II.

External sector

In a context of global economic growth and high commodity prices, Peru's balance of payments in 2010 was marked by the improvement recorded in the trade balance and by increased long-term capital inflows.

1. International environment

Even though global economic activity recovered in 2010, this recovery was not homogeneous in the different countries. In the emerging economies, for example, the recovery of domestic demand was coupled by higher commodity prices and increased capital inflows.

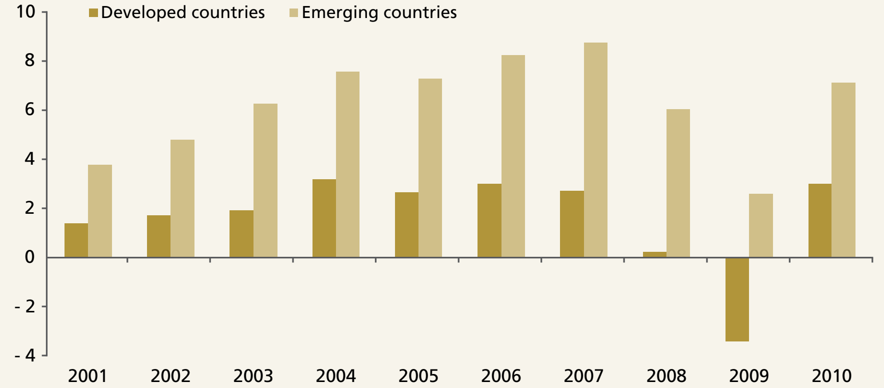
Recovery in most developed economies, on the other hand, has been slower and has depended greatly on the maintenance of monetary and fiscal stimulus. The Federal Reserve's announcement of its second asset purchase program should be pointed out in this sense.

This recovery of economic activity has been limited by increased uncertainty about the financial situation of countries with debt problems in the Eurozone and by the rise in international food and crude prices which intensified inflationary pressures in the global economy in the second half of the year.

2. Economic activity

After the recession experienced during 2009, the global economy grew 4.9 percent in 2010. While developed economies grew 3.0 percent on average, the emerging economies showed significantly higher growth rates (7.2 percent). It is worth pointing out that growth in both cases was higher than the average growth rate in the 2001-2007.

GRAPH 38
GDP: WORLD GROWTH
(% change)



Source: IMF.

Recovery in most **developed economies** was supported by the maintenance of monetary and fiscal stimulus amid low inflationary pressures.

In the **United States**, growth was based on the replenishment of inventories, on the dynamism of non-residential investment and, to a lesser extent, on private consumption. The recovery of consumption was slow due to households' high deleveraging levels –reflected in a debt-to-personal income ratio of over 105 percent–, high rates of unemployment that reached 9.4 percent at year end, and credit conditions which, in contrast with those for medium and large enterprises, remained restrictive during most of the year. Only in Q4 did consumption show signs of recovery as credit conditions for families began to improve.

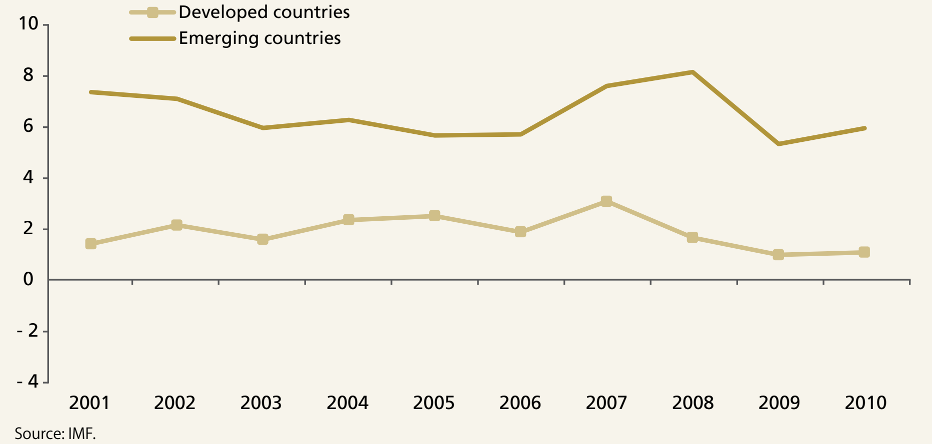
Because uncertainty about the evolution of consumption remained until September, the FED renewed monetary stimulus in early November pumping US$ 600 billion and the government announced a fiscal stimulus of US$ 858 billion in early December for the period 2011-2012. These measures were given in a context of low inflationary pressures, with core inflation showing a rate of 0.8 percent, the lowest level ever recorded since this index was established (1958).

Europe showed a mixed performance. The **Eurozone** recorded growth, but rates in the member countries were not uniform. Germany grew 3.6 percent due to the dynamism of its exports and domestic demand.

On the other hand, the economies affected by a debt crisis and a real estate bubble –Greece, Portugal, Ireland and Spain– experienced GDP contractions due to the deterioration of external funding conditions and to the fiscal policy adjustments implemented to prevent a further deterioration of the debt sustainability.

Growth in the **United Kingdom** was driven by exports –favored by the depreciation of the pound in previous years–, investment and domestic consumption, but was limited by the fiscal adjustment and inflationary pressures, as well as by the appreciation of the pound in the second half of 2010. The VAT was raised from 15 to 17.5 percent and inflation recorded an annual rate of 3.7 percent at the end of the year.

GRAPH 39
INFLATION
(Annual % rate)



Source: IMF.

Japan also showed a recovery, especially in the first half of the year, due to the evolution of consumption which was favored by tax incentives for durable goods, as well as due to the normalization of employment conditions, investment –particularly, non residential investment– and net exports. However, this recovery was affected in Q4 by the country's fiscal situation, the existence of deflationary pressures and the appreciation of the yen, which experienced the highest appreciation observed among the currencies of developed countries. In addition to this, the growth of investment was limited by excess installed capacity.

On the other hand, **emerging economies** grew at high rates –registering even higher rates than the ones observed in 2001-2007–, with the dynamic performance of domestic demand and exports accounting for this recovery which would be generating demand pressures and possible bubbles in the assets markets in some of these countries. In this context, the authorities have started withdrawing monetary stimulus due to the higher inflationary pressures faced by many of these economies.

TABLE 22
WORLD GROWTH
(Annual % change)

	Average 2001-2007	2008	2009	2010
Developed countries	**2.4**	**0.2**	**- 3.4**	**3.0**
1. USA	2.4	0.0	- 2.6	2.9
2. Eurozone	1.9	0.4	- 4.1	1.7
Germany	1.3	1.0	- 4.7	3.6
France	1.8	0.2	- 2.6	1.6
3. Japan	1.6	- 1.2	- 6.3	3.9
4. United Kingdom	2.6	- 0.1	- 4.9	1.3
5. Canada	2.5	0.5	- 2.5	3.1
6. Other developed countries	3.9	1.6	- 1.2	5.6
Developing countries	**6.6**	**6.1**	**2.7**	**7.2**
1. Sub-saharan Africa	6.3	5.6	2.8	5.0
2. Central and Eastern Europe	4.9	3.2	- 3.6	4.1
3. Commonwealth of Independent States	7.4	5.3	- 6.5	4.6
Russia	6.8	5.2	- 7.9	4.0
4. Developing Asia	8.7	7.7	7.2	9.5
China	10.8	9.6	9.2	10.3
India	7.4	6.2	6.8	10.4
5. Middle East and North Africa	5.3	5.1	1.8	3.8
6. Latin America and the Caribbean	3.6	4.3	- 1.7	6.0
Brazil	3.4	5.2	- 0.6	7.5
World Economy	**4.1**	**2.9**	**- 0.5**	**4.9**
Memo:				
BRICs 1/	8.4	7.7	5.4	9.2
Trading partners 2/	3.8	2.7	- 1.1	4.4

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

TABLE 23
MONETARY POLICY INTEREST RATES

	Dec.07	Dec. 08	Dec. 09	Dec.10	Change (bps.) 2010/2009
Raised interest rates in 2010					
Chile	6.00	8.25	0.50	3.25	275
Brazil	11.25	13.75	8.75	10.75	200
Peru	5.00	6.50	1.25	3.00	175
India	7.75	6.50	4.75	6.25	150
Pakistan	10.00	15.00	12.50	14.00	150
Australia	6.75	4.25	3.75	4.75	100
Sweden	4.00	2.00	0.25	1.25	100
Canada	4.25	1.50	0.25	1.00	75
Israel	4.25	2.50	1.25	2.00	75
Malaysia	3.50	3.25	2.00	2.75	75
Thailand	3.25	2.75	1.25	2.00	75
China	7.47	5.31	5.31	5.81	50
South Korea	5.00	3.00	2.00	2.50	50
New Zealand	8.25	5.00	2.50	3.00	50
Taiwan	3.38	2.00	1.25	1.63	38
Norway	5.25	3.00	1.75	2.00	25
Interest rates remained unchanged in 2010					
ECB	4.00	2.50	1.00	1.00	0
Slovakia	4.25	2.50	2.50	2.50	0
United States	4.25	0.25	0.25	0.25	0
Philippines	5.25	5.50	4.00	4.00	0
Indonesia	8.00	9.25	6.50	6.50	0
Japan	0.50	0.10	0.10	0.10	0
Mexico	7.50	8.25	4.50	4.50	0
Poland	5.00	5.00	3.50	3.50	0
United Kingdom	5.50	2.00	0.50	0.50	0
Switzerland	2.75	0.50	0.25	0.25	0
Turkey	15.75	15.00	6.50	6.50	0
Lowered interest rates in 2010					
Iceland	13.75	18.00	10.00	4.50	- 550
South Africa	11.00	11.50	7.00	5.50	- 150
Colombia	9.50	9.50	3.50	3.00	- 50
Hungary	7.50	10.00	6.25	5.75	- 50
Czech Republic	3.50	2.25	1.00	0.75	- 25

Source: Bloomberg and Reuters.

In the emerging economies, **China** grew 10.3 percent, favored mainly by investment and the recovery of foreign trade. Higher growth rates were observed in the first semester, but moderated gradually by the second half of the year as a series of monetary policy measures were adopted to prevent the overwarming of the economy and its inflationary effects. The evolution of the main indicators of activity confirms this trend. Inflation rose from 1.5 percent in January to 4.6 percent in December, affected also by food prices, which led this index to increase from 3.7 to 9.6 percent in this period.

TABLE 24
CHINA: INDICATORS OF ECONOMIC ACTIVITY
(12 month % change)

	2008	2009	2010
GDP IV quarter 1/	6.8	10.7	9.8
Industrial Production	5.7	18.5	13.5
Investment in fixed assets	26.1	30.5	24.5
Retail	19.0	17.5	19.1
Export	- 2.8	17.8	17.9
Imports	21.3	55.9	25.6
Total inflation	1.2	1.9	4.6
Food inflation	4.2	5.3	9.6
Prices of housing 2 /	- 0.4	7.8	6.4
Current Account (% GDP)	9.3	5.9	5.1
NIR in US$ billion	1.9	2.4	2.8

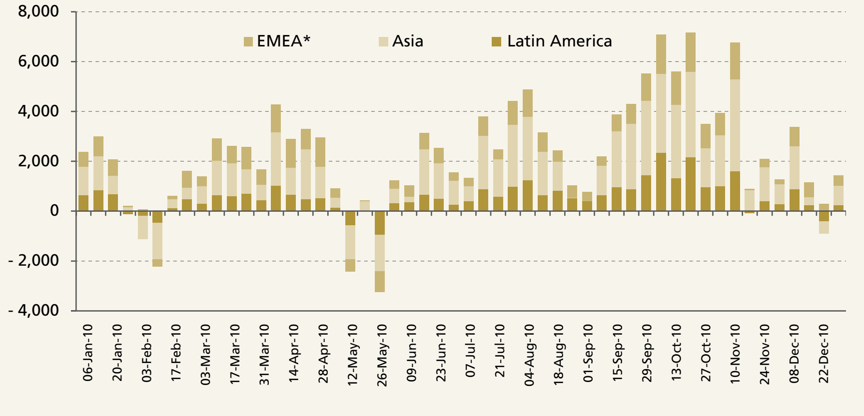
1/ Change compared to the same quarter in the previous year.
2/ National Development and Reform Commission index for the 70 most important cities.
Source: Bloomberg.

