

THE ROAD TO GOWTH: BUSINESS AND INDUSTRY IN PERU

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Peru : The road to growth...

ANNUAL INDICATORS	2000	2003	2004*
GDP (US\$ bn)	53.1	60.6	67.3
Real GDP growth	2.9	3.4	4.6
Consumer price inflation	3.8	2.48	3.48
Population	25.9	27.2	27.6
Exports of goods FOB (US\$ bn)	6,955	8,986	12,370
Imports of goods FOB (US\$ m)	7,366	8,255	9,634
Current-account balance (US\$ bn)	-1,559	-1,061	-302

Source: BCRP, INEI, SUNAT

(*) Estimates

Peru: A road to growth....

... ANNUAL INDICATORS	2000	2003	2004*
Current-account balance (US\$ m)	-1,559	-1,061	-302
Foreing exchange reserves (US\$ millions)	8,374	10,194	12,631
Total external debt (US\$ bn)	28.7	29.7	29.8
Debt service ration , paid (%)	25.6	33.4	26.3
Exchange rate Av Ns/US\$	3.49	3.48	3.41

Source: BCRP, INEI, SUNAT

(*) Estimates

PERU: ECONOMIC GROWTH

ECON. SECTORS GROWTH IN PERU

	Weight	2002	2003	2004f	2005f	2006f
Agriculture	7.6%	5.7	2.3	-0.8	2.5	3.5
Fisheries	0.7%	5.7	-12.6	2.9	5.4	4.5
Mining & energy	4.7%	11.6	6.9	7.2	6.3	6.0
Manufacture	16%	4.2	2.1	5.7	3.6	3.7
<i>Proc. Primary resources</i>	3.7%	-0.5	-1.4	4.8	2.5	3.4
<i>Industry</i>	12.3%	5.6	3.7	5.5	4.5	3.8
Construction	5.6%	7.9	4.2	5.3	4.1	4.5
Trade	14.6%	4.6	3.8	3.1	3.5	3.5
Services	41.2%	3.8	4.0	5.4	4.3	4.1
Gross Value Added	90.2	4.9	3.7	4.5	4.1	4.1
Taxes on products& imports	9.8%	3.9	5.3	4.1	4.0	3.1

PERU: GROWTH BY SECTORS

ECONOMIC SECTORS	Weight	2002	2003	2004f	2005f	2006f
GLOBAL GDP	100.0	4.9	3.8	4.6*	4.1	4.0
<i>Primary GVA</i>	16.7	6.5	2.8	3.0	3.9	4.4
<i>Non primary GVA</i>	73.6	4.5	3.9	4.9	4.1	4.0

***Estimated MEF 5.0% for Dec.04.**

GVA: Gross Value Added

Sources: BCRP, INEI , IPE

Peru: Sectorial Growth

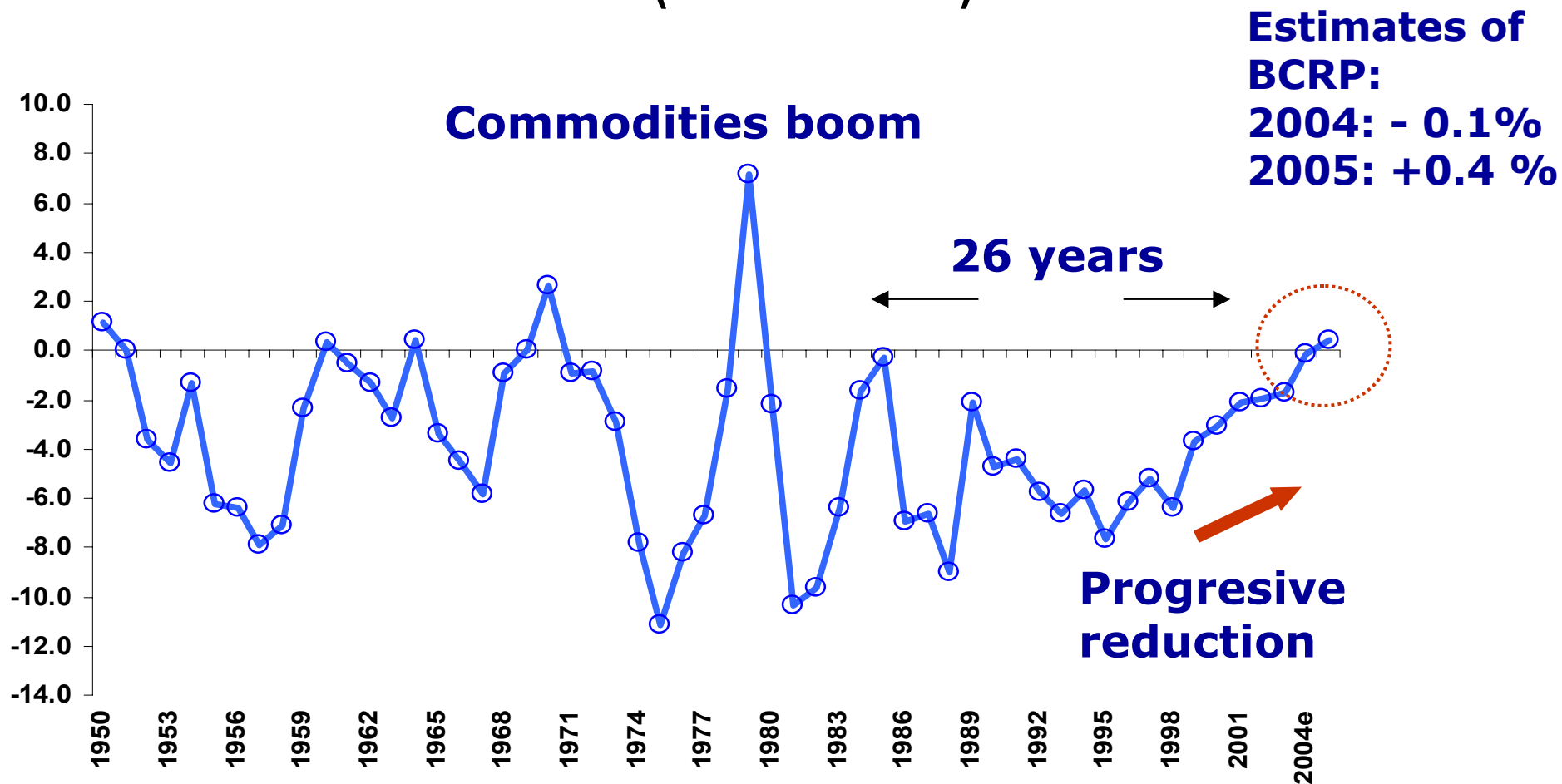
- **IPE estimates annual growth to November '04 reaches 4.55%. MEF indicates 5% in December 04. Total 2004: 4.6%**
- **In the last 12 months, growth of the productive activity is in average 4.35%**

