



BANCO CENTRAL DE RESERVA DEL PERÚ

WEEKLY REPORT

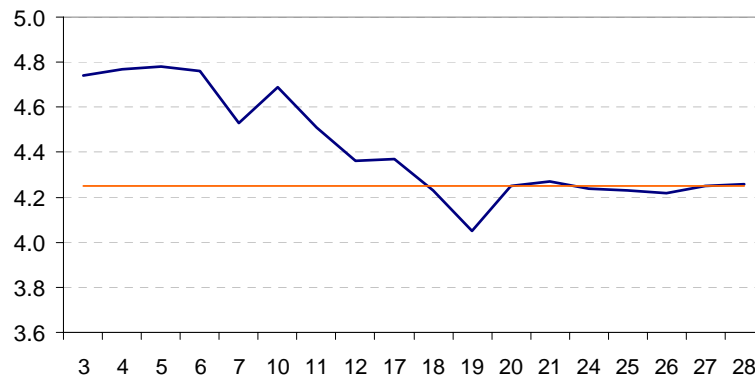
Nº 18 – May 5, 2006

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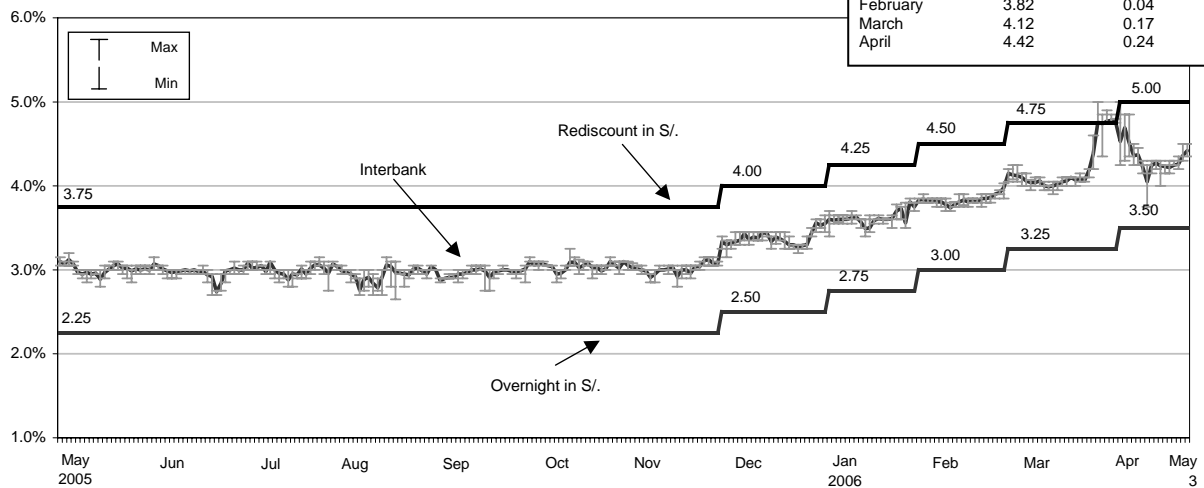
Interbank Interest Rate at 4.42 Percent in April

The average **interbank interest rate in domestic currency** was 4.42 percent in **April**. Nevertheless, it is worth pointing out that after the increase observed since the last days of March, the interbank interest rate showed a decreasing tendency throughout the month of April. A maximum level of 4.78 percent was reached on April 5 due to a situation of lower liquidity in the banking system brought about by the period of income tax payments. The interbank interest rate then declined to levels close to the Central Bank's reference interest rate for April (4.25 percent) due to the BCRP's decision to make monetary instruments more flexible in order to generate greater possibilities of liquidity for the banking system, among other factors.

