

CENTRAL RESERVE BANK OF PERU

ANNUAL SERIES OF MONETARY STATISTICS

A. METHODOLOGICAL NOTES

1. NOMENCLATURE

MN = Domestic currency
ME = Foreign currency
n.d. = Not available

2. UNIT OF ACCOUNT

Until January 1985, the “Sol de Oro” was the currency unit of Peru. The “Sol de Oro” was replaced on February 1st, 1985 by the “Inti” (An inti = 1 000 soles de oro). In turn, the latter has been replaced on July 1st, 1991 by the “**Nuevo Sol**” (S/) which is the present currency unit of Peru.

In order to homogenize the valuation on the figures, the “**Nuevo Sol**” has been taken as unit of account in the monetary series. The table shown below displays the equivalencies between the “Nuevo Sol”, the “Inti” and the “Soles de Oro”.

1 nuevo sol = 1 000 000 de intis.
1 nuevo sol = 1 000 000 000 soles de oro.

The monetary series are expressed in the following monetary units:

1959-1988: Nuevos soles
1989-1990: Thousands of nuevos soles
Since 1990: Millions of nuevos soles

3. PERIODICITY

For the period 1959-2005, the statistical series of the banking system are shown in annual frequency.

4. SERIES AS PERCENTAGE OF GDP:

The nominal value of the gross domestic product (GDP) with base-year 1994 is used to estimate the series expressed as a percentage of GDP such as monetization coefficients of broad money and credit.

5. VALUATION OF FOREIGN CURRENCY

The figures in foreign currency are converted to domestic currency values at the official exchange rate, using the average of purchasing and selling end-of-period exchange rates, until August 1990. Since this date, the conversion is made at the average banking exchange rate, published by the Superintendency of Banking and Insurance (SBS). The monetary series in foreign currency are expressed in millions of U.S. dollars.

6. ROUNDED OFF FIGURES

Due to the figures are rounded off, the disseminated series on the Central Reserve Bank of Peru (BCRP) web can slightly differ from previous publications of the Central Bank.

CENTRAL RESERVE BANK OF PERU

7. DEFINITION OF PRIVATE SECTOR IN THE BANKING SYSTEM STATISTICS

The definition of private sector in the monetary statistics of the banking system not only includes households, private nonfinancial corporations and nonprofit institutions subsectors, but also nonbanking financial corporations. Thus, for example, the vault cash balance of nonbanking financial corporations is aggregated in the currency in circulation.

8. NET CREDIT TO THE PUBLIC SECTOR

The net credit of the banking system to the public sector includes the net claims issued by BCRP to the "Fondo Nacional de Propiedad Social" (FONAPS) and by the banking system to the "Corporación Financiera de Desarrollo" (COFIDE). The corresponding net claims of previous institutional units have been registered in the net credit to the rest of the public sector.

9. IMPLICIT MONEY MULTIPLIER

The implicit money multiplier is defined as the quotient that results from dividing the broad money in domestic currency of the banking system by the monetary base.

$$\begin{aligned} m &= 1 / (c+r (1-c)) && \text{Money multiplier.} \\ c &= C/M && \text{Currency to broad money ratio.} \\ r &= R/D && \text{Effective reserve requirements in domestic currency ratio.} \end{aligned}$$

where:

- C = Currency in circulation.
- M = Broad money in domestic currency of the banking system.
- R = Vault cash of the banks and deposits in domestic currency held by banks at BCRP.
- D = Deposits in domestic currency of the private sector in the banking system.

CENTRAL RESERVE BANK OF PERU

B. DEFINITIONS

BANKING SYSTEM:

It comprises all banking institutions that operates in the country. It is composed by the BCRP, Banco de la Nacion, commercial banks and development banks, including Banco Agropecuario. In the monetary statistics assets and liabilities of banking institutions undergoing liquidation are considered.

BROAD MONEY:

Total of financial institutions liabilities to the private sector of the economy, which is held for its usability as medium of exchange, store of value or both. Broad money comprises money and quasi-money.

