



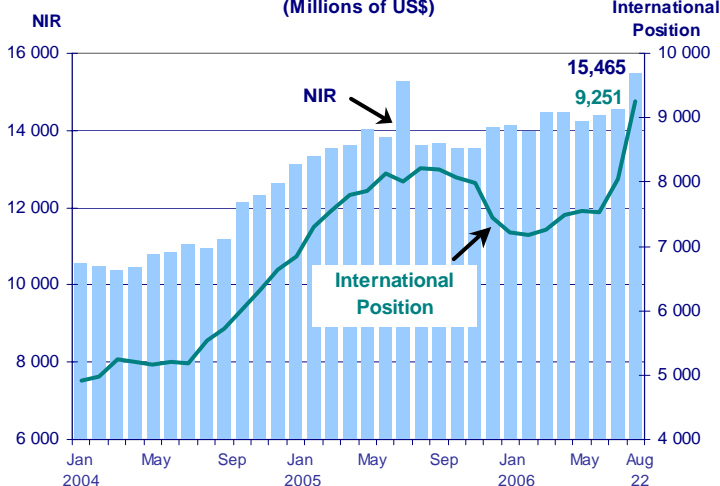
Indicators

Content

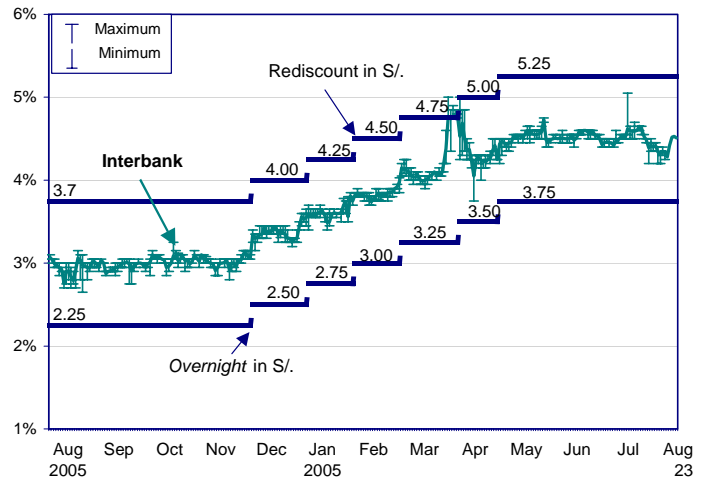
- Interbank interest rate at 4.42%.
- International Reserves: US\$ 15,465 million.
- Average exchange rate: S/. 3.24.
- Economic surplus of S/. 158 million in July 2006.
- Country risk rises to 140 basis points.
- Lima Stock Exchange grew 10 percent.

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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

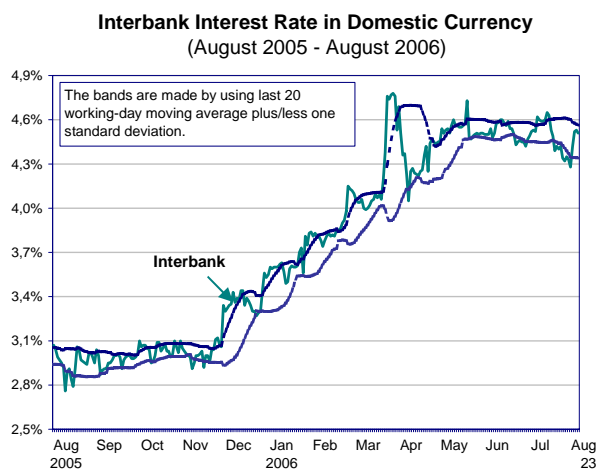
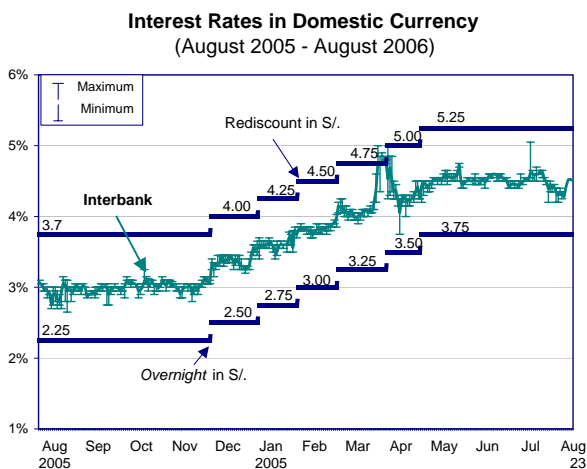
http://www.bcrp.gov.pe/bcr/ingles/

- Study Note 27: Management of Net Reserves Internationals: July 2006.
- Study Note 26: Production – June 2006
- Historical statistic series update
- Call for researchs for the Central Bank's XXIV Economist Workshop

