



Pedro Francke Ballvé
Minister of Economy and Finance

September 2021

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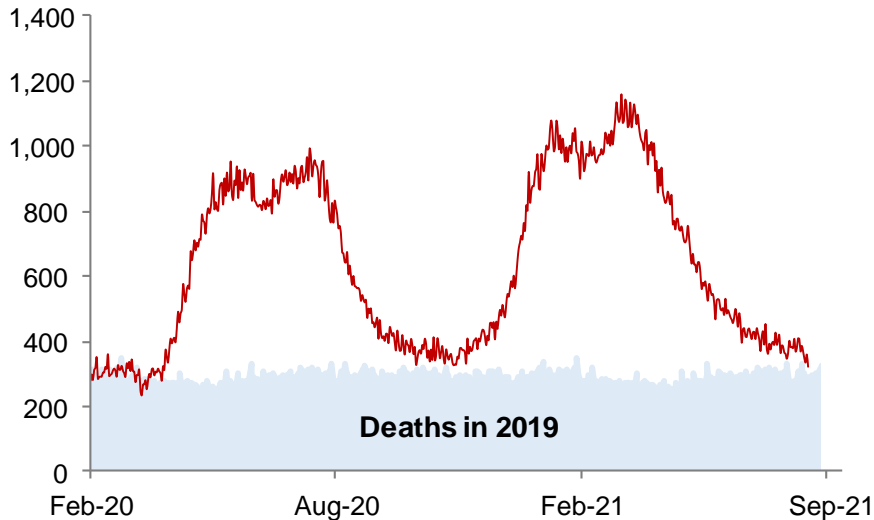
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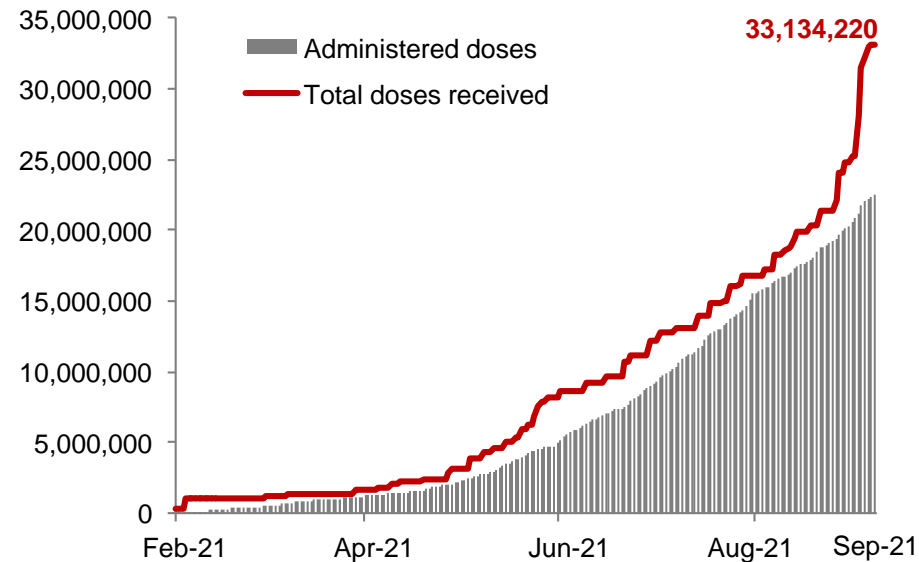
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Health indicators have improved in the last few months

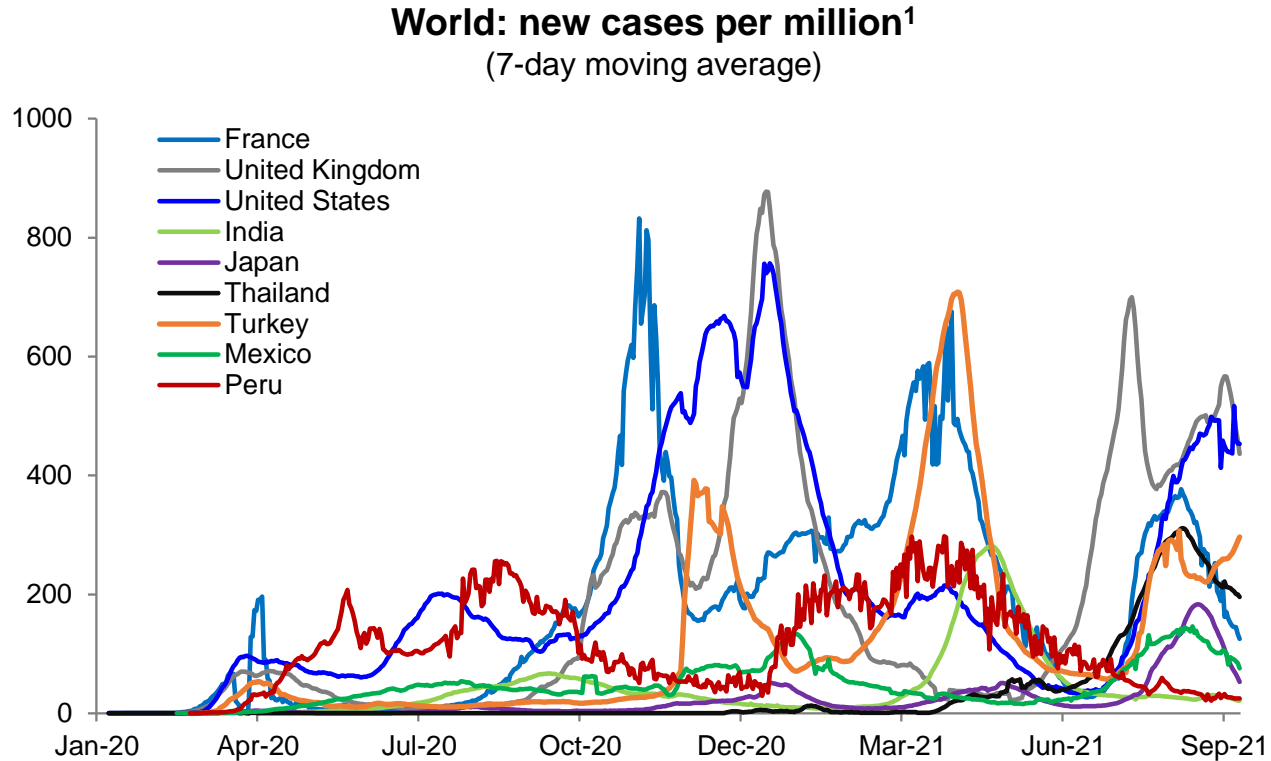
Peru: excess deaths¹
(Number of people, weekly cumulative)



Cumulative evolution of COVID-19 vaccine doses administered and received²

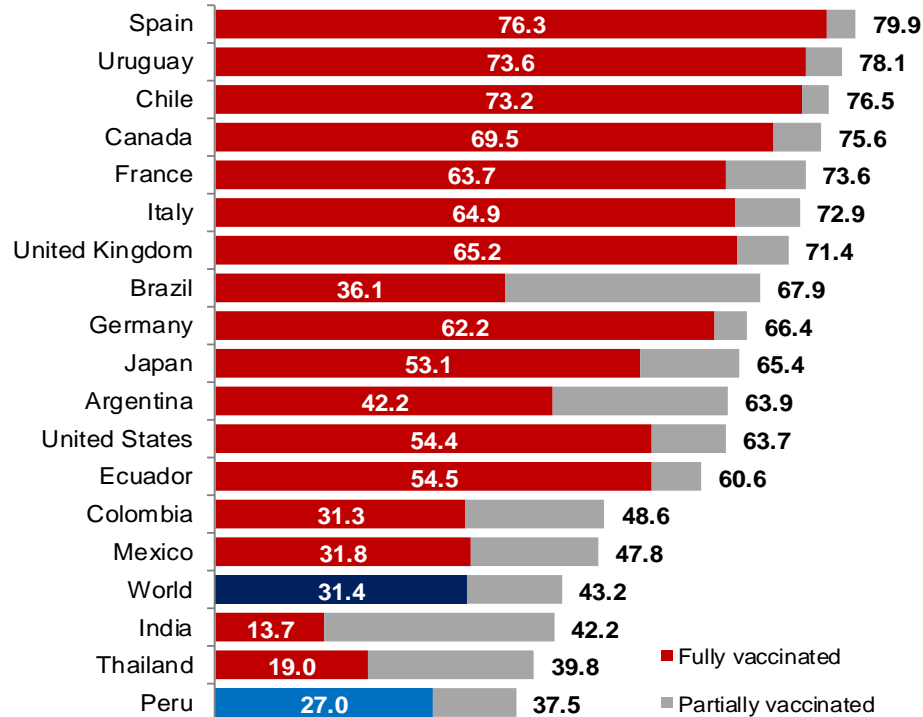


Gradual reduction of new cases By COVID-19



Vaccination rate versus other countries in the region and the world

World: Population vaccinated against COVID-19¹ (Percentage of total population by country)



■ Fully vaccinated

■ Partially vaccinated

Advances in the vaccination process

Vaccination progress



To date, **more than 24 million doses** have been applied nationwide. **2 million doses last week**



34% of the total target population (27.4 million people) has been vaccinated with the two doses.



More than 12 million doses of vaccines will arrive in September, a record number of arrivals in one month.



In Metropolitan Lima and Callao we are moving forward with the vaccination of **over 23-year-olds**, and in other regions, we are even moving forward with the vaccination of **over 16-year-olds**.

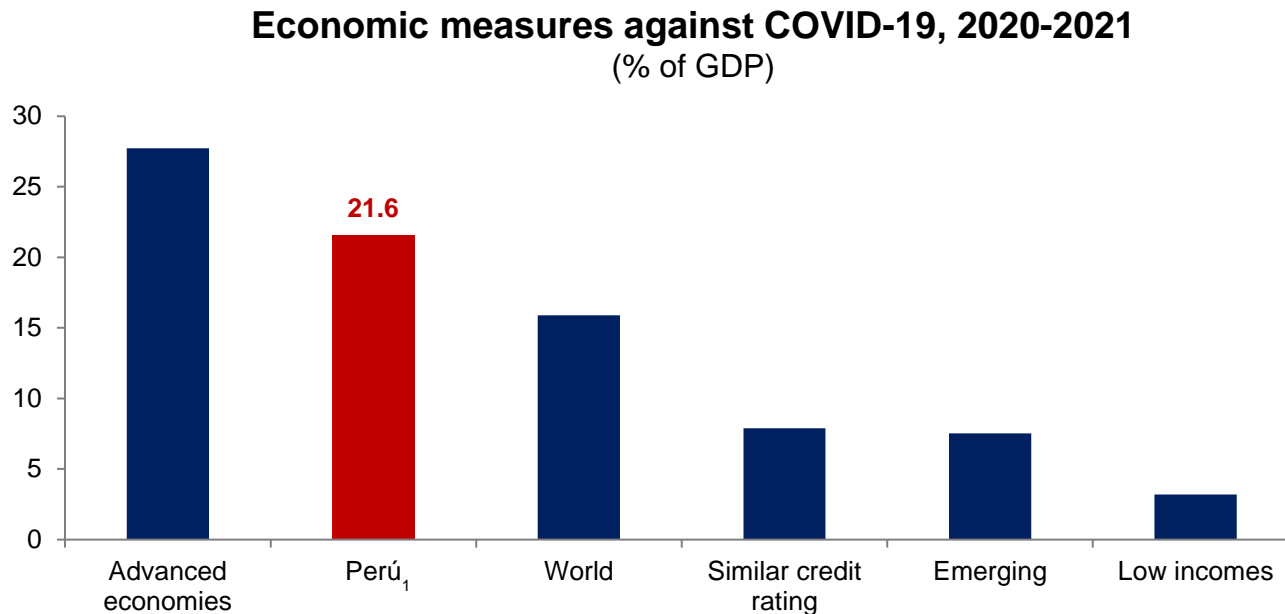


The Vacunafests made it possible to achieve significant levels of vaccinated population.

Vaccination by age groups¹



Perú has implemented an important economic plan against COVID-19



- Between March 2020 and September 2021, Economic measures¹ Perú are equivalent to 21.6% of GDP (up to September 17th, 2021).
- Tax and public spending measures are equivalent to 7.8% of GDP (up to September 17th, 2021).

Note: The information for country groups corresponds to the updated data as of June 5th, 2021 published by the IMF.

^{1/} For 2020, it considers the execution of public expenditure and revenue measures. For 2021, it considers the measures approved until September 17th.

Source: IMF, MEF.

The current administration has implemented measures to face the effects of the pandemic, but under fiscal responsibility guidelines



Family grants ***(Yanapay Perú)***

- Cash transfers of S/ 350 (USD 85) that will strengthen the national economy and support family incomes.



Trabaja Perú

- Public spending program (mainly public investment) to create temporary jobs.



Capital transfers

- “Bono Familiar Habitacional”: subsidies for housing construction.
- Acceleration of public investment through resource transfers

The short-term objective is to reactivate the economy and employment.

