



BANCO CENTRAL DE RESERVA DEL PERÚ

## WEEKLY REPORT

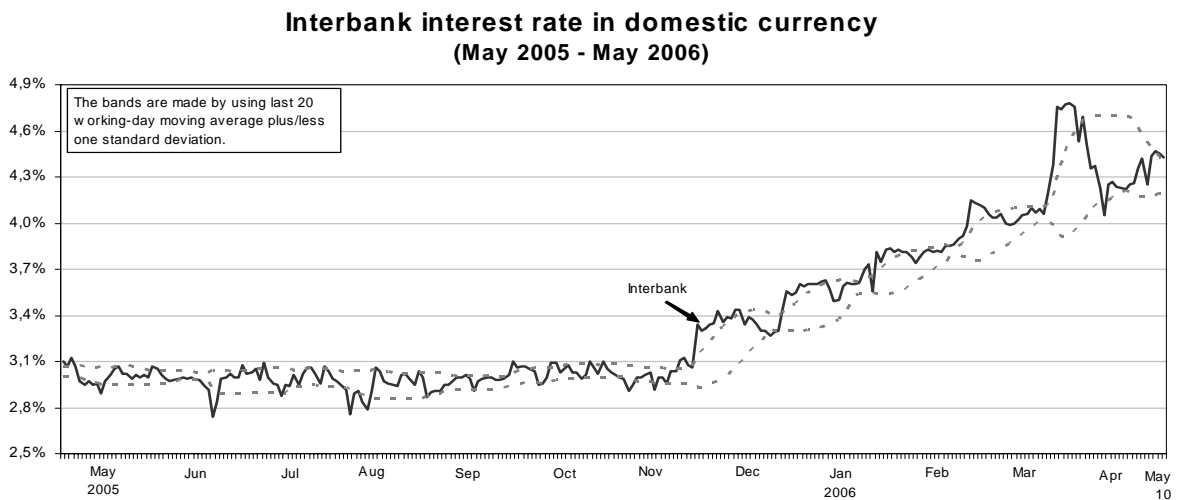
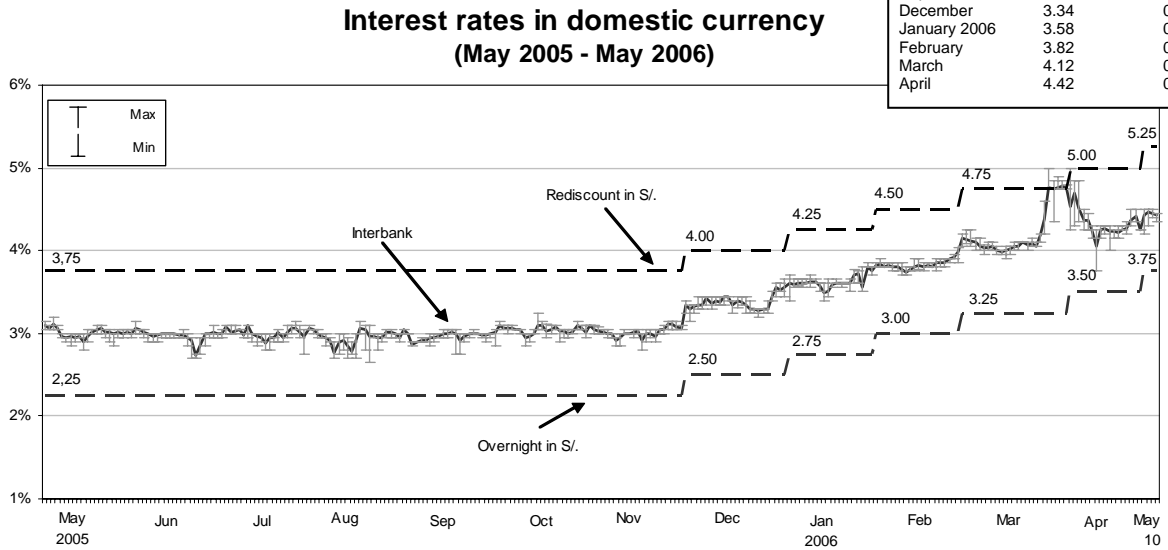
*Nº 19 – May 12, 2006*

■ Interbank Interest Rate at 4.39 Percent in May	xi
■ Corporate Prime Rate in Soles Decreased to 6.11 Percent in May	xii
■ Monetary Operations	xii
■ Net International Reserves at US\$ 14,488 Million	xiii
■ Exchange Rate Falls to S/. 3.28 per US Dollar	xiii
■ Trade Surplus of US\$ 416 Million in March and Favorable Prospects for April	xiv
■ Monetary Base as of May 7, 2006	xvi
■ Bank System: Monetary Accounts as of April 22, 2006	xvi
■ Country Risk Decreases to 149 Basis Points	xvii
■ Metals Reach New Maximum Prices	xviii
■ Lima Stock Exchange Grew by 6.6 percent in May	xxi

