

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

Nº 45 – November 11, 2005

#### Net international reserves at US\$ 13 543 million

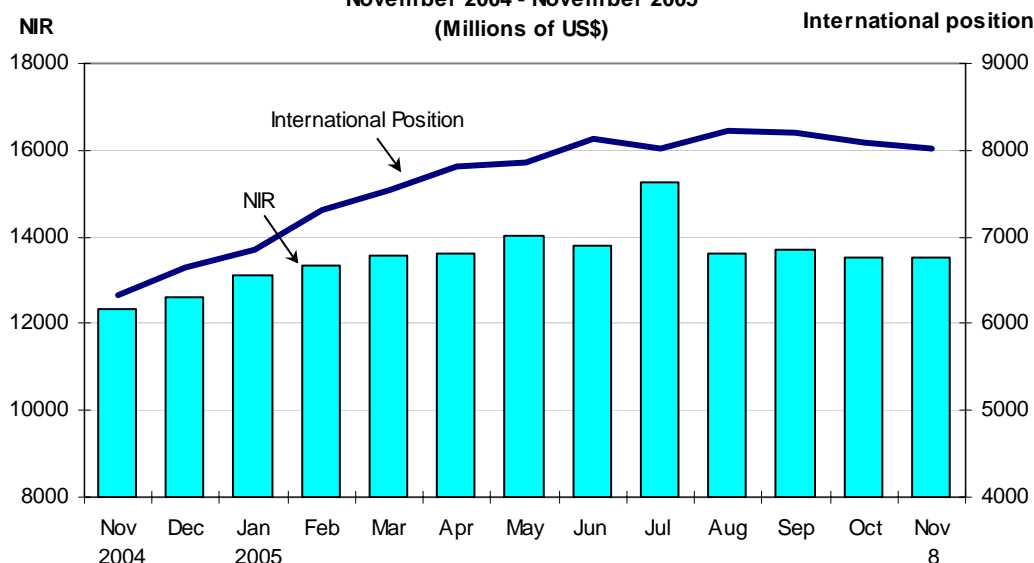
As of **November 8**, net international reserves (NIR) amounted to US\$ 13 543 million, down US\$ 4 million from end-October. This decrease is mainly explained by changes in the value of currencies and gold in US\$ 48 million and lower public sector deposits in US\$ 14 million. This evolution was partially offset

by higher financial system deposits in US\$ 56 million and investment yield by US\$ 3 million.

Year-to-date, NIRs have increased US\$ 912 million whereas the **Central Bank's international position** (US\$ 8 028 million) grew by US\$ 1 389 million.

