

**BANCO CENTRAL DE RESERVA DEL PERU**  
**WEEKLY REPORT N° 01**  
**January 4, 2002**

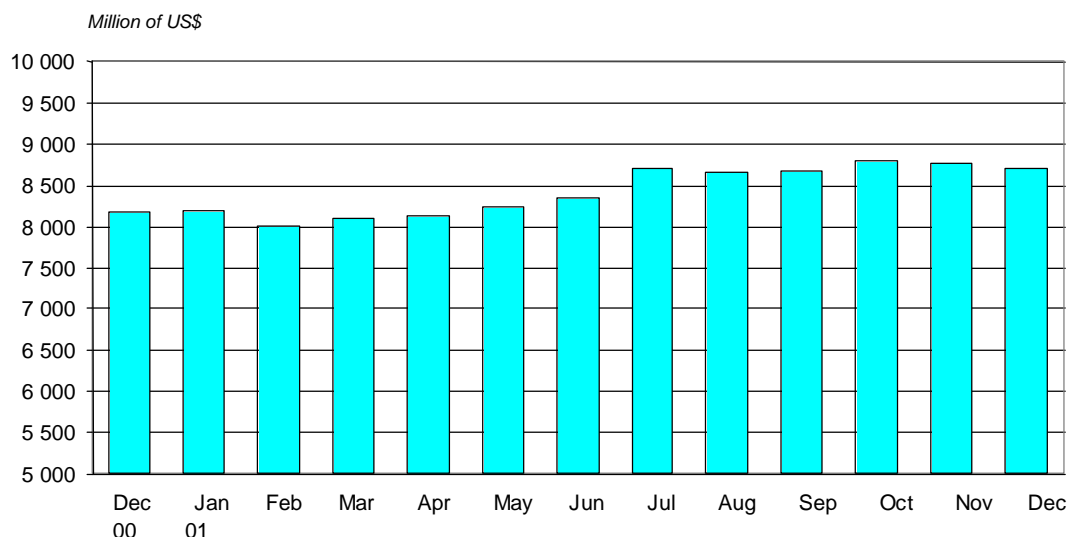
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***Net International Reserves at US\$ 8 695 million***

As of December 28, the net international reserves (NIR) of the Central Reserve Bank of Peru amounted to US\$ 8 695 million, down US\$ 73 million from end-November but up US\$ 515 million from end-2000. The decrease of NIR during December obeys to lower financial system (US\$ 99 million) and public sector deposits (US\$ 66 million) which were partially offset by purchases of foreign currency (US\$ 79 million) and investment yields (US\$ 13 million). On the other hand, the foreign exchange position amounted to US\$ 2 914 million, up US\$ 86 million from end-November.

**BCRP net international reserves  
(December 2000 - December 2001)**



***Banks' current account balance at S/. 165 million***

In December, the banks' current account held at the Central Bank was S/. 165 million on a daily average basis, above the range set for that month reflecting seasonal higher cash demand in order to meet monthly average reserve (S/. 150-160 million) and reflecting the intention to avoid interbank interest rates volatility due to the concentration of demand and supply in this period.

From December 26 to 31, the Central Bank carried out temporary purchase of CDBCRP amounting to S/. 355 million at an average interest rate of 3,22 percent.

