



ANNUAL REPORT 2016



CENTRAL RESERVE BANK OF PERU

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ANNUAL
REPORT
2016

CENTRAL RESERVE BANK OF PERU

BOARD OF DIRECTORS

As of December 31, 2016

Julio Velarde Flores

Governor

Luis Miguel Palomino Bonilla

Vice Chairman

José Chlimper Ackerman

Elmer Cuba Bustinza

Javier Escobal D'Angelo

Rafael Rey Rey

Gustavo Yamada Fukusaki

Members of the Board

CENTRAL RESERVE BANK OF PERU

BOARD OF DIRECTORS

As of July 31, 2016

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

BANCO CENTRAL DE RESERVA DEL PERÚ

Senior Officers as of December 31, 2016

Renzo Rossini Miñán
General Manager

Chief Economist: Adrián Armas Rivas
Economic Studies

Central Manager: Marylin Choy Chong
Operations and Technical Affairs

Paul Castillo Bardalez *Monetary Policy
Manager (i)*

Carlos Ballón Avalos *Financial Stability
Manager*

Teresa Lamas Pérez *Information and Economic
Analysis Manager*

Jorge Patrón Worm *International Operations
Manager*

Javier Gutiérrez González *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

Marco Granadino Cáceres
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

During 2016, Peru's gross domestic product (GDP) grew 3.9 percent, driven by increased activity in the primary sectors, particularly by mining, which grew 21.2 percent. On the other hand, non-primary sectors recorded the lower rates observed in the past seven years. Sectors such as construction and non-primary manufacturing were affected, for the third consecutive year, by the fall of private investment and by the reduction of public spending. In this context, domestic demand grew 0.9 percent after having grown 2.9 percent in 2015.

A more favorable international environment was observed in 2016. The terms of trade registered a significantly lower decline (0.7 percent) than in previous years and even showed an upward trend towards the end of the year in response to expectations of increased spending on infrastructure in the United States. Moreover, contrasting with the net capital outflow observed in 2015, capital flows to the emerging countries –both to fixed-income and to variable-income markets– were positive during most of 2016.

The current account deficit declined from 4.8 percent of GDP in 2015 to 2.7 percent in 2016, reflecting the surplus recorded in the trade balance after two consecutive years with deficits. The flow of private long-term capital –which includes net foreign direct investment, the portfolio of foreign investment in the country, and long-term disbursements– decreased to 4.6 percent of GDP (two percentage points of GDP less than in 2015), influenced mostly by lower capital requirements to finance projects in the mining sector.

The operations of the non-financial public sector recorded a deficit of 2.6 percent of GDP in 2016 (0.5 percentage points higher than the deficit in 2015). The effect of the slowdown of domestic demand on tax revenue and the significant increase in tax rebates were the main factors that accounted for the increase in the deficit during the year. Notwithstanding the higher deficit, the level of the public debt (23.8 percent of GDP) remains at sustainable levels and is one of the lower deficits in the region.

During the year, inflation showed a downward trend, falling from 4.4 percent in December 2015 to 3.2 percent in December 2016. In August, inflation dropped to levels within the target range for the second straight month, but increased in the months thereafter to levels above the target range as a result of a water deficit that led food prices to rise significantly. Together with the rise of electricity rates approved in December, this affected inflation's convergence towards the target range.

Banco Central de Reserva del Peru (BCRP) moderated its expansionary monetary policy stance in order to maintain inflation expectations within the target range. Thus, in February BCRP raised its benchmark interest rate from 3.75 percent in January to 4.25 percent, maintaining this level thereafter during the rest of the year.



After growing at a rate of 8.0 percent in December 2015, credit to the private sector grew 5.6 percent in December 2016, this decline being associated with the lower growth of credit in soles (down from 28.0 to 7.2 percent) in a context of slowdown of domestic demand. In contrast with 2015 when it dropped 20.7 percent, credit in dollars grew 2.1 percent. In December 2016, BCRP reduced the rate of reserve requirements in domestic currency from 6.5 to 6.0 percent, the rate of marginal reserve requirements in dollars from 70 to 48 percent, and the cap on mean reserve requirements in dollars from 65 to 48 percent in order to offset the effects of expected increases in international interest rates on domestic credit conditions. The pace of growth of total liquidity also slowed down. Deposits in soles grew 9.8 percent, while deposits in dollars fell by 1.9 percent in this period.

In 2016, Peru's domestic currency appreciated 1.7 percent (from S/ 3.41 to S/ 3.36 per dollar), this appreciation of the sol resulting from the recovery of the prices of commodities, the inflow of capital to the region, and the positive evolution of the Peruvian economy in comparison with other economies in a context of lower uncertainty about global growth (and especially about growth in China), as well as some normalization of financial markets after having been affected by the results of the referendum in the United Kingdom (*Brexit*).

The intervention of BCRP in the foreign exchange market continued being oriented to reducing the volatility of the exchange rate. After two years of interventions with sales in dollars, BCRP net purchases of foreign currency amounted to US\$ 786 million. As a result, Peru's international reserves registered a balance of US\$ 61.69 billion at the end of the year (equivalent to 32 percent of GDP).



Lambayequ. Tumi or ceremonial knife.
The top of the handle represents a character with winged-eyes wearing ear ornaments inlaid with turquoise and a headdress with openwork designs and a bird at the endpoints. The knife is decorated in a checkerboard pattern in gold and silver.
Approximately 1000 years old.
42 x 16 x 2 cm.



Nazca. Double peak bottle with a bridge handle decorated with paintings representing anemones, snakes, and trophy heads. Approximately 1500 years old. 16 x 18 x 17 cm.



ECONOMIC ACTIVITY

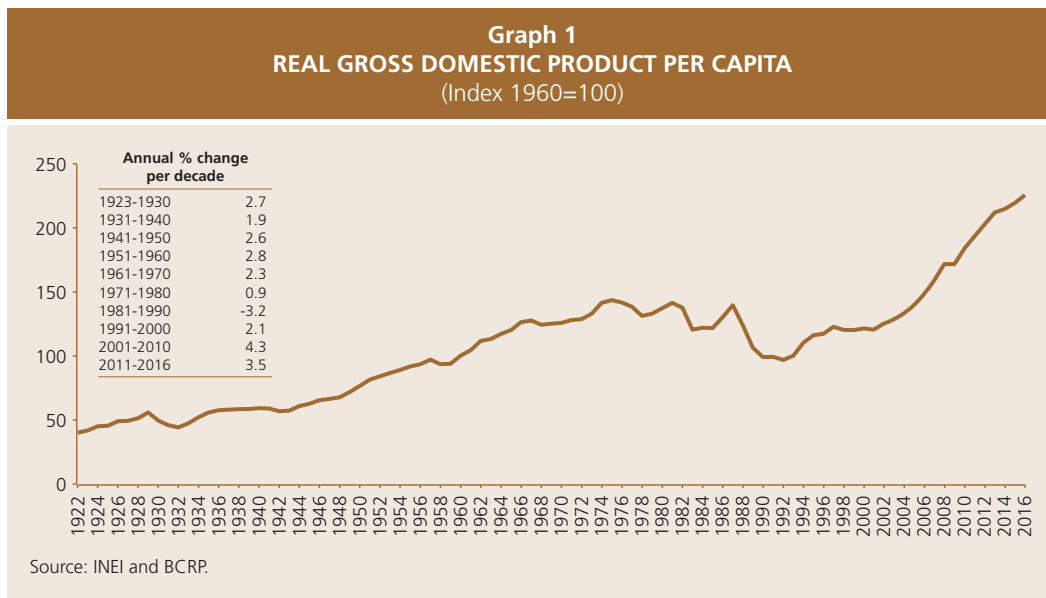


Mochica. Sculptural carafe with a stirrup-shaped handle representing a female character (a healer or a priestess) covered in a long cloak that falls toward her back. She wears a necklace and a wrist ornament, and holds a vessel with seeds in one of her hands. Approximately 1500 years old. 18 x 12 x 16 cm.

PRODUCTION AND EMPLOYMENT

The gross domestic product (GDP) showed a higher growth rate in 2016 than in the previous year (3.9 percent versus 3.3 percent), driven by the growth of primary sectors, particularly metal mining, which boosted the growth of exports (9.5 percent). Domestic demand registered a slight expansion (0.9 percent), supported by the performance of private consumption which offset the impact of falling private investment and public expenditure.

With these results, per capita GDP grew 2.8 percent, less than the average rate in the last ten years (3.5 percent).



1. Domestic Demand

The annual growth of domestic demand dropped from 2.9 in 2015 to 0.9 percent in 2016 since public spending and private investment recorded negative growth rates (0.2 and 6.1 percent,



respectively), offset in part by private consumption which maintained the same growth rates as in 2015.

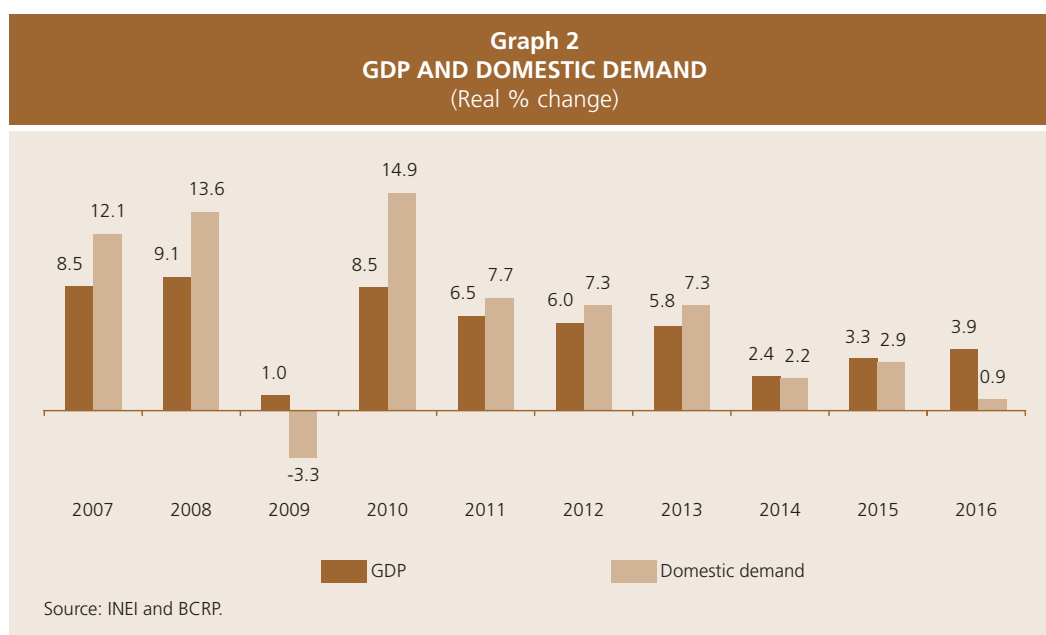


Table 1
GROSS DOMESTIC PRODUCT BY TYPE OF EXPENDITURE
(Real % change)

	2014	2015	2016	2007-2016
Domestic demand	2.2	2.9	0.9	6.4
a. Private consumption	3.9	3.4	3.4	6.1
b. Public consumption	6.0	9.8	-0.5	6.3
c. Gross fixed investment	-2.1	-5.4	-4.5	8.0
- Private	-2.3	-4.4	-5.7	7.7
- Public	-1.1	-9.5	0.6	9.2
Change on inventories (% nominal GDP)	-0.9	0.1	0.2	0.1
Exports	-0.8	4.1	9.5	3.8
Minus: Imports	-1.4	2.4	-2.2	7.2
GDP	2.4	3.3	3.9	5.5
Memo: Total public expenditure	3.6	3.6	-0.2	7.0

Source: INEI and BCRP.

1.1 Private Consumption

Consumption indicators showed a mixed behavior during the year. On the one hand, real incomes, wages, and the consumer confidence index showed a positive evolution whereas, on the other hand,

indicators such as the rates of employment and unemployment, imports of non-durable consumer goods, consumer credit, and retail sales deteriorated. The consumer confidence index rose during the year and remained on the optimistic side. In this context, private consumption expenditure grew 3.4 percent.

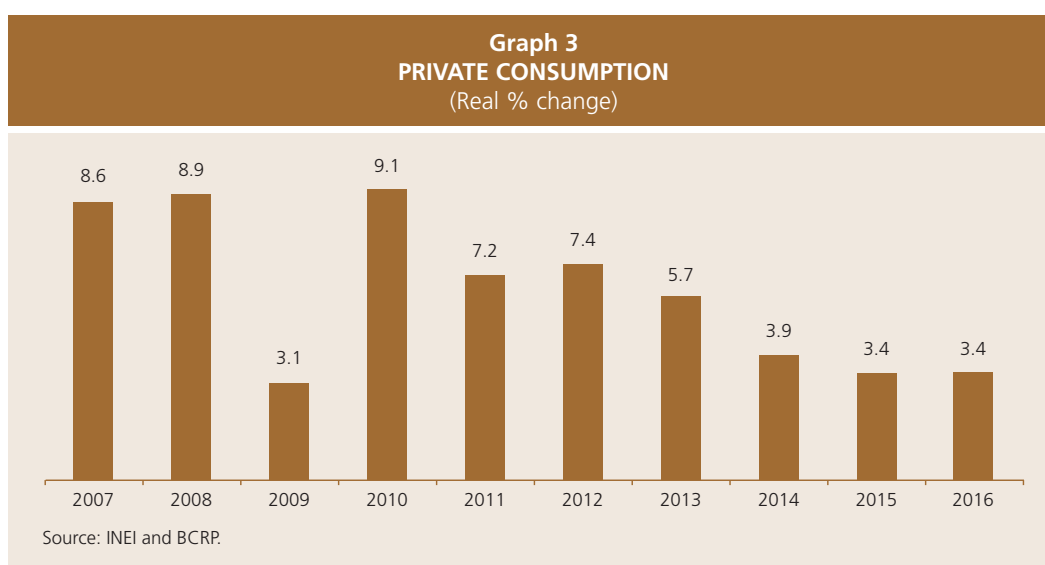


Table 2
INDICATORS OF PRIVATE CONSUMPTION
(% change respect to the similar month of previous year)

	2015	2016	Evolution
Real main income	1.3	1.6	↑
Real wage bill	2.4	3.5	↑
Consumer Confidence Index Apoyo	60.5	63.7	↑
Consumer Confidence Index GfK	46.0	54.0	↑
Metropolitan Lima unemployment rate	6.5	6.7	↑
National urban employment	0.9	0.4	↓
Consumer loans	14.8	8.5	↓
Retail sales	3.5	2.1	↓
Imports of consumer goods	-0.2	-3.6	↓
Non-durable	4.4	-4.1	↓
Durable	-5.2	-3.0	↑

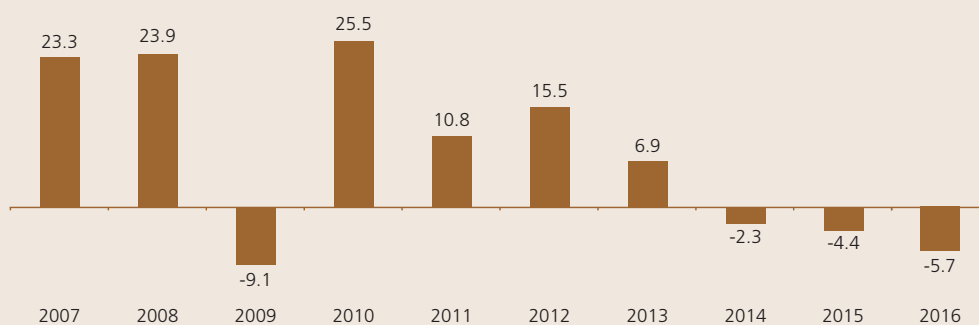
Source: BCRP, INEI, GfK, and Apoyo.

1.2 Private Investment

Private investment dropped 5.7 percent –the largest fall observed since the 2009 crisis– as a result of the contraction of mining investment (-43.5 percent) after the completion of major mining projects that started their production phases and also as a result of problems associated with the implementation of infrastructure projects.

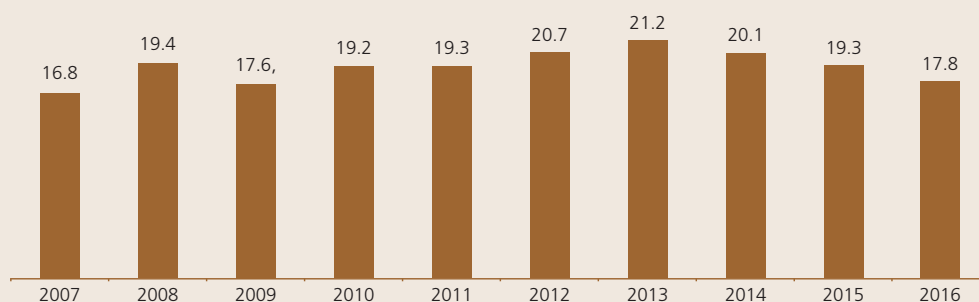


Graph 4
GROSS PRIVATE FIXED INVESTMENT
(Real % change)



Source: INEI and BCRP.

Graph 5
GROSS PRIVATE FIXED INVESTMENT
(% GDP)



Source: INEI and BCRP.

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

	2014	2015	2016
Southern Peru Copper Corp.	329	303	582
Compañía Minera Anyapaccay	570	569	542
Minera Las Bambas	1,636	1,504	299
Compañía Minera Antamina	328	281	248
Consorcio Minero Horizonte	208	240	209
Compañía de Minas Buenaventura	196	144	176
Sociedad Minera Cerro Verde	1,744	1,617	155
Minera Chinalco	449	397	146
La Arena	173	149	146
Anglo American Quellaveco	215	201	138
Hudbay Peru	736	305	136
Minera Yanacocha	104	142	81
Compañía Minera Milpo	61	18	17
Rest	2,124	1,655	1,376
Total	8,873	7,525	4,251

Source: MINEM.

In 2016, investment in the mining sector amounted to US\$ 4.3 billion. Southern Peru invested US\$ 582 million, focusing its investment in the completion of the expansion of its copper mine in Tacna and in additional projects. As of December 2016, the company had invested US\$ 550 million in the expansion of Toquepala. This project, which is estimated to culminate in the second quarter of 2018, shows a level of implementation of 53 percent. Additional projects being developed by the company include the implementation of a high pressure roller grinding system in Toquepala, optimizing the management of heavy mineral in Cuajone, and implementing tailings thickeners in the concentrator in Cuajone, all of which are expected to be completed in 2017. Moreover, Antapaccay invested US\$ 542 million mainly in the processes of exploitation and tailings.

In the hydrocarbons sector, Repsol invested US\$ 176 million which were mainly allocated to the project "Modernization of La Pampilla Refinery" (RLP-21).

In the electricity sector, the implementation of projects such as the of Santo Domingo of Olleros (combined turbine to vapor cycle) continued, while the implementation of the Power Plant 200 Kv. Moyobamba-Iquitos transmission line remained interrupted by conflicts with some communities. At end 2016, these projects showed a level of implementation of 54 and 17 percent, respectively. It should be pointed out that the projects Cerro del Aguila, Nodo Energético del Sur, and the Wind Power Plant Tres Hermanas, which together represented a total investment of US\$ 1.8 billion, started operations during 2016. Moreover, Luz del Sur invested US\$ 461 million to enlarge the capacity and improve the electric power grid, while Edelnor invested US\$ 217 million in enhancing the electricity distribution grids (expansion and reinforcement of grids to meet the needs of residential, commercial, and industrial clients), US\$ 121 million in sub-transmission of electricity (expansion and security of power substations and transmission lines), US\$ 25 million in electrification infrastructure in various settlements, and US\$ 6 million in the improvement of street lighting.

Investment in the industrial sector during 2016 included Gloria's investment of US\$ 110 million to enhance its production plant of dairy products located in Huachipa.

1.3 Public Expenditure

After growing 3.6 percent in 2015, public spending fell 0.2 percent in 2016 reflecting a decrease of 0.5 percent in consumption spending as a result of the fiscal consolidation policy implemented in the last quarter of the year. The latter was in part offset by the slight growth in investment (0.6 percent) after two years of consecutive decline.

By government levels, the investment of the national government and regional governments dropped 13.1 and 2.7 percent, respectively, while the investment of public enterprises, on the other hand, continued increasing mainly due to investment in the Talara Refinery project. Public investment as a percentage of GDP represented 4.8 percent in 2016, the lowest level recorded since 2008.

1.4 Exports and Imports

Exports of goods and services grew 9.5 percent in 2016 (4.1 percent in 2015), driven by the greater dynamism of traditional exports associated mostly with increased copper production in mines such as Las Bambas and Cerro Verde. Exports of gold, coffee, and oil derivatives also contributed to this growth of exports. It is worth mentioning that exports of coffee recovered from the second half of the year after recording four years of consecutive drops as a result of pests and climatic factors.

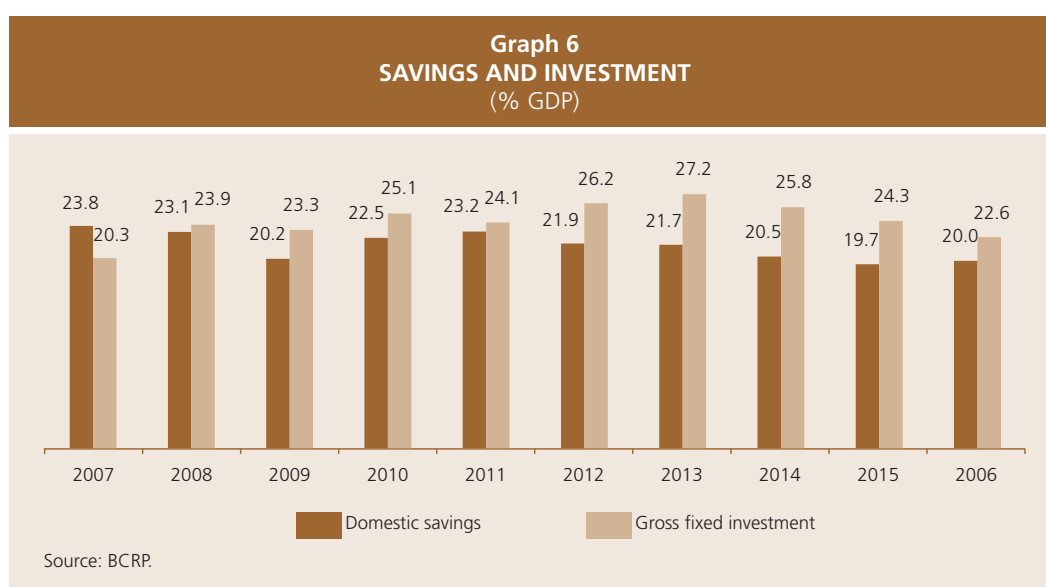


On the other hand, after growing 2.4 percent in 2015, imports of goods and services dropped 2.2 percent in 2016 in a context characterized by a slowdown of domestic demand associated with the fall of private investment and a lower demand for consumer goods.

1.5 Saving and Investment

In 2016, gross fixed investment fell by 1.7 percentage points of nominal GDP (from 24.3 to 22.6 percent of GDP) due to the contraction of private investment by 1.5 percentage points of GDP (from 19.3 to 17.8 percent of GDP) and to the drop of public investment (from 5.0 to 4.8 percentage points of GDP).

On the other hand, domestic spending increased from 19.7 to 20.0 percent of GDP due to the increase registered in private saving. Moreover, the decrease in domestic investment and the increase in domestic savings reflected in lower requirements of foreign savings, which declined from 4.8 percent of GDP in 2015 to 2.7 percent of GDP in 2016.



**Table 4
SAVINGS AND INVESTMENT
(% GDP)**

	2014	2015	2016
I. Domestic investment (=II+III)	24.9	24.4	22.8
Gross fixed investment	25.8	24.3	22.6
Public investment	5.6	5.0	4.8
Private fixed investment	20.1	19.3	17.8
Change on inventories	-0.9	0.1	0.1
II. Domestic savings	20.5	19.7	20.0
Public sector	5.9	3.7	2.7
Private sector	14.6	15.9	17.4
III. External savings	4.4	4.8	2.7

Source: BCRP.

2. Economic Sectors

GDP growth in 2016 (3.9 percent) was driven by the primary sectors (9.8 percent), especially by metal mining which grew 21.2 percent in the year, the main source of growth being the increased production of copper in mines such as Las Bambas and Cerro Verde.

Non-primary sectors continued to be affected by weak domestic demand and grew 2.3 percent. Sectors such as construction and non-primary manufacturing showed negative growth rates, while the sectors of trade and services registered a slowdown.

Table 5 GROSS DOMESTIC PRODUCT ^{1/} (Real % change)				
	2014	2015	2016	2007-2016
Agriculture and livestock^{2/}	1.9	3.2	2.0	3.5
Agriculture	0.7	2.0	0.7	1.9
Livestock	5.8	5.2	3.9	3.7
Fishing	-27.9	15.9	-10.1	-1.6
Mining and hydrocarbons ^{3/}	-0.9	9.5	16.3	4.7
Metallic mining	-2.2	15.7	21.2	4.3
Hydrocarbons	4.0	-11.5	-5.1	3.8
Manufacturing ^{4/}	-3.6	-1.5	-1.5	3.0
Manufacturing based on raw materials	-9.3	1.8	-0.5	-0.2
Non-primary manufacturing	-1.5	-2.6	-2.0	4.1
Electricity and water	4.9	5.9	7.3	6.3
Construction	1.9	-5.8	-3.1	7.6
Commerce	4.4	3.9	1.8	6.5
Services	5.0	4.2	3.9	6.3
GDP	2.4	3.3	3.9	5.5
Memo:				
Primary	-2.2	6.8	9.8	3.5
Non-primary	3.6	2.4	2.3	6.1

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

2.1 Agriculture sector

Output in the agricultural sector grew less in 2016 than in the previous year (2.0 percent in 2016 vs. 3.2 percent) mainly because the contribution of agricultural products oriented to the domestic market was negative by 0.7 percentage points. Farming production in 2016 was carried out in a context of a water deficit that affected the production of Andean crops, such as potatoes, amylaceous maize, and wheat. On the other hand, export-oriented crops and agro-industrial products showed greater growth than in previous five years and contributed with 1.1 percentage points to the growth of the sector. This was reflected in higher exported volumes of coffee (which recovered from the rust plague), grapes, cocoa, avocados, and paprika, as well as in an increased production of asparagus and olives.



Table 6
AGRICULTURE AND LIVESTOCK PRODUCTION ^{1/}
(Real % change)

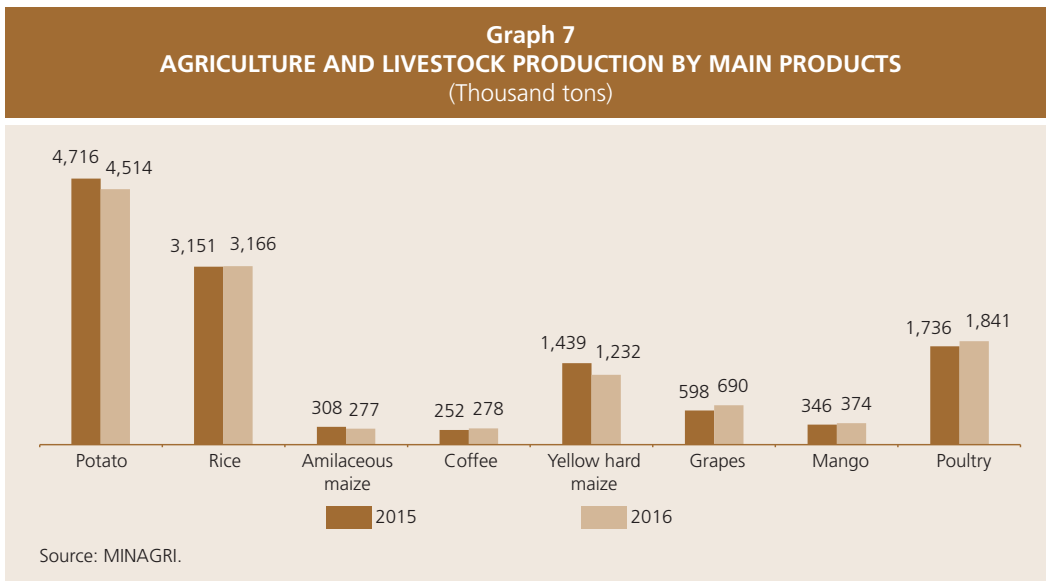
	2014	2015	2016	Average ^{3/} 2007-2016
1. Agricultural production	0.7	2.0	0.7	2.9
a. <u>For the domestic market</u>	-0.8	3.2	-1.8	2.8
Potato	2.8	0.2	-4.3	3.3
Rice	-4.9	8.8	0.5	3.0
Banana	0.7	-3.3	0.9	1.6
Cassava	0.9	2.9	-4.0	0.4
Amilaceous maize	-1.9	1.9	-9.9	1.1
Garlic	0.1	10.1	-12.9	0.6
Onion	1.4	0.3	-7.2	2.0
Lemon	15.5	1.6	0.9	0.7
Mandarine	8.2	5.4	12.8	8.0
Orange	2.7	1.3	7.6	3.3
Alfalfa	-5.3	3.3	-2.7	1.6
Tomato	5.5	-11.2	-1.4	3.2
Others	-1.2	3.6	-1.8	3.4
b. <u>For export and industry</u>	3.6	-0.2	5.3	3.2
Coffee	-13.2	13.5	10.2	0.2
Sugar cane	3.6	-10.3	-3.7	3.1
Yellow hard maize	-10.1	17.2	-14.3	1.9
Asparagus	-1.7	-1.8	2.0	3.8
Grapes	15.6	17.9	15.4	13.7
Olive	163.0	-74.7	46.1	0.7
Mango	-18.0	-8.0	8.0	1.5
Cocoa	14.2	13.4	16.6	13.1
Oil palm	9.2	10.8	7.6	12.0
Quinoa	124.0	-7.9	-25.0	10.7
Avocado	20.9	7.8	20.9	15.8
2. Livestock production	5.8	5.2	3.9	5.0
Poultry	9.5	8.1	6.1	7.8
Bovine	3.0	-0.1	-3.0	1.6
Eggs	2.5	7.7	3.8	5.0
Pork	5.3	5.6	4.5	3.2
Milk	1.7	3.4	2.7	2.8
Others	-0.4	-4.3	2.6	1.4
3. Total ^{2/}	1.9	3.2	2.0	3.5

1/ Preliminary.
2/ Includes the forestry sector.
3/ For quinoa and avocados considers the average 2008-2016.
Source: MINAGRI.

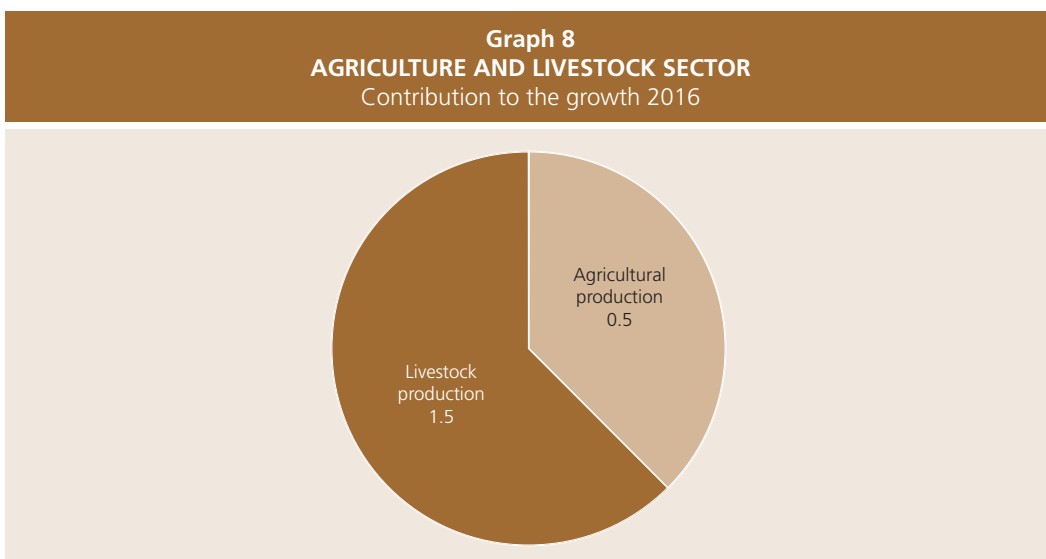
Showing a slowdown compared to 2015 due to the negative impact of the water shortage that affected production in Piura, Lambayeque, and La Libertad, the production of rice grew 0.5 percent. The water deficit also affected the production of potatoes, especially in Puno, Huánuco, La Libertad, and Junín, and thus reached 4,514 thousand tons –down 4.3 percent compared to the previous year.

On the contrary, the production of export-oriented crops such as coffee, grapes, and mangos increased, favored by higher sales to markets such as the United States and the European Union.

The production of hard yellow maize decreased due to the reduction of sown areas and lower yields.



Activity in the livestock sub-sector grew 3.9 percent after growing 5.2 percent in the previous year. This lower output is explained mainly by a slower pace of growth in the production of poultry –down from 8.1 percent in 2015 to 6.1 percent in 2016–, particularly in the production of baby chickens in poultry farms in Lima and La Libertad.



2.2 Fishing Sector

In 2016, fish production dropped 10.1 percent as a result of lower landings of anchovy. The volume of anchovy catch associated with industrial consumption decreased from 3.6 to 2.7 million metric tons between 2015 and 2016 due to sea salinity anomalies that remained as lag effects of El Niño 2015-2016. The latter not only affected the availability of anchovy and its spawning cycle, but also led to the premature closing of the first fishing season in the North-Central fishing area.

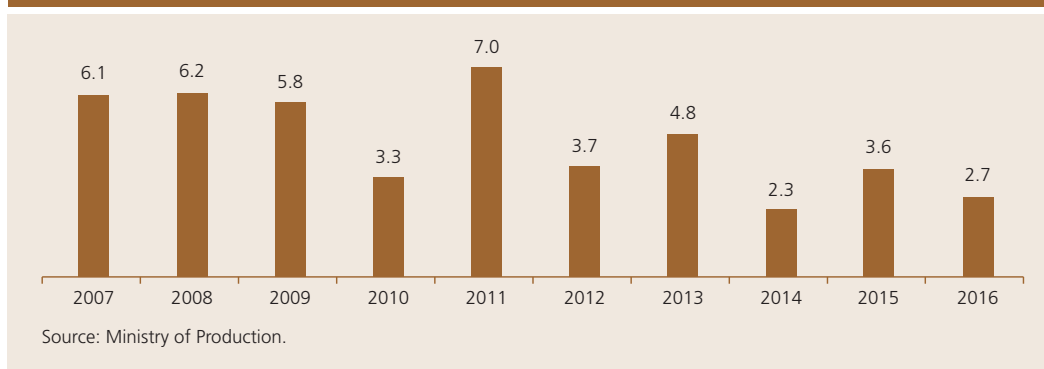


Table 7
FISHING SEASONS - QUOTATION
(Thousand tons)

	2015		2016	
	South	North-Central	South	North-Central
First season	375	2,580	382	1,800
Second season	450	1,110	382	2,000
Total year	4,515		4,564	

Source: Ministry of Production.

Graph 9
ANCHOVY EXTRACTION FOR INDUSTRIAL CONSUMPTION
(Million tons)



Source: Ministry of Production.

Fisheries for direct human consumption, on the other hand, fell 0.5 percent due to the lower catch of parrot, squid, scallops to produce frozen products and bonito, mackerel for canning and fresh consumption. This was in part offset by an increased catch of mackerel for direct human consumption due to a greater availability of this species, which benefited from anomalous sea conditions.

Table 8
FISH CATCH BY MAIN SPECIES
(% change)

Species	2014	2015	2016	Average 2007-2016
Anchovy	-52.6	60.3	-24.4	-7.4
Jack mackerel	-14.9	-62.2	-28.9	-21.3
Prawns	13.9	23.0	9.3	10.0
Giant Squid	13.2	-8.2	-42.4	-3.9
Mackerel	11.2	-48.2	276.6	-0.1
Tuna fish	-33.7	134.1	-1.8	-0.4
Scallops	-41.5	-71.6	-32.0	-3.7

Source: Ministry of Production.

2.3 Mining and Hydrocarbons Sector

Production in the sector of mining and hydrocarbons registered a growth rate of 16.3 percent in 2016, the highest rate since 1980. This result is explained mainly by copper production, which grew 40.1 percent in the year as a result of the start of operations at Las Bambas and the expansion of Cerro Verde.

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

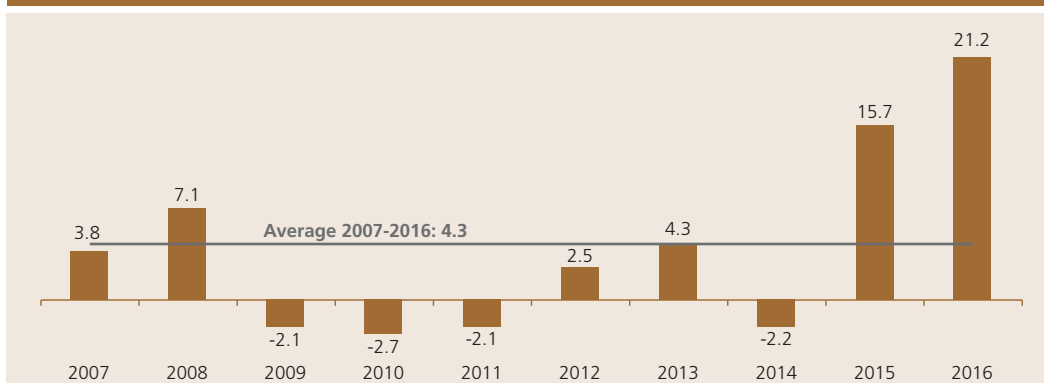
	2014	2015	2016	Average 2007-2016
METALLIC MINING	-2.2	15.7	21.2	4.3
Copper	0.6	25.8	40.1	10.1
Iron	7.7	1.8	4.7	4.8
Gold	-10.3	4.5	4.2	-2.8
Silver	2.5	8.9	6.7	2.4
Lead	4.1	13.8	-0.4	0.1
Zinc	-2.6	8.0	-6.1	1.0
Molybdenum	-6.2	18.4	27.8	4.1
Tin	-2.4	-15.6	-3.7	-6.9
HYDROCARBONS	4.0	-11.5	-5.1	3.8
Oil	10.2	-16.3	-30.1	-6.3
Liquid of natural gas	-1.1	-11.6	3.9	9.6
Natural gas	6.0	-3.3	12.0	22.8
TOTAL ^{2/}	-0.9	9.5	16.3	4.7

1/ Preliminary.

2/ Includes non-metallic mining and secondary production.

Source: MINEM.

Graph 10
PRODUCTION OF THE METALLIC MINING SUB SECTOR
(Real % change)



Source: INEI and MINEM.



Table 10
VOLUME OF MINING PRODUCTION

	2007	2015	2016
Production of gold (Thousand troy ounces)	5,473	4,720	4,919
<i>Largest mining</i>	3,535	1,750	1,405
Minera Yanacocha	1,564	918	668
Minera Barrick Misquichilca	1,606	614	547
Compañía de Minas Buenaventura	365	218	190
<i>Rest ^{1/}</i>	1,938	2,211	2,618
<i>New projects</i>	759	896	
La Arena - Rio Alto		229	204
Tantahuatay - Buenaventura		145	149
La Zanja - Buenaventura		133	140
Pucamarca - Minsur		118	106
Anama - Aruntani		74	87
Inmaculada - Hochschild		59	163
Production of copper (Thousand fine metric tons)	1,018	1,628	2,280
<i>Largest mining</i>	930	1,121	1,426
Compañía Minera Antamina	341	412	444
Southern Peru Copper Corporation	323	298	288
Sociedad Minera Cerro Verde	182	208	473
Antapaccay	84	203	221
<i>Rest</i>	88	212	223
<i>New projects</i>	295	631	
Toromocho - Chinalco		182	168
Constancia - Hudbay		106	133
Las Bambas - Mmg		7	329
Production of zinc (Thousand fine metric tons)	1,444	1,421	1,334
<i>Largest mining</i>	1,050	985	872
Compañía Minera Antamina	322	298	261
Compañía Minera Milpo	90	247	245
Volcan Compañía Minera	276	180	169
Empresa Minera Los Quenuales	201	103	29
Sociedad Minera El Brocal	91	56	59
Empresa Administradora Chungar	69	100	109
<i>Rest</i>	394	437	464
Production of Silver (Thousand fine troy ounces)	113	132	141
<i>Largest mining</i>	53	60	63
Compañía Minera Antamina	11	19	21
Compañía de Minas Buenaventura	12	18	22
Volcan Compañía Minera	16	13	11
Compañía Minera Ares	13	10	9
<i>Rest</i>	60	72	78
Production of Lead (Thousand fine metric tons)	329	316	314
<i>Largest mining</i>	194	129	112
Compañía Minera Milpo	18	36	37
Volcan Compañía Minera	86	27	26
Empresa Administradora Chungar	29	28	24
Sociedad Minera El Brocal	39	23	16
Empresa Minera Los Quenuales	23	15	9
<i>Rest</i>	135	187	201

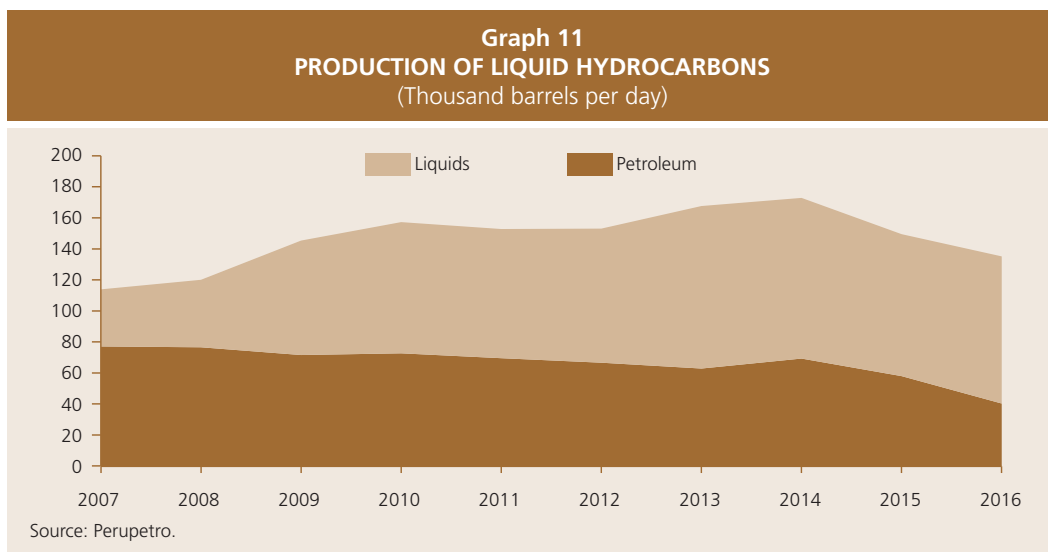
1/ Includes Madre de Dios.

Gold production grew 4.2 percent in 2016, rising from 4.7 to 4.9 thousand troy ounces. The increase is explained by a base effect resulting from incorporating the artisanal gold production of Puno, Arequipa, and Piura, as well as the more informal production of Madre de Dios and mine Inmaculada since February.

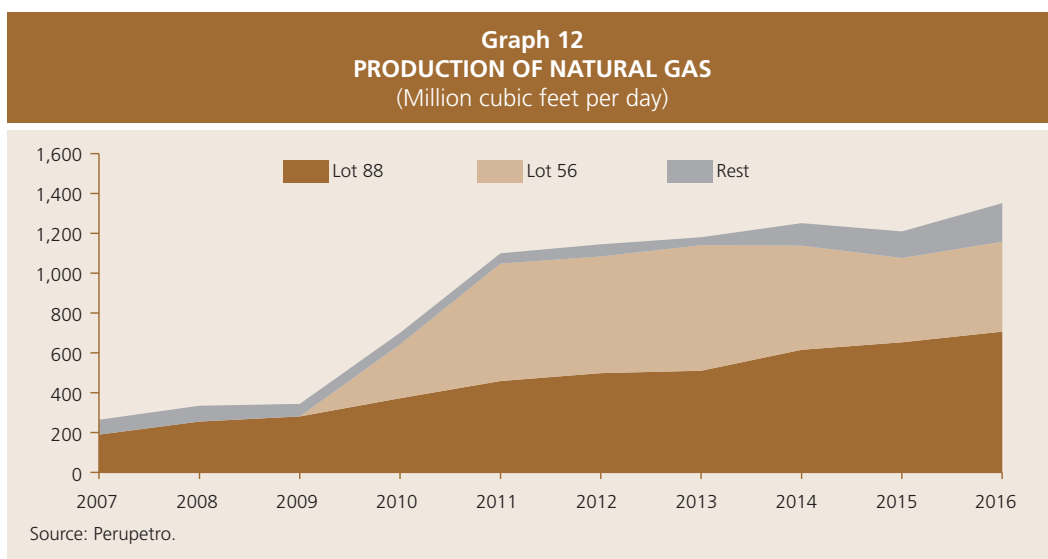
The **production of copper** (2.3 million metric tons fine, TMF) grew 40.1 percent in 2016 due to increased production in Las Bambas and Cerro Verde. It is worth mentioning that Las Bambas started operations at end 2015 and reached the level of commercial production in 2016, while Cerro Verde raised its production of copper by 127 percent between 2015 and 2016 after the completion of its expansion project.

The production of **zinc** fell 6.1 percent due to the lower production of Los Quenuales, associated with the closure of its mining unit Iscaycruz, and due to Antamina’s lower production due the lower grades of ore obtained in this mine. **Lead** production showed a slight fall of 0.4 percent (314 tons in 2016), while **silver** production grew 6.7 percent (141 million ounces in 2016) due to the greater output of Buenaventura.

Moreover, the **hydrocarbon** sub-sector continued to show negative growth rates in the year (-5.1 percent), although this rate was lower than in the previous year (-11.5 percent). The contraction of this subsector is explained mostly by the lower production of the oil industry (-30.1 percent), the main factors contributing to this contraction including, first of all, the rupture of the Nor-Peruvian Pipeline, which caused the closing of operations in two oil lots: Lot 192, concession operated by Pacific Stratus and Lot 67, operated by Perenco. In addition to this, Pluspetrol was forced to halt the production of Lot 8 between September and December due to the protests of the communities that live in the area.



This lower oil production was offset in part by an increased production of natural gas in lots 88 and 56 of Camisea, managed by Pluspetrol, and Lot 57, managed by Repsol. This higher production is explained by the start-up of the compressor used for gas transportation, as well as by a base effect resulting from the fact that the pipeline interrupted operations in the third quarter of 2015 due to maintenance.





2.4 Manufacturing Sector

Manufacturing activity fell 1.5 percent in 2016 due mainly to the contraction of growth in non-primary manufacturing resulting from lower output in the branches oriented to investment, exports, and inputs. The latter were affected by the lower dynamism of domestic demand (especially due to the drop of investment) and by lower growth in our trading partners (especially our trading partners in the Latin American region). Moreover, in contrast with the previous year, primary manufacturing also recorded a negative growth rate in 2016 (-0.5 percent) due mainly to a lower output in the processing of fishmeal and fish oil as a result of lower fishing activity.

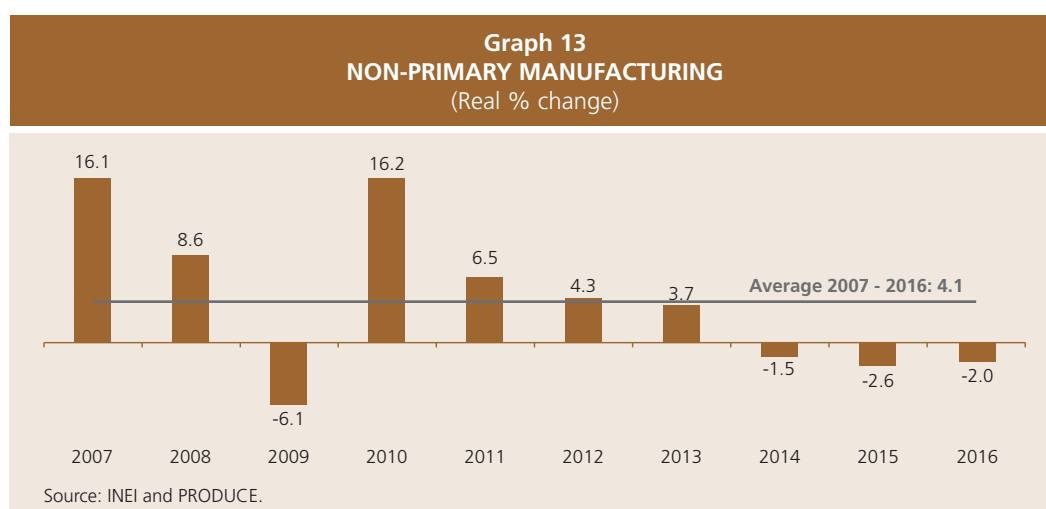


Table 11
MANUFACTURING BASED ON RAW MATERIALS
(Real % change)

	2014	2015	2016	Average 2007-2016
Manufacturing based on raw materials	-9.3	1.8	-0.5	-0.2
Rice	-4.9	8.8	0.5	3.0
Sugar	2.5	-9.6	5.1	3.6
Meat products	7.2	5.8	4.4	5.2
Fishmeal and fish oil	-52.0	53.0	-19.3	-7.2
Canned and frozen fish products	1.9	-17.4	-6.1	0.4
Refining of non-ferrous metal	-5.1	-5.5	1.3	-2.5
Refining of crude	3.3	0.4	5.3	4.6

Source: Ministry of Production and INEI.

Lower activity in non-primary manufacturing branches oriented to investment (-5.1 percent) was due to the lower production of transportation material (-16.2 percent), metal products (-10.2 percent), and machinery and equipment (-9.2 percent), which was associated to a lower demand for parts for motor vehicles, for metal products for structural uses, and for centrifugal pumps, respectively.

Similarly, the output in export-oriented industries continued showing lower growth rates (-3.3 percent) as a result of the lower demand for textile products of our trading partners. The input manufacturing branches that fell the most were the branch of rubber (-10.5 percent) due to lower exports of rubber products, and the branch of basic chemicals (-6.4 percent), due to a lower production of caustic soda, zinc oxide, and zinc sulfate.

On the other hand, the consumer-oriented industries grew 0.9 percent, growth in the branches of pharmaceutical products (10.1 percent) and toiletries and cleaning products (9.8 percent) standing out. These higher rates are explained by the restart of operations of a pharmaceutical company in the case of the former and by increased demand in the case of the latter.

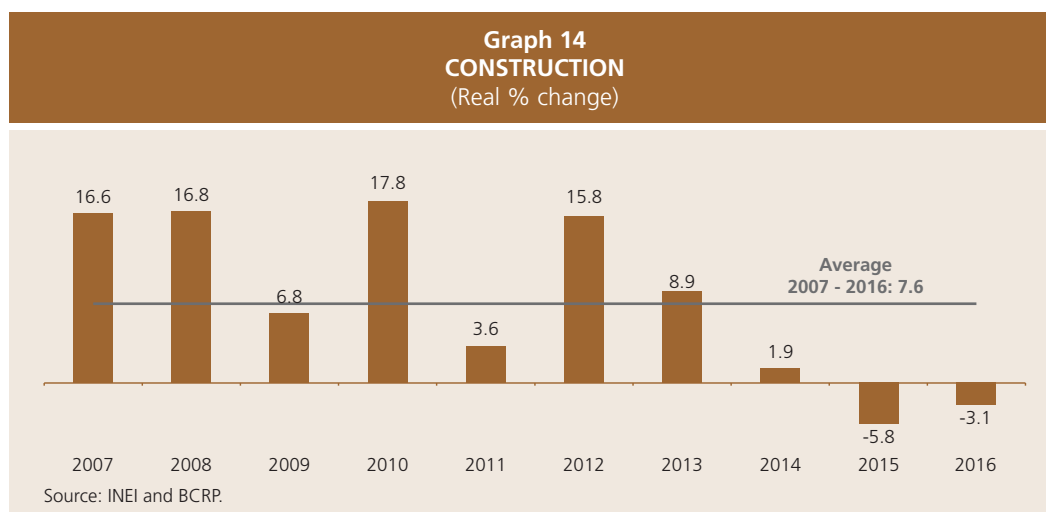
Table 12
GROWTH OF NON-PRIMARY MANUFACTURING BY TYPE OF GOODS
(Real % change)

	2014	2015	2016	Average 2007-2016
Mass consumption goods	-2.0	0.3	0.9	4.7
Dairy products	1.4	3.1	-4.7	4.3
Bakery	-0.4	1.2	-1.9	1.3
Oils and fats	4.6	4.5	2.3	3.9
Miscellaneous food products	-5.5	-8.0	-6.2	4.6
Beer and malt	0.5	-0.4	-0.8	3.6
Soft drinks	1.7	9.1	7.2	6.9
Clothing	-9.0	-8.7	-4.2	-0.2
Furnitures	-6.3	7.8	5.7	11.5
Other paper and cardboard items	11.0	12.5	-7.0	7.1
Toiletries and cleaning products	2.0	-1.9	9.8	6.6
Pharmaceutical products	-1.7	-20.4	10.1	-0.4
Miscellaneous items	-7.2	-6.0	-9.9	0.3
Inputs	-2.0	-4.4	-0.7	3.0
Milling industry	2.0	0.6	-4.4	0.8
Othe textil items	-7.6	-7.0	-1.0	-1.6
Woods	-9.6	-11.0	-4.4	-4.8
Paper and cardboard	-20.1	-16.6	-5.5	2.3
Paper and cardboard containers	0.2	1.4	7.4	4.9
Publishing and printing	-0.3	-17.9	2.4	4.3
Basic chemicals	11.4	0.9	-6.4	2.7
Explosives, chemical and natural scents	-14.7	19.6	3.9	9.1
Rubber	-18.4	-5.2	-10.5	-1.9
Plastic	8.2	-1.7	-0.8	5.7
Glass	-2.3	0.2	9.5	12.6
Capital goods	-2.1	-3.6	-5.1	6.6
Paints, varnishes and lacquers	1.4	-2.4	-9.1	6.4
Cement	4.3	-1.9	1.5	6.1
Construction materials	-4.8	-3.1	-5.4	6.5
Iron and steel industry	5.5	-3.6	2.3	1.1
Metallic products	-2.2	2.8	-10.2	9.5
Machinery and equipment	0.0	-7.3	-9.2	-2.1
Electric machinery	-13.7	-30.5	15.6	1.8
Transport equipment	-8.5	-7.1	-16.2	11.9
Industrial services	-4.6	-7.0	-2.6	10.9
Exports	1.3	-5.8	-3.3	0.6
Canned food, chocolate and alcoholic beverages	9.3	-3.3	4.5	7.4
Synthetic fibers	12.7	-10.5	-4.0	-2.4
Yarns, fabrics and finished garments	1.7	-5.1	-7.7	-1.9
Knitted garments	7.8	-5.9	-10.2	-2.7
Clothing items	-9.0	-8.7	-4.2	-0.2
Total non-primary manufacturing	-1.5	-2.6	-2.0	4.1

Source: Ministry of Production.

2.5 Construction Sector

Activity in the construction sector decreased 3.1 percent in 2016, with growth in the sector accumulating a fall of 8.8 percent in the last two years after 13 years of continued growth. This is mainly explained by the decline in private investment –due to the completion of large projects–, the contraction of sales in the real estate market, and the significantly low growth of public investment. In line with this, the domestic consumption of cement fell 2.7 percent, from 11.2 to 10.9 million metric tons.



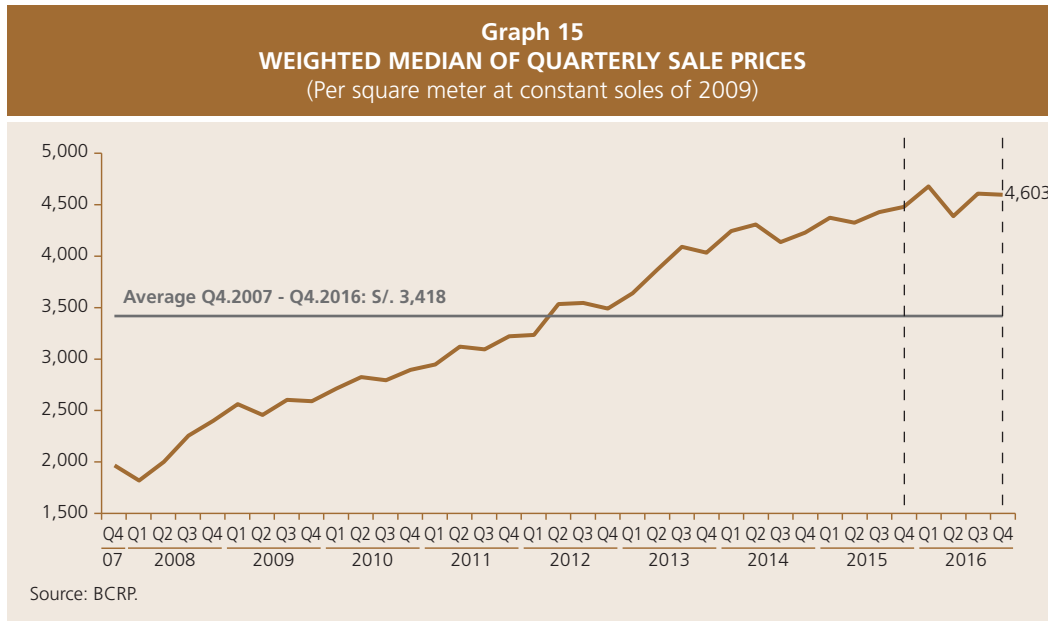
In the residential real estate market, the study on the buildings market in Metropolitan Lima and Callao –*Estudio del Mercado de Edificaciones en Lima Metropolitana y el Callao*– published by the Peruvian Chamber of Construction (CAPECO), reported that the number of apartments sold in 2016 dropped 2.3 percent. This trend was also reflected in credit for this segment, which showed a 7.5 percent reduction in new mortgage loans for housing as well as a decrease of 11.1 percent in the placement of new loans by Mivivienda.

Table 13
REAL ESTATE SECTOR: EVOLUTION OF MAIN VARIABLES

INDICATOR	2014	2015	2016	Average 2007-2016
Apartments: Unit sold - CAPECO ^{1/}	16,337	10,889	10,643	-246
% Change	-22.7	-33.3	-2.3	31.1
Apartments: Unit sold- TINSA ^{2/}	11,049	12,901	10,865	-2,036
% Change	-30.0	16.8	-15.8	-32.5
Unmet demand - CAPECO ^{1/}	415,592	435,129	449,750	14,621
% Change	0.9	4.7	3.4	-1.3
New mortgage loans ^{3/}	32,915	30,358	28,088	-2,270
% Change	-6.5	-7.8	-7.5	0.3
New loans Mivivienda ^{4/}	10,777	9,090	8,082	-1,008
% Change	-18.1	-15.7	-11.1	4.6
Number of debtors of current mortgage borrowers ^{3/}	202,704	209,646	212,084	2,438
% Change	7.2	3.4	1.2	-2.3
Mortgages disbursed in S/ (mills.) ^{3/}	6,816	8,311	7,437	-874
% Change	1.2	21.9	-10.5	-32.4
Mortgages disbursed in US\$ (mills.) ^{3/}	610	320	460	140
% Change	-3.8	-47.6	43.7	91.3
Average interest rate by mortgage loans in S/ ^{5/}	9.2	9.0	8.9	-0.1
Average interest rate by mortgage loans in US\$ ^{5/}	8.3	8.2	7.8	-0.4
Ratio PER ^{6/}	16.2	17.0	17.7	0.7

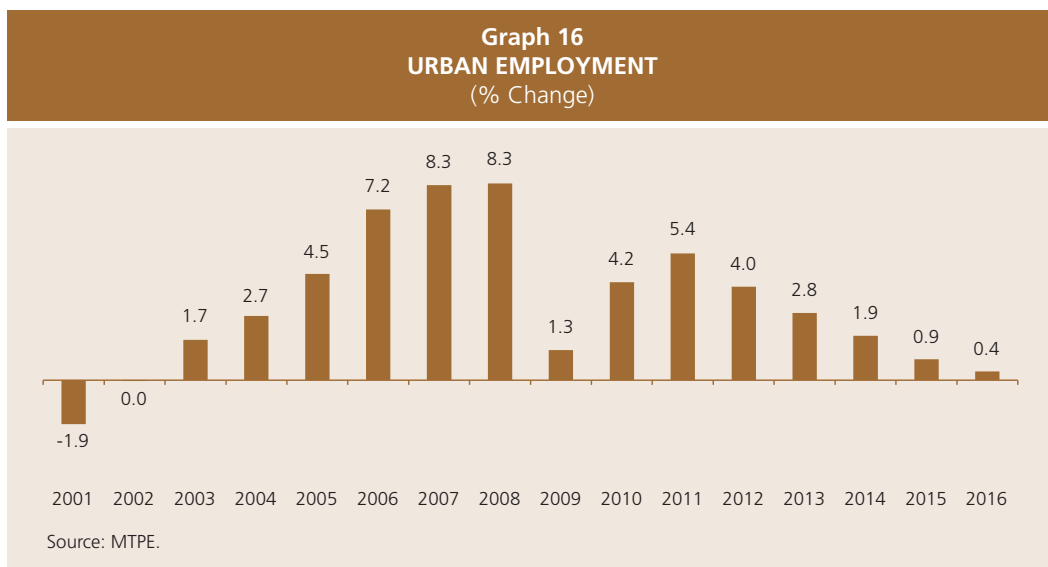
1/ El Mercado de Edificaciones Urban areas en Lima Metropolitana y el Callao”, CAPECO. A one-year period is considered (from July to June in the next year).
2/ Informe de Coyuntura Inmobiliaria”, TINSA PERU SAC.
3/ Commercial banks. Source: SBS.
4/ “Nuevo Credit Mi Vivienda”. Source: Fondo Mi Vivienda.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

Moreover, the rising trend of sale prices of property per square meter in constant soles observed since late 2007 continued to be observed in 2016. The PER ratio, which shows the number of years a property would have to be rented to recover the acquisition value of the property, rose from 17.0 in 2015 to 17.7 in 2016.

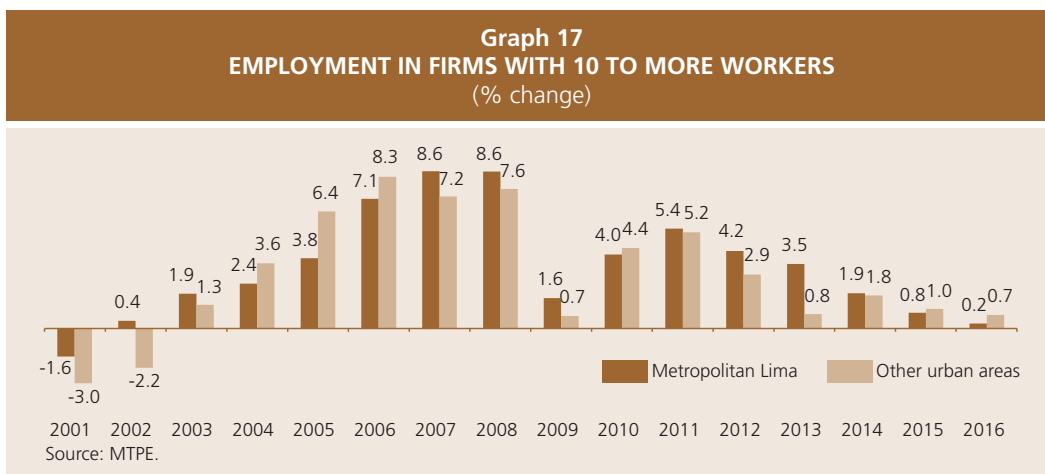


3. Labor

The Ministry of Labor reported that urban employment in formal enterprises with 10 and more workers grew 0.4 percent in 2016. This low rate is explained by the lower dynamism of labor-intensive sectors, such as manufacturing, in which the output dropped 1.9 percent.

