



# Peru's Economic and Business Report

Second Quarter

September 2021




PERU

Ministry  
of Foreign Affairs



Building a better  
working world

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The Peru's Economic and Business Report presents quarterly progress and projections of the main macroeconomic indicators.

Peru is considered one of the most important countries in Latin America and one of the world's leading emerging markets, with a solid recent history of economic and business stability.

Peru's macroeconomic strengths - low levels of debt, inflation and fiscal deficit, while maintaining high levels of international reserves - is widely recognized, not only by credit rating agencies but also by worldwide investors.

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# 1 COUNTRY OVERVIEW

## Government

Peru is a democratic constitutional republic with a multiparty system. The President is the Chief of State and Head of Government and is elected every five years.

► President until July 28, 2026: Pedro Castillo.

The President appoints the Prime Minister and the members of the Cabinet. There is a unicameral Congress of 130 members elected for a five-year period. For the period 2021-2026, congressional representation consists of ten parties.

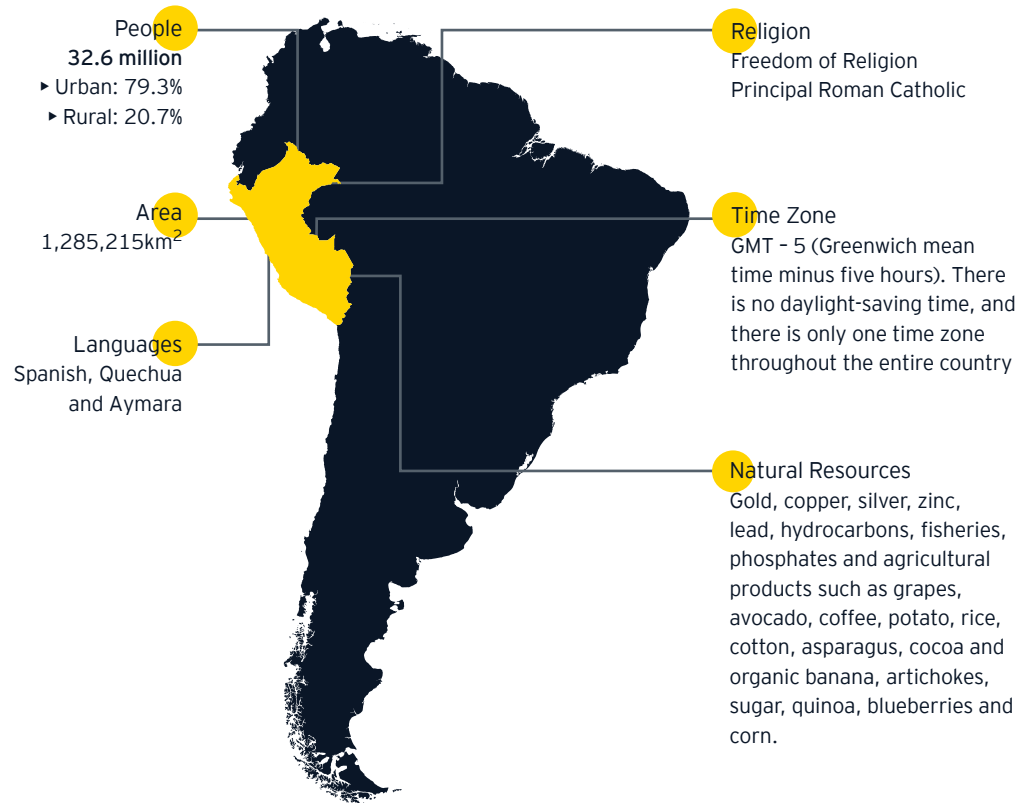
The legislative proposals can be submitted by both the executive and legislative branch and will become law once they are approved by the Congress and promulgated by the President. The judicial and electoral bodies are independent.

## Geography

► Located on the west central coast of South America, Peru is bordered by the Pacific Ocean to the west, by Chile to the south, by Brazil and Bolivia to the east, and Colombia and Ecuador to the north.

► Peru is divided geographically into three natural regions: the coast, a narrow strip measuring approximately 3,080 km long that accounts 11.7% of Peru's territory; the highlands, site of the Andean mountain range covering 27.9% of the national territory; and the amazon rainforest, which occupies 60.4% of the territory and is rich in petroleum and forest resources.

## GENERAL INFORMATION



Source: National Institute of Statistics and Information (INEI)



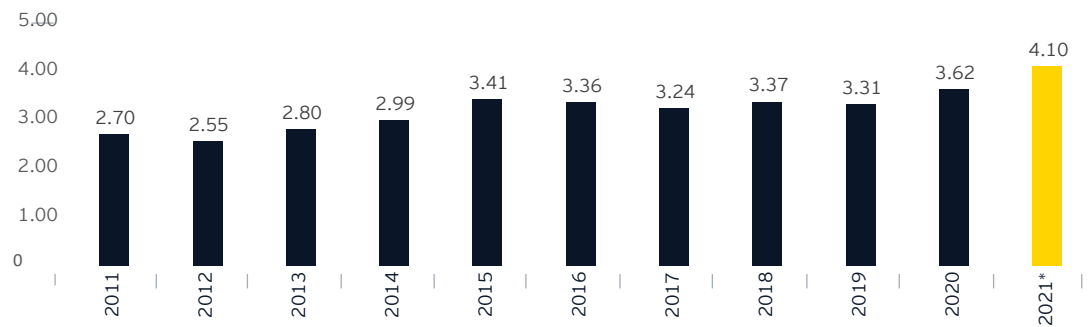
## MACROECONOMIC INDICATORS AND PROJECTIONS

### Currency

The official currency of Peru is the Sol (PEN -S/). The country has a free-floating exchange rate regime, with the Central Reserve Bank of Peru (BCRP) occasionally intervening for purposes of stabilization. As at June 30, 2021, banks were buying US Dollars at PEN3.925 and selling them at PEN3.932. The projection of the exchange rate for 2021 is PEN4.10.

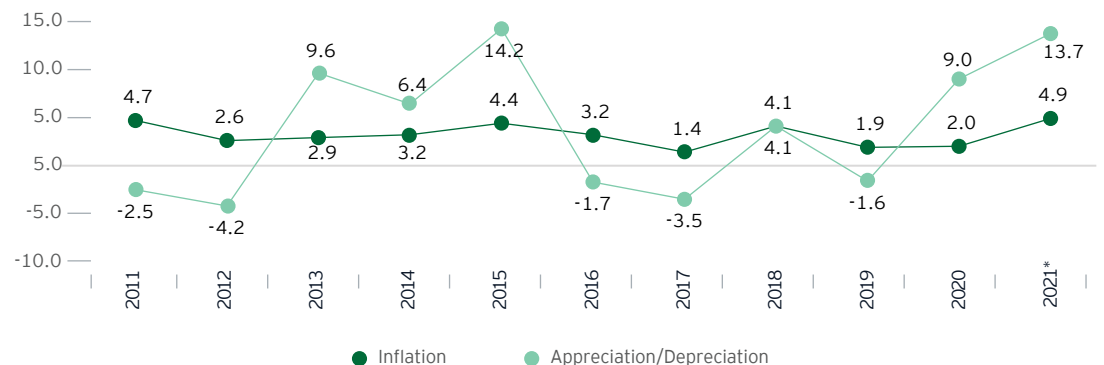
As of the end of the second quarter, the inflation rate in Peru was 2.1% and the depreciation rate of the Sol against the US Dollar for the same period was 3.3%. According to the Central Reserve Bank of Peru (BCRP) it is estimated that at the end of the year 2021, the inflation rate will be 4.9%, above the target range, and the depreciation will be around 13.7%.

