



**Indicators**

- Corporate interest rate at 3.85 percent
- Interbank interest rate: 2.92 percent
- Exchange rate: S/. 2.795 per US dollar
- GDP grew 9.2 percent in August
- Annual profitability of the LSE: 29.6 percent

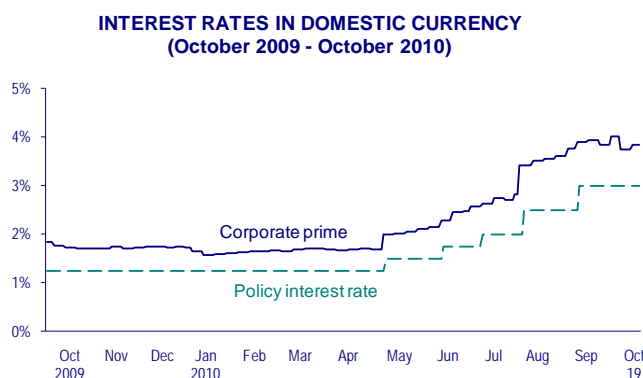
**Content**

- Corporate interest rate in nuevos soles at 3.85 percent ix
- Average interbank interest rate at 2.92 percent ix
- International reserves amounted to US\$ 43,555 million xi
- Liquidity and credit to the private sector at September 30 xii
- Gross Domestic Product grew 9.2 percent in August xiii
- Country risk at 163 basis points xiv
- Annual profitability of the Lima Stock Exchange: 29.6 percent xvii

**Corporate interest rate in nuevos soles at 3.85 percent**

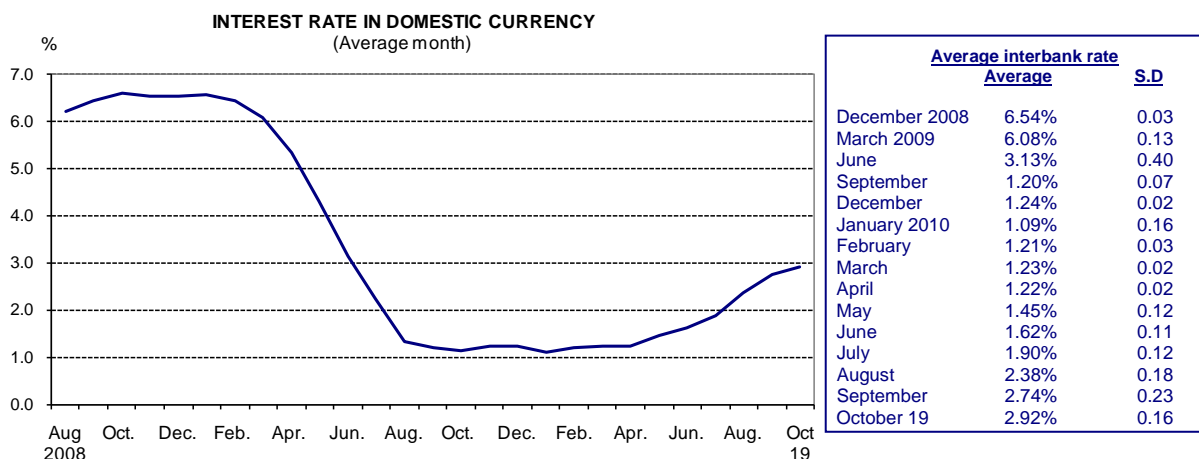
Between **October 12 and 19**, the daily average of the 90-day corporate rate in domestic currency rose from 3.75 to 3.85 percent.

Moreover, this rate in foreign currency rose from 2.32 percent to 2.39 percent.



**Average interbank interest rate at 2.92 percent**

On October 19 the average interbank interest rate in domestic currency recorded 2.92 percent.



