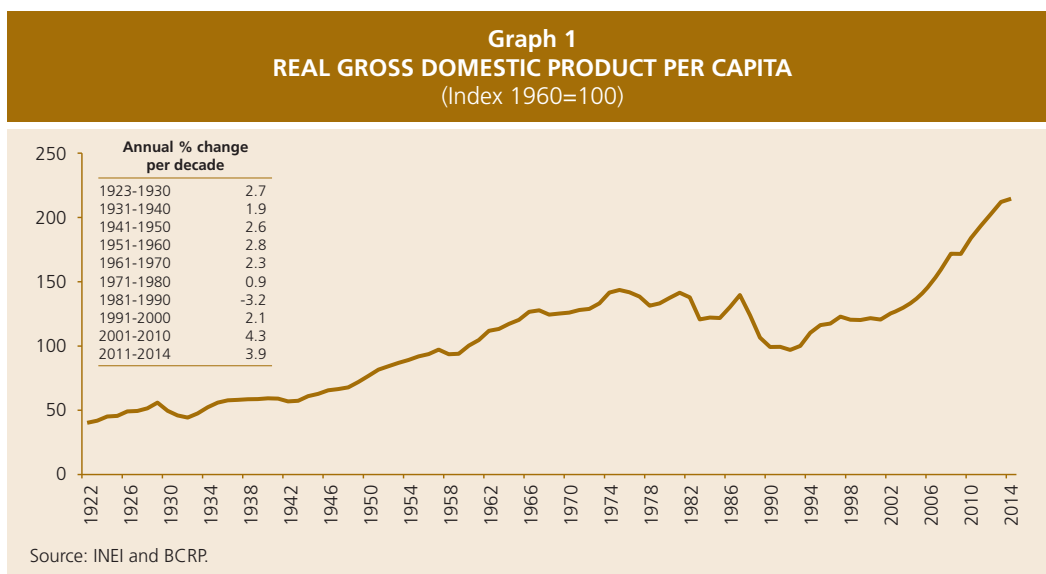


# PRODUCTION AND EMPLOYMENT

After showing a growth rate of 5.8 percent in 2013, the Peruvian economy grew 2.4 percent in 2014. This slower pace of growth largely reflected lower external impulse associated with a less favorable international scenario characterized by high degrees of uncertainty and by economic slowdown in the major emerging market economies. This global slowdown reflected in a drop in the country's exports (-1.0 percent), which added to the decline observed in both private investment (-1.6 percent) and public investment (-2.4 percent, due mainly to management problems in regional and local governments). In addition, the rate of private consumption slowed down from 5.3 percent in 2013 to 4.1 percent in 2014, in line with the lower growth registered in terms of disposable income.

By economic sectors, primary activities were affected by transitory supply factors, such as the effects of El Niño event, which reduced agricultural production and fisheries; the yellow rust plague, which affected coffee production, and the lower mineral grades of gold and copper ores. As a result, GDP in primary sectors shrank 2.3 percent, the biggest contraction since 1992. A slowdown was also observed in non-primary sectors where GDP fell from 6.0 percent in 2013 to 3.6 percent in 2014. Activity in construction dropped from 8.9 to 1.7 percent as a result of a decrease of the physical progress of public works and a decline in the implementation of real estate projects, while the output in the non-primary manufacturing industries fell to 1.0 percent from 3.7 percent in 2013 due mainly to a lower production of capital goods.

As a result of this, the rate of growth per capita was 1.2 percent in 2014. This indicator has increased 4.9 percent on average over the past 10 years.



## 1. Domestic demand

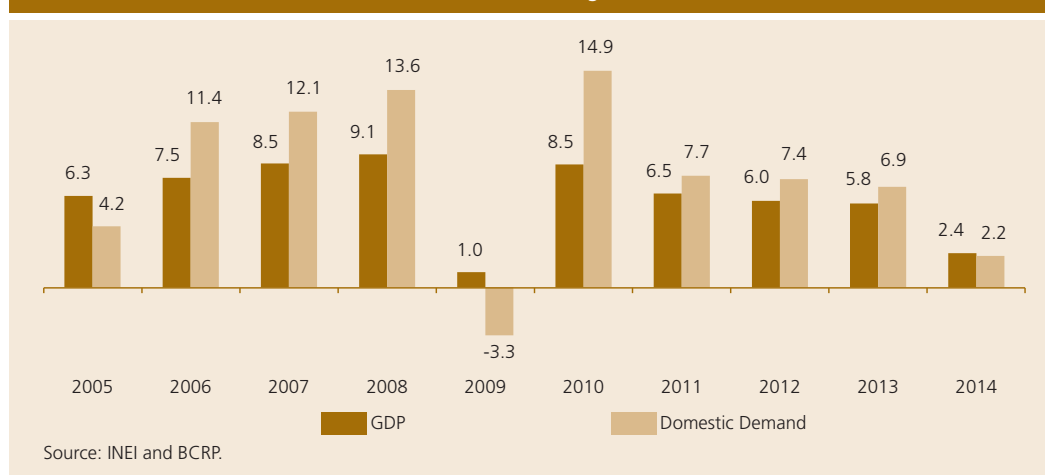
Recording a lower rate than in 2013 (6.9 percent), domestic demand grew 2.2 percent in 2014. By components, the growth rate of private consumption slowed down from 5.3 percent in 2013 to 4.1 percent in 2014, while private investment showed a negative rate of 1.6 percent after having registered a rate of 6.6 percent in 2013. Moreover, private spending recorded a rate of 1.9 percent, 4.8 percentage points less than in 2013, while government spending also registered slower growth –down from 8.0 percent in 2013 to 3.4 percent in 2014–, which reflected mainly the fall in public investment (down from 10.7 percent in 2013 to -2.4 percent in 2014).

**Table 1**  
**GROSS DOMESTIC PRODUCT BY TYPE OF EXPENDITURE**  
(Real % change)

	2012	2013	2014	2005-2014
<b>Domestic Demand</b>	<b>7.4</b>	<b>6.9</b>	<b>2.2</b>	<b>7.6</b>
a. Private consumption	6.1	5.3	4.1	6.0
b. Public consumption	8.1	6.7	6.4	7.1
c. Gross fixed investment	16.4	7.4	-1.8	12.4
- Private	15.6	6.6	-1.6	12.2
- Public	19.9	10.7	-2.4	13.0
Change on inventories (% nominal GDP)	0.4	1.1	0.6	0.7
Exports	5.8	-1.3	-1.0	4.0
Minus: Imports	11.3	2.9	-1.5	9.6
<b>GDP</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>	<b>6.1</b>
Memo: Total public expenditure	11.7	8.0	3.4	8.6

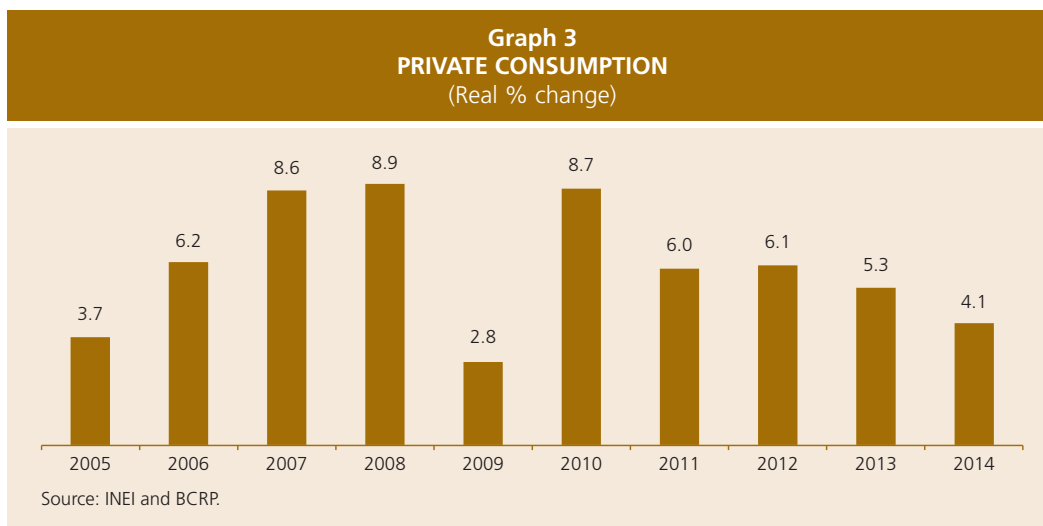
Source: INEI and BCRP.

**Graph 2**  
**GDP AND DOMESTIC DEMAND**  
(Real % change)



## 1.1 Private consumption

Private consumption increased 4.1 percent in 2014 –less than in the previous year (5.3 percent). This slowdown is consistent with the decline in the rate of growth of the national disposable income –down from 5.0 to 2.2 percent between 2013 and 2014– and with the decline of national urban employment –down from 2.8 to 1.9 percent–, offset in part by consumer confidence which remained upbeat during 2014. Moreover, purchases of family cars began to recover in the fourth quarter of the year.



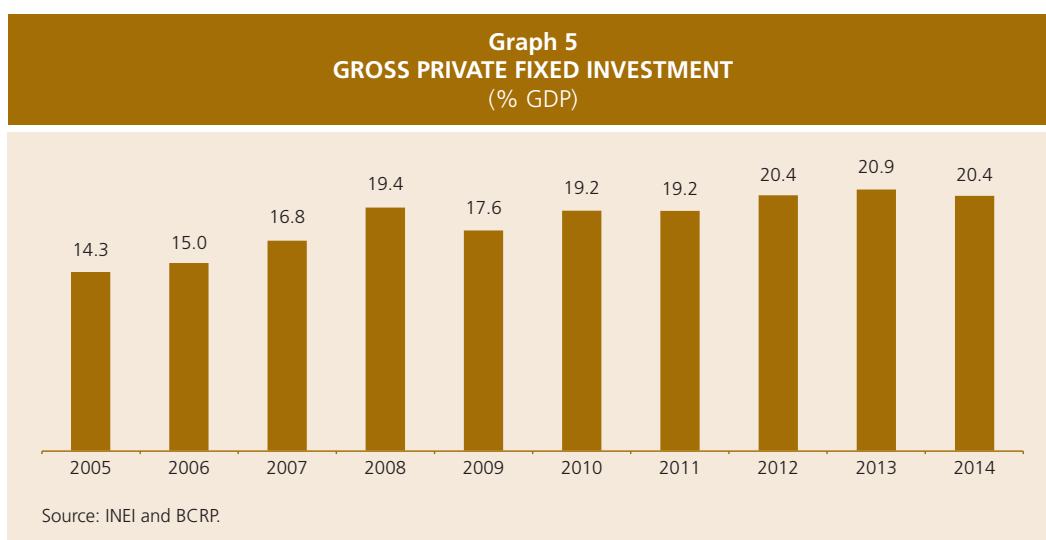
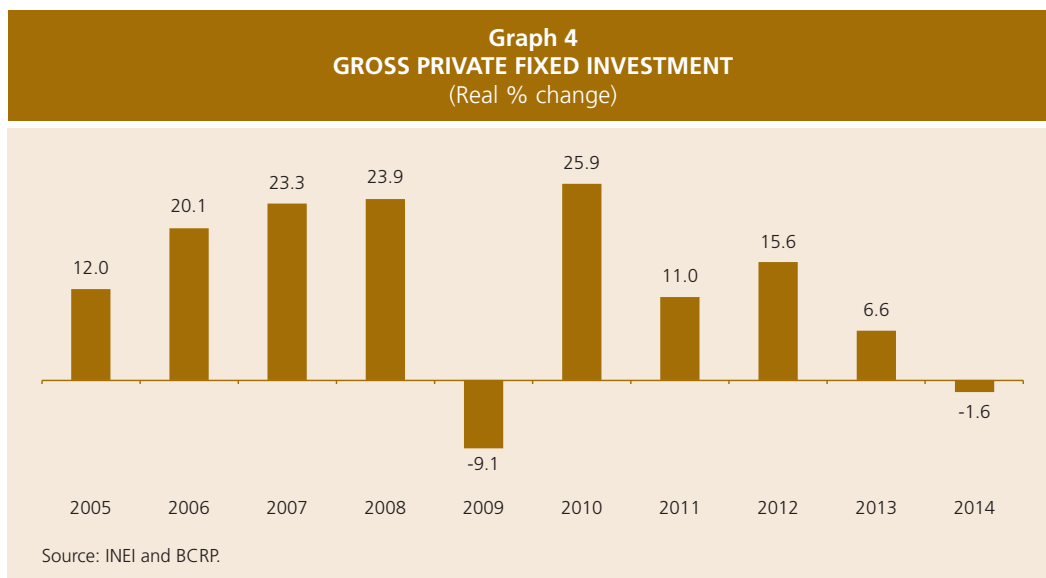
**Table 2**  
**NATIONAL DISPOSABLE INCOME 1/**  
(Real % change)

