

# PERU – A THRIVING ECONOMY AND MARKET TO CONQUER

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MARKET INTRODUCTION

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November, 2016

Business Sweden, Santiago, Chile



# PERU – CONTINUES ITS DEVELOPMENT PATH WHICH OPENS OPPORTUNITIES FOR SWEDEN

## EXECUTIVE SUMMARY

- ▶ Peru is among few countries in Latin America that can show macro-economic and political stability, combined with high economic growth, over a long period of time
- ▶ Peru has been among the fastest growing economies in South America for 15 years with annual growth rates averaging 6% (GDP grew fourfold between 2000-2015), although it has slowed to ~4% in the last years due to
- ▶ 2021 marks the 200-year anniversary of Peru's independence. The new government led by President Pedro Pablo Kuczynski (PPK) has stated that Peru shall be a full OECD member by then
- ▶ Peru is an interesting export market for Sweden and the current level of exported goods (mainly B2B) has the potential to increase significantly. Peru's relatively young population of 31 million inhabitants also provides a large addressable consumer market

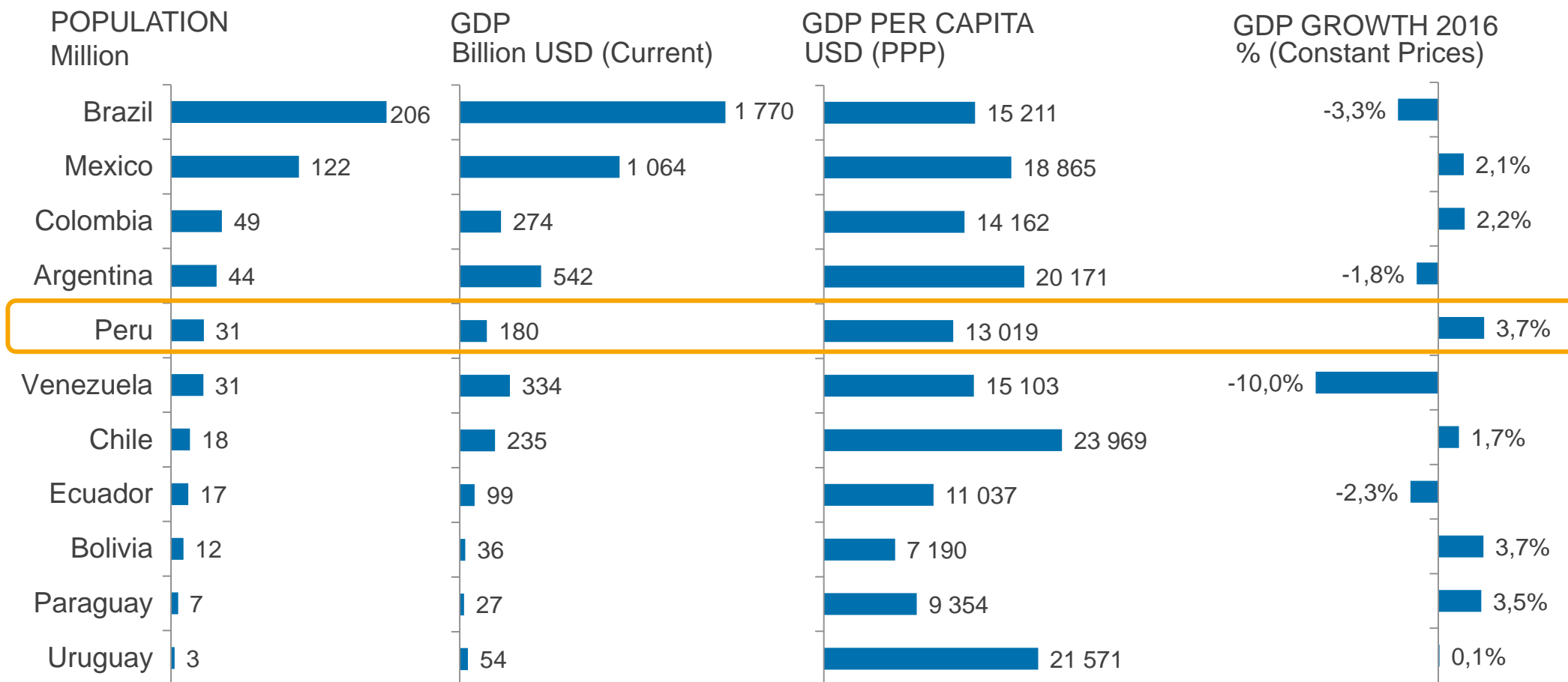
## BUSINESS SWEDEN IN PERU

- ▶ Business Sweden covers Peru by a team of advisors based in Chile with good market knowledge and hands-on experience of developing Swedish companies in Peru
- ▶ Currently there are 70+ Swedish companies active in Peru. In the 2016-17 Business Climate Survey, 100% of Swedish companies consider that the business and investment climate will remain stable or improve during the next three years, with 1 in 4 companies forecasting a considerably more favourable environment by 2018/19
- ▶ On the occasion of the reopening of the Swedish Embassy in Lima in November 2016, it was agreed between Peru and Sweden to facilitate for further business opportunities for SMEs
- ▶ ¡Bienvenidos al Perú!