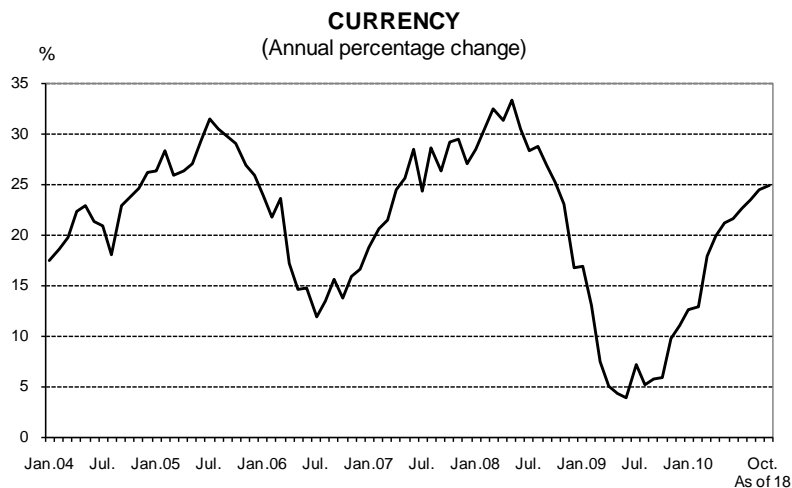
**Monetary operations**

Between **October 13 and 19**, the BCRP made the following monetary operations:

- i) auctions of 1-day to 92-day term deposits in domestic currency for a daily average of S/. 8,083 million. The average interest rate on these operations, which amounted to S/. 22,351 million, was 3.0 percent;
- ii) auctions of 3-month Variable BCRP Certificates of Deposit in domestic currency (CDVBCRP) for a daily average of S/. 100 million at an average spread rate of 0.08 percent, reaching a balance of S/. 400 million;
- iii) repurchase agreements for a total of US\$ 3 million;
- iv) purchases of foreign currency for a total of US\$ 30 million; and
- v) overnight deposits in domestic currency for a total of S/. 14 million.

## Currency in circulation: S/. 20,848 million on October 18

Between October 12 and 18, **currency in circulation** shrank by S/. 53 million to S/. 20,848 million. As a result of this, currency has accumulated an increase of S/. 1,607 million so far this year and records a growth rate of 24.8 percent in the last 12 months.



### BCRP OPERATIONS

(Millions of nuevos soles)

	FLOWS				BALANCE		
	Sep-10	From 10/12 to 10/18	Accumulated		Dec 31, 2009	Sep 30, 2010	Oct 18, 2010
			Monthly*	Annual*			
<b>I. EXCHANGE OPERATIONS</b>	<b>5,261</b>	<b>279</b>	<b>624</b>	<b>24,932</b>			
(Millions of US\$)	1,887	100	224	8,856			
1. Over the counter operations	1,914	103	227	8,963			
2. Public Sector	0	0	0	-50			
3. Other exchange operations 1/	-27	-3	-3	-58			
<b>II. MONETARY OPERATIONS</b>	<b>-5,343</b>	<b>-3,528</b>	<b>1,404</b>	<b>-21,904</b>	<b>-36,323</b>	<b>-59,631</b>	<b>-58,227</b>
1. Sterilization	-5,343	-3,528	1,404	-21,904	-36,323	-59,631	-58,227
a. BCRP Certificates of Deposit (CDBCRP)	-4,516	5,265	22,509	6,862	-14,121	-29,768	-7,259
b. Public Sector Deposits in soles	-547	-1,283	-388	-8,269	-21,006	-28,888	-29,276
c. Other monetary operations 2/	-280	-7,510	-20,717	-20,497	-1,196	-975	-21,693
2. Injection (Repos)	0	0	0	0	0	0	0
<b>III. RESERVE REQUIREMENTS IN DC</b>	<b>-179</b>	<b>3,191</b>	<b>-2,058</b>	<b>-2,645</b>	<b>-4,307</b>	<b>-4,893</b>	<b>-6,952</b>
<b>IV. OTHER 3/</b>	<b>120</b>	<b>6</b>	<b>82</b>	<b>1,224</b>			
<b>V. CURRENCY **</b>	<b>-141</b>	<b>-53</b>	<b>52</b>	<b>1,607</b>	<b>19,241</b>	<b>20,796</b>	<b>20,848</b>
(Monthly percentage change)					10.3%	-0.7%	0.2%
(Accumulated percentage change)					29.5%	8.1%	8.4%
(YoY)					11.0%	24.5%	24.8%