A series of measures were implemented over the year to limit the growth of liquidity and credit and to moderate the rise in real estate prices: the Central Bank raised its interest rate –which had remained unchanged since end 2008– and raised the rate on reserve requirements on 6 occasions. Other measures adopted included limits to bank loans, monthly loan quotas per entity, rising the rate on mortgage loans and the down payment for the purchase of a second house, and prohibiting residents to purchase a third housing property.

Growth in the rest of emerging economies was favored by the recovery of international trade and by better terms of trade. **Latin America** closed the year with a significant improvement in economic activity associated with the growth of consumption and investment, as well as of external demand.

Most emerging economies faced increased capital inflows that generated appreciatory pressures. This trend intensified when interest rates were raised due to higher inflationary pressures, leading central banks to increase interventions in the foreign exchange market and to adopt administrative and/or macro prudential measures to discourage capital inflows or promote their outflow.

GRAPH 40
PORTFOLIO FLOWS TO DEVELOPING COUNTRIES
(Monthly flows, US$ million)



(*) EMEA: Europe, Middle East and Africa, EM Asia: Emerging Asia.
Source: Barclays.

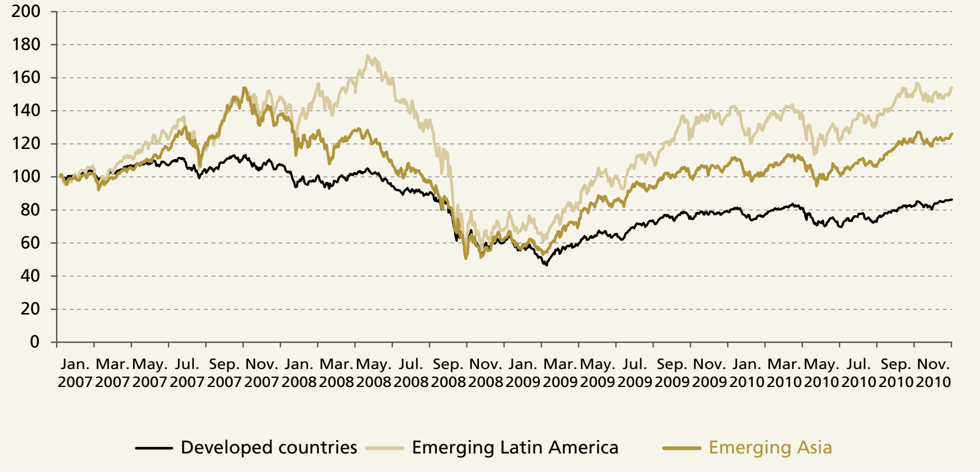
3. Financial markets

Overall, financial markets continued showing a normalization trend after the extreme volatility and risk aversion observed as a result of the international financial crisis.

Factors accounting for the recovery of the major capital markets and increased risk appetite included the recovery of global growth, the Federal Reserve's second asset purchase program or "Quantitative Easing 2" announced in November, the US new fiscal package announced in December, the high levels of international liquidity reflected in the low interest rates of the major developed countries' central banks, and the recovery of investors' confidence.

The stock indices in the major economies, excluding Japan, recorded gains, while corporate credit spreads in developed economies and sovereign bonds spreads in the major emerging economies declined and the yield on U.S. Treasury bonds rose.

GRAPH 41
STOCK INDICES FOR DEVELOPING COUNTRIES
(Base: Jan.07 = 100)



Source: Bloomberg.

Among other factors, this trend was limited by the delicate fiscal situation of some economies in the Eurozone. The series of adverse events observed since May included the situation of fiscal accounts in Greece, the high cost of bank rescue in Ireland, and fears that this situation could spread onto other economies that experienced similar problems, such as Portugal and Spain. These events generated increased risk aversion whose effects concentrated mainly in European money markets, in the sovereign debt of the Eurozone and in the value of the euro.

The worsening of financial conditions in Greece, and later in Ireland, led these countries to seek the rescue programs developed by the European Union and the International Monetary Fund (IMF). The first program was applied in May and the second in November. Simultaneously, given the increased likelihood of a debt crisis contagion to other economies in the region, the European Union and the IMF announced the creation of a facility for a total of € 750 billion for the economies of the Eurozone.

Additionally, the European Central Bank announced a discretionary program of purchases of sovereign bonds of countries with debt problems (which would be completely sterilized) and the reactivation of unlimited liquidity lines.

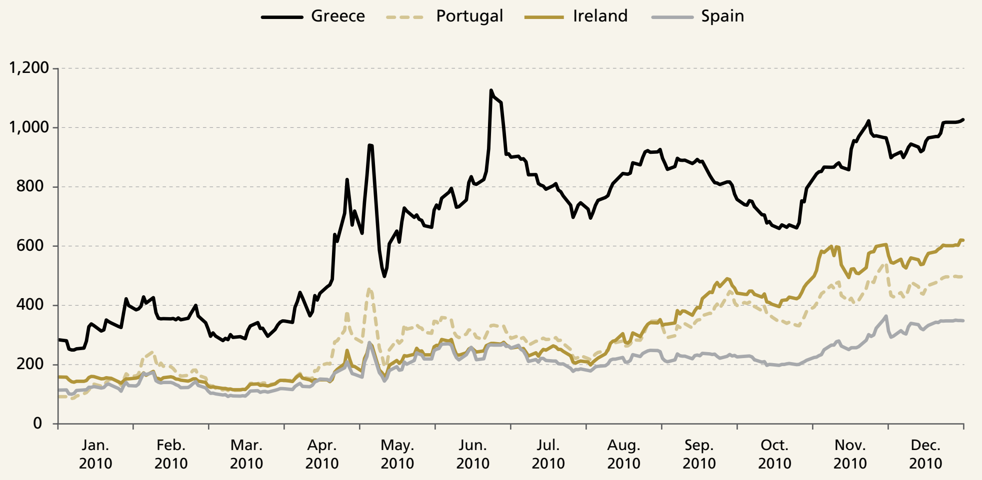
TABLE 25
EUROPE ECONOMIC INDICATORS
(% of GDP)

	2008	2009	2010	Debt Rating (Dec. 2010) S&P	Moody's
Ireland (GDP 2009: US$ 264.9 billions)				A	Baa1
GDP Growth (%)	- 3.6	- 7.6	- 0.9		
CDS Spreads (Bps) 1/	181	158	619		
Fiscal deficit	- 7.3	- 14.4	- 10.5		
Public debt	44.3	65.5	98.9		
Portugal (GDP 2009: US$ 233.5 billions)				A-	A1
GDP Growth (%)	0.0	- 2.5	1.4		
CDS Spreads (Bps) 1/	96	92	497		
Fiscal deficit	- 2.9	- 9.3	- 7.3		
Public debt	65.3	76.1	82.1		
Spain (GDP 2009: US$ 1,467.9 billions)				AA	Aa1
GDP Growth (%)	0.8	- 3.7	- 0.2		
CDS Spreads (Bps) 1/	101	113	348		
Fiscal deficit	- 4.2	- 11.1	- 9.3		
Public debt	39.8	53.2	62.8		
Greece (GDP 2009: US$ 330.8 billions)				BB+	Ba1
GDP Growth (%)	1.3	- 2.3	- 4.5		
CDS Spreads (Bps) 1/	232	283	1,026		
Fiscal deficit	- 9.4	- 15.4	- 9.4		
Public debt	110.3	126.8	142.7		

1/ Data as of December of each year
Source: Moody's, Deutsche Bank, Barclays, JP. Morgan and Eurostat.

Even though the financial conditions in these economies showed some improvement at the close of the year, they are still far from the ones observed prior to the crisis. The increase in the debt restructuring-related risks; the risks of contagion; the rating downgrading of Greece, Ireland and Portugal, and of banks in these countries, as well as banks' increased dependence on the ECB funds, contributed to the maintenance of high credit spreads in sovereign bonds and in the major banking institutions in Greece, Ireland, Portugal and Spain.

GRAPH 42
CREDIT DEFAULT SWAP SPREAD
(In basis points)



Source: Bloomberg.

The evolution of the dollar in **foreign exchange markets** was affected by a series of mixed factors: on the one hand, the better outlook for growth and the announcement of Quantitative Easing 2 weakened the dollar, but, on the other hand, the situation in the Eurozone finally led the US currency to strengthen against the euro. Moreover, the dollar weakened against the yen.

GRAPH 43
EXCHANGE RATE
(Monetary units per US$; % change Dec.10/Dec.09)

Source: Reuters.

4. Balance of Payments

In a context of gradual global economic recovery and high commodity prices, the balance of payments in 2010 was characterized by the improvement recorded in the trade balance, which was coupled by higher profits in firms with foreign shareholding. In addition to this, the high levels of international liquidity and the normalization of conditions in financial markets allowed external financing to increase, particularly in terms of external financing to banks.

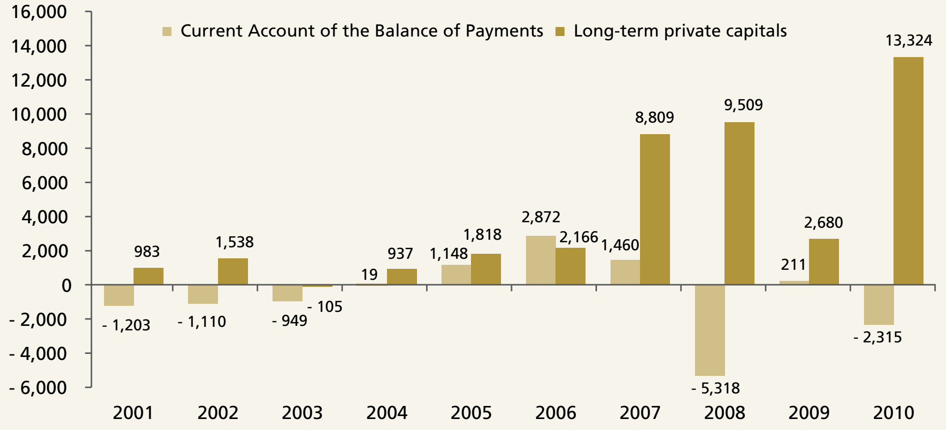
Recording the highest rate since 2006, terms of trade grew 17.9 percent in 2010. Together with the recovery of global economic activity and the diversification of markets and nontraditional products, this effect favored the growth of exports, which registered a growth rate of 31.9 percent.

Imports grew 37.1 percent as a result of the strong growth of consumption and investment in domestic demand. The higher volume of trade and the higher commodity prices favored an increase in the profits of firms with foreign shareholding, increasing also the deficit in services associated with trade and economic activity in general, such as expenditure in transportation and business services. As a result of this, the deficit in the current account in 2010 was equivalent to 1.5 percent of GDP.

The current account deficit was mostly financed with long term private capitals, which amounted to 8.7 percent of GDP and consisted mainly of reinvestments of profits by firms with foreign shareholding –particularly mining, hydrocarbons, and financial companies–, loan disbursements to banks, and non residents' investments in securities issued in the local market.

This increased funding was in turn complemented by a lower capital outflow in terms of local institutional investors' investment in foreign securities. In this period, the Central Bank increased its international reserves by US$ 10,970 million, the highest amount of reserves accumulated in a year.

GRAPH 44
CURRENT ACCOUNT AND LONG TERM CAPITAL
(Millions of US$)



Source: BCRP.

