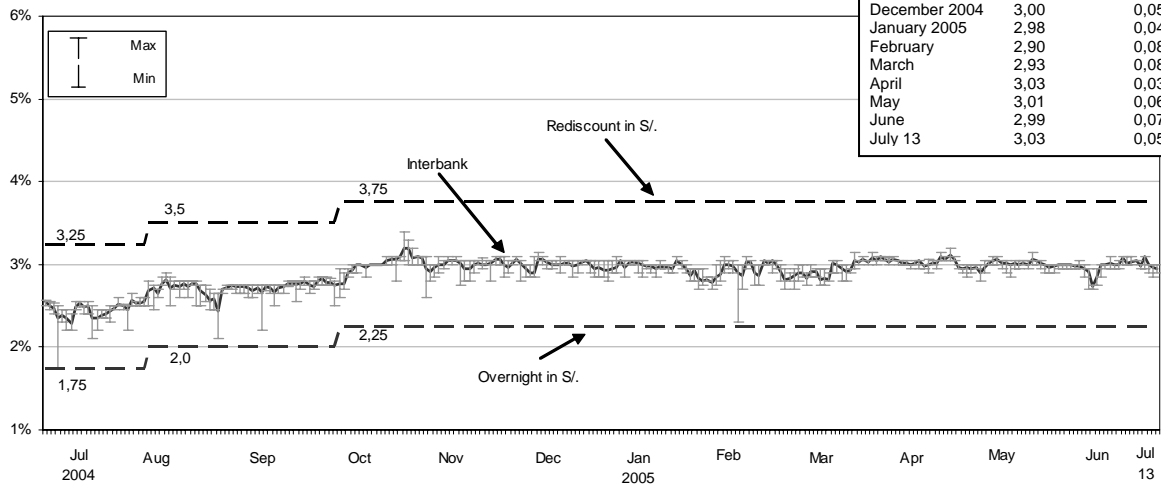


Interbank interest rate at 3,03 percent

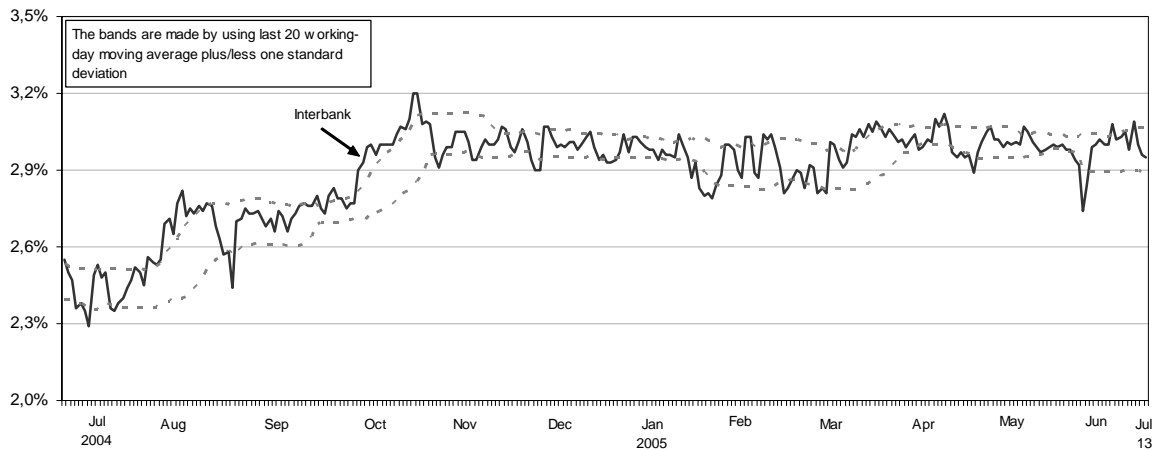
Between **July 1 and 13**, the average interest rate in domestic currency was

en 3,03 percent.