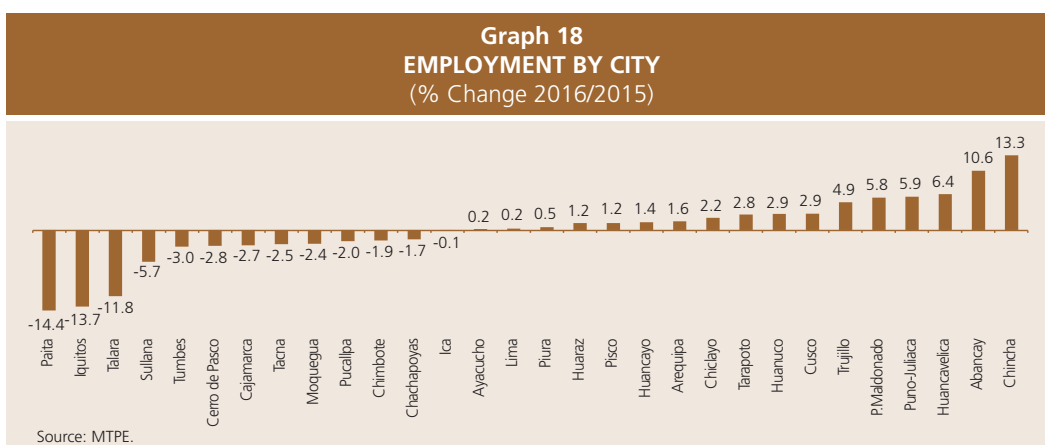


By geographical area, job creation showed a slower pace of growth not only in Metropolitan Lima (down from 0.8 to 0.2 percent), but also in the major cities in the rest of the country (down from 1.0 percent in 2015 to 0.7 percent in 2016).



Moreover, by production sectors, the slower pace of growth of employment in 2016 reflected the decline of activity in the manufacturing sector (-1.9 percent) due to lower manufacturing activity in Metropolitan Lima (-2.4 percent), in line with the decline of textile exports in 2016 (10.2 percent). In contrast, employment showed a positive evolution in the sectors of trade, services, and transportation and storage.

At the regional level, employment showed a positive trend in 17 of the 30 cities included in the sample of the Ministry of Labor.



The highest growth rates of employment were observed in Chincha (13.3 percent), where the dynamism of the manufacturing sector was noteworthy, and in Abancay (10.6 percent), which recorded high rates of growth of employment in the sectors of transportation, storage, and communications. In contrast, the highest declines of employment rates were observed in Paita (-14.4 percent), due mainly to the reduction of employment in the manufacturing sector, and in Iquitos (-13.7 percent) due to the further decline of employment in the primary and manufacturing sectors.

According to INEI's survey on employment –*Encuesta Permanente de Empleo*–, the labor market in Metropolitan Lima continued showing a positive trend in 2016. The employed population grew 1.8 percent (vs. 1.0 percent in 2015). By production sectors, employment grew only in the sector of services (4.8 percent), offsetting the decline of employment in the sectors of manufacturing, trade, and construction, where employment fell 2.8, 2.5, and 0.6 percent, respectively. This decline took place amid a falling trend observed also in the output of the manufacturing sector (-1.6 percent) and construction (-3.1 percent) as well as amid a slowdown in the pace of growth of trade (down from 3.9 percent in 2015 to 1.8 percent in 2016).

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 6.5 percent to 6.7 percent between 2015 and 2016, while the rate of underemployment –in terms of the number of hours worked– fell from 9.7 percent in 2015 to 10.6 percent.

Graph 19
UNEMPLOYMENT AND UNDER-EMPLOYMENT RATE BY HOURS
IN METROPOLITAN LIMA (%)

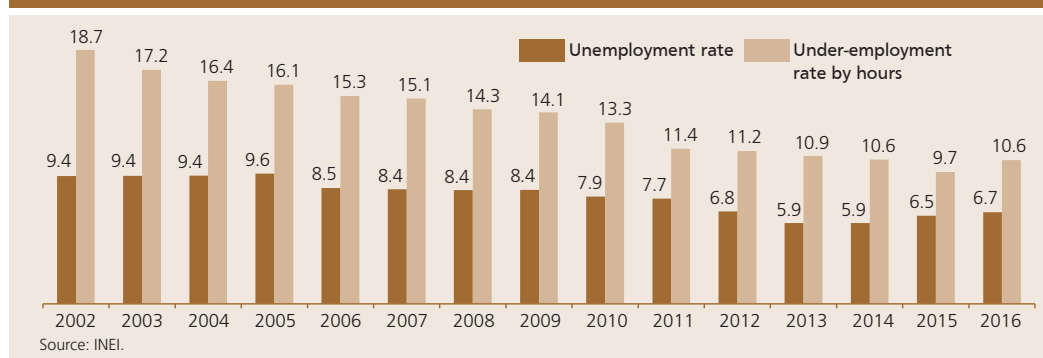


Table 14
WORKFORCE BY LEVELS OF EMPLOYMENT IN METROPOLITAN LIMA^{1/}
(Thousand people)

	2014	2015	2016	% chg. 2016/2015
I. ECONOMICALLY ACTIVE POPULATION (EAP): 1+2	4,917	5,019	5,124	2.1
1. EMPLOYED	4,643	4,694	4,779	1.8
<u>By economic activity</u>				
Manufacturing	731	707	687	-2.8
Construction	340	364	362	-0.6
Commerce	966	977	953	-2.4
Services	2,550	2,595	2,719	4.8
Others	56	51	57	11.6
<u>By educational level</u>				
Primary school ^{2/}	395	374	380	1.6
Complete high school ^{3/}	2,185	2,289	2,271	-0.8
Higher education	932	898	905	0.8
University higher education	1,131	1,133	1,222	7.9
<u>By occupation</u>				
Salaried workers ^{4/}	2,958	2,966	2,986	0.7
Non-salaried workers	1,685	1,727	1,792	3.7
<u>By size of business</u>				
Independent ^{5/}	1,162	1,516	1,583	4.5
From 2 to 10 workers	1,569	1,257	1,244	-1.1
From 11 to 50 workers	455	482	483	0.3
More than 50 workers	1,456	1,439	1,468	2.0
<u>By number of hours worked per week</u>				
Employed workers working 20 or more hours	4,249	4,286	4,339	1.2
Salaried workers working 20 or more hours	2,769	2,777	2,801	0.8
1A. UNDER-EMPLOYED	1,589	1,647	1,678	1.9
Visible under-employment (by hours) ^{6/}	487	487	542	11.3
Invisible under-employment (by income) ^{7/}	1,102	1,160	1,136	-2.1
1B. PROPERLY EMPLOYED	3,054	3,046	3,101	1.8
2. UNEMPLOYED	274	325	345	6.0
II. INACTIVE POPULATION	2,300	2,334	2,361	1.2
III. WORKING-AGE POPULATION (PWA)	7,216	7,353	7,485	1.8
RATES (%)				
Activity rate (EAP / PWA)	68.1	68.3	68.5	0.4
Employment/population (Employed EAP/PWA)	64.3	63.8	63.8	-0.1
Unemployment rate (Unemployed EAP/EAP)	5.6	6.5	6.7	3.3
Under-employment by hours	9.9	9.7	11.3	16.5

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/ Includes also employers.

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.



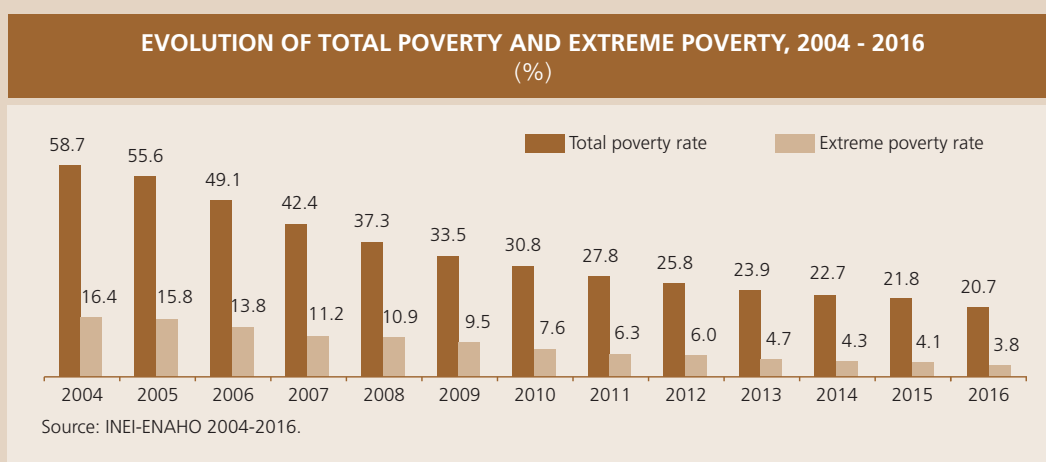
Box 1

INCIDENCE OF MONETARY POVERTY 2016

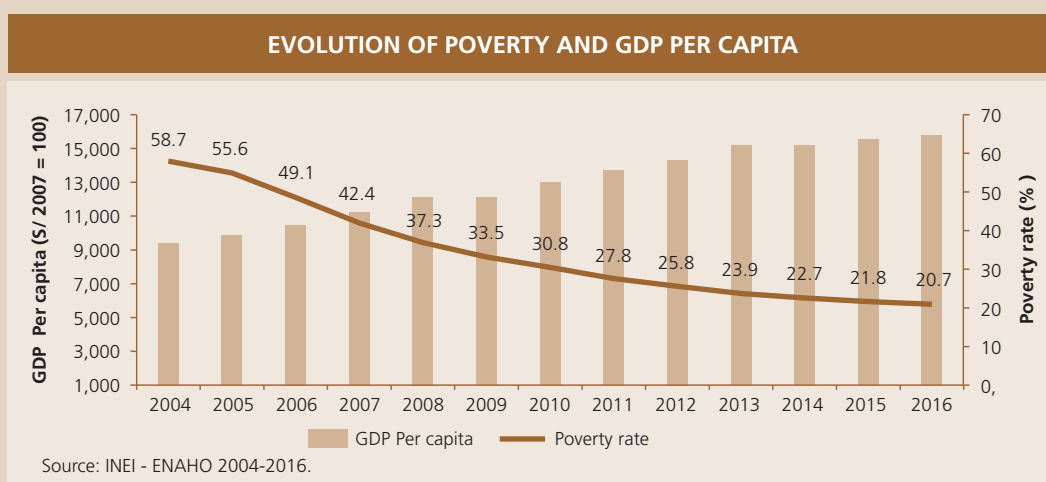
In 2016, 20.7 percent of the Peruvian population –that is, 6.5 million people, in absolute terms– was affected by monetary poverty¹, according to the population projections of INEI.

The incidence of poverty decreased by 1.1 percentage points in comparison with 2015 (21.8 percent), which means that a little over 264 thousand people left poverty behind. In the same period, the number of people living in conditions of extreme poverty (1.2 million) decreased from 4.1 to 3.8 percent.

In the past twelve years monetary poverty has dropped by 38 percentage points, from 58.7 percent in 2004 to 20.7 percent in 2016, while extreme poverty has fallen by 12.6 points, from 16.4 percent in 2004 to 3.8 percent in 2016.



The sustained growth of GDP would have had a significant impact on poverty reduction, as the following graph shows.



¹ The rate of monetary poverty, as an indicator of well-being, measures the proportion of the population that can meet both food and non-food basic needs through their spending. The needs expressed in poverty lines allow us to establish a divide between the population that live in conditions of extreme poverty –whose monthly spending is less than the value per capita of a basic food basket (S/ 176 in 2016)– and the population living in conditions of poverty, whose spending is less than the value per capita of a total basket of goods that includes both the value of basic food and non-food goods (S/ 328 in 2016).

Incidence of total poverty by geographical area

The incidence of poverty in 2016 is lower in urban areas (13.9 percent), particularly in Metropolitan Lima (11.0 percent), as well as in the urban areas of the Coast (13.7 percent). In the rural areas (43.8 percent), poverty is lower in the rural Coast (28.9 percent) than in the Selva (39.3 percent) and Sierra (47.80 percent). It is worth highlighting that there are no statistically significant changes in the rates of incidence of poverty by geographical areas or domains between 2015 and 2016, except for the reduction of poverty observed in the urban areas of the Coast.

When we compare the poverty data in 2004 and in 2016, we see a significant reduction of poverty in all the geographical areas, this reduction ranging between 30 points (urban Sierra) and 42 points (rural Selva).

INCIDENCE OF TOTAL POVERTY BY GEOGRAPHICAL AREAS 2004 - 2016															
(%)															
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Differences	
														2016/2015	2016/2004
														1/	1/
National	58.7	55.6	49.1	42.4	37.3	33.5	30.8	27.8	25.8	23.9	22.7	21.8	20.7	-1.1	-38.0
Urban areas	48.2	44.5	37.0	30.1	25.4	21.3	20.0	18.0	16.6	16.1	15.3	14.5	13.9	-0.6	-34.3
Rural areas	83.4	82.5	79.3	74.0	68.8	66.7	61.0	56.1	53.0	48.0	46.0	45.2	43.8	-1.4	-39.6
Natural region															
Coast area	48.6	44.4	36.4	29.3	25.3	20.7	19.8	17.8	16.5	15.7	14.3	13.8	12.8	-1.0	-35.8
Sierra area	70.0	67.7	63.0	58.1	53.0	48.9	45.2	41.5	38.5	34.7	33.8	32.5	31.7	-0.8	-38.3
Selva area	70.4	70.1	65.5	55.8	46.4	47.1	39.8	35.2	32.5	31.2	30.4	28.9	27.4	-1.5	-43.0
Domains															
Urban coast areas	50.8	43.2	37.6	31.7	27.4	23.7	23.0	18.2	17.5	18.4	16.3	16.1	13.7	-2.4	-37.1
Rural coast areas	69.3	66.9	62.3	53.8	46.6	46.5	38.3	37.1	31.6	29.0	29.2	30.6	28.9	-1.7	-40.4
Urban sierra areas	46.9	44.0	37.1	31.8	26.7	23.2	21.0	18.7	17.0	16.2	17.5	16.6	16.9	0.3	-30.0
Rural sierra areas	86.7	85.4	83.1	79.2	74.9	71.0	66.7	62.3	58.8	52.9	50.4	49.0	47.8	-1.2	-38.9
Urban selva areas	59.4	58.4	54.6	44.0	32.7	32.7	27.2	26.0	22.4	22.9	22.6	20.7	19.6	-1.1	-39.8
Rural selva areas	81.5	82.4	77.3	69.2	62.5	64.4	55.5	47.0	46.1	42.6	41.5	41.1	39.3	-1.8	-42.2
Metropolitan															
Lima	44.6	42.4	32.7	25.1	21.7	16.1	15.8	15.6	14.5	12.8	11.8	11.0	11.0	0.0	-33.6

1/ In % points.
Source: INEI - ENAHO 2004-2016.

Incidence of total poverty by departments

The INEI groups the data of different departments by ranges of poverty lines (showing the upper and lower confidence intervals) because greater statistical accuracy is required due to the size of the sample and the heterogeneous characteristics of each region. The poorest population groups are concentrated in Group 1, while the least poor population groups are found in Group 6 or Group 7.

In 2016, Group 1 –the departments with the poorest population groups–, with poverty levels between 43.8 to 50.9 percent, included the departments of Cajamarca and Huancavelica, while the department of Amazonas (which in 2015 was part of Group 1) moved to Group 2, joining Apurímac, Ayacucho, Huánuco, Loreto, Pasco, Piura, and Puno which show poverty levels between 32.4 and 36.1 percent. Most departments are concentrated in Group 5, which has relatively low levels of poverty (between 9.6 and 12 percent), while Ica, which registers the lowest poverty level in 2016, is located in Group 6. All of the poverty groups show lower rates of poverty in 2016 than those observed in 2015 (both in the lower band and in the upper band).

Moreover, the magnitude of poverty recorded as the highest level in 2007 (89.1 percent) decreased significantly in 2016 (50.9 percent).



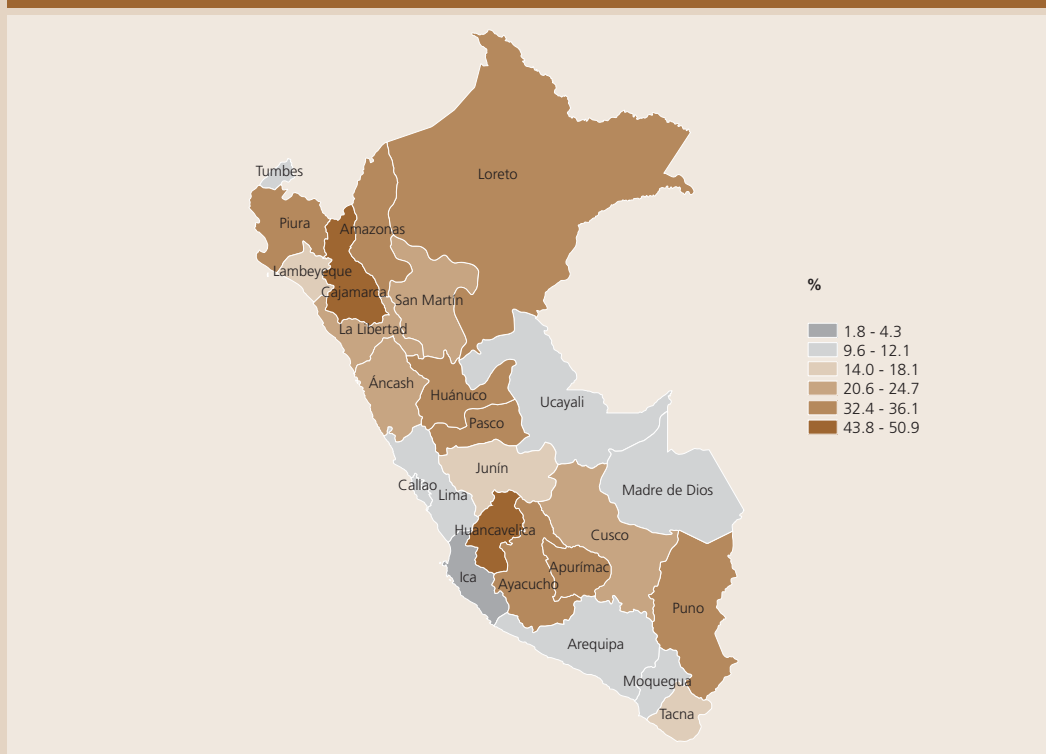
GROUP OF DEPARTMENTS WITH LEVELS OF POVERTY STATISTICALLY SIMILAR

Year	Group	Departments	Poverty rate (%)	
			95 % confidence intervals	
			Lower	Upper
2007	Group 1	Huancavelica	80.9	89.1
	Group 2	Apurímac, Ayacucho, Cajamarca, Huánuco	65.2	71.1
	Group 3	Amazonas, Cusco, Loreto, Pasco, Piura, Puno and San Martín	54.1	59.0
	Group 4	Áncash, Junín, La Libertad, Lambayeque, Ucayali	40.7	46.6
	Group 5	Arequipa, Ica, Lima ^{1/} , Moquegua, Tacna, Tumbes	23.5	27.2
	Group 6	Madre de Dios	10.1	17.6
2013	Group 1	Amazonas, Ayacucho, Cajamarca, Huancavelica, Pasco	47.8	53.3
	Group 2	Apurímac, Huánuco, Loreto, Piura	35.1	40.1
	Group 3	La Libertad, Puno, San Martín	28.0	33.2
	Group 4	Áncash, Cusco, Junín, Lambayeque	19.5	23.4
	Group 5	Provincia del Callao, Provincia de Lima, Región Lima, Tacna, Tumbes, Ucayali	11.7	14.5
	Group 6	Arequipa, Moquegua	7.0	11.0
	Group 7	Ica, Madre de Dios	3.1	6.0
2014	Group 1	Amazonas, Ayacucho, Cajamarca, Huancavelica	47.5	53.1
	Group 2	Apurímac, Huánuco, Loreto, Pasco	35.7	41.2
	Group 3	La Libertad, Piura, Puno, San Martín	27.3	31.8
	Group 4	Áncash, Cusco, Junín, Lambayeque	19.2	23.2
	Group 5	Provincia del Callao, Provincia de Lima, Región Lima, Moquegua, Tacna, Tumbes, Ucayali	10.8	13.4
	Group 6	Arequipa, Madre de Dios	5.8	9.7
	Group 7	Ica	2.5	5.7
2015	Group 1	Amazonas, Cajamarca, Huancavelica	44.7	51.7
	Group 2	Apurímac, Ayacucho, Huánuco, Loreto, Pasco, Puno	34.3	38.6
	Group 3	Áncash, La Libertad, Piura, San Martín	24.8	29.0
	Group 4	Cusco, Junín, Lambayeque, Región Lima	16.8	20.8
	Group 5	Provincia del Callao, Provincia de Lima, Tacna, Tumbes, Ucayali	9.8	12.6
	Group 6	Arequipa, Madre de Dios, Moquegua	6.7	9.8
	Group 7	Ica	3.2	6.7
2016	Group 1	Cajamarca, Huancavelica	43.8	50.9
	Group 2	Amazonas, Apurímac, Ayacucho, Huánuco, Loreto, Pasco, Piura, Puno	32.4	36.1
	Group 3	Áncash, Cusco, La Libertad, San Martín	20.6	24.7
	Group 4	Junín, Lambayeque, Tacna	14.0	18.1
	Group 5	Arequipa, Madre de Dios, Moquegua, Provincia del Callao, Provincia de Lima	9.6	12.0
	Group 6	Región Lima, Tumbes, Ucayali	1.8	4.3

1/ Incluye Provincia Constitucional del Callao.
Fuente: INEI - ENAHO. May 2017.

The map below shows the range of poverty levels by departments in 2016.

DEPARTMENTS BY POVERTY RANGES STATISTICALLY SIMILAR, 2016



Box 2

GROWTH, MONETARY POVERTY, AND INEQUALITY IN THE LAST DECADE

Both monetary poverty and inequality decreased from 2004 to 2016. Although poverty showed a significant decrease in this period (-38 percentage points), the decrease recorded in the level of inequality was also important. The following table shows the evolution of inequality in this period, measured with different indicators (interquartile ratios, Coefficient of Variation, and Theil², Gini³, and Atkinson⁴ indicators).

EVOLUTION OF INEQUALITY INDICATORS PER SPENDING PER CAPITA: 2004 - 2016
(Base constant soles=2015 to Metropolitan Lima prices)

Year	Gini	Theil	Atkinson*	Coefficient of Variation	Interdecile ratio	Interquintile ratio
2004	0.41	0.31	0.42	0.99	14.14	8.19
2005	0.41	0.31	0.42	0.99	14.41	8.30
2006	0.41	0.32	0.43	1.03	14.93	8.54
2007	0.41	0.30	0.43	0.96	14.59	8.40
2008	0.38	0.26	0.40	0.84	12.98	7.57
2009	0.39	0.26	0.40	0.86	12.87	7.54
2010	0.37	0.24	0.38	0.81	11.60	6.98
2011	0.36	0.23	0.36	0.78	10.83	6.55
2012	0.36	0.23	0.36	0.81	10.84	6.52
2013	0.35	0.22	0.34	0.79	10.13	6.17
2014	0.35	0.21	0.33	0.76	9.69	6.01
2015	0.35	0.21	0.32	0.76	9.50	5.90
2016	0.34	0.20	0.32	0.76	9.16	5.74
Chg.						
2016/2004(%)	-16.50	-34.07	-24.31	-23.54	-35.20	-29.93

* Considers an aversion coefficient equal to 2.
Source: INEI-ENAHO 2004-2016.

Considering the evolution of the interdecile ratio, in 2006 the per capita spending of a person in the group of the 10 percent richest people in the country was equivalent to 15 times the spending per capita of a person in the group of the poorest 10 percent. In 2016, this difference had dropped to almost 9 times, which implied a significant reduction in comparison to the average level in Latin America, where this indicator shows an average of 14 times.

How much has already been achieved in poverty reduction and how much more is needed to reduce poverty in the country?

First of all, an increase in people's spending capacity not only allows many households to leave poverty behind, but also shortens the distance between the level of spending and the poverty line⁵.

In 2016, a group of households that had not yet achieved to escape poverty came closer to the threshold that separates them from the non-poor. In other words, in 2016, 47.5 percent of poor people are at a distance 20 percent below the poverty line, whereas in 2004 only 24.5 percent of the poor were at this distance below the poverty line.

- 2 The Theil index is a special case of the generalized index of entropy (family of inequality indices). This index assesses the differences between average spending and higher-income individuals spending. A reduction in the index rate means a lower degree of inequality.
- 3 The Gini index measures differences between the values of the distribution of per capita spending and a uniform distribution that represents perfect equality in spending. A Gini coefficient of zero expresses perfect equality, while a Gini coefficient of 1 expresses maximum inequality of values.
- 4 The Atkinson index employs a CES-type welfare function, which includes a parameter of inequality aversion. When the value of the parameter is higher, the index becomes more sensitive to changes in the per capita spending of low-income people. A parameter equal to 2 is considered in the Atkinson index in the analysis discussed in this box.
- 5 This distance is known as the poverty gap. The distribution of the population according to the distance that separates them from the poverty line considers the spending capacity of the members of a household and the percentage distance (the gap that separates them from the poverty line in percentage terms). A shorter (longer) distance implies that less (greater) effort is required to escape poverty).

DISTRIBUTION OF PEOPLE ACCORDING TO THE DISTANCE FROM THE POVERTY LINE: 2004 - 2016

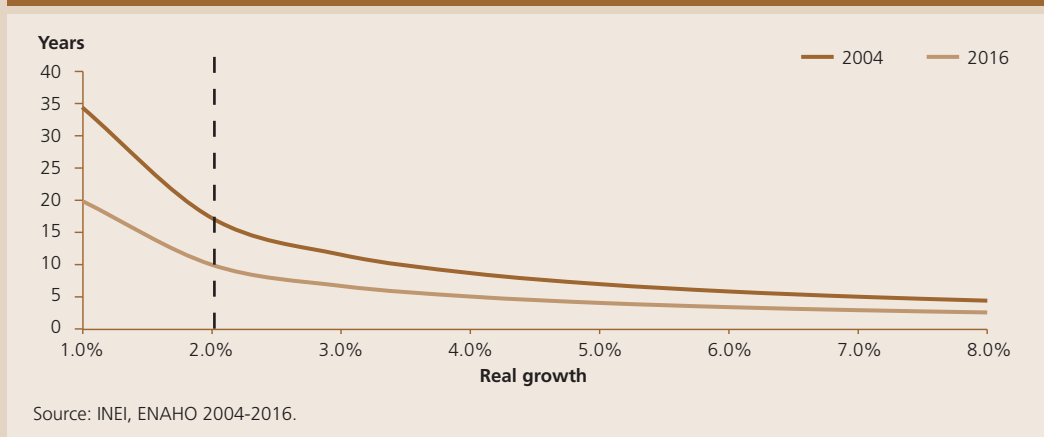
Distance below the poverty line (%)	Poverty people		Relative distribution (%)		Cumulative distribution (%)	
	2004	2016	2004	2016	2004	2016
5.0%	835,157	869,982	5.2%	13.2%	5.2%	13.2%
10.0%	964,357	829,782	6.0%	12.5%	11.1%	25.7%
15.0%	1,024,779	727,221	6.3%	11.0%	17.5%	36.7%
20.0%	1,126,988	715,754	7.0%	10.8%	24.5%	47.5%
25.0%	1,179,875	662,403	7.3%	10.0%	31.8%	57.5%
30.0%	1,167,875	571,298	7.2%	8.6%	39.0%	66.2%
35.0%	1,200,863	487,284	7.4%	7.4%	46.4%	73.5%
40.0%	1,297,605	488,695	8.0%	7.4%	54.5%	80.9%
45.0%	1,069,553	405,076	6.6%	6.1%	61.1%	87.0%
50.0%	1,266,531	319,344	7.8%	4.8%	68.9%	91.9%
55.0%	1,077,032	198,378	6.7%	3.0%	75.6%	94.9%
60.0%	1,089,497	148,546	6.7%	2.2%	82.3%	97.1%
65.0%	982,510	102,381	6.1%	1.5%	88.4%	98.6%
70.0%	791,003	45,439	4.9%	0.7%	93.3%	99.3%
75.0%	531,892	35,018	3.3%	0.5%	96.6%	99.9%
80.0%	331,988	5,296	2.1%	0.1%	98.7%	99.9%
85.0%	132,219	2,542	0.8%	0.0%	99.5%	100.0%
90.0%	56,157	680	0.3%	0.0%	99.8%	100.0%
95.0%	23,048	453	0.1%	0.0%	100.0%	100.0%
100.0%	1,997	-	0.0%	0.0%	100.0%	100.0%
-	16,150,926	6,615,571	100.0%	100.0%	-	-

Source: INEI-ENAHO 2004-2016.

Secondly, it is clear that a shorter distance from the poverty line decreases in fact the increase required in spending to be able to escape poverty. Therefore, if we know the percentage distance between the spending of the poor and the poverty line, we can estimate the approximate timeframe required to move out of poverty⁶ dividing the percentage distance by the potential growth in families' real expenditure. According to estimates, reducing poverty by 50 percent in the next 10 years would require per capita real expenditure to grow around 2 percent annually.

Therefore, based on the ideas presented above, the country's economic growth in recent years has not only contributed to reduce the levels of poverty and inequality, but has also decreased the efforts required to reduce poverty as well.

EVOLUTION OF TIME EFFORTS REQUIRED TO REDUCE POVERTY BY 50 PERCENT: 2004-2016



Source: INEI, ENAHO 2004-2016.

6 For estimation purposes, it is assumed that the rate of real growth will be constant in the following years and that inequality will be invariant.



Mochica. Sculptural bottle with stirrup-shaped handle depicting a prisoner transport scene. The raft –a mythic fish– carries three anthropomorphic characters: one of them, dressed in a shirt with staggered designs, a skirt with a belt, and a turban, is kneeling and holds an oar. At his side, the other two have a rope around their necks and their hands tied to their backs. Approximately 1500 years old. 22 x 30 x 13 cm.



Mochica. Circular nose rings of gold with openwork decorations made using the filigree technique. Approximately 1500 years old. 6.5 x 5 x 0.1 cm.

EXTERNAL SECTOR

1. International Environment

Recording a slightly lower growth rate than in 2015 and the lowest rate since 2009, the world economy grew 3.1 percent in 2016. In the emerging economies, the growth was similar to the previous year.

In addition, the developed countries showed an almost generalized weakened economic performance, with growth rates declining from 2.1 percent in 2015 to 1.7 percent in 2016. This lower economic dynamism was reflected in the negative evolution of private investment during the first half of the year.

Table 15
GLOBAL GROWTH
(Annual % change)

	% PPP 2015	% Peru's trading 2015	2014	2015	2016
Developed countries	42.4	47.4	1.9	2.1	1.7
<i>Of which:</i>					
1. USA	15.9	17.5	2.4	2.6	1.6
2. Eurozone	12.0	11.0	1.1	2.0	1.7
Germany	3.4	2.8	1.6	1.5	1.8
France	2.3	0.9	0.6	1.3	1.2
Italy	1.9	1.7	-0.3	0.7	0.4
Spain	1.4	2.5	1.4	3.2	3.2
3. Japan	4.3	3.0	0.0	1.2	1.0
4. United Kingdom	2.4	1.1	3.1	2.2	1.8
5. Canada	1.4	4.4	2.5	0.9	1.4
Developing countries	57.6	52.6	4.6	4.1	4.1
<i>Of which:</i>					
1. Developing Asia	30.9	26.9	6.8	6.7	6.4
China	17.2	22.2	7.3	6.9	6.7
India	7.1	2.2	7.2	7.6	7.1
2. Commonwealth of Independent States	4.4	0.7	1.1	-2.8	0.2
Russia	3.1	0.5	0.7	-3.7	-0.2
3. Latin America and the Caribbean	8.3	23.2	1.0	0.1	-0.5
Brazil	2.8	4.1	0.1	-3.8	-3.4
Chile	0.4	3.2	1.8	2.3	1.7
Colombia	0.6	3.0	4.4	3.1	1.6
Mexico	2.0	3.4	2.2	2.6	2.4
Peru	0.3	-	2.4	3.3	3.9
World Economy	100.0	100.0	3.4	3.2	3.1
Memo:					
Trading partners ^{1/}	66.2		3.6	3.2	2.8
BRICs ^{2/}	30.2		5.8	5.0	5.1

1/ Peru's 20 main trading partners.

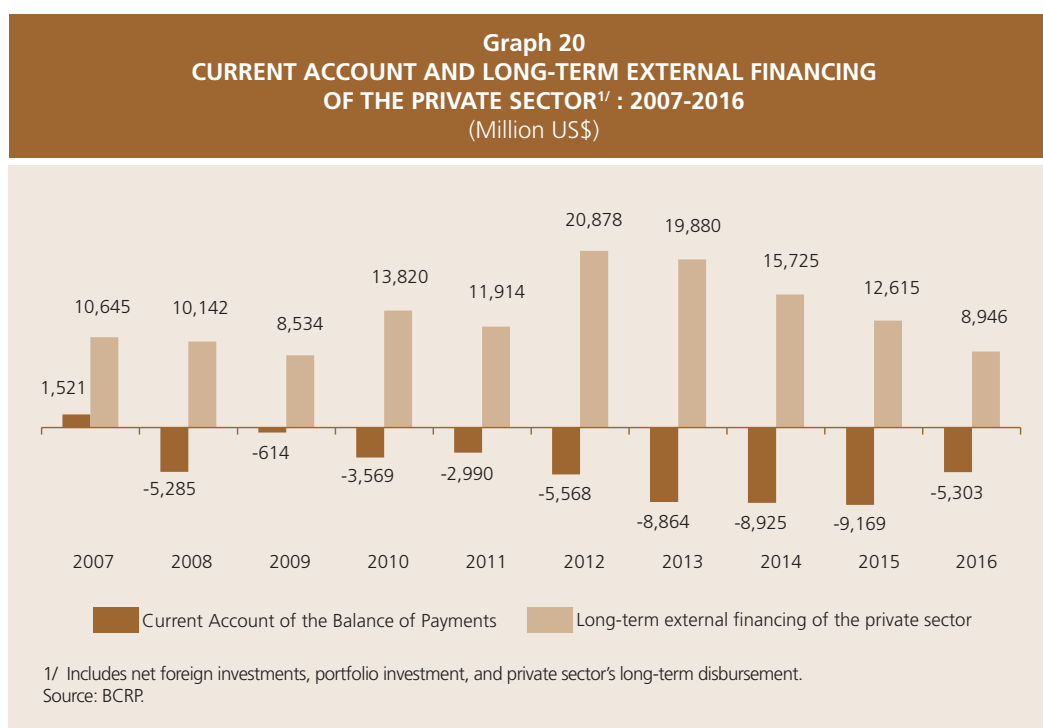
2/ Brazil, Russia, India, and China.

Source: Bloomberg, IMF, and Consensus Forecast.

However, towards the end of the year, after the election results of United States, stock markets and commodity markets began to register a rising trend associated with expectations of increased public spending on infrastructure and with less regulation in some markets, which would have a positive impact on growth.

2. Balance of Payments

Peru's external accounts were favored for the second consecutive year by the expansion of the operations of some major mines, which went from the investment phase to the production phase. This resulted not only in an increase in the volume of exports, but also in a reduction in the volume of imports of capital goods, given the lower investment requirements. In addition to this, there was also a positive impact of better external conditions in the second half of the year. On the one hand, there was a recovery of export prices, and, on the other hand, there was an increase in exports of some non-traditional products. As a result, the deficit in the current account of the balance of payments fell from 4.8 percent of GDP in 2015 to 2.7 percent in the year.



The financial account registered a flow of US\$ 6.42 billion, a sum equivalent to 3.3 percent of GDP, 1.6 percentage points of GDP lower than the flow of the previous year due mainly to lower long-term financing to the private sector in the form of direct investment and private loans associated with the completion of the investment phase of some mining projects.

Table 16
BALANCE OF PAYMENTS
(Million US\$)

	Million US\$			% GDP	
	2014	2015	2016	2015	2016
I. CURRENT ACCOUNT BALANCE	-8,925	-9,169	-5,303	-4.8	-2.7
1. Trade Balance	-1,509	-2,916	1,888	-1.5	1.0
a. FOB Exports	39,533	34,414	37,020	17.9	18.9
b. FOB Imports	-41,042	-37,331	-35,132	-19.4	-18.0
2. Services	-1,895	-2,040	-1,974	-1.1	-1.0
a. Exports	5,940	6,236	6,312	3.2	3.2
b. Imports	-7,835	-8,276	-8,287	-4.3	-4.2
3. Investment Income	-9,893	-7,544	-9,184	-3.9	-4.7
a. Private	-9,183	-6,813	-8,322	-3.5	-4.3
b. Public	-710	-731	-862	-0.4	-0.4
4. Current transfers	4,372	3,331	3,967	1.7	2.0
of which: Remittances	2,637	2,725	2,884	1.4	1.5
II. FINANCIAL ACCOUNT	6,630	9,454	6,418	4.9	3.3
1. Private sector	7,574	8,792	3,709	4.6	1.9
a. Assets	-5,257	-247	-966	-0.1	-0.5
b. Liabilities	12,832	9,039	4,675	4.7	2.4
2. Public sector	-67	3,110	2,657	1.6	1.4
a. Assets	-670	-473	-189	-0.2	-0.1
b. Liabilities ^{1/}	603	3,583	2,846	1.9	1.5
3. Short-term capital	-878	-2,448	52	-1.3	0.0
a. Assets	-1,061	-2,887	-305	-1.5	-0.2
b. Liabilities	183	439	357	0.2	0.2
III. EXCEPTIONAL FINANCING	10	0	0	0.0	0.0
IV. NET ERRORS AND OMISSIONS	107	-212	-946	-0.1	-0.5
V. BALANCE OF PAYMENT RESULT	-2,178	73	168	0.0	0.1
(V = I + II + III + IV) = (1-2)					
1. Change in the balance of NIRs	-3,355	-823	201	-0.4	0.1
2. Valuation effect	-1,177	-896	32	-0.5	0.0

^{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.

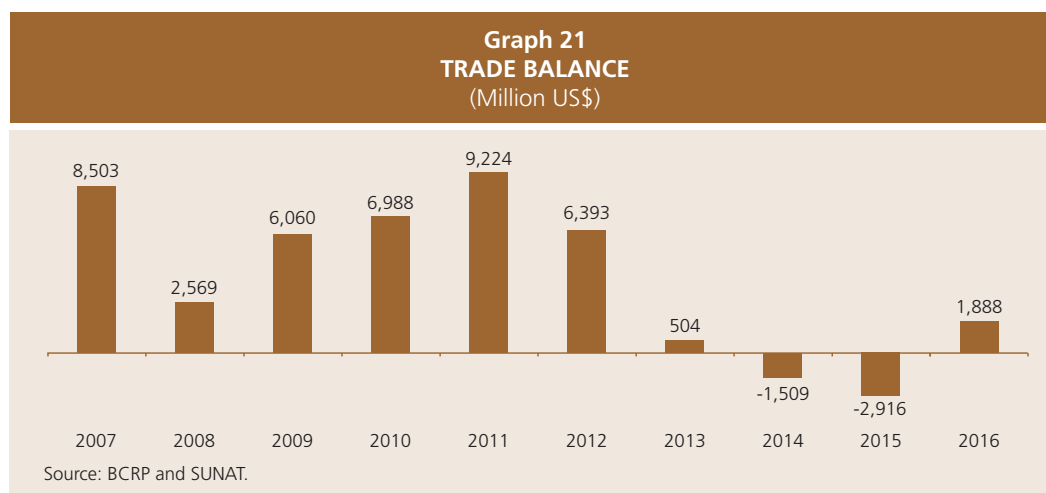
2.1 Trade Balance

The trade balance showed a surplus of US\$ 1.89 billion –a balance US\$ 4.81 billion higher than that recorded in 2015– mainly as a result of the increase in the volume of exports (11.6 percent) and, to a lesser extent, of a lower volume of imports (down 3.0 percent).

Exports totaled US\$ 37.02 billion, a sum 7.6 percent higher than that recorded in the previous year due to an increase in the average volume of traditional exports (16.6 percent), especially exports of copper, gold, coffee, and crude oil derivatives). In addition, the volume of non-traditional exports grew 0.9 percent due to increased exports of agricultural products, chemical products, and steel and iron products, which offset the fall in exports of textiles and fisheries.



Imports amounted to US\$ 35.13 billion, a figure 5.9 percent lower than the amount of imports in 2015. The volume of imports decreased 3.0 percent as a result of lower imports of consumer goods (3.2 percent) and capital goods (9.1 percent). However, this decline was in part offset by a greater volume of imports of inputs (4.8 percent), especially crude and oil derivatives. The price of imports dropped 3.0 percent, influenced mostly by the lower international prices of crude, which affected the price of imported inputs.



China and the United States continued to be Peru's two major trading partners, the transactions with these countries accounting for 40.7 percent of the total trade carried out in 2016 (39.3 percent in 2015).

**Table 17
TRADE BY MAIN COUNTRIES AND REGIONS ^{1/}
(Million US\$)**

	Exports ^{2/}			Imports ^{3/}			X + M		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
China	7,025	7,391	8,487	8,541	8,346	7,953	15,565	15,738	16,441
USA	6,141	5,012	6,233	8,408	7,433	6,697	14,549	12,445	12,930
Brazil	1,593	1,073	1,205	1,924	1,851	2,031	3,517	2,923	3,236
Switzerland	2,642	2,677	2,572	196	154	150	2,838	2,831	2,721
South Korea	1,214	1,087	1,393	1,286	1,205	1,210	2,500	2,293	2,603
Canada	2,551	2,409	1,686	793	698	622	3,345	3,107	2,307
Japan	1,583	1,117	1,264	1,038	1,010	983	2,621	2,127	2,247
Chile	1,537	1,077	1,010	1,273	1,210	1,156	2,810	2,287	2,166
Mexico	736	547	465	1,917	1,831	1,647	2,653	2,378	2,113
Germany	1,234	927	891	1,423	1,069	1,074	2,657	1,996	1,965
Colombia	1,228	879	711	1,202	1,252	1,140	2,430	2,131	1,852
Spain	1,363	1,092	1,220	719	670	608	2,082	1,762	1,828
Bolivia	1,727	1,342	1,337	630	364	385	2,357	1,706	1,722
Ecuador	861	710	652	1,743	947	1,058	2,604	1,657	1,710
Rest	8,097	7,075	7,894	9,949	9,290	8,418	18,045	16,365	16,311
TOTAL	39,533	34,414	37,020	41,042	37,331	35,132	80,575	71,745	72,151
Asia	11,306	11,115	13,534	14,107	13,897	13,311	25,414	25,012	26,845
North America	9,428	7,968	8,384	11,118	9,961	8,966	20,547	17,929	17,350
European Union	6,380	5,480	5,577	4,741	4,300	4,176	11,121	9,780	9,753
Andean Countries ^{4/}	5,849	4,180	3,792	4,873	3,799	3,750	10,723	7,979	7,542
Mercosur ^{5/}	1,823	1,250	1,375	3,390	3,001	3,163	5,213	4,251	4,538
Rest	4,745	4,422	4,358	2,813	2,372	1,766	7,559	6,794	6,124

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 of agricultural products amounted to US\$ 3.77 billion in 2016, while fishing exports totaled US\$ 1.92 billion, mining and hydrocarbons exports amounted to US\$ 24.96 billion, and manufacturing exports amounted to US\$ 5.91 billion.

Exports of coffee (US\$ 759 million) and fruits (US\$ 1.91 billion) stand out in the group of agricultural products, while exports of fishmeal and canned fish and sea food (US\$ 1.89 billion) stand out in the group of fisheries. In addition, exports of non-ferrous minerals (US\$ 11.90 billion) and of primary products based on precious metals and non-ferrous minerals (US\$ 10.15 billion) were noteworthy in the sector of mining and hydrocarbons, and finally, exports of textiles –fabrics, yarn, garments, and synthetic fibers–, which amounted to US\$ 1.20 billion, stand out in the group of manufacturing exports.

The graph below shows that the distribution of exports by sector has remained relatively stable between 2012 and 2016, with the exception of the mining and hydrocarbons sector whose exports ratio decreased from 72 to 68 percent. In contrast, the ratio of the agriculture sector increased from 6 to 10 percent.

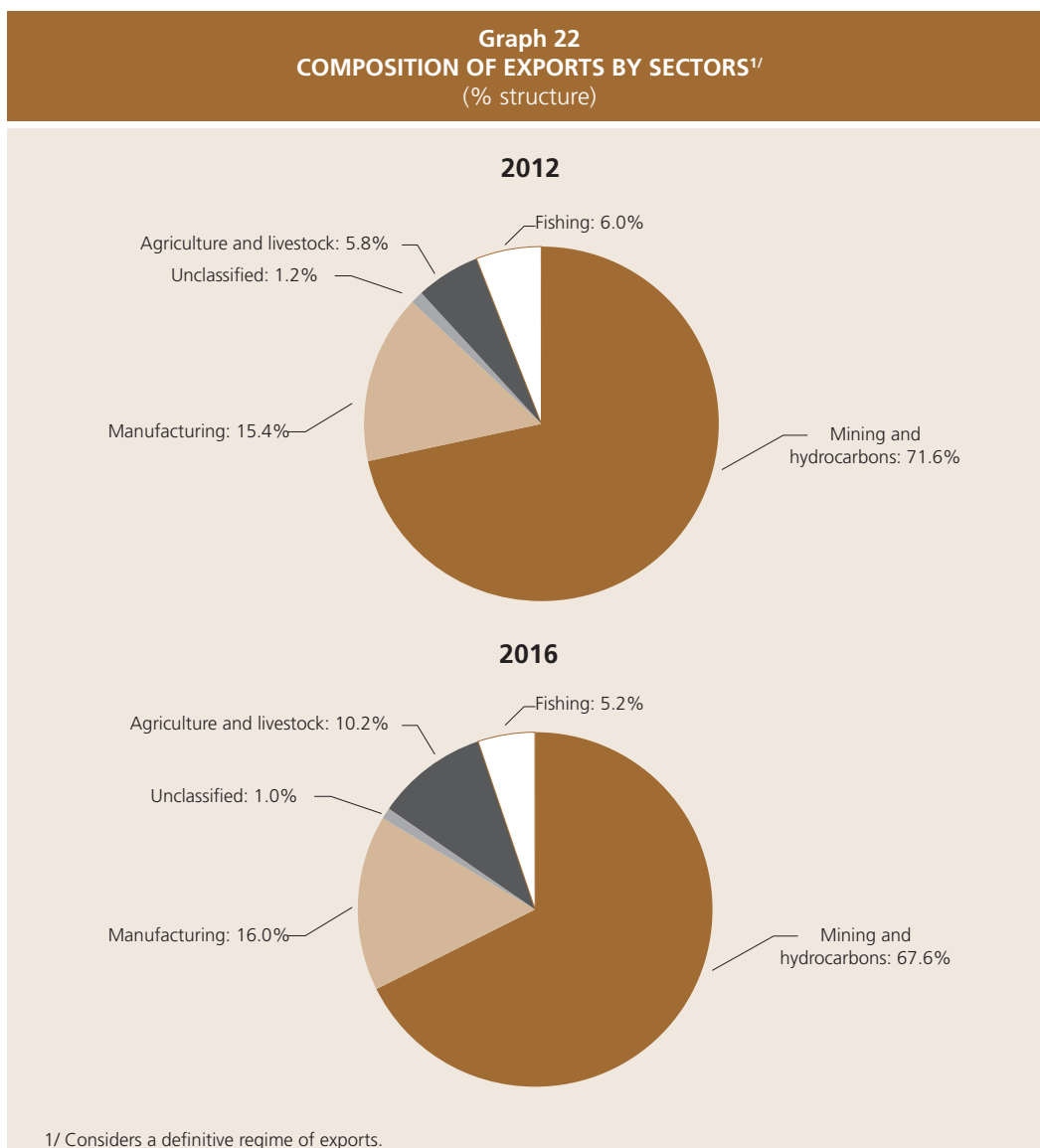




Table 18
EXPORTS^{1/} BY GROUP OF ECONOMIC ACTIVITY
(Million US\$)

Sector	Year			Participation
	2014	2015	2016	2016
Agriculture and livestock^{2/}	3,293	3,371	3,765	10.2
Cereals, legumes and oilseeds, except rice	337	282	252	0.7
<i>Of which:</i>				
Quinoa	196	145	104	0.3
Tara powder	33	32	33	0.1
Fresh Beans	21	19	24	0.1
Vegetables, tubers, and roots	498	530	550	1.5
<i>Of which:</i>				
Fresh Asparagus	385	421	422	1.1
Fresh onions	66	63	71	0.2
Other seeds (including tomato seeds)	35	27	28	0.1
Fruits	1,428	1,669	1,906	5.2
<i>Of which:</i>				
Grapes	643	709	661	1.8
Avocados	304	306	397	1.1
Mangoes	138	196	201	0.5
Organic bananas	119	145	152	0.4
Blueberry	30	97	243	0.7
Coffee	733	609	759	2.1
Spices and medicinal and aromatic plants	116	115	121	0.3
<i>Of which:</i>				
Whole paprika	46	52	56	0.2
Ginger	27	23	25	0.1
Ornamental plants	15	15	14	0.0
Sugar cane	69	48	71	0.2
Rest	98	104	91	0.2
Fishing	2,522	2,108	1,923	5.2
Fresh or frozen products	37	22	25	0.1
Fishmeal and canned fish, and crustacean and mollusc	2,481	2,083	1,894	5.1
Rest	4	3	3	0.0
Mining and Hydrocarbons	26,098	22,267	24,957	67.6
Crude oil	500	123	30	0.1
Natural gas	786	449	523	1.4
Iron	647	350	344	0.9
Non-ferrous minerals	9,909	9,603	11,897	32.2
Oil refining products	3,276	1,732	1,659	4.5
Primary products of precious metals and non-ferrous metals	10,578	9,585	10,152	27.5
Rest	402	426	352	1.0
Manufacturing	7,058	6,187	5,910	16.0
Processing and preserving of fruit and vegetables	804	825	820	2.2
Oils and fats of vegetable and animal origin	490	348	322	0.9
Milk products	138	111	103	0.3
Milling and Bakery	172	178	189	0.5
Cocoa and chocolate and confectionery products	240	273	300	0.8
Macaroni, noodles, couscous and flour products	40	40	40	0.1
Other foodstuffs	96	98	84	0.2
Prepared animal food	151	147	182	0.5
Textiles (yarn, tissues, garments and fibers)	1,805	1,335	1,202	3.3
Madera	117	97	67	0.2
Paper and cardboard items	152	127	112	0.3
Brochures, books and other printed materials	66	56	55	0.1
Basic chemicals	414	418	458	1.2
Fertilizers	66	64	57	0.2
Supplies of plastics and synthetic rubber	62	49	39	0.1
Toiletries and cleaning products	177	159	128	0.3
Others chemical products	63	68	65	0.2
Tires and inner tubes	77	62	61	0.2
Plastic products	485	410	369	1.0
Building materials	107	121	109	0.3
Iron and steel industry	169	147	147	0.4
Smelting of non-ferrous metals	221	182	151	0.4
Electric motors, generators, transformers and distribution equipment	28	16	15	0.0
Other electric and electronic cables	4	2	3	0.0
Machinery and equipment	104	78	52	0.1
Miscellaneous articles	116	115	121	0.3
Rest	695	662	658	1.8
Unclassified	391	394	365	1.0
Total	39,362	34,327	36,919	100.0

1/ Only considers a definitive regime of export.

2/ Includes forestry.

Traditional Exports

Traditional exports totaled US\$ 26.14 billion, a sum 11.5 percent higher than in 2015 which reflected mainly the increase recorded in exports of copper, gold, coffee, and oil derivatives.

Table 19						
EXPORTS						
(% change)						
	Volume			Price		
	2014	2015	2016	2014	2015	2016
TRADITIONAL EXPORTS	-3.2	6.5	16.6	-9.4	-20.5	-4.3
<i>Of which:</i>						
Fish meal	-0.6	-17.9	-4.8	-1.5	5.7	-9.4
Coffee	-16.8	-10.2	44.0	26.8	-6.9	-14.0
Copper	0.0	22.8	43.7	-9.7	-25.0	-13.3
Gold	-12.1	7.9	3.2	-10.3	-8.4	7.6
Zinc	4.4	4.0	-6.8	1.9	-3.6	4.3
Crude oil	5.8	-44.3	-79.6	-12.8	-56.6	-1.9
Derivatives	3.5	-3.1	18.6	-5.8	-45.4	-19.0
NON-TRADITIONAL EXPORTS	6.2	-4.9	0.9	-0.7	-1.9	-1.9
<i>Of which:</i>						
Agricultural exports	22.3	5.2	5.7	0.5	-1.0	0.9
Fishing	-12.4	-24.0	-7.2	6.6	-2.7	-3.2
Textiles	10.5	-23.5	-7.6	1.5	5.5	5.5
Chemicals	2.3	-4.5	1.9	-1.9	-2.8	-6.4
Iron & steel, and jewelry	-12.3	8.7	7.1	-0.8	-13.4	-6.3
TOTAL	-1.0	2.4	11.6	-6.9	-15.0	-3.6

Source: BCRP and SUNAT.

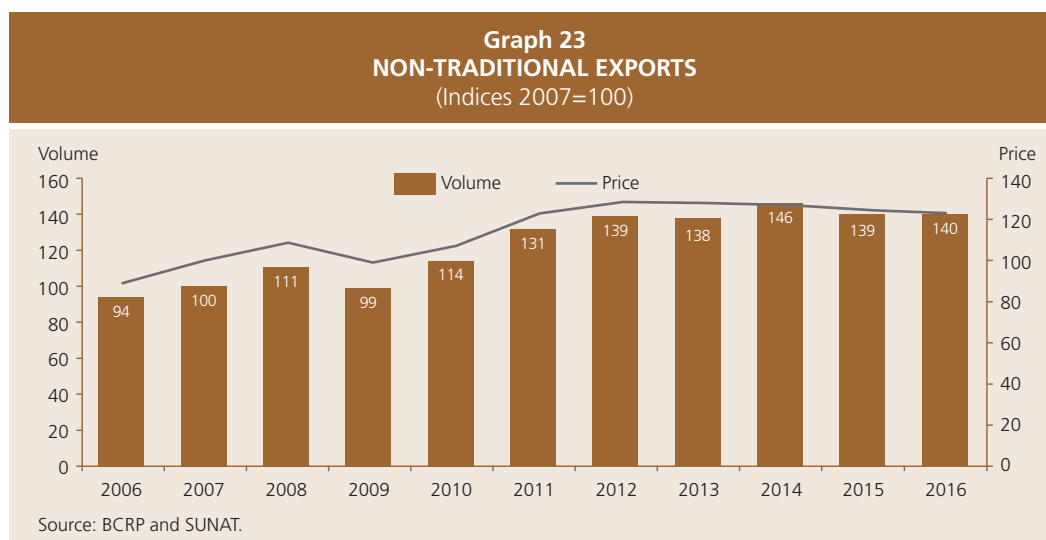
Mining exports accumulated a total of US\$ 21.78 billion, up 14.9 percent from 2015, which resulted mainly from higher volumes of exports. It is worth mentioning that the volume of exports of copper, our main export product, was 2,493 thousand fine metric tons, 43.7 percent higher than in 2015. Furthermore, the volume of gold exports was 5,915 thousand ounces, 3.2 percent higher than in 2015.

Sales of crude oil and natural gas to other nations amounted to US\$ 2.21 billion, which represents a decline of 3.9 percent compared to 2015 and reflects the lower prices for oil and natural gas.

Fishing exports in 2016 amounted to US\$ 1.27 billion, 12.9 percent less than in the previous year due mainly to the decrease recorded in the price of fishmeal.

Non-Traditional Exports

Non-traditional exports amounted to US\$ 10.78 billion, 1.0 percent less than in 2015. The volume of non-traditional exports increased by 0.9 percent due to larger shipments of agricultural, chemical, and iron and steel products, while the average price of total non-traditional exports decreased 1.9 percent.



The main markets of destination of our non-traditional products were the United States, with US\$ 3.09 billion, followed by The Netherlands and Chile, with US\$ 820 million and US\$ 622 million, respectively. By economic blocs, exports to the Andean countries declined 9.8 percent in a context of negative growth in the Latin American region. The value of sales of textiles decreased 10.2 percent, mainly because of lower volumes of exports to Brazil, Venezuela, and Ecuador. There were also lower shipments of chemical products to Chile, Colombia, Venezuela, and Bolivia, these markets accounting for 38 percent of Peru's total exports of chemical products. The reduction in non-traditional exports has been a generalized conduct in the region. On the other hand, however, exports to the United States increased by 2.7 percent compared to 2015.

Table 20
MAIN DESTINATION: NON-TRADITIONAL EXPORTS
(Million US\$)

	2014	2015	2016	% chg. 2016/2015
USA	2,859	3,005	3,087	2.7
Netherlands	657	718	820	14.2
Chile	671	690	622	-10.0
Colombia	800	649	606	-6.6
Ecuador	746	606	581	-4.1
Spain	473	439	539	22.7
Bolivia	570	550	515	-6.3
Brazil	489	376	359	-4.7
United Kingdom	255	290	312	7.5
China	472	344	264	-23.3
Mexico	229	266	240	-9.6
Germany	243	221	225	1.5
France	201	191	186	-2.5
Italy	199	184	151	-17.9
Venezuela	486	166	77	-53.5
Rest	2,325	2,199	2,200	0.0
Total	11,677	10,895	10,782	-1.0
Memo:				
Asia	1,281	1,069	999	-6.5
North America	3,265	3,477	3,523	1.3
European Union	2,341	2,345	2,549	8.7
Andean countries ^{1/}	3,275	2,661	2,401	-9.8
Mercosur ^{2/}	624	508	486	-4.3

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

It is worth mentioning that exports of agricultural products and textiles continued to be the most important exports to the United States and accounted for 69 percent of total non-traditional exports to the US market in 2016. Top sellers included fresh asparagus (US\$ 268 million), fresh grapes (US\$ 250 million), and knit T-shirts (US\$ 248 million).

Table 21
NON-TRADITIONAL EXPORTS

	Million US\$			% Change		
	2014	2015	2016	2014	2015	2016
Agricultural products	4,231	4,409	4,702	22.8	4.2	6.6
Fishing products	1,155	933	909	12.1	-19.3	-2.6
Textiles	1,800	1,331	1,196	-6.6	-26.1	-10.2
Wood and paper	416	353	322	-2.6	-15.2	-8.8
Chemicals	1,515	1,406	1,342	0.3	-7.2	-4.6
Non-metallic minerals	664	698	640	-8.1	5.3	-8.3
Iron & steel, and jewelry	1,149	1,081	1,084	-13.0	-5.9	0.3
Metal mechanic products	581	533	445	6.8	-8.3	-16.5
Others ^{1/}	165	151	143	15.4	-8.5	-5.4
TOTAL	11,677	10,895	10,782	5.5	-6.7	-1.0

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

Exports of **agricultural products** amounted to US\$ 4.70 billion, with shipments of fresh grapes, asparagus, fresh avocados, and blueberries standing out. A greater dynamism was observed in the demand of different countries of destination of Peru's export products, including the United States, Spain, The Netherlands, Colombia, and the United Kingdom.

At the bloc level, the main destinations of our products were North America (grapes, asparagus, blackberries, avocados, and paprika), the European Union (avocados, asparagus, cocoa, mangos, grapes, blackberries, and organic bananas), and the Andean countries (food for shrimps, noodles, and biscuits).

In the last ten years, exports of agricultural products have grown at an average annual rate of 12.0 percent. Thus, the value exported in 2016 was approximately more than three times the value of exports in 2007.

Table 22
MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS
(Million US\$)

Most popular products	2007	2016	Average % chg. 2007-2016
Fresh grapes	60	661	27.0
Fresh asparagus	236	422	6.0
Fresh avocados	47	397	23.8
Blackberries	0	243	n.a.
Fresh mangoes	63	201	12.2
Cocoa	11	184	32.6
Shrimp and prawn feed	45	160	13.4
Organic bananas	31	152	17.2
Asparagus prepared	156	119	-2.7
Quinoa	2	104	48.2
Canned artichokes	79	97	2.1
Paprika	96	91	-0.6
Evaporated milk	65	90	3.3
Fresh onions	22	71	12.6
Fresh tangerines	17	52	12.0
Subtotal	931	3,043	12.6
Total	1,512	4,702	12.0

Source: BCRP and SUNAT.



Exports of **fisheries** totaled US\$ 909 million, a sum 2.6 percent lower than that recorded in 2015, which reflected lower exports of frozen and canned squid and prawn tails. The main markets of destination for these products were the United States, Spain, South Korea, and China. In the last ten years, fishing exports have grown at an average annual rate of 6.2 percent.

The value of **textile exports**, which totaled US\$ 1.20 billion, was 10.2 percent lower than in the previous year. These exports recorded a decline of 7.2 and 3.2 percent in terms of volume and price, respectively. The reduction in the volume of textile exports was associated with lower sales to Brazil, Ecuador, and Venezuela, as well as with lower sales to the European and Asian markets.

Table 23
MAIN COUNTRIES OF DESTINATION OF TEXTILE PRODUCTS
(Million US\$)

	Year			% chg. 2016/2015
	2014	2015	2016	
USA	663	604	606	0.3
Venezuela	271	43	14	-68.4
Brazil	119	82	48	-42.1
Ecuador	107	73	50	-30.5
Colombia	101	65	58	-10.5
Chile	77	59	54	-9.8
Italy	63	51	35	-31.8
Germany	45	39	36	-8.8
Bolivia	42	34	32	-6.7
Mexico	38	29	26	-10.7
China	30	22	19	-14.4
Argentina	30	27	28	2.9
Canada	21	24	24	-2.1
United Kingdom	20	20	20	-0.8
Japan	19	14	12	-16.0
Rest	154	144	136	-5.5
Total	1,800	1,331	1,196	-10.2
Memo:				
Asia	87	74	64	-13.4
North America	722	658	656	-0.3
European Union	179	154	140	-9.2
Andean countries ^{1/}	598	274	207	-24.2
Andean countries excluding Venezuela	327	231	194	-16.0
Mercosur ^{2/}	155	114	79	-30.6
1/ Bolivia, Chile, Colombia, Ecuador, and Venezuela				
2/ Argentina, Brazil, Paraguay, and Uruguay				
Source: Sunat and BCRP.				

Exports of **chemical products** amounted to US\$ 1.34 billion in 2016, less than in 2015. These products showed a decline in terms of prices (6.4 percent), offset in part by increased volumes of shipments of ethyl alcohol, carminic acid, and car tires. Chile, Bolivia, Ecuador, and Colombia were the main markets of destination for Peru's exports of chemical products.

Imports

In 2016 imports amounted to US\$ 35.13 billion, which represents a decline of 5.9 percent compared to 2015. This decline in imports was in part associated with the lower dynamism of domestic investment –the volume of imports of capital goods fell 9.1 percent– as well as with the drop in the price of oil –through its impact in input prices– which led to a fall in the prices of imported products of 3.0 percent.

Table 24
FOB IMPORTS BY USE OR DESTINATION
(FOB value in million US\$)

	Million US\$			% change		
	2014	2015	2016	2014	2015	2016
1. CONSUMER GOODS	8,899	8,754	8,614	0.6	-1.6	-1.6
Non-durable goods	4,657	4,731	4,638	3.4	1.6	-2.0
Main food products	479	474	480	25.6	-1.1	1.5
Rest	4,178	4,258	4,158	1.4	1.9	-2.3
Durable goods	4,243	4,023	3,976	-2.3	-5.2	-1.2
2. INPUTS	18,797	15,911	15,140	-3.7	-15.4	-4.8
Fuel, oils, and related	5,754	3,671	3,819	-10.8	-36.2	4.0
Raw materials for agriculture	1,339	1,236	1,213	7.6	-7.6	-1.9
Raw materials for industry	11,704	11,003	10,108	-1.1	-6.0	-8.1
3. CAPITAL GOODS	12,911	12,002	11,113	-5.5	-7.0	-7.4
Construction materials	1,422	1,421	1,112	-1.5	-0.1	-21.7
For agriculture	141	160	144	7.4	14.0	-10.1
For industry	8,689	7,842	7,268	4.3	-9.7	-7.3
Transportation equipment	2,660	2,579	2,588	-29.3	-3.0	0.3
4. OTHERS GOODS	435	664	264	35.3	52.7	-60.2
5. TOTAL IMPORTS	41,042	37,331	35,132	-3.1	-9.0	-5.9
Memo:						
Main food products	2,459	2,236	2,166	3.7	-9.1	-3.1
Wheat	555	486	391	-2.4	-12.4	-19.6
Maize and/or sorgum	479	485	524	-4.6	1.4	7.9
Rice	127	134	152	15.9	5.2	13.7
Sugar	80	141	163	2.8	75.7	15.8
Dairy products	204	124	108	59.7	-38.8	-13.6
Soybean	946	791	771	2.8	-16.4	-2.5
Meat	68	74	58	2.7	9.1	-22.3

Memo: Classification used in CUODE.

Source: SUNAT, Tacna Free Trade Zone, and Banco de la Nación.

