










Indicators

-  Currency grew 7.9 percent in the last twelve months
-  Corporate prime rate in soles at 4.4 percent
-  GDP grew 2.7 percent in March and 3.9 percent in June 2015
-  Price of WTI oil at US\$ 42.6 per barrel
-  GDP grew 3.0 percent in Q2-2015
-  Non-Financial Public Sector: Economic surplus of 0.7 percent of GDP in Q2-2015
-  Ratio of monetization of credit at 40.7 percent of GDP in Q2-2015

Content

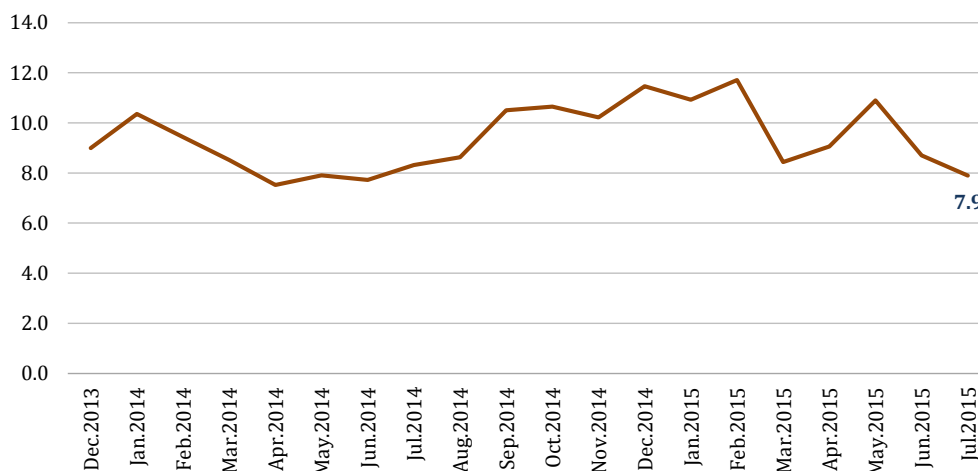
WEEKLY REPORT	ix
Monetary Operations and Interest rates	ix
Corporate prime rate in soles at 4.4 percent	xi
Exchange rate	xi
International reserves amount to US\$ 59.48 billion on August 15	xii
MONTHLY REPORT	xvi
Gross domestic product grew 3.9 percent in June 2015	xvi
Credit to the private sector and liquidity: July 2015	xvii
MACROECONOMIC REPORT: Q2-2015	xix
Gross Domestic Product	xix
Balance of Payments	xix
Non-Financial Public Sector	xx
Savings-Investment Gap	xxi
Ratios of Monetization	xxi

WEEKLY REPORT

Currency

In July 2015, **currency in circulation** –that is, banknotes and coins held by the public–recorded a growth rate of 7.9 percent in the last 12 months.

Currency in circulation
(Annual % change)



Monetary Operations and Interest rates

So far in August (at August 18), the BCRP has continued carrying out its regular placements of BCRP-CDs with the aim of contributing to increase liquidity in the secondary market of these instruments. In addition, the Central Bank has also continued injecting long-term liquidity in DC to contribute to the substitution of credit in dollars for credit in soles.

- **Repos:** The balance of repos at August 18 was S/. 2.40 billion, with an average rate of 4.20 percent. At end-July, the balance was S/. 4.30 billion, with an average interest rate of 4.18 percent.
- **Currency repos:** The balance of currency repos increased from S/. 22.51 billion at the close of July to S/. 22.91 billion on August 18, the average rate of these repos rising from 4.16 percent at end-July to 4.18 percent on August 18. It should be pointed out that, of the balance of currency repos at August 18, ordinary currency repos amount to S/. 12.7 billion, repos for credit expansion amount to S/. 5.9 billion, while repos for credit substitution amount to S/. 4.31 billion.

billion. These maturities of these repos range between 24 and 48 months to facilitate the conversion of credit in dollars to credit in soles.

- Auctions of Treasury deposits: At August 18, the balance of placements of Treasury deposits through auctions showed no variation compared to July 31 (S/. 2.2 billion, with an average rate of 4.51 percent).
- Auctions of Banco de la Nación funds: The balance of Banco de la Nación deposits placed through auctions at August 18 (S/. 600 million at a rate of 4.54 percent) showed no variation from the balance recorded on July 31.
- BCRP-CDs: The balance of BCRP-CDs at February 18 was S/. 14.84 billion, with an average rate of 3.46 percent. At end-July, this balance was S/. 15.63 billion, with an average interest rate of 3.43 percent.
- Overnight deposits: At August 18, overnight deposits showed a balance of S/. 632 million, with a rate of 2.0 percent. At end-July, the balance of overnight deposits was S/. 1.36 billion at a rate of 2.0 percent.

At August 18 the Central Bank has also made operations in the spot foreign exchange market to reduce volatility in the foreign exchange rate.

- Interventions in the FX market: In the period of analysis, the BCRP sold FC for a total of US\$ 739 million in the spot market.
- CDR BCRP: At August 18 these certificates of deposit showed a balance of S/. 4.85 billion (US\$ 1.52 billion), with a rate of 0.47 percent. At the end of July, CDR BCRP recorded a balance of S/. 2.50 billion (US\$ 784 million), with an average rate of 0.49 percent.
- FX Swaps: The balance of these instruments at August 18 was S/. 26.39 billion, with an average rate of 0.39 percent. At end-July, this balance was S/. 23.93 billion, with an average interest rate of 0.33 percent.

