



BANCO CENTRAL DE RESERVA DEL PERÚ



Peru's fundamentals and economic outlook

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Governor

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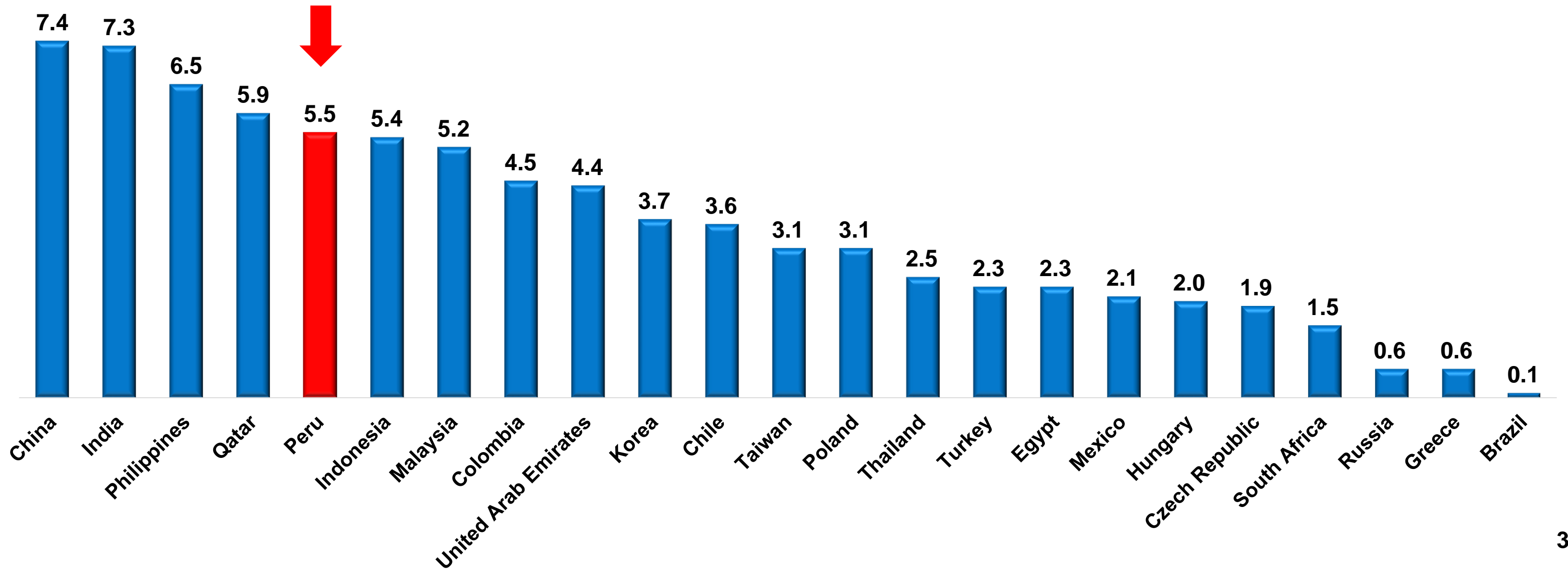
September 2015

Agenda

- 1. Peru's growth is based on strong fundamentals**
- 2. Recent economic developments and prospects**
- 3. Policy Framework**
- 4. Concluding Remarks**

Average GDP growth is among the highest in emerging economies

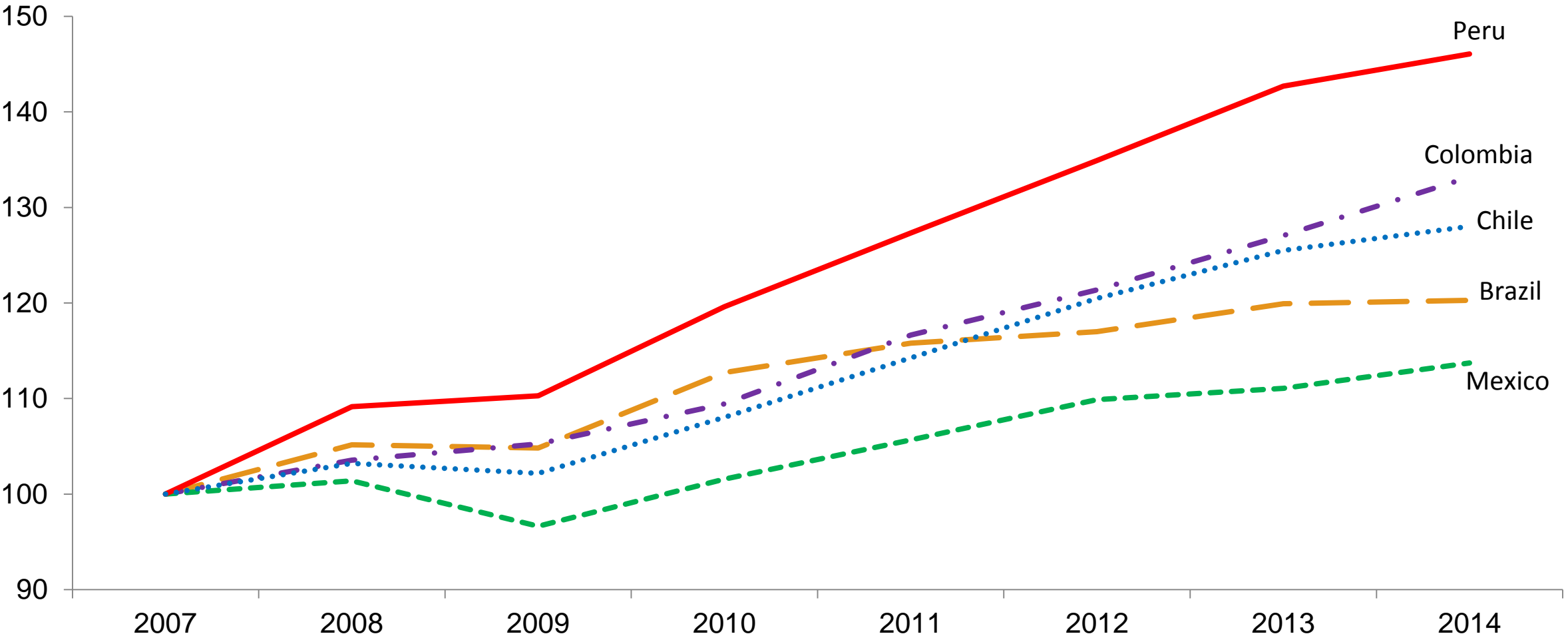
Average GDP growth: 2005-2014



Source: IMF, World Economic Outlook

After the 2008-2009 financial crisis, Peru was the country with the fastest recovery and highest growth among the main Latin American ITers

GDP of selected countries (2007-2014)
(Index 2007=100)

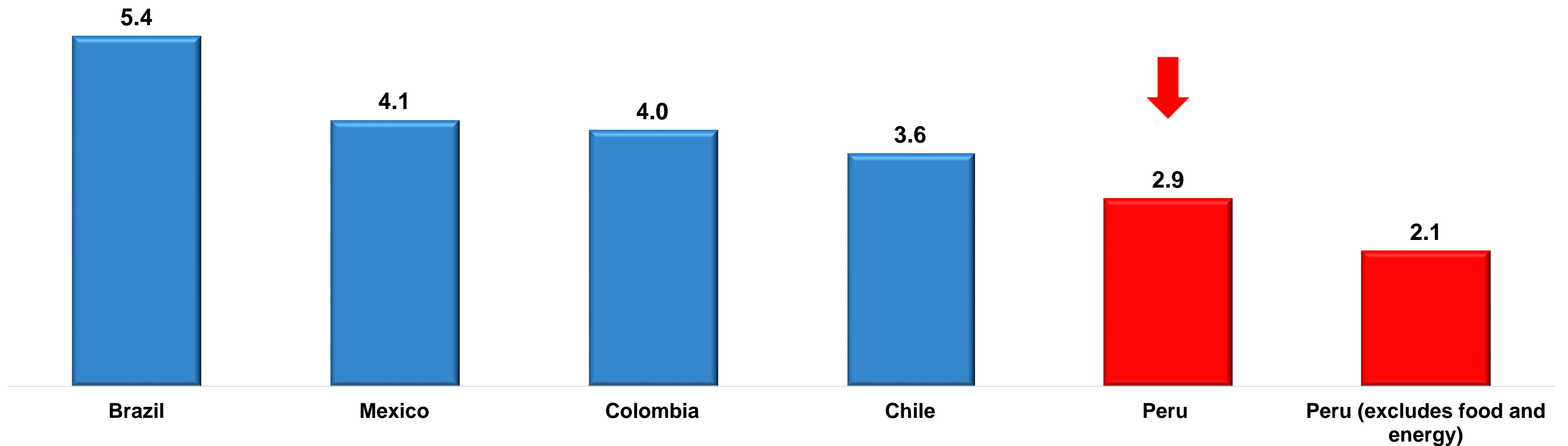


	Average GDP Growth 2010-2014
Brazil	2,8
Colombia	4,8
Chile	4,6
Mexico	3,3
Peru	5,8
Average LATAM	3,5

Source: IMF and BCRP.

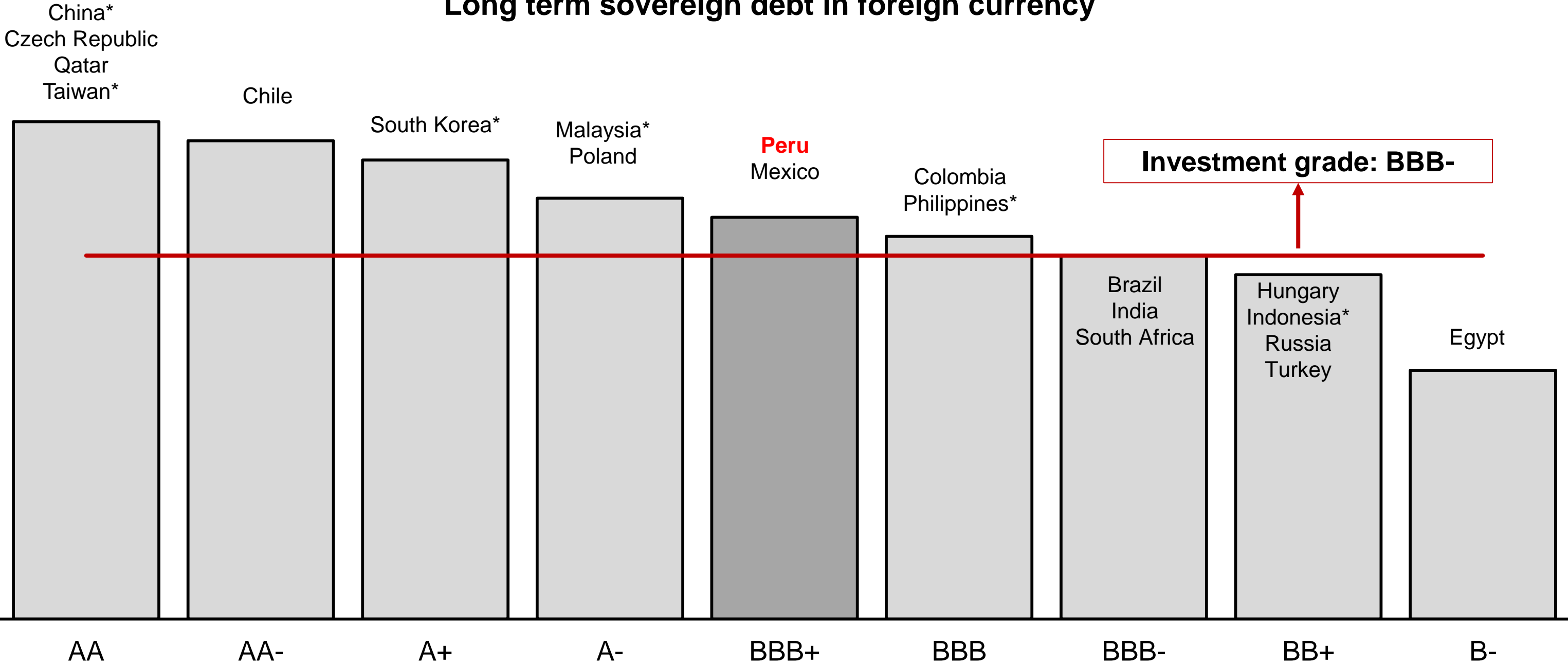
Average Inflation is the lowest among main Latin American economies