**Tomas Korseman**  
Trade Commissioner Peru



# PERU REMAINS ONE OF THE BEST PERFORMING ECONOMIES IN LATIN AMERICA

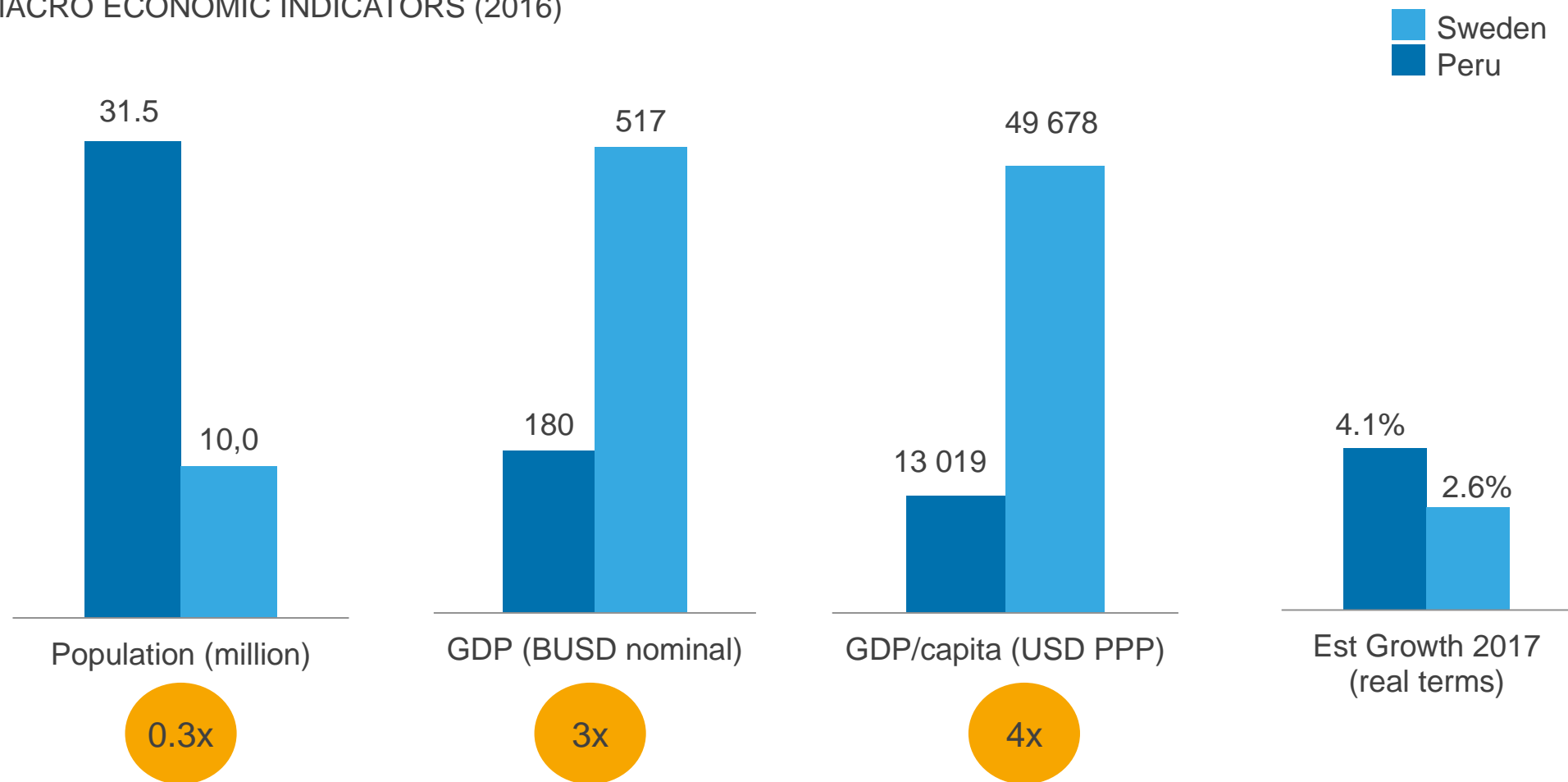


PERU HAS A POTENTIAL OF BECOMING A FULL OECD MEMBER BEFORE 2021



# PERU PRESENTS MANY OPPORTUNITIES TO SWEDEN

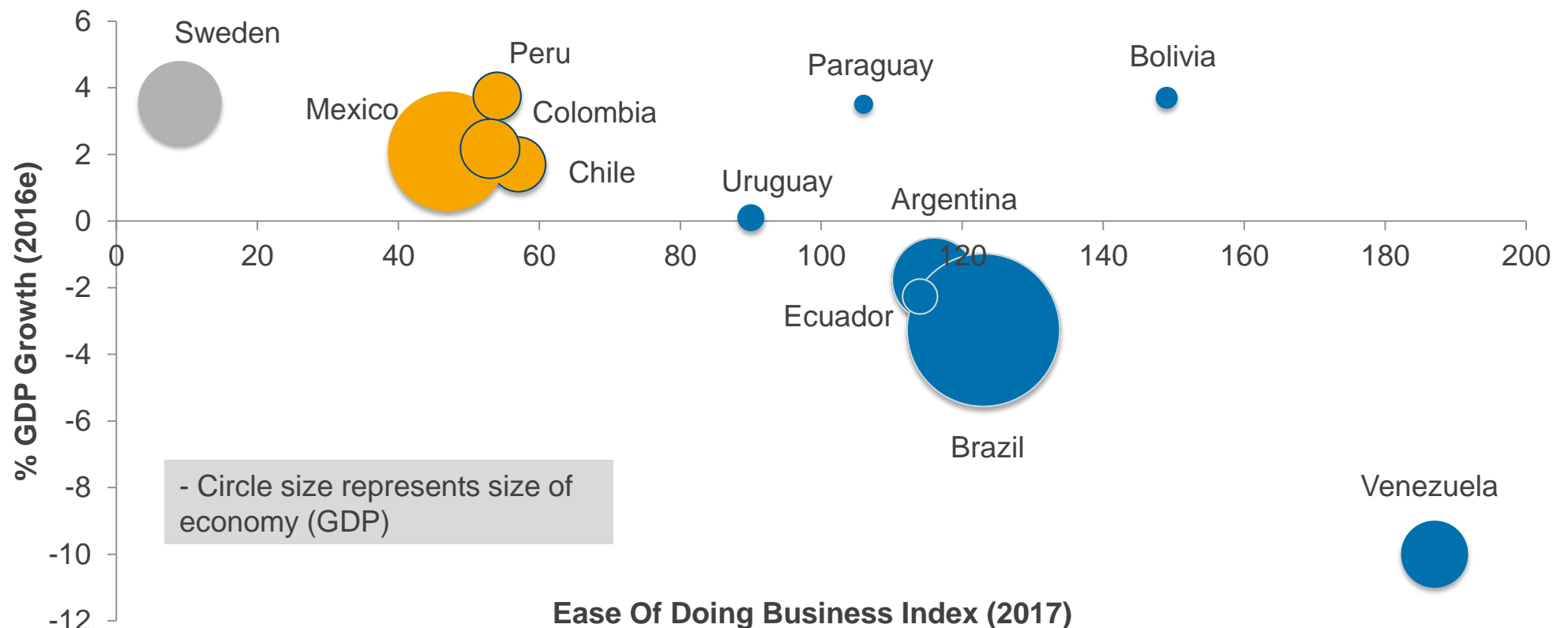
## MACRO ECONOMIC INDICATORS (2016)



