



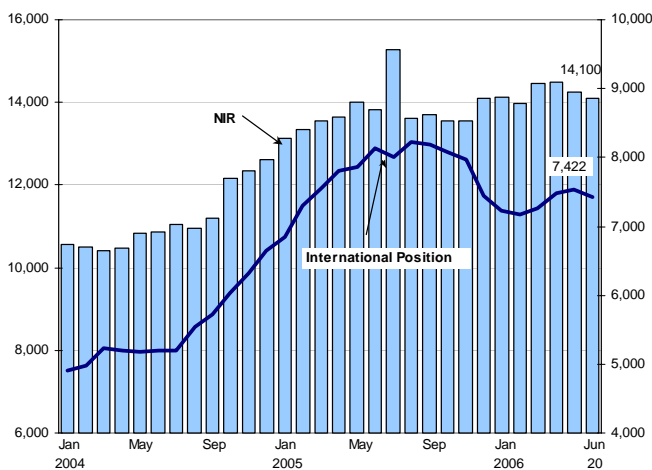
Indicators

- ➔ Interbank interest rate around the BCRP reference rate.
- ➔ Interbank interest rate at 4.51%
- ➔ International reserves at US\$ 14.100 million.
- ➔ Average exchange rate: S/. 3.26.
- ➔ Lima Stock Exchange grows 8.3%.

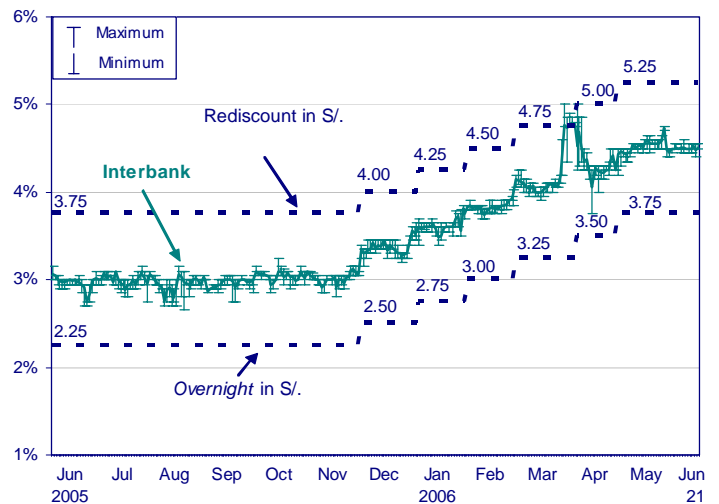
Content

Interbank Interest Rate: 4.51 Percent	x
Corporate Prime Interest Rate in Soles Decreased to 5.78 Percent	x
Monetary Operations	xi
International Reserves at US\$ 14.100 Million	xi
Average Exchange Rate at S/. 3.26 per Dollar	xi
Gross Domestic Product Grew 3.6 Percent in April 2006	xii
Economic Surplus of S/. 232 Million	xv
Banks' Monetary Account by May 31, 2006	xvi
Credit to the Private Sector in Soles Grew 1.6 Percent	xvii
Country Risk at 171 Basis Points	xix
Metal Prices Varied	xix
Dollar Depreciated Against the Euro and the Yen	xxi
Lima Stock Exchange Grew 1.7 Percent by June 21	xxii

Net International Reserve and International Position of the BCRP January 2004 - June 2006 (Millions of US\$)



Interest Rates in Domestic Currency (June 2005 - June 2006)



In our website

<http://www.bcrp.gob.pe/bcr/ingles/>

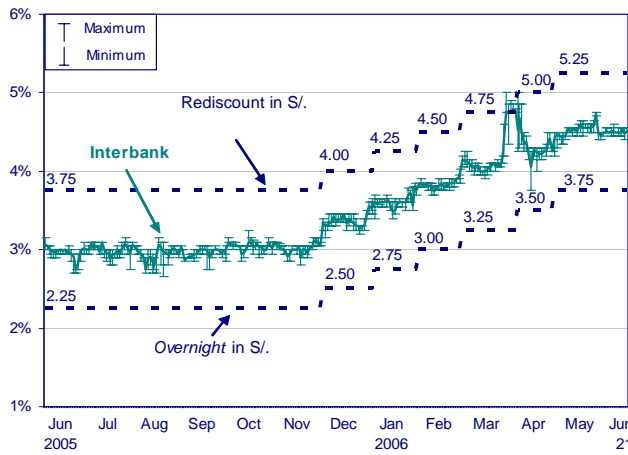
- Inflation report: Recent trends and macroeconomic forecasts - May 2006.
- Working paper: Hechos Estilizados de la Economía Peruana
- Working paper: Credit Cost in Peru

## Interbank Interest Rate: 4.51 Percent

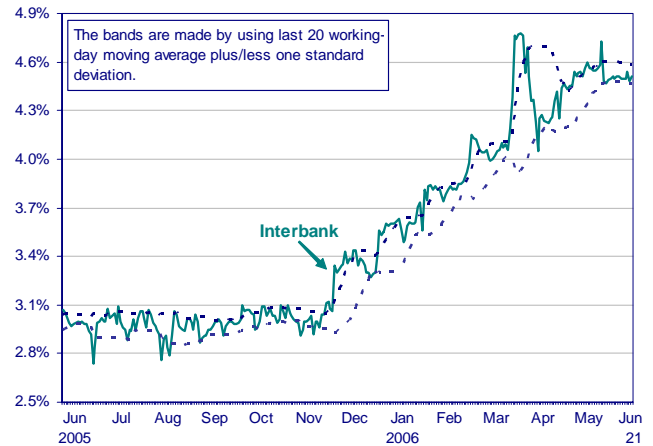
The **average interbank interest rate in domestic currency** decreased from 4.58 percent at the close of May to 4.51 percent by **June 21**. So far this month, the average interbank interest rate has reached 4.51 percent, while it fluctuated between 4.48 percent and 4.54 percent during the past week. This evolution has been coupled by that of the BCRP reference interest rate, which has continued to exhibit a level of 4.50 percent for the month of June.

