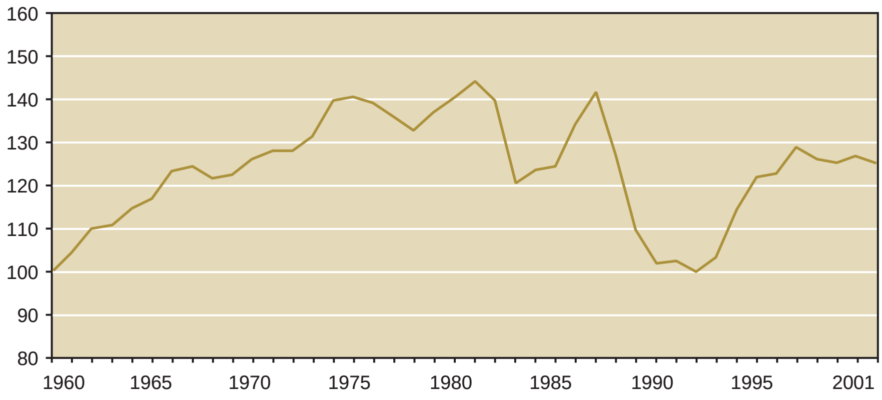
II. OUTPUT AND EMPLOYMENT

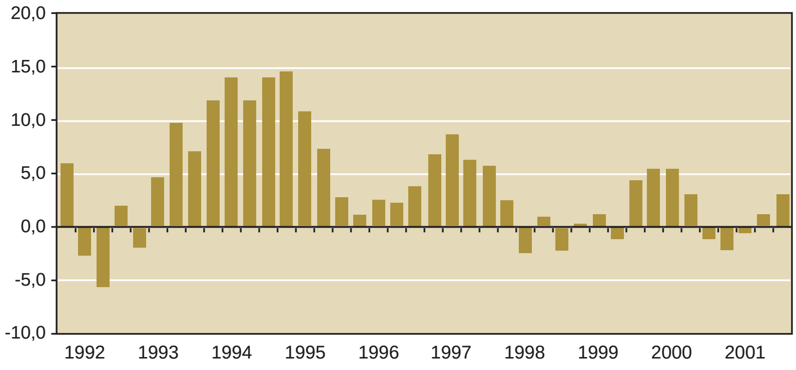
During 2001, gross domestic product (GDP) grew by 0,2 percent, while domestic demand and investment decreased 0,7 and 8,3 percent, respectively. In per capita terms GDP declined 1,4 percent to 1970 levels.

GRAPH 4
PER CAPITA GROSS DOMESTIC PRODUCT
(Index: 1960 = 100)

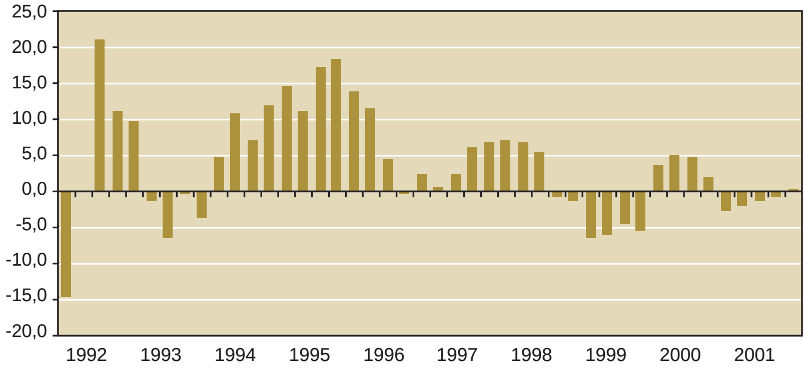


Throughout the year, GDP growth continued to show an irregular pattern; falling 1,6 percent during the first semester, whereas domestic demand diminished 1,5 percent continuing the decreasing trend that began in the fourth quarter of 2000. However, in the second semester GDP slightly recovered (2,1 percent) reflecting the initial operations of a mining megaproject, Antamina, which accounted for 0,6 percentage points.

