









Indicators

-  NIR amounted US\$ 32,238 million on October 28
-  Interbank interest rate: 6.61 percent on October 28
-  Exchange rate: S/. 3.107 per dollar on October 28
-  Central Government economic surplus of S/. 958 million in September
-  Country risk at 604 bps on October 28
-  LSE fell 46.2 percent of October 28

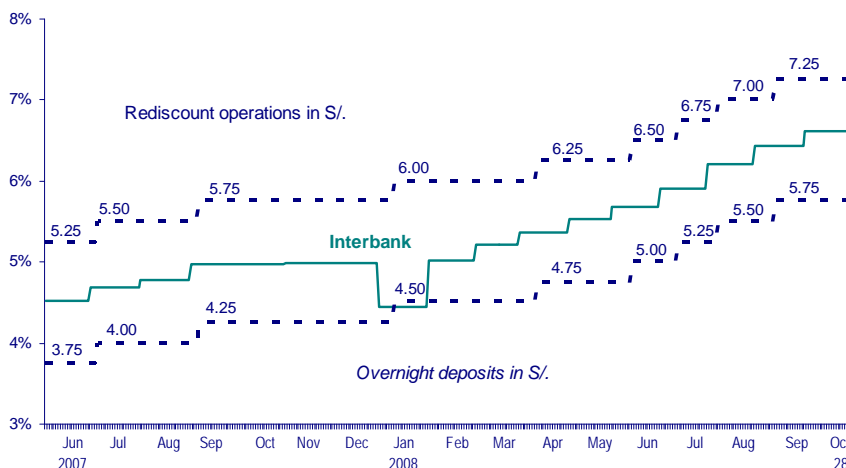
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Interbank interest rate: 6.61 percent on October 28

The average daily interbank interest rate in domestic currency between October 1 and 28 was 6.61 percent, higher than the average rate of September (6.43 percent).

INTEREST RATES IN DOMESTIC CURRENCY
(June 2007 - October 2008)

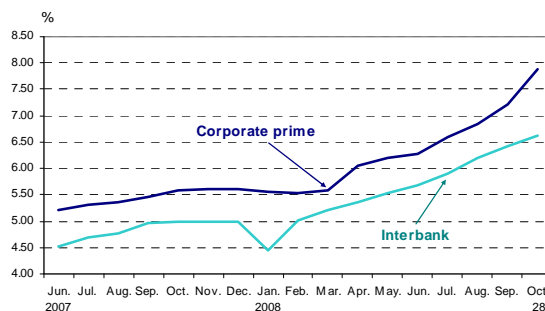


<u>Interbank interest rate (percent)</u>		
	<u>Average</u>	<u>SD</u>
December 2006	4.51%	0.04
December 2007	4.99%	0.02
January 2008	4.44%	1.24
February	5.02%	0.36
March	5.21%	0.21
April	5.37%	0.13
May	5.50%	0.07
June	5.68%	0.13
July	5.91%	0.10
August	6.21%	0.12
September	6.43%	0.13
October 28	6.61%	0.18

Corporate interest rate in nuevos soles in 7.94 percent

Between **October 21 and 28**, the daily average of the 90-day corporate rate in domestic currency kept on 7.94 percent, while this rate in dollars increased in 20 basis points in 6.41 percent.

