

The present Weekly Report incorporates the table "MAIN CITIES URBAN EMPLOYMENT INDEXES FOR FIRMS WITH 10 OR MORE EMPLOYEES" (table 80), of monthly frequency, which information comes from the Monthly Variation in Employment in Firms with 10 or More Workers National Survey (Ministry of Labor).

CENTRAL RESERVE BANK OF PERU

WEEKLY REPORT

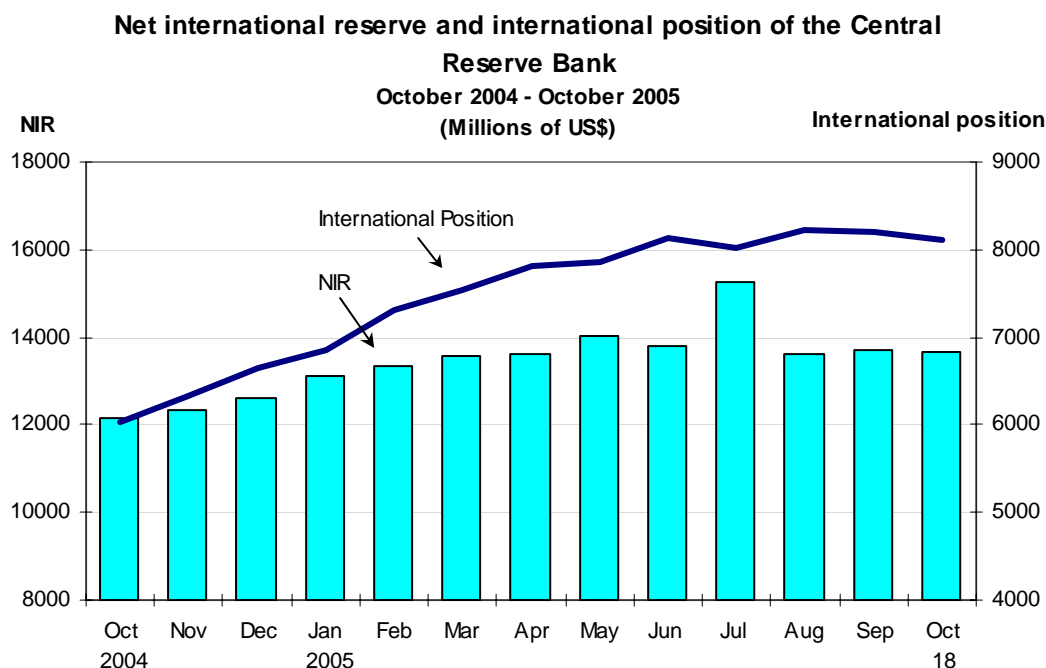
Nº 42 – October 21, 2005

Net international reserves at US\$ 13 665 million

As of **October 18**, net international reserves (NIR) amounted to US\$ 13 655 million, down US\$ 40 million from end-September. This decrease is mainly explained by lower public sector deposits in US\$ 92 million, sales of foreign currency over-the-counter mechanism by US\$ 34 million, sales of foreign currency to the public sector by US\$ 30 million and changes in the value of currencies and gold in US\$ 13 million. This evolution was