SOURCE: IMF, EUROMONITOR

# PERU IS THE REGIONAL LEADER IN GROWTH AND EASE OF DOING BUSINESS RANKING

EASE OF DOING BUSINESS COMPARED TO GDP SIZE AND GROWTH

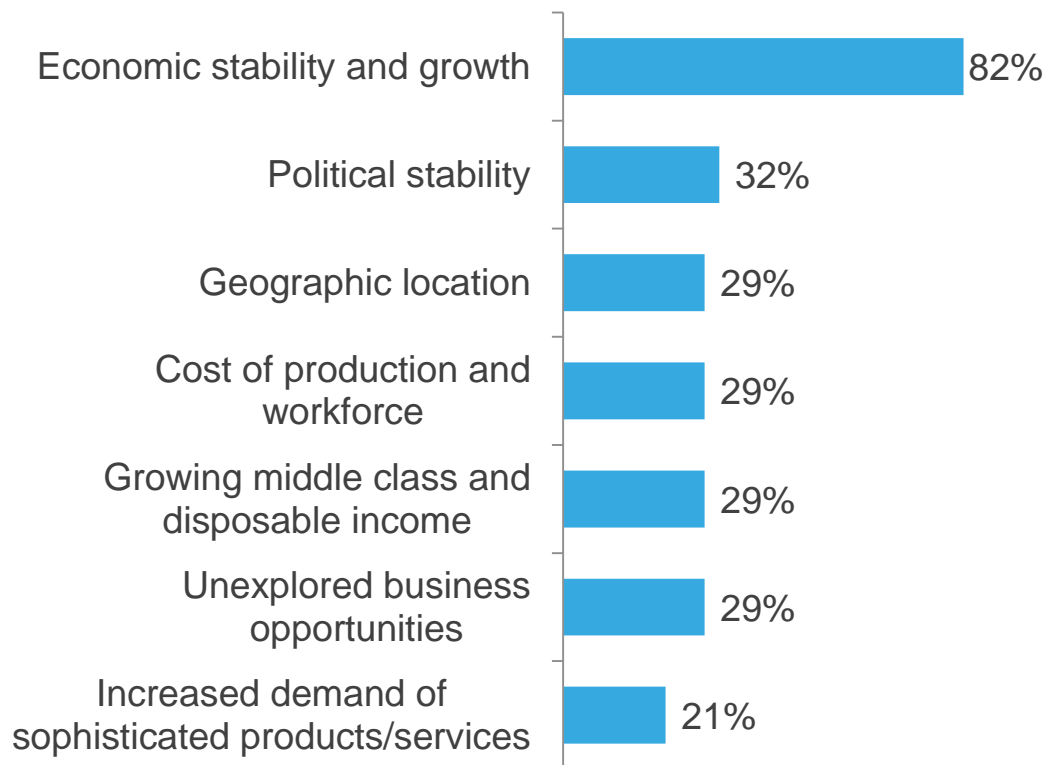


PERU RANKS SECOND IN SOUTH AMERICA FOR EASE OF DOING BUSINESS

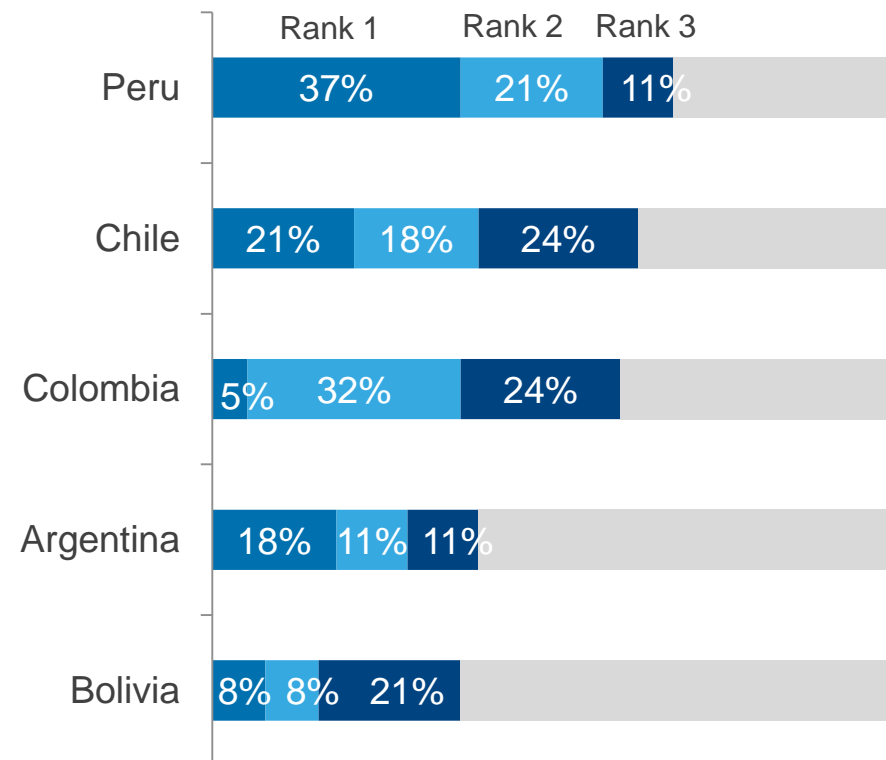
SOURCE: WORLD BANK EASE OF DOING BUSINESS 2017

# PERU'S MAIN ADVANTAGES ARE ITS ECONOMIC AND POLITICAL STABILITY

PERU'S MAIN COMPETITIVE ADVANTAGES



