# Weekly Economic Report N° 39

### **September 26, 2008**

### **Indicators**

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|---|----------|--|
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NIRs: US\$ 34,853 million on September 23

Interbank interest rate at 6.41 percent on September

Exchange rate: S/. 2.970 per US\$ 1 on September 26 Credit to the private sector grew 3.6 percent in August Economic deficit of S/. 1,273 million in August

Country risk at 262 bps on September 23

LSE fell 12.5 percent as of September 23

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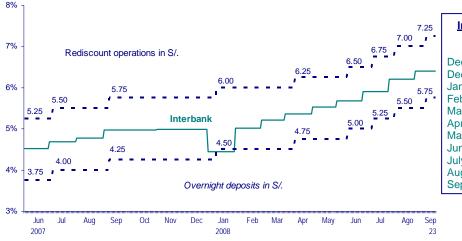
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### Interbank interest rate: 6.41 percent on September 23

The average daily interbank interest rate in domestic currency between September 1 and 23 was 6.41 percent –higher than the average rate of August (6.21 percent).

### INTEREST RATES IN DOMESTIC CURRENCY

(June 2007 - September 2008)

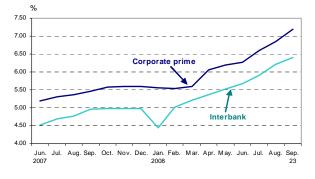


| Interbank inte | rest rate      | (percent) |
|----------------|----------------|-----------|
|                | <u>Average</u> | SD        |
| December 2006  | 4.51%          | 0.04      |
| December 2007  | 4.99%          | 0.02      |
| January 2008   | 4.44%          | 1.24      |
| February       | 5.02%          | 0.36      |
| March          | 5.21%          | 0.21      |
| April          | 5.37%          | 0.13      |
| May            | 5.50%          | 0.07      |
| June           | 5.68%          | 0.13      |
| July           | 5.91%          | 0.10      |
| August         | 6.21%          | 0.12      |
| September 19   | 6.41%          | 0.14      |
|                |                |           |

# Corporate prime rate in soles fell to 7.27 percent

Between September 17 and 23, the daily average of the 90-day corporate prime rate in domestic currency fell from 7.29 to 7.27 percent, while this rate in dollars rose from 6.14 to 6.16 percent.

### INTEREST RATE IN DOMESTIC CURRENCY



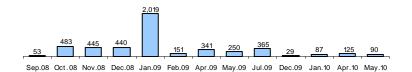
# **Monetary operations**

Between **September 17 and 23**, the Central Bank made the following operations: i) auctions of temporary purchases of securities for a total of S/. 800 million; ii) auctions of 1-day BCRP Certificates of Deposit with Restricted Negotiation (CDBCRP-NR) for a total of S/. 400 million on September 18. The interest rate on these operations, which amounted to S/. 14,740 million, was 6.24 percent; iii) sales of foreign currency (US\$ 159 million), and iv) overnight deposits in domestic currency for a total of S/. 921 million.

The total balance of BCRP CDs amounts to S/. 11,917 million, of which S/. 4,877 million (41 percent) are held by non-residents. Most of the former are due by January 2009.

### SCHEDULE OF MATURITIES OF CDBCRPS HELD BY NON-RESIDENTS

(Balances in millons of nuevos soles)



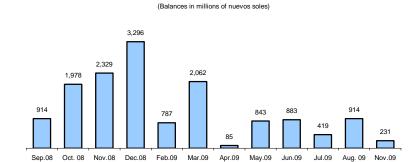
# SCHEDULE OF MATURITIES OF BCRPCDs HELD BY RESIDENTS

(Balances in millons of nuevos soles)

On the other hand, S/. 7,040 million (59 percent) are held by residents.



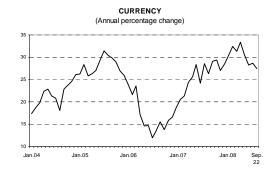
The total balance of BCRP Certificates of Deposit of Restricted Negotiation (CDBCRP-NR) amounted to S/. 14,740 million. Moreover, 58 percent of these CDs are due by December 2008.



SCHEDULE OF MATURITIES OF BCRP CERTIFICATES OF DEPOSIT WITH RESTRICTED

# **Demand for currency**

Between September 16 and 22, the **demand for currency** declined by S/. 140 million and net maturities of CDBCRP-NR amounted to S/. 300 million. In this context, the BCRP withdrew liquidity from the interbank market by selling US\$ 418 million (S/. 1,236 million). Moreover, the public sector accumulated deposits for a total of S/. 658 million, while banks' reserve requirements at the BCRP declined by S/. 1,679 million.



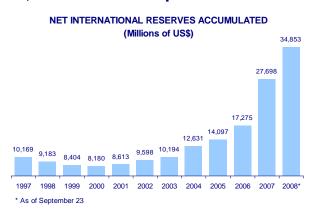
|     |     |  |                        | FL     | .ows        |                      |           | STOCKS    |           |
|-----|-----|--|------------------------|--------|-------------|----------------------|-----------|-----------|-----------|
|     |     |  | From 09/16<br>to 09/22 | Aug-08 | Sep-08 *    | Annual<br>Cummulated | Dec-31-07 | Aug-31-08 | Sep-08-22 |
| ı.  | NE  | T INTERNATIONAL POSITION   | -1,063                 | -1,138 | -4,477      | 16,048               | 58,865    | 78,904    | 74,212    |
|     | (Mi | illions of US\$)   | -357                   | -397   | -1.505      | 5.620                | 19.622    | 26.747    | 25,242    |
|     | À.  |  | -468                   | -117   | -1,630      | 4,850                |           |           |           |
|     |     | Over the Counter Operations  | -418                   | 0      |             | 6,869                |           |           |           |
|     |     | 2. Swaps   | Ö                      | 0      | 0           | 0                    |           |           |           |
|     |     | Public Sector  | -50                    | -117   | -50         | -2,060               |           |           |           |
|     |     | Other operations   | 0                      | 0      |             | 41                   |           |           |           |
|     | В.  | Rest of Operations   | 111                    | -280   | 125         | 771                  |           |           |           |
| II. | NE  | T INTERNAL ASSETS  | 924                    | 1,171  | 3,967       | -15,311              | -44,008   | -62,800   | -58,617   |
|     | A.  | Monetary operations  | -437                   | -198   | 5,413       | -12,573              | -38,714   | -56,693   | -51,281   |
|     |     | 1. Sterilization   | -437                   | -198   | 5,413       | -12,573              | -38,714   | -56,693   | -51,281   |
|     |     | <ul> <li>Public Sector Depostis in soles</li> </ul>                          | -658                   | -1,014 | -1,943      | -6,901               | -16,924   | -21,882   | -23,824   |
|     |     | <ul> <li>BCRP Certificates of Deposit (CDBCRP)</li> </ul>                    | 0                      | 960    | 0           | 9,541                | -21,458   | -11,917   | -11,917   |
|     |     | <ul> <li>BCRP Certificates of Deposit with restricted negociation</li> </ul> | 300                    | -635   | 7,366       | -14,740              | 0         | -22,107   | -14,740   |
|     |     | e. Term Deposists  | 0                      | 0      |             | -283                 | 0         | -283      | -283      |
|     |     | f. Overnight Deposits  | -78                    | 491    | -11         | -94                  | -20       | -104      | -114      |
|     |     | g. Other operations  | 0                      | 0      | -           | -96                  | -312      | -401      | -401      |
|     | _   | 2. Injection   | 0                      | 0      | -           | 0                    | 0         | 0         |           |
|     | В.  | Reserve Requirements in DC **  | 1,679                  | 403    | -1,225      | -2,917               | -2,922    | -4,614    | -5,839    |
|     | C.  | Rest   | -319                   | 967    | -221        | 180                  |           |           |           |
| II. | CU  | RRENCY **  | -140                   | 33     | <u>-510</u> | <u>737</u>           | 14,857    | 16,104    | 15,594    |
|     |     | (Monthly percentage change)  |                        |        |             |                      | 13.0%     | 0.2%      | -3.2%     |
|     |     | (Acummulated percentage change)  |                        |        |             |                      | 27.1%     | 8.4%      | 5.0%      |
|     |     | (YoY)  |                        |        |             |                      | 27.1%     | 28.9%     | 27.4%     |