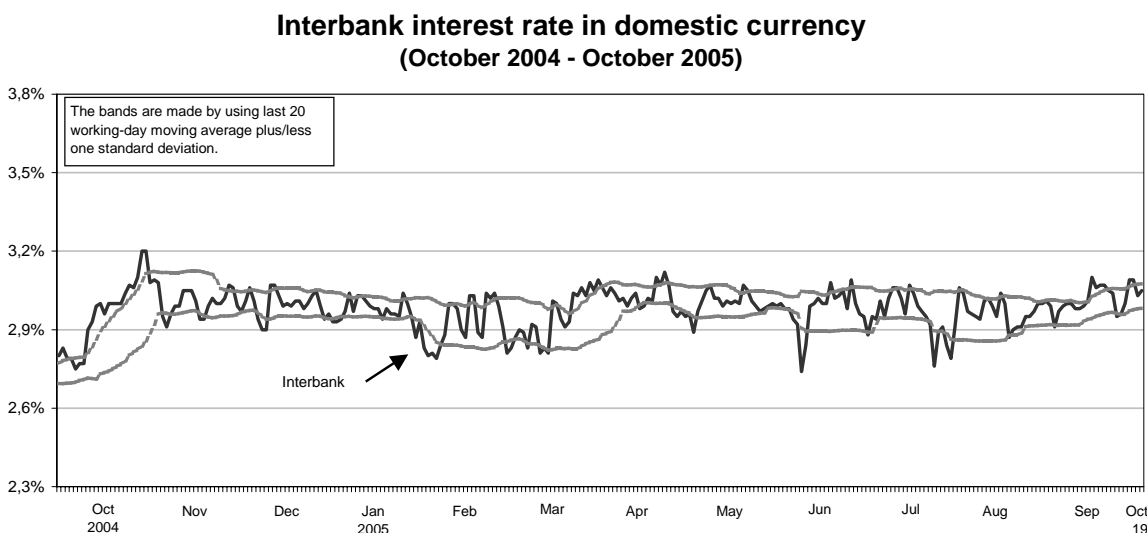
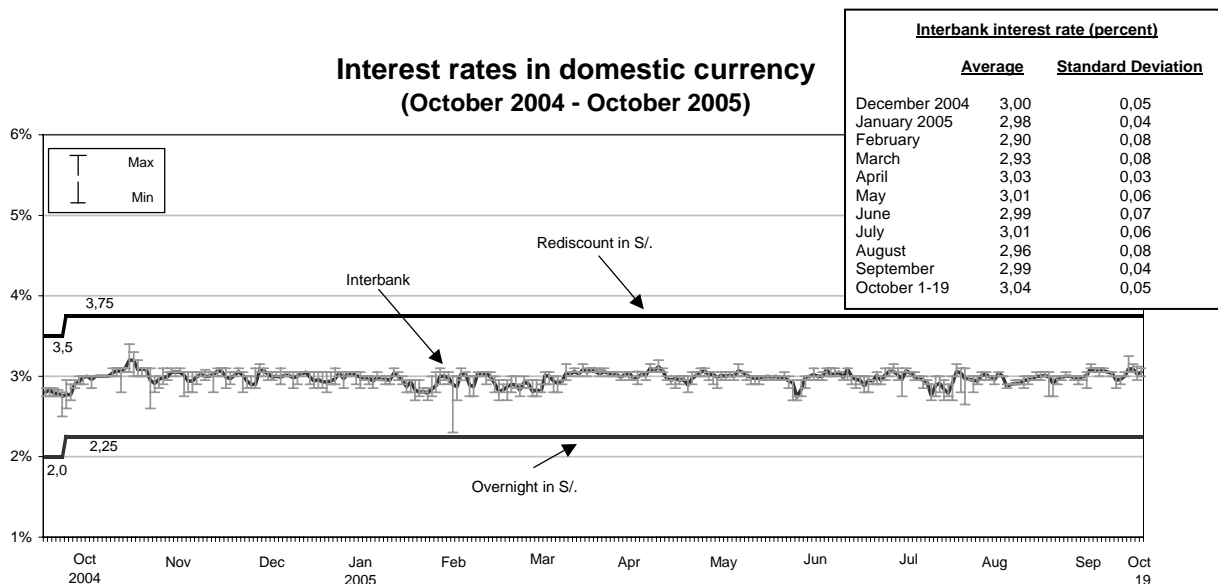
partially offset by higher financial system and Insurance Deposit Fund deposits in US\$ 121 million and US\$ 3 million, respectively and net interest gain by US\$ 4 million.

Year-to-date, NIRs have increased US\$ 1 024 million, whereas the **Central Bank's international position** (US\$ 8 117 million, grew by US\$ 1 478 million.



Interbank interest rate at 3,04 percent

Between **October 1 and 19**, the average interest rate in domestic currency was 3,04 percent.



Monetary operations

Between **October 13 and 19**, the Central Bank made the following operations:

- Auctions of temporary purchase of CDBCRP and BTP with a: i) 1-day by S/. 150, S/. 49, S/. 50 and S/. 195 million at 3,14; 2,99; 3,12 and 3,08 percent, respectively; ii) 3-day by S/. 100, S/. 100 and S/. 50 million at 3,17; 3,18 and 3,19 percent and iii) 1-week by S/. 100 million at 3,21 percent.
- Auction of CDRBCRP with a two month maturity by S/. 50 million, in 2 opportunities, at an interest rate of 4,0 percent.

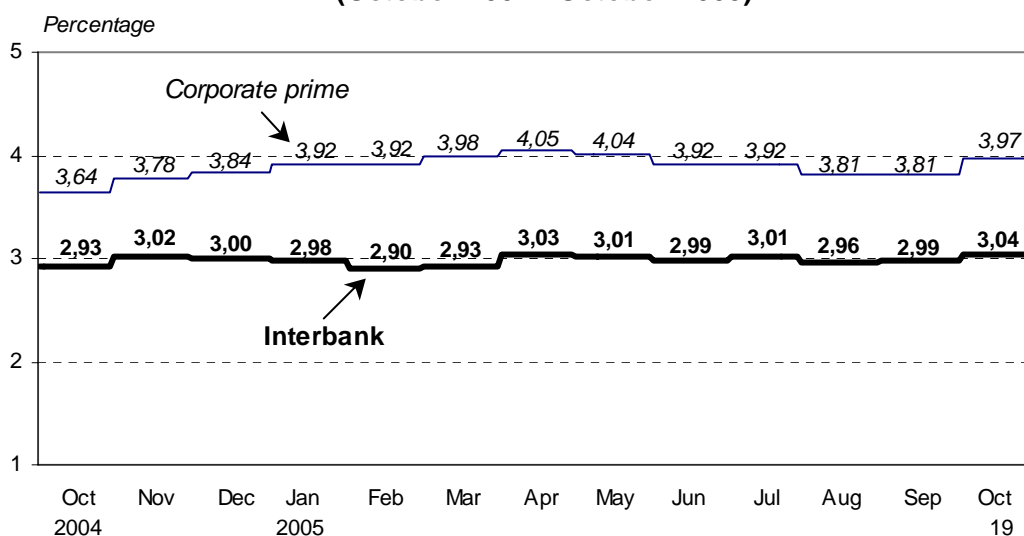
- Foreign currency sale over-the-counter mechanism on October 13 by US\$ 11,5 million at an average exchange rate of S/. 3,395.
- Overnight deposits on October 13, 14, 17 and 18 de October by S/. 75; S/. 13,5; S/. 34 and S/. 8 million, respectively.

