



# PERU

## Developments of LCBM—G24 TGM

Washington DC, 21 and 22 March 2013

### Development of Local Currency Bond Markets:

- It takes time: 2001-2012
- Macroeconomic stability is crucial
- Inflation rates and strong creditors rights
- Legal Framework & Strong Public Institutions
- Market makers

# Peru: Main economic indicators

**Average GDP growth  
(2001 – 2012)**

**5,8%**

**Average inflation (2001-  
2012)**

**2.5%**

**Net international  
reserves (Dec. 2012)**

**US\$ 64 billion**



**Public debt to GDP  
(Dec.31, 2012)**

**19.5%**

**Trade openness  
[(X+M)/GDP] (2012)**

**44%**

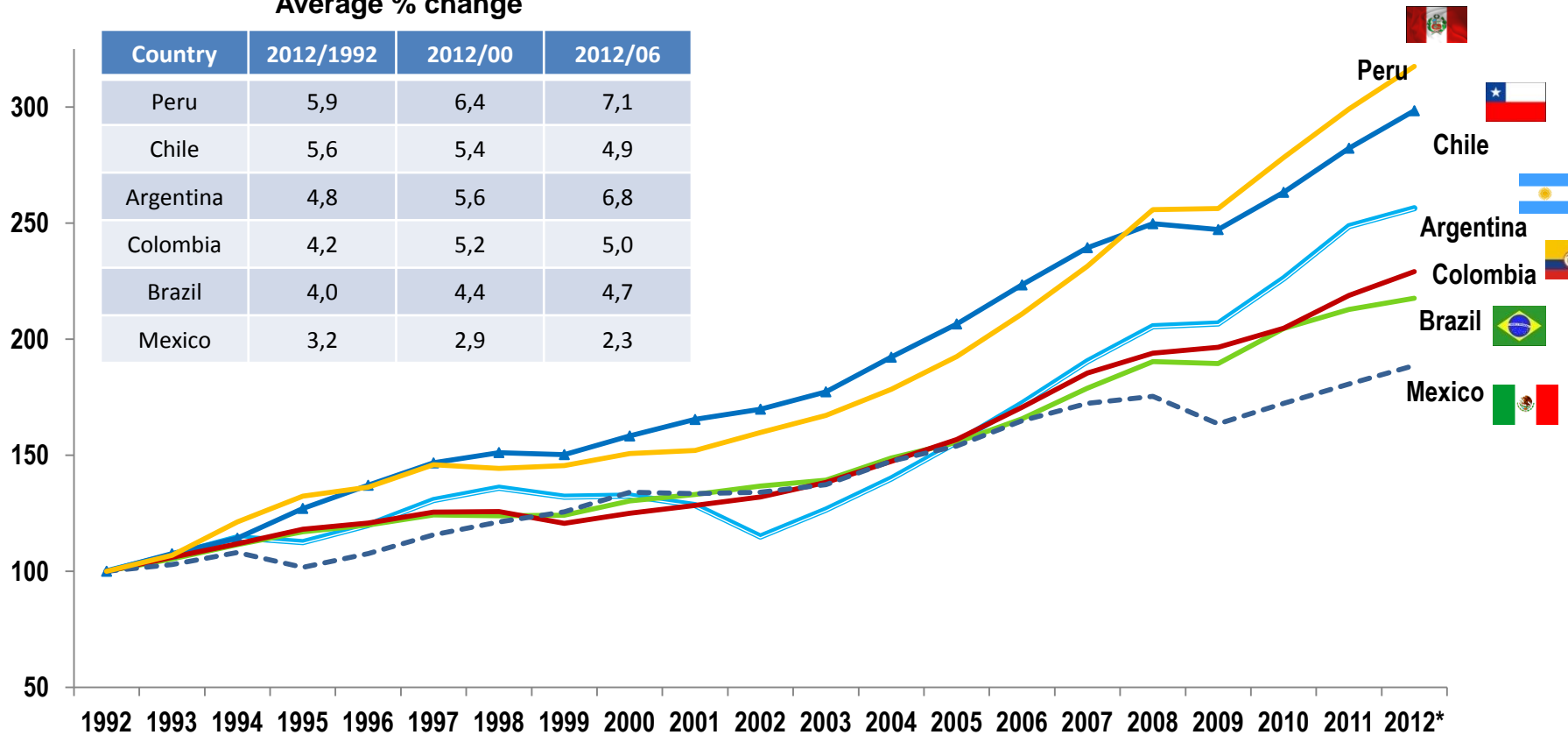
**Credit Rating  
(Investment grade)  
Moody's (Baa2), S&P  
(BBB), Fitch (BBB)**

# Per capita GDP growth was the highest among the region's leading economies

Per Capita GDP  
(1992=100, PPP - adjusted)

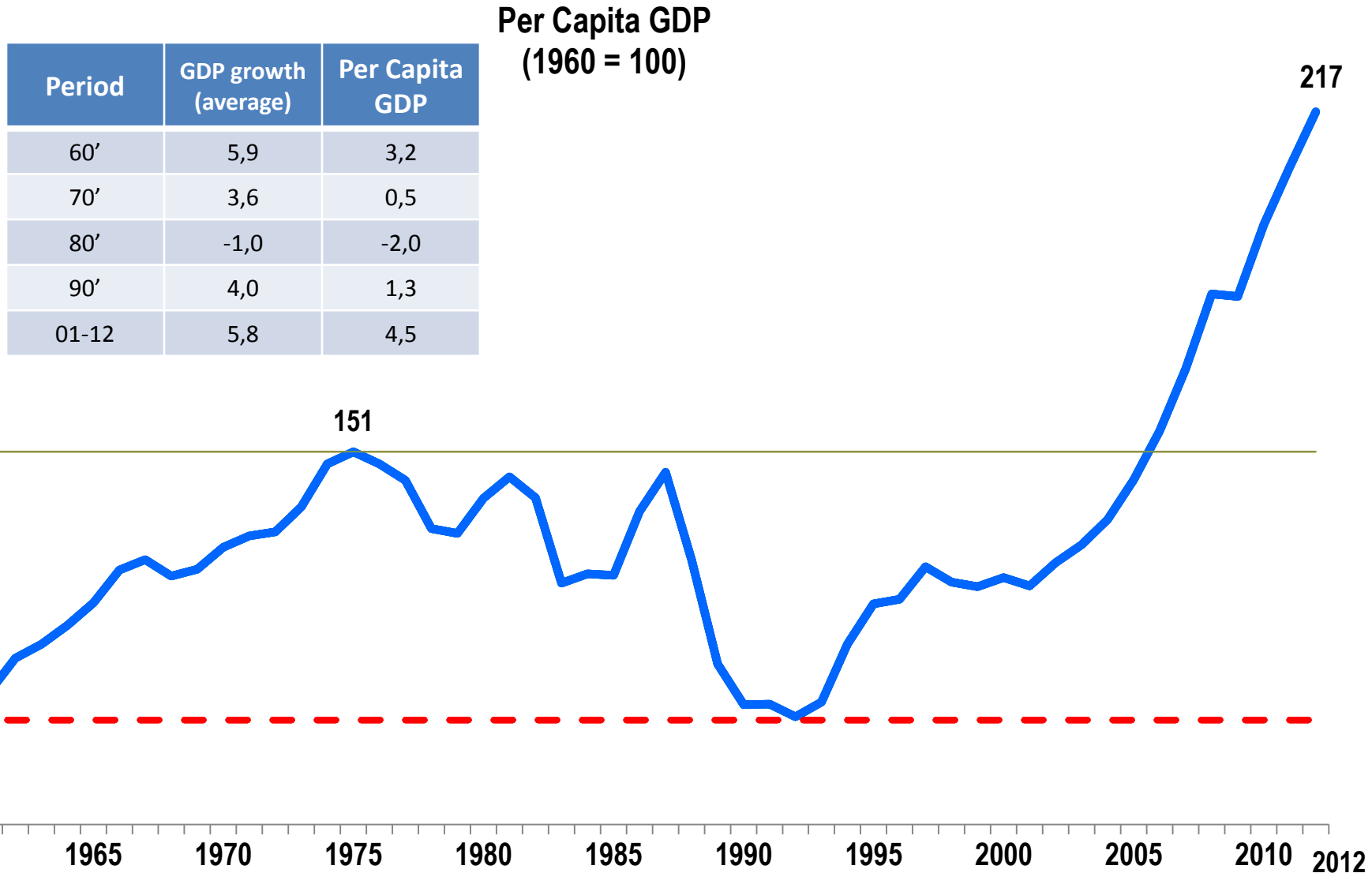
Average % change

Country	2012/1992	2012/00	2012/06
Peru	5,9	6,4	7,1
Chile	5,6	5,4	4,9
Argentina	4,8	5,6	6,8
Colombia	4,2	5,2	5,0
Brazil	4,0	4,4	4,7
Mexico	3,2	2,9	2,3



Source: WEO, IMF.