PERU: EXTERNAL SECTOR IN GROWTH

- Positive balance in current account
not seen in 26 years...

External sector: balanced accounts

Current account balance (in % of GDP)



Sources: BCRP, IPE

INFLATION

- Under control, within BCRP
fluctuation range

Inflation in Peru - January 2005

Food and beverage	0.46%
Clothing	0.13%
Housing & energy	0.01%
Furniture & home accessories	-0.03%
Health care	0.30%
Transport & communication	-0.21%
Education	-0.08%
Other	0.04%
Total	0.10%
Year up to January 2005	3.03%

SOURCE: National Institute of Statistics of Peru- INEI

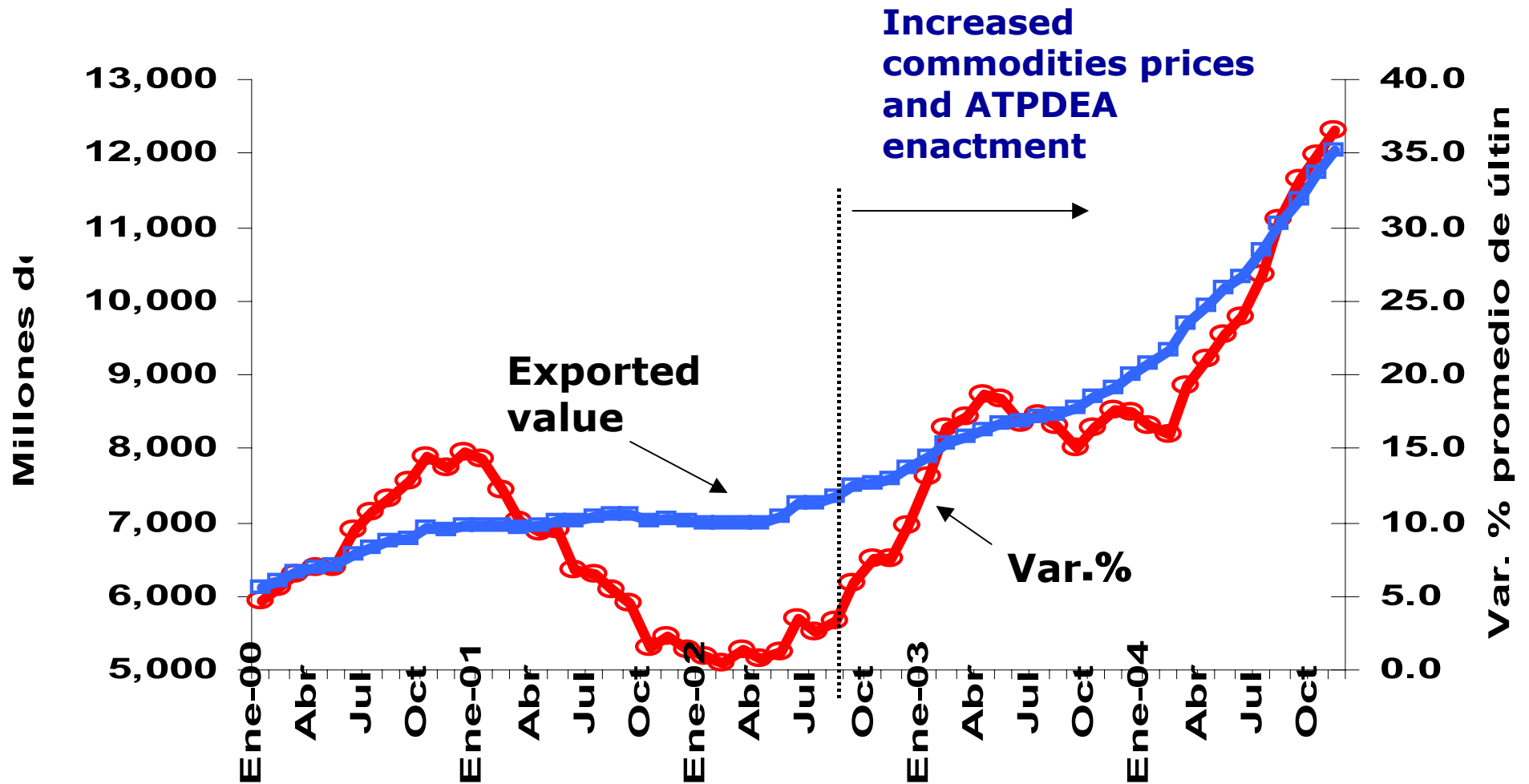
EXCHANGE RATE

- Free floating and BCRP intervention**

PERU: EXPORTS TO THE WORLD

External sector: strong export growth

Exports (million US\$ and var. %, yearly data)