Corporate prime interest rate at 3,97 percent

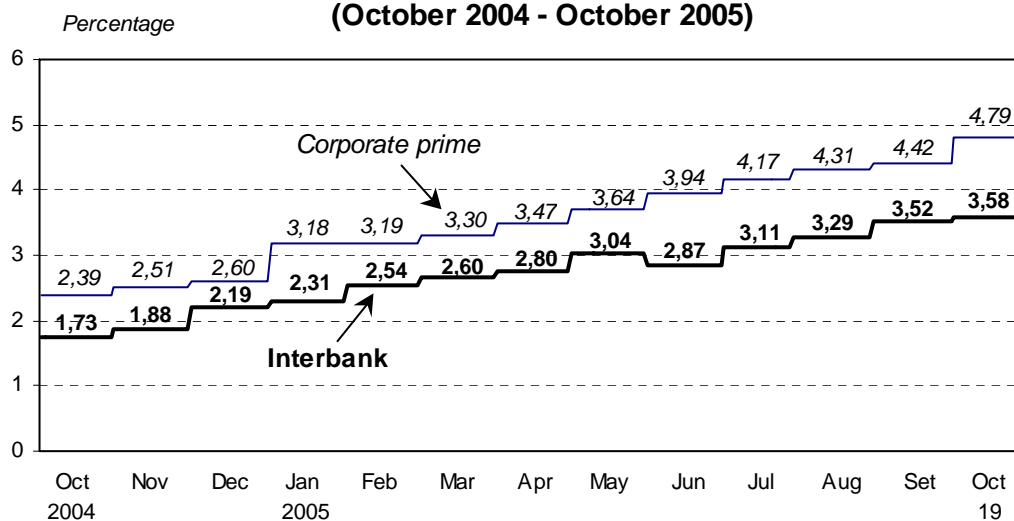
As of **October 19**, the 90-day average corporate prime interest rate in domestic currency augmented from 3,81 in

September to 3,97 percent and the rate in dollars from 4,42 to 4,79 percent.

**Monthly average interest rate in domestic currency
(October 2004 - October 2005)**



**Monthly average interest rate in foreign currency
(October 2004 - October 2005)**



Exchange rate: S/. 3,394

Between **October 12 and 19**, the asked banking system exchange rate slightly decreased from S/. 3,395 to S/ 3,394 per dollar. Up to October 18, the bank's

balance of net forward sales augmented in US\$ 211 million meanwhile the bank's exchange position dropped US\$ 16 million, from end-September.

BANKS' EXCHANGE POSITION
(Millions of US\$)

	December 2003	December 2004	September 2005	October 18
a. Net sales to the public (i-ii)	607	699	294	505
i. Forward sales to the public	834	1 163	1 485	1 611
ii. Forward purchases to the public	227	464	1 191	1 106
b. Banks' exchange position	536	340	327	310

Monetary base as of October 15, 2005

The **monetary base** balance as of October 15 was S/. 10 412 million up 2,4 percent (S/. 243 million) from end-September. In average terms, the year on year rate of growth of the monetary base in this period was 30,6 percent (31,1 percent in September).

The main explanations for this result were temporary purchases of securities (S/. 250

million), lower financial system overnight deposits (S/. 100 million) and CDBCRP's net redemptions (S/. 54 million). These operations were partially offset by sales of foreign currency over-the-counter mechanism (US\$ 34 million or S/. 114 million), CDRBCRP's net placements (S/. 50 million) and higher public sector deposits (S/. 15 million).

Banking system monetary accounts as of September 30, 2005

In September, liquidity in **domestic currency** decreased 1,2 percent (S/. 351 million) to a balance of S/. 28 064 million. Credit to the private sector in the same currency augmented 2,0 percent (S/. 260 million) to S/. 13 144 million. However, in annual terms this aggregates grew by 27,1 and 21,1 percent, respectively

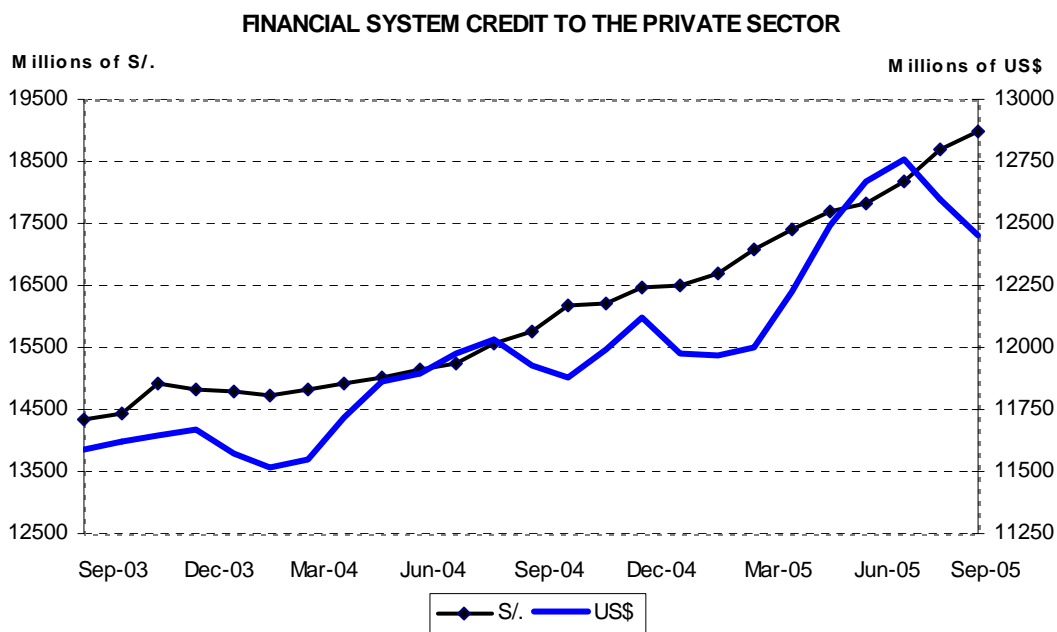
Liquidity in **foreign currency** increased 1,9 percent (US\$ 186 million) to a balance of US\$ 10 115 million (an annual growth rate of 5,9 percent). Credit to the private sector in the same currency diminished 1,4 percent (US\$ 143 million) to US\$ 10 155 million (an annual growth rate of 4,6 percent).

