



BANCO CENTRAL DE RESERVA DEL PERÚ

WEEKLY REPORT

Nº 48 – December 2, 2005

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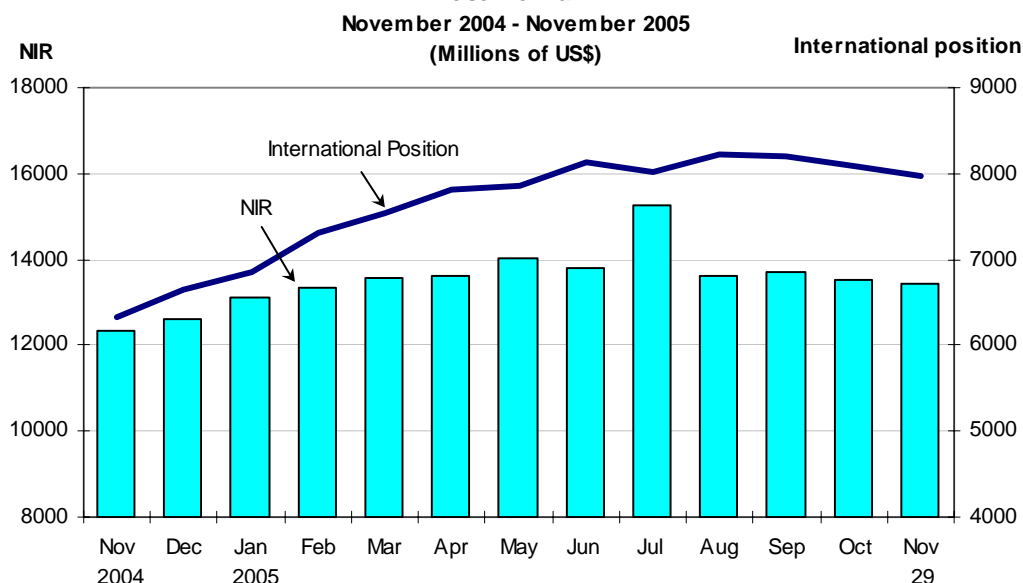
Net international reserves at US\$ 13 434 million

As of **November 29**, net international reserves (NIR) amounted to US\$ 13 434 million, down US\$ 113 million from end-October. This decrease is explained by lower public sector deposits in US\$ 102 million, sales of foreign currency to the public sector by US\$ 56 million, sales of foreign currency over-the-counter mechanism by US\$ 53 million and changes in the value of currencies and gold in

US\$ 8 million. This evolution was partially offset by higher financial system deposits in \$ 88 million and investment yield by US\$ 18 million.

Year-to-date, NIRs have increased US\$ 803 million whereas the **Central Bank's international position** (US\$ 7 962 million) grew by US\$ 1 323 million.

