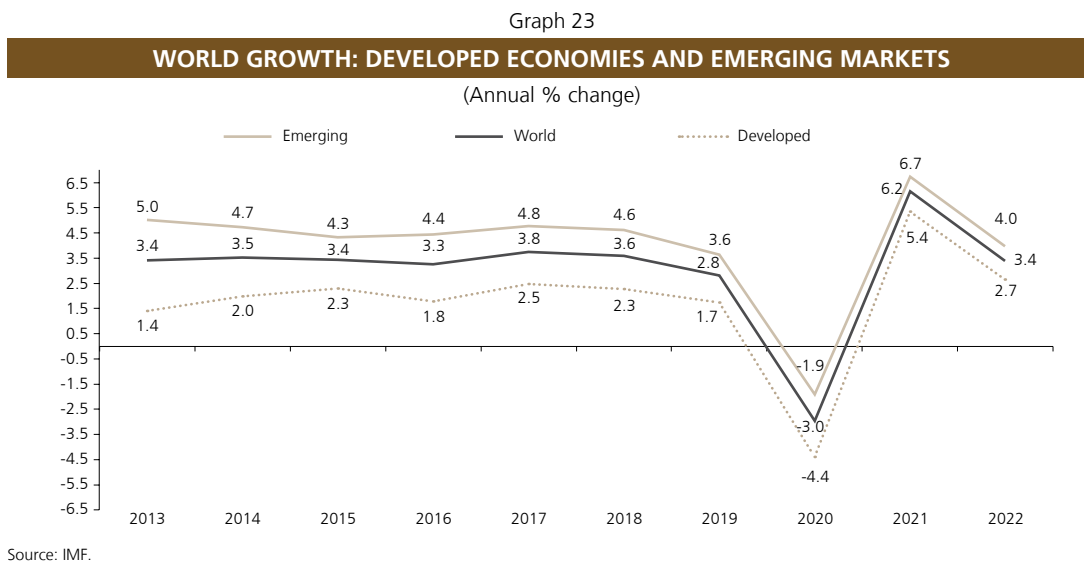


02. EXTERNAL SECTOR

1. INTERNATIONAL ENVIRONMENT

After the strong recovery recorded in 2021, the global economy moderated its pace of expansion. Thus, after growing at a rate of 6.2 percent, the economy grew by 3.4 percent in 2022, with a slowdown in both advanced economies (from 5.4 to 2.7 percent) and emerging economies (from 6.7 to 4.0 percent).

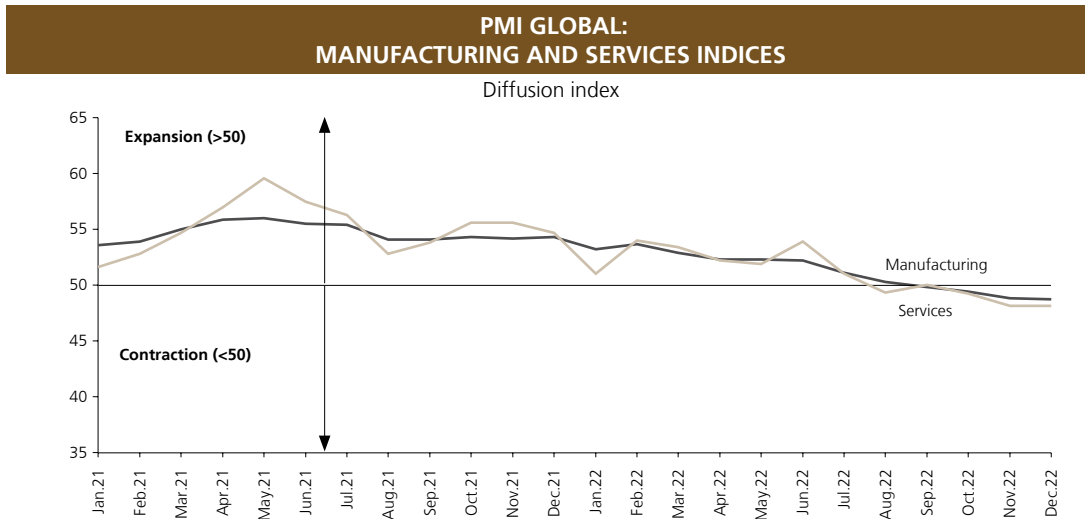


During the year, the economy was affected, among other factors, by the effects of the war in Ukraine, the persistence of the inflationary process and the COVID-19 containment measures adopted in China (especially in the second half of the year). In addition, several developed economies tightened monetary policy in the face of high inflation.

The supply shocks that had been affecting the economy since 2021 were exacerbated by the conflict in Ukraine, but gradually corrected over the course of the year. Despite this correction, the global index of supply chain pressures and food prices remained above their historical averages.

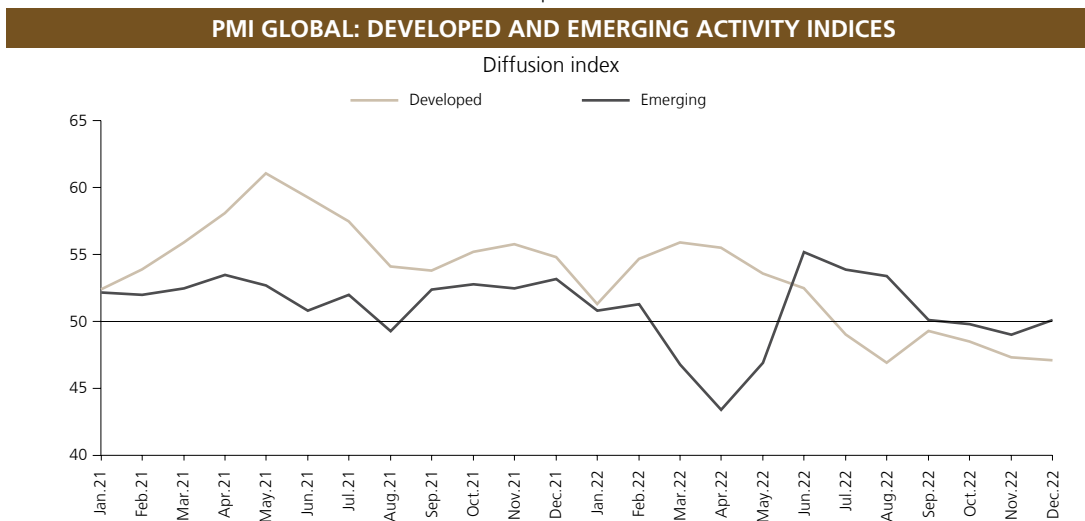
As a result of these factors, economic activity, both in manufacturing and services, was gradually affected throughout the year, closing the last quarter in contractionary territory.

Graph 24



Source: JP Morgan.

Graph 25



Source: JP Morgan.

At the level of the developed economies, the **United States** reduced its annual growth rate from 5.9 to 2.0 percent. Growth was affected by the decline in residential investment. Nevertheless, private consumption and investment expanded, supported by low unemployment and the use by households of excess savings accumulated during the pandemic. At the sectoral level, the expansion of the services sector offset the unfavorable development of the real estate market, whose performance was affected by the increase in mortgage rates.

In **Europe**, Russia's invasion of Ukraine at the beginning of the year affected the region's recovery. This affected consumer and investor confidence and led to an increase in energy prices, adding to inflationary pressures. High inflation affected consumption, while the European Central Bank's (ECB) restrictive policy to combat it led to a tightening of financial conditions. Fiscal support (through subsidies and price caps) partially mitigated the impact of this shock on prices and economic activity.

Table 20

GLOBAL GROWTH						
(Annual % changes)						
	GDP-PPP % 1/	Commerce Peru % 2/	2020	2021	2022	Average 2013-2022
Developed countries	41.8	40.9	-4.4	5.4	2.7	1.7
<i>Of which:</i>						
1. USA	15.5	15.5	-3.4	5.9	2.0	2.0
2. Eurozone	12.0	9.4	-6.2	5.4	3.4	1.3
3. Japan	3.8	3.7	-4.6	2.1	1.4	0.5
4. United Kingdom	2.3	1.5	-9.3	7.6	4.1	1.7
5. Canada	1.4	3.5	-5.2	5.0	3.5	1.7
Emerging countries	58.2	59.1	-1.9	6.7	4.0	4.0
<i>Of which:</i>						
1. China	18.6	32.0	2.2	8.4	3.0	6.2
2. India	7.2	3.3	-6.6	8.7	6.8	5.5
3. Russia	2.9	0.7	-2.7	4.7	-2.2	0.7
4. Latin America and the Caribbean	7.3	18.9	-7.7	7.0	3.9	0.9
Brazil	2.3	4.0	-3.3	5.0	2.9	0.5
Chile	0.4	3.0	-6.1	11.7	2.4	2.3
Colombia	0.6	1.9	-7.3	11.0	7.5	3.2
Mexico	1.8	2.3	-8.0	4.7	3.1	1.3
Argentina	0.7	2.1	-9.9	10.4	5.2	-0.7
Peru	0.3	-	-11.0	13.3	2.7	2.8
World Economy	100.0	100.0	-3.0	6.2	3.4	3.0
Memo:						
Trading partners 3/			-2.2	6.7	3.0	3.5

1/ Weights correspond to 2022. World GDP is sized in Purchasing Power Parity by IMF.

2/ Participation of each country in the total exports plus imports of Peru.

3/ Peru's 20 main trading partners as of 2021.

Source: IMF, Statistical Institutes and Central Banks.

In **China**, the economy slowed due to strict sanitary measures to prevent a resurgence of COVID-19, which were only relaxed at the end of the year. In addition, the real estate market contracted. The global slowdown also affected export growth, which had been one of the most dynamic components of spending in the previous year.

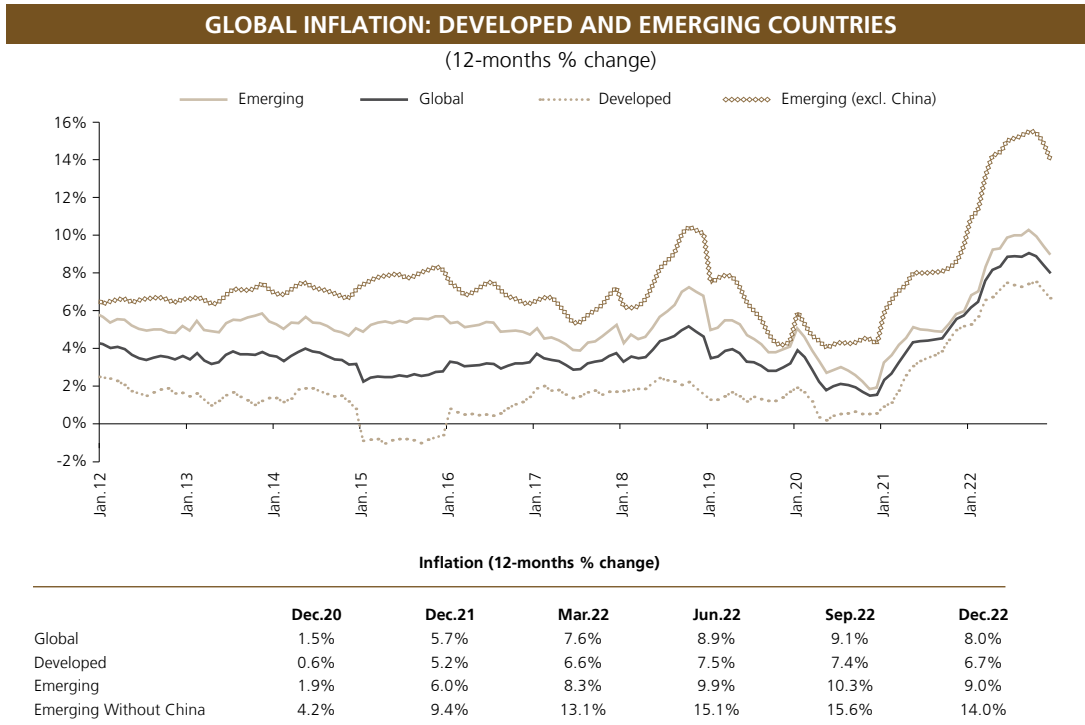
On the other hand, growth in the main **Latin American countries** was lower in 2022 than in the previous year. However, growth forecasts for 2022 were revised upwards during the year due to a better-than-expected performance of domestic demand (particularly consumption), especially in Colombia and Chile.