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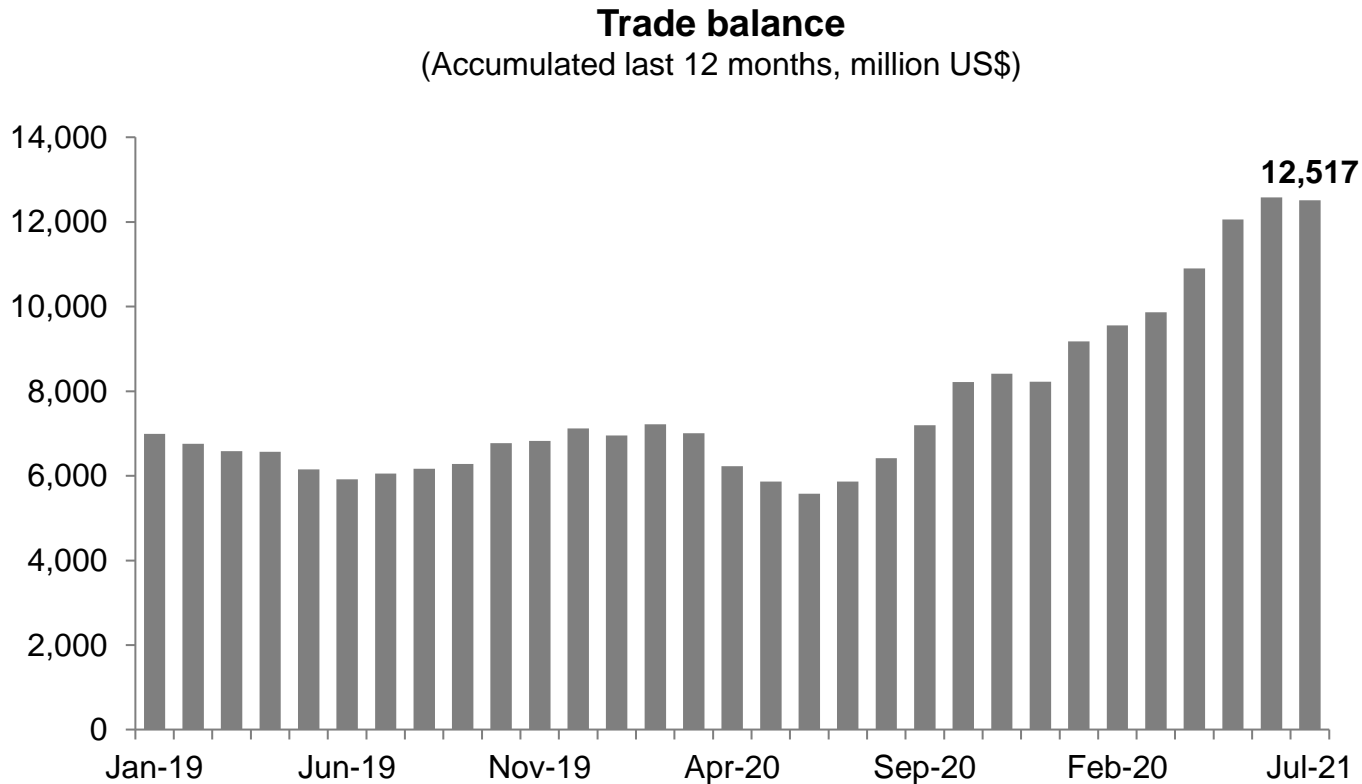
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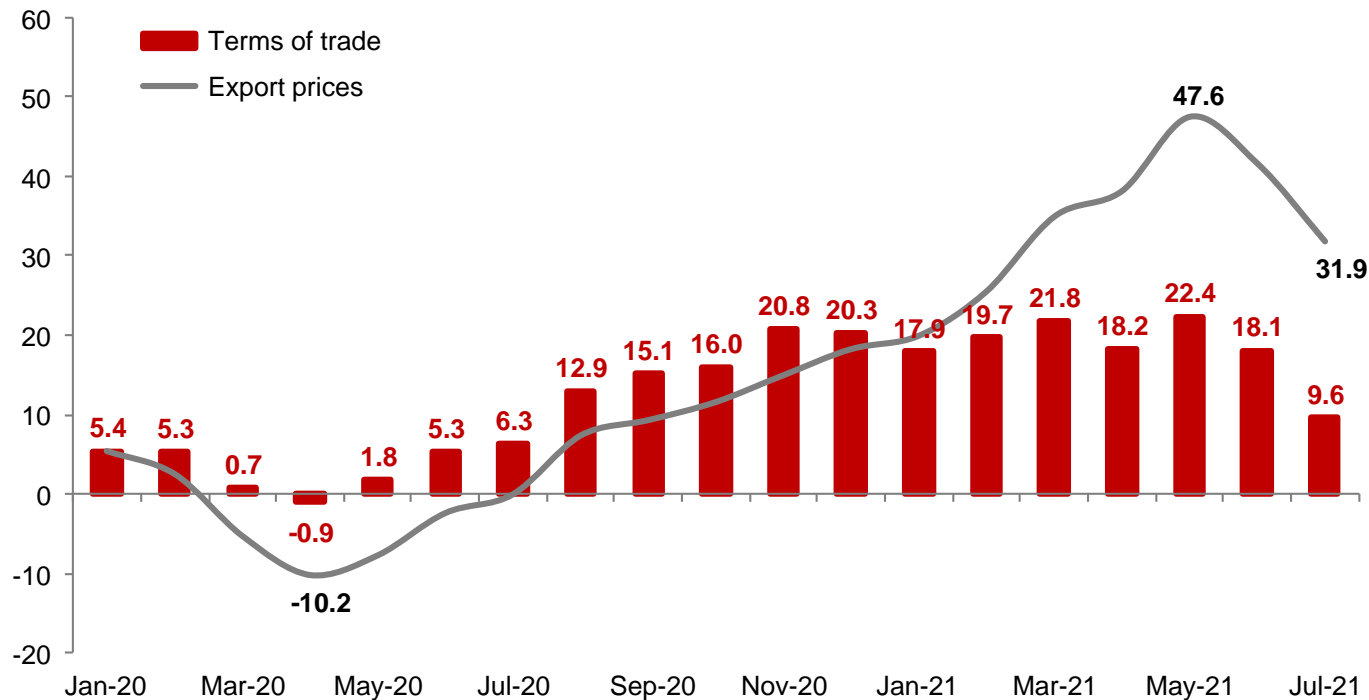
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Strong external fundamentals



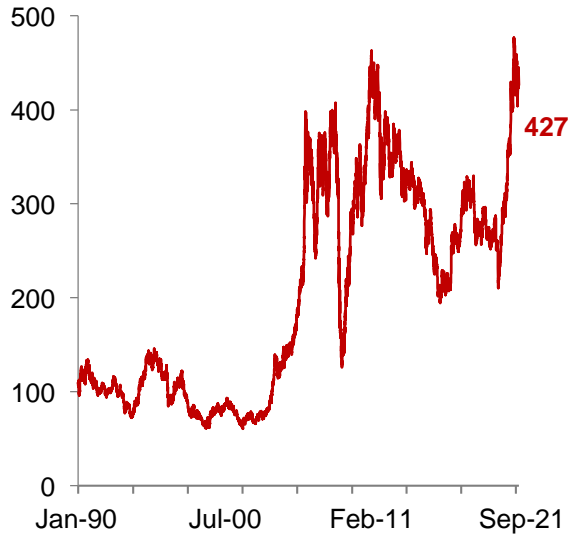
Strong external fundamentals

Terms of trade and export prices
(Annual percent change)



Strong Commodity Prices

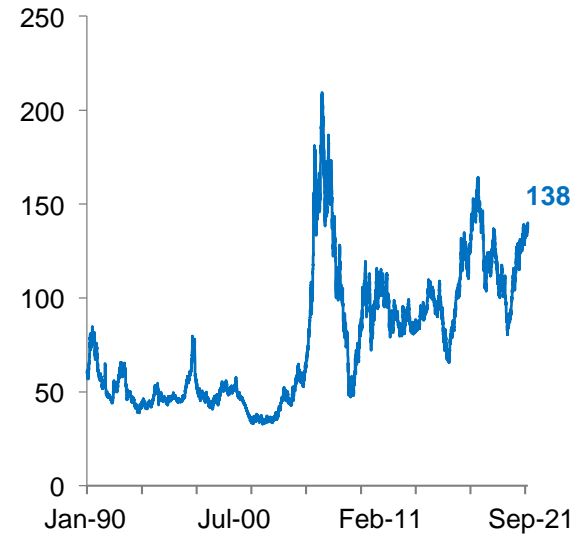
Copper¹
(¢US\$/lb.)



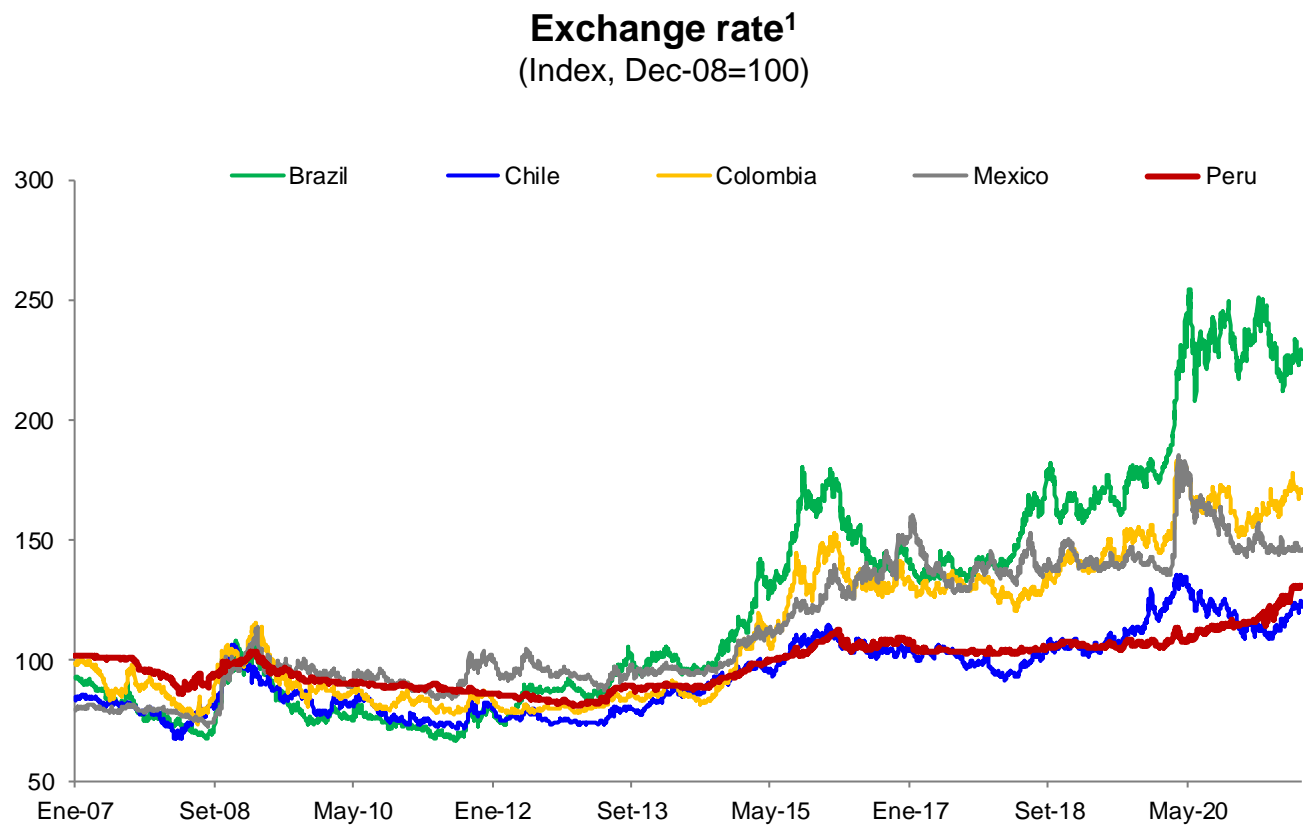
Gold¹
(US\$/oz.tr.)



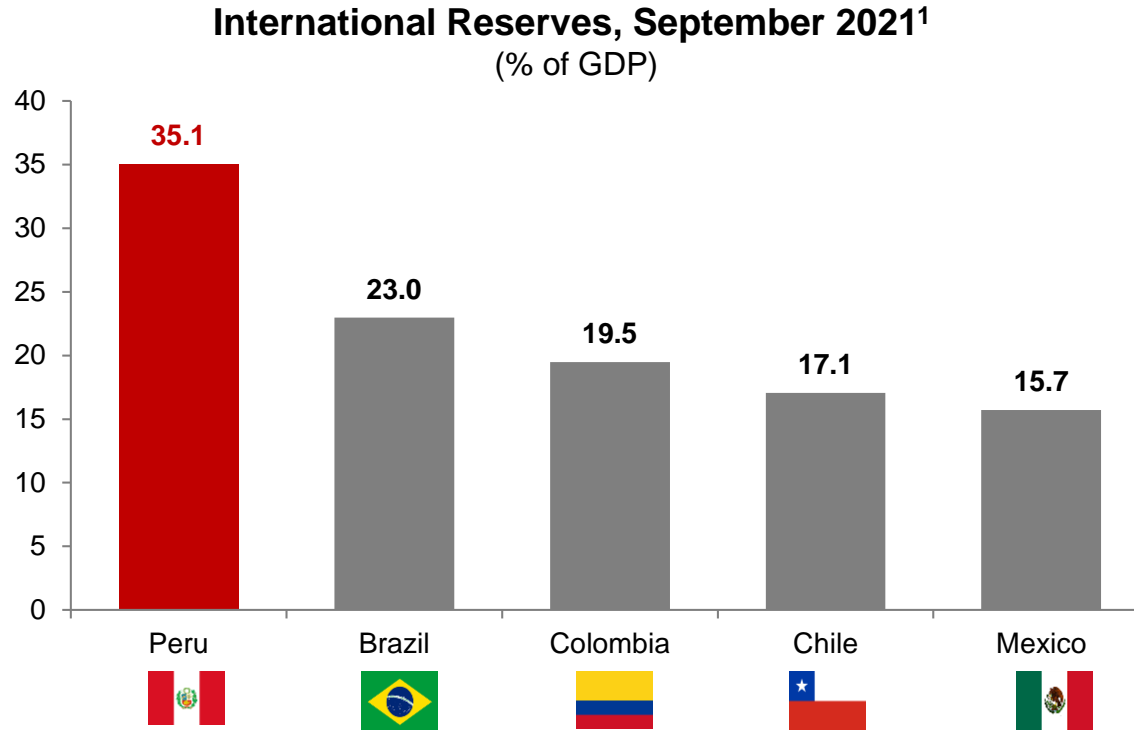
Zinc¹
(¢US\$/lb.)



