

# Weekly Economic Report N° 1

January 4, 2008

#### **Indicators**

A	NIRs total US\$ 27,459 million on December 28
A	Interbank interest rate: 5.00 percent on January 2
*	Exchange rate at S/. 2.984 per dollar on
	January 2

Real exchange rate declined 1.0 percent in December

Inflation in December: 0.45 percent

Credit to the private sector increased 5.6 percent

in November

Country risk: 188 bps by January 2

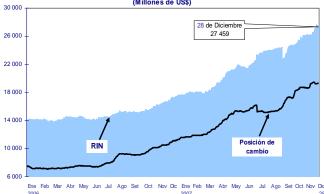
Lima Stock Exchange fell 1.2 percent by

January 2

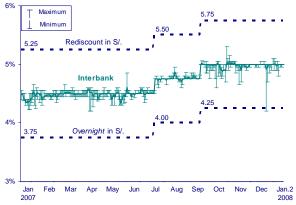
#### Content

nterbank interest rate: 5.00 percent on January 2	>
Corporate prime rate in nuevos soles increased to 5.65 percent	)
nternational reserves amount to US\$ 27,459 million on December 28	Х
xchange rate: S/. 2.984 per dollar	Х
Real exchange rate decreased 1.0 percent in December	Х
Nonetary base by December 22, 2007	Xi
iquidity and credit to the private sector by November 30	χi
Evolution of credit to the private sector	xii
nflation rate: 0.45 percent in December	χi\
Country risk at 188 basis points on January 2	XV
ima Stock Exchange grew 36.0 percent during 2007	XX

#### Reservas Internacionales Netas y Posición de Cambio del BCRP Enero 2006 - Diciembre 2007 (Millones de US\$)



#### (January 2007 - January 2008) Maximum Minimum



Interest Rates in Domestic Currency

# ENTRAL RESERVE BANK OF PERU



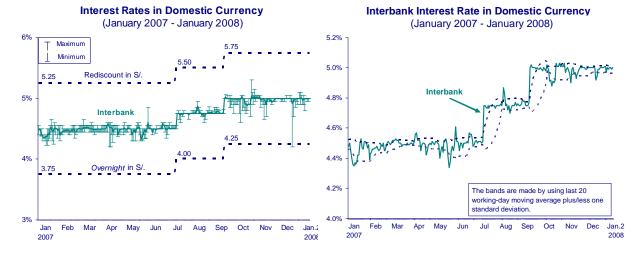
#### **Our Website** http://www.bcrp.gob.pe

- Weekly Report N° 01-2008
- Informative note on the Monetary Program: December 2007. BCRP maintains the reference interest rate at 5.0%
- 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
- Monetary Policy in a Dual Currency Environment
- **Quarterly Charts**

# Interbank interest rate: 5.00 percent on January 2

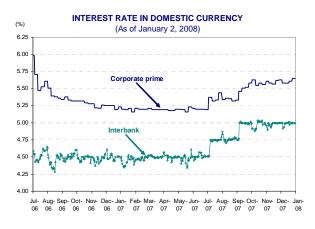
The average interbank interest rate in domestic currency by January 2 was 5.00 percent, a higher rate than the average rate seen in December (4.99 percent). Between December 26 and January 2, this rate remained at 5.00 percent.

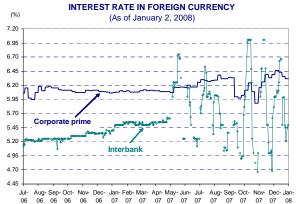
Interbank Intere	est Rate Avera	age (percent)
	Average	S.D.
December 2005	3.34	0.08
December 2006	4.51	0.04
March 2007	4.50	0.01
June	4.52	0.03
July	4.69	0.09
August	4.77	0.04
September	4.97	0.10
October	4.98	0.05
November	4.99	0.03
December	4.99	0.02
January 2008 2	5.00	-,-



# Corporate prime rate in nuevos soles increased to 5.65 percent

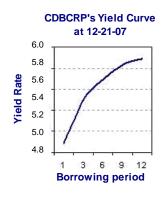
Between **December 26 and January 2**, the daily average of the 90-day corporate prime rate in domestic currency increased from 5.61 to 5.65 percent, while this rate in dollars decreased from 6.36 to 6.32 percent.





# **Monetary operations**

Between **December 27 and January 2**, the Central Bank made the following monetary operations: i) auctions of BCRP Certificates of Deposit with 1-day, 2-day, 3-day and 6-month maturities for a daily average of S/. 987.6 million. The average interest rate on these operations is 5.02 percent; and ii) overnight deposits in domestic currency for a total of S/. 267.8 million.



#### International reserves amount to US\$ 27,459 million on December 28

Net international reserves (NIRs) increased by US\$ 1,111 million compared to end November and amounted to US\$ 27,459 million on **December 28**. This increase in the balance of NIRs is mainly explained by BCRP exchange operations (US\$ 856 million), by higher deposits made by both the public sector (US\$ 234 million) and by the financial system (US\$ 88 million), by the higher valuation of other securities (US\$ 79 million), and by higher investment yield (US\$ 45 million). This result was offset by the sale of foreign currency to repay the public debt (US\$ 200 million).