Broad Money in domestic currency decomposes in:

a) Money: Currency in circulation and demand deposits in domestic currency.

b) Quasi-money: Saving deposits, time deposits, mortgage certificates and other securities in domestic currency. Other securities in domestic currency consider development banks bonds, leasing bonds, subordinated bonds, securities issued by BCRP and other mortgage bonds.

Broad money in foreign currency includes the quasi-money in foreign currency such as deposits; securities, including those issued by BCRP (certificates of currencies) and other liabilities in foreign currency.

Total broad money is the sum of the broad money in domestic currency and the broad money in foreign currency converted to domestic currency.

CREDIT TO THE PRIVATE SECTOR:

Balance of the total loans (installment loans, current account advances, discount notes and other documents, among others) and securities (including shares), which are claims of the financial institutions on the private sector.

EXTERNAL ASSETS:

Ready available assets which serve as means of international payment. These assets of the financial institutions on nonresidents comprises deposits on foreign banks, securities issued by international entities and foreign currency holdings. In the case of the Central Bank, these are denominated reserve assets or gross international reserves.

EXTERNAL LIABILITIES:

Short term foreign liabilities of the financial institutions that comprise deposits, loans and securities issued by nonresidents.

FOREIGN EXCHANGE POSITION:

Definition of foreign currency liquidity of the BCRP, which results of deducting from the value of its reserve assets the total amount of short and long term liabilities to resident and nonresidents.

NET CREDIT TO THE PUBLIC SECTOR:

Difference between the total credit that financial institutions grant to the public sector and the total liabilities of financial institutions to the public sector. This net credit to the public sector is broken down into central government and rest of the public sector. It should be noted that regional governments are included in central government whereas local governments, public decentralized organizations, state-owned companies and COFIDE are included in rest of the public sector.

CENTRAL RESERVE BANK OF PERU

NET EXTERNAL ASSETS:

Difference between foreign assets of a bank or a group of banks and foreign liabilities on nonresidents.

NET INTERNACIONAL RESERVES (NIR):

Difference between reserve assets and foreign liabilities of the BCRP. NIR show the foreign currency liquidity of a country and its financial capacity to face short term demands on foreign currency.

MONETARY BASE

Central bank liabilities that support the expansion of broad money and credit. It includes banknotes and coins in circulation, vault cash of the financial institutions, and deposits in domestic currency of the financial institutions held at the BCRP. The monetary base expands or contracts, as result of the monetary operations of the Central Bank: The main monetary operations of the BCRP are: (i) exchange operations; (ii) open market operations, with Certificates of Deposit BCRP and Treasury Bonds; and (iii) window facilities, such as loans of monetary regulation and overnight deposit.

Since January 1994, monetary base has not included deposits in domestic currency of Banco de la Nación.

MONETIZATION COEFFICIENT:

This ratio indicates the importance of the financial sector relative to the Peruvian economic activity. It also shows the relative size of the financial system. It results from dividing the average balance of the broad money of a certain period by the corresponding GDP, expressed in current prices.

MONEY MULTIPLIER:

Quotient that results from dividing the broad money in domestic currency of the banking system by the monetary base. It is an indicator of the money creation capacity of the banking system from the monetary base. The multiplier is affected by the effective reserve requirement ratio of commercial banks and the currency to broad money ratio.

RESERVE ASSETS OR GROSS INTERNATIONAL RESERVES:

External assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances and/or for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate. These are primarily composed by: deposits in foreign banks; Special Drawing Rights (SDR); securities issued by international entities; contributions to international monetary organizations, such as the International Monetary Fund (IMF) and the "Fondo Latinoamericano de Reservas" (FLAR); claims originated in the reciprocal credit agreements with central banks; gold and foreign currency holdings.

VELOCITY OF CIRCULATION OF THE BANKING SYSTEM BROAD MONEY:

Number of times the average broad money balance is used to finance transactions in final goods of an economy. It is equivalent to the inverse of the monetization coefficient.