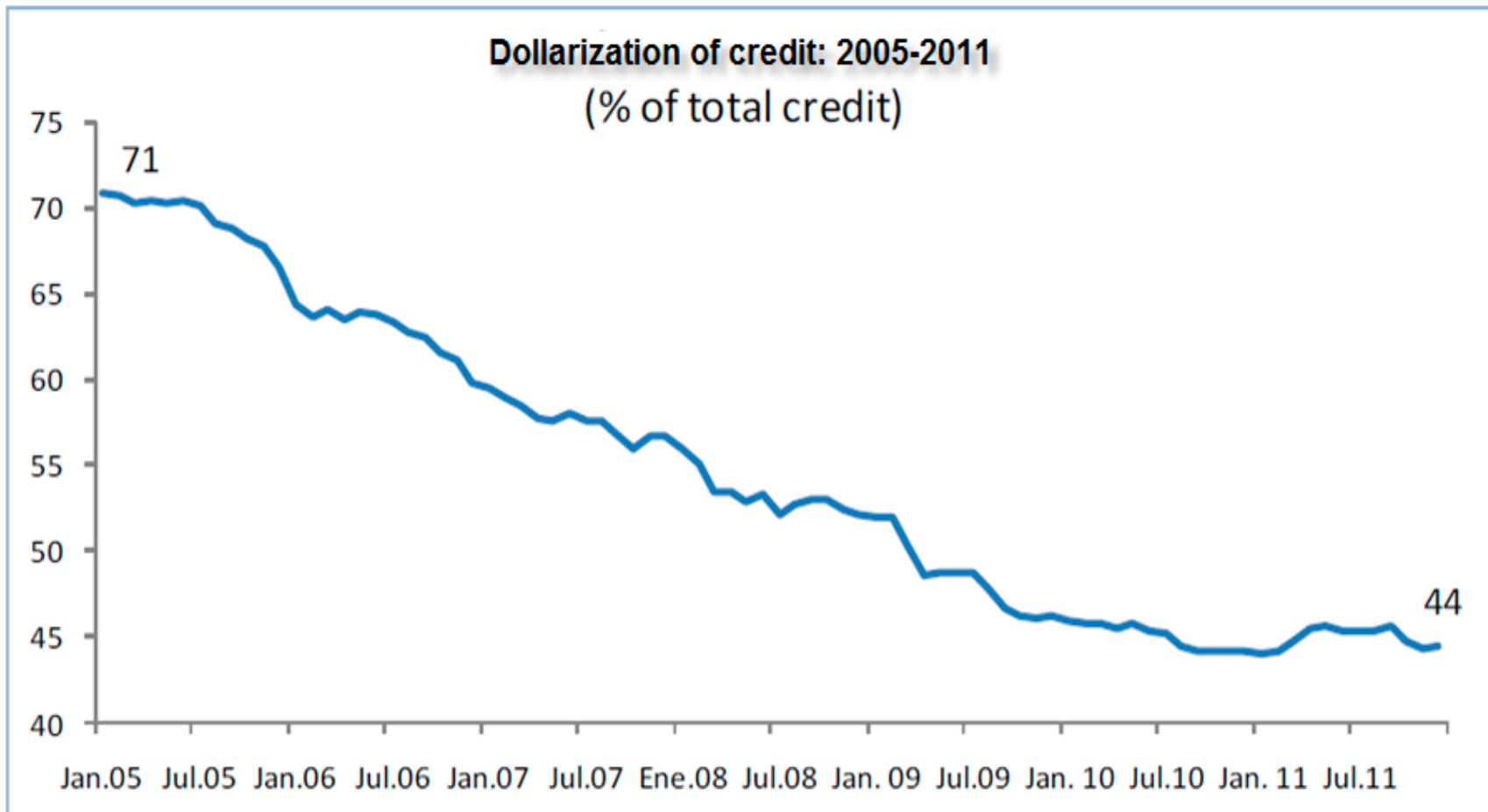


PERU: MACROPRUDENTIAL POLICIES TO ACHIEVE FINANCIAL STABILITY

Renzo Rossini
General Manager
Central Reserve Bank of Peru

Dollarization



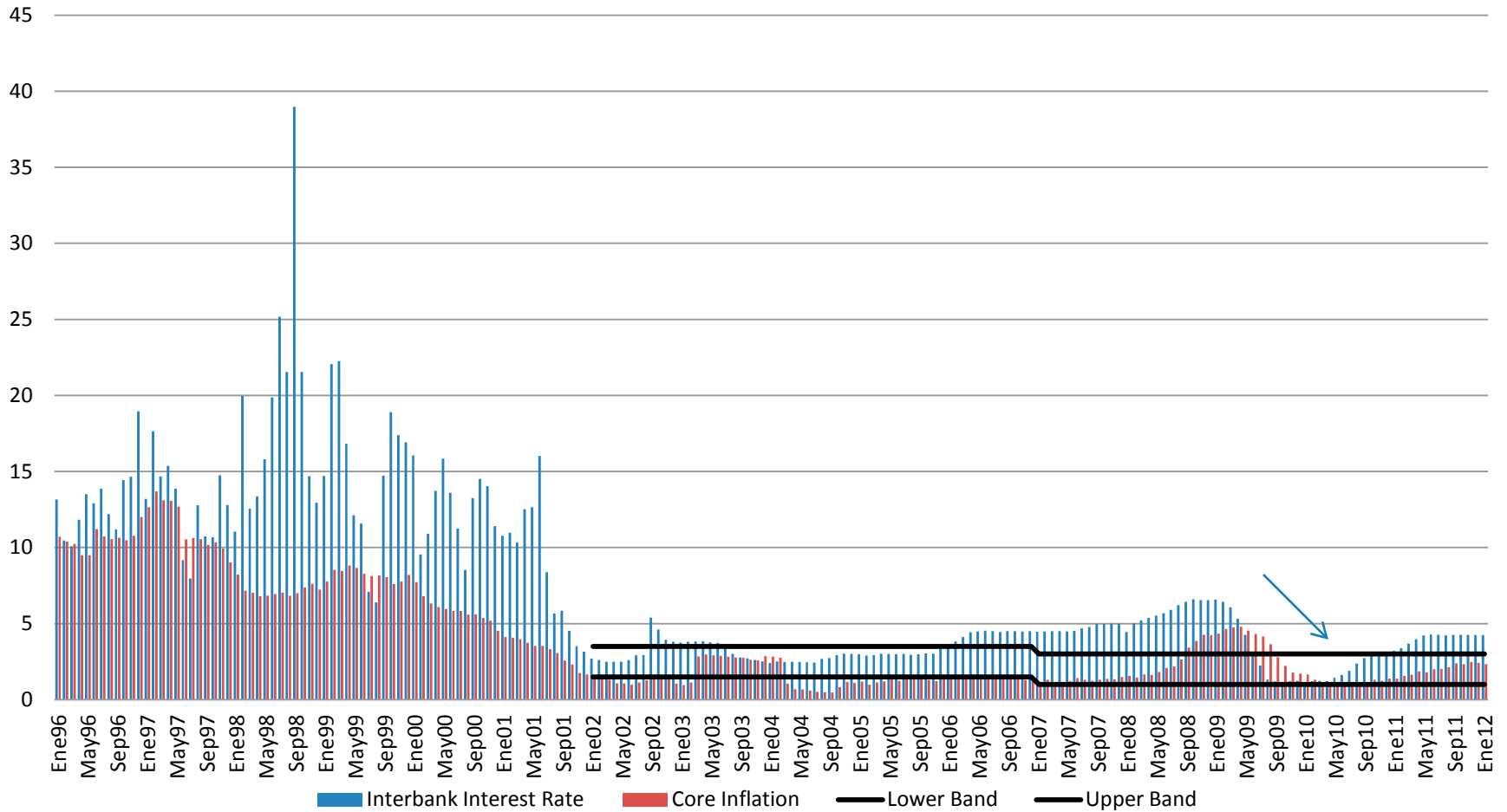
Russian crisis

- Reduction of short-term foreign liabilities: -50% in Aug.1999 *.
- Real currency depreciation: 13% in Aug.1999 *.
- Increase of non-performing loans in foreign currency: from 5% to 10%.
- Credit crunch: rate of growth of credit in foreign currency declined from 26% in Jul.1998 to -4% in Jul.1999 *.
- Financial crisis: the number of banks declined from 26 to 14.