Average Inflation: 2005-2014



Peruvian Credit rating of sovereign debt is BBB+ since 2013

Long term sovereign debt in foreign currency



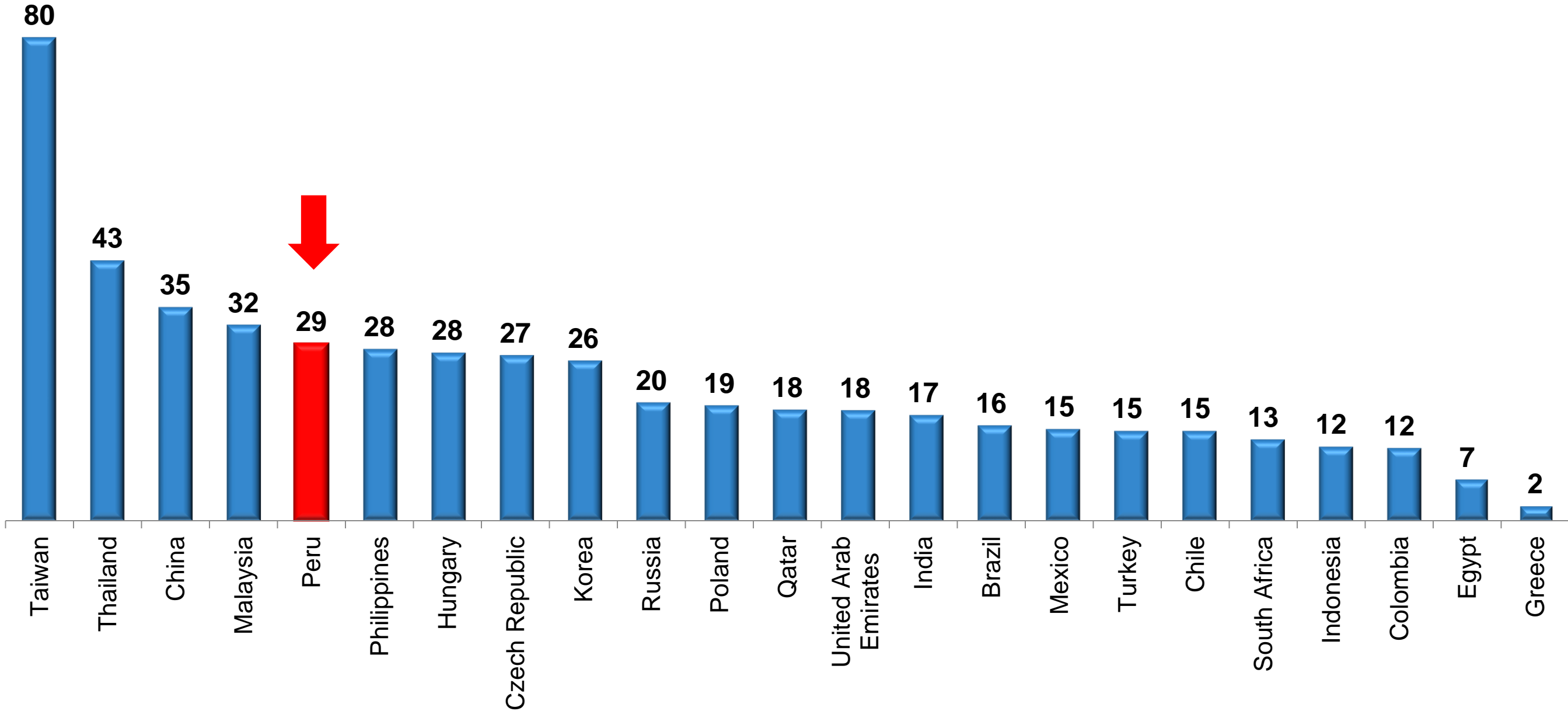
Investment grade: BBB-

Source: Standard & Poors

* Asia - Pacific

International reserves are equivalent to 29 percent of GDP

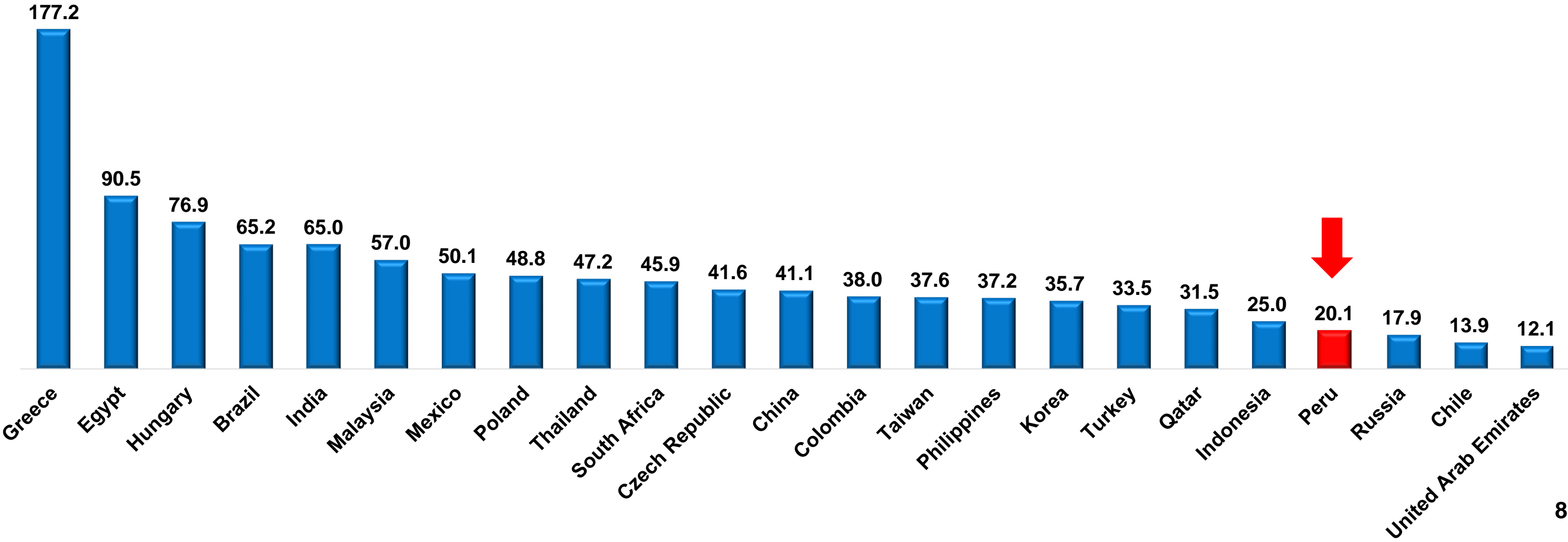
International Reserves: 2014 (% GDP)



Source: IMF and Bloomberg

Public debt is among the lowest in emerging economies

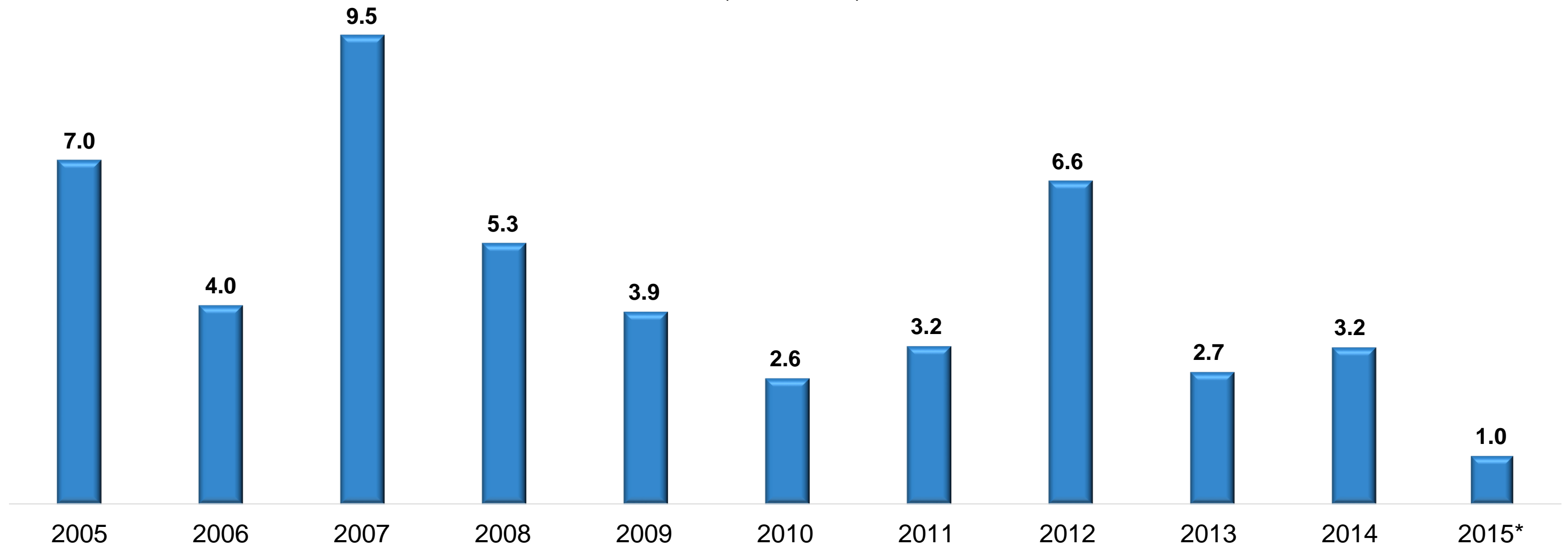
Gross public debt: 2014 (% GDP)



Source: IMF and BCRP

Banking system has a low exposure to external liabilities

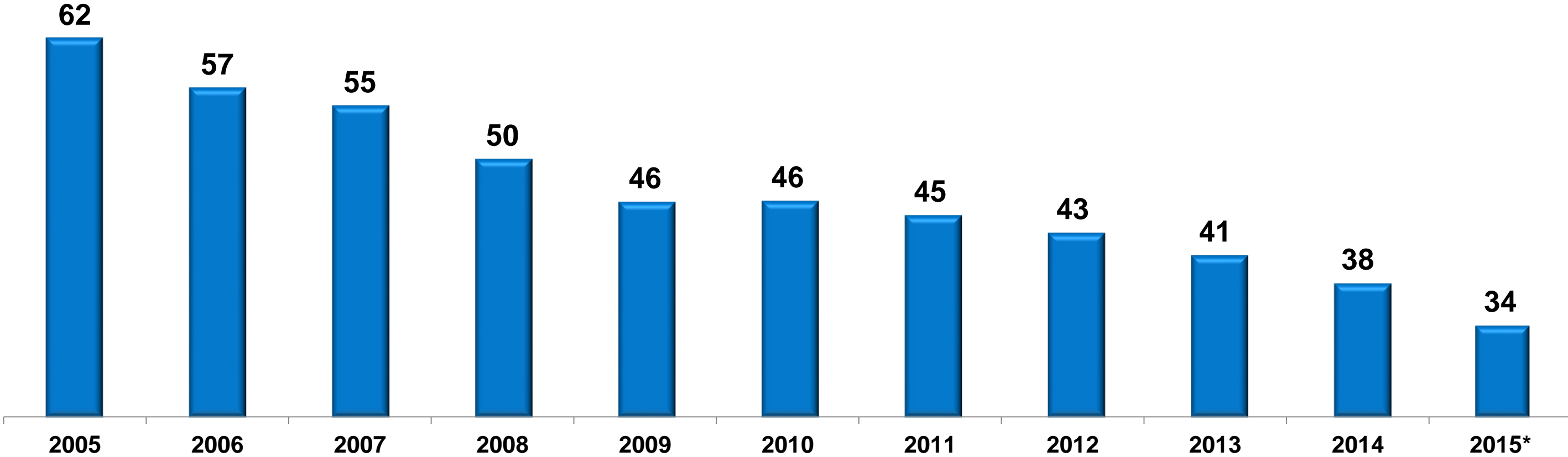
Short Term External Liabilities of the Banking Sector
(% of GDP)



