









**Indicators**

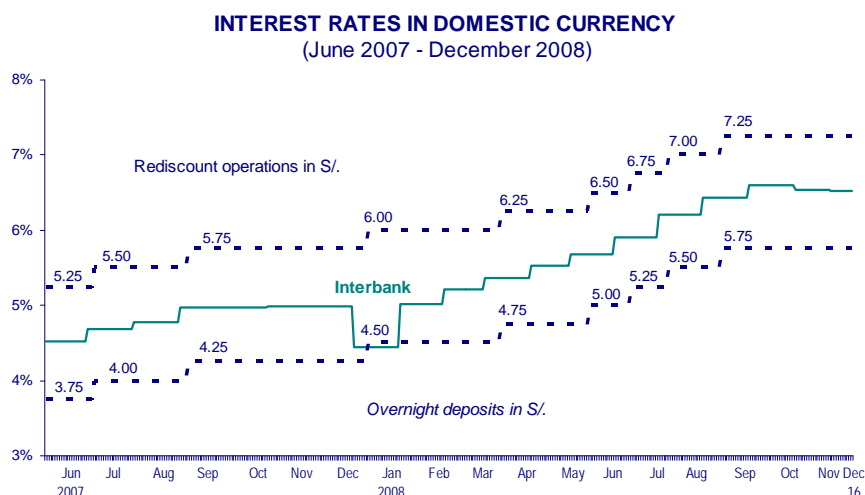
-  NIRs increased US\$ 276 million on December
-  Interbank interest rate at 6.53 percent on December 16
-  Exchange rate: S/. 3.080 per US\$ on December 17
-  GDP grew 8.7 percent in October
-  Country risk at 525 bps on December 16
-  LSE fell 1.9 percent as of December 16

**Content**

- Interbank interest rate at 6.53 percent on December 16 ix
- Corporate interest rate in nuevos soles fell to 7.50 percent ix
- Demand for currency xi
- International reserves increased US\$ 276 million on December xii
- Exchange rate: S/. 3.080 per US dollar xii
- Gross Domestic Product: October 2008 xiii
- Country risk at 525 basis points xv
- Lima Stock Exchange fell to 1.9 percent as of December 16, 2008 xvii

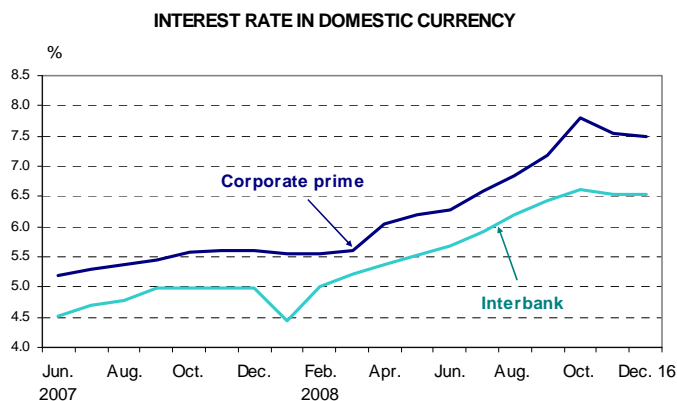
**Interbank interest rate at 6.53 percent on December 16**

The average daily interbank interest rate in domestic currency on December 16 was 6.53 percent, slightly lower than the average rate of November (6.54 percent).



**Corporate interest rate in nuevos soles fell to 7.50 percent**

Between **December 9 and 16**, the daily average of the 90-day corporate rate in nuevos soles fell from 7.53 percent to 7.50 percent, while this rate in dollars fell from 5.48 to 5.11 percent.



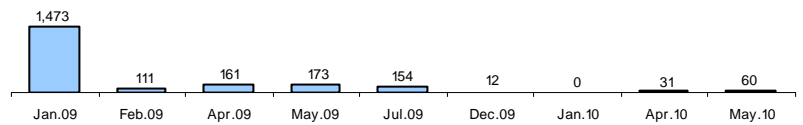
**Monetary operations**

Between December 10 and 16, the BCRP made the following monetary operations: i) auctions of temporary purchases of 1-day, 3-day, 1-week, and 2-week securities for a daily average of S/. 390 million. The interest rate on these operations, which amounted to S/. 5,059.1 million, was 6.56 percent; ii) 1-day foreign currency purchases with repurchase agreement for a total of S/.15 million on December 10. The average interest rate on these operations was 6.50 percent; and iii) overnight deposits in domestic currency for a total of S/. 1,473 million.

