

02.

EXTERNAL SECTOR

1. INTERNATIONAL ENVIRONMENT

Global growth moderated from 3.5 percent in 2022 to 3.1 percent in 2023, mainly explained by the evolution of developed economies. With the exception of the United States and Japan, weaker dynamism was observed in the Eurozone, particularly in Germany - where activity contracted for the first time since 2020 - and in the United Kingdom - which went from 4.3 percent growth in 2022 to 0.5 percent in 2023.

For its part, emerging economies had an expansion rate of 4.1 percent, similar to that of 2022. Higher growth in China and Russia offset the lower dynamism of Latin America and India.

Table 20

WORLD GROWTH 1/						
(Annual percentage changes)						
	GDP-PPP % 2/	Trade Peru % 3/	2021	2022	2023	Average 2014-2023
Developed economies	41.1	40.9	5.6	2.6	1.7	1.8
<i>Of which</i>						
1. United States	15.4	19.7	5.9	1.9	2.5	2.1
2. Eurozone	11.7	9.4	5.8	3.5	0.8	1.5
3. Japan	3.7	3.2	2.2	1.0	1.9	0.5
4. United Kingdom	2.2	1.6	7.6	4.3	0.5	1.4
5. Canada	1.4	4.1	5.0	3.8	1.1	1.7
Developing economies	58.9	59.1	6.9	4.1	4.1	4.0
<i>Of which</i>						
1. China	18.8	37.0	8.4	3.0	5.2	6.0
2. India	7.5	3.6	9.1	7.2	6.7	5.7
3. Russia	2.9	0.3	5.6	-1.2	3.0	1.0
4. Latin America and the Caribbean	7.3	18.9	7.3	4.2	2.4	0.8
Brazil	2.3	5.3	5.0	3.0	3.1	0.5
Chile	0.3	3.3	11.7	2.4	-0.5	1.9
Colombia	0.6	2.0	11.0	7.3	1.4	2.8
Mexico	1.9	2.3	5.8	3.9	3.4	1.4
Argentina	0.7	2.2	10.7	5.0	-2.5	-1.0
Peru	0.3	--	13.6	2.7	-0.6	2.1
World Economy	100.0	100.0	6.3	3.5	3.1	3.0
Note:						
Business Partners 1/			6.9	3.1	3.2	3.4

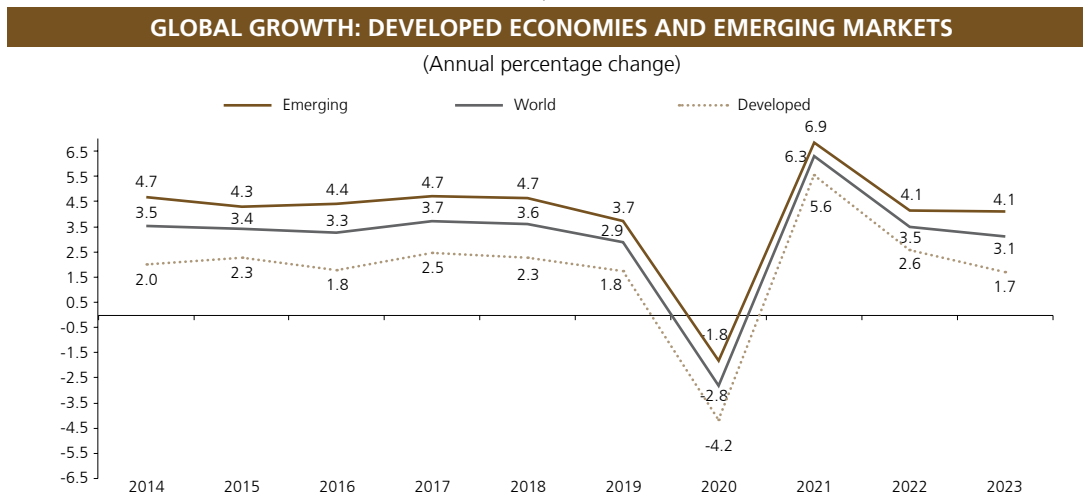
1/ Preliminary data.

2/ Weightings correspond to 2023. World GDP is measured in purchasing power parity (PPP) calculated by the IMF. For trading partners, the top 20 in 2023 are considered.

3/ Participation of each country in Peru's total exports plus imports.

Source: IMF, Statistics Institutes and Central Banks.

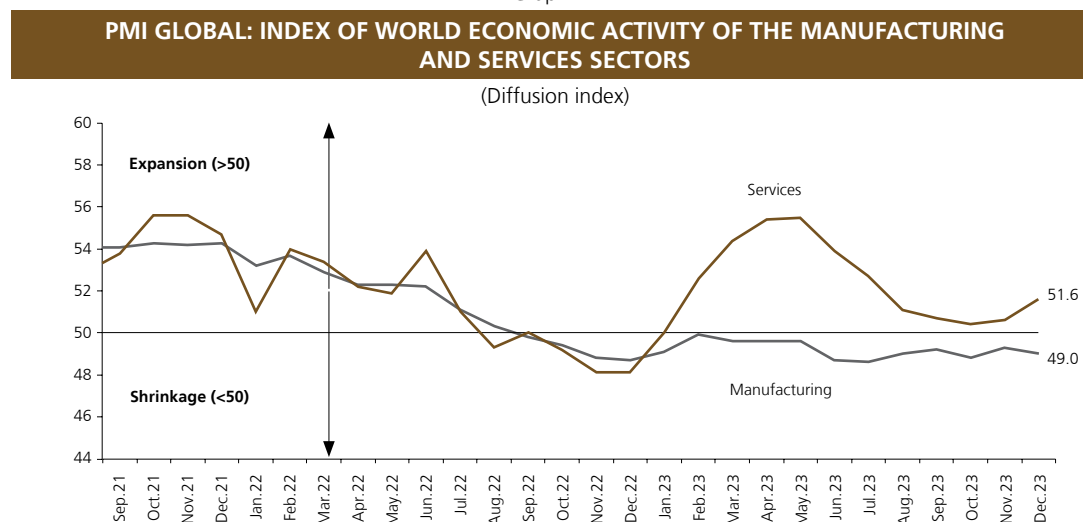
Graph 23



Source: International Monetary Fund.

This slower growth during 2023 reflects the impact of restrictive monetary policies - particularly in developed economies - in the context of a slow convergence of inflation towards its target. Other important factors, also present during 2022, were the reduction of excess savings generated during the pandemic and the low dynamism of global trade. In addition, the low global trade reflects the unfavorable evolution of manufacturing, in contrast to the positive performance of the services sector, which expanded significantly during the first half of the year.

Graph 24



Source: S&P Global.

During 2023, new factors affected growth: some temporarily and others permanently until the end of the year. The former included market volatility, associated with the bankruptcy of financial institutions in the United States and Switzerland, and the discussion on the management of public debt in the United States, particularly during the first half of the year.

In addition to the intensification of the war in Ukraine, from October onwards, was the conflict in the Middle East, which increased global risk aversion, temporarily raised oil prices and forced the search for alternative maritime transport routes to the Red Sea. The latter increased freight costs, a trend

that was aggravated for some countries by restrictions in the Panama Canal due to the drought. In addition, tensions between China and the United States increased and generated friction in international trade, particularly in the semiconductor market.

Despite the slowdown in the global growth rate, it is worth noting that it is higher than the average growth of the last decade and that fears of a sharp adjustment at the global level were significantly reduced during the year.

Among the developed countries, the **United States** was the most resilient economy, with growth outweighing that of the previous year and the forecasts made at the end of 2022. The dynamism of the U.S. economy is explained by the evolution of private consumption -which was supported by the expansion of employment- and by the wealth effect generated by strong stock market gains particularly due to the evolution of technology companies. Public spending within the framework of the expansionary fiscal policy also contributed in the same sense: the United States presented, within the main developed economies, the highest fiscal deficit in 2023.

Similarly, non-residential investment, particularly in new infrastructure, was also dynamic. Incentives granted in recent years have boosted the construction of plants for the production of high-tech goods (such as semiconductors) or those related to green energies (such as electric cars). In contrast, the real estate market was affected by high mortgage rates: the 30-year rate exceeded 7.0 percent.

In **Europe**, the Eurozone's growth rate declined from 3.5 percent in 2022 to 0.8 percent in 2023. Of particular note was the contraction in Germany - from 1.9 percent growth in 2022 to a contraction of 0.3 percent in 2023 - and the sharp slowdown in France (from 2.6 percent to 0.8 percent). In Germany, weak external demand, particularly from China, and high energy costs affected its manufacturing sector, particularly the automotive subsector. The tightening of credit conditions and high inflation rates in the first half of the year also had a negative impact on private consumption. In addition, the contraction of the real estate sector and the partial withdrawal of the fiscal support granted as a result of the pandemic.

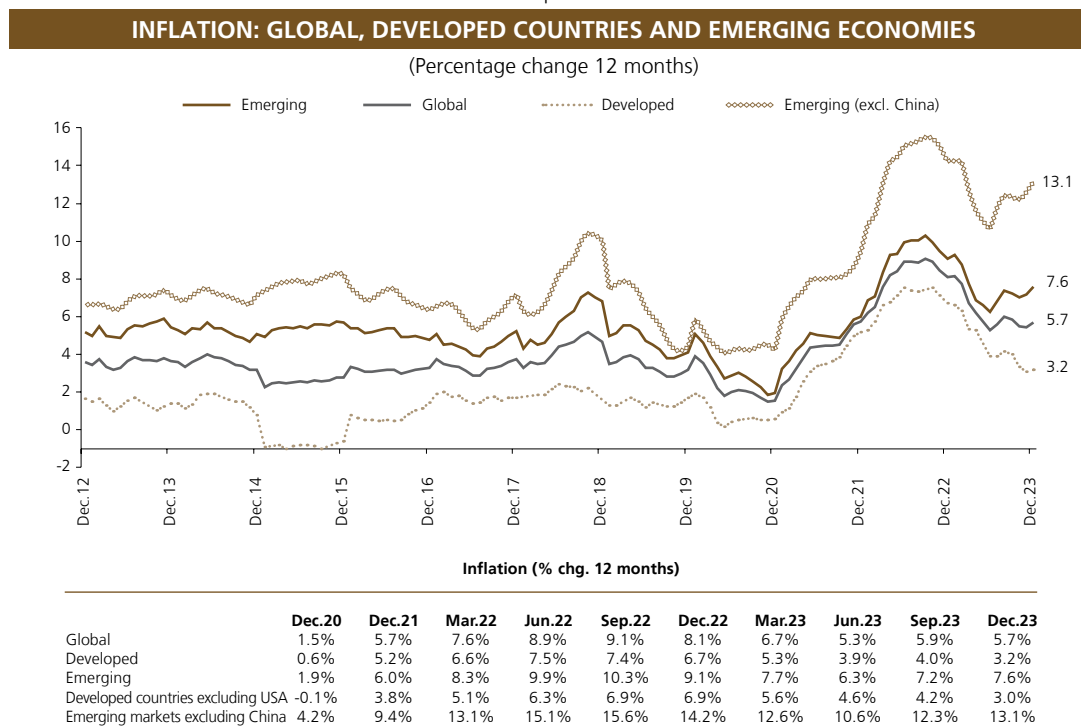
In **China**, the economy grew by 5.2 percent. The recovery at the beginning of the year, due to the rebound from the health measures imposed as a result of COVID-19, was followed by a sharp slowdown in the second quarter. Problems in the real estate market and a less dynamic trade were factors that explained this slower pace of expansion and generated fears of a sharp slowdown, which was counterbalanced in part by the fiscal and monetary stimulus that allowed the economy to recover in the last two quarters.

On the other hand, the main **Latin American** countries recorded lower growth rates than in the previous year, with the exception of Brazil. The dynamism among the economies has been differentiated. The countries with the highest growth rates, due to more favorable external conditions, were Mexico (higher exports to the United States in the context of trade tensions with China) and Brazil (higher exports of agricultural products). In the rest of the economies, the impact of the adjustment in monetary and credit conditions, the reduction of savings surpluses generated during the pandemic and adverse weather shocks prevailed.

The slowdown in economic activity was accompanied by a decline in **inflationary pressures**. After reaching peak levels of 9.1 percent by mid-2022, inflation gradually declined, although in the vast majority of cases it remains above target of the respective central banks. During the year, inflation

fell from 8.1 percent in December 2022 to 5.7 percent in December 2023, showing a downward trend in both developed and emerging economies and also at the regional level. In the particular case of Asia, negative inflation rates in China during the last months of the year stand out -in December the CPI contracted by 0.8 percent per year-.

