

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

Nº 33 – August 19, 2005

#### MACROECONOMIC INDICATORS AS OF SECOND QUARTER OF 2005

#### GPD grew by 5,7 percent driven by private investment and exports

**Gross domestic product (GDP)** increased 5,7 percent in the second quarter of 2005, for 16 quarters in a row since 2001-IIIQ. In the first half of the year, the GDP growth 5,9 percent. A favorable terms of trade environment -8 quarters of consecutive growth- and

stable macroeconomic conditions made possible a GDP expansion led by the 13,5 percent increase in private investment and the 16,4 percent increase in exports. Likewise, private consumption recorded positive rate of growth: 4,4; higher than the previous period (4,0 percent).

#### GLOBAL DEMAND AND SUPPLY

(Annual growth rates) 1/

	2004					2005	
	I	II	III	IV	Year	I	II
<b><u>GLOBAL DEMAND (1+2)</u></b>	<b>4,6</b>	<b>4,3</b>	<b>5,6</b>	<b>8,0</b>	<b>5,6</b>	<b>6,7</b>	<b>6,2</b>
1. Domestic demand	2,8	4,1	3,2	5,5	3,9	4,5	4,3
a. Private consumption	3,1	3,0	3,6	4,0	3,4	4,0	4,4
b. Public consumption	0,1	3,6	6,8	5,1	4,1	10,8	6,7
c. Fixed private investment	7,7	11,3	6,4	11,0	9,1	6,6	13,5
d. Public investment	-12,7	-11,9	14,4	23,1	5,5	4,1	9,8
2. Exports	14,4	5,5	17,4	21,0	14,7	17,9	16,4
<b><u>GLOBAL SUPPLY (3+4)</u></b>	<b>4,6</b>	<b>4,3</b>	<b>5,6</b>	<b>8,0</b>	<b>5,6</b>	<b>6,7</b>	<b>6,2</b>
<b>3. GDP</b>	<b>4,8</b>	<b>3,2</b>	<b>4,7</b>	<b>6,6</b>	<b>4,8</b>	<b>6,1</b>	<b>5,7</b>
4. Imports	3,0	11,9	10,4	16,1	10,4	10,2	8,8

1/ Preliminary.

**Private investment** kept growing, attaining 10 quarters of consecutive growth, reflecting better entrepreneurs' expectations. Over this period, the major disbursements were oriented to the Alto Chicama project, whereas Southern Peru

undertook tasks of expansion and modernization in Ilo and Toquepala. Also, investment projects of Cerro Verde, Suez (Yuncán) and Pluspetrol (Camisea) stood out. Furthermore, 14 oil exploring concessions were granted by Perupetro,

with investment commitments by US\$ 90 million during this year.

**Private consumption** soared 4,4 percent due to the 5,2 percent increase of disposable national income. This result was due to a 3,8 percent growth in urban employment in enterprises with 10 or more workers and a 23 percent increase in consumer credits granted by financial institutions. That was reflected in a 58 percent increase in sales of new vehicles and the higher production of several consumer-linked manufactured products such as beer (10,7 percent), dairy products (13,0 percent), and cleaning products (5,3 percent), among others.

**Exports** growth was seen in both traditional and non-traditional product. Among the former products, higher exports of molybdenum (61 percent), fish meal (59 percent) and fish oil (24 percent) stood out against the drop in lead and zinc volume exports (10 and 8 percent, respectively). Among the latter, the most dynamic groups were agriculture products (39 percent), mainly fruits and –grapes, mangoes and paprika which accounted for by 25 percent of non traditional exports' growth; textile exports increased 18 percent, specially knitted garments to the US market; chemical products recorded a 43 percent increase, mainly of colorants and plastic-based manufactures, whereas metal-based exports grew by 84 percent – i.e. iron-made manufacturing, machinery and electrical appliances-. On the other hand, imports increased 8,8 percent, reflecting higher acquisitions of intermediate and capital goods for industry.

**Public consumption** soared 6,7 percent, due to the higher expenditure in central government wages and salaries. **Public investment** also increased (9,8 percent) propelled by local-government-undertook projects and funded with canon, oil-canon

and custom resources. Some projects were made by state-owned enterprises such as Sedapal and Petroperu.

### Productive sectors

Economic growth in the second quarter was mainly given in non-primary sectors, such as non-primary manufacturing which grew by 9,5 percent and construction (7,4 percent). Primary sectors grew thanks to the expansion of agriculture (6,3 percent) even though the drop in fishing (-3,1 percent).

### Primary sectors

**Agriculture & livestock** output increased 6,3 percent reflecting the higher production of potato, rice, cotton and agro-export products thanks to favorable weather conditions and availability of water. Conversely, sugarcane output declined due to management difficulties, whereas coffee production suffered an irregular rain cycle in the jungle. Higher production of meat, poultry and milk also contributed to this result.

**Fishing** production dropped 3,1 percent due to lower catch for human consumption, in species such as jack mackerel, mackerel and giant shrimp which were partially offset by a slight increase in fishing for industrial consumption. The latter obeyed to higher catch of anchovy.

**Mining** output increased 4,4 percent, reflecting the higher gold and iron production that offset the drop in copper. The gold production growth (8,3 percent) was mainly explained by Yanacocha, whereas the expansion in iron (15,0 percent) for Shougang. The drop in copper (-8,1 percent) obeyed to lower production of Southern and the halt in Tintaya.

