



Indicators

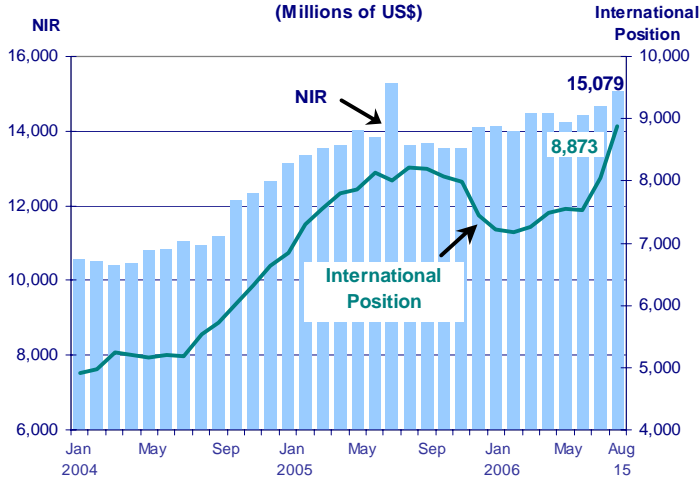
- ➔ Interbank interest rate at 4.40% percent.
- ➔ International Reserves: US\$ 15,079 millions.
- ➔ Exchange rate: S/. 3.23 per dollar.
- ➔ Country risk dropped to 133 basis points.
- ➔ LSE increased 6.5 percent.
- ➔ Current Account Surplus: 2.4% of GDP in 2Q.
- ➔ Fiscal Superavit: 5.6% in GDP in 2Q.

Content

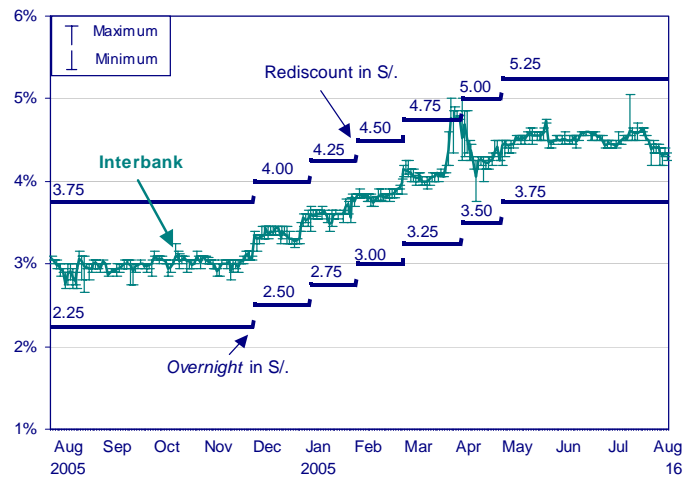
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International Reserve and International Position of the BCRP January 2004 - August 2006 (Millions of US\$)



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



Our website

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

- International Reserves: Composition and Performance - June 2006
- Informative note on the Monetary Program: August 2006
- The development of China's Export Performance

## MACROECONOMIC INDICATORS AS OF THE SECOND QUARTER OF 2006

### GDP grew 6.0 percent in the second quarter

During the second quarter, gross domestic product grew 6.0 percent, thus totaling 6.6 percent in the first semester. Increases were recorded in all components of domestic demand, particularly investment (both private and public) in a context of better terms of trade. People's higher incomes –as a result of the expansion of economic activity and employment– contributed to continue increasing the growth of private consumption.

#### GLOBAL DEMAND AND SUPPLY

(Annual growth rates)

	2005			2006		
	I Q.	II Q.	I S.	I Q.	II Q.	I S.
<b>1. Domestic demand</b>	<b>4.1</b>	<b>4.6</b>	<b>4.3</b>	<b>10.3</b>	<b>7.2</b>	<b>8.6</b>
a. Private consumption	4.0	4.4	4.2	5.3	5.4	5.4
b. Public consumption	10.1	6.5	8.2	7.9	8.8	8.4
c. Private investment	6.7	12.7	9.7	24.0	16.4	20.1
d. Public investment	3.3	9.4	6.6	11.3	12.4	11.9
<b>2. Exports</b>	<b>20.1</b>	<b>17.5</b>	<b>18.8</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>
<b>1. GDP</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>7.3</b>	<b>6.0</b>	<b>6.6</b>
<b>2. Imports</b>	<b>11.5</b>	<b>10.1</b>	<b>10.8</b>	<b>16.4</b>	<b>7.5</b>	<b>11.8</b>

In this context of higher employment –which grew at a rate of 6.5 percent nationwide, of higher incomes (national disposable income rose 8.5 percent), and of increased access to and better terms of credit, **private consumption** continued to show the positive trend of the previous quarters, growing at a faster pace of 5.4 percent.

#### NATIONAL DISPOSABLE INCOME

(Percentage change)

	2005			2006		
	I Q.	II Q.	I S.	I Q.	II Q.	I S.
<b>Gross domestic product</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>7.3</b>	<b>6.0</b>	<b>6.6</b>
Gross national product	5.1	4.7	4.9	5.0	2.9	3.9
Gross national income	5.0	5.8	5.4	8.7	8.2	8.4
<b>National disposable income</b>	<b>5.1</b>	<b>6.0</b>	<b>5.6</b>	<b>8.9</b>	<b>8.5</b>	<b>8.7</b>

Other indicators reflecting this increase in private consumption during the second quarter include the following:

- A 29.0 percent increase in consumer loans in the financial system.
- A 38.0 percent increase in sales of new vehicles.
- The growth of imports of consumer goods, both durable (17.1 percent) and non-durable (5.3 percent).
- The level of consumer confidence, measured by Apoyo's consumer confidence index (Indicca), averaged 53 points during the second quarter of this year, reaching its historic record of 56 points during this period.

**Private investment** grew by 16.4 percent during the second quarter, consolidating the positive trend initiated in the third quarter of 2002, in a context of better terms of trade, increased sales and profits, and a positive evolution of business expectations. All of these elements have encouraged companies to implement projects of technological renovation and plant expansion in order to respond to higher levels of demand.

According to the latest BCRP Survey on Business Expectations, investments made by 265 companies operating in various economic sectors would total US\$ 3,218 million in 2006, that is, a figure 33.8 percent higher than the amount of total investments made by these same companies in 2005. These higher levels of investment are mainly observed in the mining sector and explained by projects such as Cerro Verde, the construction of sulfide plant, and the construction of Southern Company-owned smelter plant in Ilo.

Increased investment in the energy and gas sector is explained mainly by Edelnor's investments in a new power transmission sub-station in Ventanilla, which will provide a new point of entry of electricity.

**Volume of Investment of Firms in Survey 1/  
(Millions of US\$)**

Sector	2005	2006	Chg %
Agriculture	18.9	31.1	64.6
Fishing	61.1	46.2	-24.4
Fuel	78.5	84.4	7.5
Mining	1,181.8	1,501.0	27.0
Electricity and Gas	240.3	222.6	-7.4
Manufacturing	343.6	600.2	74.7
Commerce and Services	152.7	183.9	20.4
Transports and Communications	327.7	548.8	67.5
<b>Total</b>	<b>2,404.6</b>	<b>3,218.2</b>	<b>33.8</b>

1/ Use the same sample of 265 firms in both survey.

**Public consumption** increased 8.8 percent due to the central government's higher payroll spending, particularly in the Ministries of Education (given a special allowance to teachers), Health, Defense, and of the Interior, as well as in Regional Governments. Moreover, the central government also purchased more goods and services in this period.

On the other hand, **public investment** posted a growth of 12.4 percent driven by the central government's larger disbursements, especially in the sectors of Transports & Communications, Housing, Construction & Sanitation.

**Exports** grew 1.4 percent with respect to the second quarter of 2005, boosted by larger, although moderate volumes of mining exports, even though this was partially offset by lower shipments of fish meal, which fell 38.4 percent in the second quarter. In addition, non-traditional exports, namely fishing, agricultural, and textile products grew 6.7 percent.

**Imports** increased 7.5 percent with respect to the same period last year. By components, it is worth highlighting the increase in imports of capital goods, which grew 27.4 percent in nominal terms due to the larger imports of Southern and Cerro Verde, while imports of consumer goods, both durable and non-durable increased in 17.1 and 5.3 percent respectively. Likewise, imports of raw material for industrial purposes rose 18.5 percent due to significant purchases of processed mining products and semi-elaborated chemical and pharmaceutical products.

**Productive sectors**

**Non-primary sectors** exhibited a greater dynamism during the second quarter, growing at a rate of 7.0 percent particularly due to the contribution of construction (13.2 percent) and non-primary manufacturing (4.4 percent). **Primary sectors**, on the other hand, increased 2.8 percent. It is worth highlighting the contrast between the positive evolution of the sectors of agriculture & livestock (3.7 percent) and mining (7.4 percent), and the fall in the sectors of fishing (-18.7 percent) and primary manufacturing (-3.4 percent).