On August 18, the average interbank interest rate in soles was 3.6 percent.

Monetary and foreign exchange operations

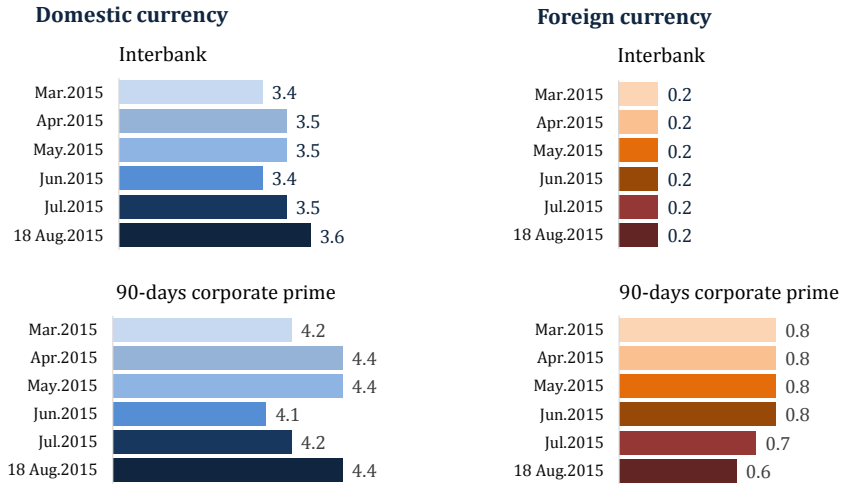
(Million S/.)

		Balance		Placement						Maturity			
		(Interest rate)		(Interest rate)									
		Jul 31. 2015	Aug 18. 2015	Overnight	1 week	2-month	3-month	6-month	12-month		18-month		
Monetary operations	Injection	Repos	4,300 (4.18%)	2,400 (4.20%)	2,925 (3.77%)	1,000 (4.39%)						5,825	
		Currency repos (Ordinary)	12,300 (4.30%)	12,700 (4.33%)					400 (5.07%)				
		Currency repos (Expansion)	5,900 (4.44%)	5,900 (4.44%)									
		Currency repos (Substitution)	4,305 (3.41%)	4,305 (3.41%)									
		Funds of Treasury	2,200 (4.51%)	2,200 (4.51%)									
		Funds of Banco de la Nación	600 (4.54%)	600 (4.54%)									
	Sterilization	CD BCRP	15,633 (3.43%)	14,843 (3.46%)				100 (3.14%)	150 (3.25%)	100 (3.44%)	100 (3.84%)		1,240
		Overnight deposits	1,356 (2.00%)	632 (2.00%)	4,978 (2.00%)								5,701
	Foreign exchange operations	CDR BCRP	2,497 (0.49%)	4,851 (0.47%)			600 (0.45%)	1,754 (0.45%)					
		FX-Swaps	23,929 (0.33%)	26,387 (0.39%)			360 (0.54%)	4,243 (0.51%)					2,145

Corporate prime rate in soles at 4.4 percent

On August 18, the **corporate prime rate** –the interest rate charged by commercial banks to lower risk businesses– in soles was 4.4 percent. In the same period, the corporate prime rate in dollars was 0.6 percent.

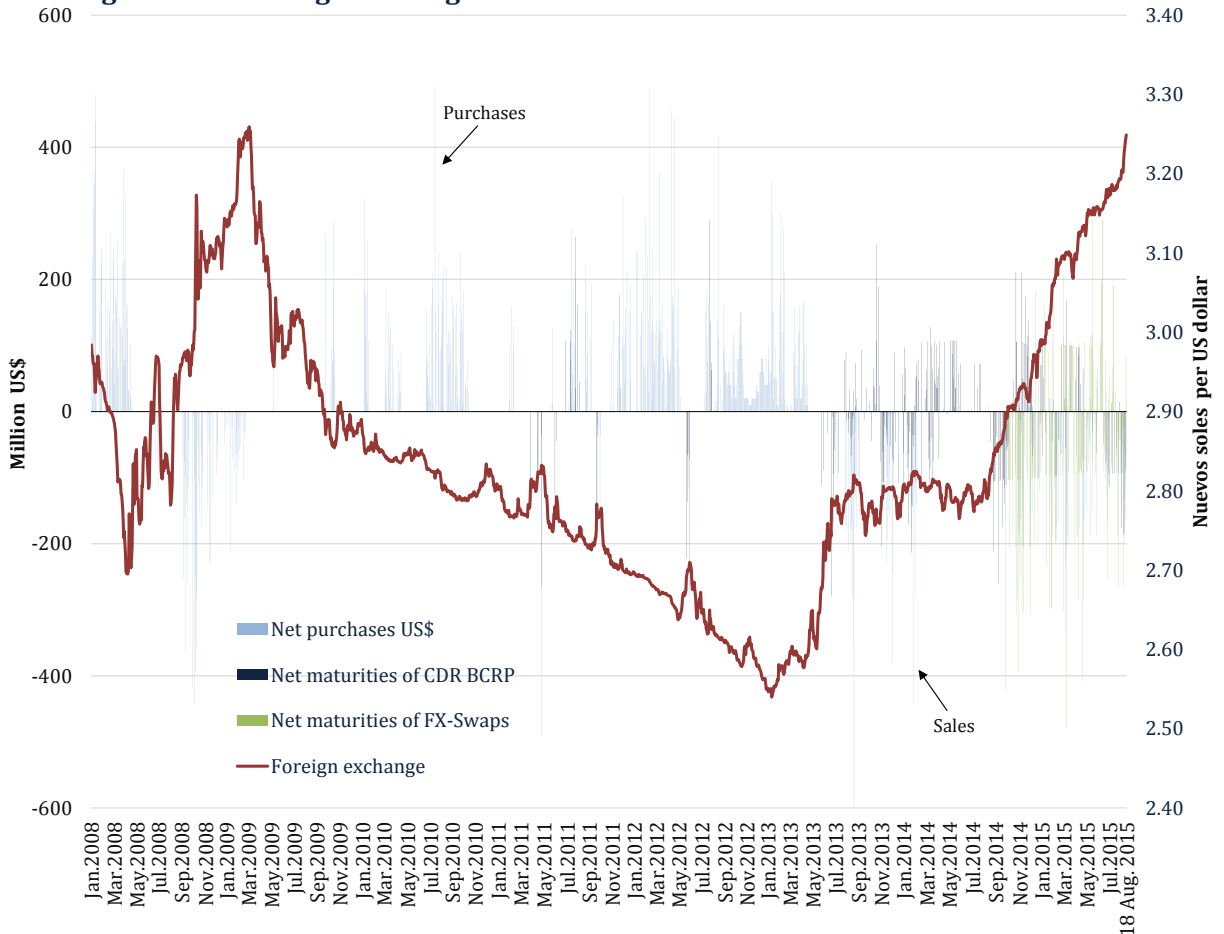
Average interest rate (%)