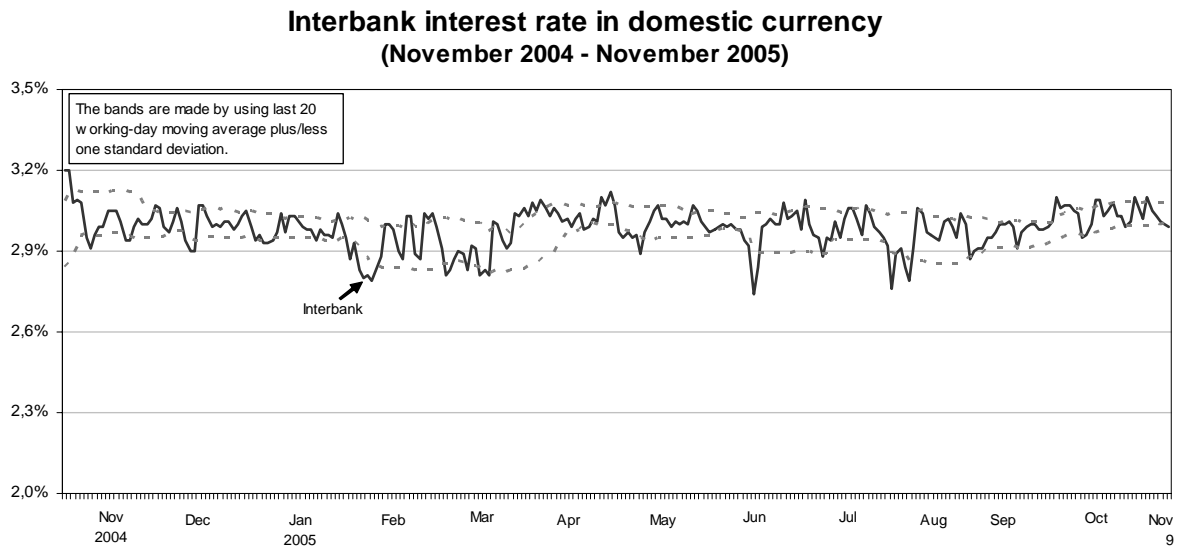
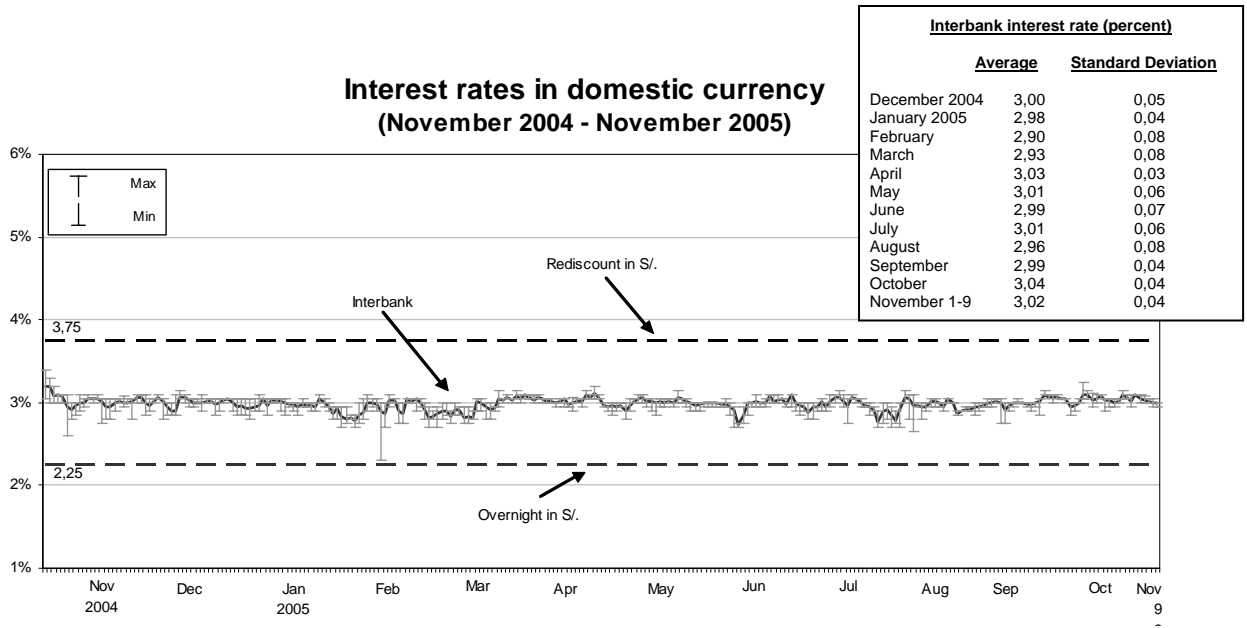
Net international reserve and international position of the Central Reserve Bank

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



#### Interbank interest rate at 3,02 percent

Between **November 1 and 9**, the average interest rate in domestic currency was 3,02 percent.



## Monetary operations

Between **November 3 and 9**, the Central Bank made the following operations:

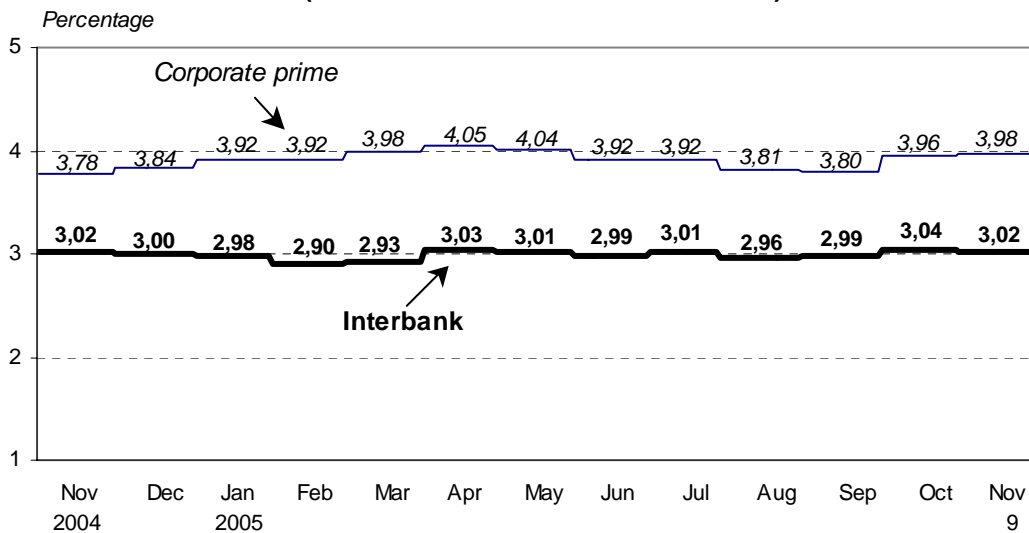
- Auctions of temporary purchase of CDBCRP and BTP with a: i) 1-day maturity by S/. 250,1 and S/. 135 million at an average interest rate of 3,02 and 3,05 percent, respectively and ii) 3-day by S/. 315 million at 3,06 percent.
- Overnight deposits on November 4, 7, 8 and 9 by S/. 19,8; S/. 10,2; S/. 35,7 and S/. 165 million, respectively.

## Corporate prime interest rate at 3,98 percent

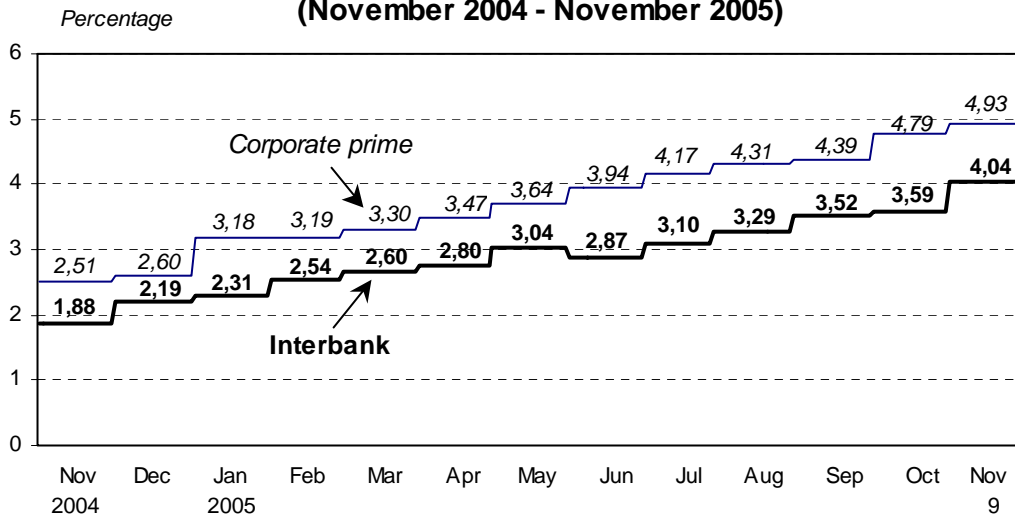
As of **November 9**, the 90-day average corporate prime interest rate in domestic currency augmented from 3,96 percent in

October to 3,98 percent and the rate in dollars from 4,79 to 4,93 percent.

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



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



**Exchange rate: S/. 3,363**

Between **October 31 and November 9**, the asked banking system exchange rate decreased from S/. 3,380 to S/ 3,363 per dollar; in a context of a lower country risk and an appreciation of the regional

currencies. Up to November 8, the bank's balance of net forward sales diminished US\$ 16 million meanwhile the bank's exchange position augmented US\$ 87 million, from end-October.

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

	December 2003	December 2004	October 2005	November 8
<b>a. Net sales to the public (i-ii)</b>	<b>607</b>	<b>699</b>	<b>375</b>	<b>360</b>
i. Forward sales to the public	834	1 163	1 473	1 538
ii. Forward purchases to the public	227	464	1 097	1 178
<b>b. Banks' exchange position</b>	<b>536</b>	<b>340</b>	<b>372</b>	<b>459</b>

**Monetary base as of November 7, 2005**

The **monetary base** balance as of November 7 was S/. 10 776 million up 4,7 percent (S/. 482 million) from end-October. In average terms, the year on year rate of growth of the monetary base in this period was 29,0 percent (30,3 percent in October).