As a result of the recovery in demand and supply constraints, **inflationary pressures** increased significantly in the first half of the year. It was not until September that inflation rates began to show a moderate downward trend in general terms.

In the United States, inflation peaked in June at 9.1 percent per annum, associated with a rise in energy prices (prices rose by 41.6 per cent per annum in that month). Core inflation continued to rise until September, when it began to slow down.

A similar pattern was observed in the Eurozone, where inflation reached a record 10.6 percent in October. In this region, energy prices rose at two-digit rates throughout the year, while food inflation was on an upward trend throughout the year. In other advanced economies, such as the United Kingdom and Japan, inflation continued to rise until the last quarter of the year. In emerging markets, inflation continued to rise in most countries until the beginning of the last quarter of the year.

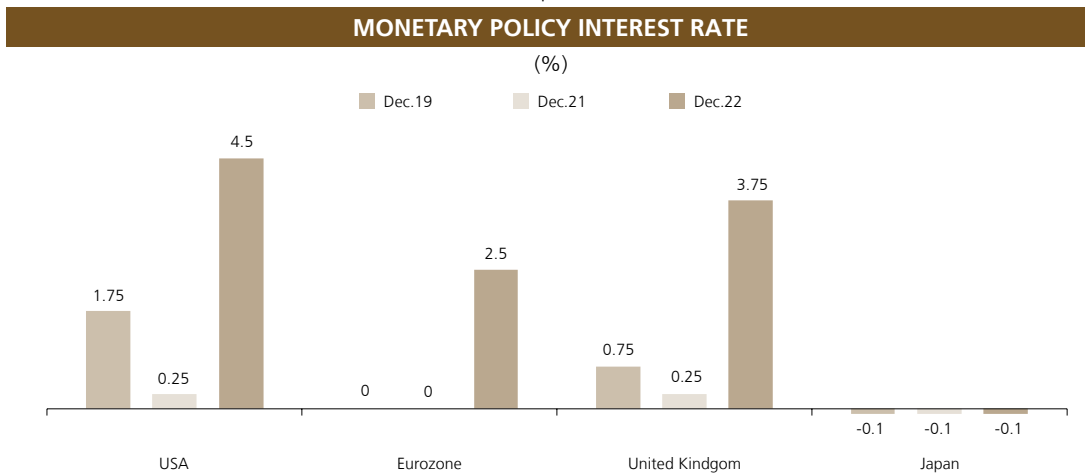
Graph 26



Source: Reuters.

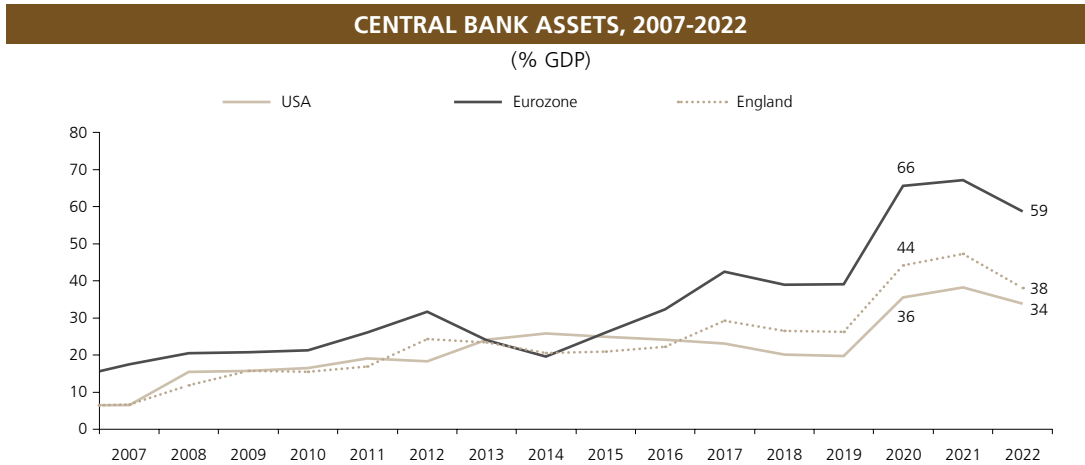
In this context, central banks in developed countries, with the exception of Japan, continued to tighten monetary policy. In the case of the Federal Reserve (Fed), the tapering program (reduction of asset purchases) initiated in November 2006 was completed in March. That same month saw the first monetary policy rate hike since the minimum levels of the pandemic, which ultimately accumulated an increase of 425 bps in the year. A similar upward trend was observed in most developed economies (with the exception of Japan) and in most emerging economies.

Graph 27



Source: Central banks.

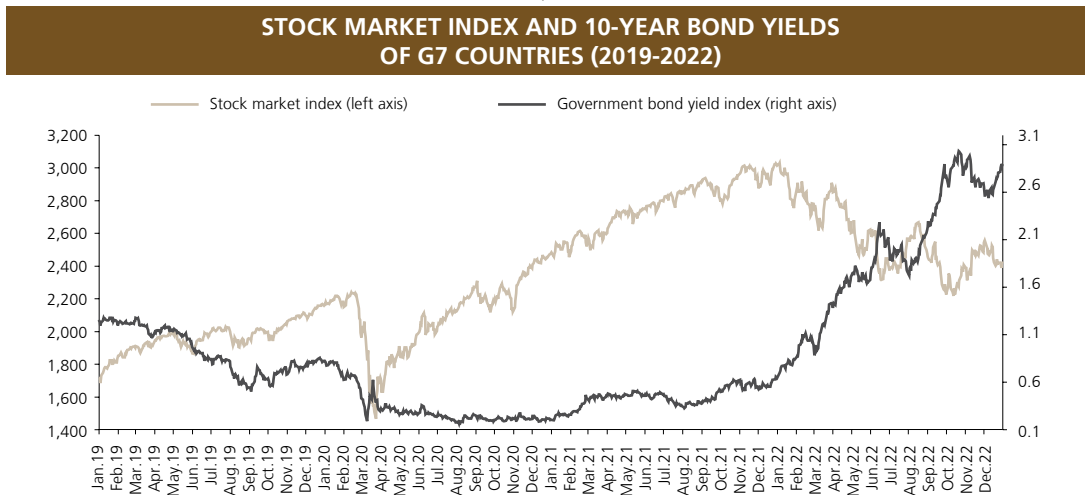
Graph 28



Source: Central banks.

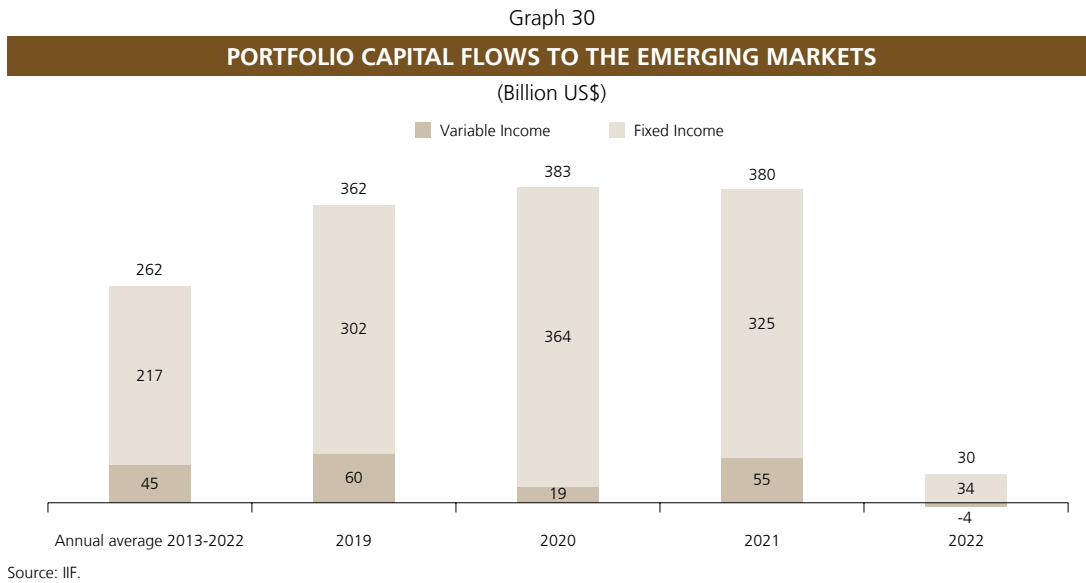
The Fed’s monetary tightening led to a strengthening of the dollar in international markets. In September, the DXY index, which measures the value of the dollar against the major currencies, reached a 20-year high. The yen depreciated as a result of the divergence between Japan’s expansionary monetary policy and that of the rest of the developed world. Similarly, lower global liquidity was reflected in falling returns in both fixed income and equity markets, a situation not seen since the global financial crisis.

Graph 29



Source: Reuters.

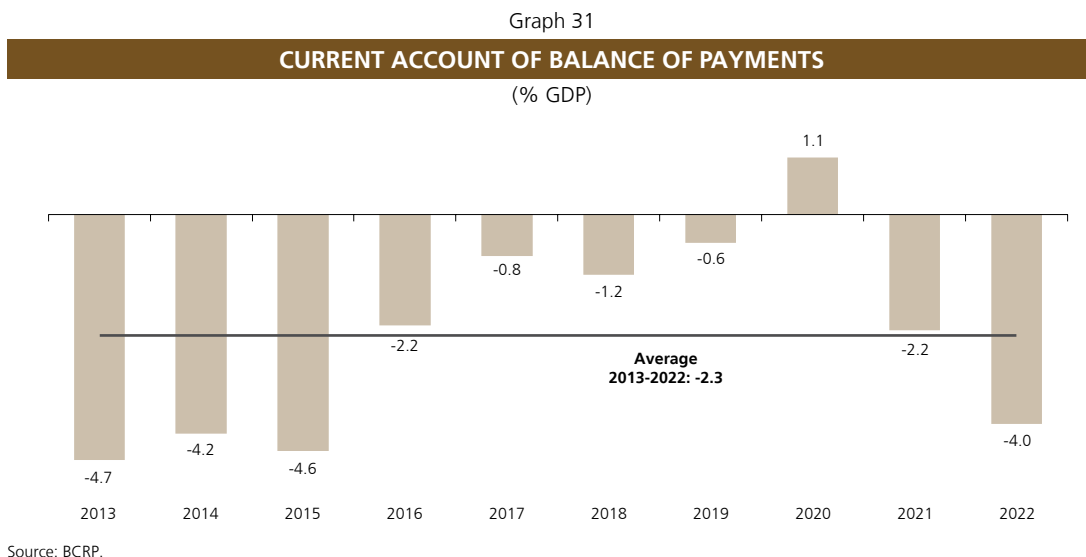
In this context, capital flows to emerging markets declined significantly since February, influenced by expectations of further interest rate adjustments by the Fed and other developed economies, geopolitical tensions and the slowdown in China. This situation was partially reversed towards the end of the year.



2. BALANCE OF PAYMENTS

The outcome of the external accounts in 2022 reflected the contraction of the terms of trade, higher freight rates and higher prices of imported products. This occurred in a context in which global economic activity slowed compared to the previous year, explained by the withdrawal of monetary stimulus at the global level, persistent supply chain disruptions, geopolitical conflicts and high energy prices.

As a result, the current account deficit of the balance of payments as a percentage of GDP increased from 2.2 percent in 2021 to 4.0 percent in 2022, a higher deficit than the average for the period 2013-2022 (2.3 percent). The widening of the deficit was mainly due to a higher increase in imports relative to exports and, to a lesser extent, to the widening of the deficit in the services account. These factors were partly offset by a reduction in the deficit of the primary income account, mainly from the private sector.



The financial account recorded an increase in the net debtor position of US\$ 9,246 million, equivalent to 3.8 percent of GDP. This foreign financing flow was lower than in 2021, reflecting (i) lower sales of external portfolio assets, given the lower liquidity needs of AFPs; (ii) lower portfolio investment in public sector instruments, as a result of the reduction in the issuance of general government bonds and the sale of government bonds acquired by nonresidents; and (iii) lower portfolio investment in the private sector, due to lower issuance by resident companies in international markets. These dynamics were mitigated by higher flows of FDI liabilities due to the reinvestment of profits and capital contributions, as well as by a decline in FDI assets and an increase in net loans.

