



ANNUAL REPORT 2015



CENTRAL RESERVE BANK OF PERU



ANNUAL
REPORT
2015

CENTRAL RESERVE BANK OF PERU

Board of Directors

As of December 31, 2015

Julio Velarde Flores

Governor

Luis Alberto Arias Minaya

Vice Chairman

Francisco González García

Drago Kisic Wagner

Waldo Mendoza Bellido

Carlos Oliva Neyra

Gustavo Yamada Fukusaki

Members of the Board

CENTRAL RESERVE BANK OF PERU

Senior Officers as of December 31, 2015

Renzo Rossini Miñán
General Manager

Chief Economist: Adrián Armas Rivas
Economic Studies

Central Manager: Marylin Choy Chong
Operations and Technical Affairs

Jorge Estrella Viladegut *Monetary Policy
Manager*

Carlos Ballón Avalos *Financial Stability
Manager*

Teresa Lamas Pérez *Information and Economic
Analysis Manager*

Jorge Patrón Worm *International Operations
Manager*

Juan Ramírez Andueza *Currency Management Manager*

Central Manager: Javier Olivera Vega
Administration

Arturo Pastor Porras *Procurement and Services Manager*

Felipe Roel Montellanos *Information Technology Manager*

María Teresa San Bartolomé Gelicich *Human Resources Manager*

José Rocca Espinoza
Communications Manager

Manuel Monteagudo Valdez
Legal Department Manager

Pedro Menéndez Richter
Risk Department Manager

Guillermo De La Flor Viale
Accounting and Supervision Manager

Oscar Solís de la Rosa
Audit Department Manager

Shoschana Zusman Tinman
Consultant Attorney

Dehera Bruce Mitrani
General Secretary

INTRODUCTION

The recovery of Peru's gross domestic product (GDP) in 2015, whose growth rate increased from 2.4 percent in 2014 to 3.3 percent, is explained by increased activity in the primary sectors. The dynamic growth of output in the primary sectors (6.6 percent) was associated with the onset of the production stage of some new mega mining projects as well as with the partial reversal of the supply shocks observed during 2014.

The rate of inflation rose from 3.2 percent in 2014 to 4.4 percent in 2015, the acceleration of the depreciation rate of the PEN (14.6 percent) and a series of supply factors associated with El Niño accounting for this trend.

Banco Central de Reserva del Perú (BCRP) maintained an expansionary monetary policy stance during most of 2015, although it raised its policy interest rate by 25 basis points on two occasions towards the end of the year. The aim of these interest rate rises was to maintain inflation expectations anchored within the target range in a context affected by temporary supply shocks, an increased depreciation of the Sol, and the rise of some utility rates –e.g. electricity rates– since all of these factors led inflation expectations to rise to the upper band of the target range (1 percent – 3 percent) by the end of the year. The rate rises took place also amid a gradual recovery of domestic economic activity and high volatility in external financial and foreign exchange markets.

As in previous years, the substitution of credit in dollars for credit in soles was an ongoing process in 2015: while credit in domestic currency grew 28.6 percent, credit in foreign currency dropped 20.7 percent, reflecting the effectiveness of the reserve requirement measures taken to encourage the dedollarization of credit to the private sector. On the other hand, the preference for deposits in dollars increased 13.4 percent in 2015, whereas deposits in soles grew only 2.6 percent. As a result of this, banks had to face a lower availability of financing sources for credit in domestic currency, which was offset by liquidity injection measures through long term monetary operations carried out by the Central Bank. In the same line, BCRP lowered the rate of reserve requirements in domestic currency from 9.5 percent in 2014 to 6.5 percent in June 2015 and the current account requirement from 2.5 percent to 0.75 percent between December 2014 and April 2015 in order to provide enough liquidity to meet the demand for credit in domestic currency. As a result of this, about S/ 2.681 billion was injected into the financial system.

The country's terms of trade continued deteriorating, driven by China's economic slowdown and by uncertainty about when the Federal Reserve would start raising its interest rates. Accumulating a decline of 18.2 percent since 2012, the terms of trade dropped 6.3 percent on average in 2015. This deterioration in the terms of trade was offset by the increased volume of the main mineral exports, and there was also a lower factor income deficit associated with the decline of mining companies' profits. In addition to this, there were lower external current transfers and, although there was a decline of imports in the year, the current account deficit of the balance of payments increased from 4.0 percent of GDP in 2014 to 4.4 percent of GDP in 2015. Gross financing of long term capital to the private sector –foreign direct



investment, bond placements in external markets, and long term loans– which amounted to 5.3 percent of GDP, continued financing the balance in the current account of the balance of payments.

The evolution of the Sol in the foreign exchange market was marked by the signals of economic recovery in the United States, by expectations that the Federal Reserve would raise its interest rates, and by uncertainty about China's economic growth and its impact on the demand for commodities. The Sol depreciated 14.6 percent in nominal terms. The Central Bank continued with its interventions in the foreign exchange market to prevent exchange fluctuations that could cause financial disruptions in the economy, this policy being supported by an appropriate level of net international reserves (US\$ 61.49 billion at year end).

In 2015, the deficit in the operations of the non-financial public sector was equivalent to 2.1 percent of GDP, 1.8 percentage points higher than in 2014 (0.3 percent of GDP). This lower economic balance is explained mainly by the decline of the current revenues of the General Government as a result of the drop of commodity prices, the slowdown of economic growth, and the effect of the tax reduction measures implemented at end 2014.



Volante de San Andrés, the first minting machine brought to the Americas in 1752.



DOCUMENTOS AUTÓGRAFOS

DE LA

**JURA DE LA INDEPENDENCIA
DEL PERÚ**



ECONOMIC ACTIVITY

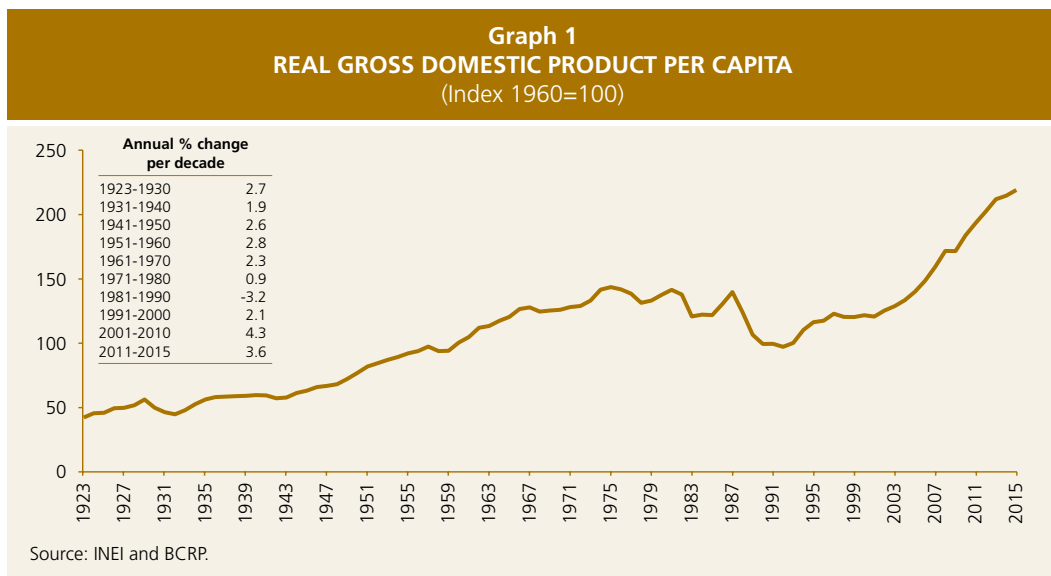


The most ancient coat of arms found in Peru is kept at the Art Gallery of the BCRP Museum.

PRODUCTION AND EMPLOYMENT

In 2015, Peru's gross domestic product (GDP) grew at a higher rate than in the previous year –3.3 percent versus 2.4 percent– due to the dynamism of activity in the sectors of metal mining and fishing.

The GDP per capita increased 2.1 percent, less than the average rate in the last five years (3.6 percent).



1. Domestic Demand

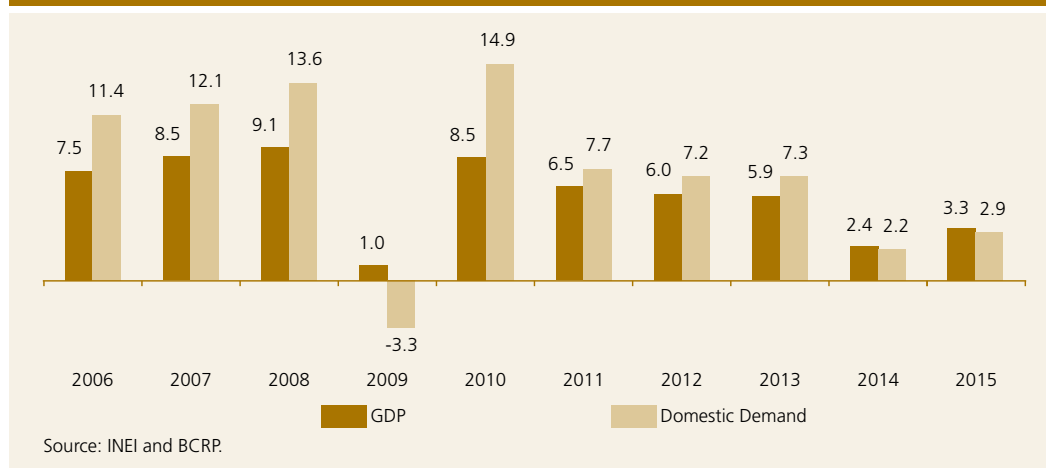
The 2.9 percent annual growth rate of domestic demand in 2015 was driven by the components of private consumption (3.4 percent) and public consumption (9.5 percent), while investment showed negative growth rates for the second consecutive year in both the private component (-4.4 percent) and in the public component (-7.5 percent).

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

	2013	2014	2015	2006-2015
Domestic Demand	7.3	2.2	2.9	7.5
a. Private consumption	5.3	4.1	3.4	6.0
b. Public consumption	6.7	10.1	9.5	7.5
c. Gross fixed investment	7.3	-2.1	-5.0	10.5
- Private	6.4	-2.1	-4.4	10.3
- Public	10.7	-2.0	-7.5	11.1
Change on inventories (% nominal GDP)	1.4	0.7	1.6	1.0
Exports	-1.3	-0.8	3.5	2.9
Minus:				
Imports	3.9	-1.2	2.2	8.7
GROSS DOMESTIC PRODUCT	5.9	2.4	3.3	5.8
Memo:				
Total public expenditure	8.0	6.0	4.2	8.3

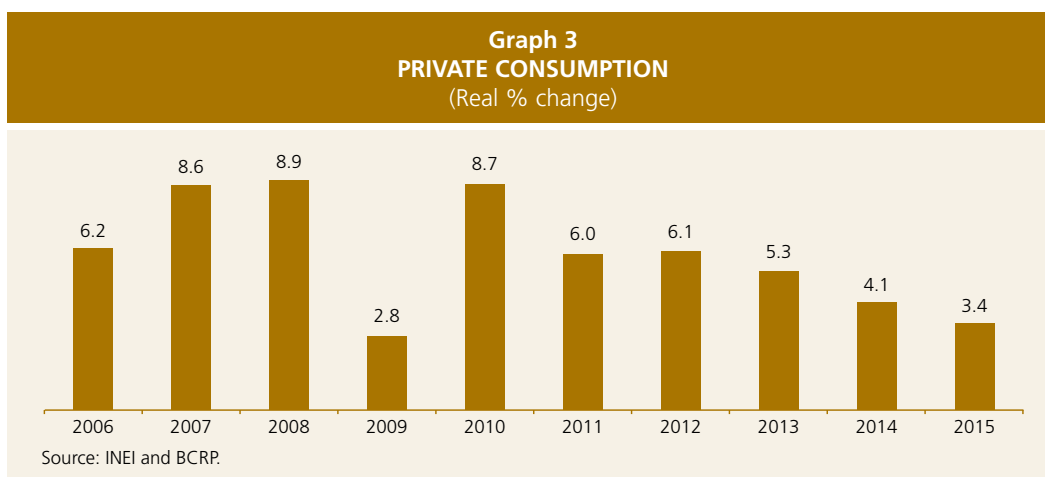
Source: INEI and BCRP.

Graph 2
GDP AND DOMESTIC DEMAND
(Real % change)



1.1. Private Consumption

Private consumer spending slowed down from 4.1 percent in 2014 to 3.4 percent in 2015 as a result of the lower dynamism registered in the labor market, with employment growing at a rate of 2.7 percent, less than in 2014 (4.5 percent).



1.2 Private Investment

Private investment declined for the second consecutive year (-2.1 percent in 2014 and -4.4 percent in 2015). This result was influenced by the completion of a series of investment projects, the decline in the terms of trade, and lower investor confidence.

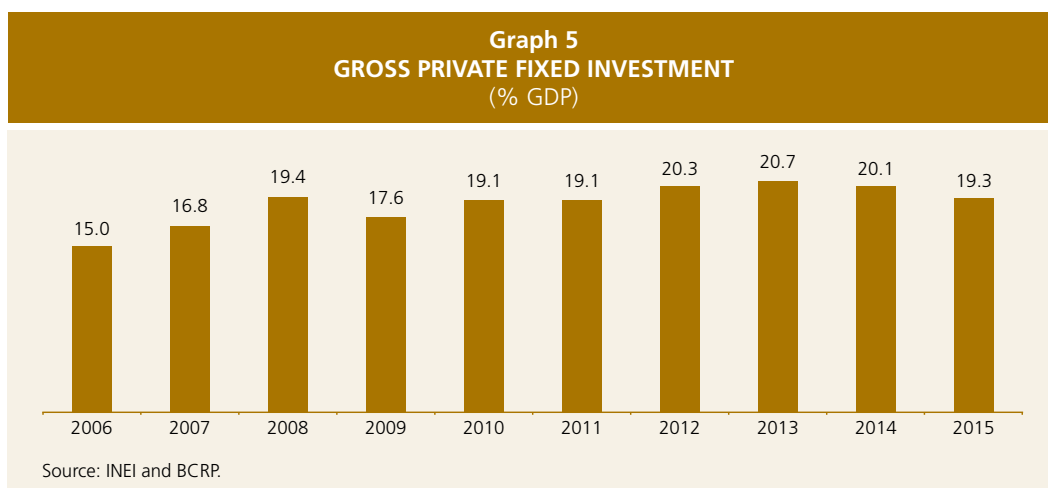
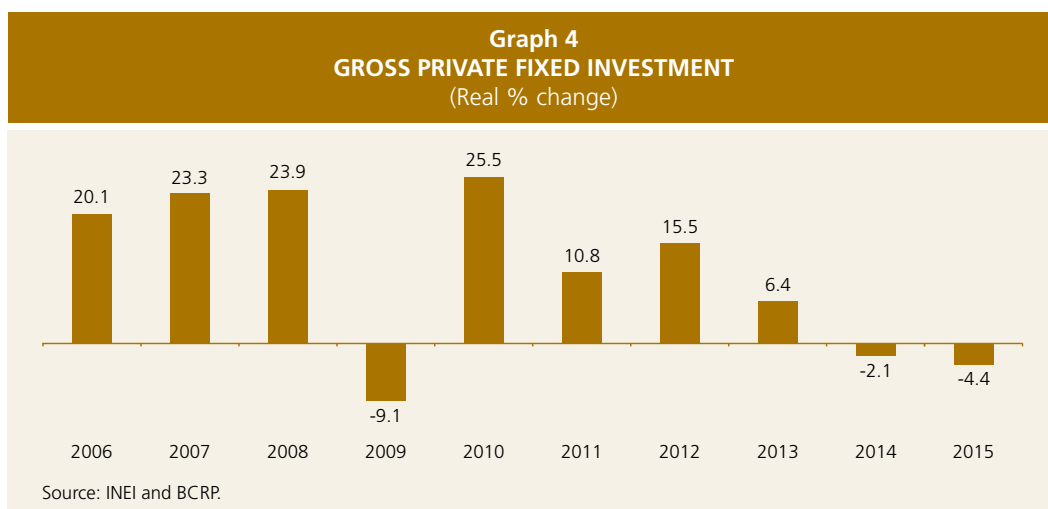


Table 2
MINING INVESTMENT BY COMPANIES
(Million US\$)

	2013	2014	2015
Cerro Verde	1,073	1,744	1,617
Las Bambas	1,709	1,636	1,504
Hudbay Peru	532	736	305
Compañía Minera Antapaccay	627	570	569
Minera Chinalco	1,188	449	397
Southern Peru Copper Corp.	387	329	303
Compañía Minera Antamina	539	328	281
Consorcio Minero Horizonte	170	208	240
Anglo American Quellaveco	149	215	201
La Arena	209	173	149
Compañía de Minas Buenaventura	177	196	144
Minera Yanacocha	304	104	142
Compañía Minera Milpo	73	61	18
Rest	2,787	2,124	1,655
Total	9,924	8,873	7,525

Source: MINEM.

In 2015, investments in the mining sector were lower than in the previous two years and amounted to US\$ 7.5 billion. The investments of Sociedad Minera Cerro Verde (US\$1.6 billion) concentrated in the culmination of the expansion works for the operations of its copper mine in Arequipa, which started operations in September and is expected to achieve its maximum capacity in 2016. The investment in this project (US\$ 4.6 billion) has expanded its ore processing capacity from 120 to 360 thousand metric tons per day. On the other hand, the consortium led by Mining Mineral Group (MMG) invested US\$1.5 billion for the completion of its mining project Las Bambas. According to the Ministry of Energy and Mines, total investment in this project at December 2015 until the start of tests amounts to US\$ 6.6 billion.

In the hydrocarbons sector, Repsol invested US\$ 217 million that were used mainly for the project "Adaptation to the New Fuel Specifications Established by Refinery La Pampilla" (RLP-21), while Transportadora de Gas del Perú continued making investments to expand the capacity of its gas transport system from 655 million cubic feet to 1,540 million cubic feet per day. The investment included continuing with the construction of the Compression Plant in the Jungle area of Echarate and starting the construction of a second pipeline between Chilca and Lurín on the Coast.

In the electricity sector, Luz del Sur invested US\$110 million in 2015 to expand the capacity and make improvements in the electric power grid through the purchase of machinery and equipment,

as well as through the implementation of its Hydroelectric Power Plant Santa Teresa, while Red de Energía del Perú continued with the development of projects aimed at expanding the electricity infrastructure nationwide as well as with the construction of connections for industries in the private sector, with an investment of US\$ 43 million. Moreover, new power generation plants started operations during the year, expanding the power generation capacity by 894 MW with a total private-sector investment of US\$ 1.5 billion. The power plants include Termoeléctrica de Reserva Fría Éten (230 MW), Central Termoeléctrica Recka (181 MW), Central Hidroeléctrica Cheves (168 MW), Central Hidroeléctrica Machupicchu II (102 MW), and Central Hidroeléctrica Santa Teresa (98 MW).

In the industrial sector, Cementos Pacasmayo started producing cement at its new plant in Piura. Total investment in the plant amounts to US\$ 365 million, including engineering works, land, buildings, as well as the full equipment of the plant, which has the capacity to produce 1.6 million metric tons of cement a year. On the other hand, Lindley invested US\$ 79 million mainly in the completion of its plant in Pucusana, which started operations in September 2015. Investment in this plant totals US\$ 200 million.

1.3 Government Spending

Public spending increased 4.2 percent in 2015, less than in 2014 (6.0 percent). Public consumption expenditure grew 9.5 percent, increased spending in areas such as Defense, Interior, Health and Agriculture standing out.

On the other hand, public investment fell 7.5 percent, due mainly to the underperformance of investment spending at the level of sub-national governments (regional and local governments). However, the investment of the national government increased 5.2 percent in 2015 due mainly to increased spending in areas such as Transport, Education, and Health.

1.4 Exports and Imports

After showing a decline of 0.8 percent in 2014, exports of goods and services grew 3.5 percent in 2015 mainly as a result of the increase registered in exports of traditional products, especially gold, copper, and zinc.

On the other hand, contrasting with the decline observed in 2014 (-1.2 percent), imports of goods and services grew 2.2 percent in 2015, reflecting mainly greater imports of oil and oil products and industrial inputs.

1.5 Savings and Investment

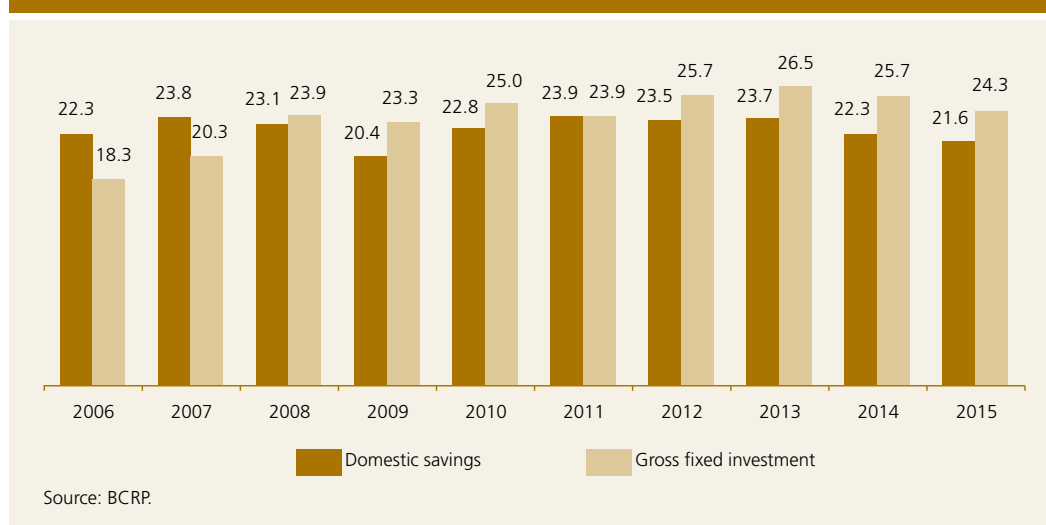
In 2015, gross fixed investment decreased by 1.4 percentage points of GDP (from 25.7 to 24.3 percent of GDP) given that public investment dropped from 5.6 percent to 5.0 percent of GDP and private investment fell by 0.8 percentage points of GDP. Moreover, domestic savings fell from 22.3 to 21.6 percent of GDP mainly as a result of the reduction of public sector savings. Since the decline in domestic savings was greater than decline of investment, the need for foreign savings increased from 4.0 to 4.4 percent between 2014 and 2015.

Table 3
SAVINGS AND INVESTMENT
(% nominal GDP)

	2013	2014	2015
I. Domestic investment (=II+III)	27.9	26.4	26.0
Gross fixed investment	26.5	25.7	24.3
Public investment	5.8	5.6	5.0
Fixed private investment	20.7	20.1	19.3
Change on inventories	1.4	0.7	1.6
II. Domestic savings	23.7	22.3	21.6
Public sector	7.0	5.9	3.7
Private sector	16.6	16.4	17.9
III. External savings	4.2	4.0	4.4

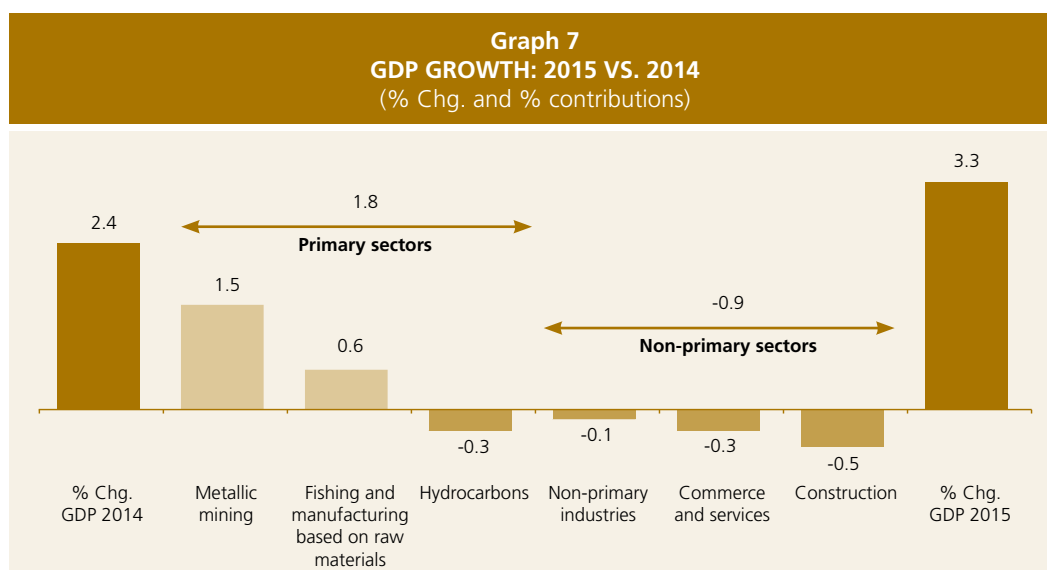
Source: BCRP.

Graph 6
SAVINGS AND INVESTMENT
(% GDP)



2. Production Sectors

The increased output recorded in 2015 (3.3 percent) was driven by the primary sectors (6.6 percent), which recovered from a series of events that affected their supply capacity during 2014. In 2015, however, the occurrence of a moderate intensity El Niño event affected once again some primary activities (the cultivation of some crops and the biomass of sea species, such as anchovy, due to alterations in sea temperatures). In spite of this, growth in 2015 was mostly driven by the primary sectors, especially by increased mining production of copper in Antamina, Toromocho, Antapaccay, and Cerro Verde, as well as by the onset of operations at the mines Constanza and Las Bambas.



On the other hand, growth in the non-primary sectors slowed down from 3.6 to 2.4 percent between 2014 and 2015 as a result of a series of factors, including the underperformance of spending at the level of subnational governments, the further weakening of private investment, and the lower demand for our non-traditional exports, especially the lower demand for these goods of our Latin American trading partners.

Table 4
GROSS DOMESTIC PRODUCT 1/
(Real % change)

	2013	2014	2015	2006-2015
Agriculture and livestock 2/	1.5	1.9	2.8	4.2
Agriculture	1.0	0.7	1.3	2.6
Livestock	2.5	5.8	5.3	4.3
Fishing	24.8	-27.9	15.9	-0.2
Mining and hydrocarbons 3/	4.9	-0.9	9.3	3.3
Metallic mining	4.3	-2.2	15.5	2.4
Hydrocarbons	7.2	4.0	-11.5	4.7
Manufacture 4/	5.0	-3.6	-1.7	3.8
Manufacturing based on raw materials	8.6	-9.3	1.7	-0.1
Non-primary manufacturing	3.7	-1.5	-2.7	5.3
Electricity and water	5.5	4.9	6.2	6.4
Construction	8.9	1.9	-5.9	9.5
Commerce	5.9	4.4	3.9	7.5
Services	6.3	5.0	4.2	6.7
GROSS DOMESTIC PRODUCT	5.9	2.4	3.3	5.8
Memo:				
Primary	5.0	-2.2	6.6	2.8
Non-primary	6.1	3.6	2.4	6.8

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

2.1 Agriculture

The output of the agriculture sector in 2015 (2.8 percent) was higher than in the previous year (1.9 percent) due to the recovery of agricultural products for the domestic market, the recovery of rice standing out. On the other hand, export-oriented agricultural products and agro-industry products recorded a decline during 2015, which is explained by the lower production of olives, quinoa, sugar cane, and mangos.

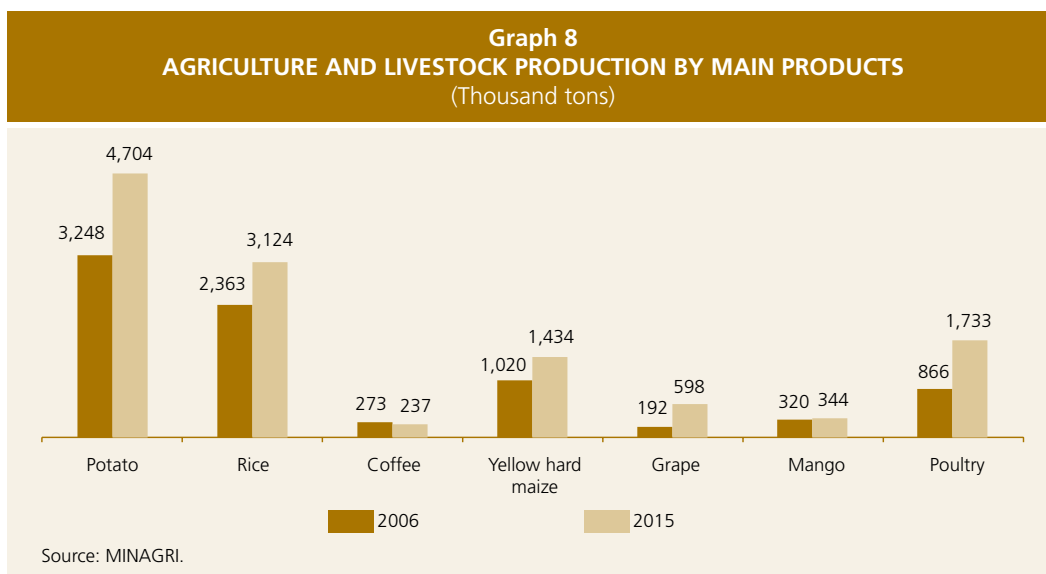
Table 5				
AGRICULTURE AND LIVESTOCK PRODUCTION 1/				
(Real % change)				
	2013	2014	2015	Average 3/ 2006-2015
A. Agricultural production	1.0	0.7	1.3	3.6
For the domestic market	<u>3.0</u>	<u>-0.8</u>	<u>3.0</u>	<u>3.5</u>
Potato	2.3	2.8	0.0	3.6
Rice	0.1	-4.9	7.9	2.4
Banana	1.4	0.7	0.4	2.3
Cassava	6.0	0.9	3.1	2.1
Amilaceous maize	9.6	-1.9	4.6	2.7
Garlic	-0.9	0.1	6.0	4.6
Onion	-0.6	1.4	0.2	4.4
Lemon	3.0	15.5	1.6	2.1
Tangerine	11.7	8.2	5.4	7.6
Orange	2.3	2.7	-1.5	2.9
Alfalfa	4.1	-5.3	3.9	2.0
Tomato	9.9	5.5	-11.4	4.0
For export and industry	<u>-2.5</u>	<u>3.6</u>	<u>-1.7</u>	<u>4.5</u>
Coffee	-20.1	-13.2	6.6	2.3
Sugar cane	6.0	3.6	-10.4	4.9
Yellow hard maize	-2.0	-10.1	16.8	3.7
Asparagus	2.2	-1.7	-0.8	6.2
Grapes	21.3	15.6	17.9	13.4
Olive	-37.6	163.0	-74.7	-3.5
Mango	147.7	-18.0	-8.5	3.9
Cocoa	14.4	14.2	4.3	12.9
Oil palm	9.2	9.2	10.6	13.1
Quinoa	15.8	124.0	-7.9	16.2
B. Livestock production	2.5	5.8	5.3	5.6
Poultry	2.7	9.5	7.9	8.1
Beef	1.9	3.0	-0.3	2.5
Eggs	11.4	2.5	7.7	6.4
Pork	1.8	5.3	5.2	3.3
Milk	0.9	1.7	2.9	3.6
C. Total 2/	1.5	1.9	2.8	4.2

1/ Preliminary.
2/ Includes the forestry sector.
3/ For quinoa considers the average 2008-2015.
Source: MINAG.

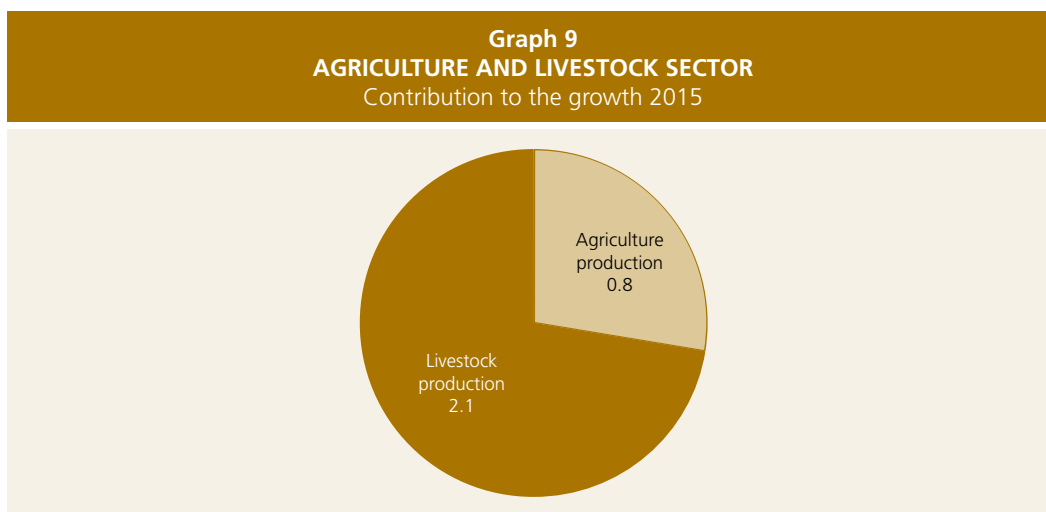
Rice production grew 7.9 percent, favored by better weather and water availability conditions that allowed greater cultivated areas (3.8 percent) and higher yields (4.1 percent). The main regions that prompted the increased cultivation of this crop were Piura and Lambayeque. The production of

potatoes totaled 4,704 thousand tons, almost the same volume of the potato production obtained in 2014 (4,705 thousand tons) when this crop registered historical record volumes.

The production of olives dropped by 74.7 percent in the year, mainly in the regions of Tacna and Arequipa due to the climatic anomalies caused by El Niño. A similar situation was observed in the case of mangos, whose harvest decreased by 8.5 percent in the year, while the decline in the production of sugar cane (down 10.4 percent) was associated with the lower yields obtained in the year (down from 126 metric tons per hectare in 2014 to 121 metric tons per hectare in 2015). The latter was also associated to warm weather anomalies as well as with internal conflicts in the mills of Lambayeque.



The output in the livestock subsector grew 5.3 percent, this subsector being the one that showed the highest contribution to the dynamism of the agriculture sector especially due to the increase observed in poultry production (up 7.9 percent).



2.2 Fishing

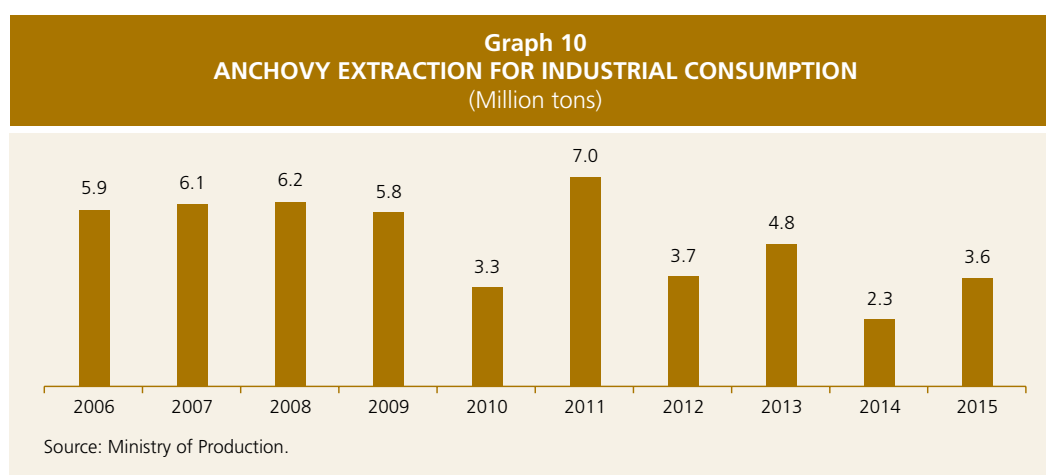
During 2015, fisheries production grew 15.9 percent as a result of the increased catch of anchovy (up 60.3 percent). This outcome is associated with a comparative basis effect resulting from the fact

that the second fishing season was suspended in 2014 due to the low levels of biomass and to the presence of a high proportion of young fish.

	2014		2015	
	South	North-Central	South	North-Central
First season	234	2,530	375	2,580
Second season	0	0	450	1,110
Total year	2,764		4,515	

Source: Ministry of Production.

The volume of anchovy catch for industrial consumption increased from 2.3 million metric tons in 2014 to 3.6 million metric tons in 2015, which accounts for the recovery of the fishing sector. Fisheries for direct human consumption, on the other hand, fell 4.4 percent. The lower extraction of scallops to produce frozen products, as well as the lower catch of mackerel and horse mackerel for canning and for fresh consumption stand out this year.



Species	2013	2014	2015	Average 2006-2015
Anchovy 1/	28.7	-52.6	60.3	-8.3
Jack mackerel 2/	-25.3	-14.9	-62.2	-11.0
Prawns 3/	-15.8	13.9	23.0	11.5
Giant Squid 3/	-10.1	13.2	-8.2	6.1
Mackerel 2/	166.6	11.2	-48.2	-5.0
Tuna 4/	540.0	-33.7	134.1	1.2
Scallops 3/	129.3	-41.5	-71.6	0.9

1/ Considers fish catch only for industrial consumption.
2/ Considers fish catch for fresh.
3/ Considers fish catch for frozen.
4/ Considers fish catch for canned
Source: Ministry of Production.

2.3 Mining and Hydrocarbons

Recovering from the fall of 0.9 percent recorded in 2014, output in the mining and hydrocarbons sector grew 9.3 percent in 2015. This recovery is mostly explained by the performance of metal mining associated with the extraction of copper ores in Antamina, Toromocho, Antapaccay, and Cerro Verde, as well as with the start of operations at mines Constancia and Las Bambas in 2015, which allowed copper production to grow 25.8 percent in 2015, the highest rate recorded in the past 11 years. However, this increased output was offset by the lower performance of the hydrocarbons subsector, which showed a decline of 11.5 percent, the highest decline observed in 24 years. The latter was associated with the lower international prices of crude oil, which led companies in the sector to modify their production and investment plans.

Table 8
PRODUCTION IN THE MINING AND HYDROCARBONS SECTOR 1/
(Real % change)

	2013	2014	2015	Average 2006-2015
Metallic mining	4.3	-2.2	15.5	2.4
Copper	7.4	0.6	25.8	6.8
Iron	-0.1	7.7	1.8	4.8
Gold	-3.3	-10.3	3.5	-3.5
Silver	5.6	2.5	8.9	2.5
Lead	6.9	4.1	13.9	0.0
Zinc	5.4	-2.6	8.1	1.7
Molybdenum	8.0	-6.2	18.4	1.5
Tin	-9.3	-2.4	-15.6	-7.4
Hydrocarbons	7.2	4.0	-11.5	4.7
Oil	-5.9	10.2	-16.3	-2.6
Liquid of natural gas	20.9	-1.1	-11.6	9.8
Natural gas	2.8	6.0	-3.3	23.3
TOTAL 2/	4.9	-0.9	9.3	3.3

1/ Preliminary.
2/ Includes non-metallic mining and secondary production.
Source: MINEM.

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

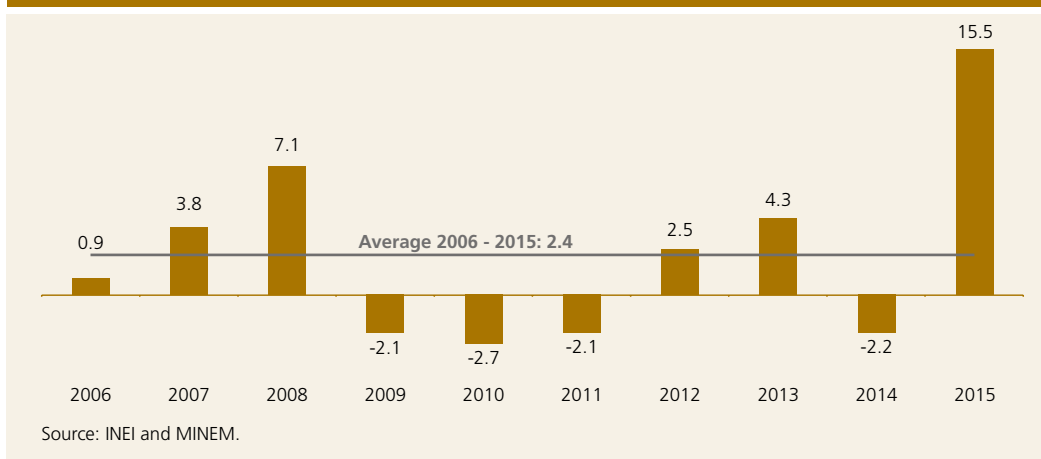


Table 9
MINING PRODUCTION

	2006	2014	2015
Production of gold (Thousand troy ounces)	6,521	4,504	4,663
<i>Largest mining</i>	4,534	1,812	1,751
Minera Yanacocha	2,612	970	919
Minera Barrick Misquichilca	1,668	599	614
Compañía Minera Buenaventura	253	244	218
<i>Rest 1/</i>	1,987	2,078	2,144
<i>New projects</i>	614	768	
La Arena - Rio Alto		220	229
Tantahuatay - Buenaventura		145	154
La Zanja - Buenaventura		144	133
Pucamarca - Minsur		106	118
Anama -Aruntani			74
Inmaculada - Hochschild			59
Production of copper (Thousand fine metric tons)	876	1,294	1,628
<i>Largest mining</i>	795	1,001	1,121
Compañía Minera Antamina	391	362	412
Southern Peru Copper Corporation	326	293	298
Sociedad Minera Cerro Verde		179	208
Antapaccay	79	167	203
<i>Rest</i>	81	222	212
<i>New projects</i>	70	295	
Toromocho - Chinalco		70	182
Constancia - Hudbay			106
Las Bambas - MMG			7
Production of zinc (Thousand fine metric tons)	1,203	1,315	1,422
<i>Largest mining</i>	822	909	988
Compañía Minera Antamina	178	266	298
Compañía Minera Milpo	80	240	247
Volcan Compañía Minera	233	163	180
Empresa Minera Los Quenuales	200	111	103
Sociedad Minera El Brocal	70	7	56
<i>Rest</i>	381	406	433
Production of Silver (Thousand fine troy ounces)	112	121	132
<i>Largest mining</i>	47	57	64
Compañía Minera Antamina	10	13	19
Compañía Minera Buenaventura	12	17	18
Volcan Compañía Minera	13	12	13
Compañía Minera Ares	12	13	10
<i>Rest</i>	65	64	68
Production of Lead (Thousand fine metric tons)	313	277	316
<i>Largest mining</i>	171	110	131
Compañía Minera Milpo	22	34	36
Volcan Compañía Minera	66	24	27
Empresa Administradora Chungar	25	27	25
Sociedad Minera El Brocal	37	3	23
Empresa Minera Los Quenuales	22	15	15
<i>Rest</i>	143	168	185

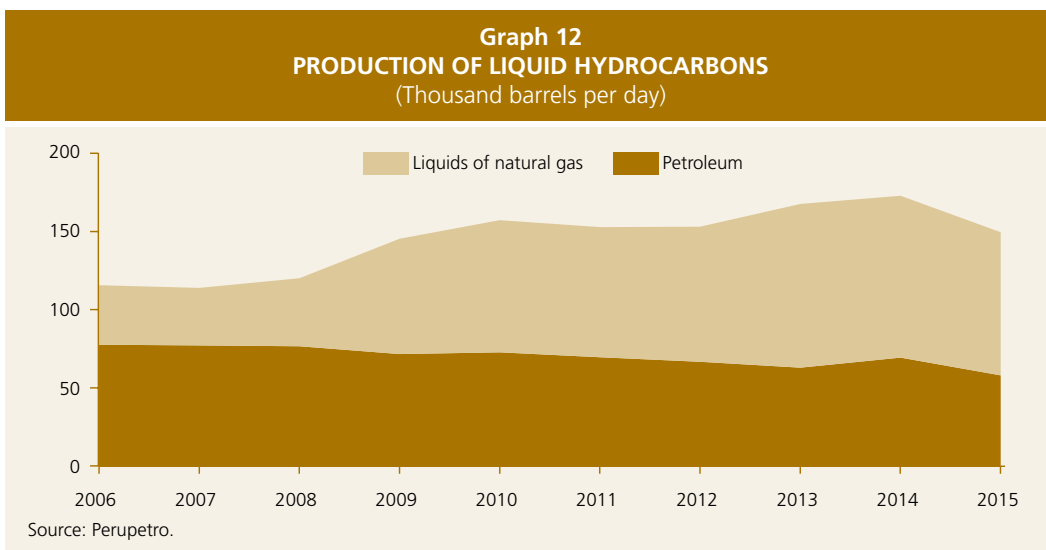
1/ Includes Madre de Dios.

In contrast with the lower growth rates recorded in the previous three years, in 2015 the extraction of **gold** grew 3.5 percent (from 4.5 billion troy ounces in 2014 to 4.7 billion troy ounces in 2015). This increase was associated with the onset of operations of mining projects Anama and Inmaculada, whose output amounted to 74 thousand and 59 thousand troy ounces, respectively.

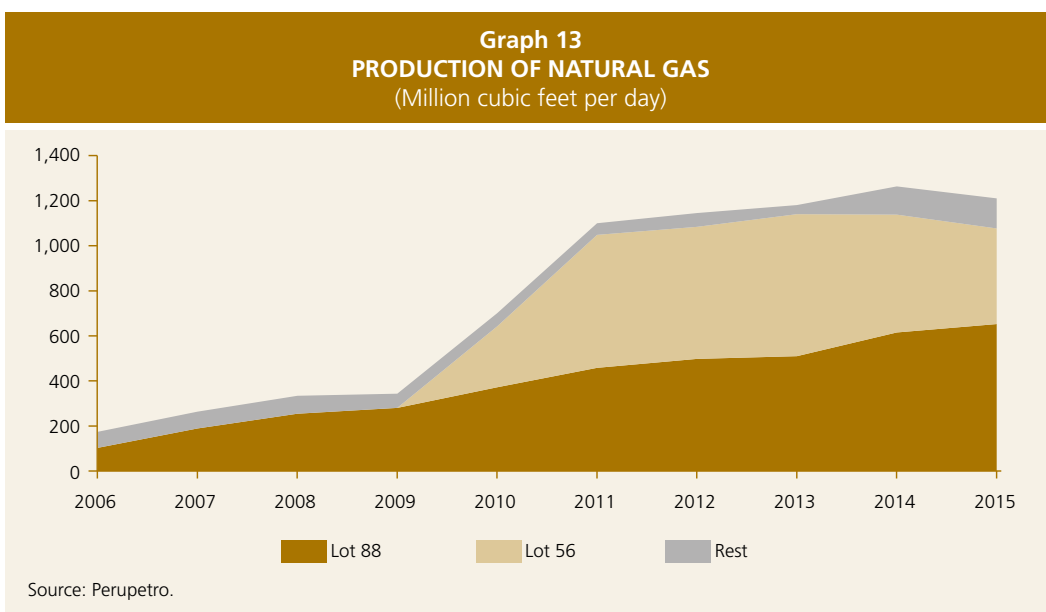
The production of **copper** (1.6 million fine metric tons) grew 25.8 percent in 2015, mainly as a result of the contribution of the new copper projects. Although Toromocho began operations in 2014, it reached its commercial capacity in 2015, increasing its production levels from 70 to 182 fine metric tons. In addition to this, mining projects Constancia and Las Bambas started operations during this year, while Antamina raised its production level even above the one it recorded in 2013 after showing a contraction in 2014.

Zinc production increased 8.1 percent (from 1.3 million metric tons in 2014 to 1.4 million in 2015), while the production of **lead** grew 13.9 percent (316 thousand metric tons in 2015). Both these increases were associated with the start of operations of the expansion of El Brocal in March 2015. Finally, **silver** production grew 8.9 percent (132 million ounces in 2015) due to greater extraction at Antamina.

On the other hand, the production of hydrocarbons shrank 11.5 percent, mainly due to the lower exploitation of liquid hydrocarbons: crude oil (-16.3 percent) and liquid natural gas (-11.6 percent). Lower oil production at Pluspetrol’s Lot I-AB and Lot 8 and at Perenco’s Lot 67 accounted mainly for the contraction of oil activity, while lower activity of Pluspetrol in Lots 56 and 88, in the Department of Cusco, in the province of La Convencion, accounted mainly for the contraction observed in the production of natural gas liquids.



The extraction of natural gas dropped 3.3 percent despite the higher production obtained at Lot 88. The contraction was mainly due to lower activity at Pluspetrol’s Lot 56 (-18.9 percent) as a result of technical problems (the rupture of the gas pipeline in May and several maintenance works carried out in April, August, and September).



2.4 Manufacturing Sector

Manufacturing activity fell 1.7 percent in 2015, affected by the evolution of non-primary manufacturing, which showed a negative growth rate of 2.7 percent, while the sectors associated with primary resources grew 1.7 percent. Primary manufacturing saw some recovery since some of the adverse factors that affected this sector during 2014, such as water scarcity, higher temperatures, and the suspension of a second fishing season, were offset during 2015.

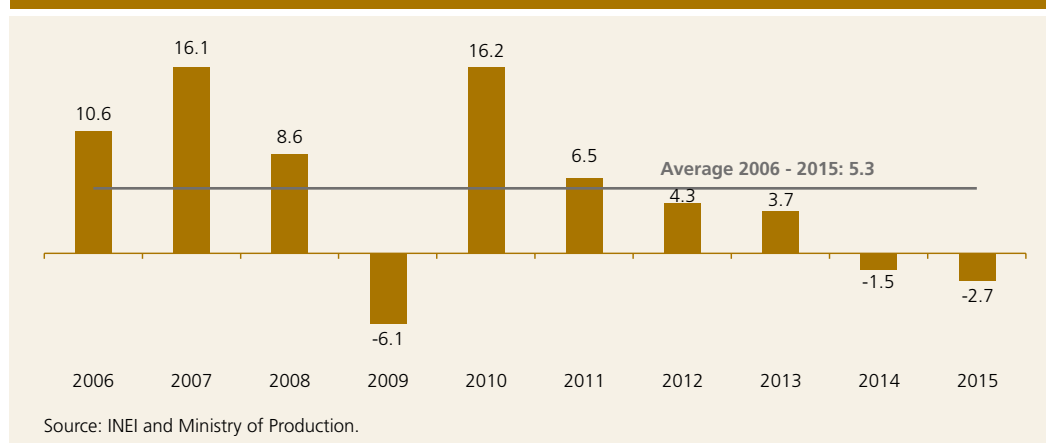
Table 10
MANUFACTURING BASED ON RAW MATERIALS BY MAIN INDUSTRIAL GROUPS
(Real % change)

	2013	2014	2015	Average 2006-2015
Manufacturing based on raw materials	8.6	-9.3	1.7	-0.1
Rice	0.1	-4.9	7.9	2.4
Sugar	6.2	2.5	-9.6	4.6
Meat products	2.2	7.2	5.5	5.5
Fishmeal and fish oil	44.3	-63.0	53.0	-8.9
Canned and frozen fish products	-7.3	1.5	-18.9	6.3
Refining of non-ferrous metal	12.8	-5.1	-5.5	-2.1
Refining of crude	-2.7	3.3	0.4	4.4

Source: Ministry of Production and INEI.

The decline of non-primary manufacturing, on the other hand, was associated with a lower demand for inputs, for investment-oriented goods (mainly machinery), and for export-oriented goods (due to the contraction of demand for textiles of our trading partners).

Graph 14
NON-PRIMARY MANUFACTURING
(Real % change)



Lower activity in the branches manufacturing inputs (-3.8 percent) was mainly associated with the decline of printing activities (-15.0 percent) due to the lower domestic and external demand for catalogs and advertising inserts. There was also a contraction in the demand for wood (-11.7 percent) as a result of lower exports of sawn wood and the decline of the demand for carpentry parts and pieces. Finally, there was also a lower production of paper and cardboard items (-11.7 percent) due to the lower domestic demand for corrugated paper for packages and containers.

Table 11
GROWTH OF NON-PRIMARY MANUFACTURING BY TYPE OF GOODS
 (Real % change)

	2013	2014	2015	Average 2006-2015
Mass consumption goods	2.3	-2.0	0.4	5.7
Dairy products	3.6	1.4	3.1	5.8
Bakery	-3.4	-0.4	1.6	2.7
Oils and fats	2.6	4.6	4.5	4.6
Miscellaneous food products	12.8	-5.9	-8.4	5.7
Beer and malt	-0.4	0.5	-0.4	5.7
Soft drinks	4.8	1.7	9.1	7.2
Clothing	-9.0	-9.2	-8.7	0.5
Furnitures	8.4	-6.4	7.9	12.5
Other paper and cardboard items	-0.7	11.0	12.7	9.1
Toiletries and cleaning products	9.6	2.0	-1.9	7.8
Pharmaceutical products	-11.5	-1.3	-18.9	2.1
Miscellaneous items	10.3	-7.4	-5.8	1.2
Inputs	0.0	-1.6	-3.8	3.6
Milling industry	-3.7	2.0	0.6	1.6
Other textil items	-0.1	-7.5	-7.2	-2.1
Woods	-16.4	-8.9	-11.7	-4.8
Paper and cardboard	23.2	-20.1	-11.7	4.4
Paper and cardboard containers	3.0	0.2	1.3	5.9
Publishing and printing	-2.1	-0.5	-15.0	6.0
Basic chemicals	6.7	11.4	0.9	2.9
Explosives, chemical and natural scents	29.1	-14.7	19.6	10.2
Rubber	-9.7	-17.2	-4.0	-0.9
Plastic	17.5	8.2	-1.7	6.4
Glass	-15.0	-2.3	0.5	11.6
Capital goods	12.7	-1.8	-4.5	8.5
Iron and steel industry	7.3	5.5	-3.6	2.1
Metallic products	28.3	-2.3	-1.7	12.4
Machinery and equipment	-16.3	1.3	-12.3	-0.6
Electric machinery	12.4	-13.4	-25.8	2.4
Transport equipment	7.2	-7.9	-6.9	15.3
Paints, varnishes and acquires	12.7	1.4	-2.4	9.0
Cement	2.3	4.3	-1.9	7.3
Construction materials	7.6	-4.4	-3.3	8.9
Industrial services	32.0	-3.8	-6.4	11.6
Goods for external markets	-6.0	1.4	-6.1	1.5
Canned food, chocolate and alcoholic beverages	-5.9	9.3	-4.3	8.9
Synthetic fibers	-8.1	12.7	-10.5	-1.7
Yarns, fabrics and finished garments	-7.1	1.9	-5.2	-0.7
Knitted garments	6.9	7.8	-5.9	-1.6
Clothing items	-9.0	-9.2	-8.7	0.5
Total non-primary manufacturing	3.7	-1.5	-2.7	5.3

Source: Ministry of Production.

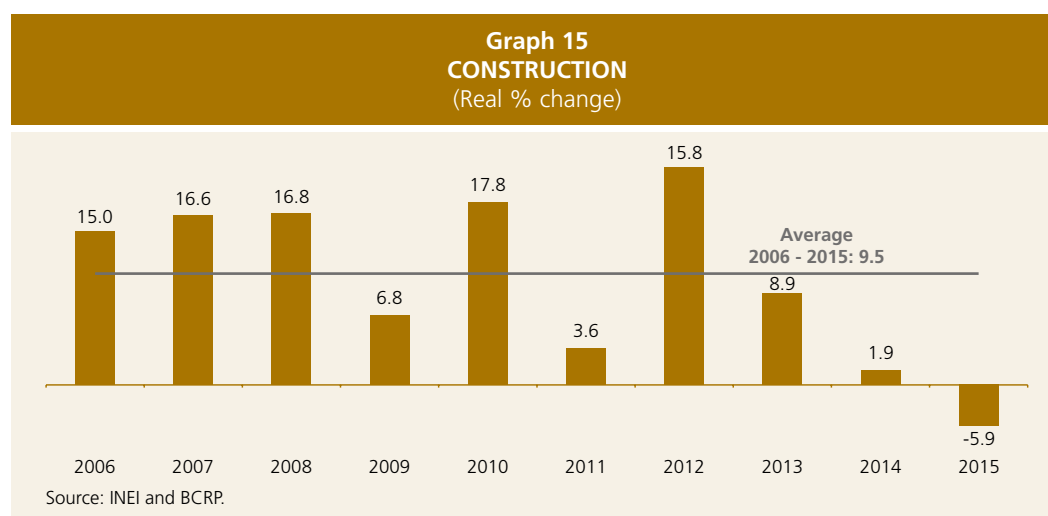
Output in the investment-oriented industrial branches decreased 4.5 percent due to the lower production of electrical machinery (-25.8 percent) after two companies closed operations as well as due to the lower demand for transformers and electrical panels. The manufacturing of machinery and equipment also recorded a decline, particularly in machinery and equipment for mining and construction, while the export-oriented branches showed the sharpest decline (-6.1 percent), with industries such as textiles and the industry of canned food, asparagus and artichoke being especially affected by lower external demand.

In contrast, the consumer-oriented industries grew 0.4 percent, growth in the manufacturing branches of other paper and cardboard items (12.7 percent) standing out.

2.5 Construction

Activity in the construction sector decreased 5.9 percent in 2015, reflecting, on the one hand, the decline observed in private investment after the completion of large projects, the deterioration of confidence

indicators, and lower demand in the real estate market, and, on the other hand, the fall of public investment spending associated mainly with lower spending at the level of the subnational governments. In line with this, the domestic consumption of cement fell 2.0 percent, from 11.4 to 11.2 million metric tons.



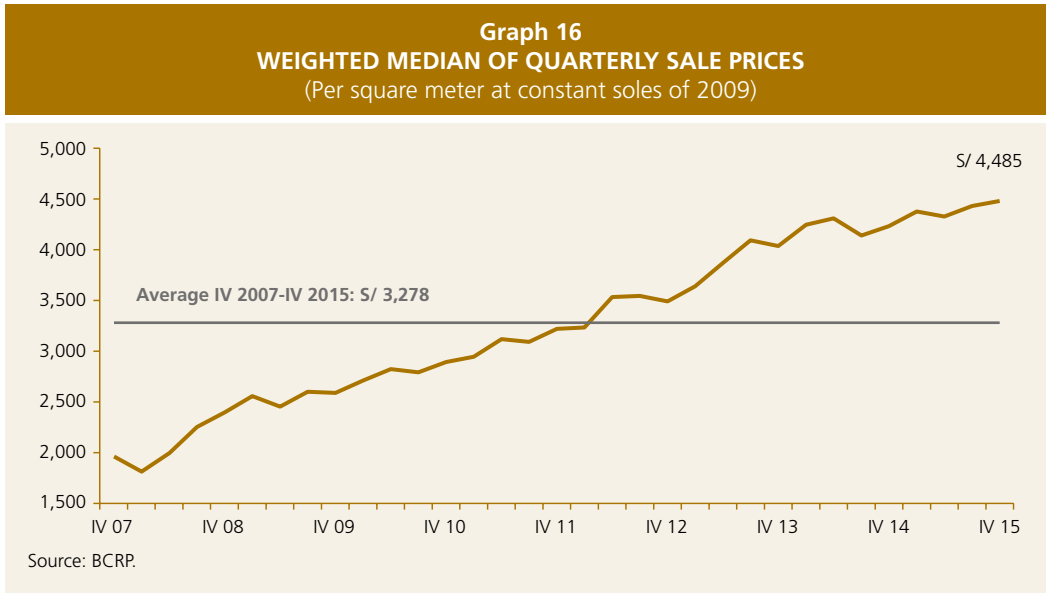
As regards the residential real estate market, according to a study on the buildings market in Metropolitan Lima and Callao –Estudio del Mercado de Edificaciones en Lima Metropolitana y el Callao– published by the Peruvian Chamber of Construction (CAPECO), the number of apartments sold dropped 33.3 percent in 2015 (after having already dropped 22.7 percent in 2014). This trend was also reflected in the credit directed to this segment, which showed a 7.8 percent reduction in new mortgage loans for housing as well as a decrease of 13.0 percent in new loan placements by Mivivienda.

Table 12
REAL ESTATE SECTOR: EVOLUTION OF MAIN VARIABLES

	2013	2014	2015
Apartments: Unit sold - CAPECO 1/	21,133	16,337	10,889
% Change	2.3	-22.7	-33.3
Apartments: Unit sold- TINSA 2/	15,776	11,049	12,901
% Change	-34.7	-30.0	16.8
Unmet demand - CAPECO 1/	411,869	415,592	435,129
% Change	3.9	0.9	4.7
New mortgage loans 3/	35,218	32,915	30,358
% Change	-7.7	-6.5	-7.8
New loans Mivivienda 4/	11,301	9,453	8,227
% Change	13.6	-16.4	-13.0
Number of debtors of current mortgage borrowers 3/	189,152	202,704	209,646
% Change	9.5	7.2	3.4
Mortgages disbursed in S/ (mills.) 3/	6,732	6,816	8,311
% Change	38.1	1.2	21.9
Mortgages disbursed in US\$ (mills.) 3/	634	610	320
% Change	-57.2	-3.8	-47.6
Average interest rate by mortgage loans in S/. 5/	9.4	9.2	9.0
Average interest rate by mortgage loans in US\$ 5/	8.5	8.3	8.2
Ratio PER 6/ 7/	16.1	16.2	17.0

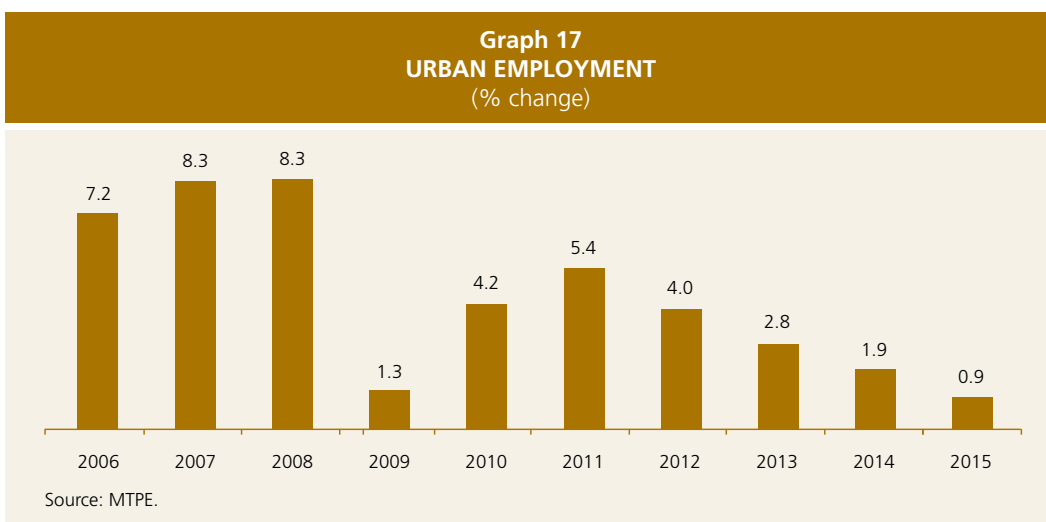
1/ "El Mercado de Edificaciones Urbanas en Lima Metropolitana y el Callao", CAPECO. A one-year period is considered (from July to June in the next year).
2/ "Informe de Coyuntura Inmobiliaria", TINSA PERU SAC.
3/ Commercial banks. Source: SBS.
4/ "Nuevo Credit Mi Vivienda". Source: Fondo Mi Vivienda.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

Moreover, the rising trend of sale prices of property per square meter in constant soles that was observed since late 2007 continued to be observed in 2015 (the prices per square meter in Q4-2015 increased 5.9 percent compared to the same period in 2014). The PER ratio, which shows the number of years a property would have to be rented to recover the acquisition value¹ of the property rose from 16.2 in 2014 to 17.0 in 2015.



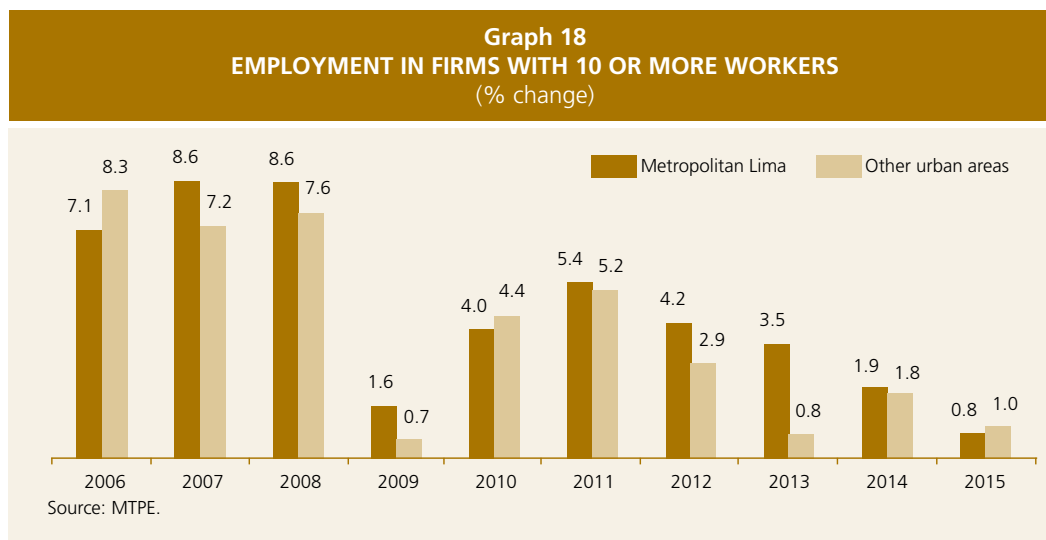
3. Labor

According to the Ministry of Labor, urban employment in formal enterprises with 10 and more workers grew 0.9 percent in 2015.



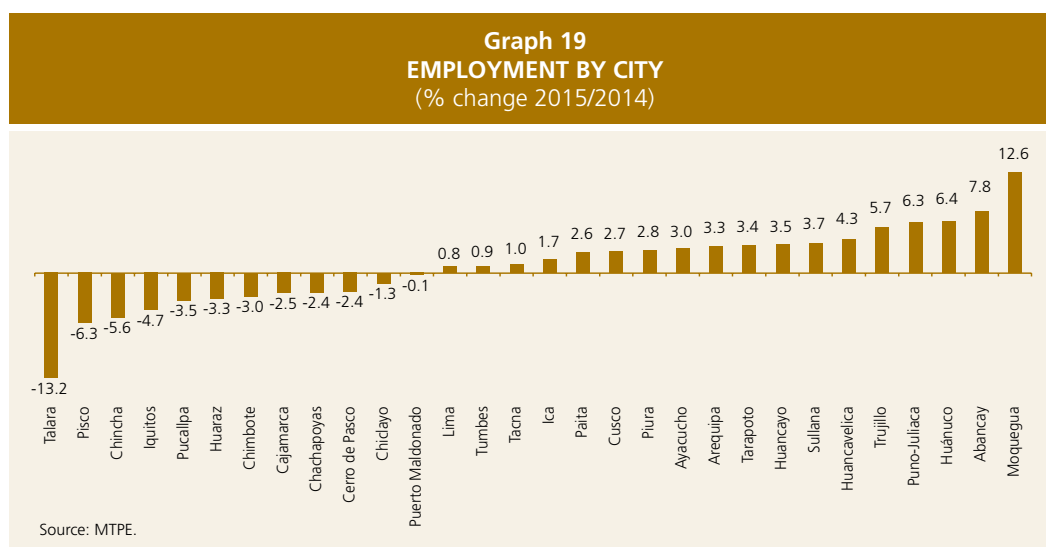
By geographical area, job creation showed a slower pace of growth not only in Metropolitan Lima (down from 1.9 to 0.8 percent), but also in the major cities in the rest of the country (down from 1.8 percent in 2014 to 1.0 percent in 2015).