Exchange rate

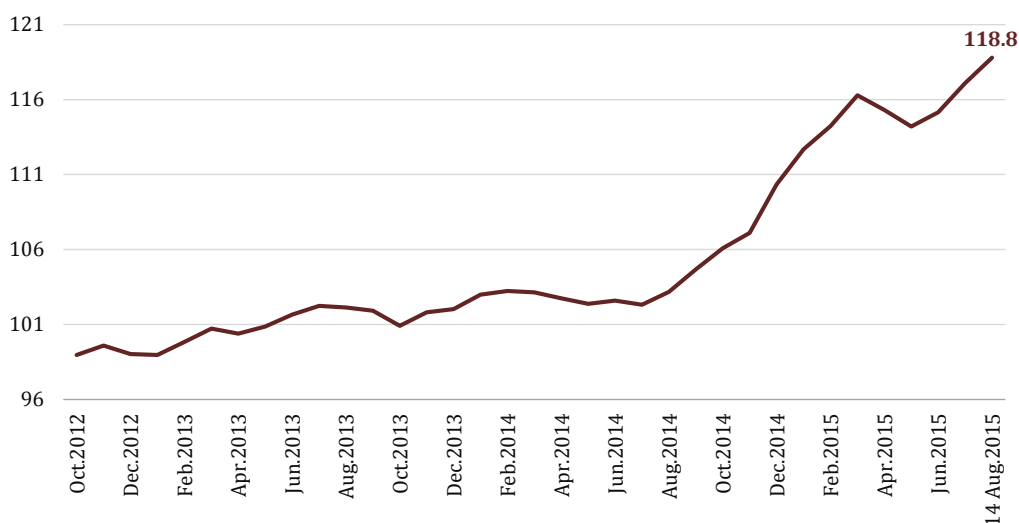
On August 18, the selling price of the US dollar in the interbank market was S/. 3.25 per dollar.

Exchange rate and foreign exchange intervention



The dollar has been showing an appreciatory trend against most other currencies in recent months, as reflected in the evolution of the FED index since January 2013. This appreciation of the dollar is associated with expectations that the Federal Reserve (Fed) will start normalizing its interest rates.

Fed index 1/



1/ Calculated taking into account currencies of US trading partners weighted by contributions. A rise in the index represents an appreciation of the US dollar.
Source: FED.

Year-to-date, most of the Latin American currencies –including the Peruvian nuevo sol– and the world’s major currencies have depreciated against the US dollar.

So far this year (at August 18), these currencies have depreciated 7.5 percent on average against the US dollar.

Exchange Rate (Accumulated variation 2015)	
Brazil	30.5%
Colombia	25.7%
Chile	14.4%
Mexico	11.2%
Peru	9.1%

Exchange Rate (Accumulated variation 2015)	
Canada	12.4%
Euro	9.8%
Japan	3.9%
United Kingdom	-0.5%
US Dollar basket	7.5%

International reserves amount to US\$ 59.48 billion on August 15

Peru’s net international reserves –which consist mainly of liquid international assets– amounted to US\$ 59.48 billion on August 15. This level of reserves is equivalent to 30 percent of GDP and 18 months of imports.

