



PERÚ

Ministerio  
de Economía y Finanzas



# PERU

## Macroeconomic overview

Carlos Oliva Neyra. Minister of Economy and Finance

September 14<sup>th</sup>, 2018



“PERU: LEADING GROWTH ACROSS THE REGION”

EL PERÚ PRIMERO

# Content

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**1** Macroeconomic fundamentals

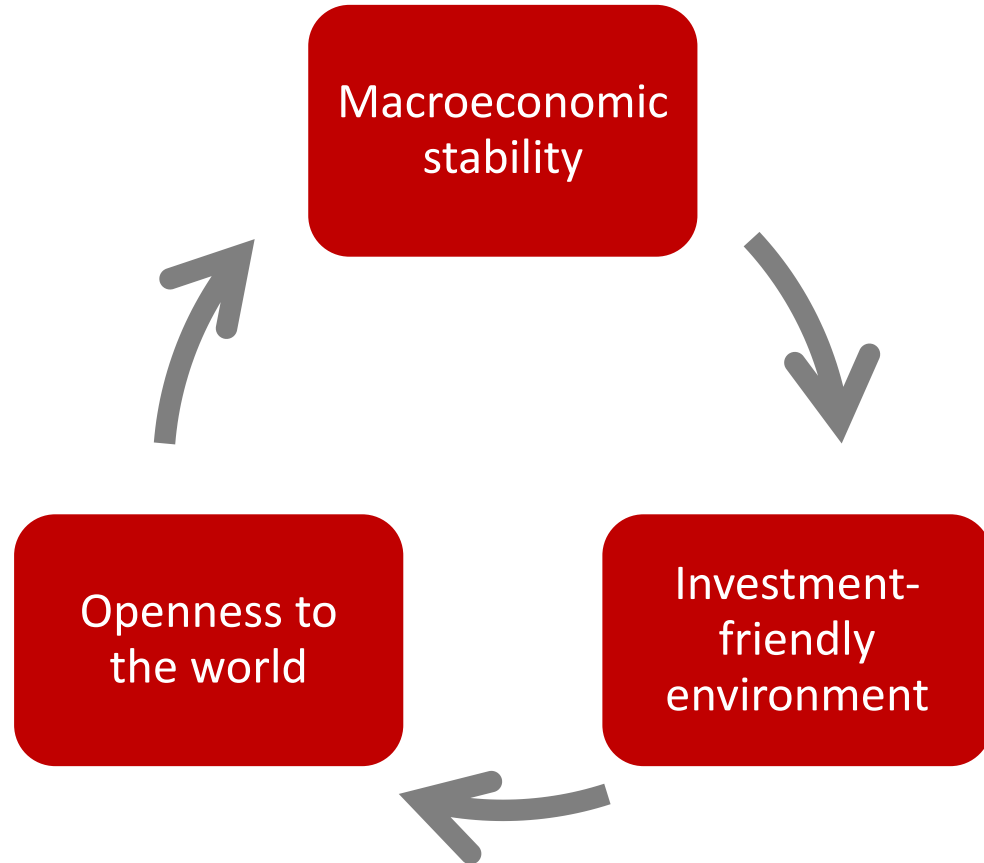
2 Current economic situation

3 Economic policy measures

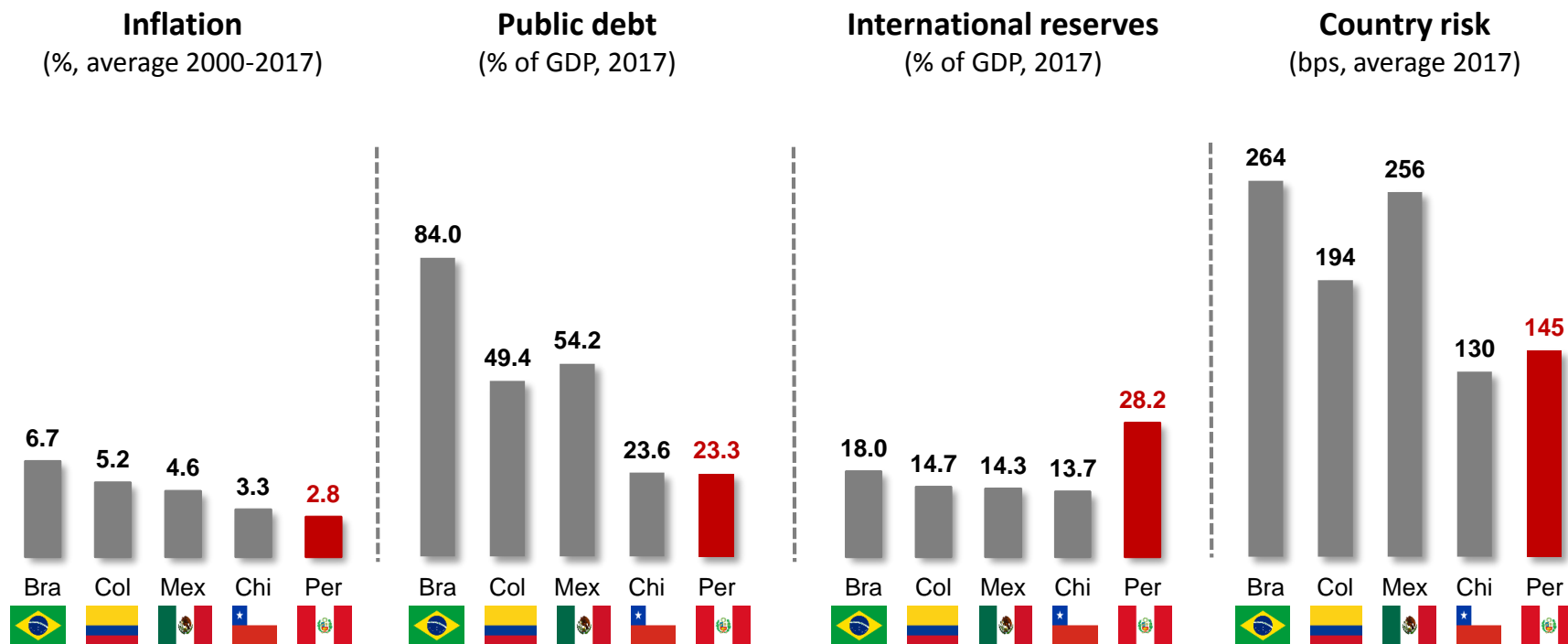
4 Debt management

# Three reasons why to invest in Peru

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# 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.