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



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



Monetary operations

Between **July 7 and 13**, the Central Bank made the following operations:

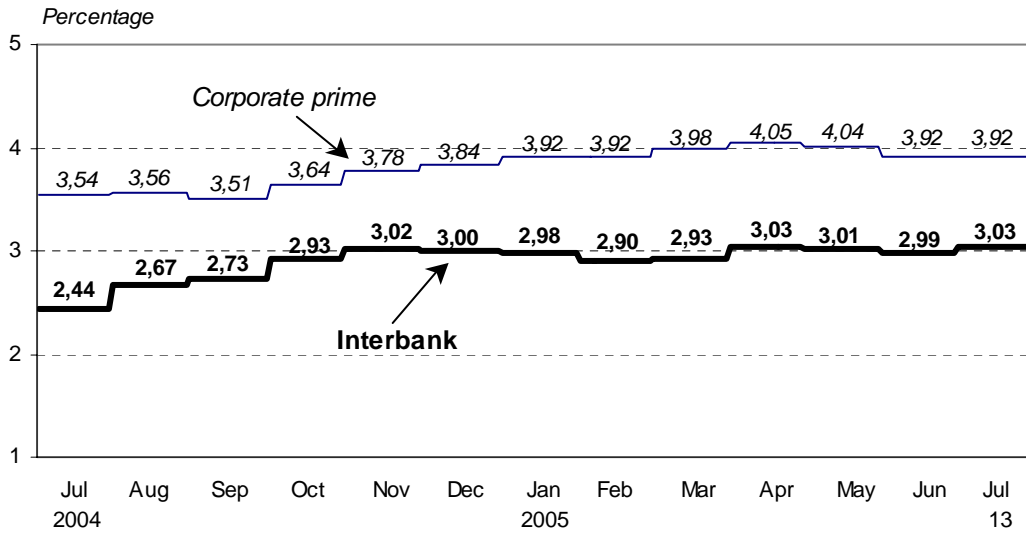
- Auctions of CDBCRP with a 7-day maturity by S/. 200 millions at an average interest rate of 3,08 percent.
- Auctions of temporary purchase of CDBCRP and BTP with a 3-day maturity by S/. 553 millions at 3,05 percent.
- Foreign currency purchase over-the-counter mechanism by US\$ 325 millions at an average exchange rate of S/. 3,251.
- Overnight deposits on July 8, 11, 12 and 13 by S/. 287,8; S/. 3; S/. 303,5 and S/. 5 millions, respectively.

Corporate prime interest rate at 3,92 percent

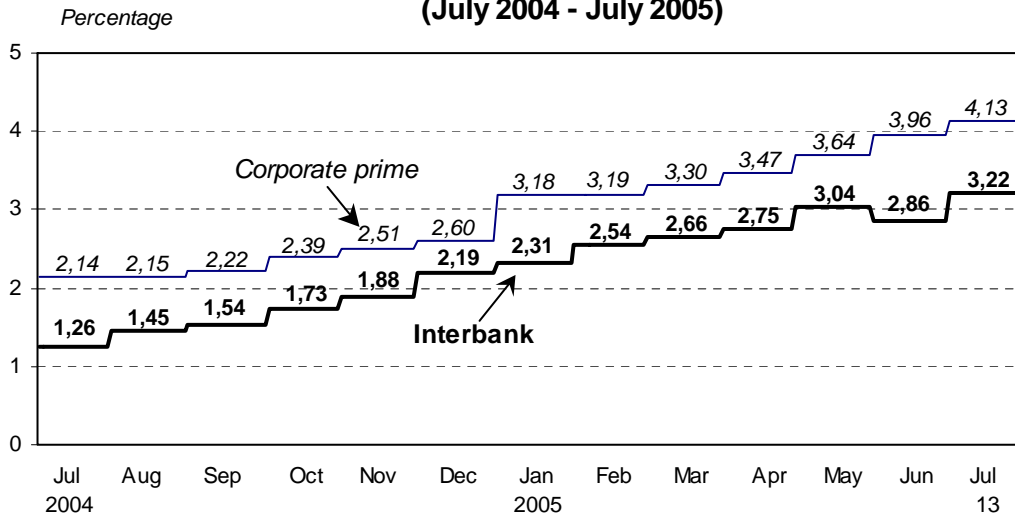
As of **July 13**, the 90-day average corporate prime interest rate in domestic currency stayed on 3,92 percent,

meanwhile the rate in dollars increased from 3,96 percent in June to 4,13 percent.

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



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



Exchange rate: S/. 3,252

Between **July 6 and 13**, the asked banking system exchange rate slightly decreased from S/. 3,253 to S/. 3,252 due to higher demand of domestic currency by the placement of sovereign bonds by

S/. 1500 millions on July 7. Up to July 12, the bank's balance of net forward sales and the bank's exchange position increased US\$ 22 millions from end-June.