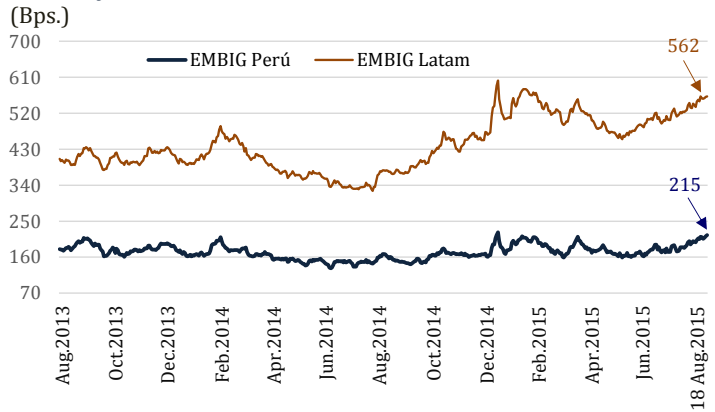
International markets

Country risk at 215 basis points

In August 11-18, the country risk indicator, measured by the **EMBIG Peru** spread, rose from 211 bps to 215 bps.

On the other hand, the **EMBIG Latin America** spread remained at 562 bps in a context marked by encouraging economic data in the United States and by the devaluation of the yuan.

Country Risk Indicator



	Variation in basis points			
	18 Aug.2015	Weekly	Monthly	Annual
EMBIG Perú (bps)	215	4	30	56
EMBIG Latam (bps)	562	0	38	193

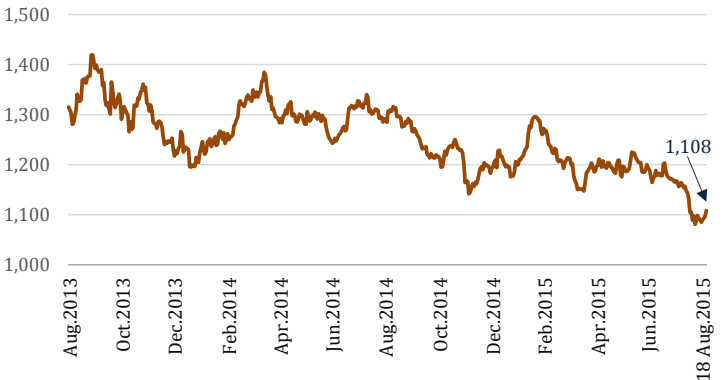
Price of gold: US\$ 1,111.5 per troy ounce

In the same period, the price of **gold** rose 0.3 percent to US\$ 1,111.5 per troy ounce.

The price of gold rose influenced by concerns about China's foreign exchange policy, which encouraged investors to demand hedge assets like gold.

Gold Price

(US\$/ troy ounce)



	% change			
	18 Aug.2015	Weekly	Monthly	Annual
US\$ 1,111.5 / troy oz.	0.3		-1.9	-14.3

Copper Price

(cUS\$/pound)



	% change			
	18 Aug.2015	Weekly	Monthly	Annual
US\$ 2.27 / pound	-2.7		-8.5	-27.6

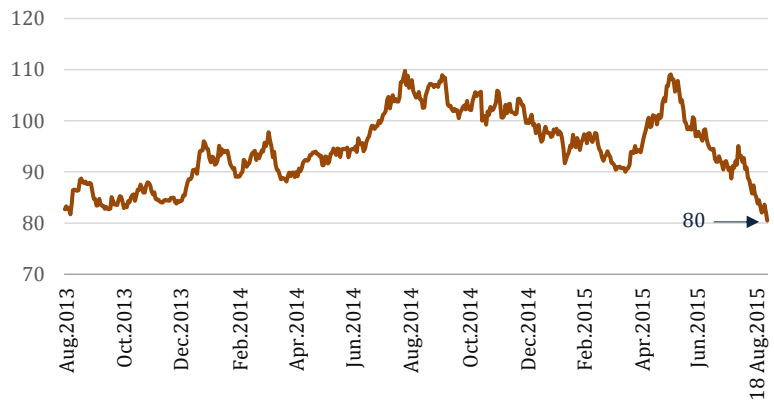
In August 11 - 18, the price of **copper** fell 2.7 percent to US\$ 2.27 per pound.

The price of copper fell amid concerns of a weak demand from China following the crash of this country's stock market. This price fall was in part offset by technical problems in a Chilean mine.

In the same period, the price of **zinc** fell 3.2 percent to US\$ 0.80 per pound.

This fall in the price of zinc was supported by a weak demand outlook and by higher inventories of this metal at the London Metal Exchange.

Zinc Price
(cUS\$/pound)

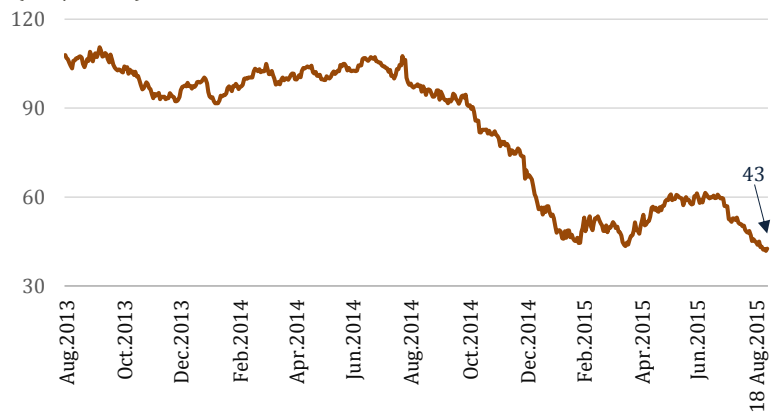


18 Aug.2015	% change		
	Weekly	Monthly	Annual
US\$ 0.80 / pound	-3.2	-13.6	-21.6

In August 11 - 18, the price of **WTI oil** dropped 1.1 percent to US\$ 42.6 per barrel.

