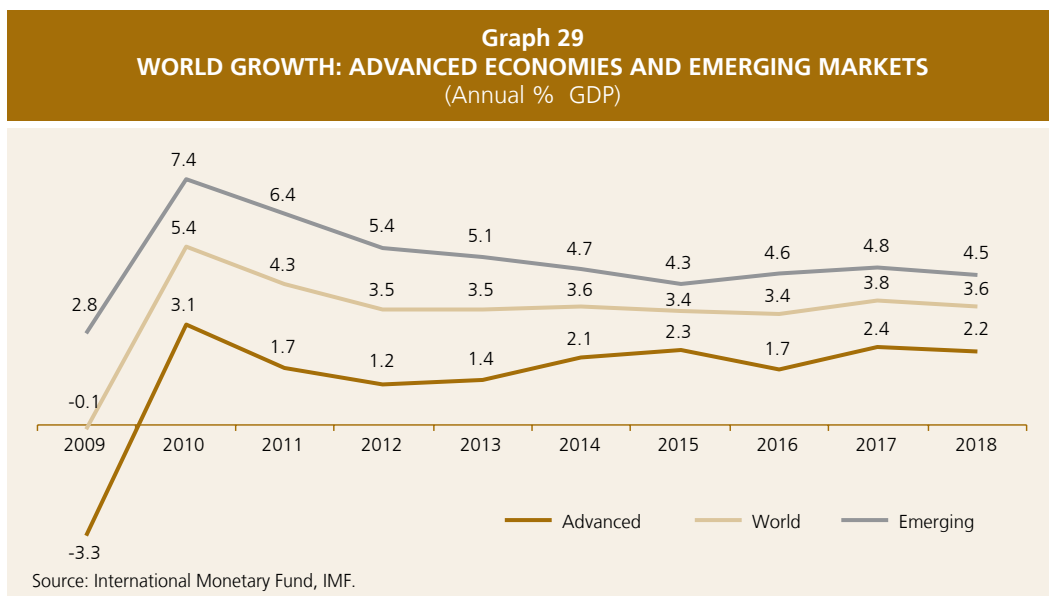


EXTERNAL SECTOR

1. International Environment

In 2018 the pace of growth of global activity slowed down from 3.8 percent in 2017 to 3.6 percent. In contrast with what happened in 2017, when a synchronized recovery was observed in most developed economies and in some emerging economies, growth in the Eurozone, Japan, China, and other emerging economies (e.g. Latin America) registered a slowdown, affected by fears about the impact of increased trade tensions between the United States and its partners, particularly China, as well as by uncertainty regarding the withdrawal of the United Kingdom from the European Union (Brexit). On the other hand, the United States showed a faster pace of growth, driven by a sustained improvement in its labor market and by the tax cuts implemented at the beginning of the year. As a result, its economic growth rate increased from 2.2 percent in 2017 to 2.9 percent in 2018.



Moreover, tighter external financing conditions added onto the slowdown in global economic activity, in line with the rise in the Federal Reserve interest rate given the greater growth of the U.S. economy.

Table 21
GLOBAL GROWTH
(Annual % change)

	PPP % 1/	% Peru's trading 1/	2016	2017	2018	Average 2009-2018
Developed countries	40.8	42.9	1.7	2.4	2.2	1.5
<i>Of which</i>						
1. USA	15.1	20.2	1.6	2.2	2.9	1.8
2. Eurozone	11.4	12.8	2.0	2.4	1.8	0.7
Germany	3.2	2.7	2.2	2.5	1.5	1.3
France	2.2	0.8	1.2	2.2	1.5	0.9
Italy	1.8	1.8	1.1	1.6	0.9	-0.4
Spain	1.4	4.0	3.2	3.0	2.5	0.4
3. Japan	4.1	4.0	0.6	1.9	0.8	0.7
4. United Kingdom	2.2	1.3	1.8	1.8	1.4	1.3
5. Canada	1.4	2.6	1.1	3.0	1.8	1.7
Developing countries	59.2	57.1	4.6	4.8	4.5	5.0
<i>Of which</i>						
1. Developing Asia	33.2	34.9	6.7	6.6	6.4	7.2
China	18.7	27.9	6.7	6.8	6.6	7.9
India	7.8	3.8	8.2	7.2	7.1	7.4
2. Commonwealth of Independent States	4.4	0.5	0.8	2.4	2.8	1.3
Russia	3.1	0.5	0.3	1.6	2.3	0.8
3. Latin America and the Caribbean	7.5	21.6	-0.6	1.2	1.0	1.8
Brazil	2.5	5.4	-3.3	1.1	1.1	1.2
Chile	0.4	3.3	1.7	1.3	4.0	3.0
Colombia	0.6	2.9	2.1	1.4	2.7	3.5
Mexico	1.9	3.0	2.9	2.1	2.0	2.1
Argentina	0.7	1.5	-2.1	2.7	-2.5	0.9
Peru	0.3	-	4.0	2.5	4.0	4.4
World Economy	100.0	100.0	3.4	3.8	3.6	3.4
Memo:						
Trading partners 1/	64.9		3.0	3.7	3.7	3.7

1/ Weights correspond to 2008. World GDP is sized in Purchasing Power Parity by IMF. Peru's 20 main trading partners.
Source: Bloomberg, IMF, and Consensus Forecast.

This slowdown in global activity was accompanied by lower inflationary pressures associated, in part, with the decrease in energy prices, which reflected in turn the drop observed in oil prices.

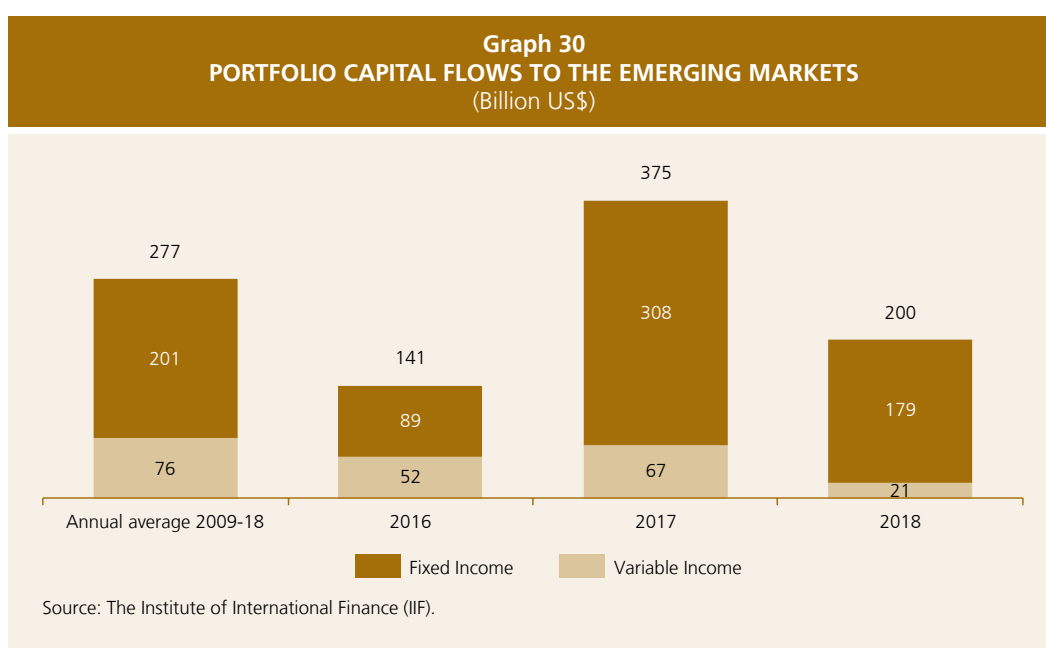
Table 22
INFLATION
(% change last 12 months, end of period)

	2016	2017	2018
Developed countries	1.5	1.7	1.6
<i>Of which</i>			
1. USA	2.1	2.1	1.9
2. Germany	1.7	1.7	1.7
3. Japan	0.3	1.1	0.3
Developing countries	4.6	3.1	3.2
<i>Of which</i>			
1. China	2.0	1.9	1.9
2. India	3.4	5.2	2.1
3. Brazil	6.3	2.9	3.7
World economy	3.4	2.6	2.5

Source: Bloomberg and IMF.

In this context, most stock exchanges reversed the positive trend of the previous year, currencies depreciated against the dollar, and the main prices of commodities, especially the prices of basic metals, experienced a significant correction on the downside. As a result of this, some emerging economies showed a contraction in their level of activity in a context marked by lower capital flows and greater external vulnerability, the cases of Argentina and Turkey being noteworthy.

By the end of the year, lower inflationary pressures and a greater economic slowdown led to a significant reduction in expectations of monetary policy adjustments in the main developed economies. In this context, capital inflows to emerging economies and a depreciation of the dollar were observed in the last months of the year, reversing in part the trend that had been observed in previous months, particularly between April and October.