¹ 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.



Moreover, the slower pace of growth of employment in production sectors is explained by the loss of jobs in the manufacturing sector, where this indicator fell for the second consecutive year: -1.5 percent in 2014 and -2.0 percent in 2015. On the other hand, employment in the services sector climbed 2.6 percent.

In the regions, employment showed a positive trend in 18 of the 30 cities included in the sample of the Ministry of Labor, the cities of Moquegua and Abancay leading this growth. In contrast, employment recorded negative rates in 12 cities, the highest declines of employment rates being observed in the cities of Pisco and Talara.



According to INEI's survey on employment –Encuesta Permanente de Empleo–, several indicators of the labor market continued showing a positive trend in Metropolitan Lima in 2015. Like in 2014, the employed population grew 1.1 percent. By production sectors, employment grew more in the sectors of construction (7.1 percent), services (1.7 percent), and trade (1.2 percent). This offset the decline of employment in the primary sectors and in the manufacturing sector, where employment fell 8.2 and 3.3 percent, respectively.

The rate of underemployment in terms of hours worked declined from 9.9 percent in 2014 to 9.7 percent in 2015 while 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, increased from 5.6 percent to 6.5 percent between 2014 and 2015.

Graph 20
UNEMPLOYMENT AND UNDER-EMPLOYMENT RATE 6M<CI FG'IN
METROPOLITAN LIMA (%)

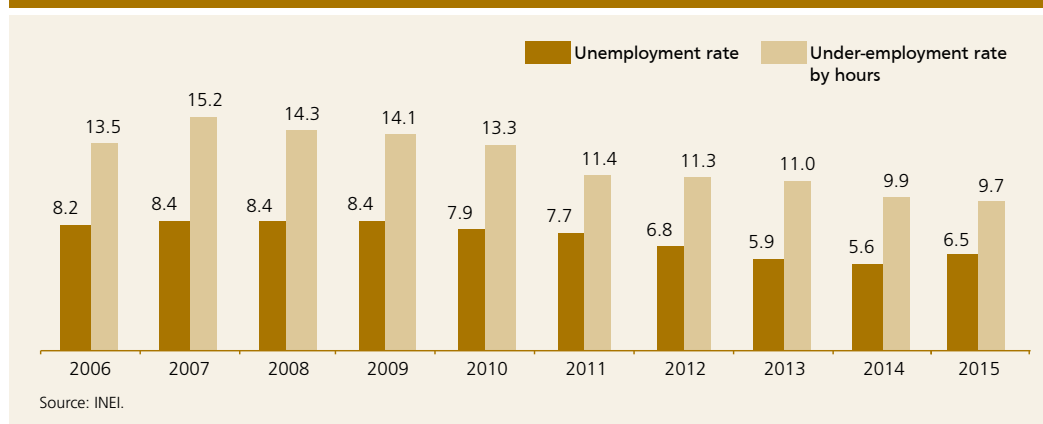


Table 13
WORKFORCE BY LEVELS OF EMPLOYMENT IN METROPOLITAN LIMA 1/
 (Thousand people)

	2013	2014	2015
I. ECONOMICALLY ACTIVE POPULATION (EAP): 1 + 4	4,885	4,917	5,019
1. EMPLOYED	4,594	4,643	4,694
By economic activity			
Manufacturing	722	731	707
Construction	330	340	364
Commerce	977	966	977
Services	2,506	2,550	2,595
Others	59	56	51
By educational level			
Primary school 2/	431	395	374
Complete high school 3/	2,269	2,185	2,289
Higher education	842	932	898
University higher education	1,053	1,131	1,133
By occupation			
Salaried workers 4/	2,847	2,958	2,966
Non-salaried workers	1,747	1,685	1,727
By size of business			
Independent 5/	1,168	1,162	1,516
From 2 to 10 workers	1,591	1,569	1,257
From 11 to 50 workers	460	455	482
More than 50 workers	1,374	1,456	1,439
By number of hours worked per week			
Employed workers working 20 or more hours	4,159	4,249	4,286
Salaried workers working 20 or more hours	2,648	2,769	2,777
2. UNDER-EMPLOYED	1,754	1,589	1,647
Visible under-employment (by hours) 6/	537	487	487
Invisible under-employment (by income) 7/	1,217	1,102	1,160
3. PROPERLY EMPLOYED	2,840	3,054	3,046
4. UNEMPLOYED	291	274	325
II. INACTIVE POPULATION	2,203	2,300	2,334
III. WORKING-AGE POPULATION (PWA)	7,088	7,216	7,353
RATES (%)			
Activity rate (EAP / PWA)	68.9	68.1	68.3
Employment/population (Employed EAP/PWA)	64.8	64.3	63.8
Unemployment rate (Unemployed EAP/EAP)	6.0	5.6	6.5
Under-employment by hours	11.0	9.9	9.7

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.

Box 1
ANNUAL SURVEY ON CONSTRAINTS OF ECONOMIC GROWTH

The growth of an economy in the long term is determined by productivity and by the accumulation of production factors. Considering that the latter has a limit, the contribution of total factor productivity is essential to determine long term growth.²

The reasons explaining why some countries are more productive than others include a broad number of variables ranging from the degree of institutional development to the level of innovation and technological development achieved. In order to understand the constraints to growth that Peruvian companies have to face and which make them less productive, a set of specific questions addressing the subject was included in the BCRP Survey of Macroeconomic Expectations and in the Quarterly Regional Perception Survey between January and February 2016. The survey was carried out nationwide with a sample of 985 companies representing different economic sectors (377 companies in Lima and 608 companies in the provinces).

Since the aim of the survey was to identify the areas perceived as having the greatest constraints to growth, we established a scale of 0 to 5, where 0 represents the absence of constraints, while 5 indicates that there are very strong constraints to growth.

CONSTRAINTS OF ECONOMIC GROWTH IN DIFFERENT AREAS
(Average grade) 1/

	General		Lima		Central		Northern		Eastern		Southern							
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016						
Peru	3.0	3.2	↑	2.9	3.3	↑	2.9	2.8	↓	3.3	3.1	↓	2.8	3.1	↑	3.1	3.2	↑
Region	3.2	3.1	↓	-	-		3.0	3.0	=	3.3	2.9	↓	3.1	3.0	↓	3.2	3.1	↓
Sector	2.9	3.0	↑	2.8	3.0	↑	2.9	2.7	↓	3.0	2.8	↓	3.0	3.2	↑	2.9	3.0	↑
Business	2.3	2.3	=	2.3	2.2	↓	2.3	2.2	↓	2.3	2.3	=	2.5	2.7	↑	2.4	2.4	=

1/ Scale: 0 to 5.

Source: BCRP Survey of Macroeconomic Expectation and Quarterly Regional Perception Survey.

The survey results show that the perception of growth constraints has increased at the national level and at the sector level in 2016 compared to 2015, whereas this perception has declined at the regional level, with a greater number of constraints at the national and regional levels. The analysis by areas³ shows that the most serious obstacles or constraints perceived by the companies located in Lima, in the northern area and in the southern area of the country are obstacles at the national level, while the companies located in the central and eastern areas of the country perceive that the main obstacles are found at the regional and sector levels, respectively.

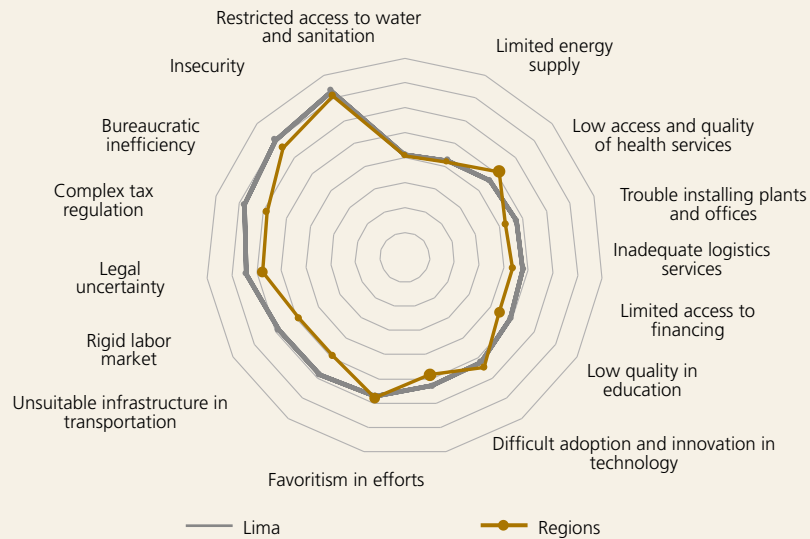
An aspect standing out in the results is the perception that constraints have declined in the central and northern areas of the country in nearly all the levels, whereas in the view of the companies located in the eastern and southern areas, the perception of obstacles has not declined in most of the four areas surveyed.

2 Robert Solow (1956).

3 The Northern area includes the departments of Piura, La Libertad, Lambayeque, Tumbes, and Cajamarca; the Southern area comprises Tacna, Moquegua, Arequipa, Cuzco, Apurímac, and Puno; the Eastern area includes Amazonas, Ucayali, San Martín, Loreto, and Madre de Dios, and the Central area includes Huanuco, Pasco, Junín, Ancash, Ica, Ayacucho and Huancavelica.

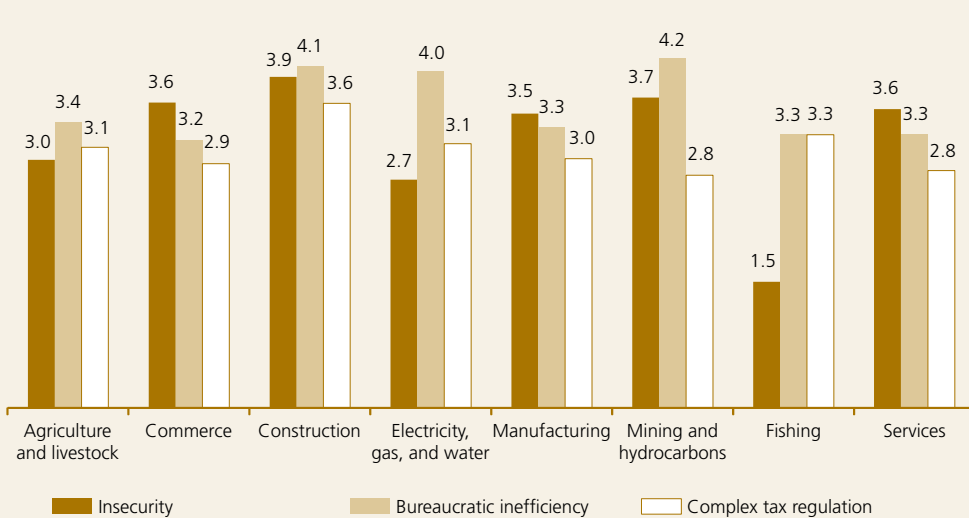
Once we identified the area where obstacles or constraints were found, we asked the companies which were the most serious issues. The results in Lima and in the other regions show that insecurity is identified as the main obstacle to growth, particularly in the northern areas of the country.

CONSTRAINTS PERCEIVED BY THE COMPANIES IN 2016
(Average qualification)



Other institutional factors that were also pointed out as constraints for business are bureaucratic inefficiency and complex tax regulations. When we analyzed the answers by production sectors, we found that construction companies are more emphatic at identifying insecurity as a constraint to the performance of their activity. Moreover, the companies operating in the sectors of mining and hydrocarbons, construction, and utilities (electricity, gas and water) said that the factor that hinder economic activity the most is bureaucracy and inefficiency. In addition, complex tax regulation is also perceived as one of the major obstacles in the sectors of construction and mining and hydrocarbons.

MAIN CONSTRAINTS BY ECONOMIC SECTORS
(Average qualifications)

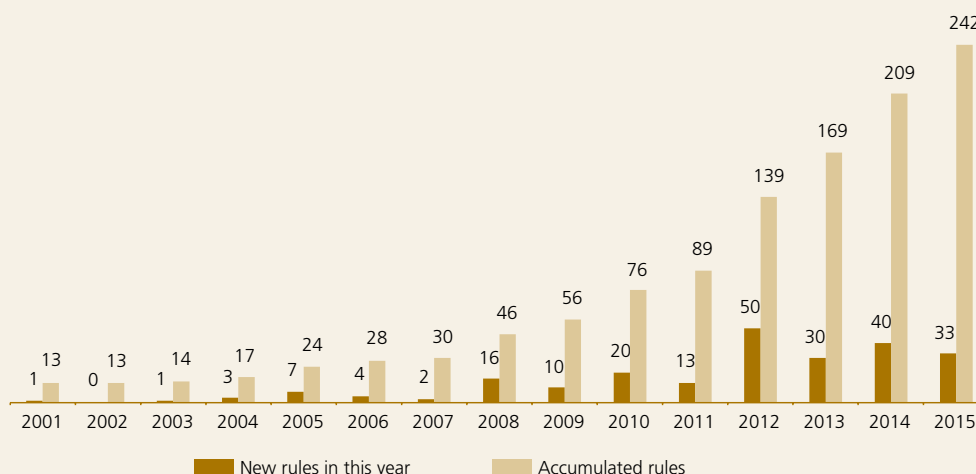


Box 2
BUREAUCRATIC OBSTACLES IN THE MINING SECTOR

The remarkable growth of regulations for carrying out operations in the mining sector is something that has struck both those who have activities in the mining sector and those who do not. If we consider that each new regulation establishes at least one new procedure or formal requirement that a mining company has to comply with, we can conclude that the number of procedures, paperwork and requirements in the sector are 22 times higher today than the number of formal requirements mining companies had to comply with at the beginning of the last decade. The number of regulations for the sector has increased from 11 rules in 2001 to a total of 242 norms at the end of 2015.

This greater number of provisions has a direct impact on the costs and time that mining entrepreneurs need to carry out their activity. Constant changes in the sector's legislation have made the rules of the game unpredictable, which could contribute to slow down the growth of the mining sector.

LEGAL RULES IN FORCE REACTIVE TO THE MINING SECTOR



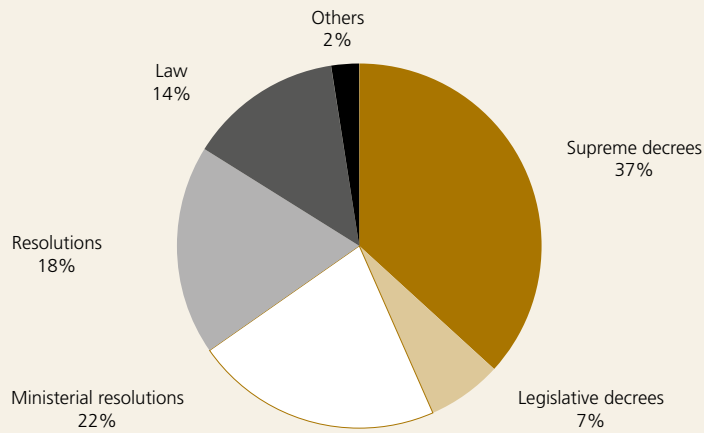
Memo: New rules are considered in net terms (rules issued this year less revoked rules).
 Source: El Peruano.

Why has the Number of Regulations Increased?

Per se, this increase in the legal requirements for mining activities cannot necessarily be considered an obstacle, as it could be reflecting the need to regulate aspects which were previously unregulated by the State. For example, increased concern about environmental issues and about safety and security in the workplace –especially in risky activities such as mining– have led to the creation of several government agencies and their respective legal frameworks to address these issues (e.g. the Ministry of the Environment, SUNAFIL, etc.).

Most of rules governing the sector are supreme decrees and ministerial resolutions, particularly in the Ministry of Energy and Mining and in the Ministry of the Environment, or resolutions of the regulating agencies, such as Organismo de Evaluación y Fiscalización Ambiental (OEFA) and OSINERGMIN. Today, there are 33 laws governing the sector, which represent 14 percent of the total number of rules. 32 percent of the legal provisions that exist in the sector refer to regulations or amendments of such regulations.

STRUCTURE OF RULES THAT AFFECTED MINING SECTOR



Source: El Peruano.

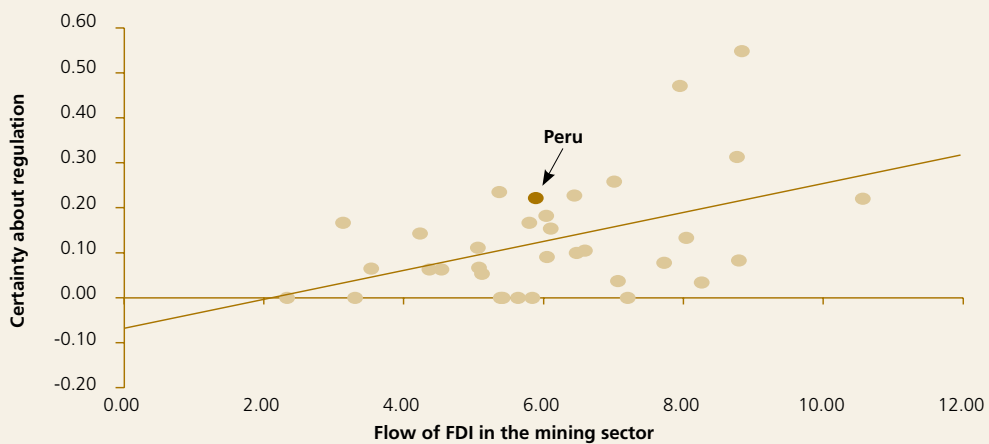
Why is regulation necessary?

Regulations usually originate as a result of discrepancies between private initiatives and the public interest. These discrepancies usually reflect nuances and differences between public and private interests, for which society must reach an agreement. If we consider that all human actions with an economic purpose have an impact, then we have to accept that authorities, which, by definition, serve the interests of the community, should seek how to reconcile both sides, avoiding extremes such as the total prohibition of a specific economic activity or the total absence of regulation, which could cause damage to the environment and society, for example.

A negative externality is the term used in economics to denominate situations when business interests affect a community. Cases of soil, air, and water pollution as a result of tailings or mine dumps are examples that stand out in connection to mining activity.

However, excessive regulation discourages entrepreneurial activity as well as the undertaking of new projects. On the other hand, the more uncertain mining regulation is, foreign direct investment in the mining sector tends to decline.

FOREIGN DIRECT INVESTMENT IN THE MINING SECTOR VERSUS CERTAINTY ABOUT REGULATION
(Frazer index 2014, Investment map 2012)



Source: Fraser Institute and Investment Map.

Which Regulations are Obstacles for the Sector Today?

i. Multiple Agencies Oversee the Sector

Until 2007 OSINERGMIN was responsible for overseeing activities in the mining sector, including both labor- and environmental-related issues. However, with the creation of the Ministry of the Environment in 2008 (Legislative Decree N° 1013) and the creation of the SUNAFIL in early 2013 (Law N° 29981), oversight actions have been divided into these three agencies. The Ministry of the Environment, through OEFA, is responsible for overseeing environmental matters while SUNAFIL is responsible for looking after workers' safety and OSINERGMIN is in charge of overseeing what is associated with the security of the infrastructure required for mining activity.

However, as a result of the different nature of criteria and the lack of coordination between these entities, mining companies are continually subject to controls that extend or delay their production processes.

ii. Limits to Pollution

The following is a clear example of how the rationality of a rule or standard established can very well be questioned: SD N° 003-2008-MINAM established that as of January 1, 2009, concentrations of sulphur dioxide (SO₂) should be 80 micrograms per cubic meter and that thereafter they should be reduced to 20 micrograms per cubic meter as from January 1, 2014. This limit, which incidentally is much more demanding than the limit in force in other mining countries, such as Chile, Mexico and Canada, has been considered to be impossible to reach by most mining companies.

In June 2013, the Ministry of the Environment enacted SD N° 006-2013-MINAM which established an indefinite period for the enterprises operating in the valleys of Ilo, Arequipa and Oroya⁴ to adjust to this limit of 20 micrograms of concentrations of sulphur dioxide per cubic meter, which the Ministry of the Environment argues is the level recommended by the World Health Organization.

iii. Relevance of the Contribution for Oversight

The contribution for oversight is the amount charged by OEFA to the mining companies to carry out the environmental control processes. According to SD N° 130-2013-PCM, large and medium-sized mining companies will pay the contribution with a percentage on their monthly income.

Representatives of the mining sector say this charge is illegal and argue that the service provided by OEFA should be a role of the State and should therefore be funded with taxes. In addition, they argue that the cost of the (control) process has no proportion with the amount charged (a percentage of sales).

iv. Gradualness in OEFA's Fine Collection

Although some progress has been made in terms of OEFA's administrative procedures to sanction environmental failures (incentives have been aligned and the fine amounts for each type of failure have been set), the companies operating in the sector believe that OEFA still has a high degree of discretionary power to issue fines and that many fines are given for potential damage (without effective damage having occurred). They also criticize Law No. 30011 since it does not include an adequate method of refunds for cases in which OEFA has made administrative errors in giving a fine.

According to a recent report published by the Office of the Comptroller-General⁵, the mining sector faces a series of administrative problems that could affect the development of this activity:

4 As established by MR N° 205-2013-MINAM, dated July 2013.

5 Contraloría General de la República (2016). Mejora regulatoria y simplificación de procedimientos administrativos que afectan la inversión. Gerencia de Estudios y Gestión Pública de la Contraloría General de la República.

i. Prior Consultation Law

The Ministry of Energy and Mines is said to have authorized the onset of activities in areas inhabited by indigenous populations because the Ministry of Culture has still not delivered a database of indigenous peoples by regions. The truth is that the Ministry of culture has developed a database of the Peruvian native groups based on the languages they speak. The companies in this sector also argue that the prior consultation requirement has not been implemented in the case of the peasant communities.

ii. Environmental Certification

The deadline for the approval of an Environmental Impact Study (EIS) is 96 days, but in practice, it takes around 170 working days.

iii. Municipal Permits

District municipalities would be demanding far more requirements for obtaining an operation license than those established in their administrative procedures (TUPA).

iv. Use of Water Rights

Companies carrying out prospection or exploration projects would be facing restrictions to acquire the rights to use water from another holder of water use rights that is located in the area of influence of the project, because the legislation prohibits the marketing of water (unless the water comes from underground wells).

v. Permits for Using Explosives

It takes about 4 months to obtain a permit that allows a company a permanent use of explosives during a period of 6 months and it takes 45 days to obtain a permit for 3 months. Moreover, these permits can only be renewed once.

vi. Permits to Use Fuel

OSINERGMIN would be denying requests for annual permits to use fuel to the mining projects that are in the phase of exploitation since it considers that only the phase of "mining exploration" or prospection is a temporary phase.

Box 3 FOREST PLANTATIONS

According to the current legal framework, forest plantations are forest ecosystems made by man through the installation of one or more native or introduced forest species for the purpose of producing wood or forest products other than timber, for forest protection or ecological restoration, or for recreation, environmental services, or any combination of the above. Agro-industrial crops or agroenergetic crops are not forest plantations.

Moreover, forest plantations can be located in private-owned land or on public land given in concessions by the State. Forest plantations are established on deforested lands or

on land that can be afforested, and which are not covered by primary forests⁶ or by mature secondary forests⁷.

Although Law N° 29763, Ley Forestal y de Fauna Silvestre (Forestry and Wildlife Law), was enacted in July 2011, it took more than four years until its regulations were approved. They were recently published on September 30, 2015 (Supreme Decrees No. 020-2015-MINAGRI, Gestión de las Plantaciones Forestales y de Sistemas Agroforestales, the Regulations, and N° 021-2015-MINAGRI, Gestión Forestal y de Fauna Silvestre en Comunidades Nativas y Comunidades Campesinas⁸).

According to specialists in this sector, there are basically two problems associated with the activity of forest plantations in Peru:

- a) **Funding.** Because investment in forestry is a long-term investment, forestry is perceived as a high risk activity by financial intermediaries, so funding is not enough and the requirements of entrepreneurs investing in plantations are not met. Depending on the variety of trees that will be grown, the activity requires having sufficient financial back up to maintain the land at least for five years without having any harvest.
- b) **Property rights.** Another key problem is the absence of cadastres and the poor procedures of land allocation or lack of property rights, that is, the titles or rights over land allocation that make this activity possible. These titles are administrative titles issued by the Regional Forestry and Wildlife Authority in the case of public domain lands.

Forest plantations have a high potential for the generation of formal employment because forestry is a labor-intensive activity (2 hectares of plantation generates 1 permanent job). In addition to this, reforestation efforts promote the formalization of the local economy and contribute to its growth.

The leading companies in Peru engaged in forest plantations cultivate three tree species: bolaina, teak, and capirona. The bolaina is a very fast growing plant, because it is harvested in less than 10 years, in contrast to the radiata pine that is grown in Chile, whose yield starts in 25 years. In addition, in the case of the bolaina, the trees have to be "thinned" or cut in their second or third year to "deforest" the lower quality trees and prioritize the growth of the best specimens. A second thinning is carried out on the fourth year of the plantation. This cut and logging results in manufactured products, such as impregnated poles, which are sold in the domestic market or exported. Other characteristics of this species and of other tree species are offered below.

CHARACTERISTICS OF SPECIES OF FOREST PLANTATIONS

Specie	Farming	Origin	Period of harvest (years)	Growth in first 12 months (cent.)	Basis density (g/cm ³)
Bolaina	Peru	Peru	7 to 9.1/	67-450 2/	0.41 3/
Capirona	Peru	Peru, Brazil	12-14.3/	45-183 2/	0.75 3/
Teak	Peru	India, Malaysia, and Burma	20.4/	74-416 2/	0.65 5/
Radiata pine tree /6	Chile	California	21	< 100	0.43 7/

1/ www.refolasa.com

2/ www.reforesta.peru

3/ www.plantarperu.com

4/ www.ramsa.com

5/ www.wikipedia.com

6/ Toral, Manuel, et al. (2005). Seasonal growth and yields of forest plantations of pine radiata in floors known trumao according to establishment method. *Bosque* 26(1): 43-54.

7/ www.cttmadera.cl

- 6 Natural forest with original indigenous forest vegetation, characterized by an abundance of trees.
- 7 A forest which is regenerated as a result of a process of natural recovery of forest areas in which an original primary forest was affected by human activities or natural causes.
- 8 Supreme Decrees No. 018-2015-MINAGRI, Gestión Forestal, and N° 019-2015-MINAGRI, Gestión de Fauna Silvestre, were also approved.

Moreover, Peru has an additional competitive advantage for forest plantations: it is located close to the equator. Trees in the tropics near the equator grow two or three times faster than trees in areas with long cold winters, like Chile, for example.

According to MINAGRI, the Forestry and Wildlife Law and its Regulations will contribute to the creation of 500 thousand new jobs linked directly to promoting commercially-oriented forest plantations on public and private lands. In addition, according to Servicio Nacional Forestal y de Fauna Silvestre (SERFOR), there are 10.5 million hectares suitable for reforestation, while well managed commercial plantations only total about 35,000 hectares.

Major Policy Changes

In September of 2015, regulations included forest plantations within the sectors that would benefit from the rules established to promote the agricultural sector (Law N° 27360). The main benefits of this law are:

- a) The rate of the third-category income tax for individuals or entities who develop forest plantations has been reduced from 30 percent to 15 percent. Moreover, under certain conditions, crops cultivated in the jungle areas have an income tax of 0 percent.
- b) Until December 2021, 20 percent of the amount invested in hydraulic infrastructure and irrigation works may be deducted from the income tax annually while Law N° 27360 (law approving the regulations for the promotion of the agriculture sector) is in effect.
- c) Early recovery of the value added tax (VAT) paid in the acquisition of capital goods, inputs, services and construction contracts during the pre-production stage of investments, whose duration may not exceed 5 years.
- d) Workers hired for forest crops are included in a special regime with the following characteristics: workers hired for an indeterminate or fixed term are entitled to a vacation period of 15 calendar days, compensation for arbitrary dismissal equal to 15 daily wages for each full year worked (up to a maximum of 180 daily remunerations), and a monthly contribution for health insurance equivalent to 4 percent of the worker's monthly salary that is paid by the employer.

Furthermore, in contrast with what the previous legislation said, the new regulations establish that the establishment, management and exploitation of forest plantations in lands of private property will not require the approval of the forest authority or the presentation of a management plan.

Conclusions

Financing is one of the main barriers for the development of the forestry sector. The regulation introduces the possibility of getting a mortgage in the case of plantations granted in concession contracts and in the case of plantations on private land, while the security interest is also available for concessions. However, land lots of at least 10 thousand hectares should be available for concessions to attract new developers and this is only possible if the State lands are provided with the appropriate formal real property rights to eliminate informal land tenancy.

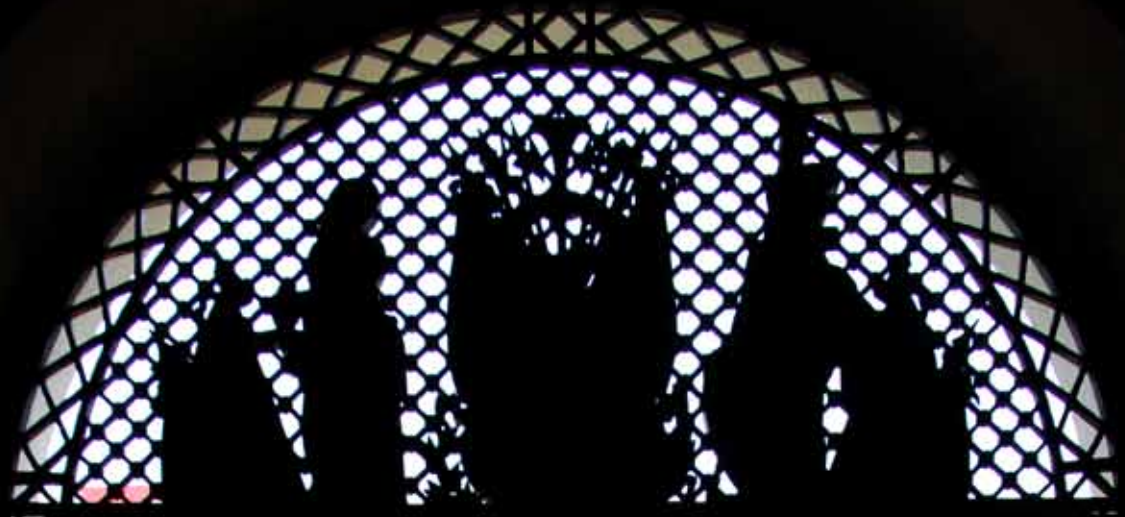
Investment in the sector of forest plantations could be particularly attractive to the AFP and insurance companies that require long-term assets to match their liabilities. However, there are no specialized investment funds that can capture the AFP funds and thus solve part of the problem of financing this activity.

Forestry is a combination of property (real estate) and of a raw material (wood as a commodity) that is not abundant. A forest plantation is a unique asset because the owner has the option to delay the extraction of wood and trees continue to grow during this time. Therefore, plantations can reduce the risk of an investment portfolio given that the growth of the trees is not correlated with changes in the macroeconomic environment.



The central building of Casa Nacional de Moneda.





Wrought iron gate of one of the buildings of the National Mint.

EXTERNAL SECTOR



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
<i>Of which:</i>					
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
<i>Of which:</i>					
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.

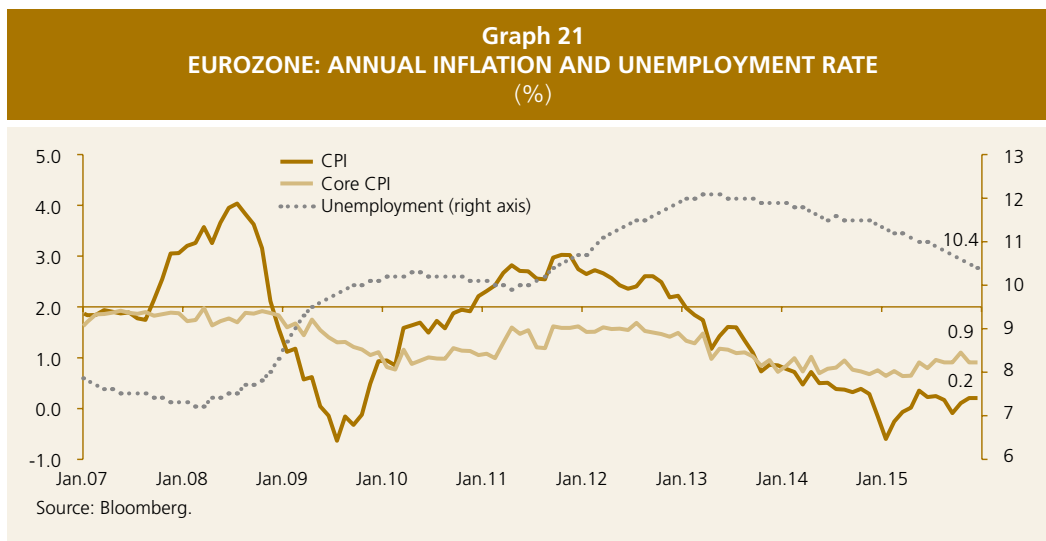
On the side of spending, this growth is explained by the recovery of domestic demand, while the net external demand, on the other hand, showed a negative evolution (-0.1 points of GDP). Private consumption, which grew 1.7 percent, continued to be driven by better conditions in the labor market and by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



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).

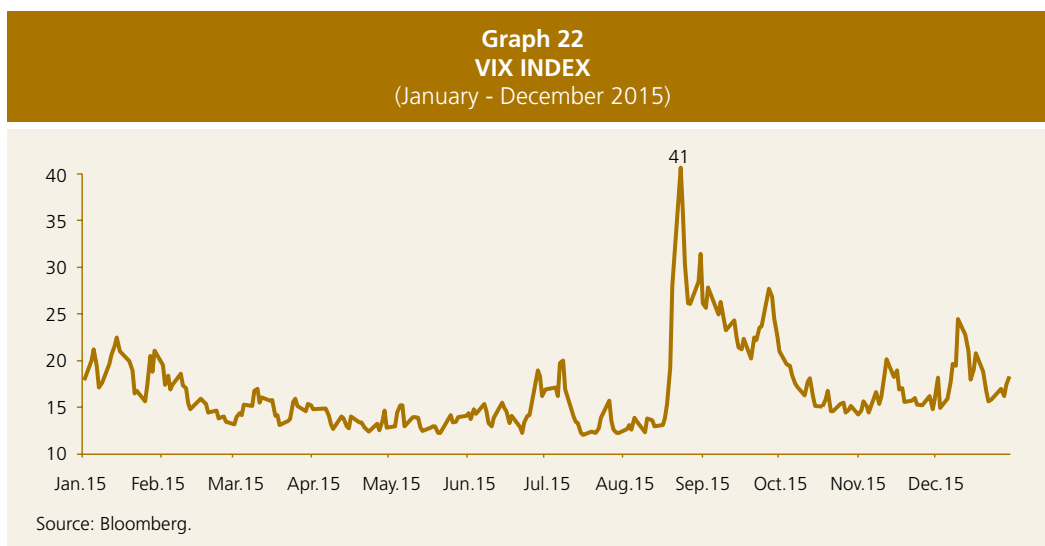
The external factors that affected the region included the slowdown in China's growth, expectations about the normalization of monetary policy in the United States, and the decline of commodity prices, particularly the drop in oil prices. On the side of the internal factors, investment and private consumption 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).



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)

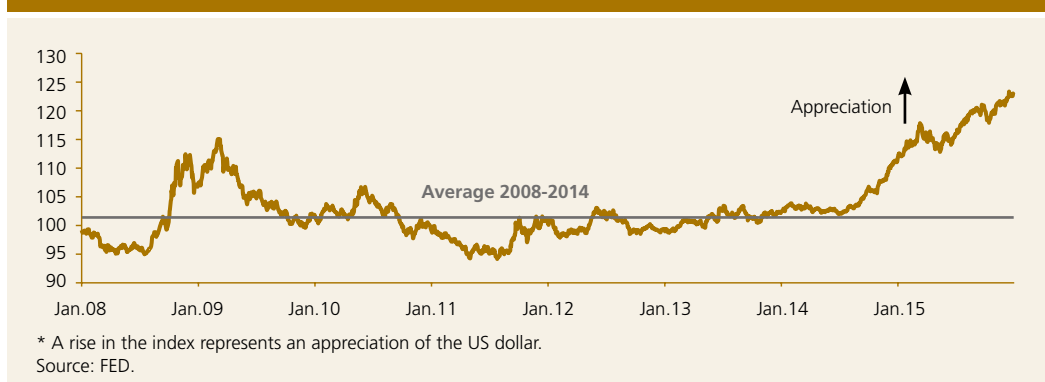
		Annual % chg.		
		2013	2014	2015
VIX	S&P'500	-4.3	5.5	-1.0
USA	Dow Jones	26.5%	7.5%	-2.2%
Brazil	Bovespa	-15.5%	-2.9%	-13.3%
Argentina	Merval	88.9%	59.1%	36.1%
Mexico	CPI	-2.2%	1.0%	-0.4%
Chile	IGP	-13.5%	3.5%	-3.8%
Colombia	IGBC	-11.2%	-11.0%	-26.5%
Peru	General index	-23.6%	-6.1%	-9.6%
United Kingdom	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	Shanghai 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)



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

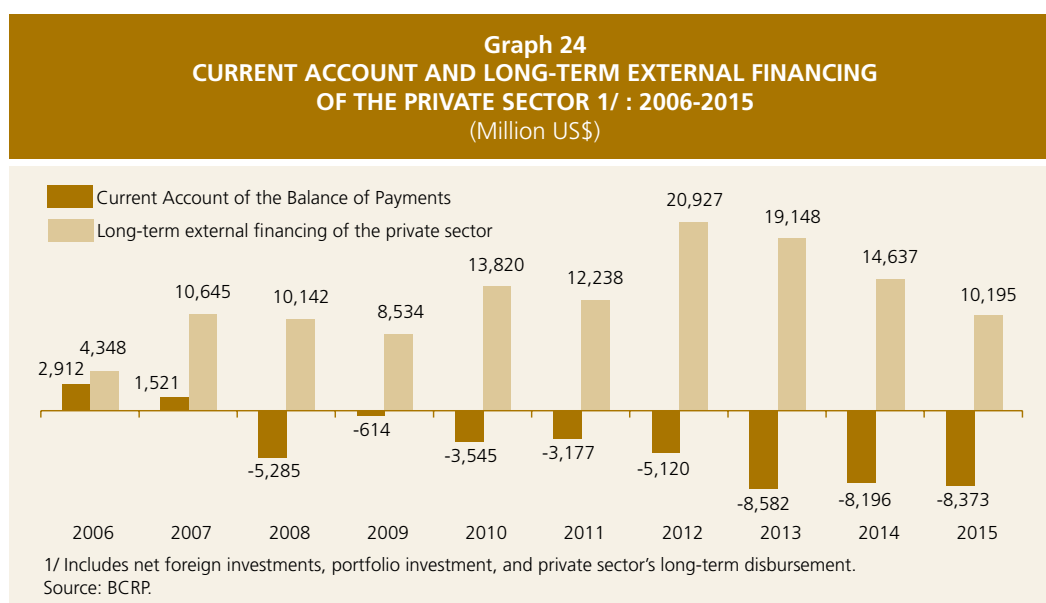
(49.0 percent) –affected also by political instability factors– and the Colombian peso (32.7 percent), which was particularly affected by the fall in the price of oil.

		Table 18 TIPOS DE CAMBIO (UM por US\$)			
		Dec.15	Annual % chg.		
			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.



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
<i>of which: Remittances</i>	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	2,907	-2,178	73	-1.1	0.0
(V = I + II + III + IV) = (1-2)					
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.

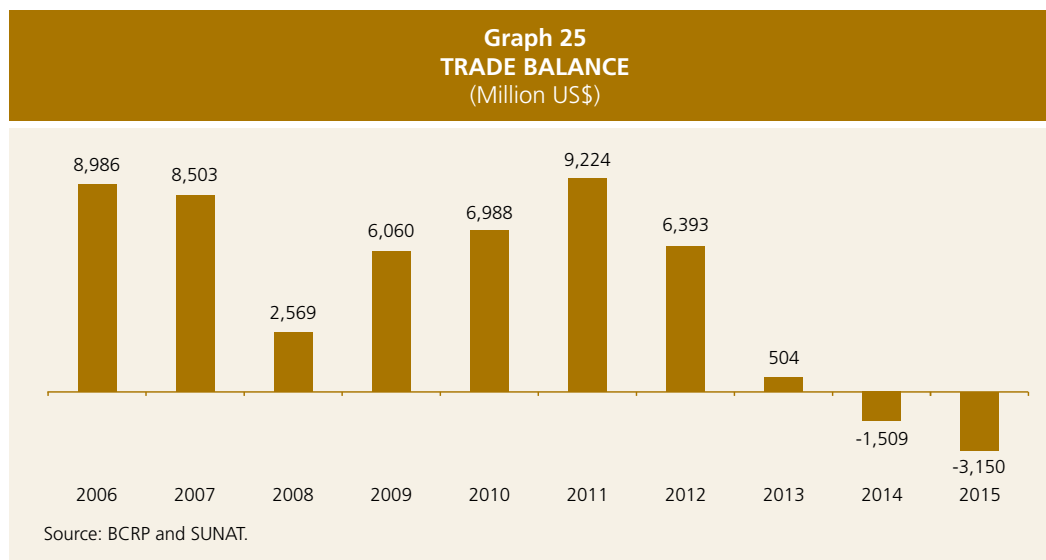
Source: BCRP, MEF, SBS, SUNAT, MINCETUR, PROMPERU, Ministry of Foreign Affairs, COFIDE, ONP, FCR, Tacna Free Trade Zone, Banco de la Nación, Cavali S.A. ICLV, Proinversión, Bank for International Settlements (BIS), and businesses.

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.



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 Peru'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.

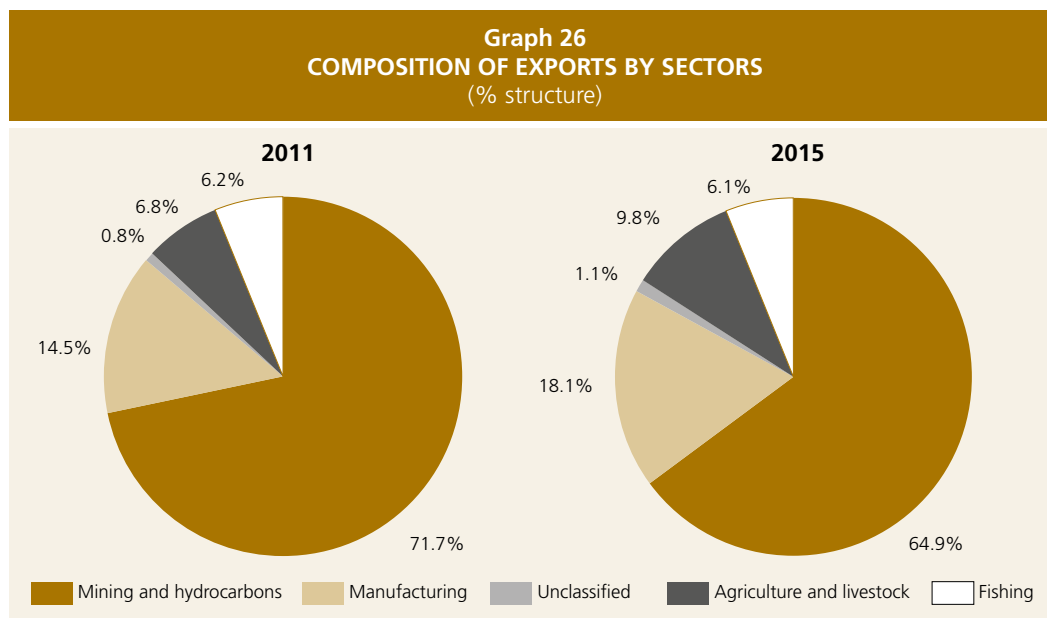


Table 21
EXPORTS 1/ BY GROUP OF ECONOMIC ACTIVITY
(Million US\$)

CIU	Sector	2013	2014	2015
	Agriculture Products 2/	2,757	3,293	3,338
0111	Cereals, legumes and oilseeds, except rice	212	337	281
	<i>Of which:</i>			
	Quinoa	79	196	143
	Tara powder	32	33	31
	Fresh Beans	20	21	18
0113	Vegetables, tubers, and roots	526	498	526
	<i>Of which:</i>			
	<i>Fresh Asparagus</i>	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
	<i>Of which:</i>			
	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
	<i>Of which:</i>			
	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 Priccus 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.



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
<i>Of which:</i>						
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
<i>Of which:</i>						
Agriculture 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.

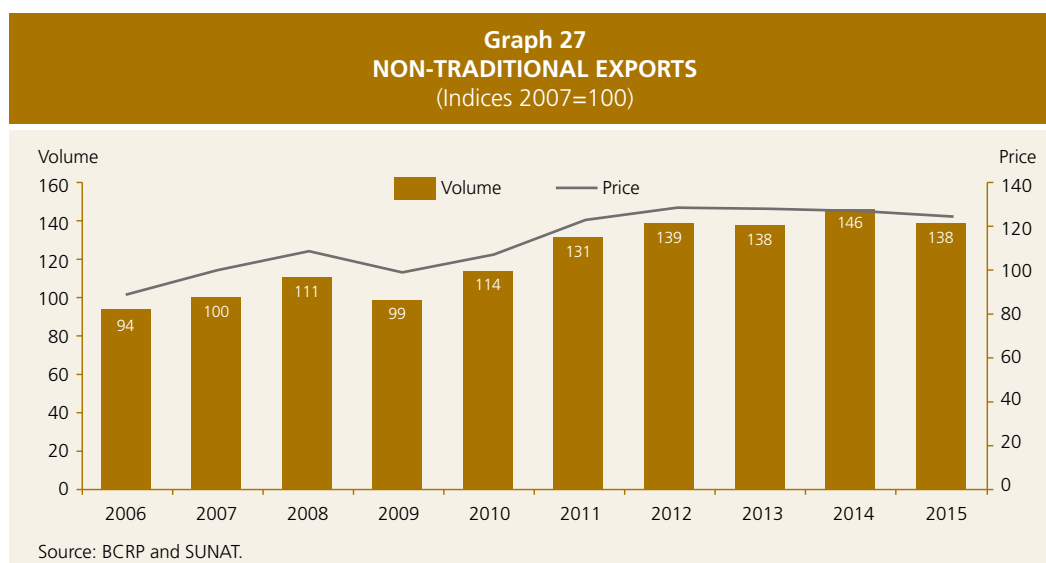
Exports of fisheries, which amounted to US\$ 1.45 billion in 2015, were 16.3 percent lower than in the previous year due mainly to the decrease recorded in the volume of exports of fishmeal and fish oil.

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.



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
Agriculture 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	
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.

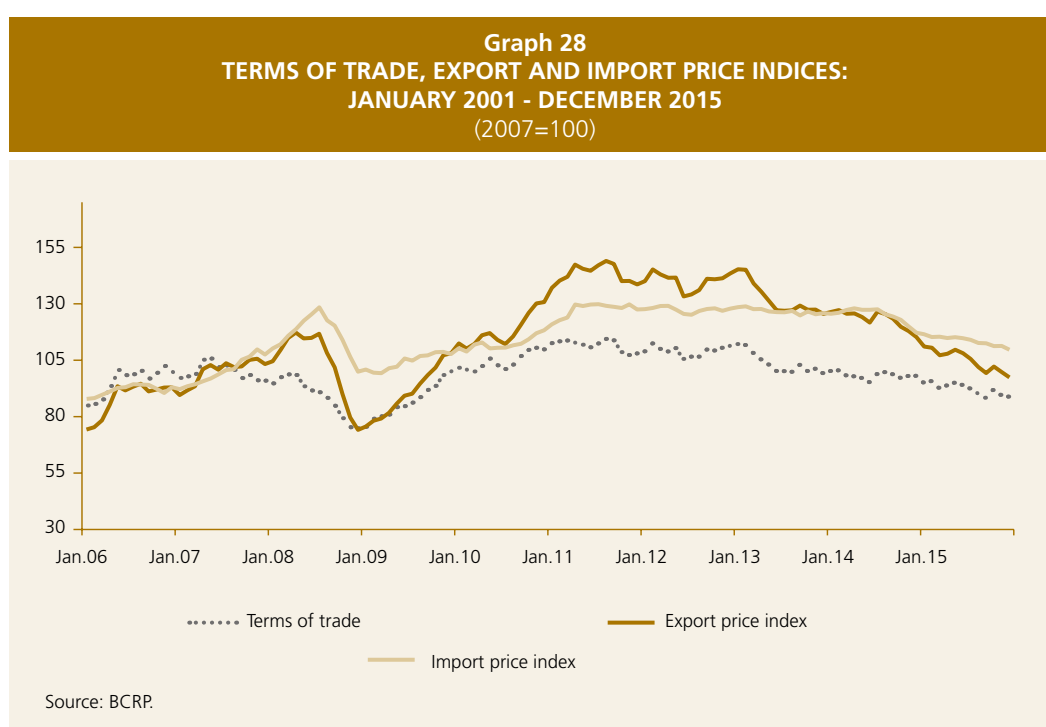
Imports of capital goods fell by 7.1 percent in nominal terms, due mainly to lower volumes of these imports. However, excluding construction materials, the reduction of imports would be 7.9 percent in real terms. Moreover, by economic sectors, there were lower imports in the mining sector (US\$ 803 million) 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			Average 2006-2015
	2013	2014	2015	2013	2014	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

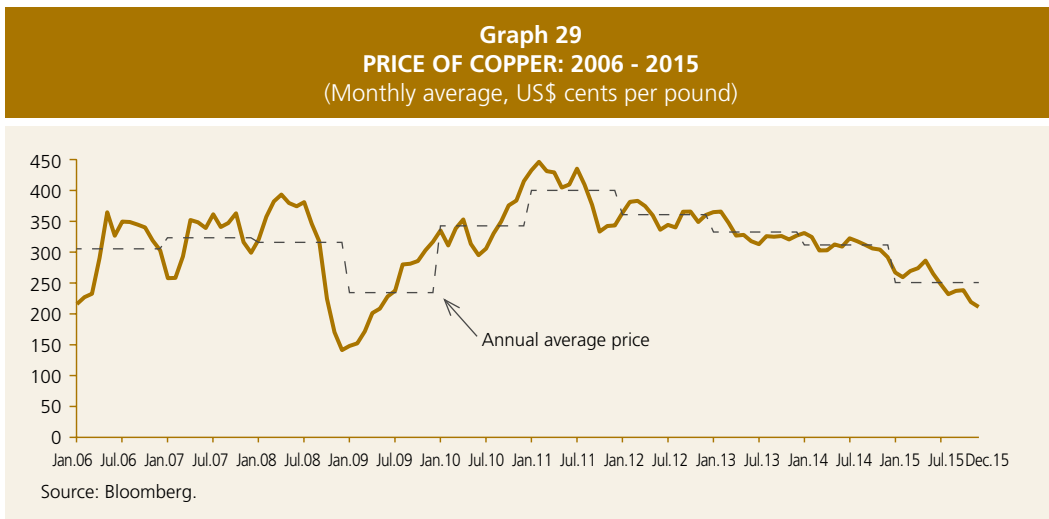
2.2 Terms of Trade

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.

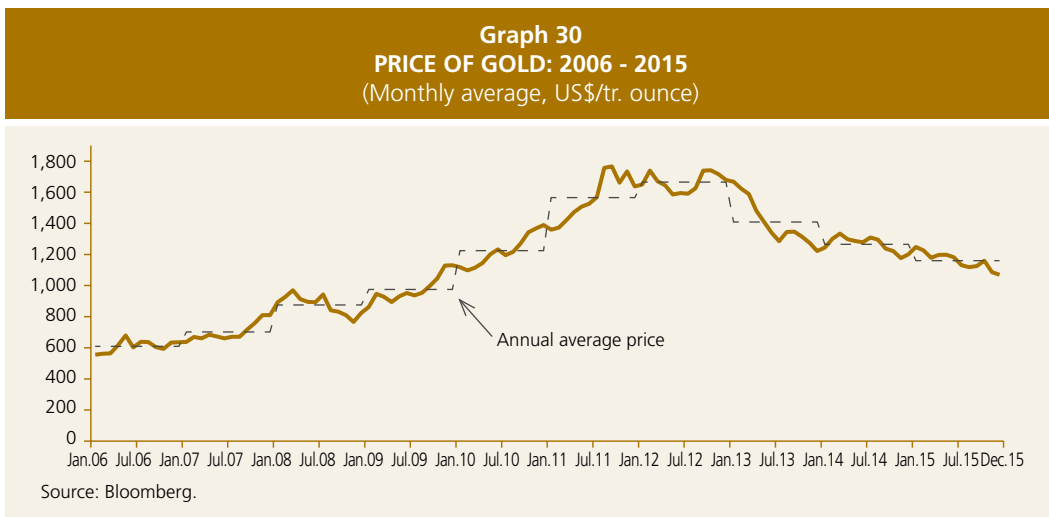


The average price of **copper** declined by 20 percent in 2015, showing an annual average price of US\$ 2.50 per pound. The price of this metal followed the downward trend initiated in June, recording a maximum price of US\$ 2.86 per pound in the month of May and a minimum price of US\$ 2.10 per pound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



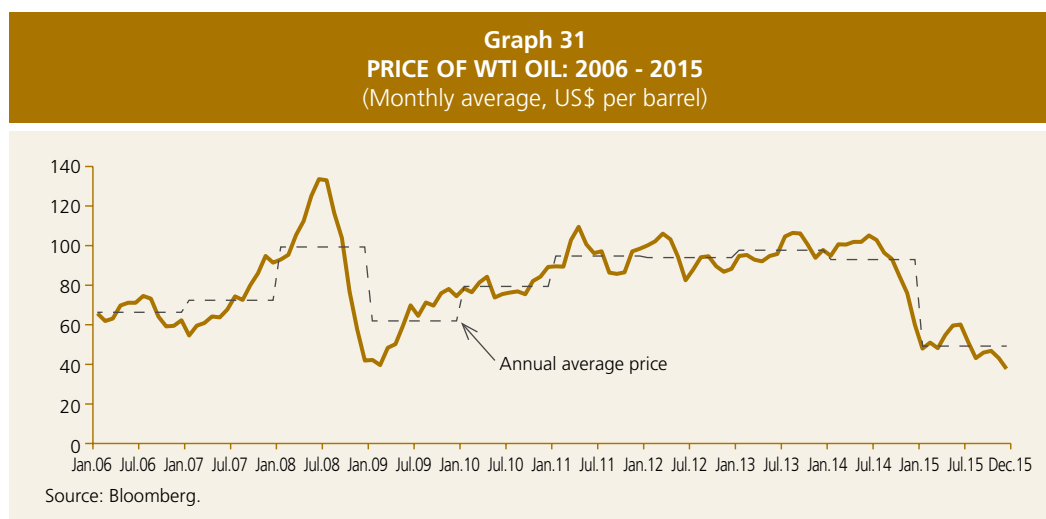
The average price of **gold** fell 8 percent, showing an annual average level of US\$ 1,160 per ounce at end 2015. The fall was sustained by the appreciation of the dollar associated with increased expectations that the Fed would start its cycle of interest rate hikes, which led to liquidations of Exchange 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.



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.



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.

	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 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	Energía 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).

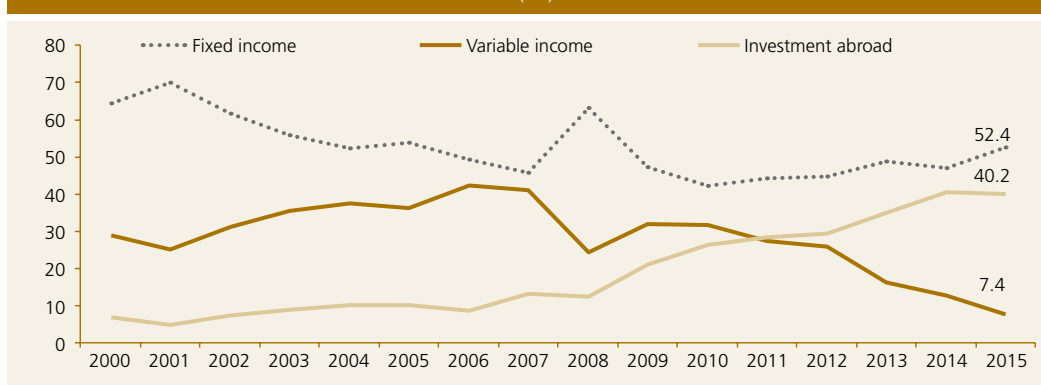
1/ Emission in Swiss francs.

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.

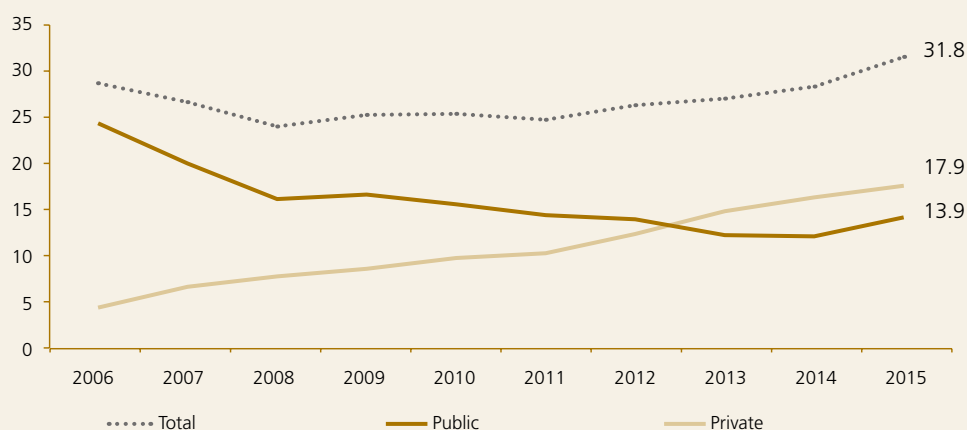
2/ Includes bonds.

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)



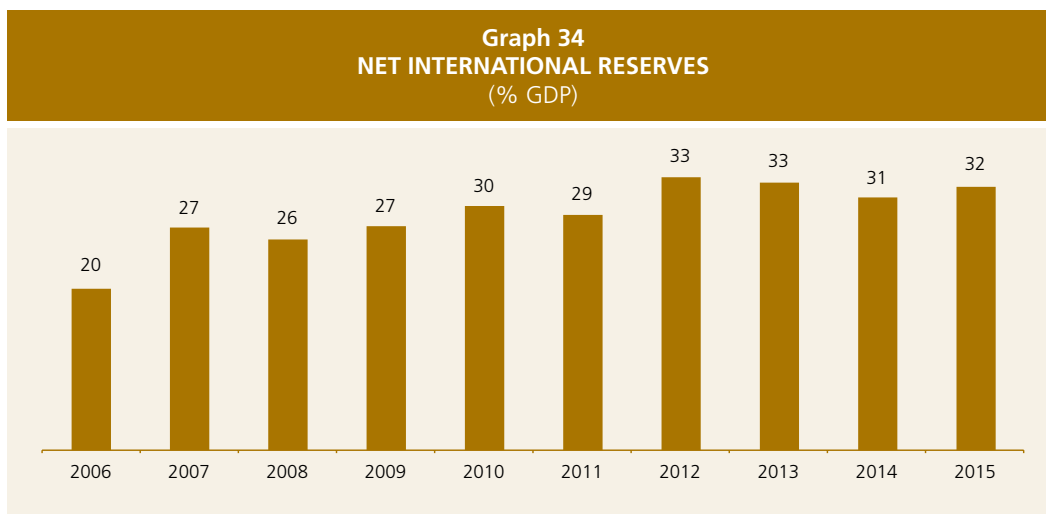
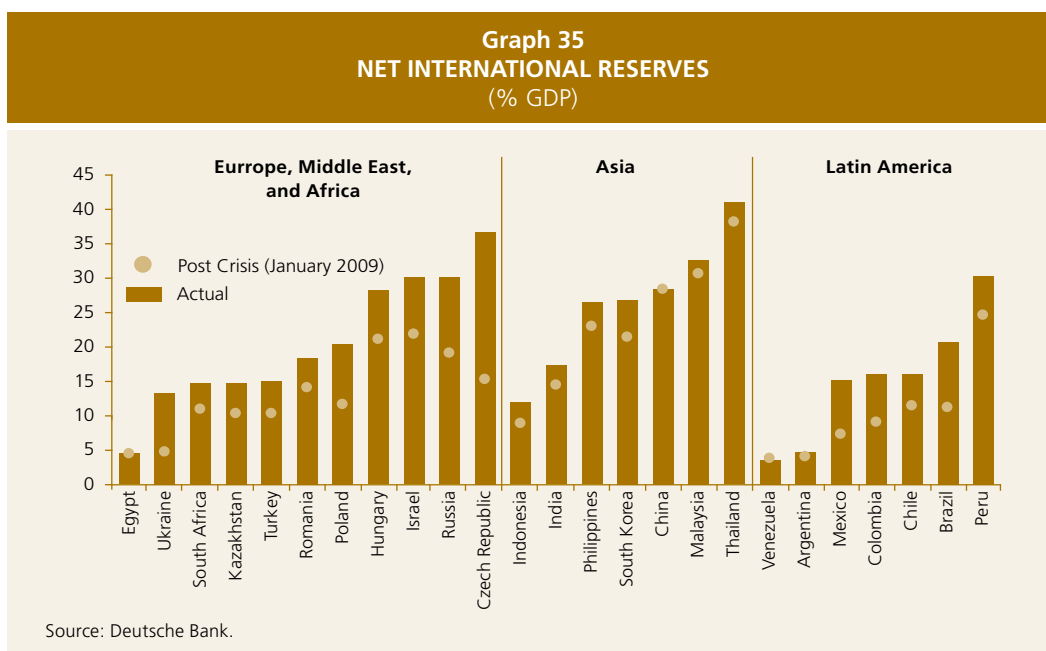


Table 42
NIR INDICATORS

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.





Façade of Casa Nacional de Moneda.



View of the main courtyard
of Casa Nacional de Moneda at night.

In a context marked by an adverse international environment in which export prices dropped 14.5 percent and a domestic context in which tax revenue was affected by tax reduction measures, the fiscal deficit increased from 0.3 to 2.1 percent of GDP. The increase in current expenditures (part of which was an imported component) was not enough to offset the decline in investment spending, especially lower investment spending at the level of the sub-national Governments, while the State-owned enterprises registered a surplus due to Petroperu's positive balance, explained mainly by the profits resulting from enhancing the margin between the domestic price of fuels and the import price of fuels.

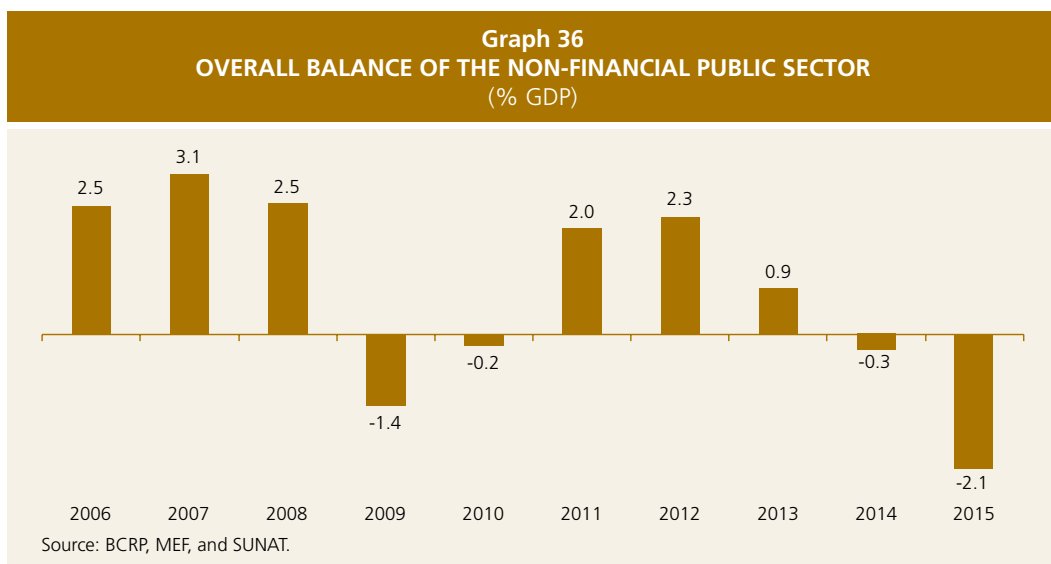
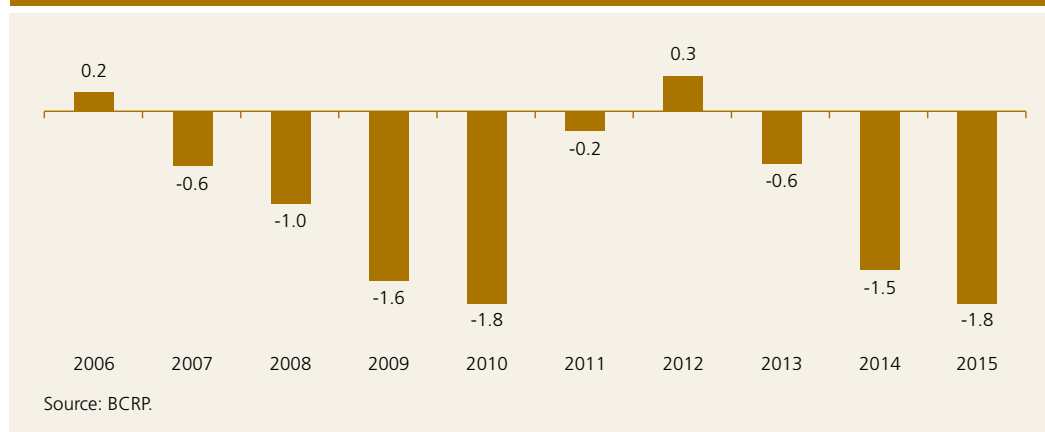


Table 43
OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR

	Million soles			% GDP		
	2013	2014	2015	2013	2014	2015
I. PRIMARY BALANCE	10,763	4,205	-6,667	2.0	0.7	-1.1
1. Of the General Government	9,916	4,526	-7,293	1.8	0.8	-1.2
a. Current revenue	120,785	127,711	122,251	22.1	22.2	20.0
i. Tax revenue	91,617	97,646	92,788	16.8	17.0	15.2
ii. Non-tax revenue	29,168	30,065	29,462	5.3	5.2	4.8
b. Non-financial expenditure	111,770	123,845	130,152	20.5	21.5	21.3
i. Current	78,329	89,461	96,895	14.3	15.5	15.8
ii. Capital	33,440	34,384	33,257	6.1	6.0	5.4
c. Capital revenue	901	660	609	0.2	0.1	0.1
2. Of Public Enterprises	847	- 321	625	0.2	-0.1	0.1
II. INTERESTS	6,090	6,206	6,331	1.1	1.1	1.0
1. External debt	3,065	2,909	2,664	0.6	0.5	0.4
2. Domestic debt	3,025	3,297	3,667	0.6	0.6	0.6
III. OVERALL BALANCE (I-II)	4,673	-2,002	-12,998	0.9	-0.3	-2.1
1. Net external financing (Million US\$)	-4,388	- 841	9,815	-0.8	-0.1	1.6
a. Disbursements	\$ 348	\$ 1,428	\$ 4,354	0.2	0.7	2.3
b. Amortization	\$ 2,367	\$ 1,456	\$ 1,230	1.1	0.7	0.6
c. Others	\$ 330	-\$ 256	-\$ 150	0.2	-0.1	-0.1
2. Net domestic financing	-1,023	2,809	3,090	-0.2	0.5	0.5
3. Privatization	737	34	94	0.1	0.0	0.0

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

Graph 37
STRUCTURAL OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR
(% potential GDP)



The structural economic balance, the indicator that shows the effect of fiscal policy decisions isolating the effects of the business cycle and the impact of the prices of our minerals exports, showed a deficit and increased from 1.5 to 1.8 percent of GDP in 2015. However, the nature of this balance was not anti-cyclical due to the lower multiplier effect that the income tax reduction had in comparison with the

decline of public investment. Thus, if we break down the fiscal impulse by income and expenses and we weigh each of these factors in terms of their multiplier effect on economic activity, we can see that fiscal policy had a contractionary impact of 0.5 percent of GDP in 2015 due to lower capital spending.