INTEREST RATE IN DOMESTIC CURRENCY

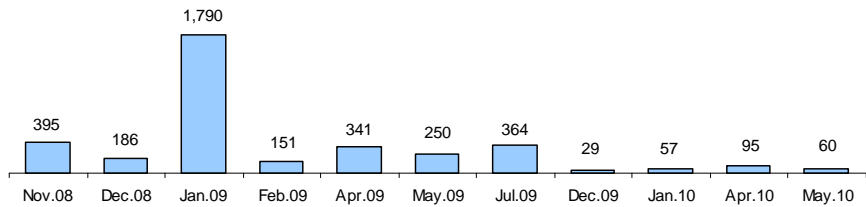


Monetary operations

Between **October 22 and 28**, the Central Bank made the following operations: i) auctions of temporary purchase of 3-day, 7-day and 2-week, 1-month, 3month and 6 month securities for a daily average of S/. 1,467 million. The interest rate on these operations, which amounted to S/. 6,688.8 million, was 6.78 percent; ii) auctions of BCRP indexed Certificates of Deposit (CDR) of 3-month and 4-month maturity for a daily average of S/. 255 million, which amounted a balance of S/. 2,585 millions, with an average interest rate of 4.11 percent; iii) net swap auctions in foreign currency of 1-day, 3-day maturity for a daily average of S/. 205.5 million. The interest rate on these operations, which amounted to S/. 177 million, was 6,52 percent; iv) sales of foreign currency at the Central Bank's front desk (US\$ 455 million); and v) overnight deposits in domestic currency for a total of S/. 2,345.8 million.

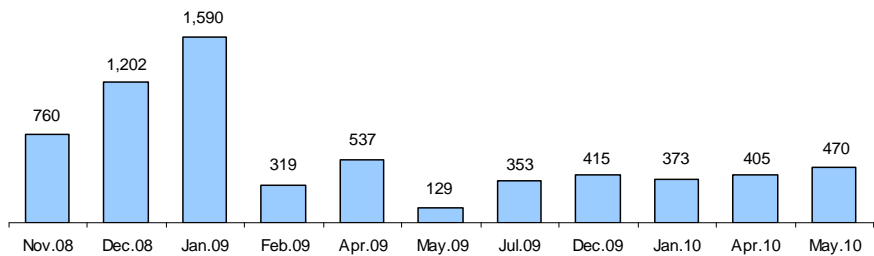
The total balance of BCRP CDs amounts to S/. 10,269 million, of which S/. 3,717 million (36 percent) are held by non-residents. Most of these CDs are due by January 2009.

SCHEDULE OF MATURITIES OF CDBCRPs HELD BY NON-RESIDENTS
(Balances in millions of nuevos soles)



Moreover, CDs for a total of S/. 6,552 million (64 percent) are held by residents.

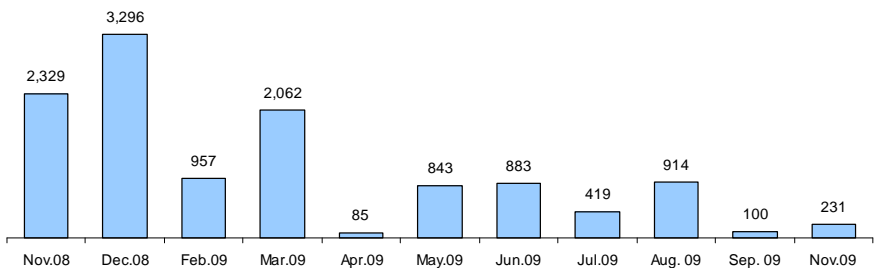
SCHEDULE OF MATURITIES OF CDBCRPs HELD BY RESIDENTS
(Balances in millions of nuevos soles)



The total balance of BCRP Certificates of Deposit of Restricted Negotiation (CDBCRP-NR) amounted to S/. 12,119 million.

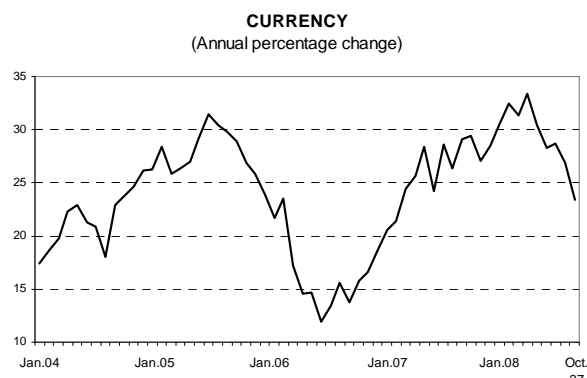
Furthermore, 54 percent of these CDs are due by February 2009.