#### EXCHANGE RATE EVOLUTION: NUEVOS SOLES PER USD1 (END OF EACH YEAR)



\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

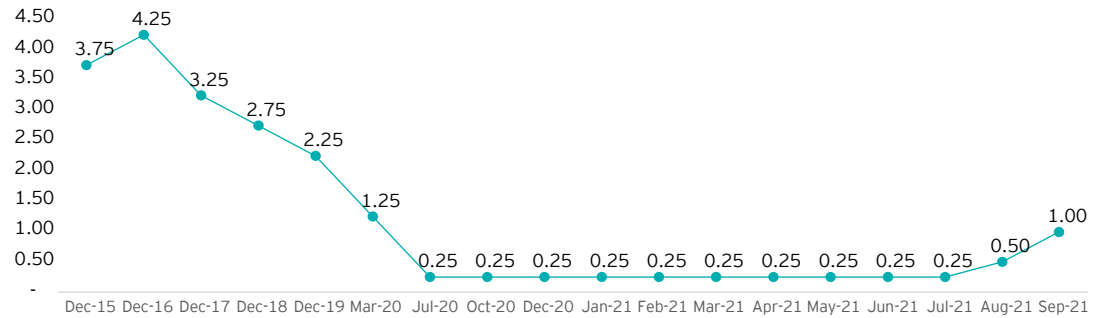
#### APPRECIATION/DEPRECIATION AND INFLATION (PERCENTAGE)



\*Projection. September 2021 Inflation Report. Exchange rate is estimated at PEN4.10  
Source: Central Reserve Bank of Peru (BCRP)

The Central Reserve Bank maintains a strong expansionary monetary policy, keeping the interest rate low at 1.00% as of September 2021. The BCRP considers appropriate to maintain this level for a prolonged period and as long as the negative effects of the pandemic persist on the inflation and its determinants.

### REFERENCE INTEREST RATE (PERCENTAGE)



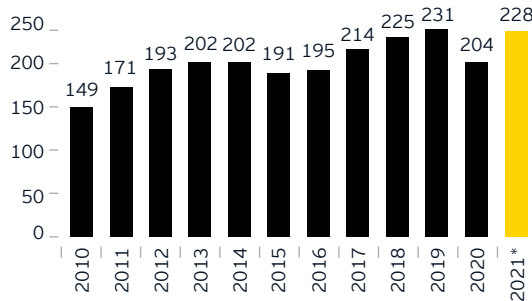
Source: Central Reserve Bank of Peru (BCRP)

### Gross Domestic Product (GDP) and International Reserves

Following a drop in GDP of 11.1% in 2020, a rebound effect is expected, with a GDP growth of 11.9% in 2021 as estimated by the Central Reserve Bank of Peru (BCRP) as of September 2021. Additionally,

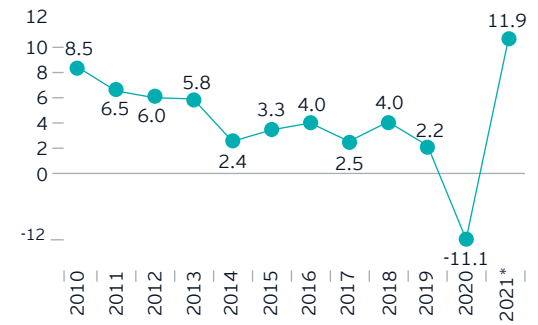
the Peruvian economy would grow 4.1% annually on average between 2022 and 2026, according to estimates by the Ministry of Economy and Finance.

### REAL GROSS DOMESTIC PRODUCT (GDP) (IN USD BILLIONS)



\*Estimated as April 2021  
Source: International Monetary Fund (IMF)

### GROSS DOMESTIC PRODUCT (GDP) (PERCENTAGE CHANGE)



\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

### PERU'S GROSS DOMESTIC PRODUCT (GDP) BY ECONOMIC SECTOR, BASED ON THE ECONOMIC STRUCTURE OF THE YEAR 2007



Source: National Institute of Statistics and Information (INEI)

**GROSS DOMESTIC PRODUCT (GDP) BY INDUSTRY (PERCENTAGE CHANGE)**

Industry	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021(Q2)	2021*
Agriculture and Livestock	4.1	5.9	2.7	1.6	3.5	2.7	2.8	7.8	3.4	1.3	-0.2	2.0
Fisheries	52.9	-32.2	24.8	-27.9	15.9	-10.1	4.7	47.7	-25.9	2.1	21.2	5.4
Mining	-2.1	2.5	4.3	-2.2	15.7	21.2	4.5	-1.7	-0.8	-13.5	46.9	10.8
Hydrocarbons	5.1	1.0	7.2	4.0	-11.5	-5.1	-2.4	0.0	4.6	-11.0	3.3	-3.8
Manufacturing	8.6	2.5	4.9	-3.6	-1.5	-1.4	-0.2	5.9	-1.7	-13.2	60.9	21.1
Electricity and Water	7.6	5.8	5.4	4.9	5.9	7.3	1.1	4.4	3.9	-6.1	25.3	7.7
Construction	3.6	15.8	0.0	1.9	-5.8	-3.2	2.1	5.3	1.5	-13.9	230.9	30.6
Commerce	8.9	7.2	5.9	4.4	3.9	1.8	1.0	2.6	3.0	-16.0	85.9	17.8
Other Services	7.0	7.0	6.1	5.1	4.1	4.1	3.3	4.4	3.8	-10.3	31.4	9.9
<b>GDP</b>	<b>6.5</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>	<b>3.3</b>	<b>4.0</b>	<b>2.5</b>	<b>4.0</b>	<b>2.2</b>	<b>-11.1</b>	<b>41.9</b>	<b>11.9</b>

\*Projection. September 2021 Inflation Report. Q2=Second Quarter of 2021.

