External Sector II

1. International environment

In 2014 the world economy grew 3.3 percent –slightly less than in the last two years[6]–, which reflected the slowdown observed in most emerging market economies, on the one hand, and the recovery of growth in the developed market economies –particularly in the United States and the Eurozone–, on the other hand.

The recovery of growth in most developed economies was driven by consumption, although consumption did not evolve in the same way in every country. In the United States, the recovery was supported by sustained improvements in employment, which led the Federal Reserve to gradually withdraw its asset purchase program (the program culminated in October 2014), whereas in the Eurozone, the recovery was slow and uneven in the different countries of the union and accompanied by an increased risk of deflation, which increased the likelihood that the European Central Bank (ECB) will adopt expansionary policies. The divergence between the monetary policies of the ECB and the Federal Reserve brought about a strengthening of the dollar in international markets, particularly against the euro.

The emerging market economies experienced a widespread slowdown that affected the larger economies of the block (China, Russia and Brazil). China's economic slowdown had a major impact on the price of commodities, which together with the Federal Reserve withdrawal of its asset purchase program, the drop in oil prices, and geopolitical factors, generated volatility in international financial markets and depreciation pressures in most of the currencies of the emerging market economies.

In this context, Peru's terms of trade fell by an average 5.4 percent and accumulated a decline of 13.2 percent since 2012. Moreover, in 2014 the prices of the country's exports dropped 7.1 percent, offset in part by a decrease of 1.7 percent in the prices of imports (particularly oil prices).

Economic activity

The developed countries recorded an average growth rate of 1.8 percent (1.4 percent in 2013), the highest recovery being observed in the euro area, where, in contrast with other years, the recovery trend was more even at the country level. The United States and the United Kingdom also continued showing the recovery path observed in the previous years, contrasting with Japan where activity was affected by the increase of the sales tax in April.

On the other hand, the economic slowdown was practically generalized in the emerging market countries due mainly to the effect of changes in international financial conditions as a result of the Federal Reserve gradual withdrawal of monetary stimulus and the decline of commodity prices. These factors generated depreciation pressures on most of the currencies of the emerging market countries, but geopolitical uncertainty was an additional factor in the case of Russia.

6 It should be pointed out that the growth ratios have been revised backwards according to the methodological revision of GDP purchasing power parity carried out by the World Bank.

Table 18
GLOBAL GROWTH
(Annual % change)

	% PPP 2013	2012	2013	2014
Developed countries	**43.8**	**1.2**	**1.4**	**1.8**
Of which				
1. USA	16.3	2.3	2.2	2.4
2. Eurozone	12.5	-0.8	-0.5	0.9
Germany	3.5	0.6	0.2	1.6
France	2.5	0.3	0.3	0.4
Italy	2.0	-2.8	-1.7	-0.4
Spain	1.5	-2.1	-1.2	1.4
3. Japan	4.6	1.8	1.6	-0.1
4. United Kingdom	2.4	0.7	1.7	2.8
Developing countries	**56.2**	**5.2**	**5.0**	**4.6**
Of which				
1. Developing Asia	28.6	6.8	7.0	6.8
China	15.7	7.8	7.8	7.4
India	6.6	5.1	6.9	7.2
2. Commonwealth of Independent States	4.8	3.4	2.2	1.0
Russia	3.4	3.4	1.3	0.6
3. Latin America and the Caribbean	8.8	3.1	2.9	1.3
Brazil	3.1	1.8	2.7	0.1
Chile	0.4	5.5	4.3	1.8
Colombia	0.6	4.0	4.9	4.6
Mexico	2.0	4.0	1.4	2.1
Peru	0.3	6.0	5.8	2.4
World Economy	**100.0**	**3.4**	**3.4**	**3.3**
Memo:				
Trading partners 1/	59.4	2.8	2.8	2.4
BRICs 2/	28.8	5.9	6.3	5.8

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

In the United States, the economy grew 2.4 percent in 2014 (2.2 percent in 2013). The U.S. economy continued showing a gradual recovery, supported by an improvement in consumption, after being affected by unusually cold weather during Q1. As in previous years, consumption was driven by favorable conditions in the labor market: unemployment declined from 6.7 percent in 2013 to 5.6 percent in 2014 and the number of new jobs (3.1 million) was the largest registered since 1999, while investment was favored by corporate earnings.

Table 19
USA: GROWTH
(Quarterly annualized rates)

	Q1.13	Q2.13	Q3.13	Q4.13	Q1.14	Q2.14	Q3.14	Q4.14	2014
GDP	**2.7**	**1.8**	**4.5**	**3.5**	**-2.1**	**4.6**	**5.0**	**2.2**	**2.4**
Personal consumption	3.6	1.8	2.0	3.7	1.2	2.5	3.2	4.4	2.5
Gross investment	7.6	6.9	16.8	3.8	-6.9	19.1	7.2	3.7	5.8
Fixed investment	2.7	4.9	6.6	6.3	0.2	9.5	7.7	4.5	5.3
Non-Residential	1.5	1.6	5.5	10.4	1.6	9.7	8.9	4.7	6.3
ResidenTial	7.8	19.0	11.2	-8.5	-5.3	8.8	3.2	3.8	1.6
Exports	-0.8	6.3	5.1	10.0	-9.2	11.1	4.5	4.5	3.2
Imports	-0.3	8.5	0.6	1.3	2.2	11.3	-0.9	10.4	4.0
Government expenditure	-3.9	0.2	0.2	-3.8	-0.8	1.7	4.4	-1.9	-0.2

Source: Bureau of Economic Analysis.

Inflation remained relatively stable during the first half of the year and declined significantly towards the end of the year, mainly due to the fall of oil prices (inflation fell from 2.1 percent in June to 0.8 percent in December). Moreover, inflation without food and energy inflation also remained relatively stable (1.6 percent to December).

In this context, the Federal Reserve started the gradual withdrawal of monetary stimulus. As a result, the monthly amount of asset purchases dropped from US$ 85 billion in December 2013 to zero in October 2014.

The Eurozone grew 0.9 percent in 2014, after recording a contraction of 0.5 percent in 2013. In contrast with other years, all the countries showed a rather more uniform trend, with the exception of Italy. Thus, all the larger European economies registered positive growth rates, the acceleration of growth in Germany and the recovery of Spain standing out.

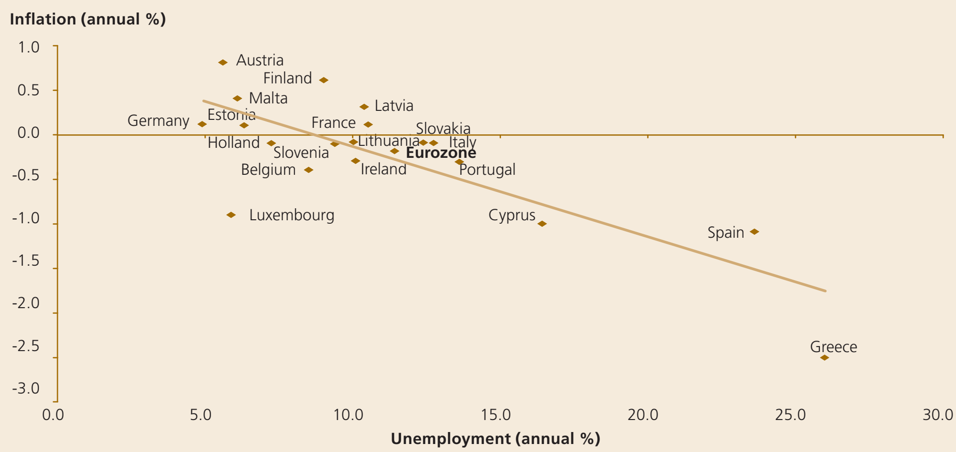
The recovery of GDP growth in the Eurozone is explained mainly by the recovery of consumption (about 1 percent), which was favored by the stabilization of unemployment rates, low rates of inflation, and some normalization in credit conditions. In addition to this, some peripheral economies were favored by the recovery of their exports.

Nonetheless, this economic recovery was offset by the deleveraging of the private sector, which continued during 2014, while the growth of investment (1 percent in the year) was offset by the decline of business confidence, associated with economic slowdown in China and with the effect of the conflict in Ukraine.

This growth in the Eurozone was also accompanied by a reduction in inflation as well as by rising risks of a deflationary process. After declining gradually during most of the year, inflation showed a faster fall in Q4 due to the drop of oil prices (in December it recorded a negative rate of 0.2 percent. This was its first negative rate since 2009). At the country level, the higher rates of deflation were observed in the countries with higher levels of unemployment.

In this context, the ECB adopted a series of measures in June and September, including a reduction in interest rates, special injections of liquidity, conditioned to the increase of credit, and a purchase program of asset-backed securities and covered bonds.

Graph 23
EUROZONE: : INFLATION AND UNEMPLOYMENT RATE - 2014
(%)



Source: Bloomberg.

The GDP of Japan fell 0.1 percent in 2014. Consumption, which accounts for around 60 percent of the output, declined by over 1 percent due to the increase of the consumption tax (from 5 to 8 percent), and residential investment decreased as well. This slowdown was offset by increased government spending and increased net exports, the latter being favored by the depreciation of the yen.

In this context, the rate of inflation excluding food increased from 1.2 percent in 2013 to 2.6 percent in 2014. However, isolating the effect of the increase in the sales tax, inflation showed a rate of 0.5 percent.

Because of low inflation, the greater-than-expected fall of demand, and the drop of oil prices, since late October the Bank of Japan accelerated the annual pace of growth of its monetary base (from ¥ 60-70 trillion to ¥ 80 trillion).

Economic activity in China showed a gradual slowdown throughout 2014, GDP recording the lowest rate of growth (7.4 percent) since 1990. The lower dynamism of investment –particularly in the real estate sector, affected by the correction of home prices– and the decline of net exports were particularly noteworthy.

At the sector level, manufacturing was the sector that grew the least, while the sector of services, most closely linked to domestic demand, had a more dynamic performance. It should be pointed out that this could be reflecting a change in the pattern of growth towards a growth path based more on domestic factors, in line with the growth target established by the Chinese authorities.

Inflation registered a downward trend during most of the year due mainly to the lower prices of commodities. The rate of inflation fell from 2.5 percent in December 2013 to 1.5 percent in December 2014 and core inflation showed a similar trend, recording a rate of 1.3 percent at year-end.

Some stimulus actions were taken in response to the economic slowdown and the decline of inflation. The central bank lowered interest rates on loans and deposits by 40 basis points, and established measures to improve liquidity injection –new medium-term injection facilities were created– and to boost activity in the real estate market. The government also adopted fiscal stimulus actions (infrastructure works and construction projects).

Other aspects worth pointing out in the emerging economies were the sudden economic slowdown observed in Russia, especially at the end of the year. In 2014 the Russian economy recorded its lowest growth rate in five years (0.6 percent), which was associated mainly with the fall in the international prices of oil and the financial restrictions imposed on Russia by the European Union and the United States in retaliation for Russia's forced annexation of Crimea in March.

Latin American countries grew 1.3 percent in 2014 (2.9 percent in 2013). The region was affected by China's economic slowdown, the fall of export prices, and the deterioration of international financial conditions, which resulted in a depreciation of the currencies of Latin American countries against the dollar. The inflationary pressures arising from the depreciation of the currencies offset the effect of lower domestic demand and the fall of commodity prices.