BANKS' EXCHANGE POSITION (Millions of US\$)

	December 2003	December 2004	June 2005	July 12
a. Net sales to the public (i-ii)	607	699	490	512
i. Forward sales to the public	834	1 163	1 101	1 258
ii. Forward purchases to the public	227	464	611	746
b. Banks' exchange position	536	340	355	377

Monetary base as of July 7, 2005

The **monetary base** balance as of July 7 was S/. 10 978 millions, up 14,6 percent (S/. 1 401 millions) from end-June. In average terms, the year on year rate of growth of the monetary base in this period was 32,7 percent (28,3 percent in June).

The main explanations for this result were purchases of foreign currency over-the-counter mechanism (US\$ 240 millions or S/. 780 millions), lower public sector

deposits (S/. 494 millions), temporary purchases of securities (S/. 180 millions), redemption of CDBCRP's (S/. 122 millions) and the cancellation of financial system's overnight deposits (S/. 105 millions). These operations were partially offset by sales of foreign currency to the public sector (US\$ 91 millions or S/. 295 millions).

Banking system monetary accounts as of June 22, 2005

Through last 4 weeks, liquidity in **domestic currency** increased 1,3 percent (S/. 356 millions), to a balance of S/. 27 741 millions. Credit to the private sector in the same currency augmented 0,2 percent (S/. 25 millions) to S/. 12 142 millions. However, in annual terms this aggregates grew by 32,6 and 15,7 percent, respectively.

Liquidity in **foreign currency** decreased 0,7 percent (US\$ 70 millions) to US\$ 9 989 millions (an annual growth rate of 4,7 percent). Credit to the private sector in the same currency augmented 2,3 percent (US\$ 239 millions) to US\$ 10 472 millions (an annual growth rate of 5,7 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												
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.22	0,1%	29,5%	1,3%	32,6%	0,2%	15,7%	-0,7%	4,7%	-1,2%	3,0%	2,3%	5,7%
Memo:												
Balance as of May.22 (Mill.S/. or Mill.U\$)	9 514		27 385		12 117		10 059		907		10 234	
Balance as of Jun.22 (Mill.S/. or Mill.U\$)	9 520		27 741		12 142		9 989		895		10 472	
1/ Short term external liabilities of banking enterprises.												

2012 Global bond's spread at 1,81 percent

Between July 6 and 13, the **EMBI+ Peru's spread** decreased from 2,05 to an historic minimum of 1,90 percent, whereas the 2012 global bond's spread fell to 1,81 percent from 2,07 percent. Standard & Poor's upgraded the outlook of the foreign currency denominated long-term Peruvian debt from stable to positive, with a BB

rating -two notches under the investment grade-. This change reflects a more likely scenario where latest fiscal and economic improvement hold in the medium term. In this context, on July 13, the government placed euro-denominated US\$ 750 million worth sovereign bond with a 20-year maturity and a 7,35 percent interest rate.

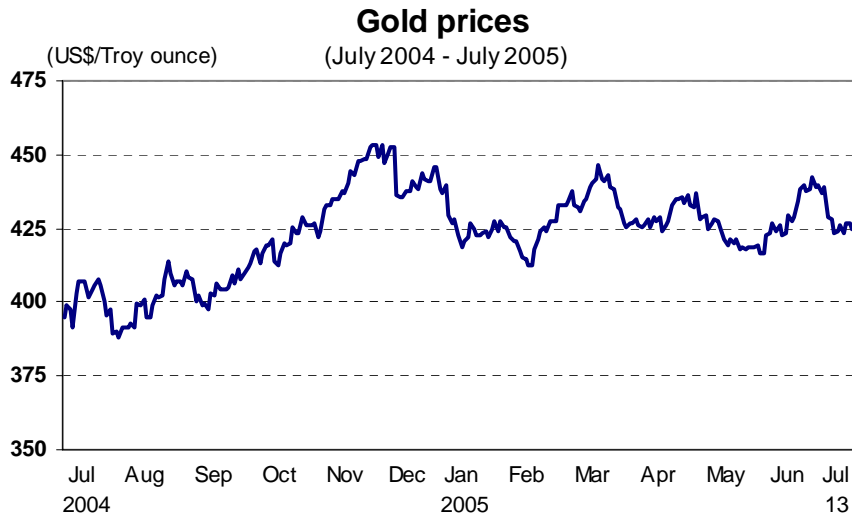
Country risk indicators
(July 2004 - July 2005)



