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WEEKLY ECONOMIC REPORT N° 13

INDICATORS OF BUSINESS EXPECTATIONS IMPROVED IN MARCH

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

Macroeconomic Expectations Survey Results 1/

	2016	
	February	March
EXPECTATION		
Business expectations about demand in the 3 months ahead	53.5	57.0
Expectations about hiring of personnel in the 3 months ahead	48.5	48.5
Expectations about the firm situation in the 3 months ahead	55.6	57.2
Expectations about the sector 3 months ahead	50.4	50.8
Expectations about the economic situation 3 months ahead	46.7	46.4
Expectations about the sector 12 months ahead	59.9	61.3
Expectations about the economic situation 12 months ahead	59.1	59.6
Consumer expectations about the economic situation 12 months ahead (Apoyo) 2/	61.0	65.0
FINANCES		
Financial business situation	62.7	63.7
Business situation of access to credit	64.9	65.8

1/ Greater than 50 points (neutral) means that confidence is on the optimistic tranche and less than 50 points in the pessimistic tranche.

2/ 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).

BCRP SURVEY ON MACROECONOMIC EXPECTATIONS: MARCH 2016

In March, 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 2.8 percent and 3.3 percent.

Survey of Macroeconomic Expectations: Inflation
(%)

	Survey date:		
	Jan 31, 2016	Feb 29, 2016	Mar 31, 2016
Economic analysts 1/			
2016	3.5	3.5	3.5
2017	3.0	3.0	2.8
2018		2.9	2.5
Financial entities 2/			
2016	3.5	3.5	3.5
2017	3.0	3.2	3.0
2018	3.0	3.0	3.0
Non-financial firms 3/			
2016	3.5	3.5	3.5
2017	3.3	3.5	3.3
2018		3.0	3.0

1/ 21 analysts in January, 21 in February, and 18 in March 2016.

2/ 22 financial entities in January, 20 in February, and 19 in March 2016.

3/ 368 non-financial firms in January, 367 in February, and 374 in March 2016.

Expectations of inflation for the next year*
(% points)



* Corresponds to the average of the expectations of the financial system and economic analysts.

The results show that financial entities and analysts have raised their estimates of GDP growth in 2016 to 3.5 percent. On the other hand, the estimates of GDP growth rate in 2017 remain at 4.0 percent.

Survey of Macroeconomic Expectations: GDP growth (%)

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

1/ 21 analysts in January, 21 in February, and 18 in March 2016.

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At end-2016, the USD-PEN exchange rate is expected to range between S/ 3.55 and S/ 3.63 per 1 US dollar, and between S/ 3.60 and S/ 3.68 per 1 US dollar for 2017. Economic agents reduced their expectation of depreciation.

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

	Survey date:		
	Jan 31, 2016	Feb 29, 2016	Mar 31, 2016
Economic analysts 1/			
2016	3.63	3.65	3.63
2017	3.70	3.70	3.68
2018		3.75	3.70
Financial entities 2/			
2016	3.60	3.65	3.55
2017	3.65	3.70	3.65
2018		3.70	3.70
Non-financial firms 3/			
2016	3.55	3.60	3.55
2017	3.60	3.70	3.60
2018		3.70	3.65

1/ 21 analysts in January, 21 in February, and 18 in March 2016.

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* Exchange rate at end of year.

INFLATION IN METROPOLITAN LIMA: 0.6 PERCENT IN MARCH

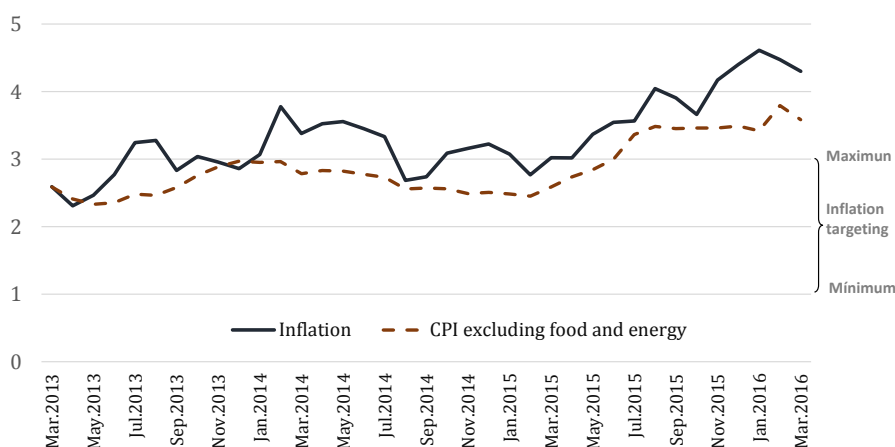
The consumer price index in Metropolitan Lima recorded a rate of 0.6 percent in March, as a result of which inflation in the last 12 months showed a rate of 4.30

percent. Inflation without food and energy registered a rate of 0.70 percent in the month and 3.58 percent in the last 12 months.