Interbank Interest Rate average (percent)		
	Average	Standard Deviation
December 2004	3.00	0.05
December 2005	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
May	4.48	0.08
June 21	4.51	0.11

**Interest Rates in Domestic Currency**  
(June 2005 - June 2006)



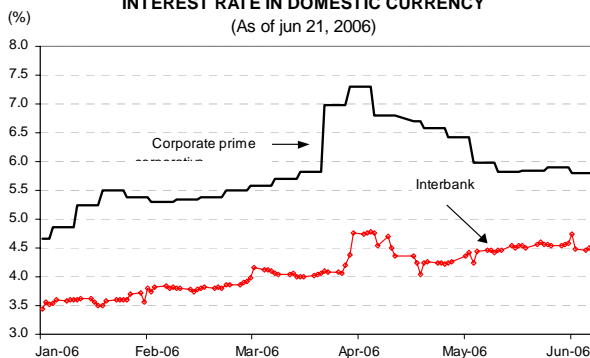
**Interbank Interest Rate in Domestic Currency**  
(June 2005 - June 2006)



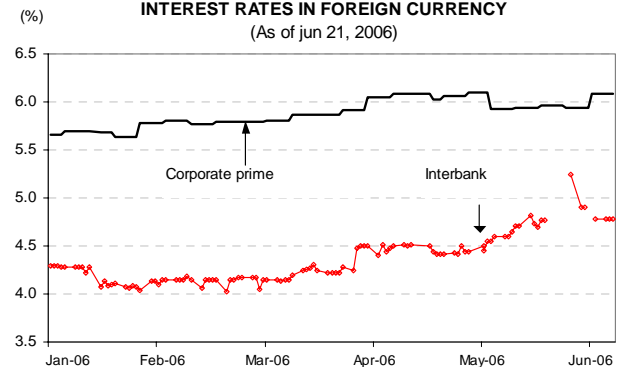
## Corporate Prime Interest Rate in Soles Decreased to 5.78 Percent

The 90-day corporate prime rate in soles fell from 5.99 in May to 5.78 percent by June 21, while the corporate prime rate in dollars increased from 5.97 in May to 6.04 percent in June.

**INTEREST RATE IN DOMESTIC CURRENCY**  
(As of jun 21, 2006)



**INTEREST RATES IN FOREIGN CURRENCY**  
(As of jun 21, 2006)



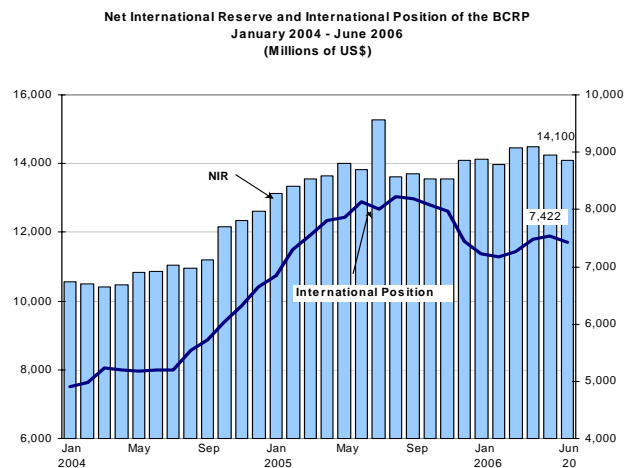
## Monetary Operations

Between **June 15 and 21**, the Central Reserve Bank made the following operations:

- Auctions of temporary purchases of BCRP and BTP Certificates of Deposits with 1-day, 3-day and 1-month maturities, for a daily average of S/. 278 million. The average interest rate ranged between 4.45 and 4.76 percent.
- Overnight deposits on June 15, 16, 20, and 21 for S/. 11, S/. 22.5, S/. 30 and S/. 12 million respectively.

## International Reserves at US\$ 14.100 Million

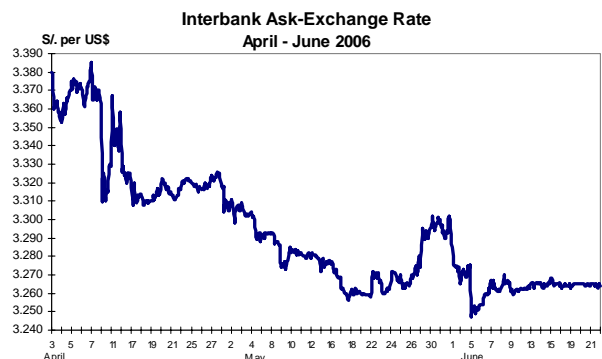
By **June 20**, international reserves (NIR) totaled 14.100 million, having decreased by US\$ 135 million with respect to the level posted at the close of May. This is mainly explained by the decline in the price of gold (US\$ 125 million), and by lower deposits from the financial system (US\$ 25), from the Deposit Insurance Fund (US\$ 10 million), and from the public sector (US\$ 9 million). This evolution was partially offset by larger investment yield (US\$ 32 million) and by purchases of foreign currency at the Front Office (US\$ 2,5 million).



So far this year, NIRs have increased by US\$ 3 million. By June 20, the Central Bank's **international position** (US\$ 7.422 million) had decreased US\$ 119 million with respect to May, having accumulated US\$ 28 million year-to-date.

## Average Exchange Rate at S/. 3.26 per Dollar

By **June 21**, the interbank exchange rate closed at S/. 3.264 per dollar, which represented a 1.1 percent appreciation of the nuevo sol with respect to the end of May. During the week the exchange rate was stable, in a context that recorded a public supply given a period of tax payments. This was compensated by an increased demand for the forward market.



By June 20, the balance of net forward sales had increased by US\$ 118 million, and the banks' foreign exchange position had decreased by US\$ 137 million with respect to the close of May.

