



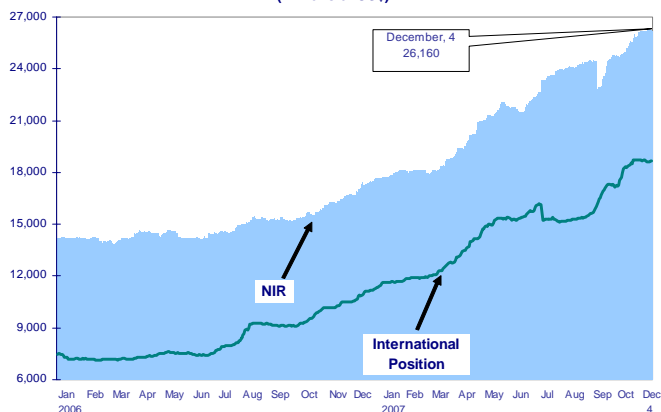
### Indicators

- NIRs: US\$ 26,160 million on December 4
- Interbank interest rate at 5.00 percent on December 5
- Exchange: S/. 2.989 per dollar on December 5
- Real exchange rate increased 0.3 percent in November
- Inflation in November: 0.11 percent
- Country risk at 192 bps on December 5
- Lima Stock Exchange grew 2.5 percent

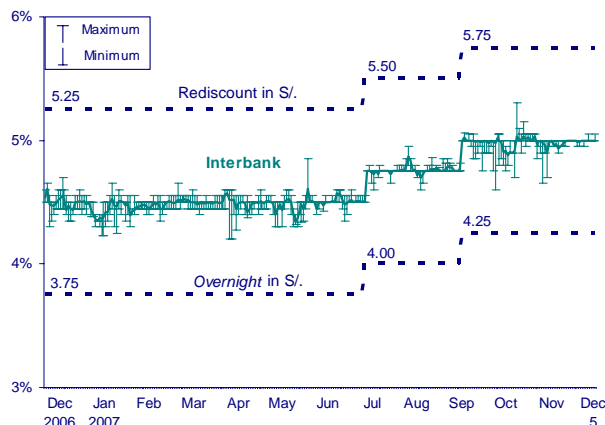
### Content

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



**Interest Rates in Domestic Currency**  
(December 2006 - December 2007)



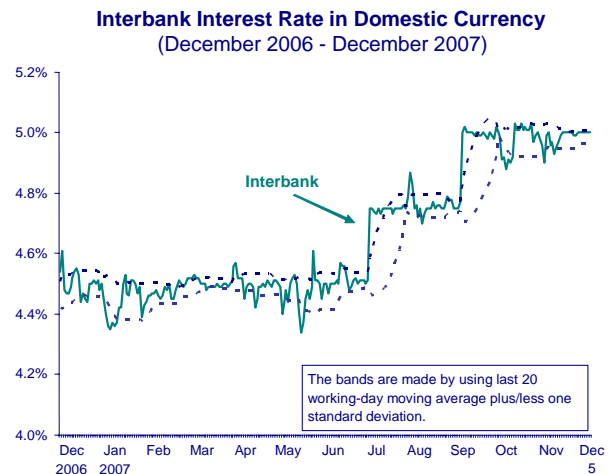
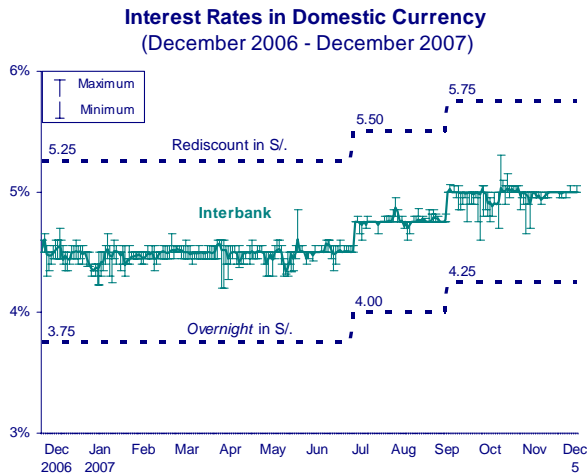
**Our website**  
<http://www.bcrp.gob.pe>

- Informative note on the Monetary Program: December 2007. BCRP maintains the reference interest rate at 5.0%
- Weekly Report N° 48-2007
- Working paper: The monetary policy transmission mechanism under financial dollarization: the case of Peru 1996-2006
- International Reserves Management: October 2007
- Inflation Report: Recents trends and macroeconomic forecast - September 2007
- Annual Report 2006
- Monetary Policy in a Dual Currency Environment
- Quarterly Charts

