



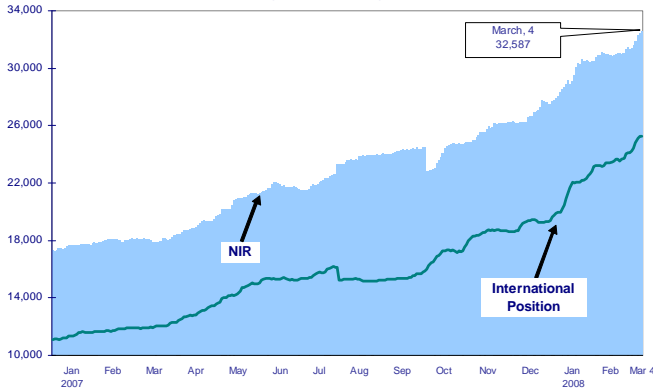
**Indicators**

- NIRs amount to US\$ 32,587 million on March 4
- Interbank interest rate at 5.24 percent on March 5
- Exchange rate: S/. 2.873 per dollar on March 5
- Inflation in February: 0.91 percent
- Trade surplus of US\$ 284 million in January
- Country risk at 199 bps on March 5
- Lima Stock Exchange rose 18.4 percent in February

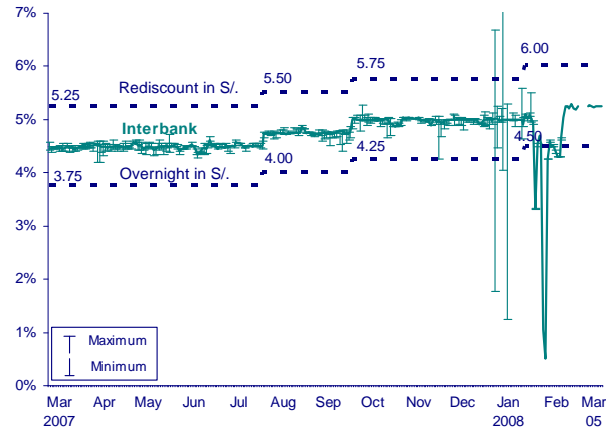
**Content**

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**International Reserve and International Position of the BCRP  
January 2006 - March 2008  
(Millions of US\$)**



**Interest Rates in Domestic Currency  
(March 2007 - March 2008)**



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

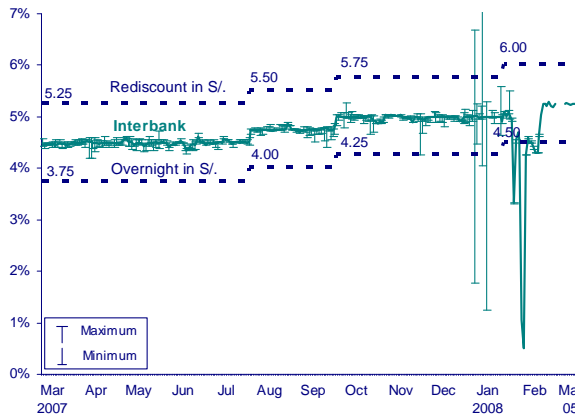
- Weekly Report N° 10-2008
- Inflation Report: Recent trends and macroeconomic forecasts - January 2008
- Informative note on the Monetary Program: February 2008. BCRP keeps the reference interest rate at 5.25%
- Working papers N° 2008-003: ¿Can Peru be a New Economic Miracle?
- International Reserves Management: December 2007
- Letter of Intent of the Government of Peru to the IMF (December 2007)
- Inflation Report: Recents trends and macroeconomic forecast - September 2007
- Annual Report 2006
- Monetary Policy in a Dual Currency Environment
- Quarterly Charts

