II.

External Sector

1. International Environment

In 2012, the world economy registered a growth rate of 3.1 percent, lower than the 2011 rate. Several factors that affected the performance of global production, such as uncertainty about the Eurozone and expectations of a lower dynamism in the emerging economies, prevailed during most of the year. Moreover, the fiscal situation in the United States increased risk aversion and affected consumers and investors' confidence.

Towards Q4, some improvement was observed in international financial conditions due to a series of measures taken by the central banks of developed economies –particularly the European Central Bank (ECB), the Federal Reserve (Fed), and the Bank of Japan (BoJ)– and due to indicators that showed some stabilization in China's economic activity.

In this context, the main international financial indicators showed a positive trend at the close of the year. Stock exchanges recorded profits, credit spreads declined and the dollar depreciated against the major currencies. On the other hand, the terms of trade registered an average decline of 5 percent due to the unfavorable evolution of trade in the first half of the year.

2. Economic Activity

Growing 3.1 percent, below the 4.0 percent record in 2011, and showing a rate not only lower than the one estimated by most investment companies, but also lower than the average rate of the last ten years, the world economy slowed down for the second consecutive year in 2012.

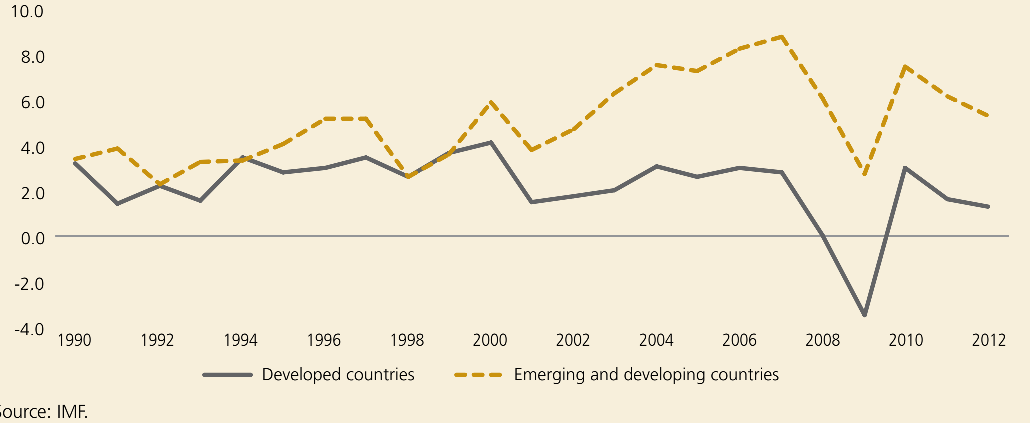
TABLE 15
GLOBAL GROWTH
(Annual % change)

	2010	2011	2012	Average 2003/2012
Developed countries	**3.0**	**1.6**	**1.2**	**1.6**
of which:				
1. USA	2.4	1.8	2.2	1.7
2. Eurozone	2.0	1.4	-0.6	1.0
Germany	4.2	3.0	0.7	1.2
France	1.7	1.7	0.0	1.0
Italy	1.7	0.4	-2.4	0.0
Spain	-0.3	0.4	-1.4	1.3
3. Japan	4.7	-0.6	2.0	0.8
4. United Kingdom	1.8	1.0	0.3	1.3
Developing countries	**7.6**	**6.4**	**5.1**	**6.6**
of which:				
1. Developing Asia	9.5	8.0	6.9	8.7
China	10.4	9.3	7.8	10.5
India	10.1	7.9	5.0	7.8
2. Latin America and the Caribbean	6.1	4.6	3.0	4.1
Brazil	7.5	2.7	0.9	3.6
World Economy	**5.2**	**4.0**	**3.1**	**3.9**
Memo:				
Trading partners 1/	4.6	3.6	2.7	3.5
BRICs 2/	9.2	7.7	6.0	8.2

1/ Peru's 20 main trading partners.
2/ Brazil, Russia, India and China.
Source: Bloomberg and IMF.

Growth in the developed economies continued showing more moderate rates (1.2 percent) as a result of the debt crisis and the weak recovery of consumption (due to still high unemployment and to households' deleveraging process), which led the main central banks of developed economies to maintain accommodative monetary policy and to adopt additional non-conventional monetary stimulus, such as those applied by the Fed, the ECB, and the central banks of the United Kingdom and Japan, among the most important. On their side, the emerging economies also grew 5.1 percent, lower rate than in the previous two years (6.4 and 7.6 percent in 2011 and 2010, respectively).

GRAPH 38
GDP GROWTH RATES: 1990 - 2012



Source: IMF.

The United States registered a growth rate of 2.2 percent and consumption expanded 1.9 percent showing a greater dynamism in the first quarter. Factors favoring this result included the stabilization of house prices, households' lower deleveraging, and improving credit conditions, although this outcome was offset by the weak recovery of the labor market (unemployment declined from 8.5 percent to 7.8 percent).

After six consecutive years of negative growth rates, residential investment grew 12.1 percent amid better conditions in the real estate market and the stabilization of house prices. On the other hand, private non-residential investment was affected in Q3 by uncertainty regarding the likelihood of a "fiscal cliff"[8] at the beginning of 2013. The accumulation of inventories was affected by fiscal fears in the last quarter of the year, which contributed negatively to growth. This slowdown was also associated with increased cuts in government spending, although consumption and fixed investment grew at a faster pace than in the two previous quarters.

TABLE 16
USA: GROWTH
(Quarterly annualized rates)

	Q1.11	Q2.11	Q3.11	Q4.11	Q1.12	Q2.12	Q3.12	Q4.12
GDP	**0.1**	**2.5**	**1.3**	**4.1**	**2.0**	**1.3**	**3.1**	**0.4**
Personal consumption	3.1	1.0	1.7	2.0	2.4	1.5	1.6	1.8
Durable	7.3	-2.3	5.4	13.9	11.5	-0.2	8.9	13.6
Non Durable	4.6	-0.3	-0.4	1.8	1.6	0.6	1.2	0.1
Services	2.0	1.9	1.8	0.3	1.3	2.1	0.6	0.6
Gross investment	-5.3	12.5	5.9	33.9	6.1	0.7	6.6	1.3
Fixed investment	-1.3	12.4	15.5	10.0	9.8	4.5	0.9	14.0
Non-Residential	-1.3	14.5	19.0	9.5	7.5	3.6	-1.8	13.2
Residential	-1.4	4.1	1.4	12.1	20.5	8.5	13.5	17.6
Exports	5.7	4.1	6.1	1.4	4.4	5.3	1.9	-2.8
Imports	4.3	0.1	4.7	4.9	3.1	2.8	-0.6	-4.2
Government expenditure	-7.0	-0.8	-2.9	-2.2	-3.0	-0.7	3.9	-7.0

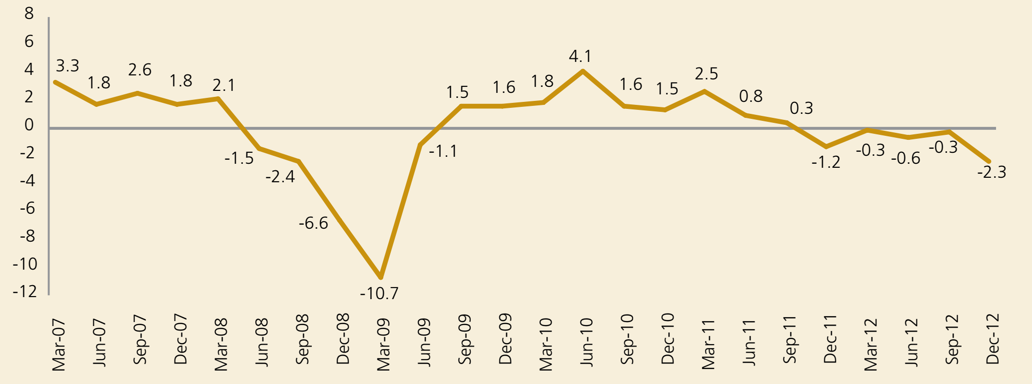
Source: Bureau of Economic Analysis.

In the context of a moderate recovery in the country with controlled inflation pressures (with annual inflation at 1.7 percent and core inflation at 1.9 percent), the Fed announced a mortgage asset purchase program of US$ 40 billion per month in September and additional purchases of US Treasury bonds for US$ 45 billion monthly in December.

After growing at moderate rates in the previous two years, the Eurozone shrank 0.6 percent in 2012. However, economic growth in the region was again not uniform: whereas Germany grew 0.7 percent, activity in the countries with debt problems registered drops of over 1 percent. It should be pointed out that the contraction accelerated in the last quarter of the year when the major economies of the region (including Germany) had a negative performance.

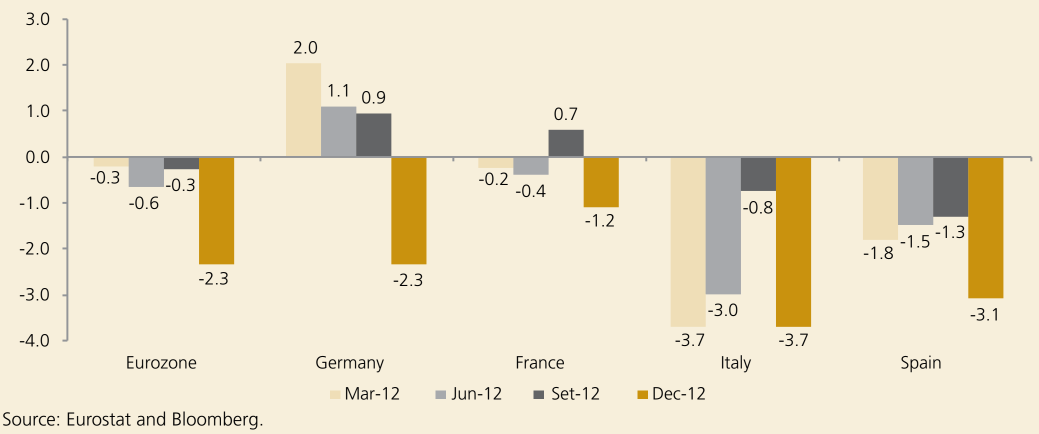
8 The "fiscal cliff" is scenario that combines a series of automatic spending cuts and the expiration of tax breaks implemented in the United States in late 2012.

GRAPH 39
EUROZONE: QUARTERLY GDP GROWTH
(Seasonally adjusted annualized rates)



Source: Eurostat and Bloomberg.

GRAPH 40
EUROZONE: QUARTERLY GDP GROWTH
(Seasonally adjusted annualized rates)



Source: Eurostat and Bloomberg.

The economic slowdown in the larger economies, i.e. Germany and France, associated with the decline of the growth rate of their exports and the deterioration of consumer confidence added to the contraction of economies with problems of debt, such as Spain and Italy, which accumulated six consecutive quarters of contraction. Although better financial conditions were observed during the second half of the year (due to the measures implemented by the ECB and the Eurozone leaders), the effects of the fiscal consolidation programs adopted in most countries resulted in a negative fiscal impulse. In addition to this, the high levels of unemployment in the region (11.4 percent) continued affecting consumer and business confidence.

Recording a positive growth rate in Q1 and negative rates in the following quarters of the year, the economy of Japan grew 2.0 percent in 2012. Factors accounting for this include the gradual withdrawal of fiscal stimulus, the decline in net exports as a result of the deepening of the Eurozone crisis, the expiration of the program of subsidy to the sale of motor vehicles, and the conflict with China. In this context, the Bank of Japan increased its monetary stimulus on 3 occasions in the last six months to 101 billion yen in order to stimulate the country's economy.

After showing a rate of 9.3 percent in 2011, China's economy slowed down in 2012 (7.8 percent) after the government ended the considerable fiscal stimulus program implemented in response to the global financial crisis, which was coupled with the deterioration of international trade.

In 2012, Latin America grew 3.0 percent. This slower pace of growth than in 2011 (4.6 percent) is explained both by a lower external stimulus and by a slowdown in domestic demand, even though the latter continued to be the component that showed greater dynamism. Among countries with inflation targeting, Peru and Chile registered the highest growth rates in the region. Activity in Brazil, on the other hand, continued slowing down, reflecting the weakness of exports and private investment, while industrial production showed the poorest results on the supply side. In most cases, inflation rates fell in the second semester, in line with the decline observed in food prices, the appreciation of local currencies, and lower economic dynamism. However, demand inflationary pressures associated mainly with tight labor market conditions continued to be observed.

3. Financial Markets

In 2012, financial markets were influenced by different events of volatility associated with: (i) events related to the European debt crisis, particularly in the first half of the year; (ii) signals of global slowdown, especially in Q3-2012; and (iii) the fiscal problem in the United States, known as the fiscal cliff, towards the end of the year.

In the first half of the year, fears that Greece would exit the euro monetary union and that the debt crisis would spread on to Spain and Italy, given the delicate fiscal position of both countries. However, better financial conditions were observed in the European economies since the end of July 2012 as a result of the measures implemented by the ECB, the new more favorable terms agreed for the program for Greece, the definition of the Spanish banks' recapitalization program, the fiscal adjustment programs in the major Eurozone economies with debt problems, and the measures proposed by European leaders (fiscal pact and unified banking regulation).

The main measures implemented by the ECB were the following:

a. Injection of 3-year liquidity for a total of € 530 billion in February, which added to the injection of 3-year liquidity of December 2011 (€ 489 billion). As a result of this operation, the balance sheet of the ECB increased to record levels (€ 3 trillion or 32 percent of GDP). The balance of ECB loans to banks (through their main refinancing operations) reached a record level of € 1.2 trillion. Spanish banks and Italian banks were favored the most by these operations.

b. Easing of credit requirements for the collaterals used by banks.

c. The ECB cut its interest rate from 1.0 percent to 0.75 percent in July 2012.

d. In September the ECB announced again a new program of purchases of sovereign bonds in the secondary market and said that the purchases will include only short-term bonds (with 1- to 3-year maturities), that there will be no pre-established quantitative limits (that is, that they will be discretionary and potentially unlimited), and that they will be fully sterilized. The ECB also said that a total program (Macroeconomic Adjustment) or a preventive program (Credit Line with Reinforced Conditionality) with rescue funds (EFSF/ESM) is previously required.

