



### Indicators

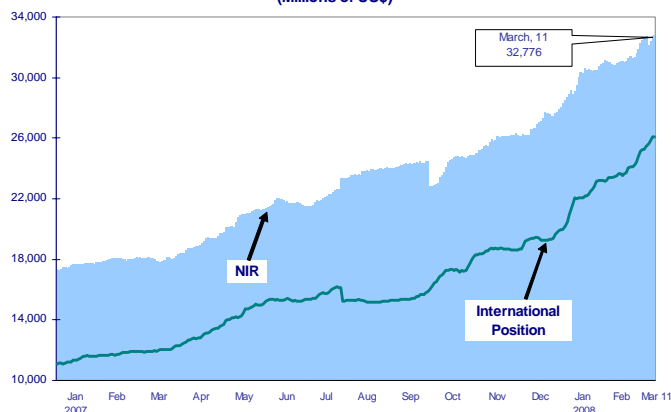
- ➔ BCRP maintains the reference interest rate
- ➔ NIRs total US\$ 32,776 million on March 11
- ➔ Interbank interest rate at 5.23 percent on March 12
- ➔ Exchange rate on March 12: S/. 2.813 per dollar
- ➔ Country risk at 219 bps on March 12
- ➔ Lima Stock Exchange rose 1.7 percent as of March 12

### Content

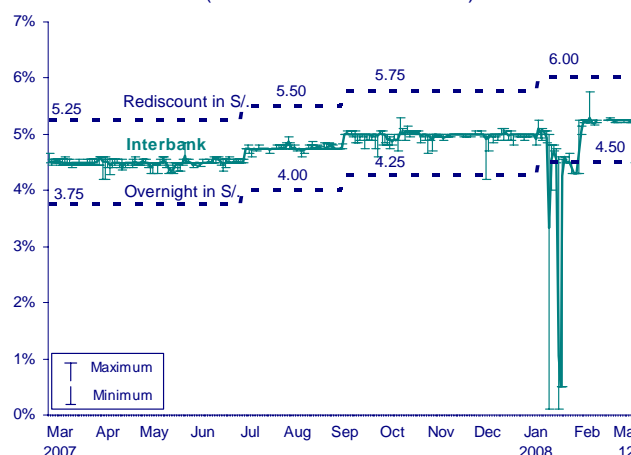
Interbank interest rate on March 12: 5.23 percent  
 Corporate prime rate in soles fell to 5.54 percent  
 NIRs: New historical record of US\$ 32,776 million on March 11  
 Exchange rate: S/. 2.813 per dollar  
 Monetary base as of March 7, 2008  
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**International Reserve and International Position of the BCRP**  
 January 2006 - March 2008  
 (Millions of US\$)



**Interest Rates in Domestic Currency**  
 (March 2007 - March 2008)



**News**

- International Reserves Management: February 2008
- Weekly Report N° 10-2008
- Inflation Report: Recent trends and macroeconomic forecasts - January 2008
- Informative note on the Monetary Program: March 2008. BCRP maintains the reference interest rate at 5.25%
- Working paper N° 2008-003: ¿Can Peru be a New Economic Miracle?
- Monetary Policy in a Dual Currency Environment
- Quarterly Charts

**Monetary and Exchange Operations**

**14/03/2008**

- 12:00 p.m. The initial liquidity of the banking system was in S/. 5 930 millions.
- The BCRP announced CDB/CRP-NR auction sale to:
  - Auction sale S/. 100 millions to 1 year.
  - Auction sale S/. 3 200 millions to 1 week.

**13/03/2008**

- 7:00 p.m. The balance of banks' current account at the BCRP at the close of the day amounted to S/. 3 496.2 millions, while this balance was positive in S/. 5 380.1 millions, before the BCRP made its monetary operations.
- 5:00 p.m. The average interbank interest rate in domestic currency was 5.03 percent.
- 1:45 p.m. Auction sales of 1 week CDB/CRP-NR amounting to S/. 620.9 millions at an average interest rate of 5.33 percent.
- 1:30 p.m. The Central Bank did not purchase US\$.