## Average interbank interest rate by December 5: 5.00 percent

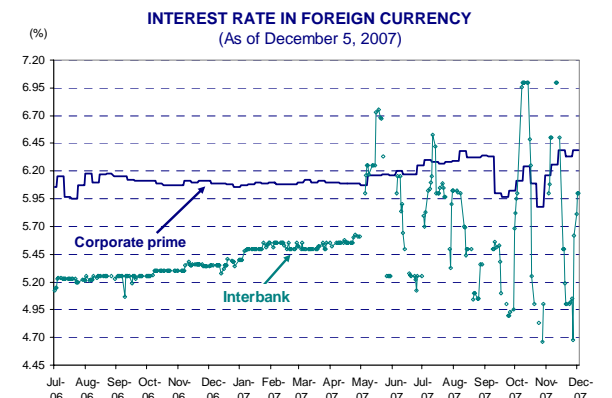
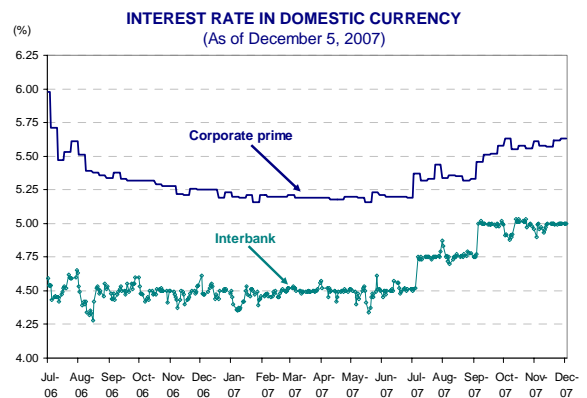
The average interbank interest rate in domestic currency by December 5 was 5.00 percent, a level higher than the average rate posted in November (4.99 percent). Between November 28 and December 5, this rate remained at 5.00 percent.

Interbank Interest Rate Average (percent)		
	Average	S.D.
December 2005	3.34	0.08
December 2006	4.51	0.04
March 2007	4.50	0.01
June	4.52	0.03
July	4.69	0.09
August	4.77	0.04
September	4.97	0.10
October	4.98	0.05
November	4.99	0.03
December 5	5.00	0.00



## Corporate prime rate in nuevos soles increased to 5.63 percent

Between **November 28 and December 5**, the daily average of the 90-day corporate prime rate in domestic currency increased from 5.62 to 5.63 percent, while this rate in dollars increased from 6.33 to 6.39 percent.

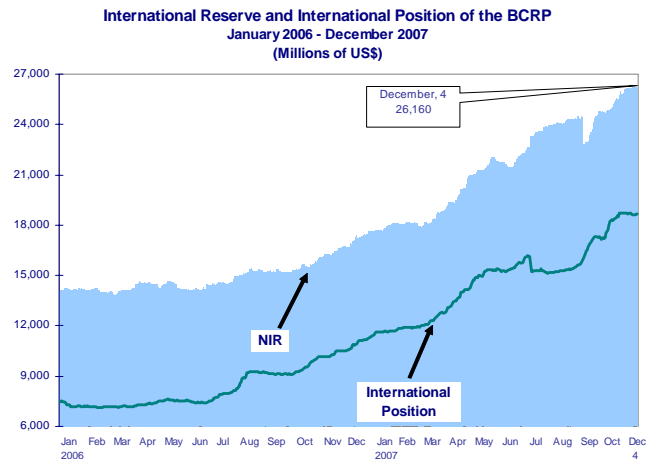


## Monetary operations

Between **November 29 and December 5, 2007**, the Central Bank made the following monetary operations: i) auctions of BCRP Certificates of Deposit with 1-day, 3-day, 7-month, and 1-year maturities for a daily average of S/. 652.7 million. The average interest rate on these operations is 4.95 percent; ii) purchases of foreign currency for a total of US\$ 60 million; and iii) overnight deposits in domestic currency for a total of S/. 168 million.

## Net international reserves: US\$ 26,160 million on December 4

Net international reserves (NIRs) decreased by US\$ 187 million compared to end November and amounted to US\$ **26,160** million on **December 4**. This decrease in the balance of NIRs was mainly due to banks' lower deposits (US\$ 198 million), public sector's lower deposits (US\$ 34 million), and to lower investment yield (US\$ 8 million). This result was offset by the higher valuation of other securities (US\$ 48 million). Moreover, the international position of the BCRP by December 4 (US\$ 18,679 million) increased by US\$ 47 million compared to end November.



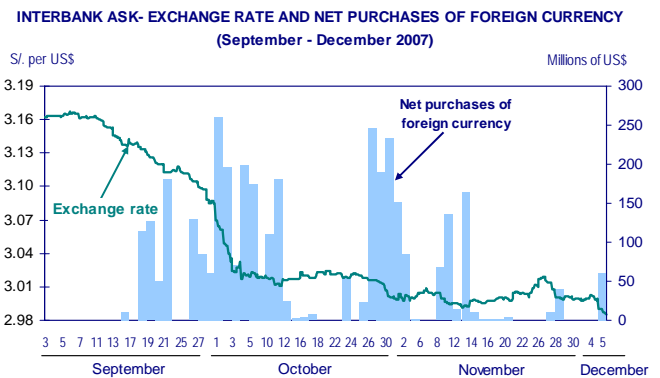
NIRs at end November amounted to US\$ 26,348 million, amount US\$ 1,458 million higher than the one seen at end October.

