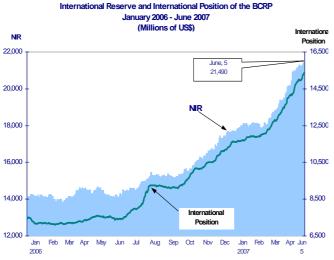


## Weekly Economic Report N° 23

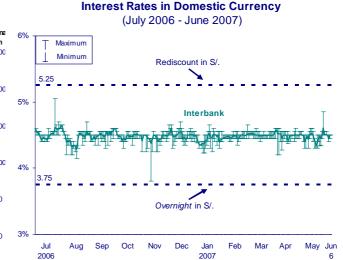
#### **Indicators**

- NIRs at US\$ 21,490 million on June 5.
- Exchange rate: S/. 3.171 per dollar.
- Interbank interest rate: 4.49 percent.
- 0.49 percent inflation in May.
- Trade surplus of US\$ 598 million in April.
- Country risk at 103 bps. on June 6.
- Lima Stock Exchange grew 4.6 percent as of June 6.



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#### Our website http://www.bcrp.gob.pe

- Informative note on the Monetary Program: June 2007
- Weekly Report N° 22-2007
- International Reserves Management: April 2007
- Monetary Policy in a Dual Currency Environment
- Monetary Policy, Regime Shifts, and Inflation Uncertainly in Peru (1949-2006)
- Dollarization Persistence and Individual Heterogeneity
- Quarterly Charts

#### Changes in the tables of our section on the Exchange Rate

As of this Weekly Economic Report, the data on our main trading partners will be updated for the purpose of calculating the real multilateral exchange rate and a new table with data on the exchange rate of the nuevo sol against the currencies of out main trading partners will also be included.

As of this Weekly Economic Report, the weight of our main trading partners is updated to reflect the structure of Peru's main trading partners since 2005: Germany, Argentina, Belgium, Brazil, Canada, Chile, China, Colombia, South Korea, Ecuador, Spain, the United States, Switzerland, Italy, Japan, Mexico, the Netherlands, the United Kingdom, Taiwan and Venezuela.

The multilateral exchange rate (MER) is obtained by multiplying the nominal exchange rate of the nuevo sol against the currencies of our main trading partners (nuevo sol/basket of currencies) by the external inflation/Peru's CPI ratio. External inflation is equal to the weighed average of the inflation rates of our trading partners.

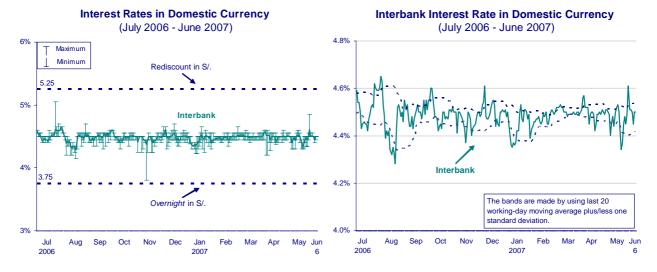
December 2001 has been established as the base year for the real multilateral exchange index in order that the base year is compatible with the one used by the Instituto Nacional de Estadística e Informática to elaborate the consumer price index.

Moreover, a new table with information on the exchange rate of the nuevo sol against the currencies of our main trading partners and against the basket of these currencies has also been included to reflect the evolution of exchange of our domestic currency against the average value of the currencies of our main trading partners.

#### Average interbank interest rate at 4.49 percent

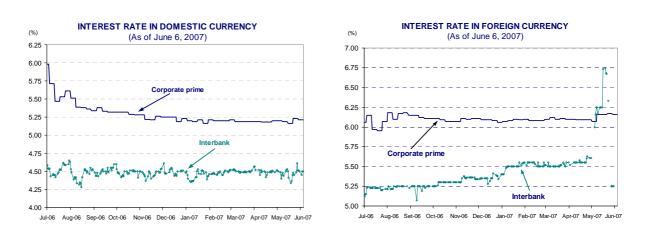
The average interbank interest rate in domestic currency as of June 6 was 4.49 percent, the same rate as in May. Between May 30 and June 6, this rate fell from 4.51 to 4.50 percent.

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								
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	4.49	0.06								
Jun 6	4.49	0.03								



#### Corporate prime rate in soles dropped to 5.21 percent

Between **May 30 and June 6**, the daily average of the 90-day corporate prime rate in domestic currency fell from 5.23 to 5.21 percent, while this rate in dollars fell from 6.17 to 6.16 percent.



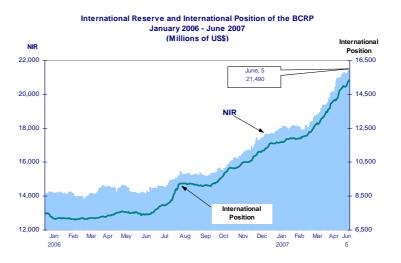
#### **Monetary operations**

From **May 31 to June 6, 2007**, the Central Bank made the following monetary operations: i) auctions of BCRP Certificates of Deposit with 1-day, 3-day, 6-month, 1-year and 2-year maturities for a daily average of S/. 1,822.7 million. Average interest rates on these operations ranged between 4.47 and 5.49 percent; ii) purchases of foreign currency for a total of US\$ 297.5 million, at an average

4.47 and 5.49 percent; ii) purchases of foreign currency for a total of US\$ 297.5 million, at an average exchange rate of S/. 3.171 per dollar; iii) overnight deposits in domestic currency for a total of S/. 96.5 million.

