



Weekly Economic Report N° 8

February 26, 2016

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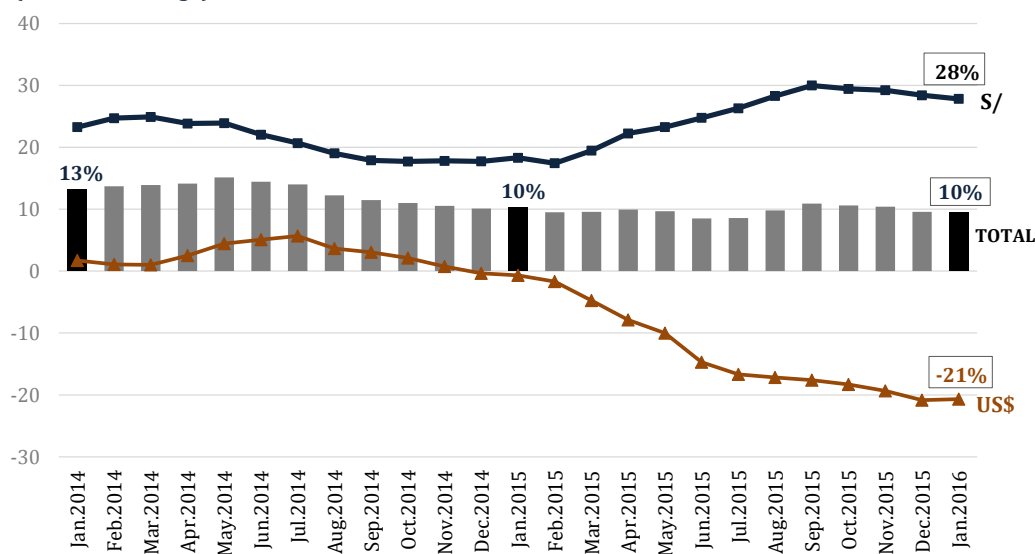
ANNUAL GROWTH OF CREDIT TO THE PRIVATE SECTOR: 10 PERCENT IN JANUARY

Showing a similar growth rate to that of December 2015 (10 percent), **total credit** of depository institutions to the private sector grew 10 percent in annual terms in January.

In this month, credit continued showing a process of de-dollarization: while credit in soles recorded an annual growth rate of 28 percent, the annual growth rate of credit in dollars fell to 21 percent.

Credit to the Private Sector

(Annual % change)



Corporate credit maintained its dynamism, with lending in the segments of corporations, large and medium-sized businesses showing an annual growth rate of 10.2 percent while lending in the segment of small and micro businesses showed a growth rate of 2.3 percent. On the other hand, credit to individuals showed a moderation compared to the previous month, especially in the segment of consumer loans, which grew at an annual rate of 13.7 percent. Mortgage loans grew 8.4 percent.

Credit to the private sector by type of loan

(YoY % chg.)

	Dec.2015	Jan.2016
Loans to companies 1/	8.4	8.4
Corporate, large, and Medium-sized companies	10.1	10.2
Small businesses	2.4	2.3
Loans to individuals 2/	11.8	11.4
Consumer loans	14.3	13.7
Mortgage	8.5	8.4
TOTAL	9.6	9.5

1 / Includes loans to legal persons and holdings of corporate bonds, including loans from

2 / Includes non-profit organizations.

TOTAL LIQUIDITY GREW AT AN ANNUAL RATE OF 7.5 PERCENT IN JANUARY DUE TO INCREASED DEPOSITS

Total liquidity in the private sector grew 7.5 percent in annual terms in January, a higher rate than in December (6.4 percent). This increase of liquidity resulted mostly from higher total deposits (7.6 percent), especially saving deposits (9.1 percent) and demand deposits (7.3 percent). Moreover, currency grew by an annual rate of 5.7 percent in January.

Liquidity by type of liability

(YoY % chg.)

