



Insight beyond the rating.

Republic of Peru

Analysts

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Rating

Debt	Rating	Rating Action	Trend
Long-Term Foreign Currency Debt	BBB (low)	Confirmed	Stable
Long-Term Local Currency Debt	BBB (low)	Confirmed	Stable

Rating Update

On December 10, 2009, DBRS confirmed its ratings on the Republic of Peru's long-term foreign and local currency securities at BBB (low), and maintained Stable trends on both ratings. The Stable trends balance Peru's strong policy framework and greater resilience to external shocks, as demonstrated during the global credit crisis, with an unpredictable political environment ahead of the presidential elections in 2011.

Peru's aggressive fiscal and monetary policy response, in addition to its well-regulated financial sector, is cushioning the impact of the global downturn. The government introduced an ambitious \$4.5 billion (3.6% of GDP) stimulus package, primarily financed by fiscal savings, to bolster domestic demand and develop the country's infrastructure. The Central Bank (BCRP) injected \$11.4 billion (9.3% of GDP) in liquidity to stabilize credit markets, and has cut interest rates 525 basis points since February to a record low of 1.25%. Furthermore, sound regulation and limited reliance on external funding protected the financial sector during the crisis. As a result, Peru is well positioned to resume solid economic growth as the global economy recovers in 2010.

The ratings are underpinned by Peru's low public indebtedness and high international reserves. Due to prudent fiscal management and robust economic growth, gross public debt declined from 47.1% of GDP in 2003 to 26.5% in September 2009, among the lowest in Latin America. Debt reduction has been accompanied by a gradual shift from external to domestic financing. This has reduced exchange rate risk and facilitated the development of local capital markets. Moreover, with international reserves of \$33 billion, the public sector is a large net external creditor.

(Continued on page 2.)

Rating Considerations

Strengths

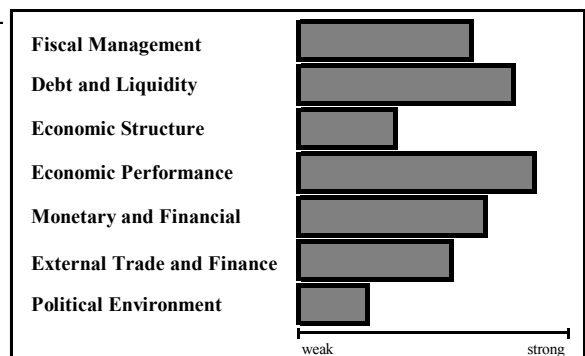
- (1) Sound macroeconomic management
- (2) Low debt burden
- (3) Strong liquidity position
- (4) Solid economic growth potential

Challenges

- (1) Potential return to populist policies
- (2) Poor implementation of public expenditure
- (3) Exposure to commodity-price cycle
- (4) Financial dollarization
- (5) Labor market rigidity and informality

Summary Statistics

	For the year ended December 31			
	2010E	2009E	2008	2007
Nominal GDP (US\$ billion)	138	125	127	107
GDP per capita (US\$)	4,624	4,236	4,379	3,739
Real GDP growth (% change yoy)	4.5%	0.8%	9.8%	8.9%
Inflation (CPI % change yoy)	2.0%	0.1%	6.7%	3.9%
Interest rate (yearend, target rate)	3.00%	1.25%	6.50%	5.00%
Exchange rate (PEN/USD, average)	2.90	3.01	2.93	3.13
Current account balance (% GDP)	-2.3%	-0.3%	-3.3%	1.1%
Public sector balance (% GDP)	-1.8%	-1.6%	2.1%	3.1%
Public debt (% GDP)	25.5%	26.5%	24.1%	29.7%
Public external debt (% GDP)	15.3%	16.4%	15.1%	18.7%
Total external debt (% GDP)	26.5%	27.6%	27.1%	30.9%



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Rating Update (Continued from page 1.)

To strengthen growth prospects, the government is promoting private sector participation in infrastructure projects, expanding efforts to improve the business climate, and proactively seeking free trade agreements (FTAs) with major trading partners in Asia and Europe. The China-Peru FTA was signed this year, and negotiations with Japan, South Korea and the European Union will continue in 2010. Furthermore, recent legislation has improved labor market flexibility, and measures by the BCRP have gradually reduced dollarization levels.

Nevertheless, the political implications of widespread poverty and regional inequality present the single greatest risk to Peru's macroeconomic stability. While improving social indicators in recent years have reduced political uncertainty, DBRS believes that as long as the benefits of economic growth are not more widely shared, the risk remains that a populist politician could win the presidential elections in April 2011 and undermine Peru's sound macroeconomic framework.

