



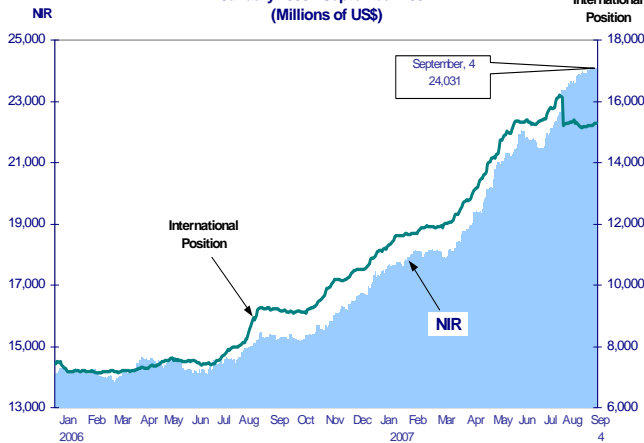
### Indicators

- NIRs amount to US\$ 24,031 million on September 4
- Exchange rate: S/. 3.165 per dollar on September 5
- Interbank interest rate: 4.77 percent
- Country risk at 170 bps on September 5
- Lima Stock Exchange fell 3.3 percent
- Inflation in August: 0.14 percent

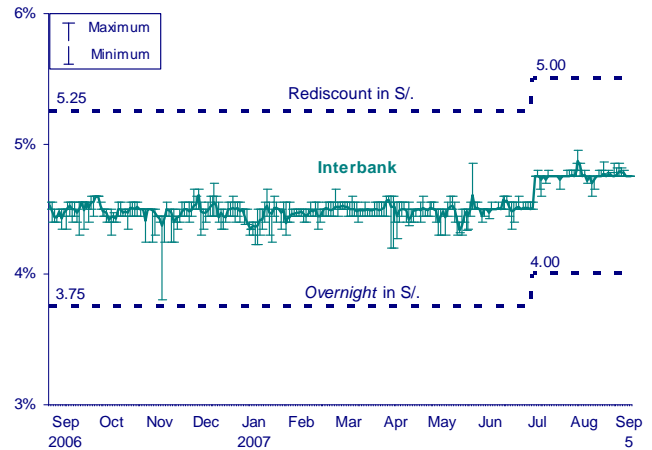
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International Reserve and International Position of the BCRP  
January 2006 - September 2007  
(Millions of US\$)



Interest Rates in Domestic Currency  
(September 2006 - September 2007)



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

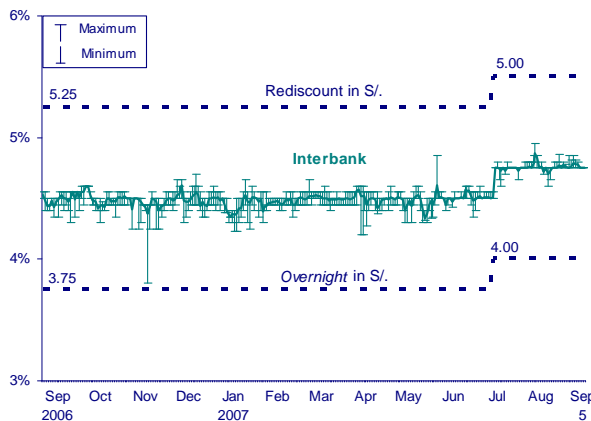
- Informative note on the Monetary Program: September 2007. BCRP raises the reference interest rate from 4.75% to 5.0%
- Weekly Report N° 35-2007
- Annual Report 2006
- IMF Executive Board Completes First Review under Peru's Stand-By Arrangement
- Inflation Report: Recents trends and macroeconomic forecast -May 2007
- Monetary Policy in a Dual Currency Environment
- Quarterly Charts

## Average interbank interest rate on September 5: 4.77 percent

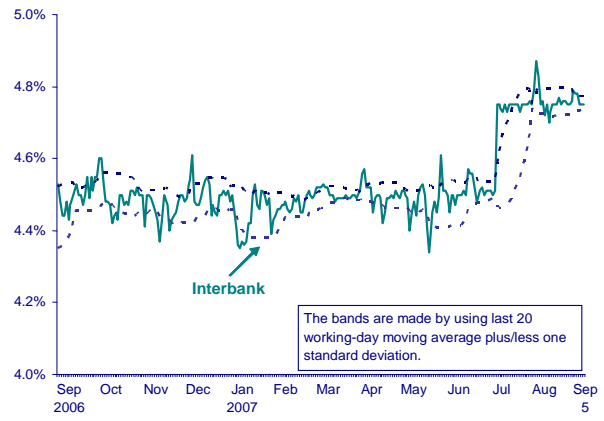
The average interbank interest rate in domestic currency by September 5 was 4.77 percent, the same average than the one posted in August (4.77 percent). Between August 29 and September 5, this rate reduced from 4.78 to 4.75 percent.