# Per Capita GDP has doubled over the past two decades

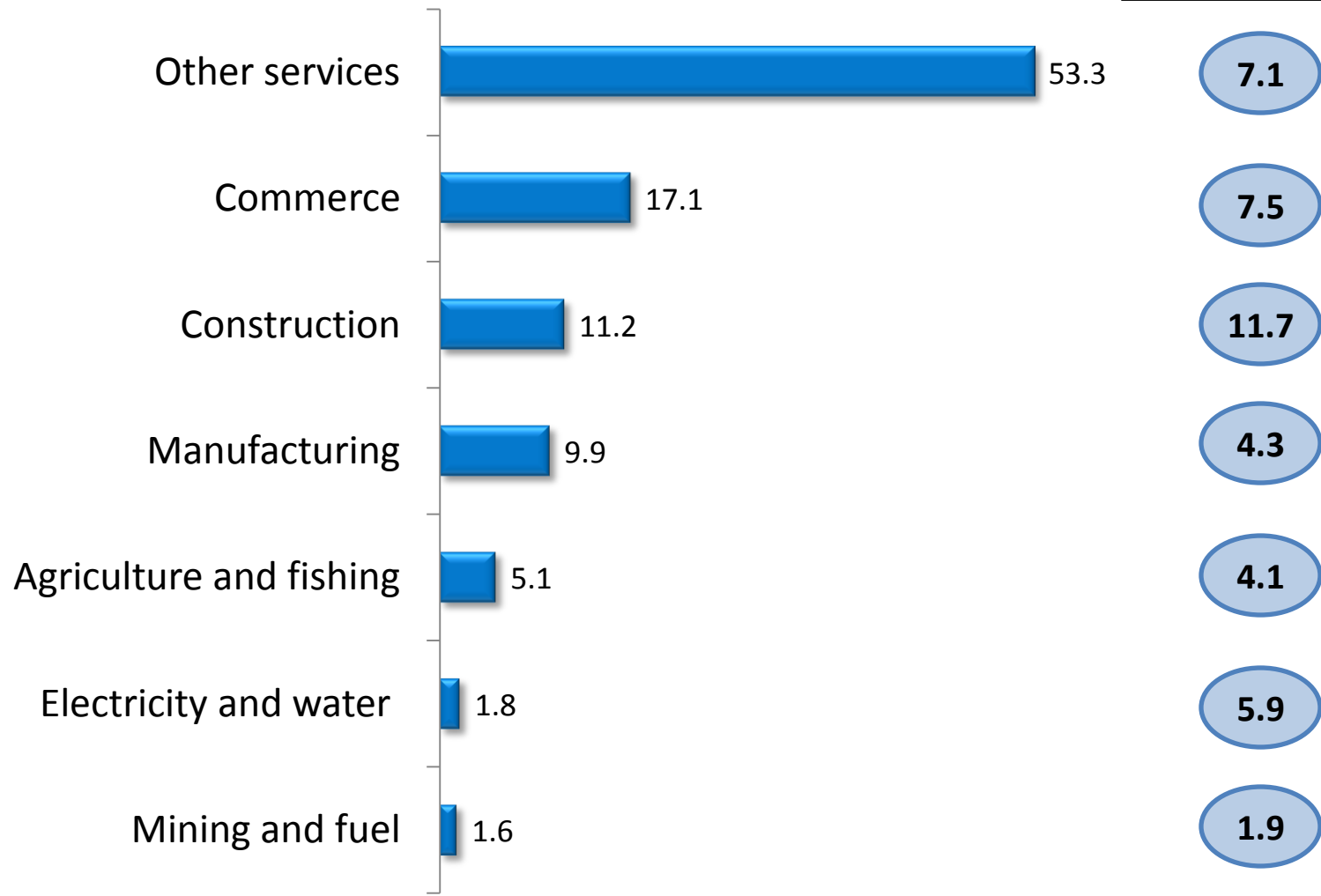


# Peru's growth was concentrated in non-primary sectors in the last five years

SECTOR SHARE OF CHANGE IN REAL GDP: 2007-2012

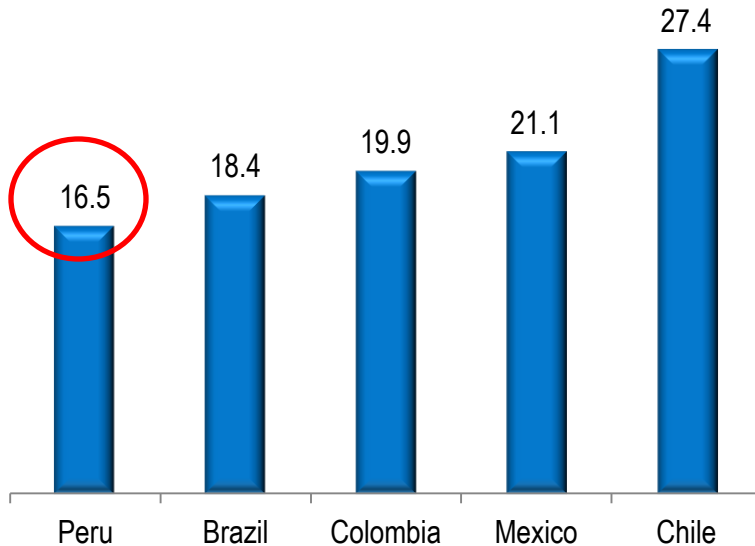
Compound annual growth rate, %

GDP : 6.5%



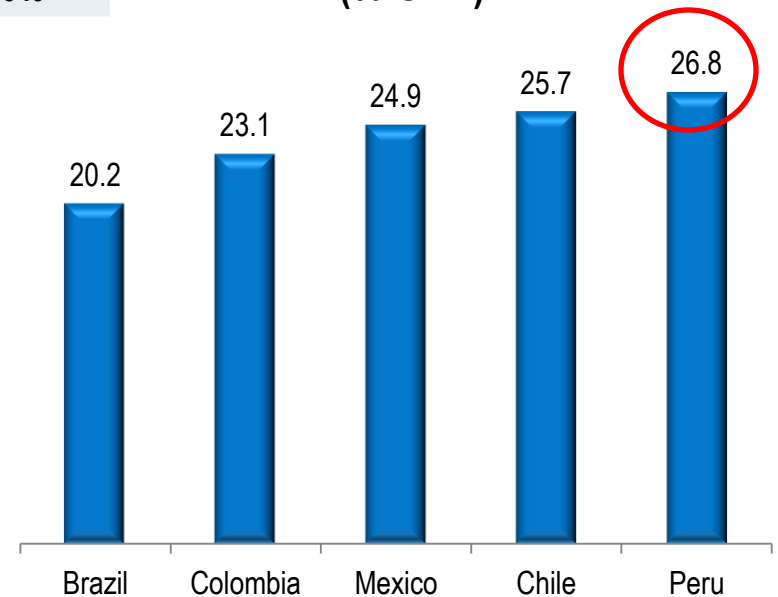
# Peru's investment ratio is one of the highest in the region

Total Investment: 1990  
(% GDP)



Year	US\$ millions
1990	4 932
2012*	53 349

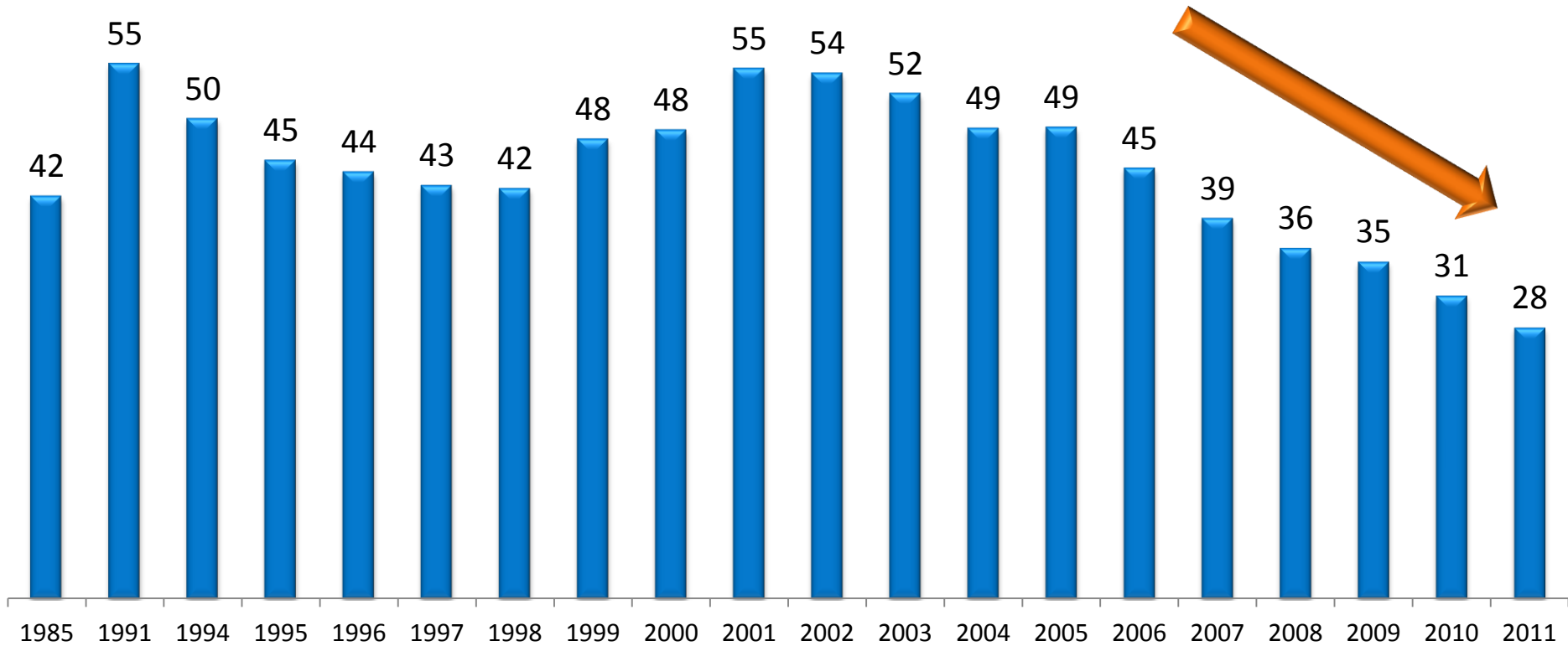
Total Investment: 2012\*  
(% GDP)



**Investment has been a fundamental factor to explain economic growth in the last two decades**

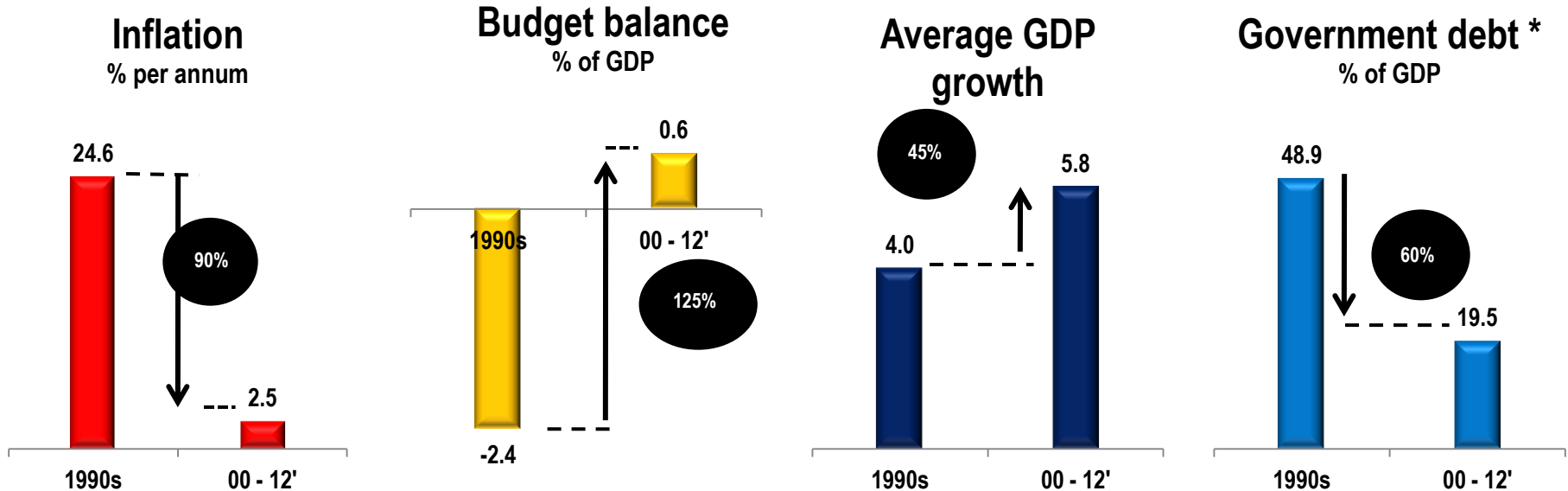
# Poverty has halved in the last 10 years

