



Indicators

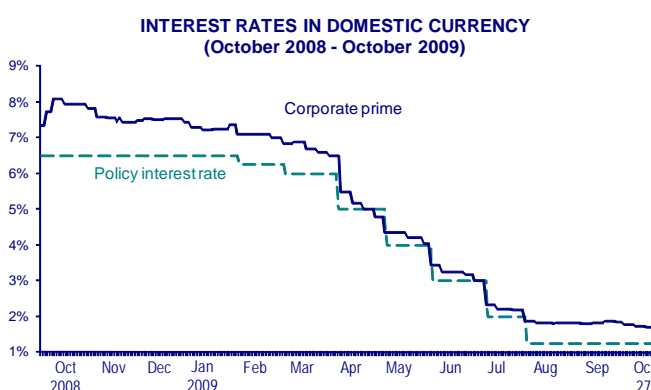
- Corporate interest rate at 1.70 percent
- Interbank interest rate: 1.14 percent
- Exchange rate: US dollar traded at S/. 2.899
- Economic deficit of S/ 654 million in September
- Country risk at 220 bps.
- LSE fell 0.9 percent

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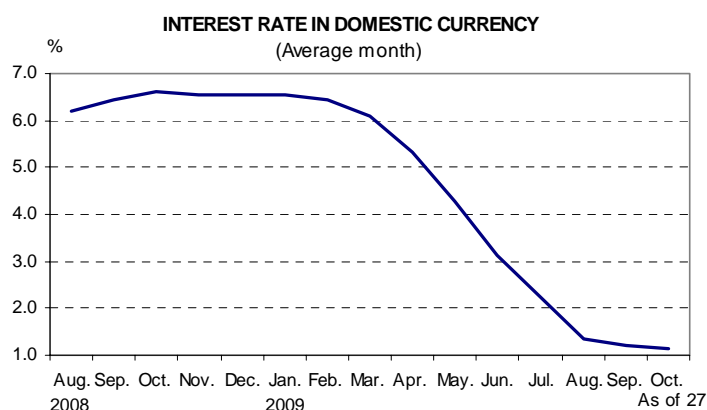
Corporate interest rate in nuevos soles recorded historical minimum of 1.70 percent

Between **October 20 and 27**, the daily average of the 90-day corporate rate in domestic currency decreased from 1.73 to 1.70 percent, thus recording its lowest historical level; while this rate in dollars declined from 1.38 to 1.23 percent.



Average interbank interest rate dropped to 1.14 percent on October 27

In October, the average daily interbank interest rate continued its downward trend and recorded 1.14 percent on October 27. However, as from October 23 this rate has shown an increase, posting levels similar to the reference rate established by the BCRP (1.25 percent).



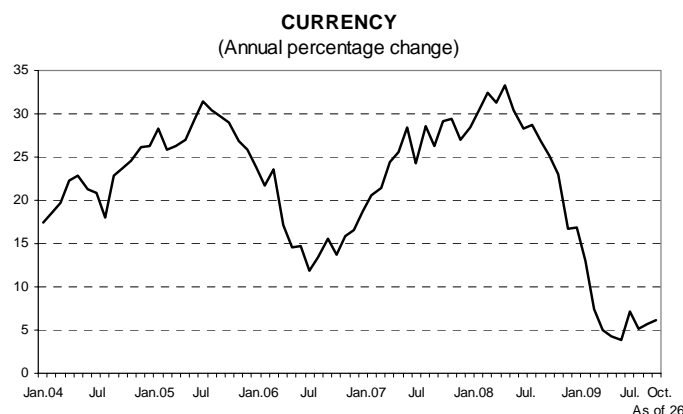
<u>Interbank interest rate (percent)</u>		
	<u>Average</u>	<u>SD</u>
September 2008	6.43%	0.13
October	6.60%	0.18
November	6.54%	0.03
December	6.54%	0.03
January 2009	6.55%	0.15
February	6.44%	0.32
March	6.08%	0.13
April	5.33%	0.47
May	4.29%	0.42
June	3.13%	0.40
July	2.23%	0.49
August	1.34%	0.27
September	1.20%	0.07
October 27	1.14%	0.06

