

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

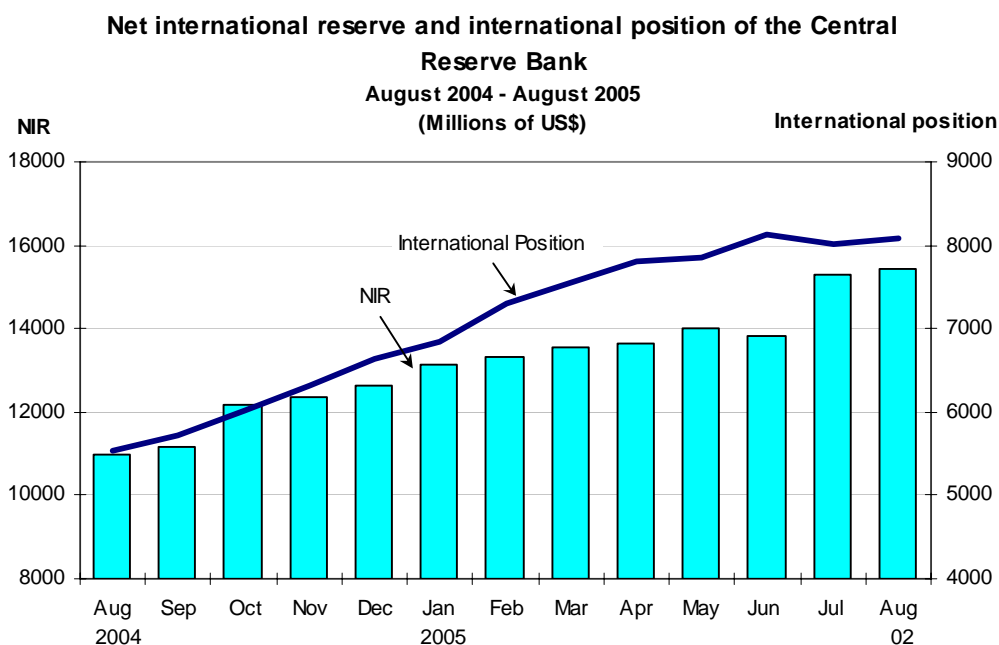
Nº 31 – August 5, 2005

Net international reserves at US\$ 15 415 millions

In **July**, net international reserves (NIR) amounted to US\$ 15 283 millions, up US\$ 1 465 millions from end-June. This increase was mainly due to higher public sector deposits (mainly by the placement of sovereign bonds associated to the buyback of Paris Club debt) and Insurance Fund Deposit deposits in US\$ 1 599 millions and US\$ 1 million, respectively; and investment yield in US\$ 12 millions. This evolution was partially offset by net sales of foreign currency by US\$ 108 millions (sales to the public sector by US\$ 875 millions and purchases of foreign currency by US\$ 767 millions), changes in the value of currencies and gold in US\$ 25 millions and lower financial system deposits in US\$ 19 millions.

As of **August 2**, NIR amounted to US\$ 15 415 millions, up US\$ 132 millions from end-July. This increase was mainly due to higher financial system deposit in US\$ 103 millions, changes in the value of currencies and gold in US\$ 35 millions and purchases of foreign currency by US\$ 28 millions. This evolution was partially offset by lower public sector deposits in US\$ 31 millions.