<sup>\*</sup> As of september 22, 2008

A total of S/. 51,281 million, equivalent to 329 percent of currency in circulation, was sterilized. This amount is broken down as follows: public sector deposits (S/. 23,824 million), BCRP Certificates of Deposit (S/. 11,917 million), BCRP Certificates of Deposit of restricted negotiation (S/. 14,740 million), and BCRP term deposits (S/. 283 million). The average remaining maturity term for CDBCRP-NR and for total sterilization instruments as of September 22 is 124 days and 147 days respectively.

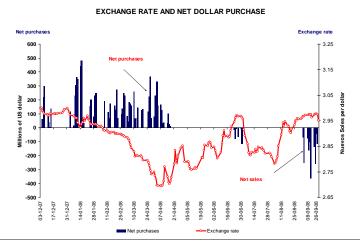
### International reserves amounted to US\$ 34,853 million on September 23

In the current international context of high financial volatility, Peru maintains a sound international reserve position. Net international reserves (NIRs) at **September 23** amounted to US\$ **34,853** million. This amount is US\$ 7,164 million higher than the one recorded at end 2007 and 65 million lower than that of end August. The international position of the BCRP on **September 23** was US\$ **25,217** million, a figure US\$ 5,596 million higher than the one registered at end 2007.



# Exchange rate: S/. 2.970 per US dollar

**So far this month**, the nuevo sol has appreciated 0.5 percent, reaching an average interbank ask price of S/. 2.970 per dollar. Sales of foreign currency carried out by the BCRP during this month amount to US\$ 1,580 million. It should be pointed out that the Central Bank did not intervene in the exchange market on September 1, 5, 12 and between September 19 and 26.



<sup>\*\*</sup> Preliminary data

The BCRP interventions in the exchange market this year have been aimed at reducing the volatility of exchange, both in the period when strong appreciatory pressures were observed (i.e. the first quarter) and in the period when these pressures reversed. As a result of this, exchange variability in Peru has been lower not only than in the rest of countries in the region, but also lower than in other developed countries.

So far this year, the Peruvian currency has shown a rate of variability of 1.32, reflecting a lower variability of exchange than the one observed in other countries in the region, such as Chile (1.98), Colombia (1.75), and Brazil (1.65), for example. Moreover, the nuevo sol showed a lower variability of exchange than other developed countries such as Australia (1.45), Korea (1.42), and Switzerland (1.33).

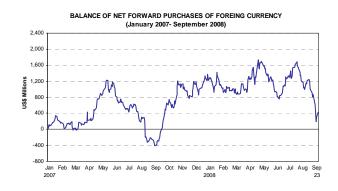
### **VARIABILITY COEFFICIENT OF EXCHANGE RATE\*: 2008**

(January 2008 - September 16, 2008)



(\*) Defined by the standard deviation ratio of exchange rate daily data respect to its monthly average.

Between September 16 and 23, banks' balance of net forward purchases of foreign currency declined by US\$ 28.9 million. During the month of September, the balance of net forward purchases accumulated a reduction of US\$ 808.2 million.



The balance of net forward purchases at **September 23** amounted to US\$ 400 million, of which US\$ 361 million (90 percent) are operations with maturities due in September, October, and November 2008.

### Purchased Sold Net Purchases (P) (S) (P)-(S) From 24 to 30 Setiembre 788 54 734 32 October 1,885 1,853 November 275 547 December 596 379 216 January 2009 631 From February 2009 to October 2010 1,040 1,229 -189 Balance as of september 23, 2008 5,774 5,374 400

MATURITIES OF BANKS' FORWARD WITH THE PUBLIC (In thousands of US Dollars)

# Liquidity and credit to the private sector at August 31

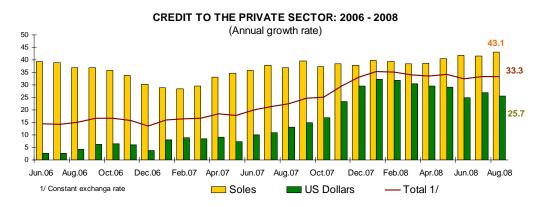
In August, liquidity in **domestic currency** increased 1.1 percent (S/. 593 million) and amounted to S/. 55,744 million (last 12-month growth of 45.2 percent). Credit to the private sector in domestic currency grew 2.3 percent (S/. 960 million) and amounted to S/. 42,086 million (last 12-month growth of 43.1 percent).