Monetary operations

Between **October 21 and 27**, the BCRP made the following monetary operations: i) auctions of CDBCRP for a daily average of S/. 1,522.6 million, with maturities from 1 day to 272 days. The average interest rate on these operations, which reached a balance of S/. 15,605.6 million, was 1.14 percent; ii) repo operations for a total of S/. 8.7 million; iii) purchases of foreign currency for a total of US\$ 702 million; and iv) overnight deposits in domestic currency for a total of S/.347.2 million.

Currency in circulation increased to S/. 16,729 million

Between October 20 and 26, **currency in circulation** increased by S/. 45 million to S/. 16,729 million and thus accumulated a reduction of S/. 607 million this year. In this way, currency in circulation recorded a growth rate of 6.2 percent in the last 12 months, a higher rate than the one observed at end September (5.7 percent).



BCRP OPERATIONS (Millions of nuevos soles)

	FLOW				BALANCE		
	September 2009	From 10/20 to 10/26	Cumulated:		31-Dec-09	30-Sep-09	26-Oct-09
			Monthly *	Annual			
I. NET INTERNATIONAL POSITION	1,775	-69	2,768	4,486	67,087	63,743	66,314
(Millions of US\$)	613	-24	969	1,660	21,365	22,056	23,026
A. Foreign Exchange Operations	312	57	915	-37			
1. Over the counter operations	269	56	910	108			
2. Net swap auctions in FC	28	3	6	98	0	92	98
3. Public Sector	0	0	0	-243			
4. Other operations	15	-2	-1	0			
B. Rest of operations	301	-81	54	1,697			
II. NET INTERNAL ASSETS	-2,016	114	-2,747	-5,093	-49,751	-47,035	-49,585
A. Monetary operations	-836	-372	-2,770	-2,226	-37,346	-36,802	-39,594
1. Sterilization	-966	-372	-2,640	3,077	-42,759	-37,041	-39,703
a. BCRP Indexed Certificates of Deposit (CDR)	550	0	105	4,425	-4,425	-105	0
b. BCRP Certificates of Deposit (CDBCRP)	-2,593	-398	-3,285	-7,563	-7,721	-11,999	-15,285
c. BCRP Certificates of Deposit with restricted negociation	100	0	0	6,253	-6,483	-231	-231
d. Overnight Deposits	234	-223	-189	-290	-23	-124	-313
e. Public Sector Deposits in soles	735	248	729	14	-23,568	-24,283	-23,554
f. Other operations	7	0	0	239	-538	-299	-320
2. Injection	130	0	-130	-5,303	5,412	239	109
B. Reserve Requirements in DC **	-326	233	144	1,511	-4,975	-3,608	-3,464
C. Rest	-854	253	-120	-4,377			
III. CURRENCY **	-241	45	21	-607	17,336	16,708	16,729
(Monthly percentage change)					8.9%	-1.4%	0.1%
(Accumulated percentage change)					16.7%	-3.6%	-3.5%
(YoY)					16.7%	5.7%	6.2%

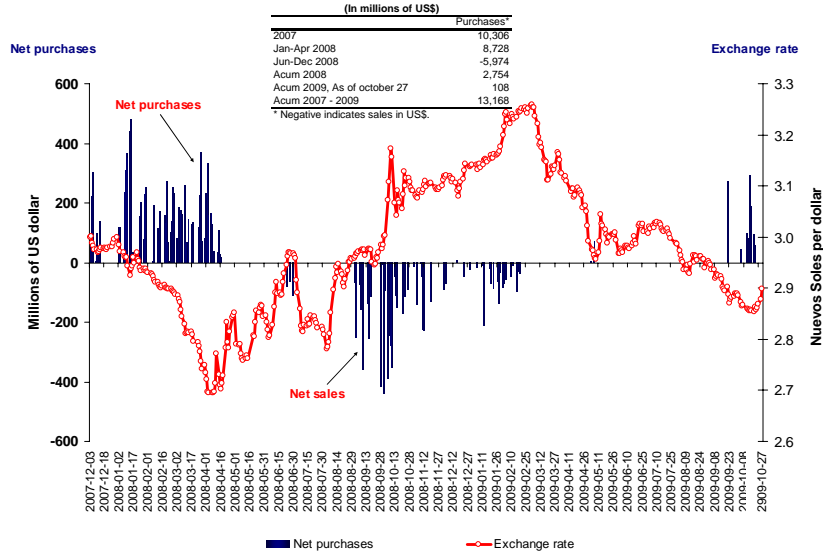
* As of October 26, 2009.

