



BANCO CENTRAL DE RESERVA DEL PERÚ

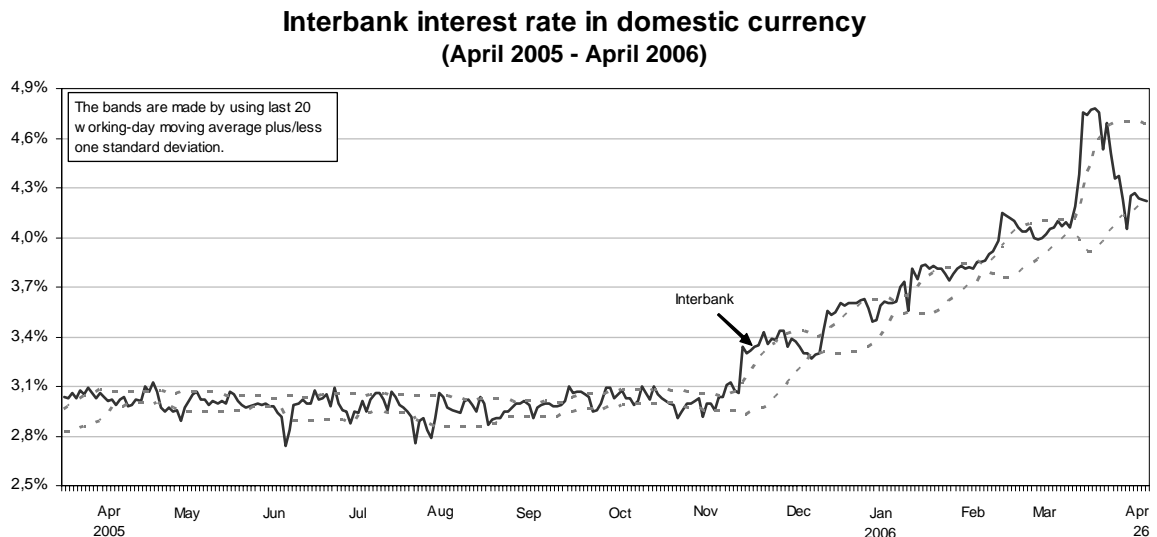
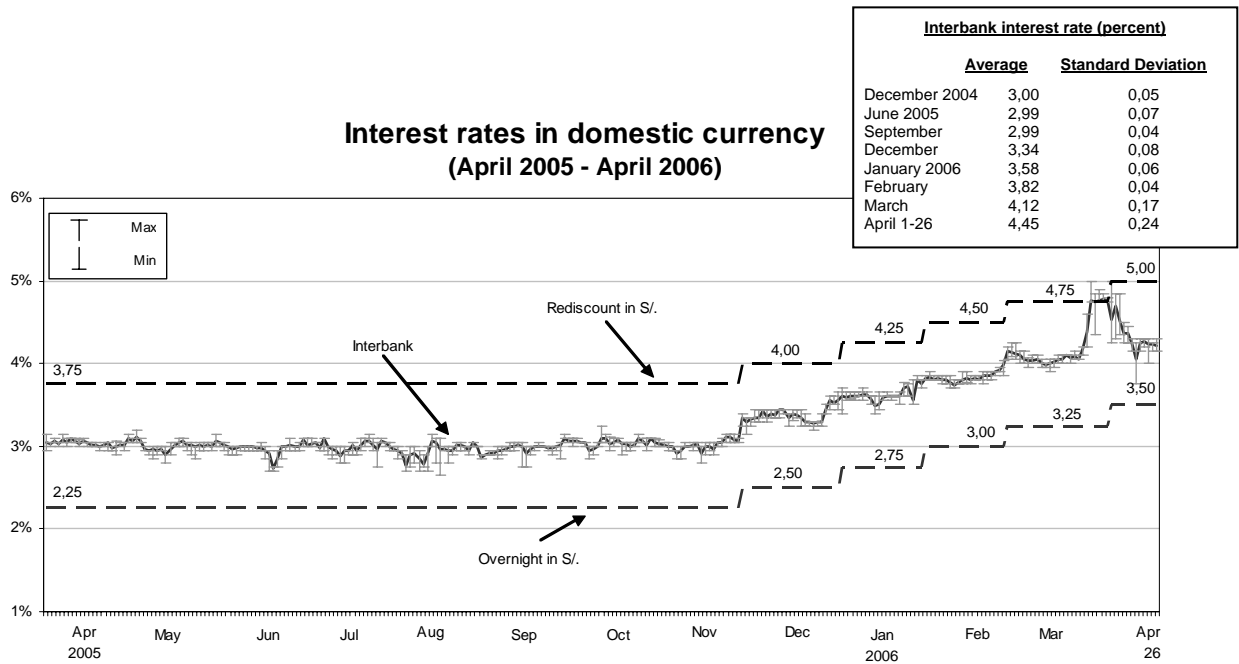
WEEKLY REPORT

Nº 17 – April 28, 2006

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Interbank Interest Rate: 4.22 percent on April 26