Poverty: 1985 – 2011  
(%)



Source: INEI

# Peruvian government has adopted economic policies aimed at promoting a market economy

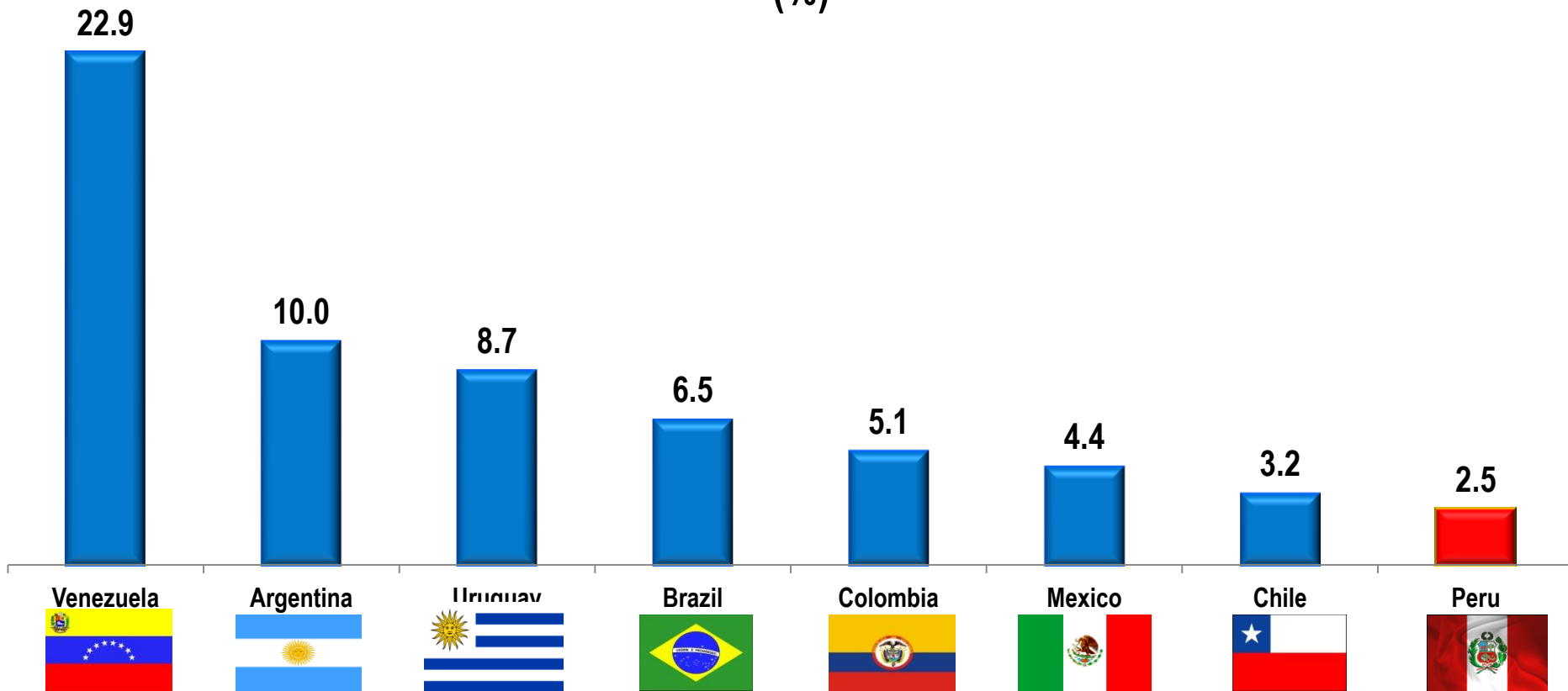


\* Shows the stock of debt at the end of 1999 and 2012  
Source: Banco Central de Reserva del Perú



# Peru has the lowest inflation rate in the region

Inflation in Latin America: 2001-2012 \*  
(%)

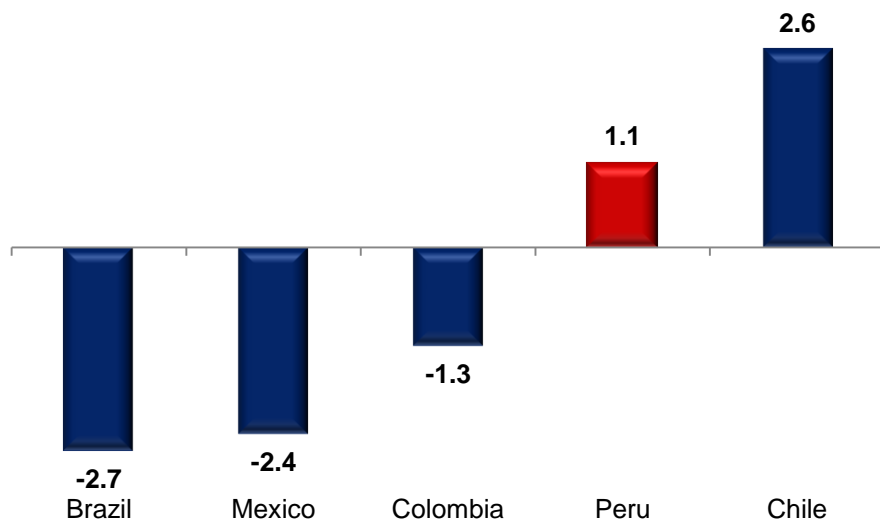


Source: WEO – IMF

\* Inflation, end of period consumer prices

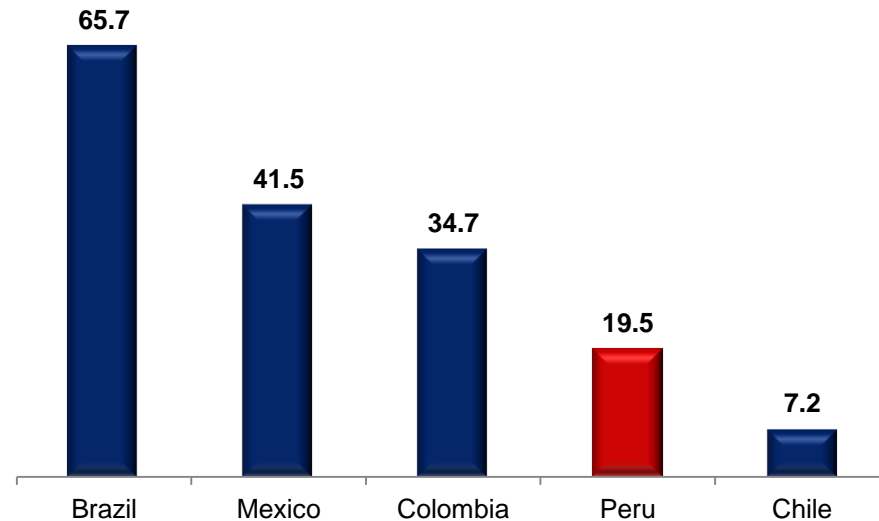
# Peru maintains a solid fiscal position in the region

**Overall balance of the public sector: 2005-2012**  
(% of GDP)



Source: WEO - IMF.

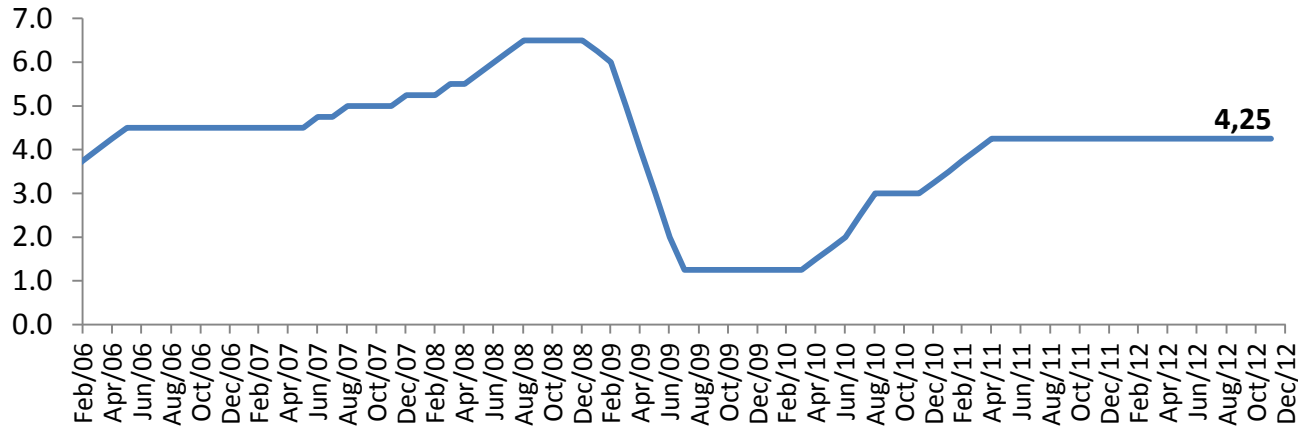
**Gross Public debt: 2005-2012**  
(% of GDP)



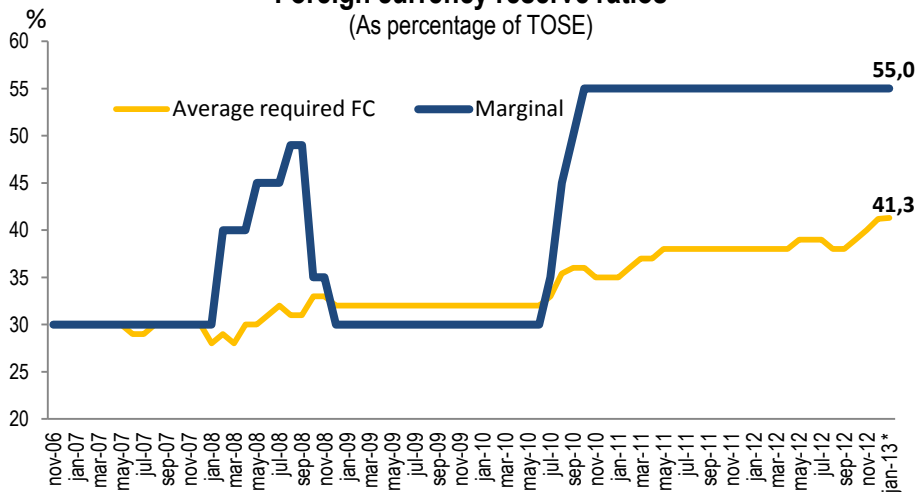
Source: WEO - IMF.

