



**Indicators**

- ↗ Corporate interest rate at 1.75 percent
- ↗ Interbank interest rate at 1.24 percent
- ↗ Exchange rate: S/. 2.884 per US dollar
- ↗ Trade surplus of US\$ 587 million in November
- ↘ Country risk at 166 bps on December 28
- ↘ LSE fell 0.6 percent

**Content**

- Interest rates on loans remain at historical minimum levels ix
- Exchange rate: S/. 2.873 per US dollar xi
- Real exchange rate increased 0.9 percent in the last 12 months xii
- Total credit to the private sector at December 15 has grown 2.2 percent xii
- International reserves xii
- BCRP Survey on macroeconomic expectations: December 2009 xiv
- Country risk fell to 168 basis points xvi
- Profitability at the Lima Stock Exchange reached 100.1 percent in 2009 xix

**Interest rates on loans remain at historical minimum levels**

The interest rates on loans in effective annual terms remain at historical minimum levels.

In December, the average 90-day corporate rate in domestic currency was 1.7 percent –lower than the 7.5 percent level recorded in the same period last year–, while this rate in dollars recorded 1.2 percent (5.2 percent in December 2008).

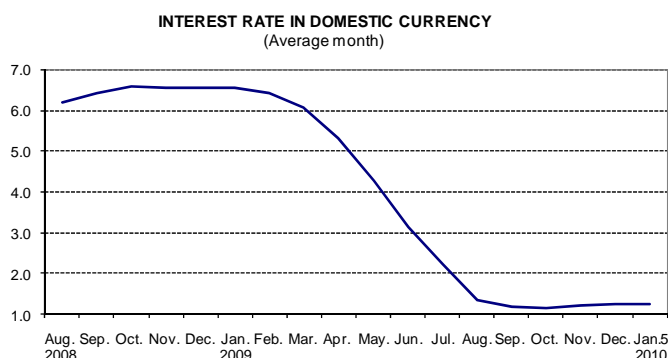
INTEREST RATES ON LOANS  
(in effective annual terms)

	Reference rate	90-day corporate rate		Average rates on active	
		Domestic currency	Foreign currency	Domestic currency	Foreign currency
Sep-08	6.50	7.2	6.5	24.3	10.8
Dec-08	6.50	7.5	5.2	23.0	10.5
Mar-09	6.00	6.9	3.2	22.6	10.1
Jun-09	3.00	3.6	2.1	20.7	9.8
Sep-09	1.25	1.8	1.4	20.2	9.0
Dec-09	1.25	1.7	1.2	19.9	8.7

Likewise, the average rates on active operations continue to show a downward trend, which translates into lower costs of credit in the economy.

**Average interbank interest rate at 1.24 percent**

So far this month, the average daily interbank interest rate in domestic currency is 1.24 percent, the same average rate recorded in December. On January 5, this rate was 1.20 percent.



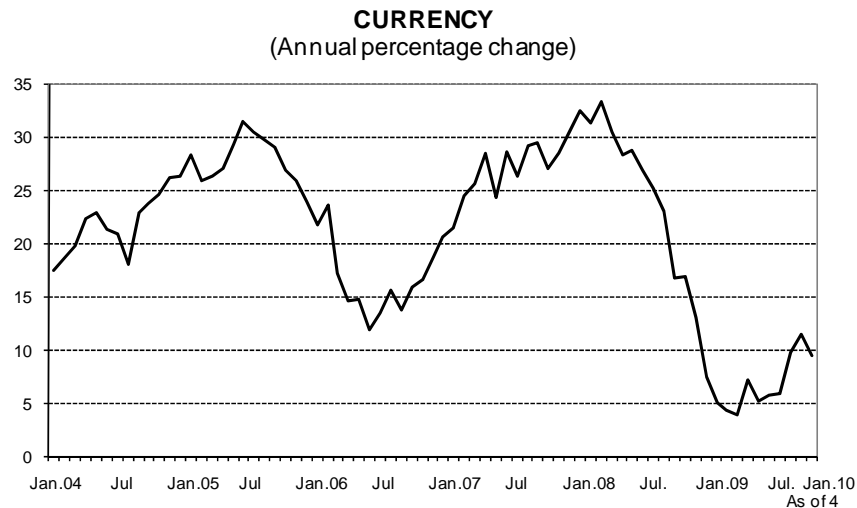
	Average	S.D.
December	6.54%	0.03
January 2009	6.55%	0.15
February	6.44%	0.32
March	6.08%	0.13
April	5.33%	0.47
May	4.29%	0.42
June	3.13%	0.40
July	2.23%	0.49
August	1.34%	0.27
September	1.20%	0.07
October	1.15%	0.07
November	1.22%	0.07
December	1.24%	0.02
January 5, 2010	1.24%	0.03

**Monetary operations**

Between **December 29 and January 5**, the BCRP made the following monetary operations: i) auctions of 1-day to up to 193-day CDBCRP for a daily average of S/. 1,464.7 million. The average interest rate on these operations, which reached a balance of S/. 14,950.9 million, was 1.17 percent; and ii) overnight deposits in domestic currency for a total of S/. 1,111.7 million.