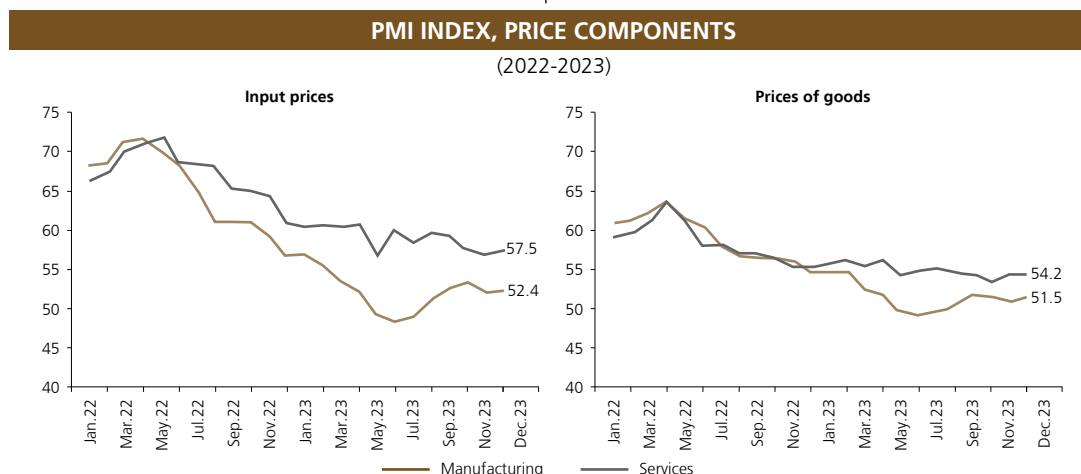
Graph 25



Source: Trading Economics, statistical institutes and central banks.

However, at the component level, inflation shows a clearly differentiated behavior: while goods prices have undergone significant corrections -in part due to the reduction in food and energy prices-, services prices have shown some downward resistance. This can be seen, for example, in the goods and input price components contained in the PMI indices at the global level.

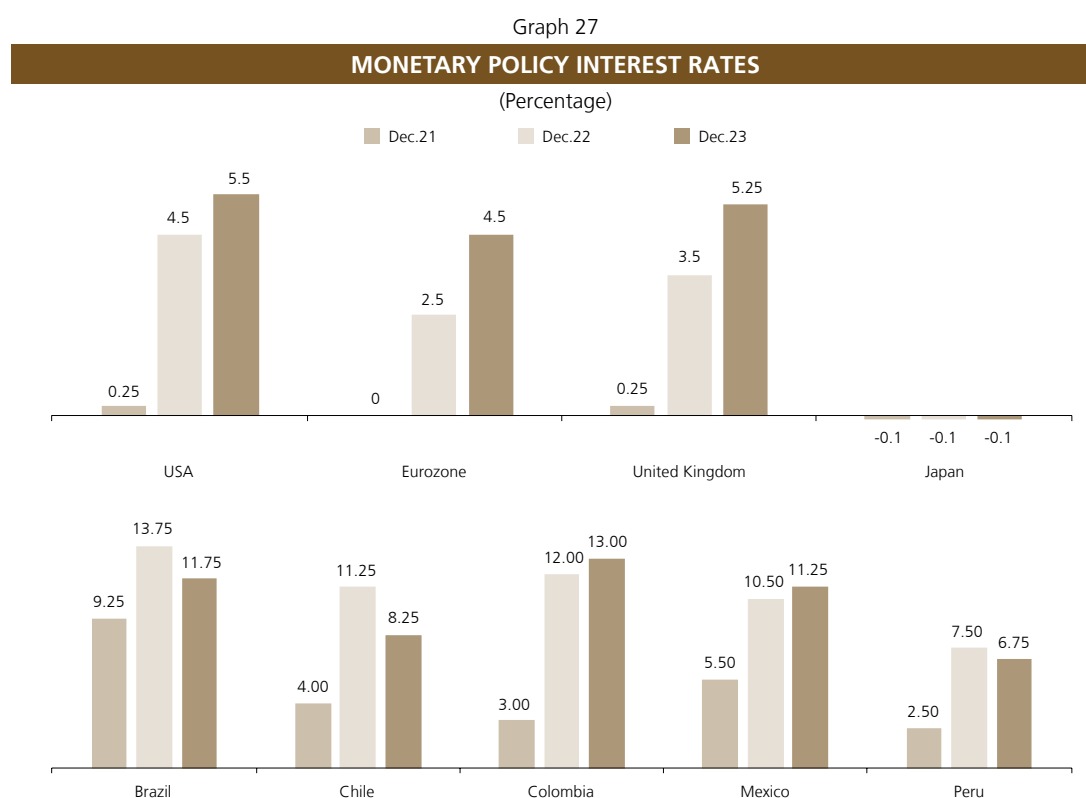
Graph 26



Source: S&P Global.

In this context, the central banks of developed countries, with the exception of Japan, continued to tighten monetary policy, bringing rates to the maximum levels of the current tightening cycle. In the case of the Fed, the increase was 100 bps, less than that recorded by the BoE (175 bps) and the ECB (200 bps). Expectations for future hikes varied during the year, depending on the release of data on inflation, expectations, employment and tightening credit conditions, among others.

On the contrary, several emerging economies, which had started the interest rate tightening cycle earlier, reduced policy rates in line with the decrease in inflation, inflationary expectations and the greater slack in the output gap. The rate reductions in the economies of the region stand out: Chile by 300 bps, Brazil by 200 bps and Peru by 75 bps.²⁵

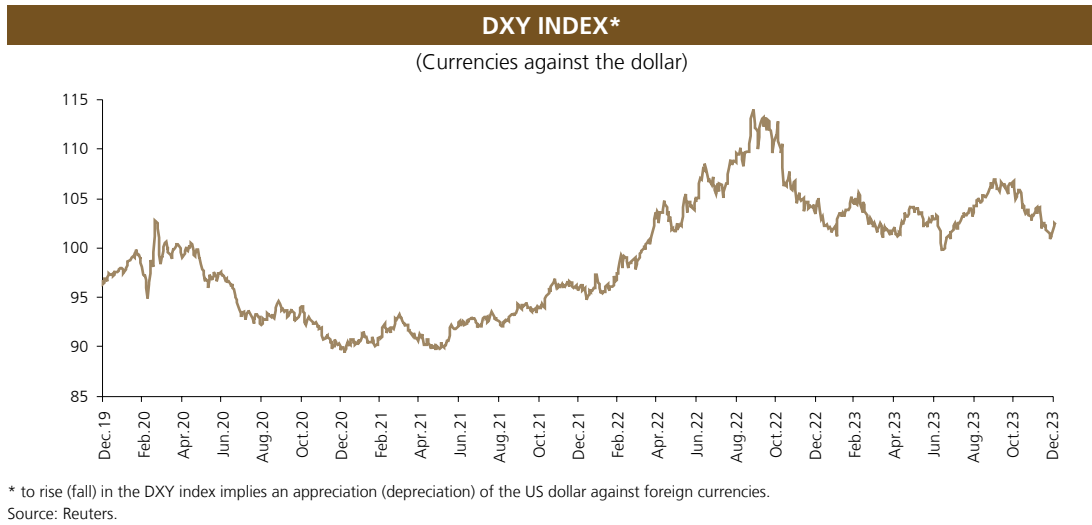


Source: Central banks.

In this context of high policy rates, the dollar, measured through the DXY index, showed high volatility, but without a defined trend as observed in 2022, when it reached a 20-year high during September. The dollar halted its appreciation trend due, in part, to the narrowing of the rate differential with respect to the ECB and the BoE. The exception was the yen, which depreciated throughout the year due to the divergence between the restrictive policies of the main central banks and Japan's expansionary monetary policy, which maintained the general guidelines of keeping its policy rate at -0.1 percent and controlling the yield curve.

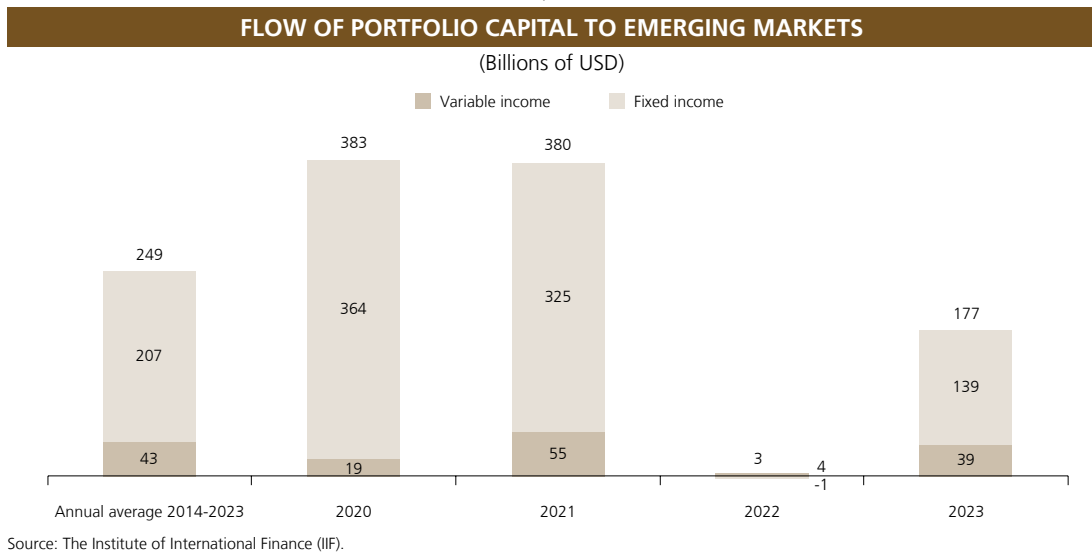
²⁵ In January, the benchmark rate increased by 25 bps. and recorded a cumulative decrease of 100 bps. to December.

Graph 28



In this context of lower growth, high international interest rates and geopolitical uncertainty, capital inflows to emerging economies recorded an insignificant inflow, which, however, reversed the dynamics observed in 2022. During 2023, episodes of capital outflows coincided with the regional banking crisis in the United States (March and April), with periods of increased expectations of rate hikes by the Fed and with fears of a sharp slowdown in China (August and September).

Graph 29



2. BALANCE OF PAYMENTS

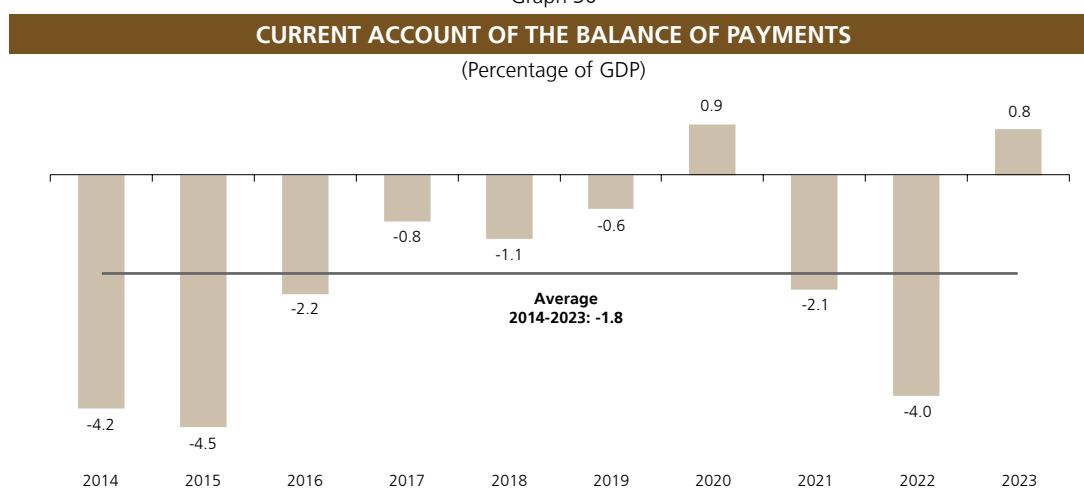
The external accounts in 2023 reflected the reversal of high prices of imported inputs and maritime freight, the decline in private spending, and the normalization of sanitary conditions. This occurred in a context in which interest rates remained high in response to the monetary policy adjustments that the world's major central banks have been making. The lagged effect of these adjustments,

together with the lower private savings surpluses and the weakening of the housing market in the main economies, caused world economic activity to continue to slow down with respect to the previous year.

Thus, the current account of the balance of payments, in terms of GDP, went from a deficit of 4.0 percent in 2022 to a surplus of 0.8 percent in 2023, a figure that contrasts notably with the average deficit of the 2014-2023 period (-1.8 percent). This result was mainly due to an increase in the trade surplus as a result of the recovery in the terms of trade (from -10.1 percent in 2022 to 4.8 percent in 2023) and the contraction of imported volumes (-4.4 percent); and, to a lesser extent, lower profits of foreign direct investment companies and higher interest income.