Financial markets

In 2014, international financial markets were influenced by the divergence observed in the monetary policies of the major developed economies. On the one hand, in the United States the Federal Reserve ended its asset purchase program and expectations increased regarding the beginning of the Fed cycle of interest rate hikes. On the other hand, signals of a slowdown in the Eurozone, Japan, and China and low inflation led these economies to adopt or announce the implementation of greater monetary and fiscal stimulus programs.

In addition, the perception of risk in markets increased due to geopolitical events in the Middle East, the conflict in Ukraine, and political uncertainty in Greece. Another significant shock was the drastic fall in oil prices due mainly to supply factors and which affected mostly the emerging economies exporters of oil.

In debt markets, the yields of the sovereign bonds of developed economies –Japan, United States, United Kingdom, and Germany– fell significantly due to the stimulus programs adopted in Europe and Japan. On the other hand, the demand for U.S. sovereign bonds was favored by the pursuit of greater profitability and expectations of appreciation of the dollar.

Moreover, the yields in the peripheral countries of the Eurozone also recorded significant declines, driven by better economic conditions and by expectations that the ECB would start a purchase program of sovereign bonds (in addition to the previous stimulus programs). The exception was Greece, where yields and credit spreads rose influenced by greater political uncertainty and concerns about its possible exit from the Eurozone.

Table 20
SOVEREIGN SPREADS OF DEVELOPED COUNTRIES

	End of period			Chg. In bps.		
	Dec. 12	Dec. 13	Dec. 14	2012	2013	2014
Treasury bond yields - 10 years (%)						
USA	1.76	3.03	2.18	-12	127	-85
Japan	0.79	0.74	0.33	-20	-5	-41
United Kingdom	1.83	3.02	1.76	-15	119	-127
Eurozone:						
Germany	1.32	1.93	0.54	-51	61	-139
France	2.00	2.56	0.83	-115	56	-173
Italy	4.50	4.13	1.89	-261	-37	-224
Spain	5.27	4.15	1.61	18	-111	-254
Portugal	7.01	6.13	2.69	-635	-88	-344
Greece	11.90	8.42	9.75	-2,306	-348	133
Ireland	n.a.	3.51	1.25	n.d.	n.d.	-226
CDS-5 years Spreads (in bps)						
USA	38	28	16	-11	-10	-11
Japan	82	40	67	-62	-42	27
United Kingdom	41	26	22	-56	-15	-4
Germany	42	25	18	-60	-17	-8
France	93	54	47	-127	-39	-7
Spain	300	154	96	-80	-146	-58
Italy	289	168	136	-195	-121	-32
Greece	4,265	675	1,272	-4,521	-3,590	597
Portugal	443	352	202	-639	-91	-149
Ireland	220	120	50	-504	-100	-70

Source: Bloomberg.

Furthermore, the credit spreads of Latin American countries increased, in line with the onset of the Fed tapering and lower prospects for growth in the region. The greatest spread increases were observed in Argentina (due to negotiations about the non-structured debt) and Colombia (as a result of the fall in oil prices).

Table 21
SOVEREIGN SPREADS OF LATAM

	End of period			Chg. in bps.		
	Dec. 12	Dec. 13	Dec. 14	2012	2013	2014
Spreads CDS (en bps)						
Argentina*	1,401	1,638	2,773	463	237	1,135
Brazil	108	193	201	-52	85	8
Chile	72	80	94	-60	8	15
Colombia	96	118	140	-95	22	21
Mexico	97	92	103	-56	-5	12
Peru	97	133	116	-75	36	-17

* Last available data at the end of July 2014.
Source: Bloomberg.

Stock markets showed different results. In the United States, they reported profits as a result of good corporate balances and economic improvement, this positive performance being offset by expectations that the Federal Reserve would raise interest rates.

In the Eurozone, they were affected by negative data of economic activity and inflation. However, towards the end of the year, they were favored by the signals given by the ECB about the implementation of additional stimulus measures and by indicators pointing to a better evolution in the economies of the region. A similar situation was observed in Japan, which was favored by greater monetary and fiscal stimulus programs as well as by the depreciation of the yen.

Table 22
STOCK MARKETS (END OF PERIOD)

		% change		
		2012	2013	2014
VIX	S&P'500	-5.4	-4.3	2.6
USA	Dow Jones	7.3	26.5	8.7
Brazil	Bovespa	7.4	-15.5	-2.9
Argentina	Merval	15.9	88.9	59.1
Mexico	CPI	17.9	-2.2	1.0
Chile	IGP	4.7	-13.5	3.5
Colombia	IGBC	16.2	-11.2	-11.0
Peru	General Index	5.9	-23.6	-6.5
United Kingdom	FTSE 100	5.8	14.4	-2.7
Germany	DAX	29.1	25.5	2.7
France	CAC 40	15.2	18.0	-0.5
Spain	IBEX 35	-4.7	21.4	3.7
Italy	FTSE MIBb	7.8	16.6	0.2
Russia	RTSI$	10.5	-5.5	-45.2
Turkey	XU100	52.6	-13.3	26.4
South Africa	JSE	22.7	17.8	7.6
Nigeria	NSEAS Index	35.4	47.2	-16.1
Japan	Nikkei 225	22.9	56.7	7.1
Indonesia	JCI	12.9	-1.0	22.3
India	S&P CNX Nifty	27.7	6.8	31.4
China	Shangai C.	3.2	-6.7	52.9

Source: Bloomberg.

In the foreign exchange markets, the dollar showed a clear appreciation trend associated to a great extent with the divergence in monetary policies mentioned above. According to the index of the Federal Reserve –which considers a basket of currencies of its major trading partners–, the dollar appreciated 9.0 percent in the year.

Graph 24
US DOLLAR BASKET INDEX*
(January - December 2014)

* A rise in the index represents an appreciation of the US dollar.
Source: FED.

The yen was one of the currencies of the developed economies that depreciated more, with the significant increase of the Bank of Japan stimuli accounting largely for this. The euro also depreciated considerably, influenced mostly in the last months of the year by increased expectations that the ECB would launch a quantitative stimulus program.

In line with the global trend, in Latin America the currencies depreciated as a result of lower capital flows, signs of economic slowdown, and lower commodity prices. The currencies of oil-exporting countries were among the more affected ones.

Table 23
EXCHANGE RATE
(C.U. per US$)

			Annual % chg.		
		Dec.14	**2012**	**2013**	**2014**
US dollar index*	FED basket	111.29	-1.4	2.9	9.0
Eurozone	Euro (US$xEu)	1.21	1.9	4.2	-11.9
United Kingdom	Pound (US$xL)	1.56	4.6	1.9	-5.9
Japan	Yen	119.79	12.7	21.4	13.8
Australia	Dollar (US$xAu)	0.82	1.6	-14.2	-8.2
Switzerland	Swiss Franc (FSxUS$)	0.99	-2.3	-2.5	11.3
Brazil	Real	2.66	9.9	15.4	12.5
Argentina	Peso	8.56	14.2	32.6	31.3
Mexico	Peso	14.76	-7.8	1.3	13.3
Chile	Peso	605.90	-7.9	9.8	15.3
Colombia	Peso	2,388.00	-8.8	9.2	23.8
Peru	Nuevo Sol	2.98	-5.4	9.7	6.4
China	Yuan	6.20	-1.0	-2.8	2.5
Sweeden	Crown	7.79	-5.5	-1.2	21.3
Ukraine	Hrivnia	15.27	-1.6	4.0	85.5
India	Rupee	63.03	3.7	12.4	2.0
Indonesia	Rupee	12,380.00	8.1	24.2	1.8
South Africa	Rand	11.57	3.6	23.6	10.7
Turkey	Lira	2.34	-5.8	20.6	8.9
Russia	Ruble	58.47	-5.1	7.7	77.8

*A rise in the index represents an appreciation of the US dollar.
Source: Bloomberg.

2. Balance of payments

The deficit in the current account of the balance of payments decreased from 4.2 percent of GDP in 2013 to 4.0 percent of GDP in 2014. Despite the deterioration of terms of trade (down 5.4 percent) and the lower volume of exports (-1.0 percent), the deficit decreased due to the fall in the volume of imports (as a result of lower growth and of the real depreciation of the nuevo sol) and due to higher current transfers from abroad for extraordinary income (non-residents' income tax).

The financial account registered a flow of US$ 6.83 billion, amount equivalent to 3.4 percent of GDP, due mainly to long-term private sector operations (3.2 percent of GDP). This flow is explained by foreign direct investment –mining companies and non-financial service companies–, bond placements in external markets (by mining, financial, and manufacturing companies), and long-term loans (manufacturing, mining and non-financial service companies).

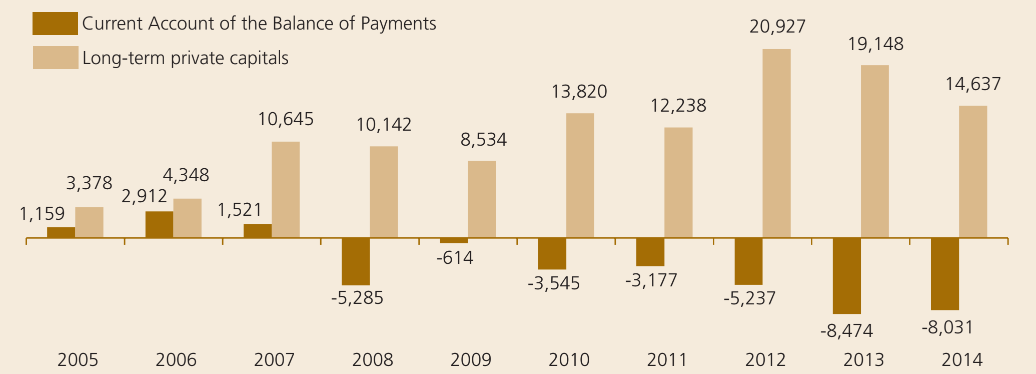
The financial account of the public sector registered a negative flow of US$ 16 million, while net short-term capital inflows totaled US$ 354 million, explained mainly by the increase of banks' external liabilities.

