



Indicators

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MACROECONOMIC REPORT: QI-2010

Domestic demand grew 8.1 percent in Q1

Productive activity in the country grew 6.0 percent in Q1 while domestic demand also accelerated its rate of expansion and increased from 0.4 percent in Q4-2009 to 8.1 percent in Q1-2010, reflecting mainly the recovery of private investment –which grew 11.3 percent after three quarters with negative rates– and the completion of the inventory adjustment cycle of the previous year:

Both GDP and domestic demand have grown in deseasonalized terms compared to the previous quarter: GDP grew 1.6 percent and domestic demand grew 2.5 percent.

GROSS DOMESTIC PRODUCT BY EXPENDITURE

(Annual growth rates)

	Weighted 2009 ^{1/}	2009					2010
		IQ	IIQ	IIIQ	IVQ	Year	IQ
Domestic demand	99.8	-0.8	-5.8	-5.0	0.4	-2.9	8.1
Private consumption	68.3	4.1	1.6	1.0	2.8	2.4	3.6
Public consumption	9.4	15.2	13.7	14.3	21.5	16.5	14.3
Private investment	19.1	1.8	-20.8	-22.0	-16.7	-15.1	11.3
Public investment	5.4	24.8	14.2	25.2	32.0	25.5	16.6
Change of inventories	-2.4	-179	-137	-1,025	-115	-317	56
Exports	19.1	-1.7	-2.0	-4.5	-1.6	-2.5	0.2
Minus:							
Imports	18.9	-13.3	-23.7	-22.4	-13.9	-18.4	10.6
GDP	100.0	1.9	-1.2	-0.6	3.4	0.9	6.0
Note:							
Public expenditure	14.8	17.7	13.9	18.2	25.8	19.6	15.0
Private expenditure excluding inventories	87.4	3.5	-3.8	-5.2	-2.3	-2.1	5.4
Domestic demand excluding inventories	102.2	5.0	-1.9	-2.3	2.0	0.6	6.5

1/ At price 1994.

GROSS DOMESTIC PRODUCT BY EXPENDITURE

(Percentage contributions)

	Weighted 2009 ^{1/}	2009					2010
		IQ	IIQ	IIIQ	IVQ	Year	IQ
Domestic demand	99.8	-0.9	-6.0	-5.2	0.5	-3.0	8.1
Private consumption	68.3	2.8	1.1	0.7	1.9	1.6	2.5
Public consumption	9.4	1.1	1.0	1.2	2.0	1.3	1.2
Private investment	19.1	0.4	-4.5	-5.4	-3.9	-3.4	2.4
Public investment	5.4	0.7	0.5	1.1	2.1	1.1	0.5
Change of inventories	-2.4	-5.8	-4.1	2.8	-1.6	-3.6	1.4
Exports	19.1	-0.3	-0.4	-1.0	-0.3	-0.5	0.0
Minus:							
Imports	18.9	-3.1	-5.2	-5.6	-3.3	-4.3	2.1
GDP	100.0	1.9	-1.2	-0.6	3.4	0.9	6.0
Note:							
Public expenditure	14.8	1.8	1.5	2.3	4.1	2.4	1.8
Private expenditure excluding inventories	87.4	3.2	-3.4	-4.7	-2.0	-1.9	4.9
Domestic demand excluding inventories	102.2	5.0	-1.9	-2.4	2.1	0.6	6.7

1/ At price 1994.

Peru private sector external finance increased in the first quarter

The financial account of the balance of payments reached US\$ 2,957 million in the first quarter.

The long-term private financing amounted US\$ 2,334 million in this period, highlighting the profits reinvestment of US\$ 1,589 million. On the other hand, foreign assets decreased by US\$ 667 million as a result of the sale of international assets by financial and non-financial sectors.

The short-term net financing amounted US\$ 563 million. The liabilities were US\$ 1.158 billion, while foreign assets rose by US\$ 595 million due to deposits made abroad by the non-financial sector.

The trade surplus reached US\$ 1,511 million in this period. Exports rose 45.1 percent, which explained by 45.0 percent in prices and 0.2 percent by volume. The volume of traditional exports fell by 1.8 percent while that of non-traditional exports increased by 8.3 percent, highlighting the shipments of agricultural products, chemicals and iron and steel. Imports increased 29.4 percent over the same period last year. The volume of imports increased 13.9 percent due to higher input requirements-food, oil and other inputs, and consumer goods.

