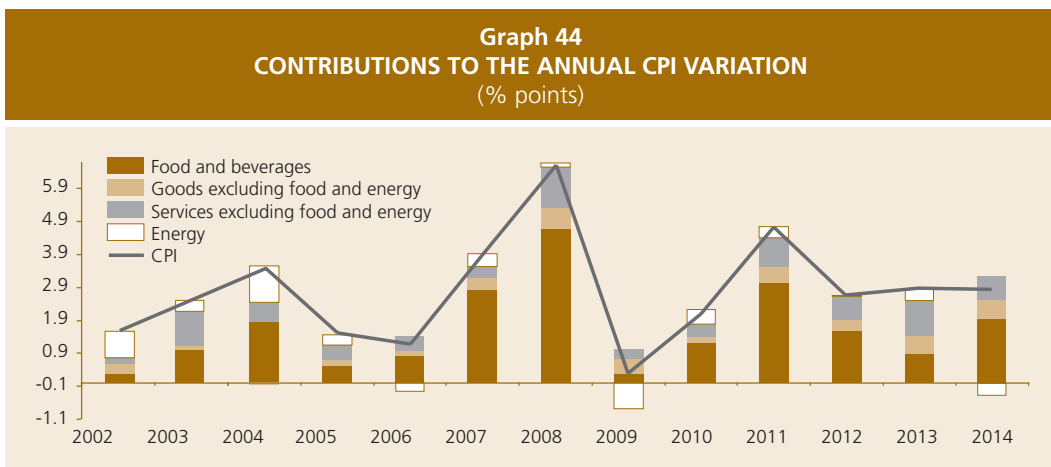
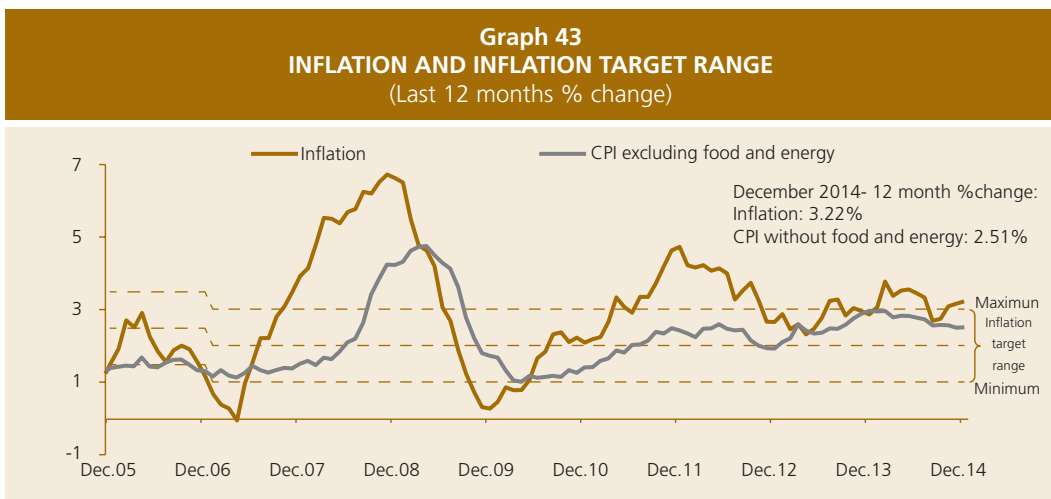


INFLATION IV

In 2014 the rate of change in the consumer price index (CPI) in Metropolitan Lima was 3.22 percent, higher than in 2013 (2.86 percent). However, since this rate of inflation reflected mainly increases in the prices of food and electricity rates, inflation without food and energy –goods with a high price volatility– fell from 2.97 percent in 2013 to 2.51 percent in 2014.



By items, inflation in 2014 is explained by rises in the prices of services (meals outside the home, education, urban fares, and electricity rates) and the price of chicken. In addition to this, the rise of the exchange rate also affected the prices of vehicles and personal care items.