Liquidity in **foreign currency** grew 2.2 percent (US\$ 293 million), thus amounting to US\$ 13,479 million (last 12-month growth of 11.2 percent). Credit to the private sector in foreign currency increased 0.2 percent (US\$ 30 million) and amounted to US\$ 13,479 million (last 12-month growth of 25.7 percent).

|  | MONETA  | RY BASE | LIQUIDIT | LIQUIDITY IN D/C |         | IN D/C  | LIQUIDIT | Y IN F/C | CREDIT IN F/C |         |  |
|--|---------|---------|----------|------------------|---------|---------|----------|----------|---------------|---------|--|
|  | VAR.(%) | VAR.(%) | VAR.(%)  | VAR.(%)          | VAR.(%) | VAR.(%) | VAR.(%)  | VAR.(%)  | VAR.(%)       | VAR.(%) |  |
|  | MONTH   | YEAR    | MONTH    | YEAR             | MONTH   | YEAR    | MONTH    | YEAR     | MONTH         | YEAR    |  |
| <u>2006</u>                                      |         |         |          |                  |         |         |          |          |               |         |  |
| Dec.   | 15.7%   | 18.3%   | 10.6%    | 17.9%            | 3.3%    | 30.2%   | 1.8%     | 12.7%    | -2.1%         | 3.99    |  |
| <u>2007</u>                                      |         |         |          |                  |         |         |          |          |               |         |  |
| Mar.   | 1.3%    | 20.7%   | 2.9%     | 24.6%            | 3.1%    | 29.5%   | 1.2%     | 5.5%     | 1.7%          | 8.39    |  |
| Apr.   | 1.9%    | 22.7%   | -1.7%    | 27.5%            | 4.1%    | 33.1%   | 3.0%     | 9.9%     | 1.3%          | 9.29    |  |
| 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%          | 10.09   |  |
| Jul.   | 5.3%    | 23.0%   | 4.5%     | 34.4%            | 2.9%    | 37.7%   | 2.1%     | 14.3%    | 1.3%          | 10.99   |  |
| Aug.   | 0.8%    | 29.5%   | 2.2%     | 36.0%            | 1.3%    | 37.0%   | 2.6%     | 16.5%    | 1.2%          | 13.19   |  |
| Sep.   | -1.8%   | 26.1%   | -0.4%    | 34.0%            | 4.2%    | 39.6%   | 1.7%     | 17.9%    | 2.6%          | 14.99   |  |
| Oct.   | 4.1%    | 30.3%   | 5.8%     | 38.3%            | 1.8%    | 37.3%   | 1.7%     | 18.1%    | 2.1%          | 17.09   |  |
| Nov.   | 2.3%    | 29.9%   | 5.4%     | 40.4%            | 4.0%    | 38.5%   | 1.6%     | 17.2%    | 6.8%          | 23.29   |  |
| Dec.   | 14.3%   | 28.2%   | 5.6%     | 34.1%            | 2.9%    | 37.9%   | 2.7%     | 18.3%    | 2.9%          | 29.59   |  |
| 2008   |         |         |          |                  |         |         |          |          |               |         |  |
| Jan.   | -5.9%   | 29.4%   | 1.8%     | 35.1%            | 2.2%    | 39.7%   | -1.4%    | 18.1%    | 1.7%          | 32.19   |  |
| Feb.   | 7.2%    | 36.6%   | 6.9%     | 44.3%            | 2.4%    | 39.4%   | -4.5%    | 12.6%    | 0.3%          | 31.99   |  |
| Mar.   | 1.6%    | 36.9%   | 5.2%     | 47.5%            | 2.4%    | 38.5%   | 0.0%     | 11.3%    | 0.7%          | 30.59   |  |
| Apr.   | 9.2%    | 46.7%   | 3.4%     | 55.3%            | 4.3%    | 38.7%   | 1.1%     | 9.2%     | 0.7%          | 29.69   |  |
| May.   | 4.0%    | 51.8%   | 1.1%     | 53.9%            | 3.6%    | 40.5%   | -0.6%    | 5.8%     | 1.2%          | 29.19   |  |
| Jun.   | 1.8%    | 50.1%   | 1.6%     | 52.1%            | 3.8%    | 41.9%   | 0.7%     | 7.7%     | 1.3%          | 25.09   |  |
| Jul.   | 0.2%    | 42.9%   | 0.8%     | 46.8%            | 2.8%    | 41.7%   | 5.8%     | 11.6%    | 2.8%          | 26.99   |  |
| Aug.   | -1.8%   | 39.3%   | 1.1%     | 45.2%            | 2.3%    | 43.1%   | 2.2%     | 11.2%    | 0.2%          | 25.79   |  |
| Memo:  |         |         | ,        |                  | ,       |         |          |          |               |         |  |
| Balance as of July 31.  Mill.S/.or Mill.US\$)    | 21,0    | 088     | 55,      | 150              | 41,     | 127     | 13,1     | 185      | 15,8          | 344     |  |
| Balance as of August 31<br>Mill.S/.or Mill.US\$) | 20,7    | 718     | 55,7     | 744              | 42,0    | 086     | 13,4     | 179      | 15,8          | 374     |  |

# **Evolution of credit to the private sector: August 2008**

Total credit to the private sector showed a monthly growth rate of 3.6 percent and an annual growth rate of 28.2 percent in August. Isolating the effect of exchange, credit to the private sector grew 1.2 percent relative to July and 33.3 percent relative to August 2007.



# resumen informativo

**Credit in soles** increased 2.3 percent in August and 43.1 percent in the last 12 months (annual flow of S/. 12,668 million). By type of financial institutions, it should be pointed out that credit in institutions specialized in micro finances grew 3.3 percent during this month.

CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY, BY INSTITUTION

| _                            | Balance in n | nillion of Nuevos | Soles  |                | Growth rates   |                |
|------------------------------|--------------|-------------------|--------|----------------|----------------|----------------|
|                              | Aug 07       | Jul 08            | Aug 08 | Jul.08/ Jul.07 | Aug.08/ Aug.07 | Aug.08/ Jul.08 |
| Commercial banks 1/          | 23,020       | 32,213            | 32,993 | 41.7           | 43.3           | 2.4            |
| State bank                   | 2,209        | 2,314             | 2,277  | 5.8            | 3.1            | -1.6           |
| Microfinance institutions 1/ | 4,189        | 6,600             | 6,817  | 60.4           | 62.7           | 3.3            |
| TOTAL                        | 29,418       | 41,127            | 42,086 | 41.7           | 43.1           | 2.3            |

<sup>1/</sup> For July and August 2007, includes as bank to Cordillera financial entitie.

Moreover, by type of placement, the more dynamic segments were mortgages, which showed a monthly growth rate of 5.7 percent (6.2 percent in July), and credit to micro enterprises, which grew 3.9 percent (4.1 percent in July). Compared to August 2007, the most dynamic segments were mortgages in soles and credit to micro enterprises, which grew 90.1 and 67.7 percent, respectively.

### CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY, BY LOANS 1/

|                    | Balance in n | nillion of Nuevos | Soles  | Growth rates   |                |                |  |  |  |  |
|--------------------|--------------|-------------------|--------|----------------|----------------|----------------|--|--|--|--|
|                    | Aug 07       | Jul 08            | Aug 08 | Jul.08/ Jul.07 | Aug.08/ Aug.07 | Aug.08/ Jul.08 |  |  |  |  |
| Corporate loans 2/ | 11,111       | 15,358            | 15,485 | 37.0           | 39.4           | 0.8            |  |  |  |  |
| Microbusiness      | 4,347        | 7,015             | 7,288  | 64.2           | 67.7           | 3.9            |  |  |  |  |
| Consumer           | 12,517       | 16,160            | 16,570 | 32.7           | 32.4           | 2.5            |  |  |  |  |
| Mortgage           | 1,443        | 2,594             | 2,743  | 89.5           | 90.1           | 5.7            |  |  |  |  |
| TOTAL              | 29,418       | 41,127            | 42,086 | 41.7           | 43.1           | 2.3            |  |  |  |  |

<sup>1/</sup> Includes the financing granted by banks, Banco de la Nacion, financial companies, Cajas municipales, rural entities, and cooperatives of savings and credit.

In August, **credit to the private sector in dollars** grew 0.2 percent (2.8 percent in July) and accumulated an increase of 25.7 percent in the last 12 months (flow of US\$ 3,242 million). By type of credit, mortgages showed the highest rate of growth (0.8 percent), while corporate loans showed the highest growth in the last 12 months (32.2 percent).

CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY, BY INSTITUTION

| _                            | Balance in | million of US De | ollars |                | Growth rates   |                |  |  |
|------------------------------|------------|------------------|--------|----------------|----------------|----------------|--|--|
|                              | Aug 07     | Jul 08           | Aug 08 | Jul.08/ Jul.07 | Aug.08/ Aug.07 | Aug.08/ Jul.08 |  |  |
| Commercial banks 1/          | 11,768     | 15,037           | 15,069 | 29.4           | 28.1           | 0.2            |  |  |
| State bank                   | 174        | 170              | 171    | -2.3           | -2.0           | 0.2            |  |  |
| Microfinance institutions 1/ | 690        | 637              | 634    | -7.0           | -8.1           | -0.5           |  |  |
| TOTAL                        | 12,632     | 15,844           | 15,874 | 26.9           | 25.7           | 0.2            |  |  |

<sup>1/</sup> For July and August 2007, includes as bank to Cordillera financial entitie.

### CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY, BY LOANS 1/

|                    | Balance in | million of US Do | ollars |                | Growth rates   |                |
|--------------------|------------|------------------|--------|----------------|----------------|----------------|
|                    | Aug 07     | Jul 08           | Aug 08 | Jul.08/ Jul.07 | Aug.08/ Aug.07 | Aug.08/ Jul.08 |
| Corporate loans 2/ | 8,964      | 11,843           | 11,854 | 33.3           | 32.2           | 0.1            |
| Microbusiness      | 456        | 441              | 434    | -1.3           | -4.8           | -1.6           |
| Consumer           | 989        | 1,151            | 1,157  | 19.9           | 17.0           | 0.5            |
| Mortgage           | 2,223      | 2,409            | 2,429  | 9.7            | 9.3            | 0.8            |
| TOTAL              | 12,632     | 15,844           | 15,874 | 26.9           | 25.7           | 0.2            |

<sup>1/</sup> Includes the financing granted by banks, Banco de la Nacion, financial companies, Cajas municipales, rural entities and cooperatives of savings and credit.

<sup>2/</sup> Includes commercial credits to non-financial companies and investment in shares.

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# **Operations of central government in August 2008**

The operations of the central government recorded an economic deficit of S/. 1,273 million in August. This deficit is mainly explained by transfers of mining royalties (S/. 1 663 million) to local governments. It is worth pointing out that transfers to local governments, which amounted to S/. 3,327 million, were carried out in the months of July and August this year, in contrast with last year when they were carried out in June. Excluding this effect, the operations of the central government showed a positive economic outcome of S/. 390 million.

CENTRAL GOVERNMENT OPERATIONS
(Million of Nuevos Soles)

|   |              | August        |            | Accum         | nulated as o  | f August   |
|---|--------------|---------------|------------|---------------|---------------|------------|
|   | 2007         | 2008          | % Chg Real | 2007          | 2008          | % Chg Real |
| 1. CURRENT REVENUES                                   | 5,000        | 5,435         | 2.3        | 40,930        | 46,675        | 8.2        |
| A. Tax revenue  | 4,299        | 4,578         | 0.2        | 35,319        | 39,282        | 5.5        |
| B. Non tax revenue                                    | 701          | 857           | 15.1       | 5,611         | 7,393         | 25.1       |
| 2. NON-FINANCIAL EXPENDITURE                          | 3,690        | 5,845         | 49.1       | 30,543        | 35,123        | 8.9        |
| A. Non financial expenditure net to the Transfers     | 2,697        | 3,216         | 12.2       | 20,217        | 24,329        | 14.1       |
| <ul> <li>Non financial current expenditure</li> </ul> | 2,295        | 2,542         | 4.2        | 17,870        | 20,881        | 10.8       |
| - Capital expenditure                                 | 402          | 675           | 57.9       | 2,346         | 3,449         | 39.2       |
| B. Transfers to other public entities                 | 994          | 2,629         | 149.0      | 10,326        | 10,793        | -1.4       |
| 3. CAPITAL REVENUES                                   | 10           | 41            | 284.9      | 292           | 305           | -1.0       |
| 4. PRIMARY BALANCE                                    | <u>1,319</u> | <u>-370</u>   |            | <u>10,680</u> | <u>11,858</u> |            |
| 5. INTEREST PAYMENTS                                  | 723          | 904           |            | 3,899         | 3,789         |            |
| 6. OVERALL BALANCE                                    | <u>597</u>   | <u>-1,273</u> |            | <u>6,781</u>  | <u>8,069</u>  |            |
| 7. NET FINANCING                                      | -597         | 1,273         |            | -6,781        | -8,069        |            |
| 1. External   | 348          | -201          |            | -1,756        | -4,714        |            |
| A. Disbursements                                      | 684          | 101           |            | 8,443         | 1,262         |            |
| B. Amortizations                                      | -335         | -302          |            | -10,199       | -5,976        |            |
| 2. Domestic   | -1,142       | 1,474         |            | -5,303        | -3,379        |            |
| 3. Privatization                                      | 197          | 0             |            | 278           | 24            |            |

Source: MEF and SUNAT.