## Interbank Interest Rate at 4.39 Percent in May

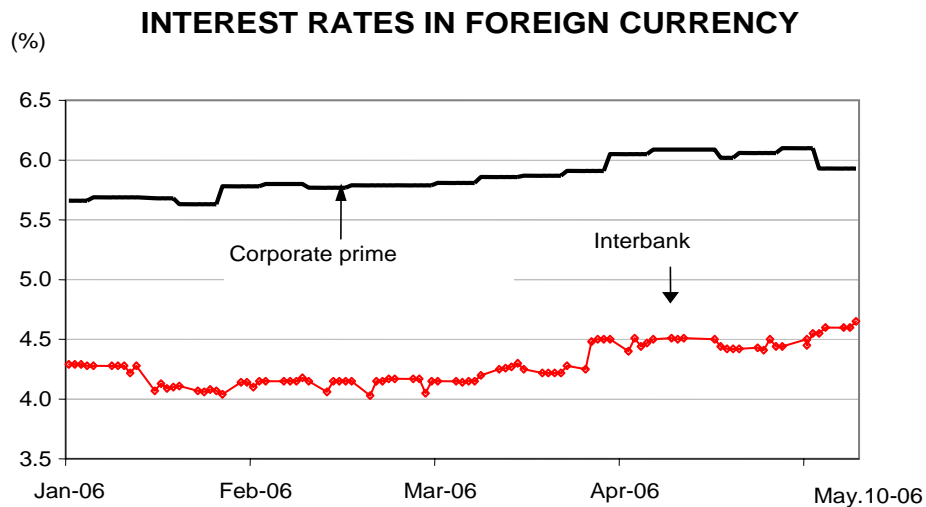
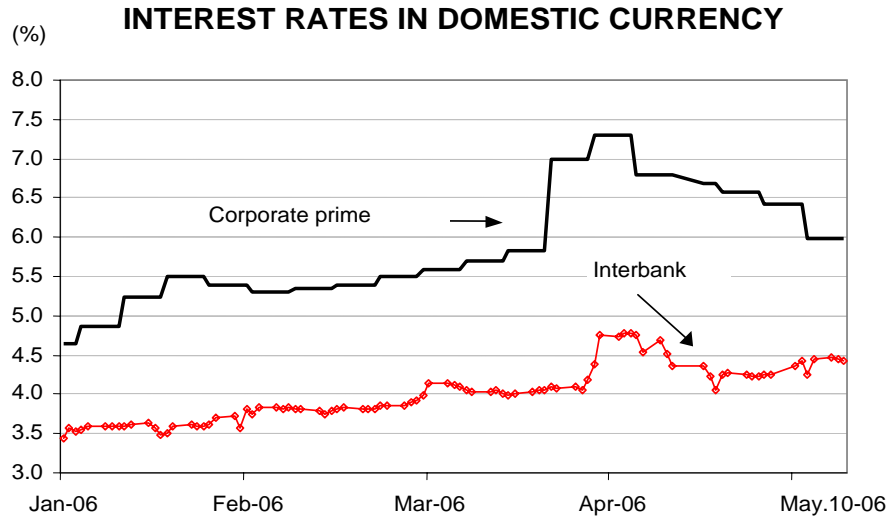
The interbank interest rate in domestic currency decreased from 4.42 percent in April to 4.39 percent as of May 10. The behavior of the interbank interest rate during the first days of May was variable and ranged between 4.25 and 4.47 percent.

Interbank interest rate (percent)		
	Average	Standard Deviation
December 2004	3.00	0.05
June 2005	2.99	0.07
September	2.99	0.04
December	3.34	0.08
January 2006	3.58	0.06
February	3.82	0.04
March	4.12	0.17
April	4.42	0.24



## Corporate Prime Rate in Soles Decreased to 6.11 Percent in May

Showing a similar behavior to that of the interbank interest rate, the 90-day corporate prime rate in soles fell from 6.76 in April to 6.11 percent as of May 10, while the corporate prime rate in dollars decreased from 6.06 to 5.98 percent at the same period.



