



WHY INVEST IN PERU?



ProInversión

Agencia de Promoción de la Inversión Privada - Perú

WHY INVEST IN PERU?



1. Peru's strong macroeconomic credentials

2. Strong framework for foreign investment

3. Trade integration policy – market access

4. Investment Opportunities



STRONG MACROECONOMIC CREDENTIALS



ProInversión

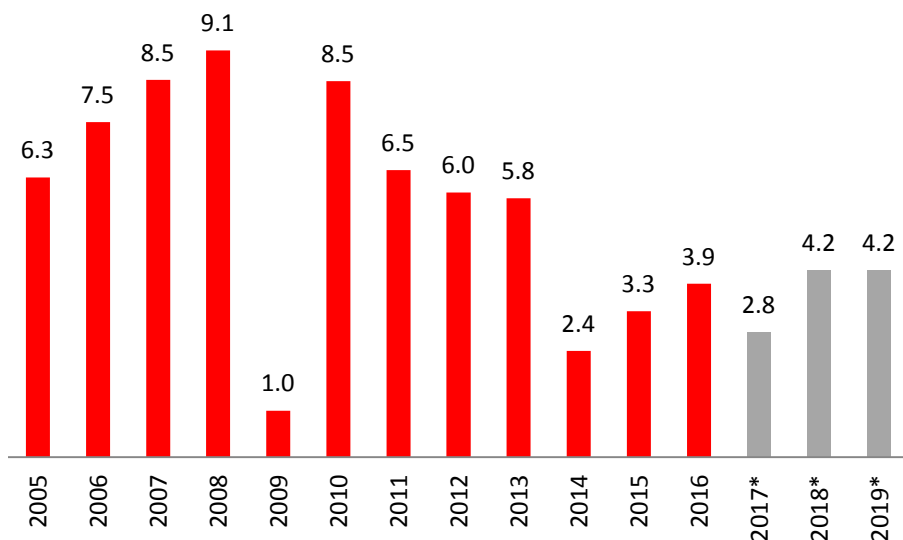
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STRONG MACROECONOMIC CREDENTIALS



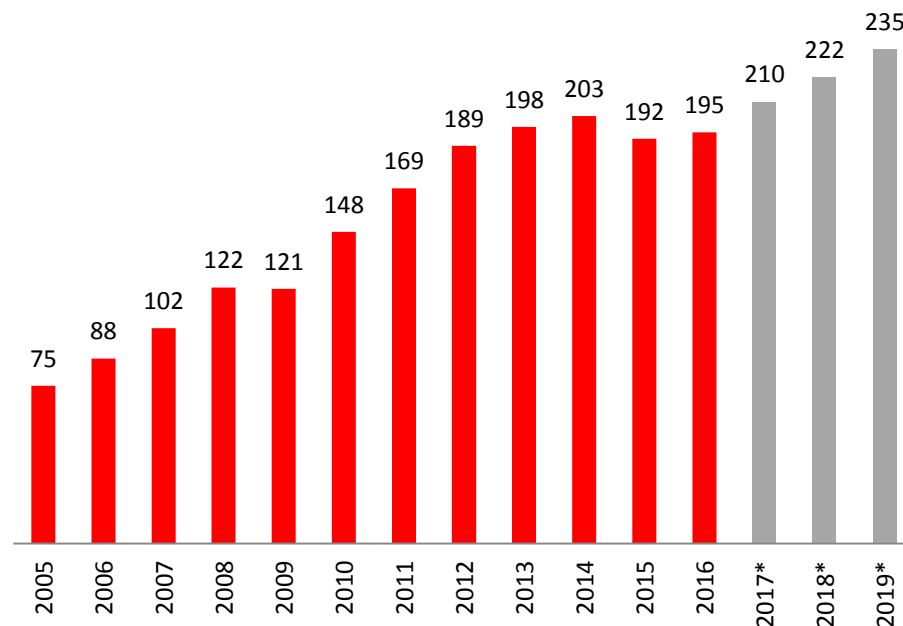
Peruvian economy grew rapidly in the last decade

Real GDP, 2005-2019*
(%Variation)



Source: Central Reserve Bank of Peru (BCRP)
Estimated figures of BCRP (Inflation report as of September 2017)

GDP, 2005-2019*
(US\$ Billion)



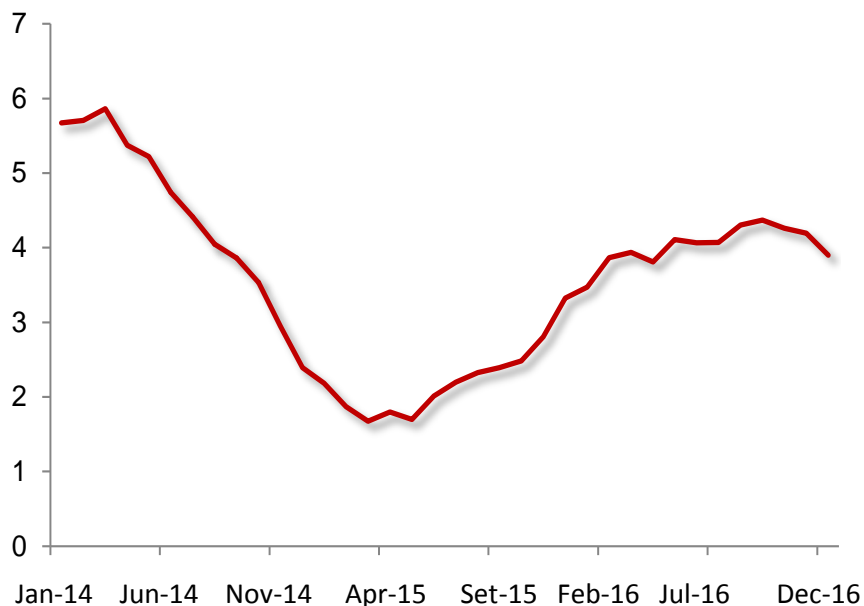
Source: International Monetary Fund (IMF)
Estimated figures of IMF (World Economic Outlook Database – October 2017)

STRONG MACROECONOMIC CREDENTIALS

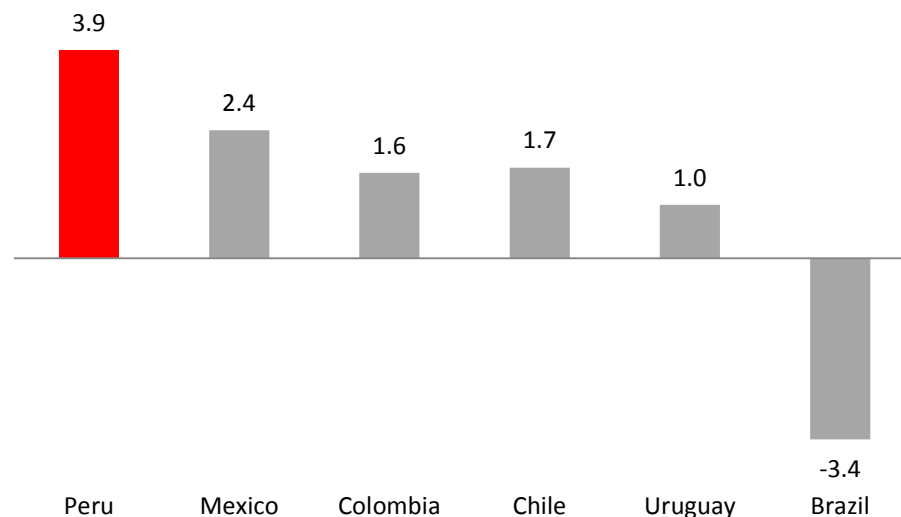


Last December the economy grew 3.3% and in 2016 GDP grew 3.9%, figure above expectations

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



GDP 2016 of LA6*
(%Variation)