The Peruvian economy also faces several long-term structural challenges that could hinder growth potential. First, the quality of public expenditure is poor. The government, particularly at the sub-national level, often lacks the institutional capacity to allocate public resources in an effective manner. Second, the economy remains highly dependent on the mining and energy sectors, exposing exports to the commodity-price cycle. Third, dollarization across the economy creates currency mismatches and balance sheet vulnerabilities that carry exchange rate risk. Fourth, labor market rigidity hinders productivity and contributes to a large and inefficient informal economy.

Peru's macroeconomic policy framework has provided a foundation for economic growth and social development. If the next administration is committed to policy continuity, then continued poverty reduction alongside improvements in the state's institutional capacity to deliver goods and services could put upward pressure on the ratings. If the policy framework is not preserved, the ratings will come under downward pressure.

Rating Considerations Details

Strengths

(1) **Sound macroeconomic policy framework.** Strong rules-based fiscal and monetary policies define Peru's macroeconomic policy framework. The Fiscal Responsibility and Transparency Law reinforces fiscal discipline with expenditure and deficit limits, and the inflation-targeting monetary regime has guided price stability.

(2) **Low debt burden.** Peru's gross public debt is one of the lowest in Latin America at 26.5% of GDP in September 2009. Furthermore, the composition of the debt profile has steadily improved, even during the recent financial crisis, due to prudent liability management.

(3) **Strong liquidity position.** Peru is well positioned to weather a resurgence in external volatility. With low external debt and reserves of \$33 billion, the public sector's net external creditor position is \$13 billion, or 10% of GDP.

(4) **Solid economic growth potential.** Macroeconomic stability, greater openness to trade and investment and productivity-enhancing structural reforms have raised Peru's economic growth potential. Given Peru's vast natural resources and recent initiatives to develop the country's infrastructure, Peru is well positioned to experience sustained economic growth.

Challenges

(1) **Potential return to populist policies.** The political implications of regional inequality and social conflict, as well as the fragmented nature of the political party system, present the single greatest risk to macroeconomic stability. Although the poverty rate has declined since 2005, there remains a risk that a populist politician could come to power and undermine Peru's prudent macroeconomic policy framework.

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(2) **Weak institutional capacity and poor implementation of public expenditure.** Government institutions, particularly at the sub-national level, often lack the capacity to allocate public resources efficiently, develop infrastructure and address the country's deep social development needs. Reforms have supplied sub-national governments with additional assistance, streamlined public investment procedures and provided incentives to improve performance, but DBRS remains concerned about the quality of public spending.

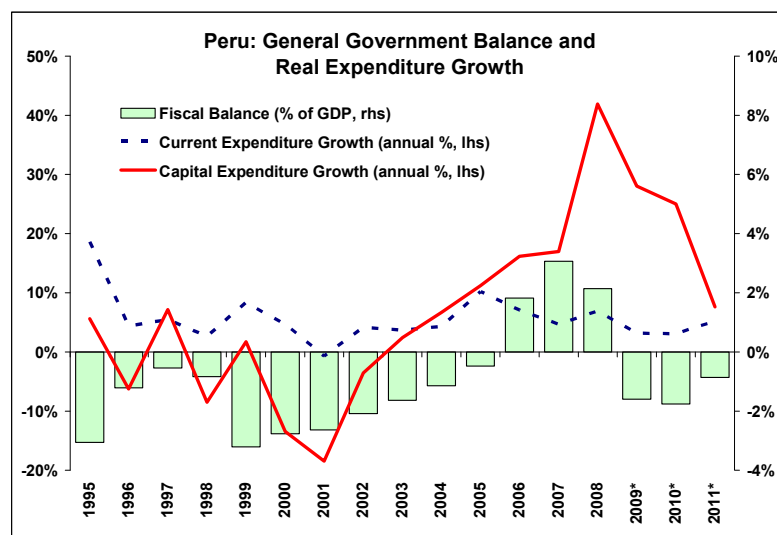
(3) **Exposure to the commodity-price cycle.** Peru exports a well-diversified group of primary products, and non-traditional exports are growing. While these factors mitigate exposure to commodity-price volatility, commodities are important to economic growth, the balance of payments and government revenues. Mining and energy products accounted for 68% of exports in 2008.

(4) **Financial dollarization.** Dollarization creates currency mismatches and balance sheet vulnerabilities throughout the economy that carry exchange rate and liquidity risks. Steps taken by the BCRP have succeeded in gradually reducing dollarization, but the share of dollarized credit and deposits remains well above optimal levels.

(5) **Labor market rigidity and informality.** Peru's large informal labor market hinders productivity, reduces the tax base and contributes to poor working conditions. Over two-thirds of the workforce is in the informal sector.

Fiscal Management and Policy

Peru's rules-based fiscal policy has been a pillar of macroeconomic stability. The Fiscal Responsibility and Transparency Law, enacted in 2003, reinforces fiscal discipline through expenditure and deficit limits, multi-year fiscal planning and budgetary accounting that is largely in line with international best practice standards. The public sector ran primary surpluses from 2003 to 2008 and overall surpluses from 2006 to 2008. However, the quality of public expenditure is poor, and revenues are constrained by a narrow tax base and exposed to commodity-price volatility.



