



WHY INVEST IN PERU?



ProInversión

Agencia de Promoción de la Inversión Privada - Perú

WHY INVEST IN PERU?



- 
- A decorative red wavy line with three small circles of varying sizes floating above it, spanning the width of the slide.
1. Internationally acknowledged macroeconomic soundness
 2. Friendly investment environment
 3. Open trade and market access policy
 4. Attractive sectors to Invest



MACROECONOMIC SOUNDNESS



ProInversión

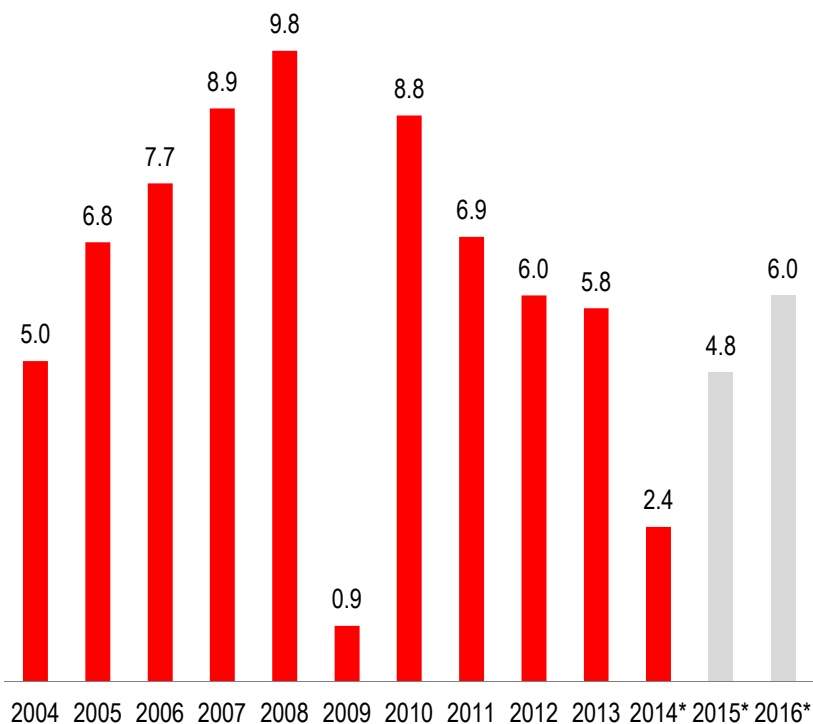
Agencia de Promoción de la Inversión Privada - Perú

1. MACROECONOMIC SOUNDNESS

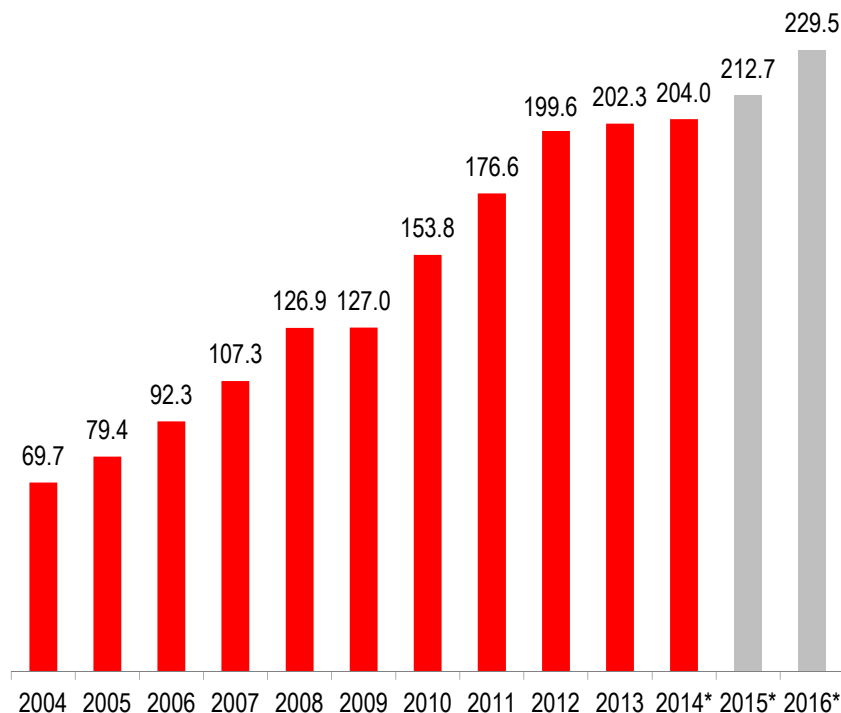


Peruvian economy grew rapidly in the last decade ...

Real GDP, 2004-2016*
(%Variation)



GDP, 2004-2016*
(US\$ Billion)



Source: Central Reserve Bank of Peru

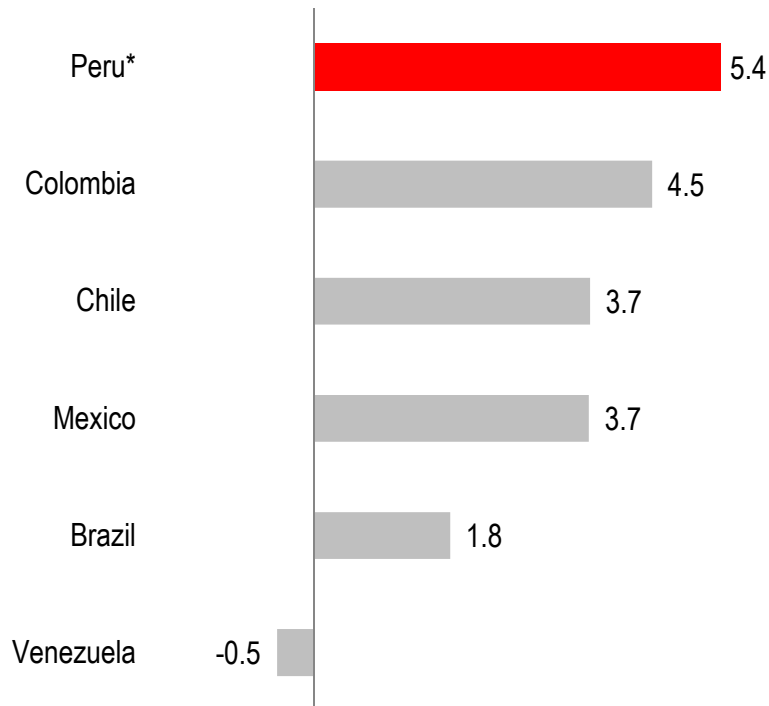
• Estimated figures of BCRP (Inflation report as of January 2015)

1. MACROECONOMIC SOUNDNESS

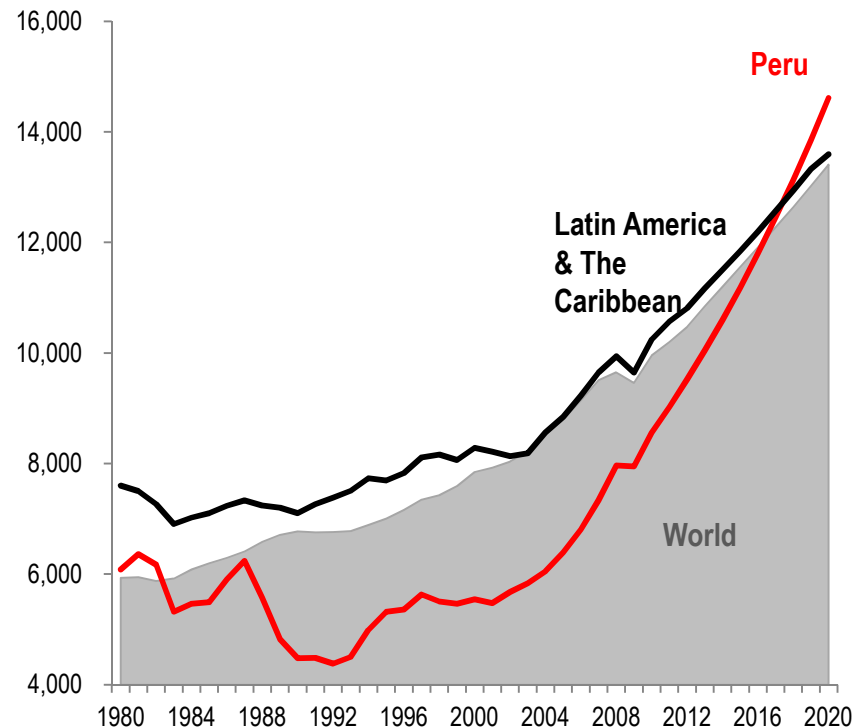


... and continues leading regional growth allowing the GDP per capita to exceed the global average by 2020...

Real GDP – Forecasts for Latin America 2015-2016
(Annual Average Variation %)



GDP per capita, PPP
(\$ International constant prices of 2005)

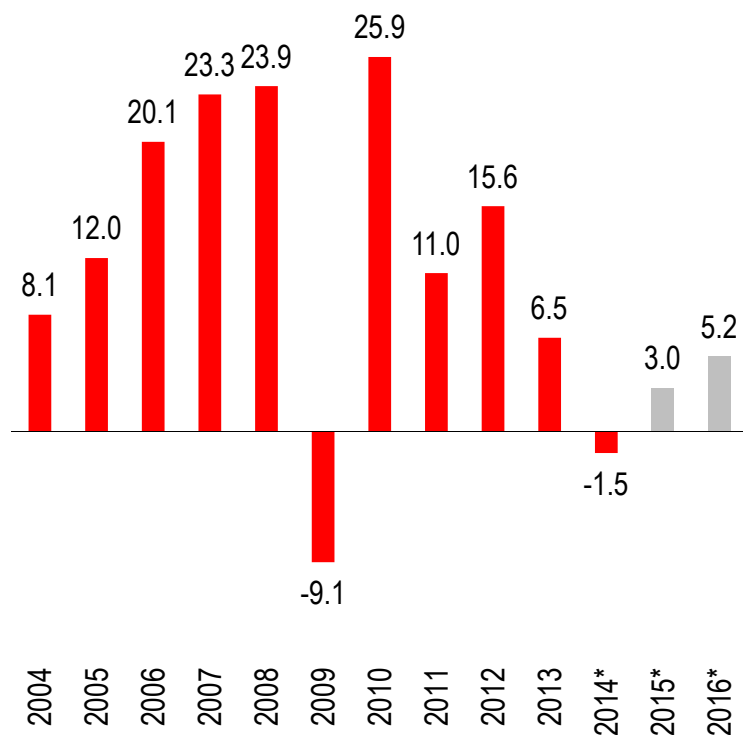


1. MACROECONOMIC SOUNDNESS

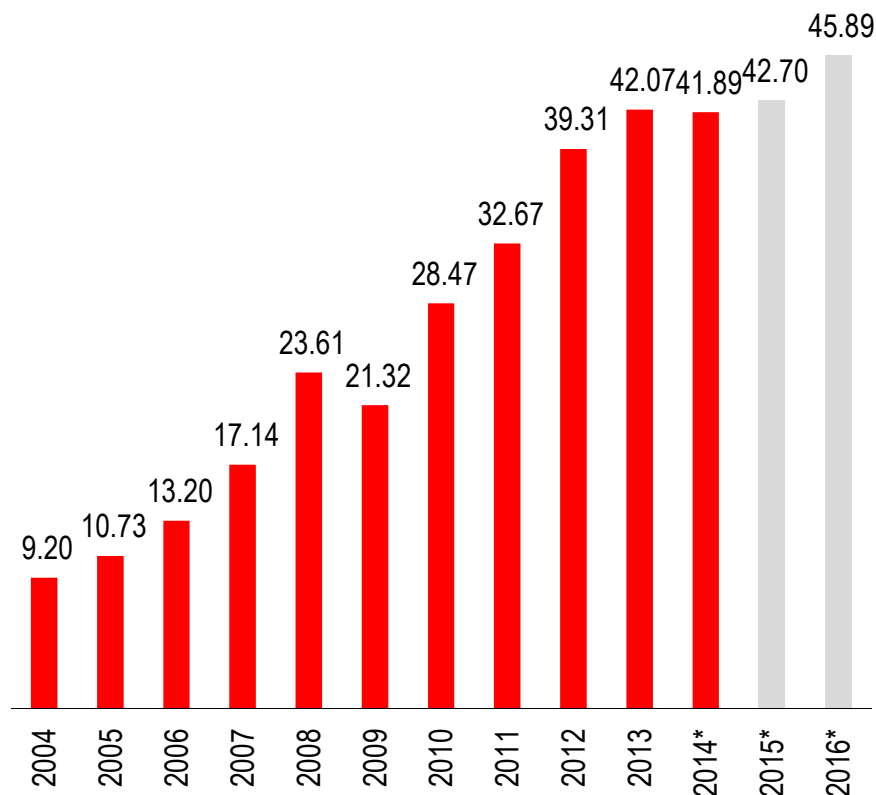


Economic growth has been driven by an increase in private investment...