Interbank Interest Rate Average (percent)		
	Average	S.D.
December 2004	3.00	0.05
December 2005	3.34	0.08
March 2006	4.12	0.17
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
June	4.52	0.03
July	4.69	0.09
August	4.77	0.04
September 5	4.77	0.00

Interest Rates in Domestic Currency (September 2006 - September 2007)

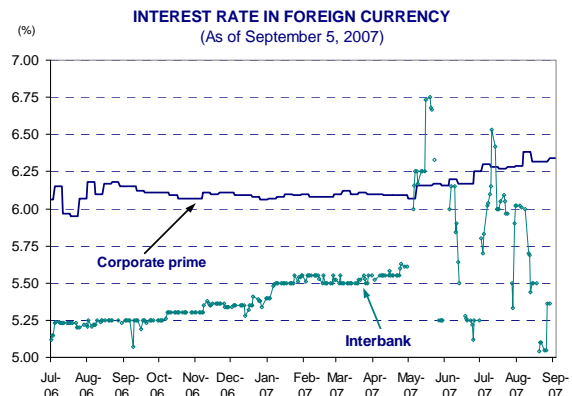
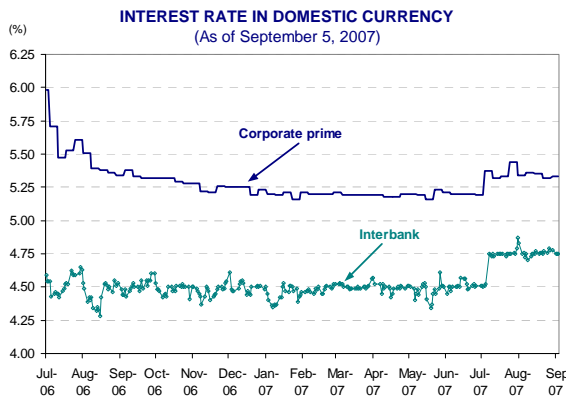


Interbank Interest Rate in Domestic Currency (September 2006 - September 2007)



## Corporate prime rate in soles increased to 5.33 percent

Between August 29 and September 5, the daily average of the 90-day corporate prime rate in domestic currency increased from 5.32 to 5.33 percent, while this rate in dollars increased from 6.32 to 6.34 percent.

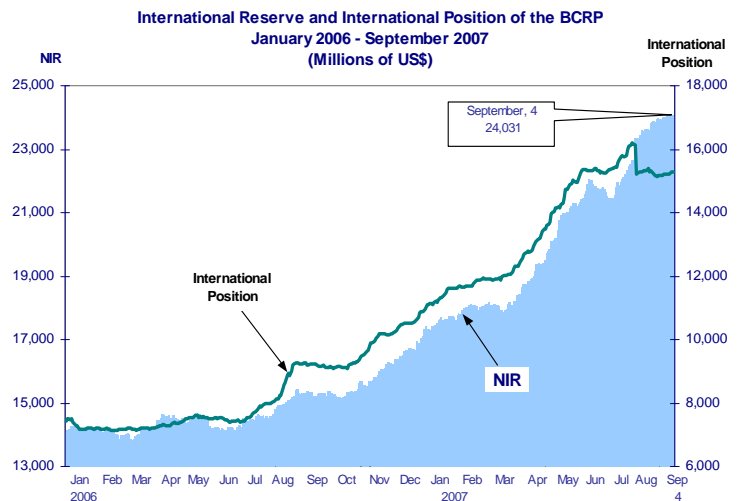


## Monetary operations

The Central Bank made the following monetary operations between **August 29 and September 5, 2007**: i) auctions of temporary purchases of securities with 1-day, 2-day and 3-day maturities for a daily average of S/. 715.0 million, with average interest rates on these operations ranging between 4.76 and 4.80 percent; ii) sales of foreign currency to the Public Treasury for US\$ 6 million; and iii) overnight deposits in domestic currency for a total of S/. 465 million.

