

Peru's Economic and Business Report

Second Quarter 2024
September 2024



PERU

Ministry
of Foreign Affairs

EY

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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.





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: Dina Boluarte Zegarra.

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.

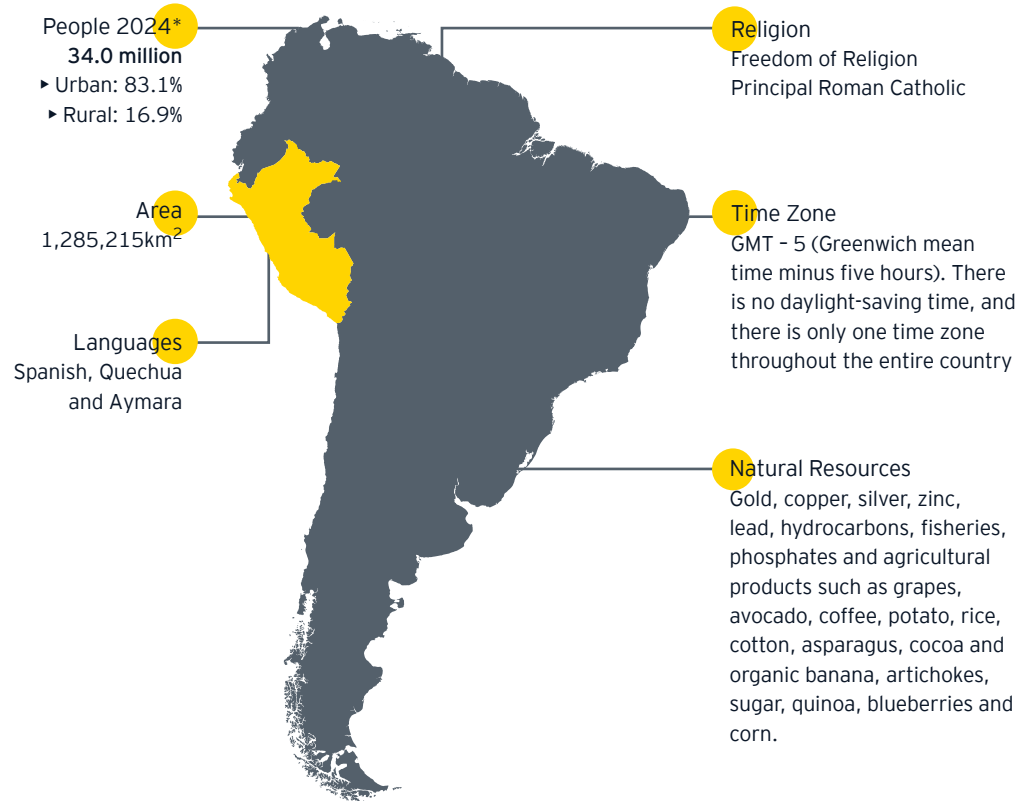
The legislative proposals can be submitted by both the executive and legislative branch and will become law once they are approved by the Congress and promulgated by the President. The judicial and electoral bodies are independent.

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



*Projection.

Source: National Institute of Statistics and Information (INEI).



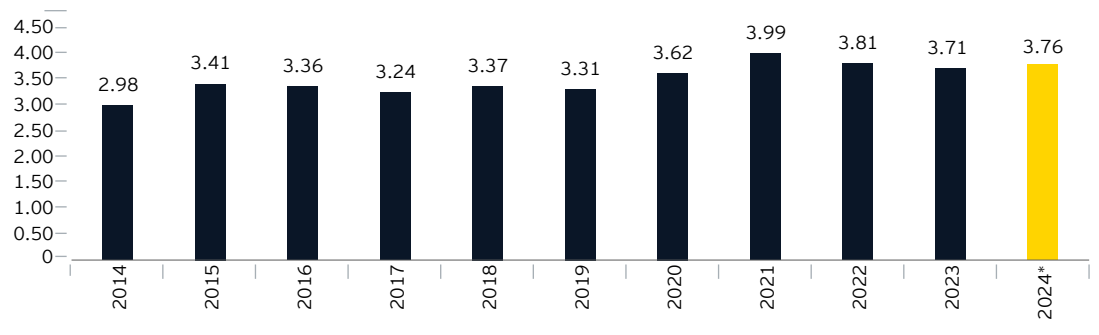
MACROECONOMIC INDICATORS AND PROJECTIONS

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, 2024, banks were buying US Dollars at PEN3.827 and selling them at PEN3.837. The expectation of the exchange rate for 2024 is PEN3.76.

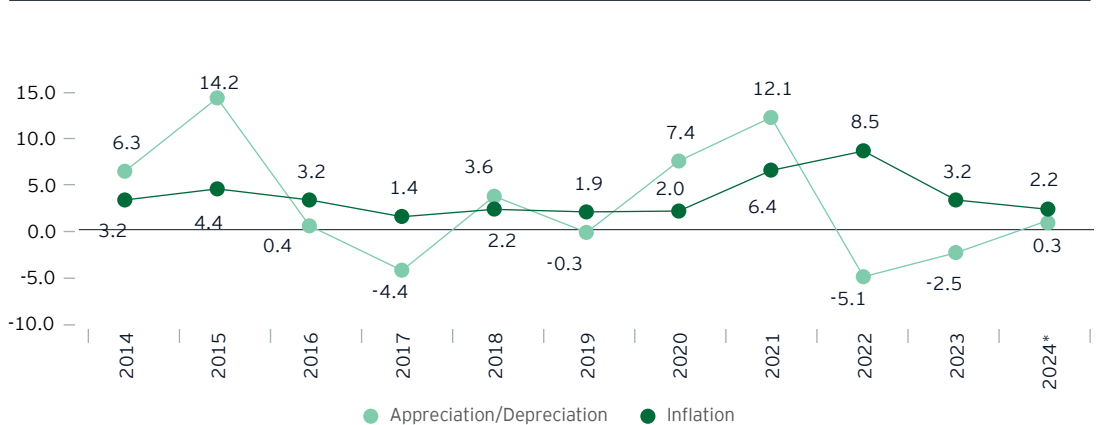
As of the end of the second quarter, the inflation rate in Peru was 1.9% and the depreciation rate of the Sol against the US Dollar for the same period was 3.7%. According to the Central Reserve Bank of Peru (BCRP) it is estimated that at the end of the year 2024, the inflation rate will be 2.2%, and the depreciation will be around 0.3%.