**Interbank Exchange Rate (S/./per US\$)**

Mar.14 Mar.13
Maximum: 2,8170
Average: 2,8127
Minimum: 2,8130
Source: DataBank

**Interbank Interest Rates (in %)**

Mar.13 Mar.12
Close day: 5.25% 4.50%
Acc. month: 5.21% 5.25%

**Domestic Demand and Terms of Trade**

Month	DO	TT
Dec. 2006	13.6	23.2
Aug. 2007	10.8	0.4
Sep. 2007	12.2	-0.6

### Our website

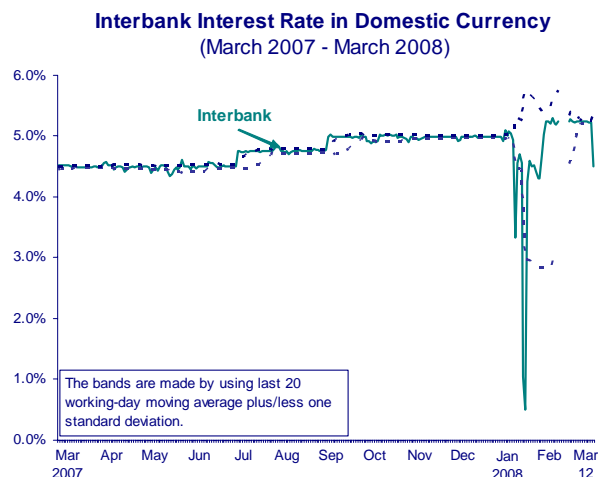
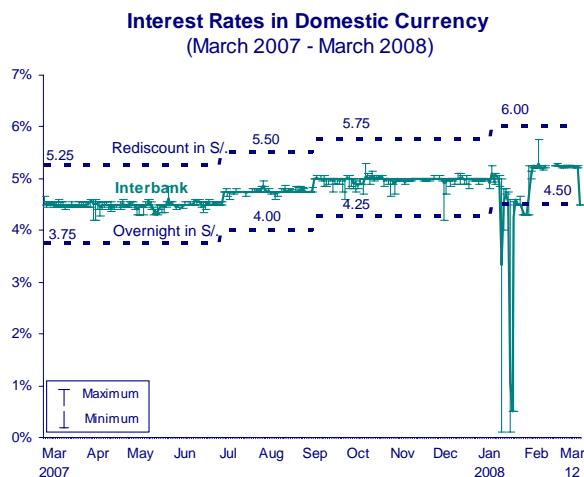
<http://www.bcrp.gob.pe>

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## Interbank interest rate on March 12: 5.23 percent

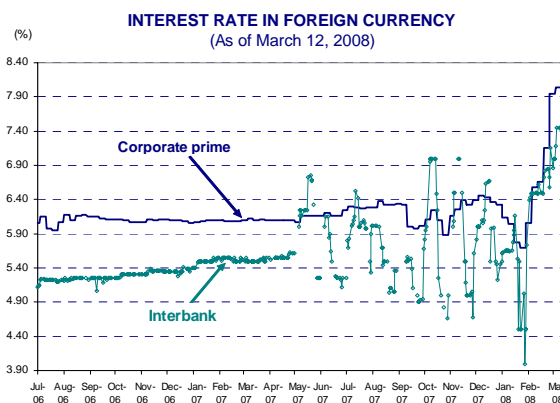
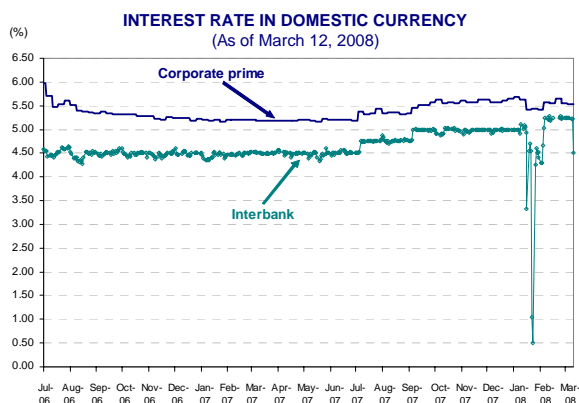
The average interbank interest rate in domestic currency on March 12 was 5.23 percent, higher than the average rate seen in February (5.02 percent). **Between March 5 and 12**, this rate fell from 5.24 to 4.50 percent.