## International reserves amount to US\$ 24,031 million on September 4

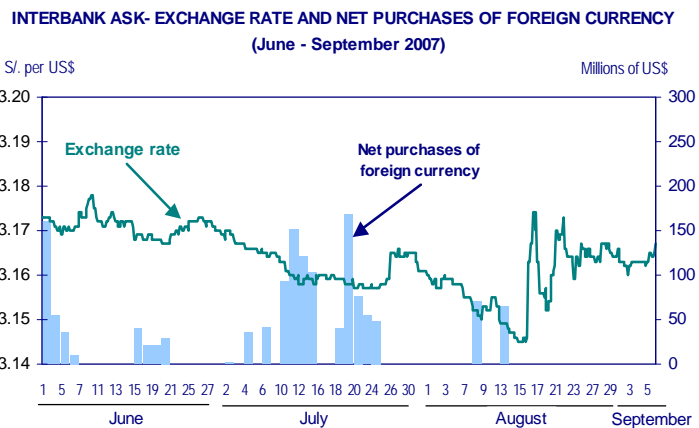
Net international reserves (NIRs) decreased US\$ 38 million compared to end August and amounted to US\$ 24,031 million on **September 4**. This decrease in the balance of NIRs was mainly due to banks' lower NIRs deposits (US\$ 45 million), and sales of foreign currency to the Public Treasury for the repayment of the external public debt (US\$ 6 million). This result was offset by higher public sector's higher deposits (US\$ 8 million), and valuation of other securities (US\$ 6 million).



Furthermore, the **international position of the BCRP** by September 4 (US\$ 15,278 million) increased by US\$ 1 million relative to end August.

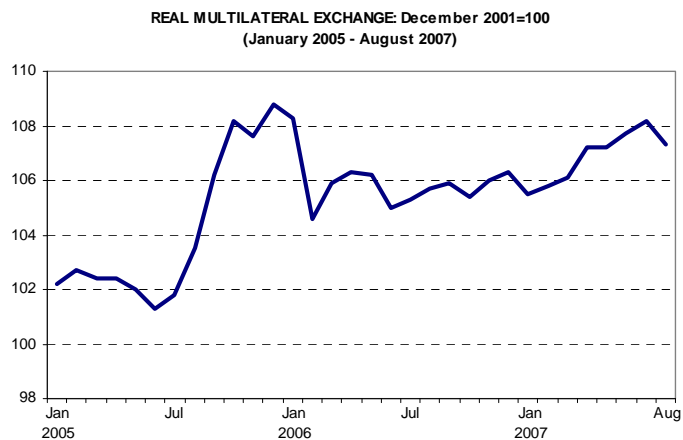
## Exchange rate: S/. 3.165 per dollar

**Between August 29 and September 5**, the average ask price of the interbank exchange rate remained on S/. 3.167 per dollar, as a result of which the nuevo sol depreciated 0.1 percent. The Central Bank did not intervene in the exchange market between August 29 and September 5.



## Real Exchange Rate decreased 0.8 percent in August

In August the real multilateral exchange rate decreased 0.8 percent relative to Jun 2007 as a result of the following factors: a 0.7 percent nominal depreciation of the nuevo sol against the basket of currencies of Peru's main trading partners, a 0.1 percent of domestic inflation and a 0.0 percent rate of external inflation, and in the last 12 months, the real exchange rate increased 1.6 percent.



## Monetary base on August 31, 2007

The balance of the **monetary base** on August 31 (S/. 14,876 million) increased 0.8 percent (S/. 119 million) compared to end-July. In average terms, the annual growth rate of the monetary base in this period was 26.5 percent (25.8 percent in July).

By sources, the operations that contributed most heavily to the expansion of the monetary base included net maturities of BCRP Certificates of Deposit (S/. 842 million), purchases of foreign currency (US\$ 135 million, or S/. 425 million) and temporary purchases of securities (S/. 130 million). Conversely, the monetary base contracted due to sales of dollars to the public sector (US\$ 200 million, or S/. 630 million), placements of BCRP Adjustable Certificates of Deposit (CDRBCRP) (S/. 500 million), higher overnight deposits from both banks (S/. 175 million) and the private sector (S/. 24 million).

## Liquidity and credit to the private sector by August 15

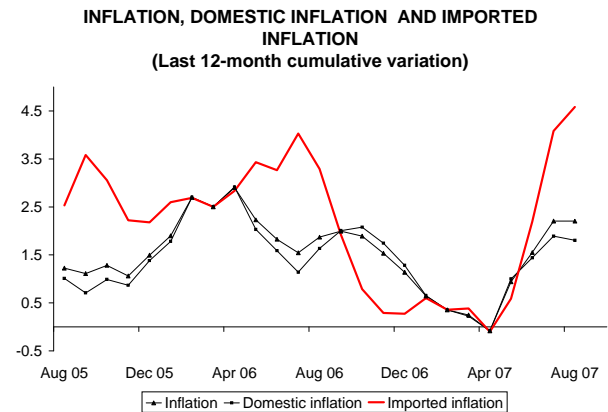
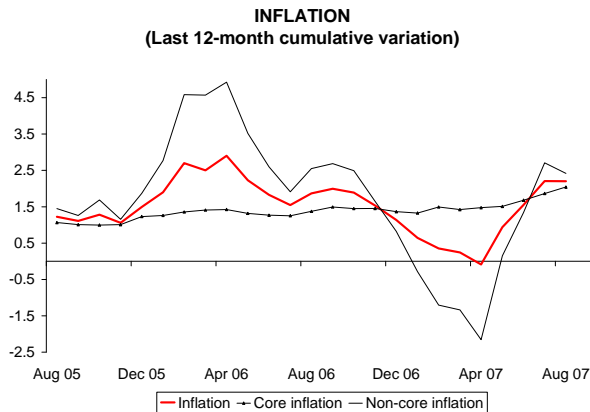
In the last 4 weeks, liquidity in **domestic currency** increased 1.1 percent (S/. 451 million), thus amounting to S/. 40,961 million (annual growth of 39.4 percent). Credit to the private sector in domestic currency increased by 2.3 percent (S/. 694 million) and totaled S/. 31,071 million (annual growth of 42.1 percent).