** Preliminary data.

Exchange rate: US dollar traded at S/. 2.899

Between October 20 and 27, the average interbank ask price of the dollar increased from S/. 2.863 to S/. 2.899, which represented a depreciation of the nuevo sol of 1.3 percent. In this period, the BCRP intervened in the exchange market purchasing US\$ 56 million.

EXCHANGE RATE AND NET DOLLAR PURCHASE



Between October 20 and 27, banks' balance of net forward purchases of foreign currency declined by US\$ 392 million.

So far this month, the balance of net forward purchases has accumulated an increase of US\$ 203.2 million.

BALANCE OF NET FORWARD PURCHASES OF FOREIGN CURRENCY
(January 2008 - October 2009)

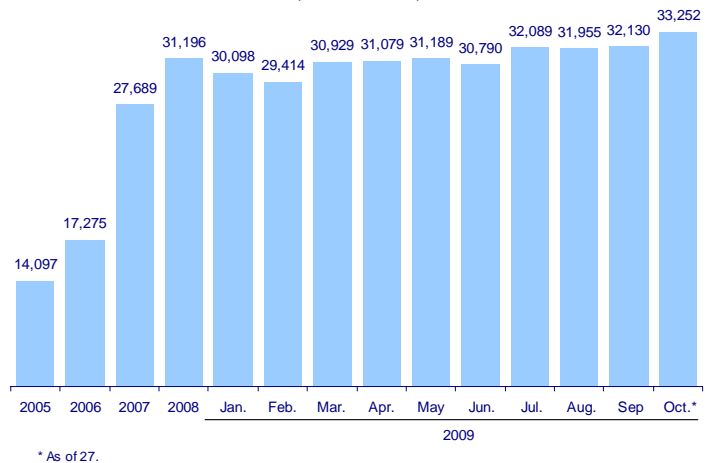


International reserves increased to US\$ 33,252 million on October 27

Net international reserves (NIRs) amounted to US\$ 33,252 million on October 27. This level of NIRs is US\$ 1,122 million higher than the one recorded at end September.

This increase is mainly explained by the purchases of foreign currency (US\$ 910 million), by banks' higher deposits (US\$ 42 million), by the higher valuation of investments (US\$ 51 million), and by higher investment yield (US\$ 5 million). This result was in part offset by lower public sector deposits (US\$ 63 million).

NET INTERNATIONAL RESERVES ACCUMULATED
(Millions of US\$)



The international investment position of the BCRP on October 27 was US\$ 23,025 million, a sum US\$ 968 million higher than at end September.

Credit to the private sector recorded an annual growth rate of 9.5 percent

In October, **total liquidity in the private sector** grew 0.7 percent (S/. 701 million), thus accumulating a growth rate of 5.8 percent in the last 12 months.

On the other hand, **total credit to the private sector** increased 1.0 percent (S/. 1,017 million) and 9.5 percent in the last 12 months. Part of this increase is due to the statistical effect resulting from the conversion of Edpymes Confianza and Crear into financial entities, which increased the credit portfolio by S/. 561 million.