# The Central Bank have decided to hold the Policy Monetary Interest Rate at 4,25%, in a context where the economy is close to its potential. Large reserve requirements on foreign currency liabilities are in place to limit the impact of capital flows on lending, and so prevent credit booms.

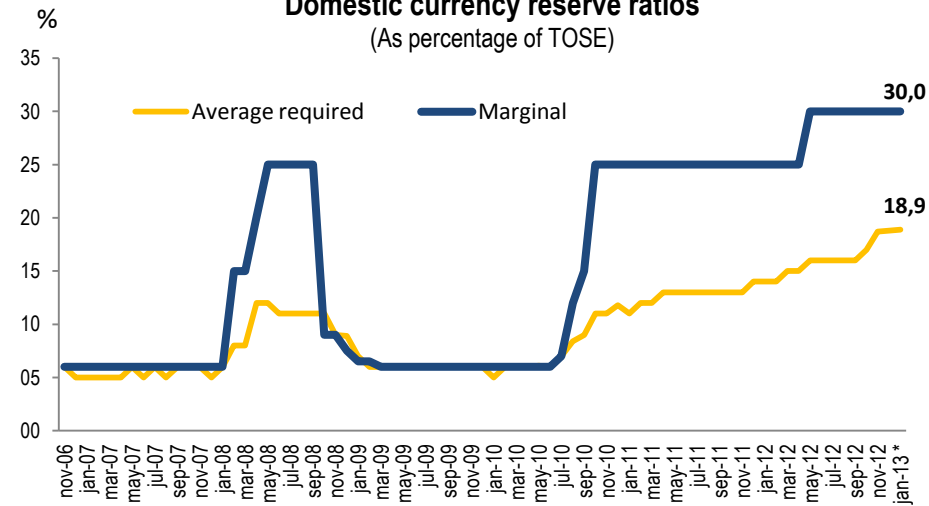
## Central Bank Policy Rate %



## Foreign currency reserve ratios (As percentage of TOSE)

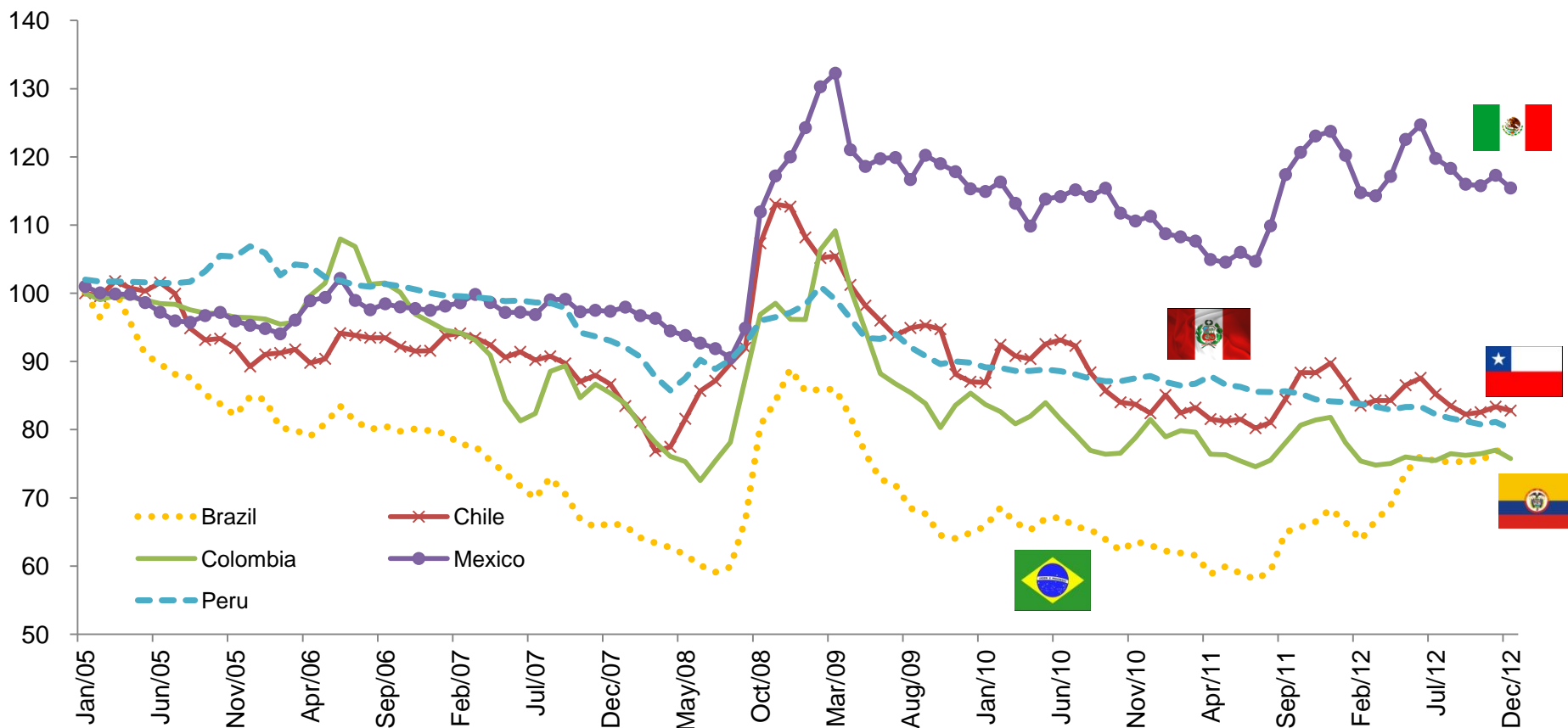


## Domestic currency reserve ratios (As percentage of TOSE)



# The exchange rate PEN / USD has followed the trend of other currencies in the region, although with lower volatility

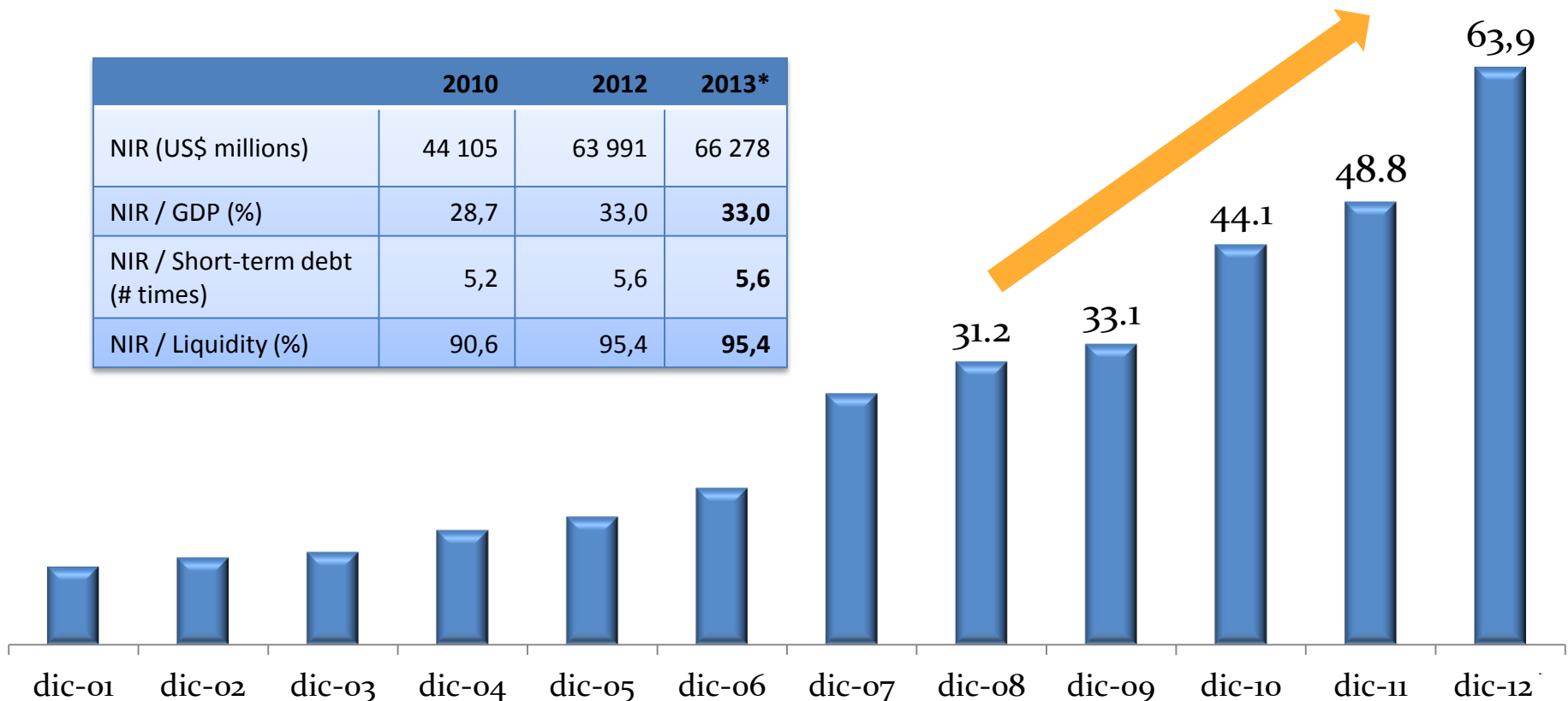
## Exchange Rate Index (January 2005=100)



# Net international reserves are around US\$ 64 billion and enhance highly the responsiveness of the Peruvian economy to potential financial external shocks.