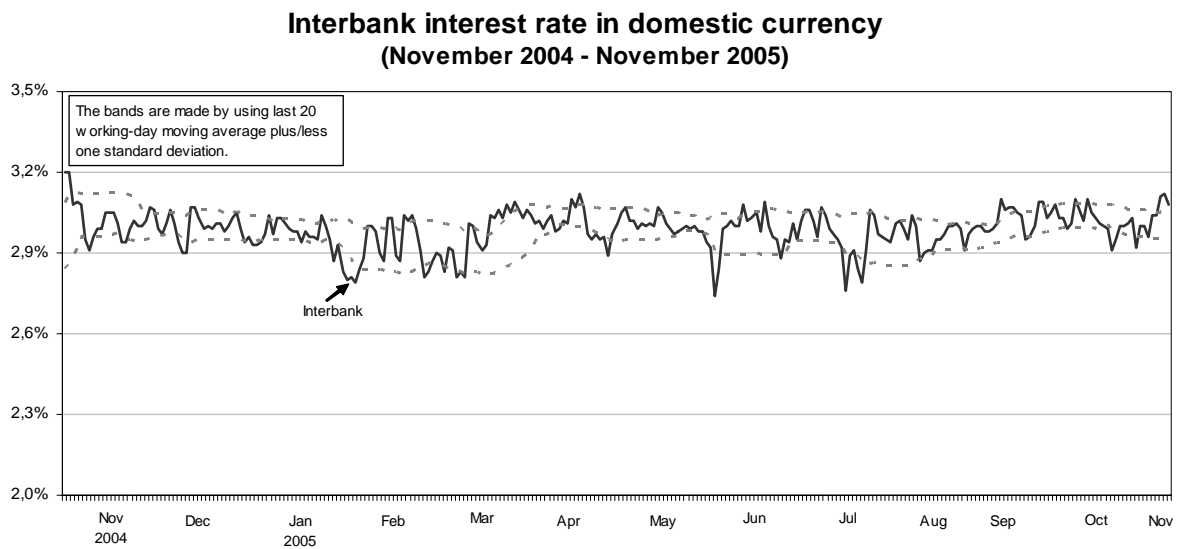
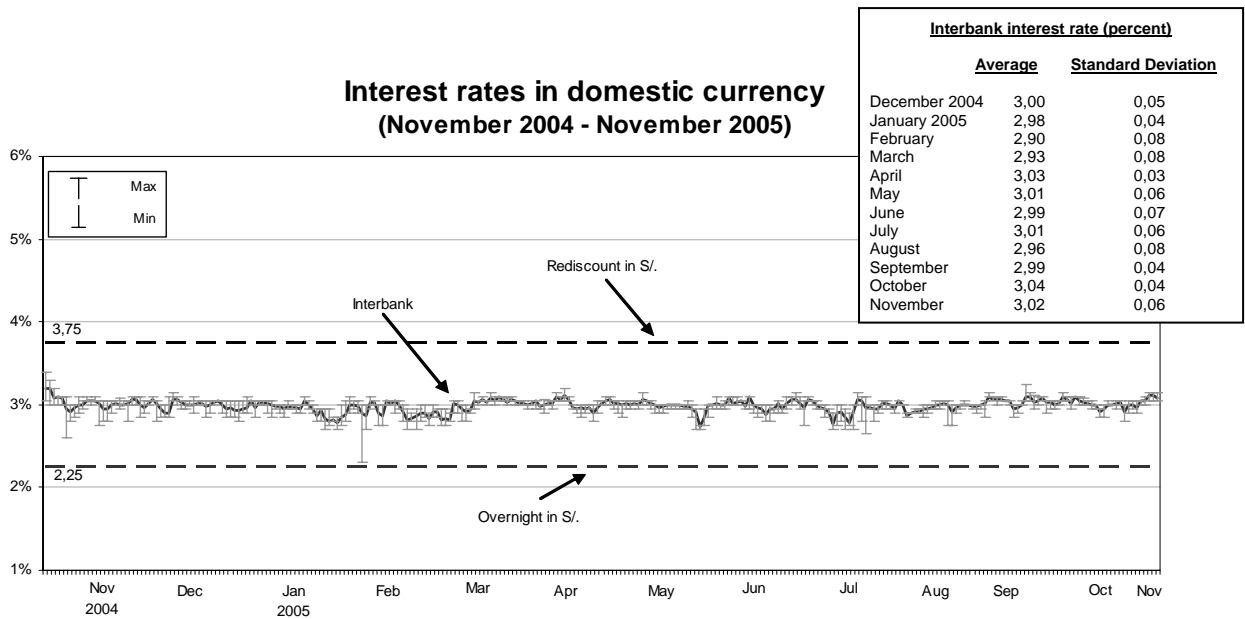
Net international reserve and international position of the Central Reserve Bank



Interbank interest rate at 3,02 percent

Between **November 1 and 30**, the average interest rate in domestic currency

was 3,02 percent.



Monetary operations

Between **November 24 and 30**, the Central Bank made the following operations:

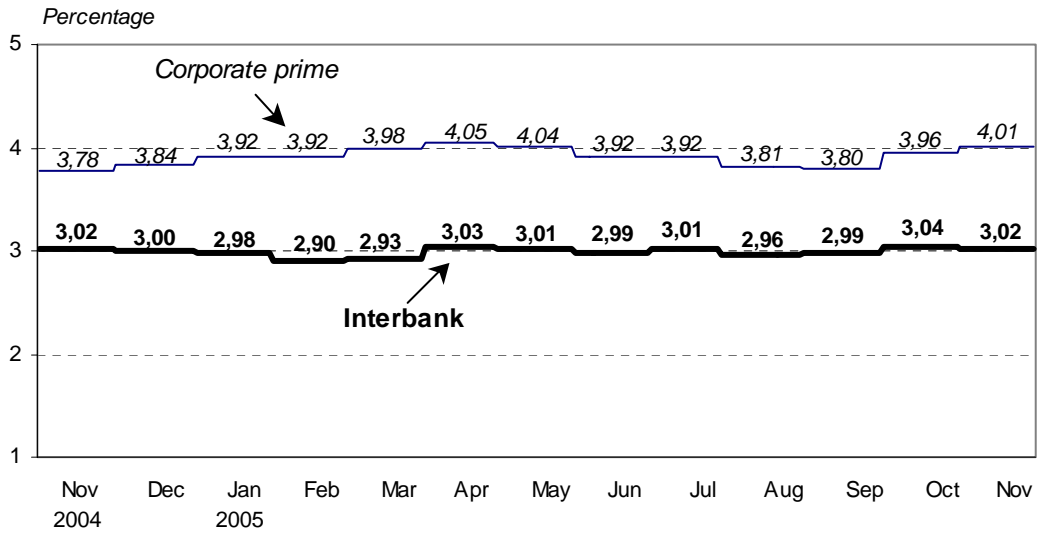
- Auctions of temporary purchase of CDBCRP and BTP with a: i) 1-day maturity by S/. 30, S/. 110, S/. 80, S/. 60, S/. 200, S/. 60, S/. 70 million at an average interest rate of 3,08; 3,16; 3,18; 3,18; 3,15; 3,10 and 3,13 percent, respectively; ii) 3-day by S/. 180 million at 3,11 percent and iii) 1-week by S/. 40 and S/. 70 million at 3,20 and 3,25 percent, respectively.
- Sales of foreign currency over-the-counter mechanism by US\$ 52,5 million at an average interest rate of S/. 3,413 per dollar.
- Overnight deposits on November 25 and 29 by S/. 11,5 and S/. 60,9 million, respectively.

Corporate prime interest rate at 4,01 percent

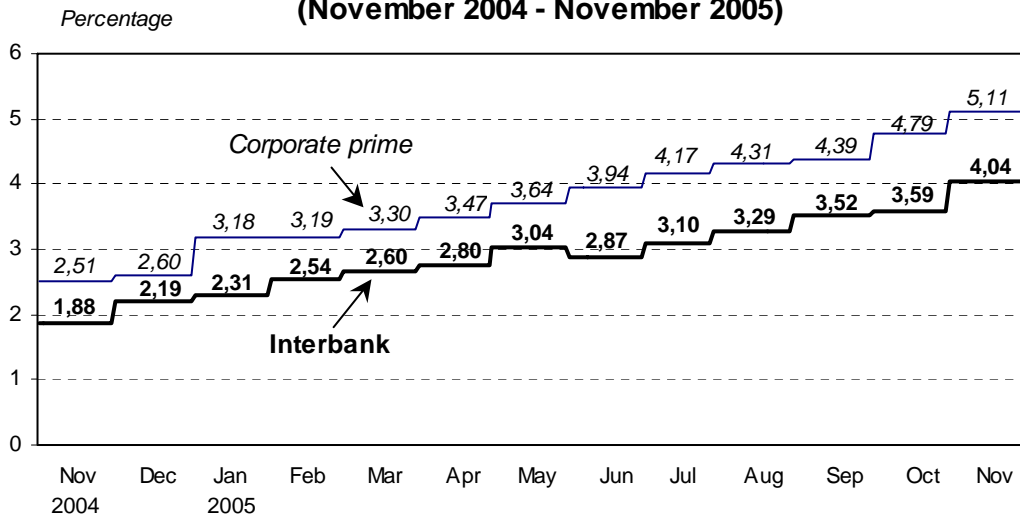
In November, the 90-day average corporate prime interest rate in domestic currency augmented from 3,96 in October

to 4,01 percent and the rate in dollars from 4,79 to 5,11 percent.

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



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



Year-to-date the nominal depreciation is 2,9 percent

In **November**, the appreciatory trend of the nominal exchange rate was interrupted in the second two-week period of the month. During the first half of the month, the exchange rate was maintained around S/. 3,36 per dollar, while in the second two-week period registered a depreciatory tendency and surpassed the S/. 3,41 per dollar, reaching at the end of the month S/. 3,412 per dollar. In this period the BCRP intervened in the market with sales by US\$ 52,5 million after 46 days without

intervention. The average exchange rate during November diminished slightly from S/. 3,382 per dollar in October to S/. 3,377 per dollar, equivalent to an appreciation of 0,1 percent. Year-to-date the nominal depreciation is 2,9 and 2,0 percent in the last twelve months.