Interbank interest rate: 4.42 percent

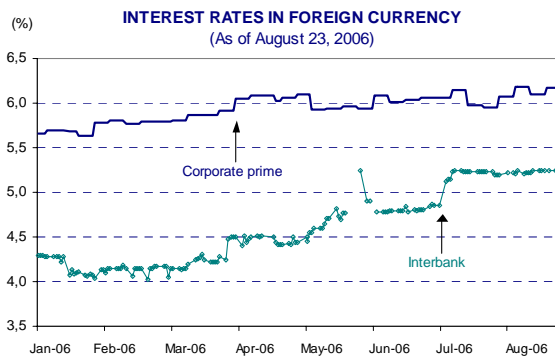
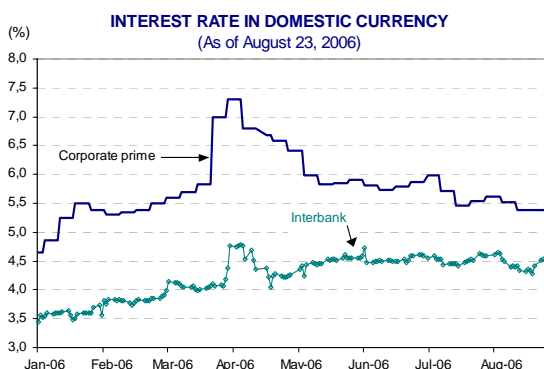
The **average interbank interest rate in domestic currency** increased from 4.33 percent to 4.51 percent between **August 16 and 23**. So far this month, the average interbank rate has reached 4.42 percent, having fluctuated between 4.28 and 4.65 percent. At the beginning of the analyzed period, the interbank rate continued to show a downward trend due to greater liquidity in the system. Since August 18, the interbank rate came gradually closer to its reference value.

<u>Interbank Interest Rate average (percent)</u>		
	<u>Average</u>	<u>Standard Deviation</u>
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 23	4,42	0,11



Corporate prime interest rate decreased to 5.38 percent

Between **August 16 and 23**, the 90-day corporate prime rate in soles decreased from 5.39 percent to 5.38 percent, while the corporate prime rate in dollars increased from 6.10 to 6.17 percent.



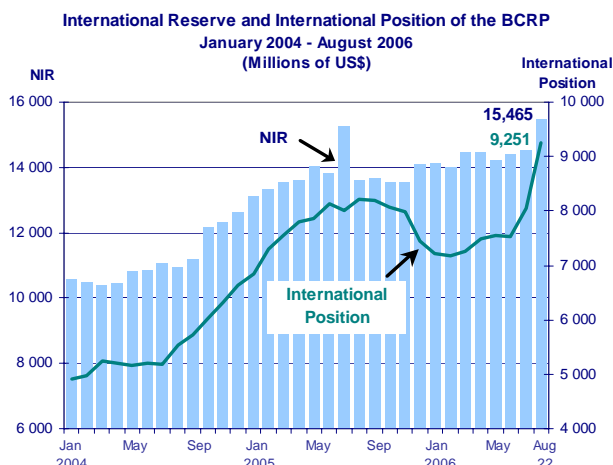
Monetary Operations

Between **August 16 and 23**, the Central Reserve Bank made the following operations:

- i) Auctions of BCRP Certificates of Deposits maturing between 1-day and 18 months at an average rate of 4.7 percent for S/. 3,043 million,
- ii) purchases of foreign currency for a total of US\$ 258 million, at an average exchange rate of S/. 3.228 per dollar; and
- iii) overnight deposits in domestic currency for S/. 506 million.

International Reserves at US\$ 15,465 million

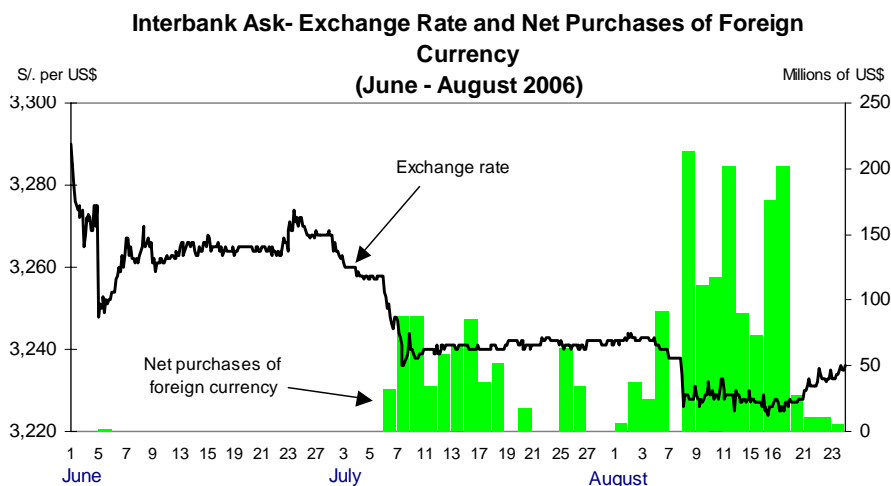
As of **August 22**, Net International Reserves (NIRs) reached US\$ 15,465 million, rising by US\$ 827 million with respect to the level recorded by the close of July. This result was mainly due to net purchases of foreign currency (US\$ 1,403 million), higher investment yield (US\$ 14 million), and a transitory deposit for payment of obligations with ALADI (US\$ 2 million), and offset by lower banks' deposits (US\$ 369 million), payment of net external debt (US\$ 200 million), lower public sector deposits (US\$ 20 million), and lower prices for gold (US\$ 4 million).