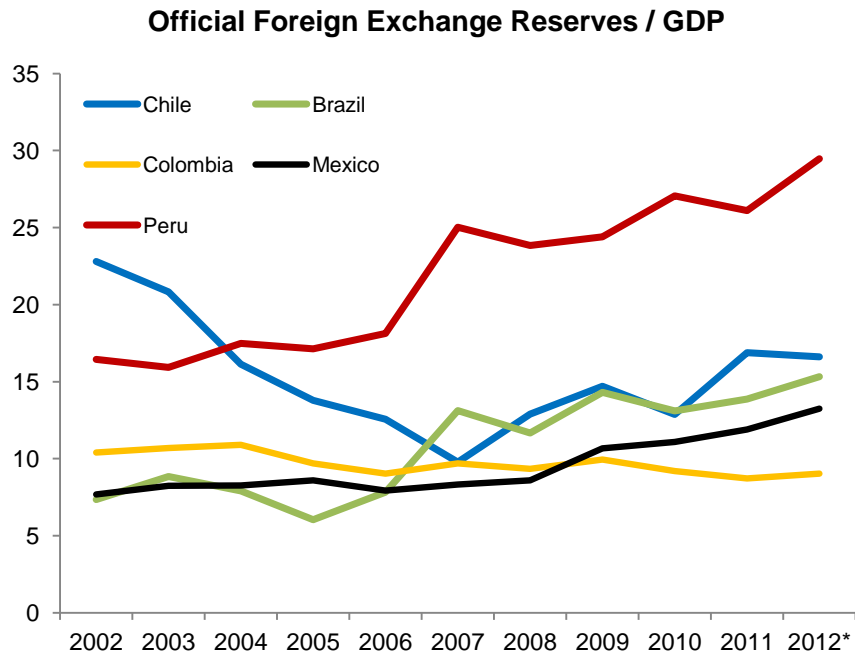
**Net International Reserves: 2001-2012**  
(US\$ millions)

	2010	2012	2013*
NIR (US\$ millions)	44 105	63 991	66 278
NIR / GDP (%)	28,7	33,0	<b>33,0</b>
NIR / Short-term debt (# times)	5,2	5,6	<b>5,6</b>
NIR / Liquidity (%)	90,6	95,4	<b>95,4</b>

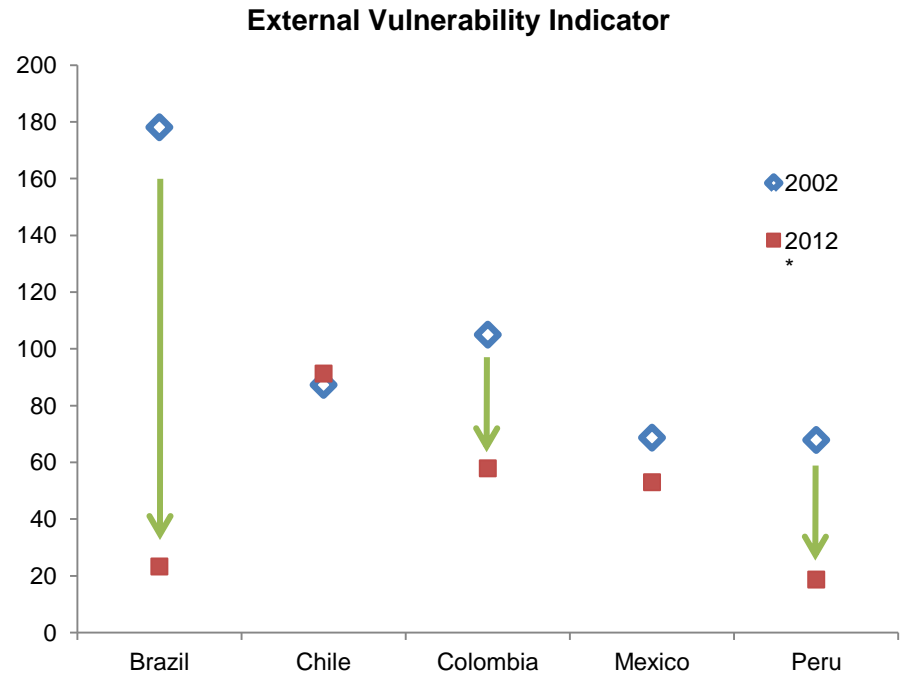


\* Balance as of 21 January 2013

# High international reserves allow many central banks in the region to provide liquidity in the event of adverse external shocks



Source: Moody's.

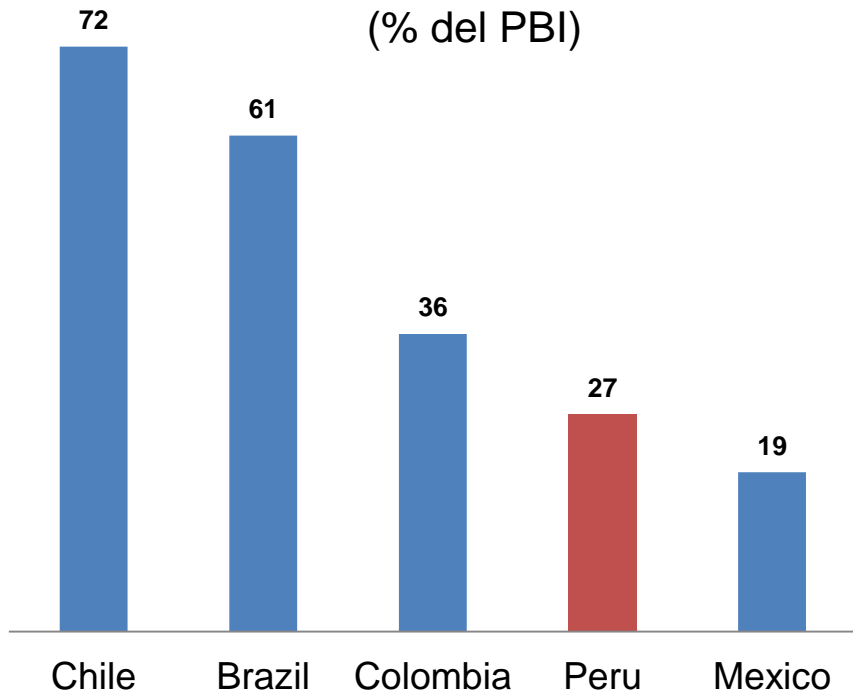


Source: Moody's.

1/ Short-Term External Debt, Currently Maturing Long-Term External Debt, Total Nonresident Deposits Over One Year/Official Foreign Exchange Reserves.

# There is room for further development of the credit market ...

**Bank Credit to the private sector:  
Latin America 2012 1/  
(% del PBI)**

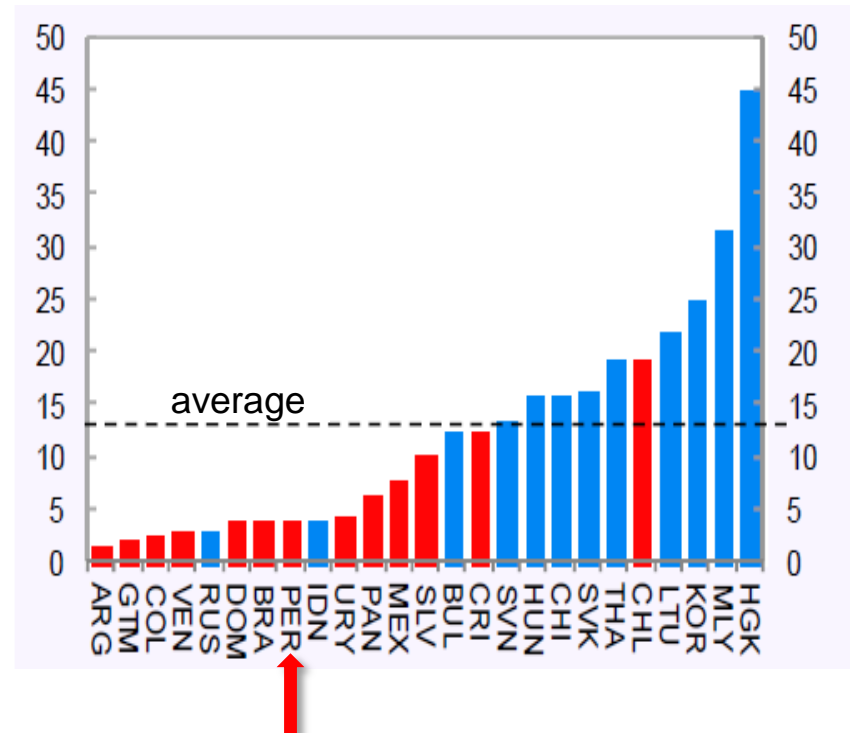


1/ Domestic credit to the private sector. September 2012 (IFS)  
Nominal GDP of 2012 (IMF-WEO).

Source: IMF

## Mortgage credit is low compared to other countries in Latin America

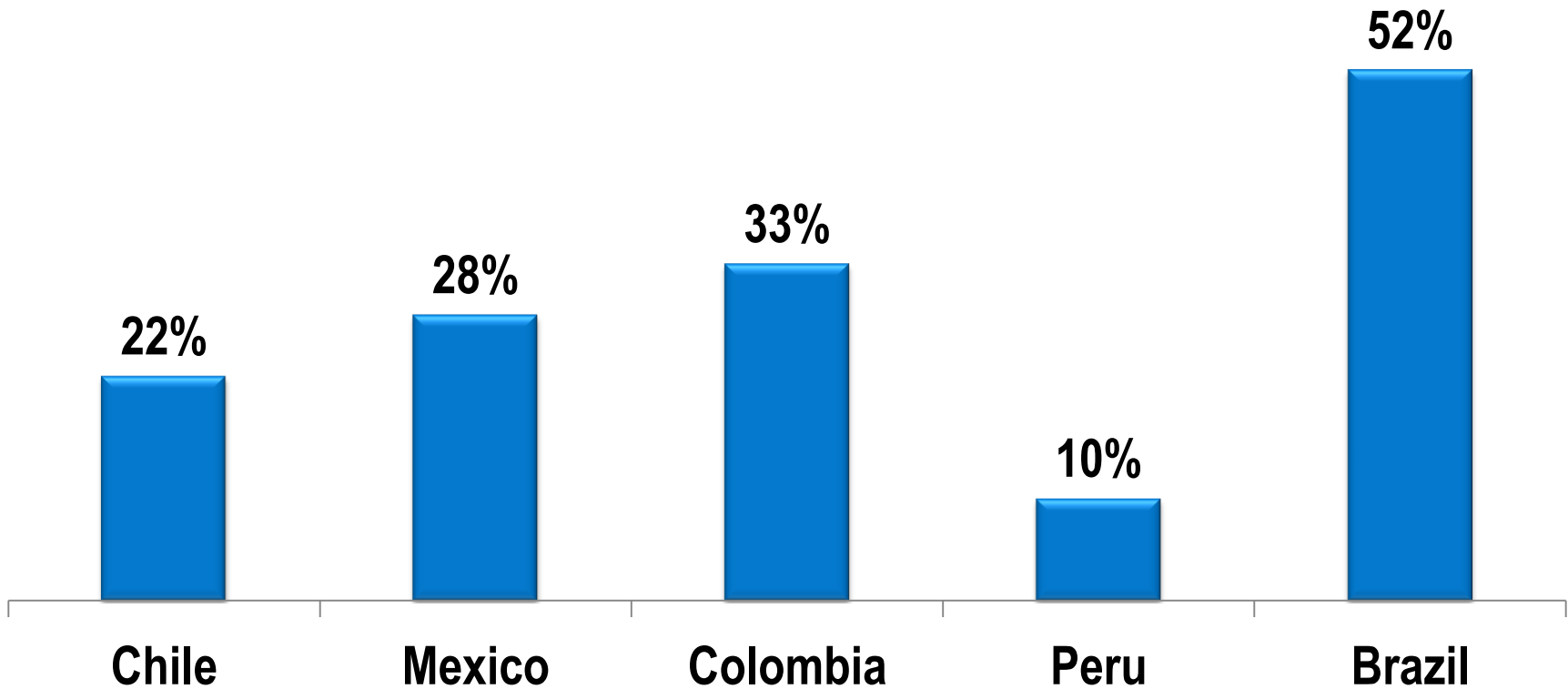
**Mortgage credit: Emerging markets  
(% of GDP, average 2010-11)**