	Dec.2015	Jan.2016
Currency	3.8	5.7
Deposits	6.8	7.6
Demand deposits	4.9	7.3
Saving deposits	6.6	9.1
Term deposits	8.5	6.6
CTS	6.3	5.7
Securities and others 1/	12.0	22.1
TOTAL	6.4	7.5

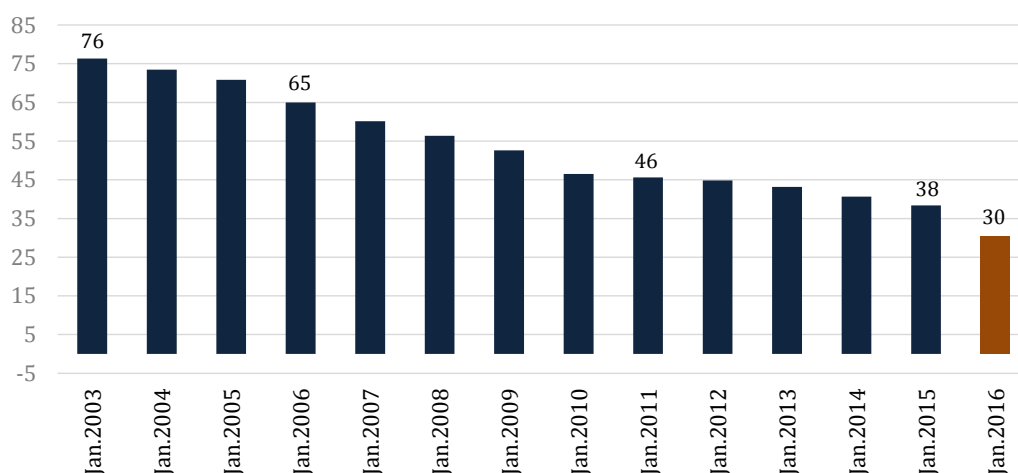
1/ Includes debt securities and other obligations issued by the depository corporations and by non-financial private sector.

By currencies, liquidity in soles grew 3.6 percent in annual terms in January while liquidity in dollars grew 15.7 percent.

THE DOLLARIZATION OF CREDIT DECLINED TO 30 PERCENT IN JANUARY

The **ratio of dollarization** of credit to the private sector was 30 percent in January, 8 percentage points lower than in January 2015.

Ratio of dollarization of credit: 2003-2016
(%)



CAPITAL INFLOWS IN 2015 (US\$ 10.22 BILLION) US\$ 3.39 BILLION HIGHER THAN IN 2014

Showing a higher balance than that of the balance of payments (-US\$ 8.43 billion), the financial account recorded a positive flow of US\$ 10.22 billion in 2015, higher by US\$ 3.39 billion than in the previous year.

As a result, the balance of payments showed a positive balance of US\$ 73 million, reversing the negative balance observed in the previous year (US\$ 2.18 billion).

The balance in the financial account of 2015 is explained by increased long-term private capitals (US\$ 7.30 billion) and public sector capitals (US\$ 3.96 billion), offset by outflows of short-term capitals (US\$ 1.03 billion), which reflected the decline of banks' liabilities abroad.

It should be pointed out that the increased private long-term capitals included a significant flow of foreign direct investment (US\$ 6.73 billion) and portfolio investment and long-term loans for a total of US\$ 652 million.

Balance of Payments

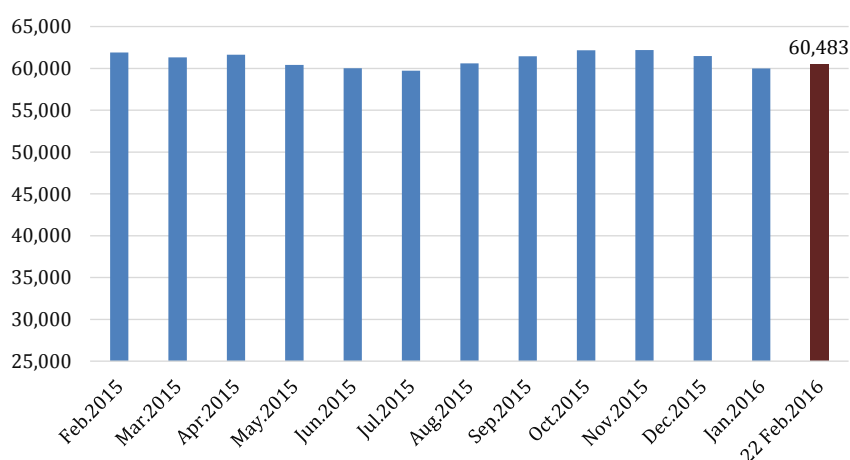
(Million US\$)