## Interbank interest rate at 5.24 percent on March 5

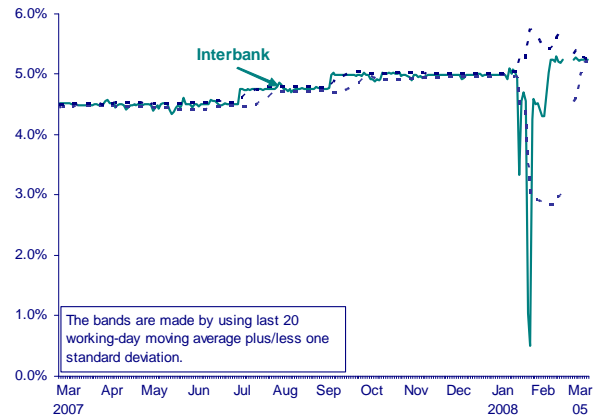
The average interbank interest rate in domestic currency on March 5 was 5.24 percent, higher than the average rate seen in February (5.02 percent). **Between February 27 and March 5**, this rate fell from 5.25 to 5.24 percent.

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
August	4.77	0.04
October	4.98	0.05
November	4.99	0.03
December	4.99	0.02
January 2008	4.44	1.24
February	5.02	0.36
March 5	5.24	0.01

Interest Rates in Domestic Currency  
(March 2007 - March 2008)



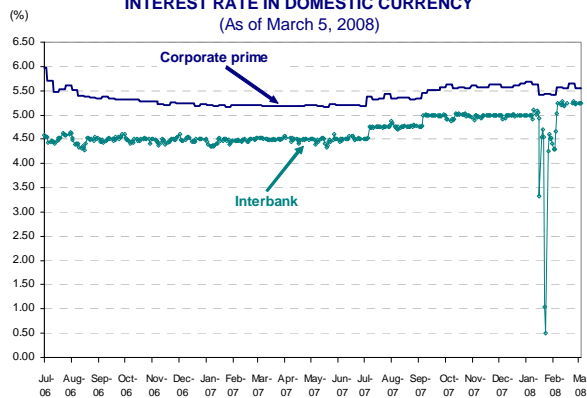
Interbank Interest Rate in Domestic Currency  
(March 2007 - March 2008)



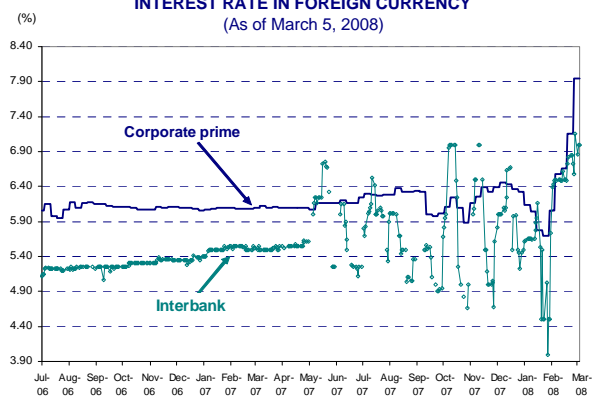
## Corporate interest rate in nuevos soles fell to 5.56 percent

Between **February 27 and March 5**, the daily average of the 90-day corporate prime rate in domestic currency fell from 5.64 to 5.56 percent, while this rate in dollars rose from 7.16 to 7.94 percent.

INTEREST RATE IN DOMESTIC CURRENCY  
(As of March 5, 2008)



INTEREST RATE IN FOREIGN CURRENCY  
(As of March 5, 2008)