### International reserves amounted to US\$ 21,490 million on June 5

As of June 5, net international reserves (NIRs) increased by US\$ 219 million relative to end May and totaled US\$ 21,490 million. This increase in the balance of NIRs was mainly due to BCRP exchange operations (US\$ 258 million) and to higher prices for other securities (US\$ 28 million). This result was offset by lower deposits from both the financial sector (US\$ 56 million) and the public sector (US\$ 8 million), as well as by lower investment yield (US\$ 4 million).



Furthermore, the **international position of the BCRP** as of June 5 (US\$ 15,354 million) increased by US\$ 287 million relative to end May.

#### Exchange rate: S/. 3.171 per dollar

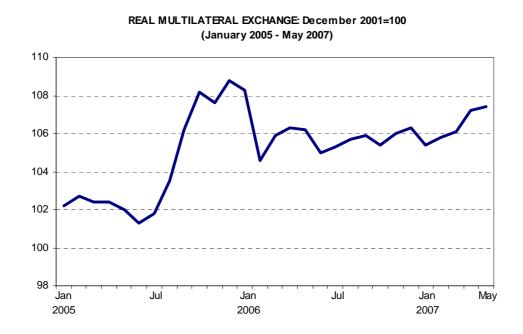
Between May 30 and June 6, the average ask price of the interbank exchange rate fell from S/. 3.177 to S/. 3.171 per dollar, as a result of which the nuevo sol has appreciated 0.1 percent so far this month. Between May 30 and June 6, the Central Bank intervened in the exchange market purchasing US\$ 319 million at the Central Bank's Foreign Exchange Desk.

Interbank Ask- Exchange Rate and Net Purchases of Foreign Currency



### Real exchange rate rose 0.2 percent in May

In May the real multilateral exchange rate increased 0.2 percent relative to April 2007 as a result of the following factors: a 0.2 percent rate of external inflation, a 0.5 percent of domestic inflation and a 0.4 percent nominal depreciation of the nuevo sol against the basket of currencies of Peru's main trading partners.



#### Monetary base as of May 31, 2007

The balance of the monetary base as of May 31 (S/.13,610 million) increased 0.4 percent (S/. 60 million) relative to end April. On average, the monetary base grew at an annual rate of 24.7 percent

Display D By sources, operations contributing to the expansion of the monetary base included purchases of dollars (US\$ 1,671 million, or S/. 5,288 million) and banks' lower overnight deposits (S/. 220 million). Conversely, the monetary base contracted due to net placements of BCRP Certificates of Deposits (S/. 4,287 million), higher public sector deposits (S/. 885 million), and net sales of dollars to the public sector (US\$ 201 million, or S/. 638 million).

#### Liquidity and credit to the private sector as of May 15

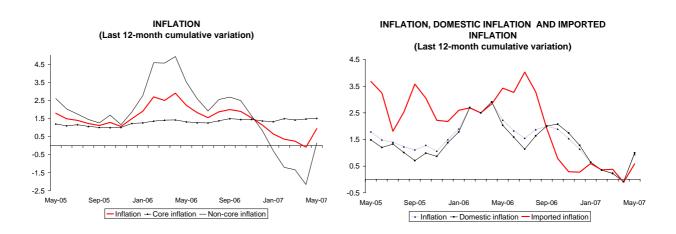
In the last four weeks, liquidity in domestic currency increased 2.7 percent (S/. 982 million), reaching a balance of S/. 37,232 million (annual growth of 33.7 percent). Credit to the private sector in domestic currency grew 4.3 percent (S/. 1,168 million), thus reaching a balance of S/. 28,563 million (annual growth of 37.9 percent).

Moreover, liquidity in foreign currency increased 3.5 percent (US\$ 470 million), thus reaching a balance of US\$ 13,985 million (annual growth of 17.6 percent). Credit to the private sector in foreign currency grew 0.5 percent (US\$ 61 million), reaching a balance of US\$ 12,299 million (annual growth of 5.8 percent).

	MONETA	RY BASE	LIQUIDIT	Y IN D/C	CREDIT	IN D/C	LIQUIDIT	Y IN F/C	CREDIT IN F/C		
İ	VAR.(%) MONTH	VAR.(%) YEAR									
2005		TEAK	WONTH	TEAR	WONTH	TEAR	WONTH	TEAR	WONTH	TEAR	
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	
<u>2007</u>											
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%	3.7%	26.6%	4.4%	33.0%	1.9%	9.8%	1.6%	9.1	
Apr.	1.9%	22.7%	0.0%	31.9%	5.9%	39.2%	4.1%	15.5%	1.7%	10.4	
May.15	1.1%	25.8%	2.7%	33.7%	4.3%	37.9%	3.5%	17.6%	0.5%	5.8	
lemo:											
Balance as of Apr. 15 Mill.S/.or Mill.US\$)	13,4	414	36,2	250	27,3	395	13,5	13,514		238	
Balance as of May. 15 Mill.S/.or Mill.US\$)	13,	556	37,2	232	28,563		13,9	985	12,299		

#### Inflation at 0.49 percent in May

**Inflation** in May posted a rate of 0.49 percent, as a result of which accumulated inflation over the last 12 months was 0.94 percent. Three items contributed with 0.62 percentage points to this month's inflation: chicken (0.35 points), onion (0.15 points) and gasoline (0.12 points). On the other hand, three items contributed with -0.22 percentage points to inflation in May: fish (-0.13 points), electricity (-0.05 points) and pumpkin (-0.04 points).