TABLE 26
BALANCE OF PAYMENTS

	Millions of US$			% of GDP		
	2008	2009	2010	2008	2009	2010
I. CURRENT ACCOUNT BALANCE	**- 5,318**	**211**	**- 2,315**	**- 4.2**	**0.2**	**- 1.5**
1. Trade Balance	2,569	5,951	6,750	2.0	4.7	4.4
a. FOB Exports	31,018	26,962	35,565	24.4	21.2	23.1
b. FOB Imports	- 28,449	- 21,011	- 28,815	- 22.4	- 16.5	- 18.7
2. Services	- 2,056	- 1,144	- 2,037	- 1.6	- 0.9	- 1.3
a. Exports	3,649	3,645	3,956	2.9	2.9	2.6
b. Imports	- 5,704	- 4,789	- 5,993	- 4.5	- 3.8	- 3.9
3. Investment Income	- 8,774	- 7,484	- 10,053	- 6.9	- 5.9	- 6.5
a. Private	- 8,888	- 7,533	- 9,873	- 7.0	- 5.9	- 6.4
b. Public	113	49	- 180	0.1	0.0	- 0.1
4. Current transfers	2,943	2,887	3,026	2.3	2.3	2.0
of which: Remittances	2,444	2,409	2,534	1.9	1.9	1.6
II. FINANCIAL ACCOUNT	**8,674**	**1,499**	**12,583**	**6.8**	**1.2**	**8.2**
1. Private Sector	9,509	2,680	13,324	7.5	2.1	8.7
a. Assets	- 652	- 4,102	- 1,041	- 0.5	- 3.2	- 0.7
b. Liabilities	10,162	6,783	14,365	8.0	5.3	9.3
2. Public Sector	- 1,404	1,032	- 1,004	- 1.1	0.8	- 0.7
a. Assets	65	- 317	4	0.1	- 0.2	0.0
b. Liabilities	- 1,469	1,349	- 1,007	- 1.2	1.1	- 0.7
3. Short term capital	568	-2,214	263	0.4	- 1.7	0.2
a. Assets	416	- 622	- 1,007	0.3	- 0.5	- 0.7
b. Liabilities	153	-1,592	1,270	0.1	- 1.2	0.8
III. EXCEPTIONAL FINANCING	**57**	**36**	**19**	**0.0**	**0.0**	**0.0**
IV. NET ERRORS AND OMISSIONS	**- 244**	**- 702**	**904**	**- 0.2**	**- 0.6**	**0.6**
V. BALANCE OF PAYMENT RESULT	**3,169**	**1,043**	**11,192**	**2.5**	**0.8**	**7.3**
(V = I + II + III + IV) = (1-2)						
1. Change in the balance of NIRs	3,507	1,939	10,970	2.8	1.5	7.1
2. Valuation effect	338	896	- 222	0.3	0.7	- 0.1

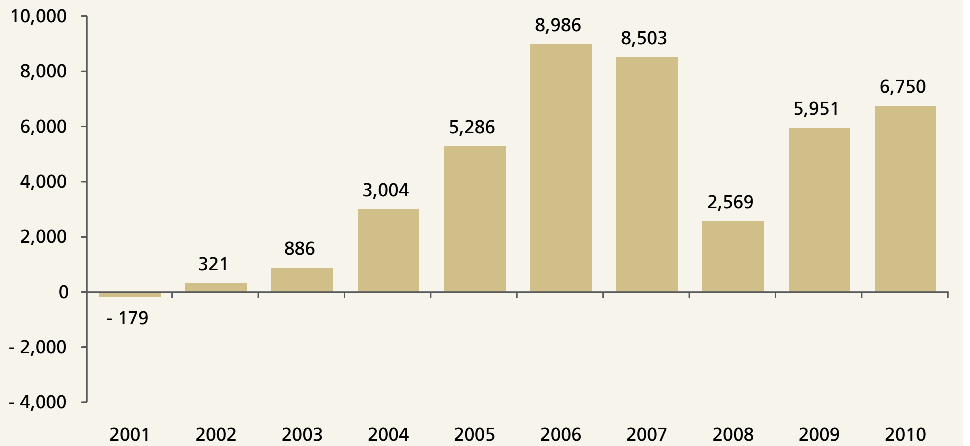
Source: BCRP, MEF, SBS, SUNAT, Ministry of Foreign Affairs, Cofide, ONP, FCR, Tacna Free Trade Zone, Banco de la Nación, Cavali S.A. ICLV, Proinversión, Bank for International Settlements (BIS), and companies.

4.1 Trade balance

Higher by US$ 799 million than in 2009, the trade surplus in 2010 amounted to US$ 6,750 million. Exports, which amounted to US$ 35,565 million –a sum 31.9 percent higher than the one recorded in 2009–, were favored by higher international commodity prices and by the higher volume of nontraditional exports. On the hand, the volume of traditional exports declined due to lower exports of gold, zinc, and fishmeal (the production of the latter was affected by La Niña).

Imports amounted to US$ 28,815 million, a sum 37.1 percent higher than the one registered in the previous year. Imports grew both in terms of volume (24.5 percent) and in terms of average import prices (10.1 percent).

GRAPH 45
TRADE BALANCE
(FOB value in milions of US$)



Source: BCRP, SUNAT, Zofratacna, Banco de la Nación and companies.

With a share of a third of our foreign trade, the United States and China continued to be our main trading partners. China's share increased from 0.8 percentage points to 16 percent of our total trade due to higher exports of copper, lead, zinc, iron and fishmeal to this country, as well as due to higher imports of cell phones, computers, iron and steel products, motorcycles, and garments.

The share of the United States in our foreign trade declined by 0.5 percentage points, even though exports to this country –particularly, gold, crude oil and oil derivatives, coffee, asparagus– increased by 28.2 percent, while imports –especially, crude, civil engineering machinery, vehicles to transport goods, plastics, cotton and wheat– increased by 33.5 percent compared to 2009.

TABLE 27
TRADE BY MAIN COUNTRIES AND REGIONS 1/
(%)

	Exports 2/			Imports 3/			X + M		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
United States of America	19.1	17.4	16.9	18.7	19.7	19.2	19.0	18.4	18.0
China	11.8	15.3	15.4	13.5	15.0	16.7	12.6	15.2	16.0
Switzerland	11.1	14.8	10.9	0.4	0.6	0.4	6.0	8.6	6.2
Canada	6.3	8.6	9.4	1.4	1.8	1.7	4.0	5.7	6.0
Japan	5.8	5.1	5.1	4.1	4.1	4.5	5.0	4.7	4.8
Brazil	2.8	1.9	2.7	8.1	7.6	7.3	5.3	4.4	4.7
Chile	5.7	2.8	3.9	4.1	4.7	3.9	4.9	3.6	3.9
Germany	3.3	3.9	4.3	2.9	3.3	3.0	3.1	3.6	3.7
Ecuador	1.6	2.2	2.3	6.2	4.8	5.0	3.8	3.3	3.5
Colombia	2.3	2.4	2.2	4.3	4.3	4.5	3.3	3.3	3.2
South Korea	1.8	2.8	2.5	2.5	2.9	3.4	2.1	2.8	2.9
Spain	3.3	2.8	3.4	1.4	1.4	1.3	2.4	2.2	2.5
Mexico	1.0	0.9	0.8	4.1	3.4	3.8	2.5	2.0	2.1
Italy	2.9	2.3	2.7	2.4	1.8	1.4	2.7	2.1	2.1
Other countries	21.2	16.8	17.5	25.9	24.5	23.9	23.4	20.2	20.4
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo:									
Asia	23.8	26.0	25.9	26.1	27.9	30.9	24.9	26.8	28.1
North America	26.6	27.1	27.2	24.3	25.0	24.8	25.5	26.2	26.1
European Union	17.8	15.9	18.4	12.2	11.3	10.6	15.1	13.9	15.0
Andean Countries 4 /	14.2	10.9	11.0	16.7	16.3	14.9	15.4	13.2	12.7
Mercosur 5 /	3.4	2.3	3.1	13.9	12.9	12.1	8.4	6.9	7.2
Rest	14.3	17.8	14.3	6.8	6.7	6.6	10.7	13.0	10.9

X: Exports M: Imports.
1/ Imports were grouped by country of origin.
2/ Exports exclude goods sold and repairs of foreign ships and aircrafts.
3/ Imports exclude defense material, other purchased goods, and ships and aircrafts abroad.
4/ Bolivia, Chile, Colombia, Ecuador and Venezuela.
5/ Brazil, Argentina, Uruguay and Paraguay.
Source: BCRP, SUNAT and Zofratacna.

Latin American countries, especially Brazil and Chile, increased their participation in our exports, requiring higher amounts of copper and zinc, and molybdenum, crude oil and fishmeal, respectively. Likewise, China, Japan and South Korea increased their participation as providers of imports in terms of total imports to our country.

TABLE 28
EXPORTS 1/
(% change)

	Volume			Prices		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
Exports	**7.3**	**- 4.1**	**1.9**	**3.5**	**- 10.0**	**29.9**
Traditional exports	**5.6**	**1.6**	**- 1.5**	**2.8**	**- 13.6**	**36.8**
Of which:						
Fish meal	24.0	- 1.6	- 29.7	- 6.5	6.5	55.4
Coffee	29.6	- 12.2	16.3	19.4	- 2.6	27.2
Copper	10.7	0.7	0.5	- 6.4	- 21.4	50.0
Gold	7.5	8.9	- 9.2	25.1	11.6	25.8
Zinc	14.4	- 5.2	- 3.0	- 48.1	- 17.6	48.1
Crude oil and derivatives	- 10.6	11.2	12.7	34.0	- 36.4	33.0
Non traditional exports	**13.3**	**- 14.8**	**15.3**	**6.0**	**- 4.0**	**6.9**
Of which:						
Agricultural exports	33.1	5.0	17.4	- 4.6	- 9.1	2.1
Fisheries	7.5	- 14.6	- 6.5	16.2	- 2.2	32.6
Textiles	5.7	- 29.9	2.5	11.2	5.3	1.4
Chemicals	12.2	- 12.0	31.6	15.5	- 8.5	10.5
Iron and steel 2 /	- 0.6	- 26.3	23.4	- 0.6	- 14.4	31.9

1 / Calculated on the basis of unit values (the result of dividing the total value of each category by the total volume).
2 / Includes jewelry.
Source: BCRP, SUNAT and businesses.

Traditional exports

In 2010 traditional exports amounted to US$ 27,669 million, a sum 34.2 percent higher than the one observed in 2009. This growth of traditional exports was influenced by the higher international prices of products such as copper, gold, zinc, and crude. The volume of traditional exports, on the other hand, was affected by lower shipments of fishmeal, gold, and zinc.

The value of fishing exports (US$ 1,884 million) increased by 11.9 percent relative to 2009 due to higher average prices (49.4 percent), given that the volume of these exports dropped as a result of adverse weather conditions that affected the availability of marine resources (anchovy).

Mining exports amounted to US$ 21,723 million, a sum 32.6 percent higher than in 2009, due to the higher prices of metals, while the volume of mining exports was affected by Yanacocha and Barrick's lower exports of gold (9.2 percent). These two mining companies account for 39.8 percent of the total volume of gold exports.

Exports of crude and natural gas grew 60.8 percent due to the higher prices of crude and oil derivatives (33.0 percent), as well as due to the fact that Peru started exporting natural gas in June 2010. The main destinations of exports of natural gas, which amounted to US$ 284 million in the year, were Spain (US$ 87 million), United States (US$ 57 million) and South Korea (US$ 44 million).

