



# ANNUAL REPORT 2014



CENTRAL RESERVE BANK OF PERU





ANNUAL  
REPORT  
2014



# CENTRAL RESERVE BANK OF PERU

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As of December 31, 2014

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# CENTRAL RESERVE BANK OF PERU

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# INTRODUCTION

After recording a growth rate of 5.8 percent in 2013, the Peruvian economy grew 2.4 percent in 2014. This decline in the pace of growth is explained by temporary shocks –which affected output in the primary sectors mainly– and added to a deterioration in the terms of trade for a third consecutive year and to the contraction of public investment.

The rate of inflation increased from 2.9 percent in 2013 to 3.2 percent in 2014, due mainly to rises in food prices and electricity rates (4.1 percent in the year). Inflation without food and energy prices –food and energy being items with high price volatility– fell from 3.0 percent in 2013 to 2.5 percent in 2014.

The global economy showed a growth rate of 3.3 percent –a slightly lower rate than in 2013–, reflecting the slowdown observed in most emerging market countries, on the one hand, and some economic recovery in the developed countries, associated with the recovery of consumption and employment, especially in the United States, on the other hand. Growth in the emerging market economies was affected by factors such as China’s economic slowdown, the withdrawal of the US Federal Reserve asset purchase program, the drop of oil prices, and geopolitical events, which generated volatility in international financial markets, a drop in commodity prices, and depreciation pressures on the currencies of most of the emerging market countries.

In this context of adverse domestic and external factors, the actions of Banco Central de Reserva del Perú (BCRP) were aimed at maintaining inflation within the inflation target range. Thus, the BCRP reduced its monetary policy rate from 4.0 to 3.5 percent (lowering it by 25 basis points in both July and September), and continued reducing the rate of reserve requirements in domestic currency to support the credit cycle and encourage the dedollarization of credit. In addition to this, the BCRP also introduced a series of measures to tighten reserve requirements conditions according to the evolution of credit in dollars.

With these measures, the BCRP changed the previous scheme of reserve requirements –based on limits to the expansion of credit– for another scheme in which the rate of reserve requirements is set according to the evolution of credit in foreign currency. According to the new scheme, the financial entities that by June 2015 have not reduced their total balance of credit in dollars by at least 5 percent relative to the balance of credit in dollars they had in September 2013 –excluding loans for foreign trade operations– will be subject to additional reserve requirements. This requirement will increase to 10 percent in December 2015. Moreover, financial entities that fail to reduce their total balance of car loans and mortgage loans in dollars by at least 10 percent relative to their balance of these loans in dollars in February 2013 will also be subject to additional reserve requirements. This reduction requirement will increase to 15 percent in December 2015.

The evolution of the nuevo sol was influenced by signs of economic recovery in the United States and expectations regarding the beginning of the Federal Reserve cycle of interest rate hikes, which strengthened the dollar in international financial markets. In this context, marked also by political uncertainty in Greece, the sudden fall of oil prices and some geopolitical factors, the nuevo sol



depreciated 6.4 percent against the dollar in nominal terms (this was mostly observed between August and December).

Influenced mainly by China's economic slowdown, the terms of trade continued to deteriorate during the year with a fall of 5.4 percent on average in 2014 and an accumulated decline of 13.2 percent since 2012. The 6.9 percent drop in export prices, explained mainly by the lower prices of copper and gold, was in part offset by a decline of 1.5 percent in the price of imports (the sharp decline in oil prices standing out in the last quarter).

Despite this deterioration in the terms of trade, the deficit in the current account of the balance of payments declined as a percentage of gross domestic product (GDP) from 4.2 percent in 2013 to 4.0 percent in 2014. This decline is explained by the fall in the volume of imports –resulting from slower growth and from the depreciation of the currency in real terms– and by increased external current transfers for extraordinary revenues (non-residents' income tax payments). Moreover, the financial account of the balance of payments showed a positive balance equivalent to 3.4 percent of GDP associated mainly with long-term private sector operations: foreign direct investment (FDI), placements of bonds in foreign markets, and long-term loans. The current account of the balance of payments continued to be financed by these operations, which amounted to 5.4 percent of GDP.

Reflecting to a great extent the increase in current spending observed in the year, the operations of the non-financial public sector recorded in 2014 a deficit of 0.3 percent of GDP after having recorded a surplus of 0.9 percent of GDP in 2013. On the other hand, in contrast, capital spending decreased due mainly to lower actual capital spending at the level of regional governments. As for tax revenues, the decrease observed in these revenues due to the economic slowdown registered in the period was offset by extraordinary revenues (non-residents' income tax on the sale of assets).

# ECONOMIC ACTIVITY

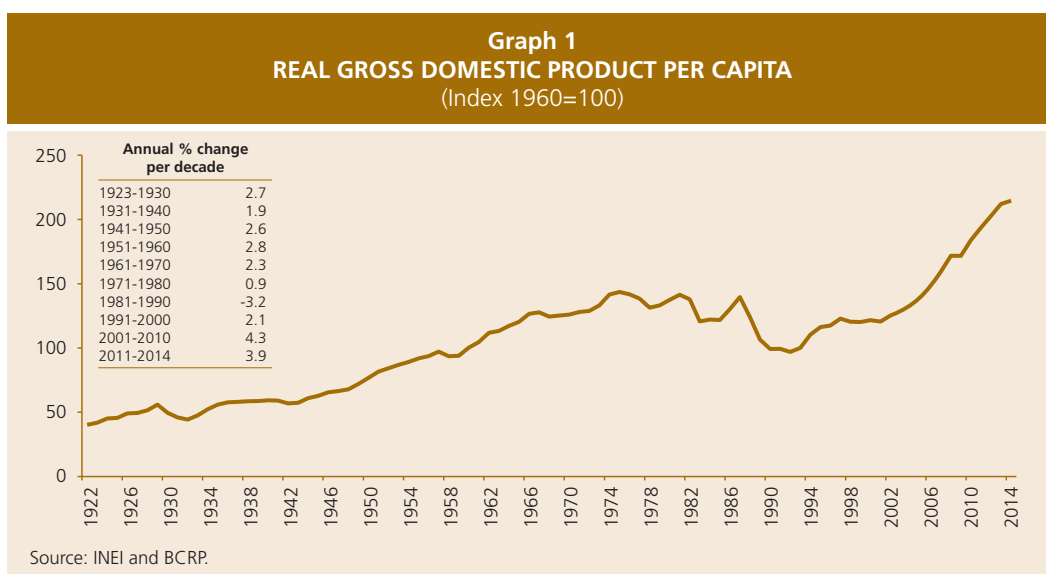


# PRODUCTION AND EMPLOYMENT

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

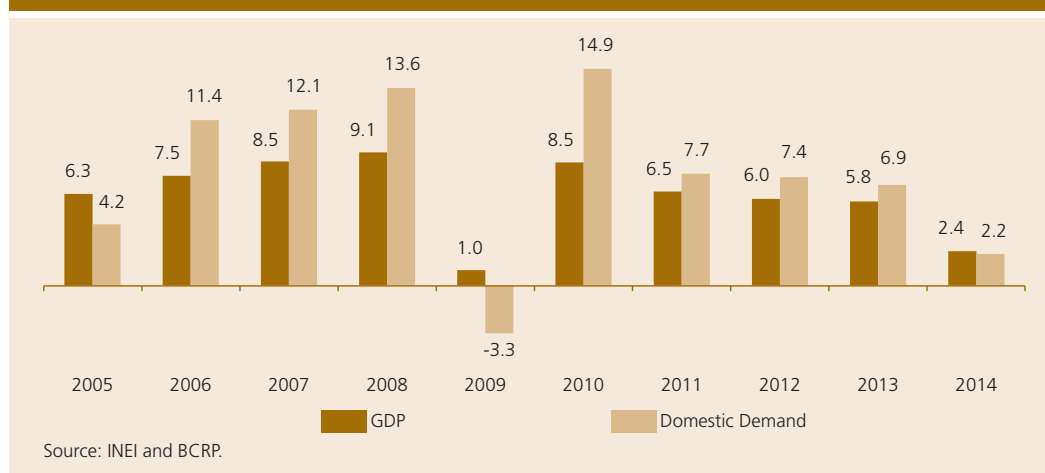
Recording a lower rate than in 2013 (6.9 percent), domestic demand grew 2.2 percent in 2014. By components, the growth rate of private consumption slowed down from 5.3 percent in 2013 to 4.1 percent in 2014, while private investment showed a negative rate of 1.6 percent after having registered a rate 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

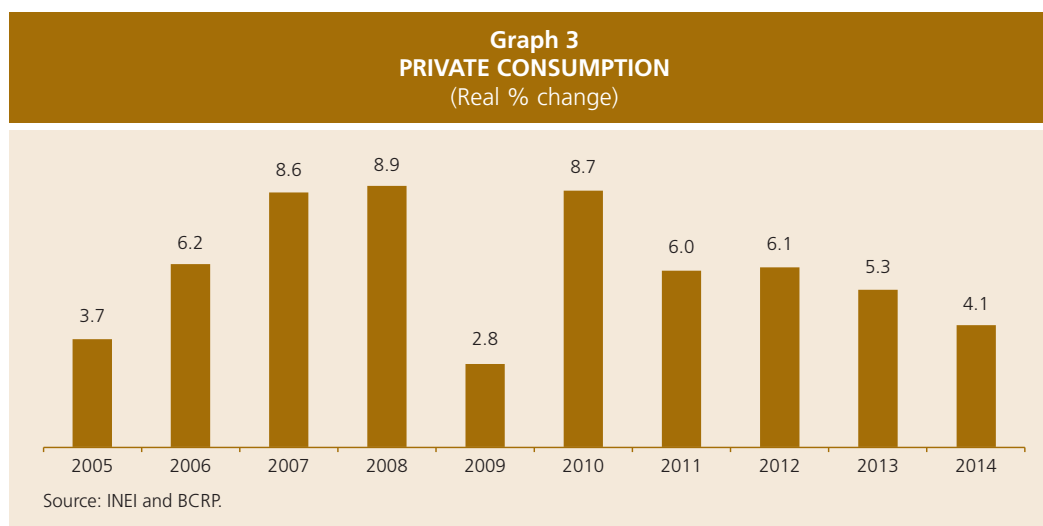
Source: INEI and BCRP.

**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.



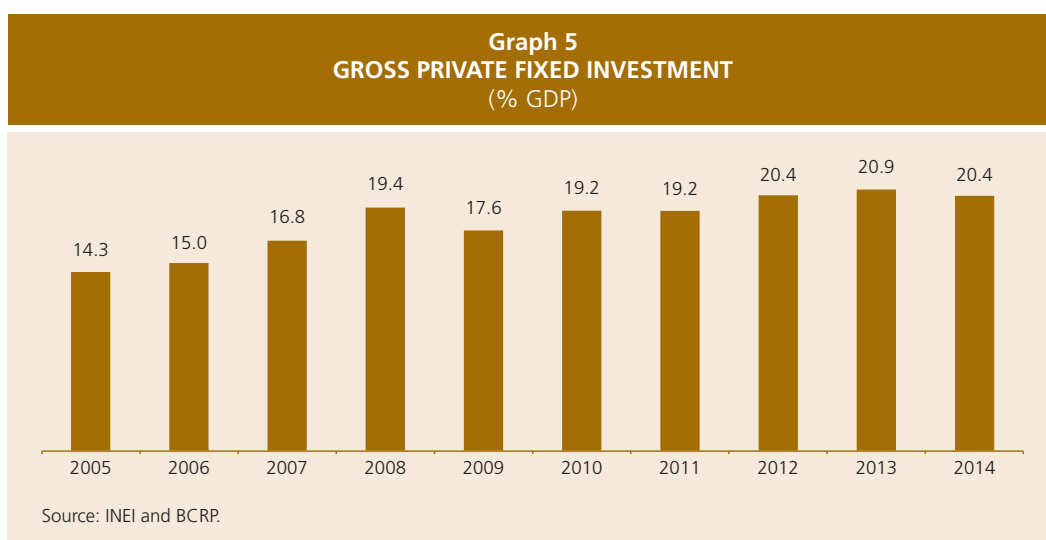
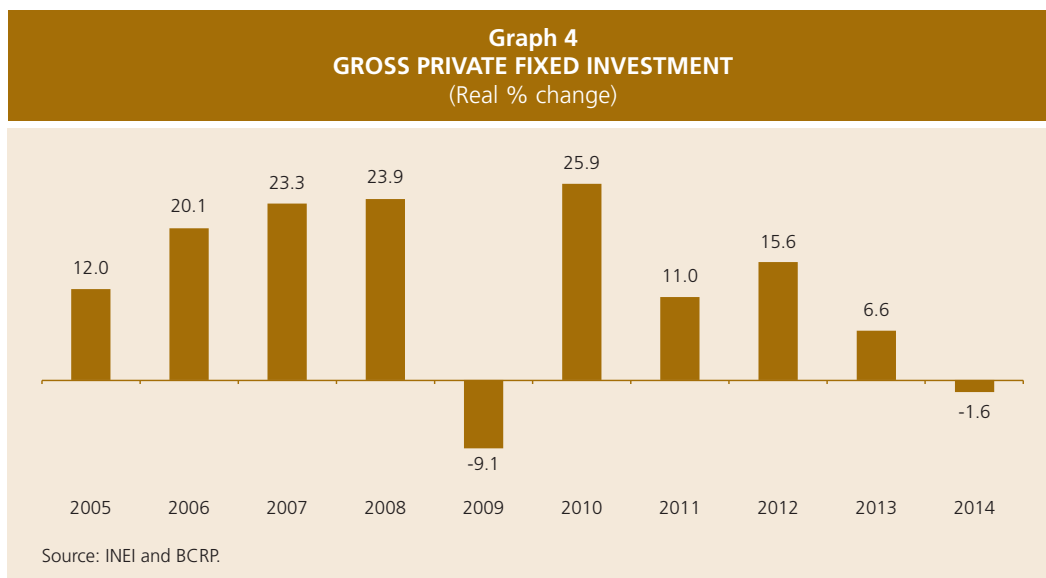
**Table 2**  
**NATIONAL DISPOSABLE INCOME 1/**  
(Real % change)

	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.

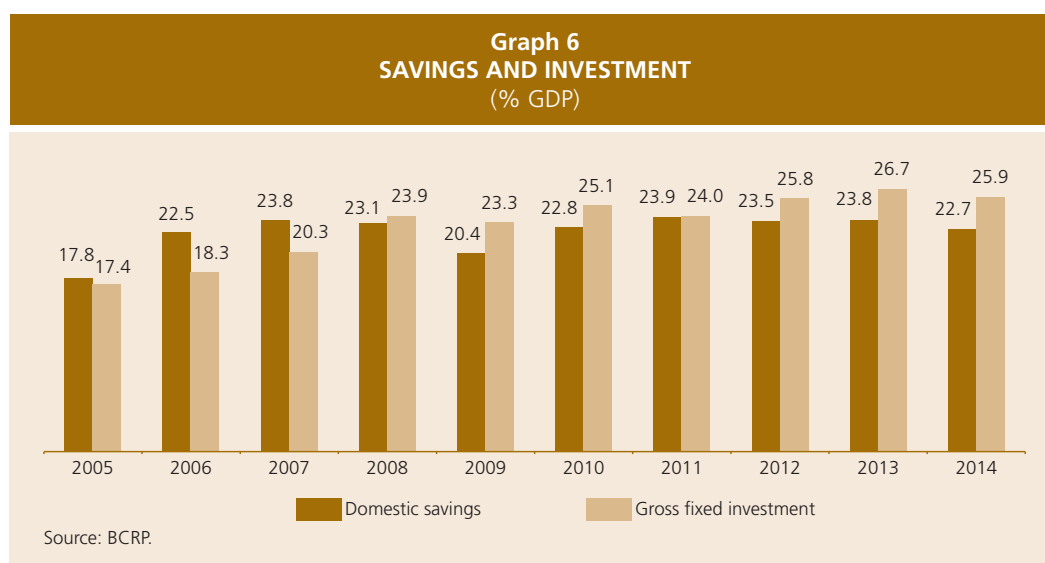


## 1.5 Savings and investment

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.

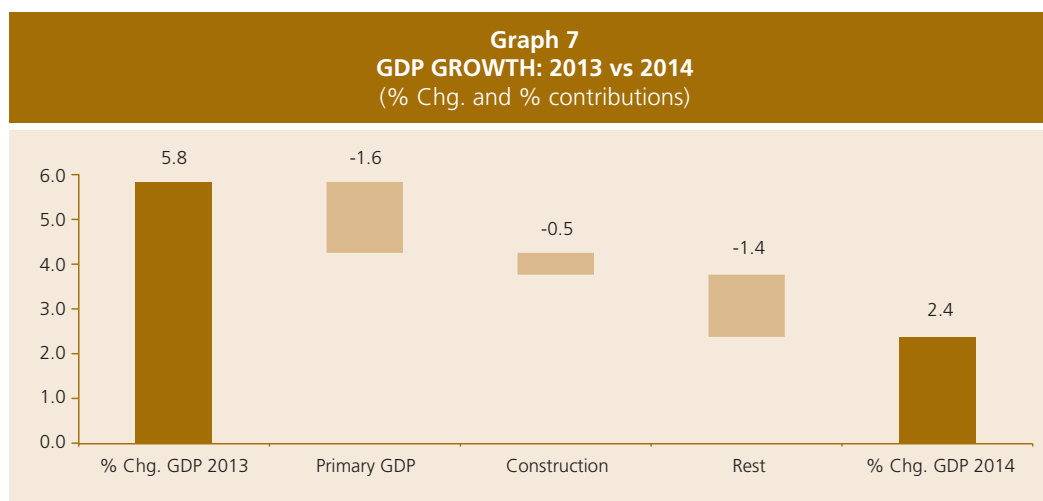
	2012	2013	2014
<b>I. Investment (=II+III)</b>	<b>26.2</b>	<b>28.2</b>	<b>26.8</b>
Gross fixed investment	25.8	26.7	25.9
Public investment	5.4	5.8	5.6
Private fixed investment	20.4	20.9	20.4
Change on inventories	0.4	1.1	0.6
<b>II. Domestic savings</b>	<b>23.5</b>	<b>23.8</b>	<b>22.7</b>
Public sector	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.

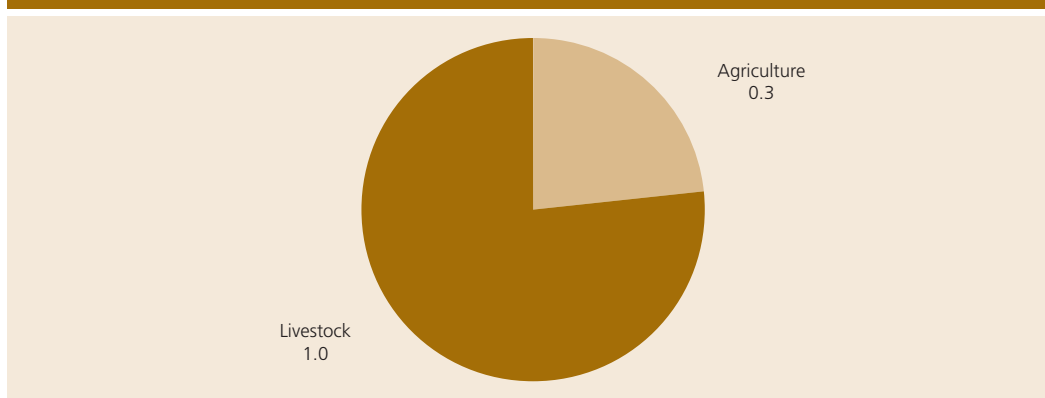
**Table 6**  
**AGRICULTURE AND LIVESTOCK PRODUCTION 1/**  
(Real % change)

	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>

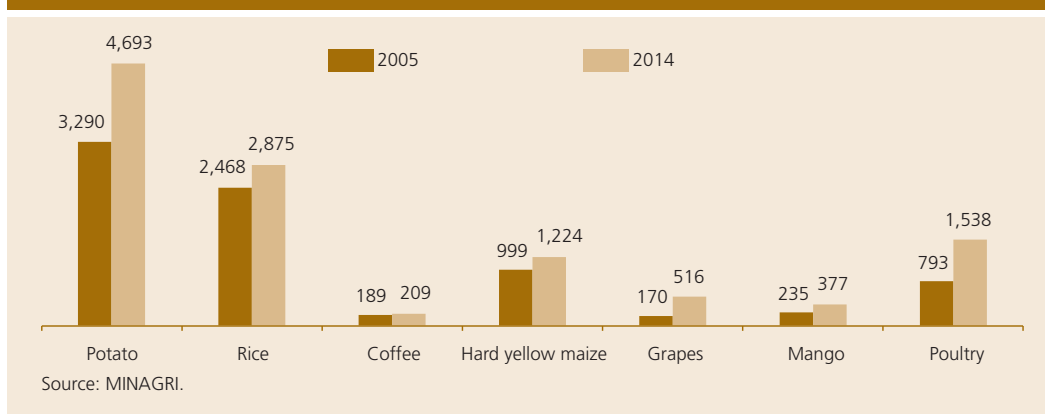
1/ Preliminary.  
2/ Includes the forestry sector.  
Source: MINAGRI.

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).

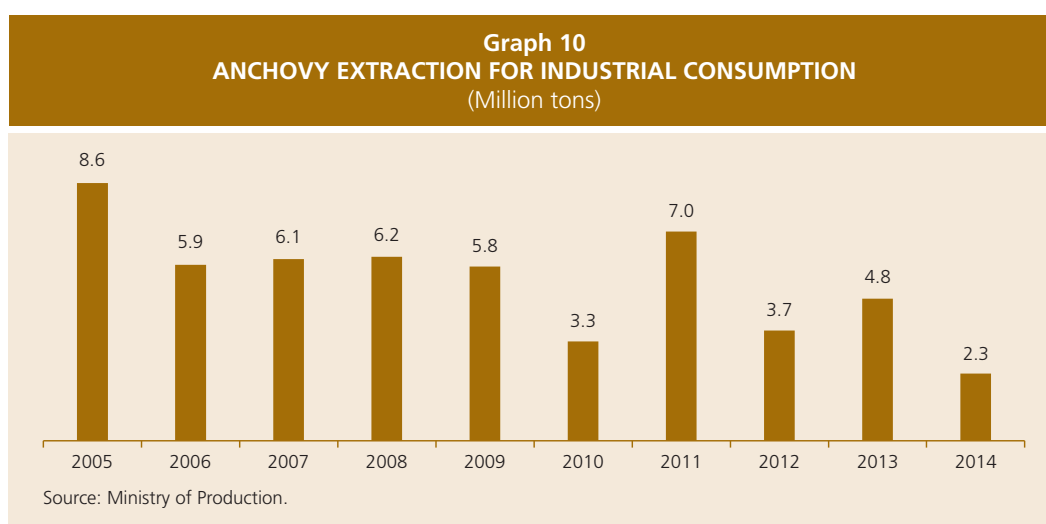
## 2.2 Fisheries

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.

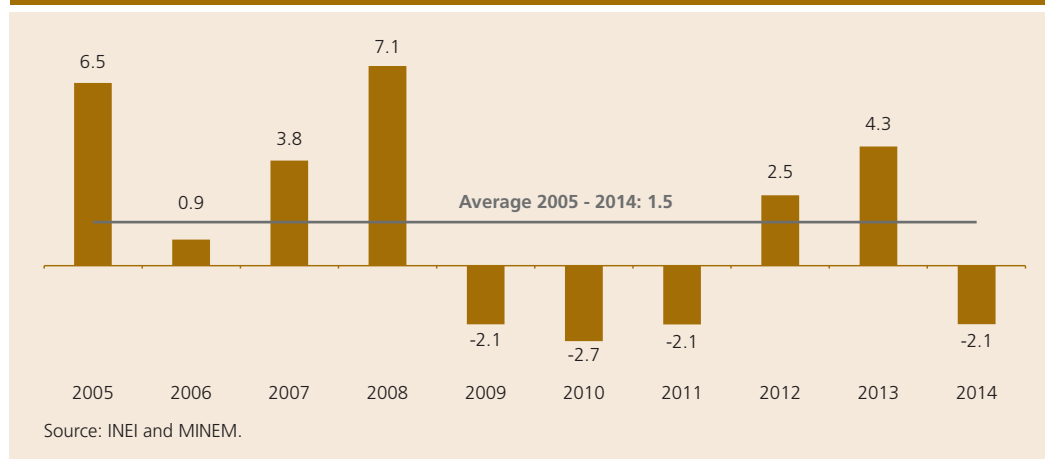
Source: MINEM.



**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.

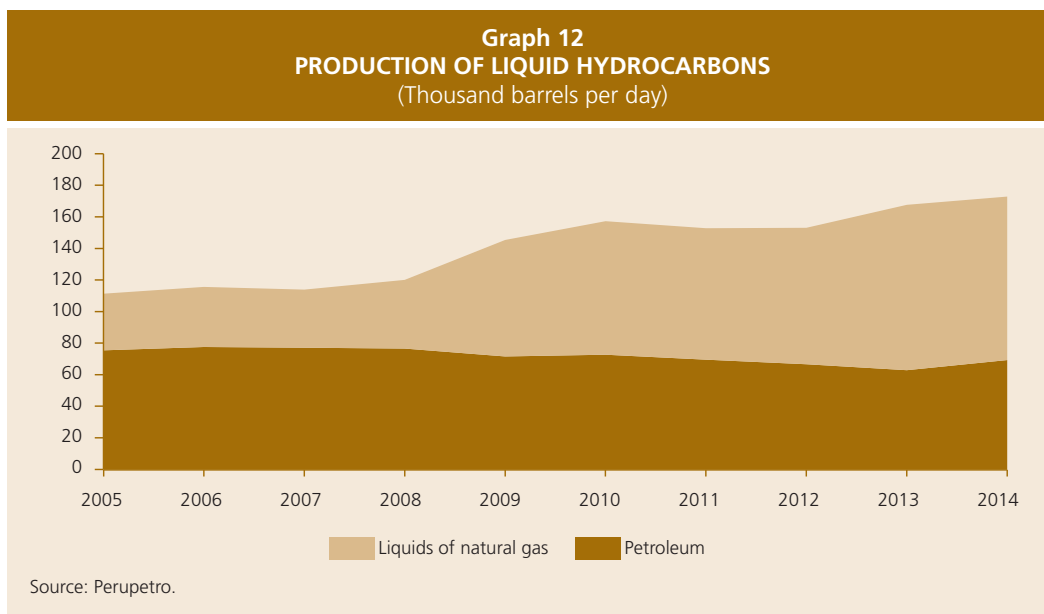
**Silver** production grew by 2.7 percent (121 million ounces) in 2014 due to increased production in Compañía Minera Ares, whose production rose 105.7 percent as a result of the inclusion of its mining unit Pallancata. Other new mining projects that had a positive contribution to the growth of silver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

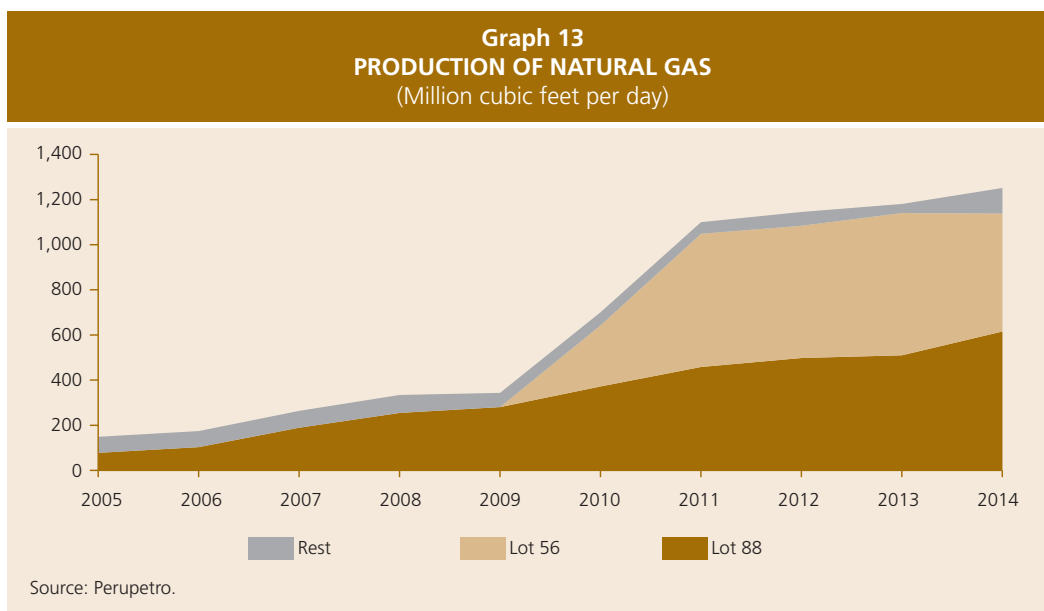
The production of **tin** shrank 2.4 percent due to lower mineral grades at Minsur's mining unit of San Rafael, whereas the extraction of iron increased 7.7 percent due to the better development of operations at Shougang mines (which recovered from the effects of the strikes the company faced during 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.

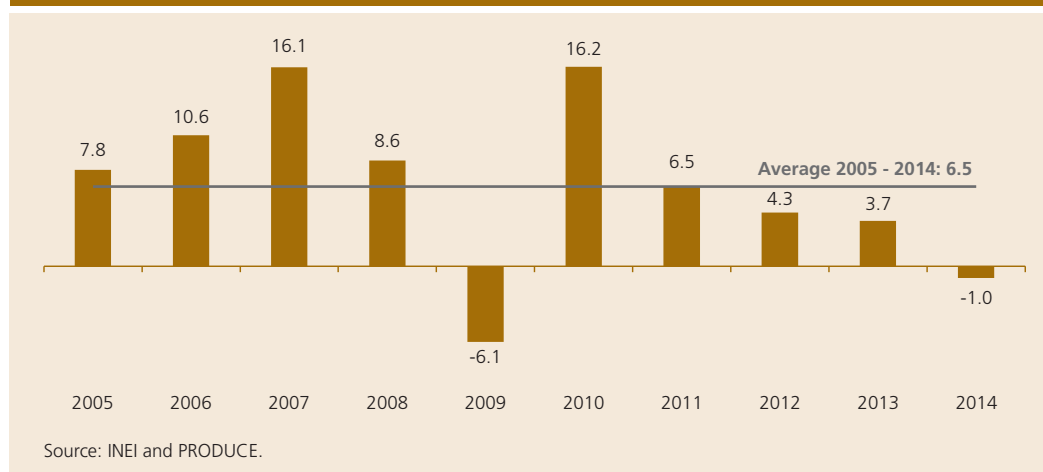
**Table 11**  
**MANUFACTURING BASED ON RAW MATERIALS BY MAIN INDUSTRIAL GROUPS**  
(Real % change)

	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

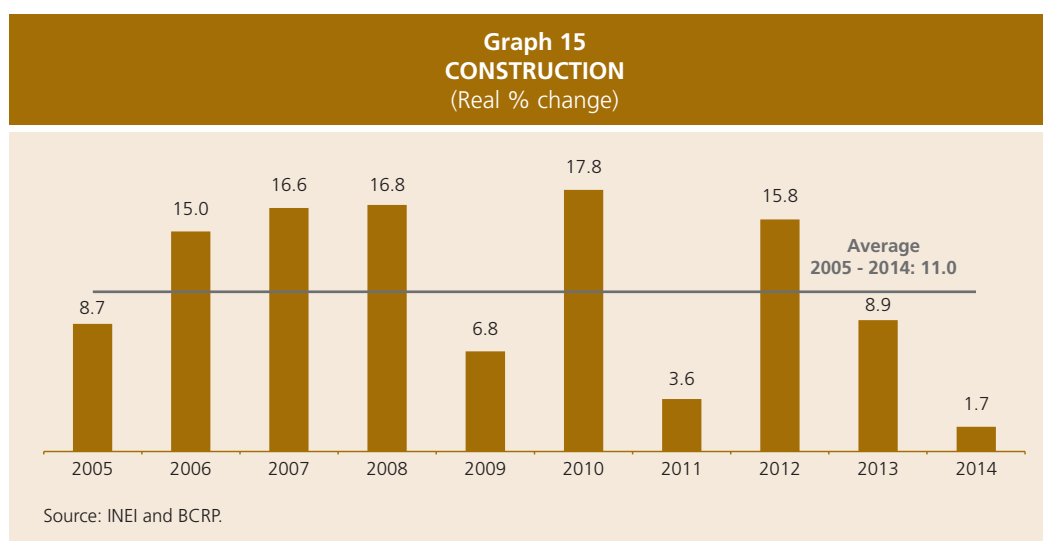
production of explosives, and chemical and natural scents (because of lower demand from the mining and textile sectors, respectively), as well as by a decreased production of leather goods due to lower demand from footwear producers.

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.



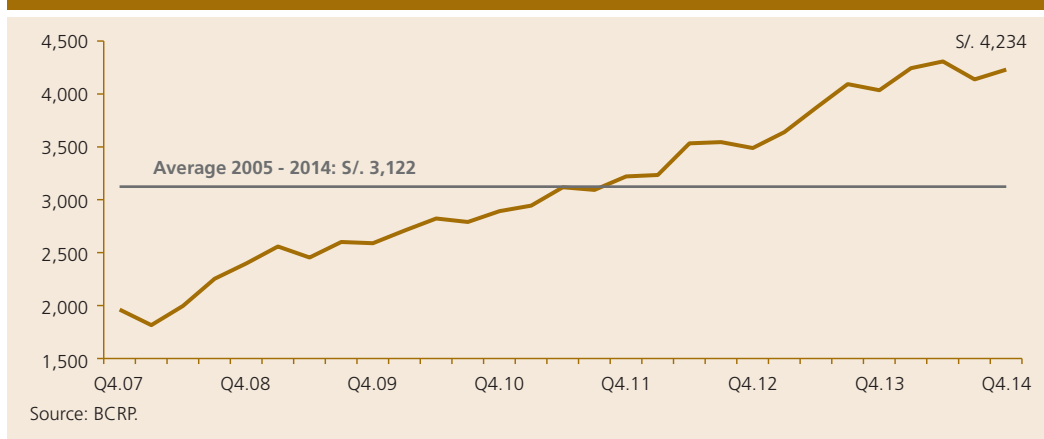
**Table 13**  
**REAL ESTATE SECTOR: EVOLUTION OF MAIN VARIABLES**

	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).

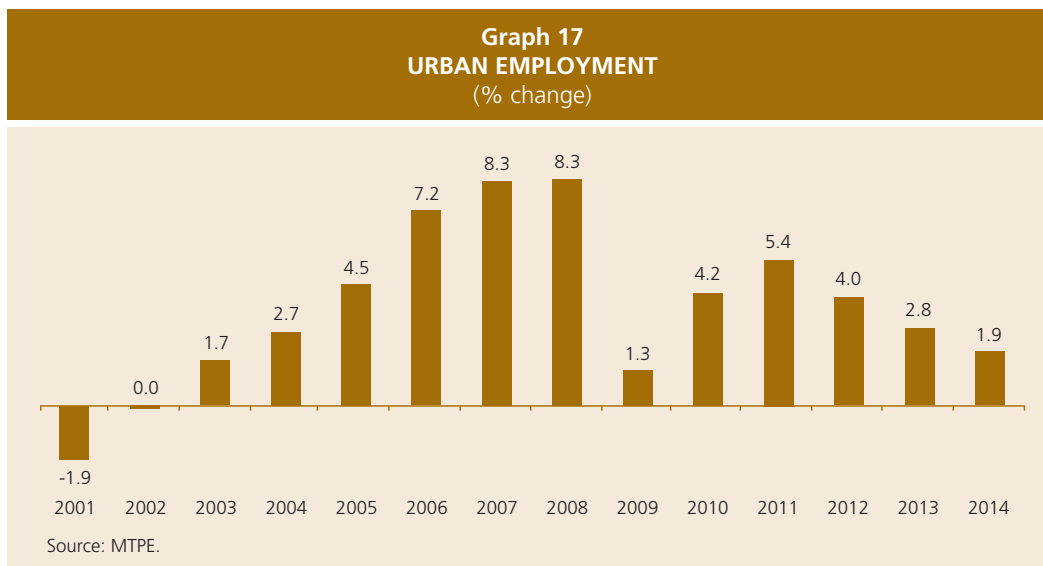
**Graph 16**  
**WEIGHTED MEDIAN OF QUARTERLY SALE PRICES**  
(Per square meter at constant soles of 2009)



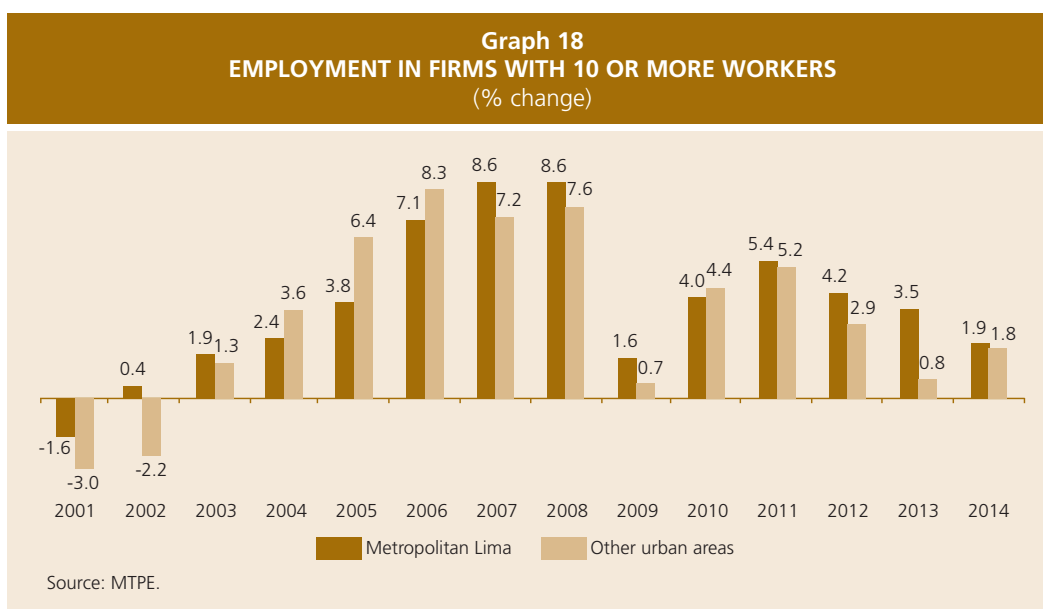
- 1 Each weighed median is the geometric average of the medians of the sale prices of apartments in 10 districts of Lima (La Molina, Miraflores, San Borja, San Isidro, Surco, Jesús Maria, Lince, Magdalena, Pueblo Libre and San Miguel). The weighed average uses the total supply of apartments of the immediately preceding year expressed in square meters, published by CAPECO, as the weighing factor.
- 2 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

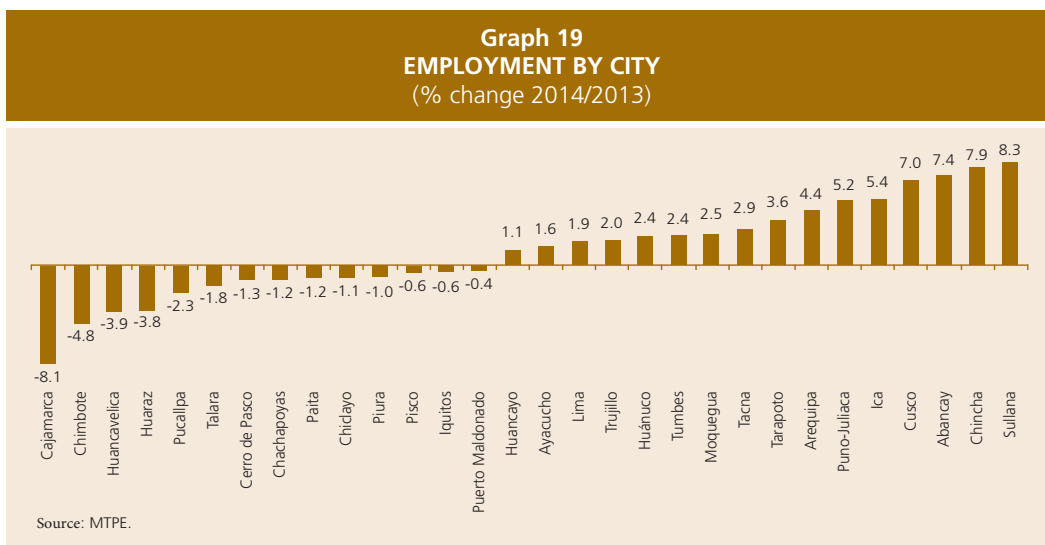
Employment in formal enterprises with 10 and more employees in urban areas grew 1.9 percent in 2014, according to the Ministry of Labor.



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.

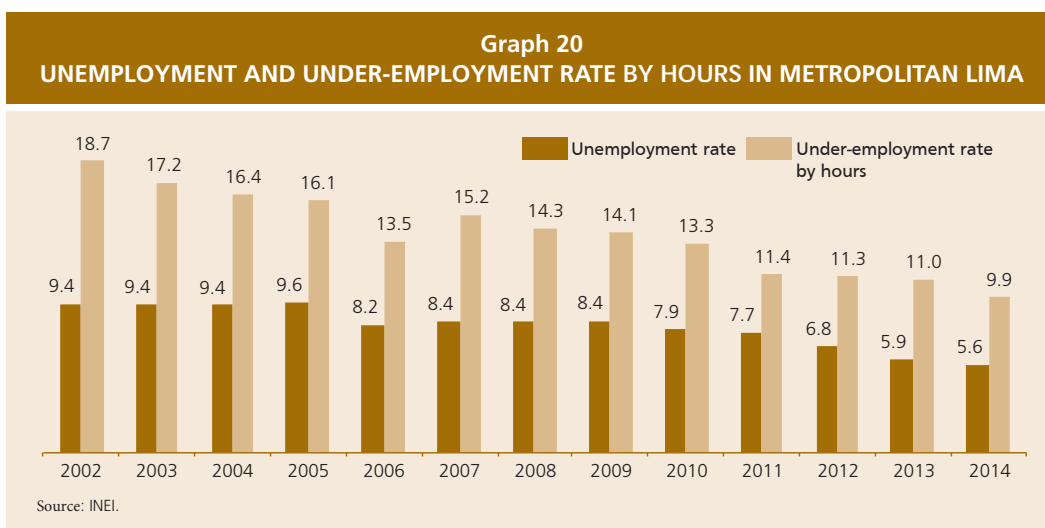


The highest growth of employment was observed in Sullana (8.3 percent), where the dynamism of trade was noteworthy, followed by Chincha (7.9 percent), mainly as a result of increased employment in extractive activities and manufacturing industries. In contrast, the greatest decline of employment was 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.

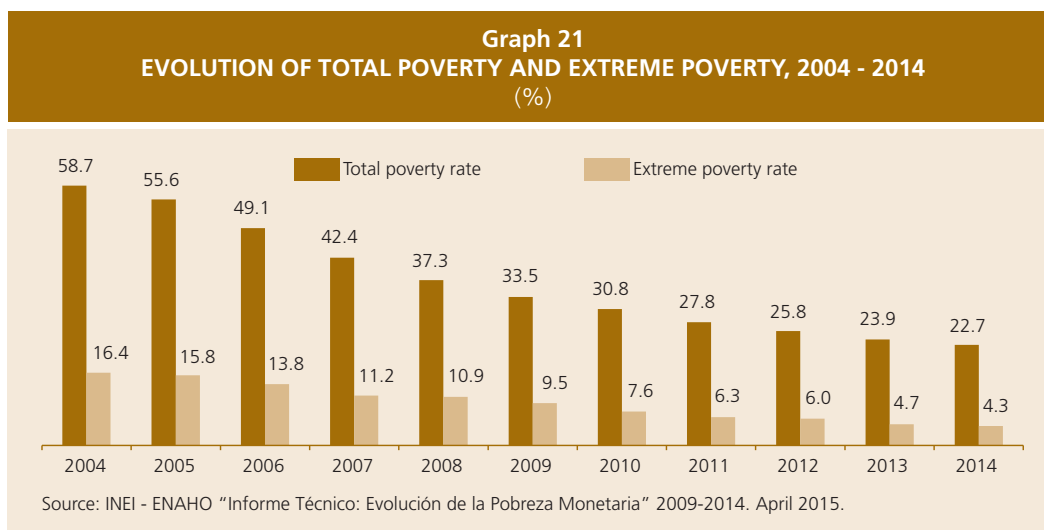
#### 4. Incidence of total poverty 2014

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

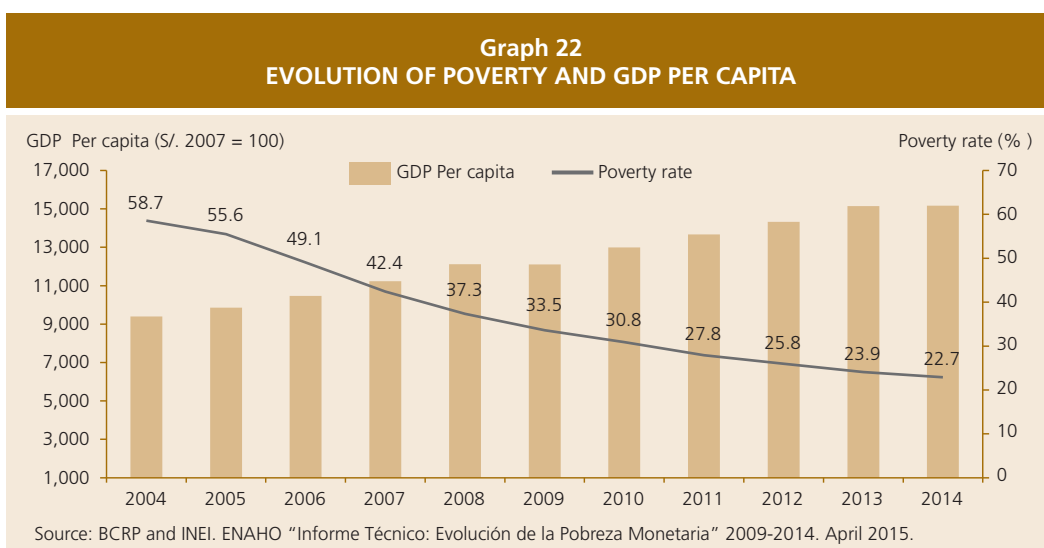
<sup>3</sup> This indicator expresses people's level of well-being in terms of their monetary capacity to meet socially accepted basic needs according to their level of monthly per capita expenditure in the so-called thresholds of extreme poverty and non-extreme poverty. The former is defined by the 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.

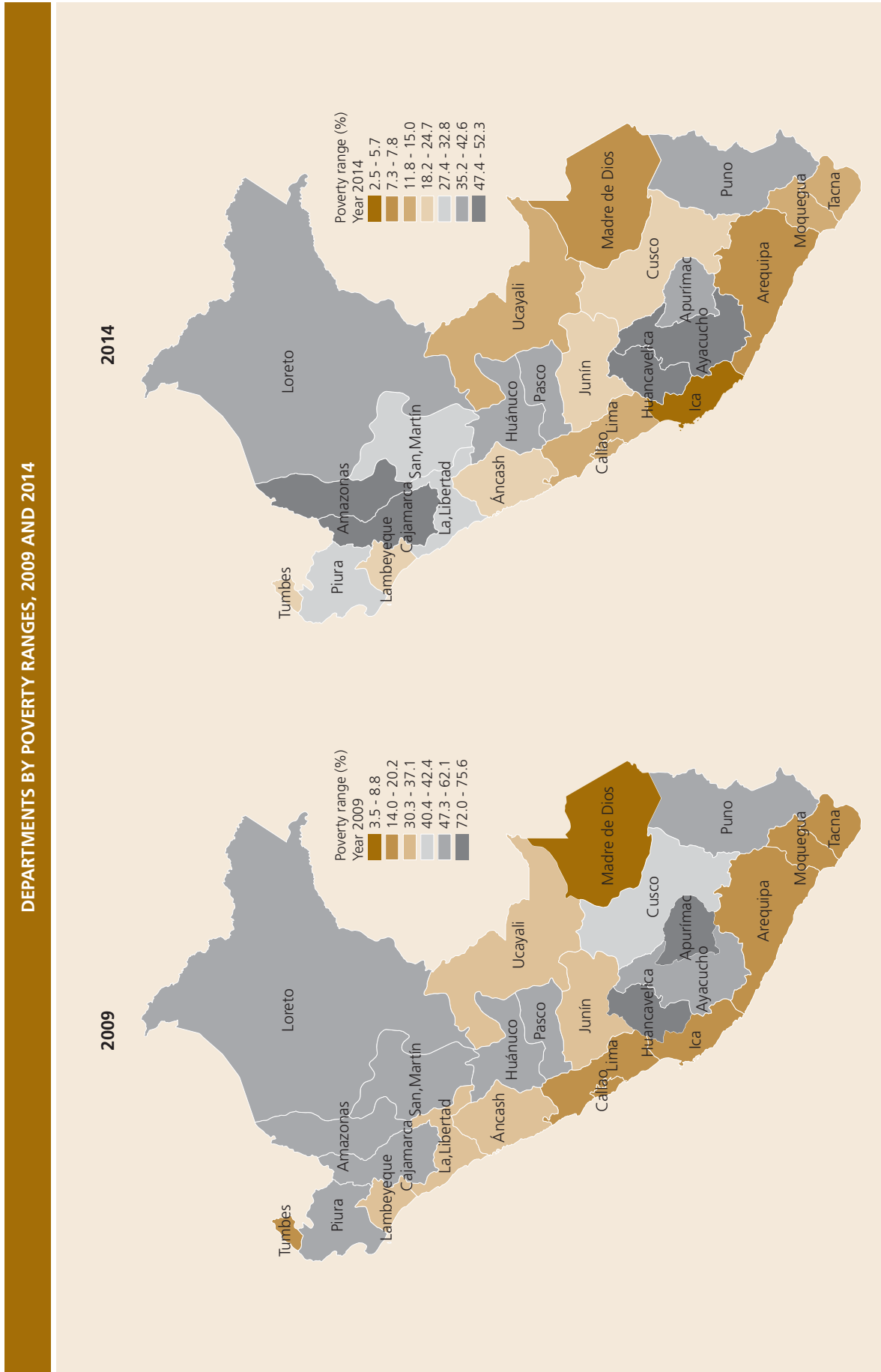
Because greater statistical accuracy is required due to the size of the sample used and due to the different characteristics of each region, since 2011 INEI groups the country's departments by poverty levels. In the past six years, the poverty rates in the poorest departments – Ayacucho, Cajamarca, Amazonas, 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.



# EXTERNAL SECTOR



## 1. International environment

In 2014 the world economy grew 3.3 percent –slightly less than in the last two years<sup>6</sup>–, which reflected the slowdown observed in most emerging market economies, on the one hand, and the recovery of growth in the developed market economies –particularly in the United States and the Eurozone–, on the other hand.

The recovery of growth in most developed economies was driven by consumption, although consumption did not evolve in the same way in every country. In the United States, the recovery was supported by sustained improvements in employment, which led the Federal Reserve to gradually withdraw its asset purchase program (the program culminated in October 2014), whereas in the Eurozone, the recovery was slow and uneven in the different countries of the union and accompanied by an increased risk of deflation, which increased the likelihood that the European Central Bank (ECB) will adopt expansionary policies. The divergence between the monetary policies of the ECB and the Federal Reserve brought about a strengthening of the dollar in international markets, particularly against the euro.

The emerging market economies experienced a widespread slowdown that affected the larger economies of the block (China, Russia and Brazil). China's economic slowdown had a major impact on the price of commodities, which together with the Federal Reserve withdrawal of its asset purchase program, the drop in oil prices, and geopolitical factors, generated volatility in international financial markets and depreciation pressures in most of the currencies of the emerging market economies.

In this context, Peru's terms of trade fell by an average 5.4 percent and accumulated a decline of 13.2 percent since 2012. Moreover, in 2014 the prices of the country's exports dropped 7.1 percent, offset in part by a decrease of 1.7 percent in the prices of imports (particularly oil prices).

### Economic activity

The developed countries recorded an average growth rate of 1.8 percent (1.4 percent in 2013), the highest recovery being observed in the euro area, where, in contrast with other years, the recovery trend was more even at the country level. The United States and the United Kingdom also continued showing the recovery path observed in the previous years, contrasting with Japan where activity was affected by the increase of the sales tax in April.

On the other hand, the economic slowdown was practically generalized in the emerging market countries due mainly to the effect of changes in international financial conditions as a result of the Federal Reserve gradual withdrawal of monetary stimulus and the decline of commodity prices. These factors generated depreciation pressures on most of the currencies of the emerging market countries, but geopolitical uncertainty was an additional factor in the case of Russia.

<sup>6</sup> It should be pointed out that the growth ratios have been revised backwards according to the methodological revision of GDP purchasing power parity carried out by the World Bank.



**Table 18**  
**GLOBAL GROWTH**  
(Annual % change)

	% PPP 2013	2012	2013	2014
<b>Developed countries</b>	<b>43.8</b>	<b>1.2</b>	<b>1.4</b>	<b>1.8</b>
<i>Of which</i>				
1. USA	16.3	2.3	2.2	2.4
2. Eurozone	12.5	-0.8	-0.5	0.9
Germany	3.5	0.6	0.2	1.6
France	2.5	0.3	0.3	0.4
Italy	2.0	-2.8	-1.7	-0.4
Spain	1.5	-2.1	-1.2	1.4
3. Japan	4.6	1.8	1.6	-0.1
4. United Kingdom	2.4	0.7	1.7	2.8
<b>Developing countries</b>	<b>56.2</b>	<b>5.2</b>	<b>5.0</b>	<b>4.6</b>
<i>Of which</i>				
1. Developing Asia	28.6	6.8	7.0	6.8
China	15.7	7.8	7.8	7.4
India	6.6	5.1	6.9	7.2
2. Commonwealth of Independent States	4.8	3.4	2.2	1.0
Russia	3.4	3.4	1.3	0.6
3. Latin America and the Caribbean	8.8	3.1	2.9	1.3
Brazil	3.1	1.8	2.7	0.1
Chile	0.4	5.5	4.3	1.8
Colombia	0.6	4.0	4.9	4.6
Mexico	2.0	4.0	1.4	2.1
Peru	0.3	6.0	5.8	2.4
<b>World Economy</b>	<b>100.0</b>	<b>3.4</b>	<b>3.4</b>	<b>3.3</b>
<b>Memo:</b>				
Trading partners 1/	59.4	2.8	2.8	2.4
BRICs 2/	28.8	5.9	6.3	5.8

1/ Peru's 20 main trading partners.  
2/ Brazil, Russia, India, and China.  
Source: Bloomberg, IMF, and Consensus Forecast.

In the United States, the economy grew 2.4 percent in 2014 (2.2 percent in 2013). The U.S. economy continued showing a gradual recovery, supported by an improvement in consumption, after being affected by unusually cold weather during Q1. As in previous years, consumption was driven by favorable conditions in the labor market: unemployment declined from 6.7 percent in 2013 to 5.6 percent in 2014 and the number of new jobs (3.1 million) was the largest registered since 1999, while investment was favored by corporate earnings.

**Table 19**  
**USA: GROWTH**  
(Quarterly annualized rates)

	Q1.13	Q2.13	Q3.13	Q4.13	Q1.14	Q2.14	Q3.14	Q4.14	2014
<b>GDP</b>	<b>2.7</b>	<b>1.8</b>	<b>4.5</b>	<b>3.5</b>	<b>-2.1</b>	<b>4.6</b>	<b>5.0</b>	<b>2.2</b>	<b>2.4</b>
Personal consumption	3.6	1.8	2.0	3.7	1.2	2.5	3.2	4.4	2.5
Gross investment	7.6	6.9	16.8	3.8	-6.9	19.1	7.2	3.7	5.8
Fixed investment	2.7	4.9	6.6	6.3	0.2	9.5	7.7	4.5	5.3
Non-Residential	1.5	1.6	5.5	10.4	1.6	9.7	8.9	4.7	6.3
Residential	7.8	19.0	11.2	-8.5	-5.3	8.8	3.2	3.8	1.6
Exports	-0.8	6.3	5.1	10.0	-9.2	11.1	4.5	4.5	3.2
Imports	-0.3	8.5	0.6	1.3	2.2	11.3	-0.9	10.4	4.0
Government expenditure	-3.9	0.2	0.2	-3.8	-0.8	1.7	4.4	-1.9	-0.2

Source: Bureau of Economic Analysis.

Inflation remained relatively stable during the first half of the year and declined significantly towards the end of the year, mainly due to the fall of oil prices (inflation fell from 2.1 percent in June to 0.8 percent in December). Moreover, inflation without food and energy inflation also remained relatively stable (1.6 percent to December).

In this context, the Federal Reserve started the gradual withdrawal of monetary stimulus. As a result, the monthly amount of asset purchases dropped from US\$ 85 billion in December 2013 to zero in October 2014.

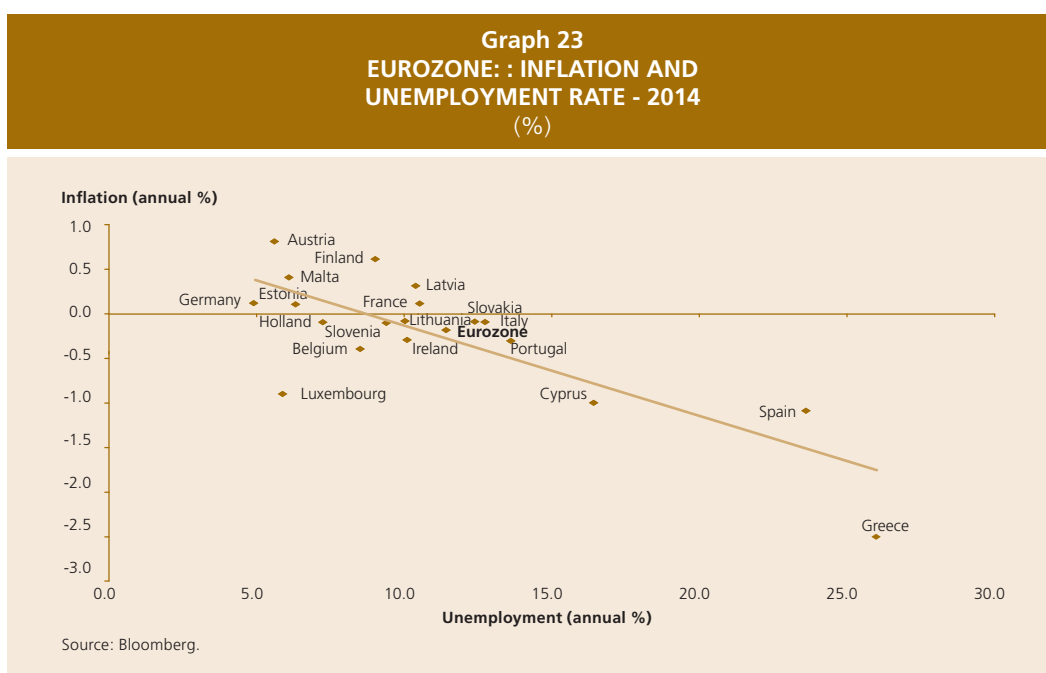
The Eurozone grew 0.9 percent in 2014, after recording a contraction of 0.5 percent in 2013. In contrast with other years, all the countries showed a rather more uniform trend, with the exception of Italy. Thus, all the larger European economies registered positive growth rates, the acceleration of growth in Germany and the recovery of Spain standing out.

The recovery of GDP growth in the Eurozone is explained mainly by the recovery of consumption (about 1 percent), which was favored by the stabilization of unemployment rates, low rates of inflation, and some normalization in credit conditions. In addition to this, some peripheral economies were favored by the recovery of their exports.

Nonetheless, this economic recovery was offset by the deleveraging of the private sector, which continued during 2014, while the growth of investment (1 percent in the year) was offset by the decline of business confidence, associated with economic slowdown in China and with the effect of the conflict in Ukraine.

This growth in the Eurozone was also accompanied by a reduction in inflation as well as by rising risks of a deflationary process. After declining gradually during most of the year, inflation showed a faster fall in Q4 due to the drop of oil prices (in December it recorded a negative rate of 0.2 percent. This was its first negative rate since 2009). At the country level, the higher rates of deflation were observed in the countries with higher levels of unemployment.

In this context, the ECB adopted a series of measures in June and September, including a reduction in interest rates, special injections of liquidity, conditioned to the increase of credit, and a purchase program of asset-backed securities and covered bonds.





The GDP of Japan fell 0.1 percent in 2014. Consumption, which accounts for around 60 percent of the output, declined by over 1 percent due to the increase of the consumption tax (from 5 to 8 percent), and residential investment decreased as well. This slowdown was offset by increased government spending and increased net exports, the latter being favored by the depreciation of the yen.

In this context, the rate of inflation excluding food increased from 1.2 percent in 2013 to 2.6 percent in 2014. However, isolating the effect of the increase in the sales tax, inflation showed a rate of 0.5 percent.

Because of low inflation, the greater-than-expected fall of demand, and the drop of oil prices, since late October the Bank of Japan accelerated the annual pace of growth of its monetary base (from ¥ 60-70 trillion to ¥ 80 trillion).

Economic activity in China showed a gradual slowdown throughout 2014, GDP recording the lowest rate of growth (7.4 percent) since 1990. The lower dynamism of investment –particularly in the real estate sector, affected by the correction of home prices– and the decline of net exports were particularly noteworthy.

At the sector level, manufacturing was the sector that grew the least, while the sector of services, most closely linked to domestic demand, had a more dynamic performance. It should be pointed out that this could be reflecting a change in the pattern of growth towards a growth path based more on domestic factors, in line with the growth target established by the Chinese authorities.

Inflation registered a downward trend during most of the year due mainly to the lower prices of commodities. The rate of inflation fell from 2.5 percent in December 2013 to 1.5 percent in December 2014 and core inflation showed a similar trend, recording a rate of 1.3 percent at year-end.

Some stimulus actions were taken in response to the economic slowdown and the decline of inflation. The central bank lowered interest rates on loans and deposits by 40 basis points, and established measures to improve liquidity injection –new medium-term injection facilities were created– and to boost activity in the real estate market. The government also adopted fiscal stimulus actions (infrastructure works and construction projects).

Other aspects worth pointing out in the emerging economies were the sudden economic slowdown observed in Russia, especially at the end of the year. In 2014 the Russian economy recorded its lowest growth rate in five years (0.6 percent), which was associated mainly with the fall in the international prices of oil and the financial restrictions imposed on Russia by the European Union and the United States in retaliation for Russia's forced annexation of Crimea in March.

Latin American countries grew 1.3 percent in 2014 (2.9 percent in 2013). The region was affected by China's economic slowdown, the fall of export prices, and the deterioration of international financial conditions, which resulted in a depreciation of the currencies of Latin American countries against the dollar. The inflationary pressures arising from the depreciation of the currencies offset the effect of lower domestic demand and the fall of commodity prices.

### **Financial markets**

In 2014, international financial markets were influenced by the divergence observed in the monetary policies of the major developed economies. On the one hand, in the United States the Federal Reserve ended its asset purchase program and expectations increased regarding the beginning of the Fed cycle



of interest rate hikes. On the other hand, signals of a slowdown in the Eurozone, Japan, and China and low inflation led these economies to adopt or announce the implementation of greater monetary and fiscal stimulus programs.

In addition, the perception of risk in markets increased due to geopolitical events in the Middle East, the conflict in Ukraine, and political uncertainty in Greece. Another significant shock was the drastic fall in oil prices due mainly to supply factors and which affected mostly the emerging economies exporters of oil.

In debt markets, the yields of the sovereign bonds of developed economies –Japan, United States, United Kingdom, and Germany– fell significantly due to the stimulus programs adopted in Europe and Japan. On the other hand, the demand for U.S. sovereign bonds was favored by the pursuit of greater profitability and expectations of appreciation of the dollar.

Moreover, the yields in the peripheral countries of the Eurozone also recorded significant declines, driven by better economic conditions and by expectations that the ECB would start a purchase program of sovereign bonds (in addition to the previous stimulus programs). The exception was Greece, where yields and credit spreads rose influenced by greater political uncertainty and concerns about its possible exit from the Eurozone.

**Table 20**  
**SOVEREIGN SPREADS OF DEVELOPED COUNTRIES**

	End of period			Chg. In bps.		
	Dec. 12	Dec. 13	Dec. 14	2012	2013	2014
<b>Treasury bond yields - 10 years (%)</b>						
USA	1.76	3.03	2.18	-12	127	-85
Japan	0.79	0.74	0.33	-20	-5	-41
United Kingdom	1.83	3.02	1.76	-15	119	-127
Eurozone:						
Germany	1.32	1.93	0.54	-51	61	-139
France	2.00	2.56	0.83	-115	56	-173
Italy	4.50	4.13	1.89	-261	-37	-224
Spain	5.27	4.15	1.61	18	-111	-254
Portugal	7.01	6.13	2.69	-635	-88	-344
Greece	11.90	8.42	9.75	-2,306	-348	133
Ireland	n.a.	3.51	1.25	n.d.	n.d.	-226
<b>CDS-5 years Spreads (in bps)</b>						
USA	38	28	16	-11	-10	-11
Japan	82	40	67	-62	-42	27
United Kingdom	41	26	22	-56	-15	-4
Germany	42	25	18	-60	-17	-8
France	93	54	47	-127	-39	-7
Spain	300	154	96	-80	-146	-58
Italy	289	168	136	-195	-121	-32
Greece	4,265	675	1,272	-4,521	-3,590	597
Portugal	443	352	202	-639	-91	-149
Ireland	220	120	50	-504	-100	-70

Source: Bloomberg.

Furthermore, the credit spreads of Latin American countries increased, in line with the onset of the Fed tapering and lower prospects for growth in the region. The greatest spread increases were observed in Argentina (due to negotiations about the non-structured debt) and Colombia (as a result of the fall in oil prices).



**Table 21**  
**SOVEREIGN SPREADS OF LATAM**

	End of period			Chg. in bps.		
	Dec. 12	Dec. 13	Dec. 14	2012	2013	2014
<b>Spreads CDS (en bps)</b>						
Argentina*	1,401	1,638	2,773	463	237	1,135
Brazil	108	193	201	-52	85	8
Chile	72	80	94	-60	8	15
Colombia	96	118	140	-95	22	21
Mexico	97	92	103	-56	-5	12
Peru	97	133	116	-75	36	-17

\* Last available data at the end of July 2014.  
Source: Bloomberg.

Stock markets showed different results. In the United States, they reported profits as a result of good corporate balances and economic improvement, this positive performance being offset by expectations that the Federal Reserve would raise interest rates.

In the Eurozone, they were affected by negative data of economic activity and inflation. However, towards the end of the year, they were favored by the signals given by the ECB about the implementation of additional stimulus measures and by indicators pointing to a better evolution in the economies of the region. A similar situation was observed in Japan, which was favored by greater monetary and fiscal stimulus programs as well as by the depreciation of the yen.

