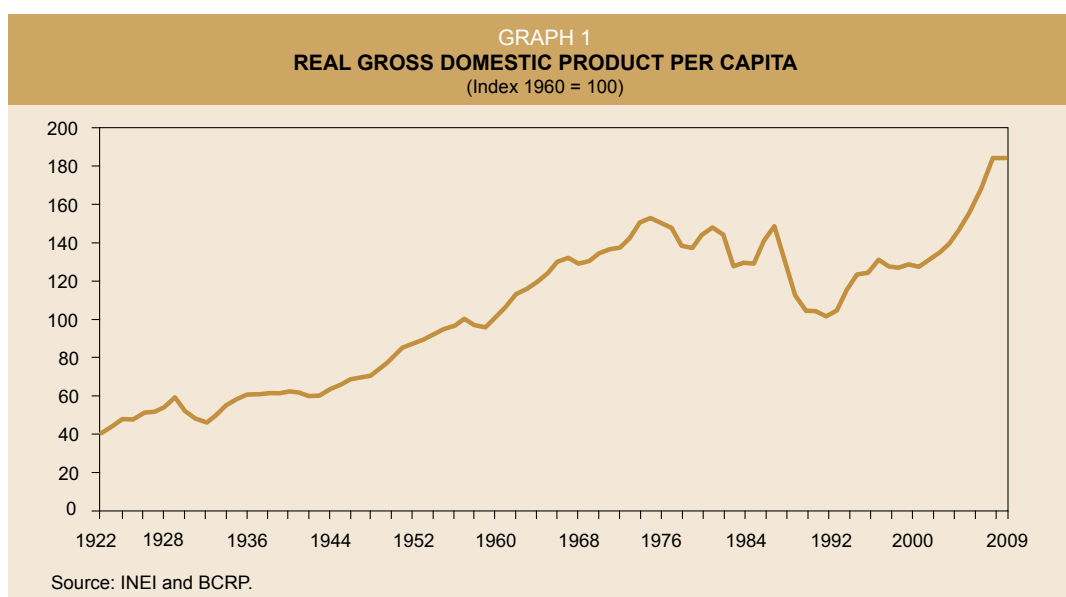


I. Production and employment

The evolution of the Peruvian economy during 2009 reflected the effects of the international financial crisis that unfolded in the United States after the collapse of the investment bank Lehman Brothers. After growing at an average growth rate of 7.7 percent in the last 5 years, the Peruvian economy slowed down and recorded a growth rate of 0.9 percent in 2009. However, it should be pointed out that this took place in a context in which global economic activity dropped 0.8 percent.

The slowdown was mainly observed in activities closely linked, both directly and indirectly, to foreign trade; thus, production declined most heavily in branches such as agroindustry and the manufacturing of inputs and capital goods. Private investment showed negative levels given increased uncertainty associated with the international financial crisis and the contraction of demand, which forced to reconsider the onset of new projects.

As a result of this, in 2009 GDP per capita declined slightly (0.3 percent) compared to the maximum historical level reached in the previous year.



1. Domestic demand

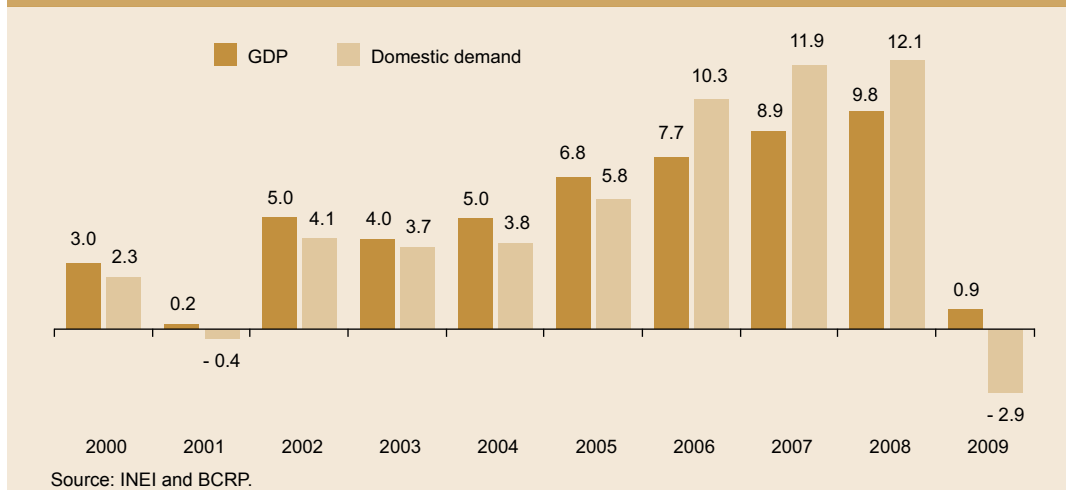
In 2009 domestic demand registered a contraction of 2.9 percent, reflecting lower private expenditure in investment, the de-stocking process carried out to adjust production to the new conditions of demand, and the slowdown of private consumption. However, by components, public expenditure

TABLE 1
GROSS DOMESTIC PRODUCT BY TYPE OF EXPENDITURE
(Real percentage change)

	2007	2008	2009
Domestic Demand	11.9	12.1	-2.9
a. Private consumption	8.3	8.7	2.4
b. Public consumption	4.5	2.1	16.5
c. Gross domestic investment	22.6	28.3	-8.6
- Private	23.4	25.8	-15.1
- Public	18.2	42.8	25.5
Exports	6.2	8.8	-2.5
Minus:			
Imports	21.3	19.8	-18.4
GDP	8.9	9.8	0.9

Source: INEI and BCRP.

GRAPH 2
GDP AND DOMESTIC DEMAND
(Real percentage change)



increased –especially in terms of investment– reflecting the economic stimulus measures adopted by the government to prevent the effects of the international financial crisis.

1.1 Private consumption

After growing at rates of 6.4 percent on average over the past 5 years, private consumption grew 2.4 percent in 2009. This slowdown is mainly explained by the lower growth of national disposable income (0.9 percent versus 7.5 percent in 2008), as well as by a deterioration of consumer confidence, which fell from the positive levels recorded in previous years.



TABLE 2
NATIONAL DISPOSABLE INCOME 1/
 (Percentage change)

	2007	2008	2009
Gross domestic product	8.9	9.8	0.9
Gross national product 2/	9.4	11.4	2.1
Gross national income 3/	9.8	7.7	1.0
National disposable income 4/	9.9	7.5	0.9

1/ Preliminary data.
 2/ Excludes non-resident factor income from GDP.
 3/ Includes losses and gains due to changes in terms of trade.
 4/ Gross national income plus net transfers from non-residents.
 Source: INEI and BCRP.

Despite this change in consumer confidence, private consumption continued growing due to the positive evolution of employment, which grew at even higher rates than GDP (1.3 percent versus 0.9 percent), and due to the short duration that the impact of the international crisis had on the Peruvian economy, as reflected in the fact that economic activity only declined in Q2 and Q3 of 2009 compared to the same periods of the previous year.

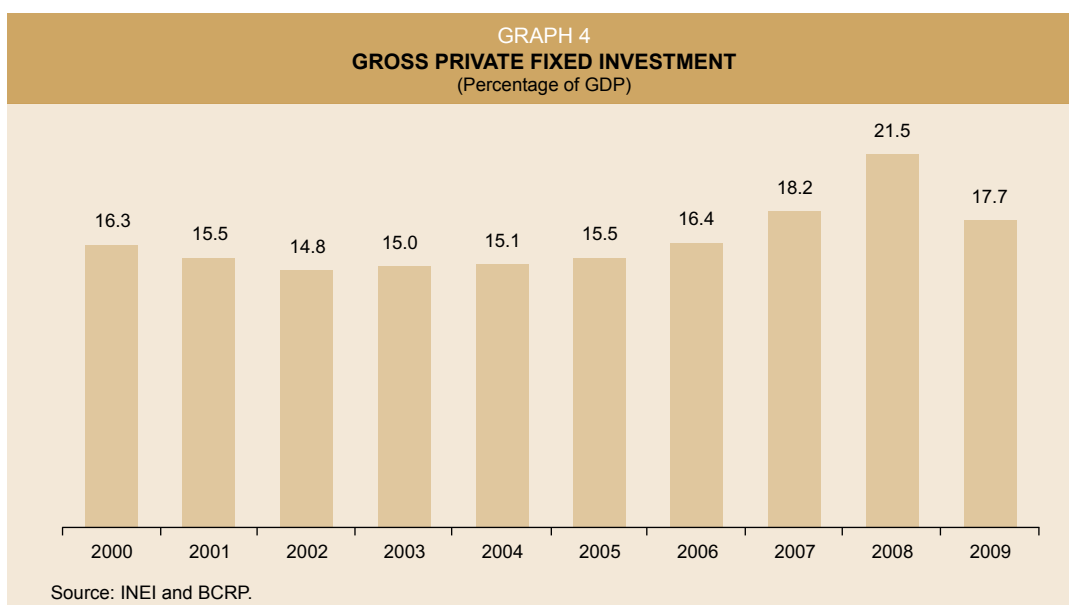
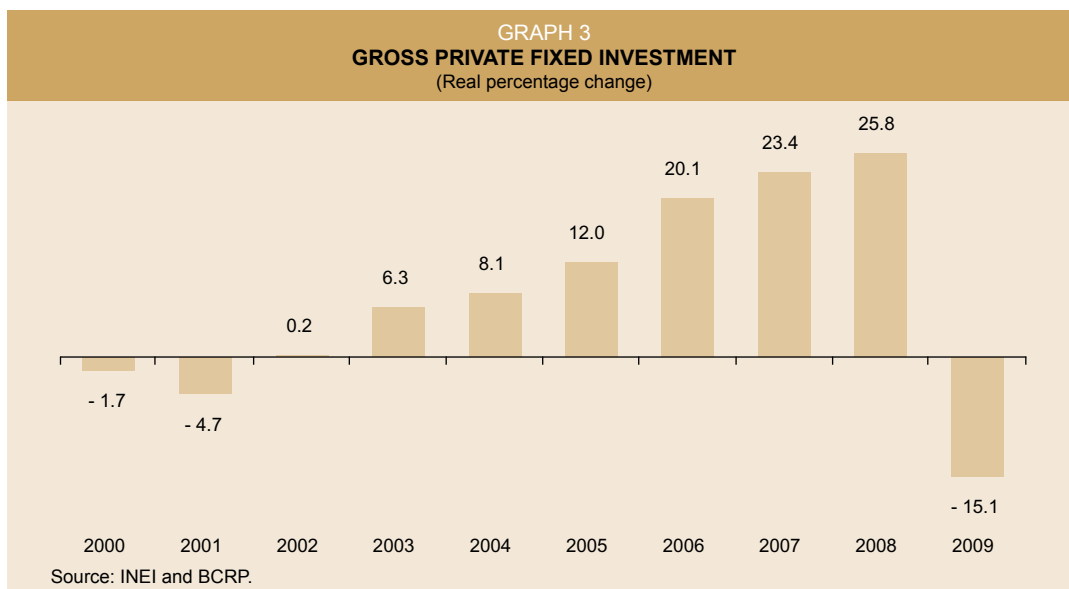
Mixed indicators about the conduct of private consumption were observed during 2009. On the one hand, the sales of new family vehicles and imports of durable and non-durable consumer goods dropped (the former contracted 11.8 percent and the latter fell 15.9 percent and 2.7 percent, respectively, in terms of volume), while on the other hand the amounts of consumer loans granted by the financial system –as well as similar loans offered by some department stores– continued to grow (6.5 percent in real terms).

In this sense, despite the situation of uncertainty generated by the international financial crisis, new commercial centers and malls continued to open during the year, especially in the city of Lima: thus, the CC Plaza Lima Norte initiated activities in mid-2009 and the CC Real Plaza Centro Cívico did so in December. The expansion of malls in the cities of Piura and Trujillo are also worth mentioning.

1.2 Private investment

Investment plans were particularly affected by the scenario of uncertainty associated with the international crisis. Economic agents decided to postpone a series of projects that had been programmed to start in 2009 as a precaution against possible cuts in credit lines –as occurred during the Asian crisis– and/or a decline of demand.

In this way, after having grown at two-digit rates for the last 4 years, private investment contracted 15.1 percent, as a result of which the ratio of private investment to GDP declined from 21.5 percent in 2008 to 17.7 percent in 2009.



The flow of investment during the year was explained by the continuity of a series of projects in the mining and hydrocarbon sector, such as Peru LNG’s construction of the plant of liquefied natural gas; the Fosfatos Bayóvar project of Miski Mayo mining company, which is part of the Vale Rio Doce group; the expansion of Antamina to extend the mine’s useful life from 23 to 34 years, and Shougang’s expansion of Marcona, all of which added onto investments in oil exploration and extraction projects, including Perenco’s project in Lot 67 (Loreto) and BPZ Resources’ project in Lot Z-1 (Tumbes), and Pluspetrol’s gas project in Lot 88 (Cuzco).

Projects worth pointing out in the manufacturing sector included the expansion of the plant of Cementos Lima, as well as Votorantim Metais’ expansion of the refinery of Cajamarquilla which is due to be completed in the first months of 2010.



The construction sector was one of the main recipients of investment during the year, as reflected in the expansion of malls and the construction of new commercial centers such as the Interbank Group's Oeschle stores, Maestro Ace Home Center, Lima Plaza Norte, among other commercial centers developed both in Lima and in the provinces. This was also reflected in the construction of hotels, such as the Westin Libertador in Lima and the Marriot Hotel in Cuzco, and in the construction of office buildings and housing projects throughout the country.

Investments in the sector of agriculture were mainly oriented to the generation of ethanol and included the Maple and Palmas del Espino projects in San Martín. Investments in the fishing sector included Exalmar's installation of a new plant of frozen fish in Callao and the reconversion of the fishmeal plant of Tecnológica de Alimentos in Chimbote.

Investment in infrastructure, which included the expansion of Pier South by Dubai Port World, was also noteworthy. Other investment projects worth pointing out were the expansion of the mobile and wide band networks by Telefónica del Perú, investments in road infrastructure by Odebrecht, and electricity projects (Kallpa III and IV, El Platanal II, and Chilca I).