Interbank Interest Rate Average (percent)		
	Average	S.D
December 2005	3.34	0.08
December 2006	4.51	0.04
March 2007	4.50	0.01
June	4.52	0.03
August	4.77	0.04
October	4.98	0.05
November	4.99	0.03
December	4.99	0.02
January 2008	4.44	1.24
February	5.02	0.36
March 12	5.23	0.26



## Corporate prime rate in soles fell to 5.54 percent

Between **March 5 and 12**, the daily average of the 90-day corporate prime rate in domestic currency fell from 5.56 to 5.54 percent, while this rate in dollars rose from 7.94 to 8.04 percent.

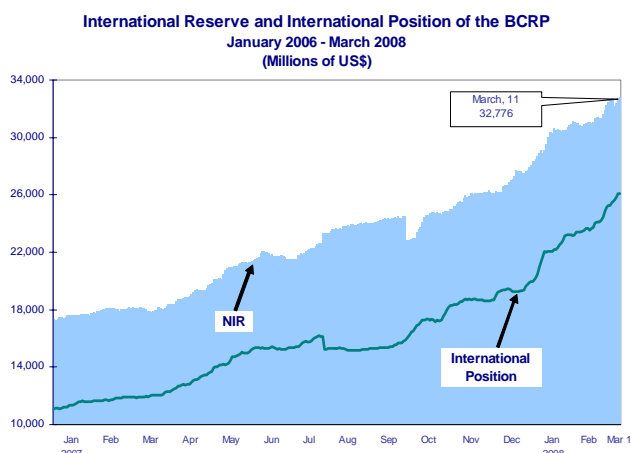


## Monetary operations

Between **March 6 and 12**, the Central Bank made the following monetary operations: i) auctions of 1-week, 1-month, 5-month, 6-month, and 12-month BCRP Certificates of Deposit Subject to Limited Negotiation for a daily average of S/. 1,720.3 million. The interest on these operations, which amounted to S/. 13,305.7 million, is 5.41 percent; ii) purchases of foreign currency for a total of US\$ 717.4 million, and iii) overnight deposits in domestic currency for a total of S/. 5,090.8 million.

## NIRs: New historical record of US\$ 32,776 million on March 11

Net international reserves (NIRs) increased by US\$ 470 million compared to end February and amounted to US\$ **32,776** million on **March 11**. This sum is higher than the total external debt, both private and public, which amounts to US\$ 31,361 million. The increase recorded in the balance of NIRs is mainly explained by BCRP exchange operations (US\$ 954 million), by banks' higher deposits (US\$ 400 million), and by a higher investment yield (US\$ 4 million). This increase was offset by public sector's lower deposits (US\$ 860 million) and by the lower valuation of other securities (US\$ 31 million).