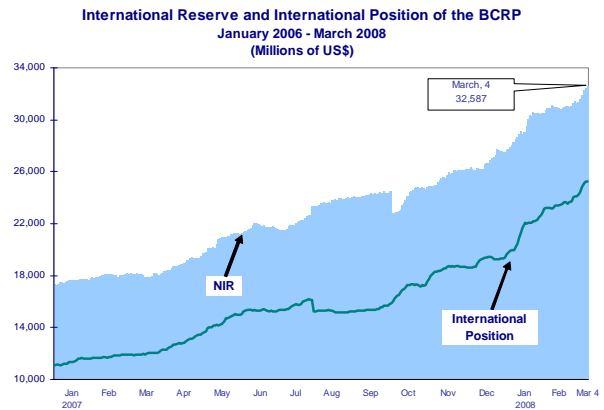


## Monetary operations

Between **February 28 and March 5**, the Central Bank made the following monetary operations: i) auctions of 1-day, 3-day, 1-week, 1-month, 6-month, and 12-month BCRP Certificates of Deposit Subject to Limited Negotiation for a daily average of S/. 2,972.2 million. The interest on these operations, which amounted to S/. 10,562.4 million, is 5.33 percent; ii) purchases of foreign currency for a total of US\$ 778.5 million, and iii) overnight deposits in domestic currency for a total of S/. 3,026.6 million.

## International reserves reach new historical record of US\$ 32,587 million

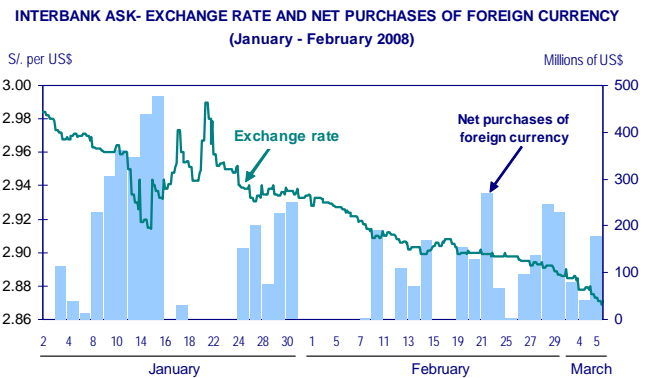
Net international reserves (NIRs) increased by US\$ 281 million compared to end February and amounted to US\$ **32,587** million on **March 4**. This increase in the balance of NIRs is mainly explained by BCRP exchange operations (US\$ 121 million) and by banks' higher deposits (US\$ 187 million). This increase was offset by public sector's lower deposits (US\$ 10 million) and by the lower valuation of other securities (US\$ 15 million).



The international position of the BCRP as of **March 4** (US\$ **25,247** million) was US\$ 106 million higher than at the close of February.

## Exchange rate: S/. 2.873 per dollar

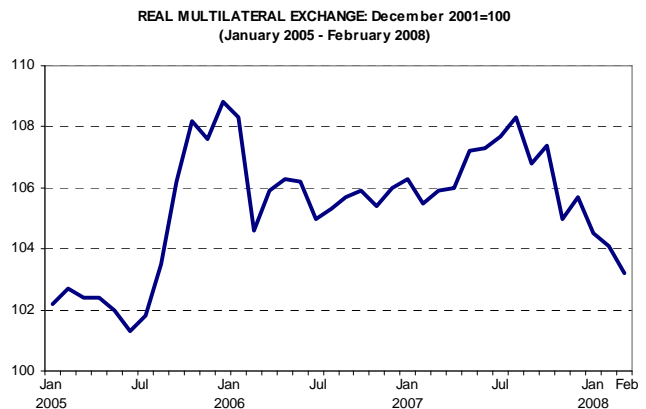
Between **February 27 and March 5**, the average ask price of the interbank exchange rate fell from S/. 2.893 to S/. 2.873 per dollar, as a result of which the nuevo sol appreciated by 0.5 percent compared to end February.



The Central bank intervened in the exchange market buying US\$ 915 million between February 27 and March 5.

## The real exchange rate fell 0.4 percent in February

The real multilateral exchange rate fell 0.4 percent in February. This result is explained by a 0.3 percent nominal appreciation of the nuevo sol against the currency basket of Peru's main trading partners, by an external inflation of 0.4 percent, and by a domestic inflation of 0.9 percent. The real exchange rate has fallen 2.5 percent in the last 12 months.