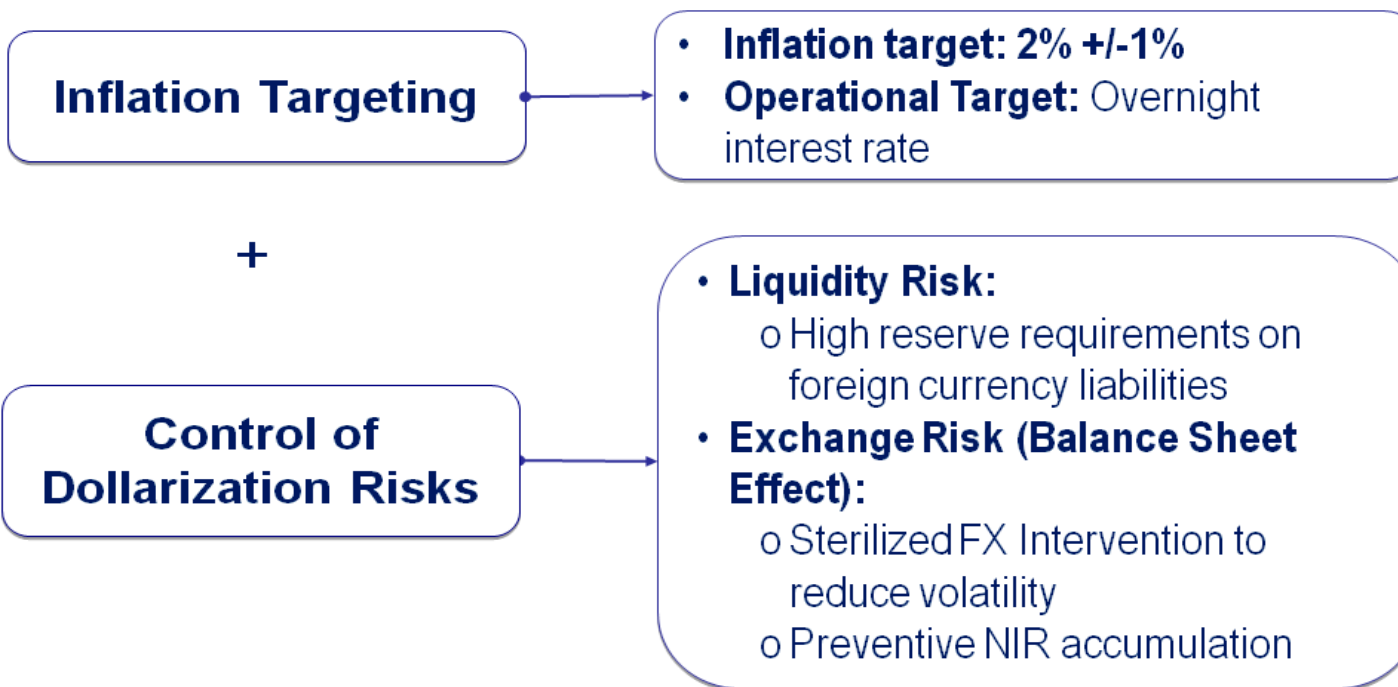
* 12-month rate of change

Inflation targeting: 2002

Interest Rate and Inflation Targeting

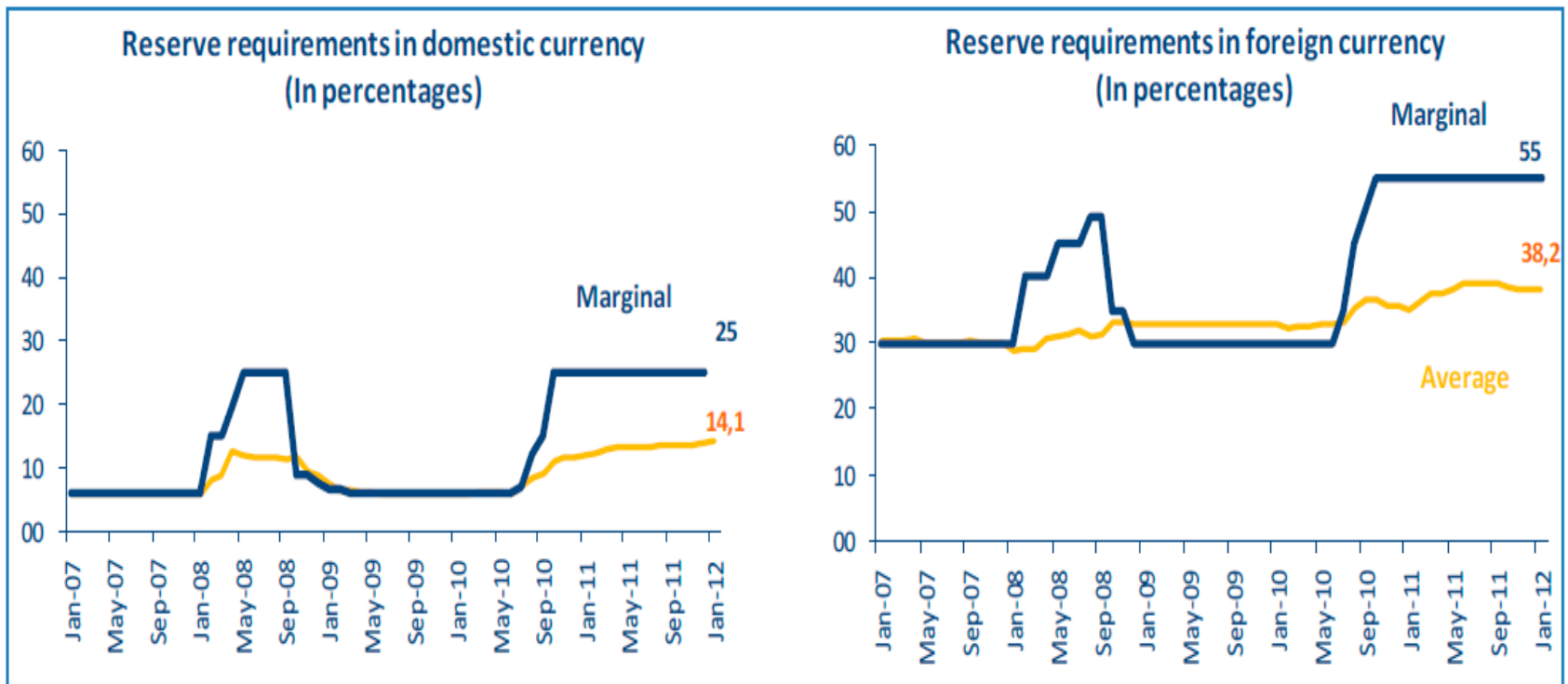


