

# WHY INVEST IN PERU?



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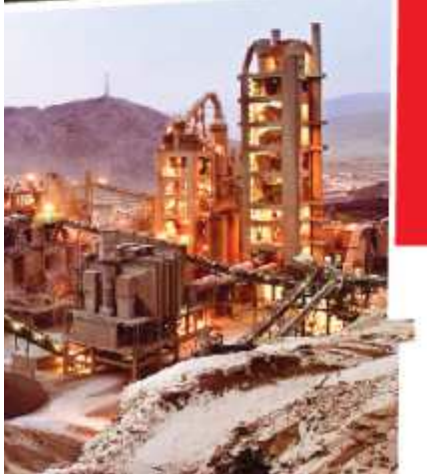


1. Peru's strong macroeconomic credentials

2. Strong framework for foreign investment

3. Trade integration policy – market access

4. Attractive sectors to Invest



# PERU'S STRONG MACROECONOMIC CREDENTIALS

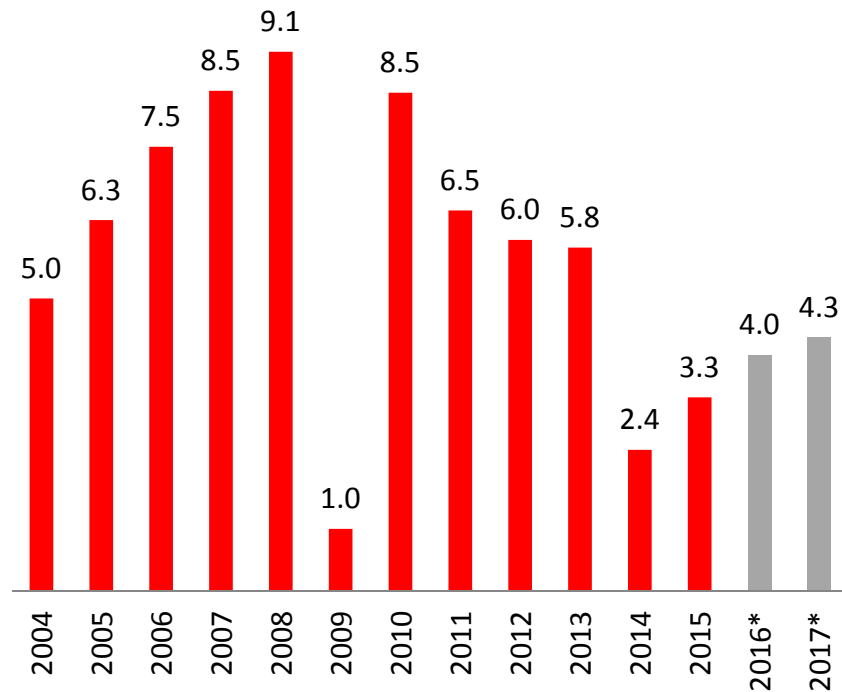


# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS

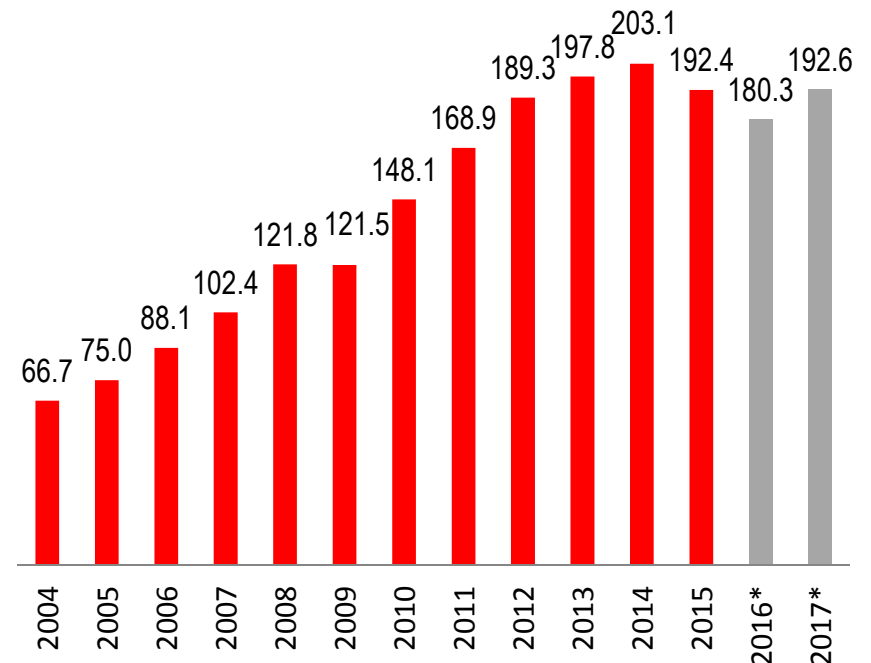


## Peruvian economy grew rapidly in the last decade

Real GDP, 2004-2017\*  
(%Variation)



GDP, 2004-2017\*  
(US\$ Billion)



Source: Central Reserve Bank of Peru (BCRP), International Monetary Fund (IMF)

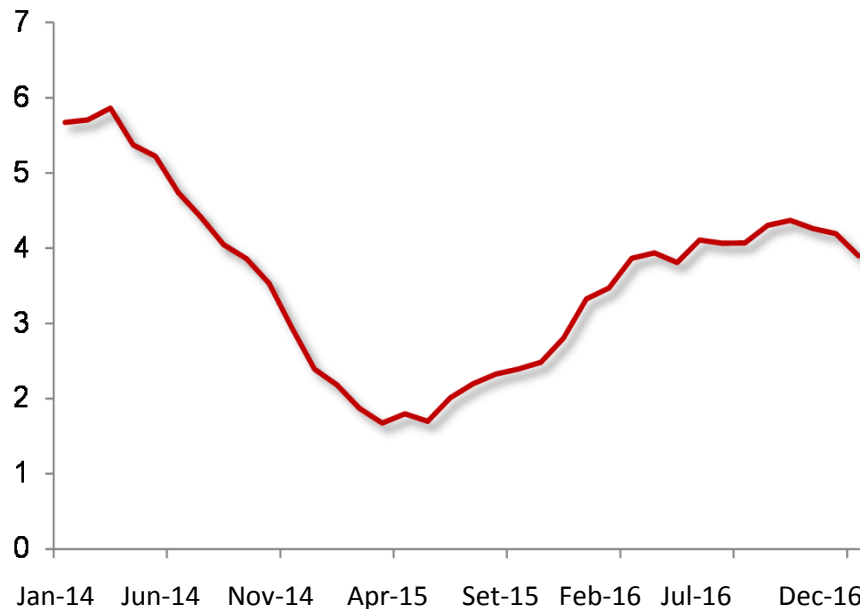
- Estimated figures of BCRP (Inflation report as of December 2016), IMF (World Economic Outlook Database – October 2016)

# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS

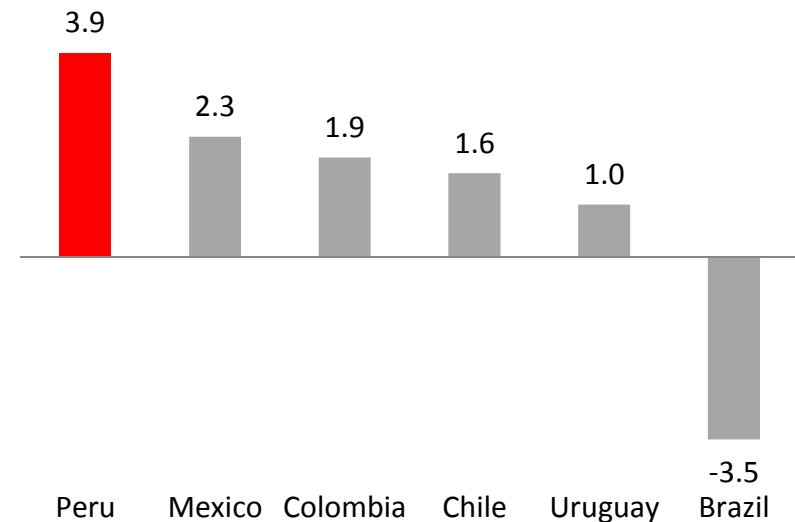


Last December the economy grew 3.3% and in 2016 GDP grew 3.9%, figure above expectations

**Peru GDP**  
(annual real%, 12-month moving average)



**GDP 2016 of LA6\***  
(%Variation)



Source: IINEI, LatinFocus February 2017, Reuters, Ministry of Economy and Finance.