The exchange rate was one of the most stable compared to other regional peers in the last decades



The external position remains strong due to the accumulation of International Reserves

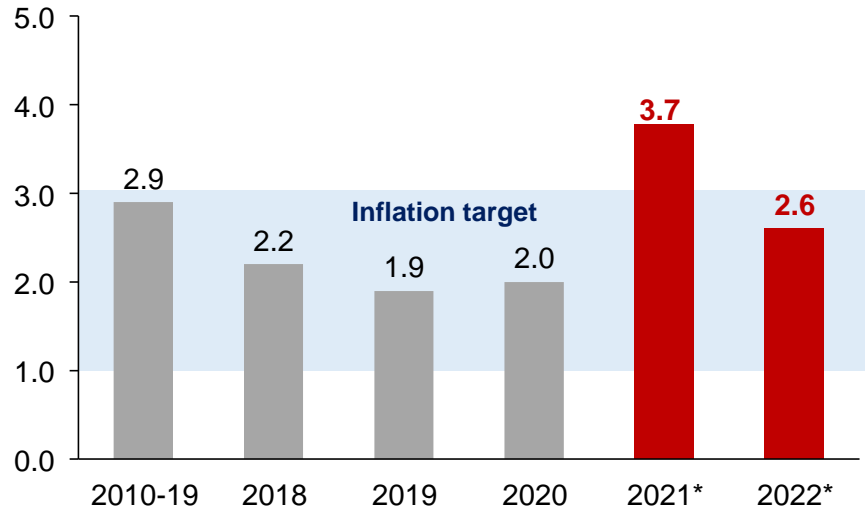


1/ Considers the September advance for Mexico, Brazil, Chile and Peru, and the August result for Colombia. The percentage of GDP is calculated with information on Central Banks international reserves divided by the LatinFocus GDP projection for 2021, and in the case of Peru by the MEF GDP projection.
Source: Central Banks.

Prudent monetary policy management

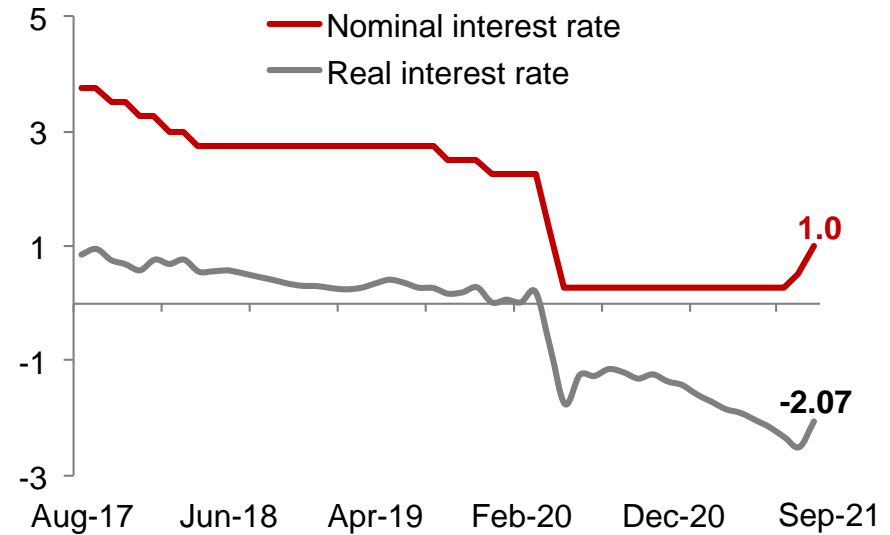
Inflation

(Annual percent change)



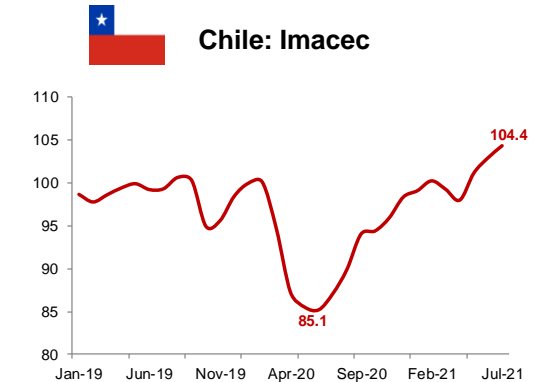
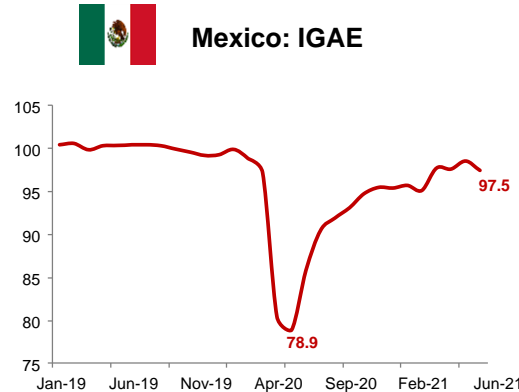
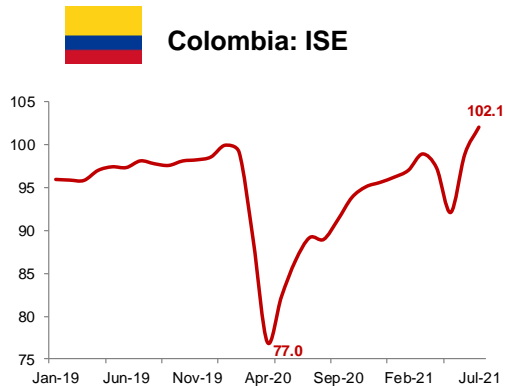
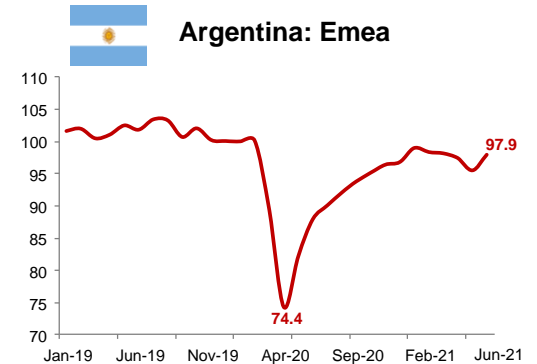
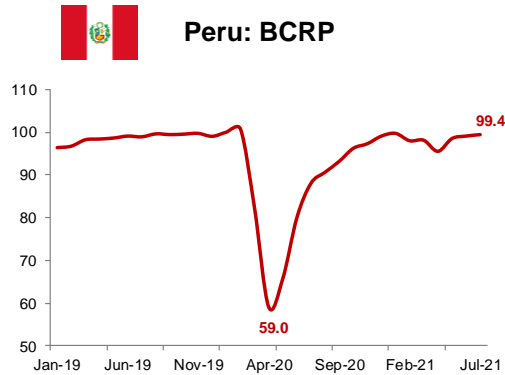
Interest rate

(Percentage)



Strong and fast recovery in LATAM

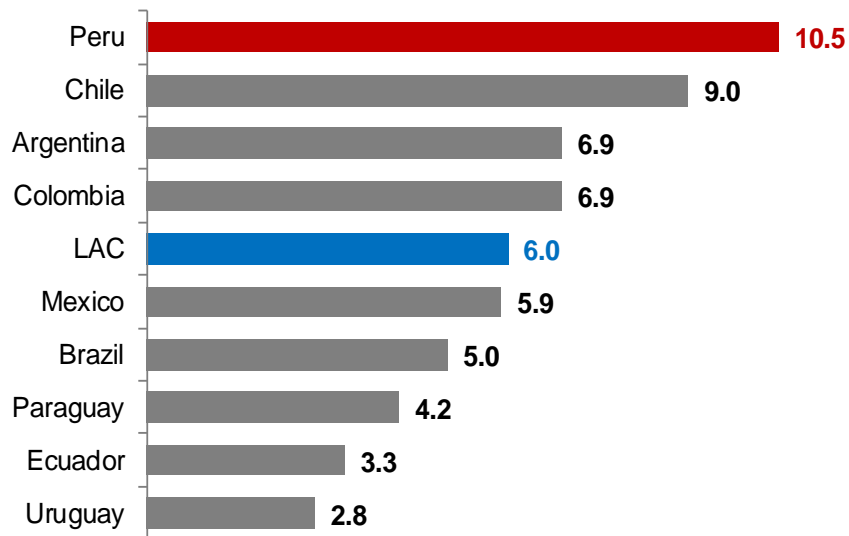
Seasonally adjusted indices of economic activity in the region (Jan-20=100)



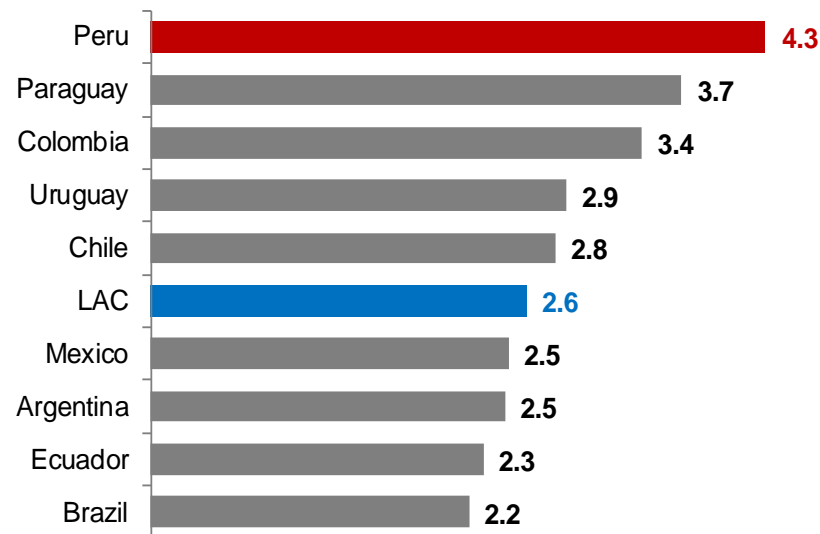
The Peruvian economy will continue to lead Latin America's economic growth in the next years

Latin America's GDP (Annual percent change)