\* As of October 18, 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: S/. 2.795 per dollar

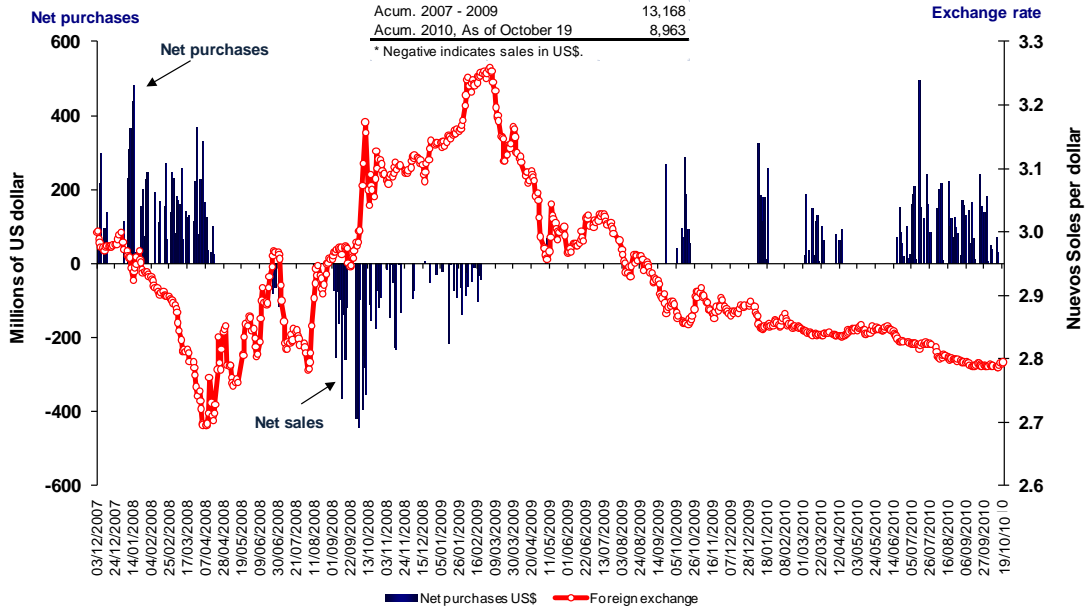
Between October 12 and 19, the average interbank ask price of the dollar rose from S/. 2.787 to S/. 2.795, which represented a depreciation of the nuevo sol of 0.27 percent. In this period the BCRP intervened in the foreign exchange market buying FC for a total of US\$ 103 million.

### 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 October 19	8,963

\* Negative indicates sales in US\$.



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



Between October 12 and 19, banks' balance of net forward purchases of foreign currency declined by US\$ 321 million. So far in October the balance of net forward purchases of FC accumulates a decline of US\$ 358 million.

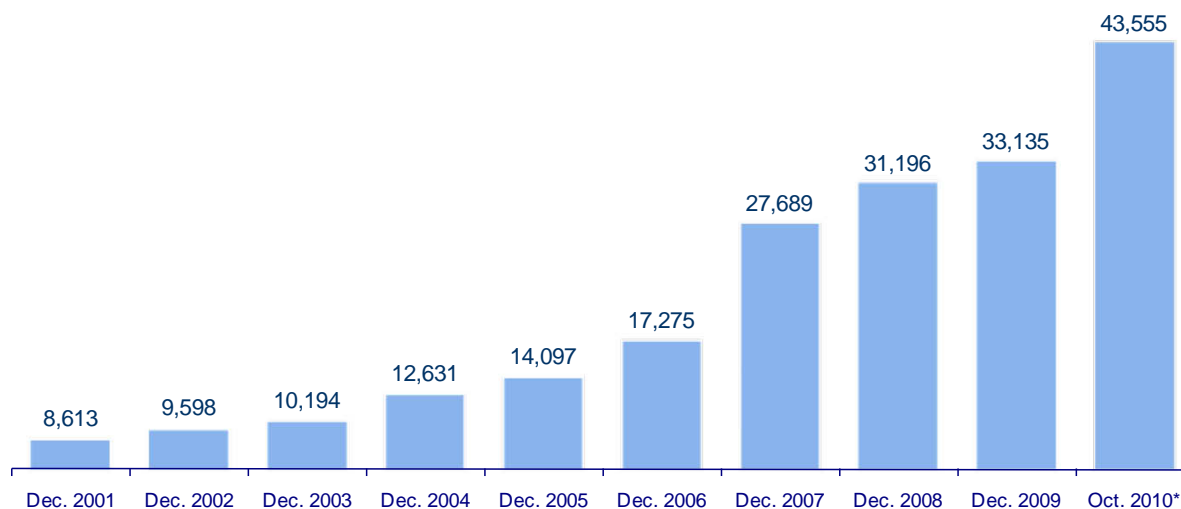
## International reserves amounted to US\$ 43,555 million

