

EXTERNAL SECTOR

1. International Environment

Recording a slightly lower growth rate than in 2015 and the lowest rate since 2009, the world economy grew 3.1 percent in 2016. In the emerging economies, the growth was similar to the previous year.

In addition, the developed countries showed an almost generalized weakened economic performance, with growth rates declining from 2.1 percent in 2015 to 1.7 percent in 2016. This lower economic dynamism was reflected in the negative evolution of private investment during the first half of the year.

Table 15 GLOBAL GROWTH (Annual % change)					
	% PPP 2015	% Peru's trading 2015	2014	2015	2016
Developed countries	42.4	47.4	1.9	2.1	1.7
<i>Of which:</i>					
1. USA	15.9	17.5	2.4	2.6	1.6
2. Eurozone	12.0	11.0	1.1	2.0	1.7
Germany	3.4	2.8	1.6	1.5	1.8
France	2.3	0.9	0.6	1.3	1.2
Italy	1.9	1.7	-0.3	0.7	0.4
Spain	1.4	2.5	1.4	3.2	3.2
3. Japan	4.3	3.0	0.0	1.2	1.0
4. United Kingdom	2.4	1.1	3.1	2.2	1.8
5. Canada	1.4	4.4	2.5	0.9	1.4
Developing countries	57.6	52.6	4.6	4.1	4.1
<i>Of which:</i>					
1. Developing Asia	30.9	26.9	6.8	6.7	6.4
China	17.2	22.2	7.3	6.9	6.7
India	7.1	2.2	7.2	7.6	7.1
2. Commonwealth of Independent States	4.4	0.7	1.1	-2.8	0.2
Russia	3.1	0.5	0.7	-3.7	-0.2
3. Latin America and the Caribbean	8.3	23.2	1.0	0.1	-0.5
Brazil	2.8	4.1	0.1	-3.8	-3.4
Chile	0.4	3.2	1.8	2.3	1.7
Colombia	0.6	3.0	4.4	3.1	1.6
Mexico	2.0	3.4	2.2	2.6	2.4
Peru	0.3	-	2.4	3.3	3.9
World Economy	100.0	100.0	3.4	3.2	3.1
Memo:					
Trading partners ^{1/}	66.2		3.6	3.2	2.8
BRICs ^{2/}	30.2		5.8	5.0	5.1

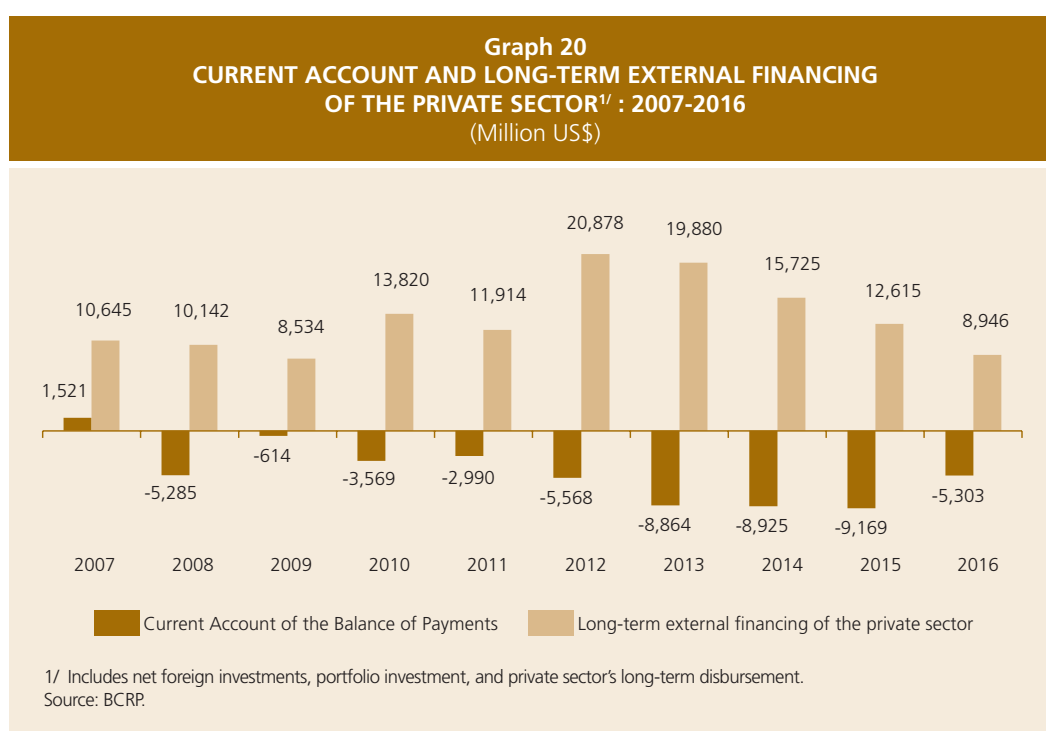
1/ Peru's 20 main trading partners.
2/ Brazil, Russia, India, and China.
Source: Bloomberg, IMF, and Consensus Forecast.



However, towards the end of the year, after the election results of United States, stock markets and commodity markets began to register a rising trend associated with expectations of increased public spending on infrastructure and with less regulation in some markets, which would have a positive impact on growth.

2. Balance of Payments

Peru's external accounts were favored for the second consecutive year by the expansion of the operations of some major mines, which went from the investment phase to the production phase. This resulted not only in an increase in the volume of exports, but also in a reduction in the volume of imports of capital goods, given the lower investment requirements. In addition to this, there was also a positive impact of better external conditions in the second half of the year. On the one hand, there was a recovery of export prices, and, on the other hand, there was an increase in exports of some non-traditional products. As a result, the deficit in the current account of the balance of payments fell from 4.8 percent of GDP in 2015 to 2.7 percent in the year.



The financial account registered a flow of US\$ 6.42 billion, a sum equivalent to 3.3 percent of GDP, 1.6 percentage points of GDP lower than the flow of the previous year due mainly to lower long-term financing to the private sector in the form of direct investment and private loans associated with the completion of the investment phase of some mining projects.

Table 16
BALANCE OF PAYMENTS
(Million US\$)

	Million US\$			% GDP	
	2014	2015	2016	2015	2016
I. CURRENT ACCOUNT BALANCE	-8,925	-9,169	-5,303	-4.8	-2.7
1. Trade Balance	-1,509	-2,916	1,888	-1.5	1.0
a. FOB Exports	39,533	34,414	37,020	17.9	18.9
b. FOB Imports	-41,042	-37,331	-35,132	-19.4	-18.0
2. Services	-1,895	-2,040	-1,974	-1.1	-1.0
a. Exports	5,940	6,236	6,312	3.2	3.2
b. Imports	-7,835	-8,276	-8,287	-4.3	-4.2
3. Investment Income	-9,893	-7,544	-9,184	-3.9	-4.7
a. Private	-9,183	-6,813	-8,322	-3.5	-4.3
b. Public	-710	-731	-862	-0.4	-0.4
4. Current transfers	4,372	3,331	3,967	1.7	2.0
of which: Remittances	2,637	2,725	2,884	1.4	1.5
II. FINANCIAL ACCOUNT	6,630	9,454	6,418	4.9	3.3
1. Private sector	7,574	8,792	3,709	4.6	1.9
a. Assets	-5,257	-247	-966	-0.1	-0.5
b. Liabilities	12,832	9,039	4,675	4.7	2.4
2. Public sector	-67	3,110	2,657	1.6	1.4
a. Assets	-670	-473	-189	-0.2	-0.1
b. Liabilities ^{1/}	603	3,583	2,846	1.9	1.5
3. Short-term capital	-878	-2,448	52	-1.3	0.0
a. Assets	-1,061	-2,887	-305	-1.5	-0.2
b. Liabilities	183	439	357	0.2	0.2
III. EXCEPTIONAL FINANCING	10	0	0	0.0	0.0
IV. NET ERRORS AND OMISSIONS	107	-212	-946	-0.1	-0.5
V. BALANCE OF PAYMENT RESULT	-2,178	73	168	0.0	0.1
(V = I + II + III + IV) = (1-2)					
1. Change in the balance of NIRs	-3,355	-823	201	-0.4	0.1
2. Valuation effect	-1,177	-896	32	-0.5	0.0

1/ 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, PROMPERU, Ministry of Foreign Affairs, COFIDE, ONP, FCR, Tacna Free Trade Zone, Banco de la Nación, Cavali S.A. ICLV, Proinversión, Bank for International Settlements (BIS), and businesses.

