II. External sector

1. International environment

In 2009, the level of global economic activity dropped for the first time in sixty years. A severe contraction in developed economies, a marked slowdown in the most dynamic emerging economies, and the maintenance of unfavorable conditions in financial markets were observed in the first semester of the year. However, some recovery in the level of global economic activity was seen towards the second semester of 2009 as a result of the fiscal and monetary stimulus packages implemented, which reflected in a recovery of manufacturing and international trade, among other sectors.

Financial markets started to normalize, reaching in some cases similar levels to the ones recorded before the crisis. Commodity prices also showed significant rises, although without recovering the maximum levels they had recorded during 2008.

2. Economic activity

The global economy recorded a contraction of 0.6 percent in 2009. This contraction was influenced by the unfavorable evolution of developed economies, particularly Japan and the United Kingdom. In terms of emerging economies, the drop of economic activity in Russia was noteworthy.

TABLE 16
WORLD GROWTH
(Percentage change)

	2005	2006	2007	2008	2009
Developed countries	**2.6**	**3.0**	**2.7**	**0.5**	**- 3.2**
1. USA	3.1	2.7	2.1	0.4	- 2.4
2. Eurozone	1.8	3.1	2.8	0.6	- 4.0
3. Japan	1.9	2.0	2.4	- 1.2	- 5.2
4. United Kingdom	2.2	2.9	2.6	0.5	- 4.9
5. Canada	3.0	2.9	2.5	0.4	- 2.6
6. Other developed countries	4.0	4.6	4.7	1.7	- 1.1
Developing countries	**7.1**	**7.9**	**8.3**	**6.1**	**2.4**
1. Africa	5.7	6.1	6.3	5.5	2.1
2. Central and Eastern Europe	6.0	6.6	5.5	3.1	- 3.9
3. Newly Independent States	6.7	8.4	8.6	5.5	- 6.6
Russia	6.4	7.7	8.1	5.6	- 7.9
4. Developing Asia	9.0	9.8	10.6	7.9	6.6
China	10.4	11.6	13.0	9.6	8.7
India	9.2	9.8	9.4	7.5	5.7
5. Middle East	5.5	5.8	6.2	5.1	2.4
6. Latin America and The Caribbean	4.7	5.6	5.8	4.2	- 1.8
Brazil	3.2	4.0	6.1	5.1	- 0.2
World Economy	**4.5**	**5.1**	**5.2**	**3.0**	**- 0.6**
Memo:					
BRICs 1/	8.5	9.6	10.6	8.0	4.9
Commercial partners 2/	4.4	4.7	4.7	2.7	- 1.1

1/ Brazil, Russia, India and China.
2/ Basket of Peru´s 20 main trading partners.
Source: Bloomberg, FMI and Consensus Forecast.

In deseasonalized quarterly terms, significant contractions were observed in Q4-2008 and Q1-2009, but in contrast with previous crises, the highest economic contractions were recorded by the developed economies.

TABLE 17
GDP: DESEASONALIZED QUARTERLY GROWTH
(Annualized rates)

	2008		2009			
	3Q.	4Q.	1Q.	2Q.	3Q.	4Q.
Developed countries	- 2.6	- 6.8	- 8.5	0.3	1.3	3.3
USA	- 2.7	- 5.4	- 6.4	- 0.7	2.2	5.6
Eurozone	- 1.6	- 7.5	- 9.6	- 0.5	1.7	0.0
Germany	- 1.3	- 9.4	- 13.4	1.8	2.9	0.0
France	- 0.9	- 5.7	- 5.3	1.4	0.7	2.4
United Kingdom	- 3.7	- 7.0	- 10.2	- 2.5	- 1.2	1.1
Japan	- 4.9	- 10.3	- 13.7	6.0	- 0.6	3.8

Source: JP Morgan.

Since Q3, the economies showed positive growth rates, reflecting the impact of fiscal packages –their magnitude is estimated to have been equivalent to 3 percent of global GDP– and the monetary measures implemented in terms of both interest rate cuts and non conventional policies.

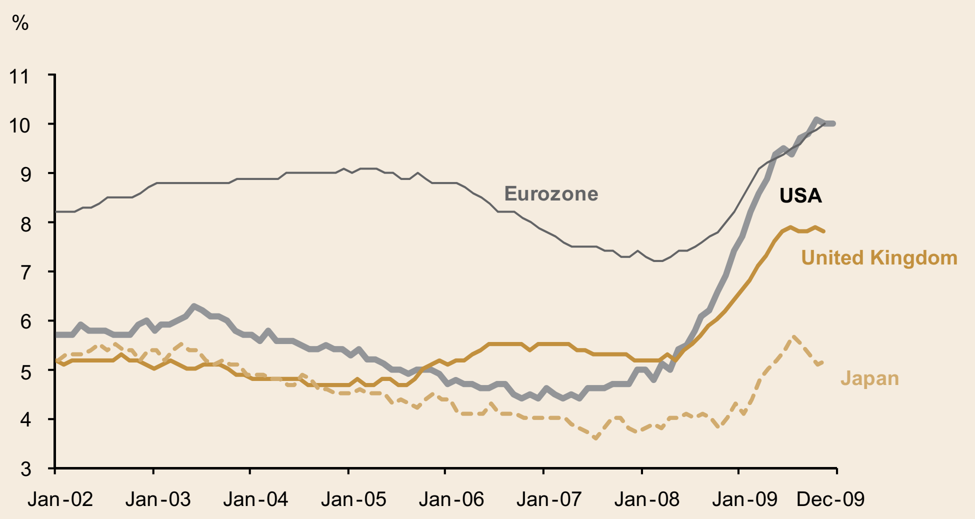
A sounder economic recovery in some countries, such as Israel, Norway, and Australia, was coupled by inflationary pressures, so monetary stimulus began to be gradually withdrawn. Moreover, because of the fiscal stimulus packages implemented, many developed economies saw their deficits increase above one-digit rates since this was associated with a significant increase of the public debt, which in some cases, exceeds 100 percent of GDP. Another factor that contributed to the recovery of economic activity was the moderation –and in some cases, the reversal– of the process of de-stocking observed in the first semester of the year.

In the **United States**, high unemployment, the contraction of bank credit, the high level of indebtedness, and the loss of equity value in the real estate and stock exchange markets led to a strong contraction of personal consumption, which represents 70 percent of GDP.

Likewise, **Europe and Japan** experienced strong GDP contractions that were coupled by high rates of unemployment. In both cases, the drop of global demand had a significant impact on the growth of these economies due to their high level of openness.

Emerging economies recorded a growth rate of 2.4 percent on average in 2009, which represented a significant decline compared with 2008 (6.1 percent). In general terms, the emerging economies were affected by the contraction of global trade, the drop of terms of trade, and constraints in terms of external credit.

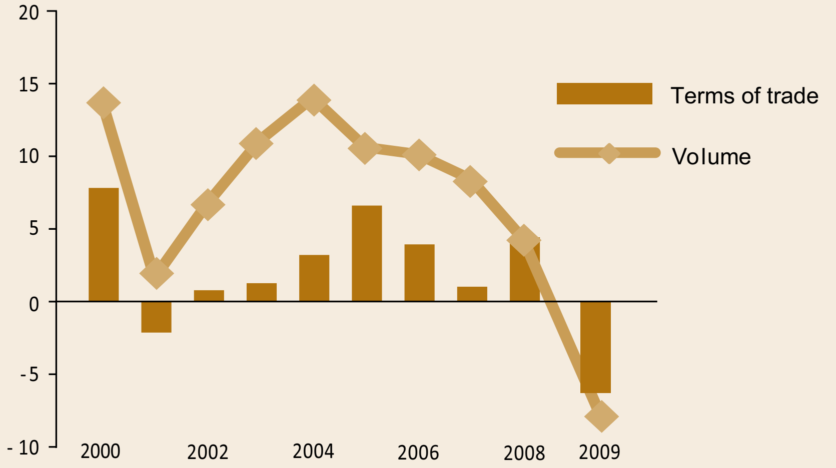
GRAPH 33
DEVELOPED COUNTRIES: UNEMPLOYMENT RATE



Source: Bloomberg.

The volume of trade of emerging economies fell by 8 percent. The exporting countries of emerging Europe and Asia were hit the hardest. Terms of trade recorded a drop of 6 percent, affecting especially the economies of Latin America and Africa.

GRAPH 34
EMERGING COUNTRIES TRADE
(Percentage change)



Source: FMI.

With an estimated growth of 6.6 percent, Asia was the least affected region. The evolution of **China** is worth pointing out: the expansionary fiscal and monetary measures initiated at end 2008 allowed maintaining the growth of demand through the expansion of credit. Investment in fixed assets reached two-digit rates, while exports recovered gradually over the year in line with the recovery of global activity and the recovery of the region in particular.

As economic activity recovered, concerns about the price rise of some assets –particularly property and real estate– and the stock market emerged. Moreover, prices, which had declined between February and October 2009, closed the year recording an annual change of 1.9 percent. In this context, the Chinese government has been implementing corrective measures in both markets, tightening the conditions for access to credit and restricting investments of a speculative nature.

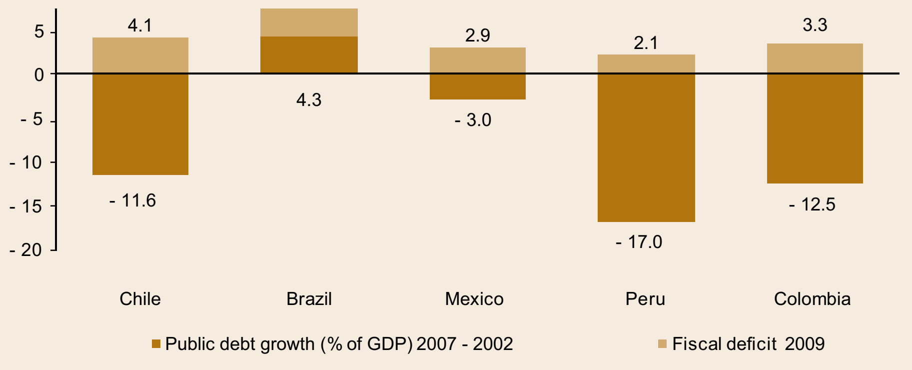
On the other hand, the emerging economies that recorded the strongest declines in GDP terms were the ones that showed high current account deficits, a strong dependence on external credit, and a high degree of openness prior to the crisis, as was the case of several **European emerging countries**. These economies were the ones that required greater support from the IMF.

Most **Latin American countries** showed an intermediate position. As a region, production recorded a decline of 1.8 percent in GDP terms. According to executed data, countries like Peru and Argentina showed positive growth rates, while Chile and Brazil showed moderate declines in their levels of activity. On the other hand, Mexico's GDP dropped 6.5 percent due to its exposure to the United States and the negative effects of the AH1N1 flu, particularly in the first semester of the year.