The financial account recorded a net capital outflow of USD 1,309 million, equivalent to 0.5 percent of GDP, as opposed to a net inflow of USD 8,809 million in 2022. This change in the dynamics of external financing flows was a reflection of: (i) the resumption of net foreign asset purchases by AFPs -given lower pension fund withdrawals-; and, (ii) the decrease in the rate of accumulation of direct investment liabilities as a result of the domestic situation of low business confidence. This evolution was attenuated by greater short-term financing to the financial sector.

Graph 30



Graph 31

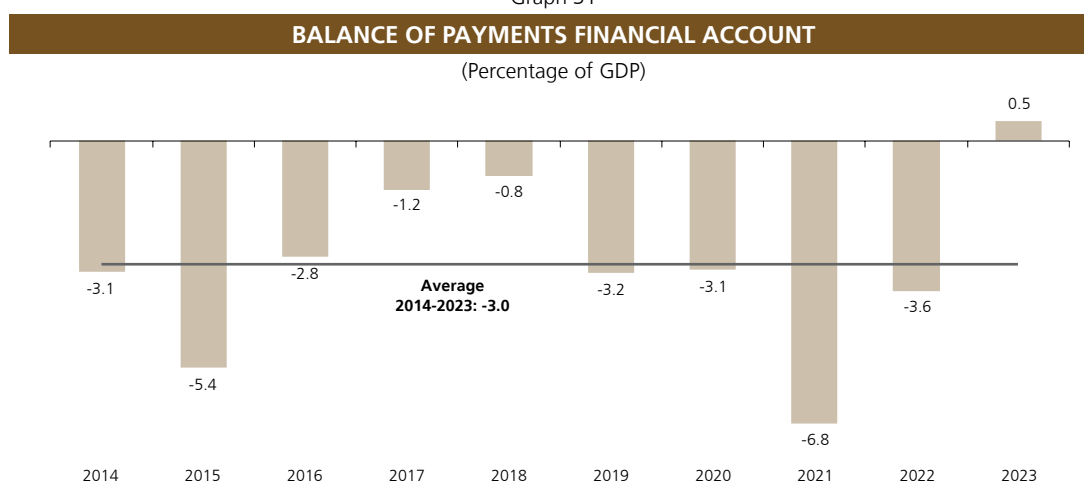


Table 21

BALANCE OF PAYMENTS						
(Millions of USD)						
	2021	2022	2023	Percentage of GDP		
				2022	2023	Prom.14-23
I. CURRENT ACCOUNT (1+2+3+4)	-4,674	-9,743	2,219	-4.0	0.8	-1.8
1. Goods (a-b)	15,115	10,166	17,678	4.2	6.6	2.9
a. Exports 1/	63,114	66,167	67,518	27.1	25.3	22.0
b. Imports	47,999	56,001	49,840	22.9	18.6	19.1
2. Services (a-b)	-7,563	-8,478	-7,341	-3.5	-2.7	-2.0
a. Exports	2,947	4,962	5,808	2.0	2.2	2.4
b. Imports	10,510	13,440	13,149	5.5	4.9	4.4
3. Primary income (a+b)	-18,023	-17,205	-14,902	-7.0	-5.6	-5.2
a. Private	-16,297	-15,642	-14,399	-6.4	-5.4	-4.7
b. Public	-1,726	-1,563	-503	-0.6	-0.2	-0.5
4. Secondary income 2/	5,797	5,773	6,785	2.4	2.5	2.5
Of which: Remittances from abroad	3,608	3,708	4,446	1.5	1.7	1.5
II. FINANCIAL ACCOUNT (1+2+3) 3/	-15,392	-8,809	1,309	-3.6	0.5	-3.0
Net payables (+) / Net receivables (-)						
1. Private sector (a-b)	-16,254	-14,330	821	-5.9	0.3	-2.3
a. Assets	-8,452	-3,045	5,539	-1.2	2.1	0.5
b. Liabilities	7,801	11,284	4,718	4.6	1.8	2.8
2. Public sector (a-b)	-15,696	1,203	716	0.5	0.3	-1.8
a. Assets	-52	105	-36	0.0	0.0	0.0
b. Liabilities 4/	15,644	-1,097	-752	-0.4	-0.3	1.9
3. Short-term capital (a-b)	16,558	4,318	-227	1.8	-0.1	1.2
a. Assets	16,365	4,115	1,877	1.7	0.7	1.4
b. Liabilities	-192	-203	2,104	-0.1	0.8	0.2
III. NET ERRORS AND OMISSIONS	-6,307	-4,155	-3,671	-1.7	-1.4	-0.9
IV. BALANCE OF PAYMENTS RESULTS						
IV = I - II + III = (1-2)	4,410	-5,089	-2,760	-2.1	-1.0	0.3
1. Variation in NIRs balance	3,789	-6,612	-850	-2.7	-0.3	0.3
2. Valuation effect	-622	-1,523	1,910	-0.6	0.7	0.0

1/ Includes estimated gold exports not recorded by Customs.

2/ It incorporates the information on non-resident tax income provided by Sunat.

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

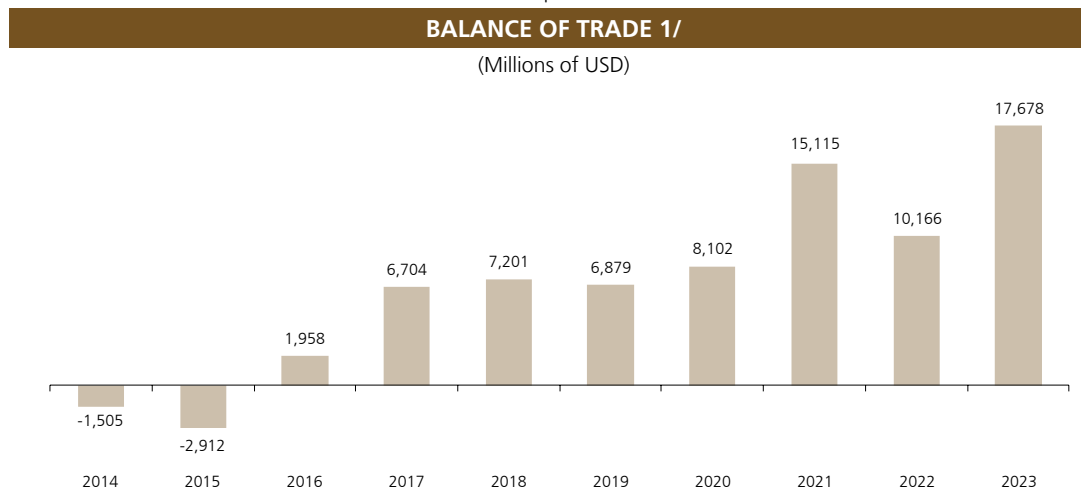
4/ Considers the purchase and sale between residents and non-residents of government bonds issued abroad or in the local market.

Source: BCRP, Ministry of Economy and Finance (MEF), Superintendencia de Banking, Insurance and AFPs (SBS), National Superintendence of Customs and Tax Administration (Sunat), Ministry of Foreign Trade and Tourism (Mincetur), Promperu, Ministry of Foreign Affairs, Cofide, ONP, FCR, Zofratatna, Banco de la Nación, Cavali S.A. ICLV, Proinversion, Bank for International Settlements (BIS) and companies

2.1 TRADE BALANCE OF GOODS

The trade balance recorded a positive balance of USD 17,678 million in 2023, an increase of USD 7,512 million over the level recorded in the previous year. This surplus is mainly explained by lower imports of inputs, reflecting the reduction in international prices of fuels and industrial inputs, the evolution of domestic demand and the decrease in inventories (following the normalization of the global supply chain). For its part, exports grew thanks to higher volumes of mining products (copper and zinc) and hydrocarbons, at a time of higher production and a build-up of inventories that accumulated by the end of 2022 due to the road blockade in the Southern Mining Corridor.

Graph 32



1/ Exports of copper, zinc and molybdenum for 2023 have been estimated based on the exports reported to Minem in the case of companies that have made shipments and are not yet included in the export registry.
Source: BCRP and Sunat.

Peru's two main trading partners continued to be China and the United States. Transactions with these countries accounted for 48.1 percent of total trade in 2023.

Table 22

TRADE BY MAJOR COUNTRIES AND REGIONS									
	Exports 1/			Imports 2/			X+M		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
CHINA	21,105	20,999	23,945	13,207	14,000	12,868	34,312	34,999	36,813
UNITED STATES	7,158	8,583	9,160	9,131	13,892	10,470	16,289	22,475	19,630
BRAZIL	1,129	1,631	1,721	3,146	3,849	3,509	4,275	5,480	5,229
CANADA	2,768	2,689	2,964	909	1,077	1,123	3,677	3,765	4,087
BOLIVIA	3,018	3,399	2,885	840	1,164	877	3,858	4,563	3,762
INDIA	2,542	2,302	2,479	987	1,025	1,055	3,529	3,327	3,534
CHILE	1,774	2,002	2,000	1,373	1,488	1,246	3,147	3,490	3,247
JAPAN	2,932	3,163	2,162	960	1,001	1,020	3,892	4,163	3,182
SOUTH KOREA	2,963	2,757	2,336	850	891	780	3,813	3,649	3,116
SPAIN	1,580	1,632	1,972	789	773	744	2,369	2,405	2,716
ARGENTINA	163	222	194	2,070	2,683	2,440	2,233	2,905	2,634
MEXICO	551	825	859	1,817	1,910	1,694	2,367	2,735	2,553
ECUADOR	930	1,304	1,158	668	934	1,132	1,598	2,238	2,290
GERMANY	1,331	1,117	957	1,429	1,378	1,231	2,761	2,495	2,188
COLOMBIA	868	1,055	821	1,141	1,176	1,202	2,009	2,231	2,023
ITALY	679	579	748	714	725	726	1,392	1,305	1,474
VIETNAM	69	76	44	813	744	676	882	821	720
TAIWAN	336	461	310	360	397	313	695	859	623
THAILAND	122	133	146	447	443	425	569	577	571
RUSSIA	194	100	78	545	325	250	739	425	329
REST	10,901	11,138	10,576	5,806	6,125	6,060	16,707	17,264	16,636
TOTAL	63,114	66,167	67,518	47,999	56,001	49,840	111,113	122,168	117,358
CHINA	21,105	20,999	23,945	13,207	14,000	12,868	34,312	34,999	36,813
LATINAMERICA	9,425	11,557	10,817	11,664	13,778	12,829	21,089	25,335	23,647
UNITED STATES	7,158	8,583	9,160	9,131	13,892	10,470	16,289	22,475	19,630
ASIA (EXCEPT CHINA)	10,717	10,352	9,528	6,356	6,482	5,786	17,074	16,834	15,313
EUROPEAN UNION	8,636	8,814	8,183	4,987	5,074	4,831	13,624	13,888	13,013
OTHERS	6,073	5,863	5,886	2,653	2,774	3,056	8,726	8,637	8,942

X: Exports M: Imports

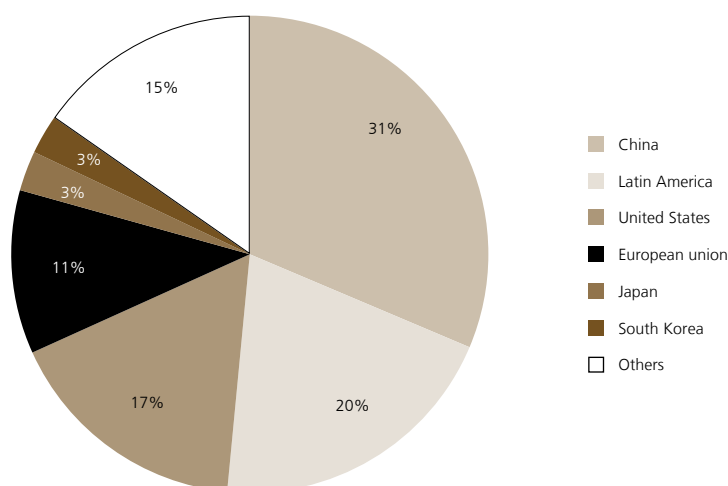
1/ Exports of copper, zinc and molybdenum for 2023 have been estimated based on the exports reported to Minem, in the case of companies that have made shipments and are not yet included in the export registry. The year 2023 is preliminary. Likewise, the rest includes the item "other goods" which does not have information on the country of destination.

2/ Imports were grouped by country of origin. The remainder includes "other goods", which includes defense material, donations and others that do not have country of origin information.

Source: BCRP and Sunat

Graph 33

MAIN TRADING PARTNERS 2023 1/



1/ Preliminary. Share of each country/region in Peru's total exports and imports.
Source: BCRP and Sunat.