INFLATION RATE (Annual percentage change)

	Weighted	Monthly	12-mo	onth indicat	or	Annual a	verage indi	cator
		May.	May.	Apr.	May.	May.	Apr.	May
		2007	2006	2007	2007	2006	2007	2007
I. CORE INFLATION	<u>60.6</u>	<u>0.09</u>	<u>1.32</u>	<u>1.48</u>	<u>1.51</u>	<u>1.20</u>	<u>1.39</u>	<u>1.41</u>
Goods	34.0	0.13	0.81	1.08	1.17	0.83	0.89	0.92
Food	13.0	0.04	0.95	1.60	1.40	0.92	1.35	1.38
Textile and footwear	7.6	0.31	1.28	2.65	2.73	1.46	1.74	1.86
Electrical appliances	1.0	0.01	0.37	-1.77	-1.52	-1.35	-0.64	-0.80
Other industrial goods	12.5	0.11	0.41	-0.21	0.15	0.51	-0.02	-0.04
Services	26.6	0.03	1.94	1.95	1.93	1.65	2.01	2.01
Restaurants	12.0	0.03	1.15	1.43	1.35	1.04	1.27	1.29
Education	5.1	0.17	3.37	3.60	3.68	2.91	3.57	3.59
Health	1.3	0.10	1.68	0.92	0.65	2.11	0.61	0.52
Renting	2.3	0.10	1.60	-0.98	-0.69	0.53	0.07	-0.12
Other services	5.9	-0.13	2.44	2.77	2.67	2.04	3.12	3.13
II. NON CORE INFLATION	<u>39.4</u>	<u>1.04</u>	<u>3.52</u>	<u>-2.15</u>	<u>0.15</u>	<u>2.59</u>	<u>1.08</u>	<u>0.80</u>
Food	22.5	1.39	4.36	-2.56	0.64	2.01	1.59	1.29
Fuel	3.9	3.37	7.47	-2.52	-0.31	7.93	1.74	1.11
Transportation	8.4	-0.26	1.52	0.41	0.32	2.27	1.00	0.90
Utilities	4.6	-1.32	-1.90	-4.58	-2.38	-0.11	-2.39	-2.43
III. CPI	100.0	0.49	2.23	-0.08	0.94	1.78	1.26	1.15
Note								
Imported Inflation	12.1	1.35	3.43	-0.10	0.59	2.72	1.53	1.29
Core Inflation	47.6	0.10	1.42	1.44	1.54	1.27	1.40	1.41
Total foods	33.2	0.94	3.30	-1.31	0.87	1.75	1.40	1.19

**Core inflation** in this month was 0.09 percent, and a last 12-month rate of 1.5 percent was accumulated. On the other hand, **non-core inflation** in May was 1.04 percent, as a result of which accumulated inflation over the last 12 months was 0.2 percent. Moreover, **core inflation excluding food products and beverages** was 0.10 percent (1.5 percent over the last 12 months). **Imported inflation** in May was 1.35 percent (0.6 percent over the last 12 months).

#### Survey on macroeconomic expectations: June 2007

**Survey on macroeconomir** Between May 10 ¢ conducted its Macroeconomir financial ¢ and 38° Between May 10 and 31, the BCRP conducted its Monthly Survey on Macroeconomic Expectations among 25 financial entities, 24 economic analysts

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 (between 1.0 and 3.0 percent).

In terms of GDP growth, all the surveyed groups expressed higher expectations than last month: 7.4 percent (vs. 7.2 percent) in the case of economic analysts; 7.4 percent (vs. 7.3 percent) in the case of non-financial entities; and 7.1 percent (vs. 7.0 percent) in the case of financial companies.

Moreover, the expectations of the different groups in terms of the exchange rate ranged between S/ 3.16 and S/3.18 per dollar.

(Median 1/ of the sample)

		ate of the survey	
	Mar.30 2/	Apr.27 2/	May.31 3/
Inflation(%)			
June	0.15	0.15	0.15
July	0.15	0.15	0.15
Annual: 2007	1.80	1.90	1.88
2008	2.00	2.00	2.00
2009	2.00	2.50	2.50
GDP growth (%)			
April	7.0	7.0	7.1
May	7.0	6.9	6.7
Annual: 2007	7.0	7.0	7.1
2008	6.3	6.3	6.5
2009	6.0	6.0	6.0
Exchange rate (S/. per US\$)			
June	3.18	3.18	3.17
July	3.18	3.18	3.17
Annual: 2007	3.18	3.18	3.16
2008	3.20	3.20	3.20
2009	3.23	3.23	3.21
Interbank interest rate (%)			
In nuevos soles			
June	4.50	4.50	4.50
July	4.50	4.50	4.50
Annual: 2007	4.50	4.75	4.70
2008	4.75	5.00	4.90
2009	4.80	5.00	5.00
		-	

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

2/ 26 financial institutions.

3/ 25 financial institutions.