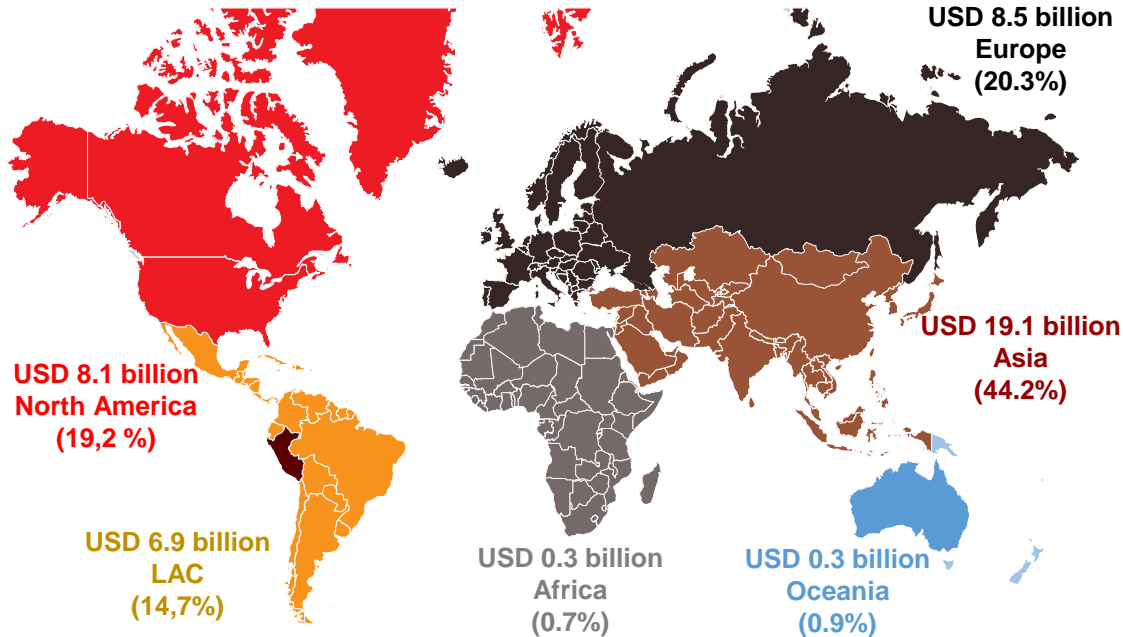
- Autonomous and independent central bank. Monetary policy is conducted under an inflation targeting scheme with foreign exchange flexibility.

**Under 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, 2017)



- Peru has implemented **Free Trade Agreements (FTA)** with 21 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 jointly promote investment and financial integration.
- Accession process to the **OECD** will support continuity of important structural reforms on institutions, informality, innovation, among others.