Source: Central Reserve Bank of Peru (BCRP), National Institute of Statistics and Information (INEI)

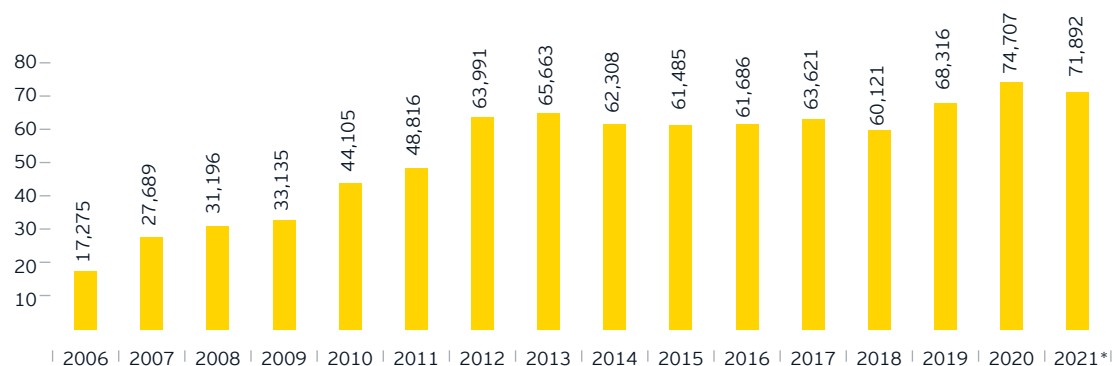
**GROSS DOMESTIC PRODUCT (GDP) BY TYPE OF EXPENDITURE (PERCENTAGE CHANGE)**

Variables	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021(Q2)	2021*
Domestic Demand	7.8	7.3	7.2	2.2	2.9	1.1	1.4	4.2	2.3	-9.8	40.9	12.5
a. Private Consumption	6.4	5.8	5.3	4.1	3.4	3.5	3.8	3.8	3.0	-8.7	28.3	9.2
b. Public Consumption	4.8	9.4	6.7	10.1	9.5	5.7	3.0	0.1	2.1	7.5	30.2	9.0
c. Private Investment	11.4	13.5	6.4	-2.1	-4.5	-4.3	5.0	4.5	4.0	-16.5	162.0	24.5
d. Public Investment	-18.0	20.8	12.1	-2.0	-7.5	10.3	4.5	5.6	-1.4	-17.7	251.2	20.0
Exports	8.8	5.4	-0.9	-0.8	3.3	6.9	5.5	2.4	0.8	-20.0	48.8	11.9
Imports	9.8	10.4	3.6	-1.4	2.4	-1.7	3.6	3.2	1.2	-15.6	44.1	14.5
<b>GDP</b>	<b>6.5</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>	<b>3.3</b>	<b>4.0</b>	<b>2.5</b>	<b>4.0</b>	<b>2.2</b>	<b>-11.1</b>	<b>41.9</b>	<b>11.9</b>

\*Projection. September 2021 Inflation Report. Q2=Second Quarter of 2021.

Source: Central Reserve Bank of Peru (BCRP), National Institute of Statistics and Information (INEI)

Peru is estimated to maintain a comfortable level of international reserves, representing in 2020 the 38% of GDP. As of June 30, 2021, these reserves total USD71.9 billion.

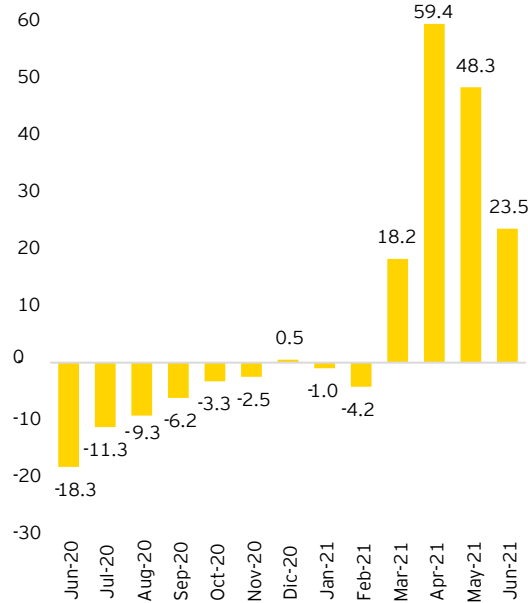
**NET INTERNATIONAL RESERVES (IN USD MILLIONS)**

\*As of June 30, 2021

Source: Central Reserve Bank of Peru (BCRP)

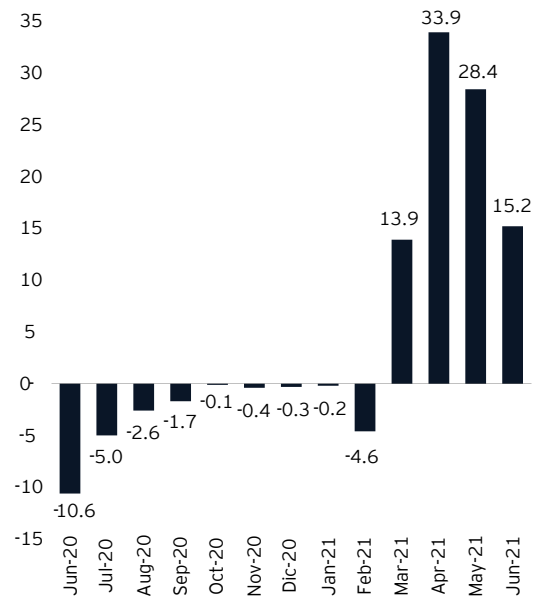
In June, the economy grew 23.5% accumulating a 20.9% growth as of the 2nd quarter of 2021. This recovery is supported by the main economy indicators which are already operating at 90% to 95% of pre pandemic levels.

**GROSS DOMESTIC PRODUCT (INTERANUAL PERCENTAGE CHANGE)**



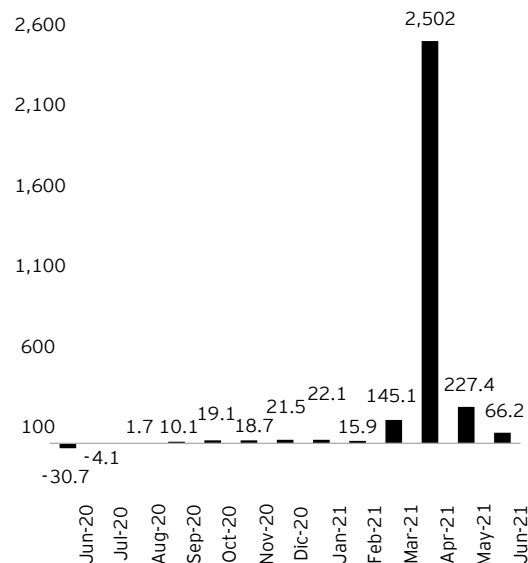
Source: National Institute of Statistics and Information (INEI)

