



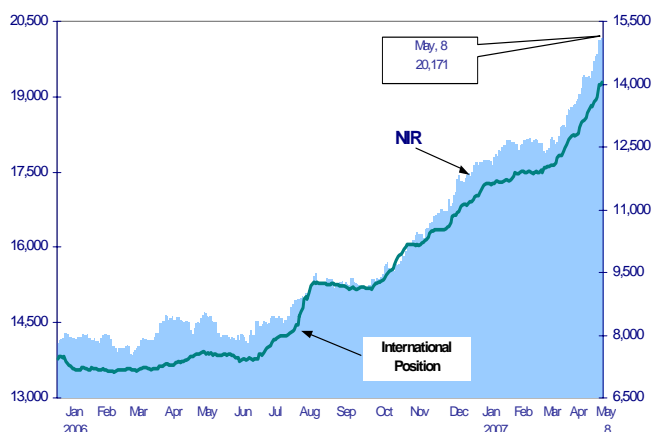
Indicators

- NIRs: new historic record.
- Exchange on May 9: S/. 3.166 per dollar.
- Last 12-month trade surplus: over US\$ 9 billion.
- Country risk at 115 bps. on May 9.
- Lima Stock Exchange grew 11.2 percent as of May 9.

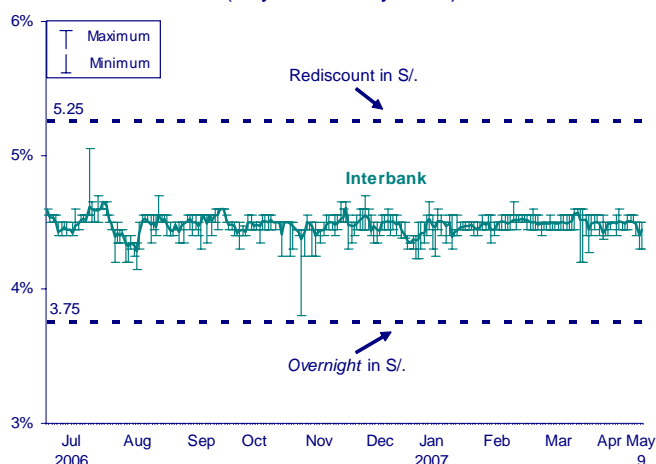
Content

Average interbank interest rate on May 9: 4.49 percent	x
Corporate Prime Rate in Soles Remains at 5.20 Percent	x
International reserves: US\$ 20,171 million on May 8	xi
Exchange Rate at S/. 3.166 per dollar	xi
Trade surplus of US\$ 665 million in March	xiv
Country risk at 115 basis points	xvi
Lima Stock Exchange grew 11.2 percent as of May 9	xix

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



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



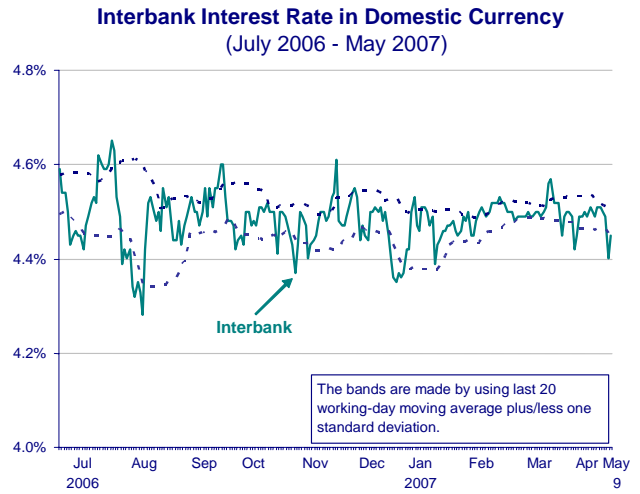
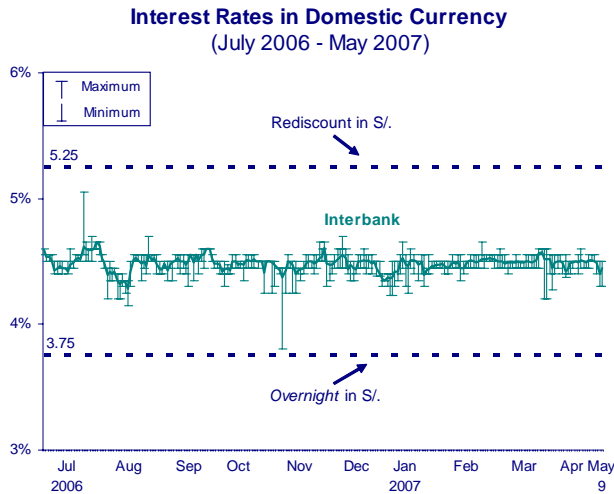
[Our website
http://www.bcrp.gob.pe](http://www.bcrp.gob.pe)