Exports

Exports in 2023 totaled USD 67,518 million, USD 1,351 million more than recorded the previous year. In the traditional sector, the increase is supported by higher export volumes, mainly of mining products. Of note is the growth in the volume index of (i) copper (21.3 percent), due to the start of production at Quellaveco and the high levels of inventories that were not sold, following the social conflicts of 2022 and the first quarter of 2023; (ii) zinc (19.4 percent), following the high levels of inventories accumulated in the previous year; and (iii) natural gas (6.3 percent), in line with the higher production.

Meanwhile, in the non-traditional sector, the increase was supported by higher export prices (3.7 percent), mainly in the agriculture sector, since the volume of non-traditional exports recorded a 2.0 percent drop. The impact of unfavorable weather conditions on the exportable supply of our main non-traditional agro-export products was compounded by lower demand from our partners -mainly from the region and the United States- at a time of fear of a slowdown in growth and a reduction in inventories as conditions in the global supply chain normalized.

Traditional exports

Traditional exports totaled USD 48,853 million, 2.3 percent higher than recorded in 2022 (USD 47,750 million), mainly due to the mining sector. There was an increase in volumes (7.4 percent), recovering pre-pandemic levels towards the last half of the year. For its part, prices fell by 4.8 percent, due to lower hydrocarbon, zinc, and copper prices.

Table 23

EXPORTS BY PRODUCT GROUP							
(Millions of USD)							
	2021	2022	2023	Percentage change			Average % chg. 2014-2023
				2021	2022	2023	
1. Traditional products	46,804	47,750	48,853	56.1	2.0	2.3	4.5
Mining 1/	39,901	38,106	42,790	52.7	-4.5	12.3	6.0
Oil and oil products	2,007	2,739	2,399	99.1	36.4	-12.4	-4.7
Natural gas	1,703	3,166	1,553	195.6	85.9	-51.0	1.2
Fishing	2,335	2,386	1,142	51.4	2.2	-52.1	-3.9
Agricultural	857	1,354	970	17.2	58.0	-28.4	2.1
2. Non-traditional products	16,117	18,162	18,448	26.7	12.7	1.6	5.2
Agriculture sectors	7,868	8,368	9,180	16.8	6.4	9.7	10.4
Chemicals	1,905	2,348	1,996	27.4	23.3	-15.0	2.8
Fishing	1,516	1,639	1,779	15.1	8.2	8.6	5.2
Textiles	1,565	1,873	1,601	55.5	19.7	-14.5	-1.8
Iron, steel and jewelry	1,613	1,723	1,552	74.1	6.8	-9.9	1.6
Non-metallic minerals	675	1,093	1,194	51.2	62.0	9.2	5.2
Metal-mechanics	555	649	712	20.3	17.0	9.8	2.7
Wood and paper, and articles thereof	280	313	288	17.3	11.7	-7.8	-3.9
Others 2/	141	157	145	51.7	11.2	-7.5	0.2
3. Others 3/	193	254	217	58.9	31.8	-14.6	-0.9
4. TOTAL EXPORTS	63,114	66,167	67,518	47.4	4.8	2.0	4.6

1/ Exports of copper, zinc and molybdenum for 2023 have been estimated based on the exports reported to Minem, in the case of companies that have made shipments and are not yet included in the export registry.

2/ Includes hides and skins and handicrafts, mainly.

3/ Includes the sale of fuel and foodstuffs to foreign vessels.

Source: BCRP and Sunat.

Table 24

EXPORTS						
(Percentage changes)						
	Volume			Price		
	2021	2022	2023	2021	2022	2023
TRADITIONAL EXPORTS	10.7	1.3	7.4	41.0	0.7	-4.8
<i>Of which:</i>						
Fish meal	41.0	-7.8	-53.2	8.6	9.1	6.4
Coffee	-9.4	26.5	-16.8	31.7	27.0	-19.4
Copper	4.2	5.2	21.3	52.3	-9.6	-1.8
Gold	27.9	0.0	-0.5	1.7	0.1	7.9
Zinc	0.7	-8.5	19.4	56.2	9.0	-26.3
Crude oil and derivatives	20.9	2.5	18.2	64.7	33.1	-25.9
Natural gas	-35.1	34.8	6.3	355.3	37.9	-53.9
NON-TRADITIONAL EXPORTS	18.7	5.6	-2.0	6.7	6.7	3.7
<i>Of which:</i>						
Agriculture sectors	13.4	10.1	-1.5	3.0	-3.4	11.4
Textiles	53.0	4.7	-15.2	1.7	14.3	0.8
Fishing	14.3	-9.6	16.2	0.7	19.6	-6.6
Chemicals	10.4	0.3	-5.7	15.4	22.8	-9.8
Iron, steel and jewelry	29.1	3.0	-3.6	34.8	3.7	-6.5
TOTAL	12.7	2.5	4.6	30.7	2.3	-2.4

Source: BCRP and Sunat.

Mining exports recorded a total of USD 42.79 billion, an increase of 12.3 percent compared to 2022. In terms of prices, there has been a reduction in the price of zinc (26.3 percent) and a decrease in

the price of zinc (26.3 percent) and copper (1.8 percent), which was counterbalanced by the increase in the gold price (7.9 percent). In terms of volumes, 3.0 million fine metric tons (FMT) of copper were exported, which represented an annual export record, due to the start-up of production at Quellaveco and the high levels of inventories that were not sold due to various social conflicts in 2022, which were extended until the beginning of 2023. With respect to gold and zinc, 5.6 million ounces and 1.3 million metric tons were recorded exported, respectively. With these results, Peru continues to maintain a leading position in world mining production, with copper, silver, zinc and molybdenum standing out.

Table 25

MINING PRODUCTION 2023	
Product	World ranking 1/
Copper	3
Silver	3
Zinc	2
Lead	5
Molybdenum	3
Tin	4
Gold	11

1/ Preliminary.

Source: Mineral Commodity Summaries 2024 - US Geological Survey and central banks.

Foreign sales of oil and natural gas amounted to USD 3,951 million, representing a reduction of 33.1 percent over the previous year. The result is mainly explained by the 53.9 percent drop in the price of natural gas, and to a lesser extent, by the 24.1 percent decrease in the export price of oil and oil derivatives. However, the volume of oil and oil derivatives exported grew by 18.2 percent (higher *fuel oil* exports by the Talara Refinery, a fuel used for heating), and natural gas exports by 6.3 percent, both increases being in line with higher domestic production.

The value of fish exports decreased to USD 1,142 million in 2022, down 52.1 percent, after the warming of the sea caused the suspension of the first fishing season. This situation explained why the volume of fishmeal and fish oil exports fell by 52.5 percent and 75.9 percent, respectively. Given the lower supply from Peru, one of the world's largest producers, the price of fishmeal increased by 4.7 percent and that of oil by 73.9 percent.

Non-traditional exports

Exports of non-traditional products reached USD 18,448 million, 1.6 percent higher than in 2022, due to higher prices (3.7 percent) despite lower export volumes (-2.0 percent). The textile (-15.2 percent), chemical (-5.7 percent), iron and steel (-3.6 percent) and agriculture sector (-1.5 percent) volumes fell.

The main destination markets for non-traditional products were the United States with USD 5,667 million and the Netherlands with USD 1,509 million. For the former, an increase of 1.4 percent was reported with respect to 2022, while the latter increased by 4.1 percent. The performance of the other countries has been heterogeneous. Some countries reported significant growth over 2022, such as China (36.6 percent), Mexico (12.7 percent) and the United Kingdom (9.5 percent), while others recorded significant drops, such as Bolivia (-20.8 percent), Colombia (-16.1 percent) and Ecuador (-10.0 percent).

In the case of the United States, the main destination for non-traditional products, the agriculture and textile sectors continued to be the most important, accounting for 73.6 percent of total nontraditional exports to the U.S. market in 2023. The most sold products were blueberries (USD 958 million), fresh grapes (USD 857 million), calcium phosphates (USD 370 million) and fresh asparagus (USD 270 million).

Table 26

MAIN DESTINATIONS: NON-TRADITIONAL EXPORTS					
(Millions USD)					
	2021	2022	2023	% chg. 2023/2022	Average % chg. 2014-2023
United States	4,759	5,591	5,667	1.4	7.7
Netherlands	1,474	1,450	1,509	4.1	10.5
Chile	1,110	1,209	1,199	-0.8	4.7
Ecuador	814	1,078	969	-10.0	2.8
China	653	697	952	36.6	10.0
Spain	721	766	829	8.2	7.2
Colombia	751	852	715	-16.1	-0.1
Mexico	434	615	693	12.7	10.4
Brazil	407	524	533	1.6	2.6
Bolivia	559	645	511	-20.8	-0.5
United Kingdom	430	396	433	9.5	6.4
South Korea	331	400	427	6.9	18.0
Canada	314	317	307	-3.2	8.8
Germany	260	262	246	-6.1	2.8
Japan	188	244	198	-18.7	3.9
Rest	2,912	3,116	3,258	4.6	1.4
Total	16,117	18,162	18,448	1.6	5.2
Note:					
United States	4,759	5,591	5,667	1.4	7.7
Latin America	4,747	5,743	5,455	-5.0	1.7
European Union	3,638	3,728	3,825	2.6	6.7
Asia (except China)	1,229	1,375	1,470	6.9	7.7
China	653	697	952	36.6	10.0
Others	1,091	1,026	1,079	5.1	4.9

Source: Sunat and BCRP.

Sales of **agriculture and livestock products** reached USD 9.18 billion, with shipments of fresh grapes, blueberries and fresh avocados standing out. The result implies a 9.7 percent growth, mainly explained by the 11.4 percent increase in prices due to the lower supply of agriculture sector products, after adverse weather conditions affected the flourishing and development of multiple agricultural products. As a result, the volume of exports fell by 1.5 percent year-on-year (the most since 1998). Fresh blueberries (-25.1 percent), fresh or refrigerated asparagus (-24.6 percent), and fresh mangoes (-21.3 percent) all declined.

Despite this situation, Peru remains the world's leading exporter of blueberries and grapes. In the last decade, sales of agriculture sector products grew at an average annual rate of 10.4 percent, so that the value exported in 2023 was 2.7 times more than that reported in 2013. The result reflects higher planted areas and yields for products with high international demand.

Table 27

MAIN NON-TRADITIONAL AGRICULTURE AND LIVESTOCK PRODUCTS			
(Millions USD)			
Best selling products	2013	2023	Average % chg. 2014-2023
Fresh grapes	443	1,769	14.9
Blueberries	17	1,675	57.9
Fresh avocados	184	963	18.0
Fresh asparagus	414	392	-0.5
Fresh mangoes	133	255	6.7
Food for shrimps and prawns	109	228	7.7
Raw cocoa: other uses	84	217	10.0
Mandarins	67	217	12.5
Whole paprika	50	137	10.5
Prepared or canned mangoes	40	133	12.7
Canned artichokes	89	115	2.6
Organic banana	89	108	2.0
Fresh onions	63	104	5.2
Prepared asparagus	150	94	-4.6
Frozen foods	15	92	19.5
Crude palm oil	21	89	15.8
Subtotal	1,966	6,588	12.9
Total	3,408	9,180	10.4

Source: BCRP and Sunat.

Exports of **fishery products** amounted to USD 1,779 million, 8.6% higher than in 2022, as a result of the warming of the sea, which favored the capture of squid (frozen and canned), as well as higher sales of frozen fish, shrimp and prawns. As a result, the average export volume grew 16.2 percent, while prices recorded a 6.6 percent drop. The main destination markets were China, South Korea, the United States and Spain. Over the last ten years, fish exports increased at an average annual rate of 5.2 percent.

Textile exports reached a value of USD 1,601 million, 14.5 percent lower than in 2022. The volume shipped recorded a drop of 15.2 percent, while prices recorded a slight increase of 0.8 percent. The result behind the reduction in sales is mainly explained by the cooling of demand from the United States (main market with 50.1 percent of total exports) and the build-up of inventories of end customers, as well as lower demand from Latin America (second main market with 28 percent).

Chemical exports totaled USD 1,996 million in 2023, 15 percent lower than recorded in 2022. The volume shipped recorded a 5.7 percent drop, while export prices fell 9.8 percent. The main markets for chemical products were Chile, Ecuador and Bolivia, which together with the United States acquired 48.6% of total exports. Sales of ethyl alcohol, coloring lacquers and zinc oxide declined.

Imports

Imports amounted to USD 49.84 billion, USD 6.161 billion lower than in 2022, mainly due to lower imports of inputs (-19.8 percent), in line with the drop in the dynamism of domestic demand, the reduction of inventories and the reduction of international prices associated with these products.