	2014	2015
1. Current account of Balance of Payment	-8,093	-8,430
2. Financial account	6,828	10,219
a. Private sector	6,490	7,296
i. Foreign Direct Investment	7,789	6,734
ii. Portfolio Investment and loans	-1,298	562
b. Public sector	-16	3,957
c. Short-term capital	354	-1,034
3. Net errors and omissions	-913	-1,717
4. Total	-2,178	73

INTERNATIONAL RESERVES AMOUNTED TO US\$ 60.48 BILLION ON FEBRUARY 22

On February 22, 2016, Peru's net international reserves –made up mainly by liquid international assets– amounted to US\$ 60.48 billion. This level of reserves is equivalent to 31 percent of GDP and to 19 months of imports.

Perú: Net International Reserves
(Million US\$)



MONETARY OPERATIONS AND INTEREST RATE

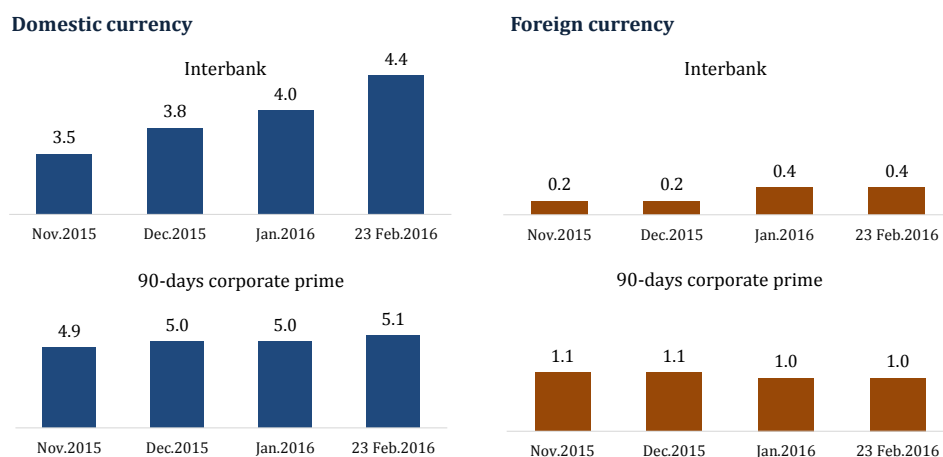
Year-to-date (at February 23), the BCRP has made the following **monetary operations**:

- BCRP-CDs: The balance of BCRP-CDs at February 23 was S/ 17.63 billion, with an average rate of 4.11 percent, while this balance at end-January was S/ 15.70 billion, with an average interest rate of 3.92 percent.
- Term deposits: The balance of term deposits at February 23 was S/ 1.0 billion, with an average interest rate of 4.21 percent. At the end of January, this balance was S/ 3.08 billion at a rate of 3.98 percent.

- Overnight deposits: At February 23, overnight deposits showed a balance of S/ 154 million, with an average interest rate of 3.0 percent. At end-January, this balance was S/ 298 million with an average interest rate of 2.75 percent.
- Currency repos: The balance of currency repos at February 23 was S/ 14.0 billion, with an average interest rate of 5.04 percent. At end-January, this balance was S/ 14.40 billion with an average interest rate of 5.04 percent.

On February 23, the **interbank interest rate** in soles showed an average monthly rate of 4.4 percent and the rate in dollars showed an annual rate of 0.4 percent. On the same date, the **corporate prime rate** –the interest rate charged by commercial banks to lower risk businesses– in soles recorded a rate of 5.1 percent, while the rate in dollars recorded 1.0 percent.