- Weekly Report N° 19-2007
- **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 on May 9: 4.49 percent

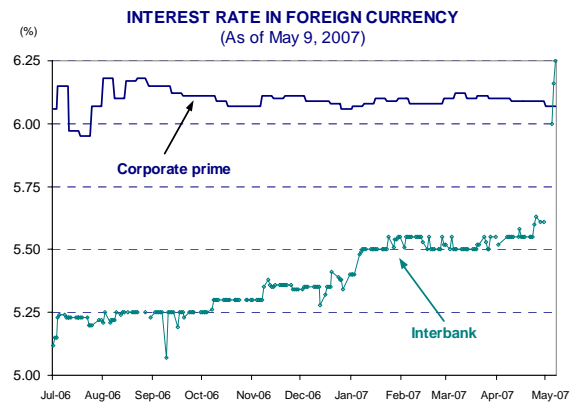
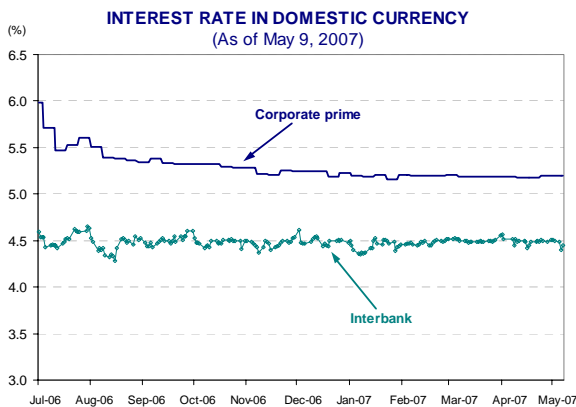
The average interbank interest rate in domestic currency as of May 9 was 4.49 percent, a lower rate than the one posted in April (4.51 percent). Between May 2 and May 9, this rate fell from 4.51 to 4.45 percent.

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	4.49	0.04



Corporate Prime Rate in Soles Remains at 5.20 Percent

In **May 2 - 9**, the daily average of the 90-day corporate prime rate in domestic currency remained unchanged at 5.20 percent, while this rate in dollars fell from 6.09 to 6.07 percent.



Monetary Operations

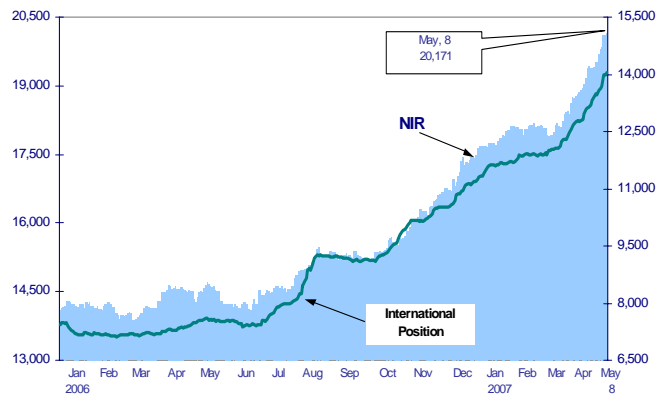
Between **March 3 and 9, 2007**, the Central Bank made the following monetary operations:

- i) auctions of BCRP Certificates of Deposit with 1-day, 3-day, 6-month, 12-month, 18-month, 2-year and 3-year maturities for a daily average of S/. 1,034.4 million, with average interest rates on these operations ranging between 4.23 and 5.50 percent;
- ii) purchases of foreign currency for a total of US\$ 500 million, at an average exchange rate of S/. 3.167 per dollar;
- and iii) overnight deposits in domestic currency for a total of S/. 874.8 million.