Table 28

IMPORTS BY ECONOMIC USE OR DESTINATION

(In Millions of USD)

	FOB value: million USD			Percentage change			Average % change 2014-2023
	2021	2022	2023	2021	2022	2023	
TOTAL IMPORTS	47,999	56,001	49,840	38.2	16.7	-11.0	1.6
1. CONSUMER GOODS	10,201	10,974	11,177	17.0	7.6	1.9	2.4
Non-durable	5,877	6,561	6,482	8.1	11.6	-1.2	3.7
Main foods	532	588	569	-3.7	10.5	-3.3	4.1
Rest	5,345	5,973	5,914	9.5	11.7	-1.0	3.7
Durable	4,324	4,412	4,695	31.6	2.0	6.4	0.8
2. INPUTS	23,801	30,954	24,821	54.0	30.1	-19.8	2.4
Fuels, lubricants and related	6,075	10,490	8,630	103.8	72.7	-17.7	2.9
Raw materials for agriculture	1,901	2,323	1,888	24.4	22.2	-18.7	4.3
Raw materials for industry	15,825	18,141	14,303	44.6	14.6	-21.2	1.9
3. CAPITAL GOODS	13,886	13,993	13,686	33.0	0.8	-2.2	0.0
Construction materials	1,537	1,455	1,156	42.2	-5.3	-20.6	-2.2
For agriculture	186	186	161	21.7	-0.1	-13.6	2.1
Machinery and equipment	8,862	8,883	8,792	24.8	0.2	-1.0	0.5
Transport equipment	3,301	3,469	3,577	56.9	5.1	3.1	-0.5
4. OTHER PROPERTY	111	80	156	-1.3	-28.2	95.3	-6.9

Source: Sunat, Zofratatna and MEF.

The volume of total imports decreased 4.4 percent, mainly due to lower foreign purchases of inputs (6.5 percent) and capital goods (-4.4 percent). Similarly, the import price index decreased 6.9 percent, explained by oil, food and industrial inputs. As for industrial input prices, a generalized reduction was observed for all products.

Table 29

IMPORTS

(Percentage changes)

	Volume			Price		
	2021	2022	2023	2021	2022	2023
Total Imports	18.6	2.6	-4.4	16.5	13.7	-6.9
1. Consumer goods	14.6	4.6	-0.2	2.0	2.8	2.1
Non-durable	5.4	10.1	-1.6	2.5	1.4	0.4
Food	-16.6	-1.7	-0.7	15.4	12.4	-2.6
Rest	8.3	11.4	-1.7	1.1	0.3	0.7
Durable	30.1	-2.7	1.8	1.2	4.8	4.5
2. Insumos	13.9	4.9	-6.5	35.2	24.0	-14.3
Main Foodstuffs	-1.4	-5.9	1.7	39.4	21.8	-14.1
Oil and oil products	25.6	11.1	4.4	62.3	54.5	-19.7
Industrial supplies	13.3	3.6	-13.6	26.8	12.7	-11.2
Plásticos	8.4	0.4	-14.8	52.7	1.9	-23.5
Iron and steel	25.6	-13.4	-14.7	40.0	17.5	-18.8
Textiles	23.0	3.5	-19.4	13.5	18.9	-13.1
Papers	8.6	23.7	-25.5	10.5	31.6	-12.9
Chemicals	2.8	6.6	-8.5	11.7	17.2	-2.5
Organic chemicals	16.2	-2.9	0.2	35.0	11.7	-14.8
Rest	12.6	7.4	-13.4	23.7	11.4	-7.7
3. Capital Assets	30.5	-3.3	-4.4	2.0	4.2	2.3
Construction materials	39.5	-9.1	-22.4	2.0	4.2	2.3
Other capital goods	29.4	-2.5	-2.4	2.0	4.2	2.3

Source: Sunat, Zofratatna and MEF.
Elaborated by: BCRP.

In 2023, the import of non-durable consumer goods decreased by USD 79 million (-1.2 percent), with a negative flow mainly in clothing, plastic articles and materials, and cardboard articles.

For the year, purchases of consumer durables rose by USD 283 million (6.4 percent) mainly due to higher imports of automobiles, household appliances, games and slots, suitcases, household goods and fast delivery shipments.

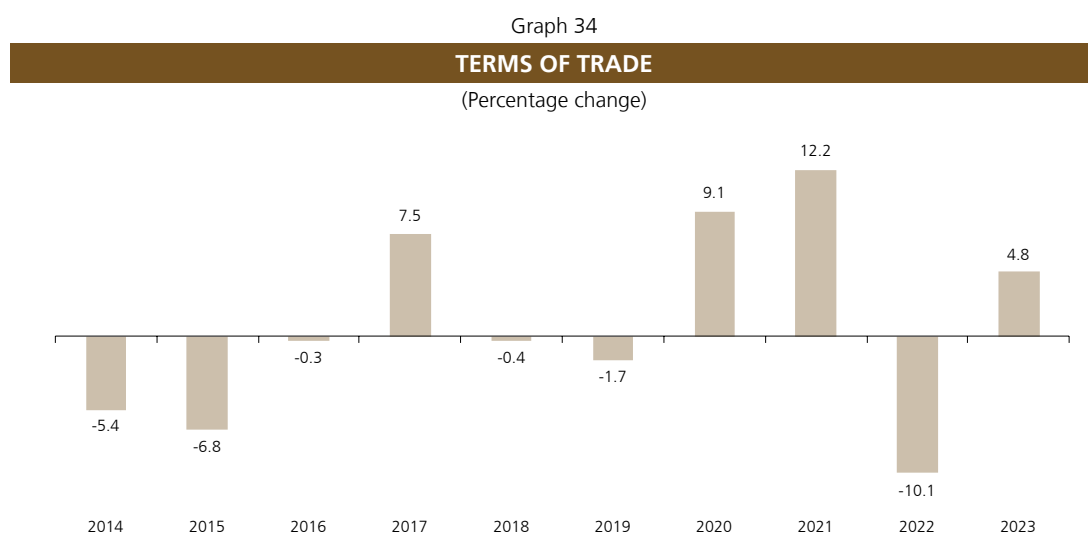
In 2023, the reduction in purchases of inputs was one of the most important (-USD 6,133 million), mainly due to lower purchases of raw materials for industry (-USD 3,839 million) and fuels (-USD 1,860 million). This result reflected the reduction in the international price of oil, the reduction of inventories and the lower dynamism of domestic demand.

The value of purchases of oil and petroleum products fell by USD 1,621 million (a decrease of 16.1 percent). The drop is the result of lower oil prices (-19.7 percent), which counterbalanced higher import volumes (4.4 percent).

The value of imports of capital goods decreased by 2.2 percent, due to lower purchases of construction materials (-USD 299 million) and machinery and equipment (-USD 91 million). In terms of imported volumes, it decreased by 4.4 percent; while prices increased by 2.3 percent.

2.2 TERMS OF TRADE

In 2023, the terms of trade recorded a 4.8 percent year-on-year increase. The result is the result of a greater drop in average import prices (-6.9 percent) compared to export prices (-2.4 percent). Petroleum and industrial inputs explain the lower import prices; For its part, copper, zinc and hydrocarbons explain the behavior of average export prices.



Source: BCRP.

Table 30

TERMS OF TRADE			
(Annual % chg.)			
Years	Export Prices	Import Prices	Terms of trade
2021	30.7	16.5	12.2
2022	2.3	13.7	-10.1
2023	-2.4	-6.9	4.8
Average % change 2014-2023	1.8	1.2	0.7

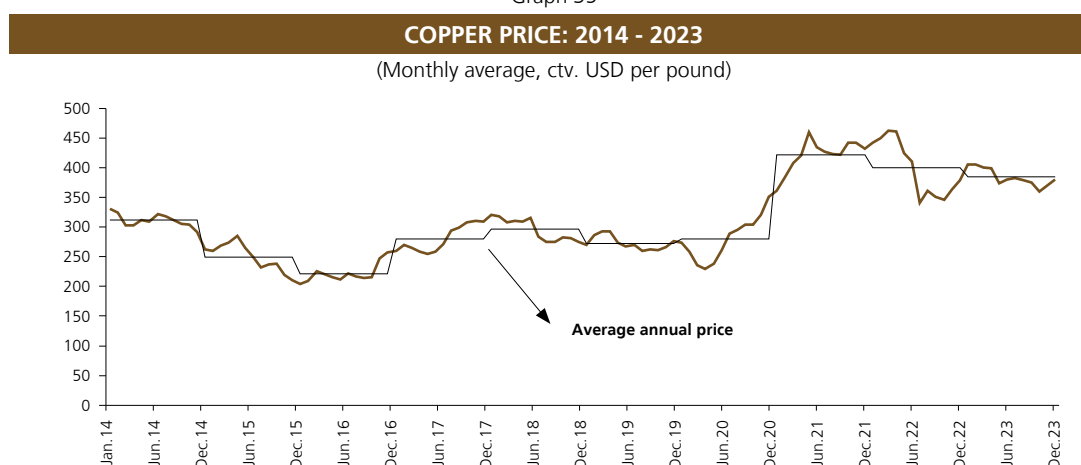
Source: BCRP.

The average price of **copper** decreased 4.0 percent in 2023 (from USD 4.00/lb to USD 3.85/lb). After reaching a value of USD 4.07/lb in January, the copper price decreased to a low of USD 3.60/lb in October. The decrease in the value of copper was attributed to lower global demand, especially in developed economies, and the prospects of lower Chinese demand, related to the crisis in the real estate sector and the weakness of its industry.

On the supply side, although new mine and smelter expansion projects advanced with minimal disruptions during 2023, there was a major supply disruption due to the suspension of production at First Quantum's Cobre Panama mine (which accounts for approximately 1 percent of global copper production). Against this backdrop, the world refined copper market moved from an estimated global deficit of 434,000 tons in 2022 to near balance in 2023, according to data from the International Copper Study Group.

Other factors contributing to the decline were the appreciation of the dollar and tighter than expected monetary policy during the year. In addition, a reduction in non-commercial net short positions was observed in the second half of the year.

Graph 35

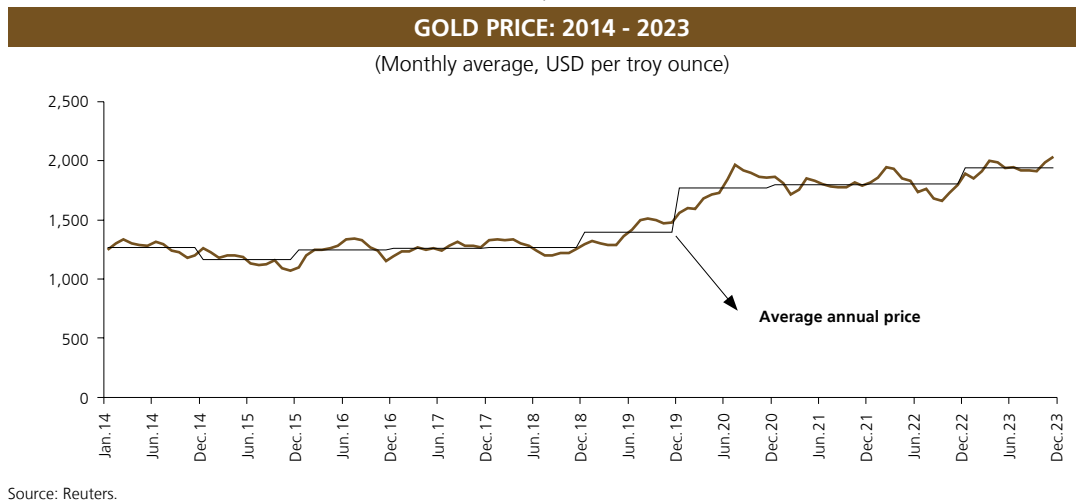


Source: Reuters.

The average **gold** price increased by 7.9 percent, from USD 1 801/oz tr in 2022 to USD 1 943/oz tr in 2023.

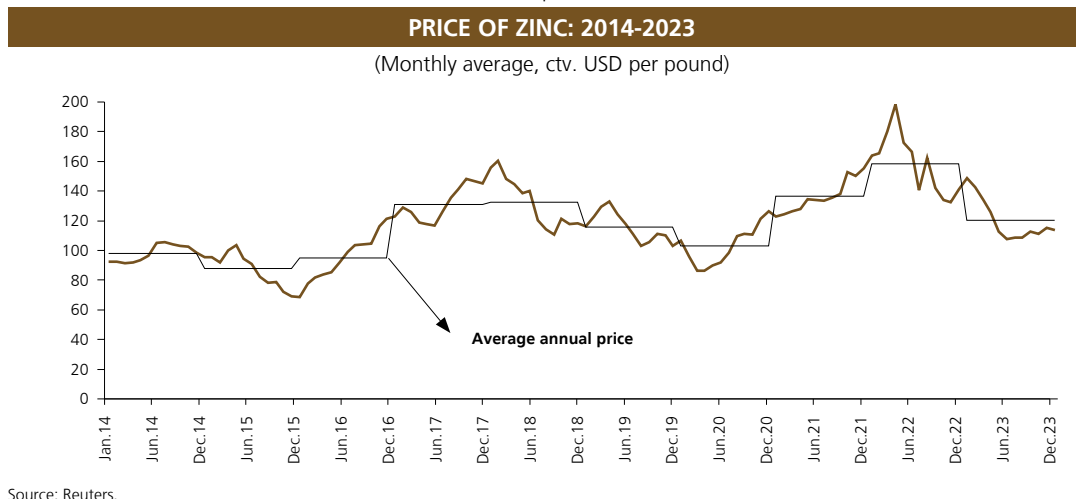
The gold price rose steadily on increased demand for safe-haven assets in response to heightened geopolitical risks in the Middle East. The price was also supported by central banks' decision to continue their net purchases of gold as a strategy to diversify their currency holdings, particularly in China, Russia and Turkey. The decision by central banks to maintain their restrictive monetary policy beyond what was initially planned limited the increase in the price.