**GROSS DOMESTIC PRODUCT**  
(Annual growth rates) 1/

	2004					2005	
	I	II	III	IV	Year	I	II
<b>Agriculture and Livestock</b>	<b>2,0</b>	<b>-5,4</b>	<b>-0,8</b>	<b>2,8</b>	<b>-1,1</b>	<b>2,5</b>	<b>6,3</b>
<b>Fishing</b>	<b>18,9</b>	<b>32,4</b>	<b>46,2</b>	<b>27,0</b>	<b>30,5</b>	<b>12,3</b>	<b>-3,1</b>
<b>Mining and Fuel</b>	<b>12,9</b>	<b>2,8</b>	<b>1,4</b>	<b>5,0</b>	<b>5,4</b>	<b>0,8</b>	<b>4,4</b>
Metallic mining	14,3	3,3	0,7	3,7	5,3	-1,6	1,6
Natural gas and oil	-5,4	-4,3	12,7	25,5	7,1	34,1	37,9
<b>Manufacturing</b>	<b>5,2</b>	<b>6,0</b>	<b>6,3</b>	<b>9,1</b>	<b>6,7</b>	<b>5,6</b>	<b>7,3</b>
Based on raw materials	2,9	9,3	4,2	6,5	5,9	-1,2	-0,6
Non-primary	5,8	5,0	6,8	9,8	6,9	7,0	9,5
<b>Electricity and water</b>	<b>4,9</b>	<b>4,4</b>	<b>4,1</b>	<b>4,9</b>	<b>4,6</b>	<b>3,8</b>	<b>5,6</b>
<b>Construction</b>	<b>7,0</b>	<b>4,0</b>	<b>3,5</b>	<b>4,4</b>	<b>4,7</b>	<b>2,8</b>	<b>7,4</b>
<b>Commerce</b>	<b>3,4</b>	<b>2,1</b>	<b>5,4</b>	<b>9,2</b>	<b>4,8</b>	<b>7,8</b>	<b>6,5</b>
<b>Other services</b>	<b>4,5</b>	<b>2,6</b>	<b>5,2</b>	<b>6,5</b>	<b>4,7</b>	<b>7,6</b>	<b>5,0</b>
<b><u>GROSS VALUE ADDED (GVA)</u></b>	<b><u>5,0</u></b>	<b><u>2,4</u></b>	<b><u>4,6</u></b>	<b><u>6,8</u></b>	<b><u>4,6</u></b>	<b><u>6,0</u></b>	<b><u>5,8</u></b>
Taxes on products and import duties	3,0	12,0	6,3	4,6	6,4	7,2	5,0
<b><u>GDP</u></b>	<b><u>4,8</u></b>	<b><u>3,2</u></b>	<b><u>4,7</u></b>	<b><u>6,6</u></b>	<b><u>4,8</u></b>	<b><u>6,1</u></b>	<b><u>5,7</u></b>
<b>Primary sector GVA</b>	<b>6,4</b>	<b>0,2</b>	<b>1,6</b>	<b>5,0</b>	<b>3,1</b>	<b>1,5</b>	<b>4,3</b>
<b>Non-primary sector GVA</b>	<b>4,5</b>	<b>4,0</b>	<b>5,4</b>	<b>7,0</b>	<b>5,2</b>	<b>7,1</b>	<b>6,1</b>

1/ Preliminary.

The **raw-material based industry** fell 0,6 percent, due to lower refining of blister copper and zinc (in order to prevent environmental pollution). Besides, sugar and canned and frozen fish output declined due to the lower availability of sugarcane and jack mackerel and giant shrimp, respectively. However, meat and refined oil products recorded an increase.

**Non-primary sectors**

**Non-primary manufacturing** soared 9,5 percent, driven by the expansion of domestic demand which contributed to 6,1 percentage points (4,4 percent in 2005-IQ) of this result and non-traditional exports which accounted for 3,4 percentage points. Other factors were the development of mining projects, the

impulse in construction and the introduction of new products which appealed local consumption. It should be noted the dynamism recorded in the elaboration of chemical; rubber and plastic; foodstuff, beverages and tobacco; paper and printing and textile, leather and footwear products.

**Construction** grew by 7,4 percent due to the development of self-made housing projects and government-supported housing projects (Mivivienda and Techo Propio), which was seen in a higher domestic consumption of cement (10,1 percent). Likewise, in the second quarter, mortgage credits soared 11,4 percent. These records were partially offset by the decrease in road maintenance and building.

**NON-PRIMARY MANUFACTURING: GROWTH CONTRIBUTION  
BY DESTINITY MARKET: 2004**  
(In percentage points)

	Growth by domestic market	Growth by foreign market	Growth contribution
<b>2004</b>	<b>4,0</b>	<b>2,9</b>	<b>6,9</b>
I	3,4	2,4	5,8
II	2,6	2,4	5,0
III	3,6	3,2	6,8
IV	6,2	3,6	9,8
<b>2005</b>			
I	4,4	2,6	7,0
II	6,1	3,4	9,5

1/ Not include indirect effects.

## BoP's current account surplus of 0,1 percent of GDP

The balance of payment's **current account** recorded a US\$ 11 million surplus in the second quarter of 2005, compared with the US\$ 170 million deficit of a year ago. This result lays on the higher trade surplus (US\$ 589 million), partially offset by the increase in investment income deficit (US\$ 471 million). The latter was a result of higher profits of enterprises with foreign share (US\$ 447 million). The deficit in services dropped US\$ 9 million, whereas current transfers increased US\$ 54 million due to higher remittances from Peruvians living abroad (US\$ 49 million).

The **financial account** recorded a US\$ 369 million surplus due to the inflow of private capitals of US\$ 930 million (reinvestment of foreign companies), partially offset by the negative flow of public capitals by US\$ 376 million due to lower financial requirements. As a result, the increase of central bank's international reserves was US\$ 263 million.

### Trade balance

The **trade balance** recorded a surplus of US\$ 1 019 million, up US\$ 589 million (137 percent) from a year ago, due to the increase in exports (US\$ 1 174 million or

41 percent) that exceeded the increase in imports (US\$ 585 million or 24 percent).

**Exports'** growth was given in both traditional and non-traditional products. Among the former, the most dynamic products were molybdenum (61 percent for prices and 175 percent for volumes), fish meal (75 percent for volumes), copper (22 percent for prices and 3 percent for volumes), gold (9 percent for prices and 6 percent for volumes), zinc (12 percent) and lead (13 percent). Among non-traditional products (increase of 31 percent), chemical products grew 43 percent; wood, paper and derivatives 43 percent; agriculture products 38 percent and basic metal products and jewelry 27 percent.

**Imports** rose 24 percent due to higher acquisitions of capital- (30 percent), intermediate- (23 percent) and consumer goods (22 percent). Among capital good orders, it should be noted the growth in those oriented to construction and agriculture (both in 73 percent), whereas that within intermediate goods, the acquisition of fuels, lubricants and others (29 percent). Finally, within consumer good imports, acquisitions of durable goods stood out (29 percent).