Moreover, the new measures adopted by the European Union included the following:

a. New Fiscal Pact: A new Fiscal Pact was approved by the Eurozone leaders in February and ratified at the Summit of March 30. Subscribing to the new pact is a necessary condition to apply for bailout money from the permanent European Stability Mechanism (ESM). The fiscal pact establishes a structural fiscal deficit limit of 0.5 percent of GDP for each country which, if not complied with, will involve a penalty of up to 0.1 percent of GDP and a gradual reduction of the debt ratio to 60 percent of GDP.

b. Increasing the Eurozone bailout fund: in the Summit of March 30, the European leaders raised the ceiling for the new loans that may be obtained from the European Financial Stability Fund (EFSF) and the European Stability Mechanism (ESM) from 300 to € 500 billion. With the funds already disbursed to countries with bailout programs (€ 200 billion between Greece, Portugal, and Ireland), the bailout funds rise from € 500 to 700 billion. Furthermore, taking into account the loans granted to Greece through bilateral agreements and EFSM resources, the maximum loan fund amounted to € 800 billion.

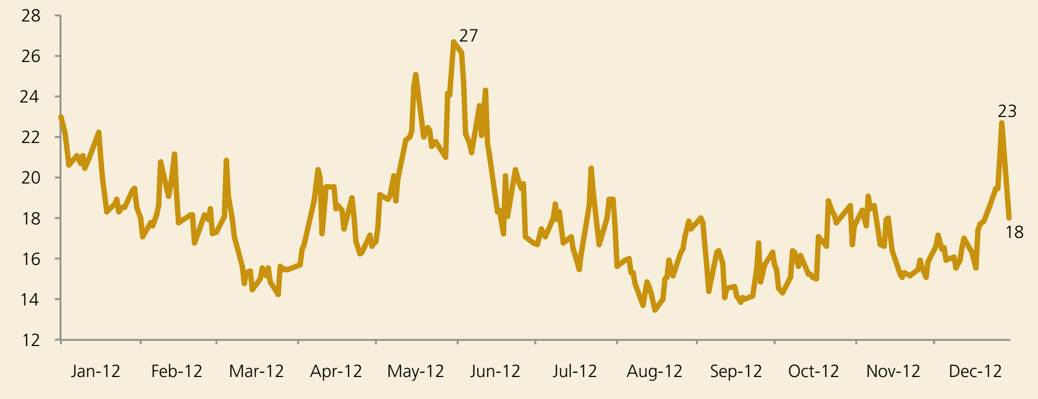
c. Unified bank regulation and possibility of bank recapitalization directly through the ESM. At the Summit of June 28 and 29, the European leaders agreed that: (a) the ECB will be the single regulator of banks in the Eurozone, which implies the establishment of a new regulation scheme; (b) bailout funds would be allowed to intervene in secondary markets of sovereign debt to stabilize the markets in the short term; (c) once the bank regulation scheme is in force, bailout funds would be allowed to participate directly in the recapitalization of banks, without requiring a program with the IMF/EU.

These better conditions observed in the Eurozone since the end of June were then complemented by the positive effect of the Fed's new quantitative easing program (September) which approved US$ 40 billion of monthly purchases of mortgage assets, with no deadline. Additionally, the Fed continued with its "Operation Twist" until it culminated at the end of the year and in December announced additional purchases of long-term Treasury bonds for a total of US$ 45 billion as from January 2013. The Fed also said that it would maintain low interest rates as long as the rate of unemployment is below 6.5 percent, that the projected rate of inflation two years ahead is below the 2.0 percent long-term target plus 0.5 percent, and that long-term inflation expectations remain anchored.

On the other hand, even though fears of a further slowdown in global growth intensified in Q3, the signs of a better evolution of activity observed since November 2012 (particularly in the United States and China) had a positive influence on the reduction of risk aversion in international financial markets.

Towards the end of the year, a temporary rise was observed in volatility due to uncertainty about the fiscal issue in the United States. The fiscal cliff implied increasing revenues and implementing automatic cuts in government spending by US$ 600 billion in early 2013, which would threaten the pace of growth in the first quarter. The negotiations between the Federal Government and the US Congress started in November after President Barack Obama's was reelected and an agreement for approximately US$ 200 billion was reached on January 1, 2013. The agreement included increasing taxes for annual incomes of over US$ 400 thousand and payroll taxes, as well as postponing the automatic spending cuts for two months.

GRAPH 41
RISK AVERSION COEFFICIENT: VIX (S&P'500)



Source: Bloomberg.

The European sovereign debt markets showed markedly different evolutions. Unfavorable conditions were observed until early July 2012, particularly in Spain and Italy with 10-year yields that widely exceeded sustainable levels and that forecast a prompt request of a bailout program, as had happened with Greece, Ireland and Portugal. However, since mid-July, financial conditions in the Eurozone began to improve significantly.

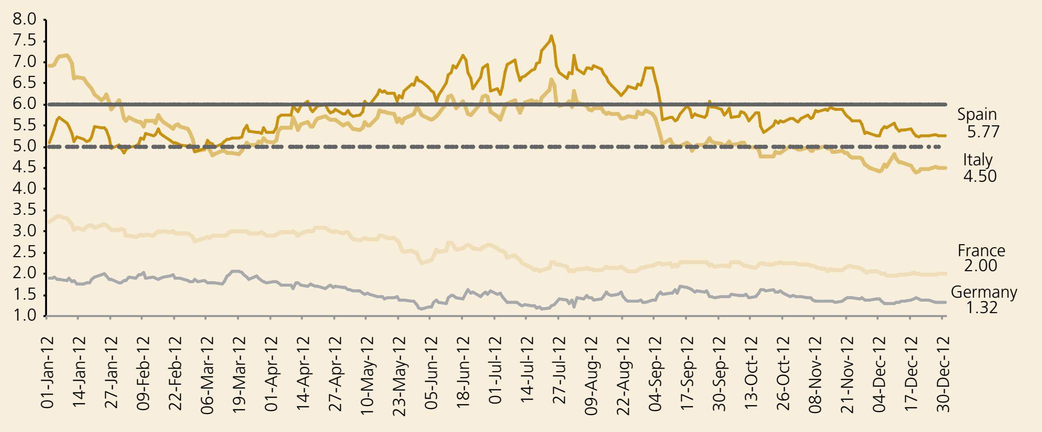
The yields on the sovereign debt of the major developed economies (such as the United States, Germany, and the United Kingdom) showed slight reductions compared to 2011, in part because of lower risk aversion associated with the better conditions for global growth and because of the monetary policy measures applied by the major central banks.

TABLE 17
SOVEREIGN SPREADS OF DEVELOPED COUNTRIES

	End of period			Chg. In bps.	
	Dec. 10 (3)	**Dec. 11 (2)**	**Dec. 12 (1)**	**Dec. 11 (1)-(2)**	**Dec. 10 (1)-(3)**
CDS Spreads (in bps)					
USA	42	49	38	-11	-4
United Kingdom	74	98	41	-56	-32
Germany	59	102	42	-60	-18
France	108	220	93	-126	-14
Spain	350	380	300	-81	-51
Italy	240	484	289	-195	49
Greece 1/	1,010	8,786	4,265	-4,521	3,255
Portugal	501	1,082	443	-639	-58
Ireland	609	724	220	-504	-389
Treasury bond yields (10 year)					
USA	3.29	1.87	1.76	-11	-154
United Kingdom	3.40	1.98	1.83	-15	-157
Germany	2.96	1.83	1.32	-51	-165

Source: Bloomberg
1/The reduction in the case of Greece is explained by the restructuring of the debt (February - March) and the repurchase of the debt (November - December).

GRAPH 42
10 YEAR BOND YIEDLS OF SOME ECONOMIES OF THE EUROZONE
(%)



Source: Bloomberg.

With the exception of Argentina's, the credit spreads of Latin American countries declined, in line with lower risk aversion due to lower tensions in international financial markets and to better prospects for growth in the region.

TABLE 18
SOVEREIGN SPREADS OF DEVELOPING COUNTRIES

	End of period			% Chg. Dec.12 compared to:	
	Dec. 10 (3)	Dec. 11 (2)	Dec. 12 (1)	Dec. 11 (1)/(2)	Dec. 10 (1)/(3)
Spreads CDS (en pbs)					
Argentina	610	923	1,401	478	791
Brazil	111	161	108	-52	-3
Chile	84	132	72	-60	-12
Colombia	113	154	96	-58	-17
Mexico	113	153	97	-56	-16
Peru	113	172	97	-75	-16

Source: Bloomberg.

The U.S. money markets continued showing stability, while European markets (in contrast with the previous year) recorded significant positive corrections, basically as a result of the measures adopted by the ECB. The injections of 3-year liquidity of late December 2011 and late February 2012 and the announcement of the new program of purchases of sovereign bonds (August-September) of countries with debt problems significantly reduced the liquidity problems in the major European interbank markets.

GRAPH 43
SPREAD BETWEEN THE 3-MONTH EURO-LIBOR RATE AND O/N OF SWAP MARKET (OIS)
(%)

Source: Bloomberg.

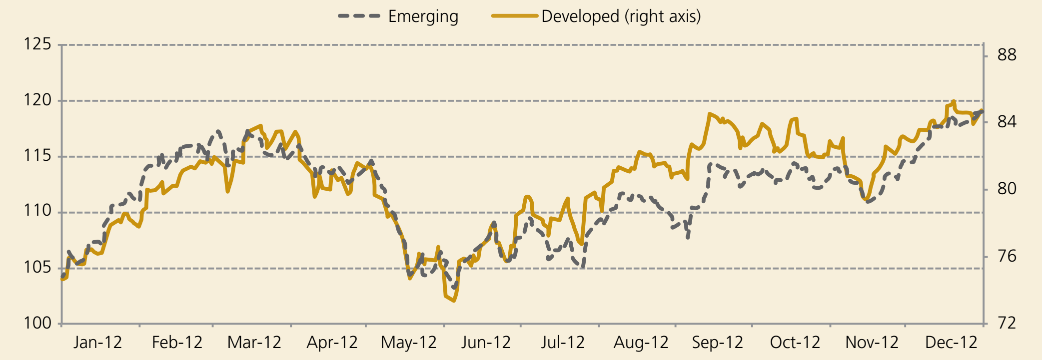
Stock markets showed a positive trend due to the decline of risk aversion during the last months of 2012 as a result of increased signs of stabilization of global economic activity (particularly in China and United States), as well as of the monetary stimulus of central banks (the ECB and the Fed among the most important ones), and of better prospects regarding the Eurozone debt crisis. In addition to this, pessimism about the US fiscal cliff had a temporary impact given investors' confidence that the negotiations between the Government and the Congress would be able to prevent it.

TABLE 19
STOCK MARKETS
(Main indices, end of period)

		End of period			% Change Dec.12 compared to:	
		Dec. 10 (3)	Dec. 11 (2)	Dec. 12 (1)	Dec. 11 (1)/(2)	Dec. 10 (1)/(3)
USA	Dow Jones	11,578	12,218	13,104	7.3%	13.2%
BRAZIL	Bovespa	69,305	56,754	60,952	7.4%	-12.1%
MEXICO	IPC	38,551	37,078	43,706	17.9%	13.4%
CHILE	IGP	22,979	20,130	21,070	4.7%	-8.3%
PERU	Ind. Gral.	23,375	19,473	20,629	5.9%	-11.7%
GERMANY	DAX	6,914	5,898	7,612	29.1%	10.1%
FRANCE	CAC 40	3,805	3,160	3,641	15.2%	-4.3%
UNITED KINGDOM	FTSE 100	5,900	5,572	5,898	5.8%	0.0%
JAPAN	Nikkei 225	10,229	8,455	10,395	22.9%	1.6%
CHINA	Shangai C.	2,808	2,199	2,269	3.2%	-19.2%

Source: Bloomberg.

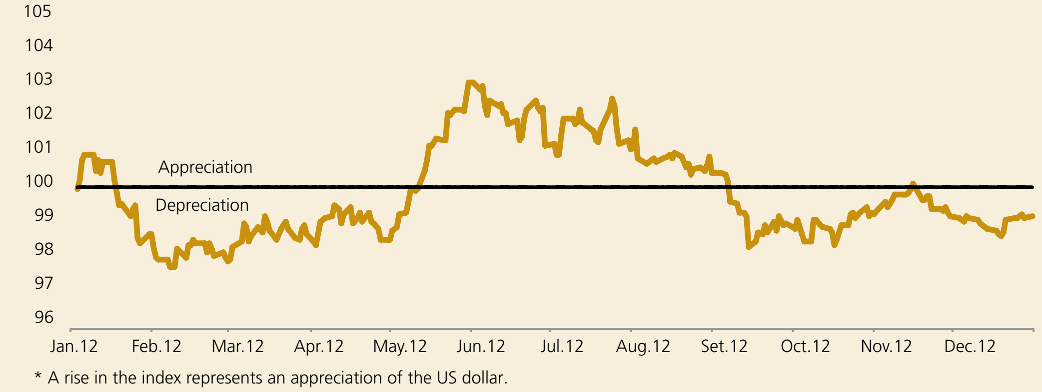
GRÁFICO 44
STOCK EXCHANGE INDICES IN DEVELOPED COUNTRIES AND EMERGING COUNTRIES
(Jan.07=100)



Source: Bloomberg

In foreign exchange markets, the dollar depreciated as a result of lower risk aversion. In the year, with figures at the end of the period, the dollar depreciated 1.4 percent against the currency basket elaborated by the Fed, which includes the currencies of the main trading partners of the United States, due to the evolution of the dollar during the second half of the year.