Liquidity in **foreign currency** increased by 2.2 percent (US\$ 322 million), thus amounting to US\$ 14,696 million (annual growth of 20.8 percent). Credit to the private sector in foreign currency increased 1.9 percent (US\$ 242 million) and totaled US\$ 13,269 million (annual growth of 12.0 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>										
Dec.	13.1%	25.7%	8.0%	33.7%	5.8%	35.4%	2.9%	10.5%	0.2%	5.9%
<b>2006</b>										
Mar.	0.8%	24.2%	2.5%	22.9%	2.3%	39.7%	1.7%	20.7%	1.7%	3.7%
Jun.	2.3%	16.0%	1.6%	18.0%	1.9%	39.0%	0.4%	12.9%	2.0%	4.1%
Sep.	0.9%	13.9%	1.1%	14.0%	2.5%	36.7%	0.8%	14.7%	0.9%	7.4%
Dec.	15.7%	18.3%	10.2%	18.6%	3.2%	30.4%	2.0%	14.6%	-1.8%	4.6%
<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%	3.8%	26.7%	4.4%	33.0%	1.9%	9.8%	1.7%	9.2%
Apr.	1.9%	22.7%	0.1%	32.1%	6.1%	39.4%	4.0%	15.4%	1.5%	10.3%
May.	0.4%	25.3%	2.8%	36.1%	2.6%	41.5%	2.3%	19.4%	1.6%	8.4%
Jun.	3.0%	26.2%	3.7%	38.9%	2.9%	42.9%	0.6%	19.7%	4.1%	10.6%
Jul.	5.3%	23.0%	4.6%	41.6%	3.1%	45.1%	2.4%	21.3%	1.2%	11.4%
Aug.15	0.2%	24.9%	1.1%	39.4%	2.3%	42.1%	2.2%	20.8%	1.9%	12.0%
Memo:										
Balance as of Jul. 15 (Mill.S/.or Mill.US\$)	14,453		40,510		30,377		14,374		13,027	
Balance as of Aug. 15 (Mill.S/.or Mill.US\$)	14,484		40,961		31,071		14,696		13,269	

## Inflation in August: 0.14 percent

**Inflation** in August showed a rate of 0.14 percent, accumulating a last 12-month rate of 2.20 percent. Three items contributed with 0.21 percentage points to this inflation rate: “eating out” meals (0.08 points), sweet potato (0.08 points) and fish (0.05 points). Likewise, three items contributed to decrease inflation in August by 0.34 percentage points: chicken meat (-0.27 points), papaya (-0.04 points) and domestic transport (-0.03 points).