Source: IMF, April 2012

## ... and there is still room for developing the market for fixed income

**Size of the fixed income market: 2011**  
(% of GDP)

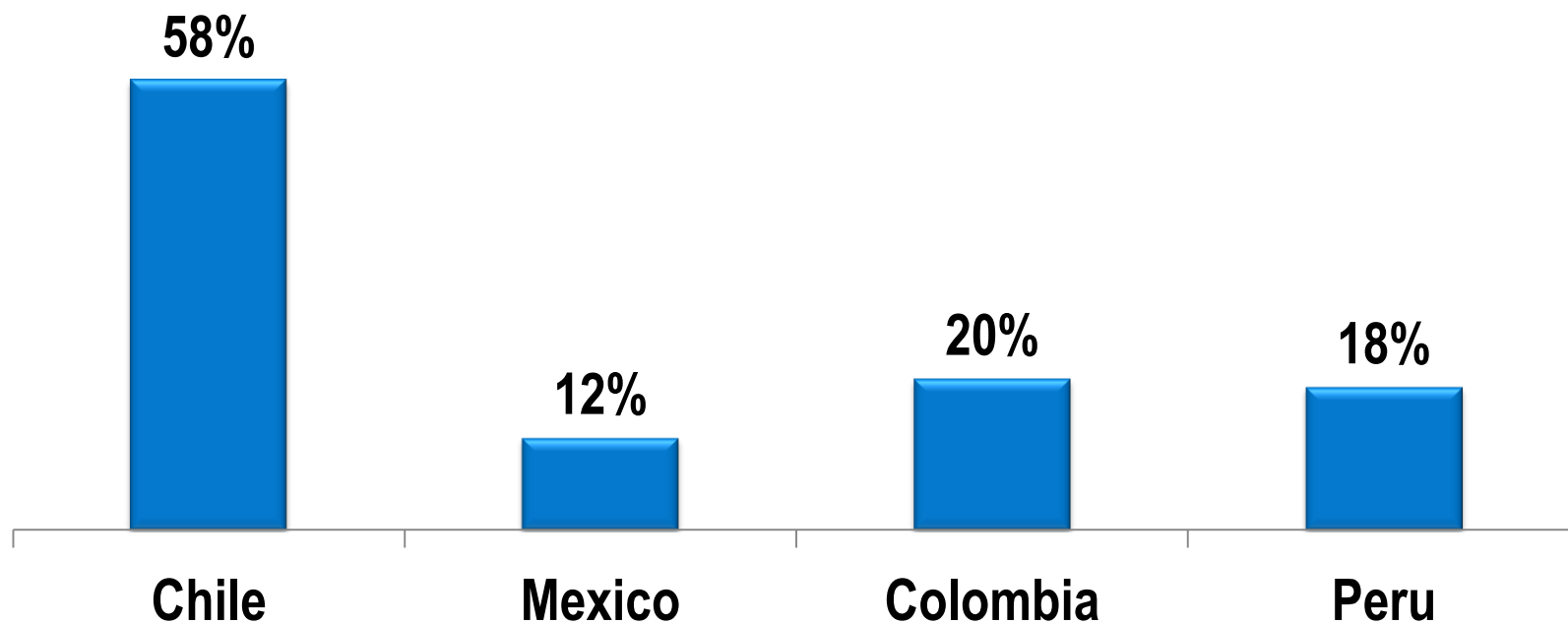


Source: Central Banks, Finance Ministries and government agencies in each country.



## There is also room for pension funds development

### Pension Funds Portfolio\* (% GDP)

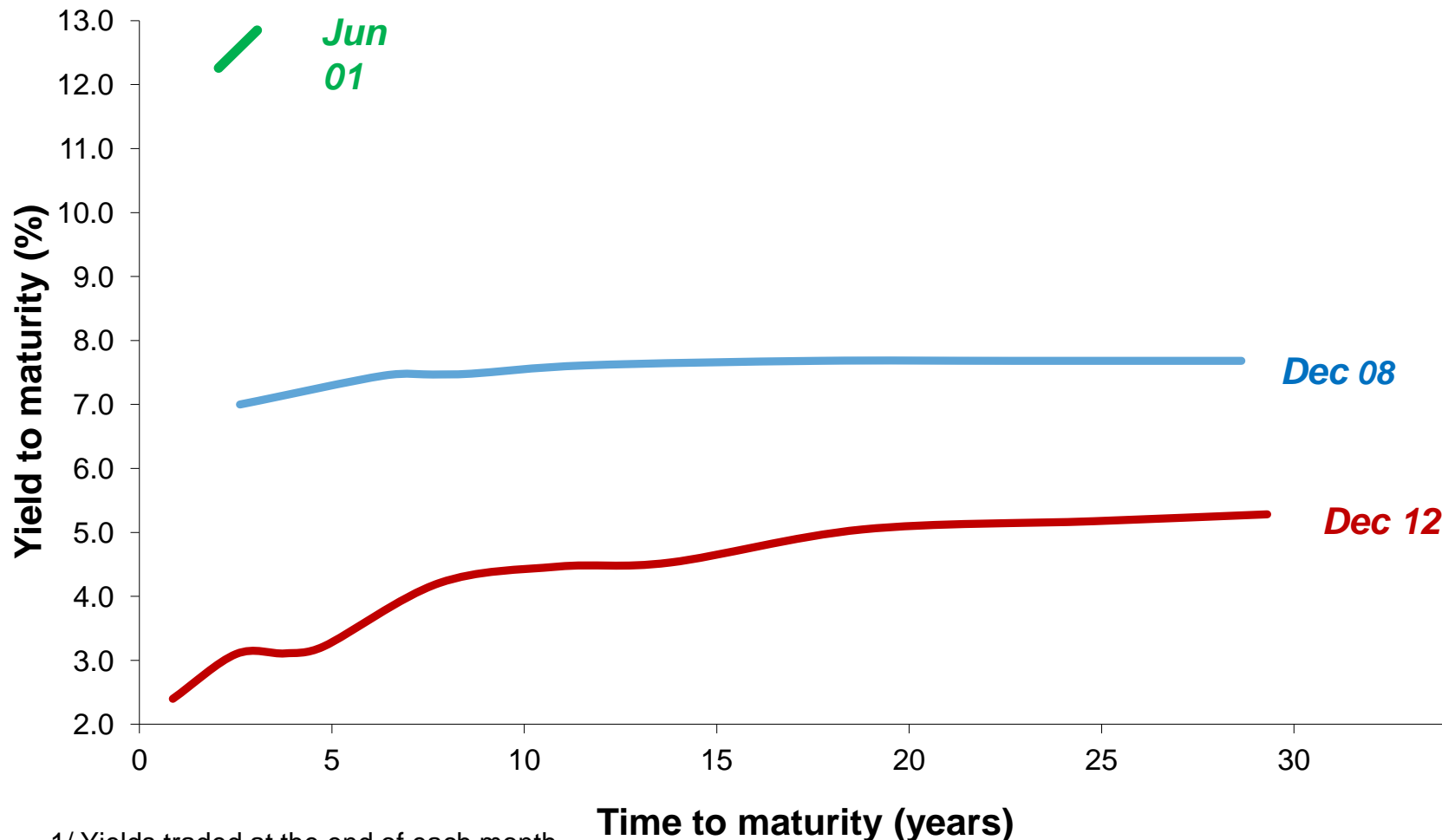


\* As of November, 2012, except Colombia (Oct. 2012)

Source: Superintendencia Financiera de Colombia, Superintendencia de Banca, Seguros y AFP (Peru), Superintendencia de AFP de Chile y Comisión Nacional del Sistema de Ahorro para el Retiro (Mexico).

# The Market Maker Program for Treasuries has favored the development of the capital market and allowed the formation of a yield curve that reaches 30 years.

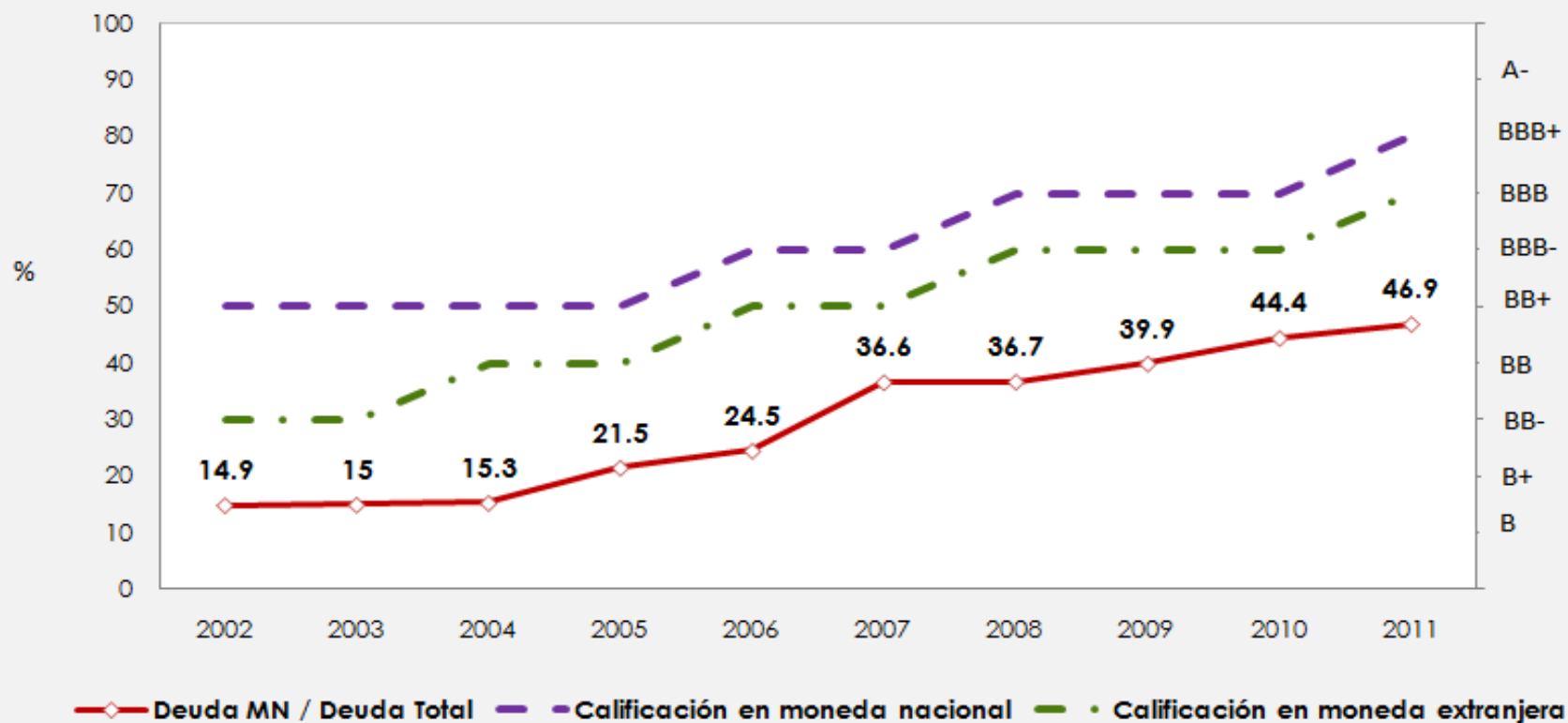
## Secondary Market for Treasury Bonds <sup>1/</sup>