CURRENT PERCEPTION OF PROFITABILITY IN DIFFERENT SOUTH AMERICAN MARKETS



## PERU IS RANKED MOST PROFITABLE COUNTRY IN SOUTH AMERICA BY SWEDISH COMPANIES

SOURCE: BUSINESS SWEDEN BUSINESS CLIMATE SURVEY, NOVEMBER 2016

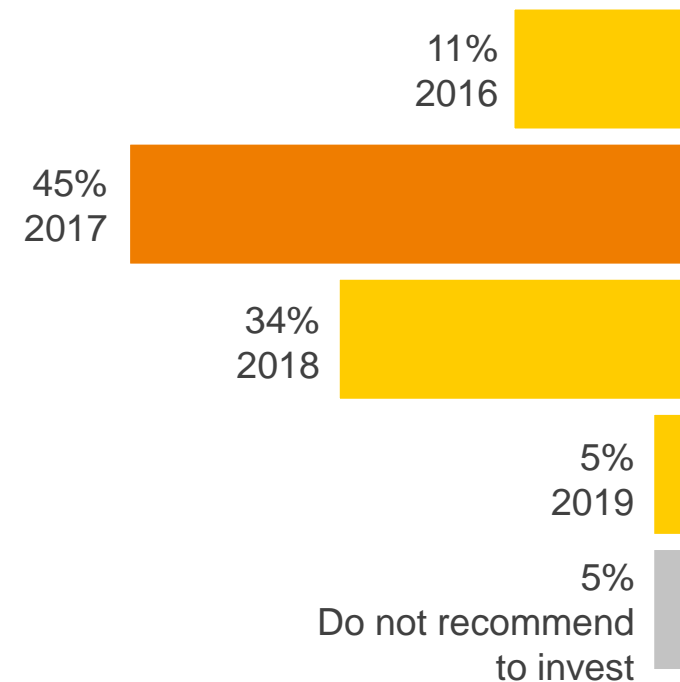
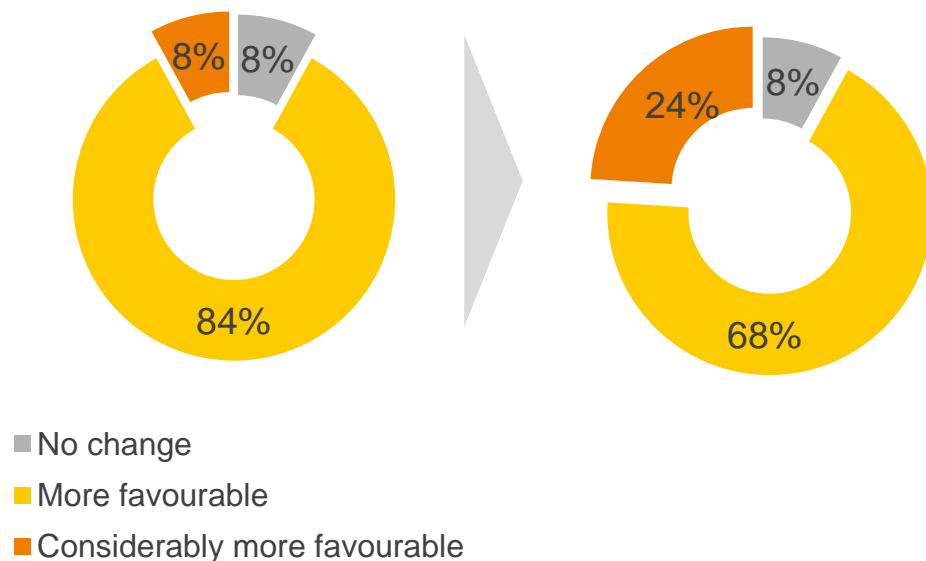
\*ESCALA 1-10 DONDE 1 ES NO FAVORABLE Y 10 ES MUY FAVORABLE. LAS RESPUESTAS 1-3 SON CONSIDERADAS COMO NO FAVORABLE, 4-6 NEUTRAL Y 7-10 FAVORABLE.