**BALANCE OF PAYMENTS**  
(Millions of US\$)

	2004					2005	
	I	II	III	IV	Year	I	II
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>- 43</b>	<b>- 170</b>	<b>184</b>	<b>19</b>	<b>- 10</b>	<b>162</b>	<b>11</b>
(as percentage of GDP)	- 0,3	- 1,0	1,1	0,1	- 0,0	0,9	0,1
1. Trade balance	643	430	845	875	2 793	1 064	1 019
a. Exports	2 767	2 853	3 389	3 607	12 617	3 724	4 027
b. Imports	- 2 124	- 2 423	- 2 545	- 2 732	- 9 824	- 2 660	- 3 008
2. Services	- 207	- 219	- 175	- 241	- 843	- 203	- 210
a. Exports	443	440	577	454	1 914	490	492
b. Imports	- 650	- 659	- 752	- 695	- 2 756	- 693	- 702
3. Investment income	- 805	- 726	- 854	- 1 036	- 3 421	- 1 088	- 1 197
a. Private	- 543	- 504	- 605	- 799	- 2 451	- 863	- 965
b. Public	- 262	- 222	- 249	- 237	- 970	- 224	- 231
4. Current transfers	326	345	368	421	1 461	388	399
of which: Workers' remittances	242	261	284	336	1 123	305	310
<b>II. FINANCIAL ACCOUNT</b>	<b>385</b>	<b>583</b>	<b>204</b>	<b>1 072</b>	<b>2 244</b>	<b>686</b>	<b>369</b>
1. Private sector	322	73	284	347	1 027	387	930
2. Public sector	- 49	256	- 132	913	988	166	- 376
3. Short-term capital	112	254	52	- 188	230	132	- 184
<b>III. EXCEPTIONAL FINANCING</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>22</b>	<b>26</b>	<b>3</b>	<b>40</b>
<b>IV. BCRP NET INTERNATIONAL RESERVES FLOW (1-2)</b>	<b>- 209</b>	<b>- 485</b>	<b>- 291</b>	<b>- 1 367</b>	<b>- 2 352</b>	<b>- 985</b>	<b>- 401</b>
(Increased with negative sign)							
1. Change in Central Bank reserves	- 217	- 444	- 332	- 1 444	- 2 437	- 924	- 263
2. Valuation change and monetization of gold	- 8	41	- 41	- 77	- 85	61	138
<b>V. NET ERRORS AND OMISSIONS</b>	<b>- 136</b>	<b>71</b>	<b>- 99</b>	<b>255</b>	<b>92</b>	<b>134</b>	<b>- 18</b>
Note:							
Gross external financing to the private sector 1/	662	538	563	468	2 232	912	786

1/ Includes direct investment without privatization plus the disbursements of private sector long-term loans.

## Fiscal surplus at 2,7 percent of GDP

In the **second quarter** of 2005, the non-financial public sector overall balance recorded a surplus equivalent to 2,7 percent of GDP, up 1,6 percentage points from a year ago, thanks to the improvement in the central government primary balance. The latter was explained by the dynamism of current revenues –which increased 1,9 percentage points of GDP- as well as the decrease of the non-financial expenditure –in 0,3 percentage points of GDP-.

In the first half of 2005, the overall balance was positive in S/. 3 146 million or 2,5 percent of GDP, up 1,5 percentage points of GDP from the first semester of 2004. This is a result of the 1,4 percent of GDP improvement in the central government primary balance, which obeyed to higher current revenue as well as lower interest payments –in 0,1 percent of GDP-. It should be noted that this is the best record since 1997, when the public surplus reached 2,7 percent of GDP.

NON-FINANCIAL PUBLIC SECTOR OPERATIONS  
(Percentage of GDP)

	2004					2005	
	I	II	III	IV	Year	I	II
1. Central government current revenues	15,1	14,9	15,3	15,2	15,1	15,8	16,8
<i>Real percentage change</i>	7%	12%	8%	7%	9%	12%	21%
2. Central government non-financial expenditures	12,4	12,8	15,8	17,2	14,6	12,8	12,5
<i>Real percentage change</i>	-3%	0%	11%	9%	3%	10%	5%
Current expenditure	11,6	11,5	13,7	14,2	12,8	12,0	11,3
<i>Real percentage change</i>	1%	3%	8%	9%	4%	11%	5%
Capital expenditure	0,9	1,3	2,2	3,0	1,8	0,8	1,2
<i>Real percentage change</i>	-35%	-19%	36%	11%	-6%	1%	5%
3. Others	0,9	0,8	0,5	-0,1	0,5	1,3	0,3
4. Primary balance	<b>3,5</b>	<b>2,9</b>	<b>0,0</b>	<b>-2,1</b>	<b>1,0</b>	<b>4,3</b>	<b>4,5</b>
5. Interest payments	2,6	1,8	2,1	1,9	2,1	2,1	1,8
<b>6. Overall balance</b>	<b>0,9</b>	<b>1,1</b>	<b>-2,1</b>	<b>-4,0</b>	<b>-1,1</b>	<b>2,2</b>	<b>2,7</b>
7. Net financing	-0,9	-1,1	2,1	4,0	1,1	-2,2	-2,7
- External	-0,4	1,5	-0,5	5,2	1,5	0,7	-1,3
- Domestic	-1,0	-2,6	2,6	-1,4	-0,7	-3,0	-1,5
- Privatization	0,4	0,0	0,0	0,2	0,2	0,0	0,1

In the second quarter, central government **current revenue** totaled 16,8 percent of GDP, a 21 percent increase in real terms. The factors behind this outcome are higher income tax clearance (1,1 percent of GDP) reflecting higher minerals' international quotations and the lagged effect of the increase of the tax on corporate –from 27 to 30 percent-. Excluding this effect, the increase would be 13,1 percent in real terms, accounted for by higher income tax payments in advance, duties and non-tax revenues from the canon on oil and gas activities and mining royalties. This improvement was partially offset by the decrease in the excise tax on fuel (18 percent on average) oriented to ameliorate the impact of higher oil prices.

In the first semester, current revenue reached 16,3 percent of GDP, up 1,3 percentage points from a year ago –with an increase of 16,5 percent in real terms-.

**Non-financial expenditure** was 12,5 percent of GDP in the second quarter, down 0,3 percent of GDP from a similar period in 2004, due to the payment in

advance of the school bonus granted to civil servants –active and retired- as well as a lower expense of goods and services, despite the larger transfers to local government and the payroll effect of wages and salaries increases made in the second half of 2004 and the first half of 2005. notwithstanding, the non-financial expenditure in real terms increased 5,0 percent –of which non-financial current expenditure soared 4,9 percent and capital expenditure 5,4 percent-.

In the first half of the year, non-financial expenditure reached 12,7 percent of GDP, up 0,1 percent of percent of GDP from a year ago, equivalent to a 7,3 percent increase in real terms.

The **rest** of the NFPS operations recorded a surplus of 0,3 percent of GDP in the second quarter, down 0,5 percent of GDP from a year ago, due to the lower balance of the health system –EsSalud- attributed to higher wages and salaries and goods and services outlays- and in non-financial state-owned enterprises (Petroperu and Egecen).

The **next external financing** was negative in 1,3 percent of GDP, since amortization payments (US\$ 411 million) exceeded long-term disbursements (US\$ 64 million) and short-term financing to state-owned enterprises (US\$ 46 million).

**Domestic financing** was also negative in S/. 1 039 million (or 1,5 percent of GDP), mainly reflecting the accrual of deposits in the Treasury (S/. 1 893 million in domestic currency partially offset by the net withdrawal of US\$ 261 million in foreign currency). Over the quarter, sovereign bonds were placed by S/. 1 440 million, whereas amortization reached S/. 297 million. The bond issuance had a counterpart in the May swap of Financial System Consolidation Program bonds –denominated in US dollars– by sol-denominated sovereign bonds worth S/. 851 million (US\$ 262 million).