Average interest rate
(%)



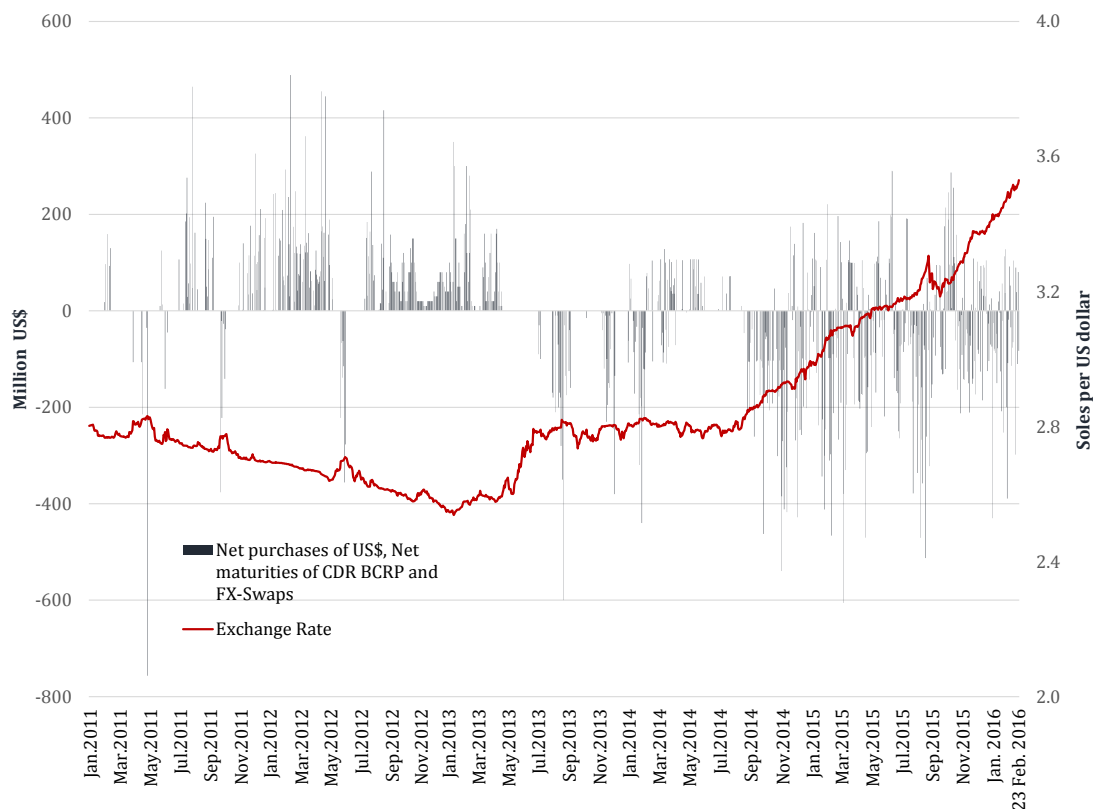
FOREX OPERATIONS AND EXCHANGE RATE

In February 1-23, the Central Bank has made the following **operations in the foreign exchange market**:

- Interventions in the FX market: BCRP sold FC for a total of US\$ 659 million in the spot market.
- FX Swaps: The balance of these instruments at February 23 was S/ 31.45 billion, with an average rate of 0.71 percent. At end-January, this balance was S/. 30.41 billion, with an average interest rate of 0.70 percent.
- CDR BCRP: At February 23 these certificates showed a balance of S/ 8.0 billion (US\$ 2.27 billion), with an average rate of 0.68 percent. Of this balance, CDR-BCRP placed through special repo operations amount to S/ 1.60 billion (US\$ 475 million). At the end of January, the balance of CDR BCRP was S/ 7.65 billion (US\$ 2.25 billion), with an average rate of 0.65 percent.