EVOLUCION DE AGREGADOS MONETARIOS FIN DE PERIODO DEL SISTEMA BANCARIO												
	EMISIÓN PRIMARIA		LIQUIDEZ EN M/N		CREDITO EN M/N		LIQUIDEZ EN M/E		PASIVOS DE C.P. 1/		CREDITO EN M/E	
	VAR.(%) MES	VAR.(%) AÑO	VAR.(%) MES	VAR.(%) AÑO	VAR.(%) MES	VAR.(%) AÑO	VAR.(%) MES	VAR.(%) AÑO	VAR.(%) MES	VAR.(%) AÑO	VAR.(%) MES	VAR.(%) AÑO
2003												
Dic.	11,5%	10,1%	3,6%	10,5%	-1,2%	5,1%	0,5%	-2,6%	-0,1%	-8,0%	-0,6%	-5,8%
2004												
Ene.	-6,4%	13,4%	2,6%	17,0%	-0,2%	8,8%	-0,2%	-2,7%	1,4%	4,8%	-1,0%	-4,0%
Feb.	0,7%	14,5%	-0,6%	13,3%	-0,5%	4,2%	-2,7%	-5,3%	1,9%	-3,3%	-0,9%	-4,6%
Mar.	0,7%	16,6%	1,5%	12,9%	3,6%	6,3%	0,0%	-5,2%	-4,7%	8,8%	0,5%	-3,7%
Abr.	4,4%	18,2%	-0,6%	12,6%	0,0%	2,6%	0,9%	-3,8%	7,4%	4,0%	1,2%	-3,5%
May.	0,7%	20,3%	0,5%	12,3%	-0,2%	1,9%	-0,4%	-3,3%	13,6%	20,7%	1,5%	-1,2%
Jun.	0,7%	19,2%	-0,1%	14,1%	0,8%	3,9%	3,0%	-1,5%	3,4%	28,4%	0,7%	-0,3%
Jul.	9,9%	21,0%	2,6%	10,7%	1,2%	5,1%	2,4%	2,2%	-5,1%	17,6%	0,5%	0,8%
Ago.	-5,2%	18,6%	1,3%	14,0%	0,4%	6,2%	-1,8%	0,6%	-5,2%	20,8%	-1,2%	-0,5%
Set.	-1,0%	20,5%	2,8%	17,0%	1,6%	8,0%	-0,1%	1,3%	6,5%	30,6%	-1,2%	-0,6%
Oct.	4,5%	24,3%	6,7%	24,1%	3,5%	12,3%	-0,9%	-0,1%	-17,1%	2,8%	-0,7%	-1,1%
Nov.	0,6%	21,7%	2,9%	25,6%	0,4%	9,4%	0,4%	1,1%	4,2%	2,7%	1,0%	-0,4%
Dic.	14,9%	25,3%	5,7%	28,1%	1,0%	11,9%	0,8%	1,4%	1,6%	4,5%	1,1%	1,3%
2005												
Ene.	-6,7%	25,0%	0,3%	25,3%	-0,2%	11,9%	0,5%	2,1%	24,7%	28,4%	0,3%	2,7%
Feb.	2,0%	26,7%	3,8%	30,8%	0,4%	12,9%	-0,5%	4,3%	-9,4%	14,1%	-0,1%	3,5%
Mar.	-0,2%	25,7%	3,7%	33,6%	2,8%	12,1%	-2,0%	2,2%	6,0%	27,0%	0,4%	3,4%
Abr.	5,2%	26,6%	-1,2%	32,9%	1,7%	14,0%	4,0%	5,4%	10,5%	30,7%	2,2%	4,4%
May.	0,8%	26,7%	0,1%	32,2%	1,7%	16,2%	2,8%	8,8%	-1,9%	12,8%	1,9%	4,9%
Jun.	1,9%	28,1%	2,2%	35,4%	0,8%	16,2%	-0,7%	4,9%	-6,7%	1,8%	1,5%	5,7%
Jul.	12,1%	30,6%	3,4%	36,4%	2,0%	17,1%	-0,6%	1,8%	2,7%	10,1%	0,6%	5,8%
Ago.	-5,1%	30,7%	-1,8%	32,3%	3,3%	20,5%	0,2%	3,9%	0,7%	17,1%	-2,2%	4,8%
Set.	-0,1%	31,8%	-1,2%	27,1%	2,0%	21,1%	1,9%	5,9%	-9,7%	-0,7%	-1,4%	4,6%
Memo:												
Saldos al 31 de ago. (Mill.S/ ó Mill.US\$)	10 184		28 415		12 884		9 929		918		10 298	
Saldos al 30 de set. (Mill.S/ ó Mill.US\$)	10 170		28 064		13 144		10 115		829		10 155	
1/ Pasivos externos de corto plazo de las empresas bancarias.												