Graph 36



The average price of **zinc** decreased 24.1 percent in 2023 (from USD 1.58/lb to USD 1.20/lb). After reaching historical highs in 2022, the price of zinc declined rapidly in 2023 due to the reopening of several refineries favored by better margins, particularly in the case of European smelters that were affected by high energy prices. The recovery in production coincided with the weakness of global demand. In this context, a global market with supply surpluses was observed. The ILZSG reported a global supply surplus of 211 000 tonnes in the first 11 months of 2023, recovering from a deficit market in 2022.

Graph 37

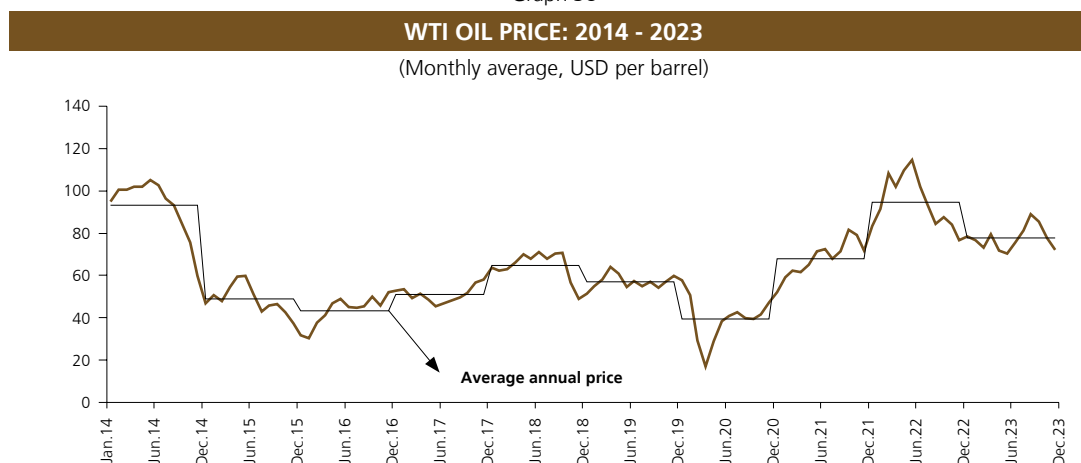


The average price of **WTI oil** decreased 18 percent in 2023 (from USD 95 to USD 78 per barrel). The decrease in oil prices reflected a less tight global market. The International Energy Agency (IEA) estimated a more balanced global market due to increased supply from non-OPEC members such as the United States, Brazil and China offsetting OPEC cuts and unilateral reductions by Saudi Arabia and Russia.

On the other hand, expectations of weak demand for crude oil remained due to fears of the impact of tighter-than-expected monetary policy on economic activity.

It should be pointed out that during the fourth quarter, oil prices faced temporary upward pressures due to the beginning of the conflict in the Gaza Strip. This conflict generated fears of the involvement of producer countries, such as Iran.

Graph 38



Source: Reuters.

2.3 SERVICES

The deficit for **services** reached USD 7,341 million, USD 1,137 million lower than in the same period of 2022, mainly due to lower expenditures for sea freight. It is worth noting that higher travel expenses were recorded due to the increase in outbound travel by residents.

Table 31

SERVICES						
(Millions of USD)						
	2021	2022	2023	Percentage change		
				2022	2023	23/21
I. TRANSPORTATION (a-b) 1/	-3,724	-4,724	-2,582	26.9	-45.3	-30.7
a. Credit	1,086	1,586	1,789	46.1	12.8	64.8
b. Debit	4,809	6,310	4,370	31.2	-30.7	-9.1
II. TRAVEL (a-b)	-462	-208	-540	-55.0	160.2	17.1
a. Credit	688	2,137	2,711	210.8	26.9	294.3
b. Debit	1,149	2,345	3,251	104.0	38.7	182.9
III. COMMUNICATIONS (a-b)	-300	-281	-298	-6.5	6.1	-0.8
a. Credit	60	62	69	1.9	12.0	14.1
b. Debit	361	343	367	-5.1	7.2	1.7
IV. INSURANCE AND REINSURANCE (a-b)	-612	-791	-978	29.2	23.5	59.6
a. Credit	103	122	135	17.8	10.8	30.6
b. Debit	716	913	1,113	27.6	21.8	55.4
V. OTHER SERVICES (a-b) 2/	-2,465	-2,474	-2,944	0.4	19.0	19.4
a. Credit	1,010	1,056	1,104	4.5	4.6	9.4
b. Debit	3,475	3,530	4,048	1.6	14.7	16.5
VII. TOTAL (a-b)	-7,563	-8,478	-7,341	12.1	-13.4	-2.9
a. Credit	2,947	4,962	5,808	68.4	17.1	97.1
b. Debit	10,510	13,440	13,149	27.9	-2.2	25.1

1/ Includes courier and postal services, port charges for ships and aircraft, and transportation commissions, mainly.

2/ Includes government services, financial services (including financial intermediation services indirectly measured - FISIM), computer services, royalties, equipment rental and business services, among others.

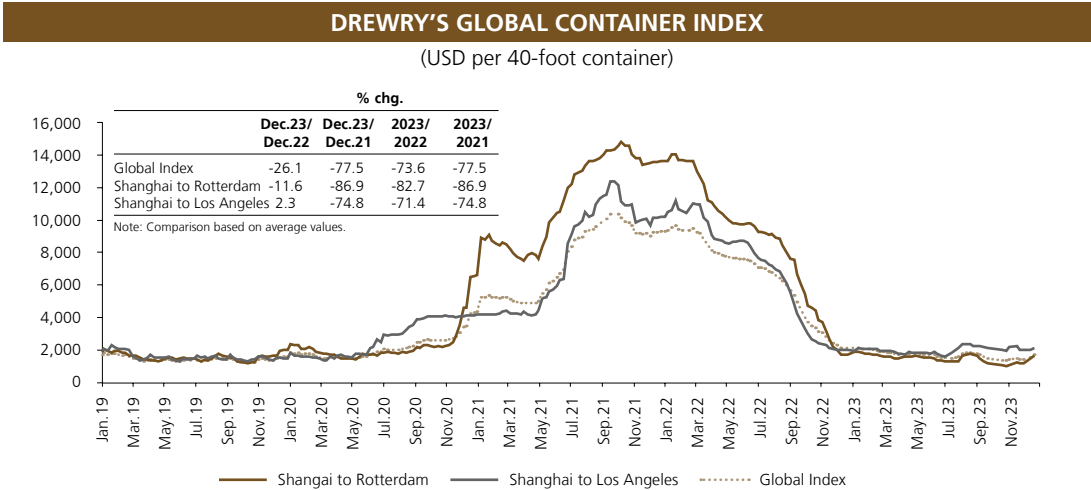
Source: BCRP, SBS, Sunat, Mincetur, Promperu, Ministry of Foreign Affairs and companies.

Elaborated by: Central Management of Economic Studies.

The **transport** services deficit totaled USD 2,582 million, USD 2,142 million lower than recorded in 2022, mainly due to the reduction in the average cost of international freight. On the other hand, higher sales of international tickets by foreign airlines were recorded (40.2 percent), due to the increase in departures of resident travelers abroad. Credits increased by USD 203 million (12.8 percent) as a result of higher ticket sales by domestic airlines (20.6 percent), following the increase in arrivals of non-resident travelers to the country.

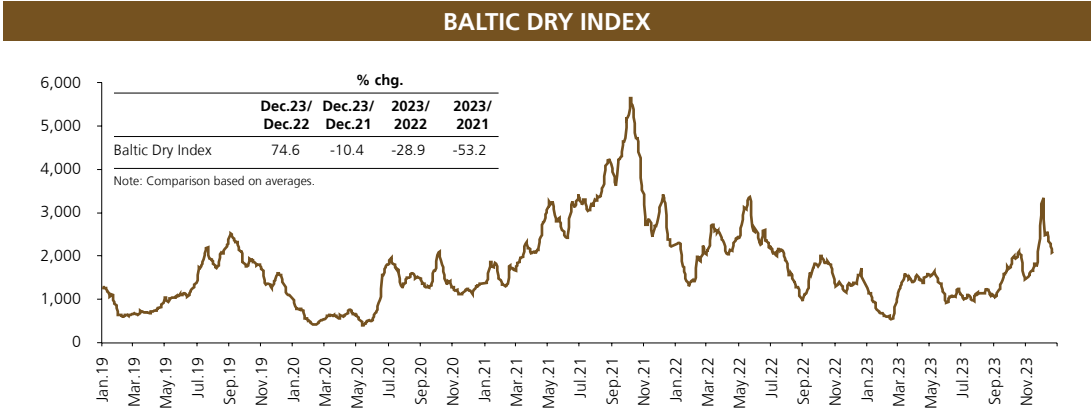
Regarding freight costs, international prices (according to Drewry's *benchmark* indexes for containers and Baltic Dry for bulk) that showed significant reductions since the end of 2021, stopped this evolution in 2023. In the case of containers, prices stabilized after reaching prepandemic levels at the end of 2022. In contrast, in the bulk case, prices rose by more than 70 percent in 2023 due to events associated with the crisis in the Panama Canal and the Red Sea. In average annual terms, Drewry's index for containers and Baltic Dry for bulk showed significant reductions in 2023.

Graph 39



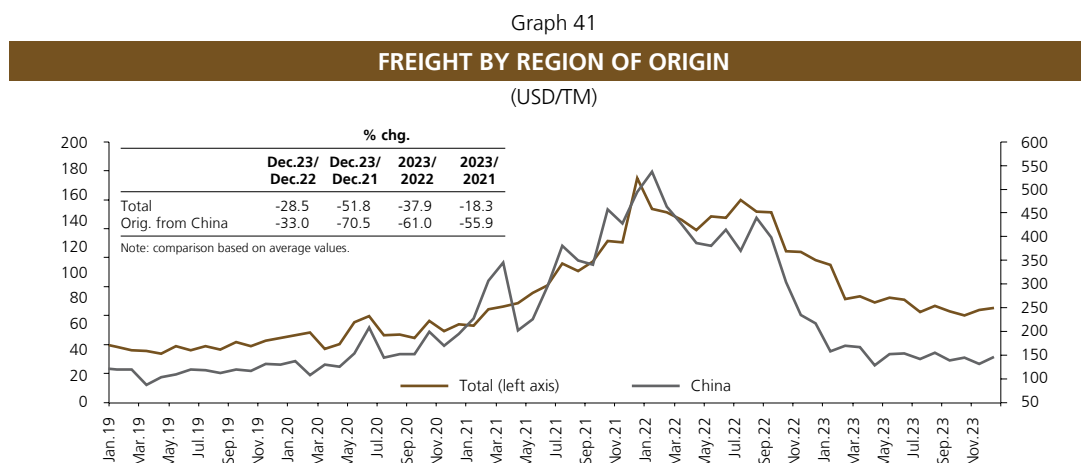
Source: Drew World Container Index.

Graph 40



Source: Baltic.

In the case of Peru, the average annual freight price has shown a correction, with respect to 2022, of around 40 percent (versus 73.6 percent for Drewry's and 28.9 percent for Baltic), although it is still higher than pre-pandemic levels. The Panama Canal events have halted the price correction observed until early 2023.



Source: Sunat and BCRP.

The deficit of **travel** services rose to USD 540 million, due to the higher outflow of resident travelers abroad through Jorge Chávez International Airport (22.3 percent per year), outweighing pre-pandemic levels by 11.3 percent. However, departures by other means reached 75.5 percent of pre-pandemic levels. The time lags in the recovery of land exit are explained by social conflicts in the south of the country (late 2022 and early 2023) and delays in border crossings (from the post-pandemic opening until the first half of 2023).

For its part, travel credits increased by USD 574 million (26.9 percent per year). Non-resident air travel arrivals rose 6.5 percent per year, but are still 35 percent below pre-pandemic levels.