SCHEDULE OF MATURITIES OF BCRP CERTIFICATES OF DEPOSIT WITH RESTRICTED NEGOCIATION
(Balances in millions of nuevos soles)



Demand for currency

Between October 21 and 27, **Demand for currency** declined by S/. 23 million. During this period registered net placement of indexed Certificates of Deposit (CDR) by S/. 1,530 million, higher public deposits by S/. 702 million and injection of liquidity in nuevos soles through auctions of repos by S/. 1,632 million (net placement by S/. 6,889 million and maturities by S/. 5 257 million). Also, the BCRP sold US\$ 455 million to reduce the volatility of exchange rate.



BCRP OPERATIONS
(Millions of nuevos soles)

	FLOWS				STOCKS		
	From 10/07 to 10/27	Sep-08	Oct-08 *	Annual Cumulative	Dec-31-07	Sep-30-08	Oct-27-08
I. NET INTERNATIONAL POSITION							
(Millions of US\$)	-2,183	-6,433	-9,832	4,260	58,865	73,264	66,583
A. Foreign Exchange Operations	-701	-2,162	-3,176	1,788	19,622	24,585	21,409
1. Over the Counter Operations	-395	-2,106	-2,653	1,720			
2. Swaps	-455	-2,008	-2,588	3,854			
3. Net swaps auctions in FC	0	0	0	0			
4. Public Sector	59	0	59	59			
5. Other operations	0	-100	-125	-2,235			
B. Rest of Operations	1	1	1	42			
	-306	-56	-523	67			
II. NET INTERNAL ASSETS	2,160	6,167	9,666	-3,443	-44,008	-57,424	-50,909
A. Monetary operations	360	5,519	8,374	-4,094	-38,714	-51,175	-42,858
1. Sterilization	-1,272	5,519	2,135	-10,333	-38,714	-51,175	-49,097
a. Public Sector Deposits in soles	-702	-1,565	-163	-6,685	-16,924	-23,446	-23,609
b. BCRP Certificates of Deposit (CDBCRP)	0	205	1,443	11,189	-21,458	-11,712	-10,269
c. BCRP Indexed Certificates of Deposit (CDR)	-1,530	0	-2,285	-2,285	0	0	-2,285
d. BCRP Certificates of Deposit with restricted negotiation	0	7,263	2,726	-12,118	0	-14,844	-12,118
e. Term Deposits	0	0	0	-283	0	-283	-283
f. Overnight Deposits	960	-384	413	-55	-20	-488	-75
g. Other operations	0	0	0	-96	-312	-401	-458
2. Injection	1,632	0	6,239	6,239	0	0	6,239
a. Repos	1,632	0	6,239	6,239	0	0	6,239
b. Rediscount operations	0	0	0	0	0	0	0
B. Reserve Requirements in DC **	847	317	-444	-1,818	-2,922	-4,296	-4,740
C. Rest	954	332	1,737	2,469			
III. CURRENCY **	-23	-266	-166	817	14,857	15,840	15,674
(Monthly percentage change)					13.0%	-1.7%	-1.0%
(Accumulated percentage change)					27.1%	6.6%	5.5%
(YoY)					27.1%	27.0%	23.4%

* As of October 27, 2008

** Preliminary data

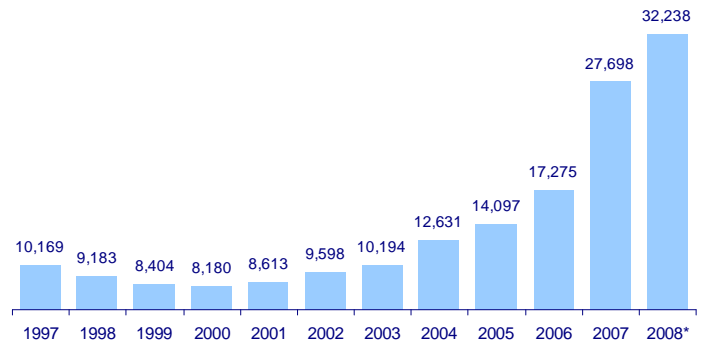
A total of S/. 49,097 million was sterilized, equivalent to the 313 percent of currency. This amount is broken down as follows: public sector deposits (S/. 23,609 million), BCRP Certificates of Deposit (S/. 10,269 million), BCRP Certificates of Deposit with restricted negotiation (S/. 12,118 million), Indexed Certificates of Deposit (CDR) (S/. 2,285 million) and BCRP term deposits (S/. 283 million). The average remaining maturity term for CDBCRP-NR and for total sterilization instruments as of October 27 is 166 days and 140 days respectively.