On October 19 net international reserves (NIRs) amounted to US\$ 43,555 million. This level of reserves is higher by US\$ 1,091 million than the one registered at end September.

This increase of NIRs was mainly due to banks' higher deposits (US\$ 740 million), to purchases of FC at the Central Bank's Front Office (US\$ 227 million), to the higher valuation of investments (US\$ 84 million), and to public sector's higher deposits at the Central Bank (US\$ 23 million).

The international exchange position of the BCRP on October 19 was US\$ 32,521 million, higher by US\$ 309 million than the one recorded at the close of September.

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



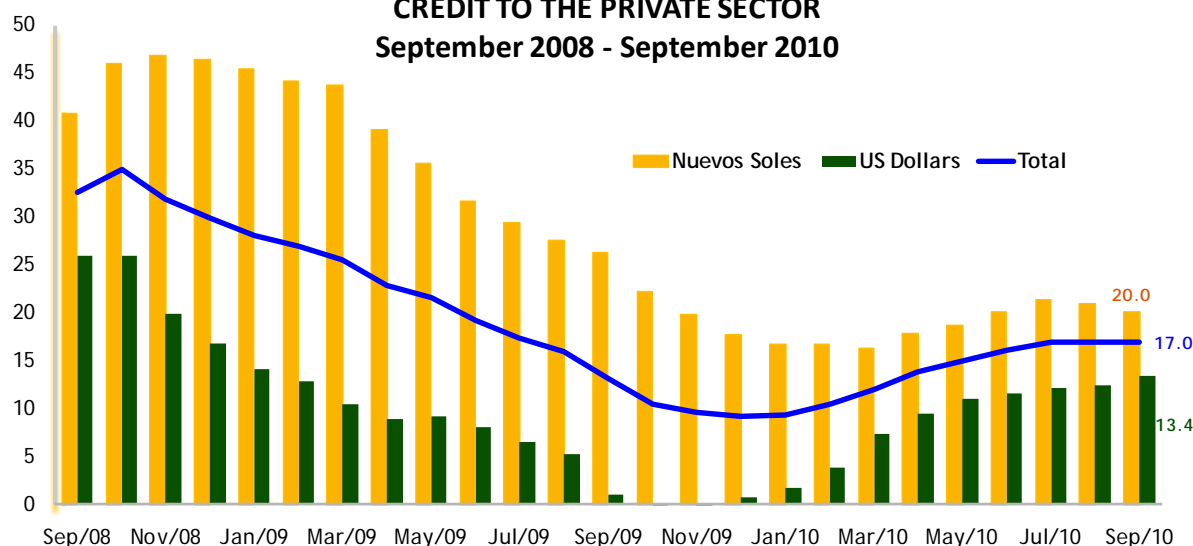
\* As of 19.

**Liquidity and credit to the private sector at September 30**

In September, **total liquidity in the private sector** grew 1.0 percent (S/. 1,247 million), as a result of which it accumulated an annual growth rate of 18.8 percent. Liquidity in soles grew 0.8 percent (S/. 637 million), while liquidity in dollars grew 1.2 percent (US\$ 211 million).

Moreover, **total credit to the private sector** grew 0.1 percent in September (S/. 105 million). Credit in soles grew 0.7 percent (S/. 423 million), while credit in dollars declined 0.6 percent (negative flow of US\$ 110 million). With this, total credit to the private sector records a growth rate of 17.0 percent in the last 12 months (16.9 percent at August).

