External Sector II

1. International Environment

In 2015 the world economy grew 3.1 percent, a lower growth rate than in 2014 (3.4 percent) and the lowest rate recorded since 2009. While the economic performance of the developed countries was slightly better than that in the previous year (1.9 percent), growth in the emerging economies slowed down (4.0 percent) and some economies (Brazil and Russia) showed a contraction.

Global economic activity was affected by two main factors: firstly, expectations that the Federal Reserve would raise its interest rate in the United States generated volatility in financial markets, affecting especially the emerging economies which had to face capital outflows and, as a result, a depreciation of their currencies against the dollar.

Secondly, a series of developments generated uncertainty in financial markets about the recovery of the world economy and increased risk aversion during 2015, events associated with the evolution of the Chinese economy standing out: uncertainty about the degree of China's economic slowdown, the decline of China's stock market, and the depreciation of the yuan in August 2015 to make China's foreign exchange regime more flexible. Together with the decline registered in speculative positions in higher risk assets, the evolution of the Chinese economy caused a generalized reduction in commodity prices which, in Peru, reflected in the decline of the terms of trade (6.3 percent) for a fourth consecutive year.

Global Economic Activity

Showing a slight growth for the second consecutive year, the developed economies grew 1.9 percent, with the growth rate recorded in the United States (2.4 percent) and the recovery of the euro area (in particular Spain) standing out. The emerging economies, on the other hand, recorded a growth rate of 4.0 percent, a lower rate than in the previous year (4.6 percent) and the lowest rate since 2009.

This slowdown was almost general in the emerging market economies and affected countries such as China –the largest economy in the world since 2014 which accounted for 17 percent of the world output in 2015– as well as others, such as Brazil and Russia, which registered significant declines in their levels of economic activity.

Table 14
GLOBAL GROWTH
(Annual % change)

	% PPP 2015	Peru's trading % 2015	2013	2014	2015
Developed countries	**42.4**	**47.4**	**1.1**	**1.8**	**1.9**
Of which:					
1. USA	15.9	17.5	1.5	2.4	2.4
2. Eurozone	12.0	11.0	-0.3	0.9	1.6
Germany	3.4	2.8	0.4	1.6	1.5
France	2.3	0.9	0.7	0.2	1.1
Italy	1.9	1.7	-1.7	-0.3	0.8
Spain	1.4	2.5	-1.7	1.4	3.2
3. Japan	4.3	3.0	1.4	0.0	0.4
4. United Kingdom	2.4	1.1	2.2	2.9	2.2
5. Canada	1.4	4.4	2.2	2.5	1.2
Developing countries	**57.6**	**52.6**	**4.9**	**4.6**	**4.0**
Of which:					
1. Developing Asia	30.9	26.9	6.9	6.8	6.6
China	17.2	22.2	7.7	7.3	6.9
India	7.1	2.2	6.6	7.2	7.3
2. Common wealth of Independent States	4.4	0.7	2.2	1.0	-2.6
Russia	3.1	0.5	1.3	0.6	-3.7
3. Latin America and the Caribbean	8.3	23.2	2.9	1.3	-0.1
Brazil	2.8	4.1	2.7	0.1	-3.8
Chile	0.4	3.2	4.3	1.9	2.1
Colombia	0.6	3.0	4.9	4.6	3.1
Mexico	2.0	3.4	1.4	2.1	2.5
Peru	0.3	-	5.8	2.4	3.3
World Economy	**100.0**	**100.0**	**3.3**	**3.4**	**3.1**
Memo:					
Trading partners 1/	66.2		3.5	3.6	3.1
BRICs 2/	30.2		6.2	5.8	4.9

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

The GDP in the **United States** grew 2.4 percent in 2015, a rate similar to that recorded in 2014. The output growth recovered a greater dynamism in the second quarter of the year after the slowdown registered as a result of the drop in the price of oil, the strengthening of the dollar, and labor problems in the West Coast ports. Personal consumption continued to lead growth, with an annual contribution of 2.1 percentage points, while net exports had a negative contribution of 0.6 percentage points. During 2015, the U.S. economy continued to be affected by the appreciation of the dollar and by the weakness of growth in the energy sector.

Table 15
USA: GROWTH
(Annual % change)

	2013	2014	2015
GDP	**1.5**	**2.4**	**2.4**
Personal consumption	1.7	2.7	3.1
Gross investment	4.5	5.4	4.9
Fixed investment	4.2	5.3	4.0
Non-Residential	3.0	6.2	2.8
Residential	9.5	1.8	8.9
Exports	2.8	3.4	1.1
Imports	1.1	3.8	4.9
Government expenditure	-2.9	-0.6	0.7

Source: BEA.

Consumption grew 3.1 percent in 2015 (vs. 2.7 percent in 2014), supported by better conditions in the labor market and by the continuous recovery of the housing market. Moreover, 2.7 million jobs (the second largest increase after the crisis) were created in 2015 and the unemployment rate fell by 60 basis points to 5 percent, a rate close to the long-term rate estimated by the Fed.

Inflation accumulated an increase of 0.7 percent in the year while inflation excluding food and energy showed a rate of 2.1 percent.

In this context of better employment conditions and higher inflation, the Fed announced that its first interest rate rise at the end of 2015 would be in the range of 0.25 to 0.5 percentage points. In addition, as part of the gradual withdrawal of monetary stimulus, the Fed ended its asset purchase program in 2014.

In 2015 the economy in the **Eurozone** recorded its second consecutive year of growth (1.6 percent vs. 0.9 percent in 2014). Increased economic activity was almost general in the 19 countries that make up this block, except for a few cases such as Greece and Cyprus, whose economies declined 0.2 percent and 2.5 percent, respectively. On the other hand, Spain (3.2 percent) stands out again in terms of the economies that showed an economic recovery.

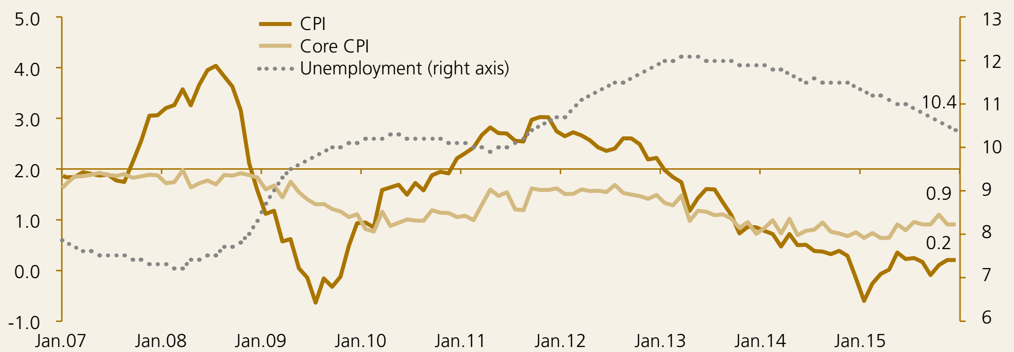
On the side of spending, this growth is explained by the recovery of domestic demand, while the net external demand, on the other hand, showed a negative evolution (-0.1 points of GDP). Private consumption, which grew 1.7 percent, continued to be driven by better conditions in the labor market and by low rates of inflation.

The growth of investment (2.7 percent) was supported by better credit conditions, which reflected in part the impact of the stimulus programs adopted by the European Central Bank (ECB), but was offset by the decline of business confidence (since the second half of the year) associated with fears of a slowdown in the emerging economies and with volatility in the financial markets. Government spending, which grew 1.3 percent, reflected support policies for migrants, especially in Germany, as well as the maintenance of a non-restrictive fiscal position.

Inflation in the Eurozone recorded 0.2 percent and core inflation recorded a rate of 0.9 percent, levels below the 2 percent comfort level of the ECB. While negative inflation rates were mainly observed in the first quarter, low inflation levels continued fueling fears of deflation.

In January 2015, the ECB decided to expand its asset-purchase program to include government bonds –sovereign and agency bonds– for a total of € 60 billion per month, and in December it cut again its deposit rate by 10 basis points (to -0.30 percent) and extended its asset purchase program from September 2016 to March 2017, maintaining the same amount of monthly purchases.

Graph 21
EUROZONE: ANNUAL INFLATION AND UNEMPLOYMENT RATE
(%)



Source: Bloomberg.

Japan GDP grew 0.5 percent, affected by the continued weakness of its domestic demand. Private consumption, which had a contraction of 1.2 percent in the year, was affected by deflationary fears and by the slow increase of salaries (in spite of the improvements observed in labor conditions and the increase recorded in business earnings).

External demand was affected by the slowdown in China and in other Asian trade partners in 2015. Exports grew 2.7 percent in 2015 (after growing 8.3 percent in 2014), while imports grew 0.2 percent, reflecting the lower dynamism of domestic demand. Moreover, Government spending grew 1.2 percent during the year thanks to the approval of a supplemental Government budget.

The evolution of core inflation (indicator that excludes fresh food), which showed a downward trend with a growth rate of 0.2 percent in the year, was influenced by the slow pace of growth of domestic demand and wages as well as by low oil prices.

China's economy grew 6.9 percent in 2015. This slower pace of growth is consistent with the economic adjustments and with the progress of the reforms being implemented in this economy with the aim of re-orienting it towards a more sustainable growth in the long term.

On the side of spending, the slowdown is explained by the lower dynamism of net exports and investment. In the case of the latter, investment in the real estate sector (which represents 17.4 percent of GDP) was affected by high inventories of homes, while manufacturing investment (which represents 32.7 percent of GDP) was affected by excess installed capacity.

The slowdown in activity was accompanied by low inflation, in line with the lower prices of commodities, excessive idle capacity, and weak domestic demand. At year-end, the rate of accumulated CPI inflation was 1.6 percent, core inflation was 1.5 percent, and average inflation was 1.4 percent. All of these rates were below the Government's annual target of 3 percent.

Increased concerns that the economy would experience a sharp slowdown in activity and deflationary pressures led the Government to take further fiscal and monetary policy measures and to foster a gradual progress in the implementation of reforms. In the fiscal area, the Government continued with a series of stimulus measures for the development of infrastructure, water and electricity works, and housing projects for the most vulnerable social sectors, and also extended tax incentives to small and medium-sized enterprises. Moreover, the Central Bank cut its policy interest rate (on five occasions and by a total of 125 basis points) and its rate of reserve requirements in general (on four occasions, by a total of 250 basis points). Other measures associated with a greater liberalization of the foreign exchange market and stock markets were also noteworthy, particularly after it was accepted that the local currency would be included as one of the IMF Special Drawing Rights (SDRs) as from October 2016.

The **Latin American** economies recorded a contraction of 0.1 percent, the first GDP reduction in the region after the financial crisis. The countries that showed output contractions were Venezuela (economic crisis), Brazil (fiscal adjustments and political crisis), Ecuador (drop of oil prices), and Argentina (due to recent economic adjustments).