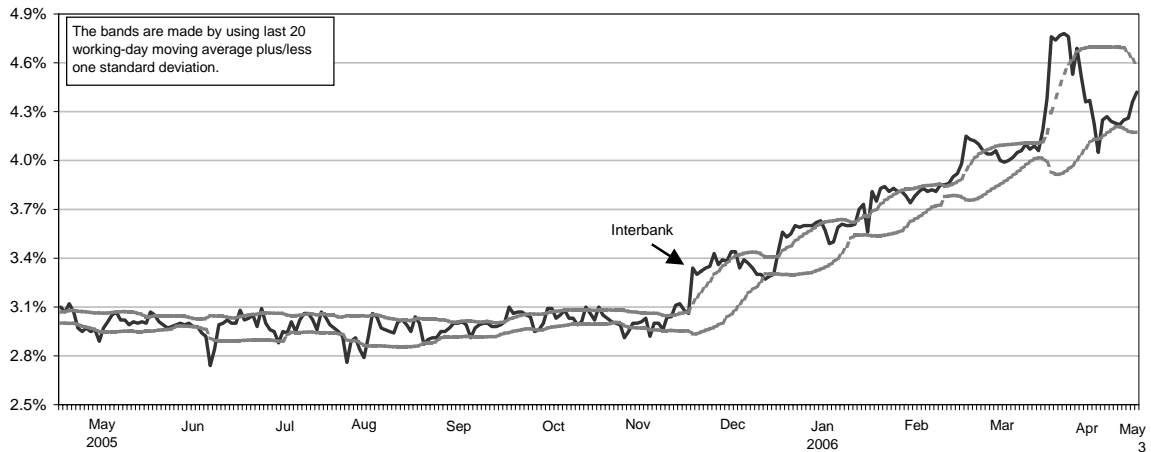
Interbank interest rate: April 2006



Interest rates in domestic currency (May 2005 - May 2006)



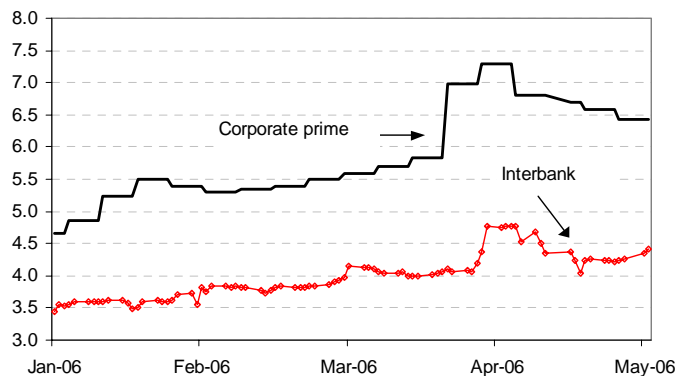
**Interbank interest rate in domestic currency
(May 2005 - May 2006)**



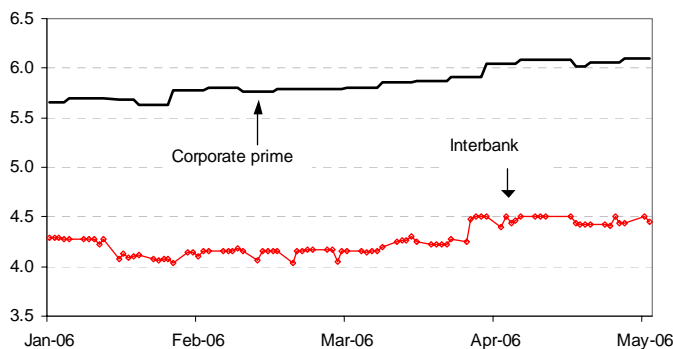
Corporate Prime Rate in Soles Rose to 6.76 Percent in April

Showing a behavior similar to that of the interbank rate, the average 90-day corporate prime rate in soles increased from 5.92 percent in March to 6.76 percent in April, and the rate in dollars increased from 5.85 to 6.06 percent. A decreasing tendency was then observed during the month. In terms of domestic currency, a maximum level of 7.30 percent was achieved on April 3, while the minimum level was 6.42 percent by the close of the month. The rate in soles remained at this latter level during the first days of May.

INTEREST RATES IN DOMESTIC CURRENCY: 2006



INTEREST RATES IN FOREIGN CURRENCY: 2006



Monetary Operations

Between **April 27 and May 3**, 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/. 556 million involving 1 day, 3 day and 1 month maturities. The average interest rate ranged between 4.25 and 4.66 percent.
- Overnight deposits on April 27 and 28 for S/. 58 and S/. 201 million respectively.

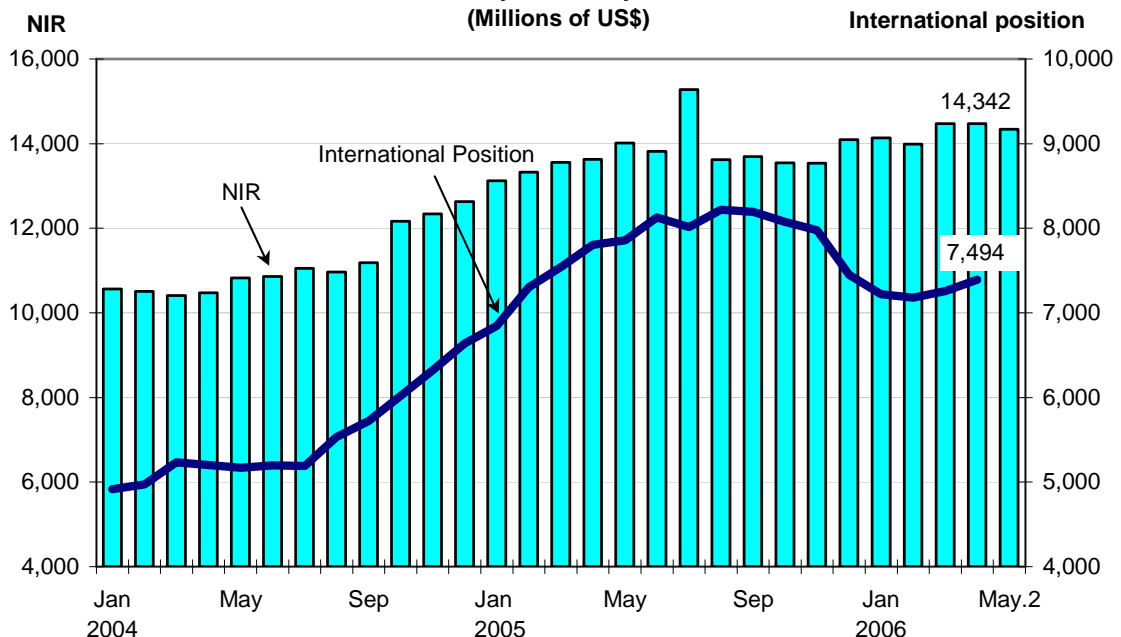
Net International Reserves at US\$ 14,342 Million