## Exchange rate: S/. 2.989 per dollar

Between November 28 and December 5, the average ask price of the interbank exchange rate fell from S/. 3.002 to S/. 2.989 per dollar, as a result of which the nuevo sol appreciated by 0.4 percent compared to end November.

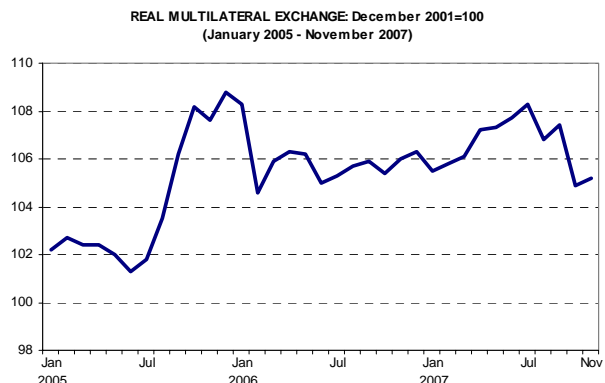
In the same period, the Central Bank intervened in the exchange market purchasing US\$ 99 million.

In November, the average exchange rate was S/. 3.002 per dollar and closed at S/. 3.00 per dollar. The BCRP purchased a total of US\$ 535 million in November.



## Real exchange rate increased 0.3 percent in November

In November, the real multilateral exchange rate increased 0.3 percent compared to October 2007. This is explained by a 0.2 percent nominal depreciation of the Nuevo sol against the currency basket of our main trading partners, by a 0.2 percent external inflation, and by a 0.1 percent domestic inflation. The real exchange rate decreased 0.8 percent over the past 12 months.



## Monetary base by November 30, 2007

The balance of the **monetary base** by November 30 (S/. 15,562 million) increased 2.3 percent (S/. 343 million) compared to end October. On average, the annual growth rate of the monetary base in this period was 28.7 percent (28.2 percent in October).

By sources, the operations that contributed most heavily to the expansion of the monetary base were purchases of foreign currency at the Central Bank's front desk (US\$ 535 million, or S/. 1,603 million), the maturity of BCRP Adjustable Certificates of Deposit (S/. 500 million), and banks' lower overnight deposits (S/. 108 million). Conversely, the monetary base contracted due to net placements of BCRP Certificates of Deposit (S/. 602 million) and sales of dollars to the public sector (US\$ 200 million, or S/. 601 million).

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

In the last four weeks, liquidity in **domestic currency** increased 3.5 percent (S/. 1,379 million), thus amounting to S/. 41,112 million (annual growth of 35.4 percent). Credit to the private sector in domestic currency increased by 2.5 percent (S/. 769 million) and totaled S/. 31,185 million (annual growth of 33.2 percent).

Liquidity in **foreign currency** increased by 1.1 percent (US\$ 134 million), thus amounting to US\$ 12,740 million (annual growth of 17.3 percent). Credit to the private sector in foreign currency increased 6.0 percent (US\$ 792 million) and totaled US\$ 13,885 million (annual growth of 21.2 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%	8.4%	32.2%	6.1%	34.6%	3.0%	11.1%	-0.2%	5.2%
<b>2006</b>										
Mar.	0.8%	24.2%	2.7%	21.7%	2.3%	39.4%	2.1%	21.6%	2.2%	2.1%
Jun.	2.3%	16.0%	1.4%	17.5%	2.0%	39.4%	0.2%	13.1%	2.1%	2.8%
Sep.	0.9%	13.9%	1.0%	13.7%	2.2%	36.8%	0.5%	13.9%	0.9%	6.3%
Dec.	15.7%	18.3%	10.6%	17.9%	3.3%	30.2%	1.8%	12.7%	-2.1%	3.9%
<b>2007</b>										
Jan.	-6.8%	18.8%	1.0%	25.4%	0.9%	28.8%	-1.2%	7.9%	-0.3%	7.9%
Feb.	1.5%	20.2%	0.1%	24.4%	2.6%	28.5%	0.1%	6.3%	0.5%	8.8%
Mar.	1.3%	20.7%	2.9%	24.6%	3.1%	29.5%	1.2%	5.5%	1.7%	8.3%
Apr.	1.9%	22.7%	-1.7%	27.5%	4.1%	33.1%	3.0%	9.9%	1.3%	9.2%
May.	0.4%	25.3%	1.9%	30.3%	2.2%	34.8%	2.6%	14.0%	1.6%	7.3%
Jun.	3.0%	26.2%	2.9%	32.1%	2.8%	35.8%	-1.0%	12.6%	4.7%	10.0%
Jul.	5.3%	23.0%	4.5%	34.4%	2.9%	37.7%	2.1%	14.3%	1.3%	10.9%
Aug.	0.8%	29.5%	2.2%	36.0%	1.3%	37.0%	2.6%	16.5%	1.2%	13.1%
Sep.	-1.8%	26.1%	-0.6%	33.9%	3.9%	39.3%	2.1%	18.4%	2.5%	14.9%
Oct.	4.1%	30.3%	5.9%	38.4%	1.9%	37.2%	2.0%	18.9%	2.1%	16.9%
Nov.15	2.9%	28.2%	3.5%	35.4%	2.5%	33.2%	1.1%	17.3%	6.0%	21.2%
Memo:										
Balance as of Oct. 15 (Mill.S./or Mill.US\$)	14,868		39,733		30,416		12,606		13,094	
Balance as of Nov.15 (Mill.S./or Mill.US\$)	15,304		41,112		31,185		12,740		13,885	