In general, the region's trade was affected by the decline of terms of trade (the IMF estimates a drop of 7 percent for the region in 2009) and by the drop of the volume of exports. Credit conditions also deteriorated and the flows of remittances declined consistently with the evolution of developed economies. It is worth pointing out that many of these conditions have been reversing since the second semester.

As the graph below shows, the increase of the fiscal deficit in 2009 was preceded in most cases by significant reductions in the level of the public debt between 2002 and 2007.

GRAPH 35
FISCAL DEFICIT AND PUBLIC DEBT
(Percentage of GDP)



Source: Moody's and BCRP.

BOX 3

PERU'S RELATIONS WITH THE INTERNATIONAL MONETARY FUND

The Stand-by Agreement with the IMF for SDR 172.4 million, equivalent to 27 percent of the quota (SDR 638.4 million), concluded in February 2009 after 25 months. As in the case of the 4 previous agreements, the nature of this arrangement was precautionary; that is, no financial resources were requested to the IMF, but these agreements contributed to give the international community a positive signal about the performance of the Peruvian economy.

With the completion of this Agreement, Peru concluded a series of arrangements with the IMF that started in 1990. Two phases may be distinguished in this process in the period of 1990-2009. A first phase, (1990-1997), more typical, during which the IMF provided resources to Peru and contributed to settle its external debt with other creditors; and a second one (1998-2009), during which the relation between Peru and the IMF reflected the authorities' intention to consolidate the credibility of the country's macroeconomic management in the international financial community.

Thus, between 1990 and 2009, Peru requested one Rights Accumulation Program (RAP), three Extended Fund Facilities (EFF), and four precautionary Stand-By Arrangements (SBA).

With the culmination of the last agreement and due to the significant improvement observed in the country's level of international reserves and indicators of vulnerability, Peru was considered to be a sufficiently sound economy. Because of this, it was included in the IMF's Financial Transaction Plan, a mechanism through which the IMF obtains lending resources from its strongest country members to finance its credits. In the frame of this Plan, Peru shows a credit position of SDR 122 million in the IMF at the close of 2009.

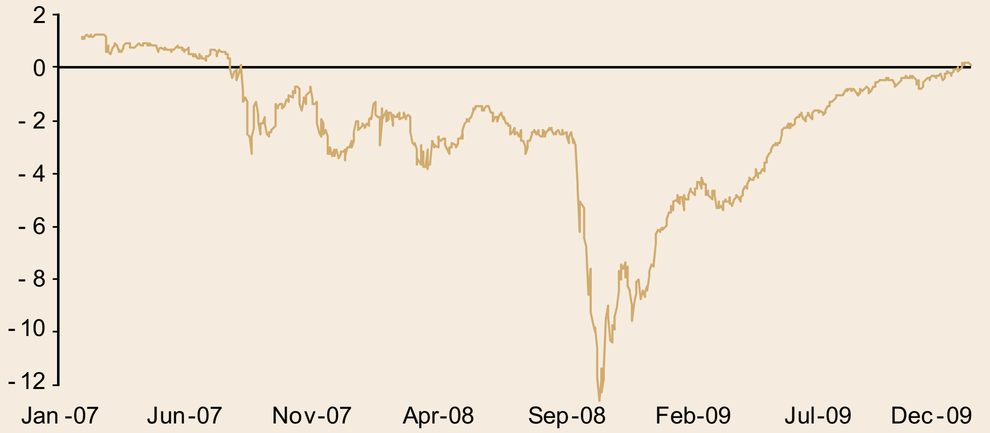
In the context of the global financial crisis, between August and September 2009, the IMF increased international liquidity through the distribution of two allocations of Special Drawing Rights (SDR). Peru received SDR 473.2 million (approximately US$ 735 million, an amount equivalent to 74.13 percent of its current quota) as part of the General Allocation of SDR and an additional amount of SDR 45.3 million (approximately US$ 70 million) as a one-time Special Allocation of SDR. These allocations have become part of the international reserves managed by the BCRP.

3. Financial markets

The unfavorable financial conditions observed since September 2008, when the crisis intensified when Lehman Brothers went bankrupt, remained until the first quarter of 2009. Since then, significant corrections were observed as a result of the series of synchronized monetary and financial measures adopted by the main central banks and financial regulators and, indirectly, as a result of the government's fiscal measures and their effects on the real sector of the economy.

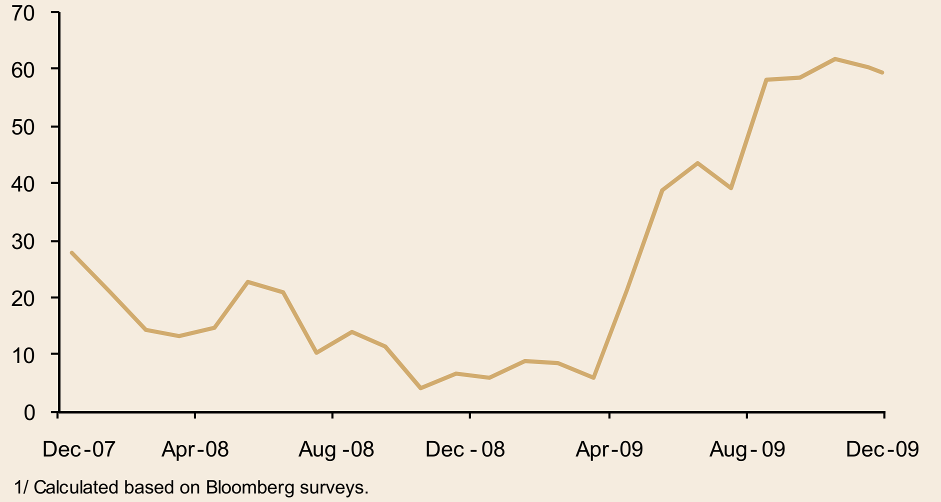
All of these measures generated a progressive reduction of risk aversion, which reached similar levels to those observed prior to the crisis, and contributed to the recovery of investors' confidence.

GRAPH 36
U.S. FINANCIAL CONDITIONS INDEX 1/



1/ Number of standard deviations compared to the average in the period 1992-Jun 2008.
Source: Bloomberg.

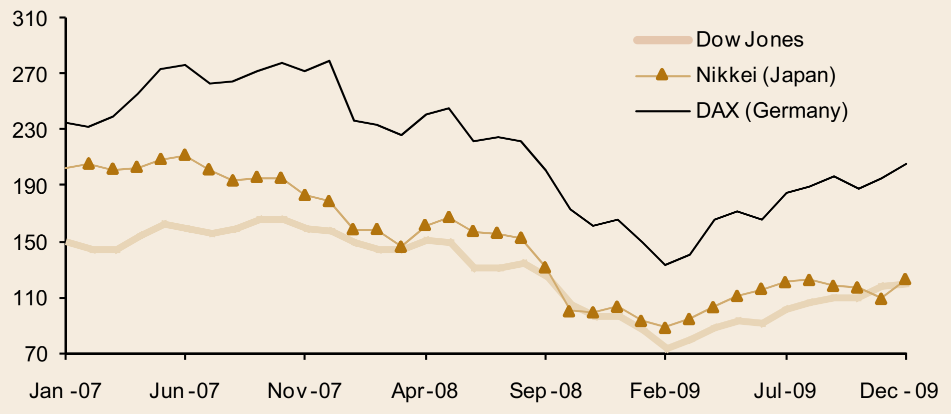
GRAPH 37
BLOOMBERG CONFIDENCE INDEX 1/



1/ Calculated based on Bloomberg surveys.
Source: Bloomberg.

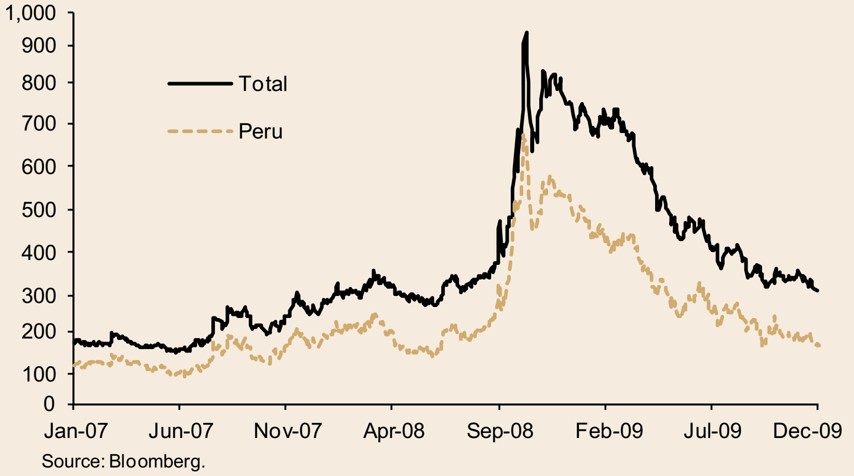
The money market was the first market to show signs of improvement. A rapid recovery of international liquidity was observed since Q2 and the main indicators came closer to the levels recorded prior to the crisis. The recovery of high risk markets, such as the stock and bond markets, added onto this rapid improvement of the money market thereafter. The main bourses showed significant rises as from Q2. The fixed income markets also showed a positive evolution of both corporate bonds in industrialized countries and sovereign bonds in emerging economies, as reflected in the higher number of placements and the reduction of credit spreads and, additionally, in appreciatory pressures on most currencies.

GRAPH 38
MAIN STOCK EXCHANGES
(Index 2002 = 100)



Source: Bloomberg.

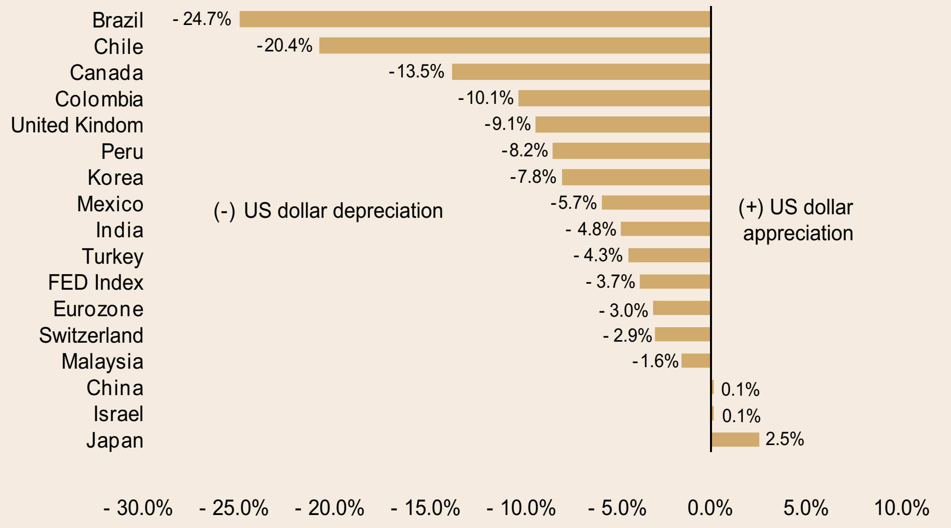
GRAPH 39
JP MORGAN GLOBAL EMERGING BOND INDEX
(EMBIG)



Source: Bloomberg.