So far this year, NIRs have grown by US\$ 1,368 million. Moreover, the **BCRP's international position** (US\$ 9,251 million) increased US\$ 1,203 million with respect to the close of July and US\$ 1,800 million with respect to the close of 2005.

Nominal exchange rate at S/. 3.24 per dollar

As of August 23, the ask price of the interbank exchange rate closed at S/. 3.236 per dollar, which represented a 0.2 percent appreciation of the nuevo sol with respect to the close of July. So far this month, the Central Bank has intervened in the interbank exchange market purchasing US\$ 1,403 million.



As of August 22, the balance of net forward sales had decreased by US\$ 912 million and banks' foreign exchange position had fallen US\$ 92 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 22
a. Net sales to the public (i-ii)	1 027	1 229	1 109	1 579	1 556	1 446	1 706	1 457	635
i. Forward sales to the public	1 813	2 092	1 880	2 426	2 060	2 233	2 387	2 149	1 760
ii. Forward purchases to the public	785	863	771	847	504	787	681	692	1 125
b. Bank's exchange position	480	411	485	581	625	559	450	449	357

Economic surplus of S/. 158 million in July 2006

Central government operations in the August 2005 – July 2006 period recorded a positive accumulated primary balance of S/. 7,847 million (S/. 3,368 million in the August 2004 – July 2005 period). Current revenues increased S/. 9,760 million (25 percent), while non-financial expenditure increased S/. 5,342 million (15 percent). Accumulated interests (S/. 5,357 million) grew by 20 percent, as a result of which the economic surplus amounted to S/. 2,489 million. This result contrasts with the S/. 1,081 million deficit recorded in the August 2004 – July 2005 period.

CENTRAL GOVERNMENT OPERATIONS
(Million of Nuevos Soles)

	Monthly data			12-month period			C/A	C/B
	July			Aug 2004	Jul 2005	Aug 2005		
	2005	2006	% change	Jul 2005	Jun 2006	Jul 2006		
1. CURRENT REVENUES	3 013	4 481	48,7	38 781	47 072	48 541	25,2	3,1
A. TAX REVENUES	2 609	3 809	46,0	33 851	40 859	42 058	24,2	2,9
B. NON TAX REVENUES	404	673	66,5	4 930	6 214	6 482	31,5	4,3
2. NON-FINANCIAL EXPENDITURES	3 501	3 998	14,2	35 722	40 568	41 064	15,0	1,2
A. CURRENT	3 116	3 555	14,1	31 354	35 399	35 838	14,3	1,2
B. CAPITAL	385	442	14,9	4 368	5 169	5 226	19,7	1,1
3. CAPITAL REVENUES	130	73	-43,8	309	428	370	20,0	-13,4
4. PRIMARY BALANCE	-358	557		3 368	6 932	7 847		
5. INTEREST PAYMENTS	241	399	65,7	4 449	5 199	5 357	20,4	3,0
6. OVERALL BALANCE	-598	158		-1 081	1 733	2 489		
7. NET FINANCING	598	-158		1 081	-1 733	-2 489		
1. External	2 708	-11		5 525	-4 798	-7 517		
A. Disbursements	2 801	79		10 214	7 009	4 287		
B. Amortizations	-93	-90		-4 689	-11 807	-11 804		
2. Domestic	-2 126	-335		-4 692	2 940	4 732		
3. Privatization	17	188		248	125	296		

* In order to avoid volatility of the monthly series, this chart shows annual accumulated result. The monthly series are in the chart of weekly report.

In July, central government operations posted an **economic surplus** of S/. 158 million (recording a positive result for the fifth consecutive month), in contrast with the deficit of S/. 598 million that was logged in the same month in 2005. Likewise, the primary balance was positive in S/. 557 million, whereas a primary deficit of S/. 358 million was recorded in July 2005. This evolution is explained by the higher increase of current revenues (49 percent) vis-à-vis non-financial expenditure (which increased 14 percent). Furthermore, interests (S/. 399 million) grew by 66 percent.