The total balance of CDBCRP amounts to S/. 7,717 million, of which S/. 2,175 million (28 percent) are held by non-residents. Most of these CDs are due by April 2009.

**SCHEDULE OF MATURITIES OF CDBCRPs HELD BY NON-RESIDENTS**

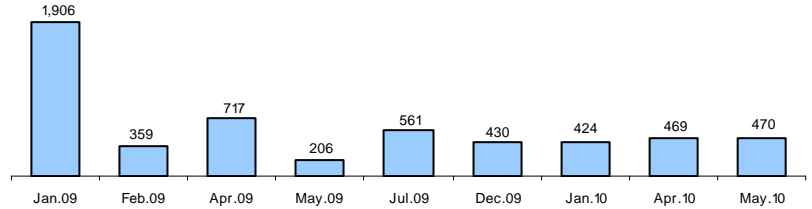
(Balances in millions of nuevos soles)



Moreover, certificates for a total of S/. 5,542 million (72 percent) are held by residents.

**SCHEDULE OF MATURITIES OF CDBCRPs HELD BY RESIDENTS**

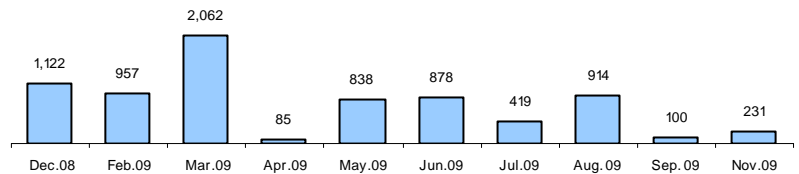
(Balances in millions of nuevos soles)



The total balance of BCRP Certificates of Deposit of Restricted Negotiation (CDBCRP-NR) amounted to S/. 7,605 million, of which 54 percent are due by March 2009.

**SCHEDULE OF MATURITIES OF BCRP CERTIFICATES OF DEPOSIT WITH RESTRICTED NEGOTIATION**

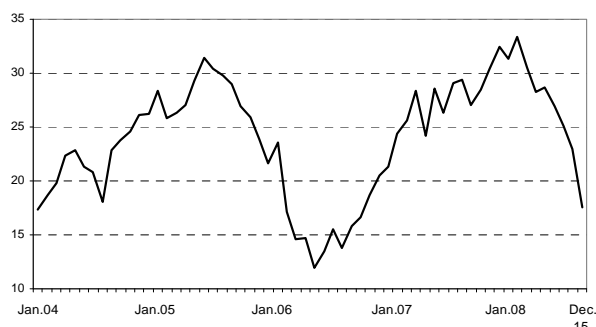
(Balances in millions of nuevos soles)



## Demand for currency

Between December 9 and 15, **currency in circulation** increased by S/. 73 million. This increase of liquidity was the result of lower reserve requirements (which represented an injection of S/. 2,309 million) and maturities of CDs (S/. 3,562 million). This increase was partially offset by a reduction in the balance of repo operations (S/. 3,852 million).