In annual terms, most currencies appreciated against the dollar. In the emerging economies, the Brazilian real appreciated 25 percent, the Chilean peso 20 percent, and the Colombian peso 10 percent. The exceptions to this trend include the yen, the Israeli shekel, and the yuan, the latter of which remains stable since June 2008 despite appreciatory pressures as a way of correcting global imbalances.

GRAPH 40
ACUMMULATED EVOLUTION OF THE EXCHANGE RATE 2009
(Monetary units per dollar)



Source: Bloomberg.

In contrast with the bond and stock markets, the bank credit market remained stagnant. Likewise, the recovery of the market of securitizations and derivatives has not reached the levels observed prior to the crisis yet.

4. Balance of payments

The evolution of the balance of payments in 2009 was determined by the international financial situation and the evolution of domestic demand. The surplus of the current account reached US$ 247 million –0.2 percent of GDP– in the year, reflecting the gradual recovery of terms of trade.

The improvement in the result of the current account compared to the deficit of US$ 4,723 million recorded in 2008 is explained by the better result achieved in terms of trade, given that the international prices of commodities recovered progressively favoring exports, while imports declined.

A lower deficit for services coupled the evolution of imports and the lower level of economic activity since the outlays for shipping costs and entrepreneurial and other services also declined. Moreover, the profits of firms with foreign shareholding were lower than in the previous year in all the sectors, except in the financial and energy sectors, especially in the first half of the year.

TABLE 18
BALANCE OF PAYMENTS

	Millions of US$			Percentage of GDP		
	2007	2008	2009	2007	2008	2009
I. CURRENT ACCOUNT BALANCE	**1,363**	**- 4,723**	**247**	**1.3**	**- 3.7**	**0.2**
1. Trade balance	8,287	3,090	5,873	7.7	2.4	4.6
a. FOB exports	27,882	31,529	26,885	26.0	24.7	21.1
b. FOB imports	- 19,595	- 28,439	- 21,011	- 18.3	- 22.3	- 16.5
2. Services	- 1,191	- 1,962	- 1,112	- 1.1	-1.5	- 0.9
a. Exports	3,152	3,649	3,653	2.9	2.9	2.9
b. Imports	- 4,343	- 5,611	- 4,765	- 4.0	- 4.4	- 3.7
3. Factor income	- 8,359	- 8,774	- 7,371	-7.8	- 6.9	- 5.8
a. Private sector	- 7,926	- 8,888	- 7,420	- 7.4	- 7.0	- 5.8
b. Public sector	- 433	113	49	- 0.4	0.1	0.0
4. Current transfers	2,626	2,923	2,856	2.4	2.3	2.2
of which: Remittances	2,131	2,444	2,378	2.0	1.9	1.9
II. FINANCIAL ACCOUNT	**8,400**	**8,674**	**1,012**	**7.8**	**6.8**	**0.8**
1. Private sector	8,809	9,509	1,655	8.2	7.4	1.3
a. Assets	- 1,053	- 652	- 4,106	- 1.0	- 0.5	- 3.2
b. Liabilities	9,861	10,162	5,761	9.2	8.0	4.5
2. Public sector	- 2,473	- 1,404	1,032	- 2.3	- 1.1	0.8
a. Assets	-166	65	- 317	- 0.2	0.1	- 0.2
b. Liabilities	- 2,307	- 1,469	1,349	- 2.1	- 1.2	1.1
3. Short-term capital	2,064	568	- 1,675	1.9	0.4	- 1.3
a. Assets	- 1,066	416	- 186	- 1.0	0.3	- 0.1
b. Liabilities	3,130	153	- 1,489	2.9	0.1	- 1.2
III. EXCEPTIONAL FINANCING	**67**	**57**	**36**	**0.1**	**0.0**	**0.0**
IV. NET ERRORS AND OMISSIONS	**- 175**	**- 838**	**- 250**	**- 0.2**	**- 0.7**	**- 0.2**
V. BALANCE OF PAYMENT RESULT	**9,654**	**3,169**	**1,045**	**9.0**	**2.5**	**0.8**
(V = I + II + III + IV) = (1-2)						
1. Change in the balance of NIRs	10,414	3,507	1,940	9.7	2.7	1.5
2. Valuation effect	760	338	896	0.7	0.3	0.7

Source: BCRP, MEF, SBS, SUNAT, Ministry of Foreign Affairs, Cofide, ONP, FCR, Tacna Free Trade Zone, Banco de la Nación, Cavali S.A. ICLV, Proinversión, Bank of International Settlements (BIS), and companies.

Furthermore, the remittances of Peruvians living abroad were 2.7 percent lower than in 2008, even though their growth rates recovered over the year.

A lower net inflow of capitals was recorded during 2009. This is mostly explained by the country's higher financing abroad, which included higher portfolio investments abroad by financial entities, higher direct investment abroad by non-financial firms, and higher loans to related companies abroad.

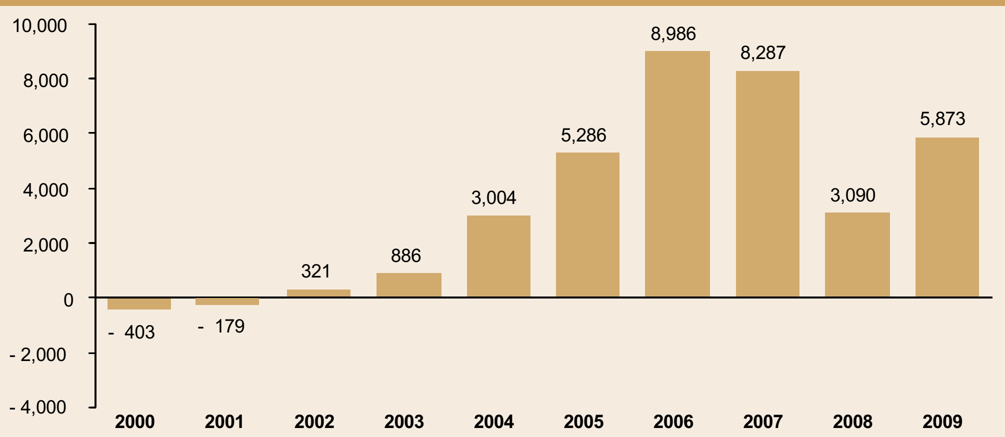
Additionally, in line with lower activity, there was a lower need of resident firms to finance their working capital with external sources, and the deposits of mining companies abroad and the redemption of BCRP Certificates of Deposit increased, all of which contributed with a negative flow of US$ 1,675 million to short term capitals.

4.1 Trade balance

A trade surplus of US$ 5,873 million was recorded in 2009 (a result US$ 2,783 million higher than in 2008). Exports, which amounted to US$ 26,885 million, were 14.7 percent lower than in the previous year, due to the lower international prices of commodities that affected traditional exports. The volumes exported were 3.3 percent lower due to the lower global demand which affected mainly non traditional exports.

On the other hand, imports, which amounted to US$ 21,011 million, were 26.1 percent lower than in the previous year as a result of both lower volumes of imports (20.0 percent) and of the lower average import prices (7.4 percent).

GRAPH 41
TRADE BALANCE
(FOB value in milions of US$)



Source: BCRP, SUNAT, Zofratacna, Banco de la Nación and companies.

Accounting for over a third of our foreign trade, USA and China continue to be our main trading partners. USA's share declined relative to the previous year due to the effects of the crisis, while China's share increased from 12.7 percent of total trade to 15.2 percent between 2008 and 2009. In terms of markets for our exports, China, Switzerland, Canada, and Germany increased their share as destination markets, while USA, China, Switzerland, and Canada also increased their share as suppliers of imports in terms of total imports.

TABLE 19
TRADE BY MAIN COUNTRIES1/
(Percentage structure)

	Exports 2/			Imports 3/			X + M		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
USA	19.5	19.0	17.4	17.8	18.8	19.7	18.8	18.9	18.4
China	10.9	11.9	15.3	12.0	13.5	15.0	11.4	12.7	15.2
Switzerland	8.4	10.9	14.9	0.5	0.4	0.6	5.1	5.9	8.6
Canada	6.6	6.2	8.7	1.6	1.4	1.8	4.5	3.9	5.7
Japan	7.8	5.9	5.1	3.7	4.1	4.1	6.1	5.0	4.7
Brazil	3.4	2.9	1.9	9.1	8.1	7.6	5.7	5.3	4.4
Germany	3.3	3.3	3.9	3.4	2.9	3.3	3.4	3.1	3.6
Chile	6.1	5.9	2.8	4.4	4.1	4.7	5.4	5.0	3.6
Ecuador	1.4	1.6	2.1	7.6	6.1	4.9	3.9	3.8	3.3
Colombia	2.2	2.2	2.4	4.8	4.3	4.3	3.3	3.2	3.3
South Korea	3.2	1.8	2.8	2.5	2.5	2.9	2.9	2.1	2.8
Spain	3.5	3.3	2.8	1.4	1.4	1.4	2.7	2.4	2.2
Italy	2.9	3.0	2.3	1.8	2.4	1.8	2.5	2.7	2.1
Mexico	1.0	1.0	0.9	4.2	4.1	3.4	2.3	2.4	2.0
Others	19.7	21.2	16.8	25.4	25.9	24.4	22.0	23.4	20.1
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

X: Exports. M: Imports.
1/ Imports were grouped by country of origin.
2/ Exports exclude goods sold and repairs of foreign ships and aircrafts.
3/ Imports exclude defense material, other purchased goods, and ships and aircrafts abroad.
Source: BCRP, SUNAT and Zofratacna.

Traditional exports accumulated US$ 20,571 million, a sum 13.6 percent lower than the one recorded in 2008 due mainly to the lower international prices of copper, zinc, and oil.

Fish exports (US$ 1,683 million) dropped 6 percent compared to 2008 due to climatic anomalies that affected the availability of anchovy.

Mining exports, which accumulated US$ 16,361, were 12.3 percent lower than in 2008 due to the lower sales of all mining products with the exception of gold. Exports of copper, oil and derivatives, and zinc declined the most. The traditional sector was led by the growth of gold, both in terms of volume (9.2 percent) and in terms of prices (11.1 percent) in a context of increased demand for this mineral as a hedge against the effects of the crisis.

Exports of copper fell 22.6 percent, with the lower price (26.5 percent) accounting for this fall given that the volume of exports of copper increased 2.2 percent. The sales of oil crude and oil derivatives dropped 28.9 percent, affected also by lower export prices (36.3 percent) given that the volume exported increased 7.1 percent. The latter was associated with higher shipments of oil derivatives, such as virgin naphtha and LPG, to Ecuador and Chile mainly. In the case of zinc, exports fell by 16.5 percent due to both lower volumes and lower prices.