Financial system credit to the private sector

In **September**, for second month in a row, the financial system credit to the private sector grow 1,6 percent in soles and dropped 1,1 percent in dollars. In this

manner, the annual rate of growth of the credit in soles was 20,6 percent, meanwhile the growth rate in dollars was 4,5 percent.



The increment of the credit in **soles** during September obeyed to commercial banks (S/. 169 million), mainly by higher commercial credits (S/. 120 million) and consumer credits (S/. 92 million), to microfinance institutions (S/. 107 million) and to institutional investors (S/. 10

million). With these results, the annual growth rate of the private sector's credit from commercial banks (excluding microfinance credits) increased from 17,9 percent in August to 18,9 percent in September.

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY

	Millions of S/.			Percentage change	
	Sep04	Aug05	Sep05	Sep.05/ Sep.04	Sep.05/ Aug.05
Commercial banks 1/	8 210	9 592	9 761	18,9	1,8
Banco de la Nación	918	1 178	1 197	30,4	1,6
Microfinance institutions	3 888	4 998	5 105	31,3	2,1
Banks (microfinance credits)	976	1 306	1 348	38,1	3,2
Local government S&Ls	1 241	1 606	1 626	31,0	1,2
Rural S&Ls	228	299	302	32,6	1,0
Cooperatives	477	550	550	15,3	-,-
Edpymes	195	271	276	41,6	1,8
Financial companies	771	965	1 002	30,0	3,9
Institutional investors 2/	2 437	2 603	2 613	7,2	0,4
AFPS	1 462	1 641	1 621	10,9	-1,2
Insurance companies	820	673	673	-18,0	-,-
Mutual funds	154	289	319	107,2	10,6
Leasing companies and others	295	313	310	5,3	-0,9
Total Financial System	15 748	18 685	18 987	20,6	1,6

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

September's decreased in **dollar** denominated credit was due to lower credit of commercial banks (US\$ 128 million),

explained by lower credits of foreign trade (US\$ 184 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Millions of US\$			Percentage change	
	Sep04	Aug05	Sep05	Sep.05/ Sep.04	Sep.05/ Aug.05
Commercial banks 1/	9 354	9 875	9 747	4,2	-1,3
Banco de la Nación	22	22	22	-0,4	0,1
Microfinance institutions	602	723	716	18,9	-1,0
Banks (microfinance credits)	109	158	147	34,7	-7,1
Local government S&Ls	228	274	276	20,7	0,7
Rural S&Ls	51	54	55	8,1	0,9
Cooperatives	141	151	151	7,3	-,-
Edpymes	45	52	53	17,7	1,2
Financial companies	29	34	35	21,7	2,2
Institutional investors 2/	1 319	1 315	1 305	-1,0	-0,8
AFPS	719	679	686	-4,6	1,0
Insurance companies	92	105	105	14,1	0,0
Mutual funds	508	531	514	1,3	-3,2
Leasing companies and others	627	664	666	6,2	0,3
Total Financial System	11 924	12 599	12 456	4,5	-1,1

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

GDP grew by 6,7 percent in August

In August, **GDP** grew by 6,7 percent and 5,9 percent over the period January-August. It should be noted that GDP has increased for 50 months in a row. Besides, economic growth in August was widespread among all sectors.

The **agriculture & livestock** output expanded 4,4 percent in August. An appropriate water supply in Lambayeque, Piura and La Libertad got rice and hard yellow corn production increased. On the other hand, this sector was propelled by higher poultry supply in response to greater domestic consumption.

The **fishing** sector grew by 5,9 percent in August due to higher catch for human consumption –canned and frozen fish-. Canned fish industry was favored by greater catch of anchovy and tuna, whereas the frozen fish one by greater fishing of giant shrimp.

Mining and oil output increased 8,8 percent in response to the dynamism of gold (27 percent) and hydrocarbons (30 percent). The former obeyed to the entry of Alto Chicama and the latter to higher output of Camisea.

GROSS DOMESTIC PRODUCT
(Annual growth rates)

	August		January - August	
	2004	2005	2004	2005
Agriculture and Livestock	-0,4	4,4	-2,3	5,0
Agriculture	-2,8	1,8	-4,8	6,0
Livestock	2,1	7,1	2,0	3,5
Fishing	10,5	5,9	30,5	-0,4
Mining and Fuel	5,9	8,8	6,3	4,9
Metallic mining	5,5	7,0	6,8	2,5
Natural gas and oil	11,5	29,8	-1,8	35,4
Manufacturing	4,9	8,4	6,0	6,3
Based on raw materials	-2,5	2,6	7,0	-1,4
Non-primary	6,8	9,7	5,8	8,2
Electricity and water	4,4	6,1	4,3	5,0
Construction	4,6	10,9	4,8	6,2
Commerce	8,5	4,3	3,3	6,6
Other services	6,4	5,0	4,0	5,7
<u>GROSS VALUE ADDED (GVA)</u>	<u>5,7</u>	<u>6,0</u>	<u>3,9</u>	<u>5,8</u>
Taxes on products and import duties	7,8	12,7	7,0	6,9
<u>GDP</u>	<u>5,9</u>	<u>6,7</u>	<u>4,1</u>	<u>5,9</u>
Primary sector GVA	1,8	5,9	2,7	3,8
Non-primary sector GVA	6,6	6,1	4,2	6,3
Domestic demand indicator	0,5	5,7	3,1	4,6

The **manufacturing** sector rose 8,4 percent with an 9,7 percent expansion of non-primary industry, whereas raw material processing increased 2,6 percent.