TABLE 3 MAIN PRIVATE INVESTMENT PROJECTS 2009 (Millions of US\$)	
SECTOR	AMOUNT
Agriculture and livestock	145
Fishing	84
Mining and hydrocarbons	2,918
Manufacturing	1,002
Electricity, gas and water	918
Construction	793
Commerce	447
Transport and communications	996
Services	38
Total	7,341

Source: BCRP Survey on Macroeconomic Expectations, magazines, and newspapers

1.3 Public expenditure

In order to offset the effects of the financial crisis on the domestic economy, the government implemented a stimulus plan which translated mainly into a higher execution of public investment. It should be pointed out, however, that public consumption grew 16.5 percent during the year, reflecting the higher purchases of goods and services of the national government (21.7 percent) and subnational governments (up 14.4 percent in the case of regional governments and 8.8 percent in the case of local governments).

Public investment increased 25.5 percent in real terms – a result explained by the higher expenditure of subnational governments (44.3 percent in the case of regional governments and 28.5 percent in the



case of local governments)–, while the investment expenditure of state enterprises grew 32.5 percent. The latter included the investments of Enapu (purchase of a port crane and the Reinforcement of Pier 3 Project); the regional electricity enterprises (Projects for the Expansion, Remodeling and Renovation of Distribution Networks and Transmission Systems), and Sedapal (Project ‘Improvement of Sanitation Conditions in Marginal Areas of Lima’, Program ‘Agua para Todos’, and the Reposition of Potable Water and Sewage Networks).

1.4 Exports and imports

Exports of goods and services recorded a contraction of 2.5 percent, showing the first negative variation since 1990. Exports were mainly affected by lower global demand, which translated into lower volumes of exports of mining products such as zinc, iron, refined silver, and molybdenum, as well as into an almost generalized reduction of non traditional exports, which recorded an overall decline of 18.3 percent.

On the other hand, imports of goods and services dropped 18.4 percent as a result of the lower growth of the economy and the contraction of expenditure in private investment. During the year, imports of consumer goods contracted 12.5 percent, while imports of inputs and capital goods fell 30.8 and 25.9 percent, respectively.

1.5 Saving and investment

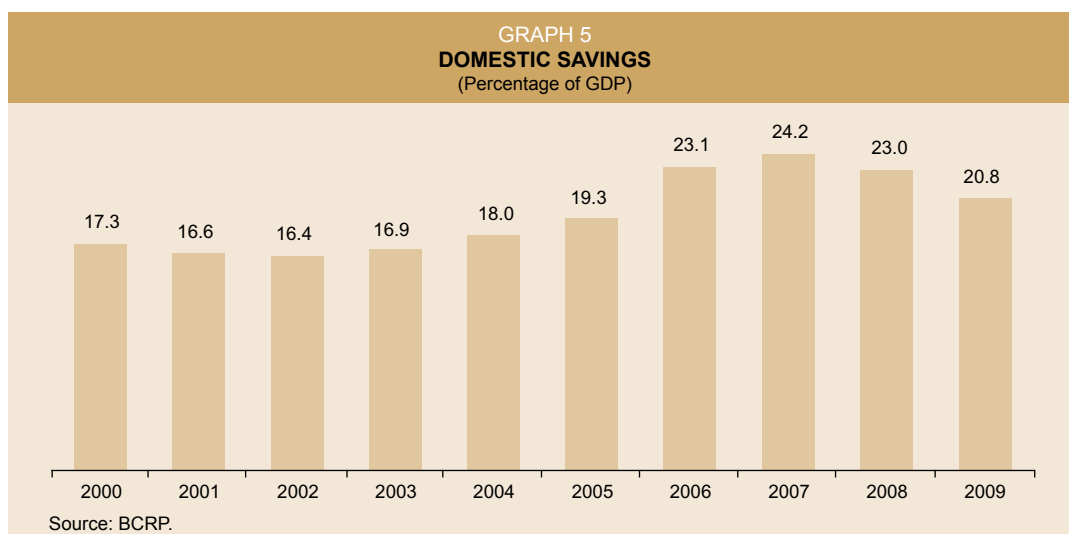
In 2009 domestic investment dropped by 6.1 points of GDP –from 26.7 percent to 20.6 percent of GDP– due to the decline of private investment, especially during the last 3 quarters of the year, although this was partially offset by the positive evolution of public investment. On the other hand, domestic saving declined from 23.0 percent to 20.8 percent of GDP in the year, influenced by the evolution of public consumption during the last quarter. As a result of this, the current account of the balance of payments showed a surplus equivalent to 0.2 percent of GDP, which contrasted with the deficit of 3.7 percent observed in 2008.

TABLE 4
SAVING AND INVESTMENT
(Percentage of GDP)

	2007	2008	2009
I. Investment (=II+III)	23.0	26.7	20.6
Public investment	3.1	4.2	5.3
Private fixed investment	18.2	21.5	17.7
Change on inventories	1.7	1.0	- 2.4
II. Domestic savings	24.2	23.0	20.8
Public sector	6.2	6.4	4.1
Private sector	18.0	16.6	16.7
III. External savings	- 1.3	3.7	- 0.2
Memo:			
Gross fixed investment	21.3	25.7	23.0

Source: BCRP.





2. Production sectors

Production sectors showed a slight expansion during 2009. This was particularly noteworthy in the sector of construction and services. Primary sectors grew 1.0 percent due to increased economic activity in the sectors of agriculture and mining, while non primary sectors grew only 0.8 percent, reflecting the lower dynamism of non primary manufacturing and commerce.

TABLE 5
GROSS DOMESTIC PRODUCT
(Real percentage change)

	2007	2008	2009
Agriculture and livestock	3.2	7.2	2.3
Agriculture	2.0	7.4	0.9
Livestock	5.3	6.0	4.4
Fishing	6.9	6.3	- 7.9
Mining and hydrocarbons	2.7	7.6	0.6
Metallic mining	1.7	7.3	- 1.4
Hydrocarbons	6.5	10.3	16.1
Manufacturing	11.1	9.1	- 7.2
Manufacturing based on raw materials	- 2.7	7.6	0.0
Non-primary manufacturing	14.0	8.9	- 8.5
Electricity and water	8.5	7.8	1.2
Construction	16.6	16.5	6.1
Commerce	9.7	13.0	- 0.4
Other 1/	9.0	9.1	3.1
GDP	8.9	9.8	0.9
Primary	2.1	7.4	1.0
Non-Primary	10.4	10.3	0.8

1/ Includes VAT, excise tax, and import duties.
Source: INEI.

2.1 Agricultural sector

Maintaining its dynamism for five consecutive years, the agricultural sector grew 2.3 percent in 2009. Historical volumes of representative farming and household consumption products such as potato, rice, banana, and cassava, and of industrial products such as hard maize, sugar cane, and oil palm were recorded in the year.

A higher productive development of **crops for the domestic market** was observed after the natural decline of permanent crops, such as coffee, mango, and olives, which offered abundant harvests in the previous farming period. Moreover, a continuous growth was also observed in the case of crops associated with the production of biofuels, such as sugar cane and oil palm, for which Peru has the

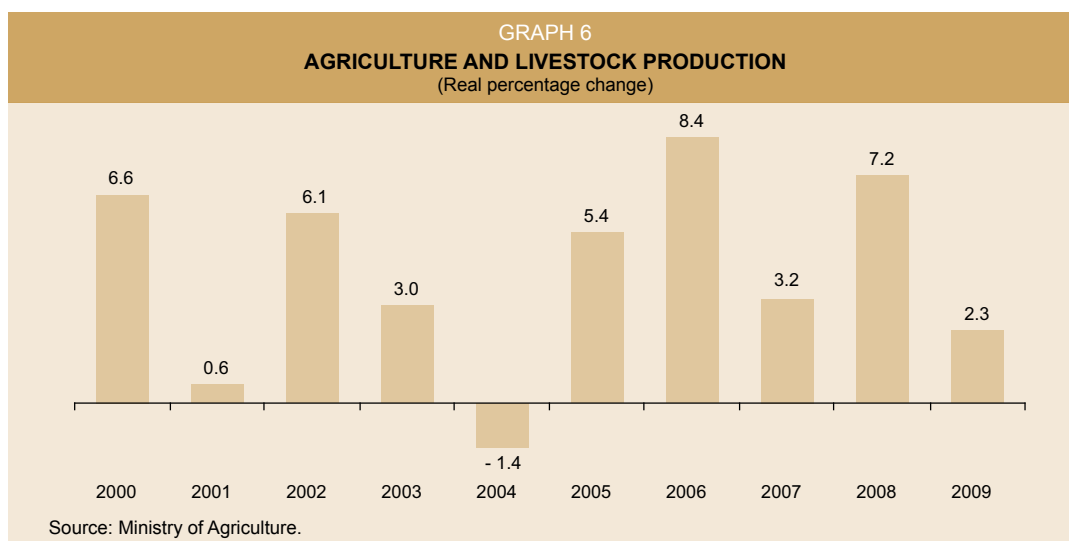
TABLE 6
AGRICULTURE AND LIVESTOCK PRODUCTION
(Real percentage change)

	Part. % 1/	2007	2008	2009
Agriculture and livestock 1/	100.0	3.2	7.2	2.3
Agriculture production	60.1	2.0	7.4	0.9
- For the domestic market	41.5	3.0	4.3	6.2
Potato	7.7	4.1	6.3	4.6
Rice	5.3	3.0	14.7	7.0
Banana	2.8	3.2	- 2.3	3.4
Cassava	2.1	1.7	1.2	4.2
Amilaceous maize	0.9	- 1.5	1.7	14.5
Onion	0.8	10.0	0.7	- 6.3
Garlic	0.7	10.1	- 16.4	- 14.8
Dry beans	0.6	- 0.6	5.1	14.1
Wheat	0.5	- 5.0	14.0	7.8
Tomato	0.4	2.1	21.4	4.8
Sweet potato	0.3	- 7.0	1.8	37.4
- For export and industry	18.7	- 0.5	14.8	- 10.9
Coffee	4.7	- 17.3	21.1	- 6.9
Sugar cane	3.4	13.6	14.2	7.5
Yellow maize	2.7	10.1	9.7	2.2
Asparagus	2.1	9.3	15.6	- 4.4
Olive	1.4	- 0.1	118.1	- 93.7
Grapes	1.2	2.6	13.6	18.4
Mango	0.7	- 8.1	9.6	- 48.7
Avocado	0.5	7.5	12.0	14.4
Cocoa	0.4	- 0.4	7.5	6.2
Oil Palm	0.2	0.9	3.3	6.2
Livestock production	39.9	5.3	6.0	4.4
Poultry	17.7	8.4	13.9	6.9
Beef	7.5	0.4	0.1	2.2
Milk	4.2	6.5	- 0.9	6.1

1/ Until 2008.

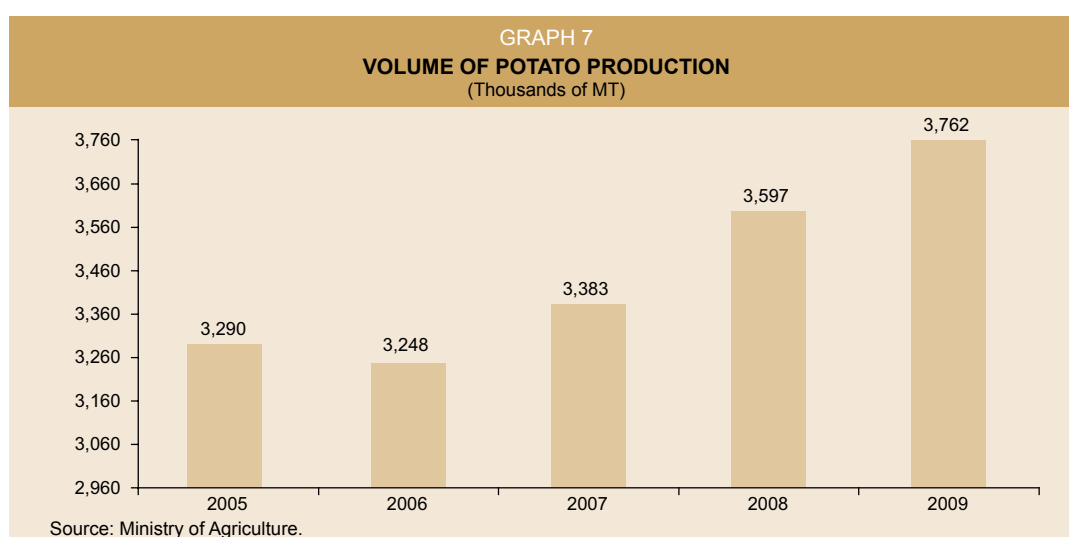
Source: Ministry of Agriculture.





highest crop yield in the world¹. In the field of agroexports, the demand for asparagus for processing purposes declined due to the existence of high inventories; the production of garlic and onion in Arequipa declined in favor of higher cultivation of artichoke and paprika for export, while crops such as grapes, avocado and cocoa extended to other non-traditional cultivation areas.

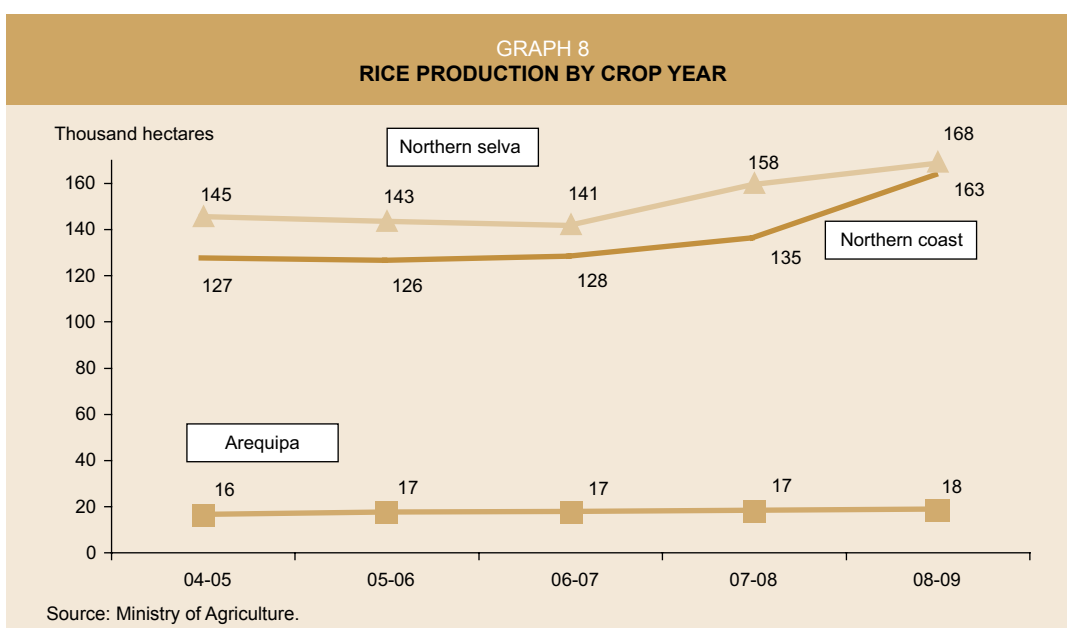
As regards food products, potato was one of the crops that showed a greater expansion in the year (4.6 percent) due to the higher yields achieved. The potato yield increased from 12.8 to 13.2 tons/hectare at the national level between 2008 and 2009, reflecting the good climatic conditions



1. With a field yield of 131.8 tons/hectare, Peru led again the productivity of sugar cane at the global level in 2009, followed by Egypt which achieved a field yield of 121.1 tons/hectare in 2008. Peruvian company Palmas del Espino has recorded a yield of 5 tons/hectare in the cultivation of oil palm, versus a world average of 3.5 tons/hectare, according to the FAO.

observed in the main producing areas, including the departments of Junín (14.5 percent), Cusco (9.4 percent), Arequipa (7.9 percent), Huancavelica (7.2 percent), Puno (5.6 percent), Amazonas (5 percent), Pasco (4.3 percent), La Libertad (1.7 percent), and Cajamarca (1 percent).