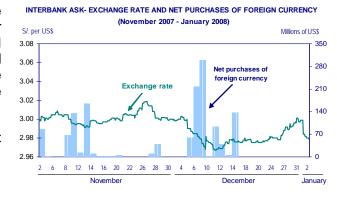


The international position of the BCRP by **December 27** (US\$ 19,343 million) increased by US\$ 711 million compared to end November.

# Exchange rate: S/. 2.984 per dollar

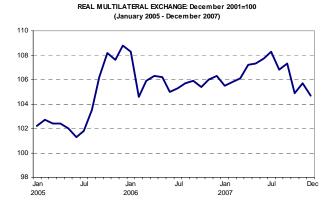
Between December 26 and January 2, the average ask price of the interbank exchange rate increased from S/. 2.981 to S/. 2.984 per dollar, as a result of which the nuevo sol appreciated by 0.5 percent compared to end December. It should be pointed out that the Central Bank last intervened in the exchange market on December 14.

The nuevo sol has appreciated 6.2 percent against the dollar over the past 12 months.



#### Real exchange rate decreased 1.0 percent in December

The real multilateral exchange rate in December decreased 1.0 percent compared to end November 2007. This result is explained by a 0.7 percent nominal appreciation of the nuevo sol against the currency basket of our main trading partners, by a 0.2 percent external inflation, and by a 0.5 percent domestic inflation. The real exchange rate declined 1.5 percent in the last 12 months.



# Monetary base by December 22, 2007

The balance of the **monetary base** by December 22 (S/. 17,152 million) increased 10.2 percent (S/. 1,590 million) compared to end November. On average, the annual growth rate of the monetary base in this period was 26.8 percent (28.7 percent in November).

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\$ 854 million, or S/. 2,541 million). Conversely, the monetary base contracted due to sales of dollars to the public sector (US\$ 200 million, or S/. 595 million), net placements of BCRP Certificates of Deposit (S/. 523 million), higher deposits from the public sector (S/. 67 million), and banks' overnight deposits (S/. 28 million).

# Liquidity and credit to the private sector by November 30

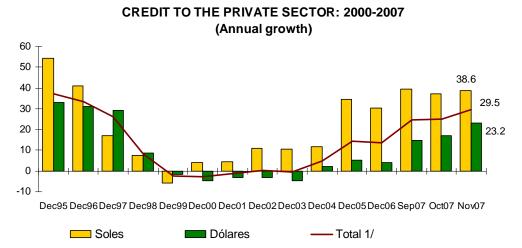
In November, liquidity in **domestic currency** increased 5.3 percent (S/. 2,140 million), thus amounting to S/. 42,587 million (annual growth of 40.2 percent). Credit to the private sector in domestic currency increased by 4.1 percent (S/. 1,272 million) and totaled S/. 32,457 million (annual growth of 38.6 percent).

Liquidity in **foreign currency** increased by 3.0 percent (US\$ 374 million), thus amounting to US\$ 12,903 million (annual growth of 18.8 percent). Credit to the private sector in foreign currency increased 6.8 percent (US\$ 899 million) and totaled US\$ 14,120 million (annual growth of 23.2 percent).

	MONETAR	RY BASE	LIQUIDIT	Y IN D/C	CREDIT IN D/C		LIQUIDIT	Y IN F/C	CREDIT IN F/C			
	VAR.(%) MONTH	VAR.(%) YEAR										
2005	MOITH	TE/IIC	WOITH	T E / III	WOITH	TEAUX	MONTH	TEAR	MONTH	TEAR		
Dec.	13,1%	25,7%	8,4%	32,2%	6,1%	34,6%	3,0%	11,1%	-0,2%	5,2%		
2006	,	-,	,	,	-,	- ,	-,	,	-,	-, -		
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%		2,8%		
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%		
<u>2007</u>	·											
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%	-0,4%	34,0%	4,2%	39,6%	1,7%	17,9%	2,6%	14,9%		
Oct.	4,1%	30,3%	5,8%	38,3%	1,8%	37,3%	1,7%	18,1%	2,1%	17,0%		
Nov.	2,3%	29,9%	5,3%	40,2%	4,1%	38,6%	3,0%	18,8%	6,8%	23,2%		
Memo:												
Balance as of Oct.31 (Mill.S/.or Mill.US\$)	15 2	19	40 447		31 185		12 529		13 2	220		
Balance as of Nov.30 (Mill.S/.or Mill.US\$)	15 5	62	42 5	587	32 457		12 903			14 120		

# **Evolution of credit to the private sector**

In November credit to the private sector increased 5.6 percent (S/. 3,970 million) compared with the previous month, as a result of which the annual growth of credit to the private sector relative to November 2006 was 24.1 percent (29.5 percent when a constant exchange rate is considered).



1/ Exchnge Rate constant.

Credit to the private sector in nuevos soles grew at a rate of 4.1 percent (S/. 1,272 million) in November, showing a lower growth rate than in October (1.8 percent). Banks' credit expanded 4.3 percent (S/. 1,015 million), mainly due to the growth of corporate loans (which grew at a monthly rate of 4.5 percent, with a flow of S/. 486 million) and to the growth of consumer loans (which grew 3.0 percent, and involved a flow of S/. 268 million).

The growth rate of credit to the private sector in soles over the last 12 months was 38.6 percent (with an annual flow of S/. 9,046 million). This evolution was mainly driven by banks (where credit in soles expanded 44.4 percent, with an annual flow of S/. 7,589 million).

CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY

	Balance in mil	llion of Nuevo	os Soles	Growth	ı rates	
	Nov06	Oct07	Nov07	Nov.07/ Nov.06	Nov.07/ Oct.07	
Commercial banks	17,109	23,683	24,698	44.4	4.3	
State bank	1,435	2,255	2,298	60.1	1.9	
Microfinance institutions	3,525	4,428	4,618	31.0	4.3	
Financial companies	1,341	819	843	-37.2	2.9	
TOTAL	23,411	31,185	32,457	38.6	4.1	

On the other hand, credit to the private sector in dollars grew 6.8 percent (US\$ 900 million) in November, the highest monthly growth rate observed since January 1992. This higher lending is explained by banks' increased placements in dollars, which grew 7.4 percent (US\$ 910 million), particularly in the case of corporate loans (up 9.5 percent, with a monthly flow of US\$ 852 million).

Credit to the private sector in dollars over the last 12 months grew 23.2 percent (US\$ 2,664 million). This evolution was mostly driven by banks (banks' lending increased 24.6 percent, with an annual flow of US\$ 2.618 million).

CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Balance in m	Balance in million of US Dollars					
	Nov06	Oct07	Nov07	Nov.07/ Nov.06	Nov.07/ Oct.07		
Commercial banks	10,637	12,345	13,255	24.6	7.4		
State bank	181	170	169	-6.5	-0.6		
Microfinance institutions	593	681	672	13.3	-1.3		
Financial companies	46	24	24	-47.8	-1.1		
TOTAL	11,456	13,220	14,120	23.2	6.8		

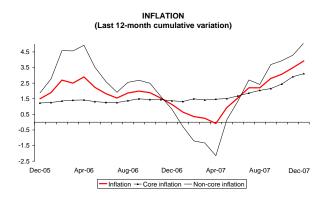
# Inflation rate: 0.45 percent in December

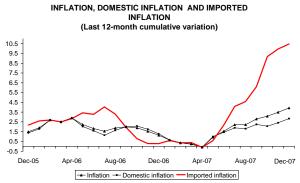
**Inflation** in December recorded a rate of 0.45 percent and accumulated 3.93 percent over the last twelve months. Three items contributed with 0.24 percentage points to the inflation rate this month: chicken (0.11 percentage points), domestic transportation (0.09 points) and "eating out" meals (0.04 points). Conversely, three other items contributed to reduce the inflation rate by 0.11 percentage points this month: papaya (-0.05 points), onion (-0.04 points), and tomato (-0.02 points).

INFLATION
(Annual percentage change)

	Weighting	Monthly	Monthly 12-month indica			Annual a	verage indi	icator
		Dec.	Dec.	Nov.	Dec.	Dec.	Nov.	Dec.
		2007	2006	2007	2007	2006	2007	2007
I. CORE INFLATION	<u>60.6</u>	0.34	<u>1.37</u>	<u>2.91</u>	<u>3.11</u>	<u>1.37</u>	<u>1.81</u>	<u>1.95</u>
Goods	34.0	0.35	0.97	3.12	3.30	0.86	1.55	1.74
Food	13.0	0.68	1.52	5.34	5.82	1.12	2.21	2.57
Textile and footwear	7.6	0.24	1.83	2.86	2.82	1.44	2.44	2.53
Electrical appliances	1.0	-0.31	-1.29	-1.33	-1.50	-0.13	-1.54	-1.56
Other industrial goods	12.5	0.12	0.04	1.26	1.26	0.31	0.52	0.62
Services	26.6	0.32	1.85	2.66	2.88	2.00	2.13	2.21
Restaurants	12.0	0.44	1.31	3.56	3.94	1.20	1.98	2.19
Education	5.1	0.00	3.62	3.66	3.57	3.34	3.62	3.62
Health	1.3	0.09	1.40	0.41	0.41	0.75	0.90	0.81
Renting	2.3	-0.70	-1.07	-1.28	-1.97	0.96	-0.75	-0.83
Other services	5.9	0.80	2.47	1.79	2.38	3.05	2.34	2.33
II. NON CORE INFLATION	<u>39.4</u>	<u>0.59</u>	0.83	4.29	5.07	2.87	1.19	<u>1.54</u>
Food	22.5	0.59	2.06	6.29	7.25	3.75	2.20	2.62
Fuel	3.9	-0.02	-1.50	5.48	6.45	5.02	0.94	1.59
Transportation	8.4	1.26	1.12	0.57	0.82	1.23	0.60	0.57
Utilities	4.6	0.00	-3.22	-0.55	0.24	-1.13	-2.82	-2.53
III. CPI	100.0	0.45	1.14	3.49	3.93	2.00	1.55	1.78
Note								
Imported Inflation	12.1	0.23	0.27	9.96	10.46	2.31	3.19	4.04
Core Inflation	47.6	0.25	1.32	2.26	2.38	1.44	1.70	1.79
Total foods	33.2	0.64	1.74	6.14	6.93	2.83	2.19	2.62

**Core inflation** in December was 0.34 percent and accumulated 3.1 percent in the last twelve months, while **non-core inflation** recorded 0.59 percent and accumulated 5.1 percent in the last twelve months. Moreover, **core inflation excluding food products and beverages** showed a rate of 0.25 percent (2.4 percent in the last twelve months). Furthermore, the rate of **imported inflation** in December was 0.23 percent (10.5 percent in the last twelve months).