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

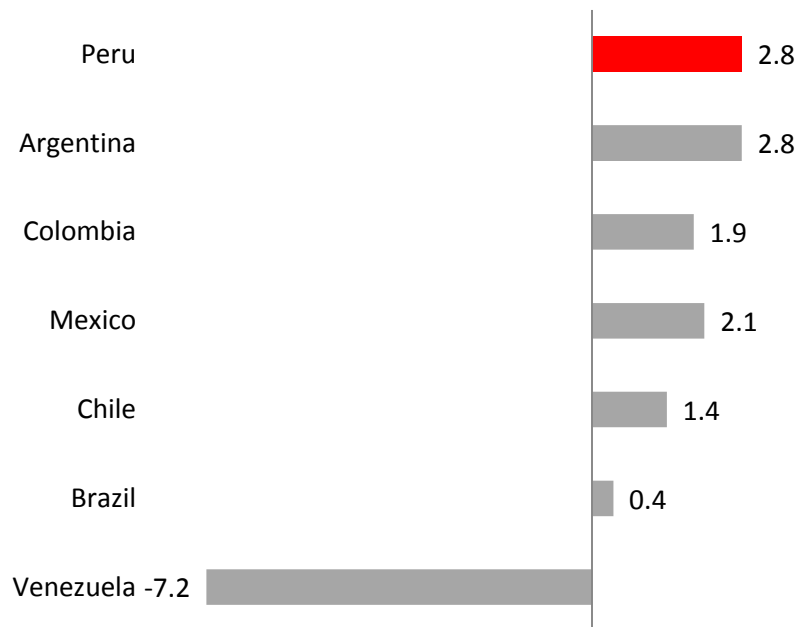
* LA6 refers to the 6 countries in Latin America that have adopted explicit target inflation and have capital markets more development.

STRONG MACROECONOMIC CREDENTIALS

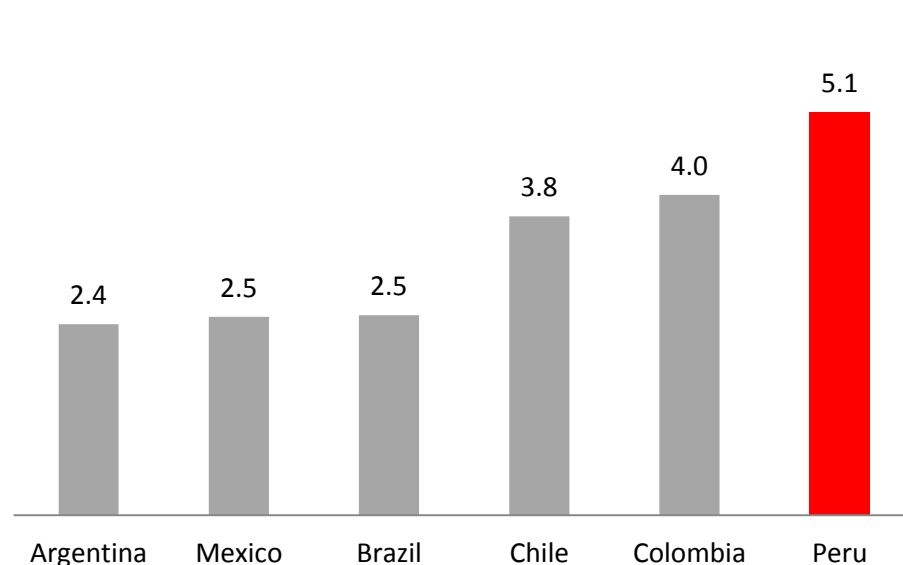


Peru continues leading regional growth

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



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



Source: Latin America Consensus Forecast (August 2017) and BCRP (Inflation report as of September 2017) for Peru

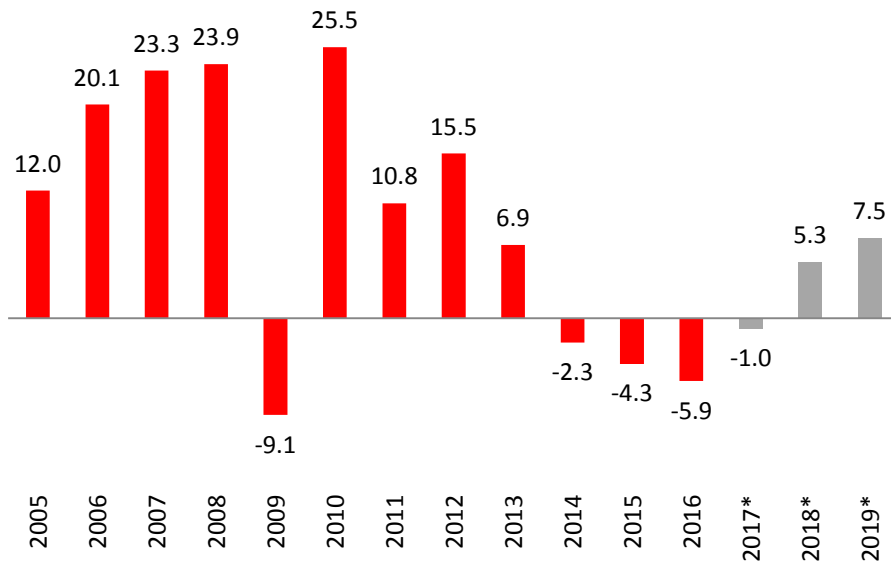
Source: CEPAL

STRONG MACROECONOMIC CREDENTIALS

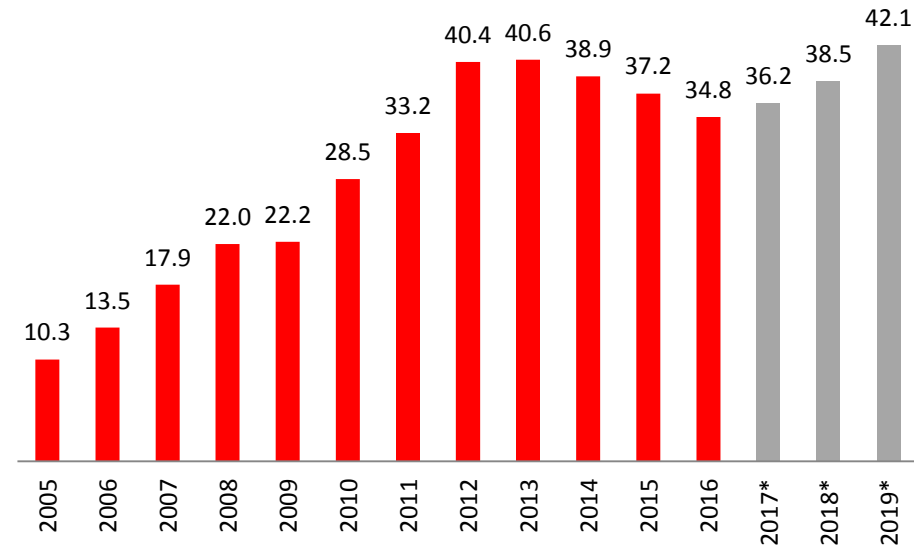


The private investment that boosted the economic growth begin its recovery ...