The external factors that affected the region included the slowdown in China's growth, expectations about the normalization of monetary policy in the United States, and the decline of commodity prices, particularly the drop in oil prices. On the side of the internal factors, investment and private consumption slowed down in most countries of the region amid a context in which there was a limited margin of action due to the impact of shocks on fiscal accounts and the evolution of inflation.

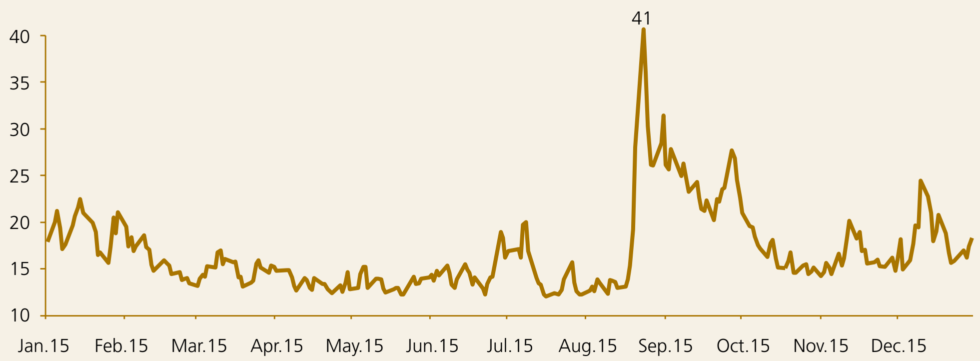
In 2015 inflation in the main countries with inflation targeting showed levels above the targets (except in Mexico) due mainly to the pass-through effect of the depreciation of their currencies on prices and to the increase of food prices as a result of the effects of El Niño. In some countries, the rise in prices was not so strong due to the decrease observed in the prices of fuels, which reflected the fall in the international price of crude oil.

Financial Markets

In 2015 **international financial markets** were affected by expectations regarding the beginning of the Fed cycle of interest rate rises, as well as by risk aversion due to concerns of a weak performance in the global economy. These factors strengthened the dollar against most currencies (continuing the trend observed since 2014), which affected the behavior of stock exchange markets and increased the yield of fixed income securities.

It should be pointed out that market volatility declined by year end due to the stabilization of oil prices and due to expectations that accommodative measures would be taken by the major central banks (the European Central Bank, the Bank of Japan, and China's Central Bank).

Graph 22
VIX INDEX
(January - December 2015)



Source: Bloomberg.

In the **sovereign debt markets**, the yields of developed economies' sovereign bonds rose due to various reasons: in the United States, due to the expectations of interest rate rises; in Germany, due to the significant recovery registered by the German economy, and in the United Kingdom, due to uncertainty about the situation of the UK in the European Union. On the other hand, however, the yields of some securities of the Eurozone economies declined as a result of the ECB stimulus programs (Italy) and of the better political situation (Greece, after the signing of the third bailout program). In contrast, the increase in the yields of sovereign bonds was more significant in the emerging economies in a context characterized by tighter credit conditions (associated with expectations of rate rises by the Fed) and with the deterioration of their growth outlook.

Table 16
TREASURY SOVEREIGN BONDS YIELDS - 10 YEARS IN DOMESTIC CURRENCY
(%, end-of-period)

	Dec. 13	Dec. 14	Dec. 15	Chg. In bps.		
				2013	2014	2015
USA	3.03	2.17	2.27	127	-86	10
Germany	1.93	0.54	0.63	61	-139	9
France	2.55	0.82	0.99	57	-173	16
Italy	4.08	1.88	1.59	-41	-221	-29
Spain	4.13	1.60	1.77	-110	-253	17
Greece	8.27	9.42	8.07	-341	115	-135
United Kingdom	3.02	1.76	1.96	120	-127	20
Japan	0.74	0.32	0.26	-5	-41	-6
Brazil	10.88	12.36	16.51	171	149	415
Colombia	6.77	7.10	8.66	129	33	156
Chile	5.21	3.99	4.66	-28	-122	67
Mexico	6.43	5.83	6.26	107	-60	43
Peru	**5.55**	**5.41**	**7.31**	**146**	**-14**	**189**
South Africa	7.89	7.96	9.76	112	6	181
Israel	3.65	2.31	2.10	-34	-134	-21
Turkey	10.15	7.86	10.46	360	-230	261
China	4.62	3.65	2.86	103	-97	-79
South Korea	3.60	2.63	2.08	44	-98	-55
Indonesia	8.38	7.75	8.69	323	-63	94
Thailand	3.90	2.69	2.49	39	-120	-20
Malaysia	4.13	4.12	4.19	63	-1	7
Philippines	3.60	3.86	4.10	-55	26	24

Source: Bloomberg.

Most of the **stock markets** showed losses at the end of the year, affected by the negative outlook on global growth, although some showed some recovery towards the end of the year as a result of the actions taken by central banks in Europe, Japan, and China. This evolution was due mainly to the fall recorded in August, influenced by the devaluation of the yuan, and the fall of oil prices. Assets in sectors such as mining and energy were affected worldwide by the fall of commodity prices.

Table 17
STOCK MARKETS
(End-of-period)

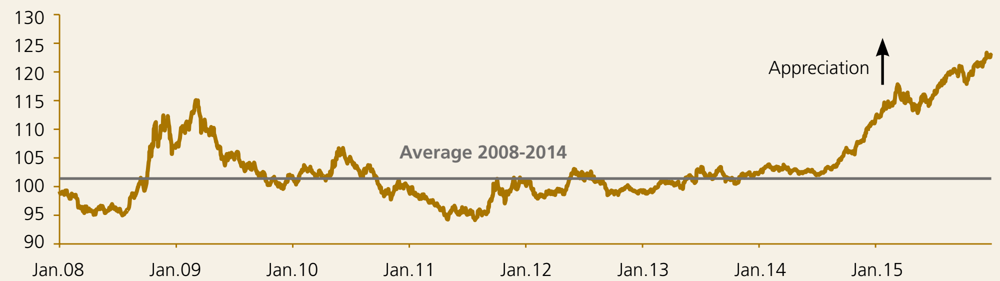
		Annual % chg.		
		2013	**2014**	**2015**
VIX	S&P'500	-4.3	5.5	-1.0
USA	Dow Jones	26.5%	7.5%	-2.2%
Brazil	Bovespa	-15.5%	-2.9%	-13.3%
Argentina	Merval	88.9%	59.1%	36.1%
Mexico	CPI	-2.2%	1.0%	-0.4%
Chile	IGP	-13.5%	3.5%	-3.8%
Colombia	IGBC	-11.2%	-11.0%	-26.5%
Peru	General index	-23.6%	-6.1%	-9.6%
United Kingdom	FTSE 100	14.4%	-2.7%	-4.9%
Germany	DAX	25.5%	2.7%	9.6%
France	CAC 40	18.0%	-0.5%	8.5%
Spain	IBEX 35	21.4%	3.7%	-7.2%
Italy	FTSE MIB	16.6%	0.2%	12.7%
Russia	RTSI$	-5.5%	-45.2%	-4.3%
Turkey	XU100	-13.3%	26.4%	-16.3%
South Africa	JSE	17.8%	7.6%	1.9%
Nigeria	NSEAS Index	47.2%	-16.1%	-17.4%
Japan	Nikkei 225	56.7%	7.1%	9.1%
Indonesia	JCI	-1.0%	22.3%	-12.1%
India	S&P CNX Nifty	6.8%	31.4%	-4.1%
China	Shangai C.	-6.7%	52.9%	9.4%

Source: Bloomberg.

In **currency markets**, the dollar maintained the appreciation trend it showed in the previous year mainly as a result of expectations of a Fed rate hike and of its condition of hedge asset during periods of risk aversion. The appreciation of the dollar was widespread, but the appreciation of the U.S currency was greater against the currencies of emerging market economies in the context marked by greater volatility and greater risk aversion.

In the year, according to the index basket that makes the Fed –which considers the currencies of its main trading partners– the dollar appreciated 10.6 percent. Between the currencies of the developed economies, the euro was the currency that depreciated more (10.2 percent), following the steps given by the European Central Bank. The pound depreciated to a lesser extent (5.4 percent) and the yen closed with slight depreciation (0.5 percent), compared to the prior year.

Graph 23
US DOLLAR BASKET INDEX*
(January 2008 - December 2014)



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

Like the currencies of other emerging economies, the Latin American currencies depreciated due to the lower flow of capital, the signs of economic slowdown in most economies, and the lower commodity prices, the currencies recording the higher depreciation rates being the Brazilian real

(49.0 percent) –affected also by political instability factors– and the Colombian peso (32.7 percent), which was particularly affected by the fall in the price of oil.

Table 18
TIPOS DE CAMBIO
(UM por US$)

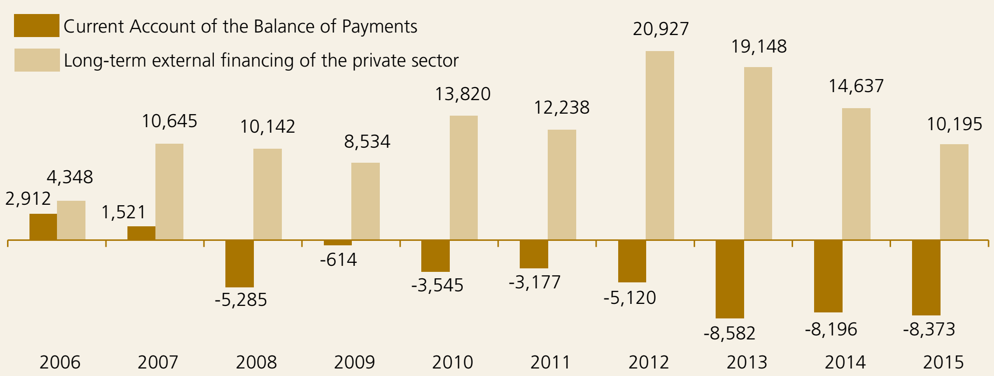
			Annual % chg.		
		Dec.15	2013	2014	2015
US dollar index *	FED basket	122.98	2.7	9.2	10.5
Eurozone	Euro (US$xEu)	1.086	4.2	-12.0	-10.2
United Kingdom	Pound (US$xL)	1.474	1.9	-5.9	-5.4
Japan	Yen	120.34	21.4	13.7	0.5
Australia	Dollar (US$xAu)	0.73	-14.2	-8.4	-10.9
Switzerland	Swiss Franc (FSxUS$)	1.00	-2.5	11.3	0.8
Argentina	Peso	12.94	32.6	31.3	51.2
Brazil	Real	3.962	15.3	12.5	49.1
Chile	Peso	709	9.7	15.6	16.8
Colombia	Peso	3,180	9.2	23.7	33.1
Mexico	Peso	17.19	1.4	13.1	16.5
Peru	Sol	3.42	7.6	7.0	14.6
China	Yuan	6.50	-2.8	2.5	4.6
Sweden	Crown	8.45	-0.9	21.1	8.3
Ukraine	Hrivnia	24.10	2.4	92.3	51.9
India	Ruppe	66.22	12.4	2.0	5.0
Indonesia	Ruppe	13,790	26.5	1.5	11.3
South Africa	Rand	15.49	24.6	9.8	33.8
Turkey	Lira	2.92	20.2	8.8	25.0
Russia	Ruble	73.05	7.6	76.4	25.8

* A rise in the index represents an appreciation of the US dollar
Source: Reuters and FED.