# Economic surplus of S/. 688 million in November 2007

The operations of the central government showed an economic surplus of S/. 688 million in November, given that current revenues grew at a higher rate (13.6 percent in real terms) than non-financial expenditure (3.7 percent). Excluding transfers to other public entities, non-financial expenditure grew 7.1 percent in real terms. As a result of this, the accumulated surplus by November amounts to S/. 8,891 million, a sum S/. 2,199 million higher than the one recorded in the same period in 2006.

CENTRAL GOVERNMENT OPERATIONS
(Million of Nuevos Soles)

	N	ovember		January - November				
	2006	2007	% Chg Real	2006	2007	% Chg Rea		
1. CURRENT REVENUES	4,286	5,039	13.6	48,306	56,111	14.4		
A. Tax revenue	3,738	4,399	13.7	41,625	48,317	14.3		
B. Non tax revenue	548	640	12.9	6,681	7,794	14.8		
2. NON-FINANCIAL EXPENDITURE	3,612	3,878	3.7	36,971	42,374	12.8		
A. Non financial expenditure net of transfers	2,841	3,149	7.1	27,832	29,532	4.3		
- Non financial current expenditure	2,378	2,616	6.3	24,391	25,625	3.4		
- Capital expenditure	463	533	11.4	3,441	3,907	11.3		
<ul> <li>Gross capital formation</li> </ul>	771	729	-8.7	9,139	12,842	38.4		
- Other	738	665	-12.9	8,200	11,834	42.2		
B. Transfers to other public entities	33	64	85.9	939	1,008	5.0		
3. CAPITAL REVENUES	11	16	36.4	321	346	6.2		
4. PRIMARY BALANCE	685	1,177		11,656	14,082			
5. INTEREST PAYMENTS	427	490	10.7	4,964	5,192	2.9		
6. OVERALL BALANCE	258	688		6,692	8,890			
7. FINANCING	-258	-688		-6,692	-8,890			
1. External	-135	-193		-2,593	-7,194			
A. Disbursements	88	64		778	9,211			
B. Amortizations	-223	-257		-3,371	-16,405			
2. Domestic	-125	-498		-4,347	-2,139			
3. Privatization	2	3		248	443			

The economic surplus of the central government in the last 12 months –trend indicator–increased from S/. 6,172 million (1.9 percent of GDP) to S/. 6,602 million (2.0 percent of GDP) between October and November 2007.

#### CENTRAL GOVERNMENT OPERATIONS

(Million of Nuevos Soles, accummulated 12 month) \*

		Per	iodos de 12 me:	ses	
	Dec 2005	Nov 2006	Dec 2006	% Chg	Real
	Nov 2006	Oct 2007	Nov 2007	C/A	C/B
	Α	В	С		
1. CURRENT REVENUES	51,980	59,766	60,520	14.7	1.0
A. Tax revenue	44,793	51,515	52,177	14.8	1.0
B. Non tax revenue	7,187	8,251	8,343	14.3	0.9
2. NON-FINANCIAL EXPENDITURE	43,144	48,397	48,663	11.0	0.3
A. Current expenditure	37,277	41,956	42,120	11.2	0.1
B. Capital expenditure	5,867	6,441	6,543	9.6	1.3
3. CAPITAL REVENUES	369	382	386	2.9	1.1
4. PRIMARY BALANCE	9,205	11,751	12,243		
5. INTEREST PAYMENTS	5,369	5,579	5,641	3.4	0.8
6. OVERALL BALANCE	3,836	6,172	6,602		
7. NET FINANCING	-3,836	-6,172	-6,602		
1. External	-2,381	-6,375	-6,433		
A. Disbursements	4,010	10,413	10,388		
B. Amortizations	-6,392	-16,788	-16,822		
2. Domestic	-1,741	-295	-668		
3. Privatization	287	498	500		
Memo:					
Net non-finacial expenditures of transfers to other public entities	32.988	34.367	34,676	3.4	0.6

<sup>\*</sup> To avoid the volatility of monthly series, this chart presents the annual accumulated result.

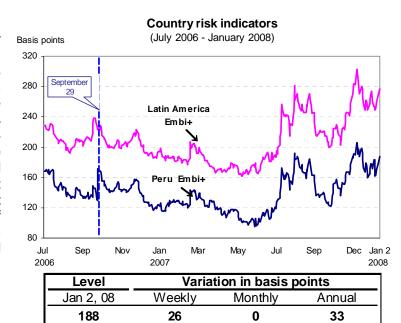
In November, the current revenues of the central government (S/. 5,039 million) increased by 13.6 percent in real terms compared to the same period in 2006, reflecting the sustained drive of economic activity and a favorable international context for our export products. Tax revenues (S/. 4,399 million) grew 13.7 percent in real terms, mainly due to higher revenues resulting from income tax (27.5 percent), value added tax -VAT- (15.5 percent), and other tax revenues (11.9 percent).

