

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

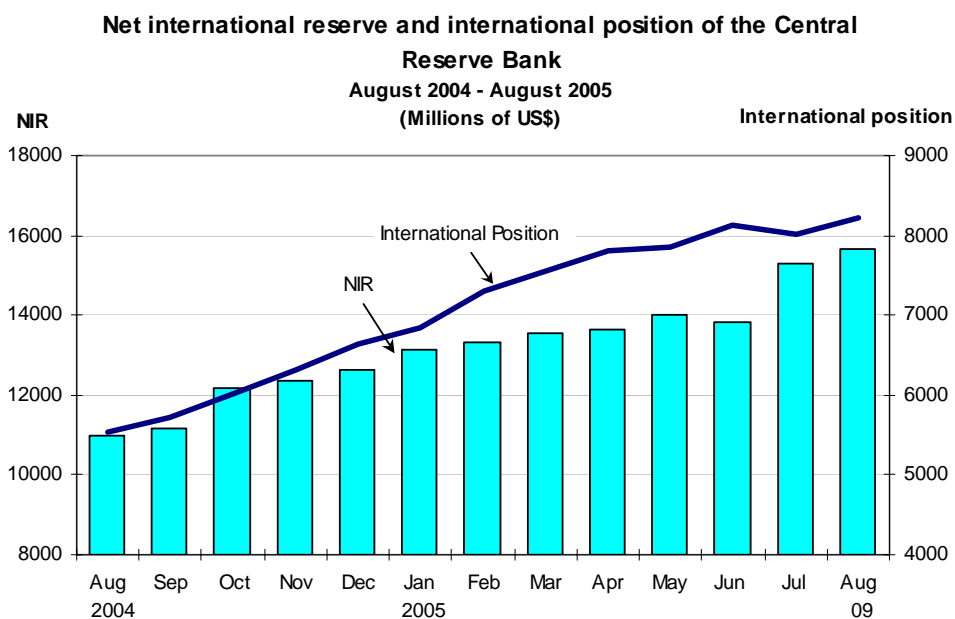
Nº 32 – August 12, 2005

#### Net international reserves at US\$ 15 681 millions

As of **August 9**, net international reserves (NIR) amounted to US\$ 15 681 millions, up US\$ 398 millions from end-July. This increase was mainly due to higher financial system deposits in US\$ 236 millions, purchases of foreign currency by US\$ 132 millions, changes in the value of currencies and gold in US\$ 69 millions and investment

yield in US\$ 2 millions. This evolution was partially offset by lower public sector deposits in US\$ 40 millions.

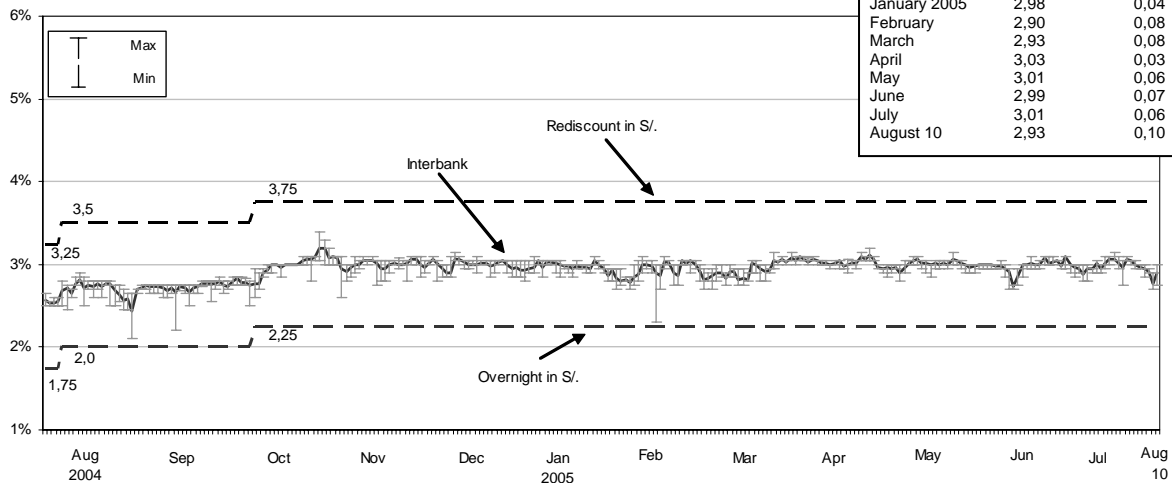
Year-to-date, NIRs have increased US\$ 3 050 millions, whereas the **Central Bank's international position** (US\$ 8 216 millions), grew by US\$ 1 577 millions.