In **April**, **net international reserves (NIR)** reached US\$ 14, 493 million, increasing by US\$ 21 million with respect to the level recorded on March 31, 2006. This is mainly explained by variations in the price of gold and currencies (US\$ 192 million), higher public sector deposits (US\$ 57 million), investment yield (US\$ 22 million), the capitalization of profits from the FLAR (US\$ 9 million), higher deposits by the Insurance Fund's Deposit (US\$ 1 million), operations with ALADI (US\$ 2 million) and other operations (US\$ 1million). This evolution was partially offset by lower deposits in the BCRP for a total of US\$ 270 million.

As of **May 2**, NIRs amounted to US\$ 14,342 million. This figure represents a US\$ 151 million decrease with respect to the one at the close of April, and was mainly due to lower deposits in the BCRP for a total of US\$ 130 million, lower public sector deposits for US\$ 26 million, and lower investment yield for US\$ 4 million, but compensated by a better value of gold and currencies (US\$ 10 million).

Nevertheless, NIRs have grown by US\$ 245 million so far this year. Likewise, the Central Bank's **international position** (US\$ 7,494 million) showed a growth of US\$ 9 million with respect to April, which represents an accumulated growth of US\$ 44 million in the year.

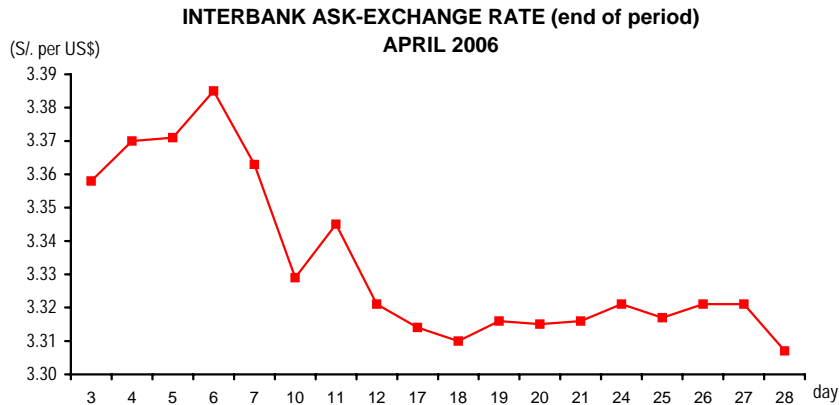
**Net international reserve and international position
of the Central Reserve Bank
January 2004 - May 2006
(Millions of US\$)**