The main explanations for this result were lower public sector deposits (S/. 189 million), lower financial system overnight deposits (S/. 162 million) and temporary purchases of securities (S/. 120 million).

**Banking system monetary accounts as of October 22, 2005**

Through last 4 weeks, liquidity in **domestic currency** increased 0,8 percent (S/. 234 million) to a balance of S/. 28 355 million. Credit to the private sector in the same currency augmented 2,8 percent (S/. 363 million) to S/. 13 406 million. However, in annual terms this aggregates grew by 21,6 and 20,6 percent, respectively.

Liquidity in **foreign currency** decreased 0,1 percent (US\$ 5 million) to a balance of US\$ 10 203 million (an annual growth rate of 7,5 percent). Credit to the private sector in the same currency diminished 0,6 percent (US\$ 59 million) to US\$ 10 124 million (an annual growth rate of 4,3 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>												
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%
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%
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%
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%
Abr.	5,2%	26,6%	-1,2%	32,9%	1,7%	14,0%	4,0%	5,4%	10,5%	30,7%	2,2%	4,4%
May.	0,8%	26,7%	0,1%	32,2%	1,7%	16,2%	2,8%	8,8%	-1,9%	12,8%	1,9%	4,9%
Jun.	1,9%	28,1%	2,2%	35,4%	0,8%	16,2%	-0,7%	4,9%	-6,7%	1,8%	1,5%	5,7%
Jul.	12,1%	30,6%	3,4%	36,4%	2,0%	17,1%	-0,6%	1,8%	2,7%	10,1%	0,6%	5,8%
Aug.	-5,1%	30,7%	-1,8%	32,3%	3,3%	20,5%	0,2%	3,9%	0,7%	17,1%	-2,2%	4,8%
Sep.	-0,1%	31,8%	-1,2%	27,1%	2,0%	21,1%	1,9%	5,9%	-9,7%	-0,7%	-1,4%	4,6%
Oct. 22	3,4%	31,5%	0,8%	21,6%	2,8%	20,6%	-0,1%	7,5%	-10,8%	-4,5%	-0,6%	4,3%
Memo:												
Balance as of Sep. 22 (Mill.S/. or Mill.U\$)	10 039		28 121		13 043		10 209		837		10 183	
Balance as of Oct. 22 (Mill.S/. or Mill.U\$)	10 380		28 355		13 406		10 203		747		10 124	
1/ Short term external liabilities of banking enterprises.												

## September trade surplus at US\$ 438 million

In September, the **trade surplus** reached US\$ 438 million, therefore, the cumulative surplus over the period January-September totaled US\$ 3 457 million.

**Exports** amounted to US\$ 1 460 million in September 2005, up US\$ 331 million (29 percent) from September 2004. Traditional exports increased 33 percent, whereas non-traditional exports grew by 20 percent. Within traditional products, exports of gold grew by US\$ 76 million (35 percent), copper by US\$ 75 million (30 percent), oil by US\$ 73 million (153 percent) and molybdenum by US\$ 51 million (145 percent). On the other hand, within non-traditional products the most dynamic

items were agriculture (31 percent) and textile (66 percent), which accounted for by 66 percent of the growth in this sector. Over the period, January-September exports rose 37 percent, 16 percent due to volumes and 18 percent due to prices.

**Imports** reached US\$ 1 021 million in September, up 19 percent from a year ago. In the year, imports has increased 25 percent. September imports' increase obeyed to larger acquisitions of intermediate goods (14 percent) -mainly fuels and raw materials for industry (41 percent)- and of consumer goods (16 percent).