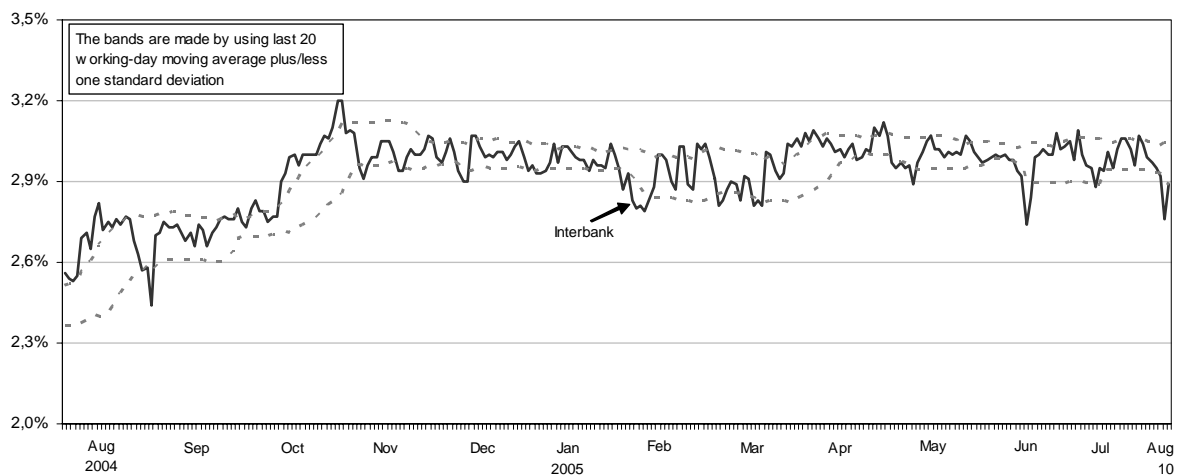
#### Interbank interest rate at 2,93 percent

Between **August 1 and 10**, the average interest rate in domestic currency was 2,93 percent.

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



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



## Monetary operations

Between **August 4 and 10**, the Central Bank made the following operations:

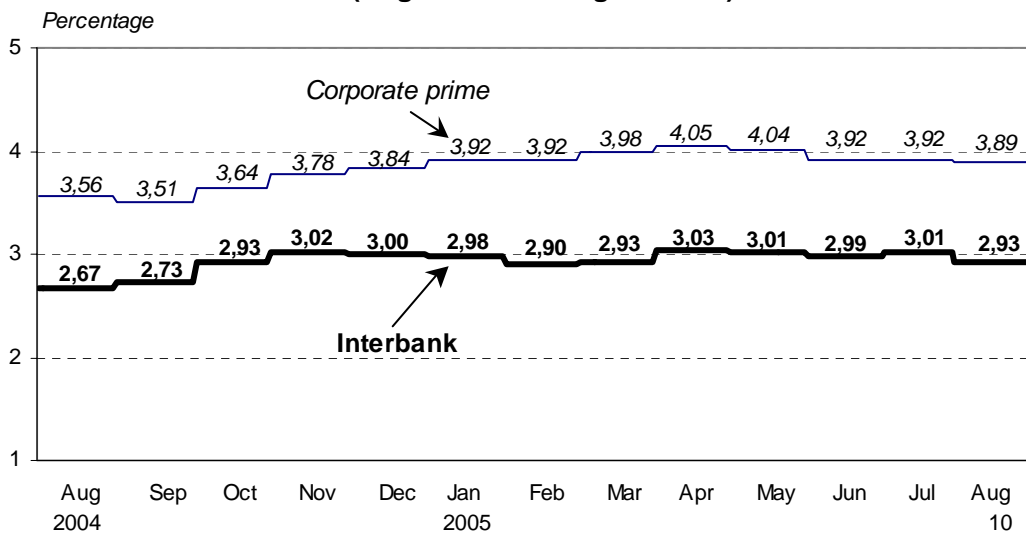
- Auctions of CDBCRP with a: i) 1-week maturity by S/. 99 and S/. 64 millions at an average interest rate of 3,05 and 3,06 percent, respectively; ii) 6-month by S/. 70 millions at 3,75 percent; iii) 9-month by S/. 100 millions at 3,86 percent; iv) 1-year by S/. 100, S/. 120 and S/. 80 millions at 3,98; 4,10 and 4,10 percent, respectively; v) 1,5 year by S/. 50, S/. 80 and S/. 85 millions, at 4,39; 4,39 and 4,45 percent respectively; vi) 2-year by S/. 50 millions in two occasions at 4,89 percent and vii) 3-year by S/. 70 millions in two occasions at 5,60 percent.
- Foreign currency purchase over-the-counter mechanism by US\$ 133,5 millions at an average exchange rate of S/. 3,253.
- Overnight deposits on August 5, 8 and 9 by S/. 68; S/. 43 and S/. 20 millions, respectively.