The growth of **current revenues** (49 percent) is basically explained by the evolution of tax revenues (S/. 3,809 million), which increased 46 percent due to higher payments of Income Tax (117 percent), Value Added Tax (IGV) (23 percent), Excise Tax (ISC) (23 percent), and the Temporary Tax on Net Assets (ITAN) (24 percent). However, this increase was partially offset by lower revenues for import duties (15 percent) and by higher tax refunds (33 percent). On the whole, factors accounting for this result include the dynamic performance of economic activity, the rise in the price of minerals, and the expansion of imports (13 percent). It should be pointed out that current revenues increased in the month of July due to an extraordinary payment of S/. 400 million for the sale of a company's shares. However, even discounting this extraordinary payment, central government's current revenues had increased by 31 percent. On the other hand, non-tax revenues (S/. 673 million) grew by 67 percent, due to higher revenues from mining and gas royalties –reflecting the higher international prices of crude–, as well as from the Fedadoi –*Fondo Especial de Administración del Dinero Obtenido Ilícitamente en Perjuicio del Estado*– (S/. 58 million).

In July, **non-financial expenditure** (S/. 3,998 million) grew by S/. 497 million with respect to July 2005, which represented a 14 percent increase in nominal terms. By type of expenditure, this increase was explained by a higher non-financial expenditure (S/. 439 million) and, to a lesser extent, by the growth of capital expenditure (S/. 57 million). By lines of expense, goods and services grew 24 percent; transfers grew 12 percent; and salaries and wages did so by 11 percent. The increase in the case of goods and services is associated with higher spending by the Ministries of the Interior and Agriculture and with higher commissions on tax administration, while the increase in the case of transfers is associated with higher allocations to local governments and to a net transfer to EsSalud. Finally, the higher expenditure on salaries and wages reflected the policy of salary increases that has been implemented for the last 12 months, which is addressed particularly at improving the salaries of teachers and education administrative staff; health professionals; public university professors and other staff; and the military and the police. It should be also pointed out that gross capital formation (S/. 358 million) was 3 percent higher than in July 2005.

Financial expenditure (S/. 399 million) was S/. 158 million higher than in July 2005, due to increased foreign debt service payments (S/. 174 million) –mainly Global Bonds and International Organizations–, although this was offset by lower interal debt service payments (S/. 15 million), basically Sovereign Bonds.

Financing abroad was negative by S/. 11 million (US\$ 4 million) as a result of disbursements for a total of US\$ 24 million and amortizations for a total of US\$ 28 million. **Domestic financing** was also negative by S/. 335 million; this is reflected in the S/. 359 million increase in Public Treasury deposits. Furthermore, the **privatization** process accounted for US\$ 58,0 million, of which US\$ 56,8 million corresponded to the sale of 50 percent plus one of the State-owned shares of *Siderurgica del Peru* (Siderperu).

Monetary base as of August 22, 2006

The **monetary base** as of August 22 (S/. 11,575 million) decreased 3.5 percent (S/. 421 million) with respect to the close of July. In average terms, the annual growth rate of the monetary base in this period was 12.9 percent (12.7 percent in July).

By sources, the operations contributing the most to the contraction of the monetary base included net placements of BCRP Certificates of Deposits (S/. 2,253 million), lower temporary purchases of securities (S/. 1,918 million), net sales of dollars to the public sector (US\$ 193 million, or S/. 623 million), and higher public sector deposits (S/. 252 million). Conversely, the monetary base increased due to higher purchases of foreign currency at the BCRP's Front Desk (US\$ 1,397 million, or S/. 4,512 million) and to banks' lower overnight deposits (S/. 35 million).

Monetary Accounts of the Banking System as of July, 2006

In July, liquidity in **domestic currency** increased 2.8 percent (S/. 789 million), totaling S/. 29,472 million (annual growth of 1.8 percent). Credit to the private sector in this currency increased 1.4 percent (S/. 233 million), thus totaling S/. 17,209 million (annual growth of 38.0 percent).

