



BANCO CENTRAL DE RESERVA DEL PERÚ

## WEEKLY REPORT

*Nº 8 – February 24, 2006*

### MACROECONOMIC INDICATORS AS OF IV QUARTER OF 2005

■ GDP grew by 6,7 percent in 2005	xi
■ Current account surplus of 1,3 percent of GDP in 2005	xv
■ Trade surplus of US\$ 5 163 million in 2005	xvi
■ Public deficit at 0,4 percent of GDP in 2005	xvii

### MONTHLY AND WEEKLY REPORT

■ Interbank interest rate increased to 3,81 percent	xix
■ Corporate prime interest rate in soles increased to 5,35 percent	xx
■ Monetary operations	xxi
■ Net international reserves at US\$ 13 997 million	xxi
■ Exchange rate: S/. 3,281 per dollar	xxii
■ Monetary base as of February 22, 2006	xxii
■ Banking system monetary accounts as of January 31, 2006	xxii
■ Financial system credit to the private sector	xxiii
■ Central government operations recorded an overall surplus of S/. 1 425 million in January 2006	xxv
■ GDP increases 7,4 percent in December	xxvi
■ Country risk declined to 137 basis points	xxx
■ Commodities prices recover	xxx
■ Yield of the 10-year matured US Treasury bond diminished to 4,52 percent	xxxiii
■ Lima Stock Exchange	xxxiii

## MACROECONOMIC INDICATORS

### AS OF IV QUARTER OF 2005

#### **GDP grew by 6,7 percent in 2005**

**Gross domestic product (GDP)** recorded a 7,7 percent over the IV quarter of 2005, and 6,7 percent on an annual basis. GDP growth is estimated according to the evolution of several productive sectors and is officially released by the National Office of Statistics (INEI).

**GLOBAL DEMAND AND SUPPLY**  
(Annual growth rates)

	2004					2005				
	I	II	III	IV	Year	I	II	III	IV	Year
<b><u>GLOBAL DEMAND (1+2)</u></b>	<b><u>4.6</u></b>	<b><u>4.3</u></b>	<b><u>5.6</u></b>	<b><u>8.0</u></b>	<b><u>5.6</u></b>	<b><u>7.2</u></b>	<b><u>6.9</u></b>	<b><u>6.6</u></b>	<b><u>7.9</u></b>	<b><u>7.2</u></b>
1. Domestic demand	2,8	4,1	3,2	5,5	3,9	5,0	5,0	6,1	6,7	5,7
a. Private consumption	3,1	3,0	3,6	4,0	3,4	4,0	4,4	4,5	4,7	4,4
b. Public consumption	0,1	3,6	6,8	5,1	4,1	10,4	6,0	5,9	15,7	9,7
c. Private investment	7,6	11,3	6,3	11,0	9,0	6,5	13,4	16,3	19,0	13,9
d. Public investment	-12,7	-11,9	14,4	23,1	5,5	3,6	8,5	5,5	22,6	12,4
2. Exports	14,4	5,5	17,4	21,0	14,7	18,8	17,7	8,4	13,4	14,2
<b><u>GLOBAL SUPPLY (3+4)</u></b>	<b><u>4.6</u></b>	<b><u>4.3</u></b>	<b><u>5.6</u></b>	<b><u>8.0</u></b>	<b><u>5.6</u></b>	<b><u>7.2</u></b>	<b><u>6.9</u></b>	<b><u>6.6</u></b>	<b><u>7.9</u></b>	<b><u>7.2</u></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>6,4</b>	<b>6,2</b>	<b>6,3</b>	<b>7,7</b>	<b>6,7</b>
4. Imports	3,0	11,9	10,4	16,1	10,4	12,3	11,0	7,7	9,3	9,9

**Global supply**, which increased 7,9 percent in the IV quarter, is calculated as the sum of GDP plus imports (from the BoP accounts and deflated by a import price index). Over the IV quarter, real imports increased 9,3 percent thanks to larger acquisitions of intermediate and capital goods for industry (9,9 percent on an annual basis).

**Global demand** (identical to global supply by definition) is compounded by exports (or external demand) and domestic demand (consumption and investment of both the private and public sector), which grew by 6,7 percent over this quarter. Real exports (estimated as the exports from the BoP accounts deflated by an export price index) grew by 13,4 percent due to larger embankments of gold, copper, zinc and silver (traditional exports) as well as of agriculture and textile products (non-traditional exports).

Regarding the components of the domestic demand, **private consumption** grew by 4,7 percent due to the 7,9 percent expansion in national disposable income, better access to credit and the increase in employment. Private consumption is estimated according to data on production and imports of consumer-related goods and services. The performance of private consumption was reflected in the 28,7 percent increase of financial system consumer credits, the 40,3 percent increment in sales of new vehicles and imports of consumer goods, which grew by 5,6 percent. In 2005, private consumption grew by 4,4 percent.

**Private investment** is estimated from data on imports and domestic production of capital goods and construction. This aggregate expanded 19,0 percent in the IV quarter, recording 12 quarters of consecutive expansion and an annual increase of 13,9 percent. In the quarter, there were

carried out mining projects by Southern and Cerro Verde as well as the construction of energy plants, dams and telecommunication infrastructure.

Dynamism of private investment was widespread over 2005, thanks to a favorable economic environment, i.e. monetary stability, enhancement of fiscal finance, better access to financing and higher profits and expansion possibilities in overseas markets.

The 13,0 percent increase in domestic sales of cement, as well as the 33,7 percent increase in imports of capital goods –excluding construction materials- reflects the schedule of investment in several sectors of the economy, mainly in mining and foreign trade-related manufacturing.

**Public consumption** –i.e. government expenditure in wages and salaries and purchases of final goods and services- grew by 15,7 percent over the IV quarter reflecting wage increases and higher consumption of the central government of goods and services.

**Public investment**, that is to say investment carried out by the general government and state-owned enterprises recorded a 22,6 percent increase in the quarter and 12,4 percent in the year due to higher outlays in housing, construction, sanitation, maintenance and building of roads, transport and communications, and of the regional governments of Huancavelica, Cuzco, La Libertad and Ancash.

### **Productive sectors**

Over the IV quarter, the higher dynamism of domestic demand had a positive effect on non-primary sector activities which expanded by 7,3 percent. These activities were basically lead by construction and non-primary industries. This period, primary sectors recorded a 9,1 percent growth thanks to the good performance of mining. Over the year, non-primary sectors' rate of expansion exceeded that of primary sectors, reflecting the dynamism of construction and non-primary industries.

### **Primary sectors**

**Agriculture and livestock** sector saw a 6,0 percent expansion in the IV quarter, reflecting the higher production and higher sales of poultry, rice, sugarcane and coffee. There was a reduction in the production of potato in the coast, due to substitution by other products with higher profitability such as asparagus, artichokes and paprika; and of hard yellow corn, replaced by rice and mango in Northern Peru. In annual terms, agriculture and livestock grew by 4,6 percent.

**Fishing** sector dropped 2,3 percent due to lower catch in industrial- and human-oriented fishing. However, the latter was partially offset by larger production of canned and frozen fish, reflecting species diversification and the recovery of shrimp fishing, Despite the quarter contraction, in the year the fishing sector recorded a 2,0 percent expansion.

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

	2004					2005				
	I	II	III	IV	Year	I	II	III	IV	Year
<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>2,1</b>	<b>5,4</b>	<b>4,8</b>	<b>6,0</b>	<b>4,6</b>
Agriculture	1,2	-8,1	-3,2	2,3	-3,2	0,2	6,1	3,8	0,1	3,2
Livestock	2,5	1,0	2,0	2,7	2,0	4,6	4,1	6,0	11,8	6,6
<b>Fishing</b>	<b>18,9</b>	<b>32,4</b>	<b>46,2</b>	<b>27,0</b>	<b>30,5</b>	<b>15,5</b>	<b>2,1</b>	<b>-5,6</b>	<b>-2,3</b>	<b>2,0</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>0,9</b>	<b>5,4</b>	<b>11,8</b>	<b>16,3</b>	<b>8,6</b>
Metallic mining	14,3	3,3	0,7	3,7	5,3	-1,6	2,7	10,6	17,4	7,4
Natural gas and oil	-5,4	-4,3	12,7	25,5	7,1	34,1	37,9	23,7	4,4	23,5
<b>Manufacturing</b>	<b>5,2</b>	<b>6,0</b>	<b>6,3</b>	<b>9,1</b>	<b>6,7</b>	<b>7,2</b>	<b>8,5</b>	<b>7,0</b>	<b>5,3</b>	<b>7,0</b>
Based on raw materials	2,8	9,3	4,8	7,1	6,2	4,7	4,7	3,4	3,1	4,0
Non-primary	5,8	5,0	6,7	9,6	6,8	7,7	9,5	7,8	5,9	7,7
<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>5,7</b>	<b>6,1</b>	<b>5,3</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>10,9</b>	<b>13,3</b>	<b>8,7</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>7,7</b>	<b>7,0</b>	<b>5,6</b>	<b>4,3</b>	<b>6,2</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>7,8</b>	<b>5,7</b>	<b>5,5</b>	<b>8,0</b>	<b>6,8</b>
<b>GROSS VALUE ADDED (GVA)</b>	<b>5,0</b>	<b>2,4</b>	<b>4,6</b>	<b>6,8</b>	<b>4,6</b>	<b>6,3</b>	<b>6,4</b>	<b>6,4</b>	<b>7,6</b>	<b>6,7</b>
Taxes on products and import duties	3,0	12,0	6,3	4,6	6,4	7,2	5,0	5,4	8,0	6,4
<b>GDP</b>	<b>4,8</b>	<b>3,2</b>	<b>4,7</b>	<b>6,6</b>	<b>4,8</b>	<b>6,4</b>	<b>6,2</b>	<b>6,3</b>	<b>7,7</b>	<b>6,7</b>
<b>Primary sector GVA</b>	<b>6,4</b>	<b>0,2</b>	<b>1,7</b>	<b>5,1</b>	<b>3,1</b>	<b>2,4</b>	<b>5,2</b>	<b>7,0</b>	<b>9,1</b>	<b>5,9</b>
<b>Non-primary sector GVA</b>	<b>4,7</b>	<b>3,0</b>	<b>5,3</b>	<b>7,3</b>	<b>5,0</b>	<b>7,3</b>	<b>6,7</b>	<b>6,3</b>	<b>7,3</b>	<b>6,9</b>

**Mining and fuel** sector recorded a 16,3 percent increase in the IV quarter, lead by the extraction of gold, silver and hydrocarbons. Higher production of gold and silver is explained by the expansion of Yanacocha and Alto Chicama, which started operations in the III quarter of 2005. On the other hand, the increase in hydrocarbons reflects higher production of natural gas of Camisea, despite the problems in the pipeline. Therefore, this sector recorded a 8,6 percent expansion in 2005.

**Manufacturing based on raw materials** expansion was mainly a result of the higher production of meat -poultry and meat-based products-;canned and frozen fish -jurel, tuna and seafood-, sugar -higher availability and yield of sugarcane- and in a lower extent non-ferrous metal refining. Conversely, output of fish meal and refined oil declined.

**Non primary sectors**

**Non-primary industry** recorded a 5,9 percent growth over the quarter. It should be noted the higher production of metal products; machinery and equipment; foodstuff, beverage and tobacco; non-metal mining; printing and paper industries and in a lower extent, iron and steel.