Non-financial expenditure net of transfers to other public entities increased by a real 7.1 percent and current expenditure (S/. 237 million) increased by 6.3 percent. By expenditure group, goods and services grew 13.8 percent; transfers to the private sector grew 4.0 percent; and salaries and wages grew 0.7 percent. Among capital goods, which increased by 11.4 percent, gross capital formation grew 4.5 percent. Between January and November, non-financial expenditure net of transfers to other public entities (S/. 29,532 million) increased by a real 4.3 percent relative to the same period in 2006.

#### **International Markets**

# Country risk at 188 basis points on January 2

In **December**, the average country risk -measured by the EMBI+ Peru spread- remained at 175 basis points, showing a similar evolution to the one seen in the region (the EMBI+ **Emerging** Countries increased slightly from 234 to 235 These results are basis points). associated with increased nervousness regarding credit markets in the United States, but were offset by the injection of liquidity into the market by the main central banks of developed countries.

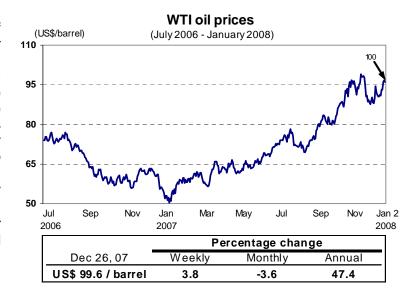


Moreover, in 2007 the average country risk increased by 33 basis points due to increased fears of a possible recession in the United States and to the lack of credit resulting from the exposure of banks to the subprime mortgage sector.

On **January 2**, the **EMBI+ Peru** recorded 188 basis points.

# The price of petroleum reached US\$ 99.6 per barrel on January 2

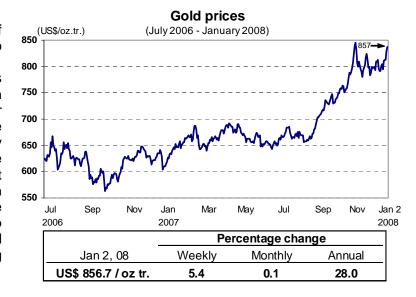
In **December**, the average price of WTI oil dropped 3.6 percent per barrel (from US\$ 94.8 to US\$ 91.4) due to concerns that a global economic slowdown could reduce the demand for energy and to the fact that the OPEC maintained its production quota in December although it was expected However, the drop in increase. the price of oil was offset by increased geopolitical tensions in Asia and by expectations of lower inventories of crude in the United States.



During 2007, the price of petroleum increased 47.4 percent, reaching its highest level so far in this decade due to the strong dollar backlash, to the reduction of oil inventories, and to high speculation in markets.

On **January 2**, the price of **WTI oil** reached a new historical maximum of US\$ 99.6 per barrel in a context of violence in the petroleum producing region of the Niger Delta and amid expectations of another reduction of crude inventories in the United States.

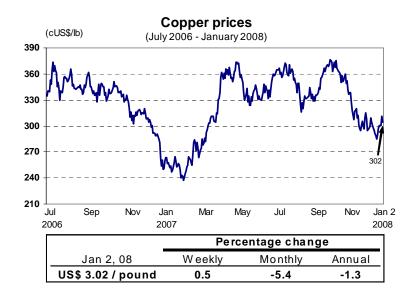
In **December**, the average price of gold increased from US\$ 806.3 to US\$ 806.4 per ounce troy (0.1 This percent). increase associated with a miners strike in South Africa (the world's major producer of gold) and with the higher demand of the jewelry industry in Asia. However, the strengthening of the dollar against the other main currencies, which encouraged investors to reduce their gold positions, and the drop seen in the price of oil prevented the price of gold from increasing even further.



During 2007, the price of the precious metal increased by 28 percent, influenced by the weakening of the dollar, the record prices of oil, turbulence in the credit market, and geopolitical tensions that increased the lure of gold as a safe asset.

On **January 2**, the price of gold rose to US\$ 856.7 per ounce troy and reached a new historical record amid speculative purchases favored by the advance of oil.

In December, the average price of copper fell from US\$ 3.16 to US\$ 2.99 per pound (5.4 percent), due to the increase of inventories at the London Metal Exchange (LME), as well as to market concerns regarding the deterioration of the global economy and its possible impact on the demand for industrial However, this fall in the metals. price of copper was in part offset by increased signals of a strong demand from China and China's elimination of the tariff on imports of refined copper.



During 2007 the price of copper dropped 1.3 percent due to concerns regarding the slowdown of China's demand for this metal and to uncertainty about the evolution of the U.S. economy, which affected the prices of basic metals in the last quarter of 2007.

On **January 2**, copper traded for US\$ 3.02 per pound amid the return of buyers after the increased number of sales seen in the last days of 2007.

In **December**, the average price of zinc declined from US\$ 1.15 to US\$ 1.07 per pound (7.4 percent). This result was influenced by the increase of inventories at the London Metal Exchange and by a report released by the World Bureau of Metal Statistics (WBMS) that showed that the global market of zinc had recorded a surplus of 60 thousand MT during the first ten months of 2007. However, the fall in the price of zinc was partially offset by increased expectations of a robust global demand for this metal in 2008.