**CURRENCY**  
(Annual percentage change)



**BCRP OPERATIONS**  
(Millions of nuevos soles)

	FLOWS				STOCKS		
	From 12/9 to 12/15	Nov-08	Dec-08 *	Annual Cumulative	Dec-31-07	Nov-30-08	Dec-15-08
<b>I. NET INTERNATIONAL POSITION</b>	<b>1,189</b>	<b>-1,629</b>	<b>535</b>	<b>3,575</b>	<b>58,865</b>	<b>65,151</b>	<b>65,686</b>
(Millions of US\$)	382	-524	173	1,567	19,622	21,017	21,189
<b>A. Foreign Exchange Operations</b>	<b>-64</b>	<b>-916</b>	<b>-225</b>	<b>593</b>			
1. Over the Counter Operations	0	-810	-215	2,828			
2. Swaps	0	0	0	0			
3. Net swaps auctions in FC	-64	-88	-10	0			
4. Public Sector	0	-24	0	-2,284			
5. Other operations	0	6	0	48			
<b>B. Rest of Operations</b>	<b>446</b>	<b>392</b>	<b>397</b>	<b>974</b>			
<b>II. NET INTERNAL ASSETS</b>	<b>-1,115</b>	<b>1,391</b>	<b>-74</b>	<b>-2,128</b>	<b>-44,008</b>	<b>-49,308</b>	<b>-49,382</b>
<b>A. Monetary operations</b>	<b>-1,764</b>	<b>1,892</b>	<b>2,164</b>	<b>280</b>	<b>-38,714</b>	<b>-40,592</b>	<b>-38,427</b>
<b>1. Sterilization</b>	<b>2,088</b>	<b>3,316</b>	<b>2,164</b>	<b>-5,279</b>	<b>-38,714</b>	<b>-46,551</b>	<b>-43,986</b>
a. Public Sector Deposits in soles	-576	-815	-179	-7,080	-16,924	-23,825	-24,004
b. BCRP Certificates of Deposit (CDBCRP)	1,388	1,159	1,388	13,737	-21,458	-9,109	-7,721
c. BCRP Indexed Certificates of Deposit (CDR)	0	0	0	-2,915	0	-2,915	-2,915
d. BCRP Certificates of Deposit with restricted negotiation	2,174	2,339	2,174	-7,605	0	-9,779	-7,605
e. Term Deposits	0	0	0	-283	0	-283	-283
f. Overnight Deposits	-899	713	-819	-901	-20	-102	-921
g. Other operations	0	-80	0	-232	-312	-537	-537
<b>2. Injection</b>	<b>-3,852</b>	<b>-1,424</b>	<b>-400</b>	<b>5,559</b>	<b>0</b>	<b>5,959</b>	<b>5,559</b>
a. Repos	-3,852	-1,424	-400	5,559	0	5,959	5,559
b. Rediscount operations	0	0	0	0	0	0	0
<b>B. Reserve Requirements in DC **</b>	<b>2,039</b>	<b>620</b>	<b>-1,089</b>	<b>-2,285</b>	<b>-2,922</b>	<b>-4,118</b>	<b>5,207</b>
<b>C. Rest</b>	<b>-1,390</b>	<b>-1,122</b>	<b>-1,150</b>	<b>-122</b>			
<b>III. CURRENCY **</b>	<b>73</b>	<b>-238</b>	<b>365</b>	<b>1,447</b>	<b>14,857</b>	<b>15,844</b>	<b>16,304</b>
(Monthly percentage change)					13.0%	-1.5%	2.9%
(Accumulated percentage change)					27.1%	6.6%	9.7%
(YoY)					27.1%	23.0%	17.6%

\* As of December 15, 2008

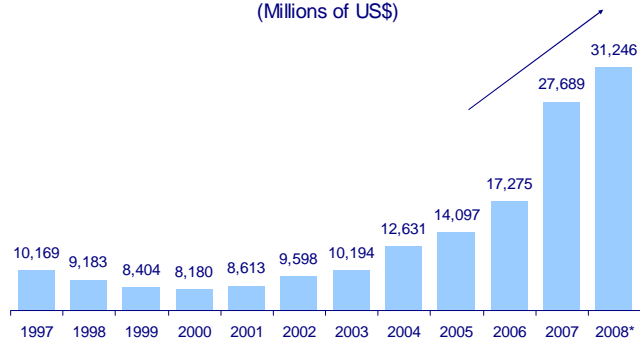
\*\* Preliminary data

In this way, a total of S/. 43,986 million, equivalent to 270 percent of currency in circulation, was sterilized. This amount is broken down as follows: public sector deposits (S/. 24,044 million), BCRP Certificates of Deposit (S/. 7,721 million), BCRP Certificates of Deposit of restricted negotiation (S/. 7,605 million), BCRP indexed certificates of deposit (S/. 2,915 million), and BCRP term deposits (S/. 283 million). The average remaining maturity term for CDBCRP-NR and for total sterilization instruments as of December 15 is 120 days and 137 days, respectively.