This outcome obeyed to higher domestic demand, seen in the introduction of new product and cheaper presentations, the development of mining projects, the dynamism in construction and the increase in non-traditional exports (17,2 percent).

**NON-PRIMARY MANUFACTURING: GROWTH CONTRIBUTION  
BY DESTINITY MARKET 1/  
(In percentage points)**

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

1/ Not include indirect effects.

**NON- PRIMARY MANUFACTURING: GROWTH CONTRIBUTION  
BY DESTINITY MARKET: JANUARY - DECEMBER 2005 1/  
(In percentage points)**

	<b>Growth contribution</b>		
	<b>Domestic market</b>	<b>Foreign market</b>	<b>Total</b>
Food, beverages and tobacco	1,8	0,3	2,1
Chemical, rubber and plastic products	-0,2	0,4	0,2
Paper and printing industry	-0,2	0,1	-0,1
Non-metallic minerals	1,6	0,0	1,6
Metallic products, machinery and equipment	0,4	1,1	1,4
Miscellaneous manufacturing	1,2	0,0	1,3
Textile, leather and footwear	0,2	0,1	0,3
Iron and steel	0,5	0,2	0,6
Wood and furniture	0,2	0,1	0,3
<b>NON-PRIMARY MANUFACTURING</b>	<b>5,4</b>	<b>2,3</b>	<b>7,7</b>

1/ Not include indirect effects.

**Construction** grew by 13,3 percent over the IV quarter, reflecting self-construction activities, new housing projects under Mivivienda and Techo Propio program framework (mortgage credits grew by 26,6 percent), besides the projects carried out by regional governments, mainly in Southern Peru. In annual terms, construction grew by 8,7 percent.

## Current account surplus of 1,3 percent of GDP in 2005

In the **IV quarter** of 2005, the **current account** surplus was US\$ 363 million, equivalent to 1,8 percent of GDP, and US\$ 344 million higher from the outcome of the IV quarter of 2004. This increase obeys to a higher trade balance (US\$ 801 million) as well as higher remittances from Peruvian living abroad in US\$ 75 million; which were partially offset by the greater deficit in investment income (US\$ 524 million), related to higher profits in enterprises with foreign capital share (US\$ 572 million).

In **2005**, the surplus in the current account reached US\$ 1 030 million (1,3 percent of GDP) compared with the US\$ 10 million deficit recorded in the previous year. This increase obeys to a larger trade balance (US\$ 2 370 million) and higher remittances (US\$ 317 million) that offset the increase in profits remitted abroad (US\$ 1 767 million).

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

	2004					2005				
	I	II	III	IV	Year	I	II	III	IV	Year
<b>I. CURRENT ACCOUNT BALANCE</b>	- 43	- 170	184	19	- 10	141	143	383	363	1 030
<i>(as percentage of GDP)</i>	- 0,3	- 1,0	1,1	0,1	- 0,0	0,8	0,7	2,0	1,8	1,3
1. Trade balance	643	430	845	875	2 793	1 090	1 030	1 367	1 676	5 163
a. Exports	2 767	2 853	3 389	3 607	12 617	3 748	4 052	4 523	4 924	17 247
b. Imports	- 2 124	- 2 423	- 2 545	- 2 732	- 9 824	- 2 658	- 3 022	- 3 156	- 3 248	- 12 084
2. Services	- 207	- 219	- 175	- 241	- 843	- 252	- 251	- 161	- 249	- 913
a. Exports	443	440	577	454	1 914	499	515	624	540	2 179
b. Imports	- 650	- 659	- 752	- 695	- 2 756	- 751	- 767	- 786	- 788	- 3 092
3. Investment income	- 805	- 726	- 854	- 1 036	- 3 421	- 1 087	- 1 075	- 1 289	- 1 560	- 5 011
a. Private	- 543	- 504	- 605	- 799	- 2 451	- 863	- 844	- 1 093	- 1 347	- 4 146
b. Public	- 262	- 222	- 249	- 237	- 970	- 224	- 231	- 196	- 213	- 865
4. Current transfers	326	345	368	421	1 461	390	439	467	495	1 791
of which: Workers' remittances	242	261	284	336	1 123	309	345	376	411	1 440
<b>II. FINANCIAL ACCOUNT</b>	<b>385</b>	<b>583</b>	<b>204</b>	<b>1 072</b>	<b>2 244</b>	<b>687</b>	<b>- 46</b>	<b>- 638</b>	<b>198</b>	<b>200</b>
1. Private sector	322	73	284	347	1 027	287	767	144	656	1 854
2. Public sector	- 49	256	- 132	913	988	168	- 375	- 1 176	- 57	- 1 441
3. Short-term capital	112	254	52	- 188	230	232	- 439	394	- 401	- 213
<b>III. EXCEPTIONAL FINANCING</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>22</b>	<b>26</b>	<b>2</b>	<b>40</b>	<b>59</b>	<b>0</b>	<b>100</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>	<b>147</b>	<b>- 389</b>	<b>- 1 628</b>
<i>(Increased with negative sign)</i>										
1. Change in Central Bank reserves	- 217	- 444	- 332	- 1 444	- 2 437	- 924	- 263	122	- 402	- 1 466
2. Valuation change and monetization of gold	- 8	41	- 41	- 77	- 85	61	138	- 24	- 12	162
<b>V. NET ERRORS AND OMISSIONS</b>	<b>- 136</b>	<b>71</b>	<b>- 99</b>	<b>255</b>	<b>92</b>	<b>155</b>	<b>265</b>	<b>49</b>	<b>- 171</b>	<b>298</b>
Note:										
Gross external financing to the private sector 2/	662	538	563	468	2 232	811	624	896	793	3 124

1/ In the year 2005 it includes US\$744 millions, correspondents to acquisitions of sovereign bonds by the non-residents.

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

In the **IV quarter**, the **financial account** was positive in US\$ 198 million, due to the inflow long-term private capitals (US\$ 656 million), partially offset by short-term capital outflows (US\$ 401 million). The former is mainly associated to foreign direct investment flows (US\$ 681 million) – reflecting non-distributed profits- and the net issuance of bonds (US\$ 164 million), partially offset by investment in foreign assets (US\$ 159 million). On the other hand, short-term flows mainly reflect the increase in foreign assets of banking and non-financial enterprises. In the year, net international reserves increased in US\$ 402 million.

In **2005**, the financial account was positive in US\$ 200 million, reflecting the entry of private capitals by US\$ 1 854 million netted out of public sector capital outflow (US\$ 1 441 million) due to the prepayment to the Paris Club and JAPECO. In the case of the private sector, the positive flow responds to the foreign direct investment due to non-distributed profits as well as non-residents' investments in domestic issued securities, partially offset by the net negative flow of long term loans and financial system investment in foreign assets. In the year, net international reserves increased in US\$ 1 466 million.

### Trade surplus of US\$ 5 163 million in 2005

In the **IV quarter** of 2005, the **trade balance** recorded a US\$ 1 676 million surplus, up US\$ 801 million from a year ago, since the increase in exports (US\$ 1 317 million) exceeded the increase in imports (US\$ 516 million).

The 36 percent increase in **exports** (13 percent due to volumes) obeys to larger exports of traditional products (US\$ 1 137 million or 44 percent) as well as non-traditional products (US\$ 173 million or 17 percent). It should be noted the increase in the value of mining exports (US\$ 1 048 million or 53 percent), mainly copper, gold, molybdenum and oil & derivatives. Within non-traditional products, it should be noted the increase of agriculture products (US\$ 67 million or 26 percent), textile (US\$ 44 million or 15 percent), metal-based and jewelry (US\$ 26 million or 22 percent) and chemical products (US\$ 11 million or 9 percent).

On the other hand, the increase in **imports** (19 percent) is mainly explained by larger acquisitions of intermediate goods (US\$ 272 million or 19 percent) and capital goods (US\$ 219 million or 35 percent). Within the former, it should be noted the higher purchases of fuels (US\$ 143 million or 14 percent) and intermediate goods for industry (US\$ 119 million or 14 percent), whereas within the latter higher imports of capital goods for industry (US\$ 156 million or 36 percent) stood out.

In the year, the trade surplus reached US\$ 5 163 million, up US\$ 2 370 million from 2004. The 37 percent increase in exports was explained by the 18 percent increase in volumes and the 15 percent increase in prices. Traditional exports rose 42 percent and non-traditional 23 percent. On the other hand, imports grew by 23 percent, due to the 30 percent increase in capital goods, 23 percent in intermediate goods and 12 percent in consumer goods.

**Terms of trade** soared 10,6 percent over the IV quarter of 2005 due to the 21 percent increase in exports that exceeded the 9 percent increase in imports. In the year, terms of trade improved 7 percent since export prices increase 18 percent and import prices 11 percent.

## Public deficit at 0,4 percent of GDP in 2005

In **2005**, the **non-financial public sector (NFPS) overall balance** recorded a deficit equivalent to 0,4 percent of GDP, down 0,7 percentage points from the balance in 2004. The primary balance recorded a 1,6 percent surplus, up 0,6 percentage points from 2004 due to higher central government current revenues, in particular, income tax and a better primary balance of local governments, as well as lower interest debt payments.

Over the **IV quarter**, the NFPS primary balance recorded a deficit equivalent to 5,4 percent of GDP, up 1,4 percent from the same period a year ago, reflecting a higher central government deficit, since non-financial expenditure passed from 17,2 percent of GDP in 2004 to 18,6 percent in 2005. Besides, current account saving of the rest of entities of the public sector (0,6 percent of GDP) was 0,5 pp lower than that in 2004.

In 2005, **current revenues** totaled 15,9 percent of GDP, up 0,8 pp from 2004. The latter reflects the higher collection in income tax, propelled by higher economic activity, the increase in mineral prices and in the rate from 27 to 30 percent applied in 2004.

Over the IV quarter, central government current revenue was 15,6 percent of GDP, up 0,4 pp from the same quarter in 2004 or 14 percent in real terms. Tax revenue recorded a 0,1 percent of GDP growth, whereas non-tax revenues increased 0,3 percentage points, due to higher mining and oil- royalties.

### NON-FINANCIAL PUBLIC SECTOR OPERATIONS

(Percentage of GDP)

	2004					2005				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Central government current revenues	15,1	14,9	15,3	15,2	15,1	15,7	16,7	15,4	15,6	15,9
<i>Real percentage change</i>	7%	12%	8%	7%	8%	11%	20%	10%	14%	14%
2. Central government non-financial expenditures	12,4	12,8	15,8	17,2	14,6	12,8	12,5	15,3	18,6	14,9
<i>Real percentage change</i>	-3%	0%	11%	9%	5%	10%	5%	5%	20%	11%
Current expenditure	11,6	11,5	13,7	14,2	12,8	12,0	11,3	13,4	15,2	13,0
<i>Real percentage change</i>	1%	3%	8%	9%	5%	11%	5%	6%	18%	10%
Capital expenditure	0,9	1,3	2,2	3,0	1,8	0,8	1,2	2,0	3,4	1,9
<i>Real percentage change</i>	-35%	-19%	36%	11%	2%	0%	3%	-2%	28%	12%
3. Others	0,9	0,8	0,5	-0,1	0,5	1,3	0,3	1,4	-0,5	0,6
4. Primary balance	3,5	2,9	0,0	-2,1	1,0	4,2	4,5	1,5	-3,4	1,6
5. Interest payments	2,6	1,8	2,1	1,9	2,1	2,1	1,8	2,1	2,0	2,0
<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>	<b>-0,6</b>	<b>-5,4</b>	<b>-0,4</b>
7. Net financing	-0,9	-1,1	2,1	4,0	1,1	-2,2	-2,7	0,6	5,4	0,4
- External	-0,4	1,5	-0,5	5,2	1,5	0,7	-1,3	-5,3	0,0	-1,5
- Domestic	-1,0	-2,6	2,6	-1,4	-0,7	-2,9	-1,5	5,8	5,3	1,8
- Privatization	0,4	0,0	0,0	0,2	0,2	0,0	0,1	0,0	0,1	0,1



**Non-financial expenditure** in 2005 topped 14,9 percent of GDP (S/. 38 412 million), 0,3 percentage points higher than the execution of 2004 due to higher transfers and capital outlays. In real terms, non-financial expenditure increased by 11 percent. Transfers grew by 15 percent, whereas wages and salaries and goods and services increased 9 and 7 percent, respectively.

