



## CONTENT

BCRP survey on macroeconomic expectations: February 2016	vi
Indicators of business expectations improved in February	viii
Inflation in Metropolitan Lima: 0.17 percent in February	viii
REER index rose 2.8 percent in February	ix
Trade balance: January 2016	x
International Reserves amounted to US\$ 61.17 billion on March 1	xi
Monetary operations and interest rate	xi
Forex operations and exchange rate	xii
International markets	xiii
Country risk fell to 238 basis points	xiii
International prices of gold, copper, and zinc rise	xiv
Exchange rate: USD 1.10 = 1 euro	xv
Yield on 10-year US Treasuries fell to 1.84 percent	xvi
The indices of the Lima Stock Exchange rose	xvi

## WEEKLY ECONOMIC REPORT N° 9

### BCRP SURVEY ON MACROECONOMIC EXPECTATIONS: FEBRUARY 2016

The results show that financial entities have raised their estimates of GDP growth in 2016 to 3.3 percent and that non-financial firms have raised them to 3.5 percent. On the other hand, the estimates of GDP growth rate in 2017 remain at 4.0 percent, while the growth rates estimated for 2018 range between 4.0 and 4.5 percent.

#### Survey of Macroeconomic Expectations: GDP growth (%)

	Survey date:		
	Dec 31, 2015	Jan 31, 2016	Feb 29, 2016
<b>Economic analysts 1/</b>			
2016	3.2	3.2	3.2
2017	4.0	4.0	4.0
2018			4.2
<b>Financial entities 2/</b>			
2016	3.0	3.2	3.3
2017	4.0	4.0	4.0
2018			4.0
<b>Non-financial firms 3/</b>			
2016	3.3	3.4	3.5
2017	4.0	4.0	4.0
2018			4.5

1/ 22 analysts in December 2015, 21 in January, and 21 in February 2016.

2/ 20 financial entities in December 2015, 22 in January, and 20 in February 2016.

3/ 372 non-financial firms in December 2015, 368 in January, and 367 in February 2016.

In February, economic agents estimated that inflation would show a rate of 3.5 percent in 2016 and that in 2017 the rate of inflation would range between 3.0 percent and 3.5 percent. In 2018, the rate of inflation would be within the target range of BCRP.

**Survey of Macroeconomic Expectations: Inflation  
(%)**

	Survey date:		
	Dec 31, 2015	Jan 31, 2016	Feb 29, 2016
<b>Economic analysts 1/</b>			
2016	3.4	3.5	3.5
2017	3.0	3.0	3.0
2018			2.9
<b>Financial entities 2/</b>			
2016	3.5	3.5	3.5
2017	3.0	3.0	3.2
2018	2.8	3.0	3.0
<b>Non-financial firms 3/</b>			
2016	3.3	3.5	3.5
2017	3.0	3.3	3.5
2018			3.0

1/ 22 analysts in December 2015, 21 in January, and 21 in February 2016.

2/ 20 financial entities in December 2015, 22 in January, and 20 in February 2016.

3/ 372 non-financial firms in December 2015, 368 in January, and 367 in February 2016.

At end-2016, the USD-PEN exchange rate is expected to range between S/ 3.60 and S/ 3.65 per 1 US dollar.

**Survey of Macroeconomic Expectations: Exchange rate  
(S/ per US\$)\***

	Survey date:		
	Dec 31, 2015	Jan 31, 2016	Feb 29, 2016
<b>Economic analysts 1/</b>			
2016	3.55	3.63	3.65
2017	3.55	3.70	3.70
2018			3.75
<b>Financial entities 2/</b>			
2016	3.50	3.60	3.65
2017	3.50	3.65	3.70
2018			3.70
<b>Non-financial firms 3/</b>			
2016	3.50	3.55	3.60
2017	3.50	3.60	3.70
2018			3.70

1/ 22 analysts in December 2015, 21 in January, and 21 in February 2016.

2/ 20 financial entities in December 2015, 22 in January, and 20 in February 2016.

3/ 372 non-financial firms in December 2015, 368 in January, and 367 in February 2016.

\* Exchange rate at end of year.