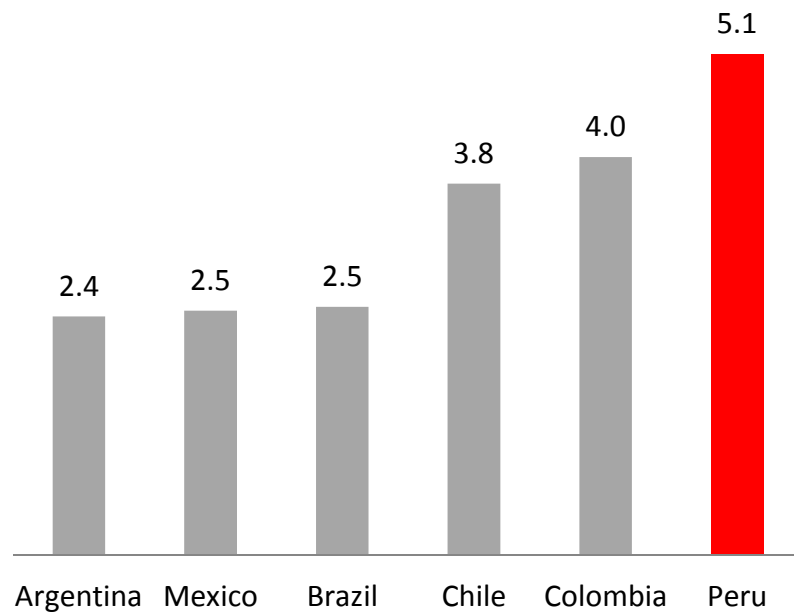
\* LA6 refers to the 6 countries in Latin America that have adopted explicit target inflation and have capital markets more development.

# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS



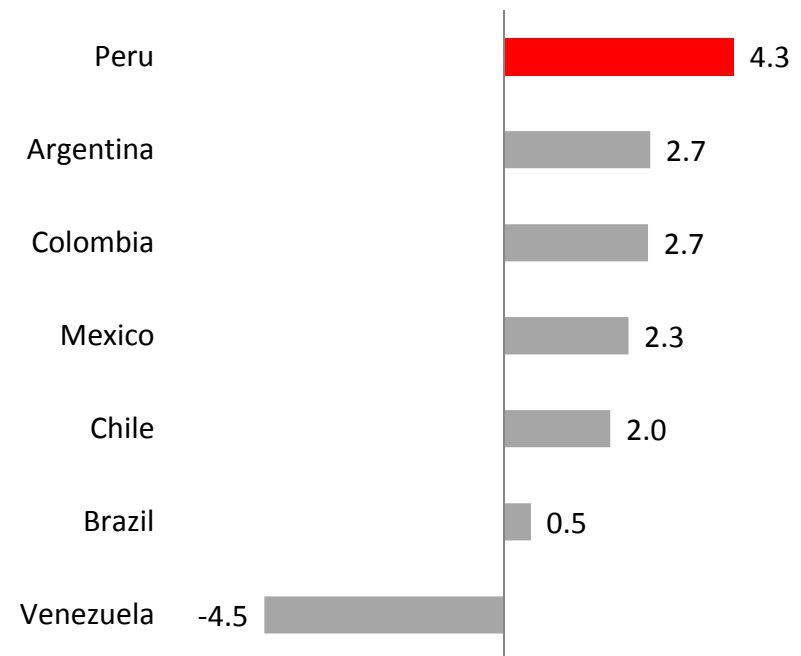
## Peru continues leading regional growth

**Average GDP - 2000 - 2016**  
(Average change in constant prices in dollars)



Source: CEPAL

**Real GDP – Forecasts for Latin America 2017**  
(Annual Average Variation %)



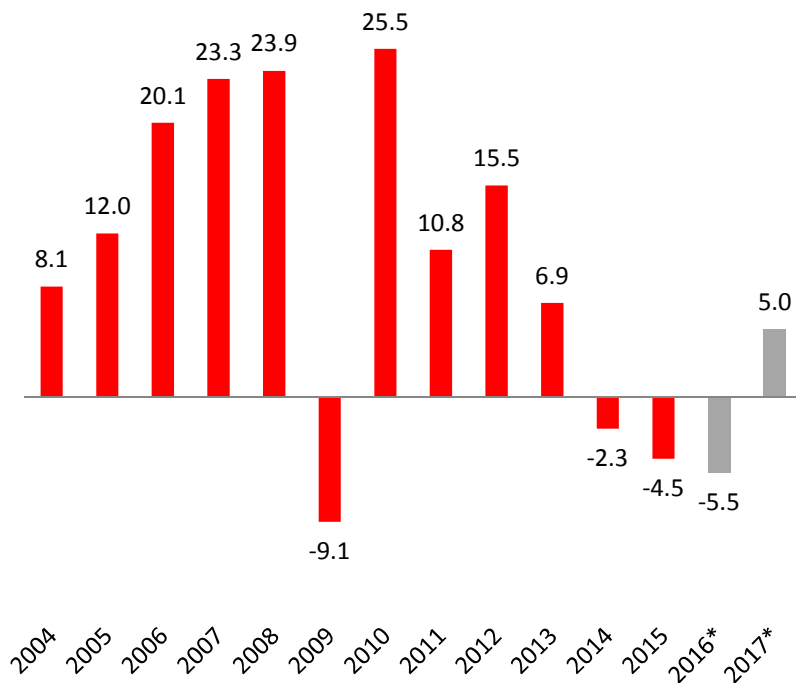
Source: IMF / \* in Peru case, source: BCRP.

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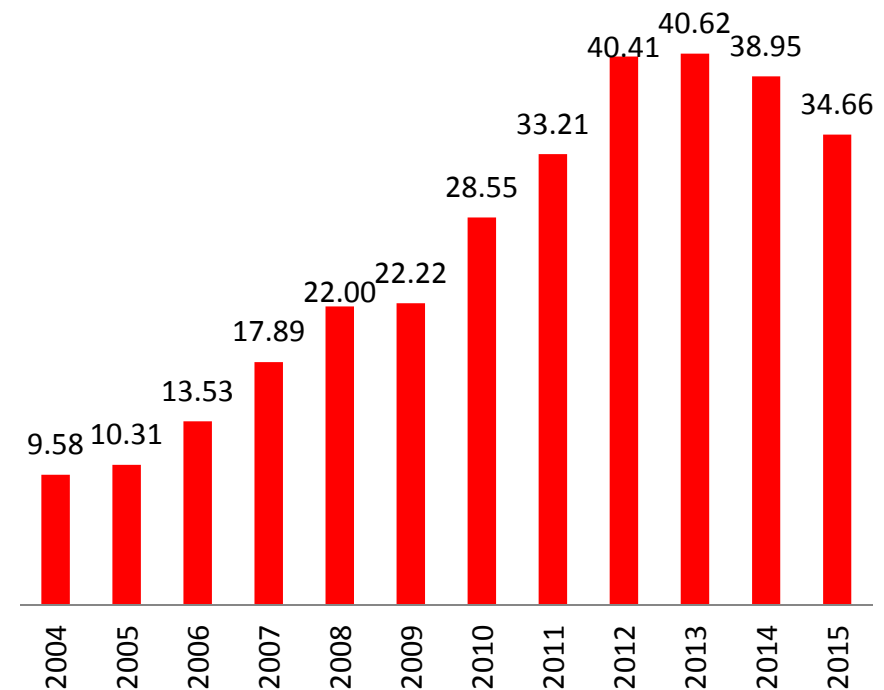


Economic growth was driven by an increase in private investment, although it decreased over the past three years...

Private Investment 2004-2016\*  
(Variation %)



Private Investment 2004-2015  
(US\$ Billion)



Source: BCRP

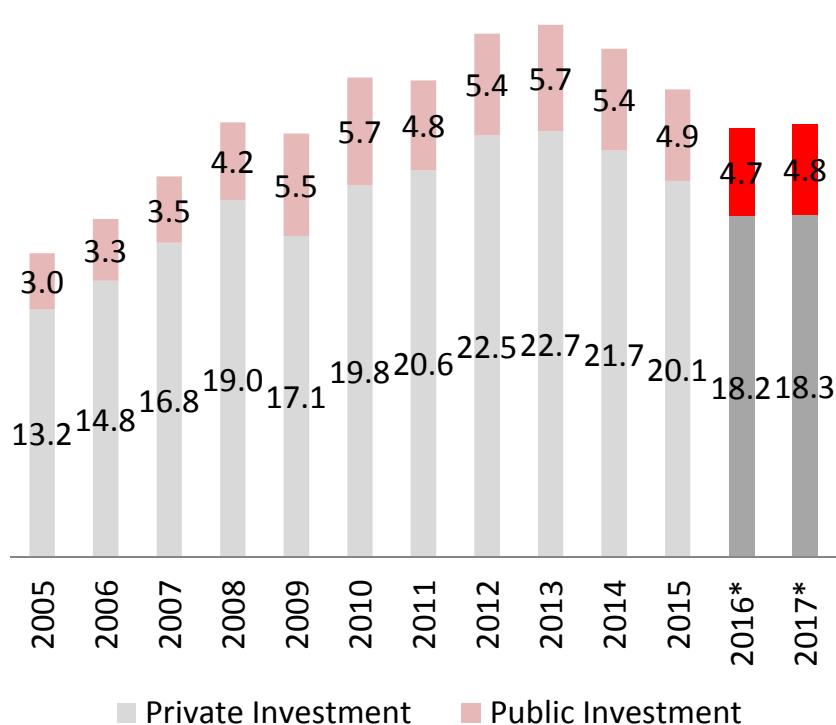
\* BCRP Estimated figures (Inflation report as December 2016)