Table 25
IMPORTS
(% change)

	Volume			Price		
	2014	2015	2016	2014	2015	2016
CONSUMER GOODS	0.4	-0.7	-3.2	0.2	-1.0	1.6
Durable goods	4.2	3.6	-3.3	-0.7	-1.9	1.4
Non-durable goods	-3.4	-5.2	-3.0	1.1	0.0	1.9
INPUTS	-0.4	5.1	4.8	-3.3	-19.5	-9.2
Main food products	9.1	5.6	3.7	-8.8	-15.7	-7.8
Crude oil and derivatives	-4.3	19.6	22.2	-7.1	-45.9	-18.2
Industrial inputs	0.0	0.9	-0.2	-0.3	-7.2	-6.4
<i>Of which</i>						
Plastics	2.7	5.7	3.2	3.3	-19.6	-14.8
Iron & steel	-0.7	10.9	13.0	-2.7	-18.2	-19.3
Textiles	4.3	4.0	-0.1	-0.1	-11.7	-5.9
Papers	6.1	3.1	5.1	-1.6	-3.7	-8.0
Chemicals	0.9	9.5	18.9	-1.0	-12.5	-13.2
Organic chemicals	-6.4	14.6	6.2	1.0	-15.7	-11.9
Rest	-1.3	-4.6	-6.4	-0.7	0.1	-0.5
CAPITAL GOODS	-5.5	-7.1	-9.1	0.0	0.1	1.9
Building materials	-1.5	-0.1	-23.2	0.0	0.1	1.9
Rest ^{1/}	-6.0	-8.0	-7.2	0.0	0.1	1.9
Total	-1.6	0.2	-3.0	-1.5	-9.2	-3.0

1/ Excludes building materials.

Source: BCRP and SUNAT.



In 2016, the average price of imports dropped 3.0 percent compared to 2015, the fall in the prices of oil and derivatives and dairy products being noteworthy (18.2 and 14.7 percent, respectively).

The largest contractions of total imports in terms of volume were observed in imports of capital goods and consumer goods, in line with the lower growth of domestic demand (especially investment).

Among imports of **durable consumer goods**, the strongest drop was observed in imports of furniture and bedroom accessories from China, France, and Mexico (down by US\$ 16 million), followed by imports of domestic appliances from China, Ecuador, and South Korea (down by US\$ 16 million). Imports of **non-durable consumer goods** were associated with lower purchases of clothing, footwear, and perfumes and cosmetics.

Imports of **inputs**, which accounted for 43 percent of Peru's total imports, amounted to US\$ 15.14 billion. These imports showed a reduction of 4.8 percent in terms of value compared to 2015, in line with the lower import prices of these products.

The volume of imports of **industrial inputs** fell 0.2 percent as a result of lower imports of textiles. This fall was in part offset by increased imports of iron and steel products, chemical products, and organic chemicals.

Imports of **capital goods** fell by 7.4 percent in nominal terms due mainly to lower volumes of these imports. By economic sectors, there were lower imports in the sectors of mining (US\$ 394 million), electricity (US\$ 316 million), and telecommunications (US\$ 169 million), whereas, on the other hand, imports in the sector of transportation and the subsector of hydrocarbons increased by US\$ 214 million and US\$ 143 million, respectively.

Sector	FOB Value: Million US\$			% Change		
	2014	2015	2016	2014	2015	2016
Agriculture	47	45	49	-10.7	-4.4	8.8
Fishing	7	31	3	-24.8	351.1	-89.4
Hydrocarbons	287	402	546	4.1	40.4	35.6
Mining	1,720	1,121	727	12.5	-34.9	-35.1
Manufacturing	1,238	1,061	1,020	-5.1	-14.3	-3.9
Construction	558	536	422	-15.2	-4.0	-21.3
Electricity	266	625	309	-27.9	134.6	-50.6
Transportation	1,605	1,400	1,615	-33.6	-12.8	15.3
Telecommunications	1,185	1,048	879	24.0	-11.6	-16.1
Traders of Capital Goods	3,316	3,227	3,188	-1.8	-2.7	-1.2
IT Equipment	885	903	1,028	9.8	2.0	13.9
Machinery and diverse equipments	756	697	675	9.4	-7.7	-3.2
Medicine and surgery instruments	115	114	106	-11.8	-0.9	-7.0
Office equipments	143	119	111	-2.2	-17.3	-6.5
Financial services	336	289	325	-25.0	-13.9	12.4
Other traders	1,081	1,105	943	-6.4	2.3	-14.7
Rest	2,682	2,506	2,356	-1.3	-6.6	-6.0
<i>Memo:</i>						
Mobile phones	890	762	559	23.9	-14.4	-26.7
Total	12,911	12,002	11,113	-5.5	-7.0	-7.4

2.2 Terms of Trade

During 2016, the terms of trade showed a slight decline of 0.7 percent, this decline being significantly lower than those observed in previous years. The drop in export prices (3.6 percent) was higher than the drop in import prices (3.0 percent). It should be pointed out that the terms of trade registered an improvement in the last two months of the year due to the evolution of export prices, particularly the prices of basic metals, whose demand increased influenced by expectations of higher spending in infrastructure in the United States as well as by increased speculative positions.

Table 27 TERMS OF TRADE (Annual % change)							
Years	Price of Exports	Price of Imports	Terms of trade	Q4	Price of Exports	Price of Imports	Terms of trade
2014	-6.9	-1.5	-5.4	2014	-7.3	-4.8	-2.6
2015	-15.0	-9.2	-6.4	2015	-15.5	-7.9	-8.3
2016	-3.6	-3.0	-0.7	2016	7.3	1.3	6.0

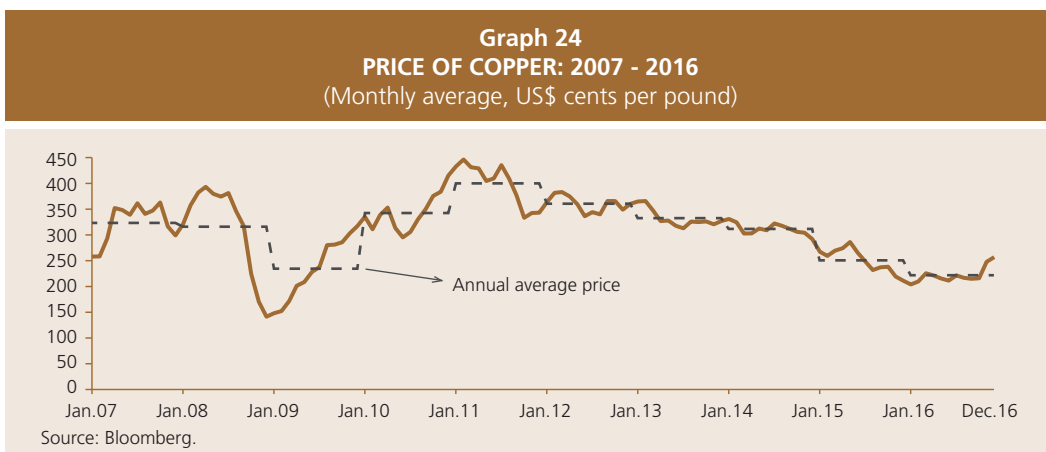
Source: BCRP.

As a result of this, the terms of trade registered a cumulative fall of 18.8 percent from the maximum level observed in 2011, but showed a trend towards stabilization. From a medium-term perspective, the terms of trade show similar levels to the average level recorded since 1950 and a level 66 percent above the minimum historical level recorded in 1993.

In 2016 the average price of **copper** declined 12 percent to a level of US\$ 2,21 per pound. The price of this metal showed a differentiated conduct over the year: until the third quarter, it showed a declining trend due to positive supply shocks, but followed an upward trend in the last quarter of the year (copper recorded a maximum price of US\$ 2,56 per pound in December), driven by expectations of increased investment in infrastructure in the United States.

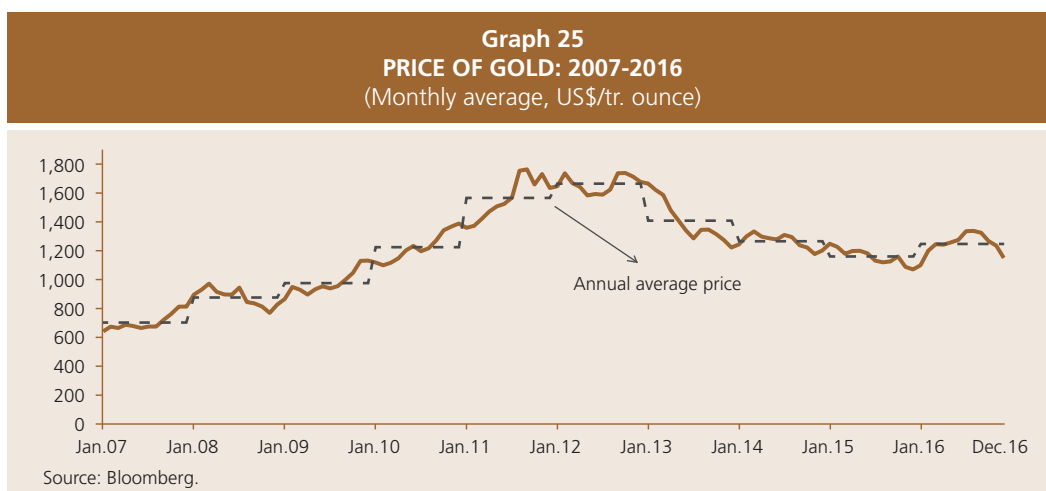
The price of copper fell due to the growth of the supply of copper concentrates which favored the production of refined copper at lower costs, the increased production of copper concentrate resulting from the onset of operations in new copper projects as well as from low levels of mining strikes. In our country, the onset of operations in new mines as well as the decision of focusing on the mineral deposits with higher ore grades was particularly important. However, the increased production of copper was in part offset by an unexpectedly strong global demand, particularly by China's strong demand for this metal.

Towards the end of the year, the decline in the price of copper reversed in response to changes in the market outlook (election results in the United States and the downward revision of the outlook for the growth of supply).





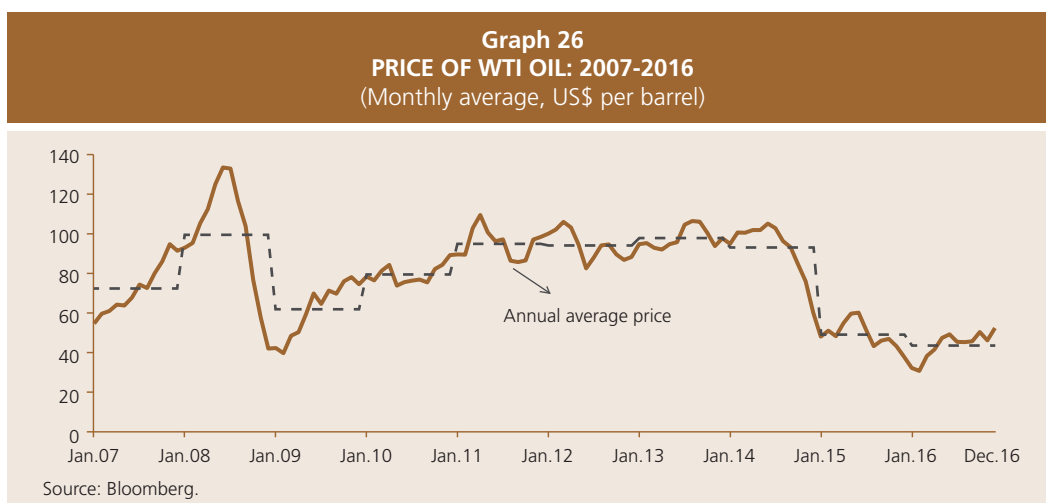
The average price of **gold** increased 8 percent from 2015, showing an annual average level of US\$ 1,248 per ounce in 2016. This rise is explained by the return of investors to the gold market: the positions of Exchange Trade Funds (ETFs) registered an increase for the first time in three years. This increased demand reflected the geopolitical risks observed during the year, particularly concerns about the Brexit and the result of the elections in the United States. The demand was also driven by higher inflationary pressures in most developed economies. However, these pressures were offset in part by the appreciation of the dollar and by lower physical demand, especially the lower demand of China and India.



The average price of **WTI oil** dropped 11 percent to a level of US\$ 43 per barrel in 2016. The price of crude showed a downward trend until February (when it reached a minimum level of US\$ 30 per barrel), rising thereafter to a maximum price of US\$ 52 a 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. As a result of this decision and the consequent fall in prices, there was a significant reduction in crude oil production in the United States, which reached its minimum in September 2016.

In December, the price of oil showed a recovery due to the decision of the OPEC countries and other major producers to cut their production in order to balance the market.



2.3 Services

In 2016 the trade deficit in services amounted to US\$ 1.97 billion, a figure US\$ 66 million lower than that recorded in 2015. This lower deficit reflected mainly increased revenues (US\$ 76 million) associated with the area of travel, as well as lower outlays for transportation (freight), in line with the lower volume of imports of goods.

Table 28					
SERVICES					
(Million US\$)					
	Million US\$			% Change	
	2014	2015	2016	2015	2016
I. TRANSPORTATION ^{1/}	-1,440	-1,404	-1,240	-2.5	-11.7
1. Credit	1,380	1,376	1,335	-0.3	-3.0
2. Debit	-2,819	-2,780	-2,575	-1.4	-7.4
II. TRAVEL	1,487	1,442	1,472	-3.0	2.1
1. Credit	3,077	3,309	3,501	7.5	5.8
2. Debit	-1,590	-1,867	-2,029	17.4	8.7
III. COMMUNICATIONS	-146	-246	-249	69.1	1.2
1. Credit	149	101	92	-32.1	-9.4
2. Debit	-295	-348	-341	17.9	-1.9
IV. INSURANCE AND REINSURANCE	-376	-392	-406	4.3	3.7
1. Credit	539	636	568	17.9	-10.7
2. Debit	-915	-1,028	-975	12.3	-5.2
V. OTHERS^{2/}	-1,421	-1,440	-1,551	1.3	7.7
1. Credit	794	814	816	2.5	0.3
2. Debit	-2,215	-2,254	-2,367	1.7	5.0
VI. TOTAL SERVICES	-1,895	-2,040	-1,974	7.7	-3.2
1. Credit	5,940	6,236	6,312	5.0	1.2
2. Debit	-7,835	-8,276	-8,287	5.6	0.1

1/ Includes port spending in aircrafts and commissions, mainly.
2/ Includes government, financial, and information technology services, royalties, leasing of equipment, and business services.
Source: BCRP, SUNAT, SBS, Mincetur, PROMPERÚ, Ministry of Trade Affairs and businesses.

The deficit for transportation services (US\$ 1.24 billion) was US\$ 164 million lower than in 2015. Revenues decreased by US\$ 41 million (3.0 percent) as a result of the decline of domestic airlines' sale of airfares abroad (3.5 percent), while expenses decreased by US\$ 205 million due to the reduction of payments for freight services (10.5 percent).

The travel surplus amounted to US\$ 1.47 billion. Revenue grew 5.8 percent due to the increasing number of non-resident travelers who came to the country (7.7 percent), while expenses grew 8.7 percent due to the increased number of travelers who visited other countries (10.0 percent).

Services under the heading Other Services showed a deficit of US\$ 1.55 billion. Revenues increased 0.3 percent, while outlays increased 5.0 percent due mainly to other business services and to financial services.

Table 29
SERVICES: OTHER SERVICES

	Million US\$			% Change	
	2014	2015	2016	2015	2016
Balance of other services	-1,421	-1,440	-1,551	1.3	7.7
Revenue	794	814	816	2.5	0.3
Government services	153	156	159	2.0	2.0
Other services	641	658	657	2.6	-0.1
Other business services ^{1/}	541	540	545	-0.1	0.9
Financial Services	58	64	56	10.5	-12.8
Computer and information services	33	42	42	30.1	-1.2
Royalties and license rights	6	7	9	16.7	28.6
Personal, cultural, and recreational services	4	4	5	0.0	25.0
Expenditures	2,215	2,254	2,367	1.7	5.0
Government services	165	169	172	2.4	2.0
Other services	2,051	2,085	2,195	1.7	5.3
Other business services	1,403	1,400	1,462	-0.3	4.5
Computer and Information Services	221	263	270	19.1	2.6
Royalties and license rights	300	302	324	0.9	7.1
Financial services	102	83	112	-18.8	34.5
Personal services, cultural and recreational	24	35	27	46.5	-22.6
Construction services	1	2	0	139	-82

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

Increasing by US\$ 635 million compared to 2015 due to extraordinary income obtained from the sale of assets between non-residents, current transfers amounted to US\$ 3.97 billion in 2016. Revenue from these transactions totaled US\$ 532 million (vs. US\$ 68 million in 2015).

Moreover, in 2016 remittances from other countries amounted to US\$ 2.88 billion, which represents an increase of US\$ 159 million (5.8 percent) compared to the previous year. This increase reflects the economic recovery of the United States and the beginning of a mild recovery in the Eurozone. In 2016, United States, Italy, and Spain accounted for 53.3 percent of the total of remittances to the country, which represented 1.5 percent of GDP in the year.

Table 30
REMITTANCES

Year	Million US\$	% change	% GDP
2014	2,637	-2.6	1.3
2015	2,725	3.4	1.4
2016	2,884	5.8	1.5

Source: SBS, banks and businesses.

Remittances from the United States, the main country of origin of remittances, increased 5.1 percent compared to 2015, reflecting this country's economic recovery. Moreover, remittances from Chile, which for the second consecutive year consolidated as the second country of origin of remittances, accounted for 10.4 percent of total remittances.

Furthermore, after four consecutive years of decline, the total amount of remittances from Spain increased 1.3 percent as a result of the slight recovery of employment levels of Peruvian migrants in this country. Despite this, Spain went from being the third country of origin of remittances to being the fourth source of remittances in 2016, while Italy climbed to the third place.

The average remittance amount was US\$ 274, US\$ 3 less than in 2015. The average amount of remittances that decreased included remittances from Chile (5.3 percent), Argentina (2.2 percent), Spain (1.3 percent), and Italy (0.7 percent). As for the number of remittances, a strong increase was observed in the number of remittances from Argentina (29.9 percent), Chile (16.3 percent), and Italy (12.3 percent), while the number of remittances from the United States and Spain increased by 4.1 and 2.8 percent, respectively.

	Annual remittances (% share)			Annual average remittances (US\$)			Number of remittance ^{2/} (Thousand)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
USA	34.7	36.2	35.9	259	264	266	3,536	3,740	3,895
Chile	9.5	10.0	10.4	220	208	197	1,136	1,310	1,524
Italy	7.4	8.4	8.8	299	271	269	654	843	947
Spain	10.3	8.8	8.4	345	304	300	787	787	809
Japan	8.1	7.4	7.6	527	506	536	404	400	409
Argentina	4.3	4.5	5.3	229	226	221	500	538	699
Other countries ^{1/}	25.7	24.8	23.5	395	339	334	912	1,028	1,001
Total	100.0	100.0	100.0	293	277	274	7,929	8,645	9,283

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 means, through which 48.7 percent of these funds were intermediated. On the other hand, banks continued showing the declining trend that started in 2013 and accounted for 39.3 percent of these transfers.

Year	2014	2015	2016
FTCs - Other channels ^{1/}	47.6	47.2	48.7
Banks	40.3	40.8	39.3
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\$ 9.18 billion in 2016 –a deficit US\$ 1.64 billion higher than the one recorded in the previous year–, a balance resulting mainly from increased outflows for profits in the mining and hydrocarbons sectors in a context in which major mining projects started their operation phase (copper production grew significantly in 2016). 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\$ 621 million.

Table 33
INVESTMENT INCOME

	Million US\$			% Change	
	2014	2015	2016	2015	2016
I. REVENUE	1,213	1,013	1,084	-16.5	7.0
1. Private	509	542	621	6.6	14.5
2. Publics	704	471	463	-33.2	-1.6
II. EXPENDITURE	11,106	8,557	10,268	-23.0	20.0
1. Private	9,692	7,355	8,943	-24.1	21.6
Profits ^{1/}	8,497	5,813	7,267	-31.6	25.0
Interests	1,196	1,542	1,675	29.0	8.6
- Long-term loans	498	741	858	48.9	15.8
- Bonds	608	679	654	11.8	-3.7
- Short-term loans ^{2/}	90	122	163	34.8	33.5
2. Public	1,414	1,202	1,325	-15.0	10.3
Interests on long-term loans	209	200	224	-4.4	11.8
Interests on bonds	1,204	1,002	1,101	-16.8	9.9
Interests on BCRP securities ^{3/}	0	0	0	-30.8	114.8
III. BALANCE (I-II)	-9,893	-7,544	-9,184	-23.7	21.7
1. Private	-9,183	-6,813	-8,322	-25.8	22.1
2. Public	-710	-731	-862	3.0	17.9

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

2.6 Financial Account of the Private Sector

In 2016 the private sector financial account showed a balance of US\$ 3.71 billion, a lower balance than in 2015. On the liabilities side, a fall was observed in the net flow of private loans (lower expenditure and higher depreciation), followed by lower foreign direct investment (due to lower capital contributions and lower net loans from parent companies).

It is worth mentioning that foreign direct investment (FDI) continued to be the main component of external capital flows among the components of the private sector financial account. The flows of foreign direct investment concentrated mainly in the sector of non-financial services (US\$ 4.24 billion), particularly telecommunications. Another aspect worth pointing out was the fall of FDI flows to the mining sector, in line with the decline of private investment after the completion of the implementation phase of mining projects and the beginning of their operations phase.

Table 34
PRIVATE SECTOR FINANCIAL ACCOUNT

	Million US\$			% change	
	2014	2015	2016	2015	2016
1. ASSETS	-5,257	-247	-966	-95.3	290.3
Direct investment abroad	-801	-127	-303	-84.1	138.1
Portfolio investment ^{1/}	-4,457	-120	-662	-97.3	451.9
2. LIABILITIES	12,832	9,039	4,675	-29.6	-48.3
Foreign direct investment	4,441	8,272	6,863	86.3	-17.0
a. Reinvestment	3,522	2,997	4,172	-14.9	39.2
b. Equity capital	-1,786	4,170	2,213	-333.4	-46.9
c. Net liabilities to affiliated enterprises	2,705	1,105	477	-59.1	-56.8
Portfolio investment	2,669	-596	-495	-122.3	-16.9
a. Equity securities ^{2/}	-79	-60	-307	-24.8	413.6
b. Other liabilities ^{3/}	2,748	-536	-188	-119.5	-64.8
Long-term loans	5,722	1,363	-1,693	-76.2	-224.2
a. Disbursements	9,416	5,066	2,881	-46.2	-43.1
b. Amortization	-3,694	-3,703	-4,574	0.2	23.5
3. TOTAL	7,574	8,792	3,709	16.1	-57.8
Memo:					
Net direct investment	3,640	8,144	6,560	123.7	-19.5

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 35
FOREIGN DIRECT INVESTMENT IN COUNTRY BY DESTINATION SECTOR*
(Million US\$)

	2014	2015	2016
Hydrocarbons	836	-140	123
Mining	-1,332	1,962	461
Financial sector	988	1,058	979
Non-financial services	2,340	3,787	4,243
Manufacturing	1,357	1,409	716
Energy and others	252	195	341
TOTAL	4,441	8,272	6,863

* Includes contributes and other net capital operations, net loans to affiliated enterprises and reinvestment (current profits).
Source: Enterprises.

The placement of private bonds and bond placements by Cofide in international markets fell from US\$ 1.36 billion in 2015 to US\$ 798 million in 2016. The funds raised through these placements were used to prepay the debt (US\$ 498 million) and to finance project operations.

Table 36
BONDS ISSUED BY FIRMS IN THE EXTERNAL MARKET 2014 - 2016*

Date	Business	Amount (Million US\$)	Maturity (Years)	Yields
I. 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 01	Banco de Credito	225	4	2.75%
July 08	COFIDE	300	5	3.25%
July 08	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 08	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 01	InRetail Shopping Mall	350	7	6.50%
October 07	InRetail Consumer	300	7	5.25%
October 28	Unión Andina de Cementos	625	7	5.88%
December 15	Energía Eólica	204	20	6.00%
II. Total Year 2015		1,355		
a. Financial sector		1,149		
February 03	Intercorp	250	10	5.88%
February 03	Banco Internacional del Peru SAA ^{2/}	99	15	7.66%
July 07	COFIDE	200	4	3.25%
July 07	COFIDE	600	10	4.75%
b. Non-financial sector		206		
February 03	GyM Ferrovías ^{3/}	206	25	4.75%
III. Total Year 2016		798		
a. Financial sector		300		
October 21	Banco de Crédito	300	3	2.25%
b. Non-financial sector		498		
May 19	Kallpa Generación S.A. ^{4/}	350	10	4.88%
June 20	Camposol ^{5/}	148	5	10.50%

* 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.

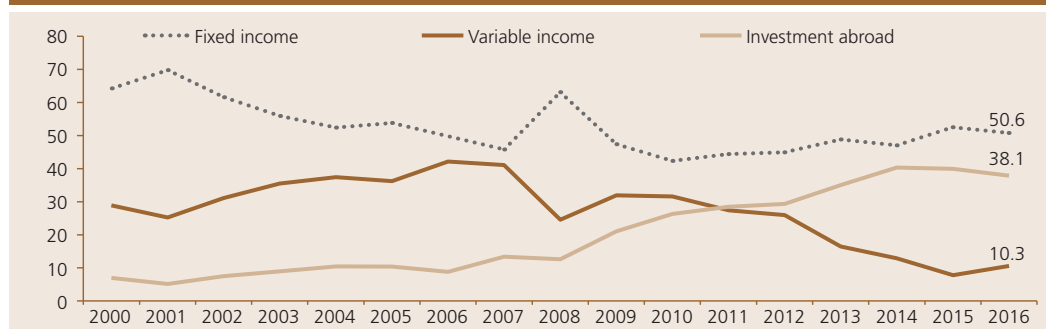
4/ 37% corresponds to residents companies.

5/ Payment of bonds issued in 2012.

Source: Companies and media.

External assets increased by US\$ 966 million, a higher amount than that recorded in 2015 (US\$ 247 million), due mainly to the increased acquisition of external portfolio assets, the investments of insurance companies and private pension funds (Administradoras Privadas de Fondos de Pensiones – AFP) standing out.

Graph 27
AFP: INVESTMENT
(%)



2.7 Short-Term Capital Flows

Amounting to only US\$ 52 million in 2016, the net flow of short-term capital showed a strong variation in comparison with the negative flow of US\$ 2.45 billion recorded in 2015. This variation is mostly explained by the lower increase of non-financial sector's deposits abroad.

2.8 Public Sector Financial Account

In 2016 the financial account of the public sector showed a positive balance of US\$ 2.66 billion, US\$ 453 million less than in the previous year. This balance is explained mainly by the lower issuance of Global Bonds (US\$ 2.71 billion) and by increased amortization (US\$ 724 million), offset in part by non-residents' higher holdings of Sovereign Bonds (US\$ 1.74 billion) and by residents' lower holdings of Global Bonds (US\$ 1.33 billion).

Table 37					
PUBLIC SECTOR FINANCIAL ACCOUNT^{1/}					
	Million US\$			% change	
	2014	2015	2016	2015	2016
I. DISBURSEMENTS	2,922	5,190	2,108	2,268	-3,082
Investment projects	988	349	958	-639	609
Central government	133	289	805	156	516
Public enterprises	855	60	153	-796	93
- Financial	304	36	109	-268	73
- Non-financial	551	23	44	-528	20
Free disposable loans	244	985	0	741	-985
Global bonds	1,690	3,856	1,150	2,166	-2,706
- Global ^{2/}	500	3,056	1,150	2,556	-1,906
- Financial public enterprises	1,190	800	0	-390	-800
II. AMORTIZATION	-1,592	-1,233	-1,957	359	-724
III. NET EXTERNAL ASSETS	-670	-473	-189	197	284
IV. OTHER OPERATIONS WITH DEBT SECURITIES (a-b)	-727	-374	2,694	353	3,068
a. Securities in the domestic market purchased by non-residents	-657	216	1,959	874	1,743
b. Securities in the foreign market purchased by residents	70	591	-735	521	-1,326
V. TOTAL	-67	3,110	2,657	3,177	-453

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. Global and Brady bonds, issued in foreign markets, are part of external debt including those purchased by non-residents.
Source: BCRP, MEF, COFIDE, and FCR.

2.9 International Investment Position

The country's international assets at December 2016 amounted to US\$ 109.51 billion, a higher figure than that recorded at end 2015. The BCRP international reserves reached a balance equivalent to 31.6 percent of GDP. This amount covers 6 times short term external liabilities (including the amortization of medium and long term loans in a year) and backs up 84.1 percent of private banks' total liabilities. These indicators reflect 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 retained earnings and from the capital contributions obtained by companies with foreign direct investment in Peru. On the side of the external debt, the ratio of this debt to GDP has remained almost unchanged. Moreover, as for the medium- and long-term private debt, the lower ratio of the private debt has been covered by the increase of the public debt.



Table 38
NET INTERNATIONAL INVESTMENT POSITION
(End-of-period levels)

	Million US\$			% GDP	
	2014	2015	2016	2015	2016
I. ASSETS	105,157	105,594	109,508	54.9	56.0
1. BCRP reserve assets	62,353	61,537	61,746	32.0	31.6
2. Assets of financial sector (excluding BCRP) ^{1/}	27,706	27,159	28,257	14.1	14.5
3. Others assets	15,098	16,898	19,505	8.8	10.0
II. LIABILITIES	164,780	170,832	184,774	88.8	94.6
1 Bonds and total private and public external debt^{2/}					
a. Medium and long term debt	62,832	66,444	67,457	34.6	34.5
Private sector ^{3/}	38,881	39,734	37,833	20.7	19.4
Public sector (i - ii + iii) ^{4/}	23,951	26,710	29,623	13.9	15.2
i. External public debt	19,764	23,630	23,762	12.3	12.2
ii. Public debt issued abroad purchased by residents	1,360	1,951	1,216	1.0	0.6
iii. Public debt issued locally purchased by non-residents	5,547	5,031	7,078	2.6	3.6
b. Short-term debt	6,383	6,829	7,195	3.6	3.7
Financial sector (excluding BCRP) ^{3/}	2,498	2,955	2,495	1.5	1.3
BCRP ^{5/}	45	52	60	0.0	0.0
Others ^{6/}	3,840	3,823	4,639	2.0	2.4
2. Direct investment	76,346	84,618	91,480	44.0	46.8
3. Capital participation	19,219	12,940	18,642	6.7	9.5

1/ Includes asstes in domestic currency against non-residents.

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

3/ Includes liabilities in domestic currency with non-residents.

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 short-term debt of the non-financial private sector.

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

Graph 28
MEDIUM- AND LONG-TERM EXTERNAL DEBT
(% GDP)

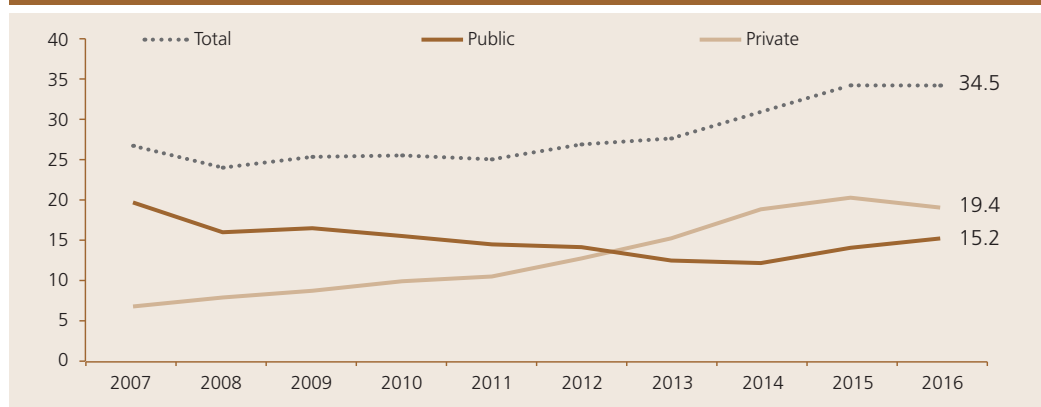
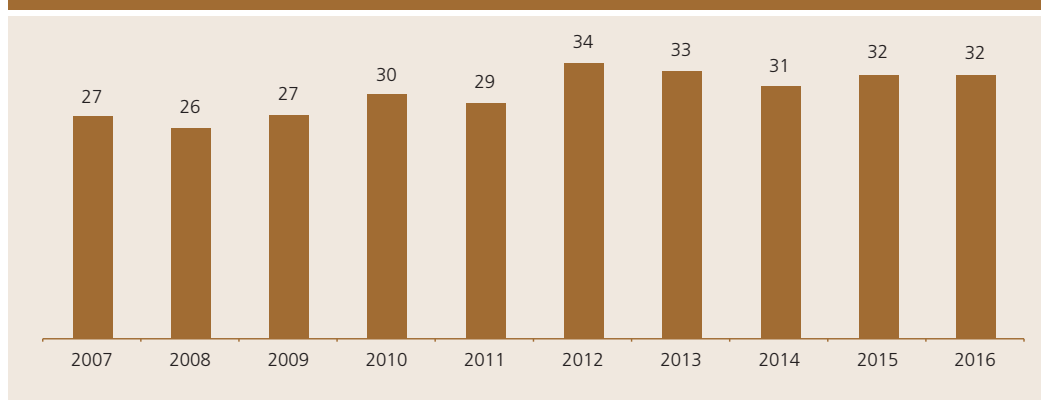


Table 39
NIR INDICATORS

As a % of:	2006	2011	2016
a. GDP	19.6	28.9	31.6
b. Short-term external debt ^{1/}	166	470	457
c. Short-term external debt plus Current account deficit	230	365	328

^{1/} Includes short-term debt balance plus redemption (1-year) from private and public sector.

Graph 29
NET INTERNATIONAL RESERVES
(% GDP)





Frias. Gold sculpture of a bird with decorations in filigree in the eyes and the crest. Approximately 1500 years old. 4 x 3 x 2 cm.

PUBLIC FINANCES

In 2016 the operations of the Non-Financial Public Sector showed a deficit for the third consecutive year. Factors accounting for this deficit were the decrease of government revenues in a context of slowing domestic demand and falling imports as well as a significant increase in tax rebates to mining export companies. Another factor contributing to this was the lower performance of non-financial public enterprises. Non-financial expenditure, on the other hand, decreased during the year in part as a result of the fiscal consolidation measures implemented.

Thus, the 2016 deficit was equivalent to 2.6 percent of GDP, 0.5 percentage points higher than in 2015, as a result of lower ordinary revenues (1.5 percent) and the deterioration of the balances of the State-owned enterprises (0.3 percent), offset by lower non-financial expenditure (1.3 percent).

Despite the higher deficit, the public debt remained at sustainable levels of around 24 percent of the output along with a net debt equivalent to 8.0 percent of GDP.

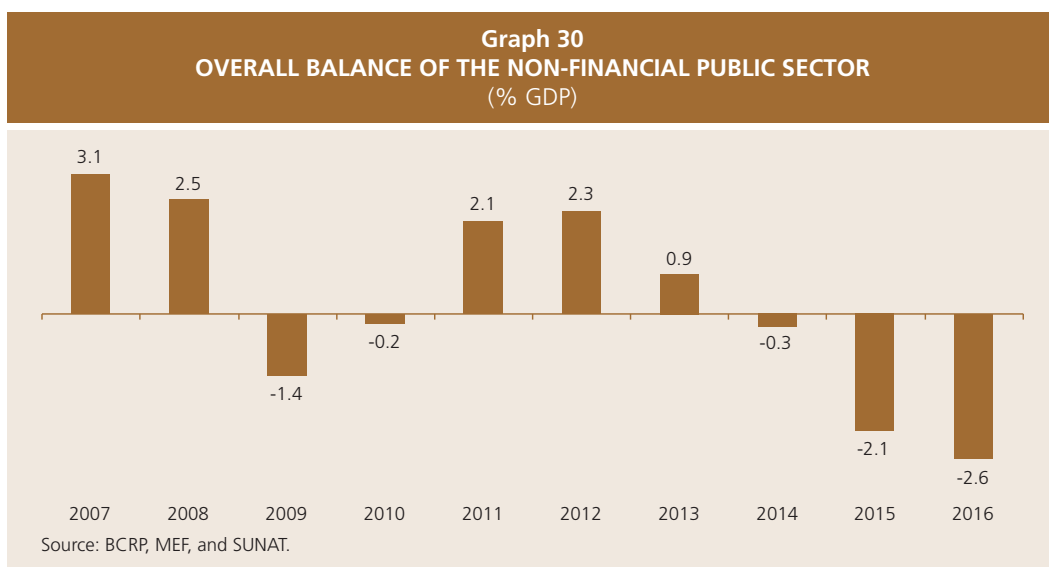


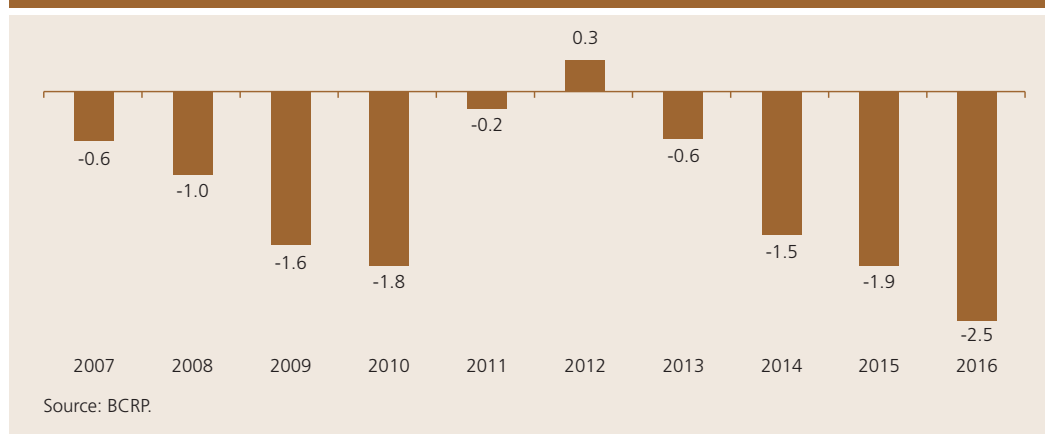
Table 40
OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR

	Million soles			% GDP		
	2014	2015	2016	2014	2015	2016
I. PRIMARY BALANCE	4,328	-6,170	-9,783	0.8	-1.0	-1.5
1. Of the General Government	4,536	-6,807	-8,500	0.8	-1.1	-1.3
a. Current revenue	127,721	122,789	122,044	22.2	20.0	18.5
i. Tax revenue	97,649	92,788	92,221	16.9	15.1	14.0
ii. Non-tax revenue	30,072	30,000	29,823	5.2	4.9	4.5
b. Non-financial expenditure	123,845	130,205	131,460	21.5	21.3	20.0
i. Current	89,433	96,995	100,659	15.5	15.8	15.3
ii. Capital	34,411	33,210	30,801	6.0	5.4	4.7
c. Capital revenue	660	609	917	0.1	0.1	0.1
2. Of public enterprises	-208	637	-1,284	0.0	0.1	-0.2
II. INTERESTS	6,206	6,475	7,137	1.1	1.1	1.1
1. External debt	2,909	2,664	3,004	0.5	0.4	0.5
2. Domestic debt	3,297	3,811	4,133	0.6	0.6	0.6
III. OVERALL BALANCE (I-II)	-1,878	-12,644	-16,920	-0.3	-2.1	-2.6
1. Net external financing (Million US\$)	-841	9,815	4,304	-0.1	1.6	0.7
a. Disbursements	\$1,428	\$4,354	\$1,999	0.7	2.3	1.0
b. Amortization	\$1,456	\$1,230	\$1,672	0.7	0.6	0.9
c. Others	-\$,256	-\$,150	\$,930	-0.1	-0.1	0.5
2. Net domestic financing	2,686	2,736	9,630	0.5	0.4	1.5
3. Privatization ^{1/}	34	94	2,987	0.0	0.0	0.5

^{1/} Includes concession of three blocks of the 698-800 MHz band in the country.

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

Graph 31
STRUCTURAL OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR
(% potential GDP)



The structural economic balance, 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 1.9 to 2.5 percent of GDP in 2016. However, since this outcome resulted mainly from a drop in fiscal revenue, the higher deficit was not anti-cyclical due to the lower multiplier impact

of revenue in comparison to expenditure. Thus, if we break down the fiscal impulse by income and expenditure and 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 0.6 percent of GDP in 2016 due to lower capital spending.

Table 41 FISCAL IMPULSE			
	2014	2015	2016
Fiscal impulse	0.6	0.6	0.9
By revenues	0.6	0.9	1.7
By expenditure	0.0	-0.3	-0.8
Weighted impulse	-0.1	-0.3	-0.6

Financial requirements, indicator that measures the resources needed by the public sector to cover the economic balance and cover the amortization of the domestic debt and the external debt, amounted to S/ 31.75 billion. These requirements were covered with external disbursements and with placements of sovereign bonds.

Table 42 FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR						
	Million soles			% GDP		
	2014	2015	2016	2014	2015	2016
1. Overall balance	-1,878	-12,644	-16,920	-0.3	-2.1	-2.6
2. Amortization	9,059	7,974	14,831	1.6	1.3	2.3
Redemption of recognition bonds	692	678	629	0.1	0.1	0.1
Domestic debt	4,160	3,437	8,566	0.7	0.6	1.3
External debt ^{1/}	4,207	3,859	5,637	0.7	0.6	0.9
3. Financial requirements	10,938	20,618	31,752	1.9	3.4	4.8
External disbursements	4,119	14,057	6,804	0.7	2.3	1.0
Freely disposable funds	2,162	13,046	3,922	0.4	2.1	0.6
Investment projects	1,957	1,010	2,882	0.3	0.2	0.4
Domestic bonds ^{1/}	11,537	7,095	22,431	2.0	1.2	3.4
Privatization ^{2/}	34	94	2,987	0.0	0.0	0.5
Others	-4,752	-628	-470	-0.8	-0.1	-0.1

1/ Amounts include operations of managing of approved debt.
2/ Includes concession of three blocks of the 698-800 MHz band in the country.
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises, and public institutions.

1. Revenue of the General Government

The current revenue of the general government was equivalent to 18.5 percent of GDP, 1.5 percentage points of GDP lower than in 2015 (down 4.1 percent in real terms for the second consecutive year). The decline in tax revenues, particularly the decline in the income tax, reflected mainly the slowdown registered in the domestic demand, the reduction of imports, and the increase of rebates of export-related taxes to historical high levels and the advanced rebate of the VAT. In addition to this, non-tax revenue associated with royalties and with the oil royalty also fell due to the lower average annual price of crude and to the lower production of hydrocarbons.



Table 43
FISCAL REVENUE RATIOS
(% GDP)

	2014	2015	2016
Central government tax burden	16.5	14.7	13.6
Central government fiscal burden ^{1/}	18.9	16.6	15.2
General government fiscal burden ^{2/}	22.2	20.0	18.5

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

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

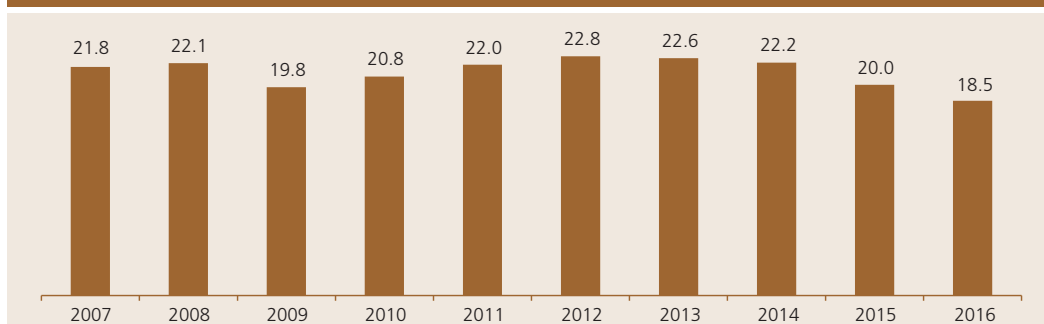
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, ONP, charity societies, regulatory agencies and registry offices.

Table 44
GENERAL GOVERNMENT REVENUES

	Million soles			Real % change		% GDP		
	2014	2015	2016	2015	2016	2014	2015	2016
I. TAX REVENUE	97,649	92,788	92,221	-8.2	-4.1	16.9	15.1	14.0
1. Income tax	40,157	34,745	37,214	-16.3	3.3	7.0	5.7	5.6
- Individuals	10,894	10,557	11,159	-6.3	2.0	1.9	1.7	1.7
- Legal entities	25,031	20,542	22,250	-20.7	4.4	4.3	3.4	3.4
- Tax regularization	4,232	3,646	3,805	-16.5	0.4	0.7	0.6	0.6
2. Import duties	1,790	1,775	1,606	-4.3	-12.6	0.3	0.3	0.2
3. Value-added tax (VAT)	50,352	51,668	52,692	-0.9	-1.6	8.7	8.4	8.0
- Domestic VAT	28,732	30,410	31,040	2.2	-1.5	5.0	5.0	4.7
- VAT on imports	21,620	21,258	21,652	-5.1	-1.7	3.8	3.5	3.3
4. Excise tax	5,135	5,495	5,902	3.3	3.7	0.9	0.9	0.9
- Fuels	2,041	2,210	2,423	4.5	5.9	0.4	0.4	0.4
- Others	3,094	3,284	3,479	2.5	2.2	0.5	0.5	0.5
5. Other income tax	10,924	10,782	11,163	-4.8	0.1	1.9	1.8	1.7
- National government	8,585	8,171	8,312	-8.3	-1.6	1.5	1.3	1.3
- Local government	2,338	2,611	2,851	7.9	5.3	0.4	0.4	0.4
6. Tax returns	-10,708	-11,676	-16,356	5.4	35.2	-1.9	-1.9	-2.5
II. NON-TAX REVENUES	30,072	30,000	29,823	-3.6	-4.1	5.2	4.9	4.5
1. Contributions to Essalud and ONP	12,513	13,893	14,489	7.2	0.7	2.2	2.3	2.2
2. Oil, gas and mining royalty	2,649	1,633	1,591	-40.3	-4.7	0.5	0.3	0.2
3. Oil Canon	2,895	1,622	1,291	-45.9	-23.3	0.5	0.3	0.2
4. Others	12,015	12,853	12,452	1.8	-6.7	2.1	2.1	1.9
III. TOTAL (I+II)	127,721	122,789	122,044	-7.1	-4.1	22.2	20.0	18.5

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

Graph 32
GENERAL GOVERNMENT FISCAL BURDEN
(% GDP)



Source: BCRP.

Revenue from the **income tax** increased by 3.3 percent in real terms, but reduced 5.7 percent in GDP terms in 2015 to 5.6 percent in 2016. The increase in real terms is explained mainly by higher revenue from the income tax paid by non-domiciled taxpayers (54.4 percent) for the sale of assets which included assets of Línea Amarilla, Solgas, and companies linked to Enersur operations, among other transactions. Excluding this effect given its temporary nature, revenue from the income tax is estimated to have fallen by 1.9 percent.

Table 45 INCOME TAX BY CATEGORY (Million soles)					
	2014	2015	2016	Real % change	
				2015	2016
First category	374	443	504	14.5	9.8
Second category	1,214	1,287	1,536	2.5	15.1
Third category	18,536	16,817	16,496	-12.3	-5.4
Fourth category	834	783	871	-9.3	7.3
Fifth category	8,473	8,044	8,248	-8.2	-1.1
Non-domiciled	6,027	3,248	5,205	-47.8	54.4
Regularization	4,232	3,646	3,805	-16.5	0.4
Others	468	477	550	-1.4	11.1
Total	40,157	34,745	37,214	-16.3	3.3

Source: SUNAT.

By categories of income tax, revenue from third category-income tax –which represents approximately 46 percent of the revenue obtained from this tax in recent years– was the one that dropped the most (5.4 percent). Lower payments on account of this tax were observed in the sectors of hydrocarbons and mining (58.4 and 29.6 percent, respectively) due to lower volumes of extraction of crude oil as well as due to lower international prices. It should be pointed out that the higher growth recorded in mining GDP rates does not necessarily translate into higher tax revenue from this sector, because the mining companies that have contributed to the growth of the sector in the last year are included, for tax purposes, in the accelerated depreciation regime which reduces their net income when the income tax is determined.

Table 46 REVENUES FROM CORPORATE TAX BY SECTORS: PAYMENTS ON ACCOUNT (Million soles)					
	2014	2015	2016	Real % change	
				2015	2016
Services ^{1/}	7,612	8,223	8,192	4.4	-3.8
Commerce	3,220	3,034	3,316	-9.0	5.4
Manufacturing	2,517	2,143	2,388	-17.8	7.4
Hydrocarbons	1,903	913	394	-53.6	-58.4
Mining	1,881	1,051	770	-45.9	-29.6
Construction	1,283	1,361	1,334	2.5	-5.4
Agriculture and livestock	72	47	53	-37.3	11.2
Fishing	47	46	48	-6.3	1.9
Total	18,536	16,817	16,496	-12.3	-5.4

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 12.6 percent in real terms, which was equivalent to a decline from 0.3 to 0.2 percent in GDP terms in 2016. This decrease is in line with lower imports, especially lower imports of industrial inputs and capital goods.



Revenue from the **value added tax (VAT)** declined for the fourth consecutive year, falling from 8.4 percent in 2015 to 8.0 percent of GDP in 2016, which represents a fall of 1.6 percent in real terms. This decline, which is mostly explained by the lower dynamism of domestic demand and by the contraction of imports, affected both revenue from the domestic VAT (-1.5 percent) and revenue from the external VAT (-1.7 percent). By sectors, the higher declines in revenue from the domestic VAT were observed in the sectors of hydrocarbons (-23.8 percent), services (-4.3 percent), and construction (-0.4 percent).

On the other hand, the revenue from the **excise tax** grew 3.7 percent in real terms as a result of an increase in the excise tax on fuels (5.9 percent, applied in residual 6 and residual 500) and in the excise tax on other goods (2.2 percent).

Revenue from other tax revenue fell for the third consecutive year in GDP terms (down from 1.8 to 1.7 percent of GDP), but represented a real increase of 0.1 percent. This is explained by increased revenue from the ITAN (12.5 percent) and from payments of tax installments (12.0 percent, offset in part by lower transfers of tax withholdings (-44.5 percent) and revenues from fines (-19.2 percent).

Tax refunds were equivalent to 2.5 percent of GDP and showed a historical record with a real increase of 35.2 percent. This significant increase is explained by greater tax refunds for mining exports (35.8 percent) to mining companies such as Las Bambas, Cerro Verde, and Glencore Perú, as well as by increased refunds for early payments of the VAT (149.4 percent).

Non-tax revenues fell 4.1 percent in real terms due to the lower revenue from the oil and gas *canon* (royalty) and from oil and gas royalties, which dropped by 23.3 and 22.9 percent, respectively, in line with the lower extraction of crude recorded during the year, associated in part with the rupture of the pipeline (Oleoducto Norperuano), and in line with the lower average price of crude oil.

2. General Government Spending

In 2016 the non-financial expenditure of the general government was equivalent to 20.0 percent of GDP, a ratio 1.3 percentage points lower than in 2015. This lower ratio is explained by both lower current expenditure, which dropped from 15.8 to 15.3 percent of GDP, and by lower capital expenditure, which fell by 0.7 percentage points in this period. By government levels, lower current expenditure at the level of the national government stands out (down from 11.1 to 10.5 percent of GDP).

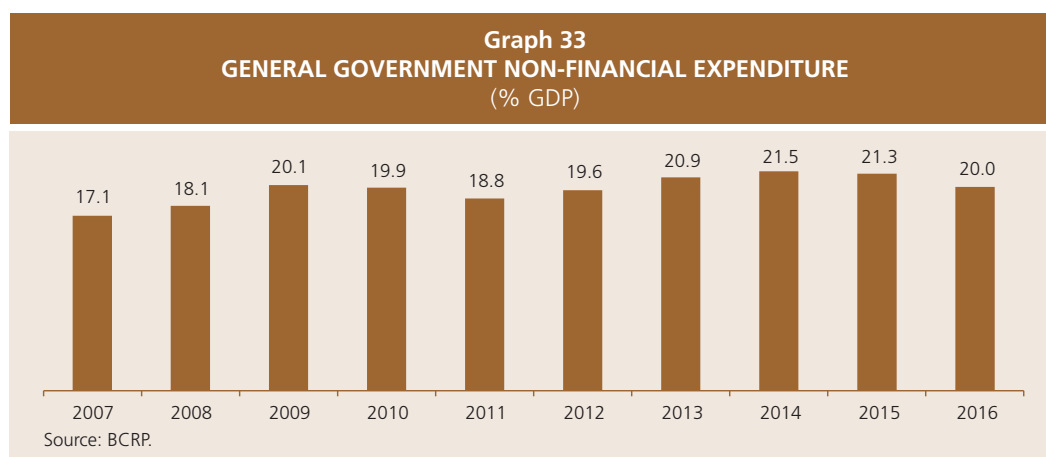


Table 47
GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE^{1/}

	Million soles			Real % change		% GDP		
	2014	2015	2016	2015	2016	2014	2015	2016
I. CURRENT EXPENDITURE	89,433	96,995	100,659	4.7	0.3	15.5	15.8	15.3
Wages and salaries	34,072	35,455	39,081	0.5	6.4	5.9	5.8	5.9
National government	20,926	21,858	23,974	0.9	5.9	3.6	3.6	3.6
Regional governments	11,074	11,536	12,959	0.6	8.5	1.9	1.9	2.0
Local government	2,072	2,061	2,148	-4.0	0.7	0.4	0.3	0.3
Goods and services	34,985	40,572	40,640	11.8	-3.1	6.1	6.6	6.2
National government	24,046	28,916	28,015	16.0	-6.2	4.2	4.7	4.3
Regional governments	3,717	4,602	4,891	19.2	2.9	0.6	0.8	0.7
Local government	7,222	7,055	7,735	-5.8	6.0	1.3	1.2	1.2
Transfers	20,376	20,968	20,938	-0.6	-3.5	3.5	3.4	3.2
National government	16,668	17,466	17,334	1.2	-4.1	2.9	2.9	2.6
Regional governments	2,562	2,346	2,459	-11.6	1.2	0.4	0.4	0.4
Local government	1,146	1,155	1,145	-2.7	-4.3	0.2	0.2	0.2
II. CAPITAL EXPENDITURE	34,411	33,210	30,801	-7.0	-10.3	6.0	5.4	4.7
Gross Capital Formation	30,293	26,829	26,865	-14.7	-3.1	5.3	4.4	4.1
National government	10,212	10,484	9,421	-0.9	-13.1	1.8	1.7	1.4
Regional governments	6,262	5,687	5,727	-12.7	-2.5	1.1	0.9	0.9
Local government	13,819	10,658	11,717	-25.8	6.4	2.4	1.7	1.8
Other capital expenditure	4,118	6,381	3,936	49.5	-40.2	0.7	1.0	0.6
III. NON FINANCIAL EXPENDITURE (I + II)	123,845	130,205	131,460	1.4	-2.4	21.5	21.3	20.0
National government	75,769	84,790	82,546	8.0	-5.9	13.1	13.8	12.5
Regional governments	23,663	24,363	26,053	-0.7	3.4	4.1	4.0	4.0
Local government	24,412	21,052	22,861	-16.9	5.1	4.2	3.4	3.5

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

National Government

The **non-financial expenditure of the national government** was equivalent to 12.5 percent of GDP, which represents a decrease of 5.9 percent in real terms relative to 2015. This decrease is explained mainly by lower spending in goods and services (6.2 percent) and by lower gross capital formation (13.1 percent).

Expenditure in **wages and salaries** grew by a real 5.9 percent compared with 2015, which is explained among other factors by salary increases for the personnel of the Ministries of Interior, Defense, the Judiciary Sector, and the Public Prosecutor's Office. The salary increase in the Ministries of Interior and Defense is explained by the fourth and fifth payment of a bonus for the police and the military approved by Legislative Decree No. 1132, while the salary increase in the two latter cases is explained by higher resources allocated to these institutions to cover new positions of magistrates and prosecutors that will be working in the implementation of the new Criminal Procedure Code.

Expenditure on **goods and services** amounted to 4.3 percent of GDP, which represents a decline of 6.2 percent in real terms. The more significant reduction of spending was recorded in the Ministry of Defense due to the lower allocation of resources for the acquisition of vehicles, furniture, computer equipment, and devices for defense and security. This was offset by increased spending in contracts for services (CAS) in several ministries, as well as by increased spending allocated to the acquisition of school materials and supplies and for the purchase of medical supplies.

Spending for current **transfers** amounted to 2.6 percent of GDP, which represented a decrease of 4.1 percent in real terms. Lower transfers made during the year that stand out included the transfers to



Program Juntos (Programa Nacional de Apoyo Directo a los más Pobres) (S/ 850 million, versus S/ 941 million in 2015), as well as the lower transfers made by Fondo de Cooperación para el Desarrollo Social (Foncodes), which amounted to S/ 99 million. On the other hand, higher resources were allocated to Pensión 65 (Programa Nacional de Asistencia Solidaria) (S/ 42 million), Programa Nacional Cuna Más (S/ 25 million), and Programa Nacional de Alimentación Escolar Qaliwarma (S/ 218 million), among other programs.

The national government expenditure in **gross capital formation**, which was equivalent to 1.4 percent of GDP, was concentrated mainly in the sector of Transportation, which represented 66 percent of the investment of the national government. It is worth pointing out that increased spending was made in road concession projects and works, in other works associated with the construction of Lima's Metro Line 2 and section Avenida Faucett–Gambetta of Lima's Metro project, and in the repair and improvement of the Puerto Bermúdez – San Alejandro highway, among other projects.

Other capital expenditure of the national government (S/ 3.80 billion) dropped by 39.3 percent, which is mainly explained by the lower costs incurred for Bono Familiar Habitacional (down from S/ 1.46 billion to S/ 724 million) and for lower transfers to international organizations for the implementation of investment projects which represented a decline of spending of S/ 1.02 billion.

Table 48
MAIN INVESTMENT PROJECTS OF THE NATIONAL GOVERNMENT: 2016
(Million soles)

PROJECTS	Amount
TRANSPORT	4,436
Construction of line 2 network and section Av. Faucett-Gambetta in Metropolitan Lima and Callao ^{1/}	727
Restoration and improvement of Road Puerto Bermúdez-San Alejandro	331
Road integration Tacna-La Paz	279
Maintenance of national highway	222
Restoration and improvement of Road Lima-Canta-La Viuda-Unish	206
Restoration and improvement of Road Huancavelica-Lircay	199
Construction of Road section Vía Evitamiento de Piura	171
Improvement of Road Néstor Gambetta - Callao	157
Construction and improvement of Road Camaná-Quilca-Matarani-Ilo-Tacna	152
Restoration and improvement of Road Desvío Negromayo-Occoruro-Pallpata-Desvío Yauri	140
Restoration and improvement of Road longitudinal de la sierra Cochabamba-Cutervo-Santo Domingo	131
Restoration and improvement of Road Huaura - Sayán - Churín	93
Construction of Road section 2 Piura-Paita	89
Restoration and improvement of Road Imperial-Pampas	81
Restoration and improvement of Road Andahuaylas-Pampachiri-Negromayo	72
Rest	1,387
EDUCATION	1,819
Educational institutions for fulfillment of class hours normed	191
Health services with complementary skills for emergencies and disasters	115
Improvement of learning opportunities	71
Educational institutions managed with sufficient conditions for care	56
Students of regular basic education have educational materials necessary for the achievement of learning standards	52
Rest	1,333
Others	3,167
TOTAL	9,421

1/ No includes spending in sanitation areas nor rolling material.
Source: MEF.

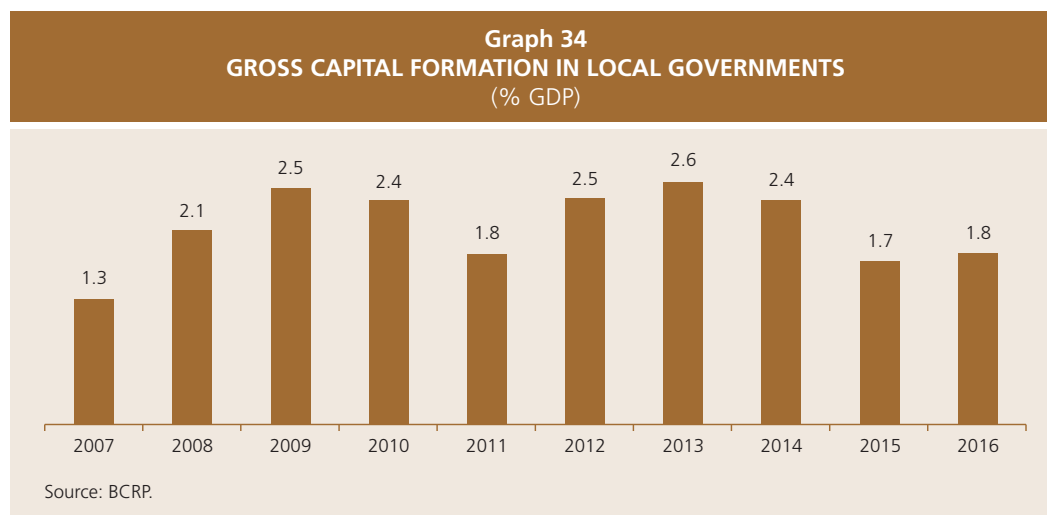
Regional Governments

The non-financial expenditure of regional governments, which was equivalent to 4.0 percent of GDP, increased 3.4 percent in real terms. This result is basically explained by the increase registered in

salaries and wages (8.5 percent), in contrast with the decline observed in gross capital formation (2.5 percent).

Local Governments

The non-financial expenditure of the local governments increased by a real 5.1 percent compared to 2015, reflecting higher spending in gross capital formation which increased by 6.4 percent.



3. State-Owned Enterprises

In contrast with the positive balance they recorded in 2015 (surplus of S/ 466 million), the State-owned enterprises recorded a negative economic balance of S/ 1.52 billion in 2016. This balance is explained mainly by the deficit registered by Petroperú (S/ 2.40 billion), offset in part by the surplus recorded by regional electricity companies.

In 2016 **Petroperú** showed a deficit of S/ 2.40 billion –a deficit S/ 1.64 billion higher than the one recorded in 2015–, explained mostly by investment expenditure associated with the modernization of the Talara Refinery. The expenditure associated with this project in 2016 totaled S/ 2.87 billion (vs. S/ 1.64 billion in 2015). As of December 31, 2016, this project shows a level of implementation of 52 percent.

Sedapal showed a deficit of S/ 45 million in 2016, this balance contrasting with the surplus of S/ 443 million recorded in 2015. The enterprise's deficit is explained in part by its increased investment expenditure in 2016 (up from S/ 255 million in 2015 to S/ 387 million in 2016), which included the expansion and modernization of the systems of drinking water and sewage carried out mainly in Pachacútec (Ventanilla), Independencia, and Cajamarquilla, among others. Another factor that contributed to this lower balance was the lower capital transfers received from the Ministry of Housing, Construction and Sanitation (S/ 30 million vs. S/ 197 million in 2015).

Electroperú recorded a deficit of S/ 3 million, a balance S/ 100 million lower than the positive result it showed in 2015 (S/ 97 million), which is explained mainly by higher operation expenses. It is worth mentioning that Electroperú sells energy to electricity distribution companies and provides power distribution to free clients located in different areas of the country.



Increasing their 2015 balance by S/ 53 million, the **regional electricity companies** registered an overall surplus of S/ 551 million in 2016. This performance is explained by increased revenue due to sales of energy, as well as by transfers of funds from the Ministry of Energy and Mines for the implementation of rural electrification programs. The electricity companies that recorded higher capital spending were the companies of Distriluz group (Hidrandina, Electrocentro, Electronoroeste, and Electronorte) and Electosureste which are developing projects aimed at renewing, expanding, and modernizing their distribution grids and transmission systems. On the other hand, the companies that showed the higher surpluses were Electrocentro, Hidrandina, Egasa, and Egemsa.

Table 49
OVERALL BALANCE OF STATE ENTERPRISES

	Million soles			% GDP		
	2014	2015	2016	2014	2015	2016
PetroPeru	-1,450	-760	-2,402	-0.3	-0.1	-0.4
ElectroPeru	135	97	-3	0.0	0.0	0.0
Regional Electricity Companies	213	498	551	0.0	0.1	0.1
Sedapal	413	443	-45	0.1	0.1	0.0
Others	323	189	384	0.1	0.0	0.1
TOTAL	-365	466	-1,515	-0.1	0.1	-0.2

Source: State enterprises and FONAFE.

4. Promotion of Private Investment

Investment projects given in concession during 2016 involved investment commitments for a total of US\$ 2.06 billion. Among the projects standing out, it is worth mentioning a concession in the telecommunications sector for the Provision of Public Telecommunications Services and the assignation of three blocks of the 698-806 MHz band in the country, with an investment commitment of US\$ 1.68 billion. The blocks were assigned to América Móvil Perú SAC (Block B), Telefónica del Perú S.A.A. (Block C), and Entel Perú S.A. (Block A). The concession contracts for each of the three band blocks were signed on July 20.