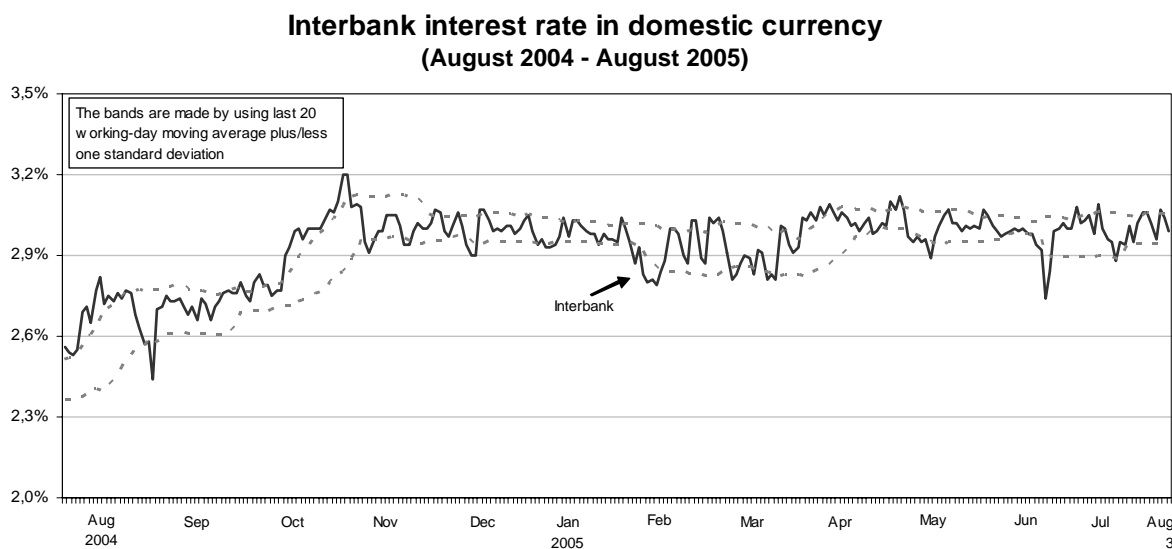
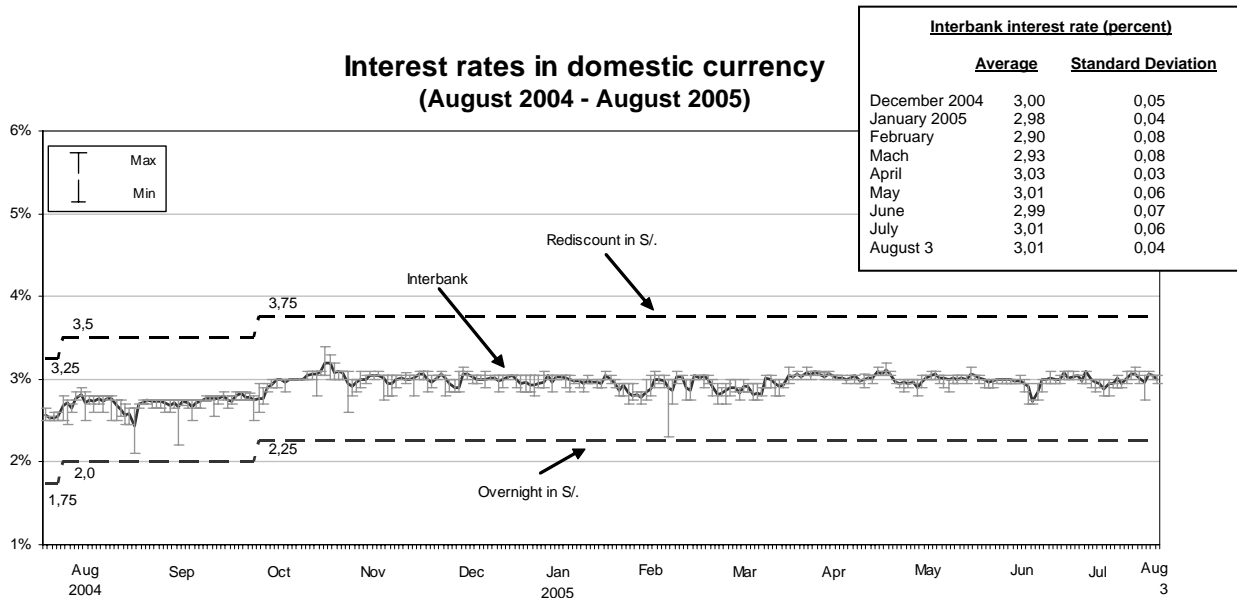
As of August 2, NIRs have increased US\$ 2 784 millions, whereas the **Central Bank's international position** (US\$ 8 077 millions) grew by US\$ 1 438 millions.



Interbank interest rate at 3,01 percent

In **July**, the average interest rate in domestic currency was 3,01 percent. As of

August 3, this average remained in 3,01 percent.



Monetary operations

Between **July 27 and August 3**, the Central Bank made the following operations:

- Auctions of temporary purchase of CDBCRP and BTP with a: i) 1-day maturity by S/. 500, S/. 275 and S/. 130

millions at an average interest rate of 3,06; 3,06 and 2,95 percent, respectively and ii) 5-day by S/. 217 millions at 3,0 percent.