The **insurance and reinsurance** account showed a deficit of USD 978 million in 2023, higher by USD 186 million to that recorded in 2022, due to the increase in premiums paid for reinsured risk abroad.

Other services reached a deficit of USD 2,944 million, USD 469 million higher than in 2022. Debits increased by USD 518 million (14.7 percent), mainly due to higher payments for computer and information services and financial services. For its part, loans grew by USD 49 million (4.6 percent), mainly due to higher corporate loans.

2.4 INCOME PRIMARY

Primary income (factor income) had a deficit of USD 14,902 million in 2023, USD 2,303 million (-13.4 percent) lower than in the previous year, mainly due to the increase in revenues, which amounted to USD 4,718 million and were USD 2,324 million outweighs those of the previous year. This amount includes interest on deposits and the return on external investments by the private and public sectors (companies and financial and non-financial institutions), in a context of high international interest rates.

Table 32

PRIMARY INCOME 1/					
(Millions of USD)					
	2021	2022	2023	Percentage change	
				2022	2023
I. INCOME	1,252	2,394	4,718	91.2	97.0
Private sector	610	1,313	2,230	115.3	69.9
Public sector	642	1,081	2,488	68.3	130.1
II. EGRESS	19,276	19,599	19,620	1.7	0.1
Private sector	16,907	16,955	16,630	0.3	-1.9
Utilities 2/	15,453	15,049	13,864	-2.6	-7.9
Interests	1,454	1,906	2,766	31.1	45.1
Bonds	781	755	734	-3.4	-2.7
Loans	672	1,151	2,032	71.2	76.5
Long term	490	799	1,350	63.0	69.0
Short-term 3/	182	352	682	93.3	93.6
Public sector 4/	2,368	2,644	2,990	11.7	13.1
Interest on loans	174	255	714	46.5	180.1
Interest on bonds	2,161	2,377	2,263	10.0	-4.8
Others	33	13	13	-60.9	-0.3
III. TOTAL (I-II)	-18,023	-17,205	-14,902	-4.5	-13.4
Private sector	-16,297	-15,642	-14,399	-4.0	-7.9
Public sector	-1,726	-1,563	-503	-9.4	-67.8

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

2/ Profits or losses accrued during the period. Includes profits and dividends remitted abroad plus undistributed earnings.

3/ Includes private and public companies and includes interest on debt with non-residents denominated in domestic currency.

4/ Includes commissions.

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

Elaborated by: Central Management of Economic Studies.

Profits of foreign direct investment companies amounted to USD 13,864 million, USD 1,185 million lower than in the previous year (-7.9 percent). This result is explained by the significant correction in international fuel prices (gas and oil), after the rise observed in 2022 in the context of the war between Ukraine and Russia, and the lower prices of some basic metals (such as copper and zinc), which affected the hydrocarbons and mining sectors, respectively. This factor was compounded by the contraction of domestic demand, unfavorable weather conditions that affected fishing and agricultural activity, and expectations of a slowdown in the growth of our trading partners (mainly the region and the United States), at a time of reduced global inventories.

The reduction in profits was concentrated in hydrocarbons, given the average reduction in the international price of gas and oil (of 50 and 18 percent after the increase of 124 and 40 percent in 2022). The mining sector limited the reduction in profits due to the significant growth in the volume exported, given the higher production and the reduction in inventories of copper and zinc concentrates.

The exception to this evolution was observed in the industrial and services sectors. In the case of the industrial sector, if we discount two companies²⁶ that due to extraordinary events in 2022 recorded

26 Two events marked the industrial sector's performance in 2022, the restructuring of a fishing company which was in bankruptcy and the oil spill from a refinery.

significant losses that affected the sector's result, 2023 earnings would have declined by 24.9 percent instead of the 30.1 percent growth. In the case of services, earnings rose by 1.8 percent, mainly due to lower losses reported in the telephony sector. Discounting this event, profits would have recorded a 4.4 percent reduction. If we isolate these three cases, the reduction in total earnings would be 13.6 percent (instead of 7.9 percent).

Table 33

PROFITS BY SECTOR					
(Millions of USD)					
	2021	2022	2023	Variations 2023/2022	
				Absolute var.	Percentage chg.
1. Mining	8,022	6,236	6,078	- 158	-2.5
2. Hydrocarbons	1,891	3,040	1,691	- 1,349	-44.4
3. Industry	1,486	948	1,233	286	30.1
4. Services	3,588	4,055	4,126	72	1.8
5. Energy and other	467	771	735	- 36	-4.7
TOTAL	15,453	15,049	13,864	- 1,185	-7.9

Source: Companies. Includes estimates.

2.5 INCOME SECONDARY

Secondary income amounted to USD 6,785 million in 2023, an increase of USD 1,011 million compared to 2022, due to higher remittances from Peruvians abroad and, to a lesser extent, higher income tax payments from non-residents and extraordinary income associated with disasters (oil spill at the La Pampilla Refinery and weather events). Remittances abroad totaled USD 322 million, mainly to Venezuela.

Income from remittances from Peruvian workers abroad reached USD 4,446 million, 19.9 percent higher than in 2022 and 34.0 percent higher than in 2019, the year before the pandemic. Thus, this item represented 1.7 percent of GDP in 2023. The increase in remittances from Peruvians abroad is explained by the recovery of employment in the main countries from which these resources originate and by the greater number of Peruvians who would have migrated abroad, which according to Migration would total more than 400,000 in the last two years (2022-2023). According to countries, remittances from the United States (22.4 percent), Spain (35.0 percent), Italy (20.3 percent) increased. Those received from these countries channeled 68.3 percent of total remittances to the country in 2023 (54.9 percent in 2019).

Table 34

REMITTANCES FROM ABROAD			
Year	Millions of USD	Percentage change	Percentage of GDP
2021	3,608	24.2	1.6
2022	3,708	2.8	1.5
2023	4,446	19.9	1.7

Source: Superintendency of Banking and Insurance and AFPs (SBS), banks and companies.

Table 35

REMITTANCES FROM ABROAD BY COUNTRY									
	Annual Remittance (Percentage share)			Average Annual Remittance (USD)			Number of Shipments (Thousands)		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
United States	42.4	47.2	48.1	281	301	297	5,443	5,805	7,204
Chile	15.7	11.2	9.2	268	231	217	2,114	1,801	1,892
Spain	10.5	11.0	12.4	276	263	270	1,379	1,552	2,045
Italy	7.9	7.7	7.8	234	225	236	1,213	1,273	1,459
Japan	5.6	5.2	4.3	513	511	512	390	378	375
Argentina	1.6	1.6	1.3	162	159	154	359	381	383
Other countries 1/	16.3	16.0	16.8	298	295	320	1,484	1,522	1,781
Total	100.0	100.0	100.0	280	280	294	12,222	12,670	15,140

1/ Includes estimates of remittances by informal means not classified by country, except in the cases of Average Annual Remittance and Number of Remittances, for which estimates are excluded.

Source: Superintendency of Banking and Insurance and AFPs (SBS), banks and companies.

The main source of origin of remittances was money transfer companies (MTOs) and other means, which intermediated 53.9 percent of the total amount transferred. For its part, banks accounted for 42.1 percent.

Table 36

REMITTANCES FROM ABROAD BY SOURCE						
(Percentage share)						
	2018	2019	2020	2021	2022	2023
ETF - Other media ^{1/}	47.9	45.9	50.5	54.6	55.8	53.9
Banks	40.4	42.2	45.5	41.4	40.2	42.1
Informal media	11.7	11.9	4.0	4.0	4.0	4.0
Remittances from abroad	100	100	100	100	100	100

1/ Transfer of Funds Companies (ETFs) and other means.

Source: Superintendency of Banking and Insurance and AFPs (SBS), banks and companies.

2.6 FINANCIAL ACCOUNT OF THE PRIVATE SECTOR

The long-term financial account of the private sector showed a positive flow (increase in net external assets) of USD 821 million in 2023, a result that contrasts with that of 2022, with higher external financing (increase in the net debtor position) of USD 14.33 billion. This change is attributable to a net acquisition of external portfolio and direct investment assets, as opposed to the previous year's net sale of such assets. In addition, there was a more moderate growth in external liabilities compared to 2022, due to a smaller increase in direct investment.

Foreign assets increased by USD 5,539 million after decreasing by USD 3,045 million in 2022. With respect to direct investment, there was an acquisition of both equity and debt assets, with the increase in the latter explained by companies in the services sector. Regarding portfolio investment, there was a net acquisition of assets for USD 4,062 million, USD 6,521 million higher than last year and mainly explained by higher net purchases of AFPs; in a scenario where no new withdrawals of their members' contributions were foreseen. On the other hand, there was also a greater acquisition of external assets by mutual funds and insurance companies.

Liabilities grew by USD 4,718 million in 2023, USD 6,566 million less than the previous year. Foreign direct investment increased by USD 3,918 million, which is USD 7,283 million less than in 2022. This is explained by lower reinvestment, in line with the fall in profits due to the economic situation, as well as by the increase in dividend payments. In addition, there were recorded net capital withdrawals by non-resident investors, mainly in companies in the mining sector, and the repayment of loans with affiliated foreign companies.

The reduction in portfolio investment in the country in 2023 was USD 160 million, which is explained by higher redemptions in the financial and non-financial sectors. Within the non-financial sector, some issues in the foreign market were mainly aimed at amortizing maturing debt, thus reducing non-resident holdings of bonds issued by local companies. In addition, lower liabilities for non-resident equity investments were recorded.

The net flow of long-term loans amounted to USD 960 million, USD 269 million lower than in 2022. During this period, the main demand for bank financing was from infrastructure developers and private banks.

Table 37

PRIVATE SECTOR FINANCIAL ACCOUNT 1/					
(Millions of USD)					
	2021	2022	2023	Absolute Variation	
				2022	2023
I. ASSET	-8,452	-3,045	5,539	5,407	8,584
1. Direct investment	1,969	-587	1,476	-2,556	2,063
2. Portfolio investment 2/	-10,421	-2,458	4,062	7,963	6,521
II. LIABILITIES	7,801	11,284	4,718	3,483	-6,566
1. Direct investment (a+b)	7,142	11,201	3,918	4,059	-7,283
a. Patrimony	6,642	10,121	4,581	3,479	-5,540
Reinvestment	6,726	8,276	4,781	1,550	-3,495
Contributions and other operations of capital	-84	1,845	-200	1,929	-2,045
b. Debt instruments	500	1,080	-663	580	-1,743
2. Portfolio investment	1,247	-1,146	-160	-2,393	986
Equity investments 3/	-154	-110	-24	45	86
Fixed income 4/	1,401	-1,036	-136	-2,438	900
3. Loans	-588	1,229	960	1,817	-269
Disbursements	2,909	3,938	3,917	1,029	-21
Amortization	-3,497	-2,709	-2,957	788	-249
III. TOTAL (I-II)	-16,254	-14,330	821	1,924	15,150
<i>Note:</i>					
SDI in the country, old methodology 5/	5,360	12,191	3,324	6,831	-8,866

1/ Expressed in terms of assets net of liabilities.

2/ Includes equities and other financial and non-financial sector foreign assets. Includes financial derivatives.

3/ Considers the net purchase of shares by non-residents through the Lima Stock Exchange (BVL), recorded by Cavali S.A. ICLV (Central Registry of Securities and Settlements).

4/ Includes bonds and similar.

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

Source: BCRP, Cavali S.A. ICLV, Private Investment Promotion Agency (Proinversión) and companies.

Elaborated by: Central Management of Economic Studies.

2.7 SHORT TERM CAPITAL

In 2023, **net short-term capital inflows** of USD 227 million were recorded for the first time since 2019, a result that is far from the net outflows of USD 4 318 million recorded the previous year, which responds to a climate of less political and social instability. This result is mainly attributable to a reduction in short-term capital outflows from the non-financial sector, which stood at USD 680 million, compared to USD 4 008 million in the previous year. In addition, net inflows from the banking sector reached USD 900 million, in contrast to outflows of USD 610 million recorded in 2022.

Table 38

Cuenta Financiera de Capitales de Short-term 1/					
(Millions of USD)					
	2021	2022	2023	Absolute Variation	
				2022	2023
1. BANKING COMPANIES (a-b)	-1,085	610	-900	1,695	-1,510
a. Assets	-1,021	738	137	1,759	-601
b. Liabilities	64	128	1,037	64	909
2. BCRP	0	0	0	0	0
3. BANCO DE LA NACIÓN (a-b)	0	46	-8	46	-54
a. Assets	0	46	-8	46	-54
b. Liabilities	0	0	0	0	0
4. NON-BANK FINANCIAL CORPORATIONS (a-b)	182	-346	0	-528	346
a. Assets	209	-312	62	-521	375
b. Liabilities	27	34	63	7	29
5. NON-FINANCIAL SECTOR (a-b)	17,461	4,008	680	-13,453	-3,328
a. Assets	17,177	3,643	1,685	-13,534	-1,959
b. Liabilities	-283	-365	1,004	-81	1,369
6. TOTAL (a-b)	16,558	4,318	-227	-12,239	-4,546
a. Assets	16,365	4,115	1,877	-12,250	-2,239
b. Liabilities	-192	-203	2,104	-10	2,307

1/ Expressed in terms of assets net of liabilities.