Economic deficit of S/. 654 million in September 2009

The operations of the non-financial public sector recorded a deficit of S/. 654 million in September, in contrast with the surplus of S/. 951 million recorded in the same period last year. This result is mainly explained by a real decline in the tax revenue of the central government (19.8 percent), especially due to lower revenue from income tax (20.6 percent) and VAT (19.8 percent).

NON FINANCIAL PUBLIC SECTOR OPERATIONS (NFPS) 1/
(Millions of nuevos soles)

	September 2008	2009		Variation Sep 09/08		January-September		
		August	September	Millions of S/.	Real % chg.	2008	2009	Real % chg.
I. Central Government Primary Balance (1-2)	1,207	84	250	-957		12,854	1,225	
1. Central Government Revenue (a+b)	5,873	4,955	4,732	-1,141	-20.4	52,505	44,830	-17.7
a. Currente revenue	5,861	4,951	4,728	-1,133	-20.3	52,191	44,614	-17.6
Tax revenue	5,090	4,228	4,133	-957	-19.8	44,466	38,467	-16.7
Non tax revenue	771	723	595	-176	-23.7	7,725	6,148	-23.3
b. Capital revenue	12	5	4	-8	-65.1	314	216	-33.8
2. Non Financial Expenditure	4,666	4,871	4,482	-184	-5.1	39,651	43,606	6.2
2.1. Non financial expenditure net of transfers	3,453	3,722	3,402	-51	-2.6	27,331	30,599	8.0
a. Non financial Current expenditure	2,892	2,862	2,619	-273	-10.5	23,409	25,343	4.4
b. Capital expenditure	561	860	783	222	37.9	3,922	5,255	29.7
2.2. Transfers to other public entities	1,213	1,149	1,080	-133	-12.0	12,320	13,007	2.3
II. Other entities Primary Balance	32	-71	-612	-643		2,027	2,857	
Local governments	-335	-351	-467	-131		1,777	1,694	
State Companies	280	192	-137	-416		-343	907	
Rest of entities ^{2/}	88	88	-8	-96		594	256	
III. NFPS Primary Balance (I+II)	1,239	13	-362	-1,601		14,882	4,082	
IV. Interests	288	885	293	5	0.4	4,580	3,961	-16.7
V. Overall Balance (III-IV)	951	-872	-654	-1,605		10,301	121	
Note:								
Fuel Price Stabilization Fund	750	--	--			2,150	1,000	

1/ Preliminary.

2/ Includes: Regulators and Registration Offices, ONP, EsSalud, Welfare Societies, FCR, and Fonahpu.

Source: MEF, BN, Sunat, EsSalud, public welfare agencies, state companies and public institutions.

The operations of the central government showed a deficit of S/. 35 million. This result, which is S/. 1,033 million lower than the one observed in the same month last year, is explained by lower current revenue (20.3 percent), partially offset by lower non-financial expenditure (5.1 percent). Excluding transfers to other public entities, non-financial expenditure declined 2.6 percent in real terms due to lower transfers to the Fuel Price Stabilization Fund.

CENTRAL GOVERNMENT OPERATIONS
(Millions of Nuevos soles)

	September			January- September		
	2008	2009	Real %chg.	2008	2009	Real %chg.
1. Currente Revenue	5,861	4,728	-20.3	52,191	44,614	-17.7
2. Non-Financial Expenditure	4,666	4,482	-5.1	39,651	43,606	6.2
3. Capital Revenue	12	4	-65.1	314	216	-33.7
4. Primary Balance	1,207	250		12,854	1,224	
5. Interest Payment	209	285	34.9	3,998	3,852	-7.3
6. Overall Balance	998	-35		8,856	-2,628	
7. Net Financing	-998	35		-8,856	2,628	
1. External	260	30		-4,457	3,134	
A. Disbursements	484	214		1,746	7,533	
B. Amortizations	-224	-185		-6,203	-4,400	
2. Domestic	-1,259	5		-4,426	-606	
3. Privatizations and concessions	1	1		27	100	

Fuente: MEF y SUNAT.