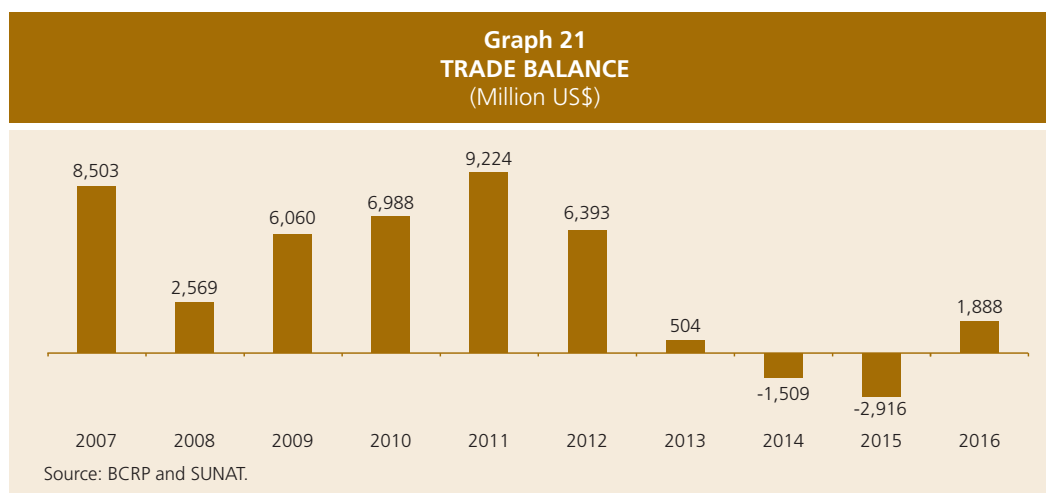
2.1 Trade Balance

The trade balance showed a surplus of US\$ 1.89 billion –a balance US\$ 4.81 billion higher than that recorded in 2015– mainly as a result of the increase in the volume of exports (11.6 percent) and, to a lesser extent, of a lower volume of imports (down 3.0 percent).

Exports totaled US\$ 37.02 billion, a sum 7.6 percent higher than that recorded in the previous year due to an increase in the average volume of traditional exports (16.6 percent), especially exports of copper, gold, coffee, and crude oil derivatives). In addition, the volume of non-traditional exports grew 0.9 percent due to increased exports of agricultural products, chemical products, and steel and iron products, which offset the fall in exports of textiles and fisheries.



Imports amounted to US\$ 35.13 billion, a figure 5.9 percent lower than the amount of imports in 2015. The volume of imports decreased 3.0 percent as a result of lower imports of consumer goods (3.2 percent) and capital goods (9.1 percent). However, this decline was in part offset by a greater volume of imports of inputs (4.8 percent), especially crude and oil derivatives. The price of imports dropped 3.0 percent, influenced mostly by the lower international prices of crude, which affected the price of imported inputs.



China and the United States continued to be Peru's two major trading partners, the transactions with these countries accounting for 40.7 percent of the total trade carried out in 2016 (39.3 percent in 2015).

Table 17
TRADE BY MAIN COUNTRIES AND REGIONS ^{1/}
(Million US\$)

	Exports ^{2/}			Imports ^{3/}			X + M		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
China	7,025	7,391	8,487	8,541	8,346	7,953	15,565	15,738	16,441
USA	6,141	5,012	6,233	8,408	7,433	6,697	14,549	12,445	12,930
Brazil	1,593	1,073	1,205	1,924	1,851	2,031	3,517	2,923	3,236
Switzerland	2,642	2,677	2,572	196	154	150	2,838	2,831	2,721
South Korea	1,214	1,087	1,393	1,286	1,205	1,210	2,500	2,293	2,603
Canada	2,551	2,409	1,686	793	698	622	3,345	3,107	2,307
Japan	1,583	1,117	1,264	1,038	1,010	983	2,621	2,127	2,247
Chile	1,537	1,077	1,010	1,273	1,210	1,156	2,810	2,287	2,166
Mexico	736	547	465	1,917	1,831	1,647	2,653	2,378	2,113
Germany	1,234	927	891	1,423	1,069	1,074	2,657	1,996	1,965
Colombia	1,228	879	711	1,202	1,252	1,140	2,430	2,131	1,852
Spain	1,363	1,092	1,220	719	670	608	2,082	1,762	1,828
Bolivia	1,727	1,342	1,337	630	364	385	2,357	1,706	1,722
Ecuador	861	710	652	1,743	947	1,058	2,604	1,657	1,710
Rest	8,097	7,075	7,894	9,949	9,290	8,418	18,045	16,365	16,311
TOTAL	39,533	34,414	37,020	41,042	37,331	35,132	80,575	71,745	72,151
Asia	11,306	11,115	13,534	14,107	13,897	13,311	25,414	25,012	26,845
North America	9,428	7,968	8,384	11,118	9,961	8,966	20,547	17,929	17,350
European Union	6,380	5,480	5,577	4,741	4,300	4,176	11,121	9,780	9,753
Andean Countries ^{4/}	5,849	4,180	3,792	4,873	3,799	3,750	10,723	7,979	7,542
Mercosur ^{5/}	1,823	1,250	1,375	3,390	3,001	3,163	5,213	4,251	4,538
Rest	4,745	4,422	4,358	2,813	2,372	1,766	7,559	6,794	6,124

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.

Classification of exports by groups of economic activity

Peru's exports of agricultural products amounted to US\$ 3.77 billion in 2016, while fishing exports totaled US\$ 1.92 billion, mining and hydrocarbons exports amounted to US\$ 24.96 billion, and manufacturing exports amounted to US\$ 5.91 billion.

Exports of coffee (US\$ 759 million) and fruits (US\$ 1.91 billion) stand out in the group of agricultural products, while exports of fishmeal and canned fish and sea food (US\$ 1.89 billion) stand out in the group of fisheries. In addition, exports of non-ferrous minerals (US\$ 11.90 billion) and of primary products based on precious metals and non-ferrous minerals (US\$ 10.15 billion) were noteworthy in the sector of mining and hydrocarbons, and finally, exports of textiles –fabrics, yarn, garments, and synthetic fibers–, which amounted to US\$ 1.20 billion, stand out in the group of manufacturing exports.

The graph below shows that the distribution of exports by sector has remained relatively stable between 2012 and 2016, with the exception of the mining and hydrocarbons sector whose exports ratio decreased from 72 to 68 percent. In contrast, the ratio of the agriculture sector increased from 6 to 10 percent.

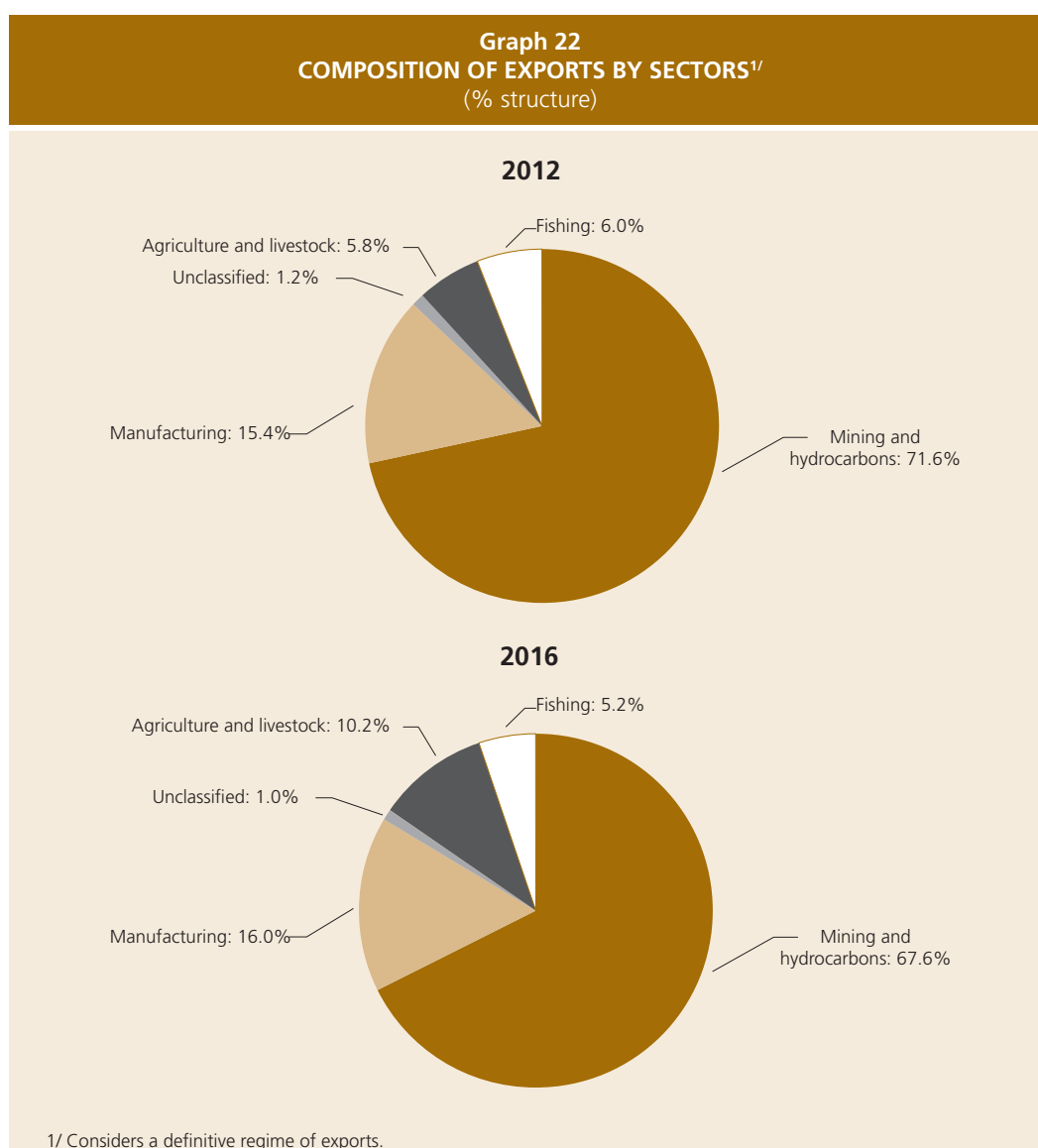




Table 18
EXPORTS^{1/} BY GROUP OF ECONOMIC ACTIVITY
(Million US\$)