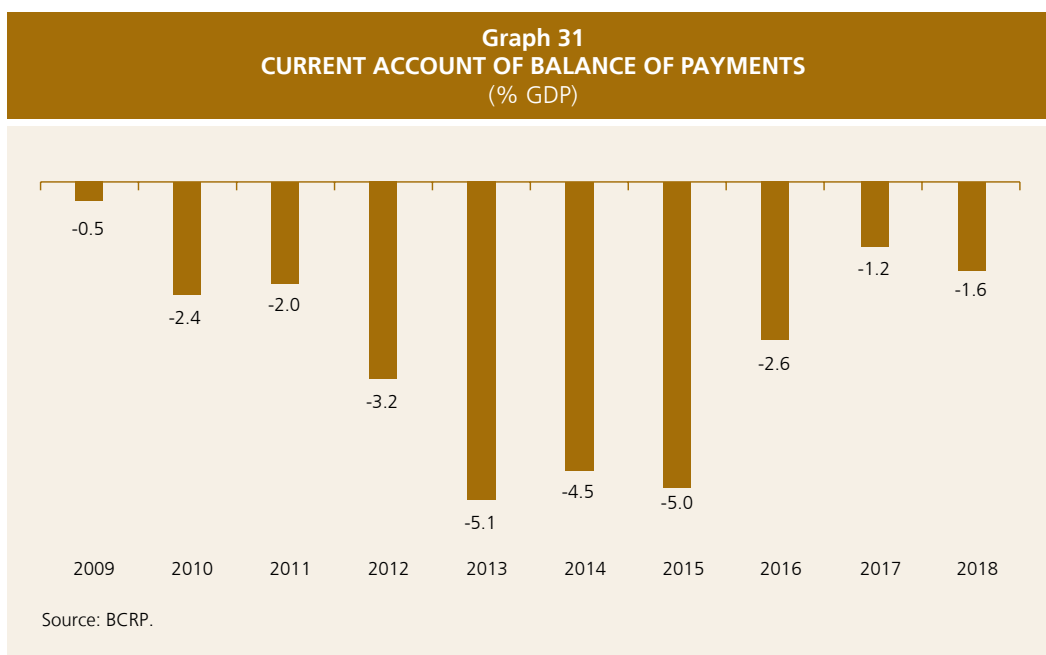


2. Balance of Payments

During 2018, Peru's external accounts reflected the greater dynamism of domestic demand –and the absence of extraordinary revenues received in 2017–, in a context of lower global growth and greater volatility in international financial markets and commodity markets.

In this scenario, the **current account** deficit increased slightly, rising from 1.2 percent of GDP in 2017 to 1.6 percent of GDP in 2018. The trade balance registered its third consecutive year of surpluses, favored by the terms of trade (despite the correction observed since the second half of the year) and the higher volumes of non-traditional exports.

Furthermore, higher outflows of Peruvian travelers abroad and other services (IT, information and financial services) required by various companies, particularly mining companies, were observed on the side of non-financial services. Additionally, no extraordinary income was recorded, in contrast with what happened in 2017 due to insurance payments associated with El Niño Costero event and with the guarantees of the Gasoducto del Sur Peruano project.



The **financial account** had a positive flow of US\$ 1.54 billion, a sum equivalent to 0.7 percent of GDP and to half of the previous year's flow, mainly due to the lower financing operations carried out by the public sector in comparison to those carried out in 2017. Extraordinary income was registered in 2017 from non-resident investors who acquired sovereign bonds issued to finance a debt management operation. In addition, Petroperú and Fondo Mivivienda placed bonds abroad for approximately US\$ 2.60 billion. In contrast, in 2018 non-residents' purchases of sovereign bonds were lower (US\$ 1.82 billion compared to US\$ 4.55 billion in 2017) and the outlay to Petroperú amounted to around US\$ 1.20 billion.

Between 2017 and 2018, the net inflow of long-term capital from the private sector remained at 0.4 percent of GDP, the increased buybacks of bonds issued in previous years standing out.

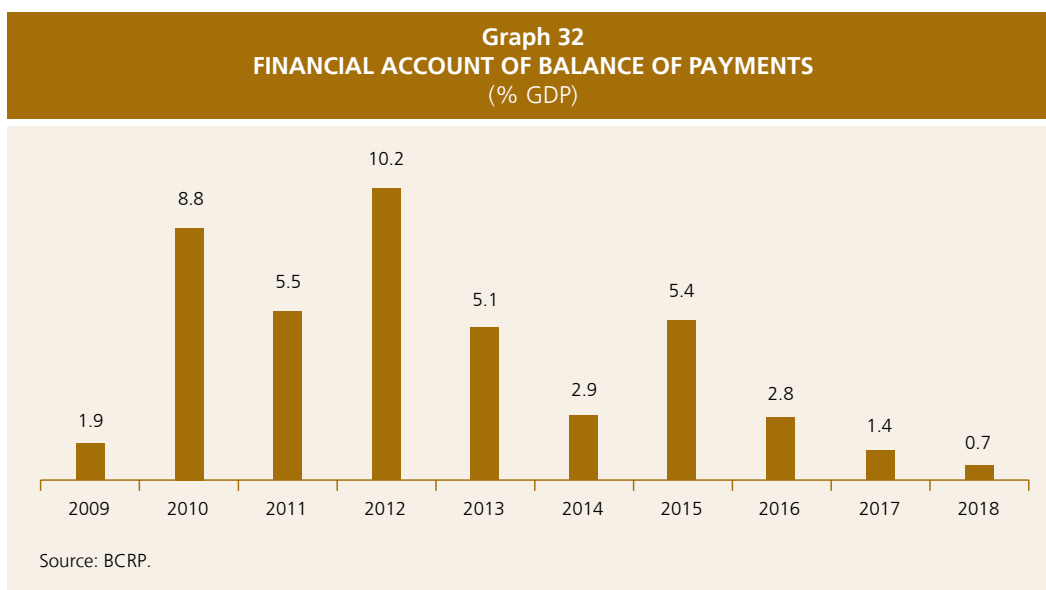


Table 23
BALANCE OF PAYMENTS
(Million US\$)

	Million US\$			% GDP	
	2016	2017	2018	2017	2018
I. CURRENT ACCOUNT BALANCE	-5,064	-2,669	-3,594	-1.2	-1.6
1. Trade Balance	1,953	6,700	7,197	3.1	3.2
a. FOB Exports	37,082	45,422	49,066	21.2	21.8
b. FOB Imports	-35,128	-38,722	-41,870	-18.1	-18.6
2. Services	-2,002	-1,434	-2,532	-0.7	-1.1
a. Exports	6,353	7,394	7,365	3.4	3.3
b. Imports	-8,355	-8,828	-9,897	-4.1	-4.4
3. Investment Income	-8,982	-11,523	-11,814	-5.4	-5.2
a. Private	-8,120	-10,571	-10,694	-4.9	-4.7
b. Public	-862	-953	-1,120	-0.4	-0.5
4. Current transfers	3,967	3,589	3,556	1.7	1.6
Of which: Remittances	2,884	3,051	3,225	1.4	1.4
II. FINANCIAL ACCOUNT	5,533	2,982	1,537	1.4	0.7
1. Private sector	2,175	884	917	0.4	0.4
a. Assets	-2,304	-3,564	-3,558	-1.7	-1.6
b. Liabilities	4,479	4,448	4,476	2.1	2.0
2. Public sector	2,650	3,249	2,122	1.5	0.9
a. Assets	-189	601	-201	0.3	-0.1
b. Liabilities 1/	2,839	2,648	2,323	1.2	1.0
3. Short-term capital	708	-1,152	-1,503	-0.5	-0.7
a. Assets	208	-1,876	-2,323	-0.9	-1.0
b. Liabilities	500	724	820	0.3	0.4
III. EXCEPTIONAL FINANCING	-300	1,316	-1,573	0.6	-0.7
IV. BALANCE OF PAYMENT RESULT (IV = I + II + III) = (1-2)	168	1,629	-3,629	0.8	-1.6
1. Change in the balance of NIRs	201	1,936	-3,500	0.9	-1.6
2. Valuation effect	32	307	130	0.1	0.1

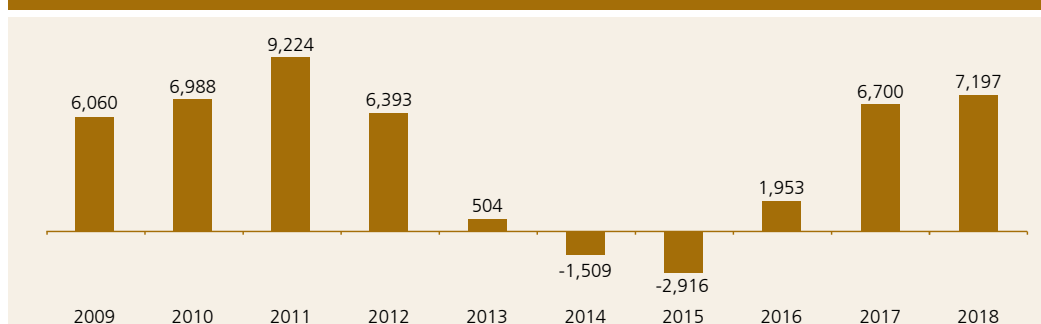
1/ Government bonds issued abroad and held by residents are excluded from the external liabilities of the public sector, and government bonds issued in the domestic market and held by non-residents are included in the external liabilities of the public sector.

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

2.1 Trade Balance

The surplus in the trade balance rose for the third consecutive year, increasing from US\$ 6.70 billion in 2017 to US\$ 7.20 billion in 2018. The prices of exports and imports increased by 6.3 and 6.5 percent, respectively, despite the downward correction registered in commodity markets in the second half of the year, while the volumes of both exports and imports grew at similar rates (1.6 percent). As a result, the surplus recorded in 2018 was the second highest surplus observed in this decade.

Graph 33
TRADE BALANCE
(Million US\$)



Source: BCRP and SUNAT.

China and the United States continued to be Peru's two major trading partners, the transactions with these countries representing 43.7 percent of the total trade carried out in 2018 (41.5 percent in 2017).

