









Indicators

-  Current account: deficit of 0.8 percent of GDP in Q2
-  Domestic demand grew 14.0 percent in Q2
-  Corporate interest rate at 3.55 percent
-  Interbank interest rate: 2.36 percent
-  Exchange rate: S/. 2.799 per US dollar
-  Profitability of the LSE at August 24: 4.8 percent

Content

MACROECONOMIC REPORT: Q2-2010	ix
Current account deficit increased to 0.8 percent of GDP in Q2	ix
Domestic demand grew 14.0 percent in Q2	x
Public sector achieved a similar result in Q2-2010 to the one recorded in Q2-2009	xi
WEEKLY ECONOMIC REPORT	xi
Corporate interest rate in nuevos soles at 3.55 percent	xii
Average interbank interest rate in August: 2.36 percent	xii
International reserves amounted to US\$ 40,786 million	xiv
Liquidity and credit to the private sector at July 30	xiv
Operations of the non financial public sector in July 2010	xv
Country risk at 162 basis points	xvi

MACROECONOMIC REPORT: Q2-2010

Current account deficit increased to 0.8 percent of GDP in Q2

The deficit in the current account of the balance of payments in Q2-2010 was US\$ 329 million, a sum equivalent to 0.8 percent of GDP. This deficit contrasts with the surplus of 0.3 percent of GDP recorded in the same period in 2009.

This result was basically associated with higher outlays for factor income (US\$ 2,212 million in Q2-2010 vs. US\$ 1,660 million in Q2-2009) mainly as a result of the higher profits generated by firms with foreign shareholding. Another factor that contributed to the decline of the current account was the growth of imports, which amounted to US\$ 6,609 million in Q2-2010. These factors were in part compensated by increased exports.

BALANCE OF PAYMENT

(Millions of US\$)

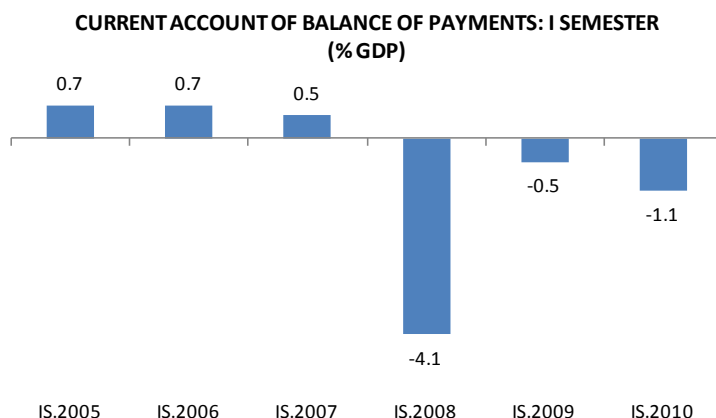
	2009				2010		
	I.Q	II.Q	I.S	Year	I.Q	II.Q	I.S
I. CURRENT ACCOUNT BALANCE	- 391	106	- 284	247	- 460	- 329	- 789
<i>Percentage of GDP</i>	<i>-1.4</i>	<i>0.3</i>	<i>-0.5</i>	<i>0.2</i>	<i>-1.3</i>	<i>-0.8</i>	<i>-1.1</i>
1. Trade balance	513	1,335	1,847	5,873	1,570	1,517	3,087
a. Exports	5,396	6,161	11,557	26,885	7,905	8,126	16,031
b. Imports	-4,883	-4,827	-9,710	-21,011	-6,335	-6,609	-12,944
2. Services	-291	-263	-554	-1,112	-339	-368	-707
3. Investment income	-1,277	-1,660	-2,937	-7,371	-2,397	-2,212	-4,609
4. Current transfers	665	695	1,360	2,856	706	734	1,440
II. FINANCIAL ACCOUNT	623	-690	-66	1,012	3,006	701	3,707
1. Private sector	1,269	392	1,661	1,655	2,361	1,758	4,120
2. Public sector	923	-192	730	1,032	104	-684	-579
3. Short-term capital	-1,568	-889	-2,458	-1,675	540	-373	167
III. EXCEPTIONAL FINANCING	9	21	30	36	1	2	3
IV. NET ERRORS AND OMISSIONS	-264	249	-15	-250	-91	-11	-102
V. BALANCE OF PAYMENT RESULT	-22	-314	-336	1,045	2,456	364	2,819
<i>(V = I + II + III + IV) = (1-2)</i>							
1. Change in Central Bank reserves	-266	-139	-405	1,940	2,133	72	2,205
2. Valuation change 1/	-244	174	-69	896	-323	-291	-614

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

In Q2 the financial account of the balance of payments showed a positive result of US\$ 701 million. This period saw a greater acquisition of assets overseas by the private sector, especially deposits and investment papers.