**ELECTRICITY PRODUCTION (INTERANUAL PERCENTAGE CHANGE)**



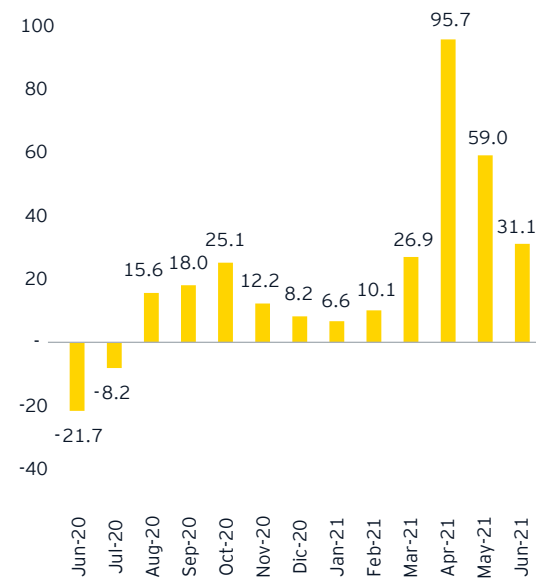
Source: National Institute of Statistics and Information (INEI)

**DOMESTIC CEMENT CONSUMPTION (INTERANUAL PERCENTAGE CHANGE)**



Source: National Institute of Statistics and Information (INEI)

**CONSUMPTION INDICATOR (INTERANUAL PERCENTAGE CHANGE)**



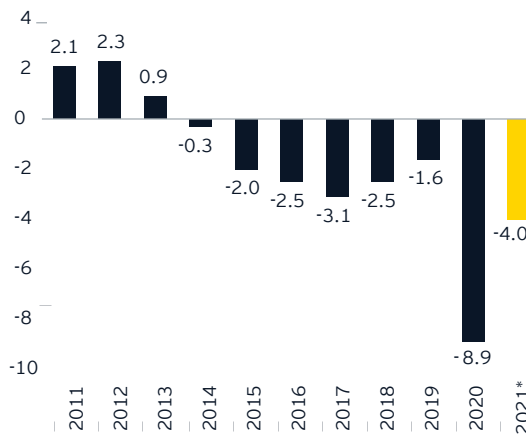
Source: National Institute of Statistics and Information (INEI)

## Public Sector

Public deficit reached 8.9% in 2020 and it is expected to decrease in 2021, reaching 4.0% of the GDP.

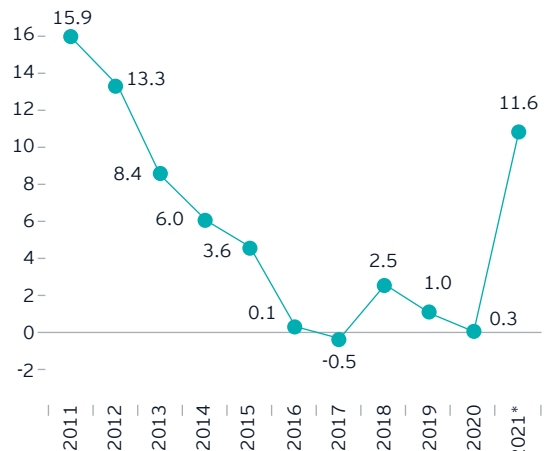
Public spending will continue to grow as part of the countercyclical macroeconomic policy to face the impact of Covid-19; it is estimated to grow 11.6% in 2021.

### ECONOMIC RESULTS (SURPLUS / DEFICIT) OF THE NON-FINANCIAL PUBLIC SECTOR (PERCENTAGE OF THE GDP)



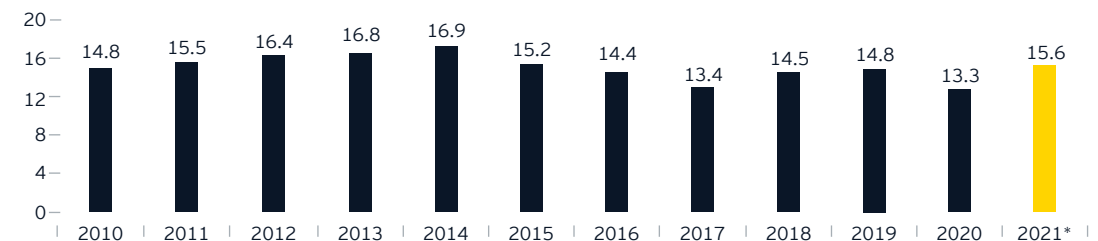
\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

### PUBLIC SPENDING (PERCENTAGE CHANGE)



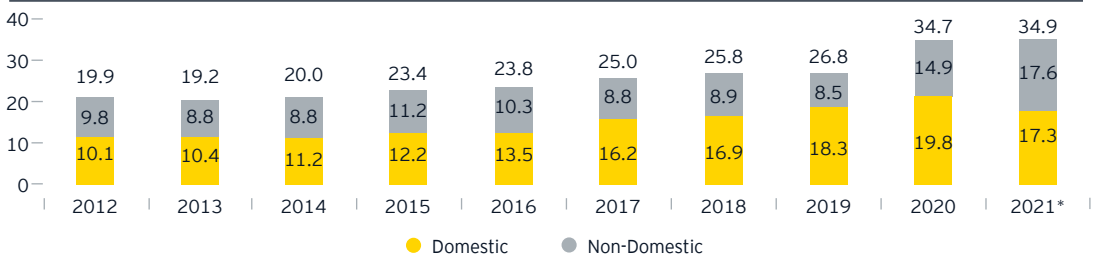
\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

### TAX BURDEN (PERCENTAGE OF THE GDP)



\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

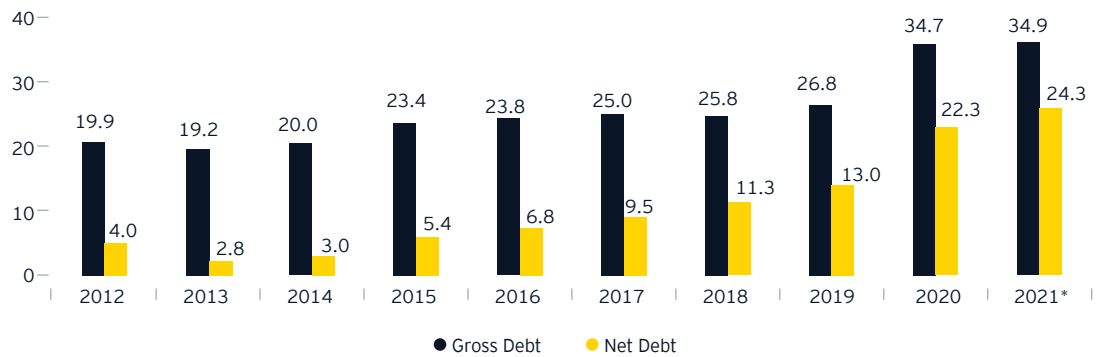
### PUBLIC DEBT (PERCENTAGE OF THE GDP)



\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)