## Currency in circulation increased to S/. 19,043 million

Between December 22 and January 4, 2010, **currency in circulation** increased by S/. 51 million to S/. 19,043 million, reflecting the higher seasonal demand of December. At end 2009, currency accumulated an increase of S/. 1,989 million compared with end 2008, thus recording a growth rate of 11.5 percent in the last 12 months (16.7 percent at the close of December 2008).



### BCRP OPERATIONS (Millions of nuevos soles)

	FLOW				BALANCE		
	Nov-09	From 12/22/09 al 01/04/10	Cummulated: Dic.09		31-Dec-08	31-Dec-09	04-Jan-10
			Monthly *	Annual			
<b>I. NET INTERNATIONAL POSITION</b>	<b>1,026</b>	<b>79</b>	<b>-1,001</b>	<b>4,381</b>	<b>67,087</b>	<b>66,436</b>	<b>66,624</b>
(Millions of US\$)	356	27	-348	1,623	21,365	22,988	23,053
<b>A. Foreign Exchange Operations</b>	<b>3</b>	<b>-45</b>	<b>85</b>	<b>-48</b>			
1 Over the counter operations	0	0	0	108			
2 Net swap auctions in FC	1	0	2	102	0	102	102
3 Public Sector	0	-45	82	-261			
4 Other operations	2	0	1	3			
<b>B. Rest of operations</b>	<b>353</b>	<b>72</b>	<b>-433</b>	<b>1,671</b>			
<b>II. NET INTERNAL ASSETS</b>	<b>-596</b>	<b>-28</b>	<b>2,861</b>	<b>-2,392</b>	<b>-49,751</b>	<b>-47,111</b>	<b>-47,581</b>
<b>A. Monetary operations</b>	<b>234</b>	<b>1,269</b>	<b>2,421</b>	<b>1,023</b>	<b>-37,346</b>	<b>-36,323</b>	<b>-35,591</b>
<b>1 Sterilization</b>	<b>419</b>	<b>1,269</b>	<b>2,421</b>	<b>6,436</b>	<b>-42,759</b>	<b>-36,323</b>	<b>-35,591</b>
a. BCRP Indexed Certificates of Deposit (CDR)	362	-293	1,417	-6,399	-7,721	-14,121	-14,370
b. BCRP Certificates of Deposit with restricted ne	230	0	0	6,483	-6,483	0	0
c. Overnight Deposits	-34	98	-729	-819	-23	-842	-60
d. Public Sector Deposits in soles	-112	1,465	1,738	2,561	-23,568	-21,006	-20,807
e. Other operations	-28	0	-5	185	-538	-354	-354
<b>2 Injection</b>	<b>-184</b>	<b>0</b>	<b>0</b>	<b>-5,412</b>	<b>5,412</b>	<b>0</b>	<b>0</b>
a. Repos	-184	0	0	-5,412	5,412	0	0
<b>B. Reserve Requirements in DC **</b>	<b>134</b>	<b>-1,118</b>	<b>-864</b>	<b>751</b>	<b>-4,975</b>	<b>-4,223</b>	<b>-5,262</b>
<b>C. Rest</b>	<b>-965</b>	<b>-179</b>	<b>1,305</b>	<b>-4,167</b>			
<b>III. CURRENCY **</b>	<b>430</b>	<b>51</b>	<b>1,860</b>	<b>1,989</b>	<b>17,336</b>	<b>19,325</b>	<b>19,043</b>
(Monthly percentage change)					8.9%	10.6%	-1.5%
(Acummulated percentage change)					16.7%	11.5%	-1.5%
(YoY)					16.7%	11.5%	9.4%

