



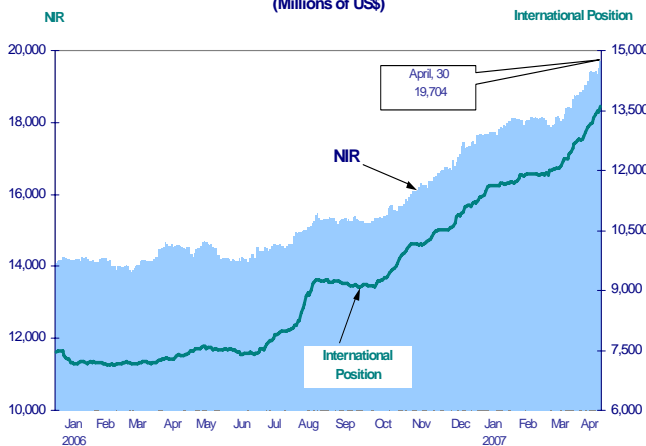
### Indicators

- ➔ BCRP maintains its interest rates.
- ➔ NIRs: New historic record.
- ➔ Exchange rate: S/. 3.172 per dollar.
- ➔ Inflation in April: 0.18 percent.
- ➔ Country risk at 113 bps. as of May 2.
- ➔ Lima Stock Exchange grew 20.5 percent in April.

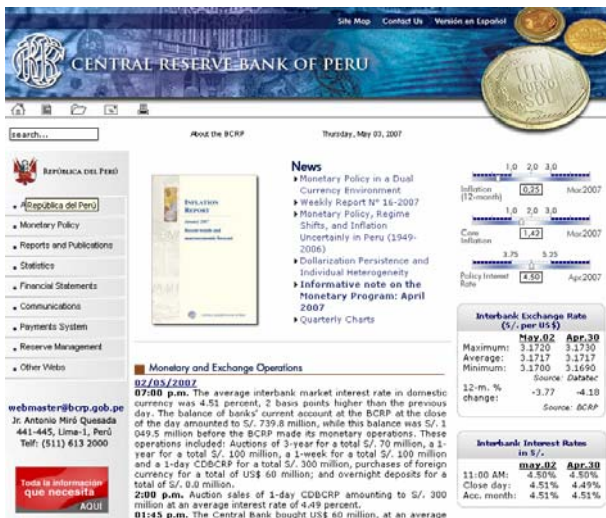
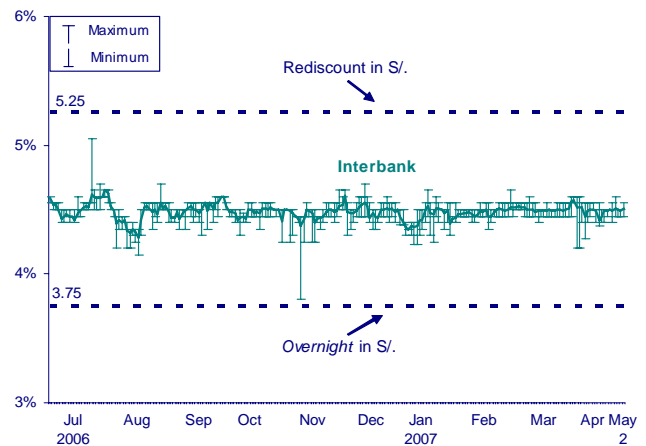
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**International Reserve and International Position of the BCRP**  
January 2006 - April 2007  
(Millions of US\$)



**Interest Rates in Domestic Currency**  
(July 2006 - May 2007)



**Our website**  
<http://www.bcrp.gob.pe>

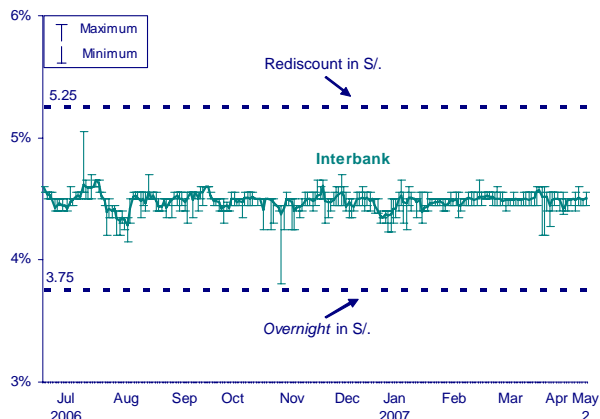
- Informative note on the Monetary Program: May 2007.
- Monetary Policy in a Dual Currency Environment.
- Monetary Policy, Regime Shifts, and Inflation Uncertainty in Peru (1949-2006).
- Dollarization Persistence and Individual Heterogeneity.
- Quarterly Charts

## Average interbank interest rate: 4.51 percent

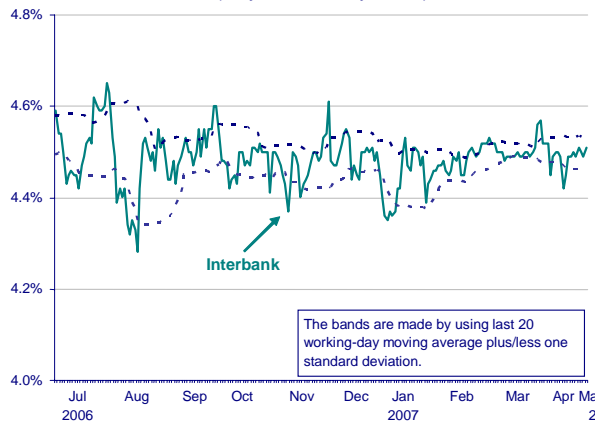
The average interbank interest rate in domestic currency as of May 2 was 4.51 percent (a similar rate was seen in April). Between April 25 and May 2, this rate increased from 4.49 to 4.51 percent.