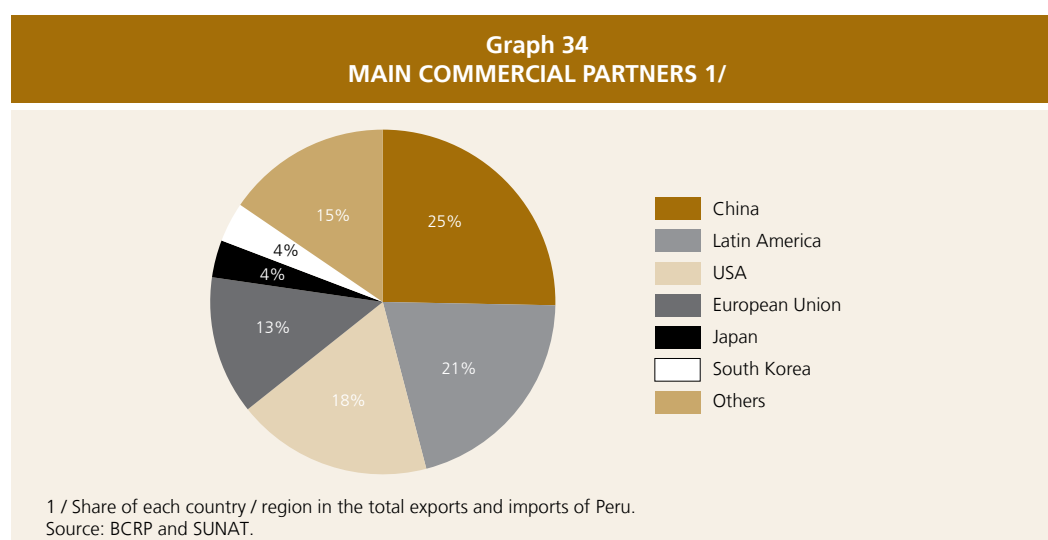


Table 24
TRADE BY MAIN COUNTRIES AND REGIONS 1/
(Million US\$)

	Exports 2/			Imports 3/			X + M		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
China	8,487	11,627	13,238	7,880	8,576	9,775	16,367	20,203	23,013
USA	6,233	6,985	7,939	6,741	7,697	8,757	12,974	14,682	16,696
Brazil	1,205	1,597	1,720	2,034	2,347	2,304	3,239	3,945	4,023
Mexico	465	418	440	1,647	1,729	1,899	2,112	2,146	2,339
Ecuador	652	814	858	1,067	1,545	1,889	1,719	2,358	2,748
Colombia	711	674	761	1,143	1,447	1,549	1,855	2,120	2,309
Chile	1,010	1,044	1,227	1,155	1,328	1,457	2,166	2,372	2,684
Germany	891	935	1,126	1,080	1,031	1,057	1,970	1,967	2,183
Japan	1,264	1,881	2,178	982	985	1,011	2,245	2,866	3,188
South Korea	1,393	2,153	2,462	1,212	974	928	2,605	3,127	3,390
Spain	1,220	1,854	1,804	612	1,012	906	1,832	2,866	2,711
Canada	1,686	1,201	923	623	652	652	2,309	1,853	1,576
Bolivia	1,337	1,668	1,837	385	365	428	1,723	2,033	2,265
Switzerland	2,572	2,349	2,086	151	141	140	2,723	2,491	2,227
Rest	7,956	10,222	10,467	8,420	8,892	9,118	16,376	19,114	19,585
TOTAL	37,082	45,422	49,066	35,128	38,722	41,870	72,210	84,144	90,936
China	8,487	11,627	13,238	7,880	8,576	9,775	16,367	20,203	23,013
Latin America	6,432	7,643	7,655	8,783	10,409	11,107	15,215	18,052	18,762
USA	6,233	6,985	7,939	6,741	7,697	8,757	12,974	14,682	16,696
Asia (less China)	5,047	7,946	8,736	5,297	5,118	5,242	10,343	13,065	13,978
European Union	5,577	6,530	7,249	4,176	4,719	4,572	9,753	11,249	11,821
Others	5,306	4,691	4,249	2,251	2,202	2,418	7,557	6,893	6,667

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 repairs of domestic ships and aircrafts abroad.
Source: SUNAT.

Exports

Exports in 2018 totaled US\$ 49.07 billion, a balance US\$ 3.65 billion higher than that recorded in the previous year. This improvement is explained, on the one hand, by the higher average prices obtained during the year by our traditional exports (7.8 percent) and, on the other, by the higher volumes of non-traditional exports (11.0 percent), especially agricultural, fishing, and chemical products.

Classification of Exports by Groups of Economic Activity

Peru's exports of agricultural products amounted to US\$ 5.91 billion in 2018, while fishing exports totaled US\$ 3.30 billion, mining and hydrocarbons exports amounted to US\$ 33.85 billion, and manufacturing exports amounted to US\$ 6.01 billion.

Exports of canned fruits, legumes, and vegetables (US\$ 837 million), grapes (US\$ 820 million), avocados (US\$ 723 million), and coffee (US\$ 682 million) stand out in the group of agricultural products, while exports of fishmeal (US\$ 1.56 billion), squid (US\$ 640 million), and fish oil (US\$ 375 million) stand out in the group of fishing exports. In addition, exports of copper (US\$ 14.94 billion), gold (US\$ 8.26 billion), and crude oil and oil derivatives (US\$ 2.30 billion) were noteworthy in the sector of mining and hydrocarbons, and exports of paper products, chemicals, and textiles, which amounted to US\$ 3.18 billion, stand out in the group of non-primary manufacturing exports.

Table 25
EXPORTS BY GROUP OF ECONOMIC ACTIVITY
(Million US\$)

Sector	2016	2017	2018	Part. % 2018	% chg. 2018/2017
1. Agricultural	4,958	5,251	5,907	12.0	12.5
Fruit, legumes, and canned vegetables	735	754	837	1.7	11.0
Grapes	660	648	820	1.7	26.4
Avocados	397	588	723	1.5	23.0
Coffee	763	714	682	1.4	-4.4
Blueberries	241	372	548	1.1	47.4
Fresh asparagus	422	410	384	0.8	-6.3
Cereals, leguminous, and oil seed	253	261	285	0.6	9.1
Mangos	199	192	258	0.5	34.8
Others	1,287	1,312	1,369	2.8	4.4
2. Fishing	2,196	2,865	3,296	6.7	15.0
Fishmeal	999	1,459	1,564	3.2	7.2
Giant Squid	341	413	640	1.3	55.1
Fish oil	270	330	375	0.8	13.6
Canned or frozen products	206	237	233	0.5	-1.7
Prawns	125	165	146	0.3	-11.8
Others	254	262	339	0.7	29.4
3. Mining	22,670	28,437	29,814	60.8	4.8
Copper	10,171	13,845	14,939	30.4	7.9
Gold	7,426	8,270	8,259	16.8	-0.1
Zinc	1,469	2,399	2,574	5.2	7.3
Lead	1,658	1,726	1,545	3.1	-10.5
Molybdenum	273	368	612	1.2	66.5
Iron	344	434	484	1.0	11.5
Zinc products	284	403	422	0.9	4.7
Tin	344	370	352	0.7	-5.1
Calcium phosphates	300	207	231	0.5	11.8
Silver refined	120	118	123	0.3	3.9
Rest	283	296	273	0.6	-7.9
4. Hydrocarbons	2,217	3,369	4,039	8.2	19.9
Oil and oil products	1,693	2,597	2,997	6.1	15.4
Natural gas	523	772	1,042	2.1	34.9
5. Manufacturing	5,042	5,499	6,011	12.3	9.3
Papel and chemicals	1,537	1,607	1,777	3.6	10.6
Textiles	1,196	1,272	1,402	2.9	10.2
Copper products	277	335	355	0.7	5.9
Prepared animal food	182	244	253	0.5	3.9
Milling and Bakery	189	190	196	0.4	3.4
Iron products	139	151	181	0.4	19.7
Jewelry	94	123	129	0.3	5.4
Dairy products	103	106	121	0.2	14.7
Tile floors	0	101	113	0.2	11.1
Manufacturing and metals	88	105	97	0.2	-7.6
Glasses and glass products	115	119	91	0.2	-23.3
Rest	1,121	1,146	1,295	2.6	13.0
Total	37,082	45,422	49,066	100.0	8.0

Source: BCRP and SUNAT.

Traditional Exports

Traditional exports amounted to US\$ 35.64 billion, a sum 6.2 percent higher than in 2017 (US\$ 33.57 billion), due mainly to the higher prices of these products which increased by 7.8 percent on average during the year. On the other hand, the volume of these exports fell 1.5 percent as a result of the occurrence of critical events in some companies that temporarily affected the production of copper, gold, gas, and natural gas liquids.

Table 26 EXPORTS (Million US\$)						
	2016	2017	2018	% change		
				2016	2017	2018
1. Traditional exports	26,183	33,566	35,638	11.7	28.2	6.2
Fishing	1,269	1,789	1,938	-12.9	40.9	8.4
Agricultural	878	827	762	21.5	-5.8	-7.8
Mining	21,819	27,582	28,899	15.1	26.4	4.8
Oil and natural gas	2,217	3,369	4,039	-3.7	52.0	19.9
2. Non-Traditional exports	10,798	11,725	13,240	-0.9	8.6	12.9
Agricultural products	4,702	5,146	5,913	6.7	9.4	14.9
Fishing products	910	1,046	1,329	-2.4	14.9	27.0
Textiles	1,196	1,272	1,402	-10.2	6.4	10.2
Wood and paper	322	344	339	-8.7	6.7	-1.4
Chemicals	1,344	1,385	1,562	-4.4	3.0	12.8
Non-metallic minerals	642	588	629	-8.1	-8.5	7.1
Iron & steel, and jewelry	1,085	1,273	1,325	0.4	17.2	4.1
Metal mechanic products	450	520	591	-15.6	15.6	13.5
Others 1/	146	152	150	-3.2	4.0	-1.1
3. Others 2/	101	130	189	14.8	29.8	44.6
4. TOTAL	37,082	45,422	49,066	7.8	22.5	8.0

1/ Includes furs, leather, and handicrafts, mainly.
2/ Comprise oil and food sold to foreign aircrafts and reparations of capital goods.
Source: BCRP and SUNAT.

Table 27 EXPORTS (% change)						
	Volume			Price		
	2016	2017	2018	2016	2017	2018
Traditional exports	16.6	8.8	-1.5	-4.2	17.8	7.8
<i>Of which:</i>						
Fishmeal	-4.7	64.9	1.0	-9.5	-11.4	6.1
Coffe	44.5	-1.2	4.4	-14.0	-5.3	-8.5
Copper	43.4	5.0	1.1	-13.2	29.6	6.8
Gold	3.6	10.8	-1.1	7.8	0.5	1.0
Zinc	-5.7	10.6	-2.5	3.3	47.6	10.0
Crude oil	16.5	24.5	-14.2	-17.3	23.7	29.6
Natural gas	24.6	-5.6	-12.2	-6.4	56.3	53.6
Non-Traditional exports	0.4	5.8	11.0	-1.3	2.7	1.8
<i>Of which:</i>						
Agricultural	7.6	10.3	18.4	-0.9	-0.8	-3.0
Textiles	-7.8	4.1	2.9	-2.6	2.2	7.1
Fishing	-17.1	1.6	15.2	17.7	13.0	10.2
Chemicals	1.3	2.0	8.1	-5.6	1.1	4.4
Iron & steel, and jewelry	7.2	-4.1	-0.9	-6.3	22.3	5.1
TOTAL	11.3	8.0	1.6	-3.2	13.4	6.3

Source: BCRP and SUNAT.