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

	2005					2006	
	I	II	III	IV	Year	I	II
<b>Agriculture and Livestock</b>	2.2	5.8	5.0	6.1	4.8	2.4	3.7
Agriculture	0.9	6.6	4.5	1.8	4.0	0.8	2.7
Livestock	4.6	4.1	6.0	11.8	6.6	4.3	5.9
<b>Fishing</b>	13.6	2.0	-6.4	-2.6	1.2	27.6	-18.7
<b>Mining and Fuel</b>	1.0	4.8	10.9	15.7	8.1	5.8	7.4
Metallic mining	-1.5	2.7	10.6	17.5	7.4	5.3	8.2
Natural gas and oil	33.9	37.7	23.6	4.4	23.4	0.4	2.7
<b>Manufacturing</b>	7.3	8.0	6.2	4.5	6.5	6.8	2.8
Based on raw materials	2.4	3.2	0.9	2.0	2.1	7.4	-3.4
Non-primary	8.6	9.5	7.7	5.3	7.7	6.7	4.4
<b>Electricity and water</b>	3.7	5.6	5.7	6.3	5.3	6.7	4.5
<b>Construction</b>	2.2	6.9	10.6	13.3	8.4	16.3	13.2
<b>Commerce</b>	6.3	5.9	4.4	4.1	5.2	10.4	7.3
<b>Other services</b>	6.2	4.9	5.8	8.3	6.3	6.9	7.0
<b>GROSS VALUE ADDED (GVA)</b>	5.4	5.8	6.2	7.5	6.2	7.6	6.0
Taxes on products and import duties	10.1	7.2	7.3	9.4	8.5	5.2	5.8
<b>GDP</b>	5.9	5.9	6.3	7.7	6.4	7.3	6.0
<b>Primary sector GVA</b>	2.0	4.9	6.1	8.5	5.4	5.1	2.8
<b>Non-primary sector GVA</b>	6.3	6.0	6.2	7.3	6.5	8.2	7.0

**Primary sectors grew 2.8 percent in the second quarter**

The **agriculture & livestock sector** logged a growth of 3.7 percent, boosted by a higher livestock output, especially poultry and beef; as well as by a greater agricultural production associated with export products, such as coffee, asparagus, mango, grapes, cocoa, and a higher production of sugar cane.

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The **fishing sector** exhibited a reduction of 18.7 percent due mainly to the lower catch of anchovy and also of the species used to elaborate dry and salted fish products, as well as frozen products. This fall was slightly offset by a higher catch of species used both for direct human consumption and for conserves, especially blue and jack mackerel. In terms of industrial fishing, this quarter also saw the implementation of periodical quotas (between March and June) limiting anchovy catch to 3 million MT and also preventing the catch of juvenile fish, which explained part of the decline in this sector.

In the second quarter, the **mining and fuels sector** grew 7.4 percent mainly because of gold, which increased 17.1 percent in terms of extraction due to operations in Alto Chicama, and to the higher output of the major mining companies driven by the high prices of metals. Furthermore, production of copper and silver grew 5.6 and 11.3 percent due to the increased activity of Southern and Volcan respectively. The fuels sector had a moderate growth of 2.7 percent due to problems associated with Camisea's pipelines, which reduced the production of this gas deposit area.

The lower activity recorded in the **processing of raw materials** is explained by the decreased production of fishmeal and fish oil as a result of a lower availability of anchovy (due to prohibition periods aimed at preserving the species) and, to a lesser extent, by the lower production recorded in terms of petroleum refining, due to the increasingly higher substitution of liquid fuels by natural gas in the energy and industrial sectors.

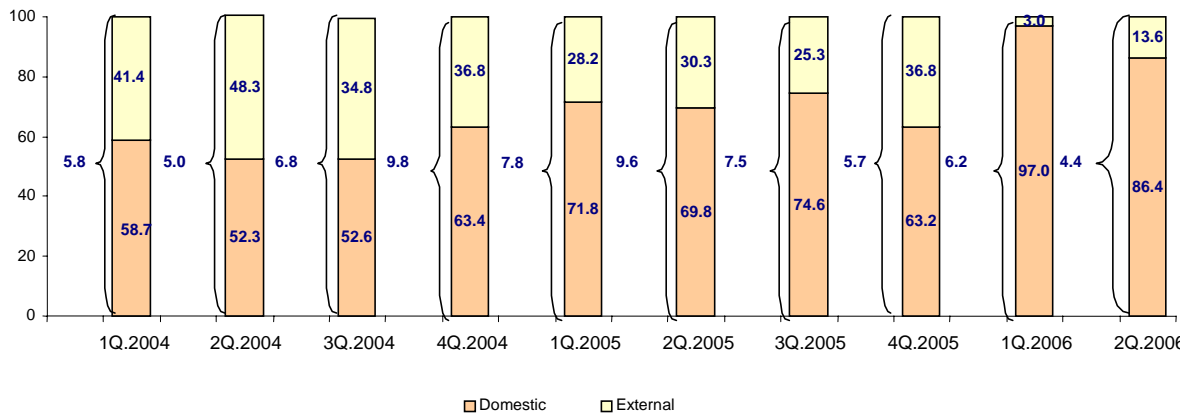
This outcome was partially balanced by the higher production achieved in the refining of non-ferrous metals, particularly by the increased activity recorded by Southern Peru in its mine production and in the expansion of the refinery in Ilo; by greater output in terms of fish conserves and frozen products (given greater catch of jack and blue mackerel); and by increased production of meat products, particularly poultry and beef, due to the higher domestic consumption of charcuterie products.

### **Non-primary sectors grew 7.0 percent in the second quarter**

**Non-primary manufacturing** increased 4.4 percent in the second quarter, boosted by the dynamic performance of domestic demand both in terms of final and intermediate consumer goods (materials for mining and construction) and in terms of capital goods (electric transformers and machinery for the mining industry).

By industrial groups, the branches contributing most heavily to this quarter's results included steel and iron, with a higher production of products, such as steel sheets and bars for construction; and metal products, with a higher production of metal structures, cement, and construction materials as a result of increased demand in the sectors of construction and mining.

**Non-Primary Manufacturing: Growth Contribution by Destination Market**  
(Percentage)



Furthermore, a higher production was also observed in the branches of food conserves, chocolate, and alcoholic beverages; pharmaceutical, grooming, and cleansing products (due to larger sales in the domestic market associated with families' higher incomes); and explosives, natural and chemical essences, due to the higher sales of explosives for mining and construction purposes.

**Industries with higher increases**

CIIU	II Quarter 2006	
	Var. %	Contrib. % 1/
Steel and Iron industry	22.7	0.7
Dairy products, preserving food and beer	29.4	0.6
Pharmacy products	41.5	0.5
Metallic products	10.2	0.5
Cement	12.4	0.4
Cleaning and polishing preparations and toilet preparations	22.4	0.4
Construction materials	14.1	0.4
Explosives and natural and chemical essences	19.9	0.4
<b>Subtotal</b>	<b>18.6</b>	<b>3.9</b>
<b>Total</b>	<b>4.4</b>	

1/ Percent contribution to non primary manufacturing  
Source: Ministerio de la Producción.

The **construction sector** grew 13.2 percent during the second quarter, driven by the dynamism observed in home self-building, the implementation of mining projects, and the growth of the mortgage market, as evidenced in the growth of mortgage loans which grew 21.9 percent and in the construction works carried out by local and provincial governments.

**Current account balance: 2.5 percent surplus in the second quarter**

In the second quarter of 2006, the **current account balance** posted a surplus of US\$ 596 million, equivalent to 2.5 percent of GDP –US\$ 142 million in the same period in 2005–, as a result of a higher trade surplus (US\$ 2,147 million versus US\$ 1,059 million). Profits reported by companies with foreign shareholding reached US\$ 1,663 million –a figure US\$ 811 million higher than that of the same period last year– and were associated with a higher level of sales abroad. Remittances from Peruvians living abroad, on the other hand, amounted to US\$ 444 million, that is, a level US\$ 92 million higher than in the second quarter of 2005.

The **financial account** was negative by US\$ 928 million, due to non-financial companies' increased short-term assets abroad and to the negative external financing to the public sector. This evolution was partly offset by a larger flow of capitals to the private sector.

**BALANCE OF PAYMENT**  
(Millions of US\$)

	2005					2006	
	I	II	III	IV	Year	I	II
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>143</b>	<b>142</b>	<b>380</b>	<b>440</b>	<b>1,105</b>	<b>-83</b>	<b>596</b>
	1	1	2	2	1	0	2
1. Trade balance	1,089	1,059	1,386	1,726	5,260	1,247	2,147
a. Exports	3,749	4,063	4,544	4,980	17,336	4,627	5,769
b. Imports	-2,660	-3,004	-3,158	-3,254	-12,076	-3,380	-3,622
2. Services	-213	-220	-133	-268	-834	-202	-231
a. Exports	531	542	643	573	2,289	612	581
b. Imports	-744	-762	-776	-840	-3,123	-814	-812
3. Investment income	-1,117	-1,131	-1,322	-1,506	-5,076	-1,595	-1,843
a. Private sector	-893	-900	-1,126	-1,293	-4,211	-1,372	-1,706
b. Public sector	-224	-231	-196	-213	-865	-223	-137
4. Current transfers	384	434	449	488	1,755	468	524
of which: Workers' remittances	308	352	367	413	1,440	388	444
<b>II. FINANCIAL ACCOUNT</b>	<b>752</b>	<b>179</b>	<b>-1,057</b>	<b>267</b>	<b>141</b>	<b>-89</b>	<b>-928</b>
1. Private sector <sup>1/</sup>	293	800	102	624	1,818	276	719
2. Public sector	168	-375	-1,176	-57	-1,441	-240	-327
3. Short-term capital	292	-246	17	-299	-236	-126	-1,321
<b>III. EXCEPTIONAL FINANCING</b>	<b>2</b>	<b>40</b>	<b>59</b>	<b>0</b>	<b>100</b>	<b>26</b>	<b>0</b>
<b>IV. BCRP NET INTERNATIONAL RESERVES FLOW (1-2)</b>	<b>-985</b>	<b>-401</b>	<b>147</b>	<b>-389</b>	<b>-1,628</b>	<b>-251</b>	<b>239</b>
(Increase with negative sign)							
1. Change in Central Bank reserves	-924	-263	122	-402	-1,466	-375	57
2. Valuation changes and monetization of gold	61	138	-24	-12	162	-125	-182
<b>V. NET ERRORS AND OMISSIONS</b>	<b>88</b>	<b>40</b>	<b>471</b>	<b>-318</b>	<b>282</b>	<b>397</b>	<b>93</b>
Note:							
Gross external financing to the private sector <sup>2/</sup>	835	671	913	775	3,195	1,117	1,316

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

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

Source: BCRP, MEF, SBS, SUNAT, Ministry of Foreign Affairs, Cofide, ONP, FCR, Zofratocna, Banco de la Nación, Cavali ICLV S.A., Proinversion, Bank for International Settlements (BIS), and companies.