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
August	4.44	0.01
September	4.51	0.04
October	4.50	0.04
November	4.48	0.04
December	4.51	0.04
January 2007	4.47	0.06
February	4.48	0.02
March	4.50	0.01
April	4.51	0.03
May 2	4.51	--

**Interest Rates in Domestic Currency**  
(July 2006 - May 2007)

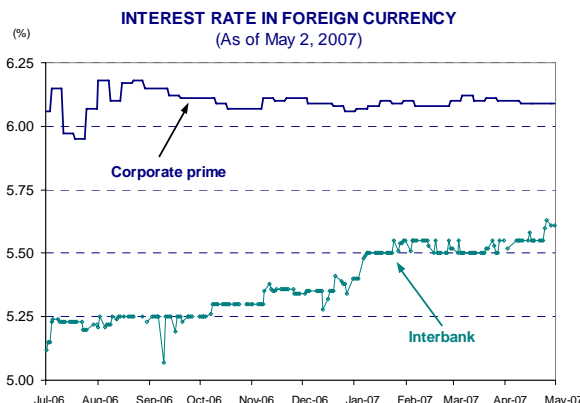
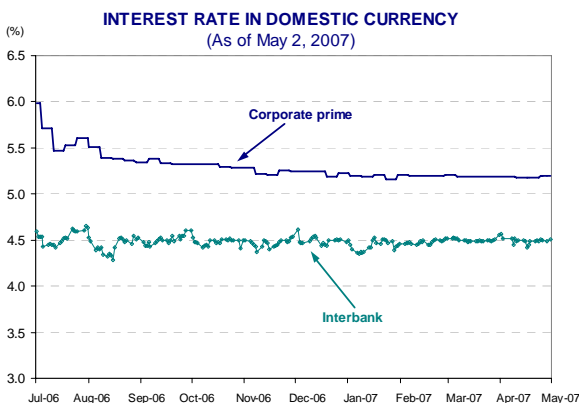


**Interbank Interest Rate in Domestic Currency**  
(July 2006 - May 2007)



## Corporate prime rate in soles increased to 5.20 percent

In the period between **April 25 and May 2**, the daily average of the 90-day corporate prime rate in domestic currency increased from 5.18 to 5.20 percent, while this rate in dollars remained at 6.09 percent.

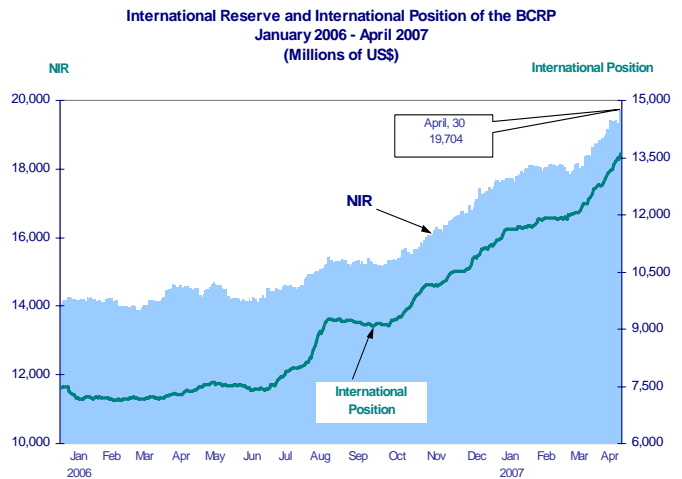


## Monetary operations

Between **April 26 and May 2**, the Central Bank made the following monetary operations: i) auctions of BCRP Certificates of Deposit with 1-day, 2-day, 3-day, 1-week, 1-year, 2-year and 3-year maturities for a daily average of S/. 362.8 million, with the average interest rate on these operations ranging between 4.35 and 5.52 percent; ii) purchases of foreign currency for a total of US\$ 300 million, at an average exchange rate of S/. 3.172 per dollar; iii) sales of foreign currency to the Public Treasury for a total of US\$ 100 million; and iv) overnight deposits in domestic currency for a total of S/. 1,015.9 million.