Table 24
BALANCE OF PAYMENTS

	Million US$			Annual % chg.	
	2012	2013	2014	2013	2014
I. CURRENT ACCOUNT BALANCE	**-5,237**	**-8,474**	**-8,031**	**-4.2**	**-4.0**
1. Trade Balance	6,276	613	-1,276	0.3	-0.6
a. FOB Exports	47,411	42,861	39,533	21.2	19.5
b. FOB Imports	-41,135	-42,248	-40,809	-20.9	-20.1
2. Services	-2,420	-1,801	-1,800	-0.9	-0.9
a. Exports	4,915	5,814	5,874	2.9	2.9
b. Imports	-7,335	-7,615	-7,674	-3.8	-3.8
3. Investment Income	-12,399	-10,631	-9,328	-5.3	-4.6
a. Private	-11,670	-9,773	-8,620	-4.8	-4.3
b. Public	-729	-859	-708	-0.4	-0.3
4. Current transfers	3,307	3,346	4,374	1.7	2.2
of which: Remittances	2,788	2,707	2,639	1.3	1.3
II. FINANCIAL ACCOUNT	**19,812**	**11,414**	**6,828**	**5.7**	**3.4**
1. Private sector	15,792	14,881	6,490	7.4	3.2
a. Assets	-2,408	-1,291	-4,548	-0.6	-2.2
b. Liabilities	18,200	16,173	11,038	8.0	5.4
2. Public sector	1,447	-1,343	-16	-0.7	0.0
a. Assets	-457	113	-558	0.1	-0.3
b. Liabilities 1/	1,904	-1,456	542	-0.7	0.3
3. Short-term capital	2,572	-2,125	354	-1.1	0.2
a. Assets	0	356	-177	0.2	-0.1
b. Liabilities	2,572	-2,481	531	-1.2	0.3
III. EXCEPTIONAL FINANCING	**19**	**5**	**10**	**0.0**	**0.0**
IV. NET ERRORS AND OMISSIONS	**213**	**-38**	**-985**	**0.0**	**-0.5**
V. BALANCE OF PAYMENT RESULT (V = I + II + III + IV) = (1-2)	**14,806**	**2,907**	**-2,178**	**1.4**	**-1.1**
1. Change in the balance of NIRs	15,176	1,672	-3,355	0.8	-1.7
2. Valuation effect	369	-1,235	-1,177	-0.6	-0.6

1/ Government bonds issued abroad and held by residents are excluded from the external liabilities of the public sector, and government bonds issued in the domestic market and held by non-residents are included in the external liabilities of the public sector.
Source: BCRP, MEF, SBS, SUNAT, MINCETUR, PROMPERU, Ministry of Foreign Affairs, COFIDE, ONP, FCR, Tacna Free Trade Zone, Banco de la Nación, Cavali S.A. ICLV, Proinversión, Bank for International Settlements (BIS), and businesses.

Graph 25
CURRENT ACCOUNT AND LONG TERM CAPITALS 1/
(Million US$)



1/ Includes foreign direct investments, portfolio investment and long term disbursements.
Source: BCRP.

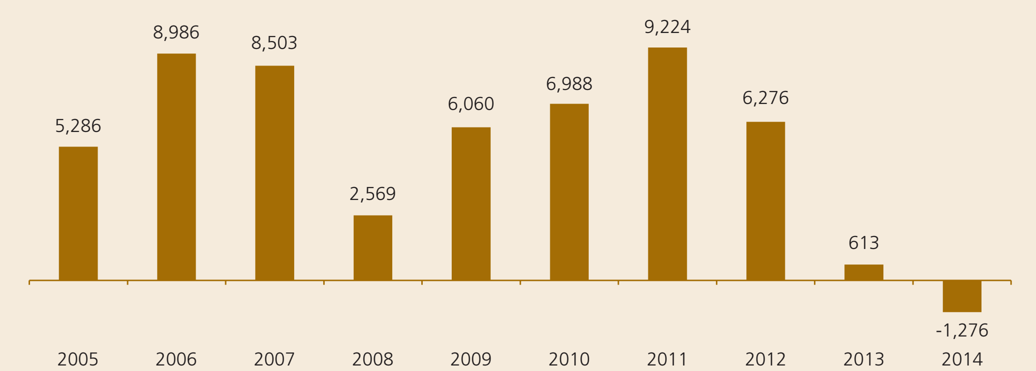
2.1 Trade balance

In 2014 the trade balance registered a deficit of US$ 1.28 billion. This result reflects the lower dynamism of imports (in line with the evolution of domestic demand), the deterioration of the terms of trade, and the decline observed in the volume of traditional exports.

Exports totaled US$ 39.53 billion, 7.8 percent less than in the previous year due to the fall of the average prices of exports (6.9 percent), especially the prices of traditional exports such as gold and copper, which reflected a less favorable international environment. Exports affected in terms of volume included coffee (due to the impact of the yellow rust plague on crops), gold (due to the smaller shipments of gold marketing companies), and, to a lesser extent, fish meal.

The volume of non-traditional exports recorded an increase of 6.2 percent. Exports of agricultural, fishery, and chemical products increased 22.3, 10.5, and 2.3 percent, respectively, although this increase was in part offset by the decline of exports of textiles (12.4 percent) and steel&iron products (12.1 percent).

Graph 26
TRADE BALANCE
(Million US$)



Source: BCRP and SUNAT.

Imports, which amounted to US$ 40.81 billion in 2014, decreased 3.4 percent compared to 2013. Imports dropped 1.9 percent in terms of volume due to the lower demand for capital goods associated with the contraction of investment during the year. On the other hand, the prices of imports fell 1.5 percent, which reflecting the decline observed in prices of imported inputs associated with the drop in international oil prices.

With these results, the degree of openness –that is, the weight of foreign trade operations in terms of GDP– reached a level equivalent to 39.5 percent. This ratio shows that the Peruvian economy has become one of the more open economies in the region as a result of trade liberalization policies (especially free trade agreements).

In 2014, China and the United States continued to be Peru's two major trading partners. Even though the share of the United States fell, both countries accounted for over 37 percent of Peru's total trade in 2014. A decline was observed in exports of traditional products to the United States (especially gold), but exports of non-traditional goods increased. The North American market is still the market with the highest demand for Peruvian non-traditional exports (24.5 percent of the total, two-thirds of which are goods associated with agriculture and textiles). Exports of asparagus, avocados, grapes, quinoa, and T-shirts to this market were noteworthy in 2014.

China continued buying mainly minerals, such as copper, iron and zinc, and fishery products, such as fish meal from Peru, while our country continued buying mobile phones, telecommunication devices, televisions, and reception and transmission parts from China.

In terms of regions, the Andean countries were the only destinations where Peru's exports of non-traditional products fell, which was mainly associated with the effect of lower textile exports to the Venezuelan market. On the other hand, Peruvian exports to the EU increased compared to 2013 and exports of Peru's non-traditional products to this region increased by 16.7 percent. Moreover, the Asian and American markets continued increasing their demand.

Table 25
TRADE BY MAIN COUNTRIES AND REGIONS 1/
(Million US$)

	Exports 2/			Imports 3/			X + M		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
China	7,844	7,354	7,025	7,394	8,096	8,551	15,237	15,450	15,575
USA	6,321	7,765	6,141	7,586	8,434	8,411	13,907	16,199	14,552
Brazil	1,406	1,757	1,593	2,476	2,242	1,924	3,882	3,999	3,517
Canada	3,448	2,742	2,551	578	601	793	4,026	3,342	3,345
Switzerland	5,074	3,025	2,642	151	156	196	5,225	3,180	2,838
Chile	2,030	1,685	1,537	1,267	1,310	1,273	3,297	2,995	2,810
Germany	1,866	1,169	1,234	1,308	1,336	1,423	3,174	2,506	2,657
Mexico	417	511	736	1,736	1,978	1,917	2,152	2,489	2,653
Japan	2,571	2,226	1,583	1,392	1,351	1,038	3,964	3,577	2,621
Ecuador	929	967	861	2,005	1,918	1,741	2,934	2,885	2,602
South Korea	1,546	1,561	1,214	1,535	1,475	1,286	3,081	3,036	2,501
Colombia	921	855	1,228	1,508	1,416	1,202	2,429	2,271	2,430
Bolivia	1,604	887	1,727	677	609	631	2,281	1,496	2,359
Spain	1,860	1,593	1,363	753	832	719	2,613	2,425	2,082
Rest	9,573	8,764	8,097	10,769	10,494	9,703	20,342	19,258	17,800
TOTAL	**47,411**	**42,861**	**39,533**	**41,135**	**42,248**	**40,809**	**88,546**	**85,108**	**80,342**
Asia	13,386	12,701	11,306	13,104	13,948	14,118	26,490	26,649	25,425
North America	10,186	11,017	9,428	9,900	11,013	11,121	20,086	22,030	20,549
European Union	8,120	7,024	6,380	4,770	4,991	4,741	12,890	12,014	11,121
Andean Countries 4/	6,697	5,192	5,849	5,657	5,338	4,872	12,354	10,530	10,722
Mercosur 5/	1,645	1,967	1,823	4,655	4,140	3,393	6,300	6,107	5,215
Rest	7,376	4,960	4,745	3,050	2,818	2,564	10,426	7,778	7,309

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: SUNAT.

Classification of exports by groups of economic activity

Peru's exports classified by economic activity are discussed in this section. This classification is based on a selection and grouping of the major tariff items which cover 98 percent of the FOB value of the goods exported in 2014, arranging them according to the International Standard Industrial Classification Revision 4 (ISIC Rev. 4).

All ISIC items were classified in four major groups: agriculture, fishing, mining and hydrocarbons, and manufacturing. In some cases, different ISIC groups have been combined to obtain a similar classification to the one used in statistics of economic activity. For example, ISIC groups 0121 to 0126, which refer to the cultivation of assorted fruits, have been combined into a single group called "Fruits", which includes fresh grapes, avocados, mangoes, bananas, and tangerines, among other fruits. For instance, all mining concentrates, refined or processed products are under the category of "mining and hydrocarbon exports", regardless of whether they are considered "traditional" or "non-traditional" exports.

Thus, we can say that the exports of the agriculture sector amounted to US$ 3.27 billion in 2014, exports of the fishing sector amounted to US$ 2.52 billion, mining and hydrocarbons exports amounted to US$ 25.93 billion, and manufacturing exports amounted to US$ 6.30 billion.

Exports of coffee (US$ 734 million) and fruits (US$ 1.43 billion) stand out in the group of agriculture products. It is worth pointing out that exports of quinoa were one of the exports that increased more (59 percent) in this group, with total exports of this crop amounting to US$ 196 million.

In fisheries, exports of fishmeal and canned fish and seafood (US$ 2.48 billion) stand out, while exports of non-ferrous minerals (US$ 9.90 billion) and primary products based on non-ferrous minerals (US$ 10.53 billion) stand out in the sector of mining and hydrocarbons. Finally, exports of textiles –fabrics, yarn, garments and synthetic fibers– which totaled US$ 1.48 billion– stand out in the manufacturing group.

The graph below shows that the distribution of exports by sector has remained relatively stable between 2010 and 2014, with the exception of the mining and hydrocarbons sector whose ratio decreased from 72 to 66 percent, while the ratio of both the manufacturing and the agricultural sector increased by 2 percentage points in the same period.