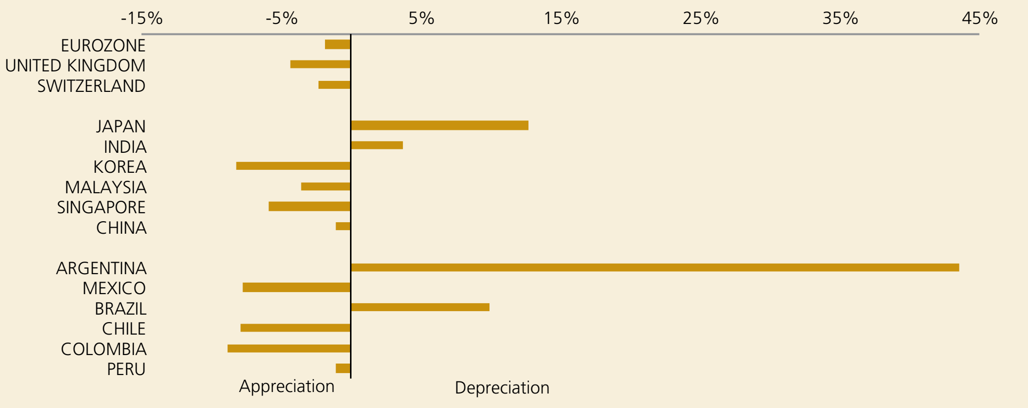
GRAPH 45
US DOLLAR BASKET INDEX*
(March 1973 = 100)



* A rise in the index represents an appreciation of the US dollar.
Source: FED.

The dollar depreciated against the euro and the pound reflecting better financial conditions in the economies with debt problems (i.e. Greece and Spain). On the other hand, the dollar appreciated significantly against the yen (12.7 percent), influenced both by weaker prospects for the Japanese economy and by the greater monetary stimulus of the Bank of Japan in recent months. Against the currencies of the emerging countries, the dollar against most Asian currencies, such as China's yuan. India's rupee depreciated because of capital outflows associated with a deterioration of the business climate and delays in the fiscal consolidation process. In Latin America, the dollar depreciated against most currencies due to better growth prospects for the countries in the region, the correction of inflation expectations (in the last months of the year), and rising commodity prices in a context in which net capital inflows were observed since mid-June. However, the dollar strengthened against the currencies of Argentina and Brazil due to a deterioration of economic activity and inflation expectations in both countries, as well as due to the interventions of these countries' central banks in their foreign exchange markets.

GRAPH 46
EXCHANGE RATE (END OF PERIOD)
(Monetary units per US$; % change Dec.12/Dec.11)

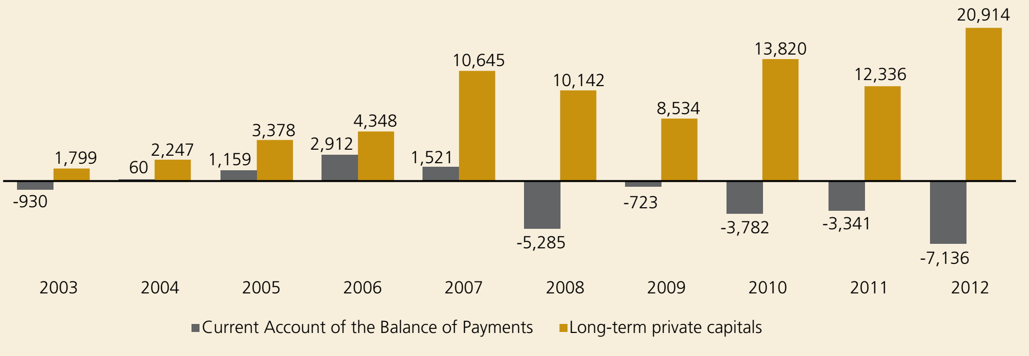


Source: Reuters.

4. Balance of Payments

In an international environment marked by uncertainty, the terms of trade of Peru fell by an average of 5 percent with declines in the international prices of our main export products concentrating in the first half of the year. This result, coupled with a higher growth of domestic demand than the growth of GDP, account for the increase in the deficit of the current account of the balance of payments from 1.9 percent of GDP in 2011 to 3.6 percent in 2012.

GRAPH 47
CURRENT ACCOUNT AND LONG TERM CAPITALS 1/
(Millions of US$)



1/ Includes foreign direct investments, portfolio investment and long term disbursements.

Source: BCRP

The financial account, which registered a flow of US$ 20.13 billion –equivalent to 10.1 percent of GDP–, was composed of long-term private capital (8.1 percent of GDP), particularly profit reinvestment of companies with foreign shareholding operating in the sectors of mining, hydrocarbons, services, and financial services, and of long-term loans granted mostly to the financial sector. A significant positive flow of foreign investment portfolio aimed mostly at the non-financial sector was also observed in the country as a result of the bonds issued by non-financial companies abroad. The financial account of the public sector recorded a flow of US$1.67 billion, while short-term capital inflows amounted to US$ 2.23 billion reflecting the increase of banks' liabilities overseas.

TABLE 20
BALANCE OF PAYMENTS

	Millon US$			% of GDP	
	2010	2011	2012	2011	2012
I. CURRENT ACCOUNT BALANCE	**-3,782**	**-3,341**	**-7,136**	**-1.9**	**-3.6**
1. Trade Balance	6,750	9,302	4,527	5.3	2.3
a. FOB Exports	35,565	46,268	45,639	26.2	22.9
b. FOB Imports	-28,815	-36,967	-41,113	-20.9	-20.6
2. Services	-2,345	-2,132	-2,258	-1.2	-1.1
a. Exports	3,693	4,364	5,130	2.5	2.6
b. Imports	-6,038	-6,497	-7,388	-3.7	-3.7
3. Investment Income	-11,212	-13,710	-12,701	-7.8	-6.4
a. Private	-10,982	-13,173	-11,980	-7.5	-6.0
b. Public	-230	-537	-721	-0.3	-0.4
4. Current transfers	3,026	3,200	3,296	1.8	1.7
of which: Remittances	2,534	2,697	2,788	1.5	1.4
II. FINANCIAL ACCOUNT	**13,606**	**9,594**	**20,130**	**5.4**	**10.1**
1. Private sector	11,396	10,053	16,236	5.7	8.1
a. Assets	-1,375	-1,298	-2,477	-0.7	-1.2
b. Liabilities	12,771	11,351	18,712	6.4	9.4
2. Public sector	2,468	848	1,667	0.5	0.8
a. Assets	-37	-273	-457	-0.2	-0.2
b. Liabilities 1/	2,505	1,121	2,123	0.6	1.1
3. Short-term capital	-258	-1,307	2,228	-0.7	1.1
a. Assets	-1,844	-1,319	36	-0.7	0.0
b. Liabilities	1,587	12	2,192	0.0	1.1
III. EXCEPTIONAL FINANCING	**19**	**33**	**19**	**0.0**	**0.0**
IV. NET ERRORS AND OMISSIONS	**1,348**	**-1,562**	**1,814**	**-0.9**	**0.9**
V. BALANCE OF PAYMENT RESULT (V = I + II + III + IV) = (1-2)	**11,192**	**4,724**	**14,827**	**2.7**	**7.4**
1. Change in the balance of NIRs	10,970	4,711	15,176	2.7	7.6
2. Valuation effect	-222	-13	349	-0.0	0.2

1/ As of this Annual Report, 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, COFIDE, ONP, FCR, Tacna Free Trade Zone, Banco de la Nación, Cavali S.A. ICLV, Proinversión, Bank for International Settlements (BIS), and businesses.

4.1 Trade Balance

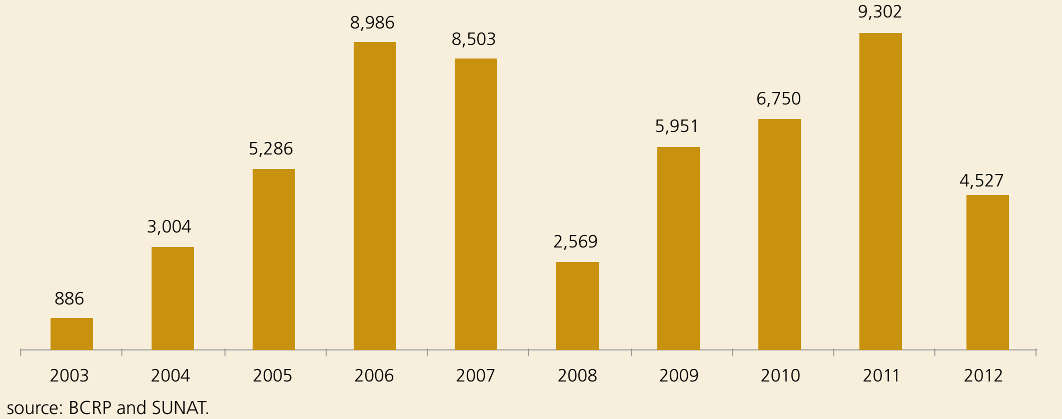
In 2012, the trade balance registered a surplus of US$ 4.53 billion, which represents a decline of US$ 4.77 billion compared to the trade surplus recorded in 2011 (US$ 9.30 billion). This balance reflects, on the one hand, the high growth of the volume of imports, in line with the evolution of domestic demand and, on the other hand, the effect of lower terms of trade and almost no growth in the volume of traditional exports.

Exports totaled US$ 45.64 billion, a figure 1.4 percent lower than in 2011 due to the downward correction of export prices (-3.3 percent), especially in the case of mining products (copper, iron and zinc) due to a less favorable international environment. Another factor that also contributed to this lower figure was the lower volume of gold exported from the area of Madre de Dios as a result of the measures implemented by the Government with the aim of increasing formal mining in that area.

The volume of non-traditional exports also grew at a slower pace, affected by a less favorable international environment. The exports of agricultural products, textiles and fisheries grew 9.0 percent on average, showing a rate below the average rate of the last ten years (11.4 percent).

Imports amounted to US$ 41.11 billion, a figure 11.2 percent higher than in 2011. The volume of imports grew 9.5 percent, reflecting an increased demand in general for consumer goods in a context of rising incomes in the country, as well as an increased demand for inputs and capital goods associated with the country's economic growth and the development of the investment projects which are currently underway. On the other hand, the price of imports grew 1.7 percent, in line with the evolution of external inflation.

GRAPH 48
TRADE BALANCE
(FOB value - Millions of US$)



source: BCRP and SUNAT.

With this balance, the weight of foreign trade (the economy's degree of openness) reached a level equivalent to 43.4 percent of GDP, which makes the Peruvian economy one of the most open economies in the region as a result of the continuity of the trade liberalization policies implemented through the establishment of free trade agreements (FTAS). Peru has signed free trade agreements with 54 countries.

Peru's main trading partners continued to be China –the main destination for our exports– and the United States –the main country of origin of our imports. Trade with China increased 1.8 percentage points compared to the previous year and reached 17.5 percent. Our main exports to the Asian country continued to be minerals, such as copper, iron and zinc, as well as fishmeal, while Peru continued buying mainly machinery, mobile phones, computer equipment, and a rising number of cars.

Trade with the United States on the side of exports consisted mostly of agricultural products, textiles, and, in general, goods with higher added value (t-shirts, knit shirts, fresh asparagus; calcium phosphates, unground; alloyed silver; fresh grapes; artichoke preserves; paprika, among others). This country continues to be the main destination for our non-traditional exports (23.1 percent of our total exports of non-traditional products).

TABLE 21
TRADE BY MAIN COUNTRIES AND REGIONS 1/
(% structure)

	Exports 2/			Imports 3/			X + M		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
China	15.4	15.2	17.0	15.6	16.4	18.1	16.0	15.7	17.5
United States of America	16.9	13.2	13.7	19.2	19.3	18.7	18.0	15.9	16.1
Switzerland	10.9	12.8	11.2	0.3	0.4	0.4	6.2	7.3	6.1
Japan	5.1	4.7	5.7	2.8	3.3	3.4	4.8	4.1	4.6
Canada	9.4	9.1	7.4	1.4	1.5	1.4	6.0	5.7	4.6
Brazil	2.7	2.8	3.1	6.5	6.4	6.1	4.7	4.3	4.5
Chile	3.9	4.3	4.4	4.1	3.8	3.1	3.9	4.1	3.8
Germany	4.3	4.1	4.1	3.1	3.0	3.2	3.7	3.6	3.7
South Korea	2.5	3.7	3.4	4.1	3.8	3.8	2.9	3.8	3.6
Ecuador	2.3	1.8	2.0	5.4	5.1	4.9	3.5	3.3	3.4
Spain	3.4	3.7	4.0	1.5	1.5	1.9	2.5	2.7	3.0
Colombia	2.2	2.3	2.0	3.9	3.9	3.7	3.2	3.0	2.8
Mexico	0.8	1.0	0.9	4.0	3.9	4.3	2.1	2.3	2.5
Argentina	0.4	0.4	0.4	5.2	5.0	4.5	1.9	2.4	2.3
Others	19.8	20.9	20.6	22.9	22.8	22.5	20.5	21.7	21.5
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo:									
Asia	25.9	26.6	29.2	31.0	30.4	32.1	28.1	28.3	30.6
North America	27.1	23.3	22.1	24.8	24.7	24.4	26.1	23.9	23.2
European Union	18.4	18.7	17.4	10.6	10.8	11.8	15.0	15.2	14.8
Andean Countries 4/	11.0	11.4	12.3	14.9	14.6	13.9	12.7	12.8	13.1
Mercosur 5/	3.1	3.3	3.6	12.1	12.2	11.4	7.2	7.2	7.3
Others	14.4	16.7	15.4	6.6	7.3	6.3	10.9	12.6	11.1

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.

On the other hand, the European Union was the only regional bloc where our exports of both traditional and non-traditional products dropped. Exports to this region shrank 7.2 percent in 2012 as a result of the lower growth registered in the countries of this economic bloc.