*Up to June 2015

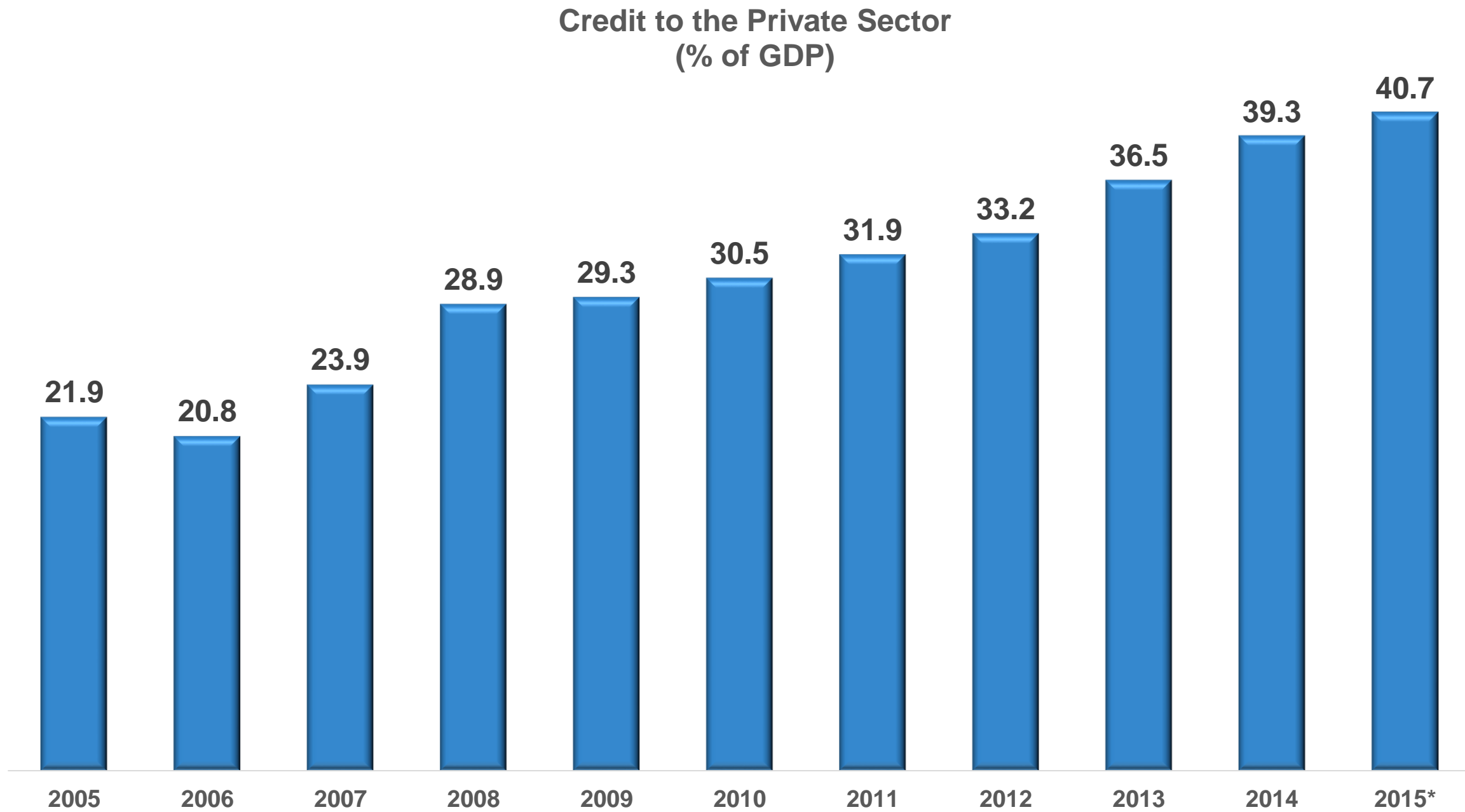
Dollarization ratio dropped to almost a half since 2005

Dollarization Ratio of Credit to the Private Sector (%)



* Up to July 2015

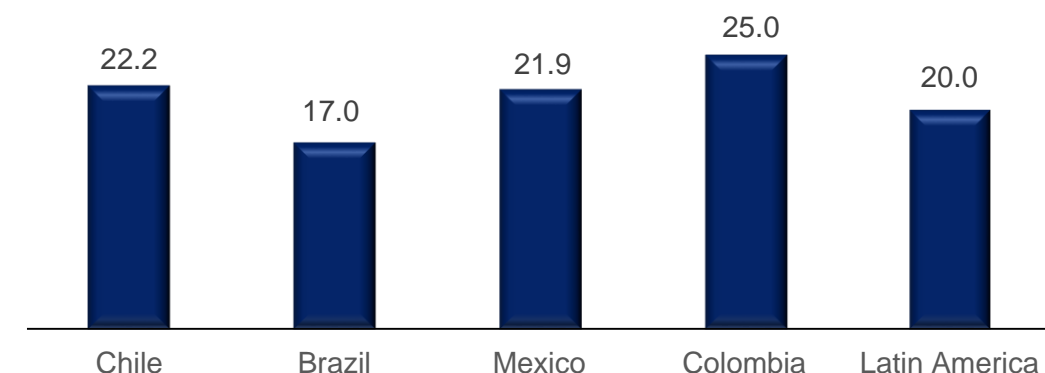
Credit to GDP almost doubled since 2005



* Up to June 2015

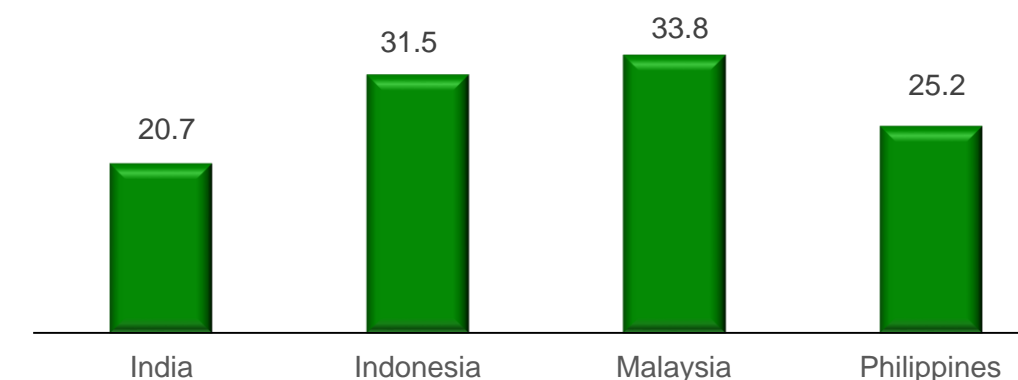
Peru's Gross fixed investment is among the highest in Emerging Economies

Total investment
(% of GDP)



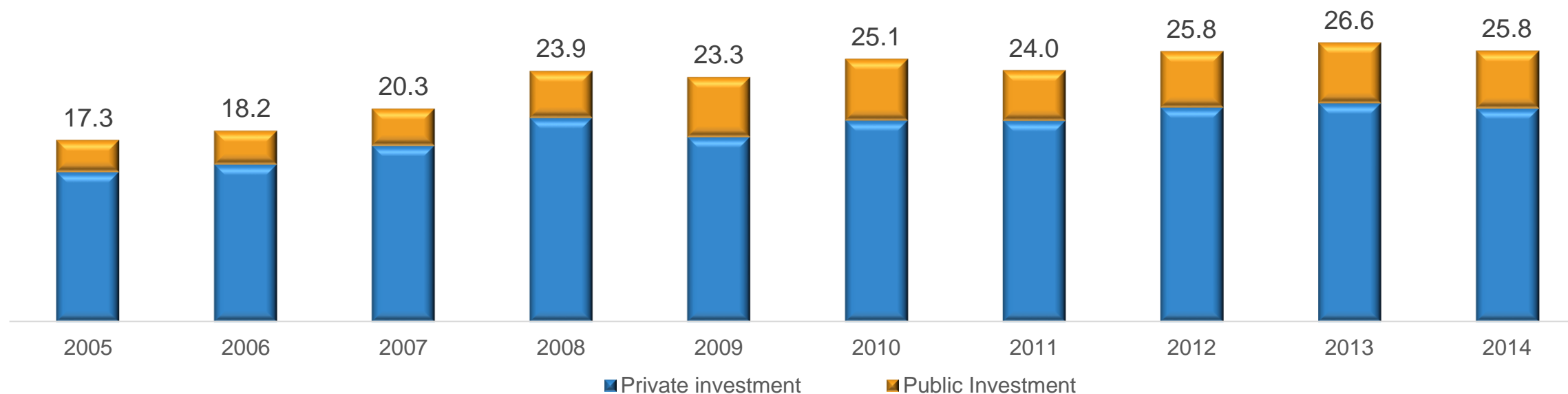
Source: IMF.

Total investment
(% of GDP)



Source: IMF.

Gross fixed investment
(% of GDP)

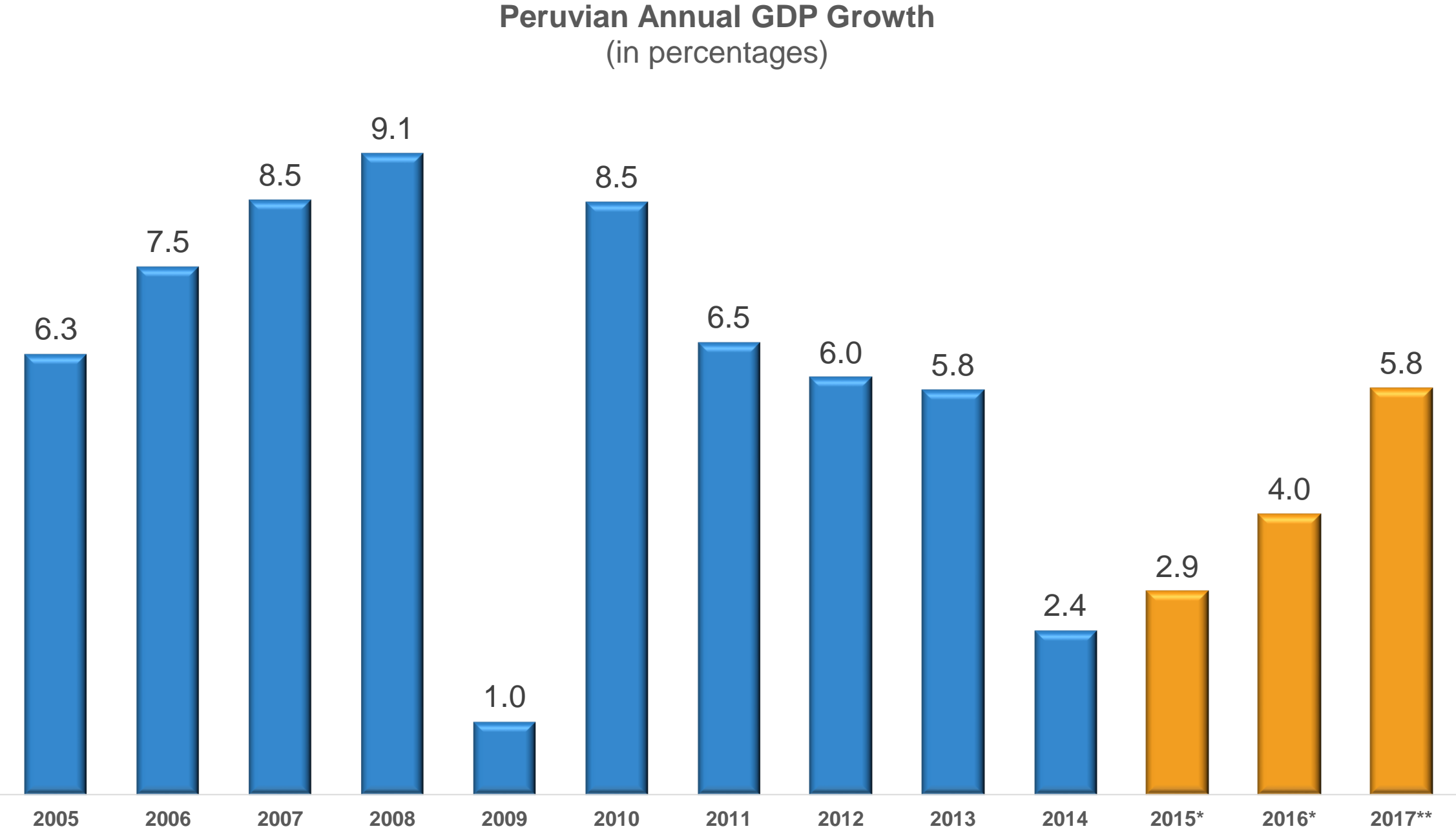


% GDP	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Private	14,3	15,0	16,8	19,4	17,6	19,2	19,2	20,4	20,8	20,3
Public	3,1	3,2	3,5	4,5	5,7	5,9	4,8	5,4	5,8	5,5