As of November 29, the bank's balance of net forward sales and the bank's exchange position increased in US\$ 83 and US\$ 40 million, respectively, from end-October.

BANKS' EXCHANGE POSITION
(Millions of US\$)

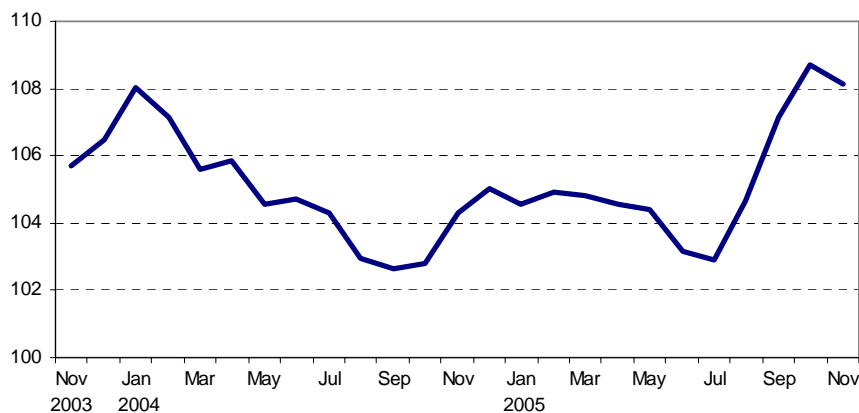
	December 2003	December 2004	October 2005	November 29
a. Net sales to the public (i-ii)	607	699	375	458
i. Forward sales to the public	834	1 163	1 473	1 444
ii. Forward purchases to the public	227	464	1 097	985
b. Banks' exchange position	536	340	372	412

Real exchange rate appreciated 0,5 percent in November

In November, the **real exchange rate** appreciated 0,5 percent with respect to October. The average nominal appreciation (0,1 percent) was reinforced by the differential between external inflation (-0,3 percent) and domestic inflation (0,07 percent). The change of the external prices of the month is explained

basically by the appreciation of the dollar with respect to the basket of our main trade partners for the second consecutive month. In annual terms, the real exchange rate depreciated 3,7 percent. Hence, the real exchange rate maintains similar levels to those reached in 2000.

MULTILATERAL EXCHANGE RATE INDEX
(1994=100)



November inflation: 0,07 percent

Inflation in November was 0,07 percent, with a 1,06 percent inflation through last 12 months. Three items contributed with 0,16 percentage points of monthly inflation: fish (0,06 pp), papaya (0,05 pp)

and citric (0,05 pp). Conversely, three items contributed to -0,32 percentage points: poultry (-0,23 pp), energy (-0,05 pp) and eggs (-0,04 pp).

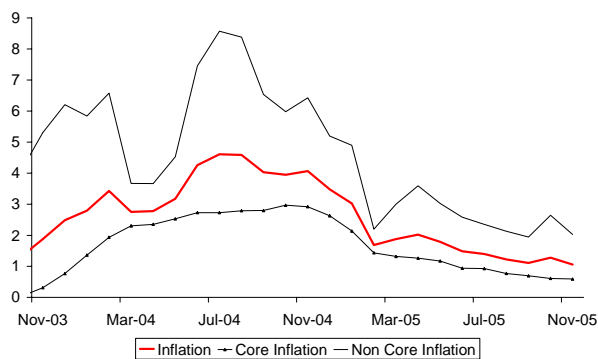
INFLATION RATE
(Annual percentage change)