## Inflation in November: 0.11 percent

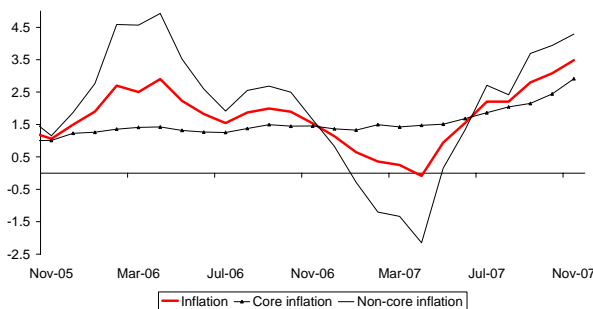
**Inflation** in November posted 0.11 percent and accumulated a rate of 3.49 percent over the last twelve months. Three items contributed with 0.25 percentage points to the rate of inflation in November: papaya (0.10 percentage points), evaporated milk (0.09 points), and citrus fruits (0.06 points). Conversely, three items contributed to this month's result with -0.37 percentage points: chicken meat (-0.20 points), onion (-0.12 points), and sugar (-0.05 points).

**INFLATION**  
(Annual percentage change)

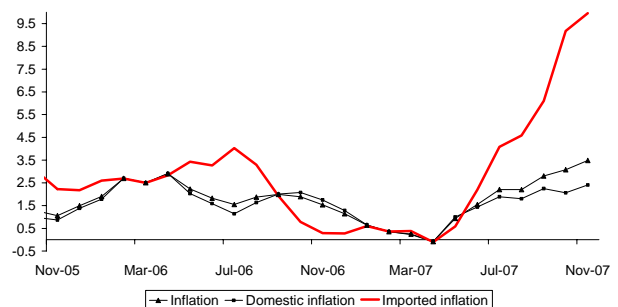
	Weighting	12-month indicator			Annual average indicator			
		Monthly Nov. 2007	Nov. 2006	Oct. 2007	Nov. 2007	Nov. 2006	Oct. 2007	Nov. 2007
<b>I. CORE INFLATION</b>	<b>60.6</b>	<b>0.59</b>	<b>1.45</b>	<b>2.44</b>	<b>2.91</b>	<b>1.36</b>	<b>1.69</b>	<b>1.81</b>
<b>Goods</b>	<b>34.0</b>	<b>0.87</b>	<b>1.02</b>	<b>2.41</b>	<b>3.12</b>	<b>0.85</b>	<b>1.37</b>	<b>1.55</b>
Food	13.0	1.87	1.84	3.68	5.34	1.05	1.92	2.21
Textile and footwear	7.6	0.46	1.62	2.63	2.86	1.41	2.34	2.44
Electrical appliances	1.0	-0.15	-0.93	-1.50	-1.33	-0.13	-1.51	-1.54
Other industrial goods	12.5	0.12	-0.07	1.22	1.26	0.36	0.41	0.52
<b>Services</b>	<b>26.6</b>	<b>0.25</b>	<b>1.99</b>	<b>2.48</b>	<b>2.66</b>	<b>1.99</b>	<b>2.07</b>	<b>2.13</b>
Restaurants	12.0	0.35	1.34	3.22	3.56	1.16	1.79	1.98
Education	5.1	0.08	3.62	3.67	3.66	3.25	3.62	3.62
Health	1.3	0.26	0.59	0.35	0.41	0.75	0.91	0.90
Renting	2.3	-0.60	-0.20	-0.69	-1.28	1.22	-0.66	-0.75
Other services	5.9	0.50	2.91	1.47	1.79	3.09	2.43	2.34
<b>II. NON CORE INFLATION</b>	<b>39.4</b>	<b>-0.52</b>	<b>1.65</b>	<b>3.94</b>	<b>4.29</b>	<b>2.96</b>	<b>0.97</b>	<b>1.19</b>
Food	22.5	-0.92	3.27	5.92	6.29	3.72	1.95	2.20
Fuel	3.9	0.06	-0.88	4.91	5.48	5.74	0.41	0.94
Transportation	8.4	-0.12	0.90	0.90	0.57	1.24	0.63	0.60
Utilities	4.6	0.24	-2.02	-2.00	-0.55	-1.00	-2.94	-2.82
<b>III. CPI</b>	<b>100.0</b>	<b>0.11</b>	<b>1.54</b>	<b>3.08</b>	<b>3.49</b>	<b>2.03</b>	<b>1.38</b>	<b>1.55</b>
<b>Note.-</b>								
Imported Inflation	12.1	0.49	0.29	9.18	9.96	2.48	2.39	3.19
Core Inflation	47.6	0.24	1.35	2.11	2.26	1.44	1.63	1.70
Total foods	33.2	0.02	2.50	5.29	6.14	2.80	1.89	2.19