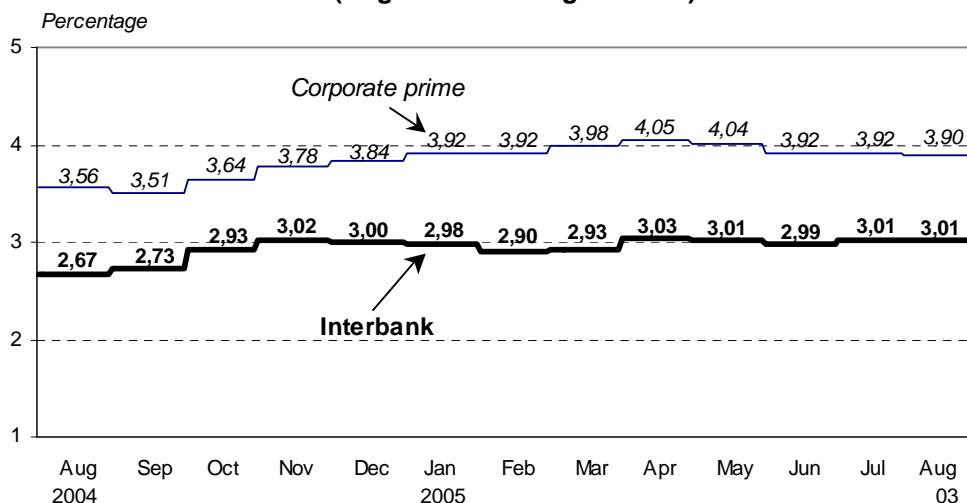
- Foreign currency purchase over-the-counter mechanism by US\$ 75 millions at an average exchange rate of S/. 3,253.
- Overnight deposits on July 27 by S/. 152,8 millions.

Corporate prime interest rate at 3,90 percent

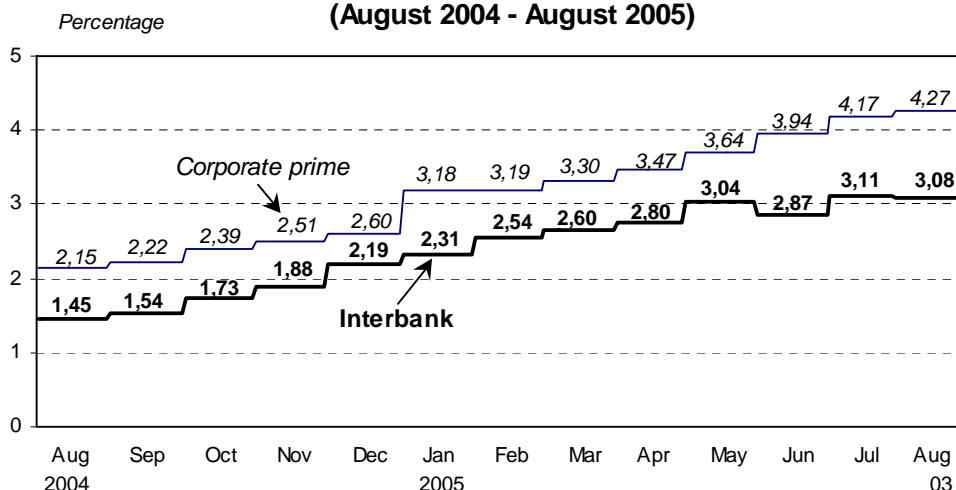
In **July**, the 90-day average corporate prime interest rate in domestic currency was 3,92 percent similar to the June's average, meanwhile the rate in dollars

increased from 3,94 to 4,17 percent. As of **August 3**, these interest rates were 3,90 and 4,27 percent, respectively.

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



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



Exchange rate: S/. 3,254

As of **August 3**, the banking system's ask exchange rate reached S/. 3,254 per dollar. During **July**, the average quotation

of the dollar was maintained in S/. 3,253 per dollar. Year-to-date, the appreciation reaches to 0,9 percent.

In July, the appreciatory pressures associated to external and internal factors were maintained. Among the internal factors were the seasonal demand for local currency associated to the bonus payments and the demand associated with the placements of Treasury bonds in the local market by S/. 2 550 million to pre-pay debt with the Paris Club; while among the external factors emphasized the improvement of Peru's outlook by

Standard & Poor's and the placement of sovereign bonds in the international market.