International markets

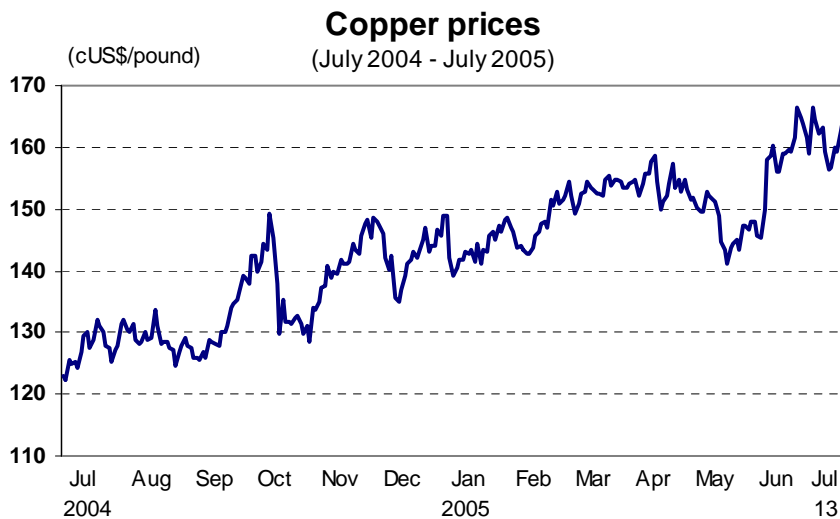
Between **July 6 and 13**, the **gold's** quotation increased 0,1 percent to

US\$ 424 per Troy ounce, reflecting the weakness of the US dollar.



Over similar period, the **copper's** quotation soared 2,1 percent to US\$ 1,63 per Troy ounce, due to the strikes in US

mine Asarco and Zambian mine Nkana as long as world inventories remained at its lowest level in last 30 years.



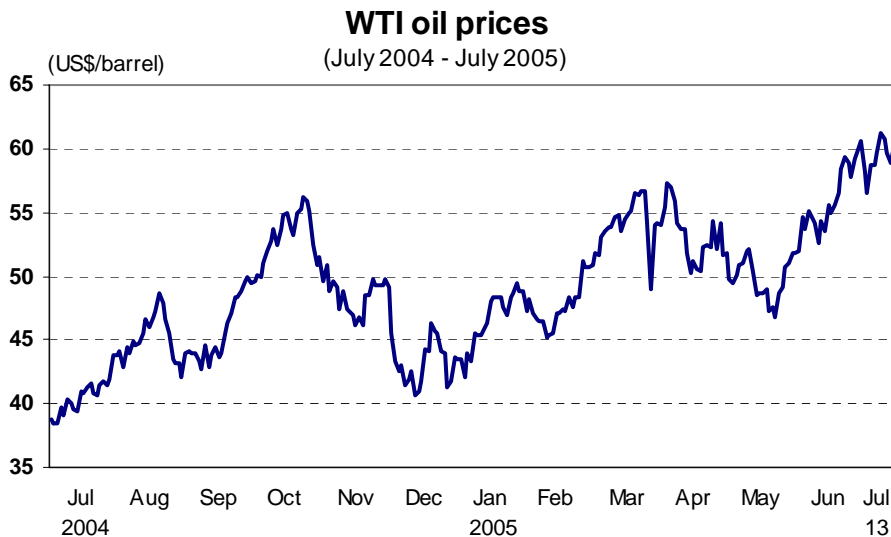
The **zinc's** quotation increased 0,1 percent to US\$ 0,54 per ounce. According to the International Lead and Zinc Study Group, the consumption of zinc increased

56 thousand MT between January and May 2005, affecting inventory levels and giving support to its price.