The trade surplus was mitigated by the negative flow of companies' profits with foreign capital (US\$ 2,258 million) and the larger deficit in the services balance. Both the trade balance and the generation of profits were favored by the 27.7 percent recovery of the terms of trade this quarter compared to the same period last year. Remittances from Peruvians living abroad showed a growth rate of 7.8 percent over the previous period. Thus, the current account recorded a deficit of US\$ 467 million in the first quarter of 2010, equivalent to 1.3 percent of GDP.

BALANCE OF PAYMENT

(Millions of US\$)

	2009					2010
	IQ	IIQ	IIIQ	IVQ	Year	IQ
I. CURRENT ACCOUNT BALANCE	-391	106	264	267	247	-467
1. Trade balance	513	1,335	1,838	2,188	5,873	1,511
a. Exports	5,396	6,161	7,169	8,159	26,885	7,832
b. Imports	-4,883	-4,827	-5,330	-5,971	-21,011	-6,321
2. Services	-291	-263	-236	-322	-1,112	-318
a. Exports	865	840	954	994	3,653	933
b. Imports	-1,156	-1,103	-1,190	-1,316	-4,765	-1,251
3. Investment income	-1,277	-1,660	-2,067	-2,367	-7,371	-2,364
a. Private	-1,334	-1,674	-2,111	-2,300	-7,420	-2,329
b. Public	57	14	45	-67	49	-36
4. Current transfers	665	695	728	768	2,856	705
of which: Workers' remittances	543	576	611	648	2,378	585
II. FINANCIAL ACCOUNT	623	-690	-610	1,688	1,012	2,957
1. Private sector	1,269	392	299	-305	1,655	2,334
a. Assets	-346	-1,384	-1,732	-644	-4,106	667
b. Liabilities	1,615	1,776	2,031	339	5,761	1,668
2. Public sector	923	-192	99	203	1,032	59
a. Assets	-45	-20	-59	-193	-317	-3
b. Liabilities	968	-172	159	395	1,349	63
3. Short-term capital	-1,568	-889	-1,008	1,790	-1,675	563
a. Assets	-65	-442	-783	1,104	-186	-595
b. Liabilities	-1,503	-447	-225	686	-1,489	1,158
III. EXCEPTIONAL FINANCING	9	21	3	4	36	1
IV. NET ERRORS AND OMISSIONS	-264	249	556	-790	-250	-35
V. BALANCE OF PAYMENT RESULT	-22	-314	212	1,168	1,045	2,456
(V = I + II + III + IV) = (1-2)						
1. Change in Central Bank reserves	-266	-139	1,339	1,006	1,940	2,133
2. Valuation change and monetization of gold 1/	-244	174	1,127	-162	896	-323

1/ Includes assignment of Special Drawing Rights by US\$ 822 million in the IIIQ 2009.

Public Finance: Surplus of 2.8 percent of GDP in Q1- 2010

The operations of the non-financial public sector (NFPS) in Q1 generated a surplus of 2.8 percent of GDP, a result 0.2 percentage points higher than the one recorded in the same period in the previous year.

The positive outcome of the first quarter was a result of recovery of tax revenues, particularly income taxes (25.3 percent real growth over the first quarter of 2009) and Value Added Tax (12.6 percent real growth) due to the recovery of domestic economic activity, the increase in international prices and increased demand for our metals exports.

NON-FINANCIAL PUBLIC SECTOR OPERATIONS (NFPS) (Percentage of GDP)

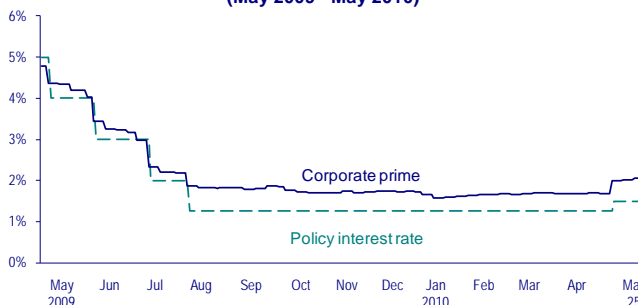
	2009					2010	Last 4
	I.Q	II.Q	III.Q	IV.Q	Year	I.Q	Quarters
1. General government current revenue	19.8	19.3	17.9	17.6	18.6	20.8	18.9
Real percentage change	-8%	-17%	-16%	-3%	-11%	18%	-6%
2. General government non-financial expenditure	16.6	16.7	19.6	24.8	19.6	16.3	19.4
Real percentage change	12%	4%	5%	27%	13%	10%	12%
3. General Government Capital Revenue	0.1	0.0	0.1	0.1	0.1	0.4	0.2
4. General Government Primary balance	3.3	2.7	-1.7	-7.1	-0.9	5.0	-0.3
5. State companies Primary balance	1.1	0.0	0.1	-0.1	0.3	-0.5	-0.1
6. NFPS Primary balance	4.4	2.7	-1.6	-7.2	-0.6	4.5	-0.4
7. Interest payments	1.8	0.9	1.6	1.0	1.3	1.7	1.3
8. NFPS Overall balance	2.6	1.8	-3.2	-8.2	-1.9	2.8	-1.7
9. Net financing	-2.6	-1.8	3.2	8.2	1.9	2.8	1.7
- External	2.5	-0.2	0.6	1.4	1.1	0.2	0.5
- Domestic	-5.0	-1.2	2.5	6.8	0.8	-3.0	1.2