The production of rice maintained its upward trend in the year (7.0 percent) as a result of higher sown areas with a good availability of hydric resources (10.1 percent). The cultivation of rice increased 20.2 percent in the North Coast² and 5.9 percent in the Upper Selva area, with Piura, Lambayeque, and San Martín showing the largest sown areas and thus the highest increase of production of this cereal.



The **production of sugar** showed a stable growth, since it increased by an annual average of 12 percent in the last four years. The 7.5 percent growth rate recorded in 2009 allowed not only to meet the domestic demand for sugar, but also to export this product, to increase the production of ethyl alcohol, and even to start exporting ethanol³.

Approximately 77 thousand hectares cultivated with sugar cane were harvested in 2009 (versus 69 thousand hectares in the previous year). At the regional level, La Libertad concentrated the largest harvested area with 32 thousand hectares cultivated by enterprises Casagrande, Cartavio, and Laredo. This department was followed by Lambayeque, which contributed with 26 thousand hectares, cultivated mainly by enterprises Pomalca and Tumán. The department of Lima ranked third, with 13 thousand hectares in production by enterprises Paramonga and Andahuasi, while the departments of Ancash (San Jacinto) and Arequipa (Chucarapi) contributed with 5 thousand and 700 hectares, respectively.

2. The North Coast includes the departments of Tumbes, Piura, Lambayeque, and La Libertad, and the Upper Selva region includes the departments of San Martín, Amazonas, Cajamarca, Huánuco, Pasco, and Junín.

3. Empresa Agrícola del Chira exported 6,320 tons of ethanol to Holland through its Caña Brava project.



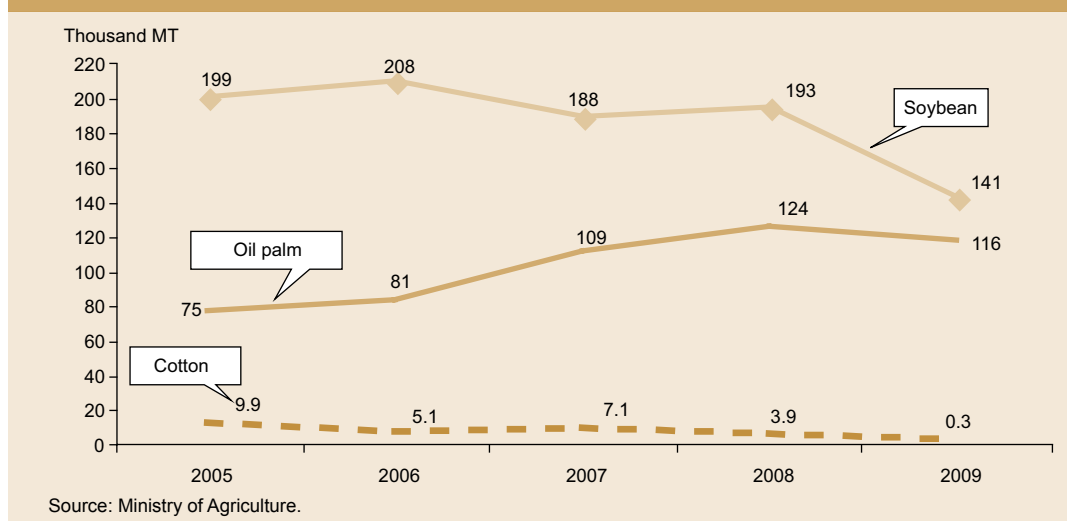
TABLE 7
AGROINDUSTRIAL PRODUCTION OF SUGAR CANE

	2007	2008	2009	% Chg.
Agriculture production				
Sugar cane in thousands of MT	8,229	9,396	10,100	7.5
Industrial production				
Sugar in thousands of MT	911	1,007	1,069	6.2
Ethyl alcohol in thousands of liters	28,626	34,357	37,952	10.5
Exports				
Sugar in thousands of MT	48	62	82	32.5
Ethyl alcohol in thousands of liters	18	26	58	118.6

Source: Ministry of Agriculture, ADUANAS and sugar producing companies.

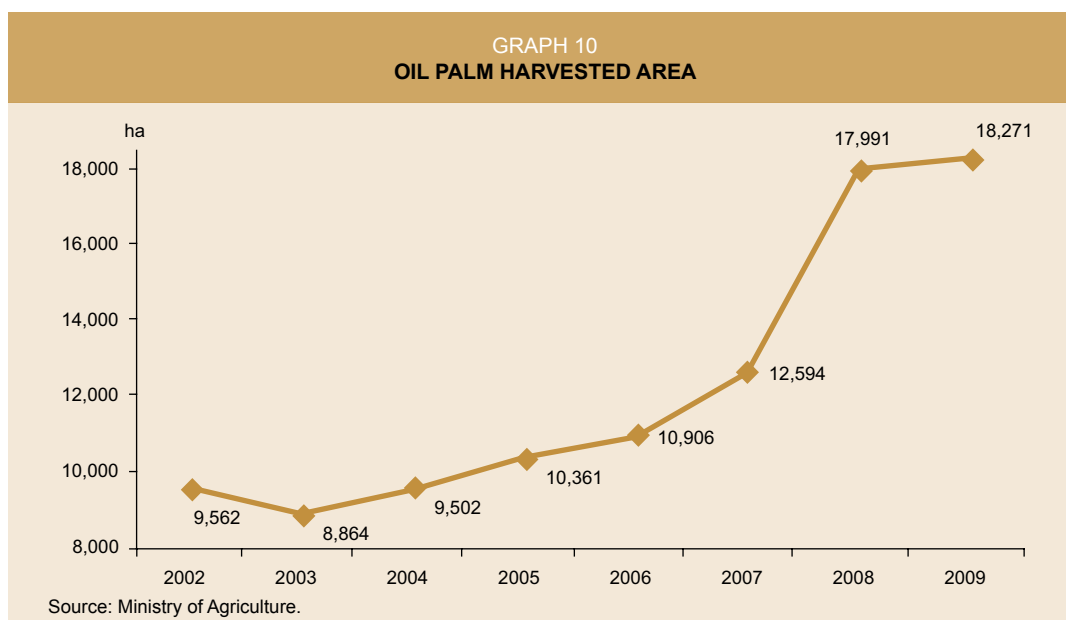
Another important crop in terms of agroindustry is oil palm, which has achieved a dynamic growth in the oilseed industry in the last seven years due to its higher yield per hectare and its higher use in the oil industry in comparison with other crops such as cotton and soybean, as well as to its lower processing cost, and to the higher prices of the substitute crop, which is soybean crude⁴.

GRAPH 9
AGROINDUSTRIAL INPUTS FOR VEGETABLE OILS



The group Romero and Oleaginosas Amazónicas S.A. (OLANSA) have developed an aggressive program of planting oil palm trees in San Martín and Ucayali in the last years. Both enterprises have increased their production capacity of producing palm crude oil with the onset of their new plants in San Martín and Ucayali, respectively.

4. Oil palm is a lower-price input used in the oilseed industry which is also used to produce biodiesel soybean reached historical prices during 2008.



In the **area of export-oriented products**, a decline was observed in the production of coffee, mango, and olives after the large harvests obtained in 2008. The production of avocado and grapes for export purposes continued to be favored by an increasingly higher number of international trade agreements and by producers' technological efforts, which has led investors to seek new cultivation areas, such as Lambayeque, Piura, and Arequipa in the case of the former and the inter Andean valleys in the case of the latter.

Finally, the cultivation of cocoa, another highly demanded product due to its internationally acknowledged quality, increasingly extended to other Selva areas. In 2008, harvested areas had increased by 3.8 thousand hectares, as a result of which a total of 63.6 thousand hectares were cultivated in 2009.

2.2 Fishing sector

After recording 5 consecutive years of expansion, activity in the fishing sector dropped by 7.9 percent in 2009. This result reflected the lower volume of catch of species to produce frozen products –particularly giant squid– and conserves, as well as the lower catch of anchovy for industrial consumption.

Lower activity in this sector was mainly observed in fishing for human consumption (-8.1 percent), which reflected the lower catch of species such as tuna, bonito, yellow mackerel, abalone, hake, sea snail, and giant squid to produce frozen products and conserves.

The extraction and processing of giant squid (whose volumes represent two thirds of the catch to produce frozen sea products) concentrated in Piura, where several processing plants closed in the beginning of the year due to lower external demand (mainly from markets such as China and Spain). This situation which

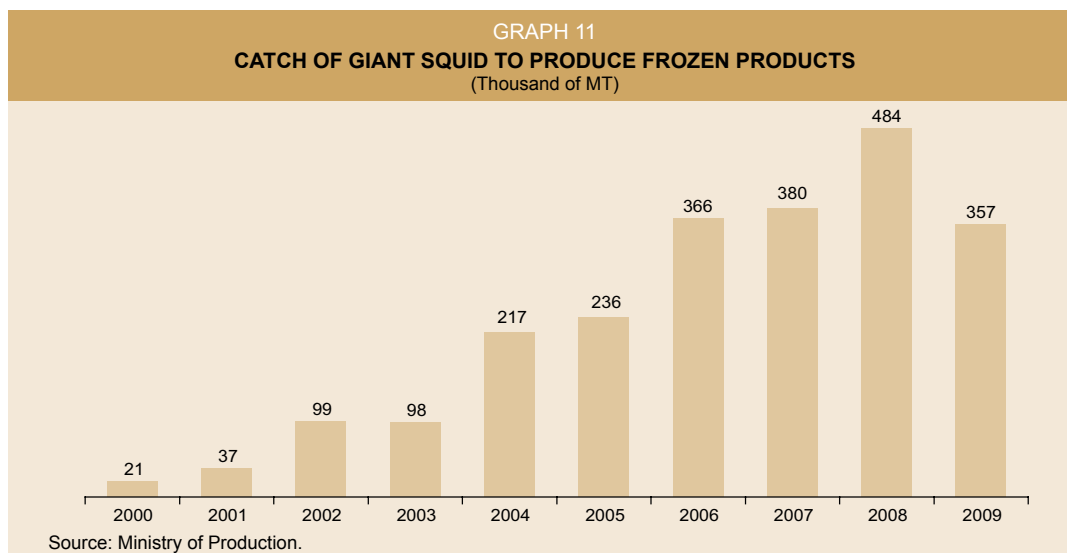
TABLE 8
FISH CATCH, BY DESTINATION
(Real percentage change)

	2007	2008	2009
For human consumption	7.3	8.1	- 8.1
Canned fish	- 22.3	15.2	- 17.1
Fresh fish	2.4	- 0.8	23.3
Frozen fish	14.9	12.5	- 23.1
Dry-salted fish	21.3	16.3	- 32.6
For industrial consumption	3.2	1.3	- 5.5
Anchovy	3.3	1.2	- 5.5
Other species	- 64.5	438.5	- 50.8
Fishing Sector	6.9	6.3	- 7.9

Source: Ministry of Production.

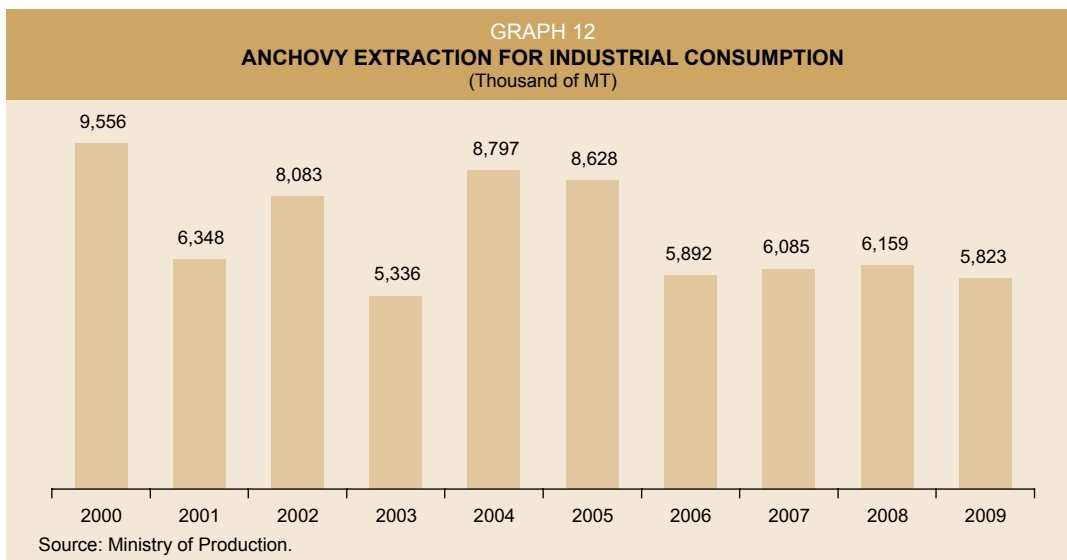
initially translated into a reduction of beach –prices in Talara dropped from S/. 0.12 per kilo in December 2008 and February to S/. 0.07 per kilo– and in incentives for fishing this species began to reverse in the second semester when external demand and prices showed a slight increase, although changes in the temperature of the sea and marine currents led this species to move away from the coast, hampering its catch. It should be pointed out that the catch of giant squid registered a historical record in 2008.