**Financing to the private sector** amounted to US\$ 719 million. The positive flow on account of direct foreign investment (US\$ 1,229 million) was partly balanced by the greater amount of assets (US\$ 533 million) bought abroad by financial companies.

**Financing to the public sector** was negative in US\$ 327 million. Disbursements in the second quarter totaled US\$ 53 million, and were lower than amortization (US\$ 365 million). It should be pointed out that no international bonds were issued in this period, nor were there freely available disbursements granted by international organizations. Public sector's amortization of external debt was US\$ 56 million lower than in the second quarter of 2005 due to the lower amortizations of countries member of the Paris Club as a result of the prepayment made during 2005.

## Trade surplus of US\$ 2,147 million in the first quarter

The **trade balance**, on the other hand, showed a surplus of US\$ 2,147 million, a figure US\$ 1,088 million higher than the one posted in the same period in 2005.

**Exports** increased by US\$ 1,706 million (42 percent) boosted by higher traditional and non-traditional exports (which increased 50 percent and 19 percent respectively), while imports increased by US\$ 618 million (21 percent) given higher purchases in all entries, particularly capital goods for industrial purposes.

The evolution of exports was favored by higher prices (40 percent) and larger volumes of shipments (1.1 percent). This slight increase in terms of volumes is explained by the lower volumes of fishmeal and copper shipments, offset in turn by larger shipments of gold, lead, and coffee.

Mining products and petroleum accounted for the increase in the price of traditional exports, favored by higher international prices. Average prices increased 54 percent, while volumes decreased 2.3 percent..

**TRADE BALANCE**  
(Millions of US\$)

	2005					2006	
	I	II	III	IV	Year	I	II
<b>1. EXPORTS</b>	<b>3,748.9</b>	<b>4,063.1</b>	<b>4,544.3</b>	<b>4,980.0</b>	<b>17,336.3</b>	<b>4,626.7</b>	<b>5,768.6</b>
Traditional products	2,739.3	2,990.4	3,429.8	3,759.2	12,918.7	3,468.6	4,496.8
Non-traditional products	979.1	1,033.0	1,080.4	1,184.1	4,276.5	1,118.9	1,230.6
Other products	30.5	39.6	34.1	36.8	141.1	39.2	41.2
<b>2. IMPORTS</b>	<b>2,659.7</b>	<b>3,004.1</b>	<b>3,158.3</b>	<b>3,254.1</b>	<b>12,076.1</b>	<b>3,379.8</b>	<b>3,621.7</b>
Consumer goods	504.6	567.9	598.4	647.3	2,318.2	566.0	620.5
Raw materials and intermediate	1,470.6	1,666.7	1,732.6	1,732.8	6,602.6	1,839.7	2,008.6
Capital goods	657.9	746.9	802.9	852.6	3,060.3	933.3	968.1
Other goods	26.7	22.6	24.4	21.3	95.0	40.8	24.4
<b>3. TRADE BALANCE</b>	<b>1,089.2</b>	<b>1,059.0</b>	<b>1,386.0</b>	<b>1,726.0</b>	<b>5,260.2</b>	<b>1,246.9</b>	<b>2,146.9</b>
Note:							
<b>Year-to-Year % changes: 1/</b>							
Export Nominal Price Index	9.7	17.5	19.4	18.6	16.3	23.8	40.4
Import Nominal Price Index	10.2	11.4	11.8	9.1	10.6	6.5	10.8
Terms of Trade	-0.5	5.5	6.7	8.7	5.2	16.2	26.8
Export Volume Index	22.4	20.4	10.7	13.4	16.2	-0.4	1.1
Import Volume Index	13.9	11.5	11.2	9.4	11.4	19.2	8.8

1/ X: Exports; M: Imports.

Source: BCRP, SUNAT, Zofratacna, Banco de la Nacion y companies.

The growth recorded in the case of non-traditional exports resulted from a larger volume of **exports** of agricultural, fishing and textile products. By main groups of products, those contributing most heavily to the growth of non-traditional exports included fruits and legumes, fish preparations and conserves, and garments. On the other hand, steel & iron products and jewelry were favored by a price effect.

Moreover, the growth of **imports** is mainly explained by increased purchases of capital goods (30 percent), raw materials (21 percent) and consumer goods (9 percent). It should be pointed out that this is a trend observed in all types of imports, except for those that are not really significant. Imports grew particularly in terms of capital goods for industrial purposes, which have grown significantly more over the past few months given new purchases for the expansion of Cerro Verde project. By groups of products bought, it is worth pointing out the purchases of machinery and equipment for industry, as well as telecommunications equipment.



In terms of raw materials, imports of raw materials for industry are noteworthy, particularly paper and cardboard, plastics, and coated laminated products, while in terms of consumer goods the following should be highlighted: automobiles, household appliances, coin operated game machines, plastic items, and medicines.

**Terms of trade** in the second quarter increased 27 percent, as a result of a 40 percent increase in exports and an 11 percent increase in imports.

## Fiscal balance: 5.6 percent surplus in the second quarter of 2006

The non-financial public sector (NFPS) exhibited a surplus equivalent to 5.6 percent of GDP in the second quarter of 2006, a level 2.9 percentage points above that of the second quarter of 2005. This result is explained mainly by the greater dynamism of central government's current revenues (2.1 percentage points of GDP) with respect to the evolution of non-financial expenditure, which was constant with respect to GDP. The better result obtained by other entities –particularly EsSalud, Pensions Office (ONP), and state-owned companies–, and the lower external debt maturities (which decreased by 0.3 percentage points of GDP) contributed to this result.

NON-FINANCIAL PUBLIC SECTOR OPERATIONS  
(Percentage of GDP)

	2005					2006	
	I	II	III	IV	Year	I	II
1. Central government current revenues	15.8	16.2	15.4	15.4	15.7	17.8	18.3
<i>Real percentage change</i>	12%	21%	9%	14%	14%	26%	26%
2. Central government non-financial expenditures	12.8	12.1	15.2	18.4	14.7	12.6	12.1
<i>Real percentage change</i>	10%	5%	5%	20%	11%	9%	11%
Current expenditure	12.0	11.0	13.3	15.0	12.8	11.8	10.7
<i>Real percentage change</i>	11%	5%	6%	19%	10%	10%	10%
Capital expenditure	0.8	1.2	2.0	3.4	1.9	0.8	1.3
<i>Real percentage change</i>	0%	3%	-2%	29%	12%	5%	26%
3. Others	1.4	0.3	1.4	-0.4	0.6	1.2	0.7
4. Primary balance	4.3	4.4	1.5	-3.4	1.6	6.4	7.0
5. Interest payments	2.1	1.7	2.1	2.0	1.9	2.6	1.4
<b>6. Overall balance</b>	<b>2.3</b>	<b>2.7</b>	<b>-0.6</b>	<b>-5.3</b>	<b>-0.3</b>	<b>3.9</b>	<b>5.6</b>
7. Net financing	-2.3	-2.7	0.6	5.3	0.3	-3.9	-5.6
- External	0.7	-1.2	-5.3	0.0	-1.5	-1.3	-1.2
- Domestic	-3.0	-1.6	5.8	5.2	1.7	-2.5	-4.5
- Privatization	0.0	0.1	0.0	0.1	0.1	0.0	0.0

During the second quarter, the **current revenues** of the central government amounted to 18.3 percent of GDP –2.1 percentage points above the level recorded in the same period in 2004– and 26 percent in real terms. This growth is basically explained by the greater dynamism of tax revenues (2.2 percentage points of GDP), which were positively influenced by the higher prices of minerals in the international market and by the expansion of economic activity. It is worth highlighting the growth of revenues on account of income tax, which increased from 5.3 to 8.0 percent of GDP between the second quarter of 2005 and the second quarter of 2006, that is, a 69 percent increase in real terms. This important growth is explained both by higher ratios of down payments –due to good results obtained in the previous fiscal year– and by the higher levels of sales achieved by an important group of companies in the sectors of mining and fuels (given the impact of international prices), financial intermediation, telecommunications, and energy.

The central government's **non-financial expenditure** in the second quarter were equivalent to 12.1 percent of GDP, a level similar to that of the same quarter in 2005, although higher by 11 percent in real terms. This behavior is explained by the increase of both non-financial current revenues (10 percent) and capital expenditure (26 percent). This growth is mainly explained by increased spending in goods and services in connection to the electoral process and to the higher charges of the tax administration office, as well as to the increase produced in terms of salaries and wages in the sectors of education (teachers and administrative staff), health professionals, professors and other staff of public universities, and military and police personnel, in response to a salary increase policy implemented over the past twelve months. Likewise, current transfers increased mainly due to higher allocations to local governments.

**Other central government operations** during the second quarter of 2006 recorded an economic surplus of S/. 226 million, which contrasts with the S/. 90 million deficit posted in 2005. This positive evolution is explained by the better performance of EsSalud, the Pension's Office (ONP), the Fondo Consolidado de Reservas Previsionales (FCR), and regulatory organizations, particularly Sunat.

Essalud recorded a deficit of S/. 6 million, which nevertheless represented an improvement of S/. 125 million with respect to the second quarter of 2005. This improvement is mainly associated with higher current revenues (S/. 90 million) resulting from the higher tax collection achieved by tax fractioning programs and by the expansion of coverage given an increased registration of small and medium-sized enterprises. The improvement in the case of the Pension's Office-ONP (with an economic surplus of S/. 81 million) was associated mainly with higher revenues resulting from transfers, while the positive evolution in the case of the FCR (with an economic surplus of S/. 39 million) is explained by a lower level of inflation during this period which implied lower accrued interests on account of Bonos de Reconocimiento. In the case of regulatory organizations, the case of Sunat is noteworthy as it posted a surplus higher by S/. 29 million, despite a transfer of S/. 40 million to the central government.