Sector	Year			Participation
	2014	2015	2016	2016
Agriculture and livestock^{2/}	3,293	3,371	3,765	10.2
Cereals, legumes and oilseeds, except rice	337	282	252	0.7
Of which:				
Quinoa	196	145	104	0.3
Tara powder	33	32	33	0.1
Fresh Beans	21	19	24	0.1
Vegetables, tubers, and roots	498	530	550	1.5
Of which:				
Fresh Asparagus	385	421	422	1.1
Fresh onions	66	63	71	0.2
Other seeds (including tomato seeds)	35	27	28	0.1
Fruits	1,428	1,669	1,906	5.2
Of which:				
Grapes	643	709	661	1.8
Avocados	304	306	397	1.1
Mangoes	138	196	201	0.5
Organic bananas	119	145	152	0.4
Blueberry	30	97	243	0.7
Coffee	733	609	759	2.1
Spices and medicinal and aromatic plants	116	115	121	0.3
Of which:				
Whole paprika	46	52	56	0.2
Ginger	27	23	25	0.1
Ornamental plants	15	15	14	0.0
Sugar cane	69	48	71	0.2
Rest	98	104	91	0.2
Fishing	2,522	2,108	1,923	5.2
Fresh or frozen products	37	22	25	0.1
Fishmeal and canned fish, and crustacean and mollusc	2,481	2,083	1,894	5.1
Rest	4	3	3	0.0
Mining and Hydrocarbons	26,098	22,267	24,957	67.6
Crude oil	500	123	30	0.1
Natural gas	786	449	523	1.4
Iron	647	350	344	0.9
Non-ferrous minerals	9,909	9,603	11,897	32.2
Oil refining products	3,276	1,732	1,659	4.5
Primary products of precious metals and non-ferrous metals	10,578	9,585	10,152	27.5
Rest	402	426	352	1.0
Manufacturing	7,058	6,187	5,910	16.0
Processing and preserving of fruit and vegetables	804	825	820	2.2
Oils and fats of vegetable and animal origin	490	348	322	0.9
Milk products	138	111	103	0.3
Milling and Bakery	172	178	189	0.5
Cocoa and chocolate and confectionery products	240	273	300	0.8
Macaroni, noodles, couscous and flour products	40	40	40	0.1
Other foodstuffs	96	98	84	0.2
Prepared animal food	151	147	182	0.5
Textiles (yarn, tissues, garments and fibers)	1,805	1,335	1,202	3.3
Madera	117	97	67	0.2
Paper and cardboard items	152	127	112	0.3
Brochures, books and other printed materials	66	56	55	0.1
Basic chemicals	414	418	458	1.2
Fertilizers	66	64	57	0.2
Supplies of plastics and synthetic rubber	62	49	39	0.1
Toiletries and cleaning products	177	159	128	0.3
Others chemical products	63	68	65	0.2
Tires and inner tubes	77	62	61	0.2
Plastic products	485	410	369	1.0
Building materials	107	121	109	0.3
Iron and steel industry	169	147	147	0.4
Smelting of non-ferrous metals	221	182	151	0.4
Electric motors, generators, transformers and distribution equipment	28	16	15	0.0
Other electric and electronic cables	4	2	3	0.0
Machinery and equipment	104	78	52	0.1
Miscellaneous articles	116	115	121	0.3
Rest	695	662	658	1.8
Unclassified	391	394	365	1.0
Total	39,362	34,327	36,919	100.0

1/ Only considers a definitive regime of export.

2/ Includes forestry.

Traditional Exports

Traditional exports totaled US\$ 26.14 billion, a sum 11.5 percent higher than in 2015 which reflected mainly the increase recorded in exports of copper, gold, coffee, and oil derivatives.

Table 19 EXPORTS (% change)						
	Volume			Price		
	2014	2015	2016	2014	2015	2016
TRADITIONAL EXPORTS	-3.2	6.5	16.6	-9.4	-20.5	-4.3
<i>Of which:</i>						
Fish meal	-0.6	-17.9	-4.8	-1.5	5.7	-9.4
Coffee	-16.8	-10.2	44.0	26.8	-6.9	-14.0
Copper	0.0	22.8	43.7	-9.7	-25.0	-13.3
Gold	-12.1	7.9	3.2	-10.3	-8.4	7.6
Zinc	4.4	4.0	-6.8	1.9	-3.6	4.3
Crude oil	5.8	-44.3	-79.6	-12.8	-56.6	-1.9
Derivatives	3.5	-3.1	18.6	-5.8	-45.4	-19.0
NON-TRADITIONAL EXPORTS	6.2	-4.9	0.9	-0.7	-1.9	-1.9
<i>Of which:</i>						
Agricultural exports	22.3	5.2	5.7	0.5	-1.0	0.9
Fishing	-12.4	-24.0	-7.2	6.6	-2.7	-3.2
Textiles	10.5	-23.5	-7.6	1.5	5.5	5.5
Chemicals	2.3	-4.5	1.9	-1.9	-2.8	-6.4
Iron & steel, and jewelry	-12.3	8.7	7.1	-0.8	-13.4	-6.3
TOTAL	-1.0	2.4	11.6	-6.9	-15.0	-3.6

Source: BCRP and SUNAT.

Mining exports accumulated a total of US\$ 21.78 billion, up 14.9 percent from 2015, which resulted mainly from higher volumes of exports. It is worth mentioning that the volume of exports of copper, our main export product, was 2,493 thousand fine metric tons, 43.7 percent higher than in 2015. Furthermore, the volume of gold exports was 5,915 thousand ounces, 3.2 percent higher than in 2015.

Sales of crude oil and natural gas to other nations amounted to US\$ 2.21 billion, which represents a decline of 3.9 percent compared to 2015 and reflects the lower prices for oil and natural gas.

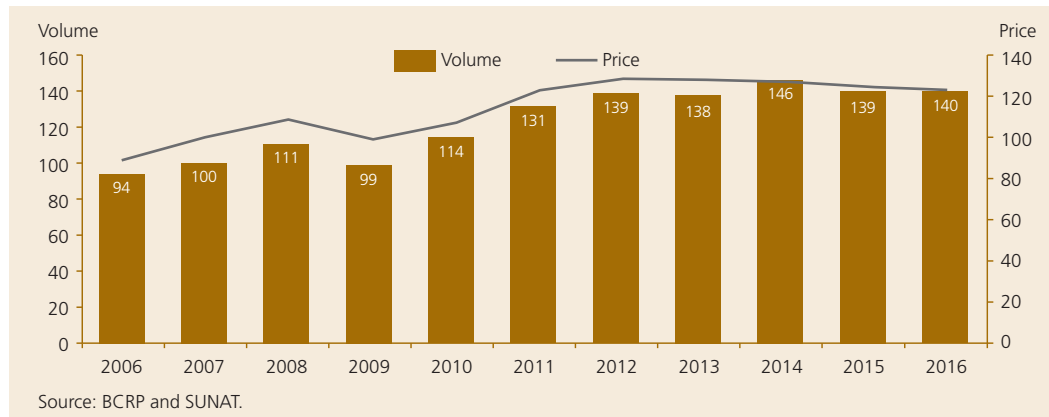
Fishing exports in 2016 amounted to US\$ 1.27 billion, 12.9 percent less than in the previous year due mainly to the decrease recorded in the price of fishmeal.

Non-Traditional Exports

Non-traditional exports amounted to US\$ 10.78 billion, 1.0 percent less than in 2015. The volume of non-traditional exports increased by 0.9 percent due to larger shipments of agricultural, chemical, and iron and steel products, while the average price of total non-traditional exports decreased 1.9 percent.



Graph 23
NON-TRADITIONAL EXPORTS
(Indices 2007=100)



The main markets of destination of our non-traditional products were the United States, with US\$ 3.09 billion, followed by The Netherlands and Chile, with US\$ 820 million and US\$ 622 million, respectively. By economic blocs, exports to the Andean countries declined 9.8 percent in a context of negative growth in the Latin American region. The value of sales of textiles decreased 10.2 percent, mainly because of lower volumes of exports to Brazil, Venezuela, and Ecuador. There were also lower shipments of chemical products to Chile, Colombia, Venezuela, and Bolivia, these markets accounting for 38 percent of Peru's total exports of chemical products. The reduction in non-traditional exports has been a generalized conduct in the region. On the other hand, however, exports to the United States increased by 2.7 percent compared to 2015.