Private Investment 2005-2019*
(Variation %)



Private Investment 2005-2019*
(US\$ Billion)



Source: BCRP

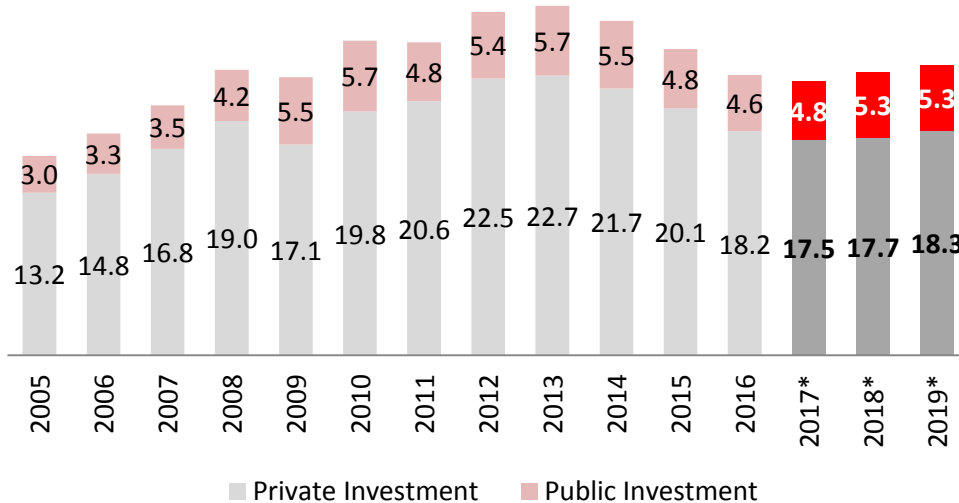
* BCRP Estimated figures (Inflation report as September 2017)

STRONG MACROECONOMIC CREDENTIALS

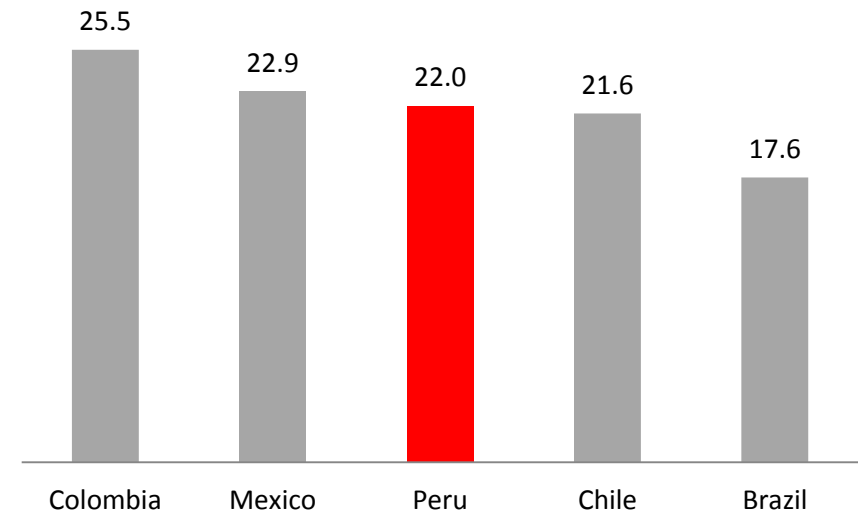


... private investment accounts for almost 20% of GDP ...

Private Investment 2006-2019*
(% of GDP)



Total investment – LATAM 2017
(% of GDP)



Source: BCRP-
* Estimated figures of BCRP (Inflation report as of September 2017)

Source: IMF.
*Estimated figures as from IMF (World Economic Outlook Database – October 2017)

Investment announcements

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

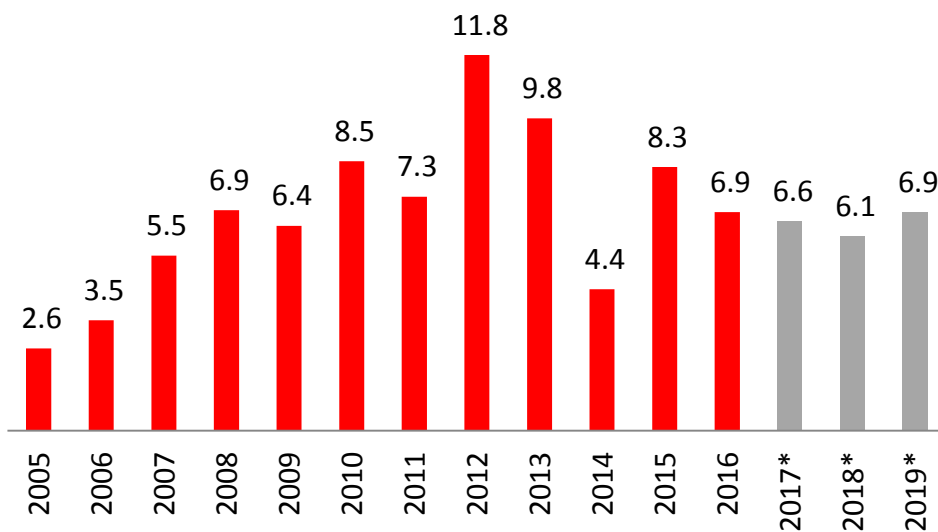
Sectors	Total Investment
Mining	5,473
Hydrocarbons	1,315
Electricity	1,014
Industry	844
Infrastructure	2,948
Other Sectors	4,844
Total	16,438

STRONG MACROECONOMIC CREDENTIALS



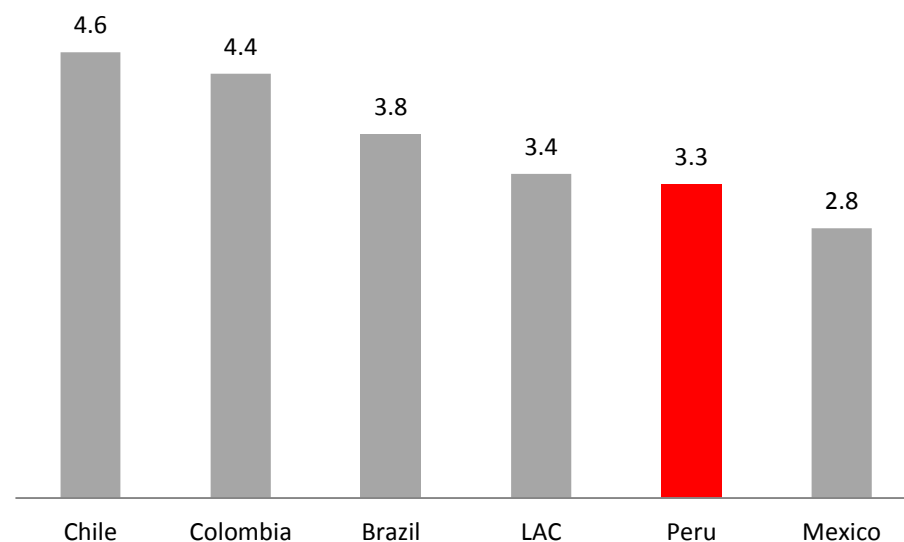
... Peru is an attractive market for foreign investment, which recorded \$ 7 billion in 2016

Foreign direct investment flow 2005 – 2019*
(US\$ Billion)



Source: BCRP.
* Estimated figures BCRP (inflation report, September 2017)

Foreign direct investment – LATAM 2016
(% GDP)



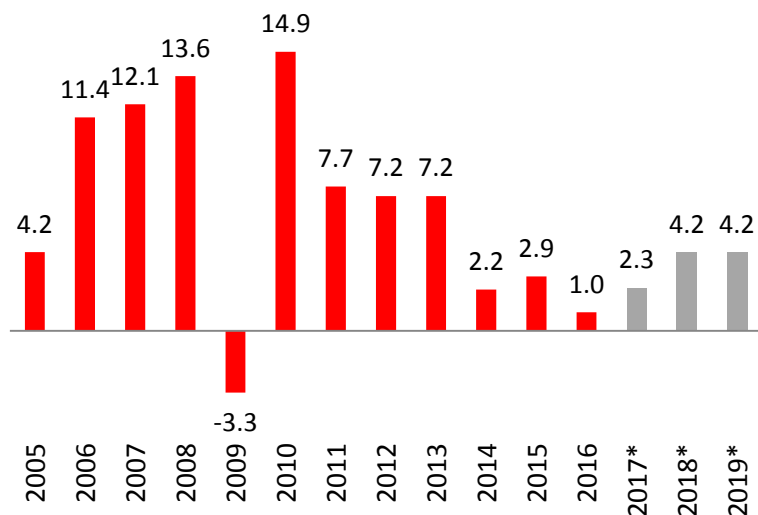
Source: Cepal

STRONG MACROECONOMIC CREDENTIALS

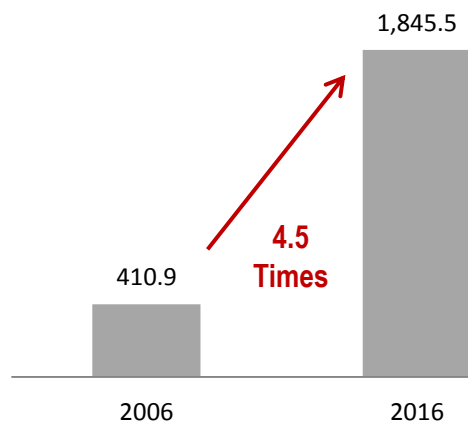


Furthermore, the domestic demand is strengthening ...