## INDICATORS OF BUSINESS EXPECTATIONS IMPROVED IN FEBRUARY

The results of the BCRP Survey on Macroeconomic Expectations also showed that all of the indicators of business expectations improved in February compared to the previous month.

### Macroeconomic Expectations Survey Results

	January	February
Actual business situation	57	60
Expectations about the sector 12 months ahead	56	60
Expectations about the economic situation 12 months ahead	56	59
Expectations about the firm situation in the 3 months ahead	54	56
Business expectations about demand in the 3 months ahead	51	54
Expectations about the sector in the 3 months ahead	48	50
Expectations about the economic situation 12 months ahead (Apoyo)*	60	61

\* From components of household's economic situation present and future, possibility of finding a job and price level, take only expectations of future household's situation (12 months).

## INFLATION IN METROPOLITAN LIMA: 0.17 PERCENT IN FEBRUARY

The consumer price index in Metropolitan Lima recorded a rate of 0.17 percent in February, as a result of which inflation in the last 12 months showed a rate of 4.47 percent. Inflation without food and energy registered a rate of 0.52 percent in the month and 3.79 percent in the last 12 months.

### Inflation

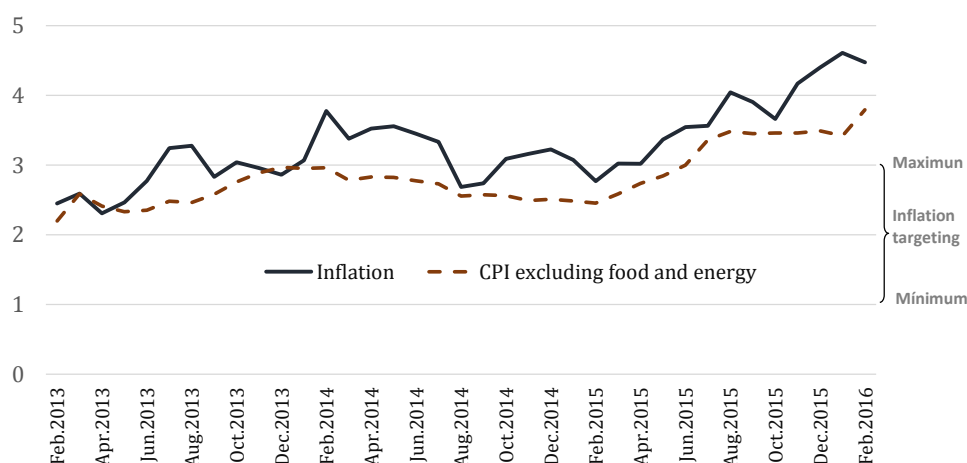
(% change)

	Weigth 2009=100	February 2016	
		Month	12 month
<b>CPI</b>	<b>100.0</b>	<b>0.17</b>	<b>4.47</b>
<b>1. CPI excluding food and energy</b>	<b>56.4</b>	<b>0.52</b>	<b>3.79</b>
i. Goods	21.7	0.4	3.6
ii. Services	34.8	0.6	3.9
<i>Of which:</i>			
Education	9.1	1.4	6.5
Rent	2.4	0.5	3.6
Health	1.1	1.1	5.7
<b>2. Food and energy</b>	<b>43.6</b>	<b>-0.22</b>	<b>5.28</b>
i. Food	37.8	-0.1	4.8
ii. Energy	5.7	-1.3	9.1

Source: INEI.

## Inflation

(% change last 12 month)



The items that contributed more to increase the rate of inflation in February were education costs (0.14 percentage points), meals outside the home (0.10 percentage points), and other vegetables (0.02 percentage points). On the other hand, the items that contributed more to reduce inflation were potatoes (-0.11 percentage points), gasoline (-0.07 percentage points), and legumes (-0.03 percentage points).