Table 20
MAIN DESTINATION: NON-TRADITIONAL EXPORTS
(Million US\$)

	2014	2015	2016	% chg. 2016/2015
USA	2,859	3,005	3,087	2.7
Netherlands	657	718	820	14.2
Chile	671	690	622	-10.0
Colombia	800	649	606	-6.6
Ecuador	746	606	581	-4.1
Spain	473	439	539	22.7
Bolivia	570	550	515	-6.3
Brazil	489	376	359	-4.7
United Kingdom	255	290	312	7.5
China	472	344	264	-23.3
Mexico	229	266	240	-9.6
Germany	243	221	225	1.5
France	201	191	186	-2.5
Italy	199	184	151	-17.9
Venezuela	486	166	77	-53.5
Rest	2,325	2,199	2,200	0.0
Total	11,677	10,895	10,782	-1.0
Memo:				
Asia	1,281	1,069	999	-6.5
North America	3,265	3,477	3,523	1.3
European Union	2,341	2,345	2,549	8.7
Andean countries ^{1/}	3,275	2,661	2,401	-9.8
Mercosur ^{2/}	624	508	486	-4.3

1/ Bolivia, Chile, Colombia, Ecuador, and Venezuela

2/ Argentina, Brazil, Paraguay, and Uruguay

Source: SUNAT and BCRP.

It is worth mentioning that exports of agricultural products and textiles continued to be the most important exports to the United States and accounted for 69 percent of total non-traditional exports to the US market in 2016. Top sellers included fresh asparagus (US\$ 268 million), fresh grapes (US\$ 250 million), and knit T-shirts (US\$ 248 million).

Table 21 NON-TRADITIONAL EXPORTS						
	Million US\$			% Change		
	2014	2015	2016	2014	2015	2016
Agricultural products	4,231	4,409	4,702	22.8	4.2	6.6
Fishing products	1,155	933	909	12.1	-19.3	-2.6
Textiles	1,800	1,331	1,196	-6.6	-26.1	-10.2
Wood and paper	416	353	322	-2.6	-15.2	-8.8
Chemicals	1,515	1,406	1,342	0.3	-7.2	-4.6
Non-metallic minerals	664	698	640	-8.1	5.3	-8.3
Iron & steel, and jewelry	1,149	1,081	1,084	-13.0	-5.9	0.3
Metal mechanic products	581	533	445	6.8	-8.3	-16.5
Others ^{1/}	165	151	143	15.4	-8.5	-5.4
TOTAL	11,677	10,895	10,782	5.5	-6.7	-1.0
1/ Includes furs, leather, and handcrafts, mainly. Source: BCRP and SUNAT.						

Exports of **agricultural products** amounted to US\$ 4.70 billion, with shipments of fresh grapes, asparagus, fresh avocados, and blueberries standing out. A greater dynamism was observed in the demand of different countries of destination of Peru's export products, including the United States, Spain, The Netherlands, Colombia, and the United Kingdom.

At the bloc level, the main destinations of our products were North America (grapes, asparagus, blackberries, avocados, and paprika), the European Union (avocados, asparagus, cocoa, mangos, grapes, blackberries, and organic bananas), and the Andean countries (food for shrimps, noodles, and biscuits).

In the last ten years, exports of agricultural products have grown at an average annual rate of 12.0 percent. Thus, the value exported in 2016 was approximately more than three times the value of exports in 2007.

Table 22 MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS (Million US\$)			
Most popular products	2007	2016	Average % chg. 2007-2016
Fresh grapes	60	661	27.0
Fresh asparagus	236	422	6.0
Fresh avocados	47	397	23.8
Blackberries	0	243	n.a.
Fresh mangoes	63	201	12.2
Cocoa	11	184	32.6
Shrimp and prawn feed	45	160	13.4
Organic bananas	31	152	17.2
Asparagus prepared	156	119	-2.7
Quinoa	2	104	48.2
Canned artichokes	79	97	2.1
Paprika	96	91	-0.6
Evaporated milk	65	90	3.3
Fresh onions	22	71	12.6
Fresh tangerines	17	52	12.0
Subtotal	931	3,043	12.6
Total	1,512	4,702	12.0
Source: BCRP and SUNAT.			



Exports of **fisheries** totaled US\$ 909 million, a sum 2.6 percent lower than that recorded in 2015, which reflected lower exports of frozen and canned squid and prawn tails. The main markets of destination for these products were the United States, Spain, South Korea, and China. In the last ten years, fishing exports have grown at an average annual rate of 6.2 percent.

The value of **textile exports**, which totaled US\$ 1.20 billion, was 10.2 percent lower than in the previous year. These exports recorded a decline of 7.2 and 3.2 percent in terms of volume and price, respectively. The reduction in the volume of textile exports was associated with lower sales to Brazil, Ecuador, and Venezuela, as well as with lower sales to the European and Asian markets.

Table 23
MAIN COUNTRIES OF DESTINATION OF TEXTILE PRODUCTS
(Million US\$)

	Year			% chg. 2016/2015
	2014	2015	2016	
USA	663	604	606	0.3
Venezuela	271	43	14	-68.4
Brazil	119	82	48	-42.1
Ecuador	107	73	50	-30.5
Colombia	101	65	58	-10.5
Chile	77	59	54	-9.8
Italy	63	51	35	-31.8
Germany	45	39	36	-8.8
Bolivia	42	34	32	-6.7
Mexico	38	29	26	-10.7
China	30	22	19	-14.4
Argentina	30	27	28	2.9
Canada	21	24	24	-2.1
United Kingdom	20	20	20	-0.8
Japan	19	14	12	-16.0
Rest	154	144	136	-5.5
Total	1,800	1,331	1,196	-10.2
Memo:				
Asia	87	74	64	-13.4
North America	722	658	656	-0.3
European Union	179	154	140	-9.2
Andean countries ^{1/}	598	274	207	-24.2
Andean countries excluding Venezuela	327	231	194	-16.0
Mercosur ^{2/}	155	114	79	-30.6

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

Exports of **chemical products** amounted to US\$ 1.34 billion in 2016, less than in 2015. These products showed a decline in terms of prices (6.4 percent), offset in part by increased volumes of shipments of ethyl alcohol, carminic acid, and car tires. Chile, Bolivia, Ecuador, and Colombia were the main markets of destination for Peru's exports of chemical products.

Imports

In 2016 imports amounted to US\$ 35.13 billion, which represents a decline of 5.9 percent compared to 2015. This decline in imports was in part associated with the lower dynamism of domestic investment –the volume of imports of capital goods fell 9.1 percent– as well as with the drop in the price of oil –through its impact in input prices– which led to a fall in the prices of imported products of 3.0 percent.

Table 24
FOB IMPORTS BY USE OR DESTINATION
(FOB value in million US\$)

	Million US\$			% change		
	2014	2015	2016	2014	2015	2016
1. CONSUMER GOODS	8,899	8,754	8,614	0.6	-1.6	-1.6
Non-durable goods	4,657	4,731	4,638	3.4	1.6	-2.0
Main food products	479	474	480	25.6	-1.1	1.5
Rest	4,178	4,258	4,158	1.4	1.9	-2.3
Durable goods	4,243	4,023	3,976	-2.3	-5.2	-1.2
2. INPUTS	18,797	15,911	15,140	-3.7	-15.4	-4.8
Fuel, oils, and related	5,754	3,671	3,819	-10.8	-36.2	4.0
Raw materials for agriculture	1,339	1,236	1,213	7.6	-7.6	-1.9
Raw materials for industry	11,704	11,003	10,108	-1.1	-6.0	-8.1
3. CAPITAL GOODS	12,911	12,002	11,113	-5.5	-7.0	-7.4
Construction materials	1,422	1,421	1,112	-1.5	-0.1	-21.7
For agriculture	141	160	144	7.4	14.0	-10.1
For industry	8,689	7,842	7,268	4.3	-9.7	-7.3
Transportation equipment	2,660	2,579	2,588	-29.3	-3.0	0.3
4. OTHERS GOODS	435	664	264	35.3	52.7	-60.2
5. TOTAL IMPORTS	41,042	37,331	35,132	-3.1	-9.0	-5.9
Memo:						
Main food products	2,459	2,236	2,166	3.7	-9.1	-3.1
Wheat	555	486	391	-2.4	-12.4	-19.6
Maize and/or sorgum	479	485	524	-4.6	1.4	7.9
Rice	127	134	152	15.9	5.2	13.7
Sugar	80	141	163	2.8	75.7	15.8
Dairy products	204	124	108	59.7	-38.8	-13.6
Soybean	946	791	771	2.8	-16.4	-2.5
Meat	68	74	58	2.7	9.1	-22.3

Memo: Classification used in CUODE.