**International reserves increased US\$ 276 million on December**

Net international reserves (NIRs) amounted to US\$ **31,246** million on **December 16**. This level of NIRs is US\$ 276 million higher than the one recorded last month and US\$ 3,557 million higher than the one recorded at end 2007.

**NET INTERNATIONAL RESERVES ACCUMULATED**  
(Millions of US\$)

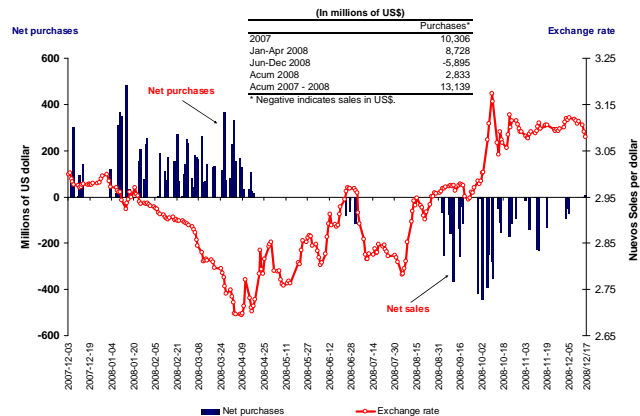


\* As of December 10.

**Exchange rate: S/. 3.080 per US dollar**

Between **December 9 and 17**, the average interbank ask price of the dollar fell from S/. 3.118 to S/. 3.080, which represented an appreciation of the nuevo sol of 1.21 percent. The BCRP intervened in the exchange market buying US\$ 5 million on December 17 to reduce the volatility of exchange. This volatility is associated with the strong depreciation of the dollar worldwide, generated by the significant reduction of interest rates implemented by the FED recently.

**EXCHANGE RATE AND NET DOLLAR PURCHASE**



So far this month the nuevo sol has appreciated 0.54 percent against the dollar compared to the close of November.

Between **December 9 and 16**, banks' balance of net forward purchases of foreign currency increased by US\$ 132.3 million. The balance of net forward purchases has accumulated a decline of US\$ 89.1 million during December.

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



**MATURITIES OF BANKS' FORWARD WITH THE PUBLIC**  
(In thousands of US Dollars)

Month	Purchased (P)	Sold (S)	Net Purchases (P) - (S)
From 17 to 31 December	814	1,168	-353
January 2009	1,242	1,368	-125
February 2009	264	305	-42
From March 2009 to October 2010	1,590	1,757	-167
<b>Balance as of December 16, 2008</b>	<b>3,911</b>	<b>4,598</b>	<b>-687</b>

The balance of net forward purchases on **December 9** amounted to US\$ 687 million, of which US\$ 353 million (51 percent) are operations with maturities due in the rest of December 2008.

## Gross Domestic Product: October 2008

**In October, GDP grew 8.7 percent.** With this result, GDP records a rate growth of 9.9 percent in the first ten months of the year. Increased activity was observed in both primary and non-primary sectors, especially in fishing (16.0 percent), agriculture (6.8 percent), and construction (11.9 percent). In accumulated terms, it is worth highlighting the growth observed in construction (17.7 percent) and commerce (13.1 percent).

### GROSS DOMESTIC PRODUCT

(Real percentage change respect to the same period of previous year)