## Monetary base as of February 29, 2008

The balance of the **monetary base** as of February 29 (S/. 17,919 million) showed an increase of 7.2 percent (S/. 1,196 million) compared to end January. On average, the annual growth rate of the monetary base in this period was 40.2 percent (36.1 percent in January).

By sources, the operations that contributed most heavily to the growth of the monetary base included banks' and public sector's lower term deposits (S/. 6,115 million and S/. 1,013 million respectively), purchases of foreign currency at the Central Bank's front desk (US\$ 1,874 million or S/. 5,430 million), and maturities of BCRP Certificates of Deposit (S/. 1 725 million). Conversely, the monetary base shrank due to higher net placements of BCRP Certificates of Deposit subject to Limited Negotiation (S/. 12,569 million) and to the sale of dollars to the public sector (US\$ 252 million or S/. 732 million).

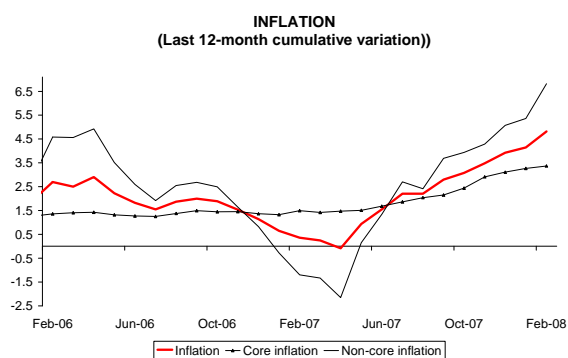
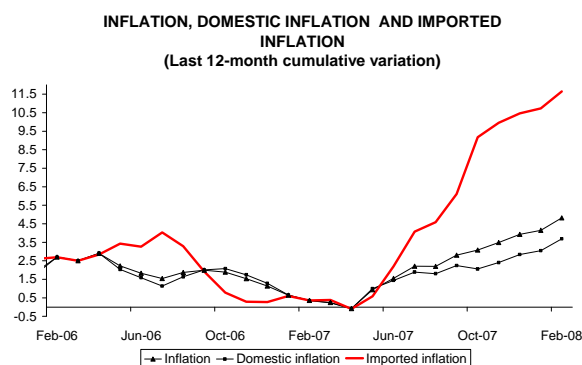
## Inflation in February: 0.91 percent

**Inflation** showed a rate of 0.91 percent in February and thus accumulated a rate of 4.82 percent in the last 12 months. Three items contributed with 0.53 percentage points to this month's inflation rate: chicken meat (0.22 percentage points), papaya (0.16 points), and fresh legumes (0.15 points). Conversely, three items contributed with -0.21 percentage points to inflation in February: fish (-0.15 points), sugar (-0.03 points), and grape (-0.03 points).