Exchange Rate Falls to S/. 3.31 per US Dollar

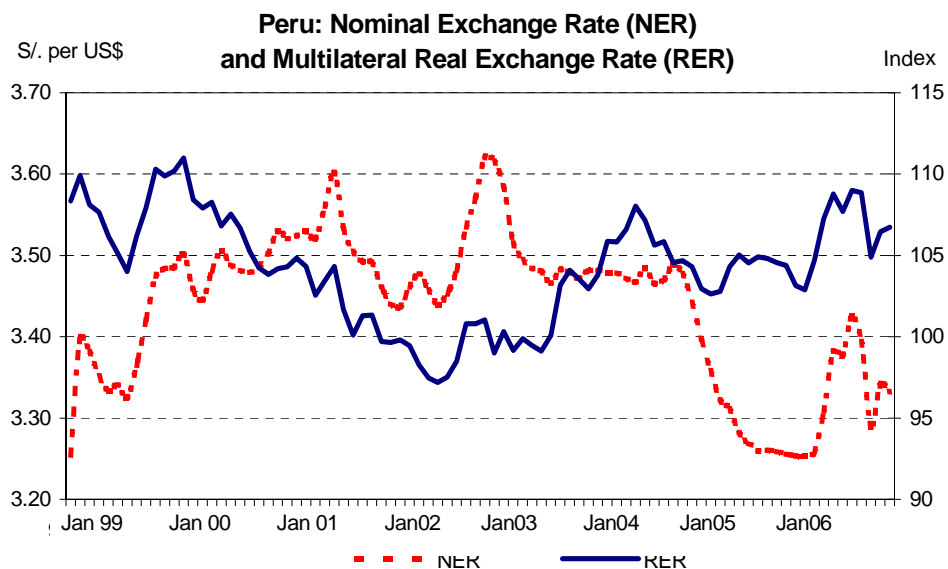
In **April**, the interbank exchange rate ranged between S/. 3.31 and S/. 3.37 per dollar, and showed a downward trend after the preliminary results of the elections were known. At the end of the period, the exchange rate was S/. 3.31 per dollar, which represents a 1.4 percent decrease with respect to the end of March.

The average exchange rate during this month was S/. 3.33 per dollar, which expresses a 0.3 percent appreciation of the nuevo sol with respect to the average level in the previous month and a 2.3 depreciation with respect to the average level over the past twelve months.



In **real terms**, the nuevo sol depreciated 0.2 percent in April. The nominal appreciation of the nuevo sol was offset by the differential between external inflation (1.0 percent) and domestic inflation (0.5 percent). In annual terms, external inflation was 2.7 percent while domestic inflation was 2.9 percent and, therefore, the real exchange rate increased 2.1 percent.

The monthly variation of external prices is partly explained by the depreciation of the dollar (0.6 percent) against the currency basket of Peru's main trading partners and, to a lesser extent, by an inflation of 0.4 percent in our partner countries. The depreciation of the dollar against the euro (2.1 percent) and the yen (0.3 percent) should also be mentioned here.



In April, the balance of net forward sales decreased in US\$ 23 million, while the banks foreign exchange position increased in US\$ 44 million.

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

	December 2004	December 2005	January 2006	February	March	April	May. 2
a. Net sales to the public (i-ii)	699	1,027	1,229	1,109	1,579	1,556	1,410
i. Forward sales to the public	1,163	1,813	2,092	1,880	2,426	2,060	1,862
ii. Forward purchases to the public	464	785	863	771	847	504	452
b. Bank's exchange position	340	480	411	485	581	625	614

0.51 Percent Inflation in April

The **inflation** rate in April was 0.51 percent, with an accumulated 12-month variation of 2.90 percent. Three items contributed with 0.64 percentage points to inflation this month: sugar (0.45 pp), pumpkin (0.10 pp), and fish (0.09 pp). Conversely, three items contributed with -0.29 percentage points: papaya (-0.12 pp), poultry (-0.11 pp), and fresh vegetables (-0.06 pp).

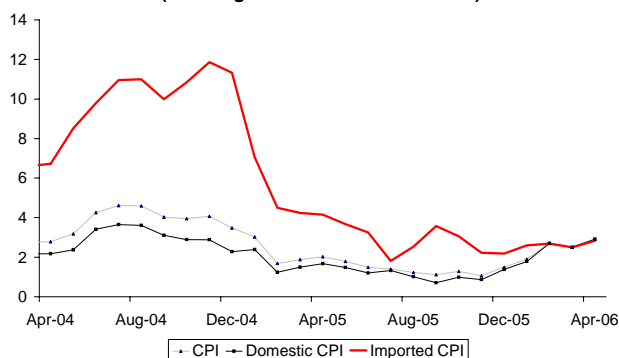
INFLATION RATE
(Annual percentage change)