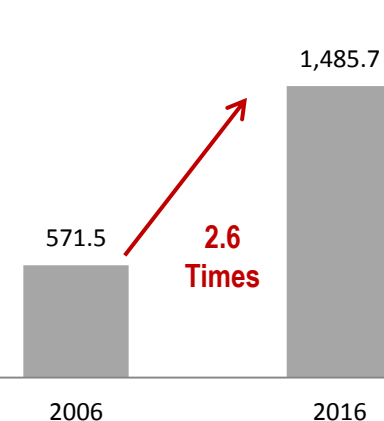
Real domestic demand 2005–2019*
(real annual Var. %)



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, September 2017)

Source: SUNAT

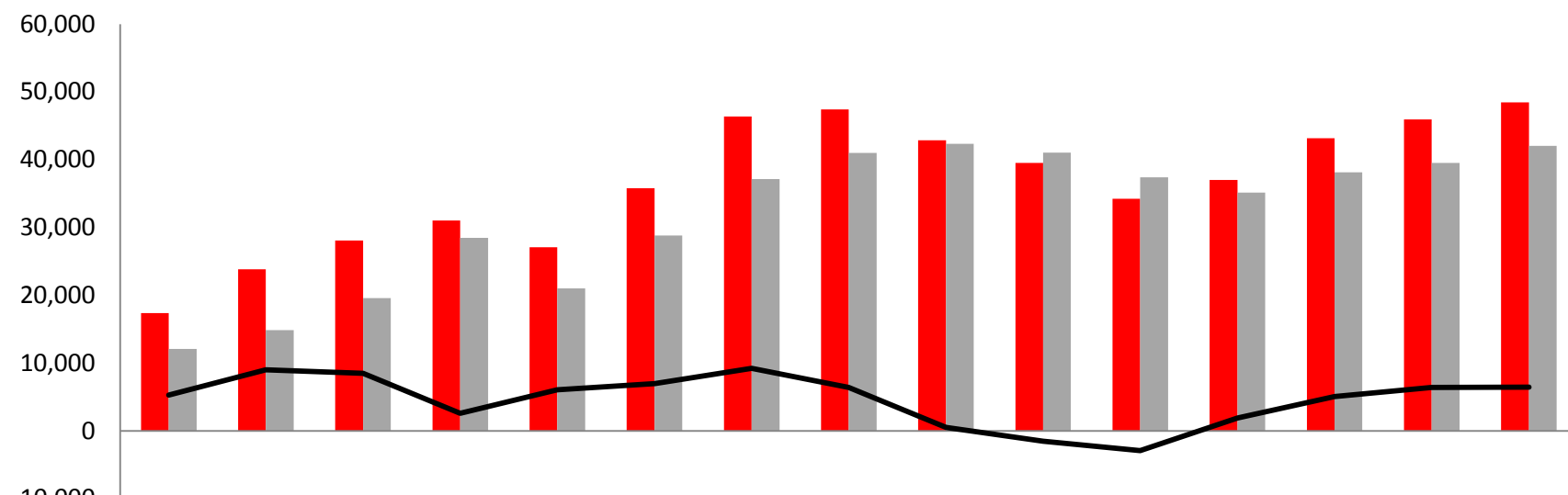
1/ Includes imports of machines and appliance. Furniture and other house equipment's

STRONG MACROECONOMIC CREDENTIALS



This is complemented by a dynamic commercial trade...

Balance of Trade 2005-2019*
(US\$ million)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018*	2019*
Exports	17,368	23,830	28,094	31,019	27,071	35,803	46,376	47,411	42,861	39,533	34,236	37,020	43,173	45,940	48,457
Imports	12,082	14,844	19,591	28,449	21,011	28,815	37,152	41,018	42,356	41,042	37,385	35,132	38,122	39,540	42,024
Trade Balance	5,286	8,986	8,503	2,569	6,060	6,988	9,224	6,393	504	-1,509	-2,916	1,888	5,051	6,400	6,434

Source: BCRP

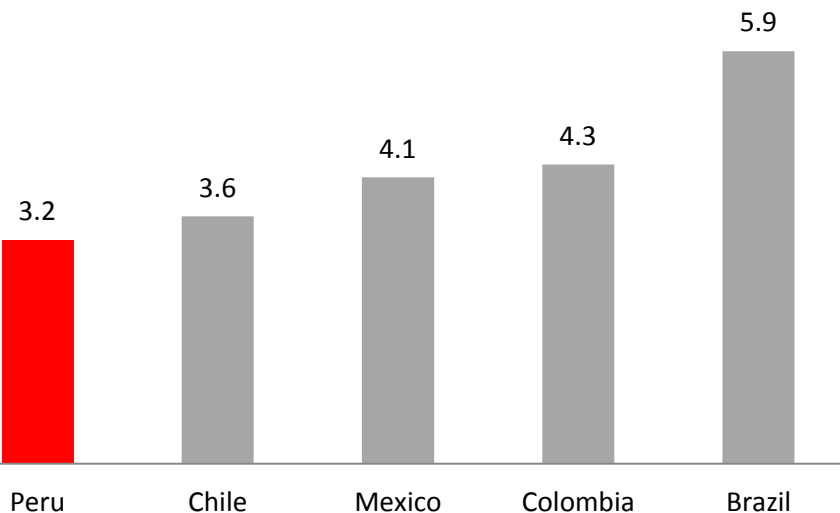
* Estimated figures BCRP (Inflation report, September 2017)

STRONG MACROECONOMIC CREDENTIALS

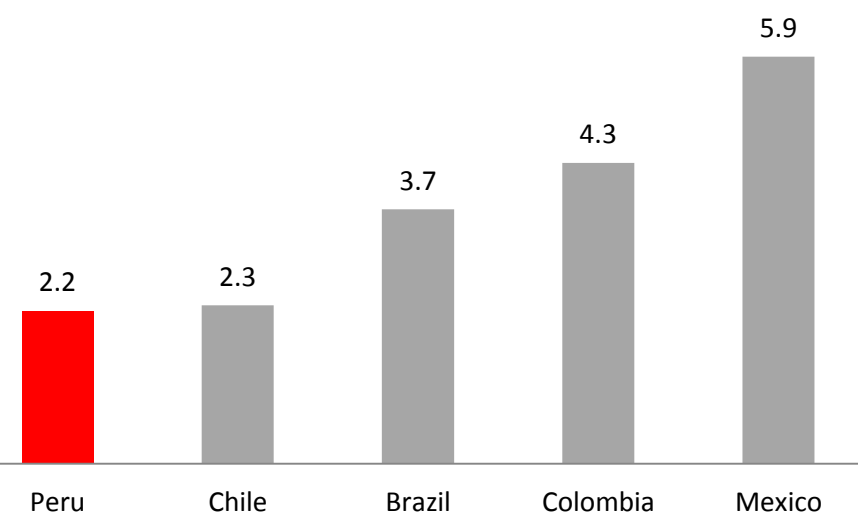


... all this, in a frame of macroeconomic stability, Peru records the lowest inflation rate at a regional level....