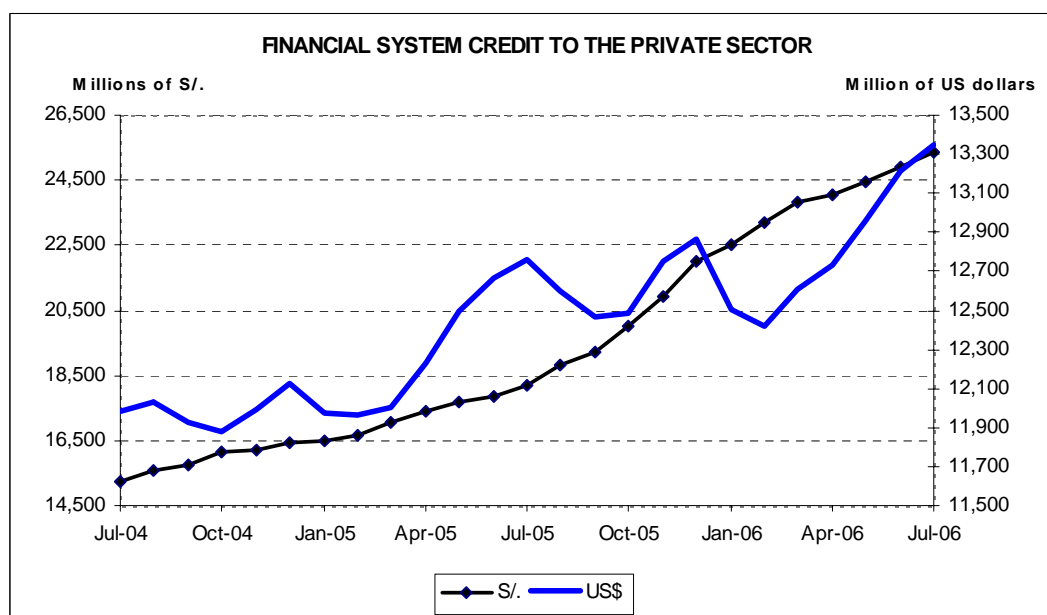
Liquidity in **foreign currency** increased 1.4 percent (US\$ 150 million), totaling US\$ 11,116 million (annual growth of 12.1 percent). Credit to the private sector in dollars grew 0.6 percent (US\$ 62 million), thus totaling US\$ 10,698 million (annual growth of 1.6 percent).

END OF PERIOD MONETARY AGGREGATES OF THE BANKING SYSTEM												
	BASE MONETARY		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		LIABILITIES 1/		CREDIT IN F/C	
	VAR. (%) MONTH	VAR. (%) YEAR	VAR. (%) MONTH	VAR. (%) YEAR	VAR. (%) MONTH	VAR. (%) YEAR	VAR. (%) MONTH	VAR. (%) YEAR	VAR. (%) MONTH	VAR. (%) YEAR	VAR. (%) MONTH	VAR. (%) YEAR
2003												
Dec.	11.5%	10.1%	3.6%	10.5%	-1.2%	5.1%	0.5%	-2.6%	-0.1%	-8.0%	-0.6%	-5.8%
2004												
Mar.	0.7%	16.6%	1.5%	12.9%	3.6%	6.3%	0.0%	-5.2%	-4.7%	8.8%	0.5%	-3.7%
Jun.	0.7%	19.2%	-0.1%	14.1%	0.8%	3.9%	3.0%	-1.5%	3.4%	28.4%	0.7%	-0.3%
Sep.	-1.0%	20.5%	2.8%	17.0%	1.6%	8.0%	-0.1%	1.3%	6.5%	30.6%	-1.2%	-0.6%
Dec.	14.9%	25.3%	5.7%	28.1%	1.0%	11.9%	0.8%	1.4%	1.6%	4.5%	1.1%	1.3%
2005												
Mar.	-0.2%	25.7%	3.7%	33.6%	2.8%	12.1%	-2.0%	2.2%	6.0%	27.0%	0.4%	3.4%
Jun.	1.9%	28.1%	2.2%	35.4%	0.8%	16.2%	-0.7%	4.9%	-4.0%	4.7%	1.5%	5.7%
Jul.	12.1%	30.6%	3.4%	36.4%	2.0%	17.1%	-0.6%	1.8%	5.9%	16.8%	0.6%	5.8%
Aug.	-5.1%	30.7%	-1.8%	32.3%	3.3%	20.5%	0.2%	3.9%	-5.0%	17.1%	-2.2%	4.8%
Sep.	-0.1%	31.8%	-0.6%	27.9%	2.0%	21.0%	1.5%	5.5%	-9.8%	-0.9%	-1.4%	4.6%
Oct.	1.2%	27.6%	1.1%	21.2%	3.6%	21.2%	0.2%	6.6%	-11.1%	6.3%	0.1%	5.4%
Nov.	0.7%	27.7%	1.6%	19.7%	5.4%	27.2%	2.8%	9.1%	9.9%	12.1%	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%
2006												
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%	-4.4%	5.2%	1.3%	38.6%	-2.3%	14.8%	-13.7%	-29.8%	0.6%	0.4%
May.	-1.6%	15.5%	-1.2%	3.9%	0.5%	37.0%	-2.1%	9.4%	1.1%	-27.7%	2.3%	0.8%
Jun.	2.3%	16.0%	0.9%	2.5%	2.1%	38.8%	-0.2%	10.0%	-0.6%	-25.1%	2.4%	1.6%
Jul.	8.0%	11.7%	2.8%	1.8%	1.4%	38.0%	1.4%	12.1%	-15.3%	-40.1%	0.6%	1.6%
Memo:												
Balance as of Jun. 30 (Mill. S/. or Mill. US\$)	11 108		28 683		16 976		10 966		684		10 636	
Balance as of Jul. 31 (Mill. S/. or Mill. US\$)	11 996		29 472		17 209		11 116		579		10 698	

1/ Short term external liabilities of banking enterprises.