**INFLATION**  
(Annual percentage change)

	Weighting	Monthly	12-month indicator			Annual average indicator		
		Feb. 2008	Feb. 2007	Jan. 2008	Feb. 2008	Feb. 2007	Jan. 2008	Feb. 2008
<b>I. CORE INFLATION</b>	<b>60.6</b>	<b>0.36</b>	<b>1.49</b>	<b>3.27</b>	<b>3.37</b>	<b>1.39</b>	<b>2.35</b>	<b>2.51</b>
<b>Goods</b>	<b>34.0</b>	<b>0.34</b>	<b>1.07</b>	<b>3.43</b>	<b>3.50</b>	<b>0.88</b>	<b>2.18</b>	<b>2.41</b>
Food	13.0	0.58	1.66	6.07	6.23	1.25	3.32	3.79
Textile and footwear	7.6	0.25	2.16	2.73	2.68	1.54	2.81	2.84
Electrical appliances	1.0	-0.30	-1.29	-1.52	-1.83	-0.30	-1.72	-1.77
Other industrial goods	12.5	0.20	-0.04	1.41	1.48	0.17	0.86	0.99
<b>Services</b>	<b>26.6</b>	<b>0.37</b>	<b>2.01</b>	<b>3.08</b>	<b>3.22</b>	<b>2.01</b>	<b>2.55</b>	<b>2.64</b>
Restaurants	12.0	0.70	1.23	4.39	5.00	1.24	2.77	3.14
Education	5.1	0.16	3.51	3.66	3.57	3.51	3.94	3.74
Health	1.3	-0.40	1.08	0.85	0.27	0.70	0.86	0.80
Renting	2.3	-0.30	-0.39	-2.08	-2.27	0.54	-0.99	-1.18
Other services	5.9	0.31	3.31	2.21	1.92	3.04	2.44	2.36
<b>II. NON CORE INFLATION</b>	<b>39.4</b>	<b>1.64</b>	<b>-1.20</b>	<b>5.37</b>	<b>6.82</b>	<b>2.13</b>	<b>2.56</b>	<b>3.27</b>
Food	22.5	3.04	-1.15	7.60	10.09	2.93	3.93	4.91
Fuel	3.9	0.12	-2.44	6.72	7.78	3.31	3.32	4.27
Transportation	8.4	-0.07	0.70	0.87	0.80	1.15	0.64	0.65
Utilities	4.6	-0.92	-3.72	0.64	-0.11	-1.67	-2.14	-1.73
<b>III. CPI</b>	<b>100.0</b>	<b>0.91</b>	<b>0.36</b>	<b>4.15</b>	<b>4.82</b>	<b>1.70</b>	<b>2.44</b>	<b>2.83</b>
<b>Note.-</b>								
<b>Imported Inflation</b>	<b>12.1</b>	<b>0.49</b>	<b>0.36</b>	<b>10.74</b>	<b>11.65</b>	<b>1.95</b>	<b>5.95</b>	<b>7.05</b>
<b>Core Inflation excluding food and Beverage</b>	<b>47.6</b>	<b>0.30</b>	<b>1.45</b>	<b>2.52</b>	<b>2.61</b>	<b>1.42</b>	<b>2.08</b>	<b>2.17</b>
<b>Total foods</b>	<b>33.2</b>	<b>2.32</b>	<b>-0.26</b>	<b>7.26</b>	<b>9.04</b>	<b>2.30</b>	<b>3.76</b>	<b>4.60</b>

**Core inflation** showed a rate of 0.36 percent and accumulated a last-12 month rate of 3.4 percent. On the other hand, **non-core inflation** in February posted a rate of 1.64 percent and accumulated a rate of 6.8 percent in the last 12 months. **Core inflation without food and beverages** was 0.30 percent (2.6 percent in the last 12 months). **Imported inflation** in February was 0.49 percent (11.7 percent in the last 12 months).



## Trade surplus of US\$ 284 million in January

The trade balance showed a surplus of US\$ 284 million in January. Exports (US\$ 2,463 million) increased 41.1 percent and imports (US\$ 2,179 million) increased 51.4 percent.

**Exports** in January amounted to US\$ 2,463 million. **Traditional exports**, which increased 44.5 percent compared to January 2007, amounted to US\$ 1,833 million, mainly due to higher sales of copper (33.2 percent), gold (40.9 percent), and zinc (83.0 percent).

In January **non-traditional exports** amounted to US\$ 616 million, a sum 32.2 percent higher than the one observed in the same month last year. This result was mainly associated with higher sales of agricultural, textile, and chemical products.