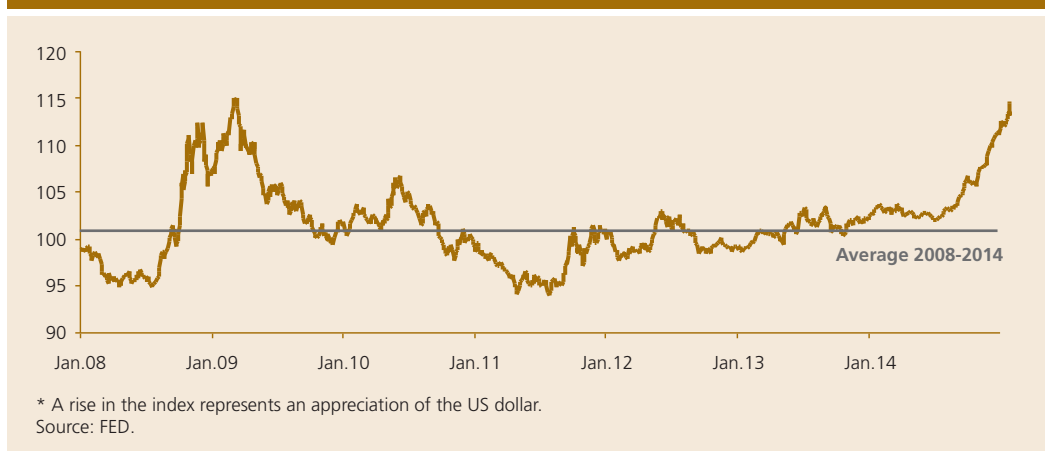
**Table 22**  
**STOCK MARKETS (END OF PERIOD)**

		% change		
		2012	2013	2014
VIX	S&P'500	-5.4	-4.3	2.6
USA	Dow Jones	7.3	26.5	8.7
Brazil	Bovespa	7.4	-15.5	-2.9
Argentina	Merval	15.9	88.9	59.1
Mexico	CPI	17.9	-2.2	1.0
Chile	IGP	4.7	-13.5	3.5
Colombia	IGBC	16.2	-11.2	-11.0
Peru	General Index	5.9	-23.6	-6.5
United Kingdom	FTSE 100	5.8	14.4	-2.7
Germany	DAX	29.1	25.5	2.7
France	CAC 40	15.2	18.0	-0.5
Spain	IBEX 35	-4.7	21.4	3.7
Italy	FTSE MIBb	7.8	16.6	0.2
Russia	RTSI\$	10.5	-5.5	-45.2
Turkey	XU100	52.6	-13.3	26.4
South Africa	JSE	22.7	17.8	7.6
Nigeria	NSEAS Index	35.4	47.2	-16.1
Japan	Nikkei 225	22.9	56.7	7.1
Indonesia	JCI	12.9	-1.0	22.3
India	S&P CNX Nifty	27.7	6.8	31.4
China	Shangai C.	3.2	-6.7	52.9

Source: Bloomberg.

In the foreign exchange markets, the dollar showed a clear appreciation trend associated to a great extent with the divergence in monetary policies mentioned above. According to the index of the Federal Reserve –which considers a basket of currencies of its major trading partners–, the dollar appreciated 9.0 percent in the year.

**Graph 24**  
**US DOLLAR BASKET INDEX\***  
 (January - December 2014)



The yen was one of the currencies of the developed economies that depreciated more, with the significant increase of the Bank of Japan stimuli accounting largely for this. The euro also depreciated considerably, influenced mostly in the last months of the year by increased expectations that the ECB would launch a quantitative stimulus program.

In line with the global trend, in Latin America the currencies depreciated as a result of lower capital flows, signs of economic slowdown, and lower commodity prices. The currencies of oil-exporting countries were among the more affected ones.

**Table 23**  
**EXCHANGE RATE**  
 (C.U. per US\$)

		Dec. 14	Annual % chg.		
			2012	2013	2014
US dollar index*	FED basket	111.29	-1.4	2.9	9.0
Eurozone	Euro (US\$xEu)	1.21	1.9	4.2	-11.9
United Kingdom	Pound (US\$xL)	1.56	4.6	1.9	-5.9
Japan	Yen	119.79	12.7	21.4	13.8
Australia	Dollar (US\$xAu)	0.82	1.6	-14.2	-8.2
Switzerland	Swiss Franc (FSxUS\$)	0.99	-2.3	-2.5	11.3
Brazil	Real	2.66	9.9	15.4	12.5
Argentina	Peso	8.56	14.2	32.6	31.3
Mexico	Peso	14.76	-7.8	1.3	13.3
Chile	Peso	605.90	-7.9	9.8	15.3
Colombia	Peso	2,388.00	-8.8	9.2	23.8
Peru	Nuevo Sol	2.98	-5.4	9.7	6.4
China	Yuan	6.20	-1.0	-2.8	2.5
Sweedeen	Crown	7.79	-5.5	-1.2	21.3
Ukraine	Hrivnia	15.27	-1.6	4.0	85.5
India	Rupee	63.03	3.7	12.4	2.0
Indonesia	Rupee	12,380.00	8.1	24.2	1.8
South Africa	Rand	11.57	3.6	23.6	10.7
Turkey	Lira	2.34	-5.8	20.6	8.9
Russia	Ruble	58.47	-5.1	7.7	77.8

\*A rise in the index represents an appreciation of the US dollar.  
 Source: Bloomberg.



## 2. Balance of payments

The deficit in the current account of the balance of payments decreased from 4.2 percent of GDP in 2013 to 4.0 percent of GDP in 2014. Despite the deterioration of terms of trade (down 5.4 percent) and the lower volume of exports (-1.0 percent), the deficit decreased due to the fall in the volume of imports (as a result of lower growth and of the real depreciation of the nuevo sol) and due to higher current transfers from abroad for extraordinary income (non-residents' income tax).

The financial account registered a flow of US\$ 6.83 billion, amount equivalent to 3.4 percent of GDP, due mainly to long-term private sector operations (3.2 percent of GDP). This flow is explained by foreign direct investment –mining companies and non-financial service companies–, bond placements in external markets (by mining, financial, and manufacturing companies), and long-term loans (manufacturing, mining and non-financial service companies).

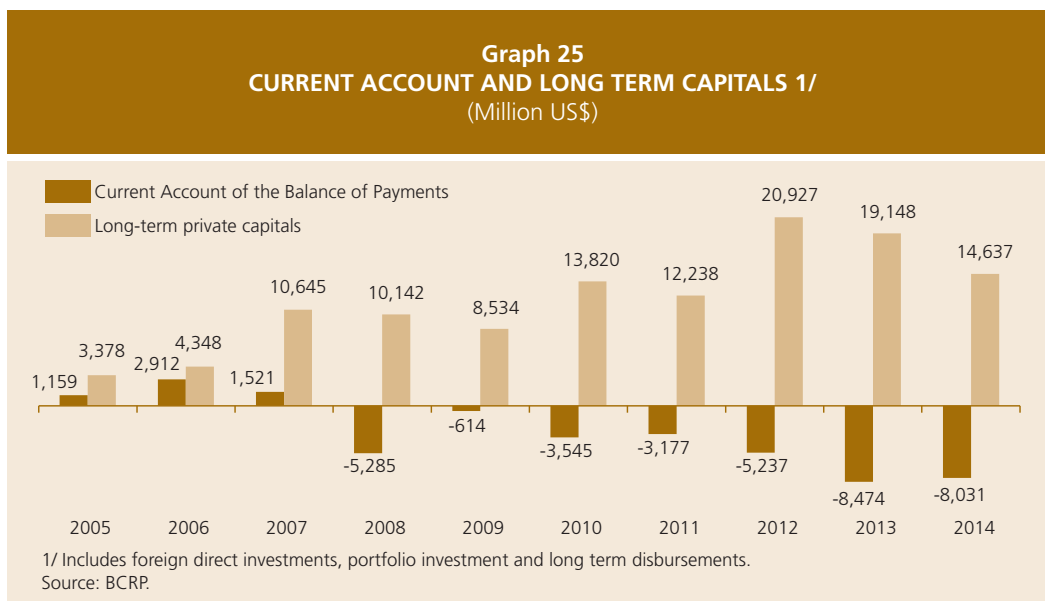
The financial account of the public sector registered a negative flow of US\$ 16 million, while net short-term capital inflows totaled US\$ 354 million, explained mainly by the increase of banks' external liabilities.

**Table 24**  
**BALANCE OF PAYMENTS**

	Million US\$			Annual % chg.	
	2012	2013	2014	2013	2014
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>-5,237</b>	<b>-8,474</b>	<b>-8,031</b>	<b>-4.2</b>	<b>-4.0</b>
1. Trade Balance	6,276	613	-1,276	0.3	-0.6
a. FOB Exports	47,411	42,861	39,533	21.2	19.5
b. FOB Imports	-41,135	-42,248	-40,809	-20.9	-20.1
2. Services	-2,420	-1,801	-1,800	-0.9	-0.9
a. Exports	4,915	5,814	5,874	2.9	2.9
b. Imports	-7,335	-7,615	-7,674	-3.8	-3.8
3. Investment Income	-12,399	-10,631	-9,328	-5.3	-4.6
a. Private	-11,670	-9,773	-8,620	-4.8	-4.3
b. Public	-729	-859	-708	-0.4	-0.3
4. Current transfers	3,307	3,346	4,374	1.7	2.2
of which: Remittances	2,788	2,707	2,639	1.3	1.3
<b>II. FINANCIAL ACCOUNT</b>	<b>19,812</b>	<b>11,414</b>	<b>6,828</b>	<b>5.7</b>	<b>3.4</b>
1. Private sector	15,792	14,881	6,490	7.4	3.2
a. Assets	-2,408	-1,291	-4,548	-0.6	-2.2
b. Liabilities	18,200	16,173	11,038	8.0	5.4
2. Public sector	1,447	-1,343	-16	-0.7	0.0
a. Assets	-457	113	-558	0.1	-0.3
b. Liabilities 1/	1,904	-1,456	542	-0.7	0.3
3. Short-term capital	2,572	-2,125	354	-1.1	0.2
a. Assets	0	356	-177	0.2	-0.1
b. Liabilities	2,572	-2,481	531	-1.2	0.3
<b>III. EXCEPTIONAL FINANCING</b>	<b>19</b>	<b>5</b>	<b>10</b>	<b>0.0</b>	<b>0.0</b>
<b>IV. NET ERRORS AND OMISSIONS</b>	<b>213</b>	<b>-38</b>	<b>-985</b>	<b>0.0</b>	<b>-0.5</b>
<b>V. BALANCE OF PAYMENT RESULT</b>	<b>14,806</b>	<b>2,907</b>	<b>-2,178</b>	<b>1.4</b>	<b>-1.1</b>
<b>(V = I + II + III + IV) = (1-2)</b>					
1. Change in the balance of NIRs	15,176	1,672	-3,355	0.8	-1.7
2. Valuation effect	369	-1,235	-1,177	-0.6	-0.6

1/ Government bonds issued abroad and held by residents are excluded from the external liabilities of the public sector, and government bonds issued in the domestic market and held by non-residents are included in the external liabilities of the public sector.

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

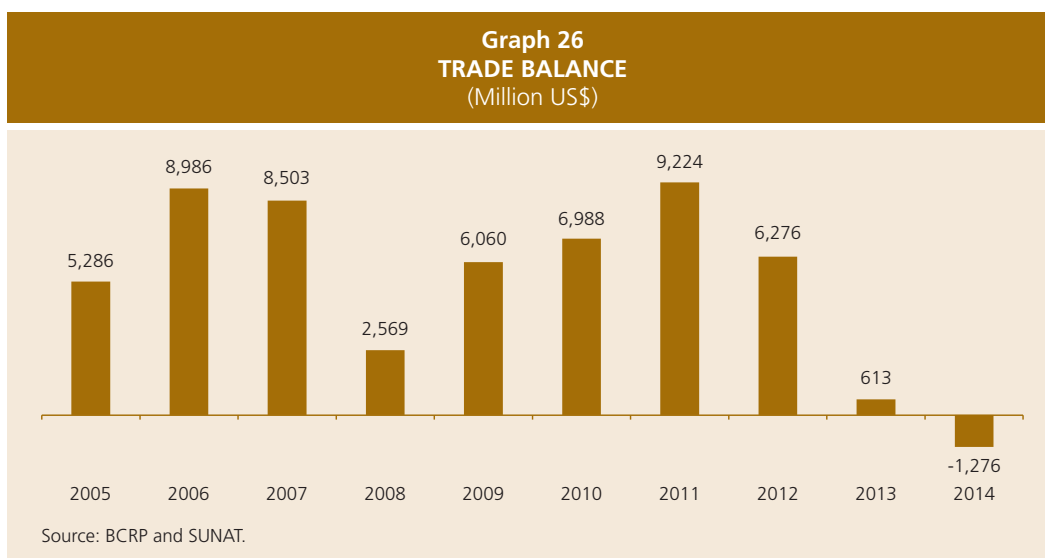


## 2.1 Trade balance

In 2014 the trade balance registered a deficit of US\$ 1.28 billion. This result reflects the lower dynamism of imports (in line with the evolution of domestic demand), the deterioration of the terms of trade, and the decline observed in the volume of traditional exports.

Exports totaled US\$ 39.53 billion, 7.8 percent less than in the previous year due to the fall of the average prices of exports (6.9 percent), especially the prices of traditional exports such as gold and copper, which reflected a less favorable international environment. Exports affected in terms of volume included coffee (due to the impact of the yellow rust plague on crops), gold (due to the smaller shipments of gold marketing companies), and, to a lesser extent, fish meal.

The volume of non-traditional exports recorded an increase of 6.2 percent. Exports of agricultural, fishery, and chemical products increased 22.3, 10.5, and 2.3 percent, respectively, although this increase was in part offset by the decline of exports of textiles (12.4 percent) and steel&iron products (12.1 percent).





Imports, which amounted to US\$ 40.81 billion in 2014, decreased 3.4 percent compared to 2013. Imports dropped 1.9 percent in terms of volume due to the lower demand for capital goods associated with the contraction of investment during the year. On the other hand, the prices of imports fell 1.5 percent, which reflecting the decline observed in prices of imported inputs associated with the drop in international oil prices.

With these results, the degree of openness –that is, the weight of foreign trade operations in terms of GDP– reached a level equivalent to 39.5 percent. This ratio shows that the Peruvian economy has become one of the more open economies in the region as a result of trade liberalization policies (especially free trade agreements).

In 2014, China and the United States continued to be Peru’s two major trading partners. Even though the share of the United States fell, both countries accounted for over 37 percent of Peru’s total trade in 2014. A decline was observed in exports of traditional products to the United States (especially gold), but exports of non-traditional goods increased. The North American market is still the market with the highest demand for Peruvian non-traditional exports (24.5 percent of the total, two-thirds of which are goods associated with agriculture and textiles). Exports of asparagus, avocados, grapes, quinoa, and T-shirts to this market were noteworthy in 2014.

China continued buying mainly minerals, such as copper, iron and zinc, and fishery products, such as fish meal from Peru, while our country continued buying mobile phones, telecommunication devices, televisions, and reception and transmission parts from China.

In terms of regions, the Andean countries were the only destinations where Peru’s exports of non-traditional products fell, which was mainly associated with the effect of lower textile exports to the Venezuelan market. On the other hand, Peruvian exports to the EU increased compared to 2013 and exports of Peru’s non-traditional products to this region increased by 16.7 percent. Moreover, the Asian and American markets continued increasing their demand.

**Table 25**  
**TRADE BY MAIN COUNTRIES AND REGIONS 1/**  
(Million US\$)

	Exports 2/			Imports 3/			X + M		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
China	7,844	7,354	7,025	7,394	8,096	8,551	15,237	15,450	15,575
USA	6,321	7,765	6,141	7,586	8,434	8,411	13,907	16,199	14,552
Brazil	1,406	1,757	1,593	2,476	2,242	1,924	3,882	3,999	3,517
Canada	3,448	2,742	2,551	578	601	793	4,026	3,342	3,345
Switzerland	5,074	3,025	2,642	151	156	196	5,225	3,180	2,838
Chile	2,030	1,685	1,537	1,267	1,310	1,273	3,297	2,995	2,810
Germany	1,866	1,169	1,234	1,308	1,336	1,423	3,174	2,506	2,657
Mexico	417	511	736	1,736	1,978	1,917	2,152	2,489	2,653
Japan	2,571	2,226	1,583	1,392	1,351	1,038	3,964	3,577	2,621
Ecuador	929	967	861	2,005	1,918	1,741	2,934	2,885	2,602
South Korea	1,546	1,561	1,214	1,535	1,475	1,286	3,081	3,036	2,501
Colombia	921	855	1,228	1,508	1,416	1,202	2,429	2,271	2,430
Bolivia	1,604	887	1,727	677	609	631	2,281	1,496	2,359
Spain	1,860	1,593	1,363	753	832	719	2,613	2,425	2,082
Rest	9,573	8,764	8,097	10,769	10,494	9,703	20,342	19,258	17,800
<b>TOTAL</b>	<b>47,411</b>	<b>42,861</b>	<b>39,533</b>	<b>41,135</b>	<b>42,248</b>	<b>40,809</b>	<b>88,546</b>	<b>85,108</b>	<b>80,342</b>
Asia	13,386	12,701	11,306	13,104	13,948	14,118	26,490	26,649	25,425
North America	10,186	11,017	9,428	9,900	11,013	11,121	20,086	22,030	20,549
European Union	8,120	7,024	6,380	4,770	4,991	4,741	12,890	12,014	11,121
Andean Countries 4/	6,697	5,192	5,849	5,657	5,338	4,872	12,354	10,530	10,722
Mercosur 5/	1,645	1,967	1,823	4,655	4,140	3,393	6,300	6,107	5,215
Rest	7,376	4,960	4,745	3,050	2,818	2,564	10,426	7,778	7,309

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.  
 4/ Bolivia, Chile, Colombia, Ecuador, and Venezuela.  
 5/ Brazil, Argentina, Uruguay, and Paraguay.  
 Source: SUNAT.

### Classification of exports by groups of economic activity

Peru's exports classified by economic activity are discussed in this section. This classification is based on a selection and grouping of the major tariff items which cover 98 percent of the FOB value of the goods exported in 2014, arranging them according to the International Standard Industrial Classification Revision 4 (ISIC Rev. 4).

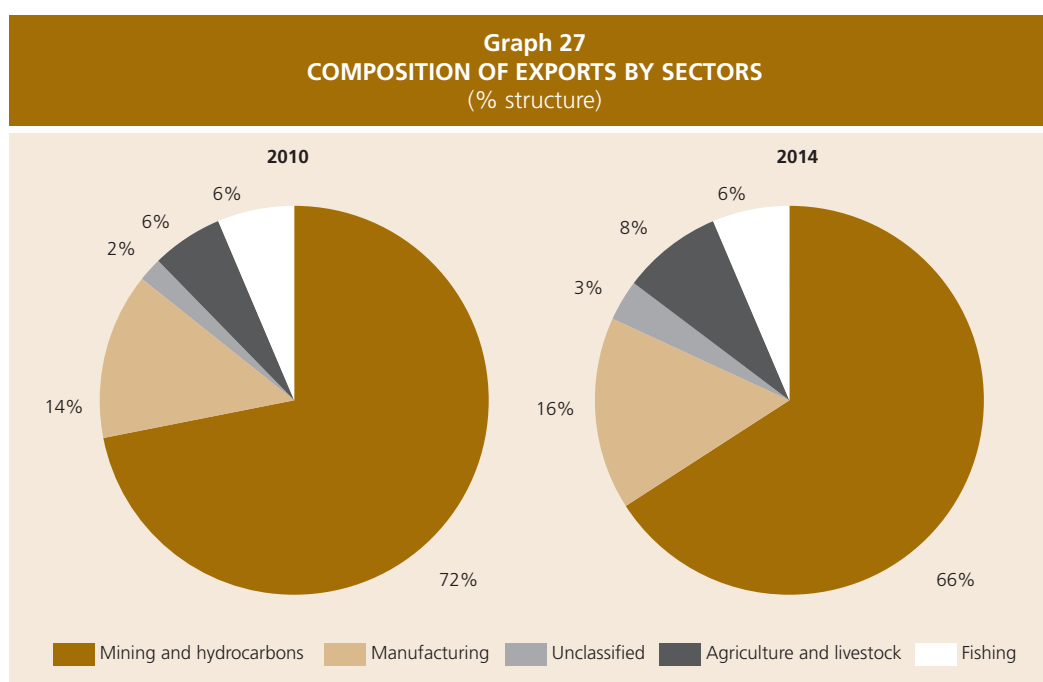
All ISIC items were classified in four major groups: agriculture, fishing, mining and hydrocarbons, and manufacturing. In some cases, different ISIC groups have been combined to obtain a similar classification to the one used in statistics of economic activity. For example, ISIC groups 0121 to 0126, which refer to the cultivation of assorted fruits, have been combined into a single group called "Fruits", which includes fresh grapes, avocados, mangoes, bananas, and tangerines, among other fruits. For instance, all mining concentrates, refined or processed products are under the category of "mining and hydrocarbon exports", regardless of whether they are considered "traditional" or "non-traditional" exports.

Thus, we can say that the exports of the agriculture sector amounted to US\$ 3.27 billion in 2014, exports of the fishing sector amounted to US\$ 2.52 billion, mining and hydrocarbons exports amounted to US\$ 25.93 billion, and manufacturing exports amounted to US\$ 6.30 billion.

Exports of coffee (US\$ 734 million) and fruits (US\$ 1.43 billion) stand out in the group of agriculture products. It is worth pointing out that exports of quinoa were one of the exports that increased more (59 percent) in this group, with total exports of this crop amounting to US\$ 196 million.

In fisheries, exports of fishmeal and canned fish and seafood (US\$ 2.48 billion) stand out, while exports of non-ferrous minerals (US\$ 9.90 billion) and primary products based on non-ferrous minerals (US\$ 10.53 billion) stand out in the sector of mining and hydrocarbons. Finally, exports of textiles –fabrics, yarn, garments and synthetic fibers– which totaled US\$ 1.48 billion– stand out in the manufacturing group.

The graph below shows that the distribution of exports by sector has remained relatively stable between 2010 and 2014, with the exception of the mining and hydrocarbons sector whose ratio decreased from 72 to 66 percent, while the ratio of both the manufacturing and the agricultural sector increased by 2 percentage points in the same period.





**Table 26**  
**EXPORTS BY GROUP OF ECONOMIC ACTIVITY 1/**  
(Million US\$)

CIU	Sector	2012	2013	2014
	<b>Agriculture and livestock 2/</b>	<b>2,726</b>	<b>2,740</b>	<b>3,268</b>
0111	Cereals, legumes and oilseeds, except ricee	161	212	337
	<i>Of which:</i>			
	Quinoa	32	79	196
	Tara powder	32	32	33
	Black Eye Bean	18	20	21
	Melon seed	0	4	20
0113	Vegetables, tubers and roots	445	526	498
	<i>Of which:</i>			
	Fresh Asparagus	343	414	385
	Fresh onions	54	63	66
	Other seeds (including tomato seeds)	37	38	35
0121 - 0126	Fruits	844	1,032	1,428
	<i>Of which:</i>			
	Grapes	366	443	643
	Avocados	136	184	304
	Mangos	117	133	138
	Organic bananas	82	89	119
	Fresh tangerines	52	43	60
0127	Coffee	1,023	699	734
0128	Spices and medicinal and aromatic plants	103	104	116
	<i>Of which:</i>			
	Whole paprika	65	50	46
	Ginger	4	8	27
1030	Canned fruits and vegetables	13	15	15
1072	Sugar cane	43	56	69
	Others	95	97	72
	<b>Fishing</b>	<b>2,811</b>	<b>2,436</b>	<b>2,522</b>
0311	Fresh or frozen products	29	41	37
1020	Fishmeal and canned fish, and sea food	2,778	2,390	2,481
	Others	4	4	4
	<b>Mining and hydrocarbons</b>	<b>33,653</b>	<b>30,158</b>	<b>25,928</b>
0610	Crude oil	582	540	500
0620	Natural gas	1,331	1,372	786
0710	Iron	845	857	647
0729	Non-ferrous minerals	12,530	10,668	9,900
1920	Oil refining products	3,046	3,280	3,162
2420	Primary products of precious metals and non-ferrous metals	14,821	12,953	10,532
	Others	499	487	402
	<b>Manufacturing</b>	<b>6,547</b>	<b>6,054</b>	<b>6,303</b>
1030	Processing and preserving of fruit and vegetables	733	712	804
1040	Oils and fats of vegetable and animal origin	571	397	490
1050	Milk products	119	112	138
1061, 1071, 1074	Milling and Bakery	146	148	172
1073	Cocoa and chocolate and confectionery products	123	153	240
1074	Macaroni, noodles, couscous and flour products	39	40	40
1079	Other foodstuffs	72	83	96
1080	Prepared animal food	123	122	151
1311 - 1430, 2030	Textiles (yarn, tissues, garments and fibers)	1,773	1,583	1,475
1610	Wood	112	104	116
1709	Paper and cardboard items	108	121	113
1811	Brochures, books and other printed materials	87	77	61
2011	Basic chemicals	570	465	414
2012	Fertilizers	58	57	66
2013	Supplies of plastics and synthetic rubber	58	57	62
2023	Toiletries and cleaning products	196	184	177
2029	Others chemicals	79	64	63
2211	Tires and inner tubes	76	84	77
2220	Plastic products	453	439	464
2392	Building materials	82	109	103
2410, 2431	Iron and steel industry	185	182	160
2432	Smelting of non-ferrous metals	189	190	221
2710	Electric motors, generators, transformers and distribution equipment	29	33	28
2732	Other electric and electronic cables	31	10	4
2822 - 2824	Machinery and equipment	47	45	61
3211 - 3290	Miscellaneous articles	109	113	116
	Others	380	372	392
	<b>Unclassified</b>	<b>1,330</b>	<b>1,243</b>	<b>1,340</b>
	<b>Total</b>	<b>47,066</b>	<b>42,631</b>	<b>39,362</b>

1/ Only definitive exports are included.  
2/ Includes the forestry sector.



## Traditional exports

Traditional exports amounted to US\$ 27.69 billion –12.3 percent less than in 2013–, this decline reflecting mainly the lower prices of basic metals and fishmeal.

The volume of exports of traditional products fell 3.2 percent compared to 2013 as a result of lower shipments of gold –due to the lower sales of gold trading companies– and lower exports of coffee as a result of lower production because of the yellow rust plague.

<b>Table 27</b>						
<b>EXPORTS</b>						
(% change)						
	Volume			Price		
	2012	2013	2014	2012	2013	2014
<b>TRADITIONAL EXPORTS</b>	<b>4.1</b>	<b>-5.0</b>	<b>-3.2</b>	<b>-4.0</b>	<b>-7.4</b>	<b>-9.4</b>
<i>Of which:</i>						
Fish meal	-1.5	-36.6	-0.6	1.0	21.5	-1.5
Coffee	-14.8	-10.1	-16.8	-24.8	-24.4	26.8
Copper	11.2	-0.8	0.0	-10.0	-7.8	-9.7
Gold	-1.3	-6.0	-12.1	6.4	-15.5	-10.3
Zinc	1.0	6.9	4.4	-12.1	-2.2	1.9
Crude oil	-4.6	-6.3	5.8	5.7	-0.8	-12.8
Derivatives	13.5	14.3	3.5	0.3	-4.7	-5.8
<b>NON-TRADITIONAL EXPORTS</b>	<b>5.6</b>	<b>-0.8</b>	<b>6.2</b>	<b>4.2</b>	<b>-0.4</b>	<b>-0.7</b>
<i>Of which:</i>						
Agricultural exports	2.5	6.5	22.3	6.1	4.9	0.5
Fishing	-5.1	-1.8	10.5	2.1	3.2	1.5
Textiles	7.1	-9.8	-12.4	2.2	-1.8	6.6
Chemicals	-7.6	-3.3	2.3	7.1	-4.6	-1.9
Iron & steel and jewelry	26.8	5.0	-12.1	-9.1	-3.4	-0.8
<b>TOTAL</b>	<b>4.5</b>	<b>-4.1</b>	<b>-1.0</b>	<b>-2.2</b>	<b>-5.7</b>	<b>-6.9</b>

Source: BCRP and SUNAT.

The value of fishery exports amounted to US\$ 1.73 billion in 2014 –up 1.4 percent relative to the previous year– due basically to higher volumes of exports of fish oil.

Mining exports amounted to US\$ 20.55 billion, 13.6 percent less than in 2013, this decline reflecting both the lower international prices of basic metals and the lower volume of exports of gold. It is worth highlighting that the volume of exports of copper –our main export product– reached 1,402 thousand fine metric tons, a similar level to the one recorded in 2013.

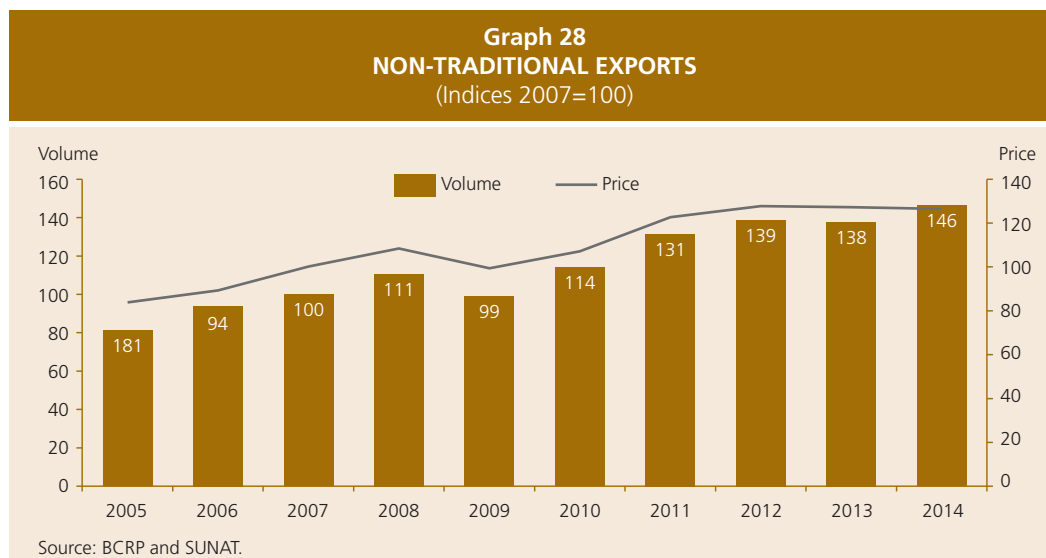
Peru's exports of crude oil and natural gas to other countries amounted to US\$ 4.56 billion, which represents a decline of 13.4 percent compared to the previous year due mainly to the lower volumes and prices of our exports of natural gas.

## Non-traditional exports

Non-traditional exports amounted to US\$ 11.68 billion, 5.5 percent more than in 2013. The volume of non-traditional exports increased by 6.2 percent due to the good performance of exports of farming products and fisheries, while the average price of these exports decreased slightly (0.7 percent).



Exports of non-traditional products have increased 12.9 percent on average in the last ten years due mainly to the higher volumes of exports –up 7.2 percent on average in annual terms. This increase has been particularly noteworthy in the case of farming products (13.1 percent), chemicals (9.5 percent), fishing products (7.6 percent), and steel&iron products (5.1 percent).



**Table 28**  
**NON-TRADITIONAL EXPORTS**

	Million US\$			% change		
	2012	2013	2014	2012	2013	2014
Agricultural products	3,083	3,444	4,231	8.7	11.7	22.8
Fishing products	1,017	1,030	1,155	-3.1	1.3	12.1
Textiles	2,177	1,928	1,800	9.4	-11.4	-6.6
Wood and paper manufacturing	438	427	416	9.1	-2.5	-2.6
Chemicals	1,636	1,510	1,515	-1.1	-7.7	0.3
Non-metallic minerals	722	722	664	46.8	0.0	-8.1
Iron & steel and jewelry	1,301	1,320	1,152	15.2	1.5	-12.7
Metal mechanic products	545	544	581	14.6	-0.2	6.8
Others 1/	277	143	161	88.6	-48.4	12.9
<b>TOTAL</b>	<b>11,197</b>	<b>11,069</b>	<b>11,677</b>	<b>10.0</b>	<b>-1.1</b>	<b>5.5</b>

1/ Includes furs, leather, and handcrafts, mainly.  
Source: BCRP and SUNAT.

The main markets of destination for our non-traditional products were the United States, with US\$ 2.86 billion, followed by Colombia and Ecuador, with US\$ 800 million and US\$ 746 million, respectively. However, in terms of economic blocs, exports to the Andean countries declined 7.1 percent, due mainly to lower exports to Venezuela, while exports to North America, which amounted to US\$ 3.27 billion, increased by 5.7 percent compared to 2013.

Peru's top sellers to the United States included t-shirts (US\$ 235 million), fresh asparagus (US\$ 235 million), fresh avocados (US\$ 124 million), fresh grapes (US\$ 123 million), quinoa (US\$ 100 million), and calcium phosphates (US\$ 100 million). Peru's non-traditional exports to the U.S.

market have increased in general and continue showing the rising trend observed over the past two years.

<b>Table 29</b>				
<b>MAIN DESTINATION: NON-TRADITIONAL EXPORTS</b>				
<b>(Million US\$)</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>% Chg. 2014-2013</b>
USA	2,608	2,699	2,859	5.9
Colombia	766	725	800	10.5
Ecuador	738	739	746	1.1
Chile	707	756	671	-11.1
Netherlands	453	555	657	18.5
Bolivia	530	539	570	5.9
Brazil	409	411	489	19.0
Venezuela	1,177	766	486	-36.5
Spain	432	414	473	14.2
China	331	366	472	28.8
United Kingdom	178	233	255	9.4
Germany	169	188	243	29.4
Mexico	244	259	229	-11.6
France	184	187	201	7.4
Italy	220	176	199	13.1
Rest	2,051	2,058	2,325	12.9
<b>Total</b>	<b>11,197</b>	<b>11,069</b>	<b>11,677</b>	<b>5.5</b>
<b>Memo:</b>				
Asia	969	1,065	1,281	20.2
North America	2,960	3,090	3,265	5.7
European Union	1,894	2,006	2,341	16.7
Andean countries 1/	3,919	3,523	3,275	-7.1
Mercosur 2/	584	558	624	11.8
1/ Bolivia, Chile, Colombia, Ecuador, and Venezuela 2/ Argentina, Brazil, Paraguay, and Uruguay Source: SUNAT and BCRP.				

Exports of agricultural products amounted to US\$ 4.23 billion, with shipments of fresh grapes, asparagus and fresh avocados standing out. It is worth mentioning that a greater dynamism was observed in the demand for Peruvian products from different countries of destination, such as the United States, the Netherlands, and China.

In terms of economic blocs, the main destinations were North America (fresh asparagus, fresh grapes, fresh avocados, quinoa, canned artichokes, fresh onions, and fresh mangoes), the European Union (fresh avocados, fresh grapes, fresh and prepared asparagus, cocoa beans, fresh mangoes, and organic bananas), and the Andean countries (food for shrimps, biscuits, palm oil, hatching eggs, and noodles).

In the last ten years, exports of agricultural products have grown at an average annual rate of 18.1 percent. Thus, the value of exports in 2014 was approximately 4 times the value of exports in 2005. Exports of fresh grapes, fresh avocados, organic bananas, cocoa beans, and quinoa, which has seen an exponential growth in the past year, stand out in terms of values.

**Table 30**  
**MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS**  
(Million US\$)

Most popular products	2004	2014	Average % chg. 2005-2014
Fresh grapes	22	643	40.3
Fresh asparagus	142	385	10.5
Fresh avocados	19	304	32.2
Quinoa	0	196	86.5
Cocoa	0	152	-
Asparagus prepared	79	150	6.6
Shrimp feed	19	141	22.3
Fresh mangoes	42	138	12.7
Other vegetables prepared	5	130	39.9
Evaporated milk	34	121	13.7
Organic bananas	11	119	27.4
Canned artichokes	22	93	15.5
Fresh onions	13	66	17.4
Fresh tangerines	9	60	20.3
Subtotal	416	2,698	20.6
<b>Total</b>	<b>801</b>	<b>4,231</b>	<b>18.1</b>

Source: BCRP and SUNAT.

Exports of fisheries totaled US\$ 1.16 billion and reflected increased exports of frozen and canned squid and of prawn tails. The main markets for these products were the United States, China, and Spain. In the last ten years, fishing exports grew at an annual average rate of 15.3 percent.

**Table 31**  
**MAIN NON-TRADITIONAL FISHING PRODUCTS**  
(Million US\$)

Most popular products	2004	2014	Average % chg. 2005-2014
Frozen giant squid	83	276	12.8
Canned giant squid	27	233	24.2
Prawns tails	17	138	23.4
Scallops	24	122	17.4
Frozen fillets	0	61	-
Fillets (includes dry fillets)	5	52	25.4
Frozen fish	0	35	-
Canned anchovies	4	33	24.4
Whole frozen shrimps	6	25	16.0
Canned fish	16	24	4.1
Giant Squid meal	4	22	18.5
Frozen hake	0	12	51.9
Subtotal	186	1,033	18.7
<b>Total</b>	<b>277</b>	<b>1,155</b>	<b>15.3</b>

Source: BCRP and SUNAT.

Exports of textiles, which totaled US\$ 1.80 billion (down 6.6 percent from the previous year), declined 12.4 percent in terms of volume, but recorded an increase of 6.6 percent in terms of average prices. The contraction of the volume of exported textiles was associated with lower sales to the Andean countries (especially to Venezuela and, to a lesser extent, to Chile and Ecuador), although this was offset by the recovery of shipments to the markets of Mercosur (Brazil) and the European Union.

**Table 32**  
**MAIN COUNTRIES OF DESTINATION OF TEXTILE PRODUCTS**  
(Million US\$)

	Year			% Change 2014-2013
	2012	2013	2014	
USA	645	655	663	1.3
Venezuela	708	422	271	-35.7
Brazil	102	104	119	15.1
Ecuador	100	116	107	-7.4
Colombia	94	94	101	7.2
Chile	81	88	77	-13.0
Italy	58	59	63	6.2
Germany	35	40	45	11.9
Bolivia	45	39	42	7.0
Mexico	35	44	38	-12.2
China	20	23	30	27.7
Argentina	41	32	30	-6.7
Canada	24	24	21	-12.9
United Kingdom	21	19	20	6.2
Japan	18	18	19	5.3
Rest	150	151	154	2.1
<b>Total</b>	<b>2,177</b>	<b>1,928</b>	<b>1,800</b>	<b>-6.6</b>
<b>Memo:</b>				
Asia	72	79	87	10.9
North America	703	722	722	0.0
European Union	160	167	179	7.1
Andean Countries 1/	1,027	759	598	-21.2
Andean Countries without Venezuela	319	338	327	-3.1
Mercosur 2/	153	141	155	10.1

1/ Bolivia, Chile, Colombia, Ecuador, and Venezuela.  
2/ Argentina, Brazil, Paraguay, and Uruguay.  
Source: BCRP and SUNAT.

Exports of chemicals totaled US\$ 1.52 billion, a figure slightly higher than the total of chemical products exported in 2013. A decline was observed in these exports in terms of prices (1.9 percent) in 2014, but an increase was observed in the volume of shipments of sulfuric acid, boric acid, flexible films for packaging, and zinc oxide. The main markets for chemical products in 2013 were Colombia, Chile, and Ecuador.

### Diversification of exports

A significant growth has been observed in terms of the value of our exports in the last decade. This has been coupled by a greater diversification of export products, especially of non-traditional exports.

In 2014 the number of non-traditional exports<sup>7</sup> increased from 3,838 products in 2004 to 4,476, that is, by 638 new products. Moreover, the number of markets of destination for Peru's non-traditional exports increased from 173 countries in 2004 to 184 in 2014, while the number of exporting companies increased by 2,799 between 2004 and 2014.

### Imports

Imports in 2014 amounted to US\$ 40.81 billion, which represented a contraction of 3.4 percent compared to end-2013, in line with the slowdown of domestic demand.

<sup>7</sup> Measured by the number of tariff items.



**Table 33**  
**FOB IMPORTS BY USE OR DESTINATION**  
(FOB prices in Million US\$)

	Million US\$			% change			Average
	2012	2013	2014	2012	2013	2014	2005-2014
<b>1. CONSUMER GOODS</b>	<b>8,252</b>	<b>8,843</b>	<b>8,896</b>	<b>22.5</b>	<b>7.2</b>	<b>0.6</b>	<b>16.1</b>
Non-durable goods	4,082	4,502	4,655	17.0	10.3	3.4	15.0
Main food products	568	381	479	39.0	-32.9	25.6	14.1
Rest	3,514	4,120	4,176	14.1	17.3	1.4	15.1
Durable goods	4,170	4,342	4,241	28.5	4.1	-2.3	17.5
<b>2. INPUTS</b>	<b>19,273</b>	<b>19,528</b>	<b>18,815</b>	<b>5.1</b>	<b>1.3</b>	<b>-3.6</b>	<b>13.4</b>
Fuel, oils, and related	5,885	6,454	5,757	2.3	9.7	-10.8	12.6
Raw materials for agriculture	1,292	1,244	1,339	18.2	-3.7	7.6	14.4
Raw materials for industry	12,096	11,830	11,720	5.3	-2.2	-0.9	13.6
<b>3. CAPITAL GOODS</b>	<b>13,347</b>	<b>13,664</b>	<b>12,913</b>	<b>13.8</b>	<b>2.4</b>	<b>-5.5</b>	<b>18.5</b>
Construction materials	1,488	1,443	1,422	2.7	-3.0	-1.5	22.2
For agriculture	137	131	141	24.0	-4.4	7.4	17.1
For industry	8,168	8,327	8,691	11.2	2.0	4.4	18.0
Transportation equipment	3,554	3,762	2,659	25.8	5.8	-29.3	18.7
<b>4. OTHERS GOODS</b>	<b>262</b>	<b>213</b>	<b>185</b>	<b>-26.2</b>	<b>-18.8</b>	<b>-13.0</b>	<b>8.1</b>
<b>5. TOTAL IMPORTS</b>	<b>41,135</b>	<b>42,248</b>	<b>40,809</b>	<b>10.7</b>	<b>2.7</b>	<b>-3.4</b>	<b>15.3</b>
Memo:							
<b>Main food products</b>	<b>2,528</b>	<b>2,372</b>	<b>2,459</b>	<b>9.7</b>	<b>-6.2</b>	<b>3.7</b>	<b>13.0</b>
Wheat	516	568	555	-3.7	10.1	-2.4	9.7
Maize and/or sorgum	507	502	479	-10.1	-1.1	-4.6	14.9
Rice	149	110	127	26.1	-26.5	15.9	17.0
Sugar	188	78	80	36.4	-58.5	2.8	6.1
Dairy products	167	127	204	70.9	-23.5	59.7	19.0
Soybean	936	920	946	17.7	-1.7	2.8	14.0
Meat	64	66	68	16.7	3.0	2.7	12.5

Memo: Classification used in CUODE.  
Source: SUNAT, Tacna Free Trade Zone, and Banco de la Nación.

**Table 34**  
**IMPORTS**  
(% change)

	Volume			Price		
	2012	2013	2014	2012	2013	2014
<b>CONSUMER GOODS</b>	<b>21.1</b>	<b>5.6</b>	<b>0.4</b>	<b>1.2</b>	<b>1.5</b>	<b>0.2</b>
Durable goods	15.7	8.0	4.2	1.1	2.1	-0.7
Non-durable goods	26.8	3.2	-3.4	1.3	0.9	1.1
<b>INPUTS</b>	<b>5.7</b>	<b>3.1</b>	<b>-0.3</b>	<b>-0.5</b>	<b>-1.7</b>	<b>-3.3</b>
Main food products	3.4	3.6	9.1	0.0	-1.9	-8.8
Crude oil and derivatives	-1.3	10.6	-4.3	3.7	-3.1	-7.1
Industrial inputs	10.1	-0.7	0.2	-2.9	-1.0	-0.3
<i>Of which:</i>						
Plastics	10.7	1.6	2.7	-9.6	3.1	3.2
Iron & steel	19.6	0.4	-0.7	-8.2	-9.8	-2.7
Textiles	8.1	2.3	5.3	-10.3	-6.8	0.0
Papers	5.3	-0.1	6.1	-1.4	-1.8	-1.6
Chemicals	5.4	0.1	1.0	-0.8	0.0	-1.1
Organic chemicals	18.9	2.1	-6.4	-7.4	-1.0	1.0
<b>CAPITAL GOODS</b>	<b>13.6</b>	<b>2.4</b>	<b>-5.5</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.0</b>
Building materials	2.5	-3.0	-1.5	0.2	-0.1	0.0
Rest 1/	15.1	3.1	-5.9	0.2	-0.1	0.0
<b>Total</b>	<b>10.7</b>	<b>3.2</b>	<b>-1.9</b>	<b>0.0</b>	<b>-0.5</b>	<b>-1.5</b>

1/ Excludes building materials.  
Source: BCRP and SUNAT.

The average price of imports fell 1.5 percent relative to the previous year, with the declines in the prices of the main food items (8.8 percent) and in the prices of crude oil and derivatives (7.1 percent) standing out. On the other hand, an increase was observed in the prices of imports of durable consumer goods (1.1 percent) and plastics (3.2 percent).

The import components that fell more among total imports were crude oil and derivatives (as a result of the lower international prices of crude) and capital goods (due mainly to lower imports of transport equipment), which registered negative growth rates of 11.0 and 5.5 percent in terms of value, respectively. On the other hand, an increase was observed in imports of non-durable consumer goods due to greater imports of garments and prepared food products.

Imports of durable consumer goods decreased after two straight years of growth, in line with the observed evolution of private consumption. Products that showed a significant reduction include motorcycles and games and slot machines. However, imports of television sets increased 3.4 percent and amounted to US\$ 549 million (these items were imported mainly from Mexico and China).

Imports of inputs, which amounted to US\$ 18.82 billion, represented 46.1 percent of our total imports. These imports declined 3.6 percent in terms of value compared to 2013, in line with the lower import price of these products. As for imports of crude oil and derivatives, a decrease was observed in the volume of imports of crude oil and diesel, as well as in their prices, in line with the trend observed in the international prices of oil.

Imports of industrial inputs grew 0.2 percent in terms of volume due to increased imports of paper, textiles, and plastic products, with imports of newspaper paper in coils or sheets and paper and paperboard for graphic purposes standing out, together with imports of knitted items, non-carded cotton fabrics and yarns, and polypropylene and polyethylene. Most of the increase in the volume of paper imports came from the United States and China, while most of the increased textile imports came from China and India, and, finally, Brazil and China accounted mainly for the increased volume of imports of plastic products.

On the other hand, imports of organic chemicals shrank 6.4 percent in real terms after showing three years of positive growth rates. The lower imports of alcohol fuel by Petroperu and La Pampilla were noteworthy.

Moreover, imports of capital goods in the year dropped 5.5 percent in nominal terms, reflecting the effects of lower volumes of these imports. However, excluding construction materials, imports of capital fell 5.9 percent in real terms. By economic sectors, lower imports were noteworthy in the sectors of transport (US\$ 803 million), associated with fewer purchases by Toyota del Perú (pick-up trucks), GYM Ferrovías (trains) and Volvo (trucks and pick-ups) and electricity (US\$ 203 million), associated with fewer purchases of capital goods by Luz del Sur (electric generators), ENERSUR (parts of gas turbines), and Electro Oriente (generators).

In contrast, the telecommunications sector registered increased imports, including cellular telephony equipment imported by América Móvil and Telefónica, while increased purchases by mining companies such as Cerro Verde (machinery parts, construction beams, and electromagnetic engines) and Yanacocha (parts of machinery and drives) stand out in the mining sector.

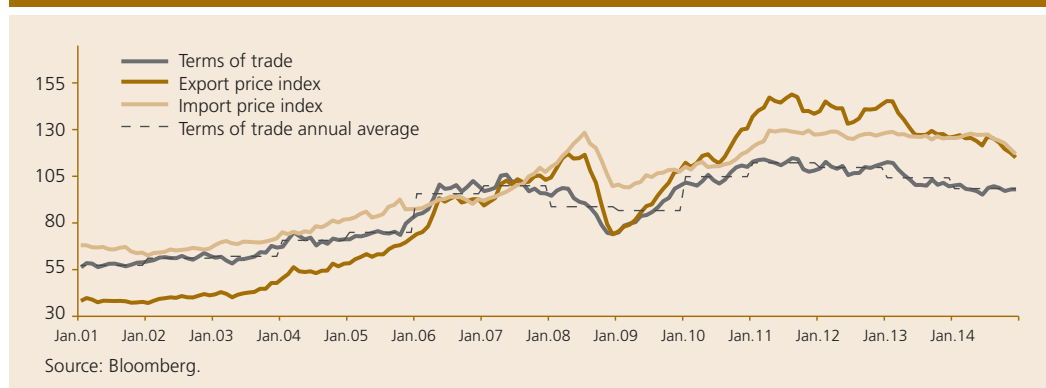
**Table 35**  
**IMPORTS OF CAPITAL GOODS BY ECONOMIC SECTORS**

Sector	FOB Value: Million US\$			% change		
	2012	2013	2014	2012	2013	Average 2005-2014
Agriculture	55	50	43	-9.8	-12.4	20.2
Fishing	13	9	7	-26.4	-24.8	-3.8
Hydrocarbons	413	276	273	-33.2	-1.1	12.3
Mining	1,628	1,526	1,715	-6.3	12.4	19.4
Manufacturing	1,183	1,236	1,137	4.5	-8.0	14.1
Construction	681	676	590	-0.7	-12.8	21.2
Electricity	300	341	138	13.6	-59.5	14.7
Transportation	2,247	2,376	1,572	5.7	-33.8	23.9
Telecommunications	843	953	1,185	13.0	24.3	17.9
Traders of Capital Goods	3,382	3,286	3,198	-2.8	-2.7	17.4
IT Equipment	755	794	871	5.1	9.8	16.5
Machinery and diverse equipments	741	683	749	-7.9	9.7	22.0
Medicine and surgery instruments	102	127	113	24.4	-11.5	14.2
Office equipments	156	147	143	-6.3	-2.2	15.6
Financial services	639	448	336	-29.9	-25.0	14.0
Other traders	988	1,088	986	10.1	-9.4	17.6
Unclassified	2,603	2,936	3,054	12.8	4.0	20.1
<b>Memo:</b>						
Mobile phones	553	762	1,022	37.8	34.2	21.4
<b>Total</b>	<b>13,347</b>	<b>13,664</b>	<b>12,913</b>	<b>2.4</b>	<b>-5.5</b>	<b>18.5</b>

## 2.2 Terms of trade

In 2014, the terms of trade showed an average decrease of 5.4 percent. The decline of 6.9 percent in export prices was partially offset by a drop of 1.5 percent in import prices. In general terms, commodity prices were affected by the withdrawal of monetary stimulus by the FED and by expectations that it would start a cycle of interest rate rises. Concerns about an economic slowdown in China and other events, such as the Ukraine crisis and the situation in Greece, contributed also to this since they increased risk aversion and reduced speculative demand for commodities. The international prices of food commodities were also pushed downwards by oversupply due to increased cultivation of some crops.

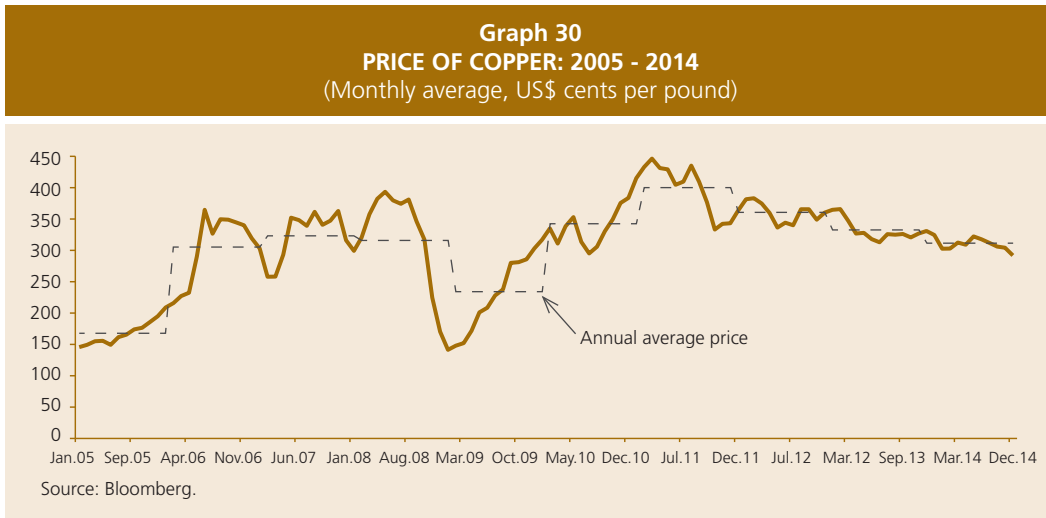
**Graph 29**  
**TERMS OF TRADE, EXPORT AND IMPORT PRICE INDICES:**  
**JANUARY 2001 - DECEMBER 2014**  
(2007=100)



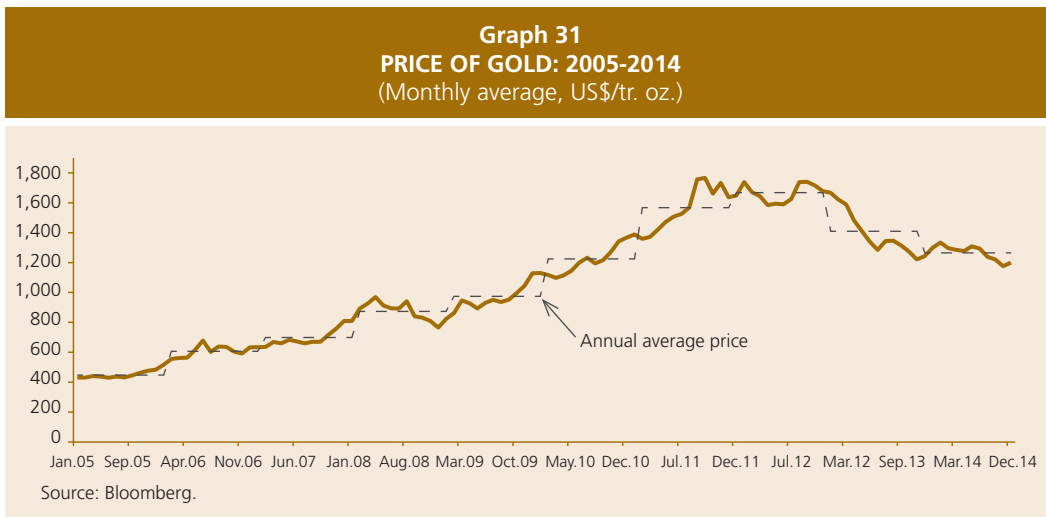
The average price of copper recorded a decline of 6 percent in 2014, closing at an annual average price of US\$ 331 cents per pound in December. During the year the price of copper showed a declining trend that intensified in the last quarter, as a result of which it recorded a maximum price of US\$ 331 cents per pound in January and a minimum low of US\$ 291 cents per pound in December.



The price of copper was supported by prospects of a global market surplus due to a strong increase in the global supply of this metal and by expectations of lower economic growth in China, as well as by the appreciation of the dollar and the drop of oil prices in the last quarter of the year, which reduced the pressure on production costs. However, the decline in the price of copper was offset by the end of the year as a result of an unexpected growth in China’s demand and by a slower pace of growth in copper production due to the postponement of some projects and production cuts in some mines.



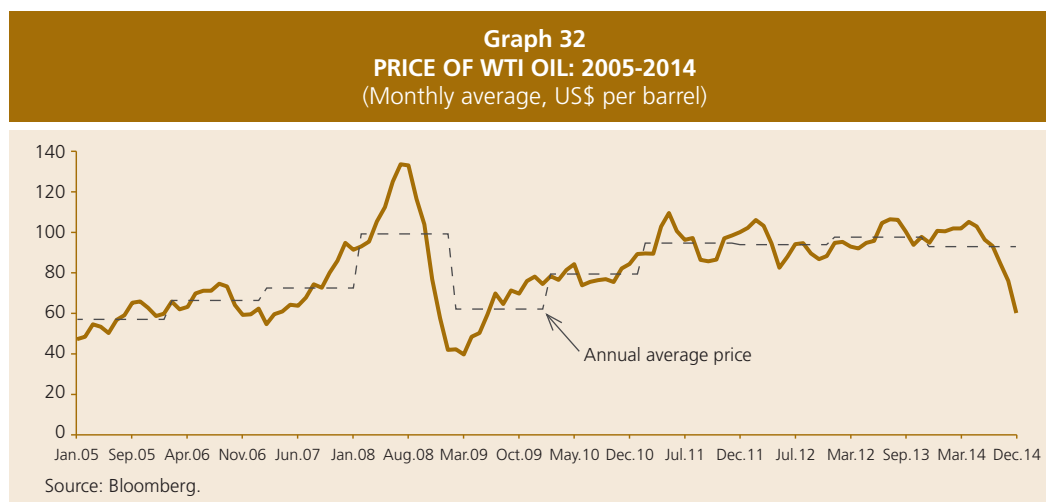
The average price of gold declined 10 percent, closing the year with an average level of US\$ 1,266 per ounce in 2014. This decline was influenced by the appreciation of the dollar resulting from the withdrawal of the FED purchase program and by expectations that the FED would start raising its interest rates. The lower demand for gold reflected in the liquidations of Exchange Trade Funds (ETFs) for the second consecutive year, but this was in part offset by an increase in noncommercial net long positions in gold on metal exchange markets and by the purchases of gold by central banks. On the side of physical demand, the price drop is explained by the lower demand of the sectors of jewelry and technology.



The average price of WTI oil fell 5 percent and recorded an average price of US\$ 93 per barrel in 2014. The price of crude showed a marked volatility during the year, starting with an upward trend which led it to a maximum of US\$ 105 per barrel in June, after which it showed a continuous decline that reached a minimum of US\$ 60 per barrel in December. In other words, the price of crude oil dropped 43 percent in the second half of the year.



The collapse in the price of crude oil was associated with the oversupply of crude oil resulting from the continued increased production of unconventional oil in the United States in a context in which the demand for crude had declined as a result of economic slowdown in the emerging economies. The declining trend in the price of crude intensified in November with the OPEC's decision of not reducing its production quota despite signs of a growing market surplus. The decision of some of the largest producers of the OPEC –i.e. Saudi Arabia– to maintain their market share prevailed.



### 2.3 Services

The trade deficit in services amounted to US\$ 1.80 billion, US\$ 1 million less than in 2013. Revenues increased by US\$ 60 million (1 percent) relative to the previous year, with higher revenues for insurance and reinsurance services being observed. On the other hand, outlays amounted to US\$ 7.67 billion, US\$ 59 million (0.8 percent) more than in the previous year due to higher expenditure for payments of premiums abroad.

**Table 36**  
**SERVICES**

	Million US\$			% change	
	2012	2013	2014	2013	2014
<b>I. TRANSPORTATION</b>	<b>-1,628</b>	<b>-1,367</b>	<b>-1,440</b>	<b>-16.0</b>	<b>5.3</b>
1. Credit	1,223	1,524	1,380	24.7	-9.5
2. Debit	-2,850	-2,891	-2,819	1.4	-2.5
<b>II. TRAVEL</b>	<b>1,004</b>	<b>1,408</b>	<b>1,417</b>	<b>40.3</b>	<b>0.6</b>
1. Credit	2,443	3,009	3,001	23.2	-0.3
2. Debit	-1,439	-1,601	-1,584	11.2	-1.0
<b>III. COMMUNICATIONS</b>	<b>-74</b>	<b>-146</b>	<b>-146</b>	<b>96.5</b>	<b>-0.4</b>
1. Credit	147	131	149	-10.5	13.6
2. Debit	-221	-278	-295	25.5	6.2
<b>IV. INSURANCE AND REINSURANCE</b>	<b>-366</b>	<b>-404</b>	<b>-376</b>	<b>10.2</b>	<b>-6.9</b>
1. Credit	361	400	539	10.6	34.9
2. Debit	-728	-803	-915	10.4	13.9
<b>V. OTHERS 1/</b>	<b>-1,355</b>	<b>-1,293</b>	<b>-1,256</b>	<b>-4.6</b>	<b>-2.8</b>
1. Credit	742	749	804	1.0	7.3
2. Debit	-2,097	-2,042	-2,060	-2.6	0.9
<b>VI. TOTAL SERVICES</b>	<b>-2,420</b>	<b>-1,801</b>	<b>-1,800</b>	<b>-25.6</b>	<b>0.0</b>
1. Credit	4,915	5,814	5,874	18.3	1.0
2. Debit	-7,335	-7,615	-7,674	3.8	0.8

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

The deficit for transport amounted to US\$ 1.44 billion, US\$ 73 million more than in 2013. Revenue decreased by US\$ 144 million (9.5 percent) as a result of domestic airlines' lower sales of tickets overseas (10.4 percent) and, to a lesser extent, as a result of lower revenue for foreign ships and foreign airline carriers in the country, while outflows decreased by US\$ 72 million due to the reduction of freight payments (3.8 percent).

The travel surplus amounted to US\$ 1.42 billion. Revenue declined 0.3 percent due to the lower average spending of visitors (down 1.5 percent) and the decline of the number of visitors who came to the country (1.1 percent) through International Airport Jorge Chavez. On the other hand, expenses fell 1.0 percent due mainly to the lower average spending (4.2 percent) of Peruvians who visited other countries.

The heading other services showed a deficit of US\$ 1.26 billion. Revenues increased by 7.3 percent, mainly as a result of other business services and financial services, while expenses increased by US\$ 18 million (0.9 percent) due to payments for ITC services.

<b>Table 37</b>					
<b>OTHER SERVICES</b>					
	Million US\$			% change	
	2012	2013	2014	2013	2014
<b>Balance of other services</b>	<b>-1,355</b>	<b>-1,293</b>	<b>-1,256</b>	<b>-4.6</b>	<b>-2.8</b>
<b>Revenue</b>	<b>742</b>	<b>749</b>	<b>804</b>	<b>1.0</b>	<b>7.3</b>
Government Services	146	149	153	2.2	2.8
Others services	596	601	651	0.8	8.4
Other business services 1/	479	482	541	0.6	12.1
Financial Services	59	68	58	14.4	-14.7
Computer and information services	36	33	33	-7.2	-1.3
Personal, cultural, and recreational services	12	8	11	-26.3	30.1
Royalties and license rights	10	9	9	-14.3	0.6
<b>Expenditures</b>	<b>2,097</b>	<b>2,042</b>	<b>2,060</b>	<b>-2.6</b>	<b>0.9</b>
Government Services	157	161	165	2.8	2.0
Other services	1,940	1,881	1,896	-3.1	0.8
Other business services 1/	1,378	1,339	1,273	-2.9	-4.9
Computer and Information Services	229	210	275	-8.6	30.8
Royalties and license rights	180	201	221	11.5	10.2
Financial services	86	101	102	17.8	1.0
Construction services	24	21	24	-11.2	12.9
Personal, cultural, and recreational services	42	9	1	-78.1	-90.1

1/ Includes mainly sale-purchase services, commissions, leasing of ships and unmanned aircraft and business, professional and various (legal, accounting, management consulting and public relations; advertising, research of public opinion polls markets; research and development and engineering, among others).  
Source: Ministry of Trade Affairs and businesses.

## 2.4 Current transfers

Current transfers, whose most important component is remittances from Peruvians residing abroad (60 percent), totaled US\$ 4.37 billion in 2014. It should be pointed out that revenue from the income tax of taxpayers non-domiciled in the country represented 27.7 percent of current transfers in 2014 –the second largest component–, the acquisition of local companies by foreign investors accounting for this high rate.

Revenue from remittances amounted to US\$ 2.64 billion, 2.5 percent less than in 2013. Even though this decline in remittances is lower than the one registered in the previous year, it still reflects the effects of the international crisis and the slow recovery of the Eurozone. Thus, in 2014 the United States and



Spain accounted for 45 percent of total remittances to the country, whereas in 2013 these countries accounted for 46.1 percent of total remittances. As a result of this decline, remittances represent 1.3 percent of GDP, a similar ratio than the one recorded in 2013, which is also the lowest ratio recorded in the last eleven years.

Year	Million US\$	% change	% GDP
<b>2004</b>	1,133	30.4	1.6
<b>2005</b>	1,440	27.1	1.8
<b>2006</b>	1,837	27.6	2.0
<b>2007</b>	2,131	16.0	2.1
<b>2008</b>	2,444	14.7	2.0
<b>2009</b>	2,409	-1.4	2.0
<b>2010</b>	2,534	5.2	1.7
<b>2011</b>	2,697	6.4	1.6
<b>2012</b>	2,788	3.4	1.4
<b>2013</b>	2,707	-2.9	1.3
<b>2014</b>	2,639	-2.5	1.3

Source: SBS, banks, and businesses.

Like in 2013, the United States was the major country of origin of remittances, although remittances from this country declined by 1.5 percent. A similar situation was observed in remittances from Spain which declined by 14.9 percent. However, this country is still the second source of these transfers.

On the other hand, remittances from Chile –the country consolidating its position as third source of remittances– increased by 8.1 percent (9.5 percent of total remittances).

The average remittance amount was US\$ 293 per transfer, US\$10 less than in 2013. The average remittances that showed increases were remittances from Argentina (1.3 percent) and other countries (0.3 percent), whereas remittances from Spain fell the most (8 percent). As regards the number of transfers made, a strong decline was observed in transactions from Argentina (-11 percent) and Spain (-7.5 percent), while transfers from Chile increased considerably (14 percent).

	Annual remittances			Annual average remittances			Number of remittances 2/		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
USA	34.0	34.4	34.7	255	263	259	3,716	3,532	3,536
Spain	13.9	11.8	10.3	395	375	345	983	851	787
Chile	7.0	8.5	9.5	224	232	220	870	996	1,136
Japan	9.3	8.4	8.1	610	560	527	423	407	404
Italy	7.6	7.7	7.4	314	318	299	673	653	654
Argentina	5.8	4.7	4.3	227	226	229	711	562	500
Other countries 1/	22.5	24.6	25.7	388	393	395	752	862	912
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>302</b>	<b>303</b>	<b>293</b>	<b>8,129</b>	<b>7,863</b>	<b>7,929</b>

1/ Includes estimated remittances not classified by country (informal channels).  
 2/ Excludes estimated remittances not classified by country (informal channels).  
 Source: SBS, banks, and businesses.

Since last year, the main service used to transfers funds were companies (ETF) which registered a share of 47.8 percent of this total. Banks, on the other hand, continued showing the

downward trend observed since 2013 with a share of 40.2 percent in the intermediation of these funds.

<b>Table 40</b>			
<b>REMITTANCES FROM ABROAD BY SOURCE</b>			
<b>(% share)</b>			
<b>Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
FTCs - Other channels 1/	41.6	44.4	47.8
Banks	46.4	43.6	40.2
Informal channels	12.0	12.0	12.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1/ Fund transfer companies (FTCs) and other means.  
Source: SBS, banks, and businesses.

## 2.5 Factor income

Factor income showed a deficit of US\$ 9.33 billion –US\$ 1.30 billion lower than the one recorded the previous year– due mainly to lower outflows for profits in the mining and hydrocarbons and financial sectors. On the other hand, the private sector income, which consists of interests on deposits and the yields of the investments of financial and non-financial organizations, amounted to US\$ 507 million.

The public sector deficit amounted to US\$ 708 million, a figure US\$ 150 million lower than the one recorded the previous year due to lower outflows for interests on long term loans.

<b>Table 41</b>					
<b>FACTOR INCOME</b>					
	<b>Million US\$</b>			<b>% change</b>	
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
<b>I. REVENUE</b>	<b>1,152</b>	<b>1,222</b>	<b>1,212</b>	<b>6.1</b>	<b>-0.9</b>
1. Private	409	460	507	12.3	10.3
2. Public	742	762	704	2.7	-7.6
<b>II. EXPENDITURE</b>	<b>13,551</b>	<b>11,853</b>	<b>10,540</b>	<b>-12.5</b>	<b>-11.1</b>
1. Private	12,080	10,232	9,127	-15.3	-10.8
Profits 1/	11,402	9,301	7,964	-18.4	-14.4
Interests	677	932	1,164	37.6	24.9
- Long-term loans	421	445	461	5.6	3.6
- Bonds	140	368	608	163.2	65.1
- Short-term loans 2/	116	119	96	2.4	-19.4
2. Public	1,472	1,621	1,413	10.2	-12.8
Interests on long-term loans	286	421	209	47.2	-50.3
Interests on bonds	1,185	1,199	1,203	1.2	0.3
Interests on BCRP securities 3/	0	0	0	0.0	0.0
<b>III. BALANCE (I-II)</b>	<b>-12,399</b>	<b>-10,631</b>	<b>-9,328</b>	<b>-14.3</b>	<b>-12.3</b>
1. Private	-11,670	-9,773	-8,620	-16.3	-11.8
2. Public	-729	-858	-708	17.7	-17.5

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 businesses.