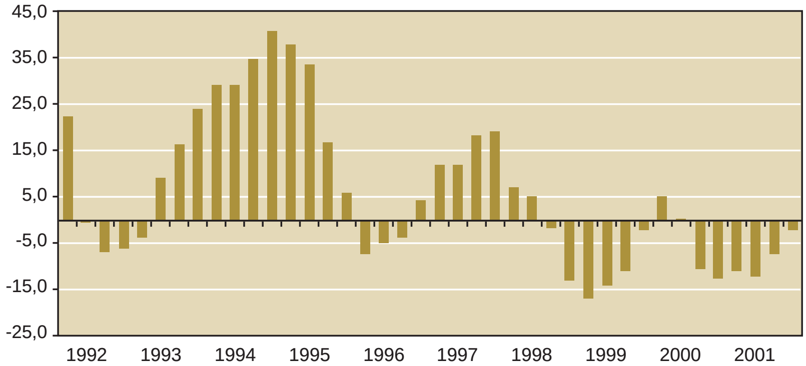
GRAPH 5
QUARTERLY GROSS DOMESTIC PRODUCT
(Annual rates of growth)



GRAPH 6
QUARTERLY DOMESTIC DEMAND
(Annual rates of growth)



GRAPH 7
QUARTERLY GROSS FIXED INVESTMENT
(Annual rates of growth)



1. Global demand and supply

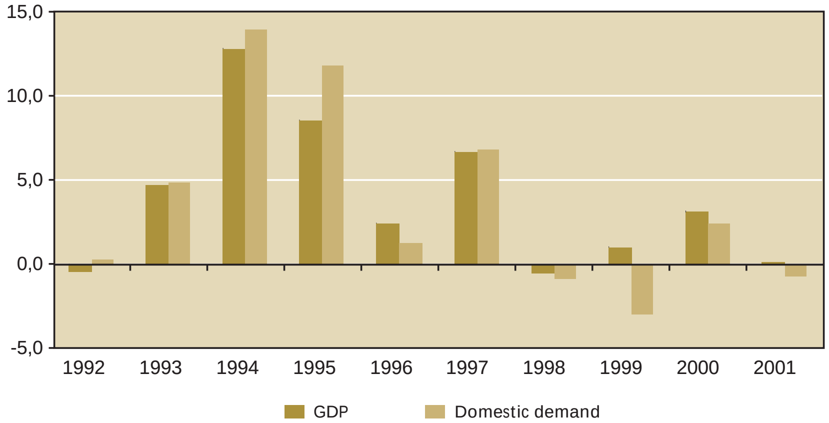
Excluding private consumption, which grew by 1,3 percent, all other components of domestic demand decreased: public consumption went down 0,5 percent despite of the fiscal expansion in the second semester which included a wage increase in the public sector in September; gross fixed investment dropped 8,3 percent, reflecting the contraction in private investment (-5,6 percent), as well as the decline of public investment (-19,0 percent). As a result, gross fixed investment decreased for the fourth consecutive year.

TABLE 3
GLOBAL DEMAND AND SUPPLY
(Annual rates of growth)

	1999	2000	2001
I. GLOBAL DEMAND	**-1,7**	**3,2**	**0,4**
1. Domestic demand	-3,1	2,4	-0,7
a. Private consumption	-0,4	3,9	1,3
b. Public consumption	3,5	5,1	-0,5
c. Gross domestic investment	-13,5	-3,7	-8,0
Gross fixed investment	-11,1	-5,0	-8,3
Private	*-15,3*	*-2,0*	*-5,6*
Public	*7,2*	*-15,4*	*-19,0*
2. Exports [1/]	7,6	7,9	6,9
II. GLOBAL SUPPLY	**-1,7**	**3,2**	**0,4**
1. GDP	0,9	3,1	0,2
2. Imports [1/]	-15,2	3,6	1,6