TABLE 20
FOB EXPORTS, BY GROUP OF PRODUCTS

	Millions of US$			Percentage change	
	2007	2008	2009	2008	2009
I. TRADITIONAL PRODUCTS	**21,464**	**23,796**	**20,571**	**10.9**	**- 13.6**
FISHING PRODUCTS	**1,460**	**1,791**	**1,683**	**22.7**	**- 6.0**
Fishmeal	1,210	1,413	1,425	16.7	0.9
Fish oil	249	379	258	52.0	- 31.9
AGRICULTURAL PRODUCTS	**460**	**685**	**633**	**48.8**	**- 7.5**
Coffee	427	644	584	50.9	- 9.4
Sugar	19	25	35	31.7	41.1
Cotton	3	2	3	- 28.6	17.1
Other agricultural products 1/	11	14	12	20.7	- 13.0
MINING PRODUCTS	**17,238**	**18,657**	**16,361**	**8.2**	**- 12.3**
Gold	4,181	5,588	6,802	33.7	21.7
Copper 2/	7,205	7,663	5,933	6.4	- 22.6
Zinc	2,539	1,467	1,225	- 42.2	- 16.5
Lead 2/	1,033	1,136	1,112	9.9	- 2.1
Tin	423	695	476	64.3	- 31.5
Iron	286	385	299	34.8	- 22.5
Molybdenum	982	1,079	272	10.0	- 74.8
Refined silver	538	595	214	10.6	- 64.0
Other mining products 3/	51	48	28	- 5.1	- 42.6
CRUDE OIL AND DERIVATIVES	**2,306**	**2,663**	**1,894**	**15.5**	**- 28.9**
II. NON-TRADITIONAL PRODUCTS	**6,303**	**7,543**	**6,160**	**19.7**	**- 18.3**
Agricultural products	1,507	1,912	1,823	26.9	- 4.7
Textiles	1,736	2,018	1,492	16.2	- 26.0
Chemical products	805	1,041	837	29.3	- 19.6
Iron and steel, and jewelry	906	908	560	0.2	- 38.4
Fishing products	499	622	517	24.6	- 16.8
Metal-mechanic products	217	324	357	49.3	10.1
Wood and paper and manufacturing	362	425	335	17.6	- 21.3
Non-metallic minerals	165	176	148	6.5	- 15.8
Others 4/	107	118	93	9.7	- 20.9
III. OTHERS 5/	**114**	**190**	**154**	**66.3**	**- 19.3**
IV. TOTAL EXPORTS	**27,882**	**31,529**	**26,885**	**13.1**	**- 14.7**

1/ Includes coca leaf and derivatives, molasses, wool and furs.
2/ Includes silver content.
3/ Includes bismuth and tungsten, mainly.
4/ Includes furs and leather, and handcrafts, mainly.
5/ Includes sales of fuels on food to foreign vessels and the repair of capital goods.
Source: BCRP, SUNAT and companies.

On the other hand, non traditional exports amounted to US$ 6,160 million –18.3 percent less than in 2008– due to the slowdown of global economic activity which affected both the demand and international prices in most sectors. This explained that the reduction of exported volumes was 13.9 percent and the reduction of prices was 5.1 percent. However, the volume of agricultural exports increased.

TABLE 21
EXPORTS
(Percentage change) 1/

	Volume			Price		
	2007	2008	2009	2007	2008	2009
Exports	2.5	8.1	- 3.3	14.4	5.1	- 12.5
Traditional	0.4	6.9	2.3	16.0	4.8	- 16.3
Of which:						
Fishmeal	- 5.9	24.1	- 1.6	8.0	- 6.5	6.4
Coffee	- 27.1	29.5	- 12.1	9.1	19.3	- 2.6
Copper	11.3	11.1	2.2	8.2	- 1.6	- 26.5
Gold	- 10.7	7.7	9.2	15.4	25.2	11.1
Zinc	17.0	14.0	- 5.2	12.8	- 48.0	-17.7
Crude oil and derivatives	7.9	- 10.7	10.9	17.2	32.8	- 36.3
Non-traditional	9.0	12.2	- 13.9	9.6	6.9	- 5.1
Of which:						
Agriculture and livestock products	11.9	30.3	6.0	10.1	- 2.3	- 10.1
Fishing products	4.7	7.7	- 14.6	10.5	16.1	- 2.3
Textiles	5.3	5.3	- 29.7	11.2	11.2	5.3
Chemicals	21.5	12.0	- 10.6	10.1	15.7	- 9.9
Iron and steel products 2/	- 7.1	- 0.5	- 26.6	17.6	- 1.0	- 15.2

1/ Calcuted based on unit values (obtained by dividing the total value of each category by the total volume).
2/ Includes jewelry.
Source: BCRP. SUNAT and companies.

TABLE 22
FOB IMPORTS, BY USE OR DESTINATION

	Millions of US$			Percentage change	
	2007	2008	2009	2008	2009
1. CONSUMER GOODS	**3,192**	**4,527**	**3,963**	**41.8**	**- 12.5**
Non-durable	1,754	2,335	2,137	33.1	- 8.5
Durable	1,437	2,192	1,825	52.5	- 16.7
2. INPUTS	**10,435**	**14,553**	**10,077**	**39.5**	**- 30.8**
Fuels, lubricants and related inputs	3,636	5,215	2,929	43.4	- 43.8
Raw materials for agriculture	589	881	773	49.7	- 12.2
Raw materials for industry	6,210	8,457	6,375	36.2	- 24.6
3. CAPITAL GOODS	**5,861**	**9,239**	**6,850**	**57.6**	**- 25.9**
Construction materials	590	1,305	854	121.1	- 34.6
For agriculture	51	91	72	79.1	- 21.0
For industry	3,964	5 770	4,498	45.6	- 22.0
Transportation equipment	1,257	2,073	1,426	65.0	- 31.2
4. OTHER GOODS 1/	**107**	**120**	**122**	**12.0**	**1.5**
5. TOTAL IMPORTS	**19 595**	**28,439**	**21,011**	**45.1**	**- 26.1**
Memo:					
Main food products 2/	**1,203**	**1,703**	**1,350**	**41.6**	**- 20.8**
Wheat	345	489	346	41.6	- 29.2
Maize and/or sorgum	259	310	266	19.8	- 14.2
Rice	31	88	49	186.6	- 44.0
Sugar 3/	84	72	57	- 14.0	- 20.7
Dairy products	61	77	37	27.5	- 52.2
Soybean	396	625	561	57.7	- 10.3
Meat	27	42	34	52.3	- 19.8

1/ Includes donations of goods, purchases of fuel and food by Peruvian ships, and repairs of capital goods in other countries, as well as other goods not considered by the classification used.
2/ Excludes food donations.
3/ Includes unrefined sugar, classified as inputs.
Source: BCRP, SUNAT, Zofratacna, Banco de la Nación, and companies.

Imports, which amounted to US$ 21,011 million in 2009, were 26.1 percent lower than in 2008 due to lower domestic demand. The volume of imports were 20.0 percent lower and reflected the process of inventory correction and the decline of private investment in a context of uncertainty associated with the international financial crisis.

In terms of consumer goods, a reduction was observed in the purchases of automobiles, perfume products, television sets, home appliances, and shoewear. Lower imports of foodstuffs such as rice and sugar were observed in a context of higher domestic production. The volume of imports of soybean and dairy inputs also declined, although this was offset by increased purchases of wheat and maize.

As regards industrial inputs, imports of plastics, cereals, iron and steel products, organic chemicals, textiles, paper and cardboard, and machine parts and pieces declined.

In the group of capital goods for industry, the imports that declined included machinery and civil engineering equipments, telecommunication equipments, data processing machines, pumps, compressors, ventilators, filter devices, heating and air conditioning equipments, among other products. This decline was in part offset by the higher imports of equipment made by Southern Perú (for the Tía María project), by Transportadora del Gas del Perú (for Camisea), and by Motores Diesel Andinos S.A.

TABLE 23
IMPORTS
(Percentage change) 1/

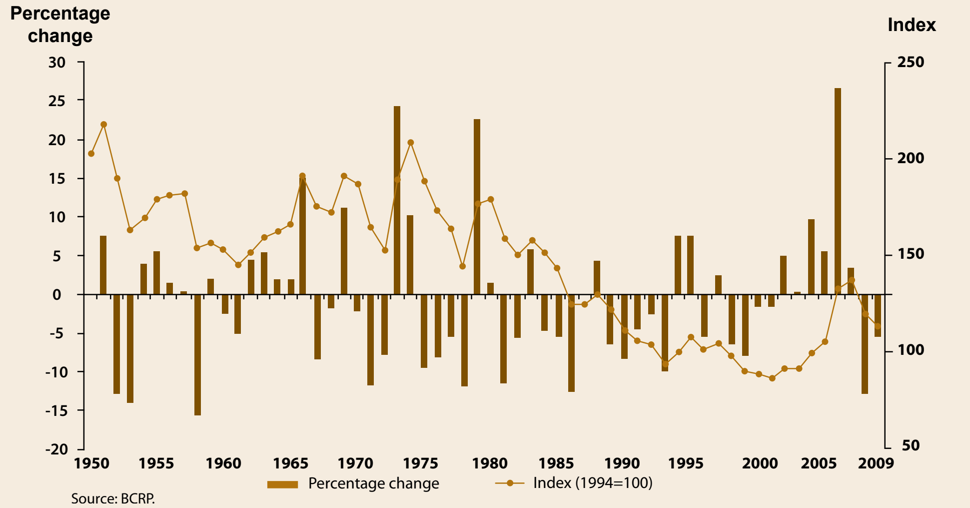
	Volume			Price		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
Imports	**19.0**	**20.0**	**- 20.0**	**10.7**	**20.8**	**- 7.4**
1. Consumer goods	**12.2**	**28.1**	**- 9.1**	**8.6**	**11.3**	**- 4.1**
Main food products 2/	9.1	10.9	- 20.3	4.1	30.0	- 20.5
Others 3/	12.4	29.4	- 9.1	8.9	10.2	- 2.4
2. Inputs	**14.8**	**7.0**	**- 18.8**	**13.7**	**29.9**	**- 14.6**
Main food products 4/	3.1	- 7.0	1.4	37.6	51.6	- 18.1
Crude oil and derivatives	12.6	0.9	- 19.2	15.3	38.9	- 30.1
Others 5/	16.2	15.0	- 20.7	11.6	19.5	- 5.9
Of which:						
Plastics	25.1	12.3	- 10.2	7.5	15.1	- 26.9
Iron and steel	37.5	7.8	- 40.0	9.3	40.6	- 5.9
Textiles	28.5	22.5	- 19.5	5.2	2.8	- 8.4
Paper	12.0	19.0	- 10.2	5.1	8.1	- 5.5
Chemical products	6.6	25.0	- 15.1	15.3	8.1	20.4
Organical chemicals	19.2	12.3	- 20.6	2.0	13.1	- 5.5
3. Capital goods	**33.4**	**44.0**	**-24.0**	**6.5**	**9.5**	**- 2.4**

1/ The import price index is calculated based on the import price of food and fuels and the consumer price inflation of our main trading partners in the case of other imports. The input price index is estimated based on unit values (obtained by dividing the total value of each category by the total volume).
2/ Rice, sugar, dairy products and meat.
3/ Excludes food.
4/ Wheat, maize, and soybean.
5/ Excludes food, and crude oil derivatives.
Source: BCRP, SUNAT, Zofratacna, Banco de la Nación and companies.