## Monetary Operations

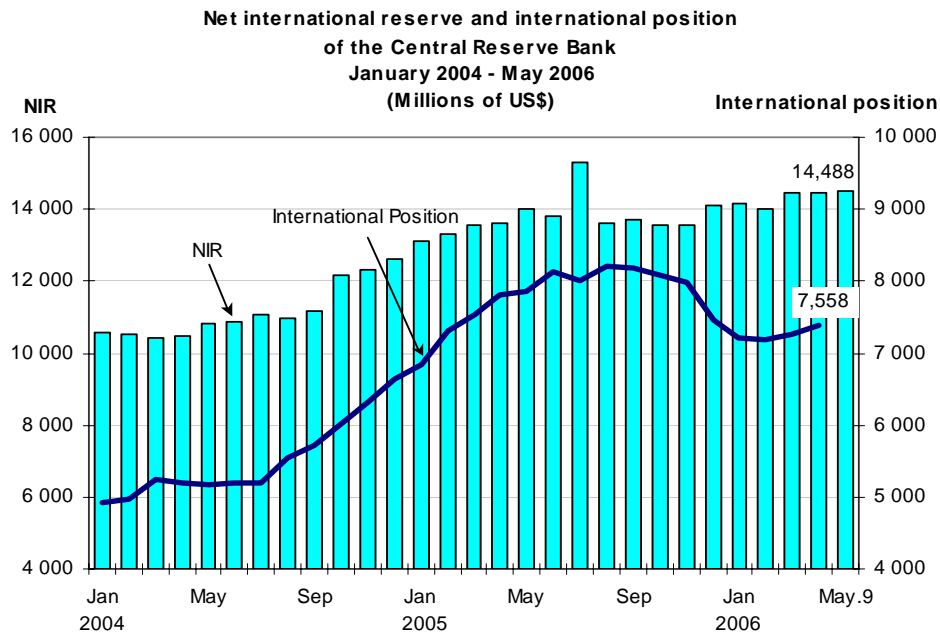
Between **May 4 and 10**, the Central Reserve Bank made the following operations:

- Auctions of temporary purchases of BCRP and BTP Certificates of Deposits for a daily average of S/. 168 million involving 1 day, 3 day and 1 month maturities. The average interest rate ranged between 4.35 and 5.06 percent.
- Overnight deposits on May 5, 8, 9 and 10 for S/. 37, S/. 126, S/. 184, and S/. 110 million respectively.

### Net International Reserves at US\$ 14,488 Million

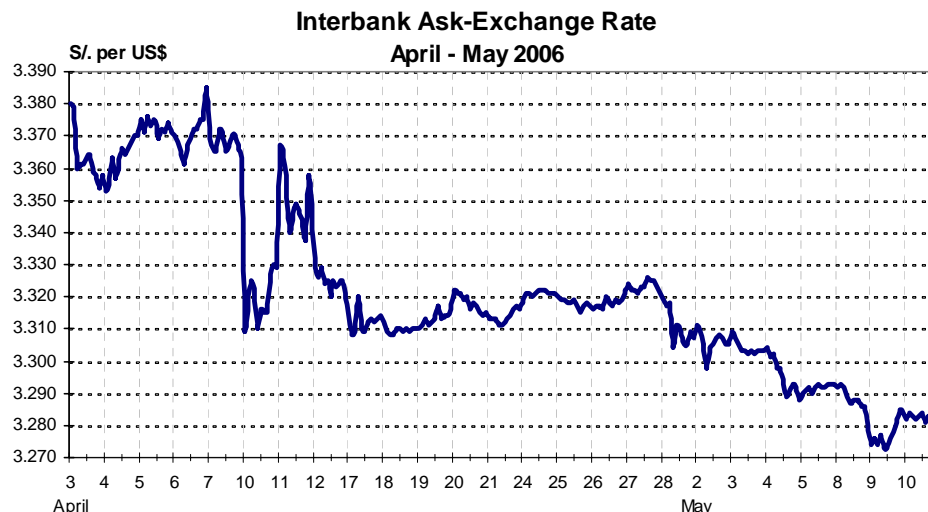
As of **May 9**, net international reserves (NIR) reached US\$ 14 488 million, decreasing US\$ 5 million with respect to the level recorded at the close of April, 2006. This is explained by the system's lower deposits in the BCRP for a total of US\$ 257 million and by lower investment yield for a total of US\$ 3 million, as well as by higher public sector deposits for US\$ 182 million and better prices for gold and currencies (US\$ 74 million) which contributed to offset this decrease.

So far this year, however, NIRs have increased by US\$ 391 million. Moreover, as of May 9, the Central Bank's international position (US\$ 7 558 million) has grown US\$ 73 million with respect to April and has accumulated US\$ 108 million year-to-date.



### Exchange Rate Falls to S/. 3.28 per US Dollar

As of **May 10**, the interbank exchange rate appreciated 0.8 percent with respect to the end of April, falling from S/. 3.307 to S/. 3.282 per dollar. After some volatility caused by the uncertainty generated following the first electoral round, the exchange rate has been showing a decreasing tendency since the third week of April due to greater tranquility among economic agents vis-à-vis the electoral process.



As of May 9, the balance of net forward sales has decreased by US\$ 186 million, and the banks foreign exchange position has decreased by US\$ 76 million.