Current account deficit of 1.1 percent of GDP in the first semester of 2010

In the first half of the year, the deficit in the current account of the balance of payments increased to 1.1 percent of GDP (from 0.5 percent in the same period of 2009). Factors accounting for this increase in the deficit of the current account of the balance of payments (US\$ 505 million) include higher imports (up US\$ 3,234 million) and higher outlays for factor income (up US\$ 1,672 million), and offset by increased exports (up US\$ 4,474 million).



The higher deficit in the current account was compensated by the flow of capitals recorded in the financial account during the first half of the year, which allowed the country to accumulate US\$ 2,205 million in net international reserves in the first semester of 2010.

Domestic demand grew 14.0 percent in Q2

Domestic demand accelerated its rate of expansion from 8.1 percent in Q1 to 14.0 percent in Q2, reflecting mainly the recovery of private investment, which grew for the second consecutive quarter. In the first half of the year, GDP and domestic demand register growth rates of 8.2 percent and 11.1 percent, respectively.

GROSS DOMESTIC PRODUCT BY EXPENDITURE

(Annual growth rates)

	Weighted 2009 ^{1/}	2009				2010		
		I.Q	II.Q	I.S	Year	I.Q	II.Q	I.S
Domestic demand	99.8	-0.8	-5.8	-3.5	-2.9	8.1	14.0	11.1
a. Private consumption	68.3	4.1	1.6	2.8	2.4	5.4	5.8	5.6
b. Public consumption	9.4	15.2	13.7	14.4	16.5	13.9	12.6	13.2
Gross domestic investment	22.1	-17.7	-29.0	-23.8	-20.9	14.4	42.9	28.8
Gross fixed investment	24.5	4.3	-16.0	-6.7	-8.6	12.2	28.4	20.2
c. Private investment	19.1	1.8	-20.8	-10.3	-15.1	11.5	24.6	17.7
d. Public investment	5.4	24.8	14.2	18.5	25.5	16.8	45.2	33.1
e. Change of inventories	-2.4	-179	-137	-157.6	-317	7	231	80
Exports	19.1	-1.7	-2.0	-1.8	-2.5	1.0	0.4	0.7
Minus:								
Imports	18.9	-13.3	-23.7	-18.6	-18.4	11.0	22.5	16.6
GDP	100.0	1.9	-1.2	0.3	0.9	6.1	10.1	8.2
Note:								
Public expenditure	14.8	17.7	13.9	15.6	19.6	14.7	23.0	19.2
Private expenditure	85.0	-2.8	-8.1	-5.6	-5.9	7.2	12.6	10.0
Private expenditure excluding inventories:	87.4	3.5	-3.8	-0.3	-2.1	6.8	9.5	8.2
Domestic demand excluding inventories	102.2	5.0	-1.9	1.3	0.6	7.7	11.2	9.5
Seasonally adjusted GDP 2/		-6.8	-1.3			7.0	12.9	

1/ At price 1994.

2/ Annual growth rates

In deseasonalized terms, GDP grew 3.1 percent relative to Q1 (equivalent to an annualized growth of 12.9 percent), while domestic demand grew 3.8 percent (equivalent to an annualized growth of 16.1 percent).

Showing an evolution not observed since Q3-2008, **economic activity** in Q2 accelerated its rate of expansion compared to Q1 and recorded a two-digit rate (10.1 percent).

Public sector achieved a similar result in Q2-2010 to the one recorded in Q2- 2009

The operations of the non-financial public sector (NFPS) in Q2-2010 generated a surplus of 1.8 percent of GDP, a similar result to the one recorded in the same period in the previous year.

The current revenue of the general government, which was equivalent to 20.4 percent of GDP, was higher by 1.1 percentage points than the level recorded in the same period of 2009 as a result of the higher current revenue of the national government (up from 18.0 to 19.4 percent of GDP). Moreover, the non financial expenditure of the general government, which was equivalent to 17.5 percent of GDP, showed a real expansion of 19 percent. This is explained by the growth of capital expenditures (49 percent), especially expenditure in gross capital formation in the national government and regional governments.