In the second quarter of the year, **privatization and concession** receipts amounted to S/. 83 million (US\$ 25 million). Revenues came from the granting

in concession -in March- of a fourth band for mobile telephone communication (US\$ 21 million). Besides, investment commitment worth US\$ 1 009 million were arranged this period, i.e. the building and maintenance of the Multimodal Axis Northern Amazon and the interoceanic highway (Peru-Brazil). This last project has a committed investment of US\$ 200 million over the next 4 years. The winning consortium will receive an annual US\$ 29 million tasks-related payment for the next 15 years and an annual allowance of US\$ 15 million for maintenance task for the next 25 years.

Finally, in June it was given in concession sections 2 and 3 of the Southern Interoceanic Corridor to Concesionario Interoceánico (Peru-Barzil) and section 4 to Intersur consortium (Brazil). The latter will required a total estimated investment of US\$ 809 million over the next 4 years and government tasks-related payments of US\$ 98 million for the next 15 years and US\$ 16 million maintenance-related payments for the next 25 years.

## MONTHLY AND WEEKLY REPORT

### Net international reserves at US\$ 14 078 millions

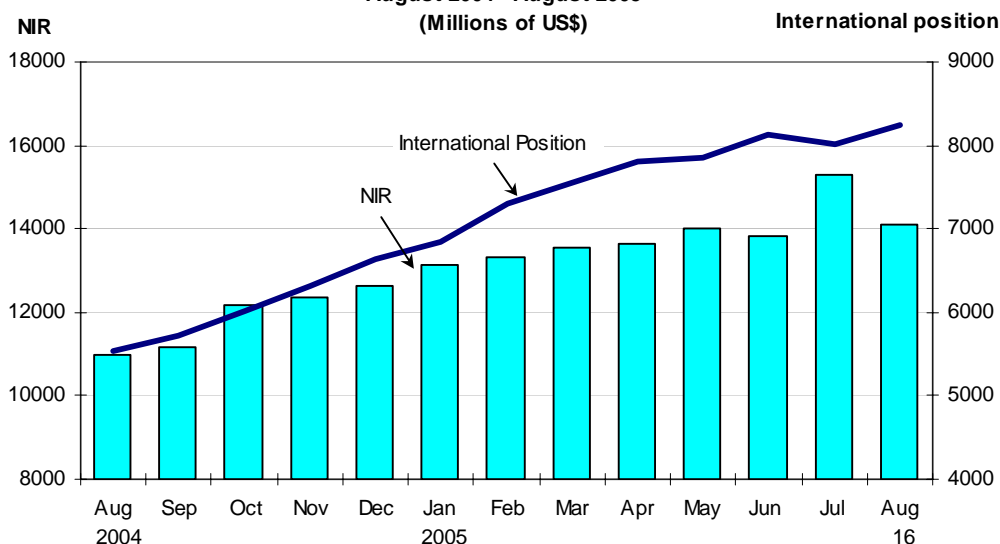
As of **August 16**, net international reserves (NIR) amounted to US\$ 14 078 millions, down US\$ 1 205 millions from end-July. This decrease was mainly due to lower public sector deposits in US\$ 1 755 millions due to the pre-paid of the Paris Club debt. This evolution was partially offset by higher financial system deposits in US\$ 299 millions, net purchases of foreign currency by US\$ 133 millions (purchases over-the-counter mechanism by US\$ 183 and sales

to the public sector by US\$ 50 millions), changes in the value of currencies and gold in US\$ 85 millions, transitory deposit from the payment of an obligation with the IMF by US\$ 20 millions and net interests by US\$ 15 millions.

Year-to-date, NIRs have increased US\$ 1 447 millions, whereas the **Central Bank's international position** (US\$ 8 235 millions), grew by US\$ 1 596 millions.

**Net international reserve and international position of the Central Reserve Bank**

August 2004 - August 2005  
(Millions of US\$)

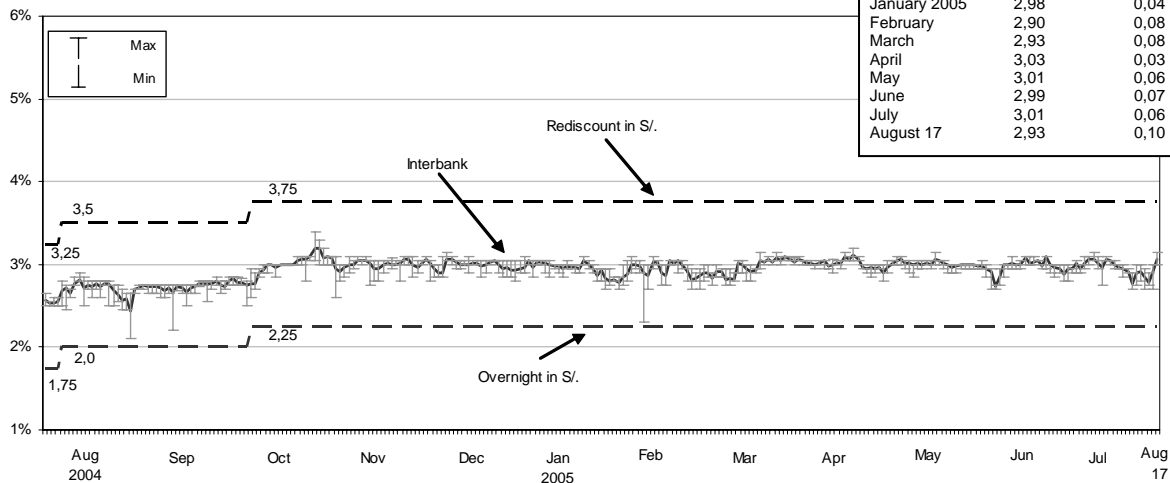


### Interbank interest rate at 2,93 percent

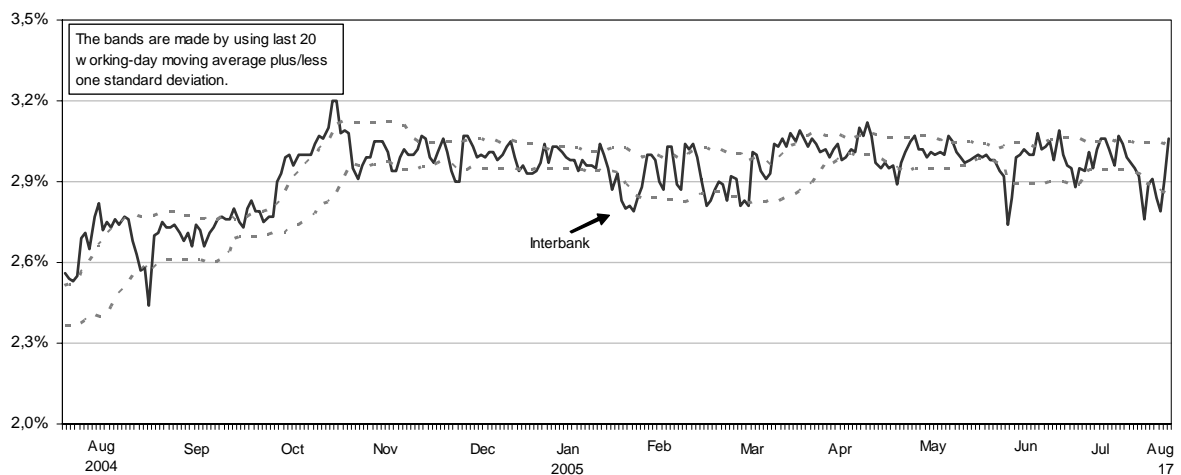
Between **August 1 and 17**, the average interest rate in domestic currency was 2,93 percent.