In July, the Central Bank intervened through foreign currency purchases over-the-counter mechanism by US\$ 764,5 million, what was more than compensated by sales of the BCRP to the Public Treasury by US\$ 875 million.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2003	December 2004	June 2005	July
a. Net sales to the public (i-ii)	607	699	490	534
i. Forward sales to the public	834	1 163	1 101	1 297
ii. Forward purchases to the public	227	464	611	763
b. Banks' exchange position	536	340	355	404

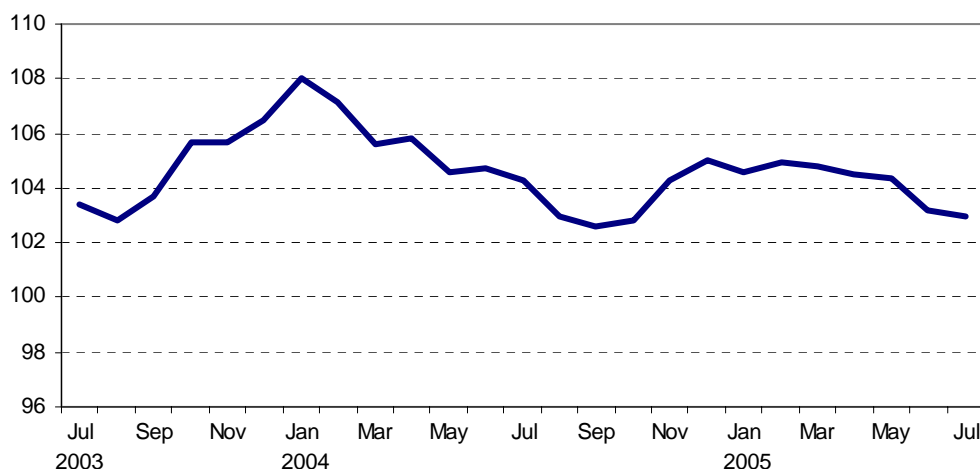
Real exchange rate: 0,2 percent lower in July

In July, the **real exchange rate** appreciated 0,2 percent with respect to June. Though the nominal exchange rate did not register changes, the differential among the variation of external prices (-0,1 percent) and domestic prices (0,1 percent) resulted in a slight real appreciation.

appreciation, on average, of the dollar with respect to the currencies of its commercial partners by the second consecutive month. In July, the dollar appreciated with respect to the sterling pound (3,8 percent), yen (3,0 percent), euro (0,9 percent), and to some Asian currencies (Korean won 2,3 percent, and Taiwan dollar 1,6 percent).

The variation of the external prices of the month is explained basically by the

MULTILATERAL EXCHANGE RATE INDEX
(1994=100)



July inflation was 0,10 percent

The rate of **inflation** for July was 0,10 percent, amounting to 1,40 percent over last 12 months. Three items accounted for 0,25 percentage points of monthly inflation: papaya (0,12 pp), eggs (0,07 pp) and

national transportation (0,06 pp). Conversely, three items contributed with -0,23 percentage points to the monthly inflation: fuel (-0,10 pp), onion (-0,09 pp) and rice (-0,04 pp).

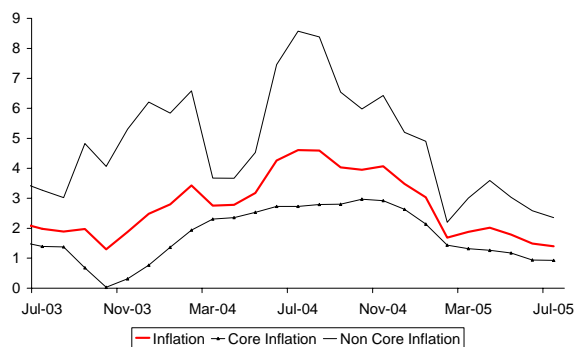
INFLATION RATE
(Annual percentage change)

	Weighting	Monthly	12-month indicator			Average annual indicator		
		Jul. 2005	Jul. 2004	Jun. 2005	Jul. 2005	Jul. 2004	Jun. 2005	Jul. 2005
I. CORE INFLATION	68,3	-0,02	2,73	0,94	0,93	1,59	2,09	1,93
Goods	41,8	-0,13	3,35	0,74	0,64	1,56	2,39	2,17
Food	20,7	-0,31	7,15	1,15	0,75	2,80	4,92	4,39
Textile and footwear	7,6	0,15	1,09	1,25	1,57	0,92	1,38	1,42
Electrical appliances	1,0	0,06	-1,84	-3,61	-2,67	-1,89	-3,09	-3,16
Other industrial goods	12,5	0,02	-1,09	0,03	0,12	0,15	-0,83	-0,73
Services	26,6	0,14	1,77	1,26	1,39	1,65	1,60	1,57
Restaurants	12,0	0,11	1,82	1,11	1,12	1,51	1,65	1,59
Education	5,1	0,09	3,60	3,20	3,29	3,29	3,91	3,89
Health	1,3	0,72	1,35	2,23	3,30	2,14	1,13	1,30
Renting	2,3	0,00	0,10	-2,05	-1,57	0,41	-1,38	-1,52
Other services	5,9	0,18	0,76	0,80	0,86	0,85	0,66	0,66
II. NON CORE INFLATION	31,7	0,36	8,58	2,58	2,35	5,31	4,98	4,47
Food	14,8	1,06	14,33	-0,41	0,51	5,52	4,06	2,95
Fuel	3,9	-1,91	14,88	9,90	5,89	8,88	13,70	12,91
Transportation	8,4	0,64	0,30	3,99	3,80	6,22	2,69	2,99
Utilities	4,6	0,18	0,81	1,87	1,80	-0,62	3,12	3,20
III. INFLATION	100,0	0,10	4,61	1,49	1,40	2,78	3,03	2,77
Note.-								
Imported inflation	12,1	-0,77	10,96	3,25	1,81	6,24	7,62	6,85
Core inflation excluding food	47,6	0,11	0,84	0,84	1,01	1,07	0,84	0,85
Total food	33,2	0,34	10,77	0,39	0,62	4,46	4,77	3,93