*DBRS estimates
Source: BCRP, DBRS

To mitigate the effects of the global downturn, the government introduced a \$4.5 billion (3.6% of GDP) fiscal stimulus plan. The stimulus is primarily financed by public savings, and is part of an ongoing effort to accelerate the pace of public investment. In 2008, general government capital expenditures increased 42%, in real terms. The stimulus initially called for an additional 50% increase in public investment in 2009, but due to the government's limited capacity to carry out such an ambitious program, DBRS expects a 30% increase, with project execution spilling over into 2010. As a result, strong expansionary policy will continue through next year.

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Due to stimulus spending and lower revenues, the public sector fiscal balance will shift from a surplus of 2.1% of GDP in 2008 to a deficit of 1.6% in 2009 and 1.8% in 2010. Central government tax revenues fell from 15.6% of GDP in 2007 and 2008 to 13.6% in the second quarter of 2009. The decline was driven by a 77% contraction in corporate income taxes from the mining sector in the first semester, highlighting Peru's vulnerability to terms-of-trade shocks. DBRS believes that a widening of the tax base through formalization of the labor market would reduce revenue volatility.

Central Government Finances (billions of Nuevo Soles)					
	<u>2010E</u>	<u>2009E</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues					
Tax Revenue	59.8	53.3	58.2	52.5	45.5
Income Tax	22.8	20.6	24.1	22.8	18.4
VAT	33.8	30.8	31.6	25.3	21.5
Other Taxes	3.3	2.0	2.5	4.3	5.6
Non-tax income	8.0	7.8	9.7	8.4	7.2
Total revenue	67.9	61.1	68.0	60.8	52.7
Expenditure					
Current Expenditure	47.8	47.0	46.2	42.3	37.3
Wages & Salaries	15.7	15.0	13.9	13.0	12.6
Goods & Services	14.0	12.9	10.9	10.1	10.2
Transfers	18.2	19.1	21.3	19.1	14.5
Capital Expenditures	15.7	14.9	8.8	7.2	6.0
Interest Payments	5.3	4.9	5.1	5.5	5.4
Total Expenditure	68.8	66.8	60.1	55.0	48.7
Primary Balance¹	4.7	-0.4	13.4	11.7	9.8
% of GDP	1.1%	-0.1%	3.6%	3.4%	3.2%
Central Government Balance	-0.6	-5.3	8.3	6.2	4.4
% of GDP	-0.2%	-1.4%	2.2%	1.8%	1.5%
Public Sector Balance²	-6.8	-7.9	7.8	10.5	6.3
% of GDP	-1.6%	-2.0%	2.1%	3.1%	2.1%

(1) Includes capital payments

(2) Does not include annual payment obligations for public works (CRPAOs)

Source: MEF Multi-annual Macroeconomic Framework 2010-2012 (August 2009), DBRS

The government's efforts to increase public investment and improve social services have been constrained by the limited institutional capacity of sub-national governments and an inequitable transfer system. Peru's Canon Law returns half of the revenues from natural resources to the producing regions, and stipulates that Canon funds can only be used on approved capital expenditure. However, regional and local governments often do not have the technical capacity to design and execute investment projects. Moreover, five of the twenty-six departments (Ancash, Arequipa, Cusco, Moquegua and La Libertad) received more than 60% of Canon transfers in the first eight months of 2009.

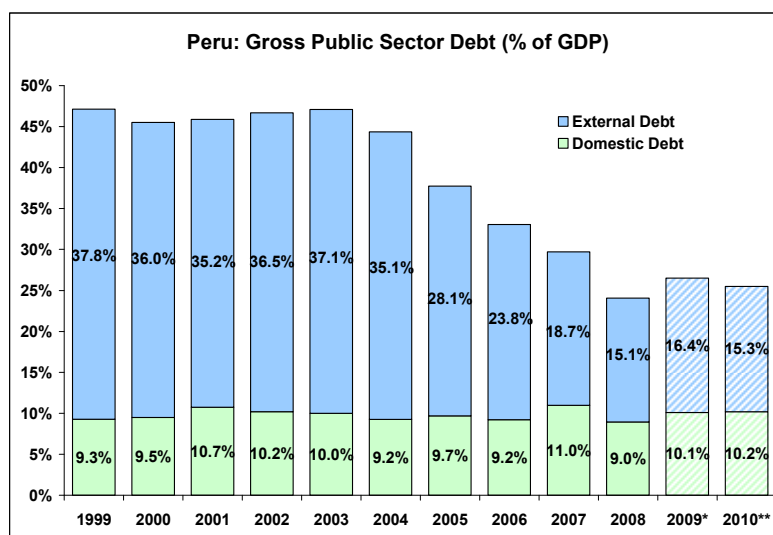
Progress is being made to address the system's shortcomings. Starting in 2010, the Ministry of Finance will curb the growth of non-Canon transfers while increasing performance-based transfers. The reform will encourage local governments to adopt best practices, implement targeted social programs and improve the local business environment. Other budgetary initiatives, such as the expansion of the Fund for the Promotion of Regional and Local Public Investment (FONIPREL), aim to reduce regional inequalities and improve the quality of public investment. FONIPREL, which co-finances development projects designed by sub-national governments, provides the central government with a mechanism to prioritize social and infrastructure needs nationwide and select projects based on their design, cost-effectiveness and social benefit.