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

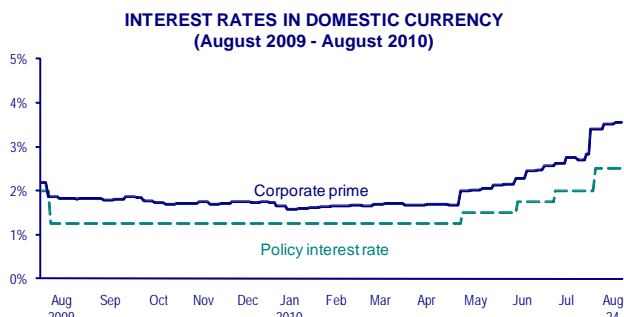
	2009					2010		Last 4 Quarters
	I.Q	II.Q	III.Q	IV.Q	Year	I.Q	II.Q	
1. General government current revenue	19.8	19.3	17.9	17.6	18.6	21.0	20.4	19.3
Real percentage change	-8%	-17%	-16%	-3%	-11%	19%	20%	4%
2. General government non-financial expenditure	16.6	16.7	19.6	24.8	19.6	16.3	17.5	19.5
Real percentage change	12%	4%	5%	27%	13%	10%	19%	16%
3. General Government Capital Revenue	0.1	0.1	0.1	0.1	0.1	0.4	0.0	0.2
4. General Government Primary balance	3.3	2.7	-1.7	-7.1	-0.9	5.1	2.9	-0.1
5. State companies Primary balance	1.1	0.0	0.1	-0.1	0.3	-0.5	-0.3	-0.2
6. NFPS Primary balance	4.4	2.7	-1.6	-7.2	-0.6	4.6	2.6	-0.3
7. Interest payments	1.8	0.9	1.6	1.0	1.3	1.7	0.8	1.3
8. NFPS Overall balance	2.6	1.8	-3.2	-8.2	-1.9	2.9	1.8	-1.6
9. Net financing	-2.6	-1.8	3.2	8.2	1.9	-2.9	-1.8	1.6
- External	2.5	-0.2	0.6	1.4	1.1	0.2	-1.6	0.1
- Domestic	-5.2	-1.6	2.5	6.8	0.8	-3.2	-0.2	1.5

WEEKLY ECONOMIC REPORT

Corporate interest rate in nuevos soles at 3.55 percent

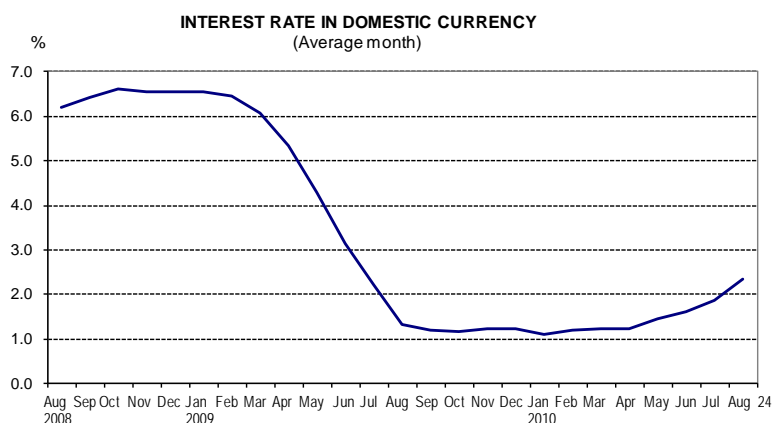
Between **August 17 and 24**, the average corporate interest rate in domestic currency rose from 3.51 to 3.55 percent.

Moreover, the average corporate interest rate in foreign currency declined from 4.12 to 3.85 percent.



Average interbank interest rate in August: 2.36 percent

On August 24, the interbank rate in domestic currency was 2.45 percent, as a result of which the daily average rate records 2.36 percent so far this month.



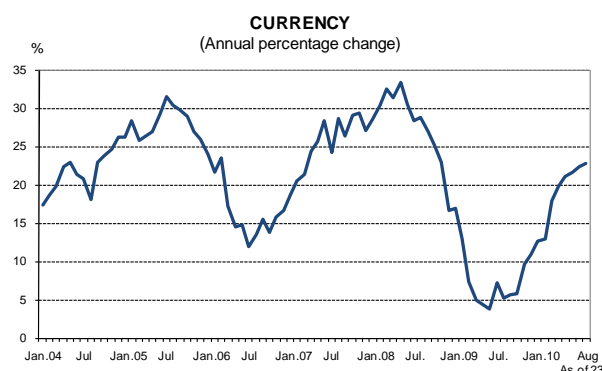
	<u>Average</u>	<u>S.D</u>
December 2008	6.54%	0.03
March 2009	6.08%	0.13
June	3.13%	0.40
September	1.20%	0.07
December	1.24%	0.02
January 2010	1.09%	0.16
February	1.21%	0.03
March	1.23%	0.02
April	1.22%	0.02
May	1.45%	0.12
June	1.62%	0.11
July	1.90%	0.12
August 24	2.35%	0.22