Table 44			
FISCAL IMPULSE			
(% potential GDP)			
	2013	2014	2015
Fiscal impulse	0.7	0.7	0.4
By revenues	-0.6	0.2	0.9
By expenditure	1.3	0.5	-0.5
Weighted impulse	0.6	0.3	-0.5

In 2015 financial requirements, which measure the resources needed by the public sector to cover the economic result and cover the amortization of the internal and external debt repayment, totaled S/ 20.97 billion. These requirements were covered with external disbursements and by placements of sovereign bonds.

Table 45						
FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR						
	Million soles			% GDP		
	2013	2014	2015	2013	2014	2015
1. Overall balance	4,673	-2,002	-12,998	0.9	-0.3	-2.1
2. Amortization	7,859	9,059	7,974	1.4	1.6	1.3
Redemption of recognition bonds	448	692	678	0.1	0.1	0.1
Domestic debt	1,188	4,160	3,437	0.2	0.7	0.6
External debt 1/	6,223	4,207	3,859	1.1	0.7	0.6
3. Financial requirements	3,186	11,061	20,972	0.6	1.9	3.4
External disbursements	954	4,119	14,057	0.2	0.7	2.3
Freely disposable funds	348	2,162	13,046	0.1	0.4	2.1
Investment projects	606	1,957	1,010	0.1	0.3	0.2
Domestic bonds 1/	4,025	11,537	7,095	0.7	2.0	1.2
Privatization	737	34	94	0.1	0.0	0.0
Others	-2,530	-4,629	-274	-0.5	-0.8	0.0

1/ Amounts include operations of managing of approved debt.
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises, and public institutions..

1. Revenue of the General Government

The current revenues of the General Government was equivalent to 20.0 percent of GDP, 2.2 percentage points of GDP lower than in the previous year (down 7.5 percent in real terms). The decline in tax revenues, particularly the decline in the income tax, was associated mainly with the tax measures taken at the end of 2014 (the effect of these measures being estimated to be between 0.6 and 0.7 percentage points of GDP).

Moreover, other measures taken included the reduction of tariff rates and the excise tax on fuels, as well as changes in the systems of advanced payment of the VAT. Revenues were affected not only by these measures, but also by the slower pace of growth registered in the economy as well as by the drop in the price of oil and in the prices of our main export products, which directly affected revenue for mining and oil royalties, the Special Tax on Mining, The Special Levy on Mining, and mining royalties.

Table 46
FISCAL REVENUE RATIOS
(% GDP)

	2013	2014	2015
Central government tax burden	16.4	16.5	14.7
Central government fiscal burden 1/	18.9	19.0	16.6
Fiscal burden of the general government 2/	22.1	22.2	20.0

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 y regulatory agencies of general government.

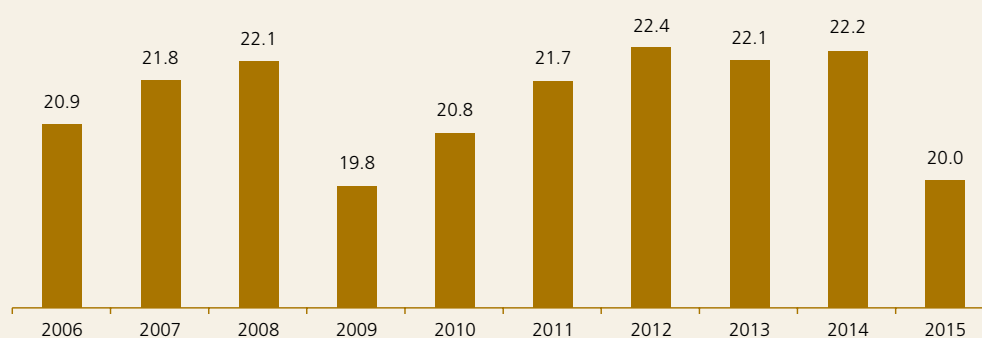
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, ONP, charity societies, regulatory agencies and registry offices.

Table 47
GENERAL GOVERNMENT REVENUES

	Million soles			Real % chg.		% GDP		
	2013	2014	2015	2014	2015	2013	2014	2015
I. TAX REVENUE	91,617	97,646	92,788	3.3	-8.2	16.8	17.0	15.2
1. Income tax	36,512	40,157	34,745	6.5	-16.3	6.7	7.0	5.7
- Individuals	10,149	10,894	10,557	3.9	-6.3	1.9	1.9	1.7
- Legal entities	22,914	25,031	20,542	5.8	-20.7	4.2	4.3	3.4
- Tax regularization	3,450	4,232	3,646	18.7	-16.5	0.6	0.7	0.6
2. Import duties	1,706	1,790	1,775	1.7	-4.3	0.3	0.3	0.3
3. Value-added tax (VAT)	47,819	50,352	51,668	2.0	-0.9	8.8	8.7	8.4
- Domestic VAT	27,164	28,732	30,410	2.5	2.2	5.0	5.0	5.0
- VAT on imports	20,655	21,620	21,258	1.4	-5.1	3.8	3.8	3.5
4. Excise tax	5,480	5,135	5,495	-9.2	3.3	1.0	0.9	0.9
- Fuels	2,501	2,041	2,210	-21.0	4.5	0.5	0.4	0.4
- Others	2,979	3,094	3,284	0.6	2.5	0.5	0.5	0.5
5. Other income tax	11,363	10,921	10,782	-6.8	-4.8	2.1	1.9	1.8
- National government	9,069	8,585	8,171	-8.2	-8.3	1.7	1.5	1.3
- Local governments	2,294	2,336	2,611	-1.4	8.0	0.4	0.4	0.4
6. Tax returns	-11,264	-10,708	-11,676	-7.9	5.4	-2.1	-1.9	-1.9
II. NON-TAX REVENUES	29,168	30,065	29,462	-0.2	-5.3	5.3	5.2	4.8
1. Contributions to Essalud and ONP	11,493	12,513	13,402	5.4	3.4	2.1	2.2	2.2
2. Oil, gas and mining royalty	2,875	2,649	1,633	-10.1	-40.3	0.5	0.5	0.3
3. Oil Canon	3,005	2,895	1,622	-6.7	-45.9	0.6	0.5	0.3
4. Others	11,794	12,008	12,805	-1.9	1.4	2.2	2.1	2.1
III. TOTAL (I+ II)	120,785	127,711	122,251	2.4	-7.5	22.1	22.2	20.0

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

Graph 38
GENERAL GOVERNMENT FISCAL BURDEN
(% GDP)



Source: BCRP.

Revenue from the **income tax** fell from 7.0 to 5.7 percent in GDP terms, recording a decline of 16.3 percent in real terms. Furthermore, revenue from the income tax of legal entities dropped 20.7 percent due to the tax rate reduction, from 30 to 28 percent, effective since January 2015, and there was also lower revenue from retained tax to non-domiciled taxpayers (47.8 percent) in comparison to 2014 when tax revenue was received from companies operating in the field of exploitation of natural resources. Revenue for the sale of assets during 2014 totaled S/ 3.46 billion, whereas in 2015 they totaled S/ 218 million. On the other hand, revenue from the income tax of natural persons fell 6.3 percent, a decline explained by the changes implemented in tax scales, which reduced the effective rates for lower-income taxpayers.

Table 48
INCOME TAX BY CATEGORY
(Million soles)

	2013	2014	2015	Real % chg.	
				2014	2015
First category	310	374	443	16.7	14.5
Second category	1,275	1,214	1,287	-7.8	2.5
Third category	19,633	18,536	16,817	-8.5	-12.3
Fourth category	744	834	783	8.5	-9.3
Fifth category	7,820	8,473	8,044	4.9	-8.2
Non-domiciled	2,848	6,027	3,248	104.7	-47.8
Regularization	3,450	4,232	3,646	18.7	-16.5
Others	432	468	477	4.7	-1.4
Total	36,512	40,157	34,745	6.5	-16.3

Source: SUNAT.

At the sector level, tax prepayments in the mining and hydrocarbon sectors fell by 53.6 and 45.9 percent, respectively, due to the drop of the international prices of metals and crude oil.

Table 49
REVENUES FROM CORPORATE TAX BY SECTORS: PAYMENTS ON ACCOUNT
(Million soles)

	2013	2014	2015	Real % chg.	
				2014	2015
Services 1/	7,507	7,612	8,223	-1.8	4.4
Commerce	3,431	3,220	3,034	-9.1	-9.0
Manufacturing	2,706	2,517	2,143	-9.8	-17.8
Hydrocarbons	1,908	1,903	913	-3.3	-53.6
Mining	2,922	1,881	1,051	-37.6	-45.9
Construction	1,047	1,283	1,361	18.7	2.5
Agriculture and livestock	64	72	47	8.2	-37.3
Fishing	48	47	46	-4.5	-6.3
Total	19,633	18,536	16,817	-8.5	-12.3

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** decreased 4.3 percent in real terms, but maintained the ratio of 0.3 percent in GDP terms observed since 2011. This decrease is explained by the reduction of

the tariff rates on 1,085 tariff items, applied mainly on inputs which had tariff rates of 6 and 11 percent.

Moreover, revenue from the **value added tax (VAT)** declined for the third consecutive year, falling from 8.7 percent in 2014 to 8.4 percent of GDP in 2015, which implied a fall of 0.9 percent in real terms which is mostly explained by the lower dynamism of economic activity. In addition, the rationalization of the tax prepayment schemes contributed also to this decline in revenue.

On the other hand, the revenue from the **excise tax** grew 3.3 percent in real terms as a result of the increase in the excise tax on fuels (4.5 percent) and the increase in the excise tax on other goods (2.5 percent).

Revenue from other **tax revenue** fell for the second consecutive year, falling from 1.9 to 1.8 percent of GDP, which represented a real decline of 4.8 percent. This fall is explained mainly by the lower transfer of tax withholdings (-17.7percent) and fines (-28.1 percent).

Tax refunds were equivalent to 1.9 percent of GDP and showed a real increase of 5.4 percent due to the higher amounts refunded for exports (18.5 percent), offset in part by the lower early refund of the VAT (49.7 percent).

Finally, **non-tax revenues** fell 5.3 percent in real terms due to the lower revenue oil and gas canon and royalties, which dropped 45.9 and 47.8 percent, respectively.

2. General Government Spending

In 2015 the non-financial expenditure of the General Government was equivalent to 21.3 percent of GDP, a ratio 0.2 percentage points lower than in 2014. The growth of government spending in the year is explained by higher current expenditure, which rose from 15.5 to 15.8 percent of GDP, which was offset by lower capital expenditure (down by 0.6 percentage points in this period). By government levels, increased current expenditure and capital expenditure stand out at the level of the national Government –up from 10.7 to 11.1 percent of GDP and from 2.4 to 2.7 percent of GDP, respectively–, while on the other hand, capital spending fell by 0.8 percentage points at the level of sub-national governments due to the management problems that the sub-national authorities usually face in the first year in office.

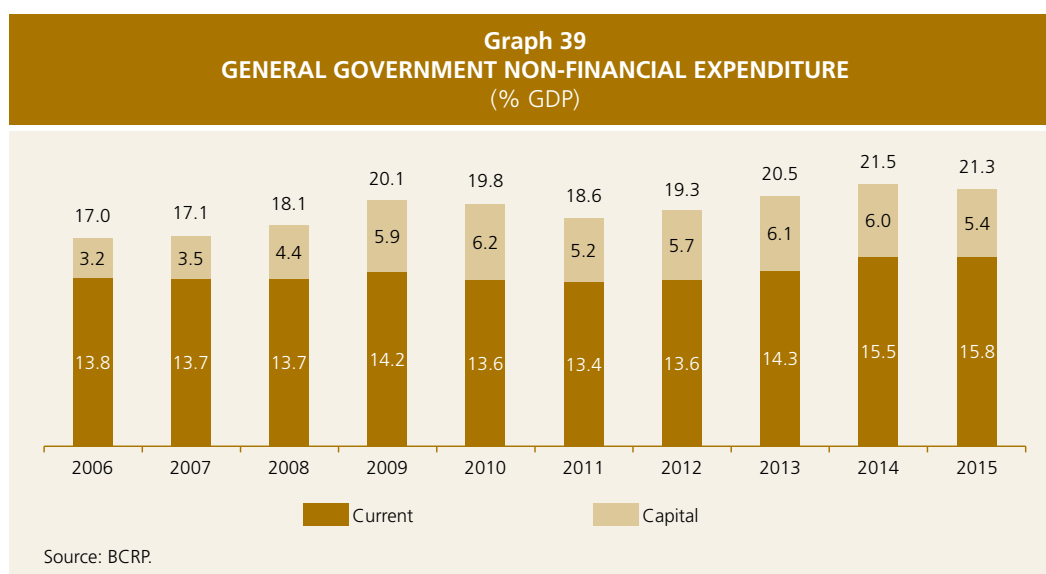


Table 50
GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE 1/

	Million soles			Real % chg.		% GDP		
	2013	2014	2015	2014	2015	2013	2014	2015
I. CURRENT EXPENDITURE	78,329	89,461	96,895	10.6	4.5	14.3	15.5	15.8
Wages and salaries	29,361	34,032	35,358	12.2	0.3	5.4	5.9	5.8
National government	17,988	20,897	21,808	12.5	0.8	3.3	3.6	3.6
Regional governments	9,452	11,048	11,512	13.2	0.6	1.7	1.9	1.9
Local governments	1,921	2,086	2,038	5.2	-5.7	0.4	0.4	0.3
Goods and services	31,424	35,065	40,642	8.1	11.7	5.8	6.1	6.6
National government	20,907	24,081	28,941	11.6	15.9	3.8	4.2	4.7
Regional governments	3,567	3,721	4,681	1.1	21.1	0.7	0.6	0.8
Local governments	6,950	7,264	7,021	1.3	-6.8	1.3	1.3	1.1
Transfers	17,545	20,364	20,896	12.4	-1.0	3.2	3.5	3.4
National government	14,097	16,695	17,454	14.7	0.8	2.6	2.9	2.9
Regional governments	2,260	2,559	2,341	9.6	-11.6	0.4	0.4	0.4
Local governments	1,187	1,110	1,100	-9.5	-4.3	0.2	0.2	0.2
II. CAPITAL EXPENDITURE	33,440	34,384	33,257	-0.4	-6.8	6.1	6.0	5.4
Gross Capital Formation	30,739	31,660	28,776	-0.2	-12.5	5.6	5.5	4.7
National government	9,532	11,465	12,221	16.4	2.8	1.7	2.0	2.0
Regional governments	7,120	6,276	5,541	-14.5	-15.0	1.3	1.1	0.9
Local governments	14,087	13,919	11,014	-4.3	-23.9	2.6	2.4	1.8
Other capital expenditure	2,701	2,723	4,481	-2.2	58.9	0.5	0.5	0.7
III. NON FINANCIAL EXPENDITURE (I + II)	111,770	123,845	130,152	7.3	1.4	20.5	21.5	21.3
National government	64,916	75,665	84,747	12.9	8.1	11.9	13.1	13.8
Regional governments	22,492	23,647	24,097	1.9	-1.7	4.1	4.1	3.9
Local governments	24,362	24,533	21,308	-2.4	-16.3	4.5	4.3	3.5

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

National Government

The **non-financial expenditure of the national government** was equivalent to 13.8 percent of GDP, which represents an increase of 8.1 percent in real terms relative to 2014. This increase is explained mainly by a real increase in spending in goods and services (15.9 percent).

Expenditure in **wages** and salaries grew by a real 0.8 percent compared with 2014, which is explained mainly by the higher salary levels approved for the public servants of the Ministries of Education and Health, the Armed Forces and Policía Nacional del Perú, in line with a comprehensive compensation policy. These wage increases were offset by a base effect of non-recurring expenses awarded in 2014, which implied payments in 2014 which have not been made again in 2015: an extraordinary payment of a bonus in July and December 2014 (S/ 380 million) and the payment of benefits pending for D.U.N° 037-94 (S/ 919 million).

Spending on **goods and services** amounted to 4.7 percent of GDP, which represents an increase of 15.9 percent in real terms. The more significant spending increases were recorded in the Ministry of Defense (for the acquisition of vehicles, furniture, computer equipment and devices for defense and security); in the Ministry of Education (for teacher training and literacy programs); the Ministry

of Health (for the purchase of medical supplies, vaccines and drugs, as well as for greater outpatient health care attention and hospitalization), and in the Ministry of Transport and Communications (for road maintenance and road repair works).

Spending for **current transfers** amounted to 2.9 percent of GDP, which represented an increase of 0.8 percent in real terms. Transfers made during the year that stand out included the transfers to Program Juntos (Programa Nacional de Apoyo Directo a los más Pobres) benefiting 815 thousand households (S/ 941 million), Pensión 65 (Programa Nacional de Asistencia Solidaria), monetary grants given to 502 thousand senior citizens (S/ 708 million), Programa Nacional Cuna Más (S/ 185 million), and transfers to cover payments of Caja Militar-Policial (S/ 1.24 billion).

The national government expenditure in **gross capital formation**, which remained at 2.0 percent of GDP, was concentrated mainly in the sector of Transport, which represented 54 percent of the investment of the national government. It is worth pointing out that increased spending was made in road concession projects and works, the improvement of Av. Nestor Gambetta – Callao and other works associated with the construction of Lima’s Metro Line 2 and section Avenida Faucett–Gambetta of Lima’s Metro project, and the construction of the second lane of the Piura – Paita highway.

On the other hand, other **capital expenditure** of the national government (S/ 4.32 billion) increased by 65.2 percent, which is mainly explained by the higher costs incurred for Bono Familiar Habitacional and for transfers to international organizations for the construction of the National Museum of Peru in the district of Lurín.

Table 51
MAIN INVESTMENT PROJECTS OF THE NATIONAL GOVERNMENT: 2015
(Million soles)

PROJECTS	Amount
TRANSPORT	6,606
Land transport concessions	1,403
Improvement of Road Néstor Gambetta - Callao	542
Construction of line 2 network and section Av. Faucett-Gambetta in Metropolitan Lima and Callao	411
Construction of Road section 2 Piura-Paita	267
Construction and improvement of Road Camaná-Quilca-Matarani-Ilo-Tacna	252
Restoration and improvement of Road Quinua-San Francisco	219
Restoration and improvement of Road Puerto Bermúdez-San Alejandro	187
Broadband for connectivity and social development in Cajamarca Region	185
Railways concessions	185
Restoration and improvement of Longitudinal highway of the North Highlands, Tranche Cochabamba-Cutervo-Santo Domingo de la Capilla-Chiple	176
Restoration and improvement of Road Huaura - Sayan - Churín	175
Other	2,605
EDUCATION AND HEALTH	2,554
Improvement in educational infrastructure	1,405
Educational institutions for fulfillment of hours normed	199
Health services with complementary skills for emergencies and disasters	105
Other	844
OTHER	3,061
TOTAL	12,221

Source: MEF.

Regional Governments

The non-financial expenditure of regional governments, which was equivalent to 3.9 percent of GDP, fell 1.7 percent in real terms. This result is basically explained by the decline observed

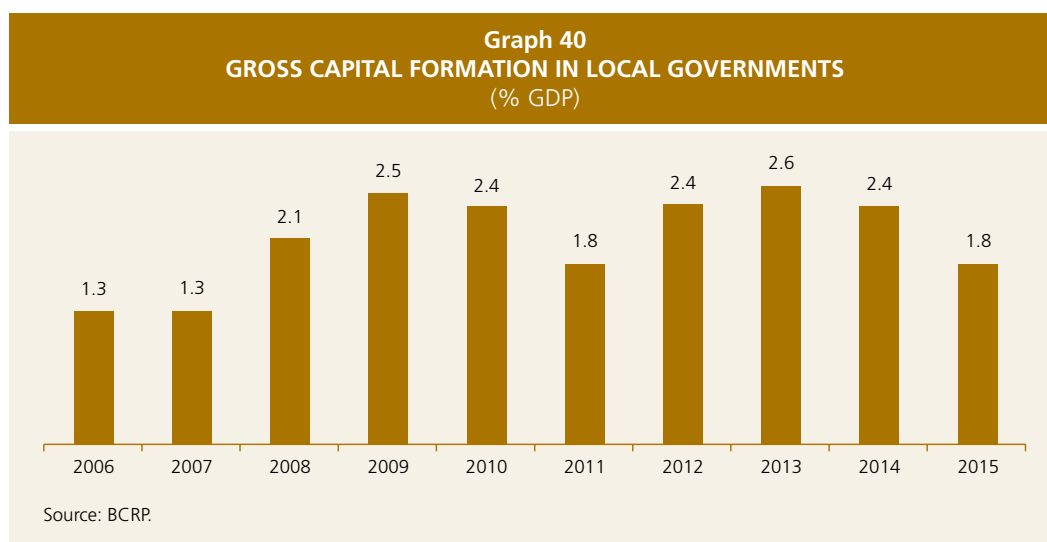
in gross capital formation (15.0 percent), offset in part by increased current spending (3.2 percent).

The regional governments that recorded the higher investment levels were the regional governments of San Martín, La Libertad, and Cusco, while the projects that stand out in 2015 were Proyecto Chavimochic, Third Stage in La Libertad, Improving Problem-Solving Capacity in Hospital Regional Miguel Ángel Mariscal Llerena, in Ayacucho, and Proyecto Majes Siguan – II Stage, in Arequipa.

Local Governments

The non-financial expenditure of the local governments dropped by a real 16.3 percent compared to 2014, reflecting a lower dynamism in investment expenditure, which decreased 23.9 percent.

By Departments, the investment of local governments was led by the Departments of Cusco, Lima, Piura and Cajamarca. The most significant project carried out by local governments due to the amount involved was the improvement of the Malecón de la Costa Verde.



3. State-Owned Enterprises

In contrast with the negative balance they recorded in 2014 (deficit of S/ 478 million), the State-owned enterprises recorded a positive economic balance of S/ 475 million in 2015. This balance is explained mainly by the lower deficit registered by Petroperu and by the surpluses of Sedapal, Electroperu, and regional electricity companies.

In 2015 **Petroperu** showed a deficit of S/ 745 million, explained mainly by the investment associated with the modernization of the Talara Refinery (the gross profit, which does not include capital costs, totaled S/ 503 million). In addition, Petroperu lowered the refinery price of its products during 2015: for example, the price of gasohol fuels was lowered from S/ 6.44 per gallon in December 2014 to S/ 6.12 per gallon in December 2015, which represented a reduction in their income from sales. On the other hand, however, the domestic refinery prices remained above the international benchmark prices of these products at S/ 0.76 per gallon (equivalent to 13.4 percent of the international price), which allowed the company to increase its savings account by S/ 1.24 billion.

Sedapal showed a surplus of S/ 443 million, a balance S/ 29 million higher than in 2014 (S/ 413 million). This enterprise recorded revenue of capital transfers from the Ministry of Housing, Construction and Sanitation, which amounted to S/ 197 million, which were used to finance public investment projects in the field of urban sanitation, such as the projects aimed at the rehabilitation and improvement of treatment plants of drinking water, the rehabilitation and expansion of sewer treatment plants, the expansion of coverage, sanitation improvement in Lima's marginal areas, and the rehabilitation and replacement of primary and secondary water supply and sewerage networks.

Electroperu recorded a surplus of S/ 97 million, a balance S/ 39 million lower than in 2014 (S/ 135 million), which is explained mainly by higher operating expenses. It is worth mentioning that Electroperu sells the supply of energy to electricity distribution companies and provides power distribution to free clients located in different areas of the country.

Increasing their 2014 balance by S/ 284 million, the **regional electricity companies** registered an overall surplus of S/ 498 million in 2015. This balance is explained by increased revenue due to energy sales in a year in which higher current costs for rural electrification programs were reported. The electricity companies that contributed to this surplus include Egasa, Electro Nor Oeste and Egemsa.

Table 52 OVERALL BALANCE OF STATE ENTERPRISES						
	Million soles			% GDP		
	2013	2014	2015	2013	2014	2015
Petroperu	-615	-1,450	-745	-0.1	-0.3	-0.1
Electroperu	297	135	97	0.1	0.0	0.0
Regional Electricity Companies	110	213	498	0.0	0.0	0.1
Sedapal	374	413	443	0.1	0.1	0.1
Others	550	210	183	0.1	0.0	0.0
TOTAL	715	-478	475	0.1	-0.1	0.1

Source: State enterprises and FONAFE.

4. Promotion of Private Investment

Projects in the sectors of electricity and telecommunications given in concession to private operators during 2015 involved investment commitments for a total of US\$ 528 million. These concessions included the Installation of Broadband for Connectivity and Social Development in the Cajamarca Region, awarded to Consorcio Redes Andinas de Comunicaciones (Winner Systems S.A.C. and Servicios de Infraestructura del Perú S.A.C.) which involves an investment commitment of US\$ 109 million.

Another concession contract that stands out was the concession of the installation of broadband for connectivity and social development in the regions of Tumbes and Piura, awarded also to the Consorcio Redes Andinas de Comunicaciones (Winner Systems S.A.C. and Servicios de Infraestructura del Perú S.A.C.), with an investment commitment of US\$ 73 million.

Finally, another project to be implemented in the telecommunications sector was the installation of broadband for connectivity and social development in the North Area of the country - Cusco Region, awarded to Gilat Networks Peru S.A. which will invest US\$ 69 million.

Table 53
PRIVATIZATIONS AND CONCESSIONS: 2014
(Million US\$)

Concessions and projects	Date	Awarded to	Investment
220 kV Azangaro - Juliaca - Puno Transmission Line	February 12	Consortio Red Eléctrica Internacional S.A. - AC Capitales SAFI	36.8
Broadband Installation for Integral Connectivity and Social Development of Huancavelica Region	March 5	Consortio GILAT (Gilat to Home Perú S.A. y Gilat to Home Satellite Ltd.)	49.4
Broadband Installation for Integral Connectivity and Social Development of Ayacucho Region	March 5	Consortio GILAT (Gilat to Home Perú S.A. y Gilat to Home Satellite Ltd.)	55.3
Broadband Installation for Integral Connectivity and Social Development of Apurimac Region	March 5	Consortio GILAT (Gilat to Home Perú S.A. y Gilat to Home Satellite Ltd.)	42.3
Comprehensive Broadband Connectivity for the Social Development of the Northern Zone of the Country-Lambayeque Region	March 5	Telefónica del Perú S.A.A	31.5
First Stage of the Carapongo Substation and Conexión Links to Associated Lines	July 15	Interconexión Eléctrica S.A. E.S.P – ISA.	42.7
Broadband Installation for Comprehensive Connectivity and Social Development of Tumbes and Piura Regions	December 15	Consortio Redes Andinas de Comunicaciones (Winner Systems S.A.C. y Servicios de Infraestructura del Perú S.A.C.)	72.9
Broadband Installation for Comprehensive Connectivity and Social Development of Cajamarca Region	December 15	Consortio Redes Andinas de Comunicaciones (Winner Systems S.A.C. y Servicios de Infraestructura del Perú S.A.C.)	108.5
Broadband Installation for Comprehensive Connectivity and Social Development of the Northern Zone and Cusco Region	December 16	Gilat Networks Perú S.A	68.6
220 kV Montalvo-Los Heroes Transmission Line and Associated Substations	December 16	Red Eléctrica Internacional S.A.	20.2
TOTAL			528.2

Source: Proinversión.

5. Public Debt

In 2015 the public debt totaled S/ 142.83 billion. This debt amount, equivalent to 23.3 percent of GDP, is 3.3 percentage points higher than the debt amount recorded in 2014. Several placements of global bonds and debt management operations (debt swap and repo operations) were carried out during the year, as a result of which the balance of the foreign debt increased from 8.7 to 11.1 percent of GDP between 2014 and 2015. Moreover, the government continued with its placements of sovereign bonds and Treasury bills to meet foreseen needs and pre-finance 2016 requirements, which implied an increase of 0.3 percent of GDP in the balance of the domestic debt.

Table 54
DEBT BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR 1/

	Million soles			% GDP		
	2013	2014	2015	2013	2014	2015
PUBLIC DEBT (I + II)	107,044	115,386	142,831	19.6	20.0	23.3
I. EXTERNAL PUBLIC DEBT	48,084	50,373	68,006	8.8	8.7	11.1
Loans	21,463	23,188	28,670	3.9	4.0	4.7
International organizations	15,912	16,789	21,861	2.9	2.9	3.6
Paris Club	5,478	4,848	5,048	1.0	0.8	0.8
Suppliers	63	56	52	0.0	0.0	0.0
International banks	0	1,490	1,706	0.0	0.3	0.3
Latin America	10	6	2	0.0	0.0	0.0
Other bilateral organizations	0	0	0	0.0	0.0	0.0
Global bonds	26,621	27,184	39,336	4.9	4.7	6.4
II. DOMESTIC PUBLIC DEBT	58,961	65,014	74,825	10.8	11.3	12.2
1. LONG TERM	49,626	57,711	65,035	9.1	10.0	10.6
Bank loans	4,587	5,068	7,729	0.8	0.9	1.3
Treasury bonds	45,039	52,643	57,306	8.2	9.1	9.4
1. Bonds (BCRP)	0	205	921	0.0	0.0	0.2
2. Bonds to support the financial system	341	363	0	0.1	0.1	0.0
3. Debt swap bonds	1,543	1,371	1,166	0.3	0.2	0.2
4. Sovereign bonds	35,866	43,749	48,509	6.6	7.6	7.9
5. Recognition bonds	7,290	6,955	6,709	1.3	1.2	1.1
Municipality of Lima Bonds	0	0	0	0.0	0.0	0.0
2. SHORT TERM	9,335	7,303	9,790	1.7	1.3	1.6
Memo:						
Liabilities of Private-Public Partnerships	4,117	4,166	4,460	0.8	0.7	0.7
FEPCs	295	190	0	0.1	0.0	0.0
External debt from COFIDE and Mivivienda Fund	4,294	7,698	12,631	0.8	1.3	2.1
Bond holdings	62,487	70,934	87,845	11.4	12.3	14.4
Residents	21,154	31,459	37,757	3.9	5.5	6.2
Non-residents	41,333	39,475	50,089	7.6	6.9	8.2
Sovereign bonds	35,866	43,749	48,509	6.6	7.6	7.9
Residents	17,546	27,225	31,341	3.2	4.7	5.1
Non-residents	18,320	16,524	17,169	3.4	2.9	2.8
Global bonds	26,621	27,184	39,336	4.9	4.7	6.4
Residents	3,608	4,234	6,416	0.7	0.7	1.0
Non-residents	23,013	22,951	32,920	4.2	4.0	5.4

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

The external public debt, which represents 48 percent of the total debt of non-financial public sector, amounted to S/ 68.01 billion in 2015. Global bonds in the amounts of € 1.1 billion (equivalent to US\$ 1.26 billion), US\$ 1.25 billion, and US\$ 545 million, and with maturities in 2026, 2027, and 2050, respectively, were issued in the international market during the year. Moreover, swap and

repurchase operations of 2016, 2019, and 2025 global bonds for a total of US\$ 350 million were also carried out in March 2015.

In addition to these placement of bonds, external disbursements were received to meet external debt commitments (US\$ 985 million) as well as to finance investment projects in the general government (US\$ 289 million). The amortization of the debt during the year amounted to US\$ 1.23 million.

5.2. Domestic Debt

The domestic public debt showed a balance of S/ 74.83 billion by the end of 2015, which represented an increase of S/ 9.81 billion of the debt compared to December 2014. This increase is explained mainly by a higher issuance of sovereign bonds (S/ 4.76 billion), whose balance increased to S/ 48.51 billion, of which 35 percent is held by non-residents.

The government also approved the periodic issuance of 90-day to 360-day Treasury Bills and placed Bills for a total of S/. 1.39 billion during the year.

5.3 Net Debt⁹

In 2015 the net debt amounted to S/. 40.11 billion, a sum equivalent to 6.6 percent of GDP. This debt balance, which is S/. 17.83 billion higher than the one recorded at end 2014, is mainly explained by the increase in the public debt (up by S/. 27.45 billion), offset by the growth of public government financial assets (up by S/. 9.61 billion).

Table 55
NET DEBT OF THE NON-FINANCIAL PUBLIC SECTOR

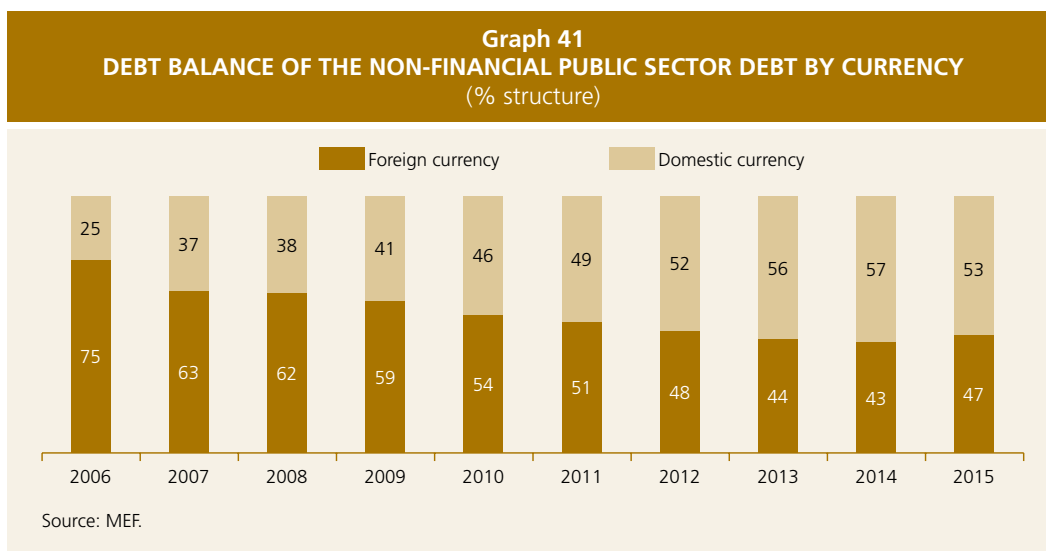
Year (December)	Million soles			% GDP		
	Assets	Liabilities	Debt net	Assets	Liabilities	Debt net
2006	25,435	97,586	72,151	8.8	33.9	25.1
2007	38,061	95,604	57,543	11.9	29.9	18.0
2008	45,649	95,674	50,025	12.8	26.9	14.1
2009	47,003	99,215	52,212	12.9	27.2	14.3
2010	50,852	102,150	51,298	12.1	24.3	12.2
2011	63,531	103,856	40,325	13.5	22.1	8.6
2012	78,612	103,810	25,198	15.5	20.4	5.0
2013 1/	87,023	107,044	20,021	15.9	19.6	3.7
2014 1/	93,113	115,386	22,273	16.2	20.0	3.9
2015 1/	102,724	142,831	40,107	16.8	23.3	6.6

1/ Preliminary.
Source: BCRP and MEF.

5.4 Debt by Currencies

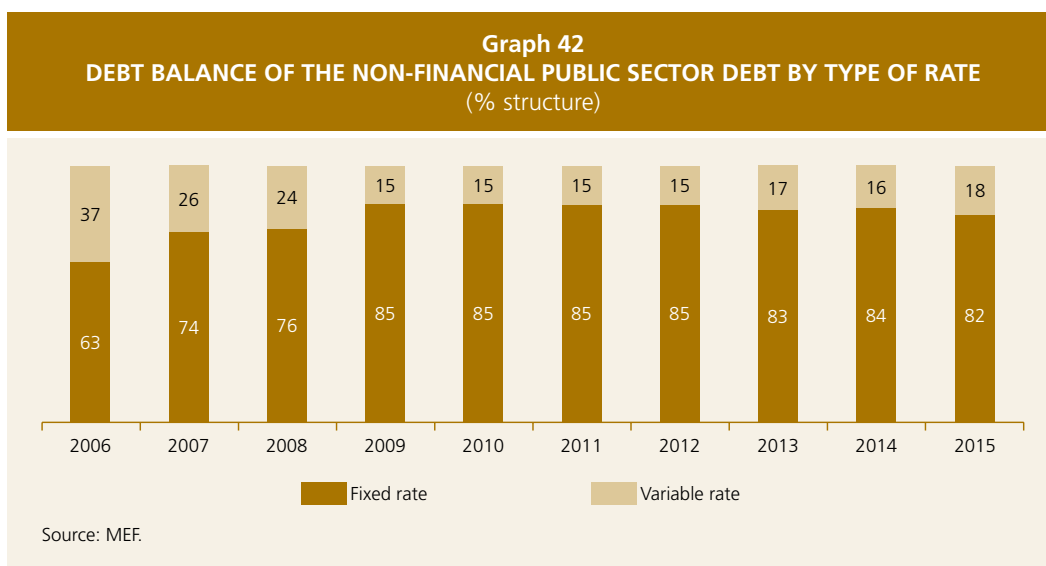
The ratio of the debt in soles to the total public debt has been increased over the past 10 years to reduce exposure to foreign exchange risks. Thus, between 2006 and 2014, the ratio of the debt in domestic currency has increased from 25 percent to 57 percent of the gross public debt. However, this ratio fell from 57 percent in 2014 to 53 percent in 2015 as a result of the higher placement of global bonds (US\$ 3.06 billion) whereas sovereign bonds placed by the Program Creadores de Mercado by S/ 2.70 billion.

⁹ 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).



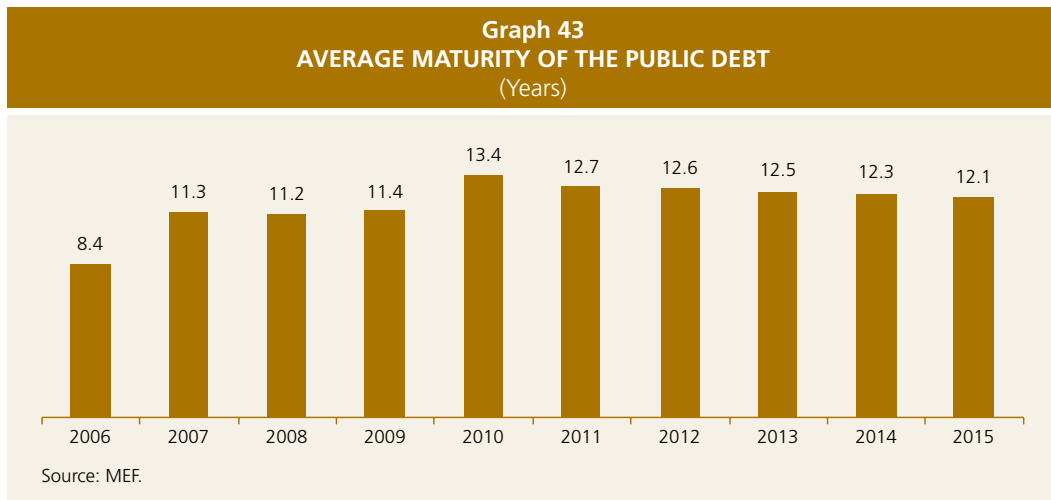
5.5 Debt by Type of Interest Rates

The percentage of fixed-rate debt declined from 84 to 82 percent between 2014 and 2015. However, from a longer-term perspective, we see that the ratio of debt at a fixed rate has increased from 63 percent in 2006 to 82 percent in 2015. Moreover, the ratio of the variable-rate debt has increased slightly in the last year due to the placement of sovereign bonds VAC.



5.6. Average life of the Debt

The average life of the **domestic public debt** is slightly longer (12.3 years) than the average life of the **foreign public debt** (11.9 years). Between 2006 and 2015 this indicator increased from 8 to 12 years.





Office of the head
of the National Mint.

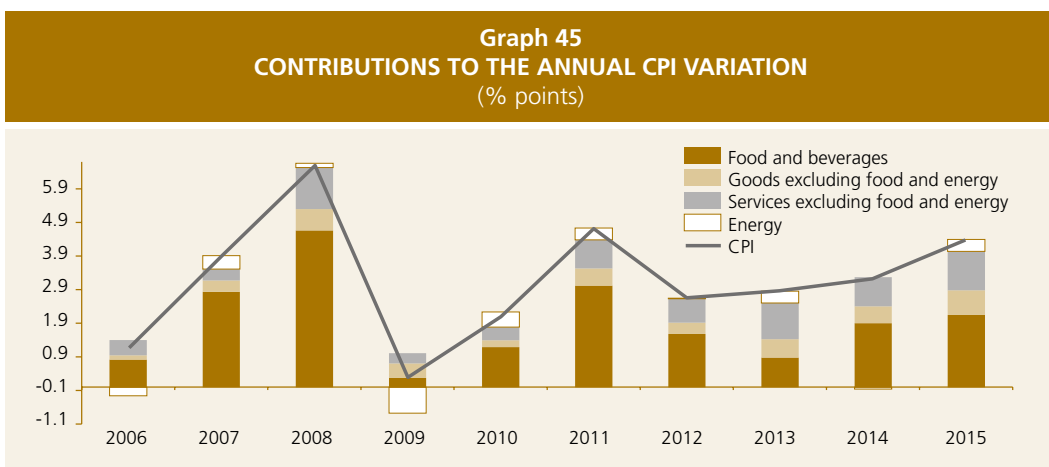
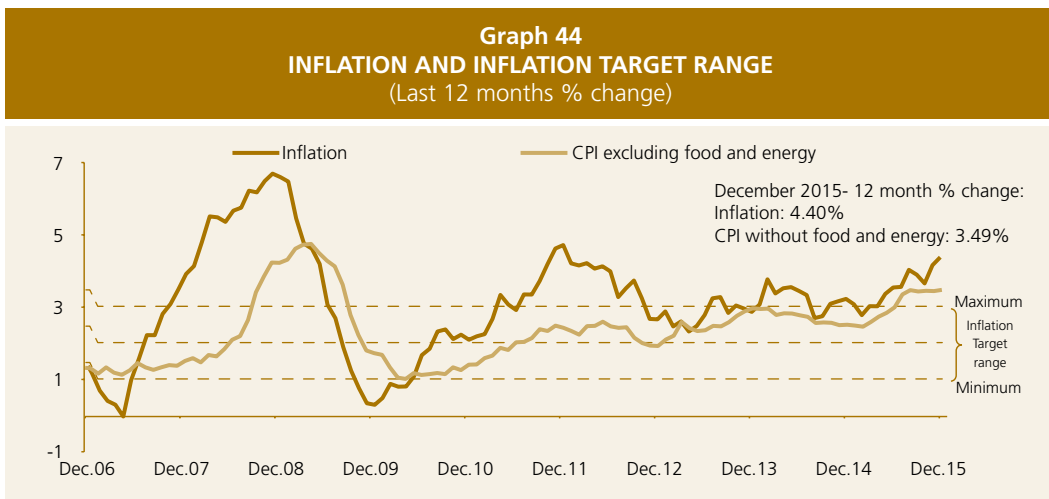




Fountain in the main courtyard of Casa Nacional de Moneda.

INFLATION IV

The consumer price index (CPI) increased from 3.2 percent in 2014 to 4.4 percent in 2015 reflecting mainly rises in food prices, electricity rates, and in the prices of items associated with the exchange rate. While inflation in the group of food and energy prices rose from 4.1 to 5.5 percent, the CPI without food and energy prices increased from 2.5 to 3.5 percent between 2014 and 2015.

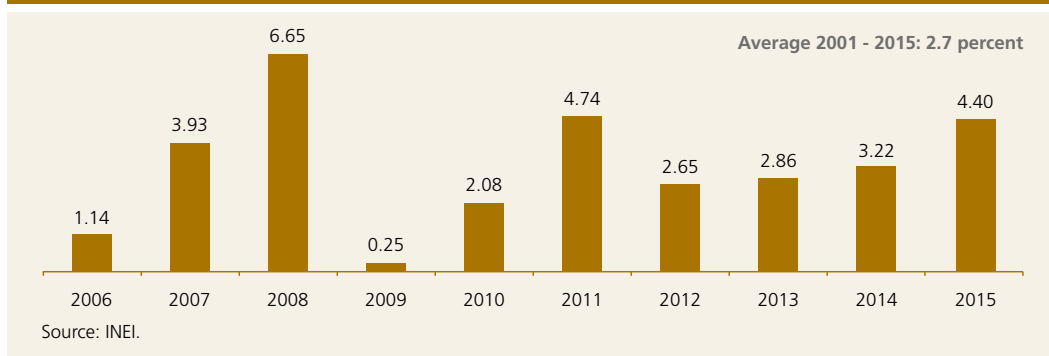


Ten items accounted for 70 percent of the increase in the CPI during 2015. These items included meals outside the home, electricity rates, potatoes, education costs, and urban fares.

Table 56
ITEM WITH THE HIGHEST WEIGHTED CONTRIBUTION TO INFLATION: 2015

Positive	Weight	% Chg.	Contribution	Negative	Weight	% Chg.	Contribution
Meals outside the home	11.7	5.4	0.72	Gasoline and lubricants	1.3	-8.1	-0.11
Electricity rates	2.9	18.7	0.54	Citric fruits	0.5	-13.6	-0.10
Potato	0.9	62.9	0.53	Gas	1.4	-5.8	-0.08
Education costs (tuition and fees)	8.8	4.9	0.46	Telephone rates	2.9	-2.9	-0.06
Urban fare	8.5	2.6	0.22	Internet services	0.6	-4.2	-0.02
Purchases of vehicles	1.6	10.4	0.16	Cereal grains	0.1	-29.8	-0.02
Water consumption	1.6	8.1	0.14	Other fresh fruits	0.4	-4.1	-0.02
Toiletries	4.9	2.5	0.12	Papaya	0.2	-4.7	-0.01
Poultry meat	3.0	3.6	0.11	Other cereals	0.5	-0.9	0.00
Sugar	0.5	19.0	0.10	Peaches	0.1	-3.1	0.00
Total			3.10	Total			-0.42

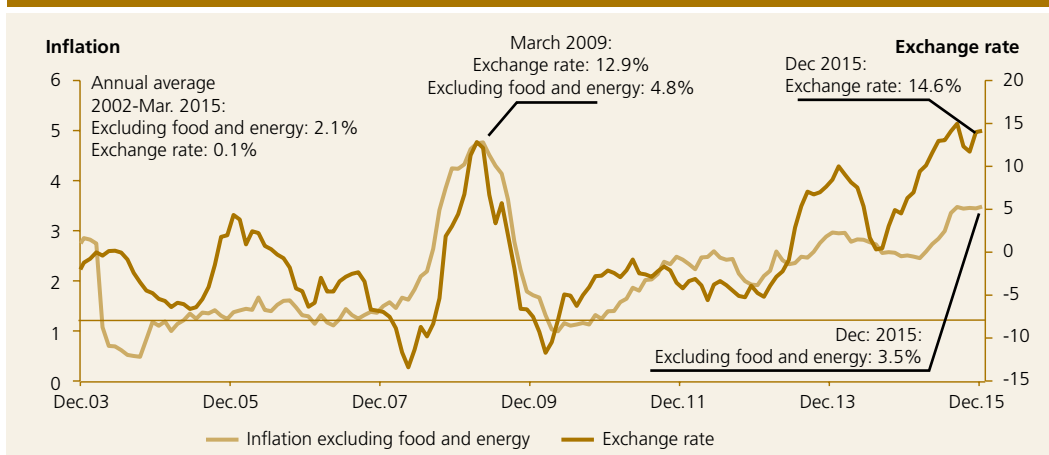
Graph 46
INFLATION
(% change, at the end-of-period)



Exchange Rate and Inflation

An acceleration has been observed since 2013 in the CPI without food and energy in part as a result of the increase registered in the dollar-sol the exchange rate. This indicator rose from 2.1 percent in January 2013 to 3.5 percent in December 2015, while the exchange rate increased from -5.2 to 14.6 percent in the same period.

Graph 47
INFLATION EXCLUDING FOOD AND ENERGY AND EXCHANGE RATE
(12-month % change)



Inflation Without Food and Energy

The annual rate of inflation without food and energy increased from 2.5 to 3.5 percent between December 2014 and December 2015. The prices of goods rose from 2.4 percent in 2014 to 3.6 percent in 2015 while the prices of services rose from 2.6 to 3.4 percent in the same period.

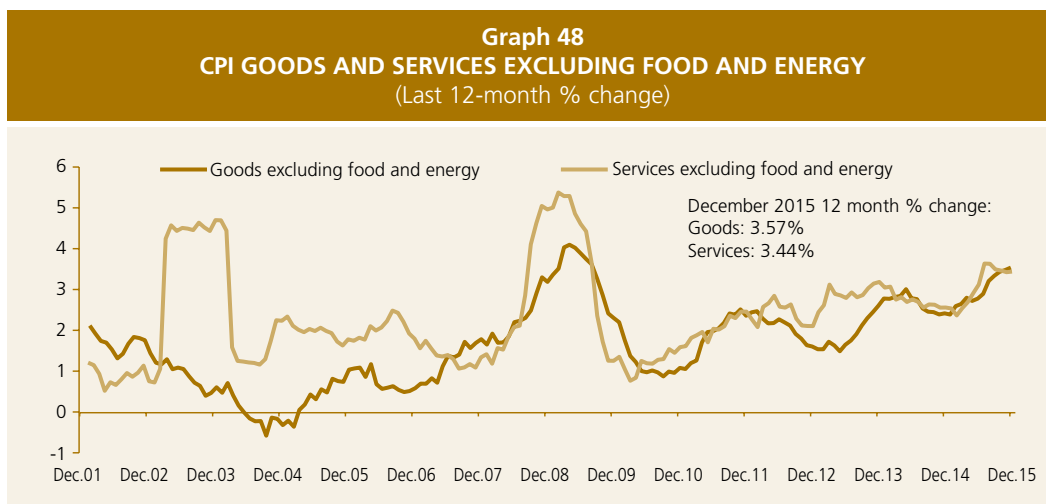


Table 57
INFLATION
(% change)

	Weight	2013	2014	2015	Ave. % chg. 2001-2015
CPI	100.0	2.86	3.22	4.40	2.70
1. CPI excluding food and energy	56.4	2.97	2.51	3.49	2.09
a. Goods	21.7	2.62	2.43	3.57	1.75
Textiles and footwear	5.5	2.30	2.10	3.08	2.30
Domestic appliances	1.3	-0.08	0.33	3.45	-0.58
Other industrial products	14.9	2.97	2.72	3.77	1.65
b. Services	34.8	3.18	2.55	3.44	2.35
<i>of which:</i>					
Education	9.1	4.76	4.51	5.16	3.94
Rent	2.4	3.46	2.63	3.47	0.41
Health	1.1	4.99	4.43	5.53	2.92
Transportation	8.9	3.54	2.54	2.57	2.65
Telephone and water	5.4	-0.39	-0.65	1.69	0.32
2. Food and energy	43.6	2.73	4.08	5.47	3.37
a. Food and beverages	37.8	2.24	4.83	5.37	3.45
<i>of which:</i>					
Chicken meat	3.0	-3.63	8.70	3.62	2.79
Bread	1.9	0.77	1.70	0.41	3.99
Rice	1.9	0.50	2.60	2.59	1.67
Sugar	0.5	-15.99	1.39	19.04	2.26
Noodles	0.5	3.70	1.97	4.06	2.30
Oils	0.5	-1.02	-1.03	-0.89	3.08
Potato	0.9	-6.02	-4.03	62.87	6.37
Fresh and frozen fish	0.7	15.96	4.01	1.58	3.89
Meals outside the home	11.7	5.23	4.65	5.44	3.66
b. Fuels and electricity	5.7	6.09	-0.85	6.20	2.69
Fuels	2.8	5.95	-5.59	-6.33	2.29
Oil and lubricant	1.3	6.91	-12.50	-8.05	1.71
Gas	1.4	4.98	1.21	-5.76	1.05
Electricity	2.9	6.23	4.37	18.71	2.44

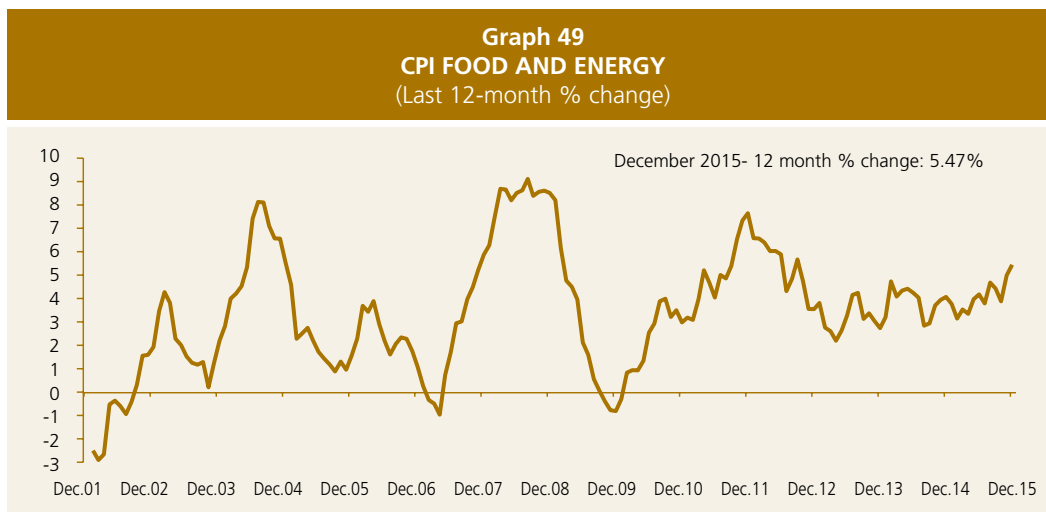
Rises in the prices of goods that stand out included the increase in the **prices of vehicles** (10.4 percent), which reflected the effect of a higher dollar-sol exchange rate (up 14.6 percent), as well as rises in the category of **"personal care items"** (up 2.5 percent), which include products such as like shampoo and toothpaste that have a high imported content.



Tuition and education fees increased by 4.9 percent –a similar rate than in 2014 (4.6 percent)–, mainly due to the adjustment made in March (4.0 percent) which is when school classes begin. The rate of the **water supply service** increased 8.1 percent, this increase being authorized by the regulating entity Sunass to fulfill Sedapal goals of increasing the coverage of drinking water supply. Another rise worth highlighting was the increase of **urban fares** (2.6 percent), a higher rate than the one registered in 2014 (2.3 percent).

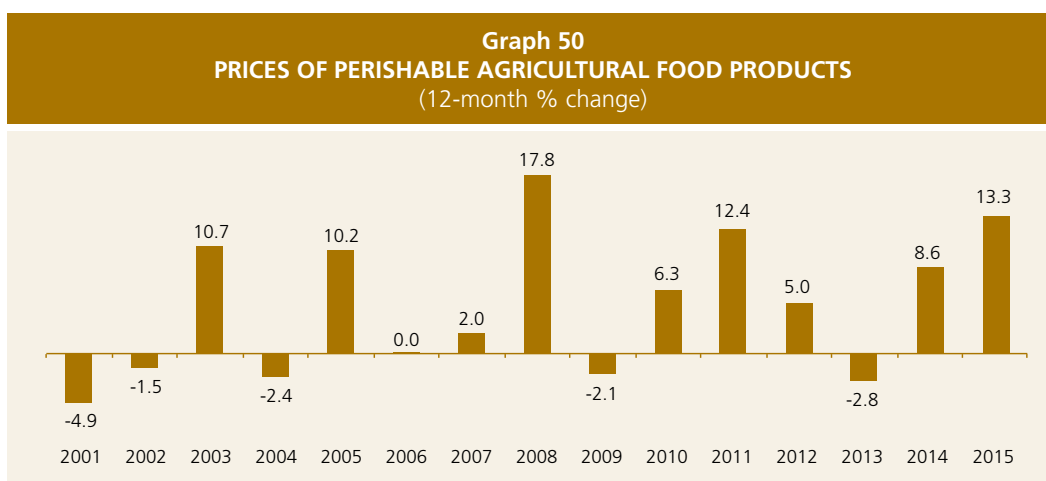
Food and Energy Prices

Inflation in food and energy items, indicator which reflects the short-term changes that are beyond monetary policy control, rose from 4.1 percent in 2014 to 5.5 percent in 2015. This upward trend was influenced mainly by the evolution of food prices, which increased from 4.8 percent in 2014 to 5.4 percent in 2015, affected by weather anomalies. In addition to this, electricity rates rose from 4.4 percent in 2014 to 18.7 percent in 2015. Fuel prices, in contrast, fell 6.3 percent.



Foodstuffs

Increased temperatures and expectations of a severe El Niño episode resulted in lower cultivated areas in 2015 as well as in lower yields in several crops.



Recording strong rises over the year associated with production problems in the main areas that supply this crop to Lima, the price of **potatoes** accumulated a variation of 62.9 percent. Warmer weather conditions discouraged sowings in the valleys of Lima, while the irregularity of rains also affected this crop in Huánuco and much of the Central highlands.

The price of **sugar** rose 19.0 percent as a result of supply-related problems. The domestic production of sugar cane declined 10 percent, influenced by the higher weather temperatures which reduced the formation of sucrose in sugarcane. Some strikes and labor problems in some companies located in Lambayeque contributed also to this lower supply.

Another product that contributed to increase inflation was **chicken meat**, whose price rose 3.6 percent (although this rise was lower than the rise recorded by the food products consumed at home (5.3 percent)). In a context of high supply due to the increased placement of baby chickens –up about 9 percent compared to 2014–, the price of chicken meat only recorded increases in some months of the year, which was associated with rises in the price of fish, the main substitute of poultry. .

In contrast, the price of **citrus** fruits fell 13.6 percent. This decline was due mainly to the lower price of tangerines (-14.7percent) as a result of the increased supply of these fruit in the months of March to June not only because of seasonal factors, but also because of the better implementation of agricultural techniques in the valleys of Lima. Moreover, the price of lemons dropped 20.7 percent, this trend being more pronounced in the last months of the year. High temperatures in Piura and good agronomic practices resulted in higher yields. Another farming product that showed a price fall was **papaya** (-4.7percent), the decline being explained by the greater abundance of the fruit that came to the markets of Lima from the San Martín region.

The category that registered the largest contribution to weighted inflation was **meals outside the home** (5.4 percent), which accounted for 0.72 percentage points of the inflation rate. The variation this category recorded in the year was similar to that of food and drinks consumed at the home (5.3 percent). Food consumed in restaurants showed several hikes over the year, reflecting increased consumer preferences for this service.

Energy Prices

Electricity rates rose 18.7 percent in 2015 (vs 4.4 percent in 2014) as a result of the successive rate adjustments approved by the regulating entity. Electricity generation and distribution costs were affected by the rise in the foreign exchange rate (14.6 percent), as well as by the adjustment of transmission tolls which incorporated costs incurred in the expansion of transmission lines. Other factors that affected the power rate were the higher price of natural gas, the prepayment to Gasoducto Sur Peruano for the pipeline, as well as the quarterly settlement of the compensation mechanism to regulated users for the contracts between electricity distribution and electricity generation companies.

Fuels showed price falls (-8.1percent) associated with the lower international prices of oil. The price of WTI oil dropped from US\$ 60 per barrel in December 2014 to US\$ 37 per barrel in December 2015.

Table 58
FUEL PRICES
(Annual % change)

	2013	2014	2015	Average 2006-2015
Fuels	6.0	-5.6	-6.3	0.2
Gasoline	6.9	-12.5	-8.1	-1.1
Gas	5.0	1.2	-5.8	1.1
Price of WTI oil, end of period 1/				
US Dollars	97.8	59.8	37.2	
Soles	272.5	177.1	126.0	

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

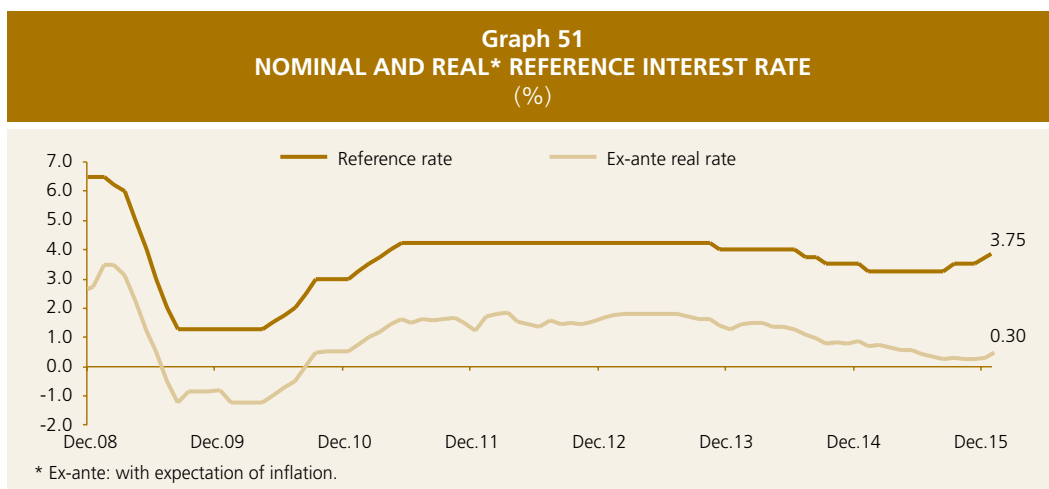


Ancient coining machines located at the patio of the Tribunal of Accounts.

LIQUIDITY AND CREDIT

1. Monetary Policy

During 2015, BCRP maintained an expansionary monetary policy position, setting the policy interest rate at 3.25 percent until September and raising it on two occasions, by 25 basis points each time, to 3.75 percent towards the end of the year. The aim of these adjustments in the benchmark interest rate was to maintain expectations anchored within the inflation target range since expectations had been affected by temporary supply shocks, such as a further depreciation of the sol and an increase in the rates of some utilities, such as electricity rates. Moreover, the Board of BCRP decided to raise the policy rate in a context of gradual recovery of domestic economic activity and high volatility in foreign exchange and financial markets.



In 2015, credit to the private sector grew 9.6 percent and, like in previous years, a greater preference for loans in soles was observed: while credit in domestic currency grew 28.4 percent, credit in foreign currency dropped 20.9 percent. In contrast, on the other hand, the preference for deposits in dollars increased by 13.5 percent in 2015, while deposits in soles grew only 2.3 percent. As a result, banks experienced a lower availability of funding sources for credit in domestic currency, which was offset by the long-term liquidity injection measures taken by the Central Bank.

Thus, the BCRP reduced the rate of reserve requirements in national currency from 9.5 percent in 2014 to 6.5 percent in June 2015 and the current account requirement from 2.5 to 0.75 percent between December 2014 and April 2015 in order to provide the financial system with the necessary liquidity to meet the demand for credit in domestic currency. This measure allowed to inject around S/ 2.68 billion into the financial system.

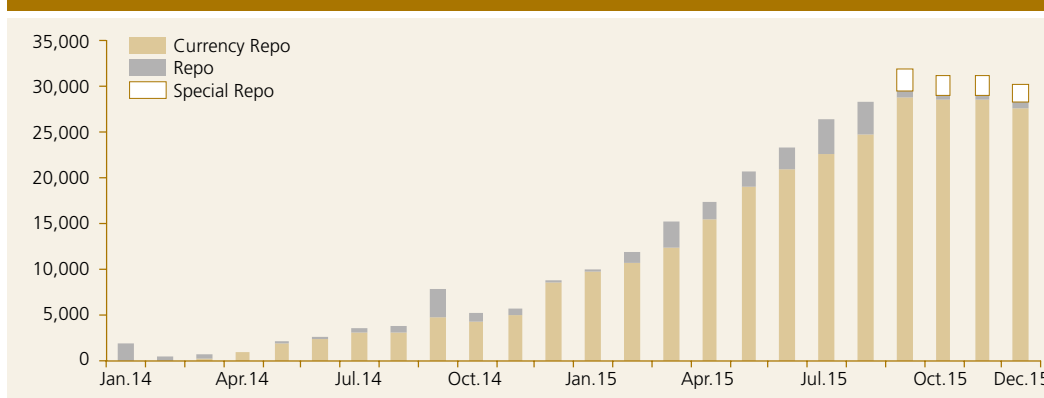
Table 59
EVOLUTION OF RESERVE REQUIREMENT REGIME
(%)

	Domestic currency			Foreign currency	
	Reserve requirements	Deposits in current account	Legal minimum reserve requirement	General regime	
				Marginal reserve requirement on deposits	Maximum of mean reserve requirement
January 2014	14.0%	3.00%	9.0%	50%	45%
February 2014	13.0%	3.00%	9.0%	50%	45%
March 2014	12.5%	3.00%	9.0%	50%	45%
April 2014	12.0%	3.00%	9.0%	50%	45%
July 2014	11.5%	3.00%	9.0%	50%	45%
September 2014	11.0%	3.00%	9.0%	50%	45%
October 2014	10.5%	3.00%	9.0%	50%	45%
November 2014	10.0%	3.00%	9.0%	50%	45%
December 2014	9.5%	2.50%	9.0%	50%	45%
January 2015	9.0%	2.00%	9.0%	60%	--
February 2015	8.5%	1.50%	8.5%	60%	--
March 2015	8.0%	1.00%	8.0%	70%	60%
April 2015	7.5%	0.75%	7.5%	70%	60%
May 2015	7.0%	0.75%	7.0%	70%	60%
June 2015	6.5%	0.75%	6.5%	70%	60%

In addition, the BCRP implemented other instruments of provision of liquidity in soles in the long run such as currency substitution repos and credit expansion repos to support its De-dollarization of Credit Program and continue to meet the demand for loans in domestic currency. The aim of the first instrument –currency substitution repos– is to support the substitution of credit in foreign currency for credit in soles. The second instrument –credit expansion repos– seeks to meet the growing demand of credit in domestic currency using part of the funds of reserve requirements that banks keep at the BCRP. At end 2015, the balance of currency substitution repos was S/ 4.81 billion while the balance of credit expansion repos was S/ 7.90 billion. Furthermore, regular currency repos for a total of S/ 14.40 billion with an average term of 22 months were also made.

In addition, the Public Sector injected liquidity in soles for a total of S/ 6.48 billion while increasing, at the same time, its deposits in dollars at the BCRP by US\$ 1.68 billion. Thus, although net international reserves have remained stable, there was a re-composition between the foreign exchange position and deposits in the financial system.

Graph 52
BALANCE OF REPO OPERATIONS: TERM AT THE END OF MONTH
(Million soles)



Box 4
BCRP PROGRAM OF DE-DOLLARIZATION OF CREDIT

In December 2014, BCRP changed its scheme of reserve requirements in foreign currency –which limited the growth of credit in foreign currency– to a model aimed at reducing the balance of loans in foreign currency in order to accelerate the pace of the process of financial de-dollarization.

Recently, at the beginning of November 2015, BCRP expanded its program of de-dollarization of credit, implemented since 2013, with the aim of reinforcing the de-dollarization of credit, especially in the segments of car and mortgage loans. Thus, new minimal reductions were established for both total credit in foreign currency and for car loans and mortgage loans in dollars.