4.2 Terms of trade

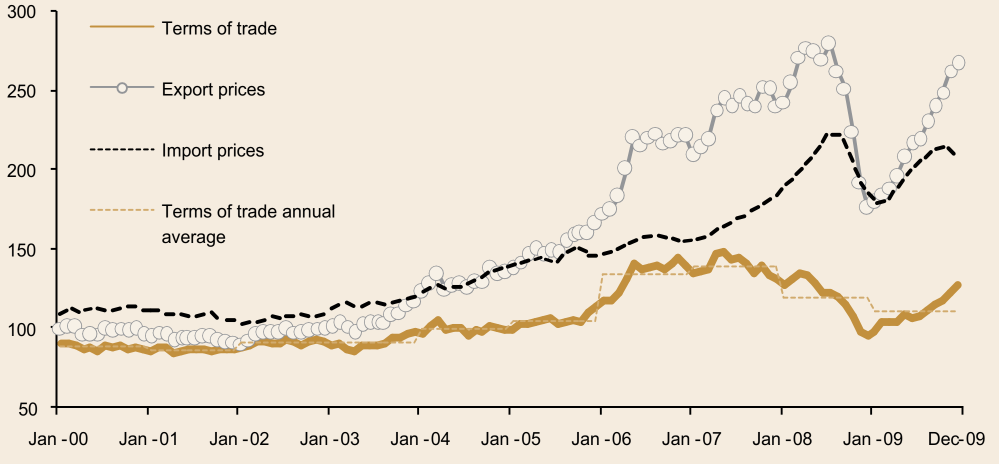
Most of the prices of commodities recovered during 2009, but without reaching the levels they had prior to the crisis. As a result of this, terms of trade recorded an average contraction of 5.5 percent in the year (a lower decline than the 13.8 percent decline observed in 2008).

GRAPH 42
TERMS OF TRADE



Source: BCRP.

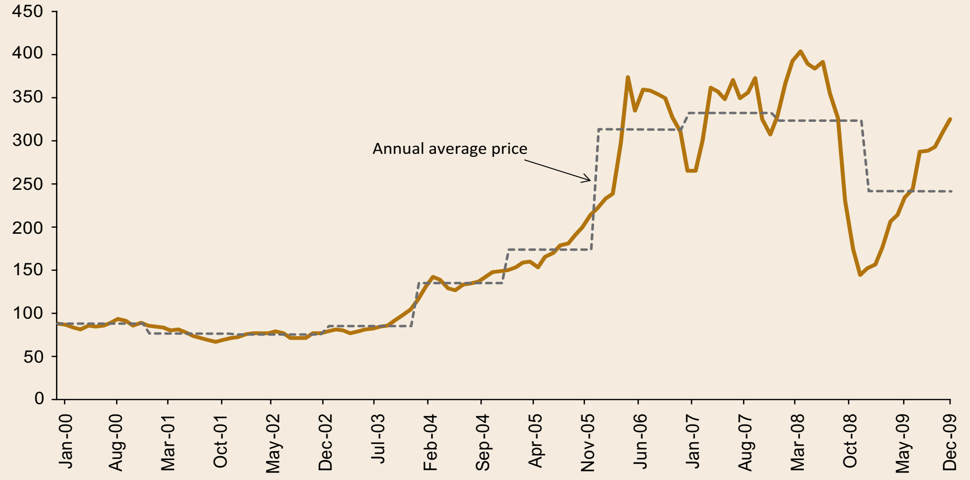
GRAPH 43
TERMS OF TRADE, EXPORT AND IMPORT PRICE INDICES
(Index 1994 = 100)



Source: Bloomberg.

After reaching its lowest level in January (US$ 1.38 a pound on January 23), **copper** showed a clear upward trend during 2009 (although without recovering the average level of 2008) and closed at US$ 3.17 per pound. This rise was sustained by China's accumulation of inventories in the first months of 2009, by the recovery of economic activity, and by the closure of some mines in Chile.

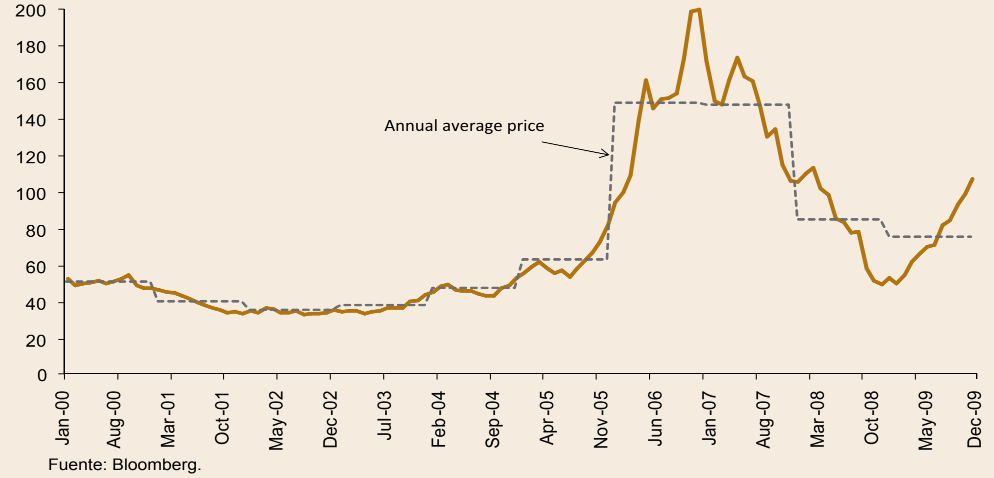
GRAPH 44
PRICE OF COPPER
(US$ cents per pound)



Fuente: Bloomberg.

A similar trend was observed in the price of **zinc**, which reached US$ 1.07 a pound at the end of the year (versus US$ 0.50 in December 2008). This trend was also influenced by problems in the production of concentrates in Australia, China, Peru, and USA. The price of zinc did not recover its average level of 2008 either.

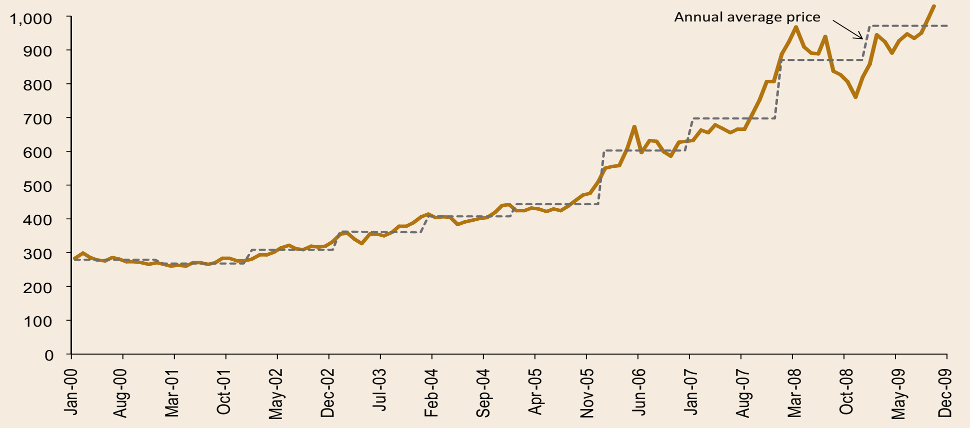
GRAPH 45
PRICE OF ZINC
(US$ cents per pound)



Fuente: Bloomberg.

The price of **gold** increased sustainedly in 2009 from a minimum low of US$ 811 per troy ounce (January 15) to over US$ 1,200 per troy ounce on the first days of December. This trend was associated with the weakness of the dollar during most of the year, with investors' demand for gold as a hedge and purchases of non-commercial positions, and with increased demand for jewelry and for industrial purposes. In addition to this, some central banks –i.e. India, Russia, China, among others– increased their holdings of gold in their international reserves.

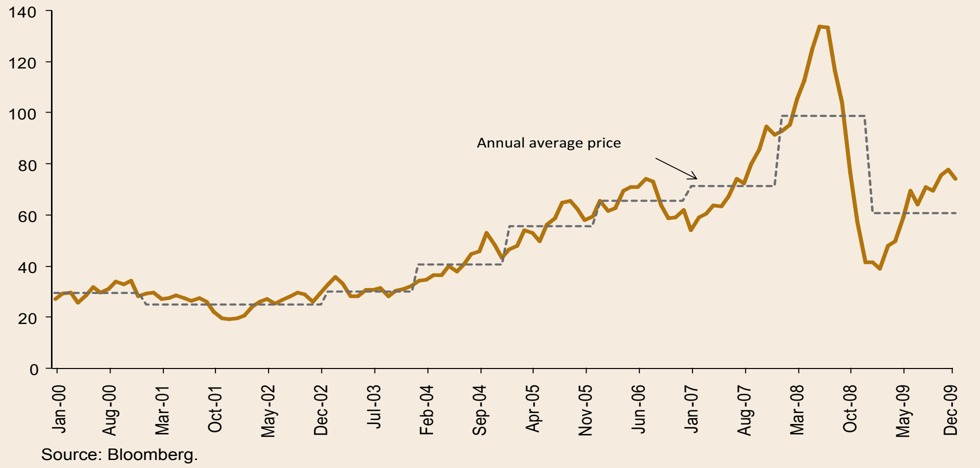
GRAPH 46
PRICE OF GOLD
(US$/tr. oz.)



Source: Bloomberg.

The price of **petroleum** showed a clear upward trend in the first part of the year, recording thereafter some volatility in the second semester. After dropping to its lowest level in February (US$ 34 per barrel on February 12), the price of oil started recovering until June (when it climbed to over US$ 70 per barrel), oscillating thereafter between US$ 65 and US$ 80. The trend observed in the first semester was associated with the rapid recovery of economic activity and with supply constraints due to the presence of hurricanes, while the volatility observed in the second semester was associated with the normalization of supply by the Organization of the Petroleum Exporting Countries (OPEC).

