



PERÚ

Ministerio
de Economía y Finanzas



PERÚ: MACROECONOMIC OVERVIEW

Carlos Oliva Neyra
Minister of Economy and Finance

February, 2019

EL PERÚ PRIMERO



Macroeconomic fundamentals



Economic performance and outlook

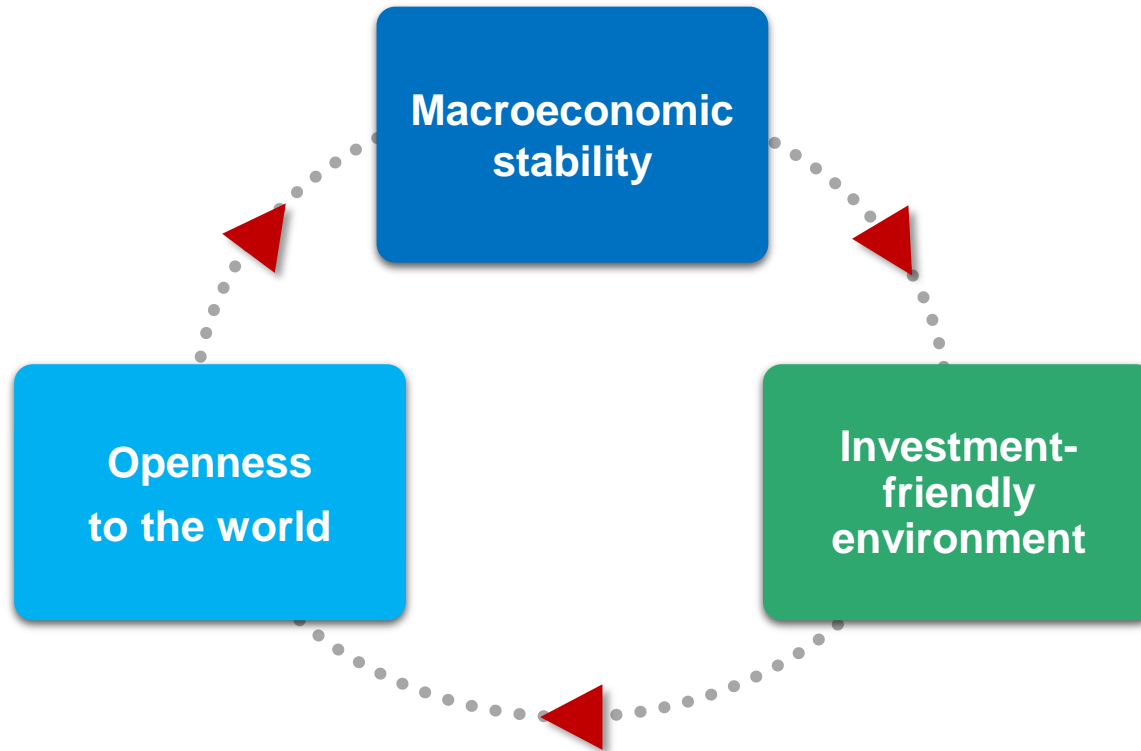


Debt management

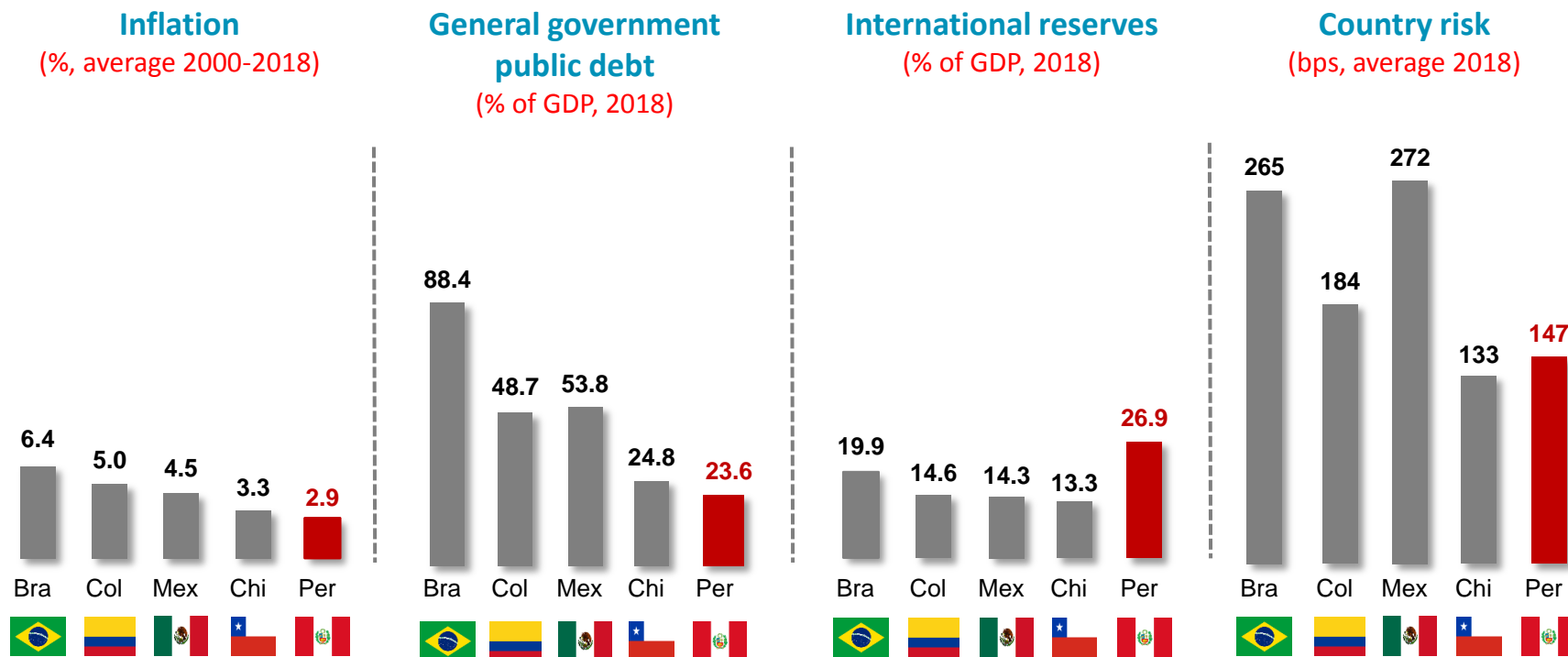


Macroeconomic fundamentals

Reasons to invest in Peru



Macroeconomic stability: healthy balances



Macroeconomic stability: strong economic institutions



- The macro-fiscal framework is based on rules that seek a predictable, responsible, and transparent management of public finances, following best practices in developed countries.