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

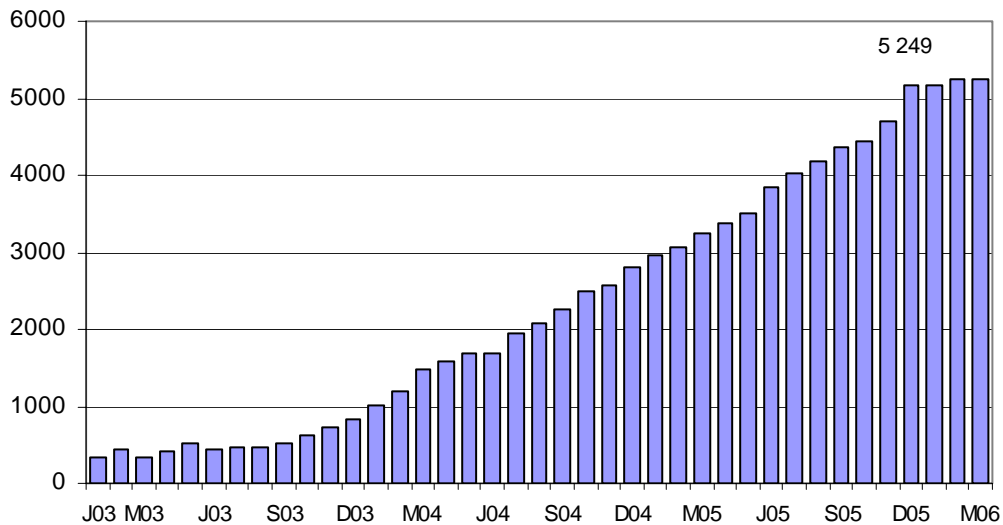
	December 2004	December 2005	January 2006	February	March	April	May. 9
<b>a. Net sales to the public (i-ii)</b>	<b>699</b>	<b>1,027</b>	<b>1,229</b>	<b>1,109</b>	<b>1,579</b>	<b>1,556</b>	<b>1,370</b>
i. Forward sales to the public	1,163	1,813	2,092	1,880	2,426	2,060	1,891
ii. Forward purchases to the public	464	785	863	771	847	504	521
<b>b. Bank's exchange position</b>	<b>340</b>	<b>480</b>	<b>411</b>	<b>485</b>	<b>581</b>	<b>625</b>	<b>549</b>

## Trade Surplus of US\$ 416 Million in March and Favorable Prospects for April

In March 2006, Peru's trade balance recorded a monthly surplus of US\$ 416 million –a trade surplus similar to that of March 2005–, and thus showed positive results in the last 35 consecutive months. The trade balance in annual terms (up to March) was US\$ 5,249 million and was 62 percent higher than that of the same period in 2005.

### Annual Trade Balance: January 2003-March 2006

(Millions of US\$ acumulated on last 12 months)



**Exports** in March totaled US\$ 1,689 million, and were US\$ 338 million (25 percent) higher than exports in March last year. Traditional exports accounted for US\$ 1,283 million, rising in 27 percent (US\$ 271 million) with respect to March 2005, due to higher sales abroad of gold (US\$ 86 million or 35 percent), copper (US\$ 142 million or 60 percent), zinc (US\$ 11 million or 14 percent), and crude oil and oil-derived products (US\$ 39 million or 34 percent). Non-traditional exports, on the other hand, accounted for US\$ 391 million, rising in 20 percent (US\$ 64 million) with respect to March 2005. Outstanding non-traditional exports this month included agricultural, steel and metallurgical, jewelry, fishing, and wood and paper products, as well as their manufacturing, which compensated for the decline in metal-mechanic and chemical products. In annual terms, exports amounted to US\$18,065 million, up 33 percent with respect to the same period last year.

**Imports** in March totaled US\$ 1,273 million, which represented a 36 percent increase with respect to March 2005. This was due to higher purchases of raw materials (31 percent), capital goods (63 percent), and consumer goods (14 percent). In annual terms, imports amounted to US\$ 12,816 million, up 24 percent with respect to the same period last year.

## MAIN IMPORT COMPANIES OF CAPITAL ASSETS

(Millions of US\$)

	Jan - March		Var. Mill. US\$
	2005	2006	
FLUOR DANIEL SUC PERU	1.4	118.9	117.5
SOUTHERN PERU COPPER CORPORATION	34.3	45.9	11.5
FERREYROS S.A.A.	33.6	43.9	10.3
EMB. ESTADOS UNIDOS	2.6	23.5	20.9
BRIGHTSTAR PERU S.R.L.	13.3	19.7	6.4
CORPORACION ACEROS AREQUIPA S.A.	8.5	15.8	7.3
PLUSPETROL PERU CORPORATION S.A.	1.4	14.6	13.2
BELLSOUTH PERU S.A.	0.8	12.9	12.1
VOLVO PERU S.A.	7.2	11.0	3.8
MITSUI MAQUINARIAS PERU S.A.	6.9	10.9	4.0

Source: Sunat. Making: BCRP.