The price of crude oil continued to be affected by downward pressures associated with the existing oversupply of crude stocks as well as by concerns regarding global demand.

WTI Oil Price
(US\$/barrel)

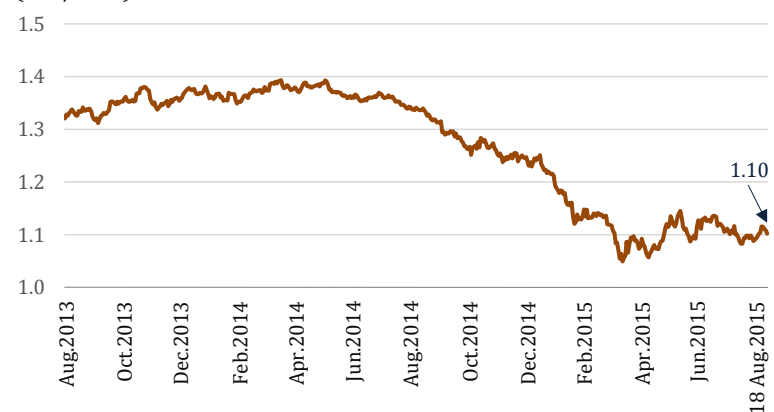


18 Aug.2015	% change		
	Weekly	Monthly	Annual
US\$ 42.6 / barrel	-1.1	-16.3	-55.8

US dollar appreciated against the euro

Between August 11 and 18, the **dollar** appreciated 0.2 percent against the **euro** amid encouraging economic data in the United States which raised expectations that the FED will increase its benchmark rate in its next meeting.

Evolution of US\$ per Euro
(US\$/Euro)



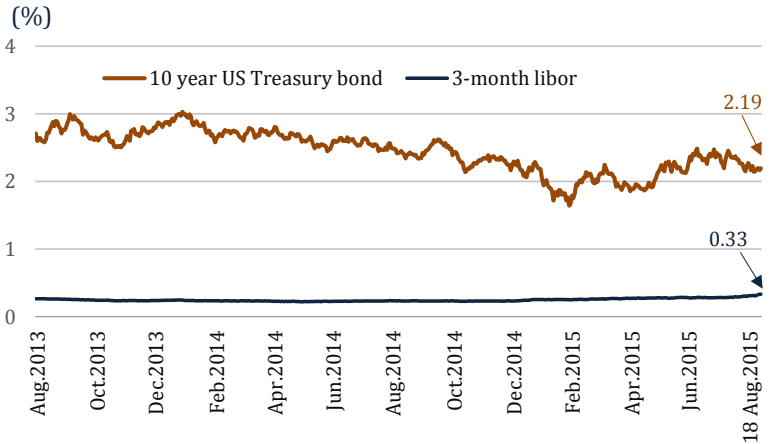
18 Aug.2015	Level	% change		
	Weekly	Monthly	Annual	
US dollar/Euro	1.10	-0.2	1.8	-17.5

Yield on 10-year US Treasuries: 2.19 percent

In August 11 - 18, the **3-month Libor** rose 2 basis points to 0.33 percent.

Similarly, the yield on the **10-year US Treasuries** rose 5 basis points to 2.19 percent following reports with encouraging data in the U.S. real estate sector.

3-Month Libor and 10-Year US Treasuries



	18 Aug.2015	Variation in basis points		
		Weekly	Monthly	Annual
3 months Libor (%)	0.33	2	4	10
US Treasuries (%)	2.19	5	-16	-20

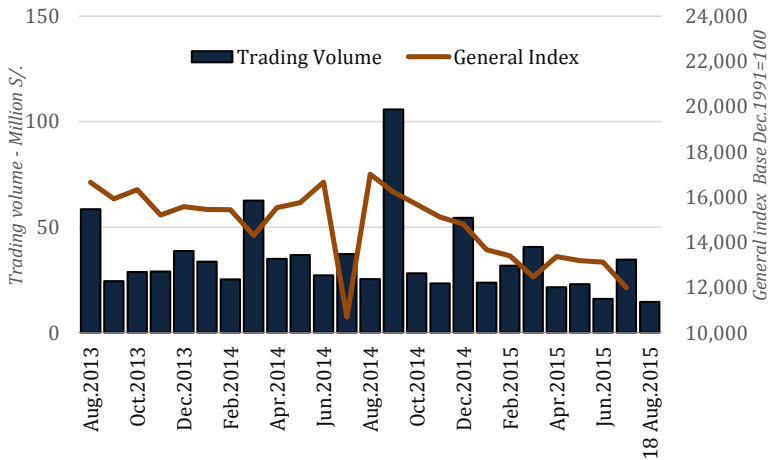
Lima Stock Exchange

In the same period, the **General Index** of the Lima Stock Exchange (LSE) fell 8.0 percent and the **Selective Index** dropped 12.3 percent.

The fall in the LSE indices was influenced by the stock market crash in China and by the decline observed in the international prices of basic metals.

Year-to-date, the LSE indices have fallen 27.8 percent and 27.7 percent, respectively.