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



*June 2024 Macroeconomic Expectations Survey.
Source: Central Reserve Bank of Peru (BCRP).

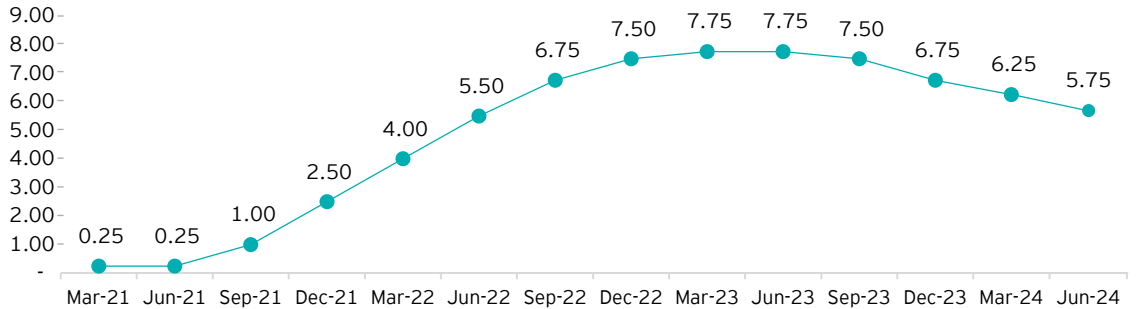
AVERAGE APPRECIATION/DEPRECIATION AND INFLATION (PERCANTAGE)



*Projection. June 2024 Inflation Report. Inflation in Metropolitan Lima.
Source: Central Reserve Bank of Peru (BCRP).

The Central Reserve Bank set the reference interest rate to 5.75% as of June, continuing with the normalization of the monetary policy position.

MONETARY POLICY INTEREST RATE (PERCENTAGE)



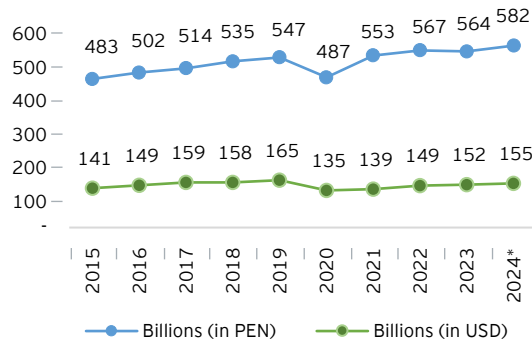
Source: Central Reserve Bank of Peru (BCRP).

Gross Domestic Product (GDP) and International Reserves

Peru's GDP decreased 0.6% in 2023, and it is expected to grow 3.1% in 2024 according to the Central Reserve Bank of Peru (BCRP). Additionally,

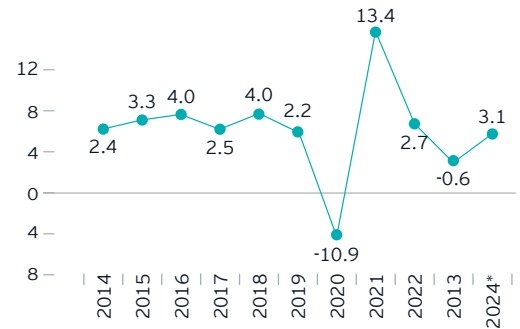
the Peruvian economy would grow 3.0% annually on average between 2025 and 2028, according to estimates by the Ministry of Economy and Finance.

GROSS DOMESTIC PRODUCT (CONSTANT GDP)



*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

GROSS DOMESTIC PRODUCT (CONSTANT GDP) (PERCENTAGE CHANGE)



*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

Note: The 2023 GDP measured in current price amounted to USD268 billion.

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 (CONSTANT GDP) BY INDUSTRY (PERCENTAGE CHANGE)

Industry	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (Q2)	2024*
Agriculture and Livestock	1.6	3.5	2.7	2.9	7.7	3.5	1.0	4.6	4.6	-2.5	8.0	3.5
Fisheries	-27.9	15.9	-10.1	4.7	47.7	-17.2	4.2	9.9	-11.4	-21.2	184.2	20.2
Mining and Hydrocarbons	-0.9	9.5	16.3	3.4	-1.5	0.0	-13.4	8.1	0.5	8.0	-3.3	1.8
Manufacturing	-3.6	-1.5	-1.4	-0.2	5.9	-1.7	-12.5	18.6	1.0	-6.5	10.2	3.2**
Electricity and Water	4.9	5.9	7.3	1.1	4.4	3.9	-6.1	8.5	3.9	3.7	1.4	3.3
Construction	2.2	-5.9	-3.2	2.2	5.3	1.4	-13.3	34.9	3.1	-7.9	3.3	3.2
Commerce	4.4	3.9	1.8	1.0	2.6	3.0	-16.0	17.8	3.3	2.4	2.5	3.2
Services	5.9	5.0	4.2	3.3	4.5	4.2	-9.6	10.0	3.2	0.1	2.7	3.1
GDP	2.4	3.3	4.0	2.5	4.0	2.2	-10.9	13.4	2.7	-0.6	3.6	3.1

*Projection. June 2024 Inflation Report. Q2=Second Quarter of 2024.