	2012	2013	2014	2005-2014
<b>Gross domestic product</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>	<b>6.1</b>
Gross national product 2/	7.7	7.2	3.1	6.2
Gross national income 3/	6.9	5.1	1.7	6.9
<b>National disposable income 4/</b>	<b>6.7</b>	<b>5.0</b>	<b>2.2</b>	<b>6.9</b>

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

## 1.2 Private investment

Contrasting with the growth rate it showed in 2013 (6.6 percent), private investment registered a negative variation rate of 1.6 percent in 2014, affected by a less favorable international environment and by the deterioration of terms of trade. Factors that contributed to intensify this decline included transitory supply shocks and the postponement of some projects, especially in the primary sectors. This trend was reflected in the fall of the volume of imports of capital goods and in the slowdown of construction. As a result, the ratio of private gross fixed investment to GDP decreased from 20.9 percent in 2013 to 20.4 percent in 2014.



**Table 3**  
**MINING INVESTMENT BY COMPANIES**  
(Million US\$)

	2012	2013	2014
Cerro Verde	601	1,073	1,769
Las Bambas Mining Company	1,028	1,709	1,635
Hudbay Peru S.A.C	6	532	736
Compañía Minera Antapaccay SA (ex Xstrata Tintaya)	427	627	570
Minera Chinalco	1,182	1,188	449
Southern Peru Copper Corp.	63	387	329
Antamina	657	539	328
Consorcio Minero Horizonte S.A	121	170	208
Anglo American Quellaveco S.A	-	149	198
Buenaventura	208	177	196
La Arena	252	209	173
Yanacocha 1,023	304	104	
Milpo	216	73	62
Rest	2,718	2,585	2,299
<b>TOTAL</b>	<b>8,502</b>	<b>9,722</b>	<b>9,056</b>

Source: MINEM.

Mining investments, which amounted to US\$ 9.1 billion in 2014, included Minera Cerro Verde's investment of US\$ 1.8 billion in projects associated with the expansion of its plant Cerro Verde (which will allow it to increase the treatment of mineral ores from 120 to 360 thousand tons per day); MMG Limited's investment of US\$ 1.6 billion in Las Bambas for the construction of a processing plant and the installation of equipment in this project after acquiring Las Bambas from Glencore Xstrata (at December 2014, 80 percent of the project had been implemented), and Minera Chinalco's investment of US\$ 449 million in equipment for the mineral separation plant of its mine Toromocho, among other investments. In addition to this, in the last quarter of the year Hudbay Minerals began operations in its project Constancia with an investment of US\$ 736 million in 2014.

In the sector of hydrocarbons, in 2014 Calidda invested US\$ 83 million in the expansion of the distribution grid, particularly in the construction of the secondary polyethylene grid to connect households to the distribution grid.

In the electricity sector, Edelnor invested US\$ 126 million to expand and reinforce the grids to meet the requirements of residential, commercial and industrial customers, as well as to expand the capacity and safety of substations and transmission lines, while Luz del Sur invested US\$ 116 million mainly in the improvement and expansion of the electricity system. It should be pointed out that 32.9 percent of this investment was used for the development and completion of the Santa Teresa-Ccollpani Grande Hydroelectric Power Plant.

Investments worth highlighting in manufacturing included the investment of Gloria S.A. (US\$ 53 million) aimed mainly at improving its production plant of Huachipa, implementing the condensed milk plant, and its plant of fruit cakes; Cervecería San Juan's investments of US\$ 33 million earmarked for the expansion and renovation of its plant capacity, increase and improve its cooling and glass containers equipment, as well as its distribution fleet; the investment made by JR Lindley Corporation (US\$ 219 million in 2014) to continue modernizing and increasing the capacity of its plants nationwide and to develop its Pucusana plant, as well as Cementos Pacasmayo's investment of US\$ 212 million in the construction of its new plant of cement in Piura.

### 1.3 Government spending

Public spending rose 3.4 percent in 2014 (vs. 8.0 percent in 2013). Spending in government consumption increased 6.4 percent as a result of greater expenditure in service contracts (CAS), increased spending in maintenance of infrastructure, teacher training and literacy programs, and the acquisition of medical supplies, among other areas.

On the other hand, public investment fell 2.4 percent due mainly to lower investment at the level of subnational governments. However, investment by the national government increased 8.5 percent in 2014 due mainly to higher spending in the Ministry of Transport and Communications in road construction, road repair, and road improvement projects.

### 1.4 Exports and imports

Exports of goods and services continued showing negative variation rates, recording a rate of -1.0 percent in 2014. Exports of traditional products (namely gold, copper, and coffee) dropped 3.2 percent, while exports of non-traditional products increased by 6.2 percent due mainly to greater exports of agricultural and fishing products.

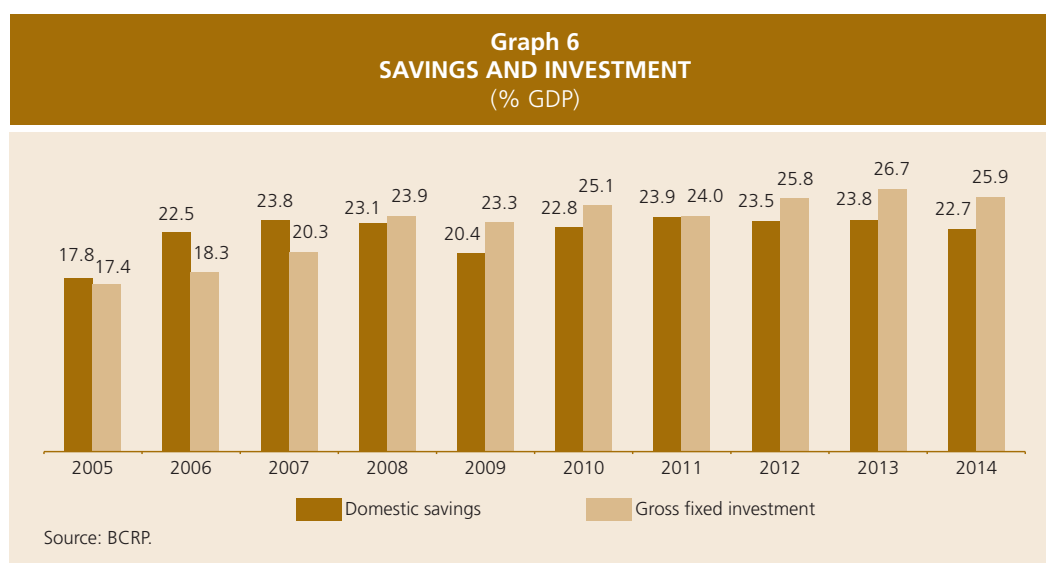
On the other hand, contrasting with the growth rate of 2.9 percent registered in 2013, imports of goods and services fell 1.5 percent in 2014. This was mainly reflected in imports of capital goods, in a context marked by the slowdown observed in terms of private investment.

## 1.5 Savings and investment

In this context of economic slowdown in 2014, gross fixed investment decreased from 26.7 to 25.9 percent of GDP since government investment declined from 5.8 percent to 5.6 percent of GDP and private investment declined by 0.5 percentage points of GDP. Moreover, net domestic savings fell from 23.6 to 22.6 percent of GDP due mainly to a decline in public sector savings. Foreign savings decreased from 4.2 percent of GDP in 2013 to 4.0 percent of GDP in 2014.

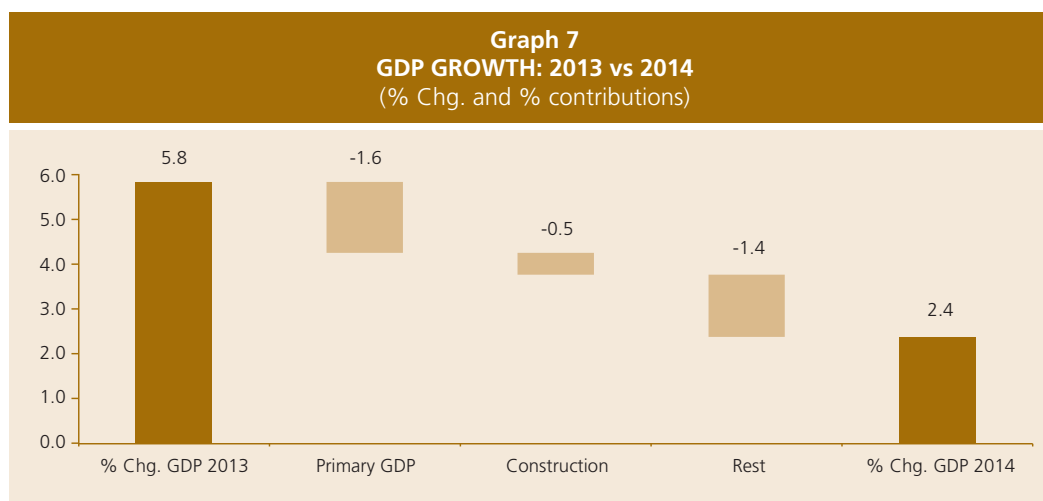
Table 4 SAVINGS AND INVESTMENT (% nominal GDP)			
	2012	2013	2014
<b>I. Investment (=II+III)</b>	<b>26.2</b>	<b>28.2</b>	<b>26.8</b>
Gross fixed investment	25.8	26.7	25.9
Public investment	5.4	5.8	5.6
Private fixed investment	20.4	20.9	20.4
Change on inventories	0.4	1.1	0.6
<b>II. Domestic savings</b>	<b>23.5</b>	<b>23.8</b>	<b>22.7</b>
Public sector	8.1	7.0	6.1
Private sector	15.4	16.8	16.7
<b>III. External savings</b>	<b>2.7</b>	<b>4.4</b>	<b>4.1</b>

Source: BCRP.



## 2. Production sectors

The slower growth of Peru's GDP between 2013 (5.8 percent) and 2014 (2.4 percent) is explained mainly by the fall registered in the output of primary sectors (-2.3 percent) and by the slowdown observed in non-primary sectors (down to 3.7 percent in 2014 from 5.9 percent in 2013). Output was affected by supply shocks in the primary sectors of fisheries, mining, and agriculture –by a low availability of anchovy, lower mineral contents in some mines, and climate factors, respectively–, while output in the non-primary sectors was affected by lower domestic and external demand.