**INFLATION**  
(Annual percentage change)

	Weighting	Monthly	12-month indicator			Annual average indicator		
		Aug. 2007	Aug. 2006	Jul. 2007	Aug. 2007	Aug. 2006	Jul. 2007	Aug. 2007
<b>I. CORE INFLATION</b>	<b>60.6</b>	<b>0.31</b>	<b>1.38</b>	<b>1.86</b>	<b>2.04</b>	<b>1.24</b>	<b>1.49</b>	<b>1.55</b>
<b>Goods</b>	<b>34.0</b>	<b>0.25</b>	<b>0.67</b>	<b>1.64</b>	<b>1.89</b>	<b>0.77</b>	<b>1.06</b>	<b>1.16</b>
Food	13.0	0.47	1.01	2.01	2.56	0.74	1.52	1.65
Textile and footwear	7.6	0.12	1.35	2.50	2.53	1.43	2.05	2.15
Electrical appliances	1.0	-0.01	0.10	-1.99	-1.79	-0.60	-1.14	-1.30
Other industrial goods	12.5	0.13	-0.07	0.97	1.04	0.49	0.12	0.21
<b>Services</b>	<b>26.6</b>	<b>0.37</b>	<b>2.24</b>	<b>2.14</b>	<b>2.23</b>	<b>1.83</b>	<b>2.03</b>	<b>2.02</b>
Restaurants	12.0	0.74	1.22	1.88	2.45	1.07	1.38	1.49
Education	5.1	0.16	3.71	3.76	3.58	2.98	3.63	3.62
Health	1.3	-0.18	-0.44	1.38	1.16	1.30	0.72	0.85
Renting	2.3	-0.10	1.30	-0.39	-0.49	1.29	-0.40	-0.55
Other services	5.9	0.13	3.94	2.22	1.74	2.66	3.01	2.83
<b>II. NON CORE INFLATION</b>	<b>39.4</b>	<b>-0.12</b>	<b>2.55</b>	<b>2.71</b>	<b>2.42</b>	<b>2.74</b>	<b>0.77</b>	<b>0.76</b>
Food	22.5	-0.27	2.55	4.44	3.99	2.63	1.49	1.61
Fuel	3.9	0.07	6.91	3.08	2.55	7.85	0.37	0.03
Transportation	8.4	-0.29	0.98	0.04	0.82	1.67	0.65	0.64
Utilities	4.6	0.85	0.30	-1.85	-3.08	-0.76	-2.42	-2.70
<b>III. IPC</b>	<b>100.0</b>	<b>0.14</b>	<b>1.87</b>	<b>2.21</b>	<b>2.20</b>	<b>1.87</b>	<b>1.19</b>	<b>1.22</b>
<b>Note.-</b>								
Imported Inflation	12.1	0.69	3.29	4.08	4.58	2.97	1.22	1.34
Core Inflation	47.6	0.26	1.47	1.82	1.90	1.38	1.48	1.52
Total foods	33.2	-0.02	1.81	3.62	3.51	2.08	1.37	1.52

**Core inflation** in August was 0.31 percent, as a result of which last 12-month inflation accumulated a rate of 2.0 percent. **Non-core inflation** in the month was -0.12 percent and accumulated a last 12-month rate of 2.4 percent. Moreover, **core inflation excluding food and products** was 0.26 percent (1.9 percent over the last 12 months), while **imported inflation** was 0.69 percent (4.6 percent over the last 12 months).

## Survey on macroeconomic expectations: September 2007

The BCRP carried out its Monthly Survey on Macroeconomic Expectations between August 10 and August 31. A total of 22 financial companies, 24 economist analysts and 385 non-financial entities participated in this survey.

The survey results show that inflation is expected to fluctuate between 1.80 and 2.45 percent. The three surveyed groups coincided in increasing the inflation rates they expect, although these forecasts continue to be within the BCRP inflation target range (between 1.0 and 3.0 percent).

According to the survey results, GDP would grow between 7.2 and 7.5 percent this year. The financial companies and economic analysts expressed lower expectations of growth, while non-financial entities continue to expect a GDP growth of 7.5 percent.

Moreover, the exchange rate should fluctuate between S/. 3.15 and S/. 3.18 per US dollar at end-2007.

### FINANCIAL SYSTEM INSTITUTIONS (Median<sup>1/</sup> of the sample)

	Date of the survey		
	Jun 27. 2/	Jul 31. 3/	Aug 31. 2/
<b>Inflation (%)</b>			
September	0.15	0.21	0.19
October	0.18	0.21	0.17
Annual: 2007	1.90	2.00	2.45
2008	2.00	2.18	2.25
2009	2.50	2.50	2.50
<b>GDP growth (%)</b>			
July	7.0	7.4	7.0
August	7.0	7.0	6.9
Annual: 2007	7.4	7.5	7.2
2008	6.5	6.5	6.5
2009	6.0	6.0	6.0
<b>Exchange rate (S/. per US\$)</b>			
September	3.17	3.16	3.16
October	3.17	3.16	3.16
Annual: 2007	3.17	3.16	3.15
2008	3.20	3.19	3.19
2009	3.22	3.22	3.20
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
September	4.50	4.75	4.75
October	4.60	4.75	4.75
Annual: 2007	4.73	4.75	4.75
2008	5.00	5.00	5.00
2009	5.00	5.25	5.25

- 1/ The median indicates the sample central value which reduces any bias caused by extreme values.  
2/ 22 financial institutions.

### NON-FINANCIAL SYSTEM FIRMS (Median<sup>1/</sup> of the sample)

	Date of the survey		
	Jun 27. 2/	Jul 31. 3/	Aug 31. 2/
<b>Inflation (%)</b>			
Annual: 2007	1.50	1.50	1.80
2008	1.50	1.50	1.80
2009	1.65	1.67	1.90
<b>GDP growth (%)</b>			
Annual: 2007	7.5	7.5	7.5
2008	7.0	7.0	7.0
2009	7.0	7.0	7.0
<b>Exchange rate (S/. per US\$)</b>			
Diciembre 2007	3.18	3.18	3.18
Diciembre 2008	3.20	3.20	3.20
Diciembre 2009	3.24	3.24	3.22

- 1/ The median indicates the sample central value which reduces any bias caused by extreme values.  
2/ 385 non-financial institutions.  
3/ 375 non-financial institutions.