Monetary operations

Between **August 18 and 24**, the Central Bank made the following monetary operations: i) Auctions of 1-day to up to 365-day CDBCRP for a daily average of S/. 5,358 million. The average interest rate on these operations, which reached a balance of S/. 23,496 million, was 2.48 percent; ii) purchases of foreign currency for a total of US\$ 421 million; iii) repurchase agreements for a total of S/. 18 million, and iv) overnight deposits in domestic currency for a total of S/. 7 million.

Currency in circulation amounted to S/. 20,515 million on August 23, 2010

Between August 17 and 23, **currency in circulation** shrank by S/. 102 million and amounted to S/. 20,515 million. In this way, currency in circulation accumulates an increase of S/. 1,274 million so far this year and records a growth rate of 22.8 percent in the last 12 months.



BCRP OPERATIONS
(Millions of nuevos soles)

	FLOWS				BALANCE		
	Jul-10	From 08/17 to 08/23	Accumulated		Dec 31, 2009	Jul 31, 2009	Aug 23, 2009
			Monthly*	Annual*			
I. EXCHANGE OPERATIONS	5,100	1,394	3,995	18,128			
(Millions of US\$)	1,808	498	1,426	31,546			
1. Over the counter operations	1,858	516	1,461	6,499			
2. Public Sector	-50	0	0	-50			
3. Other exchange operations 1/	0	-18	-35	25,097			
II. MONETARY OPERATIONS	-2,823	-2,198	-4,388	-16,953	-36,323	-48,888	-53,276
1. Sterilization	-2,809	-2,198	-4,388	-16,953	-36,323	-48,888	-53,276
a. BCRP Certificates of Deposit (CDBCRP)	-2,007	-933	-4,103	-9,559	-14,121	-19,577	-23,680
b. Public Sector Deposits in soles	-432	-1,262	-720	-7,969	-21,006	-28,255	-28,976
c. Other monetary operations 2/	-371	-3	436	576	-1,196	-1,056	-620
2. Injection (Repos)	-14	0	0	0	0	0	0
III. RESERVE REQUIREMENTS IN DC	-957	683	-237	-901	-4,307	-4,972	-5,208
IV. OTHER 3/	103	18	89	1,000			
V. CURRENCY **	1,423	-102	-541	1,274	19,241	21,056	20,515
(Monthly percentage change)					10.3%	7.2%	-2.6%
(Accumulated percentage change)					29.5%	9.4%	6.6%
(YoY)					11.0%	22.3%	22.8%

* As of August 23, 2010.

** Preliminary data.

1/ Includes Swaps auctions in FC and operations outside the counter.

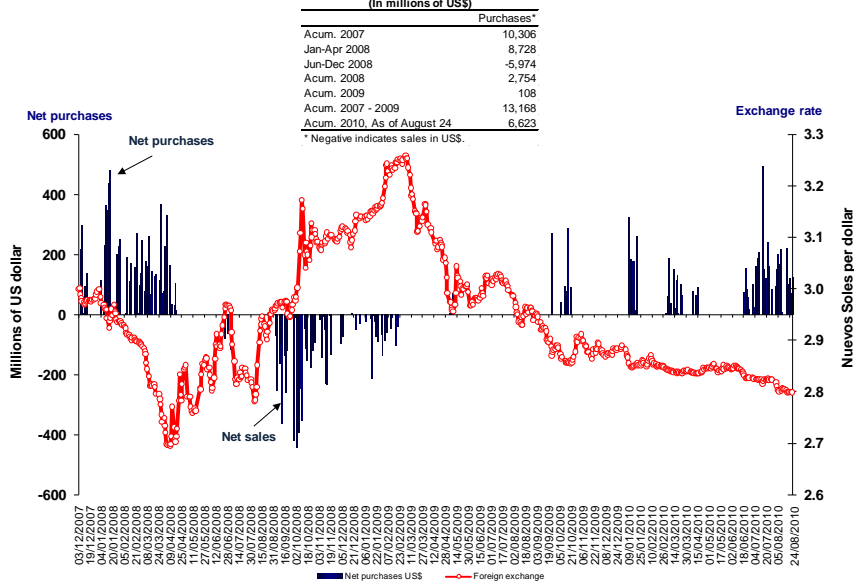
2/ Includes overnight deposits and Deposit Insurance Funds.