The sharpest drop in the output of the primary manufacturing industries was observed in the production of fishmeal and fish oil (-63.0 percent) after the second anchovy fishing season was cancelled in the fourth quarter of the year. On the other hand, the decline in the output of non-primary manufacturing was mainly associated with a lower production in the industries of wood and furniture; metal products, machinery and equipment, and industrial services, while the decline in gold production (-10.4 percent) in the sector of mining and hydrocarbons was associated with the interdiction of illegal mining in Madre de Dios.

**Table 5**  
**GROSS DOMESTIC PRODUCT 1/**  
(Real % change)

	2012	2013	2014	2005-2014
<b>Agriculture and livestock 2/</b>	<b>5.9</b>	<b>1.6</b>	<b>1.4</b>	<b>4.2</b>
Agriculture	8.7	1.0	0.2	3.6
Livestock	5.6	2.5	3.3	5.5
<b>Fishing</b>	<b>-32.2</b>	<b>24.0</b>	<b>-27.9</b>	<b>-1.2</b>
<b>Mining and hydrocarbons 3/</b>	<b>2.8</b>	<b>4.9</b>	<b>-0.8</b>	<b>3.4</b>
Metallic mining	2.5	4.3	-2.1	1.5
Hydrocarbons	1.0	7.2	4.0	7.7
<b>Manufacturing 4/</b>	<b>1.5</b>	<b>5.0</b>	<b>-3.3</b>	<b>4.7</b>
Manufacturing based on raw materials	-7.8	8.6	-9.7	0.1
Non-primary manufacturing	4.3	3.7	-1.0	6.5
<b>Electricity and water</b>	<b>5.8</b>	<b>5.5</b>	<b>4.9</b>	<b>6.3</b>
<b>Construction</b>	<b>15.8</b>	<b>8.9</b>	<b>1.7</b>	<b>11.0</b>
<b>Commerce</b>	<b>7.2</b>	<b>5.9</b>	<b>4.4</b>	<b>7.6</b>
<b>Services</b>	<b>7.3</b>	<b>6.1</b>	<b>4.9</b>	<b>6.8</b>
<b>GDP</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>	<b>6.1</b>
<b>Memo:</b>				
Primary	0.7	5.0	-2.3	2.9
Non-primary	7.5	6.0	3.6	7.2

1/ Preliminary data.  
2/ Includes the forestry sector.  
3/ Includes non-metallic mining and secondary production.  
4/ Includes secondary production.



## 2.1 Agriculture sector

Growth in agriculture (1.4 percent) was lower than in the previous year (1.6 percent). The production of rice and hard yellow corn in the northern areas of the country was affected by water constraints and, like in 2013, the production of coffee for the external market was affected by the yellow rust plague. Moreover, warm weather conditions had a negative impact on some fruit crops, such as mangos, whose production dropped 17.8 percent after having grown 147.7 percent in 2013.

**Table 6**  
**AGRICULTURE AND LIVESTOCK PRODUCTION 1/**  
(Real % change)

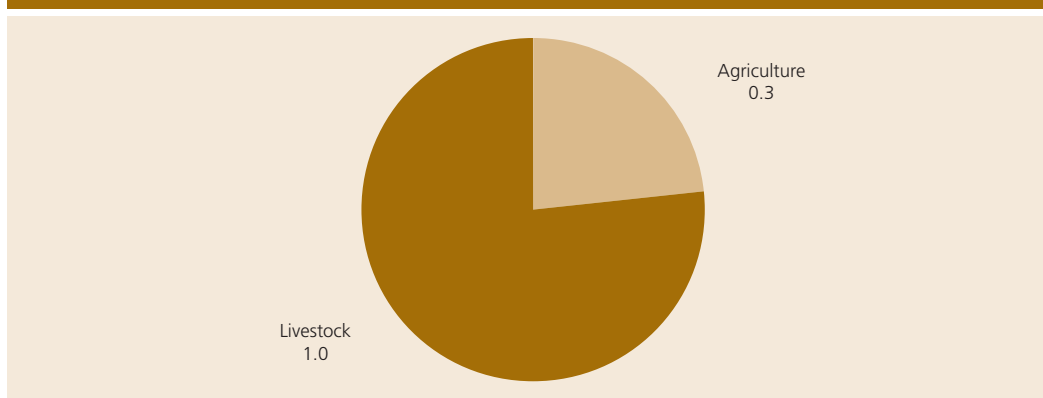
	2012	2013	2014	Average 2005-2014
<b>Agricultural production</b>	<b>8.7</b>	<b>1.0</b>	<b>0.2</b>	<b>3.6</b>
<u>For the domestic market</u>	<u>11.6</u>	<u>1.7</u>	<u>-0.3</u>	<u>3.3</u>
Potato	9.9	2.1	2.7	4.5
Rice	16.0	0.1	-5.6	4.5
Banana	5.8	1.5	1.4	2.6
Cassava	0.3	6.5	-0.3	2.0
Amilaceous maize	9.9	9.5	-1.1	3.4
Dry beans	5.3	0.5	-3.3	4.4
Garlic	-7.1	-0.9	0.0	5.2
Onion	6.7	-3.6	1.1	3.9
Lemon	4.5	2.1	16.4	2.8
Mandarine	19.0	11.6	8.1	6.8
Orange	2.4	2.9	2.7	3.2
Tomato	23.3	10.6	4.8	3.8
Other crops	12.7	1.3	-0.1	5.7
<u>For export and industry</u>	<u>2.4</u>	<u>-0.6</u>	<u>1.3</u>	<u>4.3</u>
Coffee	-5.2	-18.6	-18.2	-1.0
Sugar cane	4.9	6.0	3.6	5.1
Yellow maize	10.5	-2.0	-10.3	2.2
Asparagus	-4.2	1.9	-2.2	6.9
Grapes	21.9	21.4	17.5	12.7
Olive	26.6	-37.6	163.0	13.6
Mango	-47.4	147.7	-17.8	3.1
Cocoa	10.6	15.0	8.8	11.7
Avocado	25.7	7.6	16.2	12.0
Oil palm	44.0	9.3	8.2	11.4
Other crops	1.5	9.9	10.8	6.1
<b>Livestock production</b>	<b>5.6</b>	<b>2.5</b>	<b>3.3</b>	<b>5.5</b>
Poultry	8.0	2.7	4.9	8.1
Beef	4.7	1.9	1.4	2.8
Milk	2.7	0.8	1.9	3.8
Rest	4.0	3.1	2.6	4.3
<b>Total 2/</b>	<b>5.9</b>	<b>1.6</b>	<b>1.4</b>	<b>4.2</b>

1/ Preliminary.  
2/ Includes the forestry sector.  
Source: MINAGRI.

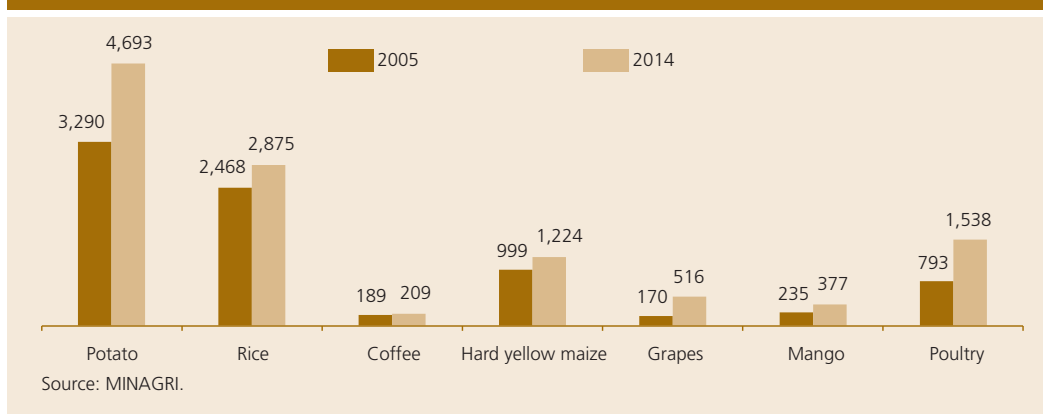
Growth in the agricultural subsector (0.2 percent) was associated with an increased production of export-oriented crops (1.3 percent), the significant higher production of olives (163.0 percent) being noteworthy.



**Graph 8**  
**CONTRIBUTION TO THE GROWTH: 2014**  
 Agriculture sector



**Graph 9**  
**AGRICULTURE AND LIVESTOCK PRODUCTION BY MAIN PRODUCTS**  
 (Thousand tons)



In 2014 the production of potatoes grew 2.7 percent –recording higher growth rates for eight straight years– and reached a historical volume of 4.7 million tons harvested as a result of yield improvements, which led yields to rise from 14.4 tons/hectare in 2013 to 14.8 tons/hectare in 2014. This greater production was noteworthy in La Libertad, Huánuco, Pasco, and Ayacucho, while in Ica the production of potatoes increased as a result of greater cultivated areas.

The production of rice dropped 5.6 percent due to water restrictions that reduced cultivated areas (-4.0 percent) and affected yields slightly (yields declined from 7.7 to 7.6 tons/hectare) in the north of the country during the first quarter of the year. The main areas affected were Piura and Lambayeque.

Coffee production fell 18.2 percent, affected by the rust plague. The main impact of the yellow rust on coffee crops was observed in Junín, Cusco, and Cajamarca, whose contribution to production decreased from 58 to 48 percent.

The production of hard yellow maize was also affected by water restrictions in the north coast region in the first quarter. Crops declined by 4.1 percent and yields declined by 2.9 percent, the main affected regions including La Libertad, Lambayeque, and Piura.

On the other hand, the production of grapes increased 17.5 percent as a result of larger cultivated areas in Ica (18.0 percent) and Piura (17.0 percent).



Moreover, the production of mangos dropped 17.8 percent due to unfavorable weather conditions (higher temperatures) that affected the flowering time of this crop in June and July, especially in the region of Piura.

On the other hand, livestock, which grew 3.3 percent, was the subsector that contributed more to growth in the sector of agriculture, especially due to increased poultry production (4.9 percent).

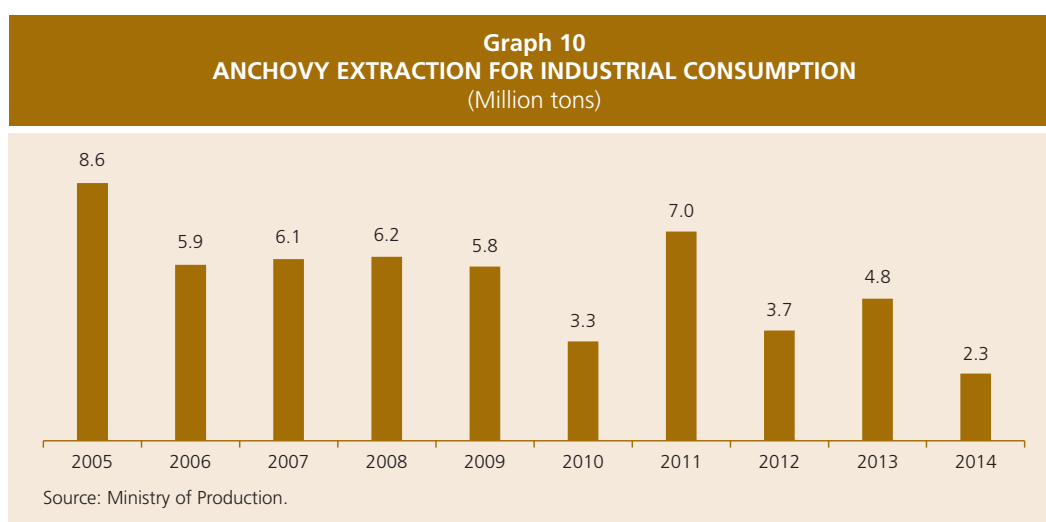
## 2.2 Fisheries

During 2014, output in the fishing industry fell 27.9 percent due to lower anchovy catch, especially in north-central areas (anchovy catch decreased during the first fishing season and the second fishing season was cancelled). The reproductive cycle of the anchovy was affected by the arrival of successive Kelvin waves of warm waters during the year. Because IMARPE expeditions found low biomass levels, with a high presence of young fish, the extraction of anchovy was banned in the second fishing season.