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### REER INDEX ROSE 2.8 PERCENT IN FEBRUARY

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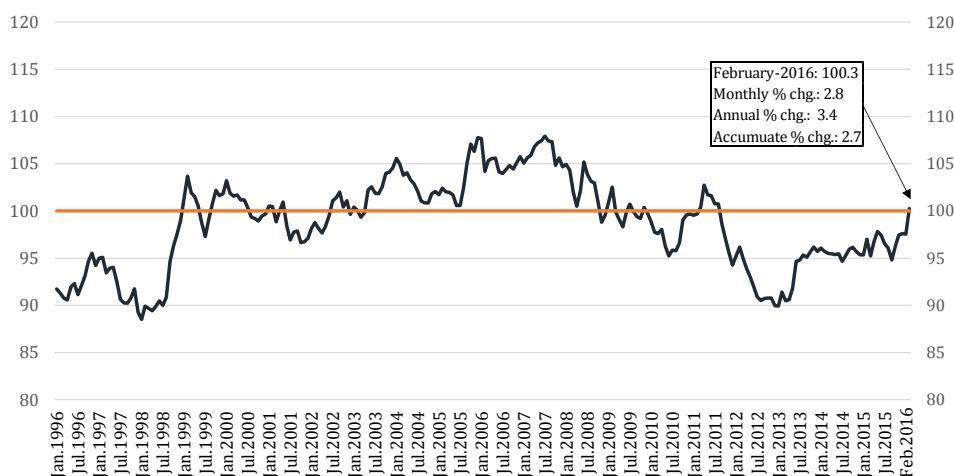
In February, the real effective exchange rate (REER) index rose 2.8 percent relative to January and 3.4 percent relative to February 2015.

The February result is explained by the fact that the value of the sol declined 2.7 percent compared to the value of the currencies of our trading partners in this month while the inflation rate in these countries (0.26 percent) was 0.1 percent higher than the rate of inflation in Peru (0.17 percent).

It is worth pointing out that a real depreciation in the currency is equivalent to an increase in the purchasing power of (import and export) tradable goods relative to non-tradable goods (like services).

Considering 2009 as the base year, the REER index in February 2016 registers 100.3, which indicates that the purchasing power of an exporter today would be equivalent to that of year 2009. If we did this exercise for the base period of year 2001, one year before the beginning of the boom of commodities, the REER index in February would be 101.9, which implies that the REER today is 1.9 percent higher than the exchange rate in the period when export prices saw no exceptional conditions.

**Index of Multilateral Real Exchange Rate**  
(Base 2009=100)

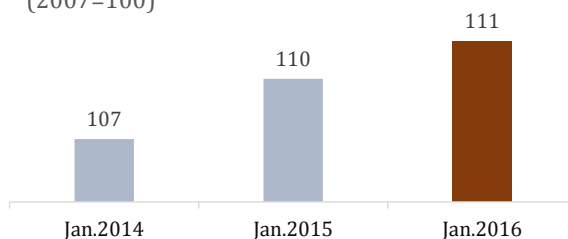


### TRADE BALANCE: JANUARY 2016

Exports in January 2016 amounted to US\$ 2.43 billion. Of this total, exports of traditional products accounted for US\$ 1.55 billion and exports of non-traditional exports accounted for US\$ 872 million.

In January, the volume of exports increased 1.3 percent as a result of increased shipments of traditional goods (copper, coffee, and crude oil and oil derivatives) and non-traditional goods (chemical and iron&steel products). The increase in copper exports reflect both plant expansions and the onset of operations of some mining projects.

**Index of volumen of exports**  
(2007=100)



On the other hand, imports in January amounted to US\$ 2.91 billion. This figure is explained mainly by imports of inputs (US\$ 1.23 billion), imports of capital good (US\$ 1.02 billion), and imports of consumer goods (US\$ 648 million).

As a result, in January imports outweighed exports by US\$ 477 million.