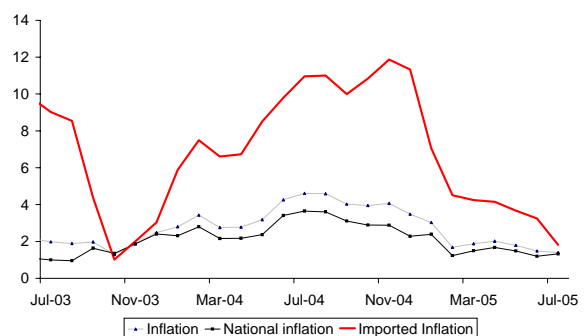
Core inflation was -0,02 percent in July and 0,93 percent through last 12 months. The **non-core** component was 0,36 percent in the month and 2,35 percent throughout the year. It should be noted that when **foodstuffs and beverage are**

excluded, core inflation is 0,11 percent in July and 1,01 percent over last 12 months. Finally, **imported inflation** amounted to -0,77 and 1,81 percent in July and over last 12 months, respectively.

INFLATION AND CORE INFLATION
(Last 12-month cumulative variation)



INFLATION AND IMPORTED INFLATION
(Last 12-month cumulative variation)



Macroeconomic Expectations

Between July 14 and 27, Central Reserve Bank of Peru conducted the monthly Macroeconomic Expectations survey among 29 financial system institutions,

345 non-financial system firms and 23 economic analysts with the following results:

FINANCIAL SYSTEM INSTITUTIONS (Median^{1/} of the sample)

	Date of the survey		
	May 31 2/	Jun. 30 3/	Jul. 27 4/
Inflation (%)			
Monthly: August	--	--	0,2
Annual: 2005	2,5	2,5	2,5
2006	2,6	2,6	2,5
GDP growth (%)			
Monthly: June	4,8	5,0	5,3
July	--	5,0	5,1
August	--	--	5,0
Annual: 2005	4,8	5,0	5,0
2006	4,2	4,5	4,5
Exchange rate (S/. per US\$)			
Monthly: August	--	--	3,25
December 2005	3,27	3,26	3,26
December 2006	3,32	3,30	3,30
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: August	--	3,0	3,0
December 2005	3,5	3,3	3,3
December 2006	4,5	4,1	4,0

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 28 financial institutions.

3/ 30 financial institutions.

4/ 29 financial institutions.

NON-FINANCIAL SYSTEM FIRMS (Median^{1/} of the sample)

	Date of the survey		
	May 31 2/	Jun. 30 2/	Jul. 27 2/
Inflation (%)			
Annual: 2005	2,6	3,0	2,8
2006	3,0	3,0	3,0
GDP growth (%)			
Annual: 2005	4,5	4,8	5,0
2006	4,5	4,5	4,8
Exchange rate (S/. per US\$)			
December 2005	3,30	3,29	3,28
December 2006	3,40	3,35	3,34

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 345 non-financial institutions.

ANALYSTS (Median^{1/} of the sample)

	Date of the survey		
	May 31 2/	Jun. 30 2/	Jul. 27 2/
Inflation (%)			
Monthly: August	--	--	0,2
Annual: 2005	2,5	2,3	2,3
2006	2,5	2,5	2,5
GDP growth (%)			
Monthly: June	5,1	5,1	5,5
July	--	5,0	5,4
August	--	--	5,1
Annual: 2005	5,0	5,0	5,3
2006	4,5	4,5	4,5
Exchange rate (S/. per US\$)			
Monthly: August	--	--	3,25
December 2005	3,28	3,29	3,27
December 2006	3,33	3,34	3,30
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: August	--	--	3,0
December 2005	3,5	3,3	3,3
December 2006	4,4	4,2	4,0

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 23 analysts.