**Local governments** showed a positive result in this quarter (S/. 182 million), improving by S/. 30 million with respect to the same period in 2005. This result was associated with increased current transfers from the central government, especially on account of royalties for mining and oil activities, as well as of Foncomun.

During the second quarter of 2006, **non-financial state companies** recorded an economic surplus of S/. 92 million, higher by S/. 30 million than the one in the same quarter in 2005, reflecting improved results in the regional agencies of energy, Sedapal and Fonafe. This was partially offset by negative results in the cases of Petroperu and Electroperu.

Investment in state-owned enterprises amounted to S/. 130 million in the second quarter, a figure lower than the one executed in QII of 2005 (S/. 171 million), basically due to lower capital expenditure by the regional energy companies and Enapu. On the other hand, investments by Sedapal and Petroperu increased with respect to the same period last year.

**NFPS interests** totaled 1.4 percent of GDP in the second quarter of 2006, falling by 0.3 of a percentage point of the product with respect to the same period in 2004. Interests on account of the domestic debt amounted to S/. 194 million, including S/. 142 million on account of Sovereign Bonds and US\$ 11 million on account of loans in foreign currency from the Banco de la Nacion. Interests on account of external debt, on the other hand, amounted to S/. 901 million, equivalent to maturities for a total of S\$ 275 million which corresponded mainly to debts with international organizations and the Paris Club, as well as to Global Bonds.

During QII, the **external net financing** of NFPS was negative (1.2 percent of GDPI), a result explained by amortizations in the period for a total of US\$ 363 million –lower by US\$ 48 million to those of the same period in 2004–, especially due to lower payments to member countries of the Paris Club as a result of prepayments made in 2005. A prepayment was also made to

Japan Peru Oil Corporation -Japeco- for a total of US\$ 86 million. No freely available disbursements were made in this quarter.

**Domestic financing** was negative by S/. 3,572 million (4.5 percent of GDP). This was reflected by higher Public Treasury deposits in domestic currency (S/. 3,401 million) and in foreign currency (US\$ 118 million). Moreover, sovereign bonds for a total of S/. 3,528 million were placed and amortizations were made for S/. 2,914 million. These operations include the exchange of Sovereign Bonds valued at S/. 2,914 million in the market, and authorized by SD N°072-2006-EF published on May 25, 2006. This exchange is aimed at consolidating relevant maturities to form the yield curve of domestic public debt in nuevos soles and to reduce the risk of refinancing by exchange future maturities by longer amortizations.

As of June 2006, the **public debt** amounted to 35.3 percent of GDP, which represented a decrease of 4.4 percentage points of GDP with respect to the level of June 2005 (39.7 percent of GDP). In dollars, the debt as of June 2006 amounted to US\$ 29,699 million, of which US\$ 22,039 million corresponded to the external debt and US\$ 7,659 million to the internal debt. This figure shows a reduction of US\$ 207 million with respect to June 2005. It should be pointed out that the external debt has been restructured in this quarter and reduced by US\$ 1,535 million (mainly as a result of prepayments to the Paris Club and Japeco), while the internal debt has increased by US\$ 1,328 million as a result of a higher issue of sovereign bonds, used partially to make prepayments abroad. The debt resulting from the issue sovereign bonds increased by US\$ 1,573 million with respect to the same period in 2005.

Public Treasury incomes on account of **privatizations** during QII amounted to US\$ 10 million, and included payments for the concession of Local Telephony services (US\$ 4,8 million), payments for Petroperu's terminals in the northern, central and southern areas of the country (US\$ 2.8 million), and the Chavimochic project (US\$ 1.3 million).

Furthermore, on June 19, the construction and management of the new pier terminal (Muelle Sur del Callao) was given in concession for 30 years to the Consorcio Terminal Internacional de Contenedores del Callao, which offered an Additional Complementary Investment of US\$ 144 million, a sum that adds up to the US\$ 213 million established as the international base bid-price, thus totaling US\$ 357 million. Likewise, on June 28, the Brazilian company Gerdau purchased in the Lima Stock market 50 percent plus one of the Peruvian State shares of Siderurgica del Peru (Siderperu). Gerdau paid US\$ 61 million for this transaction, which will be reflected in the incomes on account of privatization in the month of July; and committed an investment of US\$ 100 million during the first five years of operations.

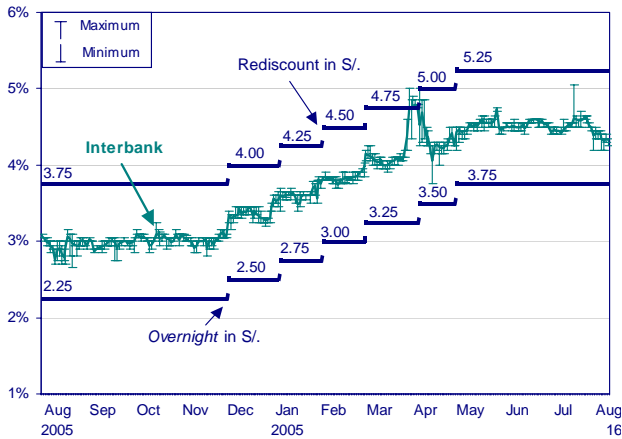
MONTHLY AND WEEKLY REPORT

**Average interbank interest rate at 4.40 percent.**

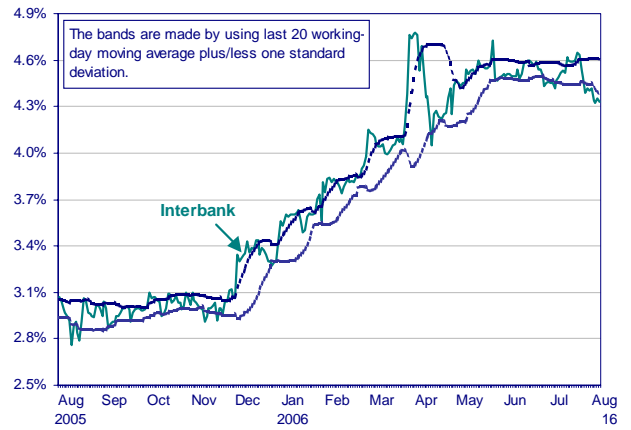
The average interbank interest rate in domestic currency decreased from 4.40 percent to 4.33 percent between **August 9 and 16**. So far this month, the average interbank rate has reached 4.40 percent, after fluctuating between 4.32 percent and 4.65 percent.

Interbank Interest Rate average (percent)		
	Average	Standard Deviation
December 2004	3.00	0.05
December 2005	3.34	0.08
March 2006	4.12	0.17
April	4.42	0.24
May	4.48	0.08
June	4.53	0.07
July	4.50	0.06
August 16	4.47	0.11

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

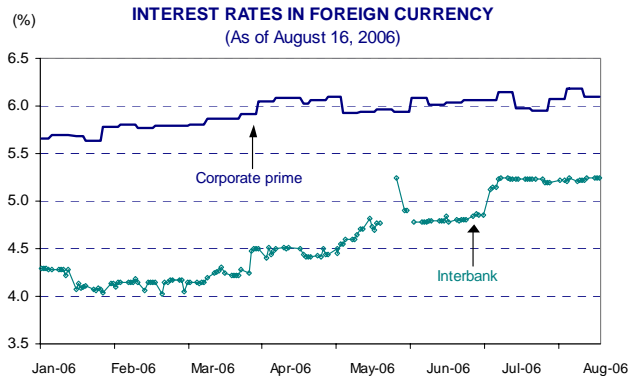
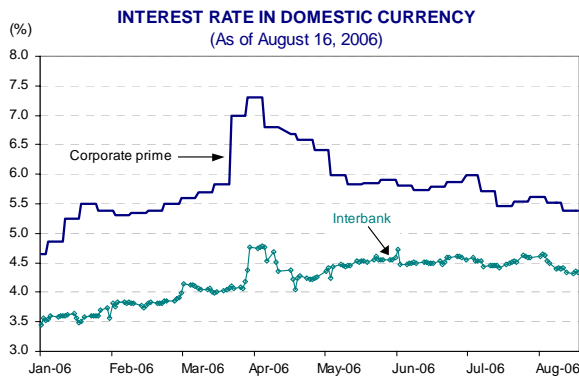


**Interbank Interest Rate in Domestic Currency**  
(August 2005 - August 2006)



**Corporate Prime interest rate dropped to 5.39 percent.**

From **August 9 to 16**, the 90-day corporate prime rate in soles fell from 5.51 percent to 5.39 percent, whereas this rate in dollars raised from 6.18 to 6.10 percent.



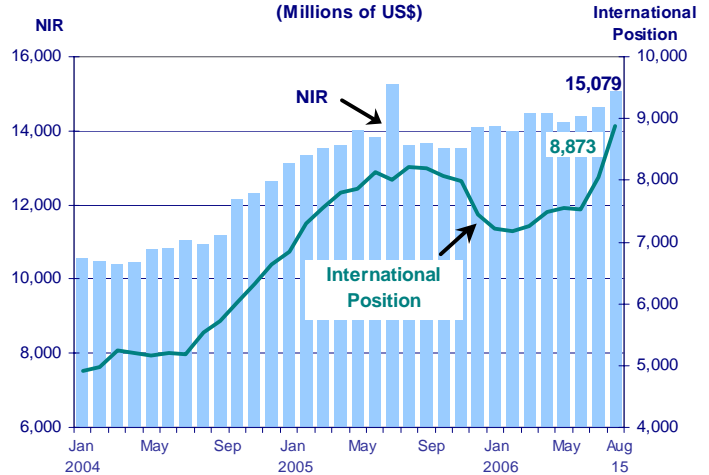
### Monetary Operations

Between **August 10 and 16**, the Central Reserve Bank made the following monetary operations: i) Auctions of temporary purchases of BCRP and BTP Certificates of Deposits by S/.130 million on August 10, with 1-day maturity at an average interest rate of 4.45 percent; ii) Purchases of foreign currency for a total of US\$ 660 million at an average exchange rate of S/.3.229 per dollar; and iii) Overnight deposits for S/. 1,525 million.

