

## Peru: A star in a claudy environment

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Singapore, 22 September 2008

### Peru: One of the best alternatives to invest in

**Sustainable growth:** this period happens along with: (i) low inflation, (ii) fiscal surplus, and (iii) external surplus

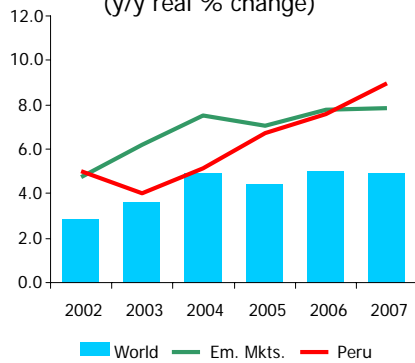
**Diversified growth:** all sectors have been growing during the last 3 years. Activities related to domestic demand with higher growth rates.

**Growth is less vulnerable to external shocks:** (i) domestic demand is the main driver (ii) vulnerability indicators in record levels.

**Non-centered growth** (in Lima). In fact, employment is very dynamic in other major cities like Arequipa (south), Trujillo and Piura (north).

## Peru: Strong growth in the last years, even faster than emerging markets average

**Economic Growth: World & Peru**  
(y/y real % change)



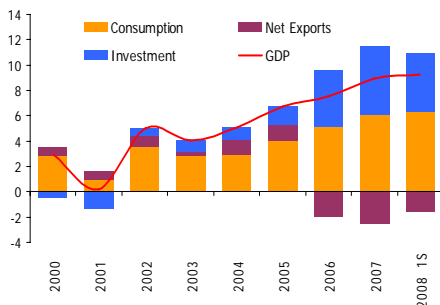
**Peru: forecasts for 2008 - 2009**

	2007	2008	2009
GDP (%)	8.9	8.9	6.4
Private Investment (%)	23.4	15.0	12.0
Inflation (%)	3.9	6.5	3.5
Interest Rate (%)	5.00	6.75	6.75
Exchange Rate (S/. per US\$)	2.98	2.80	2.95
Trade Balance (US\$ millions)	8 356	4 300	2 000
Fiscal Balance (% GDP)	3.1	2.5	2.0

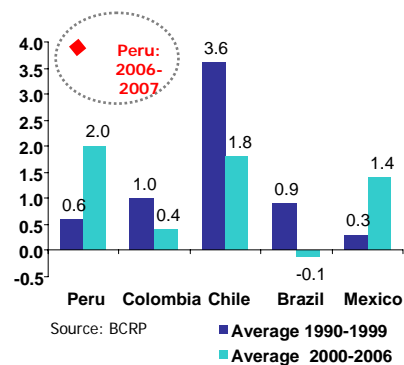
The Peruvian economy is growing far more than the world average, favoured by private investment, which has expanded at 15% in the last five years.

## Peru: Economic activity is boosted by investment and productivity growth...

**Growth Accounting**  
(Percentage Points)



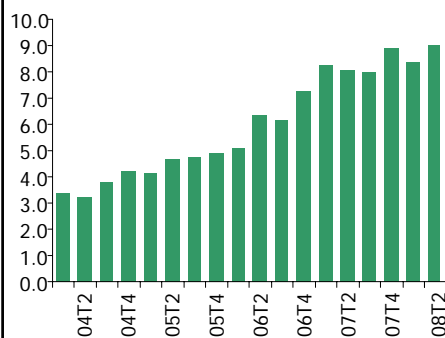
**Labor Productivity**  
(Annual % change)



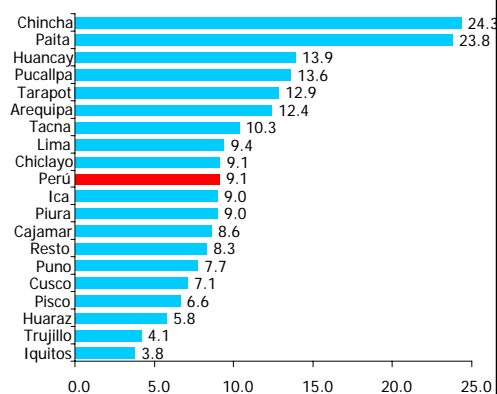
Investment accounts for almost half of the economic growth in last years. In this context, labor productivity growth has growth at a 4%, surpassing even Chile and Brazil.