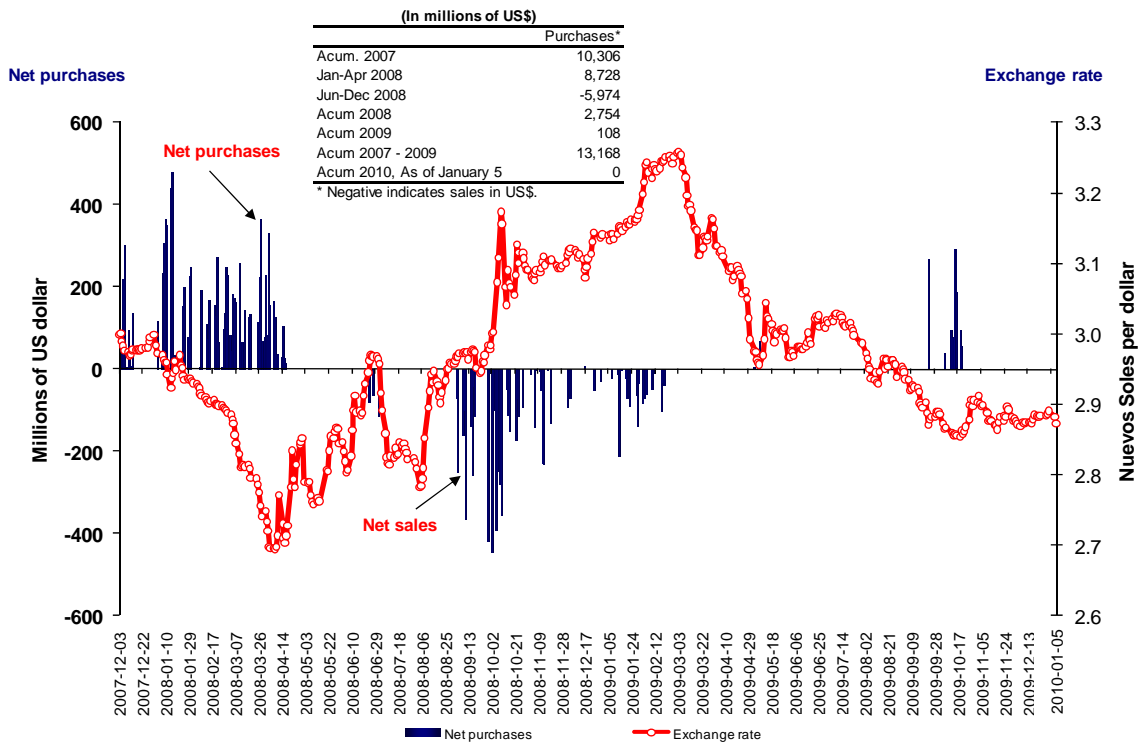
\* As of January 4, 2010.

\*\* Preliminary data.

**Exchange rate: S/. 2.873 per US dollar**

Between December 28, 2009 and January 5, 2010, the average interbank ask price of the dollar fell from S/. 2.884 to S/. 2.873, which represented an appreciation of the nuevo sol of 0.38 percent. The BCRP made no interventions in the foreign exchange market in this period.

**EXCHANGE RATE AND NET DOLLAR PURCHASE**



Between December 29, 2009 and January 5, 2010, banks' balance of net forward purchases of foreign currency increased by US\$ 101 million.

During December 2009, the balance of net forward purchases accumulated a decline of US\$ 293 million.

**BALANCE OF NET FORWARD PURCHASES OF FOREIGN CURRENCY**

(January 2008 - January 2010)



**Real exchange rate increased 0.9 percent in the last 12 months**

The real multilateral exchange rate increased 0.9 percent compared with December 2008.

In December, this indicator fell 1.1 percent. This is explained by a nominal appreciation of the nuevo sol of 0.7 percent (in terms of the currency basket of Peru's main trading partners), by an external inflation of 2.7 percent, and by a domestic inflation of 0.2 percent.

**MULTILATERAL REAL EXCHANGE RATE INDEX: December 2001=100**  
(December 1997 - December 2009)



**Total credit to the private sector at December 15 has grown 2.2 percent**

In the last four weeks, **total liquidity in the private sector** grew 4.3 percent (S/. 4,646 million), mainly due to the increase of liquidity in soles (S/. 4,174 million). With this, total liquidity accumulated an increase of 10.3 percent in the last 12 months.

Moreover, **total credit to the private sector** grew 2.2 percent (S/. 2,239 million), thus accumulating an increase of 8.8 percent in the last 12 months. By currencies, credit in soles increased 2.5 percent (S/. 1, 418 million), while credit in dollars grew 1.7 percent (US\$ 285 million).