CPI – Latin America 2007- 2017*
(Annual Average Variation %)



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



Source: IMF (World Economic outlook Database – October 2017) in Peru case , BCRP (inflation report, September 2017)

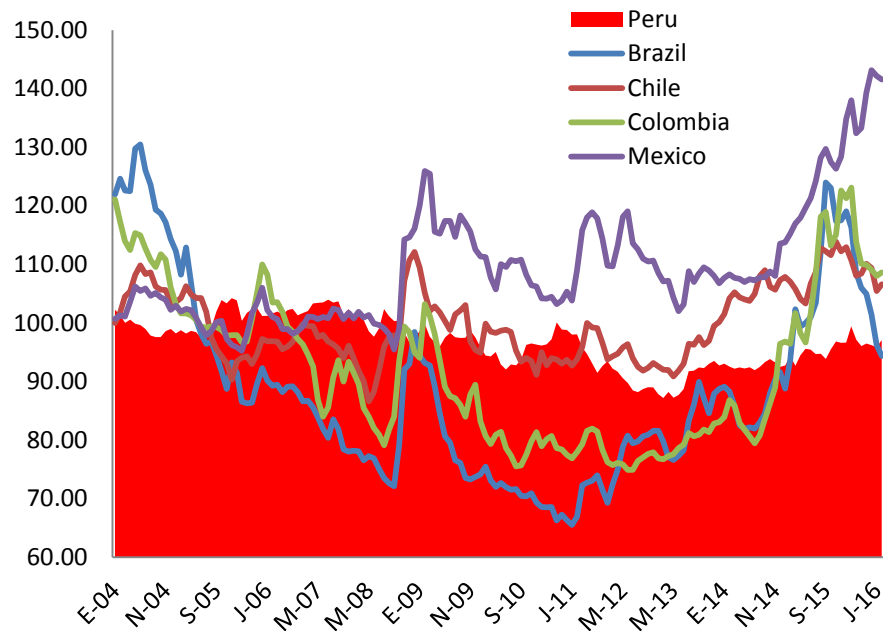
*Estimated figures

STRONG MACROECONOMIC CREDENTIALS



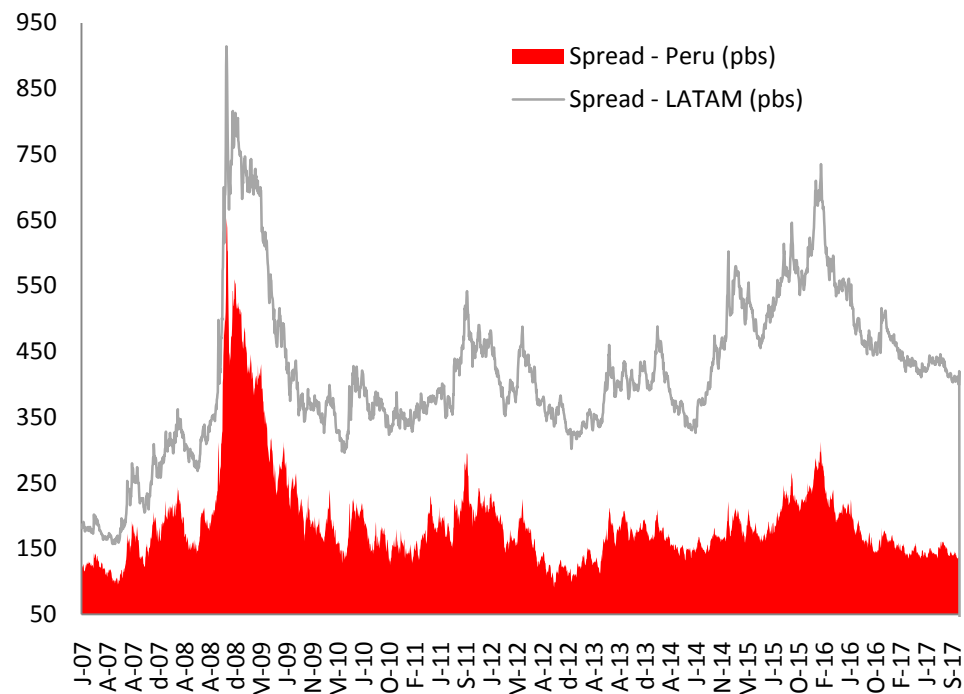
... has maintained stable exchange rates and a level of risk under the regional average

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



Source: CEPAL
(*) As of August 2016

JP Morgan EMBIG **
(Basic points)



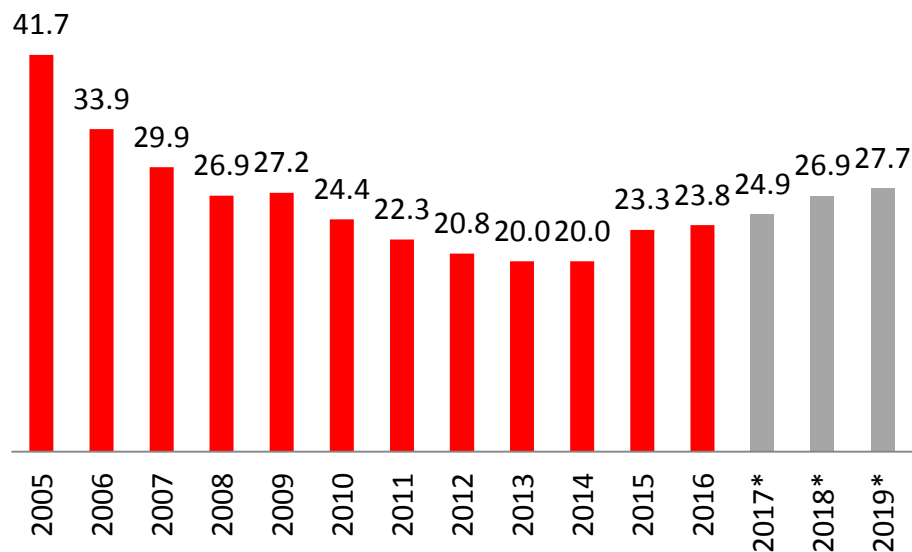
Source: BCRP
(**) As of November 2017

STRONG MACROECONOMIC CREDENTIALS

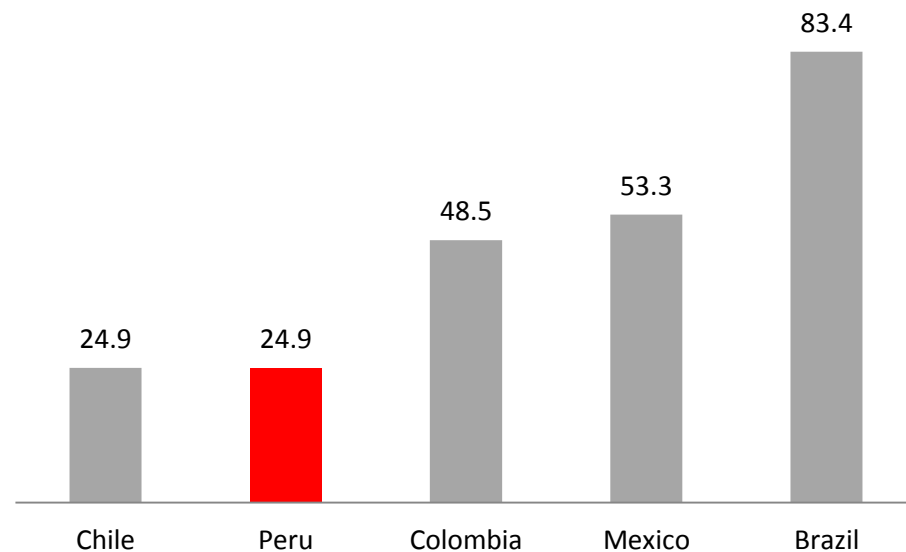


Peru maintains a healthy level of debt...