Among other projects, the concession of the implementation of the power plant of San Gabán III to Hydro Global Perú S.A.C., with a projected investment of US\$ 371.2 million, is also worth highlighting.

Table 50
PRIVATIZATIONS AND CONCESSIONS: 2016
(Million US\$)

Concessions and projects	Date	Awarded to	Investment
Electronic surveillance services through the use of electronic devices	January 19	Consorcio Global Seguridad (Global Circuit Ltda., Global Seguridad del Perú E.I.R.L. e Infopyme Comunicaciones S.L.)	9.2
Hydroelectric Power Plant San Gabán III	March 22	Hydro Global Perú S.A.C	371.2
Nationwide 698-806 MHz band	May 26	América Móvil Perú S.A.C.	1,680.0
TOTAL			2,060.4

Source: Proinversión.

5. Public Debt

In 2016 the public debt totaled S/ 156.82 billion. This debt amount, equivalent to 23.8 percent of GDP, is 0.5 percentage points higher than the debt amount recorded in 2015. The debt with international banks was amortized and global bond swaps were carried out during the year, as a result of which the balance of external debt fell from 11.1 percent of GDP in 2015 to 10.3 percent of GDP in 2016. On the other hand, the balance of the domestic public debt increased from 12.2 to 13.5 percent of GDP due to the issuance of sovereign bonds.

Table 51
DEBT BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR^{1/}

	Million soles			% GDP		
	2014	2015	2016	2014	2015	2016
PUBLIC DEBT (I + II)	115,788	142,831	156,817	20.1	23.3	23.8
I. EXTERNAL PUBLIC DEBT	50,373	68,006	67,976	8.7	11.1	10.3
Credits	23,188	28,670	28,910	4.0	4.7	4.4
International organizations	16,789	21,861	22,564	2.9	3.6	3.4
Paris Club	4,848	5,048	4,909	0.8	0.8	0.7
Suppliers	56	52	39	0.0	0.0	0.0
International banks	1,490	1,706	1,398	0.3	0.3	0.2
Latin America	6	2	0	0.0	0.0	0.0
Global bonds	27,184	39,336	39,066	4.7	6.4	5.9
II. DOMESTIC PUBLIC DEBT	65,415	74,825	88,841	11.3	12.2	13.5
1. LONG TERM	58,113	65,035	81,127	10.1	10.6	12.3
Bank loans	5,470	7,729	8,821	0.9	1.3	1.3
Treasury bonds	52,643	57,306	72,307	9.1	9.4	11.0
1. Bonds (BCRP)	205	921	704	0.0	0.2	0.1
2. Bonds to support the financial system	363	0	0	0.1	0.0	0.0
3. Debt swap bonds	1,371	1,166	1,020	0.2	0.2	0.2
4. Sovereign bonds	43,749	48,509	64,116	7.6	7.9	9.7
5. Recognition bonds	6,955	6,709	6,467	1.2	1.1	1.0
2. SHORT TERM	7,303	9,790	7,714	1.3	1.6	1.2
Memo:						
Liabilities of Private-Public Partnerships	4,166	4,460	4,044	0.7	0.7	0.6
FEPCs	170	0	93	0.0	0.0	0.0
External debt from COFIDE and Mivivienda Fund	8,508	12,631	11,768	1.5	2.1	1.8
Bonds holding	70,934	87,845	103,182	12.3	14.3	15.7
Residents	31,277	37,998	44,444	5.4	6.2	6.7
Non-residents	39,656	49,847	58,738	6.9	8.1	8.9
Sovereign bonds	43,749	48,509	64,116	7.6	7.9	9.7
Residents	27,225	31,341	40,363	4.7	5.1	6.1
Non-residents	16,524	17,169	23,753	2.9	2.8	3.6
Global bonds	27,184	39,336	39,066	4.7	6.4	5.9
Residents	4,052	6,658	4,081	0.7	1.1	0.6
Non-residents	23,132	32,678	34,985	4.0	5.3	5.3

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 43 percent of the total debt of the non-financial public sector, amounted to S/ 67.98 billion in 2016. It should be pointed out that 14-year global bonds (Bono Perú 30) for a total of US\$ 1.19 billion (€ 1 billion) were placed in the international market in March, with a coupon rate of 3.75 percent and a yield of 3.77 percent. The placement of these bonds will cover financing needs and will also extend the life of the debt portfolio.



In addition to these placements of bonds, external disbursements were received to finance investment projects in the non-financial public sector (US\$ 849 million). The amortization of the debt during the year amounted to US\$ 1.67 million, which includes US\$ 611 million of a debt management operation.

5.2 Domestic Debt

The domestic public debt showed a balance of S/ 88.84 billion at the end of 2016, which represented an increase of S/ 14.02 billion of the debt compared to December 2015. This increase is explained mainly by a higher issuance of sovereign bonds, whose balance increased to S/ 64.12 billion, of which 37 percent is held by non-residents.

On September 28, 2016, the Ministry of Economy and Finance (MEF) carried out debt swap and repurchase operations for a total of S/ 10.25 billion through the issuance of 12-year global bonds (maturing in 2018). Moreover, S/ 7.05 billion in sovereign bonds, as well as US\$ 611 million of the total of global bonds were swapped, reducing in this way the ratio of debt in foreign currency.

The government also approved the periodic issuance of 90-day to 360-day Treasury Bills and placed Bills for a total of S/. 3.19 billion in the year.

5.3 Net Debt⁷

In 2016 the net debt amounted to S/. 52.54 billion, a sum equivalent to 8.0 percent of GDP. This debt balance, which is higher by S/. 12.38 billion than the one recorded at end 2015, is mainly explained by the increase in the public debt (up by S/. 13.99 billion), offset in part by the growth of public government financial assets (up by S/. 1.61 billion).

Table 52
NET DEBT OF THE NON-FINANCIAL PUBLIC SECTOR

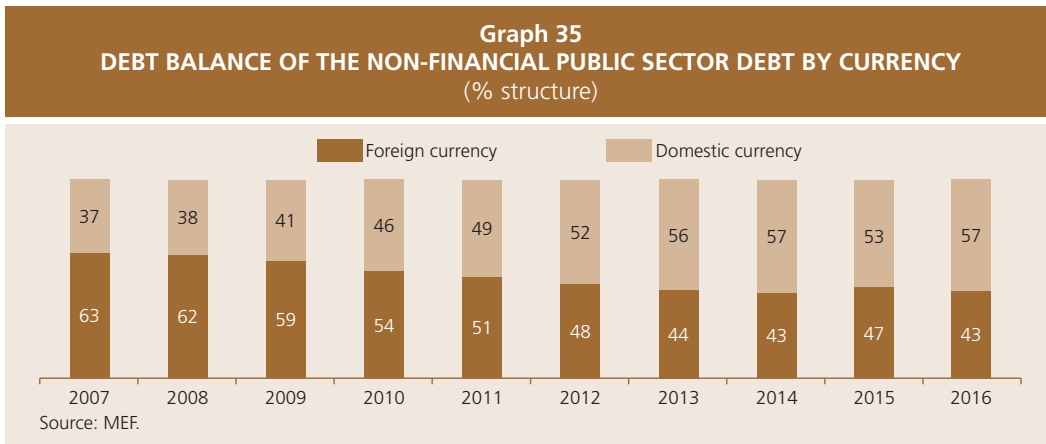
Years (December)	Million soles			% GDP		
	Assets	Liabilities	Debt net	Assets	Liabilities	Debt net
2007	38,210	95,604	57,393	12.0	29.9	18.0
2008	45,682	95,674	49,992	12.8	26.9	14.1
2009	47,156	99,215	52,060	12.9	27.2	14.3
2010	50,879	102,150	51,272	12.2	24.4	12.3
2011	63,636	103,856	40,219	13.7	22.3	8.7
2012	78,790	103,810	25,020	15.8	20.8	5.0
2013	86,638	107,044	20,406	16.2	20.0	3.8
2014	92,663	115,788	23,125	16.1	20.1	4.0
2015	102,670	142,831	40,161	16.8	23.3	6.6
2016	104,279	156,817	52,538	15.8	23.8	8.0

Source: BCRP and MEF.

5.4 Debt by Currencies

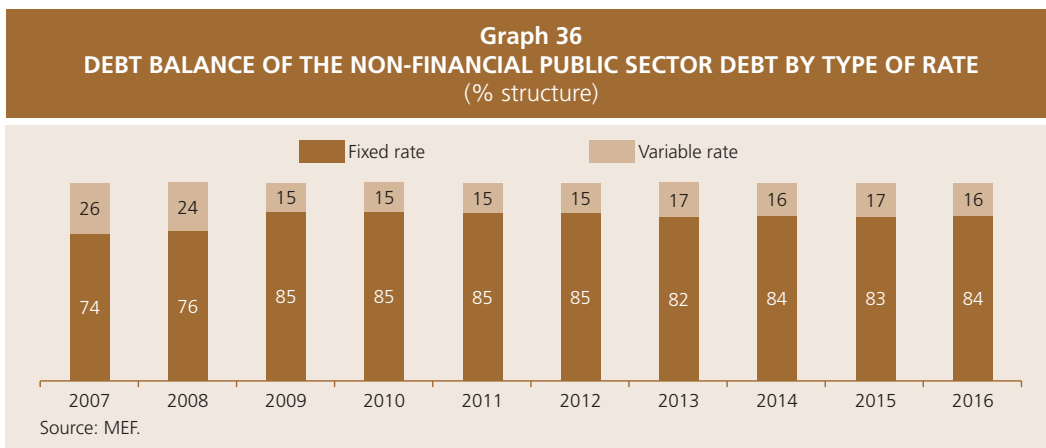
The ratio of the debt in nuevos soles to the total public debt has been increased over the past 10 years in order to reduce exposure to foreign exchange risks. Thus, between 2007 and 2016, the ratio of the debt in domestic currency has increased from 37 percent to 57 percent of the gross public debt.

⁷ 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).



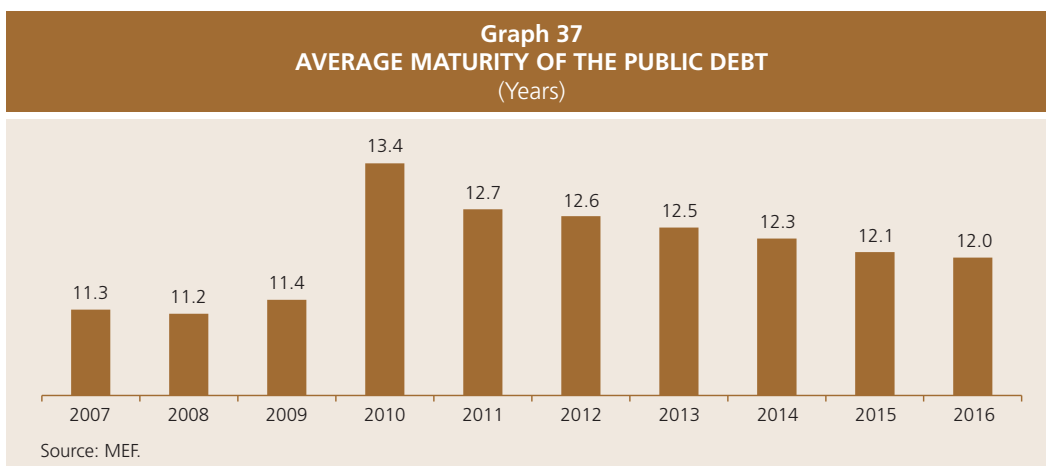
5.5 Debt by type of interest rates

The percentage of fixed-rate debt rose from 83 to 84 percent between 2015 and 2016. This trend is also observed in a longer-term perspective since the ratio of debt at a fixed rate has increased from 74 percent in 2007 to 84 percent in 2016.



5.6 Average life of the debt

The average life of the **domestic public debt** is slightly longer (12.5 years) than the average life of the **external public debt** (11.6 years). Between 2007 and 2016, this aggregate indicator increased from 11.3 to 12.0 years.



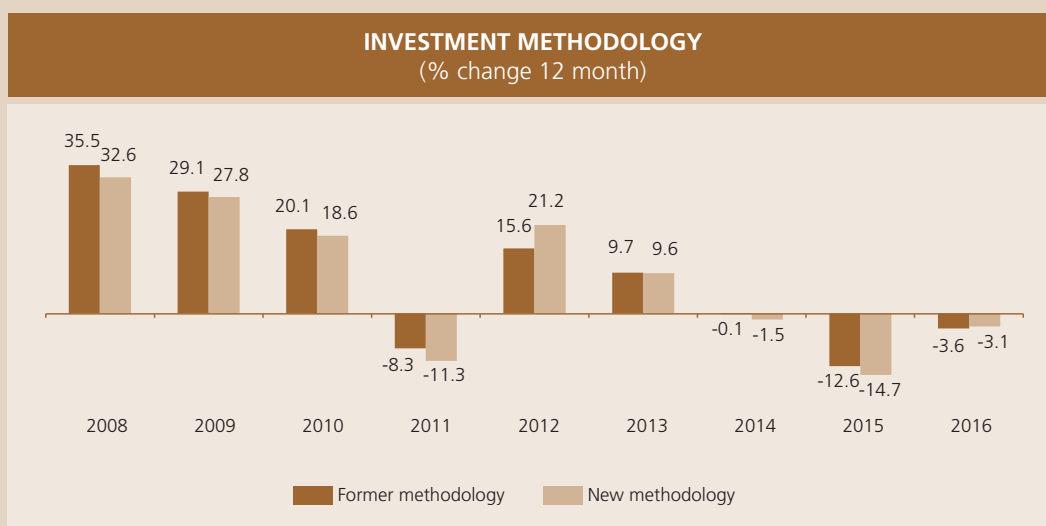


Box 3

METHODOLOGICAL CHANGES: FISCAL SECTOR

From now on, the accounts of the general government will include two methodological adjustments: the first one is that the accounts of Caja de Pensiones Militar-Policial (Pension fund of the Military and the Police) have been included in the accounts the general government as part of the accounts of social security agencies. As a result this, the economic balance shows an increase of S/ 380 million in 2016.

The second methodological adjustment is that accrued expenditure not corresponding to works carried out in the current period have been reclassified as other capital expenses. This expenditure category includes payments for works made in previous years under concession contracts, or payments for land expropriations and land clearances, or advances for certain works specified. For example, this includes the annual payments for the works carried out under concession contracts by IIRSA Sur and IIRSA Norte, regional airports, Line 1 of the Metro of Lima and Callao, the Olmos project, and the works carried out in some highways under co-financed concession schemes (the Buenos Aires-Canchaque road, the Chancay-Huaral-Acos road, and the new Mocupe-Cayalti-Oyotún road), among other payments.





Late Intermediate Period.

Gold ceremonial vessel, representing a face with slanted eyes and an aquiline nose. Approximately 500 years old. 15 x 6 x 7 cm.

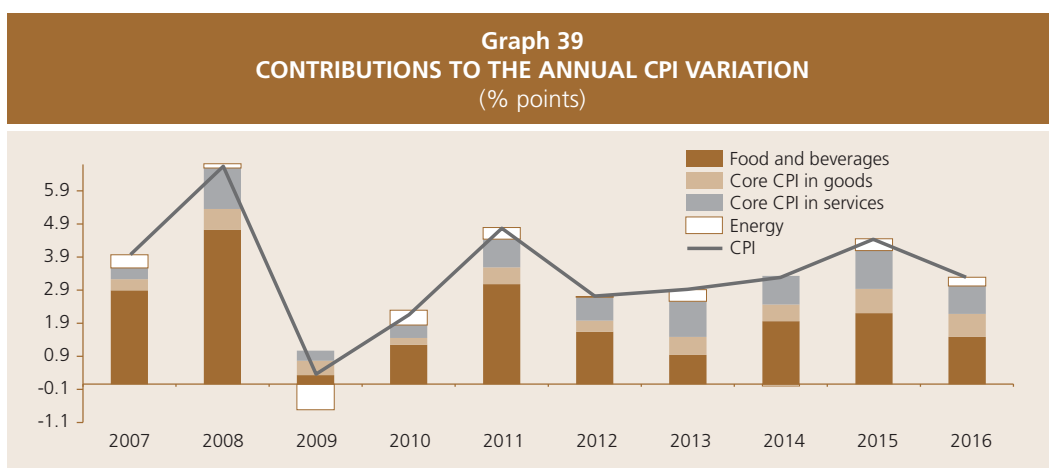
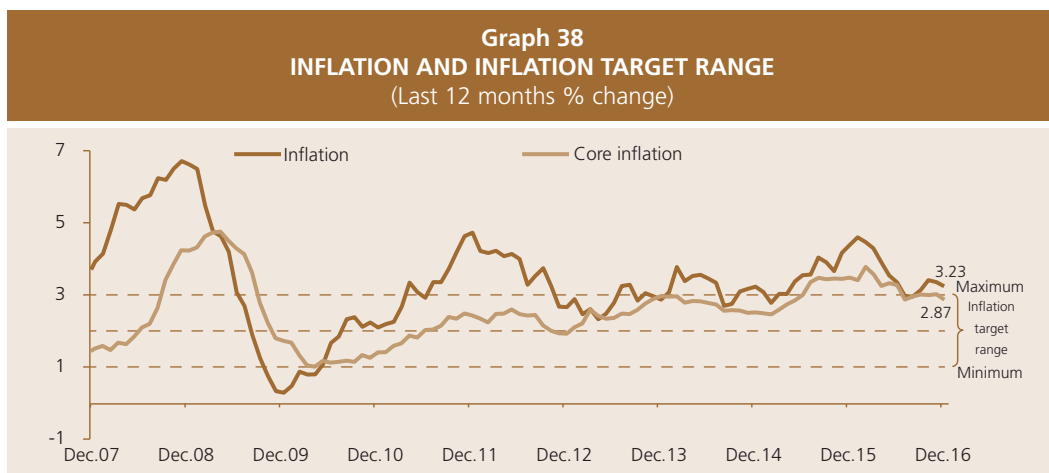


Inca. Alpaca clothing item with a design of eight-pointed stars and simplified and stylized versions of the Sun, the most important Divinity in the Tawantinsuyo, woven with the tapestry technique. Approximately 500 years old. 83 x 60 cm.

INFLATION IV

In 2016 the variation in the consumer price index (CPI) of Metropolitan Lima was 3.2 percent, a lower rate than the one recorded in 2015 (4.4 percent). The variation in the CPI at the national level was similar: 3.3 percent in 2016 vs. 4.1 percent in 2015.

Core inflation⁸ also slowed down, declining from 3.5 percent in 2015 to 2.9 percent, rate within the inflation target range.



By items, almost half of the rate of inflation in 2016 is explained by increases in the prices of services, such as meals outside the home and education, as well as by increases in electricity rates, personal care

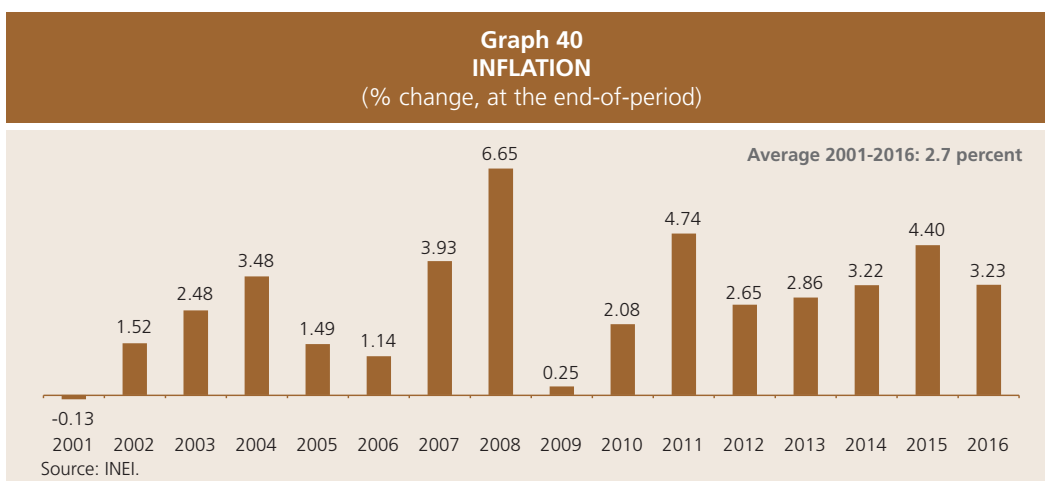
⁸ Excluding food and energy.



items, and urban fares. These five items account for 1.7 percentage points of the 3.2 percent inflation rate.

Table 53
ITEM WITH THE HIGHEST WEIGHTED CONTRIBUTION TO INFLATION

Positive	Weight	% chg.	Contribution	Negative	Weight	% chg.	Contribution
Meals outside the home	11.7	4.6	0.61	Fresh legumes	0.2	-18.5	-0.06
Education costs (tuition and fees)	8.8	5.1	0.48	Corn	0.1	-17.8	-0.03
Electricity rates	2.9	7.5	0.25	Olluco and alike	0.1	-26.9	-0.03
Toiletries	4.9	3.9	0.18	Papaya	0.2	-13.5	-0.03
Urban fare	8.5	1.9	0.16	Airplane fare	0.4	-4.7	-0.02
Evaporated milk	1.6	6.6	0.11	Gasoline and lubricants	1.3	-1.1	-0.01
Medicinal products	2.1	4.9	0.10	National transportation	0.3	-3.0	-0.01
Poultry meat	3.0	3.2	0.10	Celery	0.0	-14.8	-0.01
Cigarettes	0.1	45.4	0.08	Other cereals	0.4	-2.2	-0.01
Fresh and frozen fish	0.7	9.9	0.07	Mattress	0.1	-4.4	0.00
Total			2.14	Total			-0.21



Core inflation

The annual rate of core inflation dropped from 3.5 to 2.9 percent between December 2015 and December 2016. The decline was observed both in the prices of goods (down from 3.6 in 2015 to 3.4 percent in 2016) and in the prices of services (down from 3.4 to 2.5 percent) in this period, the evolution in the prices of education and health services being worth pointing out.

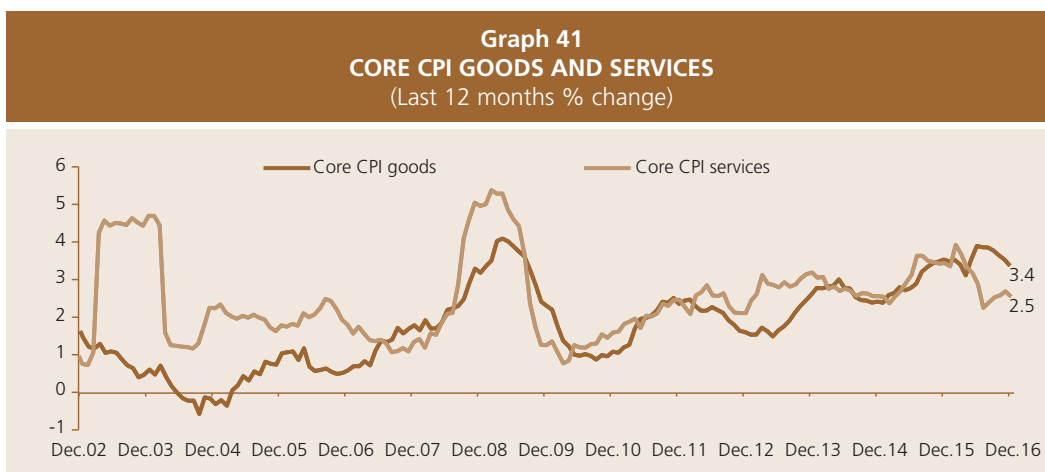


Table 54
INFLATION
(% change)

	Weight	2014	2015	2016	Average % chg.
					2002-2016 ^{1/}
CPI	100.0	3.22	4.40	3.23	2.93
1. Core CPI	56.4	2.51	3.49	2.87	2.17
a. Goods	21.7	2.43	3.57	3.41	1.84
Textiles and footwear	5.5	2.10	3.08	1.71	2.28
Domestic appliances	1.3	0.33	3.45	0.54	-0.53
Other industrial products	14.9	2.72	3.77	4.29	1.78
b. Services	34.8	2.55	3.44	2.54	2.43
<i>Of which:</i>					
Education	9.1	4.51	5.16	4.96	4.01
Rent	2.4	2.63	3.47	1.79	0.56
Health	1.1	4.43	5.53	5.00	3.05
Transportation	8.9	2.54	2.57	1.67	2.76
Telephone and water	5.4	-0.65	1.69	0.00	0.29
2. Food and energy	43.6	4.08	5.47	3.66	3.71
a. Food and beverages	37.8	4.83	5.37	3.54	3.70
<i>Of which:</i>					
Chicken meat	3.0	8.70	3.62	3.17	2.63
Bread	1.9	1.70	0.41	0.76	4.05
Rice	1.9	2.60	2.59	1.62	1.77
Sugar	0.5	1.39	19.04	10.03	3.36
Noodles	0.5	1.97	4.06	1.28	2.55
Oils	0.5	-1.03	-0.89	2.24	3.55
Potato	0.9	-4.03	62.87	1.75	6.93
Fresh and frozen fish	0.7	4.01	1.58	9.92	4.07
Meals outside the home	11.7	4.65	5.44	4.61	3.88
b. Fuels and electricity	5.7	-0.85	6.20	4.48	3.77
Fuels	2.8	-5.59	-6.33	0.61	3.30
Oil and lubricants	1.3	-12.50	-8.05	-1.13	2.46
Gas	1.4	1.21	-5.76	1.64	2.05
Electricity	2.9	4.37	18.71	7.53	3.38

1/ Regime Inflation Targeting since 2002.

Goods

The items that showed higher price increases in 2016 were **personal care items** (3.9 percent) and **medical products** (4.9 percent). Prices rises worth pointing out among the former included the rises in the prices of toothbrushes (6.2 percent), cosmetics (5.3 percent), toilet paper (4.7 percent), and toothpaste (4.1 percent), while prices worth pointing out among the latter included the prices of cough expectorants (9.7 percent), anti-inflammatory medicine (8.4 percent), and analgesics (6.9 percent).

The prices of **cigarettes** showed an increase of 45.4 percent, reflecting primarily the increase registered in the excise tax on cigarettes (D.S. 112-2016-EF, dated May 5, 2016) from S/ 0.07 to S/ 0.18 per cigarette (157 percent). The greater increases were observed in the months of May (23.0 percent) and June (12.3 percent).

Services

Education prices –tuition and education fees– increased 5.1 percent, the largest increases being recorded in February (1.4 percent) and March (3.1 percent) as a result of increases in tuition and fees in private schools and private universities as well as in tuition in public schools. Moreover, increases were also recorded thereafter in tuitions in universities and higher education institutes, a further increase (0.2 percent) being observed in the month of August in tuitions in private and State universities.

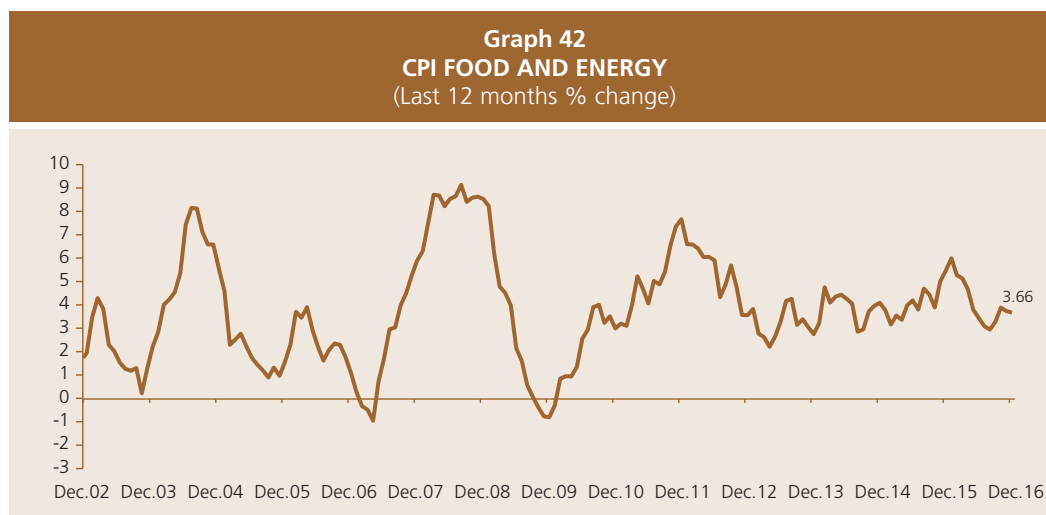
Rises in **urban fares** declined from 2.6 percent in 2015 to 1.9 percent in 2016, while the rate of national transport decreased by 3.0 percent (after increasing 2.9 percent in 2015).

Food and Energy Inflation

Inflation in food and energy items, which includes short-term variations associated with supply factors, also showed a downward trend declining from 5.5 percent in 2015 to 3.7 percent in 2016.



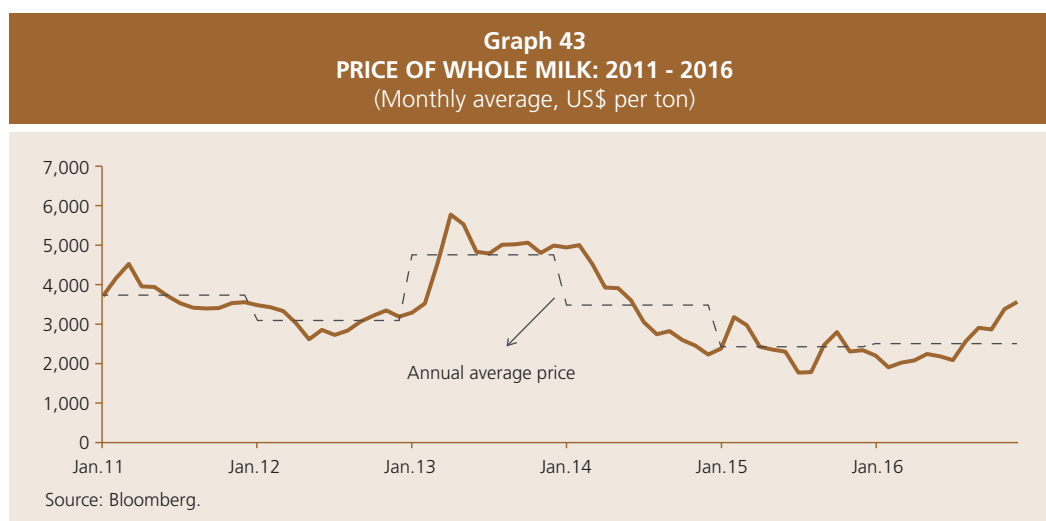
This trend was influenced mainly by lower variation in the prices of foodstuffs (down from 5.4 percent in 2015 to 3.5 percent in 2016) due to the reversal of price rises in the last months of 2015 as a result of weather anomalies. In addition to this, the increase in electricity rates fell from 18.7 percent in 2015 to 7.5 percent in 2016.



Foodstuffs

In 2016 three foodstuffs were among the items that registered the greater weighed contribution to inflation: evaporated milk, chicken, and fish.

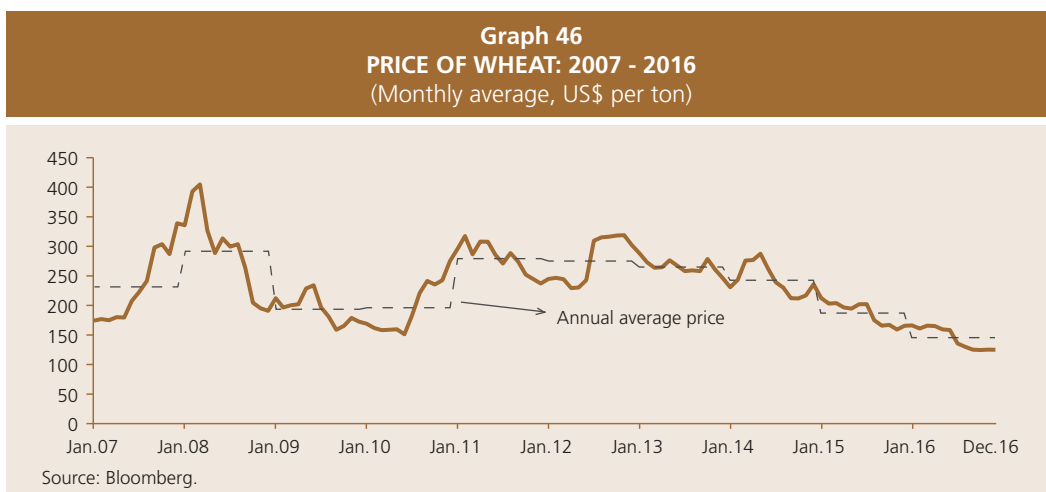
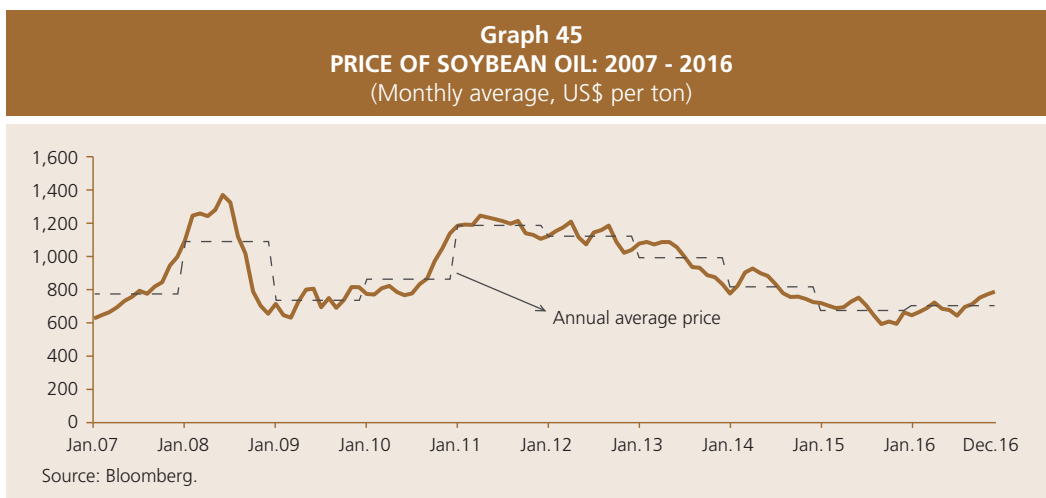
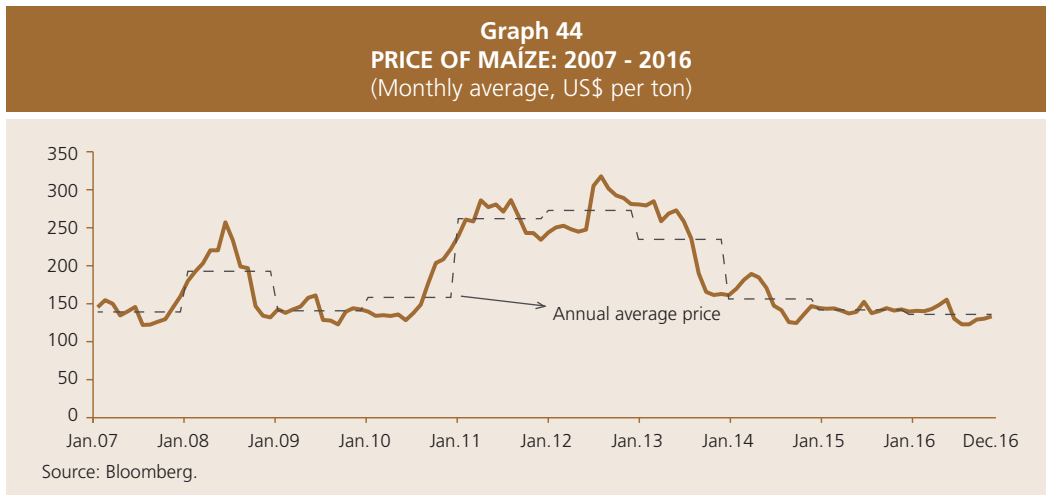
Reversing the trend of growing at lower rates than total inflation observed in the past three years, the price of **evaporated milk** increased by an average of 6.6 percent in 2016. This resulted in an increase of the industry's operating margins in a context of rising international prices of dairy inputs in the second half of the year. It should be pointed out, however, that imported dairy inputs are subject to the price band system and that the specific import duty has a limit of 20 percent of the CIF value of imports since May 2015.



The price of **poultry meat** increased 3.2 percent, a slightly lower rate than that recorded in 2015 (3.6 percent). As in previous years, the price was subject to fluctuations associated with the availability of substitute goods and with supply-related problems. The price hikes observed during the year were associated with rises in the prices of highly consumed fish species, such as bonito, mackerel, and parrot

fish. Additionally, the effect of the higher summer temperatures on poultry feed resulted in the lower weight of live chicken in farms and reduced the supply.

On the side of production costs, there was a lower contribution of the price of hard yellow maize, the staple food of poultry (the price fell from US\$ 142.4 dollars per ton in December 2015 to US\$ 131.5 in December 2016). Moreover, the price of imports of hard yellow maize in soles fell from S/ 924.2 per ton in December 2015 to S/ 906.1 in December 2016.





The price of **fish** showed a cumulative change of 9.9 percent, reflecting problems in the supply of some species included in the consumption basket as a result of sea temperature anomalies and anomalous waves that affected fishing during a great part of the year.

Alterations in the marine ecosystem associated with El Niño event caused an irregular supply of fish early in the year and led to price increases. Some species moved away due to the cooling of the sea in the following months, which gave rise to new price increases from June to August, but the prices of species such as bonito fell as from September as a result of the improvement of conditions in their habitat (mild sea warming and increased salinity in the central area off the Coast).

Energy

Electricity rates rose 7.5 percent (vs. 18.7 percent in 2015), in accordance with the adjustments approved by Osinermin, the regulating entity, which incorporated exchange rate variations and higher costs for the onset of operations in new power plants.

The latter included the increase for the transmission component associated with the commissioning of the thermal power plant of Puerto Bravo (Arequipa); the increase for the generation component associated with the commissioning of the hydroelectric plant of Cerro del Águila (Huancavelica), and the higher costs for starting the commercial operation of thermal power plant 2 in Ilo. The rates increased also in November due to the update of generation prices based on the quarterly settlement carried out by Osinermin to compensate for differences in the contracts established with energy generation companies and energy distribution companies.

Table 55
DETERMINANTS OF ELECTRIC TARIFF CHANGE

Item	2016
Infraestructure	3.7
- <i>Transmission line</i>	-0.5
- <i>RER*</i>	-0.4
- <i>Cold reserve</i>	0.2
- <i>Gasoducto Sur Peruano</i>	1.8
- <i>South energy node (TL Puerto Bravo)</i>	1.4
- <i>South energy node (TL Ilo)</i>	1.2
Exchange rate	0.3
IPM	0.2
Others**	3.3
TOTAL	7.5

* RER: Renewable energy resources.
 ** ** Includes other unit charges in the main and secondary transmission system; The unitary charges by the FISE (mechanism of social inclusion of the State destined to expand the energy frontier in the vulnerable segments of the population); Generation and distribution charges in medium and low voltage, etc.

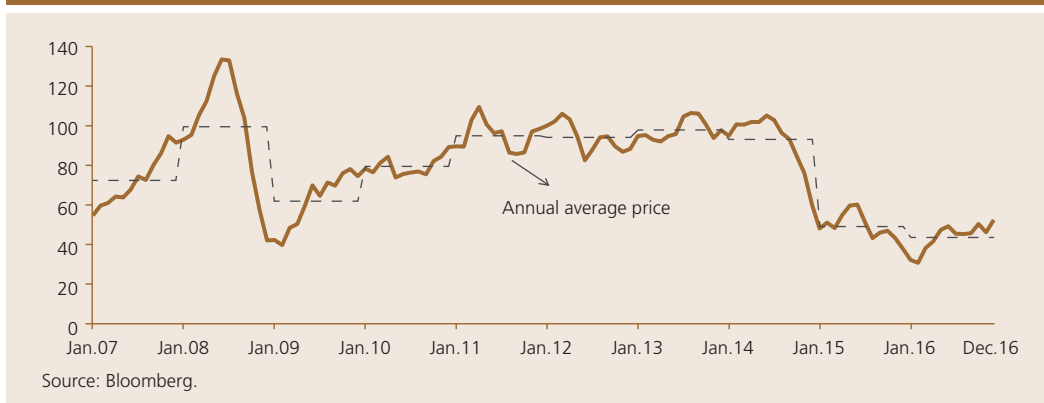
The price of **gasoline** fell 1.1 percent in 2016 –a rate of 8.1 percent was recorded in 2015–, which reflected the evolution of ex plant prices established by local refineries and the benchmark prices set by Osinermin based on the international price of WTI oil and the evolution of fuel prices in the U.S. market.

Table 56
FUEL PRICES
(Annual % change)

	2014	2015	2016	Average 2007-2016
Fuels	-5.6	-6.3	0.6	0.4
Gasoline	-12.5	-8.1	-1.1	-0.6
Gas	1.2	-5.8	1.6	1.3
Price of WTI oil, end of period ^{1/}				
US Dollars	59.8	37.2	51.9	
Soles	177.1	126.0	176.4	

^{1/} West Texas Intermediate.
Source: INEI and Bloomberg.

Graph 47
PRICE OF WTI OIL: 2007 - 2016
(Monthly average, US\$ per barrel)

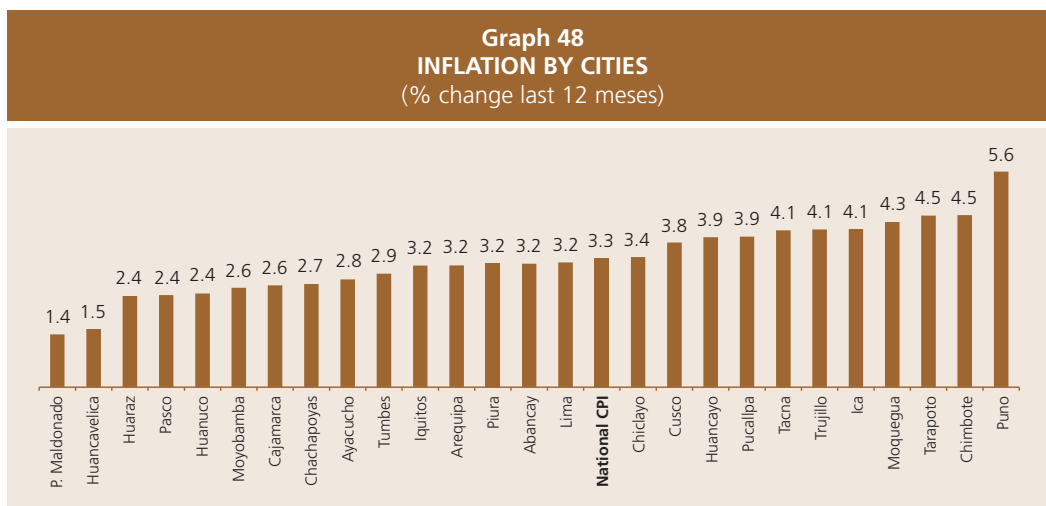


Domestic Inflation

In 2016 the rate of domestic inflation –which is calculated as the average inflation rate of 26 major cities in the country– was 3.34 percent, less than the rate recorded in the previous year (4.13 percent). While 11 cities showed higher rates than Lima, 14 cities showed lower inflation rates than Lima.

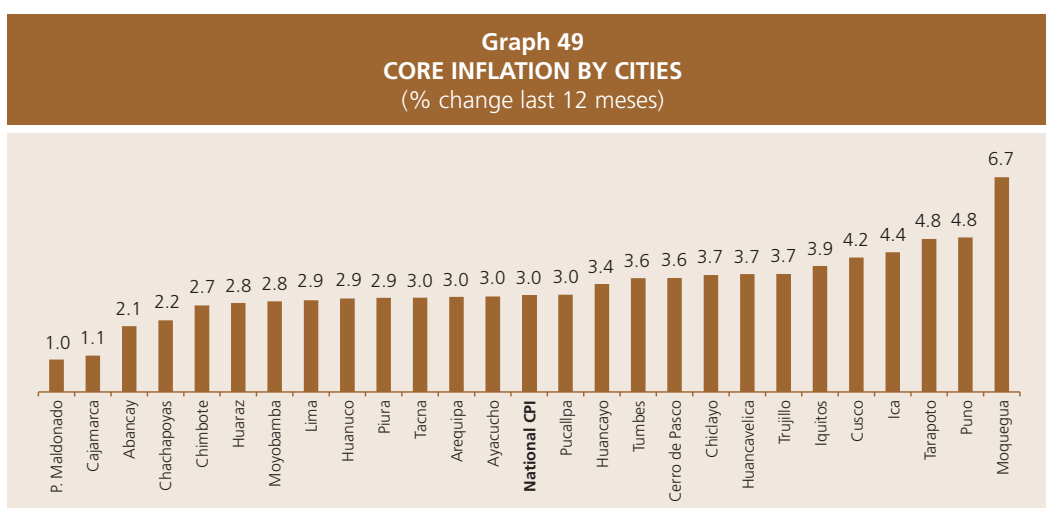
The cities with the higher inflation rates in the past 12 months were Puno, Chimbote, and Tarapoto. Puno registered rises in the prices of potatoes (66.2 percent), soft drinks (30.7 percent), and meals outside the home (5 percent), while Chimbote recorded price increases in meals outside the home (5.9 percent), potatoes (25.6 percent), and fish (40.4 percent), and Tarapoto showed rises in the prices of meals outside home (5.7 percent), education (tuition and fees: 8.3 percent), and personal care items (6.9 percent).

On the other hand, the cities with lower inflation rates were Puerto Maldonado and Huancavelica, which recorded rates of 1.37 and 1.50 percent, respectively. In Puerto Maldonado, the low inflation rate is explained by decreases in urban fares (8.9 percent) and in gasoline and lubricants (9.3 percent), while in Huancavelica this is explained by falls in the prices of potatoes (22.1 percent) and fresh legumes (22.3 percent).



As regards variations in the CPI excluding food and energy, 18 cities recorded higher inflation rates than Lima, while 7 cities recorded lower inflation rates. In Moquegua, the city with the higher rate of inflation without food and energy (6.72 percent), this is explained by rises in urban fares (23.3 percent) and education costs (8.9 percent), while increases in education costs (7.4 per cent) and in the prices of personal care items (5.9 percent) account for this in Puno (where inflation without food and energy reached 4.83 percent). Finally, education (8.3 percent) and personal care items (6.9 percent) explained the increase of inflation without food and energy in Tarapoto.

Conversely, Puerto Maldonado and Cajamarca recorded the lowest rates of inflation without food and energy (1.02 and 1.14 percent, respectively), the lower prices of urban fares (8.9 percent) and vehicles (5.3 per cent) explaining these low inflation rates in Puerto Maldonado while the lower prices of domestic transportation (13.8 percent) and urban fares (0.7 percent) accounted for this in Cajamarca.





Mochica. Gold ornament representing a character that is on a totora watercraft holding an oar with the shape of a two-headed snake. Approximately 1500 years old. 7 x 7.5 x 0.1 cm.

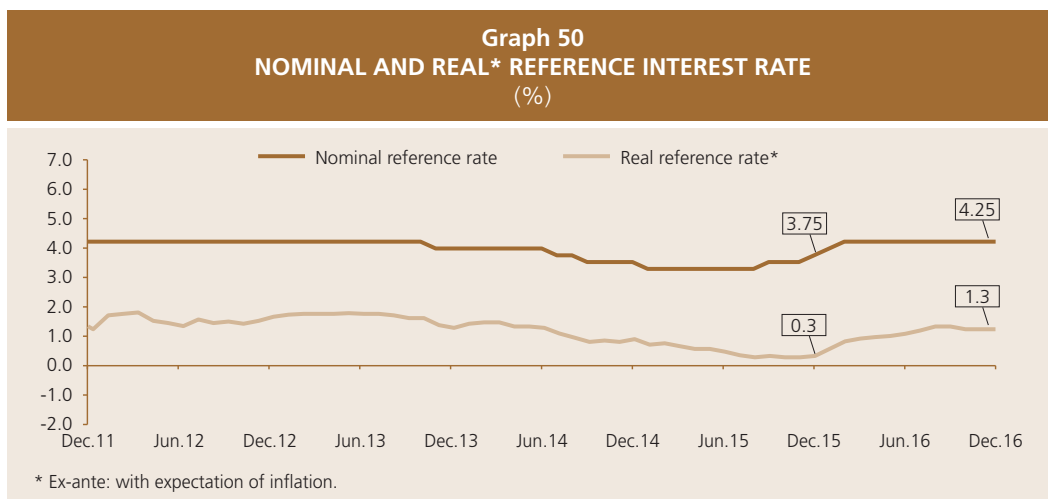


Chimú. Ear ornament in gilded copper depicting a Chimú deity who has a crescent moon crown and some cornucob in his hands. The edge is decorated with waves and seabirds. Approximately 1000 years old. 9 cm. diameter x 5 cm.

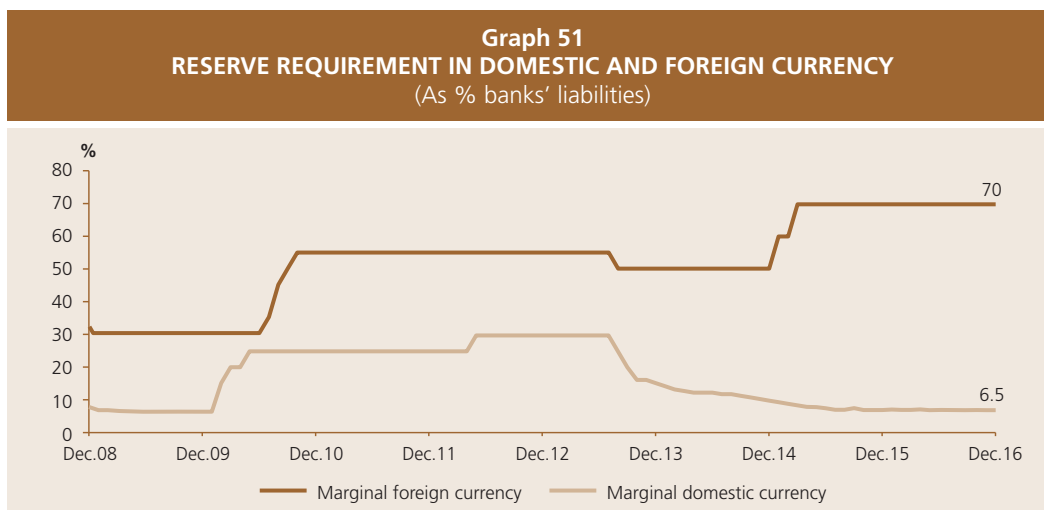
LIQUIDITY AND CREDIT

1. Monetary Policy

In 2016, BCRP adopted a more moderate expansionary monetary policy stance to maintain inflation expectations within the target range, raising the benchmark interest rate from 3.75 percent in December 2015 to 4.25 percent in February 2016. As a result of these actions, inflation, which had been affected by supply shocks during 2015 and in early 2016, was reduced from 4.4 percent at end 2015 to 3.2 percent at end 2016, while inflation expectations decreased from 3.3 percent to 2.9 percent in the same period.



In December 2016, BCRP also announced the lowering of the rate of reserve requirements in domestic currency from 6.5 to 6.0 percent, the rate of marginal reserve requirements in dollars from 70 to 48 percent, and the limit to the mean rate of reserve requirements in dollars from 65 to 48 percent in order to moderate the effects of expected hikes in international interest rates on domestic credit conditions. These measures, effective since January 2017, were adopted in a context of slowdown of credit to the private sector associated with the lower dynamism of domestic demand.



2. Interest Rates

Interest rates in domestic currency increased by 55 basis points in average, in line with the increase of 50 basis points in the BCRP benchmark rate during the year. The interbank interest rate remained close to the benchmark level during 2016.

Bank interest rates increased by 65 basis points on average, the higher rates for the segment of micro-businesses standing out. On the other hand, the interest rate for the mortgage segment declined by 50 basis points on average between 2015 and 2016, reflecting increased banking competition in this segment in response to a faster pace of repayment of mortgage loans after the Congress enacted Law 30425 which allows workers to withdraw up to 25 percent of their pension funds to repay mortgage loans or to buy a first property. Moreover, the deposit interest rates increased in all of the deposit terms (31 basis points on average).

Table 57
INTEREST RATES ON OPERATIONS IN SOLES: DECEMBER
(%)

	2014	2015	2016
1. Interbank rate	3.8	3.8	4.4
2. Deposits up to 30 days	3.1	4.0	4.3
3. 31-day to 360-day term deposits	2.6	4.7	4.9
4. More than 360-day term deposits	4.4	4.9	5.3
5. Large companies loans	6.8	7.1	7.1
6. Medium-sized enterprises loans	9.5	10.2	10.4
7. Small businesses loans	20.6	20.5	21.7
8. Microbusinesses loans	33.0	34.9	37.2
9. Mortgage loans	9.0	9.0	8.5
10. Corporate prime rate	4.7	4.9	5.2
11. FTAMN ^{1/}	20.6	20.2	21.2

^{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.

Interest rates in dollars showed mixed behaviors. In the money market, the interbank rate and the 90-day corporate prime rate increased by 40 and 12 basis points, respectively, in line with the evolution

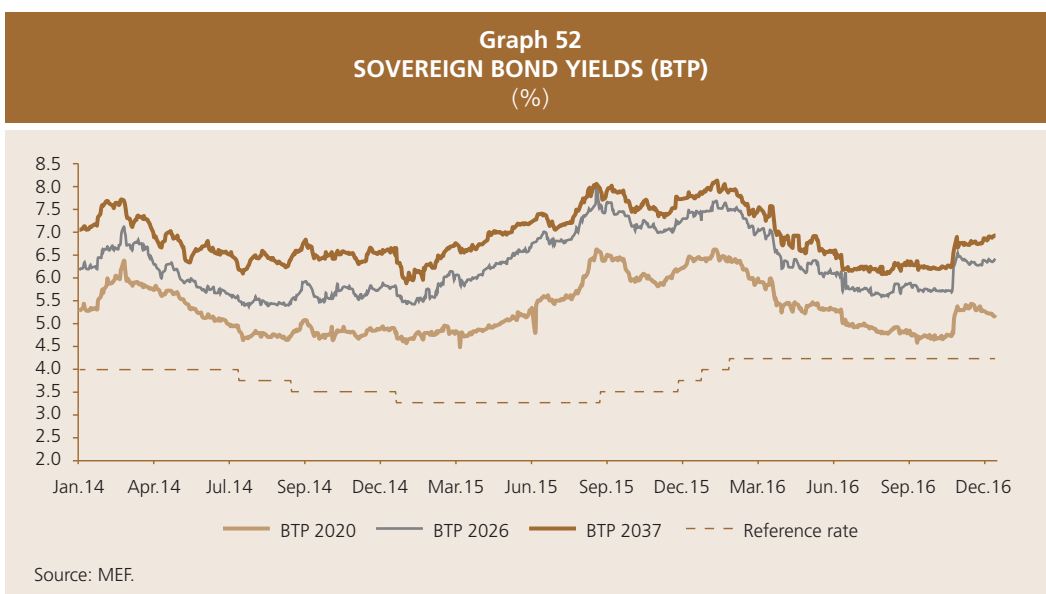
of international interest rates. However, due to banks' ample levels of liquidity in foreign currency, the hikes in the international interest rates at the end of the year did not reflect in the rest of interest rates. Thus, the rates for the credit segment decreased by 184 basis points on average, while the deposit rates increased by 6 points in the case of less-than-360-days deposits whereas the deposit rates for longer terms decreased by 25 basis points.

Table 58
INTEREST RATES ON OPERATIONS IN US DOLLARS
(%)

	2014	2015	2016
1. 3-month libor rate	0.2	0.5	1.0
2. Interbank rate	0.2	0.2	0.6
3. Deposits up to 30 days	0.2	0.2	0.3
4. 31-day to 360-day term deposits	0.5	0.5	0.6
5. More than 360-day term deposits	1.1	1.3	1.1
6. Large companies loans	5.1	5.5	5.0
7. Medium-sized enterprises loans	8.3	8.1	6.9
8. Small businesses loans	12.3	11.3	10.7
9. Microbusinesses loans	16.9	23.4	15.4
10. Mortgage loans	7.6	6.7	6.1
11. Corporate prime rate	0.7	1.1	1.2
12. FTAMEX ^{1/}	7.3	7.0	7.8

^{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.

After showing an upward trend in 2015, the interest rates on long-term bonds in soles reversed as a result of a lower risk aversion to invest in the emerging economies. This reversal was associated with market expectations of a more gradual withdrawal of monetary stimulus by the FED, which generated greater capital inflows, especially capital flows towards fixed-income markets. However, during the year, this declining trend in long term interest rates was temporarily affected by developments, such as the results of the Brexit referendum in June and the presidential elections in the United States in November.



3. Exchange Rate

In 2016, the sol appreciated 1.7 percent in nominal terms against the dollar (the dollar-PEN exchange rate moved from S/ 3.41 to S/ 3.36 per dollar) in a context marked by the recovery of the prices of raw materials, a surplus in the trade balance after two years of deficit, and a favorable evolution of the Peruvian economy noteworthy in the region. In the international context, lower uncertainty regarding global economic growth, especially regarding growth in China and calm in the financial markets after the brexit referendum, favored the decline of risk aversion.

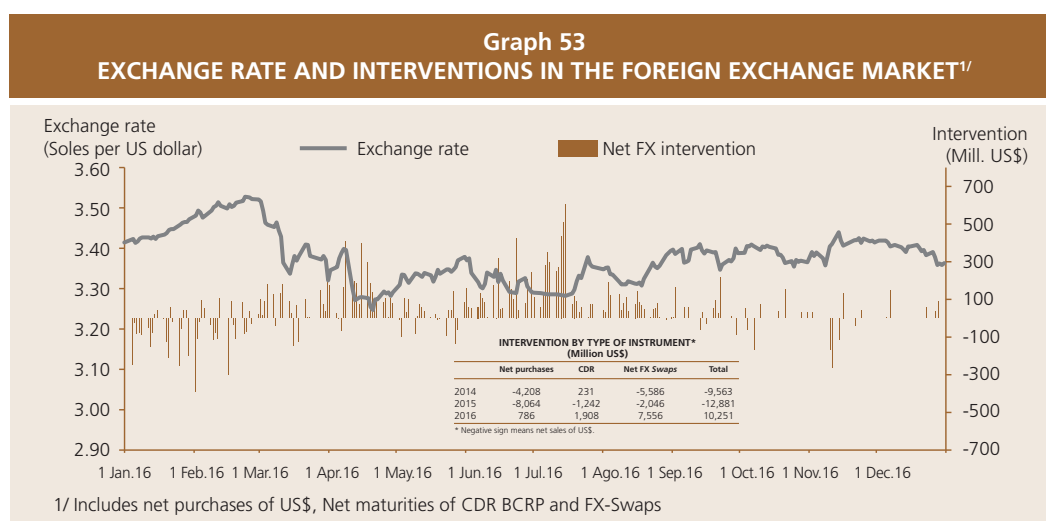
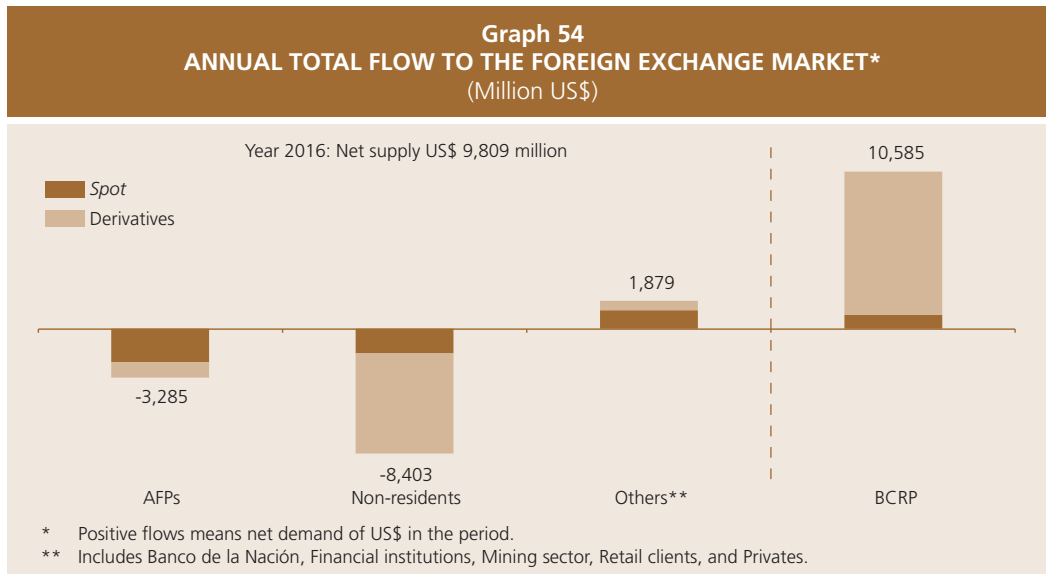


Table 59
EXCHANGE RATE AND PRICE OF COMMODITIES

		Dec. 13	Dec. 14	Dec. 15	Dec. 16	% change Dec.16:		
						Dec. 15	Dec. 14	Dec. 13
FED Index	C.U. per US\$	101.877	111.293	122.98	128.21	4.3	15.2	25.8
Eurozone	US\$ per Euro	1.374	1.210	1.086	1.052	-3.1	-13.0	-23.5
Japan	Yen	105.31	119.68	120.06	117.00	-2.5	-2.2	11.1
Brazil	Real	2.362	2.647	3.961	3.255	-17.8	23.0	37.8
Chile	Peso	525	607	709	671	-5.4	10.5	27.6
Colombia	Peso	1,923	2,377	3,175	3,001	-5.5	26.3	56.0
Mexico	Peso	13.05	14.76	17.20	20.73	20.5	40.4	58.9
Peru	Sol	2.800	2.980	3.414	3.357	-1.7	12.7	19.9
Copper	US\$/pound	339.65	282.55	213.5	250.6	17.4	-11.3	-26.2
Gold	USD/Troy ounce	1,201.64	1,184.37	1,061	1,148	8.1	-3.1	-4.5
Oil	US\$/barrel	81.31	66.02	45.3	55.4	22.3	-16.0	-31.8

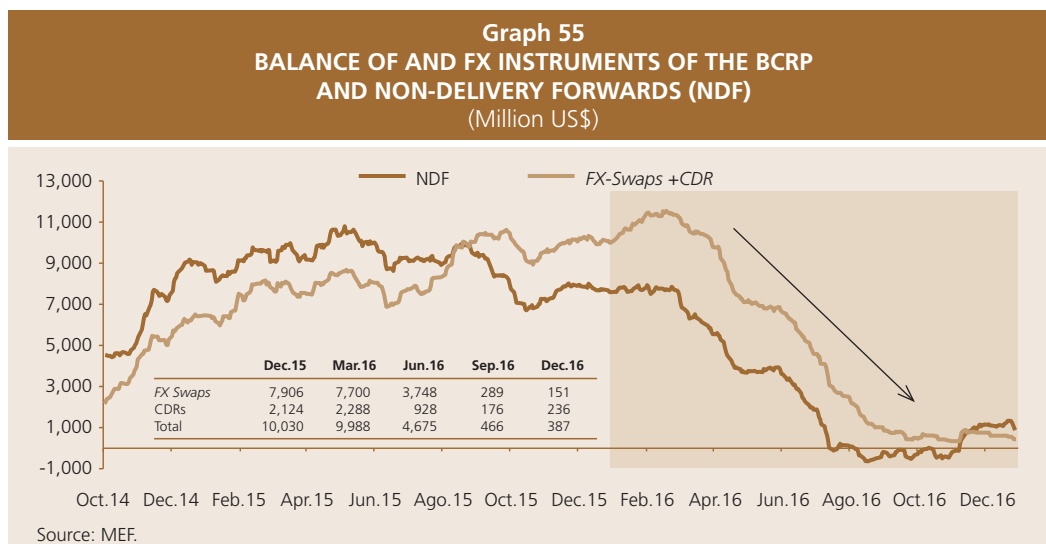
Source: Bloomberg.

A net supply of dollars of US\$ 9.81 billion that came mainly from non-resident investors and from the AFPs was observed in the foreign exchange market. Non-residents offered dollars mainly through derivatives (US\$ 6.75 billion of a total of US\$ 8.40 billion), while the supply of dollars of the AFPs came mainly through their sales of dollars in the spot market (US\$ 2.26 billion of a total of US\$ 3.29 billion). AFPs' increased need for liquid assets in domestic currency was influenced by the approval of Law 30425 which allowed workers to withdraw funds from their pension funds (25 percent of their funds if the funds would be used to purchase a first property or to prepay a first mortgage payment, and 95 percent of their funds in the case of workers after they turned 65 years-old).