GRAPH 11
CATCH OF GIANT SQUID TO PRODUCE FROZEN PRODUCTS
(Thousand of MT)

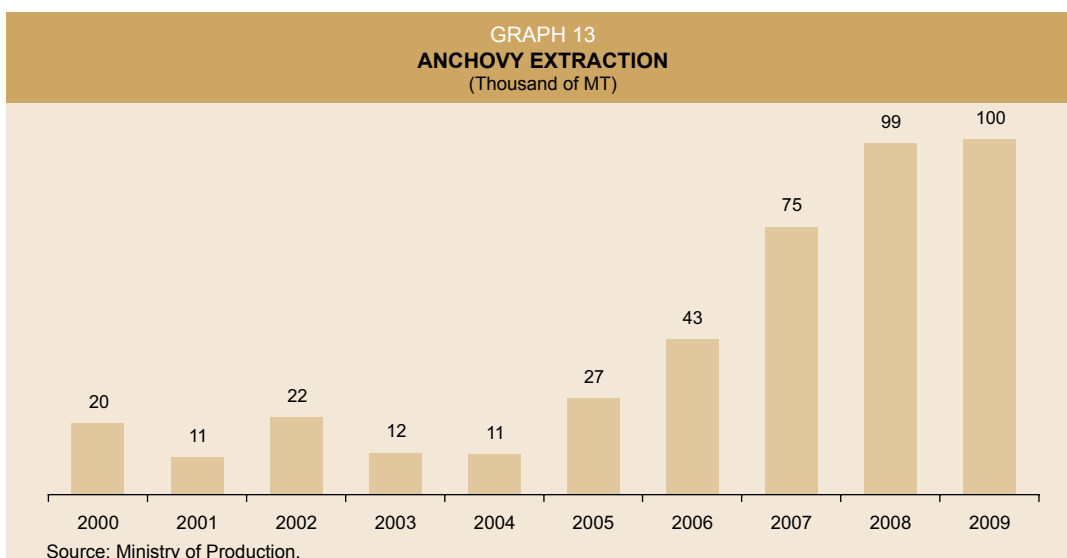


On the other hand, higher landings of fish to be consumed as fresh fish were observed due to the greater availability of species such as Pacific chub mackerel, Peruvian rock seabass, common Peruvian weakfish, hake, smoothhound, and squid.

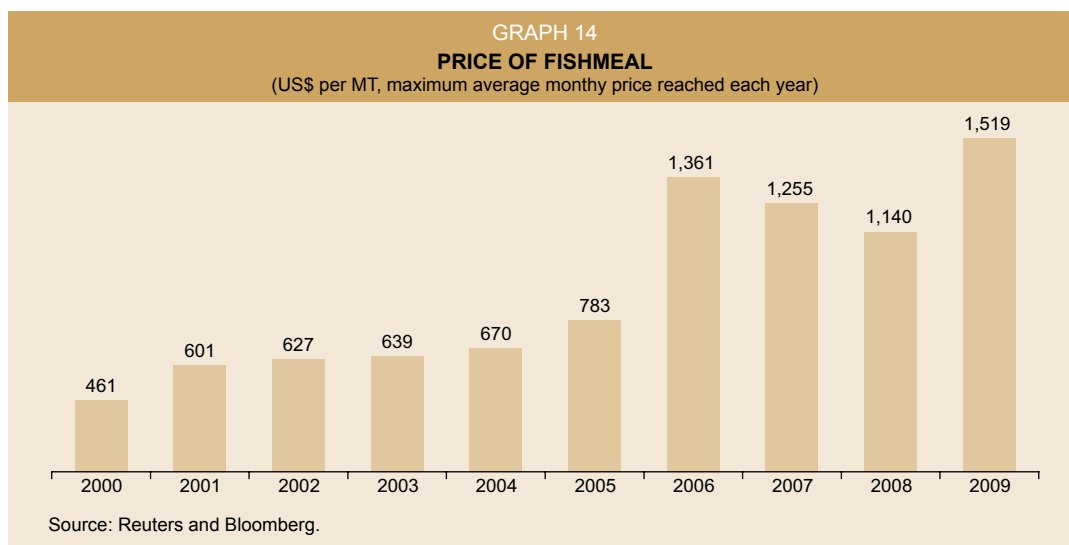
Landings of anchovy for industrial consumption amounted to 5.8 million tons (5.5 percent less than in the previous year) due to a reduction in the biomass of the species associated with the dispersion of this resource and the greater presence of young fish in the south area. The fishing quota established in the year for the north and central coastal areas was 3.5 million tons for the first fishing season (April 20 to July 31) and 2 million tons for the second season (November 6 to January 31, 2010).



In contrast, landings of anchovy for human consumption increased by 1.0 percent, of which over 80 percent was destined to conserves. This result was associated with the campaigns oriented to increase the consumption of anchovy and promote this species as an important source of proteins given its high content of omega 3 and other nutrients. Moreover, several enterprises of this sector invested in conserve and frozen fish plants and in the implementation of new technologies to benefit from the new uses of this resource.



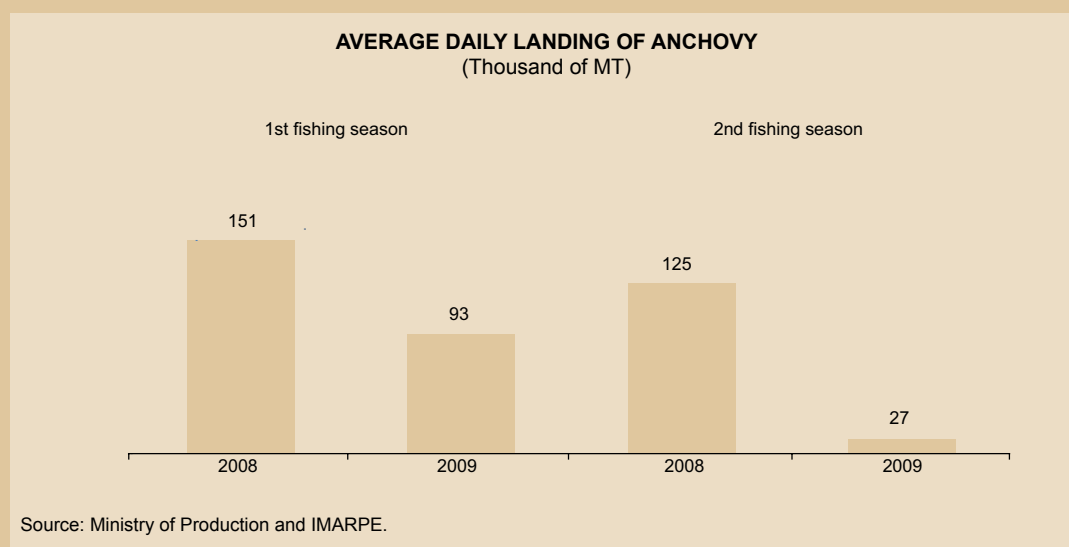
The price of fishmeal registered an upward trend over the year and reached its historical high in December when it climbed over US\$ 1,500 per ton, reflecting a growing demand from China and Europe in a context of higher prices of other substitutes used as animal feed (i.e. soybean) and fears of a poor farming season as a result of a possible El Niño event. Several fishing enterprises committed their production even before the fishing seasons started, which generated a lower available supply and, therefore, additional pressures on the price.



BOX 1

LAW ON MAXIMUM FISH CATCH PER VESSEL

The “Law on Maximum Fish Catch per Vessel”, established by Legislative Decree 1084, came into force in January 2009 to regulate anchovy fishing for industrial consumption in order to promote a sustainable development of anchovy as a food source and guarantee a responsible use of hydrobiological resources.



This law establishes a maximum volume of catch per vessel based on the storage capacity of ships and on the historical catch levels (depending on the fishing areas), which is a new criterion to distribute the overall quota among participants. The previous system allowed participants to fish as much as they could until the global quota was reached, which led them to compete among themselves to catch the highest possible volume of fish they could take. The effect of the new law has reflected in the average daily volume of catch during the two fishing seasons as a result of the extension of effective fishing days, given that fishing vessels no longer have to compete to capture the highest possible volume as soon as the fishing season begins.

The law also provides for the establishment of the Fondo de Compensación del Ordenamiento Pesquero (Foncopes), a trust fund financed by the enterprises operating in the sector that would act as a social compensation fund for fishermen.

According to the Ministry of Production, a year after the law came into force, the new system has reduced the number of fishing vessels per day (reflecting the existence of an excess of installed capacity) and fishing companies can now program better their effective fishing days. The new system has also implied more responsible fishing activities, which have resulted in a lower number of accidents and violations. In addition to this, it has also contributed to improve the state of the raw material obtained, as a result of which fish meal with a higher protein value and a higher yield is obtained.

2.3 Mining and hydrocarbon sector

The mining and hydrocarbon sector recorded a slight growth of 0.6 percent in 2009 due to the higher extraction of hydrocarbons (16.1 percent) following the onset of operations at the Pagoreni deposits of Lot 56 in September 2008 and Cashiriari deposits of Lot 88 (Camisea project) in July 2009. This was offset by lower activity in the area of metallic mining, which was affected by the decline of the prices of some mining commodities, particularly industrial metals, as a result of the international financial crisis. The latter translated into the suspension of activities in some mining centers and into the postponement of some new investment projects.

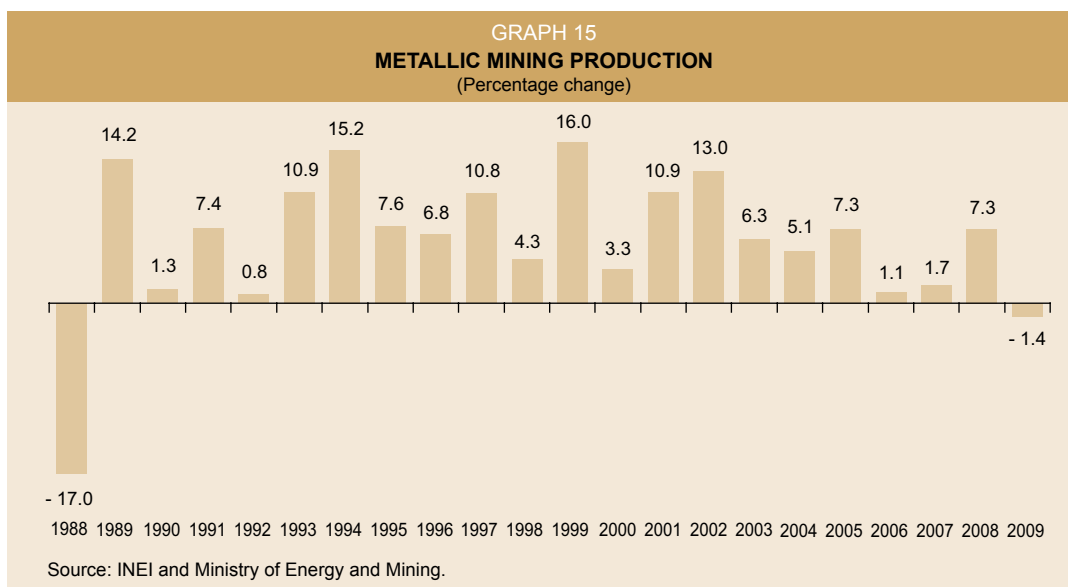
TABLE 9
MINING AND HYDROCARBONS PRODUCTION BY MAIN PRODUCTS
(Real percentage change)

	2007	2008	2009
METALLIC MINING	1.7	7.3	- 1.4
Gold	- 16.1	5.7	1.4
Copper	16.4	8.8	0.4
Zinc	20.0	11.0	- 5.8
Silver	0.9	5.4	4.6
Lead	5.1	4.8	- 12.4
Tin	1.4	0.0	- 3.9
Iron	6.7	1.1	- 14.4
Molybdenum	- 2.8	0.2	- 26.5
HYDROCARBONS	6.5	10.3	16.1
Crude oil	- 1.5	5.7	20.7
Natural gas	50.7	27.0	2.3
TOTAL	2.7	7.6	0.6

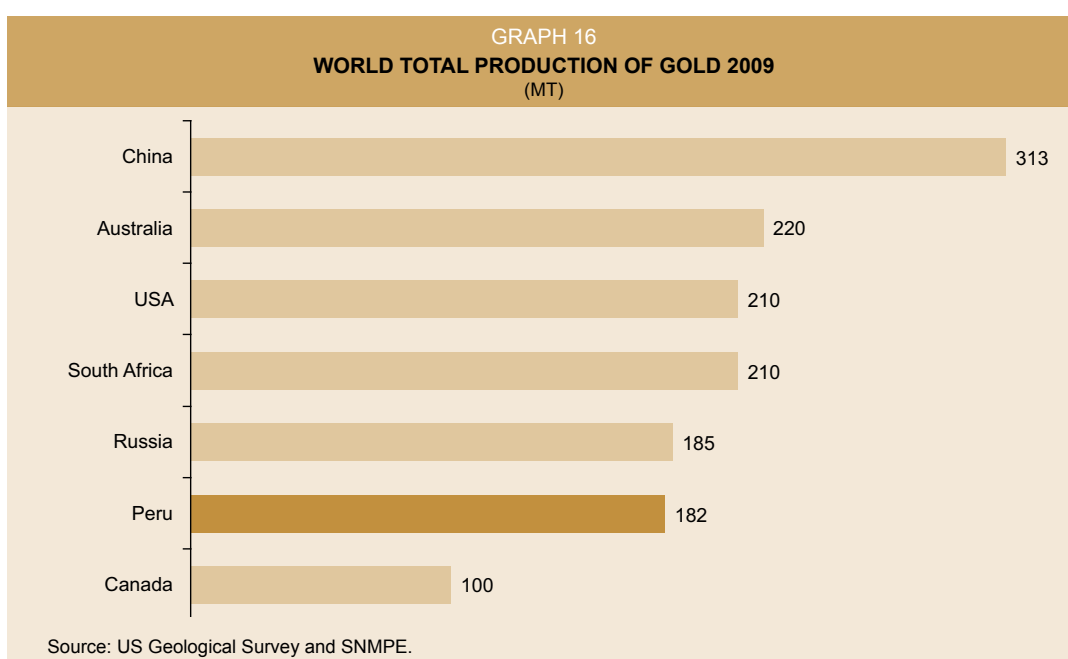
Source: INEI, Ministry of Energy and Mining and Perupetro.