3/ Includes BCRP operative expenses, interest by deposits in the BCRP (overnight, terms and specials), net interest by CDBCRP placements and Central Bank profit transfers to the public sector.

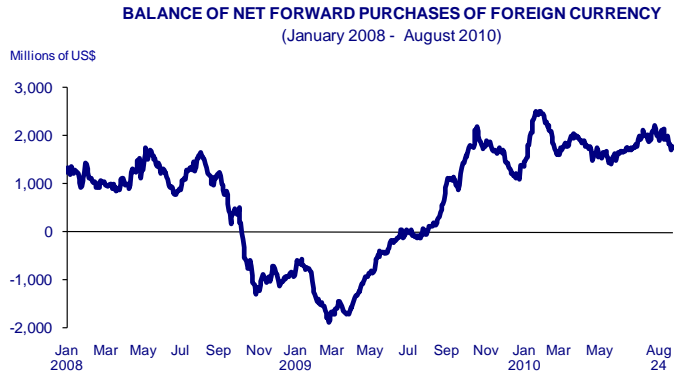
Exchange rate: US dollar traded at S/. 2.799

Between August 17 and 24, the average interbank ask price of the dollar remained stable (S/. 2.799 vs. S/. 2.800 in the previous week). In this period, the BCRP intervened in the foreign exchange market buying FC for a total of US\$ 640 million.

EXCHANGE RATE AND NET DOLLAR PURCHASE
(In millions of US\$)



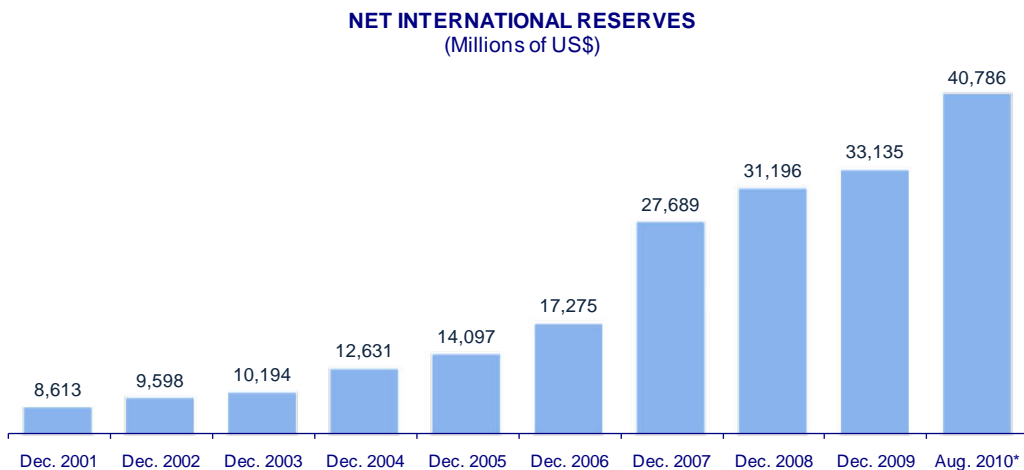
Between August 17 and 24, banks' balance of net forward purchases of foreign currency declined by US\$ 231 million. So far in August, the balance of net forward purchases of FC accumulates a decline of US\$ 293 million.



International reserves amounted to US\$ 40,786 million

On August 24, net international reserves (NIRs) amounted to US\$ 40,786 million. This amount of reserves is US\$ 2,151 million higher than the one recorded at the close of July.

This increase of NIRs resulted mainly from the Central Bank's purchases of FC (US\$ 1,585 million), banks' higher deposits (US\$ 545 million), public sector's higher deposits (US\$ 48 million), and the higher valuation of investments (US\$ 9 million).



* As of 24.