The intervention of BCRP in the foreign exchange market continued to be aimed at reducing the exchange rate volatility. After selling dollars in the previous two years, BCRP recorded net purchases of US\$ 786 million in 2016. In addition to this, BCRP registered net maturities of Foreign Exchange Swaps (Forex Swaps) amounting to US\$ 7.56 billion and *Certificados de Depósitos Reajustables* (CDRBCRP) amounting to US\$ 1.91 billion.

As for the demand for dollars in the derivatives market, a clear downward trend was observed amid the context of appreciation of the sol, which was also supported by the reserve requirements measure established by the Central Bank on banks' forward positions in 2015. As a result of this, the overall balance of Forex Swaps and CDR-BCRP dropped from US\$ 10.03 billion at end-2015 to US\$ 387 million at end-2016.



4. Monetary and Credit Aggregates

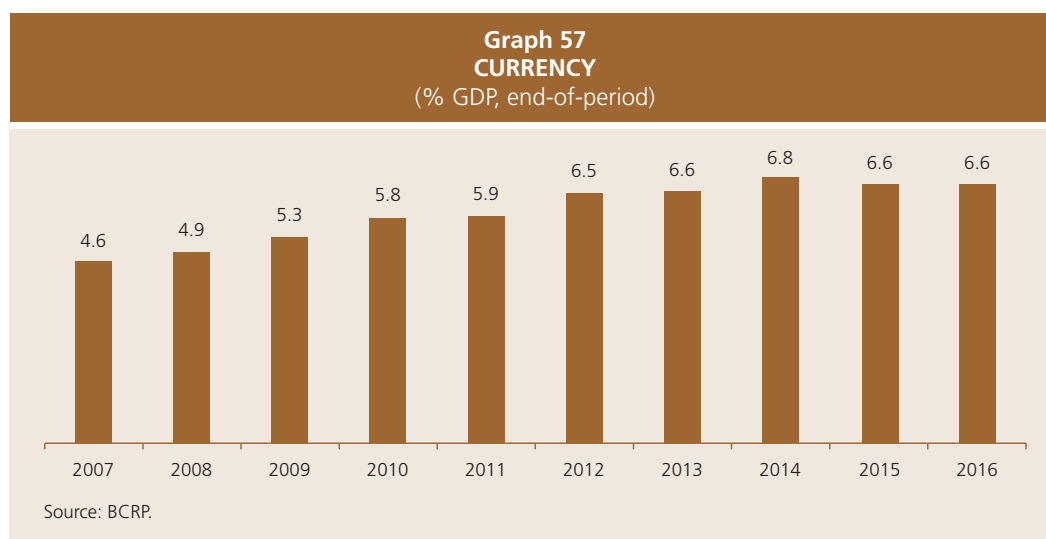
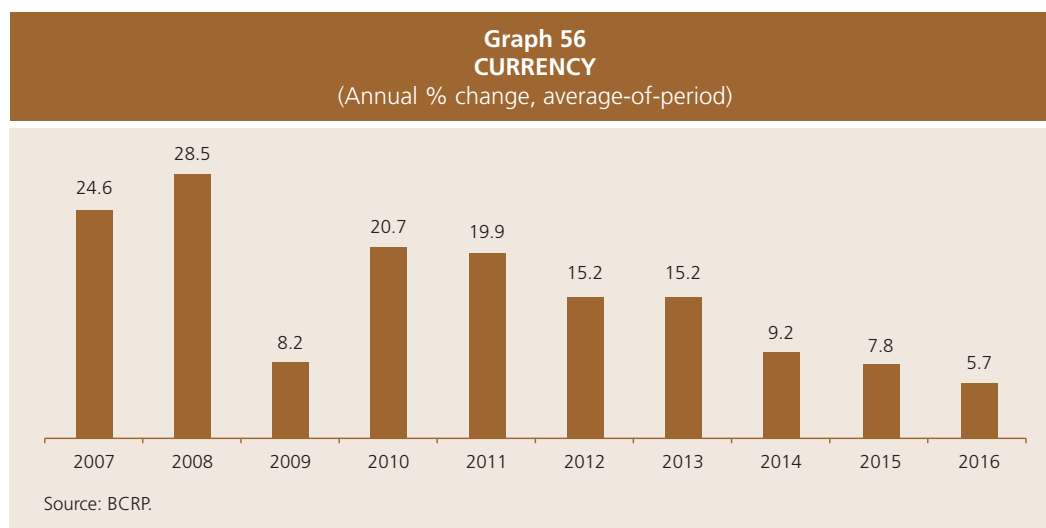
The annual growth rates of liquidity and credit slowed down in 2016. Total liquidity grew 5.0 percent (vs. 6.5 percent in 2015), with liquidity in local currency growing at an annual rate of 9.0 percent while the rate of liquidity in foreign currency decreased by 1.8 percent. Thus, the dollarization ratio of liquidity fell from 37.4 percent in December 2015 to 34.6 percent in December 2016.



Total credit to the private sector grew 5.6 percent (8.0 percent in 2016). Credit in domestic currency grew 7.2 percent while credit in foreign currency grew 2.1 percent. The ratio of dollarization of credit decreased from 30.5 percent in December 2015 to 29.2 percent in December 2016.

4.1 Currency in Circulation

In 2016, the daily average balance of currency was S/. 39.52 billion, which represents a growth rate of 5.7 percent compared to the previous year. In GDP terms, the growth of currency remained constant relative to 2015.



The balance of currency in circulation at December 2016 was S/ 43.30 billion, a figure higher by S/ 2.65 billion (6.5 percent) than in December 2015. The operations of BCRP, which were aimed at meeting the public's demand for liquidity and at ensuring the flow of transactions in the money market, were consistent with the actions taken to sterilize the higher net purchases of dollars of BCRP compared with the previous year.

4.2 Liquidity

Liquidity grew at a rate of 5 percent in 2016 –less than in the previous year–, which reflected the slowdown in the pace of growth of term deposits (whose growth rate dropped from 9.4 percent in

2015 to 1.6 percent in 2016) and demand deposits (3.6 percent in 2016 vs. 5.0 percent in 2015). This slower pace of growth in deposits was in part offset by the faster pace of growth registered by currency in circulation, which went from 3.8 percent in 2015 to 6.5 percent in 2016, in line with the higher rate of economic activity reached in 2016.

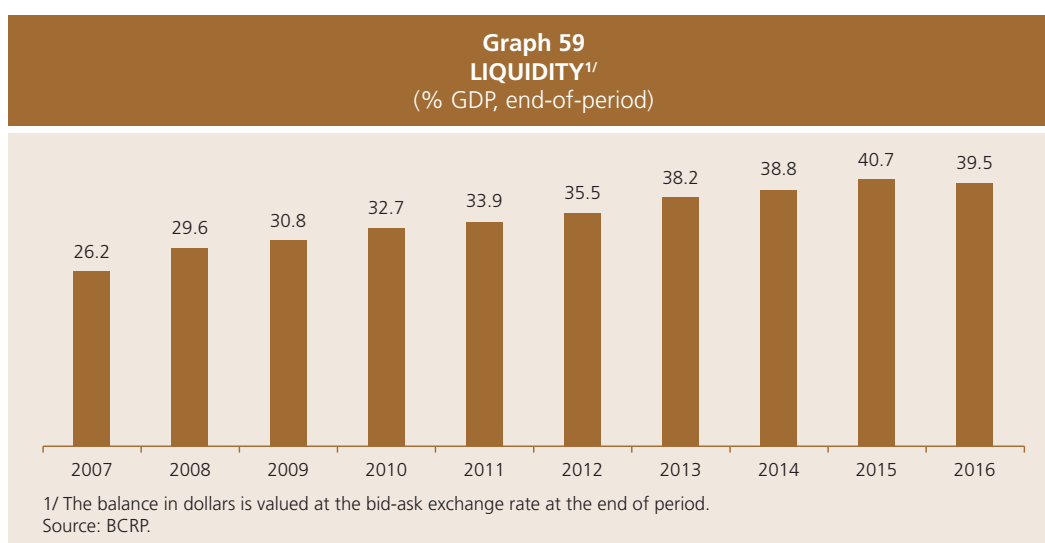
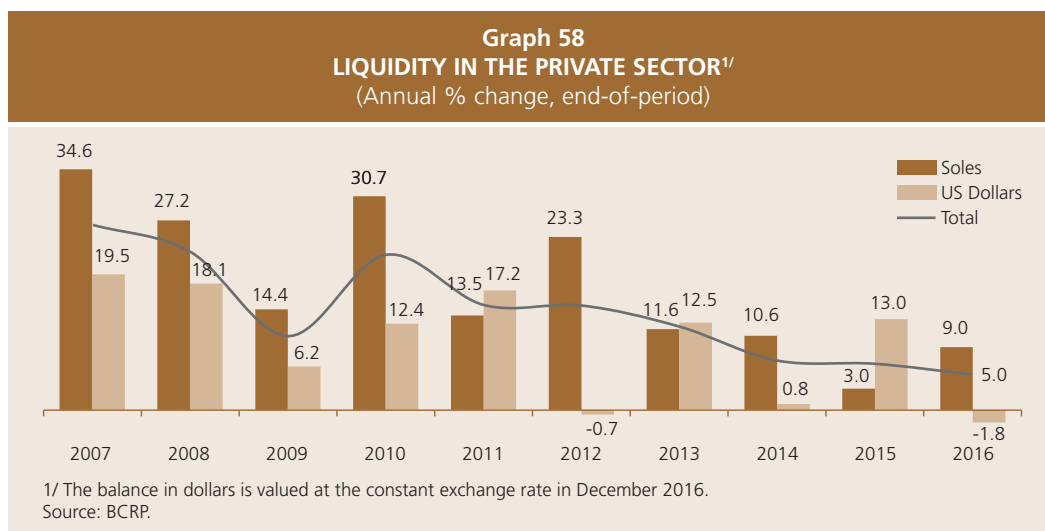


Table 60
MAIN MONETARY AGGREGATES

	Balance in million soles			Growth rates (%)	
	2014	2015	2016	2015	2016
Currency	39,173	40,643	43,295	3.8	6.5
Money	68,382	71,324	73,805	4.3	3.5
Deposits^{1/}	189,369	202,999	212,247	7.2	4.6
In soles	108,491	111,323	122,284	2.6	9.8
In dollars (Million US\$)	24,071	27,285	26,775	13.4	-1.9
Liquidity^{1/}	232,821	248,034	260,386	6.5	5.0
In soles	151,549	156,170	170,211	3.0	9.0
In dollars (Million US\$)	24,188	27,340	26,838	13.0	-1.8

1/ The balance in dollars is valued at the constant exchange rate in December 2016.
Source: BCRP



The deposits of individuals (natural persons) grew 5.8 percent, while the deposits of legal persons grew 2.1 percent. In contrast with 2015, deposits in dollars decreased, while deposits in soles, on the other hand, showed greater growth.

Table 61 DEPOSITS BY TYPE OF DEPOSITOR					
	Balance in million soles			Growth rates (%)	
	2014	2015	2016	2015	2016
Individuals^{1/}	120,774	133,125	140,912	10.2	5.8
In soles	76,714	79,988	89,700	4.3	12.1
In dollars (Million US\$)	13,107	15,814	15,242	20.7	-3.6
Legal entities^{1/}	68,595	69,875	71,335	1.8	2.1
In soles	31,777	31,334	32,584	-1.4	4.0
In dollars (Million US\$)	10,957	11,470	11,533	4.6	0.5
Total^{1/}	189,369	202,999	212,247	7.2	4.6
In soles	108,491	111,323	122,284	2.6	9.8
In dollars (Million US\$)	24,071	27,285	26,775	13.4	-1.9

^{1/} The balance in dollars is valued at the constant exchange rate in December 2016.
Source: BCRP.

Liquidity in domestic currency grew 9.0 percent in 2016. Except for demand deposits, which registered a decrease in the year, all of the other components of liquidity in domestic currency showed a faster pace of growth. Savings deposits grew 10.7 percent while term deposits grew 16.4 percent.

Table 62 LIQUIDITY IN DOMESTIC CURRENCY IN THE PRIVATE SECTOR					
	Balance in million soles			Growth rates (%)	
	2014	2015	2016	2015	2016
Currency	39,173	40,643	43,295	3.8	6.5
Deposits	108,491	111,323	122,284	2.6	9.8
Demand deposits	29,209	30,681	30,509	5.0	-0.6
Savings deposits	35,591	36,751	40,696	3.3	10.7
Term Deposits	43,691	43,890	51,078	0.5	16.4
Securities and other	3,885	4,204	4,632	8.2	10.2
TOTAL	151,549	156,170	170,211	3.0	9.0

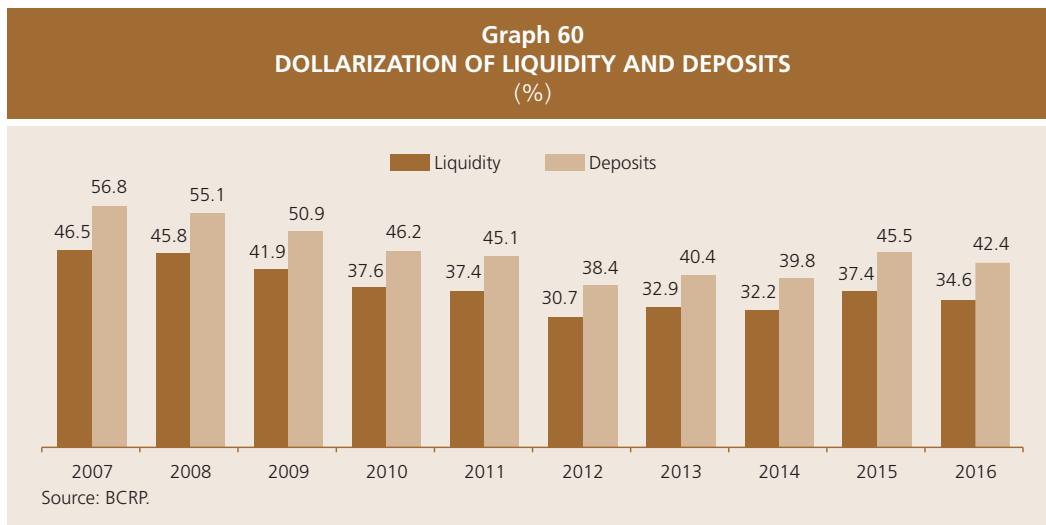
Source: BCRP.

Liquidity in foreign currency dropped 1.8 percent, this drop being explained by the 17.2 percent decline of term deposits during the year. On the other hand, demand deposits and savings deposits recorded growth rates of 7.8 and 7.0 percent, respectively.

Table 63 LIQUIDITY IN FOREIGN CURRENCY IN THE PRIVATE SECTOR					
	Balance in million soles			Growth rates (%)	
	2014	2015	2016	2015	2016
Deposits	24,071	27,285	26,775	13.4	-1.9
Demand deposits	8,763	9,205	9,922	5.0	7.8
Savings deposits	6,974	7,802	8,344	11.9	7.0
Term Deposits	8,333	10,278	8,509	23.3	-17.2
Securities and other	117	56	63	-52.5	12.8
TOTAL	24,188	27,340	26,838	13.0	-1.8

Source: BCRP.

The dollarization ratio of liquidity fell by 2.8 percentage points over the year. Moreover, the dollarization ratio of deposits fell from 45.5 percent in December 2015 to 42.4 percent in December 2016.

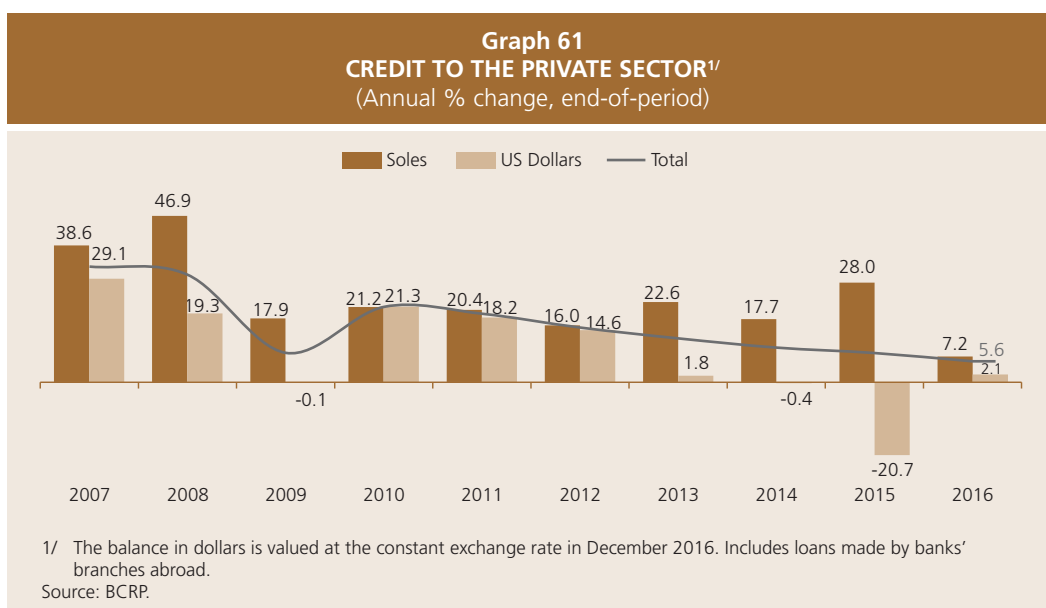


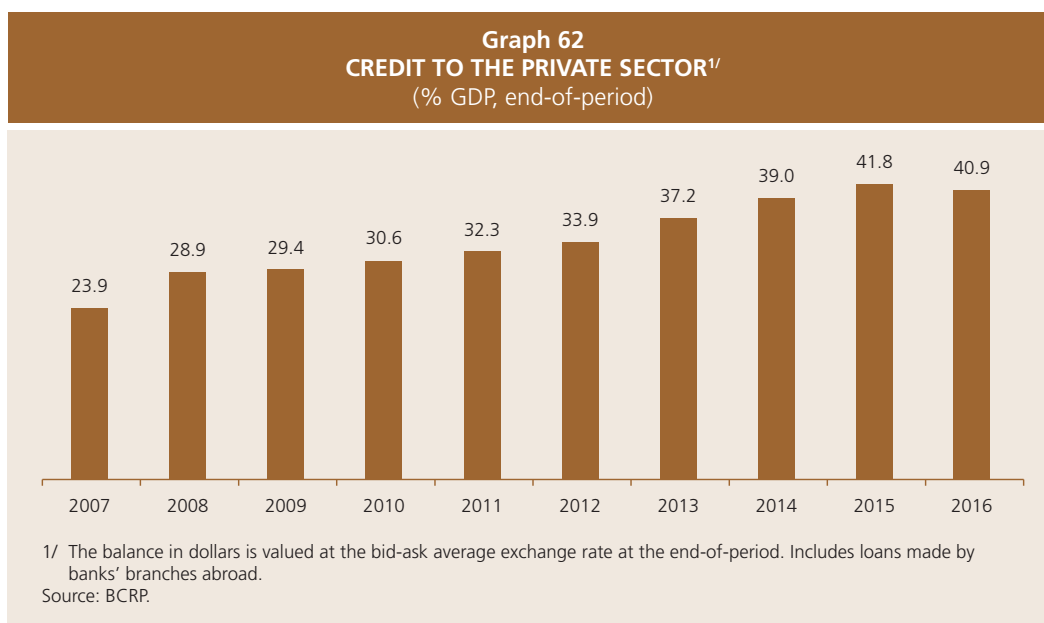
4.3 Credit to the Private Sector

The growth rate of total credit to the private sector slowed down, declining from 8.0 percent in 2015 to 5.6 percent in 2016 in line with the lower growth in the domestic demand.

Credit in foreign currency recovered in 2016 and recorded a growth rate of 2.1 percent after having dropped 20.7 percent in the previous year. On the other hand, credit to the private sector in domestic currency continued to show a considerable growth rate (7.2 percent) although at a more moderate pace in comparison with the previous year (28.0 percent in 2015).

As a result, the ratio of dollarization of credit to the private sector continued showing a downward trend, declining from 30.5 percent in December 2015 to 29.2 percent in December 2016.





By type of borrowers, credit showed different degrees of slowdown in the main segments: in the corporate segment, credit slowed down from 6.2 percent in 2015 to 4.8 percent in 2016, while in the segment of personal credit, it declined from a rate of 11.4 percent in 2015 to 7.1 percent –this slowdown is explained mostly by a lower demand for consumer loans (particularly, of credit cards), and in the segment of mortgage loans, it fell from 7.3 to 4.9 percent.

Table 64
TOTAL CREDIT TO THE PRIVATE SECTOR^{1/}

	Balance in million soles			Growth rates (%)	
	2014	2015	2016	2015	2016
Businesses	153,192	162,688	170,512	6.2	4.8
Corporate and large companies	75,967	85,632	89,689	12.7	4.7
Medium-sized enterprises	43,250	42,160	43,246	-2.5	2.6
Small businesses and microbusinesses	33,976	34,895	37,578	2.7	7.7
Individuals	82,772	92,174	98,711	11.4	7.1
Consumer	46,674	53,425	58,072	14.5	8.7
Car loans	2,690	2,474	2,290	-8.0	-7.4
Credit cards	15,437	19,099	20,670	23.7	8.2
Rest	28,548	31,852	35,112	11.6	10.2
Mortgage	36,098	38,749	40,639	7.3	4.9
TOTAL	235,965	254,861	269,224	8.0	5.6

1/ The balance in dollars is valued at the constant exchange rate in December 2016. Includes loans made by banks' branches abroad.
Source: BCRP.

The growth of credit to the private sector in domestic currency (7.2 percent) was driven mainly by personal credit, which grew 10.1 percent. Credit to companies grew 4.9 percent, the growth of credit

to medium-sized companies (11.0 percent) standing out. On the other hand, credit to the corporate segment and to large enterprises showed a decline of 1.4 percent.

Table 65					
CREDIT TO THE PRIVATE SECTOR IN DOMESTIC CURRENCY					
	Balance in million soles			Growth rates (%)	
	2014	2015	2016	2015	2016
Businesses	74,424	100,260	105,131	34.7	4.9
Corporate and large companies	28,405	46,136	45,487	62.4	-1.4
Medium-sized enterprises	16,377	22,250	24,691	35.9	11.0
Small businesses and microbusinesses	29,642	31,874	34,952	7.5	9.7
Individuals	64,589	77,728	85,600	20.3	10.1
Consumer	41,718	49,239	54,065	18.0	9.8
Car loans	770	1,380	1,675	79.1	21.4
Credit cards	14,299	17,893	19,346	25.1	8.1
Rest	26,648	29,966	33,044	12.5	10.3
Mortgage	22,871	28,489	31,536	24.6	10.7
TOTAL	139,013	177,988	190,731	28.0	7.2

Source: BCRP.

Moreover, credit to the private sector in foreign currency rebounded, growing at a rate of 2.1 percent in 2016 after having dropped by 20.7 percent in the previous year. By type of borrower, the segment of corporate credit in dollars grew by 4.7 percent, whereas personal credit fell 9.2 percent mainly as a result of the drop of mortgage and car loans (11.3 percent and 43.8 percent, respectively).

Table 66					
CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY^{1/}					
	Balance in million US dollars			Growth rates (%)	
	2014	2015	2016	2015	2016
Businesses	23,443	18,580	19,459	-20.7	4.7
Corporate and large companies	14,155	11,755	13,155	-17.0	11.9
Medium-sized enterprises	7,998	5,926	5,522	-25.9	-6.8
Small businesses and microbusinesses	1,290	899	782	-30.3	-13.1
Individuals	5,412	4,299	3,902	-20.6	-9.2
Consumer	1,475	1,246	1,193	-15.5	-4.3
Car loans	571	326	183	-43.0	-43.8
Credit cards	339	359	394	6.0	9.8
Rest	565	561	616	-0.7	9.7
Mortgage	3,937	3,053	2,709	-22.4	-11.3
TOTAL	28,855	22,879	23,361	-20.7	2.1

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

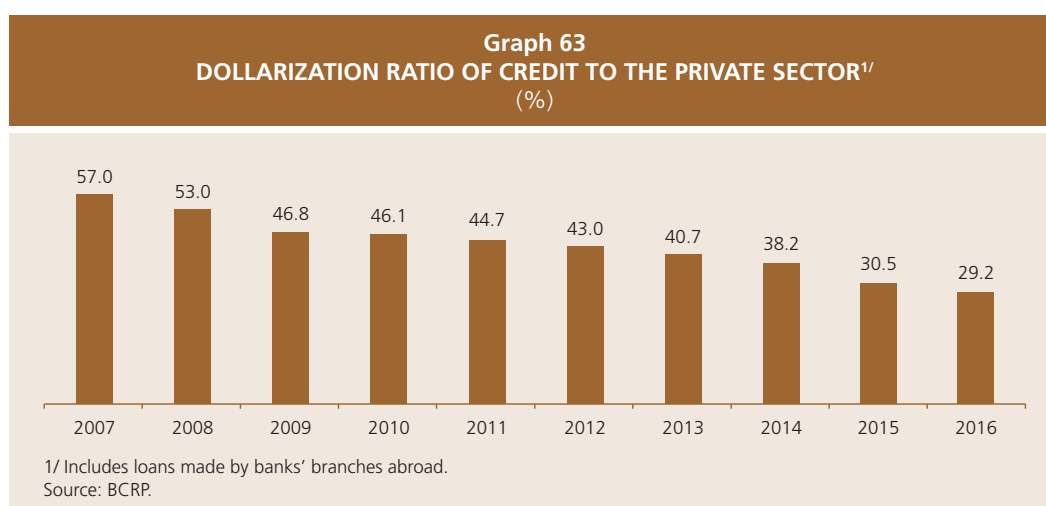
Credit to the private sector continued showing lower levels of dollarization in all of the segments, the dollarization ratio of credit to the private sector decreasing by 1.3 percentage points, from 30.5 percent in December 2015 to 29.2 percent in December 2016.

The dollarization ratio of corporate credit recorded 38.3 percent, 0.4 percentage points less than in the previous year (38.7 percent), while the dollarization ratio of personal credit people showed a slightly higher fall, declining from 15.9 percent in 2015 to 13.3 percent. Finally, the dollarization ratio of mortgage loans dropped from 26.8 percent in 2015 to 22.4 percent in 2016.

Table 67
DOLLARIZATION RATIO OF CREDIT TO THE PRIVATE SECTOR^{1/}

	2014	2015	2016
Businesses	48.4	38.7	38.3
Corporate and large companies	59.8	46.5	49.3
Medium-sized enterprises	59.3	47.6	42.9
Small businesses and microbusinesses	11.5	8.8	7.0
Individuals	20.0	15.9	13.3
Consumer	9.5	7.9	6.9
Vehicular	68.9	44.6	26.8
Credit cards	6.6	6.4	6.4
Rest	5.9	6.0	5.9
Mortgage	33.9	26.8	22.4
TOTAL	38.2	30.5	29.2
Memo:			
Dollarization of credit at constant exchange rate	41.1	30.2	29.2

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



5. Total Funding to the Private Sector

The concept of total funding to the private sector includes not only the credit provided by depository institutions, but also the resources provided by other financial institutions such as mutual funds, insurance companies and private pension funds, as well as direct external loans. In 2016, total funding to the private sector grew 3.7 percent (8.5 percent in 2015).

Table 68
FINANCING TO THE PRIVATE SECTOR^{1/}

	Balance in million soles			Growth rates (%)	
	2014	2015	2016	2015	2016
I. CREDIT OF DEPOSITORY CORPORATIONS	235 965	254 861	269 224	8.0	5.6
Domestic currency	139 013	177 988	190 731	28.0	7.2
Foreign currency (Million US\$)	28 855	22 879	23 361	-20.7	2.1
Dolarization (%)	38.2	30.5	29.2		
II. CREDIT OF OTHER FINANCIAL CORPORATIONS^{2/}	30 364	35 114	35 733	15.6	1.8
Domestic currency	14 416	17 031	18 653	18.1	9.5
Foreign currency (Million US\$)	4 746	5 382	5 083	13.4	-5.5
Dolarization(%)	49.5	51.9	47.8		
<i>Of which:</i>					
AFP's loans	17 526	17 841	19 576	1.8	9.7
Loans of mutual funds	1 130	933	880	-17.4	-5.7
Loans of insurances	7 347	11 156	10 422	51.8	-6.6
III. EXTERNAL PRIVATE INDEBTNESS (Million US\$)	96 557	103 701	103 314	7.4	-0.4
Short-term (Million US\$)	3 455	3 600	3 753	4.2	4.2
Medium- and long-term (Million US\$)	25 283	27 263	26 996	7.8	-1.0
IV. TOTAL	362 886	393 677	408 271	8.5	3.7
Domestic currency	153 429	195 019	209 385	27.1	7.4
Foreign currency (Million US\$)	62 338	59 124	59 192	-5.2	0.1
Dolarization (%)	54.8	50.8	48.7		

1/ The balance in dollars is valued at the constant exchange rate in December 2016.
2/ Includes loans and investments in fixed income of institutional investors.
Source: BCRP.

The growth rate of total funding to the private sector reflected the evolution of the growth of credit in other financial companies, which dropped to 1.8 percent in 2016 after growing 15.6 percent in 2015. This drop is explained mostly by the decrease in the credit provided by mutual funds and insurance companies, which fell by 5.7 and 6.6 percent, respectively.

Moreover, after growing 7.4 percent in 2015, direct external financing to Peruvian companies decreased by 0.4 percent (US\$ 115 million). Most of this credit was medium-term and long-term loans, which fell by 1.0 percent in the year, whereas direct short-term loans grew 4.2 percent.

As a result of the aspects discussed above, total funding to the private sector showed a lower growth rate (3.7 percent) than credit provided by depository institutions (5.6 percent).

6. Financial Indicators

Banks' financial indicators showed a slight deterioration during 2016. The indicator Return on assets (ROA) decreased from 2.1 percent in 2015 to 2.0 percent in 2016 and the indicator of Return on equity (ROE) decreased from 22.1 to 19.9 percent. Moreover, the ratio of non-performing loans increased from 2.5 percent to 2.8 percent, while the level of provision coverage of the high risk portfolio fell from 117.5 percent to 111.6 percent.

Table 69
FINANCIAL INDICATORS ON COMMERCIAL BANKS
(%)

	2014	2015	2016
Overdue loans / gross placements ^{1/}	2.5	2.5	2.8
High risk portfolio / gross placements ^{2/}	3.5	3.6	4.0
Allowance for loans / high-risk portfolio	116.5	117.5	111.6
Return on equity (ROE)	19.7	22.1	19.9
Return on assets (ROA)	1.9	2.1	2.0

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 6.1 percent, while loans to small and micro businesses recorded ratios of 9.0 and 3.1 percent, respectively. The delinquency rate for consumer loans was 3.6 percent, while mortgage loans recorded a rate of 2.3 percent.

	2014	2015	2016
Corporate loans	0.0	0.0	0.0
Loans to large companies	0.7	1.0	0.9
Loans to medium-sized companies	5.0	5.2	6.1
Loans to small companies	8.8	8.6	9.0
Loans to microbusinesses	3.9	2.9	3.1
Consumer loans	3.3	3.3	3.6
Mortgage loans	1.4	1.8	2.3
TOTAL	2.5	2.5	2.8

Source: SBS.

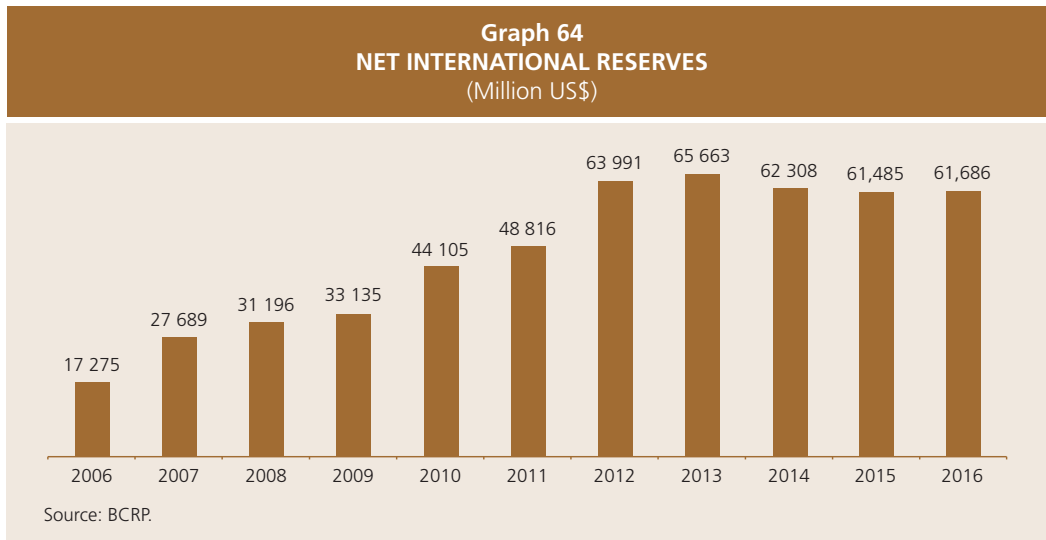
As for delinquency rates in non-banking institutions, a reduction was observed in the ratios of non-performing loans in all of these institutions, especially in rural savings banks which increased their level of provision coverage for their high risk portfolios. Moreover, an increase was observed in the ROE indices in rural savings banks and Edpymes, and a slight increase was observed in the ROE indices of non-bank financial institutions.

	2014	2015	2016
Overdue loans / gross placements^{1/}			
Financial Firms	5.6	5.7	5.5
Municipal savings banks	5.8	6.0	5.5
Rural savings banks	12.6	9.2	5.1
Edpymes	4.1	4.2	3.9
Provision for loans / high-risk portfolio^{2/}			
Financial Firms	124.1	123.2	116.2
Municipal savings banks	105.2	106.1	104.9
Rural savings banks	63.2	92.3	97.1
Edpymes	120.6	132.7	137.9
Ratio on equity (ROE)			
Financial Firms ^{3/}	9.0	14.8	14.9
Municipal savings banks	13.2	14.5	14.4
Rural savings banks	-6.2	-9.7	-3.2
Edpymes	4.2	-0.4	0.3

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.
3/ Update indicators to incorporate merger in some entities.
Source: SBS.

7. International Reserves

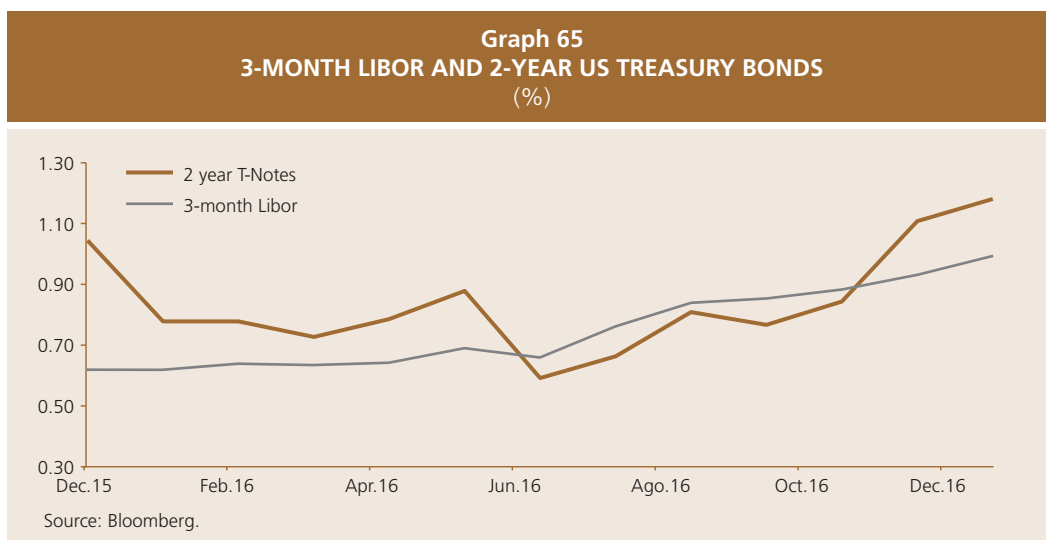
Peru’s net international reserves (NIRs) increased by US\$ 201 million in 2016, as a result of which the balance of NIRs at the end of the year was US\$ 61.69 billion. This increase in NIRs reflected mainly higher public sector deposits (US\$ 1.47 billion), the BCRP foreign exchange operations (US\$ 928 million), and earned interests (US\$ 381 million), offset in part by banks’ lower deposits (down US\$ 2.62 billion).



7.1 Management of International Reserves

At end 2016, Peru’s gross international reserves –or international reserve assets– showed a balance of US\$ 61.75 billion. This balance is US\$ 209 million higher than the balance recorded in 2015.

In 2016, the yield curve of the U.S. Treasury bonds moved up, as a result of which the yield of the 2-year T-Note increased from 1.05 percent at end December 2015 to 1.19 percent at end 2016. Moreover, the 3-month Libor rate in dollars rose from 0.61 to 1.00 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 for investments in securities. A neutral position was maintained in terms of the duration of the investment portfolio, although some tactical deviations were taken in terms of the yield curve in the second half of the year. Some tactical deviation operations were also carried out to optimize the portfolio yield together with some strategies implemented to take advantage of temporary market opportunities.

It is worth pointing out that a priority in 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 2016, 61 percent of the IRA was invested in liquid securities of high credit quality, 35 percent in first-class banks overseas, and the remaining 4 percent was invested in gold and other assets. The security portfolio consists of debt securities issued by sovereign issuers, supranational organizations, and foreign government entities with credit ratings of A+ or higher.

International reserve assets generated a yield of S/ 890 million in 2016, slightly less than in the previous year.

Table 72
INTERNATIONAL RESERVE ASSETS
(Million US\$)

Item	December 2015		December 2016	
	Amount	%	Amount	%
Deposits abroad	20,122	32.7	21,674	35.1
Securities	38,491	62.5	37,341	60.5
Gold	1,181	1.9	1,283	2.1
Others ^{1/}	1,743	2.8	1,448	2.3
TOTAL	61,537	100.0	61,746	100.0

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

Table 73
COMPOSITION OF LIQUID INTERNATIONAL ASSETS
(% structure)

	December 2015	December 2016
By maturity term	100	100
0-3 months	52	55
3-12 months	23	18
> 1 year	25	27
By long-term rating	100	100
AAA	49	42
AA+/AA/AA-	33	38
A+/A/A-	18	20

Source: BCRP.

At the end of the year, the balance of liquid international reserve assets⁹ was US\$ 60.38 billion. As for the quality of the portfolio, 42 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-. The mean duration of the investment portfolio was 0.58 years.

Table 74		
INTERNATIONAL POSITION: EFFECTIVE EXPOSURE		
(% structure)		
	December 2015	December 2016
US\$	86	89
Other currencies	9	6
Gold	5	5
Total	100	100

Source: BCRP.

The effective exposure of the BCRP foreign exchange position to the U.S. dollar was 89 percent, higher than at end 2015 (86 percent).

8. Financial Savings and Capital Markets

Financial savings include the total amount of assets that enterprises and households have in the financial system in the form of savings deposits, term deposits, securities, and holdings of mutual funds, life insurance policies, and contributions to private pension funds. During 2016, the average balance of financial savings increased by 10.3 percent relative to 2015 and was equivalent to 51.1 percent of GDP.

Table 75			
FINANCIAL SAVINGS			
(Average balance in the period, as % GDP)			
	Domestic currency	Foreign currency	Total
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	28.7	13.9	42.6
2012	31.1	12.9	44.0
2013	33.5	12.9	46.4
2014	33.6	13.7	47.3
2015	34.3	15.5	49.8
2016	34.8	16.3	51.1

Source: BCRP.

By currencies, financial savings in soles grew 9.1 percent in 2016 (vs. 8.5 percent in 2015), this rate reflecting both the low growth of private sector deposits in soles and the inclusion of the pension funds of AFP members in the accounts. Financial savings in dollars (valued in soles) grew 13.0 percent (vs. 20.8 percent in 2015). The ratio of financial savings in soles in GDP terms increased from 34.3 to 34.8 percent, while the ratio of savings in dollars increased from 15.5 to 16.3 percent.

9 Easily tradable assets in international financial markets. Therefore, the IRA excludes 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.



8.1 Fixed-Income Market

At end 2016 the balance of non-governmental fixed-income securities placed through public offering in the local market during the year amounted to **S/ 26.13 billion**. This balance is 14.8 percent higher than the current balance in 2015 (S/ 22.77 billion)¹⁰.

The **balance of fixed-income securities** placed through public offering **in the domestic market** (valued at the constant exchange rate of December 2016) during the year was S/ 6.25 billion, higher than the flow of securities placed in the previous year (S/ 4.32 billion). In addition to this, a Peruvian company placed securities **in the international market** for a total of US\$ 498 million.

It is worth pointing out that the amount of non-government bonds placed in the international market in 2016 was US\$ 798 million, amount lower than in 2015, when placements of Peruvian companies abroad totaled US\$ 1.36 billion. External conditions, particularly the increase of interest rates due to the U.S. Federal Reserve policy made it more profitable for businesses to seek financing in dollars in the local market. Because of this, four companies (Corporación Azucarera del Perú - Coazucar, Maestro Peru, Corporación Lindley, and Pesquera Exalmar) redeemed earlier the bonds placed abroad to seek financing in the domestic market.

Table 76
FIXED-INCOME SECURITIES ISSUED BY PRIVATE COMPANIES

	Amounts			Growth rates (%)	
	2014	2015	2016	2015	2016
Balance at the end of period (Million soles)					
Non-financial sector	11,035	14,171	15,892	28.4	12.1
Financial sector ^{1/}	8,433	8,597	10,239	1.9	19.1
Composition by currency (%)	100.0	100.0	100.0		
Soles	62.9	61.3	70.7		
Fixed rate	52.7	52.2	62.5		
VAC	10.2	9.1	8.2		
US dollars	36.1	38.4	29.2		
Structured	1.0	0.3	0.2		
Balance as % GDP	3.4	3.7	4.0		

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

By type of issuers of securities, **non-financial companies** issued public offering bonds for a total equivalent to S/ 2.86 billion (vs. S/ 3.16 billion in 2015) and the balance of current bonds increased 12.1 percent compared to the previous year (vs. 28.4 percent in 2015). On the other hand, **financial entities**¹¹ placed bonds for a total of S/ 3.39 billion (vs. S/ 1.11 billion in 2015) and their balance grew 19.1 percent (vs. 1.9 percent in 2015). The largest bond issuers in the year were Banco Continental (S/ 655 million), Corporación Primax (S/ 640 million), COFIDE (S/ 500 million), Banco de Crédito (S/ 461 million), and Mivivienda (S/ 426 million), all of which were bond issuances in soles.

¹⁰ Including short-term bonds and instruments placed through public offering in the domestic market. Issuances of sovereign bonds are not included in the balance.

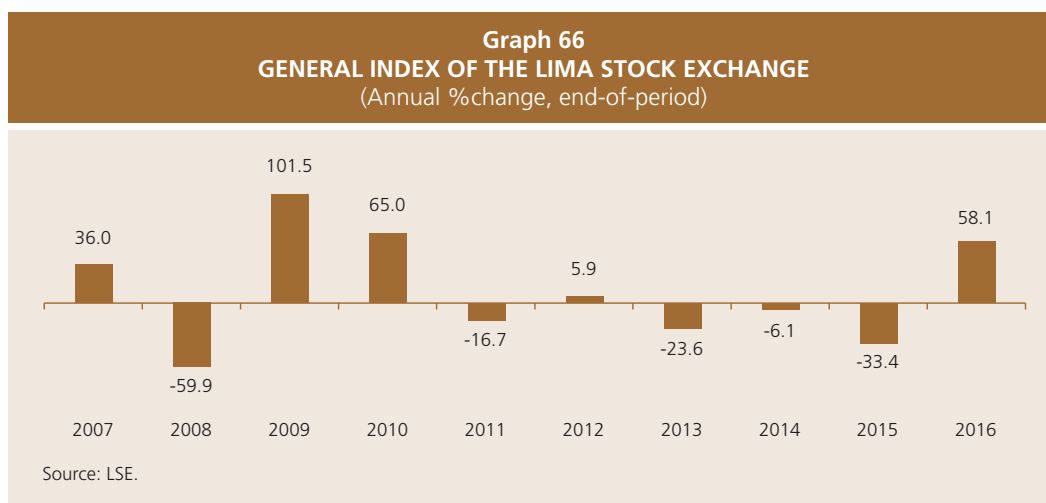
¹¹ Including the bond issued by public financial organizations such as Banco de la Nación, Banco Agropecuario, COFIDE, and Fondo MIVIVIENDA.

The **average maturity term** of domestic bonds issued in soles, weighed by the amount placed, was **8.3 years** (9.1 years in 2015) while the average maturity term of bond issuances in dollars was **4.3 years** (11.6 years in 2015). The longer maturity terms for bond placements in soles was 30 years in the bonds issued by COFIDE (S/ 300 million placed in December), and 20 years, in the bonds placed by Corporación Primax (S/ 278 million placed in October).

By currencies, bonds in soles represented 70.7 percent of the balance of existing public offering (61.3 percent at end 2015), while bonds in dollars represented 29.2 percent (38.4 percent in 2015). Bonds in soles at fixed-rates represented 62.5 percent of the balance (52.2 percent in 2015), while inflation-indexed bonds (VAC) represented 8.2 percent (9.1 percent in 2015).

8.2 Stock Exchange

During the year, the Lima Stock Exchange –Bolsa de Valores de Lima (BVL)– reversed the negative trend it showed in the previous four years and accumulated a positive return of 58.1 percent, measured by the SP/BVL PERU GENERAL index. The BVL also recorded a significant increase in the volumes traded in comparison with 2015. It is worth highlighting that this better performance of the bourse took place amid a not particularly favorable external context marked by low growth in the high-income economies and by a slowdown in the pace of growth in the emerging countries.



At the sector level, stocks in all the sectors showed positive performances, the biggest returns being observed in the shares of junior mining companies with 120.5 percent. In addition, shares in the construction sector showed a rate of return of 67.9 percent, manufacturing shares showed a rate of 58.4 percent, bank and financial shares recorded a rate of 57.7 percent, and mining shares recorded 52.0 percent. Moreover, shares in the consumer sector yielded 29.9 percent and shares in the services sector yielded 21.3 percent.

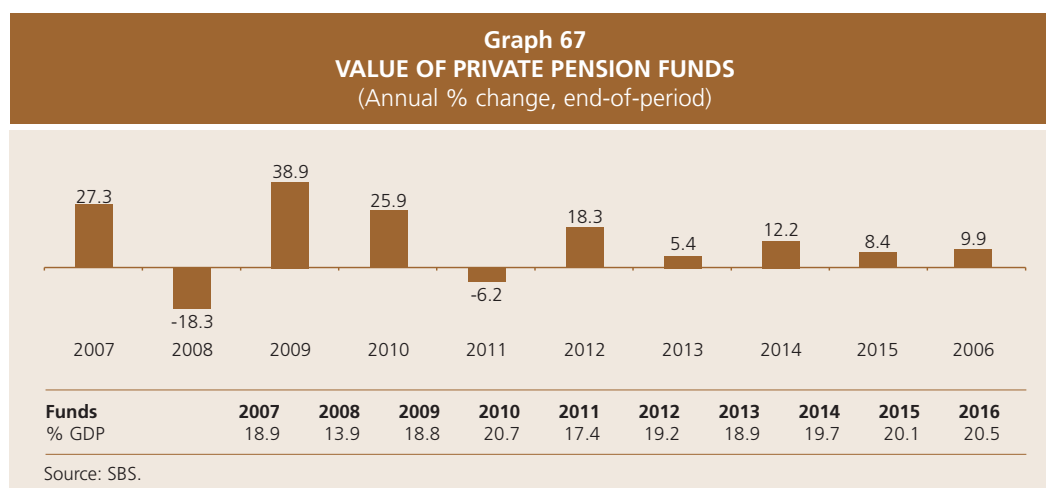
The volumes traded increased by 38.1 percent compared to 2015. By segments, the volume of shares traded increased by 35.3 percent relative to 2015, while the volume of debt instruments traded increased by 43.7 percent. On the other hand, repos transactions increased 43.7 percent, both in the case of shares (40.2 percent) and in the case of fixed-income instruments (169.9 percent).

The amount of dematerialized shares at year end –i.e. the amount of shares recorded electronically at CAVALI– was S/ 194.93 billion, which is equivalent to 46.8 percent of the value of market capitalization (S/ 416.17 billion). The ratio of dematerialized stocks held by non-resident investors in terms of total dematerialized stocks increased from 34.6 percent in December 2015 to 35.2 percent in December 2016.



8.3 Private Pension System

In addition to the positive performance shown by the indices of the LSE, the net worth of private pension funds increased 9.9 percent during the year. At December, the net worth of these funds amounted to S/. 135.16 billion. The number of participants in the private pension system grew 5.0 percent to over 6.26 billion members.



After recording a real profitability of 1.2 percent in 2015, the profitability of private pension funds rose to 6.5 percent in real terms (for the type 2-fund) in 2016.

The composition of the investment portfolio reflected the favorable context in the local market, the ratio of investments in securities abroad declining from 40.2 to 38.1 percent during the year (the limit established for the investment of pension funds abroad is 42 percent). The composition of domestic investments also reflected the greater dynamism of the local stock market. The ratio of stocks rose from 17.3 to 19.5 percent while the ratio of deposits fell from 11.4 percent to 5.8 percent. Bond holdings increased mainly as a result of the acquisition of sovereign bonds whose ratio grew from 17.8 to 21.5 percent, while the share of the non-government bonds grew only 0.2 percentage points.

Table 77
COMPOSITION OF THE PRIVATE PENSION SYSTEM PORTFOLIO
(%)

	2014	2015 ^{1/}	2016 ^{1/}
I. DOMESTIC INVESTMENTS	59.4	58.9	60.9
Deposits	6.6	11.4	5.8
In soles	0.8	0.8	2.4
In dollars	5.8	10.6	3.5
Bonds and fixed income	30.3	30.2	35.5
Central Bank securities	0.4	-	0.4
Sovereign bonds	17.3	16.8	21.5
Values issued by the private sector	12.6	13.4	13.6
Stocks and variable income	22.5	17.3	19.5
Shares	12.6	7.4	10.3
Investment funds	9.8	9.9	9.2
II. FOREIGN INVESTMENTS	40.6	40.2	38.1
III. TOTAL	100.0	100.0	100.0
Million soles	114,527	124,168	136,468
% GDP	19.9	20.3	20.7

^{1/} In 2015 and 2016, 1% of portfolio are in transit investment.
Source: SBS.

By type of funds, Fund type 2 or mixed fund (which has a maximum investment of 45 percent in variable-income securities) had a real annual return of 6.5 percent and represented 71.5 percent of the total value of pension funds. Fund type 3 or capital appreciation fund (which has a maximum investment of 80 percent in variable-income securities) had a real return of 7.0 percent annually and represented 15.9 percent of the value of the funds, whereas Fund type 1, or capital preservation fund, (whose maximum investment in variable-income securities is 10 percent) had a real profitability of 4.5 percent per annum and represented 11.7 of the value of pension funds. From April it began to operate The Fund type zero, which invests only in fixed-income securities, began to operate since April, its share at year end recording 0.9 percent.

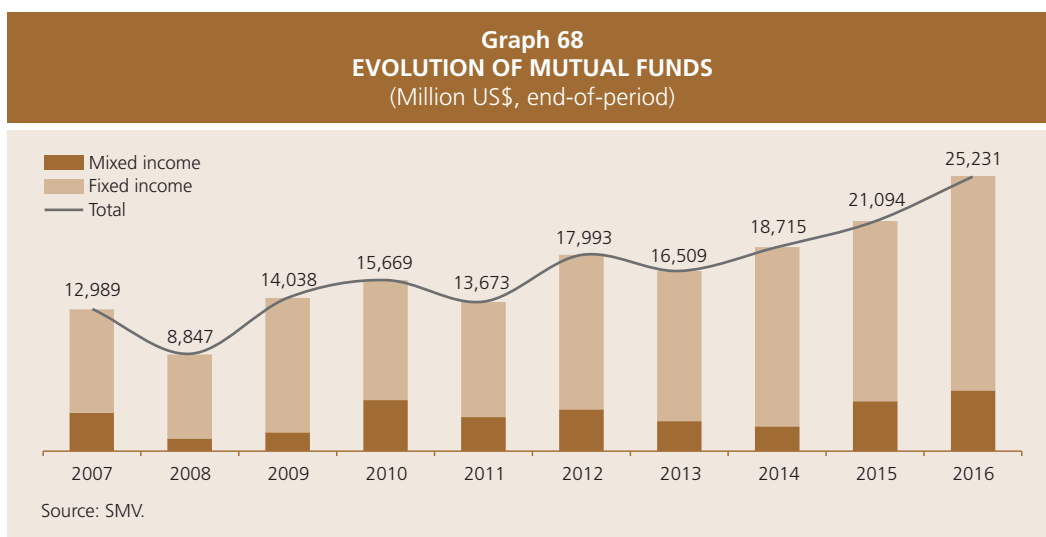
Voluntary contributions, which amounted to S/ 939 million (vs. S/ 602 million in 2015), represented 0.7 percent of the total value of pension funds. Most of these contributions were for non-pension purposes (S/ 721 million).

8.4 Mutual Funds

Mutual funds' joint net worth increased 19.6 percent compared to 2015 with a balance of **S/. 25.23 billion** (3.8 percent of GDP) at year-end. The number of participants increased by 8.9 percent to 419 thousand people at the end of the year (vs. 385 thousand in 2015) while the number of operating funds increased from 106 to 111.

By type of fund, the positive evolution of stock market indices favored the growth of mixed-income mutual funds, which invest in fixed and variable income securities, over the mutual funds that invest exclusively in fixed-income securities. The ratio of the latter in terms of the total value of mutual funds fell from 78.4 percent in 2015 to 78.0 percent in 2016, whereas the ratio of mixed-income funds rose from 21.6 percent to 22.0 percent on the other hand.

By currencies, the participation of mutual funds in soles fell from 44.9 percent to 38.5 percent, while the participation of mutual funds in dollars increased from 55.1 to 61.5 percent.



The ratio of the funds' investments abroad rose from 33.3 percent in 2015 to 35.9 percent in 2016. As regards domestic investments, the ratio of deposits and certificates of deposit fell from 54.4 percent to 53.1 percent and the ratio of bonds and fixed-income debt instruments fell from 8.5 to 7.1 percent, whereas the ratio of domestic shares rose from 1.4 to 1.8 percent.



Table 78
COMPOSITION OF MUTUAL FUNDS' INVESTMENT
(%)

	2014	2015	2016
I. DOMESTIC INVESTMENTS	77.8	66.7	64.1
Deposits	62.8	54.4	53.1
In soles	30.2	27.0	30.7
In dollars	32.6	27.3	22.4
Bonds and fixed income	11.8	8.5	7.1
Central Bank securities	1.1	0.5	1.4
Sovereign bonds	2.6	0.9	0.7
Values issued by the private sector	8.1	7.0	5.0
Stocks and variable income	2.5	1.4	1.8
Stocks	2.4	1.3	1.7
Investment funds	0.1	0.1	0.1
Others	0.6	2.4	2.0
II. FOREIGN INVESTMENTS	22.2	33.3	35.9
III. TOTAL	100.0	100.0	100.0
Million soles	18,715	21,094	25,231
% GDP	3.2	3.4	3.8

Source: SMV.

8.5 Payment Systems

The payment systems overseen by the Central Bank are essential for the settlement of transactions of goods, services, and securities, as well as for the implementation of monetary policy. During 2016, BCRP continued carrying out its roles of overseeing and regulating payment systems, promoting a greater provision of payment services, increased access and greater use of these systems, as well as supporting innovation. The Central Bank strengthened the efficiency and security of payment systems and also carried out different activities of the entities integrating the National Financial Inclusion Strategy Group.

Payment systems showed an increase of 2 percent in the value of fund transfers. In GDP terms, the value of funds transferred through the payment systems declined from 5.5 times to 5.2 times the value of annual GDP between 2015 and 2016, which is explained by the higher rate of growth of nominal GDP recorded.

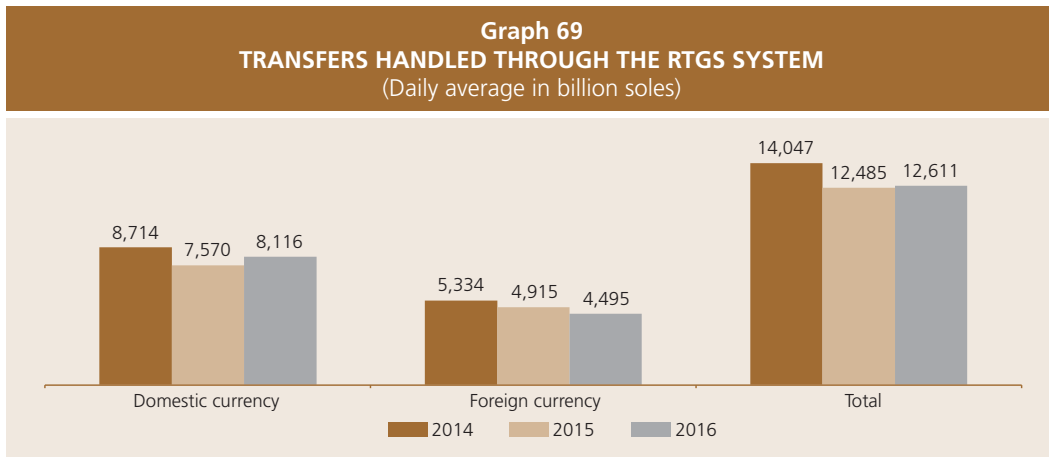
As part of its oversight role, the Central Bank carried out its annual inspection visit to Cámara de Compensación Electrónica-CEE (Electronic Clearing House) and CAVALI to evaluate compliance with regulations, the development of new products, opportunities for improvements, and prospects for the administrators of the Payments Systems. The Central Bank can confirm that payment systems meet current standards of safety, efficiency, as well as standards of 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 2016, these transfers represented 92 percent of the total value transferred through payment systems.

In 2016, the average daily value of transfers handled through the RTGS system increased by 1.0 percent due mainly to the increase of interbank loans and repayment of loans. Moreover, the number of transactions handled through this system increased by 1.1 percent. By currencies, the value of payments in domestic currency represented 64.3 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



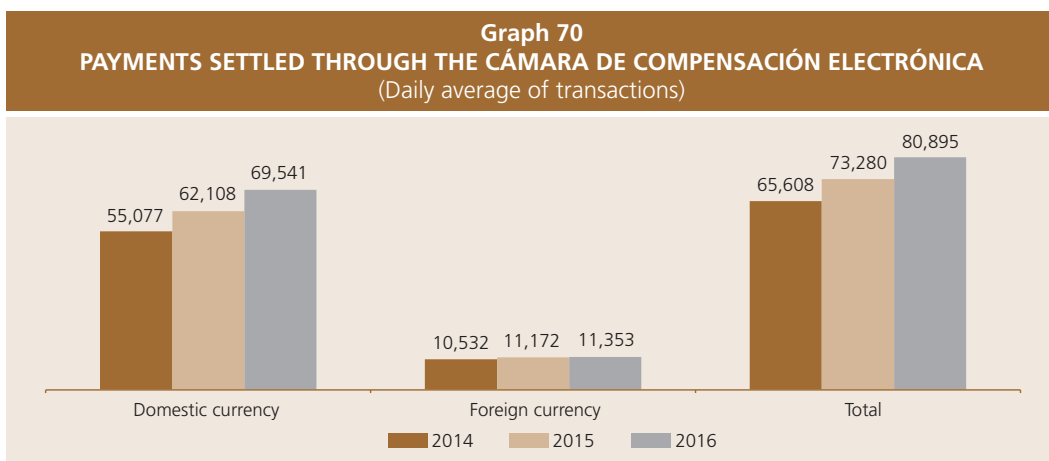
rural savings banks and non-bank financial entities) to the RTGS system, which is the main infrastructure of payment systems in Peru. The entities that established electronic connections with this system in 2016 included Caja Municipal de Cusco and Caja Municipal de Ica, which had been preceded in previous years by the savings banks of Trujillo, Sullana, Piura, Tacna, and Arequipa, as well as by Caja Municipal de Crédito Popular de Lima, Financiera TFC, and Financiera Confianza.

Moreover, the process of modernization of the technological platform of the RTGS system was completed during the first half of 2016 and the international certification of information security management in the interbank transfers handled through the RTGS system was renewed, which reflects the higher levels achieved in the system's security.

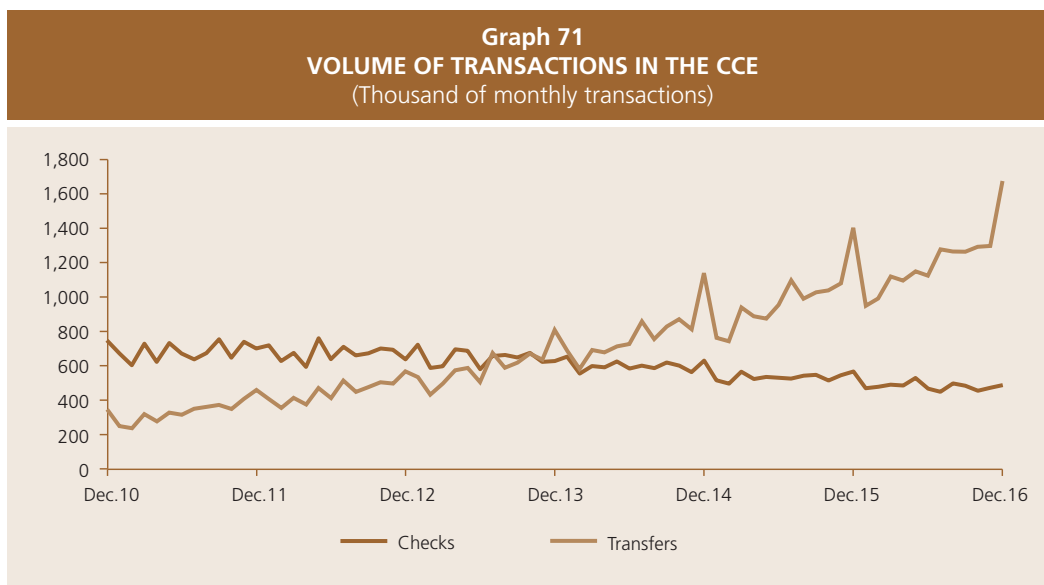
Electronic Clearing House (Cámara de Compensación Electrónica - CCE)

The CCE is a payment system used to settle checks and credit transfers among the clients of the various financial entities that participate in this system. These transactions represent 95.6 percent of the total volume of transactions handled through payment systems.

In 2016, the average number of transactions handled by the CCE¹² each day grew 10.4 percent since credit transfers grew 22 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 64.8 percent in 2015 to 71.7 percent in 2016.

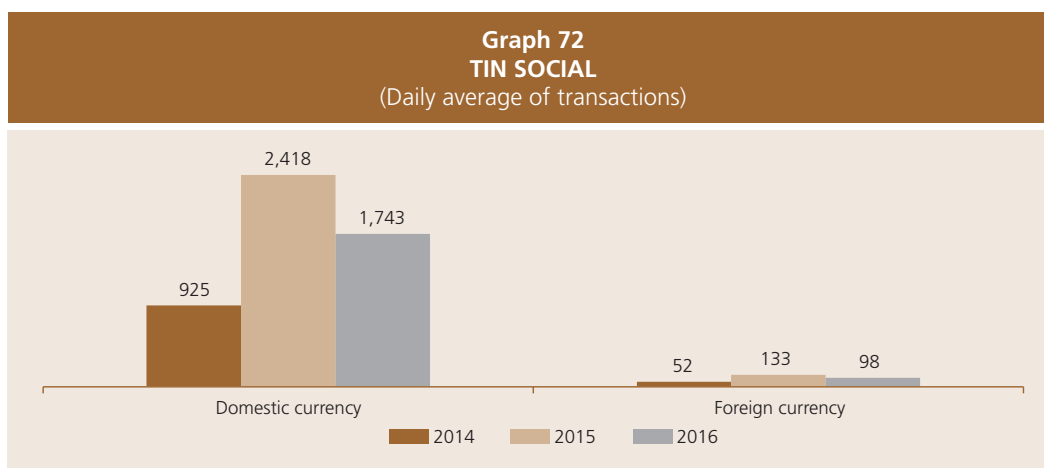


¹² Without including Immediate Transfer operations.



The average value of the transactions processed through the CCE each day –without including immediate transfers– increased 2 percent in the year, the value of credit transfers showing an increase of 16.2 percent. On the other hand, the value of checks decreased by 8.6 percent.