2. Balance of Payments

Reflecting the slowdown observed in the major emerging economies, such as China, the prices of the main exports recorded a drop (-14.9 percent) for the fourth consecutive year in 2015. This deterioration of terms of trade caused a greater trade deficit which, coupled with the lower extraordinary revenues received in 2015 (for the sale of assets between non-residents) increased the current account deficit from 4.0 percent in 2014 to 4.4 percent in 2015.

Graph 24
CURRENT ACCOUNT AND LONG-TERM EXTERNAL FINANCING OF THE PRIVATE SECTOR 1/ : 2006-2015
(Million US$)



1/ Includes net foreign investments, portfolio investment, and private sector's long-term disbursement.
Source: BCRP.

The financial account registered a flow of US$ 10.22 billion, equivalent to 5.3 percent of GDP –a result nearly 2 percentage points of GDP higher than in the previous year– associated mainly with the increased placements made by the public sector over the year. The private financial account also increased as a result of increased net long-term loans. The completion of the investment phase of some projects, which went on to their operational production stages, was also reflected in the lower flow of foreign direct investment, while the net flow of capital associated with portfolio investments also increased.

Table 19
BALANCE OF PAYMENTS

	Million US$			Annual % chg.	
	2013	**2014**	**2015**	**2014**	**2015**
I. CURRENT ACCOUNT BALANCE	**-8,582**	**-8,196**	**-8,373**	**-4.0**	**-4.4**
1. Trade Balance	504	-1,509	-3,150	-0.7	-1.6
a. FOB Exports	42,861	39,533	34,236	19.5	17.8
b. FOB Imports	-42,356	-41,042	-37,385	-20.2	-19.5
2. Services	-1,801	-1,730	-1,732	-0.9	-0.9
a. Exports	5,814	5,950	6,226	2.9	3.2
b. Imports	-7,615	-7,680	-7,958	-3.8	-4.1
3. Investment Income	-10,631	-9,328	-6,823	-4.6	-3.6
a. Private	-9,773	-8,620	-6,092	-4.2	-3.2
b. Public	-859	-708	-730	-0.3	-0.4
4. Current transfers	3,346	4,372	3,331	2.2	1.7
of which: Remittances	2,707	2,637	2,725	1.3	1.4
II. FINANCIAL ACCOUNT	**11,414**	**6,828**	**10,219**	**3.4**	**5.3**
1. Private sector	14,881	6,490	7,296	3.2	3.8
a. Assets	-1,291	-4,548	-224	-2.2	-0.1
b. Liabilities	16,173	11,038	7,520	5.4	3.9
2. Public sector	-1,343	-16	3,957	0.0	2.1
a. Assets	113	-558	242	-0.3	0.1
b. Liabilities 1/	-1,456	542	3,715	0.3	1.9
3. Short-term capital	-2,125	354	-1,034	0.2	-0.5
a. Assets	356	-177	-1,123	-0.1	-0.6
b. Liabilities	-2,481	531	89	0.3	0.0
III. EXCEPTIONAL FINANCING	**5**	**10**	**0**	**0.0**	**0.0**
IV. NET ERRORS AND OMISSIONS	**70**	**-820**	**-1,774**	**-0.4**	**-0.9**
V. BALANCE OF PAYMENT RESULT (V = I + II + III + IV) = (1-2)	**2,907**	**-2,178**	**73**	**-1.1**	**0.0**
1. Change in the balance of NIRs	1,672	-3,355	-823	-1.7	-0.4
2. Valuation effect	-1,235	-1,177	-896	-0.6	-0.5

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

The trade balance showed a deficit of US$ 3.15 billion –a deficit US$1.64 billion lower than that recorded in 2014– as a result of the increase recorded in the volume of exports (1.8 percent) which offset the decline in terms of trade (6.3 percent) in the year.

Exports totaled US$ 34.24 billion, a balance 13.4 percent lower than that recorded in the previous year due to a decline in average export prices (14.9 percent), mainly in the prices of traditional commodities (gold, copper, crude oil and derivatives) which reflected a less favorable international environment. In terms of volume, increased shipments of mining products offset the fall of exports of fishmeal, coffee, crude oil and derivatives. On the other hand, however, the volume of non-traditional exports dropped 5.3 percent, with exports of fisheries, textiles, and chemical products showing a fall of 24.1, 23.4, and 4.8 percent, respectively. This result was partially offset by the increase in exports of agricultural products (4.6 percent) and iron&steel products (8.5 percent).

Imports amounted to US$ 37.39 billion, a figure 8.9 percent lower than the amount of imports in 2014. The volume of imports increased 0.3 percent as a result of higher imports of oil and derivatives, non-durable consumer goods, and, to a lesser extent, imports of industrial inputs. However, the volume of capital goods imported decreased 7.1 percent as a result of the dynamics observed in investment. Moreover, the price of imports dropped 9.2 percent, influenced mostly by the lower international prices of oil, which affected the price of imported inputs.

Graph 25
TRADE BALANCE
(Million US$)

Source: BCRP and SUNAT.

The degree of economic openness, measured as the weight of the trade of goods with other nations, recorded a level equivalent to 37.3 percent of GDP. It is worth pointing out that this level is higher than the weighted average of the region, which in part reflects the effect of trade liberalization policies implemented through the signing of free trade agreements (FTA) in recent years.

China and the United States continued to be Peu's two major trading partners even though the latter showed a lower participation in our total trade turnover. The transactions with these countries accounted for 39.3 percent of the total trade carried out in 2015.

China, our largest trading partner, imported mainly minerals such as copper, iron and zinc, and fishery products such as fishmeal, while Peru imported mainly telecommunications equipment, mobile phones, and shoes, among other goods.

Table 20
TRADE BY MAIN COUNTRIES AND REGIONS 1/
(Million US$)

	Exports 2/			Imports 3/			X + M		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
China	7,354	7,025	7,387	8,096	8,541	8,358	15,450	15,565	15,745
United States of America	7,765	6,141	4,977	8,434	8,408	7,432	16,199	14,549	12,410
Brazil	1,757	1,593	1,072	2,242	1,924	1,851	3,999	3,517	2,923
Canada	2,742	2,551	2,431	601	793	698	3,342	3,345	3,129
Switzerland	3,025	2,642	2,677	156	196	154	3,180	2,838	2,831
Chile	1,685	1,537	1,073	1,310	1,273	1,210	2,995	2,810	2,283
Germany	1,169	1,234	915	1,336	1,423	1,070	2,506	2,657	1,985
Mexico	511	736	546	1,978	1,917	1,830	2,489	2,653	2,375
Japan	2,226	1,583	1,117	1,351	1,038	1,013	3,577	2,621	2,131
Ecuador	967	861	705	1,918	1,743	981	2,885	2,604	1,686
South Korea	1,561	1,214	1,089	1,475	1,286	1,205	3,036	2,500	2,294
Colombia	855	1,228	874	1,416	1,202	1,252	2,271	2,430	2,127
Bolivia	887	1,727	1,341	609	630	365	1,496	2,357	1,706
Spain	1,593	1,363	1,091	832	719	670	2,425	2,082	1,761
Rest	8,764	8,097	6,939	10,603	9,949	9,295	19,366	18,045	16,235
TOTAL	**42,861**	**39,533**	**34,236**	**42,356**	**41,042**	**37,385**	**85,217**	**80,575**	**71,621**
Asia	12,701	11,306	11,107	13,948	14,107	13,917	26,649	25,414	25,023
North America	11,017	9,428	7,954	11,013	11,118	9,960	22,030	20,547	17,914
European Union	7,024	6,380	5,339	4,991	4,741	4,302	12,014	11,121	9,641
Andean Countries 4/	5,192	5,849	4,167	5,338	4,873	3,833	10,530	10,723	7,999
Mercosur 5/	1,967	1,823	1,249	4,140	3,390	3,001	6,107	5,213	4,250
Rest	4,960	4,745	4,420	2,927	2,813	2,372	7,887	7,559	6,793

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 type of 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 2015, arranging them according to the International Standard Industrial Classification Revision 4 (ISIC Rev. 4). All of the ISIC items were classified in four major groups: agriculture, fishing, mining and hydrocarbons, and manufacturing.

Thus, exports of agriculture products amounted to US$ 3.34 billion in 2015, fishing exports amounted to US$ 2.10 billion, mining and hydrocarbons exports amounted to US$ 22.15 billion, and manufacturing exports amounted to US$ 6.17 billion.

Exports of coffee (US$ 592 million) and fruits (US$ 1.66 billion) stand out in the group of agricultural products, while exports of fishmeal and canned fish and sea food (US$ 2.48 billion stand out in the group of fisheries. In addition, exports of non-ferrous minerals (US$ 9.61 billion) and of primary products based on non-ferrous minerals (US$ 9.47 billion) were particularly noteworthy in the sector of mining and hydrocarbons, and finally, exports of textiles –fabrics, yarn, garments, and synthetic fibers– , which amounted to US$ 1.33 billion, stand out in the group of manufacturing exports.