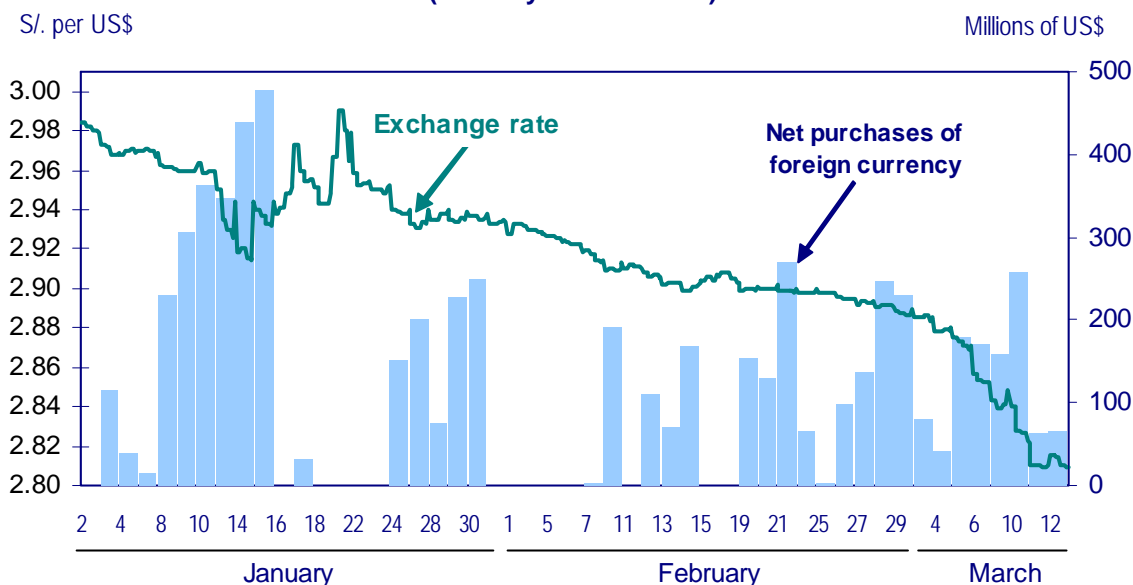
The international position of the BCRP on **March 11** was US\$ **26,077** million, a sum US\$ 937 million higher than the one recorded at the close of February.

## Exchange rate: S/. 2.813 per dollar

Between **March 5 and 12**, the average ask price of the interbank exchange rate fell from S/. 2.873 to S/. 2.813 per dollar, as a result of which the nuevo sol appreciated by 2.6 percent compared to end February.

In this period, the Central bank intervened in the exchange market buying US\$ 897.7 million.

### INTERBANK ASK- EXCHANGE RATE AND NET PURCHASES OF FOREIGN CURRENCY (January - March 2008)



## Monetary base as of March 7, 2008

The balance of the **monetary base** as of March 7 (S/. 22,318 million) increased by 24.6 percent (S/. 4,399 million) compared to end February. On average terms, the monetary base grew at annual rate of 45.3 percent in this period (40.2 percent in February).

By sources, the operations that contributed most heavily to the growth of the monetary base included purchases of foreign currency at the Central Bank's front desk (US\$ 632 million or S/. 1,809 million), the maturities of BCRP Certificates of Deposit (S/. 1,822 million), net maturities of BCRP Certificates of Deposit subject to Limited Negotiation (S/. 1,082 million), and public sector's lower deposits (S/. 430 million). Conversely, the monetary base shrank due to banks' higher deposits (S/. 849 million).

## Liquidity and credit to the private sector as of February 15

In the four last weeks, liquidity in **domestic currency** increased 6.5 percent (S/. 2,899 million) and reached a total of S/. 47,640 million (annual growth of 40.4 percent). Credit to the private sector in domestic currency increased by 2.7 percent (S/. 909 million) and amounted to S/. 34,391 million (last 12-month growth of 37.4 percent).

Liquidity in **foreign currency** decreased 7.1 percent (US\$ 952 million), reaching a total of US\$ 12,506 million (annual growth of 14.4 percent). Credit to the private sector in foreign currency increased 1.8 percent (US\$ 267 million), reaching a total of US\$ 14,799 million (last 12-month growth of 31.7 percent).