## Corporate prime interest rate at 3,89 percent

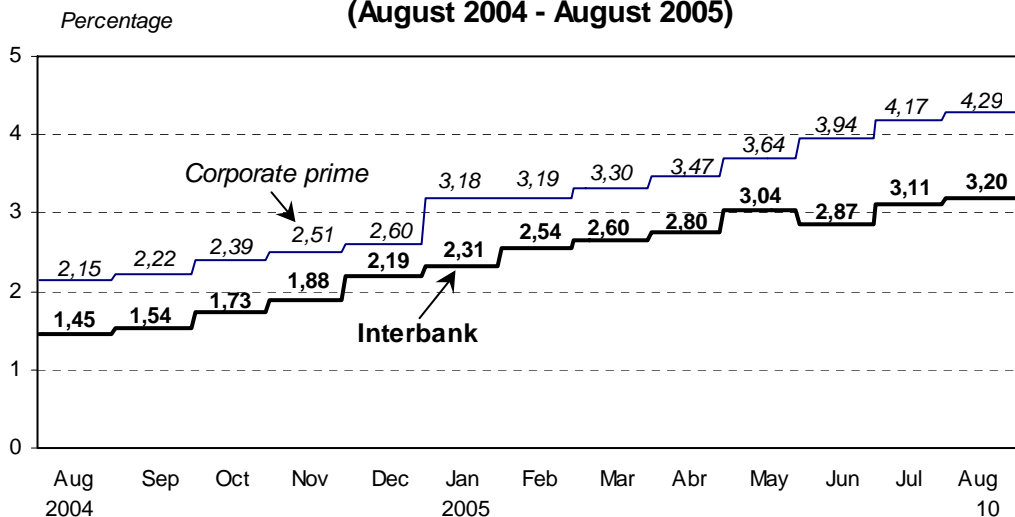
As of **August 10**, the 90-day average corporate prime interest rate in domestic currency decreased from 3,92 in June to 3,89 percent, meanwhile the rate in dollars increased from 4,17 to 4,29 percent. The rates in dollars present a clear tendency to

the rise due to the constant increases of the FED's interest rate. Thus, on August 9 the FED decided, by tenth occasion in a row, to elevate their interest rate in 25 bps to 3,5 percent.

**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/. 3,252

Between **August 3 and 10**, the asked banking system exchange rate decreased from S/. 3,254 to S/. 3,252 per dollar. Up to August 9, the bank's balance of net

forward sales and the bank's exchange position diminished in US\$ 82 and US\$ 7 millions, respectively from end-July.

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

	December 2003	December 2004	July 2005	August 9
<b>a. Net sales to the public (i-ii)</b>	<b>607</b>	<b>699</b>	<b>534</b>	<b>452</b>
i. Forward sales to the public	834	1 163	1 297	1 133
ii. Forward purchases to the public	227	464	763	680
<b>b. Banks' exchange position</b>	<b>536</b>	<b>340</b>	<b>404</b>	<b>397</b>

## Monetary base as of August 7, 2005

The **monetary base** balance as of August 7 was S/.10 898 millions, up 1,5 percent (S/. 163 millions) from end-July. In average terms, the year on year rate of growth of the monetary base in this period was 32,4 percent (30,2 percent in July).