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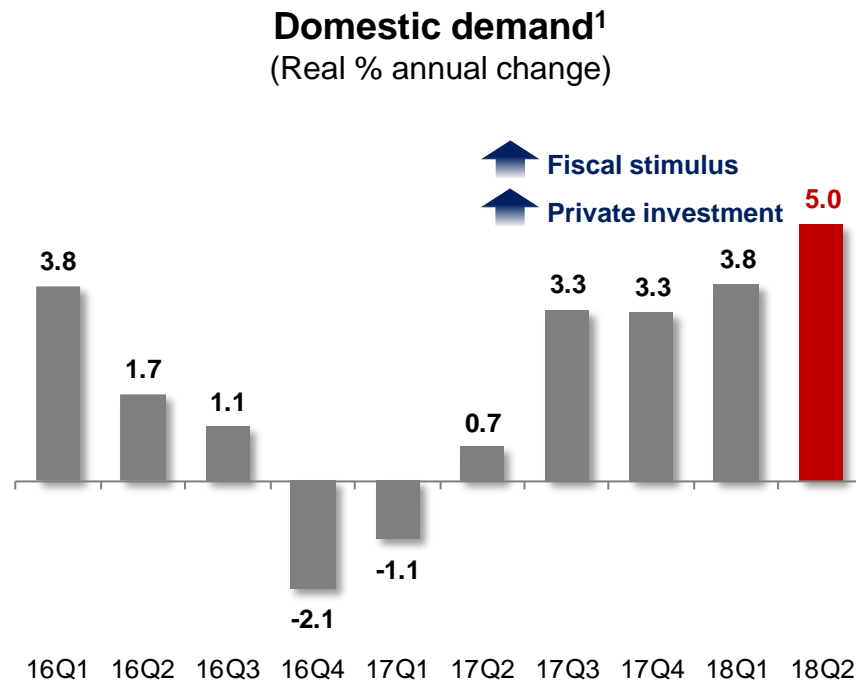
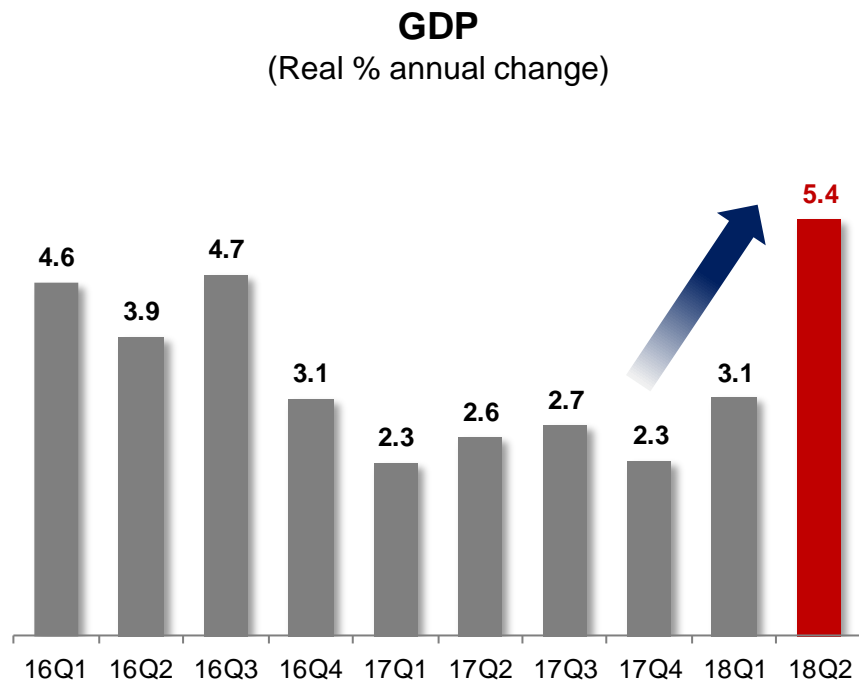
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# Current economic activity upturn is driven by domestic demand



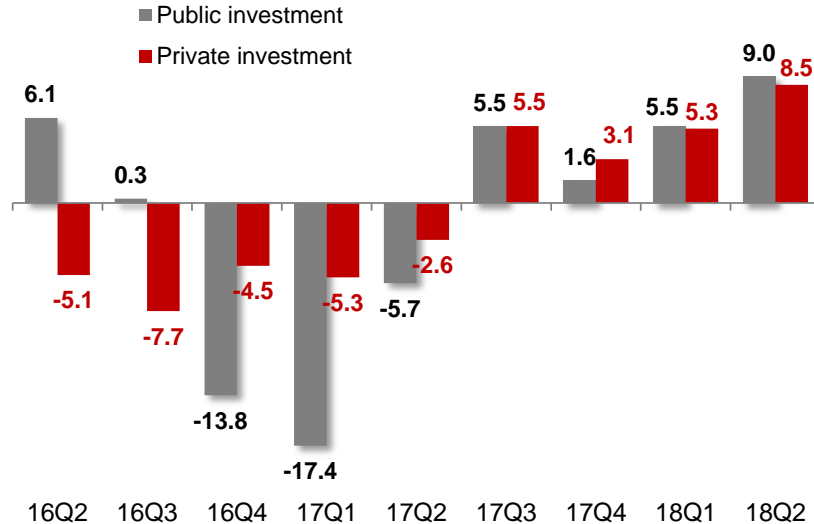
<sup>1/</sup> Inventories are not included.  
Source: BCRP, INEI.



# Total investment has fostered the upturn of employment

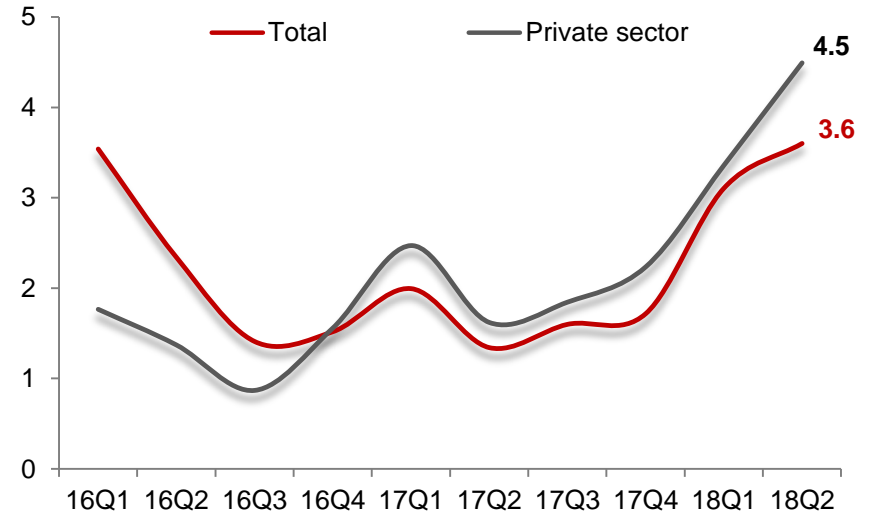
## Public and private investment

(Real % annual change)