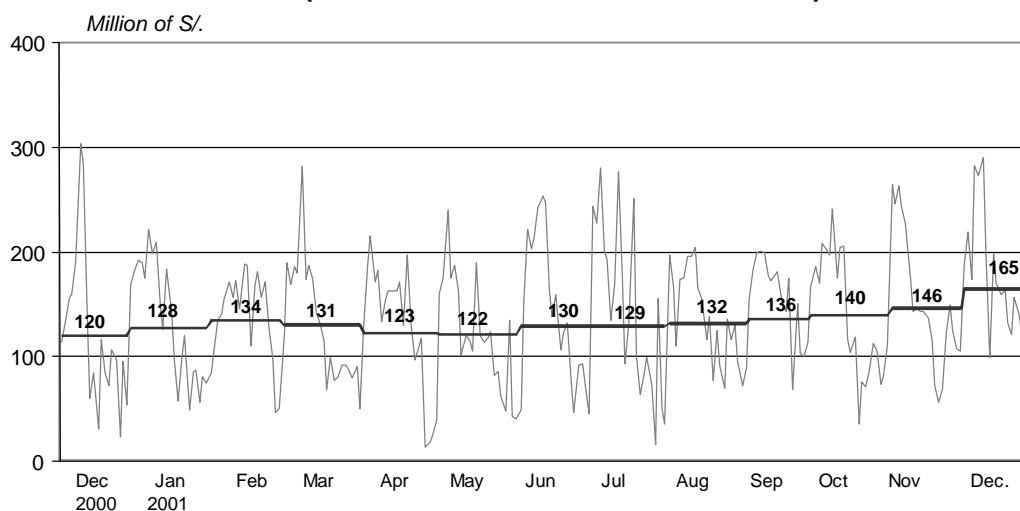
#### Temporary purchase of CDBCRP

Date	Amount (Million of S/.)	Interest rate (%)
<b>December 26</b>	155	3,17
<b>December 27</b>	100	3,25
<b>December 28</b>	100	3,27
<b>Total</b>	<b>355</b>	<b>3,22</b>

#### Monetary operations: daily average (Million of S/.)

	Banks' current account balance at the end of previous day's operations	Banks' operations with Banco de la Nación	Redemption of CDBCRP	Other banking operations redemption with the Central Bank	Cash transfers that affect the bank's current account balance	Current account of banking system before Central Bank operations	Central bank operations	Current account after Central Bank operations	Interbank interest rate
	1	2	3	4	5	6=1+2+3+4+5	7	8=6+7	
November 2000	126	-33	21	-139	35	16	118	129	14,0
December	120	-38	41	-107	20	38	83	120	11,4
January 2001	128	-41	10	-84	58	77	58	128	10,8
February	135	-27	27	-30	38	157	-9	134	11,0
March	131	-34	16	-13	37	137	-7	131	10,3
April	124	-73	16	-353	40	-243	368	123	12,5
May	122	-28	14	-157	48	-2	125	122	12,7
June	130	-34	18	-50	37	113	29	130	16,0
July	129	-30	31	-20	25	151	-6	129	8,4
August	130	-32	5	23	50	180	-44	132	5,7
September	137	-39	14	-31	36	126	18	136	5,8
October	139	-44	16	-84	31	55	84	140	4,5
November	146	-52	14	-10	47	152	1	146	3,5
December	166	-41	34	-95	24	92	76	165	3,1

#### Banks' current account at the BCRP (December 2000 - December 2001)



### *Average monetary base at S/. 5 883 million*

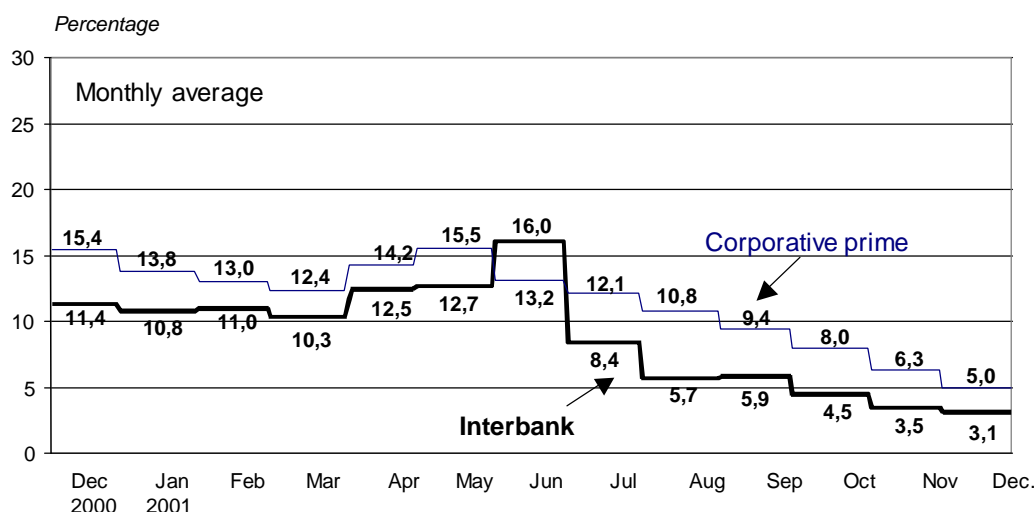
In December, the daily average balance of the monetary base was S/. 5 883 million, up 11,1 percent from November. On December 31, the monetary base amounted to S/. 6 088 million, up 14,4 percent (S/. 768 million) from end-November. This increase reflects the usually higher cash demand recorded in the month of December. The operations that explained the higher monetary base were the withdrawal of public sector deposits (S/. 366 million), purchases of foreign currency (S/. 271 million), net redemption of CDBCRP (S/. 185 million) and other outlays (S/. 23 million), which were partially offset by the redemption of temporary purchases of CDBCRP (S/. 37 million) and higher overnight deposits (S/. 39 million).