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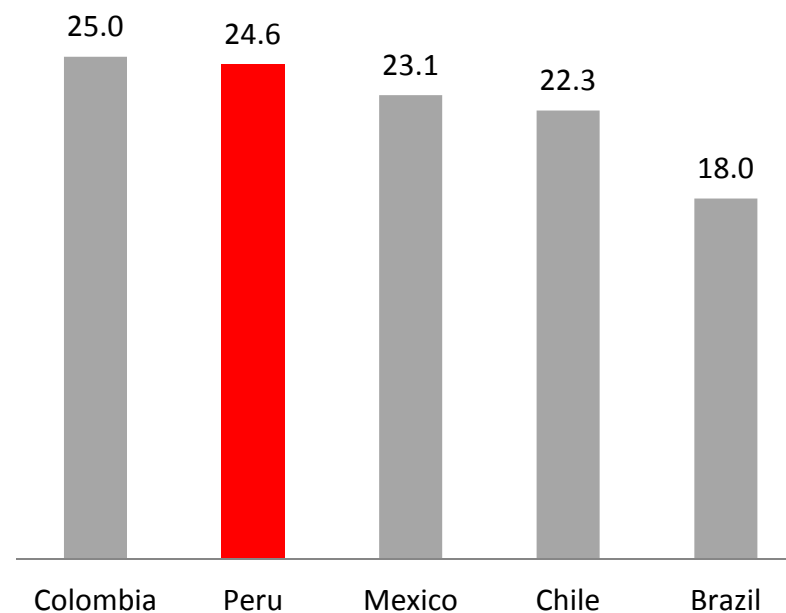


... private investment accounts for almost 20% of GDP ...

Private Investment 2004-2017\*  
(% of GDP)



Total investment – LATAM 2016  
(% of GDP)



Source: BCRP-

\* Estimated figures of BCRP (Inflation report as of December 2016)

Source: IMF.



# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS



## Investment announcements

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Announcement of Private Investment projects 2017 - 2018  
(US\$ million )

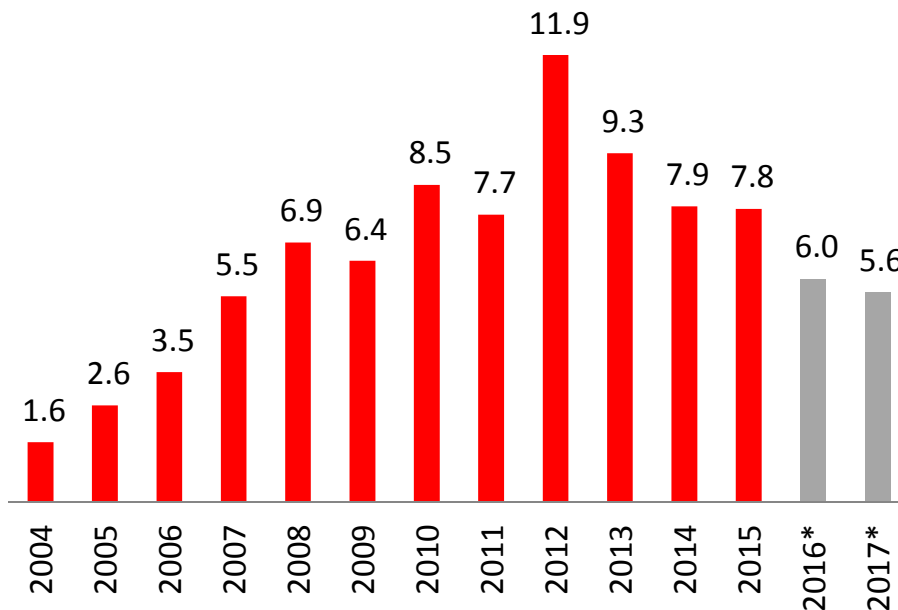
Sectors	Total Investment
Mining	6,003
Hydrocarbons	2,898
Electricity	2,001
Industry	1,640
Infrastructure	3,438
Other Sectors	4,477
<b>Total</b>	<b>20,457</b>

# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS



... Peru is an attractive market for foreign investment, which recorded \$ 7 billion in 2015

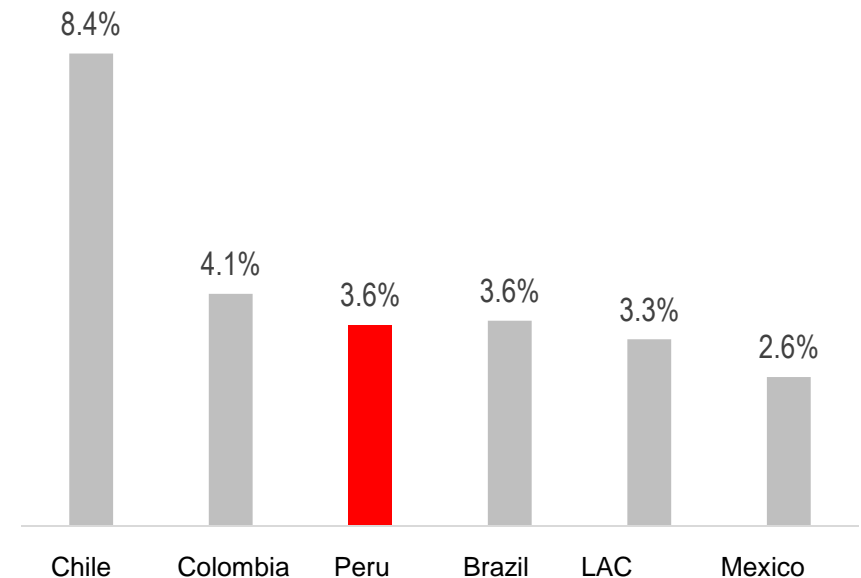
Foreign direct investment flow 2004 – 2017\*  
(US\$ Billion)



Source: BCRP..

\* Estimated figures BCRP (inflation report , December 2016)

Foreign direct investment – LATAM 2015  
(% GDP)



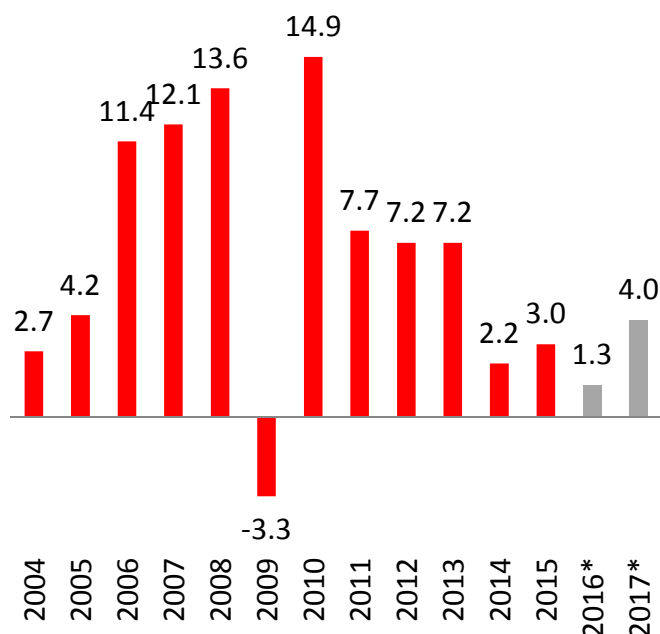
Source: IMF and UNCTAD

# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS

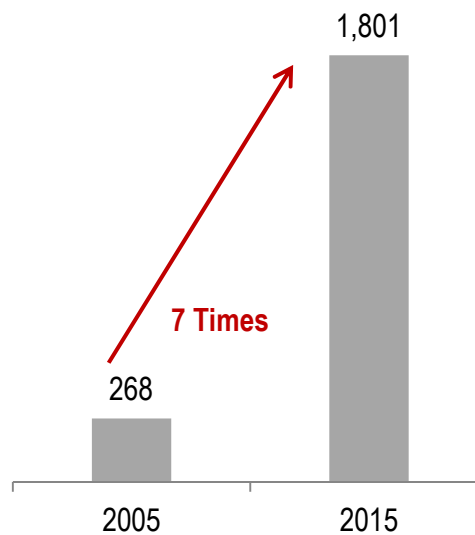


Furthermore, the domestic demand is strengthening ...