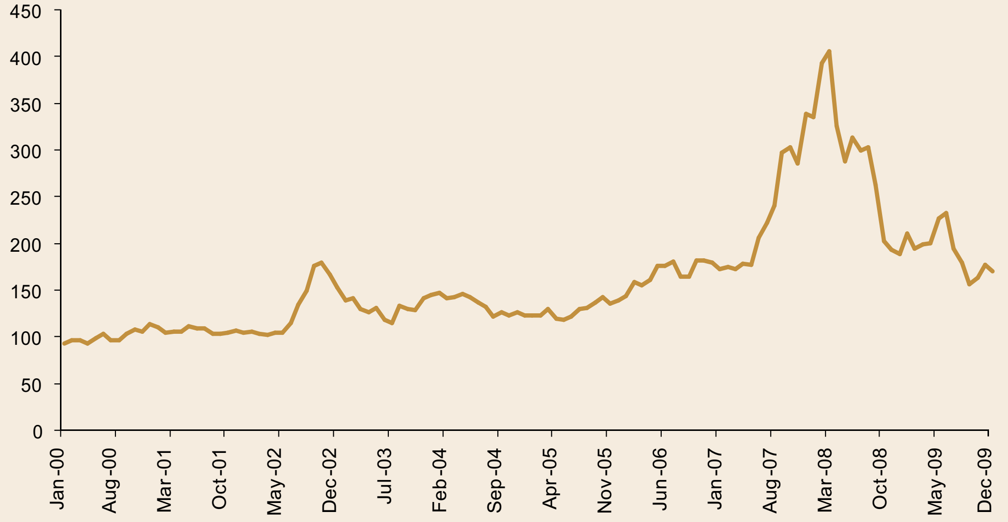
GRAPH 47
PRICE OF WTI OIL
(US$ per barrel)



Source: Bloomberg.

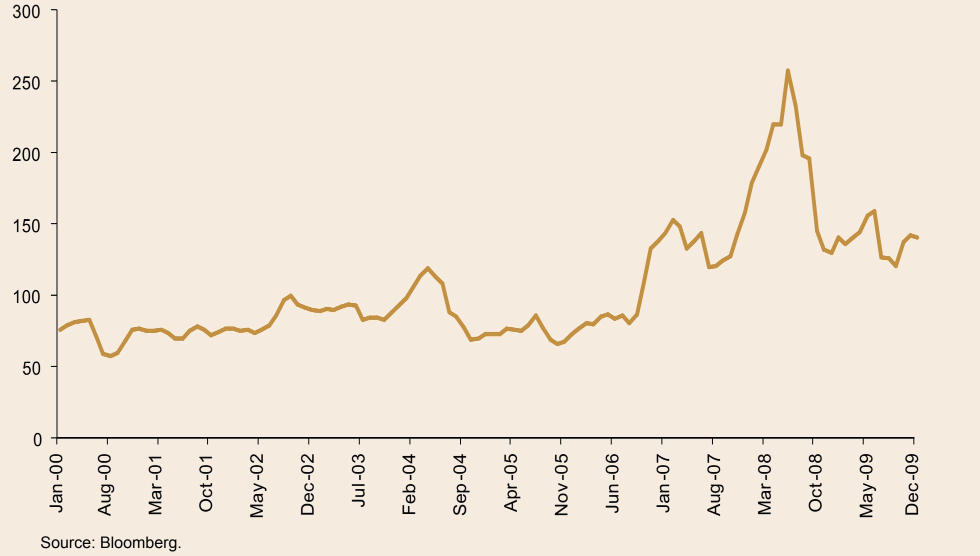
The prices of **foodstuffs** showed a mixed and volatile evolution. There was some concern about the production and inventories of grains at the beginning of the year since adverse climatic conditions in USA had caused a delay in the sowing period, threatening the productivity of crops. However, the outlook improved and the pressures on prices declined. This improvement in the estimated production allowed the prices of wheat and maize to decline by 34 and 27 percent on average compared to 2008.

GRAPH 48
PRICE OF WHEAT
(US$/MT)



Source: Bloomberg.

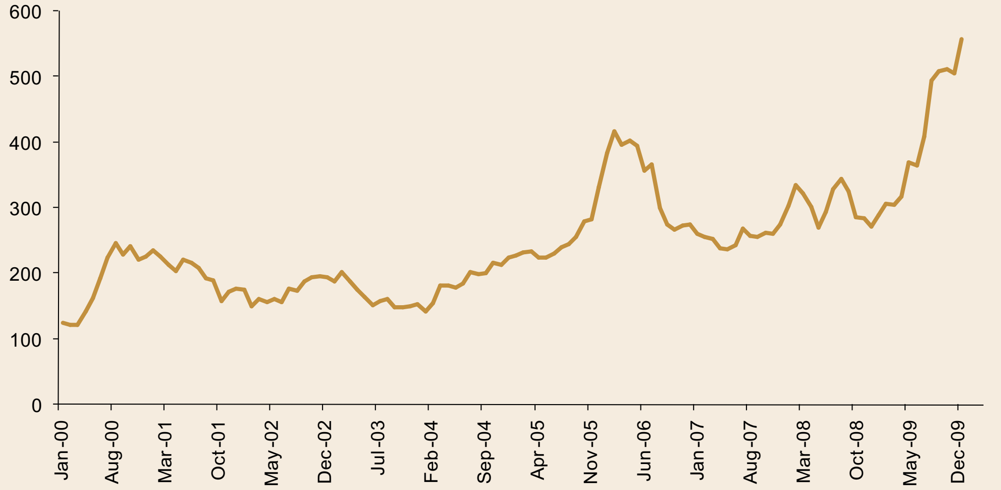
GRAPH 49
PRICE OF MAIZE
(US$/MT)



Source: Bloomberg.

The price of **sugar** was the exception as it showed an upward trend throughout the year, driven by supply problems in India and Brazil. In the case of the former, the supply of sugar was affected by the weak period of rains (monsoon) –the main irrigation source in this country–, while in the case of the latter the problems were associated with excessive humidity. The price of sugar recorded an increase of 35 percent on average compared with the previous year.

GRAPH 50
PRICE OF SUGAR
(US$/MT)



Source: Bloomberg.

4.3 Services

The deficit for services in 2009 amounted to US$ 1,112 million, a sum US$ 850 million lower than in 2008. Incomes reached US$ 3,653 million, a similar amount to the one recorded in 2008, while outlays amounted to US$ 4,765 million, a sum 15.1 percent lower than in 2008 due mainly to lower payments for shipping costs.

TABLE 24
SERVICES

	Millions of US$			Percentage change	
	2007	**2008**	**2009**	**2008**	**2009**
I. TRANSPORTATION	**- 1,192**	**- 1,701**	**- 996**	**- 42.7**	**41.4**
1. Credit	646	819	730	26.8	- 10.9
2. Debit	- 1,838	- 2,521	- 1,727	- 37.1	31.5
II. TRAVEL	**749**	**924**	**960**	**23.3**	**3.9**
1. Credit	1,723	1,991	2,046	15.6	2.8
2. Debit	- 973	- 1,067	- 1,086	- 9.6	-1.8
III. COMMUNICATIONS	**- 21**	**- 8**	**- 45**	**60.7**	**- 456.9**
1. Credit	88	125	106	41.8	- 15.5
2. Debit	- 109	- 134	- 151	- 22.3	- 13.3
IV. INSURANCE AND REINSURANCE	**- 23**	**- 152**	**- 176**	**- 573.7**	**- 16.1**
1. Credit	289	227	271	- 21.4	19.3
2. Debit	- 311	- 379	- 447	- 21.7	- 18.0
V. OTHERS 1/	**- 705**	**- 1 024**	**- 854**	**- 45.4**	**16.6**
1. Credit	406	487	500	19.9	2.8
2. Debit	- 1,111	- 1,511	- 1,354	- 36,1	10.4
VI. TOTAL SERVICES	**- 1,191**	**- 1 962**	**- 1,112**	**- 64.7**	**43.3**
1. Credit	3,152	3,649	3,653	15.8	0.1
2. Debit	- 4,343	- 5,611	- 4,765	- 29.2	15.1

1/ Includes government, financial, and information technology services, royalties, leasing of equipment, and business services.
Source: BCRP, SUNAT, Ministry of of Trade Affairs and companies

Transport services recorded a deficit of US$ 996 million, although this deficit was 41.4 percent lower than in 2008. Incomes declined by US$ 89 million (10.9 percent) due to the reduction of the share of domestic airlines in cargo operations, while outlays declined by US$ 794 million reflecting the reduction of freight costs (37.9 percent, due to lower imports and lower rates).

The surplus for travels was 3.9 percent higher and amounted to US$ 960 million. Incomes increased 2.8 percent due to the higher average expenditure per traveler (2.9 percent), while outlays increased 1.8 percent due to the higher average expenditure of Peruvian travelers abroad (2.9 percent). The number of Peruvians that traveled abroad in 2009 declined 4.0 percent.

Insurance and reinsurance services recorded a negative balance of US$ 176 million. Incomes increased 19.3 percent, particularly due to fire and aviation claims. Outlays also increased (18.0 percent) due to the premiums paid abroad for higher risk reinsurance policies

.

Activities in Other Services recorded a deficit of US$ 854 million –16.6 percent lower than in 2008–. Incomes increased 2.8 percent, with a noteworthy increase of entrepreneurial services (3.6 percent), while outlays declined 10.4 percent due to lower payments for royalties and rights, information services, and other entrepreneurial services.

4.4 Factor income

The net factor income flow was negative by US$ 7,371 million in 2009, although this result was lower than in the previous year (US$ 8,774 million).

Total factor income amounted to US$ 1,432 million, a result 22.0 percent lower than in 2008 due to the lower international interest rates that affected the yield of assets held abroad.

Private income revenues amounted to US$ 327 million, of which US$ 239 million corresponded to interests on deposits and investment yield in the financial system.

Private outlays amounted to US$ 7,746 million, of which US$ 7,064 million was profits generated by foreign direct investment firms. These profits were lower than the ones generated in 2008 especially in the sectors of hydrocarbons and services.

Income in the public sector showed a surplus of US$ 49 million. Incomes amounted to US$ 1,105 million, a result explained mostly by the yield on the international reserves of the BCRP (US$ 1,006 million) due to its higher level of reserves, while outlays for interests amounted to US$ 1,057 million.

TABLE 25
FACTOR INCOME

	Millions of US$			Percentage change	
	2007	2008	2009	2008	2009
I. INCOME	**1,587**	**1,837**	**1,432**	**15.8**	**- 22.0**
1. Private	614	471	327	- 23.2	- 30.6
2. Public	973	1,366	1,105	40.4	19.1
II. EXPENSES	**9,945**	**10,611**	**8,803**	**6.7**	**- 17.0**
1. Private	8,540	9,359	7,746	9.6	- 17.2
Profits1/	7,788	8,346	7,064	7.2	- 15.4
Interests	752	1,013	683	34.7	- 32.6
- Long-term loans	303	423	376	39.5	- 10.9
- Bonds	148	214	155	44.8	- 27.3
- Short-term loans 2/	301	376	151	24.9	- 59.9
2. Public	1,406	1,253	1,057	- 10.9	- 15.7
Interests on long term loans	716	559	448	- 21.9	-19.9
Interests on bonds	670	598	599	- 10.7	0.1
Interests on BCRP papers 3/	20	95	10	383.6	- 89.8
III. BALANCE (I-II)	**- 8,359**	**- 8,774**	**- 7,371**	**- 5.0**	**16.0**
1. Private	- 7,926	8,888	- 7,420	- 12.1	16.5
2. Public	- 433	113	49	126.2	- 56.9

1/ Profits or losses accrued in the period. Includes profits and dividends sent abroad plus undistributed profits.
2/ Includes interests of non-financial public enterprises.
3/ Includes interests of short-term and long-term loans.
Source: BCRP, MEF, Cofide, ONP and companies.