On February 23, the selling price of the US dollar in the interbank market was S/. 3.53 per dollar. Thus, so far this month the US dollar/sol exchange rate accumulates a 1.6 percent change.

Exchange rate and foreign exchange intervention



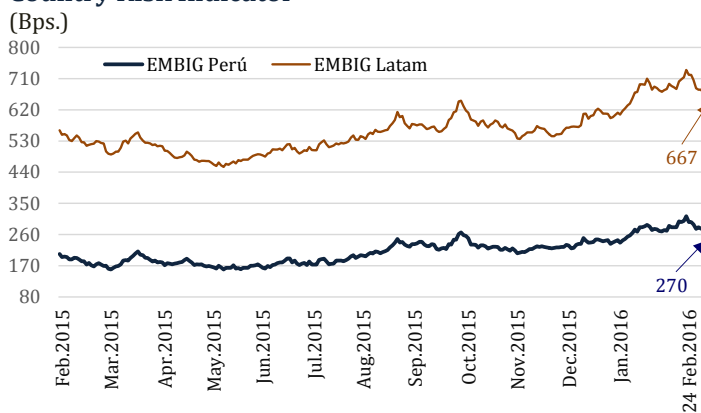
INTERNATIONAL MARKETS

Country risk fell to 270 basis points

In February 16-24, the country risk, measured by the **EMBIG Peru** spread, fell from 289 to 270 bps.

Similarly, the **EMBIG Latin America** spread fell 39 bps in a context of recovering oil prices and expectations of stimulus programs from the European Central Bank.

Country Risk Indicator



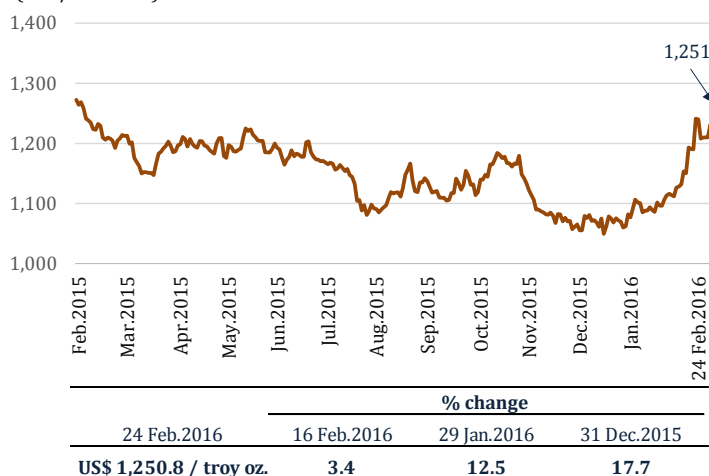
	Variation in basis points			
	24 Feb.2016	16 Feb.2016	29 Jan.2016	31 Dec.2015
EMBIG Perú (bps)	270	-19	-3	30
EMBIG Latam (bps)	667	-39	-10	62

International prices of gold, zinc, and crude oil on the rise

In the same period, the price of **gold** rose 3.4 percent to US\$ 1,250.8 percent.

The rise in the price of gold was associated with investors' increased demand for safe assets given global financial volatility as well as with the increased demand of the Central Bank of China for this metal.

Gold Price
(US\$/tr. ounce)



Showing almost no variation in the period of analysis, the price of **copper** remained at US\$ 2.08 per pound in February 16-24.

China's increased imports of refined copper in January and the increase of global inventories of copper had offsetting effects on the price of this basic metal.