Table 7 FISHING SEASONS - QUOTATION (Thousand tons)				
	2013		2014	
	South	North-Central	South	North-Central
First season	400	2,050	234	2,530
Second season	430	2,304	0	0
<b>Total year</b>	<b>5,184</b>		<b>2,764</b>	

Source: Ministry of Production.

As a result of this, total anchovy catch dropped 52.6 percent. The volume of catch for industrial consumption fell from 4.8 million tons in 2013 to 2.3 million tons, which accounts for about 90 percent of the decline of the growth rate in the sector.



As for fisheries for direct human consumption, the volume of catch declined compared to the previous year (6.9 percent in 2014 vs. 21.0 percent in 2013). In addition to this, the extraction of species for frozen seafood products fell 0.2 percent –after recording a growth rate of 21.4 percent in 2013– due to a lower production of scallops, while the production of canned products fell 33.3 percent due to the adverse weather conditions that affected the extraction of anchovy.

**Table 8**  
**FISH CATCH BY MAIN SPECIES**  
(% change)

	2012	2013	2014	Average 2005-2014
Anchovy 1/	-47.2	28.7	-52.6	-12.7
Jack mackerel 2/	-25.4	-47.1	-10.4	-11.0
Prawns 3/	-2.9	-15.8	13.9	14.0
Giant Squid 3/	22.5	-10.1	13.2	7.9
Mackerel 4/	-51.3	166.6	11.2	2.1
Hake 3/	-26.2	48.1	-1.3	1.6
Scallops 5/	-14.7	192.8	-72.1	-8.7

1/ Considers fish catch only for industrial consumption.

2/ Considers fish catch for frozen and fresh.

3/ Considers fish catch for frozen.

4/ Considers fish catch for canned.

5/ Considers fish catch for fresh.

Source: Ministry of Production.

### 2.3 Mining and hydrocarbons sector

Showing a lower rate than the average growth rate of the past ten years (3.4 percent), output in the mining and hydrocarbons sector fell 0.8 percent in 2014 due to a decrease in the production of the sub-sector of metal mining (2.1 percent). This fall, associated mainly with lower gold production (-10.4 percent), was in part offset by an increased production of hydrocarbons (4.0 percent).

**Table 9**  
**PRODUCTION IN THE MINING AND HYDROCARBONS SECTOR 1/**  
(Real % change)

	2012	2013	2014	Average 2005-2014
<b>Metallic mining</b>	<b>2.5</b>	<b>4.3</b>	<b>-2.1</b>	<b>1.5</b>
Copper	9.4	7.4	0.7	4.1
Tin	-9.6	-9.3	-2.4	-5.7
Iron	-4.7	-0.1	7.7	5.4
Gold	-2.8	-3.3	-10.4	-2.1
Silver	1.8	5.6	2.7	2.1
Lead	8.3	6.9	4.5	-0.8
Zinc	2.0	5.4	-2.4	0.8
Molybdenum	-12.3	8.0	-6.2	1.8
<b>Hydrocarbons</b>	<b>1.0</b>	<b>7.2</b>	<b>4.0</b>	<b>7.7</b>
Oil	-3.9	-5.9	10.2	-1.4
Liquid of natural gas	4.1	20.9	-1.1	21.9
Natural gas	4.4	2.8	6.0	31.1
<b>Total 2/</b>	<b>2.8</b>	<b>4.9</b>	<b>-0.8</b>	<b>3.4</b>

1/ Preliminary data.

2/ Includes non-metallic mining and secondary production.

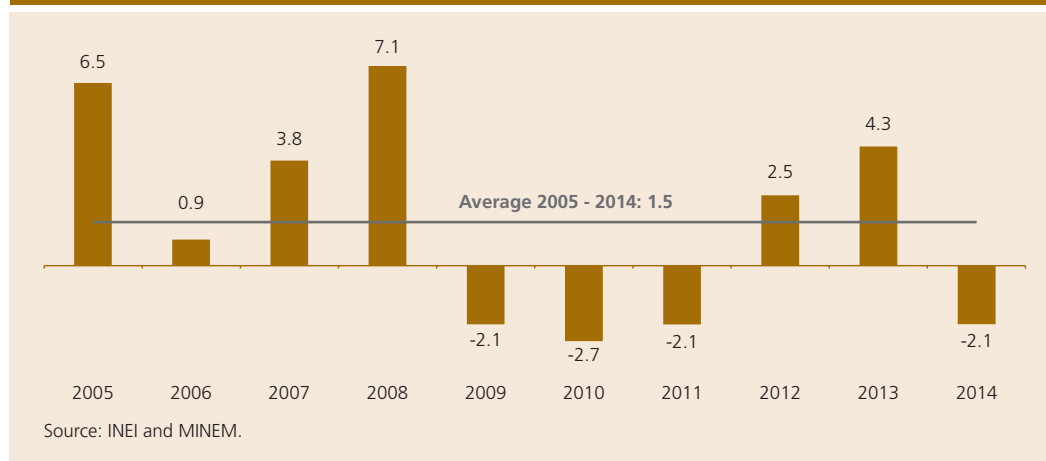
Source: MINEM.



**Table 10  
MINING PRODUCTION**

	2005	2013	2014
<b>Production of gold (Thousand troy ounces)</b>	<b>6,687</b>	<b>5,024</b>	<b>4,500</b>
<i>Largest mining</i>	5,235	2,462	2,065
Minera Yanacocha	3,317	1,017	970
Minera Barrick Misquichilca	1,177	701	599
Madre de Dios	517	495	253
Compañía de Minas Buenaventura	224	249	244
<i>Rest</i>	1,452	1,954	1,821
<i>New projects</i>		608	614
La Arena - Río Alto		211	220
Tantahuatay - Buenaventura		143	145
La Zanja - Buenaventura		137	144
Pucamarca - Minsur		117	106
<b>Production of copper (Thousand fine metric tons)</b>	<b>844</b>	<b>1,286</b>	<b>1,296</b>
<i>Largest mining</i>	778	1,093	1,001
Compañía Minera Antamina	383	461	362
Southern Peru Copper Corporation	321	279	293
Sociedad Minera Cerro Verde		214	179
Antapaccay	74	139	167
<i>Rest</i>	66	193	224
<i>New projects</i>			70
Toromocho - Chinalco			70
<b>Production of zinc (Thousand fine metric tons)</b>	<b>1,202</b>	<b>1,351</b>	<b>1,319</b>
<i>Largest mining</i>	736	832	796
Compañía Minera Antamina	218	316	266
Compañía Minera Milpo	89	225	240
Volcan Compañía Minera	237	183	179
Empresa Minera Los Quenuales	191	107	111
<i>Rest</i>	465	519	523
<b>Production of Silver (Thousand fine troy ounces)</b>	<b>103</b>	<b>118</b>	<b>121</b>
<i>Largest mining</i>	44	54	57
Compañía de Minas Buenaventura	12	17	17
Volcan Compañía Minera	11	14	15
Compañía Minera Antamina	11	17	13
Compañía Minera Ares	11	6	13
<i>Rest</i>	59	65	64
<b>Production of Lead (Thousand fine metric tons)</b>	<b>319</b>	<b>266</b>	<b>278</b>
<i>Largest mining</i>	161	125	110
Compañía Minera Milpo	21	30	34
Volcan Compañía Minera	62	43	31
Empresa Administradora Chungar	24	29	27
Empresa Minera Los Quenuales	25	13	15
Sociedad Minera El Brocal	28	11	3
<i>Rest</i>	159	141	169

**Graph 11  
PRODUCTION OF THE METALLIC MINING SUB SECTOR  
(Real % change)**



The extraction of **gold** dropped 10.4 percent (from 5.0 million troy ounces in 2013 to 4.5 million troy ounces in 2014) as a result of the process of interdiction to illegal mining in Madre de Dios –which accounts for 4.8 percentage points of the drop in gold extraction– and the weak performance of the major mining companies in the year. The production of mining company Barrick fell 14.6 percent during 2014 due to the closure of its mining unit Pierina, to the low mineral contents of its mining unit of Lagunas Norte, and delays in the implementation of its project aimed at improving the leaching process. For its part, Yanacocha mining company reduced its production due to the lower grades of ore obtained and Compañía Minera Aurífera Santa Rosa cut its production by 73.2 percent. This result was partially offset by the production of Consorcio Minero Horizonte whose units of Parcoy and Culebrillas increased significantly their gold production (23.9 percent).

The production of **copper** (1.3 million fine metric tons) grew 0.7 percent in 2014, less than in 2013 (7.4 percent). This slowdown is explained mainly by lower production of copper at Antamina (-21.4 percent due to lower grades of ore) and Cerro Verde (-16.5 percent due to works carried out for the expansion of operations). In addition to this, the growth rate of the production of Compañía Minera Antapaccay dropped significantly (from 223.2 percent in 2013 to 20.2 percent in 2014) after reaching its maximum capacity of 14 - 15 thousand metric tons per month. On the other hand, Toromocho project started operations with a production of 70,000 metric tons and the production of Sociedad Minera El Brocal and Gold Fields La Cima increased (these companies registered rates of 63.6 percent and 7.1 percent, respectively).

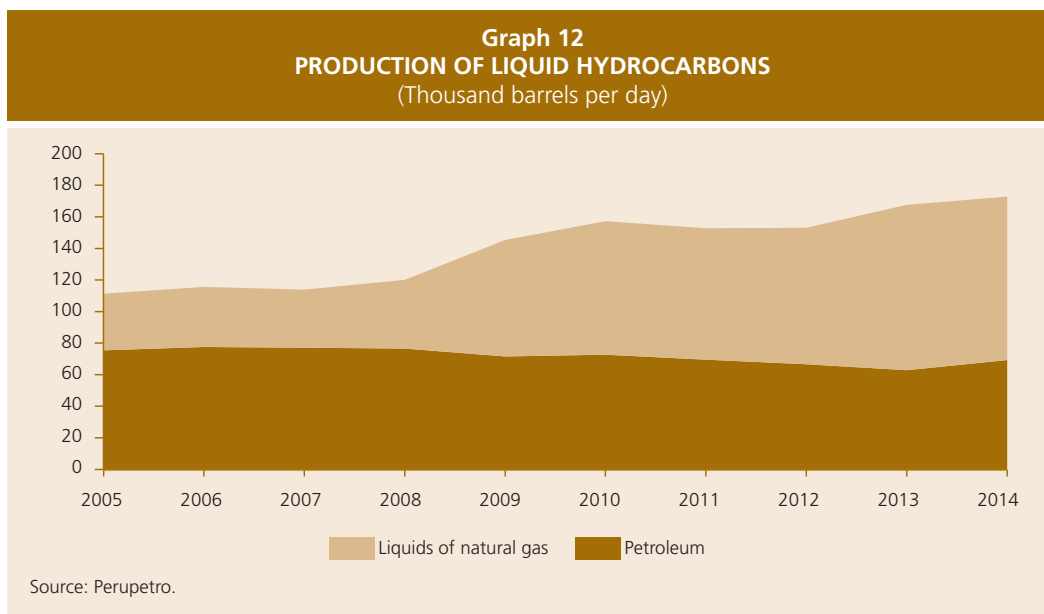
The production of **zinc** declined 2.4 percent –from 1.4 million tons in 2013 to 1.3 million in 2014– as a result of lower production at Antamina (-15.8 percent, due to its mining operations plan) and lower production at the mining unit of Sociedad Minera El Brocal (-71.4 percent, due to increased production of copper instead of zinc and due to delays in its expansion project). The production of zinc was also affected by lower mineral grades in the mining units of Empresa Minera San Ignacio de Morococha, Compañía Minera Santa Luisa, and Compañía Minera Atacocha.