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



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



## Monetary operations

Between **August 11 and 17**, the Central Bank made the following operations:

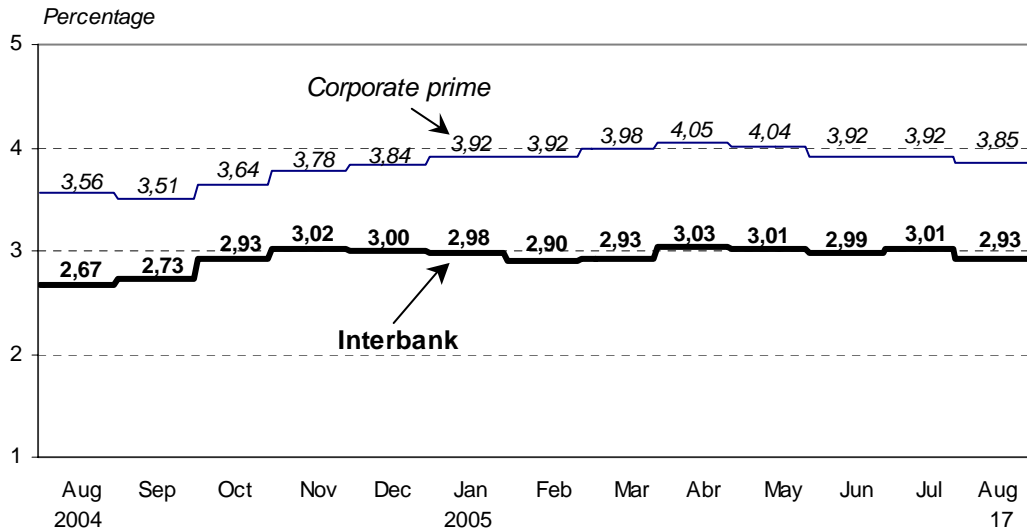
- Auctions of CDBCRP with a 1-week maturity by S/. 30 millions in three occasions, S/. 50,1 and S/. 5 millions at an average interest rate of 3,06; 2,80; 3,02; 3,06 and 3,08 percent, respectively.
- Auctions of temporary purchase of CDBCRP and BTP with a 1-day maturity by S/. 160 and S/. 80 millions at an average interest rate of 3,07 and 3,13 percent, respectively.
- Foreign currency purchase over-the-counter mechanism by US\$ 21,5 millions at an average exchange rate of S/. 3,253.
- Overnight deposits on August 11, 12, 15, 16 and 17 de August by S/. 115; S/. 148; S/. 86,5; S/. 15 and S/. 20,9 millions, respectively.

### Corporate prime interest rate at 3,85 percent

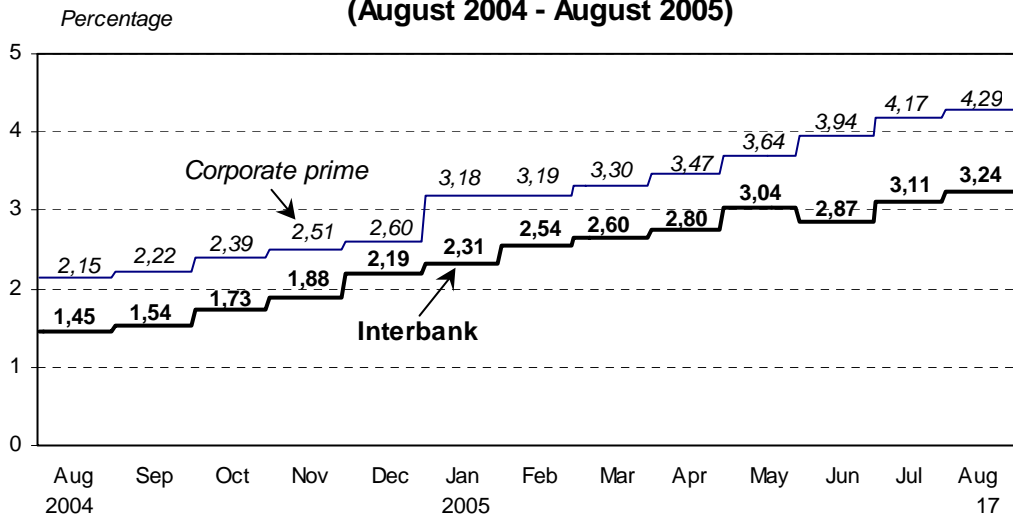
As of **August 17**, the 90-day average corporate prime interest rate in domestic currency decreased from 3,92 in July to

3,85 percent, meanwhile the rate in dollars increased from 4,17 to 4,29 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/. 3,254

Between **August 10 and 17**, the asked banking system exchange rate increased from S/. 3,252 to S/. 3,254 per dollar. Up to August 16, the bank's balance of net

forward sales and the bank's exchange position diminished in US\$ 59 and US\$ 80 millions, respectively from end-July.

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

	December 2003	December 2004	July 2005	August 16
<b>a. Net sales to the public (i-ii)</b>	<b>607</b>	<b>699</b>	<b>534</b>	<b>476</b>
i. Forward sales to the public	834	1 163	1 297	1 117
ii. Forward purchases to the public	227	464	763	641
<b>b. Banks' exchange position</b>	<b>536</b>	<b>340</b>	<b>404</b>	<b>324</b>

### Monetary base as of August 15, 2005

The **monetary base** balance as of August 15 was S/. 10 306 millions, down 4,0 percent (S/. 429 millions) from end-July. In average terms, the year on year rate of growth of the monetary base in this period was 32,0 percent (30,2 percent in July).

The main explanations for this result were CDBCRP's net placements (S/. 760

millions), the redemption of temporary purchases of securities (S/. 317 millions) and higher public sector deposits (S/. 46 millions). These operations were partially offset by purchases of foreign currency over-the-counter mechanism (US\$ 174 millions or S/. 567 millions) and lower financial system's overnight deposits (S/. 66 millions).

### GDP increases 4,6 percent in June

**GDP** grew 4,6 percent in June, registering 48 months of continuous growth. All the economic sectors had positive rates of growth except the fishing sector because there were more days of close season with respect to the same period of the previous year.