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

	December 2005	January 2006	February	March	April	May	Jun. 21
<b>a. Net sales to the public (i-ii)</b>	<b>1,027</b>	<b>1,229</b>	<b>1,109</b>	<b>1,579</b>	<b>1,556</b>	<b>1,446</b>	<b>1,564</b>
i. Forward sales to the public	1,813	2,092	1,880	2,426	2,060	2,233	2,450
ii. Forward purchases to the public	785	863	771	847	504	787	886
<b>b. Bank's exchange position</b>	<b>480</b>	<b>411</b>	<b>485</b>	<b>581</b>	<b>625</b>	<b>559</b>	<b>422</b>

**Gross Domestic Product Grew 3.6 Percent in April 2006**

In April, the GDP grew **3.6** percent due to a temporary slowdown in the pace of economic activity associated with the Easter holiday. Because of this result, the accumulated growth achieved during the first four months of the year was 5.9 percent.

The growth rate in the month was associated with increased activity in the **primary sectors**, particularly in the mining sector (8.4 percent), due to gold extraction activities as a result of the Alto Chicama Project which initiated operations in June 2005, and in the agriculture and livestock sector (8.0 percent), due to advanced harvests of coffee and rice, and to a greater production of export-oriented crops, such as grapes, olives, and asparagus.

These increases were partially offset by lower activity in the fishing sector (-30.1 percent) and in the processing of primary resources (-10.0 percent), which is associated in both cases with a lower catch of anchovy.

**Non-primary sectors**, on the other hand, grew at a slower pace than in previous months. Non-primary manufacturing increased slightly (0.7 percent), evidencing the effect of Easter holidays in various months between 2005 and 2006. The construction sector grew 4.9 percent, after having grown at a rate of 16 percent during the first quarter.

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

	April		January - April	
	2005	2006	2005	2006
<b>Agriculture and Livestock</b>	<b>7.2</b>	<b>8.0</b>	<b>3.7</b>	<b>3.9</b>
Agriculture	9.5	9.1	3.8	3.3
Livestock	2.4	5.8	4.0	4.6
<b>Fishing</b>	<b>5.5</b>	<b>-30.1</b>	<b>10.5</b>	<b>1.3</b>
<b>Mining and Fuel</b>	<b>-0.2</b>	<b>8.4</b>	<b>0.7</b>	<b>5.8</b>
Metallic mining	-3.0	9.1	-1.9	6.2
Natural gas and oil	39.0	-0.7	35.2	0.1
<b>Manufacturing</b>	<b>6.9</b>	<b>-1.5</b>	<b>7.2</b>	<b>4.3</b>
Based on raw materials	1.8	-10.0	2.2	1.8
Non-primary	8.5	0.7	8.6	4.8
<b>Electricity and water</b>	<b>5.6</b>	<b>2.8</b>	<b>4.1</b>	<b>5.7</b>
<b>Construction</b>	<b>10.3</b>	<b>4.9</b>	<b>4.2</b>	<b>13.4</b>
<b>Commerce</b>	<b>8.1</b>	<b>6.3</b>	<b>6.9</b>	<b>8.3</b>
<b>Other services</b>	<b>2.8</b>	<b>4.2</b>	<b>5.3</b>	<b>5.9</b>
<b><u>GROSS VALUE ADDED (GVA)</u></b>	<b><u>5.1</u></b>	<b><u>4.1</u></b>	<b><u>5.3</u></b>	<b><u>6.2</u></b>
Taxes on products and import duties	13.5	-0.6	11.0	3.7
<b><u>GDP</u></b>	<b><u>5.8</u></b>	<b><u>3.6</u></b>	<b><u>5.8</u></b>	<b><u>5.9</u></b>
Primary sector GVA	4.0	3.7	2.6	4.1
Non-primary sector GVA	5.4	4.2	6.1	6.7
Domestic demand indicator	5.1	2.3	4.6	8.0

The **agriculture and livestock sector** grew 8.0 percent, mainly due to increased agricultural output, which contributed with 6 percentage points to the growth of the month. Some crops posted extraordinary levels of growth due to modifications in the agricultural calendar that allowed taking advantage of favorable climatic conditions in different areas. As a result, the production of grapes increased 59.5 percent, rice recorded a rate of 55.4 percent, and coffee grew 47.6 percent.

The **fishing sector** reflected less activity (-30,1 percent) due to lower catches of anchovy as a result of a prohibition period implemented to comply with the program of the Ministry of Production to promote the biological control of this species, following IMARPE recommendations. This decline was slightly offset by a larger catch of fresh fish for human consumption, as well as a larger catch for canned and frozen products to meet external demand.

The **mining and fuel sector** showed a growth of 8.4 percent due to a larger production of gold, copper, and silver. The higher extraction of gold was associated with the Alto Chicama Project, which initiated operations last year, and contributed with 70 percent to the growth rate recorded in this month. Larger production was also observed in the cases of Yanacocha, Consorcio Minero Horizonte, and Buenaventura. Greater output in copper was due to Antamina and Southern, while Volcan and Doe Run accounted for the increase in the case of silver.

This growth in the mining sector was also favored by a context of positive rises in the prices of metals: the average quotation of gold increased to US\$ 610.98, up 42.1 percent with respect to April 2005; copper reached a level of US\$ 2.90 (up 88.2 percent); while silver reached a level of US\$ 12.64 per ounce, (up 76.5 percent).

In the **manufacturing sector**, raw material processing activities declined 10.0 percent as a result of lower production of fish meal and oil, of lower refining activity given lower production of gasoline and kerosene, and of lower output of sugar due to maintenance stoppages. This outcome was partly compensated by an increased production of canned and frozen fish products, of meat products, and increased refining of non-ferrous metals.