International reserves: US\$ 20,171 million on May 8

Net international reserves (NIRs) as of **May 8** increased US\$ 467 million relative to end April and amounted to US\$ 20,171 million. This increase in the balance of NIRs was mainly due to BCRP exchange operations (US\$ 450 million) and to higher deposits from the financial sector (US\$ 68 million). This result was offset by public sector's lower deposits (US\$ 56 million), by lower prices for other securities (US\$ 19 million) and by a lower investment yield (US\$ 4 million).

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

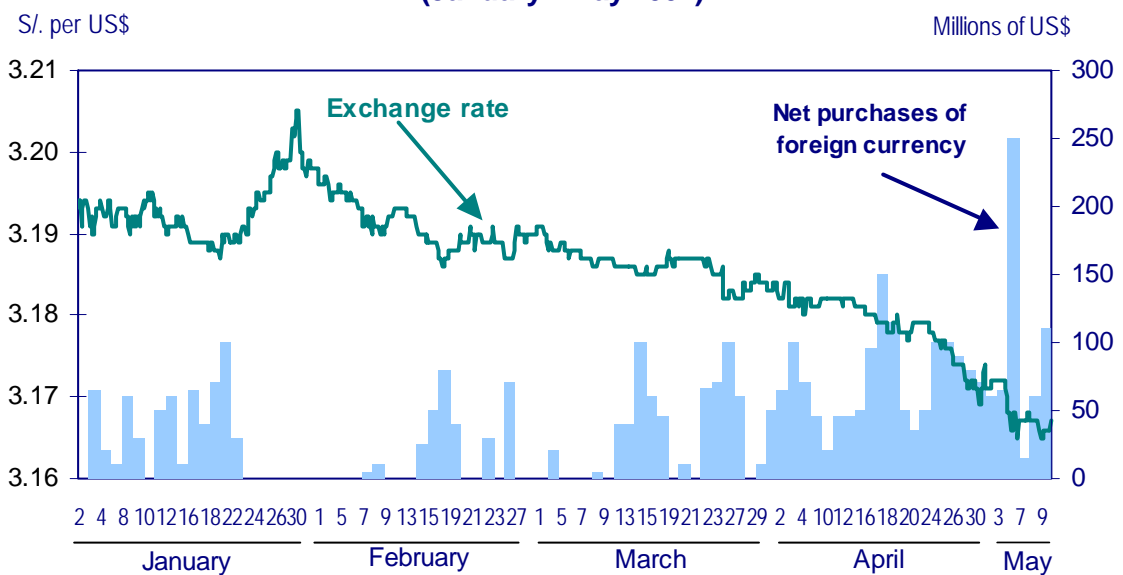


As of May 8, the **international position of the BCRP** (US\$ 14,036 million) had increased by US\$ 447 million relative to end April.

Exchange Rate at S/. 3.166 per dollar

Between May 2 and 9, the average ask price of the interbank exchange rate fell from S/. 3.172 to S/. 3.166 per dollar, as a result of which the nuevo sol appreciated 0.2 percent this month. Between May 2 and 9, the Central Bank intervened in the exchange market purchasing US\$ 560 million at the Central Bank's Foreign Exchange Desk.

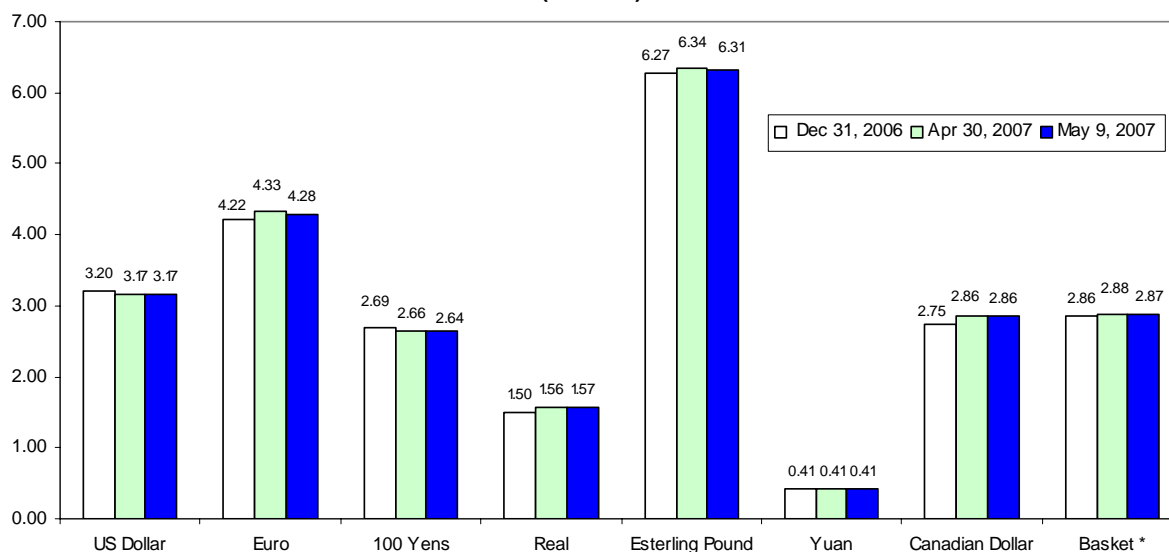
Interbank Ask- Exchange Rate and Net Purchases of Foreign Currency
(January - May 2007)