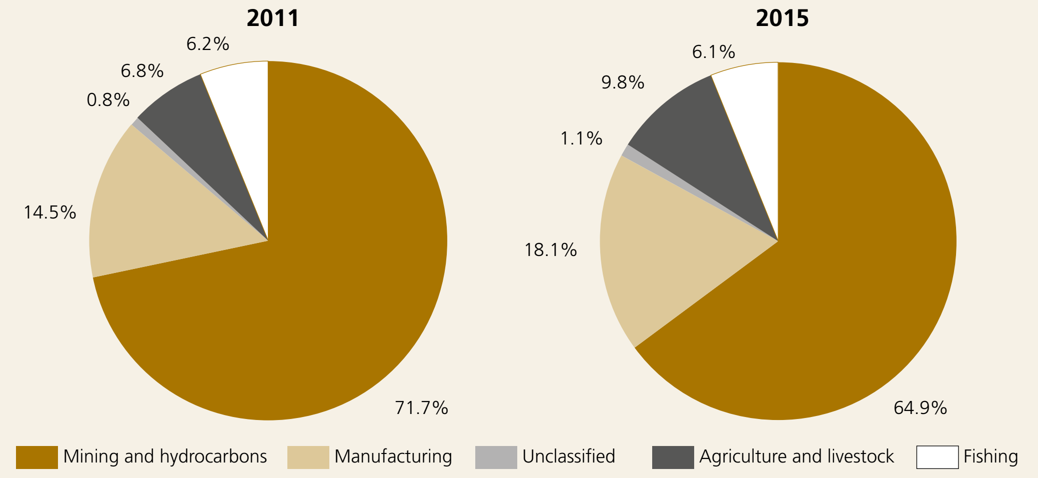
Table 21
EXPORTS 1/ BY GROUP OF ECONOMIC ACTIVITY
(Million US$)

CIIU	Sector	2013	2014	2015
	Agriculturel Products 2/	**2,757**	**3,293**	**3,338**
0111	Cereals, legumes and oilseeds, except rice	212	337	281
	Of which:			
	Quinoa	79	196	143
	Tara powder	32	33	31
	Fresh Beans	20	21	18
0113	Vegetables, tubers, and roots	526	498	526
	Of which:			
	Fresh Asparagus	414	385	416
	Fresh onions	63	66	63
	Other seeds (including tomato seeds)	38	35	27
0121 - 0126	Fruits	1,032	1,428	1,659
	Of which:			
	Grapes	443	643	690
	Avocados	184	304	304
	Mangoes	133	138	194
	Organic bananas	89	119	145
	Fresh tangerines	43	60	67
0127	Coffee	699	733	592
0128	Spices and medicinal and aromatic plants	104	116	115
	Of which:			
	Whole paprika	50	46	52
	Ginger	8	27	23
1030	Canned fruits, legumes, and vegetables	15	15	15
1072	Sugar cane	56	69	47
	Rest	113	98	103
	Fishing	**2,436**	**2,522**	**2,100**
0311	Fresh or frozen products	41	37	22
1020	Fishmeal and canned fish, and crustacean and mollusc	2,390	2,481	2,074
	Rest	4	4	3
	Mining and hydrocarbons	**30,303**	**26,098**	**22,154**
0610	Crude oil	540	500	123
0620	Natural gas	1,372	786	449
0710	Iron	857	647	350
0729	Non-ferrous minerals	10,675	9,909	9,605
1920	Oil refining products	3,355	3,276	1,731
2420	Primary products of Priceus metals and non-ferrous metals	13,016	10,578	9,470
	Rest	487	402	426
	Manufacturing	**6,758**	**7,058**	**6,169**
1030	Processing and preserving of fruit and vegetables	712	804	822
1040	Oils and fats of vegetable and animal origin	397	490	346
1050	Milk products	112	138	110
1061, 1071, 1074	Milling and Bakery	148	172	177
1073	Cocoa and chocolate and confectionery products	153	240	273
1074	Macaroni, noodles, couscous and flour products	40	40	39
1079	Other foodstuffs	83	96	97
1080	Prepared animal food	122	151	147
1311 - 1430, 2030	Textiles (yarn, tissues, garments and fibers)	1,932	1,805	1,333
1610	Wood	104	117	96
1709	Paper and cardboard items	156	152	127
1811	Brochures, books and other printed materials	82	66	55
2011	Basic chemicals	465	414	418
2012	Fertilizers	57	66	64
2013	Supplies of plastics and synthetic rubber	57	62	49
2023	Toiletries and cleaning products	184	177	158
2029	Others chemicals	64	63	67
2211	Tires and inner tubes	84	77	61
2220	Plastic products	447	485	409
2392	Building materials	116	107	121
2410. 2431	Iron and steel industry	183	169	147
2432	Smelting of non-ferrous metals	190	221	182
2710	Electric motors, generators, transformers, and distribution equipment	33	28	16
2732	Other electric and electronic cables	10	4	2
2822 - 2824	Machinery and equipment	77	104	77
3211 - 3290	Miscellaneous articles	113	116	114
	Rest	638	695	659
	Unclassified	**377**	**391**	**388**
	Total	**42,631**	**39,362**	**34,148**

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

The graph below shows that the distribution of exports by sector has remained relatively stable between 2011 and 2015, with the exception of the mining and hydrocarbons sector whose ratio decreased from 72 to 65 percent. In contrast, the ratio of the manufacturing and the agriculture sectors increased by 3.6 and 2.9 percentage points, respectively, in the same period.

Graph 26
COMPOSITION OF EXPORTS BY SECTORS
(% structure)



Traditional Exports

Traditional exports totaled US$ 23.29 billion, 15.9 percent less than in 2014 due mainly to the lower prices of traditional products. However, the volume of traditional exports increased 5.7 percent compared to 2014 as a result of greater shipments of gold and higher sales of copper and zinc concentrate.

Table 22
EXPORTS
(% change)

	Volume			Price		
	2013	**2014**	**2015**	**2013**	**2014**	**2015**
Traditional exports	**-5.0**	**-3.2**	**5.7**	**-7.4**	**-9.4**	**-20.4**
Of which:						
Fish meal	-36.6	-0.6	-18.6	21.5	-1.5	5.8
Coffee	-10.1	-16.8	-12.8	-24.4	26.8	-6.9
Copper	-0.8	0.0	22.4	-7.8	-9.7	-24.7
Gold	-6.0	-12.1	6.0	-15.5	-10.3	-8.4
Zinc	6.9	4.4	4.0	-2.2	1.9	-3.6
Crude oil	-6.3	5.8	-44.3	-0.8	-12.8	-56.6
Derivatives	14.3	3.5	-3.2	-4.7	-5.8	-45.4
Non-Traditional exports	**-0.8**	**6.2**	**-5.3**	**-0.4**	**-0.7**	**-1.8**
Of which:						
Agriculturel exports	6.5	22.3	4.6	4.9	0.5	-0.9
Fishing	-9.8	-12.4	-24.1	-1.8	6.6	-2.7
Textiles	-1.8	10.5	-23.4	3.2	1.5	5.5
Chemicals	-3.3	2.3	-4.8	-4.6	-1.9	-2.8
Iron, steel, and jewelry	5.0	-12.3	8.5	-3.4	-0.8	-13.3
TOTAL	**-4.1**	**-1.0**	**1.8**	**-5.7**	**-6.9**	**-14.9**

Source: BCRP and SUNAT.

Exports of fisheries, which amounted to US$ 1.45 billion in 2015, were 16.3 percent lower than in the previous year due mainly to the decrease recorded in the volume of exports of fishmeal and fish oil.

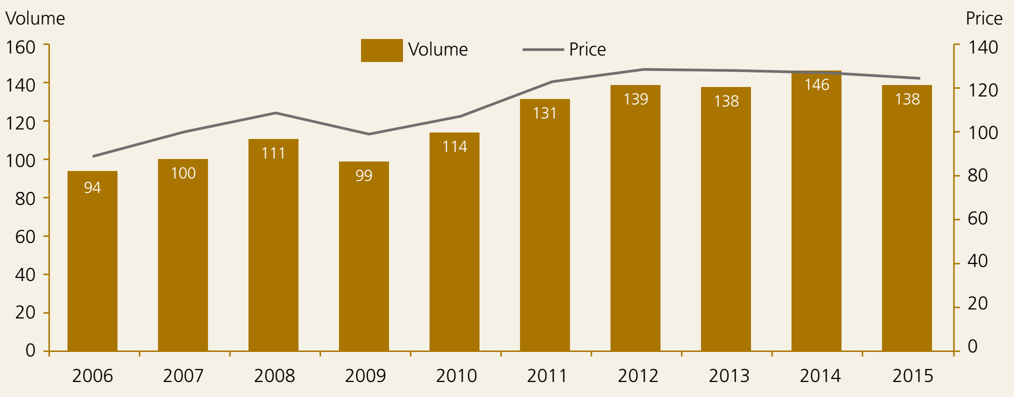
Mining exports accumulated a total of US$ 18.84 billion, a figure 8.3 percent lower than the one recorded in 2014, which reflected the lower prices of basic metals in the international market. It is worth mentioning, however, that the volume of exports of copper, our main export product, was 1,752 thousand fine metric tons, 24.9 percent higher than in 2014. Furthermore, the volume of gold exports was 5,6 million ounces, 6.0 percent higher than in 2014.

Sales of crude oil and natural gas to other nations amounted to US$ 2.30 billion, 49.5 percent less than in 2014, reflecting both lower volumes exported and the lower prices for oil and natural gas.

Non-Traditional Exports

Non-traditional exports amounted to US$ 10.86 billion, a figure 7.0 percent lower than in 2014. The volume of non-traditional exports decreased by 5.3 percent due to the poor performance of exports of textiles, fisheries, and chemical products, while the average price of total non-traditional exports decreased 1.8 percent.

Graph 27
NON-TRADITIONAL EXPORTS
(Indices 2007=100)



Source: BCRP and SUNAT.

The main markets of destination of our non-traditional products were the United States, with US$ 2. 99 billion, followed by the Netherlands and Chile, with US$ 720 million and US$ 685 million, respectively. By economic blocs, exports to the Andean countries declined 19.1 percent in a context of negative growth in the Latin American region. Thus, the value of sales of textile products to Venezuela decreased 26.2 percent, mainly because of lower volumes of exports. Furthermore, there were also lower shipments of chemical products to Colombia and Ecuador, these markets accounting for 73.3 percent of Peru's total exports of chemical products. The reduction in both non-traditional and traditional exports has been a general conduct in the region. On the other hand, exports to the United States (US$ 3.46 billion) increased by 5.8 percent compared to 2014.

Exports of agricultural products and textiles continued to be the most important exports to the United States and accounted for 68 percent of total non-traditional exports to the US market in 2015. Top sellers included fresh asparagus (US$ 269 million), knit T-shirts (US$ 216 million), and fresh grapes (US$ 203 million).

Table 23
MAIN DESTINATION: NON-TRADITIONAL EXPORTS
(Million US$)

	2013	2014	2015	% Chg. 2015/2014
USA	2,699	2,859	2,986	4.4
Netherlands	555	657	720	9.5
Chile	756	671	685	2.1
Colombia	725	800	646	-19.3
Ecuador	739	746	601	-19.5
Bolivia	539	570	549	-3.7
Spain	414	473	438	-7.4
Brazil	411	489	376	-23.2
China	366	472	344	-27.1
United Kingdom	233	255	291	14.1
Mexico	259	229	264	15.6
Germany	188	243	220	-9.4
France	187	201	190	-5.4
Italy	176	199	184	-7.9
Venezuela	766	486	167	-65.7
Rest	2,058	2,325	2,197	-5.5
Total	**11,069**	**11,677**	**10,857**	**-7.0**
Memo:				
Asia	1,065	1,281	1,070	-16.5
North America	3,090	3,265	3,456	5.8
European Union	2,006	2,341	2,344	0.1
Andean countries 1/	3,523	3,275	2,648	-19.1
Mercosur 2/	558	624	506	-18.8

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

Table 24
NON-TRADITIONAL EXPORTS

	Million US$			% Change		
	2013	2014	2015	2013	2014	2015
Agriculturel products	3,444	4,231	4,387	11.7	22.8	3.7
Fishing products	1,030	1,155	934	1.3	12.1	-19.2
Textiles	1,928	1,800	1,329	-11.4	-6.6	-26.2
Wood and paper	427	416	352	-2.5	-2.6	-15.3
Chemicals	1,510	1,515	1,402	-7.7	0.3	-7.5
Non-metallic minerals	722	664	698	0.0	-8.1	5.1
Iron & steel, and jewelry	1,320	1,149	1,080	1.5	-13.0	-5.9
Metal mechanic products	544	581	525	-0.2	6.8	-9.6
Others 1/	143	165	150	-48.4	15.4	-9.1
TOTAL	**11,069**	**11,677**	**10,857**	**-1.1**	**5.5**	**-7.0**

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

Exports of agricultural products amounted to US$ 4.39 billion, with shipments of fresh grapes, asparagus and fresh avocados standing out. A greater dynamism was observed in the demand of different countries of destination of Peru's export products, including the United States, the Netherlands, the United Kingdom, and Chile.