Private Investment 2004-2016*
(Variation %)



Private Investment 2004-2016*
(US\$ Billion)



Source: BCRP

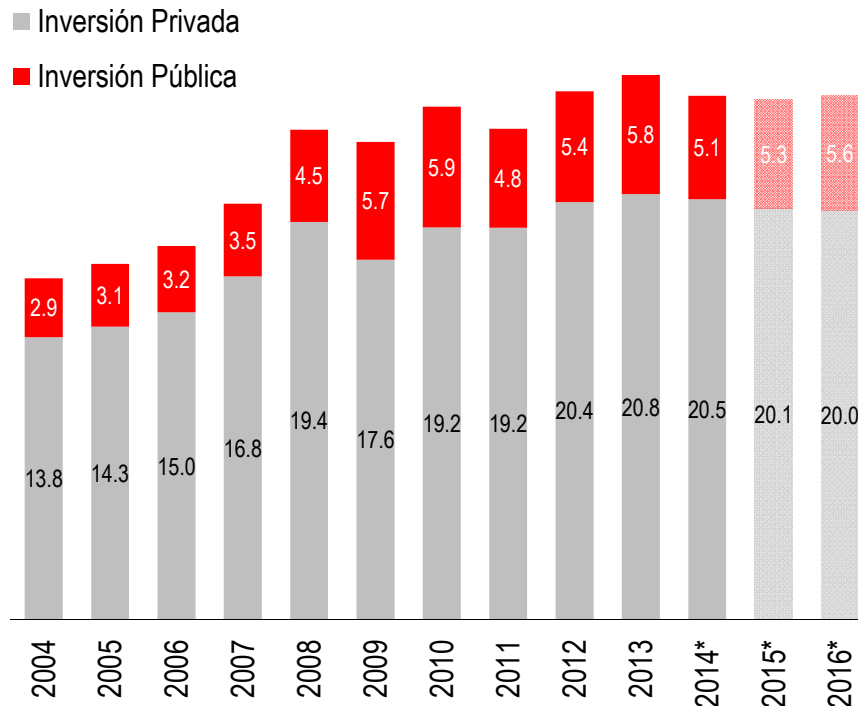
* BCRP Estimated figures (Inflation report January 2015)

1. MACROECONOMIC SOUNDNESS

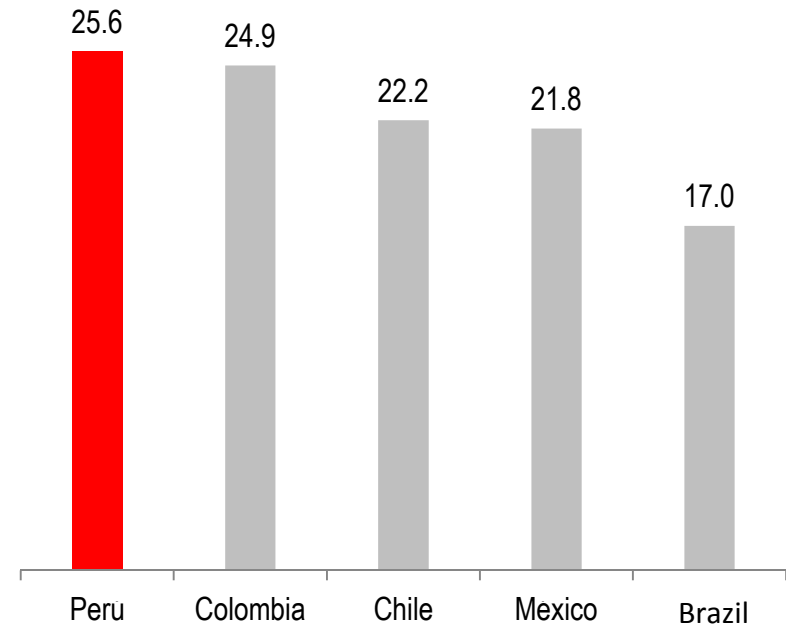


... which today represents almost 20% of GDP ...

Private Investment 2004-2016*
(% of GDP)



Total investment – LATAM 2013
(% of GDP)



Source: Central Reserve Bank of Peru

* Estimated figures of BCRP (Inflation report as of January 2015)

Source: International Monetary Fund and figures of Central Reserve Bank

1. MACROECONOMIC SOUNDNESS



Investment announcements have increased

Announcement of Private Investment projects 2015-2016
(US\$ million)

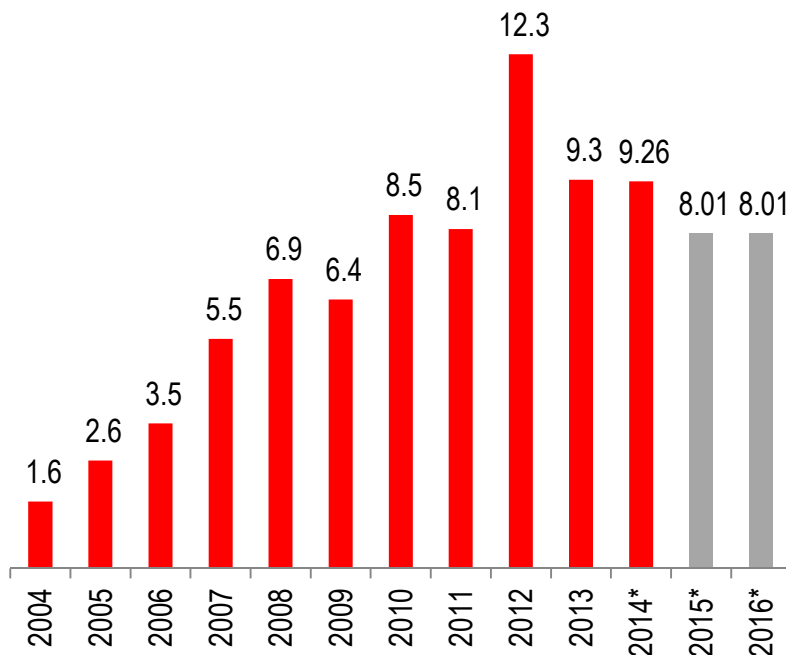
	Oct. 14	Jan. 15	Differences
Mining	12,768	12,549	-219
Hydrocarbons	5,368	5,856	488
Electricity	3,612	4,080	468
Industry	1,577	1,715	138
Infrastructure	2,767	2,767	0
Other Sectors	4,545	4,767	22
Total	30,637	31,734	1,097

1. MACROECONOMIC SOUNDNESS



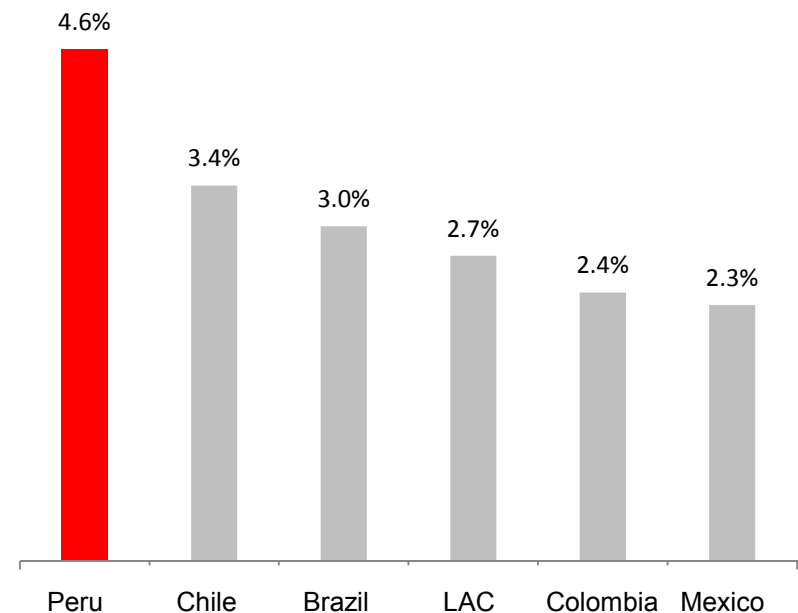
... Peru is an attractive market for foreign investment, which recorded \$ 9 billion in 2014

Foreign direct investment flow 2004 – 2016*
(US\$ Billion)



Source: BCRP
* Estimated figures BCRP (inflation report, January 2015)

Foreign direct investment – LATAM 2013
(% GDP)



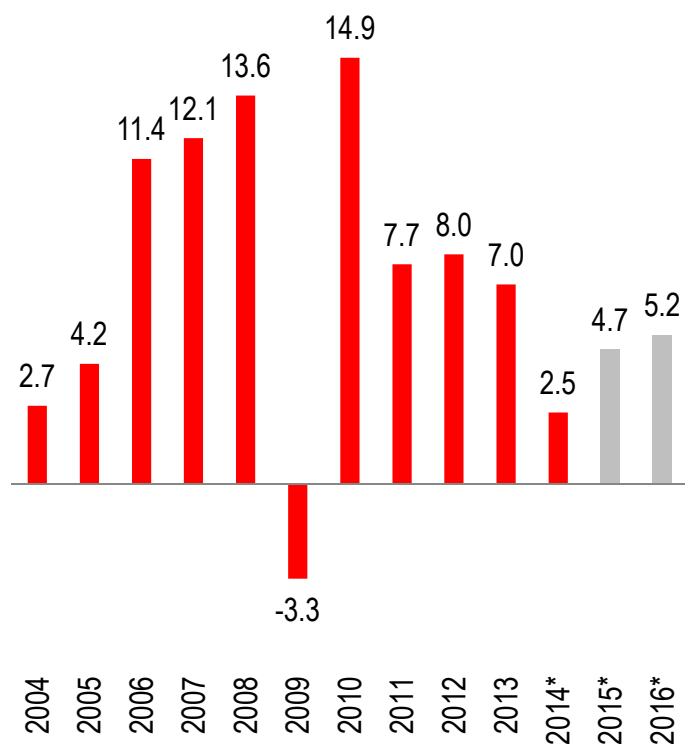
Source: IMF and CEPAL
* In the case of BCRP

1. MACROECONOMIC SOUNDNESS

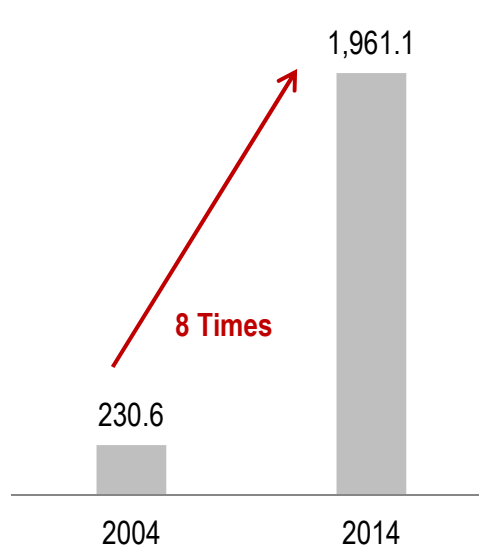


Furthermore, the domestic demand is strengthening ...