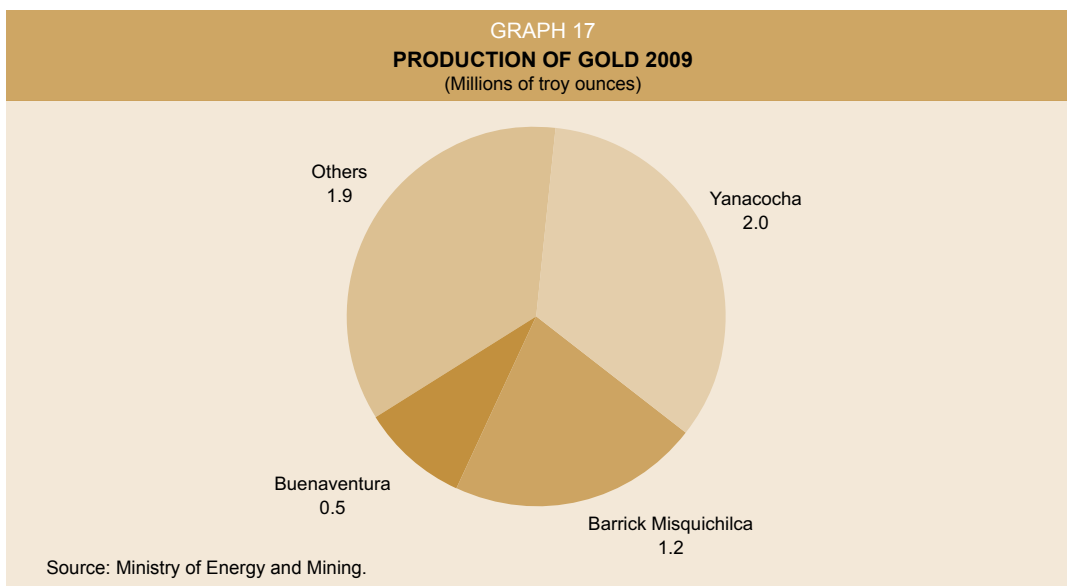
The decline of activity in **metallic mining** (-1.4 percent) took place after 20 consecutive years of expansion and reflected in a lower extraction of metals for industrial use, such as zinc, lead, molybdenum, and iron, all of which contributed with 2.3 percentage point-decline of activity in this subsector. However, this impact was offset by a higher production of precious metals given that their prices were not affected as they were used as hedge instruments in the period of international uncertainty observed during the year.



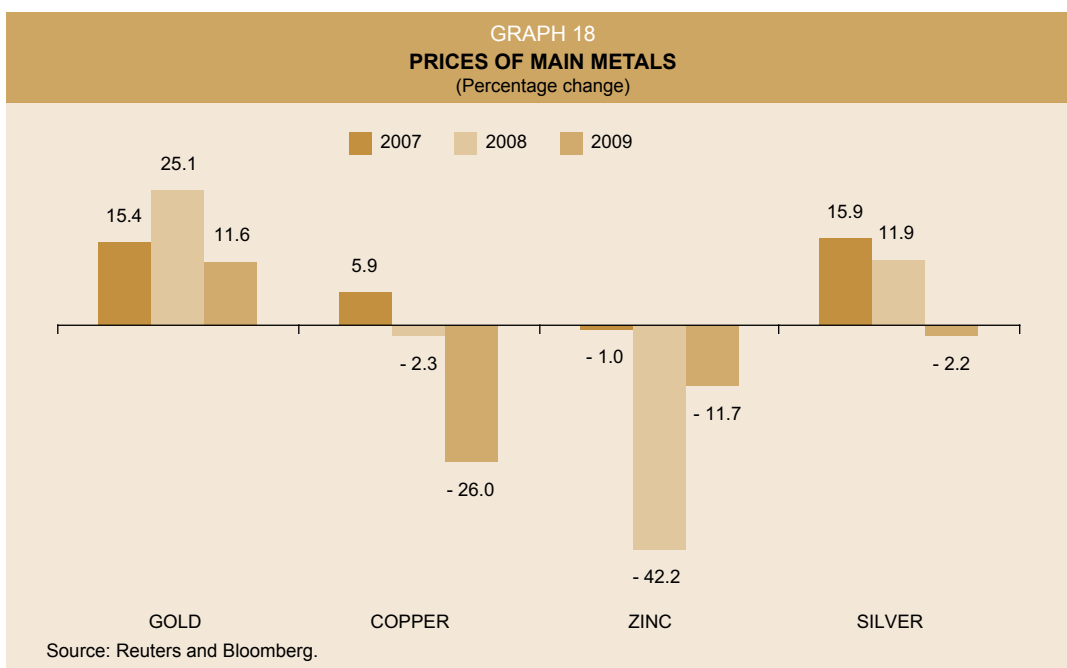
The **production of gold**, which amounted to 5.7 million troy ounces, was 1.4 percent higher than the one obtained in the previous year. With this, Peru consolidated as the sixth world producer of gold, with a participation of 7.7 percent in terms of the global production of gold in 2009.



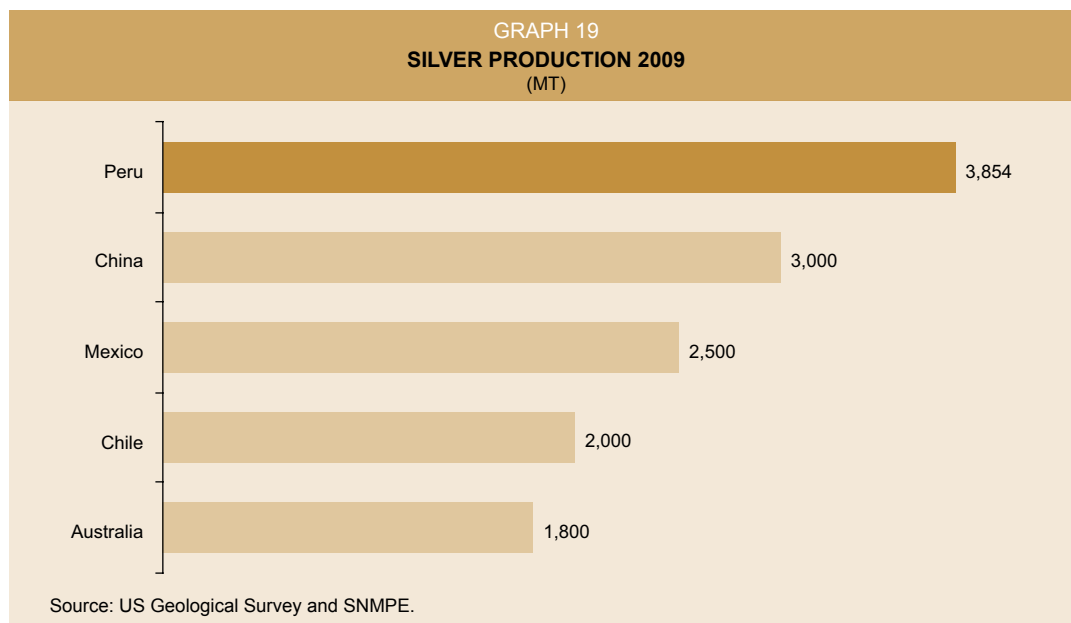
Minera Yanacocha contributed most heavily to the growth of gold production (13.9 percent) due to the higher productivity of its lixiviation pads, particularly La Quinoa, and of its new plant Molino Golds Mill, inaugurated in August 2008. In contrast, Barrick Misquichilca contributed 5.1 percentage points decline due to the lower mineral content of its units of Alto Chicama and Pierina.



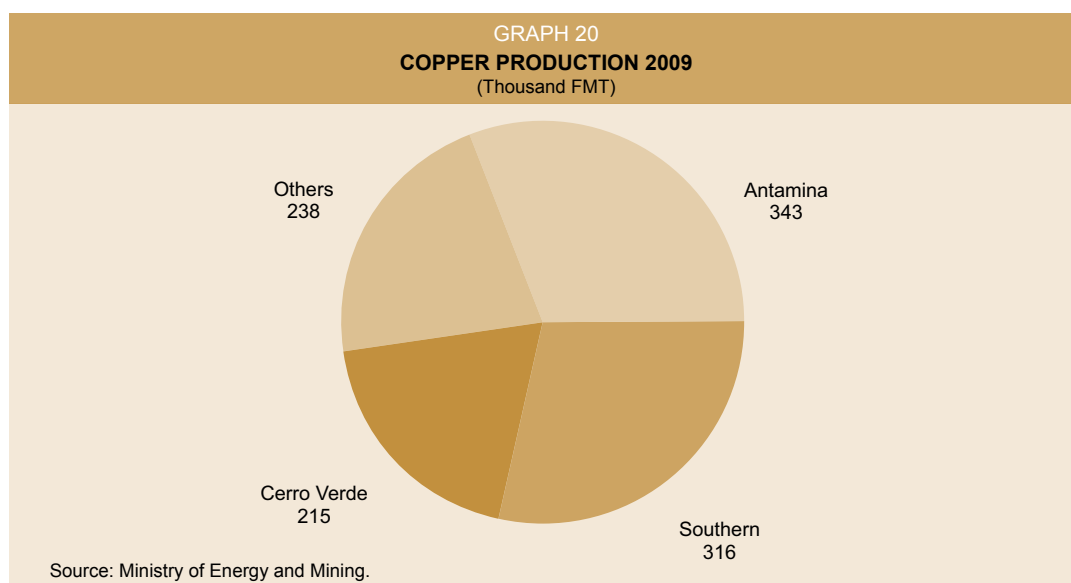
The price of gold went from an average of US\$ 873 to US\$ 974 per troy ounce (11.6 percent), reaching its historical maximum of US\$ 1,216 per ounce on December 2. This increase was associated with the weakening of the dollar against other currencies and with the higher appeal of gold as a hedge asset.



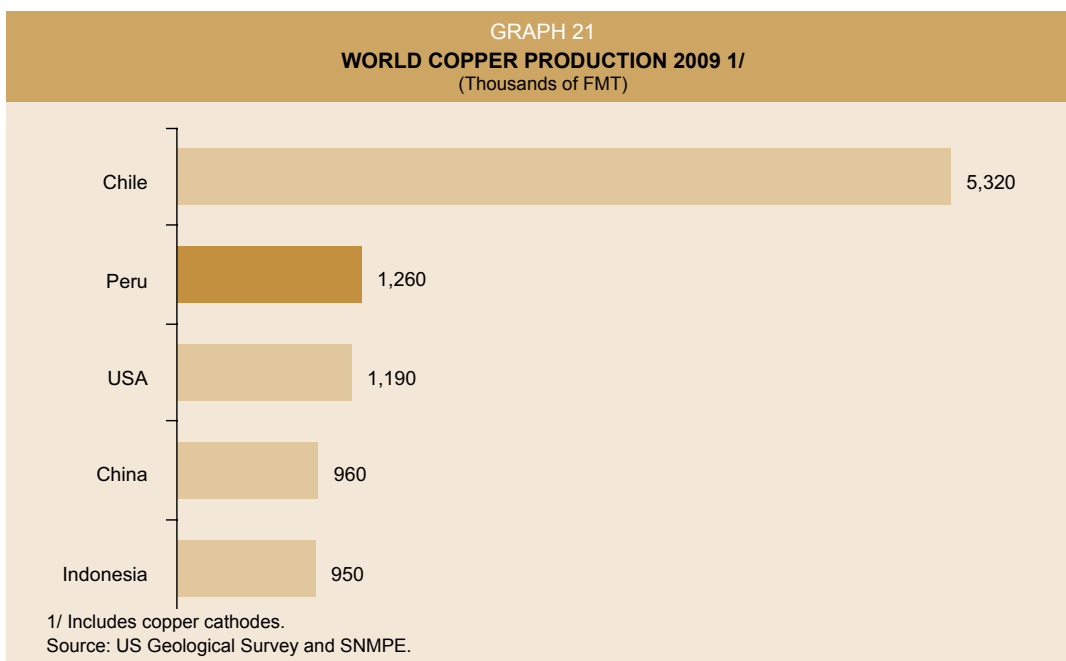
The higher productivity reached by Minera Suyamarca (106.5 percent) after it initiated the exploitation of Pallancata (Ayacucho) in September 2007 allowed the production of **silver** to record a growth rate of 4.6 percent. With a production of 3,854 tons, Peru consolidated as the world's first producer of this metal, with a share of 18.0 percent in terms of global production. It is worth pointing out that Peru holds this position since 2004.



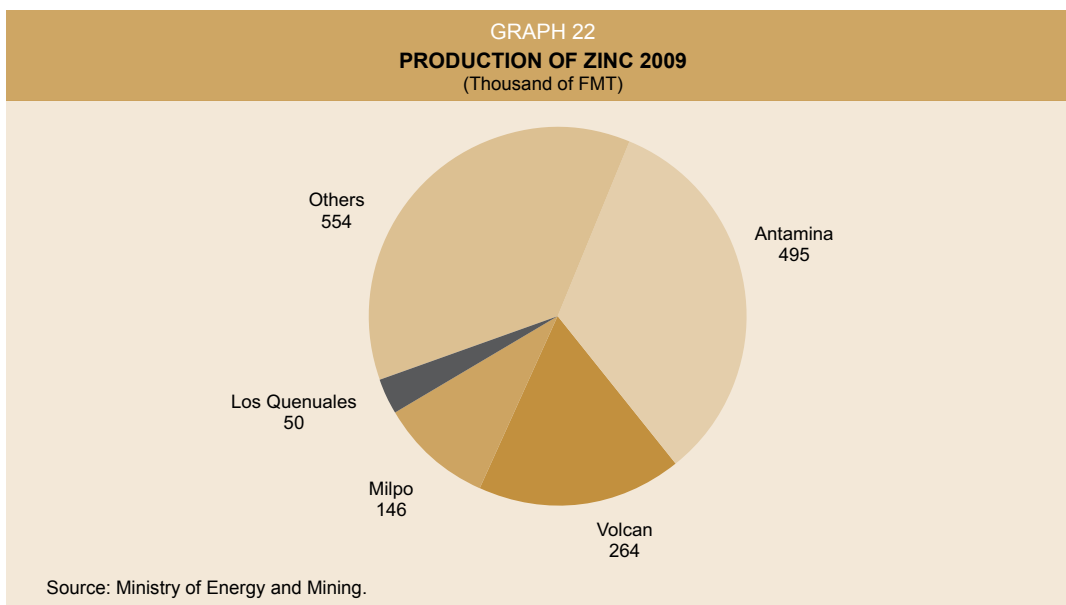
The extraction of **copper** grew slightly (0.4 percent), from 1,108 fine metric tons (FMT) to 1,112 FMT, reflecting increased activity at Gold Fields La Cima, which initiated operations in September 2008 and contributed with 2.8 percentage points to the year's result. This compensated several maintenance operations at Cerro Verde concentrate plants (-9.0 percent) in the last quarter of the year.