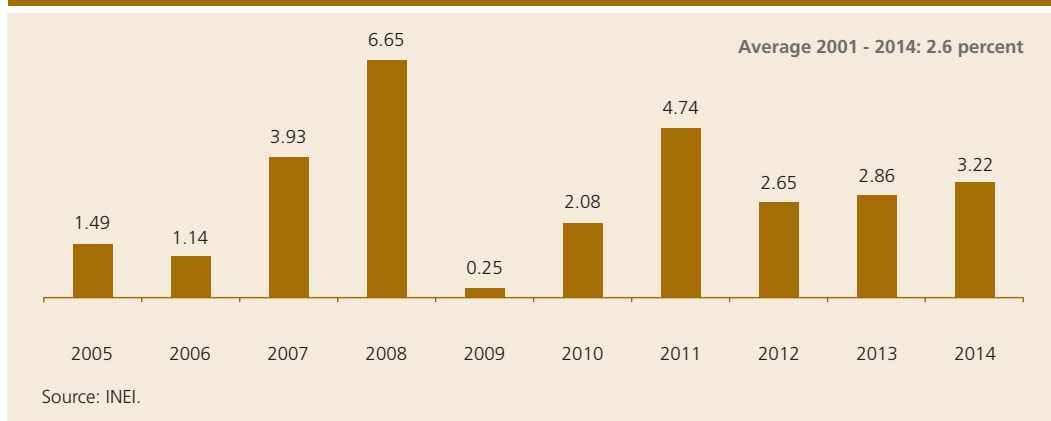


Table 59
ITEM WITH THE HIGHEST WEIGHTED CONTRIBUTION TO INFLATION

Positive	Weight	% Chg.	Contribution	Negative	Weight	% Chg.	Contribution
Meals outside the home	11,7	4,7	0,60	Gasoline and lubricants	1,3	-12,5	-0,20
Education costs (tuition and fees)	8,8	4,6	0,43	Potato	0,9	-4,0	-0,04
Poultry meat	3,0	8,7	0,25	Tomato	0,2	-15,0	-0,03
Urban fare	8,5	2,3	0,20	Telephone rates	2,9	-1,0	-0,02
Electricity rates	2,9	4,4	0,12	Internet services and other	0,8	-2,2	-0,02
Purchases of vehicles	1,6	7,3	0,11	Soft-drink	0,2	-5,6	-0,01
Citric fruits	0,5	13,0	0,09	Sweet potato	0,1	-10,1	-0,01
Toiletries	4,9	1,8	0,09	Oil	0,5	-1,0	-0,01
Onion	0,4	34,1	0,08	Other cereal	0,1	-6,3	-0,01
Eggs	0,6	14,1	0,07	Various insurances	0,3	-0,6	0,00
Total			2,04	Total			-0,35

Graph 45
INFLATION

(% change, at the end-of-period)

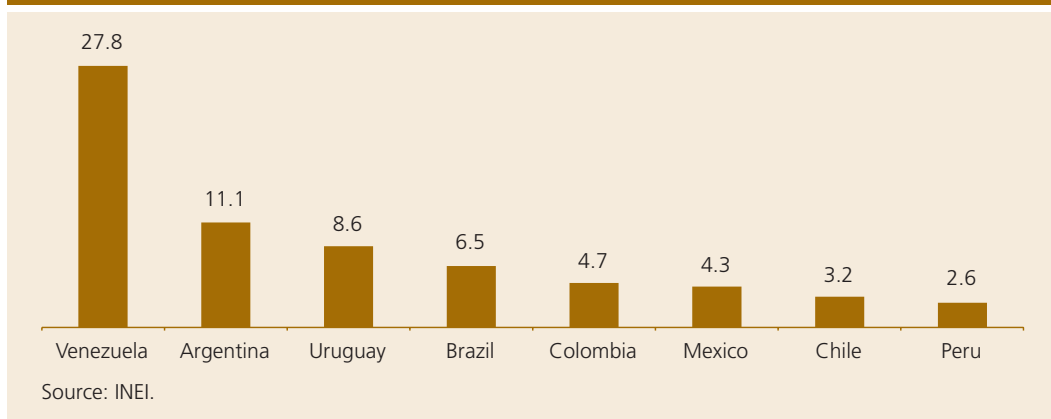


However, from a long-term perspective, the rate of average annual inflation in the period 2001-2014 was 2.6 percent, the lowest in Latin America.