Source: BCRP, Bank for International Settlements (BIS) and companies.

Elaborated by: Central Management of Economic Studies.

2.8 FINANCIAL ACCOUNT OF THE PUBLIC SECTOR

Public sector external financing in 2023 recorded a net capital outflow (increase in the net creditor position) of USD 716 million, USD 487 million lower than net external financing in 2022. This result is attributed to purchases of sovereign bonds by non-residents for USD 16 million, in contrast to sales of USD 1,888 recorded in 2022. Higher loan disbursements, mainly to the General Government, contributed to a lesser extent.

The dynamics of external public indebtedness was associated with higher financing requirements -in response to the increase in the fiscal deficit- and a change in the composition of financing sources, which favored the use of global and sovereign bonds.

Table 39

PUBLIC SECTOR FINANCIAL ACCOUNT 1/ 2/

(Millions of USD)

	2021	2022	2023	Absolute Variation	
				2022	2023
I. ASSETS	-52	105	-36	157	-141
II. LIABILITIES	15,644	-1,097	-752	-16,741	346
1. Portfolio investment 3/	11,478	-1,876	-1,654	-13,354	222
Emissions	11,172	600	0	-10,572	-600
General Government	10,172	0	0	-10,172	0
Financial companies	0	600	0	600	-600
Non-financial companies	1,000	0	0	-1,000	0
Amortizations	0	-658	-1,801	-658	-1,143
General Government	0	0	-1,628	0	-1,628
Financial companies	0	-658	-173	-658	485
Non-financial companies	0	0	0	0	0
Other operations (a-b) 4/	306	-1,817	147	-2,124	1,965
a. Sovereign bonds purchased for non-residents	-316	-1,888	16	-1,572	1,904
b. Acquired Global Bonds by residents	-623	-71	-132	552	-61
2. Loans	2,354	779	902	-1,576	124
Disbursements	2,789	1,838	2,006	-951	168
General Government	2,779	1,836	1,934	-943	98
Financial companies	0	0	12	0	12
Non-financial companies	10	2	60	-8	57
Amortizations	-435	-1,060	-1,103	-625	-44
General Government	-363	-834	-889	-471	-54
Financial companies	-37	-45	-44	-8	1
Non-financial companies	-35	-181	-171	-145	9
3. BCRP: other operations 5/	1,811	0	0	-1,811	0
III. TOTAL (I-II)	-15,696	1,203	716	16,898	-487

1/ Medium and long-term debt.

2/ Expressed in terms of assets net of liabilities.

3/ Bonds, classified according to the market where they were issued. Brady and Global Bonds, issued abroad, are part of the external public debt, including those acquired by residents. For financial public companies, since 2012 Cofide Corporate Bonds are included and since 2013 Mivivienda Fund Corporate Bonds are included. For non-financial public companies, since 2017 the Corporate Bonds of Petroperú are included.

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

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

Source: MEF, BCRP

Elaborated by: Central Management of Economic Studies.

2.9 POSITION OF EXTERNAL ASSETS AND LIABILITIES

External assets totaled USD 158,492 million in December 2023, which represents 59.3 percent of GDP, reflecting a decrease of 3.1 percentage points compared to the previous year. Of the total of these assets, 45 percent is made up of BCRP reserves, equivalent to 26.7 percent of GDP. The

reduction of the BCRP's reserve assets by USD 927 million is noteworthy, while financial system assets increased by USD 2,129 million and other assets by USD 4,668 million.

Table 40

POSITION OF EXTERNAL ASSETS AND LIABILITIES 1/					
(End-of-period levels in millions of USD)					
	2021	2022	2023	Percentage of GDP	
				2022	2023
I. ASSETS	160,004	152,622	158,492	62.4	59.3
1. BCRP reserve assets	78,539	72,246	71,319	29.6	26.7
2. Assets of the financial system 2/	28,839	25,013	27,142	10.2	10.2
3. Others assets	52,625	55,363	60,032	22.6	22.5
II. LIABILITIES	246,313	257,255	264,432	105.2	98.9
1. Direct investment	123,875	135,076	138,995	55.3	52.0
2. Equity participation (portfolio)	17,712	17,603	17,579	7.2	6.6
3. Debt from loans, bonds and others	102,038	101,699	105,037	41.6	39.3
Medium and long term	92,421	92,285	93,519	37.7	35.0
Private sector 2/	31,888	32,171	33,031	13.2	12.4
Public sector (i+ii-iii) 3/ 4/	60,533	60,114	60,488	24.6	22.6
i. External public debt	45,533	46,194	46,026	18.9	17.2
ii. Secondary market securities acquired by non-residents	15,882	14,731	15,141	6.0	5.7
iii. Secondary market securities acquired by residents	882	811	679	0.3	0.3
Short-term	9,617	9,414	11,518	3.9	4.3
Financial system 5/	3,845	4,007	5,107	1.6	1.9
Others	5,772	5,407	6,411	2.2	2.4
4. Central Reserve Bank of Peru	2,688	2,877	2,821	1.2	1.1
Short-term	44	363	286	0.1	0.1
Long term 6/	2,644	2,514	2,535	1.0	0.9
III. TOTAL (I-II)	-86,309	-104,633	-105,940	-42.8	-39.6

1/ Expressed in terms of assets net of liabilities.

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

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

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

5/ Includes domestic currency obligations with non-residents.

6/ Includes Special Drawing Rights (SDR) allocations.

Source: BCRP, MEF, Cavali S.A.ICLV, Proinversion, BIS and companies.

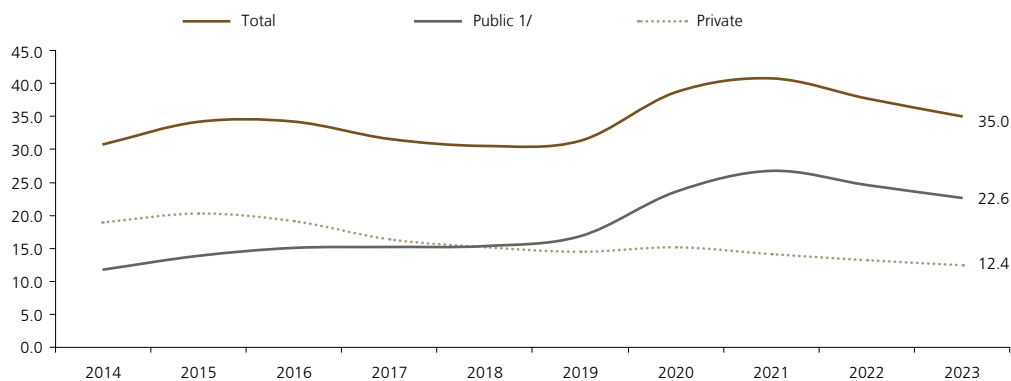
Elaborated by: Central Management of Economic Studies.

External liabilities decreased to 98.9 percentage points of GDP at the end of 2023, compared to 105.2 percentage points of GDP in 2022. This is explained by lower foreign direct investment and the decrease in medium and long-term public and private debt.

Graph 42

BALANCE OF MEDIUM AND LONG-TERM EXTERNAL DEBT, 2014-2023

(Percentage of GDP)



1/ Public external debt under the debt holders' residency criterion is the sum of total public sector external debt (including financial sector) by market of issuance and holdings of sovereign bonds held by non-residents, excluding debt issued abroad and held by residents.

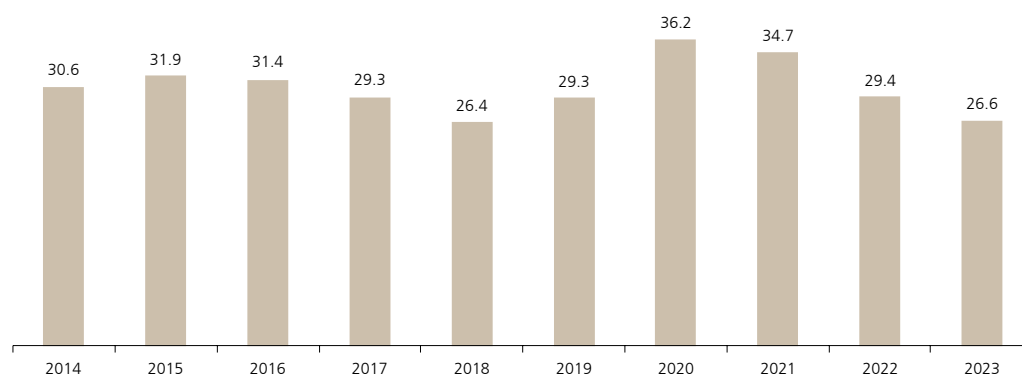
Source: BCRP.

The soundness of the balance of payments in the face of negative external events can be evaluated by considering the amount of net international reserves (NIRs) as a percentage of GDP, the balance of short-term external debt or the sum of these liabilities with the current account deficit. The NIRs for 2023 amounted to USD 71 033 million, which represented 26.6 percent of GDP and is capable of covering more than 4 times the balance of short-term external borrowings and the sum of these liabilities plus the current account deficit.

Graph 43

NET INTERNATIONAL RESERVES

(Percentage of GDP)



Source: BCRP.

Table 41

INTERNATIONAL COVERAGE INDICATORS

	2020	2021	2022	2023
International Reserves as to percentage of:				
a. GDP	36.2	34.7	29.4	26.6
b. Short-term external debt 1/	536	557	460	428
c. Short-term external debt plus current account deficit	620	418	283	494

1/ Includes the balance of short-term debt plus one-year amortizations of the private and public sector.

Source: BCRP.

2.10 ADMINISTRATION OF INTERNATIONAL RESERVES

At the end of 2023, 83 percent of the international reserves investment portfolio was invested in high credit quality liquid securities, 13 percent in deposits in first class foreign banks and the remaining 4 percent in gold. The securities portfolio is mainly composed of sovereign debt securities and issues of supranational organizations and foreign public entities with long-term credit ratings equal to or higher than A+.

International reserve assets generated a return of S/. 8,518 million in 2023, higher than by 145.1 percent over the previous year, as a result of higher international interest rates.

Table 42

COMPOSITION OF THE INVESTMENT PORTFOLIO				
(Percentage Structure)				
Item	December 2021	December 2022	December 2023	Average 2014-2023
Deposits abroad	24	20	13	27
Values	73	77	83	70
Gold	3	3	4	3
TOTAL	100	100	100	100

Source: BCRP.

Table 43

TERM STRUCTURE AND INVESTMENT PORTFOLIO QUALIFIERS				
(Percentage Structure)				
	December 2021	December 2022	December 2023	Average 2014-2023
By term at maturity	100	100	100	100
0-3 months	46	39	41	48
3-12 months	15	22	17	17
>1 Year	39	39	42	35
By long-term qualifier	100	100	100	100
AAA	56	63	57	52
AA+/AA/AA-	25	24	28	27
A+/A/A-	19	13	15	21

Source: BCRP.

In terms of portfolio quality, 57 percent of the portfolio was held in entities with a long-term credit rating of AAA, and the rest in entities with a rating between AA+ and A. For its part, the average duration of the investment portfolio was 0.87 in 2023.

The effective exposure of the BCRP's foreign exchange position to the U.S. dollar stood at 88 percent, and to other currencies and gold at 12 percent.

Table 44

EFFECTIVE EXPOSURE OF THE FOREIGN EXCHANGE POSITION				
(Percentage Structure)				
	December 2021	December 2022	December 2023	Average 2014-2023
USD	89	88	88	86
Other currencies	7	8	8	10
Gold	4	4	4	4
Total	100	100	100	100

Source: BCRP.

During 2023, the issuance of socially responsible bonds or bonds that follow environmental and social protection guidelines (ESG) continued to increase due to greater investor demand for this type of asset. Thus, as part of the investment of international reserves made during the year, USD 889 million of these bonds were purchased, of which USD 52 million were green bonds, USD 309 million were sustainable bonds and USD 528 million were social bonds. After that, the balance of ESG bonds, which include the three categories mentioned above, amounted to USD 2,480 million as of December 31, 2023 in US dollars, Canadian, Australian and British pounds.²⁷

²⁷ The exchange rate on December 31, 2023 was used to calculate the year-end USD balance, and the exchange rate on the day of purchase was used to convert purchases into currencies other than USD.