International reserves amounted to US\$ 32,238 million on October 28

Net international reserves (NIRs) amounted to US\$ **32,238** million on **October 28**. This level of NIR is US\$ 4,549 million higher than the one recorded at the end 2007 and US\$ 2,464 million lower than that of end September; this last one is associated to the sales of foreign currency by Central Bank.

The International position of the BCRP on **October 28** was US\$ **21,469** million, this level is US\$ 1,847 million higher than the one registered at end 2007.

NET INTERNATIONAL RESERVES ACCUMULATED
(Millions of US\$)

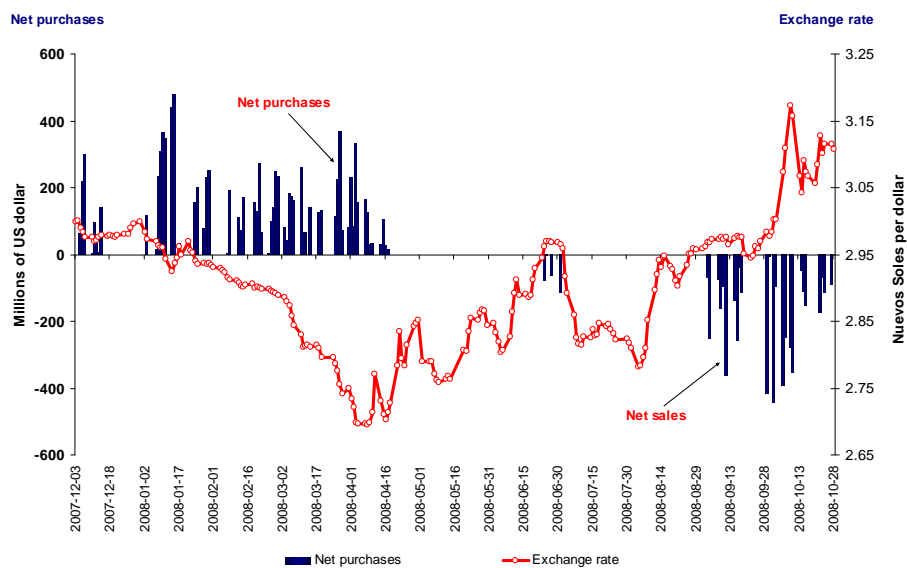


* As of October 28.

Exchange rate: S/. 3.107 per dollar

Between **October 21 and 28**, the average interbank ask price of the dollar increased from S/. 3.084 to S/. 3.107. Sales of foreign currency carried at the front office of the BCRP during this period accumulated to US\$ 415 million. So far in October, the nuevo sol has depreciated 4.3 percent.

EXCHANGE RATE AND NET DOLLAR PURCHASE



BALANCE OF NET FORWARD PURCHASES OF FOREIGN CURRENCY
(January 2007- October 2008)



Between **October 21 and 27**, banks' balance of net forward purchases of foreign currency declined by US\$ 379.2 million. So far this month, the balance of net forward purchases decreased US\$ 1,468.9 million.

MATURITIES OF BANKS' FORWARD WITH THE PUBLIC

(In thousands of US Dollars)

The balance of net forward selling as of October 28 amounted to US\$ 1,052 million, of which US\$ 814 million (77 percent) are operations with maturities due in October, and November 2008.

Month	Purchased (C)	Sold (V)	Net Purchases (C) - (V)
From 29 to 31 October	562	508	54
November	1,438	2,307	-868
December	659	576	83
January 2009	723	842	-119
From February 2009 to October 2010	1,292	1,494	-201
Balance as of October 28, 2008	4,675	5,727	-1,052

Liquidity and Credit to the Private Sector at October 15

In the last four weeks, liquidity in **domestic currency** decreased 1.7 percent (negative flow S/. 926 million) and amounted to S/. 54,360 million (last 12-month growth of 34.4 percent). Credit to the private sector in domestic currency grew 3.8 percent (S/. 1,589 million) and amounted to S/. 43,922 million (last 12-month growth of 40.8 percent).