EVOLUTION OF LIQUIDITY AND CREDIT TO THE PRIVATE SECTOR										
	MONETARY BASE		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR
<b>2006</b>										
Dec.	15.7%	18.3%	10.6%	17.9%	3.3%	30.2%	1.8%	12.7%	-2.1%	3.9%
<b>2007</b>										
Mar.	1.3%	20.7%	2.9%	24.6%	3.1%	29.5%	1.2%	5.5%	1.7%	8.3%
Apr.	1.9%	22.7%	-1.7%	27.5%	4.1%	33.1%	3.0%	9.9%	1.3%	9.2%
May.	0.4%	25.3%	1.9%	30.3%	2.2%	34.8%	2.6%	14.0%	1.6%	7.3%
Jun.	3.0%	26.2%	2.9%	32.1%	2.8%	35.8%	-1.0%	12.6%	4.7%	10.0%
Jul.	5.3%	23.0%	4.5%	34.4%	2.9%	37.7%	2.1%	14.3%	1.3%	10.9%
Aug.	0.8%	29.5%	2.2%	36.0%	1.3%	37.0%	2.6%	16.5%	1.2%	13.1%
Sep.	-1.8%	26.1%	-0.4%	34.0%	4.2%	39.6%	1.7%	17.9%	2.6%	14.9%
Oct.	4.1%	30.3%	5.8%	38.3%	1.8%	37.3%	1.7%	18.1%	2.1%	17.0%
Nov.	2.3%	29.9%	5.3%	40.2%	4.0%	38.6%	3.0%	18.8%	6.8%	23.2%
Dec.	14.3%	28.2%	4.8%	33.0%	2.3%	37.3%	2.4%	19.6%	3.0%	29.6%
<b>2008</b>										
Jan.	-5.9%	29.4%	2.3%	35.8%	2.1%	39.6%	-1.9%	17.5%	1.8%	32.2%
Feb.15	16.0%	50.9%	6.5%	40.4%	2.7%	37.4%	-7.1%	14.4%	1.8%	31.7%
Memo:										
Balance as of Jan.15 (Mill.S/.or Mill.US\$)	17,121		44,742		33,481		13,459		14,532	
Balance as of Feb.15 (Mill.S/.or Mill.US\$)	19,855		47,640		34,391		12,506		14,799	

## Survey on macroeconomic expectations: March 2008

The BCRP conducted its Monthly Survey on Macroeconomic Expectations among 23 financial entities, 23 economic analysts, and 365 non-financial firms between February 12 and 29.

The survey results show that inflation in 2008 is expected to range between 3.50 and 3.97 percent. The three surveyed groups coincided for the fourth consecutive month in increasing their inflation forecasts.

Forecasts on GDP growth range between 6.8 and 7.5 percent. Surveyed financial entities and non-financial firms coincided in forecasting a higher growth than the one they had forecast last month, while the group of economic analysts lowered their growth forecasts.

Finally, the exchange rate is expected to range between S/. 2.80 and S/. 2.90 per US dollar by the end of 2008.

### FINANCIAL SYSTEM INSTITUTIONS (Median1/ of the sample)

	Date of the survey		
	Dec.31 2/	Jan.31 3/	Feb.29 4/
<b>Inflation (%)</b>			
March 2008	0.20	0.22	0.35
April	0.20	0.29	0.30
Annual: 2008	3.00	3.60	3.97
2009	2.70	3.20	3.20
2010	2.50	3.00	3.00
<b>GDP growth (%)</b>			
January 2008	7.1	7.5	8.0
February	7.0	7.3	7.9
Annual: 2008	6.7	7.0	7.5
2009	6.1	6.5	6.5
2010	6.0	6.1	6.5
<b>Exchange rate (S/. per US\$)</b>			
March 2008	2.97	2.93	2.88
April	2.96	2.91	2.87
Annual: 2008	2.97	2.90	2.80
2009	3.00	2.90	2.85
2010	3.00	3.00	2.89
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
March 2008	5.00	5.00	5.25
April	5.00	5.00	5.25
Annual: 2008	5.25	5.25	5.25
2009	5.50	5.25	5.50
2010	5.50	5.50	5.50

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 21 financial institutions.

3/ 24 financial institutions.

4/ 23 financial institutions.

### NON-FINANCIAL SYSTEM FIRMS (Median1/ of the sample)

	Date of the survey		
	Dec.31 2/	Jan.31 3/	Feb.29 2/
<b>Inflation (%)</b>			
Annual: 2008	2.20	3.10	3.60
2009	2.20	3.00	3.00
2010	2.00	3.00	3.00
<b>GDP growth (%)</b>			
Annual: 2008	7.0	7.4	7.5
2009	7.0	7.0	7.0
2010	7.0	7.0	7.0
<b>Exchange rate (S/. per US\$)</b>			
December 2008	3.05	2.98	2.90
December 2009	3.10	3.00	3.00
December 2010	3.15	3.10	3.00

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 365 non-financial institutions.

3/ 358 non-financial institutions.