**Silver** production grew by 2.7 percent (121 million ounces) in 2014 due to increased production in Compañía Minera Ares, whose production rose 105.7 percent as a result of the inclusion of its mining unit Pallancata. Other new mining projects that had a positive contribution to the growth of silver production were Alpamarca (Volcan), Tantahuatay (Buenaventura), Toromocho (Chinalco), and Santander (Trevali).

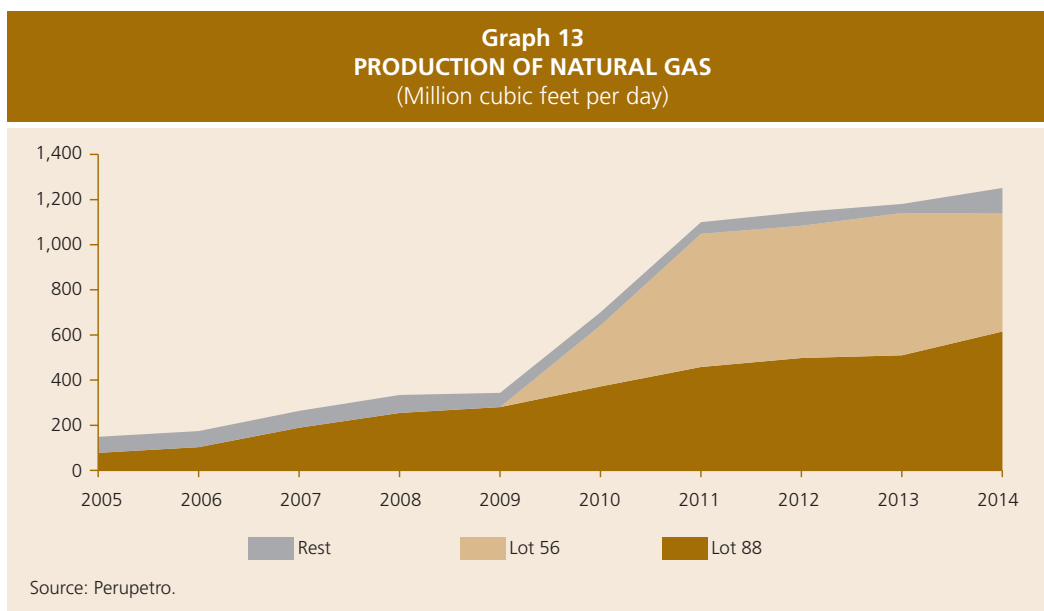
The extraction of **lead** grew 4.5 percent (278 thousand tons) in 2014. This increase is explained by the good performance of Trevali's mining project Santander at the end of 2013 (394.8 percent), Compañía Minera Caudalosa (195.0 percent), Sociedad Minera Corona (26.1 percent), and Compañía Minera Milpo (13.2 percent). On the other hand, lead production declined in the mining units of Volcan (-29.2 percent), Empresa Administradora Cerro (-20.6 percent), and Sociedad Minera El Brocal (-76.7 percent).

The production of **tin** shrank 2.4 percent due to lower mineral grades at Minsur's mining unit of San Rafael, whereas the extraction of iron increased 7.7 percent due to the better development of operations at Shougang mines (which recovered from the effects of the strikes the company faced during 2013). On the other hand, the production of molybdenum dropped 6.2 percent due to lower production at Antamina (-68.7 percent, due to lower grades of ores) as well as at Cerro Verde (-18.4 percent, due to works for the expansion of the mine).

The production of **hydrocarbons** rose 4.0 percent mostly as a result of a higher oil exploitation (10.2 percent) and, to a lesser extent, as a result of increased extraction of natural gas (6.0 percent). Greater production in Perenco's Lot 67 (which started operations in Q4-2013) and in BPZ's Lot Z-1 (82.4 percent) contributed to the increase in the growth rate of oil activity.



The increase in the extraction of natural gas (6.0 percent) is explained by the onset of operations in Repsol's lot 57 (61.9 million cubic feet per day). In addition to this, increased production in Pluspetrol's lot 88 (20.7 percent), oriented to meet the demand of the domestic market, offset the decline of 17.1 percent in the production of their lot 56, associated with the external market.



## 2.4 Manufacturing sector

The manufacturing output dropped 3.3 percent in 2014 due to lower activity in terms of processing of primary resources (-9.7 percent), coupled by a decline in non-primary manufacturing (-1.0 percent). The fall of primary manufacturing was due to several supply shocks that affected production, whereas

the decline in non-primary manufacturing was associated with the slowdown registered in domestic demand.

Manufacturing based on the processing of raw materials shrank 9.7 percent (8.6 percent in 2013) due basically to the lower production of fishmeal and fish oil. The latter dropped 63.0 percent as a result of the cancellation of the second anchovy fishing season because of the impact of adverse weather conditions on this resource. Additionally, refining of non-ferrous metals fell 5.1 percent due to Doe Run's close of operations.

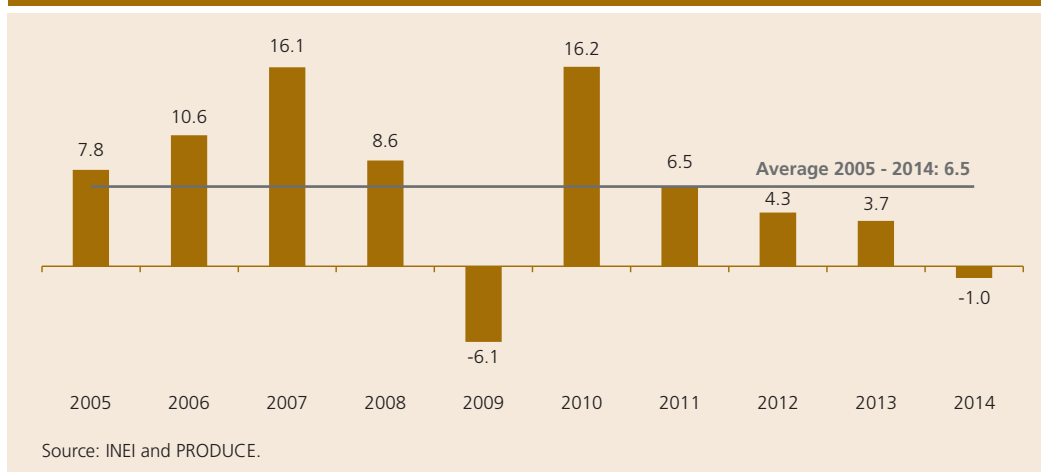
**Table 11**  
**MANUFACTURING BASED ON RAW MATERIALS BY MAIN INDUSTRIAL GROUPS**  
(Real % change)

	2012	2013	2014	Average 2005-2014
<b>MANUFACTURING BASED ON RAW MATERIALS</b>	<b>-7.8</b>	<b>8.6</b>	<b>-9.7</b>	<b>0.1</b>
Rice	16.0	0.1	-5.6	4.5
Sugar	2.8	6.2	2.5	4.3
Meat products	3.6	2.2	3.9	5.4
Fishmeal and fish oil	-44.1	44.3	-63.0	-13.7
Canned and frozen fish products	6.3	-7.3	1.5	8.2
Refining of non-ferrous metals	-3.3	12.8	-5.1	-1.2
Refining of crude	-4.7	-2.7	3.1	7.0

Source: Ministry of Production and INEI.

Moreover, output in non-primary manufacturing industries dropped 1.0 percent due to the slowdown of both domestic demand and external demand. The decline in the production of mass consumption goods (down 2.0 percent) was particularly noteworthy in the branches of garments, furniture –which was affected also by the competition of imported products and by informal manufacturers of furniture–, as well as by the branches manufacturing miscellaneous goods (due to lower demand for jewelry items and to lower exports of zippers).

**Graph 14**  
**NON-PRIMARY MANUFACTURING**  
(Real % change)



**Table 12**  
**GROWTH OF NON-PRIMARY MANUFACTURING BY TYPE OF GOODS 1/**  
 (Real % change)

	2012	2013	2014	Average 2005-2014
<b>Mass consumption goods</b>	<b>4.0</b>	<b>2.3</b>	<b>-2.0</b>	<b>6.3</b>
Dairy products	6.8	3.6	1.4	6.3
Bakery	4.0	-3.4	1.5	3.3
Oils and fats	7.2	2.6	2.1	4.6
Miscellaneous food products	13.3	12.8	-5.4	6.9
Beer and malt	3.7	-0.4	0.5	7.8
Soft drinks	4.1	4.8	1.9	6.3
Clothing	-9.4	-9.0	-9.4	1.9
Furnitures	15.1	8.4	-6.4	11.9
Other paper and cardboard items	4.5	-0.7	11.0	10.6
Toiletries and cleaning products	0.4	9.6	2.0	8.4
Pharmaceutical products	1.6	-11.5	-1.1	5.4
Miscellaneous items	-1.7	10.3	-7.2	2.8
<b>Inputs</b>	<b>4.1</b>	<b>0.1</b>	<b>-1.4</b>	<b>4.7</b>
Milling industry	2.7	-3.7	-0.3	2.1
Othe textil items	-7.9	-0.1	-8.0	-0.9
Woods	-2.2	-16.4	-6.9	-3.1
Paper and cardboard	0.2	23.2	-20.1	6.2
Paper and cardboard containers	2.4	3.0	3.5	8.1
Publishing and printing	5.2	-2.1	-0.5	10.1
Basic chemicals	0.2	6.7	11.3	5.1
Explosives, chemical and natural scents	27.5	29.1	-14.8	8.7
Rubber	-3.3	-9.4	-16.0	-0.5
Plastic	-0.8	17.5	8.2	7.2
Glass	13.6	-15.0	-2.3	12.7
<b>Capital goods</b>	<b>11.1</b>	<b>12.7</b>	<b>-0.1</b>	<b>10.4</b>
Paints, varnishes and acquers	-0.3	12.7	1.4	10.0
Cement	15.9	2.3	4.3	8.6
Construction materials	12.6	7.7	-2.5	11.2
Iron and steel industry	6.2	7.3	3.0	4.0
Metallic products	7.0	28.3	3.6	14.6
Machinery and equipment	16.5	-16.3	3.1	1.0
Electric machinery	22.2	12.4	-13.4	6.0
Transport equipment	18.8	6.8	-7.2	17.8
Industrial services	6.8	32.1	-4.0	14.4
<b>Exports</b>	<b>-7.2</b>	<b>-6.0</b>	<b>1.0</b>	<b>2.7</b>
Canned food, chocolate and alcoholic beverages	-0.5	-5.9	8.9	10.4
Synthetic fibers	-16.4	-8.1	12.7	-0.4
Yarns, fabrics and finished garments	-9.5	-7.1	1.4	0.1
Knitted garments	-8.8	6.9	7.8	-0.3
Clothing items	-9.4	-9.0	-9.4	1.9
<b>Total non-primary manufacturing</b>	<b>4.3</b>	<b>3.7</b>	<b>-1.0</b>	<b>6.5</b>

Source: Ministry of Production.