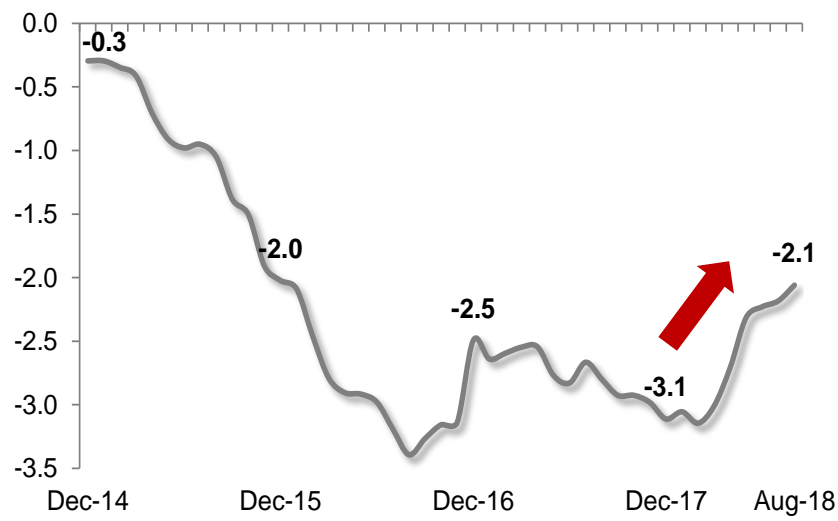
## Formal employment<sup>1</sup>

(% annual change)











# Peru continues as one of the few economies with no credit rating changes

**Fiscal balance<sup>1</sup>**  
(% of GDP, 12-month rolling sum)



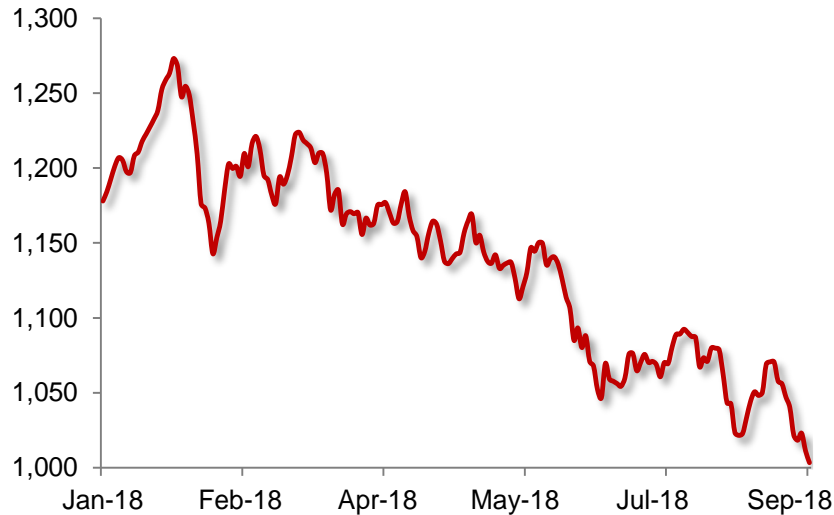
## Latin America: credit ratings and outlooks

	S&P	Moody's	Fitch
 <b>Perú</b>	BBB+	A3	BBB+
 <b>Chile</b>	A+	A1	A
 <b>Colombia</b>	BBB-	Baa2	BBB
 <b>México</b>	BBB+	A3	BBB+
 <b>Brazil</b>	BB-	Ba2	BB-
Stable outlook		Negative outlook	
		Stable outlook but recent downgrade in the last 12 months	

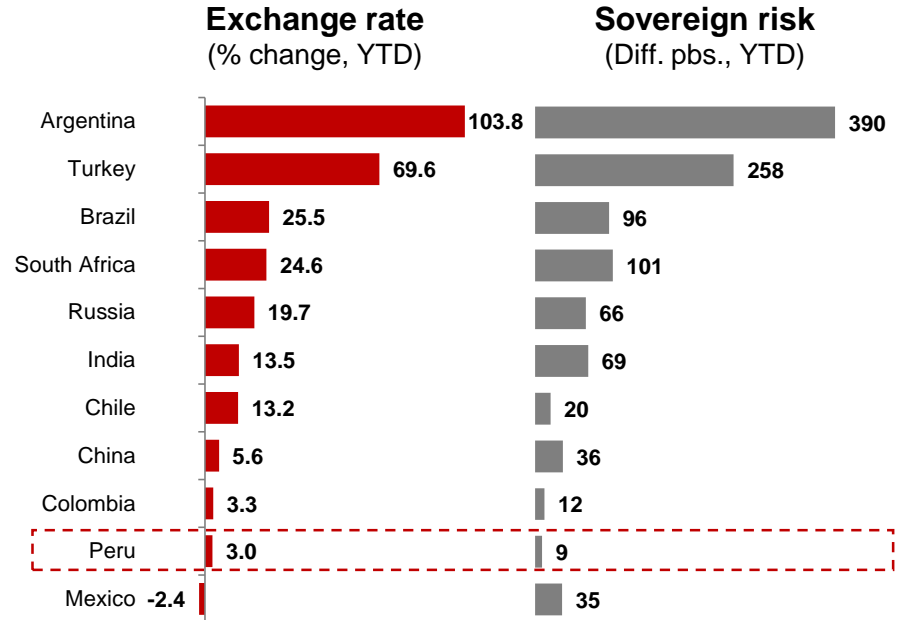
<sup>1/</sup> Non-financial public sector overall balance.  
Source: S&P, Moody's, Fitch, BCRP, MEF.