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

counter mechanism (US\$ 119 millions or S/. 387 millions), lower public sector deposits (S/. 138 millions) and lower financial system's overnight deposits (S/. 85 millions). These operations were partially offset by redemption of temporary purchases of securities (S/. 317 millions) and CDBCRP's net placements (S/. 150 millions).

## Banking system monetary accounts as of July 22, 2005

Through last 4 weeks, liquidity in **domestic currency** increased 3,2 percent (S/. 895 millions) to a balance of S/. 28 637 millions. Credit to the private sector in the same currency augmented 2,5 percent (S/. 307 millions), to S/. 12 449 millions. However, in annual terms this aggregates grew by 33,4 and 16,2 percent, respectively

Liquidity in **foreign currency** decreased US\$ 5 millions (a nil percentage change in the period) to a balance of US\$ 9 984 millions (an annual growth rate of 2,3 percent). Credit to the private sector in the same currency augmented 0,2 percent (US\$ 19 millions) to US\$ 10 491 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
<b>2003</b>												
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%
Jun.	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.15	7,7%	29,9%	4,2%	35,1%	1,2%	16,0%	-1,4%	3,1%	2,0%	2,6%	0,9%	5,5%
Jul.22	10,4%	31,4%	3,2%	33,4%	2,5%	16,2%	0,0%	2,3%	5,8%	2,1%	0,2%	5,2%
Memo:												
Balance as of Jun.22 (Mill.S/. or Mill.USS)	9 520		27 741		12 142		9 989		895		10 472	
Balance as of Jul.22 (Mill.S/. or Mill.USS)	10 510		28 637		12 449		9 984		947		10 491	
1/ Short term external liabilities of banking enterprises.												

## Trade surplus at US\$ 475 million in June

In **June 2005**, the trade balance recorded a US\$ 475 million surplus, up US\$ 326 million from June 2004. Over the period January-June the trade surplus amounted to US\$ 2 083 million. It should be noted that the trade balance has registered a surplus for 26 months in a row.

**Exports** totaled US\$ 1 420 million in June, up US\$ 443 million or 45 percent from a year ago. Traditional exports increased 52 percent, mainly due to higher embankments of fish-meal (125 percent) and molybdenum (307 percent), whereas

non-traditional exports grew by 28 percent, reflecting higher sales of textile- (26 percent) and farm products (39 percent), both accounting for 55 percent of the sector's growth.

**Imports** amounted to US\$ 945 million in June, up 14 percent from a year ago, but down 6 percent from the previous month. The former was mainly explained by higher acquisitions of intermediate- (10 percent), capital- (23 percent) and consumer goods (19 percent).

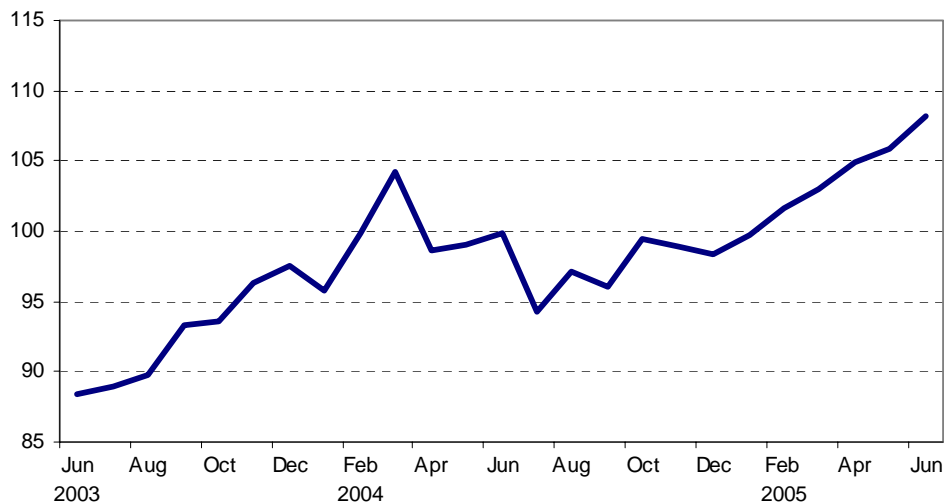
**TRADE BALANCE**  
(Millions of US\$)