Classification of exports by economic activity groups

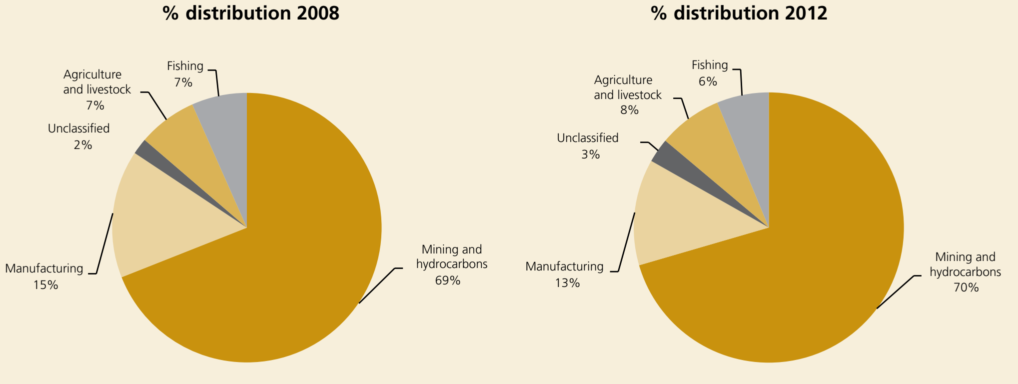
In 2012 all the exports of the agricultural sector amounted to US$ 3.43 billion, the exports of the fishing sector amounted to US$ 2.80 billion, the exports of the mining and hydrocarbons sector amounted to US$ 31.64 billion, and the exports of the manufacturing sector amounted to US$ 5.70 billion.

Exports standing out in the agricultural group included exports of coffee (US$ 1.01 billion) and fruits (US$ 832 million), whereas exports of fishmeal and of canned fish and other seafood (US$ 2.77 billion) stand out in the fishing sector.

Moreover, exports standing out in the mining and hydrocarbons sector included non-ferrous minerals (US$ 12.2 billion) and primary products based on non-ferrous minerals (US$ 13.14 billion). Finally, the export of textiles –fabrics, yarn, garments, and synthetic fibers– stands out in the manufacturing group (US$ 1.76 billion).

Exports of agricultural and mining products increased from 7 to 8 percent and from 69 to 70 percent of total exports, respectively, between 2008 and 2012, while exports of fishing products fell from 7 to 6 percent and exports of manufacturing products fell from 15 to 13 percent of total exports.

GRAPH 49
COMPOSITION OF EXPORTS BY SECTORS



Source: BCRP and SUNAT.

TABLE 22
EXPORTS 1/ BY GROUP OF ECONOMIC ACTIVITY
(Millions of US$)

CIIU	Sector	2008	2009	2010	2011	2012
	Agricultural Products	**2,179**	**2,085**	**2,684**	**3,872**	**3,431**
0111	Cereals, legumes and oilseeds, except rice	102	89	115	136	158
	Of which:					
	Tara powder	23	13	27	29	31
	Quinoa	5	7	13	24	30
	Black Eye Bean	14	14	21	22	29
0113	Vegetables, tubers and roots	261	296	357	366	441
	Of which:					
	Fresh Asparagus	228	251	291	292	340
	Fresh onions	21	28	42	43	53
0121 - 0126	Fruits	344	401	505	795	832
	Of which:					
	Grapes	83	136	180	301	354
	Avocados	73	64	85	164	137
	Mangos	63	71	89	115	118
	Organic bananas	46	51	49	64	81
0127	Coffee	644	584	887	1,580	1,008
0128	Spices and medicinal and aromatic plants	154	120	121	160	142
	Of which:					
	Whole paprika	86	68	66	87	65
	Ground paprika	24	14	15	24	30
1030	Canned fruits and vegetables	564	472	554	690	683
1072	Sugar cane	26	39	68	51	38
	Others	84	84	78	94	128
	Fishing	**2,048**	**1,952**	**2,266**	**2,830**	**2,801**
0311	Fresh or frozen products	20	13	24	23	29
1020	Fishmeal and canned fish, and sea food	2,024	1,935	2,237	2,804	2,768
	Others	5	3	5	4	3
	Mining And Hydrocarbons	**21,272**	**18,368**	**24,862**	**32,302**	**31,640**
0610	Crude oil	588	353	505	577	582
0620	Natural gas	0	0	284	1,284	1,331
0710	Iron	381	298	523	1,023	856
0729	Non-ferrous minerals	7,867	6,470	9,729	12,136	12,201
0891	Phosphates, sulphates and other	11	10	70	254	446
1920	Oil refining products	2,089	1,562	2,239	2,801	3,009
2420	Primary products of precious metals and nonferrous metals	10,301	9,637	11,466	14,171	13,142
	Others	35	39	47	56	73
	Manufacturing	**4,728**	**3,613**	**4,300**	**5,350**	**5,705**
1040	Oils and fats of vegetable and animal origin	392	263	285	352	555
1050	Milk products	91	62	83	103	118
1061 - 1071 - 1074	Milling and Bakery	95	88	111	150	145
1073	Cocoa and chocolate and confectionery products	84	83	97	125	122
1079	Other foodstuffs	45	36	46	56	70
1080	Prepared animal food	62	63	79	104	124
1311 - 1430 - 2030	Textiles (yarn, tissues, garments and fibers)	1,822	1,340	1,380	1,713	1,757
1610	Wood	160	120	128	114	110
1709	Paper and cardboard items	82	75	75	89	107
1811	Brochures, books and other printed materials	79	62	59	74	86
2011	Basic chemicals	354	248	496	720	566
2012	Fertilizers	87	67	56	53	58
2013	Supplies of plastics and synthetic rubber	34	30	48	66	58
2023	Toiletries and cleaning products	108	97	109	129	194
2029	Others chemicals	52	49	53	65	79
2211	Tires and inner tubes	45	35	56	78	74
2220	Plastic products	275	221	296	390	450
2392	Building materials	51	49	71	80	81
2410 - 2431	Iron and steel industry	172	110	143	145	183
2432	Smelting of nonferrous metals	151	92	154	184	188
2710	Electric motors, generators, transformers and distribution equipment	16	19	37	24	28
2732	Other electric and electronic cables	26	24	15	23	31
2822 - 2824	Machinery and equipment	29	33	48	47	47
3211 - 3290	Miscellaneous articles	109	80	92	99	108
	Others	**311**	**267**	**285**	**368**	**850**
	Unclassified	**601**	**570**	**711**	**968**	**1,308**
	Total	**30,828**	**26,588**	**34,824**	**45,322**	**44,884**

1/ Only definitive exports are included.
Source: BCRP and SUNAT.

Traditional Exports

Reflecting mostly the lower prices of basic metals, fish meal, and coffee, in 2012 traditional exports amounted to US$ 34.25 billion, a figure 4.4 percent lower than that recorded in 2011.

The volume of exports of traditional products was similar to the one registered in 2011 (up 0.2 percent) given that the increased exports of copper resulting from a higher production were mostly offset by lower exports of gold, by lower exports of coffee due to crop rotation, and by a lower extraction of crude oil.

TABLE 23
EXPORTS
(% change)

	Volume			Price		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
Traditional exports	**-1.5**	**5.2**	**0.2**	**36.8**	**22.9**	**-4.6**
Of which						
Fish meal	-29.7	19.3	2.9	60.6	-8.0	-2.9
Coffee	16.3	27.8	-10.6	30.7	39.3	-28.6
Copper	0.6	0.3	9.2	48.6	20.4	-10.3
Gold	-9.2	1.1	-11.0	25.5	28.9	6.3
Zinc	-4.5	-23.1	-0.9	43.6	17.1	-11.8
Crude oil	-0.3	-13.9	-4.1	43.4	32.0	5.1
Derivatives	12.6	-7.5	6.5	30.3	33.8	0.6
Non-Traditional exports	**15.3**	**20.2**	**9.0**	**6.9**	**10.4**	**0.3**
Of which						
Agricultural exports	17.4	25.7	10.2	2.1	2.5	-1.9
Fisheries	-6.5	37.9	-1.6	32.6	17.1	-2.3
Textiles	2.5	3.1	-0.9	1.4	23.2	10.1
Chemicals	31.6	21.7	8.1	10.5	11.1	-8.8
Iron, steel, and jewelry	23.4	-1.4	17.3	31.9	24.4	-5.2
TOTAL	**1.9**	**8.5**	**2.0**	**29.9**	**20.0**	**-3.3**

Source: BCRP and SUNAT.

The value of fishing exports, which amounted to US$ 2.29 billion, increased 9.2 percent compared to the previous year due mainly to the higher volume and price of fish oil. On the other hand, even though the quota for anchovy catch was reduced substantially, the value of exports of fishmeal remained at a similar level to that of the previous year.

Mining exports totaled US$ 25.92 billion, a figure 5.3 percent lower than in 2011, reflecting both the lower contributions of basic metals in the international market and the lower volumes of exports of gold and tin. It is worth pointing out that the volume of exports of copper, our main export product, reached 1,372 thousand fine metric tons (FMT) recording an increase of 9.2 percent compared to the previous year (1,257 tons).

Our exports of crude and natural gas amounted to US$ 4.96 billion, which represents an increase of 5.4 percent relative to the value of oil exported in 2011, as a result of higher volumes of exports of oil derivatives (6.5 percent) and of the higher price of exports of natural gas.

TABLE 24
TRADITIONAL EXPORTS

	Millions of US$			% change		
	2010	2011	2012	2010	2011	2012
FISHING	**1,884**	**2,099**	**2,292**	**11.9**	**11.4**	**9.2**
Fishmeal	1,609	1,767	1,766	12.9	9.8	0.0
Fish oil	274	333	526	6.4	21.3	58.1
AGRICULTURAL PRODUCTS	**975**	**1,672**	**1,075**	**53.2**	**71.6**	**-35.7**
Of which:						
Cotton	1	8	4	-59.1	608.9	-45.2
Sugar	65	48	6	74.7	-26.5	-87.8
Coffee	888	1,581	1,009	52.0	78.0	-36.2
MINING	**21,723**	**27,361**	**25,921**	**32.6**	**26.0**	**-5.3**
Of which:						
Copper	8,870	10,711	10,483	49.5	20.8	-2.1
Iron	523	1,023	856	75.7	95.5	-16.3
Lead 1/	1,579	2,424	2,501	41.5	53.5	3.2
Zinc	1,691	1,522	1,331	37.1	-10.0	-12.6
Refined silver	118	219	209	-44.8	85.6	-4.6
Gold	7,756	10,104	9,558	14.0	30.3	-5.4
OIL AND NATURAL GAS	**3,088**	**4,704**	**4,959**	**60.8**	**52.3**	**5.4**
TOTAL	**27,669**	**35,837**	**34,247**	**34.2**	**29.5**	**-4.4**

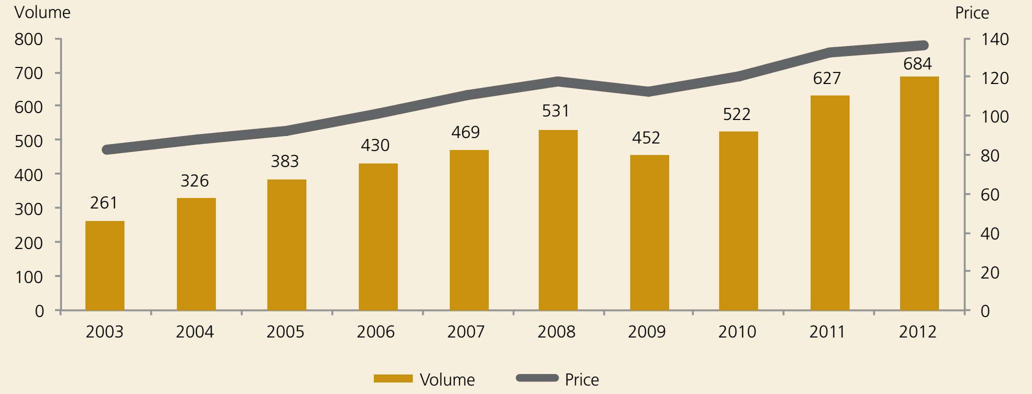
1/ Includes silver content.
Source: BCRP and SUNAT.

Non-Traditional Exports

Exports of non-traditional products were 9.1 percent higher than in 2011and amounted to US$ 11.05 billion. The volume of non-traditional exports increased 9 percent due to the market diversification strategy followed in recent years through the signing of trade agreements. Free trade agreements that became effective in 2012 included the FTA with Mexico (February), the FTA with Japan (March), the FTA with Panama (May) and the FTA with Norway (July).

In the last ten years, exports of non-traditional products have grown by an annual 15.5 percent on average, mainly as a result of the higher volume exported (up 10.1 percent on average). The export's growth of agricultural products (17.3 percent), chemicals (13.1 percent), fishing products (10.4 percent), and textiles (2.6 percent) are worth highlighting.

GRAPH 50
NON-TRADITIONAL EXPORTS
(Index 1994=100)



Source: BCRP and SUNAT.

The main market for our non-traditional products was the United States, with exports to that country amounting to US$ 2.55 billion, followed by Venezuela and Colombia, with US$ 1.17 billion and US$ 758 million, respectively. However, by economic blocs, sales to the bloc of Andean countries, which amounted to US$ 3.88 billion, were higher by US$ 981 million than sales to North America.

The major products exported to the United States were t-shirts (US$ 258 billion), fresh asparagus (US$ 209 million), calcium phosphates (US$ 161 million) and knit shirts (US$ 117 million), while rods of copper (US$ 259 million), t-shirts and polo shirts (US$ 214 million), sulfuric acid (US$ 115 million) and blouses for women and girls (US$ 93 million) stand out in our sales to the Andean countries.