Graph 27
COMPOSITION OF EXPORTS BY SECTORS
(% structure)

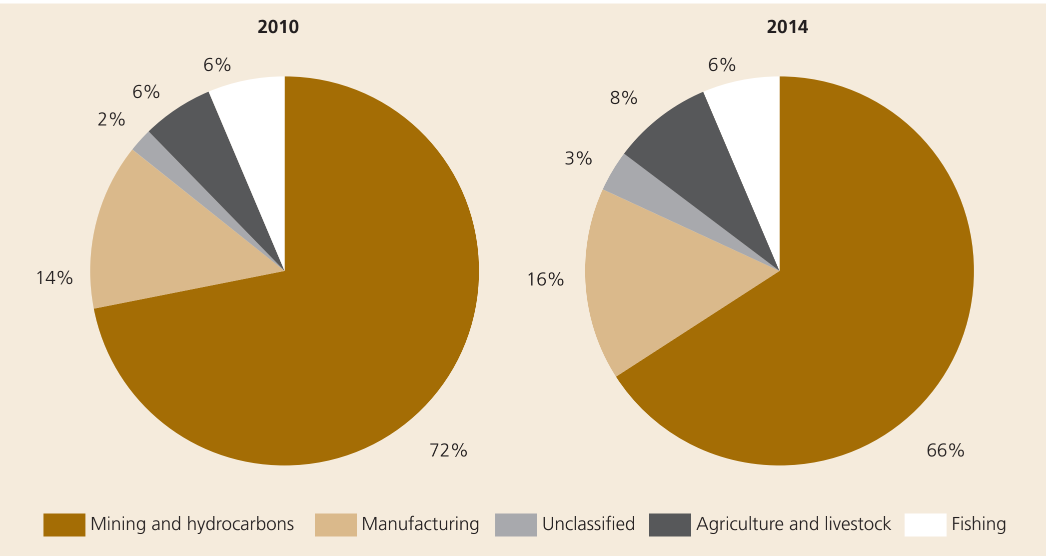


Table 26
EXPORTS BY GROUP OF ECONOMIC ACTIVITY 1/
(Million US$)

CIIU	Sector	2012	2013	2014
	Agriculture and livestock 2/	**2,726**	**2,740**	**3,268**
0111	Cereals, legumes and oilseeds, except ricee	161	212	337
	Of which:			
	Quinoa	32	79	196
	Tara powder	32	32	33
	Black Eye Bean	18	20	21
	Melon seed	0	4	20
0113	Vegetables, tubers and roots	445	526	498
	Of which:			
	Fresh Asparagus	343	414	385
	Fresh onions	54	63	66
	Other seeds (including tomato seeds)	37	38	35
0121 - 0126	Fruits	844	1,032	1,428
	Of which:			
	Grapes	366	443	643
	Avocados	136	184	304
	Mangos	117	133	138
	Organic bananas	82	89	119
	Fresh tangerines	52	43	60
0127	Coffee	1,023	699	734
0128	Spices and medicinal and aromatic plants	103	104	116
	Of which:			
	Whole paprika	65	50	46
	Ginger	4	8	27
1030	Canned fruits and vegetables	13	15	15
1072	Sugar cane	43	56	69
	Others	95	97	72
	Fishing	**2,811**	**2,436**	**2,522**
0311	Fresh or frozen products	29	41	37
1020	Fishmeal and canned fish, and sea food	2,778	2,390	2,481
	Others	4	4	4
	Mining and hydrocarbons	**33,653**	**30,158**	**25,928**
0610	Crude oil	582	540	500
0620	Natural gas	1,331	1,372	786
0710	Iron	845	857	647
0729	Non-ferrous minerals	12,530	10,668	9,900
1920	Oil refining products	3,046	3,280	3,162
2420	Primary products of precious metals and non-ferrous metals	14,821	12,953	10,532
	Others	499	487	402
	Manufacturing	**6,547**	**6,054**	**6,303**
1030	Processing and preserving of fruit and vegetables	733	712	804
1040	Oils and fats of vegetable and animal origin	571	397	490
1050	Milk products	119	112	138
1061, 1071, 1074	Milling and Bakery	146	148	172
1073	Cocoa and chocolate and confectionery products	123	153	240
1074	Macaroni, noodles, couscous and flour products	39	40	40
1079	Other foodstuffs	72	83	96
1080	Prepared animal food	123	122	151
1311 - 1430, 2030	Textiles (yarn, tissues, garments and fibers)	1,773	1,583	1,475
1610	Wood	112	104	116
1709	Paper and cardboard items	108	121	113
1811	Brochures, books and other printed materials	87	77	61
2011	Basic chemicals	570	465	414
2012	Fertilizers	58	57	66
2013	Supplies of plastics and synthetic rubber	58	57	62
2023	Toiletries and cleaning products	196	184	177
2029	Others chemicals	79	64	63
2211	Tires and inner tubes	76	84	77
2220	Plastic products	453	439	464
2392	Building materials	82	109	103
2410, 2431	Iron and steel industry	185	182	160
2432	Smelting of non-ferrous metals	189	190	221
2710	Electric motors, generators, transformers and distribution equipment	29	33	28
2732	Other electric and electronic cables	31	10	4
2822 - 2824	Machinery and equipment	47	45	61
3211 - 3290	Miscellaneous articles	109	113	116
	Others	380	372	392
	Unclassified	**1,330**	**1,243**	**1,340**
	Total	**47,066**	**42,631**	**39,362**

1/ Only definitive exports are included.
2/ Includes the forestry sector.

Traditional exports

Traditional exports amounted to US$ 27.69 billion –12.3 percent less than in 2013–, this decline reflecting mainly the lower prices of basic metals and fishmeal.

The volume of exports of traditional products fell 3.2 percent compared to 2013 as a result of lower shipments of gold –due to the lower sales of gold trading companies– and lower exports of coffee as a result of lower production because of the yellow rust plague.

Table 27
EXPORTS
(% change)

	Volume			Price		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
TRADITIONAL EXPORTS	**4.1**	**-5.0**	**-3.2**	**-4.0**	**-7.4**	**-9.4**
Of which:						
Fish meal	-1.5	-36.6	-0.6	1.0	21.5	-1.5
Coffee	-14.8	-10.1	-16.8	-24.8	-24.4	26.8
Copper	11.2	-0.8	0.0	-10.0	-7.8	-9.7
Gold	-1.3	-6.0	-12.1	6.4	-15.5	-10.3
Zinc	1.0	6.9	4.4	-12.1	-2.2	1.9
Crude oil	-4.6	-6.3	5.8	5.7	-0.8	-12.8
Derivatives	13.5	14.3	3.5	0.3	-4.7	-5.8
NON-TRADITIONAL EXPORTS	**5.6**	**-0.8**	**6.2**	**4.2**	**-0.4**	**-0.7**
Of which:						
Agricultural exports	2.5	6.5	22.3	6.1	4.9	0.5
Fishing	-5.1	-1.8	10.5	2.1	3.2	1.5
Textiles	7.1	-9.8	-12.4	2.2	-1.8	6.6
Chemicals	-7.6	-3.3	2.3	7.1	-4.6	-1.9
Iron & steel and jewelry	26.8	5.0	-12.1	-9.1	-3.4	-0.8
TOTAL	**4.5**	**-4.1**	**-1.0**	**-2.2**	**-5.7**	**-6.9**

Source: BCRP and SUNAT.

The value of fishery exports amounted to US$ 1.73 billion in 2014 –up 1.4 percent relative to the previous year– due basically to higher volumes of exports of fish oil.

Mining exports amounted to US$ 20.55 billion, 13.6 percent less than in 2013, this decline reflecting both the lower international prices of basic metals and the lower volume of exports of gold. It is worth highlighting that the volume of exports of copper –our main export product– reached 1,402 thousand fine metric tons, a similar level to the one recorded in 2013.

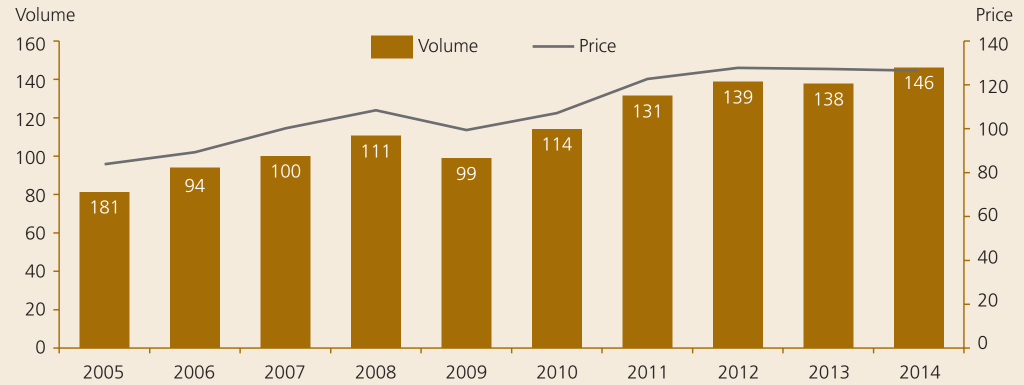
Peru's exports of crude oil and natural gas to other countries amounted to US$ 4.56 billion, which represents a decline of 13.4 percent compared to the previous year due mainly to the lower volumes and prices of our exports of natural gas.

Non-traditional exports

Non-traditional exports amounted to US$ 11.68 billion, 5.5 percent more than in 2013. The volume of non-traditional exports increased by 6.2 percent due to the good performance of exports of farming products and fisheries, while the average price of these exports decreased slightly (0.7 percent).

Exports of non-traditional products have increased 12.9 percent on average in the last ten years due mainly to the higher volumes of exports –up 7.2 percent on average in annual terms. This increase has been particularly noteworthy in the case of farming products (13.1 percent), chemicals (9.5 percent), fishing products (7.6 percent), and steel&iron products (5.1 percent).

Graph 28
NON-TRADITIONAL EXPORTS
(Indices 2007=100)



Source: BCRP and SUNAT.

Table 28
NON-TRADITIONAL EXPORTS

	Million US$			% change		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
Agricultural products	3,083	3,444	4,231	8.7	11.7	22.8
Fishing products	1,017	1,030	1,155	-3.1	1.3	12.1
Textiles	2,177	1,928	1,800	9.4	-11.4	-6.6
Wood and paper manufacturing	438	427	416	9.1	-2.5	-2.6
Chemicals	1,636	1,510	1,515	-1.1	-7.7	0.3
Non-metallic minerals	722	722	664	46.8	0.0	-8.1
Iron & steel and jewelry	1,301	1,320	1,152	15.2	1.5	-12.7
Metal mechanic products	545	544	581	14.6	-0.2	6.8
Others 1/	277	143	161	88.6	-48.4	12.9
TOTAL	**11,197**	**11,069**	**11,677**	**10.0**	**-1.1**	**5.5**

1/ Includes furs, leather, and handcrafts, mainly.
Source: BCRP and SUNAT.

The main markets of destination for our non-traditional products were the United States, with US$ 2.86 billion, followed by Colombia and Ecuador, with US$ 800 million and US$ 746 million, respectively. However, in terms of economic blocs, exports to the Andean countries declined 7.1 percent, due mainly to lower exports to Venezuela, while exports to North America, which amounted to US$ 3.27 billion, increased by 5.7 percent compared to 2013.

Peru's top sellers to the United States included t-shirts (US$ 235 million), fresh asparagus (US$ 235 million), fresh avocados (US$ 124 million), fresh grapes (US$ 123 million), quinoa (US$ 100 million), and calcium phosphates (US$ 100 million). Peru's non-traditional exports to the U.S.

market have increased in general and continue showing the rising trend observed over the past two years.

Table 29
MAIN DESTINATION: NON-TRADITIONAL EXPORTS
(Million US$)

	2012	2013	2014	% Chg. 2014-2013
USA	2,608	2,699	2,859	5.9
Colombia	766	725	800	10.5
Ecuador	738	739	746	1.1
Chile	707	756	671	-11.1
Netherlands	453	555	657	18.5
Bolivia	530	539	570	5.9
Brazil	409	411	489	19.0
Venezuela	1,177	766	486	-36.5
Spain	432	414	473	14.2
China	331	366	472	28.8
United Kingdom	178	233	255	9.4
Germany	169	188	243	29.4
Mexico	244	259	229	-11.6
France	184	187	201	7.4
Italy	220	176	199	13.1
Rest	2,051	2,058	2,325	12.9
Total	**11,197**	**11,069**	**11,677**	**5.5**
Memo:				
Asia	969	1,065	1,281	20.2
North America	2,960	3,090	3,265	5.7
European Union	1,894	2,006	2,341	16.7
Andean countries 1/	3,919	3,523	3,275	-7.1
Mercosur 2/	584	558	624	11.8

1/ Bolivia, Chile, Colombia, Ecuador, and Venezuela
2/ Argentina, Brazil, Paraguay, and Uruguay
Source: SUNAT and BCRP.