	2004	2005		Jun.05/Jun.04		January-June			
	Jun.	May.	Jun.	Var.	% var.	2004	2005	Var.	% var.
<b>1. EXPORTS</b>	<b>976,7</b>	<b>1 356,7</b>	<b>1 419,7</b>	<b>443,0</b>	<b>45,4</b>	<b>5 620,2</b>	<b>7 750,7</b>	<b>2 130,5</b>	<b>37,9</b>
Traditional products	708,3	976,8	1 077,7	369,4	52,2	3 991,4	5 668,3	1 676,8	42,0
Non-traditional products	258,2	365,2	331,7	73,4	28,4	1 573,8	2 013,4	439,7	27,9
Other products	10,2	14,8	10,4	0,1	1,2	55,0	69,0	14,0	25,5
<b>2. IMPORTS</b>	<b>828,1</b>	<b>1 000,6</b>	<b>944,6</b>	<b>116,6</b>	<b>14,1</b>	<b>4 547,6</b>	<b>5 667,8</b>	<b>1 120,2</b>	<b>24,6</b>
Consumer goods	149,4	189,3	177,1	27,7	18,5	870,9	1 060,6	189,7	21,8
Raw materials and intermediate goods	482,1	544,9	529,8	47,7	9,9	2 505,0	3 129,1	624,1	24,9
Capital goods	186,9	257,2	229,0	42,1	22,5	1 116,3	1 421,5	305,2	27,3
Other goods	9,7	9,2	8,8	- 0,9	- 9,3	55,4	56,6	1,2	2,1
<b>3. TRADE BALANCE</b>	<b><u>148,7</u></b>	<b><u>356,1</u></b>	<b><u>475,1</u></b>	<b><u>326,4</u></b>	<b><u>219,6</u></b>	<b><u>1 072,6</u></b>	<b><u>2 082,9</u></b>	<b><u>1 010,3</u></b>	<b><u>94,2</u></b>

**Terms of trade** rose 8,4 percent due to higher export prices (18,9 percent), which exceeded the increase in import prices

(9,8 percent). On the other hand, by volume exports grew by 22,2 percent and imports by 3,9 percent.

**TERMS OF TRADE**  
(1994=100)

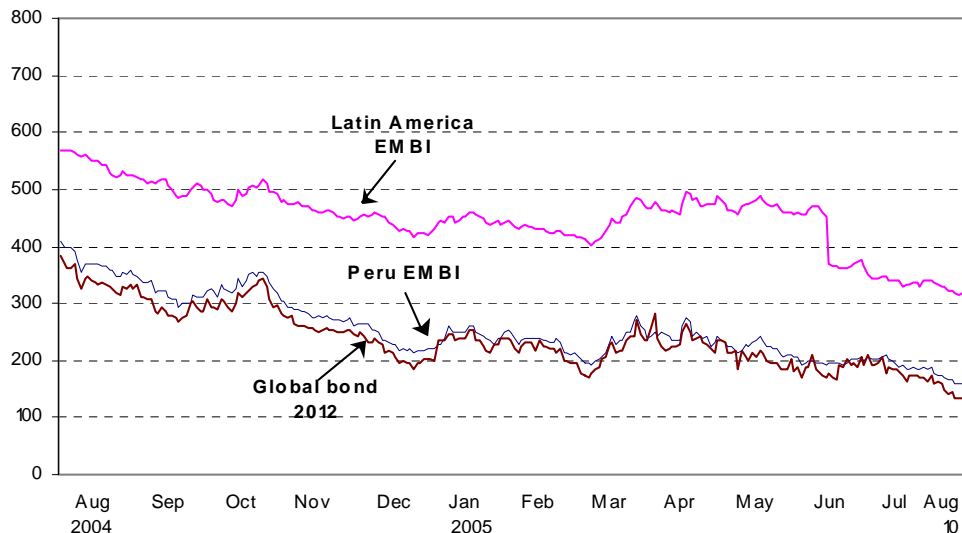


## A new historic minimum for the Country Risk: 1,50 percent

Between **August 3 to 10**, both the **2012 global bond's** and the **EMBI+ Peru's** spread decreased from 1,45 and 1,66 to new historic minimums of 1,27 and 1,50

percent, respectively. It should be noted that this country risk is comparable to those economies with an investment grade rating.