External sector: Strong export growth

TOTAL EXPORTS OF PERU 2004 (million dollars)

SECTOR	VALUE	VAR (%)	PART (%)
TOTAL TRADITIONAL	8,822.2	+37.8%	71.3
TOTAL NON TRADITIONAL	3,547.9	+35.1%	28.7
TOTAL PERU EXPORTS	12,370.1	+37%	100.0

Sources: SUNAT, Mincetur

TOTAL EXPORTS BY ECONOMIC SECTOR

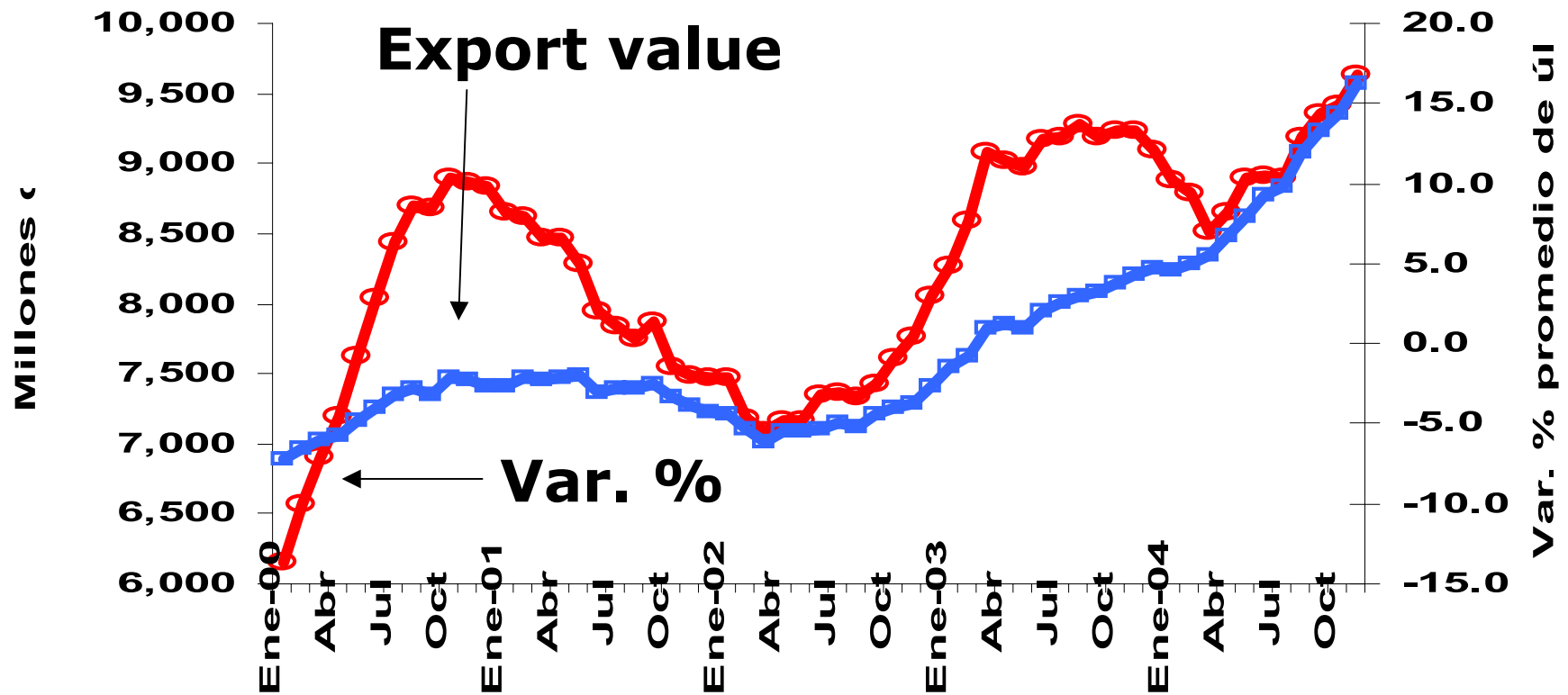
SECTOR	VALUE \$	VAR (%)	PART.(%)
MINING & PETROLEUM	7,393.8	38.1	59.8
AGRICULTURE	1,123.4	32.5	9.1
TEXTILES & APPAREL	1,091.0	32.6	8.8
FISHERIES	1,387.2	34.5	11.2
CHEMICALS	481.8	52.8	3.9
METAL-MECHANIC	134.1	35.3	1.1
METALLURGIC & STEEL	299.9	55.6	2.4
NON METALLIC MINING	93.9	27.8	0.8
WOOD AND PAPER	213.7	24.2	1.7
SKINS AND LEATHER	24.1	34.9	0.2
OTHER (INCL. JEWELRY)	126.5	29.1	1.0
TOTAL	1,2370.1	37	100

**PERU: IMPORTS
FROM THE WORLD**

Extenal sector: progresive import recuperation

Imports

(million US\$ and var. %, annual figures)



PERU'S TOTAL IMPORTS 2004 (million \$)

	VALUE	VAR.%	PART%
GOODS FOR CONSUMPTION	1,990.5	9.3	19.7
PRIMARY & INTERM. GOODS	5,649.2	24.6	55.9
CAPITAL GOODS & CONSTRUCTION	2,471.0	19.5	24.4
TOTAL IMPORTS	10,111.5	20.0	100.0

Source: SUNAT.