### International Reserves at US\$ 15,079 million.

By **August 15**, net international reserves (NIRs) had reached US\$15,079 million, a figure US\$ 441 million higher than the one logged at the close of July. Factors accounting for this evolution include net purchases of foreign currency (US\$ 969 million), higher investment yield (US\$ 6 million) and a transitory deposit for debenture payments to the IMF (US\$ 20 million). However, this was partially offset by sales of foreign currency to the Public Sector for external debt payments by US\$ 137 million, lower deposits from the financial system and public sector (US\$ 339 and 70 million, respectively), as well as lower prices for gold (US\$ 7 million).

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

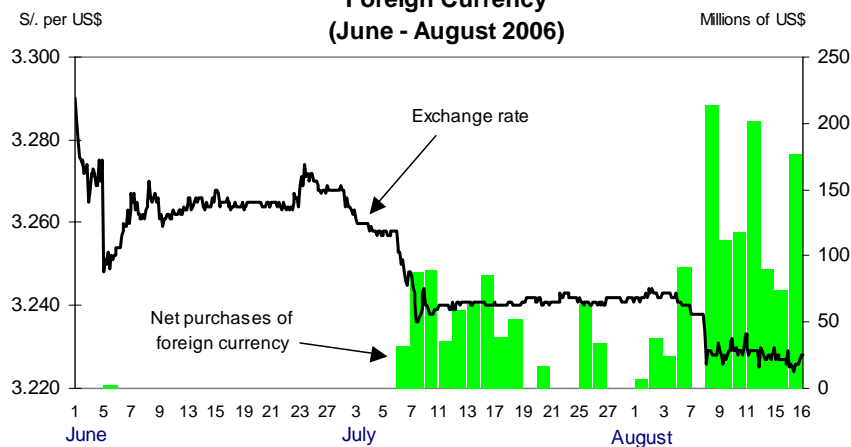


So far this year, NIRs have recorded a growth of US\$ 982 million. In the same period, the Central Bank's **international position** (US\$ 8,873 million) increased US\$ 826 million with respect to July, and US\$ 1,423 million with respect to the close of 2005.

### Nominal exchange rate: S/. 3.23 per dollar

As of August 16, the ask price of the interbank exchange rate closed at S/. 3.228 per dollar, which represented a 0.4 percent appreciation of the nuevo sol with respect to the end of July. During the past month, the BCRP intervened in the exchange market purchasing a total of US\$1,145 million.

Interbank Ask- Exchange Rate and Net Purchases of Foreign Currency  
(June - August 2006)



By August 15, the balance of net forward sales had decreased by US\$ 608 million and banks' foreign exchange position had declined by US\$ 77 million with respect to the close of July.

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

	December 2005	January 2006	February	March	April	May	Jun	July	August 15
<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>1,706</b>	<b>1,457</b>	<b>849</b>
i. Forward sales to the public	1,813	2,092	1,880	2,426	2,060	2,233	2,387	2,149	1,888
ii. Forward purchases to the public	785	863	771	847	504	787	681	692	1,039
<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>450</b>	<b>449</b>	<b>372</b>

### Monetary base by August 15, 2006

The **monetary base** by August 15 (S/. 11,596 million) decreased 3.3 percent (S/. 400 million) with respect to the close of July. In average terms, the annual growth rate of the monetary base in this period was 13 percent (12.7 percent in July).

By sources, the operations that contributed most heavily to the reduction of the monetary base included lower temporary purchases of securities (S/. 1,824 million), net placements of BCRP Certificate of Deposits (S/. 1,283 million), sales of foreign currency to the public sector (US\$137 million or S/. 442 million) and higher overnight deposits by banks (S/. 146 million). Conversely, the monetary base increased due to purchases of foreign currency at the Central Bank's Front Office (US\$ 969 million or S/. 3,129 million) and lower public sector deposits (S/. 140 million).

### Banks' monetary accounts by July 22, 2006

During the past 4 weeks, liquidity in **domestic** currency increased 3.6 percent (S/. 1,021 million), reaching a total balance of S/. 29,704 million (which represents an annual growth of 3.7 percent). Credit to the private sector in this currency rose 1.9 percent (S/. 321 million) totaling S/. 17,144 million (annual growth of 37.7 percent).

Liquidity in **foreign** currency decreased 0.5 percent (US\$ 52 million), thus showing a balance of US\$ 11,125 million (annual growth rate of 11.4 percent). Credit to the private sector in this currency grew 0.9 percent (US\$ 98 million) totaling US\$ 10,754 million (annual growth rate of 2.5 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>												
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%
Apr.	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%
Jun.	2.3%	16.0%	0.9%	3.3%	2.1%	38.8%	-0.1%	11.0%	-0.6%	-25.1%	2.4%	2.3%
Jul. 22	7.3%	11.2%	3.6%	3.7%	1.9%	37.7%	-0.5%	11.4%	-6.2%	-30.6%	0.9%	2.5%

Memo:

Balance as of Jun. 22 (Mill. S/ or Mill. US\$)	10 897	28 683	16 823	11 177	701	10 657
Balance as of Jul. 22 (Mill. S/ or Mill. US\$)	11 689	29 704	17 144	11 125	657	10 754

1/ Short term external liabilities of banking enterprises.

## Gross Domestic Product: June 2006

In June the GDP grew **6.9** percent as a result of which a growth of 6.6 percent was accumulated during the first semester of the year. This evolution was mainly associated with the positive performance of the manufacturing, mining and construction sectors.

The growth of the manufacturing activity was explained by the higher production of **primary sectors** as refining of non-ferrous metals, fish meal and fish oil preparation and meat products, as well as by higher production in the **non-primary sectors** linked to the favorable performance of construction (metallic products, building materials and cement), mining (explosives and chemical and natural essences) and the increase of the domestic demand (pharmaceutical products, toilet and cleaning products, preserves, chocolate shop, alcoholic beverages, dairy products, and beer and malt beverages).

Also contributed to the month's growth the higher activity of the mining sector due to the evolution of the gold, copper, silver and zinc and of the construction sector driven by the projects executed by local governments.

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

	June		January - June	
	2005	2006	2005	2006
<b>Agriculture and Livestock</b>	<b>7.4</b>	<b>0.4</b>	<b>4.3</b>	<b>3.2</b>
Agriculture	8.8	-2.7	4.5	2.0
Livestock	4.8	6.2	4.3	5.1
<b>Fishing</b>	<b>-3.6</b>	<b>-6.2</b>	<b>5.8</b>	<b>-2.3</b>
<b>Mining and Fuel</b>	<b>10.6</b>	<b>5.1</b>	<b>2.9</b>	<b>6.6</b>
Metallic mining	9.4	5.0	0.6	6.7
Natural gas and oil	36.0	5.9	35.8	1.6
<b>Manufacturing</b>	<b>8.0</b>	<b>6.5</b>	<b>7.7</b>	<b>4.7</b>
Based on raw materials	0.2	5.6	2.8	1.3
Non-primary	10.6	6.8	9.1	5.5
<b>Electricity and water</b>	<b>4.6</b>	<b>6.5</b>	<b>4.6</b>	<b>5.6</b>
<b>Construction</b>	<b>2.9</b>	<b>16.0</b>	<b>4.5</b>	<b>14.8</b>
<b>Commerce</b>	<b>3.0</b>	<b>8.3</b>	<b>6.1</b>	<b>8.7</b>
<b>Other services</b>	<b>5.5</b>	<b>7.3</b>	<b>5.6</b>	<b>6.9</b>
<b><u>GROSS VALUE ADDED (GVA)</u></b>	<b><u>5.9</u></b>	<b><u>6.7</u></b>	<b><u>5.6</u></b>	<b><u>6.7</u></b>
Taxes on products and import duties	0.3	9.1	8.6	5.5
<b><u>GDP</u></b>	<b><u>5.3</u></b>	<b><u>6.9</u></b>	<b><u>5.9</u></b>	<b><u>6.6</u></b>
Primary sector GVA	6.7	2.4	3.6	3.8
Non-primary sector GVA	5.6	7.9	6.2	7.6
Domestic demand indicator	2.5	9.9	4.2	8.6

The **agriculture and livestock** sector slightly grew 0.4 percent compared with June of the 2005, month of abundant agricultural crops. The products that contributed positively to the overall result were poultry and meat associated to the higher domestic demand, coffee due to the better weather conditions, potato stimulated by better prices with respect to the previous season and asparagus due to higher harvested areas. This growth compensated the lower rice and cotton production explained by the delay of rains in the sowing period and of olive due to the crops concentration in prior months.

The **fishing sector** reduced its activity (-6.2 percent) due to lower catches for human consumption, mainly frozen products (prawn and giant squid). This reduction was compensated by more anchovy catches with respect to the same month of the previous year.

The **mining and fuel sector** showed a 5.1 percent growth as a result of the higher gold, copper, silver and zinc production. In the case of gold, the positive performance was explained by the higher production of Alto Chicama; in the copper by the production of Southern and Tintaya and in the case of silver and zinc by the economic activity of Volcan and Antamina.

This evolution took place in a context of favorable prices for these metals. Thus, the average quotation of gold increased to US\$ 596.8 per ounce, rising 38.3 percent with respect to June 2005. The average price of silver was US\$ 10.8 per ounce, increasing 46.9 percent with respect to June 2005, while the quotation of copper reached a level of US\$ 326 dollar cents, recording a 104.2 percent rise with respect to the same month in 2005.

On the other hand, the hydrocarbons production rose 5.9 percent due to the partial recovery from problems arising from the gas pipeline of Camisea.

Processing of raw materials in the **manufacturing sector** increased 5.6 percent, due to the higher refining of non-ferrous metals related to the expansion of production capacity of one of the main refineries, flour and oil of fish due the higher anchovy supply, and meat products due to the higher internal consumption of sausages. This result was partly reduced as a result of the smaller petroleum refining activity due to the growing replacement of liquid fuels of petroleum by-products in the electric and industry sectors in favor of fuels obtained from Camisea's gas.