** Weighted Average of Primary GDP and Non-Primary GDP.

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

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

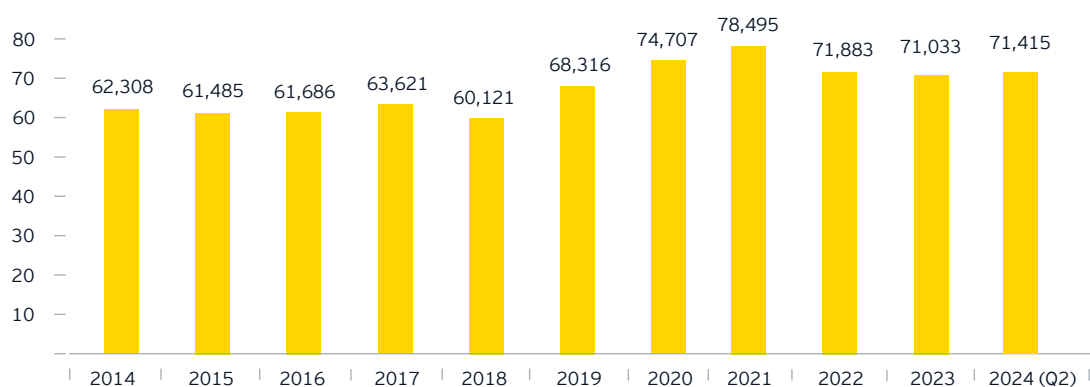
Variables	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (Q2)	2024*
Domestic Demand	2.4	2.8	1.2	1.6	4.1	2.2	-9.6	14.5	2.4	-2.1	5.0	3.5
a. Private Consumption	3.9	4.0	3.7	2.6	3.8	3.2	-9.9	12.4	3.6	0.1	2.3	2.8
b. Public Consumption	6.3	10.1	1.9	2.9	2.4	4.3	7.9	4.8	-0.2	4.6	5.7	2.0
c. Private Investment	-2.0	-4.3	-5.0	0.0	4.1	4.5	-16.5	37.0	-0.5	-7.3	-0.2	2.3
d. Public Investment	-2.9	-6.9	0.3	-1.8	5.5	-1.5	-15.1	24.7	6.0	2.8	16.1	12.0
Exports	-1.4	3.1	9.0	7.8	2.1	1.1	-19.7	13.3	5.2	4.9	-1.8	2.9
Imports	-1.1	1.5	-1.7	4.5	2.4	0.9	-15.2	17.9	3.9	-1.4	3.8	4.6
GDP	2.4	3.3	4.0	2.5	4.0	2.2	-10.9	13.4	2.7	-0.6	3.6	3.1

*Projection. June 2024 Inflation Report. Q2=Second Quarter of 2024.

Source: Central Reserve Bank of Peru (BCRP).

Peru is estimated to maintain a comfortable level of international reserves, representing in 2023 the 27% of GDP. As of June 30, 2024, these reserves reached USD71.4 billion.

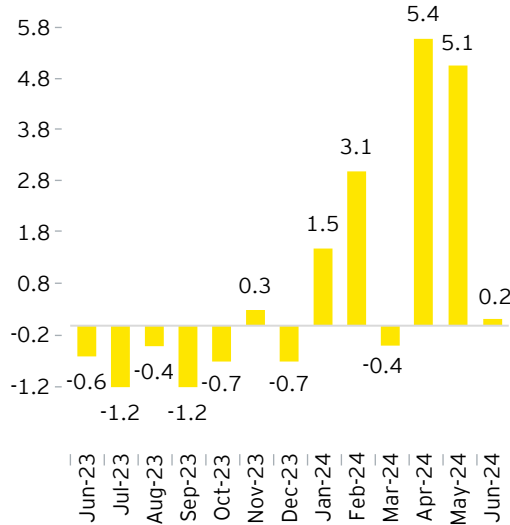
NET INTERNATIONAL RESERVES (IN USD MILLIONS)



Source: Central Reserve Bank of Peru (BCRP).

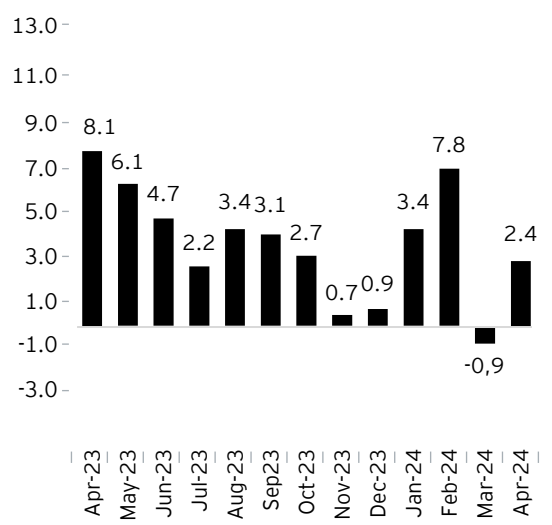
The economy grew 3.6% in the second quarter of the year, the BCRP projects 3.1% growth for 2024. The main indicators of the economy show an improvement at the beginning of the year.

GROSS DOMESTIC PRODUCT (INTERANUAL PERCENTAGE CHANGE)



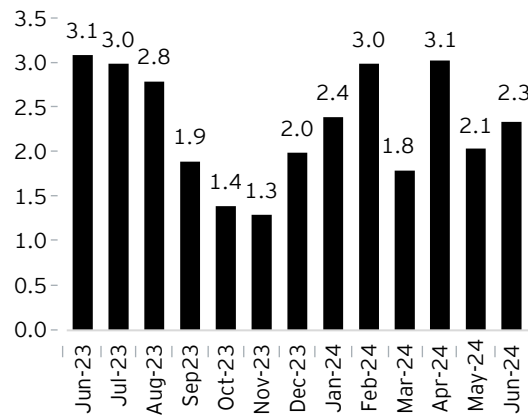
Source: National Institute of Statistics and Information (INEI).

ELECTRICITY PRODUCTION (INTERANUAL PERCENTAGE CHANGE)



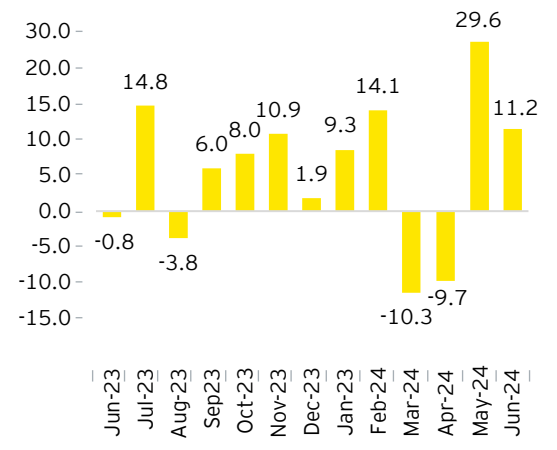
Source: National Institute of Statistics and Information (INEI).

COMMERCE SECTOR GDP EVOLUTION (INTERANUAL PERCENTAGE CHANGE)



Source: Central Reserve Bank of Peru (BCRP).

TRADITIONAL EXPORTS (INTERANUAL PERCENTAGE CHANGE)



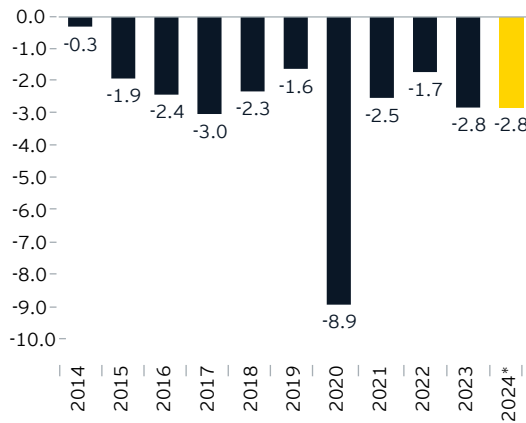
Source: Central Reserve Bank of Peru (BCRP).