Table 21

BALANCE OF PAYMENTS						
(Million US\$)						
	2020	2021	2022	% GDP		
				2021	2022	Prom., 13-22
I. CURRENT ACCOUNT (1+2+3+4)	2,235	-5,064	-9,908	-2.2	-4.0	-2.3
1. Goods (a-b)	8,102	14,977	10,333	6.6	4.2	2.3
a. Exports 1/	42,826	62,967	66,235	27.9	27.1	21.7
b. Imports	34,724	47,990	55,902	21.3	22.8	19.3
2. Services (a-b)	-4,860	-7,771	-8,642	-3.4	-3.5	-1.9
a. Exports	2,718	2,947	4,962	1.3	2.0	2.5
b. Imports	7,579	10,718	13,604	4.7	5.6	4.3
3. Primary income (a+b)	-6,186	-18,067	-17,373	-8.0	-7.1	-5.2
a. Private	-5,330	-16,346	-15,742	-7.2	-6.4	-4.7
b. Public	-855	-1,721	-1,631	-0.8	-0.7	-0.5
4. Secondary income 2/	5,179	5,797	5,773	2.6	2.4	2.4
Of which: Remittances	2,904	3,608	3,708	1.6	1.5	1.4
II. FINANCIAL ACCOUNT (1+2+3) 3/	-6,536	-15,579	-9,246	-6.9	-3.8	-3.6
Net creditor (+) / Net debtor (-)						
1. Private sector (a-b)	2,649	-16,579	-14,587	-7.3	-6.0	-3.1
a. Assets	847	-8,693	-2,906	-3.8	-1.2	0.3
b. Liabilities	-1,801	7,887	11,682	3.5	4.8	3.4
2. Public sector (a-b)	-9,831	-15,590	957	-6.9	0.4	-1.8
a. Assets	287	57	-145	0.0	-0.1	0.1
b. Liabilities 4/	10,118	15,647	-1,102	6.9	-0.5	1.8
3. Short-term capital (a-b)	646	16,591	4,385	7.3	1.8	1.3
a. Assets	2,525	16,349	4,126	7.2	1.7	1.3
b. Liabilities	1,879	-242	-259	-0.1	-0.1	0.0
III. EXCEPTIONAL FINANCING	0	0	0	0.0	0.0	0.0
III. ERRORS AND NET OMISSIONS	-3,470	-6,105	-4,427	-2.7	-1.8	-0.7
IV. BALANCE OF PAYMENT RESULT	5,301	4,410	-5,089	2.0	-2.1	0.5
IV = I - II + III = (1-2)						
1. Change in the balance of NIRs	6,391	3,789	-6,612	1.7	-2.7	0.4
2. Valuation effect	1,090	-622	-1,523	-0.3	-0.6	-0.1

1/ Includes estimate of gold exports not registered by Customs.

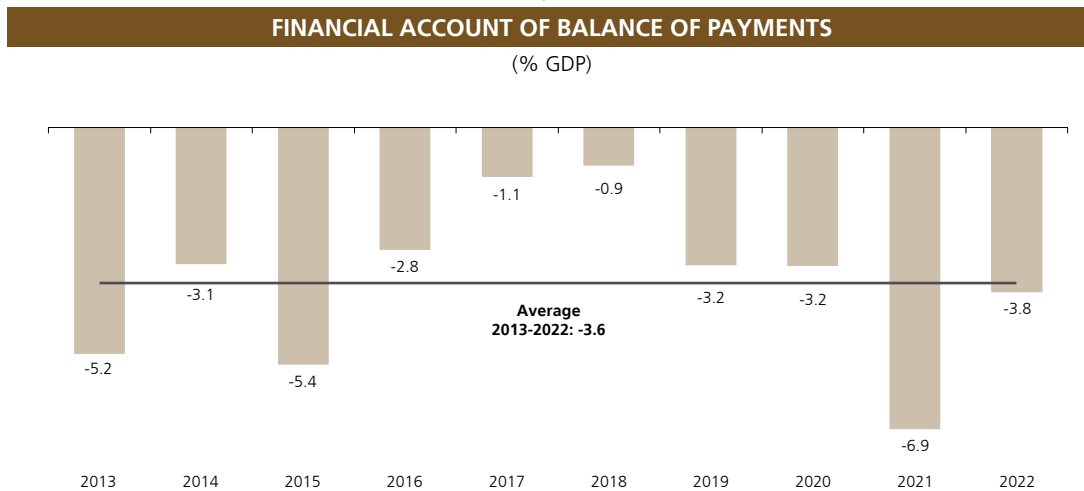
2/ Includes income tax by non-residents.

3/ The financial account and its components (private sector, public sector and short-term capital) are expressed as assets net of liabilities.

4/ Considers the sale and purchase between residents and non-residents of government bonds issued abroad or in the market local.

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.

Graph 32

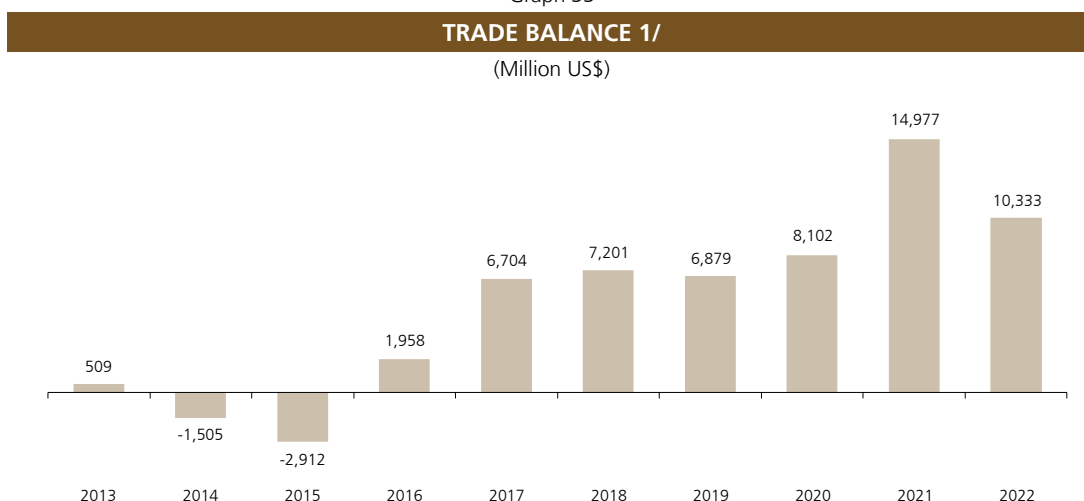


Memo: The result of the financial account represents the flow of net foreign assets (assets minus liabilities).
Source: BCRP.

2.1 GOODS TRADE BALANCE

The trade balance recorded a balance of US\$ 10,333 million in 2022, US\$ 4,643 million lower than the level recorded in the previous year. This result is mainly explained by the moderation in the growth of export commodity prices (1.8 percent), due to the decline in the average price of copper and other industrial metals, while import prices increased by 13.7 percent, in line with the higher prices of food, oil, and industrial inputs. Export and import volumes also moderated, growing by 3.3 and 2.4 percent, respectively, as a result of lower global growth prospects and the slowdown in domestic demand growth.

Graph 33

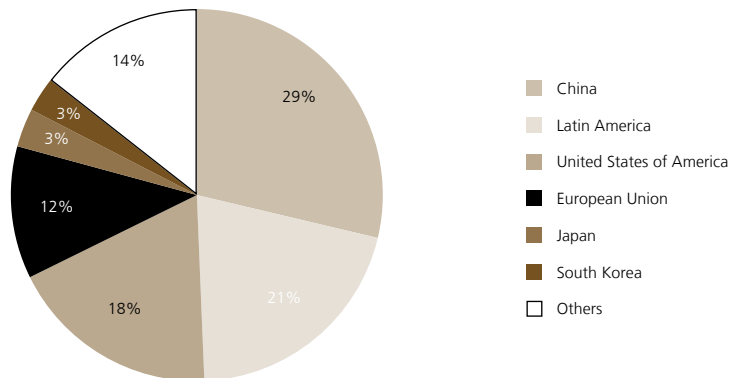


1/ Exports of copper, zinc and molybdenum in 2022 have been estimated based on exports reported to the MINEM in the cases of companies that, having made shipments, are not included in the export registry yet.
Source: BCRP and SUNAT.

Peru's main trading partners remained China and the United States. Transactions with these countries accounted for 47.1 percent of total trade in 2022.

Graph 34

MAIN COMMERCIAL PARTNERS IN 2022 1/



1/ Participation of each country/region in the total of Exports and Imports of Peru.
Source: BCRP and SUNAT.

Table 22

TRADE BY MAIN COUNTRIES AND REGIONS

(Million US\$)

	Exports			Imports			X+M		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
China	12,537	21,010	21,095	9,826	13,203	13,963	22,362	34,214	35,059
USA	6,262	7,256	8,592	6,401	9,124	13,837	12,663	16,380	22,429
Brazil	801	1,108	1,553	1,869	3,150	3,849	2,670	4,258	5,402
Bolivia	1,666	2,992	3,399	476	840	1,164	2,142	3,832	4,563
Japan	1,995	2,971	3,095	690	958	999	2,685	3,929	4,094
Canada	2,567	2,785	2,698	735	907	1,075	3,302	3,692	3,773
South Korea	2,450	2,985	2,791	607	850	891	3,057	3,834	3,682
Chile	1,137	1,838	1,967	1,241	1,373	1,488	2,378	3,211	3,455
India	1,159	2,510	2,204	774	987	1,023	1,933	3,496	3,227
Argentina	108	165	222	1,515	2,070	2,682	1,623	2,235	2,904
Mexico	444	582	829	1,477	1,817	1,910	1,921	2,398	2,739
Germany	908	1,360	1,219	972	1,429	1,378	1,879	2,789	2,597
Spain	1,121	1,549	1,666	640	789	773	1,761	2,338	2,439
Ecuador	652	937	1,304	436	668	934	1,088	1,605	2,238
Colombia	676	872	1,055	954	1,140	1,176	1,631	2,012	2,231
Italy	492	659	578	545	713	725	1,037	1,372	1,304
Taiwan	199	297	448	273	360	397	472	657	845
Vietnam	83	69	77	470	814	744	553	884	821
Thailand	126	125	135	339	447	443	465	571	578
Russia	134	195	100	238	545	324	373	740	425
Rest	7,308	10,702	11,210	4,247	5,806	6,123	11,555	16,508	17,334
Total	42,826	62,967	66,235	34,724	47,990	55,902	77,550	110,957	122,137
China	12,537	21,010	21,095	9,826	13,203	13,963	22,362	34,214	35,059
Latin America	5,978	9,491	11,444	8,411	11,669	13,779	14,389	21,160	25,223
USA	6,262	7,256	8,592	6,401	9,124	13,837	12,663	16,380	22,429
Asia (less China)	7,502	10,742	10,230	4,311	6,355	6,476	11,813	17,097	16,706
European Union	5,636	8,621	8,980	3,821	4,987	5,073	9,457	13,607	14,053
Others	4,911	5,847	5,895	1,955	2,652	2,773	6,866	8,499	8,668

X: Exports M: Imports
Source: BCRP and SUNAT.

Exports

Exports in 2022 totaled US\$ 66,235 million, US\$ 3,269 million more than in the previous year, with this performance being mainly explained by the volume component. Higher exports standing out in the traditional sector include the increase in copper exports (8.2 percent), explained by the commissioning of Quellaveco; higher shipments of natural gas (34.8 percent), due to a base effect after recording 3 months without shipments⁶ in 2021, and higher coffee exports, thanks to the stocks shipped in the first months of the year. For its part, in the non-traditional sector, the increase in the volume of agricultural exports (10.4 percent) and textiles (4.5 percent) stand out, despite the negative performance of the latter since the second half of the year.