### ANALYSTS (Median<sup>1/</sup> of the sample)

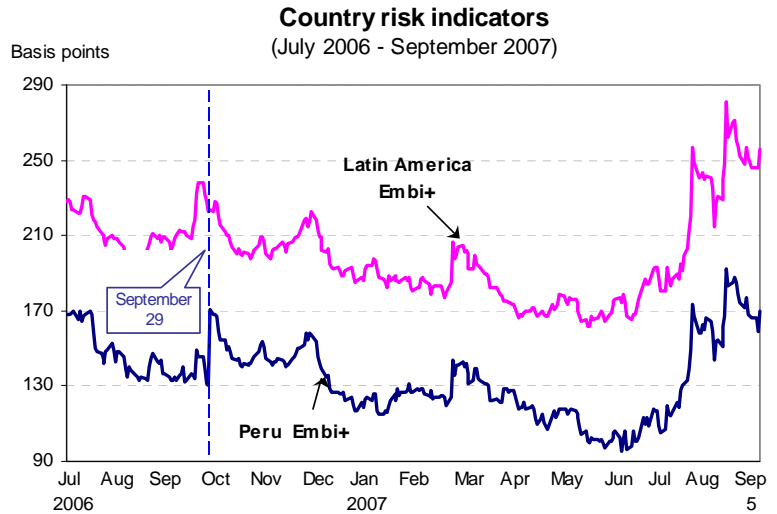
	Date of the survey		
	Jun 27. 2/	Jul 31. 3/	Aug 31. 4/
<b>Inflation (%)</b>			
September	0.10	0.20	0.10
October	0.17	0.19	0.10
Annual: 2007	2.00	2.00	2.45
2008	2.00	2.00	2.00
2009	2.20	2.00	2.00
<b>GDP growth (%)</b>			
July	7.0	7.6	7.0
August	7.0	7.5	6.9
Annual: 2007	7.5	7.5	7.3
2008	6.4	6.5	6.5
2009	6.0	6.0	6.0
<b>Exchange rate (S/. per US\$)</b>			
September	3.17	3.16	3.16
October	3.17	3.16	3.16
Annual: 2007	3.17	3.17	3.16
2008	3.20	3.20	3.20
2009	3.21	3.20	3.22
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
September	4.50	4.75	4.75
October	4.50	4.75	4.75
Annual: 2007	4.50	4.75	4.75
2008	4.80	5.00	5.00
2009	5.00	5.00	5.25

- 1/ The median indicates the sample central value which reduces any bias caused by extreme values.  
2/ 22 analysts.  
3/ 25 analysts.  
4/ 24 analysts.

**International markets**

**Average Country risk at 169 basis points in August**

In **August**, the average country risk, measured by the **EMBI+ Peru** spread, raised from 129 to 169 basis points. This evolution, which follows the trend observed in the region, was associated with a higher aversion to risk in global financial markets and to a possible slow down in the US economy in view of the continuous problems seen in the US subprime mortgage market.

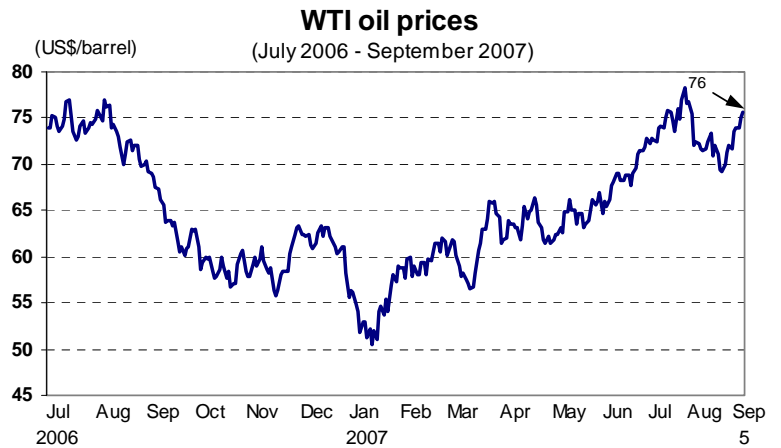


Level	Variation in basis points		
	Weekly	Monthly	Annual
Sep 05, 07	2	6	37

The **EMBI+ Peru** reached 170 basis points on September 5.