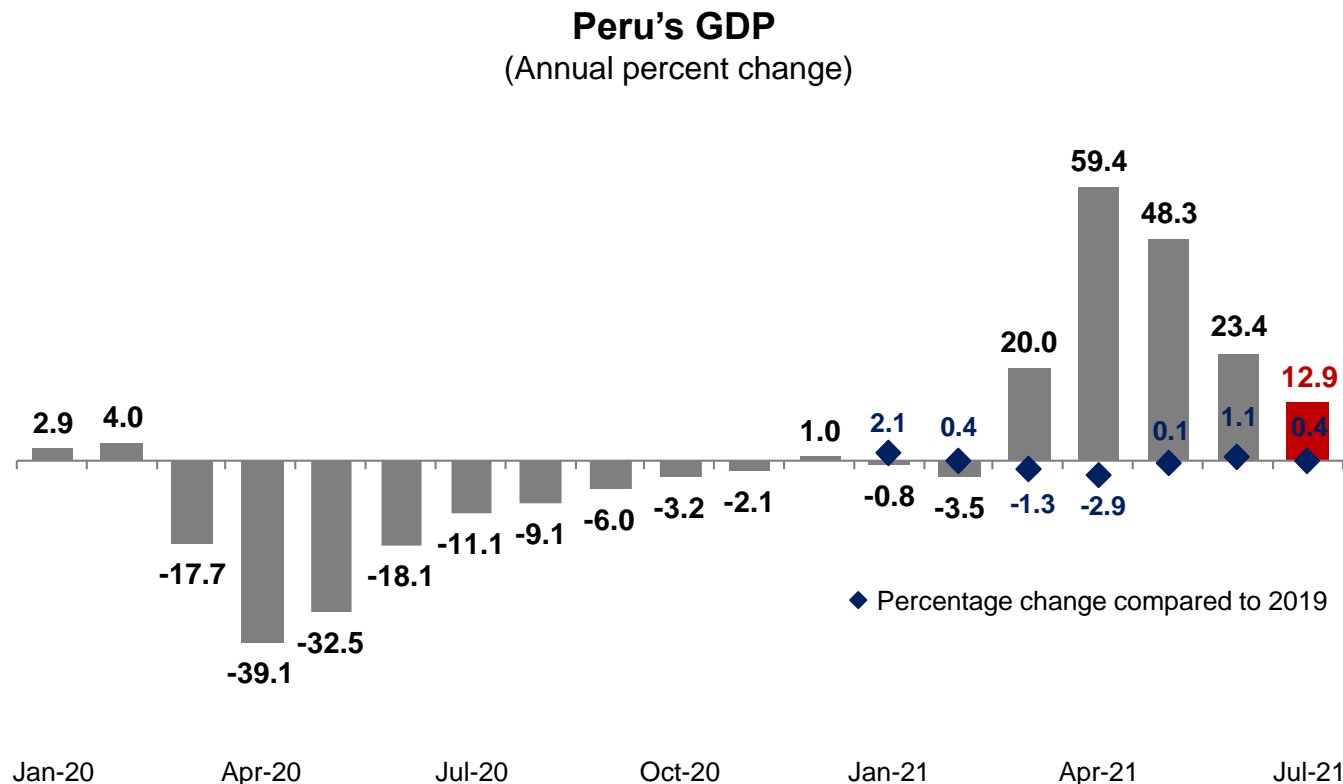
2021¹



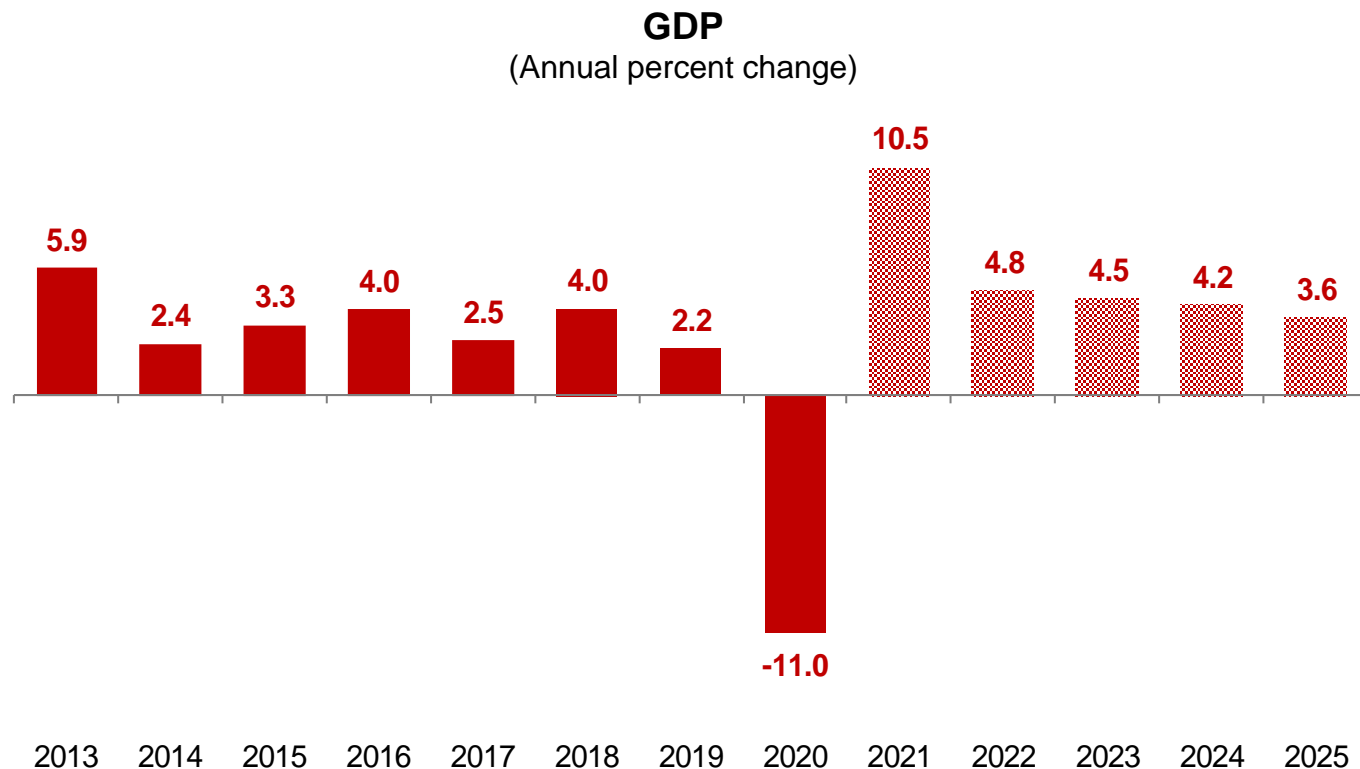
2022-2025¹



Economic activity continues to grow at significant rates and has already surpassed pre-COVID-19 levels

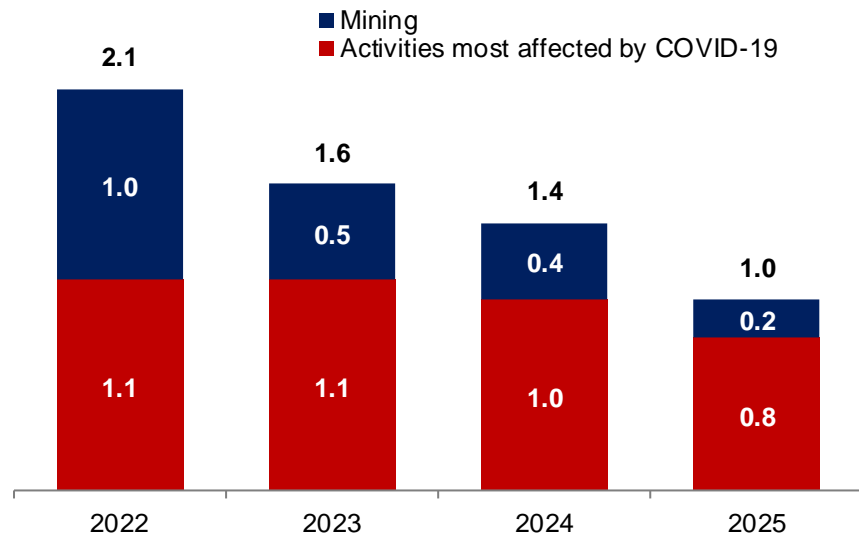


Peruvian economy will grow 10.5% in 2021 and will gradually converge to its potential level in the next years



Between 2022-2025, GDP will be supported by the improved operativity of sectors most affected, mining production, and a boost to productivity

GDP contributing activities¹
(Percentage point contribution to GDP)



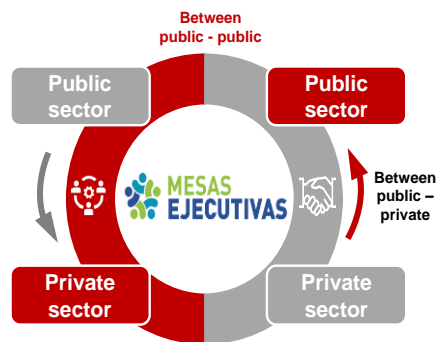
Boosting competitiveness and productivity



PNIC portfolio: 52 projects
(S/ 114 billion)

PPP portfolio 2021: 20 projects
(US\$ 6,3 billion)

The PNCP has an advance of
34,5%



There are ten Executive Roundtables (ER)

ER with a sector development approach.

The last ones to be created were the ER for the reactivation of gastronomy and supply markets.

^{1/} The activities most affected by COVID-19 are commerce, lodging and restaurants, transportation, and business services.
Source: BCRP, INEI, MEF forecast.

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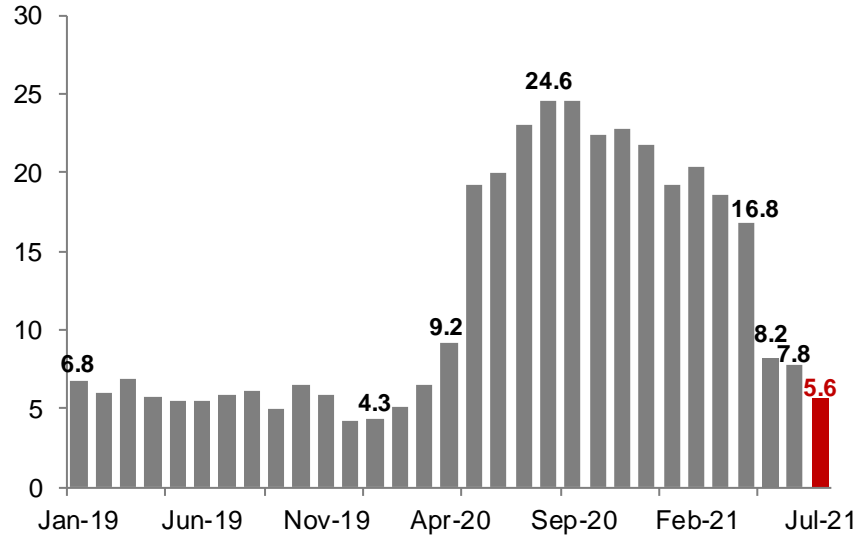
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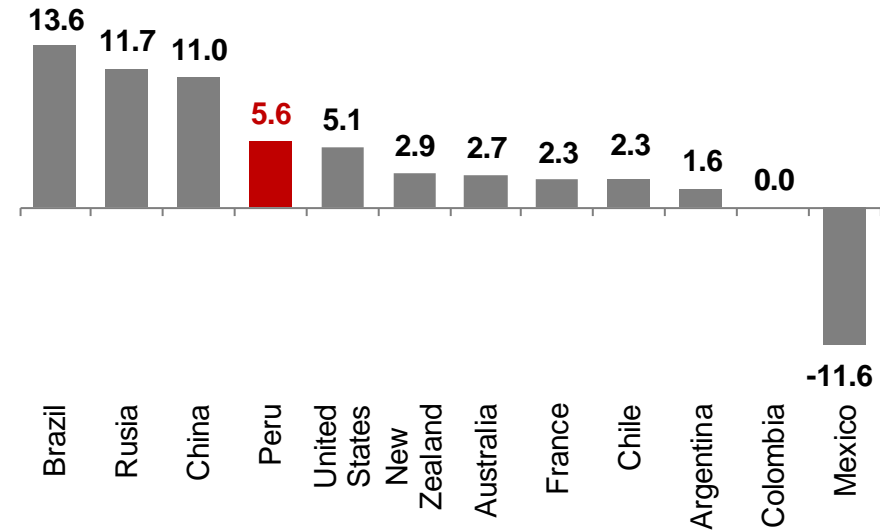
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Favorable credit dynamics continue

Peru: credit to private business
(Annual percent change)



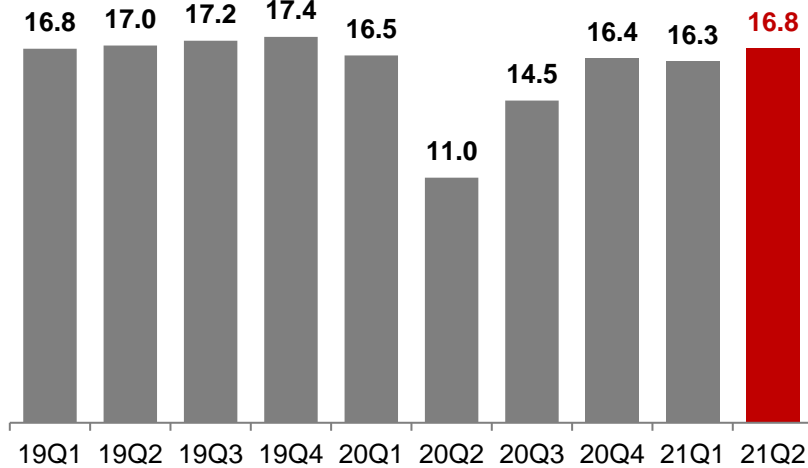
Credit to private business, July¹
(Annual percent change)



The labor market has been gradually recovering

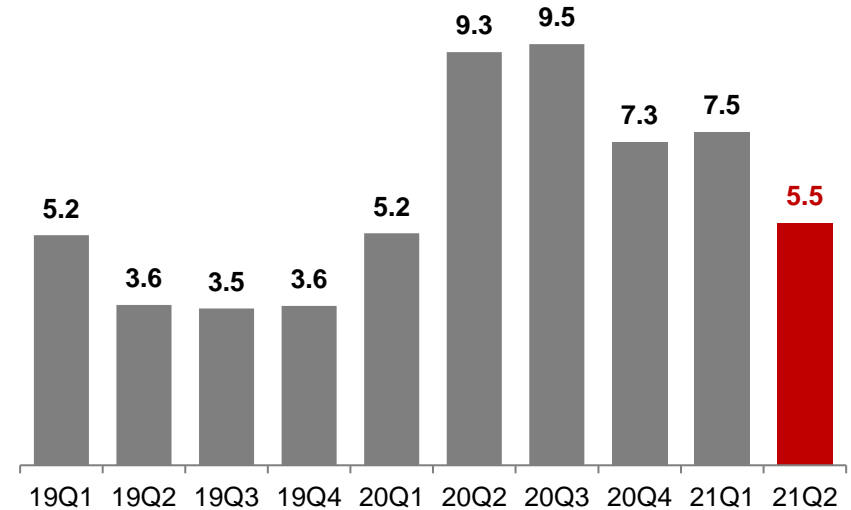
Employment

(Million of people)



Unemployment

(% of labor force¹)



In 2Q2021 employment has reached 99% of the 2Q2019 level (period without pandemic shock)