The fastest-moving items were: editing and printing, oil and fats, cement, knitted fabrics, beers and pesticides, reflecting both higher domestic and external

demand. The latter was partially offset by the contraction recorded in paper and paperboard, due to a temporary halt in tow

of the most important firms and foreign competence.

Industries with higher increases - August 2005

CIIU	August	
	Var. %	Contrib. % 1/
Printing	36,7	1,1
Oils and fats	41,8	0,9
Cement	15,6	0,8
Knitted fabrics	16,4	0,7
Beer and malt beverage	32,3	0,7
Pesticides and other products of agricultural use	201,4	0,7
Tiles	32,4	0,7
Bakery products	26,5	0,6
Miscellaneous manufacturing products	18,2	0,5
Subtotal	27,6	6,7
Total	9,7	

1/ Percent contribution to non primary manufacturing.

Source: Ministry of Production.

The latter was partially offset by the contraction recorded in paper and

paperboard, due to a temporary halt in two of the most important firms.

Industries with higher decreases - August 2005

CIIU	August	
	Var. %	Contrib. % 1/
Paper and paperboard	-35,7	-0,7
Dairy products	-6,3	-0,2
Leather	-51,2	-0,2
Insulated wire and cable	-22,6	-0,2
Manufacture of wearing apparel	-1,5	-0,2
Toilet and cleaning products	-2,8	-0,1
Tobacco	-58,7	-0,1
Subtotal	-8,0	-1,7

1/ Percent contribution to non primary manufacturing.

Source: Ministry of Production.

Domestic market-oriented non-primary industry stood out thanks to the greater contribution of foodstuff, beverage and

tobacco and cement. On the other hand, textile, rubber and footwear industry was mainly export-oriented.

**NON- PRIMARY MANUFACTURING: GROWTH CONTRIBUTION
BY DESTINITY MARKET AUGUST 2005 1/**
(In percentage points)

	Growth contribution		
	Domestic market	Foreign market	Total
Food, beverages and tobacco	2,1	0,2	2,2
Textile, leather and footwear	-0,7	1,2	0,5
Wood and furniture	0,5	0,1	0,6
Paper and printing industry	1,5	-0,5	1,0
Chemical, rubber and plastic products	0,9	1,2	2,1
Non-metallic minerals	2,1	0,1	2,2
Iron and steel	0,0	0,2	0,2
Metallic products, machinery and equipment	0,6	-0,3	0,3
Miscellaneous manufacturing	0,4	0,2	0,6
NON-PRIMARY MANUFACTURING	7,3	2,4	9,7

1/ Not include indirect effects.

Construction grew by 10,9 percent, thanks to self-construction and the dynamism of housing programs. The latter was mirrored in the greater domestic consumption of cement (14,2 percent).

Employment in enterprises with 10 or more employees according to the Ministry of Labor grew by 5,2 percent on a national basis: 4,4 percent in Metropolitan Lima and 7,5 percent in inner cities.

Employment soared in 19 out of 21 cities. The cities where employment mostly increased were Sullana, Chincha, Ica, Talara, Cajamarca, Cusco and Chimbote. The growth was mainly recorded in extractive activities (oil in Talara, vid in Chincha, asparagus in Ica) as well as manufacturing (oil refining in Talara, agro-industry in Sullana, Chincha and Ica) and transportation (Sullana, Chincha and Tarapoto).

**URBAN EMPLOYMENT BY MAIN CITIES
ENTERPRISES WITH AND MORE WORKERS**
(Annual percentage change)

	August 2005/ August 2004	Jan - Aug 05/ Jan - Aug 04
Urban area	5,2	4,2
Metropolitan Lima	4,4	3,4
Other urban	7,5	6,3
Sullana	21,4	22,5
Chincha	17,9	12,3
Ica	17,3	22,1
Talara	16,8	22,9
Cajamarca	14,4	5,2
Cusco	13,1	6,5
Chimbote	11,3	0,3
Tarapoto	8,8	5,2
Puno	7,4	3,9
Iquitos	7,0	11,4
Trujillo	6,2	6,2
Arequipa	5,7	3,6
Tacna	4,8	2,2
Pucallpa	4,2	3,2
Chiclayo	4,2	1,8
Piura	3,4	9,7
Pisco	3,3	6,0
Huaraz	1,8	-7,3
Huancayo	-0,3	2,6
Paita	-17,7	-10,5

Source: MTPE, Monthly Statistical Report.