### ANALYSTS (Median1/ of the sample)

	Date of the survey		
	Dec.31 2/	Jan.31 2/	Feb.29 2/
<b>Inflation (%)</b>			
March 2008	0.20	0.30	0.40
April	0.20	0.20	0.22
Annual: 2008	2.70	2.95	3.50
2009	2.50	2.50	3.00
2010	2.50	2.10	2.50
<b>GDP growth (%)</b>			
January 2008	7.3	7.7	8.2
February	7.5	7.5	7.8
Annual: 2008	7.0	7.0	6.8
2009	6.5	6.2	6.1
2010	6.2	6.2	6.0
<b>Exchange rate (S/. per US\$)</b>			
March 2008	2.97	2.93	2.89
April	2.96	2.93	2.88
Annual: 2008	3.00	2.90	2.86
2009	3.00	2.95	2.95
2010	3.05	3.00	2.96
<b>Interbank interest rate (%)</b>			
<i>In nuevos soles</i>			
March 2008	5.00	5.25	5.25
April	5.00	5.25	5.25
Annual: 2008	5.00	5.50	5.50
2009	5.18	5.25	5.25
2010	5.00	5.00	5.00

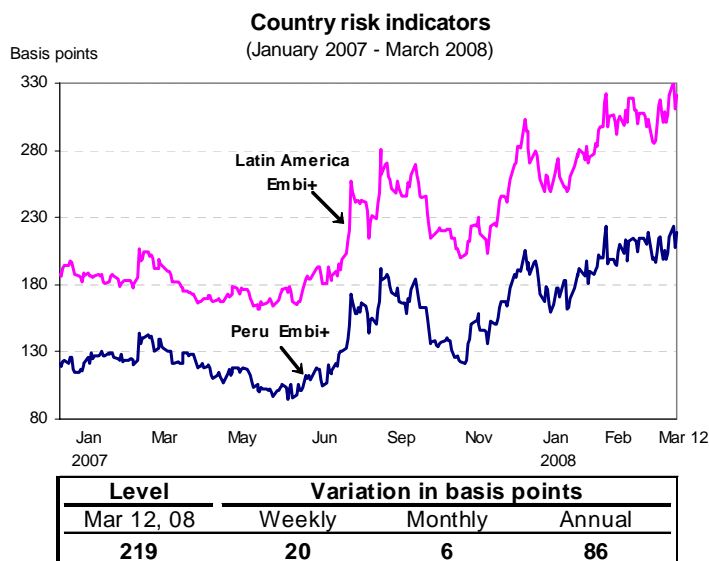
1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 23 analysts.

## International markets

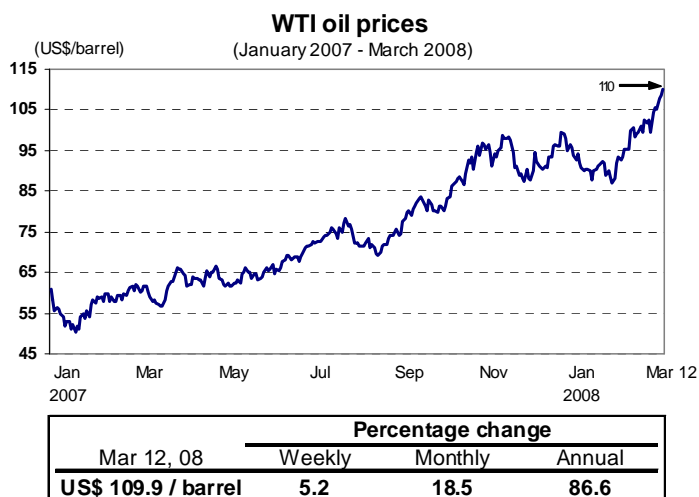
### Country risk at 219 basis points

Between March 5 and 12, the country risk indicator, measured by the **EMBI+ Peru** spread, increased from 208 to 219 basis points, reflecting a similar behavior to that of spreads in the region (the EMBI+ Latin America rose from 301 to 321 basis points). This increase is due to higher global risk aversion, given increased concerns of a recession in the US, and to the deterioration of credit conditions, as doubts have arisen over whether the measures recently adopted by the Federal Reserve will be sufficient to reactivate the stagnant global financial system.