	Weighting	Monthly	12-month indicator			Average annual indicator		
		Nov. 2005	Nov. 2004	Oct. 2005	Nov. 2005	Nov. 2004	Oct. 2005	Nov. 2005
I. CORE INFLATION	68,3	0,13	2,92	0,61	0,59	2,35	1,40	1,20
Goods	41,8	0,11	3,61	0,08	-0,02	2,74	1,34	1,04
Food	20,7	0,11	7,52	-0,58	-0,78	5,51	2,44	1,77
Textile and footwear	7,6	0,09	1,55	1,59	1,54	1,17	1,50	1,50
Electrical appliances	1,0	0,28	-2,44	-2,48	-1,99	-1,79	-3,10	-3,07
Other industrial goods	12,5	0,10	-1,11	0,54	0,52	-0,52	-0,33	-0,19
Services	26,6	0,15	1,85	1,44	1,55	1,75	1,48	1,46
Restaurants	12,0	0,00	1,79	0,91	0,90	1,67	1,34	1,27
Education	5,1	0,09	4,54	2,35	2,44	3,67	3,59	3,42
Health	1,3	0,00	1,58	2,20	1,91	1,59	1,82	1,84
Renting	2,3	-0,10	-1,18	0,79	0,79	0,17	-1,47	-1,31
Other services	5,9	0,64	0,75	1,78	2,30	0,80	0,88	1,01
II. NON CORE INFLATION	31,7	-0,05	6,43	2,65	2,03	6,14	3,31	2,95
Food	14,8	-0,53	4,46	0,68	1,91	8,30	0,44	0,24
Fuel	3,9	0,66	18,71	9,17	6,85	10,73	11,61	10,63
Transportation	8,4	0,21	2,99	2,80	1,60	3,10	3,59	3,47
Utilities	4,6	0,06	6,56	1,08	-2,49	0,46	3,10	2,32
III. INFLATION	100,0	0,07	4,07	1,28	1,06	3,58	2,03	1,78
Note.-								
Imported inflation	12,1	0,28	11,87	3,05	2,22	8,57	4,99	4,22
Core inflation excluding food	47,6	0,13	0,94	1,16	1,22	0,99	0,93	0,95
Total food	33,2	-0,16	6,61	0,13	0,54	7,27	1,65	1,17

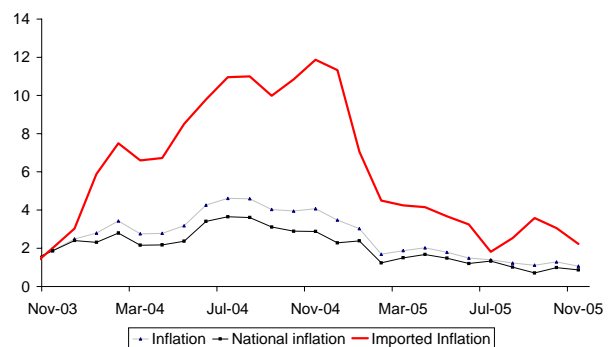
Core inflation was 0,13 percent in November and 0,59 percent through last 12 months. **Non-core inflation** was -0,05 and 2,03 percent in the above mentioned periods.

Core inflations excluding foodstuff and beverage was 0,13 percent (1,22 percent over last 12 month). **Imported inflation** was 0,28 percent in November and 2,22 percent over last 12 months.

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



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



Macroeconomic expectations: more economic growth is expected

Between November 14 and 30, the Central Reserve Bank of Peru conducted the monthly Macroeconomic Expectations survey among 29 financial system

institutions, 345 non-financial system firms and 26 economic analysts with the following results:

FINANCIAL SYSTEM INSTITUTIONS

(Median^{1/} of the sample)

	Date of the survey		
	Sep.30 2/	Oct.31 2/	Nov.30 2/
Inflation (%)			
Monthly: December	--	--	0,2
Annual: 2005	2,0	1,5	1,5
2006	2,5	2,5	2,5
GDP growth (%)			
Monthly: October	5,0	5,2	5,4
November	--	5,2	5,3
December	--	--	5,5
Annual: 2005	5,5	5,5	5,7
2006	5,0	4,9	4,8
Exchange rate (S/. per US\$)			
Monthly: December	--	--	3,39
December 2005	3,29	3,35	3,38
December 2006	3,32	3,39	3,40
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: December	--	--	3,0
December 2005	3,2	3,2	3,0
December 2006	3,5	3,6	3,5

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

2/ 29 financial institutions.

ANALYSTS

(Median^{1/} of the sample)

	Date of the survey		
	Sep.30 2/	Oct.31 3/	Nov.30 4/
Inflation (%)			
Monthly: December	--	--	0,2
Annual: 2005	2	1,5	1,5
2006	2,5	2,5	2,5
GDP growth (%)			
Monthly: October	5,2	5,5	5,7
November	--	6,0	5,5
December	--	--	5,5
Annual: 2005	5,6	5,6	5,7
2006	4,6	4,7	4,6
Exchange rate (S/. per US\$)			
Monthly: December	--	--	3,38
December 2005	3,27	3,33	3,35
December 2006	3,32	3,35	3,40
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: December	--	--	3,0
December 2005	3,1	3,2	3,0
December 2006	3,7	3,6	3,6

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

2/ 24 analysts.