ADDITIONAL RESERVE REQUIREMENT ACCORDING TO CREDIT IN FOREIGN CURRENCY

In force	As of June 2015	
	Limits*	Additional RR
Total excluding foreign trade ^{1/} (Base=Sep.13)	0.95 times from Sep.13 or 0.92 times from Dec.14 or 100% PE or US\$ 100 MM	$0.3 \times \left(\frac{C_t}{C_{s13}} - 0.95 \right) \times PT$
Car and mortgage (Base=Feb.13)	0.90 times from Feb. 13 ó 0.86 times from Dec. 14 ó 20% PE	$0.15 \times \left(\frac{CHV_t}{CHV_{f13}} - 0.90 \right) \times PT$
In force	As of December 2015	
	Limits*	Additional RR
Total excluding foreign trade ^{1/} (Base=Sep.13)	0.90 times from Sep.13 or 0.85 times from Dic.14 or 100% PE or US\$ 100 MM	$0.3 \times \left(\frac{C_t}{C_{s13}} - 0.90 \right) \times PT$
Car and mortgage (Base=Feb.13)	0.85 times from Feb.13 or 0.75 times from Dic.14 or 20% PE	$0.15 \times \left(\frac{CHV_t}{CHV_{f13}} - 0.85 \right) \times PT$
Approved	As of December 2016	
	Limits*	Additional RR
Total excluding foreign trade ^{1/} (Base=Sep.13)	0.80 times from Sep.13 or 100% PE or US\$ 100 MM	$0.3 \times \left(\frac{C_t}{C_{s13}} - 0.80 \right) \times PT$
Car and mortgage (Base=Feb.13)	0.7 times from Feb.13 or 15% PE	$0.15 \times \left(\frac{CHV_t}{CHV_{f13}} - 0.7 \right) \times PT$

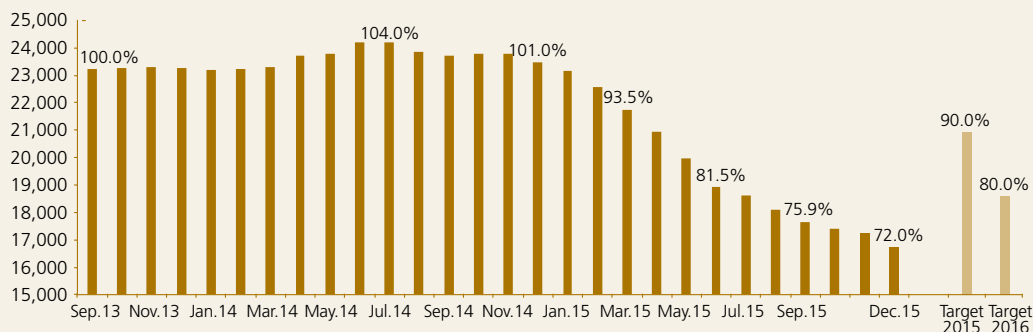
1/ Excludes new loans from January 2015 (terms more than 3 years and higher than US\$ 10 million).

* These limits don't apply if the total balance of loans in foreign currency excluding foreign trade is less than the effective equity and the balance of car and mortgage loans if less than 20 percent of effective equity.

The data show that the measures taken to reduce the dollarization of credit have been effective since financial institutions have been able to meet the targets established, with an ample margin in some cases. As regards total credit in foreign currency, as one can see in the graph below, banks' balance in December was equivalent to 72.0 percent of the balance they had in September 2013, a level quite below the balance required (90 percent of the balance they had in September 2013).

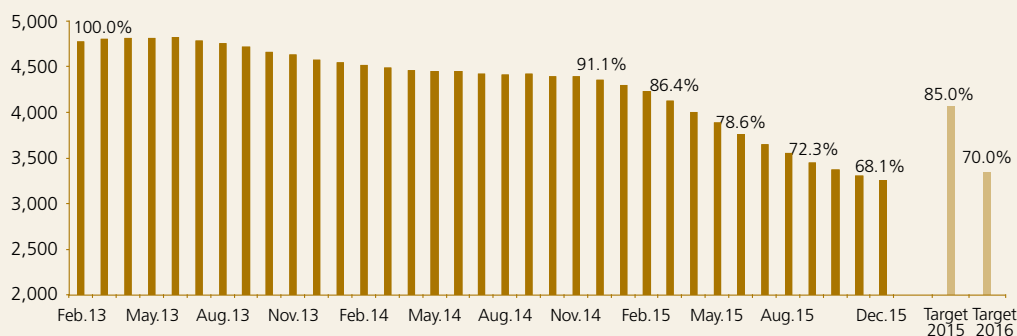


BANK'S CREDIT IN US\$ EXCLUDING FOREIGN TRADE
(Million US\$)



Furthermore, banks have also been able to reduce their balances of car loans and mortgage loans more than required. Thus, at December 2015, the balance of banks' balance of these loans was equivalent to 68.1 percent of the balance they showed in February 2013.

BANK'S LOANS IN US\$: CAR AND MORTGAGE
(Million US\$)



DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR

	Dec.13	Dec.14	Sep.15	Dec.15
Business	52.7	48.4	38.0	35.4
Corporate and large companies	67.1	59.8	45.8	42.7
Medium-sized enterprises	63.7	59.3	47.0	44.2
Small business and Microbusiness	13.0	11.5	8.2	7.6
Individuals	23.1	20.0	15.3	14.1
Consumer	10.5	9.5	7.5	6.9
Car loans	75.9	68.9	48.4	41.3
Credit cards	7.2	6.6	5.8	5.6
Mortgage	40.0	33.9	25.9	24.2
TOTAL	42.2	38.2	29.8	27.6

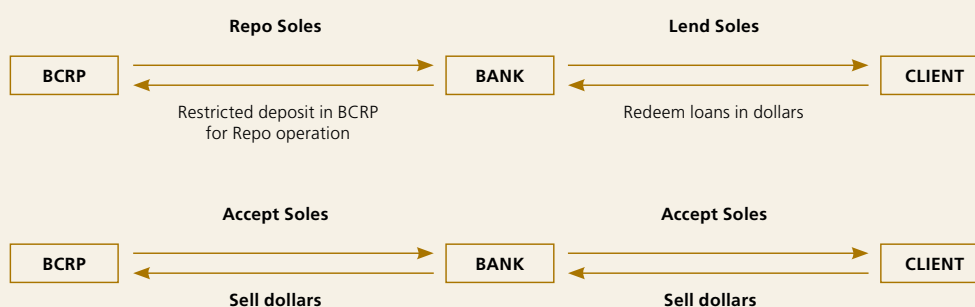
Box 5 ALTERNATIVE LIQUIDITY INJECTION INSTRUMENTS

The recent implementation of the De-dollarization Program has encouraged banks to reduce their lending in dollars and to convert already granted loans into new loans in domestic currency. In order to make the re-composition of the structure of bank assets viable, the funding sources also have to be in soles. However, because of the external context (low commodity prices and the withdrawal of monetary stimulus in the United States), the expectations of a depreciation of the local currency have risen, which has led economic agents to restructure the composition of their assets (savings) and liabilities (debt). As a result of this, there has been a significant increase in the public's demand for loans in soles as well as for the conversion of deposits in soles to deposits in dollars, all of which has made the availability of funding in domestic currency scarce.

Given that this could be a potential risk faced by banks, since the end of 2014 BCRP has implemented alternative instruments to inject liquidity in local currency in the long term, creating two instruments to provide liquidity to the financial system: currency substitution repos and credit expansion repos. The aim of the former is to counterbalance the negative effect of the substitution of loans in dollars for loans in soles in the foreign exchange position of banks, while the latter instrument allows banks to use part of their reserve requirements in dollars (up to 20 percent their assets subject to reserve requirements in dollars) to obtain liquidity in local currency and meet the increased demand for loans in soles.

OPERATING OF REPO OPERATIONS

SUBSTITUTION

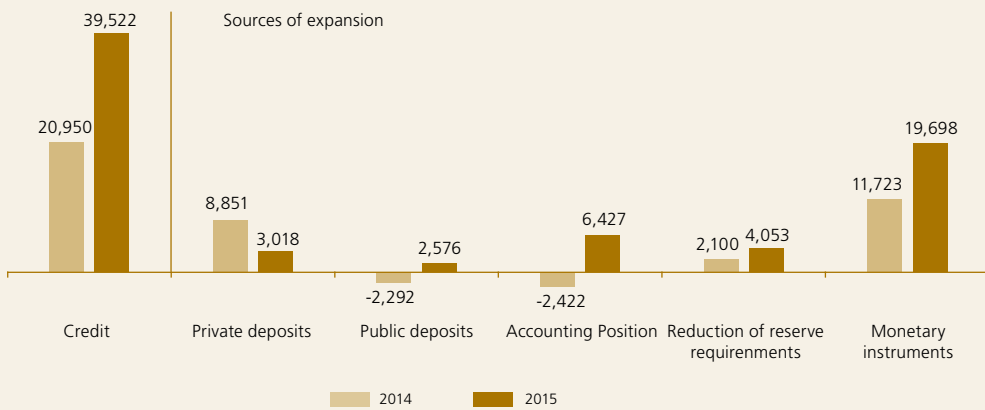


EXPANSION



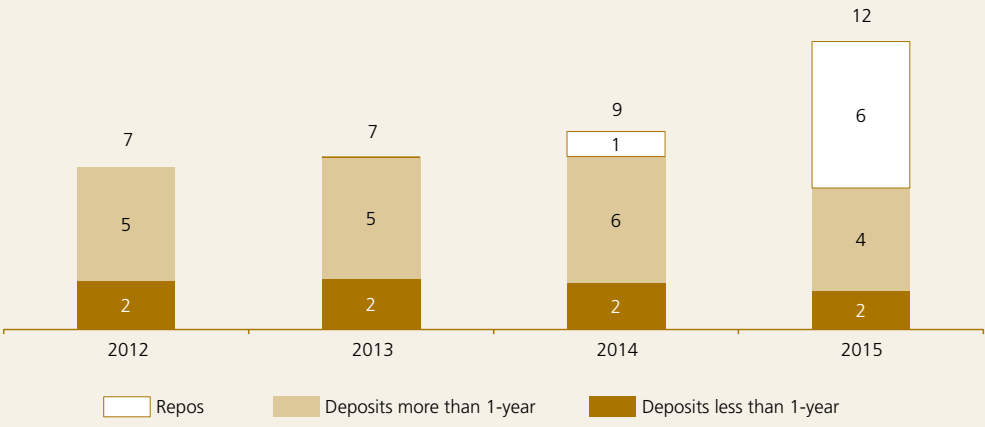
Thus, in 2015 the demand for credit (S/ 39.52 billion) was met mostly by the liquidity injection instruments –either currency repos or security repos– since they accounted for credit for a total of S/ 19.70 billion, of which S/ 19.01 billion was liquidity injected through currency repos. It is worth mentioning that this amount is almost equivalent to that of the contraction of credit in dollars in 2015 (US\$ 6.11 billion). Another important source to provide banks with liquidity in soles was the reduction of banks' foreign exchange position by S/ 6.43 billion and, to a lesser extent, the auctions of Treasury deposits (S/ 2.55 billion). Moreover, private deposits accounted for liquidity amounting to S/ 3.02 billion, a lower amount than in the previous year (S/ 8.85 billion of the total demand for credit which amounted to S/ 20.95 billion).

CREDIT IN DC OF DEPOSITORY CORPORATIONS: SOURCES OF EXPANSION
(Flow in million)



Furthermore, the maturities of credit substitution and credit expansion repos are longer than 2 years, so the average maturity of banks' obligations in soles has been extended. In addition, BCRP has also extended the maturities of regular currency repos and security repos up to 2 years, increasing in this way the average maturity of banks' obligations from 7 months in 2013 to 12 months in December 2015.

AVERAGE TERM OF BANK'S LIABILITIES IN DOMESTIC CURRENCY
(Months)



In conclusion, BCRP has reinforced the de-dollarization of credit through the implementation of innovative liquidity injection instruments in soles whose aim is to transform banks' excess liquidity in foreign currency into long-term liquidity in soles, preventing in this way that banks have to meet an increased demand for credit in soles with less stable sources of credit expansion.

2. Interest Rates

The interest rates in domestic currency reflected the changes in the BCRP policy rate during the year as well as the greater volatility observed in the exchange rate. At the end of 2015, the interbank rate rose by 0.2 percent, while the corporate prime rate rose from 4.7 to 4.9 percent.

Table 60 INTEREST RATES ON OPERATIONS IN SOLES (%)						
	2011	2012	2013	2014	Jun.2015	Dec.2015
1. Interbank rate	4.2	4.2	4.1	3.8	3.4	4.0
2. Deposits up to 30 days	3.2	3.0	3.0	3.1	2.8	2.8
3. 31-day to 360-day term deposits	2.8	2.9	2.6	2.6	2.7	3.0
4. More than 360-day term deposits	5.0	5.2	4.5	4.4	3.8	4.4
5. Large companies loans	7.4	7.4	7.1	6.8	6.6	7.1
6. Medium-sized enterprises loans	11.2	11.0	10.1	9.5	9.7	10.2
7. Small businesses loans	23.2	22.5	21.0	20.6	20.8	20.5
8. Microbusinesses loans	33.0	33.2	33.1	33.0	34.6	34.9
9. Mortgage loans	9.4	8.8	9.0	9.0	8.4	9.0
10. Corporate prime rate	5.4	5.0	4.5	4.7	4.1	4.9
11. FTAMN 1/	21.3	22.9	20.1	20.6	20.7	20.2

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

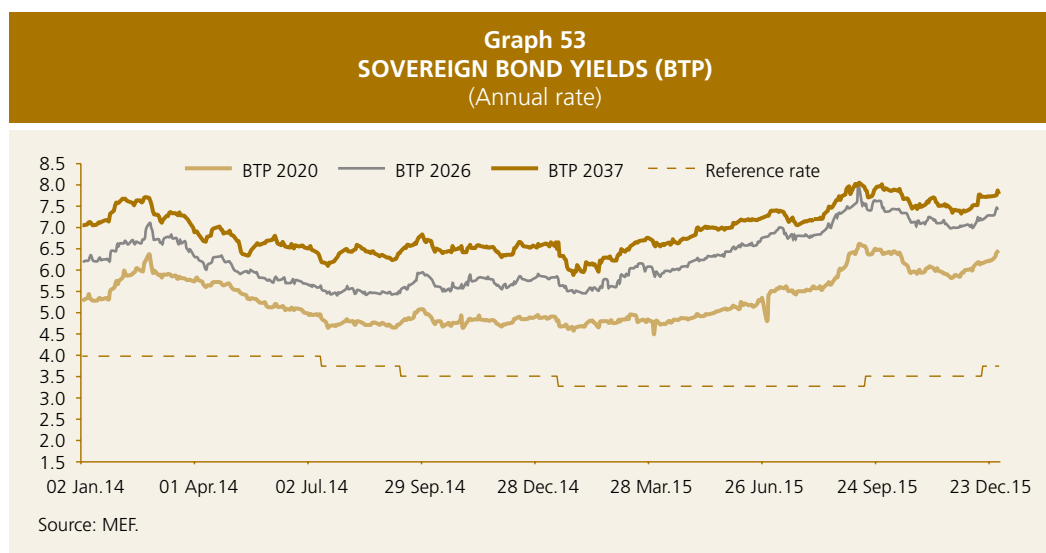
Banks' lending interest rates rose on average 58 basis points in the segments of large, medium, small, and micro businesses, while the deposit interest rates showed a mixed behavior: the interest rate on 31-day to 360-day deposits increased from 2.6 to 3.0 percent whereas the interest rate on deposits of over 360 days remained unchanged at 4.4 percent.

Interest rates in foreign currency recorded a slight upward trend that reflected the increase in the Federal Reserve's monetary policy rate, offset by the effects of banks' increased availability of liquidity in dollars associated with the program of de-dollarization of credit. The corporate prime lending rate in dollars increased by 35 points in 2015 –from 0.7 to 1.1 percent–, while, the rate for up to 30-day deposits rose from 0.18 to 0.23 percent.

Table 61 INTEREST RATES ON OPERATIONS IN US DOLLAR (%)						
	2011	2012	2013	2014	Jun.2015	Dec.2015
1. 3-month libor rate	0.6	0.3	0.2	0.2	0.3	0.6
2. Interbank rate	0.3	1.2	0.2	0.2	0.2	0.2
3. Deposits up to 30 days	0.4	0.8	0.6	0.2	0.1	0.2
4. 31-day to 360-day term deposits	1.0	1.0	0.8	0.5	0.5	0.5
5. More than 360-day term deposits	1.6	1.9	1.5	1.1	1.5	1.3
6. Large companies loans	5.4	6.4	5.5	5.1	4.6	5.5
7. Medium-sized enterprises loans	8.9	9.0	8.3	8.3	8.3	8.1
8. Small businesses loans	16.0	15.5	13.2	12.3	11.7	11.3
9. Mortgage loans	8.2	8.0	8.5	7.6	7.3	6.7
10. Corporate prime rate	2.4	4.0	1.0	0.7	0.8	1.1
11. FTAMEX 1/	6.8	8.1	7.3	7.3	7.4	7.0

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

Long-term interest rates showed a rising trend in a context of greater risk aversion in terms of the demand for assets in emerging markets. This was associated both with the rise in the rate of the Federal Reserve and with expectations of lower global growth expectations. The yields of the BTP maturing in 2020, 2026, and 2037 rose from 4.9, 5.9, and 6.6 percent to 6.5, 7.4, and 7.8 percent, respectively.



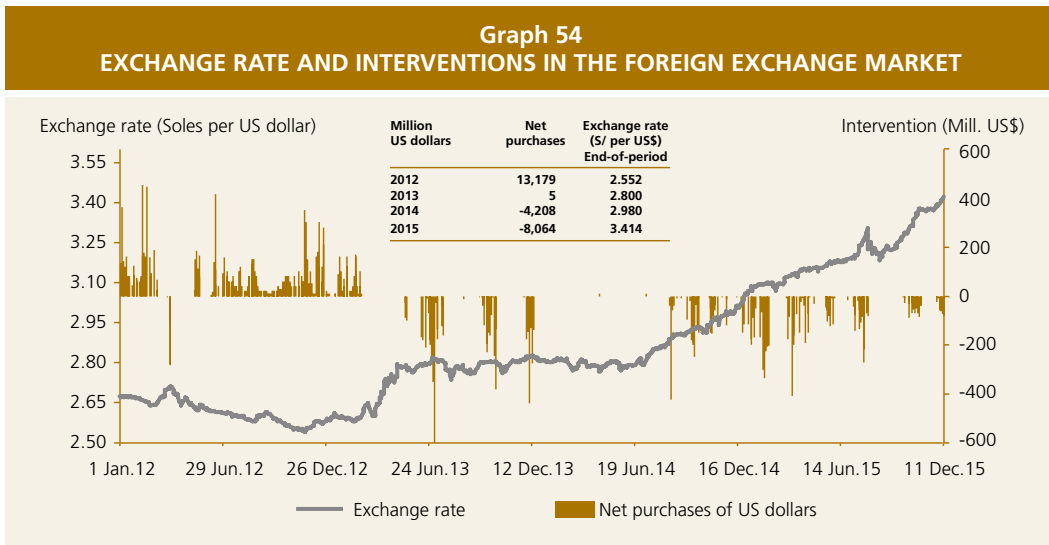
3. Foreign Exchange Rate

In 2015 the nuevo sol depreciated 14.6 percent in nominal terms (from S/ 2.98 to S/ 3.41 per US dollar) in a context of high volatility in international financial markets and declining commodity prices. This volatility resulted mainly from the signs of a possible recovery of the U.S. economy, the beginning of Federal Reserve cycle of interest rate hikes, and uncertainty about China's growth. It is worth pointing out that the magnitude of the depreciation of the nuevo sol during 2015 has been lower than the depreciation of the currencies of other economies in the region.

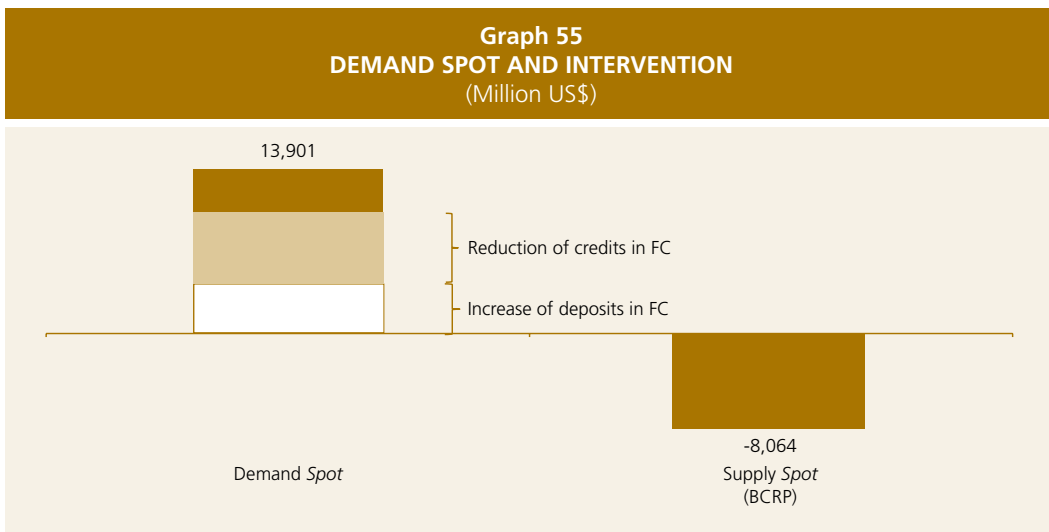
Table 62
EXCHANGE RATE AND PRICE OF COMMODITIES

		Dec.12	Dec.13	Dec.14	Dec.15	% change Dec.15:	
						Dec.12	Dec.14
FED Index	C.U. per US\$	99.234	101.877	111.277	117.97	18.9	6.0
EURO	US\$ per Euro	1.319	1.374	1.210	1.086	-17.7	-10.2
Japan	Yen	86.75	105.31	119.78	120.22	38.6	0.4
Brazil	Real	2.052	2.362	2.658	3.961	93.1	49.0
Chile	Peso	479	525	606	709	47.9	16.8
Colombia	Peso	1,767	1,930	2,377	3,175	79.7	33.6
Mexico	Peso	12.85	13.04	14.75	17.21	33.9	16.6
Peru	Sol	2.552	2.799	2.980	3.414	33.8	14.6
Copper	US\$/pound	365.25	339.65	282.55	213.5	-41.5	-24.4
Gold	US\$/troy ounce	1,675.35	1,201.64	1,184.37	1,061	-36.7	-10.4
WTI oil	US\$/barrel	88.66	84.56	61.50	39.1	-55.9	-36.4

Source: Bloomberg.

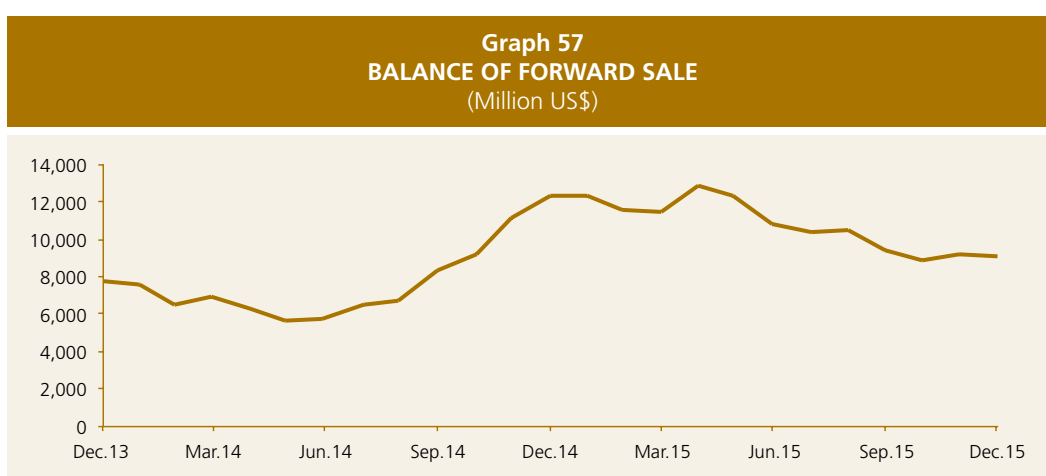
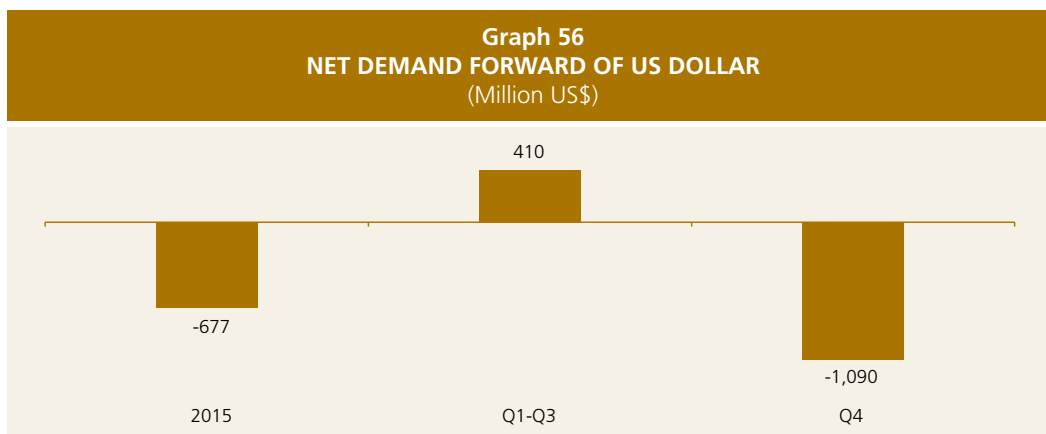


The dollar-nuevo sol exchange rate registered an upward trend during most of the year. The greatest demand for dollars was observed in the spot market (US\$ 13.90 billion) and was associated with changes in residents’ portfolio since they reduced their loans in dollars and increased their deposits in this currency to reduce the exposure of their credit portfolios to foreign exchange-related risks as a result of the depreciation of the domestic currency.

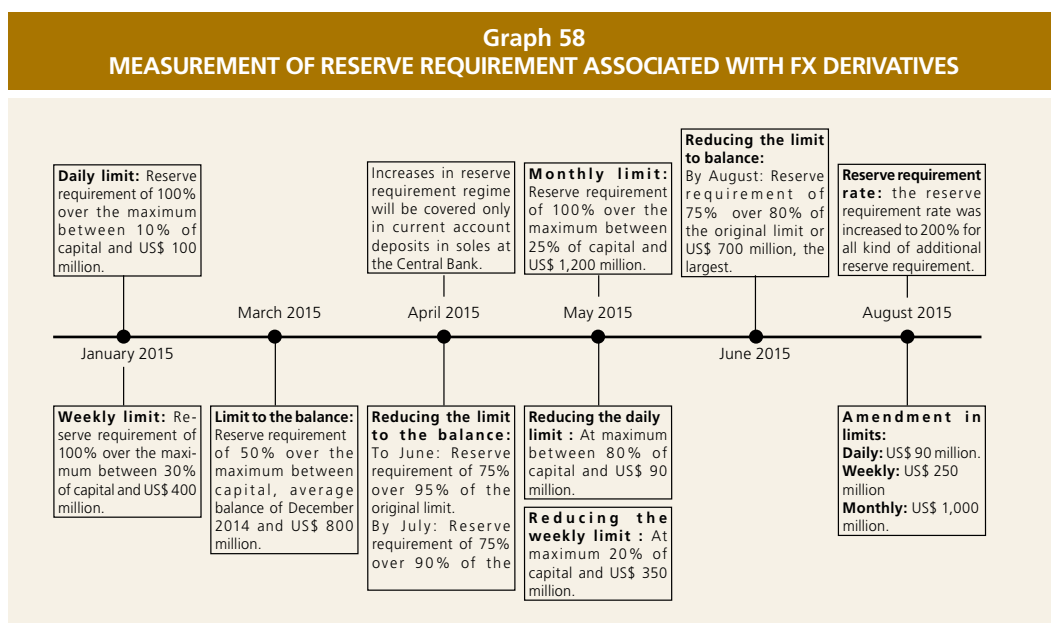


In 2015 the intervention of BCRP in the foreign exchange market was aimed at reducing the volatility of the exchange rate. The Central Bank sold foreign currency for a total of US\$ 8.06 billion during the year, with sales in the spot market being complemented by placements of currency swaps and CDRBCRP (BCRP placed currency swaps for a total of US\$ 2.05 billion and CDRBCRP for a total of US\$ 1.24 billion in 2015).

The demand for dollars in the derivatives market showed a varied evolution during the year: it increased in the first three quarters of 2015 (the demand in the forward market reached US\$ 410 million) and then reversed in the last quarter of the year (with a forward supply of US\$ 1.09 billion), reflecting the reserve requirements measures on banks’ forward positions which raised the cost taking a short position in soles for banks’ clients.



Thus, the following additional requirements in domestic currency associated with sales of forwards of dollars through foreign exchange derivatives were implemented: (i) to daily operations, (ii) to weekly operations; (iii) to monthly operations, and (iv) to the balance. These requirements were adjusted over the year with the aim of discouraging the overuse of these instruments.



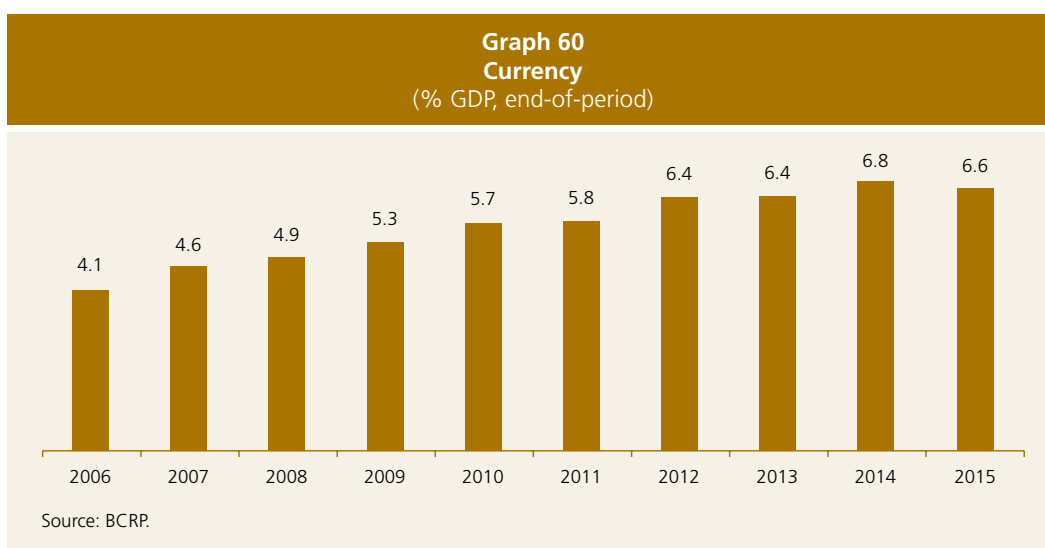
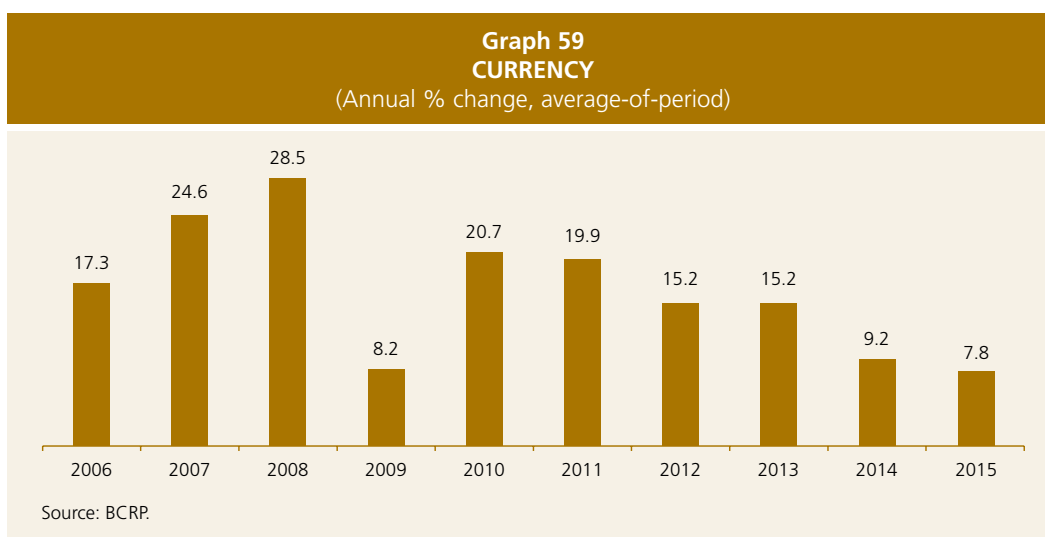
4. Monetary and credit aggregates.

The annual growth rates of liquidity and credit rates slowed down in 2015. Total liquidity grew 6.3 percent (vs. 7.3 percent in 2014), liquidity in domestic currency showing an annual growth rate of 3.0 percent while liquidity in foreign currency showing an annual rate of 13.0 percent. Thus, the ratio of dollarization of liquidity rose from 32.2 percent in December 2014 to 37.4 percent in December 2015.

Total credit to the private sector grew 9.7 percent, less than in 2014 (10.1 percent). Credit in local currency grew 28.6 percent, while credit in foreign currency decreased by 20.7 percent. The ratio of dollarization of credit decreased from 38.2 percent in December 2014 to 30.4 percent in December 2015.

4.1 Currency in circulation

Currency showed an average daily balance of S/ 37.40 billion in 2015, which represented a growth rate of 7.8 percent compared to the average growth rate in the previous year. Moreover, as a percentage of GDP, currency declined 0.2 percentage points compared to 2014.



The balance of currency at December 2015 was S/ 40.64 billion, S/ 1.47 billion (3.8 percent) higher than the balance recorded in December 2014. The BCRP operations, oriented to meet the demand of the public for liquidity and guarantee the flow of transactions in the money market, were consistent with actions aimed at sterilizing the BCRP net sales of dollars which were higher than in the previous year.

Public sector deposits in soles dropped by S/ 5.79 billion, while currency in circulation decreased by S/ 28.10 billion –amount equivalent to net sales of US\$ 8.92 billion) as a result of the foreign exchange operations of BCRP. Deposits of reserve requirements in soles fell by S/ 4.04 billion due to the reduction of the rate of reserve requirements in domestic currency over the year. Moreover, there were also temporary purchases of securities for a total of S/ 1.20 billion.

Foreign exchange operations generated a reduction of US\$ 8.92 million in foreign currency as a result of BCRP net sales of foreign currency (US\$ 8.06 billion), purchase of foreign currency to the public sector (US\$ 657 million), and other sales of foreign currency (US\$ 1.51 billion).

In response to depreciation pressures on the sol, the sales of foreign currency were accompanied by auction of certificates of deposit indexed to the exchange rate (CDR-BCRP) and by swap operations. As a result of these operations, the balance of CDR-BCRP at end 2015 increased to S/ 7.25 billion because of higher placements of these instruments. Moreover, the flow of net placements of CD-BCRP in 2015 amounted to S/ 195 million.

Table 63					
MONETARY ACCOUNTS OF THE CENTRAL RESERVE BANK OF PERU					
(Million soles)					
	Balance			Flows	
	2013	2014	2015	2014	2015
I. NET INTERNATIONAL RESERVES	183,857	185,678	209,663	1,821	23,985
(Million US\$)	65,663	62,308	61,485	-3,355	-823
1. Exchange position	41,097	35,368	25,858	-5,729	-9,511
2. Financial system deposits	14,290	15,504	22,477	1,214	6,974
3. Public sector deposits	10,852	12,064	13,683	1,212	1,618
4. Others	-576	-628	-533	-52	95
II. LONG -TERM NET EXTERNAL ASSETS	54	58	67	4	8
(Million US\$)	20	20	20	0	0
III. NET DOMESTIC ASSETS (1+2+3)	-148,767	-146,564	-169,078	2,203	-22,514
1. <u>Financial sector</u>	<u>-77,390</u>	<u>-65,489</u>	<u>-77,172</u>	<u>11,901</u>	<u>-11,683</u>
a. Repos	950	1,300	2,500	350	1,200
b. Currency repos	0	8,600	27,605	8,600	19,005
c. Securities issued	-18,437	-13,478	-18,873	4,960	-5,396
d. Reserve requirement in domestic currency	-16,792	-14,692	-10,649	2,100	4,043
e. Other deposits in domestic currency	-3,097	-1,016	-1,115	2,080	-99
f. Deposits in domestic currency	-40,014	-46,202	-76,649	-6,189	-30,446
(Million US\$)	-14,291	-15,504	-22,478	-1,214	-6,974
2. <u>Public sector (net)</u>	<u>-69,128</u>	<u>-75,165</u>	<u>-78,455</u>	<u>-6,038</u>	<u>-3,290</u>
a. Banco de la Nacion	-8,556	-8,051	-7,205	505	847
i. Domestic currency	-8,296	-7,621	-6,926	675	695
ii. Foreign currency					
(Million US\$)	-93	-145	-82	-52	63
b. Central Government	-55,753	-62,234	-67,257	-6,481	-5,023
i. Domestic currency	-28,317	-28,616	-22,835	-299	5,781
ii. Foreign currency					
(Million US\$)	-9,798	-11,281	-13,027	-1,483	-1,746
c. Others (includes COFIDE)	-1,153	-156	-77	997	78
d. Securities owned by the Public Sector	-3,666	-4,725	-3,917	-1,059	808
3. <u>Other Net Accounts</u>	<u>-2,249</u>	<u>-5,910</u>	<u>-13,450</u>	<u>-3,661</u>	<u>-7,541</u>
IV. CURRENCY (I+II+III)	35,144	39,173	40,643	4,028	1,470

4.2 Liquidity

In 2015 liquidity registered a growth rate of 6.3 percent –less than in 2014–, while total deposits increased by 1.2 percentage points, from 5.7 percent in 2014 to 6.9 percent in 2015.

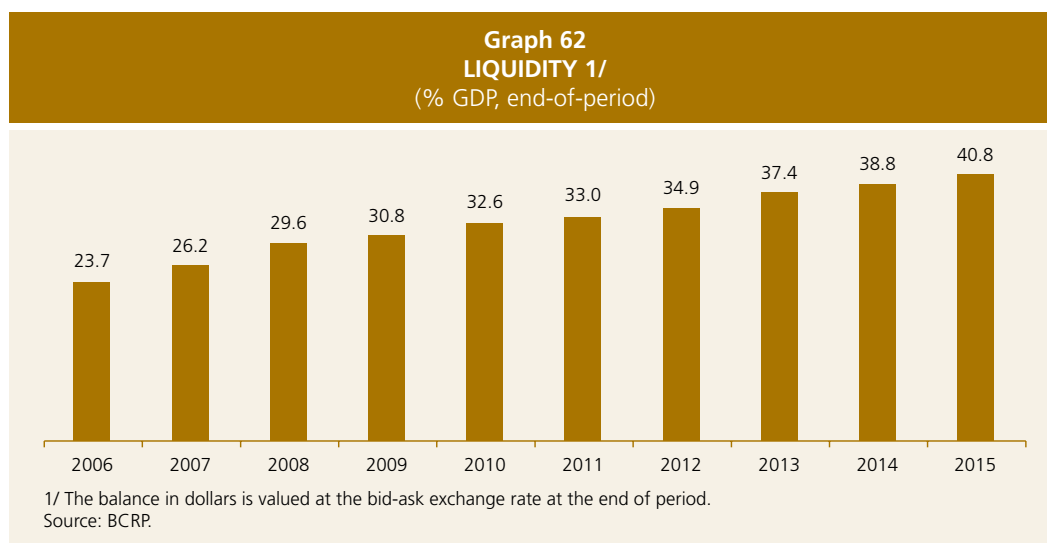
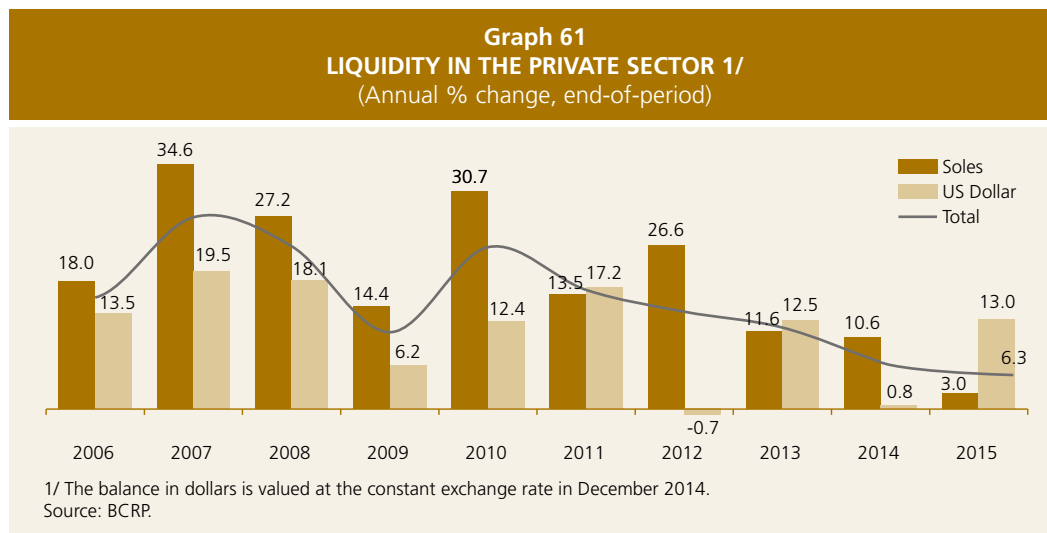


Table 64
MAIN MONETARY AGGREGATES

	Balance in million soles			Growth rate (%)	
	2013	2014	2015	2014	2015
Currency	35,144	39,173	40,643	11.5	3.8
Money	62,229	68,382	71,324	9.9	4.3
Deposits 1/	170,440	180,222	192,631	5.7	6.9
In soles	99,016	108,491	111,323	9.6	2.6
In US Dollar (Million US\$)	23,968	24,071	27,285	0.4	13.4
Liquidity 1/	208,456	223,629	237,644	7.3	6.3
In soles	136,976	151,549	156,170	10.6	3.0
In US Dollar (Million US\$)	23,987	24,188	27,340	0.8	13.0

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

The deposits of natural persons grew 9.8 percent (especially deposits in foreign currency) while the deposits of legal entities grew 1.7 percent. In terms of currencies, both natural persons and legal entities showed a greater preference for assets in dollars.

Table 65					
DEPOSITS BY TYPE OF DEPOSITOR					
	Balance in million soles			Growth rate (%)	
	2013	2014	2015	2014	2015
Individuals 1/	107,221	115,791	127,115	8.0	9.8
In soles	69,321	76,714	79,988	10.7	4.3
In US Dollar (Million US\$)	12,718	13,113	15,814	3.1	20.6
Legal entities 1/	63,219	64,431	65,516	1.9	1.7
In soles	29,695	31,777	31,334	7.0	-1.4
In US Dollar (Million US\$)	11,250	10,957	11,470	-2.6	4.7
Total 1/	170,440	180,222	192,631	5.7	6.9
In soles	99,016	108,491	111,323	9.6	2.6
In US Dollar (Million US\$)	23,968	24,071	27,285	0.4	13.4

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

In 2015, liquidity in domestic currency grew 3.0 percent (vs. 10.6 percent in 2014), all the components of liquidity showing a slowdown during the year. Thus, the growth rate of demand deposits declined from 7.8 percent in 2014 to 5.0 percent in 2015, while the growth rate of savings deposits and term deposits declined from 14.6 percent in 2014 to 3.3 percent in 2015 and from 6.9 percent to 0.5 percent, respectively.

Table 66					
LIQUIDITY IN DOMESTIC CURRENCY IN THE PRIVATE SECTOR					
	Balance in million soles			Growth rate (%)	
	2013	2014	2015	2014	2015
Currency	35,144	39,173	40,643	11.5	3.8
Deposits	99,016	108,491	111,323	9.6	2.6
Demand deposits	27,084	29,209	30,681	7.8	5.0
Savings deposits	31,061	35,591	36,751	14.6	3.3
Term Deposits	40,870	43,691	43,890	6.9	0.5
Securities and other instruments	2,816	3,885	4,204	38.0	8.2
TOTAL	136,976	151,549	156,170	10.6	3.0

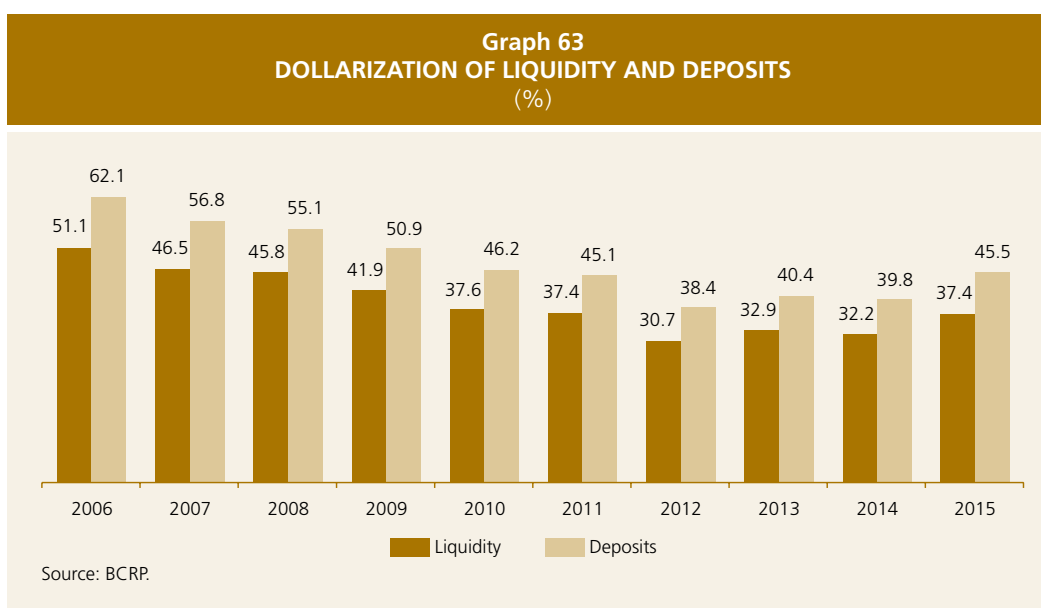
Source: BCRP.

Liquidity in foreign currency grew 13.0 percent, driven basically by term deposits which grew 23.3 percent during the year (after showing a contraction of 12.8 percent in the previous year). Demand deposits also showed a faster pace of growth (up from 2.7 in 2014 to 5.0 percent in 2015), while savings deposits showed a lower rate than in 2014 (18.7 percent) recording a growth rate of 11.9 percent.

Table 67 LIQUIDITY IN FOREIGN CURRENCY IN THE PRIVATE SECTOR					
	Balance in millones US Dollar			Growth rate (%)	
	2013	2014	2015	2014	2015
Deposits	23,968	24,071	27,285	0.4	13.4
Demand deposits	8,533	8,763	9,205	2.7	5.0
Savings deposits	5,876	6,974	7,802	18.7	11.9
Term Deposits	9,558	8,333	10,278	-12.8	23.3
Securities and other instruments	19	117	56	523.4	-52.5
TOTAL	23,987	24,188	27,340	0.8	13.0

Source: BCRP.

In this scenario, the ratio of dollarization of increased by 5.2 percentage points during the year (from 32.2 percent in December 2014 to 37.4 percent in December 2015), reaching a similar growth rate to that registered in 2011. In addition, the dollarization ratio of deposits rose from 39.8 percent in December 2014 to 45.5 percent in December 2015.



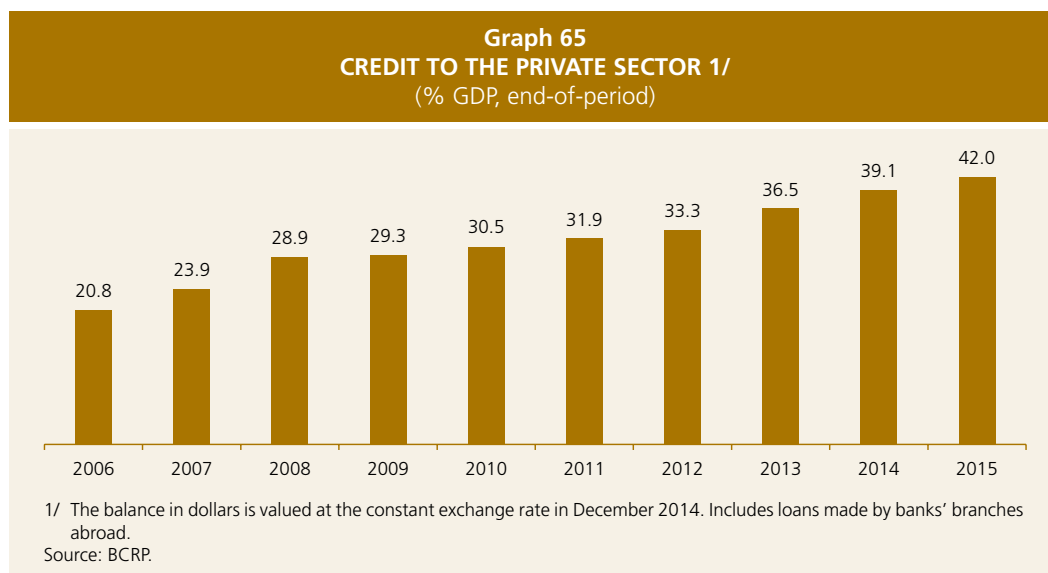
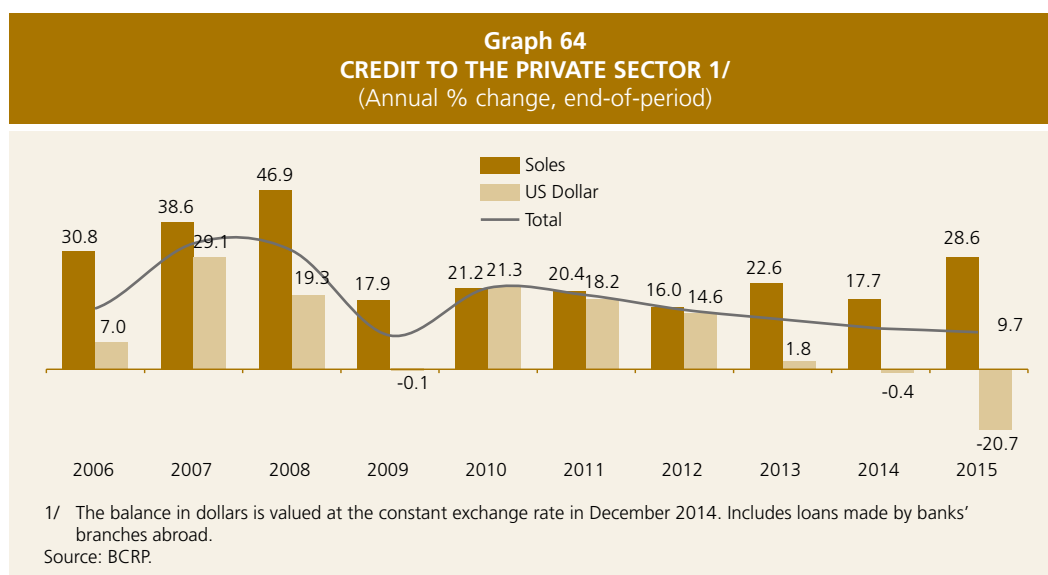
4.3 Credit to the private sector

The growth rate of total credit to the private sector slowed down for the fifth consecutive year, from 10.1 percent in 2014 to 9.7 percent in 2015. It should be pointed out that this balance includes the credit of local banks to their branches abroad, which are accounted for as credit granted by these branches.

Credit in foreign currency decreased by 20.7 percent (vs. a reduction of 0.4 percent in 2014) as a result of the appreciation of the dollar against the sol and the de-dollarization measures implemented

by the BCRP. On the other hand, credit to the private sector in domestic currency was the most dynamic component with an increase of 28.6 percent (vs. 17.7 percent in 2014).

Thus, the ratio of dollarization of credit to the private sector continued showing a downward trend, declining from 38.2 percent in December 2014 to 30.4 percent in December 2015.



By type of borrower, the main segments of credit showed different trends: credit in the corporate segment slowed down from 9.2 percent in 2014 to 8.4 percent in 2015, whereas loans to individuals increased slightly, from 11.8 percent to 12.2 percent, due to a greater demand for consumer loans (particularly, through credit cards). Mortgage loans, on the other hand, slowed down from 12.4 to 8.6 percent between 2014 and 2015.

Table 68
TOTAL CREDIT TO THE PRIVATE SECTOR 1/

	Balance in million soles			Growth rate (%)	
	2013	2014	2015	2014	2015
Business	132,180	144,284	156,390	9.2	8.4
Corporate and large companies	63,863	70,588	81,928	10.5	16.1
Medium-sized enterprises	35,373	40,211	39,908	13.7	-0.8
Small businesses and microbusinesses	32,944	33,486	34,554	1.6	3.2
Individuals	72,180	80,716	90,540	11.8	12.2
Consumer	41,395	46,114	52,952	11.4	14.8
Car loans	2,318	2,473	2,350	6.7	-5.0
Credit cards	13,312	15,308	18,963	15.0	23.9
Rest	25,765	28,333	31,639	10.0	11.7
Mortgage	30,785	34,602	37,588	12.4	8.6
TOTAL	204,360	225,000	246,931	10.1	9.7

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

As regards credit to business by economic sectors, the growth of credit was driven mainly by the sector of trade (S/ 3.05 billion), real estate activities (S/ 1.85 billion), and manufacturing (S/ 1.75 billion), which accounted for 57 percent of the demand for business loans during the year.

Table 69
TOTAL CREDIT BY ECONOMIC SECTOR 1/

	Balance in million soles			Growth rate (%)	
	2013	2014	2015	2014	2015
Agriculture and livestock	6,091	6,475	7,154	6.3	10.5
Fishing	1,717	1,343	1,289	-21.8	-4.0
Mining	7,088	6,464	7,406	-8.8	14.6
Manufacturing Industry	28,477	31,967	33,715	12.3	5.5
Electricity, Gas and Water	6,419	7,227	7,865	12.6	8.8
Construction	4,335	5,445	5,542	25.6	1.8
Commerce	34,013	37,200	40,251	9.4	8.2
Hotels and Restaurants	3,044	3,499	3,960	14.9	13.2
Transportation and Communications	10,690	11,611	11,794	8.6	1.6
Real Estate and Business	14,120	16,379	18,226	16.0	11.3
Rest	16,186	16,675	19,188	3.0	15.1
TOTAL	132,180	144,284	156,390	9.2	8.4

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

Moreover, the growth of credit to the private sector in domestic currency (28.6 percent) was driven by credit to businesses, which grew 35.7 percent, while credit to individuals grew 20.3 percent, with the growth rate of consumer loans (18.0 percent) and mortgage loans (24.6 percent) standing out.

Table 70
CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY

	Balance in million soles			Growth rate (%)	
	2013	2014	2015	2014	2015
Business	62,540	74,424	101,023	19.0	35.7
Corporate and large companies	21,038	28,405	46,899	35.0	65.1
Medium-sized enterprises	12,837	16,377	22,250	27.6	35.9
Small businesses and microbusinesses	28,665	29,642	31,874	3.4	7.5
Individuals	55,522	64,589	77,728	16.3	20.3
Consumer	37,047	41,718	49,239	12.6	18.0
Car loans	558	770	1,380	38.1	79.1
Credit cards	12,348	14,299	17,893	15.8	25.1
Others	24,141	26,648	29,966	10.4	12.5
Mortgage	18,476	22,871	28,489	23.8	24.6
TOTAL	118,063	139,013	178,751	17.7	28.6

Source: BCRP.

On the other hand, credit to the private sector in foreign currency shrank by 20.7 percent, influenced in part by the recent de-dollarization measures implemented by the BCRP. By type of borrower, the segment of credit to business in dollars fell 20.7 percent, while credit to individuals dropped 20.6 percent. The latter was mainly associated with the decline of mortgage and car loans, which dropped by 22.4 and 43.0 percent, respectively.

Table 71
CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY 1/

	Balance in million US Dollar			Growth rate (%)	
	2013	2014	2015	2014	2015
Business	23,369	23,443	18,580	0.3	-20.7
Corporate and large companies	14,371	14,155	11,755	-1.5	-17.0
Medium-sized enterprises	7,562	7,998	5,926	5.8	-25.9
Small businesses and microbusinesses	1,436	1,290	899	-10.2	-30.3
Individuals	5,590	5,412	4,299	-3.2	-20.6
Consumer	1,459	1,475	1,246	1.1	-15.5
Car loans	591	571	326	-3.2	-43.0
Credit cards	324	339	359	4.6	6.0
Rest	545	565	561	3.8	-0.7
Mortgage	4,131	3,937	3,053	-4.7	-22.4
TOTAL	28,959	28,855	22,879	-0.4	-20.7

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

Credit to the private sector continued to show lower levels of dollarization in all of its types at end 2015, the ratio of dollarization of credit to the private sector declining by 7.8 percentage points, from 38.2 percent in December 2014 to 30.4 percent in December 2015.

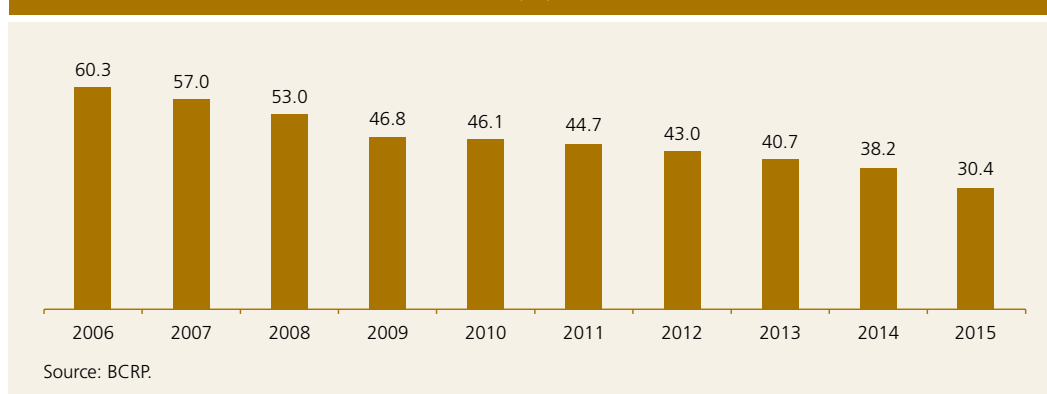
Declining by 10.0 percentage points relative to the previous year, credit to business showed a dollarization ratio of 38.5 percent in 2015 (vs. 48.4 percent in 2014). The ratio of dollarization of credit to individuals showed a lower decrease (down from 20.0 percent in 2014 to 15.9 percent in 2015, but the ratio of dollarization of mortgage loans fell from 33.9 percent in 2014 to 26.8 percent in 2015).

Table 72
DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR 1/
(%)

	2013	2014	2015
Business	51.1	48.4	38.5
Corporate and large companies	65.7	59.8	46.1
Medium-sized enterprises	62.3	59.3	47.6
Small businesses and microbusinesses	12.3	11.5	8.8
Individuals	22.0	20.0	15.9
Consumer	9.9	9.5	7.9
Vehicular	74.8	68.9	44.6
Credit cards	6.8	6.6	6.4
Others	5.9	5.9	6.0
Mortgage	38.5	33.9	26.8
TOTAL	40.7	38.2	30.4
Memo:			
Dollarization of credit at constant exchange rate	42.2	38.2	27.6

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

Graph 66
DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR
(%)



5. Funding to the private sector

Total funding to the private sector grew 9.7 percent in 2015, 2.2 percentage points less than in 2014. The concept of total funding provides a wider overview of the funding obtained by private non-financial companies, because in addition to the credit channel of depository institutions, it includes the funding obtained from other financial institutions, such as mutual funds, insurance companies, and private pension funds, as well as direct loans obtained abroad.

As previously mentioned, during 2015 the annual growth of credit to the private sector through depository institutions showed a slower pace of growth, declining from 10.1 percent in 2014 to 9.7 percent in 2015. On the other hand, credit from other financial entities, which had grown 17.6 percent in 2014, grew 15.4 percent in 2015, driven mainly by loans in domestic currency.

Finally, the amount of direct funding obtained by Peruvian companies abroad grew 7.4 percent (US\$ 1.77 billion), recording a lower growth rate than in 2014 (15.9 percent). Most of this funding was medium- and long-term debt, which grew 9.5 percent in the year (US\$ 1.90 billion).

Direct short-term loans, on the other hand, fell by 3.3 percent as a result of the international context.

Table 73					
FUNDING OF THE PRIVATE SECTOR 1/					
	Balance in million soles			Growth rate (%)	
	2013	2014	2015	2014	2015
I. CREDIT OF DEPOSITORY CORPORATIONS	204,360	225,000	246,931	10.1	9.7
Domestic currency	118,063	139,013	178,751	17.7	28.6
Foreign currency (Million US\$)	28,959	28,855	22,879	-0.4	-20.7
<i>Dolarization (%)</i>	<i>40.7</i>	<i>38.2</i>	<i>30.4</i>		
II. CREDIT OF OTHER FINANCIAL CORPORATIONS 2/	24,289	28,561	32,964	17.6	15.4
Domestic currency	11,804	14,416	17,051	22.1	18.3
Foreign currency (Million US\$)	4,190	4,746	5,340	13.3	12.5
<i>Dolarization (%)</i>	<i>49.8</i>	<i>49.5</i>	<i>51.6</i>		
<i>Of which:</i>					
AFP's loans	14,306	16,369	16,636	14.4	1.6
Loans of mutual funds	1,136	1,045	864	-8.0	-17.3
Loans of insurances	5,751	6,987	10,628	21.5	52.1
III. EXTERNAL PRIVATE INDEBTNESS (Million US\$)	61,840	71,674	76,947	15.9	7.4
Short-term (Million US\$)	3,815	3,947	3,816	3.5	-3.3
Medium- and long-term (Million US\$)	16,937	20,105	22,005	18.7	9.5
IV. TOTAL	290,489	325,234	356,842	12.0	9.7
Domestic currency	129,867	153,429	195,802	18.1	27.6
Foreign currency (Million US\$)	53,900	57,653	54,040	7.0	-6.3
<i>Dolarization (%)</i>	<i>53.7</i>	<i>52.8</i>	<i>48.5</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.

6. Financial indicators

Banks' financial indicators showed a slight improvement during 2015. The indicator Return on assets (ROA) increased from 1.9 percent in 2014 to 2.1 percent in 2015 and the indicator of Return on equity (ROE) increased from 19.7 to 22.1 percent. Moreover, the ratio of non-performing loans remained stable at 2.5 percent, while the level of provision coverage of the high risk portfolio rose slightly, from 116.5 percent to 117.5 percent.

Table 74			
FINANCIAL INDICATORS ON COMMERCIAL BANKS			
(%)			
	2013	2014	2015
Overdue loans / gross placements 1/	2.1	2.5	2.5
High risk portfolio / gross placements 2/	3.1	3.5	3.6
Allowance for loans / high-risk portfolio	131.6	116.5	117.5
Return on equity (ROE)	21.2	19.7	22.1
Return on assets (ROA)	2.0	1.9	2.1

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 size of debtor, credit to corporations and large enterprises recorded the lowest rates of delinquency. Loans to medium-sized businesses had a delinquency rate of 5.2 percent, while loans to small businesses and micro-enterprises recorded ratios of 8.6 and 2.9 percent, respectively. Moreover, the delinquency rate for consumer loans was 3.3 percent, while mortgage loans recorded a rate of 1.8 percent.

Table 75			
BANKS: DELINQUENCY RATES BY TYPE AND SIZE OF DEBTOR			
(%)			
	2013	2014	2015
Corporate loans	0.0	0.0	0.0
Loans to large companies	0.4	0.7	1.0
Loans to medium-sized companies	3.7	5.0	5.2
Loans to small companies	7.3	8.8	8.6
Loans to microbusinesses	3.6	3.9	2.9
Consumer loans	3.4	3.3	3.3
Mortgage loans	1.0	1.4	1.8
TOTAL	2.1	2.5	2.5

Source: SBS.

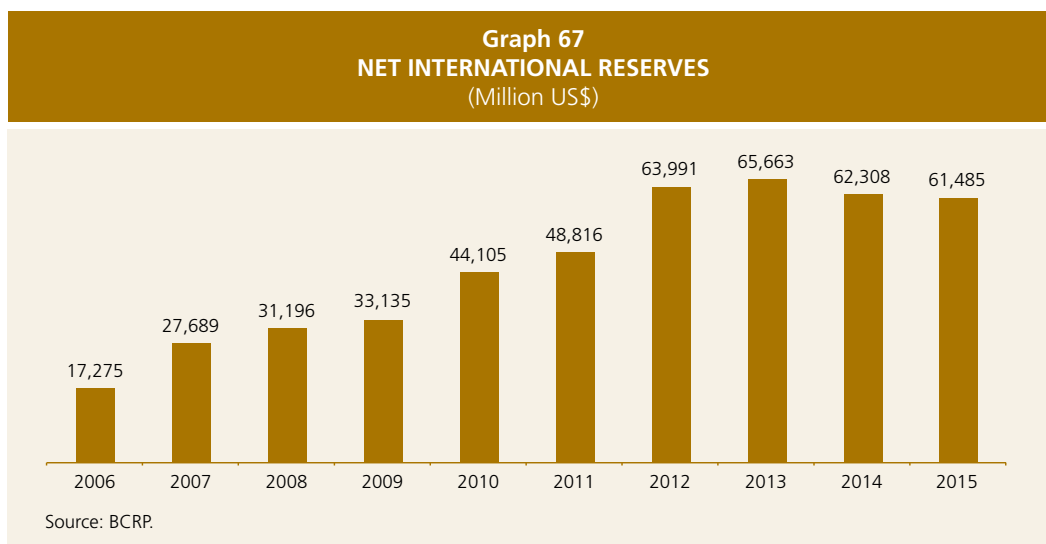
A slight increase was observed in the delinquency rates of financial firms and Edpymes in non-banking financial institutions. Municipal savings banks, on the other hand, recorded slight improvements in their rates of delinquency and coverage of their high-risk portfolios. In addition to this, both financial firms and municipal savings banks registered an increase in their ROE indicators, whereas this indicator fell in the case of rural savings banks and Edpymes due to the losses they generated in the year.