**TRADE BALANCE**

(Millions of US\$)

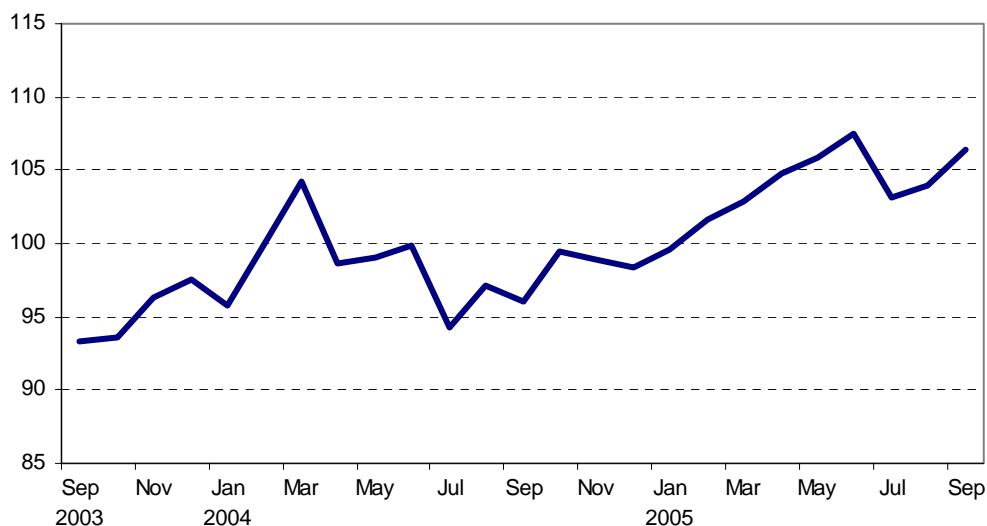
	2004	2005		Sep.05/Sep.04		January-September			
	Sep.	Aug.	Sep.	Change	% var.	2004	2005	Change	% var.
<b>1. EXPORTS</b>	<b>1 128</b>	<b>1 483</b>	<b>1 459</b>	<b>331</b>	<b>29,3</b>	<b>9 010</b>	<b>12 294</b>	<b>3 285</b>	<b>36,5</b>
Traditional products	826	1 117	1 097	272	32,9	6 458	9 105	2 647	41,0
Non-traditional products	292	355	351	59	20,4	2 469	3 088	619	25,1
Other products	11	12	11	0	0,1	83	102	19	22,2
<b>2. IMPORTS</b>	<b>855</b>	<b>1 091</b>	<b>1 021</b>	<b>166</b>	<b>19,4</b>	<b>7 092</b>	<b>8 837</b>	<b>1 745</b>	<b>24,6</b>
Consumer goods	178	209	207	29	16,2	1 370	1 652	282	20,6
Raw materials and intermediate goods	461	605	527	66	14,3	3 897	4 867	970	24,9
Capital goods	196	266	276	80	40,8	1 731	2 226	495	28,6
Other goods	20	11	11	- 9	- 45,4	94	92	- 3	- 2,9
<b>3. TRADE BALANCE</b>	<b><u>273</u></b>	<b><u>392</u></b>	<b><u>438</u></b>	<b><u>165</u></b>	<b><u>60,5</u></b>	<b><u>1 917</u></b>	<b><u>3 457</u></b>	<b><u>1 540</u></b>	<b><u>80,3</u></b>

**Terms of trade** soared 11 percent in September, thanks to the increase in export prices (25,4 percent) which

exceeded the increment in import prices (13,2 percent). Over the period January-September terms of trade rose 6 percent.

**TERMS OF TRADE**

(1994=100)



### Country risk: 1,64 percent

Between **October 31 and November 9**, the **EMBI+ Peru** spread fell from 1,76 to 1,64 percent, in line with other regional spreads. It should be noted the upgrade in the Peruvian sovereign debt from stable to

positive granted by Fitch, reflecting the good external indicators (i.e. current account balance and the shape of both domestic and external public debt).

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



### International markets

Between **October 31 and November 9**, **gold's** price decreased 1,3 percent to US\$ 464 per troy ounce, reflecting an

stronger US dollar and the drop in oil prices.

### Gold prices



Over similar period, the **copper** price grew by 1,5 percent to US\$ 1,88 per pound due to the lower than expected supply of Japanese Sumitomo corporation and

Suisse Boliden AB. Besides, Chilean Cochilco reported a 2,9 percent drop in January-September production against the same period in 2004.

**Copper prices**



**Zinc** price soared 0,8 percent to US\$ 0,72 per pound following the drop in LME inventories –from 488 to 475 thousand MT- the lowest since the first quarter in 2002. The lack of new mining projects would continue until mid-2007, with the

entry of Bolivian mine San Cristobal. Moreover, the main zinc supplier Teck Cominco stated that expansion plans would only take place world inventories fall below 200 thousand MT.