Non-primary manufacturing increased 0.7 percent. This evolution reflected the dynamic performance of industries connected to mining and construction, such as the iron and steel industry (57.3 percent), cement (8.6 percent), and construction materials (38.8 percent). Although to a lesser extent, the following activities also contributed to this month's growth: pharmaceutical products (33.7 percent), canned food products and chocolate (17.4 percent). These positive evolutions contrasted with the lower activity exhibited by basic chemicals, diverse manufactures, and knit garments.

The branches that contributed the most to April's rate of growth included the iron and steel industry, due to operational improvements carried out in a company of the sector and to increased exports of steel and iron products; milling activities, due to greater production of peeled rice resulting from advanced harvests in La Libertad; pharmaceutical products, due to improved capacity in sector companies and greater demand for generic medicines; as well as the branches of cement, machinery for mining and construction, and majolica, which are connected to construction, mining, and exports.

## Industries with higher decreases Apr 2006

CIU	April	
	Var. %	Contrib. % 1/
Manufacture of basic iron and steel	61.6	0.4
Grain mill and bakery products	33.4	0.3
Pharmacy products	33.7	0.2
Cement	8.6	0.1
Manufacture of machinery for mining, quarrying and c	141.3	0.1
Ceramics	16.6	0.1
Processing and preserving of fruit and vegetables	25.0	0.1
Manufacture of vegetable and animal oils and fats	10.6	0.1
Glass	10.2	0.1
Pesticides, fertilizers, plastics in primary forms	44.1	0.1
<b>Subtotal</b>	<b>25.4</b>	<b>1.6</b>
<b>Total</b>	<b>0.7</b>	

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

The branches which contracted the most were: basic chemicals, due to lower local sales and abroad of natural and chemical pigments; diverse manufactures, due to accumulation of stocks and fertilizers; footwear, due to lower local sales; paper and cardboard, due to maintenance stoppages and raw material supply problems; and knit garments due to lower exports in the month.

## Industries with higher decreases Apr 2006

CIU	April	
	Var. %	Contrib. % 1/
Basic chemicals	-18.2	-0.2
Miscellaneous manufacturing products	-18.6	-0.2
Manufacture of footwear	-80.0	-0.1
Paper and cardboard	-20.7	-0.1
Knitted fabrics	-7.1	-0.1
Manufacture of fertilizers and nitrogen compounds	-26.4	-0.1
<b>Subtotal</b>	<b>-17.6</b>	<b>-0.9</b>

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

The **construction sector** expanded 4.9 percent due to road construction and greater works carried out by local and provincial governments, which reflected an increased domestic consumption of cement (3.6 percent) and greater access to mortgage loans (23.8 percent).

**Employment** in companies with 10 or more workers continued to grow according to the Ministry of Labor. In urban areas, employment grew 7.0 percent with respect to April last year, recording a higher growth in the urban areas of the rest of the country (8,0 percent) than in Lima (6,6 percent).

In terms of the 21 largest cities in the country, it is worth mentioning the expansion of employment in Sullana due to greater crops of mango and organic banana for export purposes, as well as in Chincha, due to greater crops of grapes, asparagus, and to agribusiness in asparagus and artichoke for export purposes.

## Prospects for May 2006

On the basis of preliminary information on indicators of the fishing, construction, and energy sectors, the following forecasts may be made for the month of May:

- Catch of anchovy will be reduced by 36.7 percent, according to IMARPE data.
- Local delivery of cement will increase by 19.7 percent, excluding the cement used for productive uses in Yanacocha, according to Asocem.
- Energy production will be increased by 4.5 percent, according to the *Comité de Operación Económica del Sistema Interconectado Nacional (COES)*.

## Economic Surplus of S/. 232 Million

**Central government operations** in the period June 2005 – May 2006 accumulated S/. 6,527 million (in contrast with S/. 3,257 million in the period June 2004 – May 2005). Current revenues increased by S/. 7,964 million (21 percent), whereas non-financial spending increased by S/. 4,865 million (14 percent). Accumulated interests (S/. 5 313 million) grew 19 percent, as a result of which the economic surplus was S/. 1,214 million. On the other hand, the deficit in this period was S/. 1,218 million.

### OPERACIONES DEL GOBIERNO CENTRAL

(Millions of Nuevos Soles)

	Monthly data			12-month period			C/A	C/B
	May			Jun 2004	May 2005	Jun 2005		
	2005	2006	Var%	May 2005	Apr 2006	May 2006		
			A	B	C			
<b>1. CURRENT REVENUES</b>	<b>3,307</b>	<b>4,093</b>	<b>23.8</b>	<b>38,319</b>	<b>45,497</b>	<b>46,283</b>	<b>20.8</b>	<b>1.7</b>
A. TAX REVENUE	2,824	3,554	25.9	33,614	39,424	40,155	19.5	1.9
B. NON TAX REVENUE	484	539	11.4	4,706	6,073	6,128	30.2	0.9
<b>2. NON-FINANCIAL EXPENDITURE</b>	<b>2,868</b>	<b>3,390</b>	<b>18.2</b>	<b>35,312</b>	<b>39,655</b>	<b>40,177</b>	<b>13.8</b>	<b>1.3</b>
A. CURRENT EXPENDITURE	2,596	2,982	14.8	30,972	34,665	35,051	13.2	1.1
B. CAPITAL EXPENDITURE	272	408	50.3	4,340	4,990	5,126	18.1	2.7
<b>3. CAPITAL REVENUES</b>	<b>7</b>	<b>7</b>	<b>-3.4</b>	<b>250</b>	<b>421</b>	<b>421</b>	<b>68.6</b>	<b>-0.1</b>
<b>4. PRIMARY BALANCE</b>	<b>446</b>	<b>710</b>		<b>3,257</b>	<b>6,263</b>	<b>6,527</b>		
<b>5. INTEREST PAYMENTS</b>	<b>366</b>	<b>478</b>	<b>30.6</b>	<b>4,475</b>	<b>5,201</b>	<b>5,313</b>	<b>18.7</b>	<b>2.2</b>
<b>6. OVERALL BALANCE</b>	<b>80</b>	<b>232</b>		<b>-1,218</b>	<b>1,062</b>	<b>1,214</b>		
<b>7. NET FINANCING</b>	<b>-80</b>	<b>-232</b>		<b>1,218</b>	<b>-1,062</b>	<b>-1,214</b>		
1. External	-161	-445		3,275	-4,843	-5,127		
A. Disbursements	98	79		7,934	7,023	7,004		
B. Amortizations	-259	-524		-4,659	-11,866	-12,131		
2. Domestic	8	170		-2,294	3,605	3,767		
3. Privatization	72	43		236	176	147		

\* To avoid volatility of monthly series this chart shows annual accumulated output.