### DEBT OF NON-FINANCIAL PUBLIC SECTOR (PERCENTAGE OF THE GDP)



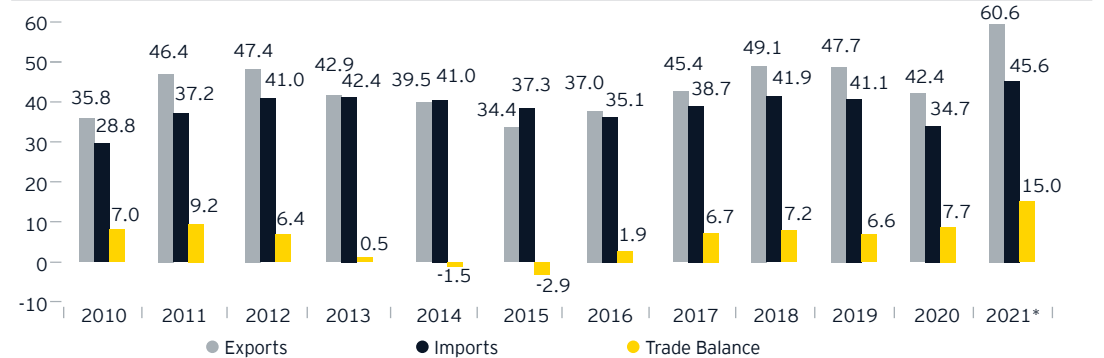
\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

### International Trade

As of the second quarter of 2021, total exports amounted to USD25.0 billion, increasing 51.6% compared to the same quarter of 2020. In the same period, total imports totaled USD23.8 billion, increasing only 42.7%. According to the estimates, Peruvian exports would reach USD60.6 billion

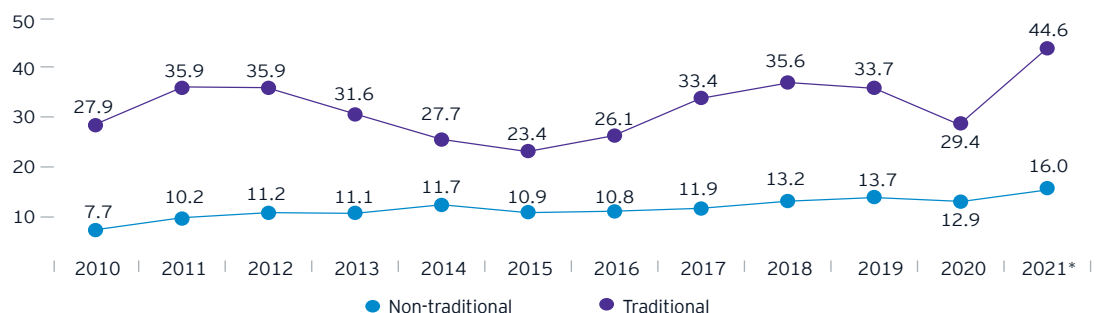
in 2021, while imports would account for an approximate amount of USD45.6 billion. During the second quarter, traditional exports reached USD17.8 billion, while non-traditional exports USD7.2 billion; it is estimated that by the end of 2021, they would have reached USD44.6 billion and USD16.0 billion, respectively.

### TRADE BALANCE (IN USD BILLIONS)



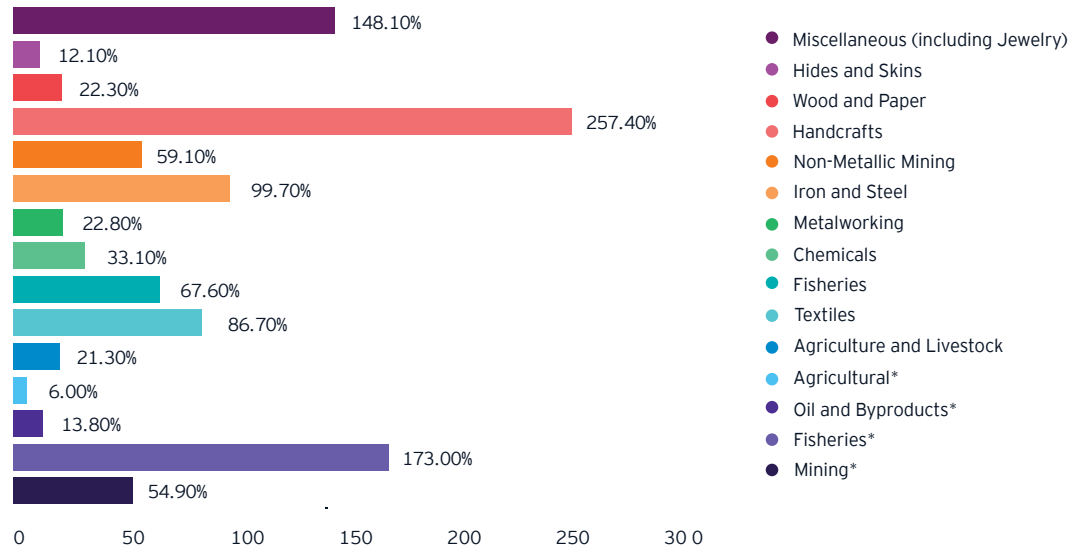
\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

### TRADITIONAL AND NON-TRADITIONAL EXPORTS (IN USD BILLIONS)



\*Projection. September 2021 Inflation Report  
Source: Central Reserve Bank of Peru (BCRP)