Hybrid Inflation Targeting



Reserve requirements

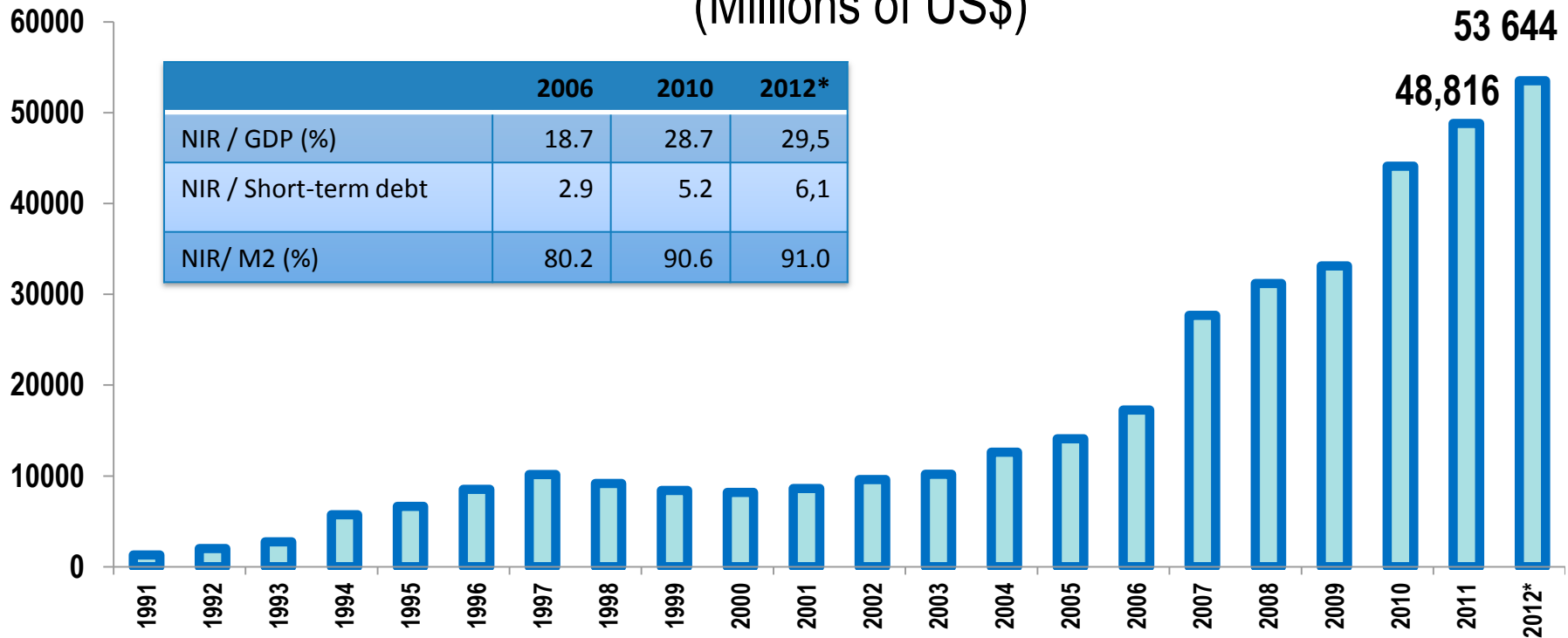
Active monetary policy includes reserve requirements as a liquidity management tool to stabilize credit.