Over the IV quarter of 2005, central government non-financial expenditure reached 18,6 percent of GDP (S/. 12 640 million), up 1,4 percent from a year ago. The latter is explained by higher transfers and more gross capital formation. Non-financial expenditure in real terms increased 20 percent, of which current expenditure grew by 19 percent and capital expenditure 29 percent.

The operations of the **rest of NFPS** recorded a 0,7 percent of GDP growth over the IV quarter, up 0,4 percentage points from a year ago, reflecting the larger deficits recorded of ONP (S/. 156 million), EsSalud (S/. 117 million) and regulation organizations (S/. 53 million). Altogether, state-owned enterprises recorded a S/. 19 million deficit, compared with the S/. 65 million surplus of the IV quarter of 2004.

**Net external financing** over 2005 was negative in US\$ 1 167 million (1,5 percent of GDP), since disbursements totaled US\$ 2 628 million and amortization US\$ 3 678 million. The latter includes the prepayment operation to the Paris Club and JAPECO by US\$ 1 555 million and US\$ 757 million, respectively. The Paris Club operation was financed with the issuance of global bonds by US\$ 750 million, being the difference covered with domestic currency-denominated bond placements. On the other hand, JAPECO operation was funded in a similar way (US\$ 520 million in bonds placed abroad).

**Domestic financing** was positive in S/. 4 572 million (1,8 percent of GDP) –issuance of sovereign bonds by S/. 6 688 million and amortization amounting S/. 1 813 million-. As part of the operation, there was a swap under the financial system consolidation program by S/. 1 244 million.

The **public debt** totaled US\$ 29 829 million, equivalent to 38 percent of GDP, down 7 percentage points from 2004, of which US\$ 22 279 million correspond to external debt and US\$ 7 550 million to domestic debt –the latter is mainly compounded of issuance of bond placed domestically-.

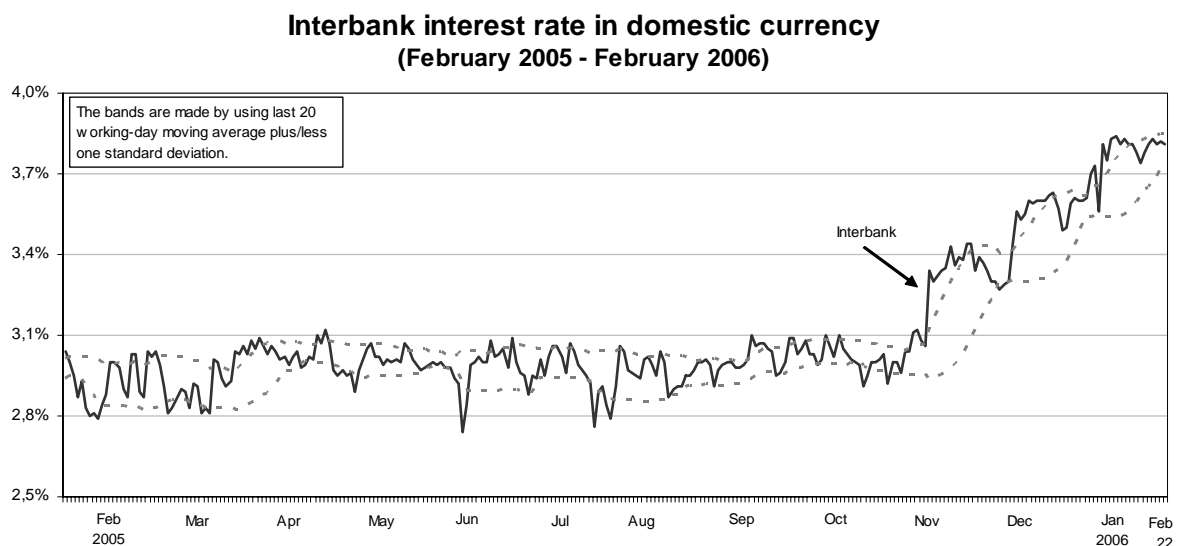
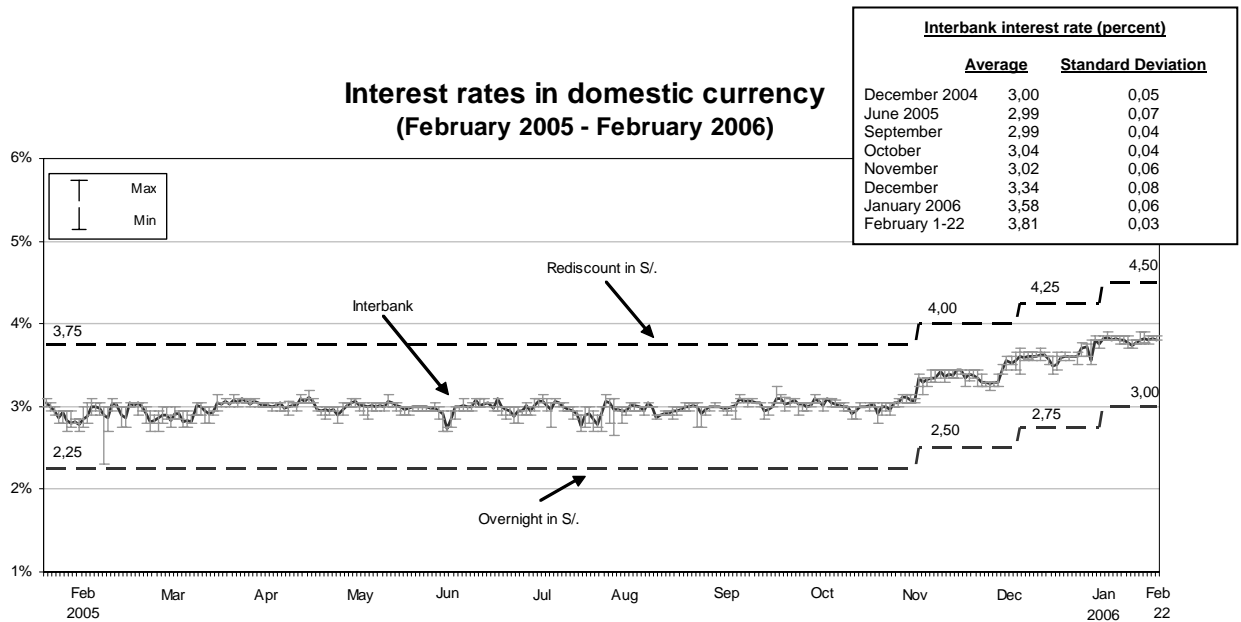
Regarding the **process of private investment promotion**, in the IV quarter of 2005 the copper project La Granja was granted to Rio Tinto, which committed to invest US\$ 60 million in exploration and feasibility and offered payments totaling US\$ 22 million. The life of the project is estimated at 5 years (extendable to 6) and the committed investment should be at least US\$ 700 million.

Privatization receipt from current and former operations totaled US\$ 16,1 million in the IV quarter, down from the US\$ 19,8 million recorded a year ago. US\$ 10 million corresponded to Petromar and the difference to previous operations, such as Petroperu (US\$ 3 million).

**MONTHLY AND WEEKLY REPORT**

**Interbank interest rate increased to 3,81 percent**

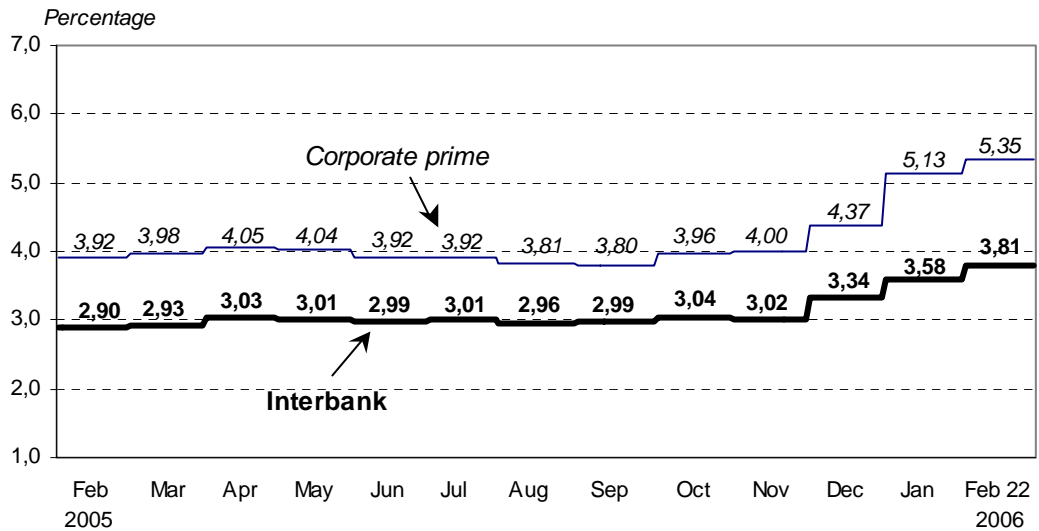
In line with the recent increase in the CRBP's reference interest rate, from 3,50 to 3,75 percent, of the February monetary program, the **interbank interest rate** rose from 3,58 percent in January to 3,81 as of February 22.



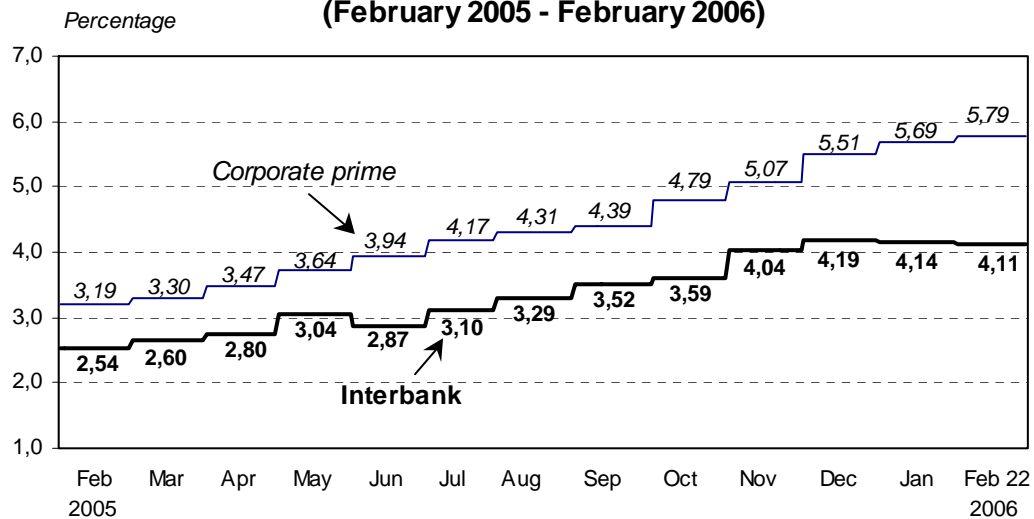
## Corporate prime interest rate in soles increased to 5,35 percent

As of **February 22**, the average 90-day corporate rate in soles augmented from 5,13 in January to 5,35 percent and in dollars from 5,69 to 5,79 percent, reflecting the increases in the CRBP's and FED's interest rates.