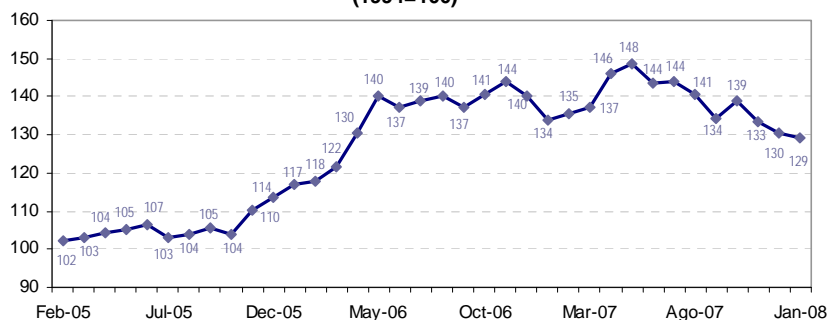
**Imports** reached a total of US\$ 2,179 million in January, a sum 51.4 percent higher than the one seen in January 2007. Excluding purchases of fuels, imports increased by 43.7 percent. Imports of inputs for industrial purposes increased 44.9 percent, while imports of capital and consumer goods increased by 35.3 and 49.0 percent respectively.

**TRADE BALANCE**  
(Millions of US dollars)

	Monthly Data					Annual			
	Jan.	Dec.	Jan.	Jan.07/Jan.06		2006	2007	Flow	% Chg.
	2007	2008	2008	Flow	% Chg.				
<b>1. EXPORTS</b>	<b>1,745</b>	<b>2,822</b>	<b>2,463</b>	<b>718</b>	<b>41.1</b>	<b>23,800</b>	<b>27,956</b>	<b>4,156</b>	<b>17.5</b>
Traditional products	1,268	2,106	1,833	565	44.5	18,374	21,493	3,119	17.0
Non-traditional products	466	702	616	150	32.2	5,271	6,288	1,017	19.3
Other products	11	13	14	3	24.1	156	175	19	12.1
<b>2. IMPORTS</b>	<b>1,439</b>	<b>1,802</b>	<b>2,179</b>	<b>740</b>	<b>51.4</b>	<b>14,866</b>	<b>19,599</b>	<b>4,733</b>	<b>31.8</b>
Consumer goods	217	303	324	106	49.0	2,611	3,191	580	22.2
Raw materials and intermediate goods	763	905	1,236	473	62.0	7,987	10,416	2,430	30.4
Capital goods	452	588	612	160	35.3	4,145	5,885	1,740	42.0
Other goods	6	6	7	1	10.7	122	106	-16	- 13.3
<b>3. TRADE BALANCE</b>	<b>307</b>	<b>1,019</b>	<b>284</b>	<b>-23</b>	<b>- 7.3</b>	<b>8,934</b>	<b>8,356</b>	<b>-578</b>	<b>- 6.5</b>

The **terms of trade** dropped 3.3 percent in January. The average prices of imports increased 17.4 percent, while the prices of exports increased 21.4 percent in a context marked by the high prices of oil and food. The volume of exports was 20.2 percent higher due to the larger volumes of non-traditional products exported (21.0 percent).

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



\* January 2008

## International Markets

### Country risk at 199 basis points on March 5

In **February**, the country risk indicator, measured by the **EMBI+ Peru** spread, rose from 195 to 209 basis points, following the evolution of spreads in the region (the EMBI+ Latin America rose from 290 to 303 basis points). This rise in the country risk indicator was due to increased risk aversion given concerns about global growth and caution due to the likelihood that the US economy will go into recession.

The **EMBI + Peru** posted 199 basis points on **March 5**.

**Country risk indicators**

(January 2007 - March 2008)



Level	Variation in basis points		
	Weekly	Monthly	Annual
199	2	-14	56

### Average price of petroleum increased to US\$ 95.4 per barrel in February

In **February**, the average price of **WTI oil** increased from US\$ 93.0 to US\$ 95.4 per barrel (2.6 percent) due to geopolitical instability (incursion of Turkish troops across Iraqi borders); to concerns regarding the supply of oil and problems in refineries in Venezuela, Nigeria and Russia; to platform shutdowns in the British North due to bad weather conditions; and to the higher demand for oil for heating purposes given cold temperatures in Europe and parts of the United States.