Outlook for September

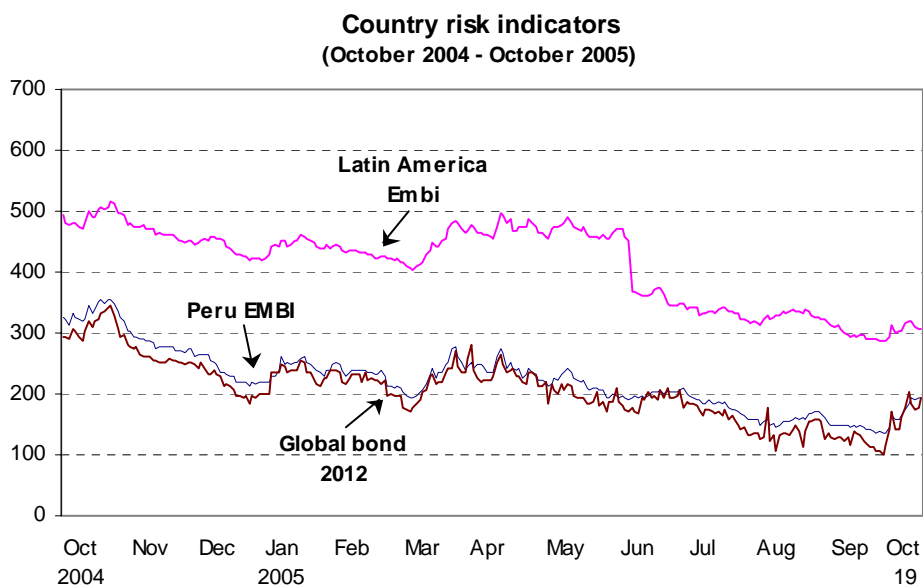
According to preliminary in September:

- Crude oil production fell slightly (0,6 percent), whereas natural gas extraction increased 53,6 percent (Perupetro).
- Domestic sales of cement increased 11,2 excluding Yanacocha requirements (Asocem).
- Electricity production grew by 5 percent (COES).
- Tax collection rose 8,4 percent according to Sunat.

Country risk at 1,93 percent

Between **October 12 and 19**, the **EMBI+ Peru's** spread increased to 1,93 percent from 1,73 percent, after the minimum recorded in early October. On the other

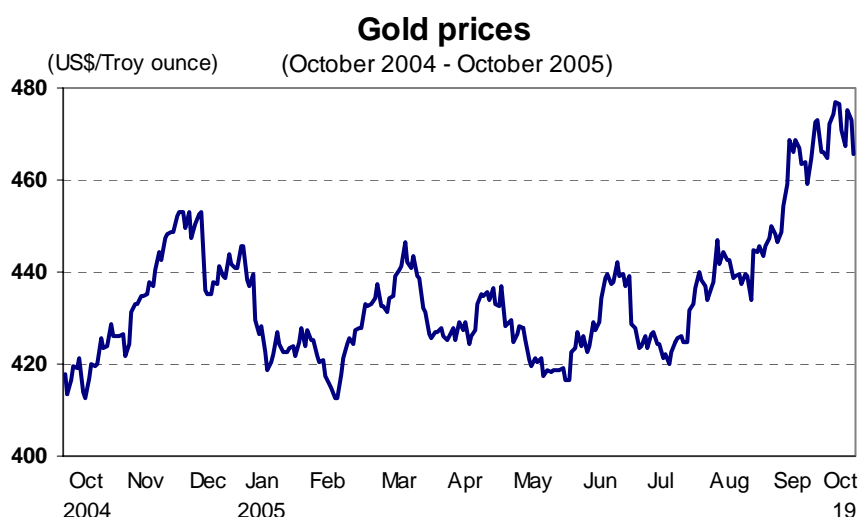
hand, the market is expecting a new increase in Fed's interest rate in the next meeting (November 1st) where the rate would rise 25 bps to 4,0 percent.



International markets

Over the period **October 12 to 19**, the **gold's** price (US\$ 466 per troy ounce) dropped 2,3 percent reflecting sales of institutional investors after the maximum quotation of October 11: US\$ 476,8 per

troy ounce, the highest in 18 years. Besides, the gold was affected by the drop in oil prices and the strengthening of the US dollar.



The **copper's** price increased 0,5 percent to US\$ 1,87 per lb reaching the historic maximum of last October 10. Copper's price has been propelled by low LME inventories which declined from a maximum of 84 thousand MT (September

23) to 63 thousand MT on October 19. According to the International Copper Study Group, the copper supply deficit for the period January-July is 253 thousand MT, where mine production rose 3,4 percent, below initial expectations.



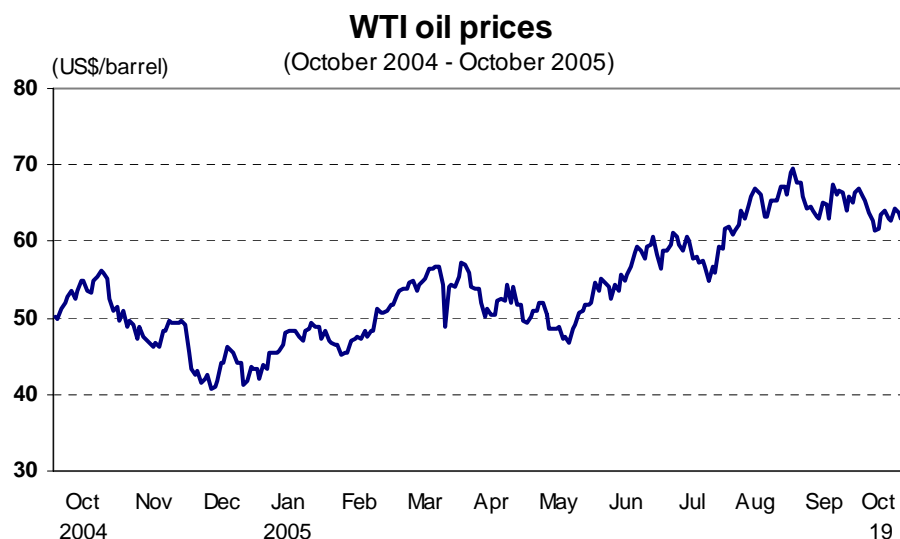
The **zinc's** price increased 1,8 percent to US\$ 0,68 per lb due to the decrease in LME inventories, from 531 to 499