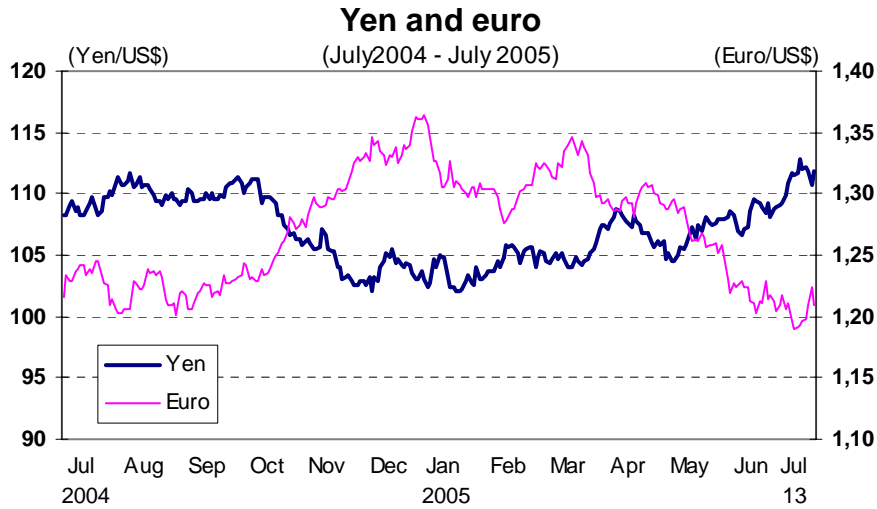
The **WTI oil** price dropped 2,1 percent to US\$ 60,0 per barrel, once it was known that hurricane Dennis did not affect Texas' and Louisiana's oil infrastructure. Besides,

Chinese oil import grew by 3,9 percent in 2005IQ, compared with the 39 percent increase during similar period in 2004.



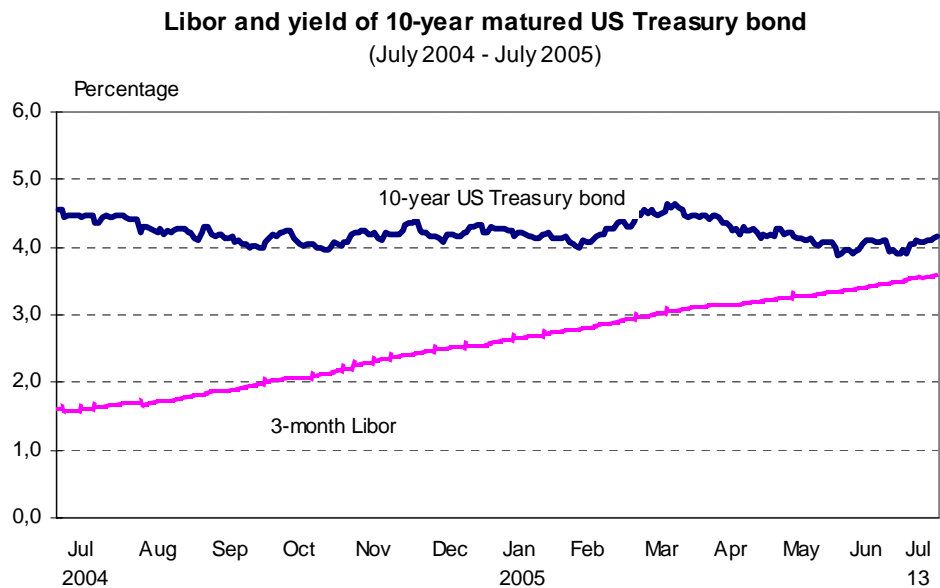
Between July 6 and 13, the **US dollar** depreciated 1,4 percent against the **euro** and 0,9 percent against the **yen** due to the release of favorable economic indicators for Germany and France, which

decreased expectations upon a likely ECB interest rate cut in the near future. On July 7, the ECB maintained its reference interest rate at 2,0 percent as anticipated.



The **3-month Libor** increased from 3,56 to 3,60 percent, whereas the yield of the **10-year-matured** US Treasury bond passed from 4,07 to 4,16 percent. The demand for US Treasuries declined after

the increasing expectations on new Fed interest rate rises. It should be noted that latest US economic indicators made the Dow Jones index to increase 2,8 percent over the week under analysis.



Lima Stock Exchange

As of July 13, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 2,1 and 1,6 percent, respectively, reflecting the performance

of banking enterprises. In the year, these indices have increased 11,1 and 9,1 percent, respectively.

LSE indicators
(July 2004 - July 2005)