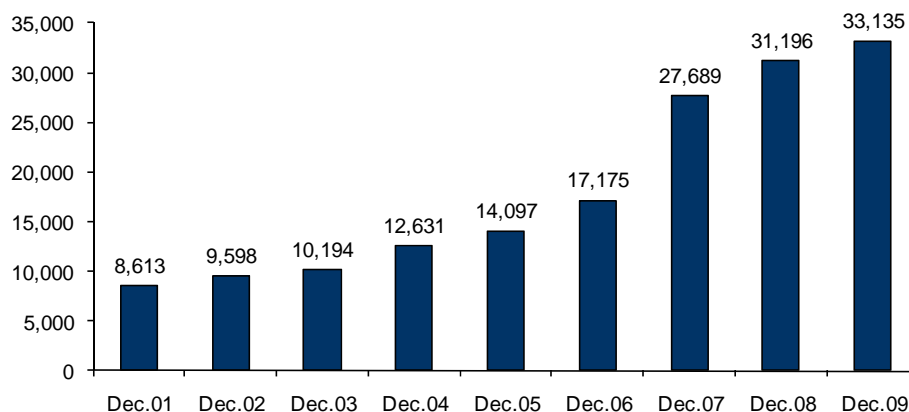
**International reserves**

Net international reserves (NIRs), which amounted to US\$ 33,135 million at end 2009, have increased by US\$ 1,939 million compared with end 2008.

This result is mainly explained by public sector's higher deposits (up US\$ 1,030 million), investment yield (up US\$ 830 million), SDR allocation (US\$ 809 million), and net purchases of FC (US\$ 108 million). This was partially offset by banks' lower deposits (US\$ 728 million) and by operations of repayment of the external debt (US\$ 130 million).

The international investment position of the BCRP at end 2009 was US\$ 22,988 million, higher than the one registered at the end of 2008 by US\$ 1,623 million.

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



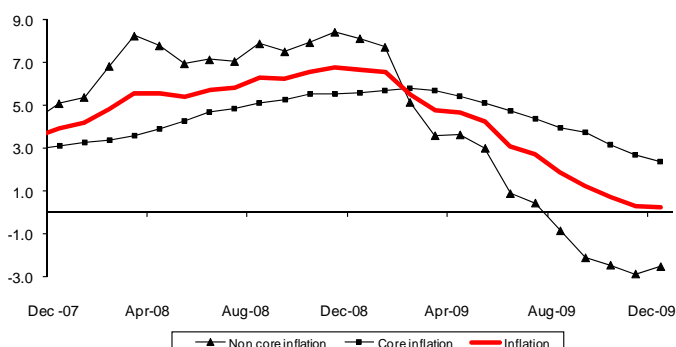
**Inflation rate in December: 0.32 percent**

Inflation recorded a rate of 0.32 percent in December, and thus accumulated a rate of 0.25 percent in the year.

**INFLATION**  
(Accumulated percentage change)

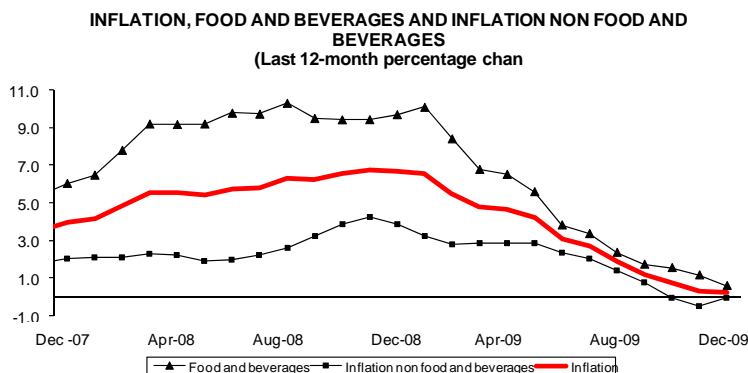
	Weight	Monthly		12-month indicator		
		Nov. 2009	Dec. 2009	Dec. 2008	Nov. 2009	Dec. 2009
<b>CPI</b>	<b>100.0</b>	<b>-0.11</b>	<b>0.32</b>	<b>6.65</b>	<b>0.29</b>	<b>0.25</b>
<b>1. Food and beverages</b>	<b>47.5</b>	<b>-0.29</b>	<b>0.20</b>	<b>9.70</b>	<b>1.13</b>	<b>0.57</b>
<b>2. Rest of items</b>	<b>52.5</b>	<b>0.07</b>	<b>0.43</b>	<b>3.86</b>	<b>-0.51</b>	<b>-0.07</b>
a. Fuel and electricity	6.2	0.05	1.18	1.65	-13.52	-10.40
Fuel	3.9	-0.09	2.32	-0.04	-17.01	-12.66
Electricity	2.2	0.37	-1.41	6.31	-4.30	-4.56
b. Transports	8.4	-0.03	1.34	5.86	-0.14	0.37
c. Public services	2.4	0.12	-0.38	8.68	0.39	-0.05
d. Other goods and services	2.4	0.09	0.10	3.51	2.34	2.16
<b>Note.-</b>						
Core inflation	60.6	0.16	0.07	5.56	2.68	2.35
Non core inflation	39.4	-0.49	0.66	8.11	-2.88	-2.54