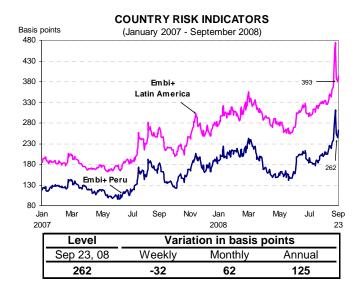
The current revenue of the central government increased by a real 2.3 percent in August and accumulated an increase of 8.2 percent between January and August. Tax revenue grew 0.2 percent in August, a result explained by the lower growth of income tax from legal entities (1.0 percent) and by lower revenue from both the excise tax on fuels (75.1 percent) and import duties (21.6 percent). It should be pointed out that extraordinary revenues (S/. 100 million) were recorded in August 2007 due to the regularization of income tax, tax penalties, and split payment of taxes. Non-tax revenue increased 15.1 percent due to higher revenue directly collected, royalties and mining royalties.

Non-financial expenditure net of transfers to other public entities (S/. 3,216 million) increased 12.2 percent in real terms, with current expenditure (S/. 2,542 million) accounting for a growth rate of 4.2 percent. By type of expenditure, transfers to the private sector increased 10.6 percent due to transfers to social programs aimed at combating poverty, including particularly the programs aimed at reducing child malnutrition (food and nutrition program for children under 3 years of age), the Wawa Wasi National Program (comprehensive care of children under 3 years of age), Support to Private Institutions, Peasant Communities and Social Organizations. Purchases of expenditure in goods and services increased 6.6 percent, while capital expenditure (S/. 675 million) grew 57.9 percent, mainly due to higher gross capital formation (46.3 percent).

### **International Markets**

# Country risk at 262 basis points

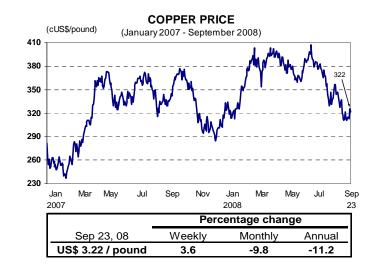
Between September 16 and 23, the country risk indicator, measured by the EMBI+ Peru spread, declined from 294 to 262 basis points, showing a similar trend to that of region (the EMBI+ Latin America fell 67 basis points). The spreads of the sovereign bonds of emerging markets decreased due the recovery of some to commodities and to increased easiness in markets after the US Treasury presented a plan to bail out financial markets.

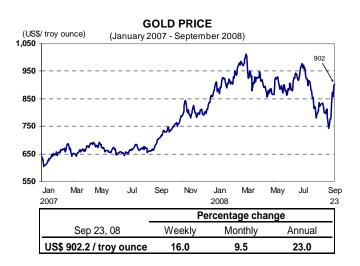


# Price of copper rose to US\$ 3.22 per pound

Between September 16 and 23, the price of copper rose 3.6 percent to US\$ 3.22 per pound. The price of metal rose due to depreciation of the dollar and to the reduction of inventories in Asia -as a result of the recovery of demand in China-, although gains were offset by turbulence in financial markets. Moreover, temporary supply constraints resulting from problems Codelco at (Chile), Grasberg (Indonesia), and Southern Copper (Mexico) pressured the price of copper upwards.

In the same period of analysis, the price of **gold** rose 16.0 percent to US\$ 902.2 per troy ounce. This rise in the price of gold is explained by a wave of acquisitions of hedge assets given concerns about the problems of the financial sector. The recovery of losses observed in the previous weeks was also influenced by a strong decline of the dollar against the euro and by the increase seen in the price of oil (up over US\$ 16 per barrel) during this week.

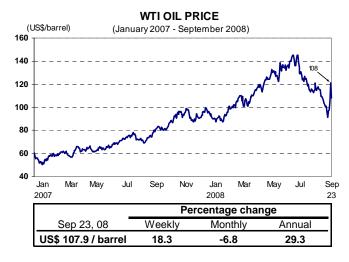




Between September 16 and 23, the price of **zinc** rose 3.6 percent to US\$ 0.80 per pound. The price of zinc showed an upward correction due to the drop of the dollar and to the fact that the US Government' plan to stabilize financial markets restored optimism regarding demand, although the price rise was partially offset by a strong increase of inventories at the London Metal Exchange.

The price of WTI oil rose 18.3 percent to US\$ 107.9 per barrel between September 16 and 23. This evolution was influenced by the strong decline of oil inventories as a result of the effects caused by recent hurricanes in the Gulf of Mexico and by the depreciation of the dollar against the euro. Other factors contributing to this included supply interruptions associated with attacks in Nigeria, after turbulence in financial markets caused prices to drop early this week.

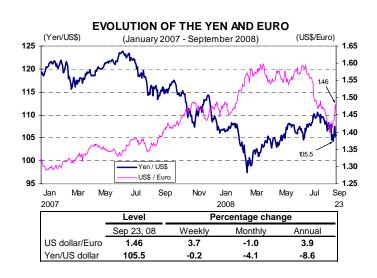




# Dollar depreciated against the euro and the yen

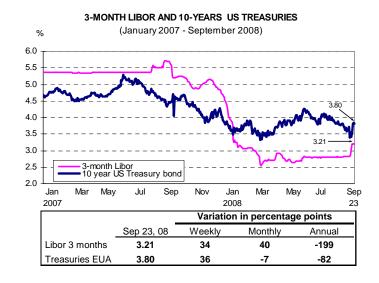
Between September 16 and 23, the dollar depreciated 3.7 percent against the euro and 0.2 percent against the yen. The weakness of the US currency was explained by uncertainty regarding the effect that the rescue plan intended to ease the global credit crisis will have on the fiscal deficit of the United States.

On the other hand, the appreciation of the yen against the dollar was offset by lower risk aversion, which encouraged carry trade operations, by the Bank of Japan's decision to maintain its reference rate at 0.5 percent.



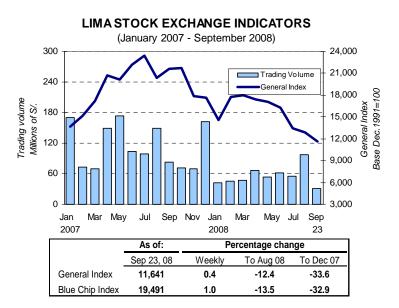
### Yield on 10-year US Treasuries rose to 3.80 percent

Between September 16 and 23, the **3-month Libor** increased from 2.88 to 3.21 percent, while the yield on the **10-year Treasury bond** rose from 3.44 to 3.80 percent. The rise in the yield of the Treasury bond was due to the optimism generated by the plan elaborated to rescue the financial system in the United States. However, doubts remain about the impact that this financial bailout might have in terms of the solvency and financing of the US government.