Public Debt– Peru 2005-2019*
(% of GDP)



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



Source: BCRP.

*Estimated figures, BCRP (Inflation report September 2017)

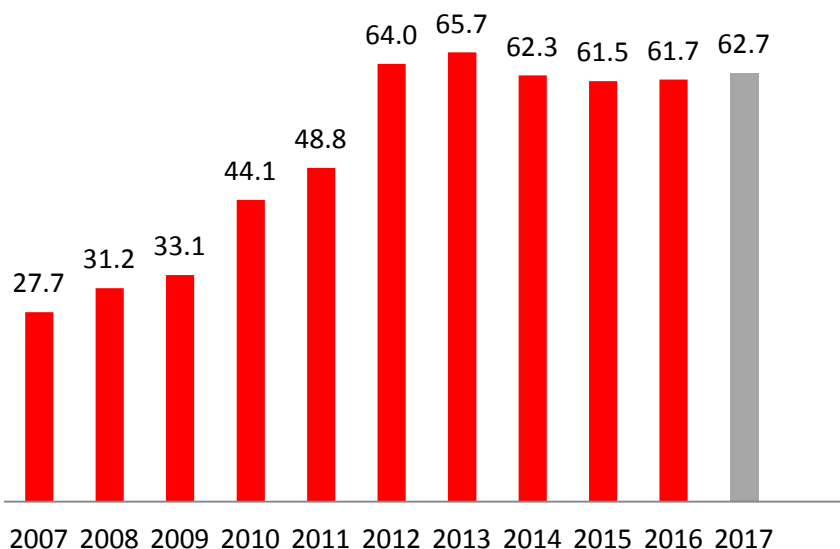
Source: IMF (World Economic Outlook Database – October 2017) in the case of Peru , BCRP (inflation report , September 2017)

STRONG MACROECONOMIC CREDENTIALS



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

Net International Reserves 2007 – 2017
(US\$ Billion)



NIR Adequacy Indicators

	2006	2011	2016
NIR (% del GDP)	19,6	28,9	31,5
NIR (% short -term foreign debt)	166	470	360
RIN (% Short-term Foreign Debt plus Current Account deficit)	230	365	275

STRONG MACROECONOMIC CREDENTIALS



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

Investment grade
Latin America benchmarking

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



STRONG FRAMEWORK FOR FOREIGN INVESTMENT



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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.

STRONG FRAMEWORK FOR FOREIGN INVESTMENT



Special Regimes: Legal Stability Agreements

Regime whereby the Peruvian Government guarantees:

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).

STRONG FRAMEWORK FOR FOREIGN INVESTMENT



Special Regime: VAT Anticipated Recovery.

Regime whereby the Peruvian Government grants the following benefits:

- 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.

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%

STRONG FRAMEWORK FOR FOREIGN INVESTMENT



Continuous effort to facilitate the establishment and operation of business



3rd in the regional ranking of ease of doing business in Latin America

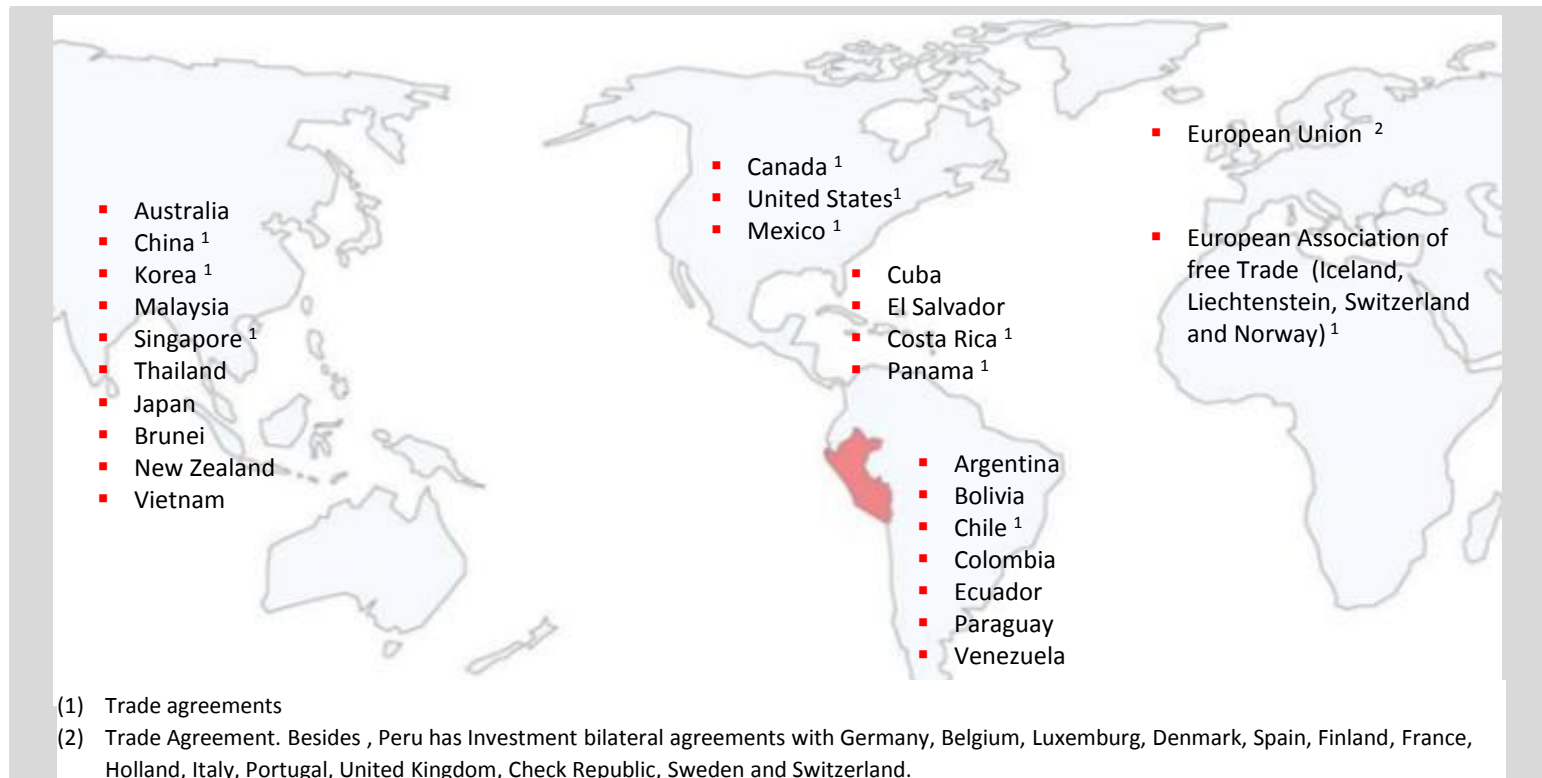
Position	Country
1	Mexico
2	Chile
3	Peru
4	Colombia
5	Costa Rica

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.