Liquidity in **foreign currency** grew 6.8 percent (US\$ 945 million), thus amounting to US\$ 14,848 million (last 12-month growth of 18.5 percent). Credit to the private sector in foreign currency increased 3.9 percent (US\$ 618 million) and amounted to US\$ 16,447 million (last 12-month growth of 24.4 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
2006										
Dec.	15.7%	18.3%	10.6%	17.9%	3.3%	30.2%	1.8%	12.7%	-2.1%	3.9%
2007										
Mar.	1.3%	20.7%	2.9%	24.6%	3.1%	29.5%	1.2%	5.5%	1.7%	8.3%
Jun.	3.0%	26.2%	2.9%	32.1%	2.8%	35.8%	-1.0%	12.6%	4.7%	10.0%
Sep.	-1.8%	26.1%	-0.4%	34.0%	4.2%	39.6%	1.7%	17.9%	2.6%	14.9%
Dec.	14.3%	28.2%	5.6%	34.1%	2.9%	37.9%	2.7%	18.3%	2.9%	29.5%
2008										
Jan.	-5.9%	29.4%	1.8%	35.1%	2.2%	39.7%	-1.4%	18.1%	1.7%	32.1%
Feb.	7.2%	36.6%	6.9%	44.3%	2.4%	39.4%	-4.5%	12.6%	0.3%	31.9%
Mar.	1.6%	36.9%	5.2%	47.5%	2.4%	38.5%	0.0%	11.3%	0.7%	30.5%
Apr.	9.2%	46.7%	3.4%	55.3%	4.3%	38.7%	1.1%	9.2%	0.7%	29.6%
May.	4.0%	51.8%	1.1%	53.9%	3.6%	40.5%	-0.6%	5.8%	1.2%	29.1%
Jun.	1.8%	50.1%	1.6%	52.1%	3.8%	41.9%	0.7%	7.7%	1.3%	25.0%
Jul.	0.2%	42.9%	0.8%	46.8%	2.8%	41.7%	5.8%	11.6%	2.8%	26.9%
Aug.	-1.8%	39.3%	1.1%	45.2%	2.5%	43.3%	2.3%	11.2%	0.3%	25.8%
Sep.	-2.8%	37.8%	-1.1%	44.1%	2.1%	40.5%	8.4%	18.5%	2.9%	26.2%
Oct.15	-3.7%	50.5%	-1.7%	34.4%	3.8%	40.8%	6.8%	18.5%	3.9%	24.4%
Memo:										
Balance as of Sep 15. (Mill.S/.or Mill.US\$)	23,252		55,286		42,333		13,903		15,829	
Balance as of Oct 15. (Mill.S/.or Mill.US\$)	22,381		54,360		43,922		14,848		16,447	

Economic surplus of S/. 958 million in September 2008

In September, the operations of the central government recorded an economic surplus of S/. 958 million –a result S/. 290 million higher than the one observed in September 2007– due to higher current revenue (S/. 1,094 million) and to a reduction of interests (S/. 112 million). This was higher than the growth of non-financial expenditure (S/. 915 million).

CENTRAL GOVERNMENT OPERATIONS (Millions of Nuevos soles)