BANCO CENTRAL DE RESERVA
DEL PERÚ

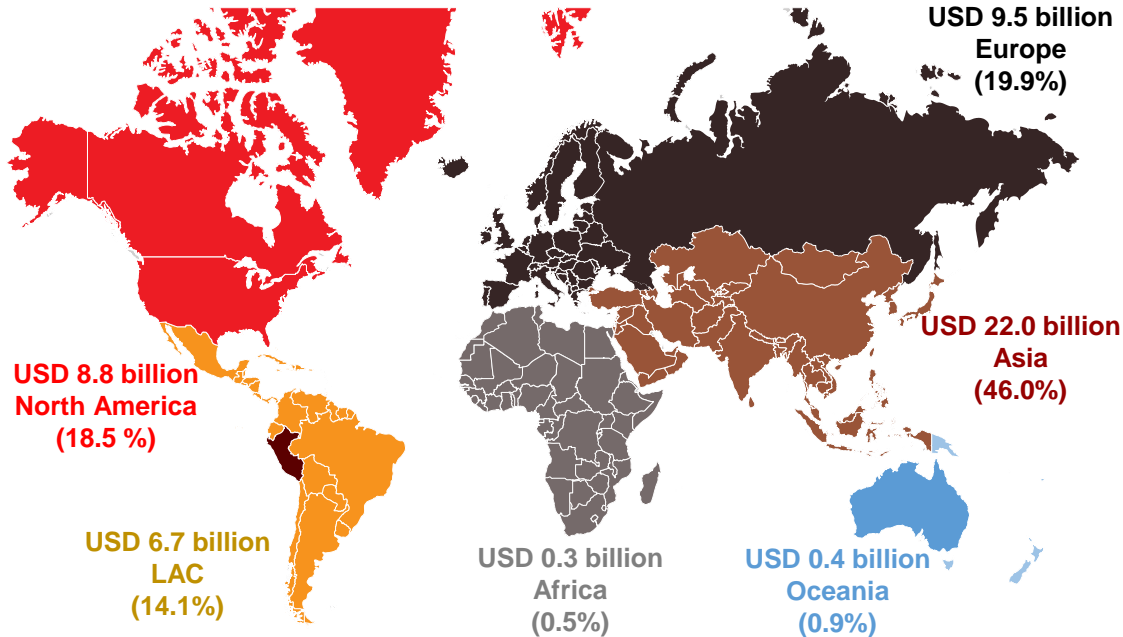
- Autonomous and independent central bank. Monetary policy is conducted under an inflation targeting regime with foreign exchange flexibility.

A market-oriented economy that promotes openness and a legislation that gives the same treatment to local and foreign investors

Openness to the world

Peru: total exports

(US\$ billion and % of exports to the world, 2018)



- Peru has implemented **Free Trade Agreements (FTA)** with 25 countries that represent 75% of the world GDP and 90% of total world trade.
- The **Pacific Alliance**, which includes Chile, Colombia, and Mexico, is a platform to promote investment and financial integration.
- Accession process to the **OECD** will enhance productivity and support continuity of critical structural reforms on institutions, informality, innovation, among others.

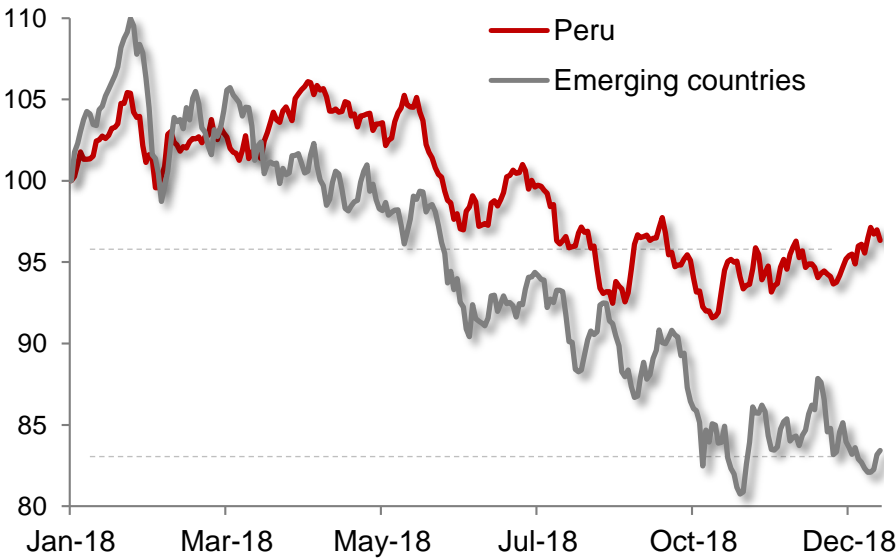


Economic performance and outlook

The Peruvian economy was resilient to the recent international turbulence

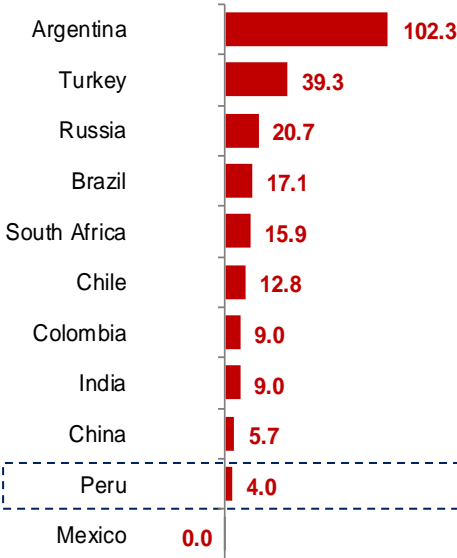
Stock markets indexes

(Jan-18 = 100)