## TRADE BALANCE

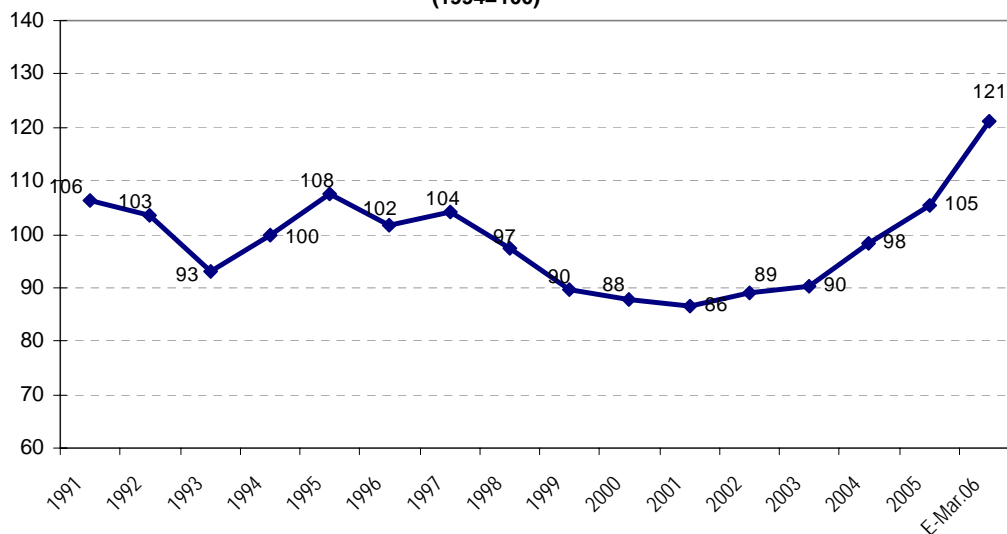
(Millions of US\$)

	2005	2006	Mar.06/Mar.05		January-March			
	Mar.	Mar.	Flow	Var.%	2005	2006	Flow	Var.%
	<b>1. EXPORTS</b>	<b>1</b>	<b>1 689</b>	<b>338</b>	<b>25,0</b>	<b>3 748</b>	<b>4 566</b>	<b>818</b>
Traditional Products	1 012	1 283	271	26,8	2 738	3 415	677	24,7
Non traditional Products	328	392	64	19,5	980	1 113	133	13,6
Others	11	14	3	25,8	31	39	8	25,8
<b>2. IMPORTS</b>	<b>936</b>	<b>1 273</b>	<b>338</b>	<b>36,1</b>	<b>2 658</b>	<b>3 390</b>	<b>732</b>	<b>27,5</b>
Consumer Goods	184	209	25	13,6	498	570	72	14,5
Inputs	517	682	165	31,9	1 472	1 822	350	23,7
Assets Capital	219	356	138	63,0	658	959	301	45,7
Other goods	16	26	10	64,6	30	39	9	31,3
<b>3. TRADE BALANCE</b>	<b>416</b>	<b>416</b>	<b>1</b>	<b>0,1</b>	<b>1 090</b>	<b>1 176</b>	<b>86</b>	<b>7,9</b>

Based on the information provided by Sunat, exports for US\$ 1,633 million and imports for US\$ 1,112 million are forecast for April, as a result of which the trade surplus for April is estimated in US\$ 521 million. Exports are expected to increase in 30 percent (35 percent in the case of traditional exports and 16 percent in the case of non-traditional exports), while imports would increase 5 percent relative to imports in April 2005.

In March, **terms of trade** increased 18 percent due to an increase in the price of exports (23 percent), which was higher than the increase in the price of imports (4 percent). One way in which the impact of prices on the trade balance may be analyzed is by expressing the trade balance at the prices of a given year. Thus, for instance, if oil- and raw material- related exports and imports in 2005 are expressed at 2003 prices, the trade balance is still positive in US\$ 1,001 million.

**TERMS OF TRADE**  
(1994=100)



**Monetary Base as of May 7, 2006**

The **monetary base** balance as of May 7 (S/. 11 672 million) grew 5.7 percent (S/. 632 million) from end-April. In average terms, the monetary base's annual growth rate in this period was 19.6 percent (22.7 percent in April).

By sources, the operations that contributed the most to the expansion of the monetary base included lower public sector deposits (S/. 362 million), lower banks' overnight deposits (S/. 164 million), and higher temporary purchases of securities (S/. 90 million).

**Bank System: Monetary Accounts as of April 22, 2006**

Over the last four weeks, liquidity in **domestic currency** decreased 2.4 percent (S/. 701 million), reaching a balance of S/. 28 751 million (an annual growth of 6.6 percent). Credit to the private sector in this currency increased 1.1 percent (S/. 184 million), totaling S/. 16 412 million (an annual growth of 39.2 percent).

Liquidity in **foreign currency** declined 0.2 percent (US\$ 23 million), thus showing a balance of US\$ 11 319 million (an annual growth of 17.0 percent). Credit to the private sector in this currency grew 2.0 percent (US\$ 206 million), totaling US\$ 10 270 million (an annual growth of 2.4 percent).