Credit to the private sector in nuevos soles increased 1.9 percent in July

Financial System credit to the private sector in **domestic currency** increased 1,9 percent (S/. 472 million) in July, representing a last-12 month growth of 39.5 percent (S/. 7,192 million). Credit in **foreign currency**, on the other hand, increased 1.1 percent (US\$ 142 million) which in annual terms represents a growth of 4.6 percent (US\$ 594 million).



The expansion of **credit in soles** during July is associated with the evolution of credit in banks, which grew 2.3 percent (S/. 297 million) due to the increase in commercial loans (S/. 90 million), consumer loans (S/. 74 million), and mortgage loans (S/. 42 million). It is worth mentioning that, between January and July, banks granted more mortgage loans in soles (for a total of S/. 243 million). Moreover, institutional investors increased by 3.8 percent (S/. 133 million), and loans granted by micro-finance institutions increased by 1.2 percent (S/. 80 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN LOCAL CURRENCY

	Million of S/.			Percentage change	
	Jul05	Jun06	Jul06	Jul.06/ Jul.05	Jul.06/ Jun.06
Commercial Banks 1/	9,210	13,106	13,403	45.5	2.3
Banco de la Nación	1,153	1,371	1,353	17.4	-1.3
Microfinance institutions	4,876	6,477	6,557	34.5	1.2
Banks (microfinance credits)	1,290	1,691	1,718	33.2	1.6
Local government S&Ls	1,564	2,043	2,067	32.1	1.2
Rural S&Ls	293	398	403	37.6	1.3
Cooperatives	550	682	682	23.9	-.-
Edpymes	263	415	429	63.2	3.4
Financial companies	916	1,250	1,260	37.5	0.8
Institutional investors 2/	2,627	3,495	3,628	38.1	3.8
Pension Funds	1,539	2,399	2,521	63.9	5.1
Insurance companies	819	769	769	-6.1	-.-
Mutual funds	270	326	338	25.0	3.4
Leasing companies and others	321	457	437	36.4	-4.2
Total Financial System	18,187	24,907	25,379	39.5	1.9

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

On the other hand, the increase in **credit in dollars** is associated with a 4.7 percent growth recorded in terms of institutional investors (US\$ 75 million) due to their increased bond holding. Bank entities exhibited an expansion of 0.6 percent (US\$ 56 million) due to the greater dynamism of credit to businesses (US\$ 34 million), particularly commercial loans (US\$ 37 million).

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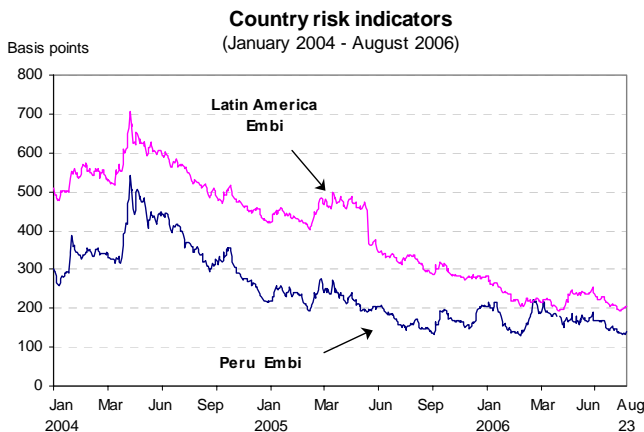
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International Markets

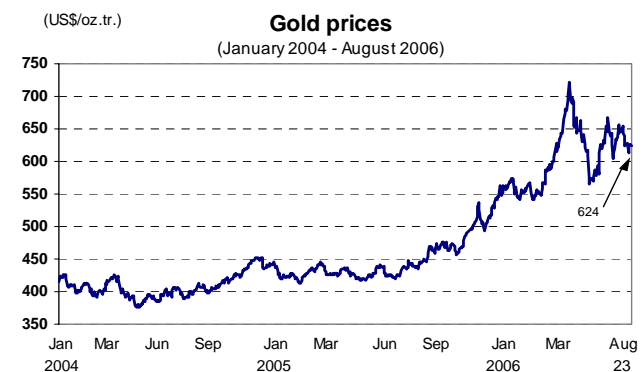
Country Risk rises to 140 basis points

Between August 16 and 23, the country risk measured by the **EMBI+ Peru** spread, increased from 133 to 140 basis points due to investors' profit taking, after the regional debt market showed improvements in previous weeks. This outlook was counterbalanced by the publication of positive economic statistics on the second quarter of 2006 and by the political calm that still prevails in the country.