**Average price of petroleum dropped to US\$ 72.3 per barrel in August**

The average price of **WTI** oil fell 2.3 percent (from US\$ 74.0 to US\$ 72.3 per barrel) due to fears of a lower demand in the United States as a result of the crisis of the subprime mortgage market. In addition to this, China's raising its interest rate as a measure to stabilize inflation contributed to increase concerns that the demand for energy could decline. However, an unexpected drop of crude inventories in the United States and the OPEC's decision of not increasing its production quota in its next meeting to be held on September 11 offset the fall in the price of crude.



Sep 05, 07	Percentage change		
	Weekly	Monthly	Annual
US\$ 75.7 / barrel.	3.0	5.1	10.4

The price of **WTI oil** reached US\$ 75.7 per barrel on **September 5** due to the continuous drop of inventories of crude and gasoline in the United States, as well as to concerns about a lower future supply as a result of the arrival of hurricane Felix to the coasts of the Gulf of Mexico.

In **August**, the average price of **gold** fell 0.0 percent when it dropped from US\$ 666.2 to US\$ 666 per troy ounce. This evolution was associated with persistent concerns regarding the weakness of the global financial market, which led investors to sell more gold to cover for losses and reduce risks. However, increased demand from the jewelry industry in the second quarter of 2007 offset the drop in the price of gold.



Sep 05, 07	Percentage change		
	Weekly	Monthly	Annual
<b>US\$ 682.6 / oz tr.</b>	<b>2.4</b>	<b>1.7</b>	<b>7.0</b>

The price of gold increased to US\$ 682.8 per troy ounce on September 5 in a context of increased investors' long-term positions (as a hedge against the rise in the price of oil) and after investors took profit in early September, when the price of gold reached its highest level in six weeks.

In **August**, the average price of **copper** dropped from US\$ 3.62 to US\$ 3.41 per pound (5.8 percent) due to the increase of inventories at the London Metal Exchange, to lower prospects of global growth (as a result of the problems generated in the credit market due to the crisis of the subprime market), and to the suspension of strikes in Chile. However, the drop in the price of copper was partially offset by a report indicating that China's demand would increase –China's imports of copper increased twofold to 1.03 million MT. between January and July–.



Sep 05, 07	Percentage change		
	Weekly	Monthly	Annual
<b>US\$ 3.37 / pound.</b>	<b>0.6</b>	<b>-4.8</b>	<b>-5.4</b>

The price of copper reached US\$ 3.37 per pound in a context of growing nervousness given the financial crisis, volatility in the stock markets, and fears of supply shortages given rumors that the workers of the Southern Copper Corporation would go on strike.



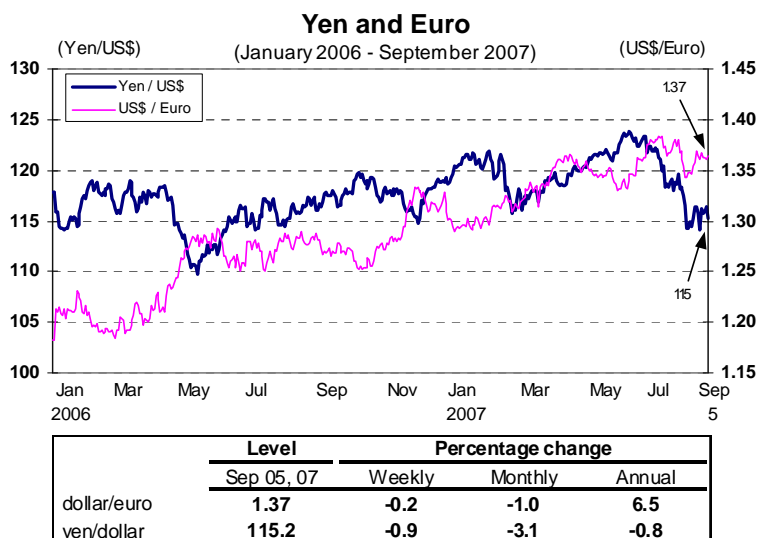
In **August**, the average price of **zinc** decreased from US\$ 1.61 to US\$ 1.48 per pound (8.3 percent). This result was influenced by lower prospects of global economic growth due to the crisis of the US mortgage market, to the increase of inventories at the London Metal Exchange (LME), and to expectations that China's production would increase as of September when repair and maintenance operations at metal refineries would culminate.



Moreover, reports from the International Zinc and Lead Study Group (IZLSG) showed a global surplus production of zinc of 31 thousand MT during the first half of 2007. The price of zinc fell to US\$ 1.33 per pound on **September 5** given growing speculations that the surplus of zinc would increase next year.