Public Sector

In 2023, Public deficit reached 2.8% of the GDP; it is expected to be 2.8% in 2024. Public spending will be around 20.6% of the GDP in 2024, as part of the

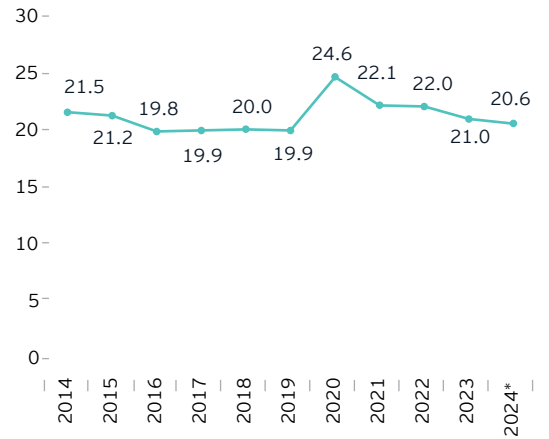
normalization macroeconomic policy and close to pre pandemic levels.

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



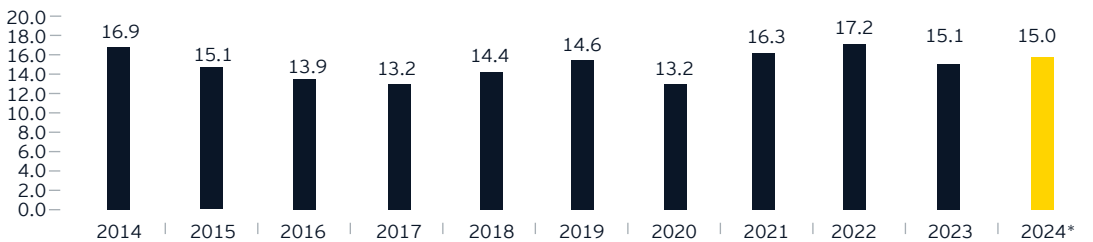
*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

NON FINANCIAL PUBLIC SPENDING (PERCENTAGE OF THE GDP)



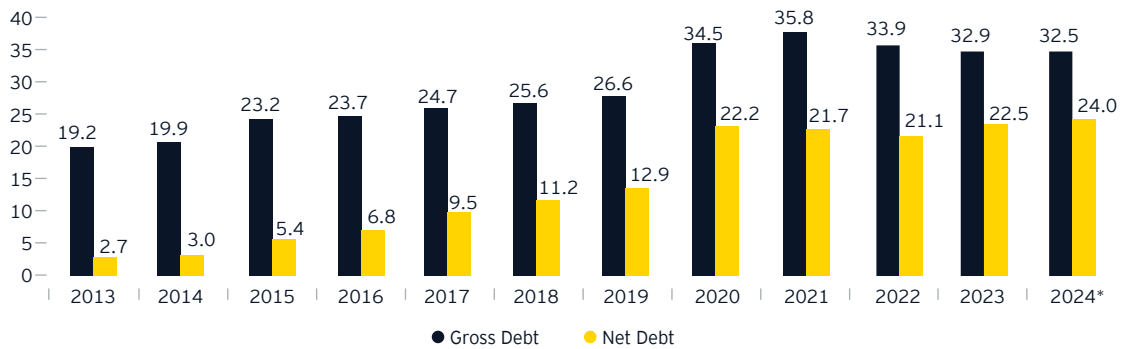
*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

TAX BURDEN - GENERAL GOVERNMENT CURRENT REVENUES (PERCENTAGE OF THE GDP)



*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

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



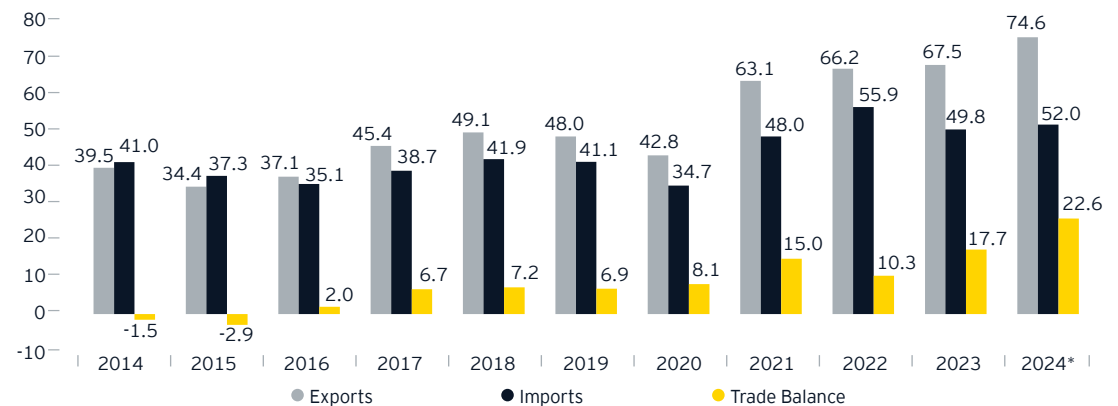
*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

International Trade

In 2023, total exports amounted to USD67.5 billion, while total imports totaled USD49.8 billion. According to estimates, exports would reach USD74.6 billion in 2024, and imports USD52.0 billion.