**Non-primary manufacturing** grew 6,8 percent, associated to the greater dynamism of: explosives and natural and chemical essences as a result of higher sales to the mining and construction sectors; pharmaceutical products due to a higher demand of the public health sector; toilet and cleaning products as more sales of detergents were registered; metallic products for structural use in the mining and construction sectors; cement for exports and domestic demand; dairy products due to a more diversification of products; beer prompted by the growth in the domestic demand and vegetables and fruits preservation due to the introduction of new products.

#### Industries with higher increases Jun 2006

CIU	Jun	
	Var. %	Contrib. % 1/
Explosives and natural and chemical essences	49.2	1.0
Pharmacy products	57.4	0.9
Cleaning and polishing preparations and toilet preparations	44.4	0.8
Manufacture of structural metal products	29.1	0.6
Cement	14.5	0.6
Paper and cardboard	48.4	0.6
Dairy products	20.0	0.5
Beer & Malta	27.1	0.5
Processing and preserving of fruit and vegetables	43.7	0.5
<b>Subtotal</b>	<b>31.4</b>	<b>6.6</b>
<b>Total</b>	<b>6.8</b>	

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.



The branches that posted a higher contraction were: mill products mainly due to the smaller production of hulled rice, furniture due to a demand reduction, other clothing articles due to a higher competence of imported products, knitted fabrics due to inventories leveling as well as lower foreign orders from some representative businesses, and press activities due to the lower exports of an important business of the sector.

**Industries with higher decreases  
Jun 2006**

CIU	Jun	
	Var. %	Contrib. % 1/
Grain mill and bakery products	-20.5	-1.0
Manufacture of furniture	-26.8	-0.7
Wearing apparel, except fur apparel	-5.4	-0.5
Knitted fabrics	-4.9	-0.3
Printing	-4.1	-0.2
<b>Subtotal</b>	<b>-10.3</b>	<b>-2.7</b>

1/ Percent contribution to non primary manufacturing

Source: Ministerio de la Producción.

**Construction** grew 16.0 percent in June and was reflected in the 15.7 percent increase of cement's domestic consumption, the growth of 21.9 percent in mortgage loans, provincial and local governments projects execution prior to the electoral campaign, and roads construction and maintenance.

**Employment** in companies with 10 and more workers continued to grow, according to the Ministry of Labor reports. In urban areas employment increased 6.4 percent with respect to June 2005 as a result of higher levels of employment in the urban areas outside Lima (7.2 percent), while the employment in Metropolitan Lima increased 6.2 percent. The increase of employment in urban areas outside Lima is higher than in Metropolitan Lima for the second consecutive year.

In terms of the 21 largest cities in the country, the highest rates of employment were recorded in Trujillo (17.9 percent), as a result of a higher activity of the agro-export industry mainly with asparagus and artichoke, Sullana (15.2 percent) due to the production of organic banana and alcoholic beverages, Chincha (11.8 percent) due to the activities related to green asparagus, cotton and avocado crops, and Paita (9.8 percent) as a result of a greater processing of fishing products to external markets.

### Prospects for July 2006

Preliminary indicators on the evolution in the sectors of fishing, construction, electricity and water, relevant to the economic activity of July, point to the following:

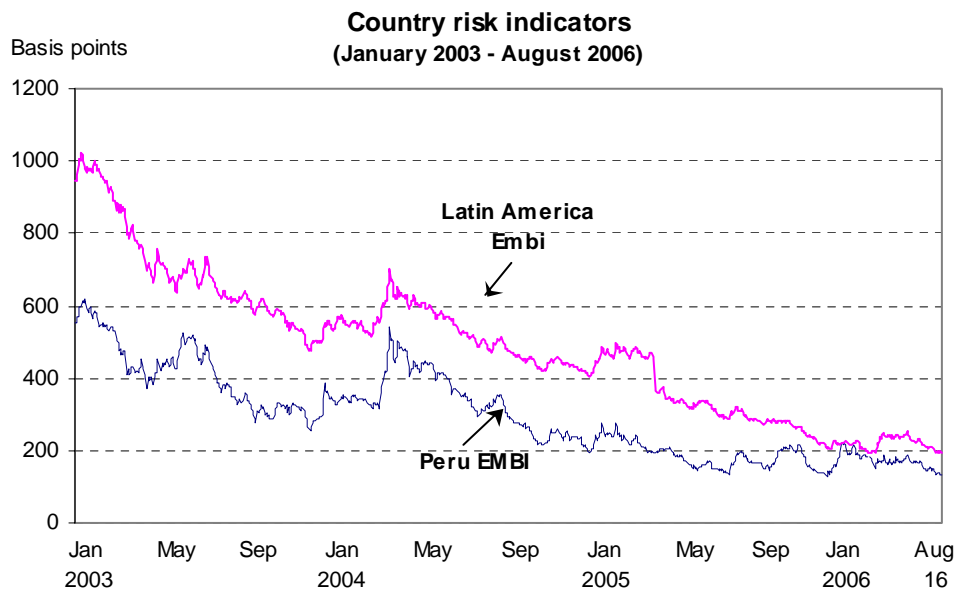
- An 83.9 percent increase in the extraction of anchovy, according to IMARPE.
- An 11.7 percent increase in local dispatches of cement, excluding those for Yanacocha, according to Asocem.
- A 9.8 percent expansion of energy production, according to the Comité de Operación Económica del Sistema Interconectado Nacional (COES).

## International Market

### Country risk: 133 basis points.

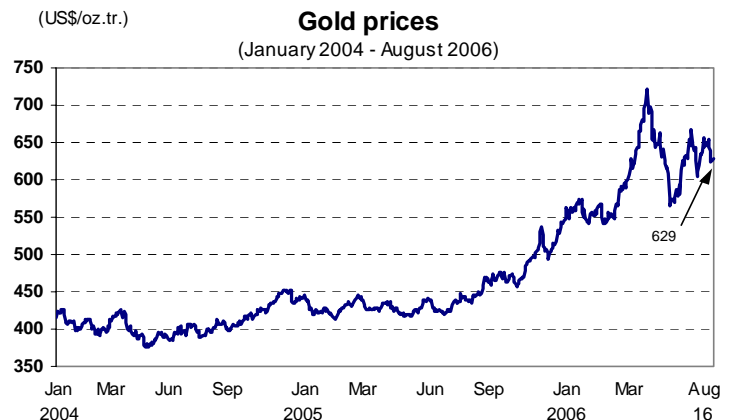
From August 9 to 16 the country risk measured by the **EMBI+ Peru spread** dropped from 135 to 133 basis points, near the historical minimum of 128 basis points reached at the end of February. This evolution was due to annual growth of GDP (6.9 percent) and accumulated growth in the first semester (6.6 percent) that show the positive performance of the economy.

The decision of Federal Reserve to hold on its basic interest rate, as well as the fall of oil prices reinforced the downward trend of *spreads* in Latin America economies.

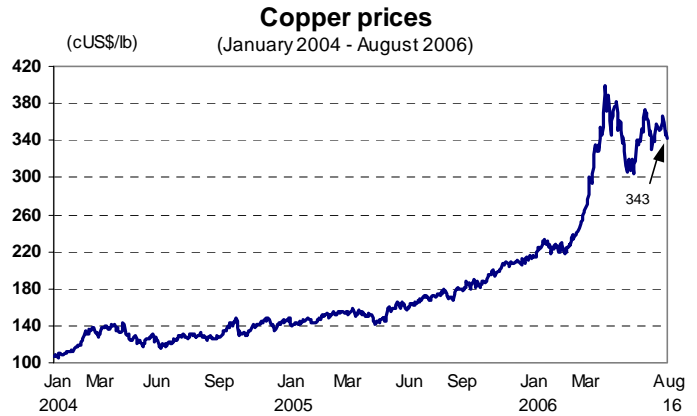


### Metal prices dropped.

In August 9 -16, the quotation of **gold** decreased 3.9 percent to US\$629.2 per troy ounce, due to weakness in oil prices and cease-fire in the Middle East. Also, the profit-taking by investment funds took place motivated by the soundness of dollar.



In the same period, the price of cooper decreased 4.4 percent to US\$ 3.43 per pound. This evolution responds to the beginning of labor negotiations between union workers and BHP Billiton, owner of the mine, La Escondida (producing 8 percent of global cooper production). Also, signals of slow growth of the economies of United State and China contributed to the fall in the price.

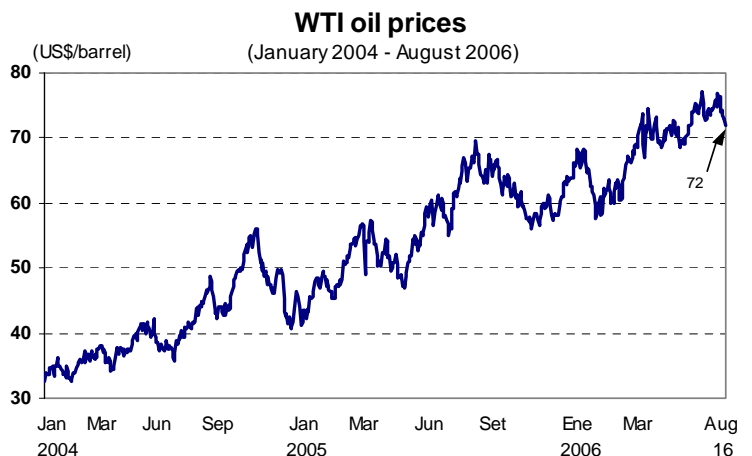


In turn, the London Metal Exchange inventories increased in 1,875 MT to reach 113,250 MT.

From August 9 to 16, the price of zinc also fell 5.1 percent to US\$1.48 per pound, despite of London Metal Exchange (LME) inventories decreased to the lowest level. The stock closed with 181 thousand MT of zinc, constituting a backward movement of 2.5 percent respect to the previous week.