3/ 25 analysts.

4/ 26 analysts.

NON-FINANCIAL SYSTEM FIRMS

(Median^{1/} of the sample)

	Date of the survey		
	Sep.30 2/	Oct.31 2/	Nov.30 2/
Inflation (%)			
Annual: 2005	2,0	1,8	1,5
2006	2,5	2,2	2,0
GDP growth (%)			
Annual: 2005	5,5	5,5	5,7
2006	5,0	5,0	5,0
Exchange rate (S/. per US\$)			
December 2005	3,30	3,35	3,35
December 2006	3,35	3,40	3,40

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

2/ 345 non-financial institutions.

Banking system credit to private sector in soles augmented 2,1 percent

Through last 4 weeks, liquidity in **domestic currency** increased 2,6 percent (S/. 725 million) to a balance of S/. 29 074 million. Credit to the private sector in the same currency augmented 2,1 percent (S/. 283 million) to S/. 13 534 million. However, in annual terms this aggregates grew by 21,7 and 20,0 percent, respectively.

Liquidity in **foreign currency** decreased 0,5 percent (US\$ 48 million) to US\$ 10 186 million (an annual growth rate of 7,5 percent). Credit to the private sector in the same currency diminished 0,1 percent (US\$ 10 million) to US\$ 10 069 million (an annual growth rate of 4,5 percent).

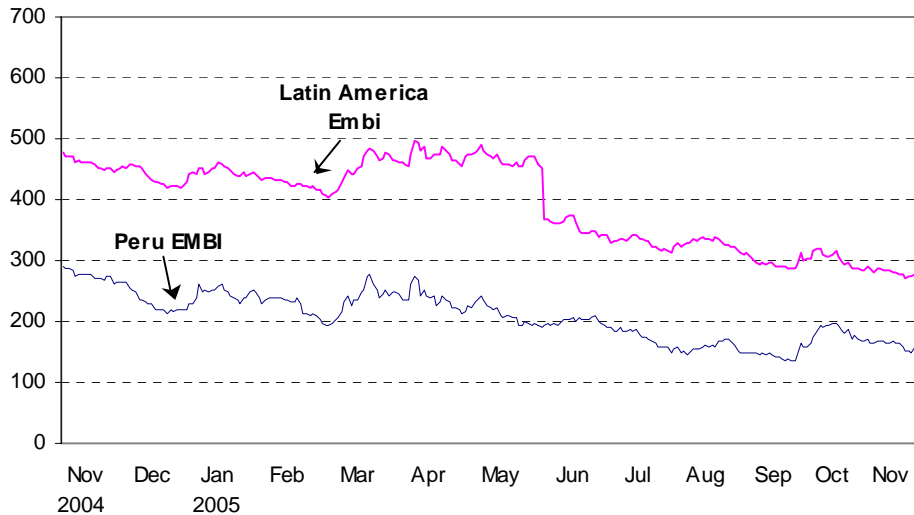
END OF PERIOD MONETARY AGGREGATES OF THE BANKING SYSTEM												
	BASE MONETARY		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		LIABILITIES 1/		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	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												
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%
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%
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%	-4,0%	4,7%	1,5%	5,7%
Jul.	12,1%	30,6%	3,4%	36,4%	2,0%	17,1%	-0,6%	1,8%	5,9%	16,8%	0,6%	5,8%
Aug.	-5,1%	30,7%	-1,8%	32,3%	3,3%	20,5%	0,2%	3,9%	-5,0%	17,1%	-2,2%	4,8%
Sep.	-0,1%	31,8%	-0,6%	27,9%	2,0%	21,0%	1,5%	5,5%	-9,8%	-0,9%	-1,4%	4,6%
Oct.	1,2%	27,6%	1,6%	21,8%	3,1%	20,6%	0,3%	6,8%	-11,2%	6,2%	0,0%	5,3%
Nov. 7	1,1%	31,6%	2,6%	21,7%	2,1%	20,0%	-0,5%	7,5%	-11,5%	-1,4%	-0,1%	4,5%
Memo:												
Balance as of Oct. 7 (Mill.S/. or Mill.US\$)	10 657		28 349		13 250		10 234		804		10 079	
Balance as of Nov. 7 (Mill.S/. or Mill.US\$)	10 776		29 074		13 534		10 186		711		10 069	
1/ Short term external liabilities of banking enterprises.												