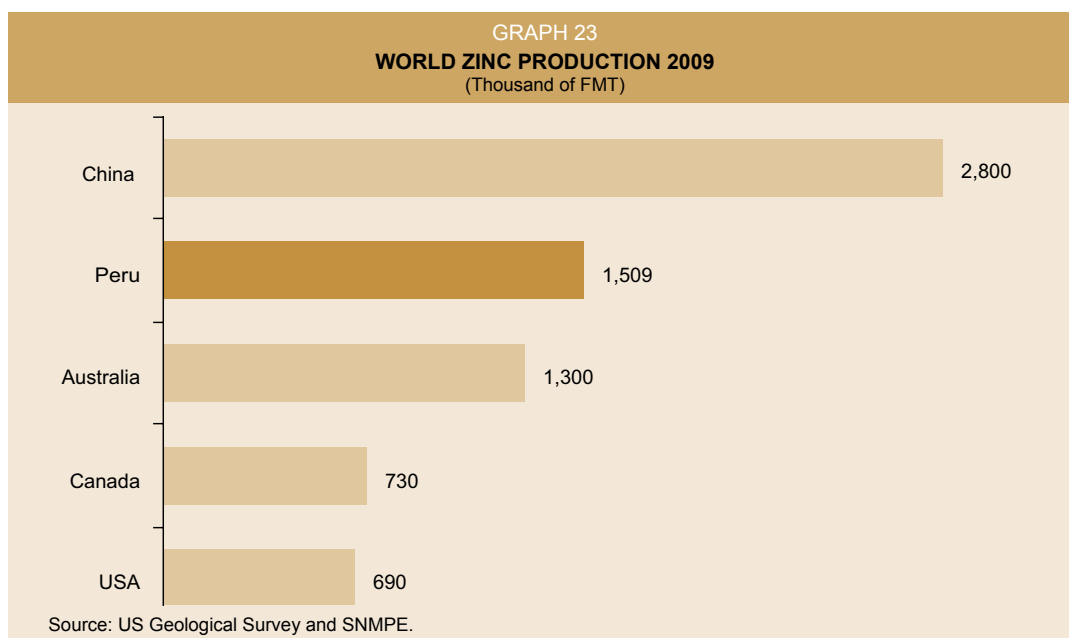


With this level of production of copper, Peru replaced the United States as the second world producer of this metal with a participation of 8.0 percent.



The production of **zinc** was affected by the interruption of activities of Empresa Minera Los Quenuales at its unit of Iscaycruz (Lima) since February 2009 due to the decline of the price of this metal. As a result of this, the production of zinc contracted 5.8 percent, from 1,603 FMT in 2008 to 1,509 FMT in 2009. Nonetheless, with a share of 13.6 percent, Peru remained for the second consecutive year as the second world producer of zinc after relegating Australia into a third position.





Because of its association with zinc⁵, the extraction of **lead** declined 12.4 percent, with the interruption of activities at Volcan's unit of Cerro de Pasco (-30.8 percent) and at Los Quenuales' unit of Iscaycruz (-49.8 percent) accounting mainly for this decline. However, this impact was offset by the higher production of Sociedad Minera Cerro Corona due to the installation of its new oxide plant at end 2008. In 2009, Peru ranked fourth in terms of the global production of this mineral with a share of 7.7 percent.



5. Because lead is extracted from poli-metallic units, that is, from mineral deposits that contain both lead and zinc, a lower production of zinc will also imply a lower extraction of lead.

As regards other metals, the extraction of **tin** contracted by 3.9 percent due to the lower production of Minsur's mine San Rafael (Puno), while the production of **iron** declined 14.4 percent due to some strikes that affected Shougang Hierro Perú during the year. The extraction of **molybdenum** dropped 26.5 percent due to lower activity at Antamina (-78.1 percent) as a result of the substitution of production for zinc, silver, and lead. However, it is worth pointing out that in 2009 Peru ranked third and fourth in terms of the global production of tin and molybdenum, respectively.

Despite the context of international crisis observed during 2009, private investment in the sector would have increased significantly (a 60 percent increase), with the projects of Southern (expansion of the refinery of Ilo), Xstrata Tintaya (development of the Antapaccay project), Minera Miski Mayo (Bayovar fosfates), and Compañía de Minas Buenaventura (project La Zanja, among other projects) being noteworthy.

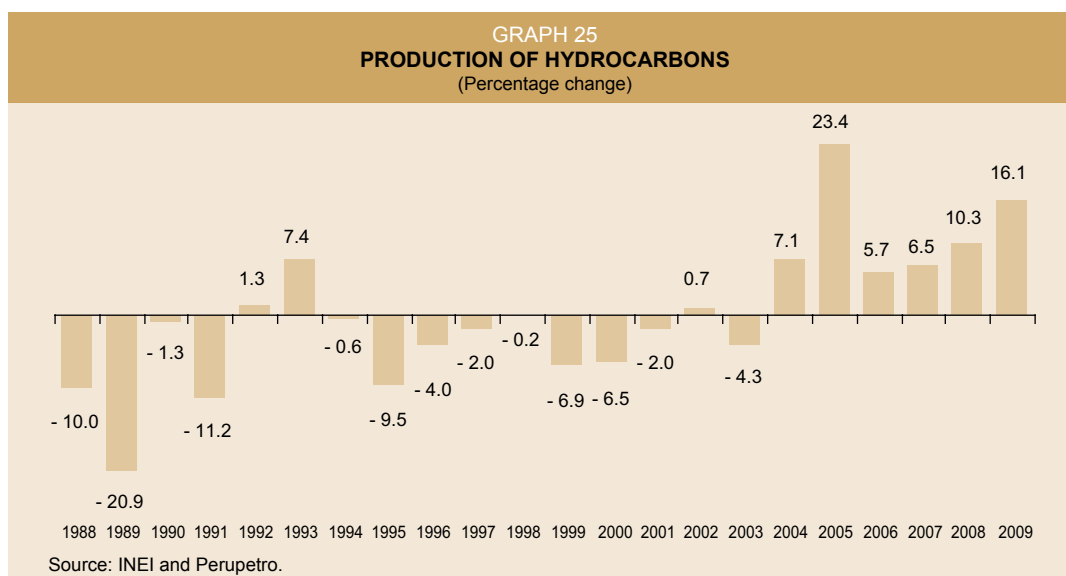
TABLE 10
INVESTMENT EXECUTED BY MINING COMPANIES
(Millions of US\$)

COMPANIES	METAL	LOCATION	2007	2008	2009
Southern Peru Copper Corporation	Copper and molybdenum	Moquegua	275.8	302.5	434.8
Xstrata Tintaya S.A.	Copper	Cusco	81.0	102.0	332.1
Compañía Minera Miski Mayo	Phosphates	Piura	n.a.	n.a.	257.6
Compañía de Minas Buenaventura S.A.A.	Gold and silver	Arequipa and Pasco	65.0	266.8	251.1
Votorantim Metais - Cajamarquilla S.A.	Zinc and silver	Lima	n.a.	n.a.	155.4
Minera Yanacocha S.R.L.	Gold	Cajamarca	290.0	248.3	146.7
Shougang Hierro Peru S.A.A.	Iron	Ica	50.6	26.0	132.5
Sociedad Minera Corona S.A.	Polymetallic	Lima	320.0	96.2	100.0
Sociedad Minera Cerro Verde S.A.	Copper and molybdenum	Arequipa	100.0	74.0	91.0
Compañía Minera Antamina S.A.	Polymetallic	Ancash	40.0	45.7	88.7
Volcan Compañía Minera S.A.A.	Polymetallic	Junin	167.0	238.9	85.3
Sociedad Minera El Brocal S.A.	Polymetallic	Pasco	17.0	16.0	60.1
Empresa Minera Los Quenuales S.A.	Polymetallic	Lima	53.1	63.6	40.5
Minera Barrick Misquichilca S.A.	Gold	La Libertad and Ancash	53.2	25.7	30.8
Others			79.5	237.5	564.7
TOTAL			1,592.2	1,743.2	2,771.1

Source: Companies, CONASEV, and Ministry of Energy and Mining.
n.a. = Not available.

The production of **hydrocarbons** grew 16.1 percent, accumulating 6 consecutive years of expansion. This growth was mainly due to the higher production of liquid hydrocarbons (20.7 percent), which increased from 120 to 145 thousand barrels/day due to the onset of gas liquids exploitation at Pagoreni (Lot 56) in September 2008 and Cashiriari (Lot 88) in July 2009.





The production of natural gas grew 2.3 percent due to increased activity at Pluspetrol's Lot 88. Contributing with two thirds of the domestic production of natural gas and liquid hydrocarbons, Pluspetrol –an Argentinian enterprise specialized in the exploitation of hydrocarbon resources and electricity generation which operates in different South American countries– consolidates in this way as the main enterprise of this subsector in Peru.

TABLE 11
PRODUCTION OF HYDROCARBONS

	Weight. 2009	Production		
		2008	2009	% Chg
LIQUID HYDROCARBONS 1/	78.1	43,930	53,027	20.7
Pluspetrol	51.3	28,813	36,879	28.0
Lot I-AB	14.6	8,233	5,981	- 27.4
Lot 8	10.1	5,652	4,976	- 12.0
Lot 88	20.0	11,260	13,416	19.1
Lot 56	6.5	3,667	12,507	241.0
Other contractors	26.9	15,118	16,148	6.8
NATURAL GAS 2/	21.9	119,956	122,703	2.3
Pluspetrol	17.0	93,130	99,753	7.1
Lot 88	17.0	93,130	99,753	7.1
Other contractors	4.9	26,825	22,950	- 14.4
HYDROCARBONS SUBSECTOR	100.0			16.1

1/ Thousand barrels.
2/ Million cubic feet.
Source: Ministry of Energy and Mining and Perupetro.

2.4 Primary manufacturing

Primary manufacturing recorded a similar level to the one observed in the previous year given that higher activity in oil refining, meat products, and sugar was offset with lower production in terms of the refining of non-ferrous metals, and fish conserves and frozen products.

TABLE 12 MANUFACTURING BASED ON RAW MATERIALS, BY MAIN INDUSTRIAL GROUPS: 2007 - 2009 (Real percentage change)			
	2007	2008	2009
MANUFACTURING BASED ON RAW MATERIALS	- 2.7	7.6	0.0
Sugar	13.1	10.7	7.2
Meat products	6.4	9.2	4.6
Fishmeal and fish oil	4.9	0.5	- 4.4
Canned and frozen fish products	9.0	17.6	- 18.1
Refining of non-ferrous metals	- 11.2	9.4	- 18.0
Refining of crude	4.2	4.1	27.7

Source: Ministry of Production and INEI.

The higher production achieved in oil refining was associated with Pluspetrol's onset of operations at Lot 56 in September 2008, which allowed this enterprise increased results in terms of processing natural gasoline and diesel, while the higher production of sugar reflected increased cultivation of sugar cane. On the other hand, the higher production of meat products responded to higher demand for poultry.

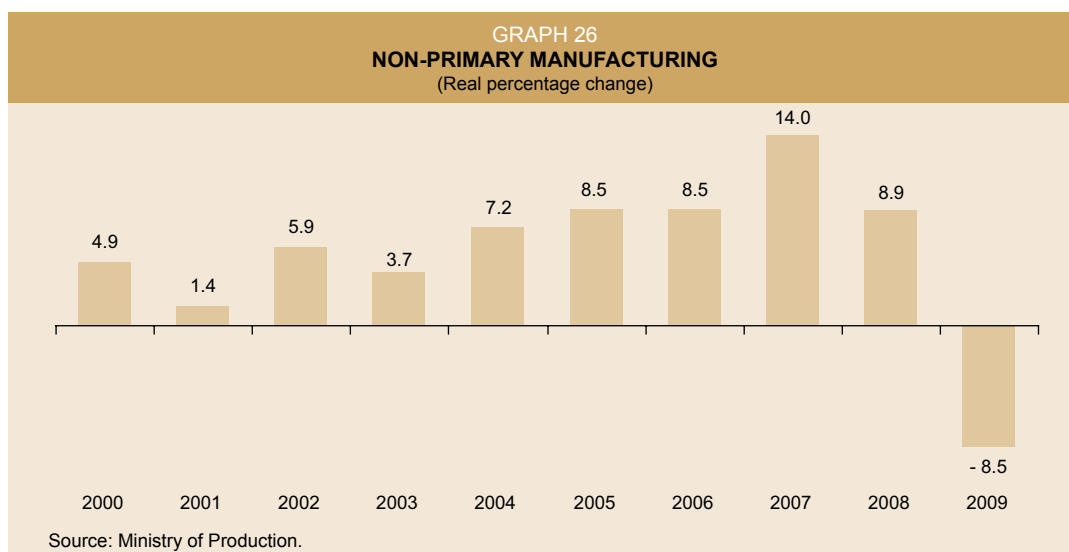
In contrast, the negative evolution of the refining of non-ferrous metals reflected the stoppage of Doe Run and Votorantim Cajamarquilla's lower production of refined zinc due to some programmed stoppages and the connection of new equipments. On the other hand, the decline of the production of fish conserves and frozen fish products was due to the lower availability of yellow mackerel and giant squid, respectively.

2.5 Non primary manufacturing

The international financial crisis affected significantly non primary manufacturing, which showed a contraction of 8.5 percent after recording 9 consecutive years of expansion. The sector had been reacting positively in the last years with new investments that allowed it to meet an increasingly growing demand, both domestic and external.

With the crisis, firms reacted cautiously and initiated a process of inventory adjustment to adequate their production levels to the new conditions of lower demand. This situation continued approximately until June, which is considered to have been the period with the lowest activity given that a total of 38





industrial branches, the number of branches that recorded production drops reached a maximum of 31. Non primary manufacturing started showing a recovery thereafter, as reflected in the growth rates observed in deseasonalized terms and in the lower number of branches that recorded negative growth (only 14 in the month of December).

By industrial branches, the ones most heavily affected in 2009 were the branches of capital goods, which dropped 16.2 percent reflecting the lower production of the iron and steel industry –which operated at only two thirds of its capacity to reduce the inventories accumulated since the second half of 2008–; machinery and equipments (-28.2 percent), and the electricity branch (-22.4 percent), reflecting the contraction of private investment and the process of inventory correction.