TABLE 25
NON-TRADITIONAL EXPORTS

	FOB Value: Millions of US$			% change		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
Agricultural products	2,190	2,830	3,047	20.0	29.2	7.6
Fishing products	642	1,047	1,011	24.0	63.0	-3.5
Textiles	1,558	1,986	2,157	4.2	27.5	8.6
Wood and paper manufacturing	355	398	432	5.9	12.2	8.6
Chemicals	1,223	1,645	1,624	46.3	34.5	-1.3
Non-metallic minerals	251	487	716	69.6	94.2	46.9
Iron and steel, and jewelry	918	1,128	1,253	61.4	22.8	11.1
Metal mechanic products	394	464	532	7.7	17.8	14.7
Others 1/	110	145	275	18.1	31.8	89.6
TOTAL	**7,641**	**10,130**	**11,047**	**23.5**	**32.6**	**9.1**

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

TABLE 26
MAIN DESTINATION: NON TRADITIONAL EXPORTS
(Millions of US$)

	Year			% Change 2012/2011
	2010	2011	2012	
USA	1,939	2,342	2,549	8.8
Venezuela	487	893	1,166	30.6
Colombia	690	825	758	-8.1
Ecuador	492	616	730	18.6
Chile	429	595	695	16.7
Bolivia	365	428	529	23.4
Netherlands	339	431	455	5.5
Spain	390	485	431	-11.0
Brazil	256	353	408	15.5
China	254	331	327	-1.4
Mexico	143	218	243	11.2
Italy	126	188	220	16.9
France	195	232	182	-21.6
United Kingdom	144	169	175	3.1
Germany	151	178	167	-5.8
Others	1,243	1,845	2,013	9.1
Total	**7,641**	**10,130**	**11,047**	**9.1**
Memo:				
Andean countries 1/	2,463	3,356	3,877	15.5
North America	2,151	2,657	2,896	9.0
European Union	1,529	1,969	1,887	-4.1
Asia	601	862	956	10.9
Mercosur 2/	356	516	583	13.0

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

Sales of farming products amounted to US$ 3.05 billion, exports of fresh grapes, asparagus and fresh avocados being particularly noteworthy. By economic blocs, the main destinations for our agricultural products were the European Union (prepared and fresh asparagus, fresh avocado, fresh grapes, fresh mangoes, organic bananas, canned artichokes, and cocoa beans), North America (fresh and prepared asparagus, fresh grapes, canned artichokes, paprika, fresh onions, fresh mangoes and other prepared vegetables), and the Andean countries (food for shrimp and prawns, noodles, milled white rice, and hatching eggs).

In the last ten years, our sales of agricultural products have grown at an average annual rate of 18.7 percent; in other words, the value exported in 2012 was approximately five times higher than in 2003. The values of exported cocoa beans, canned artichokes, fresh grapes, organic bananas, fresh tangerines, fresh avocados, and fresh and prepared asparagus, stand out among other products.

TABLE 27
MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS
(Millions of US$)

Most popular products	2003	2012	Average % Change 2003-2012
Fresh grapes	23	354	34.1
Fresh asparagus	108	340	15.1
Asparagus prepared	82	141	5.1
Fresh avocados	16	137	39.6
Fresh mangoes	31	118	13.6
Paprika	22	112	19.2
Shrimp feed	14	112	25.6
Canned artichokes	7	112	48.7
Evaporated milk	18	105	26.1
Other vegetables prepared	21	97	23.9
Organic bananas	7	81	29.4
Cocoa beans	1	64	49.3
Fresh onions	11	53	15.3
Fresh mandarines	6	53	23.5
Subtotal	369	1,879	19.9
Total	**624**	**3,047**	**18.7**

Source: BCRP and SUNAT.

Reflecting higher sales of frozen squid and canned and frozen fish, exports of fishery products amounted to US$ 1.01 billion. The main markets for these exports were United States (US$ 179 million), China (US$148 million), and Spain (US$ 119 million). In the last ten years, fishing exports have grown at an annual average rate of 20.0 percent.

TABLE 28
MAIN NON-TRADITIONAL FISHING PRODUCTS
(Millions of US$)

Most popular products	2003	2012	Average % Change 2003-2012
Frozen giant squid	63	236	20.8
Canned giant squid	8	165	44.3
Frozen fish	4	94	43.3
Frozen scallops	15	75	23.5
Frozen prawns tails	11	73	19.6
Frozen fillets	17	62	18.4
Fillets fish	5	35	19.0
Canned anchovies	2	31	43.1
Canned fish	3	26	26.5
Giant Squid meal	2	21	35.6
Whole frozen shrimps	5	20	21.9
Egg of fish	1	19	23.6
Subtotal	135	856	25.2
Total	**205**	**1,011**	**20.0**

Source: BCRP and SUNAT.

In 2012 textile exports totaled US$ 2.16 billion, up 8.6 percent from the previous year. The volume of textile exports fell almost 1 percent, associated with lower sales in the European and North American markets.

TABLE 29
MAIN COUNTRIES OF DESTINATION OF TEXTILE PRODUCTS
(Millions of US$)

	Year			% Change
	2010	**2011**	**2012**	**2012/2011**
Venezuela	210	401	698	74.0
United States	689	738	642	-13.0
Brazil	65	103	102	-0.7
Ecuador	53	81	98	21.9
Colombia	88	108	92	-14.1
Chile	61	76	79	4.4
Italy	49	73	58	-20.9
Bolivia	37	40	45	11.4
Argentina	29	52	41	-22.0
Germany	32	40	35	-11.4
Mexico	18	26	34	30.6
Canada	16	20	23	19.6
United Kingdom	31	31	21	-30.7
China	25	20	20	-3.1
Japan	13	18	18	0.0
Other	140	159	149	-6.3
Total	**1,558**	**1,986**	**2,157**	**8.6**
Nota:				
North America	724	783	700	-10.7
Andean Countries 1/	449	706	1,013	43.6
European Union	165	202	159	-21.0
Mercosur 2/	99	165	152	-7.5
Asia	73	69	72	4.1

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

On the other hand, the value of exports of chemical products (US$ 1.62 billion) was 1.3 percent lower than in 2011 due mainly to the lower prices of these products (down 8.8 percent). This was only in part offset by an increase in the volume of shipments of ethyl alcohol, sulfuric acid, flexible laminates, perfumes and eau de toilette, and polyethylene sheets. The main markets for these products in 2012 were Chile (US$ 272 million), Colombia (US$ 229 million) and Ecuador (US$ 193 million).

TABLE 30
MAIN COUNTRIES OF DESTINATION OF CHEMICAL PRODUCTS
(Millions of US$)

	Year			% Change
	2010	**2011**	**2012**	**2012/2011**
Chile	122	207	272	31.1
Colombia	164	205	229	11.8
Ecuador	136	162	193	19.1
Bolivia	134	146	181	23.5
Venezuela	86	226	160	-29.1
Brazil	60	82	79	-3.7
USA	70	73	55	-25.0
Netherlands	31	35	50	42.5
Mexico	26	33	35	6.6
China	36	40	31	-22.7
Guatemala	21	27	30	8.7
Panama	18	19	28	43.6
Germany	48	49	25	-47.9
Argentina	22	27	19	-29.9
El Salvador	13	18	18	2.3
Other	237	294	219	-25.7
Total	**1,223**	**1,645**	**1,624**	**-1.3**
Memo:				
Andean Countries 1/	643	946	1,035	9.3
European Union	204	231	156	-32.2
Mercosur	85	115	103	-10.1
North America	98	108	93	-13.8
Asia	66	81	68	-16.6

1/ Bolivia, Chile, Colombia, Ecuador, and Venezuela.
2/ Argentina, Brazil, Paraguay, and Uruguay.

Export Diversification

The significant growth observed in the value of our exports in the last decade has been coupled by a greater diversification of our export products, especially of non-traditional exports.

The number of non-traditional products[9] exported in 2012 was 4,463, while in 2011 this number was 4,429; in other words, 34 new products were exported in 2012. Moreover, the number of destination

9 Measured by the number of export items.

markets for our non-traditional exports increased from 170 countries in 2010 to 171 in 2012 and the number of exporting companies increased by 212 between 2011 and 2012.

Imports

The demand for imports continued to be driven by the process of economic growth experienced by the Peruvian economy. Thus, imports reached a level of US$ 41.11 billion, which represents an expansion of 11.2 percent compared to the end of 2011.

TABLE 31
FOB IMPORTS BY USE OR DESTINATION

	FOB Value: Millions of US$			% change		
	2010	2011	2012	2011	2012	Average 2003-2012
1. CONSUMER GOODS	**5,489**	**6,692**	**8,247**	**21.9**	**23.2**	**16.7**
Durable goods	2,809	3,465	4,089	23.4	18.0	14.8
Non-durable goods	2,680	3,226	4,159	20.4	28.9	19.1
2. INPUTS	**14,023**	**18,255**	**19,256**	**30.2**	**5.5**	**17.8**
Fuel, oils and related	4,063	5,737	5,879	41.2	2.5	19.7
Raw materials for agriculture	868	1,091	1,289	25.7	18.2	17.9
Raw materials for industry	9,093	11,428	12,088	25.7	5.8	17.0
3. CAPITAL GOODS	**9,074**	**11,665**	**13,356**	**28.6**	**14.5**	**21.9**
Construction materials	1,087	1,447	1,488	33.1	2.9	18.5
For agriculture	80	110	137	37.4	25.2	20.9
For industry	5,539	7,296	8,175	31.7	12.0	20.9
Transportation equipment	2,369	2,813	3,556	18.8	26.4	27.1
4. OTHERS GOODS 1/	**229**	**355**	**253**	**54.6**	**-28.7**	**16.3**
5. TOTAL IMPORTS	**28,815**	**36,967**	**41,113**	**28.3**	**11.2**	**18.7**
Memo:						
Main food products 2/	**1,725**	**2,295**	**2,528**	**33.0**	**10.2**	**16.6**
Wheat	368	535	516	45.4	-3.6	11.7
Maize and/or sorgum	372	563	507	51.4	-9.9	18.6
Rice	55	116	149	112.8	28.3	32.8
Sugar 3/	121	135	188	11.5	39.1	20.2
Soybean	81	96	167	19.6	72.9	-1.6
Dairy products	679	794	936	16.9	17.9	40.5
Meat	49	55	64	11.3	17.7	14.2

1/ Includes donations of goods, purchases of fuel and food by Peruvian ships, and repairs of capital goods in other countries, as well as other goods not considered by the classification used.
2/ Excludes food donations.
3/ Includes unrefined sugar, classified as inputs.
Source: BCRP, SUNAT, Tacna Free Trade Zone, Banco de la Nación, and companies.

TABLE 32
IMPORTS
(% change)

	Volume			Price		
	2010	2011	2012	2010	2011	2012
CONSUMER GOODS	**28.0**	**12.4**	**19.4**	**8.1**	**8.6**	**3.4**
Durable goods	38.3	17.5	25.5	6.1	2.9	2.9
Non-durable goods	19.4	8.8	14.7	9.9	13.7	2.8
INPUTS	**21.3**	**6.7**	**5.9**	**15.3**	**22.0**	**-0.4**
Main food products	20.6	-2.5	3.7	0.0	36.4	-0.6
Crude oil and derivatives	10.0	2.3	0.9	30.7	37.9	2.3
Industrial inputs	27.8	10.6	9.6	11.1	12.6	-2.0
Of which:						
Plastics	28.6	4.5	9.3	22.8	16.4	-8.1
Iron and steel	62.7	-7.4	22.6	14.7	13.3	-10.4
Textiles	38.8	5.2	0.8	17.4	27.2	-4.1
Papers	16.2	9.4	10.4	2.8	7.1	-5.3
Chemicals	-1.1	35.4	-14.6	32.1	14.2	22.5
Organic chemicals	23.6	13.0	16.3	14.9	4.6	-5.0
CAPITAL GOODS	**27.5**	**22.1**	**9.9**	**3.8**	**5.3**	**4.2**
Building materials	22.1	26.7	-1.3	3.8	5.3	4.2
Rest 1/	28.2	21.5	11.5	3.8	5.3	4.2
Total	**24.5**	**12.8**	**9.5**	**10.1**	**13.8**	**1.7**

1/ Excludes building materials.
Source: BCRP and SUNAT.

The average price of imports in 2012 grew 1.7 percent compared to the previous year, whereas the average price of imports in 2011 grew 13.8 percent. This slower pace of growth is mainly explained by the fall in the prices of industrial inputs, as in the case of iron and steel (-10.4 percent), plastics (-8.1 percent), and textiles (-4.1 percent).

The most dynamic component of imports was consumer goods, both durable and non-durable, which showed two-digit growth rates for the third consecutive year. Imports of automobiles reached a new record level (US$ 1.64 billion), particularly in the case of vehicles imported from Asia. It is worth mentioning that South Korea replaced Japan as the first supplier of automobiles in the country.

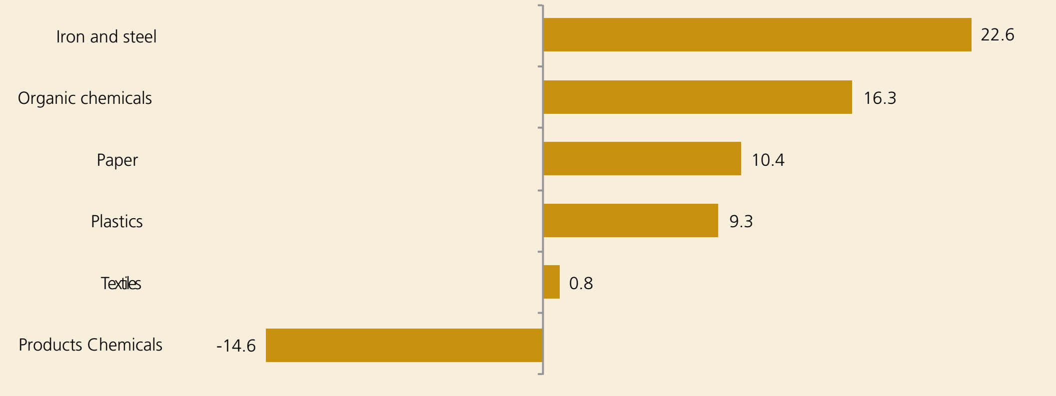
The positive evolution of private consumption also favored a greater demand for imports of television sets and other household appliances. Imports of television sets, especially from Mexico and South Korea, increased by 17.7 percent and amounted to US$ 497 million.

Other products that showed a major expansion among imports of durable consumer goods were household appliances, furniture, and radios. On the other hand, imports of perfumes, cosmetics and footwear grew the most among non-durable consumer goods.