Table 76			
FINANCIAL INDICATORS OF NON-BANK COMPANIES			
(%)			
	2013	2014	2015
Overdue loans / gross placements 1/			
Financial Firms	5.2	5.6	5.7
Municipal savings banks	5.8	5.8	5.7
Rural savings banks	6.7	12.6	9.2
Edpymes	4.8	4.1	4.2
Provision for loans / high-risk portfolio 2/			
Financial Firms	123.4	124.1	123.2
Municipal savings banks	105.4	105.2	106.1
Rural savings banks	84.0	63.2	92.3
Edpymes	115.2	120.6	132.7
Ratio on equity (ROE)			
Financial Firms	13.5	9.0	19.5
Municipal savings banks	12.8	13.2	14.5
Rural savings banks	1.2	-6.2	-9.7
Edpymes	5.0	4.2	-0.6

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. International reserves

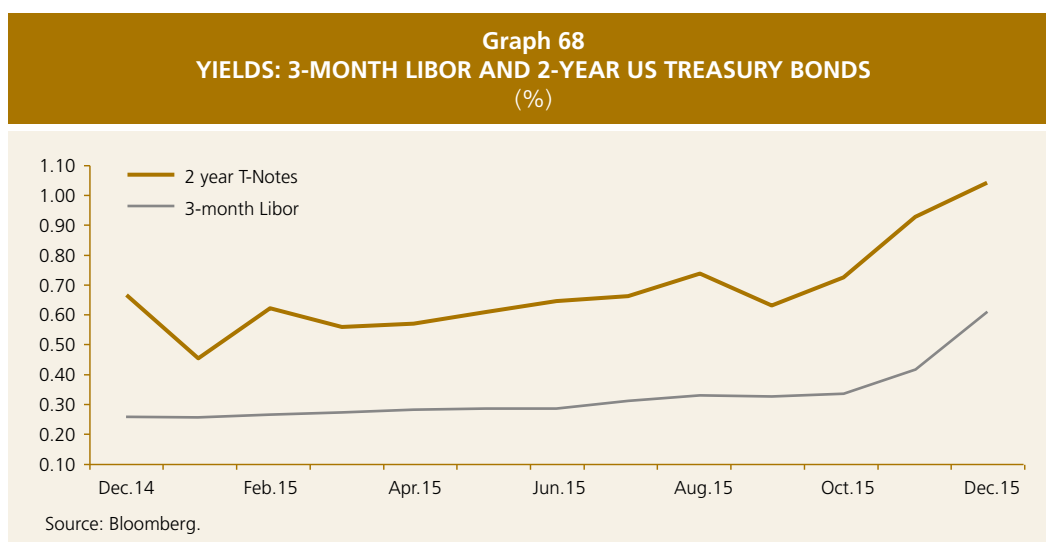
Peru's net international reserves (NIRs) decreased by US\$ 823 million in 2015, as a result of which the balance of NIRs at the end of the year was US\$ 61.46 billion. This reduction resulted mainly from the foreign exchange operations (US\$ 8.92 billion), although it was in part offset by banks' higher deposits (US\$ 6.91 billion) and higher public sector deposits (US\$ 1.68 billion).



7.1 Management of international reserves

Gross international reserves, also called international reserve assets, reached a balance of US\$ 61.54 billion at end 2015. This balance is US\$ 816 million lower than that recorded in 2014.

In 2015 the yield curve of the U.S. Treasury bonds rose, as a result of which the yield of the 2-year T-Note 2 years increased from 0.67 percent at the end of December 2014 to 1.05 percent at the end of 2015. Moreover, the 3-month dollar Libor rate rose from 0.26 to 0.61 percent in the same period.



In this context, the BCRP investment of reserves was carried out maintaining 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. A neutral position was held in terms of the duration of the investment portfolio, some operations being carried out as a strategy of tactical deviations to optimize the portfolio yield.

It is worth mentioning that a priority in the BCRP investment policy of the country's international reserves is to preserve capital and ensure the liquidity of these reserves. Once these conditions are met, BCRP seeks to maximize the yield of these international assets. 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, 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 the end of 2015, 62 percent of the international reserve assets (IRA) was invested in liquid securities of high credit quality, 33 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 credit ratings of A+ or higher.

In 2015, international reserve assets generated a yield of S/. 907 million. This yield was lower than in the previous year due mainly to the decline in reserves and to changes in the composition of fund sources.

Table 77
INTERNATIONAL RESERVE ASSETS
(Million US\$)

Item	December 2014		December 2015	
	Amount	%	Amount	%
Deposits abroad	13,611	21.8	20,122	32.7
Securities	45,411	72.8	38,491	62.5
Gold	1,320	2.1	1,181	1.9
Others 1/	2,011	3.2	1,743	2.8
TOTAL	62,353	100.0	61,537	100.0

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

Table 78
COMPOSITION OF LIQUID INTERNATIONAL ASSETS
(% structure)

	December 2014	December 2015
By maturity term	100	100
0-3 months	39	52
3-12 months	26	23
> 1 Year	35	25
By long-term rating	100	100
AAA	53	49
AA+/AA/AA-	32	33
A+/A/A-	15	18

Source: BCRP.

Liquid IRA¹⁰ recorded a balance of US\$ 59.95 billion at the end of the year. As regards the quality of the portfolio, 49 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 in 2015 was 0.61 years.

The effective exposure of the BCRP foreign exchange position to the U.S. dollar was 86 percent, higher than at end 2014 (70 percent).

Table 79 INTERNATIONAL POSITION: EFFECTIVE EXPOSURE (% structure)		
	December 2014	December 2015
US\$	70	86
Other currencies	26	9
Gold	4	5
Total	100	100

Source: BCRP.

8. Financial savings and capital markets

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

During 2015, the average balance of financial savings increased by 12.0 percent compared to 2014 and was equivalent to 50.1 percent of GDP. The growth rate of financial savings was more accelerated than in 2014 due to the slowdown observed in attracting people's deposits and in contributions to mutual funds in dollars.

Table 80 FINANCIAL SAVINGS (Average balance in the period, as % GDP)			
	Domestic currency	Foreign currency	Total
2006	18.0	13.8	31.7
2007	24.2	14.1	38.4
2008	24.9	13.6	38.5
2009	25.1	15.3	40.4
2010	27.6	13.8	41.3
2011	28.4	13.7	42.1
2012	30.5	12.7	43.2
2013	32.8	12.7	45.5
2014	33.7	13.7	47.4
2015	34.5	15.6	50.1

Source: BCRP.

By currencies, financial savings in nuevos soles grew 8.5 percent (vs. 8.3 percent in 2014) while financial savings in dollars (valued in soles) grew 20.8 percent (vs. 13.8 percent in 2014). The ratio of

¹⁰ Easily tradable assets in international financial markets. Therefore, capital contributions to international organizations –such as the FLAR and BIS–, contributions and funds to the IMF –except holdings of SDRs–, the active balances associated with international conventions, and the gold held in the BCRP vaults are excluded from the IRA.

financial savings in nuevos soles in GDP terms increased from 33.7 to 34.5 percent, while the ratio of savings in dollars increased from 13.7 to 15.6 percent.

8.1 Fixed-income market

At end 2015 the balance of non-governmental fixed-income securities placed through public offering during the year amounted to S/. 22.20 billion, 15.8 percent higher than in 2014 (S/. 19.16 billion)¹¹.

The balance of fixed-income securities placed through public offering during 2015 (valued at the constant exchange rate of December 2015) was S/. 4.57 billion, higher than the flow of securities placed the previous year (S/. 3.40 billion). In addition to this, Peruvian companies placed securities in the international market for a total of US\$ 8.80 billion, both in dollars (US\$ 2.05 billion) and in soles (S/ 930 million). In 2014 these placements valued at a constant exchange rate amounted to S/ 15.70 billion: US\$ 2.65 billion in dollars and S/ 141 million in soles.

Table 81 FIXED-INCOME SECURITIES ISSUED BY PRIVATE COMPANIES					
	Amounts			Growth rate (%)	
	2013	2014	2015	2014	2015
Balance at the end of period (Million soles)	18,647	19,162	22,198	2.8	15.8
Non-financial sector	10,683	11,076	14,171	3.7	27.9
Financial sector 1/	7,964	8,086	8,027	1.5	-0.7
Composition by currency (%)	100.0	100.0	100.0		
Soles	49.8	51.7	51.3		
VAC	11.1	10.6	9.3		
US dollars	38.1	36.7	39.3		
Others	1.0	1.0	-		
Balance as % GDP	3.4	3.3	3.6		

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

Classifying bond issuances in the domestic market by type of issuer, non-financial companies issued bonds for a total equivalent to S/ 2.90 billion valued at a constant exchange rate (vs. S/ 1.51 billion in 2014) and the balance of current bonds increased 25.2 percent compared to the previous year. On the other hand, financial entities placed bonds for a total of S/ 1.56 billion (vs. S/ 1.89 billion in 2014) and their balance grew 6.5 percent.

The largest bond issuers in the year were Scotiabank Peru S.A.A. (S/ 636 million), Yura S.A. (S/ 502 million), Alicorp S.A.A. (S/ 500 million), Gloria S.A. (S/ 443 million), and Norvial S.A. (S/ 365 million), all of these issuances being securities issued in soles.

Moreover, the largest bonds issuances in the international market were those of Consorcio Nuevo Metro de Lima (US\$ 1.16 billion) and COFIDE (US\$ 1 billion). Furthermore, the largest bond issuance in soles in the international market was that placed by GyM Ferrovías (S/ 629 million).

The average maturity term of domestic bond issuances in soles, weighed by the amount placed, was 9.4 years (11.0 years in 2014) while the average maturity term of bond issuances in dollars

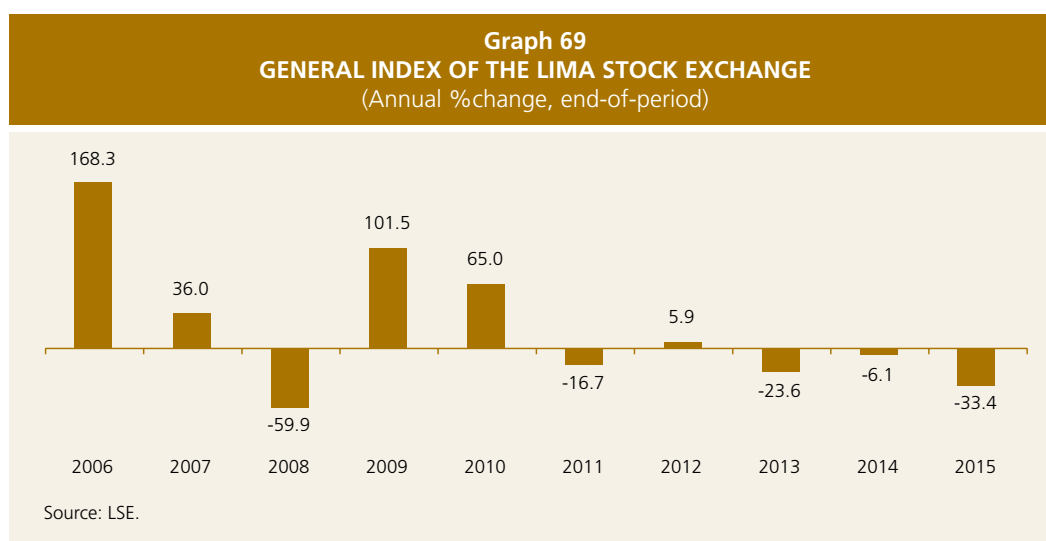
¹¹ Including short term bonds and instruments placed through public offering in the domestic market. The effect of exchange rate variations is isolated for comparison purposes.

was 11.6 years (5.7 years in 2014). The longer maturity terms for bonds in soles was 25 years, in the bonds issued by Yura S.A. (S/ 200 million placed in May), and 20 years, in the the bonds placed by Gloria S.A. (S/ 150 million placed in February) and Falabella Perú (S/ 98 million placed in July).

By currencies, bonds in soles represented 60.9 percent of the balance of existing public offering (62.3 percent in 2014), while bonds in dollars represented 38.8 percent (36.7 percent in 2014). Moreover, bonds at fixed-rates in soles represented 51.7 percent of the balance (the same ratio as in 2014), while inflation-indexed bonds (VAC) represented 9.2 percent (10.6 percent in 2014).

8.2 Stock Exchange

During the year, the performance of the Lima Stock Exchange (LSE) was influenced by a rather unfavorable international environment. China’s economic slowdown, the decline in the prices of Peru’s exports, the delicate situation of Greece, and expectations that the Federal Reserve would raise its interest rate were all factors that prompted investors to dump their portfolios and seek shelter in the dollar. Thus, the General Index and the Selective index of the LSE fell 33.4 and 36.3 percent, respectively, while the value of market capitalization declined 14.3 percent.



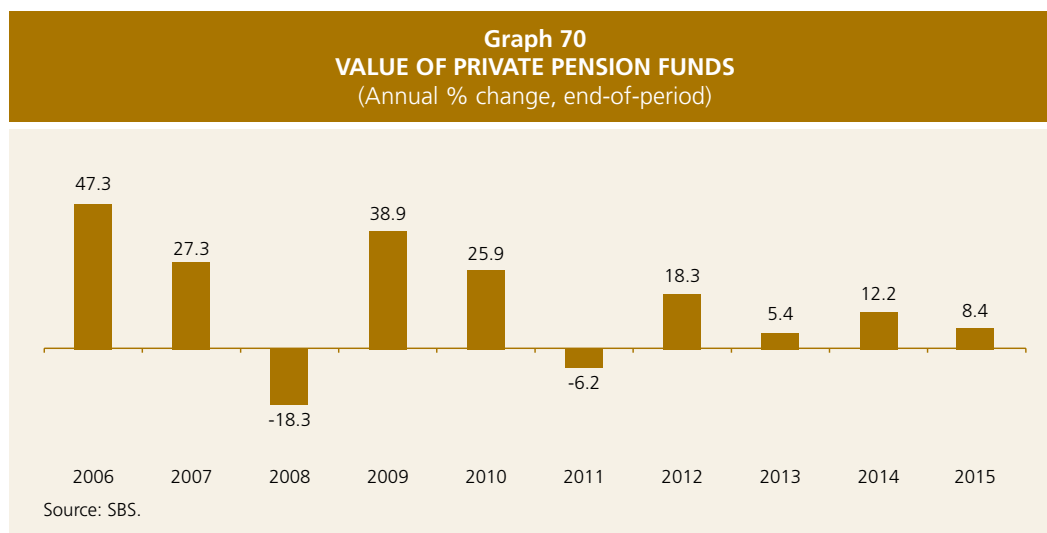
At the sector level, stocks in all the sectors showed negative performances, the biggest losses being observed in the mining sector, where the shares of junior mining companies fell 62.7 percent; the construction sector, which showed a fall of 48.0 percent, and the industrial sector, which recorded a decline of 41.1 percent. The sector of services was the one that showed the lowest losses (down 14.7 percent).

The volumes traded increased by 32.2 percent compared to 2014. By segments, the volume of shares traded dropped by 45.1 percent relative to 2014, while the volume of debt instruments traded decreased by 23.8 percent. On the other hand, repos transactions increased 6.9 percent, both in the case of shares (6.7 percent) and in the case of fixed-income instruments (13.1 percent).

The amount of dematerialized shares at year end –i.e. the amount of shares recorded electronically at CAVALI– was S/ 147.90 billion, which is equivalent to 49.5 percent of the value of market capitalization (S/ 298.82 billion). The ratio of dematerialized stocks held by non-resident investors in terms of total dematerialized stocks declined from 39.9 percent in December 2013 to 34.6 percent in December 2015.

8.3 Private pension system

Affected in part by the decline of the LSE indices, the net worth of private pension funds increased 8.4 percent during the year. At December, the networth of these funds amounted to S/. 124.2 billion. The number of participants in the private pension system grew 4.1 percent to over 5.9 million members.



After recording a real profitability of 5.5 percent in 2014, the profitability of private pension funds fell to 1.2 percent in real terms in 2015.

The composition of the investment portfolio reflected international conditions, investments in variable-income securities declining from 22.5 to 17.3 percent during the year. Deposits in the local financial system, on the other hand, increased from 6.6 percent to 11.4 percent. In terms of the fund, the ratio of investments abroad decreased from 40.6 percent to 40.2 percent, the maximum limit allowed for the investment of pension funds abroad being 42 percent.

Table 82
COMPOSITION OF THE PRIVATE PENSION SYSTEM PORTFOLIO
(%)

	2013	2014	2015
I. DOMESTIC INVESTMENTS	64.8	59.4	59.8
<u>Deposits</u>	<u>12.9</u>	<u>6.6</u>	<u>11.4</u>
In soles	2.2	0.8	0.8
In US dollars	10.7	5.8	10.6
<u>Bonds and fixed income</u>	<u>26.0</u>	<u>30.3</u>	<u>31.1</u>
Central Bank securities	2.1	0.4	-
Sovereign bonds	11.3	17.3	17.8
Values issued by the private sector	12.6	12.6	13.4
<u>Stocks and variable income</u>	<u>25.9</u>	<u>22.5</u>	<u>17.3</u>
Shares	16.2	12.6	7.4
Investment funds	9.6	9.8	9.9
II. FOREIGN INVESTMENTS	35.2	40.6	40.2
III. TOTAL	100.0	100.0	100.0
Million soles	102,192	114,527	124,168
% GDP	18.7	19.9	20.4

Source: SBS.

8.4 Mutual funds

Mutual funds' joint net worth increased 12.7 percent compared to 2014 with a balance of S/. 21.09 billion (3.5 percent of GDP) at year-end. Given expectations of higher yields in international markets, mutual funds reacted increasing their participation in investments abroad from 22.2 percent to 33.3 percent, whereas in terms of domestic investments, they reduced their participation in deposits from 62.8 percent to 54.4 percent and their participation in bonds and fixed-income securities from 11.8 to 1.4 percent. Moreover, the participation of domestic shares declined from 2.5 to 2.4 percent.

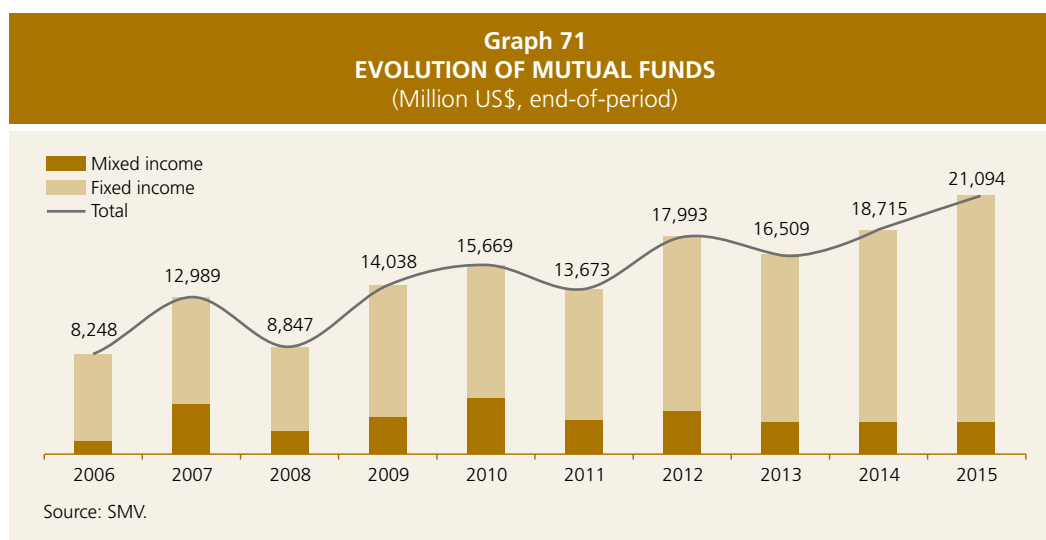


Table 83
COMPOSITION OF MUTUAL FUNDS' INVESTMENT
(%)

	2013	2014	2015
I. DOMESTIC INVESTMENTS	88.9	77.1	64.2
Deposits	62.1	62.8	54.4
In soles	28.7	30.2	27.0
In US Dollar	33.4	32.6	27.3
Bonds and fixed income	23.1	11.8	8.5
Central Bank securities	6.3	1.1	0.5
Sovereign bonds	5.4	2.6	0.9
Values issued by the private sector	11.4	8.1	7.0
Stocks and variable income	3.7	2.5	1.4
Others	2.3	0.6	2.4
II. FOREIGN INVESTMENTS	8.8	22.2	33.3
III. TOTAL	100.0	100.0	100.0
Million nuevos soles	16,509	18,715	21,094
% GDP	3.0	3.3	3.5

Source: SMV.

8.5 Payment Systems

The oversight of payment systems by the Central Bank is essential for the settlement of transactions of goods, services, and securities, as well as for the implementation of monetary policy. During 2015, BCRP continued carrying out its roles of overseeing and regulating payment systems, promoting increased access and greater use of these systems, and supporting innovation. Thus, in addition to

greater financial inclusion, higher levels of safety and efficiency were achieved in payment systems in this period.

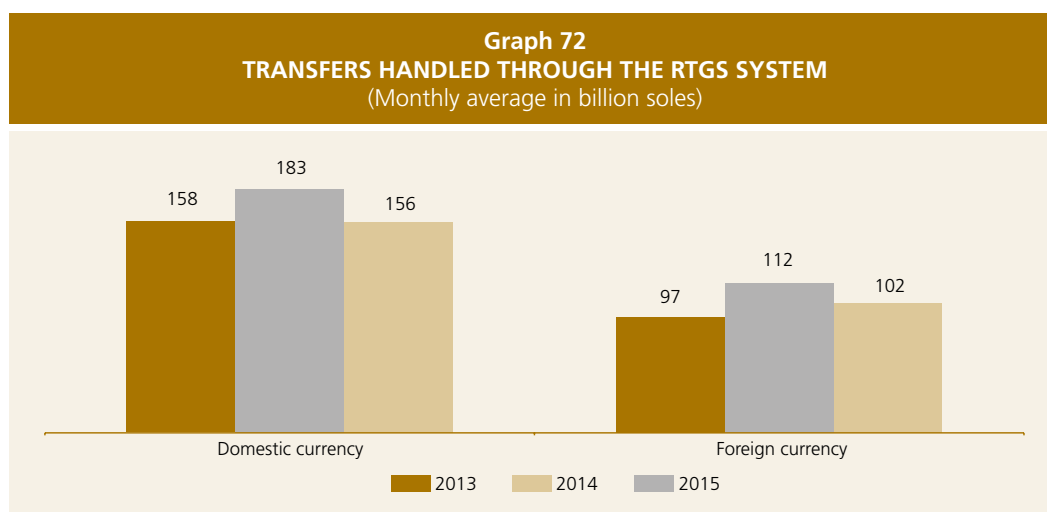
The value of transfers made through payment systems showed a decline of 12.2 percent in a context of exchange rate volatility. Thus, the total value of funds transferred through the payment systems was equivalent to 5.5 times the value of annual GDP in 2015 (vs. 6.6 times the value of annual GDP in 2014).

As part of its oversight role, the Central Bank carried out its annual inspection visit to Cámara de Compensación Electrónica-CEE (Electronic Clearing House) and CAVALI to evaluate opportunities for improvement and compliance with regulations. The Central Bank can confirm that payment systems meet current standards of safety, efficiency, and risk management.

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. In 2015 the transfers made through the RTGS system accounted for 92.1 percent of the total value transferred through payment systems.

Moreover, the average value of transfers handled through the RTGS system decreased by 12.5 percent in 2015 due mainly to the reduction of foreign exchange operations –purchase and sale of foreign currency– between banks, while the number of transactions declined by 5.1 percent. By currencies, the value of payments in domestic currency represented 60.6 percent of total operations handled by the RTGS system.



The Central Bank continued promoting the electronic access of micro finance entities –i.e. municipal and rural savings banks and non-bank financial entities– to the RTGS system, which is the main infrastructure of payment systems in Peru. The entities that established electronic connections with this system in 2015 included Caja Municipal de Ahorro y Crédito de Arequipa –preceded earlier by the savings banks of Trujillo, Sullana, Piura, and Tacna–, as well as Caja Municipal de Crédito Popular de Lima and Financiera TFC.

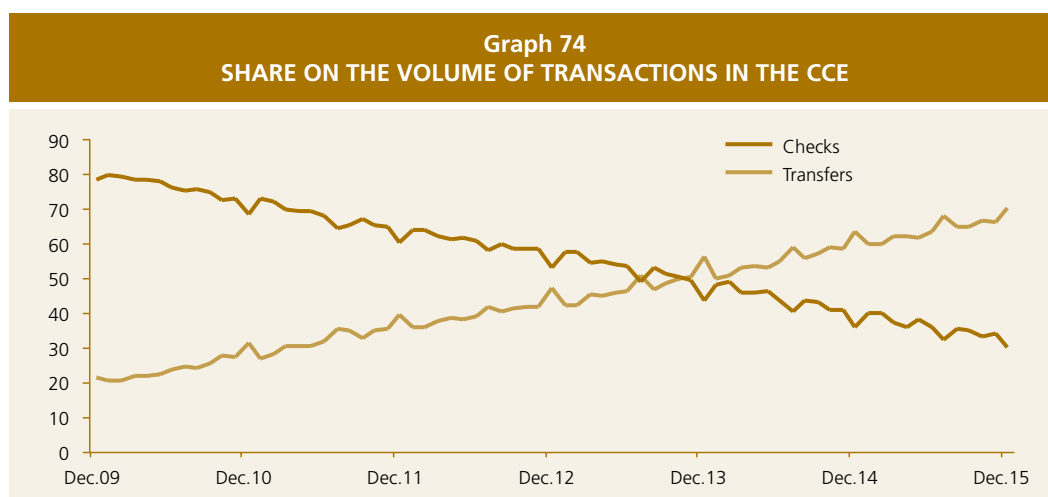
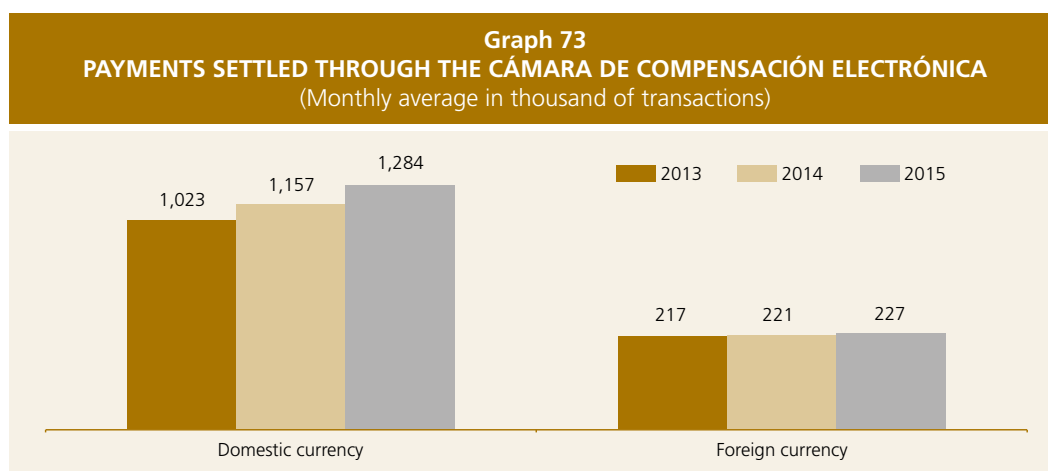
The process “Interbank Transfers” in the RTGS system obtained an international certification of information security management (ISO /IEC 27001-2013), reflecting high confidentiality, integrity, and availability in the use of information in the system.

Moreover, a process of modernization of the technological platform of the RTGS system has been onset to strengthen the system’s security. The process should be completed in the first half of 2016.

Electronic Clearing House (Cámara de Compensación Electrónica - CEE)

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. These transactions represent 95.4 percent of the total number of transactions handled through payment systems.

In 2015, the average number of transactions handled by the CCE each month grew 9.7 percent since credit transfers increased 25.9 percent. This greater dynamism reflects the rising trend observed in the use of electronic payment systems and that checks are no longer used as a payment instrument. The ratio of credit transfers in terms of total daily average transactions processed through the CCE increased from 56.4 percent in 2014 to 64.8 percent in 2015.



The average value of the transactions processed through the CCE each month increased 6.6 percent in the year, with the value of credit transfers showing an increase of 19.9 percent. On the other hand, the value of checks decreased by 13.9 percent.

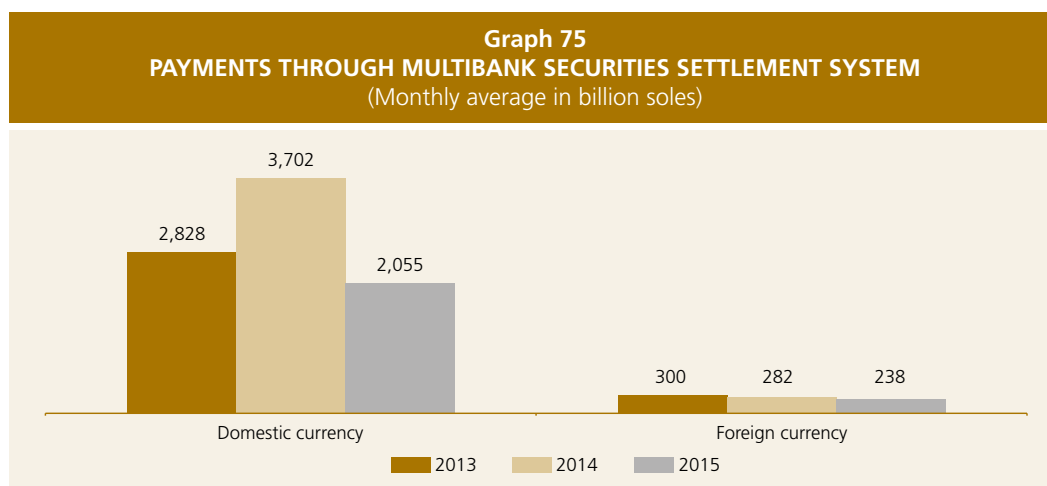
Under the supervision of BCRP, CCE continued implementing its project of Online Transfers. In September 2015, the Central Bank published the regulations governing online transfers by Electronic Clearing Houses (Circular 035-2015-BCRP), which establishes the legal framework for this new clearing instrument, and developed the settlement process in the RTGS system.

Online Transfers will be processed almost in real time, thus eliminating the time lag that affects payments between clients when other interbank instruments are used. The system will include accounts with resources that will be used for the specific purpose of securing the settlement of Online Transfers. This innovation will contribute to the efficiency and security of the payment system managed by CEE, which will contribute to promote the use of electronic payments.

In addition, CCE continued promoting the use of 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. The campaign of TIN Social was launched a little over 2 years ago and will continue until March 2016.

Multibank Securities Settlement System (MSSS)

The MSSS, managed by CAVALI, handles payments for transfers of stock exchange securities and Treasury bonds. In 2015, the monthly average value of payments in this system declined by 42.5 percent, while the monthly average volume of payments declined by 42.7 percent, reflecting both the lower values and volumes of transfers for stock exchange operations, such as fund transfers for government securities traded in the secondary market.



8.6 Financial inclusion

As a member of the Multi-sector Committee on Financial Inclusion, the Central Bank has participated in the design and the elaboration of the National Strategy for Financial Inclusion, leading actions in terms of Payments and Settlements and promoting the development of channels and digital instruments for retail payments. The actions carried out by BCRP and other government and private organizations are aimed at improving the access to and the use of quality financial services, promoting the ecosystem of electronic payments and the development of the infrastructure required to facilitate the access of all social sectors to these services.

The Central Bank actions in terms of Payments and Settlements include promoting the development of the legal framework, carrying out studies, and implementing actions that contribute to facilitate electronic payments –e.g. creating a payment ecosystem that will allow to reduce the need of using cash for payments. Important aspects in this sense have been the digitalization of the payments made by or to the Government and the integration of businesses to electronic payments. Therefore, together with the Ministry of Economy and Finances, the Central Bank has started a project aimed at the digitalization of Government payments both at the national and at the sub-national levels and continues supporting actions aimed at increasing cashless payments and online payments.



Modelo Perú

The private sector, ASBANC, continued developing the Platform of e-Money, a payment infrastructure project that centralizes the amounts of electronic money of the entities participating in this project –banks, microfinance entities, and issuers of e-money (Empresas Emisoras de Dinero Electrónico - EEDes) which will operate with several telecommunications companies. The Central Bank has been contributing to set the standards and regulations governing EEDes and to establish the adjustments that non-financial entities have to implement in order to be able to operate as issuers of e-money. It should be pointed out that BCRP has excluded e-money accounts as obligations subject to reserve requirements and has included EEDes as entities not subject to reserve requirements.

Box 6

EVOLUTION AND DETERMINANTS OF HOUSEHOLDS' ACCESS TO FINANCIAL SERVICES

There is consensus in economic literature about the multiple benefits generated by people's increased access to financial services. On the one hand, the direct effects on people's well-being are well known: lower transaction costs in the acquisition of goods and services, less vulnerability to negative shocks, lower financing costs, and overall, better opportunities to increase their level of savings and loans to finance either physical assets or human capital.

On the other hand, a growing number of studies has been analyzing the macroeconomic effects of increased access to financial services. Levine¹² (2005) shows a positive relationship between the latter and economic growth resulting from people's greater capacity to invest in physical and human capital by reducing the informal economy and increasing productivity. Moreover, Mehrotra and Yetman¹³ (2015) emphasize the impact of increased access to financial services on monetary policy efficiency: i) it increases the efficiency of interest rates (as operational instruments) in maintaining price stability, and ii) it improves people's capacity to smooth consumption and reduces the costs of volatility of GDP, allowing a greater control of inflation by the Central Bank.

Finally Sahay¹⁴ et al. (2015) analyze the links between increased access to financial services and financial stability: the former may improve the latter because it allows a greater diversification and a lower volatility in financial institutions' funding.

Given the importance of access to financial services, it is necessary to have indicators through which we may monitor the evolution of people's access to financial services and to analyze the factor determining this access.

Measuring Access to Financial Services through Household Surveys

An analysis describing how people's access to some financial products has evolved between 2005 and 2014 has been elaborated based on information collected from household surveys. The analysis distinguishes households according to their levels of income, savings, living conditions (monetary and non-monetary poverty), and education levels. Households have been selected as the unit of analysis because most of the variables selected in the survey are collected at this level. The households were classified in two groups:

- * Group 1: households that use financial services on their own initiative.
- * Group 2: This group includes the households of Group 1 as well as the households that are beneficiaries of government social programs that provide conditional cash transfers to household members (e.g. Juntos, Pension 65, Beca 18) and are required to open an account at Banco de la Nación.

12 Levine, R (2005): "Finance and growth: theory and evidence", in P Aghion and S Durlauf (eds), Handbook of Economic Growth, Elsevier.

13 Mehrotra, A and J Yetman (2015): "Financial inclusion: Issues for Central Bankers", BIS Quarterly Review, March.

14 Sahay, R. et al. (2015): "Financial Inclusion: Can It Meet Multiple Macroeconomic Goals?", IMF Staff Discussion Notes SDN 15/17, September.

a) Evolution of the Level of Access to Bank Services 2005-2014

The number of households that used financial services on their own initiative (Group 1) in the period 2005-2014 increased from 1.3 million to 2.4 million (84.7 percent). When we include recipients of conditional transfers (Group 2), the number increased from 1.4 million in 2005 to 3.5 million in 2014 (160 percent). Two trends are observed in this period. A trend of high-growth in the access to these services was observed between 2005 and 2009, with households in Group 1 showing levels of access of 71.1 percent and Group 2 showing levels of access of 95.4 percent, and another trend of slowdown in the access to these services between 2010 and 2014, when Group 1 recorded a level of greater access to financial services of 2.6 percent and Group 2 showed a level of 25.6 percent.

METHODOLOGY TO ESTIMATE THE LEVEL OF USE OF FINANCIAL SERVICES BY HOUSEHOLDS (change in thousand)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	% Chg. 2014/2005
GROUP 1*											
Net	1,305	1,455	1,847	2,046	2,233	2,350	2,303	2,495	2,410	2,411	84.7
Accept CTS	396	543	670	702	857	862	787	755	800	848	113.9
Bank remittances			150	161	177	151	134	111	79	96	
Pensioner	810	834	852	878	847	888	922	999	995	1,002	23.7
Interests on deposits	40	33	63	88	117	117	98	94	77	53	31.2
Mortgage loans	80	96	163	193	205	231	244	382	379	349	335.5
Financial services*	136	178	374	507	591	633	559	621	435	424	212.2
Operations in electronic banks			249	304	485	445	435	495	456	488	
GROUP 2**											
Group 1	1,305	1,455	1,847	2,046	2,233	2,350	2,303	2,495	2,410	2,411	84.7
Benefit of social programs **	45	67	213	361	405	445	459	575	884	1,099	2,344.1
Total	1,350	1,522	2,060	2,408	2,638	2,796	2,762	3,069	3,294	3,510	160.0

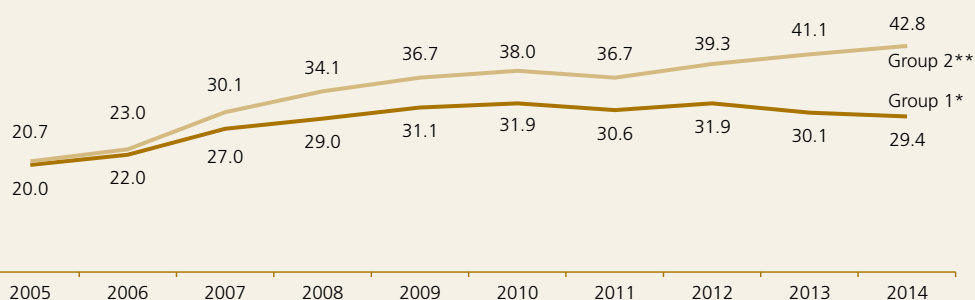
* Household using some kind of financial services.

** Group 1 + beneficiaries of social programs: Juntos (since 2005) and Pensión 65 and Beca 18 (since 2012). Beneficiaries in group 1 are subtracted to avoid duplicity.

Source: INEI, ENAHO.

The rate of financial penetration –or use of financial services– in Group 1 rose from 20 percent in 2005 to 29.4 percent in 2014 (up 9.4 percentage points), while the rate in Group 2 reached 42.8 percent (up 22 percentage points) due to the impetus provided by the social programs involving conditional cash transfers.

EVOLUTION OF HOUSEHOLD USING FINANCIAL PRODUCTS (%)



* CTS, interest on deposits, mortgage loans, receive bank remittances, pensioners, spending on financial services, electronic banking operations.

** Group 1 + beneficiaries of social programs.

Source: INEI, ENAHO.

b) Socioeconomic Characterization of Households that Use Financial Services: Income, Savings, Standards of Living, and Education.

Low income is a factor that affects people's access to financial services. This is evidenced in the limited access to these services in the poorest quintiles in Group 1, where only 3.6 percent and 13.8 percent of households in the first and second quintile, respectively, used financial services in 2014, a level far below the one observed in the two quintiles with higher income levels (41.1 and 61.1 percent in 2014).

Because of the size of social programs involving conditional fund transfers, these programs have been an important vehicle through which the poor have increased their access to banking services in the first two quintiles (40.5 and 32.4 percent), although the increase in the latter quintiles has been lower than in quintiles IV and V (43.8 and 61.7 percent).

USAGE OF FINANCIAL SERVICES PER QUINTIL 1/ (%)										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Group 1										
Total	20.0	22.0	27.0	29.0	31.1	31.9	30.6	31.9	30.1	29.4
Q1	1.2	1.4	1.2	2.2	2.8	3.5	4.0	4.6	3.9	3.6
Q2	5.6	6.5	8.8	12.1	13.4	14.8	14.9	15.3	14.6	13.8
Q3	15.7	17.9	23.7	26.8	27.8	30.8	28.6	30.2	28.6	27.2
Q4	30.5	31.9	39.0	42.1	45.7	46.7	43.9	45.7	43.3	41.0
Q5	47.1	52.2	62.2	61.5	65.5	63.7	61.6	63.9	60.1	61.1
Group 2										
Total	20.7	23.0	30.1	34.1	36.7	38.0	36.7	39.3	41.1	42.8
Q1	1.8	5.2	12.8	21.6	22.3	23.7	25.0	28.7	35.9	40.5
Q2	6.6	7.5	12.1	17.2	20.2	22.2	21.9	23.9	30.4	32.4
Q3	16.6	18.1	24.3	27.8	29.1	33.0	30.4	33.2	34.2	35.4
Q4	30.9	31.9	39.1	42.3	46.1	47.1	44.4	46.7	44.8	43.8
Q5	47.7	52.2	62.3	61.5	65.8	63.7	61.8	63.9	60.4	61.7

1/ Quintil average income per capita of household in Metropolitan Lima, prices 2014.
Source: INEI, ENAHO.

According to the estimates of ENAHO (Encuesta Nacional de Hogares), the number of households with saving capacity (those in which incomes were higher than expenditure) would have increased from 3.5 million in 2004 to 5.3 million in 2014, which represents an increase of over 8 percent –up from 55.9 to 64.3 percent– in the ratio of households with saving capacity relative to the total number of households reported during that period.

When we divide households according to their use of financial services, we find that those that use bank services show a greater saving capacity (79.6 percent in Group 1 and 71.1 percent in Group 2 in 2014).

Main Factors Determining Access to Financial Services in Peru

A standard binary Probit Model was used to quantitatively assess the factors determining the probability of whether households will become part of the financial system or not, and we examined the variables that have greater impact on this probability. The source of data are the ENAHO surveys carried by INEI in 2004 to 2014 (about 20 thousand households per year), which represents a total of 258,130 observations that provide greater robustness to the analysis.

Households' decision of becoming part of the financial system (dependent variable) is influenced by various factors associated with the characteristic of the household in terms of standard of living (poverty, income, savings) and with the occupation, education level, age, sex, and marital status of the head of

the household. The dependent variable refers to the households that have the characteristics of Group 1, that is, to those households that decided to use the financial system on their own initiative.

The analysis of marginal effects led us to conclude that the income (measured through spending), age, and education level of the heads of the households have a greater impact on the probability that a household will decide to be part of the financial system, which coincides with the results of the studies carried out by Peña (2014) and Murcia (2007). For example, the probability of using bank services in the quintiles with higher incomes increases by 25 percent compared to the quintile with the lowest income levels, while this probability increases by 30 percent in household headed by older individuals compared to households headed by younger individuals. In addition, the probability is higher if the household is headed by someone with higher education (12 percent) and secondary education (8.2 percent), whereas the probability is lower (3.5 percent) in households headed by individuals with only primary education. Furthermore, having a saving capacity influences the decision of being part of the financial system by 9.7 percent.

HOUSEHOLD CHARACTERISTICS AND BELONGING TO FINANCIAL SYSTEM

	Coefficient	Marginal effect	Std. Errors
Extreme poverty	-0.374***	-.0679704	(0.0340)
Non-extreme poverty	-0.0669***	-.0142038	(0.0169)
Condition of houses	-0.224***	-.0491073	(0.00812)
Purchased houses	0.135***	.0280393	(0.00800)
Primary	0.159***	.0351795	(0.0160)
High school	0.357***	.0823649	(0.0171)
Superior	0.479***	.1202618	(0.0181)
Pack of basic services	0.169***	.0370772	(0.00849)
Computer	0.251***	.0591875	(0.00861)
Vehicles	0.103***	.0223157	(0.0103)
Mobile phone	0.112***	.0240842	(0.00775)
Woman	-0.00443	-.0009576	(0.00791)
From 25 to 29 years	0.327***	.0822183	(0.0296)
From 30 to 59 years	0.423***	.0858932	(0.0256)
More than 60 years	1.126***	.3048853	(0.0264)
Ability to savings	0.469***	.0971427	(0.00718)
Q2 spending	0.271***	.0638733	(0.0199)
Q3 spending	0.464***	.1160373	(0.0251)
Q4 spending	0.624***	.1629278	(0.0257)
Q5 spending	0.888***	.2464406	(0.0261)
Living in rural area	-0.429***	-.0886211	(0.00988)
Formal job	0.269***	.0640138	(0.00852)
Constant	-2.700***		(0.0399)
Observation	258,130		

Standard errors in parentheses.
 *** p<0.01, ** p<0.05, * p<0.1
 Source: ENAHO 2004-2014.

Other factors that also influence this probability are having bought a house or any kind of a motor vehicle and gaining access to a package of basic services (3.7 percent), and working in the formal market. Despite their importance in terms of the dissemination of e-banking, the variables computer and cell phone have less influence (5.9 and 2.4 percent, respectively). On the other hand, living in rural areas or in conditions of extreme poverty decreases the probability of having access to banking services and being part of the financial system (-8.9 and -6.8 percent, respectively), a similar trend to that pointed out by Cámara and Tuesta (2013).

The evidence shows that it is possible to generate a virtuous circle between access to financial services and economic growth, higher levels of education and income contributing to generate greater access to these services. In turn, as several studies show, greater access to financial services and credit will enable an increase in investment and productivity, with the resulting rising on growth.

This is precisely the aim of the actions set in the National Strategy for Financial Inclusion in order to accelerate financial penetration, as well as in the recent launching of the Electronic Wallet (e-wallet) which will allow greater population segments to reduce their transaction costs.



Ancient press for coining displayed at the main courtyard of Casa Nacional de Moneda.

INSTITUTIONAL ACTIVITIES



"The Mint Worker", sculpture in homage to the workers of Casa Nacional de Moneda. In the background, a "catalina" or water wheel, which used the moving water of river Huatica as a power source to drive the mechanical processes of the machines used at Casa Nacional de Moneda.

INSTITUTIONAL ACTIVITIES

1. Board of Directors

On December 31, 2015, 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, Carlos Oliva Neyra, and Gustavo Yamada Fukusaki.

In 2015 the Board held 60 meetings.

2. Transparency and Social Responsibility

Efficiency and transparency characterize the BCRP in all of its actions. Monetary policy decisions are taken in accordance with the BCRP monetary policy independence and informed to the public through various communication channels.

2.1 Transparency

The Board of BCRP informs the public about monetary policy decisions through the **Monetary Program Communiqués** released each month. These communiqués are published on the BCRP website and its social media sites, disseminated through press releases, and emailed to subscribers. Teleconferences are also held with the media to inform the public about these decisions.

In 2015, the **Inflation Report** was published in the months of January, May, September, and December. This 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.

Invited by the Budget and General Account Committee of Congress, Governor Julio Velarde spoke before Congress Members on “Macroeconomic Assumptions of the 2016 Budget” on October 12.

Other BCRP officials participated in events at the Congress of the Republic in 2015 as well. On March 13, the Deputy Governor of the Bank, Luis Alberto Arias, participated in a ceremony organized by a Special Multi-Party Commission to pay homage to Mariano Melgar. Activities included the presentation of the design of the coin which would be issued in commemoration of Mariano Melgar on the occasion of the 200th anniversary of his death. This numismatic piece was issued by BCRP in August and presented by Governor Velarde in the cities of Arequipa and Lima.

Together with the Minister of Economy and the President of the Lima Stock Exchange (LSE), on August 26 Renzo Rossini, General Manager of BCRP, spoke before the Congressional Committee of Economy about the likely behavior of the stock market. The exposition was about the effects if the LSE were to be reclassified from its current “emerging market” classification to a “frontier market” classification, as well as about the factors that caused the decline of transactions and the decline of prices of the securities traded at the Lima Stock Exchange.



Other BCRP officials also attended the Congress of the Republic on different dates in 2015 in response to the invitations extended to them by various committees.

In its Transparency Section, the BCRP website publishes information about indicators of the BCRP administrative and budget management as well as the Financial Statements of the BCRP, which are audited by internationally renowned auditing firms.

Moreover, in compliance with the Transparency and Access to Public Information Act, in 2015 the BCRP answered 35 information requests submitted by different citizens.

2.2 Dissemination of Economic Information

The BCRP continued informing the public about national finances through the publication and dissemination of reports 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 Board decisions regarding the monetary policy interest rate, 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 2015, 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**
Thirty-five students of economics from various public and private universities of Lima and other cities of the country participated in the 62nd Extension Course for Economists which was offered in 2015. The best students of the course were invited to join the Bank's technical staff.
- **Advanced Finance Extension Course**
Thirty students from different universities of the country interested in specializing in financial themes were selected to participate in the VIII Extension Course of Advanced Finances 2015. The best students were also invited to join the BCRP.
- **2015 Update Course in Economics**
Students of economics from different universities of the country reinforced their knowledge of macroeconomics, microeconomics, econometrics, and mathematics. The best students were invited to participate in the 63rd Extension Course for Economists 2016.
- **2015 Course for Economics Faculty**
Twenty-six professors from different universities of the interior of the country and two 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 winner of the 2014-2015 Research Contest for Junior Economists "Luis Felipe de Las Casas Grieve" was Samy del Pilar Galvez Vargas of Universidad Peruana de Ciencias Aplicadas (UPC) for her

paper “Financial Access and Company Size: Analysis of the Business Environment in 2006-2010”. The second prize was awarded to Hugo Fuentes Dávila Ángeles of Pontificia Universidad Católica del Perú (PUCP) for his work “Determinants of Financial Margins in the Microfinance Sector: The Peruvian Case (2002-2013)”. Ricardo José Ramos Rojas (Universidad Nacional de Ingeniería) and Lilian Katherine Atoche Murrieta (Universidad Nacional del Callao) obtained the third place for their paper “Asymmetric Effects of Monetary Policy in Peru”.

- **BCRP Contest for School Students**

In this tenth edition of the contest, the research papers were related to the role of the World Bank Group and the International Monetary Fund, a subject that was part of the World Bank and IMF Annual Meetings which were held in our country in 2015.

The essay “El Fondo Monetario Internacional y el Banco Mundial, mucho más que sólo organismos financieros”, submitted by students of Nuestra Señora del Carmen-Carmelitas, Lima, was declared winner of the contest. The second place was awarded to “El progreso peruano de la mano con la economía mundial”, prepared by students of Señor de Ccoyllur Ritty, a school located in the District of Ocongate, in Quispicanchi, Cusco. The third place was awarded to a team representing the school Abilia Ocampo, from Rioja, San Martín, for the essay entitled “Borrador y Lápiz”.

- **Short Novel Contest “Julio Ramón Ribeyro”**

The first prize of the XVIII BCRP Short Novel Contest Julio Ramón Ribeyro was awarded to the novel “Los dorados años veinte”, authored by Wilfredo Ardito Vega. The presentation was held on July 22 in the frame of the XX International Book Fair. The panel of judges was integrated by Abelardo Oquendo, Alonso Cueto, Mirko Lauer, Marcel Velásquez, and Francesca Denegri.

- **2015 National Painting Contest**

The winner of the VII BCRP National Painting Contest was artist Luis Antonio Torres Villar for his work “De la serie Reconquista Arpa,” a manual printing on paper and illuminated with applications of clay. The second place was awarded to Enrique Gregorio Barreto Montes, for his work “De Memoria II”, a stunning painting using a mixed technique. The finalist works were exhibited at the BCRP Museum from October 29 to November 12. The panel of judges included Moico Yaker, Cristhian Bendayán, Angela Delgado (Arequipa), Natalia Majluf, and Luis Eduardo Wuffarden.

Publications

In 2015, the BCRP and Instituto de Estudios Peruanos co-edited three books: “Minería e imperio en Hispanoamérica colonial” by Kendall Brown, “El poder provincial en el Imperio Inka” by Terence D’Altroy, and “Relación de Gobierno del Real de Minas de Huancavelica (1758–1763)” by Antonio de Ulloa, edited by Kendall W. Brown and Joseph J. Hernandez Palomo, who also wrote the introduction and notes.





Museum

In 2015, a total of 152,445 people visited the BCRP museums.

The BCRP Museum organized the following exhibitions: “Obras ganadoras del Concurso Nacional de Pintura del BCRP 2009-2014”, from January 20 to March; “Nacimientos Peruanos” from December 2, 2015 to January 6, 2016, and “Colección de Monedas y Medallas de la Sociedad Numismática del Perú”, which is exhibited since August 2015 in the BCRP Numismatic Museum.

In addition, part of the art collection of the BCRP Museum participated in a number of exhibitions carried out in the country, including “José Gil de Castro, pintor de libertadores”, organized by Museo de Arte de Lima (MALI) from October 21, 2014 to February 22, 2015; “Chavín, el misterioso templo de los andes peruanos”, which was organized by the MALI, the Rietberg Museum of Zurich-Switzerland, and the Ministry of Culture, and was held from April 10 to September 30.

The BCRP Museum also participated in the exhibition “José Gil de Castro, pintor de libertadores” organized by the MALI and the Museum of Fine Arts in Santiago de Chile, Chile, from May 7 to July 28.

In addition, the BCRP Museum was also present at the XII Fair “Los Museos a tu alcance”, organized by the City of Lima and held at the Plazuela de Artes of Teatro Municipal on May 15; the XX International Book Fair of Lima, organized by Cámara Peruana del Libro at Parque Los Próceres in Jesús María, from July 17 to August 2; the Second International Book Fair of Cusco, organized by the Ministry of Education, from August 27 to September 6; the VII International Book Fair of Arequipa, held at Universidad Nacional de San Agustín from September 29 to October 11, and the XXXVI Book Fair Ricardo Palma, which was organized by the Cámara Peruana del Libro and held at Larcomar from November 21 to December 8.

As part of its social responsibility program, the Museum showed four theater plays and 46 films in its film club in partnership with the Filmoteca of Pontificia Universidad Católica del Perú. The Museum also participated in the XIX Film Festival of Lima in August 11-14, and in the XXVII Festival of European Films and the National Film Festival on October 16, 23, and 30. BCRP also carried out other social responsibility activities for children in areas of extreme poverty.

The BCRP Museum also organized six workshops of traditional arts, and the V Christmas Fair with the participation of 26 craftsmen from different regions of Peru.

The museum also held the First International Seminar of Numismatics on 21 August. Participants in this seminar on “The history of Mints in Latin America” included Inés Herrera of Instituto Nacional de Antropología e Historia of México; Edgar Valda of the Universidad Mayor, Real y Pontificia de San Francisco Xavier de Chuquisaca, Bolivia, and Pedro de la Puente, Chairman of Sociedad Numismática del Perú.

Library

During 2015, the BCRP Library provided services to 7,734 visitors and lent a total of 94,503 documents (including books and periodicals). Continuing with its modernization program, the BCRP Library implemented one of the most important international library management systems in its facilities to ease the processes of acquisition, loans, returns of bibliographic materials, and the consultation of catalogues and databases, among others.

Moreover, BCRP also acquired EBSCO Discovery Service (EDS), an advanced search system which integrates all the information resources available at the BCRP Library.

Furthermore, the BCRP Library purchased a number of printed and digital publications, as well as online access to national and foreign newspapers.

3. Meetings and events

In 2015 the BCRP authorities and officials participated in various international and national meetings. The main events included the following:

3.1 International meetings

- Bank for International Settlements (BIS) Bimonthly Meeting of Governors of BIS Member Central Banks, held in Basel, January 11-12.
- Meeting of FLAR Audit Committee, organized by the Latin American Reserve Fund (FLAR), held in Bogota, February 15-17.
- Expert Meeting on the "Transformation of the International Investment Agreement Regime: The Path Ahead", organized by UNCTAD, held in Geneva, February 25-27.
- BIS Bimonthly Meeting of Governors, held in Basel, March 8-9.
- "VIII InPeru Road Show Brazil 2015", organized by Asociación InPERU, held in Sao Paulo, March 17-19.
- LXXVIII Ordinary Meeting of the Board of FLAR, held in Bogota, March 23.
- "Third International Conference on the Protection of the Euro Against Counterfeiting" organized by the European Central Bank, European Commission and European Police Office, held in Frankfurt, March 24-27.
- "World Strategic Forum", organized by the International Economic Forum of the Americas, held in Miami, April 12-14.
- Spring Meetings of the IMF and the World Bank, organized by the International Monetary Fund (IMF), the World Bank (WB) and the Inter-American Development Bank (IDB), held in Washington D.C., April 15-16.
- "First Plenary Session of the BIS CCA Working Group on Foreign Exchange Market Operations", organized by the BIS, held in Mexico D.F., April 19-20.
- BIS Bimonthly Meeting of Governors, held in Basel, May 10-11.
- Sixth High Level Conference on the International Monetary System, organized by the IMF and the Swiss National Bank (SNB), held in Zurich, May 12.
- XI Ibero-American Convention of Commemorative Coins, organized by the Royal Mint of Spain, held in Buenos Aires, May 12-16.
- Conference "Latin America: Challenges in a Rapidly Changing Global Environment", organized by the IMF, the Bank of the Republic and the Ministry of Finance and Public Credit of Colombia, held in Bogota, May 13.
- Seminar "Asset Management Associate Program", organized by the BIS, held in Basel, May 18 to June 2.
- XCIX Meeting of Governors of Central Banks; XLVI Meeting of the Council for Financial and Monetary Affairs of ALADI, Eighth Meeting of the FSB Regional Consultative Group for the Americas BIS-CCA and Second High-level Round Table on Financial Affairs, held in Mexico, May 28-30.
- First Meeting of the Financial Information Forum of Latin America and Caribbean Central Banks, organized by CEMLA, held in Mexico D.F., June 8-9.



- Workshop Open-Economy DSGE Models with Financial Stability and Development, organized by the IDB, Financial Stability and Development Group and Central Bank of Brazil, held in Brasilia, June 11-12.
- "73rd Plenary Meeting of the Group of Thirty", organized by the G-30, held in Rio de Janeiro, June 11-13.
- VIII Latin American Forum for Communication Heads and Spokespersons of the Ministries of Finance and Central Banks, organized by the Central Bank of Paraguay, the Ministry of Finance of Paraguay and the World Bank, in Asuncion, June 18-19.
- LXXIII Session of the Board of the Association of Supervisors of Banks of the Americas (ASBA), organized by the ASBA and the Financial Superintendence of Colombia, in Bogota, June 25-26.
- "14th Annual Conference of the BIS", organized by the BIS, in Lucerne, June 26.
- "85th Annual General Meeting of the BIS", organized by the BIS in Basel, June 28.
- Seminar of the Financial Stability and Development Group (FSD): "Endeudamiento de hogares en Latinoamérica: perspectivas macroeconómicas y financieras", organized by the IDB and the Central Bank of Chile, in Santiago de Chile, July 1-2.
- XXIX Meeting of Central Bank Governors of South America, organized by the Central Bank of Chile, in Santiago de Chile, July 2-3.
- "Monetary Policy Formulation and Implementation in the Euro Area", seminar organized by the European Central Bank, Frankfurt, July 6-10.
- XI Meeting of Monetary Policy Managers, organized by CEMLA and the Central Bank of Brazil, in Brasilia, July 16-17.
- Seminar "Desarrollos recientes en asuntos de política y vigilancia en Sistemas de Pagos y Liquidación", organized by CEMLA, the Deutsche Bundesbank and the Central Bank of Paraguay, in Asuncion, July 21-23.
- X International Conference on Economic Studies, organized by FLAR, in Cartagena, July 23-24.
- Irving Committee Meeting on Central Bank Statistics, organized by the BIS, in Rio de Janeiro, July 24-26.
- XX Meeting of the Working Party on Financial Integration, organized by the Union of South American Nations (UNASUR), in Buenos Aires, August 3.
- BIS-CEMLA Roundtable "Changing patterns in Financial Intermediation: Implications for Monetary Policy and Financial Stability", organized by the BIS and CEMLA, in Asuncion, August 3-4.
- First Meeting BIS CCA CGDFS Working Group, organized by the BIS, in Mexico D.F., August 27-28.
- "39th Economic Policy Symposium: Inflation Dynamics and Monetary Policy" organized by the Federal Reserve Bank of Kansas City, in Jackson Hole, August 27-29.
- Conference "From Monetary Union to Banking Union, on the way to Capital Markets Union: New Opportunities for European Integration", organized by the European Central Bank, in Frankfurt, September 1-2.
- 100th Meeting of the International Monetary Law Committee, organized by the International Law Association (MOCOMILA), in Berlin, September 4-5.
- 15th ECB Seminar on Payment and Settlement Issues for Central Banks, organized by the European Central Bank, in Frankfurt, September 7-11.

- "IX InPeru Roadshow Asia 2015", organized by Association InPerú, held in Tokyo, Seoul and Beijing, September 7-11.
- BIS CCA CGDFS Annual Meeting, organized by the BIS, in Vancouver, September 14-15.
- LXXX FLAR Board Meeting, held in Bogota, September 21.
- XIII Meeting on Central Bank Internal Audit, organized by CEMLA and the Bank of the Republic, held in Bogota, September 23-25.
- "19th Working Party on Monetary Policy in Latin America", organized by the BIS, in Bogota, September 28-29.
- Seminar "Evaluación de la estabilidad financiera e implementación de herramientas macroprudenciales", organized by CEMLA and the Financial Stability Institute, in Mexico D.F., September 29 - October 1.
- XXXVI Meeting of Central Bank Systematization, organized by CEMLA and Bank of the Republic, in Bogota, October 6-9.
- 20th Annual LACEA Meeting 2015, organized by Asociación Económica de Latinoamérica y el Caribe (LACEA), in Santa Cruz, October 15-17.
- "Financial Inclusion in Latin America", seminar organized by the Financial Stability and Development Group, in Asuncion, October 21-22.
- 30th Meeting of Governors of Central Banks of South America, organized by the Central Bank of Paraguay, in Asuncion, October 22-23.
- IV Meeting of Government Specialists in Statistics of Services Trade and Workshop on the Degree of Correlation between Goods and Services, organized by ALADI, in Montevideo from 27 to 28 October.
- 3rd Annual Conference of the Bilateral Assistance and Capacity Building for Central Banks (BCC) "Exchange rate policy: Limits to flexibility, capital controls, and reserve managements", organized by the Graduate Institute of International and Development Studies, in Geneva, October 29-30.
- First Meeting BIS CCA Research Network on Commodities, organized by the BIS, in Mexico D.F., October 29-30.
- XXIX FLAR Meeting of Central Banks and Official Institutions: Chronic Fragility, A new standard? organized by FLAR, in Cartagena, November 4-6.
- BIS Bimonthly Meeting of Governors, held in Basel, November 8-9.
- Seventh High-Level Policy Dialogue of the Eurosystem and Latin American Central Banks, organized by the European Central Bank and the Bank of Spain, in Madrid, November 10-11.
- IDB Conference Research Network Project "Structure and composition of firms' balance sheets", organized by the IDB, in Washington D.C., November 9-10.
- Third International Monetary Fund Forum on Official Statistics to Support to Evidence-based Policymaking, organized by the Deutsche Bundesbank and the IMF in Frankfurt, November 19-20.
- XX Meeting of the Network of Central Bank Researchers, organized by CEMLA and the Central Bank of the Dominican Republic, in Santo Domingo, November 26-27.
- 2015 Regional Payments Week, organized by CEMLA, the World Bank and the Central Bank of the Dominican Republic, in Santo Domingo, December 1-4.



3.2 National meetings and events

- Lecture "The distribution and dynamics of prices," delivered by Professor David Jacho-Chavez, Emory University.
- "Challenges of the Chinese economy" lectured by Professor Emeritus Qiren Zhou, National School of Development, Pekin University.
- Lecture "Fostering Scientific Research: Evidence of Public Programs", delivered by Professor Mateo Triossi, Universidad de Chile.
- Presentation of OECD Development Centre document: "Economic Outlook and innovation for development".
- Lecture "Basel III New Liquidity Requirements ", delivered by Professor Angel Vilariño, PhD in Economics.
- Universidad del Pacífico Tribute to Julio Velarde on his appointment as the Central Bank Governor of the Year by The Bankers Magazine.
- "Understanding the Great Recession" lectured by Lawrence Christiano PhD, Senior Professor at Northwestern University.
- "Health Reform", lecture delivered by Midori de Habich, former Minister of Health.
- "Money and Systemic Risk", lecture by Professor Saki Bigio, Columbia University.
- "Behavioral Economics and Public Policies", lecture delivered by Marco Hernandez PhD, Senior Country Economist for Central America, World Bank.
- LVII Meeting of ALADI's Advisory Committee, April 20-24.
- Conference "Prospects for the mining sector 2015" organized by Thomson Reuters.
- Presentation of the "Global Financial Stability Report", organized with the IMF on April 24.
- Financial Stability Committee: "Lessons from initial experiences in Latin America", organized with the IMF, April 28.
- Presentation of the Regional Economic Outlook (REO): "Prospects and policy challenges for Latin America and the Caribbean", organized with the IMF, May 15.
- Presentation of the book "La fuerza económica de las migraciones internas", written by Aníbal Sanchez, Deputy Director of INEI, June 4.
- Seminar "Managing Macroeconomic Risks and Controlling Inflation: Challenges for Emerging Market Economies", organized with CEMLA, June 15-16.
- XII Meeting of Central Bank Legal Advisors, organized with CEMLA, June 24-26.
- Technical Seminar "OECD Codes of Liberalisation", June 30 to July 2.
- Workshop "Advanced Forecasting", organized with ECLAC and the IMF, August 3-7.
- Regional Economic Meeting at Ayacucho, August 7-8.
- Conference "The economy of Greece", delivered by Professor Plutarchos Sakellaris, Athens University, August 14.
- 450th anniversary of Casa Nacional de Moneda and presentation of commemorative coins, August 21.

450th Anniversary of Casa Nacional de Moneda

The first mint in South America, Casa Nacional de Moneda de Lima (CNM), was established in Lima, in the Viceroyalty of Peru following a Royal Decree signed by King Philip II of Spain on August 21, 1565. The Lima Mint started operating alongside the Viceregal Palace, where the Government Palace gardens are located today.

The Lima Mint has been located in its current premises since 1683. Because of the importance and beauty of this architectural ensemble, the Casa Nacional de Moneda building was declared part of Peru's Cultural Heritage in 1972.

Operations in the Lima Mint were interrupted in different moments of the long viceregal period. Since 1748 the mint was administered by royal superintendents, but after the Independence of Peru in 1821, Don José de San Martín appointed the first Peruvian director of the mint and from there on the mint was called Casa Nacional de Moneda (CNM). In 1943 Banco Central de Reserva del Peru (BCRP) took over the management of CNM and since 1977, the National Mint has been a department of the Central Bank.

Casa Nacional de Moneda is responsible for coin minting in the country, coins contributing to provide economic fluidity to market transactions. In addition, with their artistic and innovative abilities and skills, the CNM technicians and designers have created beautiful pieces of gold, silver, copper, and other alloys which are invaluable testimonies reflecting different moments of the history of Peru.

Moreover, in order to contribute to assert our national identity, disseminate our cultural heritage, and promote the presence of Peru in coin collection markets, in recent years Casa Nacional de Moneda has also been minting coins for numismatic purposes in addition to producing legal tender coins, medals, badges, and other artistic products.



Nickel-silver



Silver



Gold



- International seminar "History of National Mints of America and Spain" as part of the celebration of the 450th anniversary of Casa Nacional de Moneda, August 21.
- Course "Macroeconomic models with a financial sector," Professor Yuliy Sannikov, Princeton University, September 21-25.
- Workshop "Macroprudential Policies", José Berróspide, PhD, Senior Economist at the Federal Reserve System, September 28-30.
- Roundtable discussion with students at Universidad del Pacífico with Barry Eichengreen, Yide Qiao, Jacob Frenkel and Alejandro Werner, October 5.
- VI Annual Conference organized by the Central Reserve Bank of Peru and the Reinventing Bretton Woods Committee: "Monetary Shifts: Challenges and Possible Outcomes", October 6.
- Meeting of the Research Network of Central Banks and Finance Ministries, organized with the Inter-American Development Bank, October 7-8.
- Conference "The IMF and the Global Financial Crisis: Policy and Operational Responses and Latest Developments" organized with the IMF, October 7.
- Annual Meeting of the World Bank Group and the IMF, October 5-12. Meetings of Central Bank Governors and Ministry of Finance of 188 countries with representatives of the IMF and World Bank.
- "International Banking Seminar", organized with the G-30, October 11.
- XXXIII BCRP Meeting of Economists, October 27-28.
- "Employment Prospects and Labor Market Policies", lecture delivered by Professor Christopher Pissarides, Nobel Prize in Economics, November 9.
- "Working Party on Markets in Latin America", organized with the BIS, November 11-12.
- Seminar "Methods and Models for Strategic Asset Allocation in Central Banks", Professor Jerome L. Kreuser, founder of The Riskontrol Group, November 23-27.
- Regional Economic Meeting at Huánuco, November 27-28.

Annual Meetings of the World Bank Group and the International Monetary Fund

Peru was host to the 2015 **Annual Meetings of the World Bank Group (WBG) and the International Monetary Fund (IMF)** held in Lima in October 5 to 11, 2015. Participants included the Governors of the Central Banks and Ministries of Finance of 188 countries as well as many of the highest authorities and most distinguished personalities of the international financial world. As Governor of the Central Bank of Peru, Julio Velarde had an active participation in these WBG/IMF Annual Meetings.