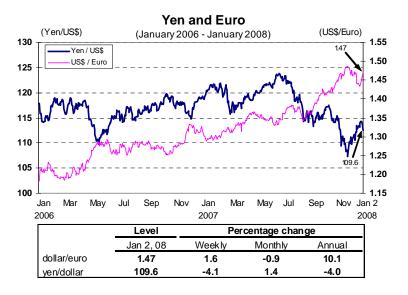


The price of zinc closed 2007 with a loss of 46.6 percent, affected by the contraction of global credit following the plunge seen in the United States in the high risk mortgage sector during QIII-2007 and by the higher level of inventories at the London Metal Exchange.

Amid investors' profit taking, the price of zinc closed at US\$ 1.08 per pound on January 2.

# Dollar appreciated against the euro and the yen in December

On average terms, in **December** the dollar appreciated 0.9 percent against the euro and 1.4 percent the **yen**. The dollar against strengthened against the euro due the higher than expected increase of inflation in the United relative States and to the moderation of credit conditions following the massive injection of liquidity carried out by central banks. These factors reduced expectations that Federal the Reserve will implement new cuts in its interest rates. On the other hand, the yen weakened against the dollar due to signals of a higher economic slowdown in Japan (according to the Tankan survey).



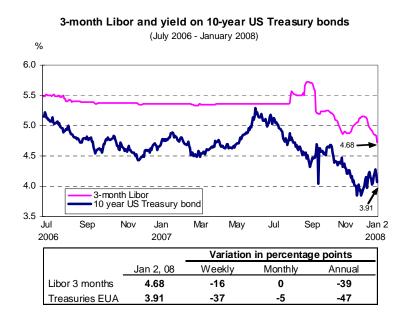
In 2007, the dollar dropped an annual 10.1 and 4.0 percent against the euro and the yen respectively due to the three consecutive cuts the Federal Reserve implemented in its interest rates as of August; by constant concerns about credit; and by expectations of a slowdown in U.S. economic activity.

So far in **January**, the dollar has weakened against the euro and the yen following the release of a private report which showed that the Manufacturing ISM index for December had unexpectedly contracted for the sixth consecutive month to 47.7, reaching its lowest level since April 2003.

#### Yield on 10-year US Treasuries decreased to 4.09 percent in December

In **December**, on average terms the 3-month Libor remained unchanged at 4.97 percent, while the yield on the 10-year Treasury bond decreased from 4.14 to 4.09 percent. The drop seen in the case of the Treasury bond was explained by concerns about the credit markets given the significant losses observed in the main banks of the world, as well as by expectations about the continuity of adjustments in the U.S. real estate market.

In 2007, the **3-month Libor** decreased 39 basis points. Likewise, the yield on the 10-year Treasury bond decreased 47 basis points.

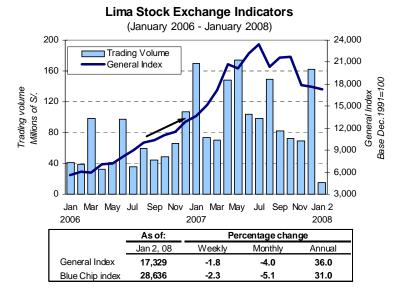


On **January 2**, the **3-month Libor** was 4.68 percent and the yield on the **10-year Treasury bond** declined to 3.91 percent.

# Lima Stock Exchange grew 36.0 percent during 2007

In **December**, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) fell 4.0 and 5.5 percent respectively, due to fears of a possible recession in the United States that ended up affecting negatively the prices of basic and precious metals. In this way, the conduct of the LSE during this period was strongly influenced by the international context, which increased uncertainty among local investors.

However, the signing of the Peru-U.S. free trade agreement and its probable impacts in terms of higher future investment flows have contributed to a partial recovery of the LSE.



During 2007, the **General** and **Blue Chip** indices at the LSE accumulated gains of 36.0 and 31.0 percent respectively. The LSE ranked second as the most profitable bourse in Latin America after the Sao Paulo Stock Exchange.

This year, by January 2, the General and Blue Chip indices had dropped 1.2 and 1.5 percent respectively.