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



## International markets

From **August 3 to 10**, the gold's price remained at US\$ 437 per Troy ounce. In the beginning of the week the gold's price fall due to the expectations of a rise in the

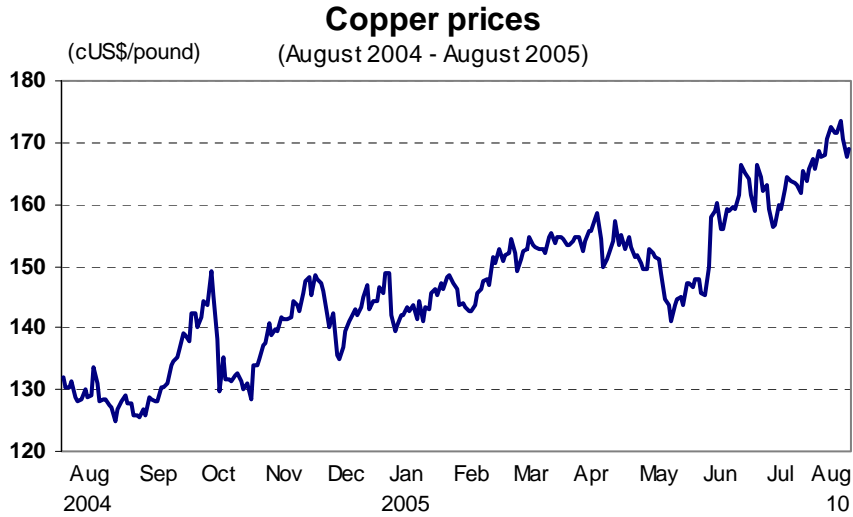
federal funds interest rate. Nevertheless the weakening of the US dollar during the week diluted this effect.

## Gold prices



Over similar period, the **copper's** price decreased 1,5 percent to US\$ 1,69 per lb, reflecting the recovery in London Metal Exchange inventories from a 31-year minimum of 26 thousand MT to 44

thousand. However, due to the lower supply of US mining company Asarco, the price of copper reached a new maximum of US\$ 1,74 per lb on August 5.



The **zinc's** price dropped 0,8 percent to US\$ 0,57 per lb following the copper's fall,

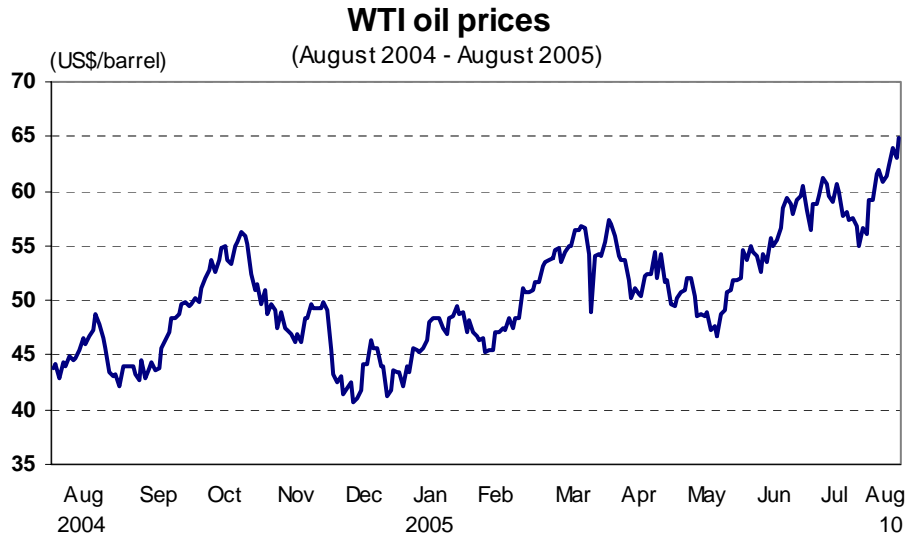
despite the decrease in LME inventories from 577 to 571 thousand MT.