	Weighted 2007	2007		2008	
		Oct.	Year	Oct. 1/	Jan-Oct 1/
<b>Agriculture and Livestock</b>	<b>7.9</b>	<b>3.7</b>	<b>3.3</b>	<b>6.8</b>	<b>6.0</b>
Agriculture	4.8	4.5	2.0	6.9	6.6
Livestock	2.4	3.0	5.3	6.8	5.1
<b>Fishing</b>	<b>0.5</b>	<b>-1.8</b>	<b>6.9</b>	<b>16.0</b>	<b>5.7</b>
<b>Mining and Fuel</b>	<b>5.9</b>	<b>8.4</b>	<b>2.7</b>	<b>4.6</b>	<b>7.5</b>
Metallic mining	4.9	6.6	1.7	2.7	7.6
Natural gas and oil	0.5	15.0	6.5	21.3	7.4
<b>Manufacture</b>	<b>15.7</b>	<b>14.7</b>	<b>10.8</b>	<b>4.5</b>	<b>8.6</b>
Based on raw materials	3.0	-3.7	0.7	13.0	6.2
Non-primary industries	12.6	17.7	13.0	3.2	9.0
<b>Electricity and water</b>	<b>2.1</b>	<b>8.0</b>	<b>8.5</b>	<b>7.8</b>	<b>8.7</b>
<b>Construction</b>	<b>5.6</b>	<b>20.0</b>	<b>16.6</b>	<b>11.9</b>	<b>17.7</b>
<b>Commerce</b>	<b>14.5</b>	<b>12.3</b>	<b>9.7</b>	<b>13.3</b>	<b>13.1</b>
<b>Other services</b>	<b>38.4</b>	<b>9.7</b>	<b>9.6</b>	<b>9.2</b>	<b>9.2</b>
<b>GDP Global</b>	<b>100.0</b>	<b>10.7</b>	<b>8.9</b>	<b>8.7</b>	<b>9.9</b>
<b>Primary</b>	<b>17.2</b>	<b>4.0</b>	<b>2.7</b>	<b>7.2</b>	<b>6.6</b>
<b>Non-primary</b>	<b>82.8</b>	<b>12.0</b>	<b>10.2</b>	<b>9.0</b>	<b>10.7</b>

1/ Forecast.

As a result of posting a growth rate of 6.8 percent in October, the **agricultural sector accumulated an expansion of 6.0 percent** between January and October. Agricultural production grew 6.9 percent, which was mainly reflected in an increased supply of products oriented to the domestic market, while livestock production grew 6.8 percent due to a higher demand for poultry, eggs and milk.

Showing a two-digit growth rate for the third consecutive month, the **fishing sector recorded a growth of 16.0 percent in October** after growing 10.6 percent in August and 23.8 percent in September. This evolution is associated with the good results obtained in the industry of frozen fish products. The fishing sector has accumulated a growth rate of 5.7 percent between January and October.

**The mining and hydrocarbon sector grew 4.6 percent in October**, thus accumulating a growth rate of 7.5 percent so far this year. This result is mainly explained by a higher production of gold (9.1 percent), zinc (10.6 percent) and crude (23.0 percent), which offset the lower production of other metals, especially copper (-5.3 percent).

Production in the **non-primary manufacturing sector** grew 3.2 percent and accumulated a 9.0 percent growth rate between January and October. It should be pointed out that the growth of production in the sector during this month was lower than in previous months and that the highest

level of growth in this sector in the last 12 months was observed in October 2007. Another factor contributing to this result was the lower production of the metal mechanic industry and the textile branch.

Moreover, production increased in **21 of the 38 industrial groups**, especially in the following:

- **Other paper and cardboard items**, due to increased demand for adult diapers and continuous form printing paper.
- **Printing and publishing activities**, due to increased demand for publicity fliers and brochures.
- **Construction materials**, due to a higher production of pre-mixed concrete, majolica tiles and asbestos cement sheets for the construction sector.
- **Toilet and cleaning products**, due mainly to increased demand for detergents and the launching of new toilet products.
- **Carbonated soft drinks**, due to a higher demand for sweet sodas and bottled water.
- **Beer and malt**, because of increased demand –mainly in the provinces– associated with better promotions and the launching of new products.
- **Plastics**, due to increased demand for packages and flexible wrappings for the food industry.
- **Pesticides, fertilizers, and plastic composites**, due to increased demand in the agricultural sector.
- **Dairy products**, due to a higher production of yogurt and milk in “tetra pack” containers and to the launching of new lines of products and new presentations.
- **Transport equipment**, due to increased demand for the assembly of buses and motorcycles.
- **Pharmaceutical products**, due to the implementation of a new pharmaceutical lab and to advanced production.
- **Cement**, due to increased domestic demand.

Finally, the **construction sector** grew **11.9 percent** reflecting a 9.9 percent increase in the domestic consumption of cement. In this way, construction accumulates a growth rate of 17.7 percent in the first 10 months of the year.