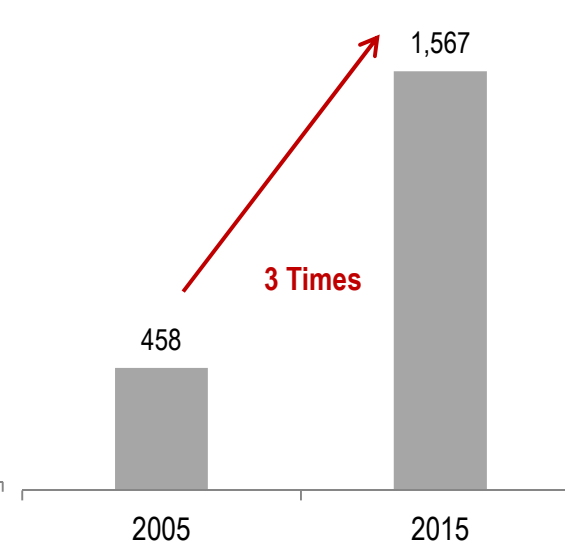
**Real domestic demand 2004–2017\***  
(real annual Var. %)



**Imports of vehicles for private use**  
(US\$ million)



**Imports of domestic assets /1**  
(US\$ million)



Source: Central Reserve Bank of Peru.

\*Estimated figures BCRP (Inflation report, December 2016)

Source: SUNAT

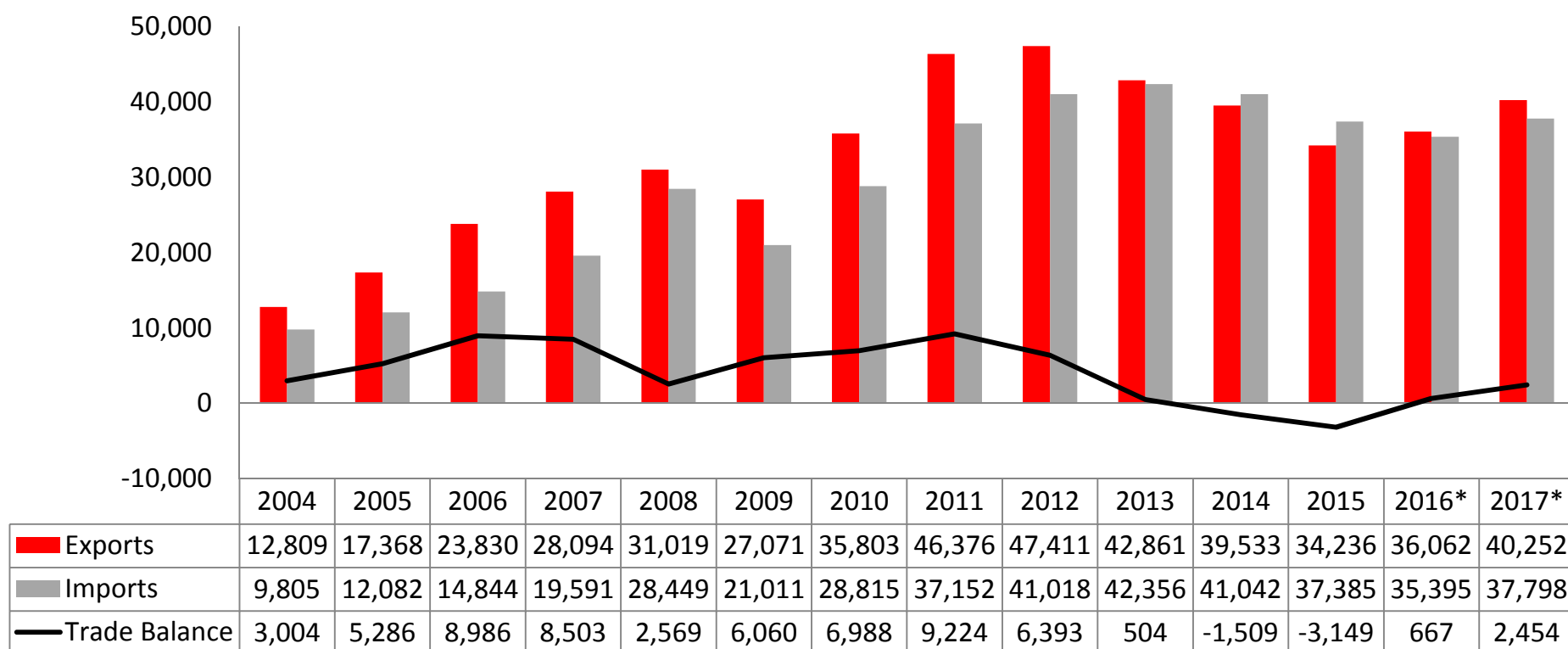
/1 Includes imports of machines and appliance. Furniture and other house equipment's

# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS



This is complemented by a dynamic commercial trade...

Balance of Trade 2004-2017\*  
(US\$ million)



Source: BCRP

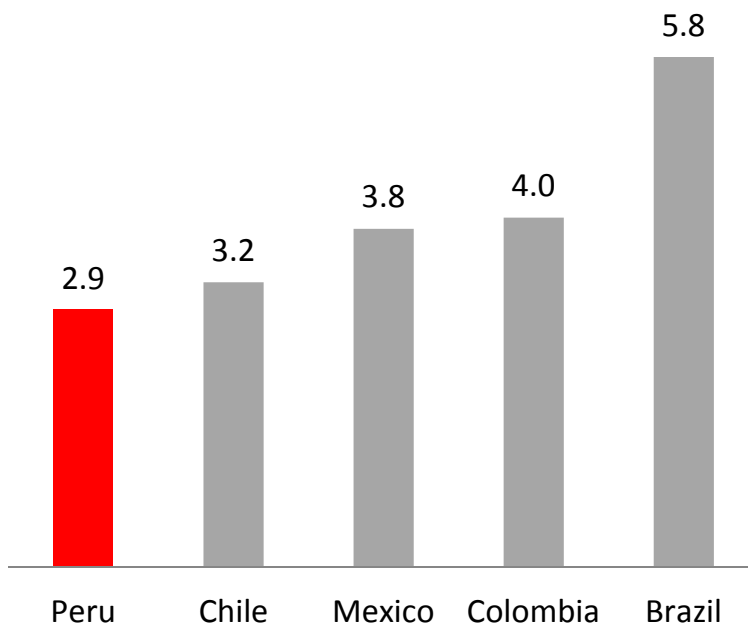
\* Estimated figures BCRP ( Inflation report, December 2016)

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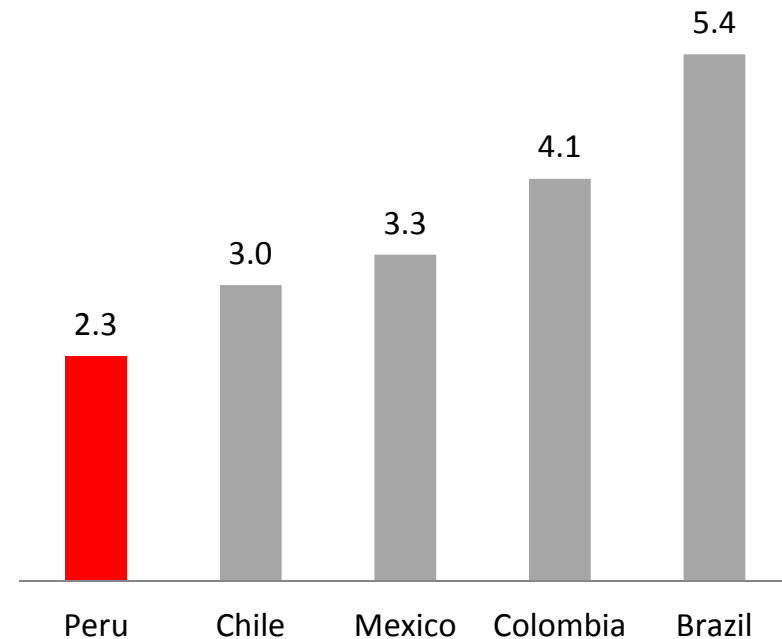


... all this, in a frame of macroeconomic stability, Peru records the lowest inflation rate at a regional level....