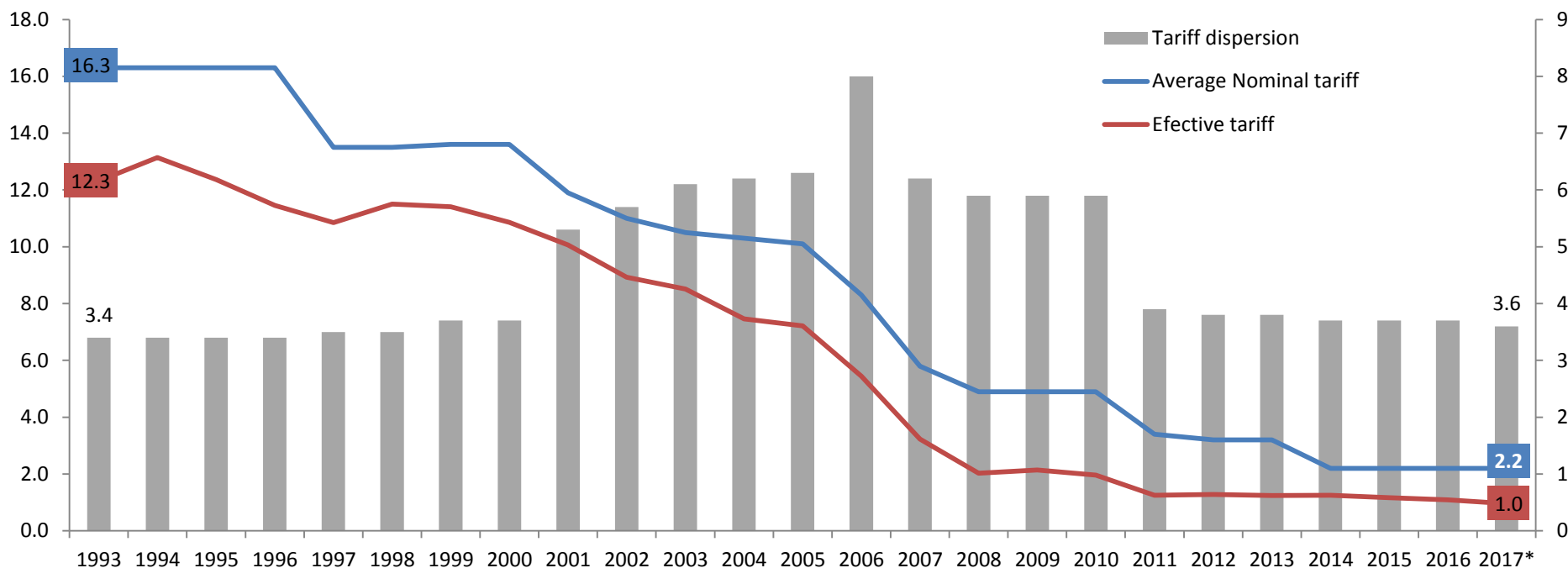


TRADE INTEGRATION POLICY - MARKET ACCESS



An open trade policy sustained over time

Evolution of nominal and effective tariff; and tariff dispersion 1993 – 2017 (*)



(*) AS of September 2017

Source:MEF

Notes:

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

2)Tariff Dispersion= Standard Deviation

OPEN TRADE POLICY AND MARKET ACCESS



Reduced tariff structure with low tariff dispersion

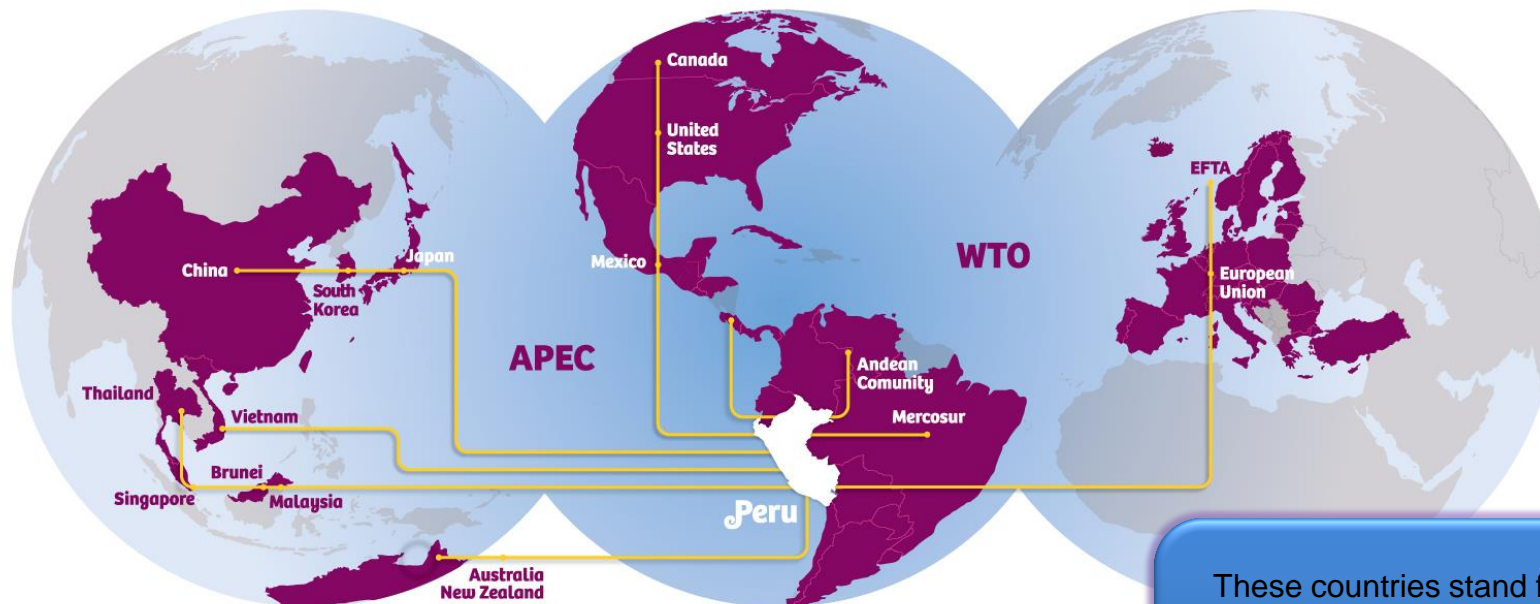
LEVELS OF AD VALOREM	TARIFF LINES ^{2/}	
	NUMBER	PROPORTION (%)
0	4,224	55.9%
6%	2,538	33.6%
11%	792	10.5%
Total	7,554	100 %
EFFECTIVE AVERAGE TARIFF %		3.2
EFFECTIVE TARIFF %		1.1
STANDARD DEVIATION %		3.8

Source: SUNAT – MEF

OPEN TRADE POLICY AND MARKET ACCESS



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



These countries stand for enlarged market of over **4 billion people** with a joint GDP over **US\$ 56 trillion**



96% of Peruvian exports



INVESTMENT OPPORTUNITIES



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INFRASTRUCTURE GAP



The government challenge is to reduce the infrastructure gap by half by 2021

Sector	Medium term gap 2016-2020		Gap 2021-2025		Long term gap 2016-2025	
	US\$ MM	%	US\$ MM	%	US\$ MM	%
Transport	21,253	31%	36,246	40%	57,499	36%
Energy	11,388	17%	19,387	21%	30,775	19%
Telecomm	12,603	18%	14,432	16%	27,036	17%
Health	9,472	14%	9,472	10%	18,944	12%
Water and Sanitation	6,970	10%	5,282	6%	12,252	8%
Hydraulic	4,537	7%	3,940	4%	8,477	5%
Education	2,592	4%	1,976	2%	4,568	3%
TOTAL	68,815	100%	90,734	100%	159,549	100%

1. The water and sanitation gap only includes the services access no improvements in the existing connections and wastewater treatment.

2. The education gap only mention the coverage increase. The functional education in schools, rehabilitation or seismic design reinforcement it is no included.

Source: National plan of infrastructure 2016 – 2025 *Pacifico University*

PPP regulatory framework has evolved over time



2008

PPP consolidation

- Subsume the PPPs, the different contractual modalities for the development of public infrastructure and public services.