## Peru: Investment brought an increase in consumption and employment levels

**Private Consumption**  
(Annual % change)

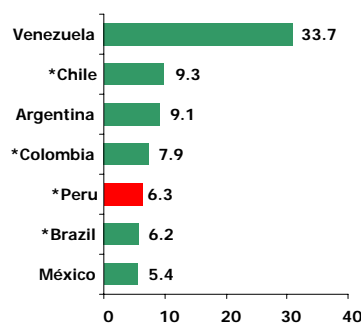


**Urban employment in +10 workers companies, 2008**  
(Annual % change)



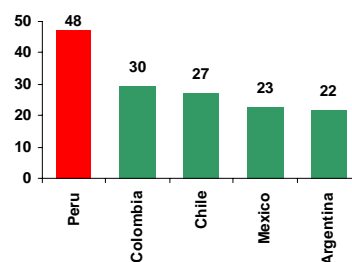
## Peru: In an environment of low inflation notwithstanding the high weight of food in the index

**Inflation in Latin America**  
(YoY % change – July 2008)



\* August data

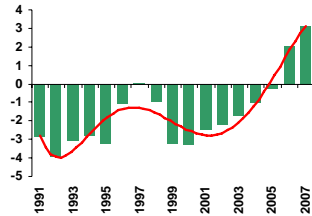
**Weight of Food & Beverages in CPI basket (%)**



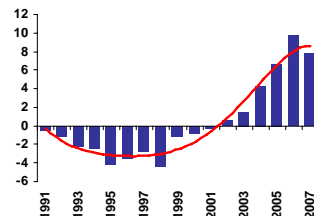
Inflation in Peru is one of the lowest in Latin America, even with the highest weight of food, the consumption group with higher inflation. This should bode well for the future

## Peru: Strong Fundamentals, and healthy fiscal and external accounts

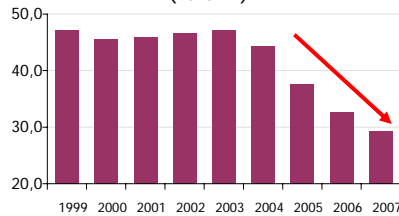
**Fiscal balance**  
(% GDP)



**Trade balance**  
(% GDP)



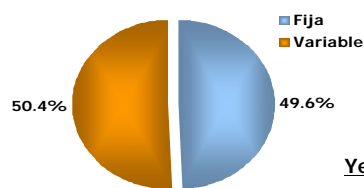
**Public debt**  
(% GDP)



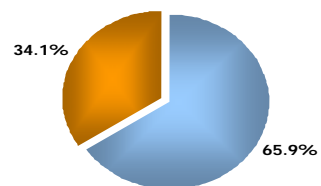
The Peruvian government has been able to reduce public debt, from 47% to 28% of GDP, also improving its external accounts.

## Peru: Better Public Debt Structure

**Public debt structure by type of rate**

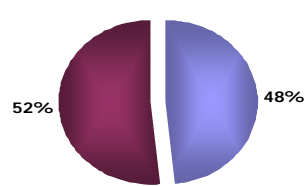
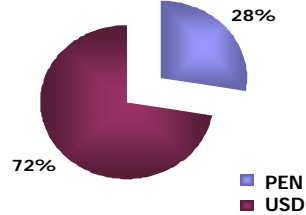


Year 2005



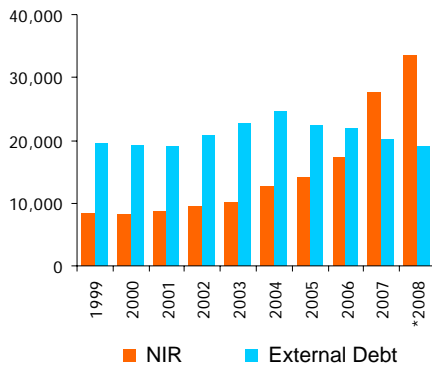
Year 2008-Q1

**Public debt structure by currency**



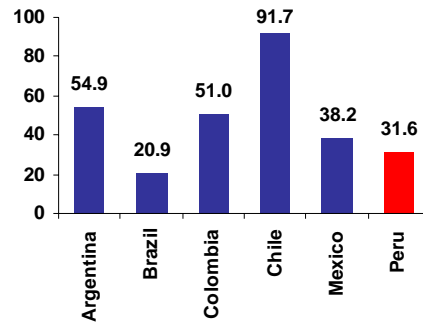
## Peru: Less External Vulnerability

**Net international reserves (NIR)  
and Public external debt**  
(US\$ Million)



Source: BCRP and MEF

**External Short Term  
Liabilities as % NIR**

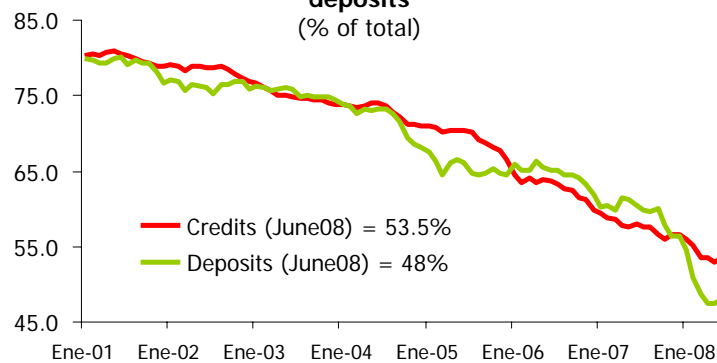


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## Peru: Reduction of Exchange Rate Risk