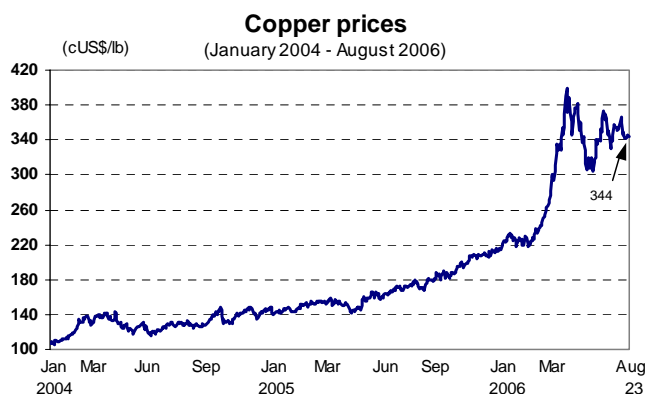


Quotations of basic metals rise

From August 16 to 23, the quotation of **gold** fell 0.8 percent to US\$ 624.4 per troy ounce, due to lower inflationary fears in the U.S. and to a drop in the price of oil, following the cease-fire between Israel and Lebanon. Furthermore, investors' profit taking during this week was driven by the volatility of the dollar.



In the same period of analysis, the quotation of **copper** increased 0.4 percent to US\$ 3.44 per pound after the mining company BHP Billiton interrupted negotiations with the workers of mine Escondida following a road blockage. On the other hand, word got around that China's imports of copper had fallen by 14.4 percent in July because they were using up part of their current inventories.

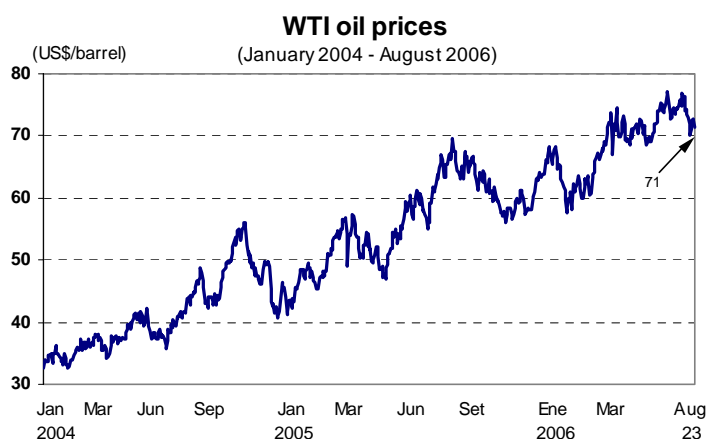


Between August 16 and 23, the price of **zinc** increased 2.3 percent to US\$ 1.51 per pound given that inventories in the London Metal Exchange fell 1.1 percent to a level of 179,175 MT.



Furthermore, the news spread that the Brazilian company Voratin Metais would be planning on investing US\$ 18 million in the zinc Bongara project, in the north of Peru, to obtain a participation of 70 percent.

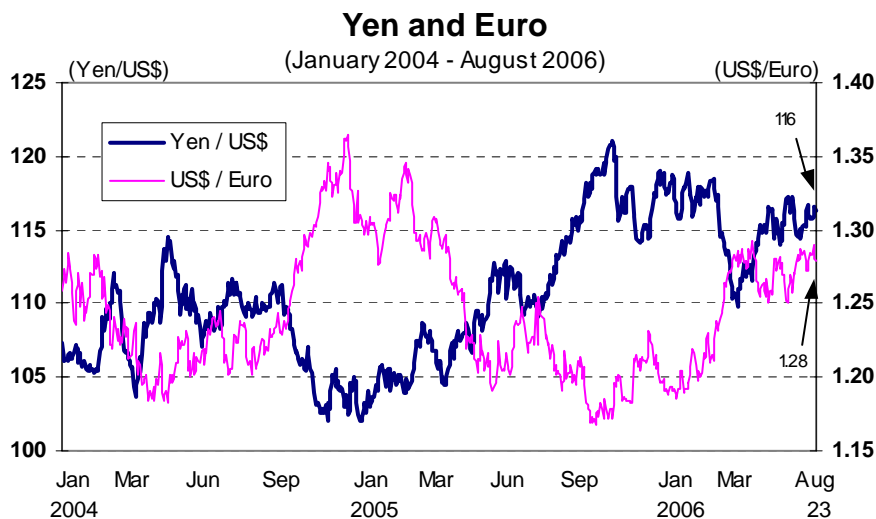
In August 16 – 23, the price of **WTI oil** fell 0.8 percent to US\$ 71.4 per barrel. In this period, the U.S. Department of Energy reported that gasoline inventories had unexpectedly increased by 402 thousand barrels to 205,8 million barrels per day over the last week, and that the supply of oil crude had dropped 643 thousand barrels/day below market expectations (1.35 million barrels per day).