# Macroeconomic strength is important in financial turbulence periods

Emerging markets: MSCI equity index<sup>1</sup>  
(Index)



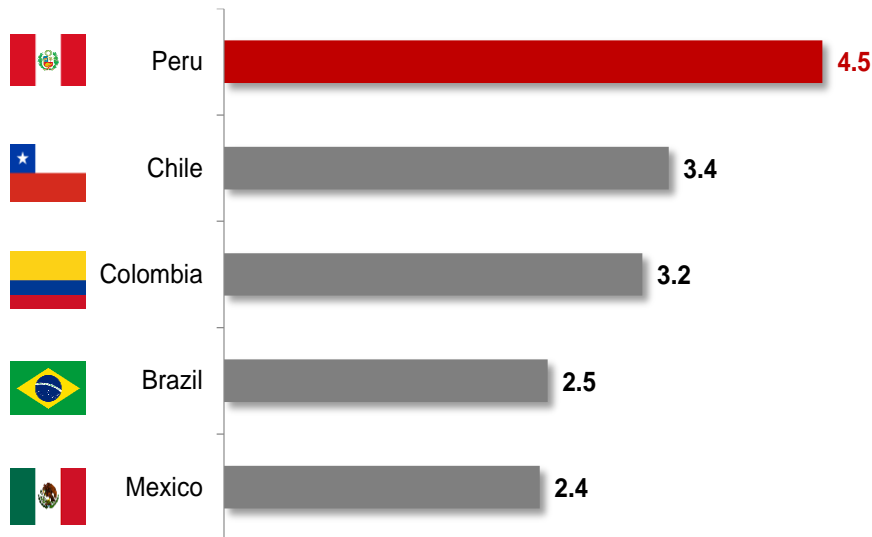
2018: Financial indicators<sup>1</sup>



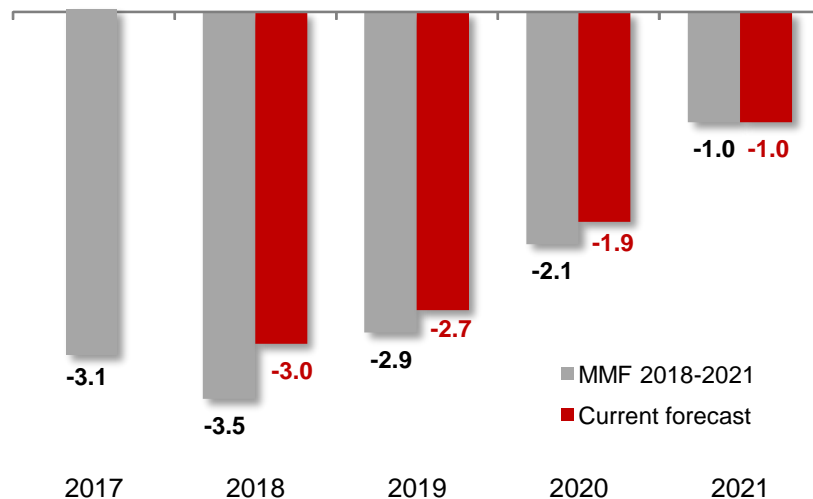
- **Peru has a strong external position recognized by global investors:** low level of short-term debt, high net international reserves and current account financed by long-term investment.

# Peru will continue to lead regional growth with sound fiscal fundamentals

**Latin America: GDP forecasts**  
(Real % annual change, average 2018-2022)



**Peru: fiscal balance**  
(% of GDP)



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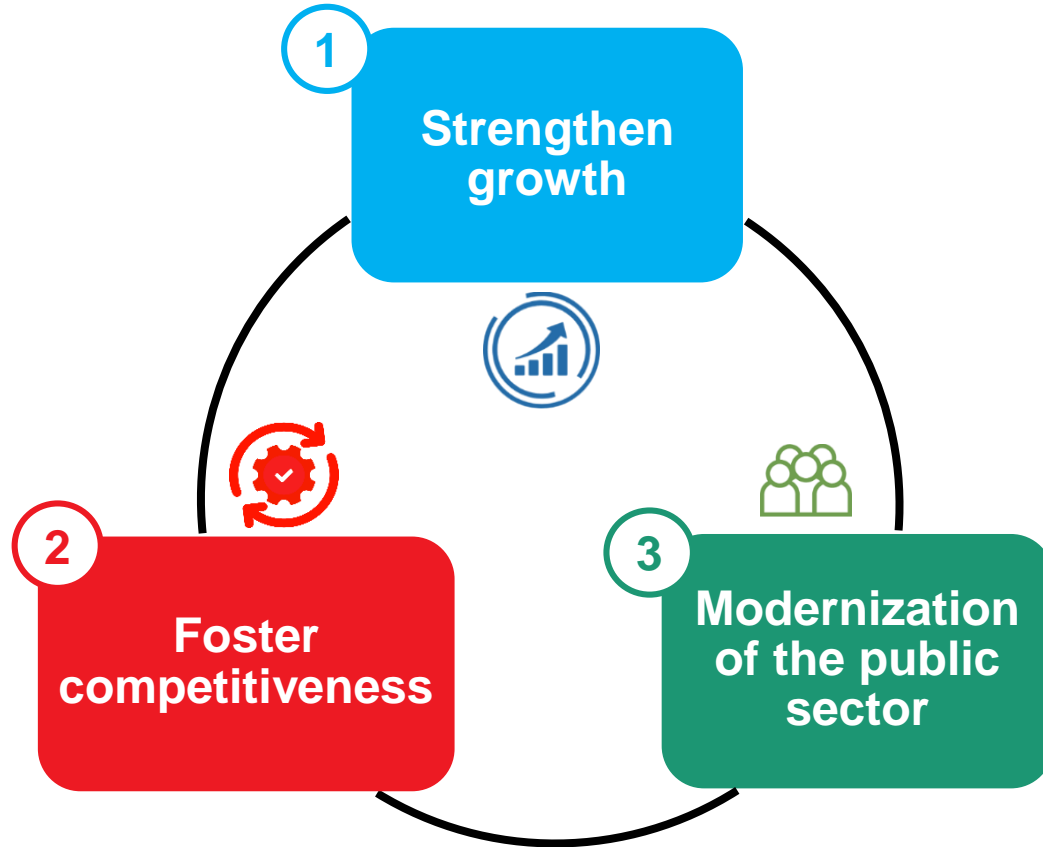
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# The government has designed guidelines to increase potential growth