Monetary base as of July 31, 2005

The **monetary base** balance as of July 31 was S/. 10 735 millions, up 12,1 percent (S/. 1 159 millions) from end-June. In average terms, the year on year rate of growth of the monetary base in this period was 30,2 percent (28,3 percent in June)

The main explanations for this result were purchases of foreign currency over-the-counter mechanism (US\$ 765 millions or

S/. 2 486 millions), net redemption of CDBCRP's (S/. 927 millions), temporary purchases of securities (S/. 317 millions) and lower public sector deposits (S/. 305 millions). These operations were partially offset by sales of foreign currency to the public sector (US\$ 875 millions or S/. 2 845 millions) and higher financial system's overnight deposits (S/. 48 millions).

Banking system monetary accounts as of July 7, 2005

Through last 4 weeks, liquidity in **domestic currency** increased 2,3 percent (S/. 646 millions), to a balance of S/. 28 338 millions. Credit to the private sector in the same currency augmented 1,5 percent (S/. 182 millions) to S/. 12 274 millions. However, in annual terms this aggregates grew by 37,4 and 16,9 percent, respectively.

Liquidity in **foreign currency** decreased 0,4 percent (US\$ 43 millions) to US\$ 10 006 millions (an annual growth rate of 4,0 percent). Credit to the private sector in the same currency augmented 0,7 percent (US\$ 69 millions) to US\$ 10 422 millions (an annual growth rate of 5,2 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.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%
Jun.30	1,9%	28,1%	2,2%	35,5%	1,0%	16,3%	-0,7%	5,2%	-8,2%	0,5%	1,6%	5,9%
Jul.7	11,6%	44,1%	2,3%	37,4%	1,5%	16,9%	-0,4%	4,0%	-5,3%	-2,3%	0,7%	5,2%
Memo:												
Balance as of Jun.7 (Mill. S/. or Mill. US\$)	9 835		27 693		12 092		10 049		957		10 353	
Balance as of Jul.7 (Mill. S/. or Mill. US\$)	10 978		28 338		12 274		10 006		906		10 422	
1/ Short term external liabilities of banking enterprises.												

A new historic minimum for the Country Risk: 1,66 percent

Between **June 30 and July 31**, the **2012 global bond's** spread diminished from 2,10 to 1,58 percent and the **EMBI+ Peru** spread from 2,06 to 1,73 percent. As of **August 3**, both spreads descended to 1,45 and 1,66 percent, respectively; being registered a new historic minimum for the EMBI+ Peru. In July, emphasized the improvement of the outlook of the foreign

currency long-term Peruvian debt from stable to positive by Standard & Poor's, due to the rescheduling of the debt with the Paris Club, which showed the capability of Peru to issue significant amounts of long-term debt in domestic currency. Besides sovereign bonds were placed in the international market by US\$ 750 million with a maturity of 20 years.

Country risk indicators
(August 2004 - August 2005)



International markets

In **July**, the **gold's** average price was US\$ 425 per Troy ounce, down 1,5 percent from June thanks to the appreciation of the dollar on average against the main currencies. As of

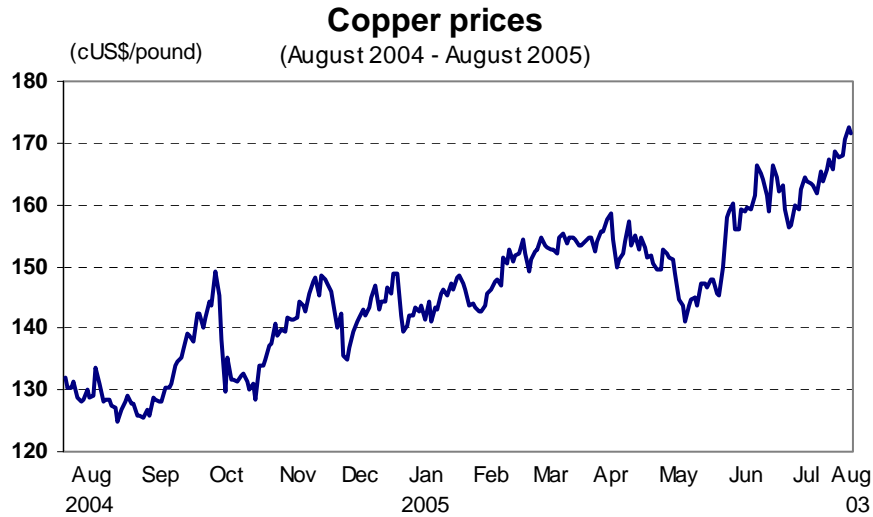
August 3, the gold price reached US\$ 437 per Troy ounce due to a strike in the main producing companies in South Africa.