CPI – Latin America 2006- 2016\*  
(Annual Average Variation %)



CPI – Latin America 2017\*  
(Annual Average Variation %)

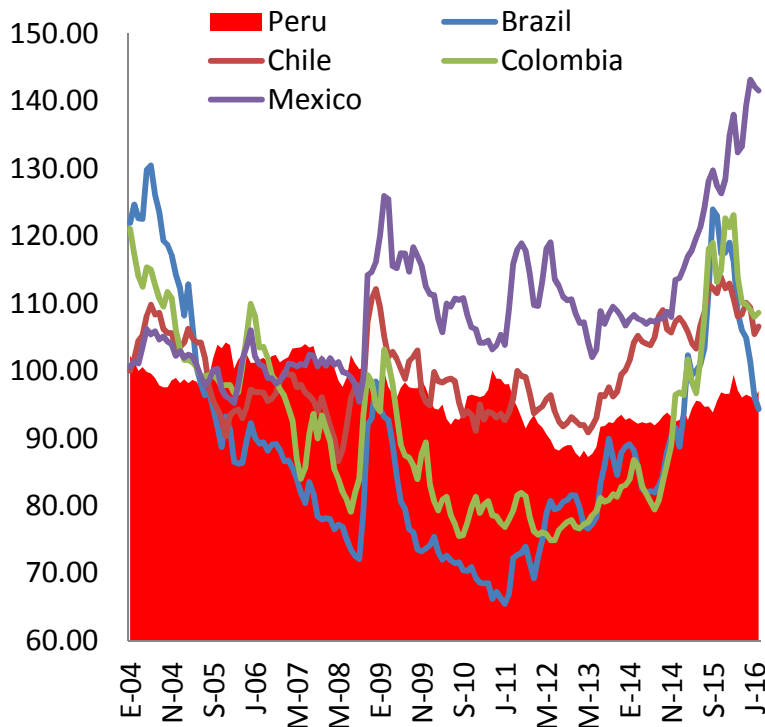


# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS



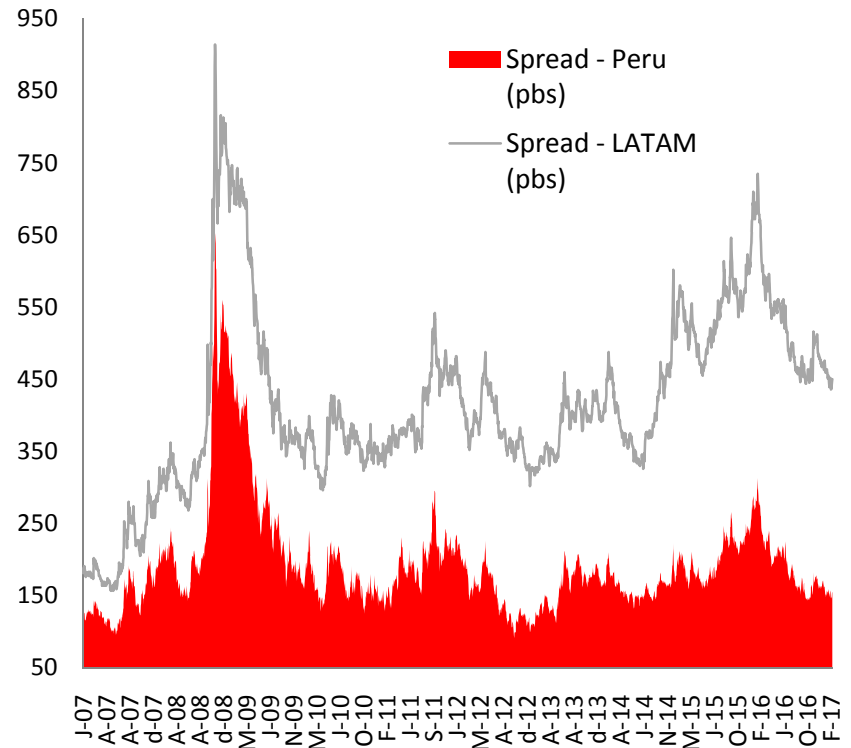
... has maintained stable exchange rates and a level of risk under the regional average

**Exchange Rate in Latin America 2004-2016 (\*)**  
(Index, Base year 2005 = 100)



Source: CEPAL  
(\*) As of August 2016

**JP Morgan EMBI+**  
(Basic points)



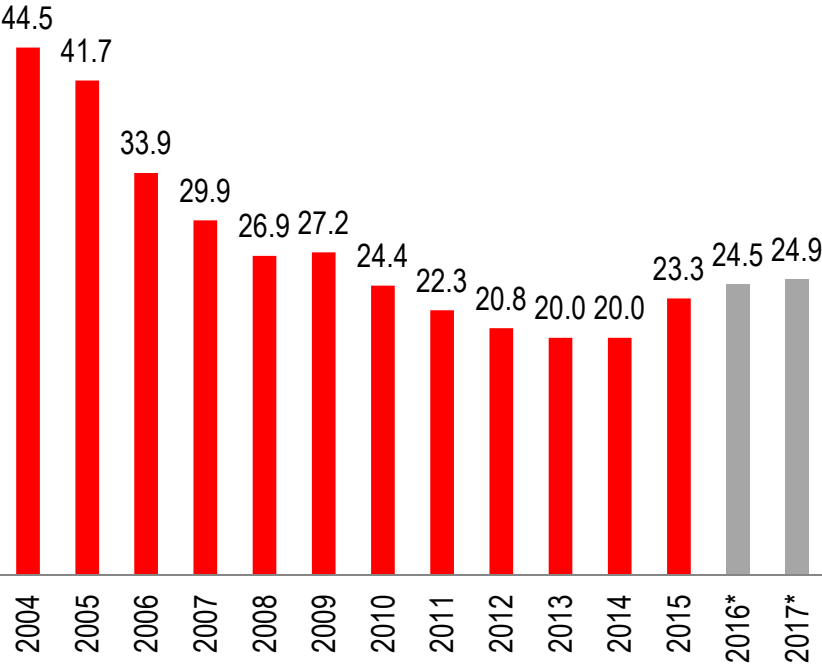
Source: BCRP

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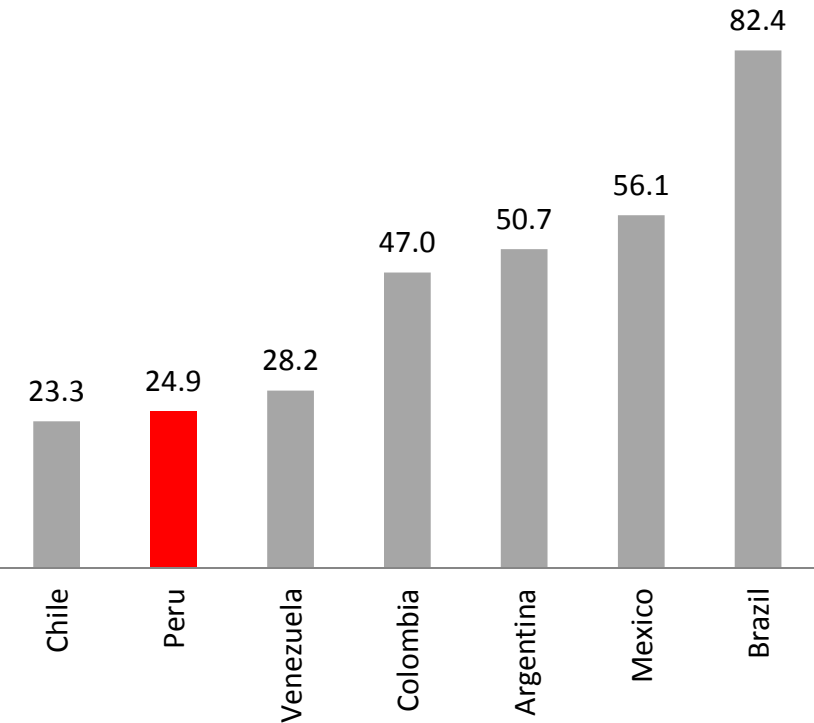


## Peru maintains a healthy level of debt...

Public Debt– Peru 2004-2017\*  
(% of GDP)



Public Debt– Latin America 2017\*  
(% of GDP)



Source: BCRP.