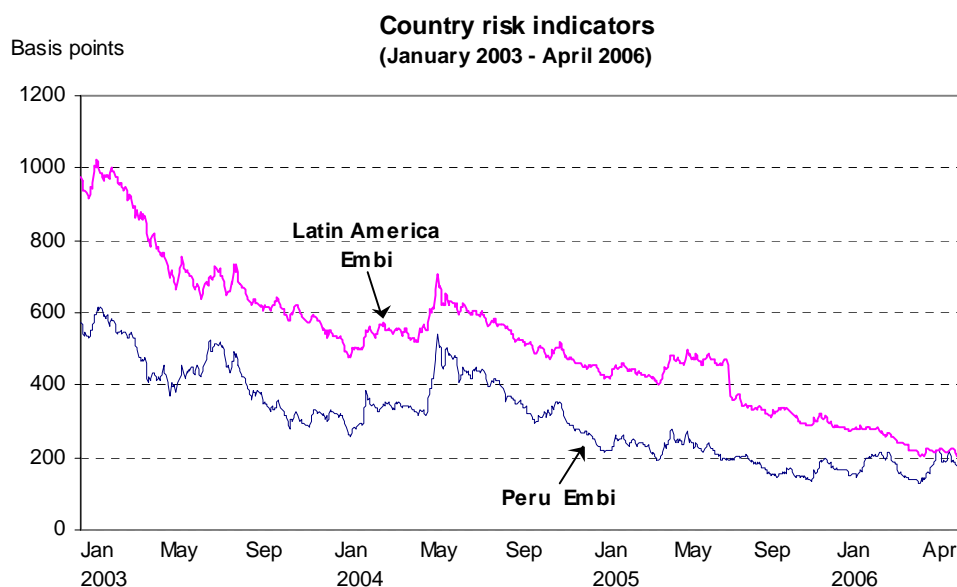
END OF PERIOD MONETARY AGGREGATES OF THE BANKING SYSTEM												
	BASE MONETARY		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		LIABILITIES 1/		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	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%	12.4%	31.2%	44.8%	-0.5%	4.7%
<b>2006</b>												
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.22	1.1%	19.6%	-2.4%	6.6%	1.1%	39.2%	-0.2%	17.0%	-0.4%	-17.4%	2.0%	2.4%
Memo:												
Balance as of Mar.22 (Mill.S/. or Mill.US\$)	10,849		29,453		16,227		11,342		805		10,064	
Balance as of Apr. 22 (Mill.S/. or Mill.US\$)	10,968		28,751		16,412		11,319		802		10,270	

1/ Short term external liabilities of banking enterprises.

## International Markets

### Country Risk Decreases to 149 Basis Points

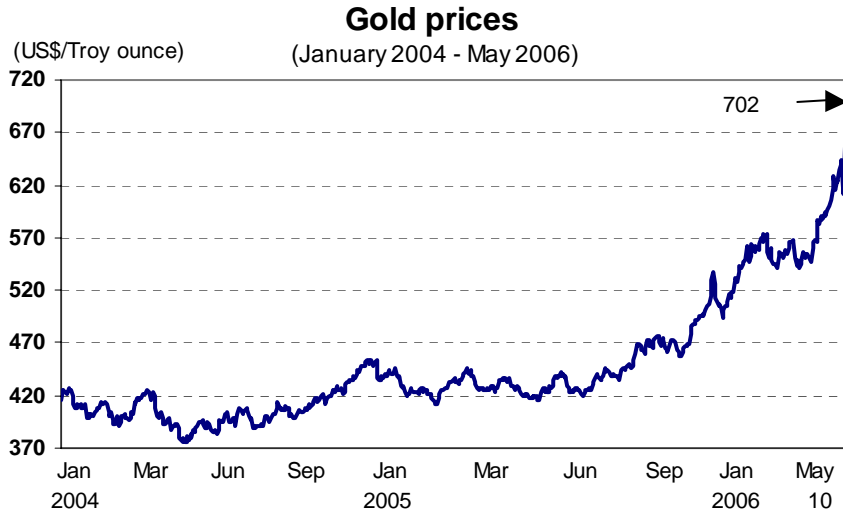
From **May 3 to May 10**, the country risk measured by the **EMBI+ Peru** spread declined from 181 to 149 basis points due to the fact that economic indicators continue to be positive and to a favorable placement of bonds for S/. 142.5 million (US\$ 43.3 million) through two auctions, as a result of which a remaining debt with the firm Japan Peru Oil Corporation (Japeco) was cancelled.