	September			Accumulated as of September		
	2007	2008	% Chg Real	2007	2008	% Chg Real
1. CURRENT REVENUES	4 760	5 854	15.8	45 690	52 236	8.4
A. Tax revenue	4 118	5 078	16.1	39 437	44 444	6.8
B. Non tax revenue	642	777	13.8	6 253	7 792	18.2
2. NON-FINANCIAL EXPENDITURE	3 783	4 698	16.9	34 326	39 929	10.1
A. Non financial expenditure net to the Transfers	2 799	3 516	18.3	23 015	27 953	15.1
- Non financial current expenditure	2 363	2 963	18.0	20 234	23 952	12.2
- Capital expenditure	435	553	19.5	2 782	4 001	36.1
B. Transfers to other public entities	984	1 183	13.1	11 311	11 976	-0.1
- Non financial current expenditure	705	1 024	36.7	10 453	11 001	-0.8
- Capital expenditure	279	159	-46.5	858	975	7.8
3. CAPITAL REVENUES	12	11	-14.0	304	310	-3.3
4. PRIMARY BALANCE	<u>989</u>	<u>1 167</u>		<u>11 668</u>	<u>12 617</u>	
5. INTEREST PAYMENTS	321	209		4 220	3 998	
6. OVERALL BALANCE	<u>668</u>	<u>958</u>		<u>7 448</u>	<u>8 619</u>	
7. NET FINANCING	- 668	- 958		- 7 448	- 8 619	
1. External	- 139	257		- 1 895	- 4 457	
A. Disbursements	184	484		8 628	1 746	
B. Amortizations	- 323	- 228		- 10 522	- 6 203	
2. Domestic	- 683	- 1 215		- 5 986	- 4 186	
3. Privatization	155	0		433	24	

Source: MEF and SUNAT.

An economic surplus of S/. 8,619 million was obtained in the January-September period. This result, which is S/. 1,171 million higher than the one recorded in the same period last year, is explained by higher current revenue (S/. 6,546 million), mainly due to value added tax –VAT– (S/. 4,937 million) and income tax (S/. 1,400 million). Net financial expenditure net of transfers to other public entities (S/. 27,953 million) grew 15.1 percent in real terms compared to the same period in 2007.

The central government's current revenue grew by a real 15.8 percent, accumulating a growth rate of 8.4 percent as of September. Tax revenue grew 16.1 percent, a result explained by the growth of value added tax (31.9 percent) and income tax (7.3 percent), which compensated lower revenue from excise tax (38.6 percent) and from import duties (12.1 percent). Non-tax revenue increased 13.8 percent due to higher directly collected resources, royalties and mining royalties.

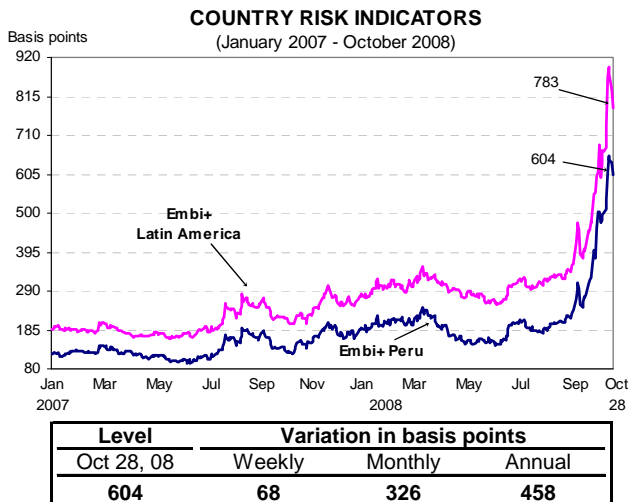
Non-financial expenditure net of transfers to other public entities (S/. 3,516 million) increased 18.3 percent in real terms, with current expenditure (S/. 2,963 million) showing a growth rate of 18.0 percent. By group of expenditure, transfers to the private sector increased 64.9 percent (given that the Ministry of Energy and Mining used S/. 434 million from the Fuel Price Stabilization Fund), while expenditure in goods and services increased 10.6 percent. Moreover, capital expenditure (S/. 553 million) grew 19.5 percent, mainly due to higher spending in gross capital formation (28.3 percent).

Internacional Market

Country risk at 604 basis points

Between October 21 and 28, the country risk indicator, measured by the **EMBI+Peru** spread, increased from 536 to 604 basis points, showing a similar evolution to the one seen in the region (the EMBI+ Latin America rose 46 basis points).

Increased risk aversion due to fears regarding the global economy and the lower prices of raw materials reflected in widened spreads for the emerging debt.