Source: SUNAT, Tacna Free Trade Zone, and Banco de la Nación.

Table 25
IMPORTS
(% change)

	Volume			Price		
	2014	2015	2016	2014	2015	2016
CONSUMER GOODS	0.4	-0.7	-3.2	0.2	-1.0	1.6
Durable goods	4.2	3.6	-3.3	-0.7	-1.9	1.4
Non-durable goods	-3.4	-5.2	-3.0	1.1	0.0	1.9
INPUTS	-0.4	5.1	4.8	-3.3	-19.5	-9.2
Main food products	9.1	5.6	3.7	-8.8	-15.7	-7.8
Crude oil and derivatives	-4.3	19.6	22.2	-7.1	-45.9	-18.2
Industrial inputs	0.0	0.9	-0.2	-0.3	-7.2	-6.4
Of which						
Plastics	2.7	5.7	3.2	3.3	-19.6	-14.8
Iron & steel	-0.7	10.9	13.0	-2.7	-18.2	-19.3
Textiles	4.3	4.0	-0.1	-0.1	-11.7	-5.9
Papers	6.1	3.1	5.1	-1.6	-3.7	-8.0
Chemicals	0.9	9.5	18.9	-1.0	-12.5	-13.2
Organic chemicals	-6.4	14.6	6.2	1.0	-15.7	-11.9
Rest	-1.3	-4.6	-6.4	-0.7	0.1	-0.5
CAPITAL GOODS	-5.5	-7.1	-9.1	0.0	0.1	1.9
Building materials	-1.5	-0.1	-23.2	0.0	0.1	1.9
Rest ^{1/}	-6.0	-8.0	-7.2	0.0	0.1	1.9
Total	-1.6	0.2	-3.0	-1.5	-9.2	-3.0

1/ Excludes building materials.

Source: BCRP and SUNAT.



In 2016, the average price of imports dropped 3.0 percent compared to 2015, the fall in the prices of oil and derivatives and dairy products being noteworthy (18.2 and 14.7 percent, respectively).

The largest contractions of total imports in terms of volume were observed in imports of capital goods and consumer goods, in line with the lower growth of domestic demand (especially investment).

Among imports of **durable consumer goods**, the strongest drop was observed in imports of furniture and bedroom accessories from China, France, and Mexico (down by US\$ 16 million), followed by imports of domestic appliances from China, Ecuador, and South Korea (down by US\$ 16 million). Imports of **non-durable consumer goods** were associated with lower purchases of clothing, footwear, and perfumes and cosmetics.

Imports of **inputs**, which accounted for 43 percent of Peru's total imports, amounted to US\$ 15.14 billion. These imports showed a reduction of 4.8 percent in terms of value compared to 2015, in line with the lower import prices of these products.

The volume of imports of **industrial inputs** fell 0.2 percent as a result of lower imports of textiles. This fall was in part offset by increased imports of iron and steel products, chemical products, and organic chemicals.

Imports of **capital goods** fell by 7.4 percent in nominal terms due mainly to lower volumes of these imports. By economic sectors, there were lower imports in the sectors of mining (US\$ 394 million), electricity (US\$ 316 million), and telecommunications (US\$ 169 million), whereas, on the other hand, imports in the sector of transportation and the subsector of hydrocarbons increased by US\$ 214 million and US\$ 143 million, respectively.

Table 26
IMPORTS OF CAPITAL GOODS BY ECONOMIC SECTORS

Sector	FOB Value: Million US\$			% Change		
	2014	2015	2016	2014	2015	2016
Agriculture	47	45	49	-10.7	-4.4	8.8
Fishing	7	31	3	-24.8	351.1	-89.4
Hydrocarbons	287	402	546	4.1	40.4	35.6
Mining	1,720	1,121	727	12.5	-34.9	-35.1
Manufacturing	1,238	1,061	1,020	-5.1	-14.3	-3.9
Construction	558	536	422	-15.2	-4.0	-21.3
Electricity	266	625	309	-27.9	134.6	-50.6
Transportation	1,605	1,400	1,615	-33.6	-12.8	15.3
Telecommunications	1,185	1,048	879	24.0	-11.6	-16.1
Traders of Capital Goods	3,316	3,227	3,188	-1.8	-2.7	-1.2
IT Equipment	885	903	1,028	9.8	2.0	13.9
Machinery and diverse equipments	756	697	675	9.4	-7.7	-3.2
Medicine and surgery instruments	115	114	106	-11.8	-0.9	-7.0
Office equipments	143	119	111	-2.2	-17.3	-6.5
Financial services	336	289	325	-25.0	-13.9	12.4
Other traders	1,081	1,105	943	-6.4	2.3	-14.7
Rest	2,682	2,506	2,356	-1.3	-6.6	-6.0
Memo:						
Mobile phones	890	762	559	23.9	-14.4	-26.7
Total	12,911	12,002	11,113	-5.5	-7.0	-7.4

2.2 Terms of Trade

During 2016, the terms of trade showed a slight decline of 0.7 percent, this decline being significantly lower than those observed in previous years. The drop in export prices (3.6 percent) was higher than the drop in import prices (3.0 percent). It should be pointed out that the terms of trade registered an improvement in the last two months of the year due to the evolution of export prices, particularly the prices of basic metals, whose demand increased influenced by expectations of higher spending in infrastructure in the United States as well as by increased speculative positions.

Table 27
TERMS OF TRADE
(Annual % change)

Years	Price of Exports	Price of Imports	Terms of trade	Q4	Price of Exports	Price of Imports	Terms of trade
2014	-6.9	-1.5	-5.4	2014	-7.3	-4.8	-2.6
2015	-15.0	-9.2	-6.4	2015	-15.5	-7.9	-8.3
2016	-3.6	-3.0	-0.7	2016	7.3	1.3	6.0

Source: BCRP.

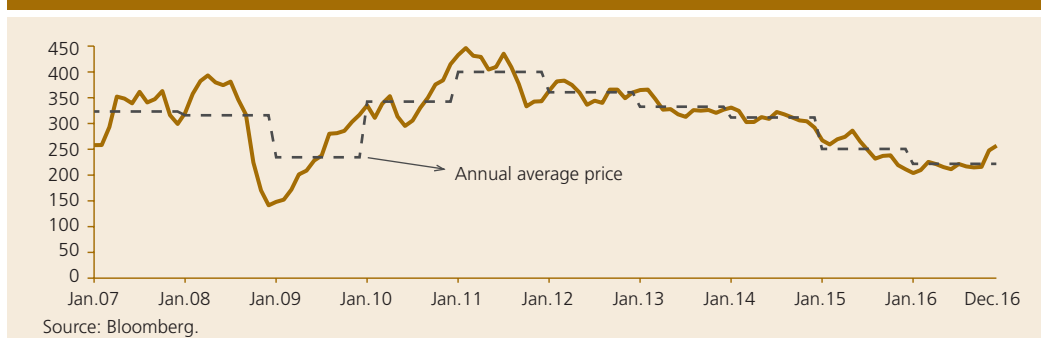
As a result of this, the terms of trade registered a cumulative fall of 18.8 percent from the maximum level observed in 2011, but showed a trend towards stabilization. From a medium-term perspective, the terms of trade show similar levels to the average level recorded since 1950 and a level 66 percent above the minimum historical level recorded in 1993.

In 2016 the average price of **copper** declined 12 percent to a level of US\$ 2,21 per pound. The price of this metal showed a differentiated conduct over the year: until the third quarter, it showed a declining trend due to positive supply shocks, but followed an upward trend in the last quarter of the year (copper recorded a maximum price of US\$ 2,56 per pound in December), driven by expectations of increased investment in infrastructure in the United States.

The price of copper fell due to the growth of the supply of copper concentrates which favored the production of refined copper at lower costs, the increased production of copper concentrate resulting from the onset of operations in new copper projects as well as from low levels of mining strikes. In our country, the onset of operations in new mines as well as the decision of focusing on the mineral deposits with higher ore grades was particularly important. However, the increased production of copper was in part offset by an unexpectedly strong global demand, particularly by China's strong demand for this metal.