International Liquidity

- Liquidity buffer against international financial risks.

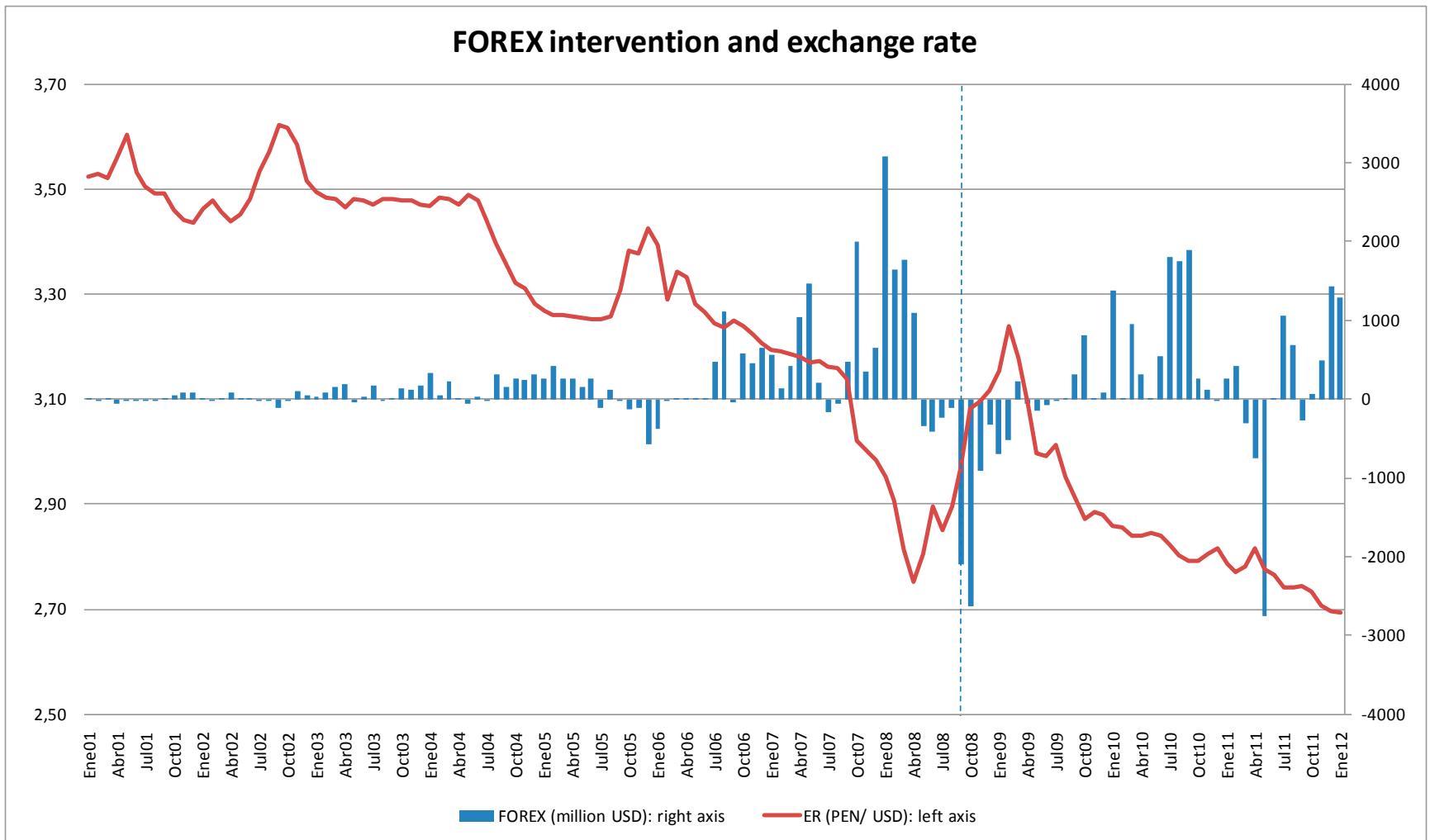
International Reserves (Millions of US\$)