PERU'S TOTAL IMPORTS 2004 (million US\$)

	VALUE	VAR.%	PART%
<i>GOODS FOR CONSUMPTION</i>	1,990.5	9.3	19.7
NON DURABLE	1,175.6	12.0	11.6
DURABLE	814.9	5.7	8.1
<i>PRIMARY & INTERM. GOODS</i>	5,649.2	24.6	55.9
FUELS, LUBRICANTS	1,875.2	27.4	18.5
FOR AGRICULTURE	4004.1	28.5	4.0
FOR MANUFACTURING	3,369.0	22.7	33.3

Sources: SUNAT, Mincetur

...PERU'S TOTAL IMPORTS 2004

(million US\$)

	VALUE	VAR.%	PART%
<i>CAPITAL GOODS & CONSTRUCTION</i>	2,471.0	19.5	24.4
CONSTRUCTION MATERIALS	216.8	-3.1	2.1
POR AGRICULTURE	31.5	72.3	0.3
FOR MANUFACTURING	1,708.3	16.5	16.9
TRANSPORT EQUIPMENT	514.4	42.7	5.1
TOTAL IMPORTS	10,111.5	20.0	100.0

Source: SUNAT. Mincetur

PERU: SOME TRADE NEGOTIATIONS

Bilateral:

- Free Trade Agreement with the USA
- Free Trade Agreement with EU
- Custom Duty Agreement with China

Multilateral:

- Doha Round

Regional:

- Andean Group
- Association with Mercosur

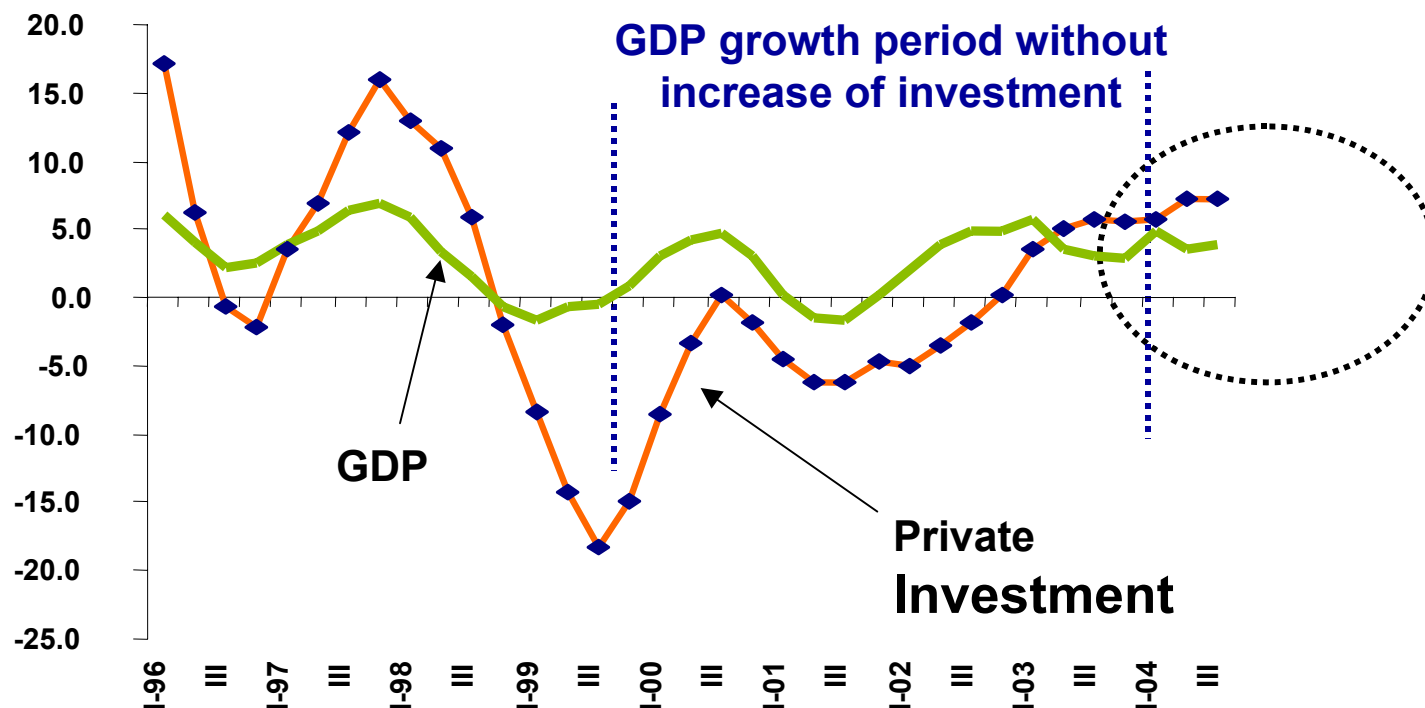
Other:

- Creation of the South American Community of Nations

INVESTMENTS

Private Investment

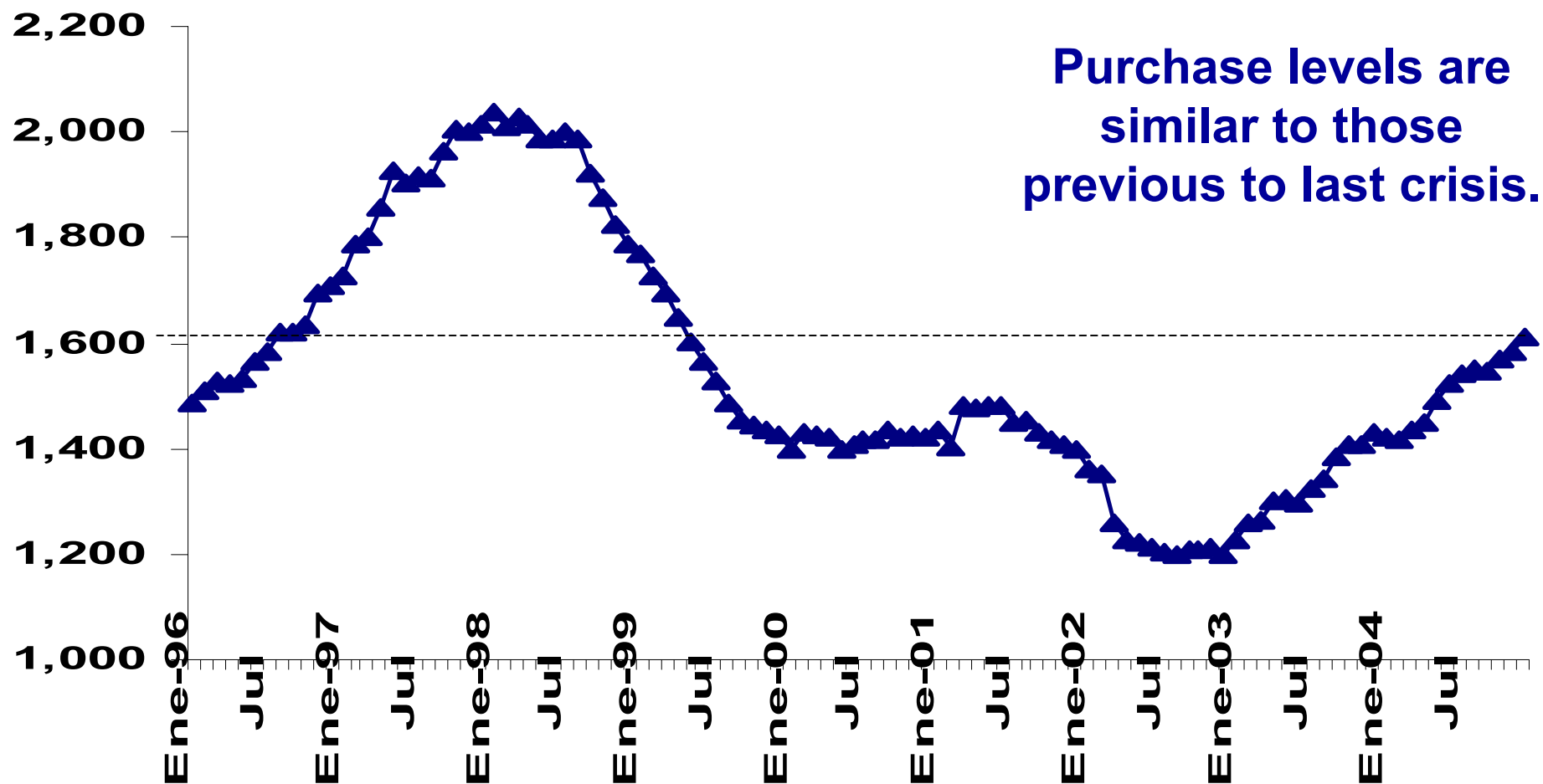
GDP and Private Investment Growth
(Annual Variation, mobile average 12 months)