Resumen de Indicadores Económicos	/ Summary of Economic Indicators
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	S Debitomicos / Summary of Debitomic Transactions	2006					20	07					2008
		Dic.	Mar	Jun	Set	Oct	Nov	26 Dic.	27 Dic.	28 Dic.	31 Dic.	Dic	2 Ene.
RESERVAS INTERNACION	ALES (Mills. US\$) / INTERNATIONAL RESERVES	Acum.	Acum.	Acum.	Acum.	Acum.	Acum.					Var.	
Posición de cambio / Net intern		11 086 17 275	12 403 18 427	15 305 21 528	16 024 22 827	18 195 24 890	18 632 26 348	19 308 27 589	19 343 27 465	n.d. 27 459		711	
Reservas internacionales netas Depósitos del sistema financies	ro en el BCRP /Financial system deposits at BCRP	3 481	3 629	3 523	3 924	3 627	4 675	4 902	4 742	4 762		1 111	
Empresas bancarias / Banks	·	3 312	3 245	3 395	3 648	3 432	4 442	4 677	4 513	4 509		68	
Banco de la Nación /Banco	de la Nación cieras /Other financial institutions	92 77	312 72	58 70	199 77	144 52	164 69	153 72	158 71	184 69		20	
	n el BCRP /Public sector deposits at BCRP *	2 778	2 490	2 854	3 045	3 220	3 220	3 516	3 517	3 455		234	
		Acum.	Acum.	Acum.	Acum.	Acum.	Acum.					Acum.	
OPERACIONES CAMBIARI	AS BCR (Mill. US\$) / BCRP FOREIGN OPERATIONS	645	411	207	470	1 995	340	0	0	1	0	656	0
	gociación / Net purchases of foreign currency	695	610	371	767	2 181	535	0	0	0	0	854	0
Operaciones swaps netas / Net Operaciones con el Sector Púb.		-50	-200	-168	-296	-200	-200	0	0	0	0	-200	0
TIPO DE CAMBIO (S/. por U		Prom.	Prom.	Prom.	Prom.	Prom.	Prom.	0	U	- O	U	Prom.	U
Compra interbancario/Interban		3,204	3,185	3,170	3,135	3,019	3,000	2,979	2,987	2,992	2,995	2,980	2,981
	Apertura / Opening	3,207	3,186	3,171	3,138	3,022	3,002	2,980	2,984	2,996	2,996	2,983	2,995
Venta Interbancario	Mediodía / Midday	3,206 3,206	3,186	3,171 3,171	3,136	3,020 3,020	3,002 3,001	2,983 2,986	2,989 2,995	2,996 2,996	2,999 2,999	2,982 2,983	2,980
Interbank Ask	Cierre / Close Promedio / Average	3,206	3,186 3,186	3,171	3,136 3,137	3,020	3,001	2,980	2,989	2,995	2,999	2,982	2,979 2,984
Sistema Bancario (SBS)	Compra / Bid	3,205	3,185	3,170	3,136	3,019	3,000	2,978	2,988	2,992	2,995	2,980	2,983
Banking System	Venta / Ask	3,206	3,186	3,171	3,137	3,020	3,002	2,980	2,989	2,998	2,997	2,982	2,983
	2001 = 100)   Real exchange rate Index (2001 = 100)	106,3	106,1	107,7	107,3	104,9	105,7	<u>l</u>			L	104,7	
Moneda nacional / Domestic o													
Emisión Primaria	(Var. % mensual) / (% monthly change)	15,7	1,3	3,0	-1,8	4,1	2,2						
Monetary base	(Var. % últimos 12 meses) / (% 12-month change)	18,3	20,7	26,2	26,1	30,3	29,9						
Oferta monetaria  Money Supply	(Var. % mensual) / (% monthly change) (Var. % últimos 12 meses) / (% 12-month change)	12,4 18,0	2,0 29,1	5,7 43,7	-0,3 38,0	5,0 42,2	5,5 44,7						
Crédito sector privado	(Var. % untilios 12 lineses) / (% 12-month change)  (Var. % mensual) / (% monthly change)	3,1	3,4	5,8	4,0	1,7	44,7						
Crédit to the private sector	(Var. % últimos 12 meses) / (% 12-month change)	29,0	30,3	41,8	46,4	44,0	44,2						
	Var.% acum. en el mes) /TOSE balance (% change) o (% respecto al TOSE)/Average reserve surplus (% of TOSE)	1,0 0,9	3,9 0,9	4,2 1,0	-1,1 0,7	5,0 0,6	4,6 0,3	1,3 0,6					
	os (saldo mill. S/.) /Banks' current account (balance)	305	351	420	456	442	263	174	151	177	199	531	1 080
	etaria (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/.) CRP (saldo Mill.S/.) /CDBCRP balance (Millions of S/.)	10 172 8 066	11 159 12 016	15 866 15 852	16 688 14 803	17 034 19 956	17 849 20 557	17 854 21 040	17 615 21 297	17 428 21 162	n.d. 21 458	n.d. 21 458	n.d. 22 392
	do Mill.S/.) /CDRBCRP balance (Millions of S/.)	0	0	0	500	500	0	0	0	0	0	0	0
Operaciones de reporte (saldo	o Mill. S/.) / repos (Balance millions of S/.)	0	0	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	23,08 13,79	23,31 14,03	22,39 13,14	22,54 12,83	22,75 13,13	22,57 13,29	22,30 13,22	22,35 13,22	22,37 13,18	22,39 13,21	22,27 13,24	22,67 n.d.
Tasa de interés (%)	Interbancaria / Interbank	4,51	4,50	4,52	4,97	4,98	4,99	4,99	5,00	5,00	4,99	4,99	5,00
Interest rates (%)	Preferencial corporativa a 90 días / CorporatePrime	5,23	5,18	5,20	5,48	5,58	5,60	5,61	5,65	5,65	5,65	5,60	5,65