#### ANALYSTS

(Median 1/ of the sample)

#### NON-FINANCIAL SYSTEM FIRMS Median 1/ of the sample)

Mar.30 2/		
Widi .30 2/	Apr.27 2/	May.31 3/
1.50	1.50	1.45
1.50	1.55	1.50
	1.60	1.50
7.0	7.3	7.4
7.0	7.0	7.0
	7.0	7.0
3.20	3.20	3.18
3.25	3.22	3.20
-,-	3.25	3.24
	1.50  7.0 7.0  3.20 3.25	1.50 1.55 1.60 7.0 7.3 7.0 7.0 7.0 3.20 3.20 3.25 3.22

The median indicates the sample central value which reduces any bias caused

by extreme values 2/ 392 non-financial institutions

388 non-financial institutions

	NA 00.0/	1 07 0/	NA 04 44
	Mar.30 2/	Apr.27 3/	May.31 4/
Inflation(%)			
June	0.10	0.10	0.15
July	0.10	0.10	0.13
Annual: 2007	1.80		1.87
2008	2.00		2.00
2009	2.50	2.00	2.00
2009	2.50	2.00	2.00
GDP growth (%)			
April	6.9	7.1	7.3
May	6.5	6.7	7.0
Annual: 2007	7.3	7.2	7.4
2008	6.0	6.1	6.3
2009	5.8	5.9	6.0
Exchange rate (S/. per US\$)			
June	3.20	3.18	3.17
July	3.19	3.18	3.17
Annual: 2007	3.20	3.19	3.17
2008	3.21	3.21	3.20
2009	3.21	3.28	3.25
Interbank interest rate (%)			
In nuevos soles			
June	4.50	4.50	4.50
July	4.50	4.50	4.50
Annual: 2007	4.75	4.55	4.50
2008	5.00	4.90	4.75
2009	5.00	5.00	4.95

The median indicates the sample central value which reduces any bias caused 1/

by extreme values

2/ 19 analysts.

3/ 21 analysts.

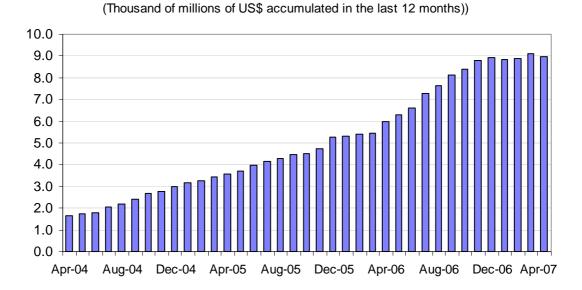
4/ 24 analysts.

Date of the survey

## Trade surplus of US\$ 598 million in April

The trade balance in April 2007 reached a surplus of US\$ 598 million, a sum US\$ 115 million (16 percent) lower than the one recorded in March. As a result of this, so far this year the trade surplus amounts to US\$ 2,019 million.

Annual Trade Balance: April 2004-April 2007



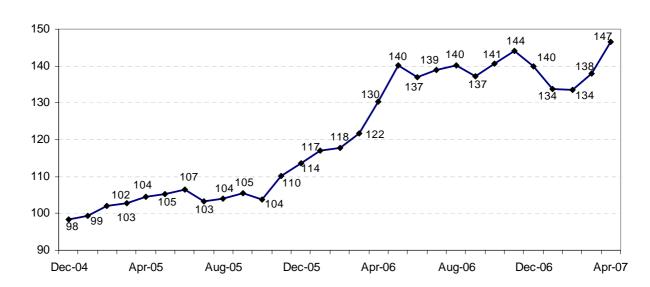
**Exports** in April grew by US\$ 236 million (13 percent) relative to April last year and amounted to US\$ 2,063 million. As a result of this, exports between January and April increased by 19 percent. Moreover, last 12-month exports totaled US\$ 25,043 million. **Traditional exports**, which amounted to US\$ 1,588 million, were 11 percent higher than in April 2006 (19 percent increase so far this year), particularly due to higher exports of zinc (US\$ 142 million), copper (US\$ 72 million) and fish meal (US\$ 53 million), which increased by 101 percent, 15 percent, and 234 percent respectively.

**Non-traditional exports** totaled US\$ 460 million, showing a 21 percent increase relative to April 2006 (non-traditional exports increased by 20 in the January-April period). This result was associated with higher exports of chemical, textile, fishing and agricultural products.

On the other hand, **imports** increased by 32 percent relative to April 2006 (27 percent so far this year) and amounted to US\$ 1,465 million. This result was associated with higher imports of all items, particularly capital goods (38 percent) for industry, agriculture and transport, and raw materials (31 percent) given the higher purchases of fuel (44 percent). Moreover, imports of consumption goods grew 24 percent.

men informa	ιινυ	)									
		TRA	ADE BAI	LANCE							
	(Millions of US\$)										
		Mar.	Monthly dat		/ 4== 00	January-April			% Chg.		
	Apr. 2006	2007	Apr. 2007	Flow	/ Apr.06 % Chg.	2006	2007	Flow	% Cng.		
EXPORTS	<u>1 827</u>	2 064	2 063	236	12.9	<u>6 467</u>	7 710	1 243	19.2		
Traditional products	1 432	1 603	1 588	156	10.9	4 913	5 856	942	19.2		
Non-traditional products	381	451	460	79	20.8	1 501	1 807	306	20.4		
Other products	13	10	14	1	5.9	53	47	- 5	- 10.2		
IMPORTS	<u>1 114</u>	<u>1 399</u>	1 465	351	<u>31.5</u>	4 497	5 690	<u>1 193</u>	26.5		
Consumer goods	195	253	241	46	23.6	759	925	166	21.9		
Raw materials and intermediate goods	613	717	801	188	30.7	2 452	3 018	566	23.1		
Capital goods	301	422	416	115	38.4	1 237	1 722	486	39.3		
Other goods	6	6	7	1	23.2	50	25	- 24	- 49.4		
TRADE BALANCE	713	665	598	- 115	- 16.1	1 969	2 019	50	2.5		

The terms of trade in April grew 13 percent relative to April 2006 due to the increase seen in the average price of exports (19 percent) as a result of better international prices for our main commodities. Furthermore, the price of imports grew 5 percent, while the volume of exports dropped 5 percent basically due to the lower volumes of exports of gold, oil and molybdenum. The volume of non-traditional exports increased 10 percent.