**CREDIT TO THE PRIVATE SECTOR**  
September 2008 - September 2010



## Gross Domestic Product grew 9.2 percent in August

**GDP** in August recorded a growth rate of 9.2 percent and accumulated a rate of 8.4 percent in the first eight months of the year. This growth in the month of August reflects mainly the dynamism of non primary sectors, especially non primary manufacturing (23.8 percent), construction (14.2 percent), and services (9.7 percent).

### GROSS DOMESTIC PRODUCT

(Percentage change compared with the same period of the previous year)

	Weight 2009 1/	2009		2010			
		Year		August		January-August	
		Chg.%	Contribution	Chg.%	Contribution	Chg.%	Contribution
<b>Agriculture and Livestock</b>	7.8	2.3	0.2	-1.7	-0.1	3.8	0.3
Agriculture	4.7	0.9	0.0	-4.8	-0.2	3.6	0.2
Livestock	2.4	4.4	0.1	1.9	0.0	4.2	0.1
<b>Fishing</b>	0.4	-7.9	0.0	-35.4	-0.1	-13.6	-0.1
<b>Mining and Fuel</b>	5.7	0.6	0.0	-5.6	-0.3	-0.2	0.0
Metallic mining	4.7	-1.4	-0.1	-12.2	-0.6	-3.2	-0.2
Natural gas and oil	0.6	16.1	0.1	43.1	0.3	21.9	0.1
<b>Manufacture</b>	14.3	-7.2	-1.1	19.0	2.7	13.7	1.9
Based on raw materials	2.8	0.0	0.0	-6.4	-0.2	-2.1	-0.1
Non-primary industries	11.4	-8.5	-1.1	23.8	2.7	17.0	1.9
<b>Electricity and water</b>	2.0	1.2	0.0	7.9	0.2	8.0	0.2
<b>Construction</b>	6.2	6.1	0.4	14.2	0.9	17.6	1.0
<b>Commerce</b>	14.9	-0.4	-0.1	9.0	1.3	9.5	1.4
<b>Otros servicios</b>	48.6	3.1	1.5	9.7	4.7	7.5	3.6
Transport and communications	8.1	0.3	0.0	6.5	0.5	5.0	0.4
Finance and insurance	2.6	13.9	0.3	12.0	0.3	10.9	0.3
Business services	7.2	1.4	0.1	9.3	0.7	7.6	0.5
Restaurants and hotels	4.1	2.3	0.1	9.0	0.4	6.7	0.3
Government Services	5.8	10.6	0.5	6.3	0.4	3.2	0.2
Other services	10.9	4.2	0.4	9.7	1.0	8.3	0.9
Import duties and other taxes	9.9	-1.1	-0.1	14.1	1.3	10.7	1.0
<b>GDP Global</b>	100.0	0.9	0.9	9.2	9.2	8.4	8.4
<b>Primary</b>	16.8	1.0	0.2	-4.6	-0.8	1.0	0.2
<b>Non-primary</b>	83.2	0.8	0.7	11.9	10.0	10.0	8.2

1/ At 1994 prices.

In August, production in the agriculture sector contracted 1.7 percent due to the lower production of potatoes, beans, peas, corn, cotton, and other crops oriented to both the domestic and the external markets. However, this was offset by a higher production of coffee, poultry, and beef. Year to date this sector accumulates an expansion of 3.8 percent mainly as a result of an increased supply of coffee, olives, and poultry.

The fishing sector registered a drop of 35.4 percent due to the generalized reduction observed in all the sector items as a result of lower sea temperatures associated with La Niña phenomenon. So far this year, production in this sector accumulates a decline of 13.6 percent.

Reflecting mainly the strong reduction observed in the production of gold and, to a lesser extent, the contraction observed in the production of copper and zinc, in August the mining and hydrocarbon sector recorded a decline of 5.6 percent. In contrast, a significant expansion was

observed in the extraction of natural gas. In the January-August period, the sector records a negative growth of 0.2 percent compared with the same period in the previous year.