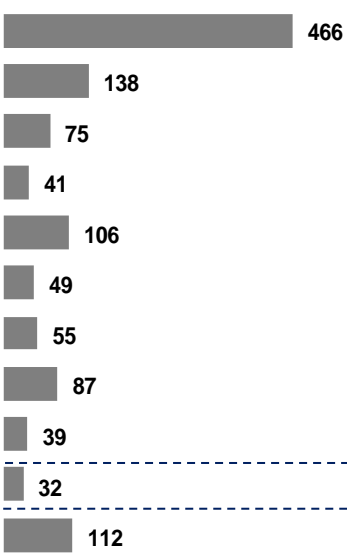


2018: financial indicators

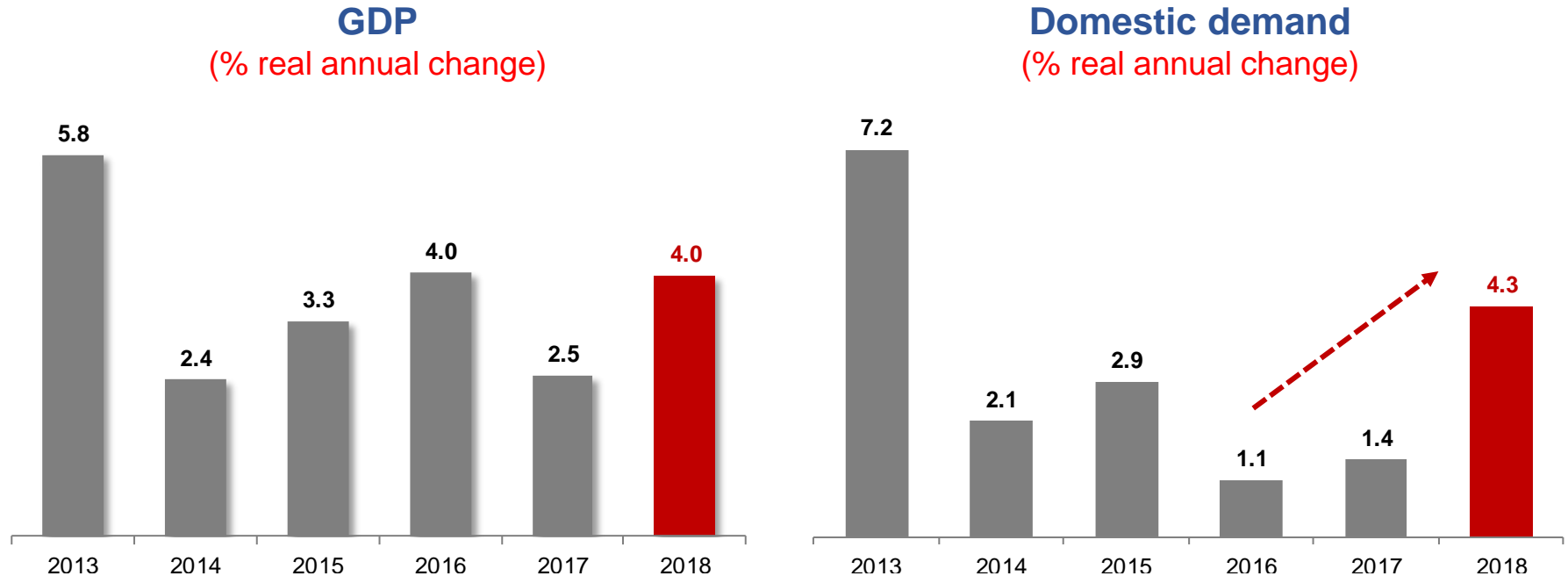
Exchange rate (% change, YTD)



Sovereign rate (pbs., YTD)

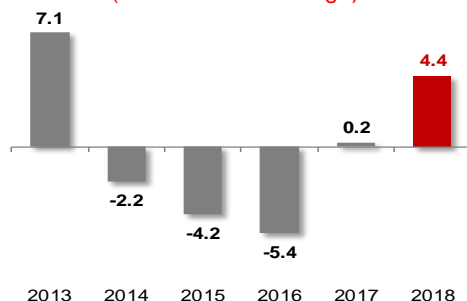


In this adverse context, Peru grew 4% in 2018 led by domestic demand



2018 was the year of the recovery of investment and fiscal consolidation

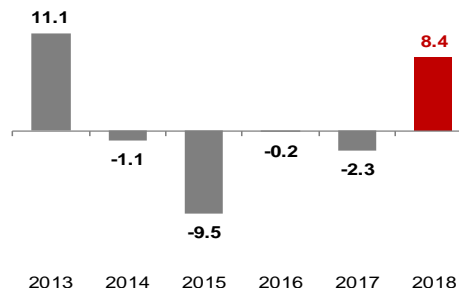
Private investment
(% real annual change)



High growth of private investment

The highest growth rate since 2013.

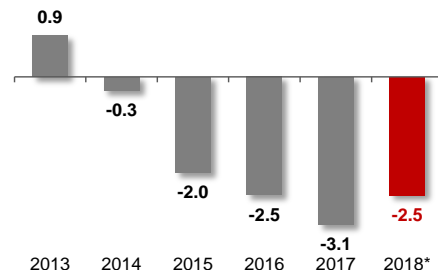
Public investment
(% real annual change)



Boost of public investment

First positive growth rate after four years of consecutive drops.

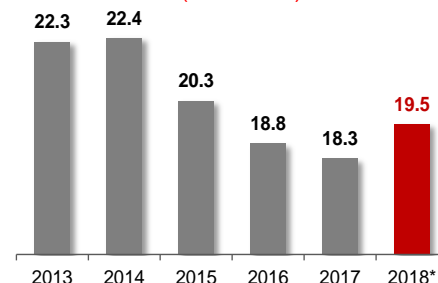
Overall fiscal balance
(% of GDP)



Reduction of fiscal deficit

In compliance with fiscal rules.

General government revenue
(% of GDP)








Recovery of fiscal revenues

The highest growth rate since 2015.

The responsible fiscal management is reflected in our credit rating

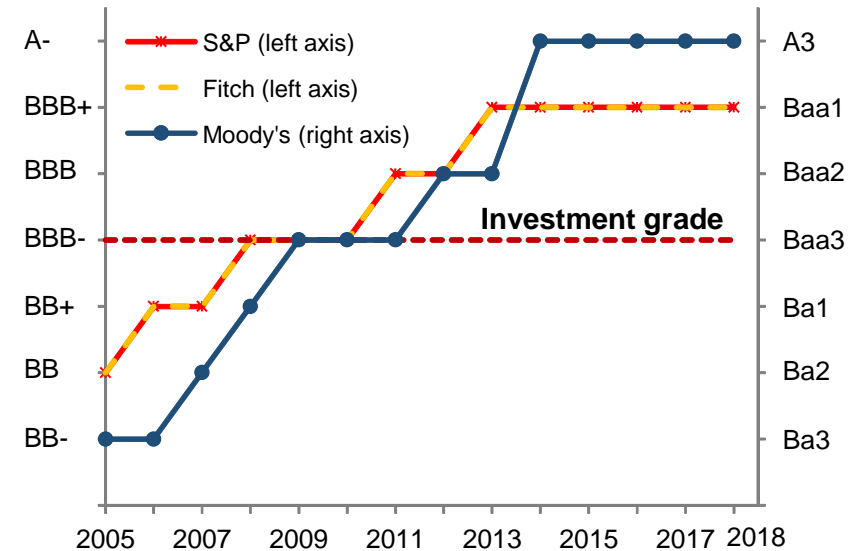
Latin America: credit ratings and outlook in the last 12 months

	S&P	Moody's	Fitch
 Peru	BBB+	A3	BBB+
 Chile	A+	A1	A
 Colombia	BBB-	Baa2	BBB
 Mexico	BBB+	A3	BBB+
 Brazil	BB-	Ba2	BB-

