

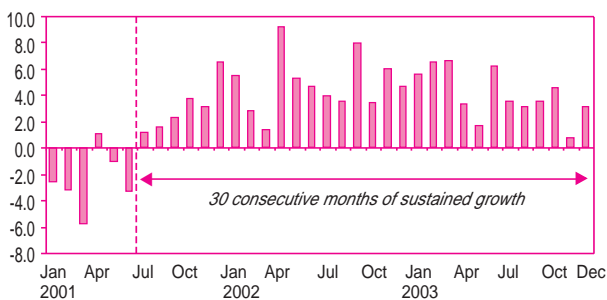
I.

Production and employment

In 2003 the Peruvian economy grew by 4.0% achieving 30 months of consecutive growth, mainly associated with sound macroeconomic and growth-promoting policies and a positive international environment.

GRAPH 1

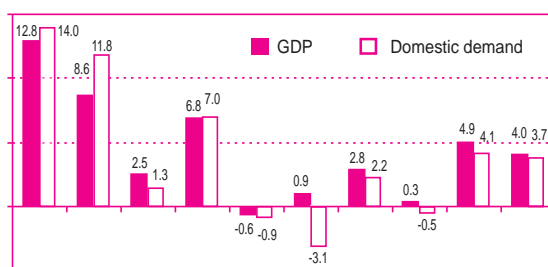
GROSS DOMESTIC PRODUCT
(Real percent change)



Source: INEI, BCRP.

GRAPH 2

GDP AND DOMESTIC DEMAND
(Real percent change)



Source: INEI, BCRP.

Investment recovered

Domestic demand grew for a second consecutive year led by investment. Private investment increased 5.2% while public investment grew by 3.4%. The natural gas project of Camisea and the increase of 4.0% in the construction sector highly contributed to the growth of private investment.

Private consumption, which represents approximately 70% of GDP grew by 3.2%, continuing the recovery initiated in 2000. This was mainly explained by the 3.6% increase in family incomes and the 24% growth in personal loans of financial institutions for consumption purposes within a context of falling interest rates in soles.

Exports of goods and services grew by 5%, with increases in both traditional, and non-traditional exports. Among the first ones, larger volumes shipped of gold (18%), silver (4%) and zinc (5%), and among the second ones, textiles (US\$ 818 million) and agricultural products (US\$ 619 million) explained the growth. Within agricultural

TABLE 1

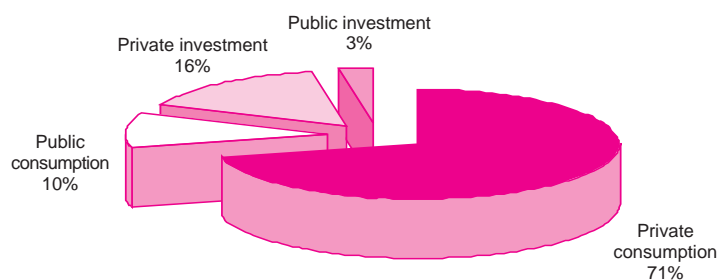
REAL GLOBAL DEMAND AND SUPPLY
(Annual percent change)

	2001	2002	2003
I. TOTAL DEMAND	0.6	4.5	3.9
1. Domestic demand	-0.5	4.1	3.7
a. Private consumption	1.4	4.5	3.2
b. Public consumption	0.1	1.6	4.5
c. Gross fixed investment	-8.2	-0.7	4.9
- Private	-4.5	0.2	5.2
- Public	-22.9	-5.0	3.4
2. Exports 1/	7.1	6.8	5.0
II. TOTAL SUPPLY	0.6	4.5	3.9
1. GDP	0.3	4.9	4.0
2. Imports 1/	2.6	2.4	3.5

1/ Of goods and non-financial services.
Source: INEI, BCRP.

GRAPH 3

GDP COMPOSITION: 2003



products asparagus was one of the products that achieved remarkable growth, making Peru the leading producer and exporter in the world during 2003.

Non-primary activities achieved remarkable growth

The 4.0% growth of GDP was mainly explained by the 4.0% of non-primary activities such as services, construction and non-primary manufacturing. Primary activities, which account for almost 19% of GDP, grew by 2.5%, due to the dynamism of metallic mining and agriculture while indirect taxes and import duties increased 6.3%.

a. Primary Sectors

Agriculture and livestock grew by 2.3% driven by the increase of agroindustrial crops such as sugar-cane and hard yellow corn and agro-exports products such as grapes, mangoes, asparagus, tangerines and onions.

The 13.4% decrease in the **fishing sector** was primarily due to the 36.7% decline in catch for oil and fishmeal, attributed to adverse sea conditions which force to extend the ban period in northern and center shores and to initiate partial bans in other specific areas. Fishing for human consumption grew by 3.1% explained by larger volumes of fresh and canned fish which increased 4.4% and 49.5% respectively.