Price of copper dropped to US\$ 1.87 per pound

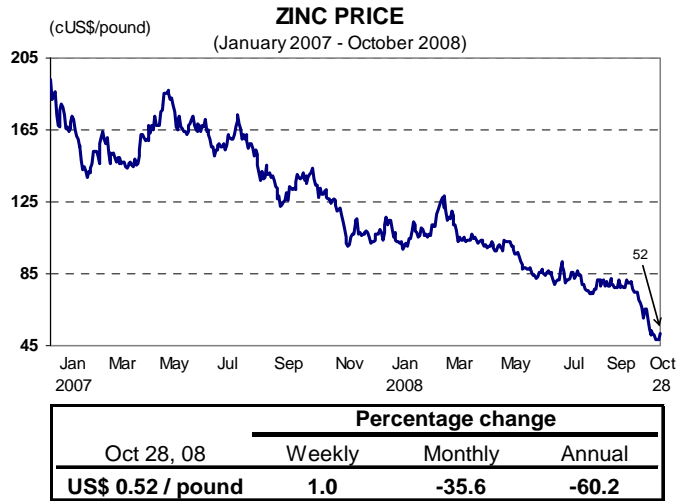
In the same period, the price of **copper** dropped 8.0 percent to US\$ 1.87 per pound. On September 27, copper was quoted at US\$ 1.67 per pound the lowest level since September 2005. The price of red metal was subject to downward pressures due to the deepen expectations that the demand for metals would decline given the threat of lower growth, especially in USA, UK, Germany and Japan (there is still uncertainty about the evolution of China's demand).



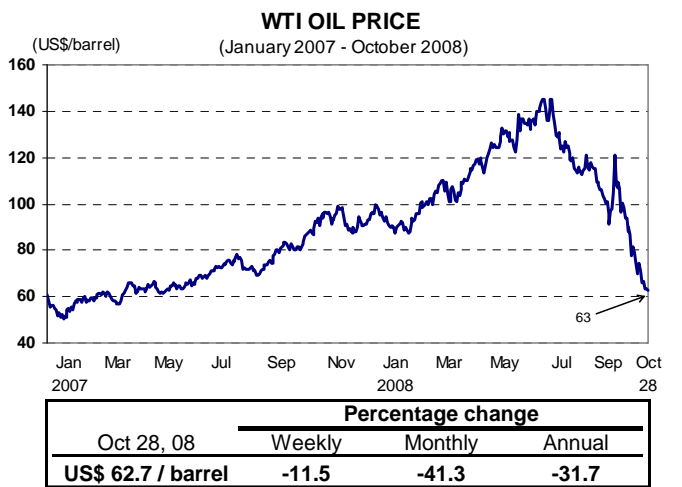
During the week of analysis, the price of **gold** fell 4.6 percent to US\$ 739.4 per troy ounce, its lowest level in over a year. The reduction in the price of gold was explained by the strengthening of the dollar against the euro, which is affecting the position of precious metals as an investment option. However, higher demand for gold in Asia partially prevented a lower decline in the price of gold.



Between October 21 and 28, the price of **zinc** rose 1.0 percent to US\$ 0.52 per pound. The price of this basic metal showed an increase due to lower inventories at global bourses.



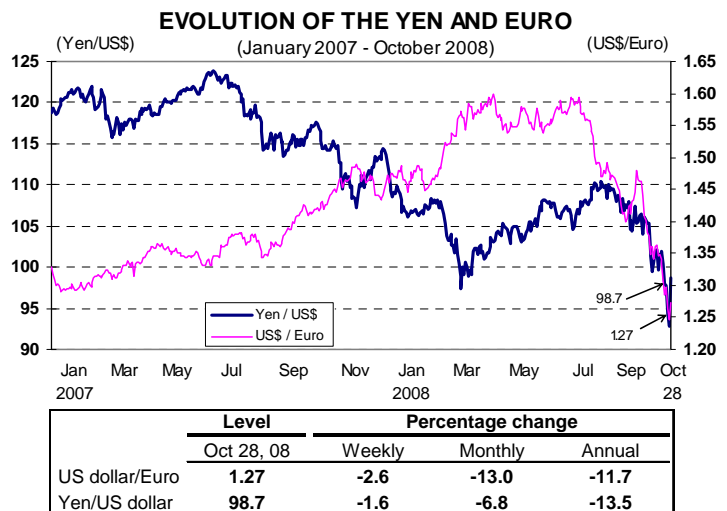
The price of **WTI oil** fell 11.5 percent and reached US\$ 62.7 per barrel between October 21 and 28, posting its lowest level since August 2007. The price of oil dropped as a result of global economic slowdown, which is reflected in higher inventories of crude in USA. Fears that a world economic recession will affect the demand for fuel eclipsed the OPEC's agreement of October 24 to reduce their production quotas (1.5 million barrels per day).