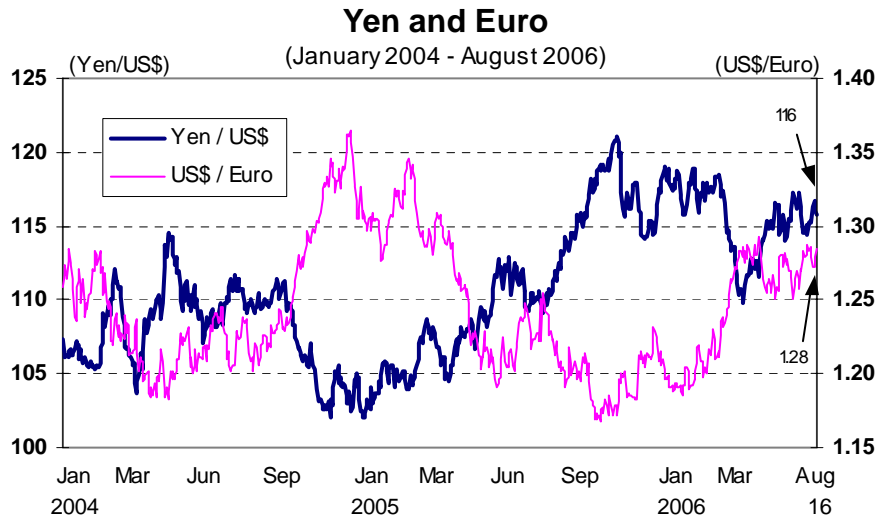
From August 9 to 16, the WTI oil price decreased 5.80 percent to US\$ 71.89 percent per barrel after British Petroleum said that it would be able to only close half of the Prudhoe Bay oil field in Alaska (keeping half of 400 thousand barrels per day), and United Nations got a cease-fire in Lebanon. Besides, the episodes in London generated expectation of smaller demand of fuels due to slow aerial traffic.



Moreover, OPEC has lowered its estimate for world oil demand in 2007 to grow by 1.3 millions of barrels per day (bpd) a downward revision of 80 thousand barrels last month, in July.

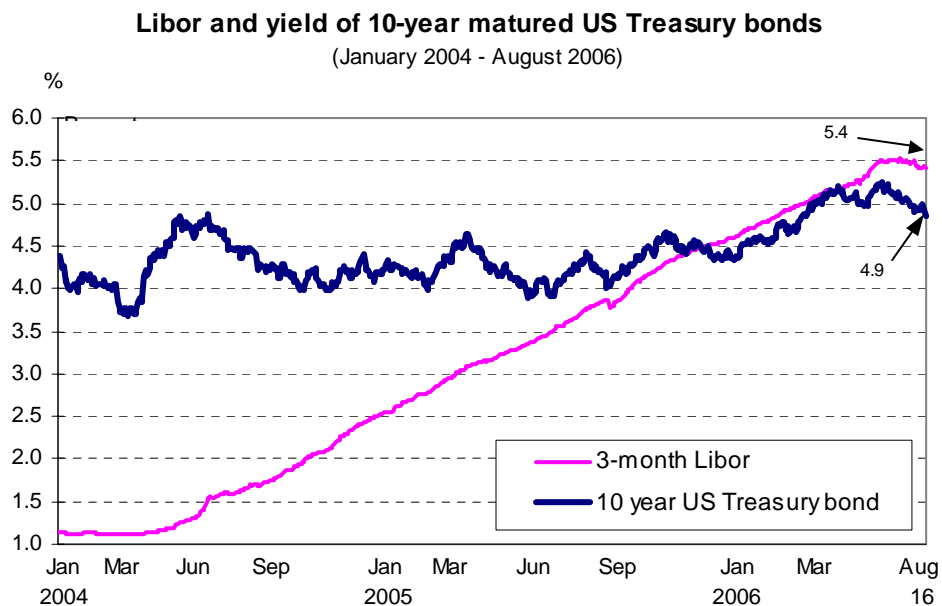
**Dollar appreciates against euro and yen.**

In the period of analysis, the dollar showed a slight appreciation of 0.2 percent against the euro and 0.5 percent against the yen. The dollar soundness for the positive index of retail sales and the frustrated attack in London; nevertheless, it was limited by indicators of activity (manufactures and construction). Whereas, the euro was favored by new report that the economy of the Euro Zone grew, higher than expected, in the second quarter and inflation remained in superior level to the target of European Central Bank, that encourage higher pressure to raise interest rate. On the other hand, the yen lost ground given greater expectation the Bank of Japan will keep its interest rate (0.25 percent), also of knowing the weak growth of Japanese economy (0.8 percent) in the second quarter.



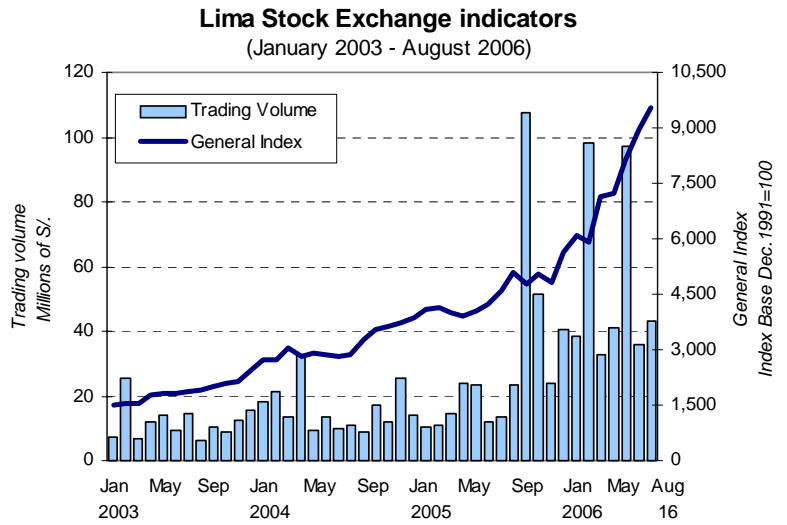
**Yield of US Treasuries with a 10 –year maturity decreased to 4.86.**

Between August 9 to 16, the 3 -month **Libor** increased from 5.40 to 5.41 percent and the yield of the US **Treasuries** to 10 –year maturity decreased from 4.94 to 4.86 percent due to data of slower pace of inflation and the fall of house construction index, that generated greater expectations of Fed will interrupted its cycle of interest rate rises again.



**So far in August, Lima Stock Exchange grows 6.5 percent.**

By August 16, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) increased 6.5 and 8.4 percent each, despite of fall of the main metals. These indices have increased, boosted by Agriculture and Livestock and Services sectors. Also, the expectation of the good performance of companies, after to know the good financial results in the second quarter, gives support to the future advance of the LSE.



Year-to-date the **General** and **Blue Chip** indices of the Lima stock Exchange have accumulated gains for 98.9 and 120.1 percent, respectively.