Risk country with a decreasing trend in November

In **November**, the **EMBI+ Peru** average spread dropped from 1,77 to 1,63 percent. In end-of-period terms, the EMBI+ spread fell from 1,76 to 1,58 percent on November 30. In November, Fitch upgraded the rating

of the sovereign debt from stable to positive due to the improvement in the external accounts and the profile of the both domestic and external public debt.

Country risk indicators
(November 2004 - November 2005)



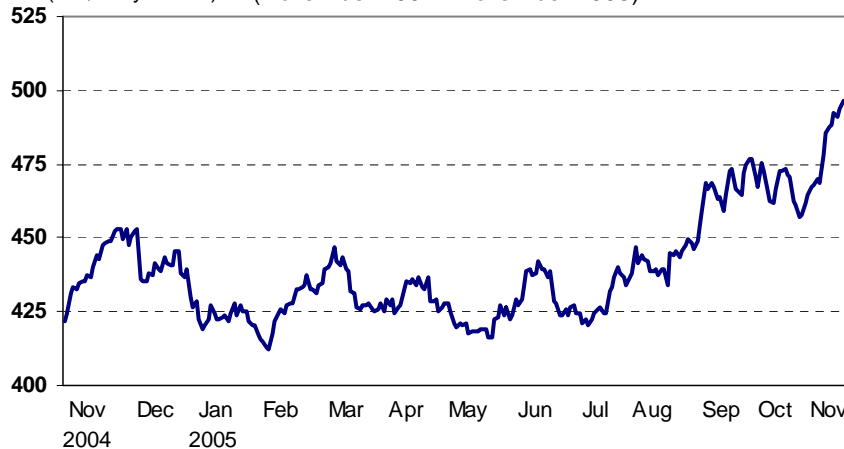
International markets: metals prices continue increasing

In **November**, **gold's** average international price was US\$ 478 per troy ounce, up 1,7 percent from October, reflecting the higher physical demand of

central banks in Russia, South Africa and Argentina, the jewelry industry and investment funds, as well as the concern on US inflation.

Gold prices

(US\$/Troy ounce) (November 2004 - November 2005)



Copper average price soared 5,4 percent in November to US\$ 1,94 per lb. –on November 18, it reached an historic maximum of US\$ 2,01- led by higher demand from China and an expected

lower supply from Chile (from 5,5 to 5,37 millions of MT. On the other hand, over the period January-October Chinese imports of concentrates and cathodes increased 41 and 10 percent, respectively.

Copper prices



In November, **zinc** average price soared 8,5 percent to US\$ 0,73 per lb. following the drop in LME inventories –from 484 to 440 thousand MT-. According to the International Lead and Zinc Study group over the period January-September the

zinc market recorded a 242 thousand MT deficit. A new deficit is also expected in 2006 and the market would be balance in 2007 with the entry of Bolivian mine San Cristobal.

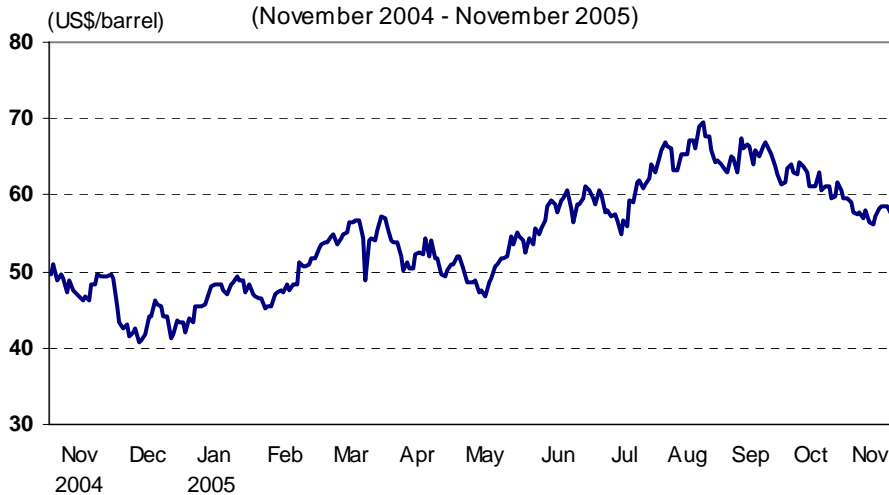
Zinc prices



The **WTI oil** price dropped 6,8 percent to US\$ 58,2 per barrel due to the lower demand and a warmer weather in the US. The US Energy Department decreased its lower demand projection for 2006 in 140

thousand MT. Besides, US oil capability recovered from the hurricane damage whereas OPEC's production would increase to 30,5 millions of barrels, the highest since 1979.