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GDP growth is expected to recover in the next few years

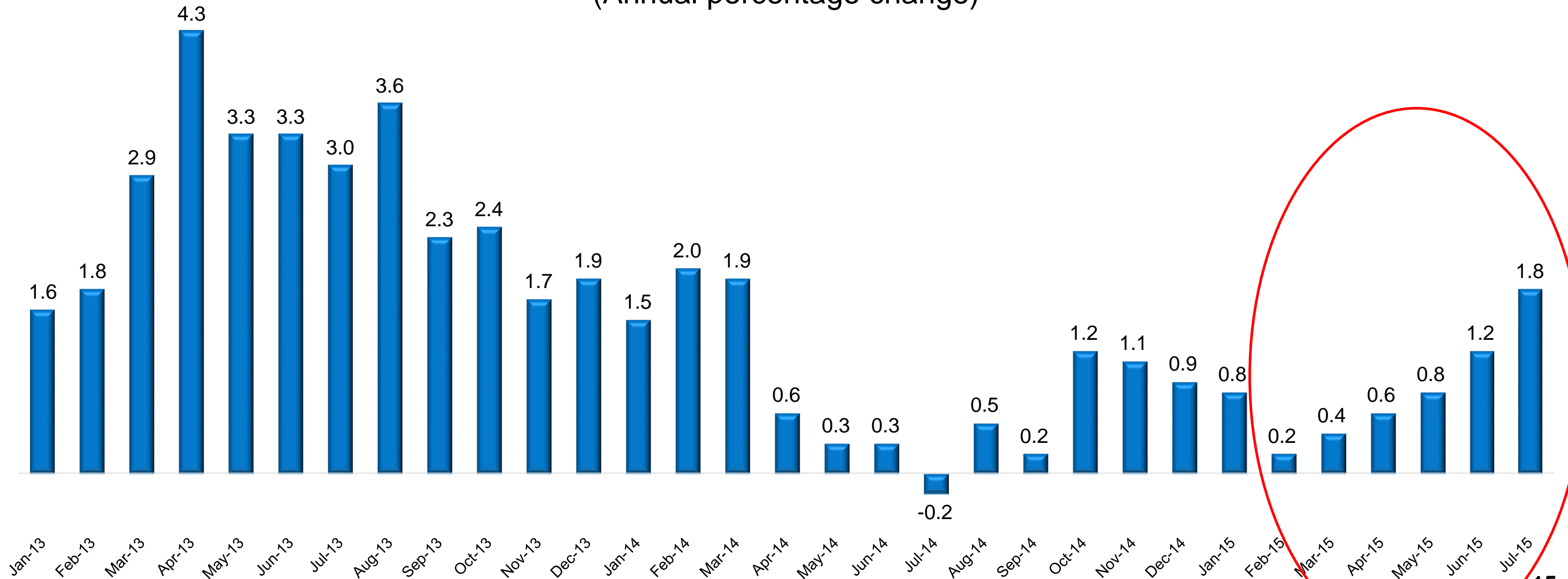


*Consensus Forecast, August 2015

**Inflation Report, May 2015

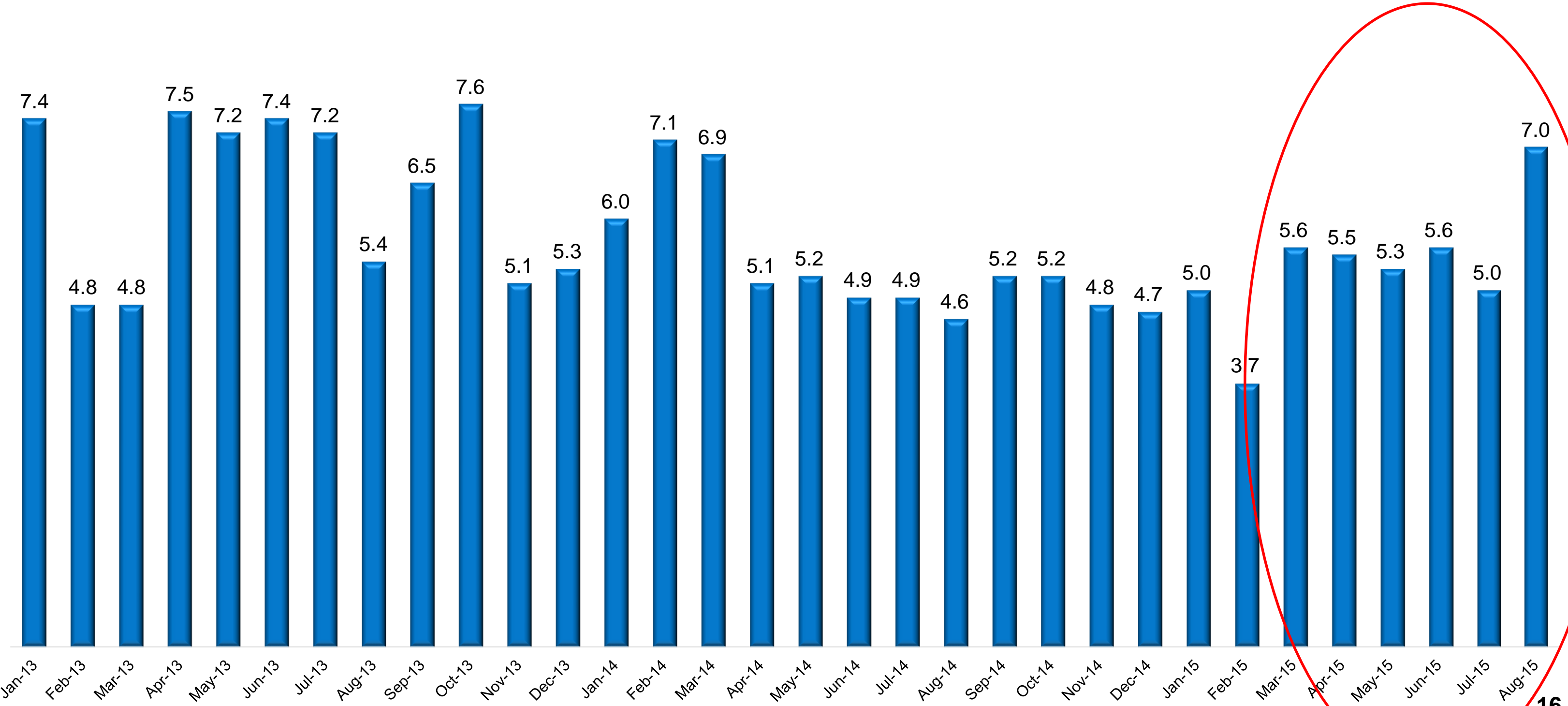
Signs of recovery: Employment indicators

Employment (Annual percentage change)



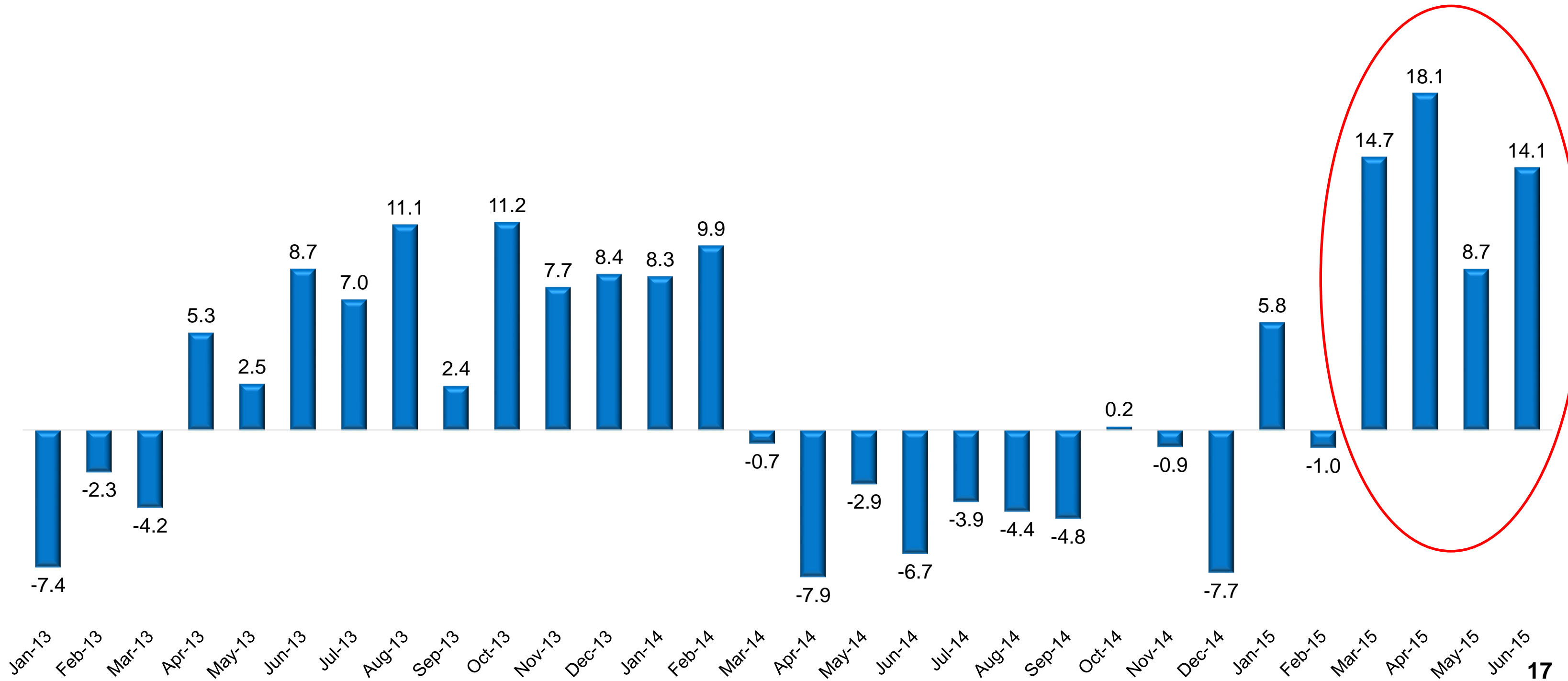
Source: Statistical Institute of Peru (INEI)