Stable outlook
 Negative outlook

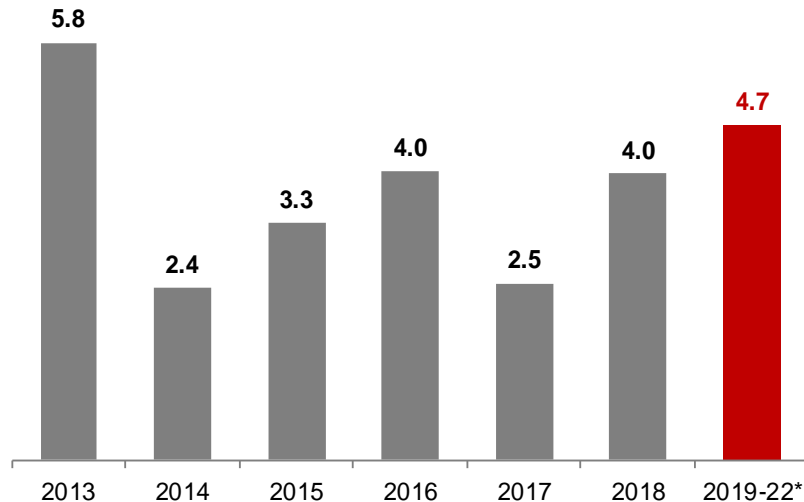
Stable outlook with downgrade in the last 12 months

Long-term sovereign rating in foreign currency

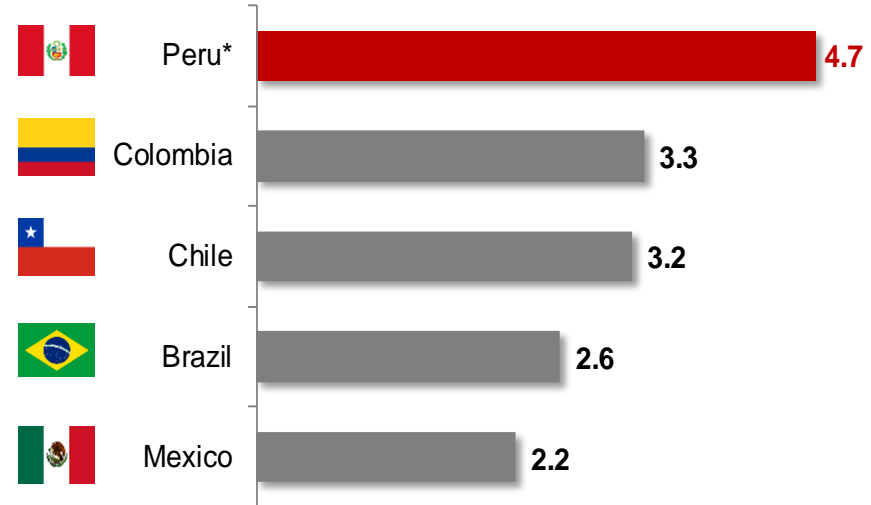


Outlook: Peru will continue to lead regional growth in the following years

Peru: GDP
(% real annual change)










Latin America: GDP¹ 2019-2022
(% real annual change)



1/ Consensus forecasts. (*) Forecasts published in the MMM 2019-2022 Report (the market forecast is 3.8% during the period 2019-2022).
Source: LatinFocus Consensus Forecast – February 2019, MEF estimations.

Private investment will support growth for the following years

Investment projects announced since June 2018 that will be in execution in 2019

	Project	Total investment (US\$ million)	Announcement date
	Total	13,956	
	Toromocho extension	1,355	June 2018
	San Martín General Port Terminal	249	June 2018
	Quellaveco	5,300	July 2018
	Mina Justa	1,600	September 2018
	Salaverry Port Terminal ¹	229	October 2018
	Modernization of the Jorge Chavez Airport	1,500	December 2018
	Lote 95	365	December 2018
	6 Regional wide bands ³	358	December 2018
	Chancay Port Terminal ⁴	3,000	January 2019

1/ Contract signing. 2/ Government announces land delivery to LAP in October 23, 2018. 3/ Wide band projects were awarded on December 2018. 4/ In January 2019, CSP acquired a 60% stake in the project, which was under construction with an initial investment of US \$ 372 million. With the entry of CSP, the project will be resized to mobilize container loading. Note: Michiquillay was awarded in February 2018 and will start the construction phase in 2022. 5/ It not includes 7 mining projects for US\$ 10 billion that start construction in 2018. Source: MEF, ProlInversión, APN.

Private investment will support growth for the following years

Important portfolio of projects



58 PPP projects for more than
US\$ 10 billion
will be awarded between 2019-2021.



41 mining projects for approx.
US\$ 49 billion⁵
will start the construction phase in
the next years.

1/ Contract signing. 2/ Government announces land delivery to LAP in October 23, 2018. 3/ Wide band projects were awarded on December 2018. 4/ In January 2019, CSP acquired a 60% stake in the project, which was under construction with an initial investment of US \$ 372 million. With the entry of CSP, the project will be resized to mobilize container loading. Note: Michiquillay was awarded in February 2018 and will start the construction phase in 2022. 5/ It not includes 7 mining projects for US\$ 10 billion that start construction in 2018. Source: MEF, ProInversión, APN.