### Lima Stock Exchange fell 12.4 percent as of September 23

As of September 23, the General and Blue Chip indices of the Lima Stock Exchange (LSE) have fallen 12.4 and 13.5 percent, respectively. However. durina the week (September 2 to 9), both the General and the Blue Chip indices showed increases of 0.4 and 1.0 percent, respectively, due to the higher prices of metals and to the relief seen in the main global markets as a result of the injection of liquidity. However, uncertainty about the rescue plan for the financial sector negatively affected the yield at the LSE.



So far this year, the General and the Blue Chip indices have accumulated losses of 33.6 and 32.9 percent, respectively.

| Docum   | non de Indicador                                   | es Económicos / Summary of <i>Economic Indicators</i>  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---------|--|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Kesui   | nen de maicador                                    | es Economicos / Summary of Economic Inacators  | 2007<br>Dic      | Ene              | Feb              | Mar              | Abr              | May              | Jun              | Jul 20           | 008<br>Ago       | 17 Set.          | 18 Set.          | 19 Set.          | 22 Set           |
| RESEI   | VAS INTERNACION                                    | NALES (Mills. US\$) / INTERNATIONAL RESERVES   | Acum.            | 17 Set.          | 16 Set.          | 19 361.          | 22 301.          |
|         | n de cambio / Net inter<br>as internacionales neta | rnational position<br>s / Net international reserves   | 19 622<br>27 689 | 23 203<br>30 737 | 25 140<br>32 306 | 27 063<br>33 576 | 27 939<br>35 625 | 27 542<br>34 859 | 27 299<br>35 518 | 27 144<br>34 843 | 26 747<br>34 917 | 25 410<br>34 908 | 25 214<br>34 753 | 25 167<br>34 413 | 25 242<br>34 685 |
|         | tos del sistema financio<br>resas bancarias / Bana | ero en el BCRP / Financial system deposits at BCRP   | 4 635<br>4 396   | 4 515<br>4 180   | 4 165<br>3 856   | 4 031<br>3 669   | 5 193<br>4 891   | 4 631<br>4 414   | 5 311<br>5 102   | 4 663<br>4 395   | 5 207<br>4 974   | 6 425<br>6 167   | 6 455<br>6 212   | 6 183<br>5 913   | 6 303            |
|         | co de la Nación / Bano<br>o de instituciones fina  | co de la Nación<br>ncieras / Other financial institutions  | 174<br>65        | 268<br>67        | 257<br>52        | 315<br>46        | 252<br>50        | 168<br>49        | 179<br>31        | 234<br>34        | 196<br>36        | 215<br>43        | 201<br>42        | 226<br>43        | 226<br>42        |
|         |  | en el BCRP / Public sector deposits at BCRP *  | 3 407            | 3 010            | 2 998            | 2 486            | 2 514            | 2 701            | 2 920            | 3 053            | 2 977            | 3 089            | 3 099            | 3 078            | 3 156            |
| OPER    | ACIONES CAMBIAR                                    | IAS BCR (Mill. US\$) / BCRP FOREIGN OPERATIONS   | Acum.            | Acum.<br>3 087   | Acum.<br>1 640   | Acum.<br>1 767   | Acum.<br>1 090   | Acum339          | Acum413          | Acum234          | Acum117          | -42              | -117             | 0                | -50              |
|         | as netas en Mesa de Ne<br>iones swaps netas / Ne   | egociación / Net purchases of foreign currency<br>t swap operations  | 854<br>0         | 3 270            | 1 874<br>0       | 2 266<br>0       | 1 319<br>0       | 0                | -164<br>0        | -115<br>0        | 0                | -42<br>-42<br>0  | -117<br>0        | 0                | (                |
| Operac  | iones con el Sector Pú                             | blico / Public sector  | -200             | -200             | -252             | -500             | -230             | -340             | -250             | -120             | -117             | 0                | 0                | 0                | -50              |
|         |  | US\$) / EXCHANGE RATE unk Promedio / Average   | Prom.<br>2,980   | Prom.<br>2,948   | Prom.<br>2,904   | Prom.<br>2,810   | Prom. 2,744      | 2,801            | Prom.<br>2,889   | Prom. 2,846      | Prom.<br>2,890   | 2,975            | 2,973            | 2,946            | 2,939            |
|         | nterbancario                                       | Apertura / Opening<br>Mediodía / Midday  | 2,983<br>2,982   | 2,954<br>2,950   | 2,907<br>2,906   | 2,818<br>2,810   | 2,754<br>2,753   | 2,804<br>2,809   | 2,895<br>2,893   | 2,857<br>2,848   | 2,897<br>2,897   | 2,976<br>2,976   | 2,976<br>2,977   | 2,959<br>2,952   | 2,950<br>2,943   |
| Interba |  | Cierre / Close Promedio / Average  | 2,983<br>2,982   | 2,953<br>2,951   | 2,906<br>2,906   | 2,812<br>2,813   | 2,754<br>2,752   | 2,806            | 2,894<br>2,894   | 2,849<br>2,851   | 2,896<br>2,896   | 2,976<br>2,976   | 2,975<br>2,975   | 2,955<br>2,951   | 2,940            |
|         | Bancario (SBS)<br>g System                         | Compra / Bid<br>Venta / Ask  | 2,980<br>2,982   | 2,950<br>2,925   | 2,905<br>2,906   | 2,810<br>2,812   | 2,746<br>2,749   | 2,804<br>2,805   | 2,890<br>2,893   | 2,848<br>2,849   | 2,891<br>2,893   | 2,974<br>2,976   | 2,972<br>2,974   | 2,950<br>2,951   | 2,942            |
| Índice  | le tipo de cambio real                             | (2001 = 100) / Real exchange rate Index (2001 = 100)   | 104,5            |                  | 103,6            | 101,6            | 100,1            | 101,7            | 105,1            | 103,9            | 103,3            | 2,970            | 2,774            | 2,931            | 2,74             |
|         | ADORES MONETAR<br>a nacional / Domestic            | IOS / MONETARY INDICATORS  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| En      | isión Primaria<br>netary base                      | (Var. % mensual) / (% monthly change)<br>(Var. % últimos 12 meses) / (% 12-month change)                                       | 14,3<br>28,2     | -5,9<br>29,4     | 7,2<br>36,6      | 1,6<br>36,9      | 9,2<br>46,7      | 4,0<br>51,8      | 1,8<br>50,1      | 0,2<br>42,9      | -1,8<br>39,3     |                  |                  |                  |                  |
| Of      | erta monetaria                                     | (Var. % mensual) / (% monthly change)  | 4,5              | 7,9              | 9,5              | 5,6              | 3,8              | 1,8              | 1,6              | -1,4             | 1,0              |                  |                  |                  |                  |
| Cr      | ney Supply<br>édito sector privado                 | (Var. % últimos 12 meses) / (% 12-month change) (Var. % mensual) / (% monthly change)  | 34,5<br>2,4      | 40,5             | 50,8<br>2,4      | 56,1<br>1,0      | 64,2<br>4,5      | 64,4<br>3,4      | 58,0<br>3,4      | 54,1<br>2,7      | 53,9<br>2,3      |                  |                  |                  |                  |
|         |  | or (Var. % últimos 12 meses) / (% 12-month change)<br>lo (Var. % acum. en el mes) / TOSE balance (% change)                    | 43,1<br>0,0      | 47,7<br>11,5     | 47,2<br>14,1     | 43,8<br>5,0      | 43,6<br>5,8      | 45,2<br>-1,3     | 41,8<br>-1,8     | 41,1<br>-2,4     | 42,6<br>1,1      | 0,1              | 0,5              | 0,5              |                  |
|         |  | ancos (saldo mill. S/.) / Banks' current account (balance)   | 0,4<br>531       | 3,4<br>1 400     | 0,0<br>1 538     | 0,3<br>2 253     | 0,2<br>2 131     | 0,9<br>3 934     | 0,1<br>2 973     | 0,1<br>3 336     | 0,1<br>3 123     | 1,6<br>2 785     | 1,4<br>2 016     | 1,3<br>2 201     | 2 05             |
|         |  | nonetaria (millones de S/.) / Rediscounts (Millions of S/.)  3CRP (millones S/.)Public sector deposits at the BCRP (Mills.S/.) | 16 924           | 0<br>18 247      | 0<br>17 234      | 0<br>17 780      | 0<br>17 780      | 0<br>20 703      | 0<br>21 036      | 0<br>20 868      | 0<br>21 882      | 0<br>23 766      | 0<br>23 775      | 0<br>24 104      | 23 82            |
|         |  | s BCRP (saldo Mill.S/.) / CDBCRP balance (Millions of S/.) Mill S/.)/ Time Deposits Auctions (Millions of S/.)**               | 21 458           | 23 971<br>6 583  | 22 246<br>283    | 20 455<br>283    | 18 158<br>283    | 15 929<br>283    | 14 653<br>283    | 12 878<br>283    | 11 917<br>283    | 11 917<br>283    | 11 917<br>283    | 11 917<br>283    | 11 91′<br>28:    |
| CI      | BCRP con Negociacio                                | on Restringida (Saldo Mill S/.)/ CDBCRP-NR balance (Millions of S/. saldo Mill.S/.) / CDRBCRP balance (Millions of S/.)        | )                | 0                | 12 569           | 18 298           | 19 612           | 19 894           | 20 007           | 21 471           | 22 107           | 14 740           | 15 140           | 14 740           | 14 74            |