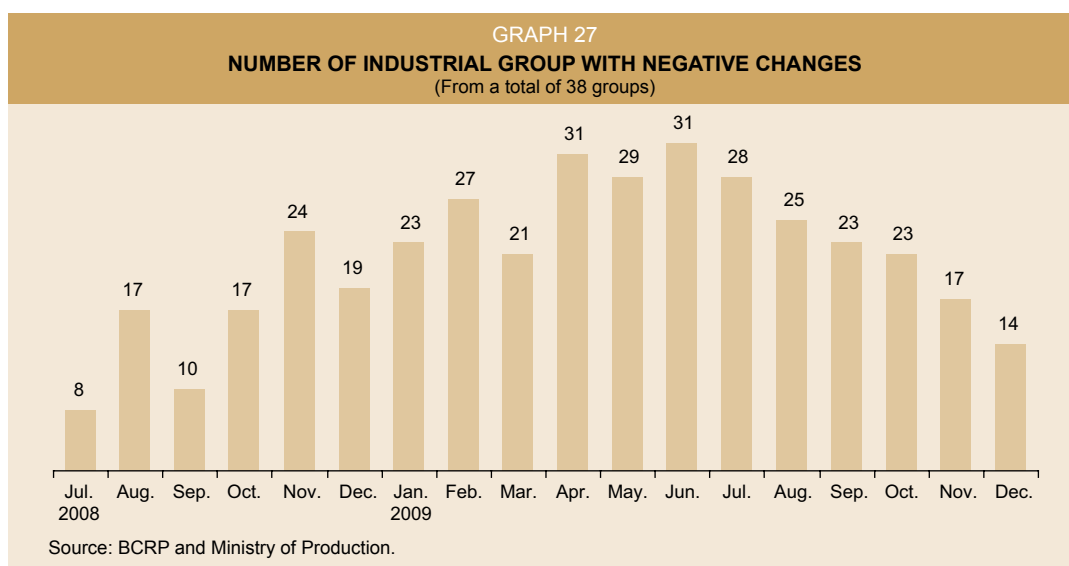


TABLE 13
GROWTH OF NON-PRIMARY MANUFACTURING FOR DOMESTIC DEMAND

	2007	2008	2009
Consumer products	12.5	10.3	- 9.6
Dairy products	8.1	11.4	- 3.0
Oils and fats	3.1	- 6.6	1.6
Miscellaneous food products	15.3	5.4	- 2.7
Beer and malt	10.6	15.5	- 1.5
Soft drinks	3.2	15.9	9.1
Clothing	9.0	- 2.3	- 29.9
Wood and furniture	12.7	16.6	- 6.0
Other of paper and cardboard items	15.1	48.8	- 21.9
Toiletries and cleaning products	20.1	11.6	- 2.7
Pharmaceutical products	12.8	9.4	- 1.2
Miscellaneous items 1/	31.7	- 1.0	- 1.6
Inputs	12.3	13.5	- 9.1
Paper and cardboard	16.2	9.4	- 5.1
Paper and cardboard containers	7.8	2.5	- 2.1
Publishing and printing activities	8.2	17.7	- 7.6
Basic chemicals	19.1	2.2	- 19.5
Explosives, chemical and natural scents	8.2	8.2	- 13.0
Rubber	5.8	- 2.6	- 14.2
Plastic	10.9	7.0	- 3.9
Glass	26.3	52.7	- 5.8
Oriented to construction	15.1	15.2	1.3
Paints, varnishes and lacquers	22.4	21.7	5.3
Cement	6.7	10.7	6.4
Construction materials	22.6	17.9	- 3.7
Abrasive products	13.1	15.7	- 20.6
Metal mechanics, machinery, and equipment	17.2	15.9	- 16.2
Iron and steel industry	8.1	9.9	- 21.1
Metal products	15.8	20.9	- 13.4
Machinery and equipment	24.9	- 6.9	- 28.2
Electric machinery	24.9	3.0	- 22.4
Transport equipment	40.7	47.3	- 3.5
TOTAL NON-PRIMARY MANUFACTURING	14.0	8.9	- 8.5

1/ Includes mainly jewelry and office items.

Source: BCRP and Ministry of Production.

Production in the branches that manufacture mass consumer goods dropped 9.6 percent. This was particularly noteworthy in the case of the garment industry, which was one of the most affected branches by the crisis due to the abrupt contraction of demand and due to the increased competition of Asian products, both in the domestic market and in our main destination markets. Thus, the group of textiles, leather and footwear dropped 23.0 percent, affecting the annual result of non primary manufacturing by -3.2 points. However, it is worth highlighting that within the branches oriented to mass consumer goods, the production of foodstuffs grew 0.4 percent due to the sustained demand of the population as a result of the new product lines and presentations launched in the market.

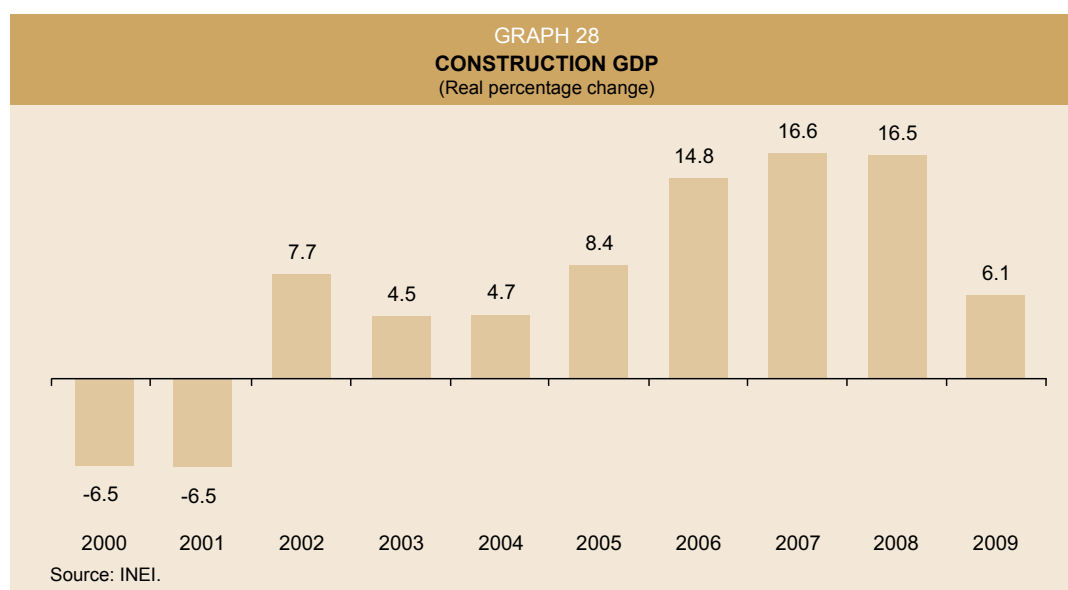


The branches of inputs recorded an overall decline of 9.1 percent, the highest drops being observed in basic chemical substances (-19.5 percent) and explosives, natural and chemical scents (-13.0 percent), due to the lower demand of the iron and steel industry and the textile industry, respectively. On the other hand, the branch of plastic products declined 3.9 percent, due mainly to the lower production of containers and packaging materials associated with lower activity in the agroexport sector.

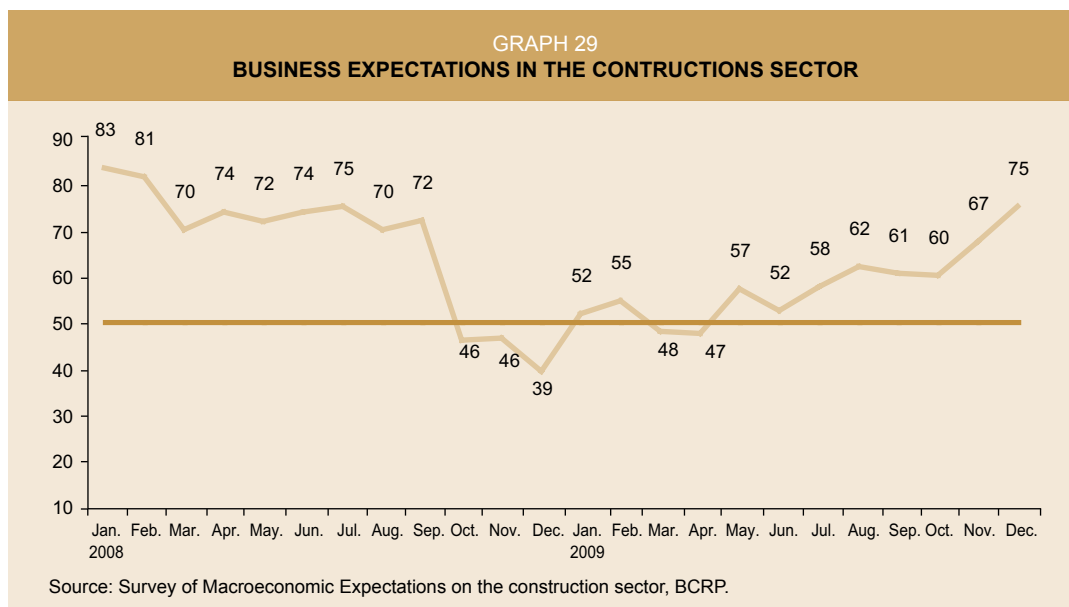
In contrast, the branches of construction and finishing materials grew 1.3 percent since construction was one of the few sectors that maintained a significant dynamism during the year. Thus, increased dynamism was observed in the production of cement (6.4 percent) and paints, varnishes, and lacquers (5.3 percent) in response to the continuity of private and public housing projects developed in the country.

2.6 Construction sector

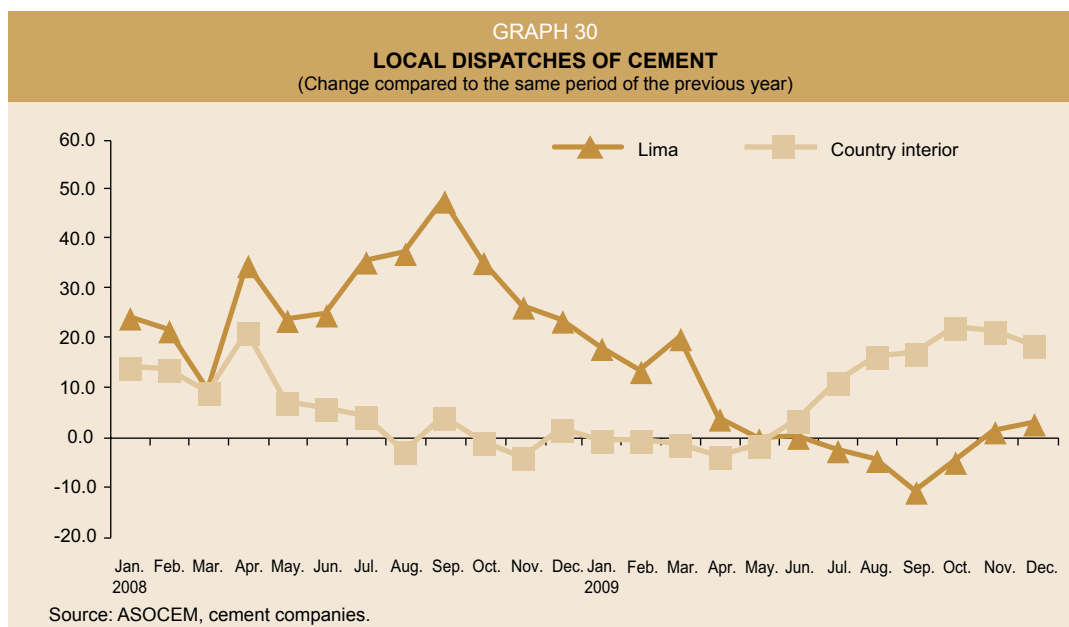
After growing at two-digit rates during the last three years, the construction sector recorded a growth rate of 6.1 percent in 2009. Despite this slowdown, construction was the most dynamic sector in the economy in a year marked by the effects of the international financial crisis on Peru's level of economic activity, which translated into the postponement of several plant expansion projects. Nevertheless, the construction of houses, commercial facilities, and roads remained dynamic, as a result of which construction was one of the sectors that showed higher resilience to the effects of the international financial crisis.



The evolution of construction showed different trends in the year. A slowdown was observed at the beginning of Q2, which led this sector to record its first negative growth (-1.0 percent) in this quarter after thirty quarters of consecutive growth. Then, construction started to recover in Q3, recording again two-digit growth rates in Q4 (14.8 percent). In this sense, the expectations of construction enterprises about the future of the sector, returned to the positive side in the month of May of 2009, closing the year at a level of 75 points (a similar level to the one observed prior to the crisis).



The year's result reflected the continuity of residential and commercial⁶ construction projects, as well as road rehabilitation and construction works. It is worth pointing out that since mid-2009 construction showed a higher dynamism in other cities of the country, particularly in the south of the country, as reflected in the noteworthy growth of local dispatches of cement to these areas, in contrast with 2008 when the strong expansion of construction occurred mainly in Lima. Local dispatches of cement to other cities other than Lima grew 8.7 percent in 2009 (versus 2.1 percent in Lima).



6. According to sources such as the study elaborated by CAPECO: "El Mercado de Edificaciones Urbanas en Lima Metropolitana y el Callao", 2009.



This continuity of construction works was also seen in commercial projects. Thus, one of the biggest malls of Lima, Centro Comercial Plaza Lima Norte, constructed with an investment of S/. 180 million was inaugurated in 2009 and the Real Plaza Centro Cívico, built in downtown Lima with an investment of US\$ 30 million, opened in December. Furthermore, construction projects also included the expansion of several malls in the capital city, such as Plaza San Miguel, Jockey Plaza, and Primavera Park Plaza, while in the provinces it is worth highlighting the expansion of Real Plaza in Huancayo and in Trujillo, as well as the expansion of Plaza del Sol in Piura.

TABLE 14
COMMERCIAL PROJECTS 2009

Project	Location	Investment amount US\$	Date of inauguration
Maestro Home Center Cercado de Lima	Lima	6 million	2009
Real Plaza Huancayo expansion	Huancayo	10 million	2009
Centro Comercial Plaza Norte	Lima	180 million	2009
Real Plaza Santa Clara	Lima	7 million	2009
Real Plaza Centro Civico	Lima	30 million	2009
Real Plaza Trujillo expansion	Trujillo	4 million	2009
Centro Comercial Plaza San Miguel expansion- third level	Lima	-	2009
CC Primavera Park Plaza expansion	Lima	20 million	2009-2010
Plaza del Sol expansion	Piura	4 million	2009-2010
Jockey Plaza expansion	Lima	65 million	2009-2010
Megaexpress Villa (Strip Center Chorrillos)	Lima	4 million	January 2010

Source: Colliers International, dailies Gestión and El Comercio.