**Monthly average interest rate in domestic currency  
(February 2005 - February 2006)**



**Monthly average interest rate in foreign currency  
(February 2005 - February 2006)**



### Monetary operations

Between **February 16 and 22**, the Central Reserve Bank made the following operations:

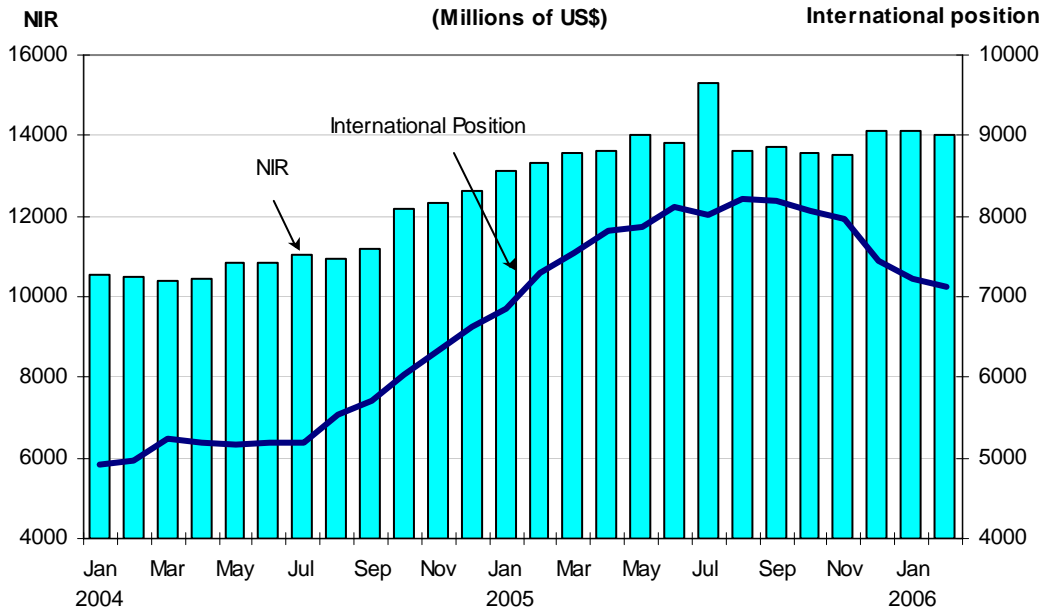
- Auctions of temporary purchases of Certificates of Deposit BCRP and BTP by S/. 1 050 million on a daily basis with maturities of 1 day, 3 days and 1 week. The average interest rate ranged between 3,76 and 3,92 percent.
- Purchases of foreign currency over-the-counter mechanism by US\$ 35 million at an average exchange rate of S/. 3,280 per dollar.
- Overnight deposits on February 16, 21 and 22 by S/. 9; S/. 23,2 and S/. 6 million, respectively.

### Net international reserves at US\$ 13 997 million

As of **February 21**, **net international reserves (NIR)** amounted to US\$ 13 997 million, down US\$ 142 million from end-January. This decrease is explained mainly by lower public sector deposits in US\$ 164 million, changes in the value of currencies and gold in US\$ 68 million and sales of foreign currency to the public sector by US\$ 50 million. This evolution was partially offset by higher financial system deposits in US\$ 101 million, purchases of foreign currency over-the-counter mechanism by US\$ 25 million, net interests by US\$ 14 million and higher Insurance Fund Deposit deposits in US\$ 1 million.

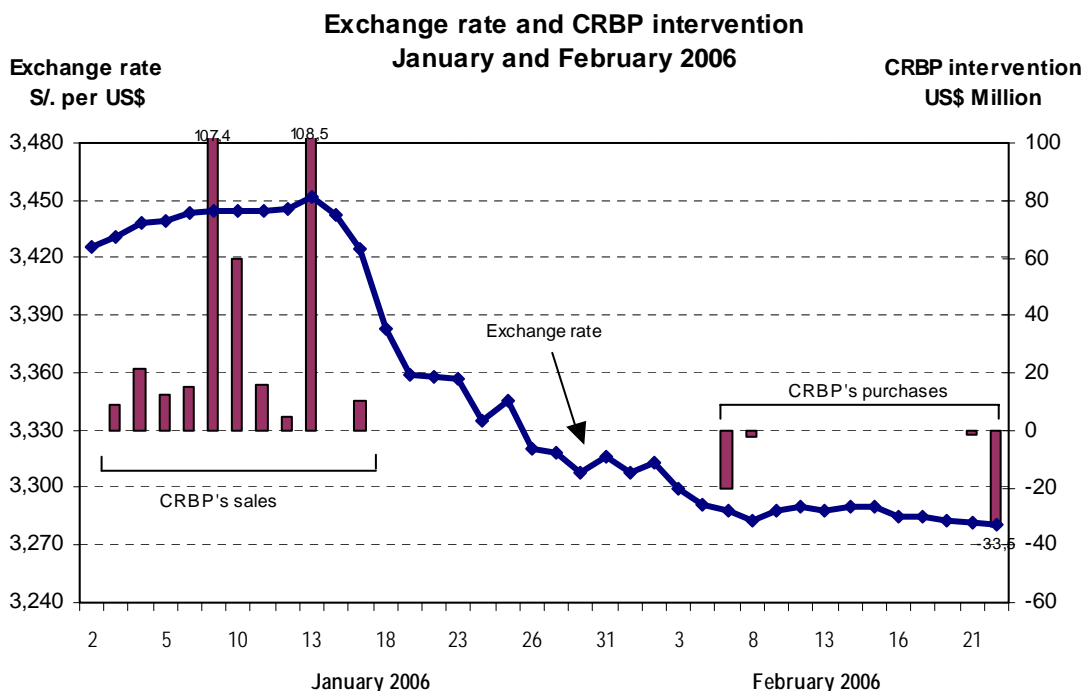
Year-to-date, NIRs have decreased US\$ 100 million whereas the **Central Bank's international position** (US\$ 7 127 million) dropped by US\$ 323 million.

**Net international reserve and international position  
of the Central Reserve Bank  
January 2004 - February 2006  
(Millions of US\$)**



## Exchange rate: S/. 3,281 per dollar

Between **January 31 and February 22**, the interbank exchange rate appreciated 0,9 percent. This behavior follows a similar trend in the country risk and other financial markets and is due to the lower political uncertainty and solid economic performance of the country. In this context, the Central Bank purchased foreign currency by US\$ 59 million as of February 22. Year-to-date, the exchange rate appreciated 4,3 percent (opposite to a depreciation of 4,5 percent in 2005) and reached S/. 3,281 per dollar, a similar level of September of 2005.



## Monetary base as of February 22, 2006

The **monetary base** balance as of February 22 was S/. 10 868 million down 0,1 percent (S/. 13 million) from end-January. In average terms, the last 12 month rate of expansion of the monetary base was 24,4 percent (27,2 percent in January).

By sources, the operations that explained the decrease in the monetary base were: the lower temporary purchase of securities (S/. 410 million), sales of foreign currency to the public sector (US\$ 50 million or S/. 164 million) and higher public sector deposits (S/. 25 million). Conversely, the monetary base increased by redemption of Certificates of Deposit BCRP (S/. 350 million), purchases of foreign currency over-the-counter mechanism (US\$ 59 million or S/. 192 million) and lower financial system overnight deposits (S/. 26 million).

## Banking system monetary accounts as of January 31, 2006

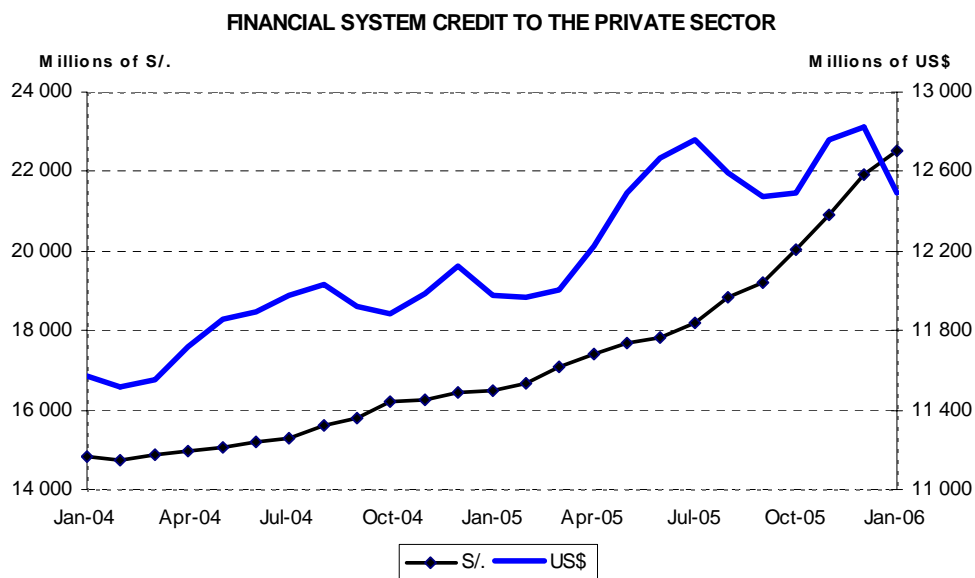
In January, liquidity in **domestic currency** decreased 4,7 percent (S/. 1 441 million) to a balance of S/. 29 129 million. Credit to the private sector in the same currency augmented 2,6 percent (S/. 400 million) to S/. 15 730 million. However, in annual terms this aggregates grew by 13,3 and 38,3 percent, respectively.

Liquidity in **foreign currency** increased 2,6 percent (US\$ 279 million) to US\$ 11 064 million (an annual growth rate of 14,8 percent). Credit to the private sector in the same currency diminished 3,9 percent (US\$ 398 million) to US\$ 9 915 million (an annual growth rate of 0,4 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>												
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%
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%	1,1%	21,2%	3,6%	21,2%	0,2%	6,6%	-11,1%	6,3%	0,1%	5,4%
Nov.	0,7%	27,7%	1,6%	19,7%	5,4%	27,2%	2,8%	9,1%	9,9%	12,1%	2,0%	6,4%
Dec.	13,1%	25,7%	5,3%	19,2%	6,8%	34,6%	4,0%	12,5%	31,2%	44,8%	-0,5%	4,7%
<b>2006</b>												
Jan.	-7,2%	25,0%	-4,7%	13,3%	2,6%	38,3%	2,6%	14,8%	-27,2%	-15,5%	-3,9%	0,4%
Memo:												
Balance as of Dec.31 (Mill.S/. or Mill.US\$)	11 724		30 570		15 330		10 785		1 062		10 312	
Balance as of Jan. 31 (Mill.S/. or Mill.US\$)	10 882		29 129		15 730		11 064		772		9 915	
1/ Short term external liabilities of banking enterprises.												