In May, and in terms of the currencies of our main trading partners, the nuevo sol appreciated not only against the US dollar, the euro, the yen, the pound, but also against the currency basket of our main trading partners. However, the nuevo sol depreciated against the real.

Moreover, relative to end 2006, the nuevo sol appreciated 0.9 percent against the US dollar and 1.9 percent against the yen, but depreciated against the euro (1.4 percent), the real (4.8 percent), the pound (0.7 percent), and the Canadian dollar (4.3 percent). It should also be pointed out that the nuevo sol has maintained the same parity rate against the yuan since end 2006, as well as a relatively stable conduct in terms of the currencies of our main trading partners.

**Nominal Exchange Rate of Peru's Main Trading Partners
(S/. / UM)**



* Corresponds to the set of currencies of the main trading partners weighed according to its external trade.

Monetary base as of May 7, 2007

The balance of the **monetary base** as of May 7 (S/.14,133 million) increased 4.3 percent (S/. 583 million) with respect to the close of April. In average terms, the monetary base grew at an annual rate of 23.6 percent in this period (21.3 percent in April).

By sources, operations contributing to the expansion of the monetary base included purchases of foreign currency at the Central Bank's Front Desk (US\$ 390 million, or S/. 1,235 million), banks' lower overnight deposits (S/. 137 million), and public sector's lower deposits (S/. 82 million). On the other hand, the monetary base decreased due to net placements of BCRP Certificates of Deposits (S/. 945 million).

Liquidity and credit to the private sector as of April 15

In the last four weeks, liquidity in **domestic currency** increased 0.3 percent (S/. 99 million), reaching a balance of S/. 36,153 million (annual growth of 28.2 percent). Credit to the private sector in domestic currency grew 4.8 percent (S/. 1,265 million), thus reaching a balance of S/. 27,396 million (annual growth of 33.7 percent).

On the other hand, liquidity in **foreign currency** increased 1.9 percent (US\$ 251 million), thus reaching a balance of US\$ 13,474 million (annual growth of 11.8 percent). Credit to the private sector in foreign currency grew 1.7 percent (US\$ 205 million), reaching a balance of US\$ 12,247 million (annual growth of 8.7 percent).

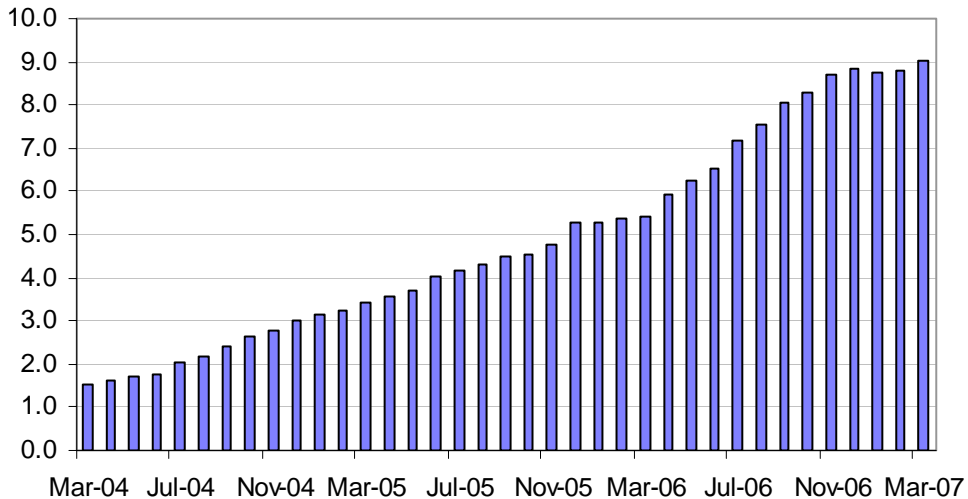
EVOLUTION OF LIQUIDITY AND CREDIT TO THE PRIVATE SECTOR										
	MONETARY BASE		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR
2005										
Mar.	-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%
2006										
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%
2007										
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.15	0.7%	15.5%	0.3%	28.2%	4.8%	33.7%	1.9%	11.8%	1.7%	8.7%
Memo:										
Balance as of Mar. 15 (Mill.S/. or Mill.US\$)	13,322		36,054		26,131		13,223		12,042	
Balance as of Apr. 15 (Mill.S/. or Mill.US\$)	13,414		36,153		27,396		13,474		12,247	