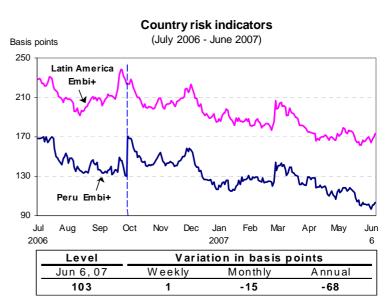


#### **TERMS OF TRADE** (1994 = 100)

## **International Markets**

#### Country Risk at 103 basis points on June 6

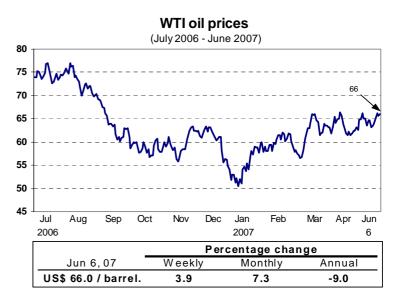
n May, the country risk indicator, measured by the EMBI+ Peru spread, decreased from 117 to 109 basis points, following the trend of spreads in the region. This evolution is associated with the announcement of the partial prepayment of the public debt to the Paris Club (about US\$ 2.5 billion) and with the fact that both Standard & Poor's and Fitch Rating upgraded the rating given to Brazil.



On **June 6**, the **EMBI+ Peru** recorded 103 basis points. It is worth mentioning here that on June 1 Peru's country risk reached a historical minimum of 97 basis points, a result associated with the likelihood that Peru will obtain an investment grade and with expectations that the slowdown of the US economy will not be as strong as expected.

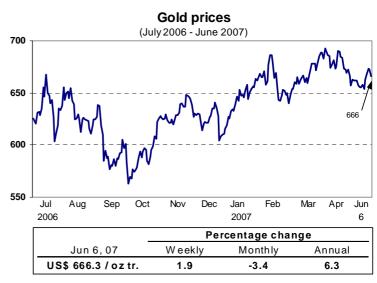
#### Average oil quotation decreased to US\$ 63.4 per barrel in May

In May, the average quotation of WTI oil decreased 0.8 percent (from US\$ 63.9 to US\$ 63.4 per barrel) due to higher oil inventories in the US and to the increase observed in the operational capacity of U.S. refineries in order to respond to a higher seasonal demand. However, this reduction in the price of oil was probability offset by the of interruptions in the oil supply from Nigeria.



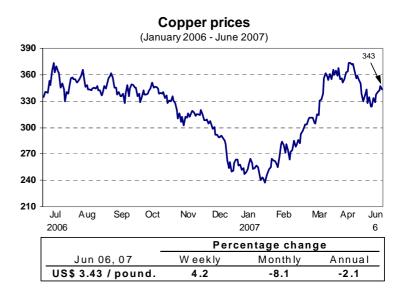
The price of **WTI** oil on **June 6** was US\$ 66.0 per barrel. Factors contributing to this result include geopolitical conflicts in the Middle East, reports from the US Energy Department showing that the demand for oil in the US has increased, and ongoing violence in Nigeria.

In May, the average price of gold decreased 1.7 percent (from US\$ 679.8 to US\$ 668.2 per troy ounce) due to the appreciation of the dollar against the other main currencies (which reduced the appeal of gold as an investment asset), to speculations of a lower demand from India (given that demand is traditionally weakened during the monsoon season), to increased sales of gold by some European central banks, and to an investment bank report indicating that the supply of gold would exceed demand by 250 MT in 2007.



As of **June 6**, the quotation of gold was US\$ 666.3 per troy ounce. This result was associated with the European Central Bank's announcement that it would stop selling gold until September 2007, and with the depreciation of the dollar against the euro and yen seen during this week.

May, the average price of In copper decreased from US\$ 3.52 US\$ 3.49 per pound (0.9 to percent). This result was influenced by an increase of inventories at the Shanghai Stock Exchange, which implied an increase in global inventories of copper. Other factors contributing to this result included the possibility that Chinese demand might slow down after the Chinese government increased taxes on share transactions three-fold, and the International Copper Study Group (ICSG) reported that copper production would exceed demand by 520 MT next year.



However, this drop in the price of copper was partially offset by the announcement of positive indicators of economic activity in the U.S. that would point to a higher potential demand, and by the likelihood that workers would go on strike in one of Codelco's mines.

As of **June 6**, the quotation of copper recorded US\$ 3.43 per pound, in a context marked by a new drop of inventories at the London Metal Exchange (inventories dropped 5.6 percent to 123,050 MT during last week), increased concerns of strikes in Chile and Mexico, and positive indicators on production in China.

In May, the average price of zinc from US\$ 1.61 increased to US\$ 1.74 per pound (8.1 percent). This result was basically influenced by lower levels of inventories at the London Metal Exchange, by the interruption of production at the Xstrata Plc-owned Mc Arthur River mine in Australia, and by reports of the International Lead and Zinc Study Group (ILZSG) indicating that the zinc's trade balance would continue to show a deficit in 2007.