Lima Stock Exchange Indicators



	As of:	% change compared to:		
	18 Aug.2015	11 Aug.2015	31 Jul.2015	31 Dec.14
General Index	10,689	-8.0	-10.8	-27.8
Selective Index	14,651	-12.3	-17.2	-27.7

MONTHLY REPORT

Gross domestic product grew 3.9 percent in June 2015

In June **GDP recorded a growth rate of 3.9 percent** as a result of greater activity in both the primary sectors (6.6 percent) and the non-primary sectors (3.1 percent). This increased dynamism in primary sectors reflected greater activity in the sectors of mining and agriculture, while the expansion of the non-primary sectors reflected greater activity in the sectors of trade and services. In the first half of the year, GDP accumulated a growth rate of 2.4 percent.

Gross Domestic Product

(Real % change respect to the same period of previous year)

	% structure of GDP 2014 1/	2015	
		June	I Semester
Agriculture and Livestock 2/	5.3	8.1	1.9
Agriculture	3.2	9.0	0.1
Livestock	1.4	6.1	5.3
Fishing	0.4	-29.6	19.2
Mining and Fuel 3/	11.7	10.3	5.5
Metallic mining	7.4	14	10.1
Hydrocarbons	2.0	-3.7	-9.4
Manufacture	14.1	-2.9	-2.6
Based on raw materials	3.0	-3.5	1.1
Non-primary industries 4/	11.3	-2.4	-3.8
Electricity and water	1.8	5.5	5.1
Construction	6.8	-3.1	-7.9
Commerce	11.2	4.1	3.7
Other services	40.1	5.3	5.1
Taxes 5/	8.6	2.8	-0.8
<u>GDP Global</u>	<u>100.0</u>	<u>3.9</u>	<u>2.4</u>
Primary	20.3	6.6	4.1
Non-primary	79.7	3.1	2.0

1/ At 2007 prices.

2/ Includes the forestry sector.

3/ Includes non- metallic mining.

4/ Excluding rice.

5/ Includes Import duties and other taxes.

Source: INEI.

The **agriculture sector** grew 8.1 percent in June, driven by a greater production of rice and coffee. This greater output was associated with the normalization of rice production in the northern coast areas and with the normalization of coffee production in the Selva areas after having overcome the negative effects of the yellow rust plague on coffee crops. Moreover, greater poultry production for the domestic market was also reflected in the output of the livestock subsector, which showed a growth rate of 1.9 in the first half of the year.

Activity in the fishing sector dropped 29.6 percent in June due to the lower catch of anchovy for industrial consumption obtained this month in comparison with the anchovy catch recorded in June 2014. Despite this, the fishing sector accumulates a growth rate of 19.2 percent in the first half of the year due to the high levels of fish catch recorded in the previous months.

Output in the **mining and hydrocarbons sector** grew 10.3 percent in June due to a higher extraction of copper –for four months now–, molybdenum, and zinc. As a result, this sector accumulates a growth rate of 5.5 percent in the first six months of 2015.

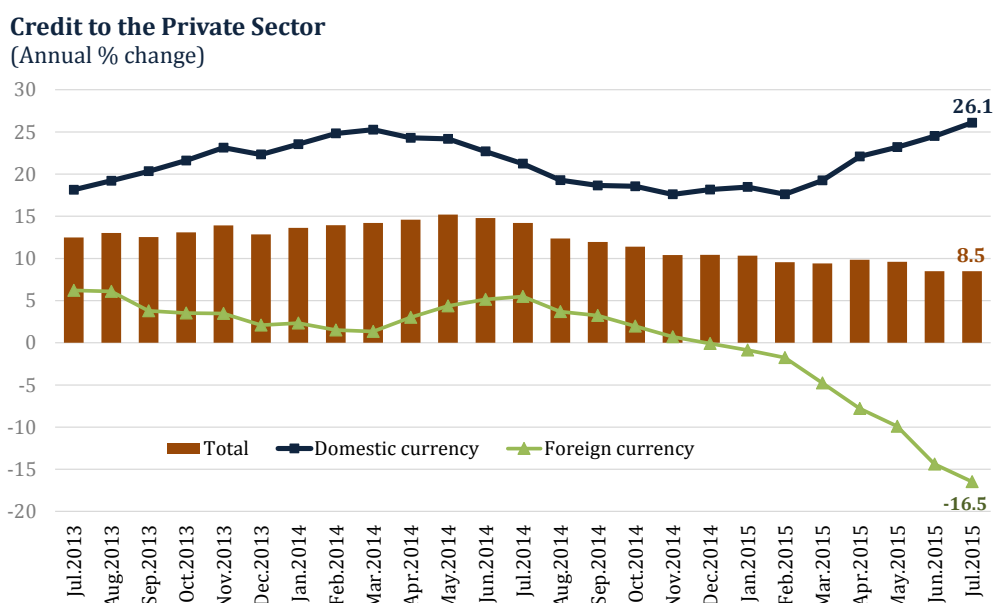
The **manufacturing output** fell 2.9 percent in June due to the decline of activity in both primary manufacturing sectors –due to the effects of lower fish catch– and in non-primary manufacturing sectors –due to lower activity in branches such as the repair of machinery and equipment, the production of electric machinery, and construction materials and inputs (wood and other textile products). In the first half of the year, the sector accumulated a growth rate of 2.6 percent.

Growth in the **construction sector** fell 3.1 percent due to a slower pace of progress in the implementation of public works and, to a lesser extent, to a lower domestic consumption of cement. Activity in the construction sector declined by 7.9 percent in the first six months of the year.