Table 23

EXPORTS BY GROUP OF ECONOMIC ACTIVITY

(Million US\$)

Sector	2020	2021	2022	Part. 2022 (%)	% change 2022/2021
1. Agriculture and livestock	6,776	7,866	8,659	13.1	10.1
Grapes	1,030	1,249	1,363	15.7	9.1
Blueberry	973	1,187	1,355	15.7	14.2
Coffee	645	769	1,236	14.3	60.7
Fruit, legumes, and canned vegetables	934	1,033	1,049	12.1	1.6
Avocados	757	1,014	893	10.3	-11.9
Fresh asparagus	384	400	371	4.3	-7.2
Cereals, leguminous, and oil seed	282	312	282	3.3	-9.7
Mangoes	290	319	300	3.5	-6.2
Rest	1,481	1,584	1,811	20.9	14.4
2. Fishing	2,858	3,851	4,022	6.1	4.4
Fishmeal	1,180	1,806	1,817	45.2	0.6
Giant Squid	618	615	634	15.8	3.1
Fish oil	363	529	564	14.0	6.6
Canned or frozen products	228	330	389	9.7	18.0
Prawns	139	152	116	2.9	-24.1
Rest	331	419	502	12.5	19.7
3. Mining	26,955	41,050	39,908	60.3	-2.8
Copper 1/	13,040	20,633	19,849	49.7	-3.8
Gold	7,830	10,124	10,158	25.5	0.3
Zinc 1/	1,707	2,683	2,675	6.7	-0.3
Iron	1,147	2,257	1,751	4.4	-22.4
Lead	1,461	2,029	1,720	4.3	-15.2
Molybdenum 1/	478	1,032	1,095	2.7	6.1
Tin	367	879	779	2.0	-11.4
Calcium phosphates	199	304	501	1.3	64.8
Zinc products	228	337	394	1.0	16.9
Silver refined	94	117	90	0.2	-22.9
Rest	405	656	898	2.2	36.9
4. Hydrocarbons	1,584	3,711	5,905	8.9	59.1
Natural gas	576	1,703	3,166	53.6	85.9
Oil and oil products	1,008	2,007	2,739	46.4	36.4
5. Manufacturing	4,531	6,296	7,488	11.3	18.9
Paper and chemicals	1,640	2,061	2,535	33.9	23.0
Textiles	1,007	1,565	1,869	25.0	19.4
Copper products	324	631	638	8.5	1.0
Prepared animal food	148	207	284	3.8	37.1
Milling and Bakery	221	226	269	3.6	19.2
Iron products	128	229	238	3.2	4.0
Glasses and glass products	76	100	162	2.2	62.5
Manufacturing and metals	65	100	124	1.7	24.0
Tile floors	72	91	95	1.3	5.1
Jewelry	74	121	93	1.2	-23.0
Dairy products	80	32	38	0.5	18.9
Rest	696	934	1,142	15.3	22.4
6. Others 2/	121	193	254	0.4	31.8
Total	42,826	62,967	66,235	100.0	5.2

1/ Exports exclude other goods sold. Besides, exports of copper, zinc and molybdenum in 2022 have been estimated based on the exports reported by MINEM, in cases of companies that, having made shipments, are not yet listed in the export log.

2/ Includes the sale of fuel and food to foreign ships and the repair of capital goods.

Memo: The sectoral classification is not completely consistent with the classification between traditional and non traditional products.

Source: BCRP and SUNAT.

6 The closure of the Melchorita plant for maintenance and due to bad weather prevented shipments in May, July and August 2021.

Classification of exports according to economic activity groups

Agricultural and livestock exports amounted to US\$ 8,659 million in 2022, a balance US\$ 793 million higher than in 2021. Exports of fishery products totaled US\$ 4,022 million, mining and hydrocarbons totaled US\$ 45,813 million, and non-primary manufacturing totaled US\$ 7,488 million.

In agriculture, sales of grapes (US\$ 1,363 million), blueberries (US\$ 1,355 million), products in which our country is one of the world's leading exporters, and coffee (US\$1,236 million) were noteworthy. In the fisheries sector, the most important exports were fishmeal (US\$ 1,817 million), squid (US\$ 634 million) and fish oil (US\$ 564 million), while in the mining and hydrocarbons sector, exports of copper (US\$ 19,849 million), gold (US\$ 10,158 million), and natural gas (US\$ 3,166 million) stood out. Finally, exports of paper and chemical products (US\$ 2,535 million) stood out in the non-primary manufacturing group.

Traditional exports

Traditional exports totaled US\$ 47.76 billion, 2.4 percent more than in 2021 (US\$46.659 billion), mainly due to the hydrocarbon sector. There was an increase in volumes (2.4 percent), but still without recovering the pre-pandemic levels. Prices fell by 0.1 percent due to lower copper prices, which offset the increase in the prices of other products. It is worth noting that in 2022, gas became the third most important export product due to higher export volumes (34.8 percent) and higher prices (37.9 percent).

Table 24

EXPORTS BY GROUP OF PRODUCTS							
(Million US\$)							
	2020	2021	2022	% change			% chg. Average 2013-2022
				2020	2021	2022	
1. Traditional exports	29,985	46,659	47,760	-11.8	55.6	2.4	2.9
Fishing	1,542	2,335	2,381	-20.0	51.4	2.0	0.3
Agricultural	731	857	1,354	-5.6	17.2	58.0	2.1
Mining 1/	26,128	39,757	38,120	-7.8	52.2	-4.1	3.3
Natural gas	576	1,703	3,166	-7.5	195.6	85.9	9.1
Oil and derivatives	1,008	2,007	2,739	-57.1	99.1	36.4	-2.9
2. Non-Traditional exports	12,719	16,114	18,221	-7.9	26.7	13.1	5.0
Agriculture and livestock	6,735	7,868	8,436	6.9	16.8	7.2	10.7
Fishing	1,316	1,516	1,640	-18.5	15.2	8.2	4.7
Textiles	1,007	1,565	1,869	-25.7	55.5	19.4	-1.5
Wood and paper, and its manufacturing	239	280	313	-25.8	17.2	11.7	-3.3
Chemicals	1,495	1,904	2,348	-6.9	27.3	23.3	3.7
Non-metallic minerals	446	675	1,092	-26.5	51.2	61.9	4.2
Iron & steel, and jewelry	927	1,613	1,719	-29.3	74.0	6.6	2.8
Metal mechanic products	461	553	647	-18.8	20.0	17.0	1.7
Others 2/	93	141	157	-29.1	51.6	11.2	-5.5
3. Others 3/	121	193	254	-21.0	58.9	31.8	-3.0
4. TOTAL	42,826	62,967	66,235	-10.7	47.0	5.2	3.4

1/ Exports exclude other goods sold. Besides, exports of copper, zinc and molybdenum in 2021 have been estimated based on the exports reported by MINEM, in cases of companies that, having made shipments, are not yet listed in the export log.

2/ Includes furs, leather, and handcrafts, mainly.

3/ Comprise oil and food sold to foreign aircrafts and reparations of capital goods.

Source: BCRP and SUNAT.

Table 25

EXPORTS						
(% change)						
	Volume			Price		
	2020	2021	2022	2020	2021	2022
Traditional exports 2/	-17.5	10.4	2.4	6.8	40.9	-0.1
<i>Of which:</i>						
Fish meal	-19.7	41.0	-7.8	-2.6	8.6	9.1
Coffee	-5.5	-2.4	13.8	7.2	22.1	41.2
Copper	-12.8	4.0	8.2	6.7	52.2	-11.1
Gold	-28.0	27.2	0.2	27.1	1.7	0.1
Zinc	1.1	0.6	-7.8	-20.2	56.2	8.2
Crude oil and derivatives	-42.9	22.1	1.5	-24.9	63.0	34.4
Natural gas	-2.1	-35.1	34.8	-5.6	355.3	37.9
Non-Traditional exports	-3.9	18.8	5.6	-4.2	6.7	7.0
<i>Of which:</i>						
Agriculture and livestock	11.5	13.6	10.4	-4.1	2.9	-2.9
Textiles	-22.6	53.0	4.5	-4.1	1.7	14.3
Fishing	-13.8	14.4	-9.5	-5.4	0.7	19.6
Chemicals	1.3	10.3	0.3	-8.2	15.4	22.9
Iron & steel, and jewelry	-27.9	29.1	2.7	-1.8	34.8	3.8
TOTAL	-13.9	12.5	3.3	3.6	30.7	1.8

Source: BCRP and SUNAT.

Mining exports totaled US\$ 38.12 billion, 4.1 percent less than in 2021. In terms of prices, there was a decrease in the price of copper (11.1 percent) and a moderation in the prices of gold, zinc, and natural gas compared to the previous year. In terms of volume, mining exports included 2,519 thousand fine metric tons (FMT) of copper, 5,644 thousand ounces of gold and 1,105 thousand metric tons of zinc. With these results, Peru continues to maintain a leading position in world mining production, with copper, silver and zinc standing out.

Table 26

MINING PRODUCTION 2022	
Item	World ranking
Copper	2
Silver	3
Zinc	2
Lead	5
Molybdenum	4
Tin	4
Gold	9

Source: Mineral Commodity Summaries 2023 - US Geological Survey.

International sales of oil and natural gas increased by 59.1 percent over the prior year and totaled US\$ 5,905 million. This result reflects higher oil prices (34.4 percent) and higher natural gas export volumes and prices (34.8 and 37.9 percent, respectively).

The value of fishery exports in 2022 was US\$ 2,381 million, 2.0 percent higher than in the previous year, mainly due to higher fish oil prices (64.5 percent).

Non-traditional exports

Exports of non-traditional products reached US\$ 18,221 million, a total 13.1 percent higher than in 2021, due to higher volumes (5.6 percent) and prices (7.0 percent). Agricultural products (10.4 percent), textiles (4.5 percent), and iron and steel (2.7 percent) increased in volume.

The main destinations for exports of non-traditional products were the United States with US\$ 5,617 million and the Netherlands with US\$ 1,475 million. The former recorded an increase of 18.3 percent compared to 2021, while the latter remained practically unchanged. The rest of the main export destinations recorded an increase over the previous year, with the exception of the United Kingdom.

In the case of the United States, the top destination for non-traditional products, agricultural and textile exports continued to be the most important, accounting for 72.9 percent of total non-traditional exports to the U.S. market in 2022. The top products sold were blueberries (US\$ 710 million), fresh grapes (US\$ 639 million), fresh asparagus (US\$ 244 million), and fresh avocados (US\$ 229 million).

Table 27

MAIN DESTINATION: NON-TRADITIONAL EXPORTS					
(Million US\$)					
	2020	2021	2022	% change 2022/2021	% chg. Average 2013-2022
USA	3,864	4,749	5,617	18.3	8.0
Netherlands	1,261	1,477	1,475	-0.1	12.5
Chile	705	1,109	1,208	8.9	5.5
Ecuador	592	813	1,077	32.6	3.9
Colombia	577	751	852	13.5	1.1
Spain	672	721	770	6.9	6.0
China	440	656	698	6.5	7.8
Bolivia	463	559	645	15.4	2.0
Mexico	302	435	612	40.7	9.6
Brazil	305	407	525	29.0	2.5
South Korea	299	332	400	20.7	15.7
United Kingdom	382	430	399	-7.3	8.4
Canada	246	314	318	1.2	11.4
Germany	216	261	263	1.1	4.5
Japan	175	188	244	29.7	6.4
Rest	2,218	2,914	3,116	7.0	-0.6
Total	12,719	16,114	18,221	13.1	5.0
Memo:					
Latin America	3,416	4,745	5,738	20.9	1.3
USA	3,864	4,749	5,617	18.3	8.0
European Union	3,152	3,642	3,763	3.3	7.1
Asia (less China)	979	1,232	1,377	11.8	8.0
China	440	656	698	6.5	7.8
Others	869	1,091	1,028	-5.8	-12.5

Source: Sunat and BCRP.

Sales of agricultural and livestock products totaled US\$ 8,436 million, with shipments of fresh grapes, blueberries and fresh avocados standing out. With these results, Peru remains the world's leading exporter of blueberries and grapes. Over the past decade, sales of agricultural and livestock products have grown at an average annual rate of 10.7 percent, resulting in the value of exports in 2022 being almost three times the value in 2012. This growth in the agricultural export sector reflects increased harvests and yields of products in high international demand.

Table 28

MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS			
(Million US\$)			
Most popular products	2021	2022	% chg. Average 2013-2022
Fresh grapes	366	1,363	14.0
Blueberries 1/	0	1,355	62.3
Fresh avocados	136	893	20.7
Fresh asparagus	343	371	0.8
Fresh mangoes	117	300	9.8
Shrimp and prawn feed	112	264	9.0
Tangerines	55	223	14.9
Cocoa and other uses	65	159	9.4
Prepared or in canned mangoes	30	148	17.4
Canned artichokes	114	129	1.2
Crude palm oil 1/	0	125	22.2
Frozen food	20	118	19.6
Organic bananas	82	117	3.6
Fresh onions	54	106	6.9
Asparagus prepared	144	103	-3.3
Whole paprika	65	101	4.5
Subtotal	1,705	5,874	13.2
Total	3,059	8,436	10.7

1/ Average percentage change 2014-2022.
Source: BCRP and SUNAT.