Moreover, accounting for about 50 percent of our total imports, the imports of inputs amounted to US$ 19.26 billion. In terms of value, these imports grew 5.5 percent relative to 2011, which reflected the effect of the decline in the prices of industrial inputs and, to a lesser extent, the decline in food prices.

The imports of industrial inputs recorded an expansion of 9.6 percent in terms of volume due to increased imports of iron and steel given the high growth of the construction sector in the year. The increased purchases of iron and steel made by Aceros Arequipa (37 percent) and the higher imports of organic chemicals, papers and plastics are worth highlighting.

GRAPH 51
VOLUME OF INDUSTRIAL INPUTS WITH HIGHER GROWTH IN 2012
(% change)



Source: BCRP and SUNAT.

Imports of capital goods grew 14.5 percent during the year, the acquisitions of mining equipment (loaders, load shovels, dump trucks, valves, etc.), transportation equipment (trucks, buses and minibuses), and mobile phone equipment (which grew 21.8 percent in terms of the imported amount) were noteworthy in 2012.

TABLE 33
IMPORTS OF CAPITAL GOODS BY ECONOMIC SECTORS

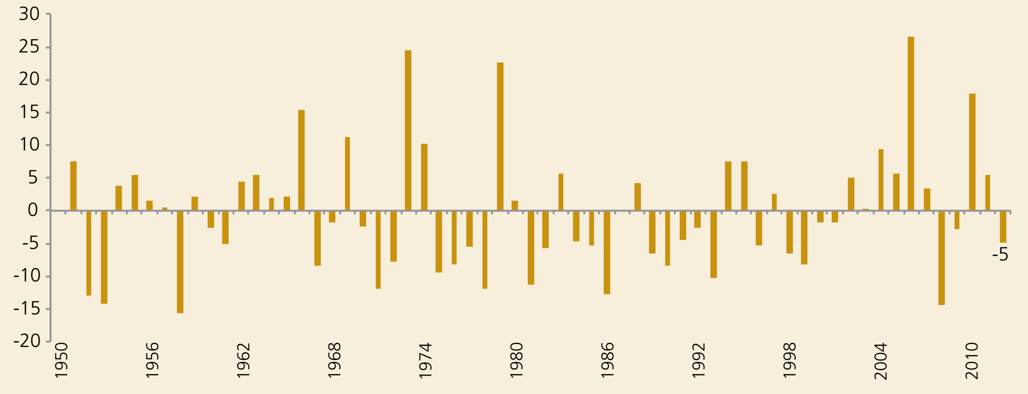
	FOB Value: Millions of US$			% Change		
	2010	2011	2012	2011	2012	Average 2003-2012
Agriculture	44	39	55	-11.5	39.9	23.1
Fishing	14	11	13	-25.4	16.7	18.5
Hydrocarbons	514	427	359	-16.8	-16.1	5.8
Mining	809	1,160	1,576	43.4	35.8	25.6
Manufacturing	939	1,151	1,161	22.7	0.8	17.7
Construction	371	430	405	15.8	-5.9	27.6
Electricity	149	224	84	50.3	-62.7	11.6
Transportation	1,246	1,622	1,976	30.2	21.8	33.4
Telecommunications	547	711	726	30.0	2.0	16.4
Traders of Capital Goods	2,305	2,813	3,130	22.1	11.3	23.0
IT Equipment	496	539	650	8.6	20.6	18.6
Machinery and diverse equipments	597	588	696	-1.5	18.5	26.0
Medicine and surgery instruments	87	93	102	7.6	9.7	19.5
Office equipments	130	221	156	70.5	-29.2	21.2
Financial services	358	613	616	71.3	0.5	31.5
Other traders	638	759	909	19.1	19.7	21.7
Unclassified	2,135	3,076	3,839	44.1	24.8	22.3
Memo:						
Mobile phones	377	529	645	40.4	21.8	21.7
Total	**9,074**	**11,665**	**13,356**	**28.6**	**14.5**	**21.9**

4.2 Terms of trade

During 2012, the terms of trade registered an average decline of 5 percent, reflecting a 3 percent decrease in export prices and a 2 percent increase in import prices.

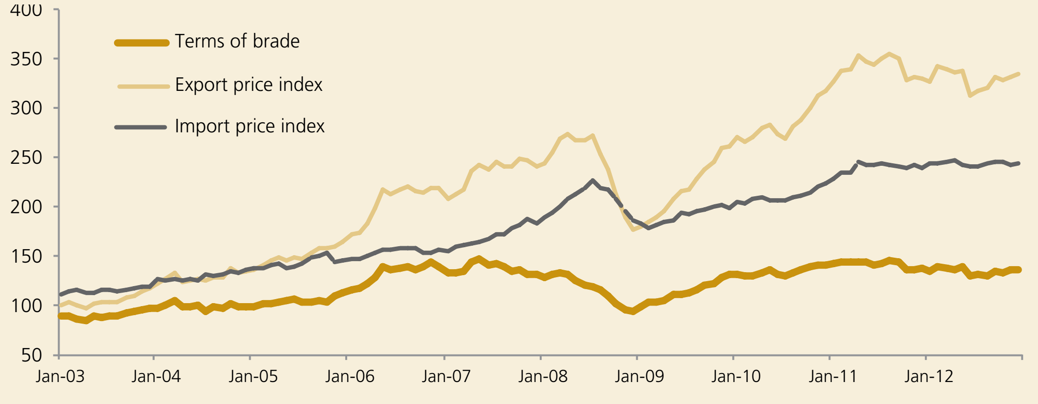
In general, commodity prices were affected by increasing tensions in international financial markets and by fears of lower global demand associated with the recession in the Eurozone and by the slowdown in China (the major consumer of commodities). The international prices of food products were driven by the drought that affected key agricultural areas of the United States.

GRAPH 52
TERMS OF TRADE: 1950 - 2012
(% change)



Source: BCRP.

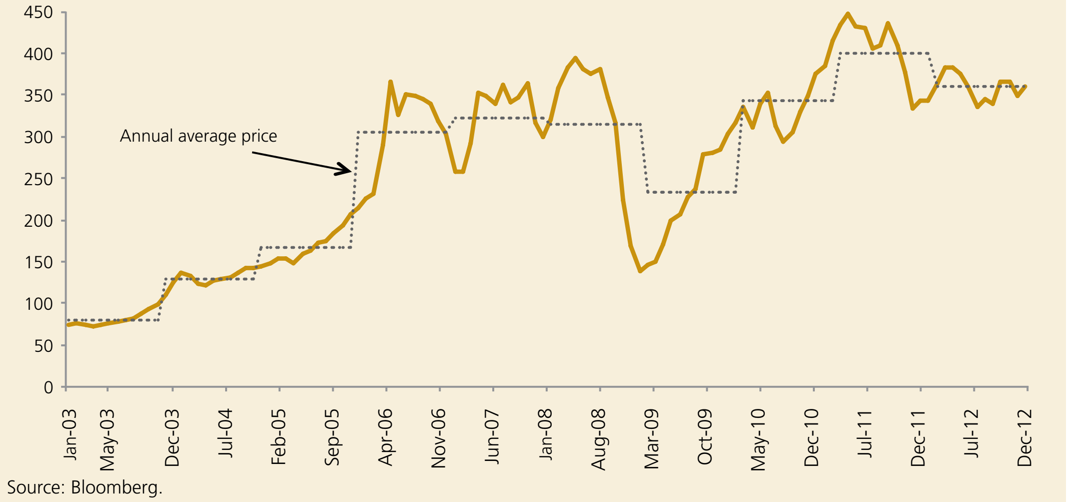
GRAPH 53
TERMS OF TRADE, EXPORT AND IMPORT PRICE INDICES: JANUARY 2001 - DECEMBER 2012
(1994=100)



Source: BCRP.

In 2012 the average price of copper dropped 10 percent. Copper showed a volatile behavior during the year since after reaching a maximum of US$ 3.84 per pound in the month of March, it fell to a minimum of US$ 3.36 per pound in June. The first half of the year was characterized by the intensification of the European sovereign-debt risks, which in turn raised expectations of a recession in the Eurozone and of a slowdown in emerging economies, especially China. In the second half of the year, driven by the additional stimulus measures implemented by the Fed, the price of copper closed the year at US$360 per pound. This behavior was in part offset by fears of a disorderly fiscal adjustment in the United States.

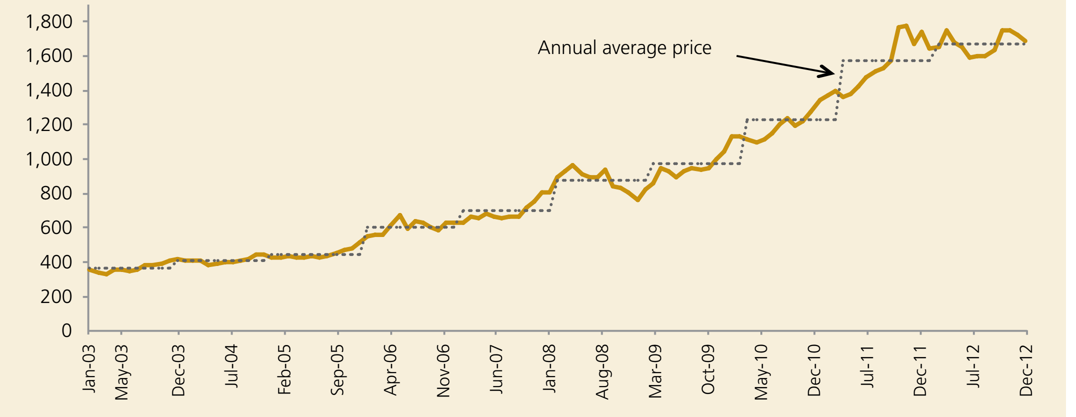
GRAPH 54
PRICE OF COPPER: 2003 - 2012
(Monthly average, US$ cents per pound)



Source: Bloomberg.

The average price of gold rose 6 percent and closed with an average level of US$ 1,670 per ounce. The path of the gold price reflects a context of greater risk aversion in which gold was demanded by investors and countries as a hedge asset. Two additional impulses affected the price of gold during the year: the first was caused by the tensions between Iran and the West at the beginning of the year (fears of higher oil prices and inflationary pressures) and the second, by the Fed's third round of quantitative easing towards the last quarter of the year.

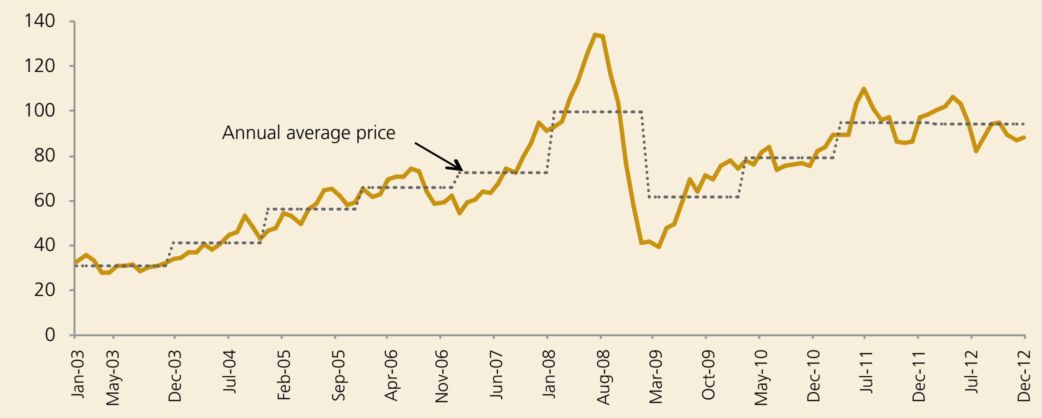
GRAPH 55
PRICE OF GOLD: 2003-2012
(Monthly average, US$/tr. oz.)



Source: Bloomberg.

The price of oil recorded an average drop of 1 percent and registered an average price of US$ 94 per barrel in 2012. This price drop was supported by the perception of a well supplied market due to an unexpected increase in the US oil production associated with the rise in the production of non-conventional fuels, which added onto the high production levels that the OPEC maintained throughout most of the year. In addition to this, the demand for crude was constrained by fears of a recession in the Eurozone and by the economic slowdown in the emerging economies. The downward pressures were offset by fears generated by the embargo on Iran's imports of oil (which came into force in July) and by the resurgence of violence and political instability in several Middle East countries.

GRAPH 56
PRICE OF WTI OIL: 2003-2012
(Monthly average, US$ per barrel)



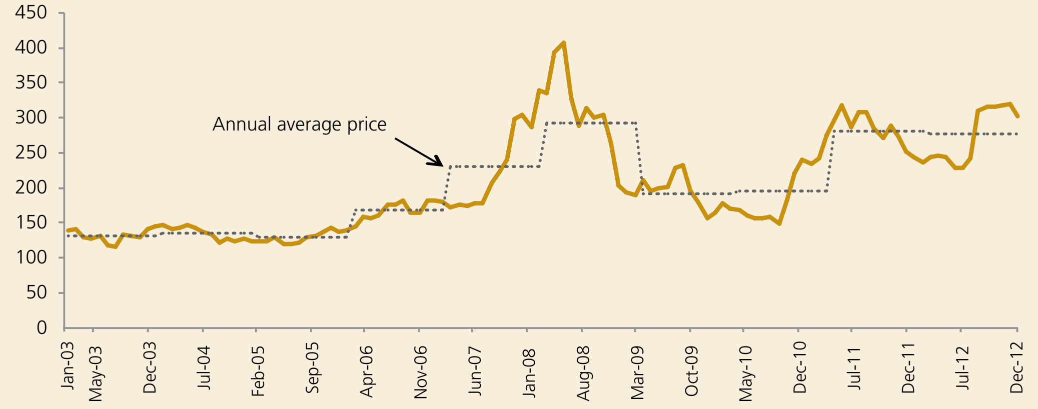
Source: Bloomberg.

In the first semester, the international prices of food showed no significant variations, but since June and during the third quarter, most food commodities registered significant price increases due to expectations of lower global production associated mainly with unfavorable weather conditions in the United States given that this country experienced the most severe drought in over 50 years and that the drought affected the major agricultural areas of the country, reducing substantially the expected yields.