The **agriculture & livestock** sector increased 8,6 percent. In this increment influenced the higher production of rice due to the normalization of the water resources in Lambayeque; cotton, due to higher crops in Piura and Lambayeque; potato, due to the crops delay facing expectation of lower prices, particularly in Junin; olive, due to the new plantations in Tacna; and poultry, explained by higher production in La Libertad, Ica and San

Martin. These increments were compensated by the reductions of coffee, due to shortage of rains in the forest and Cusco; and sugar cane due to the lower harvested area.

The 13,2 percent decrease in the **fishing** sector is explained by reductions in the fishing for industrial and human consumption. The first one declined as a result of the smaller disembarks of anchovy and the increase of the close season with respect to the same period of the previous year. In the fishing for human consumption they emphasized the smaller captures of jack mackerel, mackerel, cojinova and fray for fresh and of hake, pota, squid and other shellfish for frozen.

**GROSS DOMESTIC PRODUCT**

(Annual growth rates)

	June		January - June	
	2004	2005	2004	2005
<b>Agriculture and Livestock</b>	<b>-7,7</b>	<b>8,6</b>	<b>-2,5</b>	<b>4,8</b>
Agriculture	-11,4	11,4	-4,9	6,1
Livestock	1,0	3,5	1,7	2,5
<b>Fishing</b>	<b>33,5</b>	<b>-13,2</b>	<b>27,4</b>	<b>2,2</b>
<b>Mining and Fuel</b>	<b>-2,1</b>	<b>8,5</b>	<b>7,7</b>	<b>2,6</b>
Metallic mining	-2,4	6,1	8,6	0,0
Natural gas and oil	-1,5	36,2	-4,8	36,0
<b>Manufacturing</b>	<b>6,1</b>	<b>5,9</b>	<b>5,6</b>	<b>6,5</b>
Based on raw materials	18,6	-5,0	6,4	-0,9
Non-primary	2,7	8,9	5,4	8,3
<b>Electricity and water</b>	<b>3,6</b>	<b>4,8</b>	<b>4,7</b>	<b>4,7</b>
<b>Construction</b>	<b>5,4</b>	<b>3,8</b>	<b>5,5</b>	<b>5,1</b>
<b>Commerce</b>	<b>1,5</b>	<b>3,3</b>	<b>2,7</b>	<b>7,1</b>
<b>Other services</b>	<b>2,5</b>	<b>5,0</b>	<b>3,5</b>	<b>6,3</b>
<b><u>GROSS VALUE ADDED (GVA)</u></b>	<b><u>1,6</u></b>	<b><u>5,3</u></b>	<b><u>3,6</u></b>	<b><u>5,9</u></b>
Taxes on products and import duties	11,9	-1,5	7,5	6,0
<b><u>GDP</u></b>	<b><u>2,6</u></b>	<b><u>4,6</u></b>	<b><u>4,0</u></b>	<b><u>5,9</u></b>
Primary sector GVA	-1,3	5,5	2,9	3,0
Non-primary sector GVA	2,6	5,2	3,8	6,7
Domestic demand indicator	4,4	1,4	3,5	4,4

The **mining and fuel** sector grew 8,5 percent, by expansion of gold, zinc, iron and the natural gas and oil production. This last, due to the extraction of gas in the Lot 88 – Camisea and to the higher exploitation of crude oil.

**Manufacturing** increased 5,9 percent supported by the 8,9 percent growth of the non-primary manufacture, partly reduced by the decrease of 5,0 percent in the primary sector. The most important contribution of the first one stemmed from the industrial groups of metallic products, basic chemical substances, other clothing articles, edition and printing, materials for construction and industry of iron and steel. On the other hand, the reduction in the primary sector is explained mainly by the

smaller production of the fishing industry, non-ferrous metals refining and sugar, compensated in part by the higher production of meat products and petroleum refining.

The branches that registered greater growth were metallic products by the increment of tin containers production destined to the foreign and domestic market; basic chemical substances by the dynamism in the exports of colorants, chemical substances and caustic soda; other articles of clothing due to a higher domestic demand; edition and printing by the increase in exports, and building materials that reflects the dynamism of the construction.

## Industries with higher increases June 2005

CIU	Jun	
	Var. %	Contrib. % 1/
Metal products	20,8	1,0
Basic chemicals	48,1	0,9
Manufacture of wearing apparel	8,5	0,8
Printing	18	0,8
Manufacture of articles of concrete, cement and plaster	20,5	0,7
Manufacture of basic iron and steel	21,7	0,5
Grain mill and bakery products	8,9	0,6
Cement	13,3	0,5
Other paper and paperboard products	25,3	0,5
<b>Subtotal</b>	<b>16,5</b>	<b>6,3</b>

1/ Percent contribution to non primary manufacturing  
Source: Ministry of Production.

The branches that showed greater decreases were electric panels because in June 2004 an exceptional demand of a business of energy was attended; paper and paperboard industry due to financial problems in some important enterprises;

toilet and cleaning products by inventories accumulation of detergents and natural essences, and chemicals due to lower worked hours due to its annual program of technical maintenance.

## Industries with higher decreases June 2005

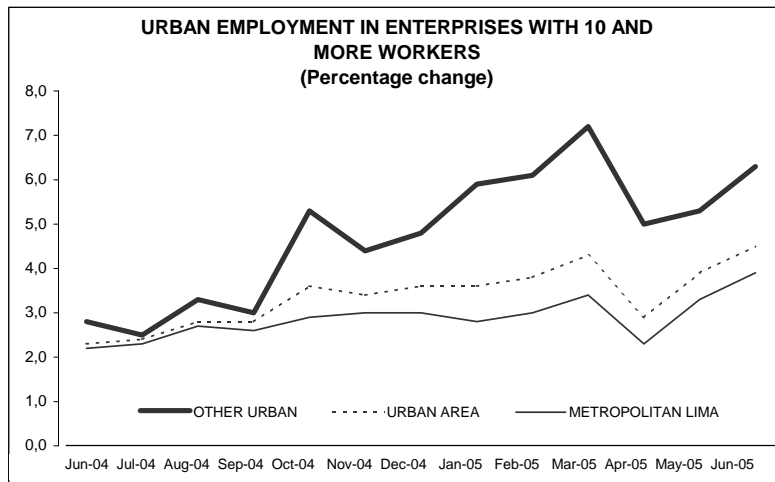
CIU	Jun	
	Var. %	Contrib. % 1/
Manufacture of electricity distribution and control apparatus	-74,6	-0,6
Paper and paperboard	-20,0	-0,3
Toilet and cleaning products	-10,9	-0,3
Explosives and natural and chemical essences	-9,7	-0,3
Furniture	-9,7	-0,2
<b>Subtotal</b>	<b>-16,8</b>	<b>-1,7</b>

1/ Percent contribution to non primary manufacturing  
Source: Ministry of Production.

The sector **construction** increased 3,8 percent due to the higher development of self-building projects as well as housing programs. In contrast, diminished road building and maintenance.