4.5 Current transfers

Current transfers in 2009 amounted to US$ 2,856 million, of which 83 percent was remittances of Peruvians living abroad. Even though remittances declined 2.7 percent in 2009, a recovery was observed over the year and in Q4 remittances recorded an increase of 3.5 percent relative to the same period in 2008.

BOX 4
REMITTANCES FROM PERUVIANS LIVING ABROAD

The global economic crisis reduced the flow of remittances to Latin America and the Caribbean due to the lower demand for workforce in the countries where migrants reside. According to reports of the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IADB), migrants' money transfers to their countries of origin declined 15 percent, after a long period of growth.

In Peru income from remittances increased three-fold in the last decade, from 1.3 percent of GDP in 2000 to 1.9 percent of GDP in 2009. Although remittances grew at an annual rate of 16.1 percent between 2000 and 2008, they showed a slower pace of growth since 2007 reflecting the slowdown of economic activity in USA and the international financial crisis.

REMITTANCES FROM ABROAD

Year	Millions of US$	% GDP	Percentage change
2000	718	1.3	7.1
2001	753	1.4	5.0
2002	705	1.2	- 6.4
2003	869	1.4	23.1
2004	1,133	1.6	30.4
2005	1,440	1.8	27.1
2006	1,837	2.0	27.6
2007	2,131	2.0	16.0
2008	2,444	1.9	14.7
2009	2,378	1.9	- 2.7

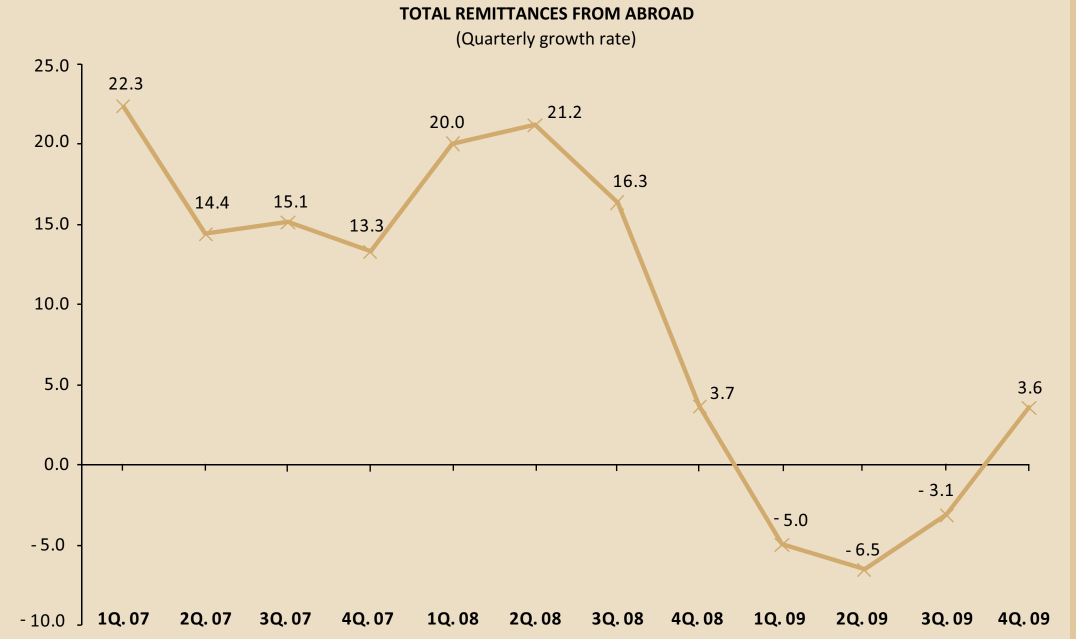
Source: SBS, banks and companies.

REMITTANCES FROM ABROAD

	Millions of US$			Percentage change		
	2007	2008	2009	2007	2008	2009
1. USA	**940**	**1,002**	**971**	**11.4**	**6.6**	**- 3.1**
FTC 1/	475	455	393	8.3	- 4.2	- 13.6
Banks	465	547	578	14.7	17.6	5.5
2. Other countries	**792**	**973**	**997**	**31.4**	**22.9**	**2.6**
FTC 1/	486	550	537	17.5	13.3	- 2.4
Banks	306	422	460	61.8	38.0	9.0
3. Rest	**399**	**469**	**410**	**2.0**	**17.6**	**- 12.7**
TOTAL REMITTANCES (1+2+3)	**2,131**	**2,444**	**2,378**	**16.0**	**14.7**	**- 2.7**
FTC 1/	961	1,005	931	12.8	4.7	- 7.5
Banks	771	969	1,038	29.7	25.7	7.1
Rest	399	469	410	2.0	17.6	- 12.7

1/ Fund transfer companies.
Source: SBS, banks and companies.

The remittances of Peruvians living abroad declined 2.7 percent in 2009. However, the evolution of these remittances during the year showed a gradual recovery which intensified during the last months of the year.



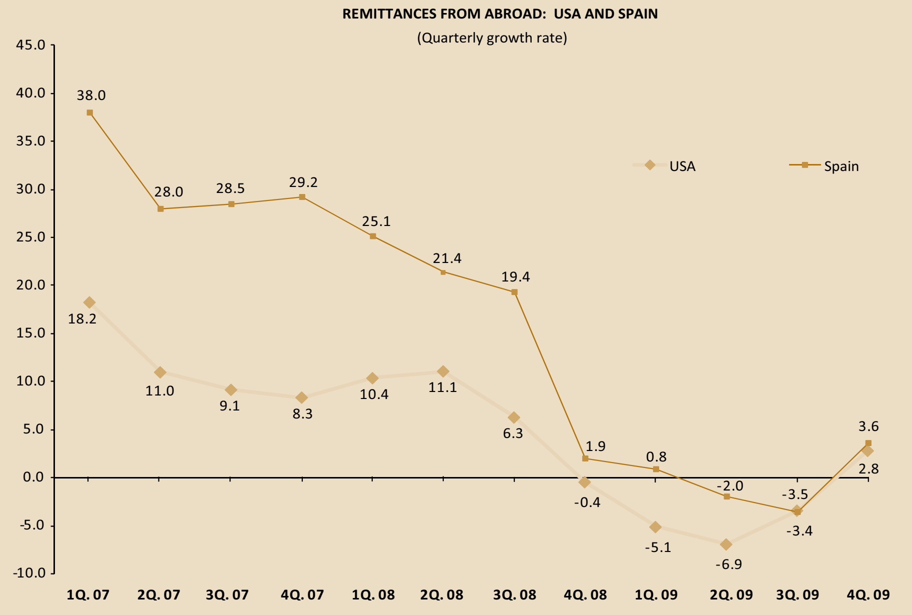
Source: SBS, banks and companies.

Peru receives remittances from various countries, but eight countries account for 79.6 percent of total remittances. USA currently represents 40.8 percent of total remittances; Spain maintains a share of 15.6 percent, and Japan's share declined from 9.3 percent in 2008 to 8.0 percent in 2009 because remittances from this country dropped by 16.9 percent. On the other hand, in connection with migration trends, remittances from South American countries have increased: remittances from Argentina, Chile, Venezuela, and Uruguay represent 9 percent of total remittances from Peruvians residing abroad.

Remittances from USA declined 3.1 percent in 2009 and recorded negative rates during most of the year, reflecting lower economic activity in that country. The employment of Latin American migrants in USA dropped by a monthly average rate of 3.7 percent and the rate of unemployment of migrants reached a maximum level of 13 percent in August 2009[10]. However, this trend reversed in the last quarter of the year when an increase of 2.8 percent was observed, in line with economic recovery.

On the other hand, remittances from Spain –which ranks second in terms of total remittances to Peru– fell 0.3 percent during 2009, showing a similar conduct to the one observed in the case of remittances from USA, although with lower decline rates.

[10] As reported in FOMIN: "Las Remesas a América Latina y el Caribe durante el 2009, los efectos de la crisis financiera global."



Source: SBS, banks and companies.

REMITTANCES FROM ABROAD: PARTICIPATION BY COUNTRIES
(Percentage)

	2007	2008	2009
USA	44.1	41.0	40.8
Spain	15.1	15.3	15.6
Japan	9.7	9.3	8.0
Italy	6.0	6.2	6.7
Chile	3.8	4.3	4.6
Argentina	3.1	3.4	3.9
Other countries 1/	18.2	20.4	20.4
TOTAL	**100.0**	**100.0**	**100.0**

1/ Includes remittances not classified by countries and sent through informal channels.
Source: SBS, banks and companies.

5. Private sector financial account and short term capitals

In 2009, the private financial account of the balance of payments amounted to US$ 1,655 million, a lower capital inflow than the one observed in 2008. This lower flow is explained by financial entities' higher portfolio investment abroad, by the higher net loans granted to direct investors and related firms, and by lower requirements of external financing (as capital contributions) or financing for third parties (long term loans to firms).

The flow of direct investment abroad was US$ 396 million in 2009, while the flow of portfolio investment abroad was US$ 3,711 million, due to the higher investment of AFPs, banks, and mutual funds.

Foreign direct investment in the country, which amounted to a total of US$ 4,760 million, consisted mainly of non-distributed profits of firms with foreign shareholding (reinvestment) given that, although the profits generated in the year were lower than the ones generated in 2008, the dividends distributed were also lower. Moreover, there was also a lower requirement of contributions of direct investors and financing was rather provided to direct investment firms or related firms.