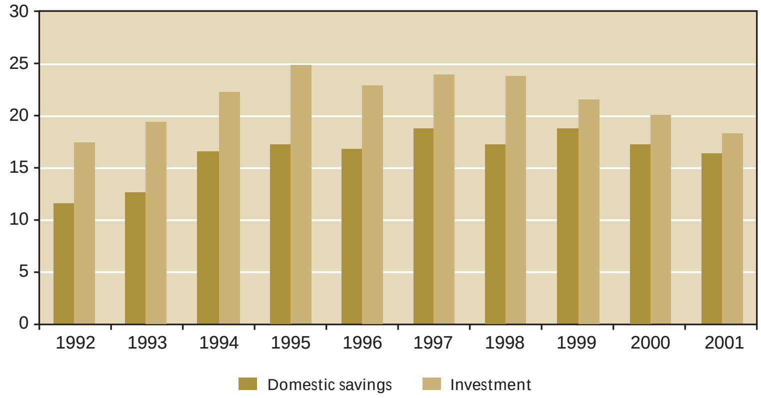
1/ Goods and non-financial services.

GRAPH 8
GDP AND DOMESTIC DEMAND
(Percentage change)



In terms of GDP, gross domestic investment declined from 20,1 to 18,4 percent between 2000 and 2001. Private sector investment decreased from 16,1 to 15,2 percent of GDP, whereas public sector investment fell from 4,0 to 3,2 percent of GDP, reflecting the more austere stance of the non-financial public sector.

GRAPH 9
DOMESTIC SAVINGS AND INVESTMENT
(Percentage of GDP)



Gross domestic investment expenditure was financed by domestic savings equivalent to 16,4 percent of GDP as well as external savings (2,0 percent of GDP). The decrease in domestic savings from 16,4 to 15,6 percent of GDP was entirely due to a contraction in private sector savings. On the other hand, public sector savings remained steady as a percentage of GDP, 0,8 percent.

TABLE 4
SAVINGS AND INVESTMENT
(Percentage of GDP)

	1999	2000	2001
I. INVESTMENT	**21,5**	**20,1**	**18,4**
Public investment	4,8	4,0	3,2
Private investment	16,7	16,1	15,2
II. DOMESTIC SAVINGS	**18,6**	**17,2**	**16,4**
Public sector	1,7	0,8	0,8
Private sector	16,9	16,4	15,6
III. EXTERNAL SAVINGS	**2,9**	**2,9**	**2,0**

2. GDP by industry

The 0,2 percent in GDP growth was explained by the increase in primary activities, which grew 1,9 percent, reflecting the contribution of Antamina mining company. On the other hand, non-primary activities diminished 0,2 percent, reflecting the lower dynamism of construction.

TABLE 5
GROSS DOMESTIC PRODUCT
(Annual rates of growth)

	1999	2000	2001
I. Primary activities	**14,1**	**5,6**	**1,9**
Agriculture and livestock	11,7	6,2	-0,6
Agriculture	*13,9*	*6,7*	*-2,4*
Livestock	*9,2*	*6,0*	*1,7*
Fishing	29,2	9,1	-13,3
Industrial consumption	*111,5*	*27,0*	*-26,7*
Direct human consumption	*1,1*	*-3,4*	*-0,8*
Mining and fuel	12,9	2,4	11,2
Mining	*17,0*	*3,4*	*12,8*
Oil and gas	*-6,9*	*-6,5*	*-2,0*
Raw material processing	20,6	8,5	-2,9
II. Non-primary activities	**-1,6**	**2,6**	**-0,2**
Non-primary industry	-5,6	6,1	-0,6
Construction	-10,5	-4,3	-6,0
Commerce	-1,9	5,1	0,0
Other services	0,5	1,8	0,4
III. GROSS DOMESTIC PRODUCT	**0,9**	**3,1**	**0,2**

2.1. Primary activities

Agriculture and livestock

Agriculture and livestock diminished 0,6 percent. The decline in agriculture production (2,4 percent) was partially offset by an increase in livestock output (1,7 percent).