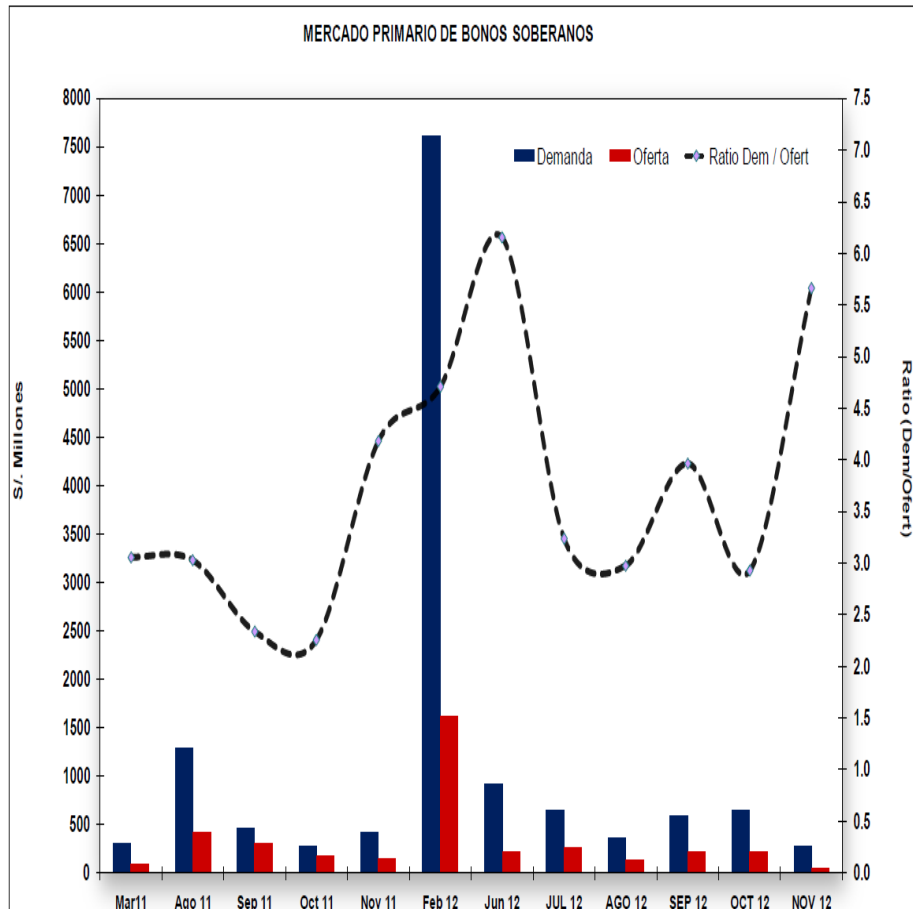
<sup>1/</sup> Yields traded at the end of each month.

# There is a correlation between the improvement in Credit Ratings and the increase in issuance of Bonds in domestic currency

Evolución de la calificación crediticia de Perú y el ratio de deuda en moneda local/ deuda total