Monthly series are found in weekly report chart.

\* A fin de evitar la volatilidad de las series mensuales este cuadro presenta el resultado acumulado anual. Las series mensuales se encuentran en los cuadros de la Nota Semanal.

In May, **central government operations** recorded an economic surplus of S/. 232 million, which represented a S/. 152 million increase with respect to the same month last year. This primary result was positive in S/. 710 million (S/. 264 million higher than in May 2005) due to the greater growth of current revenues (24 percent) vis-a-vis non-financial spending (18 percent), whereas interests (S/. 478 million) increased in 31 percent.

**Current revenues** (S/. 4 093 million) in May grew 24 percent with respect to the same month last year, mainly as a result of evolution of **tax revenues** (S/. 3 554 million) which increased 26 percent. This expansion is explained by higher payments of income tax (73 percent), general sales tax (17 percent), excise tax (4 percent), tax on financial transactions (ITF) (29 percent), and on net assets (ITAN) (16 percent), and was partially offset by lower revenues from import duties (19 percent) and by greater tax reimbursements (19 percent). On the whole, this evolution is associated with the dynamic performance of economic activity, to the rise in the price of minerals, to the expansion of imports (26 percent), and to a higher nominal exchange rate. However, the evolution was partially offset by the elimination of tariffs on crude oil and oil derived products since January 2006, and to a reduction of S/. 0.19 per gallon of the excise tax on fuels. **Non-tax revenues** (S/. 539 million), on the other hand, increased 11 percent due to oil and gas royalties (29 percent).

In May, **non-financial spending** (S/. 3 390 million) increased by S/. 522 million with respect to May 2005 (recording a 18 percent increase in nominal terms). This was explained by an increase in non-financial spending (S/. 385 million) and, to a lesser extent, by an increase in capital spending (S/. 137 million). Goods and services grew 40 percent, whereas salaries and transferences grew 6 percent. It should be noted that the gross formation of capital (S/. 355 million) was 44 percent higher than in May 2005.

**External financing** was negative in S/. 445 million (US\$ 136 million), with disbursements totaling US\$ 21 million while amortization totaled US\$ 157 million (including a US\$ 85 million prepayment to Japan Peru Oil Corporation -Japeco- financed through a placement of bonds in the domestic market). Moreover, Peruvian sovereign bonds for a market value of S/. 2,606 million were authorized by decree N°072-2006-EF on May 25, 2006. The aim here is to contribute to form a yield curve for bonds in nuevos soles and to reduce the risk of refinancing debt papers by introducing amortizations with longer maturities.

## Monetary Base by June 15, 2006

The **monetary base** by June 15 (S/.10 928 million) increased 0.6 percent (S/. 67 million) with respect to the close of May. On average, the annual growth in this period was 15,1 percent (15,9 percent in May).

By sources, the operations that contributed to expand the monetary base were the BCRP Readjustable Certificate of Deposits (S/. 342 million) and BCRP-Certificate of Deposits (S/. 290 million), as well as temporary purchase of securities (S/. 130 million), lower deposits overnight from the financial system (S/. 53 million), and purchase of foreign currency in the Front Office (US\$ 2,5 million or S/. 8 million). On the other hand, the monetary base decreased due to increased deposits made by the public sector (S/. 765 million).

## Banks' Monetary Account by May 31, 2006

In May, liquidity in **local currency** decreased 1.2 percent (S/. 345 million), and reached S/. 28 657 million (annual growth of 4,7 percent). Lending to the private sector in domestic currency rose by 0,5 percent (S/. 82 million), as a result of which it totaled S/. 16 627 million (annual growth of 37,0 percent).