Legislative Decree
N°1012

Legislative Decree
N° 1224

International standards

- The unique legal framework for the promotion of private investment through PPP and Assets projects

2016

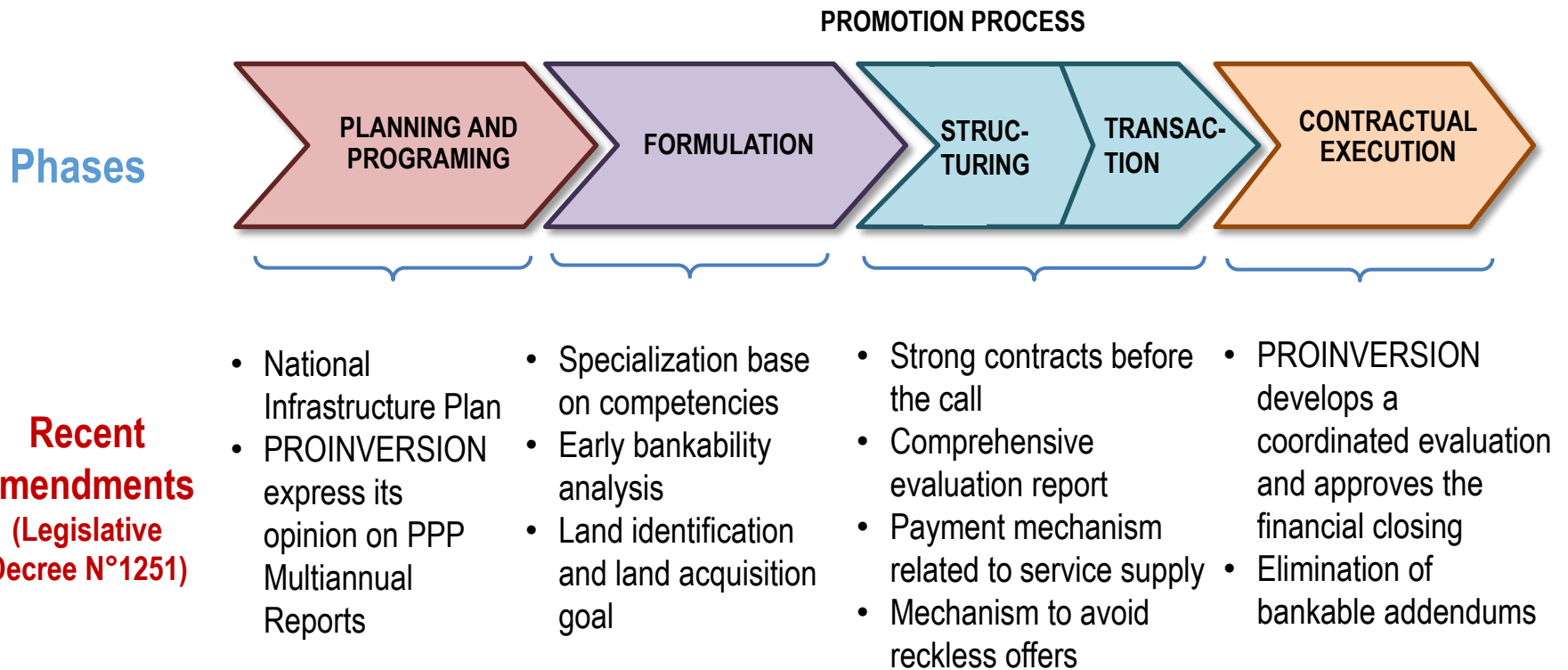
2016

Government improvement

- Proinversión new role
- Improvement in the quality of projects
- Corruption fight and transparency enhancement

Legislative Decree
N° 1251

(*) As a result, March 31, 2016 Peru has become the first non-member country of the OECD in became adherent to the Principle for Public Governance of PPP in the said organization.



* Inserted by Legislative Decree N°1251

Development of a National Infrastructure Plan



Characteristics

Legislative Decree N° 1251 creates the first National Infrastructure Plan (PPP, Public Works, others).

Proposes by MEF

Approved by the Council of Ministers

Elaborated base on Multiannual investment program
PPP multiannual investment report

Objectives

Planning: select the right projects

Strategic: fosters the interventions in several sectors to leverages synergies

Promotion: Provides a single point of reference for potential investors

Following: Facilitates project follow-up and accountability

PPP Projects



PPP adjudications flow

2004 - 2018

Investments amounts in USD million (VAT included)

Number of PPP process

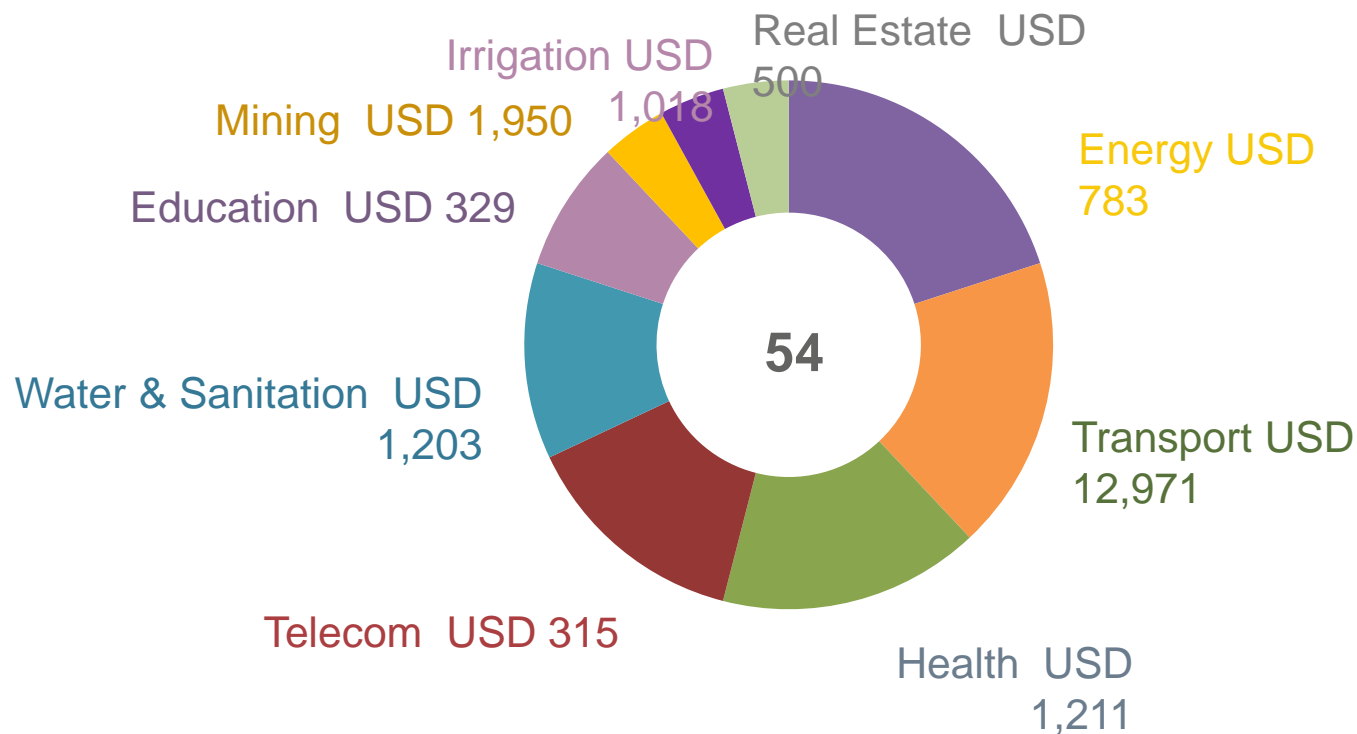
*Southern Peru Pipeline



54 projects

Estimated investment: USD 20

280 billion





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