\*Estimated figures, BCRP (Inflation report December 2016)

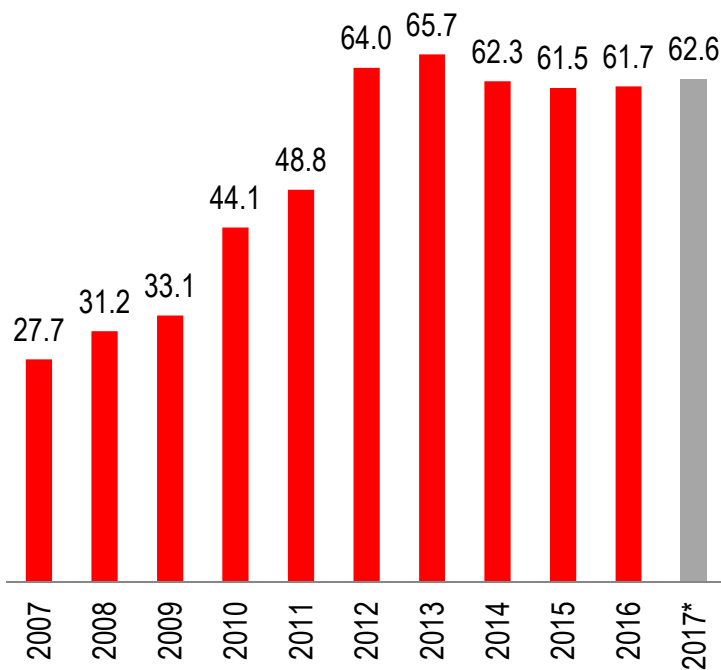
Source: IMF; and Peru figures source BCRP

# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS



... and has accumulated international reserves for a third of the GDP

**Net International Reserves**  
(US\$ Billion)



Source: Central Reserve Bank of Peru  
\*Up to January 31 th, 2017

**NIR Adequacy Indicators**

	2006	2011	2016*
NIR (% del GDP)	19.6	28.6	31.5
NIR (% short -term foreign debt)	166	471	541
RIN (% Short-term Foreign Debt plus Current Account deficit)	230	360	350

Source: BCRP.  
\*Estimated figures, BCRP (Inflation report December 2016)



# 1. PERU'S STRONG MACROECONOMIC CREDENTIALS



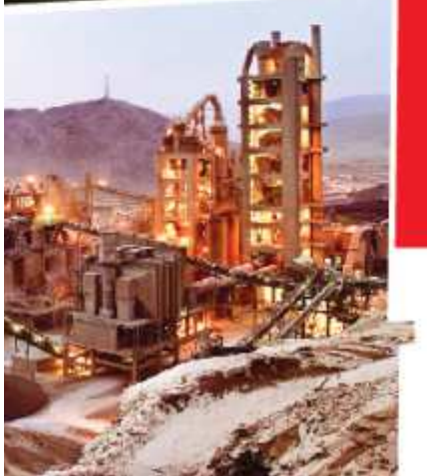
**Peru earned the investment grade and investor's confidence by practicing a responsible political economy**

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**Investment grade**  
*Latin America benchmarking*

Countries	Moody's	S&P	Fitch
Chile	Aa3	AA-	A+
<b>Peru</b>	<b>A3</b>	<b>BBB+</b>	<b>BBB+</b>
Mexico	A3	BBB+	BBB+
Colombia	Baa2	BBB	BBB
Uruguay	Baa2	BBB	BBB-
Paraguay	Ba1	BB	BB
Brazil	Ba2	BB	BB
Bolivia	Ba3	BB	BB-
Ecuador	B3	B	B
Argentina	B3	B-	B
Venezuela	Caa3	CCC	CCC

Source: Standard & Poor's, Fitch Ratings and Moody's.  
Updated as of February, 2017



# STRONG FRAMEWORK FOR FOREIGN INVESTMENT



## 2. STRONG FRAMEWORK FOR FOREIGN INVESTMENT



- Non discriminatory treatment: Foreign investors receive the same treatment as local investors.
- Unrestrictive access.
- Free movement of capital.
- Anti-trust framework and promotion of competition.
- Guarantees to Private Property.
- No restrictions to acquire equity from locals.
- Freedom to access internal and external credit.
- Access to international disputes settlement mechanism
- Peru participates in the Investment Committee of the Organization for Economic Co-operation and Development (OECD) – It promotes the implementation of the Guidelines for Multinational Enterprises.

## 2. STRONG FRAMEWORK FOR FOREIGN INVESTMENT



### Special Regimes: Legal Stability Agreements

*Regime whereby the Peruvian Government guarantees:*

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#### INVESTORS

- Stability of regulations regarding non discriminatory treatment.
- Stability of income tax regime applicable to dividends.
- Stability to use freely the most favorable exchange rate available in the market.
- Stability of the free availability and remittance of foreign currency, dividends and royalties regime.

#### RECEIVING COMPANY

- Stability of the recruitment regimes.
- Stability of the regimes for the promotion of exports.
- Stability of the Income Tax Regime

**Requirement:** Minimum investment of US\$ 5 million in any economic sectors. US\$ 10 million for hydrocarbon and mining sectors.

**Validity:** 10 years. Concessions: Term according to the contracts life (Max. 60 years).

## 2. STRONG FRAMEWORK FOR FOREIGN INVESTMENT



### **Special Regime: VAT Anticipated Recovery.**

*Regime whereby the Peruvian Government grants the following benefits:*

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- Granting the return of the Value Added Tax during the pre-productive stage of the project (minimum 2-year term).
- Applicable to all economic sectors
- For agricultural activity it is not necessary to meet a minimum investment amount. For other activities the minimum investment amount is US\$ 5 million.
- The project can be divided into stages, phases or similar.

## 2. STRONG FRAMEWORK FOR FOREIGN INVESTMENT



A steady tax regime:

Tax		Applicable Rate
INCOME	Corporate profits	29.5%
		Agriculture and agribusiness 15%
	Dividends	5.0%
	Royalties	30.0%
	Interest rate on loans from abroad	4.9%
Value Added Tax (VAT)		18.0%
Financial Transactions Tax		0.005%
Temporary to net assets, applicable to the excess of S/. 1 000 000		0.4%

## 2. STRONG FRAMEWORK FOR FOREIGN INVESTMENT



Continuous effort to facilitate the establishment and operation of business



**3<sup>rd</sup>** in the regional ranking of ease of doing business in Latin America

Position	Country
1	Mexico
2	Colombia
3	<b>Peru</b>
4	Chile
5	Panama

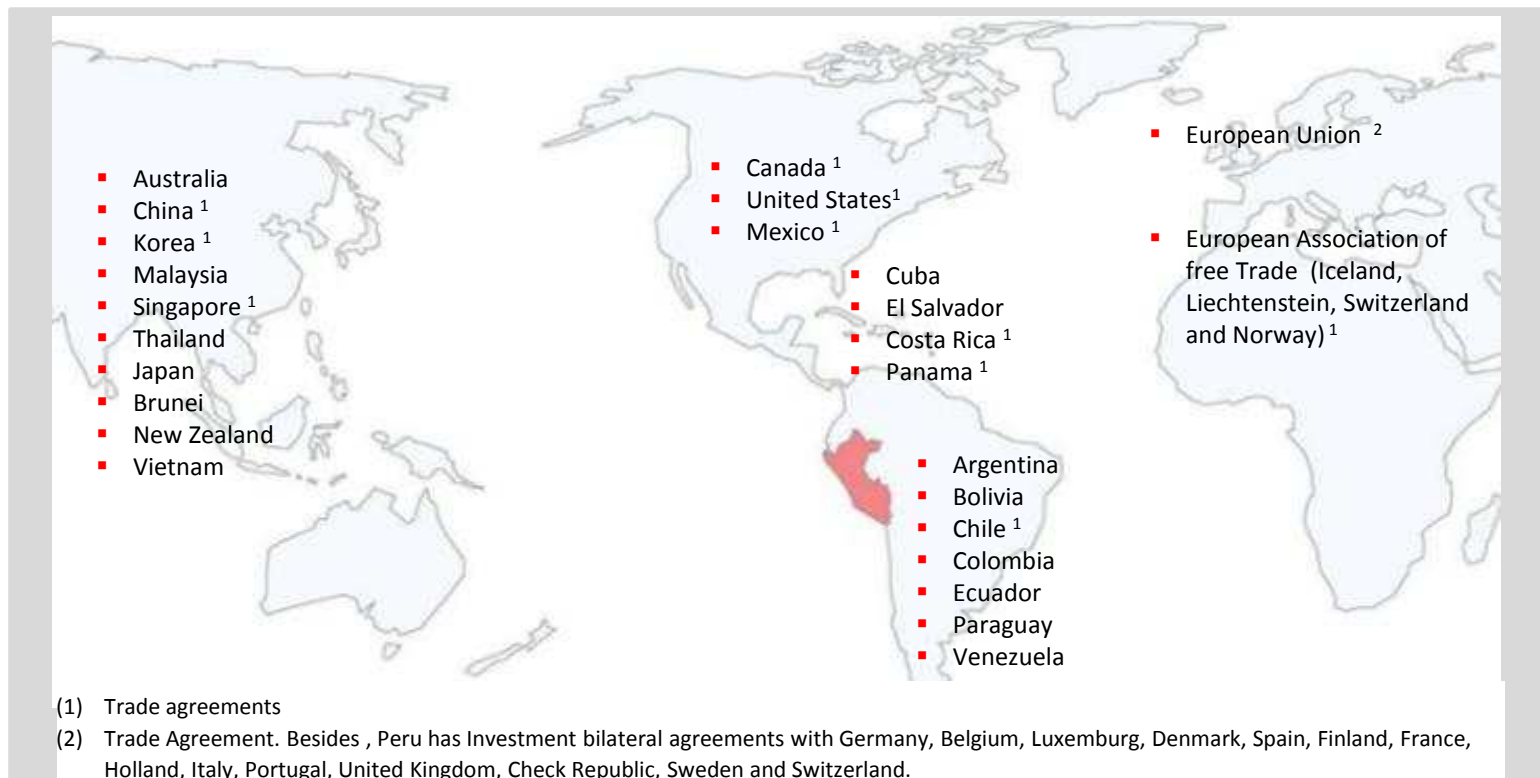
Source: World Bank Doing Business 2017

## 2. STRONG FRAMEWORK FOR FOREIGN INVESTMENT



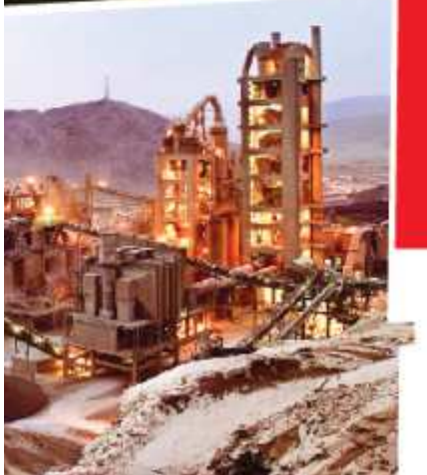
### Investment Agreements

- Peru has signed and currently has in force Agreements for the Promotion and Reciprocal Protection of Investment and Trade Agreements of further scope that includes investment chapters that underpin our liberalization policy.