Credit to the private sector and liquidity: July 2015

Total credit of depository institutions to the non-financial private sector –including the loans placed by local banks’ branch offices in other countries– increased 0.7 percent in July 2015 (S/. 1.75 billion) and 8.5 percent in the last 12 months.

Credit in soles grew 1.8 percent in the month (S/. 2.89 billion) and 26.1 percent in the last twelve months. On the other hand, credit in dollars fell 1.5 percent (negative flow of US\$ 385 million) and 16.5 percent in the last 12 months.



Corporate credit grew 1.1 percent in July, while credit to individuals grew 0.1 percent in the month. In the segment of credit to business, credit to corporations, large, and medium-sized companies grew 1.4 percent, while credit to small and micro enterprises grew 0.1 percent.

Credit to the private sector by type of loan

	Monthly % change		12-month % change	
	Jun.15	Jul.15	Jun.15	Jul.15
Loans to companies 1/	-0.3	1.1	6.5	6.6
Corporate, large, and Medium-sized companies	-0.2	1.4	8.4	8.5
Small businesses	-0.4	0.1	0.3	0.4
Loans to individuals 3/	0.9	0.1	12.0	12.0
Consumer loans	1.4	-0.1	13.8	13.9
Mortgage	0.2	0.3	9.6	9.5
TOTAL	0.2	0.7	8.4	8.5

1 / Includes loans to legal persons and holdings of corporate bonds, including loans from foreign branches of banks.

2 / Includes non-profit organizations.

Total liquidity in the private sector increased 1.0 percent in July (S/. 2.12 billion) and thus recorded an annual growth rate of 5.1 percent. This increase of liquidity in July was associated with seasonal factors –Fiestas Patrias–, with higher savings deposits (3.8 percent) being observed in part as a result of workers’ July bonuses, together with a greater demand for currency (4.2 percent).

Liquidity in soles increased 1.6 percent in July (S/. 2.27 billion) and thus recorded an annual growth rate of 5.3 percent, while liquidity in dollars declined 0.2 percent in the month (negative flow of US\$ 52 million) and thus recorded a growth rate of 4.6 percent in the last twelve months.

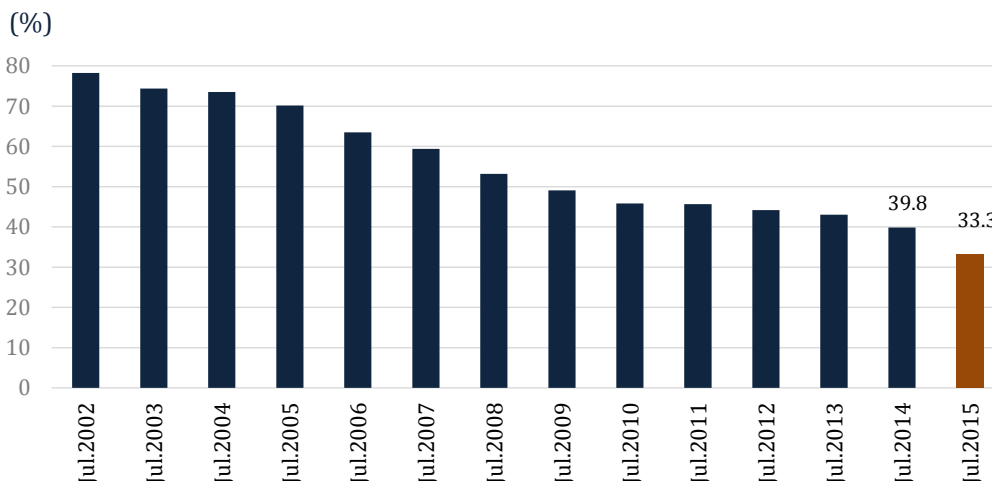
Liquidity by type of liability

	Monthly % change		12-month % change	
	Jun.15	Jul.15	Jun.15	Jul.15
Currency	-1.3	4.2	8.7	7.9
Deposits	0.4	0.6	4.5	4.4
Demand deposits	2.5	-1.5	5.1	4.1
Saving deposits	0.6	3.8	12.3	11.5
Term deposits	-1.2	-0.3	-1.4	-0.7
CTS	-2.2	-3.8	-1.0	-1.4
Securities and others 1/	2.0	-13.0	30.7	11.0
TOTAL	0.2	1.0	5.6	5.1

1/ Includes debt securities and other obligations issued by the depository corporations and by non-financial private sector.

In July the **dollarization ratio** of credit to the private sector declined to 33.3 percent (down 6.5 percentage points compared to July 2014). Thus, credit in dollars decreased to one third of the debt with financial intermediaries.

Dollarization ratio of credit



MACROECONOMIC REPORT: Q2-2015

Gross Domestic Product

In the second quarter of 2015 the **GDP** grew 3.0 percent, with domestic demand showing a growth rate of 2.8 percent –higher rates than those observed in the second quarter of 2014 (1.8 and 1.3 percent, respectively). This recovery was associated with the better performance registered in the primary sectors and in the volumes of traditional exports.