**Dollarization of loans and  
deposits**  
(% of total)

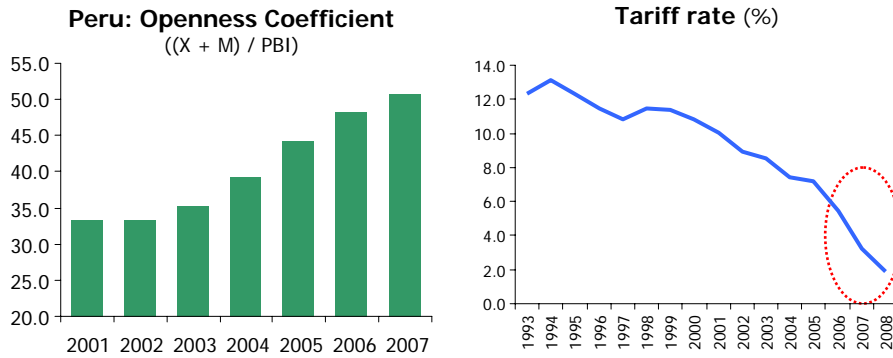


Source: Central Reserve Bank

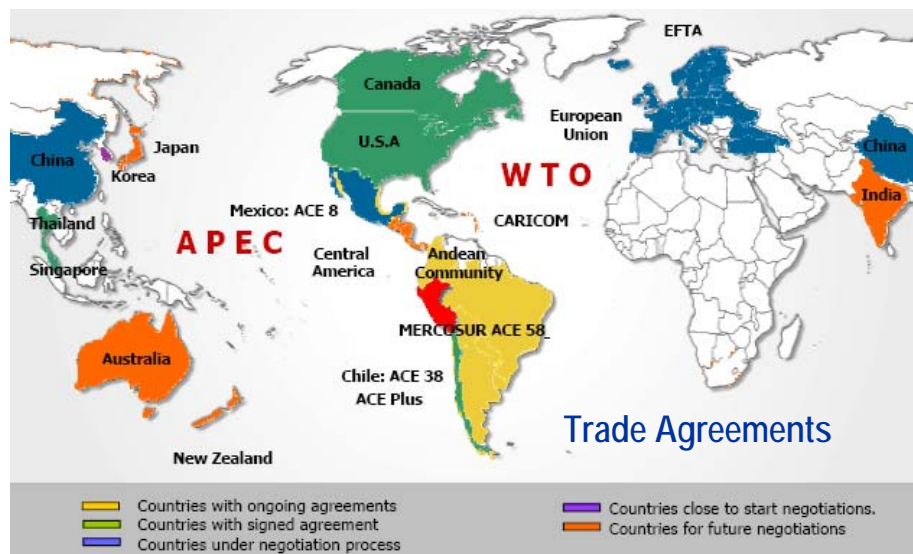
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## Peru: Economy committed to the commercial integration process

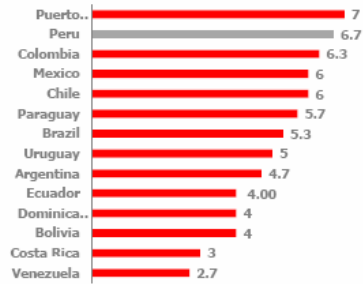


## Peru: Economy committed to global trade integration



## Peru: Leader in Latin America in readiness for private investment

### Protecting Investor Index



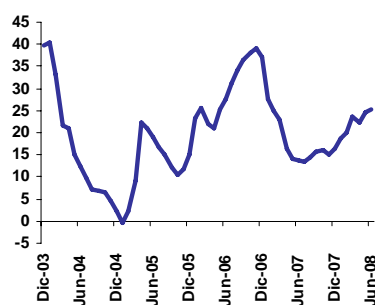
### Government readiness for private investment

Position	Country	Points
1	Peru	5.8
2	Colombia	5.6
3	Chile	5.5
4	Uruguay	4.8
5	El Salvador	4.6
6	Bolivia	4.5
7	Brazil	4.2
8	Dominic. Rep.	4.2
9	Mexico	4.1
10	Guatemala	4.0
11	Venezuela	3.2
12	Argentina	3.1

Peru stands second in Latin America and 15th in the world in the protecting investors ranking of *Doing Business*. First in readiness of private investment.