Major infrastructure and mining projects will contribute to boosting private investment and sustaining economic growth

Main infrastructure projects 2021-2025

| Project | Investment (US\$ million) | Situation |
|--|------------------------------|----------------|
| Line 2 of the Metro of Lima and Callao | 5 346 | ✓ Construction |
| Jorge Chavez Airport | 1 200 | ✓ Construction |
| Sol Highway | 493 | ✓ Construction |
| Salaverry Port Terminal | 270 | ✓ Construction |
| Chancay Port Terminal | 3 000 | ✓ Construction |
| Muelle Sur Port Terminal | 627 | 🕒 To start |

Main mining projects 2021-2025

| Project | Investment (US\$ million) | Situation |
|--|------------------------------|--------------------|
| Quellaveco and the Toromocho Extension | 6 655 | ✓ Construction |
| Yanacocha Sulfuros | 2 100 | 🕒 Expected in 2022 |
| Magistral | 490 | 🕒 Expected in 2022 |
| Zafranal | 1 263 | 🕒 Expected in 2023 |
| Los Chancas | 2 600 | 🕒 Expected in 2024 |
| Michiquillay | 2 500 | 🕒 Expected in 2025 |

In addition, there is a **PPP portfolio to be awarded between 2021-2022 for around US\$ 6 billion**

We are working on an agenda to boost investment, competitiveness and productivity

Boosting investments



PNIC portfolio: 52 projects
(S/ 114 billion)



PPP portfolio 2021: 20 projects
(US\$ 6,3 billion)

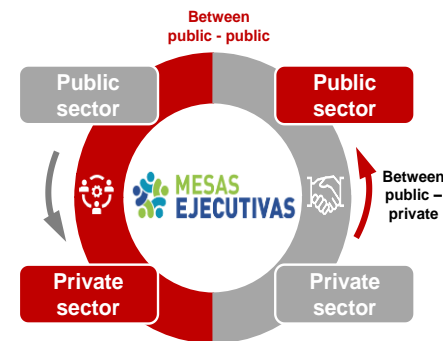


Mining portfolio: 46 projects
(US\$ 56 billion), of which 28 of
them are at different development
stages and could be viable

Boosting competitiveness and productivity



The PNCP has an
advance of
34,8%



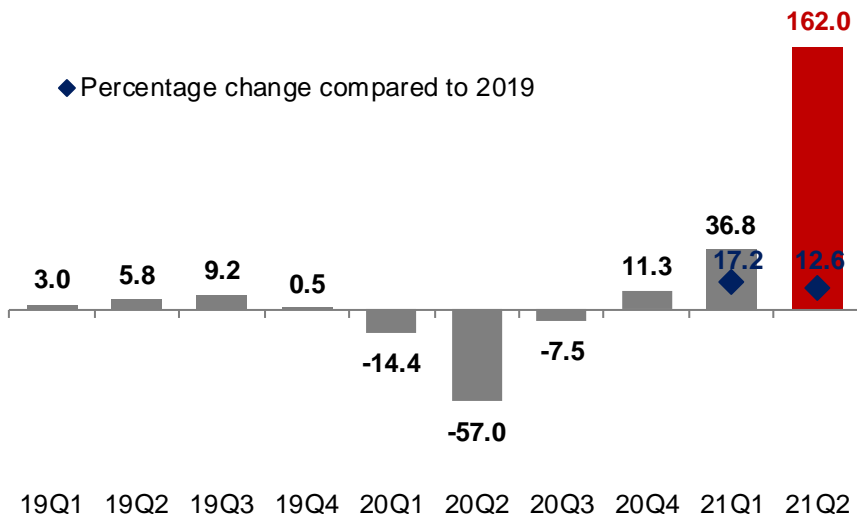
There are ten Executive Roundtables (ER)

ER with a sector development approach.

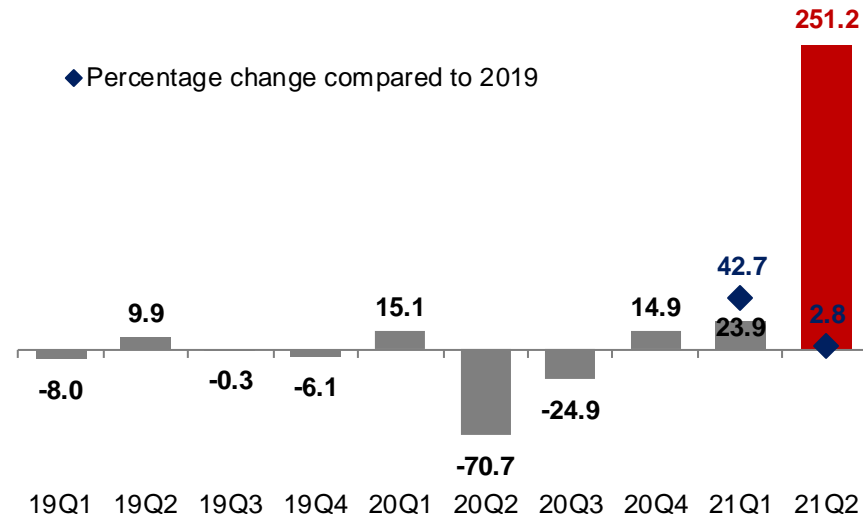
The last ones to be created were the ER for the reactivation of gastronomy and supply markets.

Private and public investments have recovered rapidly

Private investment
(Annual percent change)

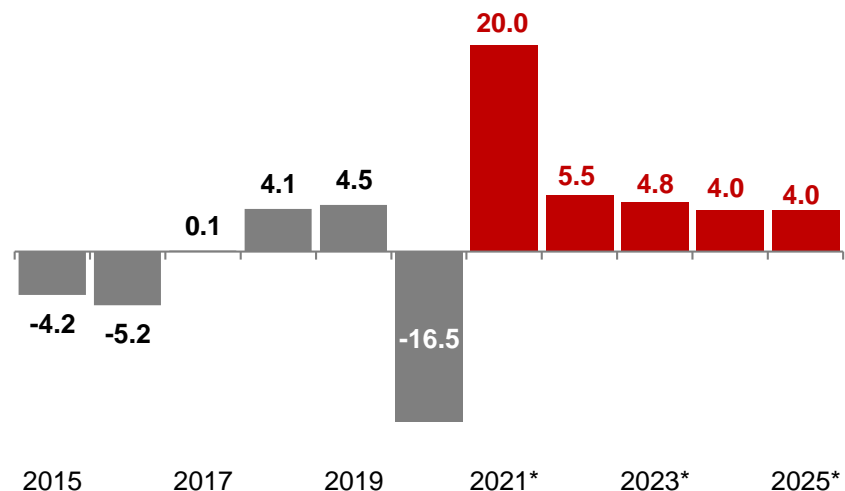


Public investment
(Annual percent change)



Progressive moderation of private investment in coming years

Private investment (Annual percent change)



In 1H2021, private investment had a significant dynamism, grew 80.2% annual and exceeded 1H2019 levels by 14.8%.

Non-mining investment¹

(86% of the total)

- In 2021, non-mining investment:
 - ✓ **Housing market dynamism** (formal and self-construction)
 - ✓ **Execution of large infrastructure projects:** Metro Line 2, J. Chavez Airport and Chancay Port.
- **2022-2025:** execution of **PNIC projects** and the **PPP portfolio**.

Mining investment

(14% of the total)

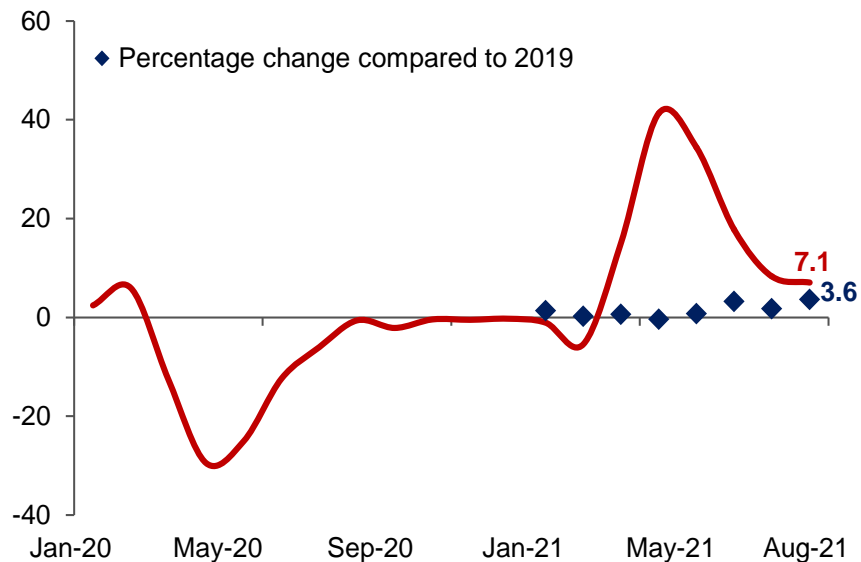
- In 2021, **partial recovery** due to the completion of Mina Justa and the absence of new large projects.
- **2022-2025: start of medium-sized projects:**
 - ✓ 2022: Yanacocha Sulfuros and Magistral
 - ✓ 2023-2025: Zafranal, Los Chancas and Michiquillay

1/ Non-mining investment is calculated as the remainder between total and mining investment.
Source: BCRP, Minem, Perupetro, Ositrán, Osinergmin, Osiptel, Proinversion, MEF forecast.

Leading indicators continue to grow above pre COVID-19 levels

Electricity production

(Annual percent change)



Capital goods imports

(Annual percent change)

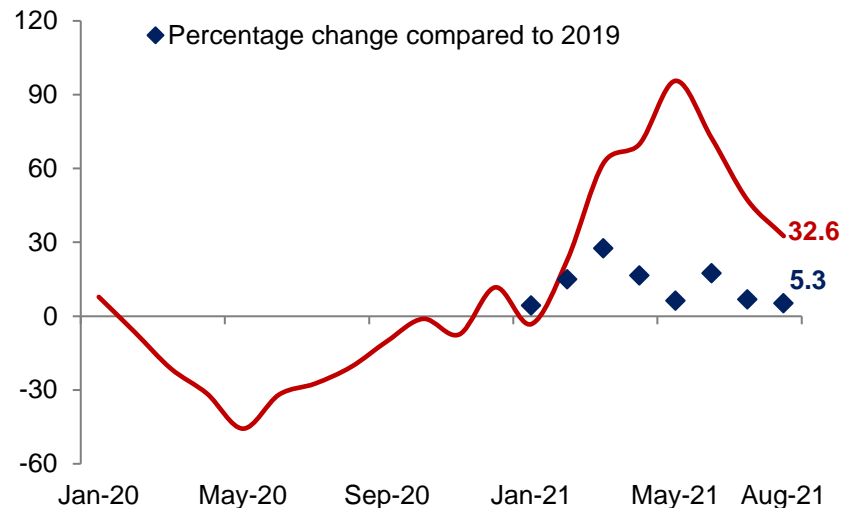


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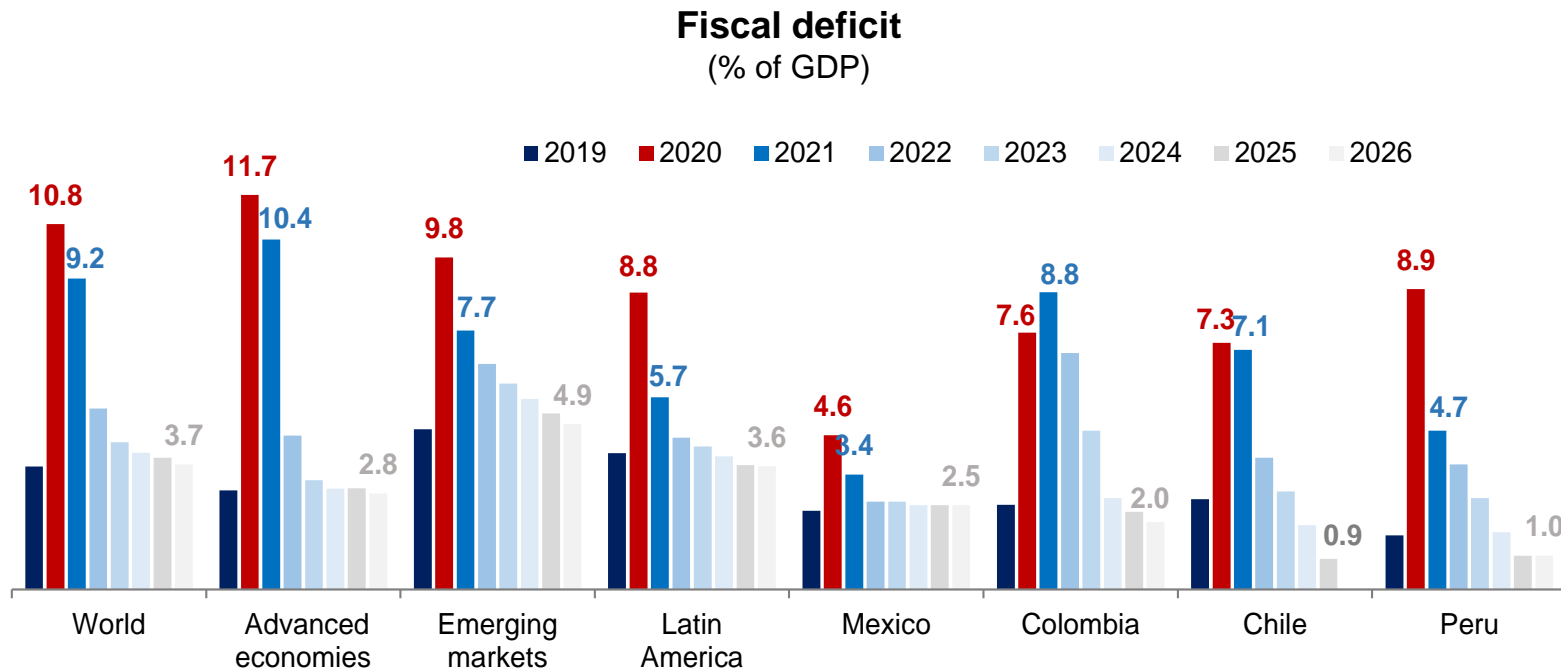
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Fiscal policy challenges around the world – Gradual Normalization