The contraction in agriculture production was due to less cultivation of potatoes (-17,2 percent) and cotton (-25 percent). However, there were higher yields recorded in sugarcane, rice and yellow corn. In the case of sugarcane, the yield grew from 110 to 122,7 metric tons per hectare. The growth in livestock output was a consequence of the higher production of milk (4,5 percent), poultry (2 percent) and meat (1,1 percent).

TABLE 6
AGRICULTURE AND LIVESTOCK BY PRODUCTS
(Percentage change)

	1999	2000	2001
AGRICULTURE	**13,9**	**6,7**	**-2,4**
Cotton	41,7	14,0	-13,2
Rice	26,2	-3,2	7,9
Coffee	20,8	9,3	2,1
Sugarcane	10,0	13,6	3,6
Yellow corn	14,8	19,0	11,0
Potato	18,4	6,8	-18,2
Others	10,0	6,3	-1,3
LIVESTOCK	**9,2**	**6,0**	**1,7**
Poultry	12,9	10,1	2,0
Milk	1,5	5,3	4,5
Meat	7,8	2,0	1,1
TOTAL	**11,7**	**6,2**	**-0,6**

Fishing

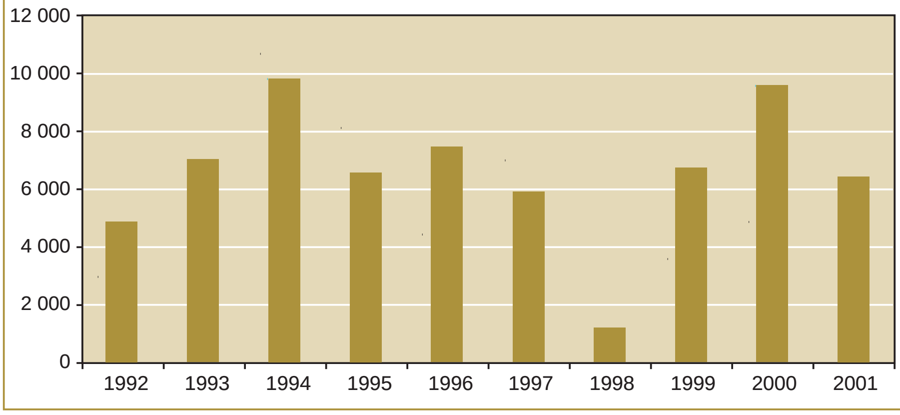
The drop in fishing activity reflected the cold sea temperature that caused the dispersion of our main resource, the anchovy.

TABLE 7
FISHING PRODUCTION
(Percentage change)

	1999	2000	2001
Industrial consumption	**111,5**	**27,0**	**-26,7**
Anchovy	458,4	41,9	-32,6
Other species	-56,5	-65,8	127,1
Direct human consumption	**1,1**	**-3,4**	**-0,8**
Frozen	-10,1	-36,3	-16,4
Canned	-17,1	29,4	-5,2
Fresh	8,7	11,0	4,6
Dry-salted	60,6	6,2	3,0
TOTAL	**29,2**	**9,1**	**-13,3**
Note:			
Anchovy - industrial consumption (Thousands of M.T.)	6 732	9 556	6 438

The decline in fishmeal production was caused by smaller catches of anchovy (-33 percent), which were partially offset by the extraction of other species (127 percent). The anchovy catch totalled 6,4 million metric tons, reverting the trend observed since the beginning of the "El Niño" phenomenon.

GRAPH 10
ANCHOVY EXTRACTION FOR INDUSTRIAL CONSUMPTION
(Thousands of metric tons)



Mining and fuel

Mining and fuel grew by 11,2 percent, reflecting the higher output of metallic mining (12,8 percent), whereas oil and gas output dropped 2,0 percent.