**International Reserves: US\$ 19,704 million on April 30**

Net international reserves (NIRs) as of **April 30** increased US\$ 1,277 million relative to the close of March and amounted to US\$ 19,704 million. This increase in the balance of NIRs was mainly due to BCRP exchange operations (US\$ 1,343 million), to higher public sector deposits (US\$ 380 million), to better prices for other securities (US\$ 93 million), and to higher investment yield (US\$ 38 million). This result was offset by sales of foreign currency to the Public Treasury for the repayment of the external debt (US\$ 300 million), by lower deposits from the financial sector (US\$ 255 million), and by lower deposits from the Deposit Insurance Fund (US\$ 26 million).

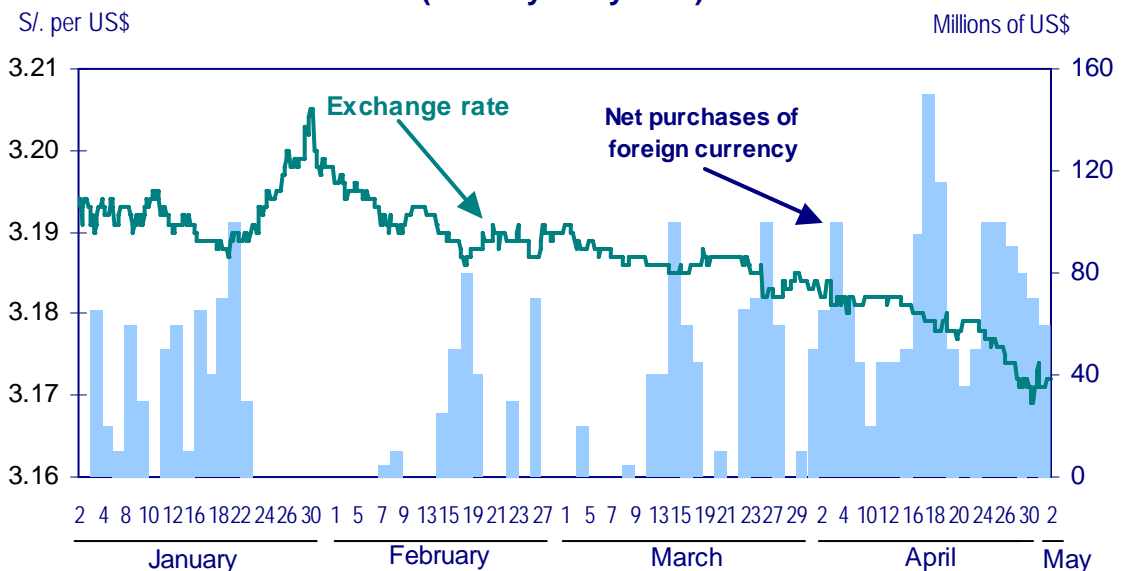


The **international position of the BCRP** (US\$ 13,589 million) as of April 30 has increased by US\$ 13,589 million relative to end March.

**Exchange Rate at S/. 3.172 per dollar**

Between April 25 and May 2, the average ask price of the interbank exchange rate fell from S/. 3.176 to S/. 3.172 per dollar. On May 2, the exchange rate was similar to the one seen at the close of April. Between April 26 and May 2, the Central Bank intervened in the exchange market purchasing US\$ 300 million at the Central Bank's Foreign Exchange Desk.

**Interbank Ask- Exchange Rate and Net Purchases of Foreign Currency (January - May 2007)**



**In April real exchange rate increased 0.7 percent**

The real multilateral exchange rate in April increased 0.7 percent relative to March 2007, a result explained by a 1.1 percent external inflation, a 0.2 percent domestic inflation, and a 0.2 percent nominal appreciation of the Nuevo sol.

**REAL MULTILATERAL EXCHANGE: 1994=100  
(January 2002 - April 2007)**



**Monetary base as of April 30, 2007**

The balance of the **monetary base** as of April 30 (S/.13,550 million) increased 1.9 percent (S/. 258 million) relative to end March. On average, the monetary base grew at an annual rate of 21.3 percent in this period (21.1 percent in March).

By sources, operations contributing to the expansion of the monetary base included purchases of foreign currency at the Central Bank’s Foreign Exchange Desk (US\$ 1,330 million, or S/. 4,226 million) and net maturities of BCRP Certificates of Deposits (S/. 281 million). Conversely, the monetary base contracted due to higher public sector deposits (S/. 3,226 million), to sales of dollars to the public sector (US\$ 300 million, or S/. 953 million), and to the increase of banks’ overnight deposits (S/. 246 million).