Exports of **fishery products** were US\$ 1.64 billion, up 8.2 percent from 2021, reflecting higher sales of squid (frozen and canned), frozen fan shells, and frozen whole shrimps. As a result, average export volume decreased by 9.5 percent, while prices increased by 19.6 percent. The main destinations were China, the United States, Spain and South Korea. Over the past ten years, fish exports have grown at an average annual rate of 4.7 percent.

Textile exports reached a value of US\$ 1,869 million, 19.4 percent higher than the value recorded in 2021. The volume shipped increased by 4.5 percent, while prices increased by 14.3 percent. The United States is the main destination for textile products, accounting for 53.8 percent of sales. The sector's gains as a result of trade restrictions between the United States and China have been offset in part since the second half of the year by lower demand from the United States, in line with the slowdown in its economic activity.

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Chemical exports in 2022 totaled US\$ 2,348 million, 23.3 percent more than in 2021. The volume shipped increased slightly (0.3 percent) while export prices increased considerably (22.9 percent). The main markets for Peruvian chemical products were Chile, Ecuador and Bolivia, which together with the United States acquired 49.1 percent of total exports. The largest shipments were of sulfuric acid, caustic soda, and ethyl alcohol.

Imports

Imports amounted to US\$ 55,902 million, a balance US\$ 7,912 million higher than in 2021, mainly due to higher imports of inputs (29.8 percent), in line with the dynamics of domestic demand and higher international input prices as a result of supply restrictions related to the Russia-Ukraine war conflict and global supply chain issues.

Table 29

FOB IMPORTS BY USE OR DESTINATION							
(Million US\$)							
	Fob Value: Million US\$			% change			Average % chg. 2013-2022
	2020	2021	2022	2020	2021	2022	
TOTAL IMPORTS	34,724	47,990	55,902	-15.5	38.2	16.5	3.1
1. CONSUMER GOODS	8,722	10,192	10,952	-9.0	16.9	7.5	2.9
Non-durable goods	5,436	5,876	6,550	0.3	8.1	11.5	4.8
Main food products	552	538	588	22.6	-2.6	9.2	0.3
Rest	4,884	5,338	5,962	-1.8	9.3	11.7	5.4
Durable goods	3,286	4,316	4,402	-21.1	31.3	2.0	0.5
2. INPUTS	15,450	23,788	30,885	-19.2	54.0	29.8	4.8
Fuel, oils, and related	2,981	6,066	10,435	-47.3	103.5	72.0	5.9
Raw materials for agriculture	1,528	1,901	2,324	5.4	24.4	22.3	6.1
Raw materials for industry	10,941	15,821	18,126	-8.9	44.6	14.6	4.1
3. CAPITAL GOODS	10,439	13,867	13,987	-15.2	32.8	0.9	0.5
Construction materials	1,081	1,536	1,455	-17.1	42.1	-5.3	-0.2
For agriculture	153	185	186	0.8	21.2	0.3	3.1
For industry	7,102	8,847	8,879	-9.1	24.6	0.4	0.8
Transportation equipment	2,104	3,298	3,467	-30.7	56.8	5.1	-0.2
4. OTHERS GOODS	113	143	78	15.0	26.9	-45.6	-5.8

Source: SUNAT, Tacna Free Trade Zone, and MEF.

The volume of total imports increased by 2.4 percent, mainly due to higher imports of inputs (4.8 percent) and consumer goods (4.5 percent). The import price index, in turn, increased by 13.7 percent over the year, with higher prices for industrial inputs, oil, and food. As for the prices of industrial inputs, there was a general increase in all products.

Table 30

IMPORTS						
(% change)						
	Volume			Price		
	2020	2021	2022	2020	2021	2022
TOTAL IMPORTS	-11.0	18.5	2.4	-5.0	16.6	13.7
1. Consumer Goods	-9.4	14.5	4.5	0.4	2.0	2.8
Non-durable goods	-0.2	5.4	10.0	0.4	2.5	1.4
Durable goods	-21.4	29.8	-2.7	0.4	1.2	4.8
2. Inputs	-8.8	13.7	4.8	-11.3	35.4	23.9
Main Foods	-0.3	-1.4	-5.9	3.0	39.4	21.8
Oil and derivatives	-24.1	25.6	11.1	-31.7	62.1	54.0
Industrial supplies	-5.2	13.0	3.5	-4.0	27.1	12.8
Plastics	0.4	8.4	0.4	-12.3	52.7	1.8
Iron & Steel	3.8	25.7	-13.4	-8.4	40.0	17.6
Textiles	-6.4	23.0	2.0	-11.0	13.5	19.3
Papers	-20.8	8.6	23.5	-12.3	10.5	31.8
Chemical products	3.6	0.5	5.1	-0.5	15.9	17.7
Organic chemicals	-3.7	16.2	-3.1	-7.1	34.8	12.1
Rest	-7.8	12.4	7.6	0.3	23.7	11.4
3. Capital goods	-15.7	30.3	-3.2	0.6	2.0	4.2
Construction materials	-17.7	39.4	-9.1	0.6	2.0	4.2
Rest of capital goods	-15.5	29.2	-2.4	0.6	2.0	4.2

Source: Sunat, ZofraTacna, and MEF.

In 2022, imports of nondurable consumer goods increased by US\$ 673 million (11.5 percent), with positive flows in apparel, footwear, and paper and paperboard products, among others.

Imports of durable consumer goods increased by US\$ 86 million (2.0 percent), mainly due to higher imports of motor vehicles and lighting equipment, which offset lower purchases of household appliances and motorcycles and bicycles.

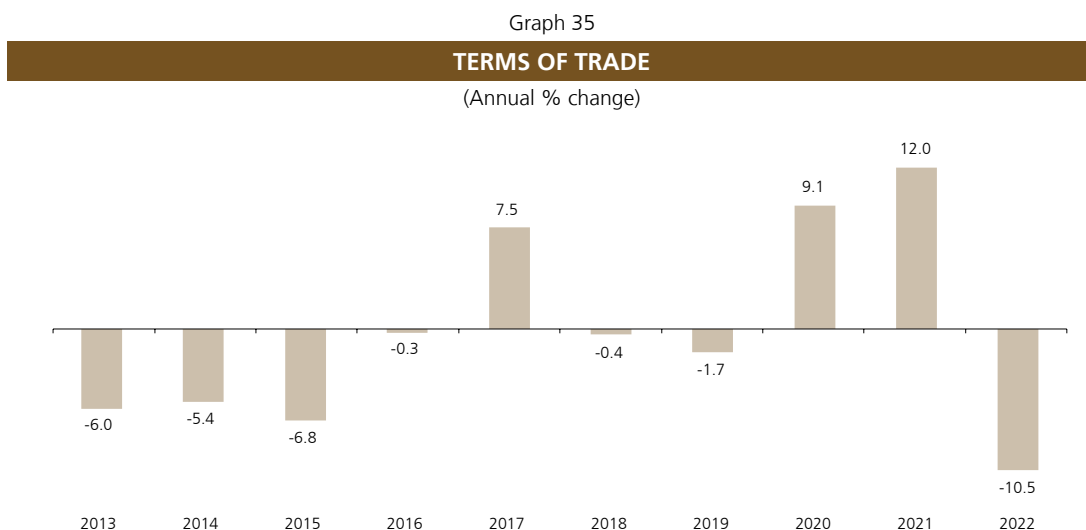
In 2022, the increase in imports of inputs was the most significant (US\$ 7,097 million), mainly due to higher purchases of fuels, lubricants, and related products (US\$ 4,369 million) and industrial raw materials (US\$ 2,305 million). This result reflected sharply higher import prices for these products and, to a lesser extent, higher import volumes.

The value of purchases of crude and petroleum products increased by US\$ 4,168 million (71.1 percent increase). The increase in the price of oil was 54.0 percent, while the volume increased by 11.1 percent.

The value of capital goods imports increased by 0.9 percent due to higher purchases of transportation equipment (US\$ 169 million) and machinery and equipment (US\$ 31 million). In terms of volume, imports decreased by 3.2 percent, while prices increased by 4.2 percent.

2.2 TERMS OF TRADE

In 2022, the terms of trade recorded a year-on-year decline of 10.5 percent, the largest since 2008 (-11.9 percent). Like in the decline recorded in that year, the 2022 contraction was mainly due to the increase in the price level of imports (13.7 percent), especially industrial inputs (12.8 percent), hydrocarbons (54.0 percent), and food (21.8 percent), as a result of the global supply chain crisis and the Russia-Ukraine war. It is worth mentioning that the terms of trade were also affected by the lower growth of export prices (1.8 percent) as a result of the decline in copper prices.



Source: BCRP.

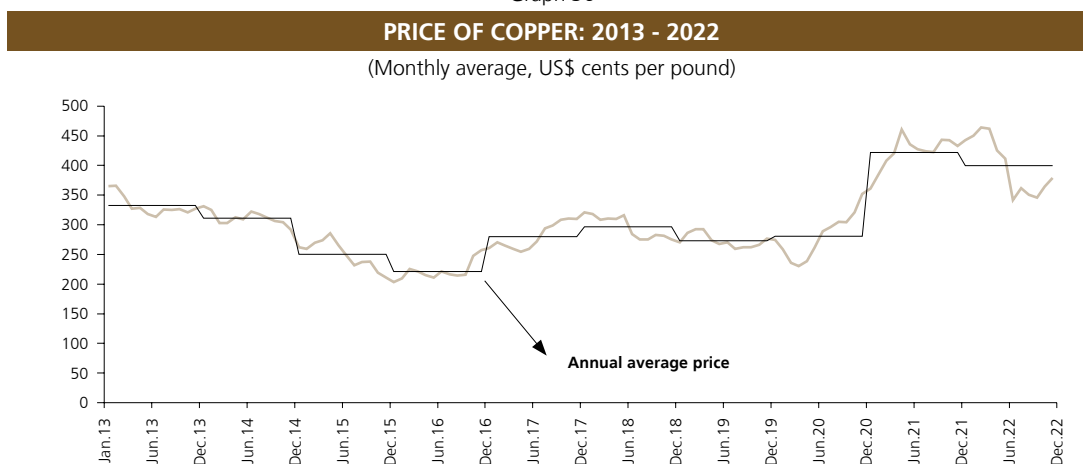
Table 31

TERMS OF TRADE			
(Annual % change)			
Years	Price of exports	Price of Imports	Terms of Trade
2020	3.6	-5.0	9.1
2021	30.7	16.6	12.0
2022	1.8	13.7	-10.5
Average % change 2013-2022	1.4	1.9	-0.5

Source: BCRP.

The average price of **copper** fell by 5 percent in 2022 (from US\$ 4.22 to US\$ 4.00 the pound). After reaching a high of US\$ 4.64 per pound in March, the copper price fell to a low of US\$ 3.42 per pound in July. The decline in the copper price was explained by the deteriorating demand outlook in China, which was affected by the containment measures to reduce COVID-19 in several cities. This was reflected in the contraction of industrial activity, which remained close to the level of February 2020. Other factors explaining the decline were the appreciation of the dollar, the increased prospects of a tightening of monetary policy by the Fed and the deterioration in the global growth outlook reported by the IMF. In December, the copper price was US\$ 3.79 per pound, 12 percent lower than at the end of the previous year. It should be noted that there was also a reduction in non-commercial net short positions in the second half of the year.

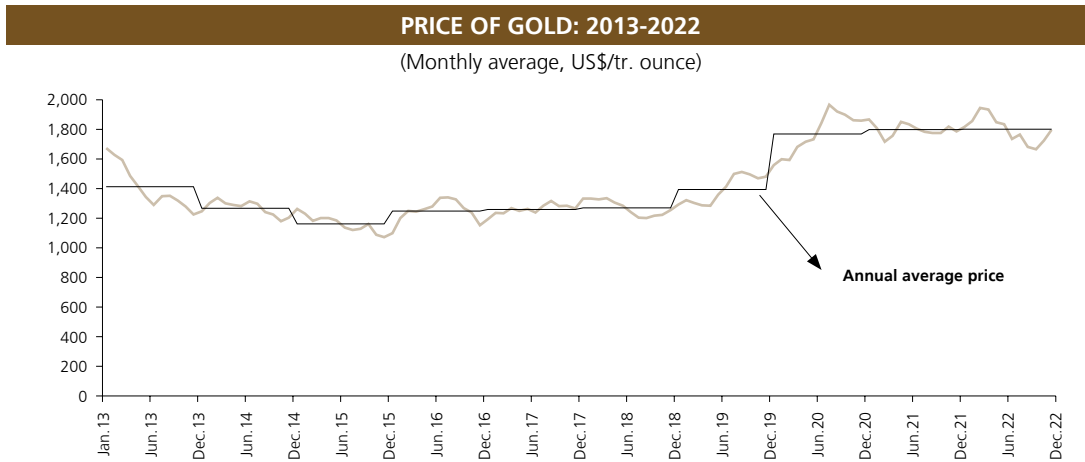
Graph 36



Source: Reuters.