In 2001, the daily average balance of the monetary base was S/. 5 217 million, up 3,2 percent from 2000 (S/. 5 056). End of the year monetary base was S/. 445 million (7,9 percent) higher than in 2000. The operations that explained the higher monetary base were the purchases of foreign currency (S/. 450 million), the withdrawal of public sector deposits (S/. 124 million), which were partially offset by the net issuance of CDBCRP (S/. 480 million), higher Insurance Deposit Fund deposits (S/. 46 million) and overnight deposits (S/. 7 million).

### *Interest rates decrease*

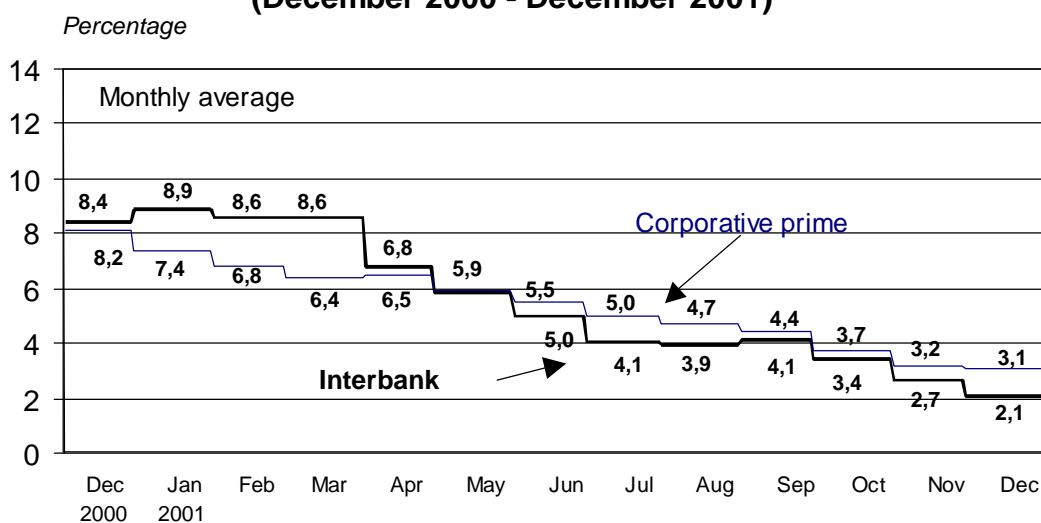
In December, the interbank interest rate in domestic currency decreased from 3,5 percent in November to 3,1 percent, whereas the corporate prime interest rate declined from 6,3 percent in November to 5,0 percent. Conversely, the average lending interest rate in domestic currency (TAMN) increased slightly from 22,8 to 23,0 percent.