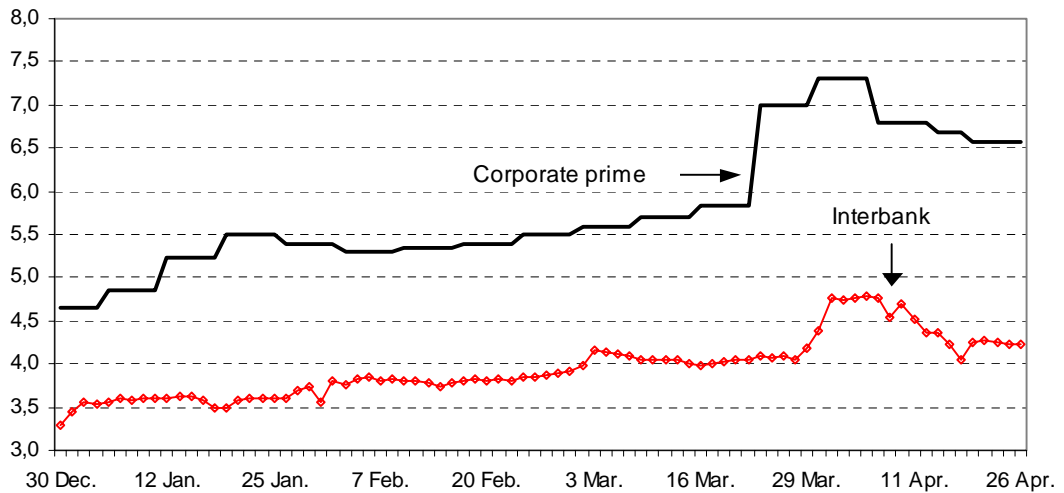
The interbank interest rate in domestic currency has showed a decreasing tendency throughout April, after reaching a maximum of 4.78 per cent on April 5 due to lower liquidity of the banking system associated with income tax payments. Thus, on 25 and April 26, the interbank interest rate decreased to 4.23 and 4.22 percent, respectively; between other factors because of the flexibilization of the monetary instruments of the Central Bank that granted major possibilities of liquidity to the banking system. It is necessary to highlight that in the last days, the interbank interest rate again is close to the Central Bank's reference interest rate for April (4.25 percent).



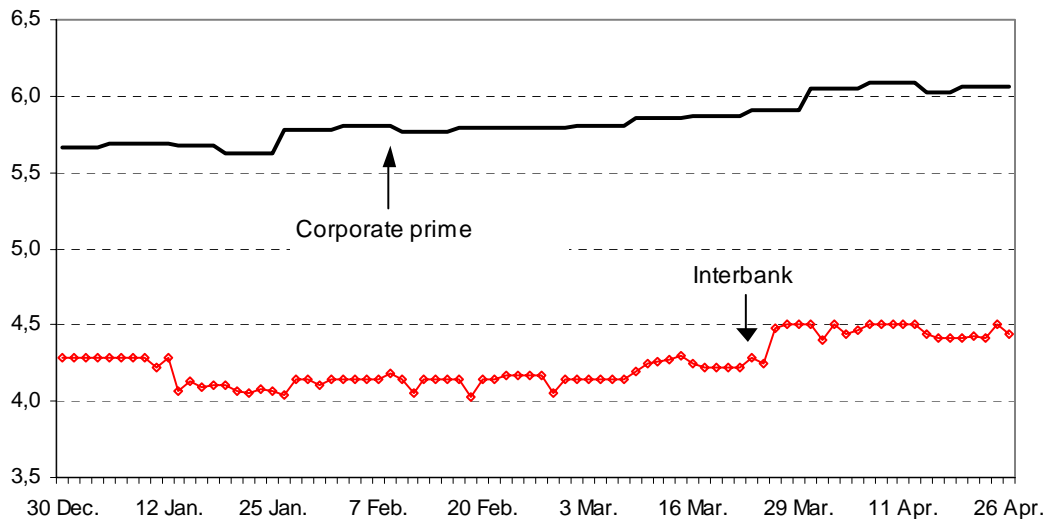
Domestic Currency Corporate Prime Interest Rate: 6.58 percent on April 26

Showing a similar behavior to the interbank interest rate, the 90-day corporate prime rate in soles diminished from a maximum level of 7.30 percent in the first week of April to 6.58 percent on April 26. On the other hand, the corporate prime rate in dollars has fluctuated in April between 6.02 and 6.09 percent in April, slightly higher than the level recorded in March.