Non primary manufacturing recorded an expansion of 23.8 percent, a rate not only higher than the growth rate in July, but also higher than the average growth rate in Q2 (21.7 percent). With this, the sector accumulates a growth of 17.0 percent so far this year and, together with construction, becomes one of the most dynamic sectors in the economy.

Accumulating 11 consecutive months with two-digit growth rates, the construction sector grew 14.2 percent in August. The dynamism of the sector is reflected in the implementation of public and private construction projects. Year to date, construction has grown 17.6 percent, showing a dynamism similar to the one observed between 2006 and 2008.

## Indicators

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:

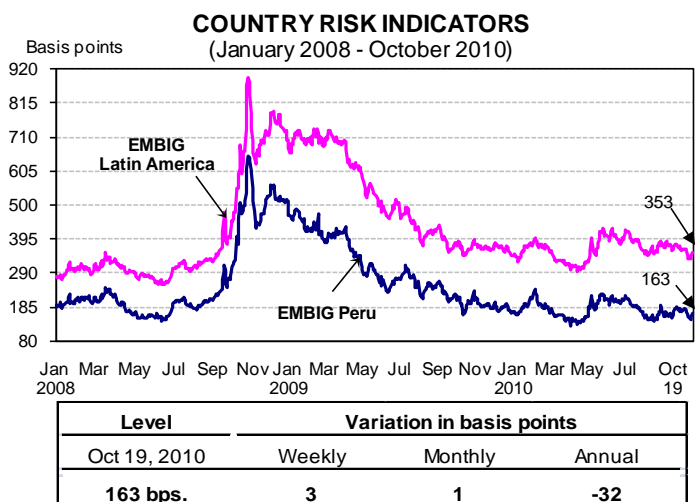
- The production of hydrocarbons grew 38.5 percent, according to Perupetro.
- IMARPE reported that there was no catch of anchovy in September due to the fishing closed season decreed for the northern and central coast areas and to the closing of ports in the south due to ocean swell.
- According to ASOCEM, local dispatches of cement increased from 634.9 to 737.3 thousand tons between September 2009 and September 2010.
- The production of electricity increased 7.8 percent in September, according to the Comité de Operación Económica del Sistema Interconectado Nacional (COES). It should be pointed out that this indicator shows an increase of 9.7 percent in the first 19 days of October.

## International Markets

### Country risk at 163 basis points

Between October 12 and 19, the country risk indicator, measured by the **EMBIG Peru** spread, rose from 160 to 163 basis points.

Moreover, the spread of the Latin American debt rose 9 basis points (from 361 to 344 basis points), influenced by the rise of interest rates in China.



## Price of gold fell to US\$ 1,340.7 per troy ounce

In the same period, the price of **gold** fell 0.5 percent to US\$ 1,340.7 per troy ounce.

The price of gold declined in a context of appreciation of the dollar in financial markets that reduced the appeal of gold as a substitute asset. After reaching a record price of US\$ 1,376.7/troy ounce on October 14, investors decided to take profit.

### GOLD PRICE

(January 2008 - October 2010)



Oct 19, 2010	% change		
	Weekly	Monthly	Annual
<b>US\$ 1,341 / troy oz.</b>	<b>-0.5</b>	<b>5.0</b>	<b>27.6</b>

### COPPER PRICE

(January 2008 - October 2010)



Oct 19, 2010	% change		
	Weekly	Monthly	Annual
<b>US\$ 3.76 / pound</b>	<b>0.4</b>	<b>6.9</b>	<b>32.5</b>

Between October 12 and 19, the price of **copper** rose to US\$ 3.76 a pound (0.4 percent).

The price of this basic metal rose again during the week due mainly to better prospects for global demand, despite the still weak recovery of the US economy. The rise in the price of copper was also favored by the decline of inventories in the major stock exchange markets.

### ZINC PRICE

(January 2008 - October 2010)



Oct 19, 2010	% change		
	Weekly	Monthly	Annual
<b>US\$ 1.08 / pound</b>	<b>2.9</b>	<b>9.8</b>	<b>16.8</b>

Between October 12 and 19, the price of **zinc** rose 2.9 percent to US\$ 1.08 a pound.