# THE FAVORABLE BUSINESS AND INVESTMENT CLIMATE IS EXPECTED TO CONTINUE

FUTURE PERCEPTION OF THE BUSINESS CLIMATE IN PERU

PERCEPTION OF THE IDEAL TIMING FOR NEW INVESTMENTS IN PERU

Short term (2016-2017)      Medium term (2018-2019)

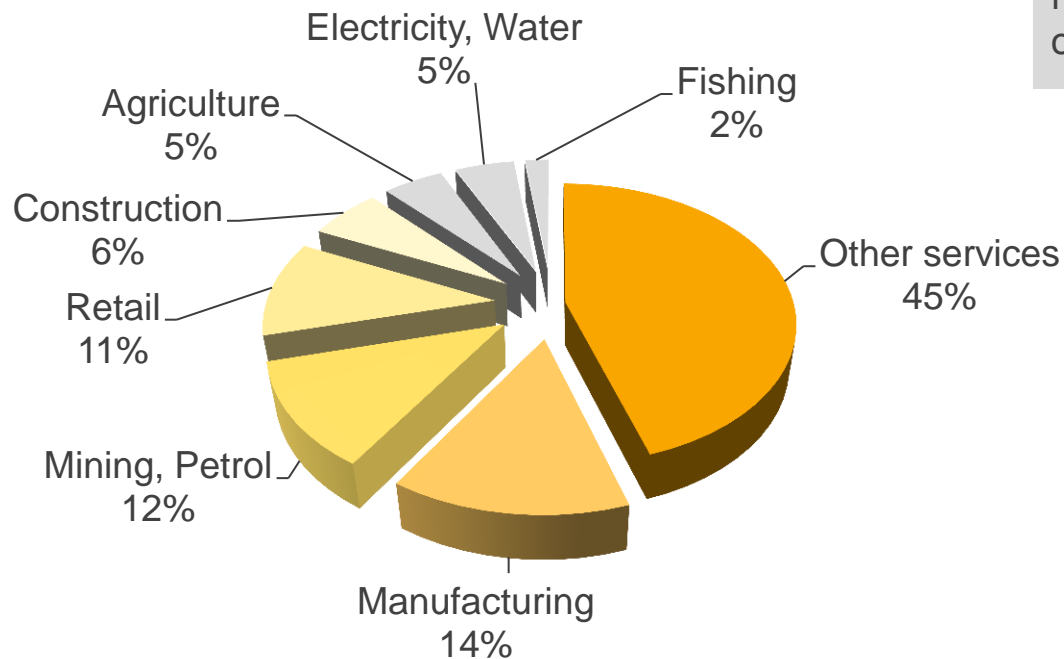


45% OF SWEDISH COMPANIES IN PERU BELIEVE THAT 2017 WILL BE THE BEST YEAR TO INVEST

SOURCE: BUSINESS SWEDEN BUSINESS CLIMATE SURVEY, NOVEMBER 2016

# MINING IS THE DOMINATING INDUSTRIAL SECTOR, BUT AGRICULTURE IS GROWING

COMPOSITION OF PERUVIAN GDP (2015)



Lima region represents 49% of Chile's GDP



### Inland

- ▶ Mining
- ▶ Metals industry
- ▶ Agriculture
- ▶ Petroleum
- ▶ Textile industry

### Coast Line

- ▶ Fishing industry
- ▶ Metals industry
- ▶ Oil refinery/ petroleum
- ▶ Textile industry
- ▶ Chemical plants

MORE THAN 60% OF PERUVIAN EXPORTS ARE MINERALS, MAINLY COPPER

SOURCE: CENTRAL BANK OF PERU, INEI





# SOCIAL AND ECONOMIC REFORM ON THE AGENDA FOR THE NEW ADMINISTRATION



*Former investment banker Pedro Pablo Kuczynski (PPK) was elected in 2016 as the new President of Peru and assumed office in July 2016 for 5 years*

## PPK'S GOVERNMENT DECLARATION

- ▶ **Continued modernization of the country** by addressing infrastructural deficits, improving education and healthcare systems, water and sanitation
- ▶ **Formalization of the economy.** It is estimated that up to 60% of the workforce is engaged in the informal sector with lower wages and unsafe working conditions
- ▶ **Make it easier to invest**, especially in mining and infrastructure
- ▶ **Maintain growth** by simplifying the tax burden and stimulate more businesses to formally register their companies. Currently, an estimated 70% of businesses are not formally registered
- ▶ **Drive exports** by diversifying domestic production. 70% of current export is raw material, mainly minerals