**WTI oil prices**

(US\$/barrel) (January 2007 - March 2008)



Mar 5, 08	Percentage change		
	Weekly	Monthly	Annual
US\$ 104.5 / barrel	4.9	18.2	74.0

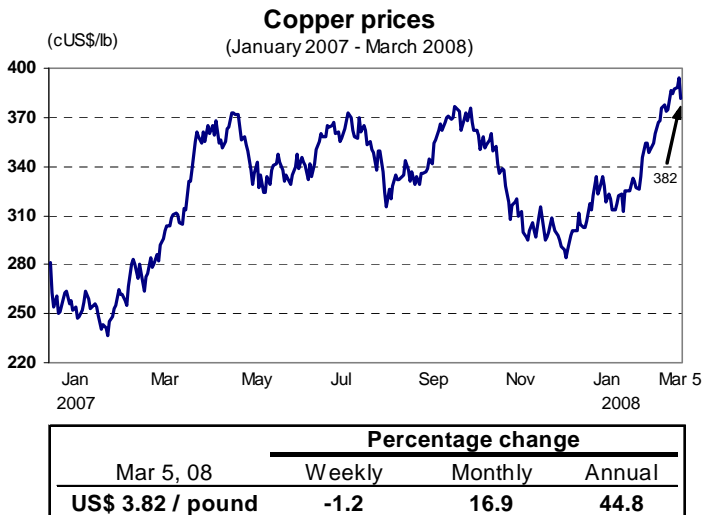
The price of **WTI oil** reached an historical maximum of US\$ 104.5 per barrel on **March 5** influenced by the drop of inventories of crude and gas in the United States and by the OPEC's decision to maintain its production quota for the second quarter of the year.

In **February**, the average price of **gold** rose from US\$ 890.8 to US\$ 924.6 per ounce troy (3.8 percent). This rise was associated with the high prices of oil, with the weakening of the dollar, and with continuous problems in South Africa's energy supply. On the other hand, the strong decline seen in the demand for gold in India, the world's main consumer of this metal, and the fact that the IMF approved to sell some of its gold holdings prevented the price of gold from increasing even further.



As of **March 5** the price of gold rose to US\$ 984.5 per troy ounce in a context marked by an increased weakness of the dollar against the euro and by record levels in oil prices.

In **February**, the average price of **copper** increased 11.7 percent, as the price rose from US\$ 3.20 to US\$ 3.58 per pound. This result was driven by the drop of inventories at the London Metal Exchange and by a report indicating a lower production of copper at Chile's Codelco in 2007. Another factor contributing to this result is that China's demand is expected to continue to be strong given this country's recent imports of copper.



The price of copper as of March 5 rose to US\$ 3.82 per pound due to investors' increased purchases of stocks of this metal as a hedge against inflation.

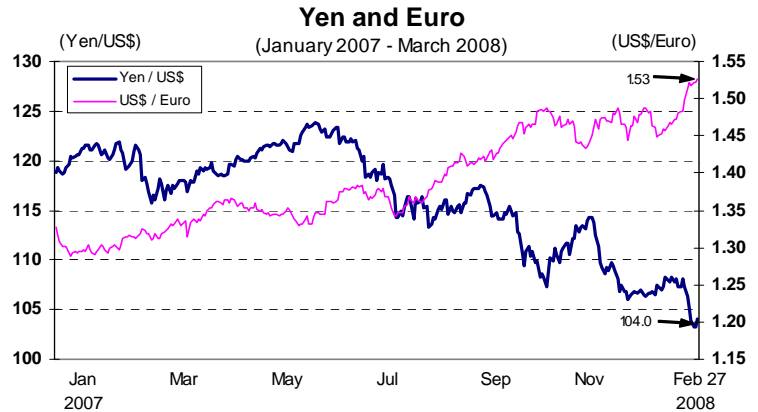
In **February**, the average price of **zinc** rose from US\$ 1.06 to US\$ 1.11 per pound (4.2 percent). This result was influenced by the drop of inventories in global markets and by an interruption in China's supply due to bad weather. It should be pointed out that the drop of the dollar against several currencies to its lowest level boosted the price of this basic metal. However, market expectations of a probable slowdown in the US economy limited the advance in the price of zinc.