#### Indicators at November 2008

Preliminary data available to date of indicators on the sectors of fishing, mining and hydrocarbons, construction, electricity and water, relevant for economic activity include the following:

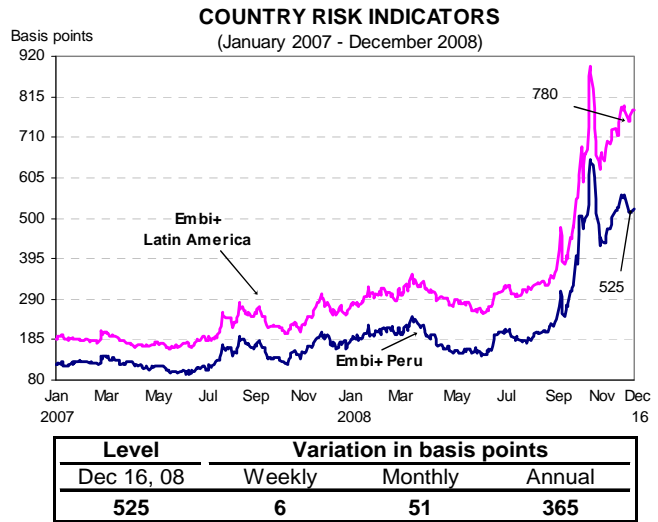
- According to IMARPE, anchovy catch amounted to 1,127.2 thousand tons, a volume 13.6 percent lower than the one recorded in November 2007.
- According to the Ministry of Energy and Mining, the production of oil and natural gas grew 29 and 14.1 percent, respectively.
- According to ASOCEM, local dispatches of cement increased 9.5 percent.
- According to the Comité de Operación Económica del Sistema Interconectado Nacional (COES), the production of electricity grew 4.7 percent.

## International Markets

### Country risk at 525 basis points

Between December 9 and 16, the country risk indicator, measured by the **EMBI+ Peru** spread, increased from 519 to 525 basis points, showing a similar evolution to the one seen in the region (the EMBI+ Latin America increased 25 basis points).

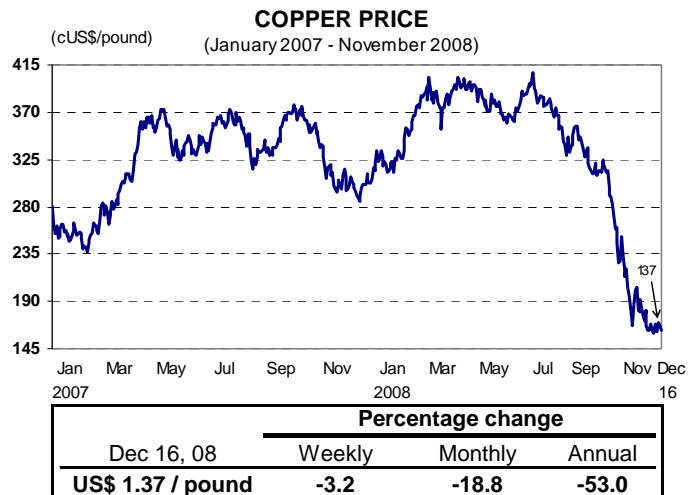
The spreads of emerging market debt widened due to investors increased risk aversion given fears of a global recession.



### Price of copper dropped to US\$ 1.37 per pound

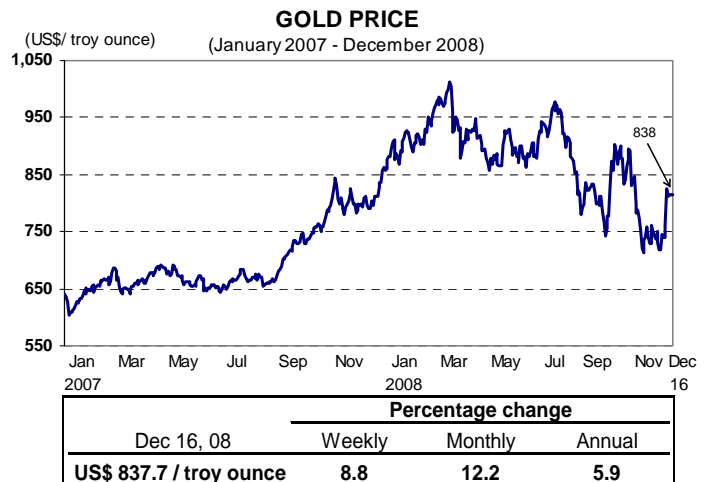
In the week of analysis, the price of **copper** fell 3.2 percent to US\$ 1.37 per pound.