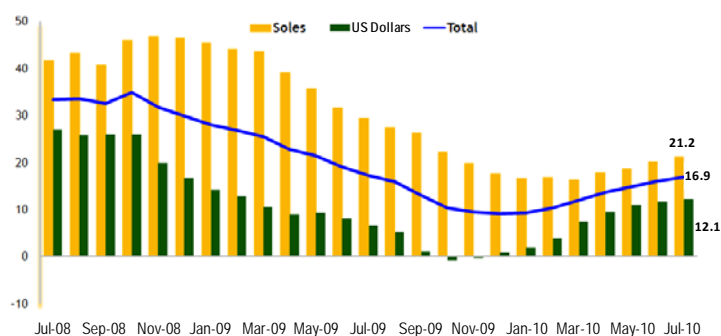
The foreign exchange position of the BCRP on August 24 was US\$ 29,511 million, a figure US\$ 1,558 million higher than the one recorded at the close of July.

Liquidity and credit to the private sector at July 30

Total **liquidity in the private sector** grew 3.4 percent (S/. 4,050 million) in July and accumulated an annual increase of 16.1 percent. Liquidity in soles grew by 2.3 percent (S/. 1,608 million) and liquidity in dollars grew 4.9 percent (US\$ 845 million).

Moreover, **total credit to the private sector** grew 1.9 percent (S/. 2,239 million). Credit in soles grew 2.0 percent (S/. 1,244 million), while credit in dollars grew 1.9 percent (US\$ 344 million). With this, total credit records a growth rate of 16.9 percent in the last 12 months (16.0 percent in June).

CREDIT TO THE PRIVATE SECTOR
JULY 2008 - JULY 2010



Operations of the non financial public sector in July 2010

In July, the operations of the non-financial public sector registered an economic deficit of S/. 976 million given that the recovery of government revenue was counterbalanced by the level of non financial expenditure.

The current revenues of the general government in July amounted to S/. 6,583 million, with higher tax revenues (S/. 1,204 million) accounting for this result, which represents a real growth of 19.7 percent compared to the same period last year. Between January and July, current revenues grew 19.3 percent.

General government non financial expenditure (S/. 7,035 million) recorded a real growth of 1.9 percent due to higher expenditure in investment (12.1 percent) and in goods and services (10.0 percent). Year-to-date, non financial expenditure has grown by a real 12.2 percent compared with the same period in 2009, a higher rate than the one observed in the first seven months of 2009 (6.5 percent).

Transfers in this month included the transfer of S/. 3,087 million from the *canon* or mining royalty (S/. 2,315 million to local governments and S/. 772 million to regional governments). This sum was S/. 347 million lower than the one transferred in 2009.

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

	July			January - July		
	2009	2010	Real % chg.	2009	2010	Real % chg.
1. General Government Revenue	5,401	6,583	19.7	41,648	50,205	19.3
a. Tax revenue	3,930	5,134	28.3	31,228	38,708	22.7
National	3,846	5,049	28.9	30,453	37,811	22.9
Local	84	85	0.0	775	897	14.6
b. Non tax revenue	1,472	1,449	- 3.3	10,421	11,497	9.2
National	1,287	1,267	- 3.3	8,417	9,718	14.3
Local	157	148	- 7.1	1,343	1,246	- 8.2
Regional	28	33	15.8	661	533	- 20.2
2. General Non Financial Expenditure	6,782	7,035	1.9	37,660	42,714	12.2
a. Current	5,122	5,185	- 0.6	29,186	31,253	6.0
of which: FEPC	0	0		1,000	475	- 82.6
b. Capital	1,659	1,850	9.5	8,474	11,461	33.8
Of which: Gross Capital Formation	1,535	1,752	12.1	7,747	10,498	34.1
3. Other 2/	-49	-130	163.4	1,120	-541	- 147.8
4. Primary Balance	-1,429	-583		5,108	6,950	
5. Interests	318	393	21.3	2,784	2,970	5.6
External	216	298	35.8	1,735	1,773	1.1
Domestic	103	95	-9.1	1,050	1,197	12.9
6. NFPS Overall Balance	-1,747	-976		2,324	3,980	

1/ Preliminary.

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

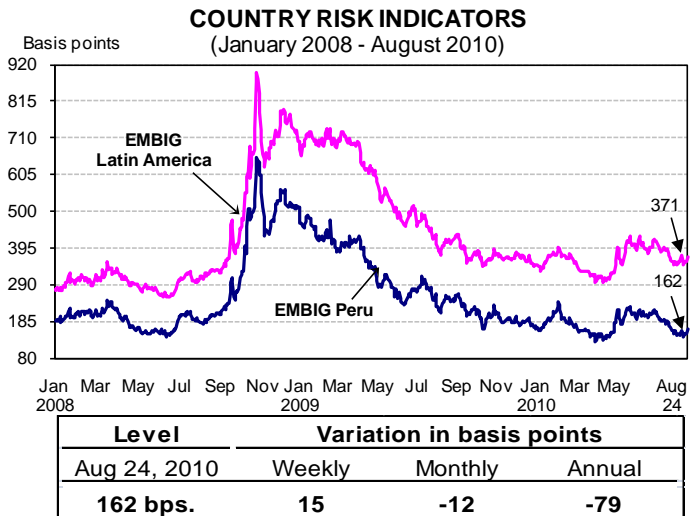
Source: MEF, BN, Sunat, EsSalud, public welfare agencies, state companies and public institutions.