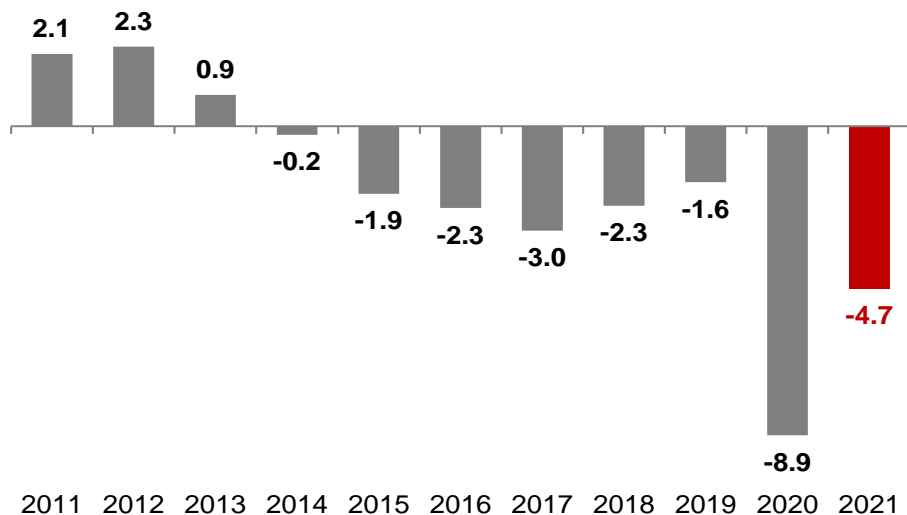


- In 2021, we are observing a generalized reduction in fiscal deficits. Such process of fiscal consolidation will gain strength in 2022 and continue for the following years. Countries will gradually withdraw their fiscal impulse in order to maintain the sustainability of its public finances.

Short-term fiscal strategy: fiscal policy will focus on expenditures related to the pandemic and support the process of economic recovery

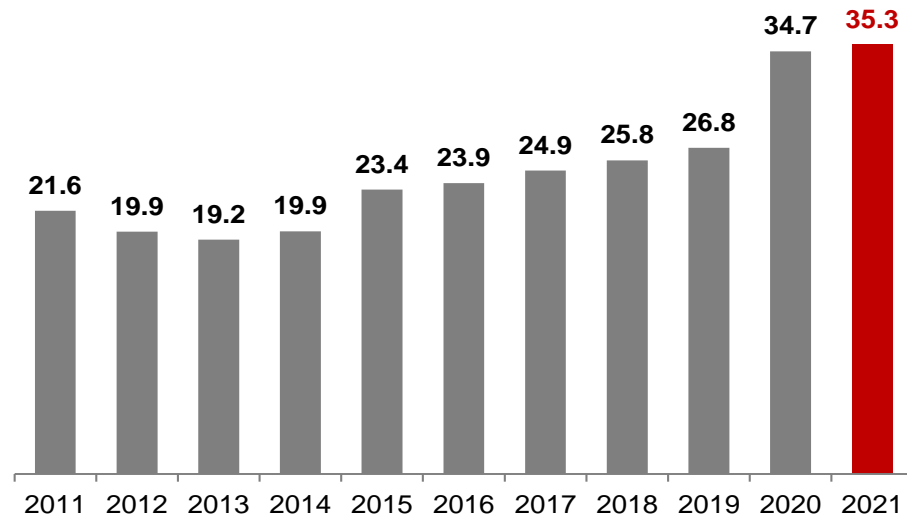
Overall balance

(% of GDP)



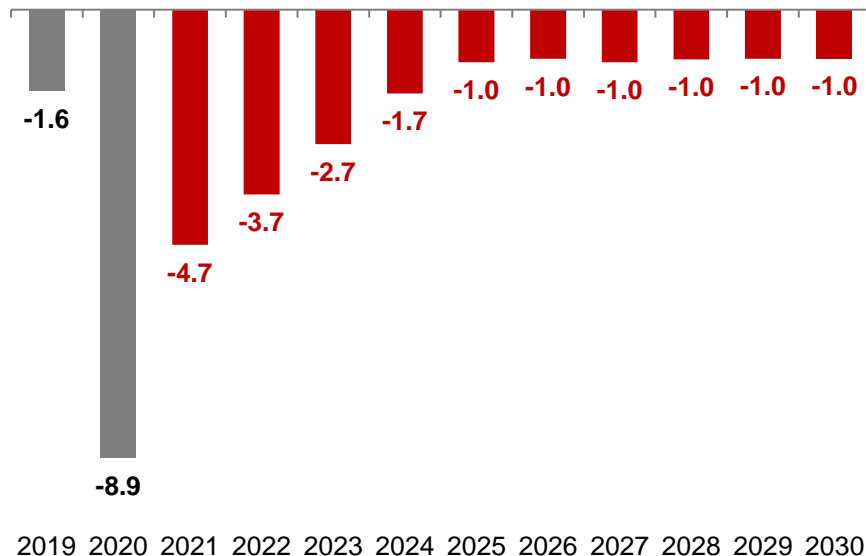
Public debt

(% of GDP)

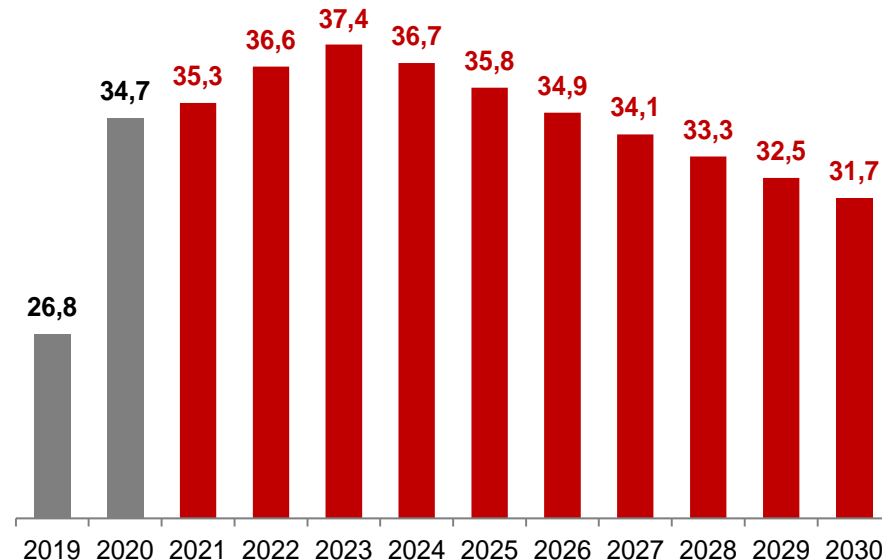


Medium-term fiscal strategy: execute a gradual and orderly withdrawal of fiscal impulse that strengthens the fiscal accounts without generating imbalances in the economy

Overall balance
(% of GDP)

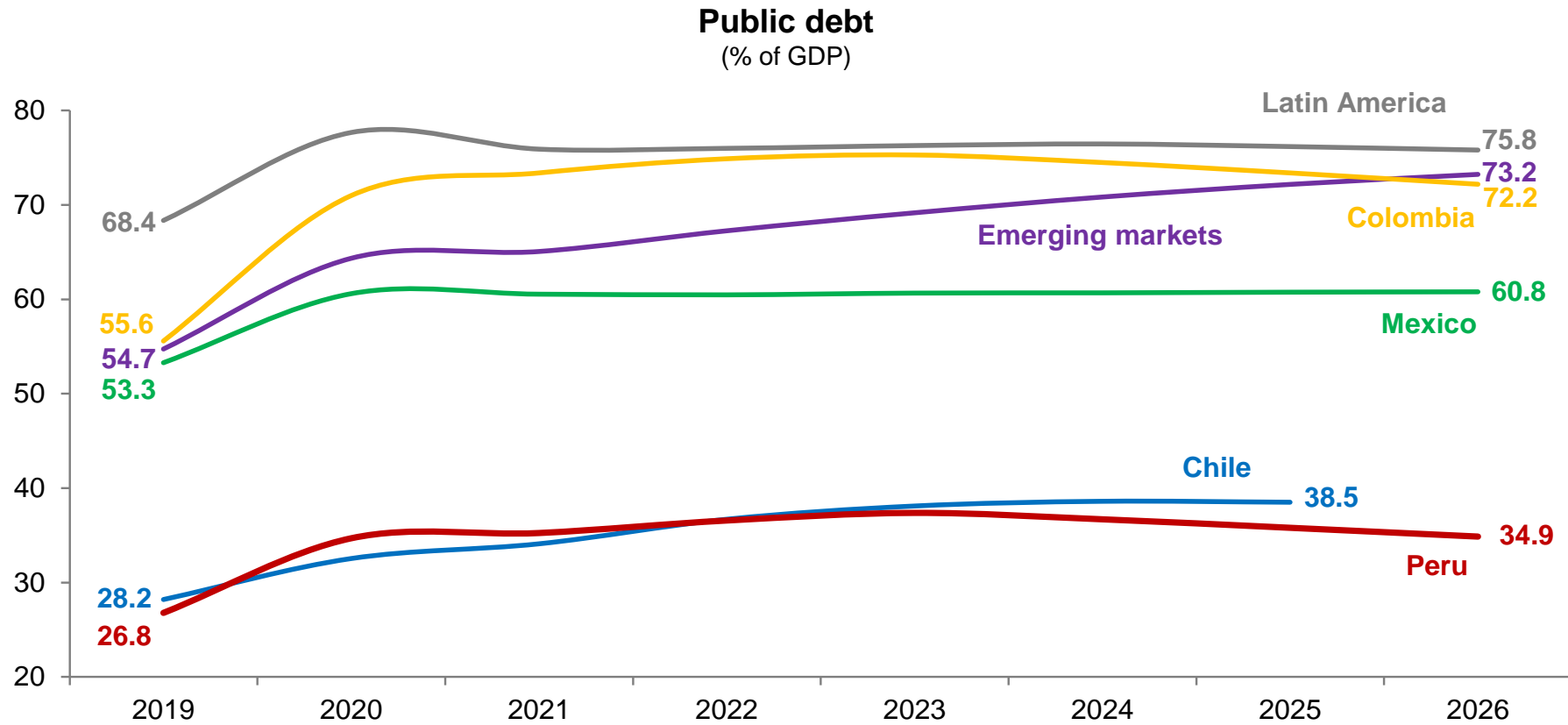


Public debt
(% of GDP)



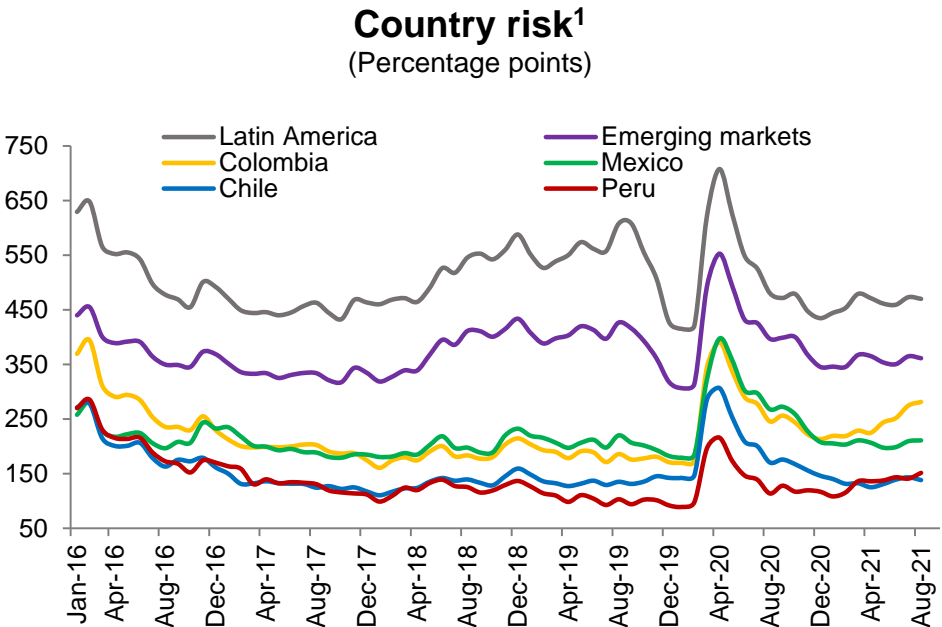
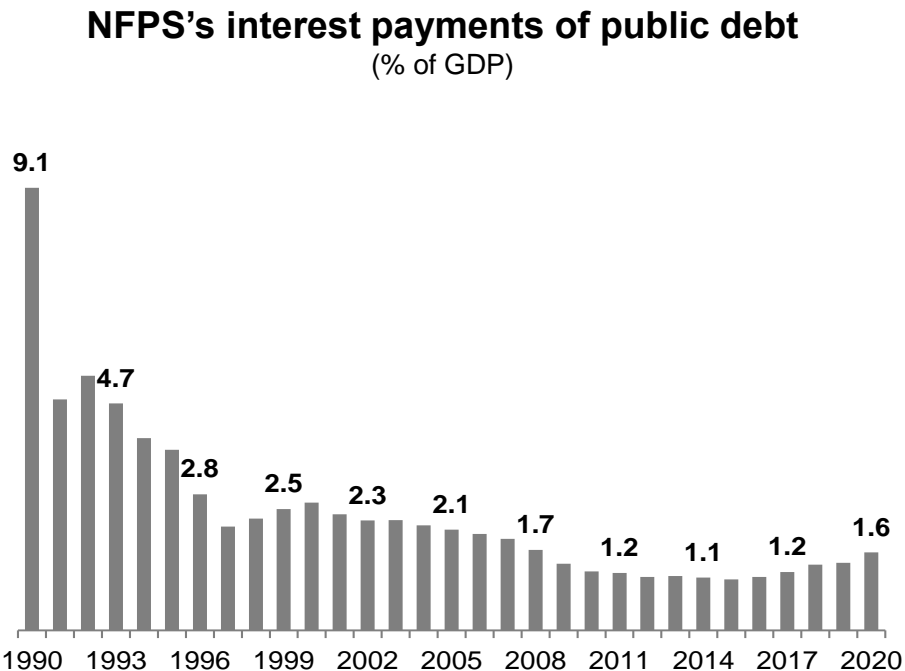
- For 2022, the fiscal rules for the overall balance (fiscal deficit no greater than 3.7% of GDP) and public debt (no greater than 38% of GDP) were established through Emergency Decree No. 079-2021.
- For the following years, the fiscal rules will be regulated by a Law.