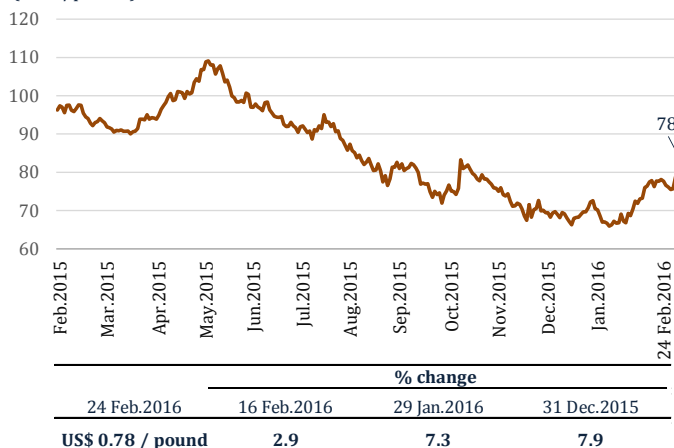
Copper Price
(cUS\$/pound)



In the same period, the price of **zinc** rose 2.9 percent to US\$ 0.78 a pound.

This price rise was supported by expectations of an increased demand and by the significant increase of China's imports of refined zinc in January.

Zinc Price
(cUS\$/pound)

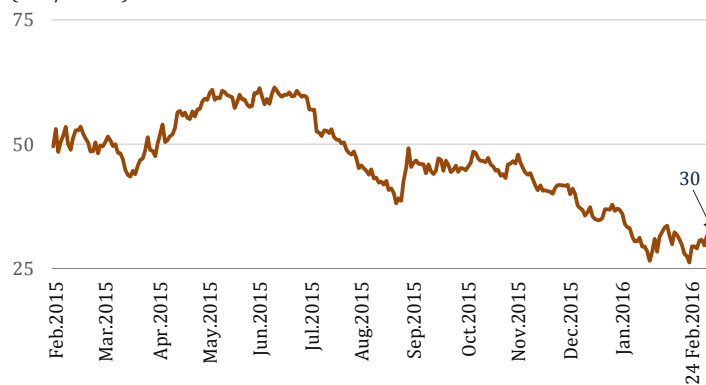


Between February 16 and February 24, the price of **WTI oil** climbed 4.7 percent to US\$ 30.4 per barrel.

This price rise was supported by expectations of supply adjustments and by the reduction of operating oil rigs in the United States.

WTI Oil Price

(US\$/barrel)



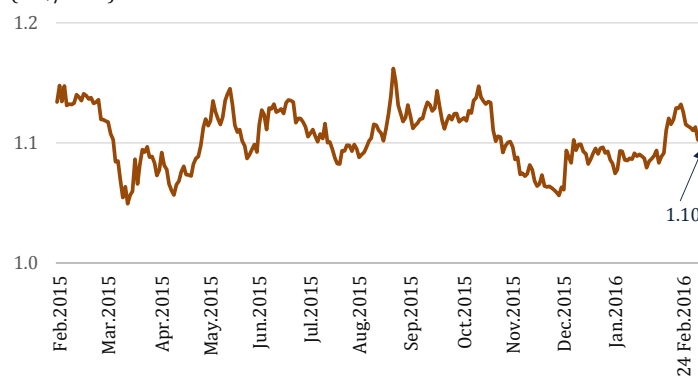
	% change			
	24 Feb.2016	16 Feb.2016	29 Jan.2016	31 Dec.2015
US\$ 30.4 / barrel		4.7	-9.6	-17.9

Dollar strengthened in international markets

In February 16-24, the **dollar** appreciated 1.2 percent against the **euro**, influenced by expectations of further monetary stimulus from the European Central Bank after the ECB published its minutes.

Evolution of US\$ per Euro

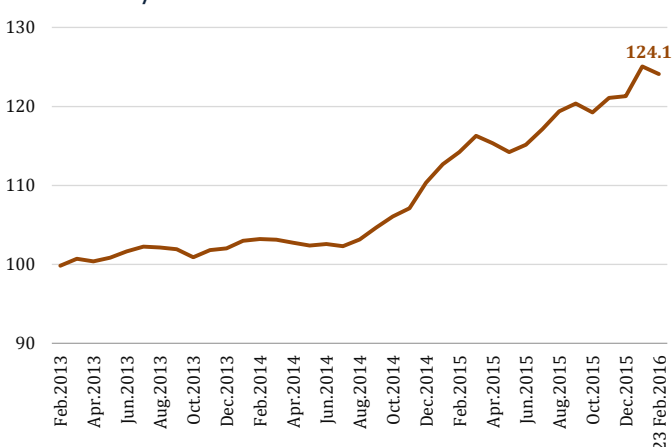
(US\$/Euro)