**Liquidity and Credit to the Private Sector as of April 7**

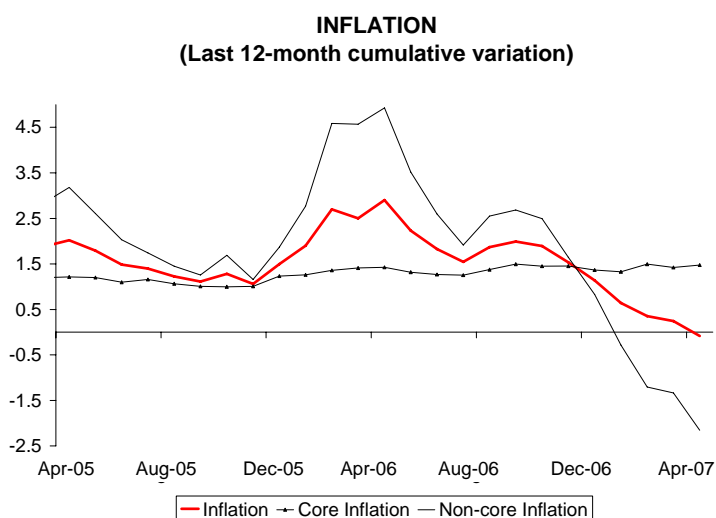
In April 7, liquidity in **domestic currency** increased 3.4 percent (S/. 1,213 million), reaching a balance of S/. 37,049 million (annual growth of 30.1 percent). Credit to the private sector in domestic currency increased by 5.2 percent (S/. 1,357 million), thus reaching a balance of S/. 27,236 million (annual growth of 33.0 percent).

On the other hand, liquidity in **foreign currency** increased 1.0 percent (US\$ 134 million), thus reaching a balance of US\$ 13,302 million (annual growth of 9.6 percent). Credit to the private sector in foreign currency grew 1.1 percent (US\$ 129 million), reaching a balance of US\$ 12,176 million (annual growth of 8.4 percent).

EVOLUTION OF LIQUIDITY AND CREDIT TO THE PRIVATE SECTOR										
	MONETARY BASE		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR
<b>2005</b>										
Mar.	-0.2%	25.7%	4.2%	35.5%	2.8%	15.5%	-1.3%	3.8%	0.4%	3.2%
Jun.	1.9%	28.1%	1.8%	34.1%	1.2%	19.0%	0.4%	5.0%	1.5%	5.5%
Sep.	-0.1%	31.8%	0.6%	39.5%	2.5%	24.6%	0.5%	4.8%	-1.2%	4.9%
Dec.	13.1%	25.7%	8.0%	33.7%	5.8%	35.4%	2.9%	10.5%	0.2%	5.9%
<b>2006</b>										
Jan.	-7.2%	25.0%	-4.4%	29.1%	1.1%	38.0%	3.3%	14.5%	-3.4%	2.4%
Feb.	0.3%	22.9%	0.9%	25.1%	2.8%	40.4%	1.7%	17.1%	0.0%	2.5%
Mar.	0.8%	24.2%	2.4%	22.9%	2.3%	39.7%	1.7%	20.7%	1.7%	3.7%
Apr.	0.3%	18.3%	-4.0%	19.0%	1.2%	39.5%	-1.0%	16.1%	0.5%	2.3%
May.	-1.6%	15.5%	-0.2%	18.2%	1.0%	38.1%	-1.1%	12.8%	3.3%	3.6%
Jun.	2.3%	16.0%	1.6%	18.0%	1.9%	39.0%	0.4%	12.9%	2.0%	4.1%
Jul.	8.0%	11.7%	2.6%	12.1%	1.6%	38.7%	1.0%	14.9%	0.5%	3.9%
Aug.	-4.2%	12.8%	1.2%	13.3%	2.0%	36.7%	0.9%	14.4%	-0.6%	5.2%
Sep.	0.9%	13.9%	1.1%	14.0%	2.5%	36.7%	0.8%	14.7%	0.9%	7.4%
Oct.	0.8%	13.5%	2.6%	15.2%	3.4%	35.7%	1.8%	15.9%	0.4%	7.6%
Nov.	2.6%	15.6%	4.2%	16.2%	3.1%	33.6%	2.4%	15.6%	1.3%	6.7%
Dec.	15.7%	18.3%	10.2%	19.0%	3.2%	29.5%	2.0%	14.6%	-1.8%	4.7%
<b>2007</b>										
Jan.	-6.8%	18.8%	0.7%	25.4%	1.4%	29.9%	-0.1%	10.9%	0.0%	8.4%
Feb.	1.5%	20.2%	0.6%	25.1%	3.2%	30.4%	0.5%	9.6%	0.8%	9.2%
Mar.	1.3%	20.7%	3.4%	26.3%	5.1%	33.9%	1.6%	9.4%	1.7%	9.2%
Apr.7.	3.8%	24.4%	3.4%	30.1%	5.2%	33.0%	1.0%	9.6%	1.1%	8.4%
Memo:										
Balance as of Mar. 7 (Mill.S./or Mill.US\$)	13,968		35,836		25,879		13,168		12,048	
Balance as of Apr. 7 (Mill.S./or Mill.US\$)	14,496		37,049		27,236		13,302		12,176	

## Inflation in April: 0.18 percent

Inflation in April recorded a rate of 0.18 percent and accumulated a last 12-month rate of -0.08 percent. Three items contributed with 0.24 percentage points to this inflation rate: fish (0.12 points), maize and eggs (0.06 points each). On the other hand, three items contributed with -0.34 percentage points to this month's inflation rate: chicken meat (-0.25 points), other vegetables (-0.05 points) and pumpkin (-0.04 points each).