In addition to this, Iran, the world's fourth largest producer of crude, agreed to resume conversations in order to solve differences generated by its nuclear program. Moreover, the drop in the price of oil was reinforced by the decline in the demand for gasoline as a result of the end of the summer season, when people in the U.S. tend to make long travels by car.

Dollar appreciates against the euro and the yen

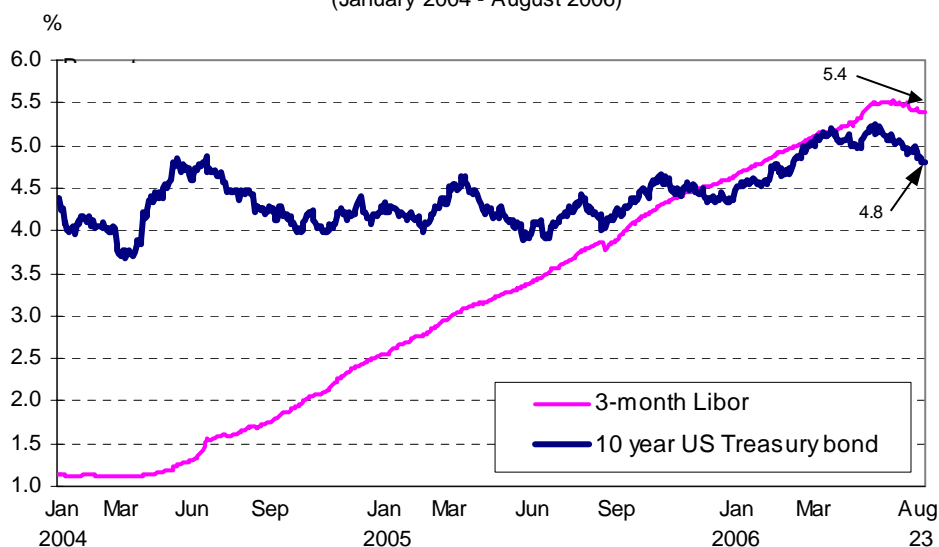
In the period of analysis, the **dollar** appreciated slightly against the **euro** and the **yen** (0.4 percent in each case). This evolution was associated with the drop in the German index of investors' confidence (the Zew Index) to its lowest level since June 2001 and with Japan's trade surplus, which was lower than expected. Another factor that might have contributed to this result was the comment of the governor of the Federal Reserve of Chicago, Michael Moskow, in favor of raising the reference rate due to the threat of a higher inflation.



Yield of US Treasuries decreases to 4.81 percent

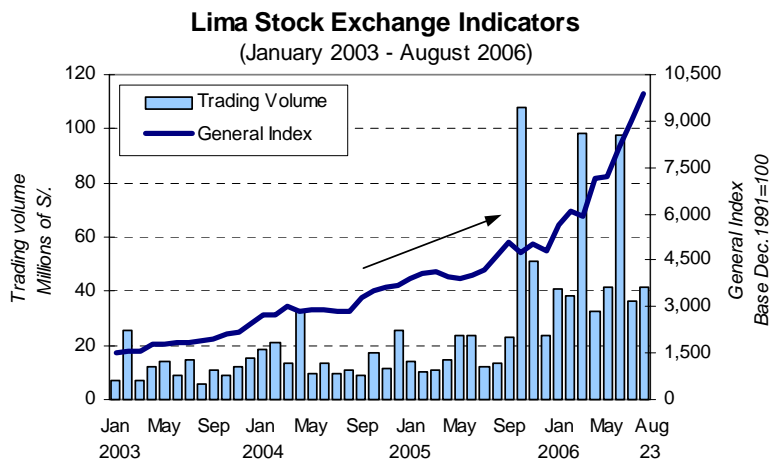
From August 16 to 23, the **3-month Libor** decreased from 5.41 to 5.40 percent, while the yield of the **US Treasuries with a 10-year maturity** did so from 4.86 to 4.81 percent. This evolution was associated with the fact that negative indicators on the U.S. economy (a drop in real estate sales and in confidence indicators) would have contributed to generate increased expectations that economic growth would slow down in this country.

Libor and yield of 10-year matured US Treasury bonds
(January 2004 - August 2006)



Lima Stock Exchange rises 10 percent as of August 23

As of August 23, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) increased 10 and 12.3 percent respectively. This result was boosted by the dynamic performance of mining shares, following the rises produced in the quotations of basic metals. On the other hand, the construction sector exhibited advances given favorable prospects for investment in the sector in the next years.



Year-to-date, the **General** and **Blue Chip** indices of the Lima Stock Exchange have accumulated gains for 106.1 and 128.8 percent respectively.