The rise in the price of zinc was associated with the reduction of inventories at the London Metal Exchange (LME) –where zinc inventories declined 0.5 percent to 607 thousand tons– and with the strong demand observed in Asia.



Between October 12 and 19, the price of **WTI oil** dropped 2.7 percent to US\$ 79.5 per barrel.

This price drop was associated with the strengthening of the dollar against the euro observed in the last days of the week, with higher inventories of crude and gasoline in the US, and with signals that would be indicating that the OPEC will maintain its current production levels.

**WTI OIL PRICE**

(January 2008 - October 2010)



Oct 19, 2010	% change		
	Weekly	Monthly	Annual
<b>US\$ 79.5 / barrel</b>	<b>-2.7</b>	<b>7.9</b>	<b>0.6</b>

**Dollar appreciated against the euro**

Between October 12 and 19, the **dollar** appreciated 1.3 percent against the **euro**.

The US currency strengthened against the euro reflecting investors' search for safety in financial markets after China unexpectedly raised its interest rates. The latter led investors to reduce their exposure to risky assets.

On the other hand, the dollar depreciated 0.2 percent against the **yen**.

**EVOLUTION OF THE YEN AND EURO**

(January 2008 - October 2010)



	Level	% change		
	Oct 19, 2010	Weekly	Monthly	Annual
US dollar/Euro	<b>1.37</b>	<b>-1.3</b>	<b>5.3</b>	<b>-8.3</b>
Yen/US dollar	<b>81.6</b>	<b>-0.2</b>	<b>-4.9</b>	<b>-10.0</b>

**Yield on 10-year US Treasuries rose to 2.48 percent**

Between October 12 and 19, the **3-month Libor** remained at 0.29 percent, while the yield on the **10-year Treasury bond** rose from 2.43 to 2.48 percent.

The yield on the US Treasuries rose after reports included some positive economic indicators in the United States (retail sales and manufacturing in New York) and after a higher sale of bonds was observed during the week.

**3-MONTH LIBOR AND 10-YEARS US TREASURIES**

(January 2008 - October 2010)



	Oct 19, 2010	% change		
		Weekly	Monthly	Annual
3 months Libor	<b>0.29</b>	<b>0</b>	<b>0</b>	<b>1</b>
US Treasuries	<b>2.48</b>	<b>4</b>	<b>-26</b>	<b>-90</b>

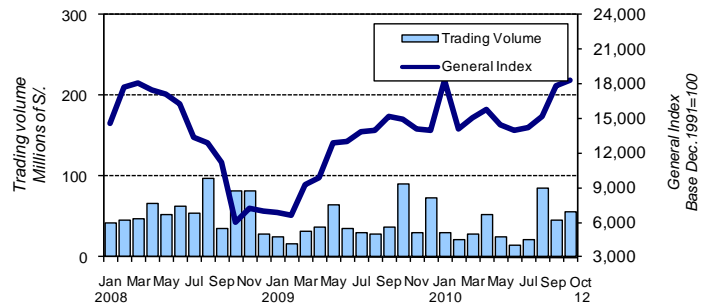


**Annual profitability of the Lima Stock Exchange: 29.6 percent**

So far this month (at October 19), the **General Index** and the **Selective Index** of the LSE have grown 2.8 and 3.4 percent, respectively.

During the week of analysis (October 12-19), the General and the Selective Indices fell 3.3 and 2.3 percent, respectively, as a result of the negative trend observed in global markets and the decline in the price of precious metals associated with the new global scenario resulting from China's cooling economy.

**LIMA STOCK EXCHANGE INDICATORS**  
(January 2008 - October 2010)



	As of:	% change compared to:		
	Oct 19, 2010	Oct 12, 2010	Sep 30, 10	Dec.09
General Index	<b>18,367</b>	-3.3	2.8	<b>29.6</b>
Selective Index	<b>26,930</b>	-2.3	3.4	<b>20.0</b>

Year to date, the indices of the LSE have accumulated gains of 29.6 and 20.0 percent, respectively.