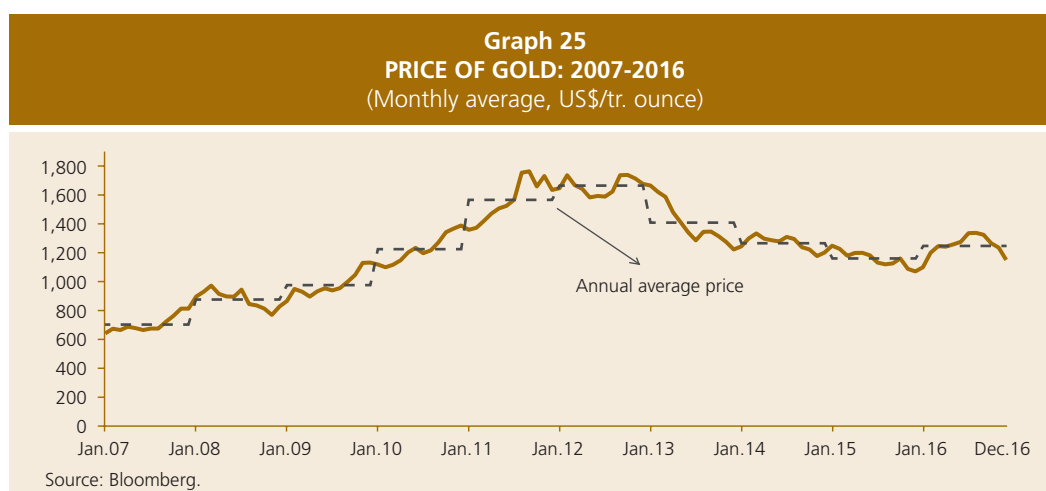
Towards the end of the year, the decline in the price of copper reversed in response to changes in the market outlook (election results in the United States and the downward revision of the outlook for the growth of supply).

Graph 24
PRICE OF COPPER: 2007 - 2016
(Monthly average, US\$ cents per pound)





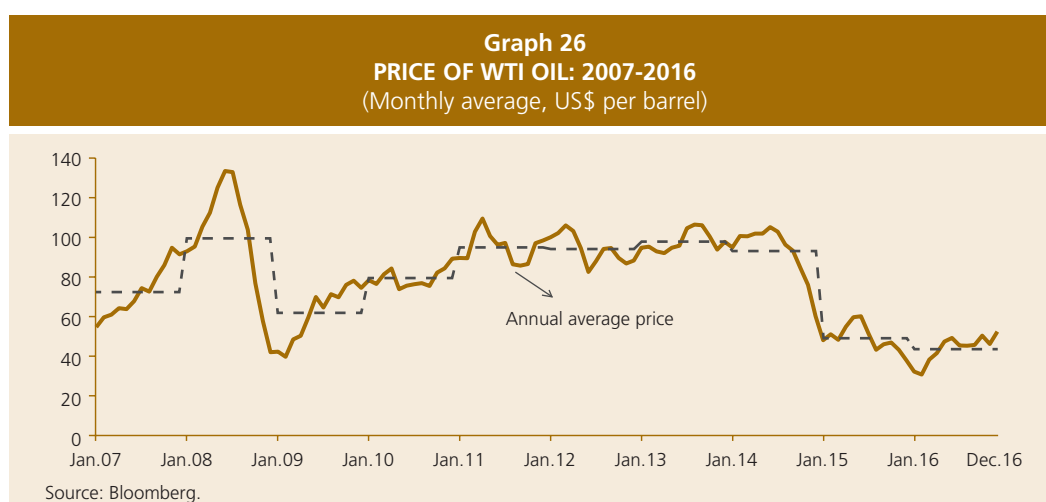
The average price of **gold** increased 8 percent from 2015, showing an annual average level of US\$ 1,248 per ounce in 2016. This rise is explained by the return of investors to the gold market: the positions of Exchange Trade Funds (ETFs) registered an increase for the first time in three years. This increased demand reflected the geopolitical risks observed during the year, particularly concerns about the Brexit and the result of the elections in the United States. The demand was also driven by higher inflationary pressures in most developed economies. However, these pressures were offset in part by the appreciation of the dollar and by lower physical demand, especially the lower demand of China and India.



The average price of **WTI oil** dropped 11 percent to a level of US\$ 43 per barrel in 2016. The price of crude showed a downward trend until February (when it reached a minimum level of US\$ 30 per barrel), rising thereafter to a maximum price of US\$ 52 a barrel in December.

The collapse in the price of oil is explained by the oversupply of crude oil associated with the OPEC Member countries' decision of not cutting their production quota despite signs indicating the existence of a growing surplus in the market. The decision of the largest producers of OPEC –e.g. Saudi Arabia– to maintain their market share prevailed. As a result of this decision and the consequent fall in prices, there was a significant reduction in crude oil production in the United States, which reached its minimum in September 2016.

In December, the price of oil showed a recovery due to the decision of the OPEC countries and other major producers to cut their production in order to balance the market.



2.3 Services

In 2016 the trade deficit in services amounted to US\$ 1.97 billion, a figure US\$ 66 million lower than that recorded in 2015. This lower deficit reflected mainly increased revenues (US\$ 76 million) associated with the area of travel, as well as lower outlays for transportation (freight), in line with the lower volume of imports of goods.

Table 28 SERVICES (Million US\$)					
	Million US\$			% Change	
	2014	2015	2016	2015	2016
I. TRANSPORTATION ^{1/}	-1,440	-1,404	-1,240	-2.5	-11.7
1. Credit	1,380	1,376	1,335	-0.3	-3.0
2. Debit	-2,819	-2,780	-2,575	-1.4	-7.4
II. TRAVEL	1,487	1,442	1,472	-3.0	2.1
1. Credit	3,077	3,309	3,501	7.5	5.8
2. Debit	-1,590	-1,867	-2,029	17.4	8.7
III. COMMUNICATIONS	-146	-246	-249	69.1	1.2
1. Credit	149	101	92	-32.1	-9.4
2. Debit	-295	-348	-341	17.9	-1.9
IV. INSURANCE AND REINSURANCE	-376	-392	-406	4.3	3.7
1. Credit	539	636	568	17.9	-10.7
2. Debit	-915	-1,028	-975	12.3	-5.2
V. OTHERS^{2/}	-1,421	-1,440	-1,551	1.3	7.7
1. Credit	794	814	816	2.5	0.3
2. Debit	-2,215	-2,254	-2,367	1.7	5.0
VI. TOTAL SERVICES	-1,895	-2,040	-1,974	7.7	-3.2
1. Credit	5,940	6,236	6,312	5.0	1.2
2. Debit	-7,835	-8,276	-8,287	5.6	0.1

1/ Includes port spending in aircrafts and commissions, mainly.
2/ Includes government, financial, and information technology services, royalties, leasing of equipment, and business services.
Source: BCRP, SUNAT, SBS, Mincetur, PROMPERÚ, Ministry of Trade Affairs and businesses.

The deficit for transportation services (US\$ 1.24 billion) was US\$ 164 million lower than in 2015. Revenues decreased by US\$ 41 million (3.0 percent) as a result of the decline of domestic airlines' sale of airfares abroad (3.5 percent), while expenses decreased by US\$ 205 million due to the reduction of payments for freight services (10.5 percent).

The travel surplus amounted to US\$ 1.47 billion. Revenue grew 5.8 percent due to the increasing number of non-resident travelers who came to the country (7.7 percent), while expenses grew 8.7 percent due to the increased number of travelers who visited other countries (10.0 percent).

Services under the heading Other Services showed a deficit of US\$ 1.55 billion. Revenues increased 0.3 percent, while outlays increased 5.0 percent due mainly to other business services and to financial services.



Table 29
SERVICES: OTHER SERVICES

	Million US\$			% Change	
	2014	2015	2016	2015	2016
Balance of other services	-1,421	-1,440	-1,551	1.3	7.7
Revenue	794	814	816	2.5	0.3
Government services	153	156	159	2.0	2.0
Other services	641	658	657	2.6	-0.1
Other business services ^{1/}	541	540	545	-0.1	0.9
Financial Services	58	64	56	10.5	-12.8
Computer and information services	33	42	42	30.1	-1.2
Royalties and license rights	6	7	9	16.7	28.6
Personal, cultural, and recreational services	4	4	5	0.0	25.0
Expenditures	2,215	2,254	2,367	1.7	5.0
Government services	165	169	172	2.4	2.0
Other services	2,051	2,085	2,195	1.7	5.3
Other business services	1,403	1,400	1,462	-0.3	4.5
Computer and Information Services	221	263	270	19.1	2.6
Royalties and license rights	300	302	324	0.9	7.1
Financial services	102	83	112	-18.8	34.5
Personal services, cultural and recreational	24	35	27	46.5	-22.6
Construction services	1	2	0	139	-82

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: Ministry of Trade Affairs and businesses.

2.4 Current Transfers

Increasing by US\$ 635 million compared to 2015 due to extraordinary income obtained from the sale of assets between non-residents, current transfers amounted to US\$ 3.97 billion in 2016. Revenue from these transactions totaled US\$ 532 million (vs. US\$ 68 million in 2015).

Moreover, in 2016 remittances from other countries amounted to US\$ 2.88 billion, which represents an increase of US\$ 159 million (5.8 percent) compared to the previous year. This increase reflects the economic recovery of the United States and the beginning of a mild recovery in the Eurozone. In 2016, United States, Italy, and Spain accounted for 53.3 percent of the total of remittances to the country, which represented 1.5 percent of GDP in the year.

Table 30
REMITTANCES

Year	Million US\$	% change	% GDP
2014	2,637	-2.6	1.3
2015	2,725	3.4	1.4
2016	2,884	5.8	1.5

Source: SBS, banks and businesses.