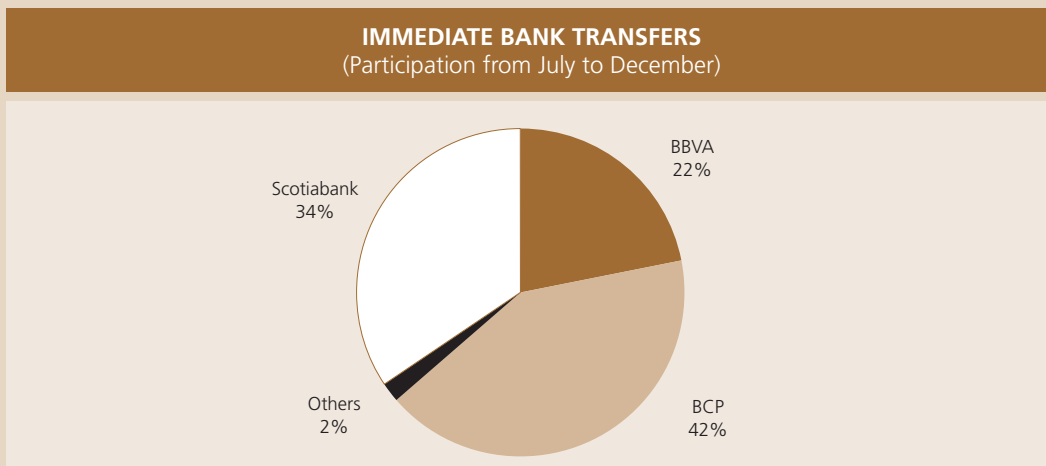
In addition, CCE continued promoting the use of TIN Social¹³, a system that allows fund transfers of less than S/ 350 or US\$ 135, which imply a very low cost or no cost at all for end users. TIN Social is a commercial campaign that has been going on for a little over 3 years. It is worth mentioning that the daily average of funds transferred through this system in 2016 was S/ 300 thousand and that the number of transactions carried out with this promotion exceeds 18 thousand transactions.



¹³ It is also worth mentioning that some entities decided to stop providing this free service between April and September 2016, but resumed the promotion in October.

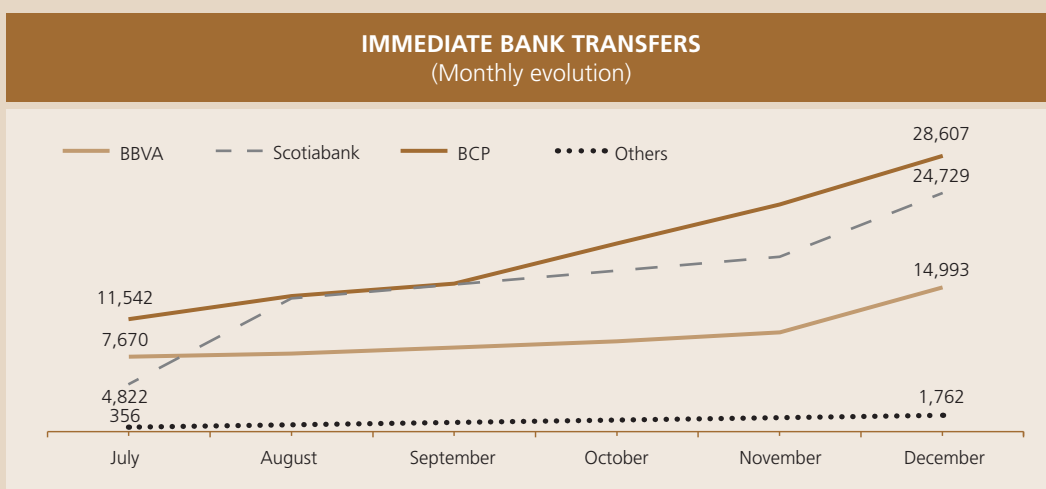
Box 4
IMMEDIATE BANK TRANSFERS

Immediate transfers are a new payment instrument that processes fund transfers between bank customers nearly in real-time, eliminating the time lag that affects payments when other interbank instruments are used. A scheme whereby specific resources are deposited at the start of each day in the accounts banks have at BCRP has been established to ensure settlements between the banks participating in the clearing process, this innovation having introduced improvements in terms of the efficiency and safety of the new instrument.



Cámara de Compensación Electrónica – CEE (Electronic Clearing House) began operations with this new service in July 2016, recording 269 thousand immediate fund transfers (86 percent in soles) between July and December. The main providers of this service are BCP, BBVA, and Scotiabank, which together represent 98 percent of the total number of immediate fund transfers. As of December 2016, participants in this system include BBVA, Banco de la Nación, Banbif, Interbank, Crediscotia, and the Cajas Municipales de Ahorro y Crédito of Trujillo, Arequipa, Sullana, and Piura.

The number of operations recorded in December 2016 is 187 percent higher than the number of operations registered in July, Scotiabank being the financial entity showing the highest growth in the number of immediate fund transfers made (more than 400 percent).

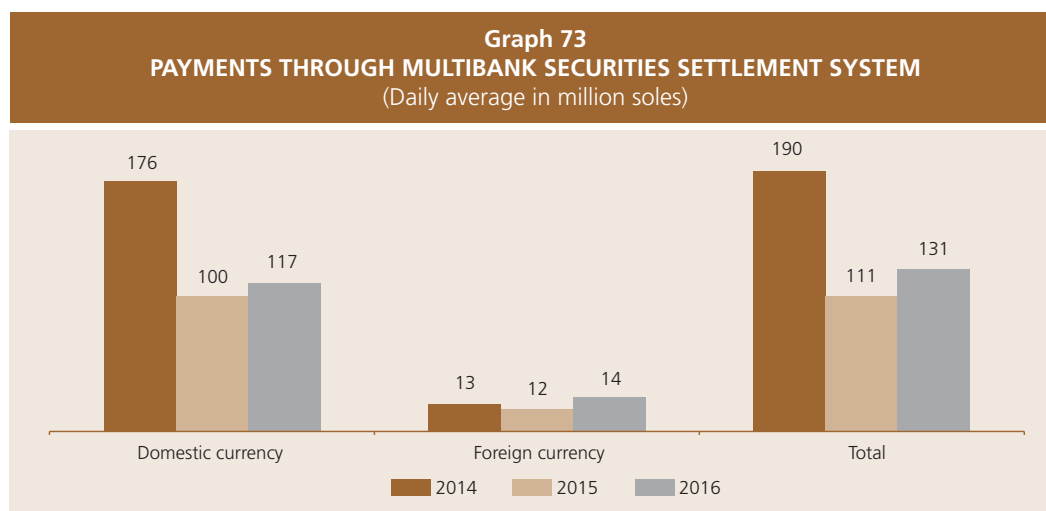


Although the use of this instrument has grown significantly, it still represents a very low percentage of the total number of deferred transfers carried out through the CEE, both in terms of value (1.4 percent) and in terms of volume (4.2 percent).



Multibank Securities Settlement System (MSSS)

Managed by CAVALI, the MSS System handles payments for transfers of stock exchange securities and Treasury bonds. In 2016, the daily average value of payments in this system increased by 17.3 percent and the daily average volume of payments increased by 37.7 percent, reflecting both the higher values and volumes of transfers of stock exchange operations.



Payment Agreements

In June 2016, the Central Bank issued the Regulation of Payment Agreements for Electronic Money (Circular 013-2016-BCRP)¹⁴ to strengthen the security and efficiency of such agreements, by establishing principles and standards, defining the responsibilities and obligations of the administrator and participant issuers, and regulating the processes of clearing and settlement of transactions using electronic money.

This was carried out within the framework of a Payments Agreement for the use of electronic money called Modelo Perú, which is headed by ASBANC and managed by the company Pagos Digitales Peruanos (PDP). Thanks to Modelo Perú, which started operations in February 2016, the transfer orders of users of electronic money are processed in a centralized electronic platform of accounts.

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.

During 2016, the Central Bank has carried out the following activities in the Payments Group:

- Issued the Regulation of e-Money Payments Agreements to strengthen the legal framework governing retail payment instruments.
- Coordinated with Superintendencia de Banca, Seguros y AFPs the implementation of modifications in the regulation of operations with electronic money required to allow the development of the e-money payments ecosystem.

¹⁴ Effective since January 1, 2017.

- Made arrangements with the MEF's Dirección General de Endeudamiento y Tesoro Público to interconnect the RTGS system with billing operations carried out by the Executing Units and the municipalities through Sistema Integrado de Administración Financiera.

Moreover, other entities participating in the Payments Group carried out the following activities:

- In response to a MEF initiative, the Payments Group approved law decree 1271, which amended the Legal Framework of Operation Licenses to simplify the procedures required by an establishment to obtain a license to carry out economic and commercial activities, contributing in this way to the expansion of business operations so that some businesses may operate as cash correspondents.
- The MEF presented the results of the technical studies conducted by the Inter-American Development Bank and Better than Cash Alliance with the aim of contributing to the development of a Government policy of digital payments at national and subnational levels.
- SBS coordinated the implementation of the National Survey on the Demand for Financial Services and on the Level of Financial Culture in Peru, aimed at identifying the characteristics of the potential demand for comprehensive financial services and estimating the level of financial culture.
- Banco de la Nación (BN) has been developing new products and services to promote digital payments:
 - Online banking through "Multired Celular", which promotes the use of cell phones to carry out bank operations.
 - "Botón de Pagos BN", which enables companies and government agencies to provide their customers or taxpayers the possibility of paying for a service, product, rate, or tariff from their own website via a payments button.
 - eWallet BIM: This instrument allows taxpayers to pay taxes (RUS) with e-money through the platform of electronic money administered by PDP, in which BN is a participating issuer.
- Moreover, the Central Bank has been developing activities and publishing articles to promote and position the ENIF as a State strategy:
 - BCRP carried out the "CPMI-BCRP Seminar on Innovations in Payments and Financial Inclusion" in May 2016
 - The Central Bank offered the V Course of Payment Systems entitled "Innovaciones en pagos minoristas y retos para la regulación y supervisión" in December 2016.
 - BCRP and the Centre for Latin American Monetary Studies - CEMLA prepared the paper entitled "El papel de los sistemas y servicios de pago: Una perspectiva de América Latina y el Caribe", which shows the progress of payment services in financial inclusion strategies undertaken in the region.
 - The Central Bank published three articles in Revista Moneda: "Regulación de Pagos Minoristas" and "Acceso y uso de servicios de pago digitales en el Perú: Una visión internacional" in December 2016.



Lambayeque. Gold funerary mask with big winged-eyes.
The ear ornaments are decorated with wood fragments.
Approximately 1000 years old.
29 x 47,5 x 7 cm.



INSTITUTIONAL ACTIVITIES



Inca. Gold figurines of two women. Inca mummies were often accompanied by male and female figurines made of gold, silver, or spondylus shells, as offerings to the gods. The figurines usually wore tiny woven garments and metal ornaments. Approximately 500 years old.
6 x 1,5 x 1,5 cm y 6 x 1,5 x 2 cm.

INSTITUTIONAL ACTIVITIES

1. Board of Directors

On December 31, 2016, the Board of Directors of BCRP was integrated by Julio Velarde Flores (Governor), Miguel Palomino Bonilla (Deputy Governor), José Chlimper Ackerman, Elmer Cuba Bustinza, Javier Escobal D'Angelo, Rafael Rey Rey, and Gustavo Yamada Fukusaki.

In 2016 the Board held 58 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 2016, the **Inflation Report**, which provides an analysis of economic developments, explains the BCRP monetary policy actions, and discusses the evolution of prices and provides forecasts on inflation and the main macroeconomic variables, was presented by the Governor of the Central Bank to analysts, business and media representatives each quarter of the year.

Governor Julio Velarde was invited to speak before the Congressional Committee of Economy on two occasions: On May 18, he spoke on the management of net international reserves and on August 31, he offered a presentation entitled "Prospects and Challenges for Economic Growth in Peru (2016-2018)".

Governor Velarde was also invited by the Budget and General Account Committee of Congress to speak on the "Macroeconomic Assumptions of the Public Sector Budget Proposed for 2017" on September 21.

Moreover, other BCRP officials were invited by different Congress working groups to participate in several events organized by the Congress of the Republic in 2016.



In compliance with the Transparency and Access to Public Information Act, in 2016 the BCRP answered 43 information requests submitted by different citizens, and published indicators of the BCRP administrative and budget management as well as the BCRP Financial Statements, audited by internationally renowned auditing firms, in the Transparency section of its website.

2.2 Dissemination of Economic Information

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

In addition, 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.

During 2016, BCRP used social networks intensively to publish reports containing economic data and institutional information, as well as to provide information about the security features of banknotes and coins. During this year, BCRP has become one of the most popular public institutions in the social media: not only did BCRP double the information it published on Facebook, its followers on this social network exceeding one million people, but it also saw the number of its followers on Twitter rise from 18 thousand to more than 120 thousand.

2.3 Social Responsibility

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-six students of economics from various public and private universities of Lima and other cities of the country participated in the LXIII Extension Course for Economists offered this year. The best students of the course were invited to join the Bank's technical staff.
- **Advanced Finances Extension Course**
Thirty students from different universities and different academic fields interested in specializing in financial themes were selected to participate in the Bank's IX Extension Course of Advanced Finances. The students with the best grades were also invited to integrate the BCRP staff.
- **2016 Update Course in Economics**
A select group of 35 students of economics from different universities of the country learned about the latest trends in the fields of macroeconomics, microeconomics, econometrics, and mathematics. The best students were invited to participate in the LXIV Extension Course for Economists 2017.
- **Course for Economics Faculty**
Twenty-three professors from different universities of the interior of the country and three professors from universities located in Lima participated in this course in 2016. The participants were trained in different aspects of macroeconomics, microeconomics, econometrics, and project evaluation.

Contests

- Research Contest for Junior Economists: Economics and Finances**

The winner of the 2016 Research Contest for Junior Economists was Gabriel Arrieta (PUCP) for his paper “Un análisis gravitacional de la creación y desviación comercial en el marco del Tratado de Libre Comercio entre Perú y Estados Unidos”. The second prize was awarded to Angelo Cozzubo (PUCP) for his research “Para nunca más volver: Un análisis de la dinámica de pobreza en el Perú (2007-2011)”, and the third prize was awarded to Jan Sandoval (UNI) for his work “Descomposición de spreads de crédito: Un enfoque no lineal con probabilidades de transición cambiantes”.
- Short Novel Contest**

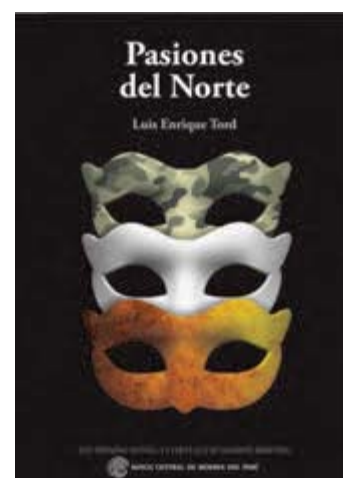
The winner of 2016 Short Novel Contest was Luis Enrique Tord for his novel “Pasiones del Norte”. The panel of judges was chaired by Abelardo Oquendo, and integrated by Francesca Denegri, Alonso Cueto, Mirko Lauer, and Marcel Velázquez.
- National Painting Contest**

The first prize of the 2016 National Painting Contest was awarded to renown artist Miguel Aguirre for “Birú, mientras recorría el desierto con andar errante en aquel otoño que agonizaba, se topó con una letrina. Por poco no entró en ella”. The second prize was awarded to Annie Flores for “Todo se quiebra y parte” and Luana Letts got an honorable mention for “Casa: Acantilado de Lima”. The panel of judges included Moico Yaker, Crithian Bendayán, Natalia Majluf, Luis Eduardo Wuffarden, and Ángela Delgado Valdivia.
- BCRP Contest for School Students**

In this eleventh edition of the contest, the participant groups submitted videos describing the importance of the dollarization of credit and explaining why it is essential to maintain inflation low and stable. The first prize was awarded to the video entitled “Dólar: ¿aliado o enemigo?”, carried out by students of school Las Praderas del Norte, Piura. The second prize was for “Seamos responsables, mantengamos una inflación baja y estable”, carried out by students of Institución Educativa Hermanos Blanco, of Trujillo, and the third prize was for the team of students of Colegio 5143 Escuela de Talentos, of Callao, for their video entitled “La Inflación Controlada”.

Publications

In 2016, Banco Central de Reserva del Perú and Instituto de Estudios Peruanos co-published two books: “Azúcar y trabajo: La transformación de las haciendas en el norte del Perú 1860-1933” by Michael Gonzales and “Historia de la moneda en el Perú”, edited by Carlos Contreras.



The Bank also participated in the XXth Book Fair of Lima where “Pasiones del Norte”, the novel authored by Luis Enrique Tord that won the BCRP’s XIX Contest of Short Novels “Julio Ramón Ribeyro” was presented to the public, as well as in the 37th Book Fair Ricardo Palma offering the books published by Fondo Editorial del BCRP.



Museum

During 2016, a total of 140,433 people visited the different museums of BCRP.

The Museum had 157 school visits, the total number of visitors reaching 24,516 including students and teachers. In addition, it held the first Meeting with Primary and Secondary Teachers to promote the activities organized by the Museum as well as the various collections the Museum has. In the framework of its pedagogical activities, the Museum organized different presentations with theatre plays and storytelling on topics related to its collections or to Peruvian culture in popular activities such as #SusurrArte or #ContArte on Wednesdays and Saturdays from January to October 2016.

The winning and finalist artworks of the 8th Contest of Painting were exhibited in a renovated showroom where visitors can interact participating in activities such as #ExpresArte or #EmocionArte, labeling the works of art as one does in the social networks.

The activities of the Museum's Film Club continued with the collaboration of Filmoteca of PUCP and included participating in the 8th Festival of Environmental Films "Sembrando Cine" in June, in the 20th Film Festival of Lima in August, and in the 28th Festival of European Films between October and November.

Since July 2016, the Museum extended its visiting hours from 5 pm to 10 pm every last Friday of the month to allow the visits of a more varied group of people who either finish work around this time in the surrounding areas or go there for other activities.

Other activities carried out during the year included exhibitions on thematic topics under the direction of renowned curators: Marianela Béjar developed "De(S) Tapadas", an exhibition on women throughout the history of Peru; Joanna Burga was responsible for "Nuestros Rostros", on miscegenation; Jhonathan Montenegro and Luz Espinoza offered us a tour of the country with "Nuestras Regiones"; Jorge Chávez prepared the exhibition entitled "Yaku, Nuestra Agua", on water management in Andean societies; Diego Paitán was in charge of "Post-mortem, la eternidad de la muerte", a reflection of death in cultural expressions, and Patricia López developed "La vestimenta de nuestra tierra", which focuses on identity and how it is reflected in clothing likings.

In addition, other activities developed included the renovation of the showrooms of the museums of the BCRP Branch Offices of Arequipa and Piura, as well as the restoration and conservation of the valuable pieces exhibited in these premises. Moreover, in 2016 the Museum also started to promote its activities through social media such as Facebook and YouTube.



Showrooms - Branch Office Arequipa



Showrooms - Branch Office Piura

Library

During 2016, the Library of the BCRP managed 8,565 reading requests in its facilities and lent a total of 61,260 documents, including books and periodical publications. Moreover, to provide a better service, it used one of the most important library management systems available today, which facilitates the follow-up of the acquisition,

lending, and return of bibliographic material, as well as queries to our catalog and databases, among other library services.

Furthermore, consultations of online databases and digital publications increased to over 16 thousand in 2016.

3. Main Meetings and Events

In 2016 the BCRP authorities and officials participated in various international and national meetings. The main events included the following:

International Meetings

- Annual Meeting of Emerging Market Deputy Governors, organized by the BIS, Basel, Switzerland, January 28 - 29.
- Seminar "Global Commodity Price Drivers and Implications for Latin America", organized by Centro de Estudios Monetarios Latinoamericanos (CEMLA), carried out in San José, Costa Rica, March 3 - 4.
- "X Road Show New York 2016", organized by inPeru, carried out in New York, United States, March 9 - 10.
- "Foreign Reserve Management Workshop", organized by the Deutsche Bundesbank, carried out in Frankfurt, Germany, March 7 - 11.
- "Financial Stability and Development Group Seminar: Risks of Currency Depreciation", organized by the Inter-American Development Bank (IDB) and the Central Bank of Uruguay in Montevideo, Uruguay, March 30 - 31.
- LXXXI Ordinary Meeting of the Board of Fondo Latinoamericano de Reservas (FLAR), held in Bogotá, Colombia, on April 4.
- BIS-CEMLA Regional Workshop on Retail Payments, organized by the BIS, CEMLA, and the Central Bank of Trinidad and Tobago, carried out in Port of Spain, Trinidad and Tobago, April 12 - 13.
- Spring Meetings of the IMF, the World Bank, XLII Meeting of the Latin American Network of Central Banks and Ministries of Finances of the Inter-American Development Bank, carried out in Washington D.C., USA, April 13 - 17.
- LIX Meeting of the Advisory Committee on Financial and Monetary Affairs of the Reciprocal Payments Agreement, organized by Asociación Latinoamericana de Integración (ALADI), held in Punta Cana, Dominican Republic, May 2 - 6.
- CI Meeting of Central Bank Governors, organized by the Bank of Portugal and CEMLA, carried out in Lisbon, Portugal, May 10 - 11.
- Expert Meeting about Central Banks' Macroeconomic Models in Latin America, organized by CEMLA and the IMF Institute, carried out in Mexico City, June 9 - 10.
- XII Meeting of Monetary Policy Managers, co-sponsored by the Bank of Spain and CEMLA, carried out in Madrid, Spain, June 15 - 24.
- IX Latin American Forum for Communications Heads and Spokespersons of the Ministries of Finance and Central Banks, co-organized by the World Bank, the Ministerio de Hacienda and Banco Central de Costa Rica, carried out in San José, Costa Rica, June 23 - 24.
- XV Annual Conference and LXXXVI Annual Meeting of BIS Governors, held in Luzern and Basel, Switzerland, June 23 - 26.



- VI Meeting of Directors of Financial Stability, organized by CEMLA, carried out in Mexico City, July 13 - 15.
- Lecture on "Economía de China, Política Monetaria Global y América Latina: Retos para los bancos centrales de la Región" and LXXXII Extraordinary Meeting of the Board, organized by the FLAR and Banco de Desarrollo de América Latina (CAF), held in Cartagena, Colombia, July 20 - 22.
- "XXXI Annual Economic Meeting", organized by Banco Central del Uruguay, carried out in Montevideo, Uruguay, August 18 - 19.
- "40th Economic Policy Symposium", organized by el Federal Reserve Bank of Kansas City, carried out in Jackson Hole, USA, August 25 - 27.
- "8th IFC Conference Statistical Implications of the New Financial Landscape", organized by the BIS and the Fisher Committee of Central Banks Statistics, carried out in Basel, Switzerland, September 8 - 9.
- XXXI Meeting of Governors of Central Banks of South America, organized by Banco de la República, carried out in Bogotá, Colombia, September 26 - 27.
- LXXXII Ordinary Meeting of the Board of Fondo Latinoamericano de Reservas (FLAR), carried out in Bogotá, Colombia, September 26 - 27.
- Seminar on Big Data and Central Banking, organized by CEMLA and the Deutsche Bundesbank, carried out in Mexico City, September 27 - 29.
- Seminar on Operation Risk in Central Banks 2016, organized by Banco de España and CEMLA, carried out in Madrid, Spain, September 27 - 30.
- "20th Annual Working Party on Monetary Policy in Latin America", organized by the BIS, carried out in Montevideo, Uruguay, September 29 to 30.
- Annual Meetings of the IMF, the World Bank, and associated meetings such as G-24, CEMLA, Third BIS CCA High Level Roundtable on Financial Issues, and XLIV Meeting of the Latin American Network of Central Banks and Ministries of Finances, held in Washington D.C., October 3 - 10.
- "Financial Conditions, Commodity Prices and Monetary Policy in a Dollarized Small Open Economy" in the event of Grupo de Estabilidad Financiera y Desarrollo (EFD), research developed jointly with CEMLA, organized by the IDB and Banco Central de Uruguay, October 17.
- "XI Road Show Europe 2016", organized by inPerú, carried out in London, England, and Madrid, Spain, October 17 to 20.
- XIII Meeting of Central Bank Treasurers and V Meeting of Experts on Currency Anti-Counterfeiting Measures, organized by CEMLA, carried out in Guatemala, Guatemala, October 24 to 28.
- V Meeting of Government Officials specialized in Statistics on Trade of Services, organized by ALADI, carried out in Montevideo, Uruguay, October 25 to 26.
- XXX Conference on Reserve Management, organized by the FLAR, carried out in Cartagena, Colombia, November 2 to 4.
- LX Meeting of the Advisory Committee on Financial and Monetary Affairs of the Reciprocal Payments and Credit Agreement, organized by ALADI, held in Montevideo, Uruguay, November 7 to 11.
- Forum "Lifting the Small Boats: Statistics for Inclusive Growth", organized by the IMF and held in Washington DC., USA, November 17 - 18.
- "Financial Cycles and Policy Response in Latin America", organized by the IDB in Buenos Aires, Argentina, November 21 - 22.

- Sixth Roundtable of Sovereign Asset and Reserve Managers, organized by the IMF, carried out in Washington DC., USA, December 6 - 7.

National Meetings

- Lecture on “Productividad, reasignación y distorsiones: Evidencias de datos de empresas ecuatorianas”, by Professor David Jacho, Emory University.
- Presentation of the book “Medallas del Perú” authored by Pedro de la Puente and Alfred Goepfert.
- Lecture on “Incentivando la productividad en el Perú hacia un sistema de educación y entrenamiento continuo”, by Pablo Lavado, Professor and researcher at Universidad del Pacífico.
- Lecture on “Inflación y juegos políticos”, Professor César Martinelli, George Mason University.
- “Is there a uniqueness problem in the new Keynesian model”, lecture by Lawrence Christiano, Senior Professor, Northwestern University.
- Lecture on “Microfinanzas peruanas: competencia e inclusión en un mercado maduro”, by Socorro Heysen, Gerente General Adjunta de Estudios Económicos de Financiera Confianza.
- “La importancia del gobierno corporativo y la gestión integral de los riesgos”, lecture by Professor David Trillo, Facultad de Ciencias Sociales, Universidad Rey Juan Carlos.
- Presentation of “Perspectivas económicas de América Latina 2016: hacia una nueva asociación con China”, report of the OECD Development Centre.
- “Aplicando la economía conductual para mejorar la gestión de las finanzas públicas”, lecture by Marco Hernández, Senior Country Economist for Central America, The World Bank.
- Presentation of the Regional Economic Outlook (REO): “Perspectivas para América Latina y Caribe”, co-organized with the IMF.
- Presentation of “Índice de Inclusión Financiera”, by David Tuesta, Chief Economist of Financial Inclusion of BBVA.
- VII BIS CCA Annual Research Conference, co-organized with the BIS.
- Seminar on The Payments System, co-organized with the BIS.
- Encuentro Económico de la Región Arequipa.
- Presentation of The World Bank document entitled “La Macroeconomía del Ciclo de Commodities en América Latina: espejismos y dilemas”, by Augusto La Torre.
- “Systemic Risk and Financial Stability”, lecture by Raphael Espinoza, University College London, co-organized with SECO.
- Course on “Monetary Policy – State of Play”, co-organized with the Bank of England and CEMLA.
- XXXIV Encuentro de Economistas.
- Presentation of document entitled “Perspectivas de la Economía Mundial – WEO”, IMF.
- Course on “Monetary Policy and Macro-Prudential Policies in Open Economies”, Lecturer: Professor Gianluca Benigno, London School of Economics.
- Seminar “Basilea III y las implicaciones para su implementación en América Latina y el Caribe”, co-organized with CEMLA.
- V Course on the Payments System.



4. Branch Offices

Banco Central de Reserva del Peru has seven branch offices which are located in the cities of Arequipa, Cusco, Huancayo, Iquitos, Piura, Puno, and Trujillo, and have jurisdiction in 23 departments of the country. Each of the BCRP Branch Offices has a Department of Economic Studies and Operation Departments.

The main role of the BCRP branches is to develop and disseminate studies and reports on the economy of the country's departments, ensure that each region has the appropriate supply of banknotes and coins required by the financial system and the population in general, and oversee the custody operations of the vaults. The BCRP Branch Offices also organize lectures and talks on the economy of the region and on the security features of banknotes and coins.

In addition to this, they periodically publish the document *Síntesis de la Actividad Económica Regional* on the web page of BCRP, providing information about economic and financial developments in each region with statistical data on production, prices and employment, credit and bank deposits, foreign trade operations, and the public budget. Additional information about the economic characteristics and main tourist attractions of each region are also included in the BCRP web page (see *Caracterización económica and Principales atractivos turísticos* of each region).

In 2016, the BCRP Branch Offices signed agreements with several local business organizations such as the Chambers of Commerce of Piura, La Libertad, Cajamarca, Ancash, Madre de Dios, Cusco, Tarapoto, Loreto, Arequipa, Ayacucho, Ica, Huánuco, Huancayo, Lambayeque, Chíncha, Tacna, Ilo, and Moquegua, to strengthen inter-institutional cooperation and promote greater dialogue with the regional business community.

The regional economic meeting of Arequipa – Encuentro Económico Región Arequipa – was carried out in July 2016 with the participation of the main authorities of the Regional Government, members of the business community, public officials, and researchers, who exchanged proposals on the potentials, challenges, and possibilities of the region. On July 5-6, this city also hosted the meeting “El BCRP y el Comité de Reinvención de Bretton Woods”, which brought together leading scholars and officials of the central banks of other countries.

In 2016, BCRP organized presentations of the Inflation Report in each of its seven branch offices and discussed the document “*Síntesis de la Actividad Económica Regional*” in several other cities as well, including the cities of Piura, Chiclayo, Sullana, La Libertad, Cajamarca, Huaraz, Cusco, Iquitos, Pucallpa, Tarapoto, Puno, Juliaca, Arequipa, Moquegua, Huancayo, Tingo María, and Huancavelica. Talks on the mission and role of BCRP were also given to students of various public and private universities in these regions.

Moreover, in 2016 BCRP Branches promoted research papers that were later presented at the XXXIV Encuentro de Economistas carried out in the city of Lima. These papers included, for example, “Un índice de pobreza multidimensional para el Perú”, “Mercado inmobiliario urbano-habitacional de La Libertad”, and “Un índice de calidad del crecimiento para las regiones del Perú”, prepared by researchers of the Branch Office of Trujillo. Furthermore, the Branch Office of Piura organized a course on public budget-related topics addressed to the authorities of the Regional and Local Governments of this region.

During the year, the BCRP branches continued providing training to the personnel of financial entities and the general public on the security features of banknotes and coins. A total of 21,483 people participated in the 564 talks delivered over the year.

The museums of the branch offices of Trujillo, Arequipa, and Piura were visited by 31,358 visitors. The number of people that visited the BCRP Museum in Trujillo represent 76 percent of the total number of people that visited these facilities (23,704 thousand people). It is worth mentioning that the potential of the museums of the branch offices of Piura and Arequipa was optimized in 2016, their showrooms being expanded and renewed to continue contributing to the dissemination of Peru's cultural heritage.

5. Currency Management

In September 2016, BCRP put into circulation the new 1 sol coin featuring the monument known as *Arco Parabólico de Tacna* and completed the 26 coins that make up the “Wealth and Pride of Peru” coin series. BCRP started this series in 2010 with the aim of disseminating Peru’s rich cultural heritage and promoting the development of a numismatic “culture” through means of payment of daily use. In 2016, BCRP also issued 2 other coins of this series: *Cabeza de Vaca*, which represents Tumbes (April) and *Cerámica Shipibo-Konibo*, which represents Ucayali (July).



“Cabeza de Vaca” (Tumbes)



“Cerámica Shipibo-Konibo” (Ucayali)



“Arco Parabólico” (Tacna)

In October 2016, the 1 sol coin of this numismatic series featuring the Cathedral of Lima received the 2016 Nexonum Award as the best coin in the world in the category “Coins of legal tender in 2015”. This is the second time a Peruvian coin is awarded with this prize. In 2014, the same award was given to the 1 sol coin allusive to the Inca Huaytara Temple of Huancavelica. Furthermore, three coins of the Wealth and Pride of Peru Series were included in the category of “best coin in circulation” in the 7th International Convention of Numismatics carried out in Buenos Aires: the coin featuring the “Pusharo petroglyphs” got the first prize and received the “LatiNum” 2014-2015 award, while the coins “Huaca de la Luna” and “Cathedral of Lima” obtained the second and third prizes, respectively.

Two commemorative silver coins were also issued in 2016: the coin commemorating the “Sesquicentennial of the Victory of Dos de Mayo” was issued in April and the coin commemorating “200 años del Nacimiento del Coronel Francisco Bolognesi Cervantes” in November.



“Sesquicentenario de la Victoria del Dos de Mayo”



“200 años del Nacimiento del Coronel Francisco Bolognesi Cervantes”

In February, BCRP issued coins in the denominations of 1 Sol, 2 Soles, and 5 Soles (Circular 004-2016-BCRP) with the new name of the monetary unit (SOL), as provided for by Law No. 30381.

The deadline for changing the name of the monetary unit of Peru from “Nuevo Sol” (S/.) to “Sol” (S/) was extended in December 2016 until December 31, 2017 (Circular N° 027-2016-BCRP). Therefore,



both names and their respective symbols may be used indistinctly in documents, transactions, securities, prices, records, and any other similar document in which the monetary unit of Peru is expressed.

BCRP continued developing information campaigns about the security features of banknotes and coins, as well as training instructors in different banks so that the latter may train the staff of banks about these security features in cities where the BCRP does not have branch offices. In addition to this, information campaigns on these security features were also carried out nationwide through the social media, as well as through television and radio interviews and through the written press, especially in periods where regional festivities are celebrated and large amounts of cash are moved.

Banknotes and Coins in Circulation

In 2016, the amount of banknotes and coins in circulation was higher than in 2015, both in terms of value and in terms of units. The balance of the value of banknotes in circulation in December 2016 was S/ 48.77 billion (4.4 percent higher than in December 2015), while the balance of the value of coins in circulation was S/. 2.29 billion (5.7 percent higher than in December 2015).



The number of banknotes in circulation at the end of 2016 was 759 million units (a figure 3.0 percent higher than that recorded at the end of 2015) and the number of coins in circulation was 3.76 billion coins (7.7 percent higher than at the end of 2015).

As for the most used banknotes, the use of S/ 100 banknotes stands out both in terms of value and of the number of units used, which would be reflecting banks' preference for these banknotes to supply ATMs and cash operations at a bank counter.

STRUCTURE OF CURRENT IN CIRCULATION EMITTED BY DENOMINATION: DECEMBER 2016				
Banknotes	Unit (Million)	Unit (% allocation)	Value (Million S/)	Value (% allocation)
10	126	16.6%	1,263	2.6%
20	138	18.2%	2,765	5.7%
50	125	16.5%	6,265	12.8%
100	354	46.6%	35,362	72.5%
200	16	2.0%	3,111	6.4%
TOTAL	759	100.0%	48,765	100.0%
Coins	Unit (Million)	Unit (% allocation)	Value (Million S/)	Value (% allocation)
0.05	449	12.0%	22	1.0%
0.10	1,392	37.0%	139	6.1%
0.20	391	10.4%	78	3.4%
0.50	444	11.8%	222	9.7%
1.00	785	20.9%	785	34.3%
2.00	151	4.0%	303	13.2%
5.00	147	3.9%	797	32.2%
TOTAL	3,760	100.0%	2,286	100.0%

In the case of coins, the circulation of the coins in the denominations of 1 sol and 10 cents is particularly noteworthy due to their significantly widespread use to pay fares and retail transactions.

Coin Minting

Casa Nacional de Moneda (Peru's National Mint) produced 300 million coins in 2016, 4.8 percent less than in 2015. The largest production was coins in the denominations of ten cents (S/ 0.10) and one Sol (S/ 1), which together represented 61 percent of the total of coins produced in the year (like in 2015).

PRODUCTION OF COINS - 2016			
Denomination	Alloy	Quantity (Million units)	Monetary value (Million soles)
S/ 0.05	Aluminum	27.0	1.35
S/ 0.10	Brass	107.0	10.70
S/ 0.20	Brass	43.0	8.60
S/ 0.50	Nickel-silver	26.0	13.00
S/ 1.00	Nickel-silver	76.0	76.00
S/ 2.00	Bi-metal	16.0	32.00
S/ 5.00	Bi-metal	5.0	25.00
Total		300.0	166.65

Source: BCRP.

Destruction of Banknotes

A total of 290.7 million banknotes with a monetary value equivalent to S/ 12.00 billion was destroyed in 2016. Moreover, 55 percent of the banknotes destroyed was banknotes of ten soles and twenty soles (S/ 10 and S/ 20).



DESTRUCTION OF BANKNOTES: 2016		
Denomination	Quantity (Million units)	Monetary value (Million soles)
S/ 10	87.8	878.1
S/ 20	73.0	1,460.9
S/ 50	70.8	3,541.9
S/ 100	56.8	5,680.4
S/ 200	2.2	441.2
Total	290.7	12,002.4

Source: BCRP.

6. Circulars

During 2016, BCRP issued 30 circulars: 4 circulars were about regulations on reserve requirements, 3 about monetary instruments, 1 about payment agreements, 7 about banknotes and coins, 3 about 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 Banks and Insurance Companies. The circulars issued in 2016 were the following:

- **Reserve Requirements**

Circular 002-2016-BCRP (29/01/2016)
Circular 005-2016-BCRP (26/02/2016)
Circular 029-2016-BCRP (27/12/2016)
Circular 030-2016-BCRP (27/12/2016)

- **Monetary Instruments**

Circular 016-2016- BCRP (10/07/2016)
Circular 023-2016- BCRP (11/10/2016)
Circular 028-2016- BCRP (16/12/2016)

- **Payment Agreements**

Circular 013-2016- BCRP (06/06/2016)

- **Banknotes and Coins**

Circular 004-2016-BCRP (26/02/2016)
Circular 008-2016-BCRP (05/04/2016)
Circular 010-2016-BCRP (28/04/2016)
Circular 017-2016-BCRP (13/07/2016)
Circular 020-2016-BCRP (29/09/2016)
Circular 024-2016-BCRP (31/10/2016)
Circular 027-2016-BCRP (16/11/2016)

- **First-Class Banks**

Circular 009-2016-BCRP (06/04/2016)
Circular 014-2016-BCRP (21/06/2016)
Circular 022-2016-BCRP (04/10/2016)

- **Daily Adjustment Index**

Circular 001-2016-BCRP (04/01/2016)
Circular 003-2016-BCRP (01/02/2016)
Circular 006-2016-BCRP (01/03/2016)
Circular 007-2016-BCRP (01/04/2016)
Circular 011-2016-BCRP (02/05/2016)
Circular 012-2016-BCRP (01/06/2016)
Circular 015-2016-BCRP (01/07/2016)
Circular 018-2016-BCRP (01/08/2016)
Circular 019-2016-BCRP (01/09/2016)
Circular 021-2016-BCRP (04/10/2016)
Circular 025-2016-BCRP (02/11/2016)
Circular 026-2016-BCRP (02/12/2016)



Wari. Headband depicting a deity woven in the technique of tapestry. Textile art was very precious to the ancient Peruvians: the finest garments were used by priests and rulers. Approximately 1000 years old. 16 cm. diameter x 10 cm.



FINANCIAL STATEMENTS

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 which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of income and other comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes (included in notes 1 to 28).

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 Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2016 and 2015, and its financial performance and cash flows for the years then ended, in accordance with accounting principles described in note 2.

Lima, Peru
February 22, 2017

Paredes, Burga & Asociados

Countersigned by:

W. Rubiños

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

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015

	Note	2016 (S/ 000)	2015 (S/ 000)
ASSETS			
Gross international reserves:			
Cash in foreign currency		167,886	170,699
Deposits in foreign banks	3	72,652,393	68,576,820
Deposits in foreign institutions	4	2,422,318	2,544,531
Securities from international institutions	5	125,166,480	131,177,712
Gold	6	4,300,434	4,023,913
Contributions to international institutions	7	2,074,050	2,907,637
Other available assets		<u>188,920</u>	<u>316,663</u>
		<u>206,972,481</u>	<u>209,717,975</u>
Other assets abroad:			
Contributions in local currency to IMF	7 (d)	5,876,659	2,069,904
Other assets abroad	11 (c)	<u>67,040</u>	<u>68,160</u>
		<u>5,943,699</u>	<u>2,138,064</u>
Domestic credit:			
	8		
To banks		28,778,238	30,491,916
To the public sector		3,067,297	2,856,443
To other entities and funds		139,371	45,717
To the private sector		-	9
		<u>31,984,906</u>	<u>33,394,085</u>
Property, furniture and equipment, net	9	<u>166,587</u>	<u>158,005</u>
Other assets	10	<u>283,482</u>	<u>397,160</u>
TOTAL ASSETS		<u>245,351,155</u>	<u>245,805,289</u>
Off-balance sheet accounts	20	<u>84,747,493</u>	<u>139,478,624</u>

The accompanying notes are an integral part of these statements.

	Note	2016 (S/ 000)	2015 (S/ 000)
LIABILITIES AND NET EQUITY			
Reserve liabilities		202,546	177,471
Other liabilities abroad:			
Equivalent of the contribution in local currency to IMF	7 (d)	5,876,659	2,069,689
Other liabilities abroad	11	2,819,320	2,950,029
		<u>8,695,979</u>	<u>5,019,718</u>
Sterilized stock:			
Outstanding securities issued	12	23,083,724	22,544,000
Deposits in local currency	13	30,856,046	32,256,053
		<u>53,939,770</u>	<u>54,800,053</u>
Monetary base:			
	14		
Currency in circulation		51,056,385	48,890,028
Deposits in local currency		2,318,388	2,401,455
		<u>53,374,773</u>	<u>51,291,483</u>
Deposits in foreign currency	15	89,831,931	93,595,612
Other liabilities	16	28,440,828	30,784,904
TOTAL LIABILITIES		<u>234,485,827</u>	<u>235,669,241</u>
NET EQUITY			
	17		
Capital		1,182,750	1,182,750
Legal reserve		686,917	-
Fair value reserve		(889,064)	(1,614,827)
Retained earnings		245,325	915,890
		<u>1,225,928</u>	<u>483,813</u>
Capital, reserves and retained earnings		1,225,928	483,813
Readjustment for valuation article N° 89 – Organic Act	17 (e)	9,639,400	9,652,235
TOTAL NET EQUITY		<u>10,865,328</u>	<u>10,136,048</u>
TOTAL LIABILITIES AND NET EQUITY		<u>245,351,155</u>	<u>245,805,289</u>
Off-balance sheet accounts	20	<u>84,747,493</u>	<u>139,478,624</u>

Not includes the liability off-balance sheet accounts.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

	<u>Note</u>	<u>2016</u> (S/ 000)	<u>2015</u> (S/ 000)
FINANCIAL INCOME			
Interest on deposits in foreign Banks	3 (c)	358,774	168,947
Net yield on securities	5 (e)	507,367	728,076
Interest on international agreements and deposits in IMF		2,246	1,884
Profits and dividends received from international institutions		<u>21,834</u>	<u>7,979</u>
Yield on gross international reserves		<u>890,221</u>	<u>906,886</u>
Interest and commissions on domestic credit operations	8 (d)	1,345,924	1,031,603
Other financial income	20 (e)	<u>601,471</u>	<u>856,916</u>
Total financial income		<u>2,837,616</u>	<u>2,795,405</u>
Non-financial income		<u>6,665</u>	<u>7,437</u>
TOTAL INCOME		<u>2,844,281</u>	<u>2,802,842</u>
FINANCIAL EXPENSES			
Interest on liabilities abroad	11 (d)	(2,398)	(1,384)
Interest on outstanding securities issued	12 (c)	(903,082)	(585,617)
Interest on local currency deposits	13 (c)	(949,561)	(852,509)
Interest on foreign currency deposits	15 (d)	(291,660)	(90,112)
Other financial expenses		<u>(91,993)</u>	<u>(8,574)</u>
Total financial expenses		<u>(2,238,694)</u>	<u>(1,538,196)</u>
Operating expenses	21	(275,699)	(266,485)
Expenses and cost of issuance	22	(84,563)	(82,271)
TOTAL EXPENSES		<u>(2,598,956)</u>	<u>(1,886,952)</u>
Net profit		245,325	915,890
Other comprehensive income:	5(e) and 8(c)	<u>725,763</u>	<u>(317,556)</u>
TOTAL COMPREHENSIVE INCOME		<u><u>971,088</u></u>	<u><u>598,334</u></u>

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015

	Capital, reserves and retained earnings				Readjustment for valuation article N° 89 – Organic Act	Total net equity
	Capital	Legal reserve	Fair value reserve	Retained earnings		
	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)
Balance as of January 1, 2015	1,182,750	-	(1,297,271)	(716,336)	3,237,268	2,406,411
Net profit	-	-	-	915,890	-	915,890
Other comprehensive income, notes 5(e) and 8(c)	-	-	(317,556)	-	-	(317,556)
Total comprehensive income	-	-	(317,556)	915,890	-	598,334
Loss coverage Ministry of Economy and Finances (MEF), D.S.108-2014-EF, notes 1 and 17(d)	-	-	-	716,336	-	716,336
Readjustment for valuation of the year, note 17(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
Net profit	-	-	-	245,325	-	245,325
Other comprehensive income, notes 5(e) and 8(c)	-	-	725,763	-	-	725,763
Total comprehensive income	-	-	725,763	245,325	-	971,088
Transfers to legal reserve, note 17(b)	-	686,917	-	(686,917)	-	-
Transfer of profit to the Public Treasury, note 17(d)	-	-	-	(228,973)	-	(228,973)
Readjustment for valuation of the year, note 17(e)	-	-	-	-	(12,835)	(12,835)
Balance as of December 31, 2016	1,182,750	686,917	(889,064)	245,325	9,639,400	10,865,328

The accompanying notes are integral part of these statements.

**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2016 and 2015

	2016	2015
	(S/ 000)	(S/ 000)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	245,325	915,890
Adjustments to reconcile net profit to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation of property, furniture and equipment	11,545	11,025
Amortization of intangible assets	1,915	1,076
Write-offs of fixed assets	721	1,083
Net changes in assets, liabilities and equity accounts		
Decrease (increase) of domestic credit	1,409,179	(20,673,637)
Increase of other assets abroad	(3,805,635)	(355,343)
Decrease (increase) of other assets	111,763	(65,904)
Increase of reserve liabilities	25,075	44,402
Increase of other liabilities abroad	3,676,261	597,379
Increase of outstanding securities issued	539,724	4,632,680
Decrease of deposits in local currency (sterilized stock)	(1,400,007)	(6,281,089)
Decrease of deposits in local currency (monetary base)	(83,067)	(3,920,489)
(Decrease) increase of deposits in foreign currency	(3,763,681)	20,251,689
(Decrease) increase of other liabilities	(2,344,076)	21,256,331
Increase (decrease) of fair value reserve	725,763	(317,556)
(Decrease) increase of readjustment in valuation article N° 89 - Organic Act	(12,835)	6,414,967
Transfer of profit to the Public Treasury	(228,973)	-
Cash and cash equivalents (used in) provided by operating activities	(4,891,003)	22,512,504
Cash flows from investing activities:		
Additions to property, furniture and equipment	(20,848)	(15,075)
Cash and cash equivalents used in investing activities	(20,848)	(15,075)
Net (decrease) increase in cash and cash equivalents	(4,911,851)	22,497,429
Cash and cash equivalents at the beginning of the year	160,827,947	138,330,518
Cash and cash equivalents at the end of the year (note 2.2(p))	155,916,096	160,827,947

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2016 and 2015

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, 2016 and 2015, the number of employees hired to develop its activities was 977 and 1,006, respectively (It includes bank workers, temporary workers, workers on leave without pay or on temporary assignment (without pay)).

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 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, 2016, prepared in accordance with accounting principles described in note 2, were approved for issuance by the Central Bank's Management on January 19, 2017 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, 2015, were approved by the Board of Directors at their meeting held on March 17, 2016.

Net equity

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

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. The call and the amortization of interest, fees and other expenses incurred by these bonds, is supported by the Central Bank's profits corresponding to the Treasury, according to the provisions of Article No. 92 of the Organic Act.

On March 17, 2016, 25 percent of net income for the year 2015 was used to repay the principal of these bonds and the corresponding accrued interest for the amounts of S/ 217 million and S/ 12 million, respectively, see note 17 (d). The Central Bank's Management will use an amount of S/ 61 millions of the profits generated in the period 2016, to amortize the aforementioned bonds.

The increase in financial income obtained in 2016 in relation to 2015 is associated with an increase in the balance of lending operations denominated in local currency, such as currency repos and security repos, which increased income in Soles, compared to prior period income. These operations were used more intensively in these periods in order to support credit de-dollarization, in a context of reserve requirements actions aimed at reducing the balance of credit in foreign currency.

Likewise, the increase in financial expenses observed during 2016 in relation to 2015 corresponds to higher interest paid for monetary sterilization operations and to an increase in interest rates of deposits denominated in foreign currency and domestic currency.

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 the Board's power and authority (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, 2016 and 2015, accordingly (note 2.2(w)), 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 2016 versions of IFRS 1 to 16, 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 in the caption "Readjustment in valuation article N° 89 – Organic Act" of the statements of changes in 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, 2016 and 2015, this adjustment amounted to a decrease of S/ 13 million and an increase of S/ 6,415 million, respectively; see paragraph 2.2(e) below and note 17(e).

(ii) Recording of embedded derivatives

As of December 31, 2016 and 2015, indexed certificates of deposit (CDR BCRP for its Spanish acronym), are accounted at its nominal value, recognizing the currency valuation difference in the item "Adjustments for valuation article N° 89 - Organic Act" of the statements of changes in equity, see (vi) below.

As of December 31, 2015, the Central Bank recorded its investments in structured instruments that are provided with embedded derivatives as held-to-maturity investments, which were valued at their estimated market value, without separating the embedded derivatives. Instrument valuation was obtained from Bloomberg information service.

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 instruments classified as available-for-sale in the item "Securities from international entities" acquired until December 31, 2013, as well as securities issued by MEF in foreign currency that are part of the item "Domestic credit" until December 31, 2015, see note 2.2 (c.i), 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 worth to mention that in order to determine the greater or lesser value of the instruments classified as available-for-sale in the item "Securities from international entities" acquired since January 1, 2014 and securities issued by MEF in foreign



currency which are part of the caption "Domestic Credit", as of January 1, 2016, the fair value is compared to the amortized cost; the amortized cost is determined using the effective interest rate methodology, see note 2.2(c.i).

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

(v) Disclosure of financial instruments

As of December 31, 2016 and 2015, 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 has instruments related to exchange rate, such as: (i) transactions with trading derivatives, note 2.2 (f); (ii) operations with indexed certificates of deposit (CDR BCRP), note 2.2 (l) and; (iii) foreign exchange swap transactions, note 2.2 (t).

Gains and losses from changes in fair value and from exchange rates are recorded in the item "Adjustment for valuation No.89 - Organic Act" of the statements of changes in equity, and the income statement of the period is not affected in any case.

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

(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 17(d)), are recorded as a financial asset at its nominal value in the item "Domestic Credit" of the statements 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.

2.2 Accounting criteria

The main accounting principles and practices used in the preparation of the accompanying financial statements, are as follows:

(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 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 as of December 31, 2015, mainly by financial instruments with embedded derivatives; actuarial provision for supplemental retirement, widowhood, health care and burial benefits, the respective accounting criteria of which are described in notes to the financial statements.

(b) Financial instruments

According to Central Bank's policies, securities issued by MEF are not considered as financial assets and its recognition and measurement is performed according to what is explained in notes 2.1(vii) 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 recorded in the financial statements correspond to the gross international reserves, the other assets abroad, domestic credit, assets recorded in the item "Other assets", with the exception of those detailed as non-financial assets (see note 10); and the financial liabilities correspond to liabilities in general, except for those detailed as non-financial liabilities in the item "Other liabilities" (see note 16). 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.

The initial recognition and the subsequently measurements of the investments mentioned above are carried out in accordance with the following criteria:

Classification

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

Available-for-sale investments are 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:**

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 from international institutions acquired until December 31, 2013

Upon initial recognition, available-for-sale investments are measured at fair value, and unrealized gains and losses are recorded in the caption "Fair value reserve" of the statements of changes in 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 from international institutions 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" of the statements of changes in equity.

- For securities issued by MEF

At the Board of Directors Meeting held on June 2, 2016, it was approved that since 2016, the measurement of all bonds issued by MEF in foreign currency would be at fair value, first applying the determination of the amortized cost and recording the difference between these two in the statements of changes in equity. The Central Bank has decided to apply this change prospectively, without affecting the 2015 financial statements. Until December 31, 2015, the Central Bank recorded the difference between the fair value and the acquisition cost in the statements of changes in equity, as stated in note 2.1 (iii).

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 affect 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 caption "Net yield of securities" of the statements of income and other comprehensive income.

(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 caption "Net yield of securities" of the statements of income and other comprehensive income.

As of December 31, 2015, securities classified as held-to-maturity corresponded mainly to structured bonds which were held with the purpose of diversifying investments, in accordance with the agreements reached by the Board of Directors. Some of these securities had embedded derivatives related to other underlying assets that were not separated and were 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 according 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 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 purchase exchange rate of the date when transactions are performed and are expressed in Soles every day using closing purchase exchange rate; in the case of the U.S. dollar the exchange rate used is the established by the SBS and balances in other currencies are expressed according to the exchange rates provided by Bloomberg and Reuters, see note 25(iii).

The Central Bank records the exchange rate adjustment in the item "Adjustment for valuation article N° 89 - Organic Act" of the statements of changes in equity.

(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 20(b) and (f), 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 from changes in the fair value of futures and forward exchange operations are recorded in the item "Net yield on securities" of the statements of income and other comprehensive income, and the item "Adjustment for valuation article N° 89 - Organic Act" of the statements of changes in equity, respectively, recognizing an asset or a liability in the statements of financial situation, as appropriate.

(ii) Embedded derivatives

As of December 31, 2015, the Central Bank holds held-to-maturity structured instruments as part of the caption "Securities from international entities" of the statements of financial position, note 5, whose yields were indexed to variables such as the inflation rate of the United States of America, the variations in the price of gold, among others.

The Central Bank recorded the valuation of instruments that include embedded derivatives as of the presentation date of the financial statements in the caption "Fair value reserve" of the statements of changes in equity. Valuation of these instruments, without separating the embedded derivatives, were obtained from Bloomberg's data service. The effects of such valuation were recorded at its maturity date in the caption "Net yield on securities" of the statements of income and other comprehensive 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 "Adjustment for valuation article N° 89 – Organic Act" of the statements of changes in 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 caption "Other assets" of the statements of financial position, note 10. The acquisition cost of donations is recorded in the caption "Non-financial income" of the statements of income and other comprehensive 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 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 income and other 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:

	<u>Years of useful lives</u>
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 statements 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 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.

Indexed certificates of deposits are adjusted for the variation of the Sol / U.S. Dollar exchange rate, this variation is registered in the caption "Readjustment for valuation article N° 89 - Organic Act" of the statements of changes in equity.

(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 in the statements 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 income statement of the period when 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 16(b), minus the costs for past services and the fair value of the plan assets that will be used to liquidate said obligations. The plan assets are managed by long-term benefits fund for the personnel. The plan assets are neither available for 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, are made up by 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 the caption "Other liabilities" of the statements of financial position, note 16(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" of the statements of financial position (note 10(b) and (d)), 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" of the statements of financial position. As shown below:

	2016 (S/ 000)	2015 (S/ 000)
Gross international reserves	206,972,481	209,717,975
Less:		
Currency in circulation	<u>(51,056,385)</u>	<u>(48,890,028)</u>
Cash and cash equivalents	<u>155,916,096</u>	<u>160,827,947</u>

The difference between total gross international reserves and reserve liabilities (consisting of obligations with international entities), represent net international reserves. These gross international 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 statements 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 statements 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:

- Securities issued by 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 17(d)) which are recorded at their nominal value and bear interest at the agreed interest rate (coupon rate).
- Security re-purchase agreements (repos) 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 statements 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 statements 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 20(e)) 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 U.S. dollars and also pays the exchange valuation on the notional value in U.S. dollars.

The Central Bank calculates interest receivable and payable, which are recognized in the statements of income and other comprehensive income in the period in which they accrue, under the captions "Other financial income" and "Other financial expenses" with counterpart in the captions "Other assets" and "Other liabilities" in the statements of financial position, respectively. Similarly, the Central Bank recognizes the exchange valuation difference on the notional amount committed in U.S. dollars in the caption "Readjustment for valuation article N° 89 -Organic Act" of the statements of changes in equity, with counterpart in the asset and liability captions mentioned above, as appropriate.

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

(u) Reclassifications

As of December 31, 2015, the unpaid signed contributions to international organizations were recorded in the captions "Other assets" and "Other liabilities" of the statements of financial position. In this sense, the Central Bank has reclassified these payable and receivable accounts to present them net and make them comparable with the presentation of the current year. Management considers that the reclassifications made in the Central Bank financial statements as of December 31, 2015, are not significant considering the financial statements as a whole.

(v) Subsequent events

Events after reporting date which provide additional information about the financial situation of the Central Bank at the date of the statements of financial position (adjustment events) are included in the financial statements. Significant subsequent events that do not imply adjustments to the financial statements are disclosed in notes to the financial statements.

(w) New pronouncements**(i) IFRS issued and effective in Peru as of December 31, 2016:**

During the year 2016, the Accounting Standards Board (hereinafter "CNC" for its Spanish acronym) issued the following resolutions, through which made it official the following standards:

- Resolution No. 060-2016-EF / 30 issued on February 4, 2016, which formalized the amendments to IFRS 15 "Revenue from Contracts with Customers", IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures".
- Resolution No. 061-2016-EF / 30 issued on March 31, 2016, which formalized the amendments to IAS 12 "Income Taxes" and to IAS 7 "Statement of Cash Flows".
- Resolution No. 062-2016-EF / 30 issued on June 9, 2016, which formalized IFRS 16 "Leases" and amendments to IFRS 15 "Revenue from Contracts with Customers".

- Resolution No. 063-2016-EF / 30 issued on September 2, 2016, through which formalized the 2016 version of the IAS, IFRS, IFRIC and SIC, as well as the Conceptual Framework for Financial Information.

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

(ii) IFRS issued internationally but not yet effective as of December 31, 2016

Issued in 2016:

- IFRS 16 "Leases", effective for annual periods beginning on or after January 1, 2019.
- IFRIC 22 "Foreign Currency Transactions and Advance Payments", effective for annual periods beginning on or after January 1, 2018.
- Amendments to IAS 7 "Statement of Cash Flows - Disclosures", effective for annual periods beginning on or after January 1, 2017.
- Amendments to IAS 12 "Income Tax - Tax Assets for Unrealized Losses", effective for annual periods beginning on or after January 1, 2017.
- Amendments to IAS 40 "Investment Property", effective for annual periods beginning on or after January 1, 2018.
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions", effective for annual periods beginning on or after January 1, 2018.
- Clarifications to IFRS 15 "Revenue from Contracts with Customers", effective for annual periods beginning on or after January 1, 2018.
- Improvements (cycles 2014 - 2016) to IFRS 12 "Disclosures about Investments in Other Entities", effective for annual periods beginning on or after January 1, 2017; and IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures", effective for annual periods beginning on or after January 1, 2018.

Issued until 2015:

- IFRS 9 "Financial Instruments: Classification and Measurement", effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 "Revenue from Contracts with Customers", effective for annual periods beginning on or after January 1, 2018.
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", effective for annual periods beginning on or after a date to be determined by the IASB.



Because standards detailed in paragraph (w) solely apply in a supplementary manner with those developed by the Organic Act and the standards issued by the Central Bank Board of Directors', they will not have a 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. DEPOSITS IN FOREIGN BANKS

(a) This item is made up as follows:

	2016 (S/ 000)	2015 (S/ 000)
Time deposits (b)	72,599,980	68,551,785
Accrued interest (c)	<u>45,867</u>	<u>12,465</u>
	72,645,847	68,564,250
Demand deposits	6,058	12,085
Accrued interest from gold deposits, note 6(c)	<u>488</u>	<u>485</u>
Total	<u>72,652,393</u>	<u>68,576,820</u>

(b) As of December 31, 2016 and 2015, 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\$ 17,970 million and US\$ 16,878 million, respectively.

As of December 31, 2016, deposits in foreign banks accrued an average annual interest rate of 0.75 percent (0.40 percent as of December 31, 2015).

(c) As of December 31, 2016 and 2015, the Central Bank recognized interest income for deposits in foreign banks for S/ 359 million and S/ 169 million, respectively, which is presented in the caption "Financial income" of the statements of income and other comprehensive income.

4. DEPOSITS IN INTERNATIONAL INSTITUTIONS

As of December 31, 2016 and 2015, correspond to deposits in IMF, denominated in SDR, which bear interest at average annual rates of 0.24 and 0.05 percent, respectively, 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.

5. SECURITIES FROM INTERNATIONAL INSTITUTIONS

(a) This item is made up as follows:

	2016			2015			
	Cost (i)	Unrealized gross amount		Cost (i)	Unrealized gross amount		Book value (iii)
		Increase	Decrease (ii)		Increase	Decrease (ii)	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Available-for-sale investments -							
Deposit certificates	12,989,020	-	-	12,849,732	-	-	12,849,732
Short-term sovereign securities (iv)	50,928,039	8,270	(350,585)	60,826,764	2,583	(748,113)	60,081,234
Short-term supranational securities (v)	9,686,259	1,955	(8,980)	9,021,885	133	(36,055)	8,985,963
Long-term sovereign securities (iv)	44,269,879	15,744	(320,583)	41,552,521	11,187	(500,573)	41,063,135
Long-term supranational securities (v)	7,733,276	26,763	(39,346)	7,628,035	47,605	(40,607)	7,635,033
	125,606,473	52,732	(719,494)	131,878,937	61,508	(1,325,348)	130,615,097
Held-to-maturity investments -							
Supranational securities (v)	-	-	-	310,511	-	(8)	310,503
Balance of available-for-sale and held-to-maturity investments (c)							130,925,600
Accrued interest							252,112
Total							131,177,712

- (i) 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. Hold to maturity security's cost corresponds to the amortized cost according to accounting policies indicated in note 2.2(c).
- (ii) As of December 31, 2016 and 2015, 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).
- (iii) 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).
- (iv) Correspond to securities issued by central governments. It is worth mentioning that as of December 31, 2016 and 2015, the Central Bank's portfolio was mainly invested in sovereign bonds issued by the US Treasury.
- (v) As of December 31, 2015, 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, 2016 and 2015, the maturities and the nominal annual interest rates on investments are as follows:

	Maturity		Nominal interest rate (*)						
	2016	2015	2016		2015		Other currencies		
			US\$	Other currencies	US\$	Other currencies	Min.%	Max.%	
Available-for-sale investments -									
Deposit certificates	Jan.2017 / Feb.2017	Jan.2016 / Mar.2016	0.85	0.28	0.27	0.40	0.43	-	-
Short-term sovereign securities	Jan.2017 / Dec.2017	Jan.2016 / Dec.2016	0.13	0.39	0.13	2.70	5.38	4.00	6.00
Short-term supranational securities	Jan.2017 / Dec.2017	Jan.2016 / Dec.2016	0.55	2.00	0.21	2.00	5.25	2.38	6.00
Long-term sovereign securities	Jan.2018 / Oct.2021	Jan.2017 / Oct.2020	0.13	1.00	0.13	4.50	4.63	0.66	8.75
Long-term supranational securities	Jan.2018 / Dec.2019	Jan.2017 / Jun.2020	0.75	0.75	0.34	4.75	2.38	1.38	6.25
Held-to-maturity investments -									
Supranational securities	-	Jan.2016	-	-	-	-	-	2.25	2.25

(*) The nominal rate corresponds to the coupon rate for investments in bonds, and to the discount rate for deposit certificates, commercial papers, and other fixed income instruments, without considering the premiums or discounts obtained at the acquisition of the instruments detailed above.

- (c) As of December 31, 2016 and 2015, 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 Fitch, Standard & Poor's and Moody's agencies. 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:

	2016 (S/ 000)	2015 (S/ 000)
Up to 3 months	35,436,806	35,139,925
From 3 months to 1 year	37,817,172	47,087,507
From 1 to 3 years	50,481,051	46,022,067
From 3 to 5 years	742,501	1,652,068
More than 5 years	<u>462,181</u>	<u>1,024,033</u>
Total	<u>124,939,711</u>	<u>130,925,600</u>

- (e) As of December 31, 2016 and 2015, the Central Bank recognized revenues for net yields of securities for S/ 507 million and S/ 728 million, respectively, which are part of the caption "Financial income" of the statements of income and other comprehensive income. Likewise, during 2016 and 2015, it was recognized an increase of S/ 597 million and a decrease of S/ 135 million, respectively, in the caption "Fair value reserve" of the statements of changes in equity, see note 2.2(c)(i).