In June, the **employment** in enterprises with 10 or more workers in the urban area

grew 4,5 percent respect June 2004, registering an increase in all economic activities with exception of the electricity, gas and water sector. In particular, highlighted the extractive sector (11,0 percent), manufacturing (5,9 percent), services (3,6 percent) and transport and communications (3,6 percent).



Urban employment in enterprises with 10 and more workers (Percentage change)

	Metropolitan Lima	Other urban	Urban area
<b>2004</b>	<b>2,7</b>	<b>3,7</b>	<b>3,0</b>
June	2,2	2,8	2,3
July	2,3	2,5	2,4
August	2,7	3,3	2,8
September	2,6	3,0	2,8
October	2,9	5,3	3,6
November	3,0	4,4	3,4
December	3,0	4,8	3,6
<b>2005</b>			
January	2,8	5,9	3,6
February	3,0	6,1	3,8
March	3,4	7,2	4,3
April	2,3	5,0	2,9
May	3,3	5,3	3,9
June	3,9	6,3	4,5

Employment grew in 18 out of 20 cities according to Ministry of Labor's statistics; for instance: Talara (25,0 percent), Chincha (16,9 percent), Ica (16,7 percent),

Sullana (14,8 percent) and Iquitos (10,7 percent) due to oil-related activities, grapes, asparagus, banana, and oil, wood and tourist-related tasks.

URBAN EMPLOYMENT BY MAIN CITIES ENTERPRISES WITH 10 AND MORE WORKERS (Annual percentage change)

	June 2005/ June 2004	Jan. - Jun. 05/ Jan. - Jun. 04
<b>Urban area</b>	<b>4,5</b>	<b>3,8</b>
<b>Metropolitan Lima</b>	<b>3,9</b>	<b>3,1</b>
<b>Other urban</b>	<b>6,3</b>	<b>5,9</b>
Talara	25,0	23,8
Chincha	16,9	11,2
Ica	16,7	22,2
Sullana	14,8	23,2
Iquitos	10,7	12,8
Piura	8,0	11,0
Tarapoto	8,0	3,7
Puno	7,9	2,9
Cusco	7,7	5,0
Cajamarca	7,3	3,9
Trujillo	7,2	5,7
Pisco	4,6	6,9
Pucallpa	4,5	3,0
Arequipa	4,3	3,1
Chiclayo	2,2	1,2
Chimbote	1,5	-1,7
Tacna	1,2	0,4
Huancayo	0,9	3,1
Huaraz	-10,4	-7,8
Paita	-13,8	-9,1

Source: MTPE, Monthly Statistical Report.

**July outlook**

According to preliminary data, in July:

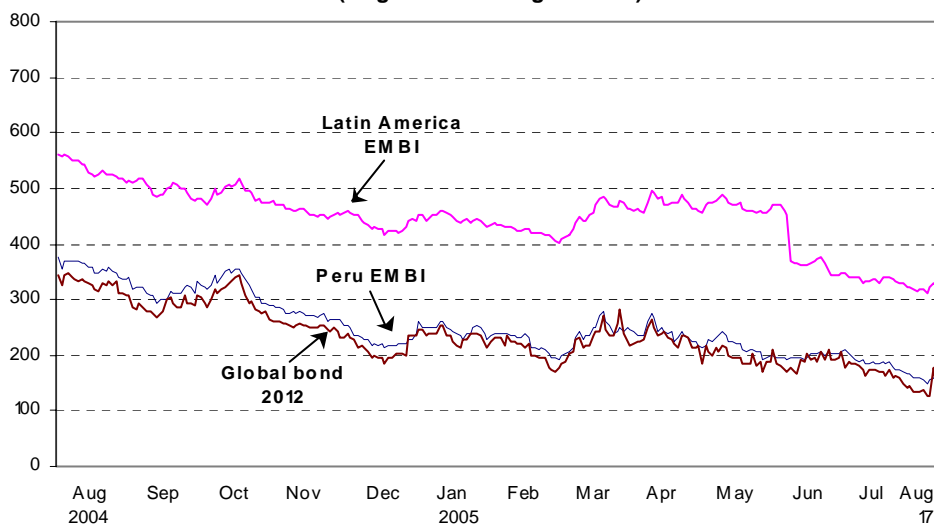
- Anchovy catch would decline 23 percent (Imarpe).
- Oil crude production increased 30,4 percent, whereas natural gas output expanded 80,1 percent (Perupetro).
- Local sales of cement increased 9,4 percent (Asocem).
- Electricity generation grew by 5,3 percent (COES).
- Excise tax collection fell 4,9 percent due to the oil-tax reduction. However, excise tax on imports grew by 9,7 percent according to Sunat.

**A new historic minimum for the Country Risk: 1,45 percent**

Between **August 10 to 17**, the **EMBI+ Peru's** spread decreased from 1,50 to a new historic minimum of 1,45 percent. On Monday 15, Peru pre-paid US\$ 1 550 million to the Paris Club. The

announcement of this operation and the successful bonds emission to finance it, have been some of the factors that improved the Peruvian debt perception among investors.

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



**International markets**

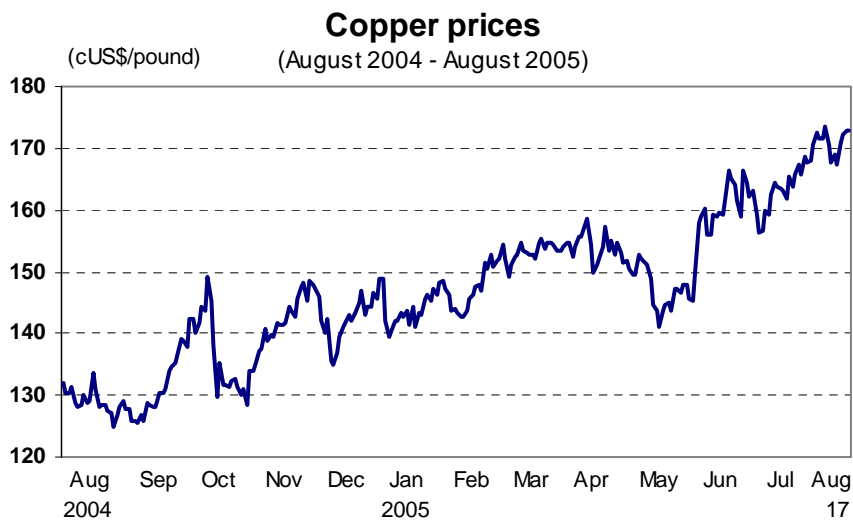
From **August 10 to 17**, the **gold's** price increased 1,4 percent to US\$ 443 per Troy ounce due to its refuge-asset

condition against the higher inflationary pressures that would be originated due to higher prices of energy.



Over similar period, the **copper's** price increased 2,3 percent to US\$ 1,73 per pound, due to the lack of an agreement to solve the strike in Asarco mining (United States) and to the increased industrial production of China in 16 percent in July.