Mining exports registered a new historical record reaching a total of US\$ 28.90 billion, a figure 4.8 percent higher than the one recorded in 2017. It is worth highlighting that the price of zinc exports increased 10.0 percent, while the price of copper exports increased 6.8 percent. Furthermore, in terms of volume, copper exports reached 2,488 thousand metric tons, gold exports totaled 6,513 thousand ounces, and zinc exports reached 1,208 thousand metric tons. With these results, Peru continues to have a leading position in global mining production, especially in the case of copper and zinc.

Table 28
MINING PRODUCTION 2018

Product	World ranking
Copper	2
Silver	2
Zinc	2
Lead	3
Molybdenum	4
Tin	6
Gold	6

Source: Mineral Commodity Summaries 2019 - US Geological Survey.

Sales of crude oil and natural gas to other countries amounted to US\$ 4.04 billion, which represents an increase of 19.9 percent compared to 2017. This result reflects the higher prices of exports of crude oil and oil derivatives (34.4 and 29.6 percent, respectively) and natural gas (53.6 percent).

The value of fishing exports in 2018 amounted to US\$ 1.94 billion, a sum 8.4 percent higher than in the previous year, mainly as a result of the higher average prices of fishmeal exports.

Non-Traditional Exports

Non-traditional exports amounted to US\$ 13.24 billion, a sum 12.9 percent higher than in 2017, the increased volume of these exports (11.0 percent) being noteworthy. This generalized improvement was observed both in terms of sectors and in terms of the different destination markets, with exports of agricultural and fishing products showing the greater dynamism (18.4 and 15.2 percent, respectively).

The main markets of destination of our non-traditional products were the United States, with US\$ 3.66 billion, followed by the Netherlands and Ecuador, with US\$ 1.10 billion and US\$ 768 million, respectively. By economic blocs, exports to Asian countries increased 20.3 percent in a context marked by China's higher demand. Exports of agricultural products also increased, especially exports of farming products to the United States and the Netherlands. Moreover, exports of fishing products to Spain and the United States increased as well, these markets accounting for 19.0 and 18.3 percent of Peru's total exports of fishing products.

The most important exports to the United States continued to be exports of agricultural products and textiles, which represented 70 percent of total non-traditional exports to the US market in 2018. Top sellers included fresh grapes (US\$ 304 million), blueberries (US\$ 282 million), knit T-shirts (US\$ 284 million), fresh asparagus (US\$ 232 million), fresh avocados (US\$ 176 million), and canned artichokes (US\$ 66 million).

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

	2016	2017	2018	% chg. 2018/2017
USA	3,087	3,364	3,662	8.8
Netherlands	820	885	1,101	24.4
Ecuador	581	712	768	8.0
Chile	622	653	743	13.8
Spain	539	590	708	19.9
Colombia	606	589	658	11.7
Bolivia	515	551	567	2.9
China	264	403	471	16.9
United Kingdom	312	337	408	21.0
Brazil	359	357	399	11.9
Mexico	240	264	304	15.3
Germany	225	227	281	23.5
Italy	151	183	223	22.1
France	186	179	180	0.7
Venezuela	77	46	25	-44.8
Rest	2,216	2,387	2,743	14.9
Total	10,798	11,725	13,240	12.9
Memo:				
Latin America	3,462	3,659	3,991	9.1
USA	3,087	3,364	3,662	8.8
European Union	2,549	2,732	3,318	21.4
Asia (less China)	735	814	993	21.9
China	264	403	471	16.9
Others	701	753	805	6.9

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

Exports of **agricultural products** totaled US\$ 5.91 billion, with shipments of fresh grapes, fresh avocados, blueberries, and asparagus standing out. Greater dynamism was observed in the demand of different countries of destination of Peru's export products, including the United States, the Netherlands, Spain, and the United Kingdom.

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

Most popular products	2009	2018	Average % chg. 2009-2018
Fresh grapes	136	820	25.7
Fresh avocados	68	723	25.8
Blueberries	0	548	n.a.
Fresh asparagus	251	384	5.3
Fresh mangoes	70	258	15.1
Shrimp and prawn feed	58	234	15.7
Fresh tangerines	24	169	21.3
Organic bananas	51	167	13.9
Cocoa	20	139	22.8
Quinoa	7	125	37.8
Canned artichokes	75	110	2.8
Evaporated milk	59	105	1.6
Asparagus prepared	114	97	-6.3
Fresh onions	28	74	13.3
Paprika	91	65	-6.4
Subtotal	1,051	4,018	13.8
Total	1,828	5,913	11.9

Source: BCRP and SUNAT.

In addition to the best-known agricultural exports (grapes, avocados, asparagus, mangoes, etc.), other products have been showing outstanding growth in recent years, although the amounts exported still remain moderate. The following table shows the products whose export was less than US\$ 1 million in 2014 and which have shown significant growth rates between 2015 and 2018. These

exports, which could be classified as “new”, have grown more than 90 percent on average in annual terms between 2015 and 2018, with exports of the following products standing out: cocoa products, e.g. butter and roasted cocoa; fresh products, e.g. strawberries, grapefruit, and watermelons; and preserved fruits, e.g. tangerines and canned peaches.

Table 31			
EXPORTS OF AGRICULTURAL PRODUCTS WITH HIGH GROWTH 1/			
(Thousand US\$)			
Products with export value less than US\$ 1 million in 2014	2014	2018	Average % chg. 2015-2018
Cocoa butter with high acidity	120	20,796	262.9
Cocoa roasted	953	20,160	114.5
Cocoa butter with Low acidity	794	15,932	111.6
Seed of Sacha Inchi	545	12,898	120.6
Canned and prepared tangerines	0	9,437	-.-
Palm almond oil	189	5,357	130.8
Dried figs	319	5,019	99.2
Peach in fruit juice	32	3,987	235.0
Other wine (grape distillates)	33	3,960	230.8
Andean legume	996	3,788	39.7
Watermelons	978	3,592	38.4
Dehydrated mushrooms	160	2,180	92.0
Peanuts without peel	247	1,821	64.7
Pepper without crushing or pulverizing	1	1,526	476.1
Grapefruit	799	1,491	16.9
Strawberries	508	1,451	30.0
Fresh cheese	57	1,430	123.9
Dried bananas	102	1,302	88.8
Frozen beans and beans	105	1,050	77.8
Rest	3,151	19,734	58.2
Total	10,089	136,912	91.9

1/ Those products with an average annual change greater than 10 percent were selected.
Source: BCRP and SUNAT.

Moreover, the table below shows the products whose export amount was between US\$ 1 million and US\$ 5 million in 2014, and which have increased significantly in recent years. In 2015-2018, the exports of products such as fresh garlic, canned quinoa, cocoa paste, peppers, *Criollo* and Tahiti lemons, fresh fruits (oranges, *granadillas*, pomegranates, and passion fruits) have grown, on average, 25 percent per year.

Table 32			
EXPORTS OF AGRICULTURAL PRODUCTS WITH HIGH GROWTH 1/			
(Thousand US\$)			
Products with exported value between US\$ 1 million and US\$ 5 million in 2014	2014	2018	Average % chg. 2015-2018
Fresh garlic	1,269	14,235	83.0
Other products based on cereals (eg. canned quinoa)	2,270	10,087	45.2
Amaryllis bulbs	4,747	8,701	16.4
Other beans (eg caballero and panamito)	2,405	7,739	33.9
Sweet maize	4,965	7,379	10.4
Fresh oranges	3,810	7,240	17.4
Prepared or canned Palmitos	4,194	6,534	11.7
Lemon Tahiti	2,237	5,918	27.5
Other nuts (eg dehydrated aguaymanto)	1,377	5,547	41.7
Cocoa paste without defatting	1,551	4,453	30.2
Sowing maize	2,094	4,070	18.1
Lemon criollo	2,109	3,540	13.8
Turmeric	1,496	3,227	21.2
Grains maize	1,967	3,009	11.2
Other flours (eg camu camu flour)	1,878	2,911	11.6
Prepared or canned potatoes	1,358	2,761	19.4
Granadilla, passion fruit, pomegranate and other fruits of passion	1,751	2,714	11.6
Frozen beans	1,190	2,529	20.7
Fruits of Capsicum or Pimenta	1,025	2,164	20.6
Rest	13,394	35,250	27.4
Total	57,087	140,010	25.1

1/ Products with an average annual change greater than 10 percent were selected.
Source: BCRP and SUNAT.



At the block level, the main destinations of our products were the European Union (avocados, asparagus, mangos, grapes, blackberries, organic bananas and cocoa), North America (grapes, asparagus, blackberries, avocados, and tangerines), and the Andean countries (food for shrimps, avocados, noodles, biscuits, and palm oil).

In the last ten years, exports of agricultural products have grown at an average annual rate of 11.9 percent. Thus, the value exported in 2018 was more than three times the value of exports in 2009.

Exports of **fishing products** totaled US\$ 1.33 billion, a sum 27.0 percent higher than that recorded in 2017, which reflected increased exports of frozen and canned squid and prawn tails. In terms of volume, fishing exports have grown 15.2 percent, while in terms of average prices, they have grown 10.2 percent. Moreover, the main markets of destination for these products were Spain, the United States, South Korea, and China. It should be pointed out that exports of fishing products to South Korea have grown 75.4 percent in the last period. Finally, it is also worth mentioning that fishing exports have grown at an average annual rate of 7.9 percent over the past ten years.