The current revenue of the central government (S/. 4,728 million) fell 20.3 percent in real terms compared to September 2008 due both to the decline of both tax and non tax revenue. Tax revenue (S/. 4,133 million) dropped 19.8 percent in real terms, mainly as a result of lower revenue from income tax (20.6 percent) and from the VAT on imports (38.1 percent), while non-tax revenue (S/. 595 million) declined due to lower revenue from royalties and oil and mining royalties (canon).

Non-financial expenditure net of transfers to other public entities (S/. 3,402 million) fell 2.6 percent in real terms given that current expenditure (S/. 2,619 million) dropped 10.5 percent. The latter is mainly explained by the fact that transfers to the private sector declined 53.0 percent in real terms given that S/. 750 million had been transferred to the Fuel Price Stabilization Fund in September 2008. Isolating this effect, non financial expenditure would have grown 13.1 percent, while non financial expenditure net of transfers to other public entities would have grown 11.4 percent. On the other hand, expenditure in remunerations increased 6.8 percent) and expenditure in goods and services increased 11.6 percent.

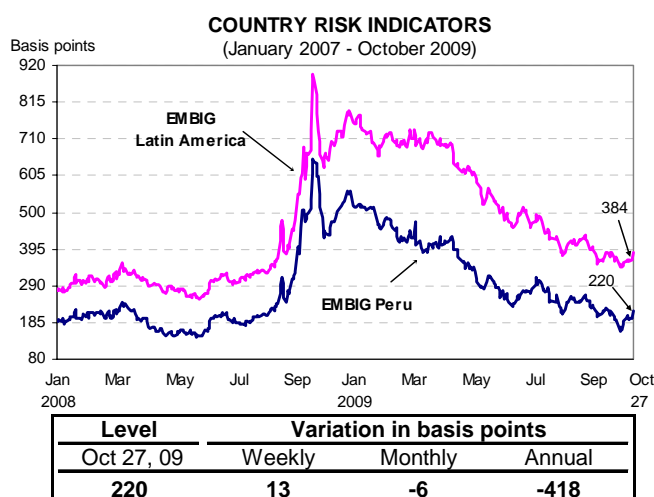
Capital expenditure increased 37.9 percent given that gross capital formation increased S/. 217 million (36.9 percent) as a result of the implementation of road construction projects (IIRSA Sur – Stretches 2, 3, and 4) for a total of S/. 133 million.

International Markets

Country risk at 220 basis points

Between October 20 and 27, the country risk measured by the **EMBIG Peru** spread increased from 207 to 220 basis points, showing a similar trend to the one observed in the region (the spread in the region increased 21 basis points).

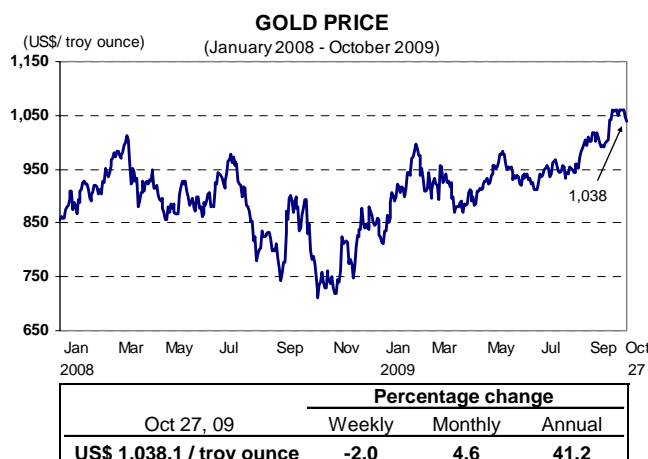
The spreads of the emerging debt increased due to higher risk aversion after reports showed mostly unfavorable indicators of economic activity in the U.S.