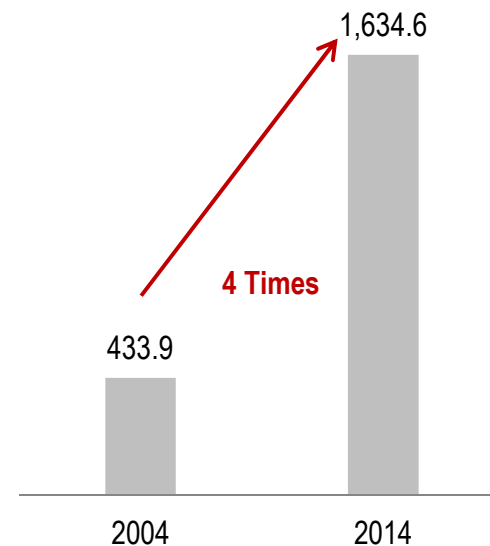
Real domestic demand 2004–2016*
(real annual Var. %)



Imports of vehicles for private use
(US\$ million)



Imports of domestic assets /1
(US\$ million)

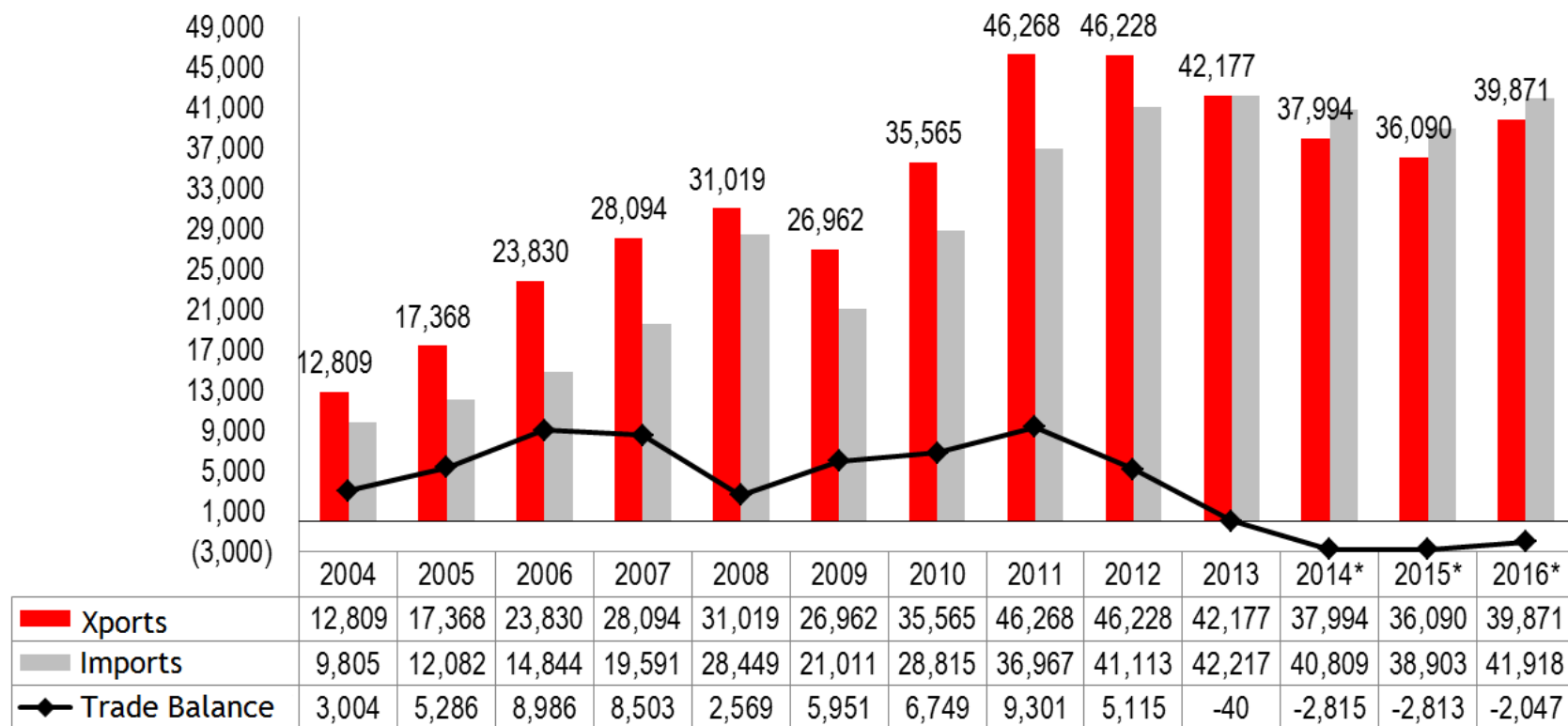


1. MACROECONOMIC SOUNDNESS



This is complemented by a dynamic commercial trade...

Balance of Trade 2004-2016*
(US\$ million)



Source: BCRP

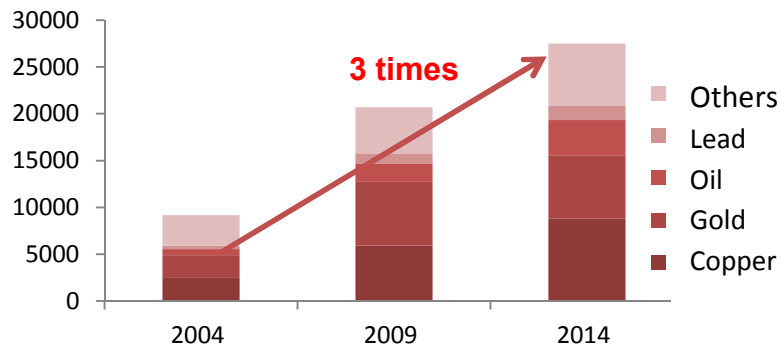
* Estimated figures BCRP (Inflation report, January 2015)

1. MACROECONOMIC SOUNDNESS



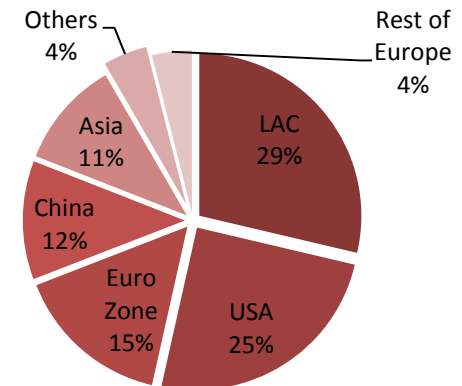
... we see diversification, both in products and markets

Traditional Exports(commodities)
(US\$ million)

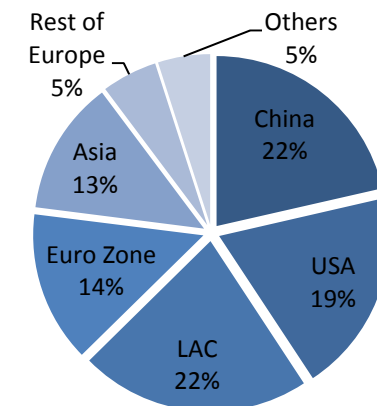


Main trading partners

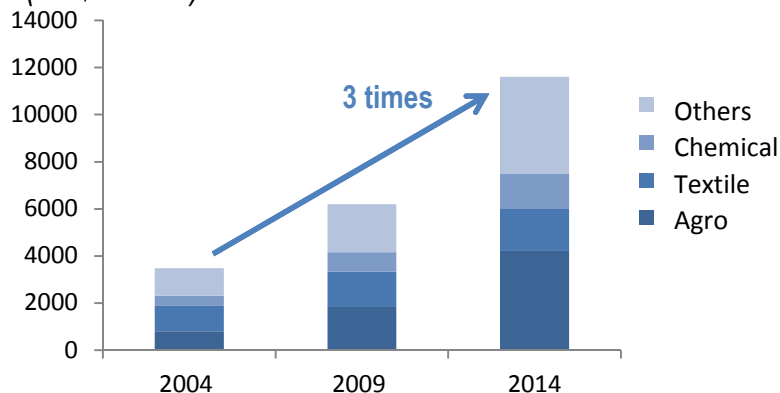
2004



2014



Non-Traditional Exports
(US\$ million)

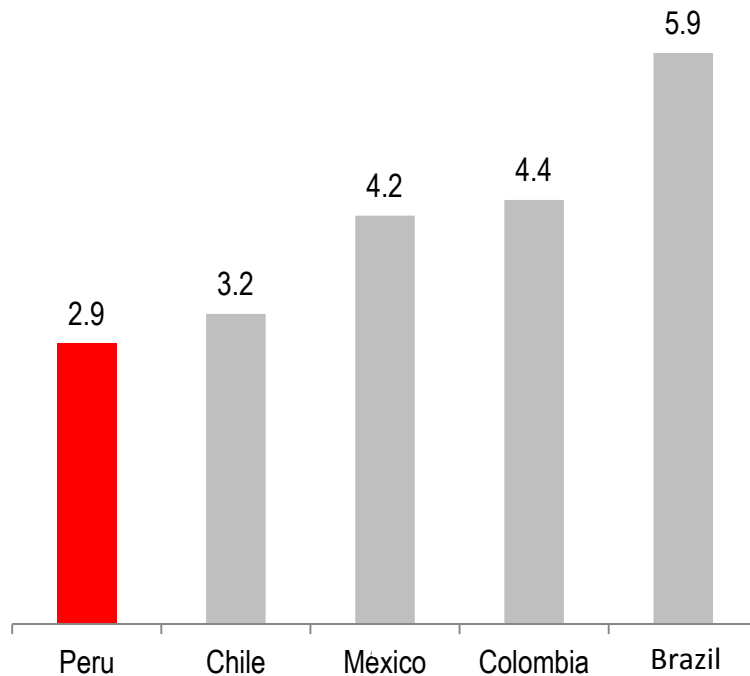


1. MACROECONOMIC SOUNDNESS

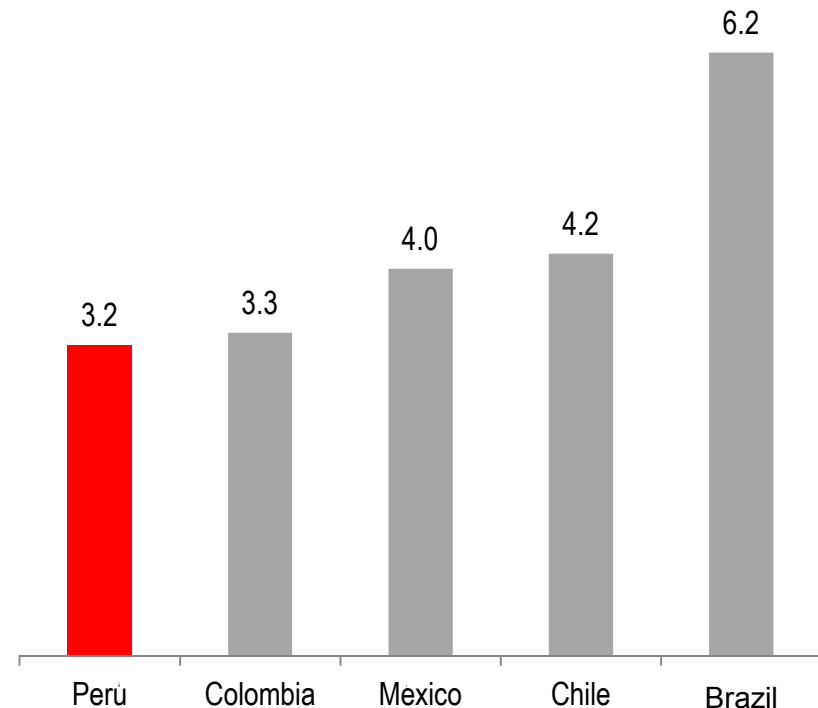


... all this, in a frame of macroeconomic stability, Peru records the lowest inflation rate at a regional level....