WEEKLY REPORT

Corporate interest rate in nuevos soles at 2.06 percent

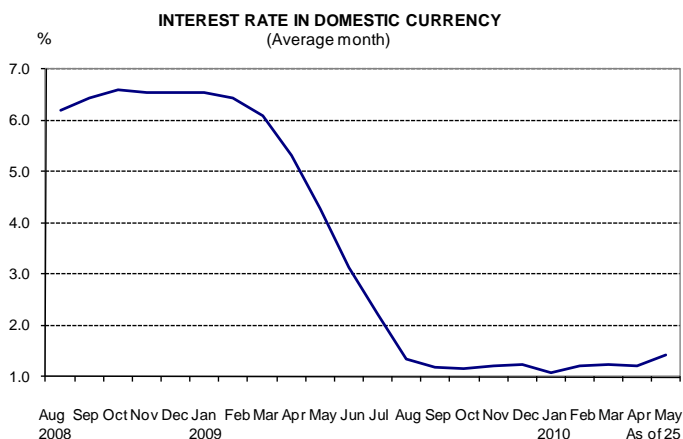
Between **May 18 and 25**, the average 90-day corporate rate in domestic currency rose from 2.02 to 2.06 percent, while this rate in dollars increased from 1.48 to 1.61 percent.

INTEREST RATES IN DOMESTIC CURRENCY
(May 2009 - May 2010)



Average interbank interest rate in May: 1.44 percent

So far in May, the daily average of the interbank interest rate in domestic currency is 1.44 percent. On May 25, this rate was 1.50 percent.



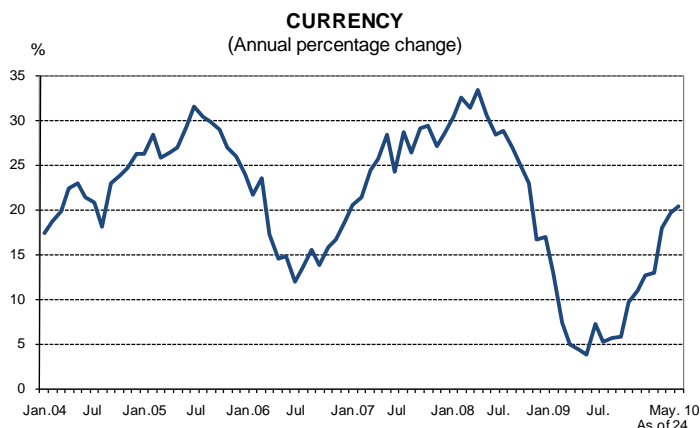
	Average	S.D
December 2008	6.54%	0.03
January 2009	6.55%	0.15
February	6.44%	0.32
March	6.08%	0.13
April	5.33%	0.47
May	4.29%	0.42
June	3.13%	0.40
July	2.23%	0.49
August	1.34%	0.27
September	1.20%	0.07
October	1.15%	0.07
November	1.22%	0.07
December	1.24%	0.02
January 2010	1.09%	0.16
February	1.21%	0.03
March	1.23%	0.02
April	1.22%	0.02
May 25	1.44%	0.13

Monetary operations

Between **May 19 and 25**, the BCRP made the following monetary operations: i) Auctions of 1-to-7-day CDBCRP for a daily average of S/. 510.0 million. The average interest rate on these operations, which reached a balance of S/. 17,307.1 million, was 1.38 percent, and ii) Overnight deposits in domestic currency for a total of S/. 196.7 million.

Currency in circulation amounted to S/. 18,981 million on May 24, 2010

Between May 18 and 24, **currency in circulation** shrank by S/. 65 million to S/. 18,981 million. Year-to-date, currency in circulation accumulates a reduction of S/. 260 million, recording a growth rate of 20.3 percent in the last 12 months.