Moreover, **core inflation** in November showed a rate of 0.59 percent and accumulated 2.9 percent over the last twelve months. **Non-core inflation** in November was -0.52 percent and accumulated a last 12-month rate of 4.3 percent. On the other hand, **core inflation excluding food products and beverages** was 0.24 percent (2.3 percent over the last 12 months). **Imported inflation** this month showed a rate of 0.49 percent (10.0 percent over the last 12 months).

**INFLATION**  
(Last 12-month cumulative variation)



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



**Survey on macroeconomic expectations: December 2007**

Between November 12 and 30, the BCRP conducted its Monthly Survey on Macroeconomic Expectations among 22 financial entities, 25 economic analysts, and 375 non-financial firms.

The survey results show that inflation in 2007 is expected to be between 2.50 and 3.40 percent. Both the group of financial entities and the group of economic analysts coincided in increasing their forecasts on inflation. Since October both groups consider that inflation will be above the upper band of the BCRP inflation target (3.0 percent).

Forecasts on the growth of GDP this year range between 7.5 and 7.7 percent. The group of financial entities and the group of economic analysts coincided in increasing their forecasts compared to last month's.

Finally, according to the three surveyed groups, the exchange rate at end 2007 would be S/. 3.00 per US dollar.

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

	Date of the survey		
	Sep 28 2/	Oct.31 3/	Nov.30 3/
<b>Inflation (%)</b>			
December	0.19	0.16	0.20
January 2008	0.15	0.17	0.20
Annual: 2007	2.66	3.23	3.35
2008	2.20	2.60	2.80
2009	2.50	2.50	2.50
<b>GDP growth (%)</b>			
October	7.2	7.0	7.2
November	7.3	7.3	7.2
Annual: 2007	7.5	7.5	7.6
2008	6.5	6.5	6.5
2009	6.0	6.3	6.3
<b>Exchange rate (S/. per US\$)</b>			
December	3.10	3.00	3.00
January 2008	3.12	3.00	3.00
Annual: 2007	3.13	3.00	3.00
2008	3.15	3.00	3.00
2009	3.15	3.02	3.05
<b>Interbank interest rate (%)</b>			
<i>En nuevos soles</i>			
December	5.00	5.02	5.00
January 2008	5.00	5.05	5.00
Annual: 2007	5.00	5.02	5.00
2008	5.25	5.25	5.25
2009	5.25	5.25	5.50

1/ The median indicates the sample central value which reduces any bias caused by extreme values.  
2/ 23 financial institutions.  
3/ 22 financial institutions.

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

	Date of the survey		
	Sep 28 2/	Oct.31 3/	Nov.30 4/
<b>Inflation (%)</b>			
Annual: 2007	1.90	2.50	2.50
2008	2.00	2.00	2.00
2009	2.00	2.00	2.00
<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>			
December 2007	3.16	3.05	3.00
December 2008	3.19	3.10	3.10
December 2009	3.20	3.17	3.15

1/ The median indicates the sample central value which reduces any bias caused by extreme values.  
2/ 378 non-financial institutions.  
3/ 375 non-financial institutions.