Graph 46

LATIN AMERICA: AVERAGE INFLATION 2001 - 2014

(% change, at the end-of-period)



1. Inflation without food and energy

The annual rate of inflation without food and energy declined from 2.97 to 2.51 percent between December 2013 and December 2014. This decline was observed both in goods (down from 2.6 to 2.4 percent) and in services (down from 3.2 to 2.6 percent). However, price rises worth pointing out at the level of goods included the increase in prices of vehicles (7.3 percent), which reflected changes in the exchange rate (6.4 percent), while price rises standing out at the level of services included the increases in education costs (4.5 percent), house rents (2.6 percent), health care services (4.4 percent), and transportation (2.5 percent).

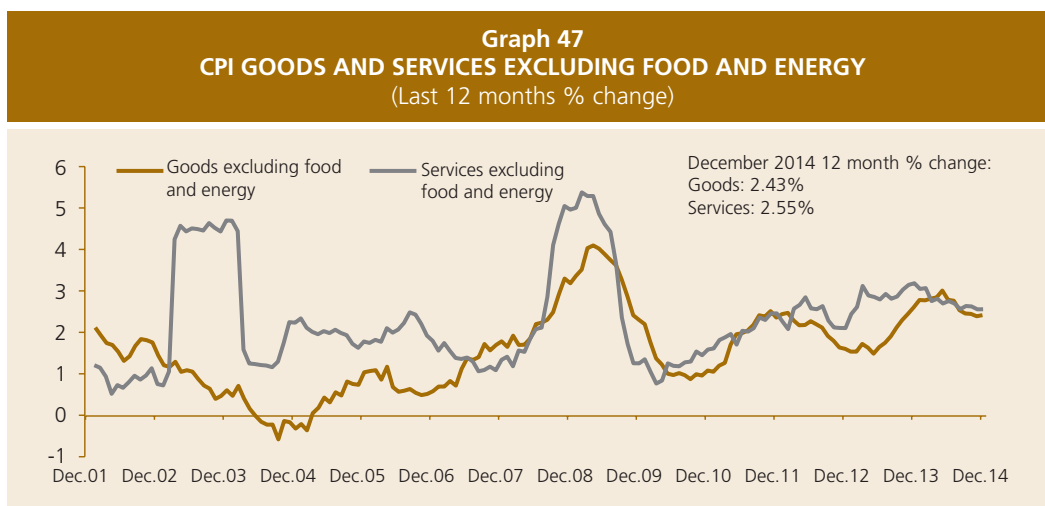


Table 60
INFLATION
(% change)

	Weight	2012	2013	2014	Average % chg. 2001-2014
CPI	100.0	2.65	2.86	3.22	2.58
1. CPI excluding food and energy	56.4	1.91	2.97	2.51	1.99
a. Goods	21.7	1.60	2.62	2.43	1.63
Textiles and footwear	5.5	3.05	2.30	2.10	2.24
Domestic appliances	1.3	-2.44	-0.08	0.33	-0.86
Other industrial products	14.9	1.37	2.97	2.72	1.50
b. Services	34.8	2.10	3.18	2.55	2.27
<i>Of which:</i>					
Education	9.1	4.69	4.76	4.51	3.86
Rent	2.4	-0.33	3.46	2.63	0.20
Health	1.1	2.63	4.99	4.43	2.73
Transportation	8.9	1.99	3.54	2.54	2.65
Telephone and water	5.4	-0.37	-0.39	-0.65	0.22
2. Food and energy	43.6	3.55	2.73	4.08	3.22
a. Food and beverages	37.8	4.06	2.24	4.83	3.31
<i>Of which:</i>					
Chicken meat	3.0	9.28	-3.63	8.70	2.73
Bread	1.9	2.76	0.77	1.70	4.26
Rice	1.9	-1.84	0.50	2.60	1.61
Sugar	0.5	-11.82	-15.99	1.39	1.15
Noodles	0.5	2.19	3.70	1.97	2.17
Oils	0.5	-0.87	-1.02	-1.03	3.37
Potato	0.9	19.85	-6.02	-4.03	3.18
Fresh and frozen fish	0.7	-13.22	15.96	4.01	4.05
Meals outside the home	11.7	5.96	5.23	4.65	3.53
b. Fuels and electricity	5.7	0.22	6.09	-0.85	2.44
Fuels	2.8	-1.48	5.95	-5.59	2.93
Oil and lubricants	1.3	-5.02	6.91	-12.50	2.44
Gas	1.4	2.21	4.98	1.21	1.56
Electricity	2.9	2.19	6.23	4.37	1.36