	Operaciones de reporte con CDBCRP / CDBCRP repos Créditos por regulación monetaria / Rediscounts **	s.m. 5,25	s.m. 5,25	s.m. 5,25	s.m. 5,75	s.m. 5,75	s.m. 5,75	s.m. 5,75	s.m. 5,75	s.m. 5,75	s.m. 5,75	s.m. 5,75	s.m. 5,75
	Del saldo de CDBCRP / CDBCRP balance	5,12	5,24	5,26	5,30	5,30	5,42	5,46	5,46	5,46	5,46	5,46	5,46
Moneda extranjera / foreign				,									
Crédito sector privado Crédit to the private sector	(Var. % mensual) / (% monthly change) (Var. % últimos 12 meses) / (% 12-month change)	-2,3 3,2	1,7 7,7	4,9 9,7	2,8 15,3	2,0 17,3	7,2 24,2						
	Var.% acum. en el mes) /TOSE balance (% change)	2,4	-0,9	-2,5	1,1	4,2	2,4	5,5					
	o (% respecto al TOSE)/Average reserve surplus (% of TOSE)	0,3	0,3	0,2	0,2	0,3	0,7	2,7					
Créditos por regulación mon	etaria (millones de US dólares) Rediscounts  TAMEX / Average lending rates in foreign currency	10,80	10,65	10,58	10,54	0 10,46	10,40	10,47	10,43	10,44	10,41	10,46	10,40
Tasa de interés (%)	Préstamos y descuentos hasta 360 días /Loans & discount	10,05	9,93	9,92	9,88	9,73	9,61	9,76	9,76	9,74	9,72	9,68	n.d.
Interest rates (%)	Interbancaria / Interbank	5,37	5,51	5,76	5,39	6,06	5,34	5,49	5,45	5,22	5,45	5,92	5,50
	Preferencial corporativa a 90 días /Corporate Prime	6,09	6,11	6,18	6,13	6,07	6,30	6,36	6,32	6,32	6,32	6,40	6,32
INDICA DODES PURS ( TYPE )	Créditos por regulación monetaria /Rediscounts ***  S / STOCK MARKET INDICES	s.m.	s.m.	s.m.	s.m.								
		Acum.	Acum.	Acum.	Acum.	Acum.	Acum.	0.0	0.5	0.0	_	Acum.	1.0
Índice General Bursátil (Var. 9 Índice Selectivo Bursátil (Var.	6) / General Index (% change) %) /Blue Chip Index (% change)	12,2 12,1	13,2 11,3	11,1 12,4	4,7 2,9	-0,6 -0,3	-15,8 -18,2	0,0 -0,4	-0,5 -0,8	-0,2 -0,2	s,m s.m	-4,0 -5,5	-1,2 -1,5
Monto negociado en acciones (		107,1	70,5	103,7	82,9	72,1	69,5	29,2	26,5	130,8	s.m	161,7	15,6
INFLACIÓN (%) / INFLATIO	DN (%)												
Inflación mensual /Monthly		0,03	0,35	0,47	0,61	0,31	0,11				ſ	0,45	
Inflación últimos 12 meses / %		1,14	0,25	1,55	2,80	3,08	3,49	l			L	3,93	
GOBIERNO CENTRAL (Mill. S/.) / CENTRAL GOVERNMENT (Mills. of S/.)													
Resultado primario / Primary balance Ingresos corrientes / Current revenue		-1 840 4 409	1 347 4 655	-1 851 4 620	965 4 781	1 398 5 229	1 177 5 039						
Gastos no financieros /Non-fin		6 289	3 318	6 499	3 827	3 860	3 878						
COMERCIO EXTERIOR (Mills. US\$) / FOREIGN TRADE (Mills. of US\$)													
Balanza Comercial / Trade balance		1 117	692	879	812								
Exportaciones / Exports		2 545	2 097	2 401	2 517								
Importaciones / Imports PRODUCTO BRUTO INTERNO (Índice 1994=100) / GROSS DOMESTIC PRODUCT		1 427	1 404	1 522	1 705								
				1									
	nes del año anterior /Annual rate of growth (12 months)	8,1	6,8	7,2	9,0	10,4	_				ı	_	
	CIONALES / INTERNATIONAL QUOTATIONS	Prom.	Prom.	Prom.	Prom.	Prom.	Prom.		100	4 50	4.50	Prom.	4 50
LIBOR a tres meses (%) / LIBO Dow Jones (Var %) / (% change		5,36 1,97	5,35 0,70	5,36 -1,61	5,49 4,03	5,14 0,25	4,97 -3,90	4,84 0,01	4,83 -1,49	4,73 0,05	4,70 -0,76	4,97 -0,16	4,68 -1,66
Rendimiento de los U.S. Treas	uries (10 años) /U.S. Treasuries yield (10 years)	4,56	4,56	5,11	4,49	4,52	4,13	4,28	4,19	4,08	4,03	4,09	3,91
	RÚ (pbs) / EMBI+ PERU stripped spread (basis points) ****	131	132	103	156	138	177	162	163	170	178	175	188
* Incluye depósitos de Promcep:	ri, Fondo de Estabilización Fiscal (FEF), Cofide, fondos administrado	s por la ON	P; y otros	depósitos	del MEF.	El detalle	se present	ta en el cua	idro No.24	de la Not	a Semanal	í.	

<sup>|</sup> Stripped spread del EMBI+ PERÚ (pbs) / EMBI+ PERU stripped spread (basis points) \*\*\*\*\* | 131 | 132 | 103 | 156 | 138 | 177 | 162 | 163 | 170 | 178 | 175 | 188 |

\*\* 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.

\*\*\* A partir del 7 de setiembre de 2007, esta tasa se elevó a 5,75%.

\*\*\*\* 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 cercar a los 200 pbs, ello explica el aumento de cerca de 40 pbs en el eMBI+ PERÚ a partir del 29 de setiembre.

Fuente: BCRP, INEI, Banco de la Nación, BVL, Sunat, SBS, Reuters y Bloomberg.

Elaboración: Departamento de Publicaciones Económicas.