**ANALYSTS**  
(Median1/ of the sample)

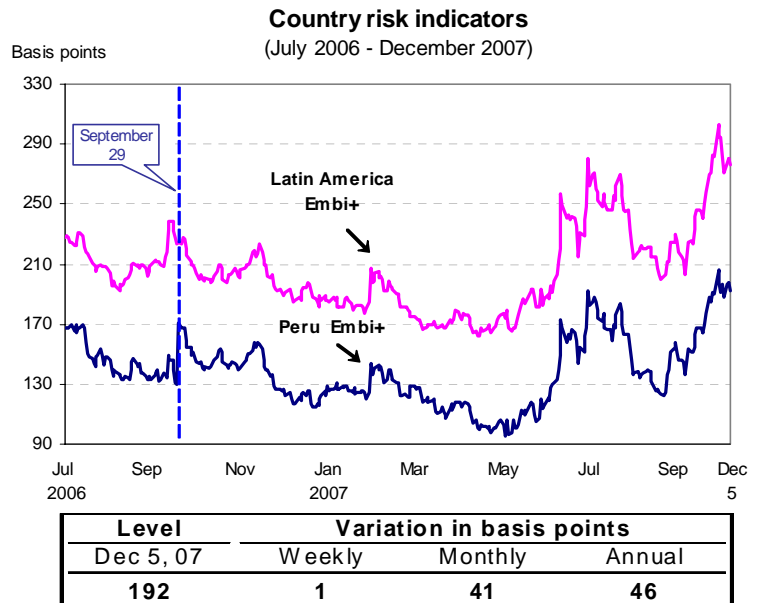
	Date of the survey		
	Sep 28 2/	Oct.31 2/	Nov.30 3/
<b>Inflation (%)</b>			
December	0.25	0.23	0.20
January 2008	0.18	0.19	0.20
Annual: 2007	2.50	3.10	3.40
2008	2.00	2.00	2.50
2009	2.00	2.00	2.35
<b>GDP growth (%)</b>			
October	7.2	7.0	7.2
November	7.3	7.5	7.5
Annual: 2007	7.5	7.5	7.7
2008	6.7	6.5	6.6
2009	6.1	6.0	6.2
<b>Exchange rate (S/. per US\$)</b>			
December	3.11	3.00	3.00
January 2008	3.12	3.01	3.00
Annual: 2007	3.11	3.00	3.00
2008	3.15	3.00	3.03
2009	3.16	3.00	3.00
<b>Interbank interest rate (%)</b>			
<i>En nuevos soles</i>			
December	5.00	5.00	5.00
January 2008	5.00	5.00	5.00
Annual: 2007	4.90	5.00	5.00
2008	5.00	5.38	5.00
2009	5.00	5.50	5.00

1/ The median indicates the sample central value which reduces any bias caused by extreme values.  
2/ 22 analysts.  
3/ 21 analysts.  
4/ 25 analysts.

## International Markets

### Country risk at 192 basis points on December 5

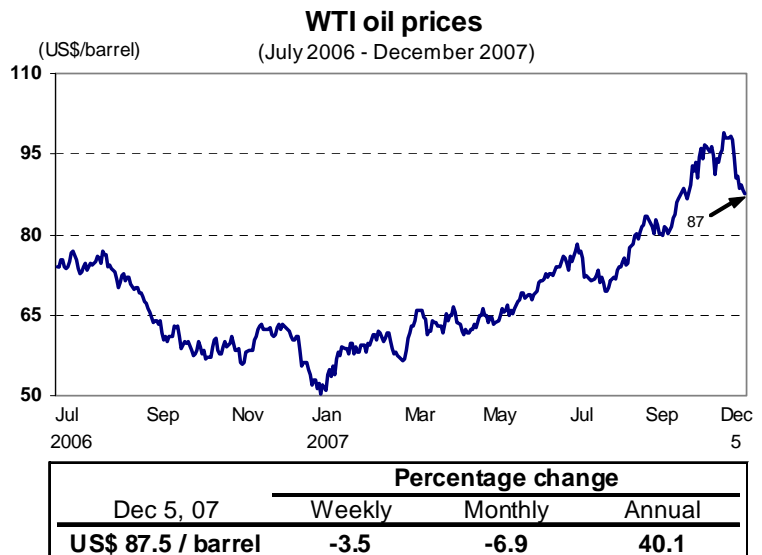
In **November**, the average country risk indicator –measured by the **EMBI+ Peru** spread– increased from 139 to 175 basis points, reflecting a similar evolution than the one seen in the region (the EMBI+ Latin America increased from 215 to 258 basis points). Factors explaining this result included increased risk aversion in emerging countries –due to the losses experienced by financial entities– and persistent concerns regarding the crisis of the subprime mortgage market and its impact on the US economy.



On **December 5**, the **EMBI+ Peru** posted 192 basis points in a context of prolonged risk aversion, as reflected in the drop of the main stock exchange markets which continued to affect the demand for emerging market securities.

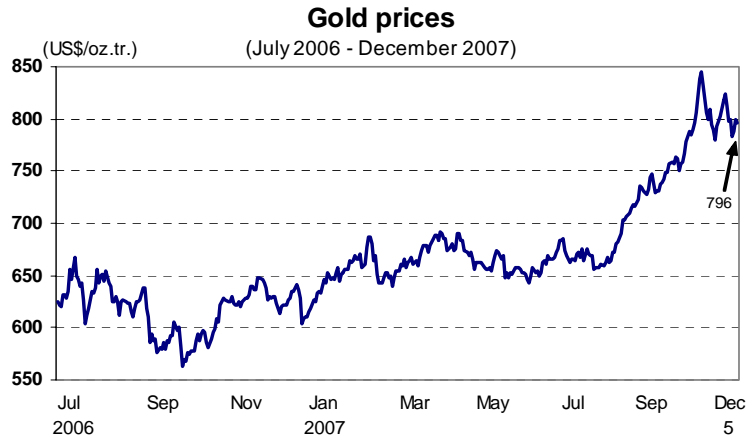
### Average price of petroleum rose to US\$ 94.8 per barrel in November

In November, the average price of **WTI oil** increased from US\$ 85.9 to US\$ 94.8 per barrel (10.3 percent) due to the weakness of the dollar and to increased concerns regarding lower inventories of petroleum in consuming countries when the winter season is about to begin in the northern hemisphere. Another factor contributing to this result was that the International Energy Agency reported recently that the OPEC's production of oil would not be enough to cover the drop seen in current inventories of crude.