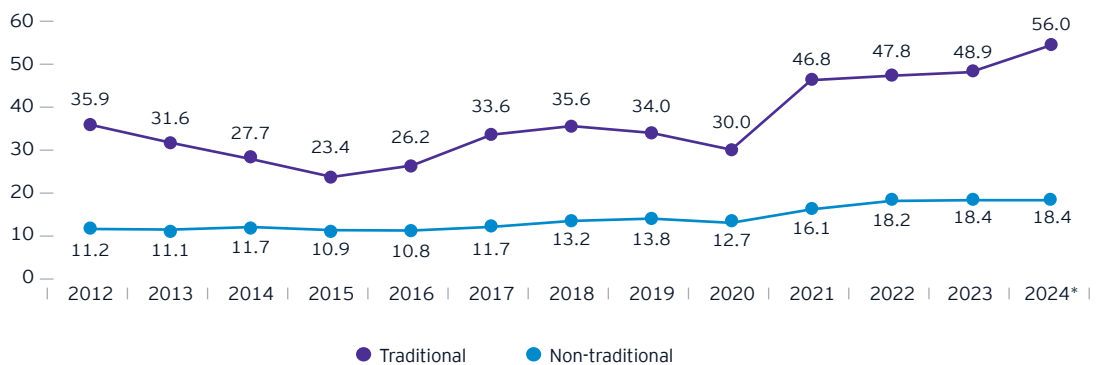
Traditional exports reached USD48.9 billion and non-traditional exports USD18.4 billion in 2023. It is estimated that in 2024, traditional exports will reach USD56.0 billion and non-traditional exports USD18.4 billion.

TRADE BALANCE (IN USD BILLIONS)



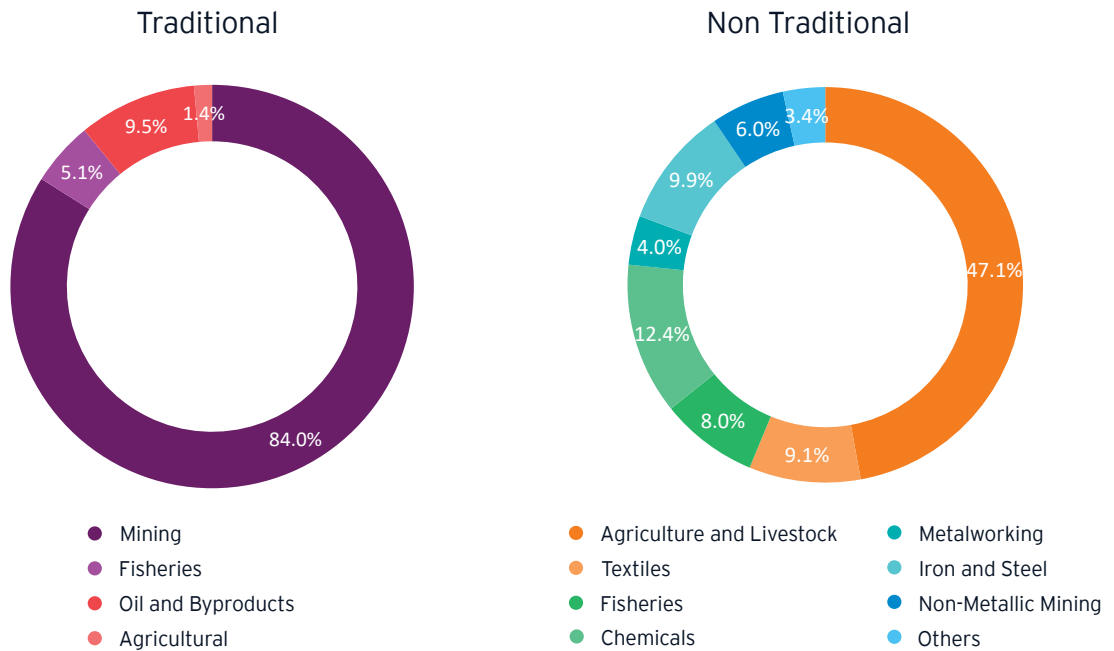
*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

TRADITIONAL AND NON-TRADITIONAL EXPORTS (IN USD BILLIONS)



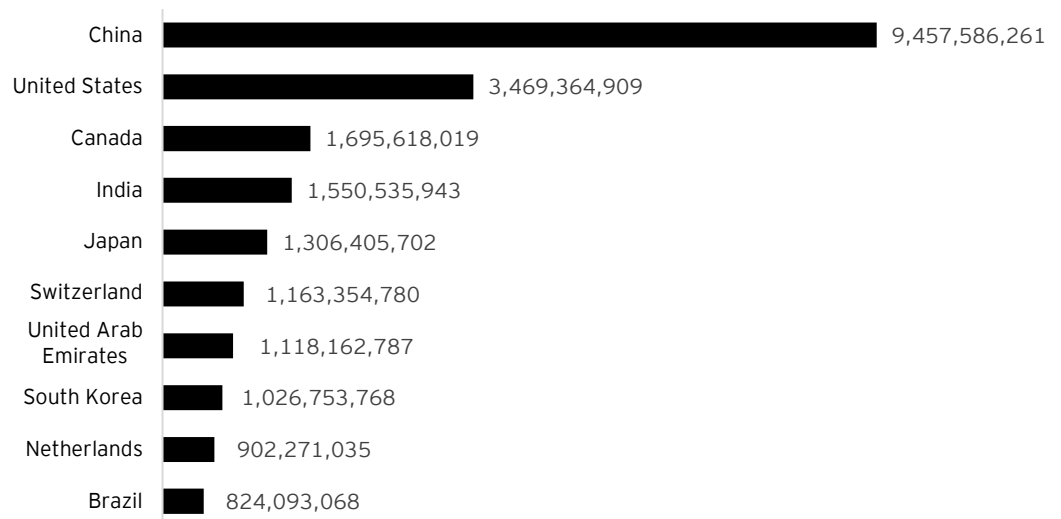
*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

FINAL EXPORTS BY ECONOMIC SECTOR AS OF JUNE 2024 (PERCENTAGE STRUCTURE)



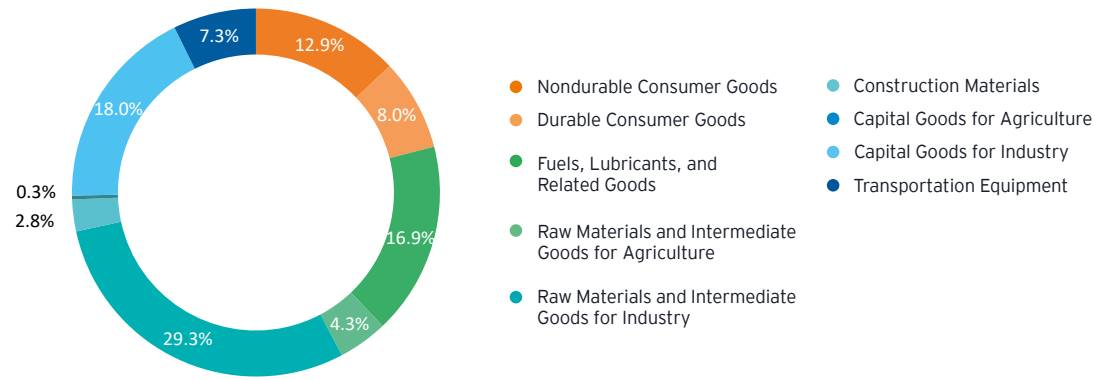
Source: National Superintendency of Customs and Tax Administration (SUNAT).