Source: BCRP, IPE

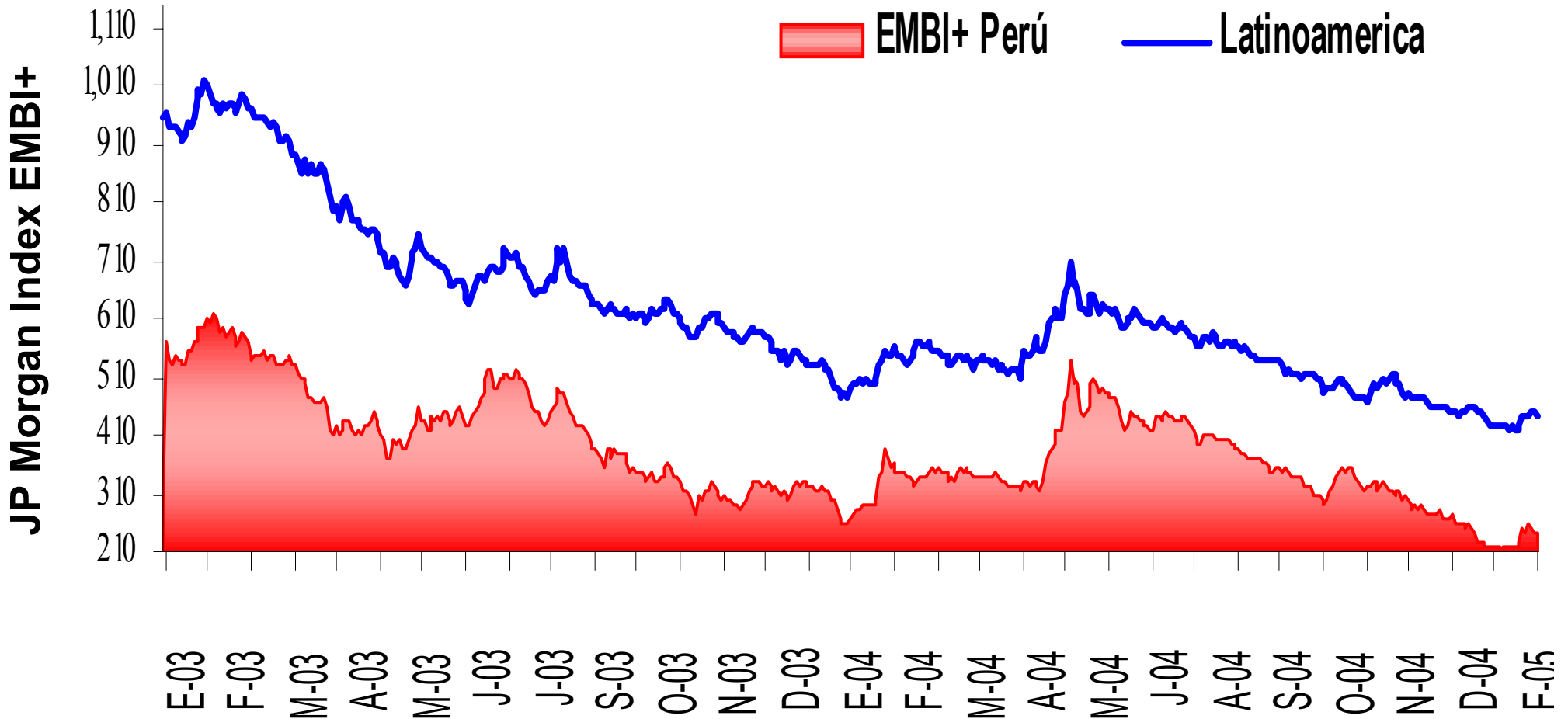
Peru: Private investment

Imports of capital goods for the industry (year up to month, US\$ millones)

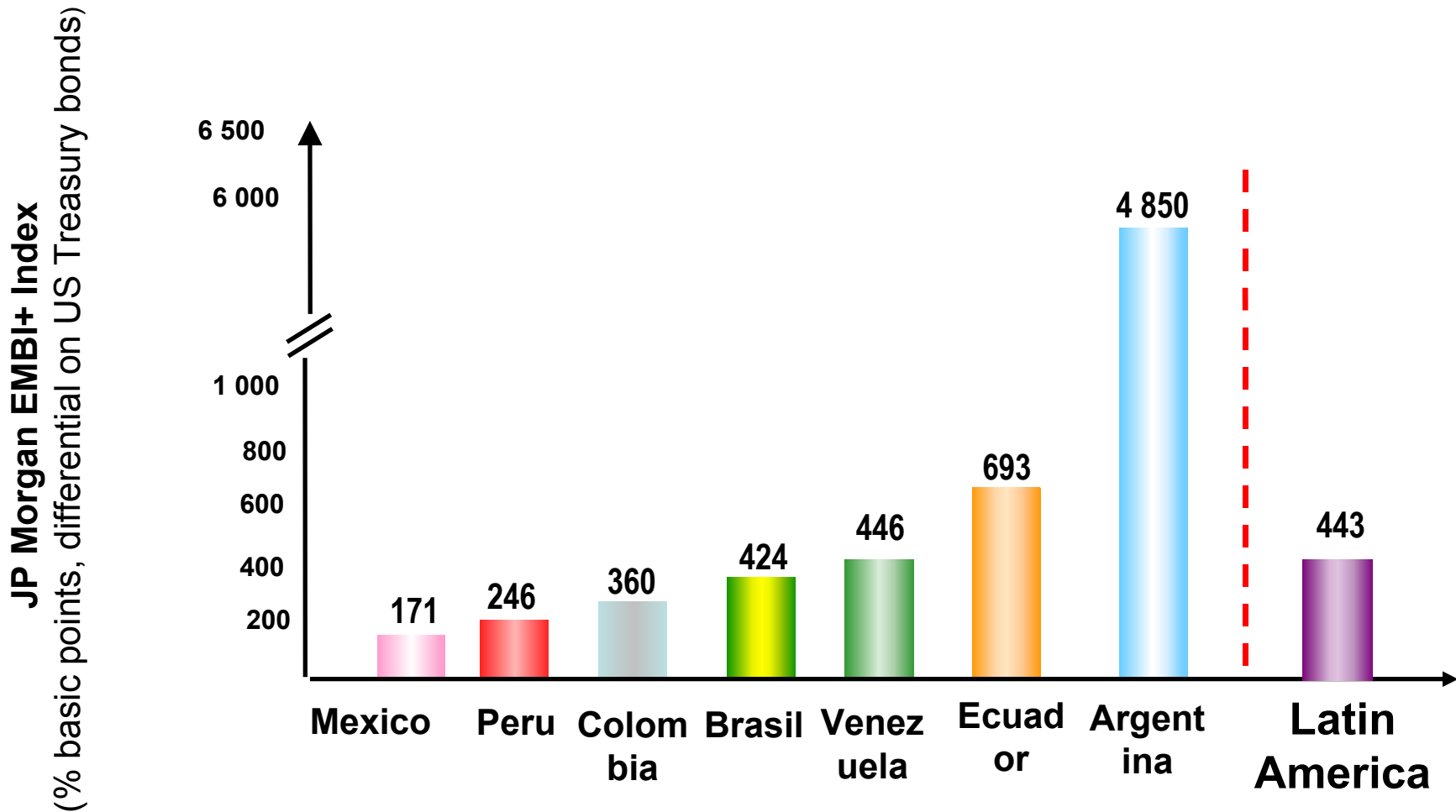


Country risk: factors accepted by the market, that enable the reduction of country risk

AL - Spreads of Sovereign Bonds (PDI) (in basic points)



Country risk index in the region.



Source: Bloomberg, Proinversion

Uptade Janauary 13, 2005

Peru offers a favorable legal framework for foreign investment ...