Textile exports amounted to US\$ 1.40 billion, a sum 10.2 percent higher than in the previous year. The volume and price of these exports increased by 2.9 and 7.1 percent, respectively. The U.S. market was the destination of nearly half of the textile exports, the increase observed in shipments to Brazil and Italy being also worth pointing out (23.2 and 32.7 percent, respectively).

Exports of **chemical products** totaled US\$ 1.56 billion in 2018, 12.8 percent more than in 2017. Higher market prices for these products were observed in the year (up 4.4 percent), together with higher volumes (up 8.1 percent). The main markets of destination for Peru's exports of chemical products were Chile, Ecuador, Bolivia, and Colombia, which together with the United States accounted for 55.0 percent of total exports of chemical products.

Imports

Imports amounted to US\$ 41.87 billion, a figure US\$ 3.15 billion higher than in 2017, the increase in the value of imported inputs (14.6 percent) standing out as a result of the higher international prices of crude. It is worth highlighting that the volume of imports increased by 1.6 percent, with the increase seen in imports of non-durable consumer goods and industrial inputs being noteworthy. These results reflect the recovery of private consumption and the dynamism of non-primary manufacturing, respectively.

In contrast, excluding imports of construction materials, the volume of imports of capital goods decreased (0.5 percent), although at a lower rate than in the previous year (1.6 percent).

In 2018, the average price of imports increased 6.5 percent compared to the previous year. The higher prices of some inputs, such as crude oil and oil derivatives (27.6 percent), iron and steel (17.9 percent), and plastics (12.7 percent) standing out in terms of products.

Table 33
FOB IMPORTS BY USE OR DESTINATION

	Million US\$			% change		
	2016	2017	2018	2016	2017	2018
1. CONSUMER GOODS	8,608	9,339	9,591	-1.7	8.5	2.7
Non-durable goods	4,635	5,156	5,305	-2.0	11.2	2.9
Main food products	480	676	518	1.5	40.7	-23.3
Rest	4,154	4,480	4,786	-2.4	7.8	6.8
Durable goods	3,973	4,183	4,286	-1.2	5.3	2.5
2. INPUTS	15,022	17,902	20,516	-5.6	19.2	14.6
Fuel, oils, and related	3,820	5,390	6,593	4.1	41.1	22.3
Raw materials for agriculture	1,214	1,469	1,459	-1.9	21.0	-0.7
Raw materials for industry	9,989	11,044	12,463	-9.2	10.6	12.9
3. CAPITAL GOODS	11,232	11,316	11,641	-6.4	0.8	2.9
Construction materials	1,112	1,061	1,193	-21.7	-4.6	12.4
For agriculture	144	143	150	-10.1	-1.1	4.9
For industry	7,391	7,399	7,373	-5.7	0.1	-0.3
Transportation equipment	2,584	2,714	2,926	0.2	5.0	7.8
4. OTHERS GOODS	267	164	123	-59.8	-38.5	-25.2
5. TOTAL IMPORTS	35,128	38,722	41,870	-5.9	10.2	8.1
Memo:						
Main food products	2,166	2,553	2,542	-3.1	17.9	-0.4
Wheat	391	479	489	-19.6	22.5	2.2
Maize and/or sorghum	524	553	600	7.9	5.6	8.5
Rice	152	211	144	13.7	39.1	-31.7
Sugar	163	258	113	15.8	57.8	-56.2
Dairy products	108	141	186	-13.6	31.1	32.0
Soybean	771	845	935	-2.5	9.6	10.6
Meat	58	66	75	-22.3	14.5	13.4

Memo: Classification used in CUODE.

Source: SUNAT, Tacna Free Trade Zone, and Banco de la Nación.

Table 34
IMPORTS
(% change)

	Volume			Price		
	2016	2017	2018	2016	2017	2018
CONSUMER GOODS	-3.3	5.1	0.9	1.6	3.2	1.7
Non-durable goods	-3.4	7.5	1.7	1.4	3.5	1.2
Durable goods	-3.1	2.3	0.0	1.9	3.0	2.4
INPUTS	3.9	9.8	2.8	-9.2	8.5	11.5
Main food products	3.7	12.2	4.6	-7.8	-0.7	3.1
Fuel, oils, and related	22.2	14.3	-7.4	-18.2	21.7	27.6
Raw materials for industry	-1.4	7.5	7.9	-6.4	5.3	5.8
<i>Of which</i>						
Plastics	3.2	0.3	7.8	-14.8	7.2	12.7
Iron and steel	13.0	-10.3	17.6	-19.3	25.9	17.9
Textiles	-0.1	5.2	4.4	-5.9	2.9	6.8
Paper	5.1	-3.8	14.6	-8.0	-1.4	10.3
Chemical products	18.9	5.5	-0.1	-13.2	1.4	-2.0
Organic chemicals	6.2	2.9	5.9	-11.9	7.9	6.3
Rest	-8.6	15.5	7.6	-0.5	2.9	3.0
CAPITAL GOODS	-8.1	-2.1	0.4	1.9	3.0	2.4
Construction materials	-23.2	-7.4	9.8	1.9	3.0	2.4
Rest 1/	-6.1	-1.6	-0.5	1.9	3.0	2.4
Total	-3.0	4.5	1.6	-3.0	5.4	6.5

1/ Capital goods without construction materials.

Source: BCRP and SUNAT.

In 2018, the value of imports of **consumer goods** was US\$ 9.59 billion, US\$ 251 million higher than in 2017, as a result of which the pace of growth of these imports declined from 8.5 percent to 2.7 percent between these two years. Imports of durable consumer goods grew 2.5 percent, with imports of television sets, games and slots, and articles made of plastic standing out, in contrast with the decline observed in automobile acquisitions (12.5 percent). On the other hand, the increase in imports of non-durable consumer goods (2.9 percent) was associated with purchases of garments, medicines for human use, and footwear, in line with the recovery of private consumption.

On the other hand, imports of **inputs** amounted to US\$ 20.52 billion in 2018, which represented an increase of US\$ 2.61 billion compared to 2017. This increase is explained mostly by the higher prices associated with the prices of crude oil and oil derivatives (27.6 percent). Moreover, in terms of volume, the increase in imports of **industrial inputs** stands out (7.9 percent) in the year due to the higher imports of iron and steel and paper and plastics observed, which reflected the recovery of non-primary manufacturing activity.

The value of imports of **capital goods** grew 2.9 percent due mainly to increased purchases of transport equipment, which amounted to US\$ 2.93 billion and represented an increase of 7.8 percent, in line with the evolution of mining investment in the year. In addition, imports of construction materials grew 9.8 percent, in line with the development of both public and private real estate and infrastructure projects.

2.2 Terms of Trade

The increase in trade tensions between the United States and its trading partners since March, together with the appreciation of the dollar and fears of a global economic slowdown affected the upward trend that the prices of our main commodities had been showing over the last two years. As a result, in 2018 the terms of trade showed a slight drop of 0.2 percent.

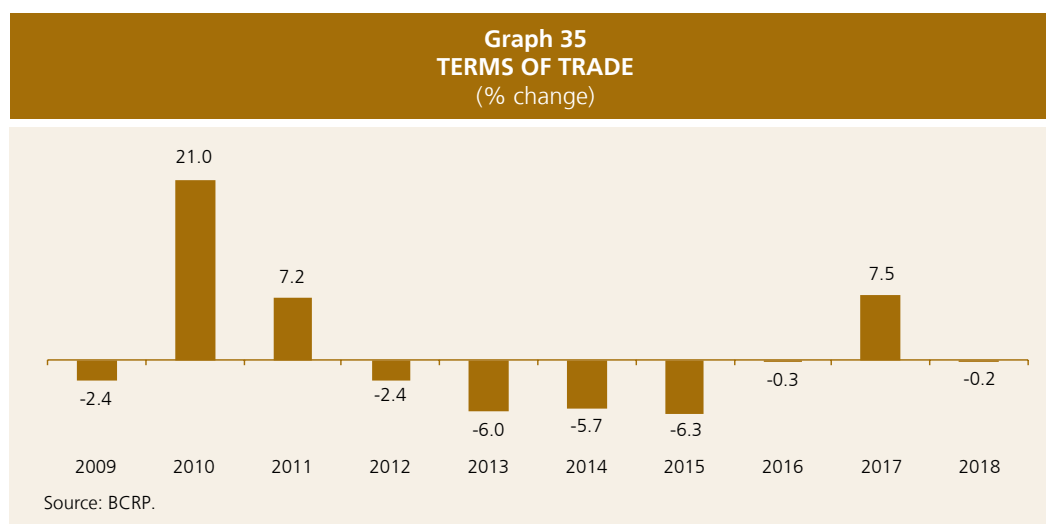
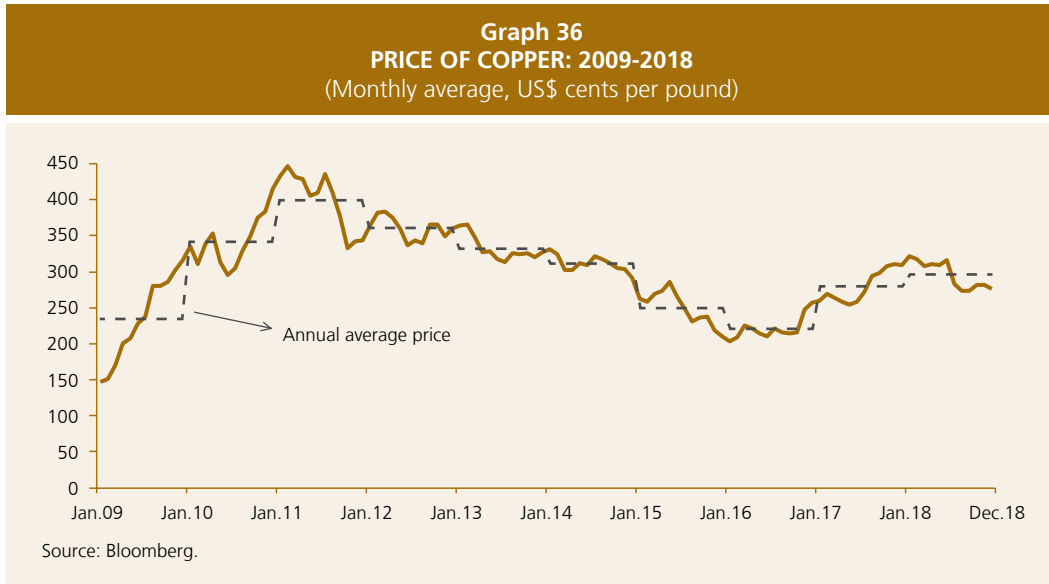