	Level		% change	
	24 Feb.2016	16 Feb.2016	29 Jan.2016	31 Dec.2015
US dollar/Euro	1.10	-1.2	1.6	1.4

The US dollar has been appreciating 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/



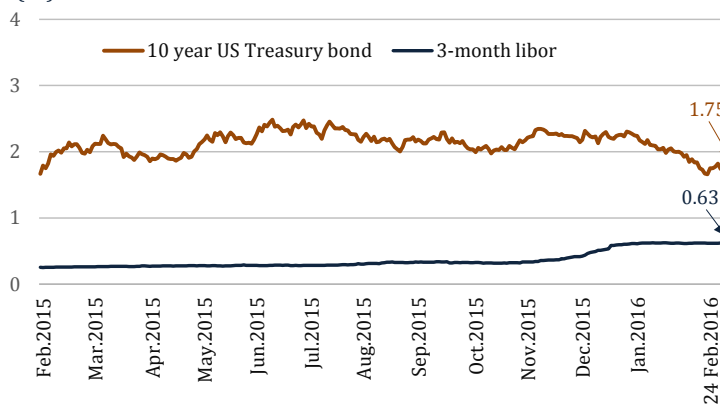
1/ Calculated taking into account currencies of US trading partners weighted by contributions. A rise in the index represents an appreciation of the US dollar.
Source: FED.

Yield on 10-year US Treasuries fell to 1.75 percent

Between February 16 and February 24, the **3-month Libor** rose 1 basis point to 0.63 percent.

In the same period, the yield on the 10-year **US Treasury bonds** fell 2 basis points to 1.75 percent amid indicators showing greater weakness in U.S. activity indices (PMI indices).

3-Month Libor and 10-Year US Treasuries (%)



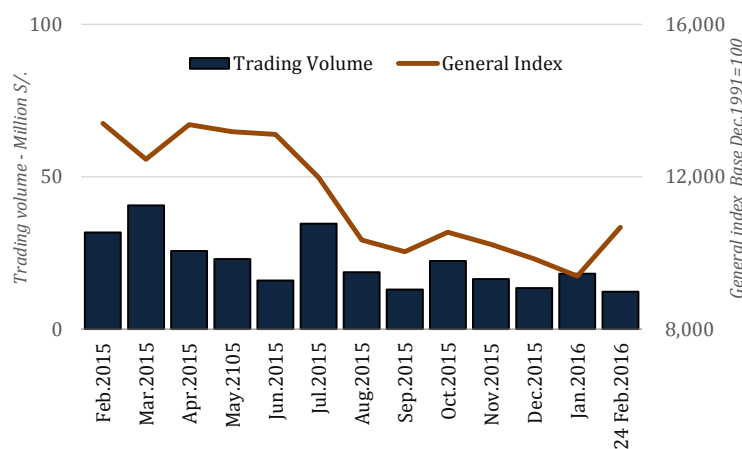
	Variation in basis points			
	24 Feb.2016	16 Feb.2016	29 Jan.2016	31 Dec.2015
3 months Libor (%)	0.63	1	2	2
US Treasuries (%)	1.75	-2	-17	-52

THE INDICES OF THE LIMA STOCK EXCHANGE ROSE OVER THE LAST WEEK

Between February 16 and February 24, the **General Index** of the Lima Stock Exchange (LSE) rose 3.9 percent and the **Selective Index** climbed 6.4 percent.

The LSE indices were influenced by the advancement of mining stocks as a result of the upturn of metal and oil prices, in line with international markets.

Lima Stock Exchange Indicators



	As of:	% change compared to:		
	24 Feb.2016	16 Feb.2016	29 Jan.2016	31 Dec.2015
General Index	10,676	3.9	13.7	8.4
Selective Index	14,527	6.4	19.6	12.6