Exports of agricultural products amounted to US$ 4.23 billion, with shipments of fresh grapes, asparagus and fresh avocados standing out. It is worth mentioning that a greater dynamism was observed in the demand for Peruvian products from different countries of destination, such as the United States, the Netherlands, and China.

In terms of economic blocs, the main destinations were North America (fresh asparagus, fresh grapes, fresh avocados, quinoa, canned artichokes, fresh onions, and fresh mangoes), the European Union (fresh avocados, fresh grapes, fresh and prepared asparagus, cocoa beans, fresh mangoes, and organic bananas), and the Andean countries (food for shrimps, biscuits, palm oil, hatching eggs, and noodles).

In the last ten years, exports of agricultural products have grown at an average annual rate of 18.1 percent. Thus, the value of exports in 2014 was approximately 4 times the value of exports in 2005. Exports of fresh grapes, fresh avocados, organic bananas, cocoa beans, and quinoa, which has seen an exponential growth in the past year, stand out in terms of values.

Table 30
MAIN NON-TRADITIONAL AGRICULTURAL PRODUCTS
(Million US$)

Most popular products	2004	2014	Average % chg. 2005-2014
Fresh grapes	22	643	40.3
Fresh asparagus	142	385	10.5
Fresh avocados	19	304	32.2
Quinoa	0	196	86.5
Cocoa	0	152	-
Asparagus prepared	79	150	6.6
Shrimp feed	19	141	22.3
Fresh mangoes	42	138	12.7
Other vegetables prepared	5	130	39.9
Evaporated milk	34	121	13.7
Organic bananas	11	119	27.4
Canned artichokes	22	93	15.5
Fresh onions	13	66	17.4
Fresh tangerines	9	60	20.3
Subtotal	416	2,698	20.6
Total	**801**	**4,231**	**18.1**

Source: BCRP and SUNAT.

Exports of fisheries totaled US$ 1.16 billion and reflected increased exports of frozen and canned squid and of prawn tails. The main markets for these products were the United States, China, and Spain. In the last ten years, fishing exports grew at an annual average rate of 15.3 percent.

Table 31
MAIN NON-TRADITIONAL FISHING PRODUCTS
(Million US$)

Most popular products	2004	2014	Average % chg. 2005-2014
Frozen giant squid	83	276	12.8
Canned giant squid	27	233	24.2
Prawns tails	17	138	23.4
Scallops	24	122	17.4
Frozen fillets	0	61	-
Fillets (includes dry fillets)	5	52	25.4
Frozen fish	0	35	-
Canned anchovies	4	33	24.4
Whole frozen shrimps	6	25	16.0
Canned fish	16	24	4.1
Giant Squid meal	4	22	18.5
Frozen hake	0	12	51.9
Subtotal	186	1,033	18.7
Total	**277**	**1,155**	**15.3**

Source: BCRP and SUNAT.

Exports of textiles, which totaled US$ 1.80 billion (down 6.6 percent from the previous year), declined 12.4 percent in terms of volume, but recorded an increase of 6.6 percent in terms of average prices. The contraction of the volume of exported textiles was associated with lower sales to the Andean countries (especially to Venezuela and, to a lesser extent, to Chile and Ecuador), although this was offset by the recovery of shipments to the markets of Mercosur (Brazil) and the European Union.

Table 32
MAIN COUNTRIES OF DESTINATION OF TEXTILE PRODUCTS
(Million US$)

	Year			% Change
	2012	**2013**	**2014**	**2014-2013**
USA	645	655	663	1.3
Venezuela	708	422	271	-35.7
Brazil	102	104	119	15.1
Ecuador	100	116	107	-7.4
Colombia	94	94	101	7.2
Chile	81	88	77	-13.0
Italy	58	59	63	6.2
Germany	35	40	45	11.9
Bolivia	45	39	42	7.0
Mexico	35	44	38	-12.2
China	20	23	30	27.7
Argentina	41	32	30	-6.7
Canada	24	24	21	-12.9
United Kingdom	21	19	20	6.2
Japan	18	18	19	5.3
Rest	150	151	154	2.1
Total	**2,177**	**1,928**	**1,800**	**-6.6**
Memo:				
Asia	72	79	87	10.9
North America	703	722	722	0.0
European Union	160	167	179	7.1
Andean Countries 1/	1,027	759	598	-21.2
Andean Countries without Venezuela	319	338	327	-3.1
Mercosur 2/	153	141	155	10.1

1/ Bolivia, Chile, Colombia, Ecuador, and Venezuela.
2/ Argentina, Brazil, Paraguay, and Uruguay.
Source: BCRP and SUNAT.

Exports of chemicals totaled US$ 1.52 billion, a figure slightly higher than the total of chemical products exported in 2013. A decline was observed in these exports in terms of prices (1.9 percent) in 2014, but an increase was observed in the volume of shipments of sulfuric acid, boric acid, flexible films for packaging, and zinc oxide. The main markets for chemical products in 2013 were Colombia, Chile, and Ecuador.

Diversification of exports

A significant growth has been observed in terms of the value of our exports in the last decade. This has been coupled by a greater diversification of export products, especially of non-traditional exports.

In 2014 the number of non-traditional exports[7] increased from 3,838 products in 2004 to 4,476, that is, by 638 new products. Moreover, the number of markets of destination for Peru's non-traditional exports increased from 173 countries in 2004 to 184 in 2014, while the number of exporting companies increased by 2,799 between 2004 and 2014.

Imports

Imports in 2014 amounted to US$ 40.81 billion, which represented a contraction of 3.4 percent compared to end-2013, in line with the slowdown of domestic demand.

7 Measured by the number of tariff items.

Table 33
FOB IMPORTS BY USE OR DESTINATION
(FOB prices in Million US$)

	Million US$			% change			Average
	2012	2013	2014	2012	2013	2014	2005-2014
1. CONSUMER GOODS	**8,252**	**8,843**	**8,896**	**22.5**	**7.2**	**0.6**	**16.1**
Non-durable goods	4,082	4,502	4,655	17.0	10.3	3.4	15.0
Main food products	568	381	479	39.0	-32.9	25.6	14.1
Rest	3,514	4,120	4,176	14.1	17.3	1.4	15.1
Durable goods	4,170	4,342	4,241	28.5	4.1	-2.3	17.5
2. INPUTS	**19,273**	**19,528**	**18,815**	**5.1**	**1.3**	**-3.6**	**13.4**
Fuel, oils, and related	5,885	6,454	5,757	2.3	9.7	-10.8	12.6
Raw materials for agriculture	1,292	1,244	1,339	18.2	-3.7	7.6	14.4
Raw materials for industry	12,096	11,830	11,720	5.3	-2.2	-0.9	13.6
3. CAPITAL GOODS	**13,347**	**13,664**	**12,913**	**13.8**	**2.4**	**-5.5**	**18.5**
Construction materials	1,488	1,443	1,422	2.7	-3.0	-1.5	22.2
For agriculture	137	131	141	24.0	-4.4	7.4	17.1
For industry	8,168	8,327	8,691	11.2	2.0	4.4	18.0
Transportation equipment	3,554	3,762	2,659	25.8	5.8	-29.3	18.7
4. OTHERS GOODS	**262**	**213**	**185**	**-26.2**	**-18.8**	**-13.0**	**8.1**
5. TOTAL IMPORTS	**41,135**	**42,248**	**40,809**	**10.7**	**2.7**	**-3.4**	**15.3**
Memo:							
Main food products	**2,528**	**2,372**	**2,459**	**9.7**	**-6.2**	**3.7**	**13.0**
Wheat	516	568	555	-3.7	10.1	-2.4	9.7
Maize and/or sorgum	507	502	479	-10.1	-1.1	-4.6	14.9
Rice	149	110	127	26.1	-26.5	15.9	17.0
Sugar	188	78	80	36.4	-58.5	2.8	6.1
Dairy products	167	127	204	70.9	-23.5	59.7	19.0
Soybean	936	920	946	17.7	-1.7	2.8	14.0
Meat	64	66	68	16.7	3.0	2.7	12.5

Memo: Classification used in CUODE.
Source: SUNAT, Tacna Free Trade Zone, and Banco de la Nación.

Table 34
IMPORTS
(% change)

	Volume			Price		
	2012	2013	2014	2012	2013	2014
CONSUMER GOODS	**21.1**	**5.6**	**0.4**	**1.2**	**1.5**	**0.2**
Durable goods	15.7	8.0	4.2	1.1	2.1	-0.7
Non-durable goods	26.8	3.2	-3.4	1.3	0.9	1.1
INPUTS	**5.7**	**3.1**	**-0.3**	**-0.5**	**-1.7**	**-3.3**
Main food products	3.4	3.6	9.1	0.0	-1.9	-8.8
Crude oil and derivatives	-1.3	10.6	-4.3	3.7	-3.1	-7.1
Industrial inputs	10.1	-0.7	0.2	-2.9	-1.0	-0.3
Of which:						
Plastics	10.7	1.6	2.7	-9.6	3.1	3.2
Iron & steel	19.6	0.4	-0.7	-8.2	-9.8	-2.7
Textiles	8.1	2.3	5.3	-10.3	-6.8	0.0
Papers	5.3	-0.1	6.1	-1.4	-1.8	-1.6
Chemicals	5.4	0.1	1.0	-0.8	0.0	-1.1
Organic chemicals	18.9	2.1	-6.4	-7.4	-1.0	1.0
CAPITAL GOODS	**13.6**	**2.4**	**-5.5**	**0.2**	**-0.1**	**0.0**
Building materials	2.5	-3.0	-1.5	0.2	-0.1	0.0
Rest 1/	15.1	3.1	-5.9	0.2	-0.1	0.0
Total	**10.7**	**3.2**	**-1.9**	**0.0**	**-0.5**	**-1.5**

1/ Excludes building materials.
Source: BCRP and SUNAT.

The average price of imports fell 1.5 percent relative to the previous year, with the declines in the prices of the main food items (8.8 percent) and in the prices of crude oil and derivatives (7.1 percent) standing out. On the other hand, an increase was observed in the prices of imports of durable consumer goods (1.1 percent) and plastics (3.2 percent).

The import components that fell more among total imports were crude oil and derivatives (as a result of the lower international prices of crude) and capital goods (due mainly to lower imports of transport equipment), which registered negative growth rates of 11.0 and 5.5 percent in terms of value, respectively. On the other hand, an increase was observed in imports of non-durable consumer goods due to greater imports of garments and prepared food products.

Imports of durable consumer goods decreased after two straight years of growth, in line with the observed evolution of private consumption. Products that showed a significant reduction include motorcycles and games and slot machines. However, imports of television sets increased 3.4 percent and amounted to US$ 549 million (these items were imported mainly from Mexico and China).