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Debt and Liquidity

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The level and composition of Peru’s public debt has significantly improved over the last six years due to strong economic growth, high primary surpluses and prudent debt management. Gross public debt declined from 47.1% of GDP in 2003 to 24.1% in 2008. DBRS expects a moderate increase in 2009 as a result of the deficit, before continuing on a slight downward trajectory.



* Through Q3 2009
 ** DBRS estimate
 Source: MEF, BCRP, DBRS

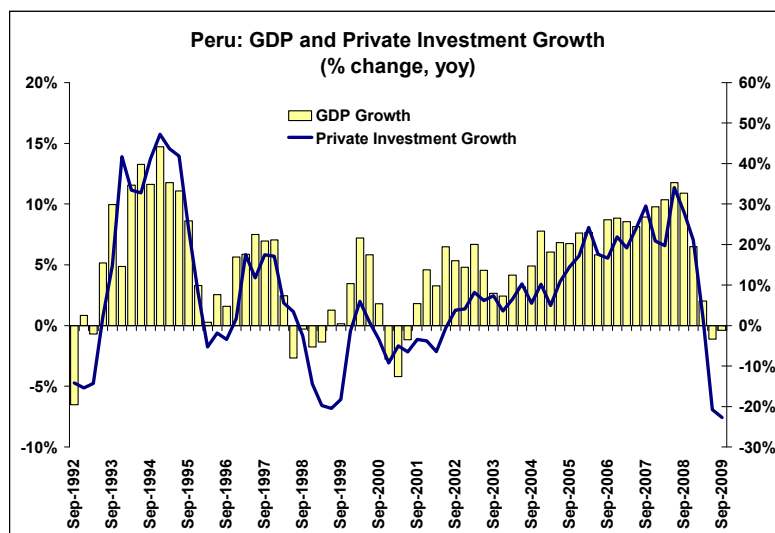
Creditworthiness has been strengthened by a shift from external to internal financing. Domestic debt increased from 21% of total public debt in 2003 to 38% in September 2009. Greater reliance on domestic bond issuances has reduced exchange rate risk and facilitated the development of local capital markets. Moreover, the expansion of Peru’s institutional investor base, particularly pension funds, within a stable macroeconomic environment has increased the demand for long-term local-currency debt; the domestic nominal yield curve extends to 2037. The bulk of Peru’s financing needs in the coming years will likely be met through the local market.

Liability management operations in 2009 reduced financing needs over the next five years and lengthened the maturity structure of the debt portfolio. In July, Peru reopened its 2025 global bond with a \$1.0 billion issuance, and used the proceeds to prepay Paris Club debt due between 2010 and 2015. The operation lowered interest costs and contributed to Peru’s wider external debt strategy of reducing Paris Club debt while increasing its participation in international capital markets. In the domestic market, the government conducted a PEN833 million swap operation in November, replacing 2011 bonds with bonds maturing in 2017 and 2026. The swap strengthened the liquidity of benchmark bonds over the medium and long end of the local yield curve. In 2010, DBRS expects Peru will continue to act opportunistically in the international and domestic markets to smooth the amortization schedule, reduce financing costs and reinforce the local yield curve.

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From 2002 to 2008, Peru was one of the fastest growing economies in the world, expanding at an average annual rate of 6.8%. Although this growth took place during a period of high commodity prices and favorable external conditions, Peru's strong economic performance is primarily the result of sound and predictable economic policies, higher levels of investment and productivity-enhancing structural reforms, all of which indicate that the economy's higher rate of growth is durable. In addition to the country's vast wealth in natural resources, recent initiatives to improve the business climate and develop public infrastructure will support the economy's transformation. Nevertheless, significant structural challenges remain, including Peru's large informal economy, severely inadequate infrastructure, high levels of poverty, weak public institutions and poor educational system.

After 31 consecutive quarters of year-on-year growth, the Peruvian economy contracted 1.1% and 0.4% in the second and third quarters of 2009. The global crisis triggered a collapse in confidence, leading to a 14.9% decline in private investment during the first nine months of the year and a sharp adjustment in inventories. Nevertheless, private consumption remained relatively resilient and the strong policy response cushioned the decline in output. Recent data indicate the economy likely bottomed out in the second quarter: business and consumer confidence is recovering; construction activity is resuming; and the export sector is benefiting from rising international commodity prices. DBRS expects growth to be positive in 2009 before accelerating in 2010.