On **March 5**, the price of zinc reached US\$ 1.21 per pound amidst purchases by investment funds and lower inventories at the London Metal Exchange.

## On average, dollar depreciated against the euro and the yen in February

On average terms, the **dollar** depreciated 0.3 percent against the **euro** and 0.7 percent against the **yen** in February. The dollar weakened against the euro due to concerns about the future evolution of the US economy (publication of negative indicators in USA) and to Bernanke's speech to the US Congress, which showed greater signals that the FED will cut its rates even further due to fears of lower economic growth. On the other hand, data showing a lower industrial production in the Eurozone prevented a greater advance of the euro.



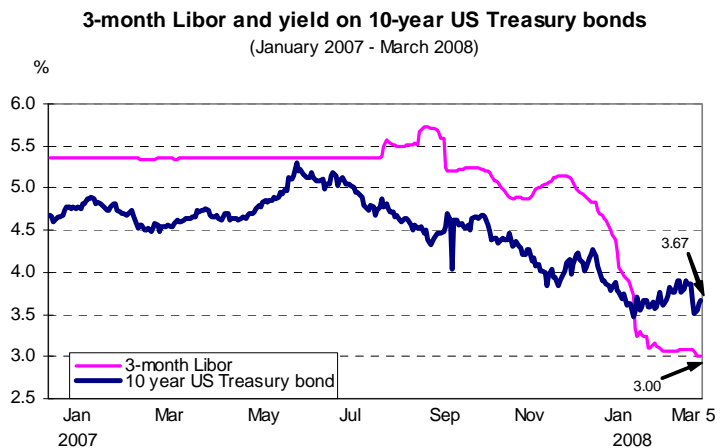
	Level	Percentage change		
	Mar 5, 08	Weekly	Monthly	Annual
dollar/euro	1.53	1.0	4.3	16.6
yen/dollar	104.0	-2.2	-2.6	-10.0

Moreover, the dollar depreciated against the yen due to the reversal of carry trade operations.

On March 5, the markets saw exchange rates of 1.53 dollars per euro and 104.0 yens per dollar amidst a new series of negative economic data which led investors to believe that the Federal Reserve will implement a strong reduction of its interest rates next month.

## Yield on 10-year US Treasuries increased 3.73 percent on average in February

In February, the **3-month Libor** fell from 3.97 to 3.09 percent, while the yield on the **10-year Treasury bond** increased from 3.72 to 3.73 percent. The increase seen in the case of the Treasury bond was explained by fears of a potential inflationary rebound after the Consumer Price Index showed a higher inflation rate than expected (inflation accumulated an annual rate of 4.3 percent in January) and by a higher than expected inflation in wholesome prices in the US.



	Variation in percentage points			
	Mar 5, 08	Weekly	Monthly	Annual
Libor 3 months	3.00	-9	-16	-233
Treasuries EUA	3.67	-18	10	-83

As of **March 5**, the 3-month Libor fell to 3.00 percent and the yield on the US Treasury bond posted 3.67 percent amidst a deepening drop of stock markets, coupled by the plunge of bank shares given fears of a real estate crisis.



**Lima Stock Exchange rose 18.4 percent in February**

In **February**, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) rose 18.4 and 21.9 percent respectively. This evolution was influenced by the higher prices of mining stocks given the better prices of basic minerals and metals, and by investors' increased confidence after a rescue plan for insurance bonds was announced in the US.

So far this month, the **General** and **Blue Chip** indices showed a negative evolution and dropped 1.2 and 1.5 percent respectively, amid renewed concerns on the evolution of the US economy which led local investors to take profit.

So far this year, the general index shows a slight rise of 0.1 percent, while the blue chip index shows a 1.3 percent decrease.