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

	2005					2006									
	SET.	DIC.	Abr.	May.	Jun.	31 Jul.	Jul.	10 Ago.	11 Ago.	14 Ago.	15 Ago.	16 Ago.	Ago.		
<b>RESERVAS INTERNACIONALES (Mills. US\$) / INTERNATIONAL RESERVES</b>															
Posición de cambio / <i>Net international position</i>	8 192	7 450	7 485	7 541	7 525	8 047	522	8 657	8 846	8 929	8 873		826		
Reservas internacionales netas / <i>Net international reserves</i>	13 695	14 097	14 493	14 235	14 415	14 638	222	15 011	15 000	15 095	15 079		441		
Depósitos del sistema financiero en el BCRP / <i>Financial system deposits at BCRP</i>	2 984	4 165	4 860	4 367	4 731	4 248	-483	4 051	3 944	3 957	3 909		-339		
Empresas bancarias / <i>Banks</i>	2 876	4 076	4 620	4 167	4 543	4 072	-471	3 873	3 664	3 675	3 666		-406		
Banco de la Nación / <i>Banco de la Nación</i>	56	33	178	133	118	94	-24	97	199	201	162		68		
Resto de instituciones financieras / <i>Other financial institutions</i>	52	57	62	67	70	82	12	81	80	80	81		-1		
Depósitos del sector público en el BCRP / <i>Public sector deposits at BCRP *</i>	2 572	2 533	2 186	2 375	2 208	2 389	181	2 329	2 236	2 234	2 319		-70		
<b>OPERACIONES CAMBIARIAS BCR (MILL. US\$) / BCRP FOREIGN OPERATIONS</b>															
	Acum.	Acum.	Acum.	Acum.	Acum.		Acum.						Acum.		
Compras netas en Mesa de Negociación / <i>Net purchases of foreign currency</i>	-25	-581	1	1	2	0	472	117	202	90	-63	114	944		
Operaciones swaps netas / <i>Net swap operations</i>	33	-345	0	1	3	0	660	118	202	90	74	177	1 145		
Operaciones con el Sector Público / <i>Public sector</i>	0	0	0	0	0	0	0	0	0	0	0	0	0		
	-58	-237	0	0	0	0	-189	0	0	0	-137	-63	-200		
<b>TIPO DE CAMBIO (S/. por US\$) / EXCHANGE RATE</b>															
	Prom.	Prom.	Prom.	Prom.	Prom.		Prom.						Prom.		
Compra interbancario / <i>Interbank Average</i>	3,306	3,423	3,329	3,277	3,262	3,240	3,243	3,228	3,228	3,227	3,226	3,225	3,232		
Venta Interbancario / <i>Interbank Ask</i>	Apertura / <i>Opening</i>	3,308	3,427	3,338	3,283	3,266	3,241	3,245	3,231	3,230	3,233	3,227	3,227	3,235	
	Mediodía / <i>Midday</i>	3,309	3,425	3,332	3,279	3,265	3,242	3,244	3,229	3,229	3,228	3,227	3,226	3,233	
	Cierre / <i>Close</i>	3,309	3,424	3,333	3,279	3,265	3,241	3,244	3,233	3,230	3,230	3,229	3,228	3,235	
	Promedio / <i>Average</i>	3,309	3,426	3,333	3,280	3,265	3,241	3,244	3,230	3,229	3,229	3,227	3,226	3,234	
Sistema Bancario (SBS) / <i>Banking System</i>	3,307	3,423	3,331	3,278	3,263	3,237	3,243	3,229	3,228	3,228	3,228	3,227	3,225	3,233	
Índice de tipo de cambio real (1994 = 100) / <i>Real exchange rate Index (1994 = 100)</i>	107,3	109,1	106,9	107,6	106,1		106,3								
<b>INDICADORES MONETARIOS / MONETARY INDICATORS</b>															
<b>Moneda nacional / Domestic currency</b>															
Emisión Primaria / <i>Monetary base</i>	(Var. % mensual) / <i>(% monthly change)</i>	-0,1	13,1	0,3	-1,6	2,3	8,0	8,0							
	(Var. % últimos 12 meses) / <i>(% 12-month change)</i>	31,8	25,7	18,3	15,5	16,0		11,7							
Oferta monetaria / <i>Money Supply</i>	(Var. % mensual) / <i>(% monthly change)</i>	-0,6	5,3	-3,7	-1,2	0,9									
	(Var. % últimos 12 meses) / <i>(% 12-month change)</i>	27,9	19,5	6,0	4,7	3,3									
Crédito sector privado / <i>Crédit to the private sector</i>	(Var. % mensual) / <i>(% monthly change)</i>	2,0	7,0	1,3	0,5	2,1									
	(Var. % últimos 12 meses) / <i>(% 12-month change)</i>	21,0	34,8	38,6	37,0	38,8									
TOSE saldo fin de período (Var. % acum. en el mes) / <i>TOSE balance (% change)</i>		0,5	-0,7	-6,0	1,2	1,9	0,2	0,2	2,5	6,5	5,7				
Superávit de encaje promedio (% respecto al TOSE) / <i>Average reserve surplus (% of TOSE)</i>		1,0	1,0	1,4	1,3	1,2	1,2	1,2	2,5	2,3	2,1				
Cuenta corriente de los bancos (saldo mill. S/.) / <i>Banks' current account (balance)</i>		286	312	341	242	229	105	250	108	211	456	143	143		
Créditos por regulación monetaria (millones de S/.) / <i>Rediscounts (Millions of S/.)</i>		0	0	0	0	0	0	0	0	0	0	0	0		
Depósitos públicos en el BCRP (millones S/.) / <i>Public sector deposits at the BCRP (Mills.S/.)</i>		5 169	4 738	7 570	7 222	7 847	9 431	9 431	9 551	8 886	9 100	9 291	n.d		
Certificados de Depósitos BCRP (saldo Mill.S/.) / <i>CDBCRP balance (Millions of S/.)</i>		9 738	7 676	4 986	4 436	3 796	3 224	3 224	3 667	4 421	4 533	4 507	4 903		
CD Reajustables BCRP (saldo Mill.S/.) / <i>CDBCRP balance (Millions of S/.)</i>		0	1 202	1 197	1 197	700	670	670	670	670	670	670	670		
Operaciones de reporte (saldo Mill. S/.) / <i>repos (Balance millions of S/.)</i>		0	2 850	3 617	2 365	2 092	2 352	2 352	758	628	578	528	458		
TAMN / <i>Average lending rates in domestic currency</i>		25,59	23,63	24,30	24,38	24,32	23,67	24,18	24,04	24,12	24,19	24,16	24,20	24,13	
Préstamos y descuentos hasta 360 días / <i>Loans &amp; discount</i>		14,67	13,93	14,54	14,87	14,92	14,63	14,85	14,68	14,70	14,71	14,74	14,74	14,68	
Interbancaria / <i>Interbank</i>		2,99	3,34	4,42	4,48	4,53	4,60	4,50	4,42	4,34	4,32	4,35	4,33	4,40	
Preferencial corporativa a 90 días / <i>Corporate Prime</i>		3,80	4,37	6,84	5,99	5,80	5,61	5,67	5,39	5,39	5,39	5,39	5,39	5,48	
Operaciones de reporte con CDBCRP / <i>CDBCRP repos</i>		s.m.	3,25	4,79	4,71	4,88	4,82	4,82	4,85	4,85	4,85	4,85	4,85		
Créditos por regulación monetaria / <i>Rediscounts **</i>		3,75	4,00	5,00	5,25	5,25	5,25	5,25	5,25	5,25	5,25	5,25	5,25		
Del saldo de CDBCRP / <i>CDBCRP balance</i>		4,64	4,72	4,87	4,90	4,95	5,03	5,03	5,03	4,91	4,93	4,98	4,95		
<b>Moneda extranjera / Foreign currency</b>															
Crédito sector privado / <i>Crédit to the private sector</i>	(Var. % mensual) / <i>(% monthly change)</i>	-1,4	-0,4	0,6	3,0	2,4									
	(Var. % últimos 12 meses) / <i>(% 12-month change)</i>	4,6	4,8	0,4	1,4	2,3									
TOSE saldo fin de período (Var. % acum. en el mes) / <i>TOSE balance (% change)</i>		1,1	7,5	-2,8	-2,7	2,9	1,4	1,4	1,5	0,1	0,1				
Superávit de encaje promedio (% respecto al TOSE) / <i>Average reserve surplus (% of TOSE)</i>		0,4	0,4	0,3	0,2	0,3	0,3	0,3	10,3	9,9	6,4				
Créditos por regulación monetaria (millones de US dólares) / <i>Rediscounts</i>		0	0	0	0	0	0	0	0	0	0	0	0		
TAMEX / <i>Average lending rates in foreign currency</i>		10,01	10,41	10,49	10,56	10,55	10,65	10,66	10,62	10,64	10,63	10,63	10,69	10,65	
Préstamos y descuentos hasta 360 días / <i>Loans &amp; discount</i>		8,90	9,37	9,67	9,73	9,70	9,85	9,82	9,89	9,89	9,89	9,90	9,90	9,89	
Interbancaria / <i>Interbank</i>		3,52	4,19	4,46	4,84	4,80	5,22	5,22	5,22	5,24	5,24	5,25	5,23		
Preferencial corporativa a 90 días / <i>Corporate Prime</i>		4,39	5,51	6,05	5,97	6,00	6,07	6,03	6,10	6,10	6,10	6,10	6,13		
Créditos por regulación monetaria / <i>Rediscounts ***</i>		s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.		
<b>INDICADORES BURSÁTILES / STOCK MARKET INDICES</b>															
	Acum.	Acum.	Acum.	Acum.	Acum.		Acum.						Acum.		
Índice General Bursátil (Var. %) / <i>General Index (% change)</i>	10,0	-4,6	20,7	1,0	13,1	1,2	9,6	0,1	3,0	-0,1	0,1	-1,2	6,5		
Índice Selectivo Bursátil (Var. %) / <i>Blue Chip Index (% change)</i>	9,6	-4,9	23,3	0,4	13,1	1,7	12,5	0,3	3,7	0,1	0,0	-1,8	8,4		
Monto negociado en acciones (Mill. S/.) - Prom. diario	23,2	23,7	32,6	41,2	97,4	20,5	36,1	43,0	50,8	32,4	97,4	34,1	42,9		
<b>INFLACIÓN (%) / INFLATION (%)</b>															
Inflación mensual / <i>Monthly</i>	-0,09	0,42	0,51	-0,53	-0,13		-0,17								
Inflación últimos 12 meses / <i>12 months change</i>	1,11	1,49	2,90	2,23	1,83		1,55								
<b>GOBIERNO CENTRAL (MILL. S/.) / CENTRAL GOVERNMENT (Mills. of S/.)</b>															
Resultado primario / <i>Primary balance</i>	177	-2 451	3 478	716	796										
Ingresos corrientes / <i>Current revenue</i>	3 442	3 674	6 518	4 095	3 999										
Gastos no financieros / <i>Non-financial expenditure</i>	3 281	6 173	3 076	3 390	3 227										
<b>COMERCIO EXTERIOR (Mills. US\$) / FOREIGN TRADE (Mills. of US\$)</b>															
Balanza Comercial / <i>Trade balance</i>	471	924	690	690	767										
Exportaciones / <i>Exports</i>	1 493	1 975	1 803	1 943	2 023										
Importaciones / <i>Imports</i>	1 021	1 050	1 113	1 253	1 255										
<b>PRODUCTO BRUTO INTERNO (Índice 1994=100) / GROSS DOMESTIC PRODUCT</b>															
Varia. %, respecto al mismo mes del año anterior / <i>Annual rate of growth (12 months)</i>	6,3	7,2	4,1	6,9	6,9										
<b>COTIZACIONES INTERNACIONALES / INTERNATIONAL QUOTATIONS</b>															
	Prom.	Prom.	Prom.	Prom.	Prom.		Prom.						Prom.		
LIBOR a tres meses (%) / <i>LIBOR 3-month (%)</i>	3,90	4,49	5,07	5,19	5,38	5,47	5,50	5,40	5,41	5,42	5,43	5,41	5,44		
Dow Jones (Var. %) / <i>(% change)</i>	1,44	-0,82	2,32	-1,75	-1,74	-0,30	0,32	0,44	-0,33	0,09	1,19	0,86	1,26		
Rendimiento de los U.S. Treasuries (10 años) / <i>U.S. Treasuries yield (10 years)</i>	4,19	4,46	4,98	5,10	5,10	4,98	5,09	4,93	4,97	5,00	4,93	4,86	4,94		
Stripped spread del EMBI+ PERÚ (pbs) / <i>EMBI+ PERU stripped spread (basis points)</i>	150	185	191	169	173	152	160	140	138	136	135	133	141		

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

\*\* A partir del 5 de mayo de 2006, esta tasa se elevó a 5,25%.

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

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

Elaboración: Departamento de Publicaciones Económicas.