Peru will maintain sound fiscal accounts: the country's public debt will continue to be one of the lowest in the emerging markets



Source: IMF, BCRP, MEF forecasts.

A favorable credit rating allows the Government and private companies to access financing at low interest rates to promote investments that boost the economic growth and citizens' well-being

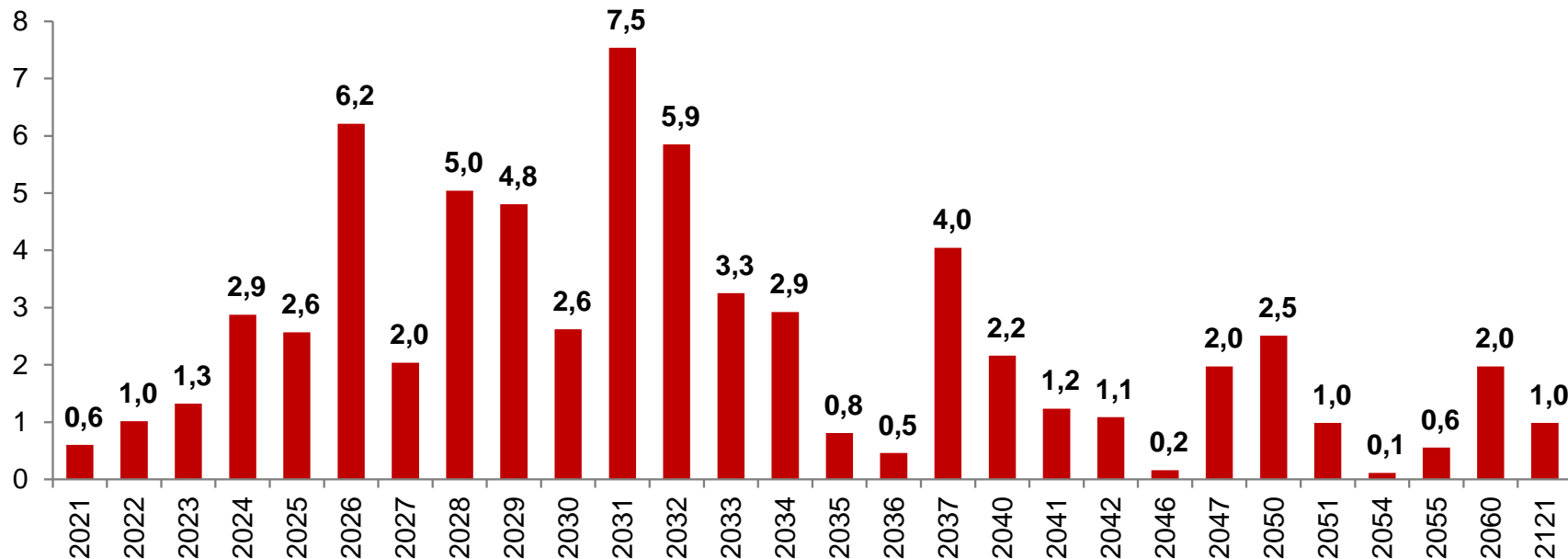


Lower levels of country risk allow the Government to obtain competitive interest rates in the capital markets. This reduces interest payments, providing space for productive public spending.

^{1/} Measured through the EMBI+, which is one of the main country risk indicators and is calculated by JP Morgan. It corresponds to the difference in the interest rate paid by the bonds denominated in dollars, issued by the emerging country and the Treasury Bonds of the United States.
Source: Bloomberg, BCRP.

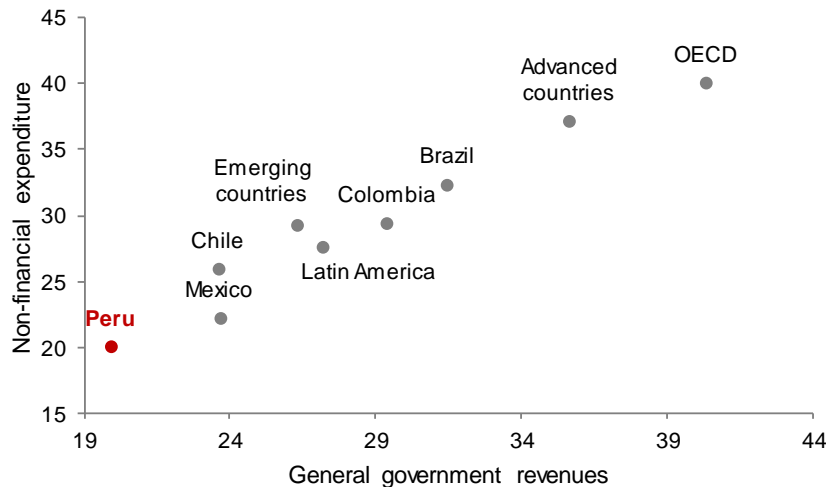
Amortization payments on public debt are concentrated in the medium and long term

Amortization payments on public debt
(USD billion)





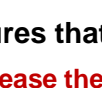


There is scope of action to increase permanent revenues given the low levels of collection compared to other countries in the region and the OECD, and the high levels of non-compliance

Latin America and OECD: relationship between revenues and non-financial expenditure of the general government¹ (% of GDP)



Tax non-compliance by country (VAT and third category CIT non-compliance^{2,3} - % of potential collection)

| | VAT | CIT |
|--|-------------|-------------|
|  Peru (2020) | 38.1 | 49.5 |
|  Peru (2014) | 29.0 | 44.1 |
|  Chile (2017) | 20.0 | 31.0 |
|  Mexico (2016) | 16.4 | 19.2 |
|  Colombia (2015) | 20.1 | 34.4 |

For this reason, it will seek to work on administration and tax policy measures that cover the following aspects:

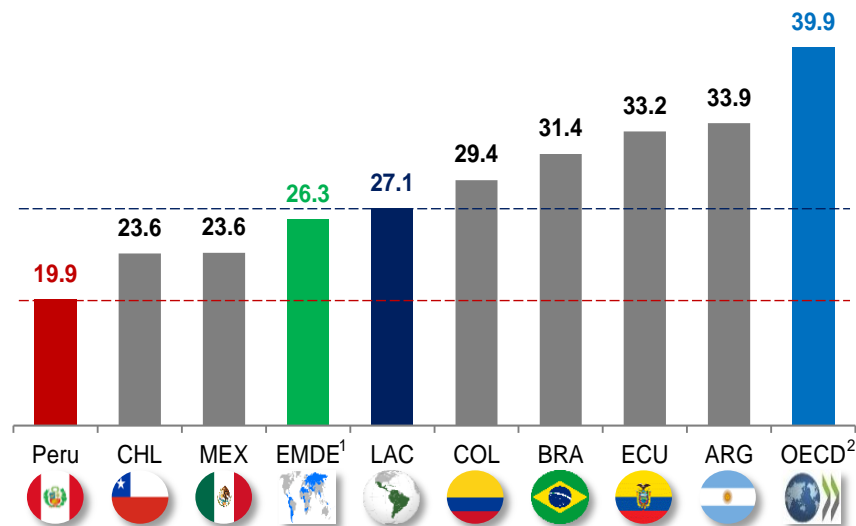
- **Raise the progressivity of the tax system**
- **Simplification and harmonization of the tax system**
- **Improvement of consumption taxes**
- **Increase the efficiency of tax exemptions**
- **Reduce high levels of tax evasion:** cost of 8% of GDP.
- **Reduce informality:** more than 70% of the EAP.

OECD: Organization for Economic Cooperation and Development.

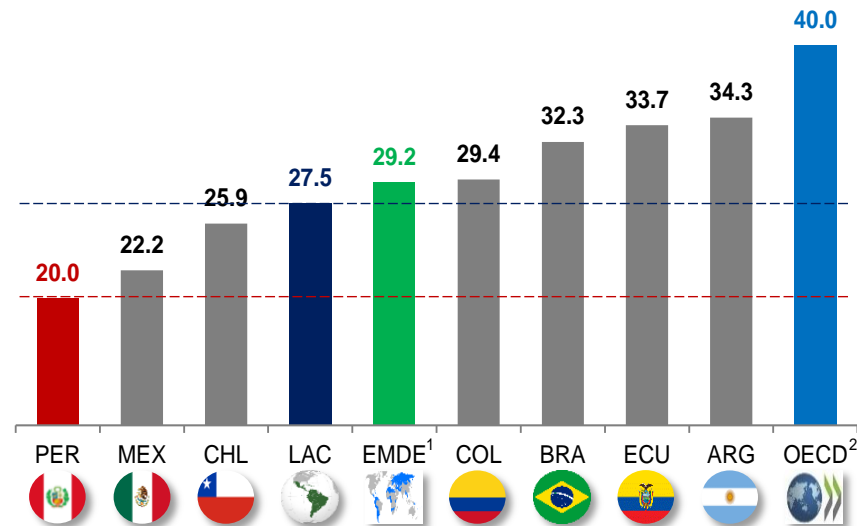
1/ Information for the year 2019. 2/ Tax non-compliance is calculated as the difference between taxes that government could collect (potential collection) and what it collects. 3/ For Peru it corresponds to the ratio between the estimated non-compliance and the potential determined tax, net of the effect of tax expenditures, while for the rest of the countries it refers to corporate income tax non-compliance. In the case of Colombia, Chile and Peru, corporate income tax non-compliance corresponds to 2012, 2009 and 2019, respectively. Source: BCRP, Cepal, Ministry of Economy and Tax Administrations of the countries, OECD, Sunat, MEF.

In the medium term, one of the objectives of fiscal policy will be to draw closer tax collection levels to the one of regional peers in order to reduce existing gaps in public services

General government revenue, 2019
(% of GDP)



General government non-financial expenditure, 2019
(% of GDP)



1/ Emerging markets and developing economies.

2/ Represents the non-weighted average of 37 OECD member countries.

Source: OECD, WEO-IMF, BCRP.