A Competitiveness and Productivity Policy will underpin growth

Capital stock

OP1 Infrastructure



OP2 Financing



Human capital

OP3 Education and health



OP4 Labor market



Efficiency and institutions

OP5 Innovation



OP6 Business environment



OP7 Trade



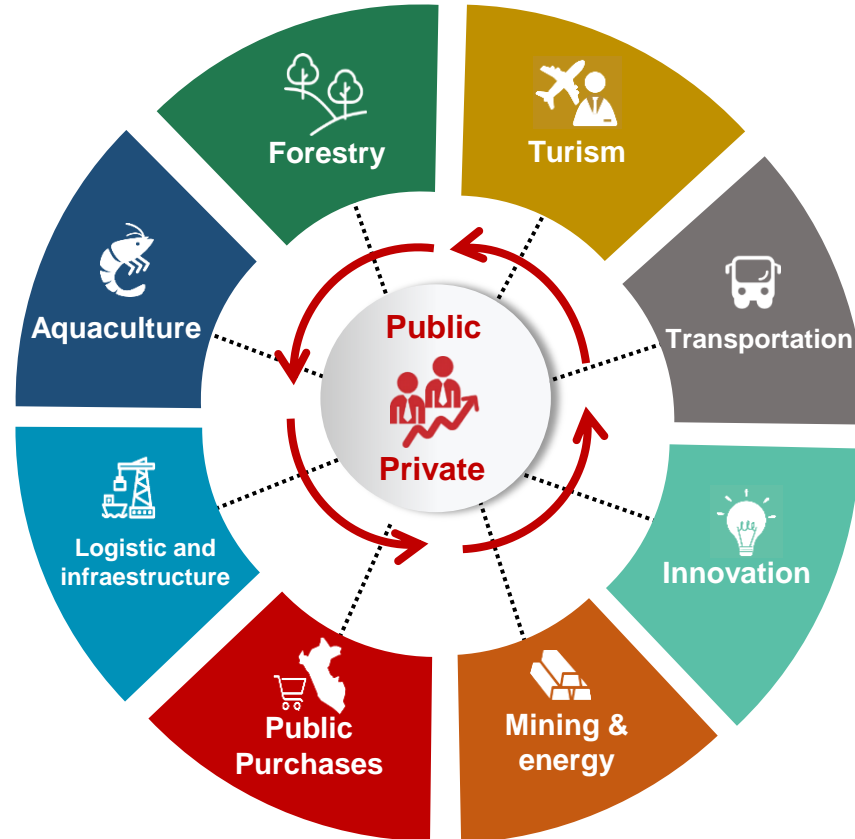
OP8 Institutions



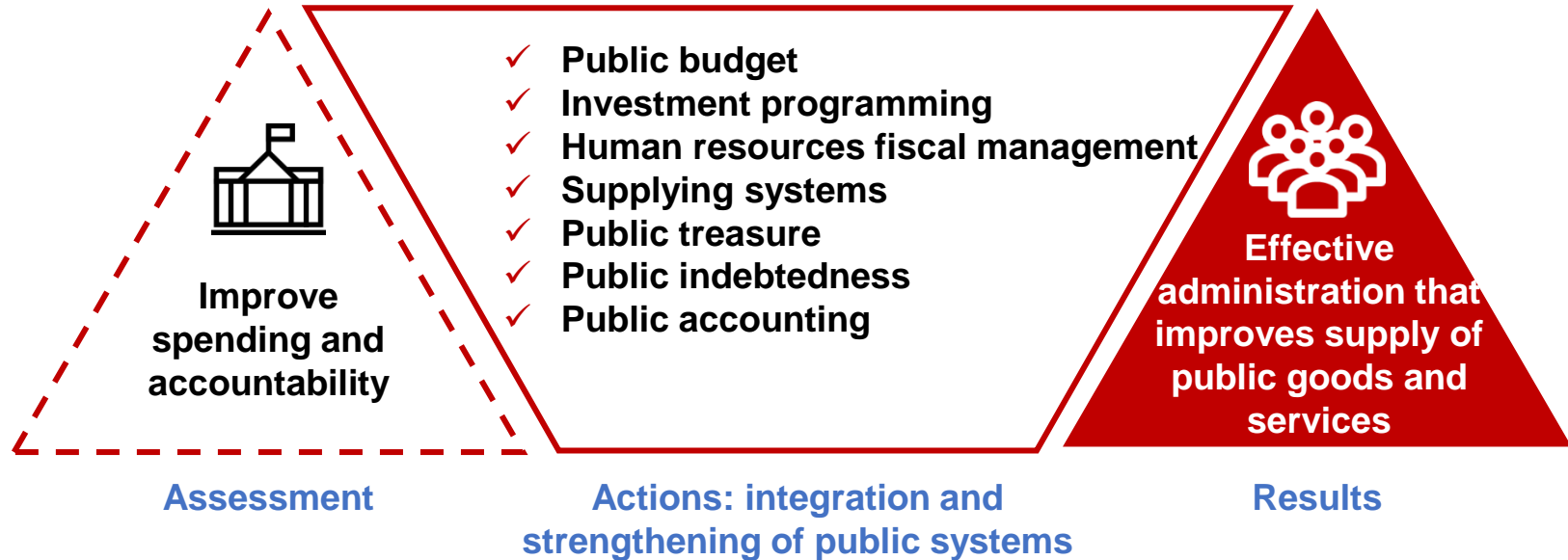
OP9 Environmental sustainability



Executive bureaus are important tools to promote product diversification

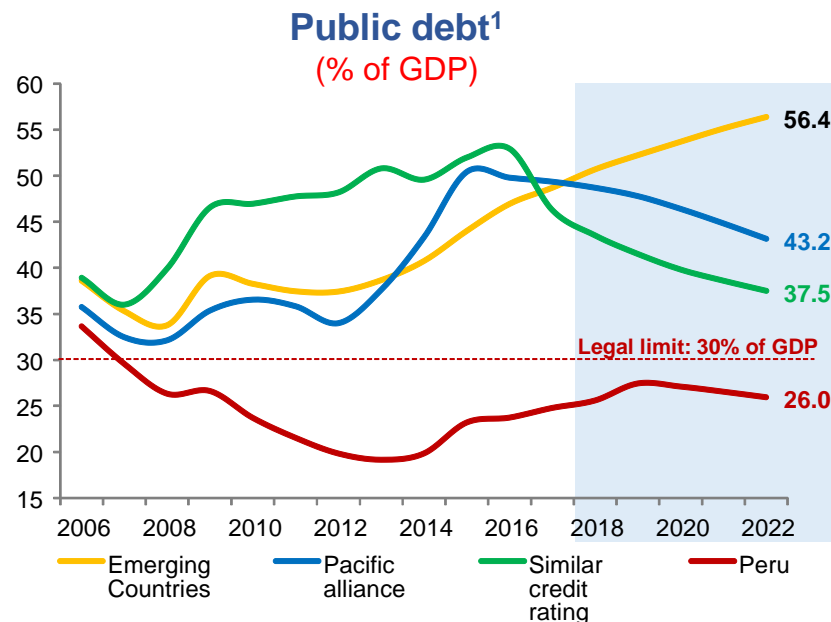
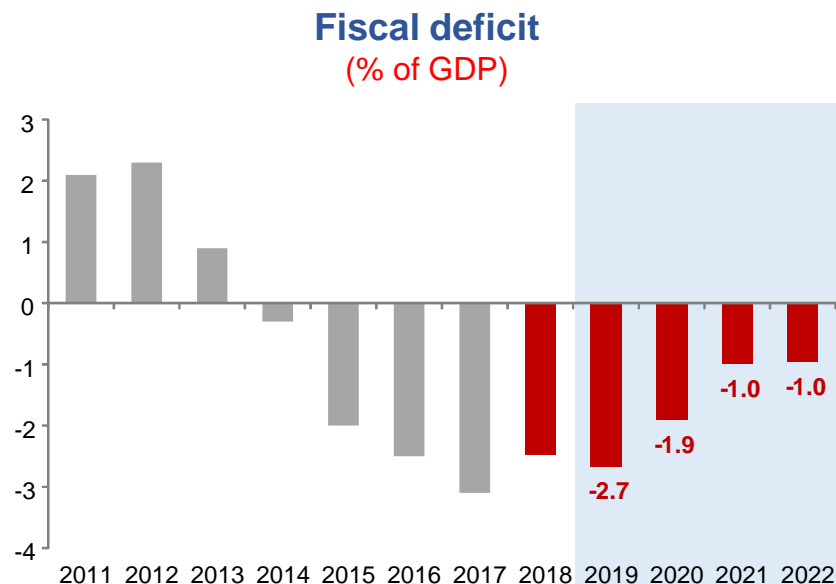


Modernization of administrative systems for improvement of expenditure



Adequate provision of public goods and services increases the population's welfare.