Dollar appreciated against the euro

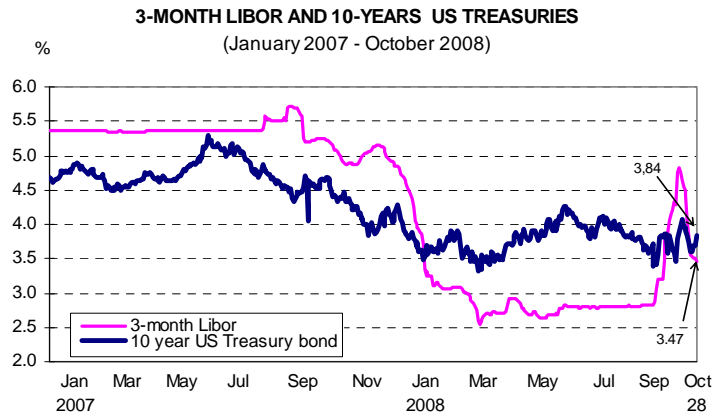
In the same period, the **dollar** appreciated 2.6 percent against the **euro** due to increased signals of a recession in Europe, which has raised expectations of interest rate cuts. The private sector economy in the Eurozone contracted at the fastest pace observed since the monetary union was established and the economy of Great Britain contracted for the first time in 16 years in the third quarter.

The dollar depreciated 1.6 percent against the **yen** due to the resulting risk aversion which generated a reversal in carry trade operations.



Yield on 10-year US Treasuries rose to 3.84 percent

Between October 21 and 28, the **3-month Libor** declined from 3.83 to 3.47 percent, while the yield on the **10-year US Treasury bond** rose from 3.74 to 3.84 percent. The increase in the yield on the Treasury bonds was associated with a slowing of demand for safe assets such as the public debt, after stocks recovered from their sharpest fall in five years, despite constant concerns about the economy and corporate gains.

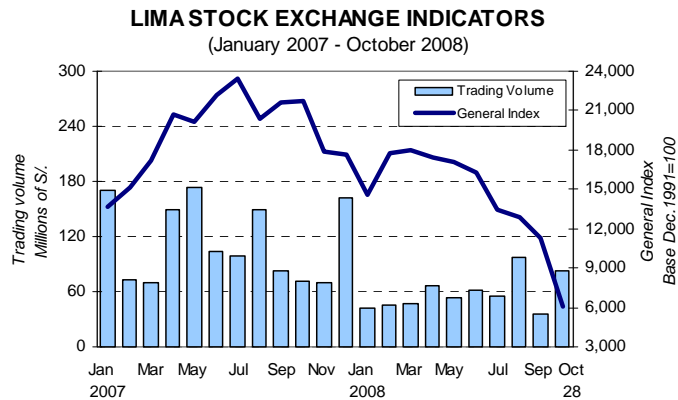


	Variation in percentage points			
	Oct 28, 08	Weekly	Monthly	Annual
Libor 3 months	3.47	-37	-30	-152
Treasuries EUA	3.84	10	-2	-57

Lima Stock Exchange has fallen 46.2 percent as of October 28

The **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) have fallen 46.2 and 49.8 percent respectively as of October 28.

During the week (October 21 to 28), these indices showed losses of 23.3 and 24.9 percent, respectively. The LSE showed a strong fall due to the sharp decline of the prices of basic metals, especially copper, due to increasingly clearer signals of a possible world recession and to the cooling of China's economy.



	Percentage change			
	As of: Oct 28, 08	Weekly	To Sep 08	To Dec 07
General Index	7,889	-23.3	-46.2	-65.5
Blue Chip Index	12,657	-24.9	-49.8	-67.3

Year-to-date, these indices have accumulated losses of 65.5 and 67.3 percent, respectively.