Sound fiscal accounts support a favorable credit rating: Peru has the second-best credit rating among LAC countries

S&P Global
Ratings

MOODY'S

FitchRatings












| | Average rating | | Country | |
|-------------------|----------------|--|---|--|
| | | | | |
| Investment grade | AAA | | | |
| | AA+ | | | |
| | AA | | | |
| | AA- | | | |
| | A+ | | | |
| | A | |  Chile | |
| | A- | | | |
| | BBB+ | |  Peru | |
| | BBB | |  Mexico |  Uruguay |
| | BBB- | | | |
| Speculative grade | BB+ | |  Colombia |  Paraguay |
| | BB | | | |
| | BB- | |  Brazil | |
| | B+ | | | |
| | B | |  Bolivia | |
| | B- | |  Ecuador | |
| | CCC+ | | | |
| | CCC | |  Argentina | |
| | CCC- | | | |
| | CC | | | |
| | C | | | |
| | SD | |  Venezuela | |

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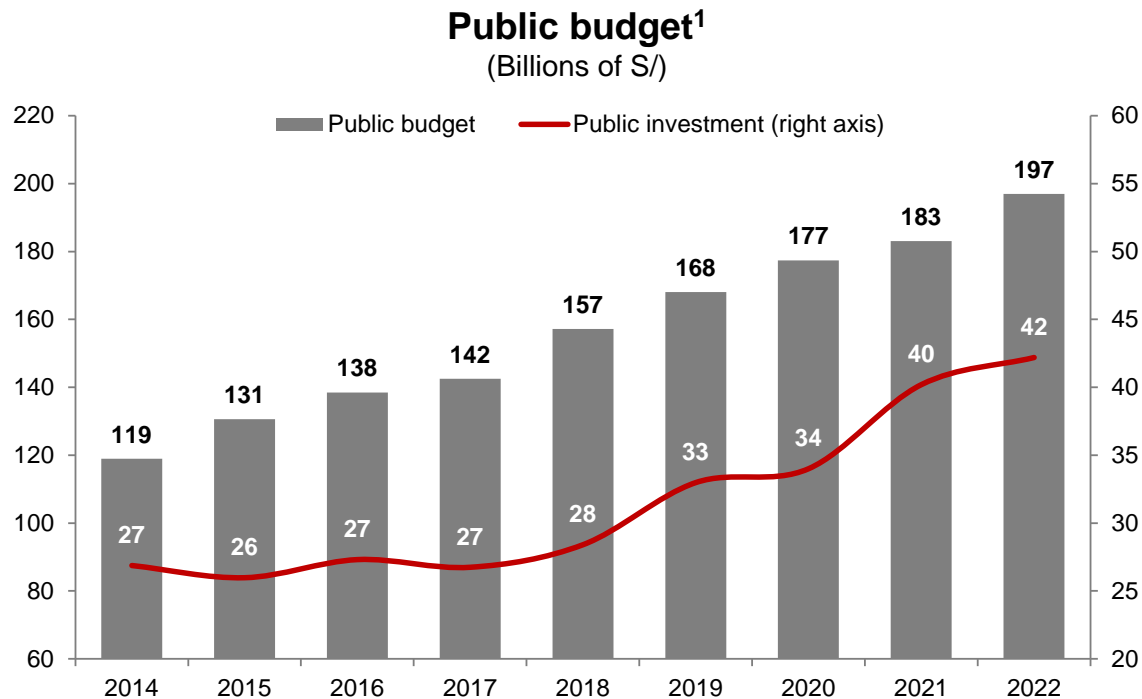
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The 2022 budget is consistent with a 3.7% fiscal deficit



- In 2022, public budget amounts to S/ 197 billion (USD 50 billion).
- The public budget is consistent with a fiscal deficit of 3.7% of GDP, allowing an expansion of public investment.

The 2022 budget allows the financing of 5 priorities



1

**Health and
Sanitary Emergency
attention**



2

Education



3

**Strengthening
agricultural
competitiveness**



4

Social Protection

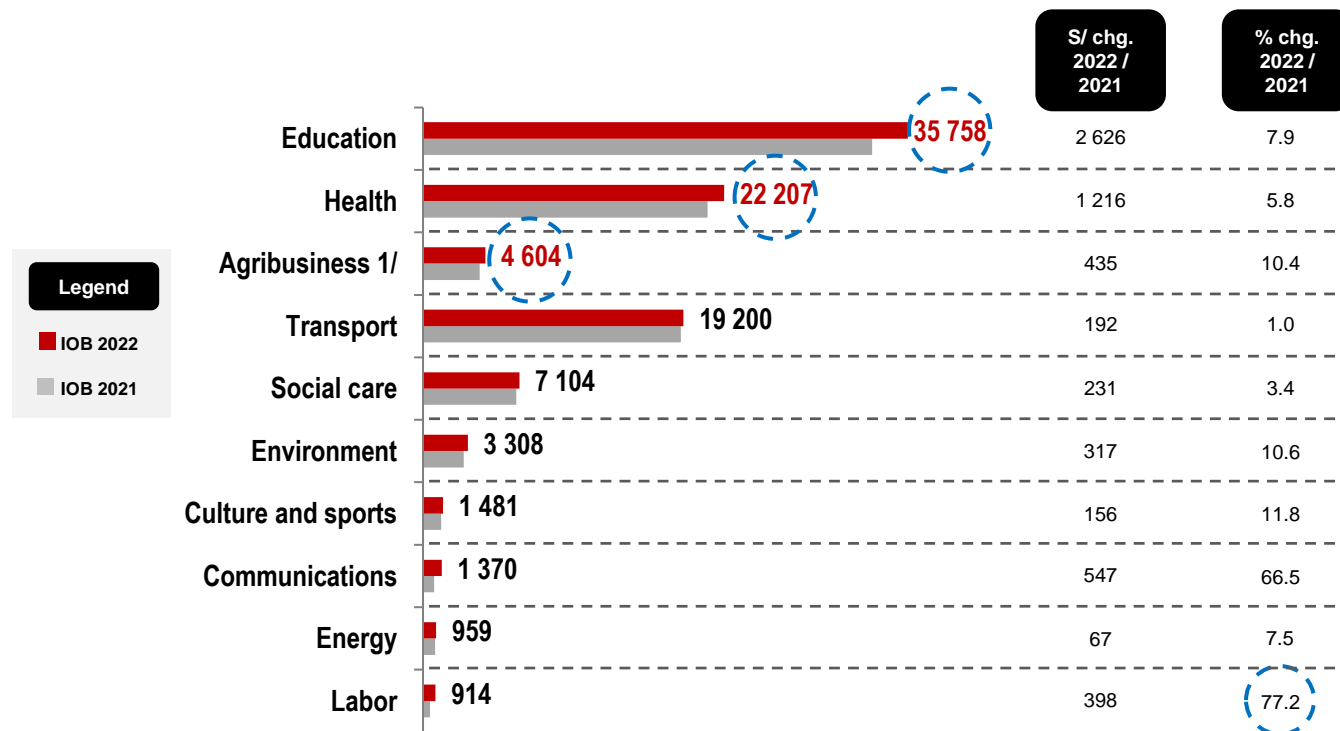


5

**Promotion of
employment and
productivity**

2022 Public Budget focuses mainly in the functions of Education and Health

Public Budget distribution for 2022, by main functions
(PEN Million)



1/ Agribusiness function does not include the resources of FONDES programmed in the ARCC (Reconstruction Authority) executive unit.
Source: Budget Project Law for 2022.

Composition of 2022 Indebtedness Project Law

Maximum amounts of public indebtedness for 2022

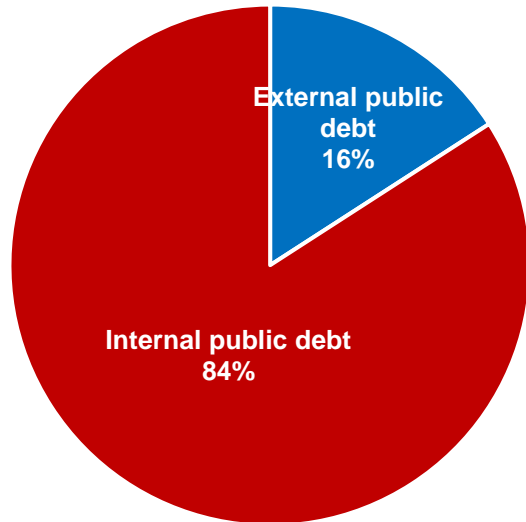
(USD million and PEN Million)

| Item | External public debt | Internal public debt | |
|-----------------------------|----------------------|----------------------|---------------------------|
| | USD million | PEN million | Equivalent in USD million |
| Economic and social sectors | 1 200 | 15 000 | 3 722 |
| Public debt service | 445 | 19 708 | 4 890 |
| Others ¹ | | 409 | 101 |
| Total | 1 645 | 35 116 | 8 714 |

- This law approves the issuance of sovereign bonds up to PEN 30.6 billion (around USD 7.6 billion) for the payment of debt service and the financing of projects in many sectors.
- Additionally, approves debt management operations up to USD 6 billion (in the framework of the Asset and Liability Management Strategy).
- Also, this law authorizes the implementation of an ETF (according to the program “Issuer-Driven ETF” with the World Bank).

Composition of 2022 Indebtedness Project Law

2022 public indebtedness
(% of total)



2022 public indebtedness by item
(% of total)

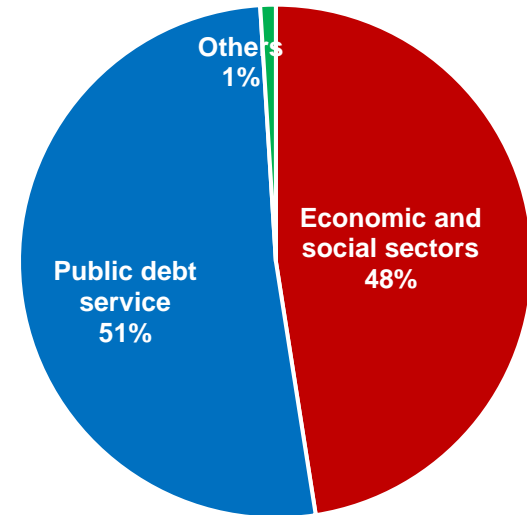


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I | COVID Status

II | Public Finance Status

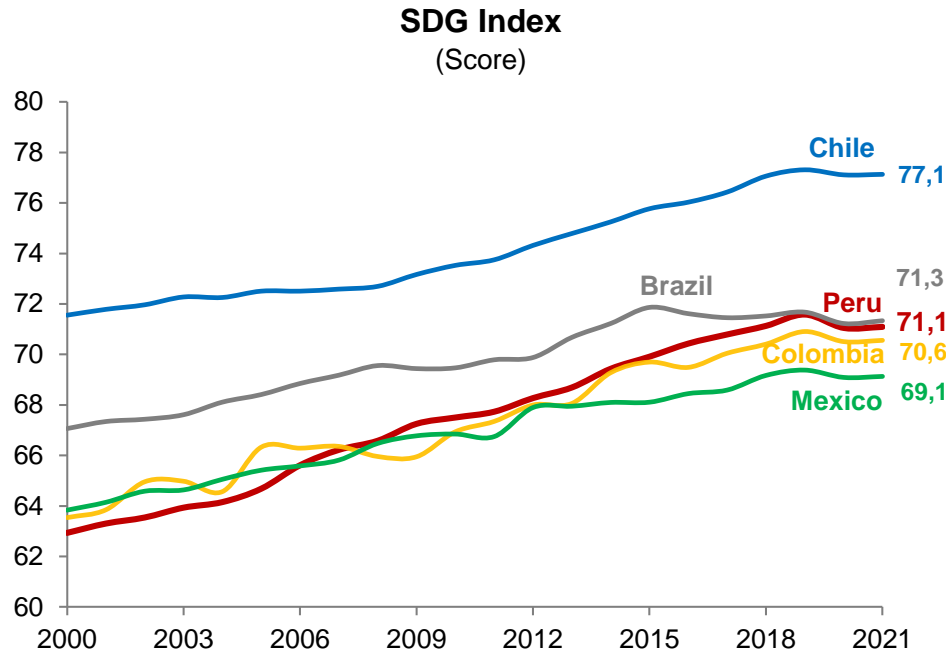
III | Public and Private Investments

IV | Fiscal Strategy

V | Budget, Indebtedness and Finance Balance

VI | ESG Framework

The Republic of Peru has made significant progress in relation to the Sustainable Development Goals (SDG)



SDG Index - LAC 2021
(Score)

| Ranking | Country | Score |
|---------|---------------------|-------|
| 1 | Chile | 77.1 |
| 2 | Uruguay | 74.5 |
| 3 | Cuba | 73.7 |
| 4 | Costa Rica | 73.6 |
| 5 | Argentina | 72.8 |
| 6 | Ecuador | 72.5 |
| 7 | Brazil | 71.3 |
| 8 | Peru | 71.1 |
| 9 | Dominican Republic | 70.8 |
| 10 | Colombia | 70.6 |
| 11 | México | 69.1 |
| 12 | Jamaica | 69.0 |
| 13 | Barbados | 68.4 |
| 14 | Panama | 68.0 |
| 15 | El Salvador | 67.9 |
| 16 | Bolivia | 67.6 |
| 17 | Suriname | 67.0 |
| 18 | Paraguay | 66.9 |
| 19 | Nicaragua | 66.3 |
| 20 | Belize | 64.4 |
| 21 | Trinidad and Tobago | 63.5 |
| 22 | Honduras | 62.8 |
| 23 | Guatemala | 59.9 |
| 24 | Venezuela, RB | 59.3 |
| 25 | Guyana | 57.9 |
| 26 | Haiti | 51.4 |

LAC Average:
68.5



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Peru Sustainable Bond Framework

As member of the United Nations, Peru has a comprehensive vision of development that aims to achieve the SDGs



International Environmental Commitments

- Paris Agreement
- Aarhus Convention
- Minamata Market Convention
- Agreement on Environmental Cooperation (Perú-Chile)
- Marrakesh Agreement

Public Policies

- National Development and Social Inclusion Policy
- National Gender Equality Policy
- National Policy on Older Adults
- National Environmental Policy
- National Environmental Education Policy
- National Financial Inclusion Policy -PNIF.
- National Competitiveness and Productivity Policy

Eligible Social Categories

Support for vulnerable groups and people in vulnerable situations

Access to affordable housing, education and essential health services

Support for MSMEs and social programs to alleviate and/or prevent unemployment

Eligible Green Categories

Green buildings

Renewable Energy

Energy efficiency

Low carbon transport

Sustainable Agriculture

Efficient and resilient water and wastewater management

Sustainable management of natural resources, land use and marine protected areas

Sustainable waste management

Second Party Opinion

Sustainalytics is of the opinion that the Peru Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following

- Use of proceeds
- Project evaluation / selection
- Management of proceeds
- Reporting





Pedro Francke Ballvé
Minister of Economy and Finance

September 2021