The average **gold** price increased from US\$ 1,799 per troy ounce in 2021 to US\$ 1,801 per troy ounce in 2022. The price of gold rose due to increased global demand for gold from emerging market central banks and safe-haven demand following the invasion of Ukraine. The price increase was limited by the decision of central banks to tighten monetary policy more aggressively than expected and by lower demand for exchange traded funds (ETFs).

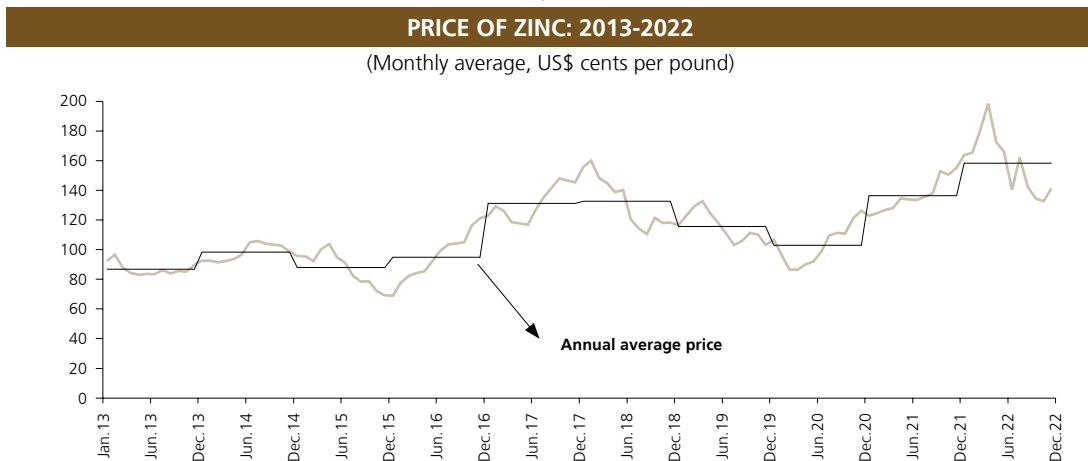
Graph 37



Source: Reuters.

The average price of **zinc** increased by 16 percent in 2022 (from US\$ 1.36 to US\$ 1.58 per pound). The price of zinc reached historic highs as the market was affected by tighter supply constraints due to lower refined production, following the impact of high energy prices on production costs. High energy prices particularly affected Europe (a region that accounts for approximately 15 percent of global refining capacity), while environmental restrictions and flooding in production areas were also seen in China. There were also delays in bringing additional mine capacity on stream. This was against the backdrop of a rapid recovery in global demand associated with the reopening of advanced economies.

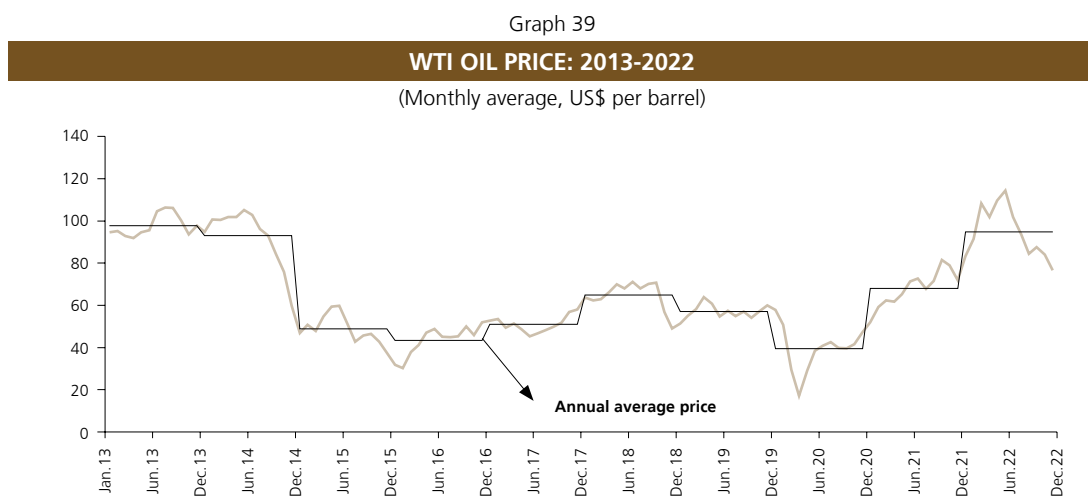
Graph 38



Source: Reuters.

The average price of **WTI oil** increased by 40 percent in 2022 (from US\$ 68 per barrel to US\$ 95 per barrel). The price increase was driven by indicators that the world market remained tight due to low global inventory levels, limited spare production capacity in OPEC+ member countries, ongoing supply disruptions, and multiple European Union and U.S. sanctions on Russian oil exports. In

addition, after OPEC+ decided to increase its production target by 3.8 million barrels between January and September 2022 to match pre-pandemic production levels, the cartel decided to reduce its production target for October for the first time since May 2020. In November, the cartel agreed to cut production by 2 million barrels per day, or about 2 percent of global output, bringing the production target below pre-pandemic levels.



Source: Reuters.

2.3 SERVICES

The deficit in **services**, which reached US\$ 8,642 million, was US\$ 872 million higher than in 2021. This was mainly due to higher spending on ocean freight, especially in the first nine months of the year, and to higher spending on travel due to the gradual resumption of international flights following the easing of sanitary restrictions.

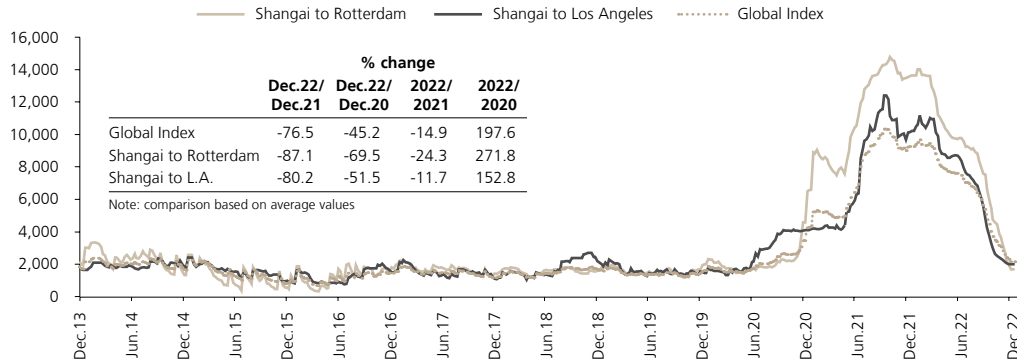
The deficit in **transportation** services amounted to US\$ 4,724 million, US\$ 1 billion higher than in 2021. Debits increased by US\$ 1.5 billion, mainly due to higher freight rates (27.9 percent), as a result of the increase in the cost of international freight, and higher sales of international tickets by foreign airlines in the country (63.7 percent) as a result of the increased departure of resident travelers abroad. Receivables increased by US\$ 500 million (46.1 percent) as a result of higher sales of international tickets by domestic airlines (125.9 percent) following the increase in arrivals of non-resident travelers in the country.

In terms of freight costs, the international price reference indices –Drewry’s for containers and Baltic Dry for dry bulk– showed significant corrections during the year, reaching pre-pandemic levels. In the case of Peru, freight rates showed a smaller correction (-32.6 percent at year-end), with a progressive price adjustment that started in the second half of the year, but still remains at high levels compared to pre-pandemic levels.

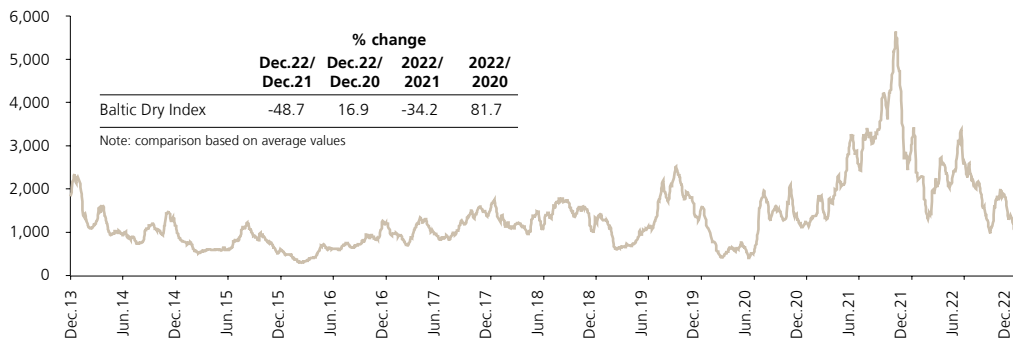
Graph 40

DREWRY'S GLOBAL CONTAINER INDEX

(US\$ per 40-foot container)

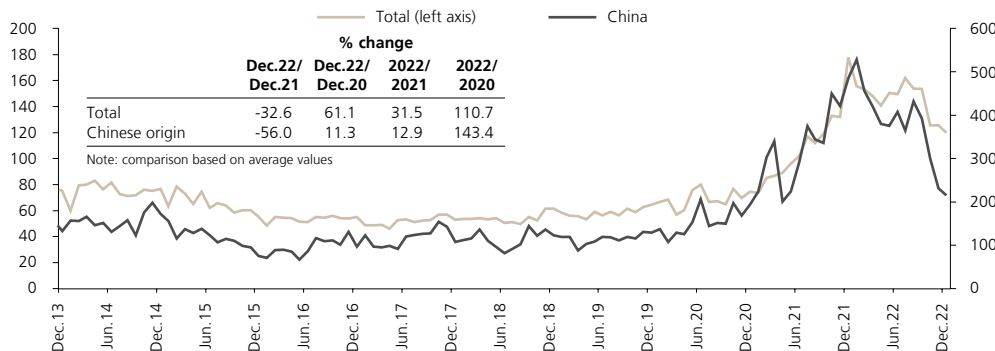


BALTIC DRY INDEX



FREIGHTS ACCORDING TO REGION OF ORIGIN

(US\$/MT)



Travel had a deficit of US\$ 208 million. Debits amounted to US\$ 2,345 million (104.0 percent more than in 2021) and credits amounted to US\$ 2,137 million (210.8 percent). The increase in debits is explained by the higher number of residents traveling abroad through the Jorge Chavez International Airport (62.4 percent) compared to 2021, given the gradual resumption of international flights due to the easing of sanitary restrictions. It should be noted that the outbound resident travelers by air stood at 91 percent of the levels observed in 2019.

For its part, travel credits increased by 210.8 percent per year and the number of non-resident travelers arriving by air increased by 171.3 percent per year. Despite this increase, this number of

arrivals was at 61 percent of the pre-pandemic level. Although the recovery in the arrival of non-resident travelers to the country was supported by the lifting of the restrictions applied by the government, it was affected by social conflicts. It should be noted that during the year, the land borders were opened and the inflow of non-resident travelers reached 34.2 percent of what was observed in 2019.

The **insurance and reinsurance** account showed a deficit of US\$ 791 million in 2022, US\$ 179 million higher than in 2021. Debits were US\$ 197 million (27.6 percent) higher due to the increase in premiums paid for reinsured risks abroad, while credits were US\$ 18 million (17.8 percent) higher.

Other services recorded a deficit of US\$ 2,639 million, US\$ 34 million less than in 2021. Debits increased by US\$ 12 million (0.3 percent) and credits increased by US\$ 46 million (4.5 percent), both primarily due to higher corporate services.