TABLE 8
MINING AND FUEL
(Percentage change)

	1999	2000	2001
MINING	**17,0**	**3,4**	**12,8**
Copper	10,5	1,8	38,5
Tin	14,3	22,2	2,1
Iron	-17,3	-1,0	12,0
Silver	10,2	9,2	9,5
Lead	5,5	-0,4	6,8
Gold	36,4	3,2	1,1
Zinc	3,5	1,2	16,0
OIL AND GAS	**-6,9**	**-6,5**	**-2,0**
Natural gas	1,5	-16,8	7,4
Petroleum	-8,4	-6,1	-2,4
TOTAL	**12,9**	**2,4**	**11,2**

The most important fact in the mining sector during 2001 was the start of the Antamina project in July, which contributed to the increase in the production of copper, zinc and silver. Despite the drop in international markets and the world economic recession, all metals increased, against the downward trend shown in 2000.

Copper output totalled 555 thousands of metric tons thanks to the outstanding contribution of Antamina project (27 percent of national output). Likewise, Southern Peru increasesd its activity which was partially offset by the lower extraction of BHP Billiton Tintaya and Doe Run. On the other hand, medium size mining companies such as Raura and Condestable also expanded their production capacity.

Gold output totalled 4 million ounces, slightly higher than in the previous year mostly on the contribution of mining companies Misquichilca (operator of Pierina mine in Ancash) and Buenaventura, as well as other medium size companies.

Zinc output reached 876 thousands of metric tons, recording an important growth that eventually offset the fall in export prices. This result is mainly explained by the operations of Volcán Compañía Minera, the first national producer, and the start of Antamina's activities.

In 2001, the main investment projects were Antamina (US$ 530 million); the expansion of Yanacocha (US$ 277 million); Southern Peru's Cuajone and Toquepala (US$ 161 million); Volcán Compañía Minera (US$ 55 million); Minera Barrick Misquichilca (US$ 27 million) and BHP Billiton Tintaya (US$ 98 million).

TABLE 9
INVESTMENT BY MINING COMPANIES [1/]

Mining companies	Metals	Millions of US dollars 1999	2000	2001
Compañía Minera Antamina S.A.	Polymetallic	525,0	825,0	530,0
Minera Yanacocha S.R.L.	Gold	126,3	276,9	276,9
Southern Peru Copper Corporation Sucursal del Perú	Cooper	250,3	131,7	161,0
BHP Tintaya S.A. 2/	Copper	14,0	21,9	98,0
Volcan Compañía Minera S.A.	Polymetallic	61,2	53,6	54,8
Refinería de Cajamarquilla S.A. 2/	Zinc	21,8	10,8	40,0
Minera Barrick Misquichilca – Pierina	Gold	32,0	49,0	27,0
Empresa Minera Yauliyacu S.A. 3/	Polymetallic	30,2	20,0	20,0
Sociedad Minera Cerro Verde S.A.	Copper	18,0	15,0	14,2
Sociedad Minera Corona S.A.	Polymetallic	3,1	6,1	12,8
Compañía Minera Milpo S.A.	Polymetallic	5,0	6,7	12,6
Doe Run Perú S.R. L. 4/ 5/	Polymetallic	23,3	26,2	12,0
Compañía Minera Atacocha S.A.	Polymetallic	7,8	13,3	10,3
Shougang Hierro Perú S.A. 3/	Iron	2,3	5,9	9,6
Empresa Minera Iscaycruz S.A.	Polymetallic	9,4	11,6	9,4
Minsur S.A.	Tin	19,8	12,1	8,7
Sociedad Minera El Brocal S.A.	Polymetallic	5,2	7,7	5,8
Compañía de Minas Buenaventura S.A.	Silver	27,4	4,4	5,7
Compañía Minera Huarón S.A.	Polymetallic	0,1	10,0	5,4
Compañía Minera Santa Luisa S.A.	Polymetallic	1,6	2,3	1,7
Compañía Minera Raura S.A.	Polymetallic	1,7	2,2	1.5
Compañía Minera San Ignacio de Morococha S.A.	Polymetallic	4,4	4,6	1,1
Perubar S.A.	Polymetallic	0,8	0,4	0,9
Compañía Minera Condestable S.A.A.	Copper	3,5	1,6	0,9
Pan American Silver S.A.C. Mina Quiruvilca	Silver	2,4	0,8	0,6
Compañía Minera Aurífera Santa Rosa S.A.	Gold	0,6	1,8	0,6
Castrovirreyna Compañía Minera S.A.	Polymetallic	0,1	0,1	0,3
Minas de Arcata S.A.	Silver	3,0	0,6	0,1
Solitario Resources y otros - Bongará 3/	Exploration	7,5	17,5	0,0
Minera Andina de Exploraciones S.A.	Exploration	0,2	0,0	0,0
Others		28,0	4,0	3,0
TOTAL		**1 235,9**	**1 543,8**	**1 324,8**