BCRP OPERATIONS (Millions of nuevos soles)

	FLOWS				BALANCE		
	Apr-10	From 18/05 to 24/05	Cumulated		31-Dec-09	30-Apr-10	24-May-10
			Monthly*	Annual*			
I. NET INTERNATIONAL POSITION	1,082	-48	-836	6,451	66,436	72,815	71,977
(Millions of US\$)	381	-17	-294	2,267	22,988	25,549	25,255
A. Foreign Exchange Operations	315	0	0	2,644			
1. Over the counter operations	315	0	0	2,655			
2. Net swap auctions in FC	0	0	0	-13	102	89	89
3. Public Sector	0	0	0	0			
4. Other operations	0	0	0	3			
B. Rest of operations	67	-17	-294	-377			
II. NET INTERNAL ASSETS	-729	-17	599	-6,711	-47,195	-53,597	-52,996
A. Monetary operations	-807	-144	130	-8,820	-36,323	-45,274	-45,143
1. Sterilization	-807	-144	130	-8,820	-36,323	-45,274	-45,143
b. BCRP Certificates of Deposit (CDBCRP)	2,682	1,081	1,914	-3,037	-14,121	-19,071	-17,157
d. Overnight Deposits	-15	-11	-54	689	-842	-100	-154
e. Public Sector Deposits in soles	-3,414	-1,214	-1,696	-6,327	-21,006	-25,638	-27,334
f. Other operations	-60	0	-34	-145	-354	-465	-499
2. Injection	0	0	0	0	0	0	0
B. Reserve Requirements in DC **	216	72	-411	302	-4,307	-3,593	-4,005
C. Rest	-138	55	880	1,807			
III. CURRENCY **	353	-65	-237	-260	19,241	19,218	18,981
(Monthly percentage change)					10.3%	1.9%	-1.2%
(Acumulated percentage change)					29.5%	-0.1%	-1.4%
(YoY)					11.0%	19.7%	20.3%

* As of May 24, 2010.

** Preliminary data.

Exchange rate: S/. 2.850 per US dollar

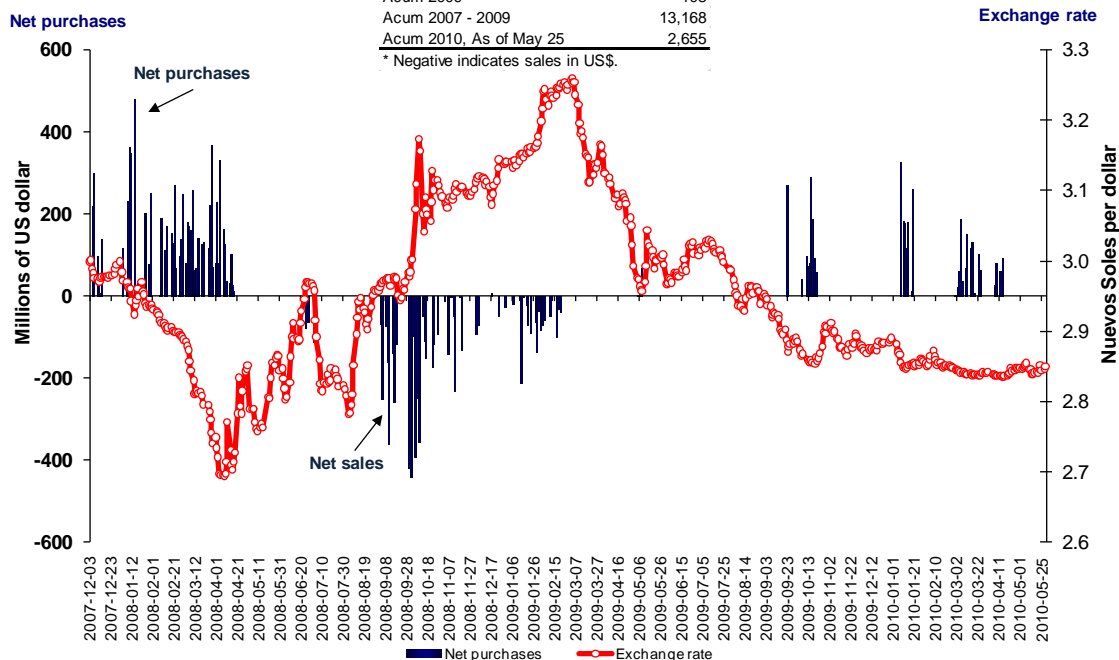
Between **May 18 and 25**, the average interbank ask price of the dollar went from S/. 2.841 to S/. 2.850, which represented a depreciation of the nuevo sol of 0.31 percent. The BCRP did not intervene in the foreign exchange market in this period.