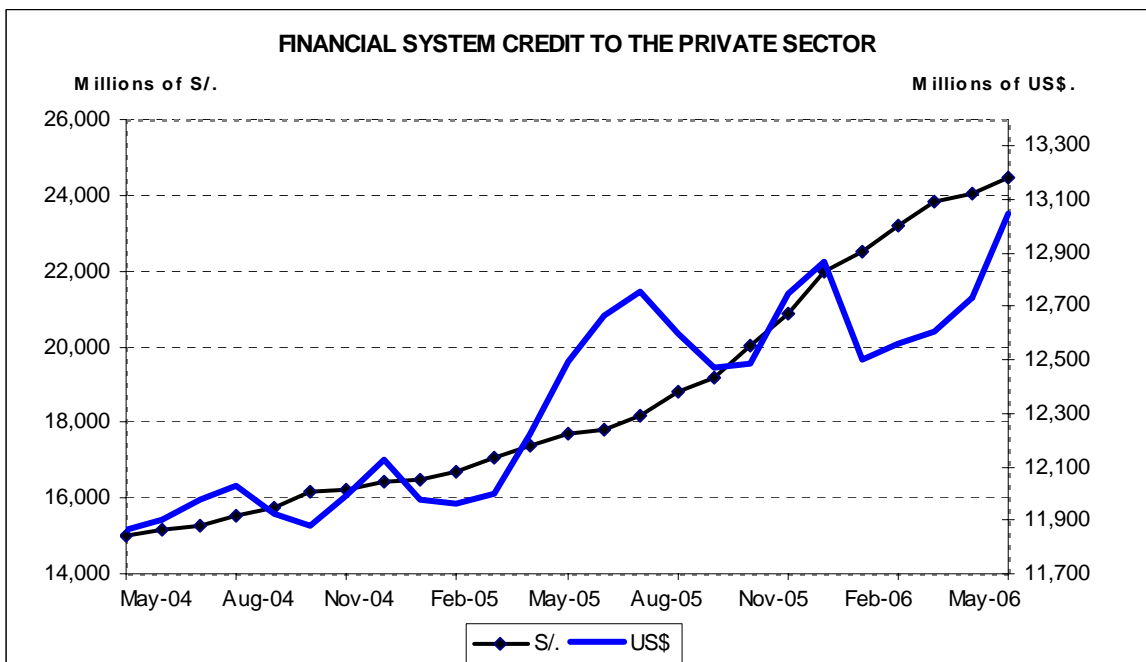
Liquidity in **foreign currency** decreased 1,3 percent (US\$ 140 million), reaching a balance of US\$ 11 079 million (annual growth of 10,3 percent). Lending to the private sector in this currency increased in 3,0 percent (US\$ 301 million), as a result of which it totaled US\$ 10 454 million (annual growth of 1,4 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%	1,9%	6,3%
Dec.	13,1%	25,7%	5,3%	19,5%	7,0%	34,8%	3,8%	12,4%	33,9%	48,0%	-0,2%	5,0%
<b>2006</b>												
Jan.	-7,2%	25,0%	-4,8%	13,4%	2,5%	38,3%	2,7%	14,8%	-28,8%	-15,5%	-4,1%	0,4%
Feb.	0,3%	22,9%	1,1%	10,5%	2,5%	41,2%	1,4%	17,0%	8,1%	0,8%	0,7%	1,3%
Mar.	0,8%	24,2%	2,1%	8,8%	1,3%	39,2%	2,4%	22,3%	-5,5%	-10,1%	1,1%	1,9%
Abr.	0,3%	18,3%	-3,7%	6,0%	1,3%	38,6%	-2,3%	14,8%	-13,7%	-29,8%	0,6%	0,4%
May.	-1,6%	15,5%	-1,2%	4,7%	0,5%	37,0%	-1,3%	10,3%	1,1%	-27,7%	3,0%	1,4%
Memo:												
Balance as of Apr. 30 (Mill.S/. or Mill.US\$)	11 040		29 002		16 545		11 219		681		10 153	
Balance as of May. 31 (Mill.S/. or Mill.US\$)	10 861		28 657		16 627		11 079		688		10 454	
1/ Short term external liabilities of banking enterprises.												

### Credit to the Private Sector in Soles Grew 1.6 Percent

Credit to the private sector in domestic currency grew 1,6 percent (S/. 386 million) in May, which represented a last-12 month growth of 38,2 percent (S/. 6 756 million). In foreign currency, credit to the private sector increased 2,5 percent (US\$ 316 million), which in annual terms represented an expansion of 4,4 percent (US\$ 554 million).



The expansion of lending in soles in the month of May was mainly due to the greater acquisition of fixed bonds by institutional investors (5.6 percent, or S/. 184 million) and microfinance institutions (1.6 percent, or S/. 99 million). Likewise, banks showed a growth of 0.7 percent (S/. 93 million), explained by higher consumer loans (S/.190 million) and by mortgage loans (S/. 48 million). This was offset by a drop in commercial loans (S/. 133 million).

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

	Millions of S/.			Percentage change	
	May05	Apr06	May06	May.06/ May.05	May.06/ Abr.06
Commercial banks 1/	8,931	12,728	12,821	43.6	0.7
Banco de la Nación	1,157	1,384	1,387	19.9	0.3
<b>Microfinance institutions</b>	<b>4,725</b>	<b>6,243</b>	<b>6,342</b>	<b>34.2</b>	<b>1.6</b>
Banks (microfinance credits)	1,234	1,657	1,690	36.9	2.0
Local government S&Ls	1,518	1,986	2,006	32.2	1.0
Rural S&Ls	279	385	391	40.3	1.6
Cooperatives	526	646	646	22.8	--
Edpymes	249	383	391	57.3	2.1
Financial companies	919	1,186	1,218	32.5	2.7
<b>Institutional investors 2/</b>	<b>2,565</b>	<b>3,268</b>	<b>3,452</b>	<b>34.6</b>	<b>5.6</b>
AFPS	1,527	2,197	2,367	55.0	7.7
Insurance companies	817	748	748	-8.4	--
Mutual funds	220	322	336	52.7	4.3
<b>Leasing companies and others</b>	<b>318</b>	<b>442</b>	<b>449</b>	<b>41.2</b>	<b>1.6</b>
<b>Total Financial System</b>	<b>17,695</b>	<b>24,065</b>	<b>24,451</b>	<b>38.2</b>	<b>1.6</b>

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

On the other hand, the increase in lending in dollars was explained by higher credit provided by banks which increased 3,1 percent (US\$ 296 million), due to higher commercial loans (US\$ 255 million), and institutional investors (0,8 percent or US\$ 12 million).