At the bloc level, the main destinations of our products were the United States (fresh asparagus, fresh grapes, fresh avocados, paprika, quinoa, fresh mangos, blueberries, organic bananas and canned artichokes), the European Union (fresh avocados, cocoa, prepared asparagus, fresh mangos, fresh grapes, organic bananas, fresh asparagus), and the Andean countries (food for shrimps, biscuits, noodles, and fresh grapes).

In the last ten years, exports of agricultural products have grown at an average annual rate of 15.8 percent. Thus, the value exported 2015 was about more than three times the value of exports in 2006.

Table 25
MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS
(Million US$)

Most popular products	2005	2015	Average % Chg. 2006-2015
Fresh grapes	34	700	35.4
Fresh asparagus	160	418	10.1
Fresh avocados	23	305	29.3
Quinoa	1	144	70.9
Cocoa beans	0	183	-
Asparagus prepared	83	132	4.8
Shrimp and prawn feed	25	133	18.1
Fresh mangoes	38	196	17.7
Paprika	95	100	0.5
Evaporated milk	40	99	9.5
Organic bananas	18	145	23.5
Canned artichokes	44	88	7.2
Fresh onions	17	64	13.9
Fresh tangerines	12	66	18.7
Subtotal	590	2,774	16.7
Total	**1,008**	**4,387**	**15.8**

Source: BCRP and SUNAT.

Exports of fishery products totaled US$ 934 million and reflected higher exports of frozen and canned squid and prawn tails. The main markets for these products were China, United States and Spain. In the last ten years, fishing exports grew at an average annual rate of 11.2 percent.

Table 26
MAIN NON-TRADITIONAL FISHING PRODUCTS
(Million US$)

Most popular products	2005	2015	Average % Chg. 2006-2015
Frozen giant squid	95	197	7.6
Canned giant squid	27	164	19.6
Prawn tails	29	113	14.7
Scallops	33	80	9.3
Frozen fillets	0	44	-
Fillets (includes dry fillets)	6	50	23.4
Other frozen fish	0	22	-
Canned anchovies	3	43	30.8
Whole frozen shrimps	9	31	13.2
Canned fish (inc. tuna fish)	13	31	9.4
Giant Squid meal	3	31	28.0
Frozen hake	0	7	51.1
Subtotal	217	812	14.1
Total	**323**	**934**	**11.2**

Source: BCRP and SUNAT.

The value of textile exports, which totaled US$ 1.33 billion, was 26.2 percent lower than in the previous year. These exports recorded a decline of 24.1 and 2.7 percent in terms of volume and price, respectively. The contraction in terms of volume was associated with lower sales to the Andean countries (mainly Venezuela and, to a lesser extent, Chile and Ecuador) as well as with lower sales to the Asian, European, and North American markets.

Table 27
MAIN COUNTRIES OF DESTINATION OF TEXTILE PRODUCTS
(Million US$)

	Year			% Chg.
	2013	**2014**	**2015**	**2015/2014**
USA	655	663	604	-8.9
Venezuela	422	271	42	-84.4
Brazil	104	119	82	-31.4
Ecuador	116	107	73	-32.4
Colombia	94	101	65	-36.2
Chile	88	77	59	-22.5
Italy	59	63	51	-19.7
Germany	40	45	39	-13.3
Bolivia	39	42	34	-18.8
Mexico	44	38	29	-23.9
China	23	30	22	-26.2
Argentina	32	30	27	-9.5
Canada	24	21	24	15.2
United Kingdom	19	20	20	2.0
Japan	18	19	14	-22.4
Rest	151	154	143	-7.3
Total	**1,928**	**1,800**	**1,329**	**-26.2**
Memo:				
Asia	79	87	74	-16.0
North America	722	722	657	-9.0
European Union	167	179	154	-13.8
Andean countries 1/	759	598	273	-54.4
Andean Countries excluding Venezuela	338	327	231	-29.5
Mercosur 2/	141	155	113	-27.0

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

Exports of chemical products amounted to US$ 1.40 billion in 2015, less than in 2014. These products showed a decline in terms of prices (2.8 percent), while a reduction was also observed in the volume of shipments of flexible laminates, zinc oxide, and ethyl alcohol. The main markets of destination for Peru's exports of chemical products were Chile, Colombia, and Bolivia.

Imports

In 2015 imports amounted to US$ 37.39 million, which represents a contraction of 8.9 percent compared to 2014. The latter was associated in part to the lower dynamism of domestic investment –the volume of imports of capital goods fell 7.9 percent– as well as with the drop in the price of oil which led to a fall in the prices of imported products of 9.2 percent.

Table 28
FOB IMPORTS BY USE OR DESTINATION
(FOB value in million US$)

	Million US$			% Change			Average
	2013	2014	2015	2013	2014	2015	2006-2015
1. CONSUMER GOODS	**8,843**	**8,899**	**8,791**	**7.2**	**0.6**	**-1.2**	**14.3**
Non-durable goods	4,502	4,657	4,767	10.3	3.4	2.4	13.6
Main food products	381	479	474	-32.9	25.6	-1.1	10.9
Rest	4,120	4,178	4,294	17.3	1.4	2.8	13.9
Durable goods	4,342	4,243	4,024	4.1	-2.3	-5.2	15.3
2. INPUTS	**19,528**	**18,797**	**15,923**	**1.3**	**-3.7**	**-15.3**	**9.2**
Fuel, oils and related	6,454	5,754	3,671	9.7	-10.8	-36.2	4.7
Raw materials for agriculture	1,244	1,339	1,237	-3.7	7.6	-7.6	12.4
Raw materials for industry	11,830	11,704	11,016	-2.2	-1.1	-5.9	11.0
3. CAPITAL GOODS	**13,664**	**12,911**	**12,007**	**2.4**	**-5.5**	**-7.0**	**14.6**
Construction materials	1,443	1,422	1,420	-3.0	-1.5	-0.1	16.6
For agriculture	131	141	160	-4.4	7.4	14.0	15.8
For industry	8,327	8,689	7,842	2.0	4.3	-9.7	14.0
Transportation equipment	3,762	2,660	2,583	5.8	-29.3	-2.9	15.6
4. OTHERS GOODS	**321**	**435**	**664**	**121.2**	**35.3**	**52.7**	**19.7**
5. TOTAL IMPORTS	**42,356**	**41,042**	**37,385**	**3.3**	**-3.1**	**-8.9**	**12.0**
Memo:							
Main food products	**2,372**	**2,459**	**2,236**	**-6.2**	**3.7**	**-9.1**	**11.6**
Wheat	568	555	486	10.1	-2.4	-12.4	8.8
Maize and/or sorgum	502	479	485	-1.1	-4.6	1.4	14.7
Rice	110	127	134	-26.5	15.9	5.2	12.1
Sugar	78	80	141	-58.5	2.8	75.7	7.5
Dairy products	127	204	124	-23.5	59.7	-38.8	13.7
Soybean	920	946	791	-1.7	2.8	-16.4	12.4
Meat	66	68	74	3.0	2.7	9.1	12.5

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

Table 29
IMPORTS
(% change)

	Volume			Price		
	2013	2014	2015	2013	2014	2015
CONSUMER GOODS	**5.6**	**0.4**	**-0.2**	**1.5**	**0.2**	**-1.0**
Durable goods	8.0	4.2	4.4	2.1	-0.7	-1.9
Non-durable goods	3.2	-3.4	-5.2	0.9	1.1	0.0
INPUTS	**3.1**	**-0.4**	**5.3**	**-1.7**	**-3.3**	**-19.5**
Main food products	3.6	9.1	5.6	-1.9	-8.8	-15.7
Crude oil and derivatives	10.6	-4.3	19.6	-3.1	-7.1	-45.9
Industrial inputs	-0.7	0.0	1.0	-1.0	-0.3	-7.2
Of which						
Plastics	1.6	2.7	5.7	3.1	3.3	-19.6
Iron & steel	0.4	-0.7	10.9	-9.8	-2.7	-18.2
Textiles	2.3	4.3	5.8	-6.8	-0.1	-12.2
Papers	-0.1	6.1	3.1	-1.8	-1.6	-3.7
Chemicals	0.1	0.9	9.5	0.0	-1.0	-12.4
Organic chemicals	2.1	-6.4	14.7	-1.0	1.0	-15.7
CAPITAL GOODS	**2.4**	**-5.5**	**-7.1**	**-0.1**	**0.0**	**0.1**
Building materials	-3.0	-1.5	-0.2	-0.1	0.0	0.1
Rest 1/	3.1	-6.0	-7.9	-0.1	0.0	0.1
Total	**3.8**	**-1.6**	**0.3**	**-0.5**	**-1.5**	**-9.2**

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

In 2015 the average price of imports dropped 9.2 percent compared to the previous year, with the declines in the prices of oil and derivatives (45.9 percent) and in the prices of the main food products (15.7 percent) being particularly noteworthy.

In terms of volume, the largest contractions of total imports were observed the imports of capital goods, which shrank 7.1 percent mainly as a result of the decrease registered in purchases of goods for industry and transport equipment. Durable consumer goods also declined (-5.2 percent), in line with the lower growth observed in terms of private consumption.

Among imports of durable goods, the largest decline was observed in imports of automobiles from South Korea, United States and Japan (down by US$ 157 million), followed by imports of TVs mainly from Mexico and South Korea (down by $59 million). On the other hand, imports of non-durable consumer goods were associated with increased purchases of drugs for human use, footwear, and ready grocery products.

Imports of inputs, which accounted for 42.3 percent of our total imports, amounted to US$ 15.92 billion. In terms of value, these imports showed a reduction of 15.3 percent compared to 2014, in line with the lower price of imports of these products.