	Weigth 2009=100	March 2016	
		Month	12 month
CPI	100.0	0.60	4.30
1. CPI excluding food and energy	56.4	0.70	3.58
i. Goods	21.7	0.2	3.4
ii. Services	34.8	1.0	3.7
<i>Of which:</i>			
Education	9.1	3.1	5.6
Rent	2.4	0.1	3.6
Health	1.1	0.5	5.5
2. Food and energy	43.6	0.47	5.15
i. Food	37.8	0.6	4.9
ii. Energy	5.7	-0.4	7.0

Source: INEI.

Inflation
 (% change last 12 month)



The items that contributed more to increase the rate of inflation in March were education costs (0.30 percentage points), poultry meat (0.10 percentage points), and meals outside the home (0.06 percentage points). On the other hand, the items that contributed more to reduce inflation were potatoes (-0.17 percentage points), gasoline (-0.04 percentage points), and legumes (-0.02 percentage points).

TRADE BALANCE: FEBRUARY 2016

Exports in February 2016 amounted to US\$ 2.38 billion. Of this total, exports of traditional products accounted for US\$ 1.60 billion and exports of non-traditional exports accounted for US\$ 777 million.

In February, the volume of exports increased 5.9 percent as a result of increased shipments of traditional goods (copper, coffee, and fishmeal).

On the other hand, imports in February amounted to US\$ 2.57 billion. This figure is explained mainly by imports of inputs (US\$ 1.06 billion), imports of capital good (US\$ 840 million), and imports of consumer goods (US\$ 662 million).

As a result, in February imports outweighed exports by US\$ 188 million.

Trade balance

(Million US\$)

	February 2016
1. Exports	2,381
Traditional products	1,598
Non-traditional products	777
Other	6
2. Imports	2,569
Consumer goods	662
Inputs	1,061
Capital goods	840
Other goods	6
3. Trade balance	-188

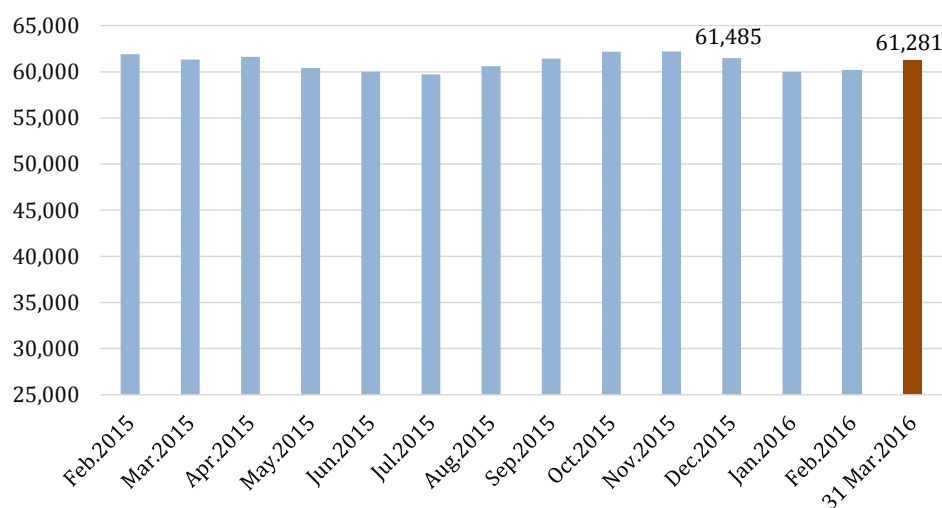
Source: Sunat, BCRP and firms.

INTERNATIONAL RESERVES AMOUNTED US\$ 61.28 BILLION ON MARCH 31

Increasing by US\$ 1.08 billion compared to the amount of reserves at the end of February, Peru's net international reserves –made up mainly by liquid international assets– amounted to US\$ 61.28 billion on March 22, 2016. This level of reserves is equivalent to 32 percent of GDP and to 20 months of imports.