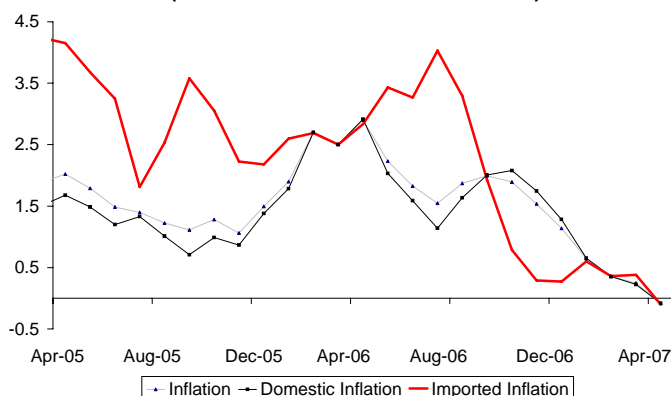


## INFLATION RATE (Annual percentage change)

	Weighting	Monthly	12-month indicator			Annual average indicator		
		Apr. 2007	Apr. 2006	Mar. 2007	Apr. 2007	Apr. 2006	Mar. 2007	Apr. 2007
<b>I. CORE INFLATION</b>	<b>60.6</b>	<b>0.13</b>	<b>1.42</b>	<b>1.42</b>	<b>1.48</b>	<b>1.19</b>	<b>1.39</b>	<b>1.39</b>
<b>Goods</b>	<b>34.0</b>	<b>0.18</b>	<b>1.02</b>	<b>0.95</b>	<b>1.08</b>	<b>0.86</b>	<b>0.88</b>	<b>0.89</b>
Food	13.0	0.13	0.93	1.40	1.60	1.03	1.29	1.35
Textile and footwear	7.6	0.35	1.36	2.42	2.65	1.46	1.63	1.74
Electrical appliances	1.0	-0.11	0.53	-1.64	-1.77	-1.71	-0.45	-0.64
Other industrial goods	12.5	0.13	0.95	-0.26	-0.21	0.50	0.08	-0.02
<b>Services</b>	<b>26.6</b>	<b>0.07</b>	<b>1.93</b>	<b>2.01</b>	<b>1.95</b>	<b>1.59</b>	<b>2.01</b>	<b>2.01</b>
Restaurants	12.0	0.13	1.05	1.30	1.43	1.05	1.24	1.27
Education	5.1	0.08	3.37	3.69	3.60	2.91	3.55	3.57
Health	1.3	0.15	1.45	0.74	0.92	2.04	0.65	0.61
Renting	2.3	0.00	1.80	-0.98	-0.98	0.20	0.31	0.07
Other services	5.9	-0.06	2.53	3.23	2.77	1.92	3.10	3.12
<b>II. NON CORE INFLATION</b>	<b>39.4</b>	<b>0.24</b>	<b>4.93</b>	<b>-1.33</b>	<b>-2.15</b>	<b>2.51</b>	<b>1.68</b>	<b>1.08</b>
Food	22.5	0.33	6.75	-1.21	-2.56	1.70	2.39	1.59
Fuel	3.9	0.11	6.49	-2.42	-2.52	8.18	2.49	1.74
Transportation	8.4	0.23	1.78	0.59	0.41	2.46	1.12	1.00
Utilities	4.6	-0.10	-0.26	-4.48	-4.58	0.18	-2.02	-2.39
<b>III. CPI</b>	<b>100.0</b>	<b>0.18</b>	<b>2.90</b>	<b>0.25</b>	<b>-0.08</b>	<b>1.74</b>	<b>1.51</b>	<b>1.26</b>
<b>Note.-</b>								
Imported Inflation	12.1	0.14	2.84	0.38	-0.10	2.74	1.78	1.53
Core Inflation	47.6	0.13	1.56	1.43	1.44	1.23	1.41	1.40
Total foods	33.2	0.27	4.97	-0.41	-1.31	1.57	1.93	1.40

**Core inflation** in April was 0.13 percent, accumulating a last 12-month rate of 1.5 percent. On the other hand, **non-core inflation** was 0.24 percent in April and accumulated a last 12-month rate of -2.2 percent. **Core inflation excluding food products and beverages** was 0.13 percent (1.4 percent in the last 12 months). **Imported inflation** this month was 0.14 percent (-0.1 percent in the last 12 months).

**INFLATION, DOMESTIC INFLATION AND IMPORTED INFLATION**  
(Last 12-month cumulative variation)



## Survey on macroeconomic expectations: May 2007

The BCRP conducted its Monthly Survey on Macroeconomic Expectations among 26 financial entities, 21 economic analysts and 392 non-financial companies between April 9 and 27.

The survey results indicate that inflation in 2007 is expected to be between 1.50-1.90 percent, that is, within the BCRP's target range (1.0 – 3.0 percent).

In terms of GDP growth, non-financial companies showed higher expectations than last month (7.3 vs. 7.0 percent); economic analysts showed slightly lower expectations (7.2 vs. 7.3 percent); and the expectations of financial companies remained unchanged (7.0 percent).

Moreover, the expectations of the different groups in terms of the exchange rate in December 2007 range between S/. 3.18 and S/. 3.20 per dollar.