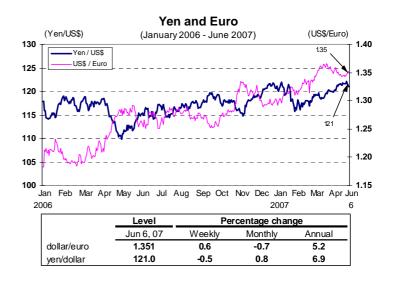


However, this result was partially offset by expectations of a lower demand from China –the world's main consumer of this metal– after the Chinese government implemented actions to slow down China's economic growth.

The price of zinc as of **June 6** was US\$ 1.68 per pound, a result associated with speculations of a weakening of demand in the US manufacturing sector and with a new drop of inventories at the London Metal Exchange (inventories dropped 2.9 percent to 73,124 MT during the week).

#### Dollar appreciated against the euro and the yen on May

On average, the **dollar** appreciated 0.2 percent against the euro and appreciated 1.6 percent against the yen on May. The dollar strengthened against the euro due to persistent inflationary concerns that reduced expectations that the FED might decrease the interest rates, as well as to higher than expected positive indicators of industrial activity. However, this result was partially offset by higher expectations that the interest rates will be raised in the Eurozone.



As of **June 6** the dollar appreciated 0.4 percent against the euro and 0.5 percent against the yen due to higher expectations on the reduction of the spread between FED and Eurozone interest rate, after that the Europe Central Bank announced that the wave of increases on the interest rate would not stop after their last increase of 25 basis points to 4 percent on the interest rate. Meanwhile, an increase in risk due to the China Stock Exchange fall, generate a reversion on the carry trade operations and appreciatory pressures over the yen.

#### Yield on 10-year US Treasuries increased to 4.74 percent on average in May

May, the 3-month Libor In increase from 5.35 to 5.36 percent in average terms, while the yield on the 10-year US Treasury bond increased from 4.68 to 4.74 percent. This evolution was associated with a positive outlook for the U.S. economy in the second quarter given favorable indicators of industrial activity, such as an unexpected increase in consumer's confidence. However, the higher demand for fixed income securities after the plunge of China's Stock Market led investors to demand safer assets and prevented a further increase of the yield on Treasury bonds.



3-month Libor and yield on 10-year US Treasury bonds

As of **June 6**, the **3-month Libor** remained at 5.36 percent and the yield on the 10-year US Treasury bond increased to 4.97 percent, due to the positive outlook for the US economy in the second quarter.

#### Lima Stock Exchange dropped to –2.64 percent on May

In May, the General and Blue Chip indices of the Lima Stock Exchange (LSE) fell -2.64 and 0.03 percent respectively. This fall was due to the persistence of technical corrections and massive to a speculative sale, due to the international context -Shanghai Stock Exchange fell and uncertainty the metal priceand the in sensation that some stocks had already exceeded their values. These factors exceed the better corporative results in the first quarter 2007, reached by the main firms of the LSE and announced at the beginning of the month.



As of **June**, the **General** and **Blue Chip** indices of the Lima Stock Exchange have grown 4.62 and 4.83 percent respectively. This result was driven by the agents improving its positions, due to the perception that the stocks are in its fair price because the fundamentals remained almost unchanged. So far this year, these indices have grown 63.45 and 65.54 percent respectively.