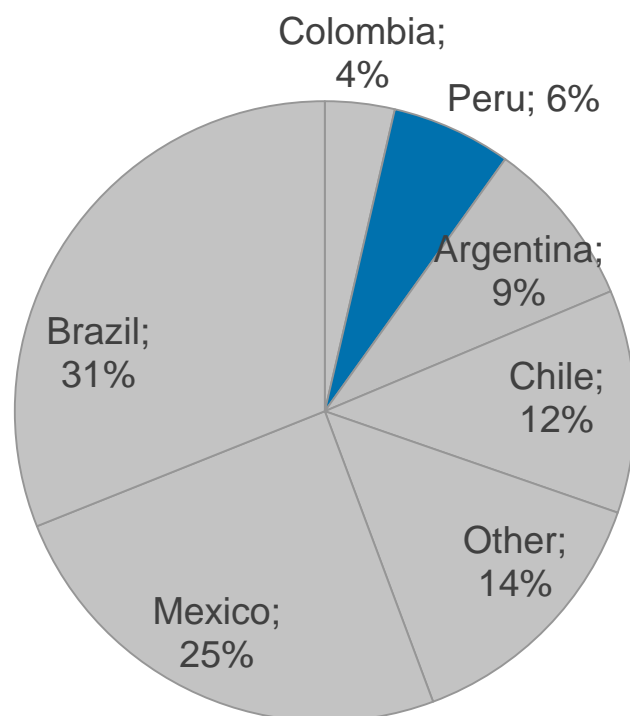
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DESPITE MAJOR PROGRESS DURING THE PAST 15 YEARS, 20% OF PERUVIANS ARE STILL IN POVERTY

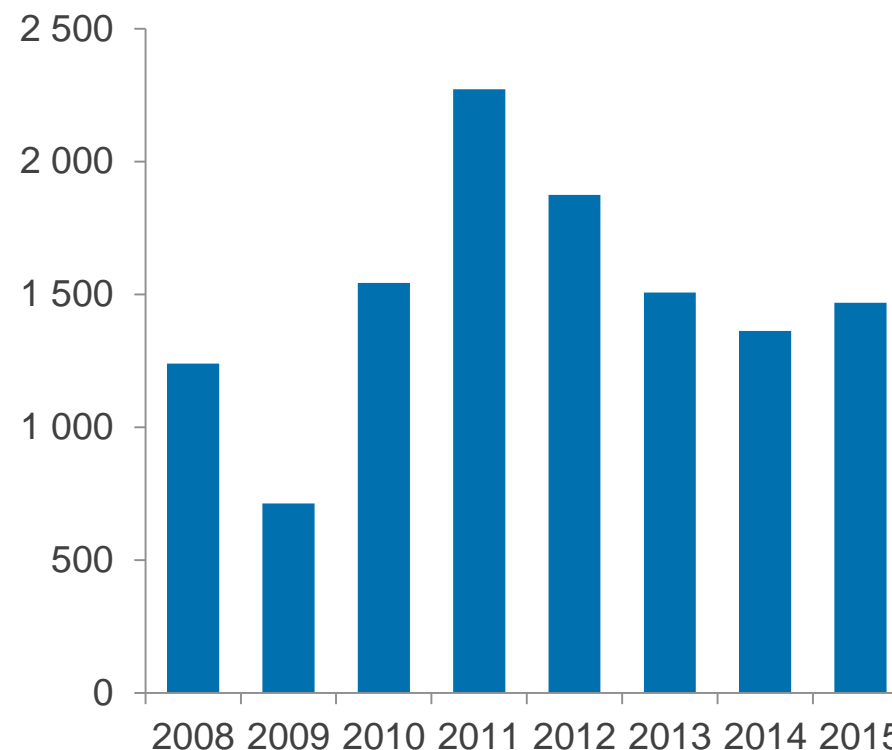
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# 6% OF SWEDISH GOODS EXPORTED TO LATIN AMERICA GOES TO PERU