**INFLATION, CORE INFLATION AND NON CORE INFLATION**  
(Last 12-month percentage change)



Continuing with the downward trend observed in the last months, core inflation showed a rate of 0.07 percent in December and a rate of 2.3 percent in the year. Non-core inflation in the month was 0.66 percent and -2.5 percent in the year.

The food and beverage inflation, which recorded 0.20 percent in the month, accumulated 0.6 percent in the year. Inflation excluding food and beverages was 0.43 percent (-0.1 percent in the year).



In December, three items contributed with 0.37 percentage points to this month's inflation rate: chicken meat (0.22 percentage points), domestic transport (0.09 points), and gasoline (0.06 points). On the other hand, three items contributed with -0.26 percentage points to this month's inflation rate: onion (-0.15 percentage points), rice (-0.08 points), and other fresh fruits (-0.03 points).

### BCRP Survey on macroeconomic expectations: December 2009

According to the BCRP Survey on Macroeconomic Expectations carried out in December, lower levels of inflation are expected in 2010. Financial entities have lowered the expected rate of inflation from 2.2 to 2.1 percent and non financial firms have lowered it from 2.5 to 2.0 percent, while analysts have increased their estimates from 2.0 to 2.1 percent. In 2011, the surveyed groups expect an inflation rate of between 2.2 and 2.5 percent.

#### SURVEY OF MACROECONOMIC EXPECTATIONS: INFLATION

	<u>Survey date:</u>		
	Oct 30	Nov 30	Dec 30
<b>FINANCIAL ENTITIES <sup>1/</sup></b>			
2010	2.2	2.2	2.1
2011	2.5	2.5	2.5
<b>ECONOMIC ANALYSTS <sup>2/</sup></b>			
2010	2.0	2.0	2.1
2011	2.2	2.0	2.2
<b>NON FINANCIAL FIRMS <sup>3/</sup></b>			
2010	3.0	2.5	2.0
2011	3.0	2.5	2.5

<sup>1/</sup> 24 financial entities in October, 22 in November, and 22 in December 2009.

<sup>2/</sup> 23 analysts in October, 27 in November, and 18 in December 2009.

<sup>3/</sup> Sample of firms of various economic sectors.

The survey results show mixed estimates for the exchange rate in 2010. Financial institutions have increased the exchange rate they expect from S/. 2.88 to S/. 2.89 per dollar, while economic analysts and non financial firms now expect a lower price for the US dollar: the former have reduced their estimates from S/. 2.90 to S/. 2.87 per dollar and the latter have lowered them from S/. 3.00 to S/. 2.95 per dollar.

A US dollar/nuevo sol exchange rate of between S/. 2.85 and S/. 3.00 per dollar is expected for 2011.

**SURVEY OF MACROECONOMIC EXPECTATIONS:  
EXCHANGE RATE**

	<u>Survey date:</u>		
	Oct 30	Nov 30	Dec 30
<b>FINANCIAL ENTITIES <sup>1/</sup></b>			
2010	2.90	2.88	2.89
2011	3.00	2.90	2.90
<b>ECONOMIC ANALYSTS <sup>2/</sup></b>			
2010	2.91	2.90	2.87
2011	2.87	2.85	2.85
<b>NON FINANCIAL FIRMS <sup>3/</sup></b>			
2010	3.00	3.00	2.95
2011	3.05	3.00	3.00

<sup>1/</sup> 24 financial entities in October, 22 in November, and 22 in December 2009.

<sup>2/</sup> 23 analysts in October, 27 in November, and 18 in December 2009.

<sup>3/</sup> Sample of firms of various economic sectors.

The December survey also shows that financial entities have lowered their projections of GDP growth in 2009 from 1.1 to 1.0 percent, while economic analysts have reduced them from 1.0 to 0.9 percent and non financial firms from 1.6 to 1.2 percent.

Estimates of GDP growth in 2010 have been raised by financial entities from 4.0 to 4.1 percent and by economic analysts from 4.0 to 4.5 percent, while non financial firms maintain their estimates at 4.0 percent.

All the surveyed groups expect a GDP growth rate of 5.0 percent in 2011.