Important global issues were discussed during the meetings, e.g. how to face the economic slowdown in China, the impact of global risks on the emerging economies, the effect of the increase in the Fed interest rate, and volatility in international financial markets. In addition to the economic and financial agenda, other subjects addressed in debates included the structural reforms needed to ensure sustainable growth taking into accounts aspects such as the rational exploitation of natural resources and an efficient management of climate change.

The designation of Peru as the host country of the 2015 Annual Meetings reflects international acknowledgement of the country's macroeconomic stability in recent decades. In addition to demonstrating our capacity to organize one of the world's most important events, this was also an opportunity to show that Peru has become a major destination for business and investors, as well as a major destination for tourists seeking culture, beautiful natural areas, and excellent food.



www.flickr.com/photos/imphoto





4. Branch offices

BCRP has regional branches in the cities of Arequipa, Cusco, Huancayo, Iquitos, Piura, Puno and Trujillo, which have jurisdiction in 23 departments.

The main role of the BCRP branch offices is to develop and disseminate studies and reports on economic activity in the respective regions, ensure the adequate supply of banknotes and coins in each region, and monitor the operation of the custody vaults. As part of its outreach and institutional responsibility activities, the BCRP branch offices organize and promote courses, conferences, and research about economic issues in the region and in the country.

The document “Síntesis de la Actividad Económica Regional” is published each month in the BCRP website. This document provides information about economic development in each region, as well as statistical data on production, employment, prices, the financial system, foreign trade, and non-financial public expenditure. Information about the main tourist attractions in each region is also published in the BCRP website.

Two regional meetings were held in 2015: “Encuentro Económico Región Ayacucho” was carried out in the City of Huamanga in August and “Encuentro Económico Región Huánuco” was carried out in Huánuco in November. Participants, who included local authorities, business representatives, and researchers, discussed about the economic challenges and prospects of the regions, as well as other specific issues associated with each region: e.g. rural development, education, human capital and welfare, infrastructure, energy, and tourism and development.

Together with the Branch offices, BCRP organized presentations of the Inflation Report and of the document “Síntesis de la Actividad Económica Regional” for representatives of several government, professional and academic organizations, chambers of commerce, and universities in different regions. Talks about the role and functions of the Central Bank were also delivered to university students.

The conferences organized by the BCRP branch offices in 2015 included the following: “Piura: coyuntura actual y retos futuros”, “Coyuntura económica de la macro región norte”, “La reducción del canon petrolero y sus impactos en la Región Piura”, “El impulso de clusters como eje del desarrollo regional en Piura”, “Coyuntura de la economía regional de Piura y perspectivas 2015-2016”, “El Fenómeno El Niño y su impacto en el crecimiento económico de Piura”; “Desarrollo reciente de la actividad económica de La Libertad”, “Desarrollo reciente de la actividad económica de Cajamarca”, “La informalidad en el Perú”, “Situación actual y perspectivas del impacto del Fenómeno El Niño en la agricultura peruana”, “Importancia de las industrias extractivas en el desarrollo de La Libertad”, “Perspectivas de los negocios en La Libertad”, “Desarrollo rural en la zona andina de La Libertad”, “Indicadores de la actividad económica de Huánuco”, “Indicadores de la actividad económica de Ica”, “Indicadores de la actividad económica de Huancavelica”, “Indicadores de la actividad económica de Ayacucho”, “Indicadores de la actividad económica de Pasco”, “Perspectivas de la economía global y canales de transmisión hacia América Latina”, “Sistema financiero y Pymes”, “Perspectivas y potencialidades económicas de la Región Madre de Dios”, “Política monetaria del BCRP”, “Impacto de la política monetaria en el desarrollo de las regiones”, and “Competencia monopolística entre bancos y dolarización”.

Among the research studies promoted by the regional branch offices that were carried out by the local academia, the following are worth highlighting: “Desarrollo reciente del mercado inmobiliario en la ciudad de Trujillo: 2004-2014”, in Trujillo; “Potencialidades competitivas del sector agropecuario de la región Junín y propuesta de estrategias y actividades para incrementar su valor agregado a favor del desarrollo de la región Junín” in Huancayo; “Potencialidad productiva e impacto económico en la región Arequipa”, in Arequipa, and “Potencialidades económicas de la región Puno”, in Puno.

It is also worth mentioning the participation of BCRP Branch Office of Arequipa in the Seventh International Book Fair, which took place in Arequipa in November 2015. The Central Bank was present in this event selling books and painting reproductions and providing information about the security features of our banknotes.

The BCRP branch offices also contributed to the decentralized selection of the students that would be among the finalists in the X Contest for School Students, which is a competition that seeks to foster the development of economic-financial literacy among senior secondary students.

Moreover, BCRP branch Offices continued providing training on the security features of banknotes and coins to the public and to personnel of financial entities. A total of 22,901 people participated in the 688 talks delivered over the year.

The museums of the branch offices of Trujillo, Arequipa and Piura received 33,448 visitors. It is worth pointing out that the number of people who visited the museum of the branch office of Trujillo (24,704 people) accounted for 74 percent of the total number of visitors to these museums.

5. Currency management

In 2015 the Central Bank continued issuing the coins of the Numismatic Series “Wealth and Pride of Peru” (Riqueza y Orgullo del Perú) launched in 2010 with the aim of providing information on our country’s rich cultural heritage while promoting numismatics at the same time. Five coins of this collection were issued in 2015: “Lima’s Cathedral” (January), the “Petroglyphs of Pusharo”, Madre de Dios (March), the “Architecture of Moquegua” (June), the “Archaeological Site of Huarautambo, Pasco (November), and the “Vicus Pottery”, Piura (December). A total of 23 coins of this 26-coin series have been issued so far.



Moreover, the Central Bank also issued four gold and silver commemorative coins: a silver coin featuring Peruvian poet Mariano Melgar Valdivieso, who had an active participation in Peru’s independence from Spain, was issued in August, in addition to gold, silver and alpaca coins commemorating the 450th anniversary of the creation of the National Mint. Furthermore, a silver coin commemorating the 400th anniversary of Guaman Poma de Ayala’s “Nueva Crónica y Buen Gobierno” was issued in November and a silver coin of the X Ibero-American Series called “Raíces Culturales” was put into circulation in December.





The regulation about the replacement of damaged banknotes and coins (Circular No. 016-2015-BCRP: Reglamento de Canje de Billetes y Monedas) was modified in April to allow financial entities to replace the banknotes held by people which may be damaged and missing some security features.

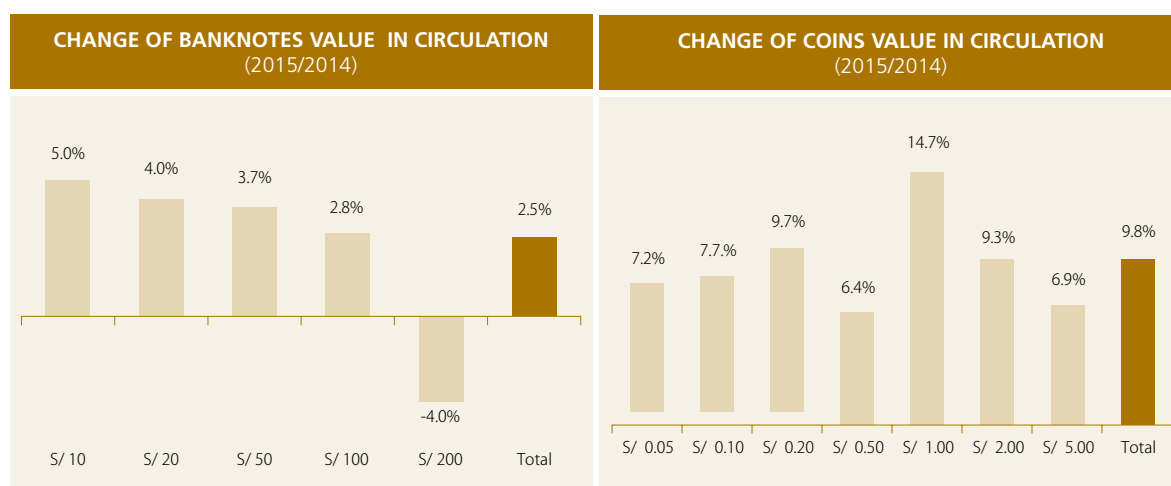
Law N°30381, approved in December, changed the name of Peru’s monetary unit from Nuevo Sol to Sol to adjust to the name that is commonly used to refer to our domestic currency and facilitate faster transactions. The symbol of the new denomination is “S/”. This law authorizes the Central Reserve Bank of Peru to develop the relevant regulations. Thus, Circular No. 047-2015-BCRP established that, as from December 15, 2015, any reference to nuevos soles made at an earlier date will be understood as soles, and that both names –nuevos soles (S/.) or soles (S/)- may be used indistinctively between December 15, 2015 and December 31, 2016. Banknotes and coins denominated in nuevos soles will continue to circulate together with currency denominated in soles.

BCRP continued carrying out the information campaigns about the security features of our banknotes and coins to the public and personnel of the financial entities, the staff of financial entities carrying out these campaigns in areas where the Central Bank does not have branch offices.

In addition, other information campaigns about the security features of our currency were carried out nationwide in the media –interviews on television, radio and newspapers–, especially when regional festivities are celebrated and there are significant movements of cash. Information campaigns were also carried out through the social media (especially through Twitter and Facebook).

5.1 Banknotes and coins in circulation

In 2015 currency in circulation was higher than 2014 both in term of value and in term of units in circulation. At December 2015, the value of banknotes in circulation reached S/ 46.7 billion (2.5 percent higher than at end 2014), while the value of coins in circulation reached S/ 2.2 billion (9.8 percent higher than at end 2014)



In 2015, there was 737 million pieces of banknotes in circulation (3.4 percent higher than at the end of 2014) and 3.5 billion coins in circulation (9.1 percent more than at the end of 2014)

The use of banknotes in the denomination of S/ 100 stands out in terms of both value and units, reflecting banks' greater preference for bills in this denomination to replenish their ATMs and bank facilities.

STRUCTURE OF CURRENT IN CIRCULATION EMITTED BY DENOMINATION: DECEMBER 2015				
Banknotes	Unit (Million)	Unit (% allocation)	Value (Million S/)	Value (% allocation)
10	131	17.8%	1,312	2.8%
20	133	18.1%	2,667	5.7%
50	123	16.7%	6,144	13.1%
100	333	45.2%	33,347	71.4%
200	16	2.2%	3,253	7.1%
TOTAL	737	100.0%	46 723	100.0%
Coins	Unit (Million)	Unit (% allocation)	Value (Million S/)	Value (% allocation)
0.05	422	12.1%	21	1.0%
0.10	1,298	37.2%	130	6.0%
0.20	351	10.0%	70	3.2%
0.50	419	12.0%	209	9.7%
1.00	713	20.4%	713	33.0%
2.00	144	4.1%	287	13.3%
5.00	146	4.2%	732	33.8%
TOTAL	3,492	100.0%	2,162	100.0%

As for coins, the demand for coins of 10 cents and 1 sol stands out, this demand being explained by the wide use of these denominations in public transport fares and retail transactions, as well as by interest in collecting the coins of the Wealth and Pride of Peru (ROP) numismatic series.

5.2 Coin minting

The National Mint produced 315 million coins in 2015, 9 percent more than in 2014. The largest production was coins in the denominations of 10 cents and 1 sol, which together represented 61 percent of the total number of coins produced (62 percent in 2014).

PRODUCTION OF COINS			
Denomination	Alloy	Quantity (Million units)	Monetary value (Million soles)
S/ 0.05	Aluminum	28.0	1.40
S/ 0.10	Brass	94.0	9.40
S/ 0.20	Brass	34.0	6.80
S/ 0.50	Nickel-silver	34.0	17.00
S/ 1.00	Nickel-silver	99.0	99.00
S/ 2.00	Bi-metal	13.0	26.00
S/ 5.00	Bi-metal	13.0	65.00
TOTAL		315.0	224.60

Source: BCRP.



5.3 Destruction of banknotes and coins

A total of 247 million banknotes with a monetary value equivalent to S/ 9.5 billion was withdrawn from circulation and destroyed in 2015. Moreover, 64 percent of the banknotes destroyed was banknotes in the denomination of ten soles and twenty soles (S/ 10 and S/ 20).

DESTRUCTION OF BANKNOTES		
Denomination	Quantity (Million units)	Monetary value (Million soles)
S/ 10	79.1	790.8
S/ 20	79.7	1,593.1
S/ 50	37.6	1,881.0
S/ 100	48.5	4,853.4
S/ 200	1.7	337.4
Total	246.6	9,455.8

Source: BCRP.

In addition, 3.8 million units of coins was melted in 2015, 62 percent more than value registered in 2014.

MELTING OF COINS		
Denomination	Quantity (Million units)	Monetary value (Million soles)
S/ 0.01	0.2	0.0
S/ 0.05	0.7	0.0
S/ 0.10	1.8	0.2
S/ 0.20	--	--
S/ 0.50	--	--
S/ 1.00	1.2	1.2
S/ 2.00	--	--
S/ 5.00	--	--
Total	3.8	1.4

Source: BCRP.

6. Circulars

During 2015 the BCRP issued forty-eight circulars: 12 referred to reserve requirement regulations, 7 about monetary instruments, 12 about banknotes and coins, 5 referred to first-class banks, and 12 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 Banking and Insurance Companies.

Reserve Requirements

BCRP issued 12 circulars modifying the rates of reserve requirements in national and foreign currency and the current account requirement to provide the financial system with the necessary liquidity.

- Circular 005-2015-BCRP (27/01/2015)
- Circular 006-2015-BCRP (27/01/2015)
- Circular 009-2015-BCRP (24/02/2015)
- Circular 010-2015-BCRP (24/02/2015)
- Circular 014-2015-BCRP (27/03/2015)
- Circular 017-2015-BCRP (27/04/2015)
- Circular 018-2015-BCRP (27/04/2015)
- Circular 020-2015-BCRP (08/05/2015)
- Circular 023-2015-BCRP (29/05/2015)
- Circular 032-2015-BCRP (21/08/2015)
- Circular 040-2015-BCRP (04/11/2015)
- Circular 041-2015-BCRP (04/11/2015)

Monetary Instruments

BCRP implemented and modified monetary instruments to provide liquidity to the financial system to support its De-dollarization of Credit Program and continue to meet the demand for loans.

- Circular 002-2015-BCRP (06/01/2015)
- Circular 021-2015-BCRP (08/05/2015)
- Circular 022-2015-BCRP (08/05/2015)
- Circular 033-2015-BCRP (26/08/2015)
- Circular 043-2015-BCRP (27/11/2015)



Banknotes and Coins

The following circulars were related to numismatic and commemorative coins, banknotes regulations, and the new denominations of the Peruvian monetary unit.

- Circular 004-2015-BCRP (21/01/2015)
- Circular 012-2015-BCRP (23/03/2015)
- Circular 016-2015-BCRP (13/04/2015)
- Circular 025-2015-BCRP (17/06/2015)
- Circular 029-2015-BCRP (12/08/2015)
- Circular 030-2015-BCRP (20/08/2015)
- Circular 031-2015-BCRP (20/08/2015)
- Circular 038-2015-BCRP (02/11/2015)
- Circular 042-2015-BCRP (24/11/2015)
- Circular 044-2015-BCRP (01/12/2015)
- Circular 046-2015-BCRP (16/12/2015)
- Circular 047-2015-BCRP (18/12/2015)

Information and reports

- Circular 008-2015-BCRP (23/02/2015)

System of payments

- Circular 035-2015-BCRP (23/09/2015)

First-Class Banks

The following circulars approved the list of first-class banks detailed in the website of the Central Bank (www.bcrp.gob.pe).

- Circular 003-2015-BCRP (11/01/2015)
- Circular 013-2015-BCRP (23/03/2015)

- Circular 026-2015-BCRP (25/06/2015)
- Circular 036-2015-BCRP (23/09/2015)
- Circular 048-2015-BCRP (28/12/2015)

Daily Adjustment Index

The daily rate adjustment referred to in Article 240 of the General Law of the Financial System and the Insurance System and Organic Law of the Superintendency of Banking and Insurance was published in the following circulars:

- Circular 001-2015-BCRP (January)
- Circular 007-2015-BCRP (February)
- Circular 011-2015-BCRP (March)
- Circular 015-2015-BCRP (April)
- Circular 019-2015-BCRP (May)
- Circular 024-2015-BCRP (June)
- Circular 027-2015-BCRP (July)
- Circular 028-2015-BCRP (August)
- Circular 034-2015-BCRP (September)
- Circular 037-2015-BCRP (October)
- Circular 039-2015-BCRP (November)
- Circular 045-2015-BCRP (December)



View of the main courtyard
of Casa Nacional de Moneda at night.



FINANCIAL STATEMENTS



Paredes, Zaldivar, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

Independent Auditors' Report

To the Directors
of Banco Central de Reserva del Perú

We have audited the accompanying financial statements of Banco Central de Reserva del Perú (hereinafter "the Central Bank") which comprise the statement of financial position as of December 31, 2015, and the related statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, (included in notes 1 to 28). The financial statements as of and for the year ended December 31, 2014, were audited by other independent auditors, whose report dated February 16, 2015 expressed an unqualified opinion on those financial statements.

Management's responsibility for the financial statements

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 misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards, approved for its application in Peru by the Board of Deans of Peruvian Public Accountants Schools. Those standards require that we comply with ethical requirements and plan and perform the audit to have reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence on the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity'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 entity'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Central de Reserva del Perú as of December 31, 2015, and its financial performance and cash flows for the year then ended, in accordance with accounting principles described in note 2.

Lima, Peru
February 24, 2016

Paredes, Zaldivar, Burga & Asociados

Countersigned by:

W. Rubiños

Wilfredo Rubiños
C.P.C.C. Registration N° 9943


STATEMENTS OF FINANCIAL POSITION
As of December 31, 2015 and 2014

	<u>Notes</u>	2015 (S/ 000)	2014 (S/ 000)
ASSETS			
GROSS INTERNATIONAL RESERVES:			
Cash in foreign currency		170,699	149,244
Deposits in foreign Banks	4	68,576,820	40,575,042
Deposits in foreign institutions	5	2,544,531	2,321,112
Securities from international institutions	6	131,177,712	135,369,689
Gold	7	4,023,913	3,933,998
Contributions to international institutions	8	2,907,637	2,758,586
Other available assets	21(d) and (e)	316,663	765,851
		<u>209,717,975</u>	<u>185,873,522</u>
OTHER ASSETS ABROAD:			
Contributions in local currency to IMF	8 (b)	2,069,904	1,723,101
Other assets abroad	12 (c)	68,160	59,620
		<u>2,138,064</u>	<u>1,782,721</u>
DOMESTIC CREDIT:			
	9		
To banks		30,491,916	9,770,572
To the public sector		2,856,443	2,027,914
To other entities and funds		45,717	87,831
To the private sector		9	9
To financial companies		-	117,786
		<u>33,394,085</u>	<u>12,004,112</u>
PROPERTY, FURNITURE AND EQUIPMENT, NET:	10	158,005	155,038
OTHER ASSETS	11	1,942,637	1,723,935
		<u>1,942,637</u>	<u>1,723,935</u>
TOTAL ASSETS		<u>247,350,766</u>	<u>201,539,328</u>
OFF-BALANCE SHEET ACCOUNTS	21	139,478,624	118,870,624
		<u>139,478,624</u>	<u>118,870,624</u>

The accompanying notes are an integral part of these statements.

	<u>Notes</u>	<u>2015</u> (S/ 000)	<u>2014</u> (S/ 000)
LIABILITIES AND NET EQUITY			
RESERVE LIABILITIES	21(d) and (e)	177,471	133,069
OTHER LIABILITIES ABROAD:			
Equivalent of the contribution in local currency to IMF	8 (b)	2,069,689	1,723,101
Other liabilities abroad	12	2,950,029	2,699,238
		<u>5,019,718</u>	<u>4,422,339</u>
STERILIZED STOCK:			
Outstanding securities issued	13	22,544,000	17,911,320
Deposits in local currency	14	32,256,053	38,537,142
		<u>54,800,053</u>	<u>56,448,462</u>
MONETARY BASE: 15			
Currency in circulation		48,890,028	47,543,004
Deposits in local currency		2,401,455	6,321,944
		<u>51,291,483</u>	<u>53,864,948</u>
DEPOSITS IN FOREIGN CURRENCY	16	93,595,612	73,343,923
OTHER LIABILITIES	17	32,330,381	10,920,176
TOTAL LIABILITIES		<u>237,214,718</u>	<u>199,132,917</u>
NET EQUITY 18			
Capital		1,182,750	1,182,750
Fair value reserve		(1,614,827)	(1,297,271)
Retained earnings		915,890	(716,336)
		<u>483,813</u>	<u>(830,857)</u>
CAPITAL, RESERVES AND RETAINED EARNINGS		483,813	(830,857)
Readjustment for valuation article N°89 – Organic Act	18 (e)	9,652,235	3,237,268
TOTAL NET EQUITY		<u>10,136,048</u>	<u>2,406,411</u>
TOTAL LIABILITIES AND NET EQUITY		<u>247,350,766</u>	<u>201,539,328</u>
OFF-BALANCE SHEET ACCOUNTS	21	<u>139,478,624</u>	<u>118,870,624</u>

**STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**
For the years ended December 31, 2015 and 2014

	Notes	2015 (S/ 000)	2014 (S/ 000)
FINANCIAL INCOME			
Interest on deposits in foreign Banks	4 (c)	168,947	121,366
Net yield on securities	6 (e)	728,076	868,236
Interest on international agreements and deposits in IMF		1,884	3,381
Profits and dividends received from international institutions		7,979	5,969
Yield on gross international reserves		906,886	998,952
Interest and commissions on domestic credit operations	9 (d)	1,031,603	273,967
Other financial income		856,916	90,733
TOTAL FINANCIAL INCOME		2,795,405	1,363,652
NON-FINANCIAL INCOME		7,437	6,739
TOTAL INCOME		2,802,842	1,370,391
FINANCIAL EXPENSES			
Interest on liabilities abroad	12 (d)	(1,384)	(2,263)
Interest on outstanding securities issued	13 (c)	(585,617)	(584,917)
Interest on local currency deposits	14 (c)	(852,509)	(1,074,787)
Interest on foreign currency deposits	16 (d)	(90,112)	(56,800)
Other financial expenses		(8,574)	(9,669)
TOTAL FINANCIAL EXPENSES		(1,538,196)	(1,728,436)
OPERATING EXPENSES	22	(266,485)	(269,914)
EXPENSES AND COST OF ISSUANCE	23	(82,271)	(88,377)
TOTAL EXPENSES		(1,886,952)	(2,086,727)
NET PROFIT (LOSS)		915,890	(716,336)
OTHER COMPREHENSIVE INCOME	6 (e) and 9 (c)	(317,556)	347,805
TOTAL COMPREHENSIVE INCOME		598,334	(368,531)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014

	Capital, reserves and retained earnings					Readjustment for valuation article N° 89 - Organic Act	Total net equity
	Capital	Legal reserve	Special statutory reserve	Fair value reserve	Retained earnings		
	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Balance as of January 1, 2014	1,182,750	-	687,851	(1,645,076)	(892,954)	(476,920)	(1,144,349)
Net loss	-	-	-	-	(716,336)	-	(716,336)
Other comprehensive income, notes 6(e) and 9(c)	-	-	-	347,805	-	-	347,805
Total comprehensive income	-	-	-	347,805	(716,336)	-	(368,531)
Transfer from special statutory reserve, note 18(b)	-	687,851	(687,851)	-	-	-	-
Coverage of losses article N°93 – Organic Act, note 18(b)	-	(687,851)	-	-	687,851	-	-
Loss coverage Ministry of Economy and Finances (MEF), D.S.108-2014-EF, note 1 and 18(d)	-	-	-	-	205,103	-	205,103
Readjustment for valuation of the year, note 18(e)	-	-	-	-	-	3,714,188	3,714,188
Balance as of December 31, 2014	1,182,750	-	-	(1,297,271)	(716,336)	3,237,268	2,406,411
Net profit	-	-	-	-	915,890	-	915,890
Other comprehensive income, notes 6(e) and 9(c)	-	-	-	(317,556)	-	-	(317,556)
Total comprehensive income	-	-	-	(317,556)	915,890	-	598,334
Loss coverage Ministry of Economy and Finances (MEF), D.S.219-2015-EF, notes 1 and 18(d)	-	-	-	-	716,336	-	716,336
Readjustment for valuation of the year, note 18(e)	-	-	-	-	-	6,414,967	6,414,967
Balance as of December 31, 2015	1,182,750	-	-	(1,614,827)	915,890	9,652,235	10,136,048

The accompanying notes are an integral part of these statements.

**STATEMENTS OF CASH FLOWS**
For the years ended December 31, 2015 and 2014

	2015	2014
	(S/ 000)	(S/ 000)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss)	915 890	(716 336)
Adjustments to reconcile net profit (loss) to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation of property, furniture and equipment	11,025	11,121
Amortization of intangible assets	1,076	2,894
Other, net	1,083	923
Net changes in assets, liabilities and equity accounts		
Increase of domestic credit	(20,673,637)	(9,258,369)
(Increase) decrease of other assets abroad	(355,343)	14,023
Increase of other assets	(219,778)	(168,439)
Increase of reserve liabilities	44,402	1,214
Increase of other liabilities abroad	597,379	8,052
Increase (decrease) of outstanding securities issued	4,632,680	(3,891,761)
Decrease of deposits in local currency	(6,281,089)	(1,958,125)
Decrease of deposits from banks, financial institutions and other	(3,920,489)	(3,084,402)
Increase of deposits in foreign currency	20,251,689	3,097,070
Increase of other liabilities	21,410,205	9,157,757
Decrease of fair value reserve	(317,556)	347,805
Increase of readjustment in valuation article N°89 - Organic Act	6,414,967	3,714,187
Cash and cash equivalents provided by (used in) operating activities	22,512,504	(2,722,386)
Cash flows from investing activities:		
Additions to property, furniture and equipment	(15,075)	(11,455)
Cash and cash equivalents used in investing activities	(15,075)	(11,455)
Net increase (decrease) in cash and cash equivalents	22,497,429	(2,733,841)
Cash and cash equivalents at the beginning of the year	138,330,518	141,064,359
Cash and cash equivalents at the end of the year (note 2.2(p))	160,827,947	138,330,518

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2015 and 2014

1. OPERATIONS

Banco Central de Reserva del Perú (hereinafter the "Central Bank") is an autonomous legal entity of public law incorporated on March 9, 1922, intended to preserve monetary stability in Peru. Its activities are currently governed by article N°84 of the Peruvian Constitution, dated December 29, 1993, and by its Organic Act approved by Decree-Law N°26123 of December 24, 1992 (hereinafter "the Organic Act"). The Organic Act establishes that the Bank's functions are to regulate the amount of money, administrate international reserves, issue bills and coins; as well as report on the finances of Peru.

The Central Bank has its legal address and headquarters in Antonio Miró Quesada Street 441 – 445, Lima and has branches in seven cities in Peru. As of December 31, 2015 and 2014, the number of employees hired to develop its activities was 1,006 and 1,025, respectively.

The Central Bank represents Peru for the purposes set forth in the articles of the agreements of the International Monetary Fund (hereinafter "IMF") and the Latin American Reserve Fund (hereinafter "FLAR" for its Spanish acronym) and is responsible for all transactions, operations and official relations with these institutions. The Central Bank may also act as a Peruvian Government Agent in its relations with multilateral credit organizations and financial agencies of foreign governments. The Central Bank has subscribed shares of the Bank for International Settlements (hereinafter "BIS"), institution responsible for promoting financial international financial and monetary cooperation and is a bank for central banks.

As established in its Organic Act, the Bank is not allowed to:

- Grant funding to the Public Treasury, except in the form of acquisitions of securities issued by the Public Treasury in the secondary market in which case the holding of such securities may not exceed at any moment, valued at their acquisition cost, 5 percent of the balance of the monetary base at the closing date of the previous year.
- Grant credits or any other form of funding to financial institutions that maintain past due obligations. Moreover, the Central Bank is not allowed to grant loans or advanced payments to its Directors.
- Extend guarantees, letters of guarantee or any other guarantees, or use any form of indirect funding, or grant insurance of any type. It should be mentioned that the operations conducted by the Central Bank in implementing payment and reciprocal credit agreements are not subject to the aforementioned prohibition.
- Allocate resources for the creation of special funds aimed at granting credits or making investments to promote nonfinancial economic activities.
- Issue securities, bonds or contribution certificates of mandatory acquisition.
- Impose sector or regional coefficients in the composition of the loan portfolio of financial institutions.



- Establish multiple exchange rate regimes.
- Purchase shares, except those issued by international financial agencies or those needed to be acquired to strengthen banks or financial entities; participate, directly or indirectly, in the capital of commercial, industrial or any other companies.
- Own more real estate properties than those required for its activities and those that were transferred in payment of debts. The latter must be sold not later than one year after their acquisition.

The financial statements as of and for the year ended December 31, 2015, prepared in accordance with accounting principles described in note 2, were approved for issuance by the Central Bank's Management on January 14, 2016 and will be submitted for approval of the Board of Directors within the period established by the Organic Act. In Management's opinion, such financial statements will be approved without modifications. The financial statements as of and for the year ended December 31, 2014, were approved by the Board of Directors at their meeting held on March 5, 2015.

Net equity

According to article N°93 of the Organic Act, in case the Central Bank generates losses, these must be covered by the accounting reserve generated from profits of previous years. If that reserve is not sufficient, then the Public Treasury within thirty days after approval of the statement of financial position issues and delivers to Central Bank, for the amount not covered, tradable financial liabilities that pay interest.

With the purpose of covering 2014 losses, on August 7, 2015 the Central Bank received from the Ministry of Economy and Finance (hereinafter "MEF"), sovereign bonds and a promissory note for a total amount of S/ 716 million which mature in 20 years with an annual rate of 2.20 percent, payable at the maturity date or when the call option is exercised. Also, in order to cover part of the loss for the year 2013, on May 30, 2014 the Central Bank received from the MEF sovereign bonds and a promissory note for a total amount of S/ 205 million maturing in 20 years with an annual rate of 2.45percent, payable upon maturity or when the call option is exercised. The call and the amortization of interest, fees and other expenses incurred by these bonds, will be supported by the Central Bank's future profits corresponding to the Treasury, according to the provisions of Article No. 92 of the Organic Act.

The results obtained in the year 2015 are associated to an increase in the balance of receivable transactions in local currency, such as currency repos and security repos, which increased income in soles, compared to 2014 income. These operations were used intensively this year in order to reduce potential upward pressure on bank's interest rates in local currency, in a context of lower growth of deposits in soles and high demand for credit in soles due to credit de-dollarization.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Central Bank criteria

According to article N°88 of the Organic Act and the criteria approved by the Board of Directors, the accounting principles used by the Central Bank are:

- (a) The criteria approved by the Board of Directors based on its faculties (article N°88 of the Organic Act) and,
- (b) Peruvian generally accepted accounting principles ("Peruvian GAAP") which comprise: the International Financial Reporting Standards (IFRS) issued and adopted by the IASB

(International Accounting Standards Board), formalized through Resolutions issued by the Peruvian Accounting Council (hereafter "CNC" for its Spanish acronym) and current as of December 31, 2015 and 2014, accordingly (note 2.2(u)), as applicable for the Central Bank and the standards established by the Superintendencia de Banca, Seguros y AFP (SBS). As of the date of these financial statements, the CNC has formalized the application of the 2015 versions of IFRS 1 to 15, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 21.

The accounting principles established by the Central Bank Board of Directors that differ from generally accepted accounting principles in Peru are mainly:

(i) Recognition of exchange rate differences

The Central Bank records adjustments for price valuation and exchange rates, of the assets and obligations in gold, silver, currencies, SDR or other monetary units of international use under the heading "Readjustment in valuation article N°89 – Organic Act" in net equity. In accordance with Peruvian GAAP, the results of the aforementioned valuations must be included in the results of the period in which they were generated. As of December 31, 2015 and 2014, this adjustment amounted to an increase of S/ 6,415 million and S/ 3,714 million, respectively; see paragraph 2.2(e) below and note 18(e).

(ii) Recording of embedded derivatives

The Central Bank records its investments in structured instruments that are provided with embedded derivatives as held-to-maturity investments, which are valued at their estimated market value, without separating the embedded derivative.

Adjustable certificates of deposit (CDR BCRP for its Spanish acronym), are accounted at its nominal value, recognizing the currency valuation difference in the item "Valuation readjustments as per Article N° 89 - Organic Act" from net equity, see note 2.1(vi).

In accordance with Peruvian GAAP, the embedded derivatives of a main (or host) contract must be treated like separate derivatives and recorded at their fair value if their economic characteristics and risks are not closely related to those of the main contract.

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

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

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

It is noted that, for values acquired from January 1, 2014, fair value is compared to amortized cost, which is calculated by applying the effective interest rate method

(iv) Statements of cash flow

The preparation of the statements of cash flow is carried out by the Central Bank considering as cash and cash equivalents the items indicated in paragraph 2.2(p) below; consequently, the format and content of the above mentioned statements adapt to



said definition. This accounting practice differs from what is stated under Peruvian GAAP.

(v) Disclosure of financial instruments

As of December 31, 2015 and 2014, the Central Bank is not fully applying the requirements of IFRS 7 – Financial Instruments: Disclosures and certain disclosures required by IFRS 9 – Financial Instruments. The objective of these standards is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the Central Bank’s financial position and performance, through the understanding of the nature and extent of the financial instruments to which the Central Bank is exposed; as well as the methods the Central Bank applies to manage the risks arising from said instruments.

As part of its approved policies, the Central Bank has determined not to disclose the estimated market value of held-to-maturity investments.

(vi) Valuation of instruments related to exchange rate

The Central Bank initially recognizes the nominal amount committed in derivatives held for trading “Off-balance sheet accounts”, which are subsequently carried at its fair value, recognizing an asset or liability in the captions “Other available assets” and “Reserve liabilities” in the statement of financial position, as appropriate, see note 21(d) and (e). Fair values are obtained based on market exchange and interest rates. Profit and loss due to changes in fair value are recorded in the caption “Readjustment for valuation article N°89 - Organic Act” in net equity, and the income statement of the period is not affected in any case.

The Central Bank records the exchange rate adjustment of adjustable certificates of deposit (CDR BCRP for its acronyms in Spanish) and the exchange rate effect of exchange swap operations (note 2.2(t)) in the caption “Readjustment for valuation article N°89 - Organic Act” in net equity.

According to Peruvian GAAP, the aforementioned valuations must be recorded as profit or loss in the statement of income and other comprehensive income (loss).

(vii) Securities issued by MEF

Bonds that the Central Bank receives from MEF to cover losses, in compliance with Article No. 93 of Organic Act (see note 1 and 18 (d)), are recorded as a financial asset at its nominal value in the item “Domestic Credit” of the statement of financial position.

According to Peruvian generally accepted accounting principles, such bonds do not qualify as financial assets, because their collection is through dividends paid by the Bank to the State, see note 1.

(viii) Unpaid signed contributions

As of December 31, 2015 and 2014, the Central Bank records the contributions subscribed and not paid to international organizations under the items “Other assets” and “Other liabilities” in the statement of financial position. According to Peruvian generally accepted accounting principles, such receivable and payable accounts are disclosed compensated in the statement of financial position.

2.2 Accounting criteria

The main accounting principles and practices used in the preparation of the accompanying financial statements, which have been established as previously indicated.

(a) Basis for preparation and use of estimates

The accompanying financial statements have been prepared in soles from the accounting records of the Central Bank in accordance with the accounting principles approved by the Central Bank Board of Directors.

The preparation of the accompanying financial statements requires Management to make estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the notes to the financial statements. Actual results could differ from those estimates. Estimates are continually evaluated and are based on historical experience and other factors. The most significant estimates used in relation with the accompanying financial statements correspond to the valuation of securities from international institutions, which include available-for-sale and held-to-maturity financial assets, the latter conformed mainly by financial instruments with embedded derivatives; the transformation factor of monetary gold, the provision for social benefits, actuarial provision for supplemental retirement, widowhood, health care and burial benefits, the respective accounting criteria of which are described in this note.

(b) Financial instruments

According to Central Bank's policies, securities issued by MEF are considered as financial assets and its recognition and measurement is performed according to what is explained in Notes 1 and 2.2 (s) attached.

The other financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interests, dividends, gains and losses generated by financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Central Bank has a legal enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities recorded in the financial statements correspond to the gross international reserves (except for gold), the other assets abroad, domestic credit, certain assets recorded in the caption "Other assets" (see note 11), and liabilities in general, with the exception of those detailed as non-financial liabilities in the caption "Other liabilities" (see note 17).

The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this note.

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

Securities from international institutions are classified as available-for-sale or held-to-maturity investments; the Central Bank does not use for its purposes the category of assets at fair value through profit or loss.

According to the investments classification mentioned above, the initial recognition and the subsequently measurements are carried out in accordance with the following criteria:

Classification**- Available-for-sale investments:**

Those designated as such because they are held for an indefinite time and can be sold due to needs for liquidity or changes in interest rates, exchange rates or market prices; or because they do not qualify to be recorded as held-to-maturity.



- **Held-to-maturity investments:**

They are financial assets that may or may not include embedded derivative financial instruments, whose recovery values are fixed or determinable amounts and with definite maturity terms, and for which the entity has both the intention and the ability to hold them up to their maturity.

Initial recognition

Initial recognition of available-for-sale and held-to-maturity investments is performed at fair value, plus the transaction costs that are directly attributable to the acquisition of said investments.

Valuation

(i) Available-for-sale investments:

- For securities acquired up to December 31, 2013

Upon initial recognition, available-for-sale investments are measured at their fair value, and unrealized gains and losses are recorded in the "Fair value reserve" heading in the net equity. Unrealized gains or losses result from the comparison between the acquisition cost, which includes premiums paid or discounts obtained, and market value. Premiums and discounts included in the acquisition cost are recognized in the statements of income and other comprehensive income at the date of sale or maturity of the instruments.

- For securities acquired since January 1, 2014

After initial recognition, these instruments are carried at fair value and the interests are recorded through the determination of amortized cost method, including any premium or discount in the income statements of the period, based in the effective interest rate. The difference between fair value and amortized cost (unrealized profit or loss) is recorded in the caption "Fair value reserve" in the statement of changes in net equity.

Fair value is the market price provided daily by Bloomberg or Reuters. In Management's opinion, such information reflects reasonably the value of investments in international securities, considering the market information and the accounting policies established by the Central Bank Board of Directors.

When the investment is sold or realized, gains or losses previously recognized as part of equity are transferred to the results of the period, excluding the effects of the exchange rate differences, which are recorded as stated in paragraph (e) below. On the other hand, in case that the decrease in the market value of the investments is permanent or due to credit deterioration, the respective provisions are made, which affects the result of the period.

Interest earned is calculated and recorded using the nominal interest rate (coupon rate) on the nominal value of the investment, and is recorded in the statements of income and other comprehensive income in the "Net yield of securities" caption.

(ii) Held-to-maturity investments:

Upon initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method.

Any premium or discount of representative debt instruments classified as held-to-maturity investments is recognized with the calculation of the amortized cost by applying the effective

interest rate method, recognizing the accrued interest in the “Net yield of securities” caption of the statement of income.

Securities classified as held-to-maturity correspond mainly to structured bonds which are held with the purpose of diversifying investments, in accordance with the agreements reached by the Board of Directors. Some of these securities have embedded derivatives related to other underlying assets that are not separated and are carried at fair value; see paragraph (f) below.

(d) Recognition of revenues and expenses

Interest revenues and expenses are calculated using the effective interest rate method (amortized cost) and are recognized in the results of the period they are accrued, in function to the time of validity of the operations that generate them and the agreed interest rates, except for interests related to investments, which are recognized as indicated by paragraph (c) above. Interest revenues include the yields of investments on securities issued by international entities.

Gains and/or losses generated by embedded derivatives in investments that are not related to exchange rates are recognized in the statement of income as of the date of their maturity.

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

When there is reasonable doubt regarding the collectability of the principal of any financial instrument, interest is recognized as income to the extent that there is reasonable certainty of collection.

(e) Transactions in foreign currency

The Central Bank prepares and presents its financial statements in soles, which is its functional and presentation currency.

Assets and liabilities in foreign currencies are recorded at the exchange rate of the date when transactions are performed and are expressed in soles every day using closing purchase exchange rate for the U.S. dollar established by the SBS. Balances in other currencies are expressed according to the exchange rates provided by Bloomberg and Reuters, see note 3.

(f) Derivative financial instruments

The Central Bank holds trading and embedded derivatives financial instruments.

(i) Trading derivatives

The reference value (nominal amount committed) of forward and future operations is recorded in “Off-balance sheet accounts”, notes 21(d) and (e), and are subsequently measured at their fair value. Fair values are estimated based on the market exchange rates, interest rates and market prices. The Central Bank maintains operations with futures which underlying assets are investments in international securities and forward exchange operations.

Gains and losses for changes in the fair value of future operations are recorded in the caption “Net yield on securities” of the statement of income, generating an asset or liability in the statement of financial position, as appropriate.

Gains and losses from changes in the fair value of forward exchange operations are recorded in the caption “Readjustment for valuation article N°89 - Organic Act” in the net equity, recognizing an asset or liability in the statements of financial position, as appropriate; at the maturity of these instruments, the asset or liability is settled and the result is recorded in the caption “Readjustment for valuation article N°89 – Organic Act” in net equity.



(ii) Embedded derivatives

The Central Bank holds held-to-maturity structured instruments as part of the caption "Securities from international entities" in the statement of financial position, note 6, whose yields are indexed to variables such as the inflation rate of the United States of America, the variations in the price of gold, among others.

Since January 1, 2014, the Central Bank records the valuation of instruments that include embedded derivatives as of the presentation date of the financial statements in the caption "Fair value reserve" in net equity. Valuation of these instruments, without separating the embedded derivatives, is obtained from Bloomberg's data service. The effect of such valuation is recorded at its maturity date in the caption "Net yield on securities" in the statement of income.

(g) Gold

Gold holdings are valued using the New York market price provided daily by Bloomberg and Reuters. The results of such valuation are recorded in the caption "Readjustment for valuation article N°89 – Organic Act" in net equity.

(h) Contributions to international organizations

These include the contributions made by the Central Bank to the IMF, FLAR and BIS, which are recorded at the nominal value of the contribution, which represents their acquisition cost, because this amount corresponds to the value that the Central Bank would have the right to receive in case it withdrew its membership in some of said organizations. These contributions cannot be negotiated with third parties.

Yields from these contributions are recognized when accrued and dividends when declared.

(i) Collections

Collections consist mainly of artwork (archeological objects, paintings, sculptures, among others) and collectible coins that have been purchased and/or received as donation, and are recorded at their acquisition cost or nominal value. Due to their nature, these assets are considered to have an indefinite useful life, so they do not depreciate and are recorded in the "Other assets" caption in the statement of financial position, note 11. The acquisition cost of donations is recorded in the caption "Non-financial income" in the statement of income and is calculated based on the fair value estimated by specialists at the moment they are received.

(j) Property, furniture and equipment and depreciation

Property, furniture and equipment are recorded at their acquisition cost, less the accumulated depreciation and accumulated amount of impairment, if applicable. Maintenance and repair costs are charged to the statements of income, and significant renewals and improvements are capitalized when: i) it is probable that future economic benefits will flow from the renewal or improvement; and ii) their cost can be measured reliable. The cost and corresponding accumulated depreciation of an asset sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the statements of comprehensive income.

Units in transit are accounted at their acquisition cost and are not depreciated until they are placed into service.

Land is not depreciated. Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Years of useful lives
Buildings and other constructions	100
Machinery and equipment	10
Vehicles	5
Computer hardware	3

(k) Impairment of long-lived assets

When changes or certain events indicate that the value of a long-lived tangible asset may not be recovered, the Central Bank reviews the book value of its assets in order to verify if there is no permanent impairment in their values.

When the book value of the asset exceeds its recoverable value, a loss for impairment is recognized in the statement of income and other comprehensive income. The recoverable value is the highest between the net sale price and its value in use. The net sale price is the amount that can be obtained from the sale of a tangible asset in a free market, while the value in use is the present value of the estimated future cash flows provided by the continuous use of an asset and its disposal at the end of its useful life. The recoverable amounts are estimated for each asset or, if not possible, for each cash generating unit.

Management performs an annual assessment of whether the carrying value exceeds the value recoverable from its long-lived tangible assets based on market information available.

(l) Sterilized stock

Sterilized stock is the liability in local currency comprised by outstanding securities issued and deposits in local currency from the public sector and financial entities which are not part of the reserve requirements. The sterilized stock is the result from monetary operations to take out liquidity from the financial system and deposits from financial entities, which in case of reversal, would imply an increase in the monetary base.

Outstanding securities are measured at nominal value, recognizing the interests accrued in the statement of income of the period. The discounts granted at their placing date are deferred and amortized during the term of validity of the instrument using the effective interest rate method.

(m) Currency in circulation

This includes bills and coins in legal tender issued by the Central Bank which are held by the public; and are recorded as a liability on the statement of financial position at their nominal value in the caption "Monetary Base".

Bills and coins not in circulation and kept in the Central Bank's vaults are recorded at their nominal value in off-balance sheet accounts.

(n) Employee benefits

According to article N°58 of its by-laws, the Central Bank transfers annually financial resources to the Fund for Disease, Insurance and Pensions of the Central Bank's Employees (hereinafter "the Fund") with the purpose of supplementing the funds necessary to pay the benefits to its personnel. The total amount of the transfers from the Central Bank to the Fund is approved by the Board of Directors every year.

The Central Bank maintains the following defined benefits plans:



- Supplemental pensions' subvention, widowhood pensions and burial subsidy.
- Other supplemental benefits to retirement, related to the healthcare benefits granted by the Central Bank.

The cost of granting benefits through defined benefit plans is determined separately for each plan, by means of the projected credit unit method. Actuarial gains and losses of both defined benefit plans are fully recognized in the statements of income in the period they occur.

The assets or liabilities for defined benefits include the present value of the obligation, which is determined using mortality tables and a discount rate based on high quality negotiable obligations, see note 17(a), minus the costs for past services and the fair value of the plan's assets that will be used to liquidate said obligations. The plan's assets are managed by long-term benefits fund for the personnel. The plan's assets are neither available for the creditors of the Central Bank nor can be directly paid to the Central Bank. The fair value of these assets is based on the information of market prices.

The Fund's net assets, which are considered by the Central Bank to reduce the actuarial reserve liability, comprise the value of deposits and loans, net of obligations.

The concepts of subvention for supplemental retirement pensions, widowhood, burial subsidy and other supplemental benefits to retirement, deducted from present value of the Fund's net assets, are recorded in "Other liabilities" in the statements of financial position, note 17(b).

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

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

The cost of making coins and coin blanks includes the cost of raw materials, labor and production overhead.

The cost of printing bills and manufacturing coins is initially recognized in the caption "Other assets" in the statement of financial position (note 11(d) and (e)), and subsequently are recognized in results of the year in which bills and coins are set available to be in circulation for the first time.

(p) Cash and cash equivalents

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

	2015 (S/ 000)	2014 (S/ 000)
Gross international reserves	209,717,975	185,873,522
Less:		
Currency in circulation	<u>(48,890,028)</u>	<u>(47,543,004)</u>
Cash and cash equivalents	<u>160,827,947</u>	<u>138,330,518</u>

The difference between total gross international reserves and reserve liabilities (consisting of obligations with international entities), represent net international reserves. These reserves show the international liquidity of the country and its financial capacity in relation to other countries, and are the resources available to the Central Bank to meet its obligations in foreign currency.

(q) Provisions

Provisions are only recognized when the Central Bank has a present (implicit or legal) obligation as a result of past events, it is probable that an outflow of resources will be required to settle such obligation, and their amount can be reliably estimated. Provisions are reviewed in each period and are 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 significant, the amount of the provision is the present value of future payments required to settle the obligation.

The expense relating to any provision is presented in the statement of income and other comprehensive income, net of any related refund.

(r) Contingencies

Contingent liabilities are not recognized in the financial statements, they are only disclosed in their notes, 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 the notes when an inflow of resources is probable.

(s) Domestic credit

Domestic credit comprises the following:

- Investments in instruments issued by the Ministry of Economy and Finance (hereinafter "MEF"), which are recorded and classified as available for-sale investments. Initial recording and subsequent measurement of such investments are made in accordance with the criteria described in paragraph (c) above.
- Securities received from MEF to cover losses according to the provisions of Article No. 93 of Organic Act (see notes 1 and 18 (d)) which are recorded at their nominal value and bear interest at the agreed interest rate (coupon rate).
- Securities re-purchase agreements (repo transaction) used 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 as assets in the statement of financial position with the balancing entry in the deposit account of the companies of the financial system.
- Currency reporting operations, which are transactions where the participating entities sell domestic or foreign currency to the Central Bank in exchange of foreign or domestic currency, and are committed to re-purchase the sold currency at a later date at current market exchange rates under the same agreement. These operations are recognized as assets in the statement of financial position with the balancing entry in the deposit account of the companies of the financial systems in the currency lend.

(t) Foreign exchange swaps

Foreign exchange swaps, which nominal value is recorded in memoranda accounts (see note 21) correspond to transactions in which one party agrees to pay a variable interest rate over a local currency notional amount in exchange that the counterparty pays a fixed interest rate over an equivalent notional amount in US dollars and also pays the exchange valuation on the notional value in US dollars.



The Central Bank calculates interest receivable and payable, which are recognized in the income statement in the period in which they accrue, under the items "Other financial income" and "Other financial expenses" with counterpart in the items "Other assets" and "Other liabilities" in the statement of financial position, respectively. Similarly, the Central Bank recognizes the exchange valuation difference on the notional amount committed in US dollars in the item "Valuation readjustments as per Article N° 89 -Organic Law" from net equity, with counterpart in the asset and liability items mentioned above, as appropriate.

Transaction settlement is made at maturity, in soles, using prevailing market exchange rates.

(u) New accounting pronouncements

(i) International Financial Reporting Standards – IFRS issued, and in effect in Peru

The CNC through Resolution N°058-2015-EF/30 issued on March 5, 2015, formalized the amendments to IAS 1, IFRS 7, IAS 34, IFRS 10, IFRS 12 and IAS 28; likewise, through Resolution N°059-2015-EF/30 issued on August 7, 2015, formalized the 2015 current versions of IFRS 1 to 15, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 21, and through Resolution N°060-2016-EF/30 issued on February 4, 2016, formalized the amendments to IFRS 15, IFRS 10 and IAS 28.

The application of the versions is according to the effective date specified in each specific standard.

(ii) IIFRS issued but not in effect as of December 31, 2015

- IFRS 9 "Financial Instruments: Classification and measurement", effective for annual periods beginning on or after 1 January 2018.
- IFRS 14 "Regulatory Deferral Accounts", effective for annual periods beginning on or after 1 January 2016.
- IFRS 15 "Revenue from Contracts with Customers" effective for annual periods beginning on or after 1 January 2018.
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures"; IAS 38 "Intangible assets" and IAS 41 "Agriculture", effective for annual periods beginning on or after 1 January 2016.
- Improvements (cycle 2012 – 2014) to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting", effective for annual periods beginning on or after 1 January 2016.

Because standards detailed above are applied jointly with those developed by the Organic Act and the standards issued by the Central Bank Board of Directors', they will not have any significant effect in the preparation of the accompanying financial statements.

The Central Bank has not estimated the effect in its financial statements, of the adoption of the above mentioned standards, if adopted.

3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO EXCHANGE RISK

Foreign currency transactions are recorded using free market exchange rates.

As of December 31, 2015, the free market purchase exchange rate published by the SBS to record transactions in U.S. Dollars was S/ 3.408 (S/ 2.981 as of December 31, 2014). Balances in other currencies have been stated in U.S. dollars at the closing exchange rate of the New York market as mentioned in paragraph (c) below.

(a) As of December 31, 2015 and 2014, the Central Bank assets and liabilities in foreign currency were the following:

	2015			2014		
	U.S. dollar (US\$ 000)	Other currencies (US\$ 000)	Total (US\$ 000)	U.S. dollar (US\$ 000)	Other currencies (US\$ 000)	Total (US\$ 000)
Monetary assets						
Cash in foreign currency	50,088	-	50,088	50,065	-	50,065
Deposits in foreign Banks	16,884,616	3,237,690	20,122,306	12,126,624	1,484,594	13,611,218
Deposits in foreign institutions	-	746,635	746,635	-	778,635	778,635
Securities from international institutions	36,326,038	2,165,075	38,491,113	35,622,634	9,788,198	45,410,832
Gold	-	1,180,726	1,180,726	-	1,319,691	1,319,691
Contributions to international institutions	483,914	369,266	853,180	482,326	443,063	925,389
Other available assets	92,917	-	92,917	214,974	41,881	256,855
Other assets abroad	-	20,000	20,000	-	20,000	20,000
Domestic credit	563,595	-	563,595	610,489	-	610,489
Other assets	202,162	274,444	476,606	207,771	286,280	494,051
	<u>54,603,330</u>	<u>7,993,836</u>	<u>62,597,166</u>	<u>49,314,883</u>	<u>14,162,342</u>	<u>63,477,225</u>
Monetary liabilities						
Reserve liabilities	52,004	71	52,075	43,327	1,312	44,639
Other liabilities abroad	-	20,000	20,000	-	20,000	20,000
Deposits in foreign currency	27,463,502	-	27,463,502	24,603,798	-	24,603,798
Other liabilities	8,929,268	274,092	9,203,360	3,154,126	285,874	3,440,000
	<u>36,444,774</u>	<u>294,163</u>	<u>36,738,937</u>	<u>27,801,251</u>	<u>307,186</u>	<u>28,108,437</u>
Subtotal	<u>18,158,556</u>	<u>7,699,673</u>	<u>25,858,229</u>	<u>21,513,632</u>	<u>13,855,156</u>	<u>35,368,788</u>
Derivatives						
Forward positions, net	4,175,059	(4,105,543)	69,516	3,322,066	(3,082,744)	239,322
	<u>22,333,615</u>	<u>3,594,130</u>	<u>25,927,745</u>	<u>24,835,698</u>	<u>10,772,412</u>	<u>35,608,110</u>

The Central Bank has also issued adjustable certificates of deposit (CDR BCRP) in local currency, which are adjusted by the variation in the exchange rate of the dollar with respect to the sol, and are paid at maturity in soles. As of December 31, 2015 the balance of CDR BCRP issued corresponds to S/ 7,249,000, representing US\$ 2,124 million (as at 31 December 2014 the balance was S/ 2,627,000, representing US\$ 882 million).



- (b) Balances in foreign currency, SDR and precious metals as of December 31, 2015 and 2014, expressed in their equivalent in thousands of U.S. dollars, are summarized as follows:

	2015 (US\$ 000)	2014 (US\$ 000)
ASSETS		
U.S. dollar	54,600,057	49,314,201
Sterling pounds	2,307,913	181,247
SDR (**)	1,389,762	1,507,311
Gold	1,181,408	1,320,373
Japanese yen (*)	662,208	2,578,274
Australian dollar	570,289	2,668,080
Euro	3	4,809,073
Other currencies	<u>1,885,526</u>	<u>1,098,666</u>
Total	<u>62,597,166</u>	<u>63,477,225</u>
Liabilities		
U.S. Dollar	36,444,774	27,801,250
SDR (**)	273,932	285,687
Other currencies	<u>20,231</u>	<u>21,500</u>
	<u>36,738,937</u>	<u>28,108,437</u>
Net assets	<u>25,858,229</u>	<u>35,368,788</u>

(*) There is no exposure to this currency, given that it is totally hedged with forward operations (note 21(d)).

(**) SDR is an international reserve asset created by the IMF, allocated to member countries in proportion to their participation quotas as a member country. The value of SDR is calculated daily by adding the U.S. Dollars values (midday London quotation) of a four-currency basket (U.S. Dollar, euro, Japanese yen and pound sterling). The amounts of each currency of the SDR basket are calculated according to agreed percentages.

- (c) The exchange rates of main currencies used by the Central Bank in relation to the U.S. Dollar as of December 31, 2015 and 2014 were as follows:

	2015	2014
Troy ounce of gold	1,059.710000	1,184.360000
Sterling pound	1.473700	1.558500
SDR	1.389200	1.448810
Euro	1.086100	1.210200
Australian dollar	0.728900	0.817300
Japanese yen	0.008319	0.008344

According to article N°89 of the Organic Act, as of December 31, 2015, the Central Bank recorded a positive readjustment for foreign currency valuation for S/ 6,415 million (positive readjustment of S/ 3,714 million as of December 31, 2014) presented in "Valuation readjustments as per Article N° 89 – Organic Law" in net equity (see note 18(e)).

4. DEPOSITS IN FOREIGN BANKS

(a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Time deposits (b)	68,551,785	40,553,676
Accrued interest (c)	<u>12,465</u>	<u>11,295</u>
	68,564,250	40,564,971
Demand deposits	12,085	9,725
Accrued interest from gold deposits, note 7(c)	<u>485</u>	<u>346</u>
Total	<u>68,576,820</u>	<u>40,575,042</u>

(b) As of December 31, 2015 and 2014, time deposits are held in first class banks, bear interest in accordance with international market rates and are mainly denominated in U.S. dollars, amounting to US\$ 16,878 and US\$ 12,122 million, respectively.

As of December 31, 2015, deposits in foreign banks accrued an average annual interest rate of 0.40 percent (0.31 percent as of December 31, 2014).

(c) As of December 31, 2015 and 2014, the Central Bank recognized interest income for deposits in foreign banks for S/ 169 million and S/ 121 million, respectively, which is presented in the caption "Financial income" of the statement of income.

5. DEPOSITS IN INTERNATIONAL INSTITUTIONS

As of December 31, 2015 and 2014, correspond to deposits in IMF, denominated in SDR, which bear interest at average annual rates of 0.05 percent and are not unrestricted, except for certain situations such as the presence of effective or potential balance of payments needs that require assistance from the IMF, or in case of a request of withdrawal from the membership of this international organization.



6. SECURITIES FROM INTERNATIONAL INSTITUTIONS

(a) This item is made up as follows:

	2015				2014			
	Cost (*) (S/ 000)	Unrealized gross amount		Book value (**) (S/ 000)	Cost (*) (S/ 000)	Unrealized gross amount		Book value (**) (S/ 000)
		Increase	Decrease (***)			Increase	Decrease (***)	
Available-for-sale investments								
Deposit certificates	12,849,732	-	-	12,849,732	2,885,170	-	-	2,885,170
Short-term sovereign securities (i)	60,826,764	2,583	(748,113)	60,081,234	54,940,601	10,779	(429,803)	54,521,577
Short-term supranational securities (ii)	10,000,788	45,262	(36,055)	10,009,995	15,813,480	1,482	(18,703)	15,796,259
Long-term sovereign securities (i)	41,552,522	11,187	(500,573)	41,063,136	51,318,069	134,363	(810,827)	50,641,605
Long-term supranational securities (ii)	6,649,131	2,476	(40,607)	6,611,000	9,405,179	37,026	(52,841)	9,389,364
	<u>131,878,937</u>	<u>61,508</u>	<u>(1,325,348)</u>	<u>130,615,097</u>	<u>134,362,499</u>	<u>183,650</u>	<u>(1,312,174)</u>	<u>133,233,975</u>
Held-to-maturity investments								
Sovereign securities (i)	-	-	-	-	1,042,012	-	-	1,042,012
Supranational securities (ii)	310,511	-	(8)	310,503	752,171	-	(1,166)	751,005
	<u>310,511</u>	<u>-</u>	<u>(8)</u>	<u>310,503</u>	<u>1,794,183</u>	<u>-</u>	<u>(1,166)</u>	<u>1,793,017</u>
Balance of available-for-sale and held-to-maturity investments (c)				130,925,600				135,026,992
Accrued interest				252,112				342,697
Total				<u>131,177,712</u>				<u>135,369,689</u>

(*) Available for sale security's cost correspond to acquisition cost for securities acquired until December 31, 2013, and to amortized cost for securities acquired since January 1, 2014. Held to maturity security's cost corresponds to the amortized cost according to accounting policies indicated in note 2.2(c).

(**) The carrying amount corresponds to estimated market value for available for sale securities, and for held to maturity securities with embedded derivatives. In case of other investments held to maturity, the carrying amount corresponds to amortized cost, according to the accounting policies set out in Note 2.2 (c).

(***) As of December 31, 2015 and 2014, the decrease in the amount of the fair value reserve mainly corresponds to premiums paid at the date of acquisition of available for sale securities acquired until December 31, 2013, which are recognized in the income statement at maturity of the instrument, as indicated in note 2.2 (c) (i).

(i) Correspond to securities issued by central governments. It is worth mentioning that as of December 31, 2015, the Central Bank's portfolio was mainly invested in sovereign bonds issued by the US Treasury.

(ii) Correspond to securities issued by supranational entities such as the Andean Development Corporation (CAF for its Spanish acronym), the European Investment Bank (EIB), the World Bank - International Bank for Reconstruction and Development (IBRD), the BIS, among others.

(b) As of December 31, 2015 and 2014, the maturities and the nominal annual interest rates on investments are as follows:

	Maturity		Nominal interest rate (coupon rate) (*)					
	2015		2014		2015		2014	
	2015	2014	US\$ Min. %	US\$ Max. %	Other currencies Min. %	Other currencies Max. %	US\$ Min. %	Other currencies Max. %
Available-for-sale investments								
Deposit certificates	Jan-2016 / Mar-2016	Jan-2015 / Feb-2015	0.27	0.43	-	-	-	-
Short-term sovereign securities	Jan-2016 / Dec-2016	Jan-2015 / Dec-2015	0.13	5.38	4.00	6.00	0.125	5.000
Short-term supranational securities	Jan-2016 / Dec-2016	Jan-2015 / Dec-2015	0.21	5.25	2.38	6.00	0.066	2.750
Long-term sovereign securities	Jan-2017 / Oct-2020	Jan-2016 / Jan-2020	0.13	4.63	0.66	8.75	0.125	5.375
Long-term supranational securities	Jan-2017 / Jun-2020	Jan-2016 / Oct-2019	0.34	2.38	1.38	6.25	0.175	5.250
Held-to-maturity investments								
Sovereign securities	-	Jan-2015	-	-	-	-	1.625	1.625
Supranational securities	Jan-2016	Jan-2015 / May-2015	-	-	2.25	2.25	-	1.450
								2.150

(*) The nominal rate corresponds to the coupon rate, excluding premiums or discounts earned at the acquisition of the instruments detailed above.



- (c) As of December 31, 2015 and 2014, securities from international institutions are first category and low-risk financial instruments. Securities issued by international institutions or foreign public entities have risk ratings of at least A+, according to rating agencies Moody's and Standard & Poor's. Deposit certificates have a minimum rating of A according to three agencies Fitch, Standard & Poor's and Moody's. These securities bear interest at international market rates and are kept in first class foreign banks.
- (d) Balance due on available-for-sale and held-to-maturity investments, without including interest, is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Up to 3 months	35,139,926	27,713,128
From 3 months to 1 year	47,333,141	47,596,193
From 1 to 3 years	45,708,290	48,594,208
From 3 to 5 years	1,720,210	11,032,529
More than 5 years	<u>1,024,033</u>	<u>90,934</u>
Total	<u>130,925,600</u>	<u>135,026,992</u>

- (e) As of December 31, 2015 and 2014, the Central Bank recognized revenues for net yields of securities for S/ 728 million and S/ 868 million, respectively, which are part of the "Financial income" caption in the statement of income and other comprehensive income. Likewise, during 2015 and 2014, it was recognized a decrease of S/ 135 million and an increase of S/ 245 million, respectively, in the "Fair value reserve" caption in net equity, see note 2.2(c)(i).

7. GOLD

- (a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
In the country		
Gold coins (b)	1,994,232	1,949,552
Provision for cost of converting gold coins to high purity or "good delivery" gold bars	<u>(2,327)</u>	<u>(2,035)</u>
	1,991,905	1,947,517
Abroad		
Gold bars (c)	<u>2,032,008</u>	<u>1,986,481</u>
Total	<u>4,023,913</u>	<u>3,933,998</u>

- (b) As of December 31, 2015 and 2014, corresponds to 552,191 troy ounces of gold in commemorative coins deposited in the vault of the Central Bank, which are valued at quotation value the per-troy ounce as of the aforementioned dates.
- (c) As of December 31, 2015 and 2014, corresponds to 562,651 troy ounces of high-purity or "good delivery" gold bars deposited in first class foreign banks; 249,702 troy ounces are held under custody and 312,949 troy ounces are held as time deposits. As of December 31, 2015 these time deposits accrue interests at an annual rate of 0.62 percent and have a 63-day term since their issuance date (as of December 31, 2014 they accrued interests at a rate of 0.48 percent and had a 62-day term since their

issuance date). Accrued interests as of December 31, 2015 and 2014 were recorded in the "Deposits in foreign banks" caption in the statement of financial position, note 4.

8. CONTRIBUTIONS TO INTERNATIONAL INSTITUTIONS

(a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Contributions to IMF (b)	947,352	1,036,968
Contributions to FLAR (c)	1,649,178	1,437,814
Contribution to BIS (d)	<u>311,107</u>	<u>283,804</u>
	<u>2,907,637</u>	<u>2,758,586</u>

(b) Contribution to IMF grants Peru access to IMF's financing facilities from this organization. IMF determines Peru's contribution as a participating country, which as of December 31, 2015 and 2014 amounts to SDR 638 million, which are composed by contributions in SDR and contributions in soles. As of December 31, 2015 and 2014, Peru's participation in the total share held by IMF member countries is 0.27 percent and comprises the following:

	2015 (S/ 000)	2014 (S/ 000)
Contribution in SDR:		
Contribution to IMF in SDR (i)	<u>947,352</u>	<u>1,036,968</u>
Contribution in local currency:		
Contribution to IMF, equivalent in local currency (ii)	1,925,739	1,714,490
Revaluations to be liquidated – contribution to IMF in local currency (iii)	<u>144,165</u>	<u>8,611</u>
Total contribution in local currency	<u>2,069,904</u>	<u>1,723,101</u>
Total contribution to IMF	<u>3,017,256</u>	<u>2,760,069</u>

(i) As of December 31, 2015 and 2014, it corresponds to contributions granted by Peru to the IMF of SDR 200 million and SDR 240 million, respectively.

(ii) For contributions in Soles, the Central Bank did not disburse any funds but constituted promissory notes in favor of the IMF, through which said organization can arrange the cashing of the above mentioned contributions at any moment; therefore, said balancing entry is recorded as a liability with the IMF in the "Other liabilities abroad" caption in the statement of financial position. This obligation does not generate interests and can be requested at any moment.

(iii) Corresponds to the exchange rate difference generated by the restatements of the contribution in local currency between April 30 and December 31 of each year. These revaluations are settled at the closing of IMF's financial year which takes place on April 30 every year.

By means of Act N°29823, published on December 29, 2011, the Congress of the Republic authorized the increase of Peru's quota at the International Monetary Fund from SDR 638 million to SDR 1,335 million.

On January 26, 2016, the IMF informed the Central Bank that at December 31, 2015 the conditions stated in the IMF Articles of Agreement required to execute the increase in



Peru's quota were fulfilled; in that sense, in February 2016, it was recorded an increase in the Central Bank's quota at the IMF.