The decline in the branches oriented to inputs (-1.4 percent) is mainly explained by the slowdown in the activities of printing (due to lower domestic and external demand for advertising inserts) and by a lower



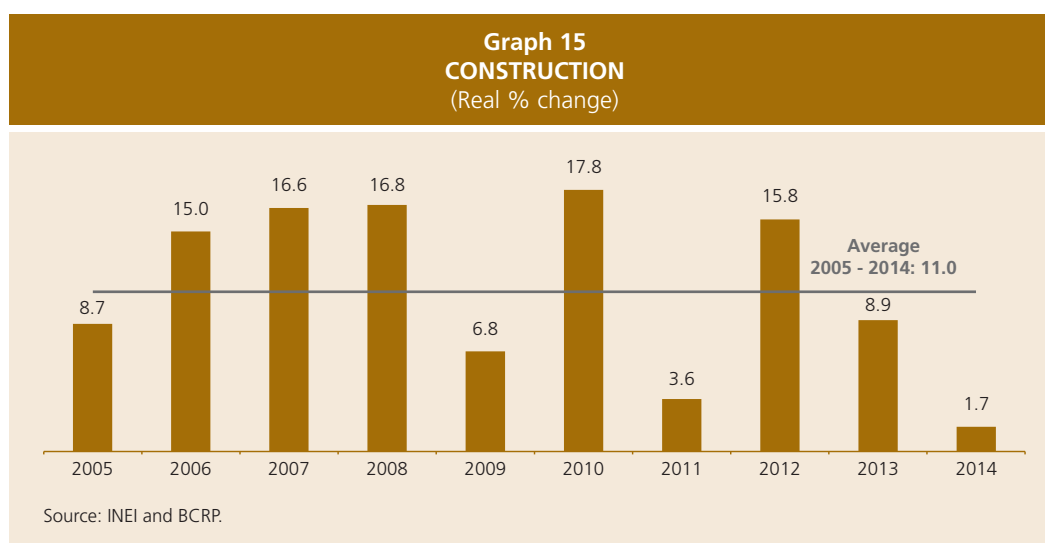
production of explosives, and chemical and natural scents (because of lower demand from the mining and textile sectors, respectively), as well as by a decreased production of leather goods due to lower demand from footwear producers.

Output in the industrial branches oriented to investment decreased 0.1 percent due to the lower production of electrical machinery (- 13.4 percent), particularly transformers and electric panels and electrical wires and cables. The production of transportation equipment also decreased (-7.2 percent) due mainly to lower demand for assembling buses and motorcycles (Honda closed operations in Lima), while the production of paints, varnishes, and lacquers –which slowed down from 12.7 percent in 2013 to 1.4 percent in 2014– was affected by lower demand for industrial paints. In contrast, the production of cement grew to 4.3 percent in 2014 from 2.3 percent in 2013.

Finally, the production of export-oriented goods showed an increase of 1.0 percent due to the higher production of canned food (asparagus), woven and knitted items for the North American market, and the increased production of synthetic fibers for the Brazilian market, offset by a decline in exports of garments to the United States.

## 2.5 Construction

Growth in the construction sector in 2014 (1.7 percent) was considerably lower than in the previous two years, mainly because of lower public investment –the physical progress of works declined 0.9 percent– and lower development of real estate projects.



Even though the domestic consumption of cement grew 2.4 percent –from 11.1 to 11.4 million metric tons– in 2014, there was a slowdown in shipments of cement to other cities of the country –down to 1.3 percent in 2014 from 11.7 percent in 2013– associated mainly with the slower pace of implementation of public and private works in the North and South of the country.

As for the residential real estate market, the latest study on this market in Metropolitan Lima and Callao –Estudio del Mercado de Edificaciones– published by the Peruvian Chamber of Construction (CAPECO) reported a drop of 22.7 percent in the number of apartments sold in 2014 (which recorded a growth rate of 2.3 percent in 2013). Moreover, financing in this segment showed a reduction of 6.5 percent in new mortgage loans, which added to the 16.4 percent drop registered in new placements of Mivivienda loans.



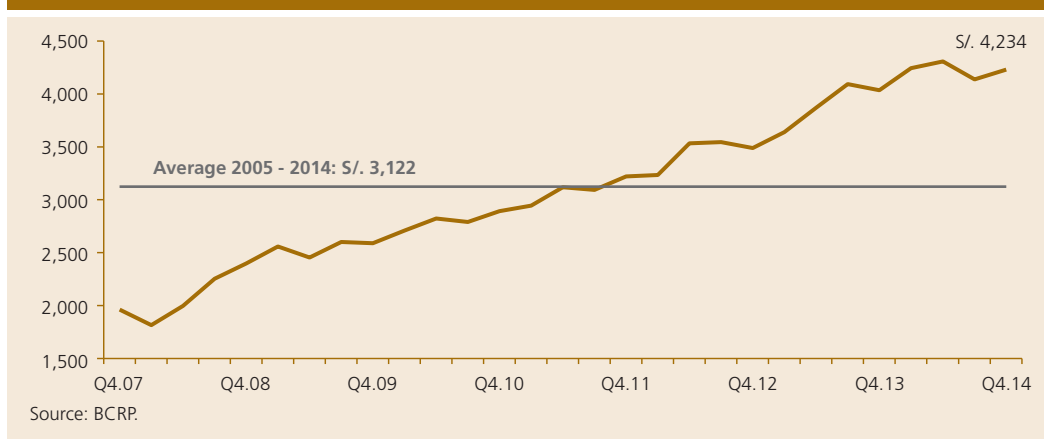
**Table 13**  
**REAL ESTATE SECTOR: EVOLUTION OF MAIN VARIABLES**

	2012	2013	2014
Apartments: Unit sold - CAPECO 1/	20,648	21,133	16,337
% change	10.2	2.3	-22.7
Apartments: Unit sold- TINSA 2/	24,143	15,776	11,049
% change	12.0	-34.7	-30.0
Unmet demand - CAPECO 1/	396,566	411,869	415,592
% change	1.3	3.9	0.9
New mortgages 3/	38,141	35,218	32,915
% change	10.6	-7.7	-6.5
New loans Mivivienda 4/	9,945	11,301	9,453
% change	11.9	13.6	-16.4
Number of debtors of current mortgage borrowers 3/	172,796	189,152	202,704
% change	11.4	9.5	7.2
Mortgages disbursed in S/. (mills.) 3/	4,874	6,732	6,816
% change	34.9	38.1	1.2
Mortgages disbursed in US\$ (mills.) 3/	1,484	634	610
% change	15.8	-57.2	-3.8
Average interest rate of mortgages in S/. 5/	9.5	9.4	9.2
Average interest rate of mortgages in US\$ 5/	8.5	8.5	8.3
Ratio PER 6/	15.7	16.1	16.2

1/ "El Mercado de Edificaciones Urbanas en Lima Metropolitana y el Callao", CAPECO. A one-year period is considered (from July to June in the next year).  
 2/ "Informe de Coyuntura Inmobiliaria", TINSA PERU SAC.  
 3/ Commercial banks. Source: SBS.  
 4/ "Nuevo Credit Mi Vivienda". Source: Fondo Mi Vivienda.  
 5/ Average lending interest rates by commercial banks. Source: SBS.  
 6/ Data as of Q4 of the year.

In 2014 the weighed median<sup>1</sup> of the sale prices per square meter of real estate in constant soles continued showing the rising trend observed since late 2007 (in Q4-2014, the sale prices per square meter of property increased 4.9 percent compared to the same period in 2013). The price-to-earnings ratio (PER), which shows the number of years that one would have to rent a property to retrieve the acquisition value<sup>2</sup>, remained at a similar level to that recorded in 2013 (around 16 years of rent in Q4).

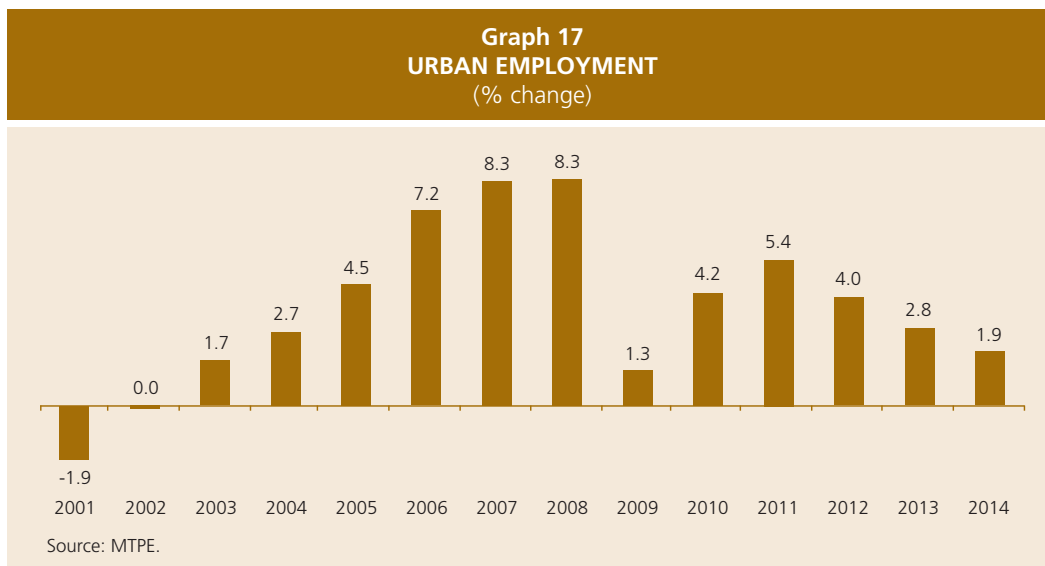
**Graph 16**  
**WEIGHTED MEDIAN OF QUARTERLY SALE PRICES**  
(Per square meter at constant soles of 2009)



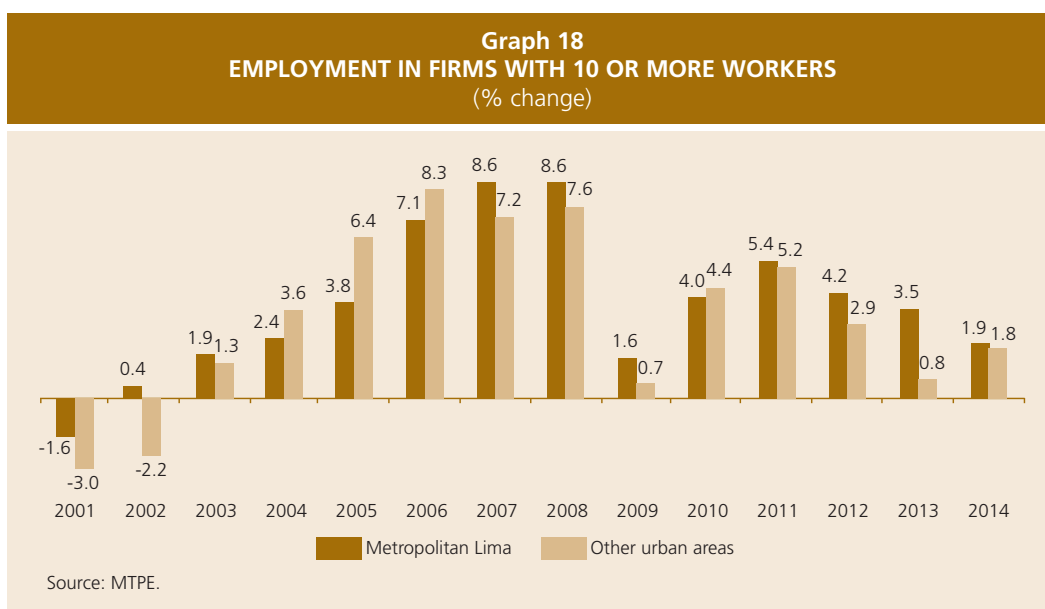
- Each weighed median is the geometric average of the medians of the sale prices of apartments in 10 districts of Lima (La Molina, Miraflores, San Borja, San Isidro, Surco, Jesús Maria, Lince, Magdalena, Pueblo Libre and San Miguel). The weighed average uses the total supply of apartments of the immediately preceding year expressed in square meters, published by CAPECO, as the weighing factor.
- Global Property Guide classifies real estate prices as undervalued (5.0-12.5 years), normal (12.5-25.0 years), and overvalued (25.0-50.0 years) according to the PER index.