**SURVEY OF MACROECONOMIC EXPECTATIONS:  
GDP GROWTH**

	<u>Survey date:</u>		
	Oct 30	Nov 30	Dec 30
<b>FINANCIAL ENTITIES <sup>1/</sup></b>			
2010	4.2	4.0	4.1
2011	5.0	5.0	5.0
<b>ECONOMIC ANALYSTS <sup>2/</sup></b>			
2010	4.3	4.0	4.5
2011	5.0	5.0	5.0
<b>NON FINANCIAL FIRMS <sup>3/</sup></b>			
2010	4.2	4.0	4.0
2011	5.0	5.0	5.0

<sup>1/</sup> 24 financial entities in October, 22 in November, and 22 in December 2009.

<sup>2/</sup> 23 analysts in October, 27 in November, and 18 in December 2009.

<sup>3/</sup> Sample of firms of various economic sectors.

**Trade balance recorded accumulated surplus of US\$ 4,723 million**

In November, the trade balance recorded a surplus of US\$ 587 million. Exports in November increased 4.1 percent compared with the previous month and amounted to US\$ 2,603 million. This increase is mainly explained by the higher average prices (up 5.9 percent). The volume of exports, on the other hand, fell 1.7 percent.

Imports increased 3.6 percent compared with October 2009 and amounted to US\$ 2,016 million. Imports of consumer goods totaled US\$ 378 million, while imports of inputs and imports of capital goods amounted to US\$ 1,058 million and US\$ 571 million, respectively.

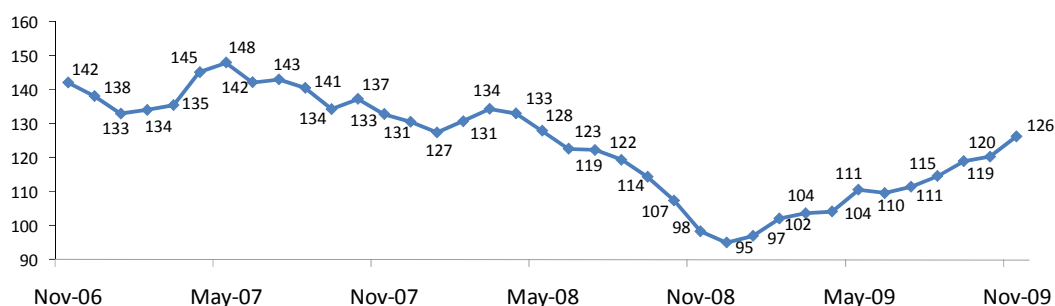
## TRADE BALANCE (Value FOB in millions of US\$)

	2009					Nov.09/Oct.09		Jan-Nov
	IQ	IIQ	IIIQ	Oct.	Nov.	Flow	% Chg.	
<b>1. EXPORTS</b>	<b>5,398</b>	<b>6,144</b>	<b>7,072</b>	<b>2,502</b>	<b>2,603</b>	<b>101</b>	<b>4.1</b>	<b>23,719</b>
Traditional products	3,934	4,704	5,492	1,978	2,035	57	2.9	18,142
Non-traditional products	1,436	1,403	1,546	505	552	47	9.2	5,442
Other products	28	38	34	19	17	- 3	- 13.4	135
<b>2. IMPORTS</b>	<b>4,883</b>	<b>4,826</b>	<b>5,326</b>	<b>1,946</b>	<b>2,016</b>	<b>70</b>	<b>3.6</b>	<b>18,996</b>
Consumption goods	930	904	1,010	372	378	6	1.5	3,593
Raw materials	2,072	2,301	2,654	1,007	1,058	51	5.1	9,092
Capital goods	1,848	1,590	1,634	558	571	13	2.3	6,202
Other goods	33	30	28	8	9	0	5.9	108
<b>3. TRADE BALANCE</b>	<b>515</b>	<b>1,319</b>	<b>1,746</b>	<b>556</b>	<b>587</b>			<b>4,723</b>

Terms of trade in November have increased 4.9 percent relative to October.

### TERMS OF TRADE: 2006 - 2009

(1994 = 100)



## International Markets

### Country risk fell to 168 basis points

The **EMBIG Peru** spread fell to 168 basis points on **January 5**.

In **December**, the average country risk –measured by the **EMBIG Peru** spread– declined from 191 bps in November to 179 bps, showing a similar conduct to the one observed in the region (the regional spread fell 7 basis points in this period).

This decline of the emerging debt spread is explained by lower risk aversion following the publication of favorable economic indicators in the U.S.