Perú: Net International Reserves

(Million US\$)



CREDIT TO THE PRIVATE SECTOR AND LIQUIDITY AT MARCH 15

In the last four weeks (at March 15, 2015), total credit to the private sector rose by 0.6 percent (S/ 1.56 billion). By currencies, the rate of credit in soles increased 1.0 percent (S/ 1.87 billion), while credit in dollars declined 0.5 percent (negative flow of US\$ 106 million). As a result of this, credit to the private sector showed an annual growth rate of 9.8 percent.

In the same period, total liquidity in the private sector reduced 1.0 percent (negative flow of S/ 2.39 billion), as a result of which liquidity in the private sector accumulated a growth rate of 6.4 percent in the last twelve months. By currencies, liquidity in soles decreased 1.5 percent (negative flow of S/ 2.27 billion), and liquidity in dollars fell 0.1 percent (negative flow of US\$ 37 million).

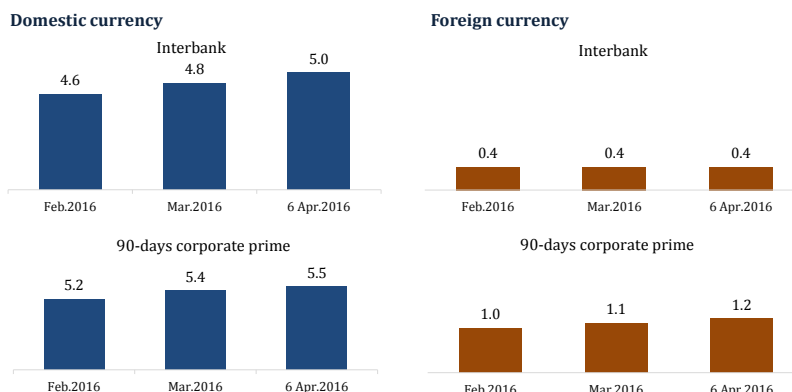
MONETARY OPERATIONS AND INTEREST RATES

In April 1-5, the Central Bank has made the following **monetary operations**:

- BCRP-CDs: The balance of BCRP-CDs at April 5 was S/ 16.02 billion, with an average rate of 4.13 percent, while this balance at end-March was S/ 15.99 billion, with an average interest rate of 4.13 percent.
- Repos: The balance of security repos at April 5 was S/ 2.20 billion, with an average interest rate of 5.21 percent. At the end of March, this balance was S/ 500 million at an average rate of 5.40 percent.
- Currency repos: The balance of currency repos at April 5 was S/. 15.90 billion, with an average interest rate of 5.13 percent. At end-March, this balance was S/ 15.0 billion with an average interest rate of 5.10 percent.
- Overnight deposits: At April 5, overnight deposits showed a balance of S/ 520 million, with an average interest rate of 3.00 percent. At end-March, this balance was S/ 1.44 billion with an average interest rate of 3.00 percent.

On April 6, the **interbank interest rate** in soles showed an average monthly rate of 5.0 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 5.5 percent, while the rate in dollars recorded 1.2 percent.

Average interest rate
(%)