Domestic currency interest rate: 2006



Foreign currency interest rate: 2006



Monetary operations

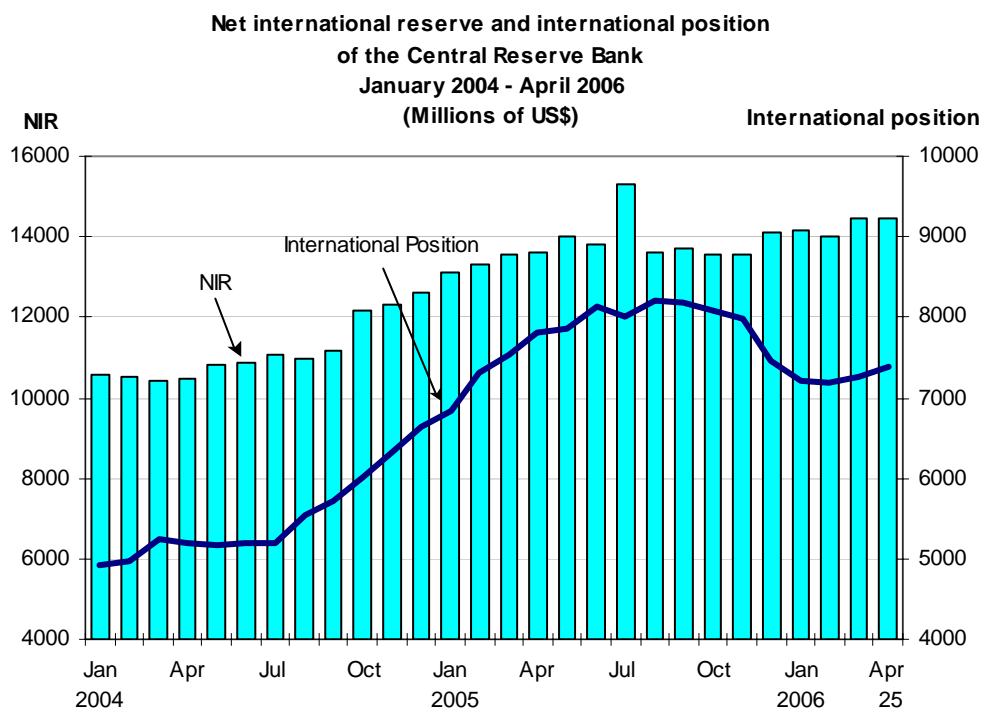
Between **April 20 and 26**, the Central Reserve Bank made the following operations:

- Auctions of temporary purchases of BCRP and BTP Certificates of Deposits for a daily average of S/. 366 million involving 1 day, 3 day and 1 month. The average interest rate ranged between 4.23 and 4.61 percent.
- Overnight deposits on April 20, 21, 24, 25 and 26 for S/. 178, S/. 93, S/. 58, S/. 89 and S/. 3.5 million, respectively.

Net International Reserves at US\$ 14 470 million

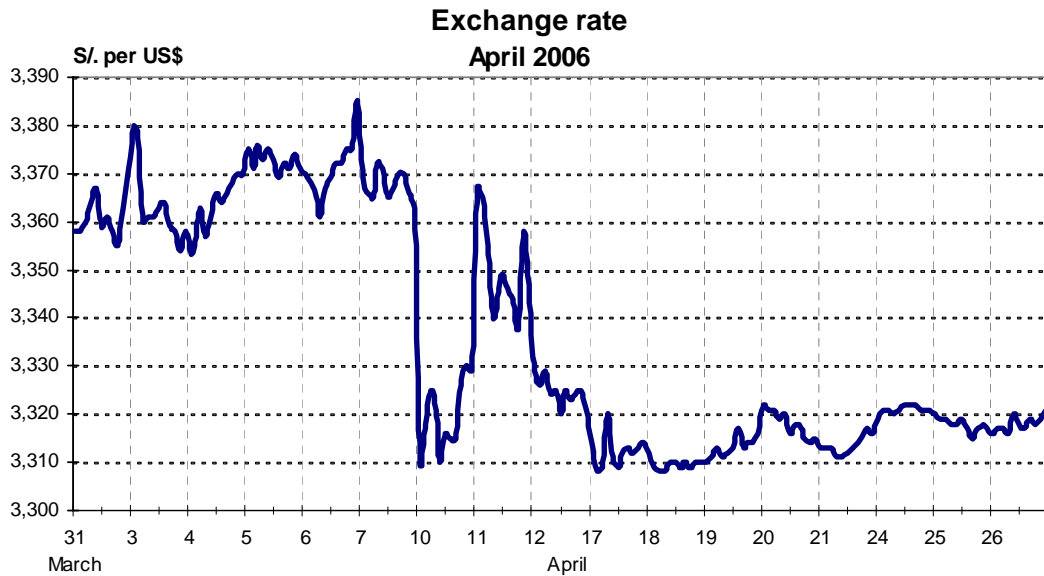
As of **April 25**, **net international reserves (NIR)** reached US\$ 14 470 million, decreasing by US\$ 2 million the level recorded as of March 31, 2006. This is explained by lower financial system deposits in US\$ 238 million which was partially offset by variations in the price of gold and currencies (US\$ 124 million), higher public sector deposits in US\$ 71 million, investment yield by US\$ 16 million, the capitalization of profits from the FLAR (US\$ 9 million), higher deposits of the Insurance Fund's Deposit by US\$ 7 million, operations with ALADI by US\$ 2 million and other operations by US\$ 7 million.

However, year-to-date, NIRs have increased by US\$ 373 million. On the other hand, the Central Bank's **international position** (US\$ 7 394 million) grew US\$ 137 million against March but dropped US\$ 57 million so far this year.



Exchange rate falls: S/. 3,321

As of **April 26**, the interbank exchange rate appreciated 1,5 percent with respect to March 31, falling from S/. 3.371 to S/. 3.321 per dollar. After experiencing an increase in his volatility due to the uncertainty of the results of the electoral process, the exchange rate in the last 3 days has fluctuated between S/. 3.31 – S/. 3.32 per dollar. The last thing is because of a higher calmness of the economic agents.



From late March to April 25, the balance of net forward sales grew in US\$ 26 million, whereas the banks foreign exchange position decreased in US\$ 4 million.