### COUNTRY RISK INDICATORS (January 2007 - January 2010)



Level	Variation in basis points		
	Jan 5, 10	Weekly	Monthly
<b>168</b>	<b>0</b>	<b>-12</b>	<b>-300</b>



In December, Moody's revised the rating of Peru's sovereign debt in domestic currency from Ba1 to Baa3, the first level of the investment grade. In this way, Moody's rating adds onto the investment grade assigned to Peru by Fitch and Standard & Poor's in 2008.

## Price of gold: US\$ 1,126/troy ounce

The price of **gold** recorded US\$ 1,125.5 a troy ounce on **January 5**.

Reversing the upward trend of the last months, the price of gold remained stable in **December** showing an average price of US\$ 1,130.4 per troy ounce.

The weakening of the dollar in financial markets and investors' profit-taking accounted for this evolution.



Jan 5, 10	Percentage change		
	Weekly	Monthly	Annual
<b>US\$ 1,125.5 / troy oz.</b>	<b>2.3</b>	<b>0.1</b>	<b>32.2</b>

On **January 5**, the price of **copper** rose to US\$ 3.37 a pound.

In **December**, the average price of **copper** increased 4.6 percent, from US\$ 3.03 in November to US\$ 3.17 a pound.

The price of copper was boosted by greater concerns about Chile's supply of this metal given the likelihood of a strike at mine Chuquicamata and due to the better prospects for demand in the U.S. given recent favorable economic data.



Jan 5, 10	Percentage change		
	Weekly	Monthly	Annual
<b>US\$ 3.37 / pound</b>	<b>3.0</b>	<b>4.6</b>	<b>139.8</b>

On **January 5**, the price of **zinc** rose to US\$ 1.15 a pound.

The average price of **zinc** increased 8.3 percent in December, rising from US\$ 1.00 in November to US\$ 1.08 per pound.

The rise of the price of this basic metal was influenced by lower inventories at the London Metal Exchange (LME) and by prospects of higher demand given the global economic recovery.

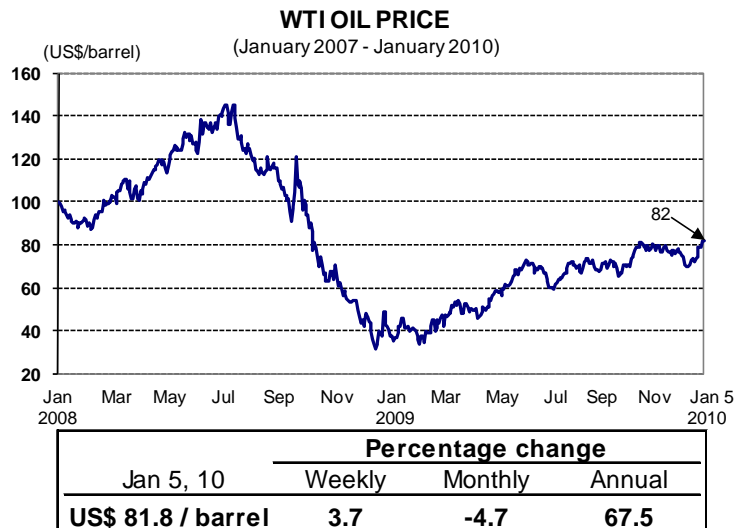


Jan 5, 10	Percentage change		
	Weekly	Monthly	Annual
<b>US\$ 1.15 / pound</b>	<b>0.7</b>	<b>8.3</b>	<b>104.4</b>

On **January 5**, the price of WTI oil posted US\$ 81.8 per barrel.

The average price of **WTI oil** fell from US\$ 78.0 in November to US\$ 74.3 a barrel in December (4.7 percent).

The main factors contributing to this price drop included projections of a lower demand in the U.S. and China, the higher production of crude of OPEC country members, and Saudi Aramco's announcement that it will reduce the sale price for its European customers.

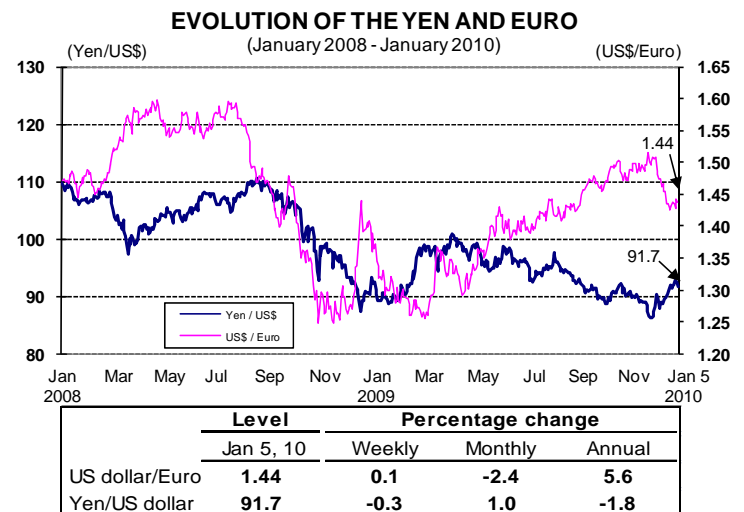


**Dollar appreciated on average against the euro and the yen in December**

In December the **dollar** appreciated on average 2.4 percent against the **euro** and 1.0 percent against the **yen**.