## Financial system credit to the private sector

Financial system credit to the private sector in domestic currency augmented 2,7 percent (S/. 594 million) in January and 36,5 percent in the last 12 months (S/. 6 030 million). In foreign currency, financial system credit dropped 2,6 percent (US\$ 333 million) in the month but increased 4,3 percent (US\$ 517 million) in annual terms.



**Domestic currency** credit expansion in January was mainly given in commercial banks (2,5 percent or S/. 293 million), reflecting larger commercial and consumer credits (S/. 253 million and S/. 117 million, respectively). Also, institutional investors credit increased 3,6 percent (S/. 103 million) and credit of microfinance institutions grew 1,3 percent (S/. 74 million). It's worth to note, that from January the MIVIVIENDA Fund has been included in the financial system as part of leasing companies and others, which explains a credit's increase of S/. 78 million.

## FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY

	Millions of S/.			Percentage change	
	Jan05	Dec05	Jan06	Jan.06/ Jan.05	Jan.06/ Dec.05
Commercial banks 1/	8 433	11 598	11 891	41,0	2,5
Banco de la Nación	1 082	1 277	1 310	21,1	2,5
<b>Microfinance institutions</b>	<b>4 310</b>	<b>5 846</b>	<b>5 920</b>	<b>37,4</b>	<b>1,3</b>
Banks (microfinance credits)	1 107	1 545	1 543	39,4	-0,1
Local government S&Ls	1 386	1 848	1 888	36,2	2,2
Rural S&Ls	256	348	355	38,7	2,0
Cooperatives	511	598	598	17,1	-.
Edpymes	227	351	366	61,1	4,3
Financial companies	823	1 156	1 170	42,2	1,2
<b>Institutional investors 2/</b>	<b>2 377</b>	<b>2 900</b>	<b>3 003</b>	<b>26,3</b>	<b>3,6</b>
AFPS	1 394	1 821	1 947	39,7	6,9
Insurance companies	822	751	751	-8,6	-.
Mutual funds	161	328	305	88,8	-6,9
<b>Leasing companies and others</b>	<b>306</b>	<b>323</b>	<b>414</b>	<b>35,4</b>	<b>28,2</b>
<b>Total Financial System</b>	<b>16 508</b>	<b>21 944</b>	<b>22 538</b>	<b>36,5</b>	<b>2,7</b>

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

On the other hand, lower **foreign currency** credit is explained by the decreased of commercial banks credit by 4,1 percent (US\$ 406 million). This evolution was partially offset by the increased in institutional investors credit (3,3 percent or US\$ 49 million) and by the inclusion of the MIVIVIENDA Fund (US\$ 23 million).

## FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Millions of US\$			Percentage change	
	Jan05	Dec05	Jan06	Jan.06/ Jan.05	Jan.06/ Dec.05
Commercial banks 1/	9 500	9 856	9 450	-0,5	-4,1
Banco de la Nación	22	22	22	-0,8	0,3
<b>Microfinance institutions</b>	<b>666</b>	<b>782</b>	<b>782</b>	<b>17,6</b>	<b>0,0</b>
Banks (microfinance credits)	124	177	173	39,0	-2,3
Local government S&Ls	251	292	295	17,6	1,0
Rural S&Ls	56	56	56	0,6	0,7
Cooperatives	154	166	166	8,2	-.
Edpymes	49	55	55	12,6	0,6
Financial companies	32	37	38	16,4	1,3
<b>Institutional investors 2/</b>	<b>1 153</b>	<b>1 497</b>	<b>1 546</b>	<b>34,0</b>	<b>3,3</b>
AFPS	607	733	749	23,5	2,3
Insurance companies	93	151	151	63,2	-.
Mutual funds	454	613	645	42,1	5,2
<b>Leasing companies and others</b>	<b>634</b>	<b>669</b>	<b>692</b>	<b>9,1</b>	<b>3,5</b>
<b>Total Financial System</b>	<b>11 975</b>	<b>12 825</b>	<b>12 492</b>	<b>4,3</b>	<b>-2,6</b>

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

## Central government operations recorded an overall surplus of S/. 1 425 million in January 2006

**Central government operations** through **February 2005 – January 2006** recorded an accumulated positive primary balance of S/. 3 851 million (S/. 1 693 million in the period February 2004 – January 2005). Current revenues increased S/. 6 403 million (18 percent), while non-financial expenditures were higher in S/. 4 351 million (13 percent). Accumulated interests amounted S/. 5 068 million (17 percent), so the overall deficit reached S/. 1 217 million, lower in S/. 1 441 million to the obtained during February 2004 – January 2005.

In **January**, **central government** recorded an economic surplus of S/. 1 425 million, higher in S/. 605 million to similar month of the previous year. The primary balance was positive in S/. 1 905 million, higher in S/. 879 million from January 2005, due to the higher growth of current revenues (37 percent) against the non-financial expenditures (12 percent), while the interests (S/. 480 million) were higher in S/. 273 million.

CENTRAL GOVERNMENT OPERATIONS								
(Millions of Nuevos Soles)								
	Monthly data			Annual data			C/A	C/B
	January			Feb 2004	Jan 2005	Feb 2005		
	2005	2006	% var.	Jan 2005	Dec 2005	Jan 2006		
				A	B	C		
<b>1. CURRENT REVENUES</b>	<b>3 124</b>	<b>4 268</b>	<b>36,6</b>	<b>35 759</b>	<b>41 018</b>	<b>42 162</b>	<b>17,9</b>	<b>2,8</b>
A. TAX REVENUE	2 776	3 831	38,0	31 469	35 545	36 601	16,3	3,0
B. NON TAX REVENUE	348	437	25,6	4 290	5 472	5 561	29,6	1,6
<b>2. NON-FINANCIAL EXPENDITURE</b>	<b>2 172</b>	<b>2 437</b>	<b>12,2</b>	<b>34 326</b>	<b>38 412</b>	<b>38 677</b>	<b>12,7</b>	<b>0,7</b>
A. CURRENT EXPENDITURE	2 088	2 348	12,5	30 025	33 525	33 785	12,5	0,8
B. CAPITAL EXPENDITURE	84	89	5,8	4 301	4 887	4 892	13,7	0,1
<b>3. CAPITAL REVENUES</b>	<b>74</b>	<b>74</b>	<b>-0,7</b>	<b>261</b>	<b>366</b>	<b>366</b>	<b>40,4</b>	<b>-0,1</b>
<b>4. PRIMARY BALANCE</b>	<b>1 026</b>	<b>1 905</b>		<b>1 693</b>	<b>2 972</b>	<b>3 851</b>		
<b>5. INTEREST PAYMENTS</b>	<b>207</b>	<b>480</b>	<b>132,1</b>	<b>4 351</b>	<b>4 794</b>	<b>5 068</b>	<b>16,5</b>	<b>5,7</b>
<b>6. OVERALL BALANCE</b>	<b>820</b>	<b>1425</b>		<b>-2 658</b>	<b>-1 822</b>	<b>-1 217</b>		
<b>7. NET FINANCING</b>	<b>-820</b>	<b>-1 425</b>		<b>2 658</b>	<b>1 822</b>	<b>1 217</b>		
1. External	439	-87		4 335	-3 121	-3 647		
A. Disbursements	542	17		8 838	8 960	8 434		
B. Amortizations	-103	-103		-4 504	-12 081	-12 081		
2. Domestic	-1 262	-1 342		-2 065	4 756	4 676		
3. Privatization	3	4		388	187	187		

**Current revenues** (S/. 4 268 million) were 37 percent higher than the figure recorded in similar month of 2005. **Tax revenues** (S/. 3 831 million) grew 38 percent, explained by the income tax payments in advance and regularizations (53 percent), value added tax -VAT- (22 percent), excise tax (8 percent) and other taxes (59 percent), partially offset by the smaller collection of imports tax (4 percent). In general, this growth reflected the economic activity dynamism, imports growth (20 percent) and to the extraordinary payment of Telefónica (S/. 200 million); partially offset by the tariff elimination to crude oil and byproducts. **Non-tax revenues** (S/. 437 million) increased 26 percent, due to higher petroleum and gas royalties (92 percent).

In January 2006, **non-financial expenditures** (S/. 2 437 million) were S/. 265 million higher than in January of 2005 (12 percent). By groups, the increment was explained basically by the increase of the non-financial current expenditures (S/. 260 million), and to a lesser extent by the



capital expenditures (S/. 5 million). Transfers and goods and services increased 16 and 13 percent, respectively, while wages and salaries did it in 9 percent. In capital expenditures (S/. 89 million), the gross capital formation (S/. 82 million) was 7 percent higher than in January of 2005.

**External financing** was negative in S/. 87 million (US\$ 26 million), with US\$ 5 million of disbursements and amortization by US\$ 30 million. **Domestic financing** was negative in S/. 1 342 million as a result of Public Treasury deposits of S/. 234 million.

## GDP increases 7,4 percent in December

In **December**, **GDP** grew 7,4 percent, accumulating a growth of 6,7 percent during 2005. This figure is 0,4 percent higher than the forecast of the Inflation Report in January, due to the incorporation of the Pluspetrol company in the manufacturing production index. In September 2004, this company initiated the production of natural gasoline, petroleum liquefied gas and diesel 2. This modification implied a change in the primary manufacturing annual growth from 1,3 to 4,0 percent and from 6,3 to 7,0 percent in the manufacturing sector as a whole.

Mining (15,6 percent) and agriculture & livestock (7,9 percent) were the sectors that more contributed to GDP growth in December. In the first case, the increase was explained by the higher gold production (51,0 percent) due to the higher extraction of Yanacocha and the participation of Alto Chicama, accumulating an annual growth rate of 8,6 percent. Agriculture & livestock was prompted by rice production (116,9 percent) on the north coast (Lambayeque and Piura, derived from a very good small campaign), potato (11,2 percent) in the highlands; and poultry (15,0 percent).

### GROSS DOMESTIC PRODUCT (Annual growth rates)

	December		January - December	
	2004	2005	2004	2005
<b>Agriculture and Livestock</b>	<b>3,4</b>	<b>7,9</b>	<b>-1,1</b>	<b>4,6</b>
Agriculture	1,5	5,8	-3,2	3,2
Livestock	5,2	9,8	2,0	6,6
<b>Fishing</b>	<b>40,9</b>	<b>-25,0</b>	<b>30,5</b>	<b>2,0</b>
<b>Mining and Fuel</b>	<b>7,7</b>	<b>15,6</b>	<b>5,4</b>	<b>8,6</b>
Metallic mining	7,2	16,0	5,3	7,4
Natural gas and oil	17,5	11,3	7,1	23,5
<b>Manufacturing</b>	<b>10,1</b>	<b>2,7</b>	<b>6,7</b>	<b>7,0</b>
Based on raw materials	9,1	-4,2	6,2	4,0
Non-primary	10,4	4,3	6,8	7,7
<b>Electricity and water</b>	<b>6,8</b>	<b>5,5</b>	<b>4,6</b>	<b>5,3</b>
<b>Construction</b>	<b>7,9</b>	<b>14,0</b>	<b>4,7</b>	<b>8,7</b>
<b>Commerce</b>	<b>9,7</b>	<b>3,1</b>	<b>4,8</b>	<b>6,2</b>
<b>Other services</b>	<b>9,3</b>	<b>10,3</b>	<b>4,7</b>	<b>6,8</b>
<b><u>GROSS VALUE ADDED (GVA)</u></b>	<b><u>8,9</u></b>	<b><u>8,1</u></b>	<b><u>4,6</u></b>	<b><u>6,7</u></b>
Taxes on products and import duties	6,9	1,5	6,4	6,4
<b><u>GDP</u></b>	<b><u>8,7</u></b>	<b><u>7,4</u></b>	<b><u>4,8</u></b>	<b><u>6,7</u></b>
Primary sector GVA	7,2	12,3	3,1	5,9
Non-primary sector GVA	9,9	6,4	5,0	6,9
Domestic demand indicator	7,6	5,1	3,9	5,7

Among the non-primary industries, construction showed the highest rate of 2005 (14,0 percent), accumulating at December a growth of 8,7 percent, based on the mining activities at the south of the country, a higher activity of the self-construction as well as housing projects at the north of the country, and the construction of offices and shopping centers.