Price of gold fell to US\$ 1,038.1 per troy ounce

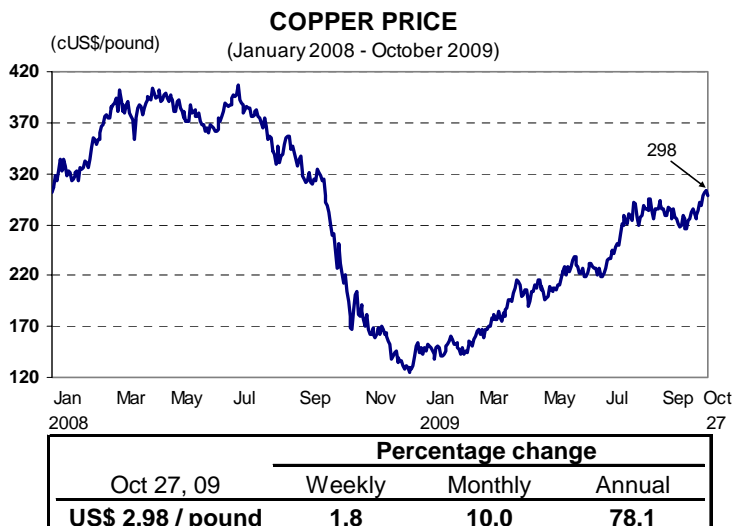
In the same period, the price of **gold** fell 2.0 percent to US\$ 1,038.1 per troy ounce.

The price of gold fell again, in line with the evolution of the dollar and with investors' take-profit. Lower physical demand for gold was another factor that contributed to this evolution.



Between October 20 and 27, the price of **copper** rose 1.8 percent to US\$ 2.98 a pound.

The increase in the price of this basic metal was associated with China's higher demand for copper and with the decline of copper inventories at metal exchange markets (the level of inventories is equivalent to approximately 11 days of consumption).



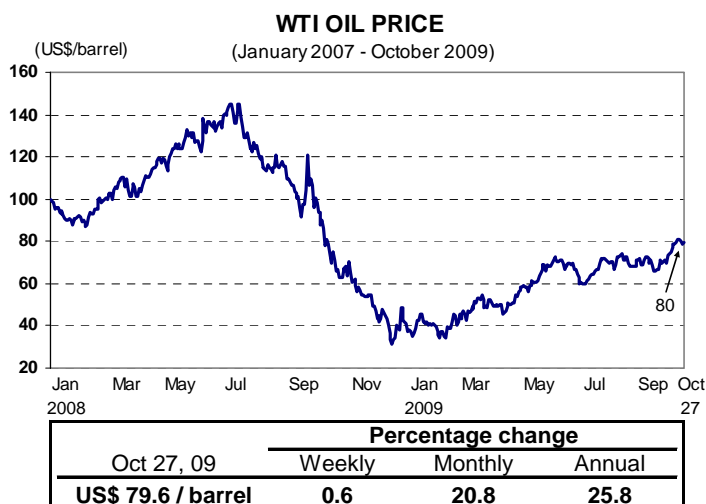
Between October 20 and 27, the price of **zinc** rose to US\$ 1.05 a pound (10.5 percent).

This higher price of zinc is mainly due to China's increased demand, to supply problems, and to the expectations generated by favorable economic indicators in Asia and Europe.



In the same period, the price of **WTI oil** posted an increase of 0.6 percent and reached US\$ 79.6 per barrel.

This increase is associated with the lower level of crude inventories in the U.S. and with investment banks' reports indicating that the price of crude is being sustained by renewed expectations of a recovery of global demand. However, this price increase was offset by investors' take-profit.