CPI – Latin America 2003- 2013
(Annual Average Variation %)



CPI – Latin America 2014
(Annual Average Variation %)

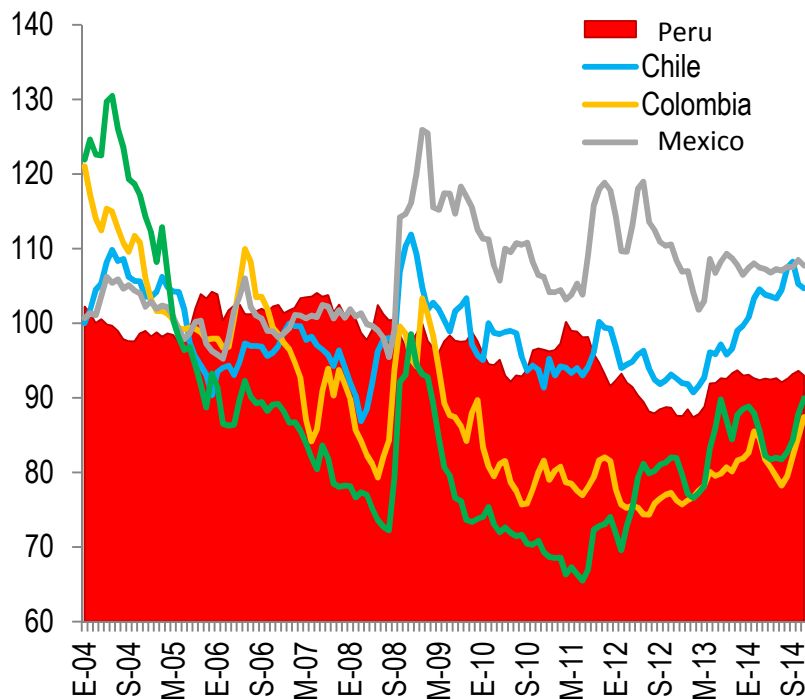


1. MACROECONOMIC SOUNDNESS



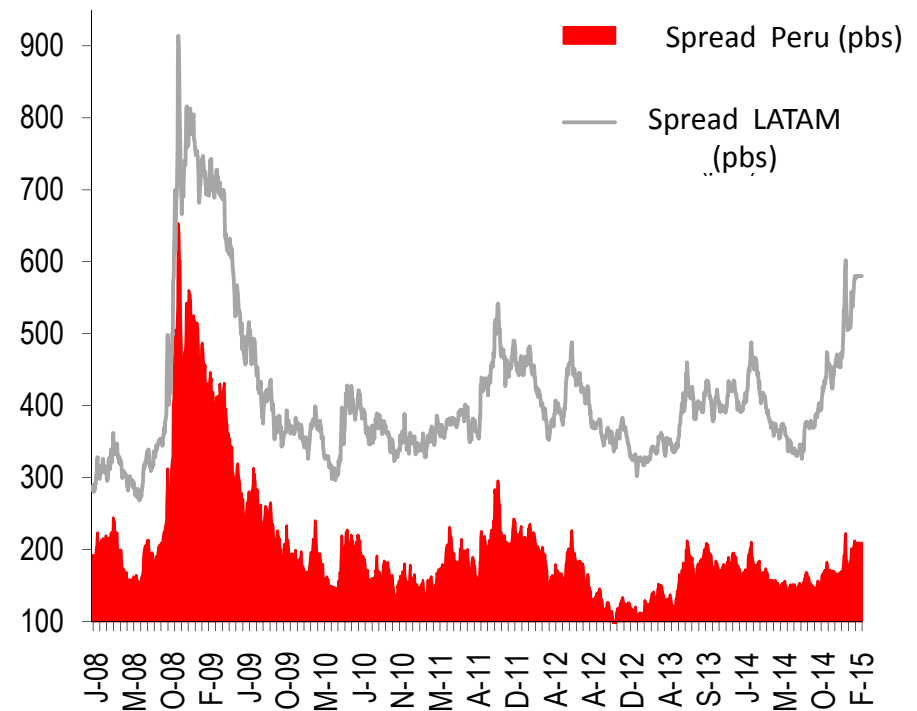
... has maintained stable exchange rates and a level of risk under the regional average

Exchange Rate in Latin America 2004-2014
(Index, Base year 2005 = 100)



Source: CEPAL

JP Morgan EMBI+
(Basic points)



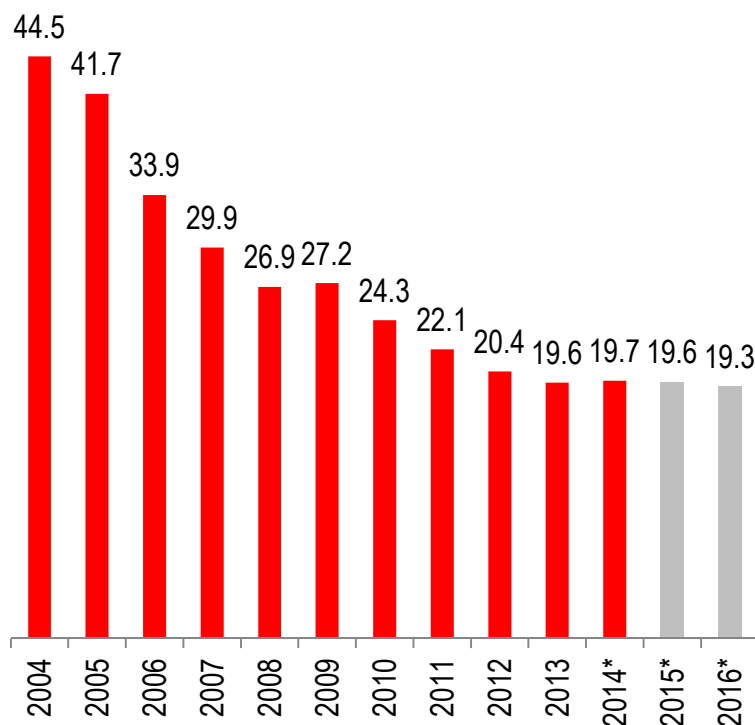
Source: BCRP

1. MACROECONOMIC SOUNDNESS



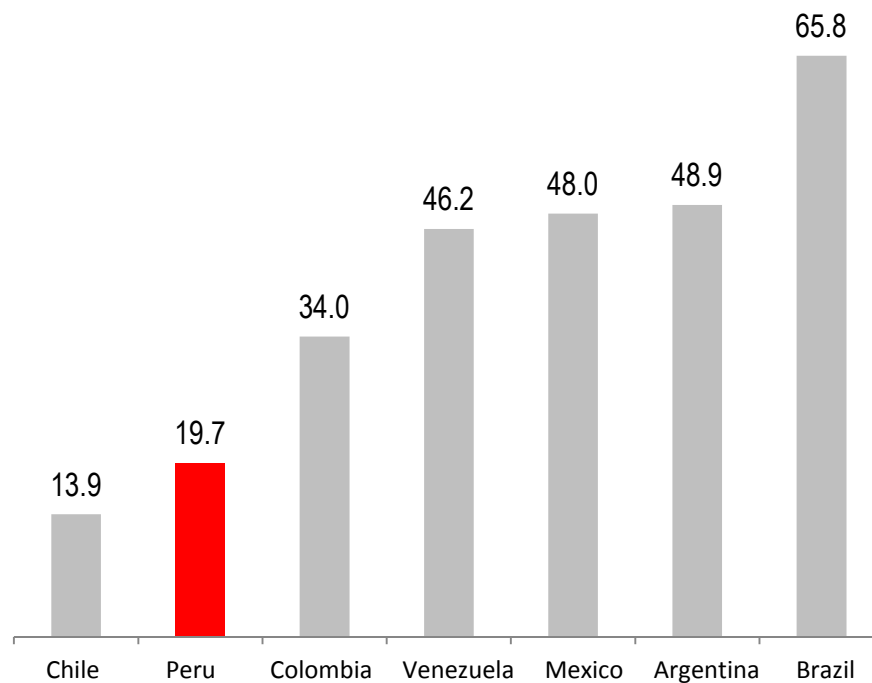
Peru maintains a healthy level of debt...

Public Debt– Peru 2004-2016*
(% of GDP)



Source: Central Bank of Reserve of Peru
*Estimated figures, CBRP (Inflation report January 2015)

Public Debt– Latin America 2014
(% of GDP)



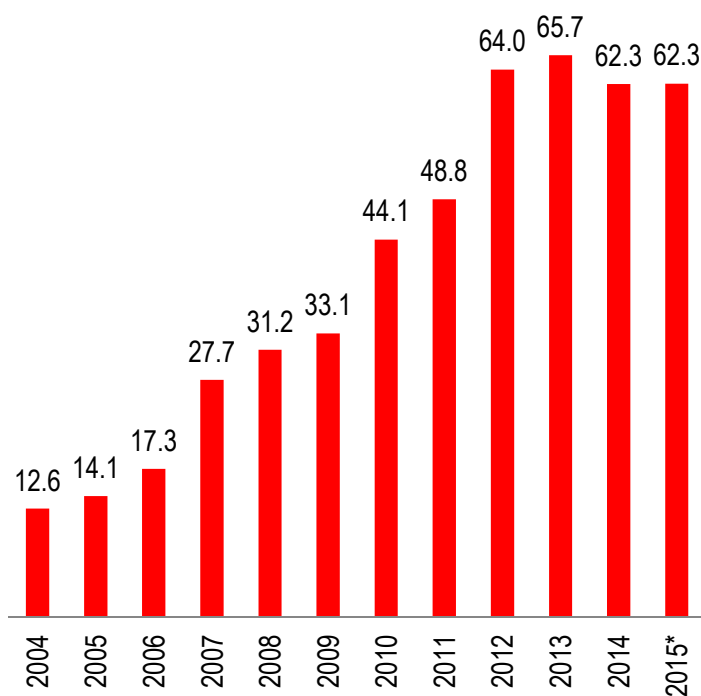
Source: IMF and BCRP

1. MACROECONOMIC SOUNDNESS



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

Net International Reserves
(US\$ Billion)



NIR Adequacy Indicators

	2004	2009	2014*
NIR (% of GDP)	19.2	27.2	30.5
NIR / GDP (Short-term Foreign Debt)	171.8	297.1	732.5
NIR /GDP Short-term Foreign Debt plus Current Account deficit)	173.2	281.6	356.4

Source: Central Reserve Bank of Peru

*Up to February 12, 2015

Source: BCRP. Inflation report January 2015

*Projection

1. MACROECONOMIC SOUNDNESS



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

Investment grade

Latin America benchmarking

Country	S&P	Fitch	Moody's
Chile	AA-	A+	Aa3
Peru	BBB+	BBB+	A3
Mexico	BBB+	BBB+	A3
Brasil	BBB-	BBB	Baa2
Colombia	BBB	BBB	Baa3
Bolivia	BB	BB-	Ba3
Ecuador	B+	B	B3
Venezuela	CCC+	CCC	Caa3
Argentina	SD	RD	Caa1

Source: Standard & Poor's, Fitch Ratings and Moody's.
Updated as of February 2015

Best countries for doing business

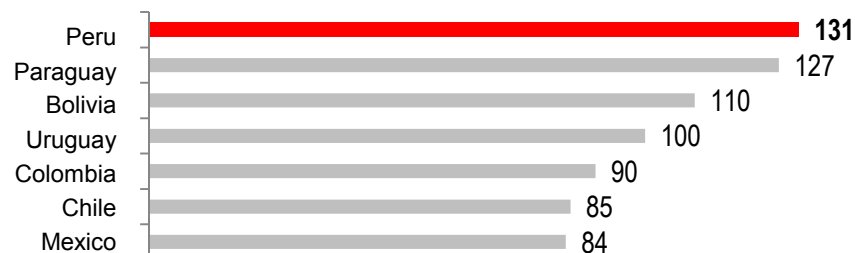
Latin America comparison

Posición LAC	Posición Mundo	Country
1	29	Chile
2	52	Peru
3	55	Uruguay
4	57	Costa Rica
5	61	Mexico
6	66	Panama
7	67	Colombia

Source: Forbes (December 2013)

Countries with the best investment climate

South America comparison



Source: Getulio Vargas Foundation (January 2015)



FRIENDLY INVESTMENT ENVIRONMENT



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2. FRIENDLY INVESTMENT ENVIRONMENT



Peru offers a favorable legal framework for foreign investment:

- Non discriminatory treatment: Foreign investors receive the same treatment as local investors.
- Unrestrictive access to most economic sectors *.
- Free transfer of capital.
- Free competition.
- Guarantee for Private Property.
- Freedom to purchase stocks from locals.
- Freedom to access internal and external credit.
- Freedom to collect royalties.
- Network of investments agreements and member of ICSID and MIGA.
- 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.

*Investments that require authorization: Located within 50 km in the frontier line and those destined to arms, ammunitions and explosive. Likewise, a principal local partner for investments in maritime cabotage as well as in air transport is required.

2. FRIENDLY INVESTMENT ENVIRONMENT



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).

2. FRIENDLY INVESTMENT ENVIRONMENT



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.