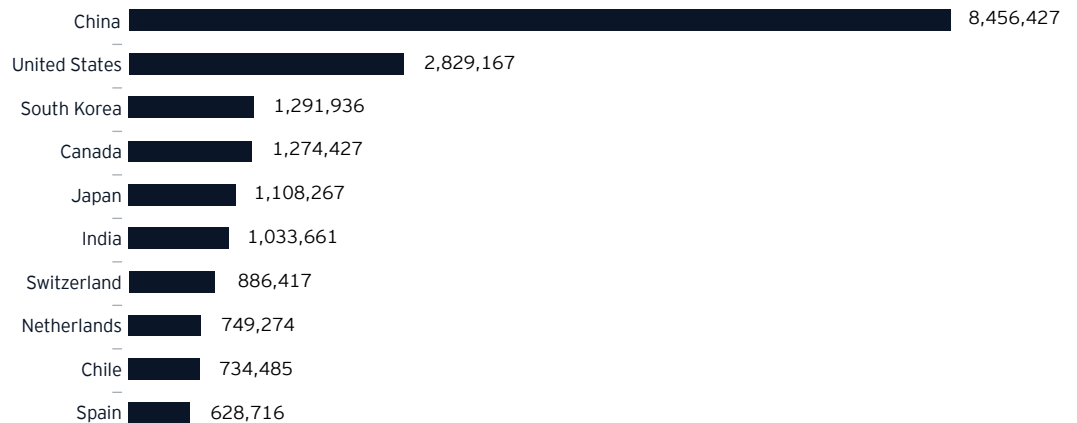
**EXPORTS BY ECONOMIC SECTOR AS OF JUNE 2021 (INTERANUAL PERCENTAGE CHANGE)**



\*Traditional

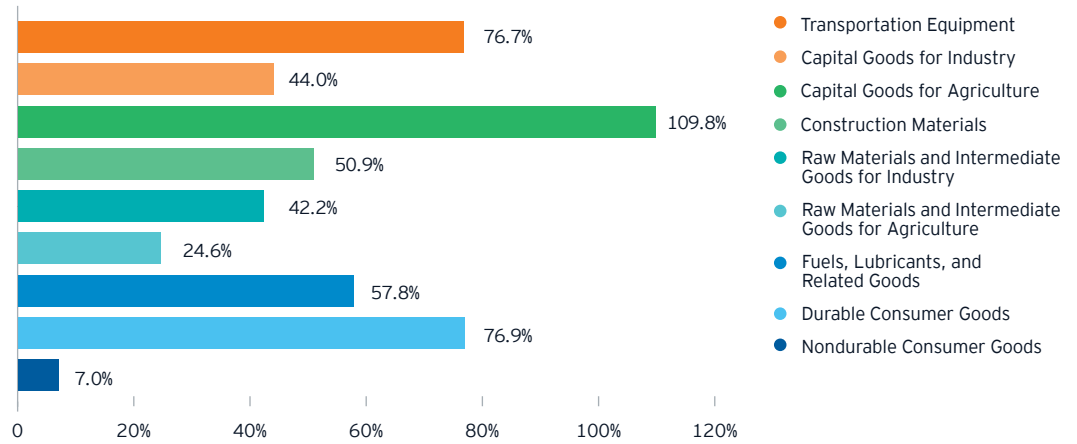
Source: National Superintendency of Customs and Tax Administration (SUNAT)

**EXPORTS BY TRADING PARTNER  
TOP TEN PARTNERS JUNE 2021 (THOUSANDS OF USD)**



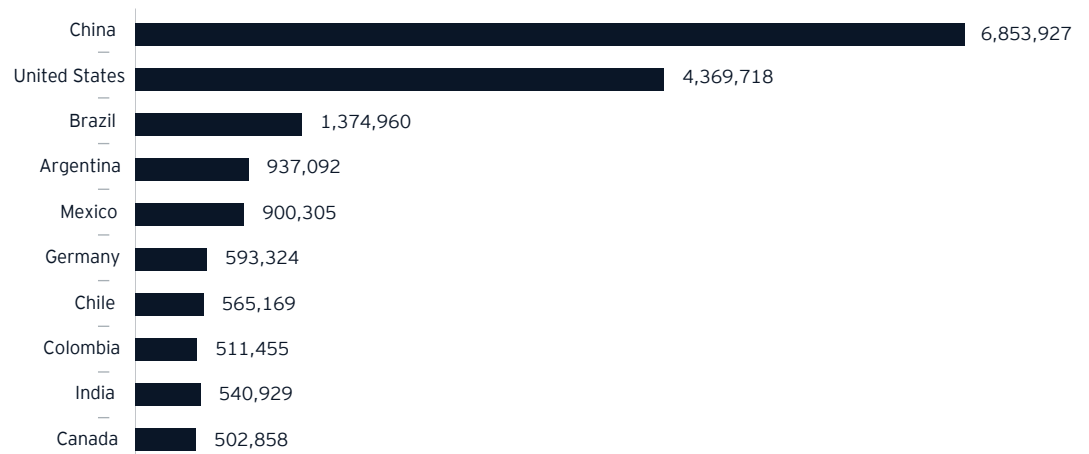
Source: National Superintendency of Customs and Tax Administration (SUNAT)

**IMPORT OF CONSUMER GOODS ACCORDING TO CUODE AS OF JUNE 2021 (INTERANUAL PERCENTAGE CHANGE)**



Source: National Superintendency of Customs and Tax Administration (SUNAT)

**IMPORTS BY TRADING PARTNER  
TOP TEN PARTNERS JUNE 2021 (THOUSANDS OF USD)**



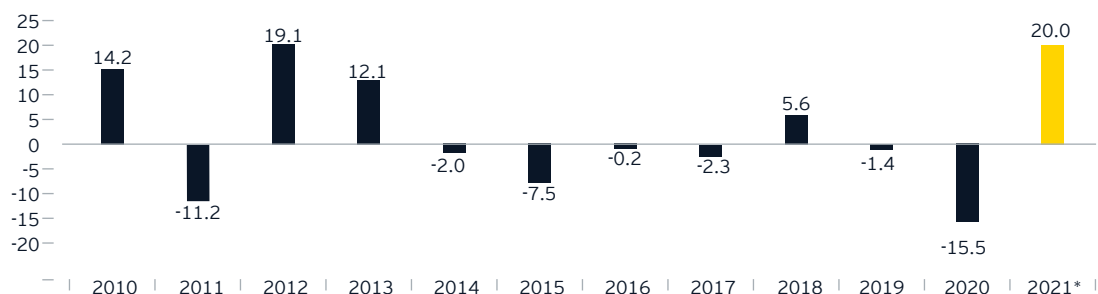
Source: National Superintendency of Customs and Tax Administration (SUNAT)



# 3 INVESTMENT ENVIRONMENT

As of the second quarter of 2021, the Public investment grew 251.0%, while Private investment did 162.0%. It is estimated that the Public and Private investment will have an important grow recovery in 2021 of 20.0% and 24.5%, respectively.

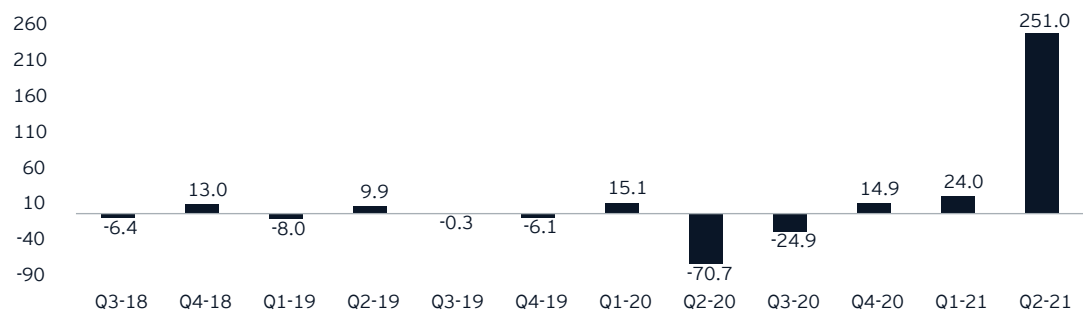
## PUBLIC INVESTMENT (PERCENTAGE CHANGE)



\*Projection. September 2021 Inflation Report

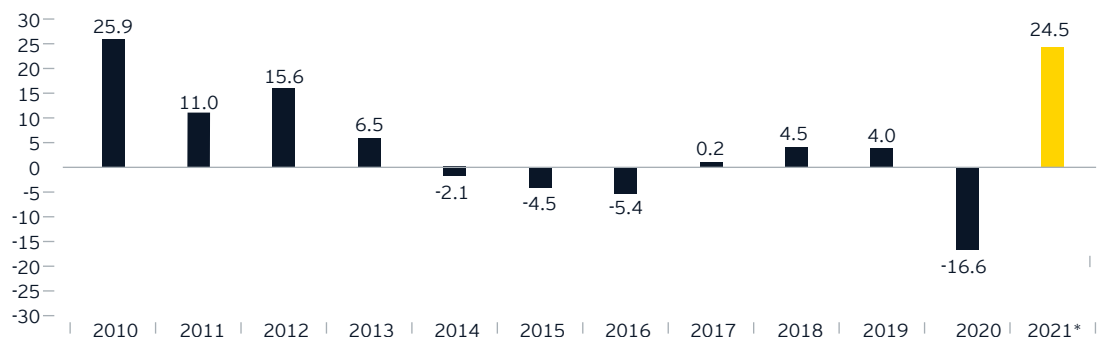
Source: Central Reserve Bank of Peru (BCRP)