Signs of recovery: Electricity Production is growing faster than last year



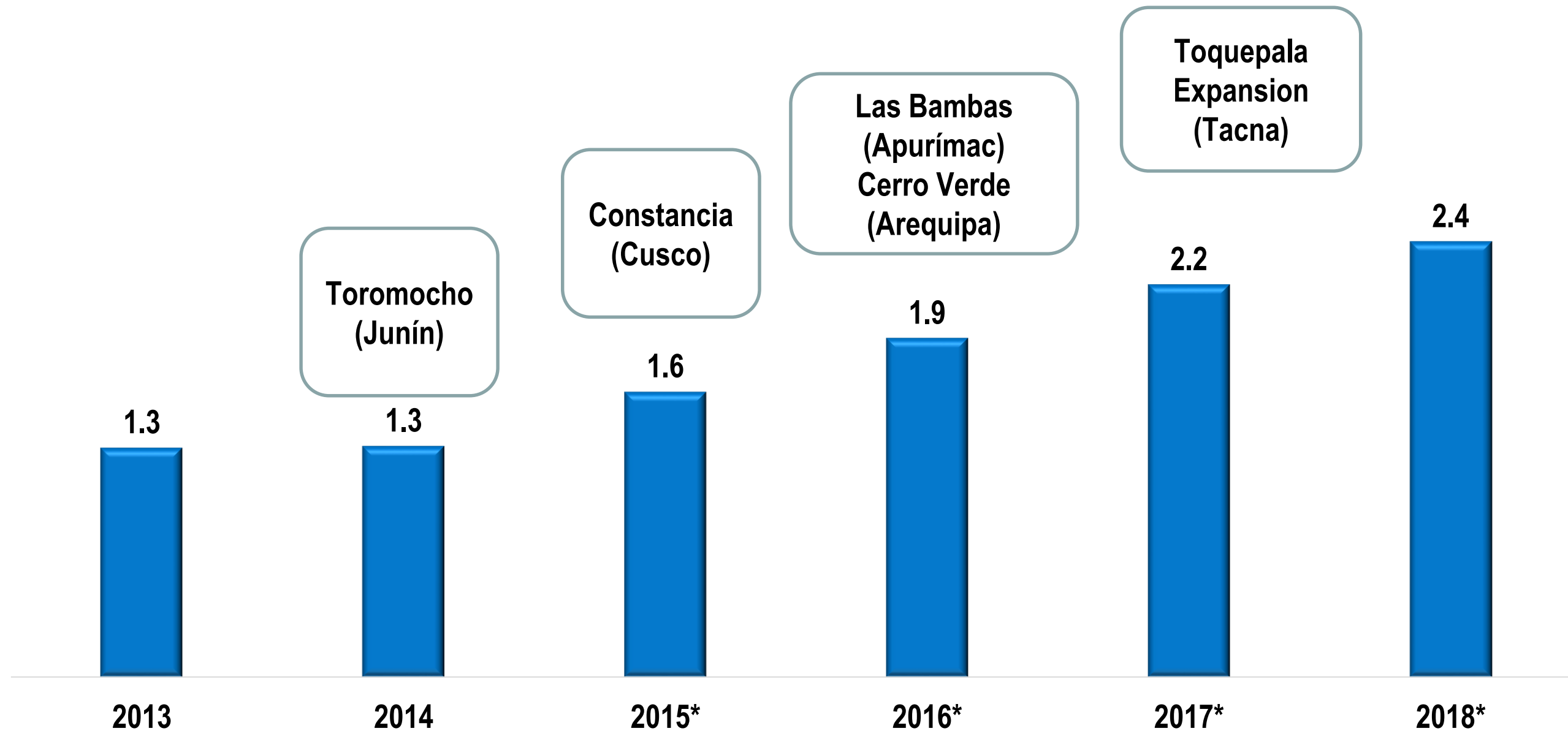
Source: COES

Mining sector has started to show higher growth rates



Copper production would increase by 88 percent in the period 2014-2018

COPPER PRODUCTION (million of tons)



* Forecast

Peru leads the exports of several agricultural and mining products

AGRICULTURAL PRODUCTS	US\$ millions	WORLD RANKING
Quinoa	196	2
Fresh asparagus	385	2
Canned asparagus	150	2
Organic banana	119	3
Avocados	304	4
Grape	643	5
Paprika	90	5
Coffee	734	7*
Artichoke	93	8

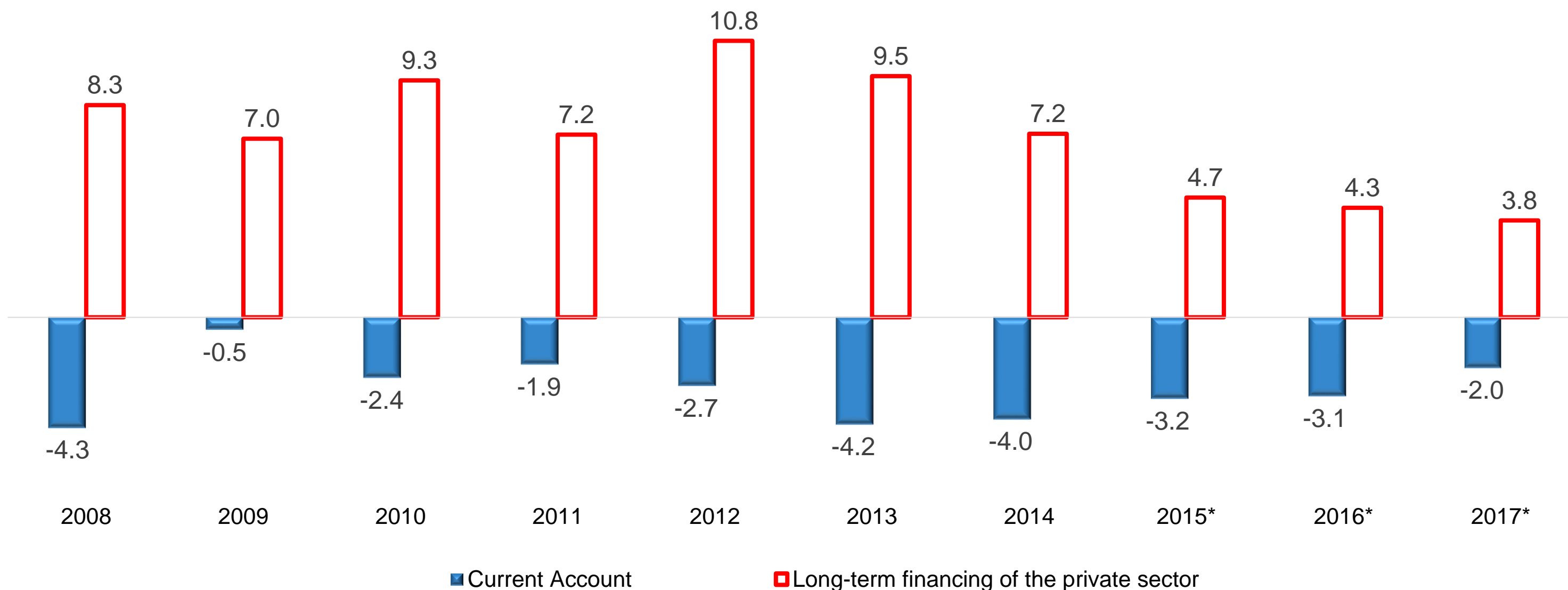
*Organic coffee ranks first.
Source: Comtrade, FAO

MINERAL PRODUCTS	US\$ millions	WORLD RANKING
Zinc	1 504	2
Copper	8 875	2
Lead	1 131	3
Silver*	3 634	3
Tin	540	4
Molybdenum	360	5
Gold	5 660	6

*Includes refined and concentrated silver.
Source: Comtrade, FAO

The current account deficit is financed by long-term private capital inflows

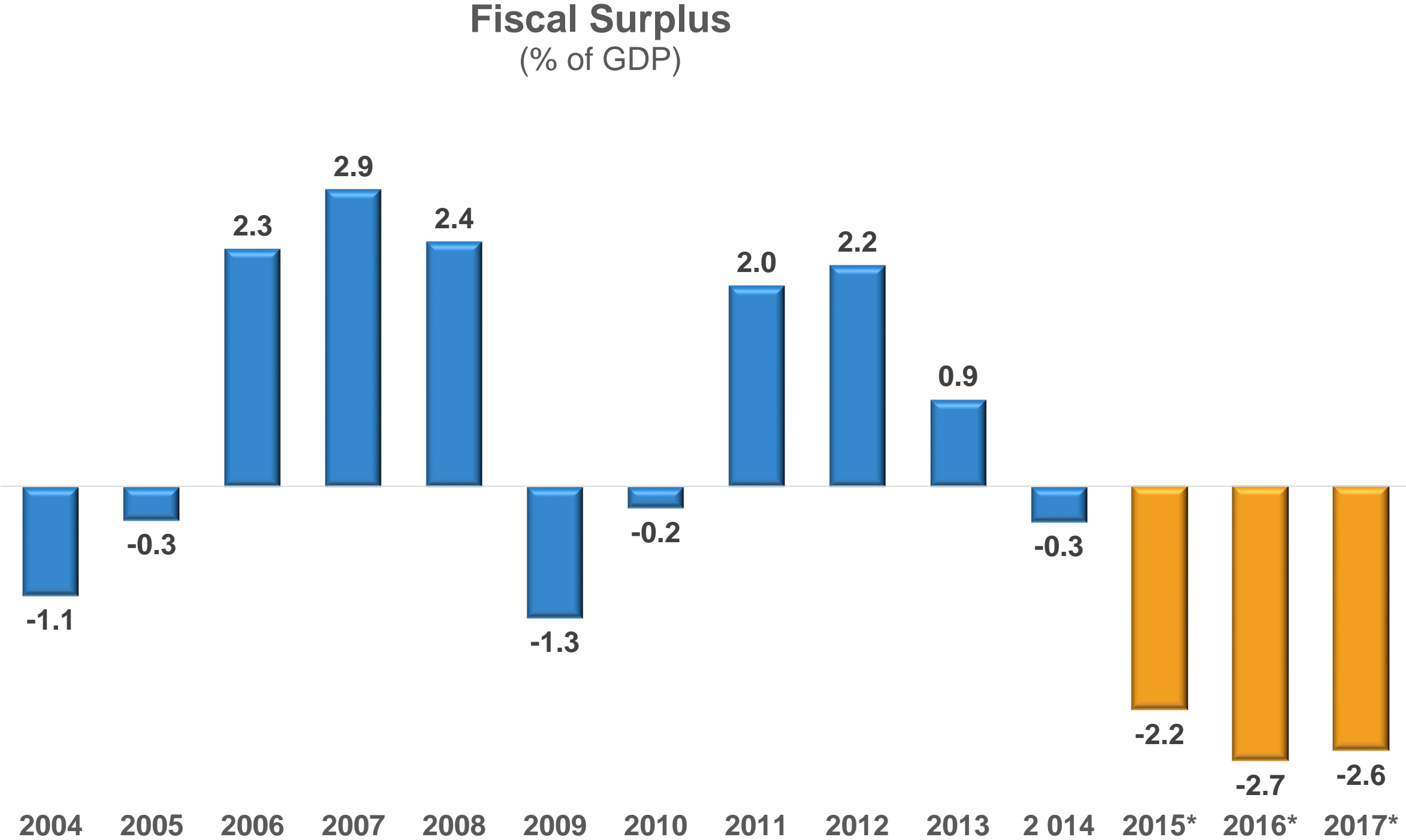
CURRENT ACCOUNT AND LONG-TERM EXTERNAL FINANCING OF THE PRIVATE SECTOR: 2005-2017 1/
(% of GDP)