### FINANCIAL SYSTEM INSTITUTIONS (Median1/ of the sample)

	Date of the survey		
	Feb.28 2/	Mar.30 2/	Apr.27 2/
<b>Inflation (%)</b>			
May	0.10	0.15	0.17
June	0.15	0.15	0.15
Annual: 2007	1.85	1.80	1.90
2008	2.00	2.00	2.00
2009	--	2.00	2.50
<b>GDP growth (%)</b>			
March	6.8	6.9	6.9
April	6.8	7.0	7.0
Annual: 2007	6.8	7.0	7.0
2008	6.3	6.3	6.3
2009	--	6.0	6.0
<b>Exchange rate (S/. per US\$)</b>			
May	3.18	3.18	3.18
June	3.18	3.18	3.18
Annual: 2007	3.19	3.18	3.18
2008	3.23	3.20	3.20
2009	--	3.23	3.23
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
May	4.50	4.50	4.50
June	4.50	4.50	4.50
Annual: 2007	4.50	4.50	4.75
2008	4.75	4.75	5.00
2009	--	4.80	5.00

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

2/ 26 financial institutions.

### ANALYSTS (Median1/ of the sample)

	Date of the survey		
	Feb.28 2/	Mar.30 2/	Apr.27 2/
<b>Inflation (%)</b>			
May	0.10	0.10	0.19
June	0.17	0.10	0.10
Annual: 2007	1.90	1.80	1.83
2008	2.00	2.00	2.00
2009	--	2.50	2.00
<b>GDP growth (%)</b>			
March	6.7	6.8	6.7
April	7.2	6.9	7.1
Annual: 2007	6.8	7.3	7.2
2008	6.0	6.0	6.1
2009	--	5.8	5.9
<b>Exchange rate (S/. per US\$)</b>			
May	3.19	3.19	3.18
June	3.20	3.20	3.18
Annual: 2007	3.20	3.20	3.19
2008	3.25	3.21	3.21
2009	--	3.21	3.28
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
May	4.50	4.50	4.50
June	4.50	4.50	4.50
Annual: 2007	4.51	4.75	4.55
2008	5.00	5.00	4.90
2009	--	5.00	5.00

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

2/ 19 analysts.

3/ 21 analysts.

### NON-FINANCIAL SYSTEM FIRMS (Median1/ of the sample)

	Date of the survey		
	Feb.28 2/	Mar.30 2/	Apr.27 2/
<b>Inflation (%)</b>			
Annual: 2007	1.50	1.50	1.50
2008	1.50	1.50	1.55
2009	--	--	1.60
<b>GDP growth (%)</b>			
Annual: 2007	7.0	7.0	7.3
2008	6.8	7.0	7.0
2009	--	--	7.0
<b>Exchange rate (S/. per US\$)</b>			
December 2007	3.21	3.20	3.20
December 2008	3.25	3.25	3.22
December 2009	--	--	3.25

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

2/ 386 non-financial institutions.

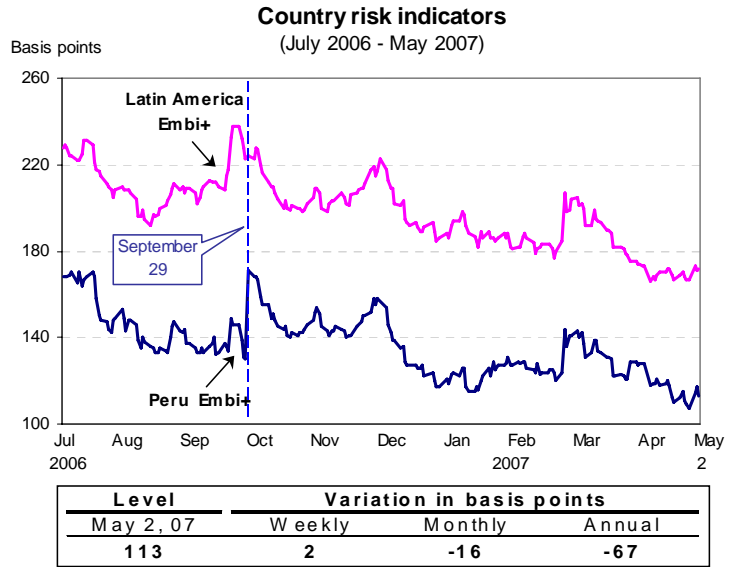
3/ 392 non-financial institutions.