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



Achieve growth rates of 5% in the coming years



Reduce poverty



Underpin potential growth



Improve country's general welfare

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

## Lines of defense to finance Economic Growth

### Assets

#### Fiscal Stabilization Fund

Fund size as of July 31, 2018

**USD 6,388 million**

Savings  
Mechanism



National Emergency  
International Crisis

#### Other Non Financial Public Sector Financial Assets

**Secondary Liquid Reserve**

### Liabilities

#### Debt Capital Markets

##### Local Market

Soberanos Bonds

##### International Market

Global Bonds  
Stock as of July 31, 2018  
**USD 9,336 mn**  
**EUR 2100 mn**

### Sources of Funds

#### Multilateral and Bilateral Loans

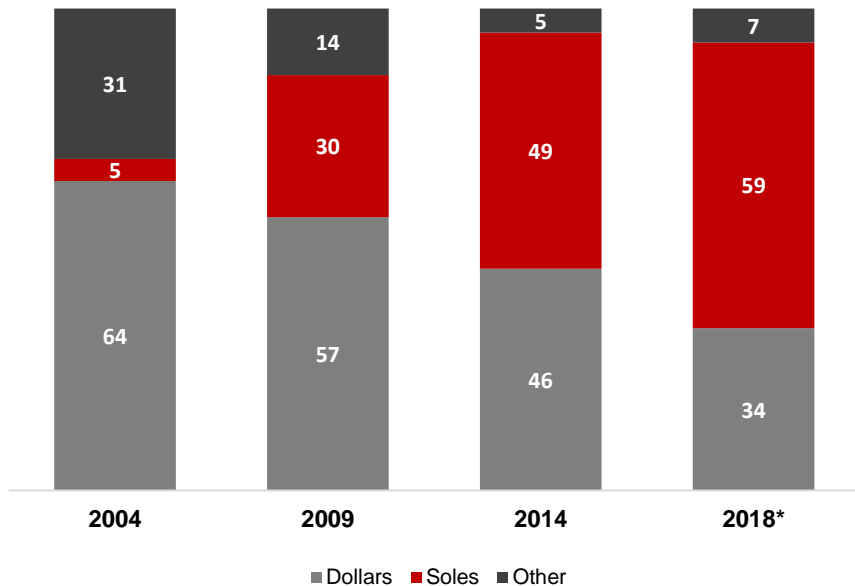