On **December 5**, the price of **WTI oil** reached US\$ 87.5 per barrel in a context marked by a slight appreciation of the dollar, a lower decline of crude inventories in the United States, and the OPEC's decision to maintain its production quota unchanged.

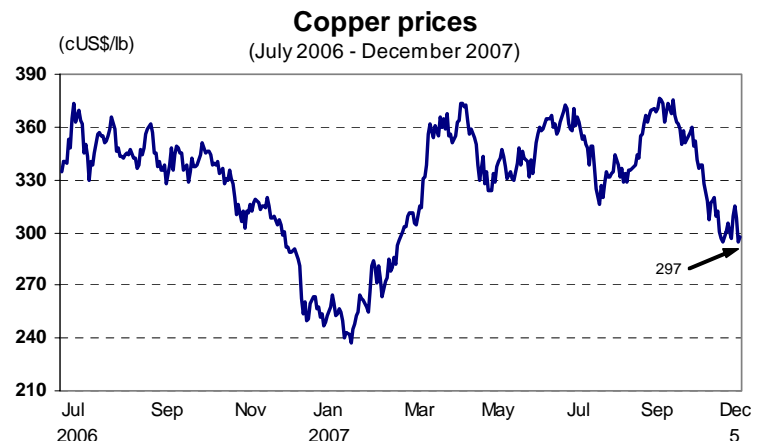
In November, the average price of **gold** rose from US\$ 754.9 to US\$ 806.3 per ounce troy (6.8 percent) due to the drop of the dollar against other main currencies and to the persistence of high prices of petroleum, which increased the attraction of gold as a hedge. Furthermore, reports showing a higher physical demand for gold from the jewelry industry in QIII also contributed to this result.



Dec 5, 07	Percentage change		
	Weekly	Monthly	Annual
<b>US\$ 795.8 / oz tr.</b>	<b>-0.3</b>	<b>-1.2</b>	<b>23.6</b>

On **December 5**, the price of gold reached US\$ 795.8 per ounce troy in a context marked by a slight appreciation of the dollar against the yen in the first days of this month and by the strike of mining workers in South Africa (first producer of this metal).

In **November**, the average price of **copper** fell from US\$ 3.63 to US\$ 3.16 per pound (6.8 percent). This evolution is explained by the increase of inventories at global metal exchange markets and by fears that demand might decline in a context of increased probabilities of a global slowdown, particularly in the United States –due to the subprime crisis– and in China –due to lower imports of copper. Moreover, increased risk aversion, which was reflected in the growing volatility seen in the main bourses, also contributed to this evolution.



Dec 5, 07	Percentage change		
	Weekly	Monthly	Annual
<b>US\$ 2.97 / pound</b>	<b>0.2</b>	<b>-11.6</b>	<b>-7.1</b>

On **December 5**, the price of copper dropped to US\$ 2.97 per pound. This evolution took place amid continuous increases of inventories at the London Metal Exchange, and amid concerns regarding both the likelihood of a slowdown in the US economy and the possibility of a global slowdown which would imply a lower demand for this metal.



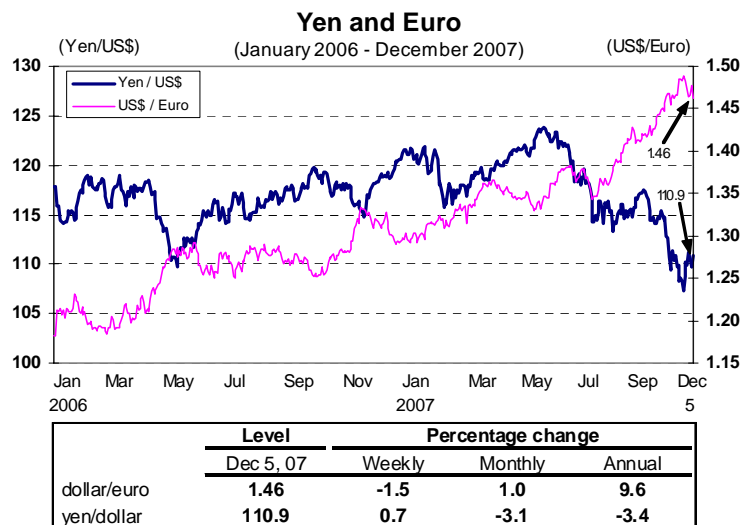
In November, the average price of **zinc** decreased from US\$ 1.35 to US\$ 1.15 per pound (15.0 percent). This result was influenced by the increase of inventories at the London Metal Exchange and by increased expectations that the US consumption of metals would drop due to the persistent weakness of the mortgage sector and the crisis of the financial sector. Moreover, some reports show that China's demand, which would compensate the possible slowdown of the US economy according to some analysts, was not as strong as expected.