WTI oil prices

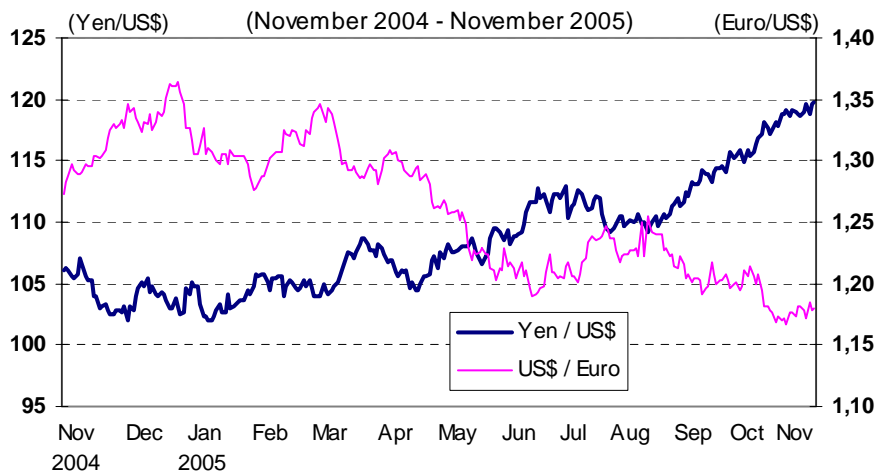


US dollar appreciates 2,0 percent against the euro

The **US dollar** appreciated 2,0 percent against the **euro** and 3,2 percent against the **yen** due to the differential between US interest rates and those in the Eurozone and Japan. On November 1st the FED

raised its interest rate in 25 bps to 4,0 percent. In September, the net entry of capitals to the US reached a US\$ 102 billion record, more than enough to cover the trade deficit (US\$ 66 billion).

Yen and euro

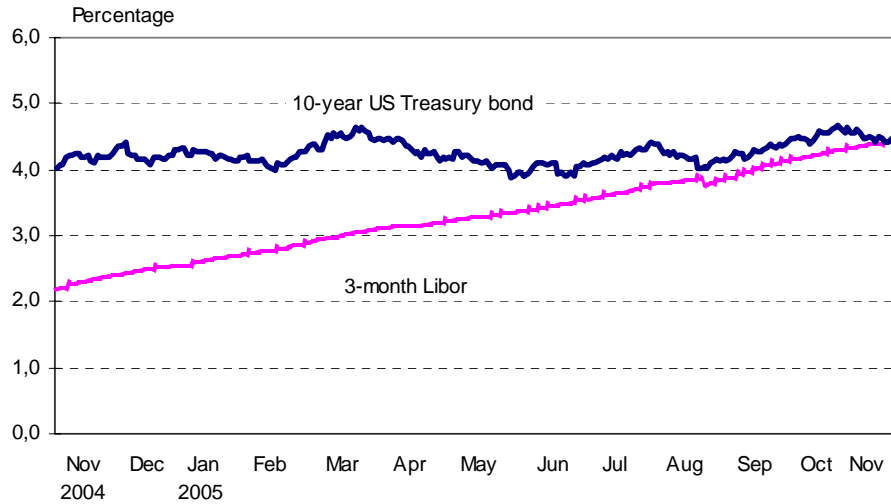


3-month Libor average interest rate rise to 4,36 percent in November

In **November**, the **3-month Libor** increased from 4,17 to 4,36 percent, whereas the **yield of the 10-year-matured US Treasury bond** passed from 4,46 to 4,53 percent due to the expected

new increases in FED interest rates. The market is anticipating a new raise in FED's next meeting (December 13) in 25 bps to 4,25 percent.

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



Lima Stock Exchange increases more than 30 percent in the year

In **November**, the **General Index** increased 5,7 percent whereas the **Blue Chip Index** rose 6,8 percent, due to

increase in mining quotations. In the year these indices have increased 35,8 and 31,1 percent, respectively.

LSE indicators
(November 2004 - November 2005)