Gold prices



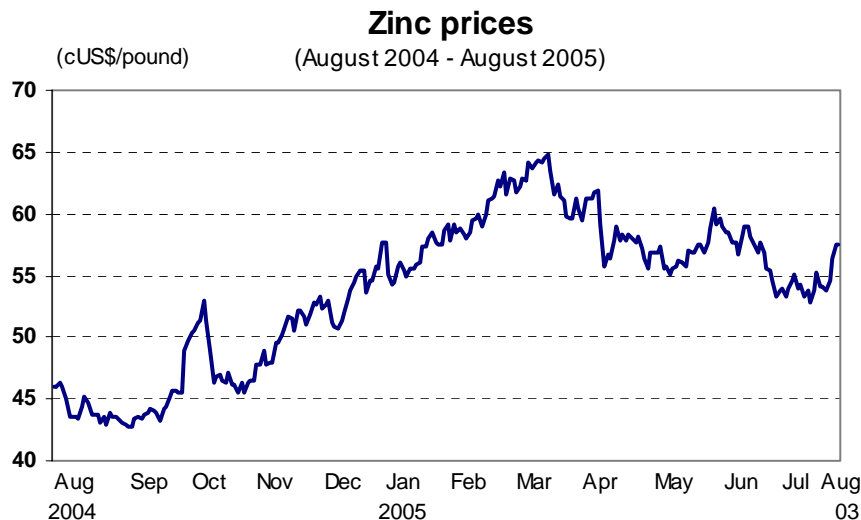
In the same month, the **copper** average price soared 2,2 percent (to US\$ 1,63 per pound) reflecting the strikes occurred in mines of the United States and Zambia in the middle of the smaller level of inventories in 30 years in the Metal Exchanges. As of August 2, the quotation reached a new historic maximum of

US\$ 1,72 per pound, what has carried diverse analysts and companies to review their forecasts for 2005. Thus, the main copper producer, Codelco estimate an average price between US\$ 1,45-1,50 per pound, upper from US\$ 1,30 per pound March forecast.



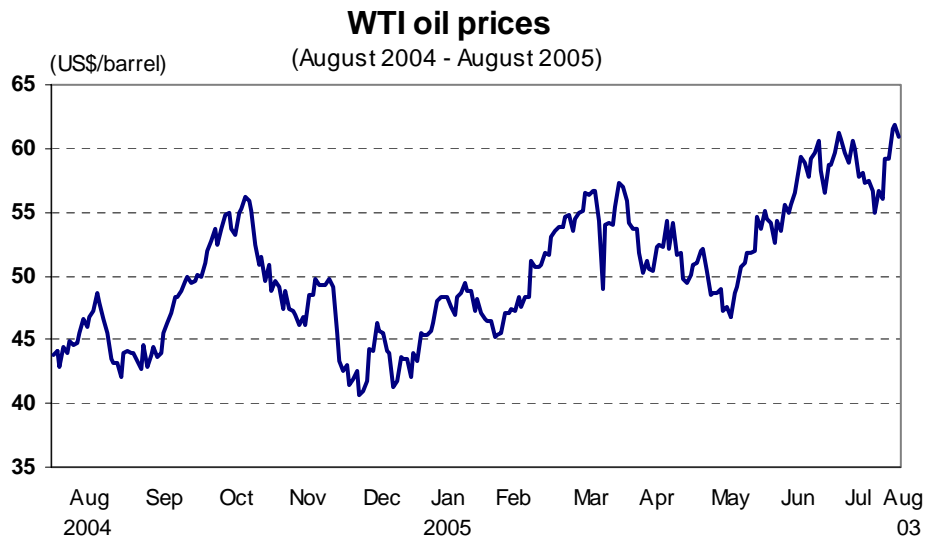
In **July**, the **zinc** average price decreased 6,8 percent to US\$ 0,54 per pound, affected by technical sales of investment funds. Nevertheless in a context of a

general rise of the main commodities the price of zinc has recovered to US\$ 0,58 by pound as of August 3.