International Markets

Country risk at 162 basis points

Between August 17 and 24, the country risk indicator, measured by the **EMBIG Peru** spread, rose from 147 to 162 basis points.

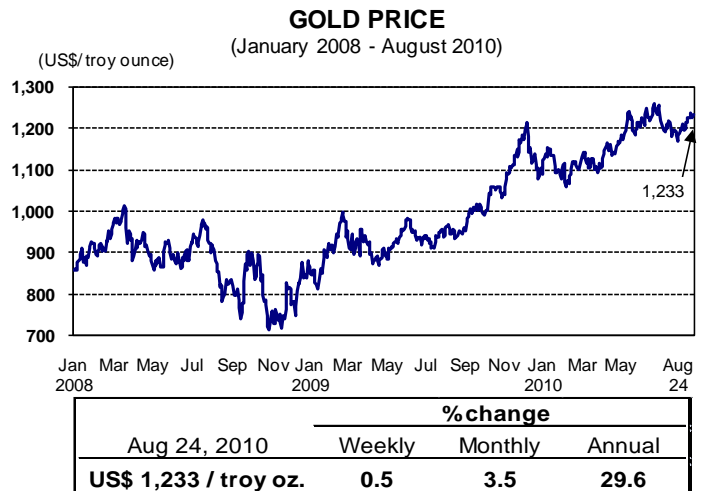
Likewise, the spread of the Latin American debt rose by 16 basis points amid higher risk aversion in financial markets.



Price of gold rose to US\$ 1, 233 per troy ounce

In the same period of analysis, the price of **gold** increased 0.5 percent to US\$ 1,233/troy ounce.

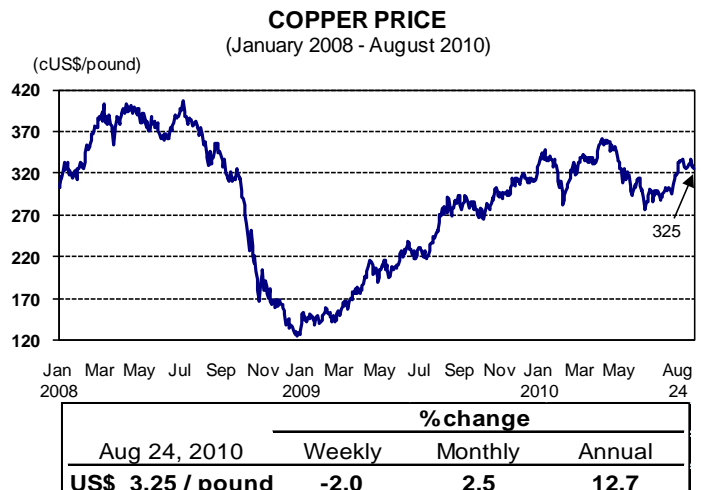
This upward evolution in the price of gold was associated with fears that it might take longer for the global economy to recover. This encouraged investors to increase their demand for gold as a hedge asset.



Between August 17 and 24, the price of **copper** fell 2.0 percent to US\$ 3.25 per pound.

The price of copper fell due to the higher availability of inventories in stock markets, as well as due to a weak outlook for demand given unfavorable data of economic activity in the U.S.

Copper inventories amounted to 599.6 thousand tons, a level of inventories equivalent to 1.7 weeks of consumption.



In the same period, the price of **zinc** dropped 6.2 percent to US\$ 0.89 a pound.

This price drop was basically associated with the increase of inventories at the London Metal Exchange (LME), with negative indicators on construction in the U.S., and with the appreciation of the dollar against the euro.

ZINC PRICE

(January 2008 - August 2010)



Aug 24, 2010	%change		
	Weekly	Monthly	Annual
US\$ 0.89 / pound	-6.2	4.2	7.1

The price of **WTI oil** declined 6.0 percent to US\$ 71.2 per barrel between August 17 and 24.