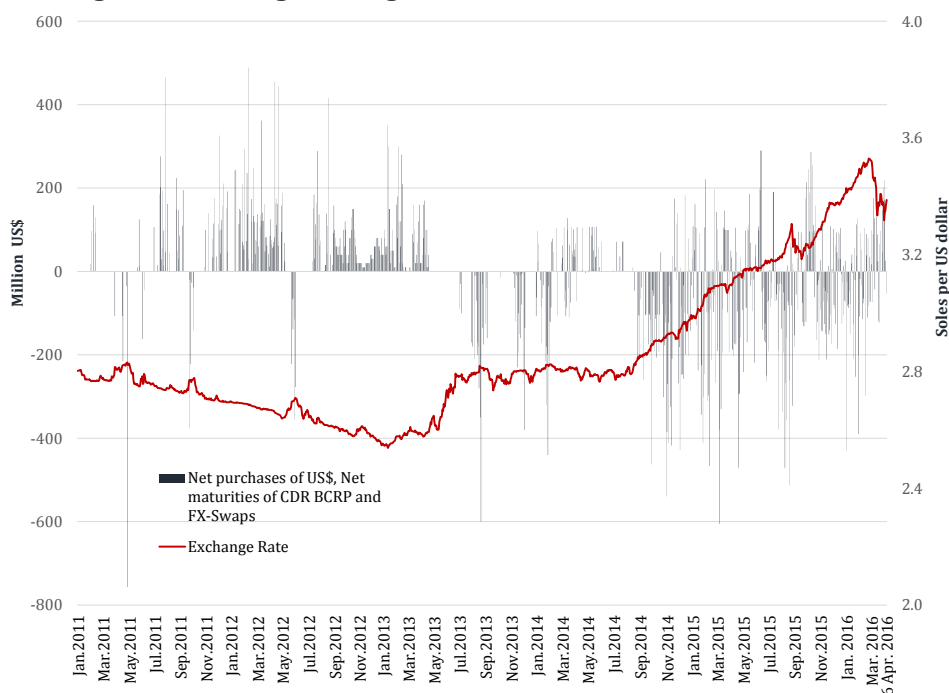
FOREX OPERATION AND EXCHANGE RATE

On April 6, the selling price of the US dollar in the interbank market was S/ 3.39 per dollar. Thus, so far this month the US dollar/sol exchange rate accumulates a negative variation of 2.1 percent.

In April 1-5, 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\$ 1 million in the spot market.
- FX Swaps: The balance of these instruments at April 5 was S/ 25.12 billion, with an average rate of 0.71 percent. At end-March, the balance was S/ 25.80 billion, with an average interest rate of 0.71 percent.

Exchange rate and foreign exchange intervention



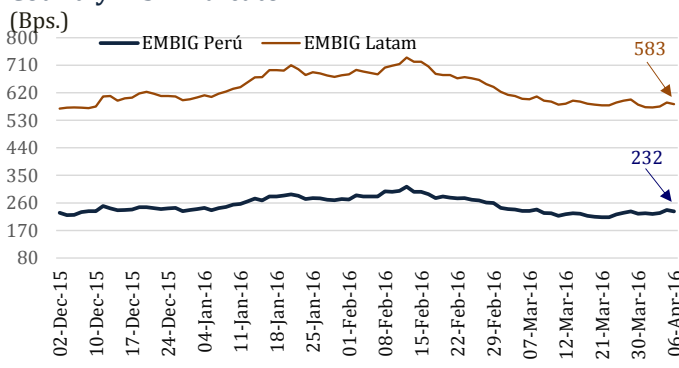
INTERNATIONAL MARKETS

Country risk at 232 basis points

In March 30 –April 6, the country risk, measured by the **EMBIG Peru** spread, grew from 225 to 232 bps.

Likewise, the **EMBIG Latin America** spread rose 2 bps due to concerns about the slow global recovery and falling oil prices.

Country Risk Indicator



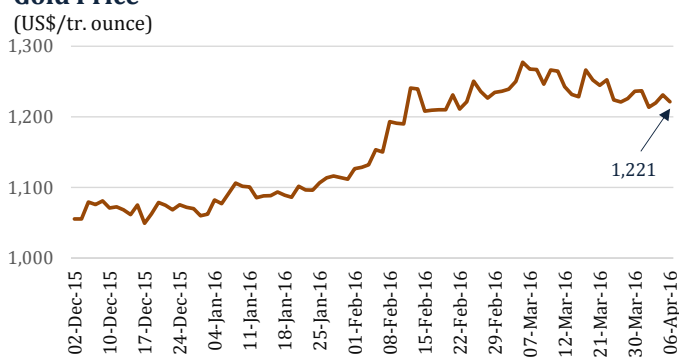
	Variation in basis points			
	30 Mar.2016	16 Mar.2016	29 Feb.2016	31 Dec.2015
EMBIG Perú (bps)	225	0	-35	-15
EMBIG Latam (bps)	581	-10	-58	-24

International prices of commodities on the fall

In the same period, the price of **gold** fell 1.2 percent to US\$ 1,221.4 percent.

The fall in the price of gold was associated with reduced demand as an investment asset that followed a better report on the US labor market.

Gold Price

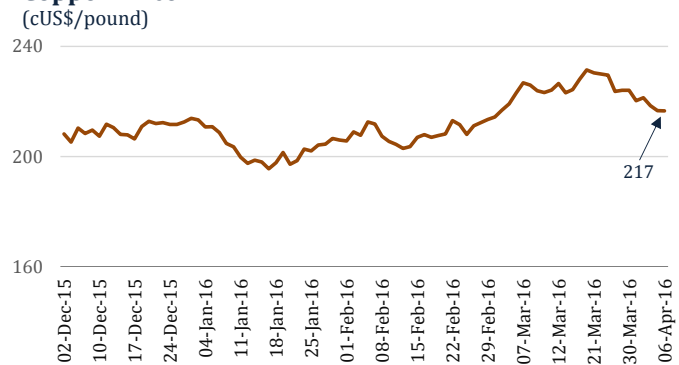


	% change			
	06 Apr.2016	30 Mar.2016	29 Feb.2016	31 Dec.2015
US\$ 1,221.4 / troy oz.	-1.2	-1.1	15.0	

The price of **copper** fell 3.3 percent to US\$ 2.17 per pound in March 30 – April 6.