BANK'S EXCHANGE POSITION
(Millions of US\$)

	December 2004	December 2005	January 2006	February	March	April 25
a. Net sales to the public (i-ii)	699	1 027	1 229	1 109	1 579	1 605
i. Forward sales to the public	1 163	1 813	2 092	1 880	2 426	2 230
ii. Forward purchases to the public	464	785	863	771	847	624
b. Bank's exchange position	340	480	411	485	581	577

Monetary Base as of April 22, 2006

The **monetary base** balance as of April 22 (S/. 10 969 million) diminished in 0.4 percent (S/. 41 million) from end-March. In average terms, the annual growth rate of the monetary base in this period was 23.9 percent (21.9 percent in March).

By sources, the operations that contributed to the decrease of the monetary base included the higher public sector deposits (S/. 267 million) and the higher financial system overnight deposits (S/. 74 million). Conversely, the monetary base was expanded by net redemptions of Certificates of Deposits of the Central Bank (S/. 215 million) and the higher temporary purchases of securities (S/. 66 million).

Banking System Monetary Accounts as of March 31, 2006

In March, liquidity in **domestic currency** increased 2,1 percent (S/. 605 million), reaching a balance of S/. 30 056 million (an annual growth of 8,6 percent). Credit to the private sector in the same currency rose 4,0 percent (S/. 653 million) totaling S/. 16 778 million (an annual growth of 43,0 percent).

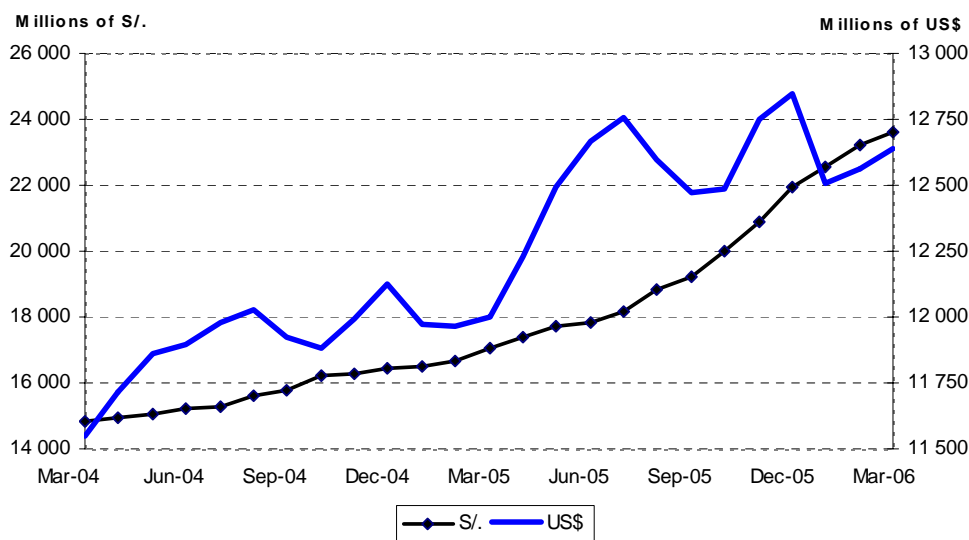
Liquidity in **foreign currency** augmented 2,4 percent (US\$ 271 million), thus showing a balance of US\$ 11 486 million (an annual growth of 22,3 percent). Credit to the private sector in the same currency grew 2,0 percent (US\$ 201 million) totaling US\$ 10 185 million (an annual growth of 2,9 percent).

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												
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%	12,4%	31,2%	44,8%	-0,5%	4,7%
2006												
Jan.	-7,2%	25,0%	-4,7%	13,3%	2,7%	38,3%	2,7%	14,8%	-27,2%	-15,5%	-3,9%	0,4%
Feb.	0,3%	22,9%	1,1%	10,3%	2,5%	41,2%	1,4%	17,0%	8,1%	0,8%	0,7%	1,3%
Mar.	0,8%	24,2%	2,1%	8,6%	4,0%	43,0%	2,4%	22,3%	-5,5%	-10,1%	2,0%	2,9%
Memo:												
Balance as of Feb. 28 (Mill.S/. or Mill.US\$)	10 918		29 452		16 125		11 215		835		9 984	
Balance as of Mar. 31 (Mill.S/. or Mill.US\$)	11 010		30 056		16 330		11 486		789		10 091	
1/ Short term external liabilities of banking enterprises.												

Credit to the Private Sector Grew by 1.8 Percent in Soles and 0.6 Percent in Dollars

Financial system credit to the private sector in domestic currency increased 1.8 percent (S/. 414 million) in **March**, which represented a 38,4 percent increase in the past 12 month-period (S/. 6 555 million). Credit in foreign currency grew by 0.6 percent (US\$ 73 million), which represented an expansion of 5.3 percent (US\$ 634 million) in annual terms.