	Weighting	Monthly		12-month indicator			Average annual indicator		
		Apr. 2006	Mar. 2006	Apr. 2005	Mar. 2006	Apr. 2006	Apr. 2005	Mar. 2006	Apr. 2006
I. CORE INFLATION	60.6	0.08	1.21	1.41	1.42	1.22	1.17	1.19	
Goods	34.0	0.04	1.10	0.97	1.02	0.83	0.86	0.86	
Food	13.0	-0.06	2.39	0.93	0.93	2.58	1.15	1.03	
Textile and footwear	7.6	0.13	1.40	1.33	1.36	1.38	1.47	1.46	
Electrical appliances	1.0	0.02	-3.76	0.10	0.53	-2.66	-2.06	-1.71	
Other industrial goods	12.5	0.09	-0.03	0.84	0.95	-0.99	0.42	0.50	
Services	26.6	0.12	1.35	1.96	1.93	1.70	1.55	1.59	
Restaurants	12.0	0.01	1.29	1.22	1.05	1.76	1.07	1.05	
Education	5.1	0.17	3.30	3.19	3.37	3.97	2.91	2.91	
Health	1.3	-0.03	0.81	1.36	1.45	1.12	1.99	2.04	
Renting	2.3	0.00	-2.05	1.80	1.80	-0.95	-0.12	0.20	
Other services	5.9	0.38	1.10	2.52	2.53	0.68	1.80	1.92	
II. NON CORE INFLATION	39.4	1.08	3.18	4.02	4.93	6.55	2.36	2.51	
Food	22.5	1.72	1.25	5.21	6.75	7.55	1.24	1.70	
Fuel	3.9	0.22	11.55	7.50	6.49	13.70	8.59	8.18	
Transportation	8.4	0.41	3.53	0.96	1.78	2.05	2.61	2.46	
Utilities	4.6	0.00	3.39	-0.26	-0.26	2.79	0.48	0.18	
III. CPI	100.0	0.51	2.02	2.50	2.90	3.39	1.66	1.74	
Note.-									
Imported inflation	12.1	0.63	4.15	2.50	2.84	8.60	2.85	2.74	
Core inflation excluding food	47.6	0.11	0.90	1.54	1.56	0.86	1.17	1.23	
Total food	33.2	1.18	1.59	3.90	4.97	6.12	1.29	1.57	

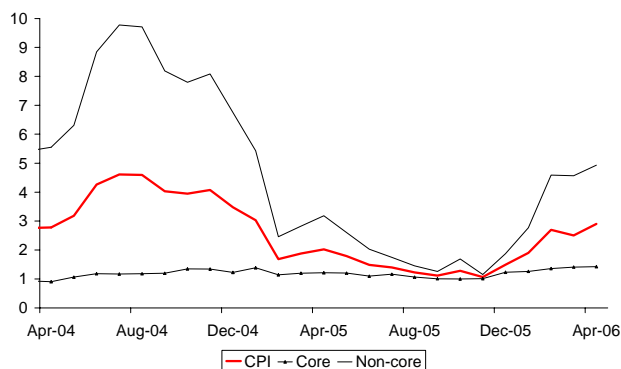
The **core inflation** this month was 0.08 percent, with an accumulated level of 1.42 percent over the past twelve months. Non-core inflation, on the other hand, was 1.08 percent, with an accumulated level of 4.93 percent in the last twelve months.

The core inflation excluding food and beverages was 0.11 percent (1.56 percent over the last 12 months), while the imported inflation was 0.63 percent (2.84 percent over the last 12 months).

INFLATION: DOMESTIC AND IMPORTED COMPONENTS
(% change over the last 12 months)



INFLATION
(% change over the last 12 months)



Macroeconomic Expectations

Between April 12 and 28, the Central Reserve Bank of Peru conducted the monthly Macroeconomic Expectations survey among 28 financial organizations, 345 non-financial companies, and 24 economic analysts. The results of the surveys are presented below:

FINANCIAL SYSTEM INSTITUTIONS

(Median^{1/} of the sample)

	Date of the survey		
	Feb.28 2/	March 31 2/	April 28 2/
Inflation (%)			
Monthly: May	0.20	0.25	0.30
Annual: 2006	2.50	2.50	2.50
2007	2.50	2.50	2.50
GDP growth (%)			
Monthly: March	5.3	5.0	5.0
April	5.0	5.0	4.9
May	-	5.0	5.0
Annual: 2006	5.0	5.0	5.0
2007	5.0	5.0	5.0
Exchange rate (S/. per US\$)			
Monthly: May	3.32	3.37	3.35
December 2006	3.30	3.33	3.34
December 2007	3.36	3.40	3.39
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: May	3.95	4.00	4.25
December 2006	4.23	4.25	4.50
December 2007	4.50	4.50	4.88

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

2/ 28 financial institutions.

ANALYSTS

(Median^{1/} of the sample)

	Date of the survey		
	Feb.28 2/	March 31 3/	April 28 3/
Inflation (%)			
Monthly: May	0.15	0.16	0.20
Annual: 2006	2.50	2.50	2.50
2007	2.50	2.50	2.50
GDP growth (%)			
Monthly: March	5.5	5.2	5.2
April	5.0	4.8	4.9
May	--	5.0	5.0
Annual: 2006	5.0	4.8	5.0
2007	5.0	5.0	5.0
Exchange rate (S/. per US\$)			
Monthly: May	3.34	3.35	3.35
December 2006	3.34	3.37	3.35
December 2007	3.39	3.40	3.40
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: May	4.00	3.84	4.25
December 2006	4.00	4.03	4.50
December 2007	4.25	4.08	4.50

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

2/ 25 analysts.

3/ 24 analysts.