## QUARTERLY PUBLIC INVESTMENT (ANNUALIZED PERCENTAGE CHANGE)



Source: Central Reserve Bank of Peru (BCRP)

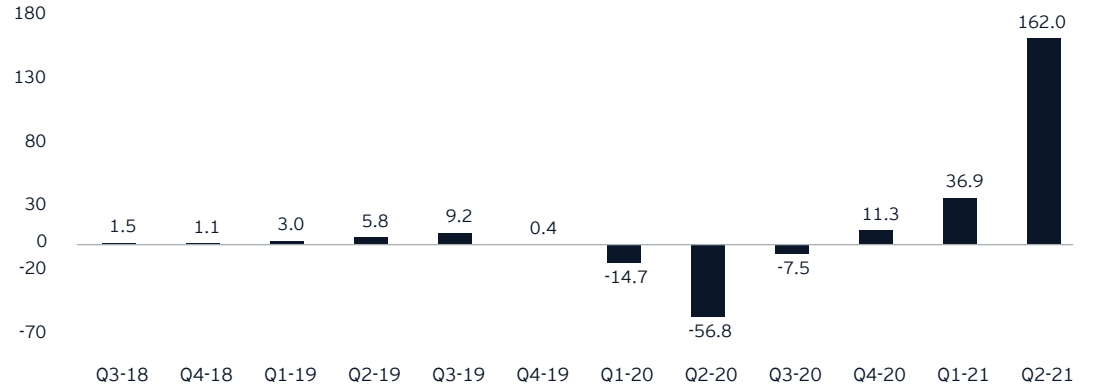
## PRIVATE INVESTMENT (PERCENTAGE CHANGE)



\*Projection. September 2021 Inflation Report

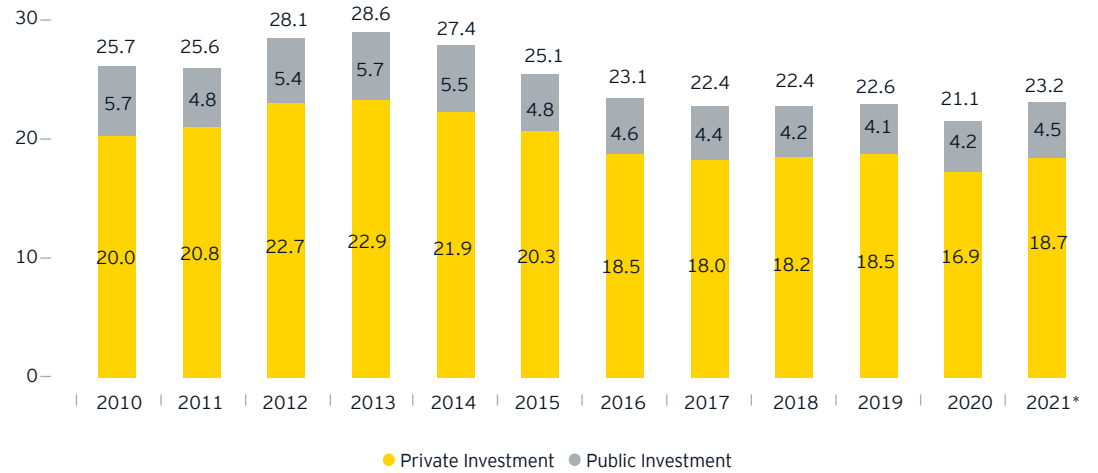
Source: Central Reserve Bank of Peru (BCRP)

**QUARTERLY PRIVATE INVESTMENT (ANNUALIZED PERCENTAGE CHANGE)**



Source: Central Reserve Bank of Peru (BCRP)

**FIXED GROSS INVESTMENT (PERCENTAGE OF GDP)**



\*Projection. September 2021 Inflation Report  
 Source: Central Reserve Bank of Peru (BCRP)

## Business Facilities

According to Doing Business 2020, Peru ranks 76th out of 190 countries in terms of readily available facilities to startup a company and of doing business, ranking sixth among the countries of Latin America. According to Forbes 2019, Peru ranks 64th among the best countries in the world for doing business, and fifth in Latin America.

### DOING BUSINESS

Ranking for Latin America	
Position	Country
59	Chile
60	Mexico
65	Puerto Rico (United States)
67	Colombia
74	Costa Rica
76	Peru
86	Panama
91	El Salvador
96	Guatemala
101	Uruguay
115	Dominican Republic

Source: World Bank (WB) - Doing Business 2020

### FORBES

Best Countries for Doing Business	
Position	Country
33	Chile
48	Costa Rica
54	Mexico
58	Uruguay
64	Peru
67	Colombia
73	Brazil
75	Panama
76	Argentina
91	Dominican Republic
97	Guatemala

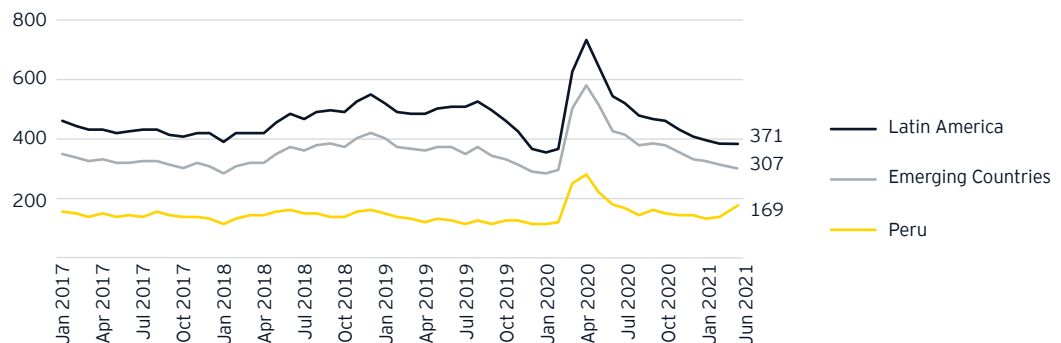
Source: Forbes 2019

## Country Risk and Investment Grade

As of June 30, 2021, Peru had a country risk of 169 basis points. This score is below that of Emerging Countries (307) and of the regional average (371).

As a result, Peru has been positively rated by the best-known risk rating agencies, thereby ratifying the country's investment grade and attracting international attention.