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR



Credit's expansion in soles was mainly associated with commercial banks, where loans grew by 1.3 percent (S/. 163 million) due to an increase in consumer credit (S/. 147 million). Likewise, an increase was also observed in the case of microfinance institutions credit, which grew by 2.1 percent (S/. 125 million), and of institutional investors credit, which grew by 3 percent (S/. 96 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN LOCAL CURRENCY

	Millions of S/.			Percentage change	
	Mar05	Feb06	Mar06	Mar.06/ Mar.05	Mar.06/ Feb.06
Commercial banks 1/	8 698	12 235	12 398	42,5	1,3
Banco de la Nación	1 108	1 325	1 344	21,2	1,4
Microfinance institutions	4 528	6 059	6 184	36,6	2,1
Banks (microfinance credits)	1 173	1 594	1 636	39,5	2,6
Local government S&Ls	1 459	1 907	1 955	34,0	2,5
Rural S&Ls	269	371	379	40,8	2,2
Cooperatives	526	634	634	20,4	--
Edpymes	239	361	372	55,9	3,0
Financial companies	863	1 192	1 208	40,1	1,4
Institutional investors 2/	2 428	3 152	3 248	33,7	3,0
AFPS	1 422	2 092	2 170	52,6	3,7
Insurance companies	816	748	748	-8,3	--
Mutual funds	190	313	330	73,5	5,5
Leasing companies and others	316	448	460	45,6	2,6
Total Financial System	17 079	23 220	23 633	38,4	1,8

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

On the other hand, credit's expansion in dollars is explained by a 1.3 percent increase in the level of loans granted by commercial banks (US\$ 121 million), especially commercial credits (US\$ 126 million). This was partially balanced by a decline in institutional investors credit which fell by 2.3 percent (US\$ 37 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Millions of US\$			Percentage change	
	Mar05	Feb06	Mar06	Mar.06/ Mar.05	Mar.06/ Feb.06
Commercial banks 1/	9 533	9 534	9 655	1,3	1,3
Banco de la Nación	22	22	22	-1,2	-0,4
Microfinance institutions	673	808	803	19,2	-0,6
Banks (microfinance credits)	129	177	167	29,8	-5,2
Local government S&Ls	256	295	298	16,6	1,0
Rural S&Ls	56	56	57	1,3	0,9
Cooperatives	152	188	188	24,0	-
Edpymes	49	54	54	9,1	0,2
Financial companies	31	37	38	22,5	2,8
Institutional investors 2/	1 140	1 585	1 548	35,7	-2,3
AFPS	595	743	750	25,9	0,9
Insurance companies	92	161	161	74,6	-
Mutual funds	453	680	637	40,6	-6,4
Leasing companies and others	633	614	609	-3,8	-0,8
Total Financial System	12 002	12 563	12 636	5,3	0,6

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

Economic Surplus of S/. 778 Million in March 2006

Central government operations in the April 2005 - March 2006 period recorded a cumulative primary surplus of S/. 4 782 million (in comparison to S/. 1 779 million in the April 2004 -March 2005 period). Current revenue increased in S/. 7 168 million (20 percent), whereas non-financial expenditure increased in S/. 4 303 million (12 percent). Cumulative interest (S/. 5 224 million) grew 20 percent, as a result of which the overall deficit for this period was S/. 442 million. This represents a S/. 2 123 million decrease with respect to the deficit recorded in the April 2004 - March 2005 period.

In March, **central government operations** recorded an economic surplus of S/. 778 million, rising by S/. 268 million with respect to March 2005. The primary balance was positive in S/. 1 119 million —S/. 308 million higher than that of March 2005 due to the higher growth of current revenue (23 percent) vis-à-vis non-financial expenditure (20 percent)—, whereas interest payments (S/. 341 million) increased 13 percent.

Current revenues (S/. 4 313 million) were 23 percent higher than those of March 2005. **Tax revenues** (S/. 3 606 million) increased 17 percent due to higher advanced payments of income tax (37 percent), as well as to higher revenues from value added tax (25 percent), excise tax (2 percent), and duties (2 percent). These increases were partially offset by lower collection of other tax revenues (6 percent) and by higher tax reimbursements (33 percent). In brief, the higher collection in this period is linked to economic dynamism as well as to growing imports (36 percent), the latter of which was partially offset by the elimination of duties on oil and derivatives since January 2006. Likewise, **non-tax revenues** (S/. 707 million) increased 75 percent due to higher royalties, oil and gas royalties (32 percent), and to the transfer of the balances of both Banco de la Nación (S/. 142 million) and Sunat (S/. 125 million).

CENTRAL GOVERNMENT OPERATIONS

(Millions of Nuevos Soles)

	Monthly data			12-month period			C/A	C/B
	March			Apr 2004	Mar 2005	Apr 2005		
	2005	2006	Var%	Mar 2005	Feb 2006	Mar 2006		
			A	B	C			
1. CURRENT REVENUES	3 494	4 313	23,4	36 525	42 874	43 693	19,6	1,9
A. TAX REVENUE	3 090	3 606	16,7	32 086	37 120	37 636	17,3	1,4
B. NON TAX REVENUE	404	707	74,8	4 439	5 754	6 056	36,4	5,3
2. NON-FINANCIAL EXPENDITURE	2 687	3 213	19,6	35 005	38 781	39 308	12,3	1,4
A. CURRENT EXPENDITURE	2 420	2 958	22,2	30 699	33 836	34 374	12,0	1,6
B. CAPITAL EXPENDITURE	267	256	-4,3	4 305	4 945	4 933	14,6	-0,2
3. CAPITAL REVENUES	4	20	457,4	258	381	397	53,5	4,2
4. PRIMARY BALANCE	811	1 119		1 779	4 474	4 782		
5. INTEREST PAYMENTS	301	341	13,4	4 344	5 183	5 224	20,3	0,8
6. OVERALL BALANCE	510	778		-2 565	-710	-442		
7. NET FINANCING	-510	-778		2 565	710	442		
1. External	-381	-338		4 987	-4 832	-4 789		
A. Disbursements	70	91		9 514	7 145	7 165		
B. Amortizations	-451	-429		-4 527	-11 976	-11 954		
2. Domestic	-132	-444		-2 592	5 365	5 054		
3. Privatization	3	3		170	176	176		