## 2.6 Financial account

In 2014 the private sector financial account registered a balance of US\$ 6.49 billion, a balance US\$ 8.39 billion lower than in 2013 due mainly to residents' increased portfolio investment abroad and to lower foreign direct investment (FDI) and lower portfolio investment in the country. The decline in FDI is associated with lower contributions and loans with parent companies during the year, while the decline in portfolio investment is associated with lower amounts of bonds issued by the private sector (especially in the non-financial sector).

The flow of private sector external liabilities in 2014 amounted to US\$ 11.04 billion, FDI accounting for 71.4 percent of this total (mainly foreign companies' reinvested profits). FDI, which accumulated a flow of US\$ 7.89 billion in the year, concentrated mostly in the sectors of mining (US\$ 2.55 billion) and non-financial services (US\$ 2.26 billion), accounted for 61 percent of the total flow.

**Table 42**  
**PRIVATE SECTOR FINANCIAL ACCOUNT**

	Million US\$			Differences	
	2012	2013	2014	2013	2014
<b>1. ASSETS</b>	<b>-2,408</b>	<b>-1,291</b>	<b>-4,548</b>	<b>1,117</b>	<b>-3,256</b>
Direct investment abroad	- 78	- 137	- 96	-59	41
Portfolio investment 1/	-2,330	-1,154	-4,452	1,176	-3,297
<b>2. LIABILITIES</b>	<b>18,200</b>	<b>16,173</b>	<b>11,038</b>	<b>-2,028</b>	<b>-5,135</b>
Foreign direct investment	11,918	9,298	7,885	-2,620	-1,414
a. Reinvestment	7,033	3,764	3,978	-3,269	214
b. Equity capital	5,393	2,460	1,487	-2,933	-973
c. Net liabilities to affiliated enterprises	- 508	3,075	2,420	3,583	-654
Portfolio investment	2,246	5,876	2,668	3,630	-3,208
a. Equity securities 2/	- 142	585	- 79	727	-664
b. Other liabilities 3/	2,389	5,292	2,748	2,903	-2,544
Long-term loans	4,036	998	485	-3,038	-513
a. Disbursements	6,841	4,111	4,181	-2,730	70
b. Amortization	-2,805	-3,112	-3,695	-307	-583
<b>3. TOTAL</b>	<b>15,792</b>	<b>14,881</b>	<b>6,490</b>	<b>-911</b>	<b>-8,391</b>
<b>Memo:</b>					
Net direct investment	11,840	9,161	7,789	-2,679	-1,372

1/ Includes stocks and other foreign assets of the financial and non-financial sector. The negative sign indicates an increase.  
2/ Considers the net purchase of shares by non-residents through the LSE, recorded by CAVALI SA ICLV.  
3/ Includes bonds, credit notes and securitization, among others, in net terms (issuance less redemption).  
Source: BCRP, Cavali S.A. ICLV, Proinversion, and businesses.

**Table 43**  
**FOREIGN DIRECT INVESTMENT IN COUNTRY BY DESTINATION SECTOR \***  
(Million US\$)

	2012	2013	2014
Hydrocarbons	1,228	843	1,049
Mining	7,112	4,555	2,549
Financial sector	1,420	915	1,031
Non-financial services	1,037	2,505	2,256
Manufacturing	422	65	735
Energy and others	698	414	265
<b>TOTAL</b>	<b>11,918</b>	<b>9,298</b>	<b>7,885</b>

(\*) Includes contributes and other net capital operations, net loans abroad and reinvestment (current profits).

Placements of public and private bonds in foreign markets fell from US\$ 6.39 billion in 2013 to US\$ 5.51 billion in 2014, historically high amounts. The financial sector issued bonds for a total of US\$ 2.20 billion while non-financial firms issued bonds worth US\$ 3.31 billion. The funds raised through these placements was used to finance private projects, meet obligations with banks and its affiliates, and even to acquire a foreign company.

**Table 44**  
**BONDS ISSUED BY FIRMS IN THE EXTERNAL MARKET 2012 - 2014\***

Date	Business	Amount (Millions US\$)	Maturity (Years)	Yields
<b>I. Total Year 2012</b>		<b>3,825</b>		
<b>a. Financial sector</b>		<b>2,465</b>		
<b>b. Non-financial sector</b>		<b>1,360</b>		
<b>II. Total Year 2013</b>		<b>6,389</b>		
<b>a. Financial sector</b>		<b>2,236</b>		
January 22	BBVA Banco Continental	300	3,5	2.314%
January 24	Fondo MiVivienda	500	10	3.500%
April 1	Banco de Crédito	716	10	4.250%
April 5	Banco de Crédito	170	14	6.125% to 23/04/2022, Libor 3M+7.043%
April 8	BBVA Banco Continental	500	5	3.250%
December 13	Interbank	50	10	7.50%
<b>b. Non-financial sector</b>		<b>4,153</b>		
January 10	Copeinca	75	5	9.000%
January 25	Exalmar	200	7	7.380%
January 10	Cementos Pacasmayo	300	10	4.630%
March 15	Alicorp	450	10	3.880%
March 21	Gas Natural de Lima y Callao - Cálidda	320	10	4.380%
March 21	Compañía Minera Milpo	350	10	4.630%
April 9	Corporación Lindley	260	10	4.630%
April 19	Ferreycorp	300	7	4.880%
April 23	Transportadora de Gas del Perú	850	15	4.250%
April 30	Consorcio Transmantaro	450	10	4.380%
September 9	Inkia Energy	150	8	8.375%
November 6	San Miguel Industrias	200	7	7.750%
November 7	Andino Investment Holding	115	7	11.000%
December 5	Planta de Reserva Fría de Generación de Eten	133	20	7.650%
<b>III. Total Year 2014</b>		<b>5,510</b>		
<b>a. Financial sector</b>		<b>2,204</b>		
January 15	Banco de Crédito	200	13	6.125% to 23/04/2022, Libor 3M+7.043%
March 11	Banco Internacional del Perú SAA	300	15	6.625% hasta 18/03/2024, Libor 3M+5.76%
March 26	Fondo Mivienda	300	5	3.375%
June 13	Fondo Mivienda II	250	4	1.250%
July 2	Banco de Crédito del Perú	225	3,5	2.750%
July 8	COFIDE	300	5	3.250%
July 8	COFIDE	300	15	5.25% to 15/07/2024, Libor 3M+5.605%
September 15	Banco Continental BBVA	300	15	5.339%
<b>b. Non-financial sector</b>		<b>3,306</b>		
January 15	Ares	350	7	7.750%
January 31	Minsur SA	450	10	6.250%
April 8	Abengoa Transmisión Sur	432	29	6.880%
April 24	Camposol	75	3	9.880%
June 27	Rutas de Lima 2/	370	22	8.380%
June 27	Rutas de Lima 3/	150	25	5.250%
July 1	Patrimonio Fideicometido Inretail Shopping Malls	350	9	6.500%
October 7	Inretail Peru Corp.	300	7	5.250%
October 28	UNACEM	625	7	5.875%
December 15	Energía Eólica	204	20	6.000%

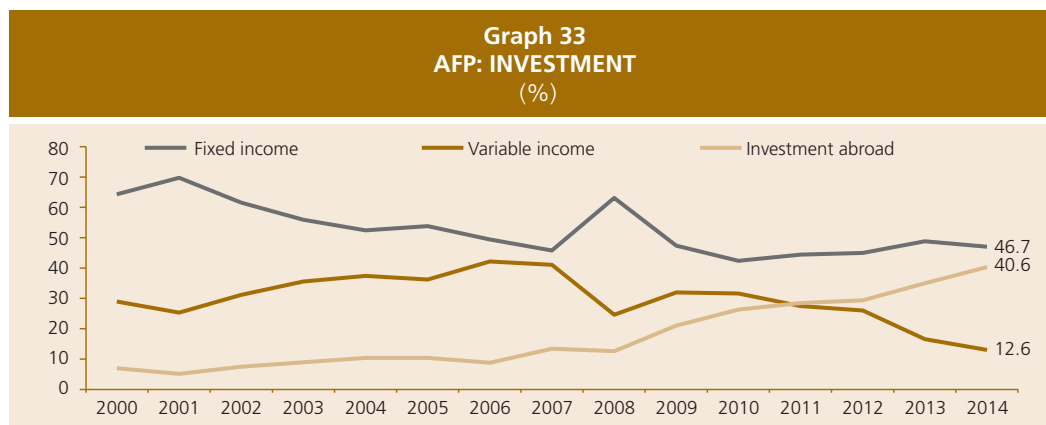
\* Excludes original placements made abroad by branches of resident companies (banks and non-banks)

1/ Emission in Swiss francs.

2/ Emission in soles.

3/ Emission in soles VAC.

Moreover, external assets increased by US\$ 4.55 billion –up US\$ 3.26 billion from 2013– due to the increased amount of external assets purchased by private pension funds –or Administradoras Privadas de Fondos de Pensiones (AFP)– after their investment limit abroad was raised to 41.5 percent in December 2014 (up 5 percentage points from December 2013).



## 2.7 Short-term capital flows

The net flow of short-term capital showed a reversal from a capital outflow of US\$ 2.13 billion in 2013 to a positive inflow of US\$ 354 million in 2014. Liabilities increased by US\$ 531 million, due mainly to the increase of bank liabilities (up US\$ 458 million). In addition, assets were acquired abroad for a total of US\$ 177 million, of which assets worth US\$ 440 million were acquisitions of banks. The latter amount was offset by a decline of US\$ 384 million in the assets of the non-financial sector.

## 2.8 Public sector financial account

In 2014 the financial account of the public sector showed a negative balance of US\$ 16 million, a balance US\$ 1.33 billion higher than the one recorded in the previous year. This difference is explained mainly by the increased issuance of global bonds (US\$ 500 million), of bonds issued by MIVIVIENDA and COFIDE (US\$ 1.19 billion), and by the lower amortization of the external public debt.

**Table 45**  
**PUBLIC SECTOR FINANCIAL ACCOUNT 1/**

	Million US\$			% change	
	2012	2013	2014	2013	2014
<b>I. DISBURSEMENTS</b>	<b>1,448</b>	<b>1,277</b>	<b>2,922</b>	<b>-171</b>	<b>1,645</b>
Investment projects	333	652	988	319	336
Central government	317	195	133	-122	-62
Public enterprises	16	457	855	441	398
- Financial	0	430	304	430	-126
- Non-financial	16	27	551	11	524
Free disposable loans	115	125	244	10	119
Global bonds 2/	1,000	500	1,690	-500	1,190
<b>II. AMORTIZATION</b>	<b>-1,215</b>	<b>-2,618</b>	<b>-1,592</b>	<b>-1,404</b>	<b>1,026</b>
<b>III. NET EXTERNAL ASSETS</b>	<b>-457</b>	<b>113</b>	<b>-558</b>	<b>570</b>	<b>-671</b>
<b>IV. OTHER OPERATIONS</b>					
<b>WITH DEBT SECURITIES (a-b)</b>	<b>1,671</b>	<b>-115</b>	<b>-788</b>	<b>-1,786</b>	<b>-674</b>
a. Securities in the domestic market purchased by non residents	1,797	219	-657	-1,578	-876
b. Securities in the foreign market purchased by residents	126	333	131	207	-202
<b>V. TOTAL</b>	<b>1,447</b>	<b>-1,343</b>	<b>-16</b>	<b>-2,790</b>	<b>1,327</b>

1/ Medium- and long-term accounts; excludes loans to BCRP to support the balance of payments.  
2/ Bonds are classified according to the market where they are issued. Includes US\$ 500 millions issued by Cofide.  
Source: BCRP, MEF, Cofide, and FCR.



## 2.9 International investment position

The international assets at December 2014 amounted to US\$ 103.33 billion, a figure 1.2 percent higher than at end 2013. The BCRP international reserves declined by US\$ 3.36 billion to a balance equivalent to 30.8 percent of GDP. This amount covers 6.3 times short term external liabilities (including the amortization of medium and long term loans to one year) and 84.4 percent of private banks' total obligations. This high level of reserves reflects the soundness of the Peruvian economy.

On the side of liabilities, the increase in the balance of FDI stands out. This increase results from the contributions, loans, and withheld profits of foreign companies in Peru and, to a lesser extent, from the higher balance of medium- and long-term private debt.

**Table 46**  
**NET INTERNATIONAL INVESTMENT POSITION**  
(End of period levels)

	Million US\$			% change	
	2012	2013	2014	2013	2014
<b>I. Assets</b>	<b>100,222</b>	<b>102,092</b>	<b>103,329</b>	<b>50.6</b>	<b>51.0</b>
1. BCRP reserve assets	64,049	65,710	62,353	32.6	30.8
2. Assets of financial sector (excluding BCRP)	22,823	23,778	27,665	11.8	13.7
3. Others assets	13,350	12,604	13,312	6.2	6.6
<b>II. Liabilities</b>	<b>146,084</b>	<b>154,708</b>	<b>163,438</b>	<b>76.7</b>	<b>80.7</b>
<b>1. Bonds and total private and public external debt 1/</b>	<b>59,376</b>	<b>60,830</b>	<b>64,512</b>	<b>30.1</b>	<b>31.8</b>
a. Medium and long term debt	50,435	54,381	57,534	26.9	28.4
Private sector 2/	23,982	30,341	33,644	15.0	16.6
Public sector (i - ii + iii) 3/	26,452	24,039	23,890	11.9	11.8
i. External public debt	20,402	18,778	19,764	9.3	9.8
ii. Public debt issued abroad purchased by residents	957	1,290	1,421	0.6	0.7
iii. Public debt issued locally purchased by non-residents	7,008	6,552	5,547	3.2	2.7
b. Short-term debt	8,941	6,450	6,978	3.2	3.4
Financial sector (excluding BCRP)	4,003	2,026	2,601	1.0	1.3
BCRP	57	47	45	0.0	0.0
Others 4/	4,881	4,376	4,333	2.2	2.1
<b>2. Direct investment</b>	<b>62,559</b>	<b>71,857</b>	<b>79,707</b>	<b>35.6</b>	<b>39.3</b>
<b>3. Capital participation</b>	<b>24,149</b>	<b>22,021</b>	<b>19,219</b>	<b>10.9</b>	<b>9.5</b>

1/ External public debt includes the debt of the Central Government and public enterprises.

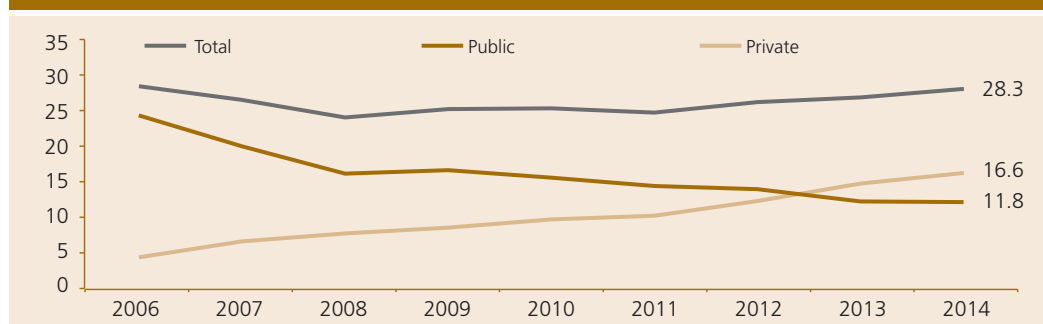
2/ Includes bonds.

3/ Government bonds issued abroad and in the hands of residents are excluded from foreign liabilities of the public sector. Government bonds issued locally, in the hands of non-residents, are included foreign liabilities of this sector.

4/ Includes mainly short-term debt of the non-financial private sector.

Source: BCRP, MEF, Cavali SA ICLV, Proinversión, and BIS.

**Graph 34**  
**MEDIUM- AND LONG-TERM EXTERNAL DEBT**  
(% GDP)

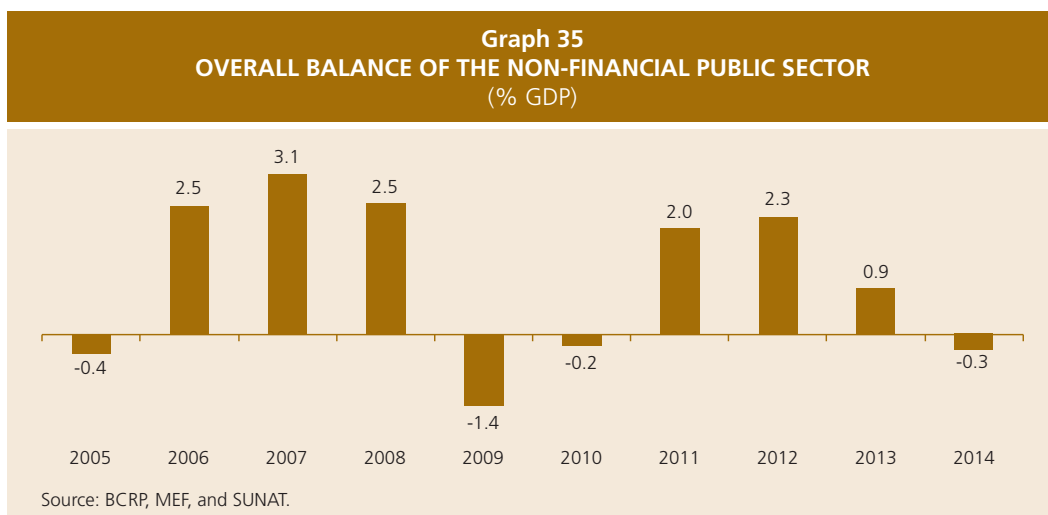


# PUBLIC FINANCES

After showing fiscal surpluses in the last three years –0.9 percent of GDP in 2013–, the operations of the non-financial public sector registered a deficit of 0.3 percent of GDP in 2014. This lower economic balance is mainly explained by the operations of the national government which declined from a surplus of 0.9 percent of GDP in 2013 to a deficit of 0.4 percent of GDP in 2014. This result was in part offset by a slight improvement in the balances of sub-national governments, which went from a negative balance of 0.2 to a surplus of 0.2 percent of GDP in 2014 as a result of a slower implementation of their investment programs. Moreover, the economic balance of State-owned enterprises fell from a surplus of 0.1 percent of GDP in 2013 to a deficit of 0.1 percent in 2014 (due mainly to the performance of Petroperú in the year).

The expansionary fiscal policy implemented by the Government in 2014 was reflected in the higher growth of the general government non-financial spending (21.5 percent of GDP in 2014 vs. 20.5 percent of GDP in 2013). More particularly, this increase is explained by higher current expenditure –15.6 percent of GDP vs. 14.4 percent of GDP in 2013–, while, on the other hand, capital expenditure decreased –from 6.1 percent of GDP in 2013 to 6.0 percent of GDP in 2014– due mainly to the performance of subnational governments. In addition to this, in line with the slowdown of economic growth and the deterioration of terms of trade, the revenue of the general government increased 2.4 percent in real terms –vs. 3.5 percent in 2013– (although in GDP terms, revenue grew slightly to 22.2 percent).

The structural economic balance is the indicator that shows the effect of fiscal policy decisions isolating the effects of the business cycle and the impact of the prices of the minerals Peru exports. In 2014 this indicator showed a negative rate of 1.0 percent of GDP (-0.1 percent of GDP in 2013), in line with the countercyclical fiscal position adopted, which implied a fiscal stimulus of 0.7 percent of GDP by increasing the general government non-financial spending in a context of a weak economic cycle.

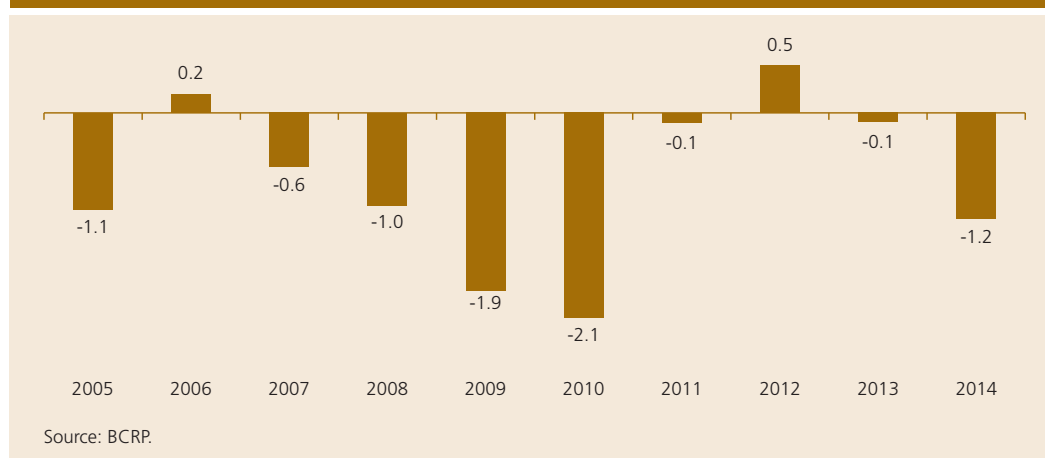


**Table 47**  
**OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR**

	Million nuevos soles			% GDP		
	2012	2013	2014	2012	2013	2014
<b>I. PRIMARY BALANCE</b>	<b>17,024</b>	<b>10,763</b>	<b>4,206</b>	<b>3.3</b>	<b>2.0</b>	<b>0.7</b>
<b>1. Of the General Government</b>	<b>15,895</b>	<b>9,916</b>	<b>4,526</b>	<b>3.1</b>	<b>1.8</b>	<b>0.8</b>
a. Current revenue	113,528	120,785	127,711	22.3	22.1	22.2
i. Tax revenue	86,097	91,617	97,646	16.9	16.8	17.0
ii. Non-tax revenue	27,431	29,168	30,065	5.4	5.3	5.2
b. Non-financial expenditure	97,899	111,770	123,845	19.3	20.5	21.5
i. Current	68,948	78,329	89,461	13.6	14.4	15.6
ii. Capital	28,951	33,440	34,384	5.7	6.1	6.0
c. Capital revenue	267	901	660	0.1	0.2	0.1
<b>2. Of Public Enterprises</b>	<b>1,129</b>	<b>847</b>	<b>-320</b>	<b>0.2</b>	<b>0.2</b>	<b>-0.1</b>
<b>II. INTERESTS</b>	<b>5,568</b>	<b>6,090</b>	<b>6,206</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
1. External debt	2,755	3,065	2,909	0.5	0.6	0.5
2. Domestic debt	2,813	3,025	3,297	0.6	0.6	0.6
<b>III. OVERALL BALANCE (I-II)</b>	<b>11,456</b>	<b>4,673</b>	<b>- 2,002</b>	<b>2.3</b>	<b>0.9</b>	<b>-0.3</b>
1. Net external financing (Million US\$)	-1,388	-4,388	-841	-0.3	-0.8	-0.1
a. Disbursements	\$948	\$348	\$1,428	0.5	0.2	0.7
b. Amortization	\$1,175	\$2,367	\$1,456	0.6	1.1	0.7
c. Others	-\$304	\$330	-\$256	-0.2	0.2	-0.1
2. Net domestic financing	-10,094	-1,023	2,809	-2.0	-0.2	0.5
3. Privatization	26	737	34	0.0	0.1	0.0

Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments state enterprises and public institutions

**Graph 36**  
**STRUCTURAL OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR**  
(% GDP)



Financial requirements is a variable that measures the resources needed by the public sector to cover its economic balance and the amortization of the domestic debt and the external debt.

In 2014 the financial requirements (S/. 11.06 billion) were covered mainly with external disbursements and sovereign bonds. The public sector continued accumulating assets in the form of deposits.

**Table 48**  
**FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR**

	Million nuevos soles			% GDP		
	2012	2013	2014	2012	2013	2014
<b>1. Overall balance</b>	<b>11,456</b>	<b>4,673</b>	<b>-2,002</b>	<b>2.3</b>	<b>0.9</b>	<b>-0.3</b>
<b>2. Amortization</b>	<b>4,342</b>	<b>7,859</b>	<b>9,059</b>	<b>0.9</b>	<b>1.4</b>	<b>1.6</b>
Redemption of recognition bonds	509	448	692	0.1	0.1	0.1
Domestic debt	729	1,188	4,160	0.1	0.2	0.7
External debt 1/	3,105	6,223	4,207	0.6	1.1	0.7
<b>3. Financial requirements</b>	<b>-7,114</b>	<b>3,186</b>	<b>11,061</b>	<b>-1.4</b>	<b>0.6</b>	<b>1.9</b>
External disbursements	2,520	954	4,119	0.5	0.2	0.7
Freely disposable funds	1,644	348	2,162	0.3	0.1	0.4
Investment projects	875	606	1,957	0.2	0.1	0.3
Domestic bonds 1/	2,940	4,025	11,537	0.6	0.7	2.0
Privatization	26	737	34	0.0	0.1	0.0
Others	-12,599	-2,530	-4,629	-2.5	-0.5	-0.8

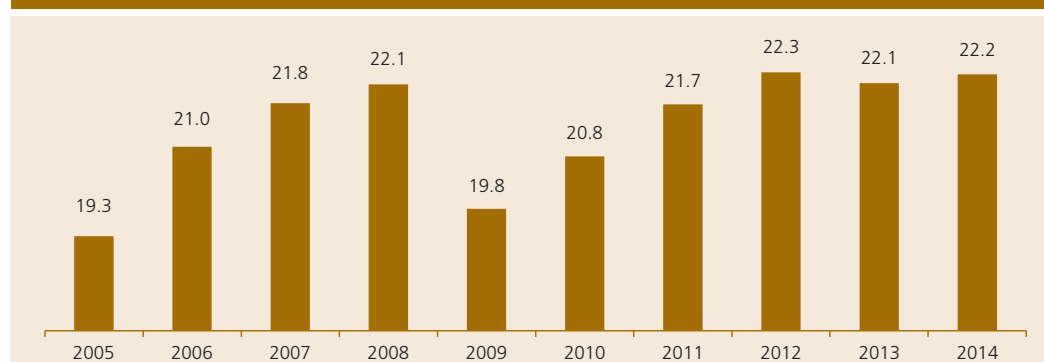
1/ Amounts in 2014 include operations of managing of approved debt by D. S. N° 298-2014-EF.

Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises, and public institutions.

## 1. Revenue of the general government

In 2014 the current revenue of the general government was equivalent to 22.2 percent of GDP, that is, 0.1 percentage points of GDP higher than in the previous year. In real terms, this represents an increase of 2.4 percent in current revenue, with higher revenue from the income tax (6.5 percent) accounting mainly for this increase. The latter is explained mostly by the revenue from extraordinary income tax payments (about S/. 3.44 billion, a figure equivalent to 0.6 percent of GDP) of taxpayers not domiciled in the country and by capital gains generated by the indirect sale of shares in companies incorporated locally by shareholders not domiciled in the country. The tax pressure of the central government was 16.6 percent of GDP, while the fiscal burden of the central government was 19.0 percent of GDP.

**Graph 37**  
**GENERAL GOVERNMENT FISCAL BURDEN**  
(% GDP)



Source: BCRP.



**Table 49**  
**FISCAL REVENUE RATIOS**  
(% GDP)

	2012	2013	2014
Central government tax burden	16.5	16.4	16.6
Central government fiscal burden 1/	19.1	18.9	19.0
Fiscal burden of the general government 2/	22.3	22.1	22.2

1/The difference respect to tax burden is the inclusion of non-tax revenues.

2/The difference between central and general government due to local governments and other institutions as EsSalud, ONP and regulatory agencies of general government.

Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, ONP, charity societies, regulatory agencies and registry offices.

**Table 50**  
**GENERAL GOVERNMENT REVENUES**

	Million nuevos soles			Real % change		% GDP		
	2012	2013	2014	2013	2014	2012	2013	2014
<b>I. Tax revenue</b>	<b>86,097</b>	<b>91,617</b>	<b>97,646</b>	<b>3.5</b>	<b>3.3</b>	<b>16.9</b>	<b>16.8</b>	<b>17.0</b>
1. Income tax	37,278	36,512	40,157	-4.7	6.5	7.3	6.7	7.0
- Individuals	9,070	10,149	10,894	8.9	3.9	1.8	1.9	1.9
- Legal entities	23,429	22,914	25,031	-4.9	5.8	4.6	4.2	4.4
- Tax regularization	4,779	3,450	4,232	-29.7	18.7	0.9	0.6	0.7
2. Import duties	1,526	1,706	1,790	8.7	1.7	0.3	0.3	0.3
3. Value-added tax (VAT)	44,042	47,819	50,352	5.6	2.0	8.7	8.8	8.8
- Domestic VAT	24,543	27,164	28,732	7.6	2.5	4.8	5.0	5.0
- VAT on imports	19,499	20,655	21,620	3.0	1.4	3.8	3.8	3.8
4. Excise tax	4,918	5,480	5,135	8.4	-9.2	1.0	1.0	0.9
- Fuels	2,149	2,501	2,041	13.3	-21.0	0.4	0.5	0.4
- Others	2,769	2,979	3,094	4.6	0.6	0.5	0.5	0.5
5. Other income tax	8,920	11,363	10,921	23.8	-6.8	1.8	2.1	1.9
- National government	6,902	9,069	8,585	27.7	-8.2	1.4	1.7	1.5
- Local government	2,018	2,294	2,336	10.7	1.4	0.4	0.4	0.4
6. Tax returns	-10,587	-11,264	-10,708	3.5	-7.9	-2.1	-2.1	-1.9
<b>II. NON-TAX REVENUES</b>	<b>27,431</b>	<b>29,168</b>	<b>30,065</b>	<b>3.5</b>	<b>-0.2</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>
1. Contributions to Essalud and ONP	10,281	11,493	12,513	8.8	5.4	2.0	2.1	2.2
2. Oil, gas and mining royalty	2,850	2,875	2,649	-4.2	-10.1	0.6	0.5	0.5
3. Oil Canon	2,910	3,005	2,895	0.5	-6.7	0.6	0.6	0.5
4. Others	11,391	11,794	12,008	1.2	-1.9	2.2	2.2	2.1
<b>III. TOTAL (I+II)</b>	<b>113,528</b>	<b>120,785</b>	<b>127,711</b>	<b>3.5</b>	<b>2.4</b>	<b>22.3</b>	<b>22.1</b>	<b>22.2</b>

Source: MEF, Banco de la Nación, BCRP, INEI, SUNAT, EsSalud, ONP, charity societies, regulatory agencies and registry offices.

Revenue from the **income tax** increased from 6.7 percent to 7.0 percent in GDP terms, showing an increase of 6.5 percent in real terms. This reflected mainly the higher revenue received from the income tax of non-domiciled taxpayers associated with their sales of assets during the year, as a result of which revenue from the income tax of non-domiciled taxpayers increased two-fold compared to 2013. If this tax payments were excluded, the revenue from the income tax in 2014 would have fallen by 1.8 percent in real terms reflecting lower tax payments from income tax- third category.

**Table 51**  
**INCOME TAX BY CATEGORY**  
(Million nuevos soles)

	2012	2013	2014	Real % change	
				2013	2014
First category	253	310	374	19.2	16.7
Second category	1,136	1,275	1,214	9.3	-7.8
Third category	20,744	19,633	18,536	-7.9	-8.5
Fourth category	637	744	834	13.6	8.5
Fifth category	7,054	7,820	8,473	7.9	4.9
Non-residents	2,244	2,848	6,027	23.3	104.7
Regularization	4,779	3,450	4,232	-29.7	18.7
Others	431	432	468	-2.4	4.7
<b>Total</b>	<b>37,278</b>	<b>36,512</b>	<b>40,157</b>	<b>-4.7</b>	<b>6.5</b>

Source: SUNAT.

The decline of 8.5 percent in payments on account of **income tax-third category** is associated mainly with the decrease of tax revenue from the mining sector, which shrank by 37.6 percent in real terms over the year due to the lower prices of some of our major mining exports, such as gold and copper.

**Table 52**  
**INCOME TAX THIRD CATEGORY BY SECTORS: PAYMENTS ON ACCOUNT**  
(Million nuevos soles)

	2012	2013	2014	Real % change	
				2013	2014
Services,1/	6,967	7,507	7,612	4.9	-1.8
Commerce	2,952	3,431	3,220	13.1	-9.1
Manufacturing	2,683	2,706	2,517	-1.9	-9.8
Hydrocarbons	1,779	1,908	1,903	4.3	-3.3
Mining	5,393	2,922	1,881	-47.3	-37.6
Construction	854	1,047	1,283	19.2	18.7
Agriculture and livestock	81	64	72	-23.6	8.2
Fishing	35	48	47	33.2	-4.5
<b>Total</b>	<b>20,744</b>	<b>19,633</b>	<b>18,536</b>	<b>-7.9</b>	<b>-8.5</b>

1/ Includes activities in real estate, business, leasing, telecommunications, financial intermediation, health, social services, tourism and hotels, electric generation, and water services.  
Source: SUNAT.

Revenue from **import duties** grew 1.7 percent in real terms and maintained a ratio of 0.3 percent in GDP terms. It is worth mentioning that Supreme Decree 314-2014-EF, dated November 18, 2014), eliminated tariffs on 1,085 tariff items (mainly inputs which had tariff rates of 6 and 11 percent).

Revenue from the **value added tax (VAT)** remained for the second consecutive year at 8.8 percent, but grew 2.0 percent in real terms as a result of the positive path that revenue from this tax showed mainly in the first two quarters of the year.



The growth of the domestic VAT slowed down (2.5 percent in real terms) and recorded its lowest level in the past 5 years reflecting the lower dynamism of economic activity. However, this effect was in part offset by the measures implemented to broaden the tax base. Moreover, the external VAT also showed a lower growth rate (1.4 percent in real terms) associated with the slowdown of imports. By sectors, the sector of services still leads VAT payments, followed by the sector of trade.

Revenue from the **excise tax** fell 9.2 percent in real terms and from 1.0 percent to 0.9 percent as a percentage of GDP. This fall is explained by the reduction of the excise tax on fuels (21.0 percent), offset in part by the increase of the excise tax on other goods (0.6 percent in real terms). Moreover, the decline in revenue from the excise tax on fuels is explained mainly by the domestic excise tax, which recorded a reduction of 32.9 percent. It should be pointed out that the excise tax on gasoline and gasohol fuels was lowered from S/. 1.31 per gallon to S/. 0.95 per gallon on average in November (Supreme Decree 316-2014-EF, dated November 21, 2014).

Revenue from **other taxes** dropped by a real 6.8 percent, from 2.1 to 1.9 percent of GDP. This decline is explained mainly by lower transfers of tax withholdings (detracciones) –which fell 41.6 percent–, offset in part by higher revenue from the temporary tax on net assets (ITAN), which increased by 22.6 percent. Lower revenue from transfers of withheld taxes (detracciones) was associated in part with Sunat Resolution 375-2013-Sunat (effective since February 2014) which made the withholding system more flexible, as well as with Sunat Resolution 203-2014-Sunat which lowered the tax withholding rate for services from 12 percent to 10 percent as from July.

Tax refunds, which fell by a real 7.9 percent, were equivalent to 1.9 percent of GDP. This result is explained mainly by lower **VAT refunds** for exports (15.6 percent in real terms) as well as by lower early recovery of the VAT (23.5 percent in real terms).

**Non-tax revenues** declined by 0.1 percentage points of GDP due to the decrease in real terms of revenue from oil and gas royalties and the Special Levy on Mining (down by 17.8 and 35.9 percent, respectively). However, this decline was in part offset by increased contributions to EsSalud and ONP (5.4 percent) as a result of the growth of formal employment and the increase registered in average salaries. In addition, own resources and transfers grew 12.0 percent in real terms.

## 2. General government spending

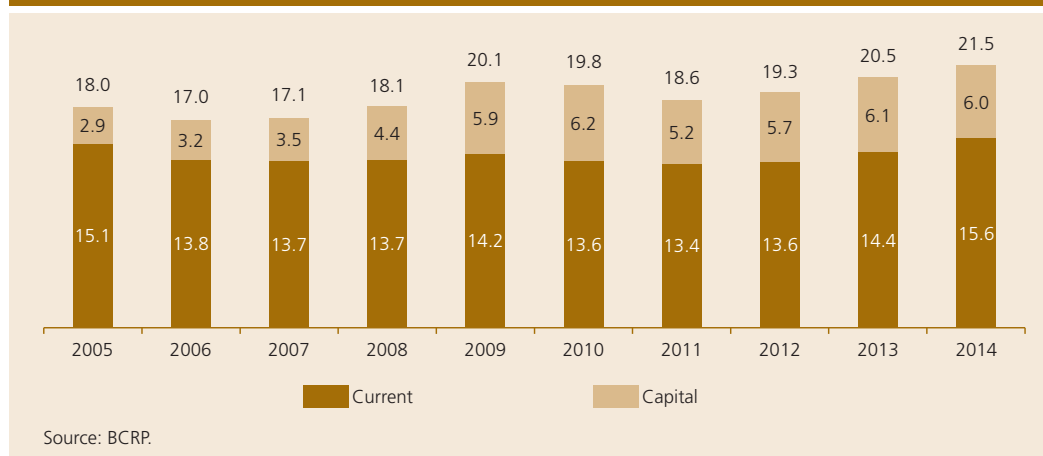
The non-financial expenditure of the general government was equivalent to 21.5 percent of GDP, a ratio 1.0 percentage points higher than in 2013 and the highest registered since 1981. The growth of the general government's non-financial expenditure in the year is explained by higher current expenditure (up from 14.4 to 15.6 percent of GDP), offset in part by lower capital spending (down 0.1 percentage points) in this period. By government levels, current expenditure in the national government rose from 9.7 percent to 10.7 percent of GDP, while capital expenditure rose from 2.2 percent to 2.4 percent. On the other hand, capital spending decreased by 0.4 percentage points at the level of subnational governments.

**Table 53**  
**GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE 1/**

	Million nuevos soles			Real % change		% GDP		
	2012	2013	2014	2013	2014	2012	2013	2014
<b>I. CURRENT EXPENDITURE</b>	<b>68,948</b>	<b>78,329</b>	<b>89,461</b>	<b>10.5</b>	<b>10.6</b>	<b>13.6</b>	<b>14.4</b>	<b>15.6</b>
<b>Wages and salaries</b>	<b>25,254</b>	<b>29,361</b>	<b>34,032</b>	<b>13.1</b>	<b>12.2</b>	<b>5.0</b>	<b>5.4</b>	<b>5.9</b>
National government	15,215	17,988	20,897	15.0	12.5	3.0	3.3	3.6
Regional governments	8,248	9,452	11,048	11.5	13.2	1.6	1.7	1.9
Local governments	1,791	1,921	2,086	4.3	5.2	0.4	0.4	0.4
<b>Goods and services</b>	<b>28,433</b>	<b>31,424</b>	<b>35,065</b>	<b>7.5</b>	<b>8.1</b>	<b>5.6</b>	<b>5.8</b>	<b>6.1</b>
National government	18,542	20,907	24,081	9.6	11.6	3.6	3.8	4.2
Regional governments	3,306	3,567	3,721	5.0	1.1	0.7	0.7	0.6
Local governments	6,585	6,950	7,264	2.7	1.3	1.3	1.3	1.3
<b>Transfers</b>	<b>15,261</b>	<b>17,545</b>	<b>20,364</b>	<b>11.7</b>	<b>12.4</b>	<b>3.0</b>	<b>3.2</b>	<b>3.5</b>
National government	11,940	14,097	16,695	14.7	14.7	2.3	2.6	2.9
Regional governments	2,107	2,260	2,559	4.3	9.6	0.4	0.4	0.4
Local governments	1,214	1,187	1,110	-4.7	-9.5	0.2	0.2	0.2
<b>II. CAPITAL EXPENDITURE</b>	<b>28,951</b>	<b>33,440</b>	<b>34,384</b>	<b>12.4</b>	<b>-0.4</b>	<b>5.7</b>	<b>6.1</b>	<b>6.0</b>
<b>Gross Capital Formation</b>	<b>27,253</b>	<b>30,739</b>	<b>31,660</b>	<b>9.7</b>	<b>-0.2</b>	<b>5.4</b>	<b>5.6</b>	<b>5.5</b>
National government	8,370	9,532	11,465	10.8	16.4	1.6	1.7	2.0
Regional governments	6,653	7,120	6,276	4.2	-14.5	1.3	1.3	1.1
Local governments	12,230	14,087	13,919	12.0	-4.3	2.4	2.6	2.4
<b>Other capital expenditure</b>	<b>1,698</b>	<b>2,701</b>	<b>2,723</b>	<b>54.5</b>	<b>-2.2</b>	<b>0.3</b>	<b>0.5</b>	<b>0.5</b>
<b>III. NON-FINANCIAL EXPENDITURE</b>								
<b>TOTAL (I+II)</b>	<b>97,899</b>	<b>111,770</b>	<b>123,845</b>	<b>11.0</b>	<b>7.3</b>	<b>19.3</b>	<b>20.5</b>	<b>21.5</b>
National government	55,525	64,916	75,665	13.7	12.9	10.9	11.9	13.2
Regional governments	20,376	22,492	23,647	7.4	1.9	4.0	4.1	4.1
Local governments	21,998	24,362	24,533	7.7	-2.4	4.3	4.5	4.3

1/ Net of commissions and intergovernmental transfers.  
Source: MEF.

**Graph 38**  
**GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE**  
(% GDP)





## National government

The **non-financial expenditure of the national government** was equivalent to 13.2 percent of GDP, which represents an increase of 12.9 percent in real terms compared to 2013. This is explained mainly by increased spending in goods and services (11.6 percent), in wages and salaries (12.5 percent), and transfers (14.7 percent).

Expenditure in **wages** and salaries grew by a real 12.5 percent compared with 2013, which is explained mainly by the higher salary levels approved for the Armed Forces and Policía Nacional del Perú, as well as for public servants of the Ministries of Education and Health. Additionally, an extraordinary bonus was given to public servants in the months of July (S/. 200) and December (S/. 300) in addition to the bonuses they receive these months.

Spending in **goods and services** amounted to 4.2 percent of GDP, which represents an increase of 11.6 percent in real terms. Higher spending was observed especially in the sectors of Education (maintenance of education facilities, teacher training programs, and literacy programs); Health, acquisition of medical supplies (vaccines and medicines) and greater outpatient health care attention and hospitalization; Transport and Communications (road maintenance and repair); Economy and Finance (costs associated with reinforcing SUNAT programs and greater service contracts (CAS), and Interior, police operations aimed at reducing victimization in urban areas of the country.

Expenditure for current **transfers** rose from 2.6 percent of GDP in 2013 to 2.9 percent of GDP in 2014 (14.7 percent in real terms) due mainly to increased transfers for the extraordinary bonuses given in July and December as well as for higher pensions –especially for pensioners of regimes covered by D.L. 20530 and D.L. 18846–; payment of accrued salaries and legal interests established by judicial mandates of the ONP, as well as increased allocations to programs Juntos (783 thousand households benefited), Pensión 65 (450 thousand senior adults were given monetary grants), Cuna Más (day care and family accompaniment services provided to 109 thousand children), and Qaliwarma (breakfast was provided to 3.2 million children under this food program), among others.

**Capital expenditure** increased by 13.7 percent in real terms, from 2.2 percent of GDP in 2013 to 2.4 percent in 2014, due mainly to higher gross capital formation (increase of 16.4 percent in real terms).

The national government expenditure in **gross capital formation** was concentrated mainly in the sector of Transport (S/. 6.78 billion), which represented 51 percent of the investment of the national government. It is worth pointing out that increased spending was made in road concession projects and works associated with the construction of Line 2 and section Avenida Faucett–Gambetta of Lima’s Metro project, the construction and improvement of Camaná-Quilca-Matarani-Ilo-Tacna highway, the repair and improvement of Huaura-Sayán-Churin highway, and improving Avenida Néstor Gambetta in Callao.

**Table 54**  
**MAIN INVESTMENT PROJECTS OF THE NATIONAL GOVERNMENT: 2014**  
(Million nuevos soles)

PROJECTS	Amount
Road Concessions	1,510
Line 2 and Faucett Ave. - Gambetta Ave. of the Basic Network of the Metro of Lima and Callao	1,047
Construction and improvement of the Camaná-Quilca-Matarani-Ilo-Tacna highway	434
Rehabilitation and improvement of the Huaura - Sayán - Churín highway	288
Improvement Néstor Gambetta Ave. - Callao highway	265
Project Electric System Transport of Lima and Callao	232
Rehabilitation and improvement of the Ayacucho - Abancay highway	206
Airport concessions	186
Rehabilitation and improvement of the Chongoyape-Cochabamba-Cajamarca highway	174
Rehabilitation and improvement of the Lima-Canta-La Viuda-Unish highway	157
Improvement of the San Marcos-Cajabamba-Sausacocho highway	153
Rehabilitation of the Panamericana Norte Tranche km. 557+000 to km. 886+600	151
Rehabilitation and improvement of the Chamaya-Jaén-San Ignacio-Río Canchis highway	129
Railways concessions	124
Rehabilitation and improvement of the Tingo Maria-Aguaytía-Pucallpa highway	111
Rehabilitation and improvement of the Quinua-San Francisco highway	92
Improvement of the Satipo-Mazamari-Dv. Pangoa-Puerto Ocopa highway	92
Improvement of the National Sports Village - Videna, San Luis, Lima	90
Rehabilitation and improvement of the Juanjuí - Tocache highway	88
Improvement of the attention of emergency services – Nuevo Hospital de Emergencias - Villa El Salvador	88
Rehabilitation and improvement of the Huancavelica - Lircay highway	85
Rehabilitation and improvement of the Imperial-Mayocc-Ayacucho highway Tranche Mayocc-Huanta	84
Rehabilitation and improvement of the Yauri-Negromayo-Oscollo-Imata highway, Tranche Dv. Imata-Oscollo-Negromayo	72
Rest	5,606
<b>TOTAL</b>	<b>11,645</b>

Source: MEF.

### Regional governments

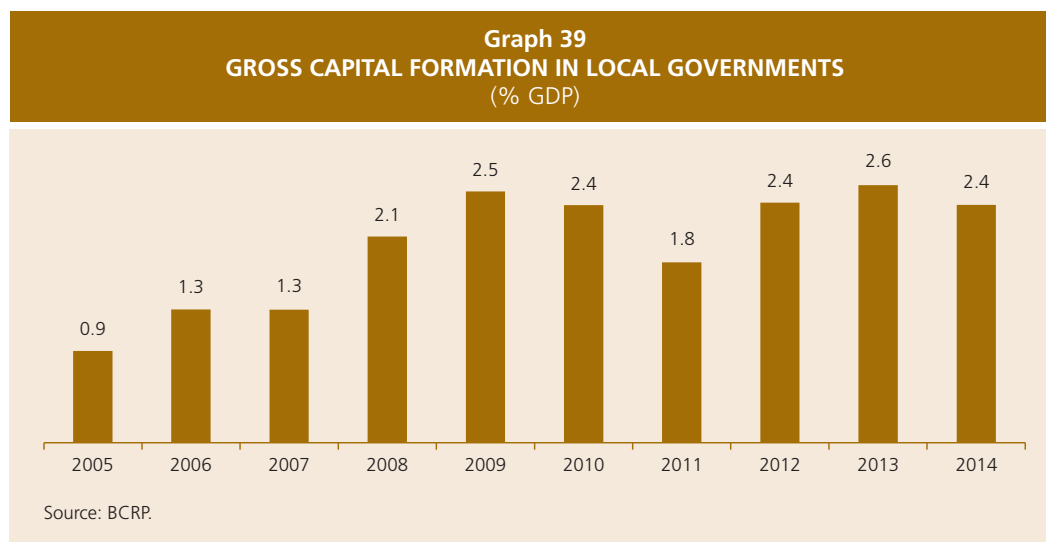
The non-financial expenditure of the regional governments increased by 1.9 percent in real terms and maintained the ratio of 4.1 percent in GDP terms recorded in 2013. This increase is explained mainly by higher current expenditure in salaries (up 13.2 percent in real terms), offset in part by lower spending in gross capital formation (down by a real 14.5 percent). The increase in the former is explained by the higher salaries in the Health sector (Law 29682 and 30126); the implementation of the second stage of Ley de Reforma Magisterial (Law 29944); the payment of DU 037-94 and the extraordinary bonuses of July and December.

As for investment, the regional governments with the higher investment amounts included the regional governments of Cusco, San Martín, and Arequipa. The project Mejoramiento de la Transitabilidad Peatonal y Vehicular de la Avenida Evitamiento de la Ciudad del Cusco stands out among the projects implemented by the regional governments in 2014.

### Local governments

The non-financial expenditure of the local governments declined by a real 2.4 percent compared to 2013, reflecting a lower dynamism in investment expenditure, which fell 4.3 percent.

By departments, the investment of local governments was led by the departments of Cusco, Lima, Ancash, and Cajamarca, while in terms of municipalities, the greater amounts of investment were observed in the Province Municipality of Lima, the District Municipality of Echarate in Cusco, the District Municipality of San Marcos, in Ancash, and the Province Municipality of Paita. The most significant project developed by local governments due to the amount involved was the installation, expansion, improvement of water and sanitation services in the villages and settlements located in the areas near watersheds 1, 2, and 3 of the upper area of the city of Paita, in Piura.



### 3. State enterprises

The State-owned enterprises showed a negative balance of S/. 478 million, which contrasts with the positive economic balance of S/. 715 million recorded in 2013. This negative balance is explained mainly by Petroperú's deficit, offset in part by the positive balances obtained by Sedapal, Electroperu, and the regional electricity companies.

In 2014 **Petroperu** recorded a deficit of S/. 1.45 billion, explained mainly by higher investment costs associated with the modernization of the Talara refinery and by lower current revenue associated with the drop of oil prices which affected the company's sales of crude, especially in the last quarter of the year.

**Sedapal** showed a surplus of S/. 413 million, a balance S/. 39 million higher than the one recorded in 2013 (S/. 374 million). Sedapal recorded revenue for transfers from Ministerio de Vivienda, Construcción y Saneamiento for a total of S/. 551 million, which was used to finance public investment in urban sanitation projects such as the Planta Huachipa; the rehabilitation of secondary sewage grids; the expansion of water supply coverage, and Rehabilitación y Reposición de Redes Primarias y Secundarias de Agua Potable y Alcantarillado.

**Electroperu** recorded a surplus of S/. 135 million. This balance, which is lower by S/. 162 million than the one registered in 2013, is explained mainly by higher operation costs and by lower revenues from sales of goods and services. It is worth mentioning that Electroperu sells energy to electricity distribution companies and free clients that supply energy in different areas of the country.

The **regional electricity companies** recorded an overall surplus of S/. 213 million, a balance higher by S/. 103 million than in 2013, explained by increased revenue as a result of the sale of energy in a year during which there was more capital spending in rural electrification investment projects. Egasa, Electro Centro, and San Gabán stand out among the regional energy companies that contributed to this surplus.

**Table 55**  
**OVERALL BALANCE OF STATE ENTERPRISES**

	Million nuevos soles			% GDP		
	2012	2013	2014	2012	2013	2014
Petroperu	96	-615	-1,450	0.0	-0.1	-0.3
ElectroPeru	186	297	135	0.0	0.1	0.0
Regional Electricity Companies	288	110	213	0.1	0.0	0.0
Sedapal	349	374	413	0.1	0.1	0.1
Others	100	550	210	0.0	0.1	0.0
<b>TOTAL</b>	<b>1,018</b>	<b>715</b>	<b>-478</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.1</b>

Source: State enterprises and FONAFE.

#### 4. Promotion of private investment

Projects in the sectors of transportation, electricity, tourism, and hydrocarbons given in concession to private operators during 2014 involved investment commitments for a total of US\$ 9.98 billion. Among others, these concessions include Line 2 and section Av. Faucett - Av. Gambetta of the basic network of the Metro of Lima and Callao, awarded to Consorcio Nuevo Metro de Lima, which has committed investment for a total of US\$ 5.08 billion. The project consists of the construction and implementation of a 27 km-long underground railway line that will connect Ate - Lima – Callao (denominated Línea 2 de la Red Básica del Metro de Lima) as well as the construction of a 8 km-long branch section in the Av. Elmer Faucett area that will go from the Av. Oscar Benavides (Colonial) until Av. Néstor Gambetta.

Another project that will be implemented by the private sector is Concesión de Mejoras a la Seguridad Energética del País y Desarrollo del Gasoducto Sur Peruano, which was awarded to Consorcio Gasoducto Sur Peruano, integrated by Odebrecht Latinvest and Enagás International SLU (Brazilian and Spanish capitals). Through this concession, the US\$ 3.64 billion project will strengthen the system used to transport natural gas and natural gas liquids and also carry out the construction of the Gasoducto Sur Peruano from the province of Anta (Cusco) to the southern coastal area of Peru.



Finally, another project to be developed also in the sector of transport is the construction and operation of the new international airport of Chinchero in Cusco, which involves an investment commitment of US\$ 537 million. The contract was awarded to Consorcio KunturWasi, integrated by Corporación América S.A. and Andino Investment Holding S.A. (Argentine and Peruvian capitals). The concession period for the operation of the new airport that will be located in the districts of Chinchero and Huayllabamba, in the province of Urubamba, in Cusco, is 40 years.

**Table 56**  
**PRIVATIZATIONS AND CONCESSIONS: 2014**  
(Million US\$)

SALE OF STOCKS, ASSETS AND CONCESSIONS	DATE	AWARDED TO	TRANSACTION OR INVESTMENT
Line 2 and Faucett Ave. - Gambetta Ave. of the Basic Network of the Metro of Lima and Callao	March 28	Various	5,075.2
International Airport of Chinchero - Cusco (AICC)	April 25	Consorcio Kuntur Wasi (Corporación América S.A. y Andino Investment Holding S.A)	537.0
General San Martín (Pisco) Port Terminal	April 30	Consorcio Paracas (Servinoga S.L., Pattac Empreendimentos e Participacoes S.A., Tucuman – Engenharia e Empreendimentos Ltda. and Fortesolo Servicios Integrados Ltda.)	128.8
220 kV La Planicie - Industriales Transmission Line and associated substations	May 29	Interconexión Eléctrica S.A. E.S.P.	35.4
Cable cars to Kuelap	May 30	Consorcio Telecabinas Kuélap (POMAGALSKI S.A.S. e Ingenieros Civiles and Contratistas Generales S.A.)	17.6
220 Kv Moyobamba - Iquitos Transmission Line and associated substations	June 5	Consorcio Isolux Transmisora Peruana (Isolux Ingeniería S.A. - Isolux de México S.A. de C.V.)	499.2
Improvements of the National Energy Security and development of the South Peruvian Pipeline	June 30	Consorcio Gasoducto Sur Peruano (Odebrecht Latinvest and Enagás Internacional SLU)	3,643.0
220 kV Friaspata - Mollepata Transmission Line and Orcotuna Substation 220/60 kV	August 7	Interconexión Eléctrica S.A. E.S.P.	38.8
<b>TOTAL</b>			<b>9,974.9</b>

Source: Proinversión.

## 5. Public debt

In 2014 the public debt amounted to S/. 115.39 billion. This debt amount, which is equivalent to 20.1 percent of GDP, is S/. 8.34 billion higher than the debt amount recorded in 2013. The main debt indicators continued showing a favorable trend during the year: a greater part of the debt is domestic debt, a greater part is in domestic currency, and a greater part has been established at a fixed rate, all of which has contributed to reduce market risks.

**Table 57**  
**DEBT BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR 1/**

	Million nuevos soles			% GDP		
	2012	2013	2014	2012	2013	2014
<b>PUBLIC DEBT (I + II)</b>	<b>103,810</b>	<b>107,044</b>	<b>115,386</b>	<b>20.4</b>	<b>19.6</b>	<b>20.1</b>
<b>I. EXTERNAL PUBLIC DEBT</b>	<b>49,888</b>	<b>48,084</b>	<b>50,373</b>	<b>9.8</b>	<b>8.8</b>	<b>8.8</b>
Loans	25,637	21,463	23,188	5.0	3.9	4.0
International organizations	19,369	15,912	16,789	3.8	2.9	2.9
Paris Club	6,189	5,478	4,848	1.2	1.0	0.8
Suppliers	67	63	56	0.0	0.0	0.0
International banks	0	0	1,490	0.0	0.0	0.3
Latin America	12	10	6	0.0	0.0	0.0
Other bilateral organizations	0	0	0	0.0	0.0	0.0
Global Bonds	24,251	26,621	27,184	4.8	4.9	4.7
<b>II. DOMESTIC PUBLIC DEBT</b>	<b>53,922</b>	<b>58,961</b>	<b>65,014</b>	<b>10.6</b>	<b>10.8</b>	<b>11.3</b>
<b>1. LONG TERM</b>	<b>45,113</b>	<b>49,626</b>	<b>57,711</b>	<b>8.9</b>	<b>9.1</b>	<b>10.0</b>
Bank loans	3,402	4,587	5,068	0.7	0.8	0.9
Treasury bonds	41,705	45,039	52,643	8.2	8.3	9.2
1. Bonds to support the financial system	311	341	363	0.1	0.1	0.1
2. Public debt swap bonds	1,746	1,543	1,371	0.3	0.3	0.2
3. Sovereign bonds	32,244	35,866	43,749	6.3	6.6	7.6
4. Recognition bonds	7,405	7,290	6,955	1.5	1.3	1.2
Municipality of Lima Bonds	5	0	0	0.0	0.0	0.0
<b>2. SHORT TERM</b>	<b>8,809</b>	<b>9,335</b>	<b>7,303</b>	<b>1.7</b>	<b>1.7</b>	<b>1.3</b>
Memo:						
Liabilities of Private-Public						
Partnerships	3,968	4,117	4,166	0.8	0.8	0.7
FEPCs	214	295	190	0.0	0.1	0.0
External debt from COFIDE and Mivivienda Fund	2,135	4,294	7,698	0.4	0.8	1.3
<b>Bond holdings</b>	<b>56,495</b>	<b>62,487</b>	<b>70,934</b>	<b>11.1</b>	<b>11.5</b>	<b>12.3</b>
Residents	16,759	21,154	31,459	3.3	3.9	5.5
Non-residents	39,736	41,333	39,475	7.8	7.6	6.9
<b>Sovereign bonds</b>	<b>32,244</b>	<b>35,866</b>	<b>43,749</b>	<b>6.3</b>	<b>6.6</b>	<b>7.6</b>
Residents	14,371	17,546	27,225	2.8	3.2	4.7
Non-residents	17,873	18,320	16,524	3.5	3.4	2.9
<b>Global bonds</b>	<b>24,251</b>	<b>26,621</b>	<b>27,184</b>	<b>4.8</b>	<b>4.9</b>	<b>4.7</b>
Residents	2,388	3,608	4,234	0.5	0.7	0.7
Non-residents	21,863	23,013	22,951	4.3	4.2	4.0
1/ Includes national government debt, regional and locals, and public enterprises. Excludes debt from COFIDE, Banco de la Nación, BCRP, and Mivivienda Fund.						
Source: MEF, Banco de la Nación, MTC, ONP, and COFIDE.						



## 5.1 External debt

In 2014 the external debt, which represents 44 percent of the total debt of the non-financial public sector (NFPS), amounted to US\$ 16.91 billion (or S/. 50.37 billion). This amount represents a decrease of US\$ 287 million in the debt amount compared to 2013 and includes the effect of the debt management operation approved by Supreme Decree 298-2014-EF on October 30, 2014. The operation involved the repurchase and/or swap of Global Bonds 2015, 2016 and 2019 (with a nominal value of US\$ 485 million) and Sovereign Bonds maturing in 2015 and 2020 (with a nominal value of S/. 3.558 billion). This operation was funded with the issuance of a new bond, Sovereign Bond 2024 –S/. 7.13 billion in nominal value–, which in addition to covering the repurchase of the bonds mentioned above, allowed obtaining S/. 1.44 billion which was allocated to pre-finance the financial requirements of 2015. In addition to this, on the same date the government also issued Global Bond 2050, with a nominal value of US\$ 500 million, which will also be used to pre-finance the requirements of 2015. In short, this operation contributed to improve the country's debt profile since the ratio of debt in domestic currency rose from 55.5 percent to 56.8 percent as a result of this operation in 2014.

Thus, external disbursements for the non-financial public sector amounted to US\$ 1.43 billion in 2014, with placements of global bonds (US\$ 500 million), funding for several investment projects of the general government (US\$ 133 million) and non-financial government enterprises (US\$ 551 million), as well as funds for the payment of external debt obligations (US\$ 244 million) standing out.

Disbursements to finance investment projects included mainly funding for the Ministry of Housing, Construction and Sanitation (US\$ 58 million), the Ministry of Transport and Communications (US\$ 36 million), and Ministry of Agriculture (US\$ 20 million). Moreover, unrestricted disbursement funds were obtained from the placement of global bonds (US\$ 500 million) and from the International Bank for Reconstruction and Development-IBRD (US\$ 150 million).

The NFPS amortization of the external debt amounted to US\$ 1.46 billion, which included the prepayment of debt to international agencies.

## 5.2 Domestic debt

The domestic public debt showed a balance of S/. 65.01 billion at end-2014, which represents an increase of S/. 6.05 billion compared to the debt amount at end-2013. This increase is mostly explained by the issuance of sovereign bonds –whose balance increased to S/. 43.75 billion–, of which 38 percent is held by non-residents.

Sovereign bonds maturing in 2015 and 2020, with a nominal value of S/. 3.56 billion, were repurchased as part of the debt management operation mentioned above through the placement of a new bond, Sovereign Bond 2024, with a nominal value of S/. 7.13 billion. The latter amount not only covered the repurchase mentioned above and the repos of the Global Bonds that were also part of this operation, but also allowed obtaining S/. 1.44 billion to prefinance the requirements of 2015. The government also approved the periodic issuance of 90-day to 360-day Treasury Bills and placed bills for a total of S/. 766 million during the year.

## 5.3 Net debt<sup>8</sup>

In 2014 the net debt amounted to S/. 22.27 billion, a sum equivalent to 3.9 percent of GDP. This debt balance, which is S/. 2.25 billion higher than the one recorded at end 2013, is mainly explained by the increase in the public debt (up by S/. 8.34 billion), offset by the growth of public financial assets (up by S/. 6.09 billion).

<sup>8</sup> The net public debt is defined as the difference between the public sector liabilities (total public debt) and the public sector financial assets (total deposits in the domestic and external financial systems).

**Table 58**  
**NET DEBT OF THE NON-FINANCIAL PUBLIC SECTOR**

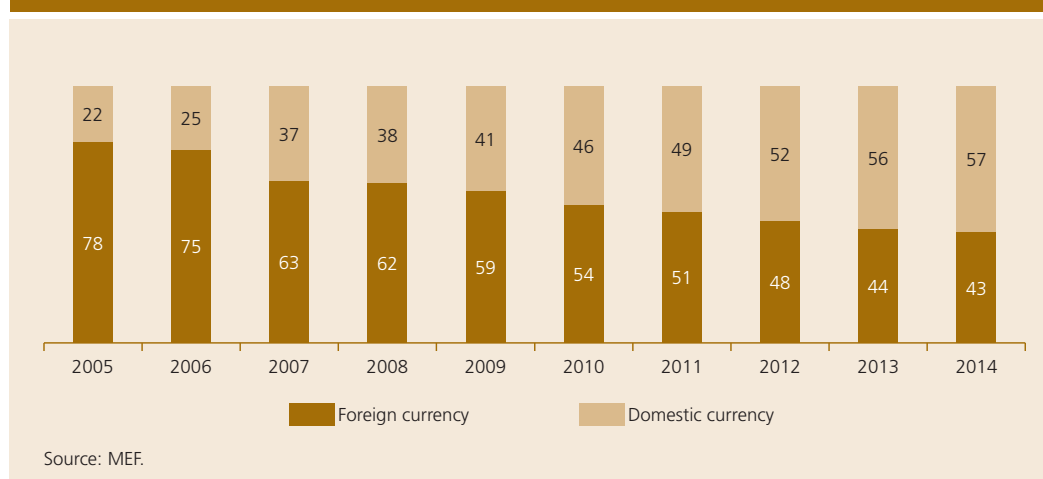
Years (December)	Million nuevos soles			% GDP		
	Assets	Liabilities	Net debt	Assets	Liabilities	Net debt
2005	20,792	102,938	82,146	8.4	41.7	33.2
2006	25,435	97,586	72,151	8.8	33.9	25.1
2007	38,061	95,604	57,543	11.9	29.9	18.0
2008	45,649	95,674	50,025	12.8	26.9	14.1
2009	47,003	99,215	52,212	12.9	27.2	14.3
2010	50,852	102,150	51,298	12.1	24.3	12.2
2011	63,531	103,856	40,325	13.5	22.1	8.6
2012,1/	78,612	103,810	25,198	15.5	20.4	5.0
2013,1/	87,023	107,044	20,021	16.0	19.6	3.7
2014,1/	92,852	115,386	22,534	16.1	20.1	3.9

1/ Preliminary data.  
Source: BCRP and MEF.

#### 5.4 Debt by currencies

The ratio of the debt in nuevos soles to the total public debt has been increased to reduce the debt's exposure to foreign exchange risks. Thus, between 2005 and 2014 the ratio of the debt in domestic currency has increased from 22 percent to 57 percent of the gross public debt. The increase in 2014 is explained mainly by the debt management operation carried out in the last months of the year, through which part of the external debt was prepaid with the placement of sovereign bonds in domestic currency.

**Graph 40**  
**PUBLIC DEBT BALANCE BY CURRENCY**  
(% structure)



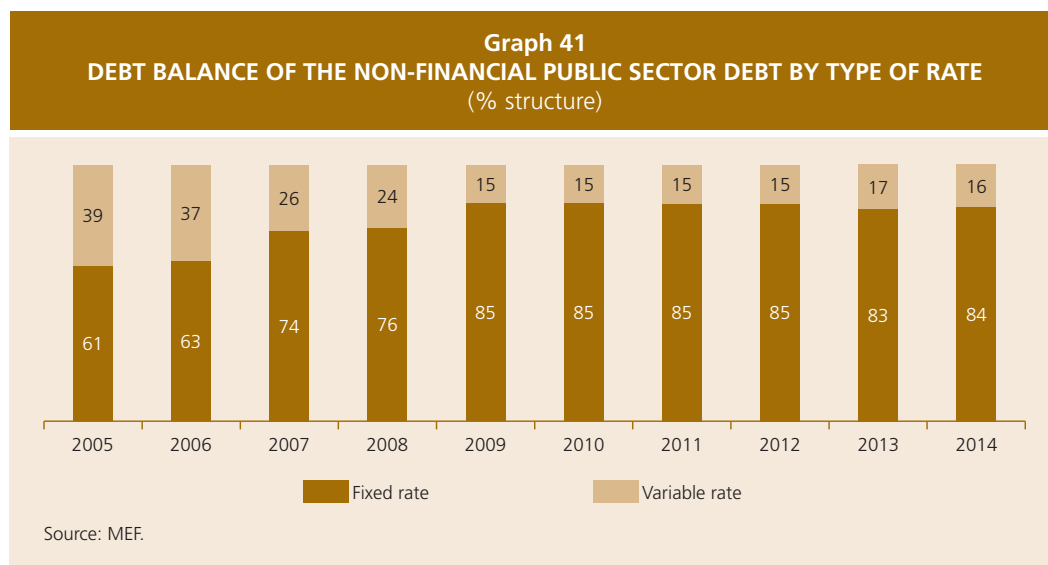
#### 5.5 Debt by type of interest rates

The ratio of fixed-rate debt increased from 83 to 84 percent in 2014. However, when we look at the debt from a longer-term perspective, we see that the ratio of debt at fixed rates has increased from 61 percent in 2005 to 84 percent in 2014. This has been done with the purpose of increasing the predictability



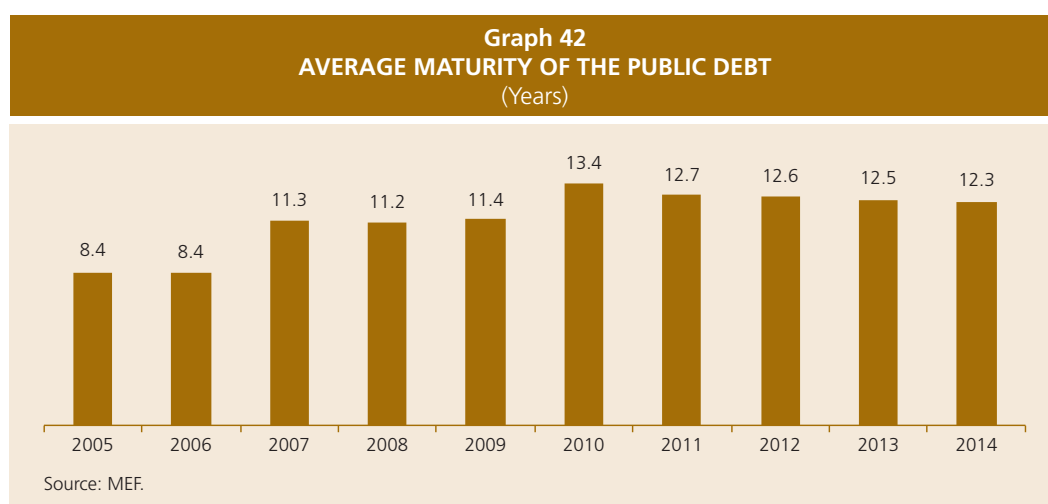


about the debt service and minimizing the risks that a rise in international interest rates would entail.