NON-FINANCIAL SYSTEM FIRMS

(Median^{1/} of the sample)

	Date of the survey		
	Feb.28 2/	March 31 2/	April 28 2/
Inflation (%)			
Annual: 2006	2.0	2.0	2.0
2007	2.0	2.0	2.0
GDP growth (%)			
Annual: 2006	5.5	5.5	5.5
2007	5.8	5.5	5.5
Exchange rate (S/. per US\$)			
December 2006	3.40	3.40	3.40
December 2007	3.45	3.47	3.45

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

2/ 345 non-financial institutions.

Monetary Base as of April 30, 2006

The **monetary base** balance as of April 30 (S/. 11,040 million) increased in 0.3 percent (S/. 29 million) from the end of March. In average terms, the annual growth rate of the monetary base in this period was 22.7 percent (21.9 percent in March).

By sources, the operations that mainly contributed to the expansion of the monetary base included the maturities of BCRP Deposit Certificates (S/. 505 million) and higher temporary purchases of securities (S/. 276 million). Conversely, the monetary base was reduced by higher public sector deposits (S/. 594 million) and by an increase in overnight deposits (S/. 181 million)

Bank System: Monetary Accounts as of April 7, 2006

In the last four weeks, liquidity in **domestic currency** decreased in 0.1 percent (S/. 38 million), reaching a balance of S/. 29,489 million (annual growth of 7.1percent). Credit to the private sector in this currency increased 2.8 percent (S/. 444 million), as a result of which the balance was S/. 16,547 million (annual growth of 39.5 percent).

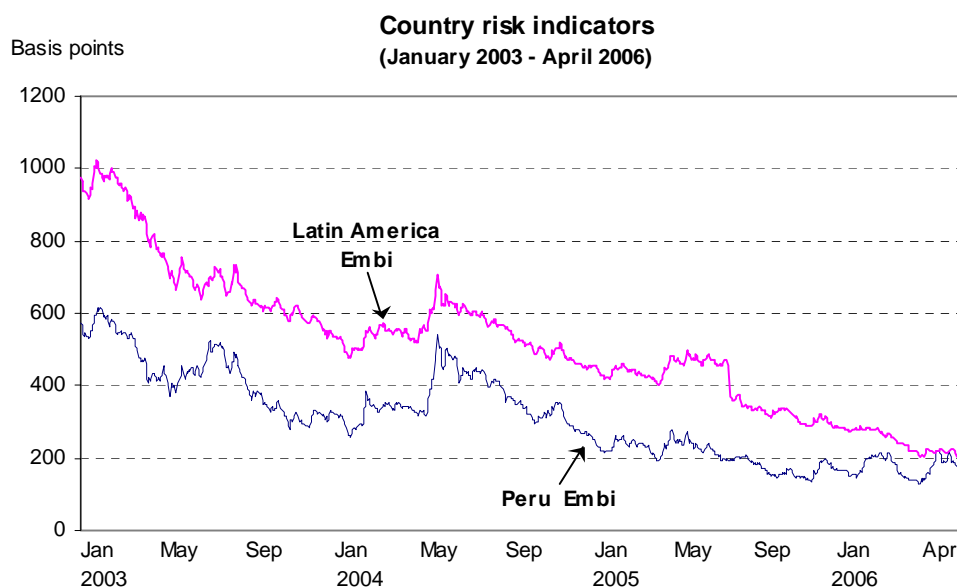
Liquidity in **foreign currency** increased 3.0 percent (US\$ 335 million), reaching a balance of US\$ 11,514 million (annual growth of 21.5 percent). Credit to the private sector in foreign currency rose in 2.1 percent (US\$ 209 million), reaching a balance of US\$ 10,119 million (annual growth of 2.2 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%	1,3%	39,2%	2,4%	22,3%	-5,5%	-10,1%	1,1%	1,9%
Apr.7	2,3%	26,4%	-0,1%	7,1%	2,8%	39,5%	3,0%	21,5%	5,2%	-7,7%	2,1%	2,2%
Memo:												
Balance as of Mar.7 (Mill.S/. or Mill.US\$)	11 395		29 527		16 103		11 179		768		9 910	
Balance as of Apr. 7 (Mill.S/. or Mill.US\$)	11 654		29 489		16 547		11 514		808		10 119	

International Markets

Country Risk Decreases to 181 Basis Points

From March 31 to April 30, the country risk measured by the **EMBI+ Peru** spread declined from 187 to 181 basis points, despite the volatility (ups and downs) generated by the electoral process. A better qualification of Peruvian sovereign bonds by some investment banks (e.g. Merrill Lynch and JP Morgan on April 11) contributed to reposition these bonds which had been somewhat lagging with respect to those of other countries in the region.