CAF BID BIRF Otros

Contingency loans  
As of July 31, 2018

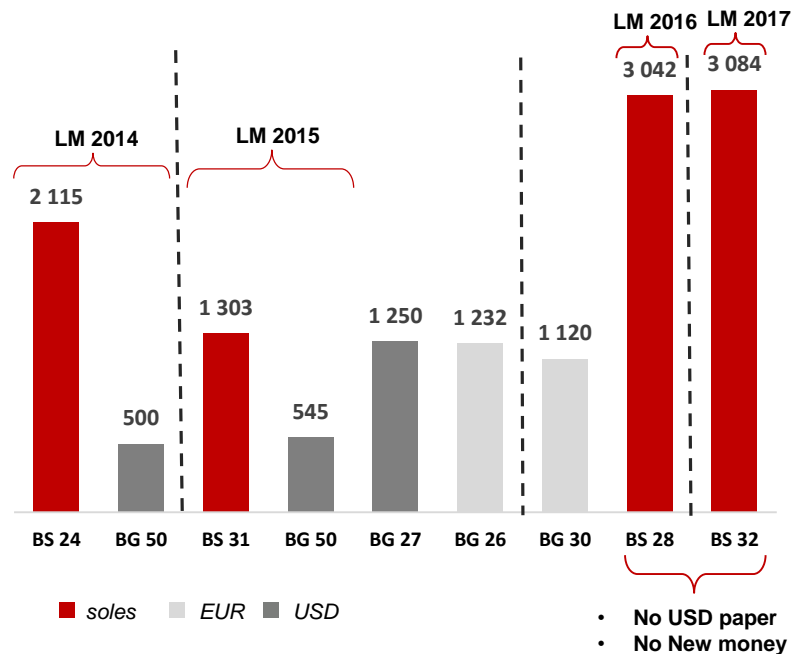
**USD 4,000 million**

# “solarize” Debt and develop local debt capital markets

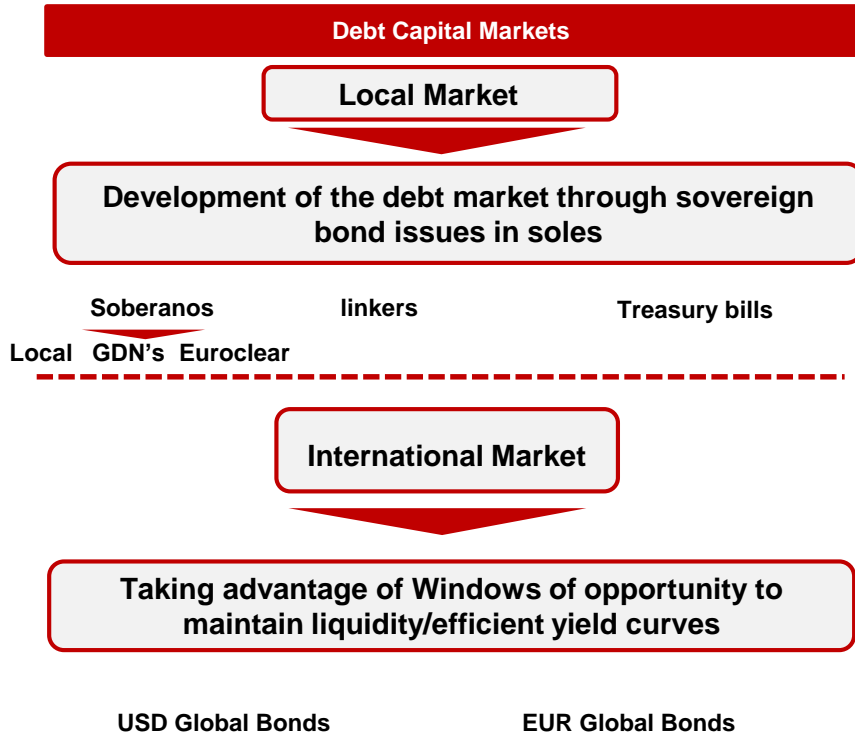
**Composition of Public Debt by Currency**  
(% of total debt)



**Liability Management (LM) 2014-2017**  
(Millions of dollars)



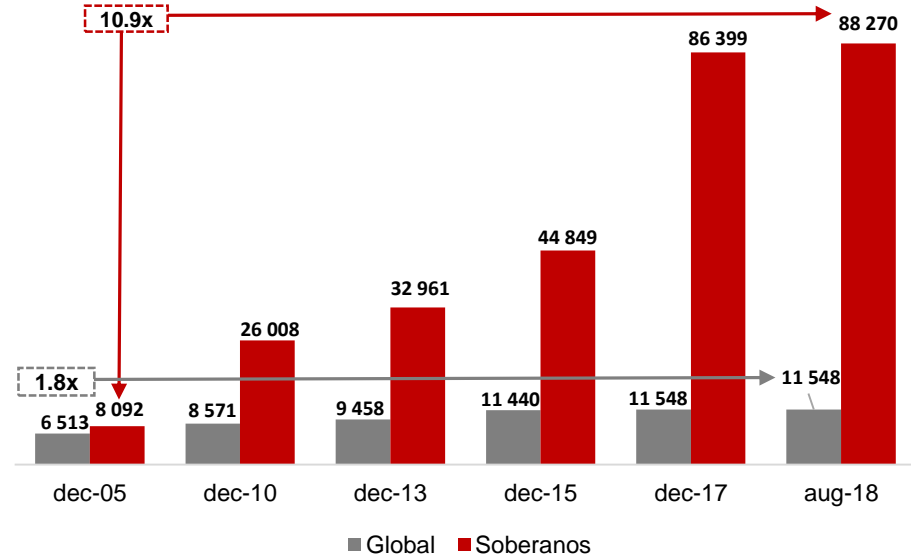
# Peru has significantly increased its Soberanos debt stock by focusing on international format debt issuances (GDNs and Euroclear)



Since 2005, Peru has successfully increased its Soberanos (PEN) debt stock by 10.9x compared to a growth of 1.8x for its Global Bonds (USD and EUR) debt stock...

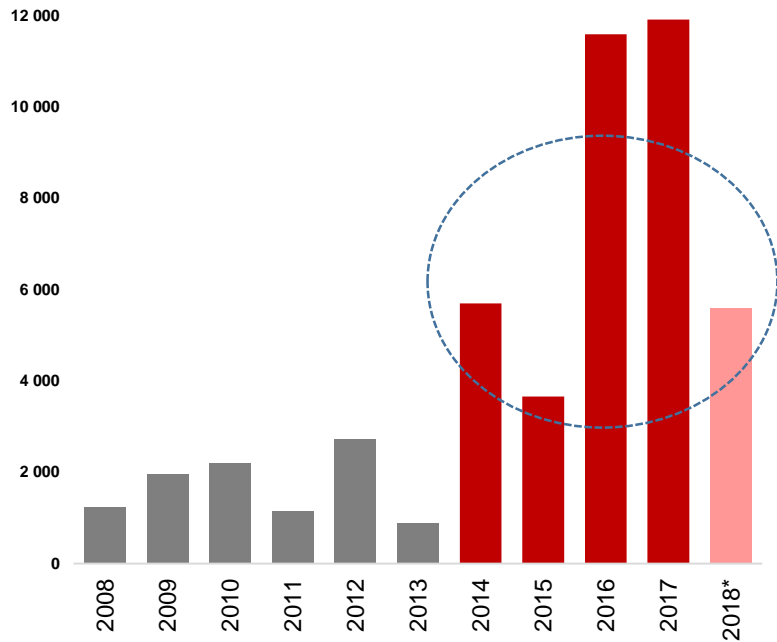
## Sovereign bonds and Global bonds

(soles MM, USD/EUR MM, nominal)