## 5.6 Average life of the debt

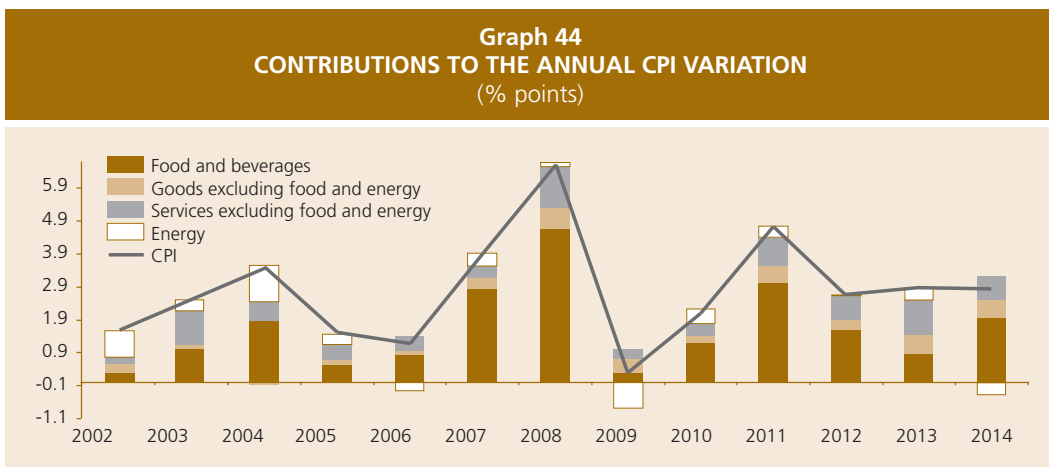
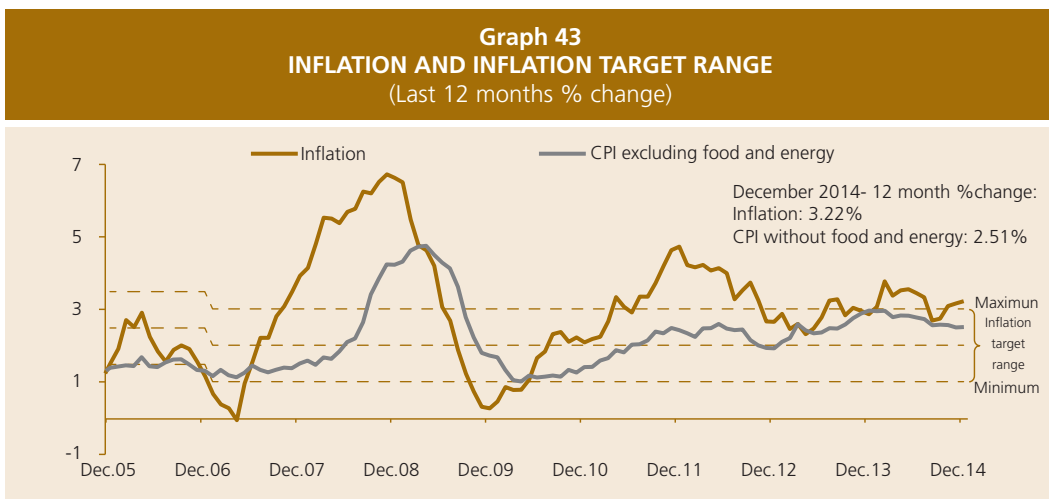
The average life of the debt is an indicator of the time available until the debt has to be repaid and reflects how fast we have to obtain resources and pay maturities. Because the average life of the debt has increased in recent years, we now have a greater margin to pay maturities and we can prevent periods in which a large volume of debt payments concentrate. Between 2005 and 2014, the average life of the debt rose from 8 years to 12 years. The slight decrease observed in recent years is explained by the increase in short-term floating debt (unpaid accrued expenses).



The average life of the **domestic public debt** (12.8 years) is slightly longer than the average life of the **external public debt** (11.9 years). It is worth pointing out that a re-distribution of the debt has been achieved in terms of the debt with multilateral and bilateral sources and the debt in the capital market. Thus, at end-2014 the obligations generated by the latter represented 61 percent of the debt and a rising trend is being observed in recent years.

# INFLATION IV

In 2014 the rate of change in the consumer price index (CPI) in Metropolitan Lima was 3.22 percent, higher than in 2013 (2.86 percent). However, since this rate of inflation reflected mainly increases in the prices of food and electricity rates, inflation without food and energy –goods with a high price volatility– fell from 2.97 percent in 2013 to 2.51 percent in 2014.



By items, inflation in 2014 is explained by rises in the prices of services (meals outside the home, education, urban fares, and electricity rates) and the price of chicken. In addition to this, the rise of the exchange rate also affected the prices of vehicles and personal care items.



**Table 59**  
**ITEM WITH THE HIGHEST WEIGHTED CONTRIBUTION TO INFLATION**

Positive	Weight	% Chg.	Contribution	Negative	Weight	% Chg.	Contribution
Meals outside the home	11,7	4,7	0,60	Gasoline and lubricants	1,3	-12,5	-0,20
Education costs (tuition and fees)	8,8	4,6	0,43	Potato	0,9	-4,0	-0,04
Poultry meat	3,0	8,7	0,25	Tomato	0,2	-15,0	-0,03
Urban fare	8,5	2,3	0,20	Telephone rates	2,9	-1,0	-0,02
Electricity rates	2,9	4,4	0,12	Internet services and other	0,8	-2,2	-0,02
Purchases of vehicles	1,6	7,3	0,11	Soft-drink	0,2	-5,6	-0,01
Citric fruits	0,5	13,0	0,09	Sweet potato	0,1	-10,1	-0,01
Toiletries	4,9	1,8	0,09	Oil	0,5	-1,0	-0,01
Onion	0,4	34,1	0,08	Other cereal	0,1	-6,3	-0,01
Eggs	0,6	14,1	0,07	Various insurances	0,3	-0,6	0,00
<b>Total</b>			<b>2,04</b>	<b>Total</b>			<b>-0,35</b>

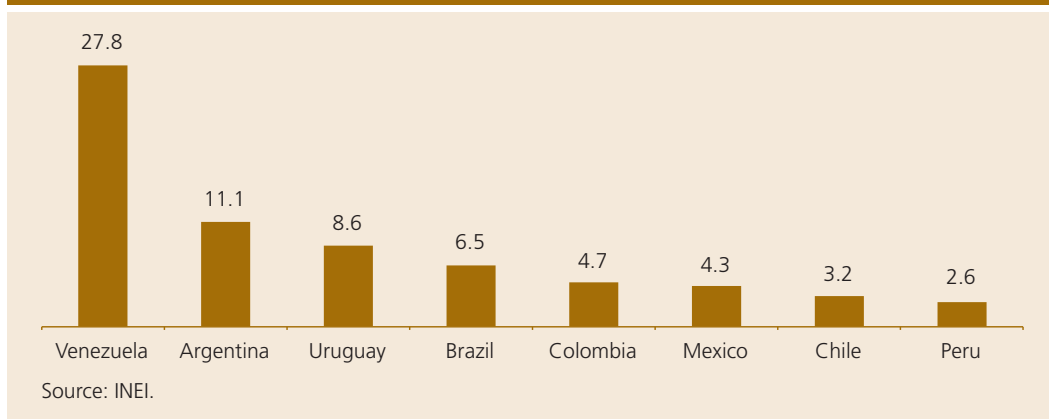
**Graph 45**  
**INFLATION**

(% change, at the end-of-period)



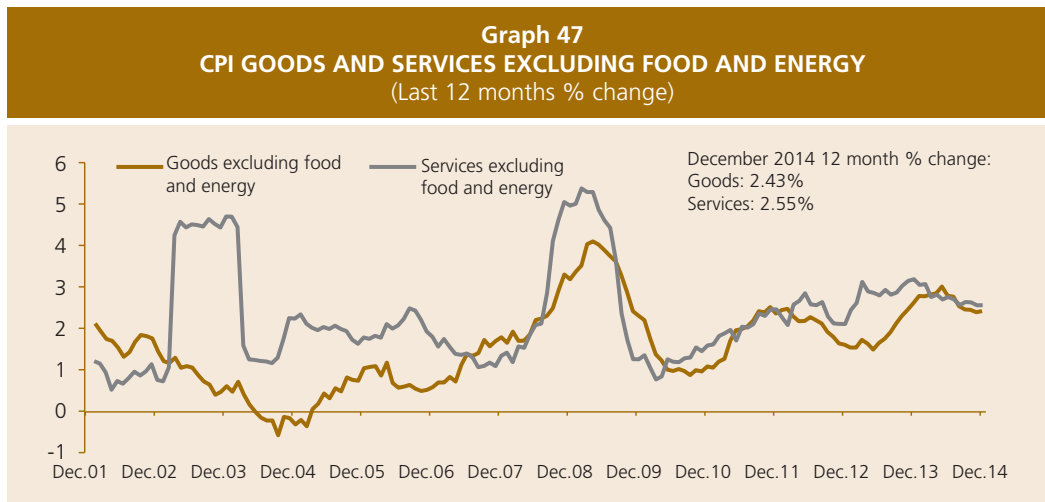
However, from a long-term perspective, the rate of average annual inflation in the period 2001-2014 was 2.6 percent, the lowest in Latin America.

**Graph 46**  
**LATIN AMERICA: AVERAGE INFLATION 2001 - 2014**  
(% change, at the end-of-period)



## 1. Inflation without food and energy

The annual rate of inflation without food and energy declined from 2.97 to 2.51 percent between December 2013 and December 2014. This decline was observed both in goods (down from 2.6 to 2.4 percent) and in services (down from 3.2 to 2.6 percent). However, price rises worth pointing out at the level of goods included the increase in prices of vehicles (7.3 percent), which reflected changes in the exchange rate (6.4 percent), while price rises standing out at the level of services included the increases in education costs (4.5 percent), house rents (2.6 percent), health care services (4.4 percent), and transportation (2.5 percent).



**Table 60**  
**INFLATION**  
(% change)

	Weight	2012	2013	2014	Average % chg. 2001-2014
<b>CPI</b>	<b>100.0</b>	<b>2.65</b>	<b>2.86</b>	<b>3.22</b>	<b>2.58</b>
<b>1. CPI excluding food and energy</b>	<b>56.4</b>	<b>1.91</b>	<b>2.97</b>	<b>2.51</b>	<b>1.99</b>
<b>a. Goods</b>	<b>21.7</b>	<b>1.60</b>	<b>2.62</b>	<b>2.43</b>	<b>1.63</b>
Textiles and footwear	5.5	3.05	2.30	2.10	2.24
Domestic appliances	1.3	-2.44	-0.08	0.33	-0.86
Other industrial products	14.9	1.37	2.97	2.72	1.50
<b>b. Services</b>	<b>34.8</b>	<b>2.10</b>	<b>3.18</b>	<b>2.55</b>	<b>2.27</b>
<i>Of which:</i>					
Education	9.1	4.69	4.76	4.51	3.86
Rent	2.4	-0.33	3.46	2.63	0.20
Health	1.1	2.63	4.99	4.43	2.73
Transportation	8.9	1.99	3.54	2.54	2.65
Telephone and water	5.4	-0.37	-0.39	-0.65	0.22
<b>2. Food and energy</b>	<b>43.6</b>	<b>3.55</b>	<b>2.73</b>	<b>4.08</b>	<b>3.22</b>
<b>a. Food and beverages</b>	<b>37.8</b>	<b>4.06</b>	<b>2.24</b>	<b>4.83</b>	<b>3.31</b>
<i>Of which:</i>					
Chicken meat	3.0	9.28	-3.63	8.70	2.73
Bread	1.9	2.76	0.77	1.70	4.26
Rice	1.9	-1.84	0.50	2.60	1.61
Sugar	0.5	-11.82	-15.99	1.39	1.15
Noodles	0.5	2.19	3.70	1.97	2.17
Oils	0.5	-0.87	-1.02	-1.03	3.37
Potato	0.9	19.85	-6.02	-4.03	3.18
Fresh and frozen fish	0.7	-13.22	15.96	4.01	4.05
Meals outside the home	11.7	5.96	5.23	4.65	3.53
<b>b. Fuels and electricity</b>	<b>5.7</b>	<b>0.22</b>	<b>6.09</b>	<b>-0.85</b>	<b>2.44</b>
<b>Fuels</b>	<b>2.8</b>	<b>-1.48</b>	<b>5.95</b>	<b>-5.59</b>	<b>2.93</b>
Oil and lubricants	1.3	-5.02	6.91	-12.50	2.44
Gas	1.4	2.21	4.98	1.21	1.56
<b>Electricity</b>	<b>2.9</b>	<b>2.19</b>	<b>6.23</b>	<b>4.37</b>	<b>1.36</b>



Education costs –tuition and fees– increased by 4.5 percent (4.8 percent in 2013), due mainly to the price adjustments made in March (3.8 percent) at the beginning of the school year, as well as due to the increases made during the year in education costs in universities and higher education institutes.

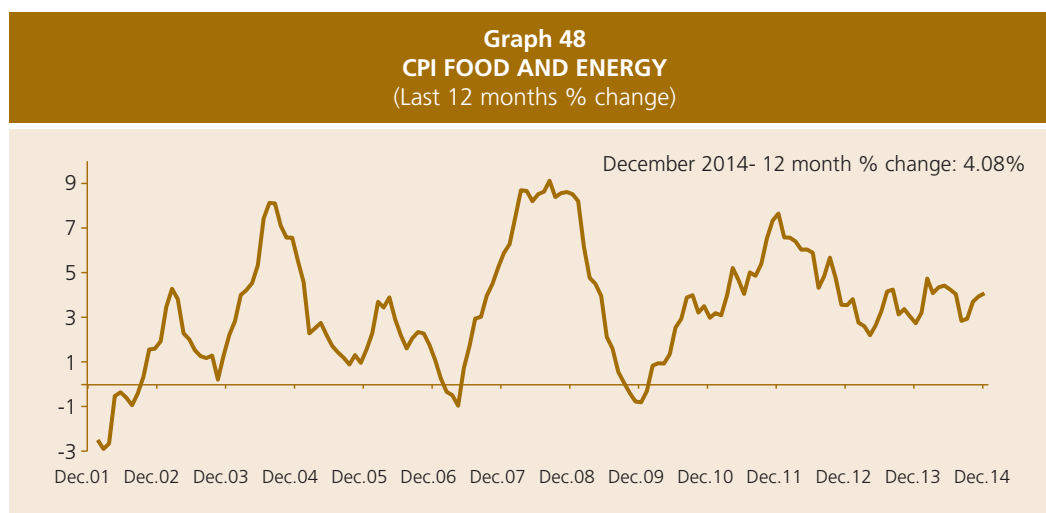
Another price rise worth highlighting was the increase in urban fares (2.3 percent), which was lower than the rise recorded in 2013 (3.5 percent) due mainly to the drop in the price of fuels.

House rents increased 2.6 percent (vs. 3.5 percent in 2013), reflecting in part the rise in the dollar-nuevo sol exchange rate.

On the other hand, the fall in telephone rates (-1.0 percent) was associated to the implementation of the inflation-indexed productivity factor.

## 2. Food, energy, and fuel prices

Inflation in food and energy items, which includes changes in the more volatile prices of the consumer basket, rose from 2.7 percent in 2013 to 4.1 percent in 2014, influenced mainly by higher rises in the prices of foodstuffs (up from 2.2 percent in 2013 to 4.8 percent in 2014) as a result of weather anomalies. On the other hand, fuel prices fell 5.6 percent, while electricity rates increased 4.4 percent.



### Foodstuffs

The supply of several products was affected by weather anomalies in 2014. In agriculture, warmer temperatures and the lower availability of water delayed planting and altered the development of some crops, especially in the first half of the year. In addition, the supply of fish and sea food products was affected by the arrival of successive Kelvin waves of warm water, which led to an increase in the prices of these products.

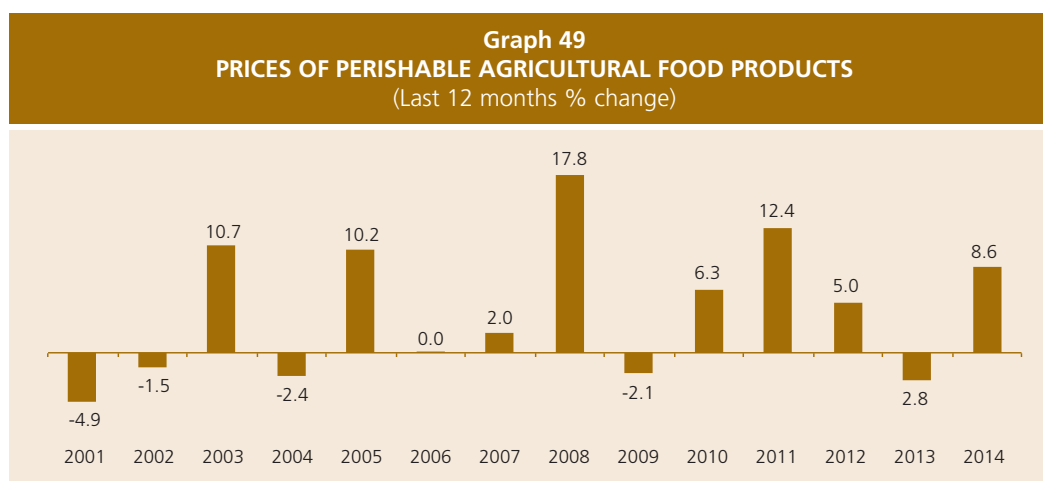
The price of onions rose 34.1 percent, the higher increases being observed in the first months of the year due to a lower supply of this crop associated with the decline of rainfall in the highlands of Arequipa.

The increase in the price of chicken (8.7 percent) was associated mainly with the irregular supply of fish, the main substitute of chicken meat, since fish catch was affected by climate changes and anomalous sea wave conditions. Another factor that affected the prices of both chicken and eggs (up 14.1 percent)

was the increase in the price of hard yellow maize, the main component of the production cost, which rose approximately 36 percent since December 2013.

The prices of citrus fruits increased 13.0 percent on average, the largest increase being observed in the price of tangerines (26.2 percent). The highest rise in the price of lemons (48.3 percent) was observed in the month of October due to irregularities in supply of lemons from Piura, since crops in this region were affected by higher temperatures.

The food category that showed the largest weighed contribution to inflation was meals outside the home (4.7 percent), which accounts for 0.6 percentage points of the inflation rate. In annual terms, the change was similar to the change in the rate of food and beverages consumed in the home (4.9 percent).



### Energy and fuel prices

Electricity rates showed a change rate of 4.4 percent, less than in 2013 (6.2 percent). Increases were recorded in February and April –5.1 and 2.2 percent, respectively– due to the incorporation of new transmission lines and to the update of generation costs in bidding contracts. In addition, price increases were also implemented due to factors updating the exchange rate and the wholesale price index.

The decrease in the prices of fuels and lubricants reflected the fall in the international prices of oil. The price of gasoline dropped 12.5 percent given the fall in ex plant prices (down 18 percent) and WTI oil (39.6 percent).

**Table 61**  
**FUEL PRICES**  
(Annual % change)

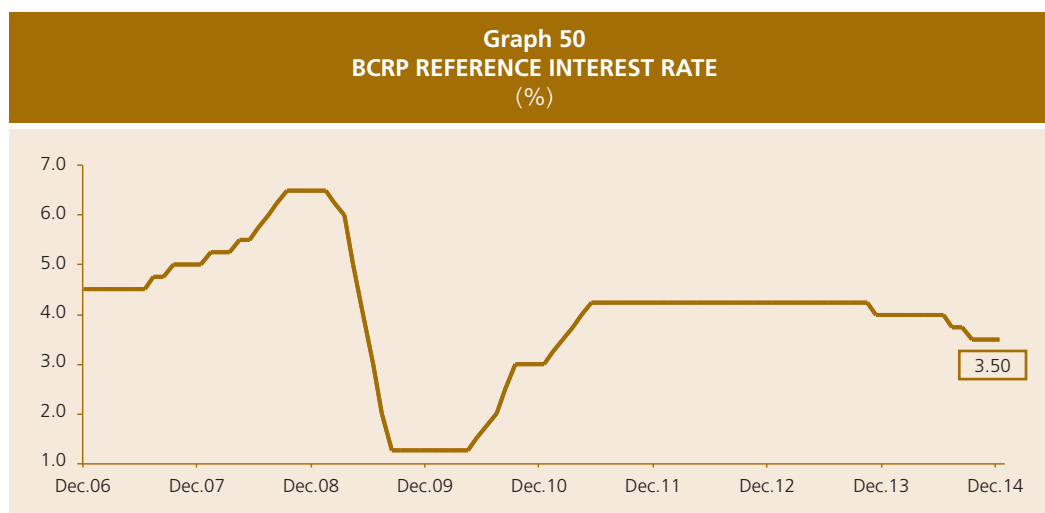
	2012	2013	2014	Average 2005-2014
<b>Fuels</b>	<b>-1.5</b>	<b>6.0</b>	<b>-5.6</b>	<b>1.5</b>
Gasoline	-5.0	6.9	-12.5	0.6
Gas	2.2	5.0	1.2	0.6
<b>Price of WTI oil, end of period 1/</b>				
US Dollars	88.2	97.8	59.8	
Nuevos soles	226.4	272.5	177.1	

1/ West Texas Intermediate.  
Source: INEI and Bloomberg.

# LIQUIDITY AND CREDIT

## 1. Monetary policy

In line with inflation forecasts, the BCRP conducted an expansionary monetary policy in 2014. In a context of economic slowdown influenced by lower business confidence, less favorable external conditions, and slower public investment, the BCRP lowered its monetary policy rate on 2 occasions during the year –the policy rate reached a level of 3.50 percent–, contributing in this way to ensure that inflation expectations remained within the inflation target range.



The decisions regarding the policy rate were coupled during the year by cuts in the rates of reserve requirements in domestic currency, which allowed supporting the credit cycle in soles while contributing at the same time to reinforce the de-dollarization of credit.

Credit to the private sector grew 10.4 percent in 2014. As in previous years, a process of substitution of credit in foreign currency for credit in soles was observed: while credit in domestic currency grew 18.2 percent, credit in foreign currency shrank 0.1 percent. Moreover, given that the preference for dollar deposits increased, banks registered a lower availability of funding sources for credit in soles. In this context, the BCRP lowered the rate of reserve requirements in domestic currency from 15.0 percent to



9.5 percent during 2014 in order to provide the necessary liquidity to meet the demand for credit in domestic currency. As a result of this measure, liquidity for approximately S/. 5.82 billion was injected into the financial system. On the other hand, the rate of marginal reserve requirements in foreign currency remained at 50 percent.

**Table 62**  
**RESERVE REQUIREMENTS**  
(%)

	<b>Legal minimum reserve requirements</b>	<b>Marginal reserve requirements on deposits in soles</b>	<b>Marginal reserve requirements on deposits in US\$ dollars</b>
Dec.11	9.0	25.0	55
Dec.12	9.0	30.0	55
Mar.13	9.0	30.0	55
Jun.13	9.0	30.0	55
Sep.13	9.0	20.0	50
Dec.13	9.0	15.0	50
Jan.14	9.0	14.0	50
Feb.14	9.0	13.0	50
Mar.14	9.0	12.5	50
Apr.14	9.0	12.0	50
Jul.14	9.0	11.5	50
Sep.14	9.0	11.0	50
Oct.14	9.0	10.5	50
Nov.14	9.0	10.0	50
Dec.14	9.0	9.5	50

In addition, the BCRP introduced other measures to accelerate the de-dollarization of credit, replacing the former system of reserve requirements that was based on limits to the expansion of credit by another system in which the rate of reserve requirements is determined on the basis of the evolution of credit in foreign currency. According to this new scheme, the banks that fail to reduce their total balance of credit in dollars by at least 5 percent at June 2015 relative to this balance at September 2013 (excluding loans for foreign trade operations) will be subject to additional reserve requirements and this requirement will rise to 10 percent in December 2015. Moreover, additional reserve requirements will also apply to banks that fail to reduce their balance of car loans and mortgage loans in dollars by 10 percent relative to their balance of these loans at February 2013, and this reduction requirement will rise to 15 percent in December 2015.



**Box 1**  
**ADDITIONAL RESERVE REQUIREMENTS ACCORDING TO THE REDUCTION OF THE  
 BALANCE OF CREDIT IN FOREIGN CURRENCY**

In December 2014, the Central Bank modified the measures concerning the application of additional reserve requirements that depend on the evolution of loans in foreign currency, in force since 2013, so as to encourage the reduction of banks' balances of these operations.

The first measure established that the application of additional reserve requirements would depend on the reduction of banks' balances of total credit in foreign currency (excluding loans for foreign trade operations and loans with terms of over 4 years and loans over US\$ 10 million). As from June 2015, banks that fail to reduce their balance of these loans by at least 5 percent relative to the balance they had on September 30, 2013, will be subject to additional reserve requirements. Thus, additional reserve requirements will apply to total liabilities in foreign currency (including accounts payable, bonds, and total liabilities subject to reserve requirements).

Two formulas are used for the application of additional reserve requirements on loans in FC:

- (i) First, if a bank's balance of credit in FC at December 2014 is higher than the effective capital of the bank, the following formula is applied:

$$\text{Additional reserve requirements} = 0.3 \times \left( \frac{C_t}{C_{se13}} - 0.95 \right) \times \text{PT} \quad (\text{a})$$

Where:  $C_t$  is the mean total credit in FC excluding loans for foreign trade operations in the period and  $C_{se13}$  is the balance of loans in FC at September 30, 2013.

- (ii) Second, if a bank's balance of credit in FC at December 2014 is lower than the effective networth of the bank (EN) on the same date, the following formula is applied:

$$\text{Additional reserve requirements} = 0.3 \times \left( \frac{C_t}{\text{PE}} - 1 \right) \times \text{PT} \quad (\text{b})$$

The other measure concerning additional reserve requirements is linked to the reduction of car loans and mortgage loans. In this case, the limit defining which formula is to be used is not the bank's total effective networth, but 20 percent of the EN. Moreover, the required reduction of the balance of these loans by June is 10 percent of the balance of February 2013. Thus,

- (i) If a bank's balance of these loans in FC at December 2014 is higher than 20 percent of the bank's effective networth on the same date, the following formula is applied:

$$\text{Additional reserve requirements} = 0.15 \times \left( \frac{\text{CHV}_t}{\text{CHV}_{fe13}} - 0.90 \right) \times \text{PT} \quad (\text{c})$$

Where:  $\text{CHV}_t$  is the average of car loans and mortgage loans in FC in the period and  $\text{CHV}_{fe13}$  is the balance of this type of credit on February 28, 2013.

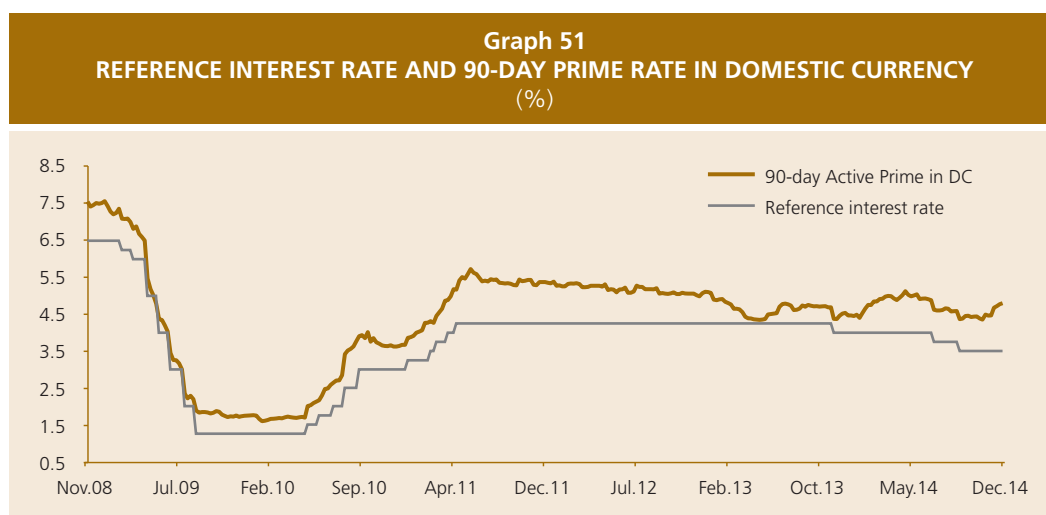
- (ii) If on the other hand, the balance of these loans at December 2014 is equal or lower than the bank's effective networth (EN) in the same period, the rate of additional requirements will be estimated using the following formula:

$$\text{Additional reserve requirements} = 0.15 \times \left( \frac{\text{CHV}_t}{\text{PE}} - 0.2 \right) \times \text{PT} \quad (\text{d})$$

These measures will be stricter as from December 2015. The required reduction of the balance of total credit in foreign currency will no longer be 5 percent of the balance at September 2013, but 10 percent. Similarly, the required reduction of the balance of car loans and mortgage loans will increase from 10 percent to 15 percent of the balance of these loans in FC at February 2013.

## 2. Interest rates

In line with the reduction of the BCRP benchmark rate, the interbank rate decreased from 4.1 percent in December 2013 to 3.8 percent in December 2014. On the other hand, the interest rate on corporate loans in nuevos soles showed a slight upward trend in the first half of 2014 (rising from 4.46 percent in December 2013 to 4.92 percent in June 2014). Greater volatility was observed in the interest rate in the second half of the year in a context marked by banks' lower availability of liquidity. In response to this, the BCRP provided liquidity in domestic currency to the banking system carrying out currency repos and security repos (for a total of S/. 6.10 billion and S/. 1.20 billion, respectively).



Banks' lending interest rates declined 38 basis points on average in the segments of loans for large, medium-sized, small, and micro businesses (although the corporate prime rate increased 18 basis points). On the other hand, the interest rates on personal deposits showed a stable behavior in almost all the deposit terms: the interest rate on 31-day to 360-day deposits remained at 2.6 percent, while the interest rate on deposits of over 360 days decreased slightly (from 4.5 to 4.4 percent).

The FTAMN –the average rate for loans in domestic currency of the last 30 days– increased 52 basis points due mainly to the increase observed in delinquency and credit risk in the SME segment.

**Table 63**  
**INTEREST RATES ON OPERATIONS IN NUEVOS SOLES**  
(%)

	2010	2011	2012	2013	Jun.2014	Dec.2014
1. Interbank rate	3.0	4.2	4.2	4.1	4.0	3.8
2. Deposits up to 30 days	2.2	3.2	3.0	3.0	2.9	3.1
3. 31-day to 360-day term deposits	2.5	2.8	2.9	2.6	2.8	2.6
4. More than 360-day term deposits	5.2	5.0	5.2	4.5	4.4	4.4
5. Large companies loans	6.1	7.4	7.4	7.1	7.5	6.8
6. Medium-sized enterprises loans	10.1	11.2	11.0	10.1	10.8	9.5
7. Small businesses loans	23.7	23.2	22.5	21.0	21.1	20.6
8. Microbusinesses loans	31.5	33.0	33.2	33.1	32.1	33.0
9. Mortgage loans	9.5	9.4	8.8	9.0	9.4	9.0
10. Corporate prime rate	3.6	5.4	5.0	4.5	5.0	4.7
11. FTAMN 1/	22.8	21.3	22.9	20.1	22.9	20.6

1/ Average market lending rate of the operations carried out in the last 30 business days. Rates on deposits corresponds to individuals.  
Source: BCRP and SBS.

The downward trend registered by interest rates in foreign currency rates reflected low international rates and banks' ample availability of liquidity in foreign currency. The corporate prime lending rate in dollars fell by 19 basis points in 2014 (from 0.93 to 0.74 percent), while the deposit rate for up to 30-day deposits fell from 0.6 to 0.2 percent and the lending rates fell by 90 basis point on average between 2013 and 2014.

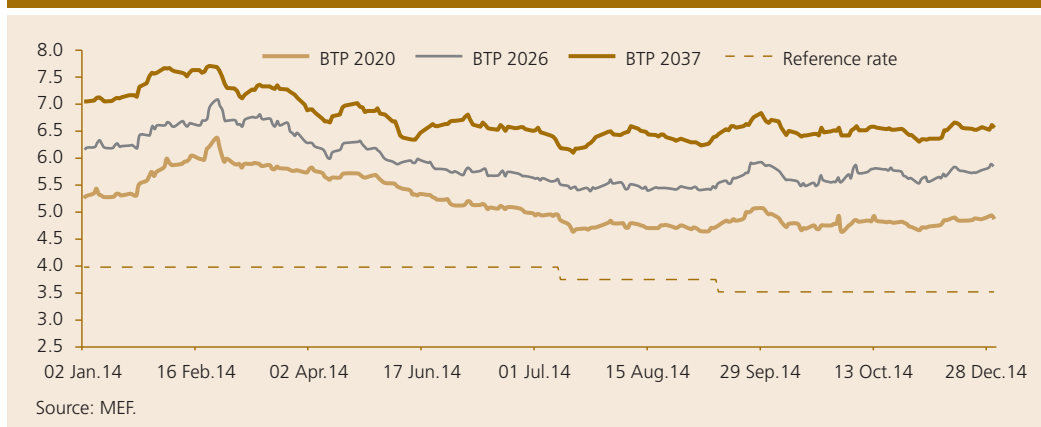
**Table 64**  
**INTEREST RATES ON OPERATIONS IN US DOLLARS**  
(%)

	2010	2011	2012	2013	Jun.2014	Dec.2014
1. 3-month libor rate	0.3	0.6	0.3	0.2	0.2	0.2
2. Interbank rate	1.1	0.3	1.2	0.2	0.1	0.2
3. Deposits up to 30 days	0.5	0.4	0.8	0.6	0.2	0.2
4. 31-day to 360-day term deposits	0.9	1.0	1.0	0.8	0.5	0.5
5. More than 360-day term deposits	1.4	1.6	1.9	1.5	1.2	1.1
6. Large companies loans	5.5	5.4	6.4	5.5	6.2	5.1
7. Medium-sized enterprises loans	8.5	8.9	9.0	8.3	9.2	8.3
8. Small businesses loans	14.2	16.0	15.5	13.2	14.0	12.3
9. Microbusinesses loans	14.2	19.2	19.3	19.2	17.5	16.9
10. Mortgage loans	8.1	8.2	8.0	8.5	8.6	7.6
11. Corporate prime rate	2.1	2.4	4.0	0.9	0.6	0.7
12. FTAMEX 1/	7.9	6.8	8.1	7.3	7.3	7.3

1/ Average market lending rate of the operation carried out in the last 30 business days. Rates on deposits corresponds to individuals. Source: BCRP and SBS.

The long-term interest rates showed a downward trend, in line with the evolution of the rates on U.S. Treasury bonds and Peruvian global bonds (BTP). The rate of the BTP maturing in 2037 decreased from 7.0 to 6.55 percent, while the rate of the BTP maturing in 2026 and 2020 declined from 6.2 to 5.8 percent and from 5.3 percent to 4.9 percent, respectively.

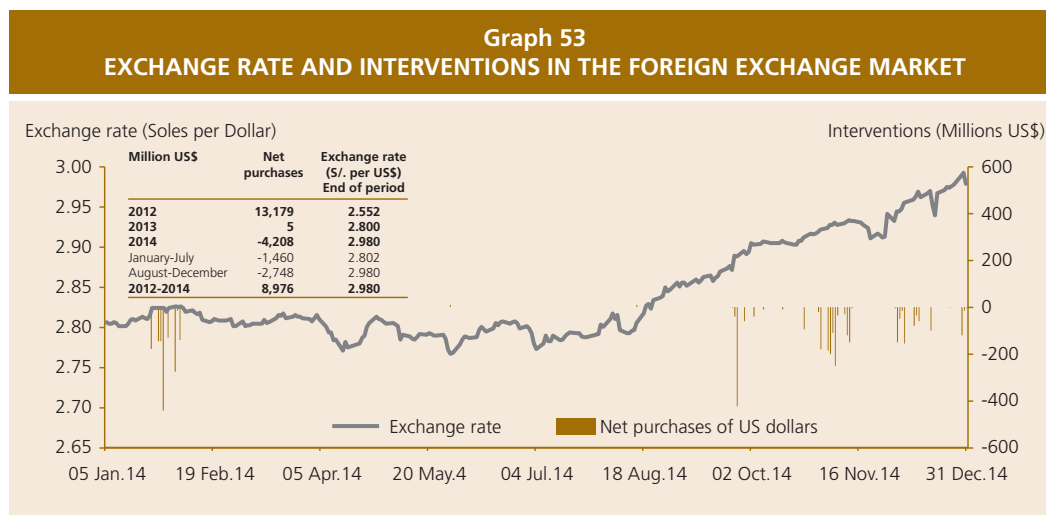
**Graph 52**  
**SOVEREIGN BOND YIELDS (BTP)**  
(Annual rate)



### 3. Foreign exchange rate

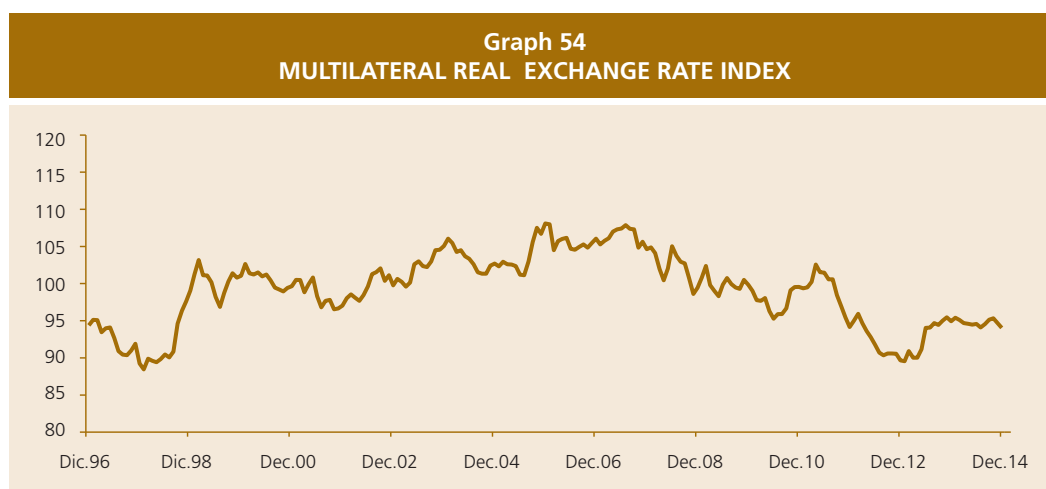
In a context of high volatility, the nuevo sol depreciated 6.4 percent in nominal terms (from S/. 2.80 to S/. 2.98 per dollar) in 2014. This high volatility was mainly associated with signs of economic recovery in the United States, with the gradual withdrawal of the Fed asset purchase program, and with uncertainty about when the Fed would start raising its interest rates.

After being relatively stable until July, the nuevo sol depreciated 6 percent between August and December. The increased demand for dollars of both resident and non-resident agents in this period is explained by the external factors mentioned previously. It is worth pointing out that the magnitude of the depreciation of the local currency during the year has been similar to the depreciation of the currencies of other countries in the region.



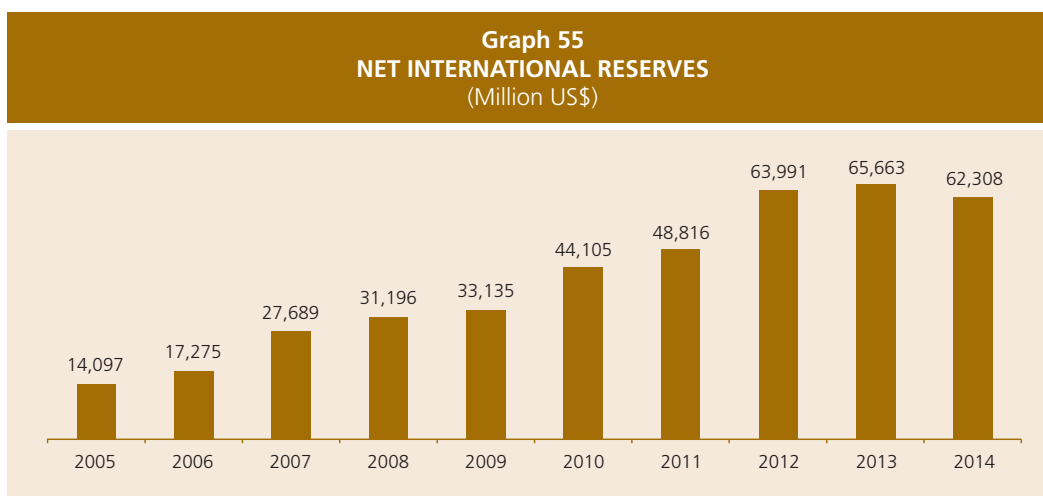
The BCRP intervention in the foreign exchange market was aimed at reducing the exchange rate volatility. The Central Bank sold foreign currency (FC) for a total of US\$ 4.21 billion, most of these sales of FC (US\$ 2.23 billion) being concentrated in Q4, and complemented the sales of FC in the spot market with currency swaps. This new intervention mechanism allows banks to cover their forward positions without affecting the spot market (and, therefore, without affecting liquidity in domestic currency in the financial system). Because of this, the BCRP has been using this new instrument to replace the CDR-BCRP –certificates in soles indexed to the dollar– given that the latter do have an impact on liquidity. Thus, since October 2014 the BCRP has placed currency swaps for US\$ 5.59 billion, reducing in this way the balance of CDR-BCRP by S/. 521 million.

In real terms, the multilateral real exchange rate index appreciated 0.6 percent –from 94.7 in December 2013 to 94.1 in December 2014). However, in annual average terms, the nuevo sol depreciated 2.1 percent.



In 2014, the BCRP reduced its international reserves by US\$ 3.35 billion, thus decreasing its balance of reserves from US\$ 65.66 billion in December 2013 to US\$ 62.31 billion at the end of 2014. This level of international reserves is equivalent to 31 percent of GDP and to 5.9 times the total of short-term external

liabilities, which makes the Peruvian economy one of the least vulnerable economies to the risk of an abrupt capital outflow.



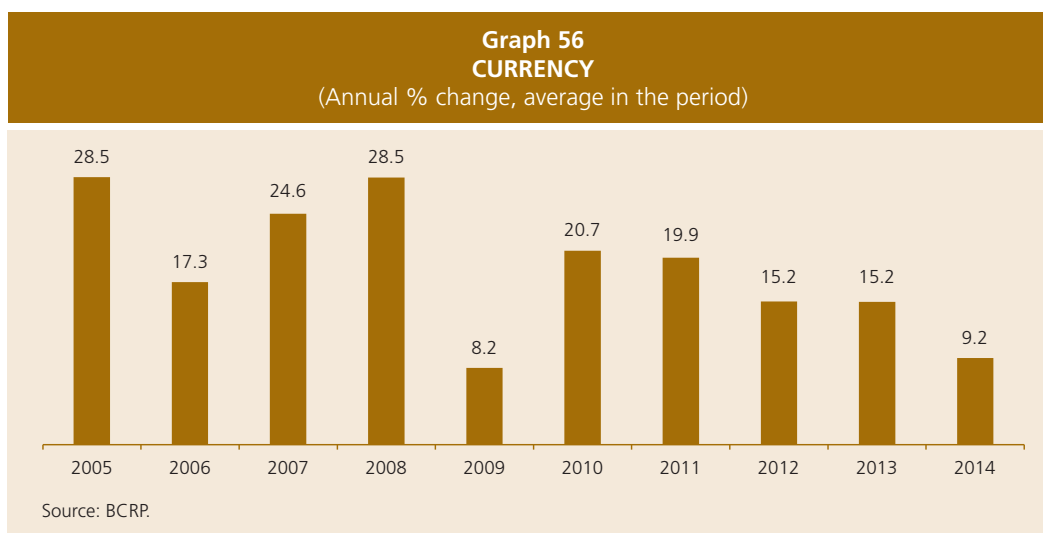
#### 4. Monetary and credit aggregates

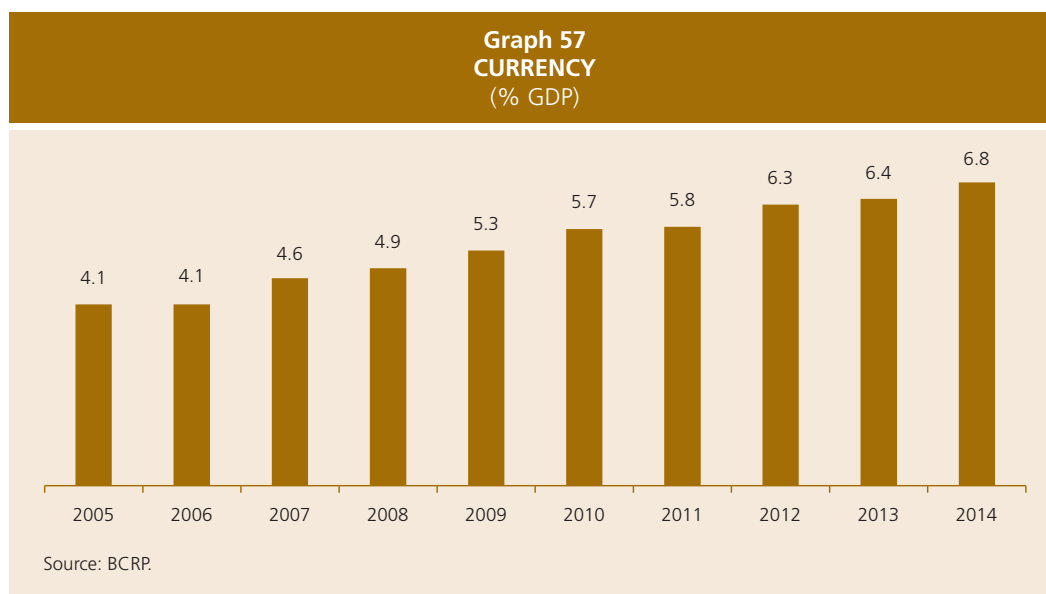
In line with the slowdown of economic activity, the annual growth rates of liquidity and credit showed a slower pace of growth in 2014. Total liquidity grew 6.5 percent (vs. 11.5 percent in 2013), while liquidity in foreign currency decreased by 0.3 percent. Thus, the ratio of dollarization of liquidity declined from 33.0 percent in December 2013 to 32.2 percent in December 2014.

Total credit to the private sector grew 10.4 percent (12.9 percent in 2013). Credit in domestic currency grew 18.2 percent while credit in foreign currency dropped 0.1 percent. The ratio of dollarization of credit decreased from 40.8 percent in December 2013 to 38.3 percent in December 2014.

##### 4.1 Currency in circulation

In 2014 the daily average balance of currency was S/. 34.70 billion, which represents a growth rate of 9.2 percent compared to the previous year. In GDP terms, currency grew 0.4 percentage points relative to 2013.





The balance of currency in circulation at December 2014 was S/. 39.17 billion, a figure higher by S/. 4.03 billion (11.5 percent) than in December 2013. The BCRP operations, which were aimed at meeting the public's increased demand for liquidity and at ensuring the flow of transactions in the monetary market, were consistent with the sterilizing effect generated by the central bank's greater sales of dollars in the foreign exchange market compared with the previous year.

Public sector deposits in nuevos soles declined by S/. 158 million, while the net balance of the BCRP foreign exchange operations showed a negative value of S/. 14.82 billion (equivalent to net sales amounting to US\$ 5.13 billion). Moreover, deposits of reserve requirements in nuevos soles declined by S/. 2.1 billion during the year after the cuts of the mean rate of reserve requirements in domestic currency implemented over the year. In this scenario, temporary purchases of securities amounted to a total of S/. 350 million.

The flow of foreign exchange operations generated a reduction of dollars of US\$ 5.13 billion as a result of net sales of foreign currency in the spot market (US\$ 4.21 billion), sales of dollars to the public sector (US\$ 955 million), and other purchases of foreign currency (US\$ 35 million).

The BCRP intervened more in the foreign exchange market during the first two months of the year as well as during the last two months of 2014. In these two periods, the net sales of foreign currency amounted to US\$ 1.47 billion and US\$ 1.88 billion, respectively.

In response to the depreciatory pressures on the nuevo sol, the sales of foreign currency were accompanied by auctions of certificates of deposit indexed to the exchange rate (CDR-BCRP) and by swaps. As a result of these operations, the balance of CDR-BCRP at the end of 2014 decreased to S/. 2.63 billion given that there were fewer placements of these certificates and an increased use of swaps.

The flow of net placements of certificates of deposits (CD-BCRP) decreased by S/. 3.42 billion in 2014. In addition, public sector deposits at the BCRP declined by S/. 158 million, which reduced the need to inject liquidity through open market operations.

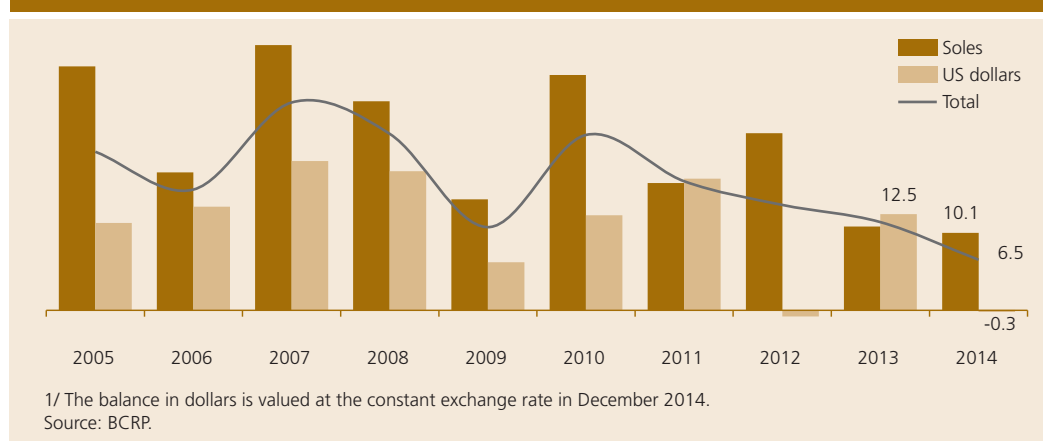
**Table 65**  
**OPERATIONS OF THE BCRP**  
(Million nuevos soles)

	2012	2013	2014
<b>I. EXCHANGE OPERATIONS</b>	<b>31,172</b>	<b>-12,681</b>	<b>-14,822</b>
(Million US\$)	<b>11,837</b>	<b>-4,270</b>	<b>-5,128</b>
1. Over the counter trading	13,179	5	-4,208
2. Public sector	-1,353	-4,298	-955
3. Others	11	24	35
<b>II. NET DOMESTIC ASSETS</b>	<b>-26,188</b>	<b>15,581</b>	<b>18,850</b>
1. Public sector deposits	-7,999	3,293	158
2. Temporary purchase of assets	0	950	350
3. Repos	0	0	8,600
4. CD BCRP (Certificates of deposit)	-7,225	1,812	3,417
5. CDR BCRP (Certificates of deposit indexed to the exchange rate)	0	-3,111	521
6. Term deposits (DP BCRP)	-5,611	9,248	0
7. Overnight deposits	-375	-2,602	2,080
8. Reserve requirements in domestic currency	-7,784	3,698	2,100
9. Rest	2,805	2,292	1,623
<b>III. CURRENCY</b>	<b>4,984</b>	<b>2,900</b>	<b>4,028</b>
Memo: Balance at end of period			
- Currency	32,244	35,144	39,173
- CD BCRP	20,805	18,992	15,575
- CDR BCRP	0	3,111	2,627
- Term deposits (DP BCRP)	9,248	0	0
- Public sector deposits	39,939	36,646	36,488
Memo:			
CD BCRP: Certificate of deposit.			
CDR BCRP: Certificate of deposit indexed to the exchange rate.			
Source: BCRP.			

## 4.2 Liquidity

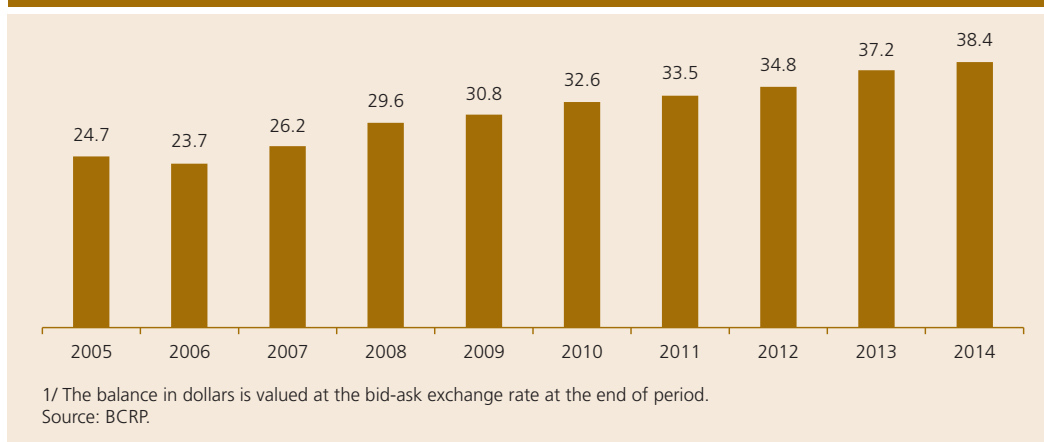
Liquidity in the private sector grew at a slower pace than in the previous year due to the slowdown of economic activity. Liquidity showed a growth rate of 6.5 percent, a rate 5.0 percentage points lower than in 2013 (11.5 percent). On the other hand, the growth rate of deposits –which exclude currency in circulation– showed a decline of 6.3 percentage points, falling from 11.7 percent in 2013 to 5.4 percent in 2014.

**Graph 58**  
**LIQUIDITY IN THE PRIVATE SECTOR 1/**  
(Annual % change, end of period)





**Graph 59**  
**LIQUIDITY 1/**  
(% GDP, end of period)



**Table 66**  
**MAIN MONETARY AGGREGATES**

	Balance in million nuevos soles			Growth rate (%)	
	2012	2013	2014	2013	2014
Currency	32,244	35,144	39,173	9.0	11.5
Money	57,488	61,792	68,080	7.5	10.2
<b>Deposits 1/</b>	<b>151,286</b>	<b>169,052</b>	<b>178,144</b>	<b>11.7</b>	<b>5.4</b>
In nuevos soles	87,952	97,899	107,214	11.3	9.5
In US dollars (Million US\$)	21,253	23,877	23,802	12.3	-0.3
<b>Liquidity 1/</b>	<b>185,873</b>	<b>207,158</b>	<b>220,656</b>	<b>11.5</b>	<b>6.5</b>
In nuevos soles	122,476	135,817	149,498	10.9	10.1
In US dollars (Million US\$)	21,274	23,940	23,879	12.5	-0.3

1/ The balance in dollars is valued at the constant exchange rate in December 2014.  
Source: BCRP.

By type of depositor, the deposits of natural persons grew 8.7 percent, which contrasted with the slight decline observed in the deposits of legal entities (0.8 percent). In terms of currencies, both natural persons and legal entities showed a greater preference for assets in nuevos soles.

**Table 67**  
**DEPOSITS BY TYPE OF DEPOSITOR**

	Balance in million nuevos soles			Growth rate (%)	
	2012	2013	2014	2013	2014
<b>Individuals 1/</b>	<b>93,884</b>	<b>109,870</b>	<b>119,449</b>	<b>17.0</b>	<b>8.7</b>
In nuevos soles	60,517	71,399	79,778	18.0	11.7
In US dollars (Million US\$)	11,197	12,910	13,312	15.3	3.1
<b>Legal entities 1/</b>	<b>57,402</b>	<b>59,183</b>	<b>58,694</b>	<b>3.1</b>	<b>-0.8</b>
In nuevos soles	27,435	26,500	27,436	-3.4	3.5
In US dollars (Million US\$)	10,056	10,967	10,489	9.1	-4.4
<b>Total 1/</b>	<b>151,286</b>	<b>169,052</b>	<b>178,144</b>	<b>11.7</b>	<b>5.4</b>
In nuevos soles	87,952	97,899	107,214	11.3	9.5
In US dollars (Million US\$)	21,253	23,877	23,802	12.3	-0.3

1/ The balance in dollars is valued at the constant exchange rate in December 2014.  
Source: BCRP.



In 2014, liquidity in domestic currency recorded a growth rate of 10.1 percent, a rate slightly lower than the one recorded in 2013 (10.9 percent). A re-composition of private sector deposits in terms of currencies was observed during the year: demand deposits showed a faster pace of growth (up from 5.6 percent in 2013 to 8.5 percent in 2014), while savings deposits and time deposits slowed down (the growth rate of the former fell from 15.2 percent in 2013 to 14.7 percent in 2014, while the growth rate of the latter dropped from 12.5 percent to 6.2 percent in the same period).

	Balance in million nuevos soles			Growth rate (%)	
	2012	2013	2014	2013	2014
<b>Currency</b>	<b>32,244</b>	<b>35,144</b>	<b>39,173</b>	<b>9.0</b>	<b>11.5</b>
<b>Deposits</b>	<b>87,952</b>	<b>97,899</b>	<b>107,214</b>	<b>11.3</b>	<b>9.5</b>
Demand deposits	25,244	26,647	28,908	5.6	8.5
Savings deposits	26,935	31,016	35,571	15.2	14.7
Term Deposits	35,773	40,236	42,735	12.5	6.2
<b>Securities and other instruments</b>	<b>2,279</b>	<b>2,774</b>	<b>3,112</b>	<b>21.7</b>	<b>12.2</b>
<b>TOTAL</b>	<b>122,476</b>	<b>135,817</b>	<b>149,498</b>	<b>10.9</b>	<b>10.1</b>

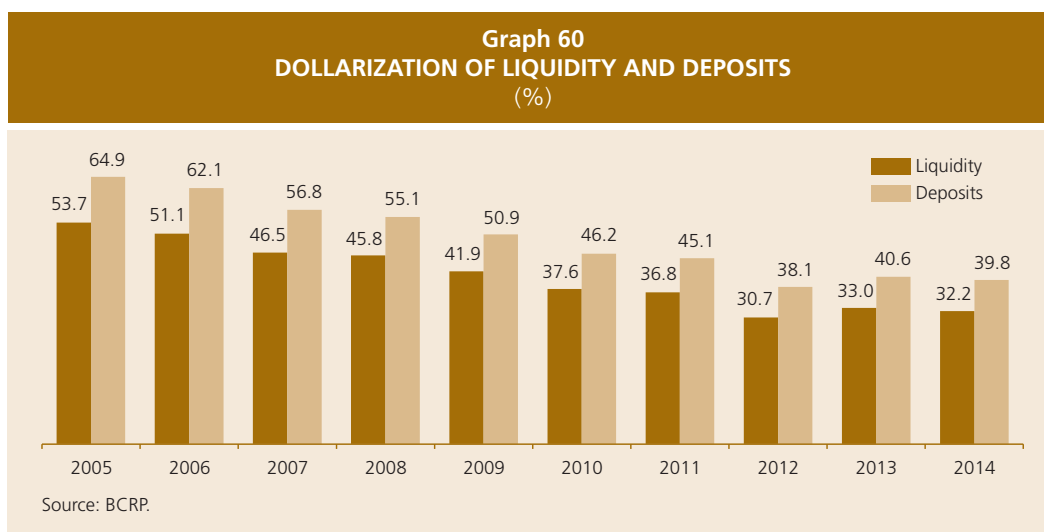
Source: BCRP.

The slowdown in liquidity was more clearly observed in the segment of liquidity in foreign currency, whose growth rate dropped 0.3 percent in 2014 due basically to the decline of term deposits in the year (down 18.1 percent, after having grown 14.4 percent in 2013). Moreover, demand deposits grew at a lower rate than in 2013, while saving deposits recorded a greater dynamism with a growth rate that was twice the one recorded in the previous year (18.7 percent in 2014 vs. 9.4 percent in 2013).

	Balance in million nuevos soles			Growth rate (%)	
	2012	2013	2014	2013	2014
<b>Deposits</b>	<b>21,253</b>	<b>23,877</b>	<b>23,802</b>	<b>12.3</b>	<b>-0.3</b>
Demand deposits	7,552	8,472	9,027	12.2	6.5
Savings deposits	5,369	5,875	6,974	9.4	18.7
Term Deposits	8,331	9,529	7,801	14.4	-18.1
<b>Securities and other instruments</b>	<b>21</b>	<b>63</b>	<b>77</b>	<b>194.3</b>	<b>22.0</b>
<b>TOTAL</b>	<b>21,274</b>	<b>23,940</b>	<b>23,879</b>	<b>12.5</b>	<b>-0.3</b>

Source: BCRP.

In this scenario, the ratio of dollarization of liquidity fell 0.8 percentage points during the year (from 33.0 percent in December 2013 to 32.2 percent in December 2014), reversing in part the increase recorded in 2013. Moreover, the ratio of dollarization of deposits decreased from 40.6 percent in December 2013 to 39.8 percent in December 2014.

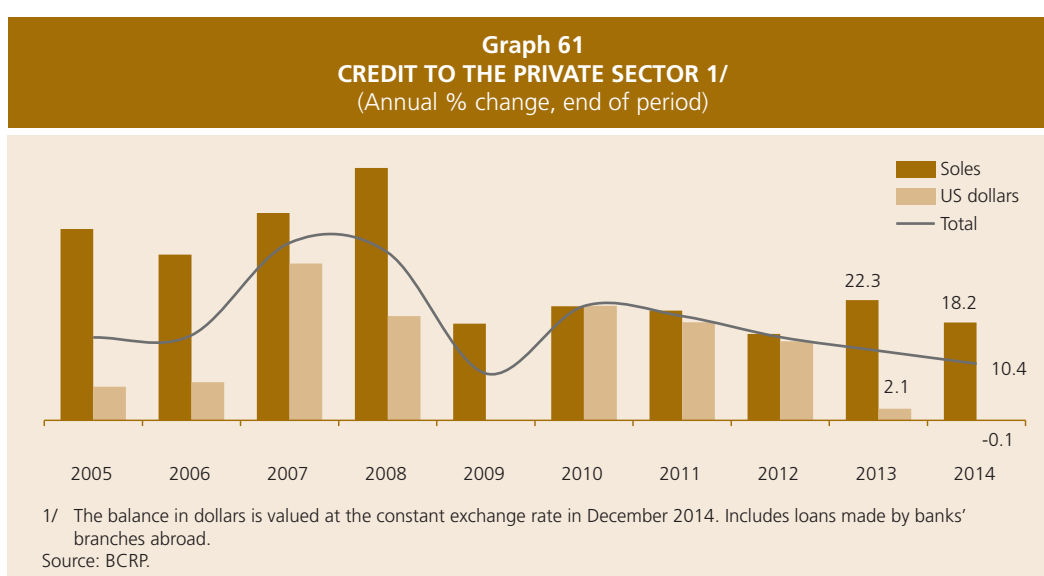


### 4.3 Credit to the private sector

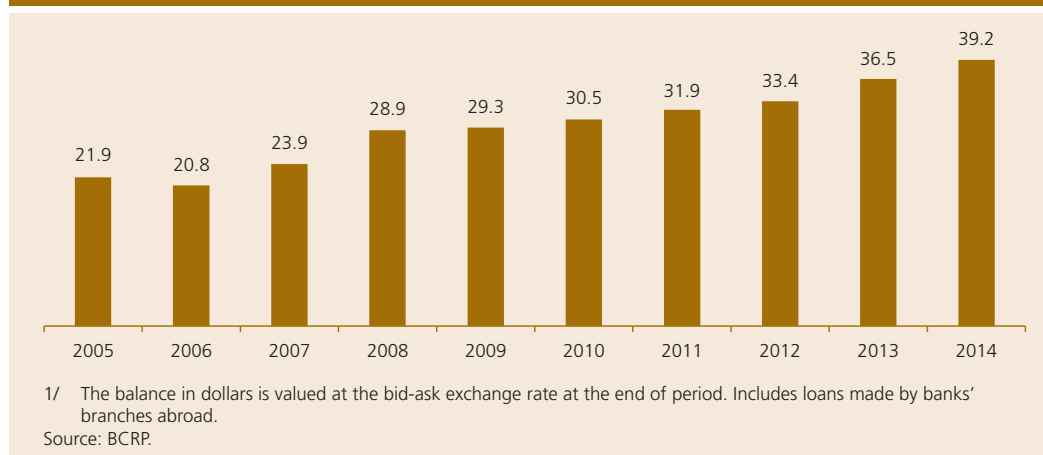
The growth rate of total credit to the private sector shrank for the fourth consecutive year, declining from 12.9 percent in 2013 to 10.4 percent in 2014. It is worth pointing out that the balance of total credit includes the loans that local banks transfer to their branches abroad, which are accounted for as loans granted by these branches.

Credit in foreign currency declined by 0.1 percent (in contrast with 2013, when it increased 2.1 percent) given the strengthening of the dollar against the nuevo sol. On the other hand, credit to the private sector in domestic currency was the most dynamic component of credit with a growth rate of 18.2 percent (22.3 percent in 2013).

As a result, the ratio of dollarization of credit to the private sector continued showing a downward trend, declining from 40.8 percent in December 2013 to 38.3 percent in December 2014.



**Graph 62**  
**CREDIT TO THE PRIVATE SECTOR**  
(% GDP)



By type of borrower, both corporate loans and personal loans registered a slowdown. In the segment of corporate loans, credit slowed down from 12.6 percent in 2013 to 9.7 percent in 2014, while in the segment of personal loans, credit slowed from 13.4 percent to 11.8 percent, mainly as a result of the lower dynamism of mortgage loans.