EXPORTS BY TRADING PARTNER, TOP TEN PARTNERS AS OF JUNE 2024 (THOUSANDS OF USD)



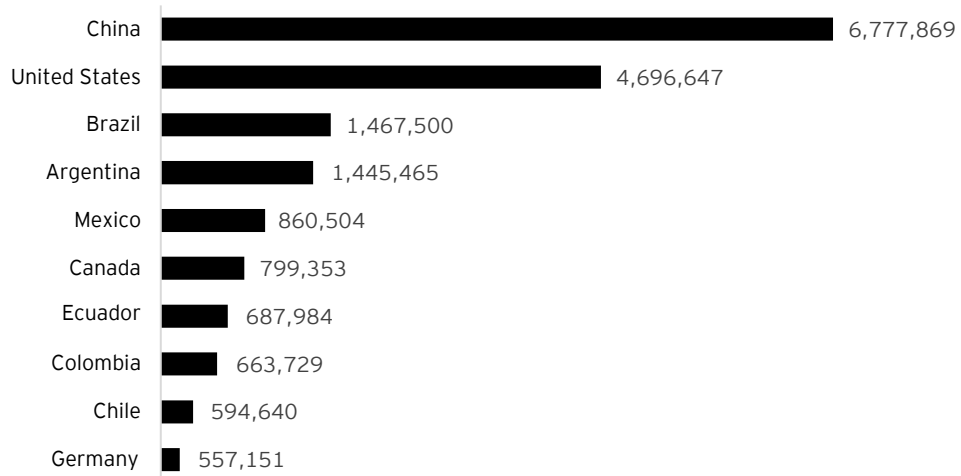
Source: National Superintendency of Customs and Tax Administration (SUNAT).

IMPORTS OF CONSUMER GOODS ACCORDING TO CUODE AS OF JUNE 2024 CLASSIFICATION (PERCENTAGE STRUCTURE)



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

IMPORTS BY TRADING PARTNER, TOP TEN PARTNERS AS OF JUNE 2024 (THOUSANDS OF USD)



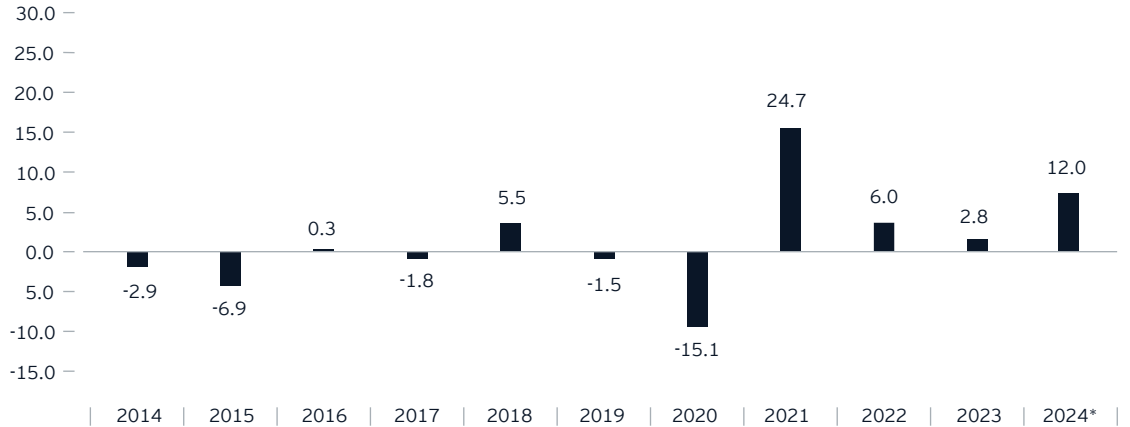
Source: National Superintendency of Customs and Tax Administration (SUNAT).



3 INVESTMENT ENVIRONMENT

As of the second quarter of 2024, public investment grew 16.1% and private investment decreased 0.2%. In 2024, the public investment is expected to grow 12.0%, while the private investment is expected to increase 2.3%.

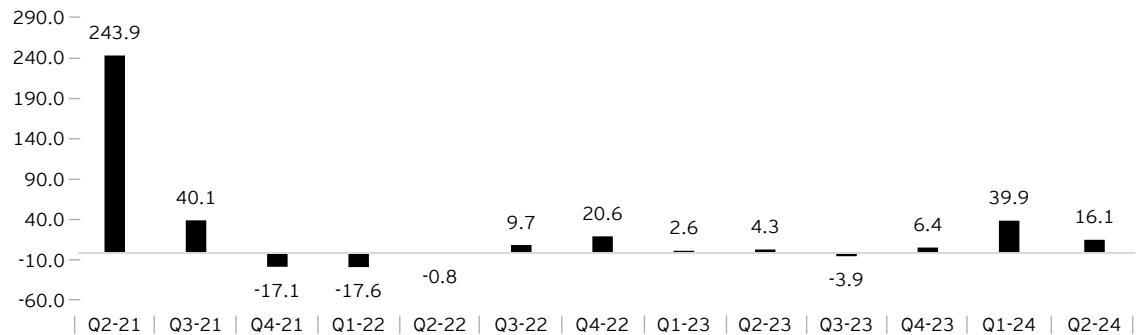
PUBLIC INVESTMENT (PERCENTAGE CHANGE)



*Projection. June 2024 Inflation Report.