TABLE 29
FOB EXPORTS. BY GROUP OF PRODUCTS

	FOB Value: Millions of US$			% change	
	2008	2009	2010	2009	2010
I. TRADITIONAL PRODUCTS	**23,266**	**20,622**	**27,669**	**- 11.4**	**34.2**
FISHING	**1,797**	**1,683**	**1,884**	**- 6.4**	**11.9**
Fishmeal	1,413	1,425	1,609	0.9	12.9
Fish oil	385	258	274	- 33.0	6.4
AGRICULTURAL PRODUCTS	**686**	**636**	**975**	**- 7.2**	**53.2**
Coffee	645	584	888	- 9.4	52.0
Sugar	25	37	65	49.9	74.7
Cotton	2	3	1	17.1	- 59.1
Other agricultural products 1 /	14	12	20	- 12.9	69.7
MINING	**18,101**	**16,382**	**21,723**	**- 9.5**	**32.6**
Copper 2 /	7,277	5,934	8,870	- 18.5	49.5
Gold	5,586	6,805	7,756	21.8	14.0
Zinc	1,468	1,233	1,691	- 16.0	37.1
Lead 2 /	1,136	1,116	1,579	- 1.8	41.5
Tin	663	479	663	- 27.7	38.5
Iron	385	298	523	- 22.7	75.7
Molybdenum	943	276	492	- 70.7	78.4
Refined silver	595	214	118	- 64.0	- 44.8
Rest of mining products 3 /	48	28	29	- 42.1	6.3
OIL AND NATURAL GAS	**2,681**	**1,921**	**3,088**	**- 28.4**	**60.8**
II. NON-TRADITIONAL PRODUCTS	**7,562**	**6,186**	**7,641**	**- 18.2**	**23.5**
Agricultural products	1,913	1,825	2,190	- 4.6	20.0
Textiles	2,026	1,495	1,558	- 26.2	4.2
Chemicals	1,041	837	1,223	- 19.6	46.3
Iron and steel, and jewelry	909	569	918	- 37.4	61.4
Fishing products	622	518	642	- 16.7	24.0
Metal mechanic products	328	366	394	11.6	7.7
Wood and paper manufacturing	428	335	355	- 21.7	5.9
Non-metallic minerals	176	148	251	- 15.9	69.6
Others 4 /	121	93	110	- 22.8	18.1
III. Others 5 /	**190**	**154**	**254**	**- 19.2**	**65.3**
IV. TOTAL EXPORTS	**31,018**	**26,962**	**35,565**	**- 13.1**	**31.9**

1/ Includes coca leaf and derivatives, molasses, wool and furs.
2/ Includes silver content.
3/ Includes bismuth and tungsten, mainly.
4/ Includes furs, leather, and handcrafts, mainly.
5/ Includes sales of fuels and food to foreign vessels and repairs of capital goods.
Source: BCRP, SUNAT and companies.

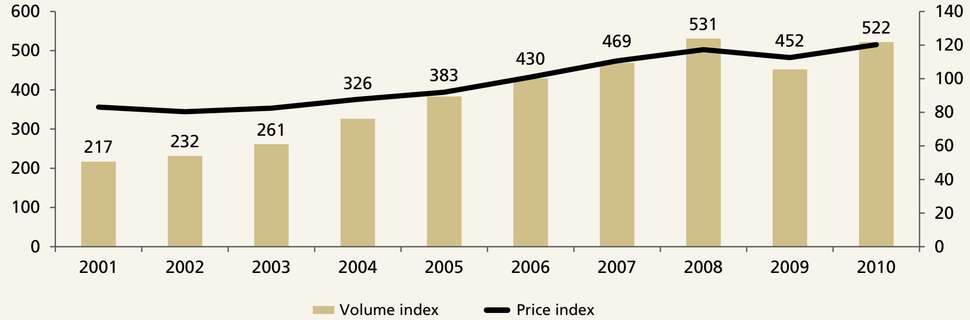
Non traditional exports

In 2010, exports of non traditional products totaled US$ 7,641 million, an amount 23.5 percent higher than in 2009. The volume of non traditional exports increased 15.3 percent due to the higher amount of agricultural products exported, especially grapes, mangos, avocados and artichoke conserves.

Exports of chemical products –sheets for wrapping, zinc oxide and cochineal dyes– and iron and steel products –refined copper wire– also increased. In addition to this, Minera Miski Mayo, owned by the Brazilian mining company Vale do Rio Doce, started exporting phosphates (non-metallic mineral exports) to the United States, Brazil, Mexico and India.

In the last ten years, exports of non traditional products have grown 14.1 percent on average, reflecting a higher average annual volume of 10.5 percent as a result of increased exports of agricultural products (20.7 percent), chemicals (16.1 percent), fisheries (9.5 percent), and textiles (3.6 percent).

GRAPH 46
NON TRADITIONAL EXPORTS
(1994 = 100)



Source: BCRP and SUNAT.

Increasing by 17.4 percent in terms of volume, exports of agricultural products amounted to US$ 2,190 million in 2010, with exports of grapes, mangos, artichoke conserves and avocados being noteworthy. These products were mainly exported to the United States (US$ 683 million), the Netherlands (US$ 266 million), and Spain (US$ 227 million). The volume of agricultural exports has grown at an average annual rate of 20.7 percent in the last 10 years, mainly as a result of exports of new products such as grapes, paprika, artichoke conserves, avocados, and organic bananas, among other products.

The volume of fishing exports was affected by weather conditions, but offset by higher average prices. Exports of fisheries amounted to US$ 642 million –a sum 24.0 percent higher than in 2009–, with average prices increasing 32.6 percent, while the volume declined by 6.5 percent.

Exports of canned giant squid and prawn tails were lower (15.4 percent and 12.0 percent, respectively), but exports of scallops to France and the United States increased (31.9 percent).

In the last ten years, the volume of fishery exports grew at an average annual rate of 9.5 percent, reflecting the sale of new products such as canned giant squid, prawn tails, canned anchovy, frozen prawns, anchovy fillets, among others. Higher sales of frozen squid and scallops contributed also to this result.

TABLE 30

MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS
(Millions of US$)

Most popular products	2000	2010	Annual average % change
Asparagus	148	427	11.2
Fresh grapes	6	180	40.5
Paprika	6	97	32.3
Artichokes, prepared	1	96	61.0
Fresh mangoes	23	89	14.4
Avocado	2	85	42.3
Chilly pepper	5	84	33.2
Evaporated milk	3	77	38.4
Animal feed	6	70	28.1
Organic bananas	0	49	68.7
Canned peppers and others	1	47	48.6
Fresh Onions	6	42	20.6
Cocoa	0	35	99.2
Fresh mandarins	1	35	42.7
Subtotal	209	1,414	21.1
Total	**394**	**2,190**	**18.7**

Source: BCRP and SUNAT.

MAIN NON-TRADITIONAL FISHING PRODUCTS
(Millions of US$)

Most popular products	2000	2010	Annual average % change
Frozen Squid	24	152	20.3
Scallops	18	113	20.1
Canned squid	1	81	57.9
Frozen prawns tails	4	45	26.6
Frozen fillets	6	42	20.8
Canned anchovies	1	21	31.6
Others frozen fish	2	20	22.9
Whole frozen shrimp	2	15	22.4
Other canned fish (eg mackerel)	15	15	0.1
Squid meal	0	13	58.8
Other frozen fish	7	13	6.6
Fillets of salted anchovies	0	13	42.3
Shark fins	6	11	5.9
Frozen hake fillets	10	11	1.0
Shelled frozen shrimp	1	9	25.5
Subtotal	98	572	19.3
Total	**177**	**642**	**13.8**

Source: BCRP and SUNAT.

Textile exports in 2010 recorded a total value of US$ 1,558 million, a sum 4.2 percent higher than in 2009. The volume of these exports increased 2.5 percent and the average prices increased 1.4 percent. Excluding exports to Venezuela, exports of textiles in the year totaled US$ 1,348 million, a figure 18.5 percent higher than the one recorded in 2009.

This recovery was driven by exports to other Andean countries (32.4 percent), Mercosur (77.5 percent) and the United States (14.0 percent). The price of textile exports in the last ten years grew 8.3 percent, while the volume grew 4.0 percent, with higher average exports to Venezuela (26.9 percent), Colombia (18.1 percent), Ecuador (13.5 percent) and Argentina (31.7 percent) accounting for this growth.

The exports of **chemical products** in 2010 amounted to US$ 1,223 million –up 46.3 percent relative to 2009–, as a result of higher exports of cochineal dyes (US$ 210 million), flexible sheets for wrapping (US$ 95 million), zinc oxide (US$ 56 million) and PET preforms (US$ 50 million). The main destinations of these exports by regions were: Andean Countries (US$ 643 million), European Union (US$ 204 million), Mercosur (US$ 85 million) and the United States (US$ 70 million).

The volume of chemical exports grew at an annual average rate of 16.1 percent in the last ten years.

TABLE 31

MAIN COUNTRIES OF DESTINATION OF TEXTILE PRODUCTS
(Millions of US$)

Top destinations	2000	2010	Var. % Average annual
United States	406	689	5.4
Venezuela	19	210	26.9
Colombia	17	88	18.1
Brazil	7	65	25.3
Chile	35	61	5.7
Ecuador	15	53	13.5
Italy	21	49	8.7
Bolivia	15	37	9.3
Germany	15	32	8.1
United Kingdom	15	31	7.6
Argentina	2	29	31.7
China	22	25	1.2
Mexico	7	18	10.4
France	6	17	10.7
Canada	7	16	8.3
Subtotal	609	1,421	8.8
Total	**701**	**1,558**	**8.3**
Memo:			
Andean Countries 1 /	101	449	16.0
European Union	98	165	5.4
Mercosur	9	99	26.5

1/ Bolivia.,Chile, Colombia, Ecuador and Venezuela.
Source: BCRP and SUNAT.

MAIN COUNTRIES OF DESTINATION OF CHEMICAL PRODUCTS
(Millions of US$)

Top destinations	2000	2010	Var. % Average annual
Colombia	22	164	22.3
Ecuador	21	136	20.5
Bolivia	31	134	15.9
Chile	23	122	18.1
Venezuela	24	86	13.7
United States	14	70	17.1
Brazil	5	60	28.3
Germany	5	48	25.2
China	0	36	55.2
Denmark	1	32	43.1
Netherlands	3	31	28.3
Mexico	17	26	4.2
United Kingdom	4	24	20.7
Argentina	4	22	19.0
Spain	3	21	21.2
Subtotal	176	1,011	19.1
Total	**212**	**1,223**	**19.1**
Memo:			
Andean Countries 1 /	121	643	18.2
European Union	26	204	23.0
Mercosur	9	85	24.6

1/ Bolivia.,Chile, Colombia, Ecuador and Venezuela.
Source: BCRP and SUNAT.

Imports

Reflecting increased domestic demand, imports in 2010 amounted to US$ 28,815 million, a sum 37.1 percent higher than the one recorded in 2009. The volume of imports grew 24.5 percent due to increased imports of industrial inputs and capital goods (especially in the sectors of transportation, construction, mining and hydrocarbons, and commerce), while the price of imports grew 10.1 percent, mainly due to the higher prices of crude, food products, and industrial inputs.

Imports of **consumer goods** grew 38.5 percent relative to 2009, due to increased imports of cars, electrical appliances, motorcycles, perfume products, shoe wear and garments. Imports of food products, such as sugar, dairy products, and meat, also increased during the year.

Imports of industrial **inputs** also grew due to higher imports of iron and steel, plastics, textiles, cereals, organic chemicals, paper and cardboard.

Imports of **capital goods** for industry grew 23.1 percent compared to 2009, due to increased purchases of civil engineering, data processing and telecommunications equipment, machinery, electrical junction devices, and heating and refrigeration equipment. Moreover, imports of construction materials grew 27.3 percent relative to 2009 due to increased imports of steel bars, pipes for oil and gas pipelines, pipes for the extraction of gas and crude, ceramic tiles, Portland cement, and clinker.