As regards grains, the annual average price of maize was US$ 273 per ton, 4 percent higher than in 2011. The price of maize increased 30 percent between June and August, when it reached a historical peak of US$ 319 per ton, correcting downwards thereafter in the fourth quarter due to a partial recovery of the global supply and to expectations of a greater harvest in South America.

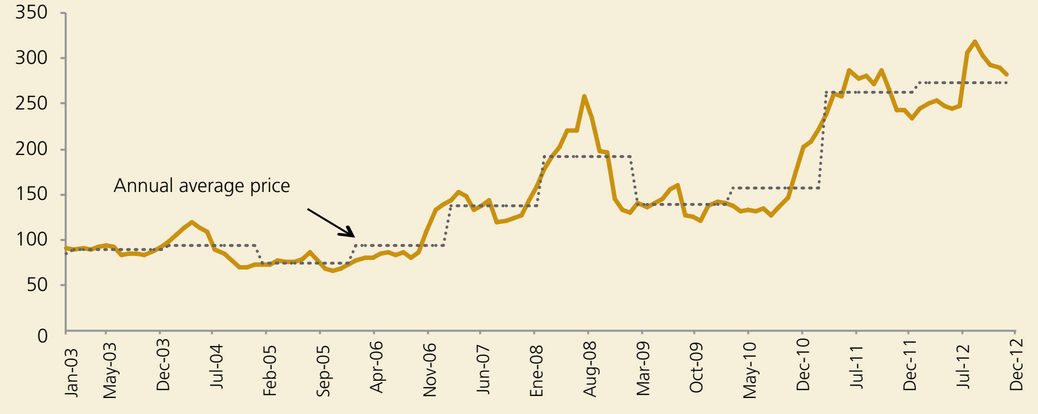
Even though the annual average price of wheat (US$ 276 per ton) fell 2 percent, it increased 28 percent in terms of end of period (December 2012 - December 2011). The price of wheat increased since June following the trend of maize and continued to increase in Q3 due to fears that persistent drought conditions in the United States would affect winter wheat crops as well.

GRAPH 57
PRICE OF WHEAT: 2003-2012
(Monthly average, US$/Ton)



Source: Bloomberg.

GRAPH 58
PRICE OF MAIZE: 2003-2012
(Monthly average, US$/Ton)



Source: Bloomberg.

4.3 Services

The trade deficit in services amounted to US$ 2.26 billion. Revenues reached US$ 5.13 billion and increased by US$ 766 million (18 percent) compared to the previous year, with the strong growth in insurance payments for damage and loss recovered from overseas markets standing out, while outflows amounted US$ 7.39 billion and increased by US$ 891 million (14 percent) due to higher payments to other countries for freight, business services, and travel.

TABLE 34
SERVICES

	Millions of US$			% change	
	2010	2011	2012	2011	2012
I. TRANSPORTATION	**- 1,599**	**- 1,521**	**- 1,630**		
1. Credit	854	997	1,223	16.7	22.7
2. Debit	- 2,453	- 2,517	- 2,852	2.6	13.3
II. TRAVEL	**740**	**1,008**	**1,168**		
1. Credit	2,008	2,360	2,657	17.5	12.6
2. Debit	- 1,268	- 1,352	- 1,490	6.6	10.2
III. COMMUNICATIONS	**- 78**	**- 47**	**- 74**		
1. Credit	102	132	147	29.3	11.5
2. Debit	- 180	- 179	- 221	- 0.8	23.9
IV. INSURANCE AND REINSURANCE	**- 325**	**- 359**	**- 366**		
1. Credit	166	230	361	38.3	57.2
2. Debit	- 491	- 588	- 728	19.7	23.7
V. OTHERS 1/	**- 1,083**	**- 1,214**	**- 1,355**		
1. Credit	562	646	742	14.9	14.7
2. Debit	- 1,645	- 1,861	- 2,097	13.1	12.7
VI. TOTAL SERVICES	**- 2,345**	**- 2,132**	**- 2,258**		
1. Credit	3,693	4,364	5,130	18.2	17.5
2. Debit	- 6,038	- 6,497	- 7,388	7.6	13.7

1/ Includes government, financial, and information technology services, royalties, leasing of equipment, and business services.
Source: BCRP, SUNAT, Ministry of of Trade Affairs and businesses.

The transport deficit amounted to US$ 1.63 billion. Revenue reached US$ 1.22 billion and increased by US$ 226 million (23 percent) as a result of the higher costs of foreign ships in the country and to a lesser extent as a result of domestic airlines' increased sale of tickets abroad. On the other hand, expenses amounted US$ 2.85 billion and increased by US$ 335 million as a result of the higher costs paid by national airlines abroad (17 percent), as well as for the higher cost of freight (13 percent) and sales of international tickets (12 percent).

The surplus associated with travel amounted to US$ 1.17 billion. Revenues was US$ 2.66 billion and increased by 13 percent due to the greater number of visitors who came to the country (9 percent), mainly through international airport Jorge Chávez (11 percent) and to the higher average spending of visitors (3 percent), while expenses reached US$ 1.49 billion and increased by 10 percent due mainly to the greater number of Peruvians who visited other countries (6 percent) and to their higher average spending (2 percent).

The heading other services closed the year with a deficit of US$ 1.35 billion. On the revenue side (US$ 742 million), an increase of 15 percent was observed mainly in royalties and licenses, as well as in personal, cultural and recreational services and, to a lesser extent, in other business services. On the other hand, expenses (US$ 2.10 billion) increased by 13 percent as a result of higher payments made for financial services and other business services.

TABLE 35
OTHER SERVICES

	Millions of US$			% change		
	2010	2011	2012	2010	2011	2012
Balance of Other Services	**-1,083**	**-1,214**	**-1,355**	**23.4**	**12.1**	**11.6**
Revenue	**562**	**646**	**742**	**12.1**	**14.9**	**14.7**
Government Services	140	143	146	2.7	2.0	1.8
Others services	422	503	596	15.7	19.2	18.4
Other Business Services 1/	333	399	469	13.6	19.7	17.6
Financial Services	59	67	59	22.5	15.1	-11.7
Computer and Information Services	23	26	46	27.8	11.1	76.6
Personal, Cultural, and Recreational Services	4	5	10	14.2	36.8	89.4
Royalties and License Rights	3	5	12	39.6	76.0	114.5
Expenditures	**1,645**	**1,861**	**2,097**	**19.3**	**13.1**	**12.7**
Government Services	150	153	157	2.7	2.0	2.5
Other services	1,495	1,708	1,940	21.3	14.2	13.6
Other Business Services 1/	978	1,108	1,378	23.8	13.3	24.4
Computer and Information Services	208	196	180	36.1	-5.6	-8.3
Royalties and License Rights	197	216	229	29.1	9.7	6.3
Construction Services	56	115	42	15.3	104.6	-63.3
Financial Services	37	52	86	-47.7	39.5	64.6
Personal Services, Cultural and Recreational	19	21	24	7.1	9.9	13.6

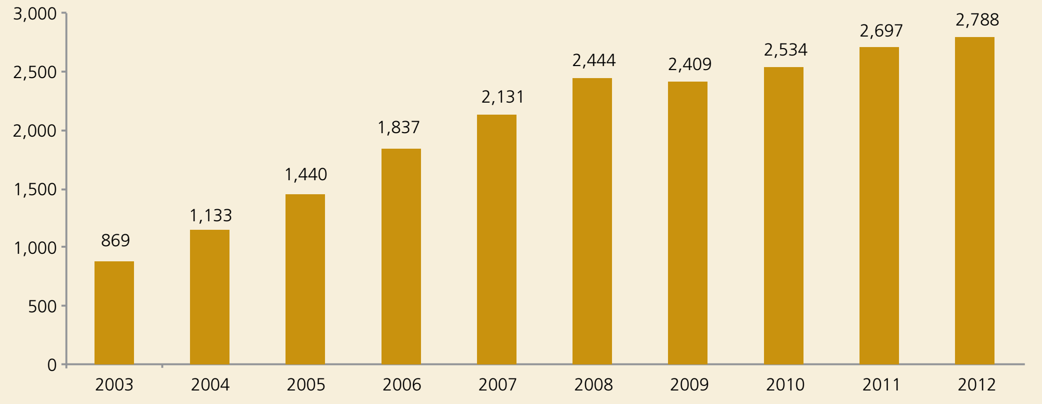
1/ Includes mainly sale-purchase services, commissions, leasing of ships and unmanned aircraft and business, professional and various (legal, accounting, management consulting and public relations; advertising, research of public opinion polls markets; research and development and engineering, among others).
Source: BCRP and Ministry of Trade Affairs.

4.4 Current Transfers

Current transfers, whose most important component is remittances from Peruvians residing abroad (85 percent), amounted to US$ 3.30 billion in 2012. Moreover, remittances were 3.4 percent higher than in 2011 and amounted to US$ 2.79 billion.

However, the growth rate of remittances was 3 points lower than that recorded in 2011 due to uncertainty about the recovery of the U.S. economy and the Eurozone crisis. Thus, in 2012 United States and Spain channeled 47.9 percent of total remittances to the country, while in 2011 they accounted for 49.4 percent of total remittances. This generated a 0.1 percent reduction in the share of remittances in GDP terms to a ratio of 1.4 percent of GDP, which is a similar ratio to the one registered in 2003 and also one of the lowest ratios registered over the past ten years.

GRAPH 59
REMITTANCES FROM ABROAD
(Millions of US$)



Source: BCRP and SBS.

TABLE 36
REMITTANCES FROM ABROAD

Year	Millions of US$	% change	% of GDP
2003	,869	23.1	1.4
2004	1,133	30.4	1.6
2005	1,440	27.1	1.8
2006	1,837	27.6	2.0
2007	2,131	16.0	2.0
2008	2,444	14.7	1.9
2009	2,409	-1.4	1.9
2010	2,534	5.2	1.6
2011	2,697	6.4	1.5
2012	2,788	3.4	1.4

Source: BCRP and SBS.

Like in 2011, the United States continued to be the main country of origin of remittances (they grew 5 percent). A totally different situation was observed in remittances from Spain: the high levels of unemployment in this country have affected the remittances from Peruvian migrants and generated a 9.6 percent reduction in 2012. Despite this, Spain is still the second source of these transfers.

In terms of total remittances, remittances from Japan increased their share from 9.2 percent in 2011 to 9.3 percent in 2012. This slight increase is explained by the fact that the remittances from this country grew only 4.2 percent, 7 points less than in 2011.

A different situation was observed in South America, whose share in terms of total remittances increased for the eighth consecutive year, rising from 14.6 percent in 2011 to 16.5 percent in 2012 as a result of a 17.4 percent increase in these fund transfers. Countries such as Argentina and Chile, which have significantly large Peruvian "colonies" and accounted for 11.5 percent of total remittances in 2011, increased their share in total remittances to 12.8 percent in 2012.

TABLE 37
REMITTANCES BY COUNTRIES
(% share)

	2010	2011	2012
United States	34.5	33.5	34.0
Spain	16.6	15.9	13.9
Japan	8.8	9.2	9.3
Italy	8.8	8.2	7.6
Chile	5.1	6.0	7.0
Argentina	4.8	5.5	5.8
Other countries 1/	21.5	21.7	22.5
Total	**100.0**	**100.0**	**100.0**

1/ Includes estimated remittances not classified by country (informal channels).
Source: BCRP and SBS.

The main source used to transfer these funds continued to be banks, which intermediated 46.4 percent of total remittances even though their share declined by nearly 1 point. On the other hand, the share of money transfer companies (ETFs) and other media was 41.6 percent.

TABLE 38
REMITTANCES FROM ABROAD BY SOURCE
(% share)

	2010	2011	2012
Banks	46.0	47.2	46.4
FTCs - Other channels 1/	42.0	40.6	41.6
Informal channels	12.0	12.2	12.0
Total	**100.0**	**100.0**	**100.0**

1/ Fund transfer companies (FTCs) and other means.
Source: BCRP and SBS.

The average remittance amount was US$ 302 per transfer, 5.7 percent higher than in 2011. The average remittances that increased the most were the ones transferred from Argentina (16.4 percent), Chile (9.3 percent), Spain (8.6 percent) and the United States (5.8 percent). As regards the number of transfers made, a strong decline was observed in transactions from Spain (-16.8 percent) and Argentina (-6.4 percent).

TABLE 39
AVERAGE REMITTANCES BY COUNTRIES 1/
(Average per delivery in US$)

	2010	2011	2012
United States	229	241	255
Spain	339	364	395
Japan	596	624	610
Italy	310	314	314
Chile	191	205	224
Argentina	172	195	227
Other countries 1/	345	357	388
Average remittance	**271**	**285**	**302**

1/ Excludes estimated remittances not classified by country (informal channels).
Source: BCRP and SBS.

4.5 Factor Income

The income earned by production factors showed a deficit of US$ 12.70 billion, a balance lower by US$ 1.01 billion than the one recorded the previous year. The private sector deficit amounted to US$ 11.98 billion. Furthermore, the private sector revenue, which amounted to US$ 409 million, consisted of interests on deposits and financial and non-financial investment yields, while the outflows, which totaled US$ 12.39 billion, are mainly explained by the profits generated by companies with foreign shareholding. It should be pointed out, however, that these profits were lower by US$ 1.12 billion than in 2011 due to the lower balances recorded in the mining, industrial, and oil sectors.

The public sector deficit, which amounted to US$ 721 million, was US$ 184 million higher than the 2011 deficit due to the higher outflows for interests on bonds.