EXCHANGE RATE AND NET DOLLAR PURCHASE

(In millions of US\$)

	Purchases*
Acum. 2007	10,306
Jan-Apr 2008	8,728
Jun-Dec 2008	-5,974
Acum 2008	2,754
Acum 2009	108
Acum 2007 - 2009	13,168
Acum 2010, As of May 25	2,655

* Negative indicates sales in US\$.



BALANCE OF NET FORWARD PURCHASES OF FOREIGN CURRENCY
(January 2008 - May 2010)



Between May 18 and 25, banks' balance of net forward purchases of foreign currency fell by US\$ 157 million.

Compared to end April, the balance of net forward purchases accumulated a decline of US\$ 5 million.

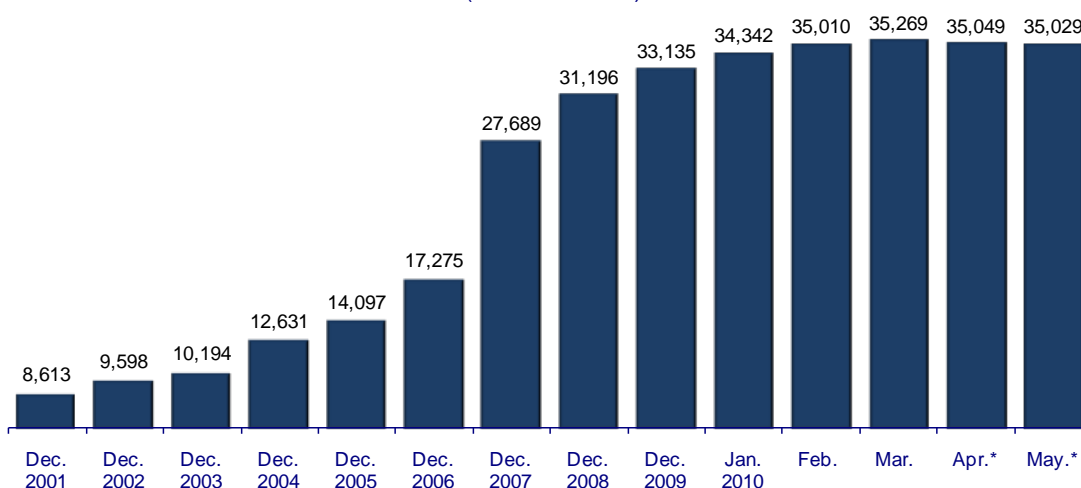
International reserves amounted to US\$ 35,029 million on May 25

Net international reserves (NIRs) amounted to US\$ 35,029 million on May 25. This amount of reserves is US\$ 20 million lower than the one observed at end April. Year to date, NIRs have accumulated an increase of US\$ 1,894 million.

This lower level of NIRs compared to the close of April is mainly due to lower public sector deposits (down US\$ 220 million) and to the lower valuation of investments (down US\$ 310 million). This was offset by banks' higher deposits (up US\$ 509 million).

The international investment position of the BCRP on May 25 was US\$ 25,240 million, an amount US\$ 2,252 million higher than the one observed at end 2009.

NET INTERNATIONAL RESERVES
(Millions of US\$)



* As of 25.

Liquidity and credit to the private sector at April 30

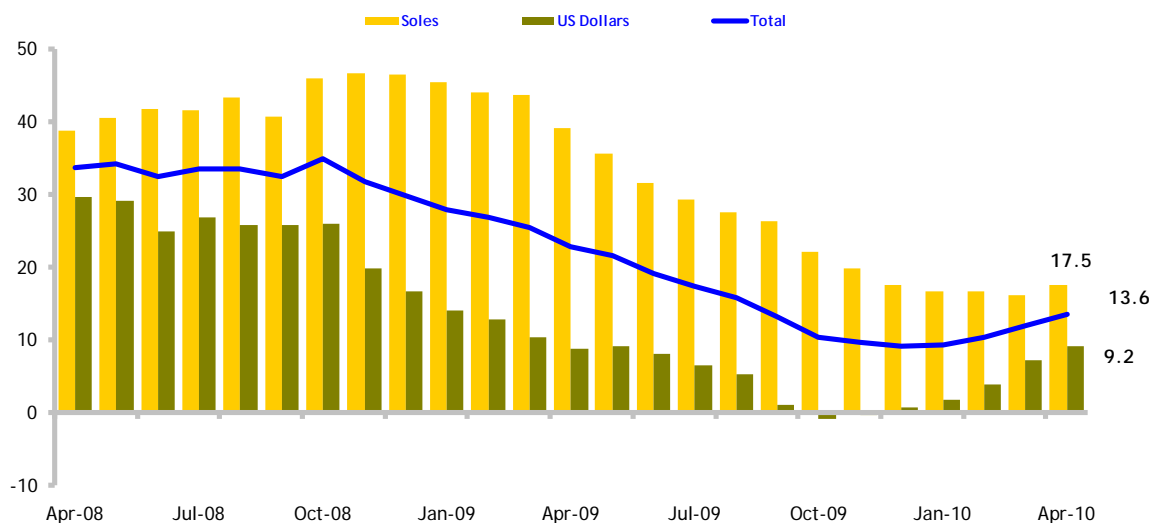
In April, total liquidity in the private sector grew 0.2 percent (S/. 276 million) and thus accumulated an annual increase of 14.2 percent. Liquidity in soles declined 0.1 percent (negative flow of US\$ 36 million), while liquidity in dollars grew 0.7 percent (US\$ 108 million).