**Zinc prices**





Between **October 31 and November 9**, **WTI oil** dropped 1,4 percent to US\$ 58,9 per barrel due to the higher than expected increase in US inventories of crude and

gasoline, besides the lower demand from oil oriented to heating in the US –due to the warmer than expected weather in the northeastern regions-.

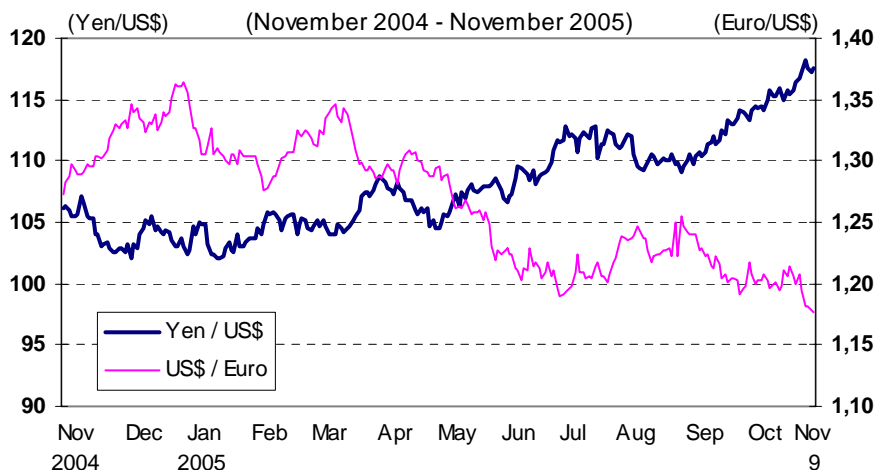
**WTI oil prices**



Over the period under analysis, the **US dollar** appreciated 1,8 percent against the **euro** (reaching a maximum in 2 years) and 1,0 percent against the **yen** due to the differential between US interest rates and those in the Eurozone and Japan. On

November 1<sup>st</sup>, the Fed increased its interest rate in 25 bps to 4 percent, whereas BCE president Jean-Claude Trichet discarded any interest rate increase –Trichet said the current level is appropriate-.

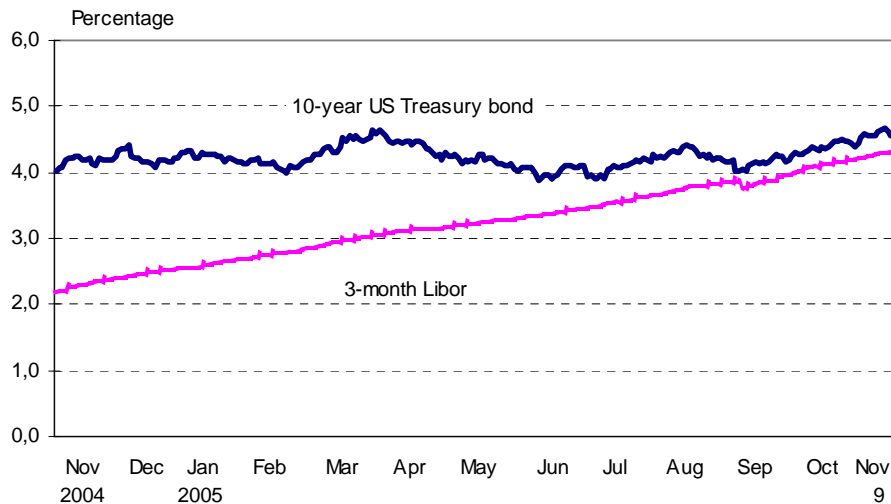
**Yen and euro**



Between **October 31** and **November 9**, the **3-month Libor** increased from 4,26 to 4,33 percent, whereas the **yield of the 10-year-matured US Treasury bond** passed from 4,56 to 4,64 percent due to

expected new increases in FED interest rates, since in Fed last statement (November 1<sup>st</sup>) it pronounces upon concerns on inflationary risks whereas economic growth remains solid.

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



### Lima Stock Exchange

As of **November 9**, the **General Index** increased 4,5 percent whereas the **Blue Chip Index** rose 5,5 percent, due to the

good performance of mining companies. In the year these indices have increased 34,2 and 29,5 percent, respectively.

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