* International reserve balances at February 23, 2012

FOREX intervention

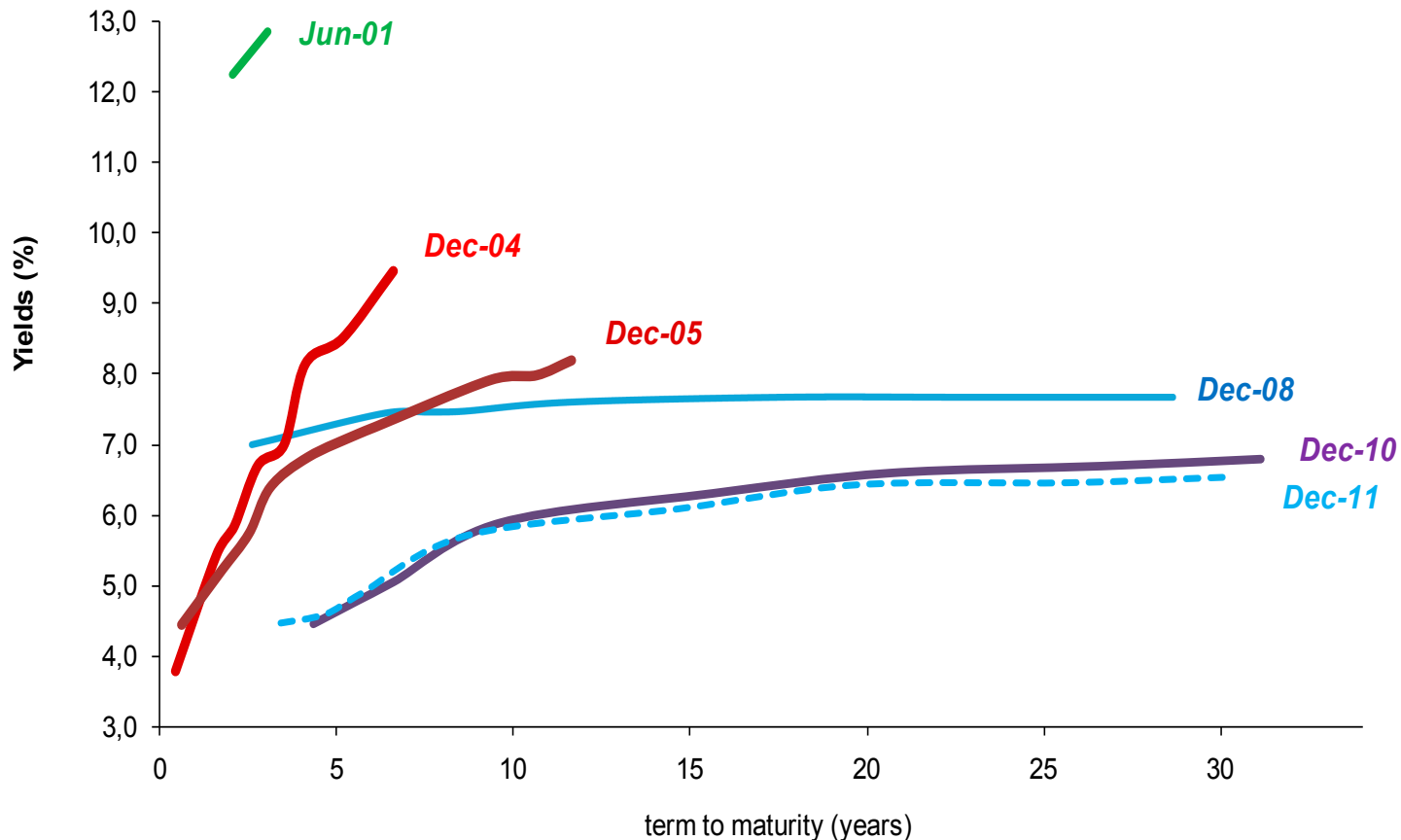
FOREX intervention aimed at reducing exchange rate volatility in order to prevent balance-sheet effects.



Fiscal Situation

Fiscal consolidation and an active liability management to increase the share of domestic debt in local currency and to extend its maturity.