The increase of inventories at the major global stock exchange markets and greater concerns about demand renewed fears of an oversupply, generating downward pressures on prices.



In the same period, the price of **gold** rose 8.8 percent to US\$ 837.7 per troy ounce. This price increase is associated with the weakening of the dollar against the euro, which has generated greater interest in this metal as a hedge asset.

However, India and Turkey's lower demand for gold for their jewelry industry partially offset the rise in the price of gold.



Between December 9 and 16, the price of **zinc** fell 3.9 percent to US\$ 0.48 per pound.

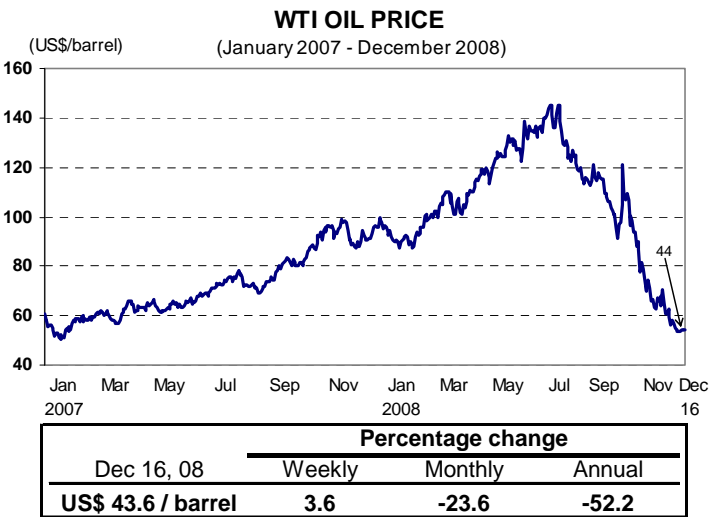
The price of this basic metal continued being affected by the somber outlook for the global economy.

During the week of analysis, zinc inventories at the London Metal Exchange increased 7.1 percent, reaching a total of 232,235 tons.



The price of **WTI oil** rose 3.6 percent to US\$ 43.6 per barrel between December 9 and 16, despite the increase of crude inventories in the United States. The slight correction observed in the downward trend of the price of crude was based on expectations that the OPEC will implement a strong production cut in its next meeting of December 17, which will also include the participation of Russia.

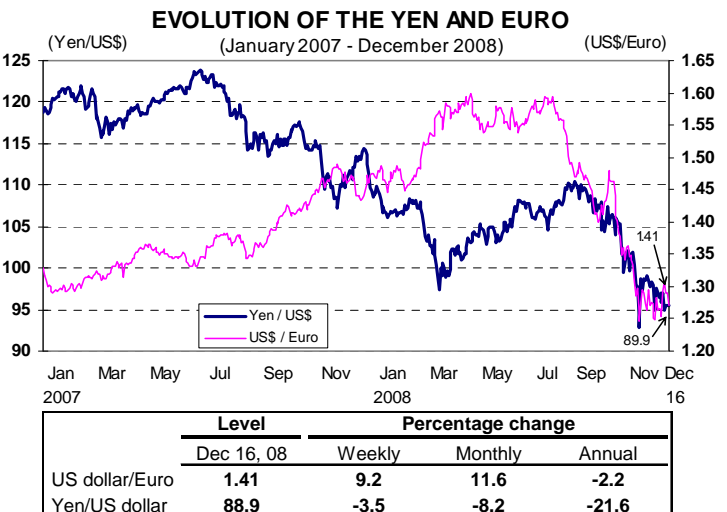
The demand for crude and derivatives continues being affected by global recession, sustaining the downward trend seen in the price of oil.



**Dollar depreciated against the euro and the yen**

Between December 9 and 16, the **dollar** depreciated 9.2 percent against the **euro** and 3.5 percent against the **yen**. The evolution of the US currency is basically associated with a higher-than-expected reduction in the Federal Reserve interest rates, in a context of greater evidences of a recession and lower inflationary pressures.

The FED cut its interest rates to a mining record level ranging between zero and 0.25 percent, thus reducing the attraction of the US dollar even further.