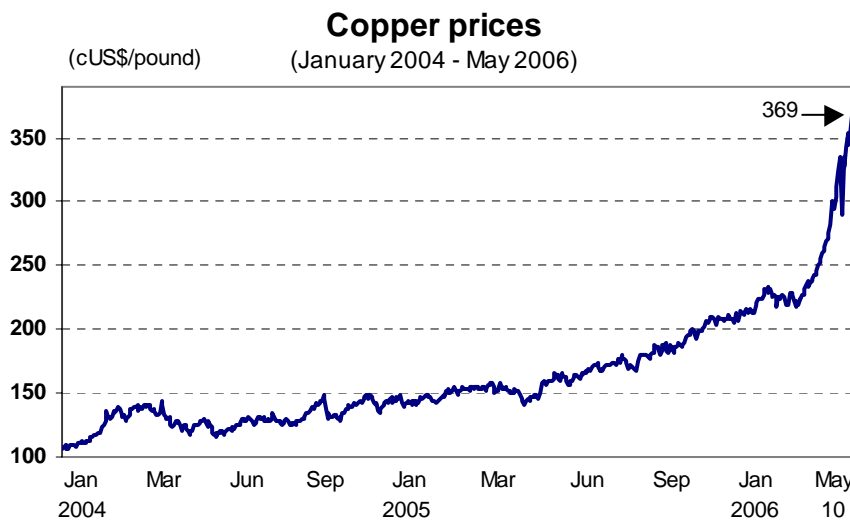


## Metals Reach New Maximum Prices

From **May 3 to 10**, the **gold** quotation rose from US\$ 666 to US\$ 712 per troy ounce, which represented a 5.5 percent increase with respect to the prices of gold in April. This evolution is explained by investors' higher demand for gold given the weakening of the dollar, the active purchase of gold by Japanese investors, recommendations that the Bank of China should increase its current gold reserves four-fold, and geopolitical fears.



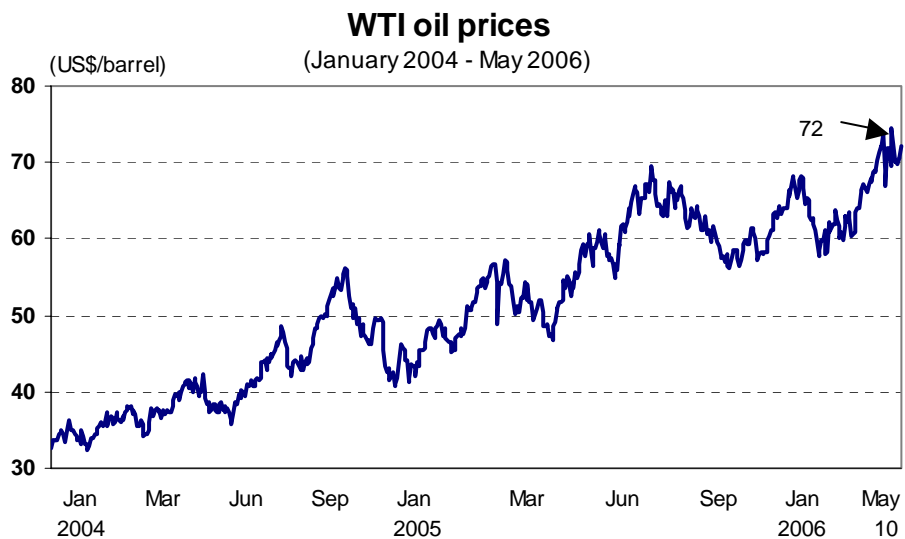
In the week of analysis, the price of **copper** increased from US\$ 3.28 to US\$ 3.70 per pound (12.7 percent), reaching a new historic peak. This price rise was originated by greater expectations that a supply shortage will occur in 2006 due to the lower output of some mines in Chile and Kazakhstan. In addition, during the week, the *Grupo México* closed its copper and zinc mine in San Martin after the company was unable to solve the strike which stopped the production process, thus aggravating the problem of future stocks.



During this same period, the price of **zinc** increased 10.7 percent from US\$ 1.48 to US\$ 1.63 per pound (new historic record) as a result of the weakness of the dollar against the euro and the yen, the fall of world inventories to their lowest level since April 19, and to a growth of the construction market above the estimated growth. Furthermore, zinc speculative net long positions during the week were negative, which may be understood as a sign pointing to future corrections in the market.