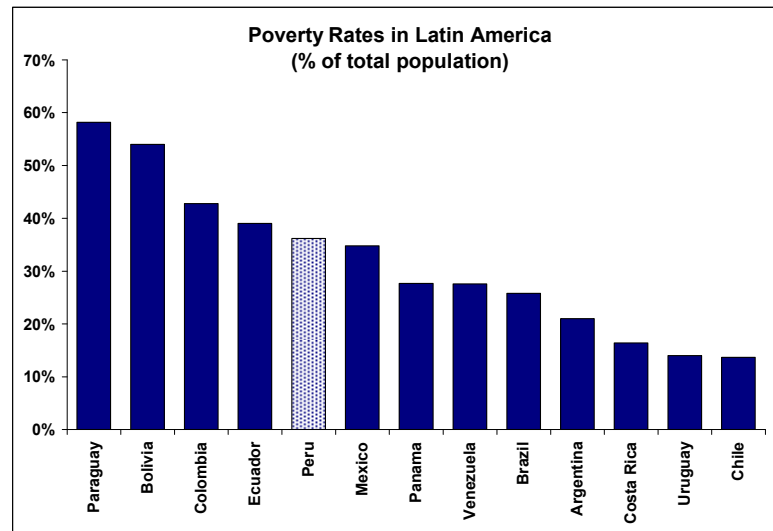


Source: BCRP, DBRS

One of the main drivers of growth is high investment. Gross fixed capital formation increased from 17% of GDP in 2002 to 27% in 2008. Macroeconomic stability, trade and FDI liberalization and a better business climate have created the conditions for investment-led growth. Moreover, the current administration is proactively seeking FTAs and encouraging private participation in infrastructure projects. It also recently announced an ambitious set of pro-business measures that include: putting tax procedures online, streamlining the bureaucratic process to open a business and obtain a construction permit, and creating commercial courts to expedite contract disputes. Peru was ranked 56th out of 183 economies in the 2010 World Bank's Doing Business Report, up nine positions from one year earlier, but still behind the region's leaders: Colombia (37th), Chile (49th) and Mexico (51st).

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Source: ECLAC, DBRS

Note: Argentina, Bolivia and Chile are 2007; all others are 2008

Nevertheless, Peru faces major structural concerns that, if left unaddressed, could hinder growth potential. Restrictive labor laws impede job creation in the formal sector and contribute to a large, untaxed and inefficient informal economy. Recent legislation to reduce non-wage costs and encourage small- and medium-sized firms to enter the formal market is a welcome step, but with more than two-thirds of the workforce in the informal sector, formalization of the economy will demand more reform and political attention.

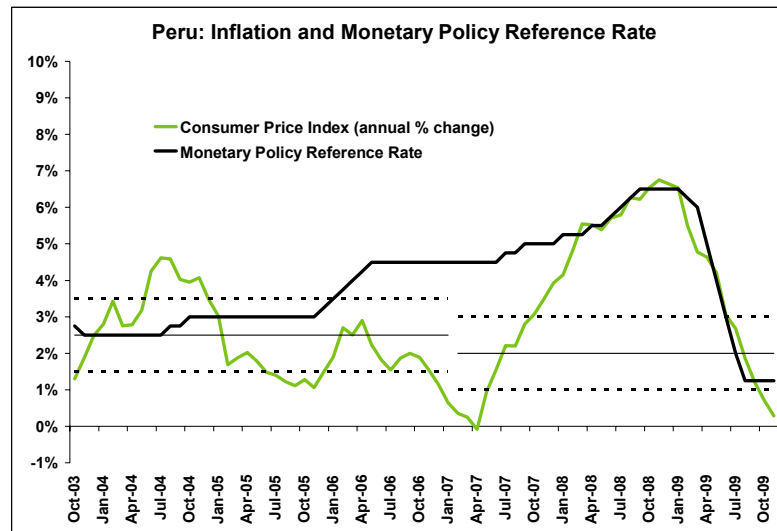
Strong economic growth has translated into a sharp decline in poverty. According to official figures, the poverty rate fell from 48.7% in 2005 to 36.2% in 2008. Nevertheless, poverty remains widespread and is especially severe in rural areas, where 60% of the population still lives below the poverty line. Rural communities lack basic social services and suffer from high rates of malnutrition. Expanded coverage of poverty reduction programs, better targeting within existing programs and strengthened state capacity to deliver social services would consolidate recent gains.

Monetary Policy and Financial Stability

Although rising commodity prices pushed headline inflation well above the target range in 2008, Peru's inflation-targeting regime has proven effective in guiding price stability and anchoring inflation expectations. From 2003 to 2008, average annual inflation was 2.9%, the lowest in South America. In 2009, weak domestic demand and lower food prices led to disinflation. Twelve-month inflation declined from 6.8% in November 2008 to 0.3% one year later. The BCRP expects inflation to remain below the lower band of the target range over the next few months.