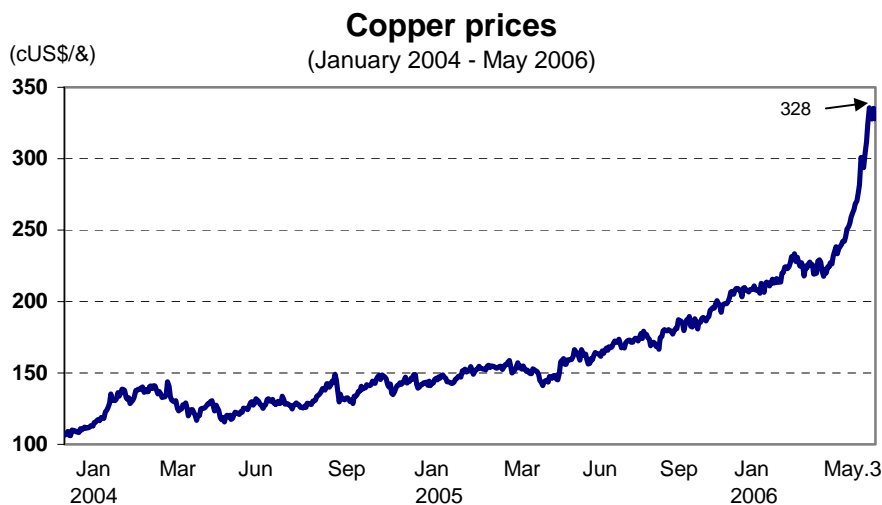


Commodity Prices Increased Significantly During April

In **April**, the **gold** quotation rose from US\$ 558 to US\$ 612 per troy ounce, which represented a 9.7 percent increase with respect to the prices of gold in March. This evolution is explained by investors' higher demand for gold as alternative to other investment options given the US-Iran geopolitical tensions, the weakening of the dollar, and inflationary fears facing the price of oil. On **May 3**, the price of gold increased to US\$ 666 per troy ounce, reaching its highest level since 1980. The **silver** quotation, on the other hand, recorded a 21.3 percent increase in April (the price rising to US\$ 12.6 per troy ounce) due to expectations generated by the negotiation of Barclays' silver fund.



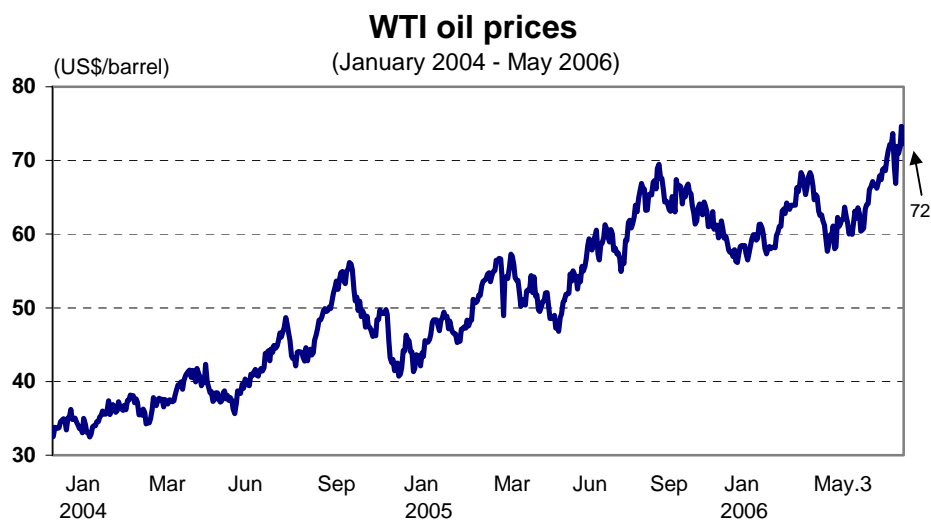
The price of **copper** experienced a 25.2 percent increase as it rose from US\$ 2.31 to US\$ 2.90 per pound, and leapt to the highest-ever level on April 26 (US\$ 3.36 per pound). This was the result of mine strikes in both Mexico and Chile, as well as of a physical demand for 2006 which was originally underestimated (China, the world main consumer of this metal, posted a GDP growth of 10.2 percent in the first quarter). Because of these developments, investment funds have renewed interest in industrial metals. As of May 3, the price of copper was US\$ 3.28 per pound.