On the other hand, **total credit to the private sector** grew 1.7 percent in April (S/. 1,834 million). Credit in soles grew 2.2 percent in the month (S/. 1,314 million), while credit in dollars grew 1.0 percent (US\$ 180 million). With this, the rate of growth of total credit in the last 12 months was 13.6 percent (11.9 percent in March).

CREDIT TO THE PRIVATE SECTOR

APRIL 2008 - APRIL 2010

(Annual percentage growth)



Non-financial public sector recorded a surplus of S/. 1,994 million in April

Reflecting the growth of both tax revenues and non-financial expenditures, the operations of the non-financial public sector in April registered an economic surplus of S/. 1,994 million. This result is S/. 20 million higher than the one recorded in April 2009. By level of government, this surplus was mainly associated with the operations of the national government (S/. 1,902 million).

NON FINANCIAL PUBLIC SECTOR OPERATIONS (NFPS) 1/

(Millions of nuevos soles)

	APRIL			JAN-APR		
	2009	2010	Real % chg.	2009	2010	Real % chg.
1. General Government Revenue	7,704	9,359	20.6	25,316	30,241	18.6
a. Tax revenue	5,967	7,599	26.4	19,372	23,531	20.6
National	5,883	7,509	26.7	18,875	22,996	21.0
Local	84	90	6.1	497	535	6.8
b. Non tax revenue	1,737	1,760	0.6	5,944	6,709	12.1
National	1,495	1,559	3.5	4,882	5,861	19.2
Local	156	153	- 2.6	842	690	- 18.6
Regional	86	47	- 45.1	220	158	- 28.4
2. General Non Financial Expenditure	5,477	6,888	24.8	20,266	23,196	13.7
a. Current	4,027	4,509	11.1	16,062	17,337	7.2
of which: FEPC	0	0		1,000	175	- 82.6
b. Capital	1,449	2,379	62.9	4,204	5,859	38.4
Of which: Gross Capital Formation	1,362	2,299	67.6	3,873	5,239	34.3
3. Other 2/	-73	-34	- 54.4	1,002	-144	- 114.3
4. Primary Balance	2,154	2,438		6,052	6,900	
5. Interests	180	444	144.2	1,759	2,135	20.5
External	100	410	307.7	880	1,178	32.9
Domestic	80	33	-58.8	879	957	8.1
6. NFPS Overall Balance	1,974	1,994		4,293	4,765	

1/ Preliminary.

2/ Includes Capital revenue of General Government and state companies primary balance.

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

The current revenues of the general government in April amounted to S/. 9,359 million. This result, which represents a real growth of 20.6 percent compared to the same period last year, is explained by higher tax revenues (S/. 1,632 million).

Collection resulting from the income tax regularization campaign that culminated in April amounted to S/. 2,756 million, a sum S/. 574 million higher than the one recorded between January and April 2009.

The non financial expenditure of the general government (S/. 6,888 million) grew by a real 24.8 percent, reflecting mainly higher capital expenditure (62.9 percent) and higher expenditure in goods and services (27.6 percent). As a result of this, non-financial expenditure grew 13.7 percent in real terms in this period.

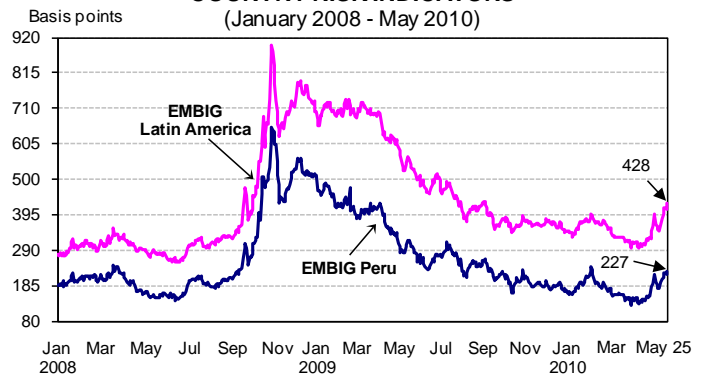
International Markets

Country risk at 227 basis points

Between May 18 and 25, the country risk indicator, measured by the **EMBIG Peru** spread, increased from 204 to 227 basis points.