### Trade balance

(Million US\$)

	January 2016
<b>1. Exports</b>	<b>2,432</b>
Traditional products	1,551
Non-traditional products	872
Other	8
<b>2. Imports</b>	<b>2,908</b>
Consumer goods	648
Inputs	1,232
Capital goods	1,022
Other goods	6
<b>3. Trade balance</b>	<b>-477</b>

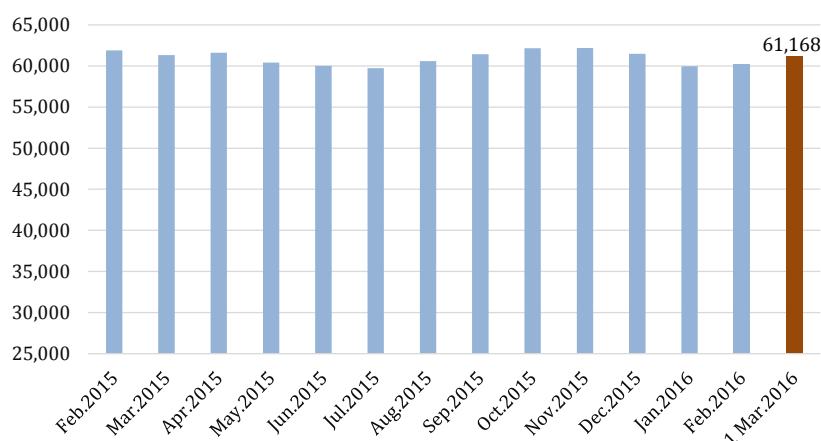
Source: Sunat, BCRP and firms.

## INTERNATIONAL RESERVES AMOUNTED TO US\$ 61.17 BILLION ON MARCH 1

On March 1, 2016, Peru's net international reserves –made up mainly by liquid international assets– amounted to US\$ 61.17 billion. This level of reserves is equivalent to 32 percent of GDP and to 20 months of imports.

### Perú: Net International Reserves

(Million US\$)



## MONETARY OPERATIONS AND INTEREST RATE

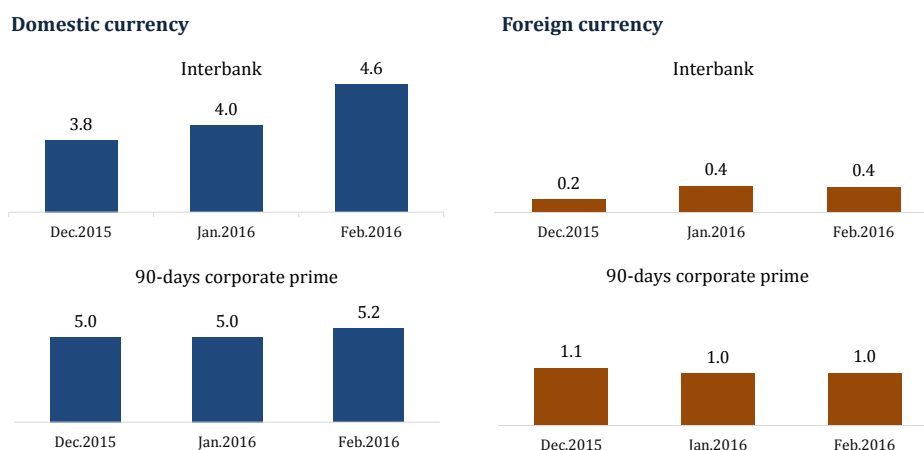
In February, the BCRP made the following **monetary operations**:

- **BCRP-CDs:** The balance of BCRP-CDs at February 29 was S/ 18.02 billion, with an average rate of 4.03 percent, while this balance at end-January was S/ 15.80 billion, with an average interest rate of 3.94 percent.
- **Currency repos:** The balance of currency repos at February 29 was S/ 14.00 billion, with an average rate of 5.05 percent. At end-January, the balance of currency repos was S/ 14.40 billion, with an average interest rate of 5.04 percent.

- Term deposits: The balance of term deposits at February 29 was S/ 700 million, with an average interest rate of 4.18 percent. At the end of January, this balance was S/ 3.08 billion at a rate of 3.98 percent.
- Overnight deposits: At February 29, overnight deposits showed a balance of S/ 233 million, with an average interest rate of 3.00 percent. At end-January, this balance was S/ 414 million with an interest rate of 2.75 percent.

In February, the **interbank interest rate** in soles showed an average monthly rate of 4.6 percent and the rate in dollars showed an annual rate of 0.4 percent. In the same period, the **corporate prime rate** –the interest rate charged by commercial banks to lower risk businesses– in soles recorded a rate of 5.2 percent, while the rate in dollars recorded 1.0 percent.