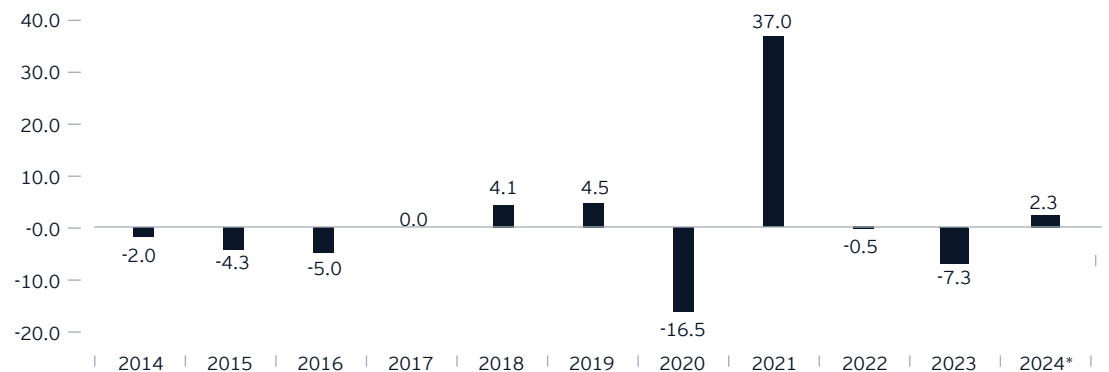
Source: Central Reserve Bank of Peru (BCRP).

QUARTERLY PUBLIC INVESTMENT (ANNUALIZED PERCENTAGE CHANGE)



Source: Central Reserve Bank of Peru (BCRP).

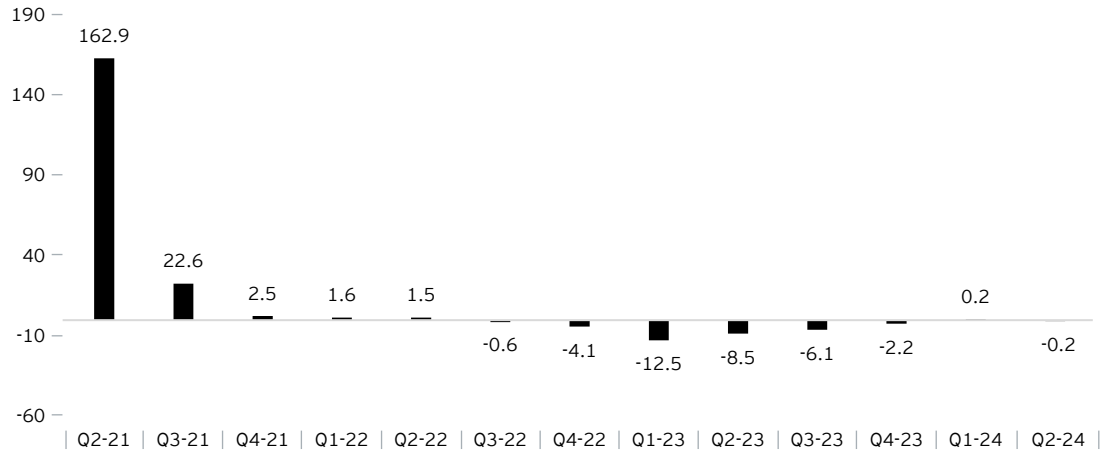
PRIVATE INVESTMENT (PERCENTAGE CHANGE)



*Projection. June 2024 Inflation Report.

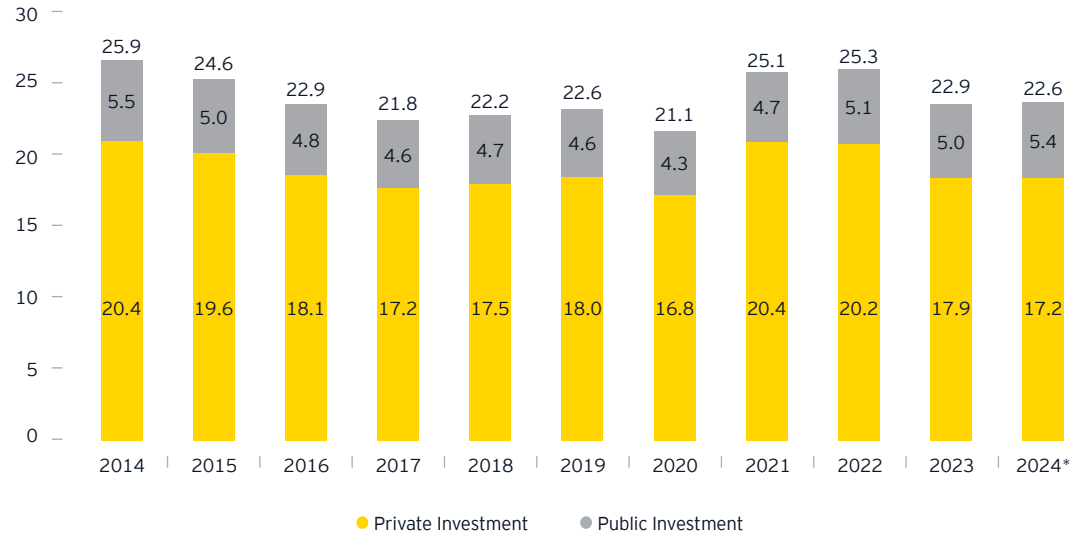
Source: Central Reserve Bank of Peru (BCRP).

QUARTERLY PRIVATE INVESTMENT (ANNUALIZED PERCENTAGE CHANGE)



Source: Central Reserve Bank of Peru (BCRP).

FIXED GROSS INVESTMENT (PERCENTAGE OF GDP)

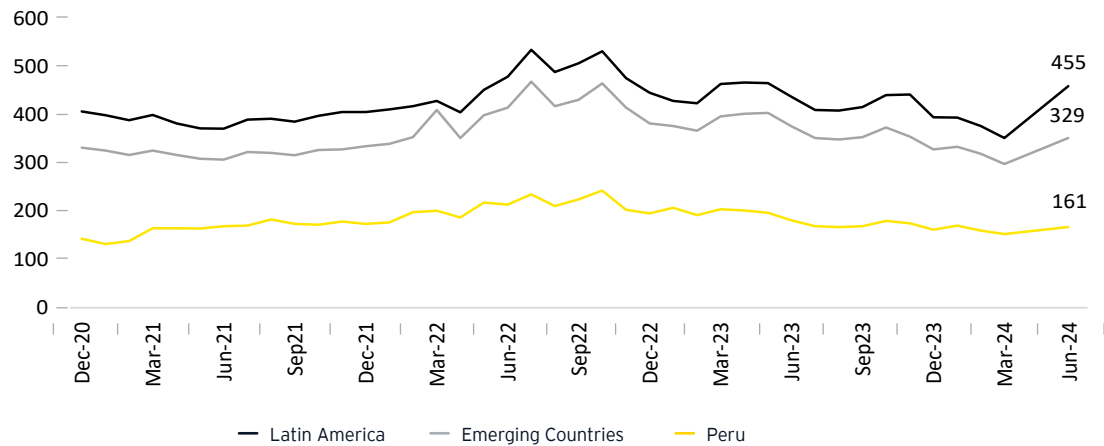


*Projection. June 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

Country Risk and Investment Grade

As of June 30, 2024, Peru had a country risk of 161 basis points. This score is below that of Emerging Countries (329) and of the regional average (455). 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: Reuters, Central Reserve Bank of Peru (BCRP).