**Interbank interest rate in domestic currency  
(December 2000 - December 2001)**

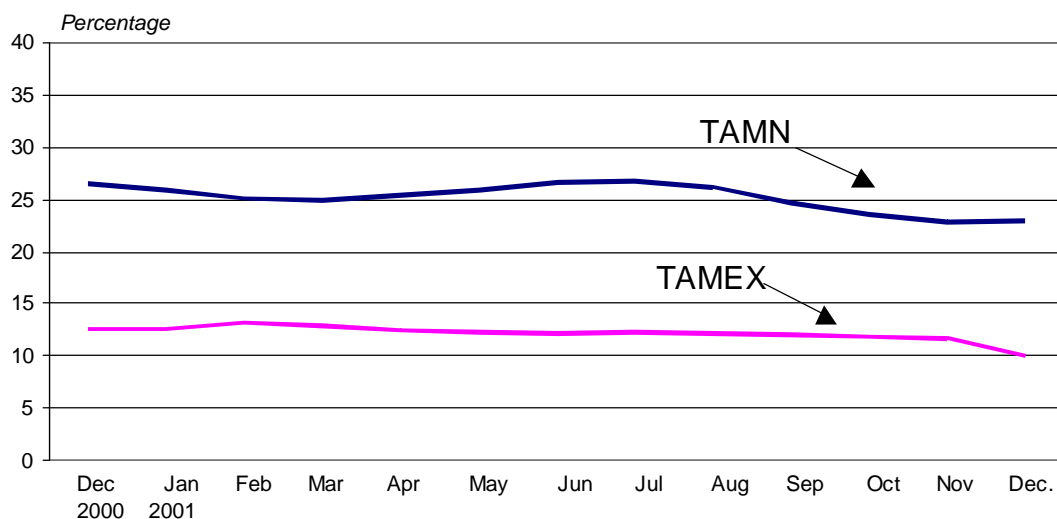


In foreign currency, the interbank rate passed from 2,7 percent in November to 2,1 percent as of December 26. The corporate prime interest rate in foreign currency declined from 3,2 percent to 3,1 percent. In the same period, the average lending interest rate in foreign currency (TAMEX) also declined from 11,7 to 10,1 percent.

### Tasa de interés interbancaria en moneda extranjera (December 2000 - December 2001)

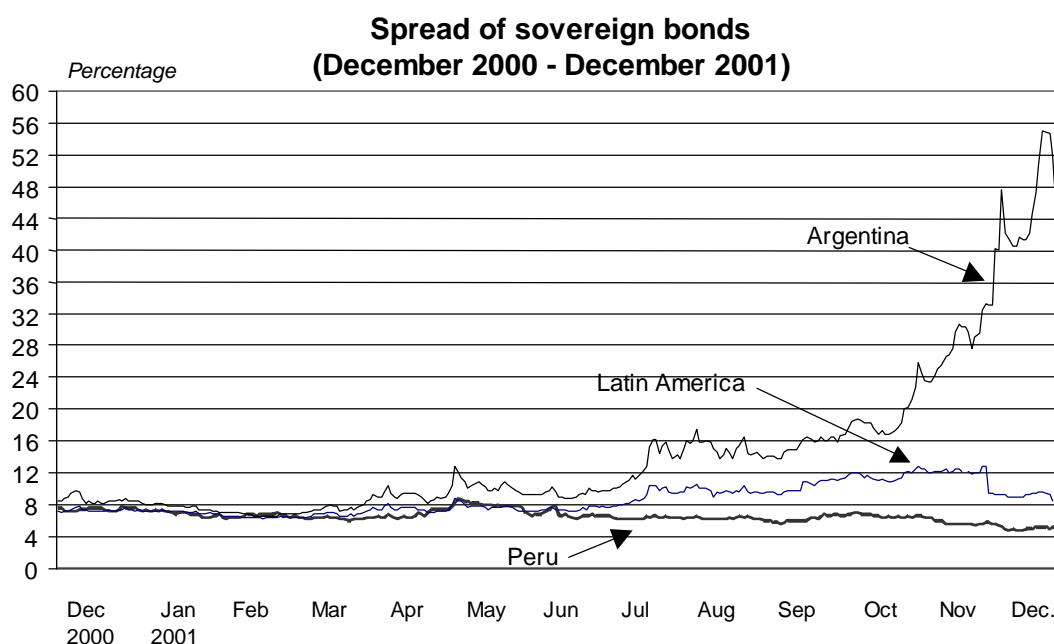


### Active lending interest rates (December 2000 - December 2001)



### *Peru's bonds spread at 5,1 percent*

As of December 31, the spread between the yield of Peruvian bonds and the interest rate on US Treasury bills (a proxy for the country risk perceived by investors) was 5,1 percent, lower than the levels in November (5,8 percent) and October (6,7 percent). It should be noted that the current spread is the lowest rate since March 2000.