Resumen de Indicadores	s Económicos / Summary of Economic Indicators														
		2005	2006		E I			20.14	20		1.7	4 7	6 T		T
RESERVAS INTERNACION	ALES (Mills, US\$) / INTERNATIONAL RESERVES	DIC.	DIC.	Ene	Feb	Mar	Abr	30 May.	51 May.	May Var.	1 Jun.	4 Jun.	5 Jun.	6 Jun.	Jun Var.
Posición de cambio /Net intern		7 450	11 086	11 677	11 925	12 403	13 589	14 967	15 067	1 478	15 238	15 305	15 354		287
Reservas internacionales netas	/Net international reserves	14 097	17 275	17 849	18 136	18 427	19 704	21 235	21 271	1 567	21 344	21 429	21 490		219
Empresas bancarias / Banks	o en el BCRP /Financial system deposits at BCRP	4 165 4 076		3 538 3 345	3 630 3 392	3 629 3 245	3 374 3 114	3 473 3 289	3 452 3 268	77 154	3 364 3 161	3 407 3 219	3 395 3 212		-56 -57
Banco de la Nación /Banco		33			162	312	188	114	119	-68	121	105	99		-20
	cieras /Other financial institutions el BCRP /Public sector deposits at BCRP *	57 2 533			75 2 673	72 2 490	72 2 870	69 2 905	64 2 904	-9 34	82 2 898	83 2 871	84 2 896		21 -8
	AS BCR (Mill. US\$) / BCRP FOREIGN OPERATIONS	Acum.	Acum.	Acum.	Acum.	Acum.	Acum.			Acum.				-	Acum.
		-581	645		141	411	1 043	21	37	1 469	161	55	42	18	276
Compras netas en Mesa de Neg Operaciones swaps netas / Net s	ociación / Net purchases of foreign currency swap operations	-345 0	695 0	610 0	310 0	610 0	1 330 0	21 0	37 0	1 671 0	161 0	55 0	35 0	10 0	261 0
Operaciones con el Sector Públ	ico /Public sector	-237	-50		-168	-200	-300	0	0	-201	0	0	8	8	16
TIPO DE CAMBIO (S/. por U		Prom.	Prom.	Prom.	Prom.	Prom.	Prom.	0.175	0.154	Prom.	0.170	0.170	0.1.00	2.1.00	Prom.
Compra interbancario Interban	Apertura / Opening	3,423	3,204 3,207	3,192 3,193	3,190 3,191	3,185 3,186	3,178 3,179	3,175 3,177	3,174 3,174	3,167 3,168	3,172 3,174	3,170 3,172	3,169 3,169	3,169 3,171	3,170 3,172
Venta Interbancario	Mediodía / Midday	3,425	3,206	3,193	3,191	3,186	3,179	3,176	3,175	3,168	3,173	3,170	3,170	3,171	3,171
Interbank Ask	Cierre / Close Promedio / Average	3,424	3,206 3,206		3,191 3,191	3,186 3,186	3,179 3,179	3,176 3,177	3,176	3,169 3,168	3,172 3,173	3,171 3,171	3,171 3,170	3,171 3,171	3,171 3,171
Sistema Bancario (SBS)	Compra / Bid	3,423	3,205	3,192	3,190	3,185	3,178	3,175	3,174	3,167	3,172	3,170	3,169	3,169	3,170
Banking System Índice de tipo de cambio real (I	Venta / Ask Dic 2001=100) /Real exchange rate Index (Dec.2001 = 100)	3,425	3,206	3,193 105,4	3,191 105,8	3,186	3,179 107,2	3,176	3,175	3,168	3,172	3,171	3,169	3,170	3,171
· · · · ·	OS / MONETARY INDICATORS	100,0	100,5	100,4	105,0	100,1	107,2	ı L	107,4						
Moneda nacional / Domestic c	urrency	_	r			-	-								
Emisión Primaria Monetary base	(Var. % mensual) / (% monthly change) (Var. % últimos 12 meses) / (% 12-month change)	13,1 25,7	15,7 18,3	-6,8 18,8	1,5 20,2	1,3 20,7	1,9 22,7		0,4 25,3	0,4 25,3					
Oferta monetaria	(Var. % uttimos 12 meses)/(% 12-month change) (Var. % mensual)/(% monthly change)	25,7		3,3	20,2	20,7	-1,4	L	25,5	25,5					
Money Supply	(Var. % últimos 12 meses) / (% 12-month change)	19,5			29,1	29,1	33,2								
Crédito sector privado Crédit to the private sector	(Var. % mensual) / (% monthly change) (Var. % últimos 12 meses) / (% 12-month change)	7,0 34,8			2,7 27,6	3,4 30,3	4,6 34,5								
TOSE saldo fin de período (	Var.% acum. en el mes) /TOSE balance (% change)	-0,7	1,0	10,5	-0,6	3,9	-3,7	5,3	5,4	5,4	0,0	1,4			
	o (% respecto al TOSE)/Average reserve surplus (% of TOSE) os (saldo mill. S/.) /Banks' current account (balance)	1,0			1,3 297	0,9	1,2	1,7 203	1,6 115	1,6 315	4,1	3,4 521	432	411	
	Créditos por regulación monetaria (millones de S/.) Rediscounts (Millions of S/.)		0	0	0	0	0	0	0	0	0	0	0	0	
	RP (millones S/.)/Public sector deposits at the BCRP (Mills.S/.)	4 738			10 289	11 159	14 386	15 330	15 271	15 271 16 021	15 238	15 194 16 335	15 146	n.d.	
	CRP (saldo Mill.S/.) /CDBCRP balance (Millions of S/.) lo Mill.S/.) /CDRBCRP balance (Millions of S/.)	7 676 1 202		10 736 0	11 603 0	12 016 0	11 735 0	15 779 0	16 021 0	16 021	15 484 0	10 335	16 611 0	16 764 0	
	Mill. S/.) / repos (Balance millions of S/.)	2 850		-	0	0	0	0	0	0	0	0	0	0	
	TAMN / Average lending rates in domestic currency Préstamos y descuentos hasta 360 días / Loans & discount	23,63 13,93	23,08 13,79	23,75 14,04	23,57 14,22	23,31 14,03	22,74 13,56	21,84 13,21	21,88 13,12	22,09 13,31	21,78 13,18	21,95 13,15	22,22 13,16	22,18 n.d.	22,03 13,17
Tasa de interés (%)	Interbancaria / Interbank	3,34	4,51	4,47	4,48	4,50	4,51	4,51	4,51	4,49	4,50	4,45	4,50	4,50	4,49