Table 35
TERMS OF TRADE
(Annual % change)

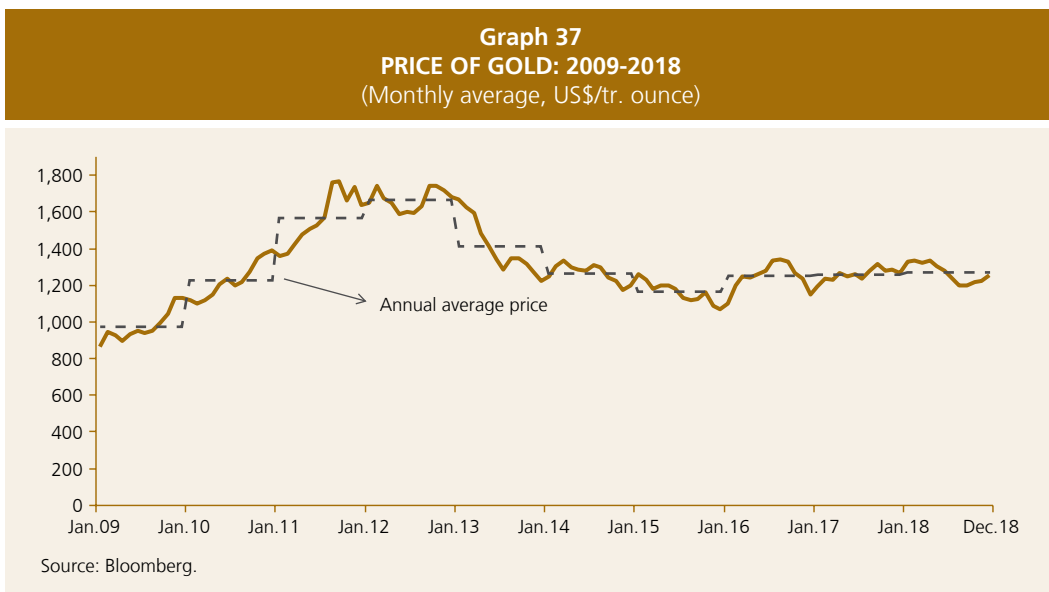
Years	Price of exports	Price of imports	Terms of trade
2016	-3.2	-3.0	-0.3
2017	13.4	5.4	7.5
2018	6.3	6.5	-0.2

Source: BCRP.

The average price of **copper** increased by 6 percent in 2018 (from US\$ 2.80 to US\$ 2.96 a pound). The pound of copper reached a maximum level of US\$ 3.21 in January, but was affected thereafter by the worsening of trade tensions and fears of a slowdown. In December, it registered US\$ 2.76, which represented a reduction of 11 percent. It should be pointed out that there was also a settlement of non-commercial positions that, for the first time since December 2016, registered a net sale position.

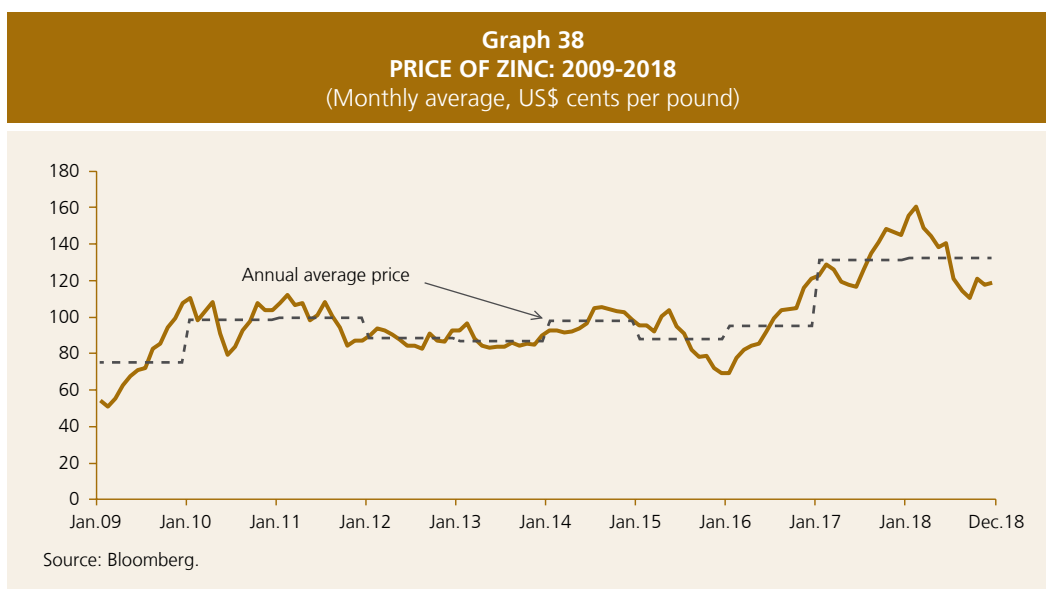


The average price of **gold** increased 1.0 percent, bringing its average price to US\$ 1,269 per troy ounce in 2018. The price of this precious metal was affected by an external scenario marked by greater risk aversion, but at the same time by higher expectations of a rise in the Fed interest rate, which offset the upward pressures of this metal. As a result, the price of gold at December 2018 was 1 percent lower than in December 2017.

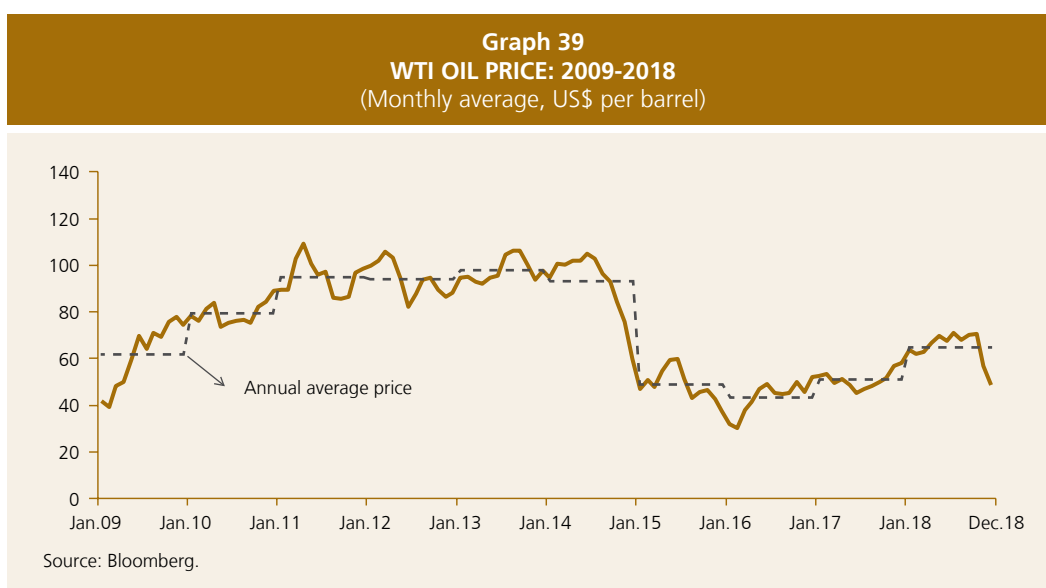


The average price of **zinc** increased 1.2 percent in 2018 (from US\$ 1,312 to US\$ 1,327 a pound) and showed similar levels to those recorded in mid-2017 (US\$ 1,190 per pound) at the end of

the year. The higher prices observed at the beginning of 2018 were due, in part, to China's lower production of refined zinc. Then, as in the case of copper, the price of zinc was negatively affected by lower global demand, the commercial tensions between the US and China, and by the monetary policy of the Fed. Subsequently, the price recovery seen in recent months was associated with signs of a tighter global market. Supply constraints (environmental regulations) also offset the price fall.



The average price of **WTI oil** increased 27 percent in 2018, as a result of which its average price reached US\$ 65 per barrel in the year. In the first 10 months, it showed an upward trend associated with growing demand and supply constraints due to the fulfillment of the OPEC's agreement and the lower production of some countries (Venezuela and Iran). However, in the last two months of the year, the price of oil registered a sharp reduction due to the global slowdown, to higher production in the USA, Russia, and some OPEC countries not subject to quota restrictions (Libya). Thus, after reaching a maximum price of US\$ 71 the barrel (in July and October), the price of oil closed the year at US\$ 48 the barrel, which represents a reduction of 16 percent compared to the price recorded in December 2017.



2.3 Services

The trade deficit in services amounted to US\$ 2.53 billion, a figure US\$ 1.10 billion higher than in 2017. Three reasons explain this increase in the deficit. First of all, no extraordinary income was paid by international insurance in the year due to coverage for El Niño Costero (approximately US\$ 350 million). Second, there was a greater outflow due to increased travel abroad and, finally, there was a greater demand for IT and information services as well as for financial services.