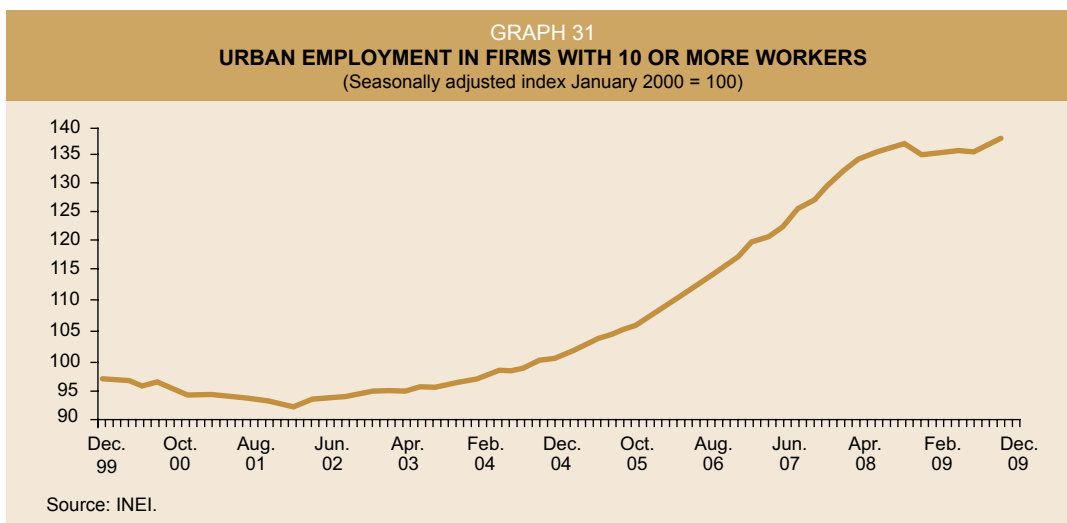
Moreover, among the several hotel projects that continued being implemented, it is worth mentioning the construction of Novotel Lima in San Isidro with an investment of US\$ 18.5 million; the expansion of Hotel Aranwa in Piura; Hotel Valle Sagrado Libertador in Urubamba; and Hotel Paracas Luxury Collection Resort, with an investment of US\$ 30 million.

Finally, driven by the higher expenditure in road construction, rehabilitation, and maintenance executed by the Programa Provías Nacional and Provías Descentralizado, the physical implementation of works also showed significant growth (52.7 percent) in the year. Projects worth highlighting in this sense included the rehabilitation and improvement of the Tocache – Tocache highway and the Tingo María Aguaytía – Pucallpa highway, as well as the rehabilitation of the Casma – Huaraz highway.

3. Employment

According to the Ministry of Labor, employment in formal firms with 10 and more workers grew 1.3 percent in 2009, maintaining the positive trend of employment recorded since May 2002 despite the impact of the global slowdown that affected the demand for our export products and, therefore, the primary sectors and non primary manufacturing.





The growth of employment was mainly driven by the sector of commerce (5.2 percent) and by the sector of services (5.3 percent), which offset the declines of employment in the primary sector (-1.9 percent) and in the industrial sector (-5.8 percent).

By geographical areas, like in the previous two years, employment was more dynamic in Metropolitan Lima (1.6 percent), while employment in the rest of urban areas grew 0.7 percent.

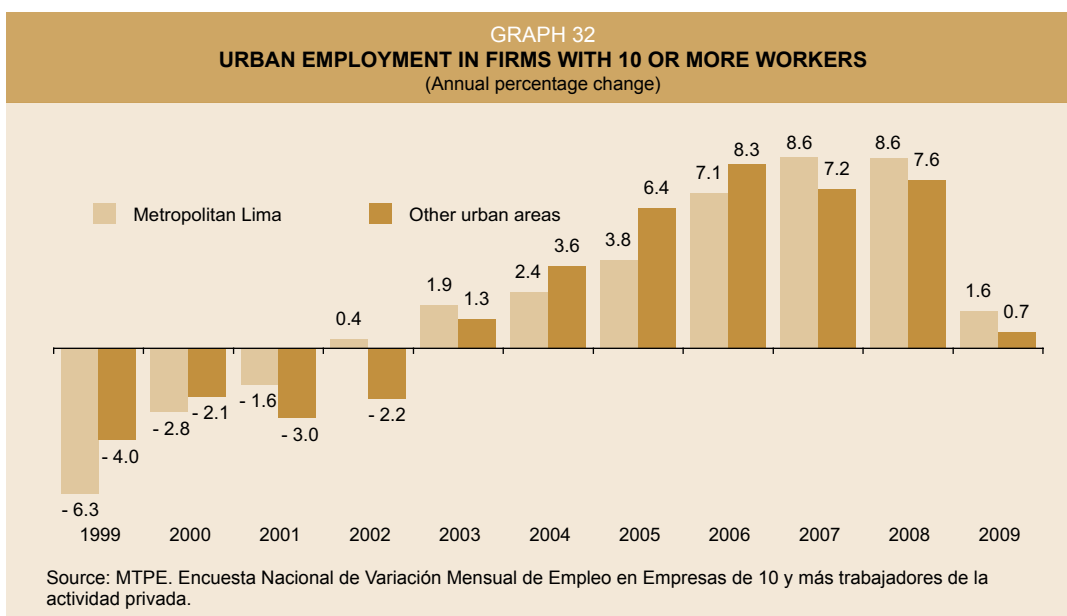


TABLE 15
WORKFORCE BY LEVELS OF EMPLOYMENT
METROPOLITAN LIMA 1/
 (Thousands of individuals)

	2006 2/	2007	2008	2009
I. ECONOMICALLY ACTIVE POPULATION (EAP): 1 + 4	4,228	4,385	4,410	4,514
1. EMPLOYED LABOR FORCE	3,882	4,017	4,041	4,135
By economic activity				
Manufacturing	670	688	674	661
Construction	208	249	262	260
Commerce	933	882	892	922
Services	2,018	2,132	2,152	2,237
Other	53	65	60	56
By educational level				
Primary school 3/	441	457	427	433
Complete high school 4/	1,922	2,091	2,050	2,115
Non-university higher education	708	715	745	715
University higher education	811	754	819	872
By occupation				
Salaried workers 5/	2,349	2,438	2,507	2,549
Non-salaried workers	1,533	1,579	1,534	1,587
By size of business 6/				
1 to 10 workers	2,439	2,589	2,490	2,560
11 to 50 workers	437	409	421	420
51 and more workers	986	1,018	1,130	1,155
By number of hours worked per week				
Employed workers working 20 or more hours	3,453	3,556	3,604	3,664
Salaried workers working 20 or more hours	2,187	2,251	2,316	2,340
2. UNDEREMPLOYMENT	2,198	2,268	2,127	2,013
Visible underemployment (by hours)	570	665	631	636
Invisible underemployment (by income)	1,628	1,603	1,496	1,377
3. ADEQUATELY EMPLOYED	1,684	1,749	1,914	2,122
4. UNEMPLOYED	346	368	370	379
II. ECONOMICALLY INACTIVE POPULATION	2,021	1,978	2,068	2,082
III. POPULATION IN WORKING AGE (PWA)	6,249	6,363	6,478	6,596
RATES (Percentage)				
Activity rate (EAP / PWA)	67.7	68.9	68.1	68.4
Employment/population ratio (Employed EAP/PWA)	62.1	63.1	62.4	62.7
Unemployment rate (Non-employed EAP/EAP)	8.2	8.4	8.4	8.4
Underemployment rate by hours	13.5	15.2	14.3	14.1

1/ Annual average.

2/ Change of sample framework.

3/ Includes individuals with no education or with elementary school.

4/ Incomplete and complete secondary school.

5/ Includes employees, workers, and housekeepers.

6/ The fact that all surveyed individuals answered the questions accounts for the difference between the total number of workers by size of business and EAP (approximately 21,000 individuals).

Source: INEI. Permanent employment survey.



In terms of regions, employment grew especially in Moquegua and Ayacucho, due mainly to higher demand in education centers and to the increased activity of financial entities, such as banks, rural saving banks, and edpymes. On the other hand, employment declined in the cities where the evolution of employment is associated with exports of agroindustrial, fishing, and mining products. This was the case in the cities of Sullana, Cerro de Pasco, and Cajamarca.

The growth of employment in Metropolitan Lima was associated with increased activity in the sectors of services (5.3 percent) and commerce (5.1 percent). The growth of employment in the case of the former resulted from increased hiring in higher education centers, while the dynamism of department stores –associated mainly with the sale of garment and footwear– and the retail sale of food products accounted for the growth of employment in the case of the latter.

According to the Permanent Employment Survey conducted by the National Institute of Statistics (INEI), the labor force of Metropolitan Lima in 2009 was 4.51 million, higher than in 2008 (4.41 million). The working population grew 2.3 percent, increasing from 4.04 million in 2008 to 4.14 million in 2009. The rate of unemployment remained at 8.4 percent.

BOX 2

PERU: POVERTY FIGURES

According to the INEI¹, 36.2 percent of the Peruvian population lived in conditions of poverty² in 2008, which implies that poverty has declined by 3.1 percentage points compared to 2007. Furthermore, the rate of extreme poverty³ dropped from 13.7 percent in 2007 to 12.6 percent in 2008 (1.1 percentage points).

PERU: POPULATION IN POVERTY AND EXTREME POVERTY 2007-2008
(In percentage)

	Total poverty			Extreme poverty		
	2007	2008	Absolut change	2007	2008	Absolut change
Peru	39.3	36.2	- 2.2	13.7	12.6	- 1.1
Urban areas	25.7	23.5	- 2.2	3.5	3.4	- 0.1
Rural areas	64.6	59.8	- 4.8	32.9	29.7	- 3.2
Urban coast	25.1	23.4	- 1.7	2.1	2.4	0.3
Rural coast	38.1	34.8	- 3.3	10.5	7.9	- 2.6
Urban sierra	36.3	33.5	- 2.8	8.5	9.2	0.7
Rural sierra	73.3	68.8	- 4.5	40.8	37.4	- 3.4
Urban selva	40.3	31.3	- 9.0	11	7.2	- 3.8
Rural selva	55.3	49.1	- 6.2	23.4	20.7	- 2.7
Metropolitan Lima	18.5	17.7	- 0.8	0.5	0.7	0.2

Source: INEI - ENAHO 2007-2008.

1. INEI. Technical Report, Situación de la pobreza en el 2008, Lima, May 2009.
2. Percentage of the population whose monthly expenditure is insufficient to cover the basic consumer basket, which includes both food and non-food goods.
3. Percentage of the population whose expenditure per capita is lower than the cost of the basic food basket.



The analysis by geographic areas shows a higher reduction of poverty in rural areas (-4.8 percentage points) than in urban areas (-2.2 percentage points). This improvement in rural areas is associated with the increase of rural families' income due to the rise of the prices of foodstuffs, especially in the first and second quarter of 2008. The opposite situation was observed in Metropolitan Lima.

According to INEI data, the average real expenditure per capita in rural areas increased by 7.8 percent, from S/. 178.5 in 2007 to S/. 192.6 in 2008. In the rest of urban areas, the average real expenditure showed a lower increase (3.5 percent), rising from S/. 377.4 to S/. 390.8 in this period. On the other hand, the average real expenditure in Metropolitan Lima showed a slight decline of 0.3 percent.

AVERAGE MONTHLY MEAN EXPENDITURE PER CAPITA 2004-2008
(Constant soles base=2001 at Metropolitan Lima prices)

	2004	2005	2006	2007	2008	Percentage change 2007-2008
National	300.0	303.0	325.0	346.0	355.5	2.7
Metropolitan Lima	443.7	438.0	494.4	509.0	507.5	- 0.3
Rest of urban areas	318.0	329.4	339.6	377.5	390.8	3.5
Rural areas	163.8	164.5	170.0	178.5	192.5	7.8

Source: INEI. Poverty situation technical report 2008.

Despite the decline of poverty between 2007 and 2008, the differences in the living conditions expressed in the level of poverty in rural areas (59.8 percent) and urban areas (23.5 percent) are still high. This contrast is bigger when one compares rural areas in the sierra region (68.8 percent) with Metropolitan Lima (17.7 percent). Moreover, nearly half of the population in rural areas of the selva region continues to live in conditions of poverty (49.1 percent).

DEPARTMENTS BY LEVEL OF TOTAL POVERTY 2004 and 2008

Up to 20 percent	From 21 to 30 percent	From 31 to 40 percent	From 41 to 50 percent	From 51 to 60 percent	From 61 to 70 percent	From 71 percent or more
2006						
Tumbes Tacna	Madre de Dios Ica Lima 1/ Arequipa Moquegua		Lambayeque La Libertad Junin Ancash Cusco	Piura Ucayali San Martin Amazonas	Cajamarca Loreto	Pasco Huanuco Apurimac Puno Ayacucho Huancavelica
2007						
Ica Madre de Dios Tumbes Lima 1/	Tacna Arequipa Moquegua	La Libertad	Lambayeque Ancash Junin San Martin Piura Ucayali	Loreto Amazonas Cusco	Pasco Cajamarca Huanuco Puno Ayacucho Apurimac	Huancavelica
2008						
Tacna Tumbes Ica Madre de Dios Lima 1/ Arequipa	Moquegua	Lambayeque Ucayali San Martin La Libertad Ancash Junin	Piura Loreto	Cajamarca Cusco Amazonas	Huanuco Puno Pasco Ayacucho Apurimac	Huancavelica

1/ Includes the constitutional province of Callao.

Source: INEI: Enaho 2006-2008.



The evolution of extreme poverty by geographic areas was similar to the one recorded in the case of total poverty. The decline of extreme poverty in rural areas (-3.2 percentage points) was higher than in urban areas (-0.1 percentage points).

Furthermore, extreme poverty declined in urban areas of the selva and in rural areas of the sierra (-3.8 and -3.4 percentage points, respectively), but increased in the urban areas of the coast and in Metropolitan Lima (0.3 and 0.2 percentage points, respectively). However, rural sierra areas and rural selva areas showed higher levels of extreme poverty (37.4 percent and 20.7 percent, respectively). Moreover, 0.7 percent of the population of Metropolitan Lima lives in conditions of extreme poverty.

The analysis by departments shows a downward trend of poverty levels in all the departments of the country since 2006. For example, in 2006 only two departments (Tacna and Tumbes) of the twenty-four departments of the country showed poverty levels of less than 21 percent, while in 2008 six departments did (Tacna, Tumbes, Ica, Madre de Dios, Lima, and Arequipa). On the other hand, only one department of the six departments that showed poverty levels of over 70 percent in 2006 still shows a similar poverty level (Huancavelica, with 82.1 percent). Despite this reduction, over 50 percent of the population of nine departments still lives in poverty conditions.