Education costs –tuition and fees– increased by 4.5 percent (4.8 percent in 2013), due mainly to the price adjustments made in March (3.8 percent) at the beginning of the school year, as well as due to the increases made during the year in education costs in universities and higher education institutes.

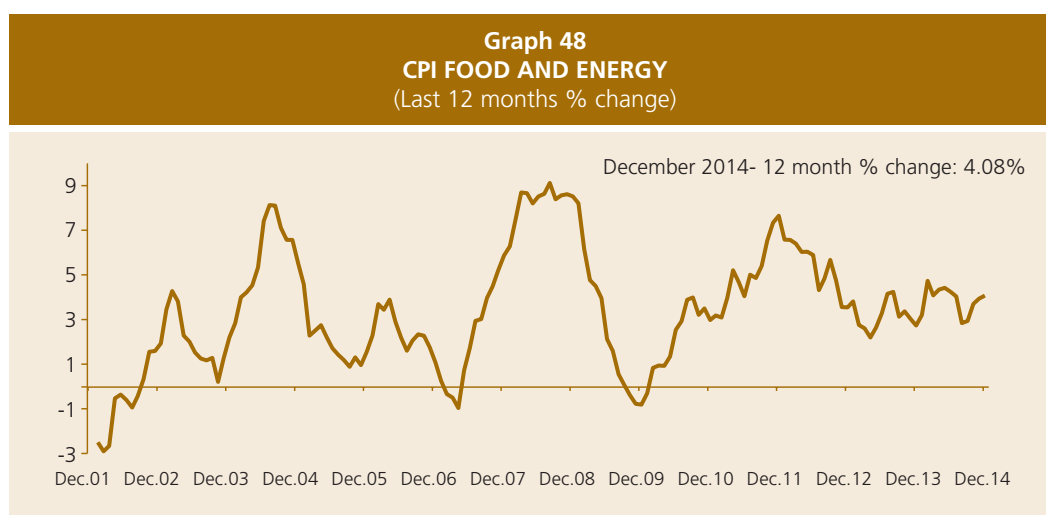
Another price rise worth highlighting was the increase in urban fares (2.3 percent), which was lower than the rise recorded in 2013 (3.5 percent) due mainly to the drop in the price of fuels.

House rents increased 2.6 percent (vs. 3.5 percent in 2013), reflecting in part the rise in the dollar-nuevo sol exchange rate.

On the other hand, the fall in telephone rates (-1.0 percent) was associated to the implementation of the inflation-indexed productivity factor.

2. Food, energy, and fuel prices

Inflation in food and energy items, which includes changes in the more volatile prices of the consumer basket, rose from 2.7 percent in 2013 to 4.1 percent in 2014, influenced mainly by higher rises in the prices of foodstuffs (up from 2.2 percent in 2013 to 4.8 percent in 2014) as a result of weather anomalies. On the other hand, fuel prices fell 5.6 percent, while electricity rates increased 4.4 percent.