**Table 70**  
**TOTAL CREDIT TO THE PRIVATE SECTOR 1/**

	Balance in million nuevos soles			Growth rate (%)	
	2012	2013	2014	2013	2014
<b>Businesses</b>	<b>117,544</b>	<b>132,304</b>	<b>145,096</b>	<b>12.6</b>	<b>9.7</b>
Corporate and large companies	53,236	63,987	71,399	20.2	11.6
Medium-sized enterprises	32,138	35,373	40,211	10.1	13.7
Small businesses and microbusinesses	32,170	32,944	33,486	2.4	1.6
<b>Individuals</b>	<b>63,651</b>	<b>72,180</b>	<b>80,716</b>	<b>13.4</b>	<b>11.8</b>
<b>Consumer</b>	<b>37,035</b>	<b>41,395</b>	<b>46,114</b>	<b>11.8</b>	<b>11.4</b>
Car loans	2,028	2,318	2,473	14.3	6.7
Credit cards	12,292	13,312	15,308	8.3	15.0
Rest	22,715	25,765	28,333	13.4	10.0
<b>Mortgage</b>	<b>26,616</b>	<b>30,785</b>	<b>34,602</b>	<b>15.7</b>	<b>12.4</b>
<b>TOTAL</b>	<b>181,196</b>	<b>204,483</b>	<b>225,811</b>	<b>12.9</b>	<b>10.4</b>

1/ The balance in dollars is valued at the constant exchange rate in December 2014. Includes loans made by banks' branches abroad.  
Source: BCRP.

By production sectors and considering only credit to businesses, the highest increase in the demand for loans was observed in the sectors of manufacturing (S/. 3.49 billion), trade (S/. 3.19 billion), and business

real estate (S/. 2.26 billion). These three sectors concentrated 59 percent of the demand for business loans during the year.

<b>Table 71</b>					
<b>TOTAL CREDIT BY ECONOMIC SECTOR 1/</b>					
	<b>Balance in million nuevos soles</b>			<b>Growth rate (%)</b>	
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Agriculture and livestock	5,571	6,091	6,475	9.3	6.3
Fishing	1,596	1,717	1,343	7.6	-21.8
Mining	4,988	7,088	6,464	42.1	-8.8
Manufacturing Industry	25,349	28,477	31,967	12.3	12.3
Electricity, Gas and Water	7,080	6,419	7,227	-9.3	12.6
Construction	4,004	4,335	5,445	8.3	25.6
Commerce	30,333	34,013	37,200	12.1	9.4
Hotels and Restaurants	2,993	3,044	3,499	1.7	14.9
Transportation and Communications	9,687	10,690	11,611	10.3	8.6
Real Estate and Business	13,201	14,120	16,379	7.0	16.0
Rest	12,741	16,310	17,487	28.0	7.2
<b>TOTAL</b>	<b>117,544</b>	<b>132,304</b>	<b>145,096</b>	<b>12.6</b>	<b>9.7</b>

1/ The balance in dollars is valued at the constant exchange rate in December 2014. Includes loans made by banks' branches abroad.  
Source: SBS.

As for credit in domestic currency, the increase of 18.2 percent recorded in credit to the private sector (annual flow of S/. 21.40 billion) is explained mainly by increased credit to businesses, since corporate loans grew 19.8 percent (S/. 12.38 billion) and accounted for 58 percent of the increase observed in credit in nuevos soles. On the other hand, credit to individuals grew 16.3 percent (S/. 9.07 billion), with consumer loans standing out with a growth rate of 12.6 percent (S/. 4.67 billion) and mortgage loans standing out with a rate of 23.8 percent (S/. 4.40 billion).

<b>Table 72</b>					
<b>CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY</b>					
	<b>Balance in million nuevos soles</b>			<b>Growth rate (%)</b>	
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
<b>Businesses</b>	<b>49,774</b>	<b>62,335</b>	<b>74,672</b>	<b>25.2</b>	<b>19.8</b>
Corporate and large companies	13,089	20,833	28,653	59.2	37.5
Medium-sized enterprises	9,861	12,837	16,377	30.2	27.6
Small businesses and microbusinesses	26,824	28,665	29,642	6.9	3.4
<b>Individuals</b>	<b>46,572</b>	<b>55,522</b>	<b>64,589</b>	<b>19.2</b>	<b>16.3</b>
<b>Consumer</b>	<b>32,910</b>	<b>37,047</b>	<b>41,718</b>	<b>12.6</b>	<b>12.6</b>
Car loans	422	558	770	32.0	38.1
Credit cards	11,382	12,348	14,299	8.5	15.8
Rest	21,106	24,141	26,648	14.4	10.4
<b>Mortgage</b>	<b>13,662</b>	<b>18,476</b>	<b>22,871</b>	<b>35.2</b>	<b>23.8</b>
<b>TOTAL</b>	<b>96,346</b>	<b>117,858</b>	<b>139,260</b>	<b>22.3</b>	<b>18.2</b>

Source: BCRP.

Credit to the private sector in foreign currency contracted by 0.1 percent –negative annual flow of US\$ 25 million–, influenced by expectations of a depreciation of the nuevo sol as a result of expectations that international interest rates will increase.

By type of borrower, the segment of corporate loans in dollars grew 0.7 percent (US\$ 153 million), while the segment of credit to individuals declined 3.2 percent (negative flow of US\$ 178 million), due mainly to the segments of mortgage loans and car loans, which decreased by 4.7 percent and 3.2 percent, respectively.

<b>Table 73</b>					
<b>CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY 1/</b>					
	Balance in million nuevos soles			Growth rate (%)	
	2012	2013	2014	2013	2014
<b>Businesses</b>	<b>22,742</b>	<b>23,479</b>	<b>23,632</b>	<b>3.2</b>	<b>0.7</b>
Corporate and large companies	13,472	14,481	14,345	7.5	-0.9
Medium-sized enterprises	7,476	7,562	7,998	1.2	5.8
Small businesses and microbusinesses	1,794	1,436	1,290	-20.0	-10.2
<b>Individuals</b>	<b>5,731</b>	<b>5,590</b>	<b>5,412</b>	<b>-2.5</b>	<b>-3.2</b>
<b>Consumer</b>	<b>1,384</b>	<b>1,459</b>	<b>1,475</b>	<b>5.4</b>	<b>1.1</b>
Car loans	539	591	571	9.6	-3.2
Credit cards	305	324	339	6.0	4.6
Rest	540	545	565	0.9	3.8
<b>Mortgage</b>	<b>4,347</b>	<b>4,131</b>	<b>3,937</b>	<b>-5.0</b>	<b>-4.7</b>
<b>TOTAL</b>	<b>28,473</b>	<b>29,069</b>	<b>29,044</b>	<b>2.1</b>	<b>-0.1</b>

1/ Includes loans made by banks' branches abroad. Source: BCRP.  
Source: BCRP.

Credit to the private sector continued to show lower levels of dollarization in all its types in 2014. The ratio of dollarization of credit to the private sector declined 2.5 percentage points, from 40.8 percent in December 2013 to 38.3 percent in December 2014.

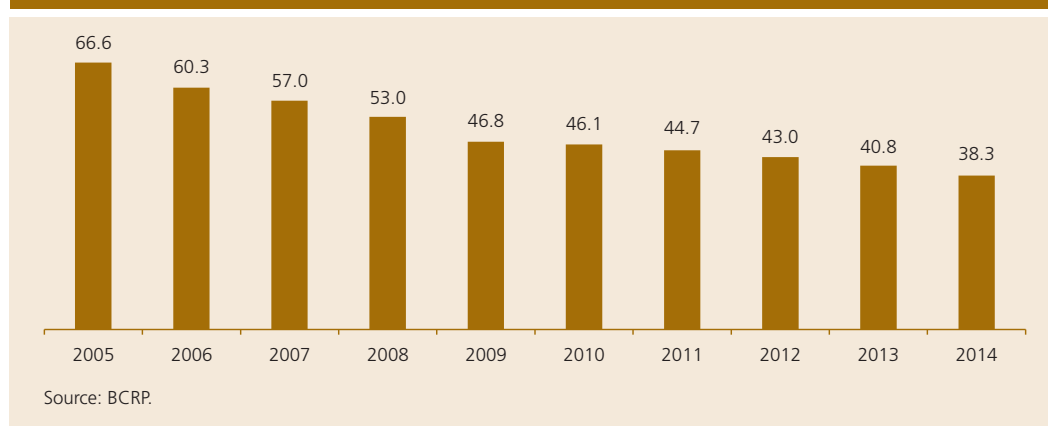
Credit to businesses registered a dollarization ratio of 48.5 percent –a ratio 2.8 percentage points lower than in 2013 (51.3 percent)–, while the ratio of dollarization of credit to individuals showed a lower decrease as it fell from 22.0 percent in 2013 to 20.0 percent in 2014. Furthermore, it is worth highlighting that the ratio of dollarization of mortgage loans decreased from 38.5 percent in 2013 to 33.9 percent in 2014.

**Table 74**  
**DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR 1/**  
(%)

	2012	2013	2014
<b>Businesses</b>	<b>53.8</b>	<b>51.3</b>	<b>48.5</b>
Corporate and large companies	72.4	66.1	59.9
Medium-sized enterprises	65.9	62.3	59.3
Small businesses and microbusinesses	14.6	12.3	11.5
<b>Individuals</b>	<b>23.9</b>	<b>22.0</b>	<b>20.0</b>
<b>Consumer</b>	<b>9.7</b>	<b>9.9</b>	<b>9.5</b>
Car loans	76.5	74.8	68.9
Credit cards	6.4	6.8	6.6
Rest	6.1	5.9	5.9
<b>Mortgage</b>	<b>44.8</b>	<b>38.5</b>	<b>33.9</b>
<b>TOTAL</b>	<b>43.0</b>	<b>40.8</b>	<b>38.3</b>
Memo: Dollarization of credit at constant exchange rate	46.8	42.4	38.3

1/ Includes loans made by banks' branches abroad.  
Source: BCRP.

**Graph 63**  
**DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR**  
(%)



**Box 2****NEW MEASURES ADOPTED BY THE BCRP TO ENCOURAGE THE DEDOLLARIZATION OF CREDIT**

In December 2014 the BCRP established measures to accelerate the process of de-dollarization of credit, including the application of additional reserve requirements according to the reduction of loans in FC as from June 2015. However, in a context in which a decline is observed in deposits in domestic currency, a lower availability of financing sources in local currency could generate pressures on interest rates. Because of this, the BCRP has implemented new ways to inject liquidity in nuevos soles: credit-expansion repos and credit substitution repos.

**1. Actions aimed at encouraging the dedollarization of credit:**

The dollarization of credit has declined significantly in recent years, decreasing from a ratio of 47.6 percent in December 2010 to a ratio of 38.3 percent in December 2014. Despite this, the level of dollarization is still a risk and a potential vulnerability for the economy in a context of depreciation of the nuevo sol, especially in some segments in which the degree of de-dollarization has not been significant.

**DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR**  
(%)

	Dec.10	Dec.14
<b>Total</b>	<b>47.6</b>	<b>38.3</b>
<b>A. Businesses</b>	<b>57.4</b>	<b>48.5</b>
Corporate	68.1	58.5
Large companies	73.5	61.1
Medium-sized enterprises	68.6	59.3
Small businesses	25.4	13.7
Microbusinesses	10.2	5.8
<b>B. Households</b>	<b>27.6</b>	<b>20.0</b>
Consumer	11.3	9.5
Car loans	65.3	68.9
Mortgage	53.7	33.9

In terms of credit to business, the level of dollarization of credit is greater in the segments of credit to the corporate sector, to large and medium-sized enterprises (with ratios of 58.5, 61.1, and 59.3 percent, respectively). Despite the reduction observed, the still high ratio of dollarization implies risks that could weaken the balance of companies in the event of an abrupt depreciation. In addition to this, the ratio of dollarization of car loans increased from 65.3 percent in December 2010 to 68.9 percent in December 2014, while mortgage loans still show high rates of dollarization. All of this has generated substantial risks for most households since most families receive income in soles and are therefore more exposed to risks derived from exchange rate volatility.

With the aim of encouraging a faster process of de-dollarization of credit and thereby reducing the vulnerability of the economy to a volatile international context, the BCRP has established additional reserve requirements in foreign currency for banks that fail to meet certain credit de-dollarization targets, standardizing in this way the incentives that private banks have to reduce the dollarization of credit.

As from June 2015, financial entities that fail to reduce their balance of total loans in foreign currency (excluding loans for foreign trade operations and loans with terms of over 4 years and loans over US\$ 10 million) by at least 5 percent relative to the balance they had on September 30, 2013, will be subject to additional reserve requirements. The latter will apply to total liabilities in foreign currency (including accounts payable, bonds, and total liabilities subject to reserve requirements).

Additional reserve requirements will also be applied according to the reduction of car loans and mortgage loans in FC. By June 2015 banks must reduce the balance of these loans by 10 percent relative to their balance of these loans at February 2013.

Moreover, these measures will be stricter as from December 2015. The required reduction of the balance of total credit in foreign currency will no longer be 5 percent of the balance at September 2013, but 10 percent. Similarly, the required reduction of the balance of car loans and mortgage loans will increase from 10 percent to 15 percent of the balance of these loans in FC at February 2013.

As a reference, by December 2014, the balance of total credit in FC –excluding foreign trade operations– must be equal to 100.6 percent of the balance at September 2013, while the balance of car loans and mortgage loans equals to 91.1 percent of the balance at February 2013.

**2. New instruments used to inject liquidity in soles:**

With the aim of providing appropriate funding sources in soles to support the de-dollarization policy, the BCRP has created the following schemes of currency repos to inject liquidity in Nuevos soles as of 2015:

- a. **Credit-Expansión Repos:** Financial institutions may use part of their reserve requirements in foreign currency as the collateral to carry out currency repos with the BCRP, obtaining in this way the necessary liquidity in soles to expand their credit in this currency. The maximum amount that banks may release from their reserve requirements is 10 percent of their obligations subject to reserve requirements in foreign currency.



This instrument could generate up to S/. 9 billion as financing source for the expansion of credit in soles.

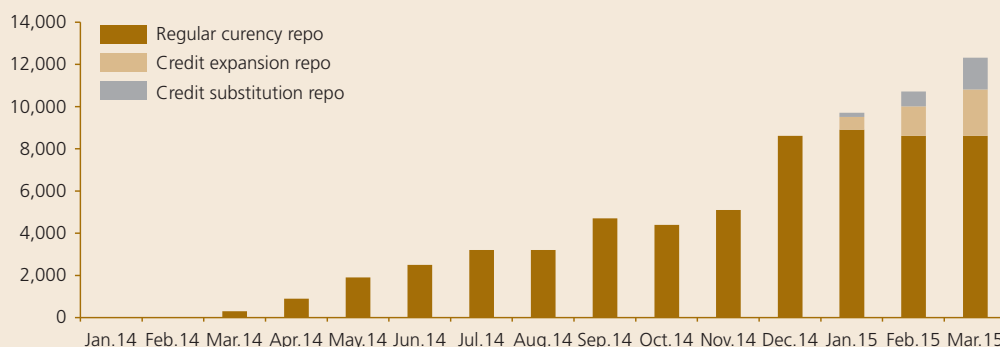
Placements of these repos at March 2015 amount to S/. 2.60 billion.

- b. **Credit-Substitution Repos:** Financial institutions may carry out currency repos to replace credit in foreign currency by credit in domestic through an operation whereby the BCRP simultaneously sells dollars to the financial institution. As a result, the commercial bank may provide credit in soles while maintaining the same amount of assets in dollars (this time, as a restricted deposit in the BCRP, which replaces the credit in dollars originally agreed), while the BCRP reduces its foreign exchange position, but not the amount of international reserves.



Credit substitution repos carried out at March 2015 amount to S/. 1. 50 billion.

**BALANCE OF CURRENCY REPO**





## 5. Funding to the private sector

Total funding to the private sector grew 11.7 percent in 2014, 2.4 percentage points less than in 2013. The concept of total funding provides a wider overview of the funding sources obtained by private non-financial companies, because it includes the funding that private non-financial firms may obtain through other financial institutions –i.e. mutual funds, insurance companies, and private pension funds– in addition to the funds obtained from depository institutions, as well as the funding obtained from direct loans abroad.

As previously mentioned, during 2014 the annual growth of credit to the private sector through depository institutions showed a slower pace of annual growth declining from 12.9 percent in 2013 to 10.4 percent in 2014. On the other hand, the funding obtained from other financial entities, which in 2013 had declined by 1.9 percent, grew 14.8 percent in 2014, driven mainly by the loans and fixed-income investments of institutional investors.

Finally, direct funding obtained abroad slowed down in 2014. Private companies' external debt grew 14.7 percent (US\$ 3.12 billion), less than in 2013 (27.0 percent). Most of this funding was medium- and long-term debts, which grew 18.7 percent in the year (US\$ 3.17 billion). Direct short-term loans, on the other hand, declined 1.0 percent.

**Table 75**  
**FINANCING TO THE PRIVATE SECTOR 1/**

	Balance in million nuevos soles			Growth rate (%)	
	2012	2013	2014	2013	2014
<b>I. CREDIT OF DEPOSITORY</b>					
<b>CORPORATIONS</b>	<b>181,196</b>	<b>204,483</b>	<b>225,811</b>	<b>12.9</b>	<b>10.4</b>
Domestic currency	96,346	117,858	139,260	22.3	18.2
Foreign currency (Million US\$)	28,473	29,069	29,044	2.1	-0.1
<i>Dolarización (%)</i>	<i>43.0</i>	<i>40.8</i>	<i>38.3</i>		
<b>II. CREDIT OF OTHER FINANCIAL</b>					
<b>CORPORATIONS 2/</b>	<b>25,741</b>	<b>25,244</b>	<b>28,973</b>	<b>-1.9</b>	<b>14.8</b>
Domestic currency	11,078	11,804	14,264	6.6	20.8
Foreign currency (Million US\$)	4,921	4,510	4,936	-8.3	9.4
<i>Dolarización (%)</i>	<i>53.1</i>	<i>51.7</i>	<i>50.8</i>		
<i>Of which:</i>					
AFP's loans	8,991	8,765	10,342	-2.5	18.0
Loans of mutual funds	956	622	602	-35.0	-3.2
Loans of insurances	3,405	4,074	4,940	19.6	21.3
<b>III. EXTERNAL PRIVATE INDEBTNESS</b>	<b>50,012</b>	<b>63,514</b>	<b>72,824</b>	<b>27.0</b>	<b>14.7</b>
<b>(Million US\$)</b>	<b>16,782</b>	<b>21,313</b>	<b>24,437</b>	<b>27.0</b>	<b>14.7</b>
Short-term (Million US\$)	4,881	4,376	4,333	-10.3	-1.0
Medium- and long-term (Million US\$)	11,902	16,937	20,105	42.3	18.7
<b>IV. TOTAL</b>	<b>256,949</b>	<b>293,241</b>	<b>327,608</b>	<b>14.1</b>	<b>11.7</b>
Domestic currency	107,424	129,662	153,524	20.7	18.4
Foreign currency (Million US\$)	50,176	54,892	58,418	9.4	6.4
<i>Dolarización (%)</i>	<i>54.4</i>	<i>54.2</i>	<i>53.1</i>		

1/ The balance in dollars is valued at the constant exchange rate in December 2014.

2/ Includes loans and investments in fixed-income bonds of institutional investors.

Source: BCRP.



Private non-financial companies' placements of bonds abroad, which sprang up in 2011 in a context of favorable conditions of access to funds to repay bank debts or invest in future projects, continued declining in 2014 influenced by market expectations about rises in international interest rates in the near future as well as by the strengthening of the dollar. The flow of bonds placed abroad by private non-financial companies amounted to US\$ 3.31 billion in 2014 (vs. US\$ 4.15 billion in 2013).

## 6. Financial indicators

Banks' financial indicators showed a slight deterioration during 2014. The ratio of non-performing loans increased to 2.5 percent, up 0.4 percent compared to the previous year, and the coverage level in the high-risk portfolio dropped from 131.6 percent to 116.5 percent. Moreover, the return on equity (ROE) declined from 21.2 percent in 2013 to 19.7 percent in 2014 while the return on assets (ROA) declined from 2.0 to 1.9 percent in the same period.

<b>Table 76</b>			
<b>FINANCIAL INDICATORS ON COMMERCIAL BANKS</b>			
<b>(%)</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Overdue loans / gross placements 1/	1.8	2.1	2.5
High risk portfolio / gross placements 2/	2.8	3.1	3.5
Allowance for loans / high-risk portfolio	142.4	131.5	116.4
Return on equity (ROE)	22.4	21.2	19.7
Return on assets (ROA)	2.2	2.0	1.9

1/ Credits due and in judicial collection processes.  
2/ The high-risk portfolio is equal to the most backward refinanced and restructured portfolio.  
Source: SBS.

By debtor size, corporate loans and loans to large companies recorded lower rates of non-performing loans than the average rates (zero percent and 0.7 percent, respectively); loans to medium-sized companies showed a rate of non-performing loans of 4.7 percent, and loans to small- and micro-enterprises recorded rates of 8.8 and 3.9 percent, respectively. As for consumer loans, the rate of loans in arrears was 3.3 percent, while the segment of mortgages recorded a rate of 1.4 percent.

<b>Table 77</b>			
<b>BANKS: DELINQUENCY RATES BY TYPE AND SIZE OF DEBTOR</b>			
<b>(%)</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Corporate loans	0.0	0.0	0.0
Loans to large companies	0.4	0.4	0.7
Loans to medium-sized companies	2.5	3.7	4.7
Loans to small companies	5.3	7.3	8.8
Loans to microbusinesses	2.7	3.6	3.9
Consumer loans	3.0	3.4	3.3
Mortgage loans	0.8	1.0	1.4
<b>TOTAL</b>	<b>1.8</b>	<b>2.1</b>	<b>2.5</b>

Source: SBS.

The indicators of non-banking financial companies also showed some deterioration. The delinquency rates increased and the coverage ratios of the high risk portfolio declined.

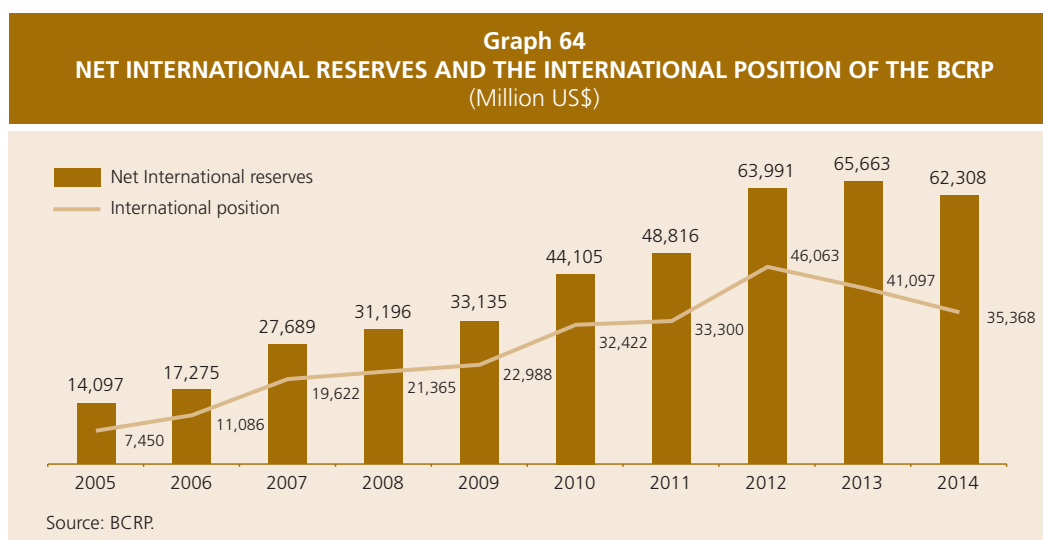
Rural saving banks showed the highest rates of delinquency (13.1 percent at December 2014) and the lowest ratios of coverage of high-risk portfolio (63.6 percent). As for profitability indices, the return on equity ratio (ROE) of all of these institutions decreased, except for municipal deposit banks whose ROE ratio increased from 12.8 percent to 13.2 percent.

<b>Table 78</b>			
<b>FINANCIAL INDICATORS OF NON-BANK COMPANIES</b>			
<b>(%)</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Overdue loans / gross placements 1/</b>			
Financial Firms	4.5	5.2	5.7
Municipal savings banks	5.2	5.8	6.6
Rural savings banks	5.3	6.7	13.1
Edpymes	4.8	4.8	4.1
<b>Provision for loans / high-risk portfolio 2/</b>			
Financial Firms	132.2	123.4	124.4
Municipal savings banks	108.0	105.4	108.4
Rural savings banks	84.2	84.0	63.6
Edpymes	120.0	115.2	120.5
<b>Ratio on equity (ROE)</b>			
Financial Firms	21.6	13.5	9.0
Municipal savings banks	14.6	12.8	13.2
Rural savings banks	7.1	1.2	-6.2
Edpymes	5.7	5.0	4.2

1/ Overdue loans and loans in judicial collection processes.  
2/ The high-risk portfolio is equal to the non performing loans plus the refinanced and restructured portfolio.  
Source: SBS.

## 7. Net International Reserves

Peru's international reserves (NIRs) decreased by US\$ 3.35 billion during 2014 and showed a balance of US\$ 62.31 billion at year-end. This decline in reserves resulted mainly from net sales of foreign currency (US\$ 5.13 billion), offset by higher deposits of banks (US\$ 1.27 billion) and public sector deposits (US\$ 1.16 billion).

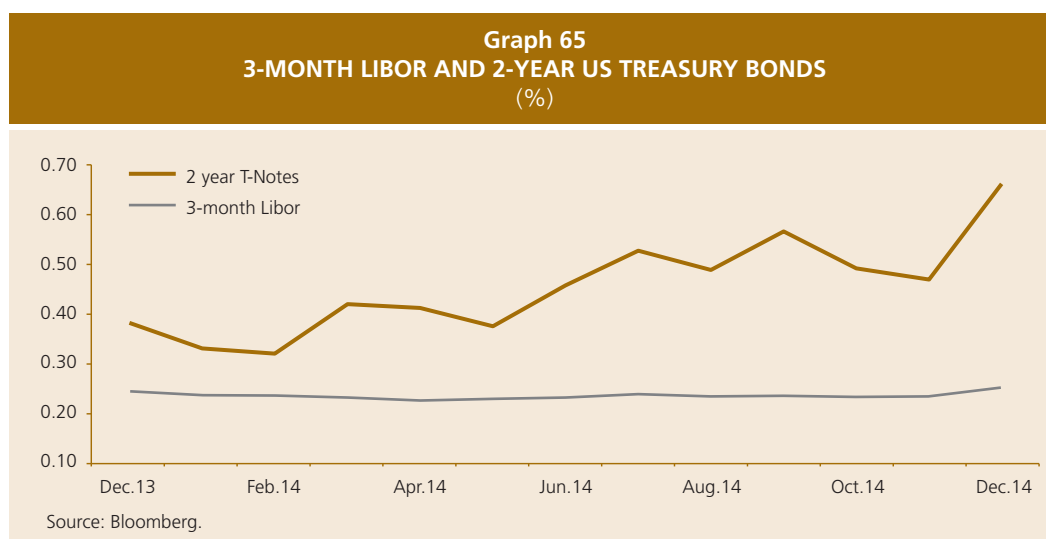


Moreover, the foreign exchange position of the BCRP decreased by US\$ 5.73 billion and showed a balance of US\$ 35.37 billion at end-2014. The ratio of the foreign exchange position-to-NIRs decreased by 6 percentage points, from 63 to 57 percent between 2013 and 2014. The other funding sources that explain the composition of NIRs are banks' deposits in foreign currency at the BCRP (24 percent) and public sector deposits at the BCRP (19 percent).

### 7.1 Management of international reserves

Gross international reserves, also called international reserve assets, showed a balance of US\$ 62.35 billion at end-2014. This level of reserves is US\$ 3.36 billion lower than the balance recorded in 2013.

In 2014 the yields of the U.S. Treasury bonds with maturities between 6 months and 3 years increased whereas the yields of bonds with longer maturities decreased considerably. The yield of the 2-year T-Note rose from 0.38 percent at end 2013 to 0.67 percent at end 2014. Moreover, the 3-month Libor in dollars showed no significant variation in this period, recording a level of 0.26 percent in December 2014, while in Europe the yield curve moved downwards and flattened, with negative yields being observed in the short term section of the curve.



In this context, the BCRP investment of reserves was carried out with a conservative approach, following specific criteria for the placement of deposits in low-risk banks abroad and diversifying investments in securities with the highest credit quality. As regards the portfolio duration, a neutral positioning was held in terms of the benchmark given the considerable degree of market volatility observed. Some operations were also carried out as part of a strategy of tactical deviations designed to take advantage of the opportunities offered by the market and thus achieve a greater portfolio yield.

It is worth mentioning that a priority in the BCRP policy concerning the investment of its international reserves is to preserve capital and ensure the liquidity of these reserves. In general, the management of these assets is closely related to the characteristics of the sources of such resources in terms of value, currency, maturity, and volatility. In this way, the BCRP seeks to minimize the market risks that could affect the value and availability of these assets.

## 7.2 Composition of International Reserve Assets (IRA)

At end-2014, 73 percent of the international reserve assets was invested in liquid securities of high credit quality, 22 percent in first-class banks overseas, and the remaining 5 percent in gold and other assets. The portfolio consists of debt securities issued by sovereign issuers, supranational organizations and foreign government entities with A+ or higher credit ratings.

In fiscal year 2014, international reserve assets generated a yield of S/. 999 million. This yield was lower than in the previous year due mainly to international financial conditions because international interest rates remained low during the year.

<b>Table 79</b>				
<b>INTERNATIONAL RESERVE ASSETS</b>				
(Million US\$)				
<b>Item</b>	<b>December 2013</b>		<b>December 2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Deposits abroad	10,046	15.3	13,611	21.8
Securities	52,215	79.5	45,411	72.8
Gold	1,339	2.0	1,320	2.1
Others 1/	2,111	3.2	2,011	3.2
<b>TOTAL</b>	<b>65,710</b>	<b>100.0</b>	<b>62,353</b>	<b>100.0</b>

1/ Includes contribution to the FLAR and balance of assets associated with international agreements.  
Source: BCRP.

Liquid IRA<sup>9</sup> recorded a balance of US\$ 60.46 billion at the end of 2014. As regards the quality of the portfolio, 53 percent of IRA was held in entities with a long-term credit rating of AAA and the rest mostly in entities with credit ratings between AA+ and AA-. Furthermore, the mean duration of the investment portfolio was 0.87 years.

<b>Table 80</b>		
<b>COMPOSITION OF LIQUID INTERNATIONAL ASSETS</b>		
(% structure)		
	<b>December 2013</b>	<b>December 2014</b>
<b>By maturity term</b>	<b>100</b>	<b>100</b>
0-3 months	33	39
3-12 months	21	26
> 1 Year	46	35
<b>By long-term rating</b>	<b>100</b>	<b>100</b>
AAA	60	53
AA+/AA/AA-	26	32
A+/A/A-	14	15

Source: BCRP.

The effective exposure of the BCRP foreign exchange position to the U.S. dollar was 70 percent. The Central Bank continued carrying out its currency diversification policy.

<sup>9</sup> Easily tradable assets in international financial markets. Therefore, capital contributions to international organizations –i.e. the FLAR and BIS–, contributions and funds to the IMF, the active balances associated with international conventions, and the gold held in the BCRP vaults are excluded from the international reserve assets.



**Table 81**  
**INTERNATIONAL POSITION: EFFECTIVE EXPOSURE**  
(% structure)

	December 2013	December 2014
US\$	67	70
Other currencies	30	26
Gold	3	4
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BCRP.

## 8. Financial savings and capital market

Financial savings include the total amount of assets that enterprises and households have in the financial system in the form of savings deposits, term deposits, securities, holdings of life insurance, mutual funds, and contributions to private pension funds.

During 2014, the average balance of financial savings increased by 0.5 percent compared to 2013 (49.7 percent of GDP). The growth rate of financial savings was lower than in 2013 due to the slowdown registered in deposits from the public and contributions to mutual funds.

**Table 82**  
**FINANCIAL SAVINGS**  
(Average balance in the period, as % GDP)

	Domestic currency	Foreign currency	Total
2005	18.7	15.7	34.4
2006	21.4	14.5	35.9
2007	26.5	15.1	41.6
2008	22.6	15.3	37.9
2009	28.9	15.5	44.4
2010	32.2	14.8	46.9
2011	29.2	14.2	43.4
2012	33.6	12.5	46.1
2013	33.7	13.9	47.7
2014	35.6	14.2	49.7

Source: BCRP.

By currencies, financial savings in nuevos soles decreased 0.8 percent (15.5 percent in 2013) while financial savings in dollars grew 3.8 percent (6.9 percent in 2013). The ratio of financial savings in nuevos soles in GDP terms declined from 32.6 to 30.7 percent, while the ratio of savings in dollars declined from 12.6 to 12.4 percent.

### 8.1 Fixed-income market

The balance of securities issued by companies in the private sector through public offering at end-2014 was S/. 19.16 billion, 2.8 percent lower than in December 2013 (S/. 18.65 billion)<sup>10</sup>.

The flow of fixed-income securities placed during the year (valued at a constant exchange rate) amounted to S/. 3.33 billion (vs. S/. 4.86 billion in 2013). In addition to this, Peruvian companies placed securities in the international market for a total of US\$ 4.76 billion, of which US\$ 2.58 billion was bonds issued by non-financial companies. In 2013 these placements amounted to US\$ 6.06 billion and US\$ 3.87 billion, respectively.

<sup>10</sup> Including short term bonds and instruments placed through public offering in the domestic market. The effect of exchange rate variations is isolated for comparison purposes.

**Table 83**  
**FIXED-INCOME SECURITIES ISSUED BY PRIVATE COMPANIES**

	Amounts			Growth rate (%)	
	2012	2013	2014	2013	2014
<b>Balance at the end of period</b>					
<b>(Million nuevos soles)</b>	<b>17,877</b>	<b>18,647</b>	<b>19,162</b>	<b>4.3</b>	<b>2.8</b>
Non-financial sector	10,491	10,683	11,076	1.8	3.7
Financial sector 1/	7,386	7,964	8,086	7.8	1.5
<b>Composition by currency</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		
Soles	54.1	49.8	51.7		
VAC	11.1	11.1	10.6		
US dollars	34.8	38.1	36.7		
Others	-	1.0	1.0		
<b>Balance as % GDP</b>	<b>3.5</b>	<b>3.4</b>	<b>3.3</b>		

1/ Securities issued or originated by a financial organization.  
Source: SMV.

Classifying the bonds issuances in the domestic market by type of issuer, non-financial companies issued bonds for a total equivalent to S/. 1.47 billion (vs. S/. 2.45 billion in 2013) and the balance of current bonds increased 3.7 percent compared to the previous year. On the other hand, financial entities placed bonds for a total of S/. 1.86 billion (vs. S/. 2.41 billion in 2013), but their balance increased by 1.5 percent.

The largest bond issuers in 2014 were Edelnor (S/. 389 million), Luz del Sur (S/. 367 million), Banco de Crédito del Perú (S/. 303 million), Banco Continental BBVA (S/. 200 million), and Banco Interamericano de Finanzas (S/. 200 million).

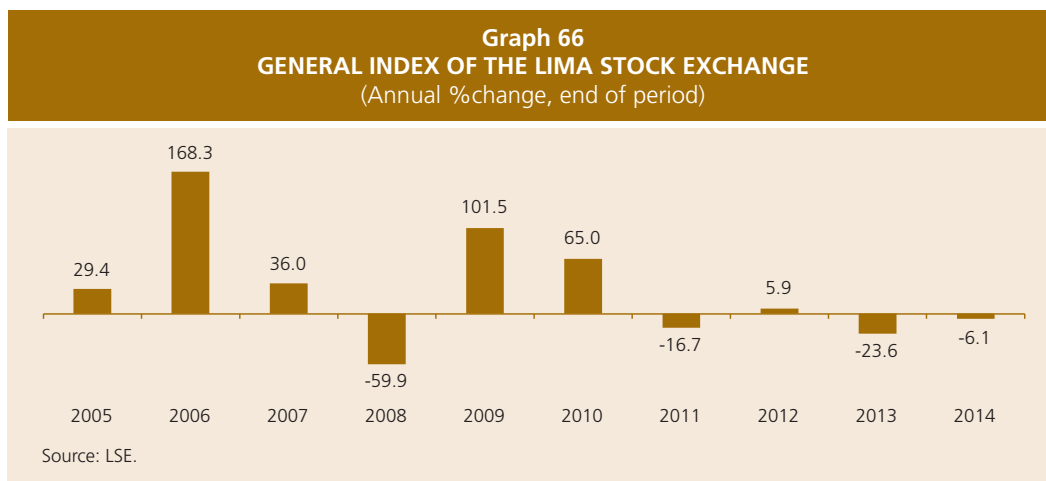
Furthermore, the largest bond issuers in the international market included Unión Andina de Cementos (UNACEM) with bonds worth US\$ 625, COFIDE with bonds worth of US\$ 600 million, Minera Ares with bonds worth of US\$ 350 million and Patrimonio Fideicometido InRetail and Shopping Malls of Grupo Intercorp with bonds worth US\$ 350 million. In addition to this, Rutas de Lima of the Odebrecht Group, issued bonds for a total of S/. 1.46 billion, of which over 50 percent was acquired by local administrators of pension funds (S/.737 million).

By maturity terms, the average term of domestic bond issuances in soles was 10.3 years (8.7 years in 2013) while the average term of bond issuances in dollars was 6.4 years (9.1 years in 2013). The longer maturity terms for bonds in soles (15 years) was observed in the bonds issued by Luz del Sur (S/.143 million placed in September) and Banco Financiero (S/.8 million placed in September).

By currencies, bonds in nuevos soles represented 62.3 percent of the balance of existing public offering (60.9 percent in 2013), while bonds in dollars represented 36.7 percent (38.1 percent in 2013). Moreover, bonds at fixed-rates in nuevos soles represented 51.7 percent of the balance (49.8 percent in 2013), while inflation-indexed bonds (VAC) represented 10.6 percent (11.1 percent in 2013).

## 8.2 Stock exchange

The Lima Stock Exchange (LSE) was influenced by the international environment during the year. Higher-than-expected yields were observed in international markets due to the improvement observed in indicators of economic activity in the United States, which led investors to restructure their portfolios. Thus, between December 2013 and December 2014 the General Index and the Selective index of the LSE fell 6.1 and 11.4 percent, respectively, while the value of market capitalization increased 7.0 percent.



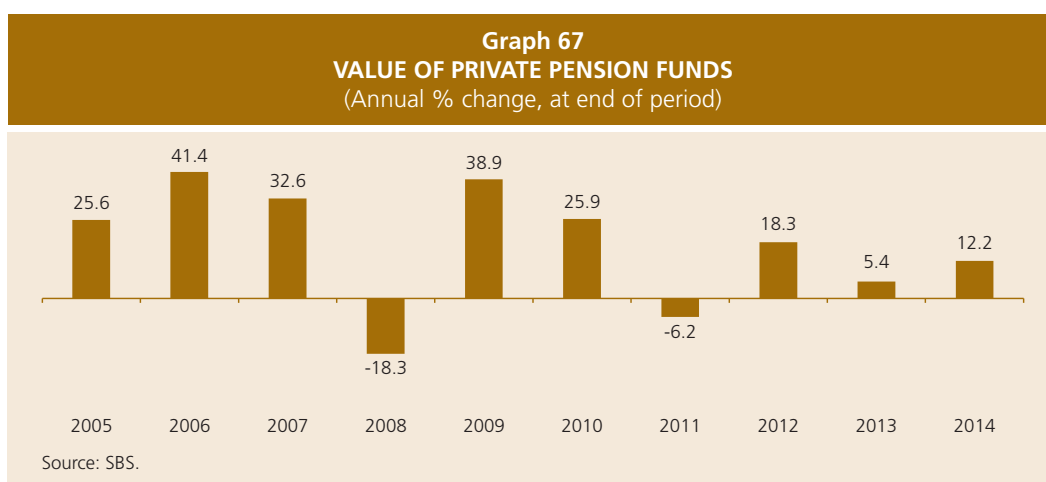
By economic sectors, agriculture and industrial stocks registered the biggest losses. The former dropped 8.1 percent, while the latter fell 38.6 percent, in line with the decline observed in the manufacturing output. The profitability of mining stocks increased by 8.8 percent, while the profitability of service companies' shares increased by 23.0 percent in the year.

The volumes traded increased 22.6 percent compared to 2013. By segments, the volume of shares traded increased by 18.2 percent relative to 2013, while the volume of debt instruments traded increased by 45.1 percent.

The amount of dematerialized shares at year end—that is, the amount of shares recorded electronically in CAVALI— was S/. 157.19 billion, which is equivalent to 43.6 percent of the value of market capitalization (S/. 360.84 billion). The share of non-resident investors in terms of total dematerialized stocks declined from 42.8 percent in December 2013 to 39.9 percent in December 2014.

### 8.3 Private pension system

Affected in part by the decline of the LSE indices, the net worth of private pension funds increased 12.2 percent during the year. At December, the networth of these funds amounted to S/. 114.53 billion. The number of participants in the private pension system grew 4.5 percent to over 5.7 million members.



After recording a negative profitability of 2.8 percent in 2013, the profitability of private pension funds rose to 5.5 percent in real terms in 2014.



The composition of the investment portfolio reflected investors' adjustment to international conditions, investments abroad increasing from 35.2 to 40.6 percent during the year. The BCRP raised the legal limit for investments abroad from 36 percent –the limit in force in December 2013– to 41.5 percent in December 2014.

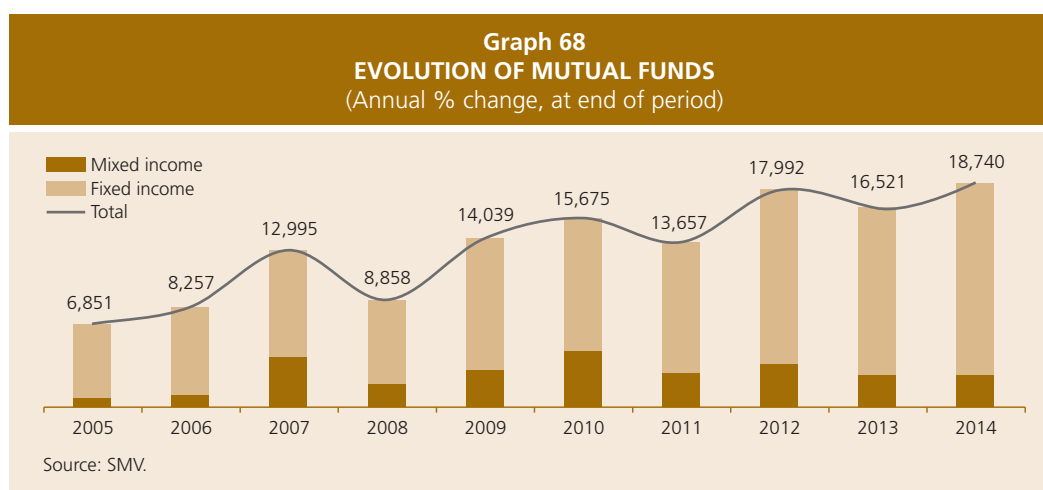
In the domestic market, the ratio of investments in sovereign bonds increased from 11.3 percent to 17.3 percent of the fund value, while the ratio of deposits fell from 12.9 percent to 6.5 percent and the ratio of shares fell from 16.2 to 12.6 percent.

<b>Table 84</b>			
<b>COMPOSITION OF THE PRIVATE PENSION SYSTEM PORTFOLIO</b>			
(%)			
	2012	2013	2014
<b>I. DOMESTIC INVESTMENTS</b>	<b>70.6</b>	<b>64.8</b>	<b>59.3</b>
<u>Deposits</u>	<u>3.9</u>	<u>12.9</u>	<u>6.5</u>
In nuevos soles	2.0	2.2	0.7
In US dollars	1.9	10.7	5.8
<u>Bonds and fixed income</u>	<u>31.6</u>	<u>26.0</u>	<u>30.3</u>
Central Bank securities	2.9	2.1	0.4
Sovereign bonds	14.6	11.3	17.3
Values issued by the private sector	14.1	12.6	12.6
<u>Stocks and variable income</u>	<u>35.0</u>	<u>25.9</u>	<u>22.5</u>
Shares	25.9	16.2	12.6
Investment funds	9.0	9.6	9.8
<b>II. FOREIGN INVESTMENTS</b>	<b>29.4</b>	<b>35.2</b>	<b>40.6</b>
<b>III. TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Million nuevos soles	96,833	102,192	114,527
% GDP	19.0	18.7	19.9

Source: SBS.

#### 8.4 Mutual funds

Mutual funds' joint net worth increased 13.4 percent relative to 2013 with a balance of S/. 18.74 billion (3.3 percent of GDP) at year-end. Given expectations of higher yields in international markets, mutual funds reacted increasing their participation in investments abroad from 8.8 percent to 22.2 percent. As regards domestic investments, they increased their participation in deposits from 62.1 percent to 62.7 percent. This was especially noteworthy in deposits in soles where the ratio increased from 28.7 to 30.2 percent. Moreover, the participation of bonds and fixed-income securities fell from 23.1 to 11.8 percent while the participation of shares fell from 3.6 to 2.4 percent.





**Table 85**  
**COMPOSITION OF MUTUAL FUNDS' INVESTMENT**  
(%)

	2012	2013	2014
<b>I. DOMESTIC INVESTMENTS</b>	<b>92.3</b>	<b>91.2</b>	<b>77.8</b>
Deposits	53.0	62.1	62.7
In nuevos soles	30.1	28.7	30.2
In US dollars	22.8	33.4	32.6
Bonds and fixed income	33.4	23.1	11.8
Central Bank securities	11.4	6.3	1.1
Sovereign bonds	7.3	5.4	2.6
Values issued by the private sector	14.7	11.4	8.1
Stocks and variable income	4.7	3.6	2.4
Others	1.1	2.4	0.9
<b>II. FOREIGN INVESTMENTS</b>	<b>7.7</b>	<b>8.8</b>	<b>22.2</b>
<b>III. TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Million nuevos soles	17,992	16,521	18,740
% GDP	3.5	3.0	3.3

Source: SMV.

### 8.5 Payment systems

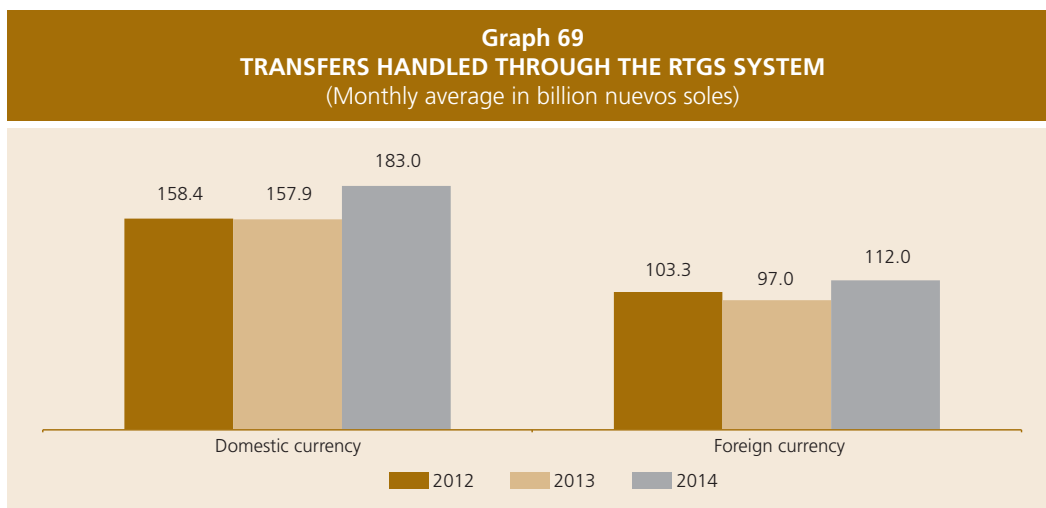
During 2014, the BCRP made continued efforts to achieve higher levels of safety and efficiency in payment systems, support innovation, and expand access to payments services.

The value of the transactions made through payment systems increased 15 percent after having registered a decline of 2 percent in 2013. Thus, the total value of funds transferred through the payment systems was equivalent to 6.6 times the value of annual GDP (vs. 6.1 times the value of annual GDP in 2013).

#### *Real Time Gross Settlement System (RTGS System)*

This system is mainly used to make high-value transfers among the entities integrating the financial system as well as to make transfers on behalf of their clients. The transfers made through the RTGS system represent 92.4 percent of the total value transferred through payment systems.

In 2014, the value of transfers handled through the RTGS system increased by 15.7 percent, due mainly to fund transfers between banks, while the number of transactions increased 12 percent, due mainly to transfers made on behalf of banks' clients. By currencies, the value of payments in nuevos soles increased 15.9 percent and the value of payments in foreign currency increased 15.4 percent.



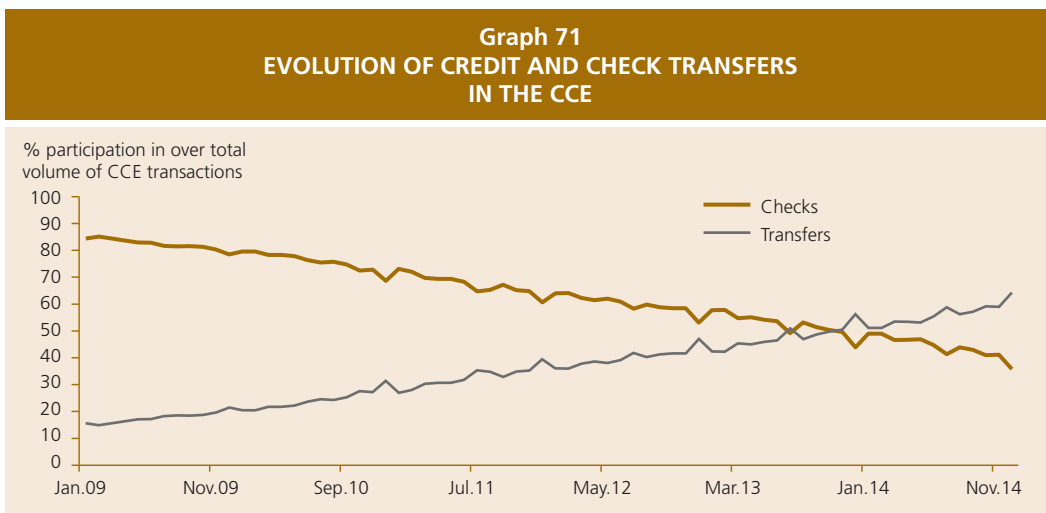
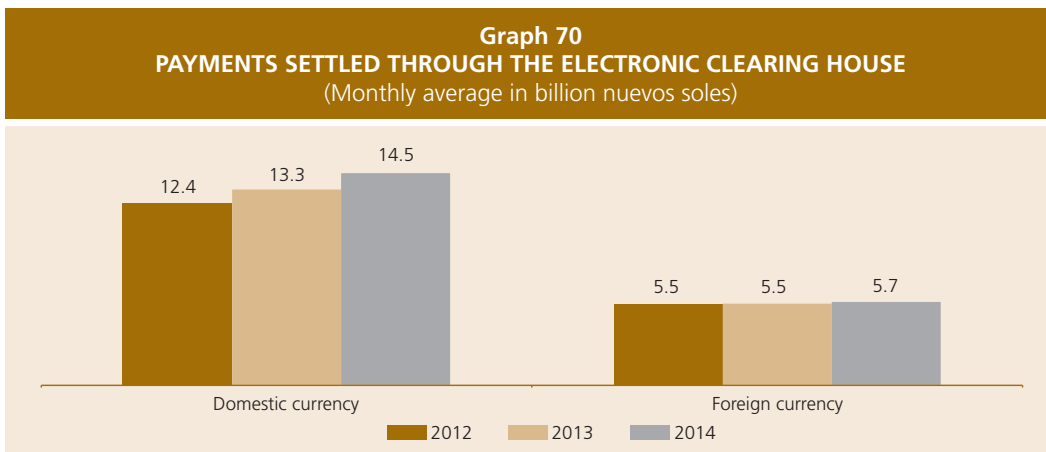
Entities that began to participate in this system during the year included Banco ICBC, which started operations in the first half of 2014, and Caja Rural de Ahorro y Crédito del Centro, which started operations in this system in the second half of the year. In addition, four municipal saving banks – Cajas Municipales de Sullana, Piura, Tacna, and Lima–, a financial company (TFC), and one rural saving bank (Señor de Luren) established electronic connections with the RTGS system, reducing in this way operational risks and increasing the efficiency of the system.

Moreover, the Central Bank developed actions to obtain an international information security certification of the process of interbank transfers handled through the RTGS system, which should culminate in 2015.

**Electronic Clearing House (Cámara de Compensación Electrónica - CCE)**

The CCE is a payment system used to settle checks and credit transfers among the clients of the various financial entities that participate in this system. The value of such transactions is low, but the number of operations represents 94.3 percent of total transactions handled through payment systems.

In 2014, the number of transactions handled by the CCE grew 11.0 percent since credit transfers increased 31.0 percent. This dynamism reflects the rising trend observed in the use of electronic payment systems. Thus, the ratio of credit transfers in terms of total of instruments processed through the CCE increased from 47.8 percent in 2013 to 56.4 percent in 2014, while the ratio of payments using checks dropped from 52.2 percent to 43.6 percent.





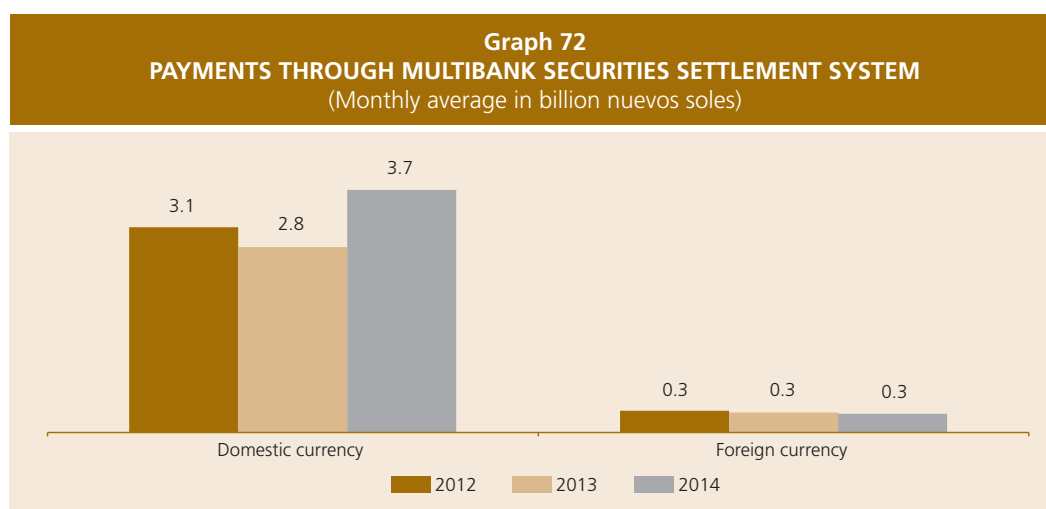
The value of the transactions processed through the CCE grew 6.5 percent in the year, with the value of credit transfers showing an increase of 28.9 percent. On the other hand, the value of checks decreased by 2.6 percent.

Under the supervision of the Central Bank, the CCE continued implementing its project of online transfers and continued carrying out the so-called Social TIN, that is, fund transfers of less than S/. 350 or US\$ 135, which imply a very low cost or no cost to end users. It is worth pointing out that Ripley Bank started operations in the CCE in 2014.

In December, the Board of BCRP approved to authorize non-bank financial companies with a risk rating of "C+" or higher to participate in the CEE system, which will allow these companies to process checks and settle credit transfers. Prior to this, non-bank financial companies were required to have a risk rating of "B" or higher.

### **Multibank Securities Settlement System (MSSS)**

The MSSS handles payments for transfers of stock exchange securities and Treasury bonds. In 2014, the value of payments in this system increased 27.4 percent, while the volume of payments declined by 13.9 percent. Moreover, the payments for stock exchange operations increased 5.8 percent in terms of value and declined 16.4 percent in terms of volume. Furthermore, fund transfers for government securities traded in the secondary market increased 39.0 percent in terms of value and 40.5 percent in terms of volume.



## **8.6 Other developments**

The ASBANC –association of private banks– continued with the implementation of an e-money platform, a payment infrastructure project promoted and developed by several financial entities. In addition, several non-financial companies are also making the necessary adjustments to meet the standards and regulations established to be issuers of electronic money.

Finally, it should be pointed out that the BCRP participated in the Multi-Sector Committee on Financial Inclusion in the process of elaborating the National Strategy for Financial Inclusion, aimed at promoting people's access to and use of quality financial services.

# INSTITUTIONAL ACTIVITIES



# INSTITUTIONAL ACTIVITIES

## 1. Board of directors

On December 31, 2014, the Board of Directors of BCRP was integrated by Julio Velarde Flores (Governor), Luis Alberto Arias Minaya (Deputy Governor), Francisco González García, Drago Kisic Wagner, Waldo Mendoza Bellido, Jaime Serida Nishimura, and Gustavo Yamada Fukusaki.

The Board held 61 meetings in 2014.

In December 2014, the magazine *The Banker* from the Financial Times Group announced that Mr. Julio Velarde had been nominated the Banker of the Year 2015.

## 2. Transparency and social responsibility

Efficiency and transparency characterize the BCRP in all of its actions. The BCRP monetary policy decisions are informed to the public through various communication schemes.

### 2.1 Transparency

The Board of the BCRP informs the public about monetary policy decisions through the **Monetary Program Communiqués** released each month. The BCRP provides information about the policy interest rate, the interest rates on rediscount operations, and the interest rates on overnight deposits through these communiqués which are published on the BCRP website ([www.bcrp.gob.pe](http://www.bcrp.gob.pe)), disseminated through press releases, and emailed to subscribers. Teleconferences are also held with the media to inform the public about these decisions.

In 2014 the **Inflation Report** was published in April, July, and October. The Inflation Report discusses the BCRP monetary policy actions, provides an analysis of economic developments, explains the evolution of inflation, and provides forecasts on inflation and the main macroeconomic variables.

Governor Julio Velarde met with Congress representatives on several occasions in 2014. On September 30, he explained the 2015 budget's macroeconomic assumptions before the members of the Budget and General Account Committee and on October 22, he spoke before the Congressional Committee of Economy, Banking, Finance, and Financial Intelligence on "Resultados y perspectivas de la política monetaria en el contexto macroeconómico nacional e internacional".

Other BCRP officials also spoke before Congress in 2014 to provide additional information about monetary policy and some national economic issues.



The indicators of the BCRP administrative and budget management as well as the BCRP Financial Statements, audited by internationally renowned auditing firms, are published in the Transparency section of the Bank's website ([www.bcrp.gob.pe](http://www.bcrp.gob.pe)).

In compliance with the Transparency and Access to Public Information Act, in 2014 the BCRP answered 36 information requests submitted by different citizens.

## 2.2 Dissemination of economic information

In 1914 the BCRP continued informing the public about national finances through the publication and dissemination of studies and macroeconomic statistical data such as the Inflation Report, the Weekly Report, the Annual Report, the Financial Stability Report, the journals Estudios Económicos and Moneda, the Weekly Economic Report, Notas de Estudios, the Working Papers, and the Síntesis de Actividad Económica prepared by the BCRP Branch Offices. Informative Notes on the evolution of the main economic variables and the main institutional events were also sent to the media.

The BCRP also organized talks on the mission and roles of the Central Bank and on the security features of banknotes and coins in Lima and in other cities of the country, as well as institutional and academic events to discuss economic issues of interest.

## 2.3 Social responsibility

In 2014 the Central Bank continued contributing to education and culture in our country by offering courses, organizing contests, and providing free access to its museums and library, among other activities and services.

### **Courses**

- **Extension Course for Economists**  
The BCRP contributes to disseminate new knowledge in the field of economics in 2014 through the Extension Course for Economists it offers each year. Thirty-five students of economics from various public and private universities of Lima and other cities of the country participated in the Course offered this year. The best students of the course are invited to integrate the Bank's technical staff.
- **Advanced Finances Extension Course**  
Thirty students from different universities and different academic fields interested in specializing in financial themes were selected to participate in the VII Extension Course of Advanced Finances. The best students were also invited to form part of the BCRP staff.
- **2014 Refresher Course in Economics**  
Students of economics from different universities of the country learned about the latest trends in the fields of macroeconomics, microeconomics, econometrics, and mathematics. The best students were invited to participate in the LXII Extension Course for Economists 2015.
- **2014 Course for Economics Faculty**  
Twenty-one professors from different universities of the interior of the country and five professors from universities located in Lima were trained in different aspects of macroeconomics, microeconomics, econometrics, and project evaluation to improve the education standards in these fields.

### **Contests**

- **Research Contest for Junior Economists**  
The winners of the 2013-2014 Research Contest for Junior Economists "Luis Felipe de las Casas Grieve" were María Andrea Gastañadú González and Mariel Raisa Bedoya Guevara of Universidad de Piura, Campus Lima, for their paper "Efectos persistentes del desarrollo de culturas

pre-incas en la región noreste del Perú". Alvaro Esteban Cox Lescano and Angel Rómel Guillén Longa, of Pontificia Universidad Católica del Perú, were awarded the second prize for their paper "Interrelaciones sectoriales entre las Regiones: un análisis de las dinámicas productivas en las regiones usando panel VARX".

- **BCRP Contest for School Students**

The first prize of the IX BCRP School Contest 2014 was awarded to "Emprendimiento peruano: ¡Una carrera por pulir para alcanzar el éxito!", the paper submitted by students of Colegio Mayor Secundario Presidente del Perú, Lima. The second prize was awarded to the students of Colegio Torres Luna, of Puno, for the paper "Limitaciones en el emprendimiento empresarial en el Distrito de Acora en la Región Puno", and the third prize was awarded to students of school La Campiña of Arequipa for their paper "Ser y hacer para emprender".

- **Short Novel Contest "Julio Ramón Ribeyro"**

The panel of judges of the 2014 Short Novel Contest, integrated by Abelardo Oquendo, Alonso Cueto, Mirko Lauer, Marcel Velásquez, and Francesca Denegri, decided not to make an award this year.

- **2014 National Painting Contest**

The winner of the Sixth National Painting Contest organized by BCRP was artist Mónica Piqueras Bertie with her work "Iqaro". The second prize was awarded to Israel Tolentino Cotrina for his work "Yvaparé". The judges gave an honorable mention to Antonio García Castillo for his work "Madre Selva". The winning works were exhibited at the BCRP Museum from November 18 to November 30. The panel of judges included Moico Yaker, Christian Bendayán, Angela Delgado, Natalia Majluf, and Luis Eduardo Wuffarden.

### **Publications**

In 2014 the BCRP and Instituto de Estudios Peruanos co-published three books: "El Banco de la Emancipación. Edición y estudio introductorio de Dionisio de Haro Romero", by Carlos Camprubí; the Vth Volume of Compendio de Historia Económica del Perú: "La Economía Peruana entre la Depresión y el Reformismo, 1930-1980", by Luis Zegarra, Juana Kuramoto, Manuel Glave, Nelson Manrique, Miguel Jaramillo, Rosa Huamán, Gonzalo Pastor, Luis Ponce and Carlos Parodi, and "Minería y reformismo borbónico en el Perú: Estado, empresa y trabajadores en Huancavelica, 1784-1814", by Isabel Povea Moreno.

### **Museum**

In 2014, the BCRP museums attracted 148,622 visitors.

The BCRP Museum also participated in exhibitions both in Peru and in several other countries. The former included "Castillo de Huarmey. El Mausoleo Imperial Wari", organized by the Museo de Arte de Lima (MALI) from September 26 to October 7; the exhibition "Mestiza" of visual artist Claudia Coca organized by the Museo de Arte Contemporáneo de Lima (MAC), Barranco, from July 16 to October 5, and "José Gil de Castro, pintor de libertadores" organized by Museo de Arte de Lima (MALI) and Museo Nacional de Bellas Artes, Santiago de Chile, from October 21 to March 24, 2015.

The participation of the BCRP Museum in international exhibitions included the following exhibitions: "Perú: Kingdoms of the Sun and the Moon" in Seattle Art Museum, from October 17, 2013 to January 25, 2014 and "Eternal Gold: Treasures from Ancient Peru", exhibition organized by the National Geographic Society, in Washington from April 10 to September 20 and at the Irving Arts Center, Dallas, from October 1, 2014, to January 2, 2015.

The BCRP Museum was also present in the XIIIth Fair "Los Museos a tu alcance", held at the Museo Metropolitano on May 16-17; the XIXth International Book Fair of Lima, carried out at Parque Los Próceres in Jesús María, from July 18 to August 3; the Book Fair at Club Regatas, Chorrillos, in September 19-28; the Feria Educativa y de Responsabilidad Social Empresarial held at Centro Comercial Plaza Norte





in September 23-28; the 1st International Book Fair of Cusco, in November 7-16; the VIth International Book Fair of Arequipa, from November 26 to December 8, and the XXXVth Book Fair Ricardo Palma, held at Larcomar from November 14 to November 30.

As part of its social responsibility program, the Museum showed 18 theater plays and 46 films in its movie theater between January and December. The Museum also participated in the XVIIIth Film Festival of Lima and in the XXVIth Festival of European Films, and carried out 24 social responsibility activities with school children who live in conditions of extreme poverty.

The Museum also organized ten craft workshops and held the IVth Feria Navideña with the participation of 21 artisans. In addition to this, the BCRP Museum hosted the VIIIth Seminar of Numismatics "La numismática peruana en el coleccionismo mundial" on October 15.

### **Library**

During 2014, the BCRP Library lent a total of 58,469 documents, including books and periodical publications and attended 8,451 request reeding in the room.

As part of its modernization program, the Library also continued updating its collection of specialized publications and bought 156 titles of printed or digital periodical publications. The BCRP Library currently has access to a total of 89 publications with online access and to 8 databases specialized in economic and financial topics.

## **3. Meetings and events**

In 2014 the BCRP authorities and officials participated in various international and national meetings. The main events included the following:

### **3.1 International meetings**

- BIS Bimonthly Meeting of Governors of BIS Member Central Banks, held in Basel, Switzerland, January 12 - 13.
- Seminar "OTC Derivatives Global Reform", organized by Banco Central de Chile and the International Monetary Fund (IMF), held in Santiago de Chile, January 28 - 30.
- BIS Bimonthly Meeting, held in Sydney, February 23 - 24.
- BIS Meeting of Emerging Markets Deputy Governors", Basel, March 6 - 7.
- "InPeru Road Show New York 2014", organized by Asociación inPERU, in New York, March 6 - 7.
- Forum "Estabilidad Financiera y Riesgo Sistémico", organized by the International Monetary Fund (IMF) and held in Washington on March 14.
- LXXIII Ordinary Meeting of the Board of Fondo Latinoamericano de Reservas (FLAR), held in Bogotá, Colombia, on March 17.
- Seminar on "Portfolio Management for Central Banks", organized by the Bank of Italy in Rome on March 26 - 28.
- First Meeting of the Consultative Group of Directors of Operations in the Americas Region, organized by the BIS and the Bank of Mexico, in Mexico D.F., March 27 - 28.
- Annual Meetings of the Assembly of Governors of the International Development Bank (IDB) and the Inter-American Investment Corporation, held in Bahía, March 27 - 30.