2. FRIENDLY INVESTMENT ENVIRONMENT



A steady tax regime:

Tax		Applicable Rate
INCOME	Corporate profits	28.0% (2015-2016) 27.0% (2017-2018) 26.0% (2019 henceforth)
		Agriculture and agribusiness 15%
	Dividends	6.8% (2015-2016) 8.0% (2017-2018) 9.3% (2019 henceforth)
	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%

2. FRIENDLY INVESTMENT ENVIRONMENT



Continuous effort to facilitate the establishment and operation of business

Peru ranks second in the region in the improvement of business regulations.



Doing Business 2015

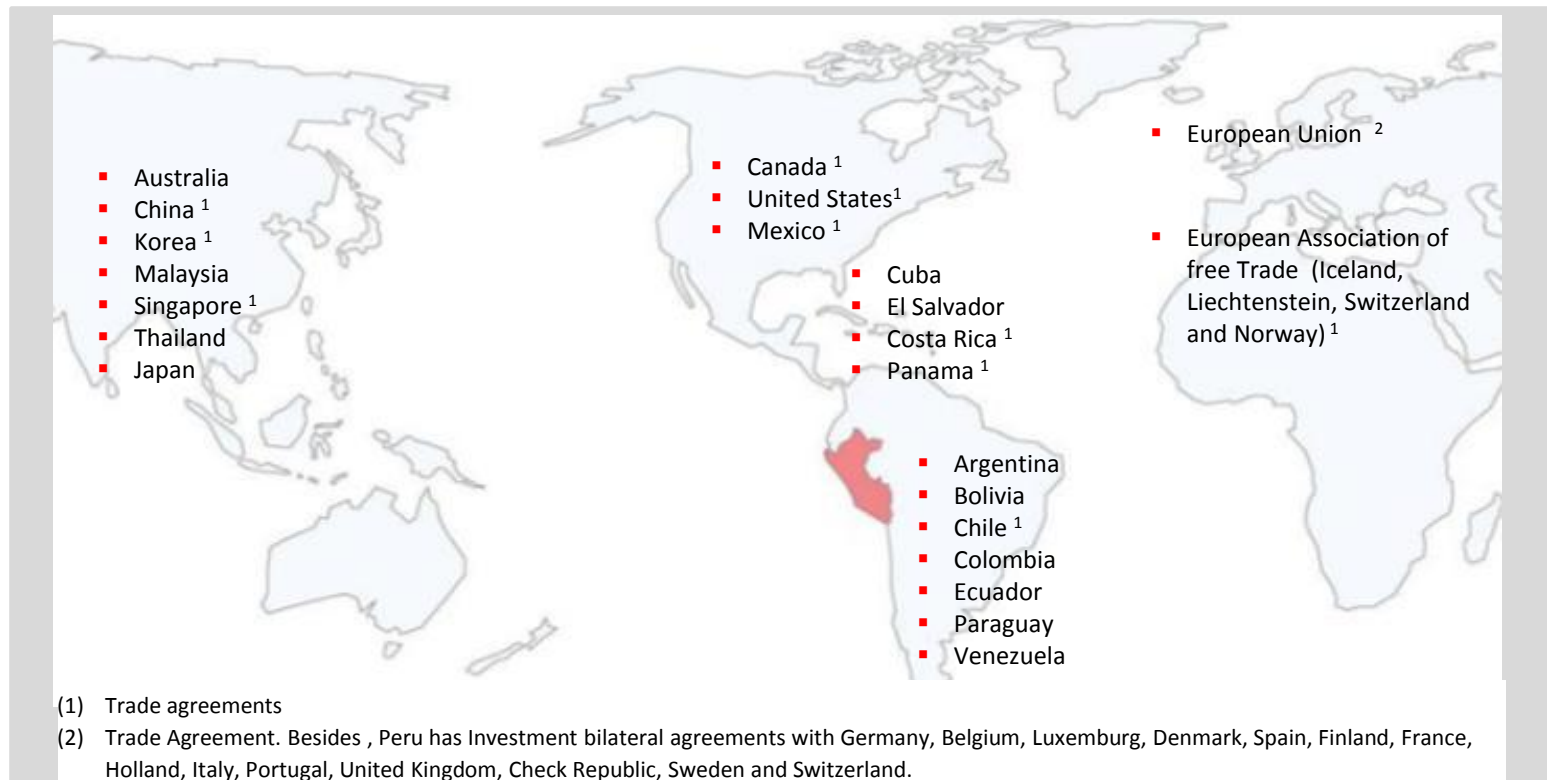
Position	Country
1	Colombia
2	Peru
3	Mexico
4	Chile
5	Uruguay

2. FRIENDLY INVESTMENT ENVIRONMENT



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.



OPEN TRADE AND MARKET ACCESS POLICY



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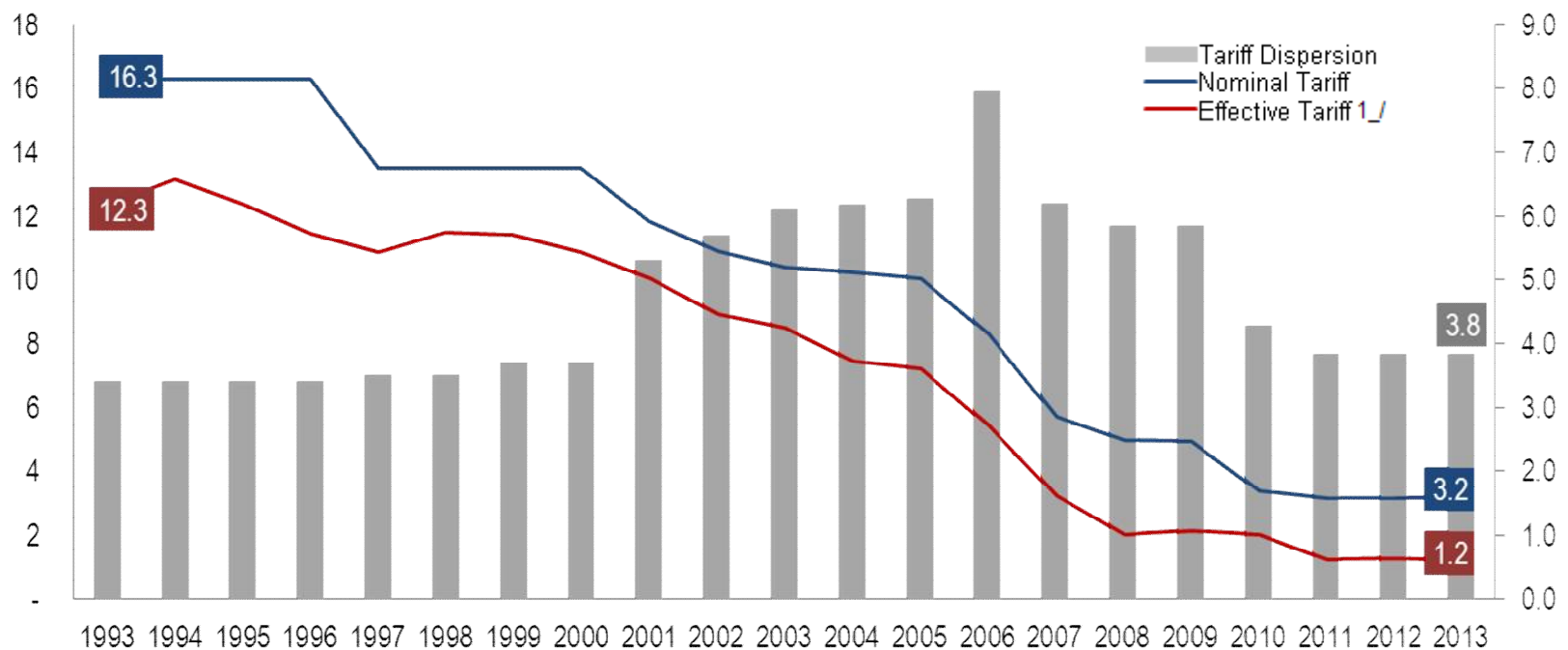
Agencia de Promoción de la Inversión Privada - Perú

3. OPEN TRADE AND MARKET ACCESS POLICY



An open trade policy sustained over time

Evolution of nominal and effective tariff; and tariff dispersion 1993 – 2013



Source:MEF

Notes:

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

2)Tariff Dispersion= Standard Deviation

3. FRIENDLY INVESTMENT ENVIRONMENT



Reduced tariff structure with low tariff dispersion

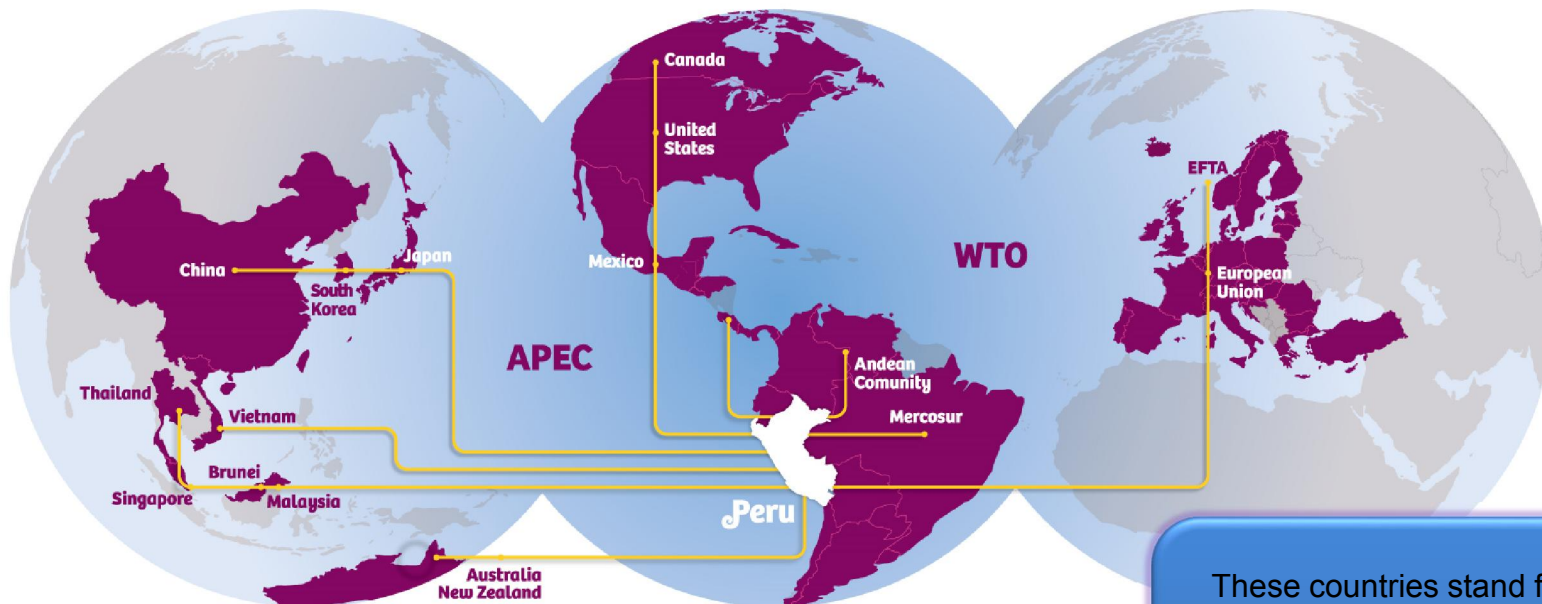
LEVELS OF AD VALOREM	TARIFF LINES ^{2/}	
	NUMBER	PROPORTION (%)
0	4,224	55.9%
6%	2,538	33.6%
11%	792	10.5%
Total	7,554	100 %
EFFECTIVE AVERAGE TARIFF %		3.2
EFFECTIVE TARIFF %		1.1
STANDARD DEVIATION %		3.8