Table 32

SERVICES						
(Million US\$)						
	2020	2021	2022	% change		
				2021	2022	22/20
I. TRANSPORTATION (a-b) 1/	-1,782	-3,724	-4,724	108.9	26.9	165.0
a. Credit	799	1,086	1,586	35.9	46.1	98.5
b. Debit	2,581	4,809	6,310	86.3	31.2	144.4
II. TRAVEL (a-b)	43	-462	-208	-1,179.3	-55.0	-585.6
a. Credit	776	688	2,137	-11.4	210.8	175.5
b. Debit	733	1,149	2,345	56.8	104.0	219.9
III. COMMUNICATIONS (a-b)	-283	-300	-281	6.2	-6.5	-0.7
a. Credit	53	60	62	13.4	1.9	15.6
b. Debit	336	361	343	7.3	-5.1	1.9
IV. INSURANCE AND REINSURANCE (a-b)	-487	-612	-791	25.8	29.2	62.6
a. Credit	94	103	122	9.7	17.8	29.2
b. Debit	581	716	913	23.2	27.6	57.2
V. OTHERS (a-b) 2/	-2,351	-2,672	-2,639	13.7	-1.3	12.2
a. Credit	996	1,010	1,056	1.4	4.5	6.0
b. Debit	3,347	3,682	3,694	10.0	0.3	10.4
VII. TOTAL SERVICES (a-b)	-4,860	-7,771	-8,642	59.9	11.2	77.8
a. Credit	2,718	2,947	4,962	8.4	68.4	82.5
b. Debit	7,579	10,718	13,604	41.4	26.9	79.5

1 / Includes courier and postal services, port expenses of ships and aircraft and transport commissions, mainly.

2/ Includes government services, financial services (including financial intermediation services measured indirectly-SIFMI), and information technology services, royalties, leasing of equipment, and business services.

Source: BCRP, SUNAT, SBS, Mincetur, PROMPERÚ, Ministry of Trade Affairs and businesses.

2.4 PRIMARY INCOME

Primary income recorded a deficit of US\$ 17,373 million in 2022, US\$ 695 million (-3.8 percent) lower than in the previous year, mainly due to the increase in revenues –US\$ 1,074 million more than in the previous year– and amounted to US\$ 2,407 million. This amount includes interest on deposits and the return on external investments of the private and public sectors (corporations and financial and non-financial institutions) in a context of rising international interest rates.

Income from foreign direct investment amounted to US\$ 15.33 billion, US\$ 331 million less than in the previous year. This lower balance is the result of lower terms of trade, particularly a decline in the price of copper and an increase in the price of fuels and industrial inputs. The latter affected the mining and industrial sectors, whose results for the year, although positive, were lower than those of the previous year. On the other hand, interest on private external debt increased by US\$ 417 million, mainly as a result of higher interest rates.

Table 33

PRIMARY INCOME 1/					
(Million US\$)					
	2020	2021	2022	% change	
				2021	2022
I. REVENUE	1,996	1,333	2,407	-33.2	80.6
Private sector	628	708	1,398	12.8	97.4
Public sector	1,368	625	1,009	-54.3	61.4
II. EXPENDITURE	8,181	19,400	19,780	137.1	2.0
Private sector	5,958	17,054	17,140	186.2	0.5
Profits 2/	4,367	15,661	15,330	258.6	-2.1
Interests	1,591	1,393	1,810	-12.5	30.0
Bonds	737	781	732	6.1	-6.3
Loans	854	612	1,078	-28.4	76.3
Long-term	650	452	754	-30.4	66.7
Short-term 3/	205	159	324	-22.2	103.5
Public sector 4/	2,223	2,346	2,640	5.5	12.5
Interests on long-term loans	176	152	250	-14.1	64.9
Interests on bonds	2,015	2,161	2,377	7.3	10.0
Others	32	33	13	3.5	-60.9
III. TOTAL (I-II)	-6,186	-18,067	-17,373	192.1	-3.8
Private sector	-5,330	-16,346	-15,742	206.6	-3.7
Public sector	-855	-1,721	-1,631	101.3	-5.3

1/ Excludes financial intermediation services indirectly measured (FISIM).

2/ Profits or losses accrued in the period. Includes profits and dividends sent abroad plus undistributed profits.

3/ Includes interests of non-financial public enterprises and liabilities in domestic currency with non-residents.

4/ Includes commissions.

Source: BCRP, MEF, Cofide, ONP, and businesses.

2.5 SECONDARY INCOME

Secondary revenues amounted to US\$ 5,773 million in 2022, US\$ 24 million less than in 2021, due to lower extraordinary revenues from insurance compensation, in line with the lower incidence of COVID cases (US\$ 120 million). On the other hand, revenues from remittances from Peruvians abroad and income tax payments from non-residents increased.

Remittances from Peruvians working abroad totaled US\$ 3,708 million, a sum 2.8 percent (US\$ 100 million) higher than in 2021 and 11.0 percent higher than in 2019 (the year before the pandemic). Thus, remittances accounted for 1.5 percent of GDP in 2022. This increase in remittances is explained by the recovery of employment in the main countries of origin of remittances. By country, remittances from the United States (14.2 percent), Spain (7.5 percent), Argentina (4.7 percent), Italy (1.0 percent) increased. Remittances from the United States, Chile, Spain, and Italy accounted for 77.1 percent of total remittances to the country in 2022 (65.2 percent in 2019). On the other hand, remittances abroad (mostly to Venezuela) totaled US\$ 173 million.

Table 34

FOREIGN REMITTANCES			
Year	Million US\$	% change	% GDP
2020	2,904	-12.7	1.4
2021	3,608	24.2	1.6
2022	3,708	2.8	1.5

Source: SBS, banks and companies.

Table 35

FOREIGN REMITTANCES BY COUNTRIES									
(Million US\$)									
	Annual Remittance (% share)			Annual Average Remittance (US\$)			Number of shippings 2/ (Thousands)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
USA	44.5	47.1	47.2	266	281	301	4,860	5,443	5,805
Chile	12.0	11.7	11.2	227	268	231	1,527	2,114	1,801
Spain	10.5	10.8	11.0	265	276	263	1,150	1,379	1,552
Italy	8.2	7.3	7.7	242	234	225	991	1,213	1,273
Japan	5.4	5.2	5.2	503	513	511	310	390	378
Argentina	1.8	1.8	1.6	168	162	159	313	359	381
Rest of countries 1/	17.6	16.1	16.0	272	307	276	1,346	1,323	1,480
Total	100.0	100.0	100.0	263	280	278	10,497	12,222	12,670

1/ Includes estimates of remittances by informal means not classified by country, except in cases of Annual Average Remittance and Number of Shipments, for which such estimate is excluded.

Source: SBS, banks and companies.

The main source of remittances was money transfer operators (MTOs) and other intermediaries, which accounted for 54.8 percent of total remittances. Banks, on the other hand, accounted for 40.2 percent.

Table 36

FOREIGN REMITTANCES BY SOURCES					
(% share)					
	2018	2019	2020	2021	2022
ETFs - Others 1/	47	47	49	54	55
Banks	40	41	46	41	40
Informal	12	12	5	5	5
Remittances from abroad	100	100	100	100	100

1/ Fund Transfer Companies (ETFs) and other means.

Source: SBS, banks and companies.

2.6 PRIVATE SECTOR FINANCIAL ACCOUNT

Long-term external financing of the private sector totaled US\$ 14,587 million in 2022, US\$ 1,992 million lower than in 2021, in a context of slowing domestic demand, especially private investment, rising international interest rates, and lower terms of trade. This financing outcome is due, on the assets side, to a lower reduction in assets due to portfolio investment abroad, particularly by AFPs, in a context of withdrawal of funds by their affiliates. On the liabilities side, higher financing from foreign direct investment and net long-term loans was offset in part by lower portfolio investment in the country.

External assets declined by US\$ 2,906 million, after falling by US\$ 8,693 million in 2021. The portfolio investment of AFPs, which had fallen by US\$ 9,606 million in 2021, declined by US\$ 2,440 million in 2022, reflecting lower liquidity needs and the reduced need to meet withdrawals by their members. For its part, the foreign portfolio of mutual funds increased by US\$ 224 million, in contrast to the decrease of US\$ 1,356 million observed in 2021.

Liabilities increased by US\$ 11,682 million in 2022. Foreign direct investment in the country increased by US\$ 10,848 million, more than in 2021 (US\$ 7,420 million). During the year, the components that most explained the increase in direct investment were the reinvestment of profits (due to the lower distribution of dividends given the lower profits for the year) and capital contributions (especially those of Newmont to increase its participation in Minera Yanacocha).

The reduction of US\$ 760 million in portfolio investments in the country during 2022 is explained by the lower number of bonds issued in the foreign market, given the situation of rising international interest rates and the moderation of domestic demand (especially investments). The total portfolio amount mainly includes redemptions and lower non-resident holdings of bonds issued by both local financial and non-financial corporations.

The net flow of long-term loans was positive by US\$ 1,594 million, as disbursements of US\$ 3,902 million received by the financial and non-financial sectors exceeded repayments of US\$ 2,308 million during the year. This indicates a higher level of leverage in the corporate sector.

Table 37

PRIVATE SECTOR FINANCIAL ACCOUNT 1/					
(Million US\$)					
	2020	2021	2022	Absolute change	
				2021	2022
I. ASSETS	847	-8,693	-2,906	-9,540	5,787
1. Direct investment abroad	1,631	1,729	-448	97	-2,176
2. Portfolio investment 2/	-784	-10,421	-2,458	-9,637	7,963
II. LIABILITIES	-1,801	7,887	11,682	9,688	3,795
1. Foreign direct investment (a+b)	791	7,420	10,848	6,629	3,429
a. Equity	616	6,849	9,718	6,234	2,869
Reinvestment	129	6,933	8,557	6,804	1,623
Contributions and other capital operations	486	-84	1,161	-571	1,245
b. Debt instruments	175	570	1,130	395	560
2. Portfolio investment	697	1,074	-760	377	-1,834
Equity securities 3/	-209	-154	-110	54	45
Fixed-rate income 4/	906	1,228	-651	322	-1,879
3. Loans	-3,289	-607	1,594	2,683	2,200
Disbursements	1,570	2,887	3,902	1,317	1,015
Amortization	-4,859	-3,493	-2,308	1,366	1,185
III. TOTAL (I-II)	2,649	-16,579	-14,587	-19,228	1,992
<i>Memo:</i>					
FDI in the country, old methodology 5/	-811	5,878	11,696	6,689	5,818

1/ Expressed in terms of assets net of liabilities.

2/ Includes stocks and other foreign assets of the financial and non-financial sector. Includes financial derivatives.

3/ Considers the net purchase of shares by non-residents through the LSE, recorded by CAVALI SA ICLV.

4/ Includes bonds and alike.

5/ FDI liabilities with the directional principle (Balance of Payments Manual, 5th edition).

Source: BCRP, Cavali S.A. ICLV, Proinversion, and businesses.

2.7 SHORT-TERM CAPITAL FLOWS

Net **short-term capital** outflows in 2022 amounted to US\$ 4,385 million, reflecting a slowdown after recording outflows of US\$ 16,591 million in 2021 in an environment of political uncertainty. Short-term capital outflows mainly corresponded to the increase in external assets of both the non-financial sector (US\$ 3,654 million) and the banking sector (US\$ 738 million).

Table 38

SHORT-TERM CAPITAL FINANCIAL ACCOUNT					
(Million US\$)					
	2020	2021	2022	Absolute change	
				2021	2022
1. BANKS (a-b)	983	-1,085	610	-2,068	1,695
a. Assets	838	-1,021	738	-1,859	1,759
b. Liabilities	-145	64	128	209	64
2. BCRP	0	0	0	0	0
3. BANCO DE LA NACIÓN (a-b)	-9	0	46	9	46
a. Assets	-9	0	46	9	46
b. Liabilities	0	0	0	0	0
4. NON FINANCIAL BANKS (a-b)	-109	182	-346	291	-528
a. Assets	-34	209	-312	242	-521
b. Liabilities	75	27	34	-48	7
5. NON-FINANCIAL SECTOR (a-b)	-219	17,494	4,075	17,713	-13,419
a. Assets	1,730	17,161	3,654	15,431	-13,508
b. Liabilities	1,949	-333	-421	-2,282	-88
6. TOTAL (a-b)	646	16,591	4,385	15,945	-12,206
a. Assets	2,525	16,349	4,126	13,824	-12,223
b. Liabilities	1,879	-242	-259	-2,121	-17

1/ Expressed in terms of assets net of liabilities.
Source: BCRP, BIS, and companies.

2.8 PUBLIC SECTOR FINANCIAL ACCOUNT

External financing of the public sector in 2022 recorded a creditor position of US\$ 957 million, which contrasts with external financing of US\$ 15.59 billion received in 2021. This outcome is due to lower issuance of bonds by the general government and non-financial public corporations. The net sale of government bonds held by non-residents, lower loan disbursements and higher amortizations, as well as a base effect on the BCRP's liabilities contributed to a lesser extent, as the IMF allocated Special Drawing Rights (SDR) for US\$ 1,811 million in 2021.