**Average interest rate**  
(%)




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**FOREX OPERATIONS AND EXCHANGE RATE**

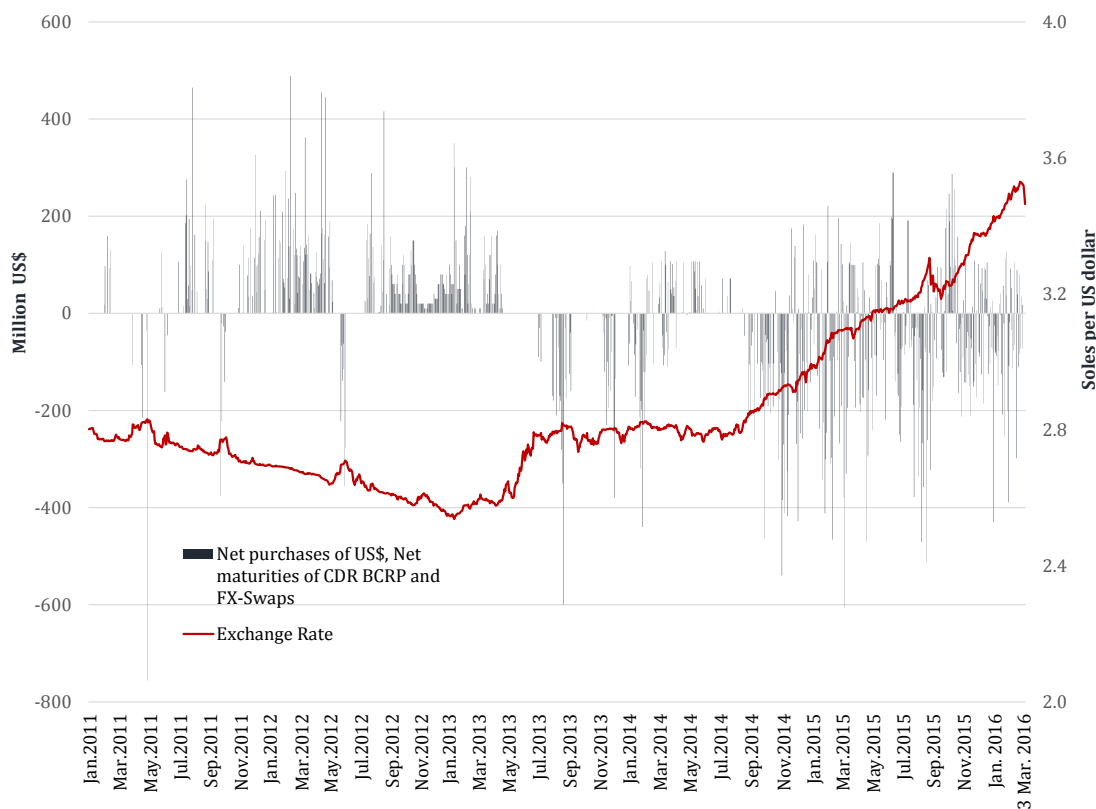
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In February, the Central Bank has made the following **operations in the foreign exchange market**:

- Interventions in the FX market: BCRP sold FC for a total of US\$ 808 million in the spot market.
- FX Swaps: The balance of these instruments at February 29 was S/ 31.20 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 29 these certificates showed a balance of S/ 8.01 billion (US\$ 2.27 billion), with an average rate of 0.69 percent. Of this balance, CDR-BCRP placed through special repo operations amount to S/ 1.60 billion (US\$ 455 million). At the end of January, the balance of CDR BCRP was S/ 7.65 billion (US\$ 2.17 billion), with an average rate of 0.65 percent.

On March 3, the selling price of the US dollar in the interbank market was S/ 3.46 per dollar. Thus, so far this month the US dollar/sol exchange rate accumulates a negative variation of 1.7 percent.