SWEDISH GOODS EXPORT TO LATIN AMERICA  
100%=23.5 billion SEK



SWEDISH GOODS EXPORTS TO PERU  
Million SEK



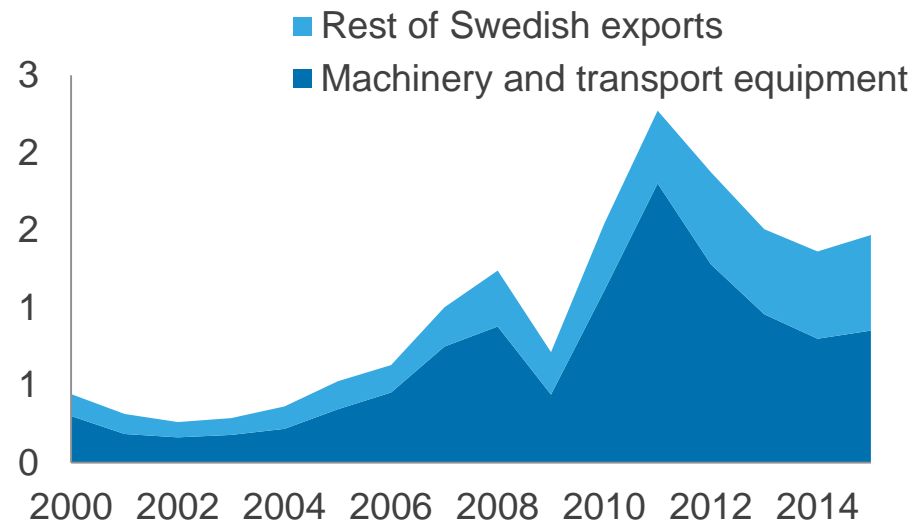
DECREASE IN SWEDISH EXPORTS DESPITE A GROWING PERUVIAN ECONOMY AND FTA WITH EU

SOURCE: STATISTICS SWEDEN, 2015



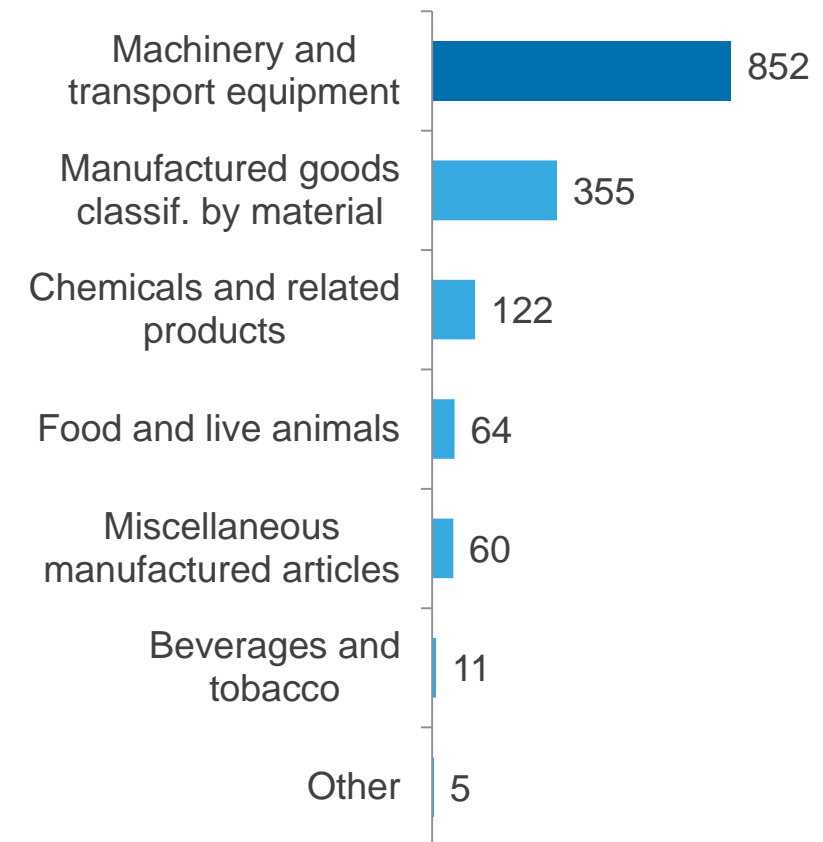
# SWEDISH EXPORTS CONSIST MAINLY OF MACHINERY AND TRANSPORT EQUIPMENT

SWEDISH EXPORTS OF GOODS TO PERU  
Billion SEK



- ▶ Nearly 60% of Swedish exports to Peru are related to machinery and transport equipment
- ▶ Positive growing trend during the past years for the category manufactured goods, reaching 24% of total Swedish exports in 2015

SWEDISH EXPORTS OF GOODS TO PERU  
Million SEK





# MAJOR OPPORTUNITIES FOR SWEDEN IN PERU



**Mining** – Solutions for sustainable mining, increased productivity, automation, and safety. Transfer contract investment projects for exploration and feasibility studies



**Infrastructure** – Strategic alliances to ensure 100% of the country connected to drinking water and sewage systems by 2021. Design and construction of new, sustainable cities and towns



**Agriculture & Food** – Sustainable technologies and processes, packaging materials to protect the quality of produces destined for export



**Transport** – 30+ PPP projects underway to modernize infrastructure, facilitating the movement of goods and people. Construction and modernization plans for highways, ports, airports, railways, metro and waterways



**Energy** – Availability of natural gas, wind, and water, with unused potential of 69 000 MW for water and 77 000 MW for wind power. Aim to become regional energy hub and exporter with ongoing plans for interconnection project with Chile, alongside domestic transmission projects



**Health** – Construction and expansion projects in both public healthcare systems, MINSA and EsSalud, to achieve a universal healthcare service and improved quality. Plans for three new high complexity hospital

# 70+ SWEDISH COMPANIES PRESENT IN PERU

## PERUVIAN SUBSIDIARIES

- ▶ ABB
- ▶ Alfa Laval
- ▶ Astra Zeneca
- ▶ Atlas Copco
- ▶ Betsson
- ▶ DeLaval
- ▶ EF Education First
- ▶ Electrolux
- ▶ Ericsson
- ▶ H&M
- ▶ Husqvarna
- ▶ Oriflame
- ▶ Sandvik
- ▶ Scania
- ▶ Securitas
- ▶ SKF
- ▶ SSAB
- ▶ Systemair
- ▶ Tetra Pak
- ▶ Volvo