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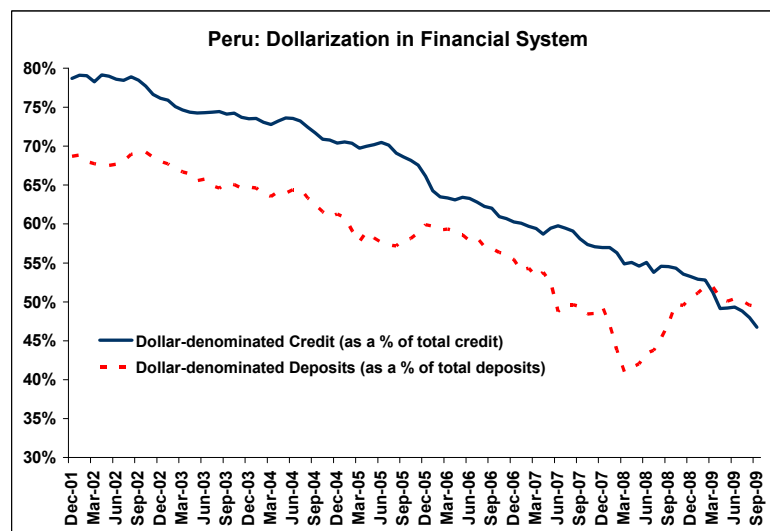


Source: BCRP, DBRS

Note: Target rate lowered from 2.5% to 2.0% in February 2007.

In response to the international credit crisis, the BCRP acted decisively to provide adequate liquidity and cushion the impact on the real economy. From September 2008 to February 2009, monetary authorities injected PEN35 billion (\$11.4 billion) in sol and dollar liquidity via repurchase agreements, lower reserve requirements and the purchase of BCRP bills. From February to August 2009, as inflationary pressures rapidly receded and expectations fell within the target range, the BCRP lowered the reference interest rate 525 basis points to 1.25%. These measures successfully stabilized the financial system and avoided a sharp contraction in credit.

In addition to strong BCRP support, sound regulation and limited reliance on external funding protected Peru's financial sector during the crisis. Despite a sharp deceleration in growth, the banking system remains well capitalized with adequate provisions and low levels of non-performing loans. Furthermore, credit continues to expand, albeit at a decelerating rate. Recent regulatory reforms, such as the introduction of pro-cyclical provisioning and higher minimum capital requirements, further strengthen the sector.

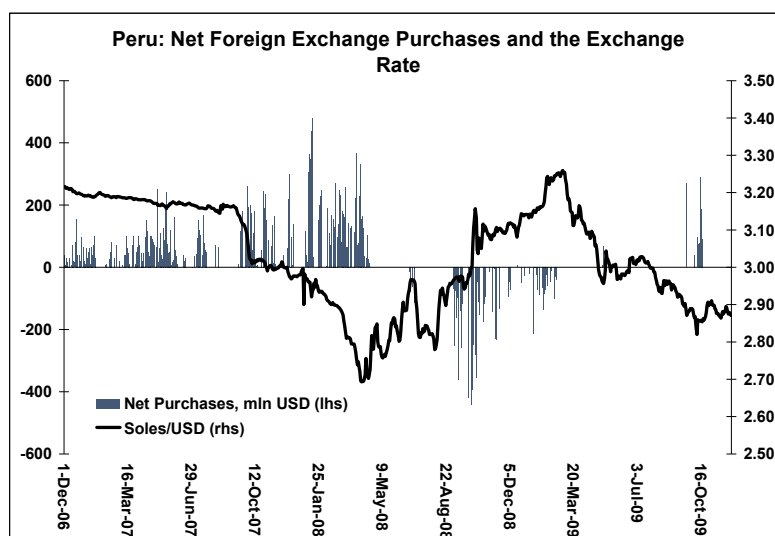


Source: SBS, DBRS

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One of the weaknesses in the Peruvian financial system is the elevated levels of dollarization – a legacy of high inflation in the 1970s and 1980s. Currency mismatches create balance sheet vulnerabilities throughout the economy that carry significant exchange rate and liquidity risks. The BCRP maintains high international reserves to manage these risks, but it is also taking steps to reduce dollarization. These include: higher reserve requirements on foreign currency bank deposits, the development of local capital markets, including a local currency mortgage market, and, most importantly, strict price stability within a credible inflation-targeting framework. These measures have succeeded in reducing dollarization levels. The share of dollarized credit has steadily declined from 79% in 2001 to 47% in September 2009. Dollar deposits have declined from 69% to 49% over the same period. The sharp fall and rebound in dollar deposits from December 2007 to March 2009 is the result of anticipated movements in the exchange rate by the private sector. As financial markets stabilize, DBRS expects de-dollarization to continue.