Fiscal discipline will be a key factor to guarantee sustained growth



- In 2018, the fiscal deficit reached 2.5% of GDP, below the fiscal rule (3.5% of GDP), mainly due to fiscal revenues.

Modernization of the tax system is key to achieve this objective

1

**Adapt to
international best
practices**



The transparency of the system reduces tax evasion and contributes to fighting against corruption and money laundering.

2

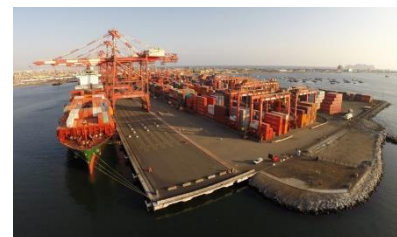
**Enhance digital
Transformation**



Reduces costs and improves oversight.

3

**Enable the
investment climate**



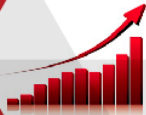
Greater predictability to the tax system.

Increase in fiscal revenues for better public services

The goals are to promote economic growth and increase citizens' welfare



Achieve **growth** rates of **5%** in the coming years



Underpin **potential growth**



Reduce **poverty**



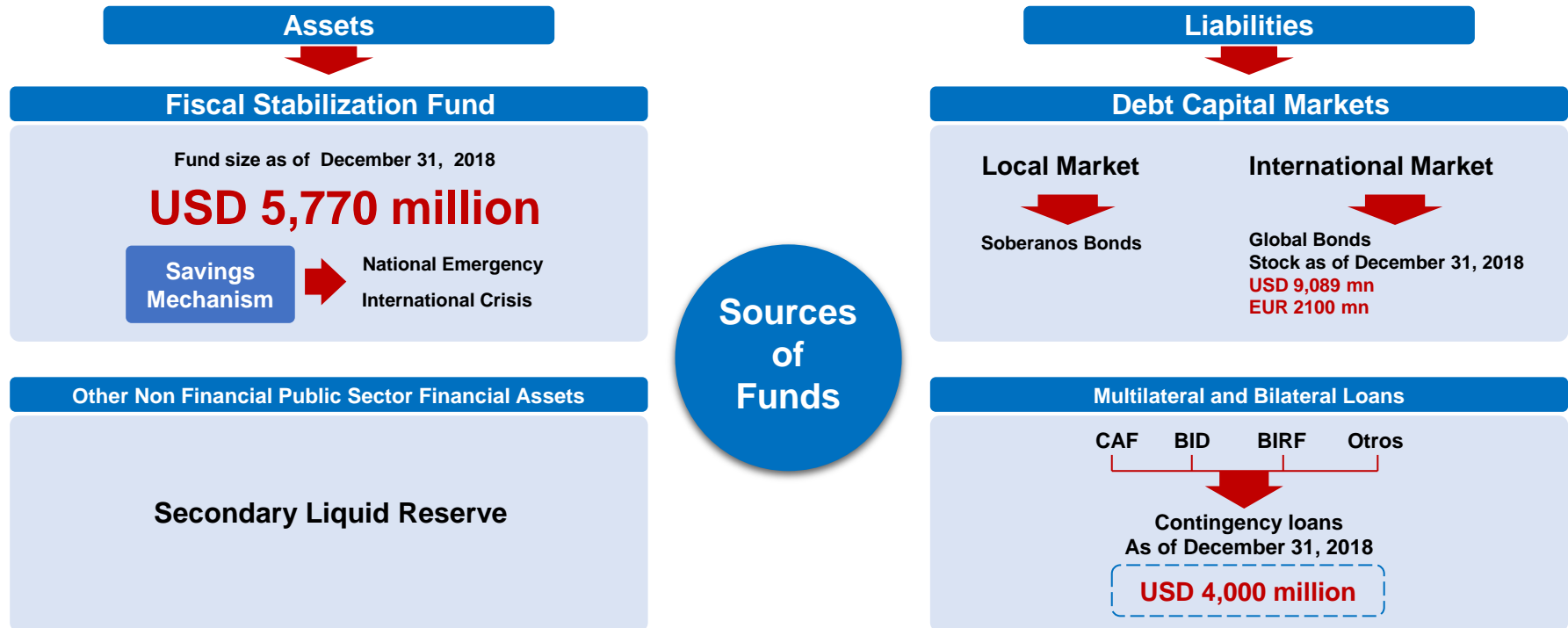
Improve country's **general welfare**



Debt management

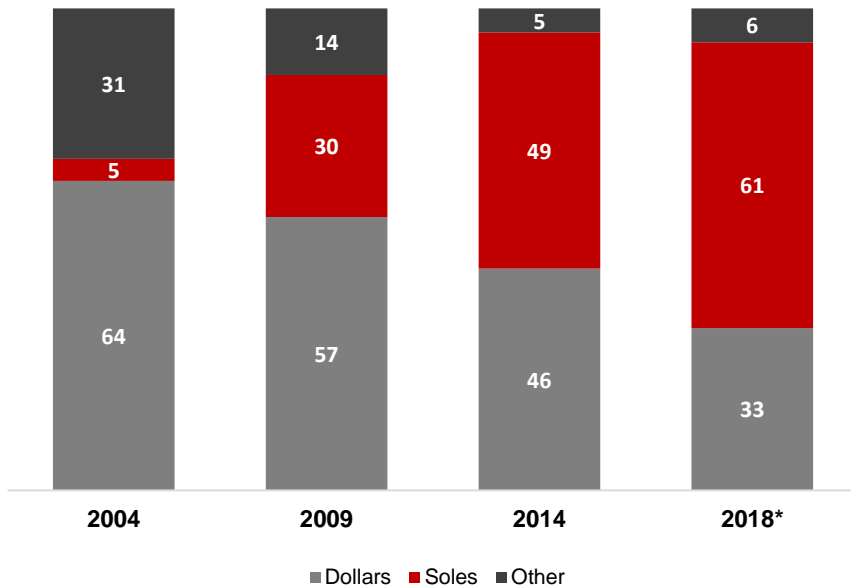
The sources of financing come from asset management and internal and external liabilities