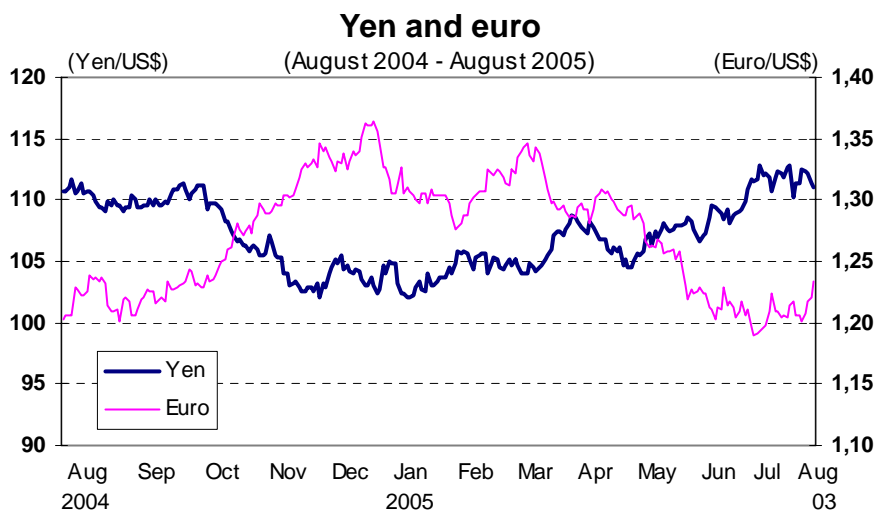
The **WTI oil** price recorded a 3,5 percent rise in July (to US\$ 58,5 per barrel), due to the expectations that the inventories fall in the United States be intensified. As of August 2, the petroleum WTI reached a new historic maximum of US\$ 61,9 per

barrel explained by a fire in the third larger refinery of the United States and to the uncertainty in Saudi Arabia (the main world producer) after the death of the King Fahd.



In July, in average terms, the **US dollar** appreciated 0,9 against the **euro** and 3,0 percent against the **yen**. The dollar has been favored by the soundness of the United States economic indicators for which it is expected that the FED will

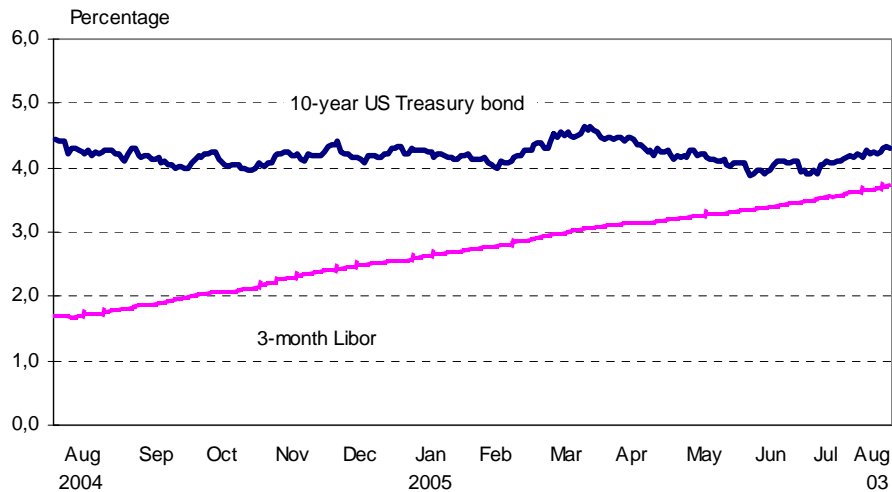
continue increasing its interest rate. The next meeting of the FED was set for August 9, where it is expected that by tenth consecutive the interest rate will rise in 25 bps to 3,5 percent.



In July, the average of the **3-month Libor** interest rate increased from 3,42 to 3,60 percent, whereas the average yield of the **10-year-matured US Treasury bond** passed from 3,99 to 4,16 percent due to

the perspective that after the revaluation of the yuan, China would reduce the purchase of US Treasuries and to the expectation that the FED will continue to increase its interest rate.

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



Lima Stock Exchange

In July, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 4,3 and 3,9 percent, respectively. At the same time, in the 3 first sessions of August the stock market indices registered increments of 5,7 and 6,2 percent, respectively, reaching in both cases new historic maximums. After the

publication of the financial statements for the second quarter it has been produced a position taking in the majority of mining and industrial sector companies. Year-to-date, the stock market indices accumulate profits of 20,0 and 18,4 percent, respectively.

LSE indicators
(August 2004 - August 2005)