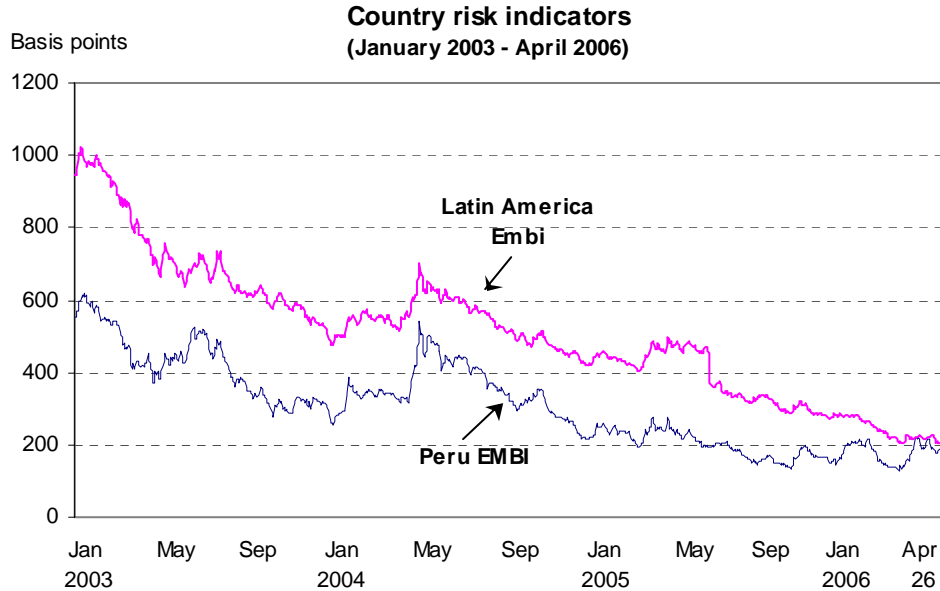
In March 2006, **non-financial expenditure** (S/. 3 213 million) rose S/. 526 million with respect to March 2005. This represented an increase of 20 percent in nominal terms which was mainly explained by a rise in non-financial expenditure (S/. 538 million). Goods and services outlays and transfers increased 20 and 37 percent, respectively, while wages and salaries grew 8 percent. On the other hand, gross capital formation in the period (S/. 245 million) surpassed the level of March 2005 by 11 percent.

External financing was negative in S/. 338 million (US\$ 101 million) as a result of disbursements for US\$ 27 million and amortization for US\$ 128 million. **Domestic financing** was also negative in S/. 444 million; the period recorded a S/. 313 million rise in Treasury deposits, as well as S/. 176 million on account of placement of sovereign bonds and S/. 45 million on account of amortization of that bonds.

International Markets

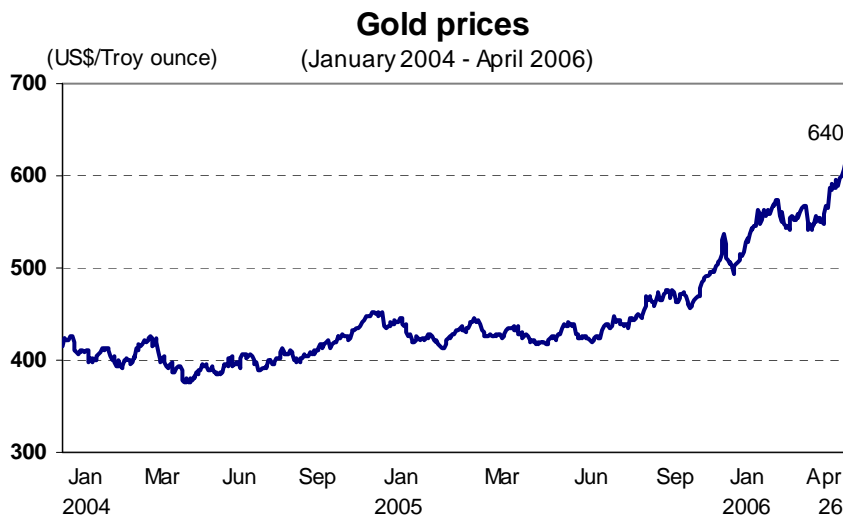
Country Risk Rises to 186 Basis Points

From **April 19 to April 26**, the country risk measured as the spread of the **EMBI+ Peru** increased from 179 to 186 bps due to investors' profit-taking as a result of the rise of Peruvian sovereign bonds during the past few weeks.