TABLE 32
IMPORTS 1/
(% change)

	Volume			Prices		
	2008	2009	2010	2008	2009	2010
Imports	**19.9**	**- 20.1**	**24.5**	**21.0**	**- 7.4**	**10.1**
1. Consumer goods	**27.3**	**- 9.3**	**28.0**	**10.6**	**- 4.6**	**8.1**
Non-durable goods	19.0	- 2.4	19.4	12.4	- 6.2	9.9
Main food products 2 /	8.0	- 21.4	29.0	29.3	- 20.5	34.4
Rest 3 /	20.8	- 0.8	18.6	10.4	- 4.0	7.5
Durable goods	40.3	- 15.9	38.3	9.1	- 1.3	6.1
2. Inputs	**6.6**	**- 18.7**	**21.3**	**30.4**	**- 14.8**	**15.3**
Main food 4 /	- 6.3	1.7	20.6	51.6	- 18.1	0.0
Petroleum and derivatives	0.1	- 16.5	10.0	40.2	- 32.4	30.7
Rest 5 /	14.9	- 20.7	27.8	19.6	- 5.8	11.1
Of which:						
Plastics	12.3	- 10.2	28.6	15.1	- 26.9	22.8
Iron and steel	7.7	- 40.0	62.7	40.7	- 5.9	14.7
Textiles	17.9	- 21.5	38.8	4.6	- 8.7	17.4
Papers	18.9	- 10.0	16.2	8.1	- 5.8	2.8
Chemicals	25.3	- 14.5	- 1.1	7.9	19.6	32.1
Organic Chemicals	12.5	- 20.7	23.6	13.1	- 5.5	14.9
3. Capital goods	**44.1**	**- 23.9**	**27.5**	**9.5**	**- 2.4**	**3.8**

1 / The price index of Imports is calculated on the basis of the prices of imports of food and fuel and the basket of our major trading partners for the rest of Imports. The price index of inputs is calculated based on the unit values (result of dividing the total value of each category by the total volume).
2 / Rice, sugar. milk and meat.
3 / Excludes food.
4 / Wheat, maize and soybean.
5 / Excludes food and crude oil and derivatives.
Source: BCRP, SUNAT, Zofratacna, Banco de la Nación and companies.

TABLE 33
FOB IMPORTS, BY USE OR DESTINATION

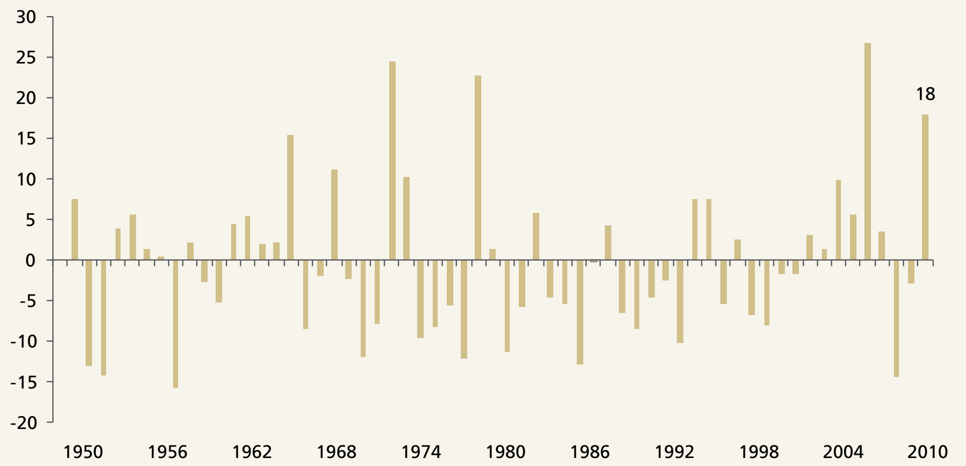
	Valor FOB: Millions of US$			% change	
	2008	2009	2010	2009	2010
1. CONSUMER GOODS	**4,520**	**3,962**	**5,489**	**- 12.3**	**38.5**
Non-durable	2,328	2,137	2,809	- 8.2	31.4
Durable	2,192	1,825	2,680	- 16.7	46.8
2. INPUTS	**14,556**	**10,076**	**14,023**	**- 30.8**	**39.2**
Fuels, lubricants and related inputs	5,225	2,929	4,063	- 43.9	38.7
Raw materials for agriculture	874	773	868	- 11.5	12.2
Raw materials for industry	8,458	6,374	9,093	- 24.6	42.7
3. CAPITAL GOODS	**9,233**	**6,850**	**9,074**	**- 25.8**	**32.5**
Construction materials	1,305	854	1,087	- 34.6	27.3
For agriculture	90	72	80	- 20.6	11.4
For industry	5,765	4,498	5,539	- 22.0	23.1
Transportation equipment	2,073	1,426	2,369	- 31.2	66.1
4. OTHER GOODS 1/	**140**	**122**	**229**	**- 12.8**	**87.7**
5. TOTAL IMPORTS	**28,449**	**21,011**	**28,815**	**- 26.1**	**37.1**
Memo:					
Main food products 2/	1,703	1,349	1,725	- 20.8	27.8
Wheat	489	346	368	- 29.2	6.4
Maize and/or sorgum	310	266	372	- 14.2	39.7
Rice	88	49	55	- 44.0	11.2
Sugar 3/	72	57	121	- 20.7	111.7
Dairy products	77	37	81	- 52.2	118.5
Soybean	625	561	679	- 10.3	21.2
Meat	42	34	49	- 19.8	46.5

1/ Includes donations of goods, purchases of fuel and food by Peruvian ships, and repairs of capital goods in other countries, as well as other goods not considered by the classification used.
2/ Excludes food donations.
3/ Includes unrefined sugar, classified as inputs.
Source: BCRP, SUNAT, Zofratacna, Banco de la Nación, and companies

4.2 Terms of Trade

Commodity prices rebounded in 2010, particularly in the second half of the year, favored by global economic recovery and the increased demand for commodities of emerging countries (e.g. China), abundant international levels that contributed to the growth of non commercial positions, and by supply shocks that intensified conditions in the already tight markets of basic products.

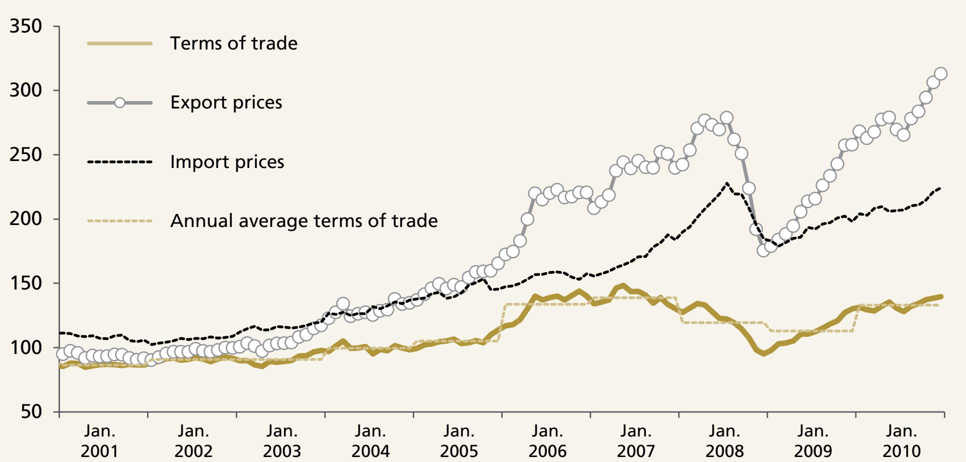
GRAPH 47
TERMS OF TRADE
(% change)



(*) Estimate.
Source: BCRP.

Given that the commodities which showed the highest price rises were our export products (basic metals), our terms of trade increased 17.9 percent in 2010, recording the fourth highest historical increase. The higher price of exports (29.9 percent) was in part offset by the rise in the prices of imports (10.1 percent).

GRAPH 48
TERMS OF TRADE AND EXPORT AND IMPORT PRICE INDICES
(1994 = 100)

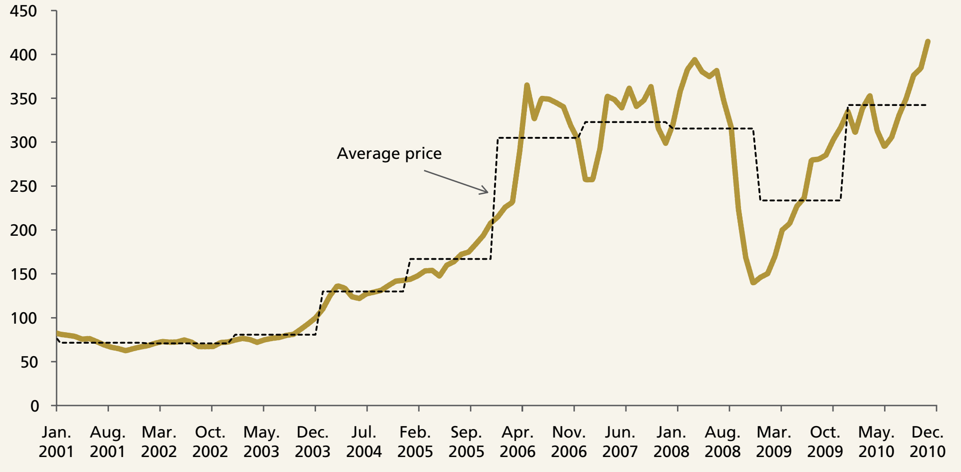


Source: BCRP.

The average level of terms of trade in 2010 was only 2.0 percent lower than the one recorded in 2007, that is, prior to the decline of international prices associated with the international financial crisis. The prices of exports were 20.9 percent higher than the ones observed in 2007, while the prices of exports were 23.4 percent higher.

The price of **copper** showed an upward trend during most of the year, favored by the recovery of global economic activity. In 2010, the average price of copper rose 46.6 percent relative to 2009 and recorded an average level of US$ 3.4/pound at year end, having reached a historical nominal record of US$ 4.4 on December 31. This price rise was associated with growing tightness in the copper market due emerging countries' increased demand and due to supply constraints in some producing countries.

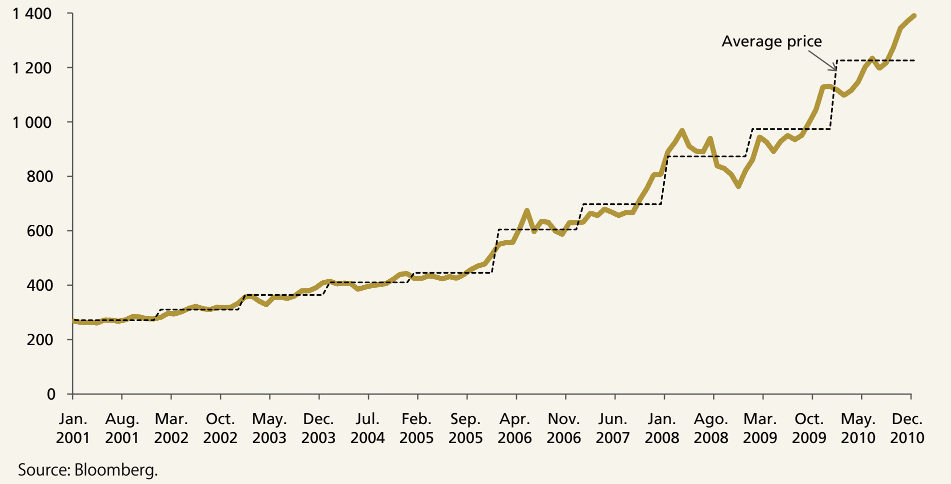
GRAPH 49
PRICE OF COPPER
(Monthly average, US$ cents per pound)



Source: Bloomberg.

The price of **gold** rose by over 25.9 percent in 2010, registering an average level of US$ 1,225/troy ounce at year end. This rise was influenced by investors' increased demand for gold to diversify their portfolios in a context of high risk aversion.

GRAPH 50
PRICE OF GOLD
(Monthly average, US$/tr. oz.)

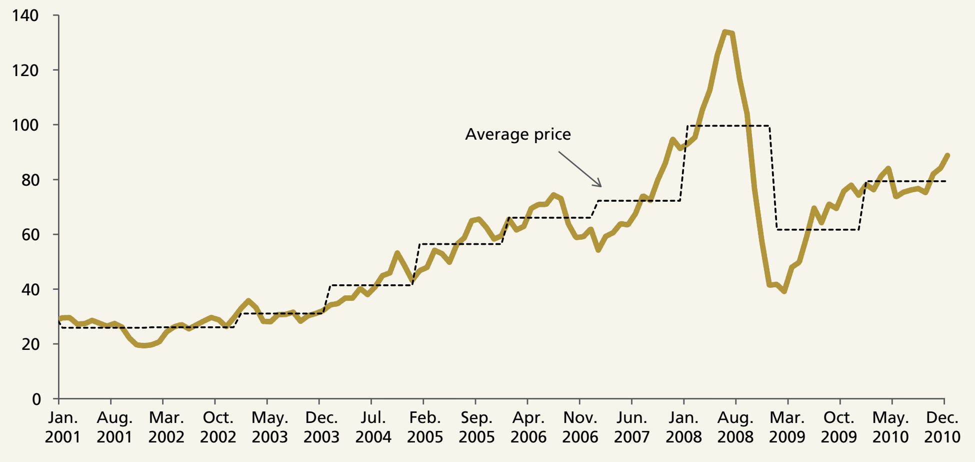


Source: Bloomberg.