Domestic demand indicator increased 5,1 percent in December 2005 and 5,7 percent in the year, showing an important growth of all its components. The growth of the private investment was seen reflected in the 27,6 percent growth of capital goods imports during 2005.

The **agriculture & livestock** sector grew 7,9 percent in December prompted by the increments in the production of rice, potato and poultry, partially offset by the production fall of mango due to weather anomalies. The sector grew 4,6 percent in 2005, due to the production recovery of rice and potato due to better hydrologic conditions and the increment of poultry production, in a context of reduced quotations of its main supplies (hard yellow maize and sorghum).

In December, the **fishing** sector reduced its activity in 25,0 percent, due to the suspension of anchovy extractive activities after large unloads in November. In the year, the sector grew 2,0 percent, being observed an increment of extraction for human consumption, in the lines of canned and frozen.

**Mining and fuel** industry grew 15,6 percent in December prompted by a higher gold production. Also silver and lead showed important extraction volumes. The annual growth of the sector was 8,6 percent, explained by the higher production of gold, silver, molybdenum, iron and lead.

**Manufacturing** grew 2,7 percent in December explained by the 4,3 percent growth of the non-primary manufacturing; while the manufacture based on raw materials diminished 4,2 percent due to a drop in anchovy captures, generating a smaller production of fishmeal and fish oils. In the year, the sector grew 7,0 percent, owed to the contribution of the non-primary manufacturing (7,7 percent) and primary manufacturing (4,0 percent).

The branches that registered higher growth were grain mill products associated to a higher rice grinding; machinery for mining, quarrying and construction linked to the mining sector development; cement due to higher sales to the domestic and foreign market; other metallic products due to the higher production of preserves; other paper and paperboard products due to higher exports and the enlargement of the installed capacity of a leader business; manufacture of structural metal products for the execution of mining and construction projects; processing and preserving of fruit and vegetables due to higher asparagus exports and increases in the fruits juices production.

Industries with higher increases  
December 2005

CIU	December	
	Var. %	Contrib. % 1/
Grain mill and bakery products	42,5	0,8
Manufacture of machinery for mining, quarrying and construction	138,0	0,7
Cement	15,1	0,7
Other metallic products	26,1	0,6
Other paper and paperboard products	29,3	0,6
Manufacture of structural metal products	25,4	0,5
Processing and preserving of fruit and vegetables	26,9	0,5
Glass	30,2	0,4
<b>Subtotal</b>	<b>29,1</b>	<b>4,8</b>
<b>Total</b>	<b>4,3</b>	

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

The branches that less contributed to the December growth were: basic chemicals due to the lower production of natural colorants and chemicals; miscellaneous manufacturing products due to inventories leveling; manufacture of wearing apparel for orienting their business strategy to markets of higher quality and price and thus evading the Chinese clothing competence, and explosives and natural and chemical essences due to explosives inventories leveling.

**Industries with higher decreases  
December 2005**

CIIU	December	
	Var. %	Contrib. % 1/
Basic chemicals	-22,4	-0,8
Miscellaneous manufacturing products	-21,2	-0,7
Manufacture of wearing apparel	-5,4	-0,5
Explosives and natural and chemical essences	-11,7	-0,4
<b>Subtotal</b>	<b>-10,6</b>	<b>-3,0</b>

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

Non-primary industry oriented to domestic market, was more dynamic than the production for the foreign market. The industrial groups that showed higher contributions to this growth were metallic products, machinery and equipment, non-metallic minerals and food, beverages and tobacco. By markets, the industries with the higher growths for the **domestic markets** were: metallic products, machinery and equipment and non-metallic minerals, while for the **foreign market** were those of chemical products, rubber and plastics, and food beverages and tobacco.

**NON- PRIMARY MANUFACTURING: GROWTH CONTRIBUTION  
BY DESTINITY MARKET: DECEMBER 2005 1/**

(In percentage points)

	Growth contribution		
	Domestic market	Foreign market	Total
Metallic products, machinery and equipment	2,6	0,0	2,5
Non-metallic minerals	1,7	0,1	1,7
Food, beverages and tobacco	1,2	0,3	1,5
Paper and printing industry	1,0	0,1	1,1
Iron and steel	0,1	0,0	0,1
<b>NON-PRIMARY MANUFACTURING</b>	<b>3,2</b>	<b>1,2</b>	<b>4,3</b>

1/ Not include indirect effects.

The **construction sector** increased 14,0 percent in December, due to the self-construction dynamism, the increase of mortgage loans and the projects executed by the local governments due to the higher canon transfers. In the year the sector grew 8,7 percent.

The **employment** in businesses with 10 and more employees, prepared by the Ministry of Labor, continue its growth in December (5,7 percent in the national area), accumulating 4,5 percent in the year. The higher growth continued in the interior cities of the country, which increased 6,4 percent, compared to the 3,8 percent growth in Lima in 2005.

Of the 21 cities analyzed, 20 of them registered an employment increase in December 2005: Sullana (23 percent), Chincha (20 percent) and Ica (11 percent). This increment is explained basically by the higher agro-exports (banana in Sullana and grapes and asparagus in Chincha and Ica). In Huaraz the employment diminished due to the decrease of the mining activity.

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

	Dec.05/ Dec. 04	Jan.-Dec. 05/ Jan.-Dec. 04
Sullana	23,4	23,3
Chincha	20,1	15,5
Ica	10,5	16,5
Pisco	10,2	6,1
Piura	10,2	8,5
Talara	10,1	18,7
Tarapoto	8,3	7,3
Puno	8,2	5,5
Chiclayo	7,8	3,5
Huancayo	6,7	3,8
Cusco	6,6	6,4
Trujillo	6,3	5,6
Arequipa	6,3	4,2
Chimbote	5,1	0,4
Iquitos	3,7	9,1
Cajamarca	3,2	3,6
Paita	2,3	-4,6
Pucallpa	2,2	2,9
Tacna	1,4	2,4
Huaraz	-15,1	-7,5

Source: MTPE

### January 2006 outlook

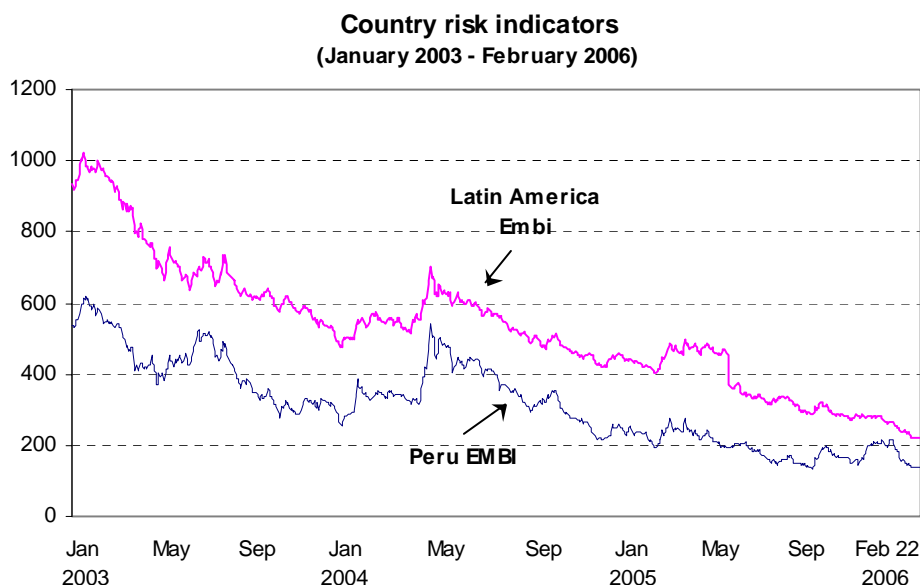
According to preliminary data of fuels, construction, electricity and tax revenues:

- Local sales of cement increased 17,6 percent (excluding those for Yanacocha productive process). Source: Asocem.
- Electricity generation grew by 7,2 percent. Source: COES.
- The collection of import taxes diminished 3,7 percent. Source: Sunat.

## International markets

### Country risk declined to 137 basis points

The country risk measured as the spread of the **EMBI+ Peru** decreased from 160 bps as of January 31 to 137 bps as of February 22. The latter reflects the entry of capital flows to the emerging bond markets, thanks to the improvement in most emerging economies' fundamentals. Regarding the Peruvian case, a sharp drop is seen since mid-January due to the lower political uncertainty and the positive macroeconomic indicators. As a result, the country risk is near to the historic minimum of 134 bps recorded on October 3, 2005.

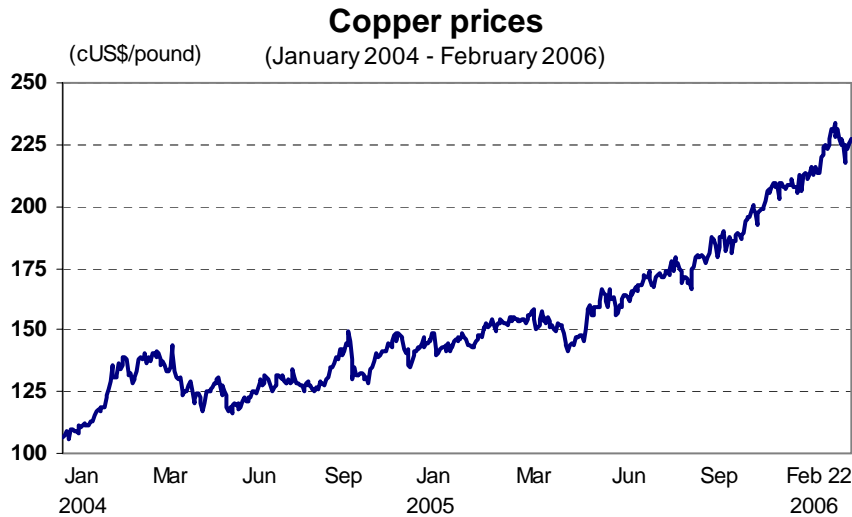


### Commodities prices recover

From **February 15 to 22**, the **gold's** price rose 1,4 percent to US\$ 553 per troy ounce due to the fears of higher inflationary pressures in the United States. As of January 2006, the Consumer Price Index of the United States showed an annual growth of 4,0 percent, the higher rate since October 2005.



