

Peru

Major Business Sectors

Compiled by:

Swiss Chamber of Commerce in Peru

Lima, May 2014

OVERVIEW AND TRENDS

Over the past five years, Peru has made great strides in its development. Its achievements include high growth rates, low inflation, macroeconomic stability, reduction of its external debt and poverty (by almost 18% in the last seven years); and significant advances in social and development indicators. Despite the fluctuations of the world economy, the Peruvian GDP registered a growth of 5% at the end of 2013, which gives the country the privileged ranking of one of the fastest-growing economies in the region, consistently achieving and accumulating annual average growth of approximately 5.6% over the past 14 years.¹

Inflation has shown a downward trend over the last decade, the Peruvian economy has had one of the lowest annual average inflation rate in Latin America, at 2.6%, below that of Chile (3.2%), Colombia (4.9%) and Brazil (6.4%). According to the International Monetary Fund, Peru is considered a rising star that is part of the new wave of leading emerging markets, and today has solid fundamentals, a framework of sensible policies and a careful macroeconomic approach; all of which enables it to enjoy sustained growth and reduced vulnerability.

At the end of 2013, a flow of Direct Foreign Investment of US\$ 22,615 million was reported; the countries which invested most are Spain (19.72%), the United Kingdom (19.09%), the United States (14.01%), the Netherlands (6.78%) and Chile (6.29%).² Together, these five countries accounted for over 50 per cent of investment in Peru in 2013 (US\$14,900 million). The sectors receiving most investment are mining (25.75%), communications (23.46%), finance (18.69%), industry (10.56%) and energy (9.71%), together making up 88.17%.

Peru's development strategy is based on an economy open to the world and competitive in its export offer. So far, it has been a successful strategy that has permitted the country to consolidate its foreign

¹ Ernst & Young 2014

² 2014 - Proinversion

trade in goods and services as an instrument for economic development and reduction of poverty. Nearly 95% of Peru's exports are covered by Free Trade Agreements (FTAs) currently in force with important commercial partners such as the USA, Canada, China, Japan, South Korea, Thailand, Singapore and the EU country members.¹ Regarding the FTA with the European Free Trade Association (EFTA), the agreement has come into effect with Switzerland and Liechtenstein on July 1st 2011, with Iceland on October 1st 2011 and with Norway on July 1st 2012.³

DOMESTIC

Period: 2013

BUSINESS SECTOR	% OF GDP	CHANGE FROM PREVIOUS YEAR	VALUE IN USD M
Agriculture	7.11%	2.2%	6,596.80
Fisheries	0.39%	12.6%	360.45
Mining	4.62%	2.9%	4,285.03
Manufacturing	13.75%	1.7%	12,760.08
Electricity and Water	2.01%	5.6%	1,865.46
Construction	7.26%	8.5%	6,738.87
Trade	15.44%	5.8%	14,326.55
Other Services	40.11%	6.3%	37,227.04
Import regulations and taxes	9.32%	3.6%	8,645.29
Global GDP	100.00%	5.0%	92,805.57

Source: BCRP

Average Exchange rate 2013: S/. 2.70

A GDP growth of 5% was recorded in the non-primary sectors, predominantly in construction, which registered a growth of 8.5% in comparison to the previous period; this due to an accumulated steady expansion in the past five years and a boost of higher income being earned in households, heftier public and private investments, and improvement in financing terms for housing acquisition. A growth by 10% in this sector is expected in 2014, due to higher public and private investment, which will boost the execution of works, most notably of road infrastructure and real estate projects. Other services sectors grew by about 6.3% and accounted for 40.11% of the GDP; the trade sector grew by 5.8%, representing 15.44% of GDP.⁴

³ Ministry of Foreign Trade and Tourism – MINCETUR 2013

⁴ Ernst & Young 2014

The primary sectors show a different picture; *fisheries* sector rose by 12.6%, in which the top exported products include frozen, dried, salted or brine cuttlefish, bobtail, squid, giant squid and scallops. The *agriculture* sector grew by 2.2% and the mining sector posted an increase by 2.9%.