* Forecast

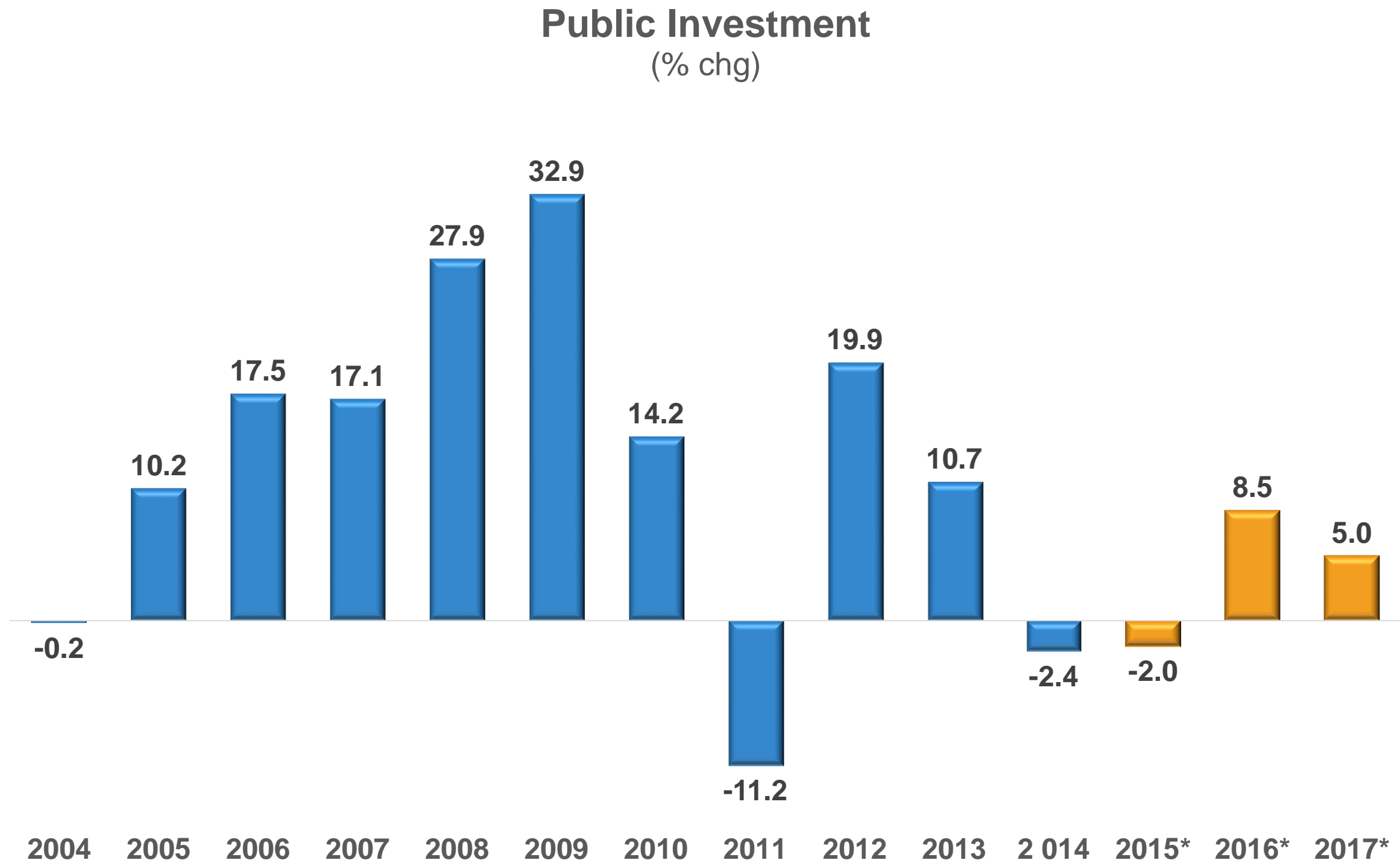
1/ Includes net foreign investment, portfolio investment and private sector's long-term disbursement.

Expansionary fiscal stance would contribute to revert economic cycle



* Forecast

Higher public investment in the following years

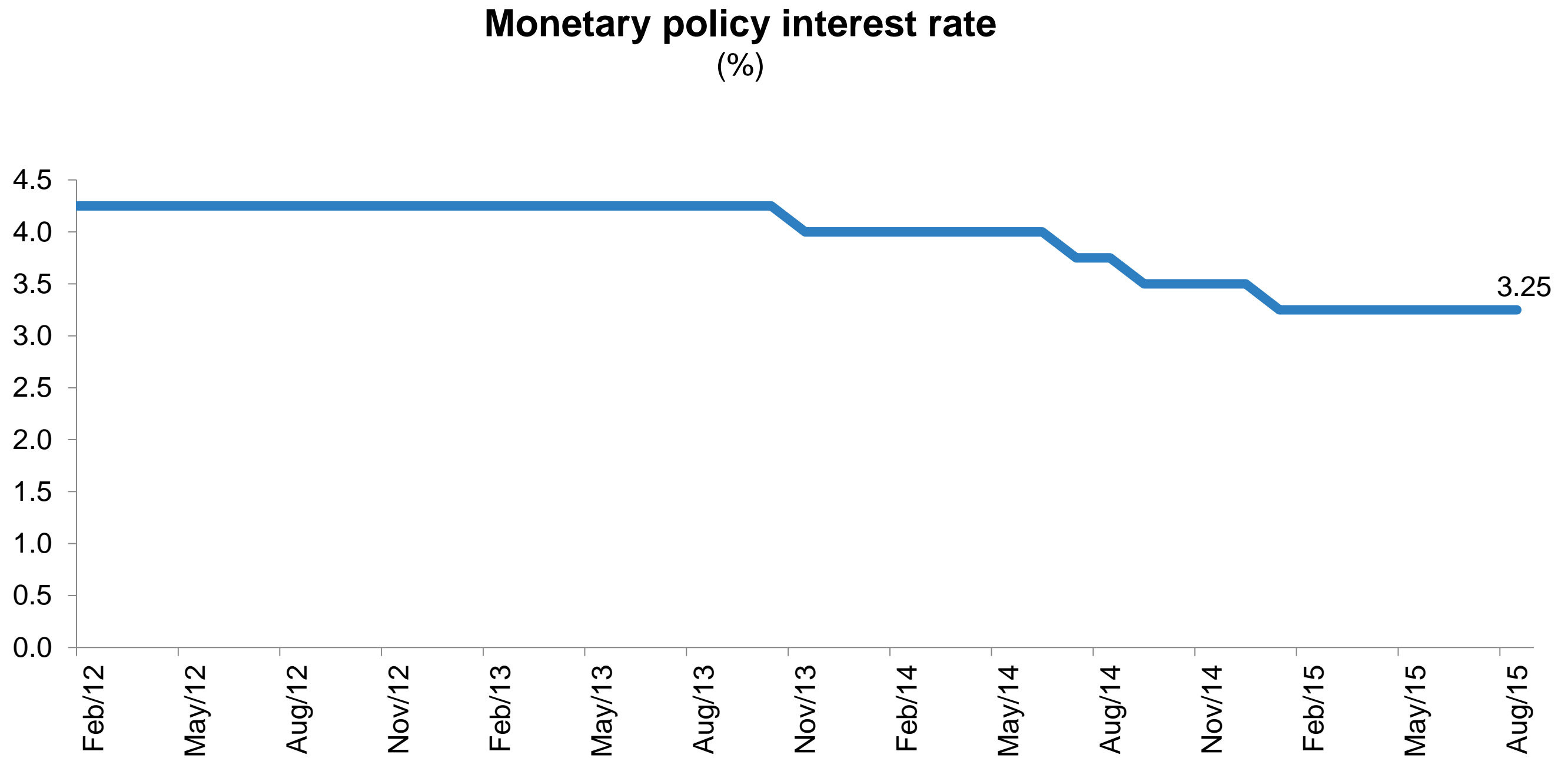


* Forecast

Agenda

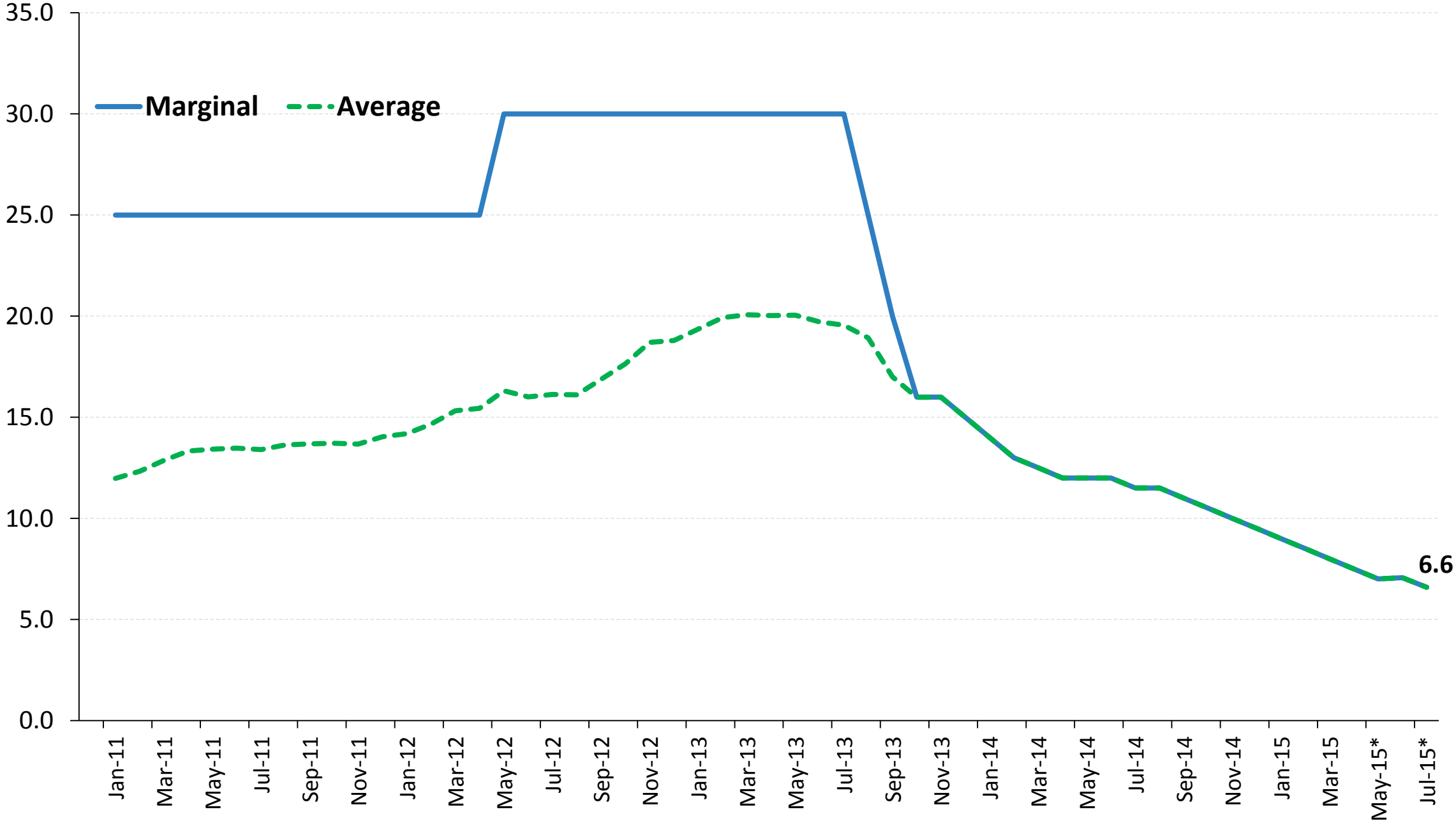
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The Central Bank of Peru lowered its monetary policy interest rate 4 times since November 2013



Macro-prudential measures aim at securing sustainable credit growth and contributing to de-dollarization: Domestic Currency Reserve Requirements are now lower than two years ago.