1/ Information based on the enterprises' audited financial statements.
2/ For 2001, information based on financial external records of the Balance of Payments department.
3/ Investment bound to tax stability contracts and profit reinvestments (Ministry of Energy and Mining).
4/ Years ended on October 31st were recorded.
5/ Preliminary.

Raw material industries

The raw material industry performance was associated to weather conditions in the second semester that impinged on the fishing industry.

TABLE 10
RAW MATERIAL PROCESSING
(Percentage change)

	1999	2000	2001
TOTAL	**20,6**	**8,5**	**-2,9**
Sugar	34,5	18,9	6,1
Meat products	11,2	7,4	1,7
Fishmeal	129,8	21,6	-28,6
Canned and frozen fish	4,7	26,2	8,7
Non-ferrous metals	5,7	3,4	3,5
Refined petroleum	-6,8	-1,2	3,5

2.2. Non-primary activities

Non-primary industry

In non-primary industries political uncertainty in the first semester delayed several investment projects. As a result, non-primary industry recorded a slight 0,6 percent contraction decreasing 1,0 percent in the first half but recovering in the fourth quarter.

TABLE 11
NON-PRIMARY INDUSTRY
(Percentage change)

	1999	2000	2001
TOTAL	**-5,6**	**6,1**	**-0,6**
Food, beverages and tobacco	6,4	1,3	0,7
Textiles and leather	-6,4	10,1	-3,4
Paper and paper products	4,2	20,1	0,9
Chemical, rubber and plastic products	-1,0	7,5	3,8
Non-metallic minerals	-12,4	-1,4	-1,5
Iron and steel	-8,7	7,0	4,5
Metallic products, machinery and equipment	-17,3	9,1	-5,5
Miscellaneous manufacturing products	-10,3	-6,3	3,3

Over the last years, Peruvian companies have started to actively participate in a more demanding and competitive global business environment improving their managerial skills, succeeding in accessing in a wide variety of sources of financing while diversifying their external markets. As a result between 1999 and 2001, non-primary industry exports grew by approximately 17 percent.

Differentiating by groups, production of **food, beverage and tobacco** increased 0,7 percent explained by the growth in bakery (12 percent), grain mill products (9 percent) and soft drinks (5 percent), whereas other items such as food products and beer decreased due to lower relative price of substitute products. The growth in grain mill and bakery products was influenced by a higher demand due to the 9 percent reduction in prices, while the increase in soft drinks was a consequence of market strategies diversification incorporating lower income segments of the population.

Production of **textile, leather and footwear** fell 3,4 percent responding to the decrease of 5 percent in exports to the United States (which account for 60 percent of total textile exports) as Central American exports became more competitive in the U.S. market due to trade preferences.

Paper and paper products grew by 0,9 percent resulting from a higher demand for paperboard containers derived from a higher activity in grain mill products and cookeries, which were partially offset by a lower consumption of bond and kraft paper.