GDP Outlook

The Central Reserve Bank of Peru has forecasted a GDP growth of 6% for 2014. In its Multi-annual Macroeconomic Framework for 2013-2015, the Ministry of Economy and Finance (MEF) predicts a 6%-6.5% average annual GDP increase, while exports are anticipated to rise by 5.3%-9% annually. The Framework also points to expected rises in private and public investment of 15.92% and 12.06% respectively.⁵

IMPORTS

Period: 2013

BUSINESS SECTOR	% OF IMPORTS	CHANGE FROM PVIOUS YEAR	VALUE IN USD M
1. Consumer Goods	20.92	6.57	8,827.57
Non-durables	10.65	9.05	4,095.25
Durables	10.27	4.01	4,332.32
2. Supplies	46.23	1.27	19,503.15
Fuel, lubricants and related	15.31	8.97	6,458.57
Raw Materials for agriculture	2.95	-3.61	1,244.25
Raw Materials for industry	27.97	-2.44	11,800.33
3. Capital Goods	32.35	2.15	13,649.48
Construction Materials	3.42	-3.14	1,442.50
For agriculture	0.31	-5.27	130.27
For industry	19.72	1.72	8,317.95
Transport equipment	8.91	5.39	3,758.76
4. Other Goods	0.50	-20.12	210.60
5. Total Imports	100.0	2.56	42,190.79

Source: SUNAT 2014

⁵ Ministry of Economy and Finance – MEF 2013
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EXPORTS

Period: 2013

BUSINESS SECTOR	% OF EXPORTS	CHANGE FROM PERVIOUS YEAR	VALUE IN USD M	MAIN DESTINATION COUNTRIES
1. Traditional products	73.4	-67.28	30,659.55	China
Mining	55.1	-3.70	26,026.52	China
Fisheries	4.1	10.12	2,311.91	China
Oil and by-products	12.3	6.17	4,995.38	United States
Farming	1.9	-35.16	1,091.74	Germany
2. Non-traditional	26.1	-2.26	10,929.02	United States
Farming	8.13	9.35	3,400.4	United States
Textiles	4.59	-13.25	1,919.33	Venezuela
Fishing	2.45	0.77	1,024.81	United States
Chemicals	3.57	-9.20	1,495.15	Chile
Metal-mechanical	1.27	-1.64	531.78	Chile
Siderurgical – Metallurgical and jewelry	3.02	-2.59	1,264.16	United States
Wood and Paper	1.00	-3.87	420.28	China
Non-metallic minerals	1.72	-0.28	531.78	United States
Other	0.37	-77.96	155.44	Bolivia
3. Other	0.5	-44.91	238.91	United States
4. TOTAL EXPORTS	100.00	-10.52	41,826.16	United States

Source: SUNAT 2014

Peru's total imports in 2013 reached US\$42,191 million, translating in a rise of 2.56% in comparison to the previous year. Supply materials continues to account for the largest share on imports with US\$19,503 million (+1.27%); followed by capital goods, sector that grew by 2.15% accounting US\$13,649 million.

In 2013, Peruvian exports accounted US\$41,826 million, decreasing by -10.52% because of a lower consumption of large buyers such as China. Traditional products continue to represent the greater part of Peruvian exports due to the inclusion of mining products (over 55% of all exports) in this category. The traditional products sector shows a downfall of -67.28%, mainly due to, as explained before, a tepid growth of the Chinese market and the stagnation in the European market. However,

the exports of fisheries sector grew by 10.12%, reaching US\$2,312 million. The data shows that there is also a downfall in Non-traditional products (-2.26%) which accounts 26.1% of total exports on 2013.

A general downfall in the Peruvian trade balance is mainly a result of the effects of the global crisis; the Central Reserve Bank of Peru forecasts a recovery for 2014 with an approximate surplus of US\$40 million. This panorama will depend on how international context improve during the current year.

PROMOTION OPPORTUNITIES

In 1996, Peru initiated negotiations with the European Free Trade Association (EFTA) member states with a view to the conclusion of a free trade agreement.

This agreement entered into force in July 2012 with Switzerland and Liechtenstein.

Given the agreement's stated objective of promoting and creating conditions for the growth of trade and investment in goods and services, the prospects for companies representing both parties are likely to be boosted. It will also increase the supply of existing products. The agreement covers the following areas:

- Access to industrial and agricultural goods
- The application of sanitary and phytosanitary measures
- Regulations of origin
- Customs procedures and trade facilitation
- Competency policies
- Investments
- Government procurement
- Institutional affairs
- Dispute settlement

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