On the other hand, in terms of volume, imports of industrial inputs grew 1.0 percent as a result of increased imports of organic chemicals, iron and steel products, and chemical products. Imports of organic chemical products that stand out in the year included imports of ethanol fuel by Petroperu and imports of ethyl alcohol by La Pampilla refinery. The larger volume of steel and iron products were imported from Brazil and Russia, while the larger volumes of chemical products were imported from Indonesia, China, and Chile.

Imports of capital goods fell by 7.1 percent in nominal terms, due mainly to lower volumes of these imports. However, excluding construction materials, the reduction of imports would be 7.9 percent in real terms. Moreover, by economic sectors, there were lower imports in the mining sector (US$ 803 million) due to fewer purchases of shovels and electric motors, and transport equipment whereas imports in the sectors of electricity and fishing increased by US$ 309 million and $24 million, respectively. The increase in imports in the former sector is explained by the purchase of turbines for the project Nodo Energético del Sur, while the increase in imports in the latter is explained by the acquisition of a fishing vessel (US$ 30 million) earmarked for the modernization of a fishing company's fleet.

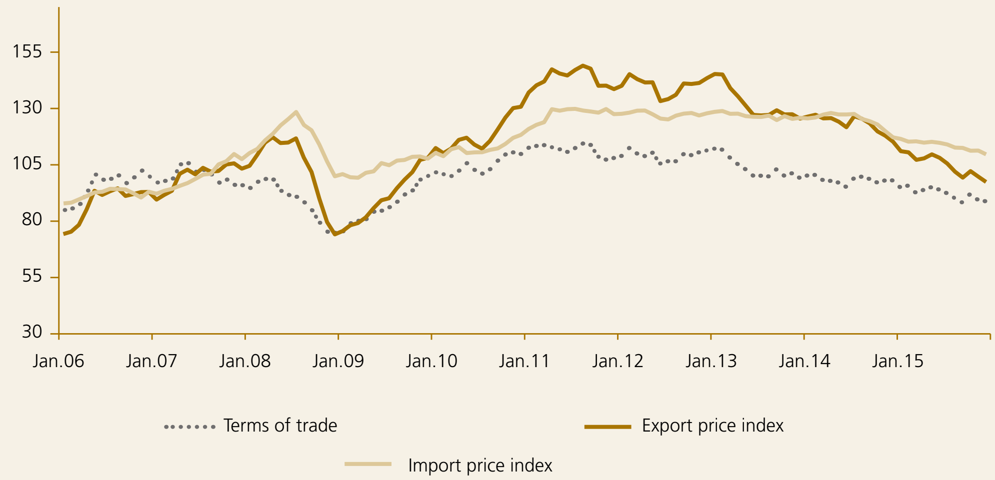
Table 30
IMPORTS OF CAPITAL GOODS BY ECONOMIC SECTORS

Sector	FOB Value: Million US$			% Change			
	2013	2014	2015	2013	2014	2015	Average 2006-2015
Agriculture	50	43	41	-9.8	-12.4	-4.8	15.5
Fishing	9	7	31	-26.4	-24.8	351.1	19.0
Hydrocarbons	275	286	400	-33.4	4.0	40.1	12.3
Mining	1,527	1,715	1,090	-6.2	12.3	-36.5	9.5
Manufacturing	1,236	1,137	950	4.5	-8.0	-16.5	9.1
Construction	654	551	466	-2.9	-15.8	-15.4	16.9
Electricity	362	232	541	18.0	-36.0	133.4	28.0
Transportation	2,376	1,556	1,345	5.7	-34.5	-13.5	16.8
Telecommunications	953	1,185	1,046	13.0	24.3	-11.7	13.0
Traders of Capital Goods	3,286	3,196	3,028	-2.8	-2.7	-5.3	13.5
IT Equipment	794	871	849	5.1	9.8	-2.6	15.1
Machinery and diverse equipments	683	749	689	-7.9	9.7	-8.0	18.0
Medicine and surgery instruments	127	112	110	24.4	-11.8	-2.1	11.9
Office equipments	147	143	119	-6.3	-2.2	-17.2	11.0
Financial services	448	336	311	-29.9	-25.0	-7.4	6.0
Other traders	1,088	984	950	10.1	-9.5	-3.5	13.6
Unclassified	2,936	3,004	3,069	12.8	2.3	2.2	20.0
Memo:							
Mobile phones	719	890	762	30.0	23.9	-14.4	15.1
Total	**13,664**	**12,911**	**12,007**	**2.4**	**-5.5**	**-7.0**	**14.6**

2.2 Terms of Trade

During 2015, the terms of trade showed an average decrease of 6.3 percent. Thus, the reduction of 14.9 percent in export prices was partially offset by a 9.2 percent drop in the prices of imports. In general terms, the prices of commodities were affected by China's economic slowdown as well as by uncertainty about the Fed interest rate rise. The significant decline in the international price of oil due to the oversupply of crude oil also influenced this. In addition, the international prices of food showed a downward tendency due to new abundant yields in the United States and South America, as well as due to the lower prices of fuels.

Graph 28
TERMS OF TRADE, EXPORT AND IMPORT PRICE INDICES: JANUARY 2001 - DECEMBER 2015
(2007=100)

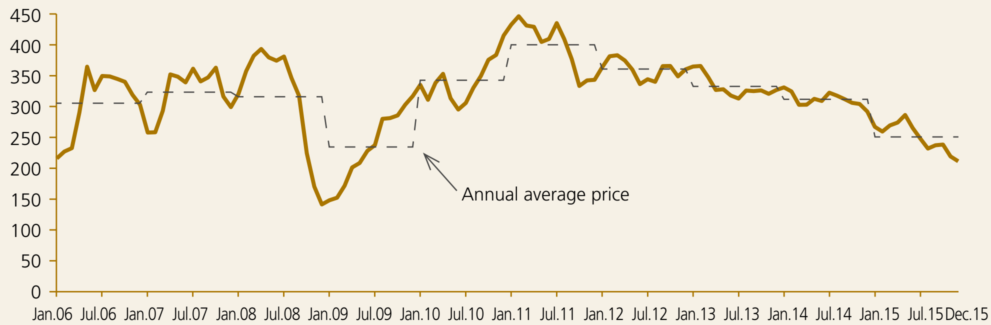


Source: BCRP.

The average price of **copper** declined by 20 percent in 2015, showing an annual average price of US$ 2.50 per pound. The price of this metal followed the downward trend initiated in June, recording a maximum price of US$ 2.86 per pound in the month of May and a minimum price of US$ 2.10 per pound in December.

The price fall is explained by the slowdown in the growth of the global demand for copper, especially by China's lower demand, in a context with prospects of an increased global supply of copper associated with the onset of operations in new copper projects, which reinforced prospects of a copper surplus in global markets. In addition, the appreciation of the dollar and the fall in the price of oil reduced the pressure on production costs. However, this declining trend in the price of copper stopped towards the end of the year after some copper mines announced production cutbacks.

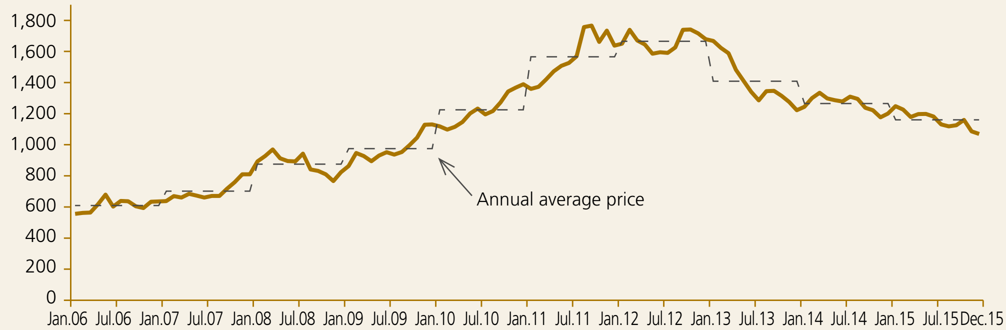
Graph 29
PRICE OF COPPER: 2006 - 2015
(Monthly average, US$ cents per pound)



Source: Bloomberg.

The average price of **gold** fell 8 percent, showing an annual average level of US$ 1,160 per ounce at end 2015. The fall was sustained by the appreciation of the dollar associated with increased expectations that the Fed would start its cycle of interest rate hikes, which led to liquidations of Exchange Trade Funds (ETFs) for the third consecutive year. This was in part offset by central bank's purchases of gold, which showed levels close to the record level in 50 years. The fall in the price of gold was also influenced by the lower demand of the sectors of jewelry and technology for this precious metal.

Graph 30
PRICE OF GOLD: 2006 - 2015
(Monthly average, US$/tr. ounce)

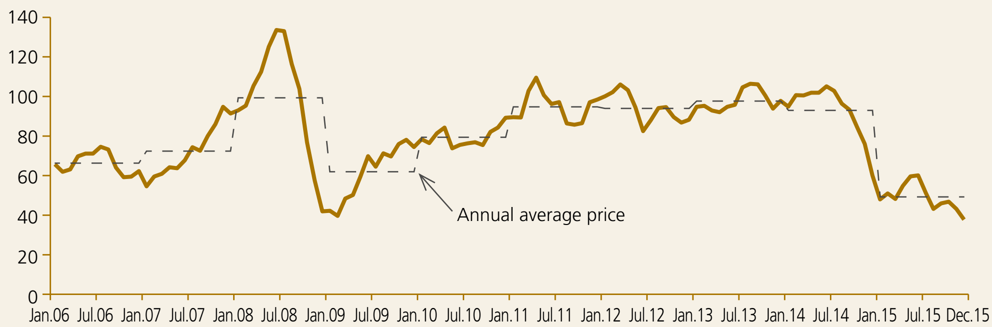


Source: Bloomberg.

The average price of WTI oil dropped 48 percent and recorded an average price of US$ 49 per barrel in 2015. The price of crude showed a marked volatility and a rising trend which led it to register a maximum level in the year of US$ 60 per barrel in June, after which it began a downward trend and reached a minimum level of US$ 37 per barrel in December.

The collapse in the price of oil is explained by the oversupply of crude oil associated with the OPEC Member countries' decision of not cutting their production quota despite signs indicating the existence of a growing surplus in the market. The decision of the largest producers of OPEC –e.g. Saudi Arabia– to maintain their market share prevailed. Another factor that contributed to the fall in the price of crude oil was the unexpected strong production of unconventional oil in the United States, which did not decline as expected by the market despite the sharp fall in the price of this kind of fuel, but rather showed a higher production than in 2014. This took place in a context in which it was anticipated that the demand for crude oil would be affected by slower growth in the emerging economies.

Graph 31
PRICE OF WTI OIL: 2006 - 2015
(Monthly average, US$ per barrel)



Source: Bloomberg.

2.3 Services

The trade deficit in services amounted to US$ 1.73 billion, a similar figure to that recorded in 2014, with revenues increasing in the areas of travel, insurance and reinsurance. On the other hand, increased payments of premiums abroad explained the increase in outlays.