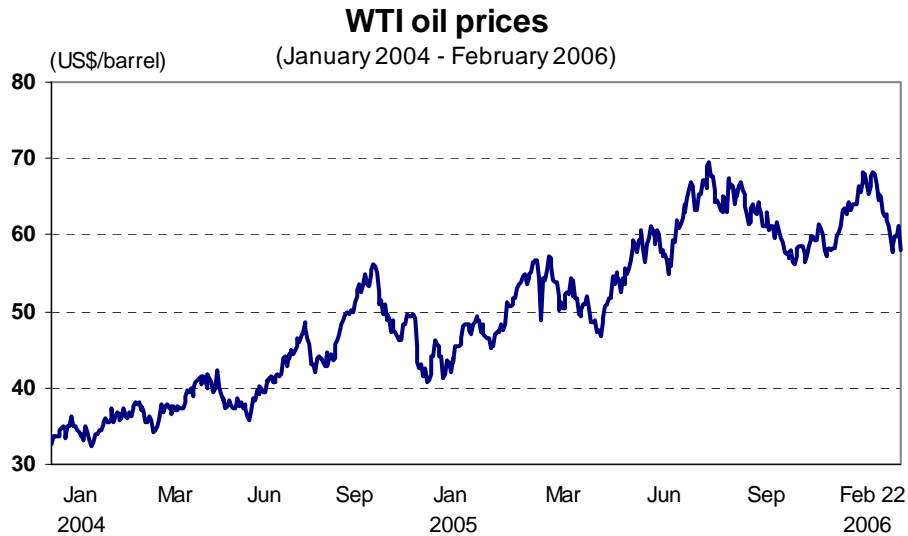
Over similar period, **copper's** price increased 1,3 percent to US\$ 2,28 per pound. According to information by February 22, the Grasberg mine in Indonesia, the second more important mine of the world and the producer of 4 percent of the world supply, suspended temporarily its operations due to a blockade by employees. On the other hand, the consulting company Bloomsbury Minerals Economics Ltd. projected a deficit in the copper global market of 207 thousand MT for 2006. It is estimated that the global consumption of copper would grow 5,9 percent in 2006 due to a significant growth of the demand of China, Russia, Thailand, India and Indonesia.



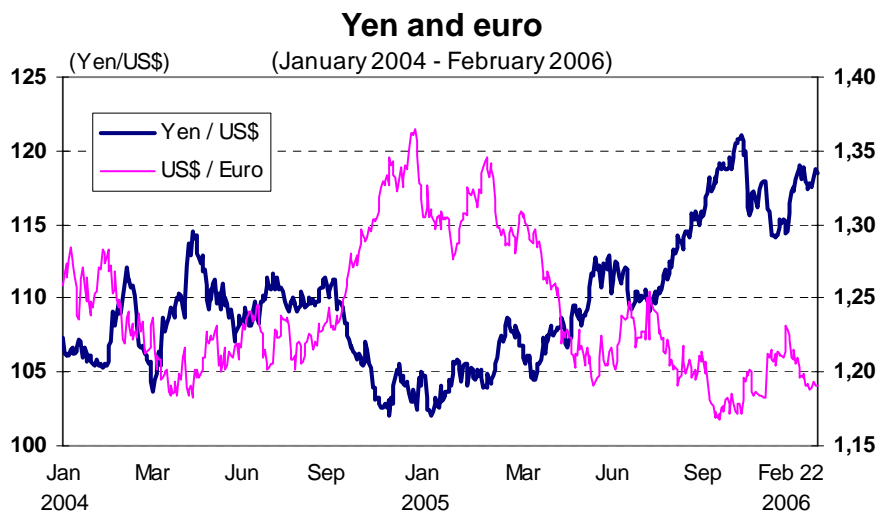
After profit takings by investment funds, the **zinc's** price showed a recovery since February 17 and reached US\$ 0,99 per pound on February 22. The International Lead and Zinc Study Group reported that the deficit in the global market of refined zinc enlarged from 298 thousand MT in 2004 to 432 thousand MT in 2005. In turn, the Macquarie investment bank projected a deficit of 418 thousand MT for the present year. The inventories in the London Metal Exchange continue with their decreasing tendency in February, diminishing from 373 thousand to 338 thousand MT, the smaller level since the third quarter of 2001.



From **February 15 to 22**, the **WTI oil** price increase 0,6 percent to US\$ 58,0 per barrel due to the attacks against platforms and petroleum installations in Nigeria that have diminished 20 percent of crude oil supplies and the social instability in the petroleum region of Ecuador. Nevertheless, the last days the prices of the petroleum showed a descent tendency as soon as was known that the inventories of crude oil in the United States enlarged in 1,1 million barrels to 327 million, 12 percent upper to this week average.



In the analyzed period, the **US dollar** depreciated 0,2 against the **euro** and appreciated 0,6 percent against the **yen**. With respect to the yen, the dollar was favored by the lower speculation of the zero interest rate quick-end on the part of the Bank of Japan after the diffusion that the GDP deflator diminished 1,6 percent in the fourth quarter of 2005. Nevertheless in 2005, the Japan GDP grew 2,8 percent, the higher rate since 2000.

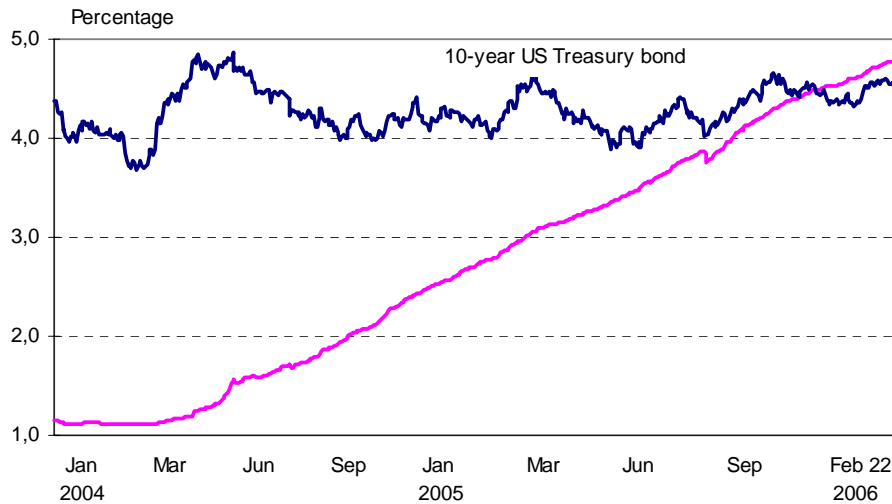


## Yield of the 10-year matured US Treasury bond diminished to 4,52 percent

From February 15 to 22, the **3-month Libor** increased from 4,75 to 4,78 percent, whereas the **yield of the 10-year matured US Treasury bond** diminished from 4,60 to 4,52 percent. In spite of the fact that the futures market continues discounting two additional increments of 25 basis points in the interest rate of the FED, the long-range interest rates are maintained inside their rank of the last months.

**Libor and yield of 10-year matured US Treasury bond**

(January 2004 - February 2006)

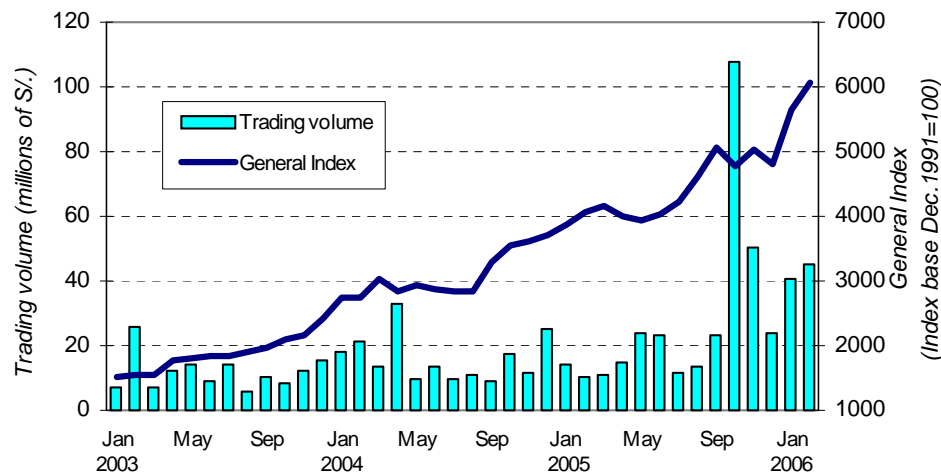


## Lima Stock Exchange

As of **February 22**, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 7,9 and 8,3 percent, respectively. In the last week the performance of the mining and agriculture & livestock businesses shares excelled thanks to the recovery metal prices the good outlook in both sectors. Year-to-date, the stock market indices register a growth of 26,5 and 32,0 percent, respectively.

**Lima Stock Exchange indicators**

(January 2003 - February 2006)