- XCVII Meeting of the International Monetary Law Committee, organized by the International Law Association (MOCOMILA) in Washington, April 7 – 9.
- Spring Meetings of the IMF, the World Bank, the G-24, and 39th Meeting of the Network of Central Banks and Finance Ministries, organized by the IDB, Seminar “Reinventing Bretton Woods Committee”, and “International Capital Markets and Emerging Markets Roundtable”, in Washington, April 9 - 13.
- XVII Meeting of the Working Party on Payment Systems in Latin American and the Caribbean Central Banks, organized by CEMLA in Mexico D.F., April 24 - 25.
- BIS-CAA High-Level Roundtable on Financial Sector Issues; XCVII Meeting of CEMLA Governors, and LXXIV Extraordinary FLAR Meeting, organized by CEMLA, FLAR, and BIS, in Sao Paulo, April 26 - 30.
- XIV Meeting on Central Bank Accounting Aspects, organized by CEMLA and the Central Bank of Uruguay, in Montevideo, May 6 - 9.
- BIS Bi-Monthly Meeting, held in Basel, May 11 – 12.
- High Level Conference on the International Monetary System, organized by the IMF and the Swiss National Bank, Zürich, Switzerland, May 13.
- Plenary Meeting of the Working Party on Financial Integration (GTIF), organized by the Union of South American Nations (UNASUR), Buenos Aires, May 22.
- Conference “Retos al Cambio de las Condiciones Financieras Internacionales”, organized by the BIS, Bogota, May 22 - 23.
- XXVII Meeting of Governors of Central Banks of South America, organized by MERCOSUR and the Central Bank of Argentina, Buenos Aires, May 22 - 23.
- BIS Meeting of Database Experts, Basel, June 5 - 6.
- Annual Executive Meeting with Investors, organized by the Peruvian Business Council, New York, June 12 - 13.
- X Meeting of Monetary Policy Managers, organized by CEMLA, held in Asunción, June 19 - 20.
- BIS Bi-Monthly Meeting, General Annual Meeting of Governors, and 13th BIS Annual Conference 2014, Basel, June 26 - 29.
- 10th Central Banking Seminar, organized by the European Central Bank in Frankfurt, July 7 - 11.
- “Incorporando consideraciones de estabilidad financiera en los modelos de los bancos centrales”, organized by the BIS, Mexico D.F., July 21 - 25.
- VIII Jornada Monetaria, organized by the Central Bank of Bolivia, held in La Paz, July 24.
- XX Meeting of the Working Party on Financial Integration, organized by the Union of South American Nations (UNASUR) and IV Meeting of the South American Council on Economy and Finances, organized by UNASUR and the Ministry of Economy and Finance of Argentina, in Buenos Aires on July 24 - 25.



- LXXV Extraordinary Meeting of the Board of Fondo Latinoamericano de Reservas (FLAR) and IX FLAR-CAF International Conference of Economic Studies, organized by FLAR in Cartagena, July 24 to 26.
- High-level Seminar on “Regional Macroeconomic Strengths and Challenges”, organized by the FLAR and Banco de México, in Mexico D.F., on July 25.
- III Meeting of Government Specialists in Statistics of Services Trade, organized by ALADI, in Montevideo, July 30 to 31.
- International Seminar of the Remittances Program, organized by CEMLA, in Mexico D.F., August 18 to 19.
- “38th Economic Policy Symposium”, organized by the Federal Reserve Bank of Kansas City, Wyoming, August 21 to 23.
- Conference “Supervisión Financiera”, organized by Superintendencia de Bancos de Guatemala, Guatemala City, August 28 - 29
- “InPerú VII Road Show Europe 2014”, carried out in Madrid, Zurich, and London, September 1 to 5.
- BIS Bi-Monthly Meeting of Governors, Basel, September 7 - 8.
- “First IMF Central Bank Forum for Developing Markets”, Paris, September 9-10.
- Seminar “Entidades no Bancarias ofertantes de Servicios de Pago”, organized by the Central Bank of Brazil, Brasilia, September 9-10.
- LXXVI Ordinary Meeting of the Board of the FLAR, in Bogota, Colombia, September 22.
- “7th Peru Investment Forum”, organized by the Peruvian Business Council, New York, September 21 to 24.
- “18th Annual Working Party on Monetary Policy in Latin America”, organized by the BIS, Mexico D.F., September 22 to 23.
- Seminar “Desarrollo y mejora de las cuentas financieras sectoriales”, organized by the Central Bank of Brazil, Rio de Janeiro, September 25 to 26.
- Seminar “Monetary Policy and Financial Stability”, organized by the Central Bank of Nicaragua, Managua, September 25 to 26.
- XII Meeting of Central Bank Treasurers and IV Meeting of Anti-Counterfeiting Experts, organized by CEMLA, Santiago de Chile, October 6 to 10.
- “38th Annual Central Banking Seminar”, organized by the Federal Reserve Bank, New York, October 6 to 10.
- Meeting of the Study Group on Capital Flows, organized by the BIS, New York, October 7.
- Annual Meetings of the IMF, WB, G-24, IDB, and CEMLA, Washington, October 8 to 15.
- Meeting of the OECD Advisory Task Force on the OECD Codes of Liberalization and of the Committee of Financial Markets, organized by the Organization for Economic Cooperation and Development (OECD), Paris, October 22 to 24.

- IV Meeting on Financial Stability and Workshop on Banking Systems in Emerging Economies and Financial Integration, organized by CEMLA, Madrid, October 22 to 24.
- Conference “Vínculos Financieros entre Países”, organized jointly by the BIS and the Central Bank of New Zealand, Wellington, October 23 to 24e.
- XXVIII Meeting of Central Banks and Government Institutions, organized by the FLAR, Cartagena, November 5 - 7.
- VII Meeting of Open Market Operators, organized by CEMLA, Santiago de Chile, November 6 to 7.
- BIS Bi-Monthly Meeting, Basel, November 9 - 10.
- “Primera Edición de la Semana Internacional de Gestión de Riesgo”, organized by Corporación Andina de Fomento (CAF) and the Central Bank of Brazil, Brasilia, November 10 to 13.
- “Jornadas Monetarias y Bancarias”, organized by Banco Central de la República Argentina, Buenos Aires, November 18.
- Meetings of the Latin American and Caribbean Economic Association (LACEA), organized by the FLAR, Sao Paulo, Brazil, November 21.
- Second Meeting of the BIS CCA Consultative Group of Directors of Financial Stability, organized by BIS, Panamá City, November 25.
- XVI Meeting of Central Bank Communication, organized by CEMLA and the Central Bank of Chile, Santiago de Chile, November 25 - 26.
- International Seminar of Central Banking, organized by Banco de España, Madrid, December 1 to 5.
- Seventh Latin American Forum for Communications Heads and Spokespersons of the Ministries of Finance and Central Banks, organized by the World Bank and the Central Bank of Ecuador, Quito, December 2 to 3.
- FLAR Board Meeting, Bogotá, December 3.
- Conference “Desafíos para asegurar el crecimiento y una prosperidad compartida en América Latina”, organized by the Central Bank of Chile, Santiago de Chile, December 5 to 6.
- Fifth IMF Roundtable of Sovereign Reserve Asset Managers”, organized by the IMF, Washington, December 8 to 9.
- Seminar “Financial Stability and Macroprudential Policy”, organized by the IDB, Río de Janeiro, December 11.

### 3.2 National meetings and events

- Lecture “¿Tiene el presupuesto participativo algún impacto en la calidad de los servicios públicos? El caso del sector de agua y saneamiento”, delivered by Miguel Jaramillo, GRADE.
- Lecture “Los efectos de Basilea III en la banca internacional”, delivered by Professor Angel Vilariño, international consultant.
- Lecture “Política monetaria en economías emergentes en un entorno de volatilidad de flujos de capitales”, delivered by Professor José de Gregorio, Universidad de Chile.
- Lecture “¿Cómo los inversionistas extranjeros afectan la actividad económica doméstica? Evidencia de China e India”, delivered by Professor Christian Lunblaud, Duke University.



- Lecture “La dinámica de los precios de terrenos y las fluctuaciones macroeconómicas”, delivered by Professor Lawrence Christiano, Northwestern University.
- Lecture “Decisiones de política monetaria usando datos en tiempo real”, delivered by Professor Klaus Schmidt-Hebbel, Universidad Católica de Chile.
- Lecture “Evolución del concepto de la numismática en nuestro medio” celebrating the Xth Anniversary of Museo Numismático del Perú.
- Forum on Forestry Development.
- Presentation of document “Perspectivas Económica de la Región – REO”, delivered by Alejandro Werner, director of the International Monetary Fund’s Western Hemisphere Department.
- Lecture “Bancos, manejo de liquidez y política monetaria, delivered by Professor Saki Bigio”, Columbia University.
- Seminar “Análisis, políticas y herramientas macroprudenciales – Riesgos emergentes, prociclicidad e instituciones financieras de importancia sistémica”, co-organized with FSI and CEMLA.
- Lecture “Private Profits and Socialize Losses?”, delivered by Professor Benjamin Bental, University of Haifa.
- Seminar “Competencia en los sistemas de pago”, organized jointly with the World Bank.
- “Encuentro Económico de la Región Moquegua”.
- Lecture “Sovereign Debt Sustainability in Advance Economies”, delivered by Professor Jean Charles Rochet.
- Seminar “70 Years after Bretton Woods: Managing the Interconnectedness of the World Economy”, organized by BCRP and the Reinventing Bretton Woods Committee.
- Lecture “Macroprudential Policy with Liquidity Panics”, delivered by Alonso Villacorta, Stanford University.
- Course “Políticas Macroprudenciales”, co-organized with CEMLA and the IMF.
- Forum on Financial Inclusion, co-organized with CEMLA.
- VIII Seminar of Numismatics: “La numismática peruana en el coleccionismo mundial”.
- Course “Gestión de riesgos financieros en la banca central”, co-organized with CEMLA.
- LVI Meeting of ALADI’s Advisory Committee on Financial and Monetary Affairs.
- Conference of Comité Latinoamericano de Asuntos Financieros – CLAAF.
- Seminar on Capital Flows, organized by BCRP and IDB.
- XXVIII Meeting of Governors of South American Central Banks.
- XXX Encuentro de Economistas.
- Lecture “Perspectivas de la economía mundial y los desafíos del empleo”, delivered by Doctor Peter Diamond, Professor of Economics at Massachusetts Institute of Technology (MIT) and Nobel Prize in Economic Sciences for 2010.
- Presentation of Volume V of Compendio de Historia Económica del Perú

#### 4. Branch offices

The BCRP is represented in other cities by the branch offices it has in the cities of Arequipa, Cusco, Huancayo, Iquitos, Piura, Puno, and Trujillo. The main role of the BCRP branches is to develop and disseminate studies and reports on the economy of the country's 23 departments and ensure that each area has the appropriate supply of banknotes and coins required by the financial system. In addition to this, the BCRP branches organize lectures and courses on the economy of the region and the country, and organize talks on the security features of banknotes and coins.

The document *Síntesis de Actividad Económica* prepared by the Branch Offices is published on a monthly basis on the web page of the BCRP. This document provides information about both the economic development of each region, as well as statistical data on production and employment, the financial system, the external sector, and non-financial public expenditure. The Branch Offices also provide information about the economic characteristics and main tourist attractions of each region.

In 2014, BCRP officials made presentations of the Inflation Report in each of the BCRP Branches after the publication of the Inflation Report in the months of April, August, and October. The document *Síntesis de Actividad Económica* about each region was also discussed during these events.

"Encuentro Económico Región Moquegua", carried out in the city of Ilo, Moquegua, was an interesting forum for the discussion of subjects such as current economic trends in the Peruvian economy; economic challenges and prospects for Moquegua; infrastructure and regional development; management of water resources; the outlook for agriculture and mining in the region; competitiveness, building institutions, and development of capabilities, and making enterprise happen: experiences and opportunities. Participants received a copy of the book "*Informe Económico y Social Región Moquegua*", elaborated and published by BCRP.

Moreover, the lectures "*Situación Actual y Perspectivas de la Economía de Piura 2014*" and "*Las Oportunidades Comerciales en el Marco de los Tratados de Libre Comercio Suscritos por el Perú*" were delivered at the Branch Office of Piura. It should be pointed out that an agreement was established with Universidad Nacional de Piura to support the university researchers to elaborate the document entitled "*Propuesta de un Índice de Seguimiento y Evaluación de la Actividad Económica del Departamento de Piura: 2001-2013*".

In the City of Trujillo, BCRP officials participated as speakers in the V Encuentro Científico Internacional with "*El Traspaso del Tipo de Cambio a Precios en el Perú*" and delivered the lecture "*Desarrollos Recientes y Perspectivas de la Economía Peruana*" at the Branch Office. In addition to this, they participated in the events organized in the frame of the Mining Week with the lecture "*Perspectivas Económicas de la Región Norte y Contribución de la Minería en la Región La Libertad*".

The international seminar "*70 Years after Bretton Woods: Managing the Interconnectedness of the World Economy*", organized by BCRP and the Reinventing Bretton Woods Committee, was held in the City of Cusco. Participants included the representatives of the central banks of Colombia, Chile, Spain, France, Indonesia, Mexico, South Africa, the European Union, and Peru, as well as IMF and the World Bank officials.

It is also worth mentioning that the BCRP Branch Office of Arequipa participated in the Sixth International Book Fair held in this city in November and that the BCRP Branch Office of Cusco participated in the First International Book Fair "*Qillqa Raymi*", selling books and painting reproductions and offering talks about the security features of Peruvian banknotes.

During 2014, the BCRP contributed to the decentralized selection of the semifinalists of IX Contest for School Students, a competition that seeks to foster the development of a financial "culture" among secondary senior students.



Furthermore, in 2014 the BCRP branch offices continued providing training on the security features of banknotes and coins to the personnel of financial entities and the general public. A total of 16,681 people attended the 572 talks delivered over the year.

The museums of the branch offices of Trujillo, Arequipa, and Piura were visited by 38,250 visitors, 1.4 percent more visitors than in 2013. The museum of the BCRP branch office in Trujillo was visited by 29,654 people; that is, 77.5 percent of the total number of visitors that visited the BCRP museums during the year.

## 5. Currency management

With the aim of promoting the rich cultural heritage of our country while encouraging numismatic culture at the same time, in 2010 the Central Bank started issuing the coins of its Numismatic Series "Wealth and Pride of Peru" (Riqueza y orgullo del Perú series). In 2014, the BCRP issued 3 coins: the coin reproducing the "Sacred City of Caral" (Lima) was issued in April; the one with the design of the "Huaca de la Luna" (La Libertad) in August, and the one reproducing the building of "Antiguo Hotel Palace" (Loreto) in December. It should be mentioned that the number of coins issued increased from 10 to 12 million units after the coinage of the Nuevo sol featuring the Huaca de la Luna due to collectors' high demand for the series. A total of 18 coins of the 26 coins of this series had been issued by December 2014.



In addition to this, the Central Bank issued four commemorative silver coins: silver coins commemorating the "100 años del natalicio de José Abelardo Quiñones" and "175 años del diario El Comercio" were issued in April, and silver coins celebrating "50 años de ESAN" and "125 años del Banco de Crédito del Perú" were issued in July and November, respectively.

Silver coins of Un Sol de Oro and Medio Sol de Oro issued in 1934 and 1935, respectively, as well as silver coins expressed in Soles de Oro, Intis, and Nuevos Soles were also made available for sale.

In 2014, the coin of Un Nuevo sol featuring the Inca Temple of Huaytará in Huancavelica (issued in March 2013) was awarded the Nexonum Prize as the best legal tender in the world for its design and finish. The coin was elected the best legal currency by Grupo Nexo of Spain, a 25 year-old organization that brings together representatives of organizations and associations of philately and numismatics in America and Europe.

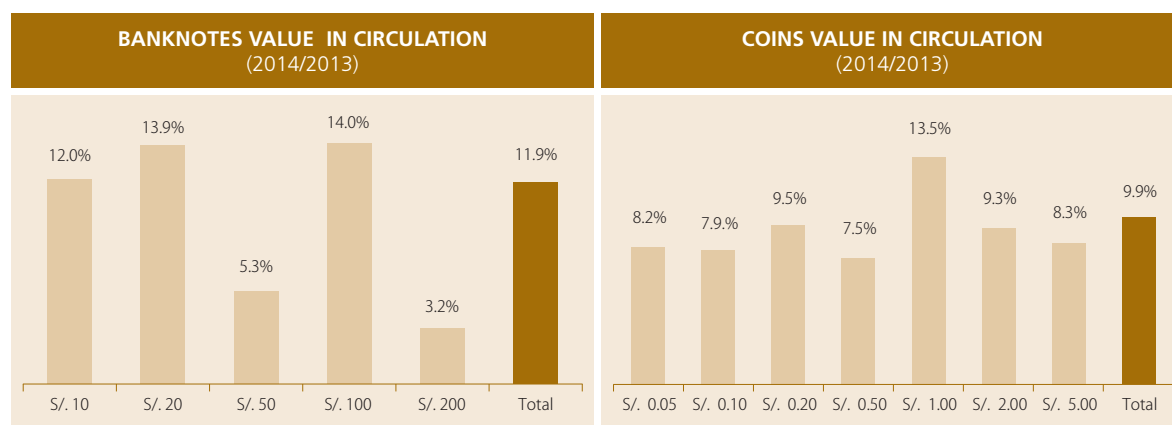
In addition to this, Peru's banknote of 100 nuevos soles issued in December 2013 was elected the best Latin American banknote in the frame of Conferencia de Impresión de Alta Seguridad organized by Reconnaissance International Limited, a worldwide leading company in security features for banknotes and high security documents, held in Santiago de Chile in June 2014.

New banknotes of 10 and 20 nuevos soles were also put into circulation in November. These notes, which circulate simultaneously with the previous versions of 10 and 20 nuevos soles, have the same security features as the other Peruvian banknotes, but the new banknote of 10 soles differs in its more intense predominant green color while a predominantly brown color and blue details stand out as the new features in the new banknote of 20 soles.

The BCRP intensified the information campaigns on the security features of banknotes, training instructors of different banks in various cities where the BCRP does not have branch offices. In addition to this, an intense information campaign on the security features was carried out through radio and television interviews and through newspaper ads published nationwide, especially during the celebration of regional festivities, which are periods during which people use large sums of cash for different purposes. Information campaigns were also carried out using social networks like Facebook and Twitter.

### 5.1 Banknotes and coins in circulation

In 2014 currency in circulation was higher than in 2013 both in terms of value and in terms of units in circulation. At December 2014 the value of banknotes in circulation was S/. 45.57 billion (11.9 percent higher than at end 2013), while the value of coins in circulation was S/. 1.97 billion (9.9 percent higher than at end 2013).



In terms of units, the balance of units of banknotes in circulation was 713 million banknotes at the end of 2014 (11.8 percent higher than at the end of 2013), while the balance of coins was 3.20 billion coins (9.1 percent higher than at the end of the previous year).

The use of banknotes in the denomination of S/. 100 stands out in terms of both value and units, which would be reflecting the increased demand for these notes to make transactions as well as banks' preference to supply these notes in their ATMs and bank facilities.

On the other hand, the demand for 1 sol coins stands out in the case of coins, reflecting in part domestic demand as well as the public's significant interest in collecting the coins of the numismatic series Wealth and Pride of Peru.

### 5.2 Coin minting

The National Mint produced 290 million coins in 2014. The largest production of coins was coins in the denominations of one Nuevo Sol (S/. 1) and ten cents (S/. 0.10), which together represented 62 percent of the total of coins produced.





PRODUCTION OF COINS			
Denomination	Alloy	Quantity (Million units)	Monetary value (Million nuevos soles)
S/. 0.05	Aluminum	35.0	1.75
S/. 0.10	Brass	76.0	7.60
S/. 0.20	Brass	27.0	5.40
S/. 0.50	Nickel-silver	33.0	16.50
S/. 1.00	Nickel-silver	104.0	104.00
S/. 2.00	Bi-metal	6.0	12.00
S/. 5.00	Bi-metal	9.0	45.00
<b>TOTAL</b>		<b>290.0</b>	<b>192.25</b>

Source: BCRP.

### 5.3 Destruction of banknotes and coins

A total of 217.3 million banknotes with a monetary value equivalent to S/. 8.89 billion was withdrawn from circulation and destroyed in 2014. Moreover, 64 percent of the banknotes destroyed was banknotes in the denominations of ten soles and twenty soles (S/. 10 and S/. 20).

In addition to this, a total of 30.8 million units of coins –with a monetary value of S/. 11 million– was melted in 2014 (62 percent more than in 2013).

DESTRUCTION OF BANKNOTES		
Denomination	Quantity (Million units)	Monetary value (Million nuevos soles)
S/. 10	79.1	791.3
S/. 20	59.9	1,197.6
S/. 50	21.3	1,066.8
S/. 100	55.5	5,547.1
S/. 200	1.4	288.8
<b>Total</b>	<b>217.0</b>	<b>8,891.6</b>

Source: BCRP.

MELTING OF COINS		
Denomination	Quantity (Million units)	Monetary value (Million nuevos soles)
S/. 0.05	--	--
S/. 0.10	14	1.5
S/. 0.20	5.6	1.1
S/. 0.50	4.6	2.3
S/. 1.00	6.1	6.1
S/. 2.00	--	--
S/. 5.00	--	--
<b>Total</b>	<b>30.8</b>	<b>11.0</b>

Source: BCRP.

## 6. Circulars

During 2014 the BCRP issued forty-five circulars: fourteen circulars about reserve requirements regulations, two about monetary instruments, three about ALADI and payment agreements, one about Reports, one about the maximum investment limits for the Administrators of Pension Funds, nine about banknotes and coins, three about first-class banks, and twelve about the daily adjustment index established in article 240 of Law 26702, General Law for the Financial and Insurance Systems and the Organic Law of the Superintendence of Banks and Insurance Companies. The circulars issued in 2014 were the following:

- **Reserve Requirements**

Circular 003-2014-BCRP (30/01/2014)

Circular 004-2014-BCRP (30/01/2014)

Circular 006-2014-BCRP (01/03/2014)

Circular 007-2014-BCRP (01/03/2014)

Circular 009-2014-BCRP (28/03/2014)

Circular 019-2014-BCRP (10/06/2014)

Circular 020-2014-BCRP (10/06/2014)

Circular 029-2014-BCRP (11/08/2014)

Circular 036-2014-BCRP (31/10/2014)

Circular 032-2014-BCRP (23/08/2014)

Circular 039-2014-BCRP (28/11/2014)

Circular 040-2014-BCRP (28/11/2014)

Circular 044-2014-BCRP (30/12/2014)

Circular 045-2014-BCRP (30/12/2014)

- **Monetary Instruments**

Circular 017-2014-BCRP (07/05/2014)

Circular 031-2014-BCRP (15/09/2014)

- **ALADI and Payment Agreements**

Circular 002-2014-BCRP (28/01/2014)

Circular 015-2014-BCRP (21/04/2014)

Circular 022-2014-BCRP (24/06/2014)



- **Reports**

Circular 043-2014-BCRP (23/12/2014)

- **Investment Limit for AFPs**

Circular 032-2014-BCRP (17/09/2014).

- **Banknotes and Coins**

Circular 010-2014-BCRP (31/03/2014)

Circular 013-2014-BCRP (16/04/2014)

Circular 014-2014-BCRP (16/04/2014)

Circular 021-2014-BCRP (11/06/2014)

Circular 025-2014-BCRP (14/07/2014)

Circular 026-2014-BCRP (21/07/2014)

Circular 028-2014-BCRP (04/08/2014)

Circular 038-2014-BCRP (21/11/2014)

Circular 042-2014-BCRP (16/12/2014)

- **First-Class Banks**

Circular 012-2014-BCRP (04/04/2014)

Circular 024-2014-BCRP (10/07/2014)

Circular 035-2014-BCRP (02/10/2014)

- **Daily Adjustment Index**

Circular 001-2014-BCRP (January)

Circular 005-2014-BCRP (February)

Circular 008-2014-BCRP (March)  
Circular 011-2014-BCRP (April)  
Circular 016-2014-BCRP (May)  
Circular 018-2014-BCRP (June)  
Circular 023-2014-BCRP (July)  
Circular 027-2014-BCRP (August)  
Circular 030-2014-BCRP (September)  
Circular 034-2014-BCRP (October)  
Circular 037-2014-BCRP (November)  
Circular 041-2014-BCRP (December)

# FINANCIAL STATEMENTS

## Independent Auditors' Report

To the Directors of Banco Central de Reserva del Perú

1. We have audited the accompanying financial statements of **Banco Central de Reserva del Perú**, which comprises the statements of financial position as of December 31, 2014 and 2013, and the statements of income and other comprehensive income (loss), changes in net equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles described in Note 2 to the accompanying financial statements, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

3. Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit as of December 31, 2014 in accordance with the Government Financial Audit Manual, effective as of that date, and our audit as of December 31, 2013 in accordance with International Auditing Standards, approved by the Consejo Directivo de la Junta de Decanos de Colegios de Contadores Públicos del Perú (Board of Deans of the Peruvian Professional Association of Certified Public Accountants) for its application in Peru. Those Manual and standards, as appropriate, require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including a risk assessment for material misstatements in the financial statements, whether due to fraud or error. Upon conducting such risk assessments, the auditor considers internal control relevant to the Central Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

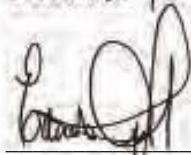
6. In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of **Banco Central de Reserva del Perú** as of December 31, 2014 and 2013, its financial performance and cash flows for the years then ended, in accordance with accounting principles described in Note 2 to the accompanying financial statements.

## Other matters

7. The accompanying financial statements were translated into English by the Central Bank for convenience of the English-speaking readers and have been derived from the financial statements originally issued in Spanish.

Countersigned by:

Beltrán, Gris y Asociados S. Civil de R.L.



(Partner)

Eduardo Gris Percovich  
CPC Registration No. 12159

February 16, 2015



**STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014 AND 2013**

In thousands of Peruvian nuevos soles (S/. 000)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
GROSS INTERNATIONAL RESERVES:			
Cash in foreign currency		149,244	139,991
Deposits in foreign banks	<b>4</b>	40,575,042	28,067,222
Deposits in foreign institutions	<b>5</b>	2,321,112	2,312,234
Securities from international entities	<b>6</b>	135,369,689	145,887,796
Gold	<b>7</b>	3,933,998	3,741,042
Contributions to international organizations	<b>8</b>	2,758,586	2,627,554
Other available assets	<b>21 (c) and (d)</b>	765,851	818,708
		<u>185,873,522</u>	<u>183,594,547</u>
OTHER ASSETS ABROAD:			
Contributions in local currency to IMF	<b>8 (a)</b>	1,723,101	1,740,865
Other assets abroad	<b>12 (b)</b>	59,620	55,880
		<u>1,782,721</u>	<u>1,796,745</u>
DOMESTIC CREDIT:			
	<b>9</b>		
To banks		9,770,572	949,876
To the public sector		2,027,914	1,590,755
To financial companies		117,786	-
To other entities and funds		87,831	-
To the private sector		9	9
		<u>12,004,112</u>	<u>2,540,640</u>
PROPERTIES, FURNITURE AND EQUIPMENT, NET	<b>10</b>	155,038	155,628
OTHER ASSETS	<b>11</b>	1,723,935	1,558,390
		<u>1,723,935</u>	<u>1,558,390</u>
<b>TOTAL</b>		<b><u>201,539,328</u></b>	<b><u>189,645,950</u></b>
OFF-BALANCE SHEET ACCOUNTS	<b>21</b>	118,870,624	49,323,117
		<u>118,870,624</u>	<u>49,323,117</u>

The accompanying notes are an integral part of these financial statements.



	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES AND NET EQUITY</b>			
RESERVE LIABILITIES	<b>2.2 (p)</b>	133,069	131,855
OTHER LIABILITIES ABROAD:			
Equivalent value of the contribution in local currency to IMF	<b>8 (a)</b>	1,723,101	1,740,865
Other liabilities abroad	<b>12</b>	2,699,238	2,673,423
		<u>4,422,339</u>	<u>4,414,288</u>
STERILIZED STOCK:			
Outstanding securities issued	<b>13</b>	17,911,320	21,803,081
Deposits in local currency	<b>14</b>	38,537,142	40,495,268
		<u>56,448,462</u>	<u>62,298,349</u>
MONETARY BASE:			
Currency in circulation	<b>15</b>	47,543,004	42,530,188
Deposits in local currency		6,321,944	9,406,345
		<u>53,864,948</u>	<u>51,936,533</u>
DEPOSITS IN FOREIGN CURRENCY	<b>16</b>	73,343,923	70,246,854
OTHER LIABILITIES	<b>17</b>	10,920,176	1,762,420
Total liabilities		<u>199,132,917</u>	<u>190,790,299</u>
NET EQUITY:			
Capital		1,182,750	1,182,750
Special statutory reserve		-	687,851
Fair value reserve		(1,297,271)	(1,645,076)
Retained earnings		(716,336)	(892,954)
		<u>(830,857)</u>	<u>(667,429)</u>
CAPITAL, RESERVES AND RESULTS			
Valuation readjustments as per article N° 89 - Organic Law	<b>18 (e)</b>	3,237,268	(476,920)
Total net equity		<u>2,406,411</u>	<u>(1,144,349)</u>
<b>TOTAL</b>		<b><u>201,539,328</u></b>	<b><u>189,645,950</u></b>
<b>OFF-BALANCE SHEET ACCOUNTS</b>	<b>21</b>	<b><u>118,870,624</u></b>	<b><u>49,323,117</u></b>

**STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS) FOR  
THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

In thousands of Peruvian nuevos soles (S/. 000)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<b>FINANCIAL INCOME</b>			
Interests on deposits in foreign banks	<b>4 (b)</b>	121,366	112,048
Net yield of securities	<b>6 (c)</b>	868,236	1,598,907
Interests on international agreements and deposits in IMF		3,381	3,338
Profit and dividends received from international organizations		5,969	17,302
Yields on gross international reserves		998,952	1,731,595
Interests and commissions on domestic credit transactions	<b>9 (c)</b>	273,967	105,238
Other financial income		90,733	22,666
Total		1,363,652	1,859,499
NON-FINANCIAL INCOME		6,739	21,548
<b>FINANCIAL EXPENSES</b>			
Interests on liabilities abroad	<b>12 (c)</b>	(2,263)	(2,060)
Interests on outstanding securities issued	<b>13 (b)</b>	(584,917)	(886,363)
Interests on deposits in local currency	<b>14 (b)</b>	(1,074,787)	(1,484,564)
Interests on deposits in foreign currency	<b>16 (c)</b>	(56,800)	(61,869)
Other financial expenses		(9,669)	(7,851)
Total		(1,728,436)	(2,442,707)
OPERATING EXPENSES	<b>22</b>	(269,914)	(248,723)
ISSUANCE EXPENSES AND COSTS	<b>23</b>	(88,377)	(82,571)
NET LOSS		(716,336)	(892,954)
OTHER COMPREHENSIVE INCOME (LOSS)	<b>6 (c) and 9 (b)</b>	347,805	(1,417,522)
<b>TOTAL COMPREHENSIVE LOSS</b>		<b><u>(368,531)</u></b>	<b><u>(2,310,476)</u></b>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CHANGES IN NET EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

In thousands of Peruvian nuevos soles (S/. 000)

	Capital	Legal reserve	Special statutory reserve	Fair value reserve	Retained earnings	Total capital, reserves and results	Valuation readjustments as per Article N° 89 - Organic Law	Total net equity
	Note 18 (a)	Note 18 (b)	Note 18 (b)	Note 18 (c)	Note 18 (d)	Note 18 (e)	Note 18 (e)	
Balances as of January 1, 2013	1,182,750	979,327	871,449	(227,554)	(1,162,925)	1,643,047	(10,030,675)	(8,387,628)
Net loss	-	-	-	-	(892,954)	(892,954)	-	(892,954)
Other comprehensive income	-	-	-	(1,417,522)	-	(1,417,522)	-	(1,417,522)
Total comprehensive income	-	-	-	(1,417,522)	(892,954)	(2,310,476)	-	(2,310,476)
Loss coverage as per article N° 93 - Organic Law	-	(1,162,925)	-	-	1,162,925	-	-	-
Transfer of special statutory reserve	-	183,598	(183,598)	-	-	-	-	-
Valuation readjustment for the year	-	-	-	-	-	-	9,553,755	9,553,755
Balances as of December 31, 2013	1,182,750	-	687,851	(1,645,076)	(892,954)	(667,429)	(476,920)	(1,144,349)
Net loss	-	-	-	-	(716,336)	(716,336)	-	(716,336)
Other comprehensive income	-	-	-	347,805	-	347,805	-	347,805
Total comprehensive income	-	-	-	347,805	(716,336)	(368,531)	-	(368,531)
Loss coverage as per article N° 93 - Organic Law	-	(687,851)	-	-	687,851	-	-	-
Transfer of special statutory reserve	-	687,851	(687,851)	-	-	-	-	-
Loss coverage Ministry of Economy and Finances (MEF) as per D.S. 108-2014-EF	-	-	-	-	205,103	205,103	-	205,103
Valuation readjustment for the year	-	-	-	-	-	-	3,714,188	3,714,188
<b>Balances as of December 31, 2014</b>	<b>1,182,750</b>	<b>-</b>	<b>-</b>	<b>(1,297,271)</b>	<b>(716,336)</b>	<b>(830,857)</b>	<b>3,237,268</b>	<b>2,406,411</b>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

In thousands of Peruvian nuevos soles (S/. 000)

	<b><u>2014</u></b>	<b><u>2013</u></b>
OPERATING ACTIVITIES:		
Net loss	(716,336)	(892,954)
Adjustments to reconcile net loss with cash and cash equivalents provided by (used in) operating activities:		
Depreciation of properties, furnitures and equipment	11,121	10,988
Amortization of intangibles	2,894	3,111
Fixed asset disposal	923	1,149
Recovery provision	-	(16,925)
Net changes in assets, liabilities and equity accounts:		
Increase of domestic credit	(9,258,369)	(1,711,189)
Decrease (increase) of other assets abroad	14,023	(69,421)
Increase of other assets	(168,439)	(86,535)
Increase (decrease) of reserve liabilities	1,214	(14,448)
Increase of other liabilities abroad	8,052	296,429
(Decrease) increase of outstanding securities issued	(3,891,761)	1,451,323
Decrease of deposits in local currency	(1,958,125)	(9,715,700)
Decrease of deposits of banks, financial companies and others	(3,084,402)	(5,504,785)
Increase of deposits in foreign currency	3,097,070	23,687,589
Increase of other liabilities	9,157,757	61,253
Increase (decrease) of fair value reserve	347,805	(1,417,522)
Increase of valuation readjustment as per Article N° 89 - Organic Law	3,714,187	9,553,756
Cash and cash equivalents (used in) provided by operating activities	(2,722,386)	15,636,119
CASH FLOWS OF INVESTMENT ACTIVITIES:		
Purchases of properties, furnitures and equipment	(11,455)	(8,612)
Sale of vehicles	-	186
Cash and cash equivalents provided by (used in) investment activities	(11,455)	(8,426)
Net (decrease) increase of cash and cash equivalents	(2,733,841)	15,627,693
Cash and cash equivalents at the beginning of the year	141,064,359	125,436,666
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 2.2 (p))</b>	<b><u>138,330,518</u></b>	<b><u>141,064,359</u></b>

The accompanying notes are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In thousands of Peruvian nuevos soles (S/.000), unless otherwise stated)

### 1. OPERATIONS, APPROVAL OF THE FINANCIAL STATEMENTS AND NET EQUITY

#### (a) Operations

Banco Central de Reserva del Peru (Central Reserve Bank of Peru, hereinafter "Central Bank") is an autonomous public legal entity incorporated on March 9, 1922 in order to preserve monetary stability in Peru. At present, its activities are governed by the provisions set forth in Article N° 84 of the *Constitución Política del Perú* (Political Constitution of Peru) dated December 29, 1993, and by its *Ley Orgánica* (Organic Law) approved by Decree Law N° 26123 dated December 24, 1992 (hereinafter "the Organic Law"). The Organic Law establishes functions for the Central Bank, such as regulating the amount of currency, manage international reserves, issuance of bills and coins, and report on the finances of Peru.

The legal address and main headquarter of the Central Bank is Jr. Antonio Miro Quesada 441- 445, Lima, and has branch offices in seven cities of the country. As of December 31, 2014 and 2013, the number of employees hired by the Central Bank to develop its activity was 1,025 and 968, respectively.

The Central Bank represents Peru for purposes established in constitutive agreements of the International Monetary Fund (hereinafter "IMF") and the Latin-American Reserve Fund (hereinafter "FLAR"), and is in charge of all transactions, operations and official relations with these institutions. Additionally, the Central Bank may act as a Peruvian Government agent in its relations with multi-lateral credit organizations and foreign government financial agencies. Furthermore, the Central Bank has subscribed shares of the Bank for International Settlements (hereinafter "BIS").

#### (b) Approval of financial statements

The financial statements for the year ended December 31, 2014 prepared in accordance with accounting principles described in Note 2, were approved for issuance by the Central Bank's Management and will be submitted for approval of the Board of Directors whose meeting will be held within the terms established by the Organic Law. Management believes that such financial statements shall be approved without modifications. The financial statements for the year ended December 31, 2013, prepared in accordance with accounting principles described in Note 2, were approved by the Board of Directors at their meeting held on March 13, 2014.

#### (c) Net equity and net loss

According to Article N° 93 of the Organic Law, in the event that the Central Bank incurs in losses, these shall be covered by the accounting reserve constituted from previous periods' profit. If such reserve is insufficient, the Public Treasury, within thirty days from the approval of the statements of financial position, shall issue and deliver negotiable debt securities that accrue interests to the Central Bank, for the uncovered amount.

The Central Bank shall request in due course the negotiable debt securities that completely cover losses from the period 2014. In order to cover losses from 2013, on May 30, 2014, the Central Bank received from the Ministry of Economy and Finances (hereinafter "MEF") sovereign bonds and a promissory note for a total amount of



S/. 205 million, which mature in 20 years with an annual rate of 2.45%, payable at the maturity date or when the redemption option is used.

In 2014 and 2013, profit or loss for the year is mainly associated to the exceptional circumstances of low international interest rates and holdings of international reserves necessary to face negative external scenarios. It is important to remark that, given the level and quality of the Central Bank's assets, mainly international reserves, and support received from the Public Treasury to its equity position, according to effective legal standards, the Central Bank believes that the current equity situation does not affect its capacity to comply with its objectives.

**(d) Explanation added for translation into the English language of the original financial statements issued in Spanish**

These financial statements were translated into English by the Central Bank for convenience of the English-speaking readers and have been derived from the financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

**2. MAIN ACCOUNTING PRINCIPLES**

**2.1. Criteria of the Central Bank**

As of December 31, 2014 and 2013, according to Article N° 88 of the Organic Law and criteria approved by the Board of Directors, the main accounting principles applied by the Central Bank comprise the following:

- (a) Criteria approved by the Board of Directors based on its faculties (Article N° 88 of the Organic Law).
- (b) Generally Accepted Accounting Principles in Peru (GAAP), which comprise: standards and interpretations issued and adopted by the International Accounting Standards Board (IASB), including International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or by the former Standing Interpretations Committee (SIC), adopted by the IASB, made official by Resolutions issued by the Consejo Normativo de Contabilidad (Accounting Standards Committee - CNC in Spanish), effective as of December 31, 2014 and 2013, as applicable (see Note 2.2 (t)), whichever is applicable to the Central Bank, and standards established by the Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (Superintendence of Banks, Insurance and Private Pensions Funds Administrators) for such purpose. As of the date of these financial statements, the CNC approved the application of versions effective for 2014 of IFRS 1 to 15, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 21.

The principles established by the Board of Directors of the Central Bank, different from GAAP in Peru, mainly correspond to:

**(i) Recording of changes due to exchange differences**

The Central Bank records the valuation readjustment of prices and exchange rates, corresponding to assets and obligations in gold, silver, currency, Special Drawing Rights (hereinafter "SDR") or other monetary units internationally used, under the item "Valuation readjustments as per Article N° 89 - Organic Law" in net equity. According to GAAP in Peru, the results from the aforementioned adjustments must be included in profit or loss for the year they were generated. As of December 31, 2014 and 2013, the amount of this readjustment was S/. 3,237 million (positive) and S/. 477 million (negative), respectively (Paragraph 2.2 (e) and Note 18 (e)).

**(ii) Record of embedded derivatives**

The Central Bank records its investments in structured instruments that hold embedded derivatives as held-to-maturity investments, and as of January 1, 2014, these are valued without separating the embedded derivatives. Before this date, they were valued at amortized cost by applying the effective interest rate method, without considering the effects of embedded derivatives.

According to GAAP in Peru, embedded derivatives in a main (or host) contract must be considered as separate derivatives and recorded at fair value. If their economic characteristics and risks are not closely related to those of the main contract, the structured instrument is fully recorded at fair value.

**(iii) Valuation of financial instruments classified as available-for-sale investments**

Up to December 31, 2013, the Central Bank calculated fair value of its financial instruments classified as available-for-sale investments based on market prices. Also, up to December 31, 2013, the Central Bank calculated the higher or lower value of these investments by comparing the carrying amount (acquisition cost) with fair value, without determining amortized cost, and records changes in net equity until investments are sold or realized. Additionally, premiums or discounts generated in their acquisition up to December 31, 2013 are recorded as income or expense when settled.

According to GAAP in Peru, to calculate the higher or lower value of representative debt instruments classified as available-for-sale investments, fair value is compared to amortized cost, and amortized cost is calculated by applying the effective interest rate method.

It is worth mentioning that, for these values acquired as from January 2014, fair value is compared to amortized cost. The latter is calculated by applying the effective interest rate method.

**(iv) Statement of cash flows**

The Central Bank prepares the statement of cash flows considering the items indicated in paragraph 2.2 (p) as cash and cash equivalents. As a result, format and content of the statement is adapted to such definition. This accounting practice differs from GAAP in Peru regarding the aforementioned.

**(v) Disclosures on financial instruments**

As of December 31, 2014 and 2013, the Central Bank has not been applying completely the requirements established in IFRS 7 - Financial Instruments: Disclosures. The objective of this standard is to provide disclosures in financial statements that allow users to assess the importance of financial instruments in the financial position and performance of the Central Bank, by understanding the nature and extension of financial instruments which risk the Central Bank is exposed to; as well as methods used by the Central Bank to manage risks derived from such instruments.

**(vi) Valuation of instruments related to exchange rate**

The Central Bank initially recognizes face value engaged in derivatives for trade in "off-balance sheet accounts" of the statement of financial position, and subsequent to their initial recognition, they are held at its fair value. Fair values are obtained based on exchange rates and market interest rates. Profit and loss for changes in fair value are recorded in the item "Valuation readjustments as per Article N° 89 - Organic Law" in net equity, recognizing an asset or liability in the statement of financial position, as applicable.

Also, the Central Bank records the exchange rate adjustment of re-adjustable certificates of deposit (CDR BCRP for its acronyms in Spanish) and the exchange rate effect of



exchange swap operations in the item "Valuation readjustments as per Article N° 89 - Organic Law" in net equity.

According to GAAP in Peru, valuation of such instruments must be recorded as profit or loss in the statement of income and other comprehensive income (loss).

## **2.2. Accounting criteria**

### **(a) Basis of preparation and use of estimates**

The accompanying financial statements have been prepared in Peruvian nuevos soles (S/. ) based on the Central Bank's accounting records, in accordance with accounting principles regulated by Article N° 88 of the Organic Law, and approved by the Central Bank's Board of Directors according to their legal attributions.

The preparation of the accompanying financial statements require that the Management makes estimates affecting reported amounts of assets, liabilities, income and expenses and disclosure of significant events in the notes to the financial statements. Final results may differ from such estimates. Estimates are continuously assessed and are based on historical experience and other factors. The most significant estimates related to the accompanying financial statements correspond to the valuation of securities from international entities, which include available-for-sale and held-to-maturity financial assets (the latter including mainly financial instruments with embedded derivatives), the transformation factor of monetary gold, provision for social benefits, actuarial allowance provisions for complementing retirement benefits, and additional widowhood benefits, health benefits and burial allowance, whose accounting criteria are described in this note.

### **(b) Financial instruments**

Financial instruments are classified in assets, liabilities or equity according to the substance of the contractual agreement generating them. Interests, dividends, profit and losses generated by a financial instrument classified as asset or liability are recorded as income or expense. Financial instruments are offset when the Central Bank has a legal right to offset them and Management intends to settle them over a net basis, or simultaneously realize the asset and settle the liability.

Financial assets and financial liabilities presented in the statement of financial position correspond to gross international reserves, except for gold, other assets abroad, domestic credit, certain assets recorded in the item "Other assets" (see Note 11), and liabilities in general, except for non-financial liabilities detailed in item "Other liabilities" (see Note 17).

Accounting policies on recognition and valuation of these items are presented in the pertinent accounting policies described in this note.

### **(c) Available-for-sale and held-to-maturity investments**

Securities from international entities are classified as available-for-sale and held-to-maturity investments.

Initial recording and subsequent measurement of the aforementioned investments, according to their classification, is made according to criteria described below:



**Classification****(i) Available-for-sale investments:**

Investments are designated as available-for-sale due to the fact they are held for indefinite time and may be sold given the need of liquidity or changes in interest rates, exchange rates or market prices; or that they do not qualify to be recorded as investments at fair value through profit or loss or as held-to-maturity investments.

**(ii) Held-to-maturity investments:**

For the Central Bank, their financial assets may or may not include embedded derivative financial instruments. These are collected for fixed or determinable amounts with defined maturity, and the entity has the effective intention as well as the ability to maintain them up to maturity.

**Initial recognition**

Initial recognition of available-for-sale and held-to-maturity investments is made at fair value plus transaction costs directly attributable to the acquisition of such investments.

**Valuation****(i) Available-for-sale investments:**

- For securities acquired up to December 31, 2013

After initial recognition, available-for-sale investments are measured at fair value, recording unrealized profit and loss in the item "Fair value reserve" in net equity. Unrealized profit or loss result from comparing acquisition cost, which includes paid premiums or discounts obtained, and market value. Premiums and discounts included in acquisition cost are recognized in the statement of income and other comprehensive income (loss) at the date of sale or maturity of the instruments.

- For securities acquired as of January 1, 2014

After initial recognition, premiums and discounts are amortized, according to the amortized cost method, recording the effects in the statement of income; after this, they are measured at fair value, recording unrealized profit and loss in the item "Fair value reserve" in net equity in the statement of income. Unrealized profit or loss result from comparing acquisition cost and market value.

The Fair value is the market price provided daily by Bloomberg and Reuters. Management believes that they fairly reflect the value of investments in international securities, considering effective market data and accounting policies established by the Board of Directors of the Central Bank.

When an investment is sold or realized, profit or loss previously recognized as part of equity are transferred to profit/loss for the year, excluding effects of exchange difference recorded as detailed in paragraph (e). On the other hand, in the event that the decrease in the market value of investments is permanent or caused by credit impairment, corresponding provisions are established, affecting profit/loss for the year.



Accrued interest is calculated and recorded using a nominal interest rate (coupon rate) on the investment's par value, and recorded in the statement of income and other comprehensive income (loss) in item "Net yield of securities".

Exchange difference arising from valuation of these investments is recognized in equity according to paragraph (e).

**(ii) Held-to-maturity investments:**

After initial recognition, held-to-maturity investments are subsequently measured at amortized cost by applying the effective interest rate method.

Any premium or discount of representative debt instruments classified as held-to-maturity instruments is considered when determining amortized cost by applying the effective interest rate method, recognizing the accrued interest in item "Net yield of securities" in the statement of income and other comprehensive income (loss).

Securities classified as held-to-maturity correspond to structured bonds obtained in order to diversify investments, according to the Board of Directors. These securities have embedded derivatives related to other underlying assets that are not separated and are valued on a regular basis (see paragraph (f)).

**(d) Recognition of income and expenses**

Interest income and expenses are calculated at nominal rates over par values and recognized in profit/loss for the period when accrued, based on the effective period of operations generating them and agreed interest rates; except for interests related to held-to-maturity investments, which are recognized according to paragraph (c). Interest income includes yields of investments in securities from international entities.

Profit or loss generated by investments containing embedded derivatives are recognized in profit/loss for the period at their maturity dates.

Other income and expenses are recognized as earned or incurred in the period they accrue.

When there are reasonable doubts regarding the collectability of the principal of any financial instrument, interests are recognized as income to the extent that there is a reasonable certainty of its collection.

**(e) Foreign currency transactions**

The Central Bank prepares and presents its financial statements in Peruvian nuevos soles (S/.), which is its functional and presentation currency.

Assets and liabilities in foreign currency are recorded at the exchange rate as of the date of transactions and are expressed in Peruvian nuevos soles as of the daily closing, using the buying exchange rate established by the SBS for the U.S. dollar. Balances in other currencies are expressed according to exchange rates provided by Bloomberg and Reuters (see Note 3).

On the Board of Directors' meeting held on December 15, 2011, it was approved that as from the period 2011, every exchange rate difference generated shall be permanently recorded in item "Valuation readjustments as per Article N° 89 – Organic Law" in net equity.

**(f) Derivative financial instruments**

The Central Bank holds derivative financial instruments for trading and embedded derivatives.

**(i) Derivatives for trading**

The reference value (committed face value) of futures and forwards operations is recorded in item "Off-balance sheet accounts" in the statement of financial position, Note 21(c) and (d), and then they are held at fair value. Fair values are obtained based on exchange rates, interest rates and market prices. The Central Bank holds operations with futures of prices whose underlying items are investments in international securities and exchange rate forwards operations.

Profit and loss for changes in fair value of futures operations are recorded in item "Net yield of securities" in the statement of income and other comprehensive income (loss), generating an asset or liability in the statement of financial position, as applicable.

Profit and loss for changes in fair value of exchange rate forwards operations are recorded in item "Valuation Readjustments as per Article N° 89 – Organic Law" in net equity, recognizing an asset or liability in the statement of financial position, as applicable. At the maturity of these last instruments, the asset or liability is settled and the result is recorded in item "Valuation Readjustments as per Article N° 89 – Organic Law" in net equity.

**(ii) Embedded derivatives**

The Central Bank holds structured instruments to maturity in item "Securities from international entities" in the statement of financial position (Note 6), which have yields indexed to variables such as inflation of the United States of America, gold price changes, among others.

As of January 1, 2014, the Central Bank records the valuation of instruments that included embedded derivatives as of the presentation date of the financial statements, with effects on an equity account. Valuation of these instruments, without separating embedded derivatives, is obtained from Bloomberg's data service. The effect of instrument valuation is recorded in the profit/loss at its maturity date, in item "Net yield of securities" in the statement of income and other comprehensive income (loss).

Before January 1, 2014, the Central Bank recorded embedded derivatives in a main (or host) contract at the maturity of the operation, based on realized cash, recognizing in that moment profit or loss generated in item "Net yield of securities" in the statement of income and other comprehensive income (loss).

**(g) Gold**

Gold holdings are valued using quotations of New York Stock Exchange, provided daily by Bloomberg and Reuters.

**(h) Contributions to international organizations**

These contributions correspond to amounts paid by the Central Bank to IMF, FLAR and BIS, recorded at face value of the contribution, which represents its acquisition cost, due to the fact that such amount corresponds to the amount that the Central Bank would be entitled to collect if the Central Bank would no longer be a member of any of the aforementioned organizations.



These contributions cannot be traded with third parties.

Yields of these contributions are recognized as accrued and dividends as declared.

**(i) Collections**

Collections mainly correspond to pieces of art (archeological pieces, paints, sculptures, among others) and coins collection acquired and/or received as donation, and recorded at their acquisition cost or face value. These assets, by nature, are considered to have an indefinite useful life; therefore, they are not depreciated and are presented in item "Other assets" in the statement of financial position (Note 11). Acquisition cost of donations is determined based on fair value estimated by specialists as received.

**(j) Properties, furniture and equipment, and depreciation**

Properties, furniture and equipment are recorded at historical acquisition cost less accumulated depreciation and accumulated amount of impairment losses of the asset, if applicable. Maintenance and repair costs are charged to the income statement, and all renewal and significant improvement is capitalized, as long as: a) it is probable for the entity to obtain future economic benefits derived therein; and b) its cost may be reliably measured. Cost and corresponding accumulated depreciation of sold or disposed assets are deleted from the corresponding accounts and profit or loss generated is included in the statement of income.

Units in transit are recorded at acquisition cost. These goods do not depreciate until they are operating conditions.

Lands are not depreciated. Depreciation of assets comprised in this item is calculated by applying the straight-line method, based on the years stated below:

	<u>Years</u>
Buildings and other constructions	100
Furniture and office equipment and sundry equipment	10
Vehicles	5
Computing equipment	3

**(k) Impairment of long-lived assets**

When there are events or economic changes indicating that the value of a long-lived tangible asset may not be recoverable, the Central Bank reviews the carrying amount of its assets to verify that there is no permanent impairment in their values.

When the carrying amount of the tangible asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income and other comprehensive income (loss). Recoverable amount is the higher between net sale price and value in use. Net sale price is the amount that could be obtained from selling a tangible asset in a free market, while value in use is the present value of future flows estimated from the continuous use of an asset and disposition at the end of its useful life. Recoverable amounts are estimated for each asset or, when not possible, for the pertinent cash-generating unit.

Every year, Management conducts an assessment to determine if the carrying amount exceeds the recoverable amount of their long-lived tangible assets based on available market data.

**(l) Sterilized stock**

Sterilized stock is a liability in local currency constituted by outstanding securities issued and deposits in local currency of the public sector and entities of the financial system, that are

not part of the reserve requirements. Sterilized stock is the result of monetary operations carried out by the Central Bank to remove liquidity from the financial system, as well as for deposits of financial entities that, if reverted, would imply an increase in monetary base.

Outstanding securities issued are accounted at face value, recognizing accrued interests accrued in the profit/loss for the year. Discounts granted in loans are deferred and amortized during the effective period of the instrument, by applying the effective interest rate method.

#### **(m) Bills and coins issued**

It refers to legal tender bills and coins issued by the Central Bank in public domain, which are recorded in liabilities of the statement of financial position at face value in item "Monetary base".

Bills and coins not circulating, located in the Central Bank's vault, are recorded in off-balance sheet accounts at their par value.

#### **(n) Employee benefits**

According to Article N° 58 of its Articles of Incorporation, the Central Bank annually transfers resources to the "Fondo para Enfermedades, Seguros y Pensiones de Empleados del Banco Central" (Fund for Diseases, Insurance and Pensions of Employees of the Central Bank, hereinafter "the Fund") in order to pay benefits to its employees. The amount of the transfers from the Central Bank to the Fund is approved by the Board of Directors every year.

The Central Bank holds the following defined benefit plans:

- Subsidy for the complementary allowance for retirement and widowhood pensions and burial allowance.
- Other benefits, complementary to retirement, related to health care benefits granted by the Central Bank.

The cost of granting benefits through defined benefit plans is determined separately for each plan through the projected unit credit method. Actuarial profit and loss of both defined benefit plans are fully recognized in the income statement for the year when they occur.

Asset or liability for defined benefits include the present value of the obligation, which is determined using a discount rate based on high-quality negotiable obligations (see Note 17 (a)), less costs for previous services and fair value of the plan's assets to be used in settling these obligations. Plan assets are managed by a long-term benefit fund for employees. Plan assets are not available for creditors of the Central Bank, nor can they be directly paid to the Central Bank. The fair value of these assets is based in market price data.

Net assets of the Fund considered to be deducted from the amount of actuarial reserve comprise the present value of deposits and loans, net of obligations. Provision for actuarial reserve has been calculated using mortality and market interest rates (see Note 17 (a)).

Subsidy concepts for complementary retirement and widowhood pensions, burial subsidy and other benefits complementary when retirement, deducted from the present value of net assets of the Fund, are recorded in item "Other liabilities" in the statement of financial position (see Note 17 (a)).

**(o) Operating expenses and issuance costs of bills and coins**

Operating and transportation expenses of bills and coins are recognized in the income statement of the year when they are incurred.

Production cost of coins and coin blanks include the cost of raw materials, labor and indirect production costs.

The printing bills expenses and coins production costs are recognized in profit/loss for the year when they are set available for circulation for the first time.

**(p) Cash and cash equivalents**

Cash and cash equivalents comprise gross international reserves, net of issued bills and coins in circulation, in item "Monetary base" in the statement of financial position. As presented below:

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
Gross international reserves	185,873,522	183,594,547
Less:		
Issued bill and coins	<u>(47,543,004)</u>	<u>(42,530,188)</u>
<b>Cash and cash equivalents</b>	<b><u>138,330,518</u></b>	<b><u>141,064,359</u></b>

Difference between the total gross international reserves and reserve liabilities (comprised by obligations with international entities) represent net international reserves. These reserves present international liquidity of the country and its financial capacity in relation to other countries and are resources of the Central Bank to address its obligations in foreign currency.

**(q) Provisions**

A provision is recognized only when the Central Bank has a present obligation (legal or implicit) as a result of a past event, it is probable to require resources to settle the obligation, and the amount of the obligation can be reliably measured. Provisions are reviewed every period and adjusted to reflect the best estimate as of the date of the statement of financial position. When the effect of time value of money is material, the amount of the provision is the present value of disbursements expected to be incurred to settle it.

The expense related to any provision is presented in the statement of income and other comprehensive income (loss), net of any related reimbursement.

**(r) Contingencies**

Contingent liabilities are not recognized in the financial statements, they are only disclosed in a note, except when the possibility of an outflow of resources to cover a contingent liability is remote.

Contingent assets are not recognized in the financial statements, they are only disclosed in a note when it is probable that an inflow of resources will take place.

**(s) Domestic credit**

Domestic credit comprises the following:

- Investments in instruments issued by the Ministerio de Economía y Finanzas (Ministry of Economy and Finances, hereinafter "MEF"), which are recorded and classified as available-for-sale investments. Initial recording and subsequent measurement of such investments, according to their classification, are made in accordance with the criteria described in paragraph (c) above.

- Securities re-purchase agreements (repo transaction) in order to inject liquidity in local currency to companies of the financial system. This transaction consists in the purchase of securities at the beginning of the operation, when companies of the financial system transfer the ownership of securities to the Central Bank and at the maturity date of the repo transaction, the companies of the financial system re-purchase the same securities, and the Central Bank transfers the ownership to them. These transactions are recognized in the assets of the statement of financial position with balancing entry in the deposit account of the companies of the financial system.
- Currency reporting operations are transactions under which the Participating Entities sell domestic or foreign currency to the Central Bank in exchange of foreign or domestic currency, and under the same act are committed to, re-purchase the sold currency at a later date. These operations are recognized in the assets of the statement of financial position with a balancing entry in the deposit account of the companies of the financial systems in the currency lend. Also, the deposit received as guarantee should be recorded in the item "Other liabilities" with a balancing entry in the deposit accounts of the participating entities for the amount of the foreign currency received.

**(t) New accounting pronouncements**

- (i) IFRS issued and effective in Peru as of December 31, 2014** – The CNC, by means of Resolutions N° 054, 055, 056 and 057-2014-EF/30, approved the application of versions effective for period 2014 of IFRS 1 to 13, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 21, the Conceptual Framework for Financial Reporting, IFRS 14 Regulatory Deferral Accounts, the final version of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, the amendments to IAS 16 Property, Plant and Equipment, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IAS 38 Intangible Investments, IAS 41 Agriculture, IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, as well as the annual improvements to IFRS 2012-2014 cycle.

The effective date of application of these versions are detailed in each specific standard.

- (ii) IFRS issued and effective in Peru as of December 31, 2013** – The CNC, by means of Resolution N° 053-2013-EF/30 issued on September 11, 2013, approved the application of versions effective for period 2013 of IFRS 1 to 13, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 20, as well as IFRIC 21 Levies. The effective date of application of these versions are detailed in each specific standard.

New standards and amendments to standards detailed in paragraphs (i) and (ii) have not made a significant impact on the preparation of the accompanying financial statements, except for issues described in Note 2.1 above. The Central Bank has not estimated the effect on its financial statements of non-applicable standards indicated in Note 2.1 if adopted.

### **3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO EXCHANGE RISK**

Foreign currency transactions are carried out at free market exchange rates.

As of December 31, 2014, free market buying exchange rate published by the SBS for transactions in U.S. dollars was S/. 2.981 for each Peruvian Nuevo Sol (S/. 2.794 as of December 31, 2013). Balances in other currencies have been expressed in U.S. dollars at the closing exchange rate of the New York Stock Exchange as detailed in paragraph (b) below.

The assets and liabilities of the Central Bank in foreign currency are detailed as follows:



In thousands of U.S. dollars (US\$ 000)	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash in foreign currency	50,065	50,104
Deposits in foreign banks	13,611,218	10,045,534
Deposits in foreign institutions	778,635	827,571
Securities from international entities	45,410,832	52,214,673
Gold	1,319,691	1,338,956
Contributions to international organizations	925,389	940,427
Other available assets	256,855	293,024
Other assets abroad	20,000	20,000
Domestic credit	610,489	569,346
Other assets	494,051	509,344
Total	<u>63,477,225</u>	<u>66,808,979</u>
<b>Liabilities</b>		
Reserve liabilities	44,639	47,192
Other liabilities abroad	20,000	20,001
Deposits in foreign currency	24,603,798	25,142,038
Other liabilities	3,440,000	502,172
Total	<u>28,108,437</u>	<u>25,711,403</u>
<b>Net asset position</b>	<b><u>35,368,788</u></b>	<b><u>41,097,576</u></b>

- (a) Balances in foreign currency, SDR and precious metals as of December 31, 2014 and 2013, expressed in their equivalence in thousands of U.S. dollars, are summarized as follows:

In thousands of U.S. dollars (US\$ 000)	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
U.S. dollar	49,314,201	49,549,000
Euro	4,809,073	5,294,114
Australian dollar	2,668,080	3,447,868
Japanese Yen (*)	2,578,274	4,060,057
Other currency	1,279,913	1,527,895
SDR (**)	1,507,311	1,590,407
Gold	1,320,373	1,339,638
Total	<u>63,477,225</u>	<u>66,808,979</u>
<b>Liabilities</b>		
U.S. dollar	27,801,250	25,383,949
SDR (**)	285,687	303,753
Other currency	21,500	23,701
Total	<u>28,108,437</u>	<u>25,711,403</u>
<b>Net asset position</b>	<b><u>35,368,788</u></b>	<b><u>41,097,576</u></b>

(\*) There is no exposure to this currency, given that it is totally hedged with forwards operations (Note 21 (c)).

(\*\*) SDR is an international reserve asset created by IMF and assigned to its member countries proportionally to their installments. SDR value is daily calculated adding values in U.S. dollars (midday London quote) of a basket of four currencies (U.S. dollar, euro, Japanese yen and pound sterling). Amounts of each currency of the basket of SDR are calculated according to agreed percentages.



- (b) Quotations of main currencies used by the Central Bank in relation to the U.S. dollar as of December 31, 2014 and 2013 are detailed as follows:

	<b>2014</b>	<b>2013</b>
Troy ounce of gold	1,184.360000	1,201.640000
SDR	1.448810	1.540000
Euro	1.210200	1.375000
Australian dollar	0.817300	0.892800
Japanese yen	0.008344	0.009500

According to Article N° 89 of the Organic Law, as of December 31, 2014, the Central Bank recorded a positive readjustment for foreign currency valuation for S/. 3,714 million (positive readjustment of S/. 9,554 million as of December 2013) presented in item "Valuation readjustments as per Article N° 89 – Organic Law" in net equity (see Note 18 (e)).

#### 4. DEPOSITS IN FOREIGN BANKS

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
Time deposits (a)	40,553,676	28,047,839
Interests receivable from time deposits (b)	<u>11,295</u>	<u>6,319</u>
	<u>40,564,971</u>	<u>28,054,158</u>
Demand deposits	<u>9,725</u>	<u>12,881</u>
Interests receivable from gold deposits, Note 7(b)	<u>346</u>	<u>183</u>
<b>Total</b>	<b><u>40,575,042</u></b>	<b><u>28,067,222</u></b>

- (a) As of December 31, 2014 and 2013, time deposits are deposited in first-category foreign banks, accrue interests according to international market rates, and are mainly comprised in U.S. dollars for US\$ 12,122 million and US\$ 9,274 million, respectively.

As of December 31, 2014, deposits in foreign banks accrued an annual average interest rate of 0.31 percent (0.32 percent as of December 2013).

- (b) As of December 31, 2014 and 2013, the Central Bank recognized interest income on deposits in foreign banks for S/. 121 million and y S/. 112 million, respectively, in item "Financial income" in the statement of income and other comprehensive income (loss).

#### 5. DEPOSITS IN FOREIGN INSTITUTIONS

As of December 31, 2014 and 2013, this item refers to deposits in International Monetary Fund (IMF), expressed in SDR, which accrued interests at annual average rates of 0.05 percent and 0.13 percent, respectively, and are freely available.

**6. SECURITIES FROM INTERNATIONAL ENTITIES**

In thousands of Peruvian nuevos soles (S/. 000)

	2014		2013	
	Carrying amount (*)	Unrealized gross amount Increase Decrease (**) (c)	Carrying amount (*)	Unrealized gross amount Increase Decrease (**) (c)
<b>Available-for-sale investments</b>				
Short-term banking	2,885,170	-	5,898,044	681
Short-term sovereign securities	54,521,577	10,779 (429,803)	45,205,272	26,202 (451,507)
Short-term supranational securities	15,796,259	1,482 (18,703)	10,975,812	15,699 (27,546)
Long-term sovereign securities	50,641,605	134,363 (810,827)	69,503,494	72,560 (947,417)
Long-term supranational securities	9,389,364	37,026 (52,841)	7,512,299	3,505 (66,370)
	133,233,975	183,650 (1,312,174)	139,094,921	118,647 (1,492,840)
	Carrying amount (*)		Carrying amount (*)	
	S/. 000		S/. 000	
<b>Held-to-maturity investments</b>				
Sovereign securities	1,042,012	-	1,459,544	
Supranational securities	751,005	(1,166)	4,857,612	
	1,793,017	(1,166)	6,317,156	
Balance of available-for-sale and held-to-maturity investments (b)	135,026,992		145,412,077	
Accrued interests	342,697		475,719	
	135,369,689		145,887,796	

(\*) The carrying amount refers to estimated market value for available-for-sale investments, and amortized cost for held-to-maturity investments.

(\*\*) As of December 31, 2014 and 2013, decrease in the amount of fair value reserve mainly corresponds to the decrease in value market of investment prices.

Maturities and annual interest nominal rates of investments are detailed as follows:

	Maturity		Annual nominal rate (coupon rate) (*)						
	2013		2014		2013		2013		
	2014	2013	US\$	Other currencies	US\$	Other currencies	Min.%	Max.%	
<b>Available-for-sale investments</b>									
Short-term banking	Jan-2015 / Feb-2015	Jan-2014	-	-	-	-	0.200	0.250	-
Short-term sovereign securities	Jan-2015 / Dec-2015	Jan-2014 / Dec-2014	0.125	5.000	0.078	6.250	0.008	5.500	0.025
Short-term supranational securities	Jan-2015 / Dec-2015	Jan-2014 / Dec-2014	0.066	2.750	-	5.750	0.085	4.625	0.156
Long-term sovereign securities	Jan-2016 / Jan-2020	Jan-2015 / Feb-2020	0.125	5.375	-	6.500	0.001	5.375	-
Long-term supranational securities	Jan-2016 / Oct-2019	Jan-2015 / Oct-2018	0.175	5.250	-	6.500	0.094	5.250	0.285
<b>Held-to-maturity investments</b>									
Sovereign securities	Jan-2015	Jul-2014 / Jan-2015	1.625	1.625	-	-	0.016	0.020	-
Supranational securities	Jan-2015 / May-2015	Sep-2014 / Jan-2016	-	-	1.450	2.150	-	-	0.100
									2.282



(\*) Nominal rate corresponds to coupon rate, without considering premiums or discounts obtained as of acquiring the instruments detailed above.

- (a) As of December 31, 2014 and 2013, securities from international entities correspond to first-category, low risk, financial instruments. First-class securities, issued by international organizations or foreign public entities, have a risk rating of at least A+, according to Moody's and Standard & Poor's risk rating agencies. "A" is the minimum rating for certificates of deposit for Fitch, Standard & Poor's and Moody's agencies. These securities accrue interests according to the international market and are kept in first-rate foreign banks.
- (b) Balance for the maturity of available-for-sale and held-to-maturity investments, which does not include interests, is detailed below:

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
Up to 3 months	27,713,128	27,871,616
From 3 months to 1 year	47,596,193	37,521,339
From 1 to 3 years	48,594,208	58,729,475
From 3 to 5 years	11,032,529	20,967,261
More than 5 years	<u>90,934</u>	<u>322,386</u>
<b>Total</b>	<b><u>135,026,992</u></b>	<b><u>145,412,077</u></b>

- (c) As of December 31, 2014 and 2013, the Central Bank recognized income for net yield of securities for S/. 868 million and S/. 1,599 million, respectively, in item "Financial income" in the statement of income and other comprehensive income (loss). Additionally, during 2014 and 2013, an increase for S/. 245 million and a decrease for S/. 1,148 million, respectively, were recorded in item "Fair value reserve" in net equity (see Note 2.2 (c)(i)).