Source: SUNAT – MEF

OPEN TRADE AND MARKET ACCESS POLICY



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 IN ATTRACTIVE SECTORS



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AGRIBUSINESS SECTOR

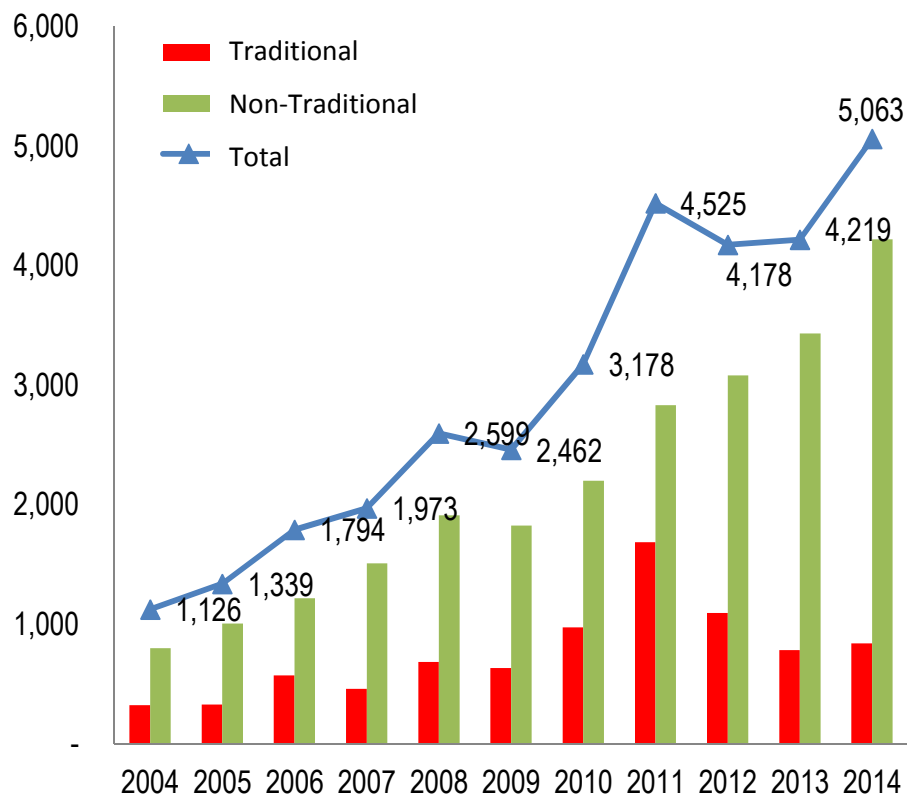


- ❖ **Natural greenhouse.**
- ❖ **High agricultural yields:** Sugarcane (2nd), Asparagus, Olives (3rd), Artichokes (4th), Grapes (6th) and Avocado (11th).
- ❖ **Seasonal windows** in major markets.
- ❖ **The 100,000 ha of land currently devoted to agricultural exports are expected to double** as a result of large agricultural irrigation and expansion existing projects.
- ❖ **More than US\$ 5.000 billion in exports of fresh and processed products** to more than 150 countries.
- ❖ **Organic and Natural Products with high export potential.**

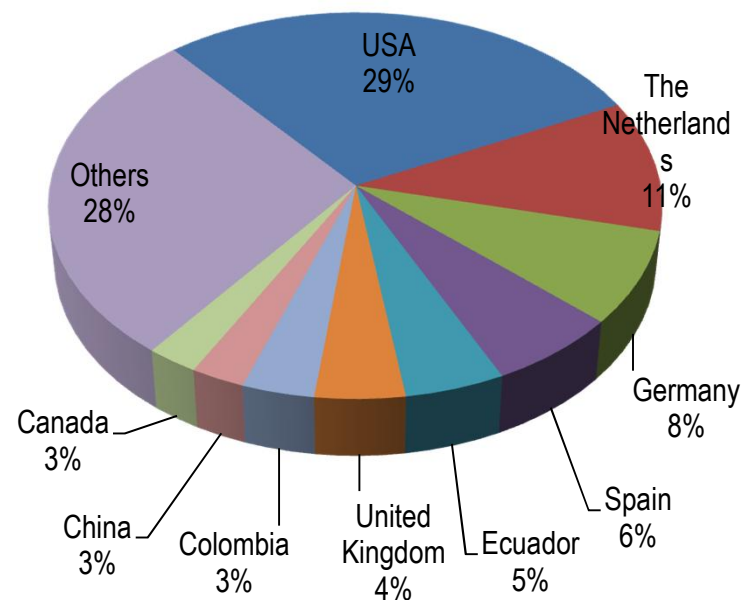
AGRIBUSINESS SECTOR



Agricultural Exports (FOB US\$ Million)



Agricultural exports according to Target Market – 2013



MANUFACTURING INDUSTRY

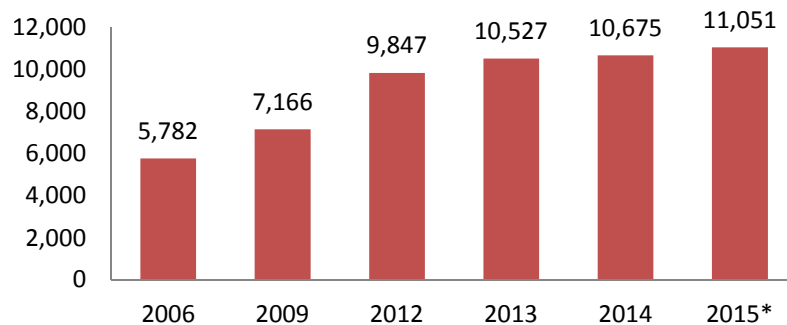


- ❖ During 2010 the Manufacturing sector recorded an annual economic positive growth rate of less than 2.0%, down to their lowest level , (-3.29) during 2014.
- ❖ There are different causes, among them we can emphasize the international situation and the drastic reduction on the capture of hydro biological species.
- ❖ Significant recovery is estimated since the second quarter of 2015 by the internal market dynamics at the beginning of several works of the large projects of infrastructure granted in concession in recent years

MANUFACTURING INDUSTRY

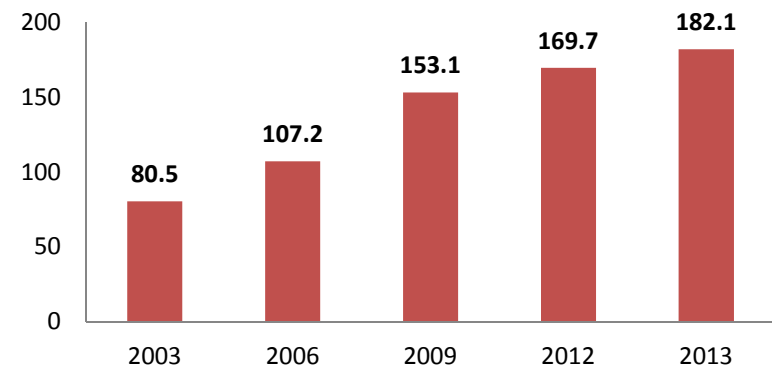


Cement Production (thousands of metric tonnes)

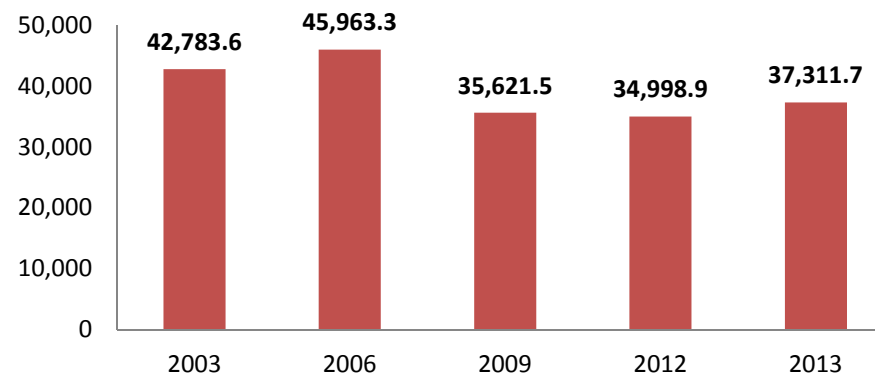


*Estimated data

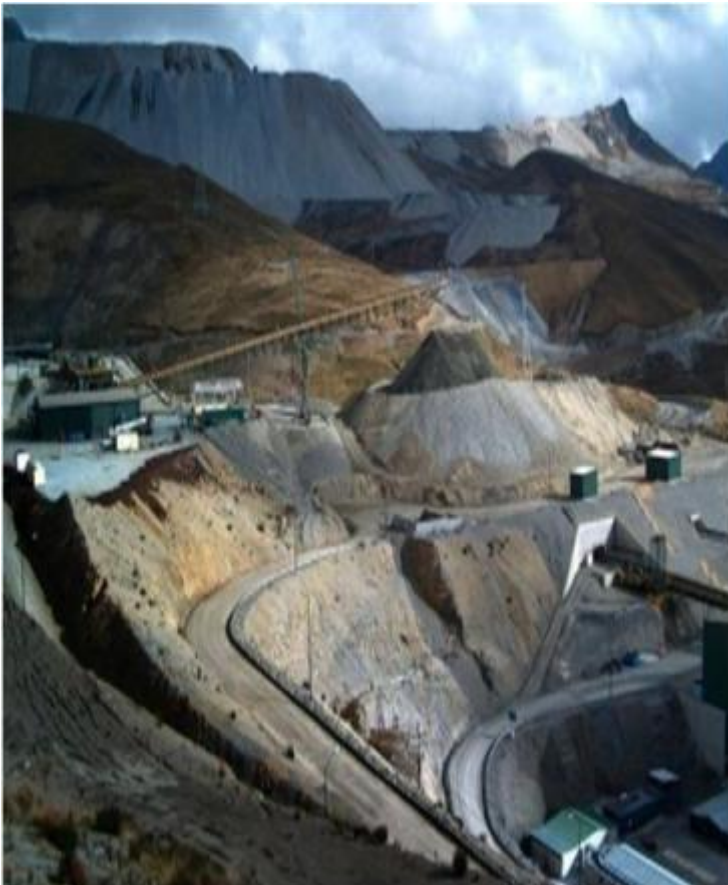
Production of Steel (thousands of tonnes)



Production of Cotton Fabrics (thousands of meters)



MINING SECTOR

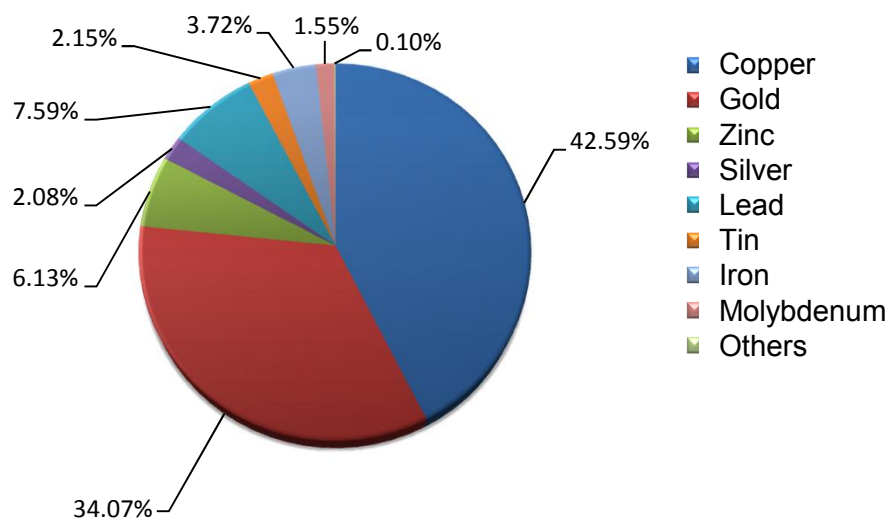


- ❖ **Polymetallic country**, second in the world for copper reserves, third in zinc, and first in silver.
- ❖ 13.61% of the land is subject to mining concessions, and **only 1.25% of the land is taken for mining exploration and exploitation.**
- ❖ In the world: Third producer of copper, silver, tin and zinc worldwide. In Latin America: First producer of gold, zinc, tin and lead. And 2nd of copper, silver and molybdenum.
- ❖ In 2014, investment in mining reached a value of US\$ 8,643 million.
- ❖ Peru is one of the few countries in the world with non-metallic mineral deposits, including diatomite, bentonite, limestone and phosphate.