|         |  | aldo Mill. S/.) / repos (Balance millions of S/.)  TAMN / Average lending rates in domestic currency                           | 22,27            | 23,31            | 23,36            | 23,87            | 23,82            | 23,60            | 23,75            | 23,69            | 23,87            | 24,22            | 24,28            | 800<br>24,23     | 24,4             |
| то      | sa de interés (%)                                  | Préstamos y descuentos hasta 360 días / Loans & discount<br>Interbancaria / Interbank  | 13,24            | 13,31<br>4,44    | 13,00            | 13,31<br>5,21    | 13,65<br>5,37    | 13,58<br>5,50    | 13,78            | 14,00<br>5,91    | 14,06<br>6,21    | n.d.<br>6,49     | n.d.<br>6,49     | n.d.<br>6,51     | n.c<br>6,5       |
|         | erest rates (%)                                    | Preferencial corporativa a 90 días / Corporate <i>Prime</i> Operaciones de reporte con CDBCRP / CDBCRP repos                   | 5,60             | 5,56             | 5,54             | 5,59             | 6,05             | 6,20             | 6,27             | 6,59             | 6,84             | 7,29             | 7,27             | 7,27             | 7,2              |
|         |  | Créditos por regulación monetaria / Rediscounts ***  | s.m.<br>5,75     | s.m.<br>6,00     | s.m.<br>6,00     | s.m.<br>6,00     | s.m.<br>6,25     | s.m.<br>6,25     | s.m.<br>6,50     | s.m.<br>6,75     | s.m.<br>7,00     | s.m.<br>7,25     | s.m.<br>7,25     | 7,25             | s.n<br>7,2       |
|         |  | Del saldo de CDBCRP / CDBCRP balance Del saldo de depósitos a Plazo/ Time Deposits   | 5,46             | 5,65<br>4,57     | 5,67<br>5,96     | 5,70<br>5,96     | 5,73<br>5,96     | 5,80<br>5,96     | 5,83<br>5,96     | 5,83<br>5,96     | 5,83<br>5,96     | 5,83<br>5,96     | 5,83<br>5,96     | 5,83<br>5,96     | 5,8<br>5,9       |
| Moned   | a extranjera / foreign                             | Del saldo de CDBCRP-NR/CDBCRP-NR balance   |                  |                  | 5,41             | 5,56             | 5,78             | 5,95             | 6,08             | 6,13             | 6,25             | 6,37             | 6,37             | 6,37             | 6,3              |
| Cn      | édito sector privado                               | (Var. % mensual) / (% monthly change)  | 3,8<br>32,0      | 1,3              | 0,4<br>34,1      | 0,6              | 1,6              | 0,6              | 2,0              | 3,3<br>30,1      | 0,2<br>28,9      |                  |                  |                  |                  |
| TC      | SE saldo fin de períod                             | or (Var. % últimos 12 meses) / (% 12-month change) to (Var. % acum. en el mes) / TOSE balance (% change)                       | 6,1              | 34,2<br>3,9      | -1,2             | 32,6<br>-0,8     | 32,6<br>4,8      | 31,2<br>2,1      | 27,6             | 4,1              | 0,6              | 0,4              | 0,0              | 0,2              |                  |
| Cr      | eravit de encaje prome<br>éditos por regulación n  | edio (% respecto al TOSE)Average reserve surplus (% of TOSE) nonetaria (millones de US dólares) / Rediscounts                  | 0,3              | 2,4              | -2,1<br>0        | 0,1              | 0,3              | 0,6              | 0,6              | 0,3              | 2,4              | 3,1              | 3,2              | 1,0              | 10.5             |
|         | sa de interés (%)                                  | TAMEX / Average lending rates in foreign currency<br>Préstamos y descuentos hasta 360 días / Loans & discount                  | 10,46<br>9,68    | 10,30<br>9,59    | 10,16<br>9,51    | 10,31<br>9,76    | 10,49<br>10,10   | 10,76<br>10,51   | 11,03<br>11,03   | 10,96<br>10,82   | 10,80<br>10,46   | 10,81<br>n.d.    | 10,72<br>n.d.    | 10,71<br>n.d.    | 10,7<br>n.c      |
| Int     | erest rates (%)                                    | Interbancaria / Interbank Preferencial corporativa a 90 días / Corporate Prime   | 5,92<br>6,40     | 5,69<br>5,99     | 6,56<br>6,62     | 7,33<br>8,02     | 7,21<br>9,16     | 7,82<br>9,99     | 4,60<br>8,42     | 2,53<br>6,69     | 4,89<br>6,94     | 1,00<br>6,14     | 1,51<br>6,16     | 1,98<br>6,16     | 2,0<br>6,1       |
| DIDIC   | DODES DUDS (TH                                     | Créditos por regulación monetaria / Rediscounts ****   | s.m.             | s.m              |
| Índice  | General Bursátil (Var.                             | ES / STOCK MARKET INDICES %) / General Index (% change)  | Acum.<br>-4,0    | Acum.<br>-14,4   | Acum.<br>18,4    | Acum.<br>-1,9    | Acum.<br>0,3     | Acum1,6          | Acum.<br>-5,0    | Acum.<br>-16,5   | Acum3,1          | -3,6             | -2,6             | 8,8              | 0,0              |
|         |  | : %) / Blue Chip Index (% change)<br>(Mill. S/.) - Prom. diario  | -5,5<br>161,3    | -17,6            | 21,9<br>45,9     | -0,4<br>47,2     | 1,2<br>66,1      | -4,0<br>52,8     | -4,1<br>62,3     | -17,8<br>54,9    | 1,0<br>96,9      | -4,2<br>32,1     | -3,0<br>41,9     | 10,9             | -0,3<br>40,7     |
| INFLA   | CIÓN (%) / INFLATI                                 |  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|         | n mensual / Monthly<br>n últimos 12 meses / 9      | % 12 months change   | 0,45<br>3,93     | 0,22<br>4,15     | 0,91<br>4,82     | 1,04<br>5,55     | 0,15<br>5,52     | 0,37<br>5,39     | 0,77<br>5,71     | 0,56<br>5,79     | 0,59<br>6,27     |                  |                  |                  |                  |
| GOBIE   | RNO CENTRAL (Mi                                    | II. S/.) / CENTRAL GOVERNMENT (Mills. of S/.)  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|         | do primario / Primary<br>s corrientes / Current    |  | -2 546<br>4 953  | 6 010            | 1 164<br>4 698   | 1 791<br>5 214   | 4 082<br>7 896   | 1 642<br>5 770   | 1 575<br>5 643   | -1 053<br>6 009  | -370<br>5 435    |                  |                  |                  |                  |
| Gastos  | no financieros / Non-f                             |  | 7 538            |                  | 3 542            | 3 445            | 3 836            | 4 130            | 4 104            | 7 174            | 5 845            |                  |                  |                  |                  |
| Balanz  | Comercial / Trade be                               |  | 1 019            | 312              | 584              | 583              | 401              | 464              | 38               | 305              |                  |                  |                  |                  |                  |
| Export  | ciones / Exports                                   |  | 2 822<br>1 802   | 2 500<br>2 188   | 2 464<br>1 880   | 2 779<br>2 195   | 2 709<br>2 308   | 2 932<br>2 468   | 2 803<br>2 764   | 3 063<br>2 759   |                  |                  |                  |                  |                  |
| PRODU   | CTO BRUTO INTERN                                   | iO (Índice 1994=100) / GROSS DOMESTIC PRODUCT  |                  |                  |                  |                  | 1                | ~~[              |                  |                  |                  |                  |                  |                  |                  |
|         | •  | mes del año anterior / Annual rate of growth (12 months)  CIONALES / INTERNATIONAL QUOTATIONS                                  | 10,1             |                  | 12,7             | 6,1<br>Prom.     | 14,0<br>Prom.    | 7,5              | 11,5             | 8,3              | De               |                  |                  |                  |                  |
|         | a tres meses (%) / LIE                             | ~  | Prom. 4,97       | Prom.<br>3,92    | Prom. 3,09       | 2,78             | 2,79             | Prom. 2,69       | Prom. 2,77       | Prom. 2,79       | Prom. 2,81       | 3,06             | 3,20             | 3,21             | 3,20             |
| Dow Jo  | nes (Var %) / (% char                              |  | -0,16<br>4,10    | -4,85<br>3,71    | -3,21<br>3,73    | 0,07<br>3,48     | 4,56<br>3,65     | -2,67<br>3,88    | -10,57<br>4,08   | 0,47<br>3,97     | 1,65<br>3,9      | -4,06<br>3,42    | 3,86<br>3,55     | 3,35<br>3,81     | -3,27<br>3,84    |
| Kenam   |  | ERÚ (pbs) / EMBI+ PERU stripped spread (basis points ) *****   | 175              |                  | 209              | 221              | 182              | 154              | 160              | 198              | 195              | 312              | 297              | 254              | 24               |