### ***Inflation: December 2001***

In December, the **Consumer Price Index (CPI)** decreased 0,09 percent and 0,13 in annual terms. In December, tradable product prices decreased 0,5 percent, whereas tradable product prices increased 0,2 percent. **Underlying inflation** was 0,03 percent in December and 0,7 percent in 2001 (versus 3,2 percent in 2000).

Annual inflation (-0,13 percent) was reflected in the fall of tradable product prices (-1,0 percent), whereas non-tradable increased slightly (0,5 percent).

	INFLATION (Percentage changes)							
	2000				2001			
	Oct.	Nov.	Dec.	Year	Oct.	Nov.	Dec.	Year
<b><u>GENERAL INDEX</u></b>	<b><u>0,23</u></b>	<b><u>0,06</u></b>	<b><u>0,15</u></b>	<b><u>3,73</u></b>	<b><u>0,04</u></b>	<b><u>-0,49</u></b>	<b><u>-0,09</u></b>	<b><u>-0,13</u></b>
<b><u>TRADABLE PRODUCTS</u></b>	<b><u>0,47</u></b>	<b><u>0,80</u></b>	<b><u>0,34</u></b>	<b><u>4,68</u></b>	<b><u>-0,16</u></b>	<b><u>0,02</u></b>	<b><u>-0,44</u></b>	<b><u>-0,99</u></b>
Food	-0,1	-0,1	-0,1	0,3	0,1	0,1	-0,5	-1,5
Textile & footwear	0,2	0,2	0,4	2,6	0,0	0,0	0,3	1,9
Fuel	4,2	6,1	1,8	30,3	-2,3	-1,9	-3,2	-13,1
Electrical appliances	0,4	0,6	0,2	1,8	-0,3	-0,5	-0,2	-0,2
Others	0,3	0,7	0,4	5,1	0,2	0,6	0,1	2,2
<b><u>NON-TRADABLE PRODUCTS</u></b>	<b><u>0,08</u></b>	<b><u>-0,45</u></b>	<b><u>-0,03</u></b>	<b><u>3,08</u></b>	<b><u>0,16</u></b>	<b><u>-0,85</u></b>	<b><u>-0,16</u></b>	<b><u>0,47</u></b>
Food	-0,4	-2,8	-0,8	0,2	0,7	-2,0	0,1	-0,3
Services	0,3	0,6	0,4	4,3	-0,1	-0,4	0,2	0,8
Public services	0,5	2,6	0,1	5,1	-0,3	-2,8	-0,3	-2,7
Transportation	0,1	0,0	1,3	5,2	0,0	-0,2	1,3	0,1
Rent	0,5	0,4	0,1	3,4	-0,4	-0,2	-0,1	-0,4
Other services	0,3	0,4	0,2	3,8	0,0	0,1	0,1	1,8
Others	0,3	0,3	0,1	3,5	0,1	0,0	0,0	0,3
<b>Note:</b>								
<b>Underlying inflation</b>	<b>0,2</b>	<b>0,5</b>	<b>0,3</b>	<b>3,2</b>	<b>0,0</b>	<b>-0,1</b>	<b>0,0</b>	<b>0,7</b>

### *Exchange rate at S/. 3,437*

In December, the ask exchange rate in the banking system was S/. 3,437, 0,1 percent lower than last month's average (S/. 3,441). In the year, the exchange rate recorded a 2,4 percent decrease.

In real terms, the exchange rate increased 0,5 percent in December, but decreased 3,8 percent in the year. The monthly increase is explained by the nominal appreciation of 0,1 percent and the difference between domestic inflation (-0,09 percent) and external inflation (0,5 percent).

The balance of foreign currency sales in the forward market increased slightly from US\$ 943 million in November to US\$ 834 million in December, whereas the banks' exchange position increased from US\$ 585 million to US\$ 597 million.