6. GOLD

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

	2016 (S/ 000)	2015 (S/ 000)
In the country		
Gold coins (b)	2,131,176	1,994,232
Provision for cost of converting gold coins to high purity or "good delivery" gold bars	<u>(2,288)</u>	<u>(2,327)</u>
	2,128,888	1,991,905
Abroad -		
Gold bars (c)	<u>2,171,546</u>	<u>2,032,008</u>
Total	<u>4,300,434</u>	<u>4,023,913</u>

- (b) As of December 31, 2016 and 2015, 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, 2016 and 2015, 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, 2016 these time deposits accrue interests at an annual rate of 0.47 percent and have a 62-day term since their issuance date (as of December 31, 2015 they accrued interests at a rate of 0.62 percent and had a 63-day term since their

issuance date). Accrued interests as of December 31, 2016 and 2015 were recorded in the caption "Deposits in foreign banks" of the statements of financial position, note 3.

7. CONTRIBUTIONS TO INTERNATIONAL INSTITUTIONS

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

	2016 (S/ 000)	2015 (S/ 000)
Contributions to FLAR (b)	1,641,062	1,649,178
Contribution to BIS (c)	296,111	311,107
Contributions to IMF (d)	<u>136,877</u>	<u>947,352</u>
	<u>2,074,050</u>	<u>2,907,637</u>

- (b) This contribution grants Peru access to financing facilities from FLAR. As of December 31, 2016, paid contributions to FLAR amounted to US\$ 490 million, equivalent to S/ 1,641 million (US\$ 484 million equivalent to S/ 1,649 million, as of December 31, 2015). As of December 31, 2016 and 2015, Peru's participation in FLAR accounts for 17 and 18 percent of its subscribed capital, respectively. Also, as of December 31, 2016, the Central Bank holds contributions pending of capitalization for an amount of US\$ 174 million, equivalent to S/ 583 million (US\$ 180 million equivalent to S/ 612 million, as of December 31, 2015), which were recorded as receivables and payables, and are presented net in the statements of financial position, see note 2.2(u).
- (c) 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, 2016 and 2015, 25 percent of market value of such shares has been paid, which are equivalent to SDR 66 million, equivalent to S/ 296 million (equivalent to S/ 311 million, as of December 31, 2015). The 75 percent of the market value of said shares, corresponding to SDR 197 million, equivalent to S/ 888 million (equivalent to S/ 933 million, as of December 31, 2015), were recorded as receivables and payables, and are presented net in the statements of financial position, see note 2.2(u).
- (d) Contribution to IMF grants Peru access to IMF's financing facilities. IMF determines Peru's contribution as a participating country, which as of December 31, 2016 and 2015 amounts to SDR 1,335 million and SDR 638 million, respectively; made up by contributions in SDR and contributions in Soles. As of December 31, 2016 and 2015, Peru's participation in the total share held by IMF member countries is 0.28 and 0.27 percent, respectively, and comprises the following:

	2016 (S/ 000)	2015 (S/ 000)
Contribution in SDR:		
Contribution to IMF in SDR (i)	<u>136,877</u>	<u>947,352</u>
Contribution in local currency:		
Contribution to IMF, equivalent in local currency (ii)	6,046,039	1,925,739
Revaluations to be liquidated – contribution to IMF in local currency (iii)	<u>(169,380)</u>	<u>144,165</u>
Total contribution in local currency	<u>5,876,659</u>	<u>2,069,904</u>
Total contribution to IMF	<u>6,013,536</u>	<u>3,017,256</u>

- (i) As of December 31, 2016 and 2015, it corresponds to contributions granted by Peru to the IMF of SDR 30 million and SDR 200 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 caption "Other liabilities abroad" of the statements 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 (equivalent to S/ 3,017,256,000) to SDR 1,335 million (equivalent to S/ 6,013,536,000). 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.

8. DOMESTIC CREDIT

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

	2016 (S/ 000)	2015 (S/ 000)
To banks (b):		
Currency repo transactions	26,125,600	27,559,700
Security repo transactions	2,057,119	2,492,870
Commissions receivable for currency repo transactions	595,519	430,530
Interest receivable for security repo transactions	-	8,816
	<u>28,778,238</u>	<u>30,491,916</u>
To the public sector (c):		
Bonds issued by MEF in foreign currency	1,928,942	1,890,263
Securities issued by MEF in local currency	704,246	921,438
Currency repo transactions	380,600	-
Interest receivable	51,658	44,742
Commissions receivable for currency repo transactions	1,851	-
	<u>3,067,297</u>	<u>2,856,443</u>
To other entities and funds (b):		
Currency repo transactions	123,600	45,000
Security repo transactions	14,993	-
Commissions receivable for currency repo transactions	778	717
	<u>139,371</u>	<u>45,717</u>
To private sector	-	9
Total	<u><u>31,984,906</u></u>	<u><u>33,394,085</u></u>



- (b) As of December 31, 2016 and 2015, the Central Bank carried out currency repos 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, 2016, these transactions had interest rates which ranged between 2.16 and 5.97 percent, with settlement dates between January 2017 and October 2020 (as of December 31, 2015 they had interest rates between 2.62 and 6.46 percent and settlement dates between January 2016 and October 2020).

Also, as of December 31, 2016, BCRP had current purchase transactions with repurchase commitment of certificates of deposit (security repos) with banks at an average interest rate of 5.4 percent and which settlement date is due between January and June 2017 (as of December 31, 2015, security repo transactions were held at an average interest rate of 4.72 percent with settlement dates between January and June 2016).

- (c) As of December 31, 2016 and 2015, 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, 2016, an increase of S/ 129 million (a decrease of S/ 183 million, as of December 31, 2015) in fair value were recorded in the caption "Fair value reserve" of the statements of financial position, note 17(c).

On the other hand, the Central Bank holds securities issued by the MEF that were received in August 2015 for an amount of S/ 704 million, intended to cover losses for the year 2014. These securities were issued with a 20 years term at an interest rate of 2.20 percent per annum, settled at maturity or when the call option is exercised. Such call and amortization of interest, fees and other expenses incurred by these bonds, will be supported by Central Bank's profits, see note 1.

Also, as of December 31, 2016, the Central Bank carried out currency repos with public sector companies, whereby the companies sold foreign or domestic currency to the Central Bank in exchange for domestic or foreign currency, and simultaneously agree to repurchase the currency sold at a later date with the exchange rate prevailing at the repurchasing date. The Central Bank charges a commission equivalent to the interest rate offered by each company of the financial system in the auctions, less a discount that is announced in the respective auction. As of December 31, 2016, these operations had interest rates ranging from 5.01 to 6.10 percent, with settlement dates between March 2018 and June 2018.

- (d) As of December 31, 2016 and 2015, the Central Bank recognized interest income and commissions from domestic credit operations for S/ 1,346 million and S/ 1,032 million, respectively, which are part of the caption "Financial income" of the statements of income and other comprehensive income.

9. PROPERTY, FURNITURE AND EQUIPMENT, NET

(a) The movement of this caption for the years ended December 31, 2016 and 2015 is as follows:

Description	Land (\$/'000)	Buildings and other construction (\$/'000)	Furniture and office equipment (\$/'000)	Vehicles (\$/'000)	Miscellaneous equipment (\$/'000)	Units in transit (\$/'000)	Total (\$/'000)
Cost -							
Balance as of January 1, 2015	24,056	162,825	4,903	3,298	79,086	972	275,140
Additions	-	1,747	84	365	7,213	5,666	15,075
Transfers	-	970	-	-	2	(972)	-
Disposals and other	-	(1,684)	(490)	-	(2,729)	-	(4,903)
Balance as of December 31, 2015	24,056	163,858	4,497	3,663	83,572	5,666	285,312
Additions	-	2,030	85	212	16,850	1,671	20,848
Transfers	-	146	2,422	-	3,055	(5,623)	-
Disposals and other	-	(1,113)	-	(306)	(160)	(43)	(1,622)
Balance as of December 31, 2016	24,056	164,921	7,004	3,569	103,317	1,671	304,538
Accumulated depreciation -							
Balance as of January 1, 2015	-	61,559	4,328	2,088	52,127	-	120,102
Depreciation of the year (d)	-	3,052	102	490	7,381	-	11,025
Disposals and other	-	(663)	(488)	-	(2,669)	-	(3,820)
Balance as of December 31, 2015	-	63,948	3,942	2,578	56,839	-	127,307
Depreciation of the year (d)	-	3,202	203	420	7,720	-	11,545
Disposals and other	-	(448)	-	(306)	(147)	-	(901)
Balance as of December 31, 2016	-	66,702	4,145	2,692	64,412	-	137,951
Net book value							
As of December 31, 2015	24,056	99,910	555	1,085	26,733	5,666	158,005
As of December 31, 2016	24,056	98,219	2,859	877	38,905	1,671	166,587

- (b) As of December 31, 2016 and 2015, the Central Bank keeps fully depreciated properties, furniture and equipment which are still in use for S/ 49 million and S/ 37 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) During the year 2016, depreciation of property, furniture and equipment amounted to S/ 12 million, and is included in the captions "Operating expenses" and "Issuances expenses and costs" for S/ 9 million and S/ 3 million, respectively (during the year 2015, amounted to S/ 11 million and was included in the captions "Operating expenses" and "Issuances expenses and costs" for S/ 9 million and S/ 2 million, respectively), see notes 21 and 22.
- (e) Management reviews every year whether the carrying amount exceeds the recoverable value of its long-lived assets based on available market information. In Management's opinion, there is no evidence of impairment of the long-lived assets held by the Central Bank as of December 31, 2016 and 2015.

10. OTHER ASSETS

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

	2016 (S/ 000)	2015 (S/ 000)
Financial instruments -		
Interests receivable	11,015	106,982
Accounts receivable from personnel	1,065	1,143
	<u>12,080</u>	<u>108,125</u>
Non-financial instruments -		
Raw material, semi-finished and finished products (b)	101,764	76,341
Collections (c)	94,775	97,231
Deferred charges (d)	64,136	93,729
Intangibles	4,391	2,505
Silver	2,233	1,985
Advance payments to suppliers	1,419	14,691
Other	2,684	2,553
	<u>271,402</u>	<u>289,035</u>
Total	<u>283,482</u>	<u>397,160</u>

- (b) 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.
- (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.

11. OTHER LIABILITIES ABROAD

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

	<u>2016</u> (S/ 000)	<u>2015</u> (S/ 000)
SDR allocations and revaluations to be settled (b)	2,748,306	2,880,264
Allocation in Andean pesos (c)	67,040	68,160
Other	<u>3,974</u>	<u>1,605</u>
Total	<u>2,819,320</u>	<u>2,950,029</u>

(b) As of December 31, 2016 and 2015, 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, 2016 and 2015 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/ 79 million (negative update) and S/ 201 million (positive update), respectively.

SDR allocations accrue interests according to the conditions of the Constitutive Agreement. Annual interest rate as of December 31, 2016 and 2015 was 0.24 and 0.05 percent, respectively.

(c) The allocation of Andean pesos corresponds to those delivered by FLAR amounting to 20 million Andean pesos, equivalent to S/ 67 million and S/ 68 million as of December 31, 2016 and 2015, 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 caption "Other assets abroad" of the statements of financial position.

(d) During 2016 and 2015, the Central Bank recorded interests for approximately S/ 2 million and S/ 1 million, respectively, corresponding to its liabilities abroad, mainly for the obligations for SDR allocations, which are recorded in the caption "Financial expenses" of the statements of income and other comprehensive income.

12. OUTSTANDING SECURITIES ISSUED

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

	<u>2016</u> (S/ 000)	<u>2015</u> (S/ 000)
Certificates of deposit (CDBCRP)	22,964,400	15,380,100
Indexed certificates of deposit (CDRBCRP)	792,218	7,249,217
Certificates of deposit at variable rates (CDVBCRP)	-	160,620
Discounts for the sale of CDBCRP, CDRBCRP and CDVBCRP	<u>(672,894)</u>	<u>(245,937)</u>
	<u>23,083,724</u>	<u>22,544,000</u>

(b) As of December 31, 2016 and 2015, 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.

(c) During 2016 and 2015, the Central Bank registered expenses for interests on outstanding securities issued for S/ 903 million and S/ 586 million, respectively, which

are part of the caption "Financial expenses" of the statements of income and other comprehensive income.

- (d) As of December 31, 2016 and 2015, certificates of deposits issued by the Central Bank were acquired by:

	2016 (S/ 000)	2015 (S/ 000)
Banks	16,223,247	17,166,337
Banco de la Nación	4,498,571	3,916,500
Deposit Insurance Fund	1,527,100	1,034,600
Mutual funds and pension fund administrators' funds	963,328	148,500
Financial companies	232,300	316,200
Other entities	312,072	207,800
Subtotal	<u>23,756,618</u>	<u>22,789,937</u>
Discounts for the sale of CDBCRP, CDRBCRP and CDVBCRP	<u>(672,894)</u>	<u>(245,937)</u>
Total	<u>23,083,724</u>	<u>22,544,000</u>

13. DEPOSITS IN LOCAL CURRENCY

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

	2016 (S/ 000)	2015 (S/ 000)
Public sector	23,061,428	23,768,197
Banco de la Nación	5,405,295	6,925,544
Banks	1,735,800	774,300
Deposits Insurance Fund	274,478	444,561
Municipal savings and credit banks	222,700	324,225
Financial companies	133,255	13,600
Rural savings and credit banks	5,500	3,145
Other entities and funds	17,590	2,481
Total	<u>30,856,046</u>	<u>32,256,053</u>

- (b) As of December 31, 2016 and 2015, deposits in local currency are classified by type of transaction as follows:

Type	Interest rate %	Maturity	2016 (S/ 000)	2015 (S/ 000)
Current accounts	Between 0 and 3.00	No maturity	3,572,696	15,120,839
Time deposits	Between 3.00 and 3.20	Between January and December 2017	19,776,800	9,934,700
Special deposits (overnight)	3.00	3 days	<u>7,506,550</u>	<u>7,200,514</u>
Total			<u>30,856,046</u>	<u>32,256,053</u>

- (c) During 2016 and 2015, the Central Bank recognized interest on deposits in local currency for S/ 950 million and S/ 853 million, respectively, which are recorded in the caption "Financial expenses" of the statements of income and other comprehensive income.

14. MONETARY BASE

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

	2016 (S/ 000)	2015 (S/ 000)
Currency in circulation (b) -	51,056,385	48,890,028
Deposits in local currency (c) -		
Deposits from banks	1,280,124	1,402,132
Municipal savings and credit banks	536,421	433,625
Deposits from Banco de la Nación	350,000	350,000
Deposits from financial institutions	116,308	191,554
Rural savings and credit banks	35,463	24,029
Other	72	115
	<u>2,318,388</u>	<u>2,401,455</u>
Total	<u>53,374,773</u>	<u>51,291,483</u>

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

	2016		2015	
	Units	S/ (000)	Units	S/ (000)
Denomination S/ 10	126,314,554	1,263,145	131,216,513	1,312,165
Denomination S/ 20	138,225,617	2,764,512	133,330,245	2,666,605
Denomination S/ 50	125,300,842	6,265,042	122,874,401	6,143,720
Denomination S/ 100	353,616,856	35,361,686	333,471,851	33,347,185
Denomination S/ 200	15,553,519	3,110,704	16,264,260	3,252,852
Subtotal		<u>48,765,089</u>		<u>46,722,527</u>
Denomination S/ 0.01	348,479,196	3,485	353,837,976	3,538
Denomination S/ 0.05	449,424,774	22,471	422,218,589	21,111
Denomination S/ 0.10	1,392,364,334	139,237	1,297,993,397	129,799
Denomination S/ 0.20	391,132,250	78,226	350,789,265	70,158
Denomination S/ 0.50	443,576,575	221,788	418,733,582	209,367
Denomination S/ 1.00	784,515,011	784,515	712,660,956	712,661
Denomination S/ 2.00	151,308,575	302,617	143,623,636	287,247
Denomination S/ 5.00	147,445,301	737,227	146,379,551	731,898
Subtotal		<u>2,289,566</u>		<u>2,165,779</u>
Commemorative coins		1,730		1,722
Total		<u>51,056,385</u>		<u>48,890,028</u>

(c) As of December 31, 2016 and 2015, 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 and foreign currency, note 15(b), and in cash of the entity subject to reserve requirements.

The required reserve comprises a minimum reserve requirement and an additional reserve, which is defined as the part of the required reserve that exceeds the legal minimum reserve requirement. As of December 31, 2016 and 2015, the minimum reserve requirement in local currency had a rate of 6.5 percent, for obligations subject to reserve requirements in local currency. Also, the obligations subject to reserve requirements are classified in two regimes: general and special.

As of December 31, 2016 and 2015, only local currency additional reserve is required for those entities that exceed the limits of foreign currency sale transactions through forwards and swaps, as well as those that have obligations subject to the special regime. As of December 31, 2016, 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 1.05 percent, equivalent to the rate of remuneration of overnight deposits at the Central Bank minus 195 basis point (as of December 31, 2015, the rate was 0.4694 percent equivalent to the rate of remuneration of overnight deposits at the Central Bank minus 195 basis point).

On December 27, 2016, the Central Bank issued Circular No. 029-2016-BCRP, referring to the local currency reserve requirements, which states that since January 2017 reserve period, the minimum legal reserve rate and the reserve ratio applied to obligations subject to the general regime will be reduced from 6.5 to 6.0 percent. Likewise, the rate of reserve requirements for indexed bonds will reduce from 70 to 48 percent. These new rules are intended to provide the necessary liquidity to continue promoting the orderly evolution of credit.

On February 26, 2016, the Central Bank issued Circular No. 005-2016-BCRP, referred to local currency reserve requirements, increases from 0.75 to 1.00 percent the minimum level of current account deposits that entities subject to reserve requirements must maintain at the Central Bank as reserve funds, in order to ensure an adequate level of liquidity in the interbank lending market.

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.

15. DEPOSITS IN FOREIGN CURRENCY

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

	2016 (S/ 000)	2015 (S/ 000)
Banks (b)	36,257,866	45,109,953
Public sector (c)	50,498,515	46,351,036
Banco de la Nación (b)	1,265,421	279,092
Other financial system institutions (b)	934,159	881,544
Financial companies (b)	682,559	674,081
Other entities and funds	193,411	299,906
Total	89,831,931	93,595,612

- (b) As of December 31, 2016 and 2015, 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, 2016 and 2015, 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, 2016, the additional reserve rate in foreign currency fluctuated between 25 and 27 percent (between 27 and 35 percent as of December 31, 2015).

As of December 31, 2016, 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 0.1789 percent, equivalent to 25 percent of the annual average 1-month LIBOR (as of December 31, 2015, such rate was 0.0897 percent).

On December 27, 2016, the Central Bank issued Circular No. 030-2016-BCRP, referred to foreign currency reserve requirements, which states that from January 2017 reserve period, the upper limit of the average rate of reserve requirements will be reduced from 60 to 48 percent, and the marginal reserve ratio of the obligations subject to the general regime will be reduced from 70 to 48 percent. These new rules seek to maintain stable credit conditions, in a context of credit slowdown and higher international interest rates.

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, 2016 and 2015, 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 Treasure of the MEF, which establishes the conditions for the reception of the deposits from said entity. As of December 31, 2016, such deposits correspond to demand and time deposits, which accrued interests at an effective annual rates between 0.11 and 0.93 percent (as of December 31, 2015, the effective annual rates ranged between 0.07 and 0.47 percent). Time deposits have maturities between January 2017 and February 2018 (as of December 31, 2015, between January and October 2016).
- (d) During 2016 and 2015, the Central Bank recognized interests on deposits in foreign currency amounting to S/ 292 million and S/ 90 million, respectively, which are included in the caption "Financial expenses" of the statements of income and other comprehensive income.

16. OTHER LIABILITIES

(a) These items are made up as follows:

	2016 (S/ 000)	2015 (S/ 000)
Financial liabilities -		
Re-sale commitment of foreign currency, note 8(b)	27,609,349	29,638,588
Interest and commissions payable	330,231	810,872
Deposits Insurance Fund	282,246	127,224
Accounts payable	4,099	6,639
Fund for diseases, insurance and pension of Central Bank employees	<u>1,351</u>	<u>2,984</u>
	<u>28,227,276</u>	<u>30,586,307</u>
Non-financial liabilities -		
Actuarial liability (b)	163,995	154,910
Other provisions	40,682	37,769
Other	<u>8,875</u>	<u>5,918</u>
	<u>213,552</u>	<u>198,597</u>
Total	<u>28,440,828</u>	<u>30,784,904</u>

(b) As of December 31, 2016 and 2015, 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, 2016 and 2015, 9.6 and 15.3 percent of the Fund's assets, respectively, are deposited in the Central Bank, which accrued interests at an annual effective rates of 5.07 and 4.80 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, see note 21, is made up as follows:

	<u>2016</u> (S/ 000)	<u>2015</u> (S/ 000)
Variation of the net assets of the Fund	5,934	3,731
Variation of reserves calculated by the actuary	14,945	15,296
Balance at the end of the period	<u>20,879</u>	<u>19,027</u>

As of December 31, 2016 and 2015, the movement in provision for actuarial obligation for retired and active employees of the Central Bank is as follows:

	<u>2016</u> (S/ 000)	<u>2015</u> (S/ 000)
Balance at the beginning of the year	154,910	147,948
Transfers to the Fund during the year (i)	(11,794)	(12,065)
Allowance for employee benefit plans, note 21	20,879	19,027
Balance at the end of the year	<u>163,995</u>	<u>154,910</u>

- (i) In January 2016 and 2015 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 2016, from the amount indicated above, S/ 11.8 million were used to pay pensions of retired personnel, that generated a decrease in the actuarial liability by the same amount (S/ 12.1 million during fiscal year 2015) and S/ 20.6 million were transferred to the Fund for health expenses of active personnel increasing the balance of "Operating expenses" account (S/ 20.5 million during fiscal year 2015), see note 21; and approximately S/ 1.3 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 2015).

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>2016</u> (%)	<u>2015</u> (%)
Deposits in Central Bank	9.6	15.3
Accounts receivable from employees	90.4	84.7
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>2016</u>	<u>2015</u>
Discount rate	6.00%	6.00%
Increase of pensions	1.90%	1.30%
Average period of amortization of pensions	8.97	9.57
Retired employees as of the date of financial statements:		
Men	946	921
Women	575	603
Mortality tables:		
Men	SP 2005 H	SP 2005 H
Women	SP 2005 M	SP 2005 M

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

	Increase / decrease of the discount rate	Effect in reserve from the period
	bps	S/ 000
2016	+50	(7,501)
	-50	8,168
2015	+50	(5,914)
	-50	6,364
	Increase / decrease of the discount rate	Effect in reserve from the period
	Years	S/ 000
2016	+1	2,326
	-1	(2,043)
2015	+1	3,588
	-1	(3,768)

17. NET EQUITY

(a) Capital

As of December 31, 2016 and 2015, 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 2016 and 2015, the Central Bank has made no capitalization of reserves.

During the Board of Directors' Meeting held on March 17, 2016, it was agreed to establish a legal reserve, corresponding to 75 percent of the profits for the fiscal year 2015, for approximately S/ 687 million.

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.

(c) Fair value reserve

As of December 31, 2016 and 2015 the caption is made up as follows:

	2016 (S/ 000)	2015 (S/ 000)
Net loss for the fluctuation of:		
Securities from international institutions, note 5(a)	(666,762)	(1,263,840)
Bonds issued by MEF, note 8(c)	(222,302)	(350,979)
Structured bonds, note 5(a)	-	(8)
Balance at the end of the year	<u>(889,064)</u>	<u>(1,614,827)</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 by bonds and a promissory note issued by MEF in August 2015, as described in note 1. Subsequently, through the Board of Directors' Meeting held on March 17, 2016, it was approved the transfer to the Public Treasury of approximately S/ 229 million, corresponding to 25 percent of the profits for the year 2015, which were used to amortize the balance of the bonds received from the Public Treasury as described in note 1.

(e) Adjustment 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, 2016 and 2015, is as follows:

	2016 (S/ 000)	2015 (S/ 000)
Balance at the beginning of the year	9,652,235	3,237,268
Plus (less):		
Valuation of derivatives and other operations related to exchange rate	2,572,083	(2,377,503)
Valuation of metals (gold)	276,642	90,217
Valuation of IMF contribution and obligations	131,943	(241,772)
Valuation of U.S. dollar	(1,089,922)	8,595,430
Valuation of other currencies	(1,905,771)	356,260
Valuation of other	2,190	(7,665)
Balance at the end of the year	<u>9,639,400</u>	<u>9,652,235</u>

18. 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 2012 through 2016, 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 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, 2016 and 2015.

19. 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, 2016 and 2015, it is not necessary to record a provision for possible losses as a result of these legal contingencies.

20. OFF – BALANCE SHEET ACCOUNTS

(a) These items are made up as follows:

	2016 (S/ 000)	2015 (S/ 000)
Forward transactions (b)	40,510,374	28,539,573
Bills and coins in stock (c)	38,271,706	52,273,808
Securities held in custody (d)	4,439,669	1,924,502
Foreign exchange swap operations, (e) and note 2.2(t)	1,018,047	53,294,872
Future transactions (f)	60,336	3,074,016
Other	447,361	371,853
Total	<u>84,747,493</u>	<u>139,478,624</u>

(b) As of December 31, 2016 and 2015, 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, 2016, the Central Bank maintains 42 forward operations, which maturities are between January and February 2017 (as of December 31, 2015 corresponds to 38 forward operations which maturities were between January and August 2016). Likewise, as of December 31, 2016 the valuation of said instruments generated an asset for an amount of S/ 181 million (S/ 290 million as of December 31, 2015), which was recorded as a part of the caption "Other available assets" and a liability for an amount of S/ 75 million (S/ 46 million as of December 31, 2015), which was recorded in the caption of "Reserve liabilities". Said valuation was recorded against the caption "Readjustment for valuation article N° 89 - Organic Act" of the statements of changes in equity.

As of December 31, 2016 and 2015, the nominal values of the forward transactions according to the currency are as follows:

	2016 (S/ 000)	2015 (S/ 000)
Purchase of U.S. dollar / sale of other currencies different from the sol	20,309,410	14,228,603
Sale of Sterling pound / purchase of other currencies different from the sol	19,463,885	5,922,331
Sale of Canadian dollar / purchase of other currencies different from the sol	737,079	3,948,088
Sale of Japanese yen / purchase of other currencies different from the sol	-	2,256,831
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
Total	<u>40,510,374</u>	<u>28,539,573</u>

(c) As of December 31, 2016 and 2015, the bills and coins that the Central Bank holds in

its vaults, which are not in circulation, are as follows:

	2016 (S/ 000)	2015 (S/ 000)
New	34,013,690	47,443,690
To be classified	1,114,466	2,435,173
Available	2,852,236	2,198,193
To be incinerated and/or melted	228,214	191,081
In transit	63,100	5,671
Total	38,271,706	52,273,808

The movement of the account of bills and coins in inventory for the year ended December 31, 2016 and 2015 has been as follows:

	2016 (S/ 000)	2015 (S/ 000)
Balance at the beginning of year	52,273,808	56,272,785
Acquisition of bills and coins	166,656	6,805,206
Destruction of bills and coins	(12,002,401)	(9,457,159)
Removal of circulation, net of income	(2,166,357)	(1,347,024)
Balance at the end of year	38,271,706	52,273,808

- (d) As of December 31, 2016 and 2015, securities in custody included mainly guaranteed promissory notes for operations with the IMF.
- (e) As of December 31, 2016, the Central Bank had 6 operations denominated "currency swaps" with banking entities in which the notional amount in Soles in favor of the Central Bank is S/ 514 million and the counterpart in favor of banking entities is US\$ 151 million (S/ 26,352 million and US\$ 7,906 million, respectively, as of December 31, 2015). The maturity of these operations is between January and February 2017 (between January and April 2016 as of December 31, 2015) 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, 2016 is 4.25 percent (4.21 percent as of December 31, 2015). As of 31 December 2016 and 2015, the average interest rate in U.S. dollars determined by auction amounted to 0.80 and 0.60 percent, respectively.

As of 31 December 2016, the Central Bank recognized income and expenses due to interests paid and received on exchange swap for S/ 599 and S/ 84 million, which are part of the item "Other financial income" and "Other financial expenses" of the statements of income and other comprehensive income, respectively (as of 31 December 2015 recognized revenues for S/ 854 million and expenses for S/ 0.8 million). Also, in those dates the Central Bank recognized the effect of the variation of the exchange rate on the notional amount committed in U.S. dollars as a debit to the "Readjustment for valuation article N° 89 - Organic Act" of the statements of changes in equity by S/ 874 million and S/ 3,092 million, respectively, corresponding to financial entities.

- (f) As of December 31, 2016 and 2015, 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, 2016 and 2015, the Central Bank maintains 90 and 1,110 contracts of price future transactions, respectively, which underlying assets are bonds of the United States Treasury issued in U.S. dollars, and which maturities in March 2017 (between March 2016 and June 2018, as of December 31, 2015). Likewise, the estimated fair value, provided by the BIS, generated an asset for an amount of S/ 15,000 (S/ 820,000 as of December 31, 2015), which was recorded in the caption "Other available assets" of the statements of financial position and "Net yield on securities" of the statements of income and other comprehensive income.

21. OPERATING EXPENSES

(a) This item is made up as follows:

	2016 (S/ 000)	2015 (S/ 000)
Remunerations and social benefits, note 23	162,149	161,013
Administrative expenses (b)	54,521	51,540
Expense for actuarial allowance, note 16(b)	20,879	19,027
Expense for health of employees, note 16(b)(i)	20,622	20,457
Depreciation, note 9(d)	8,894	8,619
Amortization	1,916	1,076
Other	6,718	4,753
Total	<u>275,699</u>	<u>266,485</u>

(b) As of December 31, 2016 and 2015, corresponds mainly to the expenses of public services, maintenance, vigilance, advisories, data supplies, and other.

22. EXPENSES AND COST OF ISSUANCE

	2016 (S/ 000)	2015 (S/ 000)
Cost of production of coins issued	51,683	55,452
Expenses for printing of bills issued	30,487	24,786
Expenses for transporting bills and coins	2,393	2,033
Total	<u>84,563</u>	<u>82,271</u>

23. REMUNERATIONS AND SOCIAL BENEFITS

	2016 (S/ 000)	2015 (S/ 000)
Salaries	90,183	90,119
Legal gratifications and vacations	29,428	28,262
Bonuses and assignments	17,767	17,759
Severance compensations	9,820	10,012
Social security	9,334	9,413
Training	2,464	2,590
Other	3,153	2,858
Total	<u>162,149</u>	<u>161,013</u>

24. FINANCIAL INSTRUMENTS CLASSIFICATION

The following are the carrying amounts of financial assets and liabilities of the captions in the statements of financial position classified by category in accordance with IAS 39 "Financial Instruments":

	As of December 31, 2016					As of December 31, 2015				
	Loans and receivables	Available-for-sale investments	Held-to-maturity investments	Financial liabilities at amortized cost	Total	Loans and receivables	Available-for-sale investments	Held-to-maturity investments	Financial liabilities at amortized cost	Total
	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)	(\$/000)
Financial assets										
Cash in foreign currency	167,886	-	-	-	167,886	170,699	-	-	-	170,699
Deposits in foreign banks	72,652,393	-	-	-	72,652,393	68,576,820	-	-	-	68,576,820
Deposits in foreign institutions	2,422,318	-	-	-	2,422,318	2,544,531	-	-	-	2,544,531
Securities from international institutions	-	125,166,480	-	-	125,166,480	-	130,860,323	317,389	-	131,177,712
Gold	4,300,434	-	-	-	4,300,434	4,023,913	-	-	-	4,023,913
Contributions to international institutions	2,074,050	-	-	-	2,074,050	2,907,637	-	-	-	2,907,637
Other available assets	188,920	-	-	-	188,920	316,663	-	-	-	316,663
Other assets abroad	5,943,699	-	-	-	5,943,699	2,138,064	-	-	-	2,138,064
Domestic credit	30,025,997	1,958,909	-	-	31,984,906	31,473,354	1,920,731	-	-	33,394,085
Other financial assets	12,080	-	-	-	12,080	108,125	-	-	-	108,125
	<u>117,787,777</u>	<u>127,125,389</u>	-	-	<u>244,913,166</u>	<u>112,259,806</u>	<u>132,781,054</u>	<u>317,389</u>	-	<u>245,358,249</u>
Financial liabilities										
Reserve liabilities	-	-	-	202,546	202,546	-	-	-	177,471	177,471
Other liabilities abroad	-	-	-	8,695,979	8,695,979	-	-	-	5,019,718	5,019,718
Sterilized stock	-	-	-	53,939,770	53,939,770	-	-	-	54,800,053	54,800,053
Monetary base	-	-	-	53,374,773	53,374,773	-	-	-	51,291,483	51,291,483
Deposits in foreign currency	-	-	-	89,831,931	89,831,931	-	-	-	93,595,612	93,595,612
Other financial liabilities	-	-	-	28,227,276	28,227,276	-	-	-	30,586,307	30,586,307
	-	-	-	<u>234,272,275</u>	<u>234,272,275</u>	-	-	-	<u>235,470,644</u>	<u>235,470,644</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 risk management actions of the Central Bank aim 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). Gross international reserves are a relevant component of such instruments (represents 84.5 and 85.5 percent as of December 31, 2016 and 2015, 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.

Financial risks management focuses mainly on international liquid reserve assets, which are traded in international markets. These assets consist of deposits in foreign institutions and entities, securities from international entities, gold holdings abroad and SDRs holdings in the IMF.

Risk management is carried out taking into account the following criteria:

- The Central Bank's reserve management policy prioritizes the preservation of capital and guaranteeing the liquidity of reserves. Once these conditions are met, yield of international assets are maximized.
- The management of international assets is closely related to the origin and characteristics of sources of foreign currency resources (i.e. Central Bank 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.

International assets managed by the Central Bank are exposed to liquidity risk, credit risk, foreign exchange and interest rate risk.

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

It is defined as the impossibility of negotiating securities at the appropriate moment. To mitigate this risk, fixed income instruments degree of liquidity is controlled by selecting values from active markets, establishing minimum amounts with respect to the issuance size and a limit to the percentage acquired in each issuance. Instruments liquidity is reflected in a low bid-offer spread in their market price.

The Central Bank also minimizes this risk by dividing the investment portfolio into tranches that reflect the required liquidity to manage withdrawals associated with the different nature of reserve sources. This portfolio is divided into:

- 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.

The distribution of investments into tranches is reflected in the percentage composition by term at maturity of the international reserve assets as shown below:

	2016 (%)	2015 (%)
Maturity -		
Up to 3 months	55	52
From 3 months to 1 year	18	23
More than 1 year	27	25
Total	100	100

The following table presents the Central Bank cash flows payable undiscounted according to contractual terms agreed:



As of December 31, 2016

	Up to 1 month (S/000)	From 1 to 3 months (S/000)	From 3 months to 1 year (S/000)	From 1 to 5 years (S/000)	Over 5 years (S/000)	Without maturity (S/000)	Total (S/000)
Financial liabilities by type (*) -							
Sterilized stock -							
Outstanding securities issued	2,150,491	2,546,641	12,514,236	5,872,356	-	-	23,083,724
Deposits in local currency	12,306,550	3,776,800	11,200,000	-	-	3,572,696	30,856,046
Monetary base	-	-	-	-	-	53,374,773	53,374,773
Deposits in foreign currency	28,718,198	17,686,992	10,755,840	1,323,703	-	31,347,198	89,831,931
Other financial liabilities	1,184,399	1,296,099	9,926,051	15,952,517	8,692,005	-	37,051,071
Total non-derivatives financial liabilities (**) -							
Derivative financial liabilities	44,359,638	25,306,532	44,396,127	23,148,576	8,692,005	88,294,667	234,197,545
Total	74,730	44,396,127	25,306,532	23,148,576	8,692,005	88,294,667	234,272,275

As of December 31, 2015

	Up to 1 month (S/000)	From 1 to 3 months (S/000)	From 3 months to 1 year (S/000)	From 1 to 5 years (S/000)	Over 5 years (S/000)	Without maturity (S/000)	Total (S/000)
Financial liabilities by type (*) -							
Sterilized stock -							
Outstanding securities issued	6,637,384	6,987,148	7,832,736	1,086,732	-	-	22,544,000
Deposits in local currency	2,826,400	3,600,000	3,508,300	-	-	22,321,353	32,256,053
Monetary base	-	-	-	-	-	51,291,483	51,291,483
Deposits in foreign currency	19,063,384	15,174,375	13,265,675	-	-	46,092,178	93,595,612
Other financial liabilities	1,196,139	466,633	5,159,164	23,253,243	5,018,113	-	35,093,292
Total non-derivatives financial liabilities (**) -							
Derivative financial liabilities	29,723,307	26,228,156	29,765,875	24,339,975	5,018,113	119,705,014	234,780,440
Total	46,844	29,777,751	26,450,290	24,339,975	5,018,113	119,705,014	234,827,284

(*) As of December 31, 2016 and 2015, financial liabilities do not include future interest.

(**) As of December 31, 2016 and 2015, corresponds to the valuation of derivatives for trading.

(ii) Credit risk

Credit risk refers to the possibility that a counterpart is unable to meet an obligation with the Central Bank on a timely basis. 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, 2016 and 2015 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 observed directly from the statements of financial position, which describes the size and composition of the Central Bank's financial assets.

The following is a summary of the risk classification of liquid reserve assets:

	2016 (%)	2015 (%)
Long – term classification -		
AAA	42	49
AA+/AA/AA-	38	33
A+/A/A-	20	18
Total	100	100

Based on the obtained risk ratings and analysis of Management, as of December 31, 2016 and 2015, the Central Bank has no exposure in countries or entities with debt problems that may pose a credit risk for its deposits on foreign banks and investments.

(iii) Foreign 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.

Foreign currency transactions are made at the free market exchange rates.

As of December 31, 2016, the free market buying exchange rate published by SBS for transactions in U.S. dollars was S/ 3.352 (S/ 3.408 as of December 31, 2015). Balances in other currencies have been expressed in U.S. dollars at the exchange rate provided daily by Bloomberg or Reuters as mentioned in paragraph (c) below.



(a) As of December 31, 2016 and 2015, the assets and liabilities of the Central Bank in foreign currencies were as follows:

	2016			2015		
	U.S. Dollar (S/000)	Other currencies (S/000)	Total (S/000)	U.S. Dollar (S/000)	Other currencies (S/000)	Total (S/000)
Monetary assets -						
Cash in foreign currency	50,085	-	50,085	50,088	-	50,088
Deposits in foreign banks	17,984,653	3,689,689	21,674,342	16,884,616	3,237,690	20,122,306
Deposits in foreign institutions	-	722,648	722,648	-	746,635	746,635
Securities from international institutions	34,201,928	3,138,907	37,340,835	36,326,038	2,165,075	38,491,113
Gold	-	1,282,946	1,282,946	-	1,180,726	1,180,726
Contributions to international institutions	489,577	129,173	618,750	483,914	369,266	853,180
Other available assets	56,361	-	56,361	92,917	-	92,917
Other assets abroad	-	20,000	20,000	-	20,000	20,000
Domestic credit	584,400	-	584,400	563,595	-	563,595
Other assets	657	666	1,323	22,538	583	23,121
	<u>53,367,661</u>	<u>8,984,029</u>	<u>62,351,690</u>	<u>54,423,706</u>	<u>7,719,975</u>	<u>62,143,681</u>
Monetary liabilities -						
Reserve liabilities	60,131	294	60,425	52,004	71	52,075
Other liabilities abroad	-	20,000	20,000	-	20,000	20,000
Deposits in foreign currency	26,799,502	-	26,799,502	27,463,502	-	27,463,502
Other liabilities	8,355,378	353	8,355,731	8,749,644	231	8,749,875
	<u>35,215,011</u>	<u>20,647</u>	<u>35,235,658</u>	<u>36,265,150</u>	<u>20,302</u>	<u>36,285,452</u>
Subtotal	<u>18,152,650</u>	<u>8,963,382</u>	<u>27,116,032</u>	<u>18,158,556</u>	<u>7,699,673</u>	<u>25,858,229</u>
Derivatives						
Forwards position net	6,058,893	(6,026,541)	32,352	4,175,059	(4,105,543)	69,516
Net monetary position	<u>24,211,543</u>	<u>2,936,841</u>	<u>27,148,384</u>	<u>22,333,615</u>	<u>3,594,130</u>	<u>25,927,745</u>

In addition, the Central Bank has issued indexed certificates of deposit (CDR BCRP) in local currency, which are readjusted for the variation of the Sol/U.S. Dollar exchange rate and are settled at maturity in Soles. As of December 31, 2016, the balance of CDR BCRP issued corresponds to S/ 792 million, which represent US\$ 236 million (as of December 31, 2015, the balance was S/ 7,249 million, representing US\$ 2,124 million), note 12.

- (b) Balances in foreign currency, SDRs and precious metals as of December 31, 2016 and 2015, not including financial derivatives, expressed in thousands of U.S. dollars, are summarized as follows:

	2016 (S/ 000)	2015 (S/ 000)
Assets		
U.S. dollar	53,366,979	54,420,433
Sterling pound	6,288,388	2,307,913
SDR (**)	851,821	1,115,901
Gold	1,283,628	1,181,408
Japanese yen (*)	-	662,208
Australian dollar	-	570,289
Other currencies	560,874	1,885,529
	<u>62,351,690</u>	<u>62,143,681</u>
Liabilities		
U.S. dollar	35,215,011	36,265,150
SDR (**)	294	71
Other currencies	20,353	20,231
	<u>35,235,658</u>	<u>36,285,452</u>
Net assets	<u>27,116,032</u>	<u>25,858,229</u>

(*) As of December 31, 2015 there is no exposure to this currency, since it is fully covered by forward transactions (note 20 (b)).

(**) SDR is an international reserve asset created by the IMF and allocated to its member countries in proportion to its share of membership as a country member. SDRs value is calculated daily by adding the U.S. dollar values (noon London quotation) of a basket of four currencies (U.S. dollar, Euro, Japanese yen and Sterling pound). The amounts of each currencies of the SDR basket are calculated according to agreed percentages.

- (c) Quotations of the principal currencies used by the Central Bank in relation to the U.S. dollar as of December 31, 2016 and 2015 are as follows:

	2016	2015
Gold troy ounce	1,151.400000	1,059.710000
Sterling pound	1.232100	1.473700
SDR	1.344330	1.389200
Euro	1.053100	1.086100
Australian dollar	0.721100	0.728900
Japanese yen	0.008562	0.008319

According to article No.89 of the Organic Law, as of December 31, 2016, the Central Bank registered a negative net foreign currency valuation adjustment of S/ 13 million

(net positive adjustment of S/ 6,415 million as of December 31, 2015) in the item "Adjustment for valuation article N° 89 - Organic Act" of the statements of changes in equity, see note 17(e).

- (d) The following table shows the sensitivity analysis for changes in the price of the main currencies to which the Central Bank is exposed as of December 31, 2016 and 2015. The analysis determines the effect of devaluation or revaluation of a reasonably possible variation of the exchange rate of sol against foreign currencies, considering constant the other variables in the income statement and other comprehensive income. A negative amount means a net potential reduction in equity, while a positive amount reflects a net potential increase:

Sensitivity analysis	Changes in currency rates (%)	2016 (S/ 000)	2015 (S/ 000)
Devaluation -			
U.S. dollar	5	4,544,647	4,406,242
U.S. dollar	10	9,089,294	8,812,484
Sterling pounds	5	1,053,934	393,268
Sterling pounds	10	2,107,868	786,537
Revaluation -			
U.S. dollar	5	(4,544,647)	(4,406,242)
U.S. dollar	10	(9,089,294)	(8,812,484)
Sterling pounds	5	(1,053,934)	(393,268)
Sterling pounds	10	(2,107,868)	(786,537)

(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 by considering the maturity structure of the liabilities for the maturity composition of its assets. This makes the total portfolio duration be low so the impact of changes in interest rates on the market value of the portfolio is limited. Likewise, maximum investment terms have been established, consistent with the desired market risk profile for each portfolio instrument.

As of December 31, 2016 and 2015, the average duration of the portfolio investment, consisting of internally managed international assets, deposits with foreign banks, investments in securities and gold holdings, was 0.58 and 0.61 years.

(v) Operational risk

Operational risk 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.

The operational risks of the Central Bank are classified as people related risks, external events, processes, information technology and communication, technology, procurement, 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, 2016 and 2015, 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, 2016 and 2015, 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

Since December 31, 2016 and as at date of this report, no significant event that could impact the financial statement has occurred.

28. EXPLANATION ADDED FOR ENGLISH TRANSLATION

The accompanying translated financial statements were originally written 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 discrepancies, the Spanish language version prevails.



Chavin. Ceramic bottle with embossed faces of felines with fangs. Pumas and jaguars, hawks, and snakes were the main sacred animals in ancient Peru. Approximately 3000 years old. 20 x 14 x 12 cm.



Lambayeque. Gold ear ornaments decorated with turquoise and lapis lazuli inlays representing birds in the center and with 41 gold beads in the edge. Approximately 1000 years old. 10 cm. diameter x 8.5 cm.



APPENDICES



APPENDIX 1
GROSS DOMESTIC PRODUCT
(Million soles at 2007 prices)

Year	Gross Domestic Product ^{1/} (1)	Population ^{2/} (Thousands) (2)	GDP Per capita (Soles at 2007 price)(3)	% change			Inflation ^{3/}	Exports of goods ^{4/} (Million US\$)	Imports of goods ^{4/} (Million US\$)	Trade Balance (Million US\$)
				(1)	(2)	(3)				
1922	13,308	4,790.6	2,778.0	7.1	1.5	5.5	75.4	32.0	43.4	
1923	14,084	4,861.1	2,897.3	5.8	1.5	4.9	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	17,336	5,084.9	3,409.3	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	-11.5	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	0.7	76.5	46.5	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	81.7	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	8.2	1.8	6.3	154.5	133.7	20.8	
1950	40,920	7,632.5	5,361.3	8.5	1.9	6.5	198.4	149.3	49.1	
1951	44,711	7,826.3	5,712.9	9.3	2.5	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	2.6	3.1	228.3	257.5	-29.2	
1954	52,762	8,447.0	6,246.2	5.3	2.7	2.7	254.3	225.4	28.9	
1955	55,838	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	380.5	-57.9	
1960	69,946	9,931.0	7,043.2	9.9	2.8	6.9	444.3	241.0	203.4	
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	556.0	478.4	77.6	
1963	86,196	10,825.8	7,962.1	4.3	2.9	1.3	555.1	517.9	37.2	
1964	91,840	11,143.4	8,241.6	6.5	2.9	3.5	684.6	517.7	166.8	
1965	97,003	11,467.2	8,459.2	5.6	2.9	2.6	684.6	659.7	24.9	
1966	104,995	11,796.3	8,900.7	8.9	2.9	5.2	788.5	811.2	-22.7	
1967	109,040	12,132.1	8,987.7	3.9	2.8	1.0	742.4	810.1	-67.7	
1968	109,206	12,475.9	8,753.3	0.2	2.8	-2.6	879.5	672.9	206.6	
1969	113,044	12,829.0	8,811.6	3.5	2.8	0.7	879.5	658.8	220.8	
1970	116,849	13,192.7	8,857.1	3.4	2.8	0.5	1,034.3	698.6	334.6	
1971	122,213	13,567.7	9,007.6	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/} (Thousands) (2)	GDP Per capita (Soles at 2007 price)(3)	% change			Inflation ^{3/}	Exports of goods ^{4/} (Million US\$)	Imports of goods ^{4/} (Million US\$)	Trade Balance (Million US\$)
				(1)	(2)	(3)				
1974	147,017	14,751.1	9,966.5	9.4	2.8	6.4	1,513.3	1,908.0	-394.7	
1975	153,340	15,161.1	10,114.0	4.3	2.8	1.5	1,335.0	2,427.0	-1,092.0	
1976	155,559	15,580.8	9,984.0	1.4	2.8	-1.3	1,344.0	2,016.0	-672.0	
1977	156,102	16,010.8	9,749.8	0.3	2.8	-2.3	1,729.6	2,148.0	-418.4	
1978	151,977	16,447.4	9,240.2	-2.6	2.7	-5.2	2,038.0	3,700.0	-1,662.0	
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	2,622.6	398.8	
1986	182,981	19,965.8	9,164.7	9.4	2.3	7.0	2,572.7	2,649.3	-76.7	
1987	200,778	20,417.3	9,833.7	9.7	2.3	7.3	2,713.4	3,215.1	-501.7	
1988	181,822	20,869.7	8,712.2	-9.4	2.2	-11.4	2,719.9	2,865.1	-145.2	
1989	159,436	21,319.9	7,478.3	-12.3	2.2	-14.2	3,503.3	2,286.5	1,216.7	
1990	151,492	21,764.5	6,960.5	-5.0	2.1	-6.9	3,279.8	2,921.9	357.9	
1991	154,854	22,203.9	6,974.2	2.2	2.0	0.2	3,393.1	3,595.3	-202.2	
1992	154,017	22,640.3	6,802.8	-0.5	2.0	-2.5	3,578.1	4,001.4	-423.3	
1993	162,093	23,073.2	7,025.2	5.2	1.9	3.3	3,384.7	4,160.4	-775.8	
1994	182,044	23,502.0	7,745.9	12.3	1.9	10.3	4,424.1	5,499.2	-1,075.1	
1995	195,536	23,926.3	8,172.4	7.4	1.8	5.5	4,911.4	7,732.9	-2,821.5	
1996	201,009	24,348.1	8,255.6	2.8	1.8	1.0	5,877.6	7,864.2	-1,986.6	
1997	214,028	24,767.8	8,641.4	6.5	1.7	4.7	6,824.6	8,535.5	-1,711.0	
1998	213,190	25,182.3	8,465.9	-0.4	1.7	-2.0	5,756.8	8,218.7	-2,462.0	
1999	216,377	25,588.5	8,456.0	1.5	1.6	-0.1	6,087.5	7,110.5	-1,023.0	
2000	222,207	25,983.6	8,551.8	2.7	1.5	1.1	6,954.9	7,357.6	-402.7	
2001	223,580	26,366.5	8,479.7	0.6	1.5	-0.8	7,025.7	7,204.5	-178.7	
2002	235,773	26,739.4	8,817.4	5.5	1.4	4.0	7,139.9	7,392.8	321.1	
2003	245,593	27,103.5	9,061.3	4.2	1.4	2.8	9,090.7	8,204.8	885.9	
2004	257,770	27,460.1	9,387.1	5.0	1.3	3.6	12,809.2	9,804.8	3,004.4	
2005	273,971	27,810.5	9,851.3	5.0	1.3	3.6	17,367.7	12,081.6	5,286.1	
2006	294,598	28,151.4	10,464.8	6.3	1.3	4.9	23,830.1	14,844.1	8,986.1	
2007	319,693	28,481.9	11,224.4	7.5	1.2	6.2	28,094.0	19,590.5	8,503.5	
2008	348,923	28,807.0	12,112.4	8.5	1.2	7.3	31,018.5	28,449.2	2,569.3	
2009	352,584	29,132.0	12,103.0	9.1	1.1	7.9	27,070.5	21,010.7	6,059.8	
2010	382,380	29,461.9	12,978.8	8.5	1.1	7.2	35,803.1	28,815.3	6,987.8	
2011	407,052	29,797.7	13,660.5	6.5	1.1	5.3	46,376.0	37,151.5	9,224.4	
2012	431,273	30,135.9	14,310.5	6.0	1.1	4.8	47,410.6	41,017.9	6,392.7	
2013	456,366	30,475.1	14,975.0	5.8	1.1	4.6	42,860.6	42,356.2	504.5	
2014 ^{5/}	467,280	30,814.2	15,164.4	2.4	1.1	1.3	39,532.7	41,042.2	-1,509.5	
2015 ^{5/}	482,797	31,151.6	15,498.3	3.3	1.1	2.2	34,414.4	37,330.8	-2,916.4	
2016 ^{5/}	501,699	31,492.8	15,930.6	3.9	1.1	2.8	37,019.8	35,131.6	1,888.2	

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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Domestic savings	23.8	23.1	20.2	22.5	23.2	21.9	21.7	20.5	19.7	20.0
Public sector	6.6	7.1	4.8	6.3	7.5	8.2	7.2	5.9	3.7	2.7
Private sector	17.1	16.0	15.4	16.2	15.6	13.6	14.6	14.6	15.9	17.4
External savings	-1.5	4.3	0.5	2.4	1.8	2.8	4.7	4.4	4.8	2.7
Investment	22.3	27.5	20.7	24.9	24.9	24.7	26.5	24.9	24.4	22.8
Public sector	3.5	4.5	5.7	5.9	4.9	5.5	5.9	5.6	5.0	4.8
Private sector	18.7	23.0	15.0	19.0	20.1	19.2	20.6	19.3	19.5	17.9
Private fixed investment	16.8	19.4	17.6	19.2	19.3	20.7	21.2	20.1	19.3	17.7
Change on inventories	2.0	3.6	-2.6	-0.2	0.8	-1.5	-0.7	-0.9	0.1	0.2
Current account balance	1.5	-4.3	-0.5	-2.4	-1.8	-2.8	-4.7	-4.4	-4.8	-2.7
Trade balance	8.3	2.1	5.0	4.7	5.5	3.4	0.3	-0.7	-1.5	1.0
Services	-1.2	-1.7	-1.0	-1.6	-1.3	-1.3	-1.0	-0.9	-1.1	-1.0
Investment income	-8.1	-7.2	-6.9	-7.6	-7.8	-6.7	-5.7	-4.9	-3.9	-4.7
Current transfers	2.4	2.4	2.4	2.0	1.9	1.7	1.7	2.2	1.7	2.0
Financial account	8.3	7.1	1.9	9.2	5.5	10.2	5.3	3.3	4.9	3.3
Private sector	8.0	7.9	3.5	7.7	5.3	8.3	7.7	3.7	4.6	1.9
Public sector	-1.7	-1.2	0.1	1.6	0.4	0.8	-0.9	-0.0	1.6	1.4
Short-term capital	2.0	0.5	-1.7	-0.2	-0.2	1.1	-1.6	-0.4	-1.3	0.0
Exceptional financing	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Flow of BCRP net reserves (-)	9.4	2.6	0.9	7.6	2.8	7.8	1.5	-1.1	0.0	0.1
Net errors and omissions	-0.4	-0.2	-0.5	0.8	-0.9	0.5	0.9	0.1	-0.1	-0.5
Current account savings	6.6	7.1	4.8	6.3	7.5	8.2	7.2	5.9	3.7	2.7
Capital revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2
Capital expenditure	3.7	4.7	6.3	6.6	5.5	6.0	6.5	6.4	5.9	5.4
Public investment	3.5	4.5	5.7	5.9	4.9	5.5	5.9	5.8	4.9	4.8
Other capital expenditure	0.2	0.2	0.6	0.7	0.7	0.5	0.5	0.6	1.0	0.6
Overall balance	3.1	2.5	-1.4	-0.2	2.1	2.3	0.9	-0.3	-2.1	-2.6
Financing	-3.1	-2.5	1.4	0.2	-2.1	-2.3	-0.9	0.3	2.1	2.6
External financing	-2.0	-1.0	1.1	-0.5	0.2	-0.3	-0.8	-0.1	1.6	0.7
Domestic financing	-1.2	-1.6	0.2	0.6	-2.3	-2.0	-0.2	0.5	0.4	1.5
Privatization	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.5

1/ Preliminary data.

Source: BCRP.

Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 3
NATIONAL DISPOSABLE INCOME
(Million soles at 2007 prices)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross domestic product	3 19,693	348,923	352,584	382,380	407,052	431,273	456,366	467,280	482,797	501,699
+ Investment income	-25,975	-24,207	-23,353	-29,334	-32,950	-29,536	-26,141	-22,734	-18,672	-23,197
Gross national product	293,718	324,716	329,231	353,046	374,102	401,737	430,225	444,545	464,125	478,502
+ Terms of trade	-23	-12,212	-13,740	5,506	14,099	12,252	4,423	-1,712	-9,717	-11,020
Gross national income	293,695	312,504	315,491	358,552	388,201	413,989	434,648	442,834	454,408	467,482
+ Current transfers	7,832	8,195	8,089	7,907	7,982	7,738	7,803	10,058	8,257	10,024
National disposable income	301,527	320,699	323,580	366,459	396,184	421,726	442,451	452,892	462,665	477,506

1/ Preliminary data.
Source: INEI and BCRP.
Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 5
GROSS DOMESTIC PRODUCT BY EXPENDITURE
(Real % change)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
								1/	1/	1/
I. Domestic demand	12.1	13.6	-3.3	14.9	7.7	7.3	7.3	2.2	2.9	0.9
a. Private consumption	8.6	8.9	3.1	9.1	7.2	7.4	5.7	3.9	3.4	3.4
b. Public consumption	4.3	5.4	13.0	5.6	4.8	8.1	6.7	6.0	9.8	-0.5
c. Gross domestic investment	27.4	30.0	-23.8	37.8	10.0	6.5	11.4	-3.2	-1.4	-4.6
Gross fixed investment	22.2	24.4	-1.6	23.0	5.9	16.2	7.7	-2.1	-5.4	-4.5
i. Private	23.3	23.9	-9.1	25.5	10.8	15.5	6.9	-2.3	-4.4	-5.7
ii. Public	17.1	26.8	33.0	15.0	-11.2	19.5	11.1	-1.1	-9.5	0.6
Change on inventories	128.1	88.2	-176.9	92.4	580.6	-298.9	56.3	-49.2	121.8	-21.7
II. Exports of goods and non-financial services	6.8	7.1	-0.8	1.4	6.9	5.8	-1.3	-0.8	4.1	9.5
Minus:										
III. Imports of goods and non-financial services	21.3	24.1	-16.7	26.0	11.6	10.7	4.2	-1.4	2.4	-2.2
IV. GDP	8.5	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	3.9
Memo:										
Domestic demand excluding inventories	10.9	12.0	3.0	12.0	6.6	9.8	6.4	2.5	1.8	1.0

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. Domestic demand	296,928	337,214	326,203	374,652	403,390	432,737	464,425	474,625	488,364	492,979
a. Private consumption	192,316	209,437	215,885	235,492	252,507	271,305	286,837	298,063	308,207	318,707
b. Public consumption	33,424	35,226	39,811	42,036	44,063	47,634	50,802	53,845	59,148	58,839
c. Gross domestic investment	71,188	92,552	70,507	97,124	106,820	113,798	126,786	122,717	121,009	115,433
Gross fixed investment	64,948	80,809	79,532	97,807	103,537	120,326	129,637	126,970	120,082	114,707
i. Private	53,626	66,453	60,439	75,841	84,028	97,020	103,749	101,370	96,906	91,381
ii. Public	11,322	14,356	19,093	21,965	19,509	23,307	25,887	25,600	23,175	23,326
Change on inventories	6,240	11,742	-9,025	-683	3,283	-6,528	-2,851	-4,253	927	726
II. Exports of goods and non-financial services	97,501	104,429	103,641	105,044	112,310	118,819	117,286	116,294	121,053	132,542
III. Imports of goods and non-financial services	74,736	92,720	77,260	97,316	108,648	120,283	125,345	123,640	126,620	123,822
IV. GDP	319,693	348,923	352,584	382,380	407,052	431,273	456,366	467,280	482,797	501,699

1/ Preliminary data.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 7
GROSS DOMESTIC PRODUCT BY EXPENDITURE
(Million soles)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
								1/	1/	1/
I. Domestic demand	296,928	354,510	350,084	405,103	445,716	488,301	538,755	586,063	628,232	659,251
a. Private consumption	192,316	220,107	232,368	256,465	281,718	310,040	335,904	374,835	401,402	429,928
b. Public consumption	33,424	36,755	42,117	44,531	48,111	55,002	61,210	67,800	77,205	79,444
c. Gross domestic investment	71,188	97,648	75,599	104,107	115,887	123,259	141,641	143,428	149,625	149,879
Gross fixed investment	64,948	84,976	85,031	104,892	112,187	130,610	145,182	148,471	148,790	149,073
i. Private	53,626	69,092	64,215	80,164	89,524	103,070	113,572	116,029	118,338	117,337
ii. Public	11,322	15,883	20,817	24,728	22,663	27,539	31,610	32,443	30,452	31,736
Change on inventories	6,240	12,673	-9,432	-785	3,700	-7,351	-3,541	-5,043	835	806
II. Exports of goods and non-financial services	97,501	100,996	91,915	111,470	139,337	137,922	131,624	129,036	129,586	146,082
Minus:										
III. Imports of goods and non-financial services	74,736	99,857	77,579	98,429	120,219	127,687	135,672	138,719	145,314	146,618
IV. GDP	319,693	355,650	364,420	418,144	464,833	498,536	534,707	576,380	612,504	658,715

1/ Preliminary data.
Source: INEI and BCRP.
Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 8
GROSS DOMESTIC PRODUCT BY PRODUCTION SECTOR
(Real % change)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture and Livestock ^{2/}	3.3	8.0	1.3	4.3	4.1	5.9	1.5	1.9	3.2	2.0
- Agriculture	-9.0	9.7	0.0	2.6	4.0	8.7	1.0	0.7	2.0	0.7
- Livestock	-7.1	6.0	5.8	4.2	5.8	5.6	2.5	5.8	5.2	3.9
Fishing	9.3	3.0	-3.4	-19.6	52.9	-32.2	24.8	-27.9	15.9	-10.1
Mining and Fuel ^{3/}	4.2	8.1	1.0	1.3	0.6	2.8	4.9	-0.9	9.5	16.3
- Metallic mining	3.8	7.1	-2.1	-2.7	-2.1	2.5	4.3	-2.2	15.7	21.2
- Hydrocarbons	1.4	6.4	17.1	15.0	5.1	1.0	7.2	4.0	-11.5	-5.1
Manufacture	10.6	8.6	-6.7	10.8	8.6	1.5	5.0	-3.6	-1.5	-1.5
- Based on raw materials	-2.6	8.7	-8.4	-4.8	16.0	-7.8	8.6	-9.3	1.8	-0.5
- Non-primary industries	16.1	8.6	-6.1	16.2	6.5	4.3	3.7	-1.5	-2.6	-2.0
Electricity and water	9.2	8.1	1.1	8.1	7.6	5.8	5.5	4.9	5.9	7.3
Construction	16.6	16.8	6.8	17.8	3.6	15.8	8.9	1.9	-5.8	-3.1
Commerce	10.3	11.0	-0.5	12.5	8.9	7.2	5.9	4.4	3.9	1.8
Other services ^{4/}	8.7	8.7	3.6	8.8	7.0	7.3	6.2	5.0	4.2	3.9
Gross domestic product	8.5	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	3.9
Primary	2.9	8.0	-0.7	0.5	4.9	0.7	5.0	-2.2	6.8	9.8
Non-primary	10.6	9.5	1.6	11.1	6.9	7.5	6.0	3.6	2.4	2.3

1/ Preliminary data.

2/ Includes the forestry sector.

3/ Includes non-metallic mining.

4/ Includes import duties and other taxes.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 9
GROSS DOMESTIC PRODUCT BY PRODUCTION SECTOR
(Million soles at 2007 prices)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
								1/	1/	1/
Agriculture and Livestock ^{2/}	19,074	20,600	20,873	21,766	22,658	23,991	24,362	24,814	25,614	26,124
- Agriculture	11,612	12,741	12,738	13,075	13,596	14,773	14,914	15,025	15,320	15,434
- Livestock	4,663	4,943	5,228	5,447	5,761	6,086	6,239	6,604	6,950	7,220
Fishing	2,364	2,436	2,352	1,891	2,892	1,960	2,445	1,762	2,042	1,836
Mining and Fuel ^{3/}	45,892	49,599	50,076	50,714	51,043	52,473	55,035	54,554	59,715	69,442
- Metallic mining	33,254	35,632	34,878	33,929	33,210	34,044	35,494	34,702	40,156	48,650
- Hydrocarbons	5,460	5,812	6,808	7,828	8,225	8,310	8,909	9,261	8,200	7,782
Manufacture	52,807	57,354	53,502	59,255	64,330	65,265	68,508	66,047	65,079	64,107
- Based on raw materials	13,853	15,062	13,802	13,143	15,243	14,048	15,254	13,828	14,077	14,000
- Non-primary industries	38,954	42,292	39,700	46,112	49,087	51,217	53,094	52,308	50,953	49,953
Electricity and water	5,505	5,950	6,013	6,501	6,994	7,401	7,811	8,193	8,679	9,313
Construction	16,317	19,061	20,360	23,993	24,848	28,779	31,353	31,956	30,097	29,151
Commerce	32,537	36,105	35,936	40,420	44,034	47,218	49,984	52,193	54,217	55,199
Other services ^{4/}	145,197	157,818	163,472	177,840	190,253	204,186	216,868	227,760	237,354	246,527
Gross domestic product	319,693	348,923	352,584	382,380	407,052	431,273	456,366	467,280	482,797	501,699
Primary ^{3/}	81,183	87,697	87,103	87,514	91,836	92,472	97,097	94,959	101,448	111,402
Non-primary ^{3/}	238,510	261,226	265,481	294,866	315,216	338,801	359,269	372,321	381,349	390,297

1/ Preliminary data.