### Exchange rate and foreign exchange intervention



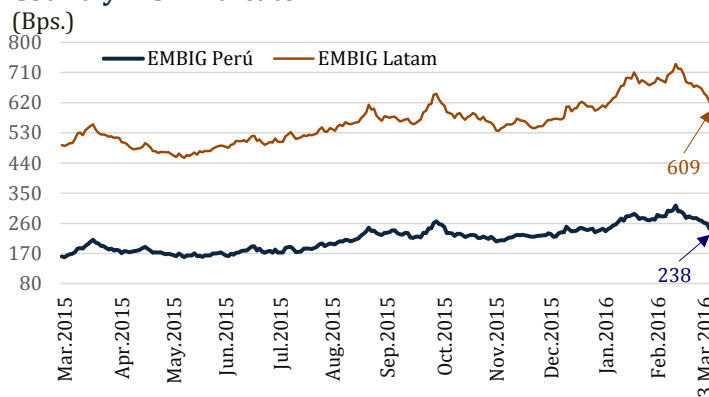
## INTERNATIONAL MARKETS

### Country risk fell to 238 basis points

On **March 3**, the **EMBIG Peru** fell to 238 bps and the region's debt spread fell to 609 bps.

In **February**, the EMBIG Peru spread fell rose from 266 to 282 bps, while the region's spread rose 23 bps to 685 bps amid a decline in global oil prices and increased uncertainty in stock markets at the beginning of the month.

### Country Risk Indicator



	Variation in basis points			
	3 Mar.2016	24 Feb.2016	29 Jan.2016	31 Dec.2015
EMBIG Perú (bps)	238	-32	-35	-2
EMBIG Latam (bps)	609	-58	-68	4



## International prices of gold, copper, and zinc rise

On **March 3**, the price of gold was US\$ 1,250.3 per troy ounce.

In **February**, gold recorded an average price of US\$ 1,199.9, a price level 9.3 percent higher than in January.

This rise was associated with the depreciation of the dollar against its major counterparts and with the publication of a report of the Global Gold Council which mentioned an increased demand of central banks for this metal.

On **March 3**, the price of copper was US\$ 2.19 a pound.

In **February**, copper showed an average price of US\$ 2.08, a price level 3.0 percent higher than in January.

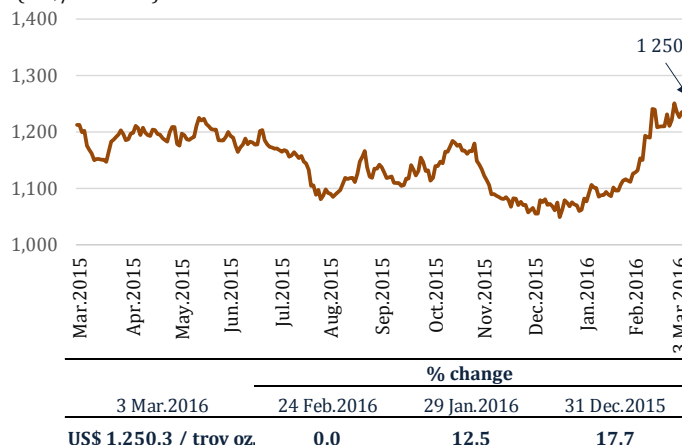
This upward trend is explained by China's increased imports of refined copper in January and by greater restrictions on Glencore and Freeport's supply.

The price of zinc recorded US\$ 0.83 a pound on **March 3**.

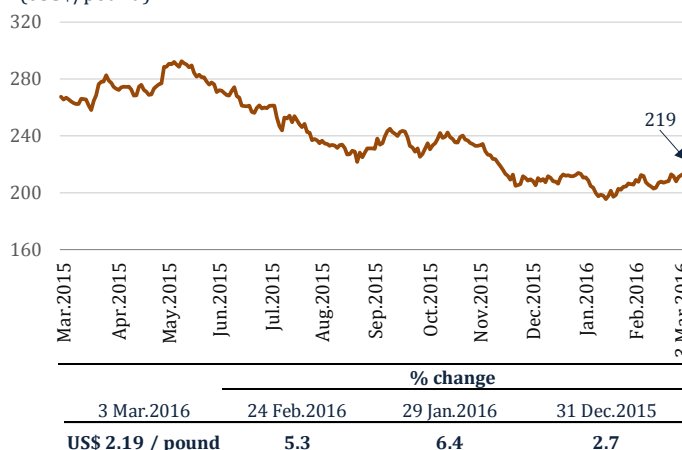
In **February**, zinc showed an average price of US\$ 0.77 per pound, a level 12.4 percent higher than in January.