Table 31
SERVICES

	Million US$			% Change	
	2013	2014	2015	2014	2015
I. TRANSPORTATION	**-1,367**	**-1,440**	**-1,404**	**5.3**	**-2.5**
1. Credit	1,524	1,380	1,376	-9.5	-0.3
2. Debit	-2,891	-2,819	-2,780	-2.5	-1.4
II. TRAVEL	**1,408**	**1,487**	**1,629**	**5.6**	**9.5**
1. Credit	3,009	3,077	3,320	2.3	7.9
2. Debit	-1,601	-1,590	-1,691	-0.7	6.4
III. COMMUNICATIONS	**-146**	**-146**	**-246**	**-0.4**	**69.1**
1. Credit	131	149	101	13.6	-32.1
2. Debit	-278	-295	-348	6.2	17.9
IV. INSURANCE AND REINSURANCE	**-404**	**-376**	**-392**	**-6.9**	**4.3**
1. Credit	400	539	636	34.9	17.9
2. Debit	-803	-915	-1,028	13.9	12.3
V. OTHERS 1/	**-1,293**	**-1,256**	**-1,318**	**-2.8**	**4.9**
1. Credit	749	804	793	7.3	-1.3
2. Debit	-2,042	-2,060	-2,112	0.9	2.5
VI. TOTAL SERVICES	**-1,801**	**-1,730**	**-1,732**	**-3.9**	**0.1**
1. Credit	5,814	5,950	6,226	2.3	4.6
2. Debit	-7,615	-7,680	-7,958	0.9	3.6

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

The travel surplus amounted to US$ 1.63 billion: revenue grew 7.9 percent due to the increasing number of visitors who come to the country. On the other hand, outlays grew 6.4 percent due mainly to the larger number of Peruvians who visited other countries and, to a lesser extent, to their higher average spending.

Services under the heading Other Services showed a deficit of US$ 1.32 billion. The reduction of other business services stands out in the case of revenues, while expenses increased mainly due to higher payments in the subsectors of royalties and license rights as well as due to payments for ITC services.

Table 32
OTHER SERVICES

	Million US$			% Change	
	2013	**2014**	**2015**	**2014**	**2015**
Balance of other services	**-1,293**	**-1,256**	**-1,318**	**-2.8**	**4.9**
Revenue	**749**	**804**	**793**	**7.3**	**-1.3**
Government services	149	153	156	2.8	2.0
Other services	601	651	637	8.4	-2.1
Other business services 1/	482	541	500	12.1	-7.5
Financial services	68	58	64	-14.7	10.5
Computer and information services	33	33	42	-1.3	30.1
Personal, cultural, and recreational services	8	11	22	30.1	97.5
Royalties and license rights	9	9	9	0.6	-0.3
Expenditures	**2,042**	**2,060**	**2,112**	**0.9**	**2.5**
Government services	161	165	169	2.0	2.4
Other services	1,881	1,896	1,943	0.8	2.5
Other business services 1/	1,339	1,273	1,268	-4.9	-0.4
Computer and Information Services	210	275	292	30.8	6.4
Royalties and license rights	201	221	263	10.2	19.1
Financial services	101	102	83	1.0	-18.8
Personal services, cultural and recreational	21	24	35	12.9	46.5
Construction services	9	1	2	-90.1	139.1

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 decreased by US$ 1.04 billion compared to 2014 mainly because lower extraordinary income was obtained from the sale of assets between non-residents during the year (US$ 68 million in 2015 vs. US$ 1.21 billion in 2014).

The other important component of transfers, remittances from other countries, amounted to US$ 2.73 billion, which represents an increase of 3.4 percent compared to 2014 after this component showed two consecutive years of decline. Thus, remittances represented 1.4 percent of GDP, a slightly better result than the one recorded in the previous year, but still lower than the average level recorded over the past decade.

Table 33
REMITTANCES FROM ABROAD

Year	Million US$	% change	% GDP
2006	1,837	27.6	2.0
2007	2,131	16.0	2.1
2008	2,444	14.7	2.0
2009	2,409	-1.4	2.0
2010	2,534	5.2	1.7
2011	2,697	6.4	1.6
2012	2,788	3.4	1.4
2013	2,707	-2.9	1.3
2014	2,637	-2.6	1.3
2015	2,725	3.4	1.4

Source: SBS, banks and businesses.

Like in previous years, the United States was the major country of origin of remittances, but Chile replaced Spain in the second position and consolidated as the second source of foreign currency. The average remittance amount was US$ 277 per transfer, less than in 2014, this decline reflecting the reduction in the average remittance amount of all countries, with the exception of remittances from the United States. The number of remittances from the United States, Italy and Chile showed a strong increase, while transfers from Japan decreased.

Table 34
REMITTANCES BY COUNTRIES

	Annual remittances (% share)			Annual average remittances (US$)			Number of remittances 2/ (Thousand)		
	2013	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
USA	34.4	34.7	36.2	263	259	264	3,532	3,536	3,740
Spain	11.8	10.3	8.8	375	345	304	851	787	787
Chile	8.5	9.5	10.0	232	220	208	996	1,136	1,310
Japan	8.4	8.1	7.4	560	527	506	407	404	400
Italy	7.7	7.4	8.4	318	299	271	653	654	843
Argentina	4.7	4.3	4.5	226	229	226	562	500	538
Other countries 1/	24.6	25.7	24.8	393	395	339	862	912	1,028
Total	**100.0**	**100.0**	**100.0**	**303**	**293**	**277**	**7,863**	**7,929**	**8,645**

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.

The main source used to transfer these funds continued to be money transfer companies (ETFs) and other media, through which 47.2 percent of these funds were intermediated. On the other hand, banks showed a slight improvement relative to 2014, accounting for 40.8 percent of these transfers.

Table 35
REMITTANCES FROM ABROAD BY SOURCE
(% share)

Year	2013	2014	2015
FTCs - Other channels 1/	44.4	47.6	47.2
Banks	43.6	40.3	40.8
Informal channels	12.0	12.0	12.0
Total	**100.0**	**100.0**	**100.0**

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

2.5 Factor Income

Factor income showed a deficit of US$ 6.82 billion in 2015 –a deficit US$ 2.51 billion lower than the one recorded in the previous year–, a balance resulting mainly from lower outflows for profits in the mining and hydrocarbons sectors and in financial sectors in a year marked by a significant reduction in the prices of the major commodity prices and in the international price of oil. 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$ 540 million.

Table 36
FACTOR INCOME

	Million US$			% Change	
	2013	**2014**	**2015**	**2014**	**2015**
I. REVENUE	**1,222**	**1,212**	**1,011**	**-0.9**	**-16.6**
1. Private	460	507	540	10.3	6.5
2. Public	762	704	471	-7.6	-33.2
II. EXPENDITURE	**11,854**	**10,540**	**7,833**	**-11.1**	**-25.7**
1. Private	10,232	9,127	6,632	-10.8	-27.3
Profits 1/	9,301	7,964	5,225	-14.4	-34.4
Interests	932	1,164	1,408	24.9	21.0
- Long-term loan	445	461	602	3.6	30.8
- Bonds	368	608	679	65.1	11.8
- Short-term loans 2/	119	96	126	-19.4	31.6
2. Government	1,621	1,413	1,201	-12.9	-15.0
Interests on long-term loans	421	209	200	-50.3	-4.4
Interests on bonds	1,200	1,203	1,001	0.3	-16.8
Interests on BCRP securities 3/	0	0	0	-11.7	-30.8
III. BALANCE (I-II)	**-10,631**	**-9,328**	**-6,823**	**-12.3**	**-26.9**
1. Private	-9,773	-8,620	-6,092	-11.8	-29.3
2. Public	-859	-708	-730	-17.5	3.1

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 2015 the private sector financial account showed a balance of US$ 7.30 billion, a higher balance than in 2014, due mainly to residents' lower portfolio investment abroad as well as to lower portfolio investment and lower foreign direct investment (FDI) in the country. The decline in FDI was mainly associated with lower contributions and loans from parent companies during the year, while the decline in portfolio investment was associated with the lower amount of bonds issued by the private sector (especially in the financial sector).

It is worth pointing out that FDI continued to be the largest component of external capital flows, the participation of parent companies' contributions and other operations standing out in 2015. Breaking this down by sectors, companies' flows of foreign direct investment concentrated mainly in the sectors of non-financial services (US$ 2.93 billion) and mining (US$ 1.47 billion), while the hydrocarbon sector, on the other hand, saw a reduction in FDI associated in part with the lower international price of crude oil.

Table 37
PRIVATE SECTOR FINANCIAL ACCOUNT

	Million US$			Differences	
	2013	2014	2015	2014	2015
1. ASSETS	**-1,291**	**-4,548**	**-224**	**-3,256**	**4,324**
Direct investment abroad	-137	-96	-127	41	-31
Portfolio investment 1/	-1,154	-4,452	-97	-3,297	4,354
2. LIABILITIES	**16,173**	**11,038**	**7,520**	**-5,135**	**-3,517**
Foreign direct investment	9,298	7,885	6,861	-1,414	-1,023
a. Reinvestment	3,764	3,978	2,949	214	-1,029
b. Equity capital	2,460	1,487	3,058	-973	1,572
c. Net liabilities to affiliated enterprises	3,075	2,420	854	-654	-1,566
Portfolio investment	5,876	2,668	-596	-3,208	-3,264
a. Equity securities 2/	585	-79	-60	-664	20
b. Other liabilities 3/	5,292	2,748	-536	-2,544	-3,284
Long-term loans	998	485	1,255	-513	770
a. Disbursements	4,111	4,181	4,057	70	-124
b. Amortization	-3,112	-3,695	-2,802	-583	894
3. TOTAL	**14,881**	**6,490**	**7,296**	**-8,391**	**806**
Memo:					
Net direct investment	9,161	7,789	6,734	-1,372	-1,054

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. Also, includes ADRs.
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 38
FOREIGN DIRECT INVESTMENT IN COUNTRY BY DESTINATION SECTOR *
(Million US$)

	2013	2014	2015
Hydrocarbons	843	1,049	-165
Mining	4,555	2,549	1,470
Financial sector	915	1,031	1,042
Non-financial services	2,505	2,256	2,931
Manufacturing	65	735	1,386
Energy and others	414	265	198
TOTAL	**9,298**	**7,885**	**6,861**

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

The placement of private bonds and bond placement by Cofide in international markets fell from US$ 5.51 billion in 2014 to US$ 1.36 billion in 2015. Moreover, 85 percent of the total placements made in 2015 were placements of the financial sector. The funds raised through these placements of private companies and Cofide were used to finance private projects and meet obligations with banks and their subsidiaries.