Mining and petroleum production rose by 6.7% due to the 7.8% increase in metallic mining partially offset by the 4.5% decline in oil

TABLE 2

REAL GROSS DOMESTIC PRODUCT
(Annual percent change)

	2001	2002	2003
I. PRIMARY GROSS VALUE ADDED	2.8	6.5	2.5
Agriculture and Livestock	0.5	5.7	2.3
Agriculture	-2.3	6.1	1.8
Livestock	4.6	5.3	3.0
Fishing	-9.9	5.7	-13.4
Oil and fishmeal	-27.0	12.6	-36.7
Direct human consumption	5.3	3.5	3.1
Mining and fuel	11.2	11.6	6.7
Metallic mining	13.6	12.3	7.8
Natural gas and oil	-2.0	0.6	-4.5
Manufacturing of primary resources	-2.3	-0.5	-2.8
II. NON-PRIMARY GROSS VALUE ADDED	-0.2	4.5	4.0
Non-primary manufacturing	1.0	5.6	3.4
Construction	-6.7	7.9	4.0
Commerce	1.1	4.6	3.6
Services	-0.2	3.8	4.4
Electricity and water	1.1	5.1	4.2
Other services	-0.3	3.8	4.4
III. GROSS VALUE ADDED	0.4	5.0	3.7
Taxes on products and imports duties	-1.1	3.9	6.3
IV. GROSS DOMESTIC PRODUCT	0.3	4.9	4.0

Source: INEI, production ministries, BCRP.



and natural gas extraction. During 2003 gold production reached a historical peak of 5.6 million ounces contributing to an 18% increase in real exports. Similarly, zinc and silver were up and iron reached its highest level in 8 years.

The 2.8% decline in **manufacturing of primary resources** is directly attributable to the shortage of raw material for oil and fishmeal production partially offset by an increase in canned and frozen fish and sugar production.

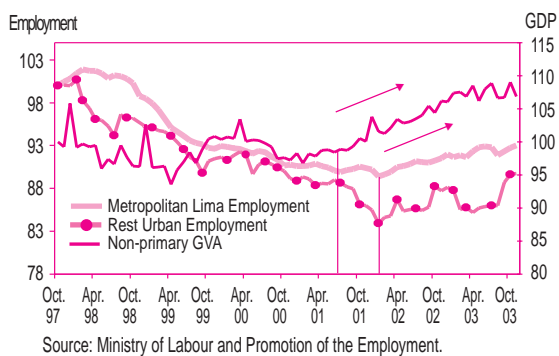
b. Non-primary sectors

During 2003, non-primary manufacturing increased by 3.4% reflecting the 14.9% rise in non-traditional exports were the textile industry was driven by the extension of the Andean Trade Promotion and Drug Eradication Act (ATPDEA), in force since October 31, 2002. Demand for manufacturing goods also came from the dynamism of the construction sector and consumer goods industries, such as clothing, food and beverages and other industrial groups such as metal packaging, printing and cement.

The 4% rise in construction sector was driven by three factors: state-financed housing programs such as Mivivienda in which S/. 470 millions in loans were granted compared to S/. 253 million given in 2002; higher government spending in road construction and private projects such as the Camisea natural gas treatment plant in Pisco, the Yuncán hydroelectric in Pasco and the Pillones dam in Arequipa.

GRAPH 4

NON-PRIMARY GVA AND URBAN EMPLOYMENT IN COMPANIES WITH 10 AND MORE WORKERS
(Seasonally adjusted index. October 1997 = 100)



Employment up by 1.7%

Urban employment estimated by the Ministry of Labor through the National Survey on Monthly Variation of Employment in Firms with 10 Employees or more increased by 1.7% during 2003, mainly associated with the evolution of economic activity. In seasonally adjusted terms, urban employment continued its upward trend, which started since the second quarter of 2002.

In 2003 the labor force in Metropolitan Lima, estimated by the National Institute of Statistics Survey on Permanent Employment amounted to 4 million people, 0.2% up from 2002 reflected in higher employed labor force (0.2%) as well as unemployed labor force (0.3%).

TABLE 3

LABOR FORCE: METROPOLITAN LIMA 1/
(Thousands of people)

	2002	2003	Percent change 2003/2002	
			in thousands	in percent
LABOR FORCE	3,984	3,993	8.8	0.2
EMPLOYED	3,609	3,617	7.6	0.2
UNEMPLOYED	375	376	1.3	0.3
INACTIVE POPULATION	1,836	1,932	95.7	5.2
POPULATION IN WORKING AGE	5,821	5,925	104.5	1.8
RATES (In percentage)				
Activity rate	68.5	67.4		
Ratio labor force employed/population	62.0	61.0		
Unemployment rate	9.4	9.4		
Underemployment rate by hours	18.7	17.2		

1/ Annual average.

Source: INEI. Permanent Employment Survey.

TABLE 4

OPEN UNEMPLOYMENT RATE FOR METROPOLITAN LIMA 1/
(In percent)

	2002	2003
TOTAL	9.4	9.4
By gender		
Male	8.3	8.5
Female	10.8	10.6
By age		
14-24 years	15.2	14.8
25-44 years	7.2	7.7
45 and over	8.0	7.5

1/ Annual average.

Source: INEI - Permanent Employment Survey.



Unemployed population was roughly 376,000 in 2003, an increase of 1,300 over a year before. The unemployment rate remained constant at 9.4%, between 2002 and 2003. By gender, male rate went up (from 8.3% to 8.5%) whereas female rate went down, from 10.8% to 10.6%. By age, the rate went up, from 7.2% to 7.7% for those between 25 and 44 years, and down for those between 14 to 24 years and for 45 years old or more.