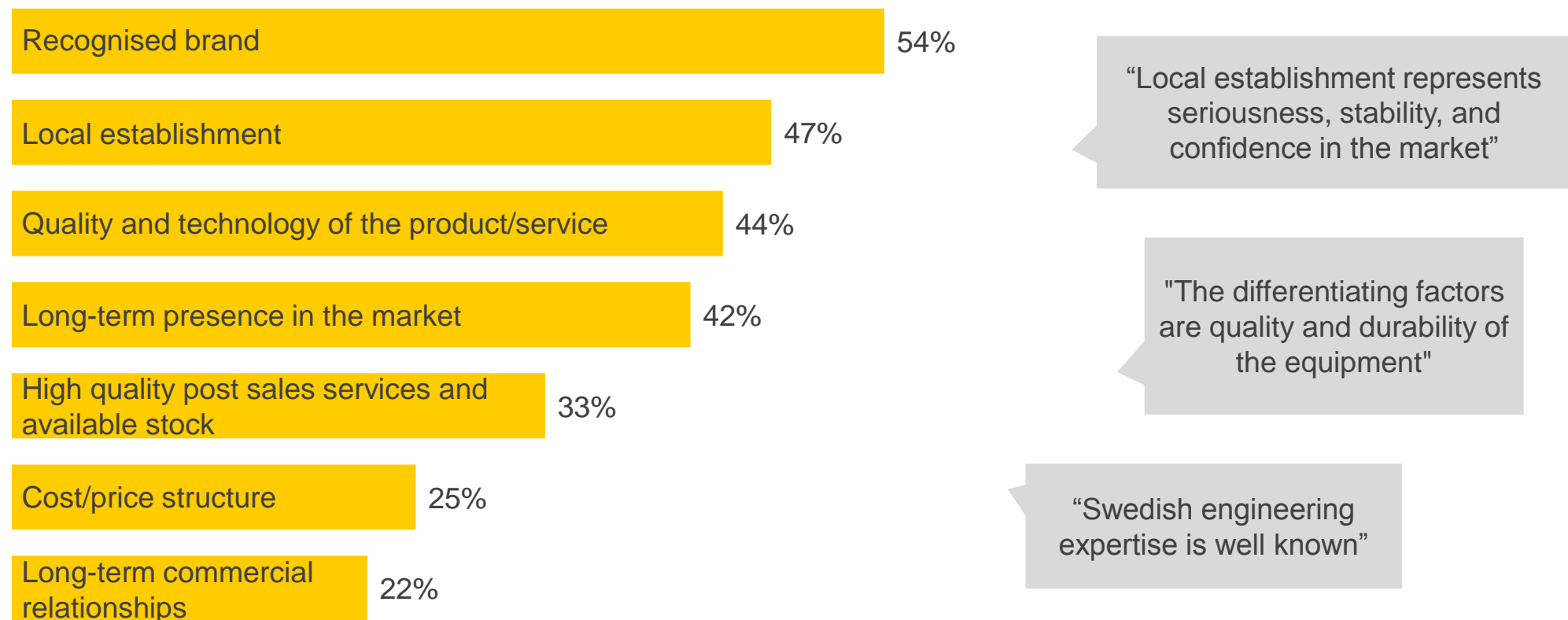
## PERUVIAN AGENT OR DISTRIBUTOR

- ▶ Abeko
- ▶ Absolut Vodka
- ▶ Akzo Nobel
- ▶ Assa Abloy
- ▶ BillerudKorsnäs
- ▶ Combi Wear Parts
- ▶ Dynapac
- ▶ Elekta
- ▶ Elof Hansson
- ▶ Envac
- ▶ Eolvent System
- ▶ Epidemic Sound
- ▶ Esab
- ▶ Firefly
- ▶ Flygt
- ▶ Getinge
- ▶ Grindex
- ▶ Gunnebo Lifting
- ▶ Hemocue
- ▶ Hiab
- ▶ Inresol
- ▶ Jensen Ventilation
- ▶ Kährs
- ▶ Kanmed
- ▶ Kosta Boda & Prrefors
- ▶ Kreab
- ▶ Lagerkvist & Partners
- ▶ Light Air
- ▶ Metrum Sweden
- ▶ Micropower
- ▶ Mölnlycke Health care
- ▶ Nord-Lock
- ▶ Piab
- ▶ Publmetro
- ▶ Qlik
- ▶ Reflex
- ▶ Roxtec
- ▶ SAAB
- ▶ Scandatex
- ▶ Sciss
- ▶ SEAC
- ▶ Solna
- ▶ Solvatten
- ▶ Spotify
- ▶ Stocka
- ▶ Stockholm Precision Tools
- ▶ Tawi
- ▶ Thule
- ▶ Tobii
- ▶ Uddeholm Tool Steel
- ▶ Unipower
- ▶ Vimmerbyhus
- ▶ Volvo Cars

BUSINESS SWEDEN SUPPORTS SWEDISH COMPANIES TO ESTABLISH AND GROW IN PERU

# SUCCESS FACTORS FOR DOING BUSINESS IN PERU

## MOST IMPORTANT SUCCESS FACTORS FOR DOING BUSINESS IN PERU



## BRAND SWEDEN IS AN IMPORTANT ENABLER FOR LOCAL SWEDISH COMPANIES IN PERU

SOURCE: BUSINESS SWEDEN BUSINESS CLIMATE SURVEY, NOVEMBER 2016



# PERUVIAN BUSINESS CULTURE IS QUITE FORMAL

Business atmosphere is more formal than in Sweden and many other Latin American countries

Personal contact and familiarity is essential

...having the right connections is key

Low level of English in business. Spanish is needed

Appearance is important and dress code formal



Peruvians take their time to make decisions and these may not be in a logical order

First meetings should be with top-level managers

...since these are the main decision makers

European products are considered high-end. Sweden has a positive image

PERUVIANS CAN BE ELUSIVE IN BUSINESS – NEGOTIATING AND CLOSING BUSINESS CAN TAKE TIME

# KEY CHALLENGES FOR DOING BUSINESS IN PERU

## MOST IMPORTANT CHALLENGES\* WHEN DOING BUSINESS IN PERU



## IMPROVED MARKET ATTRACTIVENESS SHOULD THE PERUVIAN GOVERNMENT RESOLVE SOME KEY CHALLENGES



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