Legal Framework:

- ✓ Constitutional rules.
- ✓ “Law for the Promotion of Foreign Investment”

Legislative Decree N° 662

- ✓ “Framework Law for Private Investment Growth”.

Legislative Decree N° 757

- ✓ “Law for the Promotion of Private Investment in Infrastructure and Public Service Works”.

Approved by Supreme Decree N° 059-96-PCM

Major Characteristics:

- ✓ Non discrimination.
- ✓ Irrestrictive access to most economic sectors.
- ✓ No performance requirements.
- ✓ Free transfer of capital.
- ✓ Free competition.
- ✓ Guaranty for Private Property
- ✓ Freedom to purchase stocks from locals.
- ✓ Freedom to access internal and external credit.
- ✓ Freedom to pay royalties.

...DIRECT FOREIGN INVESTMENT IN PERU (US \$ MILLIONS) - TIL SEPT. 04

PAIS	FISHER	OIL	SERVIC.	SILVIC	TRANSP.	TOURIS	HOUSIN	TOTAL
TOTAL	0.5	97.9	427.9	1.24	313.44	62.1	14.7	12,622.7
SPAIN	0.0	0.0	42.1	0.0	0.0	0.0	0.0	3,192.3
UK	0.0	0.8	220.0	0.0	76.1	29.9	0.9	2,745.9
USA	0.2	63.9	75.8	1.2	90.3	25.1	0.3	1,967.0
NETHERLANDS	0.0	0.2	21.9	0.0	1.7	1.98	1.12	1,307.7
CHILE	0.0	0	21.9	0.0	0.1	0.04	3.1	613.8
CHINA	0.0	0.0	0.01	0.0	0.0	0.0	0.0	122.1

Source: Proinversion

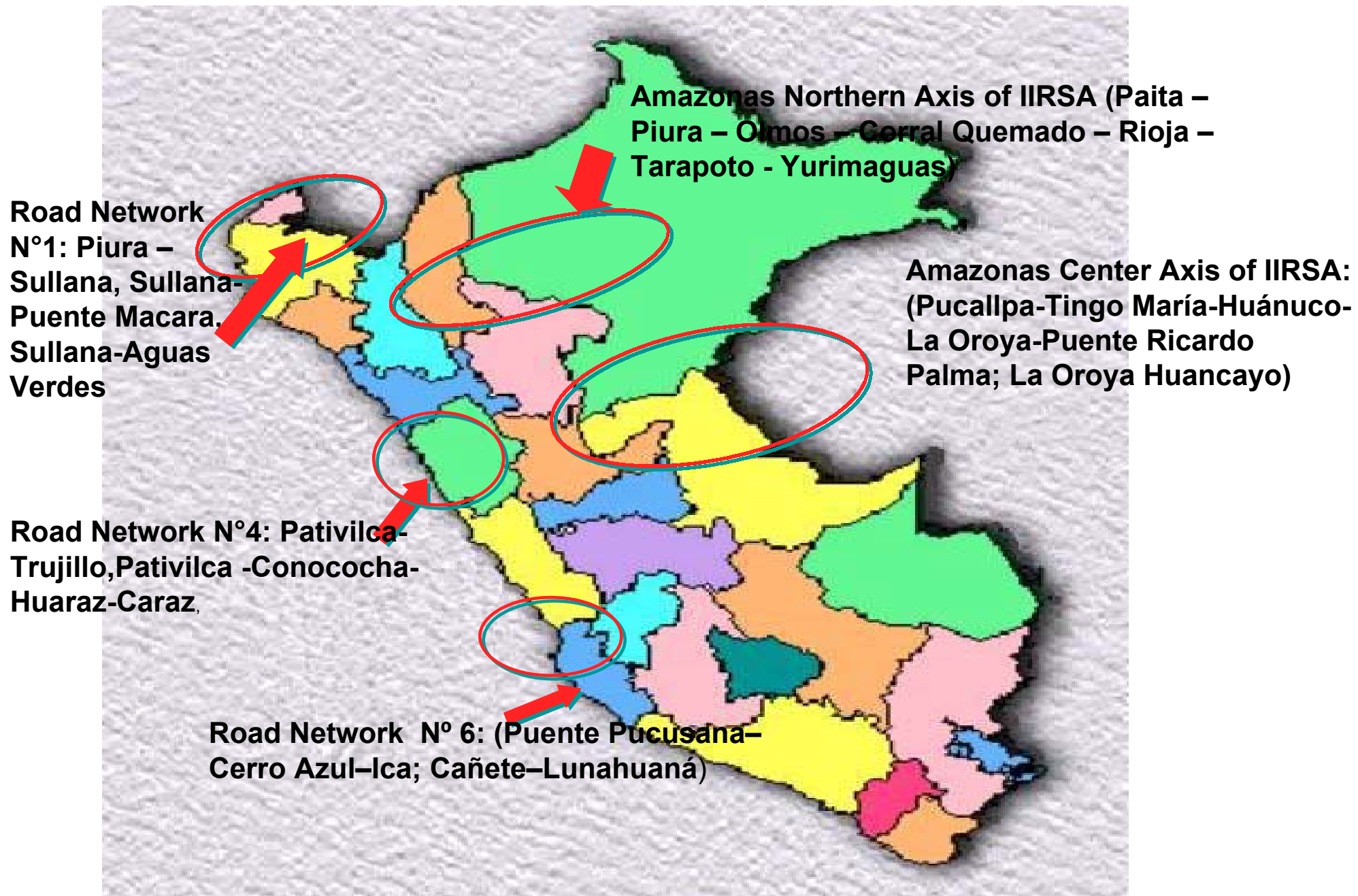
INVESTMENT OPPORTUNITIES

Pending Concessions

Project	Estimated invest.	AwardingTiming
Bayóvar phosphates project (privatization)	\$330 M 1st stage	1st quarter 2005
El Chaco - La Puntilla Tourism Project	\$ 7 M	idem
Playa Hermosa Tourism Project	\$ 36 M	pending date
Lima Commercial and Civic Center	\$ 20 + M	2nd quarter 2005, convoc.
Sanitation Services in Piura Province, Drinking Water and Sewage Companies	\$ 252 M	3quarter 2005
EMFAPA Tumbes, Drinking Water	\$ 67 M	1st. quarter 2005
Province Airports	\$ 148 + M	2nd quarter 2005
Callao Port Terminal, (New Container and Bulk Terminal),	\$ 108 M	4th quarter 2005