2/ Includes the forestry sector.

3/ Includes non-metallic mining.

4/ Includes import duties and other taxes.

Source: INEI and BCRP.

Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 10
BALANCE OF PAYMENTS
(Million US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. CURRENT ACCOUNT BALANCE	1,521	-5,285	-614	-3,569	-2,990	-5,388	-9,387	-8,925	-9,169	-5,303
1. Trade balance	8,503	2,569	6,060	6,988	9,224	6,393	504	-1,509	-2,916	1,888
a. FOB Exports	28,094	31,018	27,071	35,803	46,376	47,411	42,861	39,533	34,414	37,020
b. FOB Imports	-19,591	-28,449	-21,011	-28,815	-37,152	-41,018	-42,356	-41,042	-37,331	-35,132
2. Services	-1,192	-2,056	-1,176	-2,353	-2,244	-2,495	-2,022	-1,895	-2,040	-1,974
a. Exports	3,152	3,649	3,636	3,693	4,264	4,916	5,812	5,940	6,236	6,312
b. Imports	-4,344	-5,704	-4,812	-6,046	-6,508	-7,411	-7,835	-7,835	-8,276	-8,287
3. Investment income	-8,299	-8,742	-8,385	-11,230	-13,171	-12,592	-11,215	-9,893	-7,544	-9,184
a. Private	-7,895	-8,746	-8,450	-10,976	-12,633	-11,861	-10,357	-9,183	-6,813	-8,322
b. Public	-403	4	65	-254	-538	-731	-859	-710	-731	-862
4. Current transfers	2,508	2,943	2,887	3,026	3,201	3,307	3,346	4,372	3,331	3,967
of which: Remittances	2,131	2,444	2,409	2,534	2,697	2,788	2,707	2,637	2,725	2,884
II. FINANCIAL ACCOUNT	8,497	8,624	2,287	13,582	9,247	19,286	10,439	6,630	9,454	6,418
1. Private sector	8,154	9,569	4,200	11,467	8,947	15,750	15,319	7,574	8,792	3,709
a. Assets	-1,052	-535	-3,586	-1,304	-1,597	-2,398	-1,270	-5,257	-247	-966
b. Liabilities	9,207	10,104	7,786	12,771	10,544	18,147	16,589	12,832	9,039	4,675
2. Public sector	-1,722	-1,507	172	2,372	682	1,466	-1,803	-67	3,110	2,657
a. Assets	-166	65	-320	-94	-253	-440	-347	-670	-473	-189
b. Liabilities ^{2/}	-1,556	-1,572	492	2,466	935	1,906	-1,456	603	3,583	2,846
3. Short-term capital	2,065	562	-2,085	-258	-381	2,070	-3,077	-878	-2,448	52
a. Assets	-1,046	416	-601	-1,844	-423	-456	-396	-1,061	-2,887	-305
b. Liabilities	3,111	146	-1,484	1,587	42	2,526	-2,682	183	439	357
III. EXCEPTIONAL FINANCING	67	57	36	19	33	19	5	10	0	0
IV. NET ERRORS AND OMISSIONS	-430	-226	-666	1,160	-1,605	890	1,850	107	-212	-946
V. RESULT OF THE BALANCE OF PAYMENTS	9,654	3,169	1,043	11,192	4,686	14,806	2,907	-2,178	73	168
(V = I + II + III + IV) = (1-2)										
1. Change in the balance of NIRS	10,414	3,507	1,939	10,970	4,711	15,176	1,672	-3,355	-823	201
2. Valuation effect	760	338	896	-222	25	369	-1,235	-1,177	-896	32

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. ICLY, Proinversión, Bank for International Settlements (BIS), and companies. Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 11
BALANCE OF PAYMENTS
(% GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. CURRENT ACCOUNT BALANCE	1.5	-4.3	-0.5	-2.4	-1.8	-2.8	-4.7	-4.4	-4.8	-2.7
1. Trade balance	8.3	2.1	5.0	4.7	5.5	3.4	0.3	-0.7	-1.5	1.0
a. FOB Exports	27.4	25.5	22.3	24.2	27.5	25.0	21.7	19.5	17.9	18.9
b. FOB Imports	-19.1	-23.4	-17.3	-19.5	-22.0	-21.7	-21.4	-20.2	-19.4	-18.0
2. Services	-1.2	-1.7	-1.0	-1.6	-1.3	-1.3	-1.0	-0.9	-1.1	-1.0
a. Exports	3.1	3.0	3.0	2.5	2.5	2.6	2.9	2.9	3.2	3.2
b. Imports	-4.2	-4.7	-4.0	-4.1	-3.9	-3.9	-4.0	-3.9	-4.3	-4.2
3. Investment income	-8.1	-7.2	-6.9	-7.4	-7.8	-6.7	-5.7	-4.9	-3.9	-4.7
a. Private	-7.7	-7.2	-7.0	-7.6	-7.5	-6.3	-5.2	-4.5	-3.5	-4.3
b. Public	-0.4	0.0	0.1	-0.2	-0.3	-0.4	-0.4	-0.3	-0.4	-0.4
4. Current transfers	2.4	2.4	2.4	2.0	1.9	1.7	1.7	2.2	1.7	2.0
of which: Remittances	2.1	2.0	2.0	1.7	1.6	1.5	1.4	1.3	1.4	1.5
II. FINANCIAL ACCOUNT	8.3	7.1	1.9	9.2	5.5	10.2	5.3	3.3	4.9	3.3
1. Private sector	8.0	7.9	3.5	7.7	5.3	8.3	7.7	3.7	4.6	1.9
a. Assets	-1.0	-0.4	-3.0	-0.9	-0.9	-1.3	-0.6	-2.6	-0.1	-0.5
b. Liabilities	9.0	8.3	6.4	8.6	6.2	9.6	8.4	6.3	4.7	2.4
2. Public sector	-1.7	-1.2	0.1	1.6	0.4	0.8	-0.9	-0.0	1.6	1.4
a. Assets	-0.2	0.1	-0.3	-0.1	-0.1	-0.2	-0.2	-0.3	-0.2	-0.1
b. Liabilities ^{2/}	-1.5	-1.3	0.4	1.7	0.6	1.0	-0.7	0.3	1.9	1.5
3. Short-term capital	2.0	0.5	-1.7	-0.2	-0.2	1.1	-1.6	-0.4	-1.3	0.0
a. Assets	-1.0	0.3	-0.5	-1.2	-0.3	-0.2	-0.2	-0.5	-1.5	-0.2
b. Liabilities	3.0	0.1	-1.2	1.1	0.0	1.3	-1.4	0.1	0.2	0.2
III. EXCEPTIONAL FINANCING	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV. NET ERRORS AND OMISSIONS	-0.4	-0.2	-0.5	0.8	-0.9	0.5	0.9	0.1	-0.1	-0.5
V. RESULT OF THE BALANCE OF PAYMENTS	9.4	2.6	0.9	7.6	2.8	7.8	1.5	-1.1	0.0	0.1
(V = I + II + III + IV) = (1-2)										
1. Change in the balance of NIRS	10.2	2.9	1.6	7.4	2.8	8.0	0.8	-1.7	-0.4	0.1
2. Valuation effect	0.7	0.3	0.7	-0.1	0.0	0.2	-0.6	-0.6	-0.5	0.0
Memo:										
GDP (Million US\$)	102,388	121,806	121,520	148,117	168,934	189,270	197,879	203,076	192,297	195,415

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, Promversión, Bank for International Settlements (BIS), and companies
Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 12
TRADE BALANCE
(FOB values in million US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. EXPORTS	28,094	31,018	27,071	35,803	46,376	47,411	42,861	39,533	34,414	37,020
Traditional products	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,686	23,432	26,137
Non-traditional products	6,313	7,562	6,196	7,699	10,176	11,197	11,069	11,677	10,895	10,782
Others	114	190	154	254	304	345	238	171	88	100
2. IMPORTS	19,591	28,449	21,011	28,815	37,152	41,018	42,356	41,042	37,331	35,132
Consumer goods	3,189	4,520	3,962	5,489	6,734	8,252	8,843	8,899	8,754	8,614
Inputs	10,429	14,556	10,076	14,023	18,332	19,273	19,528	18,797	15,911	15,140
Capital goods	5,854	9,233	6,850	9,074	11,730	13,347	13,664	12,911	12,002	11,113
Others	119	140	122	229	356	145	321	435	664	264
3. TRADE BALANCE	8,503	2,569	6,060	6,988	9,224	6,393	504	-1,509	-2,916	1,888
Memo:										
Annual % change:^{2/}										
Index of X prices	14.1	3.8	-12.7	30.4	21.5	-2.2	-5.7	-6.9	-15.0	-3.6
Index of M prices	9.4	16.5	-10.6	7.8	13.3	0.4	-0.5	-1.5	-9.2	-3.0
Terms of trade	4.3	-10.9	-2.4	21.0	7.2	-2.6	-5.2	-5.4	-6.4	-0.7
Index of X volume	3.4	6.4	0.0	1.4	6.6	4.5	-4.1	-1.0	2.4	11.6
Index of M volume	20.7	24.6	-17.4	27.3	13.8	9.9	3.8	-1.6	0.2	-3.0
Index of X value	17.9	10.4	-12.7	32.3	29.5	2.2	-9.6	-7.8	-12.9	7.6
Index of M value	32.0	45.2	-26.1	37.1	28.9	10.4	3.3	-3.1	-9.0	-5.9

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 13
EXPORTS BY GROUP OF PRODUCTS
(FOB values in millions US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. TRADITIONAL PRODUCTS	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,686	23,432	26,137
Fishing	1,460	1,797	1,683	1,884	2,114	2,312	1,707	1,731	1,457	1,269
Agriculture	460	686	634	975	1,689	1,095	786	847	723	878
Mining	17,439	18,101	16,482	21,903	27,526	27,467	23,789	20,545	18,950	21,777
Oil and Natural gas	2,306	2,681	1,921	3,088	4,568	4,996	5,271	4,562	2,302	2,213
2. NON-TRADITIONAL PRODUCTS	6,313	7,562	6,196	7,699	10,176	11,197	11,069	11,677	10,895	10,782
Agriculture and Livestocks	1,512	1,913	1,828	2,203	2,836	3,083	3,444	4,231	4,409	4,702
Fishing	500	622	518	644	1,049	1,017	1,030	1,155	933	909
Textiles	1,736	2,026	1,495	1,561	1,990	2,177	1,928	1,800	1,331	1,196
Woods	362	428	336	359	402	438	427	416	353	322
Chemicals	805	1,041	838	1,228	1,655	1,636	1,510	1,515	1,406	1,342
Non-metallic minerals	165	176	148	252	492	722	722	664	698	640
Basic metal industries and jewelry	906	909	571	949	1,130	1,301	1,320	1,149	1,081	1,084
Metal-mechanic	220	328	369	393	476	545	544	581	533	445
Others ^{2/}	107	121	94	110	147	277	143	165	151	143
3. OTHERS^{3/}	114	190	154	254	304	345	238	171	88	100
4. TOTAL EXPORTS	28,094	31,018	27,071	35,803	46,376	47,411	42,861	39,533	34,414	37,020
Memo:										
Percentage structure (%)										
Fishing	5.2	5.8	6.2	5.3	4.6	4.9	4.0	4.4	4.2	3.4
Agriculture	1.6	2.2	2.3	2.7	3.6	2.3	1.8	2.1	2.1	2.4
Mining	62.1	58.4	60.9	61.2	59.4	57.9	55.5	52.0	55.1	58.8
Oil and Natural gas	8.2	8.6	7.1	8.6	9.8	10.5	12.3	11.5	6.7	6.0
Traditional	77.1	75.0	76.5	77.8	77.4	75.6	73.6	70.0	68.1	70.6
Non-traditional	22.5	24.4	22.9	21.5	21.9	23.6	25.8	29.5	31.7	29.1
Others	0.4	0.6	0.6	0.7	0.7	0.8	0.6	0.5	0.2	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 handcrafts.

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 14
EXPORTS OF TRADITIONAL PRODUCTS
(FOB values in millions US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
FISHING										
Fishmeal	1,460	1,797	1,683	1,884	2,114	2,312	1,707	1,731	1,457	1,269
Volume (Thousand MT)	1,211	1,413	1,426	1,610	1,780	1,770	1,364	1,335	1,158	999
Price (US\$/MT)	1,261.7	1,564.9	1,539.5	1,083.2	1,300.8	1,332.5	851.4	855.9	698.4	633.7
Fishoil	959.8	902.7	925.9	1,486.3	1,368.4	1,328.3	1,601.9	1,559.8	1,658.0	1,576.0
Volume (Thousand MT)	249	385	258	274	333	542	343	395	299	270
Price (US\$/MT)	320.7	257.7	304.4	254.1	234.9	311.9	163.4	126.1	118.8	95.1
Other agriculture products ^{2/}	777.2	1,493.2	846.7	1,079.2	1,419.2	1,736.8	2,718.0	2,419.3	2,517.6	2,844.4
AGRICULTURE										
Cotton	460	686	634	975	1,689	1,095	786	847	723	878
Volume (Thousand MT)	3	2	1	8	4	4	2	4	3	2
Price (US\$/MT)	1.5	0.9	1.6	0.5	2.1	1.9	0.8	1.6	1.3	0.8
Sugar	2,093.6	2,505.2	1,722.0	2,417.9	3,762.2	2,357.6	2,142.3	2,371.2	2,415.2	1,888.9
Volume (Thousand MT)	19	25	35	48	66	6	14	37	18	28
Price (US\$/MT)	48.3	70.4	81.3	112.0	84	69.4	26.5	69.4	35.3	49.2
Coffee	388.9	350.9	429.2	577.9	759.9	691.0	524.9	534.8	519.4	575.1
Volume (Thousand MT)	427	645	585	889	1,597	1,024	696	734	614	761
Price (US\$/MT)	173.6	225.1	197.8	230.1	296.4	266.4	237.4	182.3	184.9	240.4
Other agriculture products ^{2/}	2,459.0	2,865.9	2,956.7	3,863.2	5,388.4	3,842.5	2,929.9	4,027.8	3,318.5	3,163.1
Price (US\$/MT)	11	14	12	21	37	61	75	72	87	88
MINING										
Copper	17,439	18,101	16,482	21,903	27,526	27,467	23,789	20,545	18,950	21,777
Volume (Thousand MT)	7,219	7,277	5,935	10,721	10,731	10,731	9,821	8,875	8,168	10,171
Price (US\$/tray ounce)	1,243.1	1,246.2	1,246.2	1,256.1	1,405.6	1,405.6	1,404.0	1,402.4	1,757.2	2,492.5
Tin	291.9	265.5	216.0	385.3	346.3	346.3	317.3	287.0	210.8	185.1
Volume (Thousand MT)	41.1	66.3	59.1	84.2	77.6	55.8	52.8	54.0	34.2	34.4
Price (US\$/tray ounce)	656.6	785.7	723.4	978.3	1,102.8	991.2	1,004.7	993.3	770.7	806.1
Iron	285	385	298	523	1,030	845	857	647	350	344
Volume (Million MT)	7.2	6.8	6.8	9.3	9.8	9.8	10.4	11.4	11.6	11.1
Price (US\$/Million MT)	39.8	56.3	43.9	65.7	111.3	86.3	82.6	56.9	30.1	31.1
Gold	4,187	5,586	6,791	7,745	10,235	10,746	8,536	6,729	6,651	7,386
Volume (thousand troy ounce)	5,967.4	6,417.7	6,922.2	6,334.6	6,492.2	6,427.1	6,047.4	5,323.4	5,743.8	5,915.4
Price (US\$/tray ounce)	701.7	870.4	974.0	1,222.6	1,576.5	1,671.9	1,411.6	1,264.1	1,157.9	1,248.6
Refined Silver	538	595	214	118	219	210	479	331	138	120
Volume (millions oz. tr.)	40.4	39.7	16.2	6.2	6.5	6.9	21.2	17.1	8.9	7.2
Price (US\$/tray ounce)	13.3	15.0	13.2	19.2	33.7	30.2	22.6	19.3	15.5	16.8
Lead ^{3/}	1,033	1,136	1,116	1,579	2,427	2,575	1,776	1,523	1,548	1,658
Volume (Thousand MT)	416.6	525.0	681.5	770.0	987.7	1,169.7	855.2	771.5	938.4	942.3
Price (US\$/lb.)	112.5	98.1	74.3	111.4	111.4	99.9	94.2	89.5	74.8	79.8
Zinc	2,539	1,468	1,233	1,696	1,523	1,352	1,414	1,504	1,508	1,465
Volume (Thousand MT)	1,272.7	1,457.1	1,372.5	1,314.1	1,007.3	1,016.3	1,079.0	1,149.2	1,217.4	1,113.6
Price (US\$/lb.)	99.1	45.7	40.8	58.5	56.4	60.4	59.4	59.3	56.2	59.7
Molybdenum	991	943	276	492	564	428	356	360	220	273
Volume (Thousand MT)	16.2	18.3	12.2	19.5	19.5	17.9	18.4	16.5	17.8	24.4
Price (US\$/lb.) ^{4/}	2,781.8	2,343.2	1,023.6	1,314.5	1,314.5	1,086.6	874.1	991.5	561.1	506.8
Other mining products ^{4/}	51	48	27	29	31	22	23	38	27	15
OIL AND NATURAL GAS										
Crude oil and derivatives	2,306	2,681	1,921	3,088	4,568	4,996	5,271	4,562	2,302	2,213
Volume (Millions bl.)	230.7	268.1	192.1	308.8	456.8	499.6	527.1	456.2	230.2	221.3
Price (US\$/bbl.)	64.6	86.1	57.4	76.2	101.8	102.9	98.9	111.0	100.0	100.0
Natural gas	0	0	0	0	1,384	1,331	1,372	786	449	418
Volume (Thousand m ³)	0	0	0	0	8,969.2	8,737.5	9,562.1	9,226.6	8,093.1	9,589.0
Price (US\$/m ³)	n/a	n/a	n/a	78.6	143.1	132.3	143.5	85.2	55.5	54.6
TRADITIONAL PRODUCTS										
	21,666	23,266	20,720	27,850	35,896	35,869	31,553	27,886	23,432	26,137

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.
Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 15 EXPORTS OF NON-TRADITIONAL PRODUCTS (Million US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
AGRICULTURE AND LIVESTOCK	1,512	1,913	1,828	2,203	2,836	3,083	3,444	4,231	4,409	4,702
Vegetables	713	798	739	866	995	1,044	1,083	1,112	1,143	1,151
Fruits	311	412	463	594	888	969	1,180	1,628	1,902	2,144
Various plant products	135	180	173	225	282	350	390	444	374	413
Cereals and its preparations	157	177	173	172	191	203	253	295	305	316
Tea, coffee, cocoa, and essences	151	217	185	156	264	272	288	337	302	293
Rest	125	185	144	195	235	282	288	337	302	293
FISHING	500	622	518	644	1,049	1,017	1,030	1,155	933	909
Frozen crustaceans and molluscs	225	252	231	354	479	423	566	588	439	453
Frozen fish	127	137	127	213	213	263	372	383	214	209
Preparations and canned products	117	149	101	101	101	172	172	174	174	174
Dried fish	16	16	22	26	31	31	30	35	40	37
Rest	15	17	16	26	16	31	20	23	31	16
TEXTILES	1,736	2,026	1,495	1,561	1,990	2,177	1,928	1,800	1,331	1,196
Clothes and other garments	1,411	1,174	1,174	1,202	1,543	1,641	1,417	1,218	928	872
Knitwear	92	85	69	85	106	85	88	126	95	71
Textile fibers	95	103	78	100	136	139	151	160	126	104
Yarns	362	428	336	359	402	438	427	416	353	322
Timber	167	169	126	138	127	124	117	132	120	102
Wooden materials	63	85	101	119	87	85	85	85	85	85
Manufacturing of paper and cardboard products	29	40	24	27	33	35	35	30	25	23
Manufacturing of wood products	18	14	8	7	8	7	8	7	6	4
Wooden furnitures	1	0	1	3	6	2	5	6	2	5
Other	1	0	1	3	6	2	5	6	2	5
CHEMICALS	895	1,041	838	1,228	1,655	1,635	1,510	1,515	1,406	1,344
Organic and inorganic chemicals	295	327	238	288	430	430	314	319	346	344
Plastic manufacturing	103	114	103	131	162	194	193	186	154	146
Dyeing, tanning and coloring products	67	74	77	252	280	134	134	115	128	162
Rubber manufacturing	47	53	41	63	93	91	98	93	77	70
Essential oils and toiletries	80	121	107	120	139	208	195	193	178	149
Other	251	332	282	375	492	518	512	580	523	470
NON-METALLIC MINERALS	165	176	148	252	492	722	722	664	698	640
Cement and construction materials	105	99	65	93	106	123	149	167	178	159
Fertilizers and raw minerals	22	32	32	93	284	481	467	375	398	337
Glass and manufactures	16	19	27	33	52	60	62	74	77	114
Ceramic products	16	6	6	5	8	7	6	5	4	3
Rest	16	19	18	31	42	52	37	43	41	27
IRON-METALLIC AND JEWELRY	906	909	571	949	1,130	1,301	1,320	1,149	1,081	1,084
Copper products	377	402	205	391	461	451	438	456	360	277
Zinc products	215	154	103	284	284	238	242	268	236	284
Iron products	90	145	123	126	139	177	156	158	143	138
Non-ferrous manufacturing metals	67	62	45	63	92	86	119	87	86	87
Non-ferrous waste	14	9	8	11	12	11	12	10	10	17
Lead products	10	24	8	69	22	207	204	19	126	161
Silver products	104	86	64	72	79	84	101	95	83	94
Jewelry	22	21	13	26	38	35	39	38	26	23
Rest	22	21	13	26	38	35	39	38	26	23
METAL-MECHANIC	220	328	369	393	476	540	544	581	533	445
Highway vehicles	7	9	16	21	39	29	67	53	50	36
Industrial machinery, equipment, and parts	29	51	77	63	57	60	60	77	82	86
Electrical appliances, machinery, and parts	41	53	45	34	53	66	55	45	45	44
Iron and steel manufactured article	23	30	25	32	29	34	27	31	28	23
Office machines and data processing	15	17	9	9	17	13	14	14	11	13
Transportation equipment	10	16	7	12	10	11	11	10	10	10
Machinery and equipment for civil engineering	27	26	39	54	56	61	76	105	86	66
Force generating machinery and equipment	16	27	31	54	51	44	55	60	64	36
Common metal household items	8	23	10	15	15	13	10	9	9	6
Rest	68	84	112	110	160	216	181	188	156	135
OTHERS^{1/}	107	121	94	110	147	277	143	165	151	143
NON-TRADITIONAL PRODUCTS	6,313	7,562	6,196	7,699	10,176	11,197	11,069	11,677	10,895	10,782

1/ Preliminary data.

2/ Includes mainly fur and leather and handicrafts.

Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación, and companies. Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 16
IMPORTS BY USE OR ECONOMIC DESTINATION
(FOB values in millions US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Consumer goods	3,189	4,520	3,962	5,489	6,734	8,252	8,843	8,899	8,754	8,614
Non-durable	1,751	2,328	2,137	2,809	3,489	4,082	4,502	4,657	4,731	4,638
Main foods	203	279	177	306	409	568	381	479	473	480
Rest	1,548	2,049	1,960	2,503	3,080	3,514	4,120	4,178	4,258	4,158
Durable	1,438	2,192	1,825	2,680	3,245	4,170	4,342	4,243	4,023	3,976
Inputs	10,429	14,556	10,076	14,023	18,332	19,273	19,528	18,797	15,911	15,140
Fuel, lubricants and related	3,631	5,225	2,929	4,063	5,752	5,885	6,454	5,754	3,671	3,819
Raw materials for agriculture	588	874	773	868	1,092	1,292	1,244	1,339	1,236	1,213
Raw materials for industry	6,209	8,458	6,374	9,093	11,488	12,096	11,830	11,704	11,003	10,108
Capital goods	5,854	9,233	6,850	9,074	11,730	13,347	13,664	12,911	12,002	11,113
Materials for construction	590	1,305	854	1,087	1,449	1,488	1,443	1,422	1,421	1,112
For agriculture	50	90	72	80	111	137	131	141	160	144
For industry	3,958	5,765	4,498	5,539	7,345	8,168	8,327	8,689	7,842	7,268
Transport equipments	1,256	2,073	1,426	2,369	2,825	3,554	3,762	2,660	2,579	2,588
Others goods^{2/}	119	140	122	229	356	145	321	435	664	264
Total imports	19,591	28,449	21,011	28,815	37,152	41,018	42,356	41,042	37,331	35,132
Memo:										
Transport equipments	322	361	196	420	698	734	648	326	364	216
Free zone ^{3/}	108	113	110	131	136	140	238	217	207	212
Foodstuffs^{4/}	1,201	1,703	1,349	1,725	2,304	2,528	2,372	2,459	2,236	2,166
Wheat	345	489	346	368	536	516	568	555	486	391
Corn and/or sorghum	258	310	266	372	564	507	502	479	485	524
Rice	31	88	49	55	118	149	110	127	134	152
Sugar ^{5/}	84	72	57	121	138	188	78	80	141	163
Dairy products	60	77	37	81	98	167	127	204	124	108
Soybean	396	625	561	679	795	936	920	946	791	771
Meat	7	42	34	49	55	64	66	68	74	58

1/ Preliminary data.
2/ Includes donations's 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 17
TERMS OF TRADE
 (Year 2007 = 100)

	Exports ^{1/}			Imports ^{1/}			Terms of trade		
	Index	Nominal prices % Chg.	Volume Index	Index	Nominal prices % Chg.	Volume Index	Index	% Chg.	% Chg.
2007	100	14.1	100	100	9.4	100	100	20.7	4.3
2008	104	3.8	106	117	16.5	125	89	24.6	-10.9
2009	91	-12.7	106	104	-10.6	103	87	-17.4	-2.4
2010	118	30.4	108	112	7.8	131	105	27.3	21.0
2011	144	21.5	115	127	13.3	149	113	13.8	7.2
2012	140	-2.2	120	128	0.4	164	110	9.9	-2.6
2013	132	-5.7	115	127	-0.5	170	104	3.8	-5.2
2014	123	-6.9	114	125	-1.5	167	99	-1.6	-5.4
2015	105	-15.0	117	114	-9.2	168	92	0.2	-6.4
2016	101	-3.6	130	110	-3.0	163	92	-3.0	-0.7

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 18											
PRIVATE SECTOR FINANCIAL ACCOUNT											
(Million US\$)											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
											1/
1. ASSETS											
Direct investment abroad	-1,052	-535	-3,586	-1,304	-1,597	-2,398	-1,270	-5,257	-247	-966	
Portfolio investment abroad ^{2/}	-66	-736	-411	-266	-147	-78	-137	-801	-127	-303	
	-987	200	-3,176	-1,038	-1,450	-2,320	-1,133	-4,457	-120	-662	
2. LIABILITIES											
Foreign direct investment	9,207	10,104	7,786	12,771	10,544	18,147	16,589	12,832	9,039	4,675	
a. Reinvestment	5,491	6,924	6,431	8,455	7,341	11,788	9,800	4,441	8,272	6,863	
b. Contributions and other capital operations	3,835	3,287	5,385	5,317	4,328	6,903	4,107	3,522	2,997	4,172	
c. Net loans with parent companies	733	2,981	1,828	2,445	896	5,393	2,490	-1,786	4,170	2,213	
Portfolio investment in the country	924	656	-782	693	2,117	-508	3,202	2,705	1,105	477	
a. Capital participations ^{3/}	831	527	347	378	218	2,239	5,876	2,669	-596	-495	
b. Other liabilities ^{4/}	70	85	47	87	147	-142	585	-79	-60	-307	
Long-term loans	761	442	301	291	71	2,381	5,291	2,748	-536	-188	
a. Disbursements	2,885	2,653	1,008	3,939	2,985	4,120	914	5,722	1,363	-1,693	
b. Amortization	4,389	3,427	2,167	5,254	4,503	6,929	4,342	9,416	5,066	2,881	
	-1,504	-774	-1,158	-1,315	-1,517	-2,808	-3,428	-3,694	-3,703	-4,574	
3. TOTAL	8,154	9,569	4,200	11,467	8,947	15,750	15,319	7,574	8,792	3,709	

Memo:

Net Foreign Direct Investment 5,425 6,188 6,020 8,189 7,194 11,710 9,663 3,640 8,144 6,560

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 19
PUBLIC SECTOR FINANCIAL ACCOUNT^{1/}
(Million US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
								2/	2/	2/
I. DISBURSEMENTS	3,384	1,166	3,229	4,261	990	1,449	1,277	2,922	5,190	2,108
Investment projects	290	283	616	722	679	334	652	988	349	958
Central government	245	206	521	509	616	317	195	133	289	805
Public enterprises	45	78	95	213	63	18	457	855	60	153
- Financial	0	1	4	0	0	0	430	304	36	109
- Non-financial	45	77	91	213	63	18	27	551	23	44
Food imports	3	0	0	0	0	0	0	0	0	0
Freely disposable funds	800	883	580	875	311	115	125	244	985	0
Bonds	2,290	0	2,033	2,664	0	1,000	500	1,690	3,856	1,150
- Global bonds ^{3/}	2,290	0	2,033	2,664	0	500	0	500	3,056	1,150
- Financial public enterprises	0	0	0	0	0	500	500	1,190	800	0
II. AMORTIZATION	-5,691	-2,635	-1,879	-5,268	-868	-1,215	-2,618	-1,592	-1,233	-1,957
III. NET EXTERNAL ASSETS	-166	65	-320	-94	-253	-440	-347	-670	-473	-189
IV. OTHER OPERATIONS WITH DEBT SECURITIES (A-B)	751	-103	-858	3,474	813	1,671	-115	-727	-374	2,694
a. Sovereign bonds held by non residents	585	86	-368	2,866	360	1,797	219	-657	216	1,959
b. Global bonds held by residents	-166	189	490	-608	-452	126	333	70	591	-735
V. TOTAL	-1,722	-1,507	172	2,372	682	1,466	-1,803	-67	3,110	2,657

1/ Medium- and long-term accounts; excludes loans to BCRP to support the balance of payments.

2/ Preliminary data.

3/ Bonds are classified according to the market where they are issued. Brady, Global, Cofide and MiVivienda Bonds were issued abroad so they are considered to be part of the public external debt, including the ones purchased by residents.

Source: BCRP, MEF, Cofide, and FCR.



APPENDIX 20
EXTERNAL INVESTMENT POSITION
(Level at the end-of-period in million US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. ASSETS										
1. BCRP reserve assets	46,189	46,783	55,651	72,066	79,148	99,794	102,421	105,157	105,594	109,508
2. Financial system assets (excluding BCRP)	27,720	31,233	33,175	44,150	48,859	64,049	65,710	62,353	61,537	61,746
3. Others assets	10,333	9,266	14,006	16,606	18,757	22,834	23,866	27,706	27,159	28,257
	8,135	6,284	8,470	11,309	11,532	12,912	12,845	15,098	16,898	19,505
II. LIABILITIES										
1. Bonds and private and public external debt^{2/}	79,124	78,657	89,312	114,910	120,247	145,668	154,509	164,780	170,832	184,774
a. Medium- and long-term debt	33,239	34,997	35,157	43,674	48,090	59,414	60,583	69,215	73,274	74,651
Private sector ^{3/}	27,141	28,757	30,431	37,358	41,736	50,519	54,381	62,832	66,444	67,457
Public sector (i-ii+iii) ^{4/}	6,587	9,264	10,314	14,424	17,504	24,067	30,341	38,881	39,734	37,833
i. External public debt	20,555	19,494	20,117	22,934	24,232	26,452	24,039	23,951	26,710	29,623
ii. External debt securities held by residents	20,081	19,237	20,600	19,905	20,204	20,402	18,778	19,764	23,630	23,762
iii. External debt securities held by non-residents	1,211	1,401	1,891	1,283	831	957	1,290	1,360	1,951	1,216
b. Short-term debt	1,685	1,657	1,408	4,313	4,859	7,008	6,552	5,547	5,031	7,078
Financial system (excluding BCRP)	6,098	6,240	4,726	6,315	6,354	8,894	6,203	6,383	6,829	7,195
BCRP	2,395	1,761	1,425	2,514	1,789	3,956	2,012	2,498	2,955	2,495
Others ^{5/}	921	736	124	45	43	57	47	45	52	60
	2,782	3,743	3,177	3,756	4,523	4,881	4,143	3,840	3,823	4,639
2. Direct investment	26,808	32,340	34,521	42,976	50,317	62,105	71,905	76,346	84,618	91,480
3. Capital participation	19,077	11,319	19,634	28,260	21,840	24,149	22,021	19,219	12,940	18,642

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 ICIV S.A., Proinversión, BIS, and companies.

Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 21
EXTERNAL INVESTMENT POSITION
(% GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. ASSETS										
1. BCRP reserve assets	45.1	38.4	45.8	48.7	46.9	52.7	51.8	51.8	54.9	56.0
2. Financial system assets (excluding BCRP) ^{2/}	27.1	25.6	27.3	29.8	28.9	33.8	33.2	30.7	32.0	31.6
3. Others assets	10.1	7.6	11.5	11.2	11.1	12.1	12.1	13.6	14.1	14.5
	7.9	5.2	7.0	7.6	6.8	6.8	6.5	7.4	8.8	10.0
II. LIABILITIES										
1. Bonds and private and public external debt^{3/}	77.3	64.6	73.5	77.6	71.2	77.0	78.1	81.1	88.8	94.6
a. Medium- and long-term debt	32.5	28.7	28.9	29.5	28.5	31.4	30.6	34.1	38.1	38.2
Private sector ^{4/}	26.5	23.6	25.0	25.2	24.7	26.7	27.5	30.9	34.6	34.5
Public sector (i-ii+iii) ^{5/}	6.4	7.6	8.5	9.7	10.4	12.7	15.3	19.1	20.7	19.4
i. External public debt	20.1	16.0	16.6	15.5	14.3	14.0	12.1	11.8	13.9	15.2
ii. External debt securities held by residents	19.6	15.8	17.0	13.4	12.0	10.8	9.5	9.7	12.3	12.2
iii. External debt securities held by non-residents	1.2	1.2	1.6	0.9	0.5	0.5	0.7	0.7	1.0	0.6
b. Short-term debt	1.6	1.4	1.2	2.9	2.9	3.7	3.3	2.7	2.6	3.6
Financial system (excluding BCRP) ^{6/}	6.0	5.1	3.9	4.3	3.8	4.7	3.1	3.1	3.6	3.7
BCRP ^{6/}	2.3	1.4	1.2	1.7	1.1	2.1	1.0	1.2	1.5	1.3
Others ^{7/}	0.9	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2.7	3.1	2.6	2.5	2.7	2.6	2.1	1.9	2.0	2.4
2. Direct investment	26.2	26.6	28.4	29.0	29.8	32.8	36.3	37.6	44.0	46.8
3. Capital participation	18.6	9.3	16.2	19.1	12.9	12.8	11.1	9.5	6.7	9.5

1/ Preliminary data.

2/ Includes assets in domestic currency against non-residents.

3/ External public debt includes the debt of the central government and state enterprises.

4/ Includes liabilities in domestic currency with non-residents

5/ 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.

6/ Includes Certificate of Deposits issued by BCRP.

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

Source: BCRP, MEF, Cavali (CIV S.A.), Proinversión, BIS, and companies.

Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 22
OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR
(Million soles)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. General government current revenues	69,565	78,656	72,214	87,148	102,134	113,528	120,785	127,721	122,789	122,044
a. Tax revenue	53,531	59,689	53,890	65,961	77,261	86,097	91,617	97,649	92,788	92,221
b. Non-tax revenue	16,034	18,966	18,325	21,187	24,873	27,431	29,168	30,072	30,000	29,823
2. General government non-financial expenditure	54,777	64,377	73,394	83,169	87,542	97,899	111,770	123,845	130,205	131,460
a. Current expenditure	43,701	48,824	51,921	57,103	63,191	68,948	78,329	89,433	96,995	100,659
b. Capital expenditure	11,075	15,553	21,473	26,066	24,350	28,951	33,440	34,411	33,210	30,801
3. Others	1,017	537	1,242	192	557	1,396	1,748	452	1,246	-367
4. Primary balance (1-2+3)	15,805	14,816	62	4,171	15,149	17,024	10,763	4,328	-6,170	-9,783
5. Interests	6,007	5,883	5,006	5,083	5,541	5,568	6,090	6,206	6,475	7,137
a. External debt	4,287	3,350	3,101	2,927	2,655	2,755	3,065	2,909	2,664	3,004
b. Domestic debt	1,720	2,533	1,905	2,156	2,886	2,813	3,025	3,297	3,811	4,133
6. Overall balance	9,799	8,932	-4,944	-912	9,608	11,456	4,673	-1,878	-12,644	-16,920
7. Net financing	-9,799	-8,932	4,944	912	-9,608	-11,456	-4,673	1,878	12,644	16,920
1. Foreign	-6,398	-3,472	4,069	-2,077	748	-1,388	-4,388	-841	9,815	4,304
(Million US\$(a-b+c))	-2,085	-1,205	1,317	-728	277	-531	-1,689	-284	2,974	1,257
a. Disbursements	3,384	1,165	3,225	4,261	990	948	348	1,428	4,354	1,999
b. Amortization	5,661	2,604	1,843	5,184	831	1,175	2,367	1,456	1,230	1,672
c. Others ^{2/}	193	234	-65	195	118	-304	330	-256	-150	930
2. Domestic	-3,850	-5,617	773	2,570	-10,491	-10,094	-1,023	2,686	2,736	9,630
3. Privatization	449	156	102	419	135	26	737	34	94	2,987

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 23
OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR
(% GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. General government current revenues	21.8	22.1	19.8	20.8	22.0	22.8	22.6	22.2	20.0	18.5
a. Tax revenue	16.7	16.8	14.8	15.8	16.6	17.3	17.1	16.9	15.1	14.0
b. Non-tax revenue	5.0	5.3	5.0	5.1	5.4	5.5	5.5	5.2	4.9	4.5
2. General government non-financial expenditure	17.1	18.1	20.1	19.9	18.8	19.6	20.9	21.5	21.3	20.0
a. Current expenditure	13.7	13.7	14.2	13.7	13.6	13.8	14.6	15.5	15.8	15.3
b. Capital expenditure	3.5	4.4	5.9	6.2	5.2	5.8	6.3	6.0	5.4	4.7
3. Others	0.3	0.2	0.3	0.0	0.1	0.3	0.3	0.1	0.2	-0.1
4. Primary balance (1-2+3)	4.9	4.2	0.0	1.0	3.3	3.4	2.0	0.8	-1.0	-1.5
5. Interests	1.9	1.7	1.4	1.2	1.2	1.1	1.1	1.1	1.1	1.1
a. External debt	1.3	0.9	0.9	0.7	0.6	0.6	0.6	0.5	0.4	0.5
b. Domestic debt	0.5	0.7	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
6. Overall balance	3.1	2.5	-1.4	-0.2	2.1	2.3	0.9	-0.3	-2.1	-2.6
7. Net financing	-3.1	-2.5	1.4	0.2	-2.1	-2.3	-0.9	0.3	2.1	2.6
1. Foreign (a-b+c)	-2.0	-1.0	1.1	-0.5	0.2	-0.3	-0.8	-0.1	1.6	0.7
a. Disbursements	3.3	1.0	2.7	2.9	0.6	0.5	0.2	0.7	2.3	1.0
b. Amortization	5.5	2.1	1.5	3.5	0.5	0.6	1.2	0.7	0.6	0.9
c. Others ^{2/}	0.2	0.2	-0.1	0.1	0.1	-0.2	0.2	-0.1	-0.1	0.5
2. Domestic	-1.2	-1.6	0.2	0.6	-2.3	-2.0	-0.2	0.5	0.4	1.5
3. Privatization	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.5

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 24
GENERAL GOVERNMENT CURRENT REVENUES
(% GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. Tax revenue	16.7	16.8	14.8	15.8	16.6	17.3	17.1	16.9	15.1	14.0
1. Income tax	7.1	6.8	5.6	6.2	7.2	7.5	6.8	7.0	5.7	5.6
- Individuals	1.4	1.5	1.5	1.5	1.7	1.8	1.9	1.9	1.7	1.7
- Corporate	4.5	4.6	3.4	3.9	4.6	4.7	4.3	4.3	3.4	3.4
- Clearing	1.3	0.7	0.7	0.7	0.9	0.7	0.6	0.7	0.6	0.6
2. Import tax	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2
3. Value-added tax (VAT)	7.9	8.9	8.1	8.5	8.7	8.8	8.9	8.7	8.4	8.0
- Domestic VAT	4.2	4.4	4.8	4.7	4.7	4.9	5.1	5.0	5.0	4.7
- VAT on imports	3.7	4.5	3.3	3.8	4.0	3.9	3.9	3.8	3.5	3.3
4. Excise tax	1.3	1.0	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.9
- Fuel	0.8	0.4	0.6	0.6	0.5	0.4	0.5	0.4	0.4	0.4
- Other	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5
5. Other tax revenues	1.6	1.6	1.6	1.5	1.5	1.8	2.1	1.9	1.8	1.7
6. Tax refunds	-1.9	-2.0	-2.0	-1.9	-2.1	-2.1	-2.1	-1.9	-1.9	-2.5
II. Non-tax revenues	5.0	5.3	5.0	5.1	5.4	5.5	5.5	5.2	4.9	4.5
1. Contributions to Essalud and ONP	1.6	1.9	2.0	1.9	2.0	2.1	2.1	2.2	2.3	2.2
2. Royalties: oil, gas, and mining	0.6	0.7	0.4	0.6	0.8	0.6	0.5	0.5	0.3	0.2
3. Oil canon	0.4	0.5	0.3	0.4	0.6	0.6	0.6	0.5	0.3	0.2
4. Other revenues ^{2/}	2.5	2.3	2.3	2.1	2.0	2.3	2.2	2.1	2.1	1.9
III. TOTAL (I+II)	21.8	22.1	19.8	20.8	22.0	22.8	22.6	22.2	20.0	18.5

1/ Preliminary data.

2/ Includes equity and current transfers, interest and earnings transfer of the Banco de la Nación and BCRP.

Source: MEF, Banco de la Nación, SBS, ONP, SUNAT, EsSalud, public welfare agencies, and state-owned enterprises. Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 25
GENERAL GOVERNMENT EXPENDITURE
(% GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. CURRENT EXPENDITURE	13.7	13.7	14.2	13.7	13.6	13.8	14.6	15.5	15.8	15.3
Wages and salaries	5.2	5.1	5.4	5.0	4.9	5.1	5.5	5.9	5.8	5.9
National government	2.9	2.9	3.1	2.9	2.9	3.1	3.4	3.6	3.6	3.6
Regional governments	1.9	1.8	1.9	1.6	1.6	1.7	1.8	1.9	1.9	2.0
Local governments	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Goods and services^{2/}	4.5	4.6	5.3	5.3	5.1	5.7	5.9	6.1	6.6	6.2
National government	3.3	3.2	3.8	3.8	3.6	3.7	3.9	4.2	4.7	4.3
Regional governments	0.3	0.4	0.4	0.5	0.5	0.7	0.7	0.6	0.8	0.7
Local governments	0.9	1.1	1.1	1.1	1.1	1.3	1.3	1.3	1.2	1.2
Transfers^{3/}	3.9	4.1	3.6	3.4	3.5	3.1	3.3	3.5	3.4	3.2
National government	3.1	3.4	2.8	2.7	2.9	2.4	2.6	2.9	2.9	2.6
Regional governments	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Local governments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
II. CAPITAL EXPENDITURE	3.5	4.4	5.9	6.2	5.2	5.8	6.3	6.0	5.4	4.7
Gross capital formation	3.2	4.1	5.2	5.5	4.5	5.3	5.6	5.3	4.4	4.1
National government	1.2	1.2	1.6	1.9	1.7	1.5	1.6	1.8	1.7	1.4
Regional governments	0.7	0.8	1.1	1.2	1.0	1.3	1.3	1.1	0.9	0.9
Local governments	1.3	2.1	2.5	2.4	1.8	2.5	2.6	2.4	1.7	1.8
Other^{2/}	0.2	0.3	0.7	0.8	0.7	0.5	0.7	0.7	1.0	0.6
III. NON-FINANCIAL EXPENDITURE (I+II)	17.1	18.1	20.1	19.9	18.8	19.6	20.9	21.5	21.3	20.0
National government	10.8	10.8	11.9	11.9	11.7	11.1	12.1	13.1	13.8	12.5
Regional governments	3.5	3.6	3.9	3.8	3.6	4.1	4.2	4.1	4.0	4.0
Local governments	2.9	3.7	4.3	4.2	3.6	4.4	4.6	4.2	3.4	3.5

1/ Preliminary data.

2/ Net of commissions.

3/ Net of inter-government transfers.

Source: MEF, Banco de la Nación, and BCRP.

Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 26
NET DEBT OF THE NON-FINANCIAL PUBLIC SECTOR

Years (December)	Million soles			% GDP		
	Assets	Liabilities	Net debt	Assets	Liabilities	Net debt
2007	38,210	95,604	57,393	12.0	29.9	18.0
2008	45,682	95,674	49,992	12.8	26.9	14.1
2009	47,156	99,215	52,060	12.9	27.2	14.3
2010	50,879	102,150	51,272	12.2	24.4	12.3
2011	63,636	103,856	40,219	13.7	22.3	8.7
2012	78,790	103,810	25,020	15.8	20.8	5.0
2013	85,638	107,044	20,406	16.2	20.0	3.8
2014^{1/}	92,663	115,788	23,125	16.1	20.1	4.0
2015^{1/}	102,670	142,831	40,161	16.8	23.3	6.6
2016^{1/}	104,279	156,817	52,538	15.8	23.8	8.0

1/ Preliminary data.
Source: BCRP and MEF.
Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 27
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
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	16.1	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	29.4
2010	5.8	10.2	10.2	20.4	12.3	32.7	16.5	14.1	30.6
2011	5.9	10.5	10.9	21.4	12.5	33.9	17.9	14.4	32.3
2012	6.5	11.5	13.1	24.6	10.9	35.5	19.3	14.6	33.9
2013	6.6	11.6	14.0	25.6	12.6	38.2	22.1	15.2	37.2
2014	6.8	11.9	14.4	26.3	12.5	38.8	24.1	14.9	39.0
2015	6.6	11.6	13.9	25.5	15.2	40.7	29.1	12.7	41.8
2016	6.6	11.2	14.6	25.8	13.7	39.5	29.0	11.9	40.9

1/ Data at end-of-period.
 Source: Depository institutions.
 Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 28 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	
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	24.0	-1.1	14.1	
2016	5.7	4.7	9.5	7.3	9.7	8.2	16.6	-6.1	8.8	

1/ Data at end-of-period.
Source: Depository institutions.
Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 29
MONETARY ACCOUNTS OF THE DEPOSITORY INSTITUTIONS^{1/}
(Million soles)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. SHORT-TERM EXTERNAL ASSETS (Million US\$)	79,503	98,480	96,516	126,018	132,815	159,157	185,919	188,237	209,960	209,538
A. Assets	26,501	31,363	33,397	44,846	49,191	62,414	66,399	63,167	61,572	62,363
B. Liabilities	85,824	103,294	100,126	128,771	136,939	168,382	190,541	194,409	218,395	216,358
	6,321	4,814	3,609	2,753	4,124	9,226	4,623	6,172	8,435	6,819
II. OTHER NET OPERATIONS ABROAD	-8,920	-13,745	-9,631	-18,071	-21,575	-27,378	-33,650	-36,678	-37,975	-33,971
A. Credits	-1,996	-3,334	-2,817	-5,916	-7,398	-9,909	-11,202	-11,647	-10,805	-9,485
B. Liabilities	4,719	4,784	5,377	4,979	5,008	5,096	5,498	5,508	6,349	8,833
	13,639	18,528	15,008	23,050	26,583	32,474	39,148	42,186	44,324	42,803
III. DOMESTIC CREDIT (A+B+C+D)	13,234	20,513	25,536	28,885	46,219	45,312	51,870	72,071	77,416	84,818
A. Public sector	-29,767	-36,287	-34,740	-41,179	-53,115	-68,827	-72,568	-73,327	-78,013	-78,299
1. Credits	6,662	7,613	10,642	8,090	8,916	8,349	12,446	16,571	21,430	22,496
- Central government	6,465	6,820	10,050	7,583	8,185	7,893	11,352	14,664	18,665	18,995
- Rest of the public sector	197	793	592	507	730	456	1,094	1,906	2,765	3,501
2. Deposits	36,429	43,900	45,382	49,269	62,031	77,177	85,014	89,898	99,443	100,795
- Central government	21,418	29,553	31,897	36,068	47,988	59,679	66,184	71,041	79,953	81,660
- Rest of the public sector	15,011	14,347	13,484	13,201	14,042	17,498	18,830	18,857	19,490	19,135
B. Private sector	74,150	99,257	104,189	121,587	147,861	167,524	198,252	224,376	255,471	268,661
Domestic currency	32,849	48,268	56,925	68,981	83,034	96,321	118,063	139,013	177,988	190,731
Foreign currency	41,302	50,989	47,263	52,606	64,828	71,203	80,189	85,363	77,483	77,930
(Million US\$)	13,767	16,239	16,354	18,721	24,010	27,923	28,639	28,645	22,722	23,193
C. Capital, reserves, provisions, and balances	28,907	35,128	38,815	42,864	45,684	49,389	52,096	55,844	64,614	76,944
D. Others assets and liabilities (Net)	-2,242	-7,329	-5,097	-8,659	-2,844	-3,996	-21,717	-23,134	-35,428	-28,600
IV. MONETARY LIABILITIES WITH PRIVATE SECTOR (I+II+III)	83,818	105,249	112,422	136,832	157,459	177,091	204,139	223,629	249,401	260,386
A. Domestic currency	44,866	57,083	65,324	85,366	99,520	122,734	136,976	151,549	156,170	170,211
1. Money	24,476	28,930	33,147	42,651	48,766	57,247	62,229	68,382	71,324	73,805
Notes and coins held by the public	14,858	17,336	19,241	24,131	27,261	32,244	35,144	39,173	40,643	43,295
Demand deposits in domestic currency	9,618	11,595	13,905	18,519	21,505	25,002	27,084	29,209	30,681	30,509
Quasi money	20,390	28,153	32,178	42,715	50,754	65,488	74,747	83,167	84,846	96,406
2. Saving deposits	8,534	11,659	13,808	18,084	22,409	26,978	31,061	36,751	36,751	40,696
Term deposits	11,213	15,755	17,668	23,250	26,551	35,260	40,870	43,691	43,890	51,078
Other securities	643	739	703	1,381	1,794	3,250	2,816	3,885	4,204	4,632
B. Quasi money in foreign currency	38,952	48,165	47,097	51,467	57,939	54,357	67,163	72,080	93,231	90,175
(Million US\$)	12,984	15,339	16,297	18,316	21,459	21,316	23,987	24,188	27,340	26,838

1/ Foreign currency is valued at the average bid and ask exchange rate at the end of period.

2/ Preliminary data.

3/ Balance of operations in foreign currency.

Source: Depository institutions.

Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 30
MONETARY ACCOUNT OF CENTRAL RESERVE BANK OF PERU^{1/}
(Million soles)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. NET INTERNATIONAL RESERVES (Million US\$)	83,066	97,955	95,760	123,935	131,803	163,178	183,857	185,678	209,663	207,263
Assets	27,689	31,196	33,135	44,105	48,816	63,991	65,663	62,308	61,485	61,686
Liabilities	83,161	98,070	95,877	124,063	131,918	163,325	183,989	185,811	209,841	207,466
	94	115	117	127	115	146	132	133	178	203
II. OTHER NET LIABILITIES ABROAD (Million US\$) ^{2/}	-2,583	-2,111	-168	73	55	50	54	58	67	63
Credits	28	28	27	26	21	20	20	20	20	20
Liabilities	3,171	3,172	2,405	2,307	1,870	1,727	1,797	1,783	2,138	5,944
	5,754	5,283	2,573	2,234	1,815	1,678	1,743	1,724	2,071	5,881
III. DOMESTIC CREDIT (A+B+C+D+E)	-31,663	-37,840	-41,831	-45,590	-53,586	-57,994	-70,426	-71,175	-61,801	-66,877
A. Public sector (net)	-17,558	-24,586	-25,318	-30,327	-41,681	-52,917	-57,756	-62,614	-67,334	-71,043
1. Credits	0	0	0	0	0	817	1,569	1,998	2,813	2,638
- Central government	0	0	0	0	0	817	1,569	1,998	2,813	2,638
- Rest of the public sector	0	0	0	0	0	0	0	0	0	0
2. Liabilities	17,558	24,586	25,318	30,327	41,681	53,734	59,325	64,612	70,147	73,681
- Central government	14,317	22,073	24,674	28,083	40,506	52,560	57,322	64,231	70,070	73,271
- Rest of the public sector	3,241	2,513	644	2,244	1,175	1,174	2,003	380	77	409
B. Private sector	0	0	0	0	0	0	0	0	0	0
C. Banking system	-11,264	-5,316	-9,547	-10,123	-11,225	-10,832	-10,422	-2,651	18,983	17,556
- Banco de la Nación	-11,264	-10,728	-9,547	-10,123	-11,225	-10,832	-11,372	-12,551	-11,121	-11,172
- Development banks	0	0	0	0	0	0	0	0	0	0
- Banks	0	5,412	0	0	0	0	950	9,379	29,717	28,210
- Other financial entities	0	0	0	0	0	0	0	521	388	519
D. Capital, reserves, provisions, and balance	2,429	3,697	4,167	3,609	3,078	1,851	-450	-592	738	1,431
E. Other assets and liabilities (net)	-412	-4,240	-2,799	-1,531	2,397	7,605	-2,699	-6,503	-12,713	-11,960
IV. MONETARY LIABILITIES WITH THE PRIVATE SECTOR (I+II+III)	48,821	58,004	53,762	78,418	78,271	105,234	113,484	114,562	147,929	140,449
A. Domestic currency	35,436	38,140	37,717	59,362	56,332	80,198	73,471	68,359	71,280	74,730
1. Monetary base	17,779	22,311	23,548	34,208	39,967	52,735	51,937	53,865	51,291	53,375
1.1 Notes and coins issued	16,999	20,458	22,539	28,077	32,300	37,824	42,530	47,543	48,890	51,056
In vault	2,014	2,951	3,042	3,627	4,644	5,147	6,825	7,758	7,532	7,102
In circulation ^{3/}	14,985	17,507	19,497	24,450	27,656	32,677	35,705	39,785	41,358	43,954
1.2 Deposits	780	1,853	1,009	6,131	7,667	14,911	9,406	6,322	2,401	2,318
Banks	609	1,664	833	5,387	6,281	12,624	7,278	5,106	1,752	1,630
Other financial entities	171	188	176	744	1,386	2,287	2,129	1,215	649	688
2. Others deposits ^{4/}	20	23	842	21,467	3,757	9,743	3,097	1,016	1,115	2,097
3. Securities issued ^{5/}	17,636	15,807	13,327	3,687	12,608	17,720	18,437	13,478	18,873	19,258
B. Foreign currency	13,385	19,864	16,045	19,056	21,939	25,036	40,014	46,202	76,649	65,719
(Million US\$)	4,462	6,326	5,552	6,782	8,125	9,818	14,291	15,504	22,478	19,559
1. Deposits	13,384	19,863	16,044	19,055	21,937	25,034	40,013	46,202	76,648	65,718
- Banks	13,189	19,772	15,787	18,701	21,567	24,603	39,182	44,345	74,363	63,513
- Other financial entities	195	91	257	354	370	431	831	1,857	2,285	2,206
2. Certificates	1	1	1	1	1	1	1	1	1	1
- Banks	0	0	0	0	0	0	0	0	0	0
- Other financial entities	1	1	1	1	1	1	1	1	1	1

1/ Foreign currency is valued at the average bid and ask exchange rate at the end of period.

2/ Includes only operations in foreign currency.

3/ Notes and coins in circulation excluding vault funds in financial entities.

4/ Financial entities' sterilization deposits in domestic currency (overnight deposits and auctions of term deposits) are also included here.

5/ Includes BCRP securities purchased by banks and the private sector. The value of Indexed Certificates of Deposits is indexed to the exchange rate.

Source: BCRP.
Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 31
NOMINAL AND REAL INTEREST RATES IN DOMESTIC 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 (TIPMN)		Savings		Interbank rate		Average lending rate (TAMEX)		Loans up to 360 days ^{1/}		Average deposits rate (TIPMEX)		Savings		Interbank rate		
	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal
2007	22.3	17.7	13.2	9.0	3.3	-0.6	1.5	-2.4	5.0	1.0	10.5	-0.4	9.7	-1.1	2.5	-7.5	0.8	-9.1	5.9	-4.5	
2008	23.0	15.3	15.2	8.1	3.8	-2.6	1.4	-4.9	6.5	-0.1	10.5	8.5	9.9	7.8	1.9	0.0	0.8	-1.1	1.0	-0.9	
2009	19.9	19.7	11.1	10.9	1.6	1.3	0.7	0.5	1.2	1.0	8.6	-0.3	6.4	-2.3	0.9	-7.4	0.4	-7.8	0.2	-8.0	
2010	18.7	16.3	4.4	2.3	1.8	-0.3	0.5	-1.5	3.0	0.9	8.5	3.4	2.7	-2.1	0.8	-4.0	0.3	-4.4	1.1	-3.7	
2011	18.9	13.5	5.6	0.8	2.5	-2.2	0.6	-4.0	4.2	-0.5	7.8	-1.1	2.7	-5.8	0.7	-7.7	0.3	-8.0	0.3	-8.0	
2012	19.1	16.0	5.5	2.8	2.4	-0.3	0.6	-2.0	4.2	1.6	8.2	-0.5	3.7	-4.6	0.9	-7.2	0.3	-7.7	1.2	-6.9	
2013	15.9	12.7	5.2	2.3	2.3	-0.6	0.5	-2.3	4.1	1.2	8.0	15.3	2.6	9.6	0.4	7.2	0.3	7.0	0.2	6.9	
2014	15.7	12.1	5.6	2.3	2.3	-0.9	0.5	-2.6	3.8	0.6	7.5	10.9	2.4	5.6	0.4	3.5	0.2	3.3	0.2	3.3	
2015	16.1	11.2	5.4	0.9	2.4	-1.9	0.5	-3.7	3.8	-0.6	7.9	18.2	2.1	11.9	0.3	10.0	0.2	9.8	0.2	9.8	
2016	17.2	13.5	5.7	2.4	2.6	-0.6	0.5	-2.6	4.4	1.1	7.6	2.7	2.2	-2.5	0.3	-4.2	0.2	-4.4	0.6	-4.0	

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 32
INFLATION: 2007-2016
(% change)

	Weight	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CPI	100.0	3.93	6.65	0.25	2.08	4.74	2.65	2.86	3.22	4.40	3.23
1. Core CPI^{1/}	56.4	1.49	4.25	1.71	1.38	2.42	1.91	2.97	2.51	3.49	2.87
a. Goods	21.7	1.79	3.21	2.31	1.07	2.37	1.60	2.62	2.43	3.57	3.41
b. Services	34.8	1.33	4.97	1.24	1.58	2.45	2.10	3.18	2.55	3.44	2.54
2. Food and energy	43.6	5.91	8.58	-0.86	2.98	7.70	3.55	2.73	4.08	5.47	3.66
a. Food	37.8	6.02	9.70	0.57	2.41	7.97	4.06	2.24	4.83	5.37	3.54
b. Energy	5.7	5.21	1.65	-10.40	6.80	6.01	0.22	6.09	-0.85	6.20	4.48
Fuel	2.8	6.45	-0.04	-12.66	12.21	7.54	-1.48	5.95	-5.59	-6.33	0.61
Electricity	2.9	1.92	6.31	-4.56	1.36	4.30	2.19	6.23	4.37	18.71	7.53

1/ No considers food and energy items.

Source: INEI.

Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 33
CONSUMER PRICE INDEX: 2007-2016
(% change)

	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		
	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	0.01	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	0.37	4.61	
February	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	0.17	4.47	
March	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	0.60	4.30	
April	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	0.01	3.91	
May	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	0.21	3.54	
June	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	0.14	3.34	
July	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	0.08	2.96	
August	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	0.36	2.94	
September	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	0.21	3.13	
October	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	0.41	3.41	
November	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	0.29	3.35	
December	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	0.33	3.23	
Memo:																					
Annual average	1.78	5.79	1.78	5.79	2.94	2.94	1.53	1.53	3.37	3.37	3.66	3.66	2.81	2.81	3.25	3.25	3.55	3.55	3.59	3.59	

Source: INEI.
Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 34
CORTE INFLATION
(% change)

	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		
	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	-0.17	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	-0.07	3.42	
February	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	0.52	3.79	
March	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	0.70	3.58	
April	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	0.03	3.25	
May	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	0.32	3.33	
June	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	0.21	3.28	
July	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	0.19	2.87	
August	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	0.17	2.96	
September	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	0.11	3.01	
October	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	0.12	3.00	
November	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	0.15	3.02	
December	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	0.38	2.87	
Memo:																					
Annual average	1.28		2.57		3.62		1.21		2.00		2.28		2.51		2.71		3.07		3.20		

Source: INEI.
Elaborated by the Department of Economic Studies, BCRP.

APPENDIX 35
CPI FOOD AND ENERGY
(% change)

	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		
	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	0.13	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	0.88	6.01	
February	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	-0.22	5.28	
March	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	0.47	5.15	
April	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	-0.01	4.68	
May	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	0.08	3.78	
June	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	0.06	3.41	
July	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	-0.04	3.07	
August	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	0.58	2.93	
September	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	0.32	3.26	
October	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	0.75	3.88	
November	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	0.46	3.73	
December	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	0.29	3.66	
Memo:																					
Annual average	2.18		8.38		2.42		2.21		5.11		5.36		3.16		3.88		4.11		4.06		

Source: INEI.
Elaborated by the Department of Economic Studies, BCRP.



APPENDIX 36

REAL EXCHANGE RATE

(% change of period average data)

	NOMINAL EXCHANGE RATE INDEX Base 2009=100		Average	US INFLATION Base 2009=100	REAL BILATERAL EXCHANGE RATE INDEX ^{1/} Base 2009=100		Average	NOMINAL EXCHANGE RATE INDEX (S/ x Basket) Base 2009=100	EXTERNAL INFLATION Base 2009=100 Multilateral ^{2/}	REAL MULTILATERAL EXCHANGE RATE INDEX ^{2/} Base 2009=100
	Bid	Ask			Bid	Ask				
2007	-4.4	-4.4	-4.4	2.9	-3.4	-3.4	-3.4	-0.3	3.3	1.2
2008	-6.5	-6.5	-6.5	3.8	-8.3	-8.3	-8.3	-2.9	4.8	-3.7
2009	3.0	2.9	3.0	-0.4	-0.3	-0.3	-0.3	-0.2	0.9	-2.2
2010	-6.2	-6.2	-6.2	1.6	-6.1	-6.1	-6.1	-3.5	2.4	-2.6
2011	-2.5	-2.5	-2.5	3.2	-2.7	-2.7	-2.7	1.4	3.9	1.9
2012	-4.2	-4.2	-4.2	2.1	-5.7	-5.7	-5.7	-6.2	2.7	-7.1
2013	2.4	2.4	2.4	1.5	1.1	1.1	1.1	1.7	2.3	1.2
2014	5.0	5.1	5.1	1.6	3.4	3.4	3.4	3.4	2.2	2.4
2015	12.2	12.2	12.2	0.1	8.4	8.5	8.5	3.4	1.4	1.3
2016	6.0	6.0	6.0	1.3	3.6	3.6	3.6	2.5	2.1	1.0

1/ Using the United States Consumer Price Index (CPI)

2/ Using the Price Index of 20 main trading partners.

Source: SBS, IMF, INEI, and Reuters.

Elaborated by the Department of Economic Studies, BCRP.



Nazca. Ceramic bottle painted with hummingbirds, cornucobas, and small bags, which symbolize abundance and fertility. Approximately 1500 years old. 18 x 11 x 11 cm.



Mochica. Ceramic bottle depicting scene of young runners participating in competition rituals. Approximately 1500 years old. 25 x 15 x 18 cm.

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Chimú. Ceramic bottle representing a threshold, which symbolizes a border between the time/space in which we live and the time/space of our ancestors. Approximately 800 years old. 19 x 12 x 7 cm.



Inca. Small sculpture of a llama in gold.
Approximately 500 years old.
4,5 x 5 x 1 cm.

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