### Petroleum price rose to US\$ 109.9 per barrel

Between March 5 and 12, the price of **WTI oil** rose 5.2 percent and showed a record level of US\$ 109.9 per barrel. This rise in the price of crude was influenced by the OPEC's decision to maintain its current production quotas and by geopolitical tensions. Other factors contributing to this rise included the lower production of crude in Russia and Mexico, the weakening of the dollar, and the higher demand of funds seeking a hedge against inflation. The price rise was in part offset by higher inventories of crude and gasoline in USA.

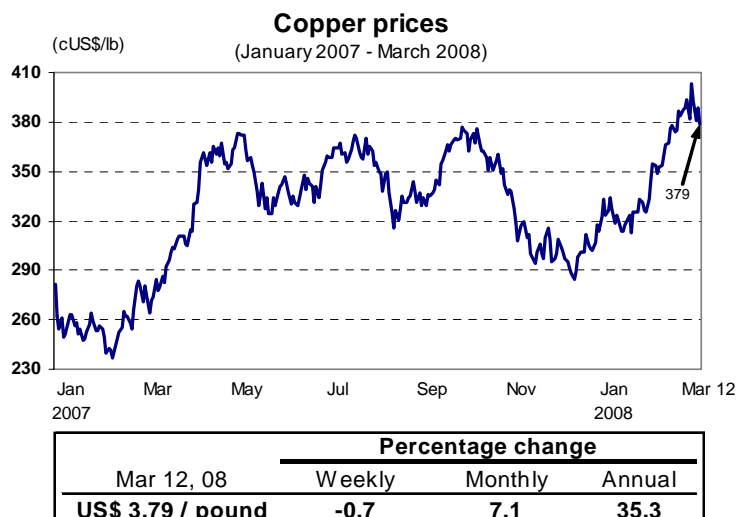


In the same period of analysis, the price of **gold** dropped 0.4 percent to US\$ 980.2 per troy ounce. This price is associated with funds' higher sales of gold due to liquidity needs, with investors' profit-taking after gold reached a record price on March 5, and with the volatility of the dollar against the euro. However, the strong advance seen in the price of oil, which increases the attraction of gold as a safe asset, prevented the price of gold from falling even further.





Between March 5 and 12, the price of **copper** dropped 0.7 percent to US\$ 3.79 per pound. This evolution was influenced by greater concerns about a possible recession in USA and by speculations that China's demand for copper could slow down. However, this price drop was offset by a report published by the International Copper Study Group that showed a strong demand for this metal during the first 11 months of 2007.

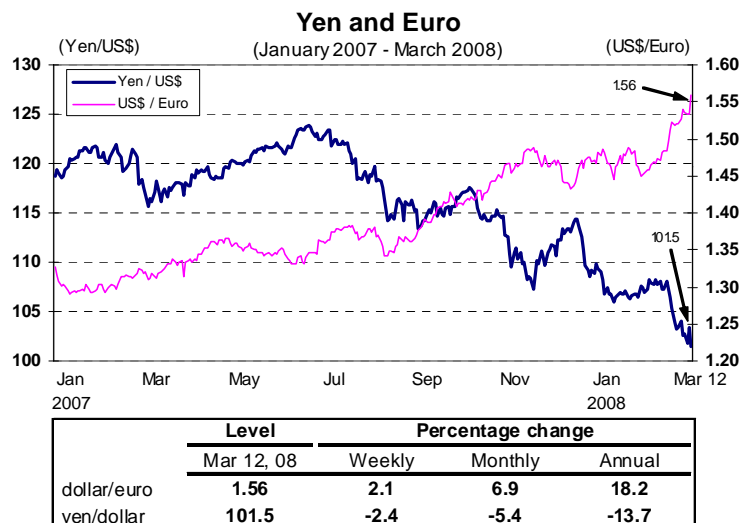


In the same period, the price of **zinc** dropped 5.0 percent to US\$ 1.15 per pound. This price drop was mainly influenced by higher inventories of zinc at the London Metal Exchange (inventories increased by 1.1 percent to 123,800 tons). Moreover, fears of a possible recession in the US and profit taking following the purchases that investment funds made in previous weeks contributed to reduce the price even further.