This evolution was associated with expectations of a tighter supply and with a considerable increase in China's imports of refined zinc in January.

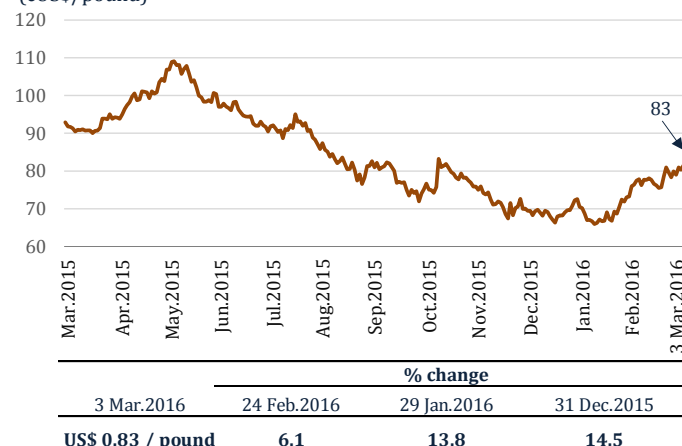
**Gold Price**  
(US\$/tr. ounce)



**Copper Price**  
(cUS\$/pound)



**Zinc Price**  
(cUS\$/pound)



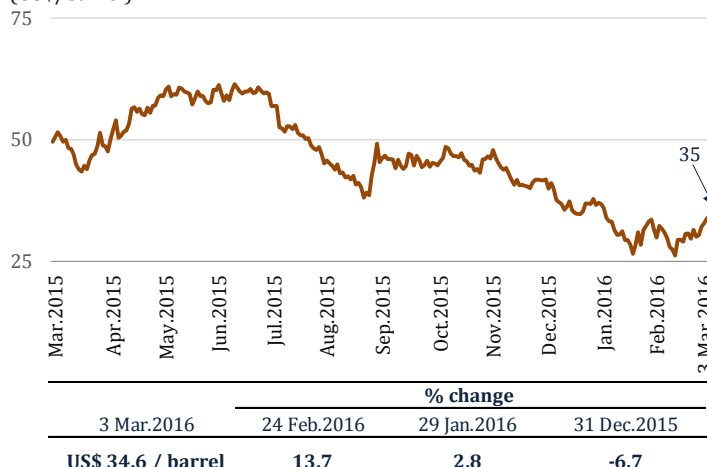
On **March 3**, the price of **WTI oil** was US\$ 34.8 a barrel.

In **February**, the average price of **WTI oil** was US\$ 30.1 per barrel, 5.1 percent lower than in January.

The conduct of the oil price in February is explained mainly by the global oversupply of crude and by the IEA's revision of its outlook for the global demand of crude in 2016 on the downside.

### WTI Oil Price

(US\$/barrel)



Exchange rate: USD 1.10 = 1 euro

On **March 3**, the **dollar/euro** exchange rate was US\$ 1.10 per euro.

In **February**, the **dollar** depreciated 2.2 percent against the **euro** and recorded an average exchange rate of US\$ 1.11 per euro, influenced by lower expectations that the Federal Reserve will raise its interest rate on several occasions this year.

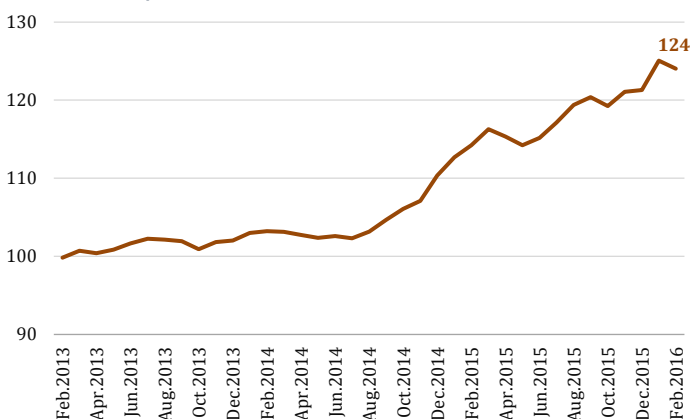
### Evolution of US\$ per Euro

(US\$/Euro)