Chemical, rubber and plastic products expanded 3,8 percent reflecting the increase in manure and nitrogen compounds (34 percent), rubber (12 percent), plastics (8 percent), basic chemicals (7 percent) and other chemicals (7 percent). Conversely, production of paint, varnishes and lacquers as well as toilet and cleaning products decreased.

Non-metallic minerals decreased 1,5 percent, due to the contraction in construction activity, particularly in the first half of the year. On the other hand, glass production was affected by the shift in demand for non-glass containers in the beverage industry.

The production of **iron and steel** increased 4,5 percent, reflecting the higher activity in iron and steel melting due to mining sector requirements. However, lower activity in construction and the competence of imported goods affected the industry of iron and steel.

The 5,5 percent decrease in **metallic products, machinery and equipment** reflects the contraction of domestic and external demand. Metallic products declined 8 percent given the lower demand of food products and canned fish, whereas electrical machinery dropped 9 percent due to the lower production of wires, battery and accumulators. Conversely, non-electrical machinery production increased 2 percent thanks to the higher mining activity.

Construction

Construction decreased 6,0 percent for the third year in a row, reflecting the contraction of 19 percent in public and 6 percent in private investment. Cement consumption, a proxy for construction sector performance, amounted to 3 428 thousand tons (including imports and domestic production), recording a 6 percent fall with respect to the previous year.

3. Employment and social development

In 2001, the urban labor force increased 7,5 percent to 8,3 million people. This increase is due to a higher participation rate –people 14 years and over who are working or actively looking for a job divided by the total population of the same age group– which increases from 64 to 68 percent. Employed population level increased 6,9 percent (by 492 thousand people) to 7,6 million.

TABLE 12
URBAN LABOR FORCE
(Thousands of people)

				Variations 2001/2000	
	1999	2000	2001	Thousands	Percentage
Urban labor force	**7 836**	**7 695**	**8 271**	**576**	**7,5**
Employed labor force	7 211	7 128	7 620	492	6,9
Underemployed 1/	*3 385*	*3 316*	*3 937*	*621*	*18,7*
Adequately employed	*3 826*	*3 812*	*3 683*	*-129*	*-3,4*
Unemployed labor force	625	566	651	85	15,0
Non-labor population	**3 877**	**4 248**	**3 951**	**-297**	**-7,0**
Population 14 years and over	**11 713**	**11 943**	**12 222**	**279**	**2,3**
Rates (in percentages)					
Participation rate	66,9	64,4	67,7		
Employment rate	61,6	59,7	62,3		
Unemployment rate	8,0	7,4	7,9		
Underemployment rate	43,2	43,1	47,6		
Time related *underemployment*	*13,6*	*13,3*	*14,5*		
Income related underemployment	*29,6*	*29,8*	*33,1*		

1/ In 2001 sample frame was enlarged.
Source: Ministry of Labor - National Institute of Statistics and Data processing. National Housing Survey, III quarter.

Despite the increase in employed people, urban unemployment grew by 15 percent (85 thousand persons). However, the highest increase was recorded in underemployed population (621 thousand persons) which rose from 43 to 48 percent of urban labor force. Income-related underemployment increased from 30 to 33 percent, whereas time related underemployment grew slightly (from 13 to 14 percent). This overall evolution of underemployment may be associated to urban labor force growth and sluggish economic activity.

Urban unemployment increased from 7,4 to 7,9 percent. By geographic areas, the situation was diverse. Unemployment increased in Metropolitan Lima and in the coast, but decreased in the sierra (highlands) and the jungle. By gender, women's unemployment increased 1,2 percentage points whereas for men it decreased slightly (0,1 percent). By age group, unemployment increased in all groups excluding the 14-24 year old age group, which decreased to 13 percent.