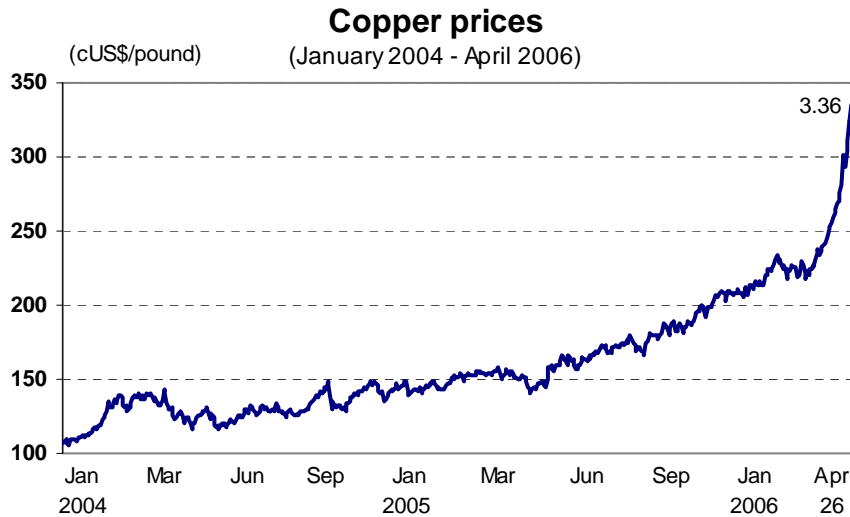


Metals Reach New Maximum Levels

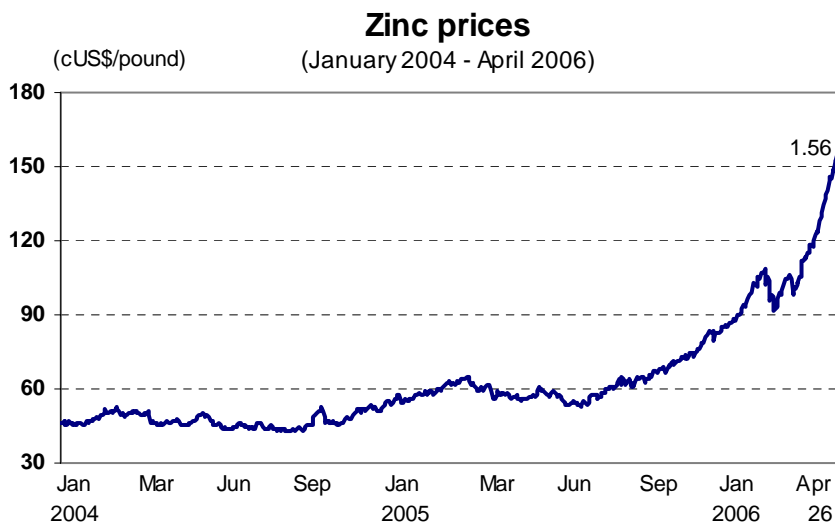
Between **April 19 - 26**, the **gold** quotation rose from US\$ 629 to US\$ 640 per troy ounce. This 1.7 percent increase is explained by various factors including gold purchases by investment funds, the weakening of the dollar, geopolitical fears, and inflationary concerns brought about by the high prices of oil.



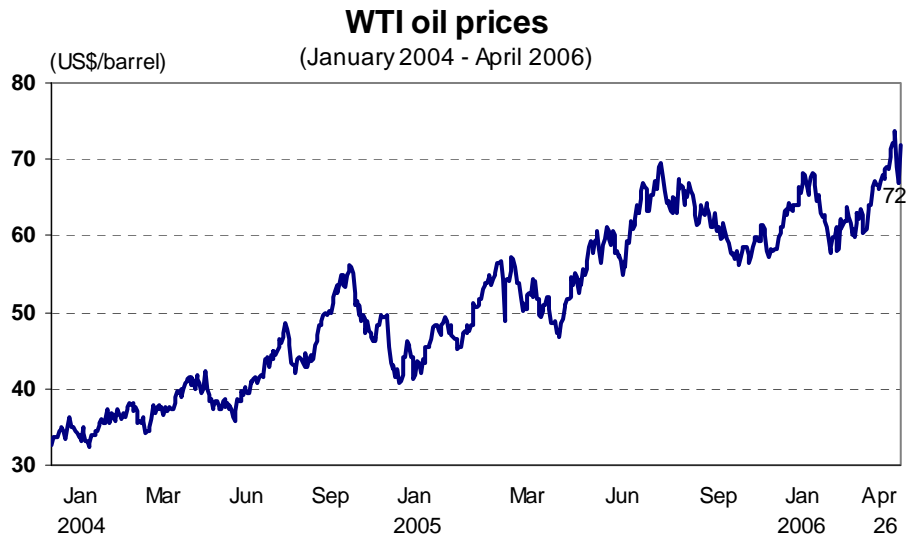
In the period of analysis, the price of **copper** increased 12.8 percent, reaching a new historic maximum price when the price of copper went from US\$ 2.98 to US\$ 3.36 per pound. Constant supply problems caused by mine strikes in Mexico and Chile, as well as a physical demand for 2006 which turned to be higher than originally estimated, contributed to orient flows of investment funds towards industrial metals. It is worth noting that the Chilean Copper Commission (Cochilco) predicted a market deficit of 209 thousand MT this year, and now expects a sharp rise in copper prices from a previous prediction of US\$ 1.72-1.76 per pound made earlier this year to average prices in a range of US\$ 2.60-2.64 per pound.