Trade surplus of US\$ 665 million in March

In March 2007 the trade balance showed a surplus of US\$ 665 million, a sum higher than the surplus posted in March 2006 (US\$ 210 million). As a result of this, the trade surplus in the first quarter of 2007 (US\$ 1,421 million) was higher than the one observed in the first quarter of 2006 (US\$ 1,252 million).

Moreover, the last 12-month surplus amounted to US\$ 9,022 million.

Annual Trade Balance: March 2004- March 2007
(Thousand of millions of US\$ accumulated in the last 12 months)



Exports in March (US\$ 2 064 million) increased by US\$ 322 million (19 percent) relative to those of March 2006, thus increasing by 22 percent in the first quarter. Last 12-month exports amounted to US\$ 24,758 million.

Moreover, **traditional exports** (amounting to US\$ 1,603 million) increased 20 percent relative to March last year (23 percent in the first quarter), particularly due to higher sales of copper (increasing US\$ 151 million, or 39 percent), zinc (US\$ 107 million, or 118 percent), lead (US\$ 55 million, or 131 percent) and fishmeal (US\$ 34 million, or 38 percent).

On the other hand, **non-traditional exports**, which totaled US\$ 451 million, were 14 percent higher than non-traditional exports in the same month last year (20 percent in the first quarter). Although the value of all exports increased this month, it is worth highlighting the increases observed in fishing, chemical and steel&metal products.

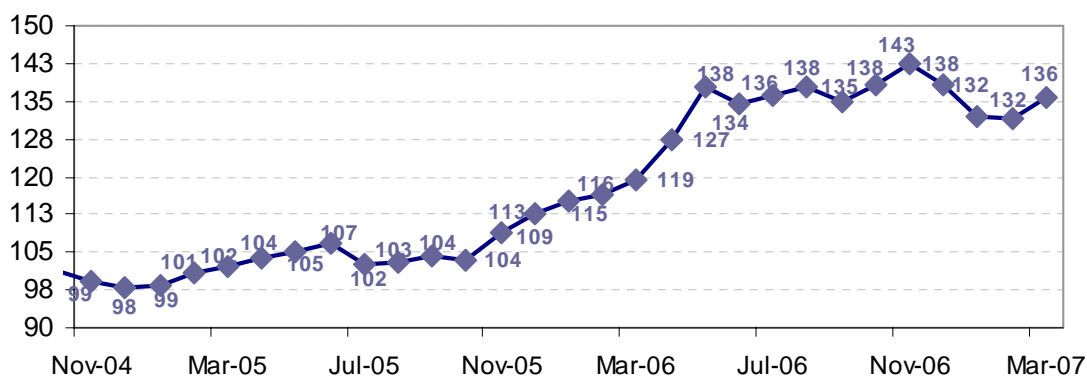
Imports amounted to US\$ 1,399 million in March, which represented a 9 percent increase relative to March 2006 (and a 25 percent increase in the first quarter). Imports of raw materials increased 3 percent relative to March 2006. This result was mainly due to lower acquisitions of fuel (30 percent) caused by shipment delays. It should be pointed out that imports of consumer goods and capital goods increased 23 and 19 percent respectively. Last 12-month imports (US\$ 15,736 million) were 23 percent higher than imports in the same period last year.