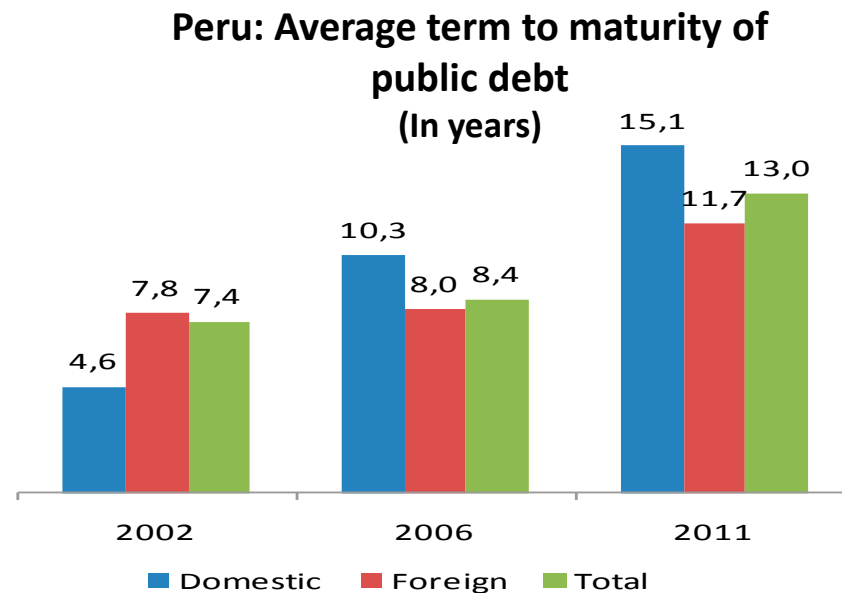
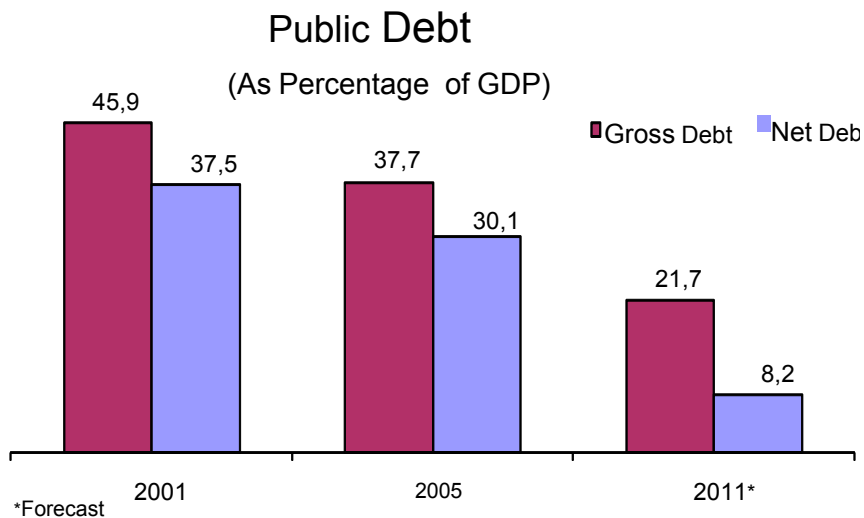
Government Bonds Yield Curve ^{1/}



^{1/}End of period figures

Indicators of Public Debt

Net Public Debt of 8.2 percent of GDP, with average term to maturity of 13 years.



Sterilized FOREX intervention with public sector deposits, reserve requirements and Central Bank CDs.

Peru: Central Reserve Bank Balance Sheet
 (As percentages of GDP. Figures of December 31, 2011)