The rise in the price of gold was supported by the fact that non-commercial positions in gold increased nearly 18.5 percent in 2010, as well as by inflationary expectations in some regions and, to a lower extent, by the demand for gold for jewelry and industrial uses. Gold reached a maximum price of US$ 1,420/troy ounce in early December.

The price of **oil crude** fluctuated around US$ 80/barrel during 2010, which represented an increase of nearly 28.7 percent in average terms compared to 2009. Crude registered its lowest level in May (US$/bl 65), recovering gradually thereafter to a level of US$ 90 at the end of the year. Expectations of higher consumption from emerging countries (China and India), supply constraints in some producing countries (Mexico, Norway, the Middle East) and the strong increase observed in investors' non commercial positions in oil crude –which grew over 127.8 percent in the year– accounted for this evolution in the price of crude.

GRAPH 51
PRICE OF WTI OIL
(Monthly average, US$ per barrel)



Source: Bloomberg.

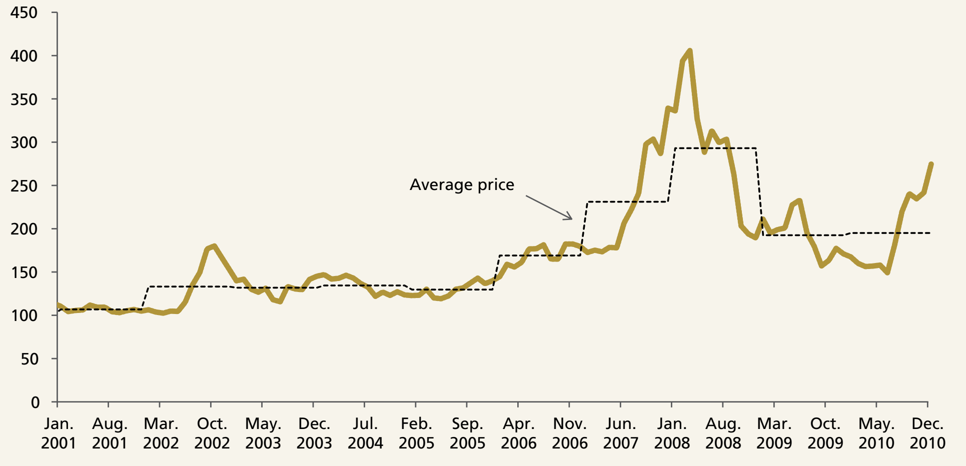
Food prices closed the year with sharp increases due to supply constraints caused by adverse climate conditions and due to the strong demand of emerging countries. The increase of non commercial positions contributed to exacerbate the volatility of food prices.

Reuter's Commodity Research Bureau (CRB) food price index registered higher levels than in 2008, renewing concerns that similar inflationary pressures to the ones recorded in that period could be observed.

In the case of grains, **wheat** and **maize** showed a marked upward trend since mid-2010 due to the drought that affected European countries, which led Russia and Ukraine to impose restrictions on the exports of these products. This situation worsened towards the end of the year with the intensification of La Niña event, which generated floods in Australia and drought in Argentina, leading Australian wheat to decline in terms of quality and generating adverse effects on the development of maize in Argentina.

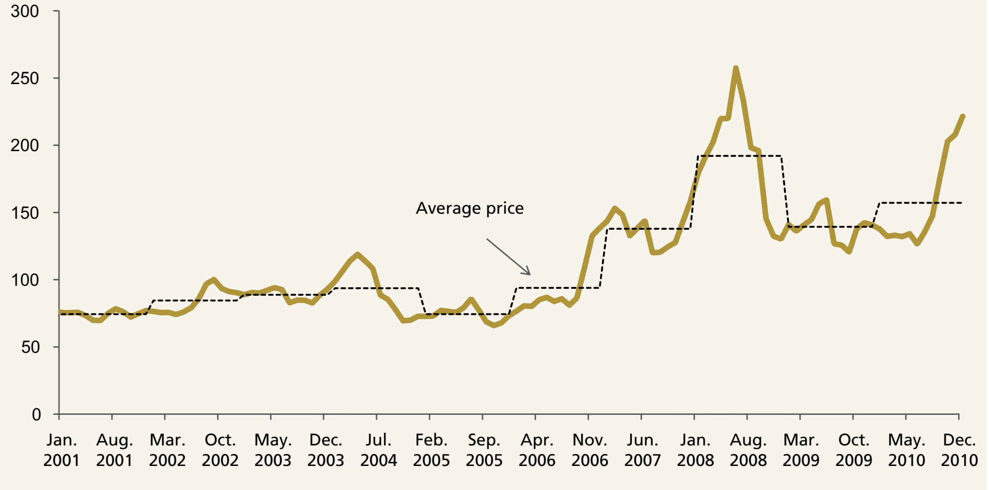
In this context of lower global supply, the demand of emerging countries, particularly of China, continued generating pressures on inventories and upward pressures on the prices of these crops, although the latter did not reach the record levels observed in 2008.

GRAPH 52
PRICE OF WHEAT
(Monthly average, US$/MT)



Source: Bloomberg.

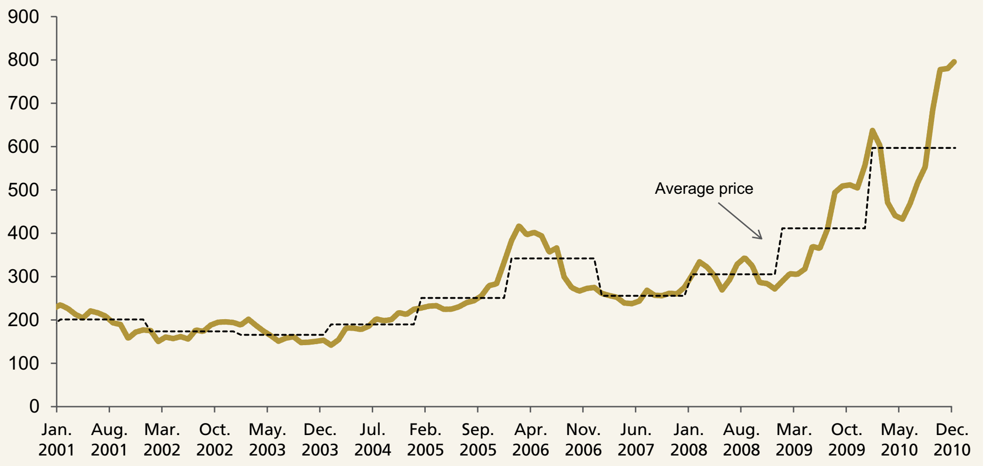
GRAPH 53
PRICE OF MAIZE
(Monthly average, US$/MT)



Source: Bloomberg.

The price of **sugar** recorded its maximum high as a result of countries' strong demand for this product with the aim of recovering inventories, which generated long lines of ships in Brazilian ports. Although Brazil's production recovered from the decline experienced in the previous year, the higher pace of demand led the price of sugar to remain volatile and showing a strong upward trend after India postponed reinitiating its exports.

GRAPH 54
PRICE OF SUGAR
(Monthly average, US$/MT)



Source: Bloomberg.

4.3 Services

The trade deficit in services amounted to US$ 2,037 million, a figure US$ 893 million higher than the one recorded in 2009. Although revenue increased 8.5 percent compared with the previous year, mainly as a result of the travel component, expenses increased 25.1 percent, mainly as a result of higher payments for freight costs, other business services, and travel services.

TABLE 34
SERVICES

	Millions of US$			% change	
	2008	**2009**	**2010**	**2009**	**2010**
I. TRANSPORTATION	**- 1,741**	**- 979**	**- 1,599**	**43.8**	**- 63.3**
1. Credit	818	758	854	- 7.4	12.7
2. Debit	- 2,560	- 1,737	- 2,453	32.1	- 41.2
II. TRAVEL	**870**	**926**	**1,001**	**6.5**	**8.0**
1. Credit	1,991	2,014	2,274	1.2	12.9
2. Debit	- 1,121	- 1,088	- 1,274	3.0	- 17.1
III. COMMUNICATIONS	**- 8**	**- 69**	**- 78**	**- 802.9**	**- 12.7**
1. Credit	125	91	102	- 27.1	11.4
2. Debit	- 133	- 161	- 180	- 20.8	- 12.0
IV. INSURANCE AND REINSURANCE	**- 152**	**- 176**	**- 325**	**- 16.1**	**- 84.7**
1. Credit	227	271	166	19.3	- 38.7
2. Debit	- 379	- 447	- 491	- 18.0	- 9.9
V. OTHERS 1/	**- 1,024**	**- 845**	**- 1,035**	**17.5**	**- 22.4**
1. Credit	487	511	560	4.9	9.6
2. Debit	- 1,511	- 1,356	- 1,595	10.2	- 17.6
VI. TOTAL SERVICES	**- 2,056**	**- 1,144**	**- 2,037**	**44.4**	**- 78.1**
1. Credit	3,649	3,645	3,956	- 0.1	8.5
2. Debit	- 5,704	- 4,789	- 5,993	16.0	- 25.1

1/ Includes government, financial, and information technology services, royalties, leasing of equipment, and business services.
Source: BCRP, SUNAT, Ministry of of Trade Affairs and companies.

The deficit in **transportation** was US$ 1,599 million, a sum US$ 620 million higher than the one registered in 2009. Revenue increased by US$ 96 million (12.7 percent), with expenditures of foreign vessels in the country and sales of airline tickets abroad by domestic airlines accounting for this result. Expenses increased by US$ 716 million due to the increase registered in freight costs (47.9 percent) as a result of higher imports and due to the sale of international tickets (17.8 percent).

The surplus recorded in **travels** was US$ 1,001 million, a figure US$ 74 million higher than in 2009. Revenues grew 12.9 percent due to the increased number of visitors who came to the country (10.3 percent) and the higher average spending realized (2.3 percent). On the other hand, expenses grew 17.1 percent due to the increased number of Peruvian citizens that visited other countries (8.7 percent) and the higher average spending of Peruvians tourists abroad (8.1 percent).

Other services recorded a deficit of US$ 1,035 million, a sum US$ 190 million higher than the deficit registered in 2009. Revenue increased 9.6 percent, mainly as a result of the increase observed in entrepreneurial services, while expenses increased 17.6 percent as a result of higher payments for informatics services and other business services.

TABLE 35
OTHER SERVICES

	Millions of US$			% change		
	2008	2009	2010	2008	2009	2010
Balance of Other Services	**- 1,024**	**- 845**	**- 1,035**	**45.4**	**- 17.5**	**22.4**
Income	**487**	**511**	**560**	**19.9**	**4.9**	**9.6**
Government Services	135	137	140	3.0	1.5	2.7
Others services	352	374	420	27.9	6.3	12.1
Others business services	280	303	333	27.8	8.0	10.1
Financial Services	47	48	59	22.3	2.1	22.5
Rest	25	24	28	42.0	- 5.3	16.5
Expenditures	**1,511**	**1,356**	**1,595**	**36.1**	**- 10.2**	**17.6**
Government Services	138	146	150	6.0	6.0	2.7
Other services	1,373	1,210	1,445	40.0	- 11.9	19.4
Others business services	784	767	929	37.7	- 2.1	21.1
Computer and Information Services	169	153	206	38.3	- 9.6	35.0
Royalties and license rights	159	152	197	43.3	- 4.4	29.1
Rest	261	138	113	46.7	- 47.1	- 18.4

Source: Companies.

4.4 Current Transfers

Current transfers in 2010 amounted to US$ 3,026 million. Remittances from Peruvians living abroad, which represented 83.7 percent of this total, amounted to US$ 2,534 million, a figure 5.2 percent higher than the one recorded in 2009. It is worth pointing out that remittances from the United States increased by 0.8 percent, while remittances from Spain increased by 1.8 percent.