The fall was due to profit taking from investors to renewed fears about the fundamentals of the copper market, according to the results in the last meeting of CESCO- CRU.

Copper Price

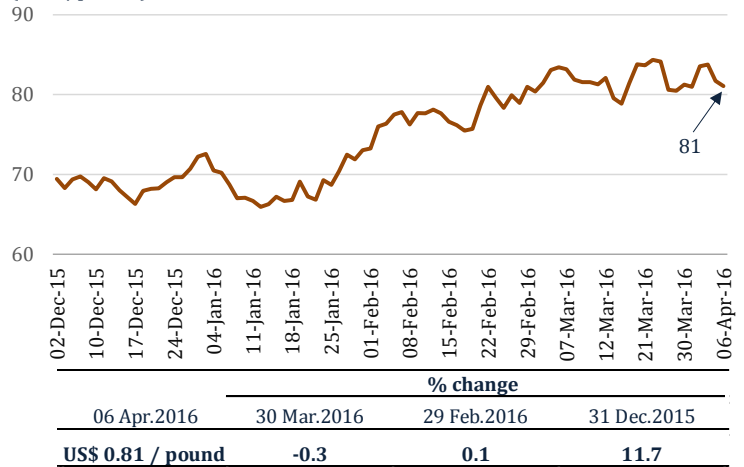


	% change			
	06 Apr.2016	30 Mar.2016	29 Feb.2016	31 Dec.2015
US\$ 2.17 / pound	-3.3	1.5	1.6	

In the same period, the price of **zinc** decreased 0.3 percent to US\$ 0.81 a pound.

This price fall was influenced by uncertainty about the Chinese economy, though limited by the reduction of global inventories.

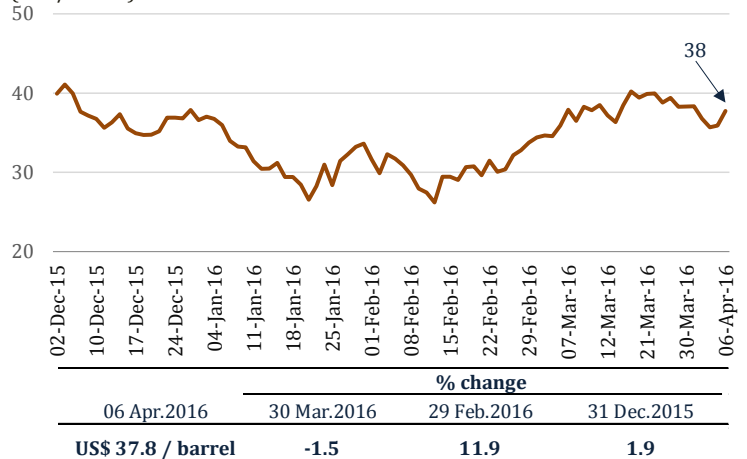
Zinc Price
(cUS\$/pound)



Between March 30 and April 6, the price of **WTI oil** fell 1.5 percent to US\$ 37.8 per barrel.

This fall was influenced by oversupply reflected in the increased OPEC's production, mainly from Iraq and Iran.

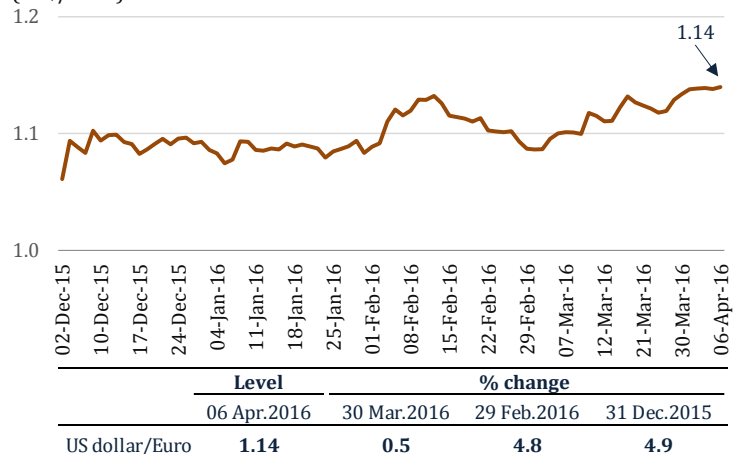
WTI Oil Price
(US\$/barrel)