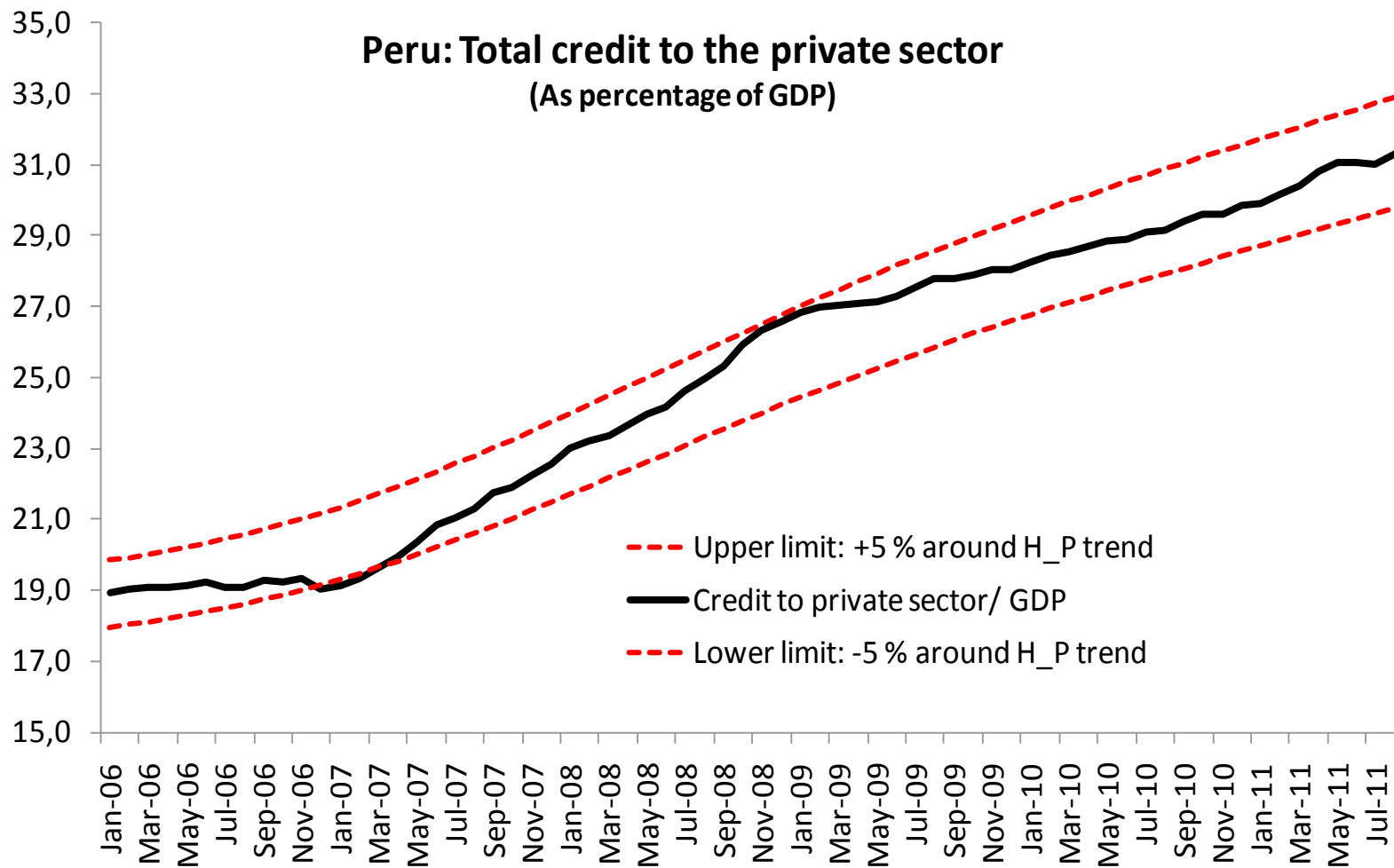
Assets		Liabilities	
International reserves	27,6	Public sector deposits	10,5
		In domestic currency	6,7
		In foreign currency	3,8
		Reserve requirements	7,6
		In domestic currency	2,6
		In foreign currency	5,0
		Central Bank instruments	3,6
		Cash holdings	5,7
		Other liabilities	0,2

Crisis management (2008)

Peru: Monetary Operations of the Central Bank (Q_IV-2008)	
	As percentages of GDP
1. REPO	1.5
2. FX Sales ^{1/}	6.2
3. FX Swaps	0.2
4. Reserve Requirements	1.4
Total	9.3

^{1/} Includes net issuances of exchange rate indexed Central Bank CDs

Macprudential



1/ At constant exchange rate . The trend is calculated using Hodrick Prescott filter.

Macprudential

Peru: Lima, metropolitan area housing market Price/Rent ratio		
	2010 II_Q	2011 III_Q
Jesús María	11,8	12,9
La Molina	13,0	15,2
Lince	15,9	16,5
Magdalena	10,6	12,7
Miraflores	10,9	15,6
Pueblo Libre	14,5	15,0
San Borja	15,8	16,6
San Isidro	14,4	14,9
San Miguel	13,6	13,7
Surco	12,8	13,4
<u>Average</u>	<u>13,3</u>	<u>14,6</u>

Macroeconomic Coordination Committee

MoF, CB and SBS

1. FSAP 2000 recommended a coordinated action for financial stability enhancing liquidity at fiscal and monetary level as buffers against systemic risks.
2. The banks supervisory agency, in line with the FSAP recommendations implemented:
 - A dynamic provisioning scheme
 - A countercyclical additional risk weighted capital requirement
 - Additional capital requirements on FX exposures