### On average, the dollar appreciated against the euro in August

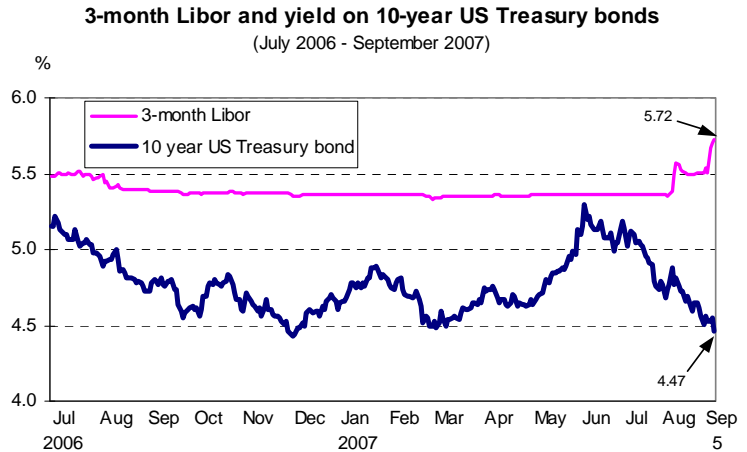
In **August**, the **dollar** appreciated on average 0.8 percent against the **euro** and depreciated on average 3.8 percent against the **yen**. The dollar strengthened against the euro given that the problems in the US subprime market also affected the European financial markets. In this context, the European Central Bank (ECB) and other central banks (including the Federal Reserve) provided liquidity to the banking system. On the other hand, the yen strengthened due to the reversal of carry trade operations.



On **September 5**, the exchange rate was US\$ 1.37 per euro and US\$ 0.087 per yen, in a context marked by an upward revision of GDP figures in the United States in the second quarter and by a plunge in the consumer confidence index in the Eurozone to its lowest level in 10 months.

**Yield on 10-year US Treasuries fell to 4.69 percent on average in August**

On average terms, the **3-month Libor** rose from 5.36 to 5.47 percent. On the other hand, the yield on the 10-year US **Treasury bond** fell from 4.99 to 4.69 percent, due to investors' increased aversion to risk given the problems experienced in global credit markets as a result of the crisis of the US subprime market (flight-to-quality effect), which encouraged a higher demand for safer assets. The fall in this rate was also influenced by the Conference Board's reduction of the consumers' confidence index and by a decline in the prices of homes, which showed their highest quarterly plunge over the last 20 years.

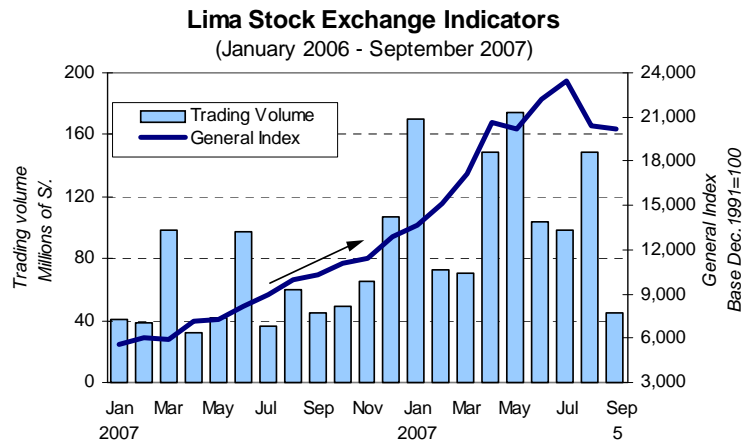


	Sep 05, 07	Variation in percentage points		
		Weekly	Monthly	Annual
Libor 3-months	5.72	18	36	33
Treasuries 10Y	4.47	-9	-27	-31

On **September 5**, the **3-month Libor** rose to 5.72 percent and the yield on the 10-year US **Treasury bond** fell to 4.47 percent amid continued volatility in the global markets.

**Lima Stock Exchange fell 11.0 percent in August**

In **August**, the **General and Blue Chip** indices of the Lima Stock Exchange (LSE) decreased 11.0 and 11.9 percent respectively. These results were associated with the lower prices of mining stocks given the fall seen in the prices of metals (particularly copper and zinc), with the spread of financial turbulence in the main stock exchange markets, and with growing concerns regarding the deterioration of the problems in the US subprime mortgage sector.



	As of:	Percentage change		
		Sep 05, 07	Weekly	Jul. 07
General Index	20,166.0	-1.9	-3.3	56.5
Blue Chip index	35,206.0	-2.4	-3.9	58.9

So far this month (September), the General and Blue Chip indices at the LSE have dropped 3.3 and 3.9 percent respectively due to the lower international prices of metals, the drawback seen in global financial markets and the continuous volatility seen in global markets after weak indicators on the evolution of the US economy were reported.

However, year-to-date these indices have accumulated gains of 56.5 and 58.9 percent respectively.