The price of crude dropped again, affected by fears that the global demand for crude will slow down and by the high levels of inventories of crude and gasoline in the U.S. It is worth mentioning that the current level of inventories of crude in the U.S. is 9 percent higher than the one observed in December 2009.

WTI OIL PRICE

(January 2008 - August 2010)



Aug 24, 2010	%change		
	Weekly	Monthly	Annual
US\$ 71.2 / barrel	-6.0	-9.6	-3.5

Dollar appreciated against the euro

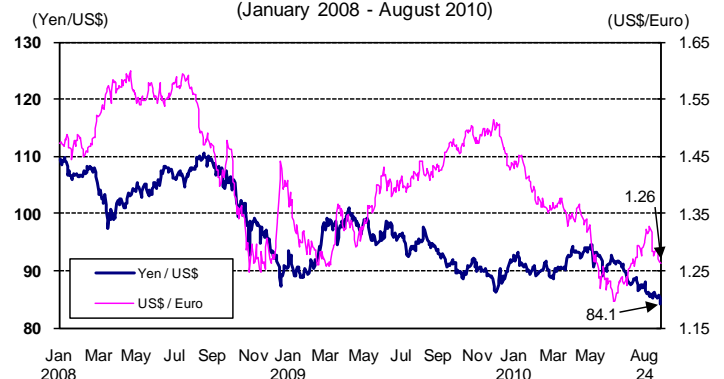
Between August 17 and 24, the **US dollar** appreciated 2.0 percent against the **euro**.

The strength of the dollar against the euro was influenced by increased risk aversion in financial markets. The European currency was also affected by concerns about growth in the Eurozone.

On the other hand, the dollar depreciated 1.7 percent against the **yen**.

EVOLUTION OF THE YEN AND EURO

(January 2008 - August 2010)



	Level	%change		
		Aug 24, 2010	Weekly	Monthly
US dollar/Euro	1.26	-2.0	-2.1	-11.7
Yen/US dollar	84.1	-1.7	-3.8	-10.9

Yield on 10-year US Treasuries fell to 2.49 percent

Between August 17 and 24, the **3-month Libor** fell from 0.35 to 0.31 percent and the yield on the **10-year Treasury bond** declined from 2.63 to 2.49 percent.

The yield on the US Treasury bonds dropped during the week due to increased risk aversion (negative evolution of some indicators of economic activity in the US) which translated into higher demand for Treasury bonds with longer maturities.

3-MONTH LIBOR AND 10-YEARS US TREASURIES

(January 2008 - August 2010)



	% change			
	Aug 24, 2010	Weekly	Monthly	Annual
3 months Libor	0.31	-4	-19	-8
US Treasuries	2.49	-14	-51	-99

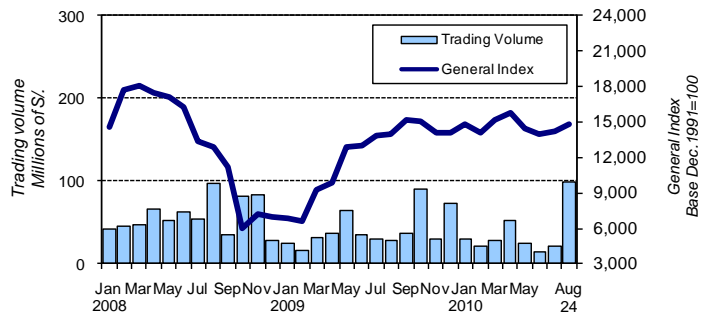
Profitability of the Lima Stock Exchange: 4.8 percent on August 24

The indices of the Lima Stock Exchange (LSE) showed positive results during this month: at August 24, the **General Index** had grown 2.5 percent and the **Selective Index** had grown 2.9 percent.

During the week of analysis (August 17 to 24), both the General and the Selective Indices declined 0.6 and 1.2 percent, respectively, in line with the negative performance of external markets and influenced by the drop of mining shares due to the decline of basic metals.

LIMA STOCK EXCHANGE INDICATORS

(January 2008 - August 2010)



	As of:	% change compared to:		
	Aug 24, 2010	Aug 17, 10	Jul 30, 10	As of Dec.09
General Index	14,845	-0.6	4.0	4.8
Selective Index	22,235	-1.2	3.6	-0.9

So far this year, the General Index records a gain of 4.8 percent, while the Selective Index registers a decline of 0.9 percent.