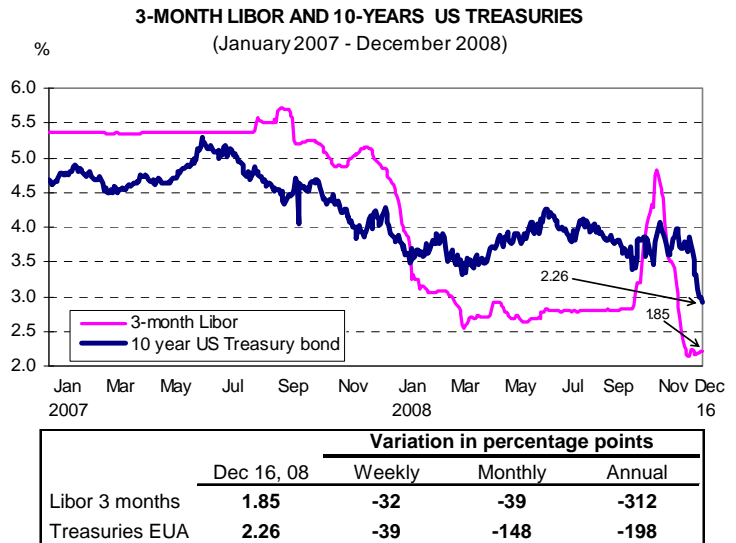




**Yield on 10-year US Treasuries fell to 2.26 percent**

Between December 9 and 16, the **3-month Libor** fell from 2.16 to 1.85 percent, while the yield on the **10-year Treasury bond** declined from 2.64 to 2.26 percent due to greater fears of a recession in the United States.

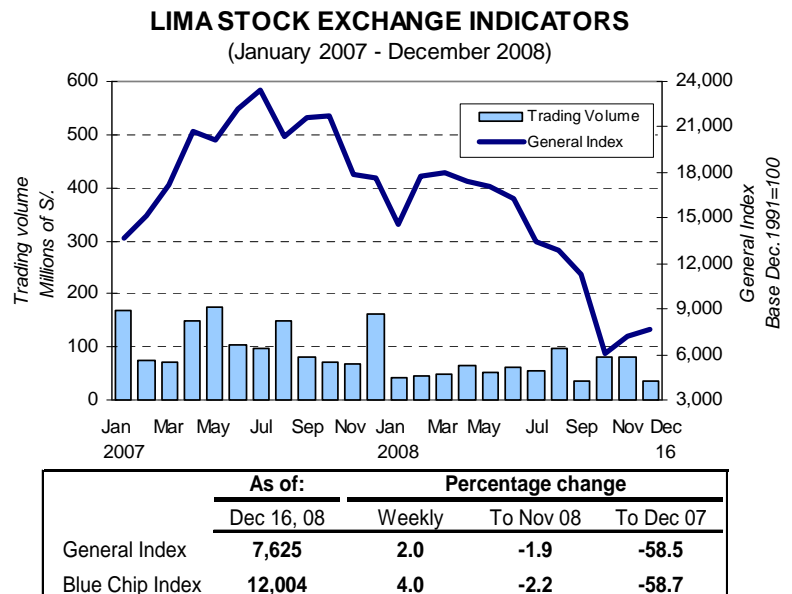
Activity indicators which, in general, would continue pointing to a recession led investors to seek safety in the US Treasuries, boosting the prices of these bonds and generating that the yield on long-term bonds declined to a historical minimum level.



**Lima Stock Exchange fell to 1.9 percent as of December 16, 2008**

As of **December 16**, the **General Index** and the **Blue Chip** indices of the Lima Stock Exchange (LSE) have fallen 1.9 and 2.2 percent, respectively. However, during the week of analysis (between December 9 and 16), both the General Index and the Blue Chip index showed gains of 2.0 and 4.0 percent, respectively, due to the advance of mining shares after reports indicated that the Peruvian economy had grown more than expected in October.

Another factor favoring a positive evolution of the indices of the LSE was the announcement of the anti crisis plan that will be implemented by the Peruvian state, in a context marked by a reduction of the FED's interest rates in the United States.



Year-to-date, the General and the Blue Chip indices of the LSE have accumulated losses of 58.5 and 58.7 percent, respectively.