## Peru: High return over equity, and high growth of profits

### Corporate Profits (y/y % change)

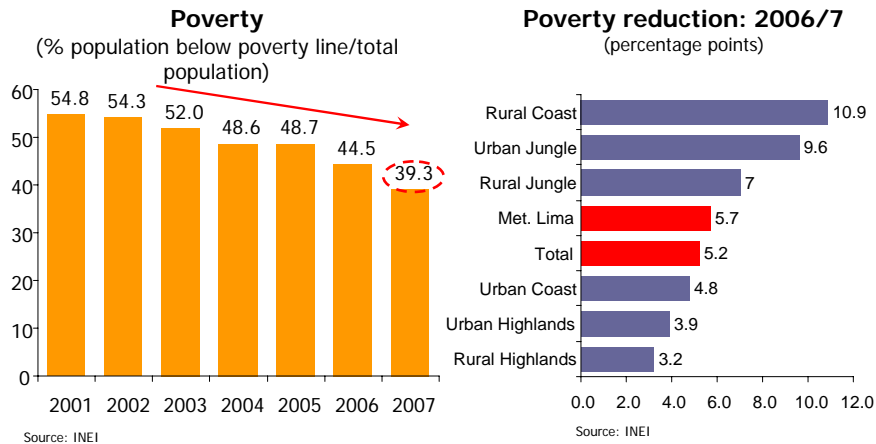


### Profit Ratios (2006 sample - %)

	ROE (%)	ROA (%)
Agriculture	12.2	7.5
Fishing	6.9	2.8
Mining and Fuels	52.7	35.1
Manufacturing	12.9	7.1
Construction	31.3	13.2
Electricity and Water	7.0	4.0
Commerce	19.5	6.6
Services	4.9	3.2

Profits grow at a pace of 20% YoY in the last three years. Most profitable activities include Mining and Fuels, and Construction.

## Peru: Reduction of poverty, although remains high

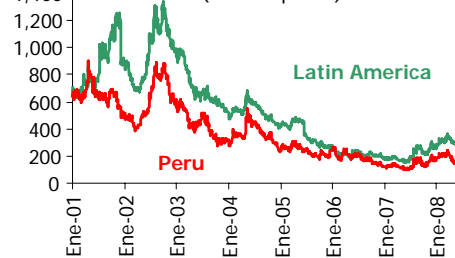


## Peru: Achievement of Investment Grade by two of the three biggest agencies

### Peru: Credit Ratings in Foreign Currency

	S&P / Fitch	Moody's
Grado de Inversión	AAA	Aaa
	AA+	Aa1
	AA	Aa2
	AA-	Aa3
	A+	A1
	A	A2
	A-	A3
	BBB+	Baa1
	BBB	Baa2
	BBB-	Baa3
	BB+	Ba1
	BB	Ba2
	BB-	Ba3
	B+	B1
	B	B2
	B-	B3
	CCC+	Caa1
	CCC	Caa2
	CCC-	Caa3
	CC	
	C	
	D	Ca

### EMBI + Peru and Latin America (in basis points)



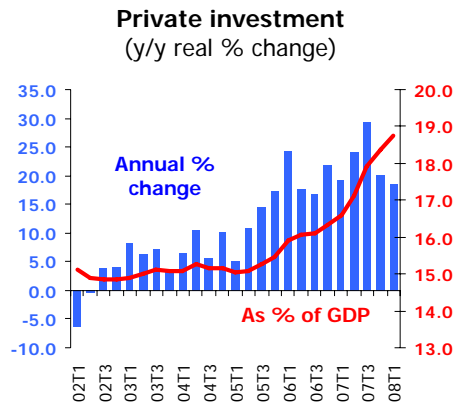
### Why Investment Grade?:

- Sound macroeconomic policies
- Lower fiscal and external vulnerabilities
- Diversified exports



## We expect rapid investment to continue at least in the next three years

### Investment projects: 2008/10



Sector	Amount (US \$ million)
Mining	15,157
Hydrocarbons	7,825
Infrastructure	3,316
Manufacturing	2,821
Electricity	2,372
Telecommunications	1,805
Other sectors	2,599
<b>TOTAL</b>	<b>35,895</b>

Source: BCRP

Large investment projects imply more than US\$ 35 billion in the next three years (25% of GDP), especially in sectors like Mining and Hydrocarbons.

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## Conclusions

Peruvian economy has shown a sustainable and diversified **growth**, along with: (i) low inflation, (ii) fiscal surplus, and (iii) external surplus.

**Growth is less vulnerable to external shocks** given that adequate macro and micro economic conditions has boosted **private investment**, which explains nearly half of economic growth.

This remarkable performance has been recognized by the market, giving an **Investment Grade** to Peru, even in a period of financial turbulence.

In sum, Peru is clearly a star in the current cloudy environment!

Investment opportunities are there!

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**Thank you  
for your attention**