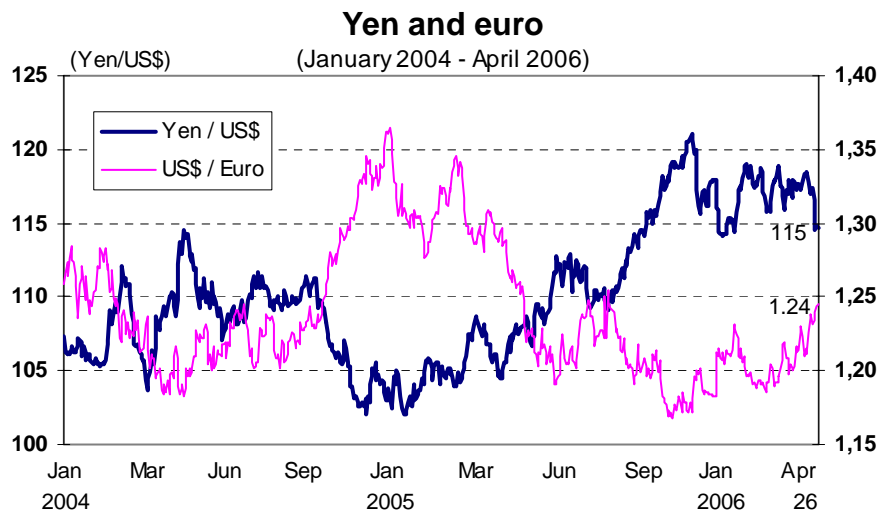
The price of **zinc** went from US\$ 1.46 to US\$ 1.56 per pound, recording a 7.0 percent increase which led to a new historic maximum price. The International Lead and Zinc Study Group forecasts that a deficit of 437 thousand MT for 2006 would be produced due to the higher consumption of Asian countries which would exceed the supply growth. In this sense, forecasts on demand growth have been estimated at a level of 9.1 percent in the case of India, 7.3 percent in China, 4.5 percent in Japan, and 4.4 percent in Korea. On the other hand, inventories held in London Metal Exchange warehouses fell from 270 to 264 thousand MT during this week.



From **April 19 to 26**, the price of **WTI oil** dropped 0.3 percent to US\$ 71.9 per barrel, despite the volatility observed at the beginning of the week. The price of oil reached a new maximum level of US\$ 73.7 per barrel on April 21 as a result of the geopolitical stresses caused by Iran's nuclear program and the constant attacks on Nigeria's oil resources and production. This trend was then reversed due to US announcements regarding more flexible conditions for oil corporations to return the loans of crude oil to the US Strategic Petroleum Reserve.



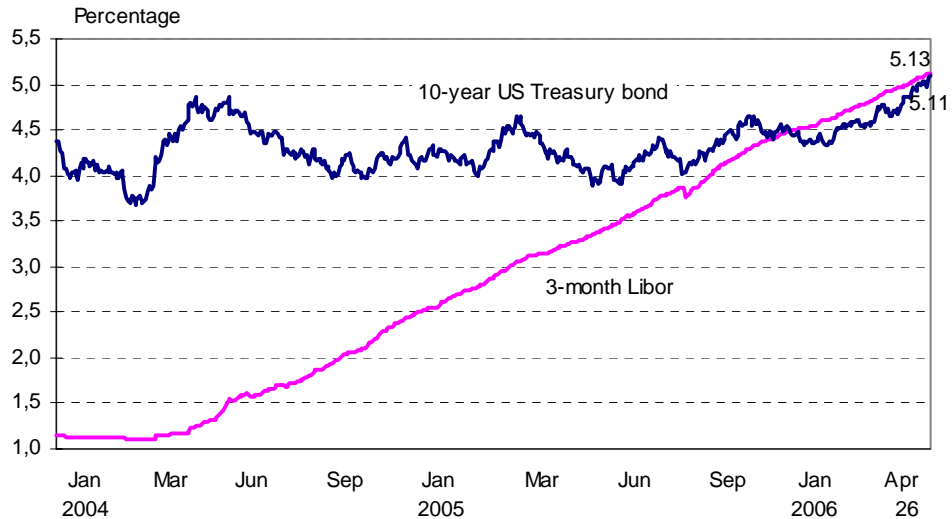
In the period of analysis, the **US dollar** fell 0.5 percent against the **euro** and 2.1 percent against the **yen**. This evolution is explained by the Group of Seven's recommendation for the appreciation of China's currency in order to correct global unbalances, as well as by reports of a greater diversification in currencies other than the US dollar from Qatar Russia and Sweden given the weakening of the US dollar.



From **April 19 to 26**, the **3-month Libor** increased from 5.08 to 5.13 percent and the **yield of the US Treasuries with a 10-year maturity** went from 5.02 to 5.11 percent. Positive economic indicators on the US economy (e.g. consumers' confidence, home sales, durable goods orders) reinforced expectations about the Federal Reserve's increasing its interest rate in the near future.

Libor and yield of 10-year matured US Treasury bond

(January 2004 - April 2006)



Lima Stock Exchange Grew by 19.7 Percent

As of **April 26**, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased by 19.7 and 22.4, respectively, as a result of which new maximum levels were recorded in both cases. This rise was due to the recovery of mining shares in the last weeks, allowing mining shares to level up with respect to the price of the main metals. An interesting dynamic performance was also observed in agriculture- and construction-related shares. Moreover, it should be noted that great expectations exist in the market with respect to the publication of the financial statements for the first quarter of 2006. Likewise, the record prices posted by metals also generated positive prospects with respect to the following quarters. So far this year, the General and Blue Chip indices of the Lima Stock Exchange have increased by 47.6 and 56.7 percent, respectively.

Lima Stock Exchange indicators

(January 2003 - April 2006)