Interest rates (%)	Preferencial corporativa a 90 días / CorporatePrime Operaciones de reporte con CDBCRP / CDBCRP repos	4,37		5,20 s.m.	5,20 s.m.	5,18 s.m.	5,18 s.m.	5,23 s.m.	5,21 s.m.	5,20 s.m.	5,21 s.m.	5,21 s.m.	5,21 s.m.	5,21 s.m.	5,21
	Créditos por regulación monetaria /Rediscounts **	4,00	5,25	5,25	5,25	5,25	5,25	5,25	5,25	5,25	5,25	5,25	5,25	5,25	
March and the first of the state	Del saldo de CDBCRP / CDBCRP balance	4,72	5,12	5,15	5,25	5,24	5,29	5,23	5,22	5,22	5,24	5,21	5,20	5,20	
Moneda extranjera / foreign o Crédito sector privado	(Var. % mensual) / (% monthly change)	-0,2	-2,3	-0,4	0,5	1,7	1,7								
Crédit to the private sector	(Var. % últimos 12 meses) / (% 12-month change)	5,0	3,2	7,3	8,5	7,7	8,8								
	Var.% acum. en el mes) / <i>TOSE balance (% change)</i> (% respecto al TOSE)/ <i>Average reserve surplus (% of TOSE)</i>	7,5 0,4			2,2 0,2	-0,9 0,3	2,8 0,2	5,5 0,9	4,9 0,3	4,9 0,3	-0,5 -0,7	-0,3 -0,6			
	etaria (millones de US dólares) <i>Rediscounts</i>	0,4	0	0	0	0,5	0	0	0	0	0	0	0	0	0
T 1 1 ( (0))	TAMEX / Average lending rates in foreign currency	10,41			10,67	10,65	10,59	10,64	10,64	10,63	10,57	10,64	10,59	10,63	10,61
Tasa de interés (%) Interest rates (%)	Préstamos y descuentos hasta 360 días / Loans & discount Interbancaria / Interbank	9,37 4,19	10,05 5,37	10,01 5,48	9,99 5,53	9,93 5,51	9,88 5,55	9,89 5,25	10,01 5,25	9,94 6,20	9,98 5,25	9,98 s.m.	9,96 s.m.	n.d. s.m.	9,98 5,25
	Preferencial corporativa a 90 días /Corporate Prime	5,51	6,09		6,08	6,11	6,09	6,17	6,16	6,14	6,16	6,16	6,16	6,16	6,16
	Créditos por regulación monetaria /Rediscounts ***	s.m.	s.m.	s.m.	s.m.	s.m.	s.m.								
	S / STOCK MARKET INDICES	Acum.	Acum.	Acum.	Acum.	Acum.	Acum.	7.0	0.0	Acum.	2.0	0.0	2.0	1.2	Acum.
Índice General Bursátil (Var. % Índice Selectivo Bursátil (Var.	5)/General Index (% change) %)/Blue Chip Index (% change)	-4,6 -4,9		5,8 3,5	11,1 12,6	13,2 11,3	20,5 21,8	-7,6 -7,7	8,6 8,8	-2,6 0,0	3,0 2,7	0,9 1,1	2,0 2,2	-1,3 -1,3	4,6 4,8
Monto negociado en acciones (	Mill. S/.) - Prom. diario	23,7			73,2	70,5	148,4	493,2	259,5	173,8	88,5	57,4	91,0	73,2	77,5
INFLACIÓN (%) / INFLATIO	DN (%)														
Inflación mensual /Monthly Inflación últimos 12 meses / %	12 months change	0,42			0,26 0,36	0,35 0,25	0,18 -0,08			0,49 0,94					
	. S/.) / CENTRAL GOVERNMENT (Mills. of S/.)	1,49	1,14	0,04	0,30	0,23	-0,08			0,94					
Resultado primario / Primary b		-2 451	-1 840	1 987	417	1 341	4 491								
Ingresos corrientes /Current re	evenue	3 674	4 409		3 804	4 669	7 970								
Gastos no financieros /Non-fina	mcial expenditure Ills. US\$) / FOREIGN TRADE (Mills. of US\$)	6 173	6 289	2 755	3 393	3 336	3 491								
Balanza Comercial /Trade bala		924	1 1 1 1 7	250	506	665	598								
Exportaciones / Exports	mee	1 975	2 545	1 711	1 872	2 064	2 063								
Importaciones / Imports		1 051	1 427	1 460	1 366	1 399	1 465								
	(Índice 1994=100) / GROSS DOMESTIC PRODUCT		T	1			r								
	nes del año anterior /Annual rate of growth (12 months)	7,2			7,4	5,6			1					r	
	CIONALES / INTERNATIONAL QUOTATIONS	Prom.	Prom.	Prom.	Prom.	Prom.	Prom.			Prom.					Prom.
LIBOR a tres meses (%) / LIBO Dow Jones (Var %) / (% chang		4,49			5,36 -2,80	5,35 0,70	5,35 5,74	5,36 0,83	5,36 -0,04	5,36 4,36	5,36 0,30	5,36 0,06	5,36 -0,59	5,36 -0,95	5,36 -1,19
Rendimiento de los U.S. Treasu	uries (10 años) /U.S. Treasuries yield (10 years)	4,37	4,56	4,76	4,72	4,56	4,68	4,87	4,89	4,74	4,95	4,93	4,99	4,97	4,96
	RÚ (pbs) / EMBI+ PERU stripped spread (basis points) ****	185			127	132	117	102	100	109	97	101	101	103	101

 Stripped spread del EMBI+ PERU (pbs) / EMBI+ PERU stripped spread (basis points) \*\*\*\*
 185
 131
 123
 127
 132
 117
 100
 109
 97
 101
 101

 \*\* Incluye depósitos de Promcepri, Fondo de Estabilización Fiscal (FEF), Cofide, fondos administrados por la ONP; y otros depósitos del MEF. El detalle se presenta en el cuadro No.24 de la Nota Semanal.
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 \*\* A partír 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.

 \*\*\*\* Desde el 29 de setiembre de 2006, el JP Morgan, de acuerdo a sus criterios de liquidez de mercado, ha incluído dentro de su EMBI+ PERÚ los bonos globales Peru 2025 y 2033. Al ser los spreads de dichos bonos cercanos a los 200 pbs, ello explica el aumento de cerca de 40 pbs en el EMBI+ PERÚ a partír del 29 de setiembre.
 Fuente: BCRP, INEI, Banco de la Nación, BVL, Sunat, SBS, Reuters y Bloomberg.

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Elaboración: Departamento de Publicaciones Económicas.