Gross Domestic Product by Expenditure

(Annual growth rates)

	% structure of GDP 2014 1/	Q2	
		2014	2015
<u>I. Domestic Demand</u>	<u>101.4</u>	<u>1.3</u>	<u>2.8</u>
1. Private expenditure	84.4	1.0	2.8
Consumption	61.8	4.1	3.3
Fixed private investment	21.9	-1.7	-9.0
Change on inventories (% GDP)	0.6	1.5	3.5
2. Public expenditure	17.0	2.7	2.6
Consumption	11.6	6.1	9.1
Investment	5.4	-4.4	-12.9
<u>II. Exports</u>	<u>24.9</u>	<u>0.2</u>	<u>-0.7</u>
<u>III. Imports</u>	<u>26.3</u>	<u>-1.7</u>	<u>-1.5</u>
<u>GDP (I+II- III)</u>	<u>100.0</u>	<u>1.8</u>	<u>3.0</u>

1/ At 2007 prices.

Output in the **primary sectors** grew 7.2 percent in Q2 (increasing by 10.4 percentage points compared to the same period in 2014). Higher levels of production were observed in the sectors of metal mining (13.5 percent), agriculture (2.9 percent), primary sectors based on the processing of raw materials (11.9 percent) and fishing (36.6 percent). However, the output in the sector of hydrocarbons declined by 14.5 percent due to a lower production of natural gas and liquid hydrocarbons.

The sectors that showed the highest growth rates in the **non-primary sectors** were services (4.0 percent) and trade (3.8 percent). On the other hand, construction recorded a negative rate of 8.7 percent, reflecting lower spending in infrastructure by subnational governments and lower private investment.

Balance of Payments

In Q2-2015, the **current account of the balance of payments** recorded a deficit of US\$ 1.65 billion (3.4 percent of GDP). This deficit, which is US\$ 1.28 billion lower than the one recorded in Q2-2014, was associated with a decline in the volume of imports of capital goods and by lower factor income.

Balance of Payments (Million US\$)

	Q2	
	2014	2015
I. Current account of Balance of Payments	-2,930	-1,648
(% GDP)	-5.7	-3.4
1. Trade balance	-901	-892
a. Exports FOB	9,491	8,094
b. Imports FOB	-10,392	-8,987
2. Services	-369	-383
3. Investment income	-2,531	-1,173
4. Current transfers	871	800
of which: Workers' remittances	660	669
II. Financial account	2,036	491
1. Private sector	187	1,318
2. Public sector	691	-594
3. Short-term capital	1,158	-233
III. Exceptional financing	6	0
IV. Net errors and omissions	403	-243
V. Total	-485	-1,400
(V = I + II + III + IV)		

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

Non-Financial Public Sector

In Q2-2015, the operations of the **non-financial public sector (NFPS)** showed an economic surplus equivalent to 0.7 percent of GDP (a surplus 2.3 percentage points lower than the one registered in Q2-2014). This result is explained mainly by the decline of fiscal revenues due to the impact of the tax measures adopted in late 2014 which included reductions in the rates of the income tax, the reduction of tariff rates, the reduction in the rates of the excise tax on fuels, as well as changes in the advanced payment of the VAT. Moreover, the revenues were also affected by the deterioration of the terms of trade and by slowdown of economic activity.

Operations of the Non-Financial Public Sector 1/ (% GDP)

	Q2	
	2014	2015
1. General government current revenues	22.8	20.5
a. Tax revenue	17.3	15.1
b. Non-tax revenue	5.5	5.4
2. General government non-financial expenditure	18.8	19.0
a. Current	13.8	14.5
b. Capital	5.0	4.5
<i>which: Gross Capital Formation</i>	4.7	3.9
3. Others 2/	-0.4	-0.2
4. Primary Balance	3.6	1.4
5. Interest	0.6	0.6
Foreign	0.4	0.5
Domestic	0.2	0.2
6. Overall Balance	3.0	0.7
7. Financing	-3.0	-0.7
Foreign	0.4	-0.1
Domestic	-3.4	-0.6

1/ Preliminar.

2/ Incluye ingresos de capital del gobierno general y resultado primario de empresas estatales.

Fuente: MEF, BN, Sunat, EsSalud, sociedades de beneficencia pública, empresas estatales e instituciones públicas.

The expenditure of the general government increased 0.2 percentage points of GDP compared to the same quarter in 2014. Spending increased 4.5 percent in real terms, which is explained by the fact that current spending grew 8.7 percent, while gross capital formation decreased 12.9 percent, due mainly to the decrease of expenditure registered by the subnational governments.

Savings-Investment Gap

In Q2-2015, **domestic investment** was equivalent to 26.0 percent of GDP, which represents a decrease of 0.4 percentage points in domestic investment compared to the level recorded in Q2-2014. This decrease is explained by a decline of both private investment and government investment, offset in part by a higher accumulation of inventories (up by 2.1 percent).

On the other hand, domestic savings grew from 20.7 percent of GDP in Q2-2014 to 22.6 percent of GDP in the same period of 2015, with the increase in private savings accounting mainly for this growth. As a result of this, in Q2-2015 the current account deficit declined by 2.3 percentage points of GDP.

Ratios of Monetization

The ratios of monetization, which measure the ratio of liquidity-to-GDP and the ratio of credit to the private sector-to-GDP, showed different behavior during this quarter. The ratio of credit to the private sector-to-GDP maintained its upward trend and registered 40.7 percent, while the ratio of liquidity-to-GDP fell slightly to 38.1 percent in the Q2-2015.