Lines of defense to finance Economic Growth

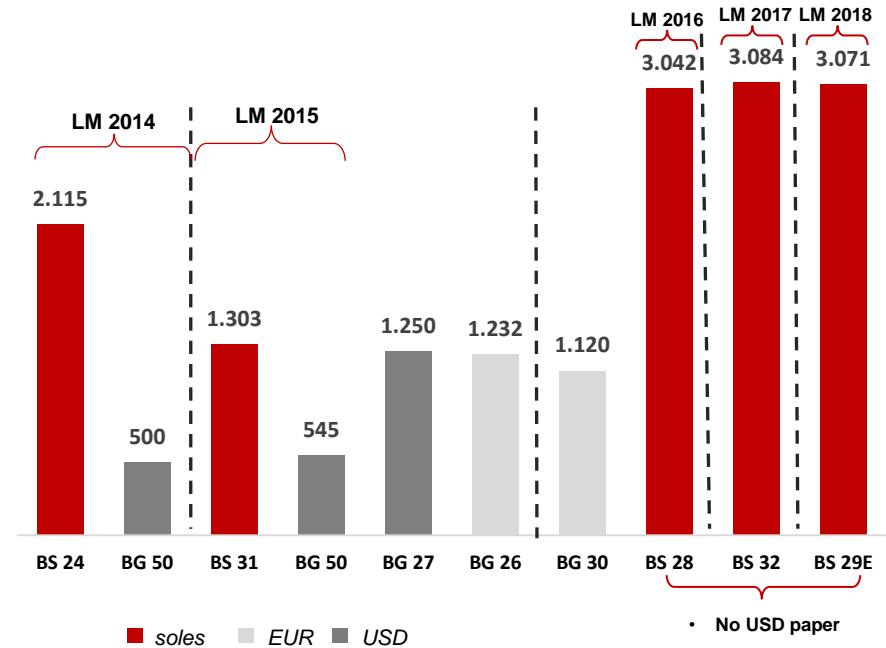


“solarize” Debt and develop local debt capital markets

Composition of Public Debt by Currency
(% of total debt)

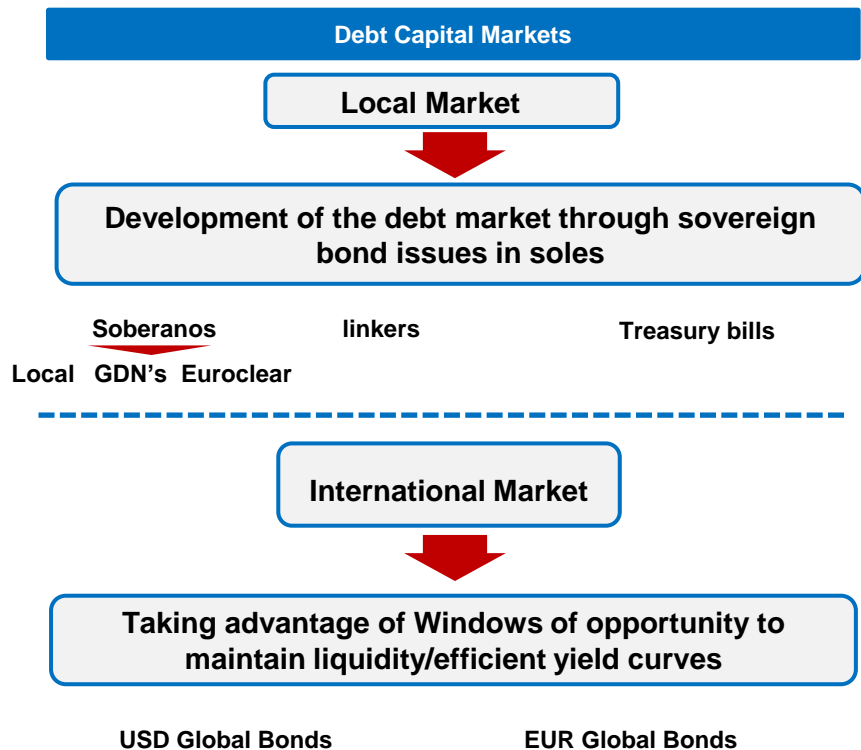


Liability Management (LM) 2014-2018
(Millions of dollars)

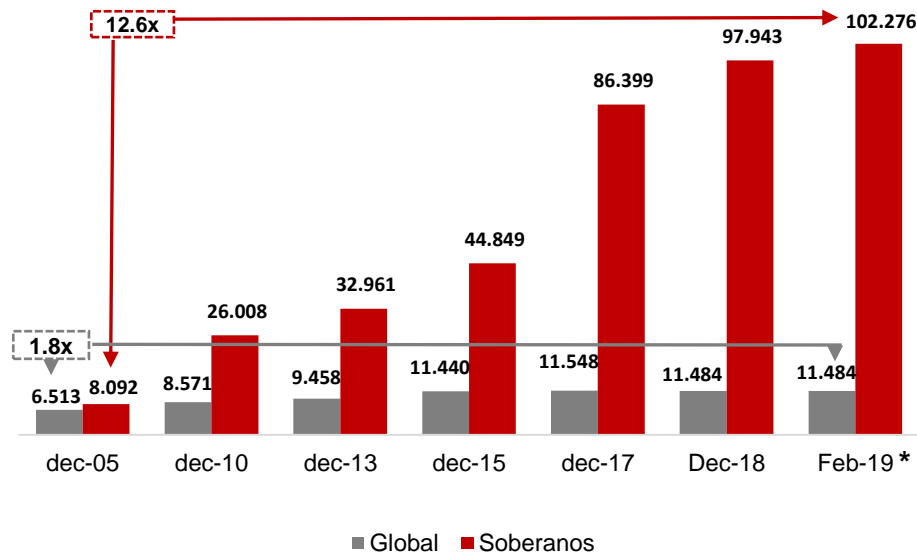


* December 2018

Peru has significantly increased its Soberanos debt stock by focusing on international format debt issuances (GDNs and Euroclear)

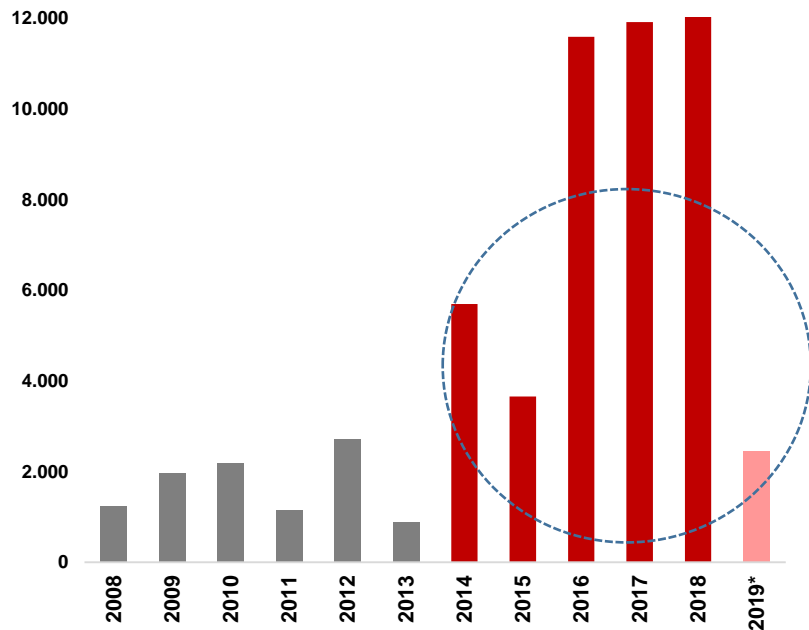


Since 2005, Peru has successfully increased its Soberanos (PEN) debt stock by 12.6x compared to a growth of 1.8x for its Global Bonds (USD and EUR) debt stock...