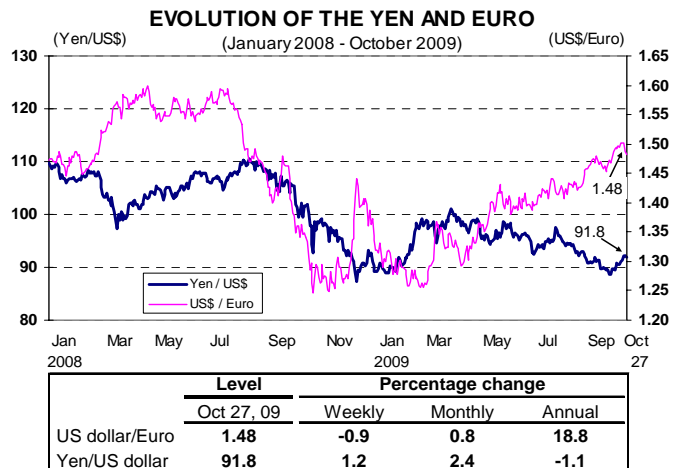


Dollar appreciated against the euro

Between October 20 and 27, the **US dollar** appreciated 0.9 percent against the **euro**.

This evolution reflected the higher demand for the U.S. currency as a hedge asset, given that risk aversion increased due to unfavorable indicators of economic activity in the U.S.

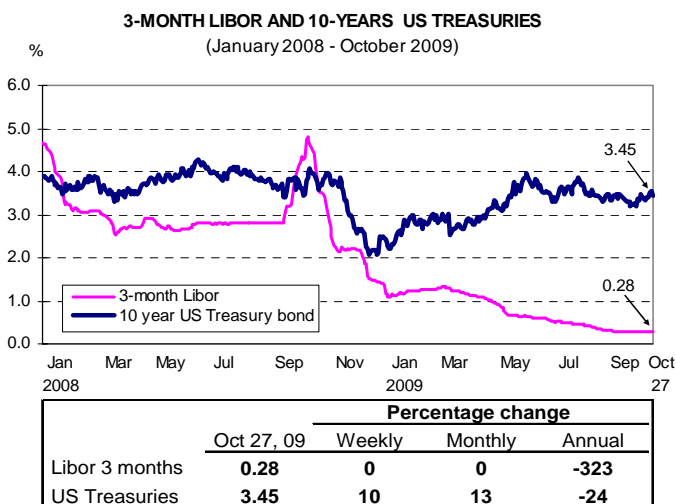
Moreover, the dollar appreciated 1.2 percent against the **yen**.



Yield on 10-year US Treasuries increased to 3.45 percent

Between October 20 and 27, the **3-month Libor** remained at 0.28 percent, while the yield on the **10-year Treasury bond** increased from 3.34 to 3.45 percent.

This increase in the yield on US Treasuries was due to the significant new debt issued during the week.

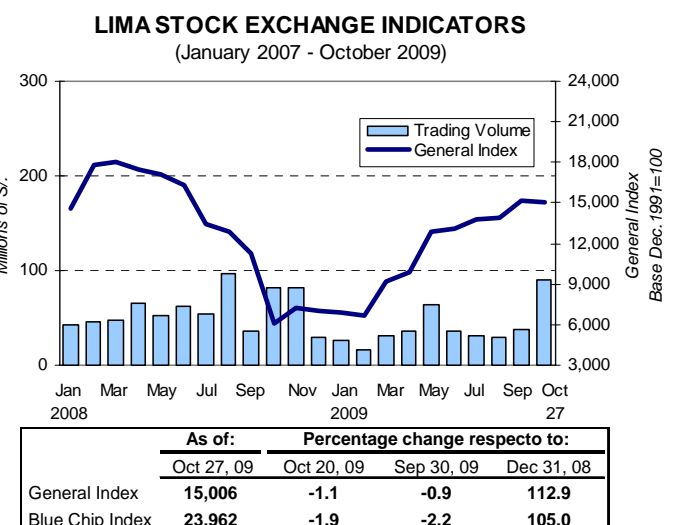


Lima Stock Exchange fell 0.9 percent

At October 27, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) have fallen 0.9 percent and 2.2 percent, respectively.

During the week of analysis (October 20 to 27), the General and Blue Chip indices fell 1.1 and 1.9 percent, respectively due to the decline of industrial and services shares, despite the recovery of mining shares.

This evolution of the LSE was in line with the decline of Wall Street.



So far this year, the indices of the LSE have accumulated gains for 112.9 and 105.0 percent, respectively.