In 2010, revenues for remittances represented 1.6 percent of GDP. The average annual growth rate of remittances between 2001 and 2010 was 14.1 percent. However, this pace of growth declined since 2007 as a result of the economic slowdown in the United States, the international financial crisis, and increased immigration controls.

TABLE 36
REMITTANCES FROM ABROAD

Year	Millions of US$	% change	% of GDP
2001	753	5.0	1.4
2002	705	- 6.4	1.2
2003	869	23.1	1.4
2004	1,133	30.4	1.6
2005	1,440	27.1	1.8
2006	1,837	27.6	2.0
2007	2,131	16.0	2.0
2008	2,444	14.7	1.9
2009	2,409	- 1.4	1.9
2010	2,534	5.2	1.6

Source: SBS, banks and companies.

Six countries concentrated 78.5 percent of total remittances from other countries, the United States being the main country of origin of these funds. The rate of growth of remittances from this country remained low, although stable during 2010, its share in terms of total remittances declining from 35.9 percent in 2009 to 34.5 percent in 2010.

Spain ranks second in terms of total remittances to Peru. Showing declining growth rates during the year, remittances from Spain reduced their share from 17.1 percent in 2009 to 16.6 percent in 2010, in a context of recession in the Spanish economy that affected immigrant employment, particularly in the construction sector. Moreover, immigrant employment in Andean countries dropped 6.6 percent[12].

On the other hand, Japan increased its share from 7.9 percent in 2009 to 8.8 percent in 2010, since remittances from this country grew 16.4 percent favored in part by the appreciation of the yen (6.7 percent).

Remittances from South American countries continue increasing their share. Remittances from Argentina, Chile, Venezuela and Uruguay, which represented 9.7 percent of total remittances in 2009, represented 10.8 percent of this total in 2010.

TABLE 37
REMITTANCES BY COUNTRIES
(%s)

	2005	2006	2007	2008	2009	2010
United States	44.7	46.0	44.1	41.0	35.9	34.5
Spain	12.1	13.4	15.1	15.3	17.1	16.6
Japan	14.2	11.6	9.7	9.3	7.9	8.8
Italy	6.4	5.1	6.0	6.2	9.7	8.8
Chile	2.5	3.3	3.8	4.3	4.5	5.1
Argentina	2.5	2.6	3.1	3.4	4.0	4.8
Other countries 1 /	17.5	18.1	18.2	20.4	20.8	21.5
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

1 / Includes remittances not classified by country (informal channels).
Source: SBS, banks and companies.

12 "Las Remesas de América Latina y el Caribe durante el 2010: Estabilización después de la crisis". Fondo Multilateral de Inversiones (FOMIN, IDB Group).

In terms of the channels used to transfer these funds, banks increased their share by 2 percent compared to 2009, given that 46 percent of total remittances were channeled through them, while 44 percent of remittances were channeled through funds transfer companies and other means, their share declining by 2 percentage points.

TABLE 38
REMITTANCES FROM ABROAD BY CHANNELS USED TO TRANSFER THEM
(%)

Sources	2005	2006	2007	2008	2009	2010
Banks	28	32	36	40	44	46
FTCs - Other channels 1/	61	56	53	48	44	42
Informal channels	11	11	11	12	12	12
Remittances from abroad	**100**	**100**	**100**	**100**	**100**	**100**

1/ Fund transfer companies (FTCs) and others means.
Source: SBS, Banks and companies.

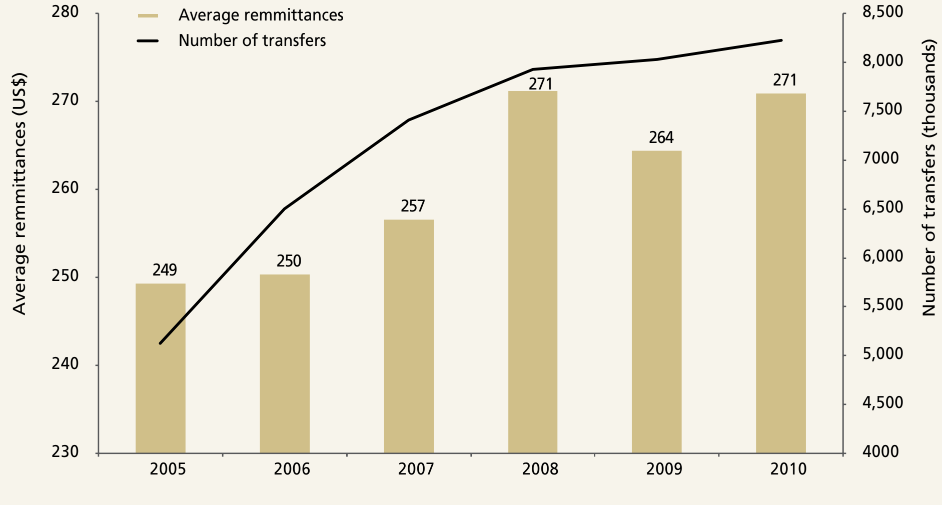
BOX 2

AVERAGE REMITTANCE

Recovering to the level observed in 2008, the amount of an average remittance in 2010 was US$ 271, a sum 2.4 percent higher than in 2009. Remittances from Chile and Argentina increased the most in average terms, recording rates of 15.9 and 10.3 percent, respectively. Moreover, the number of remittances from Argentina grew 16.9 percent, in part as a result of transfers of funds via local banks.

Remittances from the US and Italy increased less (1.5 and 2.4 percent, respectively). The number of remittances from Italy declined 7.0 percent, after having grown significantly in 2009 when they were channeled through a local bank.

AVERAGE REMITTANCE (US$) AND NUMBER of REMITTANCES SENT (THOUSANDS)



Source: SBS, banks and companies.

AVERAGE REMITTANCE FROM ABROAD BY MAIN COUNTRIES 1/

	US$						% change				
	2005	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
United States	210	219	225	238	226	229	4.6	2.8	5.7	- 5.3	1.5
Spain	286	305	327	349	343	339	6.9	7.1	6.5	- 1.6	- 1.2
Japan	537	539	560	566	599	596	0.4	4.0	1.0	5.9	- 0.6
Italy	327	307	342	347	302	310	- 6.2	11.7	1.5	- 13.0	2.4
Chile	141	145	144	157	165	191	2.5	- 0.7	9.2	4.7	15.9
Argentina	164	145	140	152	156	172	- 11.6	- 3.6	8.4	2.6	10.3
Rest of countries	296	309	330	349	346	345	4.1	6.8	5.7	- 0.9	- 0.2
Average total remittance	**249**	**250**	**257**	**271**	**264**	**271**	**0.4**	**2.5**	**5.7**	**- 2.5**	**2.5**

1/ Excludes estimate of remittances transferred through informal channels. not classified by country.
Source: SBS, banks and companies.

NUMBER OF REMITTANCES FROM ABROAD BY MAIN COUNTRIES 1/1/

	Thousand remittances						% change				
	2005	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
United States	3,072	3,851	4,171	4,207	3,835	3,812	25.4	8.3	0.9	- 8.8	- 0.6
Spain	609	807	983	1,070	1,204	1,241	32.5	21.8	8.9	12.5	3.0
Japan	382	394	367	404	318	372	3.1	- 6.9	9.9	- 21.2	17.1
Italy	282	305	375	439	771	718	8.3	22.9	17.2	75.7	- 7.0
Chile	256	419	570	667	666	674	63.6	36.0	17.1	- 0.1	1.1
Argentina	223	331	466	555	612	715	48.6	41.0	19.0	10.2	16.9
Rest of country	303	395	480	590	624	696	30.4	21.6	22.7	5.8	11.5
Total number Remittance	**5,127**	**6,502**	**7,413**	**7,931**	**8,030**	**8,227**	**26.8**	**14.0**	**7.0**	**1.3**	**2.4**

1 / Excludes estimated of remittances transferred through informal channels. not classified by country.
Source: SBS, banks and companies.

4.5 Factor income

In 2010, factor income showed a negative balance of US$ 10,053 million, a sum lower by US$ 2,570 million than the one recorded in the previous year. The deficit in the private sector amounted to US$ 9,873 million, a balance associated mainly with the profits generated by companies with foreign shareholding, which increased by US$ 2,305 million. The sectors that registered a higher growth in profits were mining, the oil sector, services and the financial sector.

The deficit in the public sector, which amounted to US$ 180 million –a result contrasting with the US$ 49 million surplus recorded in 2009–, is associated with the lower revenues obtained as a result of lower international interest rates.

TABLE 39
FACTOR INCOME

	Millions of US$			% change	
	2008	2009	2010	2009	2010
I. INCOME	**1,837**	**1,433**	**1,175**	**- 22.0**	**- 18.0**
1. Private	471	328	308	- 30.4	- 6.1
2. Public	1,366	1,105	867	- 19.1	- 21.6
II. EXPENSES	**10,611**	**8,917**	**11,228**	**- 16.0**	**25.9**
1. Private	9,359	7,860	10,181	- 16.0	29.5
Profits1/	8,346	7,173	9,478	- 14.1	32.1
Interests	1,013	688	703	- 32.1	2.2
· Long-term loans	423	382	366	- 9.6	- 4.1
· Bonds	214	155	213	- 27.3	37.0
· Short-term loans 2/	376	150	124	- 60.1	- 17.6
2. Public	1,253	1,057	1,047	- 15.7	- 0.9
Interests on long term loans	559	448	334	- 19.9	- 25.5
Interests on bonds	598	599	710	0.1	18.6
Interests on BCRP securities 3/	95	10	3	- 89.8	- 71.0
III. BALANCE (I-II)	**- 8,774**	**- 7,484**	**- 10,053**	**14.7**	**- 34.3**
1. Private	- 8,888	- 7,533	- 9,873	15.2	- 31.1
2. Public	113	49	- 180	- 56.9	- 468.4

1/ Profits or losses accrued in the period. Includes profits and dividends sent abroad plus undistributed profits.
2/ Includes interests of non-financial public enterprises.
3/ Includes interests of short-term and long-term loans.
Source: BCRP, MEF, Cofide, ONP and companies

5. Private sector financial account and short term capital inflows

The financial account showed a positive balance of US$ 12,583 million. This significantly higher balance than the one recorded in 2009 is mostly explained by capitals inflows to the private sector. A noteworthy growth of direct investment, loans and non residents investment in securities issued in the local market was observed during the year, and was complemented by lower capital outflows for investment in foreign assets.

Private sector

In 2010, private sector liabilities with other countries amounted to US$ 14,365 million, of which US$ 7,328 million was foreign direct investment, mainly in the form of profit reinvestment by companies with foreign direct investments (US$ 5,731 million). The sectors recording higher reinvestments were the mining sector, the financial sector, the hydrocarbons sector, and services. Moreover, external loans for a total of US$ 3,752 million were obtained during the year, of which US$ 3,015 million were loans to banks. Non residents purchased local securities for a total value of US$ 3,198 million.