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

	Millions of US\$			Percentage change	
	May05	Apr06	May06	May.06/ May.05	May.06/ Abr.06
Commercial banks 1/	9,929	9,681	9,977	0.5	3.1
Banco de la Nación	22	22	22	-0.9	-0.1
<b>Microfinance institutions</b>	<b>689</b>	<b>807</b>	<b>815</b>	<b>18.3</b>	<b>1.0</b>
Banks (microfinance credits)	140	170	179	27.7	4.9
Local government S&Ls	261	300	302	15.9	0.5
Rural S&Ls	54	56	56	2.9	0.4
Cooperatives	152	182	182	19.8	--
Edpymes	50	54	55	8.4	0.6
Financial companies	32	45	42	32.4	-4.7
<b>Institutional investors 2/</b>	<b>1,205</b>	<b>1,599</b>	<b>1,611</b>	<b>33.8</b>	<b>0.8</b>
AFPS	636	808	809	27.2	0.2
Insurance companies	96	154	154	60.6	--
Mutual funds	473	637	648	37.1	1.8
<b>Leasing companies and others</b>	<b>648</b>	<b>622</b>	<b>622</b>	<b>-4.1</b>	<b>0.0</b>
<b>Total Financial System</b>	<b>12,493</b>	<b>12,731</b>	<b>13,048</b>	<b>4.4</b>	<b>2.5</b>

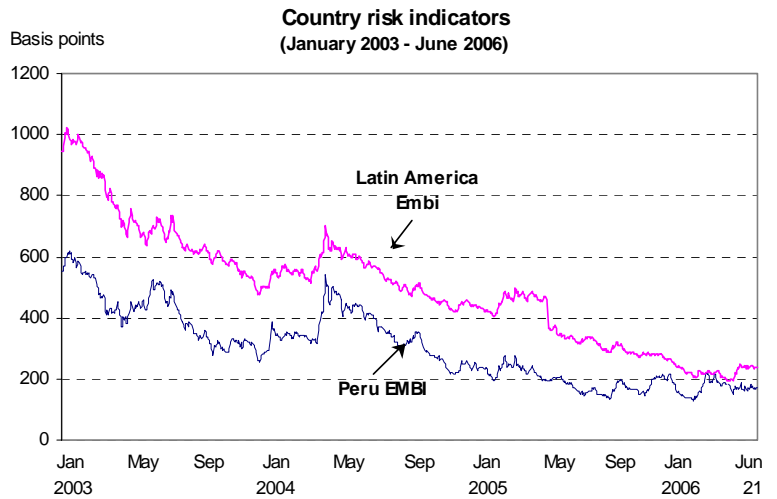
1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

**International Markets**

**Country Risk at 171 Basis Points**

From **June 14 to June 21**, the country risk measured by the **EMBI+ Peru** spread continued to be at 171 basis points due to the increased demand for securities of emerging economies. In the week of analysis, President Elect Garcia announced that he would be signing a new agreement with the IMF to generate greater international support and credibility, which might lead to an "investment grade" rating.



Standard & Poor's Rating Services pointed out that two of the main conditions required to obtain an "investment grade" rating are reducing the debt/GDP ratio and dedollarizing the economy. However, according to the same agency, other important factors considered include the orientation of economic policy and adopting basic agreements in the political arena.

**Metal Prices Varied**

From June 14 to 21, the **gold** quotation rose 1.8 percent to US\$ 576 per troy ounce, due to the weakness of the dollar against other currencies –as a result of which gold became cheaper for foreign investors–, of geopolitical fears generated by both speculations that North Korea might be preparing to test-launch long-range missiles and Iran's reluctance to give up on building nuclear reactors.



In addition, the firm trend of oil prices contributed to the upward tendency exhibited by gold in the week of analysis.

In the same period, the price of **copper** increased to US\$ 3.12 per pound (2.1 percent), due to greater expectations that BHP Billiton, the world's largest company, and competitor producers might reduce the global supply of copper by 18 percent as a result of demands for salary increases by the Workers' Union of Chilean mine La Escondida (representing 7 percent of global copper supply). Workers' representatives are requesting salary increases of 10 percent over the level of inflation.

According to reports by UBS Investment Bank, strikes this year might affect copper production in as much as 3.2 million MT.

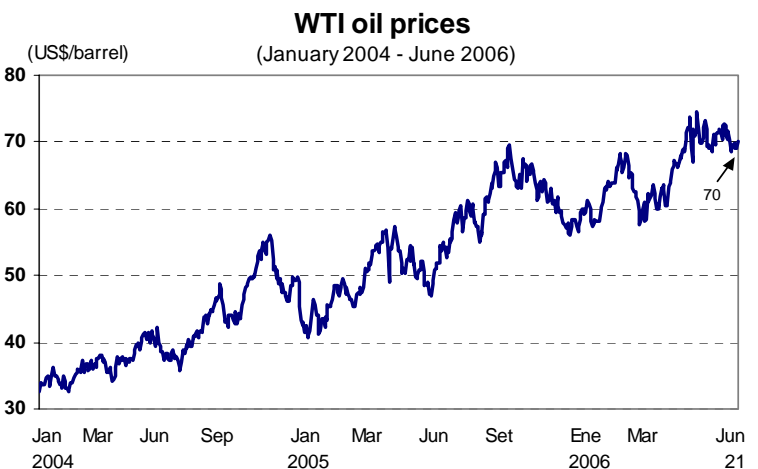


In the June 14-21 period, the price of zinc declined 3.6 percent and fell to US\$ 1.34 per pound. This evolution was associated with investors' take-profit given uncertainties over interest rates in the US and China. In addition, Maghreb Minerals PLC increased expectations of a larger supply of this mineral as the company extended exploration beyond the initial area at Djebba, Tunisia. This is expected to reduce volatility in future quotations.

Maghreb Minerals expects to provide a minimum combined zinc-lead resource of 10 million MT in the not too distant future, both in Tunisia and Algeria.