- (c) This contribution grants Peru access to financing facilities from FLAR. As of December 31, 2015, paid contributions to FLAR amounted to US\$ 484 million, equivalent to S/ 1,649 million (US\$ 482 million equivalent to S/ 1,438 million, as of December 31, 2014). As of December 31, 2015 and 2014, Peru's participation in FLAR accounts for 18 percent of its subscribed capital. Also, as of December 31, 2015, the Central Bank holds contributions pending of capitalization for an amount of US\$ 180 million, equivalent to S/ 612 million (US\$ 181 million equivalent to S/ 540 million, as of December 31, 2014), which are recorded as receivables and payables in "Other assets" and "Other liabilities" captions, respectively, notes 11(b) and 17.
- (d) Since 2011 the Central Bank participates as a member of that international organization. BIS determines the percentage of participation of member countries and in the case of Peru, its participation amounts to 3,000 shares. As of December 31, 2015 and 2014, 25 percent of market value of such shares has been paid, which are equivalent to SDR 66 million, equivalent to S/ 311 million (equivalent to S/ 284 million, as of December 31, 2014). The 75 percent of the market value of said shares, corresponding to SDR 197 million, equivalent to S/ 933 million (equivalent to S/ 851 million, as of December 31, 2014) was recorded as a subscribed but not paid-in contribution in the "Other assets" and "Other liabilities" captions, notes 11(b) and 17.

9. DOMESTIC CREDIT

- (a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
To banks (b):		
Currency repo transactions	27,559,700	8,397,400
Security repo transactions	2,492,870	1,297,204
Commissions receivable for currency repo transactions	430,530	75,968
Interest receivable for security repo transactions	8,816	-
	<u>30,491,916</u>	<u>9,770,572</u>
To the public sector (c):		
Bonds issued by MEF in foreign currency	1,890,263	1,793,217
Securities issued by MEF in local currency	921,438	205,102
Interest receivable	44,742	29,595
	<u>2,856,443</u>	<u>2,027,914</u>
To financial entities (b):		
Currency repo transactions	-	115,400
Commissions receivable for currency repo transactions	-	2,386
	<u>-</u>	<u>117,786</u>
To other entities and funds (b):		
Currency repo transactions	45,000	87,200
Commissions receivable for currency repo transactions	717	631
	<u>45,717</u>	<u>87,831</u>
To private sector	<u>9</u>	<u>9</u>
Total	<u>33,394,085</u>	<u>12,004,112</u>

- (b) As of December 31, 2015 and 2014, the Central Bank carried out currency repo transactions with companies of the financial system, under which these companies sold foreign or local currency to the Central Bank in exchange of local or foreign currency and were committed, under the same act, to repurchase the sold currency at a later date at the exchange rate current at the repurchase 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. As of December 31, 2015, these transactions had interest rates which ranged between 2.62 and 6.46 percent, with settlement dates between January 2016 and October 2020 (as of December 31, 2014 they had interest rates between 3.02 and 4.70 percent and settlement dates between February 2015 and July 2016).

Also, as of December 31, 2015, purchase transactions with re-purchase commitment of certificates of deposit (security repo transactions) are held with banks at an average interest rate of 4.72 percent and which settlement date is between January and June 2016 (as of December 31, 2014, security repo transactions were held at an average interest rate of 4.13 percent with settlement dates between January and March 2015).

- (c) As of December 31, 2015 and 2014, the Central Bank held MEF bonds issued in U.S. dollar acquired in the secondary market, which mature between July 2025 and November 2033, and accrue interests at 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, 2015 and 2014, a decrease of S/ 183 million and an increase of S/ 103 million in fair value were recorded in the caption "Fair value reserve" in the statement of financial position.

On the other hand, the Central Bank holds securities issued by the MEF that were received in May 2014 and August 2015 for an amount of S/ 205 and S/ 716 million, respectively, intended to cover losses for the years 2013 and 2014. These securities were issued with a 20 years term at an interest rate of 2.45 and 2.20 percent per annum, respectively, settled at maturity or when the call option is exercised.

As mentioned above, such call and amortization of interest, fees and other expenses incurred by these bonds, will be supported by Central Bank's future profits, see note 1.

- (d) As of December 31, 2015 and 2014, the Central Bank recognized interest income from domestic credit operations for S/ 1,032 million and S/ 274 million, respectively, which are part of the caption "Financial income" in the statement of income and other comprehensive income.



10. PROPERTY, FURNITURE AND EQUIPMENT, NET

(a) The movement of this caption for the years ended December 31, 2015 and 2014 is as follows:

	Land (S/ 000)	Buildings and other construction (S/ 000)	Furniture and office equipment (S/ 000)	Vehicles (S/ 000)	Miscellaneous equipment (S/ 000)	Units in transit (S/ 000)	Total 2015 (S/ 000)	Total 2014 (S/ 000)
Cost								
Balance as of January 1	24,056	162,825	4,903	3,298	79,086	972	275,140	271,633
Additions	-	1,747	84	365	7,213	5,666	15,075	11,455
Transfers	-	970	-	-	2	(972)	-	-
Disposals and other	-	(1,684)	(490)	-	(2,729)	-	(4,903)	(7,948)
Balance as of December 31	<u>24,056</u>	<u>163,858</u>	<u>4,497</u>	<u>3,663</u>	<u>83,572</u>	<u>5,666</u>	<u>285,312</u>	<u>275,140</u>
Accumulated depreciation								
Balance as of January 1	-	61,559	4,328	2,088	52,127	-	120,102	116,005
Depreciation of the year (d)	-	3,052	102	490	7,381	-	11,025	11,121
Disposals and other	-	(663)	(488)	-	(2,669)	-	(3,820)	(7,024)
Balance as of December 31	-	<u>63,948</u>	<u>3,942</u>	<u>2,578</u>	<u>56,839</u>	-	<u>127,307</u>	<u>120,102</u>
Net book value	<u>24,056</u>	<u>99,910</u>	<u>555</u>	<u>1,085</u>	<u>26,733</u>	<u>5,666</u>	<u>158,005</u>	<u>155,038</u>

- (b) As of December 31, 2015 and 2014, the Central Bank keeps fully depreciated properties, furniture and equipment which are still in use for S/ 37 million and S/ 34 million, respectively.
- (c) The Central Bank maintains insurances on its main assets, in conformity with the policies established by Management and the Board of Directors.
- (d) As of December 31, 2015 and 2014, depreciation of property, furniture and equipment amounted to S/ 11 million, and is included in the captions "Operating expenses" for S/ 9 million and "Issuances expenses and costs" for S/ 2 million in the statement of income, notes 22 and 23.
- (e) Management reviews every year whether the carrying amount exceeds the recoverable value of its long-lived assets based on available market information. In 2014, 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. In Management's opinion, there is no evidence of additional impairment of the long-lived assets held by the Central Bank as of December 31, 2015 and 2014.

11. OTHER ASSETS

- (a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Financial instruments		
Contribution to international institutions, (b) and note 17	1,545,477	1,391,603
Interests receivable	106,982	59,773
Accounts receivable from personnel	<u>1,143</u>	<u>1,206</u>
	<u>1,653,602</u>	<u>1,452,582</u>
Non-financial instruments		
Collections (c)	97,231	96,964
Deferred charges (d)	93,729	96,521
Raw material, semi-finished and finished products (e)	76,341	48,272
Advance payments to suppliers	14,691	22,791
Intangibles	2,505	2,618
Silver	1,985	1,987
Other	<u>2,553</u>	<u>2,200</u>
	<u>289,035</u>	<u>271,353</u>
Total	<u>1,942,637</u>	<u>1,723,935</u>

- (b) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Subscribed contribution to FLAR, note 8(c)	612,158	540,192
Subscribed contribution to BIS, note 8(d)	<u>933,319</u>	<u>851,411</u>
Total	<u>1,545,477</u>	<u>1,391,603</u>

- (c) Collections comprise paintings, archaeological pieces, sculptures, numismatic collections of coins and bills and other objects acquired by or donated to the Central Bank and maintained for display.



- (d) Deferred charges mainly comprise the cost of printing bills, which is charged to expenses when such bills are set available for circulation for the first time.
- (e) Raw material comprises the supplies acquired by the Central Bank for the minting of coins, and is valued at average cost. The value of semi-finished and finished products is comprised by the cost of raw material, direct labor and manufacturing overhead.

12. OTHER LIABILITIES ABROAD

- (a) The composition of this caption is as follows:

	2015 (S/ 000)	2014 (S/ 000)
SDR allocations and revaluations to be settled (b)	2,880,264	2,638,482
Allocation in Andean pesos (c)	68,160	59,620
Other	<u>1,605</u>	<u>1,136</u>
Total	<u>2,950,029</u>	<u>2,699,238</u>

- (b) As of December 31, 2015 and 2014, the balance of SDR allocations account is equivalent to SDR 610 million and corresponds to the distribution the IMF made to Peru in proportion to its SDR quota, in accordance to what is stated in the IMF Constitutive Agreement. Balance as of December 31, 2015 and 2014 includes the exchange difference generated by the update of SDR allocations received from the IMF between April 30 and December 31 every year, which amounts to S/ 201 million and S/ 13 million (positive update), respectively.

SDR allocations accrue interests according to the conditions of the Constitutive Agreement. Annual interest rates as of December 31, 2015 and 2014 were 0.05 percent.

- (c) The allocation of Andean pesos corresponds to those delivered by FLAR amounting to 20 million Andean pesos, equivalent to S/ 68 million and 60 million as of December 31, 2015 and 2014, respectively; this allocation does not generate interests, does not have any defined maturity for its settlement, and the counterpart has been recorded as an account receivable in the "Other assets abroad" caption in the statement of financial position.
- (d) During 2015 and 2014, the Central Bank recorded interests for approximately S/ 1 million and S/ 2 million, respectively, corresponding to its liabilities abroad, mainly for the obligations for SDR allocations, which are recorded in the "Financial expenses" caption in the statement of income and other comprehensive income.

13. OUTSTANDING SECURITIES ISSUED

- (a) The composition of this item is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Certificates of deposit (CDBCRP)	15,380,100	15,575,100
Adjustable certificates of deposit (CDRBCRP)	7,249,217	2,627,313
Certificates of deposit at variable rates (CDVBCRP)	160,620	-
Discounts for the sale of CDBCRP, CDRBCRP and CDV BCRP	<u>(245,937)</u>	<u>(291,093)</u>
	<u>22,544,000</u>	<u>17,911,320</u>

- (b) As of December 31, 2015 and 2014, outstanding securities issued comprise mainly certificates of deposit in local currency, which are placed by the auction mechanism

or by direct placement with the purpose of withdrawing liquidity surpluses from the financial system.

CDR BCRP are adjusted due to changes in the exchange rate of U.S. dollar against Peruvian soles, such change is recorded in the caption "Readjustment for valuation article N°89 – Organic Act" in the net equity.

- (c) During 2015 and 2014, the Central Bank registered expenses for interests on outstanding securities issued, for S/ 586 million and S/ 585 million, respectively, which are part of the "Financial expenses" caption in the statement of income.
- (d) As of December 31, 2015 and 2014, certificates of deposits issued by the Central Bank were acquired by:

	2015 (S/ 000)	2014 (S/ 000)
Banks	17,166,337	10,917,513
Banco de la Nación	3,916,500	4,500,000
Deposit Insurance Funds	1,034,600	875,600
Financial companies	316,200	765,400
Mutual funds and pension fund administrators' funds	148,500	664,000
Consolidated Fund of Social Security Reserve	-	218,400
Other entities	207,800	261,500
Subtotal	<u>22,789,937</u>	<u>18,202,413</u>
Discounts for the sale of CDBCRP, CDRBCRP and CDV BCRP	<u>(245,937)</u>	<u>(291,093)</u>
Total	<u>22,544,000</u>	<u>17,911,320</u>

14. DEPOSITS IN LOCAL CURRENCY

- (a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Public sector	23,768,197	28,866,829
Banco de la Nación	6,925,544	7,620,552
Banks	774,300	517,000
Deposits Insurance Fund	444,561	1,033,082
Municipal savings and credit banks	324,225	258,300
Financial companies	13,600	120,506
Rural savings and credit banks	3,145	120,550
Other entities and funds	2,481	323
Total	<u>32,256,053</u>	<u>38,537,142</u>

- (b) As of December 31, 2015 and 2014, deposits in local currency are classified by type of transaction as follows:

	Interest rate %	Maturity	2015 (S/ 000)	2014 (S/ 000)
Current accounts	Between 0 and 2.50	No maturity	15,120,839	7,024,895
Time deposits	Between 2.09 and 3.75	Between January and June 2016	9,934,700	22,832,839
Special deposits (overnight)	2.50	4 days	<u>7,200,514</u>	<u>8,679,408</u>
Total			<u>32,256,053</u>	<u>38,537,142</u>



- (c) During 2015 and 2014, the Central Bank recognized interest on deposits in local currency for S/ 853 million and S/ 1,075 million, respectively, which are recorded in the caption "Financial expenses" of the statement of income.

15. MONETARY BASE

- (a) The composition of this item is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Currency in circulation (b)	48,890,028	47,543,004
Deposits in local currency (c)		
Deposits from banks	1,402,132	3,856,496
Municipal savings and credit banks	433,625	834,076
Deposits from Banco de la Nación	350,000	1,250,000
Deposits from financial institutions	191,554	233,825
Rural savings and credit banks	24,029	147,517
Other	115	30
	<u>2,401,455</u>	<u>6,321,944</u>
Total	<u>51,291,483</u>	<u>53,864,948</u>

- (b) Composition of currency in circulation is as follows:

	2015		2014	
	Units	S/ (000)	Units	S/ (000)
Denomination S/ 10	131,216,513	1,312,165	124,924,882	1,249,249
Denomination S/ 20	133,330,245	2,666,605	128,148,595	2,562,972
Denomination S/ 50	122,874,401	6,143,720	118,543,883	5,927,194
Denomination S/ 100	333,471,851	33,347,185	324,395,124	32,439,512
Denomination S/ 200	16,264,260	<u>3,252,852</u>	16,947,954	<u>3,389,591</u>
Subtotal		<u>46,722,527</u>		<u>45,568,518</u>
Denomination S/ 0.01	353,837,976	3,538	353,931,690	3,539
Denomination S/ 0.05	422,218,589	21,111	393,932,705	19,697
Denomination S/ 0.10	1,297,993,397	129,799	1,205,678,761	120,568
Denomination S/ 0.20	350,789,265	70,158	319,882,684	63,977
Denomination S/ 0.50	418,733,582	209,367	393,672,782	196,836
Denomination S/ 1.00	712,660,956	712,661	621,072,028	621,072
Denomination S/ 2.00	143,623,636	287,247	131,372,828	262,746
Denomination S/ 5.00	146,379,551	<u>731,898</u>	136,867,462	<u>684,337</u>
Subtotal		<u>2,165,779</u>		<u>1,972,772</u>
Commemorative coins		<u>1,722</u>		<u>1,714</u>
Total		<u>48,890,028</u>		<u>47,543,004</u>

- (c) As of December 31, 2015 and 2014, corresponds to deposits in local currency of the financial entities subject to reserve requirements in the national financial system. Such funds are intended to cover the amount of reserves required by the Central Bank for obligations subject to reserve requirements in local currency which do not have maturity.

Additionally, the amount of reserve requirements may be covered with cash in local currency, note 16(a), and in cash of the entity subject to reserve requirements.

The required reserve comprises minimum reserve requirements, which, as of December 31, 2015 and 2014, had a rate of 6.5 and 9 percent, respectively, for obligations subject to reserve requirements in local currency, and additional reserves, which is the part of the required reserves that exceeds the legal minimum reserve requirements. As of December 31, 2015, additional reserve requirements in local currency are chargeable only for those entities that exceed the limits for sale of foreign currency through forwards and swaps.

Obligations subject to reserve requirements are classified in two regimes: general and special. As of December 31, 2015, reserve requirements funds corresponding to the additional reserve of the general regime and special regime, that were deposited in the Central Bank and earned interests at an annual rate of 0.4694 percent, equivalent to the rate of remuneration of overnight deposits at the Central Bank minus 195 basis point (as of December 31, 2014, the rate was 0.35 percent equivalent to the rate of remuneration of overnight deposits at the central Bank minus 195 basis point).

On November 30, 2014, the Central Bank issued Circular Letter N°039-2014-BCRP related to the provisions for reserve requirements in local currency, under which the reserve ratio and minimum fund requirements in the current accounts of the Central Bank were reduced. The purpose of these measures was to provide pertinent liquidity in local currency to continue promoting the structured evolution of credit.

On November 4, 2015, the Central Bank issued Circular No. 040-2015-BCRP, related to the provisions for reserve requirements in local currency, under which it was established that the spot transactions within the limits for foreign currency sales operations through forwards and swaps, do not include those with related companies that have the condition of an entity subject to reserve requirements.

16. DEPOSITS IN FOREIGN CURRENCY

- (a) The composition of this caption is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Banks (b)	45,109,953	36,073,782
Public sector (c)	46,351,036	35,531,690
Other financial system institutions (b)	881,544	527,195
Financial companies (b)	674,081	707,180
Banco de la Nación (b)	279,092	431,041
Other entities and funds	299,906	73,035
Total	<u>93,595,612</u>	<u>73,343,923</u>

- (b) As of December 31, 2015 and 2014, correspond to deposits in foreign currency made by entities subject to reserve requirements in the national financial system. Such funds are intended to cover the amount of reserves required by the Central Bank for obligations subject to reserve requirements in foreign currency which do not have maturity.

The required reserve comprise minimum reserve requirements, which as of December 31, 2015 and 2014, had a rate of 9 percent for the obligation subject to reserve requirements in foreign currency, and additional reserves, which is the part of the reserves required that exceeds the legal minimum reserve requirements. As of December 31, 2015, the additional reserve rate in foreign currency fluctuated between 27 and 35 percent (between 35 and 36 percent as of December 31, 2014).



As of December 31, 2015, the reserve funds corresponding to the additional reserves of the general and special regimes that were deposited in the Central Bank accrued interests at annual rates of 0.0897 percent, equivalent to 25 percent of the annual average 1-month LIBOR (as of December 31, 2014, such rate was 0.0409 percent).

On November 30, 2014, the Central Bank issued Circular N°040-2014-BCRP related to the provisions for reserve requirements in foreign currency, under which the reserve ratio applicable to indexed obligations were reduced in order to make the same considerations for the obligations in local currency.

On November 4, 2015, the Central Bank issued Circular No. 041-2015-BCRP, under which it is allowed to reduce the reserve requirements in foreign currency through the use of currency repos under the expansion scheme, as the additional reserve requirements in foreign currency become more demanding if credit balances in that currency are not reduced. These measures are intended to promote de-dollarization of credit in foreign currency and the growth of credit in local currency.

- (c) As of December 31, 2015 and 2014, deposits in foreign currency of the public sector entities are denominated in U.S. dollar, comprise mainly contracts subscribed with the General Direction of the Public Treasury of the MEF, which establishes the conditions for the reception of the deposits from said entity. As of December 31, 2015, such deposits correspond to demand and time deposits, which accrued interests at an effective annual rates between 0.07 and 0.47 percent (as of December 31, 2014, the effective annual rates ranged between 0.02 and 0.275 percent). Time deposits have maturities between January and October 2016 (as of December 31, 2014, between January and November 2015).
- (d) During 2015 and 2014, the Central Bank recognized interests on deposits in foreign currency amounting to S/ 90 million and S/ 57 million, respectively, which are included in the "Financial expenses" caption in the statements of income and other comprehensive income.

17. OTHER LIABILITIES

- (a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Financial liabilities		
Re-sale commitment of foreign currency, note 9(b)	29,638,588	8,836,703
Contribution subscribed to international organizations pending payment, notes 8(c) and (d) and note 11(b)	1,545,477	1,391,603
Interest and commissions payable	810,872	486,871
Deposits Insurance Fund	127,224	2,642
Accounts payable	6,639	5,847
Fund for diseases, insurance and pension of Central Bank employees	2,984	6,409
	<u>32,131,784</u>	<u>10,730,075</u>
Non-financial liabilities		
Actuarial liability (b)	154,910	147,948
Other provisions	37,769	35,452
Other	5,918	6,701
	<u>198,597</u>	<u>190,101</u>
Total	<u>32,330,381</u>	<u>10,920,176</u>

- (b) As of December 31, 2015 and 2014, includes the allowance for the actuarial obligation corresponding to the subvention of supplemental retirement pensions, widowhood, burial subsidy and reserve of current risks of healthcare services calculated by an actuary, deducting the value of net assets of the Fund, note 2.2(n).

The Fund is a private legal entity incorporated by Law Decree N°7137, which is intended to provide assistance to the Central Bank's active and retired employees; as well as to their spouses, children and parents, as established in its regulations. This assistance is additional to social security benefits and other social benefits granted by Law (ESSALUD, National Pension System - Decree Act N°19990, and the Private Pensions System). According to IAS 19 – Employee Benefits, the aforementioned assistance correspond to a defined benefits plan.

As of December 31, 2015 and 2014, 15.3 and 25.9 percent of the Fund's assets, respectively, are deposited in the Central Bank, which accrued interests at an annual effective rates of 4.80 and 4.39 percent, respectively, and the difference which has been granted as loans to the Central Bank's employees is directly discounted from the payroll.

The net expense recognized in the statements of income and other comprehensive income for employee benefits is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Variation of the net assets of the Fund	3,731	3,723
Variation of reserves calculated by the actuary	15,296	23,274
Balance at the end of the period	<u>19,027</u>	<u>26,997</u>

As of December 31, 2015 and 2014, the caption "Expense for actuarial allowance" in the "Operative expenses" of the statement of income includes the expense of the actuarial reserve that amounts to S/ 19 million and S/ 27 million, respectively, note 22.

As of December 31, 2015 and 2014, the movement in provision for actuarial obligation for retired and active employees of the Central Bank is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Balance at the beginning of the year	147,948	132,500
Transfers to the Fund during the year (i)	(12,065)	(11,549)
Allowance for employee benefit plans	19,027	26,997
Balance at the end of the year	<u>154,910</u>	<u>147,948</u>

- (i) In January 2015 and 2014 the Central Bank's Board authorized the transfer to the Fund for Disease, Insurance and Pensions for Central Bank's Employees of S/ 33.7 million for each year. During year 2015, from the amount indicated above, S/ 12.1 million were used to pay pensions of retired personnel, that generated a decrease in the actuarial liability by the same amount (S/ 11.6 million during fiscal year 2014) and S/ 20.5 million were transferred to the Fund for health expenses of active personnel increasing the balance of "operating expenses" account (S/ 21.0 million during fiscal year 2014), see note 22; and approximately S/ 1.1 million was transferred for health expenses of National Mint (CNM) personnel, which were recognized in cost of coins issued (S/ 1.1 million during fiscal year 2014).

The main categories of the assets of the plan as a percentage of the fair value of the total assets of the plan are as follows:



	<u>2015</u> (%)	<u>2014</u> (%)
Deposits in Central Bank	15.3	25.9
Accounts receivable from employees	<u>84.7</u>	<u>74.1</u>
Total	<u>100.0</u>	<u>100.0</u>

The main hypothesis used when determining the actuarial liability for employee benefit plans are shown below:

	<u>2015</u>	<u>2014</u>
Discount rate	6.00%	6.00%
Increase of pensions	1.30%	7.10%
Increase of burial subsidy	9.70%	0.60%
Increase of health services	4.10%	16.30%
Average period of amortization of pensions	9.57	9.59
Retired employees as of the date of financial statements:		
Men	921	916
Women	603	594

The following chart presents the sensibility of the actuarial assumptions in the results of the Central Bank:

Year	Increase / decrease of the discount rate	Effect in reserves from the period
	bps	S/ 000
2015	50	(5,914)
	-50	6,364
2014	50	(5,698)
	-50	6,126
	Increase / decrease of life expectancy	Effect in reserves from the period
	Years	S/ 000
2015	+1	3,588
	-1	(3,768)
2014	+1	(3,706)
	-1	3,414

18. NET EQUITY

(a) Capital

As of December 31, 2015 and 2014, authorized capital of the Central Bank, subscribed and paid-in by the Peruvian State in accordance with law, amounts to S/ 1,183 million.

Capital is not represented by shares, and its value is only disclosed in the capital account in the statement of financial position. Likewise, through a Supreme Decree countersigned by MEF the Central Bank authorized capital may be readjusted.

(b) Reserves***Legal reserve***

According to the article N°92 of its Organic Act, the Central Bank must distribute its net income annually as follows: (i) 25 percent for the Public Treasury and (ii) 75 percent for the constitution and increase up to 100 percent of its capital of a reserve which, preferably, will be used for capitalization. During 2015 and 2014, the Central Bank has made no capitalization of reserves.

Special statutory reserve

According to article N°63 of the Central Bank Bylaw, the surplus generated by the application of article N°92 of the Organic Act shall be destined to the constitution of a special reserve.

According to the established by article N°93 of the Organic Act on March 25, 2014, after the approval of 2013 financial statements the statutory reserve was applied to cover part of the loss of such year for S/ 688 million.

(c) Fair value reserve

As of December 31, 2015 and 2014 the caption is made up as follows:

	<u>2015</u> (S/ 000)	<u>2014</u> (S/ 000)
Net loss for the fluctuation of:		
Securities from international institutions, note 6(a)	(1,263,840)	(1,128,524)
Bonds issued by MEF, note 9(c)	(350,979)	(167,581)
Structured bonds, note 6(a)	(8)	(1,166)
Balance at the end of the year	<u>(1,614,827)</u>	<u>(1,297,271)</u>

(d) Retained earnings

Article N°93 of the Organic Act indicates that in case of losses, the reserve shall be applied to offset them; if said amount 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 that accrue interests.

In this sense, the loss for the year 2014 was covered with bonds and a promissory note issued by the MEF described in note 1. The loss for the year 2013 was covered by the special statutory reserve according to what was described in paragraph (b) above as well as bonds and a promissory note issued by the MEF described in note 1.

(e) Readjustment for valuation article N°89 - Organic Act

In accordance with the accounting policies approved by the Board of Directors based on article N°89 of the Central Bank's Organic Act, the exchange rate differences that result from the valuation in local currency of assets and obligations of the Central Bank in gold, silver, currencies, SDR or other monetary units of international use, are debited or credited in this account but not considered as gains or losses of the period, note 2.2 (e).

The movement of this item as of December 31, 2015 and 2014, is as follows:



	2015 (S/ 000)	2014 (S/ 000)
Balance at the beginning of the year	3,237,268	(476,920)
Plus (less):		
Valuation of U.S. dollar	8,595,430	4,526,291
Valuation of other currencies	356,260	(1,687,151)
Valuation of metals (gold and silver)	90,217	192,891
Valuation of IMF contribution and obligations	(241,772)	(21,766)
Valuation of derivatives and other operations related to exchange rate	(2,377,503)	707,931
Valuation of other	(7,665)	(4,008)
Balance at the end of the year	<u>9,652,235</u>	<u>3,237,268</u>

19. TAX SITUATION

In accordance with the Income Tax Law, entities of the national governmental sector are not subject to income tax. The Central Bank, as a withholding agent, is only subject to the fourth and fifth-category income taxes, and to social contributions.

The Tax authority is entitled to review and, if necessary, amend the taxes calculated by the Central Bank during the last four years, counted as from the date of filing of the related tax returns. The tax and contribution returns for the years 2011 through 2015, inclusive, are open to fiscal review. Since discrepancies may arise over the interpretation by the Tax Authority of the rules applicable to the Central Bank, to date it is not possible to foresee whether any additional tax liabilities will arise as a result of eventual reviews of the financial statements. Therefore, any additional taxes, fines and interest, arising from such reviews, will be recognized in the income (loss) for the year when the disagreement with Tax Authority is resolved. The Central Bank's Management and internal legal advisors consider no significant ultimate liabilities will arise as a result of any possible fiscal reviews for financial statements as of December 31, 2015 and 2014.

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, 2015 and 2014, it is not necessary to record a provision for possible losses as a result of these legal contingencies.

21. OFF – BALANCE SHEET ACCOUNTS

(a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Bills and coins in stock (b)	52,273,808	56,272,785
Foreign exchange swap operations, (c) and note 2.2(t)	53,294,872	33,124,890
Forward transactions (d)	28,539,573	24,191,363
Future transactions (e)	3,074,016	3,176,598
Securities held in custody (f)	1,924,502	1,753,106
Other	371,853	351,882
Total	<u>139,478,624</u>	<u>118,870,624</u>

- (b) As of December 31, 2015 and 2014, the bills and coins that the Central Bank holds in its vaults, which are not in circulation, are as follows:

	2015 (S/ 000)	2014 (S/ 000)
New	47,443,690	51,680,000
To be classified	2,435,173	2,504,885
Available	2,198,193	1,973,793
To be incinerated and/or melted	191,081	113,478
In transit	5,671	629
Total	<u>52,273,808</u>	<u>56,272,785</u>

The movement of the account of bills and coins in inventory for the year ended December 31, 2015 and 2014 has been as follows:

	2015 (S/ 000)	2014 (S/ 000)
Balance at the beginning of year	56,272,785	24,726,199
Acquisition of bills and coins	6,805,206	45,462,258
Destruction of bills and coins	(9,457,159)	(8,902,856)
Removal of circulation, net of income	(1,347,024)	(5,012,816)
Balance at the end of year	<u>52,273,808</u>	<u>56,272,785</u>

- (c) As of December 31, 2015, the Central Bank had 106 operations denominated "currency swaps" with banking entities in which the notional amount in soles in favor of the Central Bank is S/ 26,352 million and the counterpart in favor of banking entities is US\$ 7,906 million (S/ 16,473 million and US\$ 5,586 million, respectively, as of December 31, 2014). The maturity of these operations is between January and April 2016 (between January and June 2015 as of December 31, 2014) and the interest rate on the notional in soles equals the capitalization of the Cumulative Overnight Interbank Operations Index (ION for its Spanish acronym), calculated and published by the Central Bank, which as of December 31, 2015 is 4.21 percent (3.55 percent as of December 31, 2014). As of 31 December 2015, the average interest rate in US dollars determined by auction amounted to 0.60 percent.

As of 31 December 2015, the Central Bank recognized income and expenses due to interests paid and received on exchange swap for S/ 854 and S/ 0.8 million, which are part of the item "Other financial income" and "Other financial expenses" of the income statement, respectively (as at 31 December 2014 recognized revenues of S/ 88 million and expenses of S/ 0.7 million). Also, in those dates the Central Bank recognized the effect of the variation of the exchange rate on the notional amount committed in US dollars as a debit to the "Valuation readjustments as per Article N° 89 - Organic Law " in equity, by S/ 3.092 million and S/ 291 million, respectively, corresponding to financial entities.

- (d) As of December 31, 2015 and 2014, corresponds to the reference value (nominal amount committed) of the forward exchange transactions maintained by the Central Bank for trading purposes. As of December 31, 2015, the Central Bank maintains 38 forward operations, which maturities are between January and August 2016 (as of December 31, 2014 corresponds to 35 forward operations which maturities were between January and May 2015). Likewise, as of December 31, 2015 the valuation of said instruments generated an asset for an amount of S/ 290 million (S/ 692 million as of December 31, 2014), which was recorded as a part of the caption "Other available assets" and a liability



for an amount of S/ 46 million (S/ 4 million as of December 31, 2014), which was recorded under the caption of "Reserve liabilities". Said valuation was recorded against the caption "Readjustment for valuation article N°89 - Organic Act" of the net equity.

As of December 31, 2015 and 2014, the nominal values of the forward transactions according to the currency are as follows:

	2015 (S/ 000)	2014 (S/ 000)
Purchase of U.S. dollar / sale of other currencies	14,228,603	9,903,079
Sale of Sterling pound / purchase of other currencies different from the sol	5,922,331	539,133
Sale of Canadian dollar / purchase of other currencies different from the sol	3,948,088	-
Sale of Japanese yen / purchase of other currencies different from the sol	2,256,831	7,685,900
Sale of Australian dollar / purchase of other currencies different from the sol	1,369,259	-
Sale of Norwegian crown / purchase of other currencies different from the sol	654,821	-
Purchase of Australian dollar / sale of other currencies different from the sol	159,640	242,287
Purchase of Euro / sale of other currencies different from the sol	-	2,307,024
Sale of Euro / purchase of other currencies different from the sol	-	3,513,940
Total	<u>28,539,573</u>	<u>24,191,363</u>

- (e) As of December 31, 2015 and 2014, corresponds to the reference value (nominal amount committed) of future transactions, maintained by the Central Bank for trading purposes, which are managed directly by the BIS, according to guidelines approved by the Central Bank. As of December 31, 2015 the Central Bank maintains 1,110 contracts of price future transactions which underlying assets are bonds of the United States Treasury issued in U.S. dollars (1,538 contracts of future transactions which underlying assets are bonds of the United States Treasury and bonds of the German Government issued in Euro, as of December 31, 2014), and which maturities are between March 2016 and June 2018 (between March 2015 and December 2016, as of December 31, 2014). Likewise, the estimated fair value, provided by the BIS, generated an asset for an amount of S/ 820,000 (S/ 1,059,000 as of December 31, 2014), which was recorded under the caption "Other available assets" and a liability for an amount of S/ 453,000 (S/ 546,000 as of December 31, 2014), which was recorded under the caption "Reserve liabilities". Such valuation was recorded in the caption "Net yield on securities" of the statements of comprehensive income.
- (f) As of December 31, 2015 and 2014, securities in custody included mainly guaranteed promissory notes for operations with the IMF.

22. OPERATING EXPENSES

- (a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Remunerations and social benefits, note 24	161,013	156,995
Administrative expenses (b)	51,540	49,252
Employees fund	20,457	20,989
Expense for actuarial allowance, note 17(b)	19,027	26,997
Depreciation, note 10(d)	8,619	8,658
Amortization	1,076	2,894
Other	4,753	4,129
Balance at the end of the year	<u>266,485</u>	<u>269,914</u>

- (b) As of December 31, 2015 and 2014, corresponds mainly to the expenses of public services, maintenance, vigilance, advisories, data supplies, and other.

23. EXPENSES AND COST OF ISSUANCE

	2015 (S/ 000)	2014 (S/ 000)
Cost of production of coins issued	55,452	51,622
Expenses for printing of bills issued	24,786	36,660
Expenses for transporting bills and coins	<u>2,033</u>	<u>95</u>
Total	<u>82,271</u>	<u>88,377</u>

24. PERSONNEL EXPENSES AND SOCIAL OBLIGATIONS

	2015 (S/ 000)	2014 (S/ 000)
Salaries	90,119	86,735
Legal gratifications and vacations	28,262	28,908
Bonuses and assignments	17,759	18,200
Severance compensations	10,012	9,446
Social security	9,413	9,084
Training	2,590	1,946
Other	<u>2,858</u>	<u>2,676</u>
Total	<u>161,013</u>	<u>156,995</u>

25. RISK ASSESSMENT

Due to the nature of its activities, the Central Bank is exposed to liquidity, credit, exchange and interest rate, and operational risks. The aim of the risk management program of the Central Bank is to minimize potential adverse effects on its financial performance.

The Bank's statements of financial position mostly comprise financial instruments, as described in note 2.2(b). International reserves are a relevant component of such instruments (represents 84.8 and 92.2 percent as of December 31, 2015 and 2014, respectively) and reserve management adheres to the principles of security, liquidity and profitability indicated in article N°71 of its Organic Act. International reserves contribute to the country's economic and financial stability insofar as they guarantee availability of foreign exchange in extraordinary situations, such as in the case of an eventual significant withdrawal of foreign currency deposits from the national financial system or temporary external shocks which could cause imbalances in the real sector of the economy and feedback expectations. Likewise, a suitable availability of currency contributes to the reduction of the country risk and to the improvement of Peru credit ratings, which results in better conditions for obtaining foreign credits on the part of the private and public Peruvian companies and, also contributes to the expansion of foreign investment in the country.

The Central Bank's reserve management policy prioritizes the preservation of capital and guaranteeing the liquidity of reserves. Once these conditions are met, yield is to be maximized.

The management of international assets is closely related to the origin and characteristics of the Central Bank's liabilities in terms of amount, currency, term, and volatility. The Central Bank seeks to minimize in this way the market risks that may affect the value and availability of the resources managed by the Central Bank.



The Central Bank's Management is well aware of the existing market conditions and, on the basis of its knowledge and experience; it controls the aforementioned risks, following the policies approved by the Board. The most important aspects for risk management are the following:

(i) 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 in its investment policy a distribution in sections of the investment portfolio. Such portfolio is divided as follows:

- Immediate availability section: Includes very short-term investments mainly to face obligations with local banks and unforeseen events.
- Intermediation and liquid sections: Correspond to deposits in foreign currency made by financial entities (mainly for reverse requirement obligations) and public sector in the Central Bank. 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.

(ii) Credit risk

Refers to the possibility that a counterpart is not able to timely meet an obligation with the Central Bank. In order to face this risk, investments are diversified into:

- Deposits in first-class foreign banks, according to the capital involved and to short-term and long-term risk ratings assigned by the main international risk rating agencies, such as Standard & Poor's, Moody's and Fitch.
- Fixed income securities issued by international organizations or foreign public organizations. As of December 31, 2015 and 2014 these securities must be long-term bonds assigned with one of the five highest ratings from the more than twenty long-term ratings assigned by risk rating agencies.
- Investments in private debt bonds are not allowed.

The magnitude and concentration of the Central Bank's exposure to credit risk can be obtained directly from the statement of financial position, which describes the size and composition of the Central Bank's financial assets.

Based on the obtained risk ratings and analysis of Management, as of December 31, 2015 and 2014, the Central Bank has no exposure in countries or entities with debt problems that may pose a credit risk due to the deterioration of investments.

(iii) Exchange rate risk

This risk can be defined as the risk to which the Central Bank is exposed due to fluctuations in the value of financial assets and liabilities arising from changes in exchange rates. The magnitude of the risk depends on:

- The imbalance between the Bank's assets and liabilities in foreign currency.

- The exchange rate of transactions in foreign currency pending at the close of the business day.

The Central Bank assets are mostly invested in U.S. Dollars, which reflects both the denomination of liabilities in foreign currency (mainly reserve requirements and special resident deposits) and the currency used by the Central Bank for intervention in the domestic foreign exchange market. The composition by currency of the balances in foreign currency is detailed in note 3.

(iv) Interest rate risk

This risk is associated with unexpected movements in the market yield rates of the portfolio's fixed income assets, which could affect the market value of investments before their maturity. The longer the maturity period of investments, the greater the impact of changes in the yield on the market value of such investments. The measure of such impact is reflected in the duration of the portfolio, which reflects risk-return preferences of the Board of Directors.

The Central Bank faces 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 magnitude of the risk depends on:

- The relevant interest rate of financial assets and liabilities; and
- The maturity structure of the Central Bank's portfolio of financial instruments.

(v) Operational 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.

Operational risks of the Central Bank are classified by: 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:

- Mapping of its processes; that is, identifying activities that support a process.
- Identification of risks and controls; which consist in identifying risks in activities and controls applied to mitigate them.
- Quantification of risks and proposal of control measures, as needed in order to control the risks.

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



operational 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 estimated market value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured under the assumptions that market participants would use to value the asset or liability, assuming that market participants act in their best economic interest.

When a financial instrument is traded on an active and liquid market, its price is stipulated by said market through real transactions that offers the best evidence of its fair value. When a price is not stipulated in the market, or cannot be an indicative of the fair value of the instrument to determine said fair value, one can use either the market value of a similar instrument, the analysis of discounted flows or other applicable techniques, which may be affected in a significant way by the assumptions made. Management has used its best judgment in the estimation of the fair values of its financial instruments. Fair value may not be an indicative of the net realizable value or the liquidation value of said instruments.

The methodologies and assumptions applied to determine the estimated market values as of December 31, 2015 and 2014, in all cases applicable according to the Central Bank's policies, depend on the terms and risk characteristics of the diverse financial instruments, as detailed below:

- (a) Cash in foreign currency and deposits in foreign banks represent cash and up to 90 days bank deposits, respectively, which do not represent significant credit risks or interest rate risks.
- (b) The book value of securities issued by international entities classified as available-for-sale investments corresponds to their estimated market value.
- (c) The book value of securities issued by international entities classified as held-to-maturity investments corresponds to their amortized cost using the effective interest rate method, except for those acquired at its nominal value. In accordance with the accounting policies of the Central Bank the market value of these investments is not disclosed. Investments with embedded derivatives are carried out at fair value.
- (d) The book value of gold corresponds to its market value.
- (e) The value of the contributions to international organizations and of deposits in international organizations is considered to correspond to their fair values because they represent the amount the Bank would receive if it withdrew its membership from said organizations. Additionally, contributions to international organizations cannot be traded with third parties. These contributions generate interest rates that depend on their market risk.
- (f) Securities in circulation generate interests at fixed and variable rates according to the respective issuance.
- (g) Deposits in local and foreign currency generate interests at fixed and variable rates which are fixed in periods under a year by the Central Bank.

- (h) The book value of bills and coins maintained by the Central Bank as part of the “Monetary base” caption correspond to their market value because it represents the currency in circulation in the Peruvian economy.

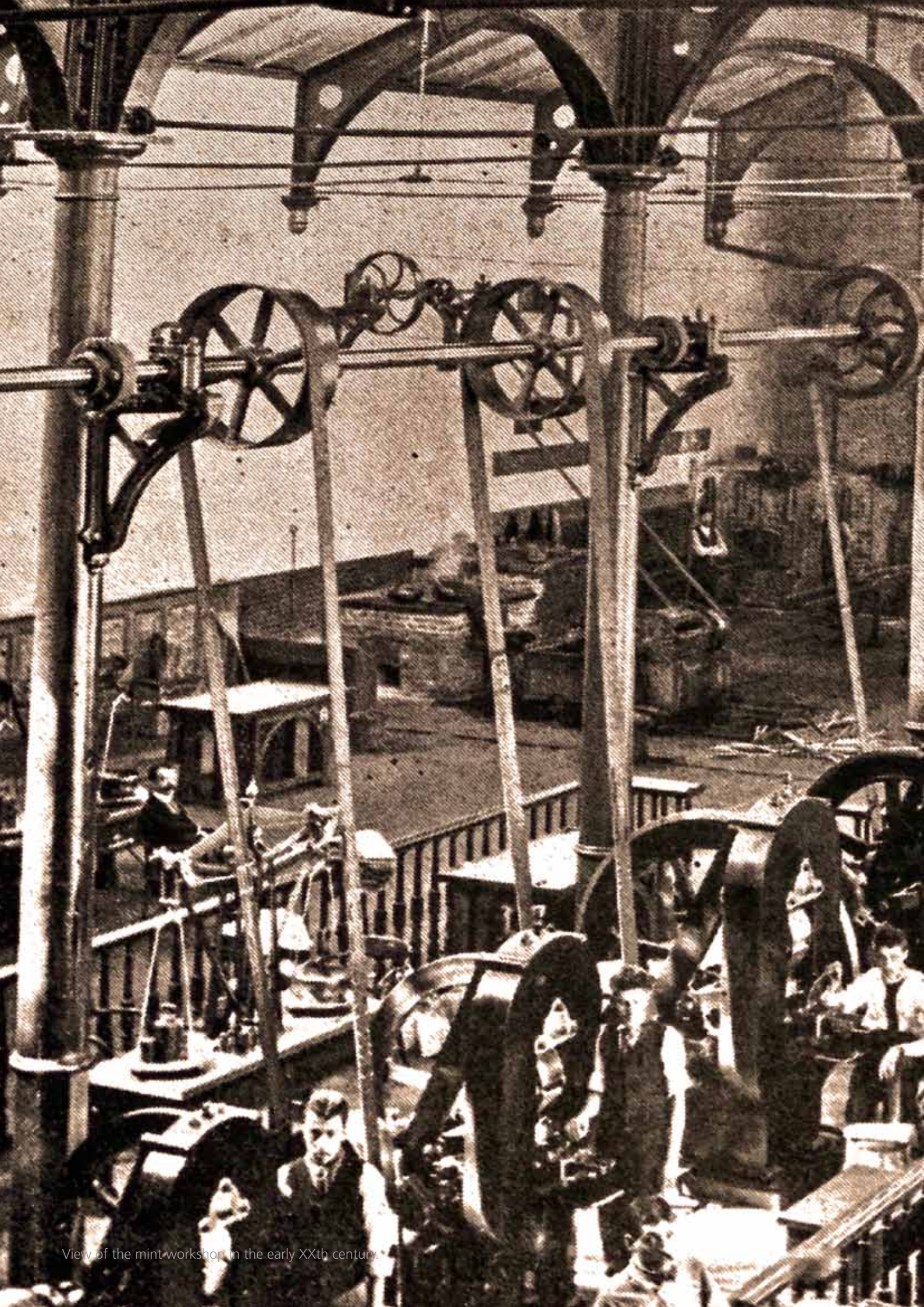
Consequently, as of December 31, 2015 and 2014, the Central Bank’s Management considers that the estimated fair values of the financial instruments of the Central Bank do not differ significantly from their book values, except for what is indicated in paragraph (c) above.

27. SUBSEQUENT EVENTS

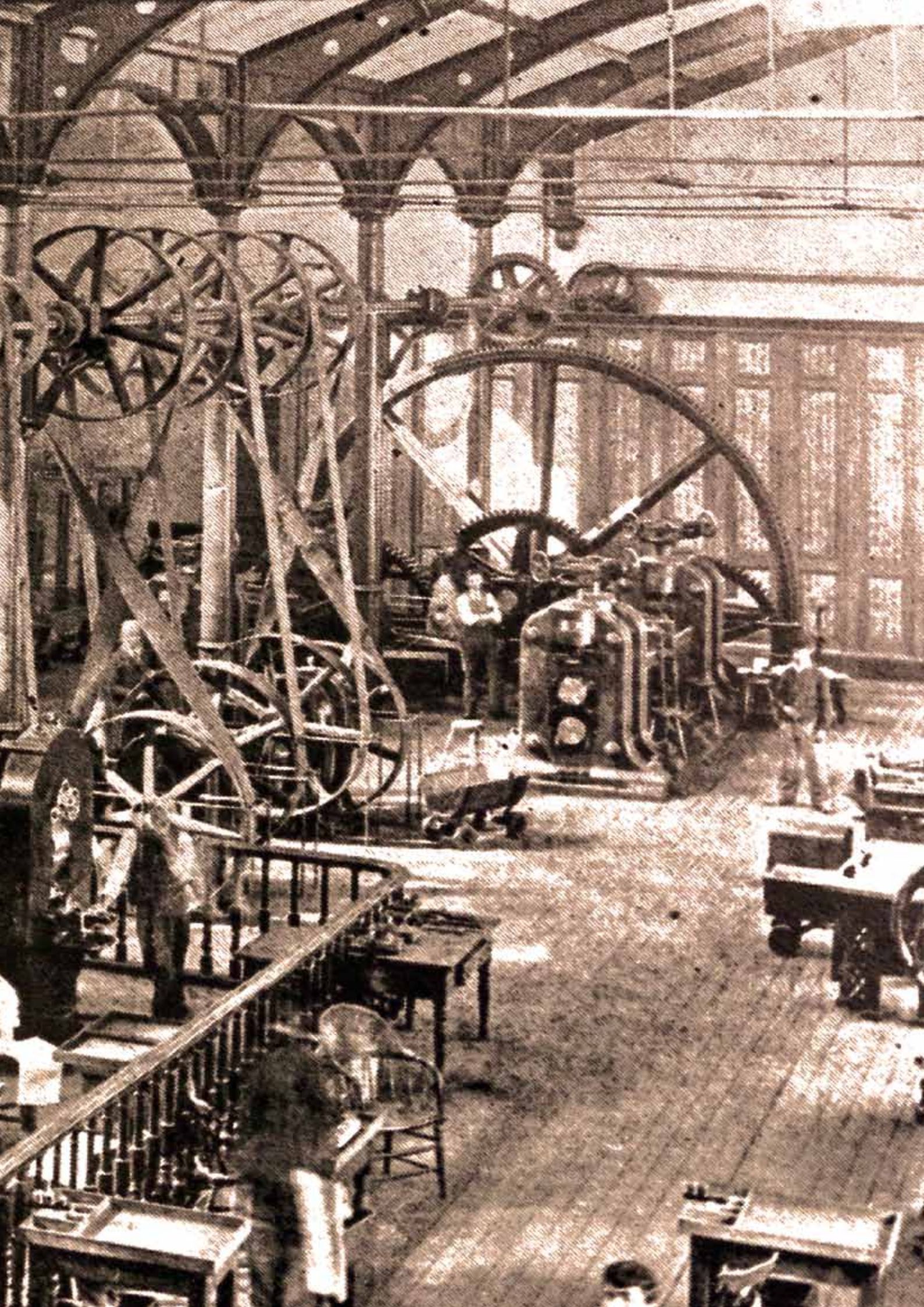
Management is not aware of subsequent events that occurred between the closing date and the issuance date of these financial statements, which could significantly affect them, except for the increase in the contribution to the IMF due to Peru’s quota increase in that organization, recorded in February 2016, see note 8 (b).

28. EXPLANATION ADDED FOR ENGLISH TRANSLATION

The accompanying translated financial statements were originally issued in Spanish and are presented on the basis of accounting principles approved by the Central Bank Board, described in note 2. Certain accounting principles applied by the Central Bank that conform to accounting principles approved by the Central Bank Board may differ in certain respects to generally accepted accounting principles in other countries. In the event of discrepancy, the Spanish language version prevails.



View of the mint workshop in the early XXth century.





Modern minting machine.

APPENDICES



Appendix 1
GROSS DOMESTIC PRODUCT
(Million soles at 2007 prices)

Year	Gross Domestic Product 1/ (1)	Population 2/ (Thousand) (2)	GDP Per capita (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)				
1922	13,308	4,790.6	2,778.0	7.1	1.5	5.5	75.4	32.0	43.4	
1923	14,084	4,861.1	2,897.3	5.8	1.5	4.3	104.5	46.8	57.8	
1924	15,428	4,933.7	3,127.0	9.5	1.5	7.9	105.3	58.2	47.1	
1925	15,804	5,008.4	3,155.4	2.4	1.5	0.9	93.7	58.3	35.4	
1926	17,356	5,084.9	3,409.5	9.7	1.5	8.0	98.2	58.0	40.2	
1927	17,727	5,163.4	3,433.2	2.3	1.5	0.7	107.6	57.9	49.7	
1928	18,743	5,244.2	3,574.1	5.7	1.6	4.1	110.5	55.6	55.0	
1929	20,727	5,327.1	3,890.8	10.6	1.6	8.9	117.1	60.7	56.4	
1930	18,612	5,412.6	3,438.7	-10.2	1.6	-11.6	69.4	33.0	36.4	
1931	17,539	5,500.4	3,188.7	-5.8	1.6	-7.3	55.0	22.8	32.2	
1932	17,155	5,590.5	3,068.6	-2.2	1.6	-3.8	38.1	13.0	25.1	
1933	18,751	5,682.9	3,299.5	9.3	1.7	7.5	48.4	16.2	32.2	
1934	21,001	5,777.9	3,634.7	12.0	1.7	10.2	70.3	31.6	38.7	
1935	22,871	5,875.2	3,892.8	8.9	1.7	7.1	73.7	34.6	39.2	
1936	24,029	5,975.1	4,021.5	5.1	1.7	3.3	83.5	39.9	43.6	
1937	24,602	6,077.5	4,048.1	2.4	1.7	0.7	92.3	47.5	44.8	
1938	25,211	6,182.2	4,078.0	2.5	1.7	0.3	76.5	46.6	30.0	
1939	25,721	6,289.3	4,089.7	2.0	1.7	0.3	71.3	38.2	33.0	
1940	26,430	6,398.6	4,130.6	2.8	1.7	1.0	65.8	41.3	24.4	
1941	26,787	6,509.7	4,114.9	1.3	1.7	-0.4	76.0	44.0	32.0	
1942	26,231	6,622.7	3,960.8	-2.1	1.7	-3.7	76.1	41.7	34.5	
1943	26,937	6,738.2	3,997.6	2.7	1.7	0.9	70.8	55.3	15.5	
1944	29,142	6,856.4	4,250.3	8.2	1.8	6.3	84.2	63.3	20.9	
1945	30,539	6,978.0	4,376.4	4.8	1.8	3.0	103.8	67.7	36.1	
1946	32,495	7,101.9	4,575.5	6.4	1.8	4.5	151.3	98.7	52.6	
1947	33,554	7,228.1	4,642.2	3.3	1.8	1.5	154.3	134.4	19.9	
1948	34,838	7,357.6	4,734.9	3.8	1.8	2.0	162.4	134.2	28.2	
1949	37,699	7,492.0	5,032.0	8.5	1.8	6.3	154.5	133.7	20.8	
1950	40,920	7,632.5	5,361.3	8.2	1.8	6.2	198.4	149.3	49.1	
1951	44,711	7,826.3	5,712.9	9.3	1.9	6.6	259.1	223.0	36.0	
1952	47,347	8,025.7	5,899.4	5.9	2.5	3.3	245.7	257.2	-11.6	
1953	50,085	8,232.2	6,084.1	5.8	2.5	3.1	228.3	257.5	-29.2	
1954	52,762	8,447.0	6,246.2	5.3	2.6	2.7	254.3	225.4	28.9	
1955	55,858	8,671.5	6,441.5	5.9	2.7	3.1	281.2	294.6	-13.4	
1956	58,484	8,904.9	6,567.6	4.7	2.7	2.0	320.2	342.5	-22.3	
1957	62,371	9,146.2	6,819.4	6.6	2.7	3.8	331.5	402.1	-70.7	
1958	61,706	9,396.7	6,566.8	-1.1	2.7	-3.7	291.8	344.7	-52.8	
1959	63,653	9,657.8	6,590.8	3.2	2.8	0.4	322.6	280.5	42.1	
1960	69,946	9,931.0	7,043.2	9.9	2.8	6.9	444.3	341.0	103.4	
1961	75,085	10,217.5	7,348.7	7.3	2.9	4.3	510.2	428.6	81.5	
1962	82,620	10,516.5	7,856.3	10.0	2.9	6.9	478.4	478.4	0.0	
1963	86,196	10,825.8	7,962.1	4.3	2.9	4.9	555.1	517.9	37.2	
1964	91,840	11,143.4	8,241.6	6.5	2.9	3.5	684.6	517.9	166.8	
1965	97,003	11,467.2	8,459.2	5.6	2.9	2.6	684.6	659.7	24.9	
1966	104,595	11,796.3	8,900.7	8.2	2.9	5.2	788.5	811.2	-22.7	
1967	109,040	12,132.1	9,007.7	3.9	2.8	1.0	742.4	810.1	-67.7	
1968	109,206	12,475.9	8,987.7	0.2	2.8	-2.6	839.8	672.9	166.9	
1969	113,044	12,829.0	8,753.3	3.5	2.8	0.7	879.5	658.8	220.8	
1970	116,849	13,192.7	8,811.6	3.4	2.8	0.5	1,034.3	699.6	334.6	
1971	122,213	13,567.7	8,957.1	4.6	2.8	1.7	889.4	730.0	159.4	
1972	126,463	13,953.2	9,063.3	3.5	2.8	0.6	945.0	812.0	133.0	
1973	134,401	14,348.1	9,367.2	6.3	2.8	3.4	1,111.8	1,033.0	78.8	

Appendix 1

GROSS DOMESTIC PRODUCT

(Million soles at 2007 prices)

Year	Gross Domestic Product 1/ (1)	Population 2/ (Thousand) (2)	GDP Per capita (Soles at 2007 prices) (3)	% change			Inflation 3/ (4)	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	3 021.4	1 822.6	1 198.8	
1987	200 778	20 417.3	9 833.7	9.7	2.3	7.0	2 572.7	2 649.3	-76.7	
1988	181 822	20 869.7	8 712.2	-9.4	2.3	-11.4	2 713.4	3 215.1	-501.7	
1989	159 436	21 319.9	7 478.3	-2.2	2.2	-14.2	2 719.9	2 865.1	-145.2	
1990	151 492	21 764.5	6 960.5	-12.3	2.2	-14.2	3 503.3	2 286.5	1 216.7	
1991	154 854	22 203.9	6 974.2	-5.0	2.1	-6.9	3 279.8	2 921.9	357.9	
1992	154 017	22 640.3	6 802.8	2.2	2.0	-0.2	3 393.1	3 595.3	-202.2	
1993	162 093	23 073.2	7 025.2	-0.5	2.0	-2.5	3 578.1	4 001.4	-423.3	
1994	182 044	23 502.0	7 745.9	5.2	1.9	3.3	3 584.7	4 160.4	-575.8	
1995	195 536	23 926.3	8 172.4	12.3	1.9	10.3	4 424.1	5 499.2	-1 075.1	
1996	201 009	24 348.1	8 255.6	7.4	1.8	5.5	5 491.4	7 732.9	-2 241.5	
1997	214 028	24 767.8	8 641.4	2.8	1.8	1.0	5 877.6	7 864.2	-1 986.6	
1998	213 190	25 182.3	8 465.9	6.5	1.7	4.7	6 824.6	8 535.5	-1 711.0	
1999	216 377	25 588.5	8 456.0	-0.4	1.7	-2.0	5 756.8	8 218.7	-2 462.0	
2000	222 207	25 983.6	8 551.8	1.5	1.6	-0.1	6 087.5	6 710.5	-623.0	
2001	223 580	26 366.5	8 479.7	2.7	1.5	-0.8	6 954.9	7 357.6	-402.7	
2002	235 773	26 739.4	8 817.4	0.6	1.5	-0.8	7 025.7	7 204.5	-178.7	
2003	245 593	27 103.5	9 061.3	5.5	1.4	4.0	7 713.9	7 392.8	321.1	
2004	257 770	27 460.1	9 387.1	4.2	1.4	2.8	9 090.7	8 204.8	885.9	
2005	273 971	27 810.5	9 851.3	5.0	1.3	3.6	12 809.2	9 804.8	3 004.4	
2006	294 598	28 151.4	10 464.8	6.3	1.2	4.9	17 367.7	12 081.6	5 286.1	
2007	319 693	28 481.9	11 224.4	8.5	1.2	6.2	23 830.1	14 844.1	8 986.1	
2008	348 923	28 807.0	12 112.4	9.1	1.1	7.3	28 094.0	19 590.5	8 503.5	
2009	352 584	29 132.0	12 105.0	1.0	1.1	-0.1	31 018.5	28 449.2	2 569.3	
2010	382 380	29 461.9	12 978.8	1.0	1.1	0.2	27 070.5	21 010.7	6 059.8	
2011	407 052	29 797.7	13 660.5	8.5	1.1	7.2	35 803.1	28 815.3	6 987.8	
2012	431 273	30 135.9	14 310.9	6.5	1.1	5.3	46 376.0	37 151.5	9 224.4	
2013 5/	456 520	30 475.1	14 980.1	6.0	1.1	4.8	47 410.6	41 017.9	6 392.7	
2014 5/	467 404	30 814.2	15 168.5	5.9	1.1	4.7	42 860.6	42 356.2	504.5	
2015 5/	482 627	31 151.6	15 492.8	3.3	1.1	2.1	39 532.7	41 042.2	-1 509.5	
							34 235.7	37 385.2	-3 149.5	

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 data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies, BCRP.



Appendix 2
MACROECONOMIC FLOWS
(% GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Domestic savings	22.5	23.8	23.1	20.4	22.8	23.9	23.4	23.7	22.3	21.6
Public sector	5.7	6.6	7.1	4.8	6.3	7.4	8.1	7.0	5.9	3.7
Private sector	16.8	17.1	16.0	15.5	16.5	16.4	15.3	16.6	16.4	17.9
External savings	-3.3	-1.5	4.3	0.5	2.4	1.9	2.7	4.2	4.0	4.4
Investment	19.2	22.3	27.5	20.9	25.2	25.7	26.0	27.9	26.4	26.0
Public sector	3.2	3.5	4.5	5.7	5.9	4.8	5.4	5.8	5.6	5.0
Private sector	16.0	18.7	23.0	15.1	19.3	20.9	20.6	22.1	20.8	20.9
Fixed private investment	15.0	16.8	19.4	17.6	19.1	19.1	20.3	20.7	20.1	19.3
Change on inventories	0.9	2.0	3.5	-2.5	0.2	1.9	0.3	1.4	0.7	1.6
Current account balance	3.3	1.5	-4.3	-0.5	-2.4	-1.9	-2.7	-4.2	-4.0	-4.4
Trade balance	10.2	8.3	2.1	5.0	4.7	5.4	3.3	0.2	-0.7	-1.6
Services	-0.8	-1.2	-1.7	-1.0	-1.6	-1.3	-1.3	-0.9	-0.9	-0.9
Investment income	-8.5	-8.1	-7.2	-6.9	-7.5	-7.8	-6.4	-5.3	-4.6	-3.6
Current transfers	2.5	2.4	2.4	2.4	2.0	1.9	1.7	1.7	2.2	1.7
Financial account	0.3	8.3	7.1	1.9	9.2	5.1	10.3	5.7	3.4	5.3
Private sector	2.8	8.0	7.9	3.5	7.7	5.4	8.2	7.4	3.2	3.8
Public sector	-1.1	-1.7	-1.2	0.1	1.6	0.4	0.8	-0.7	-0.0	2.1
Short-term capital	-1.4	2.0	0.5	-1.7	-0.2	-0.7	1.3	-1.1	0.2	-0.5
Exceptional financing	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Flow of BCRP net reserves (-)	3.1	9.4	2.6	0.9	7.5	2.7	7.7	1.4	-1.1	0.0
Net errors and omissions	-0.5	-0.4	-0.2	-0.5	0.7	-0.5	0.0	0.0	-0.4	-0.9
NON-FINANCIAL PUBLIC SECTOR										
Current account savings	5.7	6.6	7.1	4.8	6.3	7.4	8.1	7.0	5.9	3.7
Capital revenue	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Capital expenditure	3.4	3.7	4.7	6.3	6.6	5.5	5.9	6.3	6.4	5.9
Public investment	3.2	3.5	4.6	5.9	6.1	5.2	5.6	6.0	6.0	5.2
Other capital expenditure	0.2	0.2	0.1	0.4	0.5	0.3	0.3	0.4	0.4	0.7
Overall balance	2.5	3.1	2.5	-1.4	-0.2	2.0	2.3	0.9	-0.3	-2.1
Financing	-2.5	-3.1	-2.5	1.4	0.2	-2.0	-2.3	-0.9	0.3	2.1
External financing	-0.6	-2.0	-1.0	1.1	-0.5	0.2	-0.3	-0.8	-0.1	1.6
Domestic financing	-1.9	-1.2	-1.6	0.2	0.6	-2.2	-2.0	-0.2	0.5	0.5
Privatization	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0

1/ Preliminary data.

Source: BCRP.

Elaborated by the Department of Economic Studies, BCRP.

Appendix 3
NATIONAL DISPOSABLE INCOME
(Million soles at 2007 prices)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gross domestic product	294,598	319,693	348,923	352,584	382,380	407,052	431,273	456,520	467,404	482,627
+ Investment income	-24,949	-25,975	-24,202	-23,312	-29,158	-33,038	-28,542	-24,310	-21,457	-16,919
Gross national product	269,649	293,718	324,721	329,272	353,222	374,014	402,731	432,210	445,947	465,708
+ Terms of trade	-3,688	-23	-12,212	-13,745	5,506	14,099	12,252	4,426	-1,712	-9,517
Gross national income	265,961	293,695	312,509	315,527	358,728	388,114	414,983	436,636	444,235	456,191
+ Current transfers	7,240	7,832	8,193	8,074	7,877	7,893	7,594	7,640	10,066	8,264
National disposable income	273,201	301,527	320,702	323,601	366,604	396,006	422,577	444,276	454,301	464,455

1/ Preliminary data.
Source: INEI and BCRP.
Elaborated by the Department of Economic Studies, BCRP.



Appendix 4
NATIONAL DISPOSABLE INCOME
(Real % change)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gross domestic product	7.5	8.5	9.1	1.0	8.5	6.5	6.0	5.9	2.4	3.3
- Investment income	-45.2	-4.1	6.8	3.7	-25.1	-13.3	13.6	14.8	11.7	21.1
Gross national product	5.0	8.9	10.6	1.4	7.3	5.9	7.7	7.3	3.2	4.4
Gross national income	14.2	10.4	6.4	1.0	13.7	8.2	6.9	5.2	1.7	2.7
+ Current transfers	20.6	8.2	4.6	-1.5	-2.4	0.2	-3.8	0.6	31.8	-17.9
National disposable income	14.4	10.4	6.4	0.9	13.3	8.0	6.7	5.1	2.3	2.2

1/ Preliminary data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies, BCRP.

Appendix 5
GROSS DOMESTIC PRODUCT BY EXPENDITURE
 (Real % change)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. Domestic demand	11.4	12.1	13.6	-3.3	14.9	7.7	7.2	7.3	2.2	2.9
a. Private consumption	6.2	8.6	8.9	2.8	8.7	6.0	6.1	5.3	4.1	3.4
b. Public consumption	7.6	4.3	5.4	13.0	5.6	4.8	8.1	6.7	10.1	9.5
c. Gross domestic investment	34.7	27.4	30.1	-23.3	38.8	12.9	9.4	11.7	-4.6	-1.0
Gross fixed investment	19.6	22.2	24.6	-1.6	22.8	5.8	16.3	7.3	-2.1	-5.0
i. Private	20.1	23.3	23.9	-9.1	25.5	10.8	15.5	6.4	-2.1	-4.4
ii. Public	17.5	17.1	27.9	32.9	14.2	-11.2	19.9	10.7	-2.0	-7.5
II. Export of goods and non-financial services	0.8	6.8	7.1	-0.7	1.3	6.9	5.8	-1.3	-0.8	3.5
Minus:										
III. Import of goods and non-financial services	13.1	21.3	24.1	-16.7	26.1	11.6	10.5	3.9	-1.2	2.2
IV. GDP	7.5	8.5	9.1	1.0	8.5	6.5	6.0	5.9	2.4	3.3
Domestic demand excluding inventories	8.9	10.9	12.0	2.8	11.7	5.8	9.0	6.0	3.0	1.9

1/ Preliminary data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies, BCRP.



Appendix 6
GROSS DOMESTIC PRODUCT BY EXPENDITURE
(Million soles at 2007 prices)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. Domestic demand	264,934	296,928	337,214	326,108	374,652	403,390	432,536	463,983	474,308	488,165
a. Private consumption	177,006	192,316	209,377	215,279	234,031	248,045	263,183	277,236	288,705	298,499
b. Public consumption	32,046	33,424	35,226	39,811	42,036	44,063	47,634	50,802	55,914	61,210
c. Gross domestic investment	55,882	71,188	92,611	71,018	98,585	111,282	121,719	135,945	129,690	128,457
i. Gross fixed investment	53,147	64,948	80,935	79,680	97,824	103,541	120,419	129,164	126,456	120,139
- Private	43,482	53,626	66,453	60,439	75,841	84,028	97,020	103,266	101,064	96,645
- Public	9,665	11,322	14,482	19,241	21,982	19,513	23,399	25,898	25,392	23,494
ii. Change on inventories	2,735	6,240	11,676	-8,662	761	7,741	1,300	6,781	3,234	8,318
II. Export of goods and non-financial services	91,251	97,501	104,429	103,669	105,044	112,310	118,818	117,289	116,324	120,447
Minus:										
III. Import of goods and non-financial services	61,587	74,736	92,720	77,193	97,316	108,648	120,080	124,752	123,228	125,985
IV. GDP	294,598	319,693	348,923	352,584	382,380	407,052	431,273	456,520	467,404	482,627

1/ Preliminary data.
Source: INEI and BCRP.
Elaborated by the Department of Economic Studies, BCRP.