Imports of inputs, which amounted to US$ 18.82 billion, represented 46.1 percent of our total imports. These imports declined 3.6 percent in terms of value compared to 2013, in line with the lower import price of these products. As for imports of crude oil and derivatives, a decrease was observed in the volume of imports of crude oil and diesel, as well as in their prices, in line with the trend observed in the international prices of oil.

Imports of industrial inputs grew 0.2 percent in terms of volume due to increased imports of paper, textiles, and plastic products, with imports of newspaper paper in coils or sheets and paper and paperboard for graphic purposes standing out, together with imports of knitted items, non-carded cotton fabrics and yarns, and polypropylene and polyethylene. Most of the increase in the volume of paper imports came from the United States and China, while most of the increased textile imports came from China and India, and, finally, Brazil and China accounted mainly for the increased volume of imports of plastic products.

On the other hand, imports of organic chemicals shrank 6.4 percent in real terms after showing three years of positive growth rates. The lower imports of alcohol fuel by Petroperu and La Pampilla were noteworthy.

Moreover, imports of capital goods in the year dropped 5.5 percent in nominal terms, reflecting the effects of lower volumes of these imports. However, excluding construction materials, imports of capital fell 5.9 percent in real terms. By economic sectors, lower imports were noteworthy in the sectors of transport (US$ 803 million), associated with fewer purchases by Toyota del Perú (pick-up trucks), GYM Ferrovías (trains) and Volvo (trucks and pick-ups) and electricity (US$ 203 million), associated with fewer purchases of capital goods by Luz del Sur (electric generators), ENERSUR (parts of gas turbines), and Electro Oriente (generators).

In contrast, the telecommunications sector registered increased imports, including cellular telephony equipment imported by América Móvil and Telefónica, while increased purchases by mining companies such as Cerro Verde (machinery parts, construction beams, and electromagnetic engines) and Yanacocha (parts of machinery and drives) stand out in the mining sector.

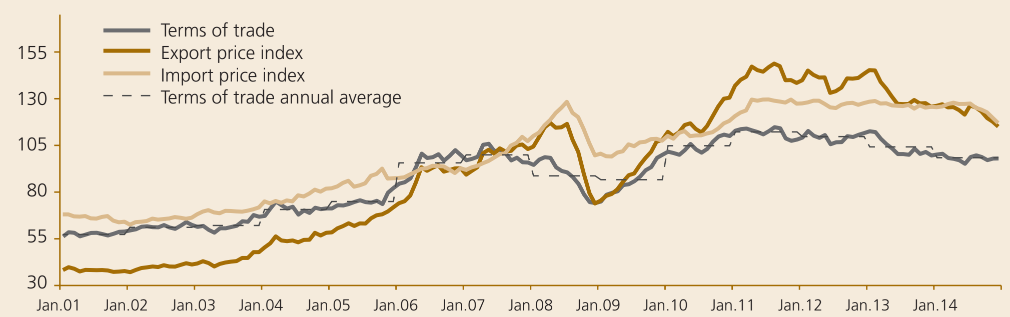
Table 35
IMPORTS OF CAPITAL GOODS BY ECONOMIC SECTORS

Sector	FOB Value: Million US$			% change		
	2012	2013	2014	2012	2013	Average 2005-2014
Agriculture	55	50	43	-9.8	-12.4	20.2
Fishing	13	9	7	-26.4	-24.8	-3.8
Hydrocarbons	413	276	273	-33.2	-1.1	12.3
Mining	1,628	1,526	1,715	-6.3	12.4	19.4
Manufacturing	1,183	1,236	1,137	4.5	-8.0	14.1
Construction	681	676	590	-0.7	-12.8	21.2
Electricity	300	341	138	13.6	-59.5	14.7
Transportation	2,247	2,376	1,572	5.7	-33.8	23.9
Telecommunications	843	953	1,185	13.0	24.3	17.9
Traders of Capital Goods	3,382	3,286	3,198	-2.8	-2.7	17.4
IT Equipment	755	794	871	5.1	9.8	16.5
Machinery and diverse equipments	741	683	749	-7.9	9.7	22.0
Medicine and surgery instruments	102	127	113	24.4	-11.5	14.2
Office equipments	156	147	143	-6.3	-2.2	15.6
Financial services	639	448	336	-29.9	-25.0	14.0
Other traders	988	1,088	986	10.1	-9.4	17.6
Unclassified	2,603	2,936	3,054	12.8	4.0	20.1
Memo:						
Mobile phones	553	762	1,022	37.8	34.2	21.4
Total	**13,347**	**13,664**	**12,913**	**2.4**	**-5.5**	**18.5**

2.2 Terms of trade

In 2014, the terms of trade showed an average decrease of 5.4 percent. The decline of 6.9 percent in export prices was partially offset by a drop of 1.5 percent in import prices. In general terms, commodity prices were affected by the withdrawal of monetary stimulus by the FED and by expectations that it would start a cycle of interest rate rises. Concerns about an economic slowdown in China and other events, such as the Ukraine crisis and the situation in Greece, contributed also to this since they increased risk aversion and reduced speculative demand for commodities. The international prices of food commodities were also pushed downwards by oversupply due to increased cultivation of some crops.

Graph 29
TERMS OF TRADE, EXPORT AND IMPORT PRICE INDICES: JANUARY 2001 - DECEMBER 2014
(2007=100)

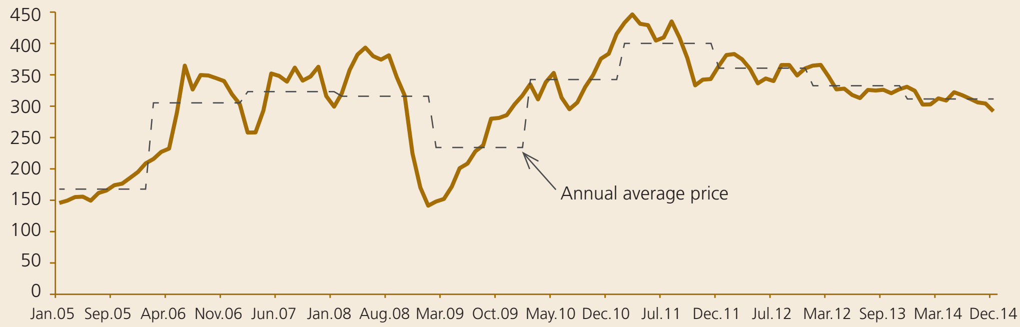


Source: Bloomberg.

The average price of copper recorded a decline of 6 percent in 2014, closing at an annual average price of US$ 331 cents per pound in December. During the year the price of copper showed a declining trend that intensified in the last quarter, as a result of which it recorded a maximum price of US$ 331 cents per pound in January and a minimum low of US$ 291 cents per pound in December.

The price of copper was supported by prospects of a global market surplus due to a strong increase in the global supply of this metal and by expectations of lower economic growth in China, as well as by the appreciation of the dollar and the drop of oil prices in the last quarter of the year, which reduced the pressure on production costs. However, the decline in the price of copper was offset by the end of the year as a result of an unexpected growth in China's demand and by a slower pace of growth in copper production due to the postponement of some projects and production cuts in some mines.

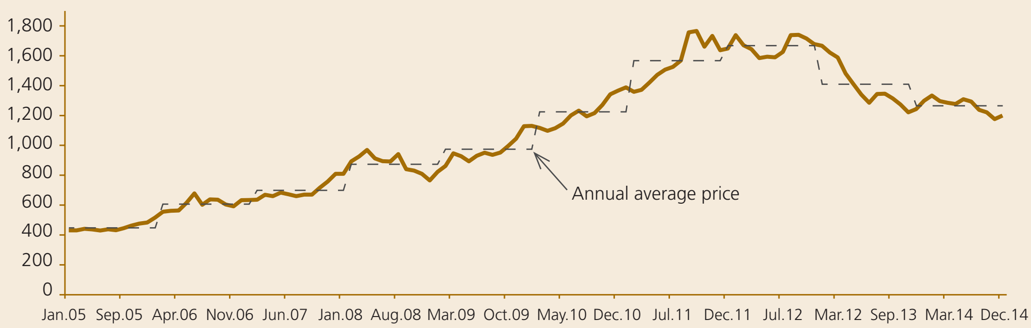
Graph 30
PRICE OF COPPER: 2005 - 2014
(Monthly average, US$ cents per pound)



Source: Bloomberg.

The average price of gold declined 10 percent, closing the year with an average level of US$ 1,266 per ounce in 2014. This decline was influenced by the appreciation of the dollar resulting from the withdrawal of the FED purchase program and by expectations that the FED would start raising its interest rates. The lower demand for gold reflected in the liquidations of Exchange Trade Funds (ETFs) for the second consecutive year, but this was in part offset by an increase in noncommercial net long positions in gold on metal exchange markets and by the purchases of gold by central banks. On the side of physical demand, the price drop is explained by the lower demand of the sectors of jewelry and technology.

Graph 31
PRICE OF GOLD: 2005-2014
(Monthly average, US$/tr. oz.)

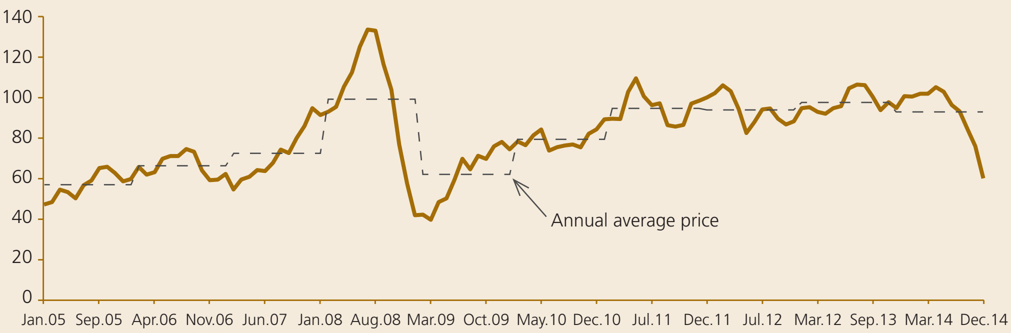


Source: Bloomberg.

The average price of WTI oil fell 5 percent and recorded an average price of US$ 93 per barrel in 2014. The price of crude showed a marked volatility during the year, starting with an upward trend which led it to a maximum of US$ 105 per barrel in June, after which it showed a continuous decline that reached a minimum of US$ 60 per barrel in December. In other words, the price of crude oil dropped 43 percent in the second half of the year.

The collapse in the price of crude oil was associated with the oversupply of crude oil resulting from the continued increased production of unconventional oil in the United States in a context in which the demand for crude had declined as a result of economic slowdown in the emerging economies. The declining trend in the price of crude intensified in November with the OPEC's decision of not reducing its production quota despite signs of a growing market surplus. The decision of some of the largest producers of the OPEC –i.e. Saudi Arabia– to maintain their market share prevailed.

Graph 32
PRICE OF WTI OIL: 2005-2014
(Monthly average, US$ per barrel)



Source: Bloomberg.

2.3 Services

The trade deficit in services amounted to US$ 1.80 billion, US$ 1 million less than in 2013. Revenues increased by US$ 60 million (1 percent) relative to the previous year, with higher revenues for insurance and reinsurance services being observed. On the other hand, outlays amounted to US$ 7.67 billion, US$ 59 million (0.8 percent) more than in the previous year due to higher expenditure for payments of premiums abroad.