Remittances from the United States, the main country of origin of remittances, increased 5.1 percent compared to 2015, reflecting this country's economic recovery. Moreover, remittances from Chile, which for the second consecutive year consolidated as the second country of origin of remittances, accounted for 10.4 percent of total remittances.

Furthermore, after four consecutive years of decline, the total amount of remittances from Spain increased 1.3 percent as a result of the slight recovery of employment levels of Peruvian migrants in this country. Despite this, Spain went from being the third country of origin of remittances to being the fourth source of remittances in 2016, while Italy climbed to the third place.

The average remittance amount was US\$ 274, US\$ 3 less than in 2015. The average amount of remittances that decreased included remittances from Chile (5.3 percent), Argentina (2.2 percent), Spain (1.3 percent), and Italy (0.7 percent). As for the number of remittances, a strong increase was observed in the number of remittances from Argentina (29.9 percent), Chile (16.3 percent), and Italy (12.3 percent), while the number of remittances from the United States and Spain increased by 4.1 and 2.8 percent, respectively.

Table 31 REMITTANCES BY COUNTRIES									
	Annual remittances (% share)			Annual average remittances (US\$)			Number of remittance ^{2/} (Thousand)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
USA	34.7	36.2	35.9	259	264	266	3,536	3,740	3,895
Chile	9.5	10.0	10.4	220	208	197	1,136	1,310	1,524
Italy	7.4	8.4	8.8	299	271	269	654	843	947
Spain	10.3	8.8	8.4	345	304	300	787	787	809
Japan	8.1	7.4	7.6	527	506	536	404	400	409
Argentina	4.3	4.5	5.3	229	226	221	500	538	699
Other countries ^{1/}	25.7	24.8	23.5	395	339	334	912	1,028	1,001
Total	100.0	100.0	100.0	293	277	274	7,929	8,645	9,283
1/ Includes estimated remittances not classified by country (informal channels). 2/ Excludes estimated remittances not classified by country (informal channels). Source: SBS, banks, and businesses.									

The main source used to transfer these funds continued to be money transfer companies (ETFs) and other means, through which 48.7 percent of these funds were intermediated. On the other hand, banks continued showing the declining trend that started in 2013 and accounted for 39.3 percent of these transfers.

Table 32 REMITTANCES FROM ABROAD BY SOURCE (% share)			
Year	2014	2015	2016
FTCs - Other channels ^{1/}	47.6	47.2	48.7
Banks	40.3	40.8	39.3
Informal channels	12.0	12.0	12.0
Total	100.0	100.0	100.0
1/ Fund transfer companies (FTCs) and other means. Source: SBS, banks, and businesses.			



2.5 Factor Income

Factor income showed a deficit of US\$ 9.18 billion in 2016 –a deficit US\$ 1.64 billion higher than the one recorded in the previous year–, a balance resulting mainly from increased outflows for profits in the mining and hydrocarbons sectors in a context in which major mining projects started their operation phase (copper production grew significantly in 2016). The private sector income, which consists of interests on deposits and the yields of the investments of financial and non-financial organizations, amounted to US\$ 621 million.

Table 33
INVESTMENT INCOME

	Million US\$			% Change	
	2014	2015	2016	2015	2016
I. REVENUE	1,213	1,013	1,084	-16.5	7.0
1. Private	509	542	621	6.6	14.5
2. Publics	704	471	463	-33.2	-1.6
II. EXPENDITURE	11,106	8,557	10,268	-23.0	20.0
1. Private	9,692	7,355	8,943	-24.1	21.6
Profits ^{1/}	8,497	5,813	7,267	-31.6	25.0
Interests	1,196	1,542	1,675	29.0	8.6
- Long-term loans	498	741	858	48.9	15.8
- Bonds	608	679	654	11.8	-3.7
- Short-term loans ^{2/}	90	122	163	34.8	33.5
2. Public	1,414	1,202	1,325	-15.0	10.3
Interests on long-term loans	209	200	224	-4.4	11.8
Interests on bonds	1,204	1,002	1,101	-16.8	9.9
Interests on BCRP securities ^{3/}	0	0	0	-30.8	114.8
III. BALANCE (I-II)	-9,893	-7,544	-9,184	-23.7	21.7
1. Private	-9,183	-6,813	-8,322	-25.8	22.1
2. Public	-710	-731	-862	3.0	17.9

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.

2.6 Financial Account of the Private Sector

In 2016 the private sector financial account showed a balance of US\$ 3.71 billion, a lower balance than in 2015. On the liabilities side, a fall was observed in the net flow of private loans (lower expenditure and higher depreciation), followed by lower foreign direct investment (due to lower capital contributions and lower net loans from parent companies).

It is worth mentioning that foreign direct investment (FDI) continued to be the main component of external capital flows among the components of the private sector financial account. The flows of foreign direct investment concentrated mainly in the sector of non-financial services (US\$ 4.24 billion), particularly telecommunications. Another aspect worth pointing out was the fall of FDI flows to the mining sector, in line with the decline of private investment after the completion of the implementation phase of mining projects and the beginning of their operations phase.

Table 34
PRIVATE SECTOR FINANCIAL ACCOUNT

	Million US\$			% change	
	2014	2015	2016	2015	2016
1. ASSETS	-5,257	-247	-966	-95.3	290.3
Direct investment abroad	-801	-127	-303	-84.1	138.1
Portfolio investment ^{1/}	-4,457	-120	-662	-97.3	451.9
2. LIABILITIES	12,832	9,039	4,675	-29.6	-48.3
Foreign direct investment	4,441	8,272	6,863	86.3	-17.0
a. Reinvestment	3,522	2,997	4,172	-14.9	39.2
b. Equity capital	-1,786	4,170	2,213	-333.4	-46.9
c. Net liabilities to affiliated enterprises	2,705	1,105	477	-59.1	-56.8
Portfolio investment	2,669	-596	-495	-122.3	-16.9
a. Equity securities ^{2/}	-79	-60	-307	-24.8	413.6
b. Other liabilities ^{3/}	2,748	-536	-188	-119.5	-64.8
Long-term loans	5,722	1,363	-1,693	-76.2	-224.2
a. Disbursements	9,416	5,066	2,881	-46.2	-43.1
b. Amortization	-3,694	-3,703	-4,574	0.2	23.5
3. TOTAL	7,574	8,792	3,709	16.1	-57.8
Memo:					
Net direct investment	3,640	8,144	6,560	123.7	-19.5
^{1/} Includes stocks and other foreign assets of the financial and non-financial sector. The negative sign indicates an increase. ^{2/} Considers the net purchase of shares by non-residents through the LSE, recorded by CAVALI SA ICLV. Also, includes ADRs. ^{3/} Includes bonds, credit notes and securitization, among others, in net terms (issuance less redemption). Source: BCRP, Cavali S.A. ICLV, Proinversion, and businesses.					

Table 35
FOREIGN DIRECT INVESTMENT IN COUNTRY BY DESTINATION SECTOR*
(Million US\$)

	2014	2015	2016
Hydrocarbons	836	-140	123
Mining	-1,332	1,962	461
Financial sector	988	1,058	979
Non-financial services	2,340	3,787	4,243
Manufacturing	1,357	1,409	716
Energy and others	252	195	341
TOTAL	4,441	8,272	6,863
* Includes contributes and other net capital operations, net loans to affiliated enterprises and reinvestment (current profits). Source: Enterprises.			

The placement of private bonds and bond placements by Cofide in international markets fell from US\$ 1.36 billion in 2015 to US\$ 798 million in 2016. The funds raised through these placements were used to prepay the debt (US\$ 498 million) and to finance project operations.



Table 36
BONDS ISSUED BY FIRMS IN THE EXTERNAL MARKET 2014 - 2016*

Date	Business	Amount (Million US\$)	Maturity (Years)	Yields
I. Total Year 2014		5,510		
a. Financial sector		2,204		
January 15	Banco de Crédito	200	13	6.13%
March 11	Banco Internacional del Peru SAA	300	15	6.63%
March 26	Fondo MiVivienda	300	5	3.38%
May 15	Fondo MiVivienda ^{1/}	279	4	1.25%
July 01	Banco de Crédito	225	4	2.75%
July 08	COFIDE	300	5	3.25%
July 08	COFIDE	300	15	5.25%
September 15	Banco Continental BBVA	300	15	5.25%
b. Non-financial sector		3,306		
January 15	Compañía Minera Ares	350	7	7.75%
January 31	Minsur	450	10	6.25%
April 08	Abengoa Transmisión Sur	432	29	6.88%
April 24	Camposol	75	3	9.88%
June 27	Rutas de Lima ^{2/}	370	22	8.38%
June 27	Rutas de Lima ^{3/}	150	25	5.25%
July 01	InRetail Shopping Mall	350	7	6.50%
October 07	InRetail Consumer	300	7	5.25%
October 28	Unión Andina de Cementos	625	7	5.88%
December 15	Energía Eólica	204	20	6.00%
II. Total Year 2015		1,355		
a. Financial sector		1,149		
February 03	Intercorp	250	10	5.88%
February 03	Banco Internacional del Peru SAA ^{2/}	99	15	7.66%
July 07	COFIDE	200	4	3.25%
July 07	COFIDE	600	10	4.75%
b. Non-financial sector		206		
February 03	GyM Ferrovías ^{3/}	206	25	4.75%
III. Total Year 2016		798		
a. Financial sector		300		
October 21	Banco de Crédito	300	3	2.25%
b. Non-financial sector		498		
May 19	Kallpa Generación S.A. ^{4/}	350	10	4.88%
June 20	Camposol ^{5/}	148	5	10.50%

* Excludes original placements made abroad by branches of resident companies (banks and non-banks).