The dynamics of public debt were associated with lower financing needs –in response to the reduction of the fiscal deficit– and a change in the composition of financing sources, given the more restrictive and volatile international financial conditions.

Table 39

PUBLIC SECTOR FINANCIAL ACCOUNT 1/ 2/					
(Million US\$)					
	2020	2021	2022	Absolute change	
				2021	2022
I. ASSETS	287	57	-145	-230	-201
II. LIABILITIES	10,118	15,647	-1,102	5,529	-16,749
1. Portfolio investment 3/	7,970	11,481	-1,880	3,512	-13,362
Issues	7,500	11,172	600	3,672	-10,572
General Government	7,000	10,172	0	3,172	-10,172
Financial enterprises	500	0	600	-500	600
Non-financial enterprises	0	1,000	0	1,000	-1,000
Amortization	-606	0	-658	606	-658
General Government	-54	0	0	54	0
Financial enterprises	-552	0	-658	552	-658
Non-financial enterprises	0	0	0	0	0
Other transactions (a-b) 4/	1,076	310	-1,822	-766	-2,132
a. Sovereign Bonds held by non-residents	1,565	-316	-1,888	-1,881	-1,572
b. Global Bonds held by residents	489	-626	-66	-1,115	560
2. Loans	2,148	2,354	779	206	-1,576
Disbursements	2,477	2,789	1,838	312	-951
General Government	2,400	2,779	1,835	380	-944
Financial enterprises	0	0	0	0	0
Non-financial enterprises	78	10	3	-68	-7
Amortization	-330	-435	-1,060	-105	-625
General Government	-217	-363	-834	-147	-471
Financial enterprises	-92	-37	-45	55	-8
Non-financial enterprises	-21	-35	-181	-14	-145
3. Central Reserve Bank of Peru: other transactions 5/	0	1,811	0	1,811	-1,811
III. TOTAL (I-II)	-9,831	-15,590	957	-5,759	16,547

1/ Medium- and long-term debt.

2/ Expressed in terms of assets net of liabilities.

3/ Bonds are classified according to the market where they are issued. Global bonds, issued in foreign markets, are part of external debt including those purchased by residents. For public financial companies, since 2012 the Corporate Bonds of COFIDE and since 2013 the Corporate Bonds of the Fondo Mivienda are included. For non-financial public businesses, since 2017 Petroperú Corporate Bonds are included.

4/ For the purchase and sale between residents and non-residents of government bonds issued abroad or in the market local.

5/ Includes allocations of Special Drawing Rights (SDR).

Source: MEF and BCRP.

2.9 POSITION OF EXTERNAL ASSETS AND LIABILITIES

Foreign assets amounted to US\$ 152,279 million in December 2022, equivalent to 62.2 percent of GDP, 8.4 percentage points lower than in the previous year. Almost half of these assets are BCRP reserves (29.5 percent of GDP). Noteworthy are the declines in BCRP reserves (by US\$ 6,293 million, or 5.3 percentage points of GDP) and financial system assets (by US\$ 3,827 million, or 2.6 percentage points of GDP).

Total **external liabilities** declined to 105.3 percentage points of GDP by end-2022. This is mainly explained by lower medium- and long-term public and private sector debt and a reduction in equity investment.

Table 40

POSITION OF EXTERNAL ASSETS AND LIABILITIES 1/					
(Levels at the end of the period in million US\$)					
	2020	2021	2022	% GDP	
				2021	2022
I. ASSETS	148,310	159,457	152,279	70.6	62.2
1. Reserve assets	74,909	78,539	72,246	34.8	29.5
2. Financial system 2/	39,834	28,839	25,013	12.8	10.2
3. Others assets	33,567	52,078	55,020	23.1	22.5
II. LIABILITIES	224,629	246,646	257,862	109.2	105.3
1. Direct investment	116,845	124,265	135,114	55.0	55.2
2. Equity securities (portfolio)	17,867	17,712	17,603	7.8	7.2
3. Loans, bonds and other debts	89,715	101,981	102,269	45.2	41.8
Medium and long-term	79,967	92,474	93,021	41.0	38.0
Private sector 2/	31,324	31,936	32,907	14.1	13.4
Public sector (i+ii-iii) 3/ 4/	48,643	60,538	60,114	26.8	24.6
i. Public external debt	32,469	45,533	46,194	20.2	18.9
ii. Securities debt of the domestic secondary market held by non-residents	17,676	15,882	14,731	7.0	6.0
iii. Securities debt of the external secondary market held by residents	1,503	877	811	0.4	0.3
Short-term	9,748	9,507	9,248	4.2	3.8
Financial system 5/	3,754	3,845	4,007	1.7	1.6
Others	5,994	5,662	5,241	2.5	2.1
4. Central Reserve Bank of Peru	202	2,688	2,877	1.2	1.2
Short-term	202	44	363	0.0	0.1
Long-term 6/	0	2,644	2,514	1.2	1.0
III. TOTAL (I-II)	-76,319	-87,189	-105,583	-38.6	-43.1

1/ Expressed in terms of assets net of liabilities.

2/ Includes assets in domestic currency against non-residents. Excludes BCRP.

3/ Includes the debt of the General Government and public enterprises.

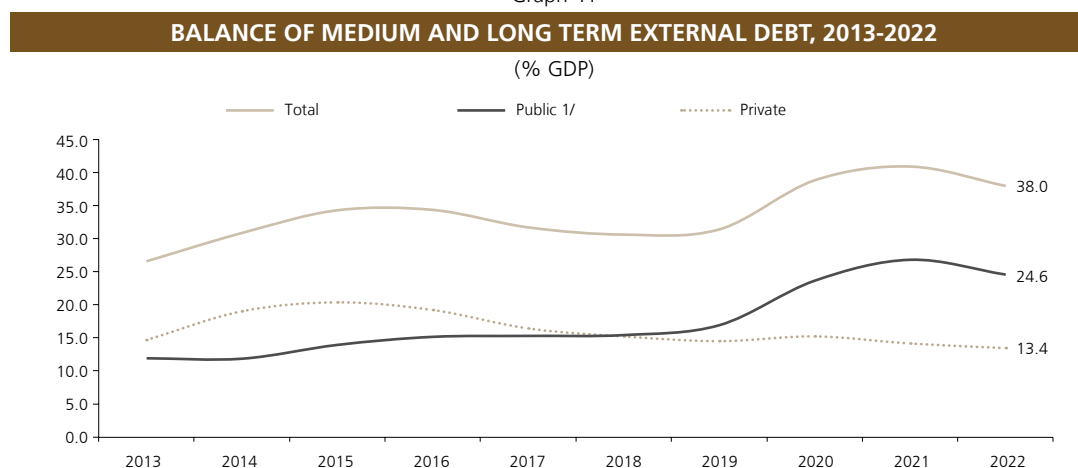
4/ Government bonds issued abroad and held by residents are excluded from external liabilities of the public sector. Locally issued government bonds held by non-residents are included in the external liabilities of this same sector.

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

6/ Includes allocations of Special Drawing Rights (SDR).

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

Graph 41

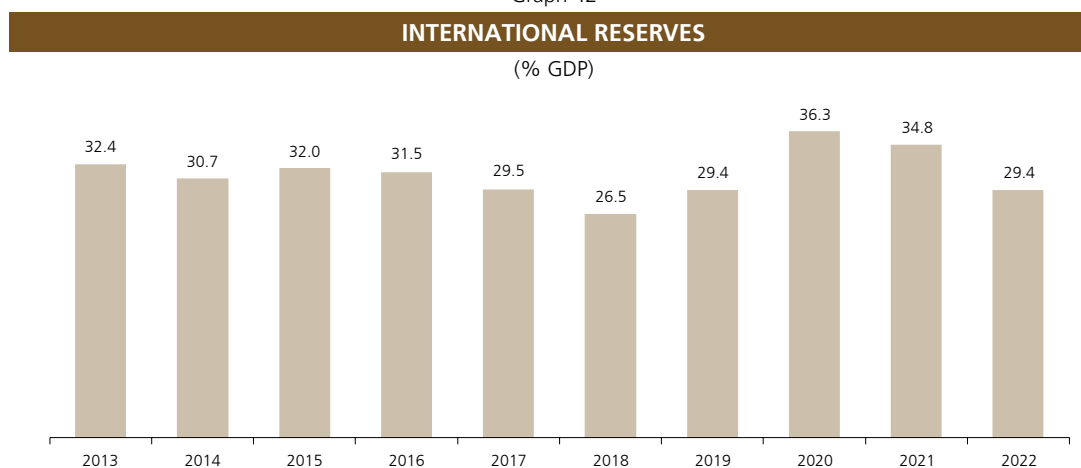


1/ The public external debt, using the criterion of residence of the holders of the debt, is the sum of external debt of the total public sector (including financial sector) by the issue market and the holding of sovereign bonds held by non-residents, and excluding debt issued abroad held by residents.

Source: BCRP.

The soundness of the balance of payments in the face of adverse external events can be assessed by considering the amount of net international reserves as a percentage of GDP, the balance of short-term external liabilities, or the sum of these liabilities and the current account deficit. In addition to the high level of support, and thanks to the precautionary accumulation of reserves, Peru has an automatic, freely available credit line (FCL) from the IMF of about US\$ 5.3 billion to face possible contingencies.

Graph 42



Source: BCRP.

Table 41

NIR INDICATORS			
	2020	2021	2022
As a % of:			
a. GDP	36.3	34.8	29.4
b. Short-term external debt 1/	543	492	430
c. Short-term external debt plus Current account deficit	648	373	270

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

Source: BCRP.

2.10 MANAGEMENT OF INTERNATIONAL RESERVES

At end-2022, 77 percent of the international reserves investment portfolio was invested in liquid securities of high credit quality, 20 percent in deposits in first-class foreign banks, and the remaining 3 percent in gold. The securities portfolio consists mainly of sovereign debt and bonds issued by supranational organizations and foreign public entities with long-term credit ratings of A+ or higher.

International reserve assets generated a return of S/ 3,475 million in 2022, 75.1 percent higher than in the previous year, as a result of higher international interest rates.

In terms of portfolio quality, 63 percent of the portfolio was invested in companies with a long-term rating of AAA, and the rest in companies with a rating between AA+ and A. The average duration of the investment portfolio was 0.86 years in 2022.

Table 42

COMPOSITION OF THE INVESTMENT PORTFOLIO				
(% structure)				
Item	December of 2020	December of 2021	December of 2022	Average 2013-2022
Deposits abroad	26	24	20	27
Securities	71	73	77	71
Gold	3	3	3	2
TOTAL	100	100	100	100

Source: BCRP.

Table 43

MATURITY AND RATING OF INVESTMENT PORTFOLIO				
(% structure)				
	December of 2020	December of 2021	December of 2022	Average 2013-2022
By maturity term	100	100	100	100
0-3 months	46	46	39	47
3-12 months	12	15	22	18
> 1 Year	42	39	39	35
By long-term rating	100	100	100	100
AAA	58	56	63	52
AA+/AA/AA-	23	25	24	27
A+/A/A-	19	19	13	21

Source: BCRP.

The effective exposure of the BCRP's foreign exchange position was 88 percent in US dollars and 12 percent in other currencies and gold.

Table 44

INTERNATIONAL POSITION: EFFECTIVE EXPOSURE				
(% structure)				
	December of 2020	December of 2021	December of 2022	Average 2013-2022
US\$	87	89	88	84
Other currencies	9	7	8	12
Gold	4	4	4	4
Total	100	100	100	100

Source: BCRP.

In 2022, the issuance of socially responsible bonds or bonds that follow environmental, social, and governance (ESG) guidelines continued to grow due to increased investor demand for this type of asset. As part of the investment of international reserves during the year, US\$ 324 million of these bonds were purchased, of which US\$ 17 million were green bonds, US\$ 207 million were sustainable bonds, and US\$ 100 million were social bonds. Subsequently, the balance of ESG bonds, including the three categories mentioned above, amounted to US\$ 1.75 billion in US dollars, Canadian, Australian and British pounds as of December 31, 2022.⁷

⁷ The exchange rate on December 31, 2022 was used to calculate the year-end balance in U.S. dollars, and the exchange rate on the date of purchase was used to convert purchases in currencies other than U.S. dollars.