## 7. GOLD

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
<b>In the country:</b>		
Coined gold (a)	1,949,552	1,853,917
Provision for transformation costs of gold into high purity or "good delivery" bars	<u>(2,035)</u>	<u>(1,908)</u>
	1,947,517	1,852,009
<b>Abroad:</b>		
Gold bars (b)	<u>1,986,481</u>	<u>1,889,033</u>
<b>Total</b>	<b><u>3,933,998</u></b>	<b><u>3,741,042</u></b>

- (a) As of December 31, 2014 and 2013, gold is represented by 552,191 troy ounces of gold in commemorative coins deposited in the Central Bank's vaults, which are valued at quotation value per troy ounce as of the aforementioned dates.
- (b) As of December 31, 2014 and 2013, balance is represented by 562,651 troy ounces of gold in high purity or "good delivery" bars deposited in first-class foreign banks; 249,702 troy ounces are held under custody and 312,949 troy ounces are held under time deposits. The latter accrue interests at an annual effective interest rate of 0.48 percent and have a term of 62 days from their constitution date (as of December 31, 2013, they accrued

interests at an annual effective interest rate of 0.265 percent and had a term of 63 days as from their constitution date). Accrued interests as of December 31, 2014 and 2013 were recorded in item "Deposits in foreign banks" in the statement of financial position (Note 4).

## 8. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
Contributions to IMF in SDR (a)	1,036,968	1,000,391
Contributions to FLAR (b)	1,437,814	1,344,420
Contributions to BIS (c)	<u>283,804</u>	<u>282,743</u>
<b>Total</b>	<b><u>2,758,586</u></b>	<b><u>2,627,554</u></b>

- (a) Contribution to IMF grants to Peru access to financing facilities from this organization. IMF determines Peru's contribution as member country which, as of December 31, 2014 and 2013, amounts to 638 million SDR, comprising SDR contributions and contributions in Peruvian nuevos soles. As of December 31, 2014 and 2013, Peru's share in total installments subscribed by member countries of the IMF is 0.27 percent, and comprises the following:

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
<b>Contributions in SDR:</b>		
Contributions to IMF in SDR (I)	<u>1,036,968</u>	<u>1,000,391</u>
<b>Contributions in local currency:</b>		
Contributions to IMF for the equivalent in local currency (ii)	1,714,490	1,739,373
Revaluations to be settled - contributions in local currency to IMF (iii)	<u>8,611</u>	<u>1,492</u>
<b>Total contributions in local currency</b>	<b><u>1,723,101</u></b>	<b><u>1,740,865</u></b>

- (i) As of December 31, 2014 and 2013, this item comprises contributions granted to Peru by the IMF for 240 million SDR and 233 million SDR, respectively.
- (ii) For contributions in Peruvian nuevos soles, the Central Bank did not disburse funds, but it constituted promissory notes in favor of the IMF, under which such institution may collect said amounts at any moment. Therefore, such balancing entry is recorded as a liability with the IMF in item "Other liabilities abroad" in the statement of financial position. This obligation does not accrue interests and may be requested at any time.
- (iii) This item refers to exchange difference generated by the update in the contribution in local currency between April 30 and December 31 every year. These revaluations are settled at the closing of the financial year of IMF, on April 30 every year.

By means of Law N° 29823, published on December 29, 2011, the Congress of the Republic of Peru authorized the increase of installments of Peru in the IMF, from 638 million SDR to 1,335 million SDR, for which the Central Bank shall perform the corresponding procedures and underwrite promissory notes or necessary documents to make this increase effective, once the approvals and conditions established in the IMF's Articles of Agreement are met. As of December 31, 2014, the approvals and conditions established in the IMF's Articles of Agreement have not been met for the increase of installments of Peru in the IMF.



- (b) This contribution grants Peru access to FLAR financing facilities. As of December 31, 2014, the amount paid to FLAR is US\$ 482 million, equivalent to S/. 1,438 million (US\$ 481 million equivalent to S/. 1,344 million as of December 31, 2013). As of December 31, 2014 and 2013, Peru's share in FLAR is 18 percent and 20 percent of its subscribed capital, respectively. Also, as of December 31, 2014, the Central Bank holds contributions pending of capitalization for US\$ 181 million, equivalent to S/. 540 million (US\$ 182 million equivalent to S/. 510 million as of December 2013), recorded as receivables and payables in items "Other assets" and "Other liabilities", respectively (Notes 11 and 17).
- (c) As from 2011, the Central Bank participates as a member of such international entity. BIS determines the share percentage of member countries. Peru's share is equivalent to (in units) 3,000 shares. As of December 31, 2014 and 2013, 25 percent of the market value of such shares was paid, equivalent to 66 million SDR, equivalent to S/. 284 million (S/. 283 million as of December 2013). 75 percent of the market value of (in units) 3,000 shares, corresponding to 197 million SDR, equivalent to S/. 851 million (S/. 848 million as of December 2013) was recorded as a subscribed and unpaid contribution in items "Other assets" and "Other liabilities" (Notes 11 and 17).

## 9. DOMESTIC CREDIT

In thousands of Peruvian nuevos soles (S/. 000)

	<u>2014</u>	<u>2013</u>
<b>To banks (a):</b>		
Currency repo transactions	8,397,400	-
Security repo transactions	1,297,204	949,876
Commissions receivable for currency repor transactions	75,968	-
	<u>9,770,572</u>	<u>949,876</u>
<b>To the public sector (b):</b>		
Bonds issued by MEF in foreign currency	1,793,217	1,565,776
Bonds issued by MEF in local currency	205,102	-
Interests receivable	29,595	24,979
	<u>2,027,914</u>	<u>1,590,755</u>
<b>To financial companies (a):</b>		
Currency repo transactions	115,400	-
Commissions receivable for currency repor transactions	2,386	-
	<u>117,786</u>	<u>-</u>
<b>To other entities and funds (a):</b>		
Currency repo transactions	87,200	-
Commissions receivable for currency repor transactions	631	-
	<u>87,831</u>	<u>-</u>

To the private sector:

Total

9	9
<u>12,004,112</u>	<u>2,540,640</u>

- (a) As of December 31, 2014, the Central Bank carried out currency repo transactions with companies of the financial system, for which these companies sold foreign currency to the Central Bank in exchange of local currency, and were committed, under these same act, to repurchase the sold currency at a later date. The Central Bank charges a commission equivalent to the interest rate offered by each company of the financial system in bidding sessions less a discount established in the pertinent call, which ranges between 3.02% and 4.70%. Settlement date of these transactions varies from February 2015 and July 2016. As of December 31, 2013, no currency repo transactions were carried out.

Also, as of December 31, 2014, purchase transactions with re-purchase commitment of certificates of deposit (security repo transactions) are still held with banks at a 4.13% annual average interest rate and whose settlement date is between January and March 2015 (as of December 31, 2013, repo transactions were carried out at a 4.80% annual interest rate and its settlement date was January 2014).

- (b) As of December 31, 2014 and 2013, the Central Bank held MEF bonds issued in U.S. dollars in the secondary market, which mature between July 2025 and November 2033, and accrue interests at nominal rates ranging between 7.35 percent and 8.75 percent, respectively. Such instruments are classified and valued as available-for-sale investments. As of December 31, 2014, a decrease of S/. 103 million (decrease of S/. 269 million as of December 2013) was recorded in fair value in item "Fair value reserve" in the statement of financial position.

Also, on May 30, 2014, the Central Bank received sovereign bonds and a promissory note from MEF for S/. 205 million, which was used to settle accumulated loss corresponding to the loss balance for the period 2013. These securities have a term of 20 years at an annual interest rate of 2.45 percent, payable at maturity or when the redemption option is used.

- (c) As of December 31, 2014 and 2013, the Central Bank recognized interest income from domestic



credit operations for S/. 274 million and S/. 105 million, respectively, in item "Financial income" in the statement of income and other comprehensive income (loss).

## 10. PROPERTIES, FURNITURE AND EQUIPMENT, NET

The movement of properties, furniture and equipment is detailed as follows:

	Land	Buildings and other constructions	Furniture and office equipment	Vehicles	Sundry equipment	Units in transit	Total
<b>Cost</b>							
Balance as of January 1, 2013	24,056	159,287	4,920	3,601	71,658	3,945	267,467
Additions	-	1,211	84	391	5,763	1,163	8,612
Transfers	-	3,445	-	277	2	(3,724)	-
Disposals and others	-	(2,222)	(92)	(950)	(961)	(221)	(4,446)
Balance as of December 31, 2013	24,056	161,721	4,912	3,319	76,462	1,163	271,633
Additions	-	2,558	118	326	7,481	972	11,455
Transfers	-	306	2	-	839	(1,147)	-
Disposals and others	-	(1,760)	(129)	(347)	(5,696)	(16)	(7,948)
Balance as of December 31, 2014	24,056	162,825	4,903	3,298	79,086	972	275,140
<b>Accumulated depreciation</b>							
Balance as of January 1, 2013	-	57,835	4,364	2,539	43,388	-	108,126
Depreciation for the period (d)	-	2,878	93	402	7,615	-	10,988
Disposals and others	-	(1,224)	(91)	(950)	(844)	-	(3,109)
Balance as of December 31, 2013	-	59,489	4,366	1,991	50,159	-	116,005
Depreciation for the period (d)	-	2,987	91	444	7,599	-	11,121
Disposals and others	-	(917)	(129)	(347)	(5,631)	-	(7,024)
Balance as of December 31, 2014	-	61,559	4,328	2,088	52,127	-	120,102
<b>Net cost</b>							
As of December 31, 2014	24,056	101,266	575	1,210	26,959	972	155,038
As of December 31, 2013	24,056	102,232	546	1,328	26,303	1,163	155,628



- (a) As of December 31, 2014 and 2013, the Central Bank holds properties, furniture and equipment, totally depreciated and still in use, for S/. 34 million and S/. 35 million, respectively.
- (b) The Central Bank holds insurances on its main assets in accordance with policies established by the Management and Board of Directors.
- (c) As of December 31, 2014 and 2013, depreciation of properties, furniture and equipment is S/. 11 million and is included in item "Operating expenses", for S/. 9 million and "Issuance expenses and costs" for S/. 2 million in the statement of income and other comprehensive income (loss) (Notes 22 and 23).
- (d) Every year, the Management assesses whether the carrying amount exceeds the recoverable amount of its long-term assets based on available market data. In 2013, an appraisal was conducted on properties and it was determined that the appraisal value was higher than the carrying amount; therefore, the provision for impairment of properties was reverted. The Management of the Central Bank believes that there is no additional impairment evidence for fixed assets held by the Central Bank as of December 31, 2014 and 2013.

## 11. OTHER ASSETS

In thousands of Peruvian nuevos soles (S/. 000)

	<b>2014</b>	<b>2013</b>
<b>Financial instruments</b>		
Contribution subscribed in international organizations, Notes 8(b) and (c) and Note 17	1,391,603	1,357,734
Interests receivable	59,773	-
Receivables from personnel	<u>1,206</u>	<u>631</u>
	<u>1,452,582</u>	<u>1,358,365</u>
<b>Non-financial instruments</b>		
Collections (a)	96,964	96,957
Deferred charges (b)	96,521	38,619
Raw material, semi-prepared and finished products (c)	48,272	45,810
Advance payments to suppliers	22,791	10,780
Intangibles	2,618	3,362
Silver	1,987	2,315
Others	<u>2,200</u>	<u>2,182</u>
	<u>271,353</u>	<u>200,025</u>
<b>Total</b>	<b><u>1,723,935</u></b>	<b><u>1,558,390</u></b>

- (a) Collections comprise paintings, archeological pieces, sculptures, bills, coins and other objects acquired or received by the Central Bank through donation, held for display.
- (b) Deferred charges mainly comprise cost of printing bills, which affects the expense when such bills are set available for circulation for the first time.
- (c) Raw material comprises supplies acquired by the Central Bank for manufacturing coins,



and is valued at average cost. Value of semi-prepared and finished products comprises cost of raw material, direct labor and indirect manufacture expenses.

## 12. OTHER LIABILITIES ABROAD

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
SDR allocation and revaluations to be settled (a)	2,638,482	2,615,771
Allocation in pesos andinos (b)	59,620	55,880
Others	<u>1,136</u>	<u>1,772</u>
<b>Total</b>	<b><u>2,699,238</u></b>	<b><u>2,673,423</u></b>

- (a) As of December 31, 2014 and 2013, balance of the SDR allocation account is equivalent to 610 million SDR and corresponds to distribution made by the IMF to Peru in proportion to its installment, according to the IMF's Articles of Agreement. Balance as of December 31, 2014 and 2013 includes the exchange difference generated by the update of SDR allocation received from the IMF between April 30 and December 31 every year, which is S/. 13 million and S/. 2 million (positive update), respectively.

SDR allocation accrues interests according to the conditions set forth in the Articles of Agreement. Annual interest rates, as of December 31, 2014 and 2013, were 0.05 percent and 0.13 percent, respectively.

- (b) Allocation of pesos andinos correspond to those delivered by FLAR for the amount of 20 million pesos andinos, equivalent to S/. 60 million and S/. 56 million, as of December 2014 and 2013, respectively. This allocation does not accrue interests, does not have a defined maturity for its settlement and the counterparty has been recorded as a receivable in item "Other assets abroad" in the statement of financial position.
- (c) In 2014 and 2013, the Central Bank paid the corresponding interests for its liabilities abroad, mainly for obligations of SDR allocation, for S/. 2 million each year, which is included in item "Financial expenses" in the statement of income and other comprehensive income (loss).

## 13. OUTSTANDING SECURITIES ISSUED

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
Certificates of deposit (CDBCRP)	15,575,100	18,992,400
Re-adjustable certificates of deposit (CDRBCRP)	2,627,313	3,111,024
Discounts for the sale of CDBCRP and CDRBCRP	<u>(291,093)</u>	<u>(300,343)</u>
<b>Total</b>	<b><u>17,911,320</u></b>	<b><u>21,803,081</u></b>

As of December 31, 2014 and 2013, outstanding securities issued comprise certificates of deposits in local currency, placed through a bidding session or direct placement in order to withdraw liquidity surpluses from the financial system.

CDR BCRP are readjusted due to changes in the quote of U.S. dollar relating to the Nuevo Sol.

In 2014 and 2013, the Central Bank recorded expenses for interests on outstanding securities issued for S/. 585 million and S/. 886 million, respectively, in item "Financial expenses" in the statement of income and other comprehensive income (loss).

As of December 31, 2014 and 2013, certificates of deposit issued by the Central Bank were acquired by:

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
Banks	10,917,513	13,808,824
Banco de la Nacion	4,500,000	2,815,600
Deposit Insurance Funds	875,600	891,600
Financial companies	765,400	294,900
Mutual funds and pension fund administrators' funds	664,000	3,277,200
Consolidated Fund of Social Security Reserve	218,400	776,300
Other entities	261,500	239,000
Subtotal	<u>18,202,413</u>	<u>22,103,424</u>
Discounts for the sale of CDBCRP and CDRBCRP	<u>(291,093)</u>	<u>(300,343)</u>
<b>Total</b>	<b><u>17,911,320</u></b>	<b><u>21,803,081</u></b>

#### 14. DEPOSITS IN LOCAL CURRENCY

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
Public sector	28,866,829	28,349,805
Banco de la Nacion	7,620,552	8,295,966
Deposit Insurance Fund	1,033,082	752,519
Banks	517,000	2,119,300
Municipal savings and credit banks	258,300	256,000
Rural savings and credit banks	120,550	244,500
Financial companies	120,506	477,000
Other entities and funds	323	178
<b>Total</b>	<b><u>38,537,142</u></b>	<b><u>40,495,268</u></b>

(a) As of December 31, 2014 and 2013, deposits in local currency per transaction type are classified as follows:

In thousands of Peruvian nuevos soles (S/. 000)	<b>Interest rate</b> (%)	<b>Maturity</b>	<b>2014</b>	<b>2013</b>
Current accounts	Between 0.35 and 2.00	No maturity	7,024,895	17,153,478
Per installments	Between 2.04 and 2.45	Between January and December 2015	22,832,839	20,244,990
Special deposits (overnight)	Between 2,04 and 2,30	5 days	8,679,408	3,096,800
<b>Total</b>			<b><u>38,537,142</u></b>	<b><u>40,495,268</u></b>

(b) In 2014 and 2013, the Central Bank recognized interests on deposits in local currency



for S/. 1,075 million and S/. 1,485 million, respectively, in item "Financial expenses" in the statement of income and other comprehensive income (loss).

## 15. MONETARY BASE

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
Currency in circulation (a)	47,543,004	42,530,188
Deposits in local currency (b):		
Deposits of banks	3,856,496	4,677,754
Deposits of Banco de la Nacion	1,250,000	2,600,000
Deposits of financial companies	233,825	530,831
Municipal savings and credit banks	834,076	1,455,613
Rural savings and credit banks	147,517	142,104
Others	30	43
	<u>6,321,944</u>	<u>9,406,345</u>
<b>Total</b>	<b><u>53,864,948</u></b>	<b><u>51,936,533</u></b>

(a) The denomination of currency in circulation is presented below:

	<u>2014</u>		<u>2013</u>	
	<u>Units</u>	<u>In thousands of Peruvian nuevos (S/. 000)</u>	<u>Units</u>	<u>In thousands of Peruvian nuevos (S/. 000)</u>
Denomination S/. 10	124,924,882	1,249,249	111,512,302	1,115,123
Denomination S/. 20	128,148,595	2,562,972	112,475,707	2,249,514
Denomination S/. 50	118,543,883	5,927,194	112,579,188	5,628,960
Denomination S/. 100	324,395,124	32,439,512	284,538,873	28,453,887
Denomination S/. 200	16,947,954	<u>3,389,591</u>	16,429,225	<u>3,285,845</u>
<b>Total</b>		<b><u>45,568,518</u></b>		<b><u>40,733,329</u></b>
Denomination S/. 0.01	353,931,690	3,539	354,123,856	3,541
Denomination S/. 0.05	393,932,705	19,697	364,068,608	18,204
Denomination S/. 0.10	1,205,678,761	120,568	1,117,938,111	111,794
Denomination S/. 0.20	319,882,684	63,977	292,136,187	58,427
Denomination S/. 0.50	393,672,782	196,836	366,228,212	183,114
Denomination S/. 1.00	621,072,028	621,072	547,348,723	547,349
Denomination S/. 2.00	131,372,828	262,746	120,311,091	240,622
Denomination S/. 5.00	136,867,462	<u>684,337</u>	126,421,796	<u>632,109</u>
		1,972,772		1,795,160
Commemorative coins		<u>1,714</u>		<u>1,699</u>
		<b><u>47,543,004</u></b>		<b><u>42,530,188</u></b>

(b) As of December 31, 2014 and 2013, these items refer to deposits in local currency of entities subject to reserve requirements in the national financial system. Such funds are aimed to cover the required reserve that the Central bank needs for all obligations subject to reserve requirements in local currency and without maturity. Additionally, required reserve may be covered with cash in local currency (Note 16 (a)) and with cash of the entity subject to reserve requirements.

Required reserve comprises the minimum legal reserve requirements which, as of December 31, 2014 and 2013, held a 9 percent rate for obligations subject to reserve requirements in local currency, and additional reserve requirements, which are a part of the required reserve that exceeds the minimum legal. As of December 31, 2014, additional reserve ratio in local currency ranged between 0.5 percent and 5 percent (between 6 percent and 11 percent as of December 31, 2013).

Obligations subject to reserve requirements are classified in two regimes: general and special. As of December 31, 2014, reserve requirement funds corresponding to additional reserve requirements of general and special regimes deposited in the Central Bank accrued interests at an annual rate of 0.35 percent, equivalent to the remuneration rate of overnight deposits in the Central Bank less 195 basis points (as of December 31, 2013, the rate was 1.25 percent, equivalent to the remuneration rate of overnight deposits in the Central Bank less 195 basis points).

On November 30, 2014, the Central Bank issued Circular Letter N° 039-2014-BCRP referring to the provisions of reserve requirements in local currency, under which the reserve ratio and minimum fund requirements in the current accounts of the Central Bank are reduced. The purposes of these measures are to provide pertinent liquidity in local currency to continue promoting the structured evolution of credit.

On November 27, 2013, the Central Bank issued Circular Letter N° 043-2013-BCRP referring to the provisions of reserve requirements in local currency, under which the marginal reserve ratio and the average reserve ratio of the obligations subject to the general regime are reduced in order to continue promoting the structured evolution of credit.

## 16. DEPOSITS IN FOREIGN CURRENCY

In thousands of Peruvian nuevos soles (S/. 000)

	<u>2014</u>	<u>2013</u>
Banks (a)	36,073,782	39,097,986
Public sector (b)	35,531,690	30,059,734
Banco de la Nacion (a)	431,041	259,855
Financial companies (a)	707,180	192,695
Other companies of the financial system (a)	527,195	573,998
Other entities and funds	73,035	62,586
<b>Total</b>	<b><u>73,343,923</u></b>	<b><u>70,246,854</u></b>

- (a) As of December 31, 2014 and 2013, these items refer to deposits in foreign currency made by entities subject to reserve requirements in the national financial system. Such funds are aimed to cover the required reserve that the Central bank needs for all obligations subject to reserve requirements in foreign currency and without maturity.

Required reserve comprises the minimum legal reserve requirements which, as of December 31, 2014 and 2013, held a 9 percent rate for obligations subject to reserve requirements in foreign currency, and additional reserve requirements, which are a part of the required reserve that exceeds the minimum legal. As of December 31, 2014, additional reserve ratio in foreign currency ranged between 35 percent and 36 percent (between 33 percent and 35 percent as of December 31, 2013).

As of December 31, 2014, reserve requirement funds corresponding to additional reserve requirements of general and special regimes deposited in the Central Bank accrued interests at an annual rate of 0.0409 percent, equivalent to 25 percent of the annual



average of the London Interbank Offered Rate (LIBOR) for one month (such rate was 0.0418 percent as of December 31, 2013).

On November 30, 2014, the Central Bank issued Circular N° 040-2014-BCRP referring to the provisions of reserve requirements in foreign currency, under which the reserve ratio applicable to indexed obligations are reduced in order to make the same considerations for the obligations in local currency.

On September 27, 2013, the Central Bank issued Circular N° 038-2013-BCRP, under which the base period of obligations subject to the general regime is modified and the base rate based on credit growth in foreign currency is increased; the average term is reduced from 3 to 2 years for foreign credits and short-term bonds subject to reserve requirements; and the reserve ratio for foreign credit obligations and bonds with average terms greater than 2 years is reduced in order to facilitate the structured evolution of credit.

- (b) As of December 31, 2014, deposits in foreign currency of public sector entities are denominated in U.S dollars (as of December 31, 2013, they were denominated in U.S dollars and euros), and mainly comprise contracts entered into with the General Board of Directors of the Public Treasury of MEF, under which conditions were established for the reception by the Central Bank of deposits provided by such entity. As of December 31, 2014, these deposits correspond to demand and time deposits, which accrued interests at an annual effective rate between 0.02 percent and 0.275 percent (as of December 31, 2013, the annual effective rate ranged between 0.00337 percent and 0.2996 percent). Time deposits mature between January and November 2015 (as of December 31, 2013, they matured between January 2014 and January 2015).
- (c) In 2014 and 2013, the Central Bank has recognized interests on deposits in foreign currency for S/. 57 million and S/. 62 million, respectively, and are included in item "Financial expenses" in the statement of income and other comprehensive income.

## 17. OTHER LIABILITIES

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
<b>Financial liabilities</b>		
Re-sale commitment of foreign currency, Note 9(a)	8,836,703	-
Contribution subscribed pending of payment to international organizations, Notes 8(b) and (c) and Note 11	1,391,603	1,357,734
Interests and commissions payable	486,871	216,273
Fund for Diseases, Insurance and Pensions for employees of the Central Bank	6,409	9,811
Payables	5,847	5,988
Deposit Insurance Fund	<u>2,642</u>	<u>1,195</u>
	<u>10,730,075</u>	<u>1,591,001</u>
<b>Non-financial liabilities</b>		
Actuarial obligation (a)	147,948	132,500
Other provisions	35,452	32,911
Others	<u>6,701</u>	<u>6,008</u>
	<u>190,101</u>	<u>171,419</u>
<b>Total</b>	<u><b>10,920,176</b></u>	<u><b>1,762,420</b></u>

- (a) As of December 31, 2014 and 2013, these items include an actuarial obligation related to the subsidy for complementary pensions and other benefits complementary to retirement to comply with benefits to employees and their families. At such dates, the provision for actuarial obligation calculated by an actuary, deducting the value of net assets of the Fund, was S/. 148 million and S/. 133 million (Note 2.2 (n)).

The Fund is a private legal entity incorporated by Law Decree N° 7137 which is aimed to provide benefits to active and retired employees of the Central Bank, as well as to their spouses, children and parents, as stated in the regulations. These benefits are additional to social security and other social benefits established by law (ESSALUD, National Pension Fund, Law Decree N° 19990 and the Private Pension Fund). In accordance with IAS 19 – Employee Benefits, the aforementioned benefits correspond to a defined benefit plan.

Net expense recognized in the statement of income and other comprehensive income (loss) for benefit plans to employees is comprised as follows:

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
Transfers to the Fund charged to provision	11,549	11,268
Changes of net assets from the Employees' Fund	3,723	1,236
Changes of reserves calculated by the actuary	<u>11,725</u>	<u>4,734</u>
<b>Total</b>	<b><u>26,997</u></b>	<b><u>17,238</u></b>

As of December 31, 2014 and 2013, the adjustment of the actuarial reserve provision for S/. 27 million and S/. 17 million, respectively, is included in item "Expenses for actuarial provision", which is part of item "Operating expenses" in the statement of income and other comprehensive income (loss) (Note 22).

As of December 31, 2014 and 2013, the movement of the obligation for benefit plans to employees and fair value of assets of the plan is detailed as follows:

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
Balance at the beginning of the period	132,500	126,530
Transfers to the Fund during the period (i)	(11,549)	(11,268)
Provision for benefit plans to employees	<u>26,997</u>	<u>17,238</u>
<b>Balance at the closing of the period</b>	<b><u>147,948</u></b>	<b><u>132,500</u></b>

- (i) In January 2014, the Board of Directors of the Central Bank authorized the transfer to the Fund for Diseases, Insurance and Pensions of the employees of the Central Bank for S/. 34 million (in January 2013, the Board of Directors authorized S/. 32 million). Such balance was disbursed during 2014, affecting liability and expense, decreasing actuarial obligation in S/. 12 million for pension payments to retired personnel (S/. 11 million during 2013) and increasing the item "Operating expenses" in S/. 21 million for health expenses of active employees in 2014 and 2013 (Note 22).

The main categories of the assets of the plan as fair value percentage of the total assets of the plan are detailed as follows:

	<b>2014</b>	<b>2013</b>
	<b>(%)</b>	<b>(%)</b>
Deposits in the Central Bank	25.9	43.1
Receivables to employees	<u>74.1</u>	<u>56.9</u>
<b>Total</b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

The main hypotheses used when determining defined benefit plans are detailed



below:

	<b>2014</b>	<b>2013</b>
Discount rate	6.0%	6.0%
Increase of pensions	7.1%	3.3%
Increase (reduction) of burial	0.6%	(1.9%)
Increase of health	16.3%	3.6%
Average period for pension amortization	9.59	9.05
Retired employees at the date of the statements:		
Male	916	920
Females	594	592

The table below presents sensitivity of actuarial assumptions in profit/loss of the Central Bank:

	<b>Increase / decrease in the discount rate</b>	<b>Effect on reserves for the year</b>
	%	(Thousands of S/.)
2014	+0.5%	(5,698)
	-0.5%	6,126
2013	+0.5%	(5,675)
	-0.5%	6,134
	<b>Increase / decrease in life expectancy</b>	<b>Effect on reserves for the year</b>
	Years	S/. 000
2014	+1	(3,706)
	-1	3,414
2013	+1	(2,989)
	-1	2,739

## 18. NET EQUITY

### (a) Capital

As of December 31, 2014 and 2013, the authorized capital of the Central Bank, subscribed and paid by the Peruvian Government according to the Organic Law and Supreme Decrees N° 059-2000-EF, N° 108-2004-EF, N° 136-2006-EF, N° 136-2007-EF and N° 124-2010-EF, is S/. 1,183 million.

Capital is not represented by shares. Its value is only disclosed in the capital account of the statement of financial position. In addition, Supreme Decree countersigned by the MEF allows the readjustment of the authorized capital of the Central Bank.

### (b) Reserves

#### *Legal reserve*

In accordance with Article N° 92 of its Organic Law, the Central Bank must annually distribute its net profit as follows: (i) 25 percent to Public Treasury and (ii) 75 percent to the constitution and growth, up to 100 percent of its capital, of a reserve that, preferably, shall



be destined for capitalization. During 2014 and 2013, the Central Bank has not capitalized reserves.

### **Special Statutory reserve**

In accordance with Article N° 63 of the Central Bank's bylaw, surplus resulting from the application of Article N° 92 of the Organic Law shall be destined to the constitution of a special reserve.

In accordance with the provisions set forth in Article N° 93 of the Organic Law, on March 25, 2014, after the approval of 2013 financial statements, the statutory reserve was applied to cover part of the losses for S/. 688 million from period 2013 (on April 12, 2013, after the approval of 2012 financial statements, S/. 184 million was transferred from the special statutory reserve to the legal reserve, and the legal reserve was applied in order to cover the loss for S/. 1,163 million from period 2012).

### **(c) Fair value reserve**

As of December 31, 2014, fair value reserve comprises net loss for fluctuation of securities from international entities for S/. 1,129 million (S/. 1,374 million as of December 2013), net loss for fluctuation of MEF bonds – Domestic credit for S/. 167 million (S/. 271 million as of December 2013) and loss for fluctuation of structured bonds for S/. 1 million.

### **(d) Retained earnings**

In accordance with Article N° 93 of the Organic Law, in the event of losses, the reserve must be applied to offset them; if it is insufficient, the Public Treasury, within 30 days from the approval of the statement of financial position, must issue and deliver to the Central Bank, for the non-covered amount, negotiable debt securities accruing interests. On this regard, losses from 2013 were covered by the special statutory reserve, as well as by bonds and the promissory note issued by MEF described in Note 1(c).

### **(e) Valuation readjustments as per article N° 89 – Organic Law**

In accordance with the accounting policy approved by the Board of Directors in virtue of Article N° 89 of the Organic Law, differences recorded as a result of readjustments in the valuation of local currency of assets and obligations of the Central Bank in gold, silver, currency, SDR or other monetary units of international use are credited in this account, but are not considered as profit or loss (Note 2.2 (e)).

The movement in this item as of December 31, 2014 and 2013 is detailed below:

In thousands of Peruvian nuevos soles (S/. 000)	<b>2014</b>	<b>2013</b>
Balance at the beginning of the year	(476,920)	(10,030,675)
Add (deduct):		
Valuation of U.S. dollars	4,526,291	7,657,565
Valuation of other currencies	(1,687,151)	1,277,617
Valuation of metals (gold and silver)	192,891	(1,017,015)
Valuation of contributions and obligations to IMF	(21,766)	(210,763)
Valuation of derivative operations and others related to exchange rate	707,931	1,850,762
Valuation of other items	<u>(4,008)</u>	<u>(4,411)</u>



Balance at the end of the year

3,237,268(476,920)**19. TAX SITUATION**

In accordance with the Income Tax Law, national governmental sector entities are not taxpayers of income tax. The Central Bank, as a withholding agent, is subject to the income tax of fifth and fourth category and social contributions.

The Tax Authority is empowered to review and, as applicable, correct tax determination calculated by the Central Bank in the four years subsequent to the year of presentation of tax returns. Tax returns for the years 2010 to 2014 have not been reviewed by the Tax Authority. Due to possible interpretations that the Tax Authority may have on current applicable regulations, it is not possible to determine to date whether liabilities for the Central Bank will arise or not from the reviews to be conducted. Therefore, any high tax, late-payment interests and penalties which may result from such tax reviews could be applied to profit/loss for the period when it is determined. However, the Management and its internal legal consultants believes that any additional tax payment will not be significant for the financial statements of the Central Bank as of December 31, 2014 and 2013.

**20. CONTINGENCIES**

Certain civil and labor lawsuits have been filed against the Central Bank, for which the pertinent legal instruments and actions have been submitted and conducted; therefore, the Management of the Central Bank and its legal consultants consider that, as of December 31, 2014 and 2013, it is not necessary to record a provision for possible losses as a result of these legal contingencies.

**21. OFF-BALANCE SHEET ACCOUNTS**

In thousands of Peruvian nuevos soles (S/. 000)

	<b>2014</b>	<b>2013</b>
Bills and coins in stock (a)	56,272,785	24,726,199
Exchange swaps (b)	33,124,890	-
Forwards operations (c)	24,191,363	22,113,120
Futures operations (d)	3,176,598	232,286
Securities in custody (e)	1,753,106	1,884,574
Others	351,882	366,938
<b>Total</b>	<b><u>118,870,624</u></b>	<b><u>49,323,117</u></b>

(a) As of December 31, 2014 and 2013, this item refers to bills and coins that the Central Bank holds in its vaults and that are not in circulation. Their composition is detailed below:

In thousands of Peruvian nuevos soles (S/. 000)

	<b>2014</b>	<b>2013</b>
New	51,680,000	22,038,500
To be classified	2,504,885	698,512
Available	1,973,793	1,812,662
To be destroyed	113,478	138,635
In transit	629	37,890
<b>Total</b>	<b><u>56,272,785</u></b>	<b><u>24,726,199</u></b>

The movement of bills and coins in stock as of December 31, 2014 and 2013 is detailed below:

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
Balance at the beginning of the year	24,726,199	19,737,138
Acquisition of bills and coins	45,462,258	16,675,709
Destruction of bills and coins	(8,902,856)	(6,980,282)
Removal from circulation, net of income	<u>(5,012,816)</u>	<u>(4,706,366)</u>
<b>Balance at the end of the year</b>	<b><u>56,272,785</u></b>	<b><u>24,726,199</u></b>

- (b) Exchange swaps are derivative financial instruments in which one of the parties assumes the commitment to pay a variable interest rate on a notional amount in local currency in exchange of the commitment from the other party to pay a fixed interest rate plus depreciation of a notional amount equivalent in U.S. dollars.

As of October 2014, the Central Bank has carried out exchange swap transactions with banks in which the notional amount in Peruvian nuevos soles assumed by the Central Bank, as of December 31, 2014, is S/. 16,473 million and the balancing entry assumed by banks is US\$ 5,586 million. The maturity dates for these transactions ranges between January and June 2015 and the interest rate for the notional amount in Peruvian nuevos soles is equal to the capitalization of the Accumulated Index for Overnight Interbank Transactions (ION), calculated and published by BCRP, which as of December 31, 2014, is 3.55%. The interest rate in dollars is determined through a bidding session.

As of December 31, 2014, the Central Bank recognized interest income on exchange swaps for S/. 88 million, which is included in item "Other financial income" in the statement of income and other comprehensive income (loss). Also, the Central Bank recognized expenses of paid interests for S/. 1 million, which is included in item "Other financial expenses" in the statement of income and other comprehensive income and a charge to the item "Valuation readjustments as per Article N° 89 – Organic Law" in net equity for S/. 291 million, which refer to the depreciation of the notional amount in dollars.

- (c) As of December 31, 2014 and 2013, this item refers to the reference value (committed nominal amount) of forwards operations in foreign currency carried out by the Central Bank, which are classified as for trading. As of December 31, 2014, the Central Bank holds 35 forwards operations maturing between January and May 2015 (as of December 31, 2013, it corresponds to 35 forwards operations maturing between January and April 2014). Additionally, as of December 31, 2014, the valuation of such instruments generated an asset for S/. 692 million (S/. 713 million as of December 31, 2013), recorded in item "Other available assets", and a liability for S/. 4 million (S/. 134 thousands as of December 2013), recorded in item "Reserve liabilities". Such valuation was recorded in item "Valuation readjustments as per Article N° 89 – Organic Law" in net equity.

As of December 31, 2014 and 2013, nominal values of forwards operations per currency type are detailed as follows:

In thousands of Peruvian nuevos soles (S/. 000)	<u>2014</u>	<u>2013</u>
Sale of Yens for other currencies different from Nuevo Sol	7,685,900	10,666,765
Sol Purchase of U.S. dollars for other currencies different from Nuevo Sol	9,903,079	10,331,910
Purchase of euros for other currencies different from Nuevo Sol	2,307,024	1,080,283
Sale of euros for other currencies different from Nuevo Sol	3,513,940	10,530
Sale of sterling pounds for other currencies different from Nuevo Sol	539,133	8,018
Purchase of sterling pounds for other currencies different from Nuevo Sol	-	7,868
Sale of U.S. dollars for other currencies different from Nuevo Sol	-	7,746
Purchase of Australian dollars for other currencies different from Nuevo Sol	<u>242,287</u>	<u>-</u>



<b>Total</b>	<b><u>24,191,363</u></b>	<b><u>22,113,120</u></b>
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- (d) As of December 31, 2014 and 2013, this item refers to the reference value (committed nominal amount) of futures operations carried out by the Central Bank for trading purposes. As of December 31, 2014, the Central Bank holds 1,538 contracts of operations with futures of prices whose underlying items are bonds from the American Treasury, expressed in U.S. dollars and bonds from the German Government expressed in euros (600 contracts of operations with futures of prices whose underlying items were bonds from the American Treasury, expressed in U.S. dollars, and bonds from the German Government expressed in euros, as of December 31, 2013), maturing between March 2015 and December 2016 (March 2014, as of December 31, 2013). Additionally, the valuation of such instruments generated an asset for S/. 1 million (S/. 311 thousands as of December 2013), recorded in item "Other available assets" and a liability for S/. 546 thousands (S/. 2 million as of December 2013), recorded in item "Reserve liabilities". Such valuation was recorded in item "Net yield on securities" in the statement of income and other comprehensive income (loss).
- (e) As of December 31, 2014 and 2013, securities in custody mainly include promissory notes in guarantee for operations with IMF.

## 22. OPERATING EXPENSES

In thousands of Peruvian nuevos soles (S/. 000)	<b><u>2014</u></b>	<b><u>2013</u></b>
Personnel expenses and social obligations, Note 24	156,995	156,292
Administrative expenses (a)	49,252	37,725
Actuarial provision expenses, Note 17(a)	26,997	17,238
Employees' Fund	20,989	19,812
Depreciacion, Note 10(c)	8,658	8,686
Amortization	2,894	3,111
Others	<u>4,129</u>	<u>5,859</u>
<b>Balance at the end of the year</b>	<b><u>269,914</u></b>	<b><u>248,723</u></b>

- (a) As of December 31, 2014 and 2013, these items mainly correspond to public service expenses, maintenance, security, consulting, and IT supplies, among others.

## 23. ISSUANCE EXPENSES AND COSTS

In thousands of Peruvian nuevos soles (S/. 000)	<b><u>2014</u></b>	<b><u>2013</u></b>
Production cost for issued coins	51,622	54,638
Printing expenses for issued bills	36,660	25,573
Transportation expenses for bills and coins	<u>95</u>	<u>2,360</u>
<b>Balance at the end of the year</b>	<b><u>88,377</u></b>	<b><u>82,571</u></b>

## 24. PERSONNEL EXPENSES AND SOCIAL OBLIGATIONS

In thousands of Peruvian nuevos soles (S/. 000)	<b><u>2014</u></b>	<b><u>2013</u></b>
Basic salary	86,735	86,855
Bonuses and vacation	28,908	30,970
Allowances and special payments	18,200	15,687
Severance compensation	9,446	9,576
ESSALUD	9,084	9,049
Training programs	1,946	1,786
Others	<u>2,676</u>	<u>2,369</u>

Total

156,995156,292

## 25. RISKS ASSESSMENT

By the nature of its activities, the Central Bank is exposed to liquidity, credit, exchange, interest rate and operating risks. The risk administration program of the Central Bank intends to reduce potential negative effects in its financial performance.

The statement of financial position of the Central Bank mainly comprises financial instruments, as described in Note 2.2 (b). International reserves are a relevant component of such instruments (representing 92,2 percent and 96,8 percent of its total assets as of December 31, 2014 and 2013, respectively) and its management follows security, liquidity and profitability criteria described in Article N° 71 of the Organic Law. International reserves support the economic and financial stability of the country, while guaranteeing the availability of currencies in extraordinary situations, such as a possible significant withdrawn of deposits in foreign currency from the national financial system or external temporary shocks that may cause unbalance in the real sector of economy and feedback expectations. Additionally, the proper availability of currencies supports risk reduction for the country, the improvement of credit ratings in Peru, which translates in better conditions to obtain foreign credits for Peruvian private and public companies, as well supports the expansion of foreign investment in the country.

Reserve administration policies followed by the Central Bank considers as important to preserve capital and guarantee the liquidity of reserves. Once such conditions are met, profitability is intended to be maximized.

The management of international assets is closely related with the origin and characteristics of the Central Bank's liabilities in terms of amount, currency, term and volatility. This is to reduce financial risks that could affect the value and availability of resources under the Central Bank's administration.

The Central Bank's Management is aware of existing market conditions and, based on its knowledge and experience, controls the aforementioned risks, following policies approved by the Board of Directors. The most important aspects for risk management are detailed as follows:

### ***Liquidity risk***

To mitigate this risk, liquidity degree of fixed income instruments is controlled, mainly by the size of the issue and percentage acquired from each issue. Additionally, the Central Bank has a division in sections of the investment portfolio in its investment policy. Such portfolio is divided as follows:

- Immediate Availability Section: Includes very short-term investments mainly to address obligations and obligations with local banks and unforeseen events.
- Intermediation and Liquid Sections: It refers to deposits in foreign currency made by financial entities (mainly for reverse requirement obligations) and public sector in the BCRP. With these resources, investments can be made, which mainly comprise bank deposits with staggered maturity and high-liquidity fixed income instruments in international money markets.
- Diversification and Investment Sections: It comprises Central Bank resources (Exchange Position), and is aimed for investments including securities with terms generally for more than one year (mainly bonds), which may generate higher yield and support risk diversification.

### ***Credit risk***



This item refers to the probability that another party may not be able to comply with an obligation with the Central Bank on time. To address this risk, investments are made on a diversifiable basis, as follows:

- Deposits in first-rate foreign banks, in terms of capital and short and long-term risk ratings, issued by main international risk rating agencies, such as Standard & Poor's, Moody's and Fitch.
- Fixed rate securities issued by international organizations or foreign public entities. As of December 31, 2014 and 2013, such obligations must have a long-term rating among the five higher categories out of the twenty ratings granted by risk rating agencies.
- Investments in debt issuance from private companies are not allowed.

The scale and concentration of the Central Bank's exposure to credit risk may be directly obtained from the statement of financial position, which describe the size and composition of the Central Bank's financial assets.

Based on risk ratings obtained and the Management's analysis, as of December 31, 2014 and 2013, the Central Bank is not exposed in countries or entities with debt matters that may represent a credit impairment risk for its investments.

### ***Exchange risk***

Exchange risk is the risk the Central Bank is exposed to due to fluctuations in value of financial assets and financial liabilities generated by changes in exchange rates. The scale of this risk depends on:

- Unbalance between the Central Bank's assets and liabilities in foreign currency, and
- Exchange rate of transactions in foreign currencies, pending at closing.

The Central Bank's assets are mainly invested in U.S. dollars, reflecting the denomination of liabilities in foreign currency (mainly bank reserve requirements and special deposits from residents) as the Central Bank's intervention currency in the domestic currency market. The composition of balances in foreign currency is described in Note 3.

### ***Interest rate risk***

Interest rate risk is related to the unexpected movement in market yield rates of fixed income assets comprised in the portfolio, which may affect the market value of investments before their maturity. The higher the maturity term of investments, is higher the impact on changes of yields over the market value of such investments. Measurement of such impact is reflected in the portfolio's term, which as well reflects risk-return preferences of the Board of Directors.

The Central Bank addresses this risk considering the term structure of its portfolio and its reference portfolio.

In this way, maximum terms have been established for investments, consistent with the market risk profile expected for each portfolio instrument.

The scale of this risk depends on:

- Relevant interest rate of financial assets and financial liabilities, and
- Maturity structure of the portfolio of financial instruments of the Central Bank.

**Operating risk**

It is defined as the risk of incurring in direct or indirect losses as a result of failures in processes and internal controls, persons, information systems, technology or external events.

Operating risks of the Central Bank are classified in: persons, external events, processes, information technology and communication, technology, acquisition, legal, compliance, physical security, information security, and health and safety at the workplace.

Risk management is based on the Central Bank's processes and, given that risk management is a self-assessment process, organizational units along with the Risk Management perform the following, among others:

- Design of its processes; that is, identifying activities that support a process.
- Identification of risks and controls; that is, identifying risks in activities and controls applied to mitigate them.
- Quantification of risks and proposal of control measures, as needed.

Once risks have been quantified and control measures to be applied have been assessed, the Risk Management submits them to the Risk Committee. The Risk Committee is in charge of approving policies and recommending actions related to risk management and operation continuity, recommending prevention actions and resolution of events that may affect the Central Bank, and assessing reports and proposals submitted by the Risk Management.

**26. INFORMATION ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value or estimate of market value is the amount for which an asset could be exchanged, or a liability could be settled between two aware and willing parties, under the assumption that the entity is a going concern.

When a financial instrument is traded in an active and liquid market, its price established in the market in a real transaction provides the best evidence of its fair value. When such price is not available in the market, or it cannot be an indication of fair value of the instrument to determine such fair value, market value of a similar instrument, analysis of discounted flows or other applicable techniques may be used, which are significantly affected by assumptions applied. The Management has applied its better judgment when estimating the fair values of its financial instruments. Fair value may not be an indication of net realizable value or liquidation value of such instruments.

The methodology and assumptions used to determine estimated market values as of December 31, 2014 and 2013, in applicable cases according to the Central Bank's policy, depend on the terms and characteristics of risk of several financial instruments, as detailed below:

- (a) Cash in foreign currency and deposits in foreign banks represent cash and time deposits in banks with terms up to 90 days as from their issue, respectively, which do not represent significant credit or interest rate risks.
- (b) Carrying amount of securities from international entities classified as available-for-sale investments correspond to its estimated market value.
- (c) Carrying amount of securities from international entities classified as held-to-maturity investments correspond to its amortized cost using the effective interest rate method,



except for those acquired at par value. Investments with implicit derivatives are valued at their market value.

- (d) Carrying amount of the gold corresponds to its market value.
- (e) Values of contributions to international organizations and deposits in international organizations are considered to correspond to their fair values due to the fact that they represent the amount receivable in the event that the Central Bank ceased to be member of such organizations. Additionally, contributions to international organizations cannot be traded with third parties and generate interests at interest rates based on their market risks.
- (f) Outstanding securities issued generate interests at fixed and variable rates according to the issue performed.
- (g) Deposits in local and foreign currency bear interests at fixed and variable rates, which are fixed by the Central Bank in terms less than a year.
- (h) Carrying amount of bills and coins held by the Central Bank in item "Monetary base" corresponds to market value, due to the fact that it represents cash in circulation in the Peruvian economy.

As a result, as of December 31, 2014 and 2013, the Central Bank's Management considers that the estimated fair values of the Central Bank's financial instruments are not significantly different from their carrying amounts.

## **27. SUBSEQUENT EVENTS**

Management is not aware of any subsequent events that have occurred between the closing date of these financial statements and February 16, 2015, which may significantly affect them.



# APPENDICES





**Appendix 1**  
**GROSS DOMESTIC PRODUCT**  
(Million nuevos soles at 2007 prices)

Year	Gross Domestic Product 1/ (1)	Population 2/ (Thousands) (2)	GDP per capita (Nuevos soles at 2007 prices) (3)	% change			Inflation 3/	Exports of goods 4/ (Million US\$)	Imports of goods 4/ (Million US\$)	Trade Balance (Million US\$)
				(1)	(2)	(3)				
1922	13,308	4,790.6	2,778.0	7.1	1.5	5.5	-4.5	75.4	32.0	43.4
1923	14,084	4,861.1	2,897.3	5.8	1.5	4.3	-5.3	104.5	46.8	57.8
1924	15,428	4,933.7	3,127.0	9.5	1.5	7.9	3.9	105.3	58.2	47.1
1925	15,804	5,008.4	3,155.4	2.4	1.5	0.9	7.0	93.7	58.3	35.4
1926	17,356	5,084.9	3,409.3	9.7	1.5	8.0	0.5	98.2	58.0	40.2
1927	17,727	5,163.4	3,433.2	2.3	1.5	0.7	-3.5	107.6	57.9	49.7
1928	18,743	5,244.2	3,574.1	5.7	1.6	4.1	-6.7	110.5	55.0	55.0
1929	20,727	5,327.1	3,890.8	10.6	1.6	8.9	-2.2	117.1	60.7	56.4
1930	18,612	5,412.6	3,438.7	-10.2	1.6	-11.6	-4.5	69.4	33.0	36.4
1931	17,539	5,500.4	3,188.7	-5.8	1.6	-7.3	-6.4	55.0	22.8	32.2
1932	17,155	5,590.5	3,068.6	-2.2	1.6	-3.8	-4.4	38.1	13.0	25.1
1933	18,751	5,682.9	3,299.5	9.3	1.7	7.5	-2.6	48.4	16.2	32.2
1934	21,001	5,777.9	3,634.7	12.0	1.7	10.2	2.0	70.3	31.6	38.7
1935	22,871	5,875.2	3,892.8	8.9	1.7	7.1	1.3	73.7	34.6	39.2
1936	24,029	5,975.1	4,021.5	5.1	1.7	3.3	5.3	83.5	39.9	43.6
1937	24,602	6,077.5	4,048.1	2.4	1.7	0.7	6.3	92.3	47.5	44.8
1938	25,211	6,182.2	4,078.0	2.5	1.7	0.3	-4.1	76.5	46.6	30.0
1939	25,721	6,289.3	4,089.7	2.0	1.7	0.3	4.8	71.3	38.2	33.0
1940	26,430	6,398.6	4,130.6	2.8	1.7	1.0	9.2	65.8	41.3	24.4
1941	26,787	6,509.7	4,114.9	1.3	1.7	-0.4	10.5	76.0	44.0	32.0
1942	26,231	6,622.7	3,960.8	-2.1	1.7	-3.7	8.5	76.1	41.7	34.5
1943	26,937	6,738.2	3,997.6	2.7	1.7	0.9	12.3	70.8	55.3	15.5
1944	29,142	6,856.4	4,250.3	8.2	1.8	6.3	13.2	84.2	63.3	20.9
1945	30,539	6,978.0	4,376.4	4.8	1.8	3.0	11.1	103.8	67.7	36.1
1946	32,495	7,101.9	4,575.5	6.4	1.8	4.5	12.1	151.3	98.7	52.6
1947	33,554	7,228.1	4,642.2	3.3	1.8	1.5	46.1	154.3	134.4	19.9
1948	34,838	7,357.6	4,734.9	3.8	1.8	2.0	13.6	162.4	134.2	28.2
1949	37,699	7,492.0	5,032.0	8.2	1.8	6.3	18.7	154.5	133.7	20.8
1950	40,920	7,632.5	5,261.3	8.5	1.9	6.5	9.5	198.4	149.3	49.1
1951	44,711	7,826.3	5,712.9	9.3	2.5	6.6	8.2	259.1	223.0	36.0
1952	47,347	8,025.7	5,899.4	5.9	2.5	3.3	6.4	257.2	257.2	-11.6
1953	50,085	8,232.2	6,084.1	5.8	2.6	3.1	8.6	228.3	225.5	-29.2
1954	52,762	8,447.0	6,246.2	5.3	2.6	2.7	4.8	254.3	225.4	28.9
1955	55,858	8,671.5	6,441.5	5.9	2.7	3.1	4.6	281.2	294.6	-13.4
1956	58,484	8,904.9	6,567.6	4.7	2.7	2.0	6.0	320.2	342.5	-22.3
1957	62,371	9,146.2	6,819.4	6.6	2.7	3.8	7.1	331.5	402.1	-70.7
1958	61,706	9,396.7	6,566.8	-1.1	2.7	-3.7	8.9	291.8	344.7	-52.8
1959	63,653	9,657.8	6,590.8	3.2	2.8	0.4	16.8	322.6	280.5	42.1
1960	69,946	9,931.0	7,043.2	9.9	2.8	6.9	2.6	444.3	341.0	103.4
1961	75,085	10,217.5	7,348.7	7.3	2.9	4.3	8.7	510.2	428.6	81.5
1962	82,620	10,516.5	7,856.3	10.0	2.9	6.9	4.9	556.0	478.4	77.6
1963	86,196	10,825.8	7,962.1	4.3	2.9	1.3	8.7	555.1	517.9	37.2
1964	91,840	11,143.4	8,241.6	6.5	2.9	3.5	11.4	684.6	517.7	166.8
1965	97,003	11,467.2	8,459.2	5.6	2.9	2.9	14.6	684.6	659.7	24.9
1966	104,995	11,796.3	8,900.7	8.2	2.9	5.2	7.9	788.5	811.2	-22.7
1967	109,040	12,132.1	9,087.7	3.9	2.8	1.0	19.0	742.4	810.1	-67.7
1968	109,206	12,475.9	8,987.7	0.2	2.8	-2.6	9.8	742.4	810.1	-67.7
1969	113,044	12,829.0	8,811.6	3.5	2.8	0.7	5.7	839.8	672.9	166.9
1970	116,849	13,192.7	8,857.1	3.4	2.8	0.5	5.7	879.5	658.8	220.8
1971	122,213	13,567.7	9,007.6	4.6	2.8	1.7	5.5	1,034.3	699.6	334.6
1972	126,463	13,953.2	9,063.3	3.5	2.8	0.6	4.2	889.4	730.0	159.4
1973	134,401	14,348.1	9,367.2	6.3	2.8	3.4	13.8	945.0	812.0	133.0
								1,111.8	1,033.0	78.8

**Appendix 1**  
**GROSS DOMESTIC PRODUCT**  
(Million nuevos soles at 2007 prices)

Year	Gross Domestic Product 1/ (1)	Population 2/ (Thousands) (2)	GDP per cápita (Nuevos soles at 2007 prices) (3)	% change			Inflation 3/ (3)	Exports of goods 4/ (Million US\$)	Imports of goods 4/ (Million US\$)	Trade Balance (Million US\$)
				(1)	(2)	(3)				
1974	147,017	14,751.1	9,966.5	9.4	2.8	6.4	1,513.3	1,908.0	-394.7	
1975	153,340	15,161.1	10,114.0	4.3	2.8	1.5	1,335.0	2,427.0	-1,092.0	
1976	155,559	15,580.8	9,984.0	1.4	2.8	-1.3	1,344.0	2,016.0	-672.0	
1977	156,102	16,010.8	9,749.8	0.3	2.8	-2.3	1,729.6	2,148.0	-418.4	
1978	151,977	16,447.4	9,240.2	-2.6	2.7	-5.2	2,038.0	1,668.0	370.0	
1979	158,194	16,886.5	9,368.1	4.1	2.7	1.4	3,719.0	1,954.0	1,765.0	
1980	167,596	17,324.2	9,674.1	5.9	2.6	3.3	3,950.6	3,089.5	861.1	
1981	176,901	17,760.2	9,960.5	5.6	2.5	3.0	3,328.0	3,802.2	-474.2	
1982	176,507	18,197.2	9,699.7	-0.2	2.5	-2.6	3,343.4	3,720.9	-377.5	
1983	158,136	18,635.6	8,485.7	-10.4	2.4	-12.5	3,036.2	2,721.7	314.5	
1984	163,842	19,075.9	8,589.0	3.6	2.4	1.2	3,193.4	2,166.5	1,026.9	
1985	167,219	19,518.6	8,567.2	2.1	2.3	-0.3	3,021.4	1,822.6	1,198.8	
1986	182,981	19,965.8	9,164.7	9.4	2.3	7.0	2,572.7	2,649.3	-76.7	
1987	200,778	20,417.3	9,833.7	9.7	2.3	7.3	2,713.4	2,615.1	91.7	
1988	181,822	20,869.7	8,712.2	-9.4	2.2	-11.4	2,719.9	2,865.1	-145.2	
1989	159,436	21,319.9	7,478.5	-12.3	2.2	-14.2	3,503.3	2,286.5	1,216.7	
1990	151,492	21,764.5	6,960.5	-5.0	2.1	-6.9	3,279.8	2,921.9	357.9	
1991	154,854	22,203.9	6,974.2	2.2	2.0	0.2	3,393.1	2,921.9	472.0	
1992	154,017	22,640.3	6,802.8	-0.5	2.0	-2.5	3,578.1	3,595.3	-17.2	
1993	162,093	23,073.2	7,025.2	5.2	1.9	3.3	3,384.7	4,001.4	-616.7	
1994	182,044	23,502.0	7,745.9	12.3	1.9	10.3	4,424.1	4,160.4	263.7	
1995	195,536	23,926.3	8,172.4	7.4	1.8	5.5	5,491.4	5,499.2	91.2	
1996	201,009	24,348.1	8,255.6	2.8	1.8	1.0	5,871.6	7,732.9	-1,861.3	
1997	214,028	24,767.8	8,641.4	6.5	1.7	4.7	6,824.6	8,535.5	-1,711.0	
1998	213,190	25,182.3	8,465.9	-0.4	1.7	-2.0	5,756.8	8,218.7	-2,462.0	
1999	216,377	25,588.5	8,456.0	1.5	1.6	0.1	6,087.5	6,710.5	-623.0	
2000	222,207	25,983.6	8,551.8	2.7	1.5	1.1	6,954.9	7,357.6	-402.7	
2001	223,580	26,366.5	8,479.7	0.6	1.5	-0.8	7,025.7	7,204.5	-178.7	
2002	235,773	26,739.4	8,817.4	5.5	1.4	4.0	7,713.9	7,392.8	321.1	
2003	245,593	27,103.5	9,061.3	4.2	1.4	2.8	9,090.7	8,204.8	885.9	
2004	257,770	27,460.1	9,387.1	5.0	1.3	3.6	12,809.2	9,804.8	3,004.4	
2005	273,971	27,810.5	9,851.3	6.3	1.3	4.9	17,367.7	12,081.6	5,286.1	
2006	294,598	28,151.4	10,464.8	7.5	1.2	6.2	23,830.1	14,844.1	8,986.1	
2007	319,693	28,481.9	11,224.4	8.5	1.2	7.3	28,094.0	19,590.5	8,503.5	
2008	348,923	28,807.0	12,112.4	9.1	1.1	7.9	31,018.5	28,449.2	2,569.3	
2009	352,584	29,132.0	12,103.0	1.0	1.1	-0.1	27,070.5	21,010.7	6,059.8	
2010	382,380	29,461.9	12,978.8	8.5	1.1	7.2	35,803.1	28,815.3	6,987.8	
2011	407,052	29,797.7	13,660.5	6.5	1.1	4.7	46,376.0	37,151.5	9,224.4	
2012 5/	431,273	30,135.9	14,310.9	6.0	1.1	4.8	47,410.6	41,135.0	6,275.6	
2013 5/	456,159	30,475.1	14,968.2	5.8	1.1	4.6	42,860.6	42,247.8	612.8	
2014 5/	466,880	30,818.2	15,149.5	2.4	1.1	1.2	39,532.7	40,809.0	-1,276.3	

1/ The values for 1922 - 1949 are based on Seminario and Beltrán: "Una estimación alternativa del GDP del siglo XX". For 1950 - 1989 are used GDP base 1979.

2/ Series provided by the INEI. The source of information for the period 1922 - 1949 is "Boletín de Análisis Demográfico, N° 01" ONEC, July 1964. The series of the period 1950 - 2008 have been elaborated based on the latest projections.

3/ Between 1922 and 1937, the value of inflation is the average inflation rate in the period.

4/ BCRP: Annual reports.

5/ Preliminary datay data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies, BCRP.



Appendix 2  
MACROECONOMIC FLOWS  
(% GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Domestic savings</b>	17.8	22.5	23.8	23.1	20.4	22.8	23.9	23.5	23.6	22.6
Public sector	2.7	5.7	6.6	7.1	4.8	6.3	7.4	8.1	7.0	5.9
Private sector	15.0	16.8	17.1	16.0	15.5	16.5	16.4	15.4	16.6	16.7
<b>External savings</b>	-1.5	-3.3	-1.5	4.3	0.5	2.4	1.9	2.7	4.2	4.0
<b>Investment</b>	16.2	19.2	22.3	27.5	20.9	25.2	25.7	26.2	27.8	26.6
Public sector	3.1	3.2	3.5	4.5	5.7	5.9	4.8	5.4	5.8	5.6
Private sector	13.2	16.0	18.7	23.0	15.1	19.3	20.9	20.8	22.0	21.0
Fixed private investment	14.3	15.0	16.8	19.4	17.6	19.2	19.2	20.4	20.9	20.4
Change on inventories	-1.2	0.9	2.0	3.5	-2.5	0.1	1.8	0.4	1.1	0.6
<b>Current account balance</b>	1.5	3.3	1.5	-4.3	-0.5	-2.4	-1.9	-2.7	-4.2	-4.0
Trade balance	7.1	10.2	8.3	2.1	5.0	4.7	5.4	3.3	0.3	-0.6
Services	-1.1	-0.8	-1.2	-1.7	-1.0	-1.6	-1.3	-1.3	-0.9	-0.9
Investment income	-6.8	-8.5	-8.1	-7.2	-6.9	-7.5	-7.8	-6.4	-5.3	-4.6
Current transfers	2.4	2.5	2.4	2.4	2.4	2.0	1.9	1.7	1.7	2.2
<b>Financial account</b>	0.3	0.3	8.3	7.1	1.9	9.2	5.1	10.3	5.7	3.4
Private sector	1.2	2.8	8.0	7.9	3.5	7.7	5.4	8.2	7.4	3.2
Public sector	-0.6	-1.1	-1.7	-1.2	0.1	1.6	0.4	0.8	-0.7	-0.0
Short-term capital	-0.3	-1.4	2.0	0.5	-1.7	-0.2	-0.7	1.3	-1.1	0.2
<b>Exceptional financing</b>	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Flow of BCRP net reserves (-)</b>	2.2	3.1	9.4	2.6	0.9	7.5	2.7	7.7	1.4	-1.1
<b>Net errors and omissions</b>	0.2	-0.5	-0.4	-0.2	-0.5	0.7	-0.5	0.1	-0.0	-0.5
<b>NON-FINANCIAL PUBLIC SECTOR</b>										
<b>Current account savings</b>	2.7	5.7	6.6	7.1	4.8	6.3	7.4	8.1	7.0	5.9
<b>Capital revenue</b>	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1
<b>Capital expenditure</b>	3.2	3.4	3.7	4.7	6.3	6.6	5.5	5.9	6.3	6.4
Public investment	3.1	3.2	3.5	4.6	5.9	6.1	5.2	5.6	6.0	6.0
Other capital expenditure	0.1	0.2	0.2	0.1	0.4	0.5	0.3	0.3	0.4	0.4
<b>Overall balance</b>	-0.4	2.5	3.1	2.5	-1.4	-0.2	2.0	2.3	0.9	-0.3
<b>Financing</b>	0.4	-2.5	-3.1	-2.5	1.4	0.2	-2.0	-2.3	-0.9	0.3
External financing	-1.5	-0.6	-2.0	-1.0	1.1	-0.5	0.2	-0.3	-0.8	-0.1
Domestic financing	1.8	-1.9	-1.2	-1.6	0.2	0.6	-2.2	-2.0	-0.2	0.5
Privatization	0.1	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0

1/ Preliminary data.

Source: BCRP.

Elaborated by the Department of Economic Studies, BCRP.

**Appendix 3**  
**NATIONAL DISPOSABLE INCOME**  
(Million nuevos soles at 2007 prices)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
								1/	1/	1/
<b>GROSS DOMESTIC PRODUCT</b>	<b>273,971</b>	<b>294,598</b>	<b>319,693</b>	<b>348,923</b>	<b>352,584</b>	<b>382,380</b>	<b>407,052</b>	<b>431,273</b>	<b>456,159</b>	<b>466,879</b>
+ Investment income	-17,178	-24,949	-25,975	-24,202	-23,312	-29,158	-33,040	-28,543	-24,312	-21,465
Gross national product	256,793	269,649	293,718	324,721	329,272	353,222	374,012	402,730	431,847	445,415
+ Terms of trade	-23,904	-3,688	-23	-12,212	-13,745	5,506	14,099	12,252	4,426	-1,710
Gross national income	232,889	265,961	293,695	312,509	315,527	358,728	388,111	414,982	436,272	443,705
+ Current transfers	6,006	7,240	7,832	8,193	8,074	7,877	7,893	7,595	7,641	10,076
<b>National disposable income</b>	<b>238,895</b>	<b>273,201</b>	<b>301,527</b>	<b>320,702</b>	<b>323,601</b>	<b>366,604</b>	<b>396,005</b>	<b>422,576</b>	<b>443,913</b>	<b>453,781</b>

1/ Preliminary data.  
Source: INEI and BCRP.  
Elaborated by the Department of Economic Studies. BCRP.

**Appendix 4**  
**NATIONAL DISPOSABLE INCOME**  
(Real % change)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
								1/	1/	1/
<b>GROSS DOMESTIC PRODUCT</b>	<b>6.3</b>	<b>7.5</b>	<b>8.5</b>	<b>9.1</b>	<b>1.0</b>	<b>8.5</b>	<b>6.5</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>
- Investment income	-32.7	-45.2	-4.1	6.8	3.7	-25.1	-13.3	13.6	14.8	11.7
Gross national product	4.9	5.0	8.9	10.6	1.4	7.3	5.9	7.7	7.2	3.1
Gross national income	6.0	14.2	10.4	6.4	1.0	13.7	8.2	6.9	5.1	1.7
+ Current transfers	18.0	20.6	8.2	4.6	-1.5	-2.4	0.2	-3.8	0.6	31.9
<b>National disposable income</b>	<b>6.3</b>	<b>14.4</b>	<b>10.4</b>	<b>6.4</b>	<b>0.9</b>	<b>13.3</b>	<b>8.0</b>	<b>6.7</b>	<b>5.0</b>	<b>2.2</b>

1/ Preliminary data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies. BCRP.

**Appendix 5**  
**GROSS DOMESTIC PRODUCT BY EXPENDITURE**  
(Real % change)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Domestic demand</b>	<b>4.2</b>	<b>11.4</b>	<b>12.1</b>	<b>13.6</b>	<b>-3.3</b>	<b>14.9</b>	<b>7.7</b>	<b>7.4</b>	<b>6.9</b>	<b>2.2</b>
a. Private consumption	3.7	6.2	8.6	8.9	2.8	8.7	6.0	6.1	5.3	4.1
b. Public consumption	9.1	7.6	4.3	5.4	13.0	5.6	4.8	8.1	6.7	6.4
c. Gross domestic investment	3.0	34.7	27.4	30.1	-23.3	38.8	12.9	10.2	10.4	-3.5
Gross fixed investment	11.7	19.6	22.2	24.6	-1.6	23.1	6.0	16.4	7.4	-1.8
i. Private	12.0	20.1	23.3	23.9	-9.1	25.9	11.0	15.6	6.6	-1.6
ii. Public	10.2	17.5	17.1	27.9	32.9	14.2	-11.2	19.9	10.7	-2.4
<b>II. Exports of goods and non-financial services</b>	<b>15.2</b>	<b>0.8</b>	<b>6.8</b>	<b>7.1</b>	<b>-0.7</b>	<b>1.3</b>	<b>6.9</b>	<b>5.8</b>	<b>-1.3</b>	<b>-1.0</b>
Minus:										
<b>III. Imports of goods and non-financial services</b>	<b>10.9</b>	<b>13.1</b>	<b>21.3</b>	<b>24.1</b>	<b>-16.7</b>	<b>26.1</b>	<b>11.6</b>	<b>11.3</b>	<b>2.9</b>	<b>-1.5</b>
<b>IV. GDP</b>	<b>6.3</b>	<b>7.5</b>	<b>8.5</b>	<b>9.1</b>	<b>1.0</b>	<b>8.5</b>	<b>6.5</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>
Memo:										
Domestic demand without inventories	5.7	8.9	10.9	12.0	2.8	11.8	5.9	9.0	6.0	2.7
1/ Preliminary data. Source: INEI and BCRP. Elaborated by the Department of Economic Studies. BCRP.										