- It has also signed **8 agreements** to avoid double taxation with Andean Community, Brazil, Chile, Canada, Korea, Mexico, Portugal and Switzerland.





# TRADE INTEGRATION POLICY - MARKET ACCESS

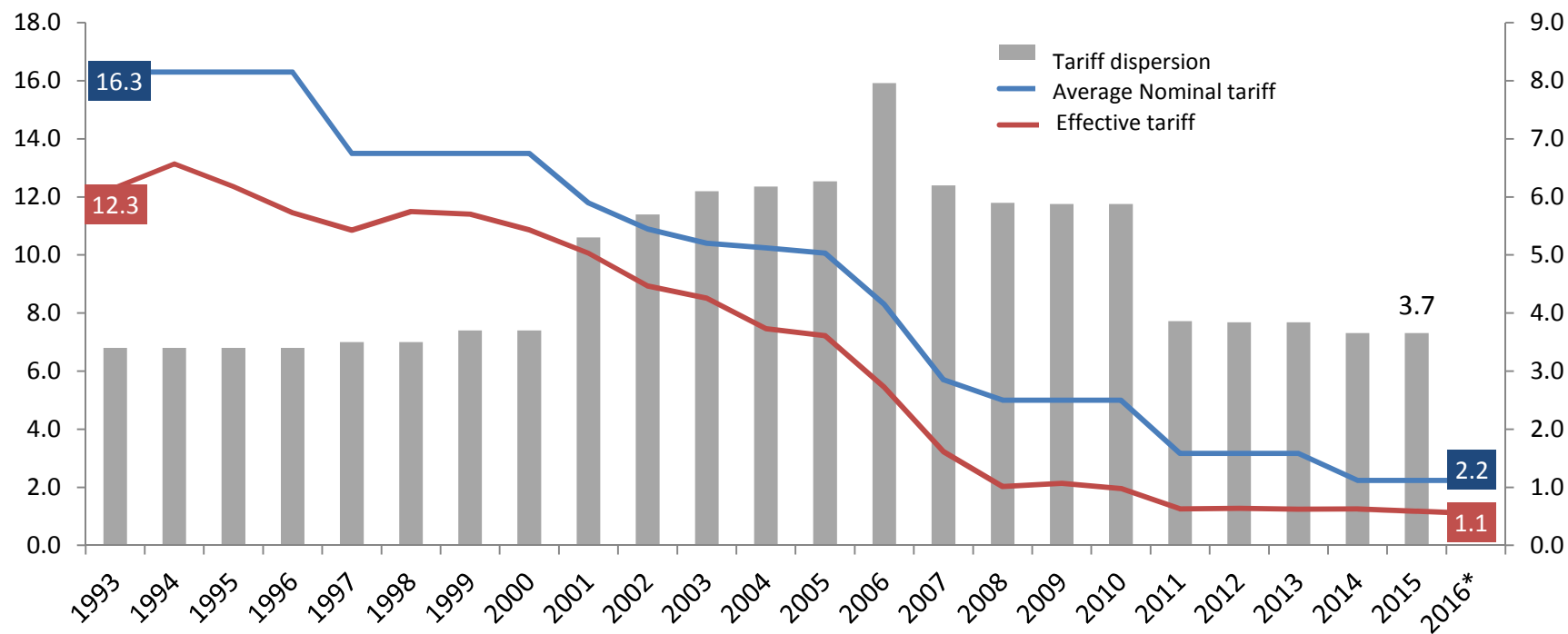


# 3. OPEN TRADE AND MARKET ACCESS POLICY



## An open trade policy sustained over time

Evolution of nominal and effective tariff; and tariff dispersion 1993 – 2016 (\*)



(\*) AS of September 2016

Source:MEF

Notes:

1) Affective Tariff= (Amount of total revenue Ad valoren CIF / Total Amount of CIF Imports)\*100.

2)Tariff Dispersion= Standard Deviation

### 3. FRIENDLY INVESTMENT ENVIRONMENT



#### Reduced tariff structure with low tariff dispersion

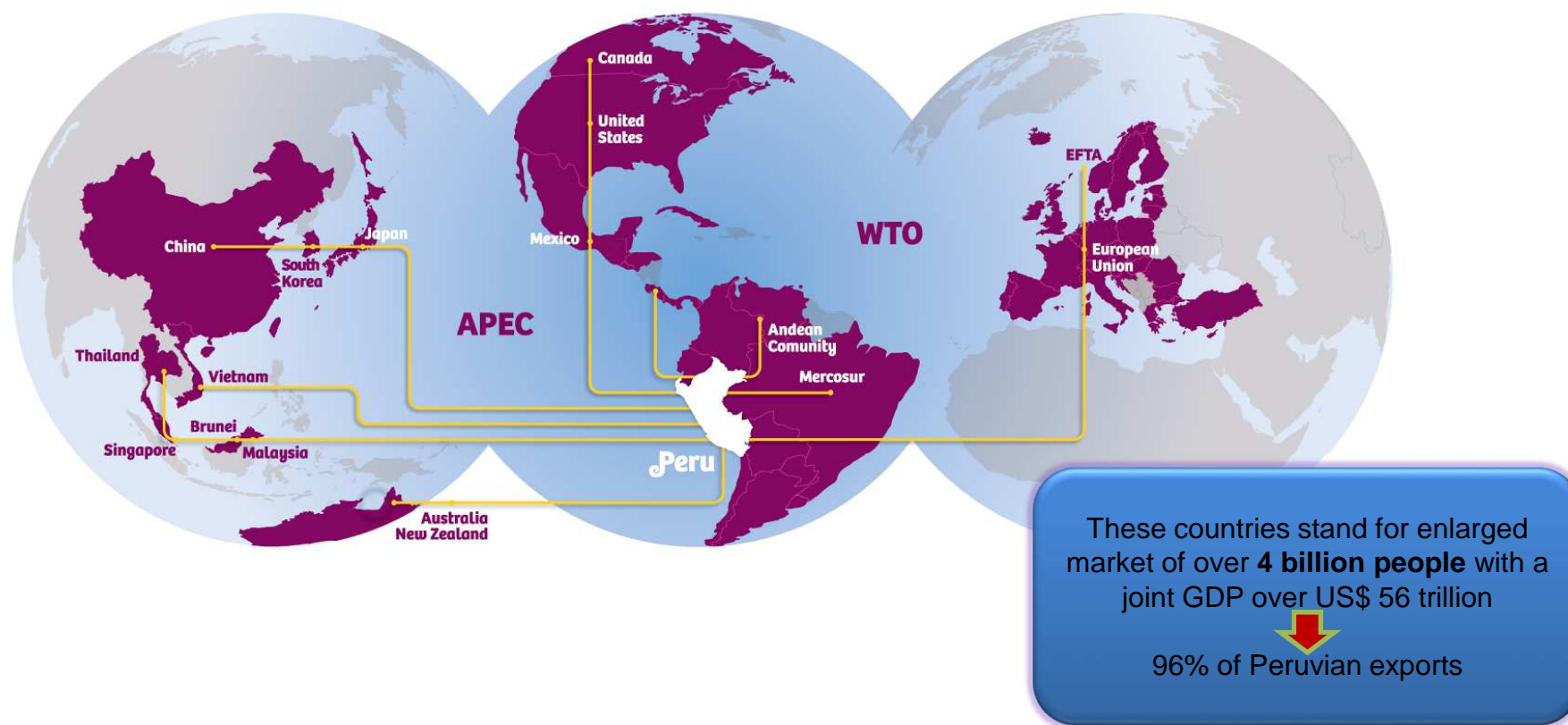
LEVELS OF AD VALOREM	TARIFF LINES <sup>2/</sup>	
	NUMBER	PROPORTION (%)
0	4,224	55.9%
6%	2,538	33.6%
11%	792	10.5%
<b>Total</b>	<b>7,554</b>	<b>100 %</b>
<b>EFFECTIVE AVERAGE TARIFF %</b>		<b>3.2</b>
<b>EFFECTIVE TARIFF %</b>		<b>1.1</b>
<b>STANDARD DEVIATION %</b>		<b>3.8</b>