1/ Emission in Swiss francs.

2/ Emission in soles.

3/ Emission in soles VAC.

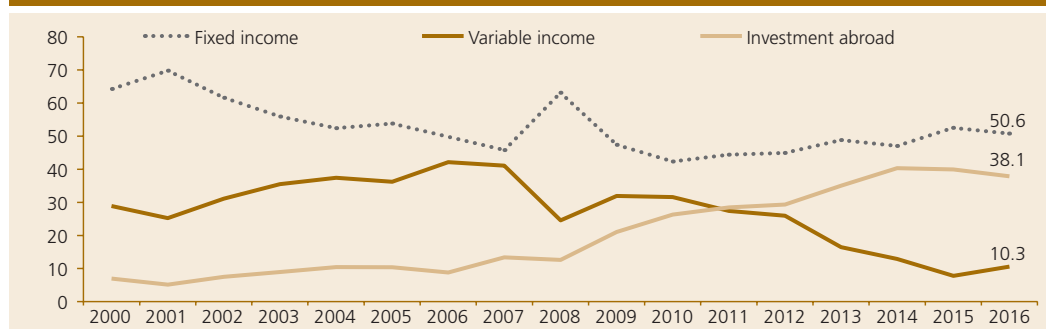
4/ 37% corresponds to residents companies.

5/ Payment of bonds issued in 2012.

Source: Companies and media.

External assets increased by US\$ 966 million, a higher amount than that recorded in 2015 (US\$ 247 million), due mainly to the increased acquisition of external portfolio assets, the investments of insurance companies and private pension funds (Administradoras Privadas de Fondos de Pensiones – AFP) standing out.

Graph 27
AFP: INVESTMENT
(%)



2.7 Short-Term Capital Flows

Amounting to only US\$ 52 million in 2016, the net flow of short-term capital showed a strong variation in comparison with the negative flow of US\$ 2.45 billion recorded in 2015. This variation is mostly explained by the lower increase of non-financial sector's deposits abroad.

2.8 Public Sector Financial Account

In 2016 the financial account of the public sector showed a positive balance of US\$ 2.66 billion, US\$ 453 million less than in the previous year. This balance is explained mainly by the lower issuance of Global Bonds (US\$ 2.71 billion) and by increased amortization (US\$ 724 million), offset in part by non-residents' higher holdings of Sovereign Bonds (US\$ 1.74 billion) and by residents' lower holdings of Global Bonds (US\$ 1.33 billion).

Table 37
PUBLIC SECTOR FINANCIAL ACCOUNT^{1/}

	Million US\$			% change	
	2014	2015	2016	2015	2016
I. DISBURSEMENTS	2,922	5,190	2,108	2,268	-3,082
Investment projects	988	349	958	-639	609
Central government	133	289	805	156	516
Public enterprises	855	60	153	-796	93
- Financial	304	36	109	-268	73
- Non-financial	551	23	44	-528	20
Free disposable loans	244	985	0	741	-985
Global bonds	1,690	3,856	1,150	2,166	-2,706
- Global ^{2/}	500	3,056	1,150	2,556	-1,906
- Financial public enterprises	1,190	800	0	-390	-800
II. AMORTIZATION	-1,592	-1,233	-1,957	359	-724
III. NET EXTERNAL ASSETS	-670	-473	-189	197	284
IV. OTHER OPERATIONS WITH DEBT SECURITIES (a-b)	-727	-374	2,694	353	3,068
a. Securities in the domestic market purchased by non-residents	-657	216	1,959	874	1,743
b. Securities in the foreign market purchased by residents	70	591	-735	521	-1,326
V. TOTAL	-67	3,110	2,657	3,177	-453

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. Global and Brady bonds, issued in foreign markets, are part of external debt including those purchased by non-residents.

Source: BCRP, MEF, COFIDE, and FCR.

2.9 International Investment Position

The country's international assets at December 2016 amounted to US\$ 109.51 billion, a higher figure than that recorded at end 2015. The BCRP international reserves reached a balance equivalent to 31.6 percent of GDP. This amount covers 6 times short term external liabilities (including the amortization of medium and long term loans in a year) and backs up 84.1 percent of private banks' total liabilities. These indicators reflect the soundness of the Peruvian economy.

On the side of liabilities, the increase in the balance of FDI stands out. This increase results from the retained earnings and from the capital contributions obtained by companies with foreign direct investment in Peru. On the side of the external debt, the ratio of this debt to GDP has remained almost unchanged. Moreover, as for the medium- and long-term private debt, the lower ratio of the private debt has been covered by the increase of the public debt.



Table 38
NET INTERNATIONAL INVESTMENT POSITION
(End-of-period levels)

	Million US\$			% GDP	
	2014	2015	2016	2015	2016
I. ASSETS	105,157	105,594	109,508	54.9	56.0
1. BCRP reserve assets	62,353	61,537	61,746	32.0	31.6
2. Assets of financial sector (excluding BCRP) ^{1/}	27,706	27,159	28,257	14.1	14.5
3. Others assets	15,098	16,898	19,505	8.8	10.0
II. LIABILITIES	164,780	170,832	184,774	88.8	94.6
1 Bonds and total private and public external debt^{2/}					
a. Medium and long term debt	62,832	66,444	67,457	34.6	34.5
Private sector ^{3/}	38,881	39,734	37,833	20.7	19.4
Public sector (i - ii + iii) ^{4/}	23,951	26,710	29,623	13.9	15.2
i. External public debt	19,764	23,630	23,762	12.3	12.2
ii. Public debt issued abroad purchased by residents	1,360	1,951	1,216	1.0	0.6
iii. Public debt issued locally purchased by non-residents	5,547	5,031	7,078	2.6	3.6
b. Short-term debt	6,383	6,829	7,195	3.6	3.7
Financial sector (excluding BCRP) ^{3/}	2,498	2,955	2,495	1.5	1.3
BCRP ^{5/}	45	52	60	0.0	0.0
Others ^{6/}	3,840	3,823	4,639	2.0	2.4
2. Direct investment	76,346	84,618	91,480	44.0	46.8
3. Capital participation	19,219	12,940	18,642	6.7	9.5

1/ Includes assets in domestic currency against non-residents.

2/ External public debt includes the debt of the Central Government and public enterprises.

3/ Includes liabilities in domestic currency with non-residents.

4/ 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.

5/ Includes mainly short-term debt of the non-financial private sector.

Source: BCRP, MEF, Cavali SA ICLV, Proinversión, BIS, and businesses.

Graph 28
MEDIUM- AND LONG-TERM EXTERNAL DEBT
(% GDP)

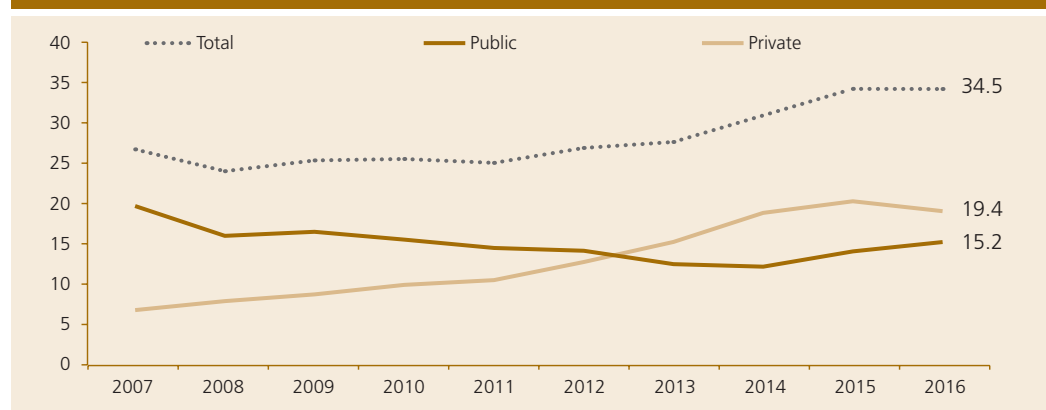


Table 39
NIR INDICATORS

As a % of:	2006	2011	2016
a. GDP	19.6	28.9	31.6
b. Short-term external debt ^{1/}	166	470	457
c. Short-term external debt plus Current account deficit	230	365	328

1/ Includes short-term debt balance plus redemption (1-year) from private and public sector.

Graph 29
NET INTERNATIONAL RESERVES
(% GDP)