TABLE 40
PRIVATE SECTOR FINANCIAL ACCOUNT

	Millions of US$			% of GDP		
	2008	2009	2010	2008	2009	2010
1. Assets	**- 652**	**- 4,102**	**- 1,041**	**- 0.5**	**- 3.2**	**- 0.7**
Direct investment abroad	- 736	- 398	- 215	- 0.6	- 0.3	- 0.1
Portfolio investment abroad 1/	83	- 3,704	- 826	0.1	- 2.9	- 0.5
2. Liabilities	**10,162**	**6,783**	**14,365**	**8.0**	**5.3**	**9.3**
Foreign direct investment	6,924	5,576	7,328	5.4	4.4	4.8
a. Reinvestment	3,287	4,951	5,731	2.6	3.9	3.7
b. Capital inflows and other transactions	2,981	1,531	1,533	2.3	1.2	1.0
c. Net loans to parent companies	656	- 906	64	0.5	- 0.7	0.0
Portfolio foreign investment	599	55	3,284	0.5	0.0	2.1
a. Capital participation 2/	85	47	87	0.1	0.0	0.1
b. Other liabilities 3/	514	9	3,198	0.4	0.0	2.1
Long-term loans	2,640	1,151	3,752	2.1	0.9	2.4
a. Disbursements	3,413	2,075	4,940	2.7	1.6	3.2
b. Amortization	- 774	- 923	- 1,187	- 0.6	- 0.7	- 0.8
3. TOTAL	**9,509**	**2,680**	**13,324**	**7.5**	**2.1**	**8.7**
Memo:						
Net foreign direct investment 4/	6,188	5,178	7,113	4.9	4.1	4.6

1/ Includes mainly shares and other assets of the financial and non-financial sectors. The negative sign indicates an increase of assets.
2/ Includes non-residents net purchases of shares listed at Cavali S.A. and traded at the Lima Stock Exchange (LSE).
Also includes the placements of American Depositary Receipts (ADRs).
3/ Including bonds, credit notes and securitizations in net terms (issuance minus redemption)
4/ Locally made foreign direct investment plus FDI made abroad.
Source: BCRP, Cavali S.A. ICLV, Agencia de Promoción de la Inversión Privada (Proinversión), and companies.

Private sector external debt

The medium-term and long-term debt of the private sector at December 31 amounted to US$ 13,550 million, a level of debt 38 percent higher than the one recorded at end 2009 (US$ 9,798 million).

GRAPH 55
PRIVATE SECTOR MEDIUM-TERM AND LONG-TERM DEBT
(Millions of US$)

Source: Companies.

By sources, the main lenders were international banks, which provided loans for a total of US$ 8,823 million (65 percent of the debt). Their share increased compared to 2009 mainly due to external financing to local banks, which in terms of net loans amounted to US$ 3,281 million. International organizations were the second most important source of loans, with a share of 28 percent. The loans from international organizations were mainly oriented to the hydrocarbons sector.

TABLE 41
PRIVATE MEDIUM TERM AND LONG TERM EXTERNAL DEBT BY SOURCE
(At period end)

	Millions of US$			% of GDP		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
Private Sector 1 /	**8,647**	**9,798**	**13,550**	**6.8**	**7.7**	**10.7**
International banks	5,658	5,659	8,823	4.5	4.5	6.9
International Organizations	2,329	3,449	3,849	1.8	2.7	3.0
Suppliers	115	187	275	0.1	0.1	0.2
Others	546	504	602	0.4	0.4	0.5
Financial Sector	**4,321**	**4,246**	**7,259**	**3.4**	**3.3**	**5.7**
International banks	3,000	3,063	5,973	2.4	2.4	4.7
International Organizations	1,071	977	1,085	0.8	0.8	0.9
Others	250	206	201	0.2	0.2	0.2
Non Financial Sector	**4,326**	**5,552**	**6,291**	**3.4**	**4.4**	**4.9**
International banks	2,658	2,597	2,851	2.1	2.0	2.2
International Organizations	1,258	2,471	2,764	1.0	1.9	2.2
Suppliers	115	187	275	0.1	0.1	0.2
Others	296	298	401	0.2	0.2	0.3
Hydrocarbons	**1,203**	**2,250**	**2,793**	**0.9**	**1.8**	**2.2**
International banks	112	293	482	0.1	0.2	0.4
International Organizations	1,090	1,957	2,256	0.9	1.5	1.8
Others	0	0	55	0.0	0.0	0.0
Mining	**1,039**	**1,103**	**1,149**	**0.8**	**0.9**	**0.9**
International banks	934	738	799	0.7	0.6	0.6
International Organizations	0	300	288	0.0	0.2	0.2
Suppliers	14	15	15	0.0	0.0	0.0
Others	90	50	47	0.1	0.0	0.0

1/ Without bonds.
Source: Companies.

Private sector external assets declined by US$ 1,041 million, reflecting institutional investors' purchases of external assets. The latter was lower by US$ 3,061 million than the one recorded in 2009 due to lower purchases by banks (US$ 1,410 million), mutual funds (US$ 599 million), and administrators of private pension funds (US$ 561 million).

BOX 3

COORDINATED DIRECT INVESTMENT SURVEY - 2009

In addition to financial resources, foreign direct investment (FDI) provides recipient economies with additional benefits, such as technology transfer and management expertise. Therefore, the importance of improving the measurement of FDI and using this information as a tool of economic analysis is widely accepted.

The Coordinated Direct Investment Survey (CDIS), a worldwide statistical data collection effort led by the IMF in coordination with 132 countries and designed to improve the availability and quality of data on foreign direct investment (FDI), both overall and by immediate counterpart economy, was conducted in 2010.

The CDIS was applied in private sector companies that have received foreign direct investment or that act as direct investors due to their investments overseas. The survey forms and methodology used were coordinated with the International Monetary Fund.

The data collected includes the balance in direct investor's equity (which in turn includes capital contributions and retained earnings), as well as the balance of the loans received or granted between the direct investor and the company with direct investment, distinguishing in this way two positions in companies: when they act as direct investment companies, in which case they generally show a net liability position, and when they act as direct investors, in which case they show a net asset position.

According to the CDIS preliminary results, the balance of received FDI at December 2009 amounted to US$ 34,521 million. The main sources of direct investment to Peru were the United States (US$ 9,113 million), Canada (US$ 4,007 million), Spain (US$ 3,056 million) and Chile (US$ 2,527 million), among others.

By economic sectors, mining was the main recipient of FDI with a balance of US$ 10,137 million, most of which came from the United States and Canada, followed by the sector of services which showed a FDI balance of US$ 8,297 million at end 2009, with investments from Spain, Chile, and the United States.

FDI in the hydrocarbons sector was third, with a balance of US$ 5,982 million –mainly due to US investments–, while the financial sector recorded a balance of US$ 4,526 million. Moreover, the balance of FDI in manufacturing was US$ 3,346 million and the balance in the energy sector was US$ 2,235 million.

FOREIGN DIRECT INVESTMENT IN PERU BY SECTOR OF DESTINATION

SECTOR	FDI
Mining	29%
Services	24%
Hydrocarbons	17%
Industry	10%
Financial Sector	13%
Energy	6%

Source: Companies.

MAIN RECEPIENTS OF FDI, BY SECTORS
(Millions of US$)

United States	**9,113**	**Brazil**	**813**
Mining	3,831	Mining	376
Hydrocarbons	2,839	Industry	307
Services	1,046	Services	187
Others	1,396	Others	- 57
Canada	**4,007**	**South Korea**	**644**
Mining	2,726	Hydrocarbons	555
Financial Sector	1,272	Others	89
Others	9		
		Australia	**640**
Spain	**3,056**	Mining	630
Services	1,835	Others	10
Hydrocarbons	808		
Energy	241	**Uruguay**	**619**
Others	172	Services	524
		Others	95
Chile	**2,527**		
Services	1,183	**Colombia**	**725**
Mining	642	Energy	270
Energy	410	Industry	358
Others	292	Others	97
Netherlands	**1,008**	**Mexico**	**521**
Mining	532	Services	446
Services	191	Others	74
Industry	172		
Others	113	**Japan**	**338**
		Services	165
Switzerland	**911**	Mining	120
Mining	598	Others	53
Services	242		
Industry	70	**China**	**298**
Others	1	Mining	282
		Others	16

Source: Companies.

On the other hand, Peru's FDI abroad at end 2009 amounted to US$ 1,291 million. The balance of Peruvian FDI in Chile was US$ 509 million, in Brazil US$ 505 million, in the United States US$ 194 million, in Bolivia US$ 119 million and in Colombia US$ 20 million.

PERU'S FOREIGN DIRECT INVESTMENT ABROAD BY SECTOR OF DESTINATION

SECTOR	FDI
Mining	58%
Industry	29%
Services 1/	13%

1/ Includes financial sector.
Source: Companies.

The economic sector with higher Peruvian FDI is mining, with a balance of US$ 750 million (especially in Brazil and Chile), followed by industry with a balance of US$ 376 million (mainly in the United States) and the financial sector, with a balance of US$ 217 million (especially in Bolivia and Chile).

Short term capital flows

In 2010 the net flow of short-term capital was US$ 263 million. Liabilities increased by US$ 1,270 million, with banks accounting for US$ 669 million and the non-financial sector accounting for US$ 575 million. On the other hand, purchases of foreign assets amounted to US$ 1,007 million, of which US$ 240 million corresponded to banks and US$ 758 million to the non financial sector.

TABLE 42
SHORT TERM CAPITAL FINANCIAL ACCOUNT

	Millions of US$		
	2008	2009	2010
1. BANKS	**- 1,378**	**3**	**429**
Assets 1/	- 819	268	- 240
Liabilities 2/	- 560	- 265	669
2. BCRP 3/	**- 181**	**- 583**	**- 80**
3. BANCO DE LA NACIÓN	**43**	**- 30**	**- 11**
Assets 1/	43	- 30	- 11
Liabilities 2/	0	0	0
4. NON-BANK FINANCIAL	**- 74**	**- 45**	**107**
Assets 1/	- 6	- 20	2
Liabilities 2/	- 68	- 25	105
5. NON-FINANCIAL SECTOR 4/	**2,159**	**- 1,558**	**- 183**
Assets 1/	1,197	- 840	- 758
Liabilities 2/	961	- 718	575
6. TOTAL SHORT-TERM CAPITAL	**568**	**- 2,214**	**263**
Assets 1/	416	- 622	- 1,007
Liabilities 2/	153	- 1,592	1,270

1 / The negative sign indicates an increase of assets.
2 / A positive sign indicates an increase of Liabilities.
3 / Obligations in national currency to nonresidents for Certificates of Deposit issued by the Central Bank.
4 / Net flow of assets with other countries. The negative sign indicates an increase in net assets.
Source: Central Bank, Bank for International Settlements (BIS) and companies.

International assets and liabilities position

At end 2010 foreign assets amounted to US$ 72,908 million, a sum 26 percent higher than the one recorded at end 2009 resulting from the 33 percent increase registered in the BCRP assets. The balance of liabilities at year end was US$ 110,345 million, higher by 23 percent than in 2009, mainly as a result of the increase in the balance of FDI, associated with reinvestment flows in the year and with equity participation as a result of the higher value of non residents' stock holdings in the Lima Stock Exchange.

TABLE 43
NET INTERNATIONAL INVESTMENT POSITION
(At period end)

	Millions of US$			% of GDP		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
I. Assets	**48,262**	**57,723**	**72,908**	**38.0**	**45.3**	**47.4**
1. Reserve assets of BCRP	31,233	33,175	44,150	24.6	26.0	28.7
2. Assets of financial sector (excluding BCRP)	10,745	16,017	18,307	8.5	12.6	11.9
3. Others assets	6,284	8,531	10,451	4.9	6.7	6.8
II. Liabilities	**78,498**	**89,886**	**110,345**	**61.8**	**70.6**	**71.7**
1. Bonds and total external debt private and public debt 2/	**34,838**	**35,731**	**40,236**	**27.4**	**28.1**	**26.1**
a. Medium and long term debt	28,435	30,950	34,182	22.4	24.3	22.2
Private sector 2/	9,198	10,349	14,277	7.2	8.1	9.3
Public sector	19,237	20,600	19,905	15.1	16.2	12.9
b. Short term debt	6,403	4,782	6,054	5.0	3.8	3.9
Financial sector (excluding BCRP)	1,924	1,633	2,408	1.5	1.3	1.6
BCRP	736	124	45	0.6	0.1	0.0
Others 3/	3,743	3,025	3,600	2.9	2.4	2.3
2. Direct investment	**32,340**	**34,521**	**41,849**	**25.4**	**27.1**	**27.2**
3. Capital participation	**11,319**	**19,634**	**28,260**	**8.9**	**15.4**	**18.4**

1 / External public debt includes the debt of the Central Government and public enterprises. The latter now represents less than 5 percent of total. The external debt is mostly medium and long term debt (99 percent).
2 / Includes bonds.
3 / Includes mainly short term debt of the nonfinancial private sector.
Source: BCRP, MEF, Cavali SA ICLV, Proinversión, BIS and businesses.