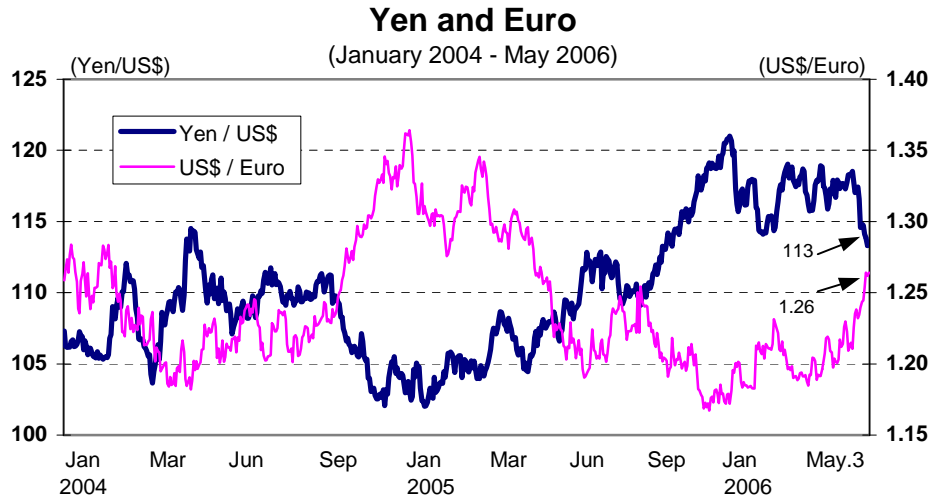
During this same period, the price of **zinc** increased 27.8 percent from US\$ 1.09 in March to US\$ 1.40 in April, and reached a new historic maximum price of US\$ 1.56 on April 26. The International Lead and Zinc Study Group forecasts a deficit of 437 thousand MT for 2006 due to a greater consumption in Asian countries that would not be paralleled by an increase in the supply. Furthermore, because the deficit is expected to continue in 2007, several investment banks and analysts have had their price forecasts for the following years revised upwards. As of May 3, the price of zinc was US\$ 1.48 per pound.



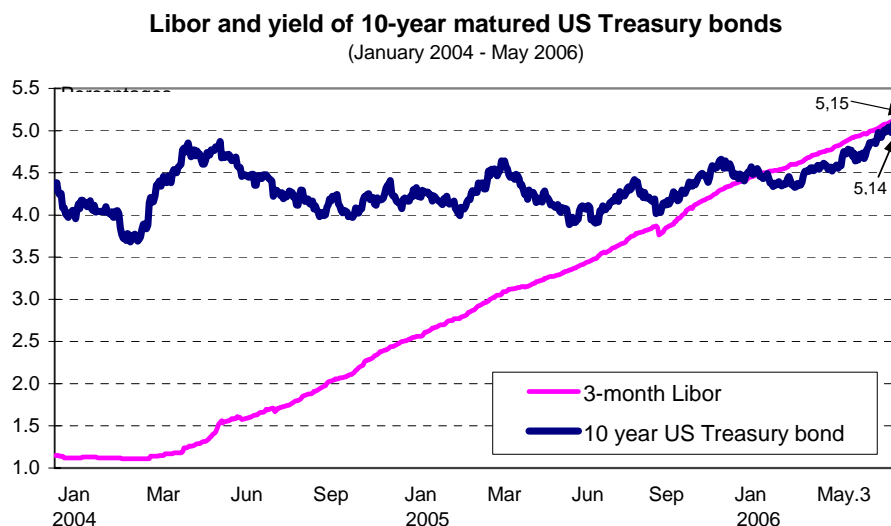
In **April**, the price of **WTI oil** increased from US\$ 62.8 to US\$ 69.6 per barrel (up 10.7 percent) and logged a new maximum level of US\$ 74.6 per barrel on May 2. The main factors determining this price were the geopolitical tension generated by Iran's nuclear program and the instability of crude oil supplies in Iran and Nigeria. Moreover, OPEC representatives declared that this organization has no capacity to increase production should there be a conflict with Iran.



On average terms, the **US dollar** fell 2.3 percent against the **euro** and 0.5 percent against the **yen** in April. The weakening of the US dollar is explained by expectations arising from both the fact that the Federal Reserve will soon complete its cycle of interest rate rises and from the possibility that some countries may diversify their reserves in currencies other than the US dollar.



Between **March 31** and **April 30**, the **3-month Libor** increased from 5.00 to 5.13 percent, whereas the **yield of the US Treasuries with a 10 year maturity** went from 4.85 to 5.05 percent. The price of US Treasuries was affected by a rise in oil prices, as well as by inflation figures in the United States during the month of March.



Lima Stock Exchange Grew by 20.7 percent in April

In April, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased by 20.7 and 23.3 percent, respectively. This significant rise during the month was the result of the recovery of mining shares, which had been lagging behind the high prices of main metals. Agriculture- and construction-related shares also showed an interesting performance in this period. In addition, the period was also marked by the great expectations generated both by the publication of the financial statements for the first quarter of 2006 and by favorable prospects for the forthcoming quarters given the record prices achieved by metals. In most cases, and particularly in the case of mining companies, the financial statements were in line with market expectations or surpassed them.

**Lima Stock Exchange indicators
(January 2003 - April 2006)**