By **December 5**, the price of zinc had decreased to US\$ 1.08 per pound in a context of a continuous increase of inventories at the London Metal Exchange.

## Dollar depreciated on average against the euro and the yen in November

On average terms, the **dollar** depreciated 3.1 percent against the **euro** and 4.3 percent against the **yen** in November. The dollar weakened against the euro due to greater concerns that the Federal Reserve might reduce its interest rates again due to fears of increased credit constraints and to the deepening of the mortgage crisis in the United States. On the other hand, the dollar depreciated against the yen due to the reversal of carry trade operations given increased risk aversion resulting from uncertainty about the evolution of the credit market and the economy of the United States.

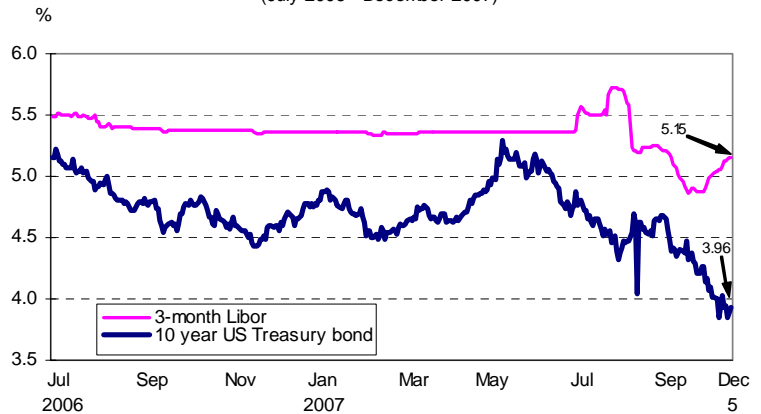


On **December 5**, the exchange rate was 1.46 dollars per euro and 110.9 yens per dollar. These results were influenced by speculations about the possibility that the FED will reduce its interest rates more than expected to calm credit market turbulences.

## Yield on 10-year US Treasuries declined 4.14 percent on average in November

On average, the **3-month Libor** decreased from 5.14 to 4.97 percent and the yield on the 10-year **US Treasury bond** decreased from 4.52 to 4.14 percent. The decrease seen in the case of the yield on the Treasury bond was explained by a higher demand for safer assets (flight to quality effect) due to greater risk aversion which led investors to seek coverage in US government bonds.

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



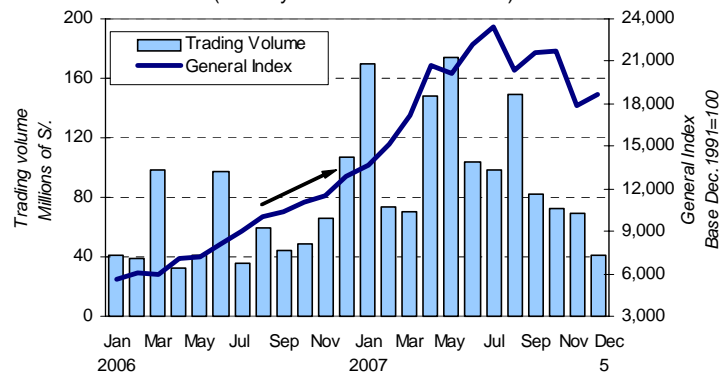
	Variation in percentage points			
	Dec 5, 07	Weekly	Monthly	Annual
Libor 3 months	5.15	7	27	-20
Treasuries EUA	3.96	1	41	46

On **December 5**, the **3-month Libor** posted 5.15 percent and the yield on the 10-year **US Treasury bond** decreased to 3.96 percent amid comments from the Federal Reserve authorities regarding the slow pace of growth of the economy, which contrasted with higher-than-expected results in terms of employment.

## Lima Stock Exchange fell 15.9 percent in November

In November, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) fell 15.9 and 18.3 percent respectively, influenced by investors' increased risk aversion in the stock exchanges of emerging markets in a context marked by the global collapse of world bourses. Another factor contributing to these results at the LSE was the negative performance of mining shares given the drop seen in the prices of basic metals (particularly copper and zinc).

**Lima Stock Exchange Indicators**  
(January 2006 - December 2007)



	As of:	Percentage change		
	Dec 5, 07	Weekly	Nbv. 07	Dec. 06
General Index	18,719	4.9	2.5	45.3
Blue Chip index	31,257	5.9	3.1	43.0

So far in **December**, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) have grown 2.5 and 3.1 percent respectively due to the recovery of different papers in several international markets, particularly the US market, and due to the ratification of the PER-US free trade agreement. Year-to-date, the indices of the LSE have grown 45.3 and 43.0 percent respectively.