Source: BCRP, DBRS

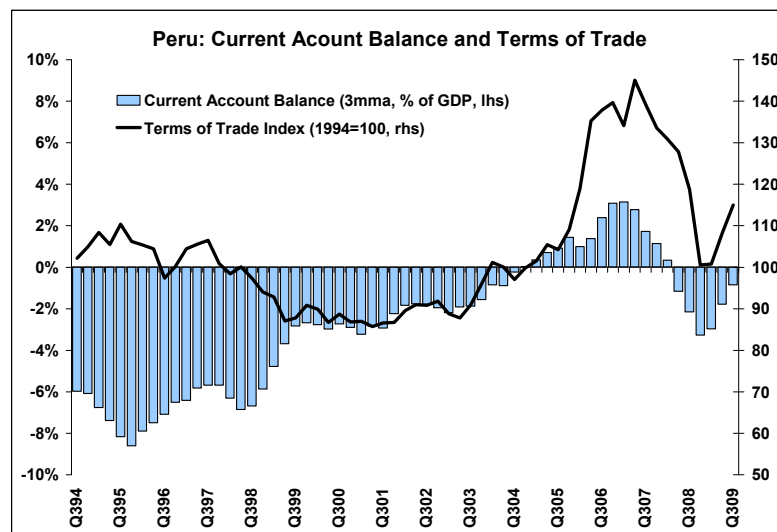
Given the high levels of dollarization, the BCRP intervenes in the foreign exchange market to smooth excessive currency volatility. From December 2006 to April 2008, as the sol strengthened against the dollar, the BCRP increased foreign exchange purchases and built up reserves. Between September 2008 and March 2009, during the peak of the financial crisis, the BCRP sold \$6.9 billion of reserves to stem currency fluctuations while allowing the sol to adjust to external conditions. Since March 2009, the BCRP has infrequently intervened.

Balance of Payments

The international financial crisis had three negative effects on Peru's balance of payments. First, exports declined 28.9% in dollar terms during the first half of 2009 as a result of worsening terms of trade and contracting external demand. Traditional and non-traditional exports fell 31.0% and 22.3%, respectively. Second, weak domestic demand and the postponement of capital-intensive investment projects caused a 36.1% decline in imports in the second quarter. Third, heightened risk aversion led to a net outflow of \$3.8 billion in short-term capital in the six months following the collapse of Lehman Brothers. During this time, lower commodity prices and greater financial uncertainty reduced FDI inflows.

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Source: BCRP, DBRS

Nevertheless, high FDI inflows fully finance current account deficits. Annual FDI inflows averaged 3.2% of GDP from 2003 to 2008, and continued with \$4.5 billion in FDI inflows during the first nine months of 2009. Barring deterioration in the political environment or another external shock, a long list of large investment projects, principally in the mining and hydrocarbon industries, will provide a strong source of financing in the coming years. Furthermore, the prices of Peru's metal exports – copper, gold, zinc, tin and silver – rebounded in the third quarter, helping narrow the current account deficit.

Peru's economy is highly dependent on commodity prices. Mining and hydrocarbon products accounted for 68% of Peru's exports in 2008. Non-traditional exports have expanded at a rapid pace, from \$2.3 billion in 2003 to \$7.5 billion in 2008, with strong growth in the agro-industry and chemical sectors, but traditional exports have grown faster. Commodities as a share of overall exports could rise even further due to increased production, strong demand from Asia and high international prices. Diversification of the export base will be necessary to mitigate exposure to the commodity-price cycle and support a more well-balanced economy.

One way the administration of President Alan Garcia has tried to diversify the export sector and attract foreign investment is through bilateral trade agreements. The United States-Peru Trade Promotion Agreement, which came into effect in early 2009, institutionalized Peru's trade and investment links with its largest trading partner. Peru has free trade or investment agreements with every major economy in the Western Hemisphere, except Venezuela, and is now seeking to strengthen its commercial relationships in Asia and Europe. A free trade agreement with China, Peru's second largest trading partner, has already been signed, and negotiations with Japan, South Korea and the European Union will continue in 2010.

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Political Environment

Last election:	April 2006 (presidential and congressional)
Next election:	April 2011 (presidential and congressional)
Party in power:	Partido Aprista Peruano (APRA)
Legislature (unicameral):	APRA holds 36 out of 120 seats

The political implications of widespread poverty and regional inequality present the greatest single risk to Peru's macroeconomic stability. While the coastal regions of the country benefit from economic growth, communities in the Andean and Amazonian regions lack basic services and suffer from much lower standards of living. In the 2006 presidential election, Ollanta Humala, a left-wing nationalist who opposed liberal economic policies and promised radical economic reform, won the first round of elections and nearly defeated Alan García in a runoff by appealing to the disenfranchised and impoverished. The García administration has focused on reducing poverty and improving social services, with some notable achievements, but weak institutional capacity has constrained government efforts.