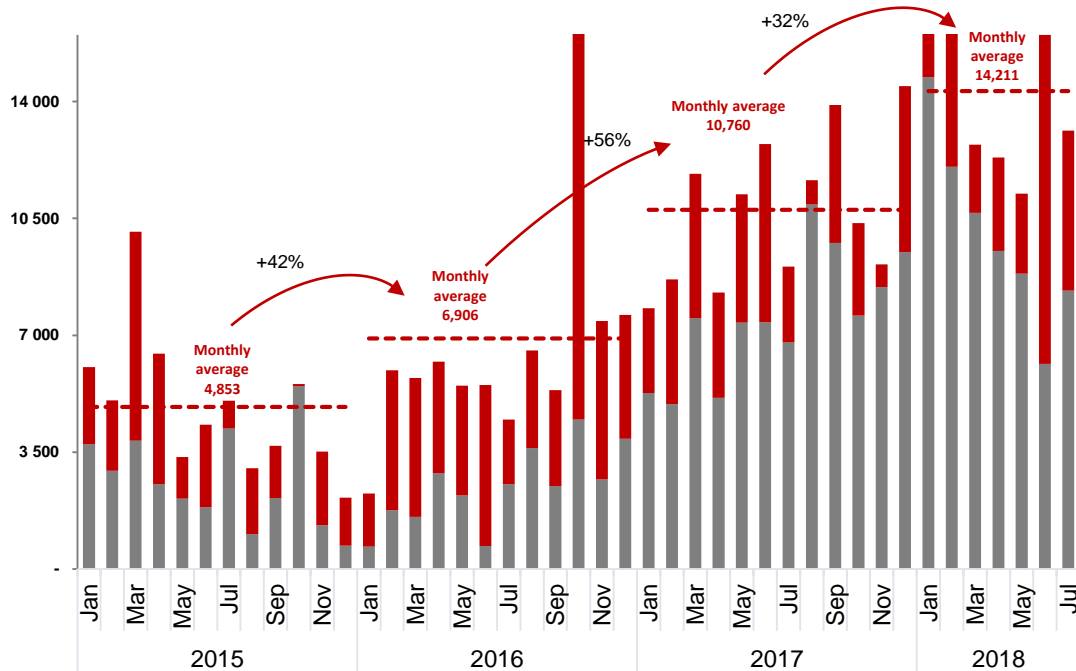


# The solarization strategy has been successful in improving market Liquidity in primary and secondary markets

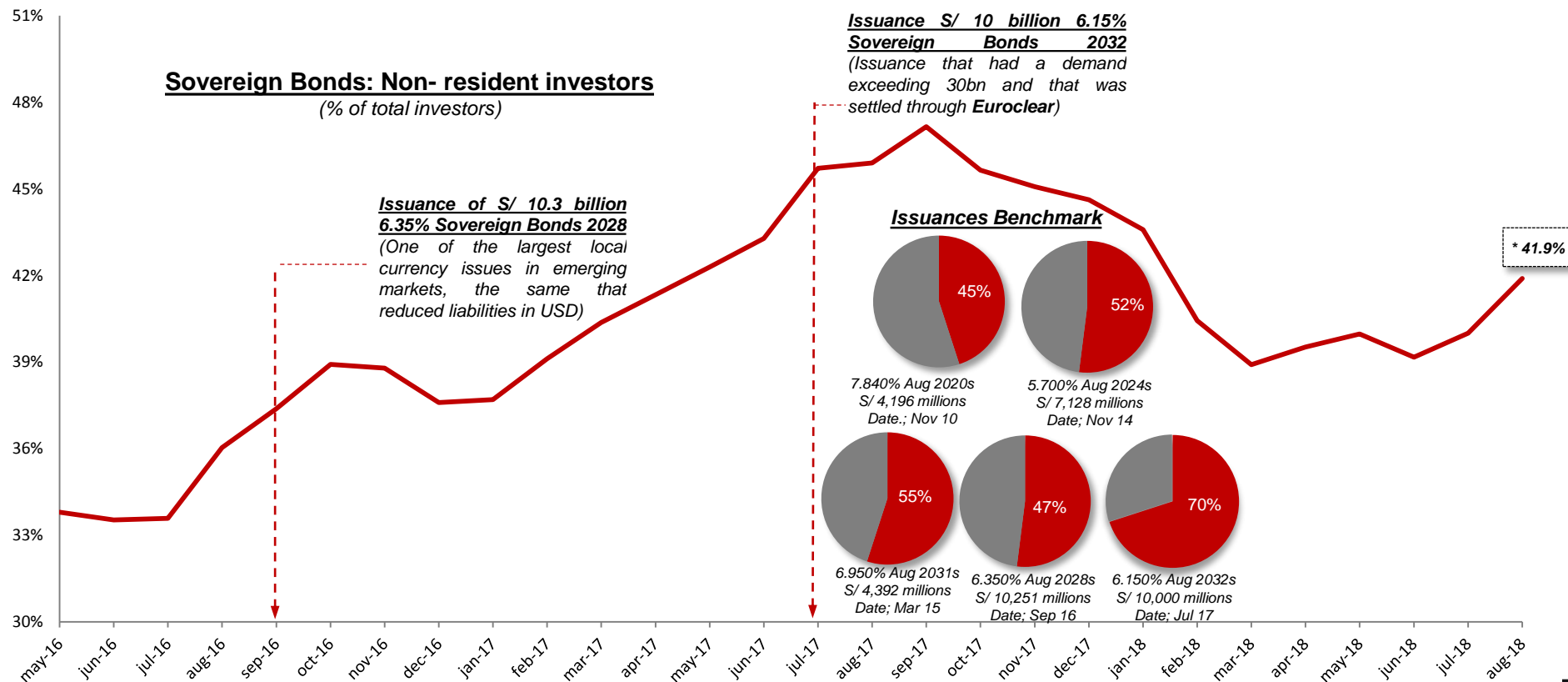
## Primary Market Activity (PEN million)



## 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



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