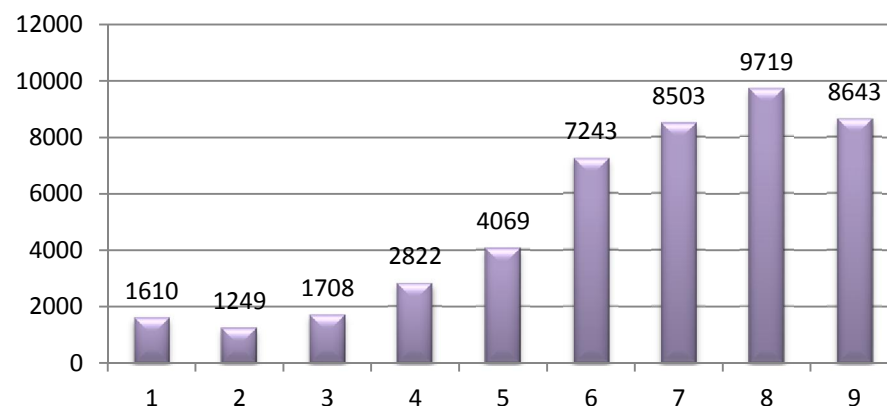
MINING SECTOR



Share on Exports, by Mineral - December 2014



Mining Investments- December 2014 (US\$ Millions)



Source: MINEM. Mining Statistical Bulletin.
Annual report 2013.

Elaborated by: ProInversión

Source: MINEM. Sub Mining Sector Statistical Bulletin.
December 2014.

Elaborated by: ProInversión

ENERGY SECTOR

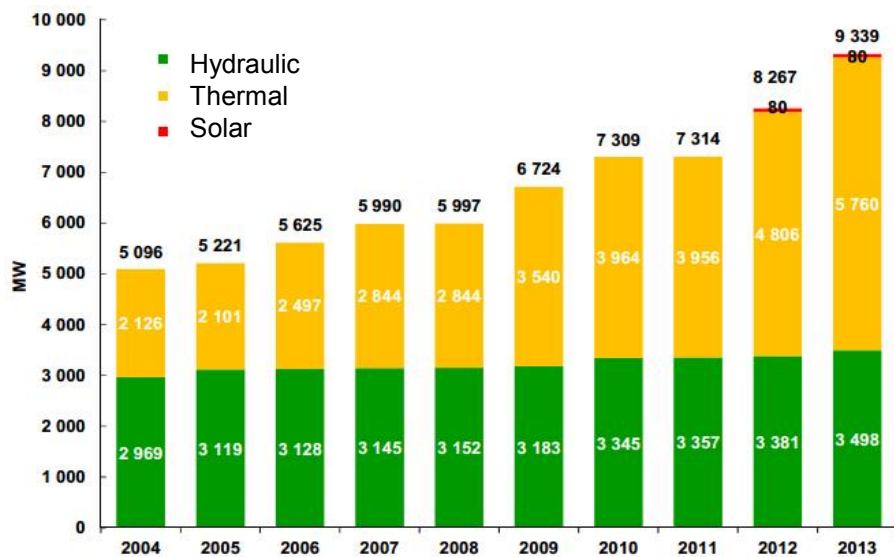


- ❖ **Great energy potential:** The wide availability of water resources and natural gas has enabled to meet the growing electricity demand in the country.
- ❖ In 2014, **92% of the population had access to electricity.**
- ❖ **The 2013 energy matrix comes principally from hydro generation (52%) and natural gas (46%).** The remaining 2% comes from other renewable sources.
- ❖ **Resources to be discovered and exploited:** There are other renewable energy sources to be explored such as solar, wind, biomass and geothermal sources.
- ❖ **Energy production has grown** at an average rate of **6.7%** in the past 10 years, led by thermal generation, which grew by an average annual rate of 14.6%, while hydro energy grew 2.7%.
- ❖ The main economic groups of power generation are: Endesa, GDF Suez, Globelec, Statkraft and Duke Energy.

ENERGY SECTOR

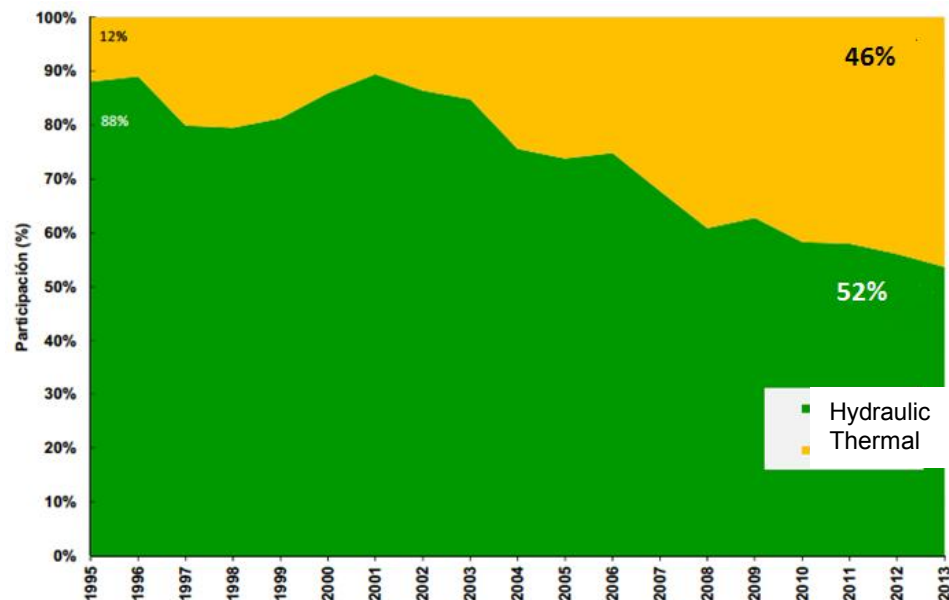


Power installed in the electric market by technology (MW)



Source: MINEM. Executive Electricity Yearbook 2013.

Share in the energetic matrix



Source: MINEM. National Energy Plan 2014-2025.

PETROCHEMICAL SECTOR

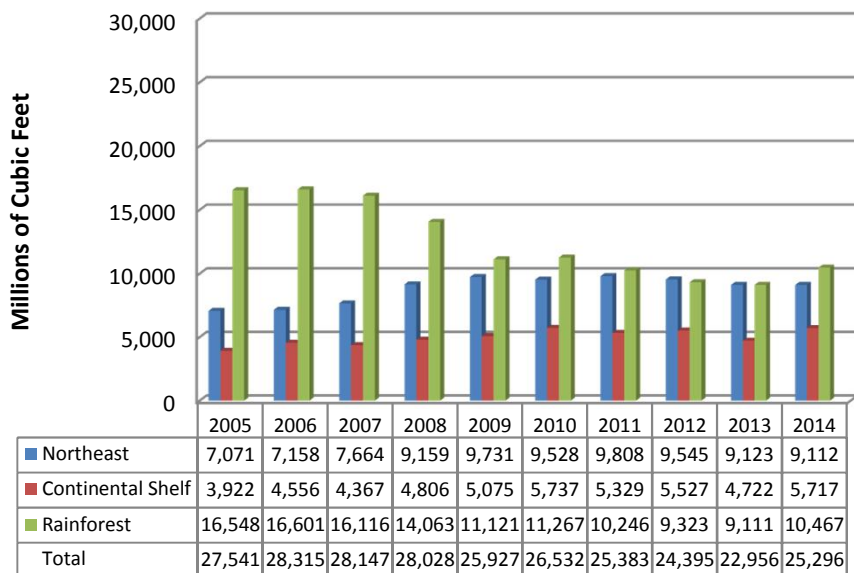


- ❖ **In 2013, natural gas production totaled 430.559 million cubic feet**, driven by growing demand from power plants, increased consumption of natural gas vehicles (NGV), domestic and commercial.
- ❖ Peru is the only sustainable source of natural gas in the South American Pacific.
- ❖ Peru has oil fields that have not been explored (29.97 million ha), making it a potential petrochemical hub.
- ❖ The petrochemical industry is **integrated with the production of natural gas and other liquid hydrocarbons**, creating a significant added value.
- ❖ Among the products produced by the petrochemical industry are Final fertilizers, plastics and detergents.
- ❖ **Investment opportunities for US \$ 6.500 million** for the construction of 2 floors of ammonia, 1 level of ammonium nitrate, urea, ethylene and polyethylene.

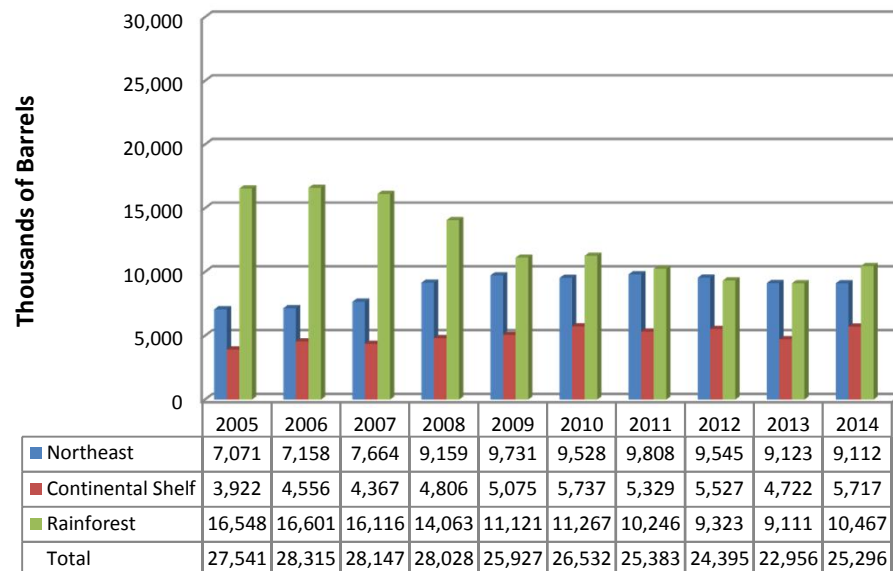
PETROCHEMICAL SECTOR



Fiscal Production of Natural Gas, 2005-2014



Fiscal Production of Oil 2005-2014



TOURISM SECTOR

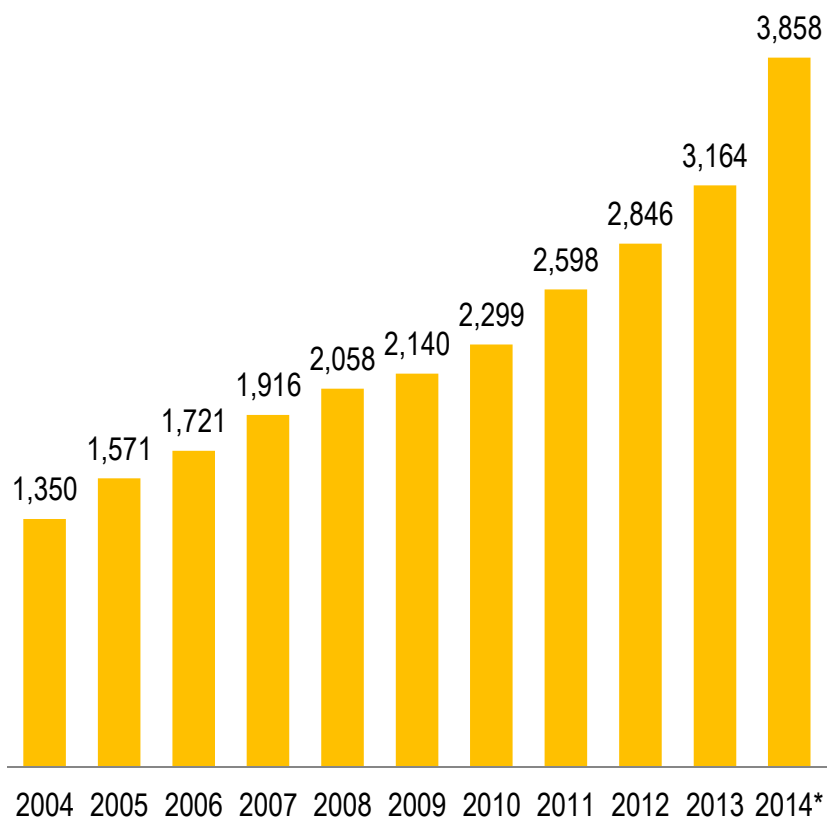


- ❖ **Important cultural destination** for archaeological sites of the Inca and pre-Inca cultures.
- **Machu Picchu** was voted one of the New 7 Wonders of the World.
- ❖ **Diversity of natural settings.**
- ❖ **Destination for bird and orchid watchers.**
- ❖ **Lima is considered the gastronomic capital of Latin America.**
- ❖ **Important investment by internationally renowned hotel chains.**
- ❖ **Increased connectivity of the Peruvian air market with increased weekly frequencies in international flights to allow more connections and destinations, with more and better travel options.**
- ❖ **Investment Opportunities in the 8 priority destinations:** Northern Beaches, Amazon River, Amazonas, Kuelap, Moche Route, Lima, Nazca, Paracas, Colca Valley and Puno-Lake Titicaca.