### 3. Labor

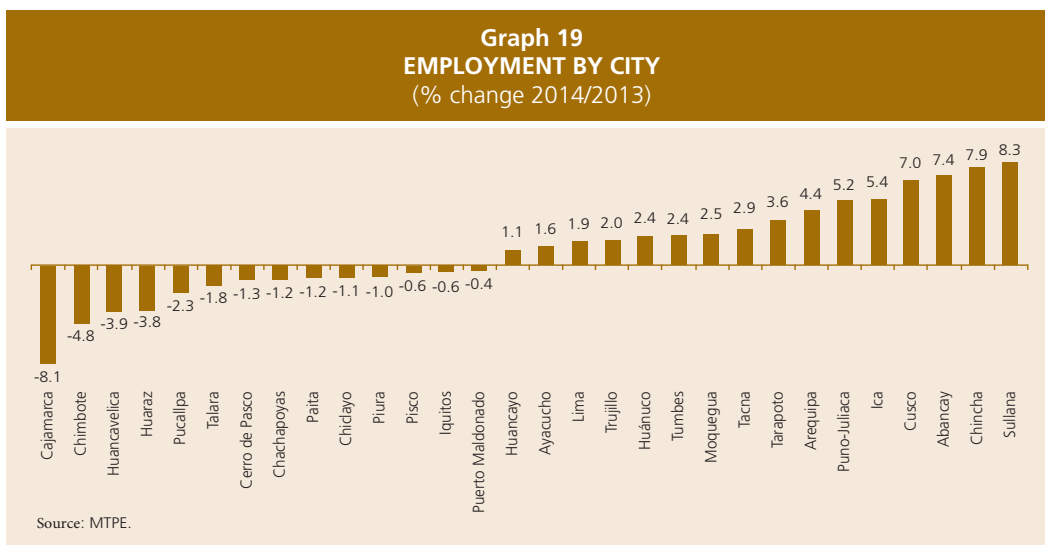
Employment in formal enterprises with 10 and more employees in urban areas grew 1.9 percent in 2014, according to the Ministry of Labor.



By geographic areas, employment in Metropolitan Lima showed a slower pace of growth (declining from 3.5 percent in 2013 to 1.9 percent in 2014), whereas in the main urban areas in the rest of the country employment rose from 0.8 percent in 2013 to 1.8 percent in 2014.



In 2014, employment increased in all production sectors (except in the manufacturing sector, where it fell 1.5 percent). The growth of employment was noteworthy in the sector of services (up 3.1 percent) as a result of increased recruitment of teachers, administrative staff, and workers hired by service companies (outsourcing, sales, and marketing). In the country's regions, employment in 16 of the 30 cities included in the sample of the Ministry of Labor showed a positive trend, showing a contraction in the rest.

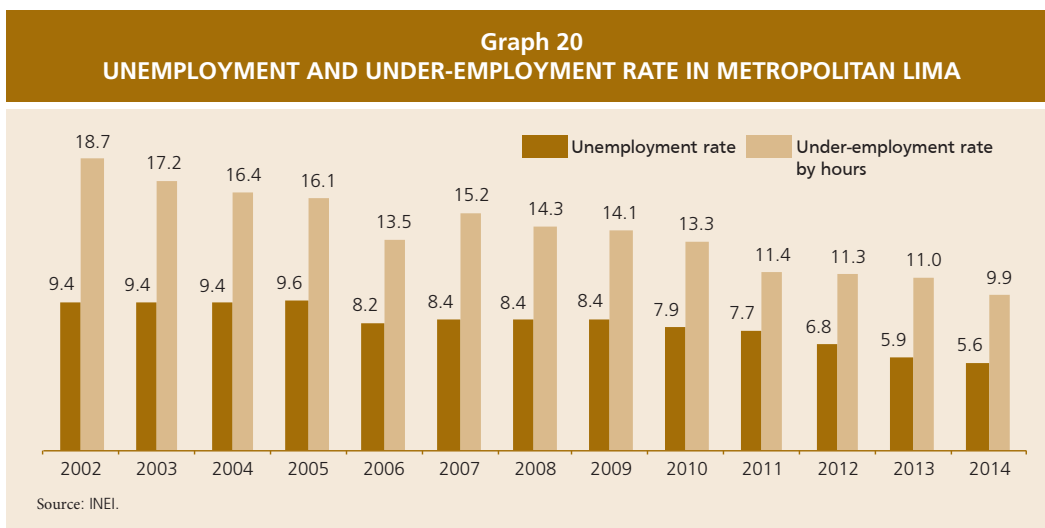


The highest growth of employment was observed in Sullana (8.3 percent), where the dynamism of trade was noteworthy, followed by Chincha (7.9 percent), mainly as a result of increased employment in extractive activities and manufacturing industries. In contrast, the greatest decline of employment was observed in Cajamarca (-8.1 percent), due to the reduction of employment in extractive activities, and in Chimbote (-4.8 percent), due to the drop of employment in the manufacturing sector.

INEI's survey on employment –Encuesta Permanente de Empleo– shows that employment in Metropolitan Lima continued recording showing a positive trend in 2014. The employed population grew 1.1 percent (vs. 2.4 percent in 2013). By production sectors, employment grew more in the sectors of construction (3.1 percent), services (1.8 percent), and manufacturing (1.3 percent). This was offset by the decline of employment in the extractive activities and trade, where employment fell 5.7 and 1.2 percent, respectively.

By size of firms, employment grew more in companies with 51 or more workers (6.0 percent), which is associated with a greater quality of employment (in line with the increase of 7.5 percent observed in terms of adequately employed population).

In addition, the rate of underemployment in terms of hours worked declined from 11.0 percent in 2013 to 9.9 percent in 2014 and the rate of unemployment, which measures the percentage of the economically active population (EAP) who is actively searching for a job and is unable to find work, declined from 5.9 percent to 5.6 percent.



**Table 14**  
**WORKFORCE BY LEVELS OF EMPLOYMENT IN METROPOLITAN LIMA 1/**  
 (Thousand persons)

	2011	2012	2013	2014
<b>I. ECONOMICALLY ACTIVE POPULATION (EAP): 1+4</b>	<b>4,781</b>	<b>4,812</b>	<b>4,885</b>	<b>4,917</b>
<b>1. EMPLOYED</b>	<b>4,415</b>	<b>4,485</b>	<b>4,594</b>	<b>4,643</b>
<u>By economic activity</u>				
Manufacturing	737	736	722	731
Construction	312	321	330	340
Commerce	944	950	977	966
Services	2,365	2,408	2,506	2,550
Others	56	71	59	56
<u>By educational level</u>				
Primary school 2/	445	413	431	395
Complete high school 3/	2,252	2,245	2,269	2,185
Higher education	773	805	842	932
University higher education	944	1,023	1,053	1,131
<u>By occupation</u>				
Salaried workers 4/	2,711	2,839	2,847	2,958
Non-salaried workers	1,704	1,645	1,747	1,685
<u>By size of business</u>	<u>4,415</u>	<u>4,485</u>	<u>4,593</u>	<u>4,643</u>
Independent 5/	1,175	1,159	1,168	1,162
From 2 to 10 workers	1,536	1,520	1,591	1,569
From 11 to 50 workers	471	483	460	465
More than 50 workers	1,233	1,324	1,374	1,456
<u>By number of hours worked per week</u>				
Employed workers working 20 or more hours	3,982	4,028	4,159	4,249
Salaried workers working 20 or more hours	2,534	2,630	2,648	2,769
<b>2. UNDEREMPLOYED</b>	<b>1,873</b>	<b>1,826</b>	<b>1,754</b>	<b>1,589</b>
Visible underemployment (by hours) 6/	547	541	537	487
Invisible underemployment (by income) 7/	1,326	1,285	1,217	1,102
<b>3. PROPERLY EMPLOYED</b>	<b>2,542</b>	<b>2,659</b>	<b>2,840</b>	<b>3,054</b>
<b>4. UNEMPLOYED</b>	<b>366</b>	<b>327</b>	<b>291</b>	<b>274</b>
<b>II. INACTIVE POPULATION</b>	<b>2,056</b>	<b>2,149</b>	<b>2,203</b>	<b>2,300</b>
<b>III. WORKING-AGE POPULATION (WAP)</b>	<b>6,837</b>	<b>6,961</b>	<b>7,088</b>	<b>7,216</b>
<b>RATES (%)</b>				
Activity rate (EAP / WAP)	69.9	69.1	68.9	68.1
Employment/population (Employed EAP/WAP)	64.6	64.4	64.8	64.3
Unemployment rate (Unemployed EAP/EAP)	7.7	6.8	6.0	5.6
Under-employment by hours	11.4	11.3	11.9	9.9

1/ Annual average.

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

3/ Incomplete and complete secondary school.

4/ Includes employees, workers and housekeepers.

5/ Working alone or in partnership, having no salaried workers.

6/ Includes workers unwillingly working less than 35 hours per week.

7/ Workers working 35 or more hours a week who earn less than the minimum salary estimated as benchmark by INEI.