TRADE BALANCE (Millions of US\$)

	2006	2007	Mar.07/Mar.06		Last 12 months			
	Mar.	Mar.	Flow	% Chg.	As of Mar 06	As of Mar 07	Flow	% Chg.
1. EXPORTS	1,742	2,064	322	18.5	18,226	24,758	6,532	35.8
Traditional products	1,331	1,603	272	20.4	13,660	19,119	5,458	40.0
Non-traditional products	397	451	55	13.7	4,416	5,490	1,074	24.3
Other products	14	10	-5	-31.2	150	149	-1	-0.4
2. IMPORTS	1,287	1,399	112	8.7	12,803	15,736	2,933	22.9
Consumer goods	207	253	47	22.5	2,378	2,733	355	14.9
Raw materials and intermediate goods	696	717	21	3.0	6,972	8,367	1,395	20.0
Capital goods	355	422	68	19.1	3,339	4,515	1,176	35.2
Other goods	30	6	-23	-78.5	115	121	6	5.6
3. TRADE BALANCE	455	665	210	46.2	5,423	9,022	3,598	66.3

Terms of trade in March increased 14 percent relative to March 2006 as a result of the increase observed in the average prices of exports (20 percent) due to the better international prices obtained by our main commodities. On the other hand, the prices of imports fell 5 percent, while exported volumes fell 1 percent.

TERMS OF TRADE (1994=100)

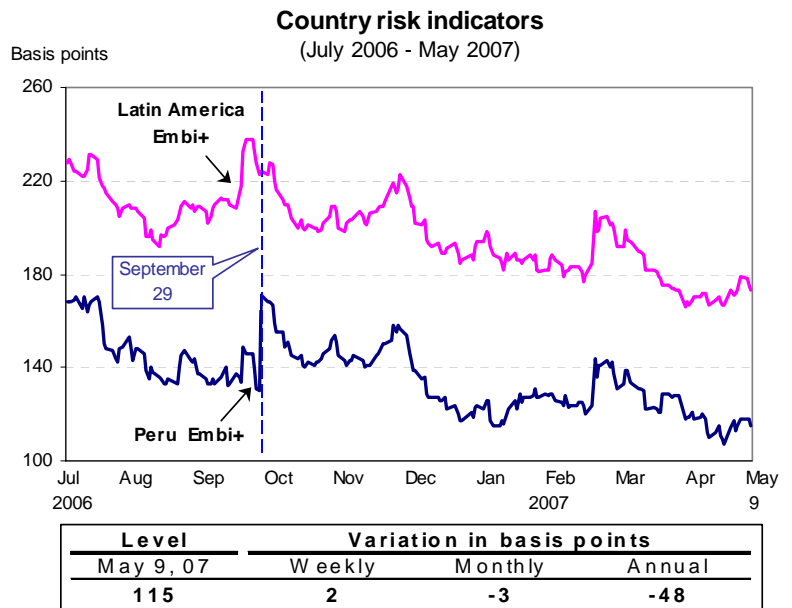


International Markets

Country risk at 115 basis points

From May 2 to 9, the country risk indicator, measured by the **EMBI+ Peru** spread, increased from 113 to 115 basis points, following the trend of spreads in the region. However, the Peruvian government placed 2020 sovereign bonds for a total of US\$ 350 million. The yield on these bonds is 5.78 percent.

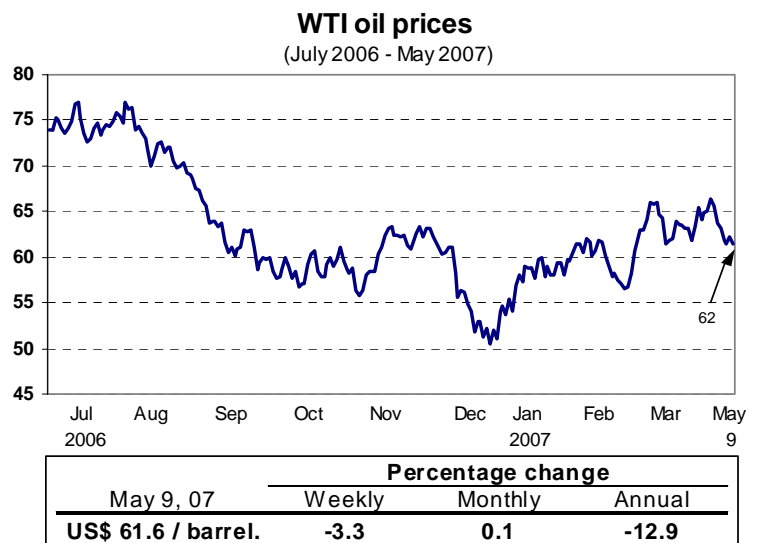
During this week, the rating agency Standard & Poor's reported that Peru's restructuring its debt with the Paris Club will contribute to reduce Peru's country risk, since this will allow to increase the demand for some bonds and improve their access to international markets.