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/



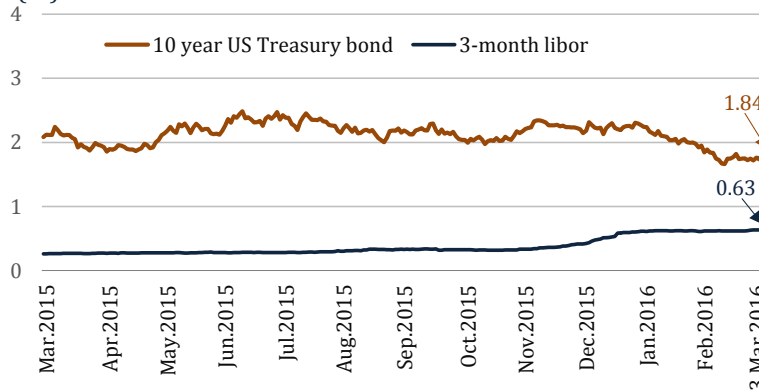
1/ Calculated taking into account currencies of US trading partners weighted by contributions. A rise in the index represents an appreciation of the US dollar. Source: FED.

## Yield on 10-year US Treasuries fell to 1.84 percent

On **March 3**, the **3-month Libor** registered 0.63 percent and the the **10-year US Treasury bonds** showed a rate of 1.84 percent.

In **February**, the **3-month Libor** recorded an average rate of 0.62 percent, while the yield on the **10-year US Treasury bonds** recorded an average of 1.77 percent, a rate 29 bps lower than in January, as a result of increased uncertainty in stock markets.

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



	Variation in basis points			
	3 Mar.2016	24 Feb.2016	29 Jan.2016	31 Dec.2015
3 months Libor (%)	<b>0.63</b>	<b>1</b>	<b>2</b>	<b>2</b>
US Treasuries (%)	<b>1.84</b>	<b>9</b>	<b>-9</b>	<b>-44</b>

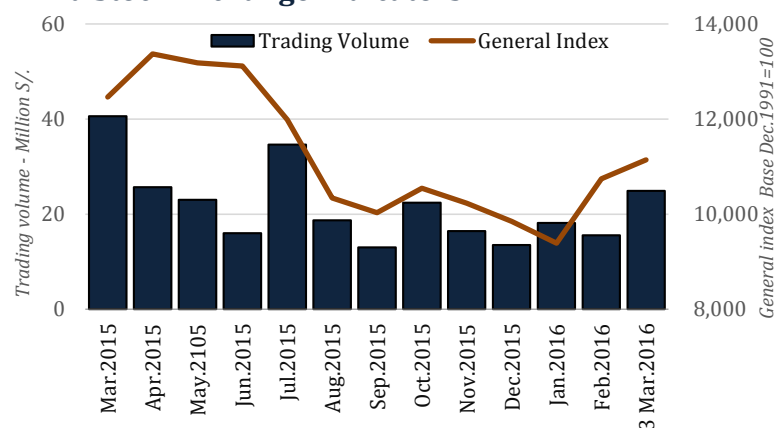
## THE INDICES OF THE LIMA STOCK EXCHANGE ROSE

Year-to-date (at **March 3**), the **General Index** of the Lima Stock Exchange (LSE) has risen 13.1 percent and the **Selective Index** has climbed 17.2 percent.

In **February**, the **General Index** rose 14.4 percent and the **Selective Index** rose 21.7 percent.

This hike in the LSE indices was driven mainly by the increase recorded in the international prices of metals.

**Lima Stock Exchange Indicators**



	As of:	% change compared to:		
	3 Mar.2016	24 Feb.2016	29 Jan.2016	31 Dec.2015
General Index	<b>11,140</b>	<b>4.4</b>	<b>18.6</b>	<b>13.1</b>
Selective Index	<b>15,125</b>	<b>4.1</b>	<b>24.5</b>	<b>17.2</b>