Table 36
SERVICES

	Million US$			% change	
	2012	**2013**	**2014**	**2013**	**2014**
I. TRANSPORTATION	**-1,628**	**-1,367**	**-1,440**	**-16.0**	**5.3**
1. Credit	1,223	1,524	1,380	24.7	-9.5
2. Debit	-2,850	-2,891	-2,819	1.4	-2.5
II. TRAVEL	**1,004**	**1,408**	**1,417**	**40.3**	**0.6**
1. Credit	2,443	3,009	3,001	23.2	-0.3
2. Debit	-1,439	-1,601	-1,584	11.2	-1.0
III. COMMUNICATIONS	**-74**	**-146**	**-146**	**96.5**	**-0.4**
1. Credit	147	131	149	-10.5	13.6
2. Debit	-221	-278	-295	25.5	6.2
IV. INSURANCE AND REINSURANCE	**-366**	**-404**	**-376**	**10.2**	**-6.9**
1. Credit	361	400	539	10.6	34.9
2. Debit	-728	-803	-915	10.4	13.9
V. OTHERS 1/	**-1,355**	**-1,293**	**-1,256**	**-4.6**	**-2.8**
1. Credit	742	749	804	1.0	7.3
2. Debit	-2,097	-2,042	-2,060	-2.6	0.9
VI. TOTAL SERVICES	**-2,420**	**-1,801**	**-1,800**	**-25.6**	**0.0**
1. Credit	4,915	5,814	5,874	18.3	1.0
2. Debit	-7,335	-7,615	-7,674	3.8	0.8

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

The deficit for transport amounted to US$ 1.44 billion, US$ 73 million more than in 2013. Revenue decreased by US$ 144 million (9.5 percent) as a result of domestic airlines' lower sales of tickets overseas (10.4 percent) and, to a lesser extent, as a result of lower revenue for foreign ships and foreign airline carriers in the country, while outflows decreased by US$ 72 million due to the reduction of freight payments (3.8 percent).

The travel surplus amounted to US$ 1.42 billion. Revenue declined 0.3 percent due to the lower average spending of visitors (down 1.5 percent) and the decline of the number of visitors who came to the country (1.1 percent) through International Airport Jorge Chavez. On the other hand, expenses fell 1.0 percent due mainly to the lower average spending (4.2 percent) of Peruvians who visited other countries.

The heading other services showed a deficit of US$ 1.26 billion. Revenues increased by 7.3 percent, mainly as a result of other business services and financial services, while expenses increased by US$ 18 million (0.9 percent) due to payments for ITC services.

Table 37
OTHER SERVICES

	Million US$			% change	
	2012	2013	2014	2013	2014
Balance of other services	**-1,355**	**-1,293**	**-1,256**	**-4.6**	**-2.8**
Revenue	**742**	**749**	**804**	**1.0**	**7.3**
Government Services	146	149	153	2.2	2.8
Others services	596	601	651	0.8	8.4
Other business services 1/	479	482	541	0.6	12.1
Financial Services	59	68	58	14.4	-14.7
Computer and information services	36	33	33	-7.2	-1.3
Personal, cultural, and recreational services	12	8	11	-26.3	30.1
Royalties and license rights	10	9	9	-14.3	0.6
Expenditures	**2,097**	**2,042**	**2,060**	**-2.6**	**0.9**
Government Services	157	161	165	2.8	2.0
Other services	1,940	1,881	1,896	-3.1	0.8
Other business services 1/	1,378	1,339	1,273	-2.9	-4.9
Computer and Information Services	229	210	275	-8.6	30.8
Royalties and license rights	180	201	221	11.5	10.2
Financial services	86	101	102	17.8	1.0
Construction services	24	21	24	-11.2	12.9
Personal, cultural, and recreational services	42	9	1	-78.1	-90.1

1/ Includes mainly sale-purchase services, commissions, leasing of ships and unmanned aircraft and business, professional and various (legal, accounting, management consulting and public relations; advertising, research of public opinion polls markets; research and development and engineering, among others).
Source: Ministry of Trade Affairs and businesses.

2.4 Current transfers

Current transfers, whose most important component is remittances from Peruvians residing abroad (60 percent), totaled US$ 4.37 billion in 2014. It should be pointed out that revenue from the income tax of taxpayers non-domiciled in the country represented 27.7 percent of current transfers in 2014 –the second largest component–, the acquisition of local companies by foreign investors accounting for this high rate.

Revenue from remittances amounted to US$ 2.64 billion, 2.5 percent less than in 2013. Even though this decline in remittances is lower than the one registered in the previous year, it still reflects the effects of the international crisis and the slow recovery of the Eurozone. Thus, in 2014 the United States and

Spain accounted for 45 percent of total remittances to the country, whereas in 2013 these countries accounted for 46.1 percent of total remittances. As a result of this decline, remittances represent 1.3 percent of GDP, a similar ratio than the one recorded in 2013, which is also the lowest ratio recorded in the last eleven years.

Table 38
REMITTANCES FROM ABROAD

Year	Million US$	% change	% GDP
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	2.1
2008	2,444	14.7	2.0
2009	2,409	-1.4	2.0
2010	2,534	5.2	1.7
2011	2,697	6.4	1.6
2012	2,788	3.4	1.4
2013	2,707	-2.9	1.3
2014	2,639	-2.5	1.3

Source: SBS, banks, and businesses.

Like in 2013, the United States was the major country of origin of remittances, although remittances from this country declined by 1.5 percent. A similar situation was observed in remittances from Spain which declined by 14.9 percent. However, this country is still the second source of these transfers.

On the other hand, remittances from Chile –the country consolidating its position as third source of remittances– increased by 8.1 percent (9.5 percent of total remittances).

The average remittance amount was US$ 293 per transfer, US$10 less than in 2013. The average remittances that showed increases were remittances from Argentina (1.3 percent) and other countries (0.3 percent), whereas remittances from Spain fell the most (8 percent). As regards the number of transfers made, a strong decline was observed in transactions from Argentina (-11 percent) and Spain (-7.5 percent), while transfers from Chile increased considerably (14 percent).

Table 39
REMITTANCES BY COUNTRIES

	Annual remittances			Annual average remittances			Number of remittances 2/		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
USA	34.0	34.4	34.7	255	263	259	3,716	3,532	3,536
Spain	13.9	11.8	10.3	395	375	345	983	851	787
Chile	7.0	8.5	9.5	224	232	220	870	996	1,136
Japan	9.3	8.4	8.1	610	560	527	423	407	404
Italy	7.6	7.7	7.4	314	318	299	673	653	654
Argentina	5.8	4.7	4.3	227	226	229	711	562	500
Other countries 1/	22.5	24.6	25.7	388	393	395	752	862	912
Total	**100.0**	**100.0**	**100.0**	**302**	**303**	**293**	**8,129**	**7,863**	**7,929**

1/ Includes estimated remittances not classified by country (informal channels).
2/ Excludes estimated remittances not classified by country (informal channels).
Source: SBS, banks, and businesses.

Since last year, the main service used to transfers funds were companies (ETF) which registered a share of 47.8 percent of this total. Banks, on the other hand, continued showing the downward trend observed since 2013 with a share of 40.2 percent in the intermediation of these funds.

Table 40
REMITTANCES FROM ABROAD BY SOURCE
(% share)

Year	2012	2013	2014
FTCs - Other channels 1/	41.6	44.4	47.8
Banks	46.4	43.6	40.2
Informal channels	12.0	12.0	12.0
Total	**100.0**	**100.0**	**100.0**

1/ Fund transfer companies (FTCs) and other means.
Source: SBS, banks, and businesses.

2.5 Factor income

Factor income showed a deficit of US$ 9.33 billion –US$ 1.30 billion lower than the one recorded the previous year– due mainly to lower outflows for profits in the mining and hydrocarbons and financial sectors. On the other hand, the private sector income, which consists of interests on deposits and the yields of the investments of financial and non-financial organizations, amounted to US$ 507 million.

The public sector deficit amounted to US$ 708 million, a figure US$ 150 million lower than the one recorded the previous year due to lower outflows for interests on long term loans.

Table 41
FACTOR INCOME

	Million US$			% change	
	2012	2013	2014	2013	2014
I. REVENUE	**1,152**	**1,222**	**1,212**	**6.1**	**-0.9**
1. Private	409	460	507	12.3	10.3
2. Public	742	762	704	2.7	-7.6
II. EXPENDITURE	**13,551**	**11,853**	**10,540**	**-12.5**	**-11.1**
1. Private	12,080	10,232	9,127	-15.3	-10.8
Profits 1/	11,402	9,301	7,964	-18.4	-14.4
Interests	677	932	1,164	37.6	24.9
- Long-term loans	421	445	461	5.6	3.6
- Bonds	140	368	608	163.2	65.1
- Short-term loans 2/	116	119	96	2.4	-19.4
2. Public	1,472	1,621	1,413	10.2	-12.8
Interests on long-term loans	286	421	209	47.2	-50.3
Interests on bonds	1,185	1,199	1,203	1.2	0.3
Interests on BCRP securities 3/	0	0	0	0.0	0.0
III. BALANCE (I-II)	**-12,399**	**-10,631**	**-9,328**	**-14.3**	**-12.3**
1. Private	-11,670	-9,773	-8,620	-16.3	-11.8
2. Public	-729	-858	-708	17.7	-17.5

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 businesses.

2.6 Financial account

In 2014 the private sector financial account registered a balance of US$ 6.49 billion, a balance US$ 8.39 billion lower than in 2013 due mainly to residents' increased portfolio investment abroad and to lower foreign direct investment (FDI) and lower portfolio investment in the country. The decline in FDI is associated with lower contributions and loans with parent companies during the year, while the decline in portfolio investment is associated with lower amounts of bonds issued by the private sector (especially in the non-financial sector).

The flow of private sector external liabilities in 2014 amounted to US$ 11.04 billion, FDI accounting for 71.4 percent of this total (mainly foreign companies' reinvested profits). FDI, which accumulated a flow of US$ 7.89 billion in the year, concentrated mostly in the sectors of mining (US$ 2.55 billion) and non-financial services (US$ 2.26 billion), accounted for 61 percent of the total flow.

Table 42
PRIVATE SECTOR FINANCIAL ACCOUNT

	Million US$			Differences	
	2012	2013	2014	2013	2014
1. ASSETS	**-2,408**	**-1,291**	**-4,548**	**1,117**	**-3,256**
Direct investment abroad	- 78	- 137	- 96	-59	41
Portfolio investment 1/	-2,330	-1,154	-4,452	1,176	-3,297
2. LIABILITIES	**18,200**	**16,173**	**11,038**	**-2,028**	**-5,135**
Foreign direct investment	11,918	9,298	7,885	-2,620	-1,414
a. Reinvestment	7,033	3,764	3,978	-3,269	214
b. Equity capital	5,393	2,460	1,487	-2,933	-973
c. Net liabilities to affiliated enterprises	- 508	3,075	2,420	3,583	-654
Portfolio investment	2,246	5,876	2,668	3,630	-3,208
a. Equity securities 2/	- 142	585	- 79	727	-664
b. Other liabilities 3/	2,389	5,292	2,748	2,903	-2,544
Long-term loans	4,036	998	485	-3,038	-513
a. Disbursements	6,841	4,111	4,181	-2,730	70
b. Amortization	-2,805	-3,112	-3,695	-307	-583
3. TOTAL	**15,792**	**14,881**	**6,490**	**-911**	**-8,391**
Memo:					
Net direct investment	11,840	9,161	7,789	-2,679	-1,372

1/ Includes stocks and other foreign assets of the financial and non-financial sector. The negative sign indicates an increase.
2/ Considers the net purchase of shares by non-residents through the LSE, recorded by CAVALI SA ICLV.
3/ Includes bonds, credit notes and securitization, among others, in net terms (issuance less redemption).
Surce: BCRP, Cavali S.A. ICLV, Proinversion, and businesses.