Appendix 7
GROSS DOMESTIC PRODUCT BY EXPENDITURE
(Million soles)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. Domestic demand	261,493	296,928	354,569	350,623	406,652	450,766	497,266	549,492	585,214	627,477
a. Private consumption	174,582	192,316	220,107	232,368	256,465	281,718	310,040	335,904	363,071	388,758
b. Public consumption	31,688	33,424	36,755	42,117	44,531	48,111	55,002	61,210	70,366	79,825
c. Gross domestic investment	55,223	71,188	97,707	76,138	105,656	120,937	132,224	152,378	151,777	158,895
i. Gross fixed investment	52,521	64,948	85,119	85,192	104,911	112,191	130,719	144,680	147,863	148,902
- Private	43,227	53,626	69,092	64,215	80,164	89,524	103,070	113,060	115,690	118,032
- Public	9,294	11,322	16,026	20,977	24,747	22,667	27,649	31,620	32,173	30,870
ii. Change on inventories	2,702	6,240	12,588	-9,054	745	8,746	1,505	7,698	3,913	9,993
II. Export of goods and non-financial services	86,234	97,501	100,996	91,943	111,470	139,337	137,921	131,626	129,063	128,963
Minus:										
III. Import of goods and non-financial services	60,013	74,736	99,857	77,510	98,429	120,219	127,488	135,077	138,280	144,471
IV. GDP	287,713	319,693	355,708	365,056	419,693	469,884	507,699	546,041	575,997	611,970

1/ Preliminary data.
Source: INEI and BCRP.
Elaborated by the Department of Economic Studies, BCRP.



Appendix 8
GROSS DOMESTIC PRODUCT BY EXPENDITURE
(Nominal % change)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
								1/	1/	1/
I. Domestic demand	12.9	13.6	19.4	-1.1	16.0	10.8	10.3	10.5	6.5	7.2
a. Private consumption	7.2	10.2	14.5	5.6	10.4	9.8	10.1	8.3	8.1	7.1
b. Public consumption	10.4	5.5	10.0	14.6	5.7	8.0	14.3	11.3	15.0	13.4
c. Gross domestic investment	37.8	28.9	37.3	-22.1	38.8	14.5	9.3	15.2	-0.4	4.7
Gross fixed investment	22.3	23.7	31.1	0.1	23.1	6.9	16.5	10.7	2.2	0.7
i. Private	22.2	24.1	28.8	-7.1	24.8	11.7	15.1	9.7	2.3	2.0
i. Public	22.9	21.8	41.6	30.9	18.0	-8.4	22.0	14.4	1.8	-4.1
II. Export of goods and non-financial services	31.4	13.1	3.6	-9.0	21.2	25.0	-1.0	-4.6	-1.9	-0.1
Minus:										
III. Import of goods and non-financial services	19.7	24.5	33.6	-22.4	27.0	22.1	6.0	6.0	2.4	4.5
IV. GDP	16.4	11.1	11.3	2.6	15.0	12.0	8.0	7.6	5.5	6.2

1/ Preliminary data.
Source: INEI and BCRP.
Elaborated by the Department of Economic Studies, BCRP.

Appendix 9
GROSS DOMESTIC PRODUCT BY EXPENDITURE
(Nominal % structure)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. Domestic demand	90.9	92.9	99.7	96.0	96.9	95.9	97.9	100.6	101.6	102.5
a. Private consumption	60.7	60.2	61.9	63.7	61.1	60.0	61.1	61.5	63.0	63.5
b. Public consumption	11.0	10.5	10.3	11.5	10.6	10.2	10.8	11.2	12.2	13.0
c. Gross domestic investment	19.2	22.3	27.5	20.9	25.2	25.7	26.0	27.9	26.4	26.0
i. Gross fixed investment	18.3	20.3	23.9	23.3	25.0	23.9	25.7	26.5	25.7	24.3
- Private	15.0	16.8	19.4	17.6	19.1	19.1	20.3	20.7	20.1	19.3
- Public	3.2	3.5	4.5	5.7	5.9	4.8	5.4	5.8	5.6	5.0
ii. Change on inventories	0.9	2.0	3.5	-2.5	0.2	1.9	0.3	1.4	0.7	1.6
II. Export of goods and non-financial services	30.0	30.5	28.4	25.2	26.6	29.7	27.2	24.1	22.4	21.1
Minus:										
III. Import of goods and non-financial services	20.9	23.4	28.1	21.2	23.5	25.6	25.1	24.7	24.0	23.6
IV. GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Preliminary data.
Source: INEI and BCRP.
Elaborated by the Department of Economic Studies, BCRP.



Appendix 10
BALANCE OF PAYMENTS
(% GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. CURRENT ACCOUNT BALANCE	3.3	1.5	-4.3	-0.5	-2.4	-1.9	-2.7	-4.2	-4.0	-4.4
1. Trade balance	10.2	8.3	2.1	5.0	4.7	5.4	3.3	0.2	-0.7	-1.6
a. FOB exports	27.1	27.4	25.5	22.2	24.1	27.2	24.6	21.2	19.5	17.8
b. FOB imports	-16.9	-19.1	-23.4	-17.3	-19.4	-21.8	-21.3	-21.0	-20.2	-19.5
2. Services	-0.8	-1.2	-1.7	-1.0	-1.6	-1.3	-1.3	-0.9	-0.9	-0.9
a. Exports	3.0	3.1	3.0	3.0	2.5	2.5	2.6	2.9	2.9	3.2
b. Imports	-3.9	-4.2	-4.7	-4.0	-4.1	-3.8	-3.8	-3.8	-3.8	-4.1
3. Investment income	-8.5	-8.1	-7.2	-6.9	-7.5	-7.8	-6.4	-5.3	-4.6	-3.6
a. Private	-7.8	-7.7	-7.2	-6.9	-7.4	-7.5	-6.1	-4.8	-4.2	-3.2
b. Public	-0.7	-0.4	0.0	0.1	-0.2	-0.3	-0.4	-0.4	-0.3	-0.4
4. Current transfers	2.5	2.4	2.4	2.4	2.0	1.9	1.7	1.7	2.2	1.7
of which: Remittances	2.1	2.1	2.0	2.0	1.7	1.6	1.4	1.3	1.3	1.4
II. FINANCIAL ACCOUNT	0.3	8.3	7.1	1.9	9.2	5.1	10.3	5.7	3.4	5.3
1. Private sector	2.8	8.0	7.9	3.5	7.7	5.4	8.2	7.4	3.2	3.8
a. Assets	-1.5	-1.0	-0.4	-2.9	-0.9	-0.9	-1.2	-0.6	-2.2	-0.1
b. Liabilities	4.3	9.0	8.3	6.4	8.6	6.4	9.4	8.0	5.4	3.9
2. Public sector	-1.1	-1.7	-1.2	0.1	1.6	0.4	0.8	-0.7	-0.0	2.1
a. Assets	-0.1	-0.2	0.1	-0.3	-0.0	-0.2	-0.2	0.1	-0.3	0.1
b. Liabilities 2/	-1.0	-1.5	-1.3	0.4	1.7	0.5	1.0	-0.7	0.3	1.9
3. Short-term capital	-1.4	2.0	0.5	-1.7	-0.2	-0.7	1.3	-1.1	0.2	-0.5
a. Assets	-1.1	-1.0	0.3	-0.5	-1.2	-0.7	0.0	0.2	-0.1	-0.6
b. Liabilities	-0.3	3.0	0.1	-1.2	1.1	0.0	1.3	-1.2	0.3	0.0
III. EXCEPTIONAL FINANCING	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV. NET ERRORS AND OMISSIONS	-0.5	-0.4	-0.2	-0.5	0.7	-0.5	0.0	0.0	-0.4	-0.9
V. RESULT OF THE BALANCE OF PAYMENTS (V = I + II + III + IV) = (1-2)	3.1	9.4	2.6	0.9	7.5	2.7	7.7	1.4	-1.1	0.0
1. Change in the balance of NIRS	3.6	10.2	2.9	1.6	7.4	2.8	7.9	0.8	-1.7	-0.4
2. Valuation effect	0.5	0.7	0.3	0.7	-0.1	0.0	0.2	-0.6	-0.6	-0.5
Memo:										
GDP (Million US\$)	88,056	102,388	121,826	121,732	148,666	170,770	192,746	202,014	202,944	192,134

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\$)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. EXPORTS	23,830	28,094	31,018	27,071	35,803	46,376	47,411	42,861	39,533	34,236
Traditional products	18,461	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,686	23,291
Non-traditional products	5,279	6,313	7,562	6,196	7,699	10,176	11,197	11,069	11,677	10,857
Others	91	114	190	154	254	304	345	238	171	87
2. IMPORTS	14,844	19,591	28,449	21,011	28,815	37,152	41,018	42,356	41,042	37,385
Consumer goods	2,616	3,189	4,520	3,962	5,489	6,734	8,252	8,843	8,899	8,791
Inputs	7,981	10,429	14,556	10,076	14,023	18,332	19,273	19,528	18,797	15,923
Capital goods	4,123	5,854	9,233	6,850	9,074	11,730	13,347	13,664	12,911	12,007
Others	123	119	140	122	229	356	145	321	435	664
3. TRADE BALANCE	8,986	8,503	2,569	6,060	6,988	9,224	6,393	504	- 1,509	- 3,150
Memo:										
Annual % change: 2/										
Index of X prices	36.3	14.1	3.8	-12.7	30.4	21.5	-2.2	-5.7	-6.9	-14.9
Index of M prices	6.4	9.4	16.5	-10.6	7.8	13.3	0.4	-0.5	-1.5	-9.2
Terms of trade	28.1	4.3	-10.9	-2.4	21.0	7.2	-2.6	-5.2	-5.4	-6.3
Index of X volume	0.7	3.4	6.4	0.0	1.4	6.6	4.5	-4.1	-1.0	1.8
Index of M volume	15.4	20.7	24.6	-17.4	27.3	13.8	9.9	3.8	-1.6	0.3
Index of X value	37.2	17.9	10.4	-12.7	32.3	29.5	2.2	-9.6	-7.8	-13.4
Index of M value	22.9	32.0	45.2	-26.1	37.1	28.9	10.4	3.3	-3.1	-8.9

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 million US\$)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Traditional products	18,461	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,686	23,291
Fishing	1,335	1,460	1,797	1,683	1,884	2,114	2,312	1,707	1,731	1,449
Agriculture	574	460	686	634	975	1,689	1,095	786	847	704
Mining	14,735	17,439	18,101	16,482	21,903	27,526	27,467	23,789	20,545	18,836
Oil and Natural gas	1,818	2,306	2,681	1,921	3,088	4,568	4,996	5,271	4,562	2,302
2. Non-traditional products	5,279	6,313	7,562	6,196	7,699	10,176	11,197	11,069	11,677	10,857
Agriculture and livestock	1,220	1,512	1,913	1,828	2,203	2,836	3,083	3,444	4,231	4,387
Fishing	433	500	622	518	644	1,049	1,017	1,030	1,155	934
Textiles	1,473	1,736	2,026	1,495	1,561	1,990	2,177	1,928	1,800	1,329
Woods	333	362	428	336	359	402	438	427	416	352
Chemicals	602	805	1,041	838	1,228	1,655	1,636	1,510	1,515	1,402
Non-metallic minerals	135	165	176	148	252	492	722	722	664	698
Basic metal industries and jewelry	829	906	909	571	949	1,130	1,301	1,320	1,149	1,080
Metal-mechanic	164	220	328	369	393	476	545	544	581	525
Others 2/	89	107	121	94	110	147	277	143	165	150
3. Others 3/	91	114	190	154	254	304	345	238	171	87
4. Total exports	23,830	28,094	31,018	27,071	35,803	46,376	47,411	42,861	39,533	34,236
Memo:										
Percentage structure (%)										
Fishing	5.6	5.2	5.8	6.2	5.3	4.6	4.9	4.0	4.4	4.2
Agriculture	2.4	1.6	2.2	2.3	2.7	3.6	2.3	1.8	2.1	2.1
Mining	61.8	62.1	58.4	60.9	61.2	59.4	57.9	55.5	52.0	55.0
Oil and Natural gas	7.6	8.2	8.6	7.1	8.6	9.8	10.5	12.3	11.5	6.7
Traditional	77.4	77.1	75.0	76.5	77.8	77.4	75.6	73.6	70.0	68.0
Non-traditional	22.2	22.5	24.4	22.9	21.5	21.9	23.6	25.8	29.5	31.7
Others	0.4	0.4	0.6	0.6	0.7	0.7	0.8	0.6	0.5	0.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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 million US\$)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fishing										
Fishmeal	1,335	1,460	1,797	1,683	1,884	2,114	2,312	1,707	1,731	1,449
Volume (Thousand MT)	1,139	1,211	1,413	1,426	1,610	1,780	1,770	1,364	1,335	1,149
Price (US\$/MT)	1,340.0	1,261.7	1,564.9	1,539.5	1,483.2	1,300.8	1,332.5	851.4	855.9	692.9
Fishoil	850.0	959.8	902.7	1,486.3	1,328.3	1,368.4	1,328.3	1,601.9	1,559.8	1,657.9
Volume (Thousand MT)	196	249	385	258	274	333	542	343	395	301
Price (US\$/MT)	298.5	320.7	257.7	304.4	311.9	311.9	311.9	126.1	163.4	118.6
Other agriculture products 2/	657.1	777.2	1,493.2	846.7	1,079.2	1,419.2	1,736.8	2,718.0	2,419.3	2,533.7
Agriculture										
Cotton	574	460	686	634	975	1,689	1,095	786	847	704
Volume (Thousand MT)	7	3	2	3	1	8	4	2	4	3
Price (US\$/MT)	3.8	1.5	0.9	1.6	0.5	2.1	1.9	0.8	1.6	1.3
Sugar	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	2,430.3
Volume (Thousand MT)	43	19	25	35	65	48	6	14	37	17
Price (US\$/MT)	108.5	48.3	70.4	81.3	112.0	62.6	8.4	69.4	33.3	33.3
Coffee	395.7	388.9	350.9	429.2	577.9	759.9	691.0	524.9	534.8	514.4
Volume (Thousand MT)	515	427	645	585	889	1,597	1,024	696	734	596
Price (US\$/MT)	238.1	173.6	225.1	197.8	230.1	296.4	266.4	237.4	182.3	179.7
Other agriculture products 2/	2,163.3	2,459.0	2,865.9	2,956.7	3,863.2	5,388.4	3,842.5	4,027.8	4,027.8	3,319.3
Mining										
Copper	14,735	17,439	18,101	16,482	21,903	27,526	27,467	23,789	20,545	18,836
Volume (Thousand MT)	5,996	7,219	7,277	5,935	8,879	10,721	10,731	9,821	8,875	8,175
Price (US\$/tpa)	980.6	1,121.9	1,243.1	1,246.2	1,256.1	1,262.2	1,405.6	1,404.0	1,402.4	1,751.6
Tin	277.3	291.9	265.5	216.0	320.6	385.3	346.3	317.3	287.0	211.7
Volume (Thousand MT)	409	595	663	591	842	776	558	528	540	342
Price (US\$/tpa)	46.5	41.1	38.3	37.1	39.0	31.9	25.5	23.8	24.6	20.1
Iron	398.7	656.6	785.7	723.4	978.3	1,102.8	991.2	1,004.7	993.3	770.7
Volume (Million MT)	256	285	385	298	523	1,030	845	857	647	350
Price (US\$/MT)	6.7	7.2	6.8	6.8	8.0	9.3	9.8	10.4	11.4	11.6
Gold	38.3	39.8	56.3	43.9	65.7	111.3	86.3	82.6	56.9	30.1
Volume (thousand troy ounce)	4,032	4,187	5,586	6,791	7,745	10,235	10,746	8,536	6,729	6,537
Price (US\$/troy ounce)	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	5,641.7
Refined Silver	604.2	701.7	870.4	974.0	1,222.6	1,576.5	1,671.9	1,411.6	1,264.1	1,158.7
Volume (thousand troy ounce)	480	538	595	214	118	219	210	479	331	138
Price (US\$/troy ounce)	41.8	40.4	39.7	16.2	6.2	6.5	6.9	21.2	17.1	8.9
Lead 3/	11.5	13.3	15.0	13.2	19.2	33.7	30.2	22.6	19.3	15.5
Volume (Thousand MT)	377.5	416.6	525.0	681.5	770.0	987.7	1,169.7	855.2	771.5	1,542
Price (US\$/tpa)	85.6	112.5	98.1	74.3	93.0	111.4	99.9	94.2	89.5	74.9
Zinc	1,991	2,539	1,468	1,233	1,696	1,523	1,352	1,414	1,504	1,507
Volume (Thousand MT)	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	1,217.3
Price (US\$/tpa)	84.9	99.1	45.7	40.8	58.5	68.6	60.4	59.4	59.3	56.1
Molybdenum	834	991	943	276	492	564	428	356	360	220
Volume (Thousand MT)	17.8	16.2	18.3	12.2	17.9	19.5	17.9	16.5	17.8	17.8
Price (US\$/tpa)	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	561.1
Other mining products 4/	24	51	48	27	29	31	22	23	38	27
Oil and natural gas										
Crude oil and derivatives	1,818	2,306	2,681	1,921	3,088	4,568	4,996	5,271	4,562	2,302
Volume (Millions bl)	32.7	35.7	31.1	33.5	36.8	32.8	36.65	38.99	37.76	1,853
Price (US\$/bl)	55.5	64.6	86.1	57.4	76.2	101.8	102.9	98.9	41.0	37.1
Natural Gas	0	0	0	284	1,284	1,331	1,372	786	449	50.0
Volume (Thousand m ³)	0.0	0.0	0.0	0.0	3,605.1	8,969.2	8,737.5	9,562.1	9,226.6	8,093.1
Price (US\$/m ³)	n.a	n.a	n.a	n.a	78.6	143.1	152.3	143.5	85.2	55.5
Traditional products	18,461	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,686	23,291

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 and SUNAT.
Elaboración: Gerencia Central de Estudios Económicos.



Appendix 14
EXPORTS OF NON-TRADITIONAL PRODUCTS
(FOB values in million US\$)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture and livestock	1,220	1,512	1,913	1,828	2,203	2,836	3,083	3,444	4,231	4,387
Vegetables	563	713	798	739	866	995	1,044	1,083	1,112	1,137
Fruits	259	311	412	463	594	888	969	1,180	1,628	1,891
Various plant products	108	135	180	225	225	282	350	390	444	371
Cereals and its preparations	66	77	121	124	127	172	199	253	355	295
Tea, coffee, cocoa, and essences	108	125	165	185	196	264	289	311	335	303
Rest	108	125	165	185	196	264	289	311	335	303
Fishing	433	500	622	518	644	1,049	1,017	1,030	1,155	934
Frozen crustaceans and molluscs	202	225	262	231	354	479	423	566	588	439
Frozen fish	92	117	137	127	109	213	263	172	183	175
Preparations and canned products	121	127	190	122	141	311	269	242	325	249
Prepared fish	11	15	17	16	13	16	31	20	23	31
Rest	6	15	17	16	13	16	31	20	23	31
Textiles	1,473	1,736	2,026	1,495	1,561	1,990	2,177	1,928	1,800	1,329
Clothes and other garments	1,209	1,411	1,652	1,174	1,202	1,543	1,641	1,417	1,218	927
Fabrics	95	88	185	174	145	204	312	273	296	181
Woolen fibers	87	95	103	78	114	136	139	151	160	126
Yarns	87	95	103	78	114	136	139	151	160	126
Wood and paper, and its manufacturing	333	362	428	336	359	402	438	427	416	352
Timber	168	167	169	126	138	127	124	117	132	119
Printed materials	66	84	88	105	66	82	83	83	66	56
Manufacturing of paper and cardboard products	31	29	40	24	27	33	35	35	30	25
Manufacturing of wood products	31	29	40	24	27	33	35	35	30	25
Wooden furniture	16	18	14	1	3	6	2	5	6	2
Rest	1	1	0	1	3	6	2	5	6	2
Chemicals	602	805	1,041	838	1,228	1,655	1,636	1,510	1,515	1,402
Organic and inorganic chemicals	177	233	314	203	330	469	483	368	386	348
Plastics	83	103	144	108	162	280	194	193	186	154
Dyeing, tanning and coloring products	64	67	74	77	252	280	134	97	115	127
Rubber manufacturing	43	47	53	41	63	93	91	98	77	77
Rubber manufacturing	43	47	53	41	63	93	91	98	77	77
Essential oils and toiletries	56	80	121	107	120	139	208	195	193	177
Rest	178	251	332	292	375	492	518	512	580	521
Non-metallic minerals	135	165	176	148	252	492	722	722	664	698
Cement and construction materials	88	105	99	65	89	106	123	149	167	177
Fertilizers and raw minerals	17	22	32	32	33	284	481	467	375	398
Glass and manufactures	13	16	19	27	33	52	60	62	74	76
Ceramic products	5	6	6	6	5	8	7	6	5	4
Rest	13	16	19	18	31	42	52	37	43	41
Iron-metallic and jewelry	829	906	909	571	949	1,130	1,301	1,320	1,149	1,080
Copper products	345	377	402	205	391	461	451	438	456	361
Zinc products	212	215	154	103	171	284	238	242	268	236
Iron products	80	90	145	123	126	139	177	156	158	141
Common manufacturing metals	47	67	62	43	73	83	88	119	92	86
Lead, ferrous waste	7	14	9	8	11	12	11	12	10	10
Non-ferrous waste	4	14	9	8	11	12	11	12	10	10
Silver products	3	10	24	8	69	22	207	204	19	126
Jewelry	112	104	86	64	104	79	84	101	95	83
Rest	21	22	21	13	26	38	35	39	38	26
Metal-mechanic	164	220	328	369	393	476	545	544	581	525
Industrial vehicles	23	29	39	77	31	99	79	67	53	69
Industrial machinery, equipment, and parts	23	29	39	77	31	99	79	67	53	69
Electrical appliances, machinery, and parts	21	41	51	45	34	57	60	77	77	81
Iron and steel manufactured article	20	23	30	25	32	29	34	55	45	42
Office machines and data processing	5	6	9	8	9	10	13	27	31	28
Domestic equipment	11	13	19	9	9	10	7	12	14	11
Transportation equipment	12	16	26	31	56	57	2	71	105	85
Force generating machinery and equipment	12	16	26	31	56	57	2	71	105	85
Common metal household items	7	8	23	10	10	15	13	10	9	64
Rest	49	68	84	112	110	160	216	181	188	154
Others 2/	89	107	121	94	110	147	277	143	165	150
Non-traditional products	5,279	6,313	7,562	6,196	7,699	10,176	11,197	11,069	11,677	10,857

1/ Preliminary data.
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 million US\$)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Consumer goods	2,616	3,189	4,520	3,962	5,489	6,734	8,252	8,843	8,899	8,791
Non-durable	1,463	1,751	2,328	2,137	2,809	3,489	4,082	4,502	4,657	4,767
Main foods	184	203	279	177	306	409	568	381	479	473
Rest	1,279	1,548	2,049	1,960	2,503	3,080	3,514	4,120	4,178	4,294
Durable	1,154	1,438	2,192	1,825	2,680	3,245	4,170	4,342	4,243	4,024
Inputs	7,981	10,429	14,556	10,076	14,023	18,332	19,273	19,528	18,797	15,923
Fuel, lubricants and related	2,808	3,631	5,225	2,929	4,063	5,752	5,885	6,454	5,754	3,671
Raw materials for agriculture	436	588	874	773	868	1,092	1,292	1,244	1,339	1,237
Raw materials for industry	4,738	6,209	8,458	6,374	9,093	11,488	12,096	11,830	11,704	11,016
Capital goods	4,123	5,854	9,233	6,850	9,074	11,730	13,347	13,664	12,911	12,007
Materials for construction	470	590	1,305	854	1,087	1,449	1,488	1,443	1,422	1,420
For agriculture	31	50	90	72	80	111	137	131	141	160
For industry	2,784	3,958	5,765	4,498	5,539	7,345	8,168	8,327	8,689	7,842
Transport equipments	838	1,256	2,073	1,426	2,369	2,825	3,554	3,762	2,660	2,583
Other goods 2/	123	119	140	122	229	356	145	321	435	664
Total imports	14,844	19,591	28,449	21,011	28,815	37,152	41,018	42,356	41,042	37,385
Memo:										
Temporary admission	365	322	361	196	420	698	734	648	326	364
Free zone 3/	104	108	113	110	131	136	140	238	217	207
Foodstuffs 4/	880	1,201	1,703	1,349	1,725	2,304	2,528	2,372	2,459	2,236
Wheat	224	345	489	346	368	536	516	568	555	486
Corn and/or sorghum	172	258	310	266	372	564	507	502	479	485
Rice	14	31	88	49	55	118	149	110	127	134
Sugar 5/	100	84	72	57	121	138	188	78	80	141
Dairy products	46	60	77	37	81	98	167	127	204	124
Soybean	299	396	625	561	679	795	936	920	946	791
Meat	24	27	42	34	49	55	64	66	68	74

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.	Index	% chg.
2006	88	36.3	97	91	6.4	83	96	15.4	96	28.1
2007	100	14.1	100	100	9.4	100	100	20.7	100	4.3
2008	104	3.8	106	117	16.5	125	89	24.6	89	-10.9
2009	91	-12.7	106	104	-10.6	103	87	-17.4	87	-2.4
2010	118	30.4	108	112	7.8	131	105	27.3	105	21.0
2011	144	21.5	115	127	13.3	149	113	13.8	113	7.2
2012	140	-2.2	120	128	0.4	164	110	9.9	110	-2.6
2013	132	-5.7	115	127	-0.5	170	104	3.8	104	-5.2
2014	123	-6.9	114	125	-1.5	167	99	-1.6	99	-5.4
2015	105	-14.9	116	114	-9.2	168	92	0.3	92	-6.3

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
FINANCIAL ACCOUNT OF THE PRIVATE SECTOR
(Million US\$)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Assets										
Direct investment abroad	-1,327	-1,052	-535	-3,586	-1,304	-1,597	-2,408	-1,291	-4,548	-224
Portfolio investment abroad 2/	0	-66	-736	-411	-266	-147	-78	-137	-96	-127
	-1,327	-987	200	-3,176	-1,038	-1,450	-2,330	-1,154	-4,452	-97
2. Liabilities										
Foreign direct investment	3,822	9,207	10,104	7,786	12,771	10,868	18,200	16,173	11,038	7,520
a. Reinvestment	3,467	5,491	6,924	6,431	8,455	7,665	11,918	9,298	7,885	6,861
b. Contributions and other capital operations	2,353	3,835	3,287	5,385	5,317	4,652	7,033	3,764	3,978	2,949
c. Net loans with parent companies	874	733	2,981	1,828	2,445	896	5,393	2,460	1,487	3,058
Portfolio investment in the country	240	924	656	-782	693	2,117	-508	3,075	2,420	854
a. Capital participations 3/	153	831	527	347	378	218	2,246	5,876	2,668	-596
b. Others liabilities 4/	-45	70	85	47	87	147	-142	585	-79	-60
Long-term loans	198	761	442	301	291	71	2,389	5,292	2,748	-536
a. Disbursements	202	2,885	2,653	1,008	3,939	2,985	4,036	998	485	1,255
b. Amortization	728	4,389	3,427	2,167	5,254	4,503	6,841	4,111	4,181	4,057
	-525	-1,504	-774	-1,158	-1,315	-1,517	-2,805	-3,112	-3 695	-2,802
3. TOTAL	2,495	8,154	9,569	4,200	11,467	9,271	15,792	14,881	6,490	7,296
Memo:										
Net Foreign Direct Investment	3,467	5,425	6,188	6,020	8,189	7,518	11,840	9,161	7,789	6,734

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 (ICLV S.A, Proinversión), and companies.

Elaborated by the Department of Economic Studies, BCRP.



Appendix 18
INTERNATIONAL INVESTMENT POSITION
(Million US\$ at the end-of-period)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. Assets										
1. BCRP reserve assets	31,448	46,189	46,783	55,651	72,066	79,984	100,222	102,092	103,329	102,681
2. Financial system assets (excluding BCRP)	17,329	27,720	31,233	33,175	44,150	48,859	64,049	65,710	62,353	61,537
3. Other assets	8,040	10,333	9,266	14,006	16,606	18,757	22,823	23,778	27,665	27,057
	6,079	8,135	6,284	8,470	11,309	12,368	13,350	12,604	13,312	14,086
II. Liabilities										
1. Bonds and private and public external debt 2/	57,914	79,124	78,657	89,312	114,910	120,571	146,084	154,708	163,438	167,299
a. Medium- and long-term debt	28,387	33,239	34,997	35,157	43,674	48,090	59,376	60,830	64,512	68,244
Private sector 3/	25,167	27,141	28,757	30,431	37,358	41,736	50,435	54,381	57,534	61,169
Public sector (i - ii + iii) 4/	3,566	6,587	9,264	10,314	14,424	17,504	23,982	30,341	33,644	34,388
i. External public debt	21,601	20,555	19,494	20,117	22,934	24,232	26,452	24,039	23,890	26,781
ii. Public debt issued abroad	21,972	20,081	19,237	20,600	19,905	20,204	20,402	18,778	19,764	23,630
purchased by residents	1,377	1,211	1,401	1,891	1,283	831	957	1,290	1,421	1,880
Public debt issued locally	1,007	1,685	1,657	1,408	4,313	4,859	7,008	6,552	5,547	5,031
purchased by non-residents	3,220	6,098	6,240	4,726	6,315	6,354	8,941	6,450	6,978	7,075
b. Short-term debt	783	2,395	1,761	1,425	2,514	1,789	4,003	2,026	2,601	2,984
Financial system (excluding BCRP)	54	921	736	124	45	43	57	47	45	52
BCRP	2,383	2,782	3,743	3,177	3,756	4,523	4,881	4,376	4,333	4,038
Others 5/										
2. Direct investment	20,484	26,808	32,340	34,521	42,976	50,641	62,559	71,857	79,707	86,114
3. Capital participation	9,043	19,077	11,319	19,634	28,260	21,840	24,149	22,021	19,219	12,940

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 (CLV) S.A., Proinversion, BIS, and companies.

Elaborated by the Department of Economic Studies, BCRP.

Appendix 19
INTERNATIONAL INVESTMENT POSITION
(% GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. Assets										
1. BCRP reserve assets	35.7	45.1	38.4	45.7	48.5	46.8	52.0	50.5	50.9	53.4
2. Financial system assets (excluding BCRP)	19.7	27.1	25.6	27.3	29.7	28.6	33.2	32.5	30.7	32.0
3. Other assets	9.1	10.1	7.6	11.5	11.2	11.0	11.8	11.8	13.6	14.1
	6.9	7.9	5.2	7.0	7.6	7.2	6.9	6.2	6.6	7.3
II. Liabilities										
1. Bonds and private and public external debt 2/	65.8	77.3	64.6	73.4	77.3	70.6	75.8	76.6	80.5	87.1
a. Medium- and long-term debt	32.2	32.5	28.7	28.9	29.4	28.2	30.8	30.1	31.8	35.5
Private sector 3/	28.6	26.5	23.6	25.0	25.1	24.4	26.2	26.9	28.3	31.8
Public sector (i - ii + iii) 4/	4.0	6.4	7.6	8.5	9.7	10.2	12.4	15.0	16.6	17.9
i. External public debt	24.5	20.1	16.0	16.5	15.4	14.2	13.7	11.9	11.8	13.9
ii. Public debt issued abroad	25.0	19.6	15.8	16.9	13.4	11.8	10.6	9.3	9.7	12.3
purchased by residents	1.6	1.2	1.1	1.6	0.9	0.5	0.5	0.6	0.7	1.0
Public debt issued locally										
purchased by non-residents	1.1	1.6	1.4	1.2	2.9	2.8	3.6	3.2	2.7	2.6
b. Short-term debt	3.7	6.0	5.1	3.9	4.2	3.7	4.6	3.2	3.4	3.7
Financial system (excluding BCRP)	0.9	2.3	1.4	1.2	1.7	1.0	2.1	1.0	1.3	1.6
BCRP	0.1	0.9	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Others 5/	2.7	2.7	3.1	2.6	2.5	2.6	2.5	2.2	2.1	2.1
2. Direct investment	23.3	26.2	26.5	28.4	28.9	29.7	32.5	35.6	39.3	44.8
3. Capital participation	10.3	18.6	9.3	16.1	19.0	12.8	12.5	10.9	9.5	6.7

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 ICLV S.A., Proinversión, BIS, and companies.

Elaborated by the Department of Economic Studies, BCRP.



Appendix 20
OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR
(Million soles)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. General government current revenues	60,260	69,565	78,656	72,214	87,148	102,134	113,528	120,785	127,711	122,251
a. Tax revenue	46,574	53,531	59,689	53,890	65,961	77,261	86,097	91,617	97,646	92,788
b. Non-tax revenue	13,685	16,034	18,966	18,325	21,187	24,873	27,431	29,168	30,065	29,462
2. General government non-financial expenditure	48,847	54,777	64,377	73,394	83,169	87,542	97,899	111,770	123,845	130,152
a. Current expenditure	39,578	43,701	48,824	51,921	57,103	63,191	68,948	78,329	89,461	96,895
b. Capital expenditure	9,269	11,075	15,553	21,473	26,066	24,350	28,951	33,440	34,384	33,257
3. Others	1,308	1,017	537	1,242	192	557	1,396	1,748	339	1,234
4. Primary balance (1-2+3)	12,721	15,805	14,816	62	4,171	15,149	17,024	10,763	4,205	-6,667
5. Interest payments	5,660	6,007	5,883	5,006	5,083	5,541	5,568	6,090	6,206	6,331
a. External debt	4,337	4,287	3,350	3,101	2,927	2,655	2,755	3,065	2,909	2,664
b. Domestic debt	1,323	1,720	2,533	1,905	2,156	2,886	2,813	3,025	3,297	3,667
6. Overall balance	7,061	9,799	8,932	-4,944	-912	9,608	11,456	4,673	-2,002	-12,998
7. Net financing	-7,061	-9,799	-8,932	4,944	912	-9,608	-11,456	-4,673	2,002	12,998
1. Foreign	-1,790	-6,398	-3,472	4,069	-2,077	748	-1,388	-4,388	-841	9,815
(Million US\$) (a-b+c)	-\$ 542	-\$2,085	-\$1,205	\$1,317	-\$ 728	\$ 277	-\$ 531	-\$1,689	-\$ 284	\$2,974
a. Disbursements	\$ 609	\$3,384	\$1,165	\$3,225	\$4,261	\$ 990	\$ 948	\$ 348	\$1,428	\$4,354
b. Amortization	\$1,193	\$5,661	\$2,604	\$1,843	\$5,184	\$ 831	\$1,175	\$2,367	\$1,456	\$1,230
c. Others 2/	\$ 42	\$ 193	\$ 234	-\$ 65	\$ 195	\$ 118	-\$ 304	\$ 330	-\$ 256	-\$ 150
2. Domestic	-5,575	-3,850	-5,617	773	2,570	-10,491	-10,094	-1,023	2,809	3,090
3. Privatization	304	449	156	102	419	135	26	737	34	94

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 21
OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR
(% GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. General government current revenues	20.9	21.8	22.1	19.8	20.8	21.7	22.4	22.1	22.2	20.0
a. Tax revenue	16.2	16.7	16.8	14.8	15.7	16.4	17.0	16.8	17.0	15.2
b. Non-tax revenue	4.8	5.0	5.3	5.0	5.0	5.3	5.4	5.3	5.2	4.8
2. General government non-financial expenditure	17.0	17.1	18.1	20.1	19.8	18.6	19.3	20.5	21.5	21.3
a. Current expenditure	13.8	13.7	13.7	14.2	13.6	13.4	13.6	14.3	15.5	15.8
b. Capital expenditure	3.2	3.5	4.4	5.9	6.2	5.2	5.7	6.1	6.0	5.4
3. Others	0.5	0.3	0.2	0.3	0.0	0.1	0.3	0.3	0.1	0.2
4. Primary balance (1-2+3)	4.4	4.9	4.2	0.0	1.0	3.2	3.4	2.0	0.7	-1.1
5. Interest payments	2.0	1.9	1.7	1.4	1.2	1.2	1.1	1.1	1.1	1.0
a. External debt	1.5	1.3	0.9	0.8	0.7	0.6	0.5	0.6	0.5	0.4
b. Domestic debt	0.5	0.5	0.7	0.5	0.5	0.6	0.6	0.6	0.6	0.6
6. Overall balance	2.5	3.1	2.5	-1.4	-0.2	2.0	2.3	0.9	-0.3	-2.1
7. Net financing	-2.5	-3.1	-2.5	1.4	0.2	-2.0	-2.3	-0.9	0.3	2.1
i. Foreign (a-b+c)	-0.6	-2.0	-1.0	1.1	-0.5	0.2	-0.3	-0.8	-0.1	1.6
a. Disbursements	0.7	3.3	1.0	2.7	2.9	0.6	0.5	0.2	0.7	2.3
b. Amortization	1.4	5.5	2.1	1.5	3.5	0.5	0.6	1.1	0.7	0.6
c. Others 2/	0.0	0.2	0.2	-0.1	0.1	0.1	-0.2	0.2	-0.1	-0.1
ii. Domestic	-1.9	-1.2	-1.6	0.2	0.6	-2.2	-2.0	-0.2	0.5	0.5
iii. Privatization	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	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 DEBT OF THE NON-FINANCIAL PUBLIC SECTOR

Years (December)	Million soles			% GDP		
	Assets	Liabilities	Net debt	Assets	Liabilities	Net debt
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	78,612	103,810	25,198	15.5	20.4	5.0
2013 1/	87,023	107,044	20,021	15.9	19.6	3.7
2014 1/	93,113	115,386	22,273	16.2	20.0	3.9
2015 1/	102,724	142,831	40,107	16.8	23.3	6.6

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
2006	4.1	6.6	5.0	11.6	12.1	23.7	8.2	12.5	20.8
2007	4.6	7.7	6.4	14.0	12.2	26.2	10.3	13.6	23.9
2008	4.9	8.1	7.9	16.0	13.5	29.6	13.6	15.3	28.9
2009	5.3	9.1	8.8	17.9	12.9	30.8	15.6	13.7	29.3
2010	5.7	10.2	10.2	20.3	12.3	32.6	16.4	14.1	30.5
2011	5.8	10.4	10.8	21.2	12.3	33.5	17.7	14.3	31.9
2012	6.4	11.3	12.9	24.2	10.7	34.9	19.0	14.3	33.3
2013	6.4	11.4	13.7	25.1	12.3	37.4	21.6	14.8	36.5
2014	6.8	11.9	14.4	26.3	12.5	38.8	24.1	14.9	39.1
2015	6.6	11.7	13.9	25.5	15.2	40.8	29.2	12.7	42.0

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
2006	17.3	17.0	17.3	17.1	14.3	15.6	37.2	4.5	14.5
2007	24.6	29.7	35.9	32.5	9.4	19.9	35.9	11.6	20.5
2008	28.5	32.2	58.3	44.2	9.5	27.0	42.9	18.8	28.7
2009	8.2	8.1	8.4	8.2	21.3	13.8	32.2	7.9	19.0
2010	20.7	28.0	23.7	25.8	-1.4	13.4	19.3	5.0	12.3
2011	19.9	18.6	24.3	21.5	14.9	18.9	20.8	29.3	24.7
2012	15.2	17.4	27.4	22.5	1.1	14.3	17.9	1.7	10.1
2013	15.2	13.8	22.8	18.6	8.3	15.1	18.6	10.2	14.9
2014	9.2	5.9	9.3	7.8	15.6	10.3	21.2	7.5	15.4
2015	7.8	7.6	5.3	6.3	20.9	11.2	24.5	-1.1	14.4

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 soles)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. SHORT-TERM EXTERNAL ASSETS (Million US\$)	56,511	79,503	98,480	96,516	126,018	132,815	159,157	185,919	188,237	209,960
a. Assets	17,660	26,501	31,363	33,397	44,846	49,191	62,414	66,399	63,167	61,572
b. Liabilities	58,683	85,824	103,294	100,126	128,771	136,939	168,382	190,541	194,409	218,395
	2,172	6,321	4,814	3,609	2,753	4,124	9,226	4,623	6,172	8,435
II. OTHER NET OPERATIONS ABROAD (Million US\$) 2/	638	-8,920	-13,745	-9,631	-18,071	-21,575	-27,378	-33,650	-36,678	-38,688
a. Credits	133	-1,996	-3,334	-2,817	-5,916	-7,398	-9,909	-11,202	-11,647	-10,805
b. Liabilities	5,142	4,719	4,784	5,377	4,979	5,008	5,096	5,498	5,508	5,636
	4,504	13,639	18,528	15,008	23,050	26,583	32,474	39,148	42,186	44,324
III. DOMESTIC CREDIT (A+B+C+D) (Million US\$)	10,967	13,234	20,513	25,536	28,885	46,219	45,312	51,870	72,071	78,129
a. Public sector	-17,595	-29,767	-36,287	-34,740	-41,179	-53,115	-68,827	-72,568	-73,327	-78,013
1. Credits	6,211	6,662	7,613	10,642	8,090	8,916	8,349	12,446	16,571	21,430
- Central government	5,983	6,465	6,820	10,050	7,583	8,185	7,893	11,352	14,664	18,665
- Rest of the public sector	228	197	793	592	507	730	456	1,094	1,906	2,765
2. Deposits	23,806	36,429	43,900	45,382	49,269	62,031	77,177	85,014	89,898	99,443
- Central government	13,830	21,418	29,553	31,897	36,068	47,988	59,679	66,184	71,041	79,953
- Rest of the public sector	9,976	15,011	14,347	13,484	13,201	14,042	17,498	18,830	18,857	19,490
b. Private sector	57,027	74,150	99,257	104,189	121,587	147,861	167,524	198,252	224,376	256,234
Domestic currency	23,708	32,849	48,268	56,925	68,981	83,034	96,321	118,063	139,013	178,751
Foreign currency	33,319	41,302	50,989	47,263	52,606	64,828	71,203	80,189	85,363	77,483
(Million US\$)	10,412	13,767	16,239	16,354	18,721	24,010	27,923	28,639	28,645	22,722
c. Capital, reserves, provisions, and balances	25,336	28,907	35,128	38,815	42,864	45,684	49,389	52,096	55,844	64,614
d. Others Assets and Liabilities (Net)	-3,128	-2,242	-7,329	-5,097	-8,659	-2,844	-3,996	-21,717	-23,134	-35,478
IV. MONETARY LIABILITIES WITH PRIVATE SECTOR (I+II+III)	68,116	83,818	105,249	112,422	136,832	157,459	177,091	204,139	223,629	249,401
a. Domestic currency	33,340	44,866	57,083	65,324	85,366	99,520	122,734	136,976	151,549	156,170
1. Money	18,975	24,476	28,930	33,147	42,651	48,766	57,247	62,229	68,382	71,324
Notes and coins held by the public	11,688	14,858	17,336	19,241	24,131	27,261	32,244	35,144	39,173	40,643
Demand deposits in domestic currency	7,288	9,618	11,595	13,905	18,519	21,505	25,002	27,084	29,209	30,681
2. Quasi money	14,364	20,390	28,153	32,178	42,715	50,754	65,488	74,747	83,167	84,846
Saving deposits	6,613	8,534	11,659	13,808	18,084	22,409	26,978	31,061	35,591	36,751
Term deposits	6,962	10,921	15,517	17,532	23,672	26,617	35,260	40,870	43,691	43,890
Other securities	790	936	978	838	959	1,727	3,250	2,816	3,885	4,204
b. Quasi money in foreign currency (Million US\$)	34,776	38,952	48,165	47,097	51,467	57,939	54,357	67,163	72,080	93,231
	10,868	12,984	15,339	16,297	18,316	21,459	21,316	23,987	24,188	27,340

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 end-of-period)

	Domestic currency						Foreign currency														
	Average lending rate (TAMN)		Loans up to 360 days 1/		Average deposits rate (TIPMIN)		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
2006	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	
2007	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	
2008	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	
2009	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	
2010	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	
2011	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	
2012	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	
2013	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	
2014	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	
2015	16.1	11.2	5.4	0.9	2.4	-1.9	0.5	-3.7	3.8	-0.6	7.9	18.0	2.1	11.7	0.3	9.8	0.2	9.6	0.2	9.6	

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.

Appendix 27
INFLATION
(% change)

	Weight	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CPI	100.0	1.14	3.93	6.65	0.25	2.08	4.74	2.65	2.86	3.22	4.40
1. CPI without food and energy	56.4	1.28	1.49	4.25	1.71	1.38	2.42	1.91	2.97	2.51	3.49
a. Goods	21.7	0.56	1.79	3.21	2.31	1.07	2.37	1.60	2.62	2.43	3.57
b. Services	34.8	1.78	1.33	4.97	1.24	1.58	2.45	2.10	3.18	2.55	3.44
2. Food and energy	43.6	1.05	5.91	8.58	-0.86	2.98	7.70	3.55	2.73	4.08	5.47
a. Food	37.8	1.76	6.02	9.70	0.57	2.41	7.97	4.06	2.24	4.83	5.37
b. Energy	5.7	-3.16	5.21	1.65	-10.40	6.80	6.01	0.22	6.09	-0.85	6.20
Fuel	2.8	-1.50	6.45	-0.04	-12.66	12.21	7.54	-1.48	5.95	-5.59	-6.33
Electricity	2.9	-7.30	1.92	6.31	-4.56	1.36	4.30	2.19	6.23	4.37	18.71

Source: INEI.
Elaborated by the Department of Economic Studies, BCRP.



Appendix 28
CONSUMER PRICE INDEX
(% change)

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		
	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	
January	0.50	1.90	0.01	0.64	0.22	4.15	0.11	6.53	0.30	0.44	0.39	2.17	-0.10	4.23	0.12	2.87	0.32	3.07	0.17	3.07	
February	0.55	2.70	0.26	0.36	0.91	4.82	-0.07	5.49	0.32	0.84	0.38	2.23	0.32	4.17	-0.09	2.45	0.60	3.78	0.30	2.77	
March	0.46	2.50	0.35	0.25	1.04	5.55	0.36	4.78	0.28	0.76	0.70	2.66	0.77	4.23	0.91	2.59	0.52	3.38	0.76	3.02	
April	0.51	2.90	0.18	-0.08	0.15	5.52	0.02	4.64	0.03	0.76	0.68	3.34	0.53	4.08	0.25	2.31	0.39	3.52	0.39	3.02	
May	-0.53	2.23	0.49	0.94	0.37	5.39	-0.04	4.21	0.24	1.04	-0.02	3.07	0.04	4.14	0.19	2.46	0.23	3.56	0.56	3.37	
June	-0.13	1.83	0.47	1.55	0.77	5.71	-0.34	3.06	0.25	1.64	0.10	2.91	-0.04	4.00	0.26	2.77	0.16	3.45	0.33	3.54	
July	-0.17	1.55	0.48	2.21	0.56	5.79	0.19	2.68	0.36	1.82	0.79	3.35	0.09	3.28	0.55	3.24	0.43	3.33	0.45	3.56	
August	0.14	1.87	0.14	2.20	0.59	6.27	-0.21	1.87	0.27	2.31	0.27	3.35	0.51	3.53	0.54	3.28	-0.09	2.69	0.38	4.04	
September	0.03	1.99	0.61	2.80	0.57	6.22	-0.09	1.20	-0.03	2.37	0.33	3.73	0.54	3.74	0.11	2.83	0.16	2.74	0.03	3.90	
October	0.04	1.89	0.31	3.08	0.61	6.54	0.12	0.71	-0.14	2.10	0.31	4.20	-0.16	3.25	0.04	3.04	0.38	3.09	0.14	3.66	
November	-0.28	1.54	0.11	3.49	0.31	6.75	-0.11	0.29	0.01	2.22	0.43	4.64	-0.14	2.66	-0.22	2.96	-0.15	3.16	0.34	4.17	
December	0.03	1.14	0.45	3.93	0.36	6.65	0.32	0.25	0.18	2.08	0.27	4.74	0.26	2.65	0.17	2.86	0.23	3.22	0.45	4.40	
Memo:																					
Annual average	2.00	1.78	1.78	5.79	2.94	1.53	3.37	3.66	2.81	3.25	3.55	3.66	2.81	3.25	3.55	3.66	2.81	3.25	3.55	3.66	2.81

Source: INEI.
Elaborated by the Department of Economic Studies, BCRP.

Appendix 29
CPI WITHOUT FOOD AND ENERGY
(% change)

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		
	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	
January	-0.02	1.40	-0.17	1.13	-0.09	1.57	-0.01	4.34	-0.05	1.66	-0.05	1.39	-0.13	2.33	0.04	2.09	0.03	2.95	0.00	2.48	
February	-0.01	1.43	0.17	1.31	0.05	1.45	0.35	4.65	0.00	1.30	0.17	1.57	0.07	2.23	0.18	2.20	0.19	2.96	0.16	2.45	
March	0.39	1.41	0.24	1.16	0.45	1.66	0.56	4.76	0.27	1.02	0.34	1.64	0.57	2.47	0.95	2.59	0.78	2.78	0.91	2.58	
April	0.21	1.66	0.15	1.10	0.11	1.62	0.13	4.78	0.10	0.98	0.31	1.86	0.32	2.48	0.15	2.41	0.20	2.83	0.34	2.74	
May	-0.07	1.41	0.05	1.22	0.26	1.82	0.01	4.53	0.17	1.14	0.12	1.80	0.23	2.59	0.15	2.33	0.14	2.82	0.25	2.84	
June	-0.16	1.38	0.05	1.43	0.30	2.08	0.10	4.31	0.05	1.09	0.26	2.01	0.13	2.46	0.16	2.35	0.11	2.77	0.26	3.00	
July	0.34	1.51	0.22	1.31	0.32	2.19	0.17	4.15	0.19	1.11	0.20	2.02	0.16	2.42	0.28	2.48	0.24	2.73	0.59	3.36	
August	0.12	1.59	0.05	1.24	0.50	2.64	0.00	3.64	0.03	1.15	0.13	2.13	0.15	2.44	0.14	2.46	-0.03	2.56	0.09	3.48	
September	0.04	1.60	0.11	1.31	0.87	3.42	0.04	2.78	0.01	1.12	0.25	2.38	-0.04	2.14	0.08	2.58	0.09	2.57	0.06	3.44	
October	0.03	1.46	0.09	1.37	0.52	3.86	-0.03	2.22	0.15	1.31	0.11	2.33	-0.04	1.99	0.13	2.76	0.12	2.56	0.14	3.46	
November	0.13	1.30	0.11	1.35	0.50	4.26	0.07	1.78	-0.01	1.23	0.14	2.48	0.07	1.92	0.19	2.89	0.13	2.50	0.12	3.46	
December	0.27	1.28	0.40	1.49	0.39	4.25	0.32	1.71	0.47	1.38	0.41	2.42	0.40	1.91	0.48	2.97	0.49	2.51	0.53	3.49	
Memo:																					
Annual average	1.45	1.28	1.28	2.57	3.62	1.21	2.00	2.28	2.51	2.71	3.07	2.51	2.71	2.51	2.71	2.51	2.71	2.51	2.71	2.51	3.07

Source: INEI.
Elaborated by the Department of Economic Studies, BCRP.



Appendix 30
CPI FOOD AND ENERGY
(% change)

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		
	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	Monthly	12 months	
January	0.96	2.28	0.13	0.22	0.52	6.32	0.23	8.27	0.75	-0.34	0.95	3.18	-0.06	6.62	0.20	3.82	0.66	3.20	0.37	3.78	
February	0.99	3.70	0.38	-0.38	1.54	7.55	-0.40	6.19	0.74	0.80	0.65	3.09	0.63	6.61	-0.40	2.75	1.09	4.76	0.48	3.14	
March	0.55	3.44	0.39	-0.54	1.53	8.76	0.19	4.79	0.30	0.91	1.16	3.98	1.00	6.44	0.85	2.60	0.21	4.10	0.60	3.54	
April	0.72	3.90	0.24	-1.01	0.21	8.73	-0.06	4.51	-0.07	0.90	1.14	5.23	0.78	6.06	0.38	2.18	0.63	4.36	0.45	3.35	
May	-0.86	2.91	0.86	0.70	0.43	8.27	-0.10	3.97	0.32	1.32	-0.20	4.69	-0.19	6.07	0.25	2.63	0.32	4.44	0.94	3.98	
June	-0.14	2.18	0.84	1.69	1.13	8.58	-0.68	2.11	0.51	2.53	-0.10	4.06	-0.24	5.92	0.39	3.27	0.22	4.26	0.42	4.19	
July	-0.60	1.59	0.62	2.94	0.73	8.70	0.20	1.57	0.59	2.93	1.53	5.03	0.01	4.33	0.87	4.17	0.67	4.05	0.29	3.80	
August	0.14	2.04	0.22	3.02	0.68	9.19	-0.37	0.52	0.57	3.90	0.43	4.88	0.94	4.86	1.03	4.25	-0.15	2.84	0.72	4.70	
September	0.06	2.33	0.99	3.98	0.31	8.45	-0.19	0.03	-0.08	4.00	0.43	5.43	1.24	5.70	0.14	3.13	0.24	2.93	-0.01	4.44	
October	0.04	2.26	0.54	4.50	0.71	8.63	0.25	-0.43	-0.51	3.21	0.57	6.58	-0.31	4.78	-0.07	3.37	0.68	3.71	0.15	3.89	
November	-0.61	1.74	0.10	5.24	0.15	8.68	-0.25	-0.82	0.03	3.50	0.79	7.39	-0.38	3.56	-0.70	3.04	-0.48	3.95	0.60	5.02	
December	-0.18	1.05	0.44	5.91	0.35	8.58	0.32	-0.86	-0.19	2.98	0.10	7.70	0.09	3.55	-0.21	2.73	-0.08	4.08	0.35	5.47	
Memo:																					
Annual average	2,45	2,18	2,18	2,42	8,38	2,42	2,21	5,11	5,36	3,16	3,88	4,11	3,88	3,16	3,88	4,11	3,88	4,11	3,88	4,11	4,11

Source: INEI.
Elaborated by the Department of Economic Studies, BCRP.

CONTENT

INTRODUCTION		9
ECONOMIC ACTIVITY		13
I. PRODUCTION AND EMPLOYMENT		15
1. Domestic demand		15
1.1. Private consumption		16
1.2. Private investment		17
1.3. Government spending		19
1.4. Exports and imports		19
1.5. Savings and investment		19
2. Production sectors		20
2.1. Agriculture sector		22
2.2. Fishing sector		23
2.3. Mining and hydrocarbons sector		25
2.4. Manufacturing sector		28
2.5. Construction sector		29
3. Employment		31
II. EXTERNAL SECTOR		45
1. International environment		45
2. Balance of Payments		52
2.1. Trade balance		53
2.2. Terms of Trade		64
2.3. Services		66
2.4. Current transfers		67
2.5. Factor Income		69
2.6. Private sector financial account		69
2.7. Short-term capital flows		72
2.8. Public sector financial account		72
2.9. International investment position		72
III. PUBLIC FINANCES		77
1. Revenue of the general government		79
2. General government expenditure		82
3. State enterprises		85
4. Promotion of private investment		86
5. Public debt		87
5.1. External public debt		88
5.2. Domestic Debt		89
5.3. Net debt		89
5.4. Debt by currencies		89
5.5. Debt by type of interest rate		90
5.6. Average life of the debt		91



IV. INFLATION	95
V. LIQUIDITY AND CREDIT	101
1. Monetary policy	101
2. Interest rates	107
3. Foreign exchange rate	108
4. Monetary and credit aggregates	111
4.1. Currency in circulation	111
4.2. Liquidity	113
4.3. Credit to the private sector	115
5. Funding to the private sector	119
6. Financial indicators	120
7. Net International Reserves	122
7.1. Management of International Reserves	122
7.2. Composition of International Reserve Assets (IRA)	123
8. Financial savings and capital market	124
8.1. Fixed-income market	125
8.2. Stock exchange	126
8.3. Private pension system	127
8.4. Mutual funds	128
8.5. Payment systems	128
8.6. Financial inclusion	131
VI. INSTITUTIONAL ACTIVITIES	139
1. Board of directors	139
2. Transparency and social responsibility	139
2.1. Transparency	139
2.2. Dissemination of economic information	140
2.3. Social responsibility	140
3. Main meetings and events	143
3.1. International meetings	143
3.2. National meetings	146
4. Branch offices	150
5. Currency management	151
5.1. Banknotes and coins in circulation	152
5.2. Coin minting	153
5.3. Destruction of banknotes and coin melting	154
6. Circulars	154
FINANCIAL STATEMENTS	159
APPENDICES	209
CONTENT	241

INDICES OF TABLES, BOXES, GRAPHS, AND APPENDICES

TABLES

1.	Gross domestic product by type of expenditure (Real % change)	16
2.	Mining investment by companies (Million US\$)	18
3.	Savings and investment (Nominal % GDP)	20
4.	Gross domestic product by economic sectors (Real % change)	21
5.	Agriculture and livestock production (Real % change).....	22
6.	Fishing seasons (Thousand MT).....	24
7.	Fishing catch by main species (% change).....	24
8.	Mining and hydrocarbons production (Real % change).....	25
9.	Mining production	26
10.	Manufacturing based on raw materials by main industrial groups (Real % change)	28
11.	Growth of non-primary manufacturing by type of goods	29
12.	Real state sector: Evolution of main variables	30
13.	Workforce by levels of employment in Metropolitan Lima (Thousand people)	33
14.	World growth (Annual % change).....	46
15.	USA: growth (Annual % change).....	47
16.	Yields of 10-year sovereign bonds in local currency (% end-of-period)	50
17.	Stocks exchanges (End-of-period)	51
18.	Foreign exchange rate (C.U. per US\$)	52
19.	Balance of payments.....	53
20.	Trade by main countries and regions (Million US\$)	55
21.	Exports by group of economic activity (Million US\$)	56
22.	Exports (% change)	57
23.	Main destination: non-traditional exports (Million US\$)	59
24.	Non-traditional exports.....	59
25.	Main non-traditional agricultural products (Million US\$).....	60
26.	Main non-traditional fishing products (Million US\$).....	60
27.	Main countries of destination of textile products (Million US\$)	61
28.	Imports, by use or destination (FOB value in million US\$)	62
29.	Imports (% change)	62
30.	Imports of capital goods by economic sectors	63
31.	Services	66
32.	Services: other services.....	67
33.	Remittances from abroad.....	68
34.	Remittances by countries	68
35.	Remittances by source (% participation)	68
36.	Factor income.....	69
37.	Private sector financial account.....	70
38.	Foreign direct investment by destination (Million US\$)	70
39.	Bonds issued by firms in the external market 2013-2015	71
40.	Public sector financial account	72
41.	Net international investment position (End-of-period levels)	73
42.	NIR indicators	74
43.	Overall balance of the non-financial public sector	78
44.	Fiscal impulse (% Potential GDP)	79
45.	Financing of the non-financial public sector	79
46.	Fiscal revenue ratios (% GDP)	80
47.	General government revenues	80
48.	Income tax by category (Million soles).....	81



49.	Income tax of third category by sectors: payments on accounts (Million soles).....	81
50.	General government non-financial expenditure.....	83
51.	Main investment projects of the national government: 2015 (Million soles).....	84
52.	Overall balance of state enterprises.....	86
53.	Privatization and concessions 2015 (Million US\$)	87
54.	Non-financial public sector debt balance	88
55.	Non-financial public sector net debt	89
56.	Items with highest weighted contribution to inflation in 2015	96
57.	Inflation (% change).....	97
58.	Fuel prices (Annual % change)	99
59.	Evolution of reserve requirements (%).....	102
60.	Interest rates on operations in soles (%).....	107
61.	Interest rates on operations in US dollars (%).....	107
62.	Exchange rate and commodity prices	108
63.	Monetary accounts of the BCRP (Million soles).....	112
64.	Main monetary aggregates.....	113
65.	Deposits by type of depositor.....	114
66.	Liquidity in domestic currency in the private sector.....	114
67.	Liquidity in foreign currency in the private sector.....	115
68.	Total credit to the private sector.....	117
69.	Credit to businesses by economic activity.....	117
70.	Credit to the private sector in domestic currency.....	118
71.	Credit to the private sector in foreign currency.....	118
72.	Ratio of dollarization of credit to the private sector (%)	119
73.	Financing to the private sector	120
74.	Indicators on commercial banks (%)	120
75.	Banks: delinquency rates by type and size of debtor (%).....	121
76.	Financial indicators of non-bank companies (%)	121
77.	International reserve assets (Million US\$).....	123
78.	Composition of liquid international assets (% structure).....	123
79.	International position effective exposure (% structure).....	124
80.	Financial savings (Average balance, in the period, as % GDP).....	124
81.	Fixed-income securities issued by private companies	125
82.	Composition of the private pension system portfolio (%).....	127
83.	Composition of mutual fund investment (%).....	128

BOX

1.	Annual survey on constraints of economic growth	34
2.	Bureaucratic obstacles in the mining sector	36
3.	Forest plantations	39
4.	BCRP program of de-dollarization of credit	103
5.	Alternative liquidity injection instruments	105
6.	Evolution and determinants of households' access to financial services	132

GRAPHS

1.	Real gross domestic product per capita (Index 1960 = 100).....	15
2.	GDP and domestic demand (Real % change).....	16
3.	Private consumption (Real % change).....	17
4.	Gross private fixed investment (Real % change).....	17
5.	Gross private fixed investment (% GDP).....	17
6.	Domestic savings (% GDP).....	20
7.	GDP growth in 2015 vs 2014 (% change and % contribution).....	21
8.	Agriculture and livestock production by main products (Thousand tons).....	23

9.	Agriculture and livestock production (Contribution to growth, 2015).....	23
10.	Anchovy extraction for industrial consumption (Thousand tons).....	24
11.	Metallic mining sub-sector production (Real % change).....	25
12.	Production of liquid hydrocarbons (Thousand barrels per day).....	27
13.	Production of natural gas (Million daily cubic feet).....	27
14.	Non-primary manufacturing (Real % change).....	28
15.	Construction (Real % change).....	30
16.	Median of quarterly sale prices (Per square meter at constant soles of 2009).....	31
17.	Urban employment (% change).....	31
18.	Urban employment in firms with 10 or more workers (% change).....	32
19.	Employment by city (% change 2015/2014).....	32
20.	Unemployment and underemployment rate in Metropolitan Lima (%).....	33
21.	Eurozone: Inflation and unemployment rate (%).....	48
22.	VIX index (January- December 2015).....	49
23.	US dollar basket index (January 2008 – December 2015).....	51
24.	Current account and long-term capital 2006-2015 (Million US\$).....	52
25.	Trade balance (Million US\$).....	54
26.	Composition of exports by sectors (% structure).....	57
27.	Non-traditional exports (Index 2007=100).....	58
28.	Terms of trade, export and import price indices: January 2001 - December 2015 (2007=100).....	64
29.	Price of copper: 2006-2015 (Monthly average, US\$ cents per pound).....	65
30.	Price of gold: 2006-2015 (Monthly average, US\$/tr. ounce.).....	65
31.	Price of WTI oil: 2006-2015 (Monthly average, US\$ per barrel).....	66
32.	AFP: investment (%).....	71
33.	Medium- and long-term external debt (% GDP).....	73
34.	International reserves (% GDP).....	74
35.	Net International Reserves (% GDP).....	74
36.	Overall balance of the non-financial public sector (%GDP).....	77
37.	Structural overall balance of the non-financial public sector (% potential GDP).....	78
38.	General government fiscal burden (% GDP).....	80
39.	General government non-financial expenditure (% GDP).....	82
40.	Gross capital formation in local governments (% GDP).....	85
41.	Balance of public debt by currency (% structure).....	90
42.	Balance of debt of the non-financial public sector by type of rate (% structure).....	90
43.	Average maturity of public debt (Years).....	91
44.	Inflation and inflation target range (Last 12 month % change).....	95
45.	Contributions to the annual CPI variation (% points).....	95
46.	Inflation (% change at the end-of-period).....	96
47.	IPC excluding food and energy and exchange rate (Last 12 month % change).....	96
48.	CPI goods and services without food and energy (Last 12 month % change).....	97
49.	CPI goods and services (Last 12 months % change).....	98
50.	Prices of perishable products (Annual % change).....	98
51.	BCRP reference nominal and real interest rate (%).....	101
52.	Balance of Repo operation: term at the end of month.....	102
53.	Sovereign bond yields (BTP) (Annual rate).....	108
54.	Exchange rate and interventions in the foreign exchange market.....	109
55.	Demand spot and intervention (Million US\$).....	109
56.	Net demand forward of US dollar (Million US\$).....	110
57.	Balance of forward sale (Million US\$).....	110



58.	Measurement of reserve requirement associated with FX derivatives	110
59.	Currency (Annual % change, average in the period)	111
60.	Currency (% GDP, end-of-period).....	111
61.	Liquidity in the private sector (Annual % change, end-of-period)	113
62.	Liquidity in the private sector (% GDP, end-of-period)	113
63.	Dollarization of liquidity and deposits (%).....	115
64.	Credit to the private sector (Annual % change, end-of-period)	116
65.	Credit to the private sector (% GDP, end-of-period)	116
66.	Dollarization of credit to the private sector (%)	119
67.	International Reserves (Million US\$)	122
68.	3-month Libor and 2-year US Treasury bonds (Annual yield, %)	122
69.	General index of the Lima Stock Exchange (Annual % change, end-of-period)	126
70.	Value of private pension funds (Annual % change, end-of-period).....	127
71.	Structure of mutual funds (Balance in million soles, end-of-period)	128
72.	Transfers handled through the RTGS system (Monthly average in billion soles)	129
73.	Transactions through the Cámara de Compensación Electrónica (Monthly average in thousand of transactions).....	130
74.	Participation in the volume of transactions in the CCE	130
75.	Payments through multibank securities settlement system (Monthly average in billion soles)	131

APPENDICES

1.	Gross domestic product (Million soles at 2007 prices).....	210
2.	Macroeconomic flows (% GDP)	212
3.	National disposable income (Million soles at 2007 prices).....	213
4.	National disposable income (Real % change).....	214
5.	Gross domestic product by expenditure (Real % change)	215
6.	Gross domestic product by expenditure (Million soles at 2007 prices).....	216
7.	Gross domestic product by expenditure (Million soles).....	217
8.	Gross domestic product by expenditure (Nominal % change)	218
9.	Gross domestic product by expenditure (Nominal % structure)	219
10.	Balance of payments (% GDP)	220
11.	Trade balance (FOB values in million US\$).....	221
12.	Exports by group of products (FOB values in million US\$)	222
13.	Exports of traditional products (FOB values in million US\$)	223
14.	Exports of non-traditional products (FOB values in million US\$)	224
15.	Imports by use or economic destination (FOB values in million US\$)	225
16.	Terms of trade (Year 2007 = 100).....	226
17.	Private sector financial account (Million US\$)	227
18.	International investment position (Million US\$, end-of-period)	228
19.	International investment position (% GDP).....	229
20.	Operations of the non-financial public sector (Million soles)	230
21.	Operations of the non-financial public sector (% GDP).....	231
22.	Net debt of the non-financial public sector	232
23.	Evolution of liquidity and credit to the private sector (% GDP)	233
24.	Evolution of liquidity and credit to the private sector (% change)	234
25.	Monetary accounts of the depository institutions (Million soles)	235
26.	Nominal and real interest rates in domestic currency and foreign currency (Annual effective rate at year-end)	236
27.	Inflation: 2006-2015 (% change)	237
28.	Consumer price indices: 2006-2015 (% change)	238
29.	CPI excluding food and energy: 2006-2015 (% change)	239
30.	CPI food and energy: 2006-2015 (% change)	240

ANNUAL REPORT 2015

Banco Central de Reserva del Perú
Jirón Antonio Miró Quesada 441 – Lima

ISSN 0067-3242

Design: BCRP Edition Department
Press: Gráfica PUBLI INDUSTRIA
Photographer: Antonio Pinto
LIMA – PERÚ