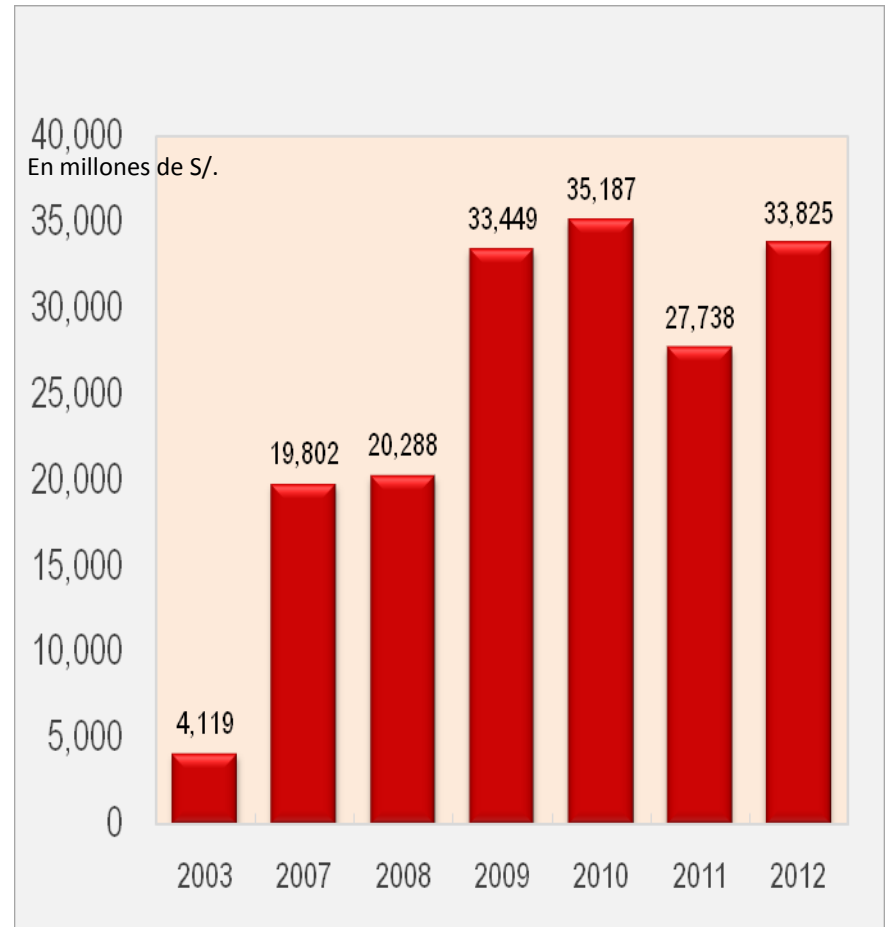


# Primary Government Bond Market



Ratio demand versus supply is between 3 to 5 times

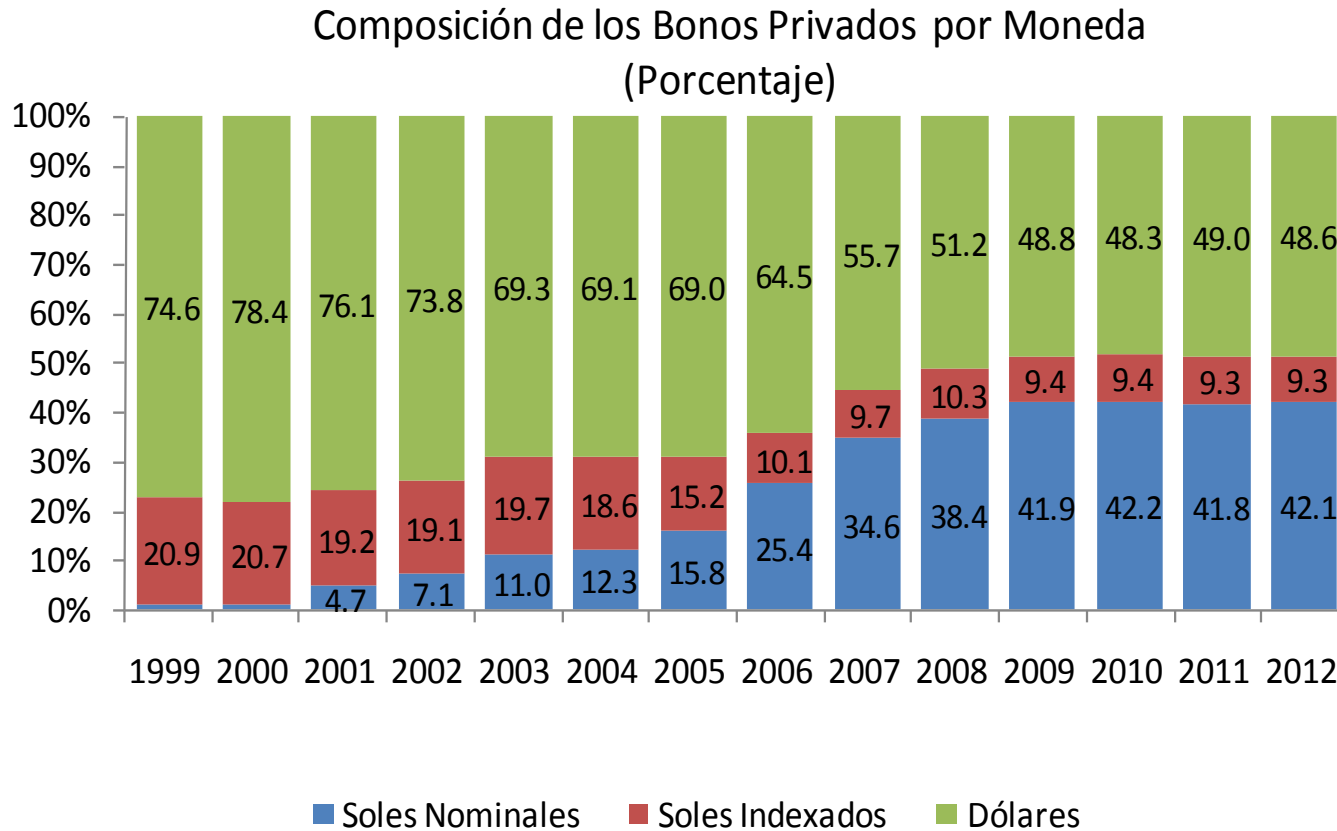
# Secondary Government Bond Market



Liquidity has increased and stabilized in the last few years

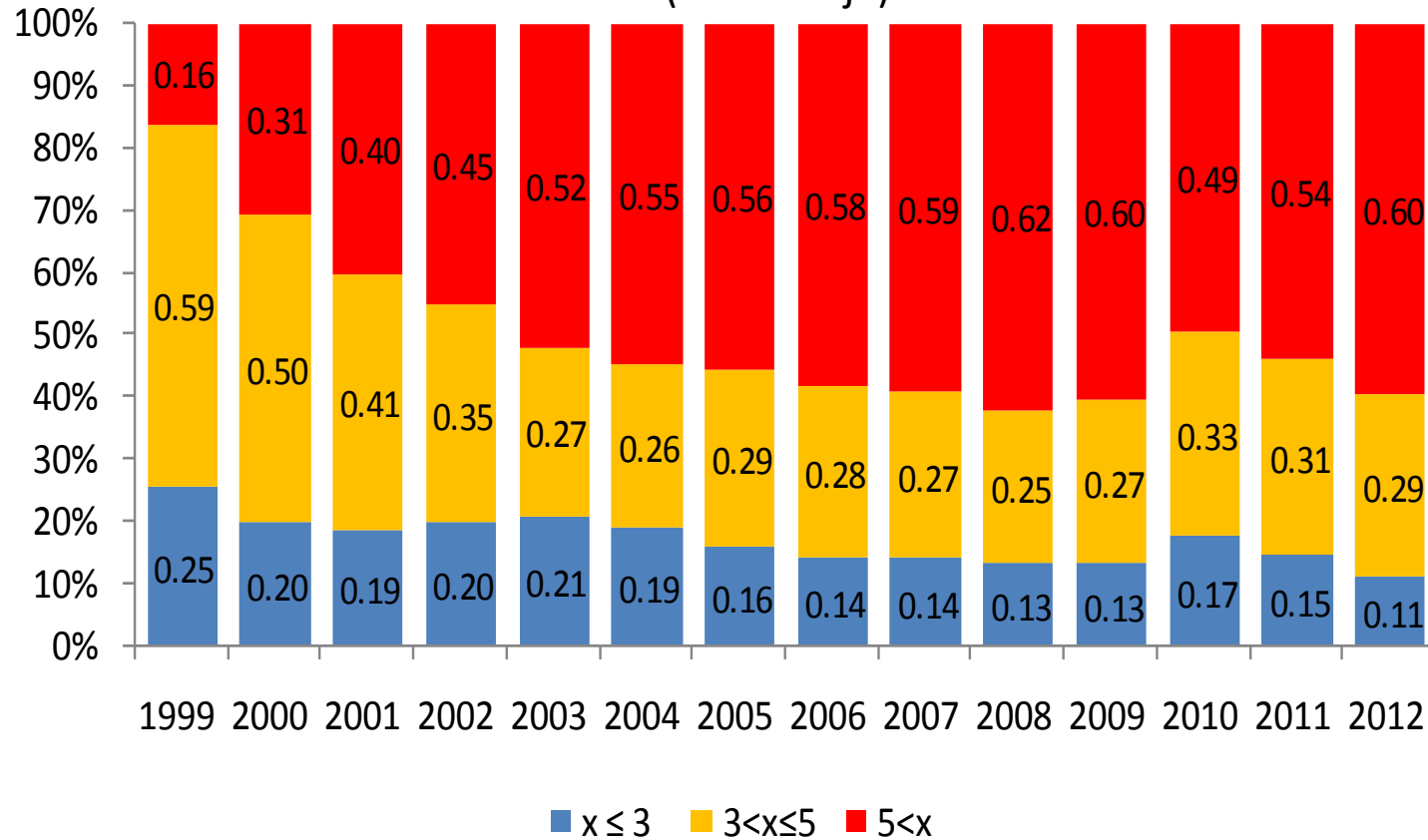
# Composition of Private Sector Bonds By currency

- Issuances in domestic currency (soles) are increasing



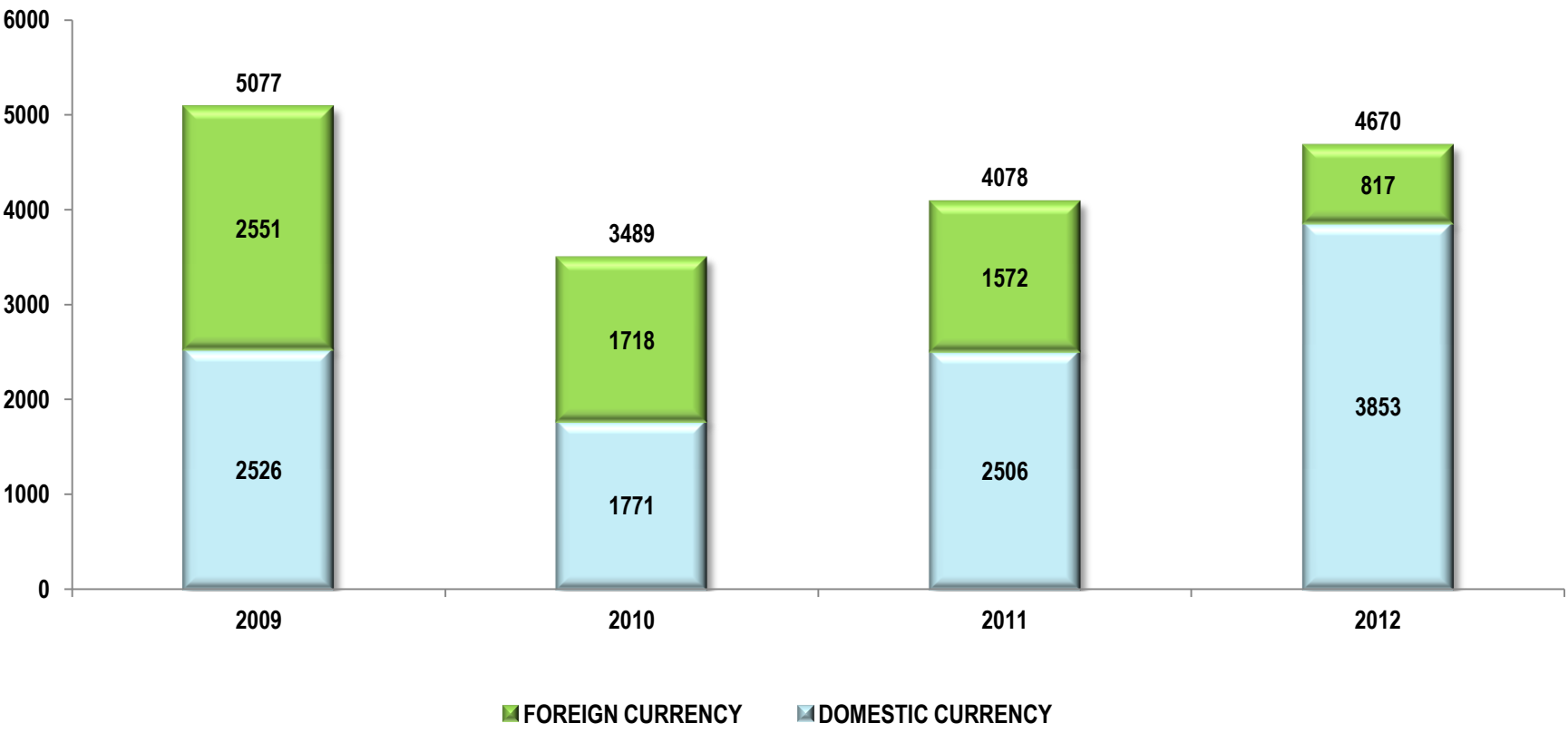
# Maturity is also increasing

Composición de los Bonos Privados por Plazo  
(Porcentaje)



# In 2012 private sector has increased its issues in domestic currency








## PRIVATE SECTOR ISSUES (In millions of soles)



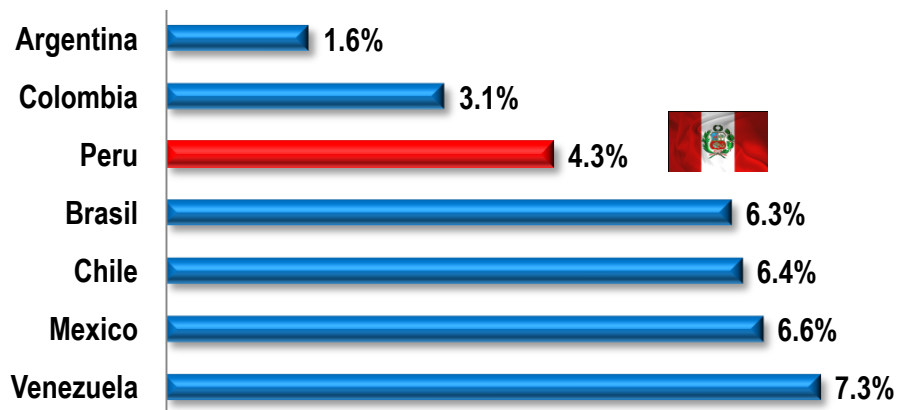
Source: Superintendencia del Mercado de Valores - Reporte Mensual del Mercado de Valores.

# Growth of Peruvian stock of debt issued in international markets has been among the highest in the region

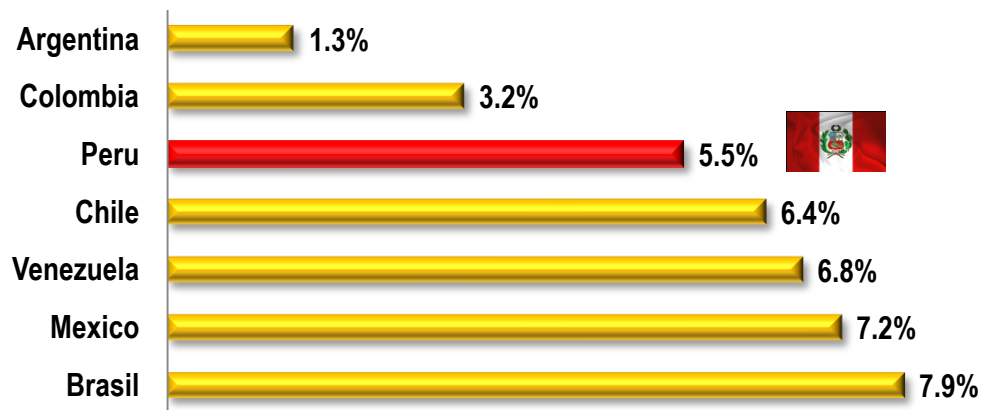
## STOCK OF DEBT INSTRUMENTS ISSUED IN INTERNATIONAL MARKETS

	% Variation 12/11
 Peru	27,9
 Brasil	25,4
 Mexico	9,1
 Colombia	3,2
 Chile	0,0
 Venezuela	-6,8
 Argentina	-18,8

Stock of Debt Dec.2011  
(as percentage of GDP)



Stock of Debt Jun.2012  
(as percentage of GDP)



Source: Bank for International Settlements (BIS) and WEO, IMF