Table 43
FOREIGN DIRECT INVESTMENT IN COUNTRY BY DESTINATION SECTOR *
(Million US$)

	2012	2013	2014
Hydrocarbons	1,228	843	1,049
Mining	7,112	4,555	2,549
Financial sector	1,420	915	1,031
Non-financial services	1,037	2,505	2,256
Manufacturing	422	65	735
Energy and others	698	414	265
TOTAL	**11,918**	**9,298**	**7,885**

(*) Includes contributes and other net capital operations, net loans abroad and reinvestment (current profits).

Placements of public and private bonds in foreign markets fell from US$ 6.39 billion in 2013 to US$ 5.51 billion in 2014, historically high amounts. The financial sector issued bonds for a total of US$ 2.20 billion while non-financial firms issued bonds worth US$ 3.31 billion. The funds raised through these placements was used to finance private projects, meet obligations with banks and its affiliates, and even to acquire a foreign company.

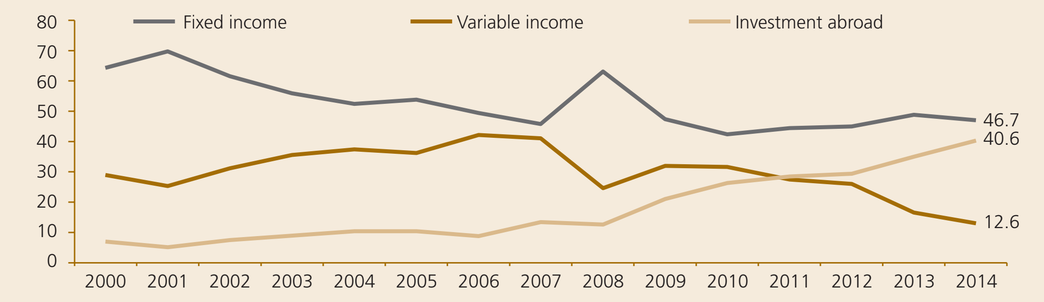
Table 44
BONDS ISSUED BY FIRMS IN THE EXTERNAL MARKET 2012 - 2014*

Date	Business	Amount (Millions US$)	Maturity (Years)	Yields
I. Total Year 2012		**3,825**		
a. Financial sector		**2,465**		
b. Non-financial sector		**1,360**		
II. Total Year 2013		**6,389**		
a. Financial sector		**2,236**		
January 22	BBVA Banco Continental	300	3,5	2.314%
January 24	Fondo MiVivienda	500	10	3.500%
April 1	Banco de Crédito	716	10	4.250%
April 5	Banco de Crédito	170	14	6.125% to 23/04/2022, Libor 3M+7.043%
April 8	BBVA Banco Continental	500	5	3.250%
December 13	Interbank	50	10	7.50%
b. Non-financial sector		**4,153**		
January 10	Copeinca	75	5	9.000%
January 25	Exalmar	200	7	7.380%
January 10	Cementos Pacasmayo	300	10	4.630%
March 15	Alicorp	450	10	3.880%
March 21	Gas Natural de Lima y Callao - Cálidda	320	10	4.380%
March 21	Compañía Minera Milpo	350	10	4.630%
April 9	Corporación Lindley	260	10	4.630%
April 19	Ferreycorp	300	7	4.880%
April 23	Transportadora de Gas del Perú	850	15	4.250%
April 30	Consorcio Transmantaro	450	10	4.380%
September 9	Inkia Energy	150	8	8.375%
November 6	San Miguel Industrias	200	7	7.750%
November 7	Andino Investment Holding	115	7	11.000%
December 5	Planta de Reserva Fría de Generación de Eten	133	20	7.650%
III. Total Year 2014		**5,510**		
a. Financial sector		**2,204**		
January 15	Banco de Crédito	200	13	6.125% to 23/04/2022, Libor 3M+7.043%
March 11	Banco Internacional del Perú SAA	300	15	6.625% hasta 18/03/2024, Libor 3M+5.76%
March 26	Fondo Mivienda	300	5	3.375%
June 13	Fondo Mivienda II	250	4	1.250%
July 2	Banco de Crédito del Perú	225	3,5	2.750%
July 8	COFIDE	300	5	3.250%
July 8	COFIDE	300	15	5.25% to 15/07/2024, Libor 3M+5.605%
September 15	Banco Continental BBVA	300	15	5.339%
b. Non-financial sector		**3,306**		
January 15	Ares	350	7	7.750%
January 31	Minsur SA	450	10	6.250%
April 8	Abengoa Transmisión Sur	432	29	6.880%
April 24	Camposol	75	3	9.880%
June 27	Rutas de Lima 2/	370	22	8.380%
June 27	Rutas de Lima 3/	150	25	5.250%
July 1	Patrimonio Fideicometido Inretail Shopping Malls	350	9	6.500%
October 7	Inretail Peru Corp.	300	7	5.250%
October 28	UNACEM	625	7	5.875%
December 15	Energía Eólica	204	20	6.000%

* Excludes original placements made abroad by branches of resident companies (banks and non-banks)
1/ Emission in Swiss francs.
2/ Emission in soles.
3/ Emission in soles VAC.

Moreover, external assets increased by US$ 4.55 billion –up US$ 3.26 billion from 2013– due to the increased amount of external assets purchased by private pension funds –or Administradoras Privadas de Fondos de Pensiones (AFP)– after their investment limit abroad was raised to 41.5 percent in December 2014 (up 5 percentage points from December 2013).

Graph 33
AFP: INVESTMENT
(%)



2.7 Short-term capital flows

The net flow of short-term capital showed a reversal from a capital outflow of US$ 2.13 billion in 2013 to a positive inflow of US$ 354 million in 2014. Liabilities increased by US$ 531 million, due mainly to the increase of bank liabilities (up US$ 458 million). In addition, assets were acquired abroad for a total of US$ 177 million, of which assets worth US$ 440 million were acquisitions of banks. The latter amount was offset by a decline of US$ 384 million in the assets of the non-financial sector.

2.8 Public sector financial account

In 2014 the financial account of the public sector showed a negative balance of US$ 16 million, a balance US$ 1.33 billion higher than the one recorded in the previous year. This difference is explained mainly by the increased issuance of global bonds (US$ 500 million), of bonds issued by MIVIVIENDA and COFIDE (US$ 1.19 billion), and by the lower amortization of the external public debt.

Table 45
PUBLIC SECTOR FINANCIAL ACCOUNT 1/

	Million US$			% change	
	2012	**2013**	**2014**	**2013**	**2014**
I. DISBURSEMENTS	**1,448**	**1,277**	**2,922**	**-171**	**1,645**
Investment projects	333	652	988	319	336
Central government	317	195	133	-122	-62
Public enterprises	16	457	855	441	398
- Financial	0	430	304	430	-126
- Non-financial	16	27	551	11	524
Free disposable loans	115	125	244	10	119
Global bonds 2/	1,000	500	1,690	-500	1,190
II. AMORTIZATION	**-1,215**	**-2,618**	**-1,592**	**-1,404**	**1,026**
III. NET EXTERNAL ASSETS	**-457**	**113**	**-558**	**570**	**-671**
IV. OTHER OPERATIONS WITH DEBT SECURITIES (a-b)	**1,671**	**-115**	**-788**	**-1,786**	**-674**
a. Securities in the domestic market purchased by non residents	1,797	219	-657	-1,578	-876
b. Securities in the foreign market purchased by residents	126	333	131	207	-202
V. TOTAL	**1,447**	**-1,343**	**-16**	**-2,790**	**1,327**

1/ Medium- and long-term accounts; excludes loans to BCRP to support the balance of payments.
2/ Bonds are classified according to the market where they are issued. Includes US$ 500 millions issued by Cofide.
Source: BCRP, MEF, Cofide, and FCR.

2.9 International investment position

The international assets at December 2014 amounted to US$ 103.33 billion, a figure 1.2 percent higher than at end 2013. The BCRP international reserves declined by US$ 3.36 billion to a balance equivalent to 30.8 percent of GDP. This amount covers 6.3 times short term external liabilities (including the amortization of medium and long term loans to one year) and 84.4 percent of private banks' total obligations. This high level of reserves reflects the soundness of the Peruvian economy.

On the side of liabilities, the increase in the balance of FDI stands out. This increase results from the contributions, loans, and withheld profits of foreign companies in Peru and, to a lesser extent, from the higher balance of medium- and long-term private debt.

Table 46
NET INTERNATIONAL INVESTMENT POSITION
(End of period levels)

	Million US$			% change	
	2012	2013	2014	2013	2014
I. Assets	**100,222**	**102,092**	**103,329**	**50.6**	**51.0**
1. BCRP reserve assets	64,049	65,710	62,353	32.6	30.8
2. Assets of financial sector (excluding BCRP)	22,823	23,778	27,665	11.8	13.7
3. Others assets	13,350	12,604	13,312	6.2	6.6
II. Liabilities	**146,084**	**154,708**	**163,438**	**76.7**	**80.7**
1. Bonds and total private and public external debt 1/	**59,376**	**60,830**	**64,512**	**30.1**	**31.8**
a. Medium and long term debt	50,435	54,381	57,534	26.9	28.4
Private sector 2/	23,982	30,341	33,644	15.0	16.6
Public sector (i - ii + iii) 3/	26,452	24,039	23,890	11.9	11.8
i. External public debt	20,402	18,778	19,764	9.3	9.8
ii. Public debt issued abroad purchased by residents	957	1,290	1,421	0.6	0.7
iii. Public debt issued locally purchased by non-residents	7,008	6,552	5,547	3.2	2.7
b. Short-term debt	8,941	6,450	6,978	3.2	3.4
Financial sector (excluding BCRP)	4,003	2,026	2,601	1.0	1.3
BCRP	57	47	45	0.0	0.0
Others 4/	4,881	4,376	4,333	2.2	2.1
2. Direct investment	**62,559**	**71,857**	**79,707**	**35.6**	**39.3**
3. Capital participation	**24,149**	**22,021**	**19,219**	**10.9**	**9.5**

1/ External public debt includes the debt of the Central Government and public enterprises.
2/ Includes bonds.
3/ Government bonds issued abroad and in the hands of residents are excluded from foreign liabilities of the public sector. Government bonds issued locally, in the hands of non-residents, are included foreign liabilities of this sector.
4/ Includes mainly short-term debt of the non-financial private sector.
Source: BCRP, MEF, Cavali SA ICLV, Proinversión, and BIS.

Graph 34
MEDIUM- AND LONG-TERM EXTERNAL DEBT
(% GDP)