On the other hand, the region's debt spread increased 43 basis points due to the higher risk aversion generated by continuous uncertainty about the evolution of European peripheral markets.

COUNTRY RISK INDICATORS
(January 2008 - May 2010)



Level	Variation in basis points		
	Weekly	Monthly	Annual
May 25, 10	23	89	-49
227 bps.			

Price of gold declined to US\$ 1,199.4/troy ounce

In the same period, the price of **gold** fell 1.5 percent to US\$ 1,199.4 per troy ounce.

The price of gold declined during the week given that investors decided to liquidate their positions and take profit after the metal reached historical record levels in the earlier week.

GOLD PRICE

(January 2008 - May 2010)



May 25, 10	% change		
	Weekly	Monthly	Annual
US\$ 1,199.4 / troy oz.	-1.5	3.7	25.3

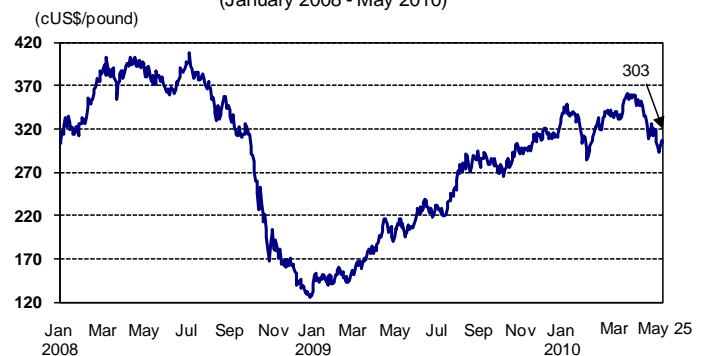
Between May 18 and 25, the price of **copper** increased 1.2 percent to US\$ 3.03 per pound.

This rise in the price of copper was basically associated with a lower availability of inventories in global stock exchange markets.

Copper inventories in global bourses fell 0.4 percent to 746 thousand tons (a level of inventories equivalent to 2.2 weeks of consumption).

COPPER PRICE

(January 2008 - May 2010)



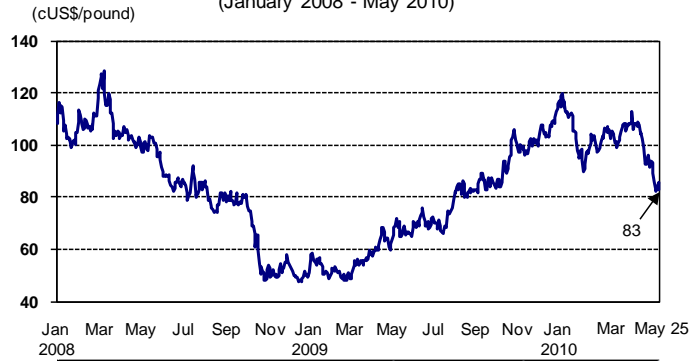
May 25, 10	% change		
	Weekly	Monthly	Annual
US\$ 3.03 / pound	1.2	-12.7	45.8

Between May 18 and 25, the price of **zinc** dropped 3.3 percent to US\$ 0.83 percent.

The price of zinc declined affected by uncertainty about global economic recovery and the effect of possible new restrictive measures in China (real estate and banking sectors).

ZINC PRICE

(January 2008 - May 2010)



May 25, 10	% change		
	Weekly	Monthly	Annual
US\$ 0.83 / pound	-3.3	-22.3	24.7

The price of **WTI oil** declined 3.1 percent to US\$ 67.3 per barrel between May 18 and 25.

The price of crude continued recording losses due to uncertainty about the economic recovery of the Eurozone –this region accounts for 25 percent of the consumption of crude– and to the higher availability of inventories in USA. Inventories of crude in the United States have increased for six straight weeks.