Oil quotation dropped to US\$ 61.6 per barrel

Between May 2 and 9, the price of **WTI oil** fell 3.3 percent to US\$ 61.6 per barrel. This evolution was associated with higher inventories of crude in the US –inventories increased by 5.6 million barrels to 341.2 million barrels in the week ended May 4– and with expectations that the US refineries will increase their production of gas to meet increased seasonal demand.

This decline in the price of oil was partially offset by fresh concerns that oil supply from Nigeria might be affected given the attacks on pipelines of the Royal Dutch Shell Plc and Eni SpA in that country.

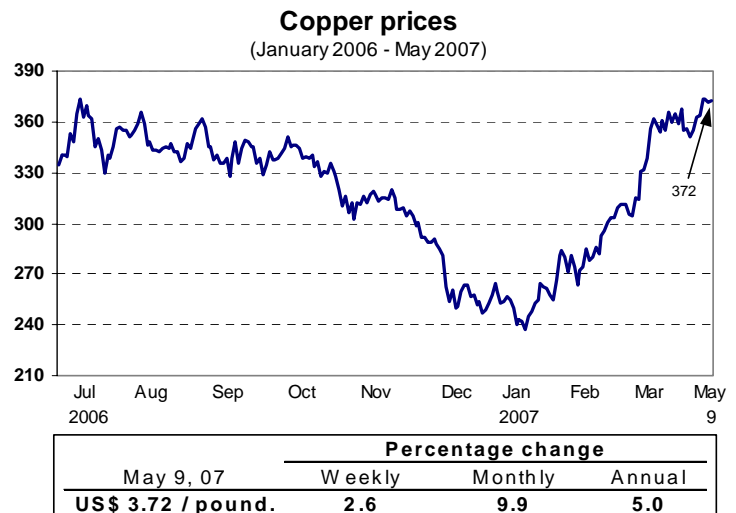


In the same week of analysis, the price of **gold** increased 1.6 percent to US\$ 683.7 per troy ounce, due to the “take position” of investment funds and to concerns that supply might be reduced by the national strike of mining workers in Peru. Moreover, the volatility of the dollar last week boosted the appeal of gold as an alternative investment. However, this price increase was partially offset by sales of gold carried out by some central banks in Europe (sales of gold have increased since March 16).



The European Central Bank reported that two banks had decreased their gold assets by 195 million euro (US\$ 265 million), which represented sales of around 12.3 tons in the week ended April 27.

Between May 2 and 9, the price of **copper** increased 2.6 percent to US\$ 3.72 per pound. This evolution is explained by a 5.53 percent drop in copper inventories at the London Metal Exchange (to 145,000 MT) and by expectations of increased demand for copper in the US after reports showed favorable indicators of economic activity.



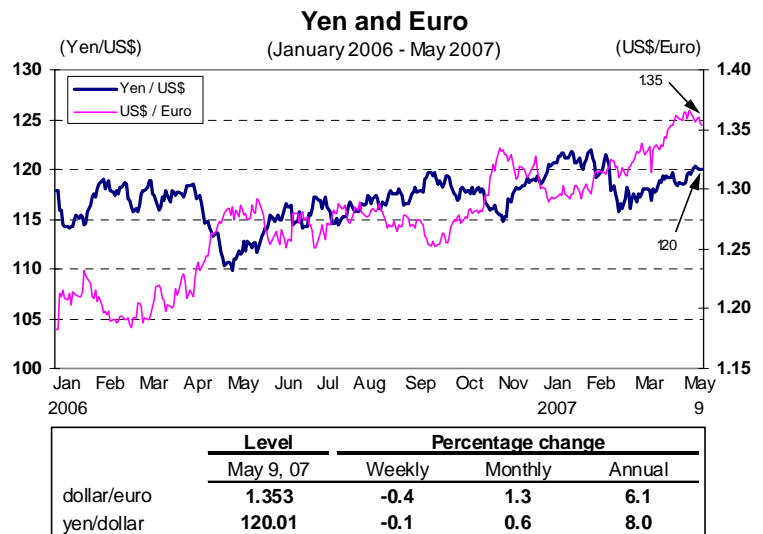
Between May 2 and May 9, the price of **zinc** increased 6.9 percent to US\$ 1.87 per pound. This increase in the price of zinc was mainly due to a drop of zinc inventories at the London Metal Exchange (LME) –inventories fell 8.67 percent to 86,875 MT–, to the strike of mining workers in Peru, and to a disruption of production in Xstrata Plc’s Mc Arthur River mine in Australia.