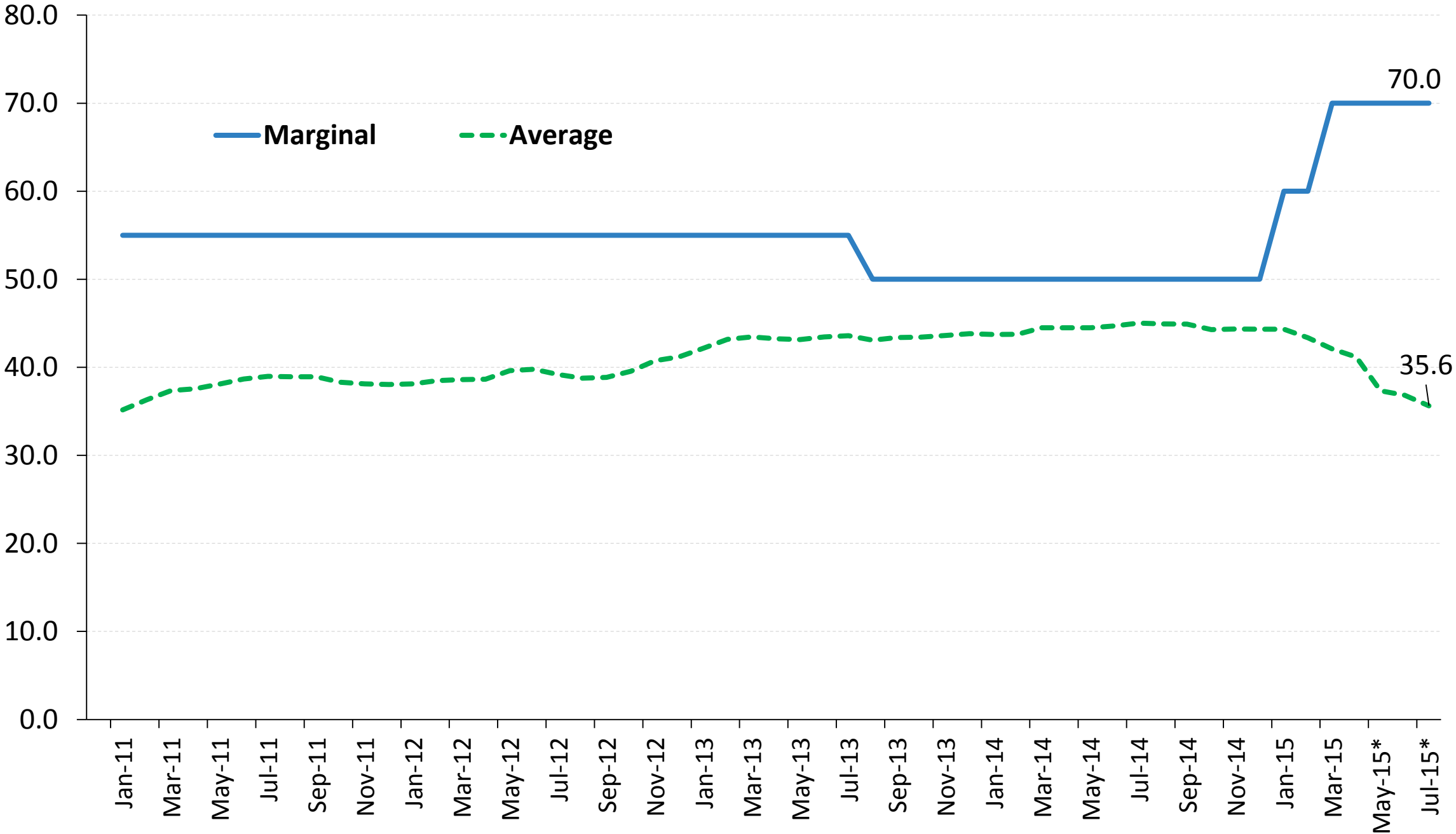
Domestic Currency Reserve Requirements
(% of total obligations subject to reserve requirements)



* Preliminar

Macro-prudential measures aim at securing sustainable credit growth and contributing to de-dollarization: Foreign Currency Reserve Requirements are now higher than last year.

Foreign Currency Reserve Requirements
(% of total obligations subject to reserve requirements)

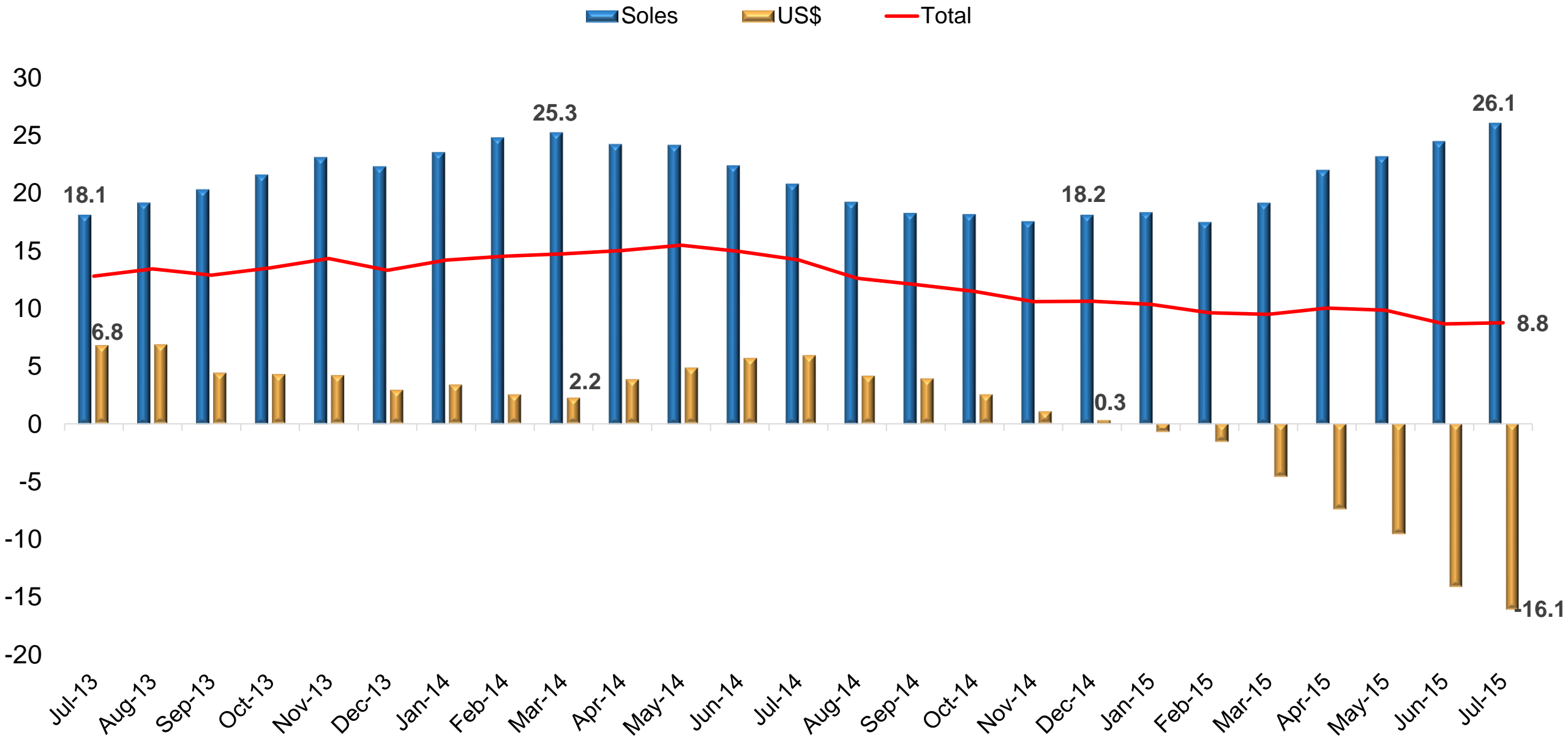


* Preliminar

As a result, we observe higher credit growth in domestic currency and lower credit growth in foreign currency

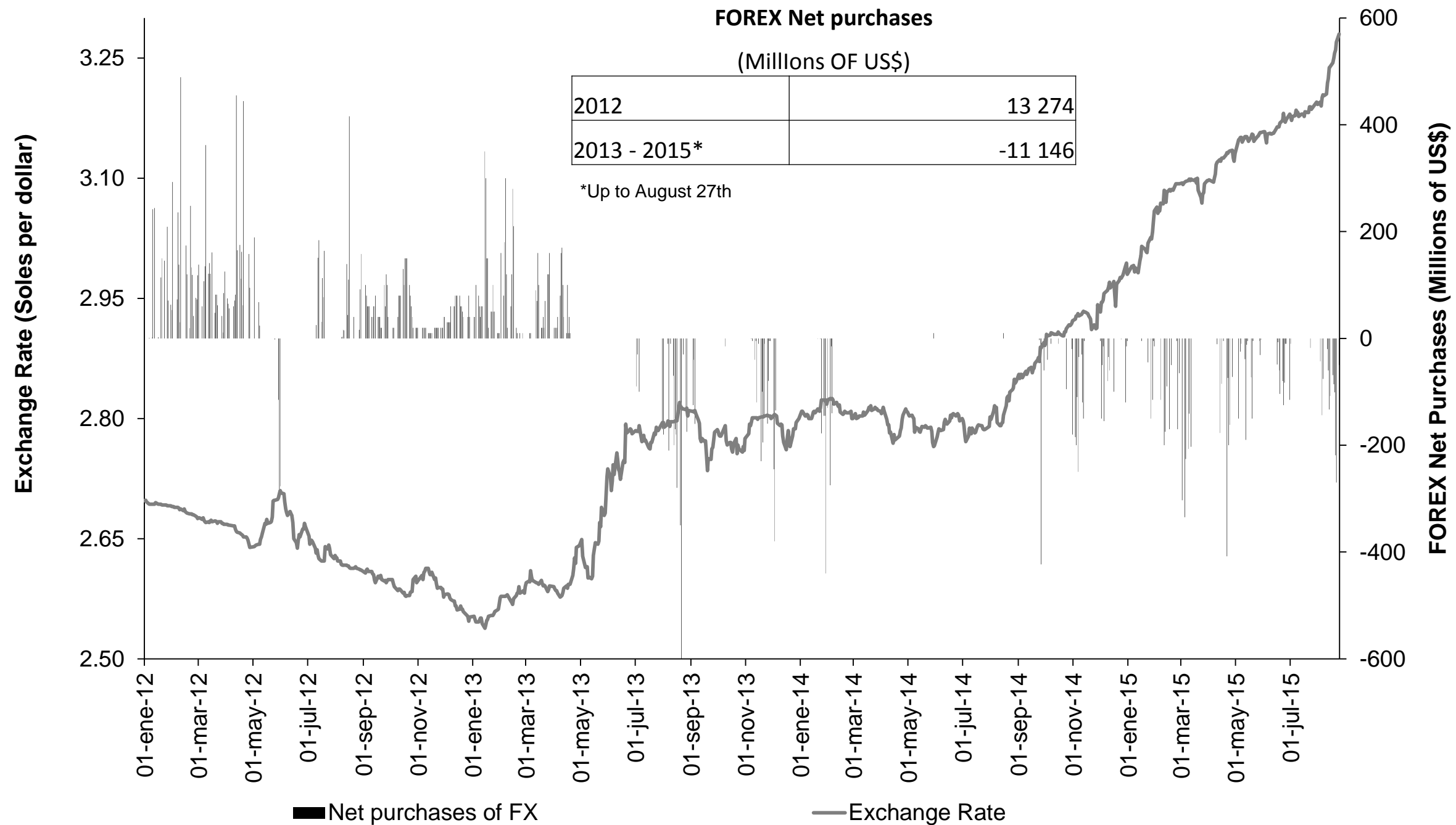
ANNUAL GROWTH OF CREDIT TO THE PRIVATE SECTOR