EVOLUTION OF THE LONG-TERM DEBT RATING IN FOREIGN CURRENCY

Agency	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Fitch	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB
S&P	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB	BBB-
Moody's	A3	A3	A3	A3	A3	A3	A3	Baa1	Baa1	Baa1	Baa1

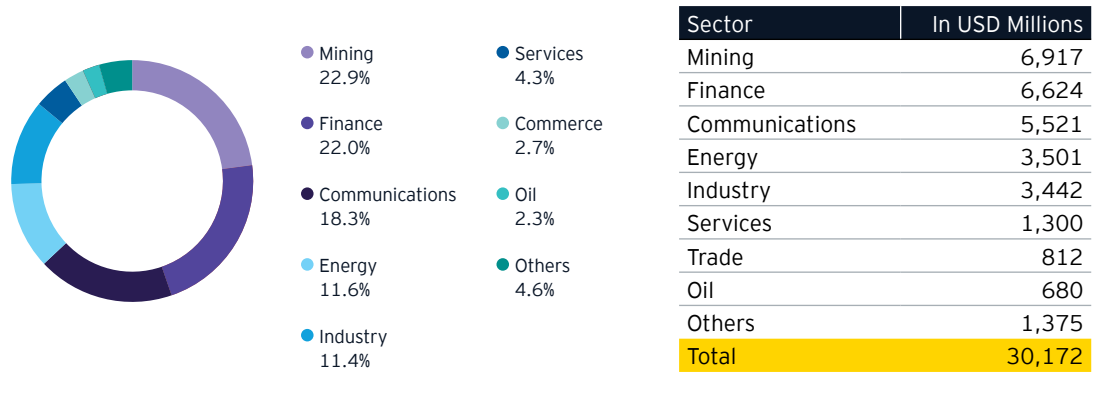
*As of August 2024.

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

Foreign Direct Investment

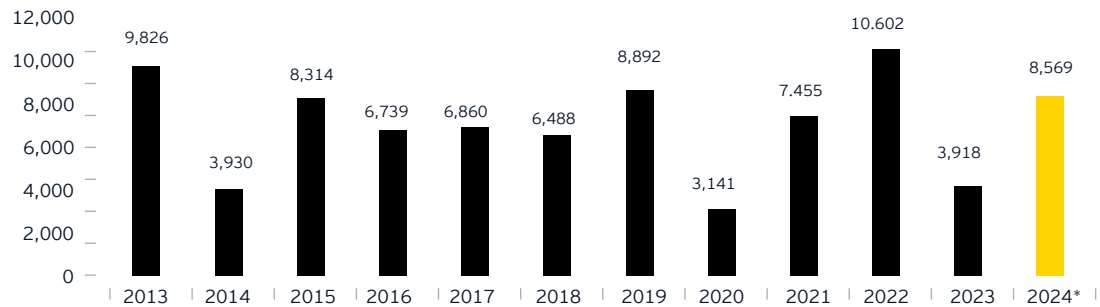
In 2023, the Foreign Direct Investment (FDI) flow reached USD4.2 billion, decreasing 61% compared to the previous year. The Mining, Communications and Finance sectors represent the 63% of total FDI.

BALANCE OF FOREIGN DIRECT INVESTMENT BY INDUSTRY 2023



Source: Private Investment Promotion Agency (ProInversion).

FOREIGN DIRECT INVESTMENT FLOW (IN USD MILLIONS)



*Projection. June 2024 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 an associated 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.

Bilateral Investment Treaties (BITs)

Peru has signed 32 Bilateral Investment Treaties (BITs) with:

- | | | | |
|-------------|------------------|-------------------|--------------------------------------------|
| ▶ Argentina | ▶ Czech Republic | ▶ Japan | ▶ South Korea |
| ▶ Australia | ▶ Denmark | ▶ Malaysia | ▶ Sweden |
| ▶ Bolivia | ▶ Ecuador | ▶ The Netherlands | ▶ Spain |
| ▶ Canada | ▶ El Salvador | ▶ Norway | ▶ Switzerland |
| ▶ Chile | ▶ Finland | ▶ Paraguay | ▶ Thailand |
| ▶ China | ▶ France | ▶ Portugal | ▶ The Belgium-Luxembourg
Economic Union |
| ▶ Colombia | ▶ Germany | ▶ Romania | ▶ The United Kingdom |
| ▶ Cuba | ▶ Italy | ▶ Singapore | ▶ Venezuela |

Free Trade Agreements and Economic Integration Agreements

Peru has a total of 22 free trade agreements and economic integration agreements (TLCs & EIAs) in force with the Andean Community, Mercosur, the Pacific Alliance, the European Free Trade Association (EFTA), Australia, Canada, Chile, China, South Korea, Costa Rica, Cuba, United States, Honduras, Japan, Mexico, Panama, United Kingdom, Singapore, Thailand, the European Union, Venezuela and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). With the CPTPP, it has been possible to have preferential access to four countries with which Peru did not have a trade agreement, including New Zealand, Vietnam, Brunei and Malaysia.

Peru is currently in the midst of negotiations with Turkey, India, El Salvador and Nicaragua. On June 28, 2024, a series of agreements were signed to stretch the comprehensive, strategic partnership between Peru and the People's Republic in China.

Finally, exploratory work will soon begin with a view to initiating negotiations for future Free Trade Agreements (FTA) with Indonesia.

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.

Double Taxation Avoidance Agreements

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

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.

Additionally, an agreement was signed with Spain and is currently pending ratification. Likewise, the negotiation with the United Kingdom have been successfully concluded, and the agreement is expected to be signed in the next months. There are also negotiations underway with Qatar, the United Arab Emirates, The Netherlands, Italy, France and Sweden.



For more information, find the Peru's Business, and Investment Guide 2024 and other specialized investment guides at:

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



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Ministry Of Foreign Affairs (MRE)

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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