Dollar appreciated against the euro

In the same week, the **dollar** appreciated 0.4 percent against the **euro** and depreciated 0.1 percent against the **yen**. The dollar strengthened against the euro in a context marked by positive results in both the manufacturing and non-manufacturing sectors, which contributed to reduce concerns about a major slowdown in the US economy.

However, employment figures in April –which showed that employment had grown at a lower rate than expected– prevented the US currency from strengthening even further.



Moreover, besides restating that inflationary risks are still a major concern in the US economy, the Federal Reserve decided to maintain its reference rate at 5.25 percent.

On the other hand, the yen strengthened against other currencies given expectations that the Bank of Japan (BOJ) will continue to raise its interest rates as the minutes on the BOJ's session held on March 19 highlighted that Japan had been growing at the highest rate seen since the post-war period.

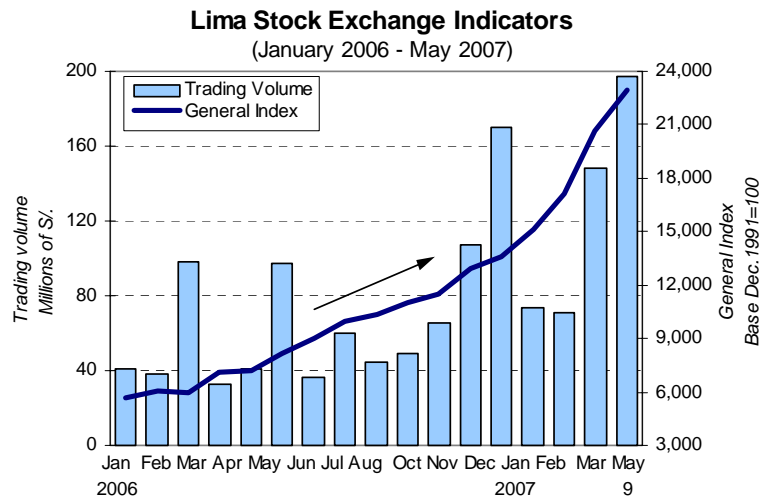
Yield on 10-year US Treasuries increased to 4.67 percent

Between May 2 and May 9, the **3-month Libor** remained unchanged at 5.36 percent, and the yield on the 10-year US **Treasury bond** increased from 4.64 to 4.67 percent. This evolution is associated with favorable indicators of industrial activity, which reduced concerns of a higher slowdown in the US economy. However, this higher yield was offset, when Treasuries saw the highest demand in 18 months as a result of an auction of 10-year Treasury bonds for a total of US\$ 13,000 million, which prevented a further increase in the yield on these bonds.



Lima Stock Exchange grew 11.2 percent as of May 9

As of May 9, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) grew 11.2 and 13.8 percent respectively, driven by positive corporate results in the first quarter of 2007. This growth was fueled by the advance of mining stocks (after the rise in the international prices of metals, given the drop of inventories of basic metals at the London Metal Exchange), as well as by the good performance of the financial and construction sectors (given the positive outlook in these sectors). It is worth pointing out that the evolution of indices at the LSE was similar to the one observed in the other main markets in the region.



	As of:		Percentage change	
	May 9, 07	Weekly	Apr. 07	Dec. 06
General Index	22,995.1	11.1	11.2	78.5
Blue Chip index	39,801.3	13.5	13.8	79.6

So far this year, the indices of the Lima Stock Exchange have grown 78.5 and 79.6 percent respectively.