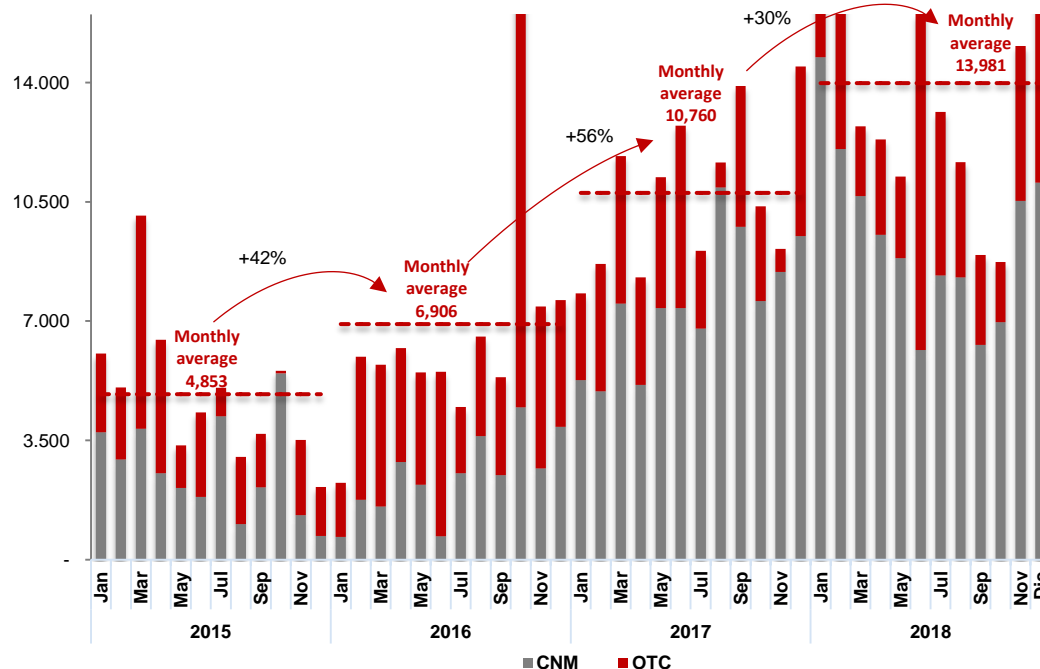
The solarization strategy has been successful in improving market Liquidity in primary and secondary markets

Primary Market Activity (PEN million)

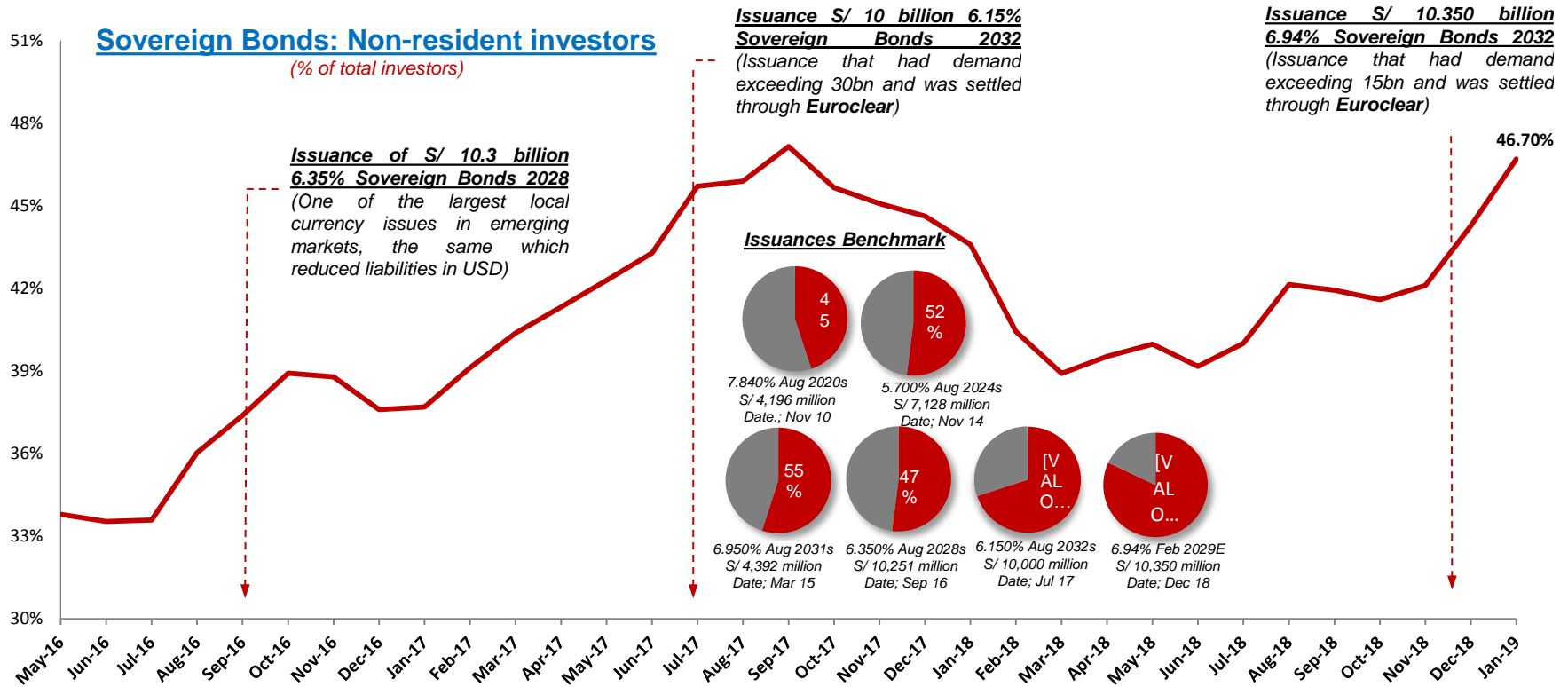


* Jan, 2019

Secondary Market Activity (PEN million)



Diversification of non- resident investor base for local bonds



However, while the Republic has focused on “Solarization”, it remains committed to both its USD and EUR curves

Windows of
opportunity in
USD and EUR



Diversify currencies looking for natural hedges



Provide better liquidity



Continue to grow the depth and breadth of its high quality investor base



Lower risk of funding by diversifying markets



Increase investor pool



PERÚ

Ministerio
de Economía y Finanzas



PERÚ: MACROECONOMIC OVERVIEW

Carlos Oliva Neyra
Minister of Economy and Finance

February, 2019

EL PERÚ PRIMERO