Table 36					
SERVICES					
(Million US\$)					
	Million US\$			% change	
	2016	2017	2018	2017	2018
I. TRANSPORTATION	-1,240	-1,280	-1,300		
1. Credit	1,335	1,483	1,611	11.1	8.6
2. Debit	-2,575	-2,763	-2,911	7.3	5.4
II. TRAVEL	1,444	1,496	1,278		
1. Credit	3,486	3,710	3,947	6.4	6.4
2. Debit	-2,042	-2,214	-2,669	8.5	20.5
III. COMMUNICATIONS	-249	-225	-209		
1. Credit	92	103	110	12.4	6.4
2. Debit	-341	-328	-319	-3.9	-2.8
IV. INSURANCE AND REINSURANCE	-406	210	-371		
1. Credit	568	1,201	681	111.4	-43.3
2. Debit	-975	-991	-1,052	1.7	6.1
V. OTHERS 1/	-1,550	-1,634	-1,930		
1. Credit	872	897	1,016	2.9	13.2
2. Debit	-2,422	-2,532	-2,946	4.5	16.4
VI. TOTAL SERVICES	-2,002	-1,434	-2,532		
1. Credit	6,353	7,394	7,365	16.4	-0.4
2. Debit	-8,355	-8,828	-9,897	5.7	12.1

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 services was US\$ 1.30 billion, slightly higher than in 2017 (US\$ 20 million higher). Revenues increased by US\$ 128 million (8.6 percent) as a result of the increase of domestic airlines' sale of airfares abroad (9.8 percent) and higher revenues from services purchased by non-resident international transport companies (5.4 percent). Likewise, expenditures increased by US\$ 149 million due to the increase of payments for freight services (5.6 percent) and to higher sales of international airfares by foreign airlines in the country (6.7 percent)

In the case of travel, the surplus was lower by US\$ 218 million, mainly due to higher outflows resulting from the greater number of Peruvians who traveled abroad (20.5 percent), especially during the weeks of the Soccer World Cup. Moreover, revenues increased 6.4 percent due to the increase in the number of non-resident travelers.

Contrasting with the US\$ 210 million surplus recorded in 2017, insurance and reinsurance services registered a deficit of US\$ 371 million in 2018. Revenues decreased by US\$ 520 million, most of which was associated with the lower income from coverage for fire, earthquakes, and other disasters, in contrast with the revenues received in the previous year due to the events caused by El Niño Costero. On the other hand, expenditure increased by US\$ 61 million due to the higher premiums paid for risk reinsurance abroad.

The category of other services registered a deficit of US\$ 1.93 billion. Revenues increased by 13.2 percent while expenditures increased 16.4 percent, mainly due to computer and information services and financial services requested by resident companies in a context of greater dynamism of economic activity.

2.4 Factor Income

Factor income showed a deficit of US\$ 11.81 billion in 2018, US\$ 291 million higher than the one recorded in the previous year. Non-resident investors' greater participation in the domestic market of sovereign bonds led to an increase in the payment of public sector interests. In the case of the private sector, this was associated with the increase registered in international interest rates. Overall, public and private interest payments rose by US\$ 425 million from the previous year. This was offset in part by the higher yields and interests received from the placement of assets abroad (US\$ 381 million).

The profits associated with direct investment amounted to US\$ 9.86 billion, a figure US\$ 247 million higher than in 2017. The profits of the mining sector, which were lower by US\$ 457 million, were more than compensated with the profits obtained in the rest of sectors. It is worth mentioning that the profits of the mining sector reflected the evolution of the prices of our main commodities: they rose during the first half of the year but then fell during the second half of the year.

Table 37
FACTOR INCOME

	Million US\$			% change	
	2016	2017	2018	2017	2018
I. REVENUE	1,123	1,618	1,999	44.0	23.6
1. Private	660	934	1,221	41.5	30.7
2. Public	463	684	778	47.6	13.8
II. EXPENDITURE	10,105	13,141	13,813	30.0	5.1
1. Private	8,780	11,505	11,915	31.0	3.6
Profits 1/	7,116	9,612	9,859	35.1	2.6
Interests	1,664	1,893	2,056	13.7	8.6
- Long-term loans	939	1,087	1,117	15.7	2.8
- Bonds	567	597	647	5.3	8.4
- Short-term loans 2/	158	209	292	32.4	39.6
2. Public	1,325	1,636	1,898	23.4	16.0
Interests on long-term loans	224	239	256	6.6	7.0
Interests on bonds	1,101	1,397	1,641	26.8	17.5
Interests on BCRP liabilities 3/	0	0	1	429.2	68.2
III. BALANCE (I-II)	-8,982	-11,523	-11,814		
1. Private	-8,120	-10,571	-10,694	30.2	1.2
2. Public	-862	-953	-1,120	10.5	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 and liabilities in domestic currency with non-residents.

3/ Comprise interests on long- and short-term debts.

Source: BCRP, MEF, Cofide, ONP and businesses.

2.5 Current Transfers

During 2018 current transfers amounted to US\$ 3.56 billion, which represented a decline of US\$ 33 million from 2017. Revenue from remittances from other countries amounted to US\$ 3.23 billion, which represented an increase of US\$ 174 million (5.7 percent) in comparison to the amount of remittances in the previous year. On the other hand, remittances from Peru to other countries, mainly to Venezuela, totaled US\$ 284 million, which represented an increase of 132 percent in comparison with the previous year.

2.6 Private Sector Financial Account

In 2018, the balance of the private sector financial account was US\$ 917 million, US\$ 33 million higher than in 2017. The reduction in the amounts of amortization in relation to 2017 more than offset the lower flow of foreign direct investment under the form of capital contributions and the lower flow of portfolio investment due to prepayments of bonds issued in previous years.

Table 38
PRIVATE SECTOR FINANCIAL ACCOUNT

	Million US\$			% change	
	2016	2017	2018	2017	2018
1. ASSETS	-2,304	-3,564	-3,558	-1,259	5
Direct investment abroad	-1,156	-500	-19	656	481
Portfolio investment 1/	-1,148	-3,064	-3,539	-1,915	-475
2. LIABILITIES	4,479	4,448	4,476	-32	28
Foreign direct investment	6,739	6,860	6,488	121	-373
a. Reinvestment	3,606	5,627	5,576	2,021	-51
b. Equity capital	2,574	1,944	681	-630	-1,263
c. Net liabilities to affiliated enterprises	560	-710	231	-1,270	941
Portfolio investment	-533	1,290	-411	1,823	-1,701
a. Equity securities 2/	-307	-172	-442	134	-270
b. Fixed-rate income 3/	-226	1,462	31	1,688	-1,431
Long-term loans	-1,726	-3,703	-1,601	-1,976	2,101
a. Disbursements	3,187	4,127	4,014	940	-112
b. Amortization	-4,914	-7,829	-5,616	-2,916	2,214
3. TOTAL	2,175	884	917	-1,291	33
Memo:					
Net direct investment	5,583	6,360	6,469	777	108

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. Also, includes ADRs.
3/ Includes bonds, credit notes and securitization, among others, in net terms (issuance less redemption).
Source: BCRP, Cavali S.A. ICLV, Proinversion, and businesses.

Direct foreign investment totaled US\$ 6.45 billion, US\$ 373 million less than in 2017. This balance is mainly explained by lower capital contributions (US\$ 1.26 billion) and also, but to a lesser extent, by lower reinvestment amounts (US\$ 51 million), while, on the other hand, there were larger loans from parent companies (US\$ 941 million). At the sector level, foreign direct investment was concentrated mainly in the sectors of mining (US\$ 2.50 billion) and services (US\$ 2.43 billion).

Table 39
FOREIGN DIRECT INVESTMENT IN COUNTRY BY DESTINATION SECTOR *
(Million US\$)

	2016	2017	2018
Mining	1,051	1,824	2,502
Non-financial services	3,757	3,292	2,434
Manufacturing	434	771	1,128
Energy and others	471	752	371
Financial sector	861	-253	27
Hydrocarbons	164	474	26
TOTAL	6,739	6,860	6,488

* Includes contributes and other net capital operations, net loans to affiliated enterprises and reinvestment (current profits).
Source: Businesses.

On the side of portfolio investment, the smaller amounts were mainly associated with the higher amounts of bonds repurchased by some companies with the purpose of re-profiling their long-term obligations. Among other companies, this included Unión Andina de Cementos, Compañía Minera Ares, Cementos Pacasmayo, Andino Investment Holding, Inretail Shopping Mall, and Inretail Consumer.

2.7 Short-Term Capital Flows

In 2018, short-term capital showed a net negative flow of US\$ 1.50 billion (versus US\$ 1.15 billion in 2017). The flow was concentrated in an increase of external assets (US\$ 2.43 billion), mainly as a result of deposits of a loan to Petroperú (US\$ 1.18 billion) at the end of the year. This effect was in part offset by non-residents' higher deposits in soles (US\$ 606 million), typically associated with sovereign bonds transactions, and with the debt with foreign banks (US\$ 288 million).

2.8 Public Sector Financial Account

In 2018 the public sector financial account showed a positive balance of US\$ 2.12 billion (US\$ 1.13 billion lower than in 2017). This balance is explained mainly by a slower pace of growth in non-residents' holdings of sovereign bonds (US\$ 1.82 billion versus US\$ 4.55 billion in 2017) in a context of lower capital inflows to the emerging economies. In addition, external funding to Petroperú for the construction of the Talara Refinery were lower in 2018. Moreover, in 2017 Fondo Mivivienda placed bonds abroad for a total of US\$ 610 million.

Table 40
PUBLIC SECTOR FINANCIAL ACCOUNT 1/

	Million US\$			% change	
	2016	2017	2018	2017	2018
I. DISBURSEMENTS	2 108	3 045	1 800	937	-1 245
Investment projects	958	435	1 800	-523	1 365
Central government	805	366	473	-439	108
Public enterprises	153	69	1 327	-83	1 257
- Financial	109	1	44	-108	43
- Non-financial	44	68	1 283	25	1 214
Bonds	1 150	2 610	0	1 460	-2 610
- Global 2/	1 150	0	0	-1 150	0
- Financial public enterprises	0	610	0	610	-610
- Non-financial public enterprises	0	2 000	0	2 000	-2 000
II. AMORTIZATION	-1 957	-4 505	-1 614	-2 548	2 891
III. NET EXTERNAL ASSETS	-189	601	-201	790	-803
IV. OTHER OPERATIONS WITH DEBT SECURITIES (a-b)	2 688	4 108	2 137	1 420	-1 971
a. Securities in domestic market purchased by non-residents	1 959	4 554	1 822	2 594	-2 732
b. Securities in foreign market purchased by residents	-728	446	-315	1 174	-761
V. TOTAL	2 650	3 249	2 122	599	-1 127

1/ Medium- and long-term accounts.