Nevertheless, a recovery in the London Metal Exchange inventories has been observed, from 26 thousand MT registered on July 25 to 61 thousand MT as of August 17 (the maximum level in 9 months).





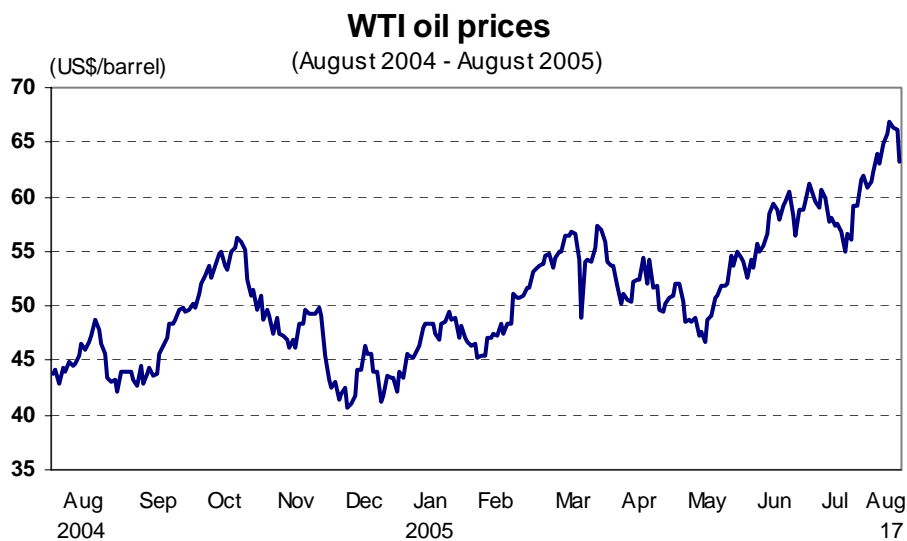
The **zinc's** price rose 4,8 percent to US\$ 0,60 per pound due to the continuity of the strike in the Canadian mining Trail (belonging to Teck-Cominco), responsible

of 3 percent of the world production of refined zinc. Besides, the London Metal Exchange inventories diminished in the week from 571 to 566 thousand MT.



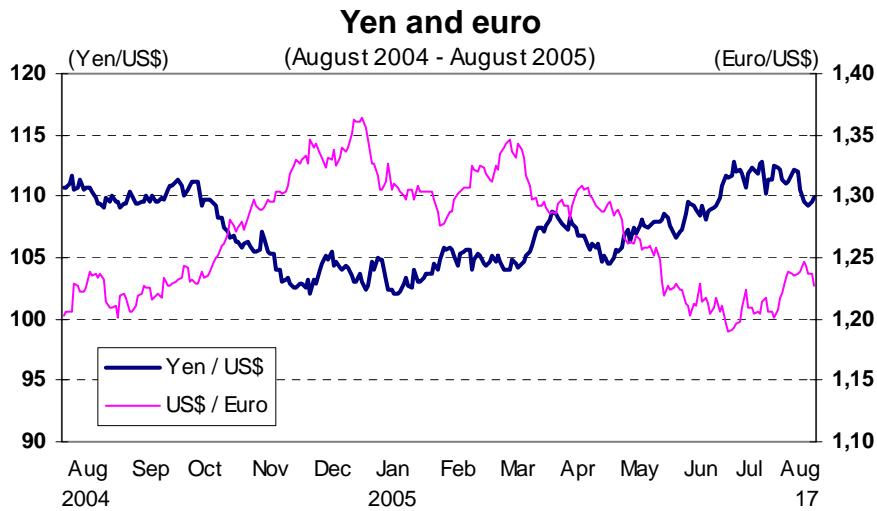
The **WTI oil** price decreased 2,5 percent to US\$ 63,3 per barrel explained by profits taking and the rise of crude oil inventories in the United States that are almost 10 percent above the level of a year ago.

Nevertheless, it's worth noting that on August 12, the petroleum reached a historic maximum of US\$ 66,9 per barrel facing speculations that US refineries would not be able to satisfy the demand.



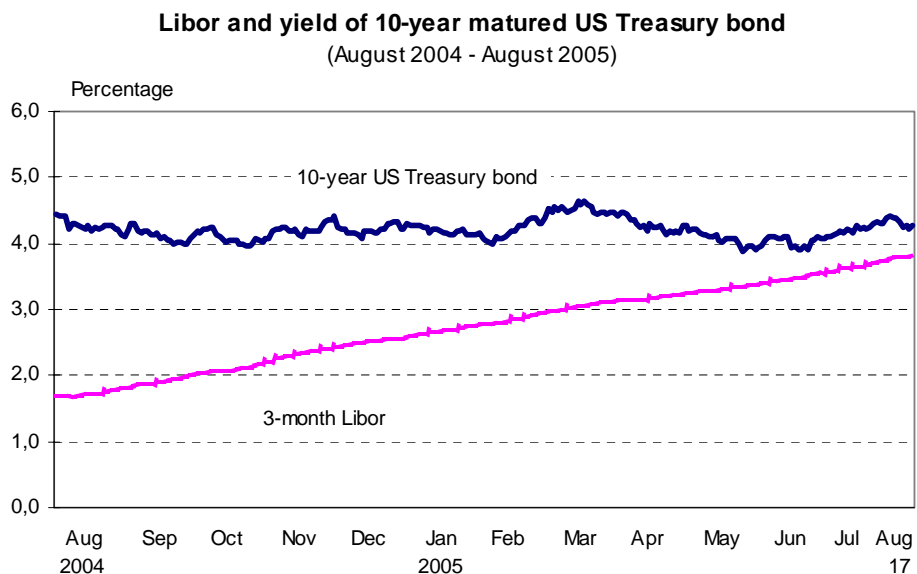
In the period under analysis, the **US dollar** appreciated 0,9 percent against the **euro** and depreciated 0,7 percent against the **yen**. The dollar reverted its depreciatory tendency of the early week against euro due to the higher figures than expected of net capital inflows of June (US\$ 71 against

US\$ 65 billion). In turn, the yen was benefited by the economic growth for the third consecutive quarter in Japan, an increment higher than expected of the leading indicators and the maximums stock market indices reached in 4 years.



From **August 10 to 17**, the **3-month Libor** increased from 3,78 to 3,81 percent, whereas the **yield of the 10-year matured US Treasury bond** passed from 4,39 to 4,27 percent due to some negative

economic indicators (or smaller than expected) as the industrial production, the University of Michigan confidence index and the retail sales.



### Lima Stock Exchange

As of **August 17**, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 8,1 and 5,6 percent, respectively. In the last week the actions of the banking sector had better performance due to the

good results obtained and the favorable perspectives of the sector. In the year, the stock market indices accumulate profits of 22,7 and 17,7 percent, respectively.

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