WTI OIL PRICE

(January 2008 - May 2010)



May 25, 10	% change		
	Weekly	Monthly	Annual
US\$ 67.3 / barrel	-3.1	-20.3	10.2

Dollar depreciated against the euro

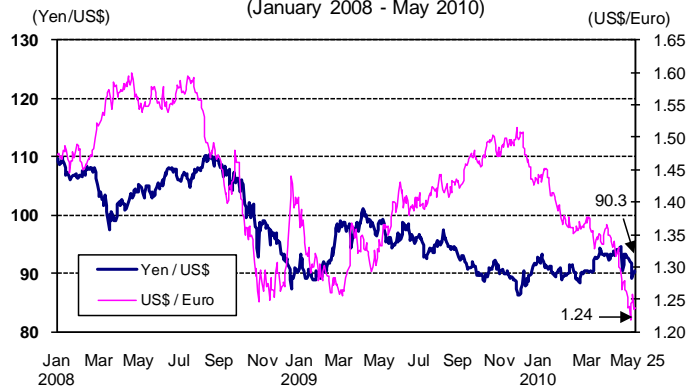
Between May 18 and 25, the **dollar** depreciated 1.6 percent against the **euro**.

The dollar reversed the upward trend of the past weeks and fell affected by investors' decision to take profit.

On the other hand, the dollar depreciated 1.9 percent against the **yen** given that risk aversion continued to prevail among investors.

EVOLUTION OF THE YEN AND EURO

(January 2008 - May 2010)



	Level	% change		
	May 25, 10	Weekly	Monthly	Annual
US dollar/Euro	1.24	1.6	-7.6	-11.7
Yen/US dollar	90.3	-1.9	-3.8	-4.8

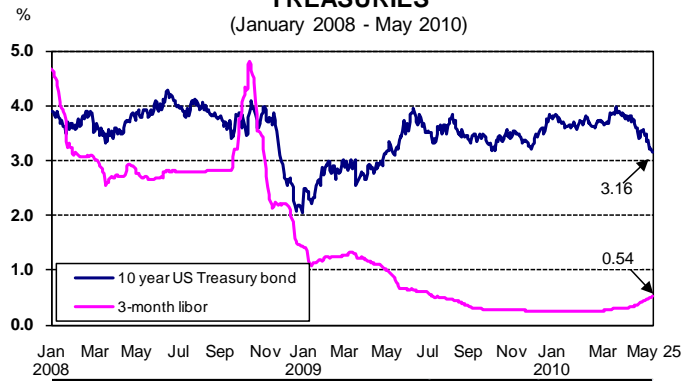
Yield on 10-year US Treasuries fell to 3.16 percent

In the same period, the **3-month Libor** increased from 0.46 to 0.54 percent, while the yield on the **10-year Treasury bond** declined from 3.35 to 3.16 percent.

The yield on the U.S. Treasury Bond fell as investors decided to seek shelter in safer assets given increased risk aversion in financial markets.

3-MONTH LIBOR AND 10-YEARS US TREASURIES

(January 2008 - May 2010)



	% change			
	May 25, 10	Weekly	Monthly	Annual
Libor 3 months	0.54	7	22	-13
US Treasuries	3.16	-19	-65	-26

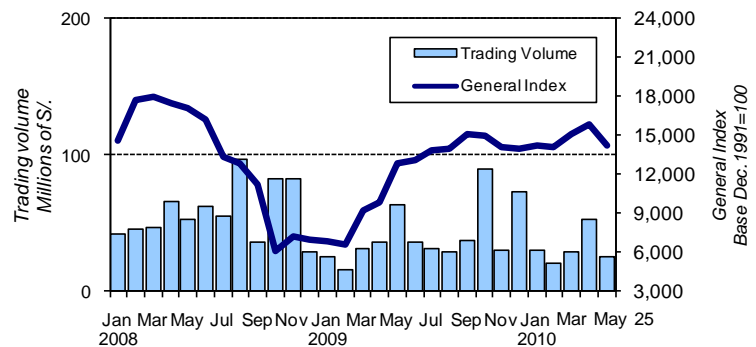
Profitability in the LSE: 0.7 percent at May 25

So far this month (at May 25), the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) have fallen 10.1 percent and 9.5 percent, respectively.

During the week of analysis (May 18-25), both indices declined: the General Index fell 4.4 percent and the Selective Index fell 4.1 percent. This evolution was influenced by the drop of the international prices of securities and commodities amid pessimism about the recovery of the global economy.

LIMA STOCK EXCHANGE INDICATORS

(January 2008 - May 2010)



	As of:		% change	
	May 25, 10	May 18, 10	Apr 30, 10	As of Dec. 09
General Index	14,264	-4.4	-10.0	0.7
Blue Chip Index	21,329	-4.1	-9.5	-4.9

So far this year, the General Index has reached a gain of 0.7 percent, while the Selective Index has accumulated a loss of 4.9 percent.