This evolution of the U.S. currency was mainly associated with better growth prospects in the U.S. and expectations that the Federal Reserve will raise interest rates.

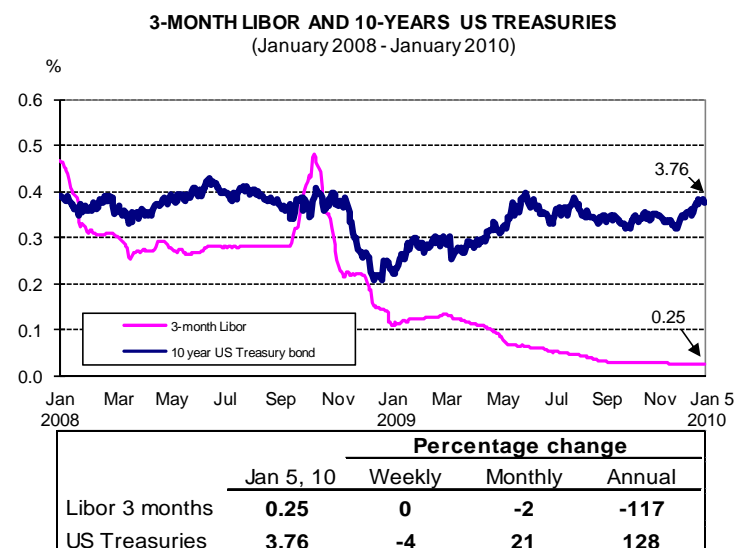
On January 5, the exchange rate was 1.44 dollars per euro and 91.7 yen per dollar.



**Yield on US Treasuries increased to 3.59 percent on average in December**

In December, on average terms the 3-month Libor fell from 0.27 in November to 0.25 percent, while the yield on the 10-year US Treasury bond increased from 3.39 in November to 3.59 percent.

The evolution of the latter was basically associated with favorable indicators of economic activity in the U.S. and expectations of a higher offer of securities.



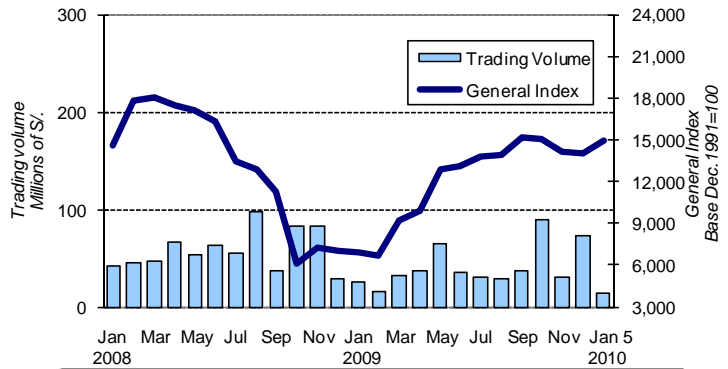
On January 5, the **3-month Libor** recorded 0.25 percent and the yield on the 10-year US Treasury bond recorded 3.76 percent.

**Profitability at the Lima Stock Exchange reached 100.1 percent in 2009**

The **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) increased 7.6 and 9.7 percent, respectively, at **January 5**.

In **December**, the General and the Blue Chip indices showed mixed conducts: the former increased 0.3 percent, while the latter fell 1.6 percent amid the rise of the international prices of metals, the mixed evolution of the main global bourses, and the expectations generated in the local market by the application of a tax on capital earnings as from 2010.

**LIMA STOCK EXCHANGE INDICATORS**  
(January 2007 - January 2010)



	As of:	Percentage change respecto to:		
	Jan 05, 09	Weekly	Monthly	annual
General Index	<b>14,042</b>	<b>6.4</b>	<b>0.3</b>	<b>101.0</b>
Blue Chip Index	<b>22,445</b>	<b>7.2</b>	<b>-1.6</b>	<b>91.9</b>

In 2009, these indices accumulated gains of 100.1 and 91.9 percent, respectively.