%

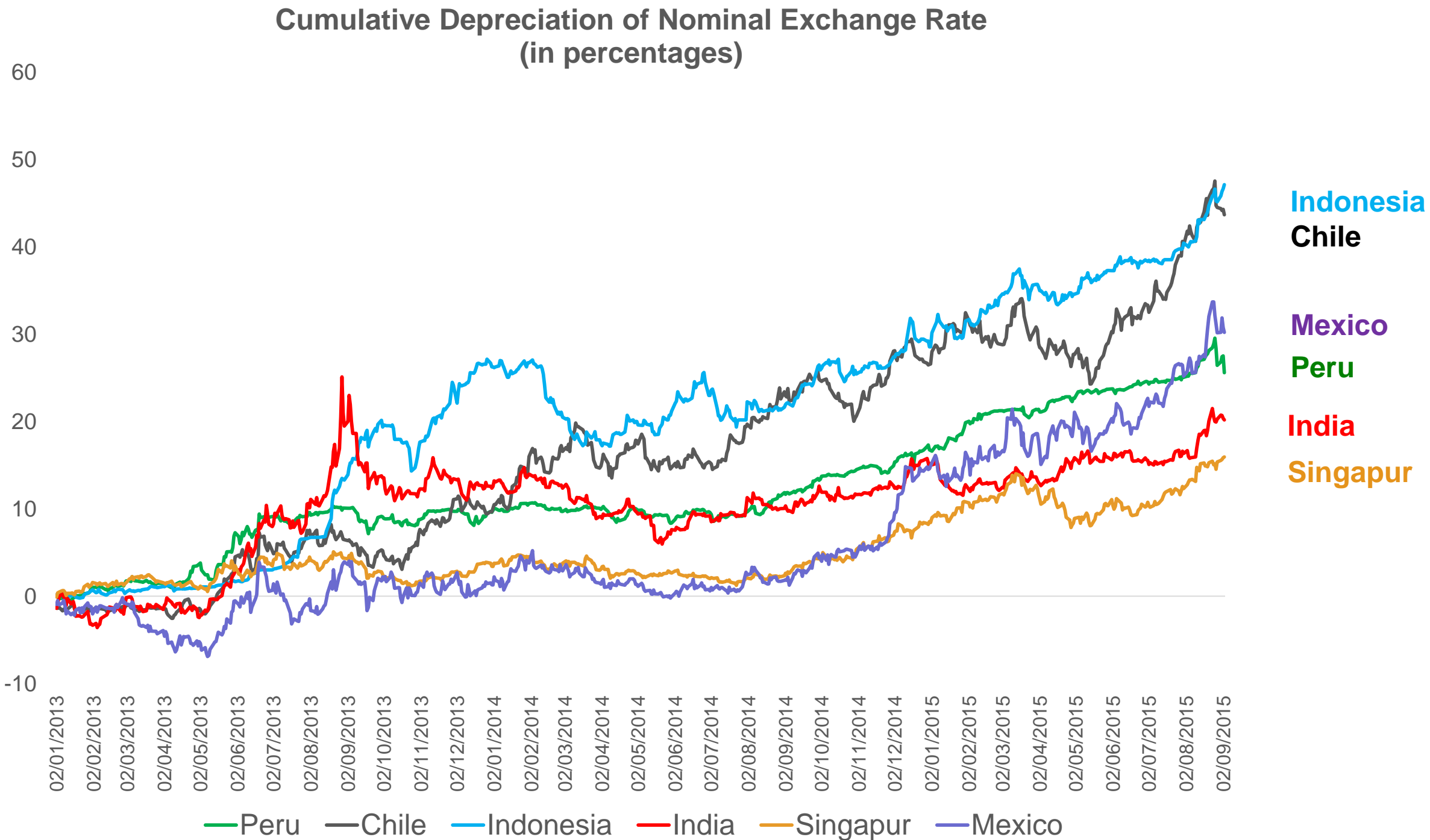


Exchange Rates and FOREX Intervention

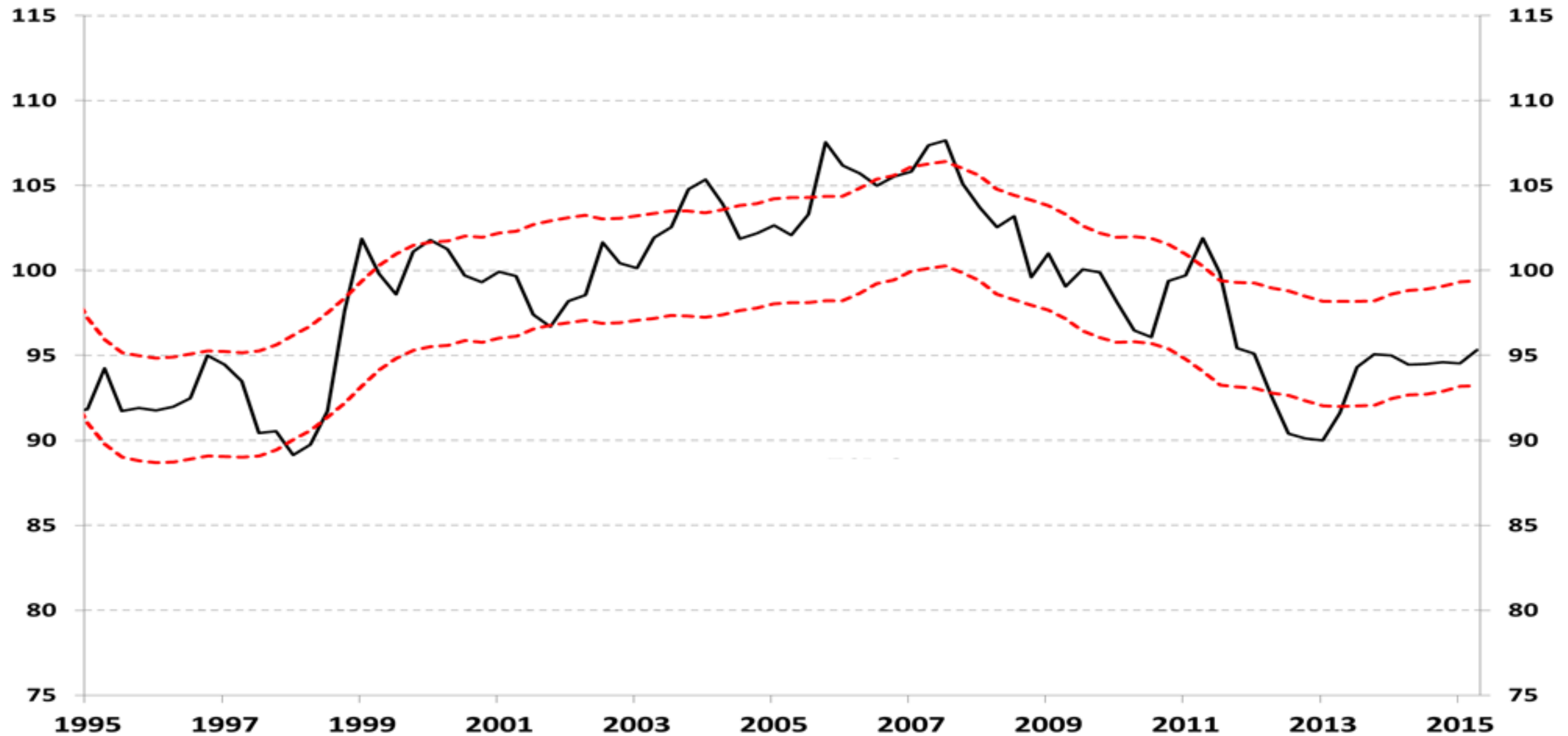
Exchange Rate and Foreign Exchange Intervention



Currencies of main Latin American and Asian Countries have experienced a depreciation of more than 30 percent since Jan-2013

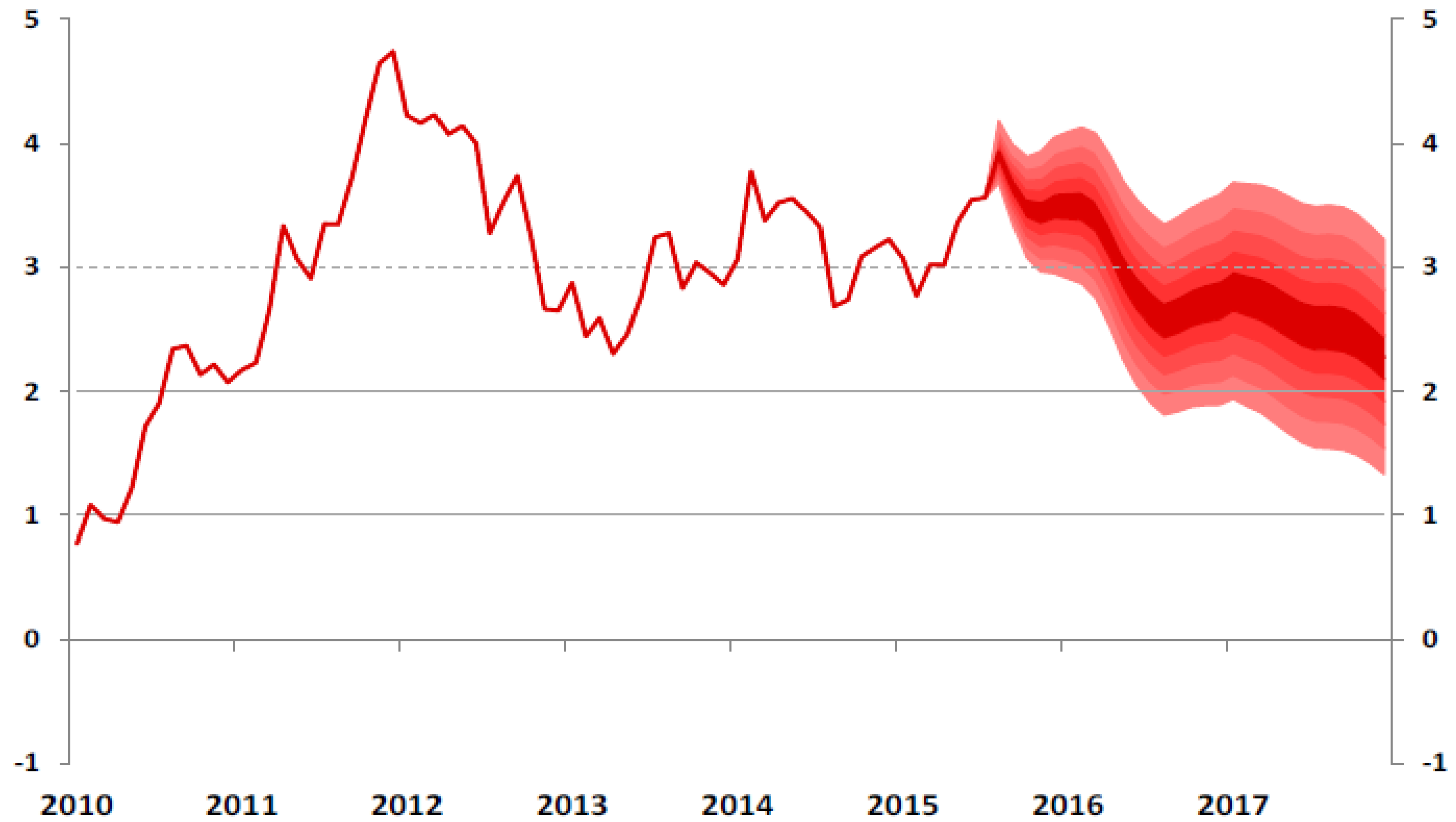


Real Equilibrium Exchange Rate



The Equilibrium Real Exchange Rate takes into account the Peruvian relative productivity with respect to its trade partners, the terms of trade, the net foreign assets, the openness degree and the fiscal position.

Annual Inflation Forecast converges to the target range in 2016



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Concluding Remarks

- Exogenous factors have been affecting the economic cycle; however, the Peruvian economy holds strong fundamentals.
- During this period, the Central Bank has had an expansionary position, providing the required liquidity to the market.
- An active fiscal position is required to offset the lower private spending.
- It is necessary to deepen structural measures to strengthen the recovery of potential growth.



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