While the political forces that propelled Humala to prominence remain, DBRS believes that strong economic growth and increased public investment have reduced the probability that Humala or a similar candidate will reach the same level of popularity as in 2006. However, the economic and social gains of recent years are fragile, and a sustained economic downturn or the mismanagement of social conflicts prior to the election could fuel support for candidates that oppose the current economic framework.

With President García ineligible for re-election, potential candidates for the April 2011 presidential elections include Keiko Fujimori, Alejandro Toledo, Luis Castañeda and Ollanta Humala. However, it is possible that the presidential front-runners will not be known until a few months before the election. The fragmented nature of Peru's party system, combined with widespread poverty and a sense of social exclusion, create an unpredictable political environment in which relatively unknown, often anti-system candidates, can quickly rise to national prominence.

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Selected Indicators

For the year ended December 31

(US\$ billions unless otherwise noted)

	2008	2007	2006	2005	2004	2003
Public Debt						
Public Sector	30.6	31.9	30.5	30.0	30.9	28.9
% GDP	24.1%	29.7%	33.0%	37.8%	44.4%	47.1%
Domestic Debt						
Public Sector	11.4	11.8	8.5	7.7	6.4	6.1
% GDP	9.0%	11.0%	9.2%	9.7%	9.2%	10.0%
External Debt						
Public Sector	19.2	20.1	22.0	22.3	24.5	22.8
% GDP	15.1%	18.7%	23.8%	28.1%	35.1%	37.1%
% of Exports	48%	57%	74%	101%	148%	185%
Gross External	34.6	33.1	28.7	28.7	31.2	29.6
% GDP	27.1%	30.9%	31.1%	36.1%	44.8%	48.2%
Net External	3.4	5.4	11.3	14.5	18.6	19.4
% GDP	2.6%	5.0%	12.3%	18.3%	26.7%	31.6%
Fiscal Balances (% GDP)						
General Government Primary Balance	3.7%	4.8%	3.7%	1.4%	0.9%	0.5%
Revenues	20.9%	20.8%	20.0%	18.4%	17.6%	17.6%
Expenditures	17.3%	16.0%	16.3%	17.0%	16.7%	17.2%
Interest Payments	1.5%	1.8%	1.9%	1.9%	2.0%	2.1%
Interest Payments (% Revenues)	7.4%	8.5%	9.3%	10.3%	11.5%	12.0%
General Government Balance	2.1%	3.1%	1.8%	-0.5%	-1.1%	-1.6%
Public Sector Balance	2.1%	3.1%	2.1%	-0.3%	-1.0%	-1.7%
Balance of Payments & Liquidity						
Current Account Balance	-4.2	1.2	2.9	1.1	0.0	-0.9
% GDP	-3.3%	1.1%	3.1%	1.4%	0.0%	-1.5%
Trade Balance	3.1	8.3	9.0	5.3	3.0	0.9
Foreign Direct Investment (% GDP)	3.2%	5.1%	3.8%	3.2%	2.3%	2.1%
International Reserves	31.2	27.7	17.3	14.1	12.6	10.2
International Reserves (% Amortizations + ST Debt)	314%	208%	293%	172%	238%	211%
External Liquidity Ratio (%)	132%	133%	144%	124%	134%	124%
International Investment Position	-30.1	-32.8	-26.0	-26.3	-27.3	-28.3
External Assets	46.1	46.2	32.2	25.0	21.2	18.0
External Liabilities	76.1	79.0	58.2	51.3	48.5	46.3

Source: BCRP, Ministry of Economy and Finance, INEI, DBRS.

Notes: Public Sector equals the General Government plus all public non-financial enterprises, but does not include annual payment obligations for public works (CRPAOs). General Government consists of ministries, public institutions, state and local governments, regulatory organizations and special funds. Net External Debt is external debt minus international reserves. Exports consist of exports of goods, services, transfers and income. Liquidity ratio = (international reserves + exports of goods, services, income and net transfers) / (amortizations + short term debt + imports of goods, services and income). 2006 Population: 28.3 million.



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Rating Table

Debt	Rating	Rating Action	Trend
Long-Term Foreign Currency Debt	BBB (low)	Confirmed	Stable
Long-Term Local Currency Debt	BBB (low)	Confirmed	Stable

Rating History

	Current	2008	2007	2006
Long-Term Foreign Currency Debt	BBB (low)	BBB (low)	BBB (low)	NR
Long-Term Local Currency Debt	BBB (low)	BBB (low)	BBB (low)	NR

Related Research

- [Despite Social Unrest, Policy Continuity in Peru Supports Ratings](#), Commentary, July 8, 2009.

Note:
All figures are in U.S. dollars unless otherwise indicated.

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