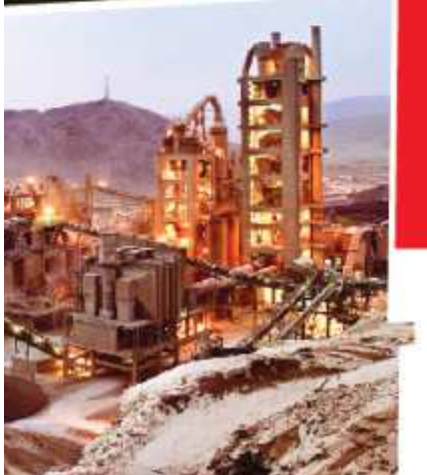
Source: SUNAT – MEF

# OPEN TRADE AND MARKET ACCESS POLICY



Working to become a globalized economy,  
with preferential access to the world's largest markets





# INVESTMENT OPPORTUNITIES IN ATTRACTIVE SECTORS





## AGRIBUSINESS SECTOR



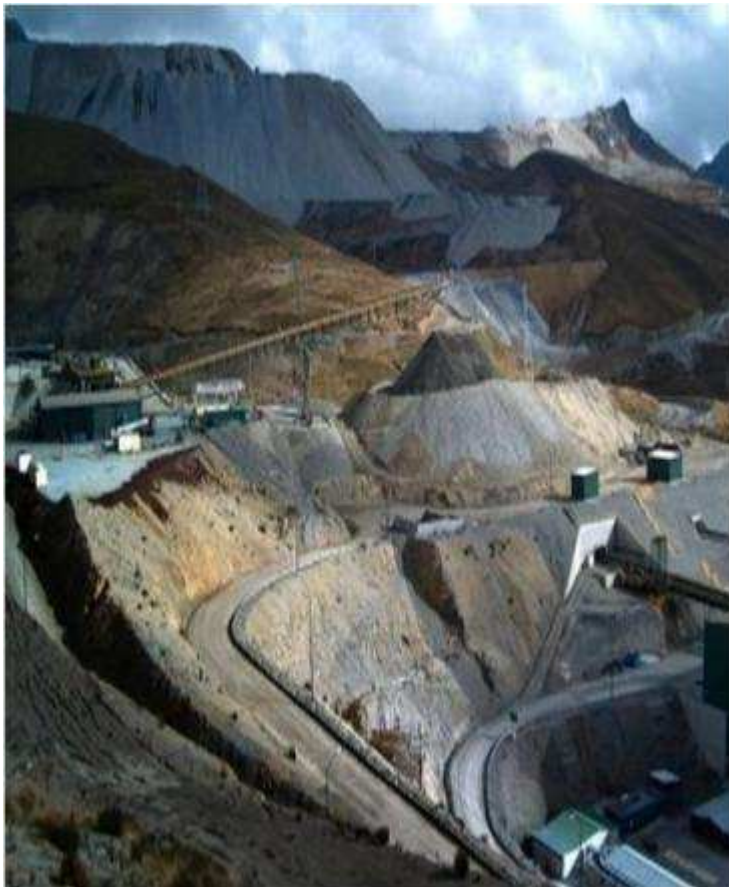
- ❖ **Natural greenhouse.**
- ❖ **High agricultural yields:** Sugarcane (2nd), Asparagus, Olives (3rd), Artichokes (4th), Grapes (6th) and Avocado (11th).
- ❖ **Seasonal windows** in major markets.
- ❖ **The 100,000 ha of land currently devoted to agricultural exports are expected to double** as a result of large agricultural irrigation and expansion existing projects.
- ❖ **More than US\$ 5.000 billion in exports of fresh and processed products** to more than 150 countries.
- ❖ **Organic and Natural Products with high export potential.**

## MANUFACTURING INDUSTRY



- ❖ In the last 10 years (2006- 2015) the sector has experimented an annual average growth of 4%, despite of the negative average variation of - 2.6% in the past two years.
- ❖ There are different causes, among them we can emphasize the international situation and the drastic reduction on the capture of hydro biological species.
- ❖ Significant recovery is estimated in the 2017, with 4% growth due the full capacity of mining projects and by the internal market dynamics at the beginning of several works of the large projects of infrastructure granted in concession in recent years

## MINING SECTOR



- ❖ **Polymetallic country**
- ❖ 13.61% of the land is subject to mining concessions, and **only 1.25% of the land is taken for mining exploration and exploitation.**
- ❖ In the world: Third producer of copper, silver, tin and zinc worldwide. In Latin America: First producer of gold, zinc, tin and lead. And 2nd of copper, silver and molybdenum.
- ❖ In 2015, investment in mining reached a value of US\$ 6,777 million.
- ❖ Peru is one of the few countries in the world with non-metallic mineral deposits, including diatomite, bentonite, limestone and phosphate.



## ENERGY SECTOR



- ❖ **Great energy potential:** The wide availability of water resources and natural gas has enabled to meet the growing electricity demand in the country.
- ❖ In 2015, **91% of the population had access to electricity.**
- ❖ **Resources to be discovered and exploited:** There are other renewable energy sources to be explored such as solar, wind, biomass and geothermal sources.
- ❖ **Energy production has grown 88%** in the past 10 years. In 2015, the thermal generation represents 49.79%, while hydro energy 48.48%, wind energy 1,25% and solar energy 0.48%.
- ❖ The main economic groups of power generation are: Enersur, Edegel, ElectroPerú, Transmantaro, REP, Luz del Sur, Edelnor, Hidrandina and Electro Dunas.

# HYDROCARBONS SECTOR



- ❖ The hydrocarbons sector growth begins between 2004 -2005 once the major natural gas reserve, located near to Camisea rivers, start its production activities (Camisea project).
- ❖ Peru is the most important sustainable source of natural gas in the South American Pacific.
- ❖ As to 12.31.2015 the proven reserves of natural gas reaches to 14,09 TCF, and the prospective resources of natural gas to 60,24 TCF.
- ❖ For 2025 the estimated demand of natural gas is between 1900 MCF and 2400 MCF, this comprises the final consumption, petrochemical and electricity generation.
- ❖ Peru has oil fields that have not been explored (29.97 million ha), making it a potential petrochemical hub.
- ❖ The petrochemical industry is **integrated with the production of natural gas and other liquid hydrocarbons**, creating a significant added value.

## TOURISM SECTOR



- ❖ **Important cultural destination** for archaeological sites of the Inca and pre-Inca cultures.
  - **Machu Picchu** was voted one of the New 7 Wonders of the World.
- ❖ **Diversity of natural settings.** Destination for bird and orchid watchers.
- ❖ **Important investment by internationally renowned hotel chains.**
- ❖ The conventions and gastronomic tourism has gained a significant boost, Lima is considered as one of the main venues for this international venues and the gastronomic capital of Latin America.
- ❖ **Increased connectivity of the Peruvian air market with increased weekly frequencies in international flights to allow more connections and destinations, with more and better travel options.**
- ❖ **Investment Opportunities in the 8 priority destinations:** Northern Beaches, Amazon River, Amazonas, Kuelap, Moche Route, Lima, Nazca, Paracas, Colca Valley and Puno-Lake Titicaca.





- ❖ **The average GDP growth in the construction in the past 5 years was 4.6%.**
- ❖ The slowdown in the economy reduced the demand in properties that were registered until 2013. Nevertheless in the past year the largest investment of the sector were directed to the construction of shopping centers and important infrastructure projects.
- ❖ In order to facilitate the access to a property – nationwide – the Ministry of Housing and Construction has implemented the following Programs and Products:
  - Leasing
  - Real estate leasing
  - New Credit My Housing Fund
  - My Construction
  - My materials
  - Own Roof
  - Bonus structural reinforcement

# TRANSPORT INFRASTRUCTURE



- ❖ **Peru** has prioritized the development of transport infrastructure (road, rail, port and airport) to increase competitiveness and set a **Regional Hub that integrates Latin America with the Asia - Pacific.**
- ❖ In this perspective the **investment commitments in concessions of the sector, in 31 projects are around US\$ 14.1 billion**, creating its modernization.
- ❖ The sector will keep its expansion during 2016 through PPP projects, prioritized by the MTC; with additional investment commitments around US\$ 10.440 million.
- ❖ This new investment cycle represents **significant opportunities for investors including contractors, suppliers and operators.**



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