### COUNTRY RISK INDICATOR - EMBIG (IN BASIS POINTS)



Source: Central Reserve Bank of Peru (BCRP)

### EVOLUTION OF THE LONG-TERM DEBT RATING IN FOREIGN CURRENCY

Agency	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Fitch	BBB-	BBB-	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+
S&P	BBB-	BBB-	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+
Moody's	Baa3	Baa3	Baa3	Baa2	Baa2	A3	A3	A3	A3	A3	A3	A3	Baa1

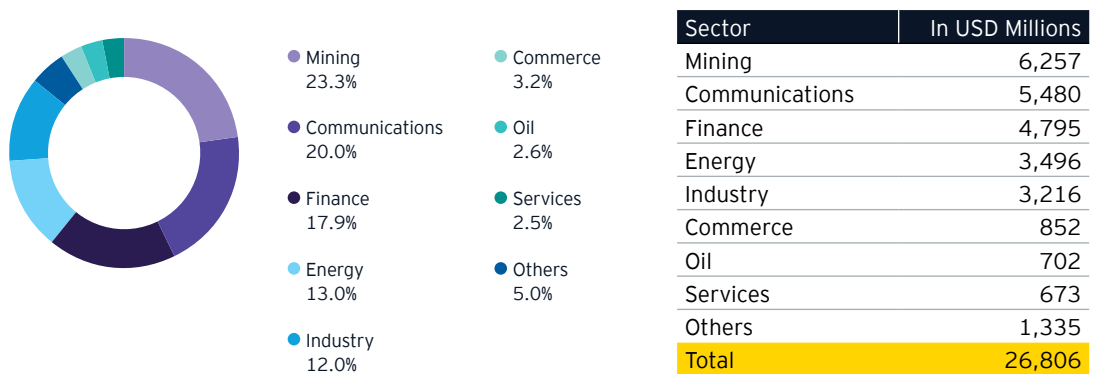
\*As of September 2021

Source: Standard & Poor's, Fitch Ratings, Moody's

### Foreign Direct Investment

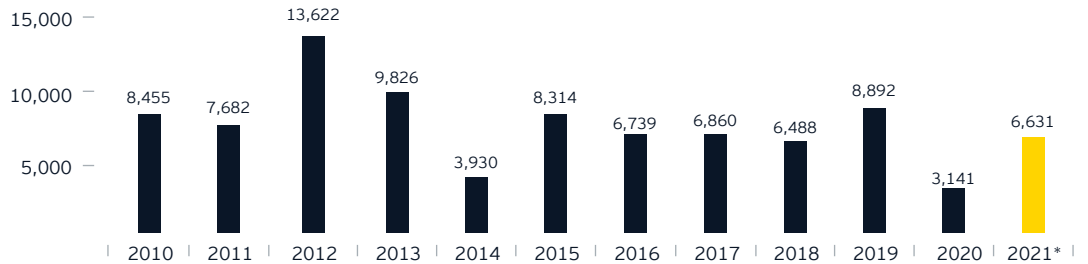
In 2020, the Foreign Direct Investment (FDI) flow reached USD3.1 billion and it is expected to reach approximately USD6.6 billion, representing an increase of 112% for 2021. The Mining, Communications and Finance sectors represent the 61.7% of total FDI.

### BALANCE OF FOREIGN DIRECT INVESTMENT BY SECTOR 2020



Source: Private Investment Promotion Agency (ProInversion)

### FOREIGN DIRECT INVESTMENT FLOW (USD MILLIONS)



\*Projection. September 2021 Inflation Report

Source: Central Reserve Bank of Peru (BCRP)



# 4 INTERNATIONAL RELATIONS

Peru has been a member of the World Trade Organization (WTO) since 1995, and in 1998 it became a member of the Asia-Pacific Economic Cooperation Forum (APEC). In 2011, it formed the Pacific Alliance with Chile, Colombia, and Mexico. It is also a member country of the Latin American Integration Association (ALADI) and a member-state of the Southern Common Market (MERCOSUR). Peru has begun to follow a Country Program to join the Organization for Economic Cooperation and Development (OECD). This is a key tool to ensure Peru's successful entrance into the organization.

It is important to mention that foreign investors are protected against inconvertibility, expropriation, political violence, and other non-business risks via access to multilateral and bilateral agreements. Peru has signed an agreement with the Overseas Private Investment Corporation (OPIC) and the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA). Peru has also entered into the World Bank's International Convention on the Settlement of Investment Differences (ICSID) as an alternative for the settlement of any disputes that may arise between investors covered by the ICSID and the Peruvian Government.

## Bilateral Investment Treaties (BITs)

Peru currently has in force 25 Bilateral Investment Treaties (BITs) with:

- ▶ Argentina
- ▶ China
- ▶ Colombia
- ▶ Cuba
- ▶ Czech Republic
- ▶ Denmark
- ▶ El Salvador
- ▶ Finland
- ▶ France
- ▶ Germany
- ▶ Italy
- ▶ Japan
- ▶ Malaysia
- ▶ The Netherlands
- ▶ Norway
- ▶ Paraguay
- ▶ Portugal
- ▶ Romania
- ▶ Spain
- ▶ Sweden
- ▶ Switzerland
- ▶ Thailand
- ▶ The Belgium-Luxembourg Economic Union
- ▶ The United Kingdom
- ▶ Venezuela

## Free Trade Agreements and Economic Integration Agreements

Peru has a total of 15 free trade agreements and economic integration agreements (TLCs & EIAs) in force with Canada, Costa Rica, the European Free Trade Association (EFTA), the European Union, Japan, Panama, Australia, Chile, China, Honduras, South Korea, Mexico, Singapore, the United Kingdom and the United States.

Peru is currently in the midst of negotiations with Turkey, El Salvador, and India, and has concluded negotiations with Brazil, Guatemala, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (with Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Singapore, and Vietnam) which includes the Trans-Pacific Partnership Agreement

## Double Taxation Avoidance Agreements

Currently, Peru has signed and ratified agreements to avoid double taxation with following countries: Brazil, Chile, Canada, Mexico, Portugal, South Korea, Switzerland and the Andean Community (together with Colombia, Ecuador and Bolivia).

It should be noted that Peru has signed an agreement to avoid double taxation with Japan which has been recently entered into force in January 29, 2021. Likewise, there are negotiations with Spain, France, Singapore and the United Kingdom.

On June 27, 2018, Peru signed the Multilateral Convention against base erosion and profit shifting, result of the OECD/G20 BEPS Project, which it is pending ratification.



For more information, find the Peru's Business, and Investment Guide 2021 and other specialized investment guides at:

<https://www.gob.pe/institucion/rree/coleccion/146-guias-de-negocios-e-inversion>



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### About EY

EY is a global leader in assurance, tax, strategy, transaction and consulting services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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The Executive Office for Economic Promotion (DPE) is the institution of the Ministry of Foreign Affairs (MRE) responsible for coordinating with Peruvian missions abroad in an effort to promote Peru as a country capable of providing goods and services in international markets, as well as positioning it as a world-renowned tourist destination, and a country with interesting business and investment opportunities in different economic sectors.

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