Source: Proinversion

Peru: Road Infrastructure Concession Process



BILATERAL RELATIONS:

PERU - UNITED STATES

TRADE BALANCE OF PERU WITH THE USA (in billion \$)

YEAR	Exports (FOB)	Imports (CIF)	Trade Balance	Total Trade
2002	1.9	1.4	0.5	3.4
2003	2.4	1.6	0.8	3.9
2004 *	3.6	2.0	1.6	5.5

(*) Preliminar data.

Source: Sunat

PERU'S EXPORTS TO USA (in million US\$)

SECTOR	2003	2004	VAR.%
TRADICIONAL	1,381.3	2,095.5	51.7
AGRICULTURE	268.1	355.9	32.7
TEXTILES	516.2	705.8	36.8
FISHERIES	47.0	79.0	68.0
MINING & OIL	1, 307.1	1,983.0	51.7
OTHERS	271.3	440.9	62.5
NON TRAD.	1,028.5	1, 469.2	42.8
T O T A L	2,409.8	3, 564.6	+47.9

Source: Sunat

PERU'S MINING EXPORTS TO USA (million US\$)

SECTOR	2003	2004	VAR.%
TRAD.EXPORTS	1 381.3	2 095.5	51.7
MINING	1 052.6	1 803.1	71.3
COPPER	403.8	432.1	7.0
IRON	0.7	0.5	(-17.9)
SILVER	76.9	105.7	37.4
LEAD	0.0	7.3	0.0
ZINC	52.9	67.1	26.7
GOLD	403.7	1 094.5	171.1
TIN	113.9	82.5	(-27.5)
REST	0.7	13.6	1 805.9

Source: Sunat

TRADITIONAL FISHERIES EXPORTS TO USA (In million US\$)

SECTOR	2003	2004	VAR.%
TRAD.FISHERIES	3.4	22.5	561.0
FISHMEAL	3.4	22.5	571.5
FISH OIL	0.1	0.0	97.5

Source: Sunat

FUEL OILS EXPORTS TO USA

(In million US\$)

TRAD.SECTOR	2003	2004	VAR.%
FUEL OILS & DERIVATES	254.6	179.9	(-29.3)
CRUDE	95.6	11.8	(-87.6)
DERIVATES	159.0	168.0	5.7

Source: Sunat

TRADIT. AGRICULTURAL EXPORTS TO USA (In million US\$)

SECTOR	2003	2004	VAR.%
AGRI. EXPORTS	70.8	90.0	(27.1)
COTTON	0.0	0.0	(0.00)
SUGAR	14.3	14.6	(2.2)
COFFEE	54.9	74.9	(36.4)
OTHER	1.6	0.5	(-70.4)

Source: Sunat

NON TRADITIONAL EXPORTS TO USA (million US\$)

SECTORS	2003	2004	VAR.%
AGRIBUSINESS	197.4	265.9	+34.7
TEXTILES & APPAREL	516.2	705.8	+36.8
FISHERIES	43.6	56.5	+29.5
CHEMICALS	42.4	138.1	+225.8
METAL-MECHANIC	25.3	41.7	+64.5
METALLURGIC	29.9	39.9	+33.3
NON METALIC MINING	41.1	56.9	+38.3
HANDCRAFTS	0.8	0.8	+3.3
WOOD & PAPER	63	68.7	+9
FUR AND LEATHER	4.1	4.3	+6
OTHER (JEWELRY)	64.7	90.6	+40

WHAT PERU IMPORTS FROM USA ?...

(2004 - In thousand US \$)

Nr	ITEM DESCRIPTION	IMPORTED
1	HARD WHEAT	127 900
2	GASOIL DIESEL 2	123 247
3	AUTOMOTIVE TIPCARTS	61 794
4	ETHYLENE POLYTEREFTALATE	59 123
5	DIAMONIC PHOSPHATE	38 261
6	IRON AND STEEL WASTE	35 115
7	DRIED YELLOW CORN	32 062
8	WHEAT, OTHER	30 111
9	POLYETHYLENE	27 793
10	OTHER COTTON NOT CARDED OR COMBED	25 018

Source: Sunat

WHAT ELSE PERU IMPORTS FROM USA?..

(2004- In thousand US \$)

11	OIL PREPARATIONS FOR LUBRICANTS	24 900
12	POLYETHYLENE OF LOWER DENSITY TO 0,94	23 113
13	RAW SOYA OIL	21 597
14	OTHER MACHINERY PARTS OF ITEMS N° 84.26 OR 84.30	19 445
15	TELEPHONES	18 705
16	PIMA & PIMA-S COTTON NOT CARDED NOR COMBED	18 453
17	DIGITAL PROCESSING UNITS	18 057
18	SLOT MACHINES	17 179
19	MACHINE PARTS & ACCESSORIES IN No 84.71	16 297
20	SOYA OIL TARTS	12 978

Source: Sunat