<sup>|</sup> Stripped spread del EMBH+ PERÜ (psb) / EMBH- PERÜ stripped spread (basis points) \*\*\*\*\*\* | 175 | 195 | 209 | 221 | 182 | 154 | 160 | 198 | 195 | 312 | 297 | 254 |

\*Incluye depósitos de Promcepri, Fondo de Estabilización Fiscal (FEF), Cofide, fondos administrados por la ONP; y otros depósitos del MEF. El detalle se presenta en el cuadro No.24 de la Nota Seman:

\*\*\* A partir del 18 de enero, el BCRP utiliza los depósitos a plazo en moneda nacional como instrumento monetario.

\*\*\*\* A partir del 12 de setiembre de 2008, esta tasa se elevó a 7,25%.

\*\*\*\* Las tasas de interés para los créditos de regulación monetaria en dólares serán a la tasa Libor a un mes más un punto porcentual.

\*\*\*\*\* Desde el 29 de setiembre de 2006, el IP Morgan, de acuerdo a sus criterios de liquidez de mercado, ha incluído dentro de su EMBI+ PERÚ los bonos globales Peru 2025 y 2033. Al ser los spreads de dichos bonos cercanos a los 200 pbs, ello explica el aumento de cerca de 40 pbs en el EMBI+ PERÚ a partir del 29 de setiembre.

Fuente: BCRP, INEI, Banco de la Nación, BVL, Sunat, SBS, Reuters y Bloomberg.

Elaboración: Departamento de Publicaciones Económicas.