TABLE 13
URBAN UNEMPLOYMENT 1/
(In percentages)

	1999	2000	2001
Unemployment	**8,0**	**7,4**	**7,9**
By gender			
Male	7,5	7,3	7,2
Female	8,6	7,5	8,7
By age group			
14-24 years	12,4	13,4	13,0
25-44 years	6,6	5,5	6,3
45-54 years	5,3	4,6	5,4
55 years and more	6,3	6,2	7,0
By geographic area			
Metropolitan Lima	9,4	7,8	8,8
Coast 2/	7,8	7,6	8,3
Sierra	6,1	7,1	6,6
Jungle	5,1	4,7	4,6

1/ Third quarter of each year.
2/ Excludes Metropolitan Lima.
Source: National Institute of Statistics and Data Processing (INEI) – Ministry of Labor.

Minimum wage was kept at S/. 410 througout year. In real terms, it increased 1,2 percent, reflecting the negative variation of the CPI as well as the fact that the minimum wage was S/. 345 in the first two months of 2000.

Poverty levels

The percentage of population in poverty condition was 55 percent in 2001 (14,6 millions), of which 24 percent (6,5 millions) are in severe

TABLE 14
POVERTY BY DEPARTMENTS - 2001
(In percentage)

	Poverty		Non-poors	Population 1/	
	Severe	Total		Poor	Total
TOTAL	**24,4**	**54,8**	**45,2**	**14 566**	**26 445**
Urban	9,9	42,0	58,0		
Rural	51,3	78,4	21,6		
Tacna	5,2	32,8	67,2	95	290
Lima and Callao	3,1	33,4	66,6	2 804	8 396
Madre de Dios	11,5	36,7	63,3	37	101
Moquegua	11,9	39,8	60,2	98	246
Ica	8,6	41,7	58,3	284	682
Arequipa	14,5	44,1	55,9	487	1 105
Tumbes	7,4	46,8	53,2	94	201
La Libertad	18,3	52,1	47,9	783	1 503
Junín	24,3	57,5	42,5	721	1 253
Ancash	33,3	61,1	38,9	679	1 111
Lambayeque	19,9	63,0	37,0	706	1 120
Piura	21,4	63,3	36,7	1 030	1 628
Pasco	33,2	66,1	33,9	177	267
San Martín	36,2	66,9	33,1	513	766
Loreto	47,2	70,0	30,0	641	916
Ucayali	44,9	70,5	29,5	323	459
Ayacucho	45,4	72,5	27,5	402	554
Cusco	51,3	75,3	24,7	901	1 196
Amazonas	41,1	75,4	24,6	320	424
Cajamarca	50,9	77,4	22,6	1 166	1 506
Puno	46,1	78,0	22,0	993	1 273
Apurímac	47,4	78,0	22,0	364	467
Huánuco	61,9	78,9	21,1	641	812
Huancavelica	74,4	88,0	12,0	402	457

1/ In thousand of people.
Source: National Institute of Statistics and Data Processing (INEI). Technical Report No.002-April 2002.

poverty condition, according to the last National Survey on Living Conditions and Poverty (ENAHO) carried out by the INEI. The sample included 18 000 households along the country.

A person is considered in poverty condition when its monthly income falls bellow S/. 147 if he or she lives in the jungle or in the sierra and S/. 260 if he or she lives in Metropolitan Lima. In the case of severe poverty, the threshholds are S/. 95 and S/. 122, respectively.

The five poorest departments are: Huancavelica (88 percent), Huánuco (79 percent), Apurímac and Puno (78 percent) and Cajamarca (77 percent). On the other hand, the five department with lowest levels of poverty are Moquegua (30 percent), Tacna (33 percent), Lima and Callao (33 percent), Madre de Dios (37 percent) and Ica (42 percent).

GRAPH 11

POVERTY MAP BY DEPARMENT - PERU 2001

RATE OF ABSOLUTE POVERTY LEVELS

- More than 70%
- Between 60 and 70 %
- Between 40 and 60 %
- Less than 40 %