## Dollar depreciated against the euro and the yen

Between March 5 and 12, the **dollar** depreciated 2.1 percent against the **euro** and 2.4 percent against the **yen**. This weakening of the dollar against the euro and the yen was due to increased expectations that the Federal Reserve will implement a strong cut of its interest rates to stimulate the economy, after US employment unexpectedly tumbled last month. Doubts of whether the recent efforts of the Federal Reserve will be enough to stimulate the credit markets have also fueled these expectations.

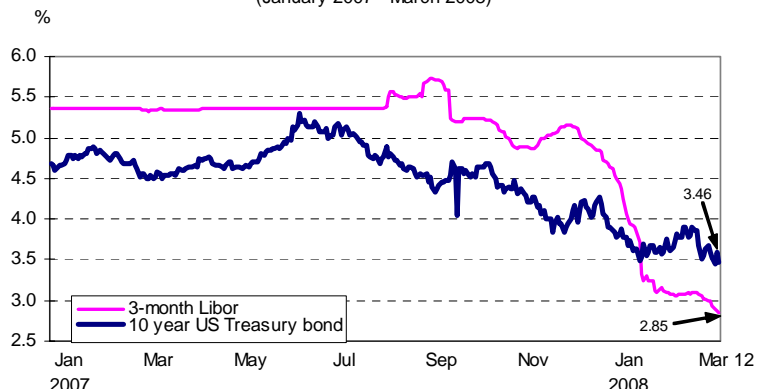


## Yield on 10-year US Treasuries fell to 3.47 percent

Between March 5 and 12, the **3-month Libor** fell from 3.00 to 2.85 percent, while the yield on the **10-year Treasury bond** fell from 3.67 to 3.47 percent. The decline seen in the case of the Treasury bond was due to increased fears that the US economy will go into recession (in February, employment shrank unexpectedly to levels unseen since March 2003) and to expectations that the FED will cut its interest rates given doubts over whether the FED's recent measures will suffice to control turbulence in the global financial system.

### 3-month Libor and yield on 10-year US Treasury bonds

(January 2007 - March 2008)



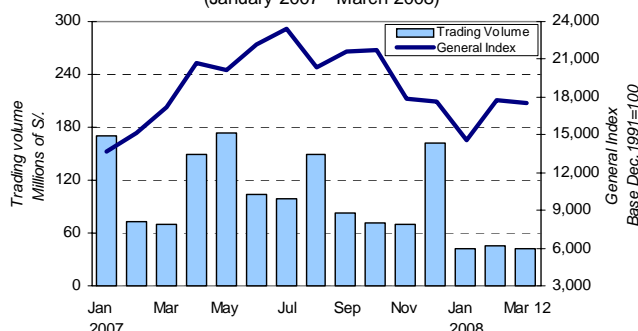
	Variation in percentage points			
	Mar 12, 08	Weekly	Monthly	Annual
Libor 3 months	2.85	-15	-22	-251
Treasuries EUA	3.46	-21	-20	-109

## Lima Stock Exchange rose 1.7 percent as of March 12, 2008

The **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) rose 1.7 and 2.8 percent respectively as of March 12. Moreover, between March 5 and 12 these indices had a positive performance and rose 3.0 and 4.4 percent respectively, powered by opportunity purchases and by the higher quotes of mining shares, despite the drop seen in the international prices of metals. On the other hand, the main stock exchange markets fell during the week due to renewed concerns of the effects that the real estate crisis will have on the US economy.

### Lima Stock Exchange Indicators

(January 2007 - March 2008)



	As of:	Percentage change		
	Mar 12, 08	Weekly	To Feb 08	To Dec 07
General Index	18,065	3.0	1.7	3.1
Blue Chip index	29,937	4.4	2.8	3.1

Year-to-date, both the General and the Blue Chip indices of the LSE have accumulated gains of 3.1 percent.