2/ Bonds are classified according to the market where they are issued. Global bonds, issued in foreign markets, are part of external debt including those purchased by residents.

Source: BCRP, MEF, COFIDE, and FCR.

2.9 International Investment Position

The international assets at December 2018 totaled US\$ 121.21 billion, a figure slightly lower than that recorded at end 2017. The Central Bank's reserve assets decreased due to banks' withdrawal of the deposits they had at BCRP to meet their customers' greater demand for local funds in a context

of expectations of higher rates of return on external assets. Lower Treasury deposits in foreign currency were also recorded at the Central Bank due to withdrawals from the Fiscal Stabilization Fund (FSF) and other accounts that were used to finance government operations. Despite this, the foreign exchange position of BCRP for the year increased from US\$ 37.49 billion to US\$ 39.55 billion, which represented an increase of US\$ 2.06 billion, which is basically explained by the BCRP purchases of foreign currency from the public sector (US\$ 1.38 billion) and, to a lesser extent, by net purchases of foreign currency (US\$ 184 million) to reduce foreign exchange volatility.

Despite the reduction observed, the BCRP reserve assets showed a balance equivalent to 27 percent of GDP. This amount provides a coverage of more than 4 times the amount of short term external debt (including the amortization of medium and long term loans in a year), which is an indicator of the soundness of the Peruvian economy.

On the side of liabilities, in GDP terms, direct investment continued to be the main source of external financing (47.2 percent). The medium and long-term debt decreased to 30.4 percent due to the private sector debt, while the public sector debt now represents 15.5 percent.

Table 41
NET INTERNATIONAL INVESTMENT POSITION
(End-of-period levels)

	Million US\$			% GDP	
	2016	2017	2018	2017	2018
I. ASSETS	110,358	121,281	121,205	56.6	53.8
1. BCRP reserve assets	61,746	63,731	60,288	29.7	26.8
2. Assets of financial sector (excluding BCRP) 1/	28,257	34,417	34,902	16.1	15.5
3. Others assets	20,355	23,132	26,015	10.8	11.5
II. LIABILITIES	186,303	200,386	204,678	93.5	90.8
1. Bonds and total private and public external debt 2/	74,571	76,499	77,787	35.7	34.5
a. Medium and long term debt	66,865	68,019	68,430	31.7	30.4
Private sector 2/	37,248	35,067	33,518	16.4	14.9
Public sector (i - ii + iii) 3/	29,617	32,953	34,912	15.4	15.5
i. External public debt	23,762	22,710	22,977	10.6	10.2
ii. Public debt issued abroad purchased by residents	1,223	1,668	1,353	0.8	0.6
iii. Public debt issued locally purchased by non-residents	7,078	11,911	13,288	5.6	5.9
b. Short-term debt	7,706	8,480	9,356	4.0	4.2
Financial sector (excluding BCRP) 2/	2,495	3,430	4,375	1.6	1.9
BCRP	60	110	167	0.1	0.1
Others 4/	5,151	4,939	4,815	2.3	2.1
2. Direct investment	93,090	99,950	106,438	46.6	47.2
3. Capital participation	18,642	23,936	20,453	11.2	9.1

1/ Includes assets in domestic currency with non-residents.

2/ Includes liabilities in domestic currency with non-residents.

3/ External public debt is the sum of external public debt (including financial sector) and sovereign bonds in the hands of non-residents and excluding debt issued abroad in the hands of residents.

4/ Includes mainly short-term debt of the non-financial private sector.

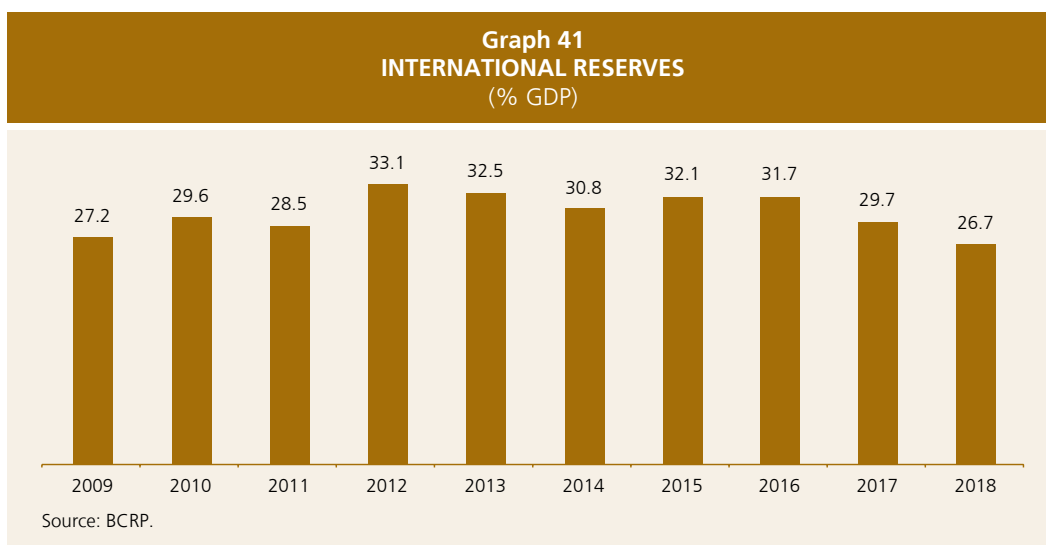
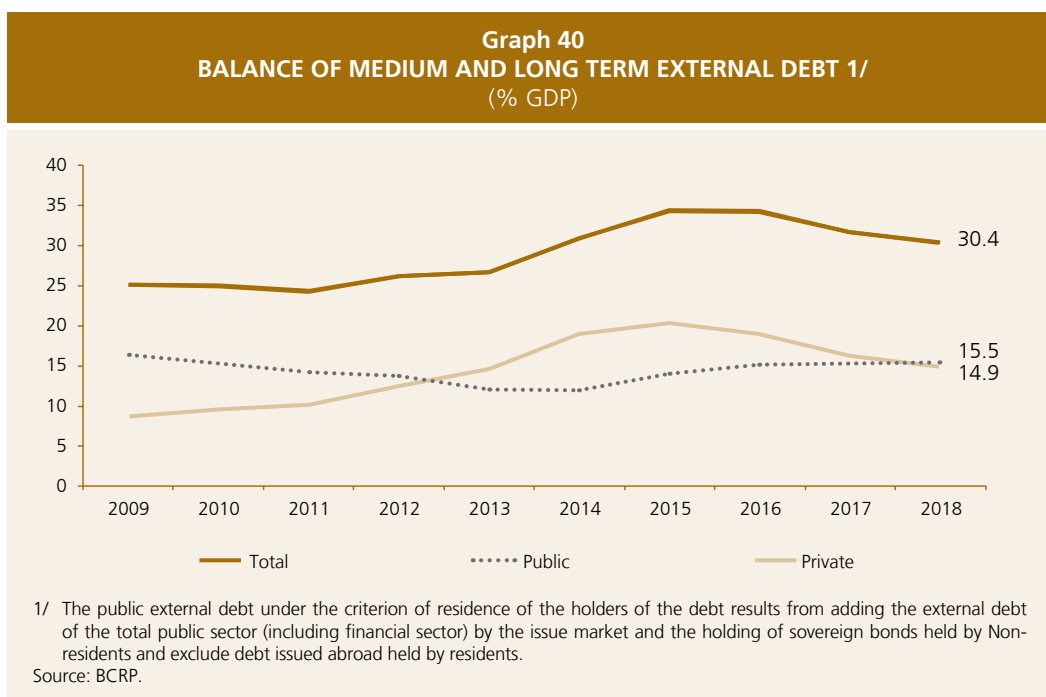
Source: BCRP, MEF, Cavali SA ICLV, Proinversión, BIS, and businesses.

Table 42
NIR INDICATORS

As a % of:	2008	2013	2018
a. GDP	25.6	32.5	26.7
b. Short-term external debt 1/	336	538	422
c. Short-term external debt plus current account deficit	214	291	337

1/ Includes short-term debt balance plus redemption (1-year) from private and public sector.

Source: BCRP.



2.10 Management of International Reserves

At the end of 2018, 71 percent of the investment portfolio was invested in liquid high credit quality securities, 26 percent in deposits in first-class foreign banks, and the remaining 3 percent was invested in gold. The securities portfolio consists mainly of sovereign debt securities and bonds issued by supranational entities and foreign public entities with long-term credit ratings equal to or greater than A +.

The country's International Reserve Assets generated a yield of S/ 3.55 billion in fiscal year 2018, this return being 72.4 percent higher than in the previous year.

Table 43
INTERNATIONAL RESERVE ASSETS
(% structure)

	December 2017	December 2018
Deposits abroad	37	26
Securities	60	71
Gold	3	3
Total	100	100

Source: BCRP.

Table 44
COMPOSITION OF LIQUID INTERNATIONAL ASSETS
(% structure)

	December 2017	December 2018
By maturity term	100	100
0-3 months	57	49
3-12 months	12	17
> 1 year	31	34
By long-term rating	100	100
AAA	48	53
AA+/AA/AA-	24	19
A+/A/A-	28	28

Source: BCRP.

As for the quality of the portfolio, 53 percent of IRA was held in entities with a long-term credit rating of AAA and the rest in entities with credit ratings ranging between AA+ and A. Moreover, the average duration of the investment portfolio was 0.73 years.

The effective exposure of the BCRP foreign exchange position to the U.S. dollar was 85 percent, while the exposure to other currencies and gold was 15 percent.

Table 45
INTERNATIONAL POSITION: EFFECTIVE EXPOSURE
(% structure)

	December 2017	December 2018
US\$	91	85
Other currencies	5	11
Gold	4	4
Total	100	100

Source: BCRP.



Pancho Fierro (1809-1879)
El montonero. S. XIX
Watercolor, 0.31 x 0.24 m.