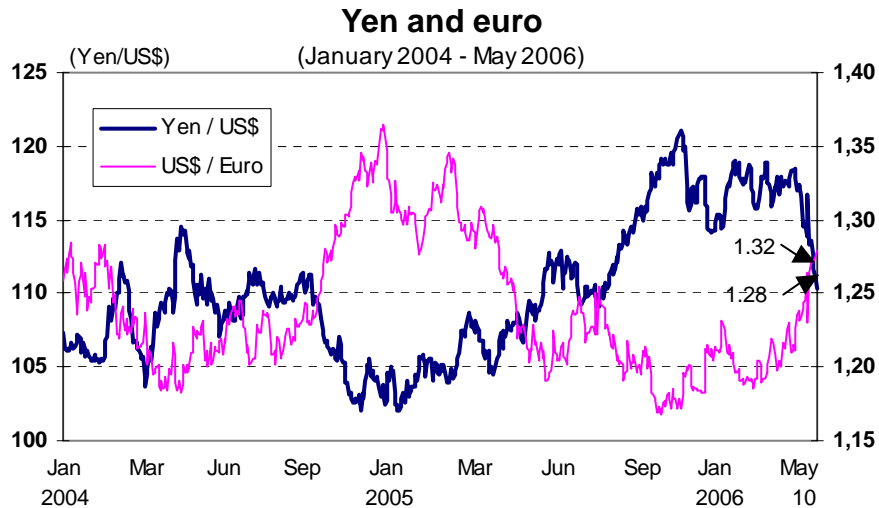


In the **May 3-10** period, the price of **WTI oil** decreased 0.2 percent to US\$ 72.1 per barrel, but showed a volatile behavior. Although the Middle East tensions boosted prices, oil inventories offset the price rise. North American inventories of gasoline registered an increase for the first time in two months and relieved provision-related concerns with respect to the following boreal summer period.

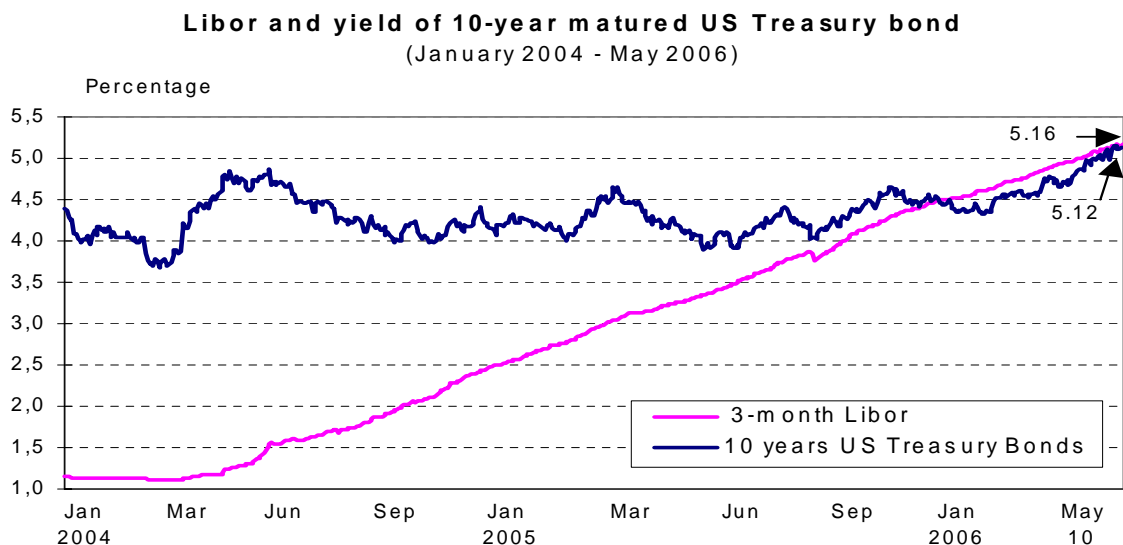


In the period of analysis, the **US dollar** depreciated 1.2 percent against the **euro** and 2.8 percent against the **yen**. This evolution was influenced by expectations associated to the FED's completion of its cycle of interest rate rises. The euro, on the other hand, was reinforced by the declarations of the president of the Deutsche Bundesbank who said that interest rates should increase in at least 25 basis points to offset possible inflationary outbursts. In the meantime, the yen appreciated in around 0.4 percent due to expectations that the Bank of Japan would be able to increase its interest rates as of July.

During the week, the dollar fell against the yen to its lowest level in the past eight months due to rumors associated with the diversification of reserves, to Iran's decision to accept payments in euros for its exports of crude oil, and to the high prices of gold.



Between **May 3 and 10**, the **3-month Libor** increased from 5.15 to 5.16 percent, whereas the **yield of the US Treasuries with a 10-year maturity** decreased from 5.14 to 5.13 percent. The price of US Treasuries came for the first time close to a loss in four consecutive months due to the strong impact of data concerning the growth of US GDP.



### Lima Stock Exchange Grew by 6.6 percent in May

As of **May 10**, the **General** and **Blue Chip** indices of the Lima Stock Exchange had increased 6.6 and 7.9 percent respectively, which represented in both case new maximum levels. Advances in mining and agricultural shares supported this upward trend in stock exchange indices. An improvement in agents' expectations was also observed in the period as a result of information provided by the BCRP regarding the dynamic performance of domestic demand. This information contributed to eliminate fears that investment decisions would be affected by the rise in interest rates. The week ended with mixed results in the main stock markets in the region, but in a context of increasingly stronger expectations concerning the prompt completion of the FED's cycle of interest rate rises, as well as expectations of higher prices for metals.

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