Foodstuffs

The supply of several products was affected by weather anomalies in 2014. In agriculture, warmer temperatures and the lower availability of water delayed planting and altered the development of some crops, especially in the first half of the year. In addition, the supply of fish and sea food products was affected by the arrival of successive Kelvin waves of warm water, which led to an increase in the prices of these products.

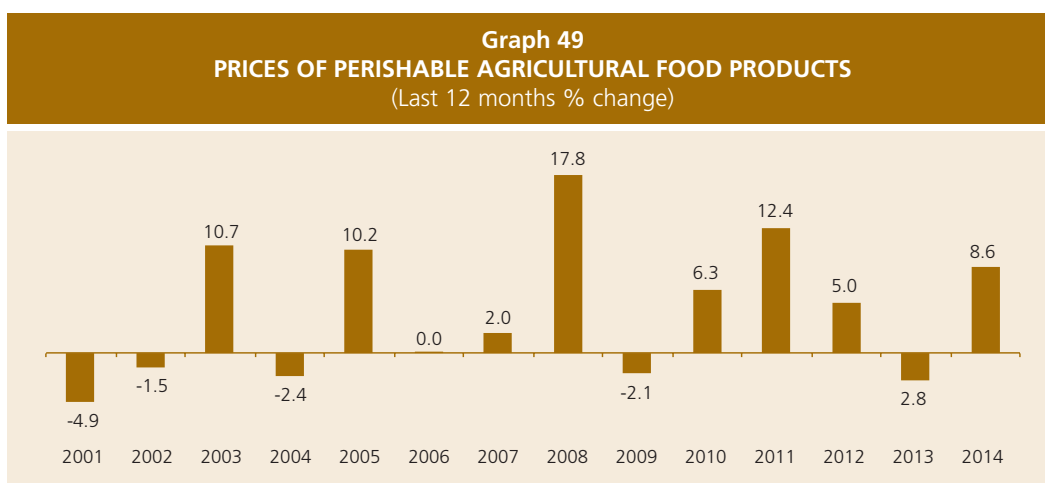
The price of onions rose 34.1 percent, the higher increases being observed in the first months of the year due to a lower supply of this crop associated with the decline of rainfall in the highlands of Arequipa.

The increase in the price of chicken (8.7 percent) was associated mainly with the irregular supply of fish, the main substitute of chicken meat, since fish catch was affected by climate changes and anomalous sea wave conditions. Another factor that affected the prices of both chicken and eggs (up 14.1 percent)

was the increase in the price of hard yellow maize, the main component of the production cost, which rose approximately 36 percent since December 2013.

The prices of citrus fruits increased 13.0 percent on average, the largest increase being observed in the price of tangerines (26.2 percent). The highest rise in the price of lemons (48.3 percent) was observed in the month of October due to irregularities in supply of lemons from Piura, since crops in this region were affected by higher temperatures.

The food category that showed the largest weighed contribution to inflation was meals outside the home (4.7 percent), which accounts for 0.6 percentage points of the inflation rate. In annual terms, the change was similar to the change in the rate of food and beverages consumed in the home (4.9 percent).



Energy and fuel prices

Electricity rates showed a change rate of 4.4 percent, less than in 2013 (6.2 percent). Increases were recorded in February and April –5.1 and 2.2 percent, respectively– due to the incorporation of new transmission lines and to the update of generation costs in bidding contracts. In addition, price increases were also implemented due to factors updating the exchange rate and the wholesale price index.

The decrease in the prices of fuels and lubricants reflected the fall in the international prices of oil. The price of gasoline dropped 12.5 percent given the fall in ex plant prices (down 18 percent) and WTI oil (39.6 percent).

Table 61
FUEL PRICES
(Annual % change)

	2012	2013	2014	Average 2005-2014
Fuels	-1.5	6.0	-5.6	1.5
Gasoline	-5.0	6.9	-12.5	0.6
Gas	2.2	5.0	1.2	0.6
Price of WTI oil, end of period 1/				
US Dollars	88.2	97.8	59.8	
Nuevos soles	226.4	272.5	177.1	

1/ West Texas Intermediate.
Source: INEI and Bloomberg.