## International Markets

### Country risk at 113 basis points on May 2

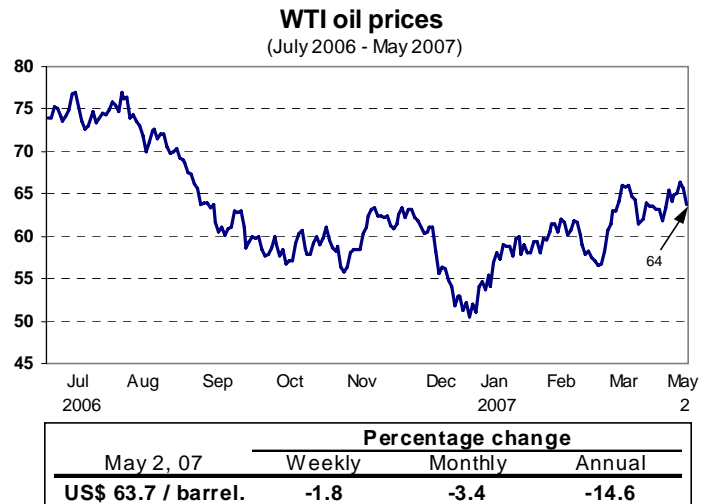
In **April**, the country risk indicator, measured by the **EMBI+ Peru** spread, decreased from 132 to 117 basis points, following the trend of spreads in the region. This evolution is associated with the high demand for sovereign bonds given global liquidity, with lower pessimism about the growth of the global economy, and with expectations of moderate interest rate increases by the US Federal Reserve. It is worth highlighting that Peru's country risk recorded a new historic minimum level of 107 basis points on April 27.



On **May 2**, the **EMBI+ Peru** index continued to show a downward trend and recorded 113 basis points.

### Average quotation of oil increased to US\$ 63.9 per barrel

In **April**, the average quotation of **WTI oil** increased 5.5 percent (from US\$ 60.6 to US\$ 63.9 per barrel) due to a higher than expected drop of oil inventories in the US; to expectations of increased demand of oil in the US; and to concerns that supply may be affected as a result of attack attempts against Saudi Arabian oil fields, the upscale of violence in Nigeria after the electoral process, and China's production of oil, which was lower than the one expected by the government.



The price of **WTI oil** on **May 2** was US\$ 63.7 per barrel.



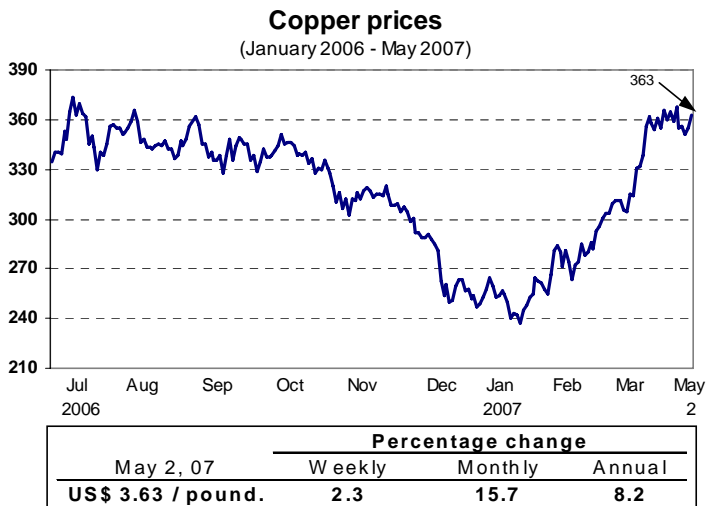
In **April**, the average price of **gold** increased 3.7 percent (from US\$ 655.4 to US\$ 679.8 per troy ounce) due to inflationary concerns associated with the higher prices of oil –which increased demand for gold as a hedge instrument– and with the fall of the dollar against the euro –which increased the appeal of gold as an investment option. Moreover, as a result of its increased demand for gold in 2006 (29 percent higher than in previous years), China became the second largest buyer after India.



On the other hand, the increase in the price of gold was partially offset by investors' profit-take given the high prices of gold observed in April.

As of **May 2**, the quotation of gold was US\$ 673.2 per troy ounce.

In **April**, the average price of **copper** increased from US\$ 2.3 to US\$ 3.52 per pound (20.4 percent) due to the drop of inventories in the London Metal Exchange, to China's higher demand for copper –imports increased by 58 percent in the first quarter of 2007 (relative to the first quarter of 2006)–, and to concerns that supply might decrease, given the possibility that the workers of the second largest mine, located in Indonesia, will go on strike and that mining workers in Peru will initiate a national strike.



Moreover, the International Copper Study Group (ICSG) reported that copper production in the United States had been nearly 40 thousand MT higher than consumption in January.

As of **May 2**, the quotation of copper increased to US\$ 3.63 per pound in a context marked by a new drop of inventories at the London Metal Exchange. Inventories have decreased to levels similar to those observed in December last year.

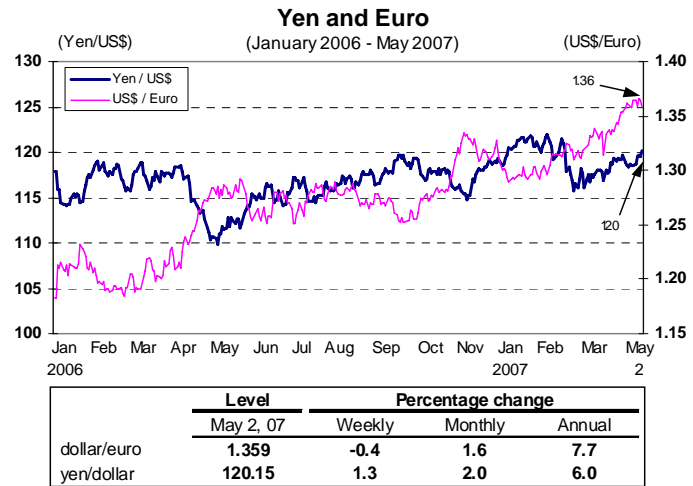
In **April**, the average price of **zinc** increased from US\$ 1.48 to US\$ 1.61 per pound (8.8 percent). This result was basically influenced by lower levels of inventories at the London Metal Exchange, by fears on a national strike of mining workers in Peru, and by China's increased levels of demand for this metal (China's imports of concentrated zinc have increased three-fold with respect to last year). Moreover, the Swiss company Xstrata Plc reported that operations had been interrupted in its McArthur River mine, located in Australia, due to a court's decision.