TOURISM SECTOR



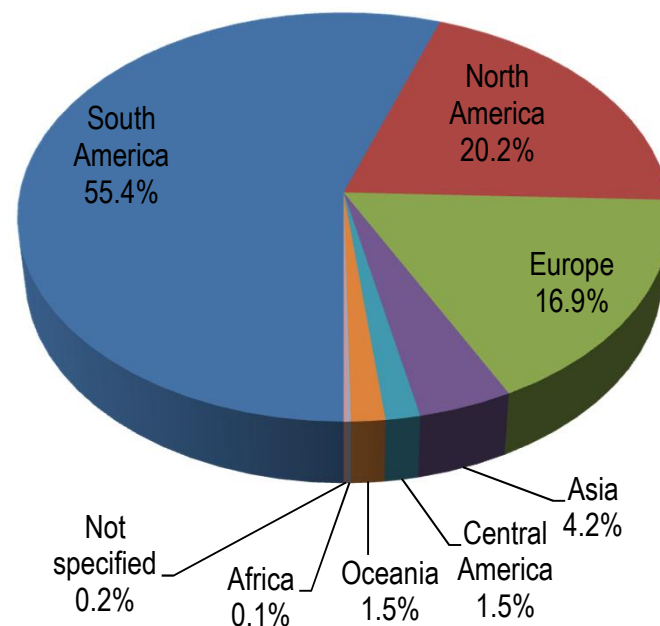
**Tourist arrivals
(Thousands of people)**



Source: MINCETUR

*Preliminary figures

**Tourist Arrivals by region of origin –
2014***



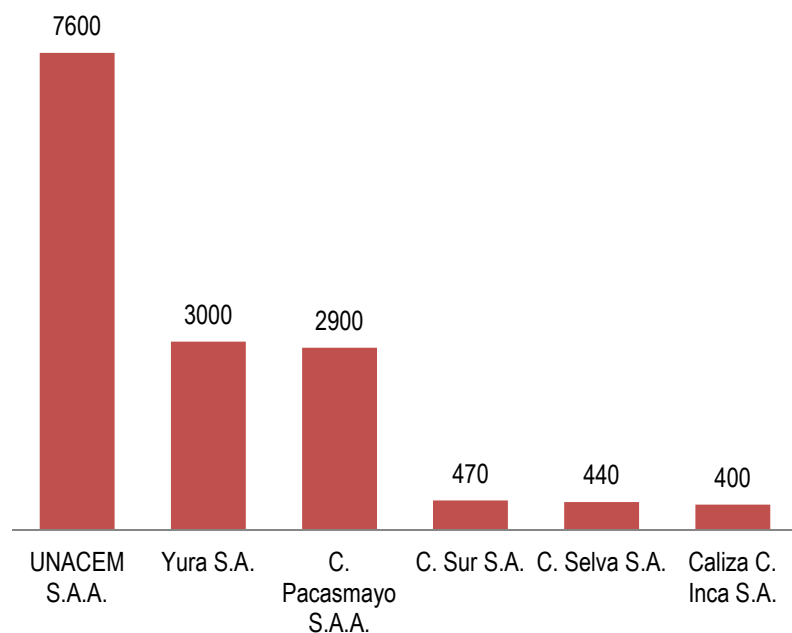


- ❖ **The average GDP growth in the construction period January to December 2014 is 1.68%.**
- ❖ The slowdown in the economy reduced the demand in properties that were registered until 2013. Nevertheless in the past year the largest investment of the sector were directed to the construction of shopping centers.
- ❖ In order to facilitate the access to a property – nationwide – the Ministry of Housing and Construction has implemented the following Programs and Products:
 - New Credit My Housing Fund
 - My Construction
 - My materials
 - Own Roof
 - Bonus structural reinforcement
 - My house More
 - My field

REAL ESTATE

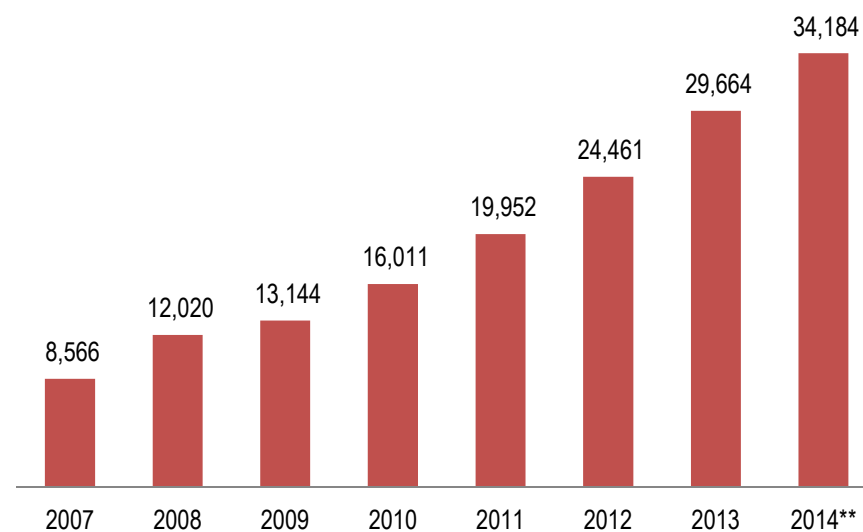


**Peru: Installed Cement Production Capacity
by Company, 2014**
(Thousands of Metric Tons / Year)



Source: ASOCEM- Association of Cement Producers

**Mortgage Loans provided by the Financial System
2007-2014***
(US\$ Million)



(*) Includes loans in soles and dollars

(**)The municipal Savings information of 2014 is up to November
Source: Superintendency of Banks and Insurance

SERVICES - OUTSOURCING

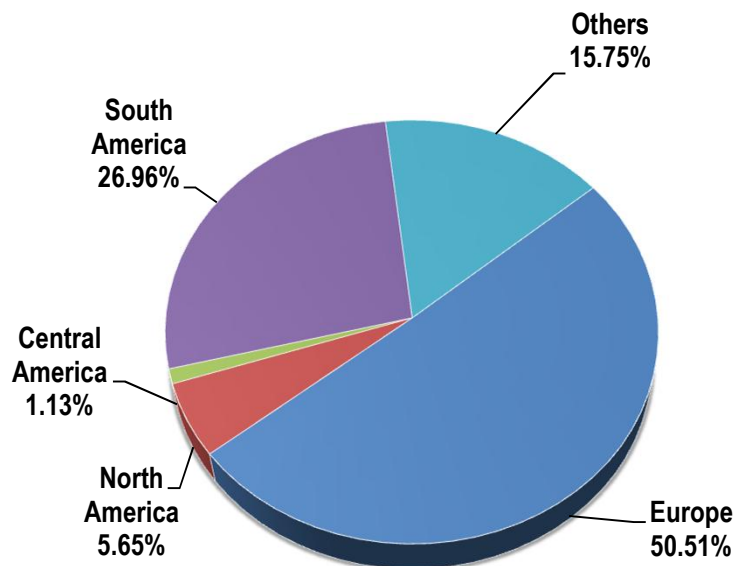


- ❖ **The lowest labor costs per operator in Latin America** (US\$ 270), a factor that accounts for 60% of operating costs in contact centers.
- ❖ Presently, contact centers represent 23,063 positions generating 36,479 direct jobs. **In 2012 exports grew by 12%.**
- ❖ **Exports** of services from contact centers, data processing, computer application and programs and the likes **are not subject to VAT.**
- ❖ **Availability of technology requirements and low real estate costs.**
- ❖ The implementation of the **Data Protection Act** (passed in 2011) will strengthen the position of companies in the sector and will open new opportunities for the generation of larger business concerns.

SERVICES - OUTSOURCING

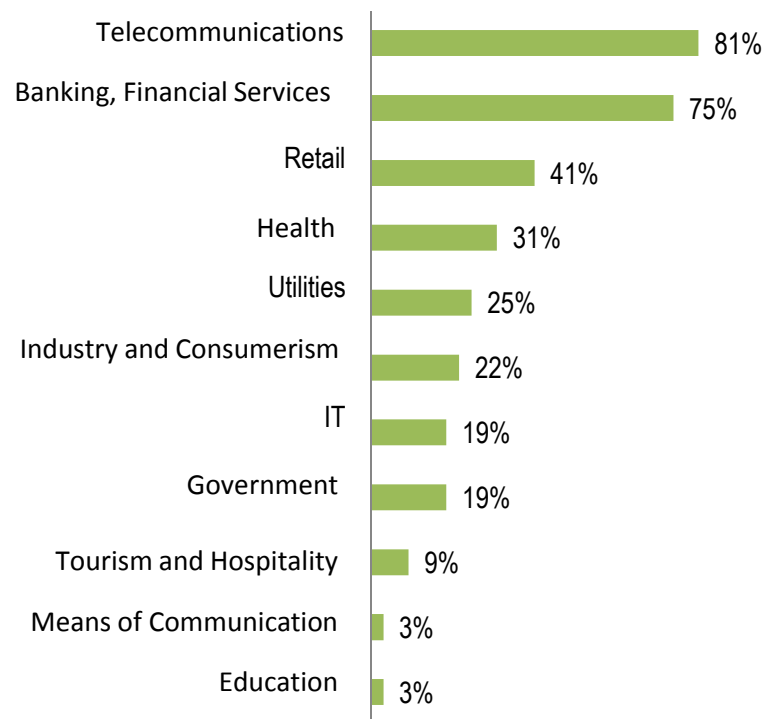


Exportación de Servicios de Centros de Contacto Principales mercados 2012



Source: Survey and Standardization of Data of Export Services
2012

Centros de Contacto Principales sectores atendidos 2012



Source: Survey and Standardization of Data of Export Services
2012

TRANSPORT INFRASTRUCTURE



- ❖ **Peru** has prioritized the development of transport infrastructure (road, rail, port and airport) to increase competitiveness and set a **logistics hub that integrates Latin America, the economic region of Asia - Pacific.**
- ❖ In this perspective the **investment commitments in concessions of the sector, in 31 projects are around US\$ 13,755 billion**, creating its modernization, with reduced logistics costs and boosting via TLC, Peru's integration with global markets in more competitive conditions.
- ❖ The developed infrastructure will be complemented by new investments planned by 2016, the ERM, having **previously realized projects over US\$19,290 million** (APP and public works); representing **significant investment opportunities for contractors and operators.**

New Investments in Transport Infrastructure Programmed for 2014-2016

INFRAESTRUCTURA DE TRANSPORTES	OBRA PÚBLICA	CONCESIONES APP	TOTAL
ROAD INFRASTRUCTURE(1)	8, 225	3, 309	11, 534
WATWERWAYS INFRASTRUCTURE (2)	-	69	69
AIRPORT INFRASTRUCTURE(3)	-	538	538
PORT INFRASTRUCTURE(4)	-	548	548
RAILWAYS INFRASTRUCTURE	-	6, 601	6,601
(Lima Metro Network) (5)			
TOTAL (/6)	8, 225	11, 065	19, 290

Source: MTC Production: ProInversión

(1) Includes public works and concessions.

(2) Development of Waterway System of the Amazonía, on the Rivers Ucayalí, Huallaga, Marañon and Amazonas. Estimated amount.

(3) Comprises the Concession of the New International Airport of Chinchero - Cusco. Estimated Amount.

(4) Committed investment in the Port Terminals: General San Martín San Juan de Marcona, Salaverry, Ilo, Pucallpa and Iquitos.

(5) Committed investment: Line 1 section 2 and Line 2

(6) Do not includes committed investment in the granted concessions, or future projects with private investments, or unsolicited proposals (UP)



www.proinversion.gob.pe
contact@proinversion.gob.pe