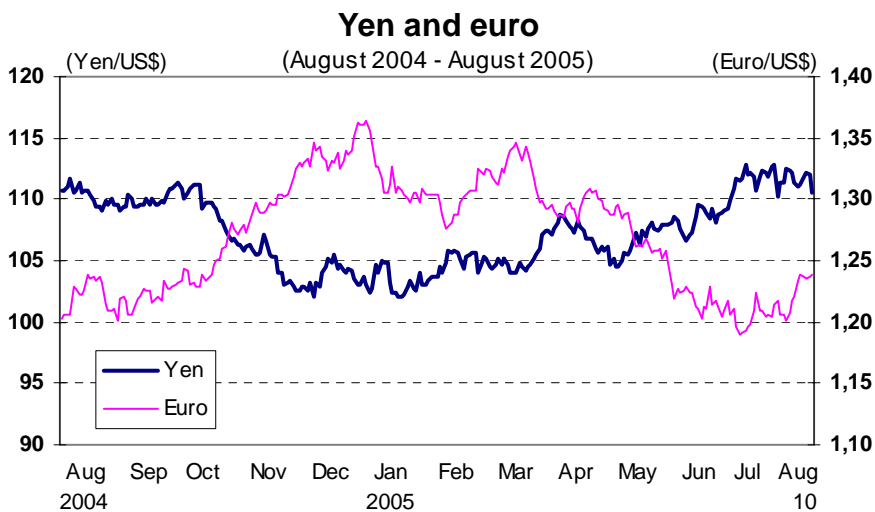
The **WTI oil** price soared 6,6 percent to US\$ 64,9 per barrel (new historic maximum), reflecting the uncertainty in the

Middle East, lower US inventories and the cut in estimated oil output of Russia and other non-OPEC producers by the IEA.



In the period under analysis, the **US dollar** depreciated 0,4 percent against the **euro** and the **yen**, despite the diffusion of positive US economic indicators. On the

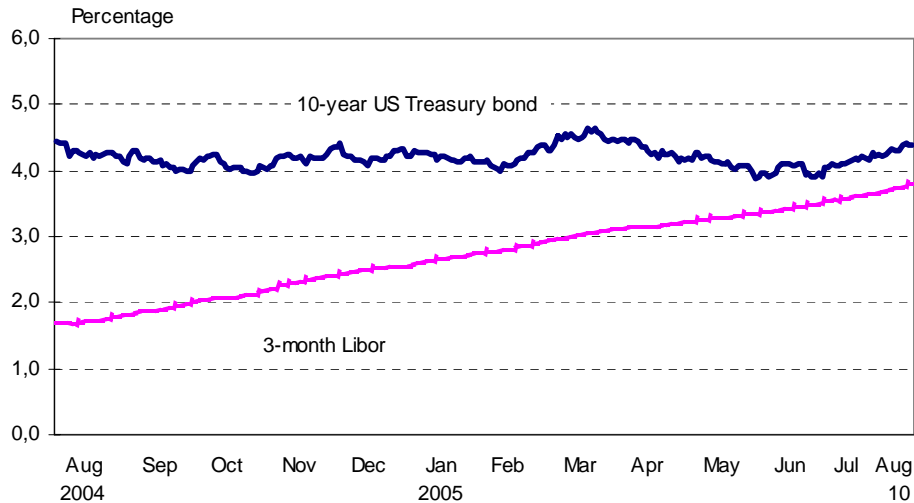
other hand, China revealed that its new reference currency basket is compounded by the US dollar, the euro, the yen and the Korean won.



From **August 3 to 10**, the **3-month Libor** increased from 3,73 to 3,78 percent, whereas the **yield of the 10-year matured US Treasury bond** passed from

4,29 to 4,39 percent reflecting the higher than expected July employment creation in the US (207 thousand versus 183 thousand).

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



### Lima Stock Exchange

As of **August 10**, the **General and Blue Chip** indices of the Lima Stock Exchange increased 6,3 and 4,9 percent, respectively, reflecting the good financial statements of mainly banking and industrial enterprises. According to Conasev, in the first half of the

year, sales and profits of 241 companies booked in the LSE grew by 28 and 12 percent, respectively. In the year, these indices have increased 20,7 and 16,9 percent, respectively.

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