thousand MT; its lowest level since the second quarter of 2002.



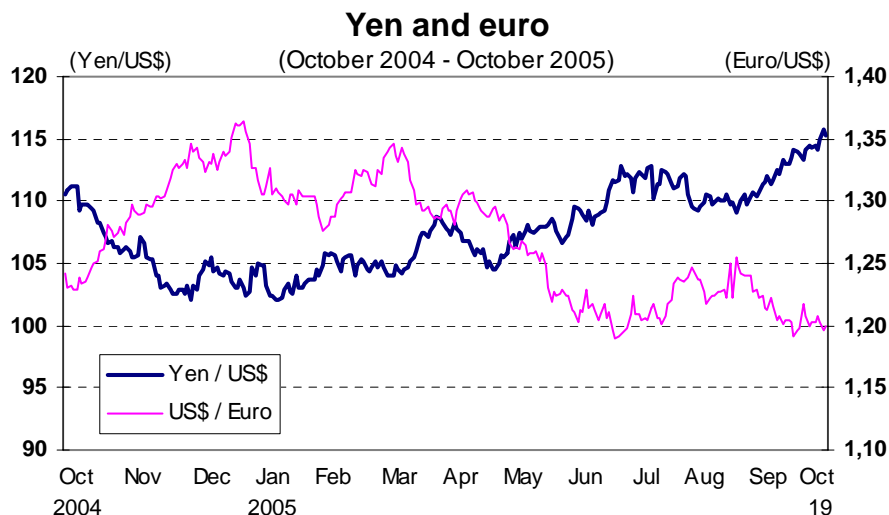
The **WTI oil** price fell 1,7 percent to US\$ 63 per barrel, due to higher inventories of crude and gasoline in the

US, besides a lower demand in this country in 3,7 percent.



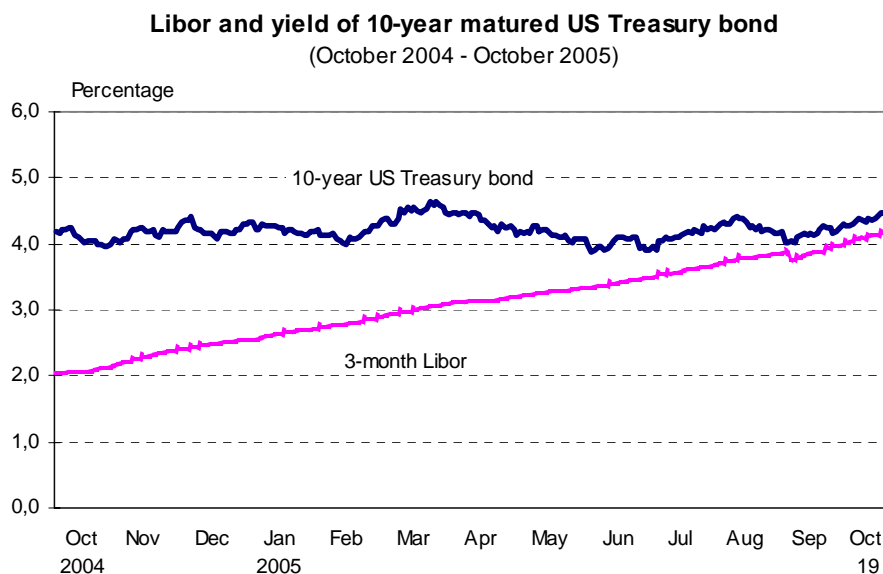
The **US dollar** appreciated 0,3 percent against the **euro** and 0,8 percent against the **yen**, due to the net entry of capitals:

US\$ 91 billion, the highest since April 2004, more than enough to cover the trade deficit: US\$ 59 billion.



The **3-month Libor** increased from 4,14 to 4,18 percent, whereas the **yield of the 10-year-matured US Treasury bond** passed from 4,44 to 4,46 percent due to the expected new increases in FED interest rates in response to inflationary risks: September CPI rose 1,2 percent, the

highest monthly increase since March 1980 and above market expectations. The latter was a result of higher energy costs (12 percent). Through last 12 months, CPI has increased 4,7 percent, the highest 12-month increase since June 1991.



Lima Stock Exchange

As of **October 19**, the **General** Index decreased 2,3 percent whereas the **Blue Chip** Index fell 1,7 percent, due to the cautious stance of investors due to the next

web diffusion of the financial statements of the third quarter. Year-to-date, these indices have increased 33,5 and 27,9 percent, respectively.

LSE indicators
(October 2004 - October 2005)