**Appendix 6**  
**GROSS DOMESTIC PRODUCT BY EXPENDITURE**  
(Million nuevos soles at 2007 prices)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Domestic demand</b>	<b>237,916</b>	<b>264,934</b>	<b>296,928</b>	<b>337,214</b>	<b>326,108</b>	<b>374,652</b>	<b>403,390</b>	<b>433,409</b>	<b>463,361</b>	<b>473,385</b>
a. Private consumption	166,654	177,006	192,316	209,377	215,279	234,031	248,045	263,183	277,236	288,705
b. Public consumption	29,783	32,046	33,424	35,226	39,811	42,036	44,063	47,634	50,802	54,053
c. Gross domestic investment	41,479	55,882	71,188	92,611	71,018	98,585	111,282	122,592	135,323	130,627
Gross fixed investment	44,441	53,147	64,948	80,935	79,680	98,099	103,977	121,024	129,920	127,604
i. Private	36,217	43,482	53,626	66,453	60,439	76,117	84,464	97,625	104,022	102,324
ii. Public	8,224	9,665	11,322	14,482	19,241	21,982	19,513	23,399	25,898	25,280
Change on inventories	-2,963	2,735	6,240	11,676	-8,662	485	7,305	1,569	5,403	3,022
<b>II. Exports of goods and non-financial services</b>	<b>90,527</b>	<b>91,251</b>	<b>97,501</b>	<b>104,429</b>	<b>103,669</b>	<b>105,044</b>	<b>112,310</b>	<b>118,818</b>	<b>117,289</b>	<b>116,120</b>
Minus:										
<b>III. Imports of goods and non-financial services</b>	<b>54,471</b>	<b>61,587</b>	<b>74,736</b>	<b>92,720</b>	<b>77,193</b>	<b>97,316</b>	<b>108,648</b>	<b>120,954</b>	<b>124,491</b>	<b>122,625</b>
<b>IV. GDP</b>	<b>273,971</b>	<b>294,598</b>	<b>319,693</b>	<b>348,923</b>	<b>352,584</b>	<b>382,380</b>	<b>407,052</b>	<b>431,273</b>	<b>456,159</b>	<b>466,879</b>

1/ Preliminary data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies. BCRP.



**Appendix 7**  
**GROSS DOMESTIC PRODUCT BY EXPENDITURE**  
(Million nuevos soles)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Domestic demand</b>	<b>231,585</b>	<b>261,493</b>	<b>296,928</b>	<b>354,569</b>	<b>350,623</b>	<b>406,653</b>	<b>450,737</b>	<b>498,205</b>	<b>548,739</b>	<b>583,876</b>
a. Private consumption	162,815	174,582	192,316	220,107	232,368	256,465	281,718	310,040	335,904	363,071
b. Public consumption	28,697	31,688	33,424	36,755	42,117	44,531	48,111	55,002	61,210	68,008
c. Gross domestic investment	40,073	55,223	71,188	97,707	76,138	105,657	120,908	133,163	151,625	152,797
Gross fixed investment	42,939	52,521	64,948	85,119	85,192	105,204	112,656	131,358	145,492	149,129
i. Private	35,377	43,227	53,626	69,092	64,215	80,457	89,988	103,709	113,872	117,099
ii. Public	7,562	9,294	11,322	16,026	20,977	24,747	22,667	27,649	31,620	32,030
iii. Change on inventories	-2,866	2,702	6,240	12,588	-9,054	453	8,253	1,804	6,133	3,668
<b>II. Exports of goods and non-financial services</b>	<b>65,647</b>	<b>86,234</b>	<b>97,501</b>	<b>100,996</b>	<b>91,943</b>	<b>111,470</b>	<b>139,337</b>	<b>137,921</b>	<b>131,626</b>	<b>128,848</b>
Minus:										
<b>III. Imports of goods and non-financial services</b>	<b>50,151</b>	<b>60,013</b>	<b>74,736</b>	<b>99,857</b>	<b>77,510</b>	<b>98,429</b>	<b>120,219</b>	<b>127,800</b>	<b>134,813</b>	<b>137,608</b>
<b>IV. GDP</b>	<b>247,081</b>	<b>287,713</b>	<b>319,693</b>	<b>355,708</b>	<b>365,056</b>	<b>419,694</b>	<b>469,855</b>	<b>508,326</b>	<b>545,552</b>	<b>575,117</b>

1/ Preliminary data.  
Source: INEI and BCRP.  
Elaborated by the Department of Economic Studies. BCRP.



**Appendix 8**  
**GROSS DOMESTIC PRODUCT POR TIPO DE GASTO**  
(Nominal % change)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Domestic demand</b>	<b>5.8</b>	<b>12.9</b>	<b>13.6</b>	<b>19.4</b>	<b>-1.1</b>	<b>16.0</b>	<b>10.8</b>	<b>10.5</b>	<b>10.1</b>	<b>6.4</b>
a. Private consumption	5.0	7.2	10.2	14.5	5.6	10.4	9.8	10.1	8.3	8.1
b. Public consumption	11.8	10.4	5.5	10.0	14.6	5.7	8.0	14.3	11.3	11.1
c. Gross domestic investment	4.7	37.8	28.9	37.3	-22.1	38.8	14.4	10.1	13.9	0.8
Gross fixed investment	13.4	22.3	23.7	31.1	0.1	23.5	7.1	16.6	10.8	2.5
i. Private	12.9	22.2	24.1	28.8	-7.1	25.3	11.8	15.2	9.8	2.8
ii. Public	15.6	22.9	21.8	41.6	30.9	18.0	-8.4	22.0	14.4	1.3
<b>II. Exports of goods and non-financial services</b>	<b>28.6</b>	<b>31.4</b>	<b>13.1</b>	<b>3.6</b>	<b>-9.0</b>	<b>21.2</b>	<b>25.0</b>	<b>-1.0</b>	<b>-4.6</b>	<b>-2.1</b>
Minus:										
<b>III. Importación of goods y Services services</b>	<b>18.3</b>	<b>19.7</b>	<b>24.5</b>	<b>33.6</b>	<b>-22.4</b>	<b>27.0</b>	<b>22.1</b>	<b>6.3</b>	<b>5.5</b>	<b>2.1</b>
<b>IV. GDP</b>	<b>8.6</b>	<b>16.4</b>	<b>11.1</b>	<b>11.3</b>	<b>2.6</b>	<b>15.0</b>	<b>12.0</b>	<b>8.2</b>	<b>7.3</b>	<b>5.4</b>

1/ Preliminary data.  
Source: INEI and BCRP.  
Elaborated by the Department of Economic Studies. BCRP.

**Appendix 9**  
**GROSS DOMESTIC PRODUCT POR TIPO DE GASTO**  
 (Nominal % structure)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Domestic demand</b>	<b>93.7</b>	<b>90.9</b>	<b>92.9</b>	<b>99.7</b>	<b>96.0</b>	<b>96.9</b>	<b>95.9</b>	<b>98.0</b>	<b>100.6</b>	<b>101.5</b>
a. Private consumption	65.9	60.7	60.2	61.9	63.7	61.1	60.0	61.0	61.6	63.1
b. Public consumption	11.6	11.0	10.5	10.3	11.5	10.6	10.2	10.8	11.2	11.8
c. Gross domestic investment	16.2	19.2	22.3	27.5	20.9	25.2	25.7	26.2	27.8	26.6
i. Gross fixed investment	17.4	18.3	20.3	23.9	23.3	25.1	24.0	25.8	26.7	25.9
- Private	14.3	15.0	16.8	19.4	17.6	19.2	19.2	20.4	20.9	20.4
- Public	3.1	3.2	3.5	4.5	5.7	5.9	4.8	5.4	5.8	5.6
ii. Change on inventories	-1.2	0.9	2.0	3.5	-2.5	0.1	1.8	0.4	1.1	0.6
<b>II. Exports of goods and non-financial services</b>	<b>26.6</b>	<b>30.0</b>	<b>30.5</b>	<b>28.4</b>	<b>25.2</b>	<b>26.6</b>	<b>29.7</b>	<b>27.1</b>	<b>24.1</b>	<b>22.4</b>
<b>III. Importación of goods y Services services</b>	<b>20.3</b>	<b>20.9</b>	<b>23.4</b>	<b>28.1</b>	<b>21.2</b>	<b>23.5</b>	<b>25.6</b>	<b>25.1</b>	<b>24.7</b>	<b>23.9</b>
<b>IV. GDP</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1/ Preliminary data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies. BCRP.



Appendix 10  
BALANCE OF PAYMENT  
(% GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Current account balance</b>	<b>1.5</b>	<b>3.3</b>	<b>1.5</b>	<b>-4.3</b>	<b>-0.5</b>	<b>-2.4</b>	<b>-1.9</b>	<b>-2.7</b>	<b>-4.2</b>	<b>-4.0</b>
1. Trade balance	7.1	10.2	8.3	2.1	5.0	4.7	5.4	3.3	0.3	-0.6
a. Exports FOB	23.2	27.1	27.4	25.5	22.2	24.1	27.2	24.6	21.2	19.5
b. Imports FOB	-16.1	-16.9	-19.1	-23.4	-17.3	-19.4	-21.8	-21.3	-20.9	-20.1
2. Services	-1.1	-0.8	-1.2	-1.7	-1.0	-1.6	-1.3	-1.3	-0.9	-0.9
a. Exports	3.1	3.0	3.1	3.0	3.0	2.5	2.5	2.5	2.9	2.9
b. Imports	-4.2	-3.9	-4.2	-4.7	-4.0	-4.1	-3.8	-3.8	-3.8	-3.8
3. Investment income	-6.8	-8.5	-8.1	-7.2	-6.9	-7.5	-7.8	-6.4	-5.3	-4.6
a. Private	-5.7	-7.8	-7.7	-7.2	-6.9	-7.4	-7.5	-6.0	-4.8	-4.3
b. Public	-1.1	-0.7	-0.4	0.0	0.1	-0.2	-0.3	-0.4	-0.4	-0.3
4. Current transfers	2.4	2.5	2.4	2.4	2.4	2.0	1.9	1.7	1.7	2.2
of which: Remittances	1.9	2.1	2.1	2.0	2.0	1.7	1.6	1.4	1.3	1.3
<b>II. Financial account</b>	<b>0.3</b>	<b>0.3</b>	<b>8.3</b>	<b>7.1</b>	<b>1.9</b>	<b>9.2</b>	<b>5.1</b>	<b>10.3</b>	<b>5.7</b>	<b>3.4</b>
1. Private sector	1.2	2.8	8.0	7.9	3.5	7.7	5.4	8.2	7.4	3.2
a. Assets	-1.2	-1.5	-1.0	-0.4	-2.9	-0.9	-0.9	-1.2	-0.6	-2.2
b. Liabilities	2.4	4.3	9.0	8.3	6.4	8.6	6.4	9.4	8.0	5.4
2. Public sector	-0.6	-1.1	-1.7	-1.2	0.1	1.6	0.4	0.8	-0.7	-0.0
a. Assets	-0.5	-0.1	-0.2	0.1	-0.3	-0.0	-0.2	-0.2	0.1	-0.3
b. Liabilities 2/	-0.1	-1.0	-1.5	-1.3	0.4	1.7	0.5	1.0	-0.7	0.3
3. Short-term capital	-0.3	-1.4	2.0	0.5	-1.7	-0.2	-0.7	1.3	-1.1	0.2
a. Assets	-0.9	-1.1	-1.0	0.3	-0.5	-1.2	-0.7	0.0	0.2	-0.1
b. Liabilities	0.6	-0.3	3.0	0.1	-1.2	1.1	0.0	1.3	-1.2	0.3
<b>III. Exceptional financing</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>IV. Net errors and omissions</b>	<b>0.2</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-0.5</b>	<b>0.7</b>	<b>-0.5</b>	<b>0.1</b>	<b>-0.0</b>	<b>-0.5</b>
<b>V. RESULT OF BALANCE OF PAYMENT</b>	<b>2.2</b>	<b>3.1</b>	<b>9.4</b>	<b>2.6</b>	<b>0.9</b>	<b>7.5</b>	<b>2.7</b>	<b>7.7</b>	<b>1.4</b>	<b>-1.1</b>
<b>(V = I + II + III + IV) = (1-2)</b>										
1. Change in the balance of NIRS	2.0	3.6	10.2	2.9	1.6	7.4	2.8	7.9	0.8	-1.7
2. Valuation effect	-0.2	0.5	0.7	0.3	0.7	-0.1	0.0	0.2	-0.6	-0.6
Memo:										
GDP (Million US\$)	74,962	88,056	102,388	121,826	121,732	148,666	170,759	192,984	201,822	202,630

1/ Preliminary data.

2/ Government bonds issued abroad and in the hands of residents are excluded from foreign liabilities of the public sector. Government bonds issued locally, in the hands of non-residents, are included foreign liabilities of this sector.

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

**Appendix 11**  
**TRADE BALANCE**  
(FOB values in million US\$)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>1. Exports</b>	<b>17,368</b>	<b>23,830</b>	<b>28,094</b>	<b>31,018</b>	<b>27,071</b>	<b>35,803</b>	<b>46,376</b>	<b>47,411</b>	<b>42,861</b>	<b>39,533</b>
Traditional products	12,950	18,461	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,686
Non-traditional products	4,277	5,279	6,313	7,562	6,196	7,699	10,176	11,197	11,069	11,677
Others	141	91	114	190	154	254	304	345	238	171
<b>2. Imports</b>	<b>12,082</b>	<b>14,844</b>	<b>19,591</b>	<b>28,449</b>	<b>21,011</b>	<b>28,815</b>	<b>37,152</b>	<b>41,135</b>	<b>42,248</b>	<b>40,809</b>
Consumer goods	2,308	2,616	3,189	4,520	3,962	5,489	6,734	8,252	8,843	8,896
Inputs	6,600	7,981	10,429	14,556	10,076	14,023	18,332	19,273	19,528	18,815
Capital goods	3,064	4,123	5,854	9,233	6,850	9,074	11,730	13,347	13,664	12,913
Others	110	123	119	140	122	229	356	262	213	185
<b>3. Trade balance</b>	<b>5,286</b>	<b>8,986</b>	<b>8,503</b>	<b>2,569</b>	<b>6,060</b>	<b>6,988</b>	<b>9,224</b>	<b>6,276</b>	<b>613</b>	<b>-1,276</b>
Memo:										
<b>Annual % change: 2/</b>										
Index of X prices	18.5	36.3	14.1	3.8	-12.7	30.4	21.5	-2.2	-5.7	-6.9
Index of M prices	11.6	6.4	9.4	16.5	-10.6	7.8	13.3	-0.2	0.1	-1.5
Terms of trade	6.1	28.1	4.3	-10.9	-2.4	21.0	7.2	-2.1	-5.7	-5.4
Index of X volume	14.4	0.7	3.4	6.4	0.0	1.4	6.6	4.5	-4.1	-1.0
Index of M volume	10.4	15.4	20.7	24.6	-17.4	27.3	13.8	10.9	2.6	-1.9
Index of X value	35.6	37.2	17.9	10.4	-12.7	32.3	29.5	2.2	-9.6	-7.8
Index of M value	23.2	22.9	32.0	45.2	-26.1	37.1	28.9	10.7	2.7	-3.4

1/ Preliminary data.

2/ X: Exports. M: Imports.

Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación, and companies.

Elaborated by the Department of Economic Studies, BCRP.



**Appendix 12**  
**EXPORTS BY GROUP OF PRODUCTS**  
(FOB values in millions US\$)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>1. Traditional products</b>	<b>12,950</b>	<b>18,461</b>	<b>21,666</b>	<b>23,266</b>	<b>20,720</b>	<b>27,850</b>	<b>35,896</b>	<b>35,869</b>	<b>31,553</b>	<b>27,686</b>
Fishing	1,303	1,335	1,460	1,797	1,683	1,884	2,114	2,312	1,707	1,731
Agriculture	331	574	460	686	634	975	1,689	1,095	786	847
Mining	9,790	14,735	17,439	18,101	16,482	21,903	27,526	27,467	23,789	20,545
Oil and Natural gas	1,526	1,818	2,306	2,681	1,921	3,088	4,568	4,996	5,271	4,562
<b>2. Non-traditional products</b>	<b>4,277</b>	<b>5,279</b>	<b>6,313</b>	<b>7,562</b>	<b>6,196</b>	<b>7,699</b>	<b>10,176</b>	<b>11,197</b>	<b>11,069</b>	<b>11,677</b>
Agriculture and livestock	1,008	1,220	1,512	1,913	1,828	2,203	2,836	3,083	3,444	4,231
Fishing	323	433	500	622	518	644	1,049	1,017	1,030	1,155
Textiles	1,275	1,473	1,736	2,026	1,495	1,561	1,990	2,177	1,928	1,800
Woods	261	333	362	428	336	359	402	438	427	416
Chemicals	538	602	805	1,041	838	1,228	1,655	1,636	1,510	1,515
Non- metallic minerals	118	135	165	176	148	252	492	722	722	664
Basic metal industries and jewelry	493	829	906	909	571	949	1,130	1,301	1,320	1,152
Metal-mechanic	191	164	220	328	369	393	476	545	544	581
Others 2/	70	89	107	121	94	110	147	277	143	161
<b>3. Others 3/</b>	<b>141</b>	<b>91</b>	<b>114</b>	<b>190</b>	<b>154</b>	<b>254</b>	<b>304</b>	<b>345</b>	<b>238</b>	<b>171</b>
<b>4. Total exports</b>	<b>17,368</b>	<b>23,830</b>	<b>28,094</b>	<b>31,018</b>	<b>27,071</b>	<b>35,803</b>	<b>46,376</b>	<b>47,411</b>	<b>42,861</b>	<b>39,533</b>
Memo:										
<b>PERCENTAGE STRUCTURE(%)</b>										
Fishing	7.5	5.6	5.2	5.8	6.2	5.3	4.6	4.9	4.0	4.4
Agriculture	1.9	2.4	1.6	2.2	2.3	2.7	3.6	2.3	1.8	2.1
Mining	56.4	61.8	62.1	58.4	60.9	61.2	59.4	57.9	55.5	52.0
Oil and Natural gas	8.8	7.6	8.2	8.6	7.1	8.6	9.8	10.5	12.3	11.5
Traditional	74.6	77.5	77.1	75.0	76.5	77.8	77.4	75.7	73.6	70.0
Non-traditional	24.6	22.2	22.5	24.4	22.9	21.5	21.9	23.6	25.8	29.5
Others	0.8	0.4	0.4	0.6	0.6	0.7	0.7	0.7	0.6	0.4
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1/ Preliminary data.

2/ Includes mainly fur and leather and handicrafts.

3/ Fuel and food sold to foreign ships and aircrafts and repairs of capital goods.

Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación and companies.

Elaborated by the Department of Economic Studies. BCRP.

## Appendix 13 EXPORTS OF TRADITIONAL PRODUCTS (FOB values in millions US\$)

	2005	2006	2007	2008	2009	2010	2011	2012 1/	2013 1/	2014 1/
<b>Fishing</b>										
Fishmeal	1,303	1,335	1,460	1,797	1,683	1,884	2,114	2,312	1,707	1,731
Volume (Thousand MT)	1,147	1,139	1,211	1,413	1,426	1,610	1,780	1,770	1,364	1,335
Price (US\$/MT)	2,000.3	1,340.0	1,261.7	1,564.9	1,539.5	1,083.2	1,300.8	1,328.3	1,601.9	1,559.8
Fishoil	573.6	850.0	959.8	902.7	925.9	1,486.3	1,368.4	1,328.3	1,601.9	1,559.8
Volume (Thousand MT)	156	196	249	385	258	274	333	542	343	395
Price (US\$/MT)	286.4	298.5	320.7	257.7	304.4	254.1	311.9	311.9	126.1	163.4
Price (US\$/oz)	543.2	657.1	777.2	1,493.2	846.7	1,079.2	1,419.2	1,736.8	2,419.3	2,419.3
<b>Agriculture</b>										
Cotton	331	574	460	686	634	975	1,689	1,095	786	847
Volume (Thousand MT)	3	7	3	2	3	1	8	4	2	4
Price (US\$/MT)	2.0	3.8	1.5	0.9	1.6	0.5	2.1	0.8	1.9	1.6
Sugar	1,640.4	1,833.2	2,093.6	2,505.2	1,722.0	2,417.9	3,762.2	2,357.6	2,142.3	2,371.2
Volume (Thousand MT)	13	43	19	25	35	65	48	6	14	37
Price (US\$/MT)	32.2	108.5	48.3	70.4	81.3	112.0	62.6	8.4	26.5	69.4
Coffee	395.1	395.7	388.9	350.9	429.2	577.9	759.9	691.0	524.9	534.8
Volume (Thousand MT)	307	515	427	645	585	889	1,597	1,024	696	734
Price (US\$/MT)	142.2	238.1	173.6	225.1	197.8	230.1	286.4	266.4	237.4	182.3
Other agriculture products 2/	2,157.0	2,163.3	2,459.0	2,865.9	2,956.7	3,863.2	5,388.4	3,842.5	2,929.9	4,027.8
<b>Mining</b>										
Copper	9,790	14,735	17,439	18,101	16,482	21,903	27,526	27,467	23,789	20,545
Volume (Thousand MT)	3,472	5,996	7,219	7,277	5,935	8,879	10,721	10,731	9,821	8,875
Price (US\$/oz)	984.2	980.6	1,243.1	1,243.1	1,246.2	1,405.6	1,262.2	1,405.6	1,404.0	1,402.4
Tin	160.0	277.3	291.9	265.5	216.0	320.6	385.3	346.3	317.3	287.0
Volume (Thousand MT)	301	409	595	663	591	842	776	558	528	540
Price (US\$/oz)	41.8	46.5	47.1	38.3	37.1	39.0	31.9	25.5	23.8	24.6
Iron	326.9	398.7	656.6	785.7	723.4	978.3	1,102.8	991.2	1,004.7	993.3
Volume (millions tm)	216	256	285	6.8	298	523	1,030	845	857	647
Price (US\$/MT)	6.6	6.7	7.2	56.3	6.8	8.0	9.3	9.8	10.4	11.4
Gold	3,095	4,032	4,187	5,586	6,791	7,745	10,235	10,746	8,536	6,729
Volume (millions oz tr.)	6,875.8	6,673.7	5,967.4	6,417.7	6,922.2	6,334.6	6,492.2	6,427.1	6,047.4	5,323.4
Price (US\$/oz tr.)	450.2	604.2	701.7	870.4	974.0	1,222.6	1,576.5	1,671.9	1,411.6	1,264.1
Refined silver	281	480	538	595	214	118	219	210	479	331
Volume (milliones oz tr.)	38.5	41.8	40.4	39.7	16.2	6.2	6.5	6.9	21.2	17.1
Price (US\$/oz tr.)	7.3	11.5	13.3	15.0	13.2	19.2	33.7	30.2	22.6	19.3
Lead 3/	491	713	1,033	1,136	1,116	1,579	2,427	2,575	1,776	1,523
Volume (Thousand MT)	322.8	377.5	416.6	525.0	681.5	770.0	987.7	1,169.7	855.2	768.2
Price (US\$/oz)	69.0	85.6	112.5	98.1	74.3	93.0	111.4	99.9	94.2	89.9
Zinc	805	1,991	2,539	1,468	1,233	1,696	1,523	1,352	1,414	1,504
Volume (Thousand MT)	1,089.8	1,063.2	1,272.7	1,457.1	1,372.5	1,314.1	1,007.3	1,016.3	1,079.0	1,149.2
Price (US\$/oz)	33.5	84.9	90.5	45.7	40.8	58.5	68.6	60.4	59.4	59.3
Molybdenum	1,107	834	991	943	276	492	564	428	356	360
Volume (Thousand MT)	18.6	17.8	16.2	18.3	12.2	16.7	19.5	17.9	18.4	16.5
Price (US\$/oz)	2,700.5	2,120.7	2,781.8	2,343.2	1,023.6	1,336.7	1,314.5	1,086.6	874.1	991.5
Other mining products 4/	21	24	51	48	27	29	31	22	23	38
<b>Oil and natural gas</b>										
Crude oil and derivatives	1,526	1,818	2,306	2,681	1,921	3,088	4,568	4,996	5,271	4,562
Volume (Millions bl.)	32.3	32.7	35.7	31.1	36.8	2,805	3,284	3,665	3,899	3,776
Price (US\$/bl.)	47.2	55.5	64.6	86.1	57.4	76.2	101.8	102.9	98.9	92.2
Natural gas	0	0	0	0	0	284	1,284	1,331	1,372	786
Volume (Thousand m <sup>3</sup> )	0.0	0.0	0.0	0.0	0.0	3,605.1	8,969.2	8,737.5	9,562.1	9,226.6
Price (US\$/m <sup>3</sup> )	n.d.	n.d.	n.d.	n.d.	n.d.	78.6	143.1	152.3	143.5	85.2
<b>Traditional products</b>										
	12,950	18,461	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,686

1/ Preliminary data.  
2/ Comprises coca leaves and derivatives, molasses, wool and furs.  
3/ Includes silver content.  
4/ Includes mainly bismuth and tungsten.  
Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación and companies.  
Elaboración: Gerencia Central de Estudios Económicos.



**Appendix 14**  
**EXPORTS OF NON-TRADITIONAL PRODUCTS**  
(FOB values in millions US\$)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Agriculture and livestock</b>	<b>1,008</b>	<b>1,220</b>	<b>1,512</b>	<b>1,913</b>	<b>1,828</b>	<b>2,203</b>	<b>2,836</b>	<b>3,083</b>	<b>3,444</b>	<b>4,231</b>
Fragrances	178	259	311	472	463	594	888	1,969	1,180	1,628
Various plant products	100	108	135	180	173	225	282	350	390	444
Cereals and its preparations	53	66	77	121	124	127	172	199	253	355
Tea, coffee, cocoa and essences	116	116	151	217	185	196	264	239	251	355
Rest	92	108	125	185	144	195	235	282	288	337
<b>Fishing</b>	<b>323</b>	<b>433</b>	<b>500</b>	<b>622</b>	<b>518</b>	<b>644</b>	<b>1,049</b>	<b>1,017</b>	<b>1,030</b>	<b>1,155</b>
Frozen crustaceans and molluscs	182	202	225	279	231	354	479	423	566	588
Frozen fish and canned products	52	72	127	190	127	149	213	263	242	323
Dried fish	8	12	14	16	14	17	31	28	30	35
Rest	5	6	15	17	16	13	16	31	20	23
<b>Textiles</b>	<b>1,275</b>	<b>1,473</b>	<b>1,736</b>	<b>2,026</b>	<b>1,495</b>	<b>1,561</b>	<b>1,990</b>	<b>2,177</b>	<b>1,928</b>	<b>1,800</b>
Clothes and other garments	1,063	1,209	1,411	1,652	1,174	1,202	1,543	1,641	1,417	1,218
Fabrics	71	95	138	185	174	145	204	312	273	296
Textile fibers	67	81	92	85	69	100	106	85	88	126
Yarns	75	87	95	103	78	114	136	139	151	160
<b>Wood and paper, and its manufacturing</b>	<b>261</b>	<b>333</b>	<b>362</b>	<b>428</b>	<b>336</b>	<b>359</b>	<b>402</b>	<b>438</b>	<b>427</b>	<b>416</b>
Timber	124	168	167	176	126	138	176	177	177	132
Wooden materials	10	14	16	19	16	17	24	27	28	18
Manufacturing of paper and cardboard products	36	52	63	105	101	119	145	173	180	174
Manufacturing of wood products	29	31	29	40	24	27	33	35	35	30
Wooden furnitures	16	16	18	14	7	7	8	7	7	7
Other	1	1	1	0	1	3	6	2	5	6
<b>Chemicals</b>	<b>538</b>	<b>602</b>	<b>805</b>	<b>1,041</b>	<b>838</b>	<b>1,228</b>	<b>1,655</b>	<b>1,636</b>	<b>1,510</b>	<b>1,515</b>
Organic and inorganic chemicals	109	179	256	347	218	288	490	492	414	349
Plastic manufacturing	85	83	103	114	103	131	162	194	193	186
Dyeing, tanning and coloring products	34	43	47	53	41	53	69	94	87	95
Rubber, latex and plastics	34	43	47	53	41	53	69	94	87	95
Essential oils and toiletries	98	56	80	121	107	120	139	208	195	193
Other	153	178	251	332	292	375	492	518	512	580
<b>Non-metallic minerals</b>	<b>118</b>	<b>135</b>	<b>165</b>	<b>176</b>	<b>148</b>	<b>252</b>	<b>492</b>	<b>722</b>	<b>722</b>	<b>664</b>
Cement and construction materials	71	88	105	122	99	89	106	123	149	167
Fertilizers and raw minerals	16	17	22	32	32	33	284	481	467	375
Glass and manufactures	12	13	16	19	27	33	52	60	62	74
Ceramic products	15	15	16	16	18	5	48	7	37	45
Other	15	15	16	19	18	31	42	52	37	45
<b>Basic metal industries and jewelry</b>	<b>483</b>	<b>829</b>	<b>906</b>	<b>909</b>	<b>571</b>	<b>949</b>	<b>1,130</b>	<b>1,201</b>	<b>1,320</b>	<b>1,152</b>
Metals	387	712	715	711	403	611	818	911	1,042	858
Zinc products	87	212	215	154	103	171	284	238	242	268
Iron products	69	80	90	145	123	126	139	177	156	158
Common manufacturing metals	20	47	67	62	43	73	83	88	119	92
Non-ferrous waste	4	7	7	4	5	10	12	11	9	12
Lead products	4	4	14	9	8	11	12	11	10	10
Aluminum products	5	4	14	24	14	62	72	207	202	184
Jewelry	108	112	104	86	64	72	79	84	101	99
Other	14	21	22	21	13	26	38	35	39	38
<b>Metal-mechanic</b>	<b>191</b>	<b>164</b>	<b>220</b>	<b>328</b>	<b>369</b>	<b>393</b>	<b>476</b>	<b>545</b>	<b>544</b>	<b>581</b>
Highway vehicles	5	6	7	9	16	21	39	29	67	53
Industrial machinery, equipment, and parts	23	23	29	51	77	63	57	67	60	77
Electrical appliances, machinery, and parts	22	21	41	53	45	34	53	66	55	45
Iron and steel manufactured article	27	20	30	25	25	32	29	34	27	31
Office machines and data processing	5	15	15	17	7	6	17	13	14	14
Machinery and equipment for civil engineering	7	11	15	18	9	6	19	15	17	17
Machinery and equipment for civil engineering	12	10	10	27	39	54	56	61	76	105
Force generating machinery and equipment	10	10	16	26	31	54	51	44	55	60
Common metal household items	7	7	8	23	10	10	15	13	10	9
Other	72	49	68	84	112	110	160	216	181	188
<b>Others 2/</b>	<b>70</b>	<b>89</b>	<b>107</b>	<b>121</b>	<b>94</b>	<b>110</b>	<b>147</b>	<b>277</b>	<b>143</b>	<b>161</b>
<b>Non-traditional products</b>	<b>4,277</b>	<b>5,279</b>	<b>6,313</b>	<b>7,562</b>	<b>6,196</b>	<b>7,699</b>	<b>10,176</b>	<b>11,197</b>	<b>11,069</b>	<b>11,677</b>

1/ Preliminary data

2/ Includes leathers and handicrafts

Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación and companies.

Elaborated by the Department of Economic Studies, BCRP.



**Appendix 15**  
**IMPORTS BY USE OR ECONOMIC DESTINATION**  
(FOB values in millions US\$)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Consumer goods</b>	<b>2,308</b>	<b>2,616</b>	<b>3,189</b>	<b>4,520</b>	<b>3,962</b>	<b>5,489</b>	<b>6,734</b>	<b>8,252</b>	<b>8,843</b>	<b>8,896</b>
Non-durable	1,338	1,463	1,751	2,328	2,137	2,809	3,489	4,082	4,502	4,655
Main foods	168	184	203	279	177	306	409	568	381	479
Rest	1,170	1,279	1,548	2,049	1,960	2,499	3,080	3,514	4,120	4,176
Durable	970	1,154	1,438	2,192	1,825	2,680	3,245	4,170	4,342	4,241
<b>Inputs</b>	<b>6,600</b>	<b>7,981</b>	<b>10,429</b>	<b>14,556</b>	<b>10,076</b>	<b>14,023</b>	<b>18,332</b>	<b>19,273</b>	<b>19,528</b>	<b>18,815</b>
Fuel, lubricants and related	2,325	2,808	3,631	5,225	2,929	4,063	5,752	5,885	6,454	5,757
Raw materials for agriculture	384	436	588	874	773	868	1,092	1,292	1,244	1,339
Raw materials for industry	3,890	4,738	6,209	8,458	6,374	9,093	11,488	12,096	11,830	11,720
<b>Capital goods</b>	<b>3,064</b>	<b>4,123</b>	<b>5,854</b>	<b>9,233</b>	<b>6,850</b>	<b>9,074</b>	<b>11,730</b>	<b>13,347</b>	<b>13,664</b>	<b>12,913</b>
Materials for construction	305	470	590	1,305	854	1,087	1,449	1,488	1,443	1,422
For agriculture	37	31	50	90	72	80	111	137	131	141
For industry	2,114	2,784	3,958	5,765	4,498	5,539	7,345	8,168	8,327	8,691
Transport equipments	607	838	1,256	2,073	1,426	2,369	2,825	3,554	3,762	2,659
<b>Other goods 2/</b>	<b>110</b>	<b>123</b>	<b>119</b>	<b>140</b>	<b>122</b>	<b>229</b>	<b>356</b>	<b>262</b>	<b>213</b>	<b>185</b>
<b>Total imports</b>	<b>12,082</b>	<b>14,844</b>	<b>19,591</b>	<b>28,449</b>	<b>21,011</b>	<b>28,815</b>	<b>37,152</b>	<b>41,135</b>	<b>42,248</b>	<b>40,809</b>
Memo:										
Temporary admission	275	365	322	361	196	420	698	734	648	326
Free zone 3/	104	104	108	113	110	131	136	140	238	217
<b>Foodstuffs 4/</b>	<b>746</b>	<b>880</b>	<b>1,201</b>	<b>1,703</b>	<b>1,349</b>	<b>1,725</b>	<b>2,304</b>	<b>2,528</b>	<b>2,372</b>	<b>2,459</b>
Wheat	209	224	345	489	346	368	536	516	568	555
Corn and/or sorghum	123	172	258	310	266	372	564	507	502	479
Rice	43	14	31	88	49	55	118	149	110	127
Sugar 5/	68	100	84	72	57	121	138	188	78	80
Dairy products	34	46	60	77	37	81	98	167	127	204
Soybean	246	299	396	625	561	679	795	936	920	946
Meat	23	24	27	42	34	49	55	64	66	68

1/ Preliminary data.

2/ Includes donations fuel and food bought by Peruvian ships and aircrafts, repairs of capital goods and other good, and other goods not considered in the classification used.

3/ Imports into the Tacna Free Trade Zone.

4/ Excludes food donations.

5/ Includes unrefined raw sugar cane, classified as raw material.

Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación, and companies

Elaborated by the Department of Economic Studies, BCRP.



**Appendix 16**  
**TERMS OF TRADE**  
(Year 2007 = 100)

	Exports 1/			Imports 2/			Terms of trade		
	Index	% Chg.	Volume	Index	% Chg.	Volume	Index	% Chg.	Volume
<b>2005</b>	64	18.5	96	86	11.6	72	75	10.4	6.1
<b>2006</b>	88	36.3	97	91	6.4	83	96	15.4	28.1
<b>2007</b>	100	14.1	100	100	9.4	100	100	20.7	4.3
<b>2008</b>	104	3.8	106	117	16.5	125	89	24.6	-10.9
<b>2009</b>	91	-12.7	106	104	-10.6	103	87	-17.4	-2.4
<b>2010</b>	118	30.4	108	112	7.8	131	105	27.3	21.0
<b>2011</b>	144	21.5	115	127	13.3	149	113	13.8	7.2
<b>2012</b>	140	-2.2	120	127	-0.2	165	111	10.9	-2.1
<b>2013</b>	132	-5.7	115	127	0.1	170	104	2.6	-5.7
<b>2014</b>	123	-6.9	114	125	-1.5	166	99	-1.9	-5.4

1/ Weighted according to the structure of trade in the previous year. Laspeyres index.  
Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación and companies.  
Elaborated by the Department of Economic Studies, BCRP.

**Appendix 17**  
**PRIVATE SECTOR FINANCIAL ACCOUNT**  
(Million US\$)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>1. Assets</b>										
Direct investment abroad	-868	-1,327	-1,052	-535	-3,586	-1,304	-1,597	-2,408	-1,291	-4,548
Portfolio investment abroad 2/	0	0	-66	-736	-411	-266	-147	-78	-137	-96
	-868	-1,327	-987	200	-3,176	-1,038	-1,450	-2,330	-1,154	-4,452
<b>2. Liabilities</b>										
Foreign direct investment	1,764	3,822	9,207	10,104	7,786	12,771	10,868	18,200	16,173	11,038
a. Reinvestment	2,579	3,467	5,491	6,924	6,431	8,455	7,665	11,918	9,298	7,885
b. Contributions and other	2,724	2,353	3,835	3,287	5,385	5,317	4,652	7,033	3,764	3,978
capital operations	-145	874	733	2,981	1,828	2,445	896	5,393	2,460	1,487
c. Net loans with parent companies	0	240	924	656	-782	693	2,117	-508	3,075	2,420
Portfolio investment in the country	152	153	831	527	347	378	218	2,246	5,876	2,668
a. Capital participations 3/	25	-45	70	85	47	87	147	-142	585	-79
b. Others liabilities 4/	127	198	761	442	301	291	71	2,389	5,292	2,748
Long-term loans	-967	202	2,885	2,653	1,008	3,939	2,985	4,036	998	485
a. Disbursements	647	728	4,389	3,427	2,167	5,254	4,503	6,841	4,111	4,181
b. Amortization	-1,614	-525	-1,504	-774	-1,158	-1,315	-1,517	-2,805	-3,112	-3,695
<b>3. Total</b>	<b>896</b>	<b>2,495</b>	<b>8,154</b>	<b>9,569</b>	<b>4,200</b>	<b>11,467</b>	<b>9,271</b>	<b>15,792</b>	<b>14,881</b>	<b>6,490</b>
Memo:										
Net Foreign Direct Investment	2,579	3,467	5,425	6,188	6,020	8,189	7,518	11,840	9,161	7,789

1/ Preliminary data.

2/ Equity and other financial assets from other countries acquired by the financial and non-financial sectors. The negative sign implies an increase of assets.

3/ Considers non-residents' net purchases of financial assets listed at Cavali (security settlement institution) through the ISE and placements of American Depositary Receipts (ADRs).

4/ Includes bonds, promissory notes, and securitization instruments expressed in net terms (issuance minus redemption).

Source: BCRP, Cavali S.A., ICLV, Proinversión, and companies.

Elaborated by the Department of Economic Studies, BCRP.



**Appendix 18**  
**INTERNATIONAL INVESTMENT POSITION**  
(Million US\$ at the end-of-period)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Assets</b>										
1. BCRP reserve assets	24,005	31,448	46,189	46,783	55,651	72,066	79,984	100,222	102,092	103,329
2. Financial system assets (excluding BCRP)	14,120	17,329	27,720	31,233	33,175	44,150	48,859	64,049	65,710	62,353
3. Other assets	5,431	8,040	10,333	9,266	14,006	16,606	18,757	22,823	23,778	27,665
	4,454	6,079	8,135	6,284	8,470	11,309	12,368	13,350	12,604	13,312
<b>II. Liabilities</b>										
<b>1. Bonds and private and public external debt 2/</b>	<b>50,936</b>	<b>57,914</b>	<b>79,124</b>	<b>78,657</b>	<b>89,312</b>	<b>114,910</b>	<b>120,571</b>	<b>146,084</b>	<b>154,708</b>	<b>163,438</b>
a. Medium- and long-term debt	28,342	28,387	33,239	34,997	35,157	43,674	48,090	59,376	60,823	64,512
Private sector 3/	25,274	25,167	27,141	28,757	30,431	37,358	41,736	50,435	54,381	57,534
Public sector (i -ii + iii) 4/	3,170	3,566	6,587	9,264	10,314	14,424	17,504	23,982	30,341	33,644
i. External public debt	22,105	21,601	20,555	19,494	20,117	22,934	24,232	26,452	24,039	23,890
ii. Public debt issued abroad	22,279	21,972	20,081	19,237	20,600	19,905	20,204	20,402	18,778	19,764
purchased by residents	943	1,377	1,211	1,401	1,891	1,283	831	957	1,290	1,421
purchased by non-residents	769	1,007	1,685	1,657	1,408	4,313	4,859	7,008	6,552	5,547
iii. Public debt issued locally	3,068	3,220	6,098	6,240	4,726	6,315	6,354	8,941	6,450	6,978
b. Short-term debt										
Financial system (excluding BCRP)	1,038	783	2,395	1,761	1,425	2,514	1,789	4,003	2,026	2,601
BCRP	23	54	921	736	124	45	43	57	47	45
Others 5/	2,007	2,383	2,782	3,743	3,177	3,756	4,523	4,881	4,376	4,333
<b>2. Direct investment</b>	<b>15,889</b>	<b>20,484</b>	<b>26,808</b>	<b>32,340</b>	<b>34,521</b>	<b>42,976</b>	<b>50,641</b>	<b>62,559</b>	<b>71,857</b>	<b>79,707</b>
<b>3. Capital participation</b>	<b>6,705</b>	<b>9,043</b>	<b>19,077</b>	<b>11,319</b>	<b>19,634</b>	<b>28,260</b>	<b>21,840</b>	<b>24,149</b>	<b>22,021</b>	<b>19,219</b>

1/ Preliminary data.

2/ External public debt includes the debt of the central government and state enterprises.

3/ Includes bonds.

4/ Government bonds issued abroad and in the hands of residents are excluded from foreign liabilities of the public sector. Government bonds issued locally, in the hands of non-residents, are included foreign liabilities of this sector.

5/ Includes mainly the short-term debt of the non-financial private sector.

Source: BCRP, MEF, Cavalli ICLV S.A., Proinversión, BIS, and companies.

Elaborated by the Department of Economic Studies, BCRP.

**Appendix 19**  
**INTERNATIONAL INVESTMENT POSITION**  
(% GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. Assets</b>										
1. BCRP reserve assets	32.2	35.8	45.1	38.4	45.7	48.5	46.8	51.9	50.6	51.0
2. Financial system assets (excluding BCRP)	18.9	19.7	27.1	25.6	27.3	29.7	28.6	33.2	32.6	30.8
3. Other assets	7.3	9.2	10.1	7.6	11.5	11.2	11.0	11.8	11.8	13.7
	6.0	6.9	7.9	5.2	7.0	7.6	7.2	6.9	6.2	6.6
<b>II. Liabilities</b>										
<b>1. Bonds and private and public external debt 2/</b>	<b>68.3</b>	<b>66.0</b>	<b>77.3</b>	<b>64.6</b>	<b>73.4</b>	<b>77.3</b>	<b>70.6</b>	<b>75.7</b>	<b>76.7</b>	<b>80.7</b>
a. Medium- and long-term debt	38.0	32.3	32.5	28.7	28.9	29.4	28.2	30.8	30.1	31.8
Private sector 3/	33.9	28.7	26.5	23.6	25.0	25.1	24.4	26.1	26.9	28.4
Public sector (i - ii + iii) 4/	4.2	4.1	6.4	7.6	8.5	9.7	10.3	12.4	15.0	16.6
i. External public debt	29.6	24.6	20.1	16.0	16.5	15.4	14.2	13.7	11.9	11.8
ii. Public debt issued abroad	29.9	25.0	19.6	15.8	16.9	13.4	11.8	10.6	9.3	9.8
purchased by residents	1.3	1.6	1.2	1.1	1.6	0.9	0.5	0.5	0.6	0.7
Public debt issued locally	1.0	1.1	1.6	1.4	1.2	2.9	2.8	3.6	3.2	2.7
purchased by residents	4.1	3.7	6.0	5.1	3.9	4.2	3.7	4.6	3.2	3.4
b. Short-term debt	1.4	0.9	2.3	1.4	1.2	1.7	1.0	2.1	1.0	1.3
Financial system (excluding BCRP)	0.0	0.1	0.9	0.6	0.1	0.0	0.0	0.0	0.0	0.0
BCRP	2.7	2.7	2.7	3.1	2.6	2.5	2.6	2.5	2.2	2.1
Others 5/										
<b>2. Direct investment</b>	<b>21.3</b>	<b>23.3</b>	<b>26.2</b>	<b>26.5</b>	<b>28.4</b>	<b>28.9</b>	<b>29.7</b>	<b>32.4</b>	<b>35.6</b>	<b>39.3</b>
<b>3. Capital participation</b>	<b>9.0</b>	<b>10.3</b>	<b>18.6</b>	<b>9.3</b>	<b>16.1</b>	<b>19.0</b>	<b>12.8</b>	<b>12.5</b>	<b>10.9</b>	<b>9.5</b>

1/ Preliminary data.

2/ External public debt includes the debt of the central government and state enterprises.

3/ Includes bonds.

4/ Government bonds issued abroad and in the hands of residents are excluded from foreign liabilities of the public sector. Government bonds issued locally, in the hands of non-residents, are included foreign liabilities of this sector.

5/ Includes mainly the short-term debt of the non-financial private sector.

Source: BCRP, MEF, Cavali S.A., ICLV, Proinversión, BIS y empresas.

Elaborated by the Department of Economic Studies, BCRP.



**Appendix 20**  
**OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR 1/**  
(Million nuevos soles)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>1. General government current revenues</b>	<b>47,601</b>	<b>60,260</b>	<b>69,565</b>	<b>78,656</b>	<b>72,214</b>	<b>87,148</b>	<b>102,134</b>	<b>113,528</b>	<b>120,785</b>	<b>127,711</b>
a. Tax revenue	36,311	46,574	53,531	59,689	53,890	65,961	77,261	86,097	91,617	97,646
b. Non-tax revenue	11,291	13,685	16,034	18,966	18,325	21,187	24,873	27,431	29,168	30,065
<b>2. General government non-financial expenditure</b>	<b>44,492</b>	<b>48,847</b>	<b>54,777</b>	<b>64,377</b>	<b>73,394</b>	<b>83,169</b>	<b>87,542</b>	<b>97,899</b>	<b>111,770</b>	<b>123,845</b>
a. Current expenditure	37,234	39,578	43,701	48,824	51,921	57,103	63,191	68,948	78,329	89,461
b. Capital expenditure	7,258	9,269	11,075	15,553	21,473	26,066	24,350	28,951	33,440	34,384
<b>3. Others</b>	<b>1,082</b>	<b>1,308</b>	<b>1,017</b>	<b>537</b>	<b>1,242</b>	<b>192</b>	<b>557</b>	<b>1,396</b>	<b>1,748</b>	<b>340</b>
<b>4. Primary balance (1-2+3)</b>	<b>4,192</b>	<b>12,721</b>	<b>15,805</b>	<b>14,816</b>	<b>62</b>	<b>4,171</b>	<b>15,149</b>	<b>17,024</b>	<b>10,763</b>	<b>4,206</b>
<b>5. Interest payments</b>	<b>5,061</b>	<b>5,660</b>	<b>6,007</b>	<b>5,883</b>	<b>5,006</b>	<b>5,083</b>	<b>5,541</b>	<b>5,568</b>	<b>6,090</b>	<b>6,206</b>
a. External debt	4,175	4,337	4,287	3,350	3,101	2,927	2,655	2,755	3,065	2,909
b. Domestic debt	886	1,323	1,720	2,533	1,905	2,156	2,886	2,813	3,025	3,297
<b>6. Overall balance</b>	<b>-870</b>	<b>7,061</b>	<b>9,799</b>	<b>8,932</b>	<b>-4,944</b>	<b>-912</b>	<b>9,608</b>	<b>11,456</b>	<b>4,673</b>	<b>-2,002</b>
<b>7. Net financing</b>	<b>870</b>	<b>-7,061</b>	<b>-9,799</b>	<b>-8,932</b>	<b>4,944</b>	<b>912</b>	<b>-9,608</b>	<b>-11,456</b>	<b>-4,673</b>	<b>2,002</b>
1. Foreign	-3,813	-1,790	-6,398	-3,472	4,069	-2,077	748	-1,388	-4,388	-841
(Million US\$) (a-b+c)	-\$1,167	-\$542	-\$2,085	-\$1,205	\$1,317	-\$728	\$277	-\$531	-\$1,689	-\$284
a. Disbursements	\$2,628	\$609	\$3,384	\$1,165	\$3,225	\$4,261	\$990	\$948	\$348	\$1,428
b. Amortization	\$3,678	\$1,193	\$5,661	\$2,604	\$1,843	\$5,184	\$831	\$1,175	\$2,367	\$1,456
c. Others 2/	-\$117	\$42	\$193	\$234	-\$65	\$195	\$118	-\$304	\$330	-\$256
2. Domestic	4,498	-5,575	-3,850	-5,617	773	2,570	-10,491	-10,094	-1,023	2,809
3. Privatization	185	304	449	156	102	419	135	26	737	34

1/ Preliminary data.

2/ Includes exceptional and short-term financing

Source: MEF, Banco de la Nación, SUNAT, EsSalud, public welfare agencies, local governments, state-owned enterprises, and public institutions. Elaborated by the Department of Economic Studies, BCRP.

**Appendix 21**  
**OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR 1/**  
(% GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>1. General government current revenues</b>	<b>19.3</b>	<b>20.9</b>	<b>21.8</b>	<b>22.1</b>	<b>19.8</b>	<b>20.8</b>	<b>21.7</b>	<b>22.3</b>	<b>22.1</b>	<b>22.2</b>
a. Tax revenue	14.7	16.2	16.7	16.8	14.8	15.7	16.4	16.9	16.8	17.0
b. Non-tax revenue	4.6	4.8	5.0	5.3	5.0	5.0	5.3	5.4	5.3	5.2
<b>2. General government non-financial expenditure</b>	<b>18.0</b>	<b>17.0</b>	<b>17.1</b>	<b>18.1</b>	<b>20.1</b>	<b>19.8</b>	<b>18.6</b>	<b>19.3</b>	<b>20.5</b>	<b>21.5</b>
a. Current expenditure	15.1	13.8	13.7	13.7	14.2	13.6	13.4	13.6	14.4	15.6
b. Capital expenditure	2.9	3.2	3.5	4.4	5.9	6.2	5.2	5.7	6.1	6.0
<b>3. Others</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>
<b>4. Primary balance (1-2+3)</b>	<b>1.7</b>	<b>4.4</b>	<b>4.9</b>	<b>4.2</b>	<b>0.0</b>	<b>1.0</b>	<b>3.2</b>	<b>3.3</b>	<b>2.0</b>	<b>0.7</b>
<b>5. Interest payments</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
a. External debt	1.7	1.5	1.3	0.9	0.8	0.7	0.6	0.5	0.6	0.5
b. Domestic debt	0.4	0.5	0.5	0.7	0.5	0.5	0.6	0.6	0.6	0.6
<b>6. Overall balance</b>	<b>-0.4</b>	<b>2.5</b>	<b>3.1</b>	<b>2.5</b>	<b>-1.4</b>	<b>-0.2</b>	<b>2.0</b>	<b>2.3</b>	<b>0.9</b>	<b>-0.3</b>
<b>7. Net financing</b>	<b>0.4</b>	<b>-2.5</b>	<b>-3.1</b>	<b>-2.5</b>	<b>1.4</b>	<b>0.2</b>	<b>-2.0</b>	<b>-2.3</b>	<b>-0.9</b>	<b>0.3</b>
1. Foreign (a-b+c)	-1.5	-0.6	-2.0	-1.0	1.1	-0.5	0.2	-0.3	-0.8	-0.1
a. Disbursements	3.5	0.7	3.3	1.0	2.7	2.9	0.6	0.5	0.2	0.7
b. Amortization	4.9	1.4	5.5	2.1	1.5	3.5	0.5	0.6	1.1	0.7
c. Others 2/	-0.2	0.0	0.2	0.2	-0.1	0.1	0.1	-0.2	0.2	-0.1
2. Domestic	1.8	-1.9	-1.2	-1.6	0.2	0.6	-2.2	-2.0	-0.2	0.5
3. Privatization	0.1	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0

1/ Preliminary data.

2/ Includes exceptional and short-term financing.

Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, public welfare agencies, local governments, state-owned enterprises, and public institutions. Elaborated by the Department of Economic Studies, BCRP.



**Appendix 22**  
**NET DEBIT OF NON-FINANCIAL PUBLIC SECTOR**

Years	Million nuevos soles			% GDP		
	Assets	Liabilities	Net debt	Assets	Liabilities	Net debt
<b>2005</b>	20,792	102,938	82,146	8.4	41.7	33.2
<b>2006</b>	25,435	97,586	72,151	8.8	33.9	25.1
<b>2007</b>	38,061	95,604	57,543	11.9	29.9	18.0
<b>2008</b>	45,649	95,674	50,025	12.8	26.9	14.1
<b>2009</b>	47,003	99,215	52,212	12.9	27.2	14.3
<b>2010</b>	50,852	102,150	51,298	12.1	24.3	12.2
<b>2011 1/</b>	63,531	103,856	40,325	13.5	22.1	8.6
<b>2012 1/</b>	78,612	103,810	25,198	15.5	20.4	5.0
<b>2013 1/</b>	87,023	107,044	20,021	16.0	19.6	3.7
<b>2014 1/</b>	92,852	115,386	22,534	16.1	20.1	3.9

1/ Preliminary data.  
Source: BCRP and MEF.  
Elaborated by the Department of Economic Studies. BCRP.



**Appendix 23**  
**EVOLUTION OF LIQUIDITY AND CREDIT TO THE PRIVATE SECTOR 1**  
 (% GDP)

	Currency	Money	Quasi money	Broad money in domestic currency	Broad money in foreign currency	Total broad money	Credit to the private sector in domestic currency	Credit to the private sector in foreign currency	Total credit to the private sector
<b>2005</b>	4.1	6.3	5.2	11.4	13.3	24.7	7.3	14.6	21.9
<b>2006</b>	4.1	6.6	5.0	11.6	12.1	23.7	8.2	12.5	20.8
<b>2007</b>	4.6	7.7	6.4	14.0	12.2	26.2	10.3	13.6	23.9
<b>2008</b>	4.9	8.1	7.9	16.0	13.5	29.6	13.6	15.3	28.9
<b>2009</b>	5.3	9.1	8.8	17.9	12.9	30.8	15.6	13.7	29.3
<b>2010</b>	5.7	10.2	10.2	20.3	12.3	32.6	16.4	14.1	30.5
<b>2011</b>	5.8	10.4	10.8	21.2	12.3	33.5	17.7	14.3	31.9
<b>2012</b>	6.4	11.3	12.8	24.2	10.7	34.9	19.0	14.3	33.4
<b>2013</b>	6.4	11.3	13.6	24.9	12.3	37.1	21.6	14.9	36.5
<b>2014</b>	6.8	11.8	14.2	26.0	12.4	38.4	24.2	15.0	39.3

1/ Data at end-of-period.

Source: Depository institutions.

Elaborated by the Department of Economic Studies, BCRP.



**Appendix 24**  
**EVOLUTION OF LIQUIDITY AND CREDIT TO THE PRIVATE SECTOR 1/**  
 (% change)

	Currency	Money	Quasi money	Broad money in domestic currency	Broad money in foreign currency	Total broad money	Credit to the private sector in domestic currency	Credit to the private sector in foreign currency	Total credit to the private sector
<b>2005</b>	28.5	29.5	40.9	34.4	2.7	14.9	20.4	2.7	7.5
<b>2006</b>	17.3	17.0	17.3	17.1	14.3	15.6	37.2	4.5	14.5
<b>2007</b>	24.6	29.7	35.9	32.5	9.4	19.9	35.9	11.6	20.5
<b>2008</b>	28.5	32.2	58.3	44.2	9.5	27.0	42.9	18.8	28.7
<b>2009</b>	8.2	8.1	8.4	8.2	21.3	13.8	32.2	7.9	19.0
<b>2010</b>	20.7	28.0	23.7	25.8	-1.4	13.4	19.3	5.0	12.3
<b>2011</b>	19.9	18.6	24.3	21.5	14.9	18.9	20.8	29.3	24.7
<b>2012</b>	15.2	17.6	27.1	22.4	1.0	14.2	17.8	1.7	10.1
<b>2013</b>	15.2	13.8	22.7	18.5	8.2	15.0	18.4	10.7	15.0
<b>2014</b>	9.2	5.7	8.8	7.4	15.4	9.9	21.4	7.6	15.6

1/ Data at end-of-period.  
 Source: Depository institutions.  
 Elaborated by the Department of Economic Studies. BCRP.

**Appendix 25**  
**MONETARY ACCOUNTS OF THE DEPOSITORY INSTITUTIONS 1/**  
(Million nuevos soles)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>I. SHORT-TERM EXTERNAL ASSETS (Million US\$)</b>	<b>48,030</b>	<b>56,511</b>	<b>79,503</b>	<b>98,480</b>	<b>96,516</b>	<b>126,018</b>	<b>132,815</b>	<b>158,915</b>	<b>185,568</b>	<b>187,837</b>
A. Assets	14,003	17,660	26,501	31,363	33,397	44,846	49,191	62,320	66,274	63,032
B. Liabilities	51,349	58,683	85,824	103,294	100,126	128,771	136,939	168,259	190,230	194,062
	3,319	2,172	6,321	4,814	3,609	2,753	4,124	9,344	4,662	6,225
<b>II. OTHER NET OPERATIONS ABROAD (Million US\$) 2/</b>	<b>758</b>	<b>638</b>	<b>-8,920</b>	<b>-13,745</b>	<b>-9,631</b>	<b>-18,071</b>	<b>-21,575</b>	<b>-27,093</b>	<b>-33,353</b>	<b>-36,337</b>
A. Credits	233	133	-1,996	-3,334	-2,817	-5,916	-7,398	-10,625	-11,912	-12,193
B. Liabilities	4,747	5,142	4,719	4,784	5,377	4,979	5,008	5,192	5,561	5,645
	3,989	4,504	13,639	18,528	15,008	23,050	26,583	32,285	38,914	41,981
<b>III. DOMESTIC CREDIT (A+B+C+D) (Million US\$)</b>	<b>12,315</b>	<b>10,967</b>	<b>13,234</b>	<b>20,513</b>	<b>25,536</b>	<b>28,885</b>	<b>46,219</b>	<b>44,903</b>	<b>50,634</b>	<b>69,156</b>
A. Public sector	-14,092	-17,595	-29,767	-36,287	-34,740	-41,179	-53,115	-68,663	-72,552	-73,771
1. Credits	6,969	6,211	6,662	7,613	10,642	8,090	8,916	8,336	12,852	16,316
- Central government	6,602	5,983	6,465	6,820	10,050	7,583	8,185	7,890	11,432	14,751
- Rest of the public sector	367	228	197	793	592	507	730	445	1,420	1,565
2. Deposits	21,061	23,806	36,429	43,900	45,382	49,269	62,031	76,999	85,404	90,087
- Central government	11,817	13,830	21,418	29,553	31,897	36,068	47,988	59,428	66,113	71,275
- Rest of the public sector	9,244	9,976	15,011	14,347	13,484	13,201	14,042	17,570	19,291	18,812
B. Private sector	52,610	57,027	74,150	99,257	104,189	121,587	147,861	167,588	198,356	225,187
Domestic currency	18,124	23,708	32,849	48,268	56,925	68,981	83,034	96,346	117,858	139,260
Foreign currency	34,486	33,319	41,302	50,989	47,263	52,606	64,828	71,242	80,498	85,927
(Million US\$)	10,054	10,412	13,767	16,239	16,354	18,721	24,010	27,938	28,749	28,835
C. Capital, reserves, provisions, and balances	24,446	25,336	28,907	35,128	38,815	42,864	45,684	49,537	52,437	56,238
D. Others Assets and Liabilities (Net)	-1,756	-3,128	-2,242	-7,329	-5,097	-8,659	-2,844	-4,486	-22,732	-26,022
<b>IV. MONETARY LIABILITIES WITH PRIVATE SECTOR (I+II+III) (Million US\$)</b>	<b>61,104</b>	<b>68,116</b>	<b>83,818</b>	<b>105,249</b>	<b>112,422</b>	<b>136,832</b>	<b>157,459</b>	<b>176,725</b>	<b>202,849</b>	<b>220,656</b>
A. DOMESTIC CURRENCY	28,264	33,340	44,866	57,083	65,324	85,366	99,520	122,476	135,817	149,498
1. Money	15,489	18,975	24,476	28,930	33,147	42,651	48,766	57,488	61,792	68,080
Notes and coins held by the public	10,036	11,688	14,858	17,336	19,241	24,131	27,261	32,244	35,144	39,173
Demand deposits in domestic currency	5,453	7,288	9,618	11,595	13,905	18,519	21,505	25,244	26,647	28,908
2. Quasi money	12,776	14,364	20,390	28,153	32,178	42,715	50,754	64,988	74,026	81,418
Saving deposits	5,739	6,613	8,534	11,659	13,808	18,084	22,409	26,935	31,016	35,571
Term deposits	6,358	6,962	10,921	15,517	17,532	23,672	26,617	35,773	40,236	42,735
Other securities	679	790	936	978	838	959	1,727	2,279	2,774	3,112
B. QUASI MONEY IN FOREIGN CURRENCY (Million US\$)	32,840	34,776	38,952	48,165	47,097	51,467	57,939	54,250	67,031	71,158
	9,574	10,868	12,984	15,339	16,297	18,316	21,459	21,274	23,940	23,879

1/ Foreign currency is valued at the average bid and ask exchange rate at the end of period.

2/ Balance of operations in foreign currency.

3/ Preliminary data.

Source: Depository institutions.

Elaborated by the Department of Economic Studies. BCRP.



**Appendix 26**  
**NOMINAL AND REAL INTEREST RATES IN DOMESTIC CURRENCY AND FOREIGN CURRENCY**  
 (Annual effective rate at year-end)

	DOMESTIC CURRENCY						FOREIGN CURRENCY																																	
	Average lending rate (TAMIN)		Loans up to 360 days 1/		Average deposits rate (TIPMN)		Savings		Interbank rate		Average lending rate (TAMEX)		Loans up to 360 days 1/		Average deposits rate (TIPMEX)		Savings		Interbank rate																					
	Nominal	Real 2/	Nominal	Real 2/	Nominal	Real 2/	Nominal	Real 2/	Nominal	Real 2/	Nominal	Real 3/	Nominal	Real 3/	Nominal	Real 3/	Nominal	Real 3/	Nominal	Real 3/	Nominal	Real 3/																		
<b>2005</b>	23.6	21.8	13.9	12.3	2.6	1.1	1.2	-0.3	3.3	1.8	10.4	13.5	9.4	12.5	1.8	4.7	0.6	3.4	4.2	7.1	23.6	21.8	13.9	12.3	2.6	1.1	1.2	-0.3	3.3	1.8	10.4	13.5	9.4	12.5	1.8	4.7	0.6	3.4	4.2	7.1
<b>2006</b>	23.1	21.7	13.8	12.5	3.2	2.0	1.4	0.3	4.5	3.3	10.8	2.5	10.1	1.8	2.2	-5.5	0.7	-6.8	5.4	-2.5	23.1	21.7	13.8	12.5	3.2	2.0	1.4	0.3	4.5	3.3	10.8	2.5	10.1	1.8	2.2	-5.5	0.7	-6.8	5.4	-2.5
<b>2007</b>	22.3	17.7	13.2	9.0	3.3	-0.6	1.5	-2.4	5.0	1.0	10.5	-1.2	9.7	-1.8	2.5	-8.3	0.8	-9.8	5.9	-5.2	22.3	17.7	13.2	9.0	3.3	-0.6	1.5	-2.4	5.0	1.0	10.5	-1.2	9.7	-1.8	2.5	-8.3	0.8	-9.8	5.9	-5.2
<b>2008</b>	23.0	15.3	15.2	8.1	3.8	-2.6	1.4	-4.9	6.5	-0.1	10.5	8.3	9.9	7.6	1.9	-0.2	0.8	-1.2	1.0	-1.1	23.0	15.3	15.2	8.1	3.8	-2.6	1.4	-4.9	6.5	-0.1	10.5	8.3	9.9	7.6	1.9	-0.2	0.8	-1.2	1.0	-1.1
<b>2009</b>	19.9	19.7	11.1	10.9	1.6	1.3	0.7	0.5	1.2	1.0	8.6	0.1	6.4	-1.9	0.9	-7.0	0.4	-7.4	0.2	-7.6	19.9	19.7	11.1	10.9	1.6	1.3	0.7	0.5	1.2	1.0	8.6	0.1	6.4	-1.9	0.9	-7.0	0.4	-7.4	0.2	-7.6
<b>2010</b>	18.7	16.3	4.4	2.3	1.8	-0.3	0.5	-1.5	3.0	0.9	8.5	4.0	2.7	-1.5	0.8	-3.4	0.3	-3.8	1.1	-3.1	18.7	16.3	4.4	2.3	1.8	-0.3	0.5	-1.5	3.0	0.9	8.5	4.0	2.7	-1.5	0.8	-3.4	0.3	-3.8	1.1	-3.1
<b>2011</b>	18.9	13.5	5.6	0.8	2.5	-2.2	0.6	-4.0	4.2	-0.5	7.8	-1.5	2.7	-6.1	0.7	-8.0	0.3	-8.3	0.3	-8.3	18.9	13.5	5.6	0.8	2.5	-2.2	0.6	-4.0	4.2	-0.5	7.8	-1.5	2.7	-6.1	0.7	-8.0	0.3	-8.3	0.3	-8.3
<b>2012</b>	19.1	16.0	5.5	2.8	2.4	-0.3	0.6	-2.0	4.2	1.6	8.2	0.3	3.7	-3.9	0.9	-6.4	0.3	-7.0	1.2	-6.2	19.1	16.0	5.5	2.8	2.4	-0.3	0.6	-2.0	4.2	1.6	8.2	0.3	3.7	-3.9	0.9	-6.4	0.3	-7.0	1.2	-6.2
<b>2013</b>	15.9	12.7	5.2	2.3	2.3	-0.6	0.5	-2.3	4.1	1.2	8.0	14.0	2.6	8.3	0.4	5.9	0.3	5.8	0.2	5.7	15.9	12.7	5.2	2.3	2.3	-0.6	0.5	-2.3	4.1	1.2	8.0	14.0	2.6	8.3	0.4	5.9	0.3	5.8	0.2	5.7
<b>2014</b>	15.7	12.1	5.6	2.3	2.3	-0.9	0.5	-2.6	3.8	0.6	7.5	10.8	2.4	5.5	0.4	3.4	0.2	3.2	0.2	3.2	15.7	12.1	5.6	2.3	2.3	-0.9	0.5	-2.6	3.8	0.6	7.5	10.8	2.4	5.5	0.4	3.4	0.2	3.2	0.2	3.2

1/ Since 2010, corresponds to corporate credits.

2/ Nominal interest rate minus last twelve month inflation.

3/ Nominal interest rate adjusted to last 12-month exchange rate variations minus last 12-month inflation.

Source: SBS and BCRP.

Elaborated by the Department of Economic Studies. BCRP.

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