Dollar lose strength in the international market

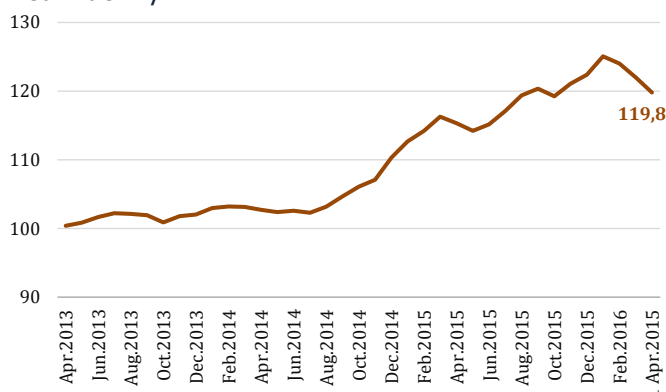
In March 16 – April 30, the **dollar** depreciated 0.5 percent against the **euro**, amid Yellen's cautious statements on rising interest rates and positive indicators of activity in the Eurozone.

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



The US dollar has been appreciating against most other currencies, 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/



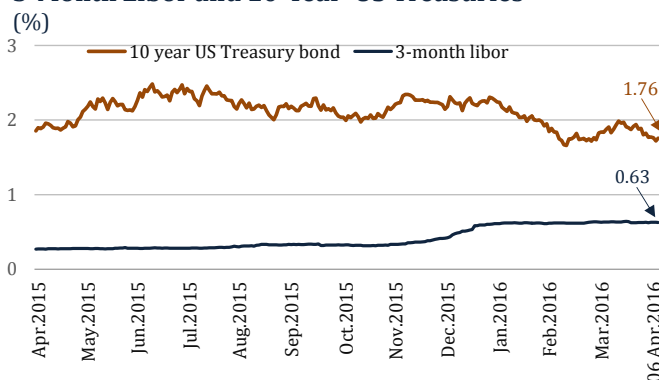
1/ Calculated taking into account currencies of US trading partners weighted by contributions. A rise in the index represents an appreciation of the US dollar. Source: FED.

Yield on 10-year US Treasuries fell to 1.76 percent

Between March 30 and April 6, the **3-month Libor** kept to 0.63 percent.

In the same period, the yield on the **10-year US Treasury bonds** fell 7 basis points to 1.76 percent amid to Fed's caution signals and the fall in oil prices.

3-Month Libor and 10-Year US Treasuries



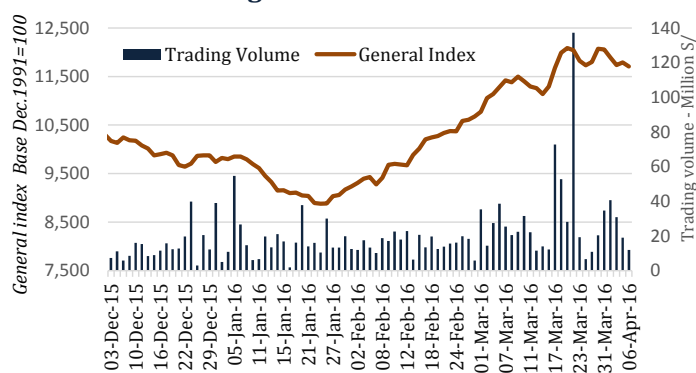
	Variation in basis points			
	06 Apr.2016	30 Mar.2016	29 Feb.2016	31 Dec.2015
3 months Libor (%)	0.63	0	-1	1
US Treasuries (%)	1.76	-7	2	-51

THE INDICES OF LIMA STOCK EXCHANGE DECREASED

In March 30-April 6, the **General Index** of the Lima Stock Exchange (LSE) fell 3.0 percent and the **Selective Index** lowered 6.2 percent.

The LSE indices were influenced by the reduction of commodity prices in the international markets.

Lima Stock Exchange Indicators



	As of:	% change compared to:		
	06 Apr.2016	30 Mar.2016	29 Feb.2016	31 Dec.2015
General Index	11,709	-3.0	9.0	18.9
Selective Index	16,536	-6.2	11.9	28.2