TABLE 40
FACTOR INCOME

	Millions of US$			% change	
	2010	2011	2012	2011	2012
I. REVENUE	**1,148**	**1,111**	**1,180**	**-3.2**	**6.2**
1. Private	281	339	409	20.6	20.4
2. Public	867	772	771	-11.0	-0.1
II. EXPENDITURE	**12,361**	**14,821**	**13,881**	**19.9**	**-6.3**
1. Private	11,264	13,512	12,389	20.0	-8.3
Profits 1/	10,714	12,866	11,743	20.1	-8.7
Interests	549	647	646	17.7	-0.1
· Long-term loans	367	456	424	24.5	-7.1
· Bonds	58	54	110	-8.1	105.4
· Short-term loans 2/	125	137	112	9.6	-18.3
2. Government	1,097	1,309	1,492	19.3	14.0
Interests on long term loans	337	289	286	-14.3	-1.1
Interests on bonds	757	1,019	1,206	34.7	18.3
Interests on BCRP securities 3/	3	0	0	-82.6	-88.5
III. BALANCE (I-II)	**-11,212**	**-13,710**	**-12,701**	**22.3**	**-7.4**
1. Private	-10,982	-13,173	-11,980	19.9	-9.1
2. Public	-230	-537	-721	133.7	34.3

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.

4.6 Financial Account

In 2012 the private sector financial account registered a balance of US$ 16.23 billion, which represents an increase of US$ 6.18 billion relative to 2011 as a result of increased foreign direct investment (FDI) in the country, as well as of increased long-term loans associated with the process of expansion of investment in the country.

The flow of liabilities in 2012 amounted to US$ 18.71 billion, FDI accounting for 65 percent of this total, mainly in the form of reinvested profits. The sectors with higher rates of reinvestments were the sectors of mining, hydrocarbons, and services. On the other hand, net external loans (US$ 4.12 billion), of which 51 percent concentrated in the financial sector, also increased compared to the previous year. In contrast with 2011, in 2012 non-residents purchased securities for a total of US$ 2.39 billion.

TABLE 41
PRIVATE SECTOR FINANCIAL ACCOUNT

	Millions of US$			% change	
	2010	2011	2012	2011	2012
1. ASSETS	**-1,375**	**-1,298**	**-2,477**	**-5.6**	**90.8**
Direct investment abroad	-266	-113	57	-57.4	-150.7
Portfolio investment abroad 1/	-1,109	-1,185	-2,534	6.8	113.9
2. LIABILITIES	**12,771**	**11,351**	**18,712**	**-11.1**	**64.8**
Foreign direct investment	8,455	8,233	12,240	-2.6	48.7
a. Reinvestment	5,317	5,671	8,263	6.7	45.7
b. Capital inflows and other transactions	2,445	276	4,637	-88.7	1,577.1
c. Net loans to parent companies	693	2,285	-659	229.9	-128.9
Portfolio foreign investment	378	218	2,357	-42.3	981.6
a. Capital participation 2/	87	147	-32	70.0	-121.5
b. Other liabilities 3/	291	71	2,389	-75.7	3,273.8
Long-term loans	3,939	2,901	4,115	-26.4	41.9
a. Disbursements	5,254	3,998	6,259	-23.9	56.5
b. Amortization	-1,315	-1,098	-2,144	-16.5	95.3
3. TOTAL	**11,396**	**10,053**	**16,236**	**-11.8**	**61.5**
Memo:					
Net foreign direct investment	8,189	8,119	12,297	-0.8	51.5

1/ Includes mainly shares and other assets of the financial and non-financial sectors. The negative sign indicates an increase of assets.
2/ Includes non-residents' net purchases of shares listed at Cavali S.A. and traded at the Lima Stock Exchange (LSE), as well as, placements of American Depositary Receipts (ADRs).
3/ Includes bonds, credit notes and securitizations in net terms (issuance minus redemption).
Source: BCRP, Cavali S.A. ICLV, Proinversion, and businesses.

It is worth pointing out that bonds issued in international markets by non-financial private companies amounted to US$ 1.66 billion, which is the highest amount recorded for bonds placements by non-financial enterprises. Thus, considering the resident issuers of all the sectors, excluding the government, foreign investors' demand for Peruvian securities was largely higher than the bond amount issued, which shows, on the one hand, the excess of liquidity in international markets and, on the other hand, investors' perception of a low country risk. The private sector has extended the term of its debt and reduced the cost of bond placements (rate of return) through these bond issuances.

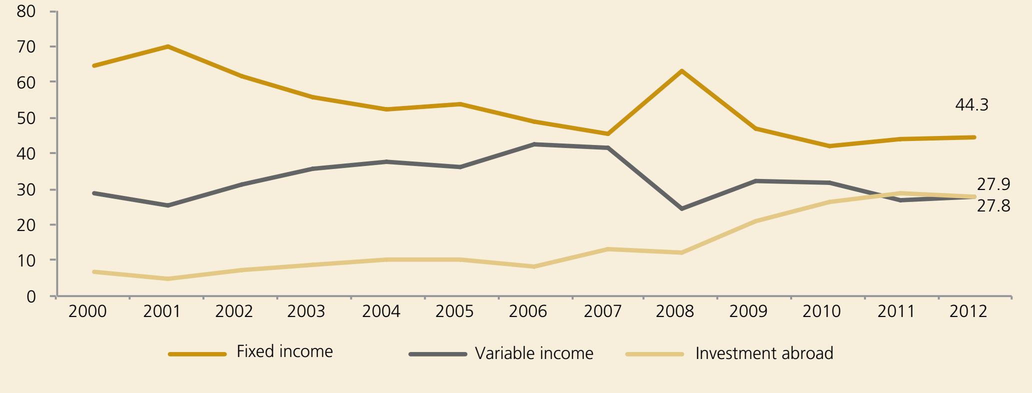
TABLE 42
BONDS ISSUED BY NON-FINANCIAL FIRMS IN THE EXTERNAL MARKET 1/
(Millions of US$)

		Amount (Millions of US$)	Maturity (Years)	Yields	Demand (Millions of US$)
I. Total Year 2011		**320**			
November 25	Lindley	320	10	6.750%	2,000
II. Total Year 2012		**1,660**			
January 26	Volcan	600	10	5.375%	4,809
February 2	Camposol	125	5	9.875%	300
April 12	Terminales Portuarios Euroandinos - Paita	110	25	8.125%	-
July 24	CFG Investments SAC	300	7	9.750%	-
July 26	Coazúcar (Grupo Gloria)	325	10	6.375%	4,074
September 21	Maestro Perú	200	7	6.750%	200

1/ The financial account of the private sector excludes the bonds issued abroad by branches of (banks and non-banks) resident companies.
Source: SMV.

As regards external assets, they increased by US$ 2.48 billion in 2012 (US$ 1.18 billion more than in the previous year). This increased flow of investment abroad is explained mostly by the higher purchases of foreign assets made by the administrators of private pension funds (AFPs). The limit for AFPs' investment abroad at December 2012 is 30 percent.

GRAPH 60
AFP: INVESTMENT
(%)



Source: SBS, banks, and companies.

Public Sector Financial Account

In 2012 the government obtained net external financing for a total of US$ 1.67 billion, a figure US$ 819 million higher than in the previous year. The main operations accounting for this flow include non-residents' acquisition of sovereign bonds (US$ 2.15 billion) and the issuance of global bonds (US$ 500 million) and Cofide bonds (US$ 500 million). The issuances of global bonds were used in part to pay off 2012 global bonds (US$ 312 million).

TABLE 43
PUBLIC SECTOR FINANCIAL ACCOUNT 1/

	Millions of US$			% change	
	2010	2011	2012	2011	2012
1. DISBURSEMENTS	**4,261**	**990**	**1,448**	**-3,271**	**458**
Investment projects	722	679	333	-43	-346
Central government	509	616	317	107	-299
Public enterprises	213	63	16	-150	-47
- Non-financial	0	0	16	0	16
- Financial	213	63	0	-150	-63
Unrestricted loans	875	311	115	-564	-196
Global bonds 2/	2,664	0	1,000	-2,664	1,000
2. AMORTIZATION	**- 5,268**	**- 868**	**- 1,215**	**4,400**	**-347**
3. NET EXTERNAL ASSETS	**- 37**	**- 273**	**- 457**	**-236**	**-184**
4. OTHER OPERATIONS WITH DEBT SECURITIES (a-b)	**3,513**	**998**	**1,890**	**-2,515**	**892**
a. Securities in the domestic market purchased by non residents	2,905	546	2,149	-2,359	1,603
b. Securities in the foreign market purchased by residents	- 608	- 452	258	156	710
5. TOTAL	**2,468**	**848**	**1,667**	**-1,620**	**819**

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. Includes US$ 500 millions issued by Cofide.
Source: BCRP, MEF, Cofide, and FCR.

Short-Term Capital Flows

The net flow of short-term capital showed a reversal from an outflow of US$ 1.31 billion in 2011 to a positive flow of US$ 2.23 billion in 2012. This capital inflow resulted in a balance equivalent to 4.3 percent of GDP, of which 2.0 percent was banking debt.

TABLE 44
SHORT-TERM CAPITAL FINANCIAL ACCOUNT

	Millions of US$		
	2010	**2011**	**2012**
1. BANKS	**855**	**-805**	**2,016**
Assets 1/	-194	-140	-64
Liabilities 2/	1,049	-664	2,080
2. BCRP 3/	**-80**	**0**	**0**
3. BANCO DE LA NACION	**-11**	**-4**	**-51**
Assets 1/	-11	-4	-51
Liabilities 2/	0	0	0
4. NON-BANK FINANCIAL	**42**	**51**	**11**
Assets 1/	3	-1	-27
Liabilities 2/	39	52	38
5. NON-FINANCIAL SECTOR 4/	**-1,063**	**-549**	**253**
Assets 1/	-1,642	-1,174	179
Liabilities 2/	579	625	74
6. TOTAL SHORT-TERM CAPITAL	**-258**	**-1,307**	**2,228**
Assets 1/	-1,844	-1,319	36
Liabilities 2/	1,587	12	2,192

1/ The negative sign indicates an increase of assets.
2/ A positive sign indicates an increase of liabilities.
3/ Obligations in national currency to non residents for Certificates of Deposit issued by the Central Bank.
4/ Net flow of assets with other countries. The negative sign indicates an increase in net assets.
Source: BCRP, Bank for International Settlements (BIS) and businesses.

International Investment Position

The international assets at December 2012 amounted to US$ 100.05 billion, a figure 25 percent higher than at end 2011. The BCRP international reserves, which increased by US$ 15.19 billion during 2012, represent 32 percent of GDP. This amount covers 5.8 times short term external liabilities (which includes the amortization of medium and long term loans to one year and 93 percent of the total obligations of private banks.

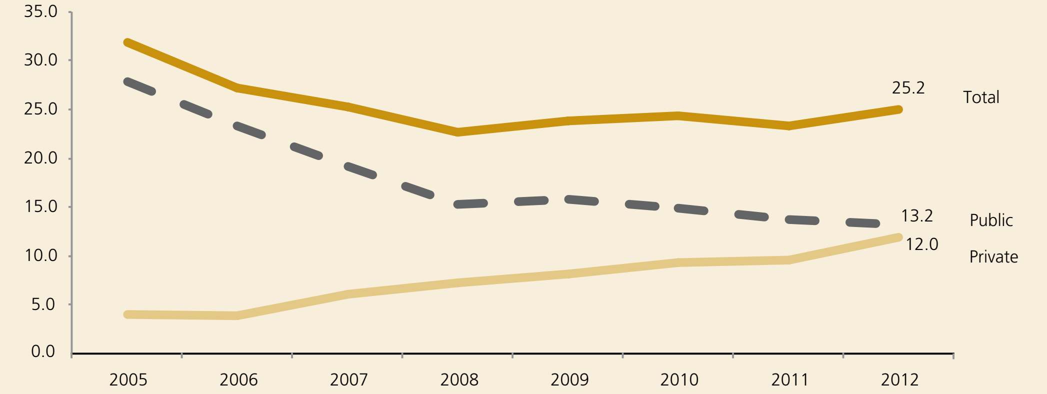
On the side of liabilities, the increase in the balance of FDI stands out, especially due to the increased reinvestment of foreign companies in Peru and the higher balance of medium- and long-term private debt.

TABLE 45
NET INTERNATIONAL INVESTMENT POSITION
(End of period levels)

	Millions of US$			% of GDP	
	2010	**2011**	**2012**	**2011**	**2012**
I. ASSETS	**72,104**	**79,787**	**100,052**	**45.2**	**50.1**
1. BCRP reserve assets	44,150	48,859	64,049	27.7	32.1
2. Assets of financial sector (excluding BCRP)	16,606	18,479	22,775	10.5	11.4
3. Others assets	11,347	12,450	13,227	7.0	6.6
II. LIABILITIES	**114,910**	**125,094**	**146,107**	**70.8**	**73.4**
1. Bonds and total private and public external debt 1/	**43,674**	**47,977**	**58,830**	**27.2**	**29.5**
a. Medium and long term debt	37,359	41,652	50,298	23.6	25.2
Private sector 2/	14,424	17,420	23,978	9.9	12.0
Public sector (i - ii + iii) 3/	22,934	24,232	26,320	13.7	13.2
i. External public debt	19,905	20,204	20,402	11.4	10.2
ii. Public debt issued abroad purchased by residents	1,283	831	1,089	0.5	0.5
iii. Public debt issued locally purchased by non-residents	4,313	4,859	7,008	2.8	3.5
b. Short-term debt	6,315	6,325	8,532	3.6	4.3
Financial sector (excluding BCRP)	2,514	1,901	4,019	1.1	2.0
BCRP	45	43	57	0.0	0.0
Others 4/	3,756	4,381	4,456	2.5	2.2
2. Direct investment	**42,976**	**51,208**	**63,448**	**29.0**	**31.8**
3. Capital participation	**28,260**	**25,908**	**24,149**	**14.7**	**12.1**

1/ External public debt includes the debt of the Central Government and public enterprises. The latter now represents less than 5 percent of total. The external debt is mostly medium and long term debt (99 percent).
2/ Includes bonds.
3/ Since these publication 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.
4/ Includes mainly short term debt of the non-financial private sector.
Source: BCRP, MEF, Cavali SA ICLV, Proinversión, and BIS.

GRAPH 61
MEDIUM- AND LONG-TERM EXTERNAL DEBT
(% of GDP)



Fuente: BCRP, SBS, and banks.