The price of zinc as of **May 2** was US\$ 1.75 per pound.

### The dollar depreciated against the euro in April

On average, the **dollar** depreciated 2.1 percent against the **euro** and appreciated 1.4 percent against the **yen**. The dollar lost ground against the euro due to the expected differential between interest rates in the US and in the Eurozone, given the continuity of the Central European Bank's restrictive policy as a result of the faster pace of growth observed in the Eurozone, and the reduction of core inflation and the lower quarterly growth observed in the US.

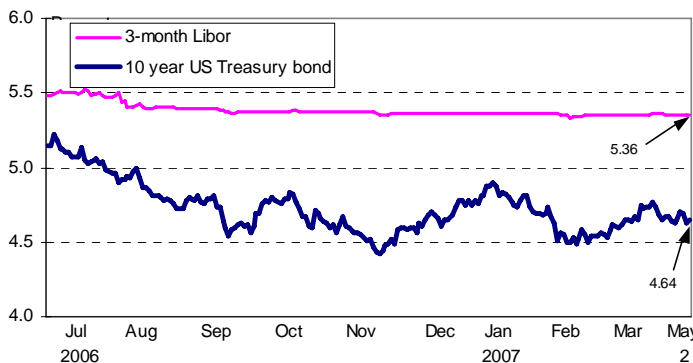


So far this month, the dollar has appreciated 0.4 percent against the euro and has depreciated 0.5 percent against the yen.

## Yield on 10-year US Treasuries increased to 4.68 percent on average in April

In **April**, the **3-month Libor** remained unchanged at 5.35 percent in average terms, while the yield on the **10-year US Treasury bond** increased from 4.56 to 4.68 percent. This evolution was associated with positive indicators of employment in early April, which showed a more robust labor market than initially considered. However, this rate increase was offset by mixed indicators of activity reported thereafter, as well as by data indicating a lower growth: the US economy grew at a rate of 1.3 percent in the first quarter of 2007 (the lowest growth rate recorded since the first quarter of 2003).

3-month Libor and yield on 10-year US Treasury bonds  
(July 2006 - May 2007)



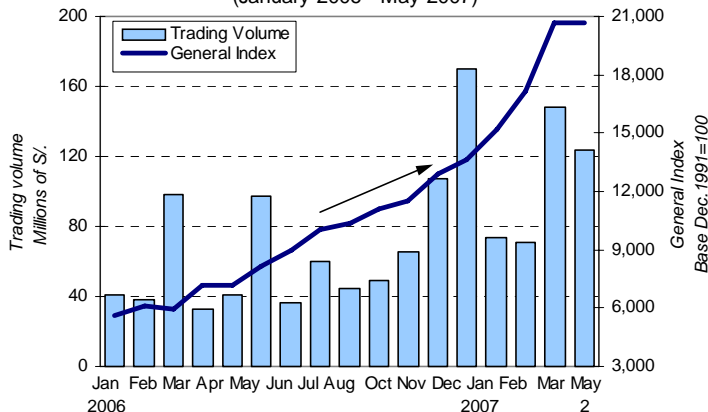
	Variation in percentage points			
	May 2, 07	Weekly	Monthly	Annual
Libor 3-months	5.36	0	1	21
Treasuries 10Y	4.64	-1	0	-47

As of **May 2**, the **3-month Libor** increased to 5.36 percent and the yield on the 10-year **US Treasury bond** increased to 4.64 percent.

## Lima Stock Exchange grew 20.5 percent in April

In **April**, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) grew 20.5 and 21.8 percent respectively, driven by the advance of mining stocks, which was associated with the high increases seen in the international prices of copper and zinc, as well as by agroindustry stocks –given expectations on corporate results in the first quarter of 2007 and the prospects of developing ethanol production. Moreover, reports from analysts and investment bankers who have a positive outlook for the rest of the year also contributed to the growth observed in the LSE.

Lima Stock Exchange Indicators  
(January 2006 - May 2007)



	Percentage change			
	As of: May 2, 07	Weekly	Apr. 07	Dec. 06
General Index	20,699.9	0.0	0.1	60.7
Blue Chip index	35,081.1	-0.9	0.3	58.3

In **May**, the **General** and **Blue Chip** indices of the Lima Stock Exchange have grown 0.1 and 0.3 percent respectively. Moreover, so far this year, these indices have grown 60.7 and 58.3 percent respectively.