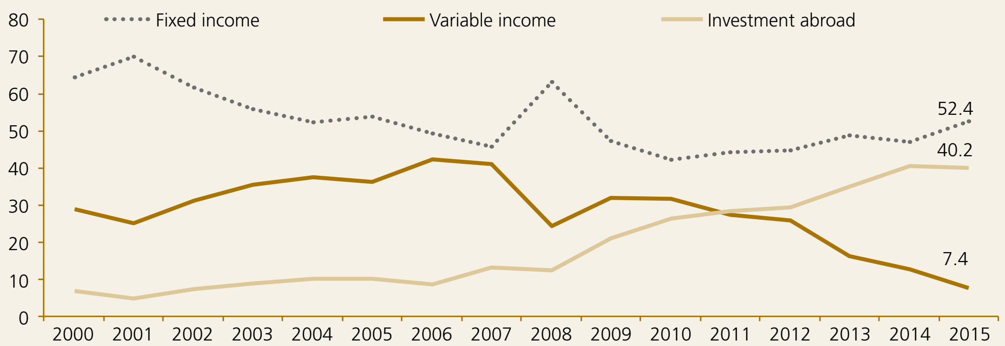
Table 39
BONDS ISSUED BY FIRMS IN THE EXTERNAL MARKET 2013 - 2015*

Date	Business	Amount (Million US$)	Maturity (Years)	Yields
I. Total Year 2013		**6,389**		
a. Financial sector		**2,236**		
b. Non-financial sector		**4,153**		
II. Total Year 2014		**5,510**		
a. Financial sector		**2,204**		
January 15	Banco de Crédito	200	13	6.13%
March 11	Banco Internacional del Peru SAA	300	15	6.63%
March 26	Fondo MiVivienda	300	5	3.38%
May 15	Fondo MiVivienda 1/	279	4	1.25%
July 1	Banco de Crédito	225	4	2.75%
July 8	COFIDE	300	5	3.25%
July 8	COFIDE	300	15	5.25%
September 15	Banco Continental BBVA	300	15	5.25%
b. Non-financial sector		**3,306**		
January 15	Compañía Minera Ares	350	7	7.75%
January 31	Minsur	450	10	6.25%
April 8	Abengoa Transmisión Sur	432	29	6.88%
April 24	Camposol	75	3	9.88%
June 27	Rutas de Lima 2/	370	22	8.38%
June 27	Rutas de Lima 3/	150	25	5.25%
July 1	InRetail Shopping Mall	350	7	6.50%
October 7	InRetail Consumer	300	7	5.25%
October 28	Unión Andina de Cementos	625	7	5.88%
December 15	Energia Eólica	204	20	6.00%
III. Total Year 2015		**1,355**		
a. Financial sector		**1,149**		
February 3	Intercorp	250	10	5.88%
February 3	Banco Internacional del Peru SAA 2/	99	15	7.66%
July 7	COFIDE	200	4	3.25%
July 8	COFIDE	600	10	4.75%
b. Non-financial sector		**206**		
February 15	GyM Ferrovias 3/	206	25	4.75%

* 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.

External assets increased by US$ 224 million, an amount substantially lower than that recorded in 2014 due to the lower acquisition of external assets, especially the lower amount purchased by private pension funds (Administradoras Privadas de Fondos de Pensiones – AFP). The latter is explained by the fact that, in 2015, AFPs lowered slightly their investment limit for operations abroad (from 40.6 percent in 2014 to 40.2 percent in December 2015). In addition to this, a greater preference for fixed income instruments was observed amid a context of high volatility in financial markets.

Graph 32
AFP: INVESTMENT
(%)



2.7. Short-Term Capital Flows

The net flow of short-term capital showed a reversal from a positive flow of US$ 354 million in 2014 to an outflow of US$ 1.03 billion in 2015. The reduction of liabilities of the non-financial sector did not offset the increase of bank liabilities. Moreover, the acquisition of external assets increased, the non-financial sector accounting mostly for this increase.

2.8 Public Sector Financial Account

In 2015 the financial account of the public sector showed a positive balance of US$ 3.96 billion, which contrasts with the negative flow recorded the previous year. The difference is explained mainly by the increased issuance of global bonds (US$ 2.17 billion) as well as by the increase in net external assets.

Table 40
PUBLIC SECTOR FINANCIAL ACCOUNT 1/

	Million US$			% Change	
	2013	2014	2015	2014	2015
I. DISBURSEMENTS	**1,277**	**2,922**	**5,190**	**1,645**	**2,268**
Investment projects	652	988	349	336	-639
Central government	195	133	289	-62	156
Public enterprises	457	855	60	398	-796
- Financial	430	304	36	-126	-268
- Non-financial	27	551	23	524	-528
Free disposable loans	125	244	985	119	741
Global bonds 2/	500	1,690	3,856	1,190	2,166
II. AMORTIZATION	**-2,618**	**-1,592**	**-1,233**	**1,026**	**359**
III. NET EXTERNAL ASSETS	**113**	**-558**	**242**	**-671**	**800**
IV. OTHER OPERATIONS WITH DEBT SECURITIES (a-b)	**-115**	**-788**	**-243**	**-674**	**545**
a. Securities in the domestic market purchased by non-residents	219	-657	216	-876	874
b. Securities in the foreign market purchased by residents	333	131	459	-202	328
V. TOTAL	**-1,343**	**-16**	**3,957**	**1,327**	**3,973**

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 2015 amounted to US$ 102.68 billion, a lower figure than at end 2014. The BCRP international reserves reached a balance equivalent to 32 percent of GDP. This amount covers 5.8 times short-term external liabilities (including the amortization of medium- and long-term loans for a year) and backs up 84.1 percent of private banks' total obligations. This high level of reserves reflects the soundness of the Peruvian economy.

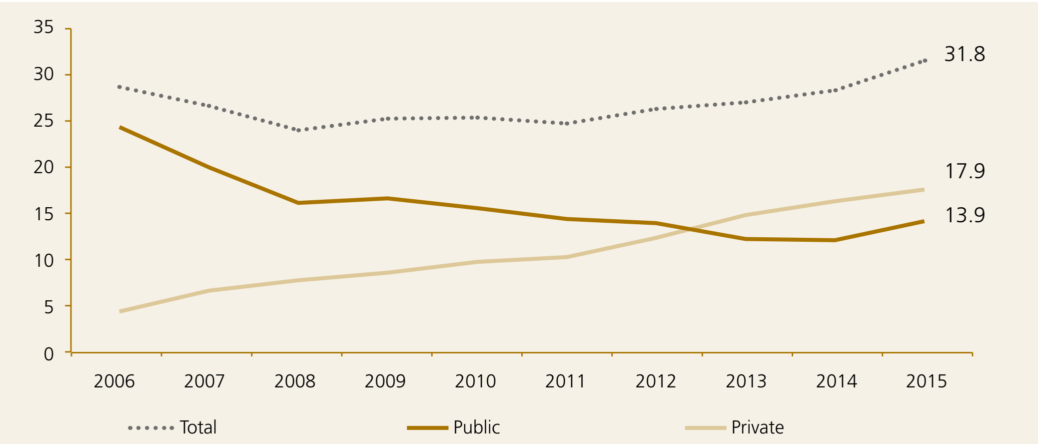
On the side of liabilities, the increase in the balance of FDI stands out. This increase results from the contributions, loans, and earnings retained by companies with foreign direct investment in Peru and, to a lesser extent, from the increase in medium- and long-term private debt.

Table 41
NET INTERNATIONAL INVESTMENT POSITION
(End-of-period levels)

	Million US$			% GDP	
	2013	2014	2015	2014	2015
I. ASSETS	**102,092**	**103,329**	**102,681**	**50.9**	**53.4**
1. BCRP reserve assets	65,710	62,353	61,537	30.7	32.0
2. Assets of financial sector					
(excluding BCRP)	23,778	27,665	27,057	13.6	14.1
3. Other assets	12,604	13,312	14,086	6.6	7.3
II. LIABILITIES	**154,708**	**163,438**	**167,299**	**80.5**	**87.1**
1. Bonds and total private and					
public external debt 1/	**60,830**	**64,512**	**68,244**	**31.8**	**35.5**
a. Medium and long term debt	54,381	57,534	61,169	28.3	31.8
Private sector 2/	30,341	33,644	34,388	16.6	17.9
Public sector (i - ii + iii) 3/	24,039	23,890	26,781	11.8	13.9
i. External public debt	18,778	19,764	23,630	9.7	12.3
ii. Public debt issued abroad					
purchased by residents	1,290	1,421	1,880	0.7	1.0
iii. Public debt issued locally					
purchased by non-residents	6,552	5,547	5,031	2.7	2.6
b. Short-term debt	6,450	6,978	7,075	3.4	3.7
Financial sector (excluding BCRP)	2,026	2,601	2,984	1.3	1.6
BCRP	47	45	52	0.0	0.0
Others 4/	4,376	4,333	4,038	2.1	2.1
2. Direct investment	**71,857**	**79,707**	**86,114**	**39.3**	**44.8**
3. Capital participation	**22,021**	**19,219**	**12,940**	**9.5**	**6.7**

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, BIS, and businesses.

Graph 33
MEDIUM- AND LONG-TERM EXTERNAL DEBT
(% de GDP)



Graph 34
NET INTERNATIONAL RESERVES
(% GDP)

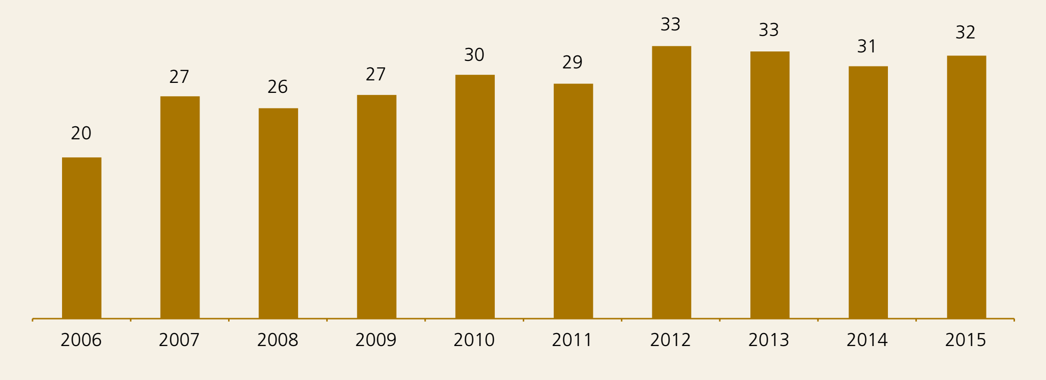


Table 42
NIR INDICATORS

As a % of:	2006	2011	2016*
GDP	19.7	28.6	32.7
Short-term external debt 1/	165.9	470.6	581.8
Short-term external debt plus Current account deficit	230.2	360.3	343.6

1/ Includes short-term debt balance plus redemption (1-year) from private and public sector.
* Forecast.

Graph 35
NET INTERNATIONAL RESERVES
(% GDP)

Source: Deutsche Bank.