TABLE 26
PRIVATE SECTOR FINANCIAL ACCOUNT AND SHORT TERM CAPITAL

	Millions of US$		
	2007	**2008**	**2009**
1. ASSETS	**- 1,053**	**- 652**	**- 4,106**
Direct investment abroad	- 66	- 736	- 396
Portfolio investment abroad 1/	- 987	83	- 3,711
2. LIABILITIES	**9,861**	**10,162**	**5,761**
Foreign Direct Investment	5,491	6,924	4,760
a. Reinvestment	3,835	3,287	4,902
b. Capital inflows and other transactions	733	2,981	719
c. Net lending with headquarters	924	656	- 861
Portfolio foreign investment	1,515	599	55
a. Capital participation 2/	70	85	47
b. Other Liabilities 3/	1,445	514	9
Long-term loans	2,856	2,640	946
a. Disbursements	4,354	3,413	1,744
b. Amortization	- 1,498	- 774	- 798
3. TOTAL PRIVATE SECTOR FINANCIAL ACCOUNT	**8,809**	**9,509**	**1,655**
4. SHORT-TERM CAPITAL	**2,064**	**568**	**- 1,675**
Memo:			
Net foreign direct investment	5,425	6,188	4,364

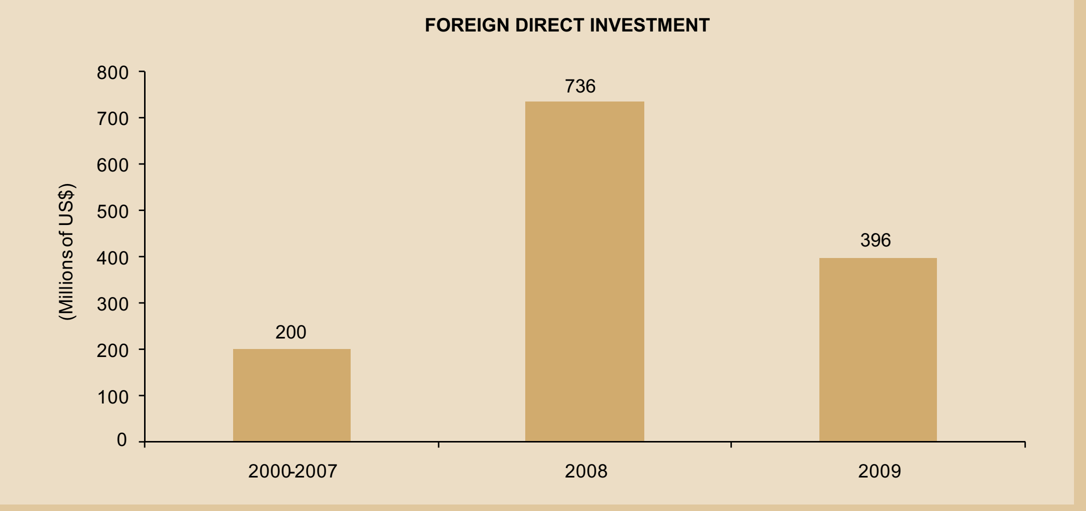
1/ Includes mainly shares and other assets of the financial and non-financial sectors. The negative sign indicates an increase of assets.
2/ Includes non-residents net purchases of shares listed at Cavali S.A. and traded at the LSE (security compensation and settlement). Also includes the placements of American Depositary Receipts (ADRs).
3/ Including bonds, credit notes and securitizations in net terms (issue-redemption).
Source: BCRP, Cavali S.A. ICLV, Agencia de Promoción de la Inversión Privada (Proinversión), and companies.

A net flow of long term loans of US$ 946 million was recorded in 2009. Disbursements amounted to US$ 1,744 million. This financing requirement was lower than the one observed in the previous year, although the disbursements for the oil sector associated with the gas export project are worth pointing out. Amortization amounted to US$ 798 million, with the payments made by mining companies being noteworthy.

BOX 5
DIRECT INVESTMENT ABROAD

Traditionally, Peru has been a net recipient of foreign direct investment (FDI). The liberalization of the Peruvian economy in the nineties and its re-insertion into the international financial community laid the basis required to attract long term external capitals. Foreign direct investment in the country (including privatizations) has grown significantly in recent years, increasing from an annual average of US$ 1,576 million in the period 1990-1999 to an average of US$ 3,026 million in the period 2000-2009.

However, as a result of the economic growth of the country in the last years and the subsequent accumulation of capital, Peru's direct investment abroad has recorded substantial amounts in the last two years (US$ 1,132 million in the period 2008-2009 versus US$ 200 million in the period 2000-2007). These new investments are associated with a new strategy of expansion and diversification towards new regional markets through the acquisition of existing enterprises. In this sense, it is worth pointing out, for example, the investments of the Brescia group in Brazil (Serra de Madeira), Colombia (Soldaduras Westarco Ltd, and Soldaduras Megriweld S.A.), Venezuela (Comelven C.A.), and Chile (Lafarge Chile and Inmobiliaria San Patricio), as well as the investments of Cementos Lima in USA (Skanon Investments Inc.), and Alicorp investments in Argentina (The Value Brand Company-TVB Argentina and branches).

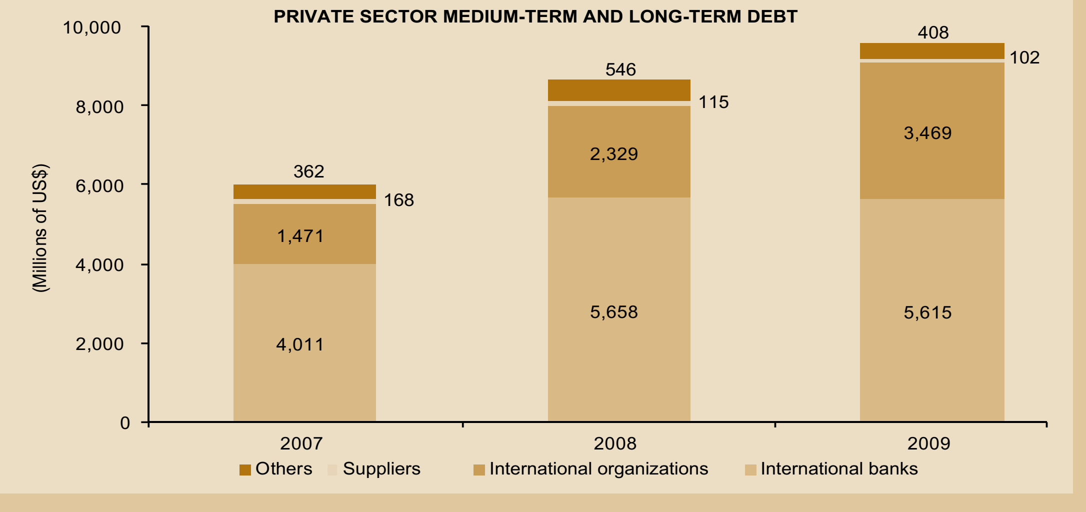


BOX 6

MEDIUM- AND LONG-TERM EXTERNAL DEBT OF THE PRIVATE SECTOR BY FINANCING SOURCE

The balance of the medium-term and long-term external debt of the private sector at December 31, 2009, amounted to US$ 9,593 million, a higher figure than the US$ 8,647 million recorded at end 2008.

The main financing source was international banks, which accounted for 59 percent of this amount in 2009 (US$ 5,615 million). On the other hand, the share of financing obtained from international organizations –the second most important financing source– increased from 24 percent in 2007 (US$ 1,471 million) to 36 percent in 2009 (US$ 3,469 million) due to the influence of financing for the project Perú LNG.



PRIVATE MEDIUM AND LONG TERM EXTERNAL DEBT BY SOURCE
(Millions of US$)

	2007	2008	2009
Private sector 1/	**6,007**	**8,647**	**9,593**
International banks	4,011	5,658	5,615
International organizations	1,471	2,329	3,469
Suppliers	163	115	102
Others	362	546	408
Financial Sector	**2,873**	**4,321**	**4,246**
International banks	1,738	3,000	3,063
International organizations	991	1,071	977
Suppliers	0	0	0
Others	143	250	206
Non-Financial Sector	**3,134**	**4,326**	**5,347**
International banks	2,273	2,658	2,552
International organizations	480	1,258	2,491
Suppliers	163	115	102
Others	219	296	202
Hydrocarbons	**437**	**1,203**	**2,224**
International banks	294	112	260
International organizations	143	1,090	1,964
Mining	**710**	**1,039**	**1,142**
International banks	612	934	759
International organizations	0	0	300
Suppliers	17	14	33
Others	81	90	50

1/ Does not include bonds.
Source: Companies.

In the financial sector, international financial banking institutions are the main financing source. Their share increased from 61 percent in 2007 (US$ 1,738 million) to 72 percent in 2009 (US$ 3,063 million), with banks accounting for most of this increase.

Moreover, in the non financial sector, international banking institutions also stand out as the main financing source, although with a declining share: while the participation of international banking institutions represented 73 percent, with US$ 2,273 million, in 2007, this participation declined to 48 percent, with US$ 2,552 million, towards the end of 2009. This evolution is explained by the higher financing granted to the country by international organizations. The financing provided to Perú LNG is worth pointing out in this sense.

Compared to the private external debt of other South American countries for which data is available, Peru's private external debt as a percentage of GDP is lower. At end 2009, it represented 8.0 percent of GDP, while the private external debts of Colombia and Chile represented 8.8 percent and 25.2 percent of GDP, respectively.

PRIVATE MEDIUM AND LONG TERM EXTERNAL DEBT BY COUNTRIES 1/
(Percentage of GDP)

	2007	2008	2009
Chile	19.8	21.8	25.2
Colombia 2/	7.5	6.6	8.8
Peru	6.1	7.2	8.0

1/ Includes bonds.
2/ At September 2009.
Source: BCRP, Banco Central de Chile, and Banco de la Republica de Colombia.

Portfolio investments in the country during 2009 amounted to US$ 55 million, of which US$ 47 million were net purchases of stocks in the Lima Stock Exchange.

Short term capitals recorded a negative flow of US$ 1,675 million in the year, a result explained by the redemption of BCRP Certificates of Deposit held by non residents at the beginning of the year, by lower liabilities for working capital of non financial firms, and by higher deposits abroad.

BOX 7

EXTERNAL LONG TERM CAPITAL

The private financial account in 2009 was characterized by a lower requirement of external financing. External long term capital amounted to US$ 6,504 million (foreign direct investment in the country, disbursements of long term loans, and bonds), a figure lower by US$ 3,883 million than the one recorded in 2008. Moreover, capital contributions and net loans from parent companies were lower by US$ 4,058 million and external loans were also lower (US$ 1,440 million).

However, it is worth pointing out that operations with parent companies include both the amounts received from abroad and those financing operations abroad, such as the loans that resident companies in the country give to companies of the same international group that reside abroad. These operations, which amounted to around US$ 1 billion, reduced the result recorded in terms of external long term capital.

Reinvested profits partially offset the decline of the above-mentioned items as they were US$ 1,615 million higher as a result of the reduction of payments of mining dividends.

The sector that showed the highest reduction was the sector of non financial services, mainly as a result of the decline of retained earnings in 2009, but also as a result of the lower amount recorded in terms of capital contributions and other capital operations. On the other hand, the higher result observed in terms of financing to the mining sector was associated with higher undistributed earnings (reinvestment) which offset the negative flows for net contributions and loans to parent companies.

PRIVATE FINANCIAL ACCOUNT
LONG TERM EXTERNAL CAPITAL 1/
(Millions of US$)

SECTOR	2007	2008	2009
Hydrocarbons	1,885	2,427	1,633
Mining	2,038	1,356	2,332
Financial sector	2,656	2,192	899
Non-financial sector	1,614	2,293	703
Industry	1,361	1,026	570
Energy and others	425	1,042	367
TOTAL	**9,980**	**10,337**	**6,504**

1/ Includes reinvestment, contributions and other capital operations, net loans to headquarters, long term loan disbursements and bonds. Does not include the amortization of long term loans.
Source: BCRP, and Agencia de Promoción de la Inversión Privada.