**Resumen de Indicadores Económicos / Summary of Economic Indicator**

	2005						2006							
	MAR.	JUN.	SET.	OCT.	NOV.	DIC.	31 Ene.	Ene.	16 Feb.	17 Feb.	20 Feb.	21 Feb.	22 Feb.	Feb
<b>RESERVAS INTERNACIONALES (Mills. US\$) / INTERNATIONAL RESERVES</b>								Var.						Var.
Posición de cambio / <i>Net international position</i>	7 545	8 127	8 192	8 077	7 976	7 450	7 220	-230	7 141	7 152	7 123	7 127		-93
Reservas internacionales netas / <i>Net international reserves</i>	13 555	13 818	13 695	13 547	13 543	14 097	14 139	42	14 168	14 011	14 013	13 997		-142
Depósitos del sistema financiero en el BCRP / <i>Financial system deposits at BCRP</i>	2 854	2 836	2 984	3 040	3 234	4 165	4 543	377	4 736	4 630	4 671	4 643		101
Empresas bancarias / <i>Banks</i>	2 748	2 684	2 876	2 922	3 155	4 076	4 446	371	4 558	4 433	4 473	4 442		-4
Banco de la Nación / <i>Banco de la Nación</i>	46	96	56	58	18	33	31	-3	104	128	130	134		104
Resto de instituciones financieras / <i>Other financial institutions</i>	60	56	52	59	61	57	66	9	75	69	69	67		1
Depósitos del sector público en el BCRP / <i>Public sector deposits at BCRP *</i>	3 199	2 913	2 572	2 498	2 407	2 533	2 433	-100	2 318	2 278	2 268	2 269		-164
<b>OPERACIONES CAMBIARIAS BCR (Mill. US\$) / BCRP FOREIGN OPERATIONS</b>	Acum.	Acum.	Acum.	Acum.	Acum.	Acum.	Acum.							Acum.
Compras netas en Mesa de Negociación / <i>Net purchases of foreign currency</i>	260	265	-25	-125	-109	-581	0	-377	0	0	-30	2	33	8
Operaciones swaps netas / <i>Net swap operations</i>	360	365	33	-34	-53	-345	0	-355	0	0	0	2	34	59
Operaciones con el Sector Público / <i>Public sector</i>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	-100	-100	-58	-91	-56	-237	0	-22	0	0	-30	0	0	-50
<b>TIPO DE CAMBIO (S/. por US\$) / EXCHANGE RATE</b>	Prom.	Prom.	Prom.	Prom.	Prom.	Prom.	Prom.							Prom.
Compra Interbancario / <i>Interbank Average</i>	3,258	3,252	3,306	3,379	3,376	3,423	3,313	3,391	3,284	3,283	3,282	3,280	3,279	3,288
Venta Interbancario / <i>Interbank Ask</i>	3,260	3,253	3,308	3,381	3,377	3,427	3,316	3,397	3,288	3,286	3,285	3,284	3,282	3,293
Mediodía / <i>Midday</i>	3,260	3,254	3,309	3,382	3,378	3,425	3,316	3,394	3,284	3,285	3,283	3,282	3,281	3,290
Cierre / <i>Close</i>	3,260	3,253	3,309	3,382	3,378	3,424	3,307	3,392	3,284	3,284	3,282	3,282	3,281	3,290
Promedio / <i>Average</i>	3,260	3,253	3,309	3,382	3,378	3,425	3,316	3,394	3,285	3,285	3,283	3,282	3,281	3,290
Sistema Bancario (SBS) / <i>Banking System</i>	3,258	3,252	3,307	3,380	3,375	3,423	3,310	3,392	3,284	3,283	3,283	3,280	3,279	3,289
Compra / <i>Bid</i>	3,260	3,253	3,308	3,382	3,377	3,425	3,314	3,394	3,285	3,284	3,287	3,282	3,280	3,291
Venta / <i>Ask</i>														
Índice de tipo de cambio real (1994=100) / <i>Real exchange rate Index (1994=100)</i>	104,9	103,2	107,3	108,9	107,8	109,1		108,8						
<b>INDICADORES MONETARIOS / MONETARY INDICATORS</b>														
<b>Moneda nacional / Domestic currency</b>														
Emisión Primaria / <i>Monetary base</i>	(Var. % mensual) / (% monthly change)	-0,2	1,9	-0,1	1,2	0,7	13,1	-7,2	-7,2					
(Var. % últimos 12 meses) / (% 12-month change)	25,7	28,1	31,8	27,6	27,7	25,7	25,0	25,0						
Oferta monetaria / <i>Money Supply</i>	(Var. % mensual) / (% monthly change)	3,7	2,2	-0,6	1,1	1,6	5,3							
(Var. % últimos 12 meses) / (% 12-month change)	33,6	35,4	27,9	21,2	19,7	19,2								
Crédito sector privado / <i>Crédit to the private sector</i>	(Var. % mensual) / (% monthly change)	2,8	0,8	2,0	3,6	5,4	6,8							
(Var. % últimos 12 meses) / (% 12-month change)	12,1	16,2	21,0	21,2	27,2	34,6								
TOSE saldo fin de período (Var. % acum. en el mes) / <i>TOSE balance (% change)</i>	8,7	3,2	0,5	0,0	2,3	-0,7	-0,4	-0,4	2,4	3,4	2,8			
Superávit de encaje promedio (% respecto al TOSE) / <i>Average reserve surplus (% of TOSE)</i>	0,5	0,6	1,0	0,9	0,9	1,0	1,3	1,3	1,9	1,7	1,6			
Cuenta corriente de los bancos (saldo mill. S./) / <i>Banks' current account (balance)</i>	271	278	286	294	295	312	65	315	24	116	173	70	179	
Créditos por regulación monetaria (millones de S./) / <i>Rediscouts (Millions of S./)</i>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depósitos públicos en el BCRP (millones S./) / <i>Public sector deposits at the BCRP (Mills.S./)</i>	2 619	4 985	5 169	5 180	5 484	4 738	5 190	5 190	4 828	4 642	4 668	4 872	n.d.	
Certificados de Depósitos BCRP (saldo Mill.S./) / <i>CDBCRP balance (Millions of S./)</i>	11 261	10 465	9 738	9 045	8 616	7 676	6 991	6 991	6 641	6 641	6 641	6 641	6 641	6 641
CD Reajustables BCRP (saldo Mill.S./) / <i>CDRBCRP balance (Millions of S./)</i>	0	0	0	170	170	1 202	1 232	1 232	1 232	1 232	1 232	1 232	1 232	1 232
Operaciones de reporte (saldo Mill. S./) / <i>repor (Balance millions of S./)</i>	0	0	0	65	180	2 850	3 035	3 035	2 070	2 050	2 190	2 317	2 625	
TAMN / <i>Average lending rates in domestic currency</i>	26,24	25,99	25,59	24,61	24,49	23,63	24,31	24,14	24,03	23,96	23,83	23,93	24,19	24,03
Préstamos y descuentos hasta 360 días / <i>Loans &amp; discount</i>	15,54	15,51	14,67	14,42	14,43	13,93	14,02	14,04	14,38	14,88	14,38	14,40	14,41	14,29
Interbancaria / <i>Interbank</i>	2,93	2,99	2,99	3,04	3,02	3,34	3,56	3,58	3,81	3,83	3,81	3,82	3,81	3,81
Preferencial corporativa a 90 días / <i>Corporate Prime</i>	3,98	3,92	3,80	3,96	4,00	4,37	5,39	5,13	5,38	5,38	5,38	5,38	5,38	5,35
Operaciones de reporte con CDBCRP / <i>CDBCRP repos</i>	s.m.	s.m.	s.m.	3,18	3,19	3,25	3,71	3,71	3,87	3,87	3,86	3,86	3,85	3,85
Créditos por regulación monetaria / <i>Rediscouts **</i>	3,75	3,75	3,75	3,75	3,75	4,00	4,25	4,25	4,50	4,50	4,50	4,50	4,50	4,50
Del saldo de CDBCRP / <i>CDBCRP balance</i>	4,48	4,59	4,64	4,68	4,68	4,72	4,80	4,80	4,82	4,82	4,82	4,82	4,82	4,82
<b>Moneda extranjera / foreign currency</b>														
Crédito sector privado / <i>Crédit to the private sector</i>	(Var. % mensual) / (% monthly change)	0,4	1,5	-1,4	0,1	2,0	-0,5							
(Var. % últimos 12 meses) / (% 12-month change)	3,4	5,7	4,6	5,4	6,4	4,7								
TOSE saldo fin de período (Var. % acum. en el mes) / <i>TOSE balance (% change)</i>	1,1	-0,5	1,1	-0,1	2,8	7,5	-1,6	-1,6	0,7	0,6	0,2			
Superávit de encaje promedio (% respecto al TOSE) / <i>Average reserve surplus (% of TOSE)</i>	0,1	0,3	0,4	0,3	0,2	0,4	0,1	0,1	8,6	5,0	4,2			
Créditos por regulación monetaria (millones de US dólares) / <i>Rediscouts</i>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAMEX / <i>Average lending rates in foreign currency</i>	9,62	9,67	10,01	10,14	10,28	10,41	10,61	10,60	10,64	10,63	10,58	10,63	10,64	10,64
Préstamos y descuentos hasta 360 días / <i>Loans &amp; discount</i>	8,30	8,31	8,90	9,01	9,23	9,37	9,73	9,66	9,82	9,83	9,87	9,87	9,89	9,80
Interbancaria / <i>Interbank</i>	2,60	2,87	3,52	3,59	4,04	4,19	4,10	4,14	4,15	4,03	4,15	4,15	4,17	4,11
Preferencial corporativa a 90 días / <i>Corporate Prime</i>	3,30	3,94	4,39	4,79	5,07	5,51	5,78	5,69	5,79	5,79	5,79	5,79	5,79	5,79
Créditos por regulación monetaria / <i>Rediscouts ***</i>	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.
<b>INDICADORES BURSÁTILES / STOCK MARKET INDICES</b>	Acum.	Acum.	Acum.	Acum.	Acum.	Acum.	Acum.							
Índice General Bursátil (Var. %) / <i>General Index (% change)</i>	2,0	2,9	10,0	-6,0	5,7	-4,6	-0,8	17,3	1,8	0,5	0,5	0,2	0,0	7,9
Índice Selectivo Bursátil (Var. %) / <i>Blue Chip Index (% change)</i>	1,9	1,6	9,6	-5,6	6,8	-4,9	-0,6	22,0	2,0	0,5	0,3	0,5	0,3	8,3
Monto negociado en acciones (Mill. S./) - Prom. diario	10,9	23,4	23,2	107,6	51,3	23,7	53,5	40,7	24,0	16,8	10,0	18,1	13,4	45,1
<b>INFLACIÓN (%) / INFLATION (%)</b>														
Inflación mensual / <i>Monthly</i>	0,65	0,26	-0,09	0,14	0,07	0,42		0,50						
Inflación últimos 12 meses / % 12 months change	1,88	1,48	1,11	1,28	1,06	1,49		1,90						
<b>GOBIERNO CENTRAL (Mill. S./) / CENTRAL GOVERNMENT (Mills. of S./)</b>														
Resultado primario / <i>Primary balance</i>	811	480	179	158	330	-2 437		1 905						
Ingresos corrientes / <i>Current revenue</i>	3 494	3 223	3 446	3 420	3 554	3 641		4 268						
Gastos no financieros / <i>Non-financial expenditure</i>	2 687	2 751	3 281	3 280	3 240	6 120		2 437						
<b>COMERCIO EXTERIOR (Mills. US\$) / FOREIGN TRADE (Mills. of US\$)</b>														
Balanza Comercial / <i>Trade balance</i>	416	474	461	379	418	879								
Exportaciones / <i>Exports</i>	1 351	1 432	1 484	1 466	1 525	1 932								
Importaciones / <i>Imports</i>	936	958	1 023	1 088	1 107	1 053								
<b>PRODUCTO BRUTO INTERNO (Índice 1994=100) / GROSS DOMESTIC PRODUCT</b>														
Variac. %, respecto al mismo mes del año anterior / <i>Annual rate of growth (12 months)</i>	5,0	5,4	6,2	7,6	8,0	7,4								
<b>COTIZACIONES INTERNACIONALES / INTERNATIONAL QUOTATIONS</b>	Prom.	Prom.	Prom.	Prom.	Prom.	Prom.	Prom.							Prom.
LIBOR a tres meses (%) / <i>LIBOR 3-month (%)</i>	3,02	3,42	3,90	4,16	4,34	4,49	4,68	4,60	4,77	4,77	4,77	4,77	4,78	4,74
Dow Jones (Var. %) / (% change)	-2,44	-1,84	1,44	-0,94	3,21	-0,82	-0,32	1,37	0,56	-0,05	n.d.	-0,42	0,63	2,52
Rendimiento de los U.S. Treasuries (10 años) / <i>U.S. Treasuries yield (10 years)</i>	4,49	3,99	4,19	4,46	4,53	4,46	4,52	4,40	4,59	4,54	n.d.	4,57	4,52	4,56
Stripped spread del EMBI+ PERÚ (pbs) / <i>EMBI+ PERU stripped spread (basis points)</i>	228	199	150	175	163	185	160	193	140	138	138	139	137	143

\* Incluye depósitos de Promocipi, Fondo de Estabilización Fiscal (FEF), Cofide, fondos administrados por la ONP; y otros depósitos del MEF. El detalle se presenta en el cuadro No.22 de la Nota Semanal.

\*\* Corresponde a la mayor tasa entre 3,75% o la tasa interbancaria del día. A partir del 2 de diciembre de 2005, esta tasa se elevó a 4,0%, el 6 de enero de 2006 pasó a 4,25% y desde el 3 de febrero es de 4,50%.

\*\*\* Las tasas de interés para los créditos de regulación monetaria en dólares serán a la tasa Libor a un mes más un punto porcentual.

Fuente: BCRP, INEL, Banco de la Nación, BVL, Sunat, SBS, Reuters y Bloomberg.

Elaboración: Departamento de Publicaciones.