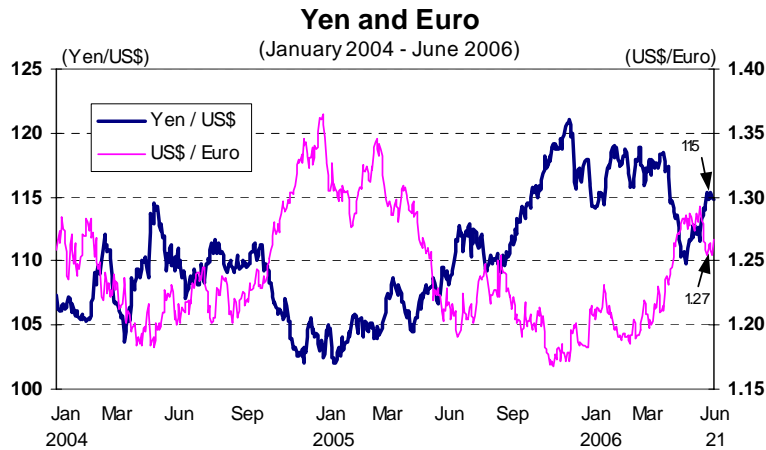
The price of **WTI oil** increased 1.3 percent to US\$ 70 per barrel due to greater geopolitical problems in Iran and North Korea, to the strike of Norwegian oil and petrochemical workers after wage talks collapsed, to a decline in Nigerian oil output caused by constant attacks of rebel groups, and to the presence of hurricanes in Atlantic areas.



However, this increase was offset by US Energy Department's reports that indicated that crude supplies rose 1.4 million barrels in the week, and totaled 347.1 million barrels, their highest level since May 1998.

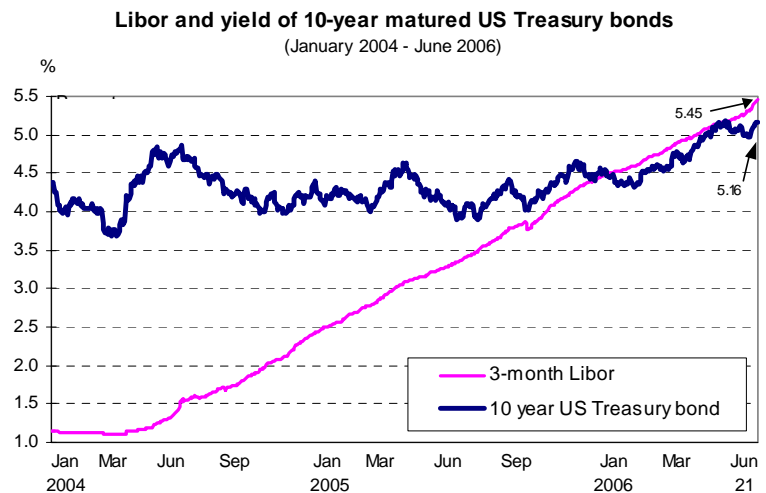
### Dollar Depreciated Against the Euro and the Yen

Between June 14 and 21, the **US dollar** depreciated 0.4 percent against the **euro** and 0.1 percent against the **yen**. The weakening of the US currency since December was influenced by increased concerns that the European Central Bank (ECB) and the Bank of Japan (BOJ) would lift their rates more than the Federal Reserve. The euro appreciated after the Governor of the ECB, Jean Claude Trichet, announced that interest rates would be raised to curb inflation. On the other hand, the yen gained versus the dollar after Bank of Japan Governor Toshihiko Fukui stated that interest rates should be adjusted “without delay”, following optimistic reports regarding the confidence index in the manufacturing sector, as well as a GDP growth in the first quarter that exceeded expectations by 3.2 percent. However, the dollar was favored by recent reports indicating that the deficit in the US current account has decreased in the first quarter.



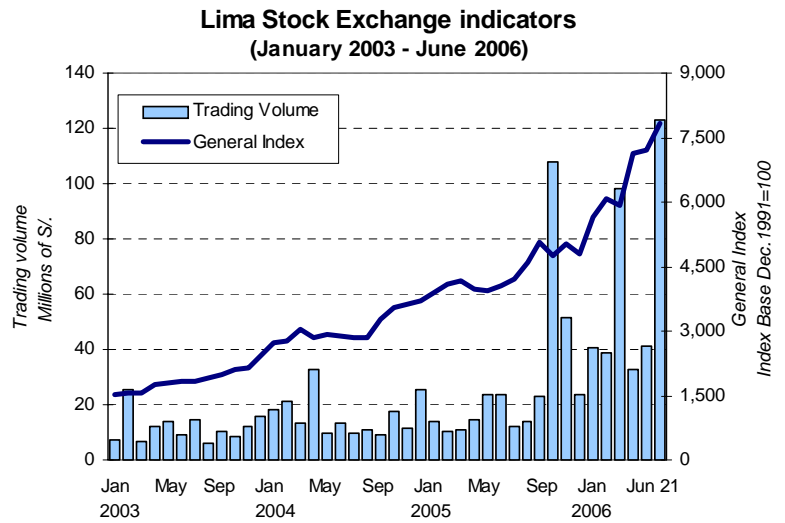
### Yield of US 10-Year Treasuries Rose to 5.16 Percent

Between June 14 and 21, the **3-month Libor** increased from 5.34 to 5.45 percent, whereas the **yield of the US Treasuries with a 10-year maturity** increased from 5.06 to 5.16 percent. The increase in the yield of US 10-year Treasuries is explained in a “flight to quality” market context that leads investors to avoid risks and hedge in safe debt securities, thus disregarding bonds from emerging markets. Additionally, the yield rise was also influenced by concerns that inflation might promote the extension of the cycle of rate increases initiated by the Federal Reserve in June 2004, given that the Commerce Department reported that the index of purchases of new houses had grown 5 percent over the expected level in May and that core inflation had increased for the third consecutive month.



## Lima Stock Exchange Grew 1.7 Percent by June 21

In the week of analysis, the **General** and **Blue Chip** indices of the Lima Stock Exchange increased 1.7 and 2.6 percent respectively, boosted by a better position of mining stocks generated by a correction in the price of metals, as well as by a better position of most sectors, except the agriculture and livestock sector. The mining sector, which has the heaviest impact on the evolution of the Lima Stock Exchange, logged a 0.4 percent increase in nominal terms.



In the week, the Lima Stock Exchange recorded operations for a total of S/. 123 million. This high level of transactions is explained by the sale of a package of shares of *Telefónica Móviles Perú Holding* to Latin America Cellular Holding B.V., since the amounts negotiated over the past weeks have declined in general.