<b>Banks' exchange market operations to the public: Daily average (Million of US\$)</b>						
	<b>December 2000</b>	<b>August 2001</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>
<b>End-of-period balance:</b>						
<b>a. Net sales to the public (i-ii)</b>	<b>440</b>	<b>596</b>	<b>572</b>	<b>595</b>	<b>618</b>	<b>587</b>
i. Forward sales to the public	653	1 065	1 068	1 039	943	834
ii. Forward purchases to the public	213	470	496	441	325	247
<b>b. Banks' exchange position</b>	<b>630</b>	<b>446</b>	<b>667</b>	<b>527</b>	<b>585</b>	<b>598</b>
<b>Flows:</b>						
<b>I. Forward sales to the public</b>	<b>0</b>	<b>-3</b>	<b>-1</b>	<b>-1</b>	<b>-4</b>	<b>-5</b>
- New sales	12	12	12	15	16	9
- Redemptions	12	15	13	16	20	14
<b>II. Forward purchases to the public</b>	<b>-2</b>	<b>-3</b>	<b>-1</b>	<b>-2</b>	<b>-5</b>	<b>-3</b>
- New purchases	6	9	9	8	8	11
- Redemptions	8	12	10	10	13	14
<b>III. Net spot purchases to the public</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>16</b>	<b>1</b>
- Purchases	87	76	78	85	91	76
- Sales	87	73	74	79	75	75

### *Monetary accounts: December 15*

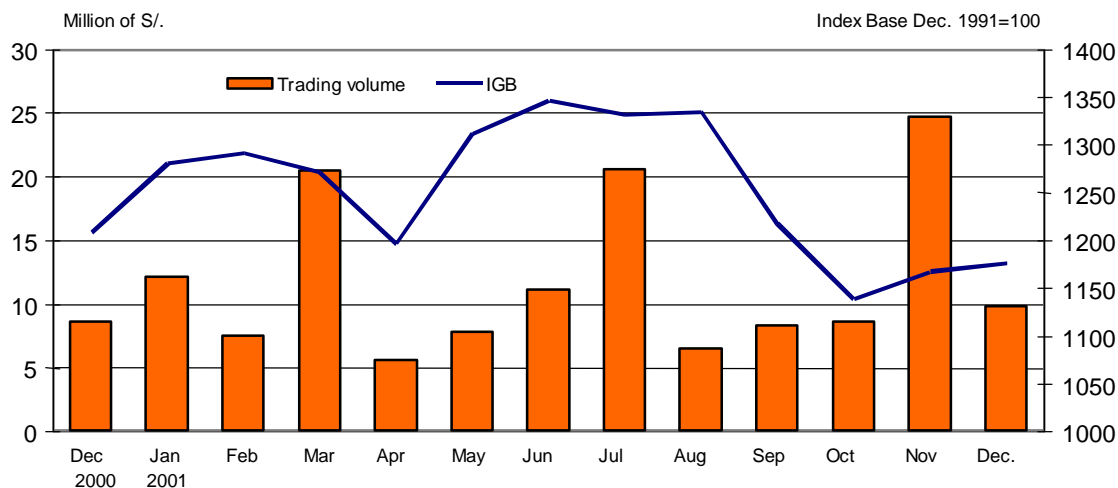
Liquidity in domestic currency increased 8,5 percent (S/. 1 265 million) in November to S/. 16 131 million. In annual terms this aggregate increased 11,8 percent. On the other hand, credit to the private sector in domestic currency increased 3,8 percent (S/. 343 million) to S/. 9 341 million. Growth in the last 12 months for this variable was 3,8 percent.

In the same period liquidity in foreign currency decreased US\$ 113 million (1,2 percent) to US\$ 9 523 million. Short-term external liabilities decreased 0,5 percent (US\$ 7 million) to US\$ 1 344 million. Credit to the private sector (US\$ 10 801 million) rose 0,5 percent (US\$ 55 million) as of December 15, but decreased 5,3 percent in the last 12 months.

### *General Index increased 0,8 percent*

As of December 31, the Lima Stock Exchange increased relative to end-November by 0,8 percent in the General Index and 0,6 percent in the Blue Chip Index. However, in the year the General and Blue Chip index have decreased 2,6 and 6,3 percent, respectively.