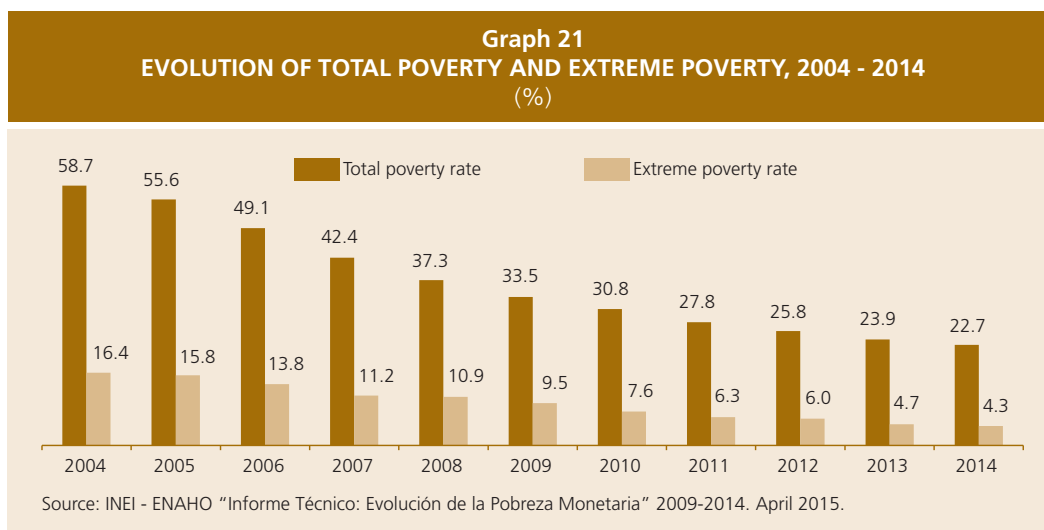
Source: INEI. Encuesta Permanente de Empleo.

#### 4. Incidence of total poverty 2014

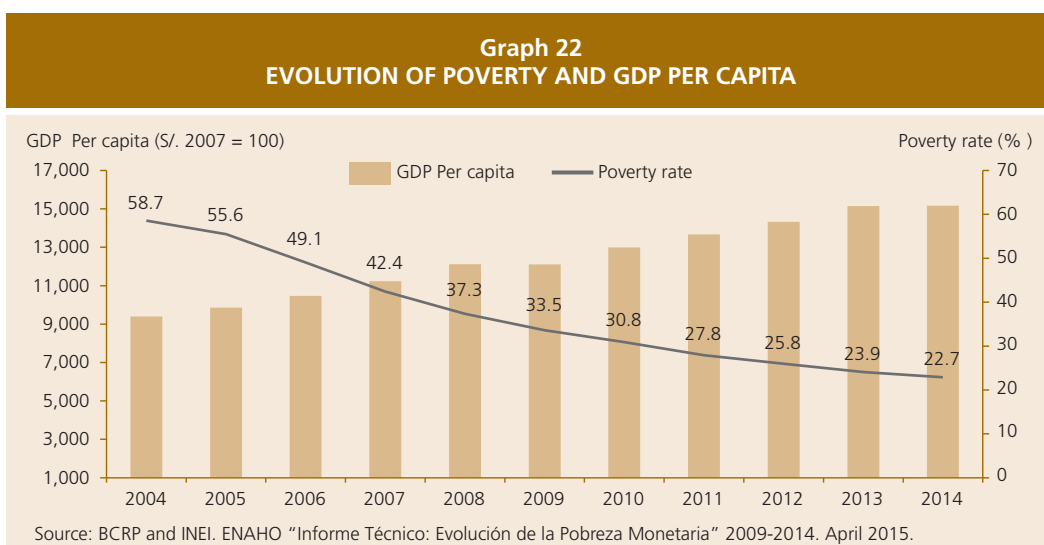
In 2014, 22.7 percent of Peru's population –that is, 6.9 million people– lived in conditions of monetary poverty<sup>3</sup>.

<sup>3</sup> This indicator expresses people's level of well-being in terms of their monetary capacity to meet socially accepted basic needs according to their level of monthly per capita expenditure in the so-called thresholds of extreme poverty and non-extreme poverty. The former is defined by the value of a basic food basket (S/. 161 in 2014) while the latter includes also the value of non-food goods and services (housing, clothing, footwear, etc.) (S/. 303 in 2014).

The incidence of poverty fell 1.2 percentage points compared to 2013 (23.9 percent), which means that about 290 thousand people escaped poverty. Moreover, the number of people living in conditions of extreme poverty (1.3 million people) decreased by 0.4 percentage points. Compared to 2004, the rates of extreme poverty and total poverty declined 12.1 and 36 percentage points, respectively.



GDP's sustained growth is estimated to have had a substantial impact on the reduction of poverty, as reflected in the figure below.



Economic growth is one of the key factors in poverty reduction, as has been demonstrated in the estimates obtained applying the methods used by Datt and Ravallion (1992) and Maasoumi and Mahmoudi (2011)<sup>4</sup> to decompose changes in poverty levels. According to these authors, economic growth would account for 54.9 to 61.3 percent of poverty reduction between 2007 and 2014, but in the period of 2013-2014 the redistribution effect has been the key factor in poverty reduction, redistribution accounting for 62.4 and 73.7 percent of poverty reduction in these years, respectively. This would be the first time during the past seven years that the effect of redistribution outweighs the effect of growth.

4 Datt y Ravallion (1992). Growth and Redistribution Components of Changes in Poverty Measures. Journal of Development Economics 38: 275-295.  
Maasoumi Esfandiar y Mahmoudi Vahid. Decomposition of change in Poverty by Growth and Redistribution Components. Tehran. 2011.

**Table 15**  
**BREAK DOWN OF CHANGE IN TOTAL POVERTY RATE 2004-2012**  
 (Percentage points and %)

Methodologies	2007-2014				2013-2014			
	Total	Growth	Distribution	Residual	Total	Growth	Distribution	Residual
Datt and Ravallion	19.7	10.8	8.0	0.9	1.2	0.4	0.7	0.1
%	100.0	54.9	40.7	4.4	100.0	33.3	62.4	4.3
Maasoumi and Mahmoudi	19.7	12.1	7.6	-	1.2	0.3	0.9	-
%	100.0	61.3	38.7	-	100.0	26.3	73.7	-

Source: INEI-ENAHO.  
 Elaboration: BCRP.

### *Incidence of total poverty by geographic areas*

In 2014, poverty affected 46.0 percent of the population living in rural areas and 15.3 percent of the population who live in urban areas. By geographic domains, poverty in the rural areas of the Sierra show the highest level (50.4 percent), while poverty in Metropolitan Lima show the lowest level (11.8 percent).

However, compared to 2013, poverty has declined more in rural areas (-2 percentage points) than in urban areas (-0.8 percentage points). In terms of geographic domains, poverty reduction has been particularly noteworthy in the rural Sierra areas (-2.5 percentage points) and urban Coast areas (-2.1 percentage points).

Poverty reduction in 2004-2014 has been significant in all the geographic areas. In this period, poverty reduction ranges between 29 points (urban Sierra areas) and 40 points (Selva and rural Coast areas).

**Table 16**  
**INCIDENCE OF TOTAL POVERTY BY GEOGRAPHICAL AREAS 2004 - 2014**  
 (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Differences	
												2014-2013	1/ 2014-2004
<b>National</b>	<b>58.7</b>	<b>55.6</b>	<b>49.1</b>	<b>42.4</b>	<b>37.3</b>	<b>33.5</b>	<b>30.8</b>	<b>27.8</b>	<b>25.8</b>	<b>23.9</b>	<b>22.7</b>	<b>-1.2</b>	<b>-36.0</b>
Urban areas	48.2	44.5	37.0	30.1	25.4	21.3	20.0	18.0	16.6	16.1	15.3	-0.8	-32.9
Rural areas	83.4	82.5	79.3	74.0	68.8	66.7	61.0	56.1	53.0	48.0	46.0	-2.0	-37.4
<b>Natural region</b>													
Coast area	48.6	44.4	36.4	29.3	25.3	20.7	19.8	17.8	16.5	15.7	14.3	-1.4	-34.3
Sierra area	70.0	67.7	63.0	58.1	53.0	48.9	45.2	41.5	38.5	34.7	33.8	-0.9	-36.2
Selva area	70.4	70.1	65.5	55.8	46.4	47.1	39.8	35.2	32.5	31.2	30.4	-0.8	-40.0
<b>Domains</b>													
Urban coast	50.8	43.2	37.6	31.7	27.4	23.7	23.0	18.2	17.5	18.4	16.3	-2.1	-34.5
Rural coast	69.3	66.9	62.3	53.8	46.6	46.5	38.3	37.1	31.6	29.0	29.2	0.2	-40.1
Urban sierra	46.9	44.0	37.1	31.8	26.7	23.2	21.0	18.7	17.0	16.2	17.5	1.3	-29.4
Rural sierra	86.7	85.4	83.1	79.2	74.9	71.0	66.7	62.3	58.8	52.9	50.4	-2.5	-36.3
Urban selva	59.4	58.4	54.6	44.0	32.7	32.7	27.2	26.0	22.4	22.9	22.6	-0.3	-36.8
Rural selva	81.5	82.4	77.3	69.2	62.5	64.4	55.5	47.0	46.1	42.6	41.5	-1.1	-40.0
Metropolitan Lima	44.6	42.4	32.7	25.1	21.7	16.1	15.8	15.6	14.5	12.8	11.8	-1.0	-32.8

1/ In % points.

Source: INEI - ENAHO "Informe Técnico, Evolución de la Pobreza Monetaria 2009-2014". April 2015.

### *Incidence of total poverty by departments*

Economic slowdown and the factors associated with lower investment in mining –investment in mining dropped 11 percent in the country between 2013 and 2014–, the fall in the prices and in the output of some mining and agricultural exports as well as the occurrence of adverse climate events have generated uneven growth levels in the regions, even though some regions with greater production diversity have responded better to some external shocks.

Because greater statistical accuracy is required due to the size of the sample used and due to the different characteristics of each region, since 2011 INEI groups the country's departments by poverty levels. In the past six years, the poverty rates in the poorest departments – Ayacucho, Cajamarca, Amazonas, and Huancavelica– have fallen from rates of over 70 percent to rates ranging between 47.4 and 52.3 percent. On the other hand, the departments with lower poverty levels in 2014 (Arequipa, Madre de Dios and Ica) showed poverty rates between 5.7 and 7.8 percent. It is worth highlighting that in 2009 poverty rates in this group, which then also included Lima, Moquegua, Tacna, and Tumbes, ranged between 20.2 and 3.5 percent. Moreover, it should be pointed out that Ica is the department with the lowest level of poverty (between 2.5 and 5.7 percent in 2014), and that between 2009 and 2014, the upper band of poverty dropped from 75.6 percent to 52.3 percent (see map).

The construction of additional indicators, such as the Index of Unmet Basic Needs (UBN<sup>5</sup>), allows us to analyze aspects of well-being other than monetary income. In the last two years, the number of people in the country with at least one UBN has dropped by 0.8 percentage points, this decline being particularly noteworthy in rural areas (-2 points) in comparison with urban areas (-0.2 points). This indicator showed no variation in Lima Metropolitana. Furthermore, between 2007 and 2014, the number of people in the country with at least one UBN dropped by 10.7 percentage points.

<b>Table 17</b>										
<b>POPULATION WITH UNSATISFIED BASIC NEEDS (UBN)</b>										
<b>(%)</b>										
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Differences</b>	
									<b>2014/2013</b>	<b>2014/2007</b>
National	30.5	29.0	26.9	24.0	23.4	21.7	20.6	19.8	-0.8	-10.7
Urban area	19.2	19.6	18.6	15.9	15.9	14.5	14.2	14.0	-0.2	-5.2
Rural area	59.3	53.8	49.6	46.8	45.1	43.2	40.1	38.1	-2.0	-21.2
Metropolitan Lima	11.8	12.9	12.1	9.8	11.2	9.6	9.7	9.7	0.0	-2.1

Source: INEI - ENAHO 2007-2014.

5 This index includes 5 UBN: inadequate physical characteristics in housing, overcrowding, lack of any kind of sewerage system, having children who do not attend school, and high economic dependence.