#### **Stock market indicators (December 2000 - December 2001)**



*Lima, January 4, 2002*

The weekly report releases economic information to be published (with broader detail) in the weekly bulletin the following Monday. The weekly report published on Fridays is released via facsimile for a charge or free via email (acorales@bcrp.gob.pe). A subscription can be requested to telephone (51-1) 4266250 ext. 3817 or email. The monthly fee for the facsimile is S/. 12 (Peru only) and US\$ 49 (overseas).

**Monetary Program - Information Note: January 2002**

1. For the month of January, the Board increased the range for its operating target at **S/. 160 - S/. 170 million as a daily average** consistent with a higher preference for domestic currency. In December, the said balance was S/. 165 million, which fell above the announced range (S/. 150 – S/. 160 million) avoiding unnecessary fluctuations in interbank interest rates in a context of high concentration of supply and demand in the interbank market.
2. The Central Bank Board of Directors also established that the following interest and commission rates would be used in domestic-currency Central Bank operations since January 4:
  - a. For monetary regulation credits in domestic currency, the effective interest rate would be **the weighted average of the interbank interest rates, or 4,0 percent, whichever is highest**. Formerly, the said rate was 5,0 percent.
  - b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate remained at **2,0 percent**.
  - c. For foreign exchange temporary purchase operations (swap operations), the commission implies an effective annual cost of **4,0 percent**. The latter cost was 5,0 percent.
3. The following interest rates will be used in foreign-currency operations:
  - a. The effective annual rate for monetary regulation credits will be **3,5 percent**. Formerly, the said rate was 4,5 percent.
  - b. For overnight deposits held by banks at the Central Bank, the rate is equivalent to the average obtained by the Central Bank for similar deposits abroad.
4. The Central Bank grants monetary regulation credits in domestic and foreign currency on a regular basis. Besides, the Central Bank operations will be oriented to reduce volatility in the exchange market.
5. If justified by financial conditions, the values mentioned above could be modified in order to ensure the attainment of the objective to preserve monetary stability, which mean avoiding inflationary or deflationary pressures.

Lima, January 4, 2001



Operational target and reference rate approved by the Board of the Central Bank: 2001

	2001											Program January 2002
	February	March	April	May	June	July	August	September	October	November	December	
<b>1. Operational target: current account</b> (In million of S/.)												
Range	125-135	128-138	130-140	120-130	125-135	135-145	130-140	130-140	132-142	135-145	150-160	160-170
Revised			120-130									
Actual	134	131	123	122	130	129	132	136	140	146	165	
<b>2. Reference interest rates</b> (In percentage)												
<b>a. Monetary regulation credits, temporary purchase of CDBCRP and Treasury bonds out of auctions</b>												
a.1. In domestic currency	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5	7,5	6,0	5,0	4,0
a.2. En foreign currency	8,5	8,5	8,5	7,5	7,0	6,5	6,0	5,5	5,0	4,5	4,5	3,5
<b>b. Overnight deposits</b>												
b.1. In domestic currency	4,5	4,0	4,0	4,0	4,0	4,0	4,0	4,0	3,0	2,5	2,0	2,0
b.2. In foreign currency <sup>1/</sup>	5,5	5,3	4,8	4,2	3,9	3,8	3,7	3,2	2,5	2,1	1,8	<sup>1/</sup>
<b>3. Swap commissions</b>												
Commission	0,0172	0,0165	0,0159	0,0174	0,0171	0,0158	0,0138	0,0134	0,0138	0,0115	0,0089	<sup>3/</sup>
Annual percentage rate	12,5	11,5	11,0	11,0	10,5	10,0	9,0	8,5	7,5	6,0	5,0	4,0
<b>Note:</b>												
Interbank interest rate in domestic currency	11,0	10,3	12,5	12,7	10,6 <sup>2/</sup>	8,4	5,7	5,9	4,5	3,5	3,2	

1/ Similar to BCRP international overnight deposits' interest rate abroad.

2/ June 1 quotation non included (74,3 percent).

3/ Since October, the swap commission is calculated on a daily basis and considering international levels.