

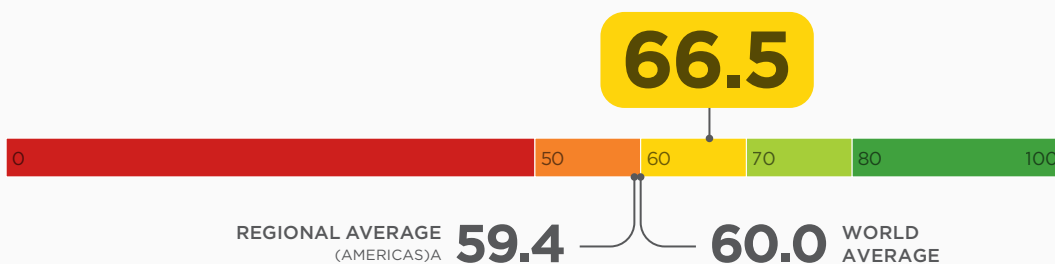
PERU

Peru's economic freedom score is 66.5, making its economy the 51st freest in the 2022 *Index*. Peru is ranked 8th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Peru's economy grew in 2017 and 2018, slowed in 2019, turned negative in 2020, and returned to growth in 2021. During those five years, economic freedom failed to advance. With a big gain in its **judicial effectiveness** score overwhelmed by a sharp drop in its **fiscal health** score, Peru has recorded a 2.4-point overall loss of economic freedom since 2017 and remains in the top half of the "Moderately Free" category. Monetary freedom and **trade freedom** are strong, but **business freedom** has deteriorated.

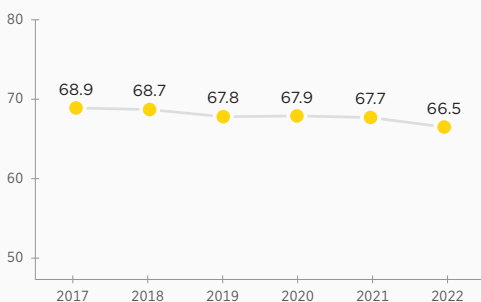
IMPACT OF COVID-19: As of December 1, 2021, 201,209 deaths had been attributed to the pandemic in Peru, and the government's response to the crisis ranked 25th among the countries included in this *Index* in terms of its stringency. The economy contracted by 11.1 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +9.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
33.0 million

GDP (PPP):
\$397.6 billion
-11.1% growth in 2020
5-year compound annual growth 0.3%
\$11,871 per capita

UNEMPLOYMENT:
6.2%

INFLATION (CPI):
1.8%

FDI INFLOW:
\$982.0 million

PUBLIC DEBT:
35.4% of GDP

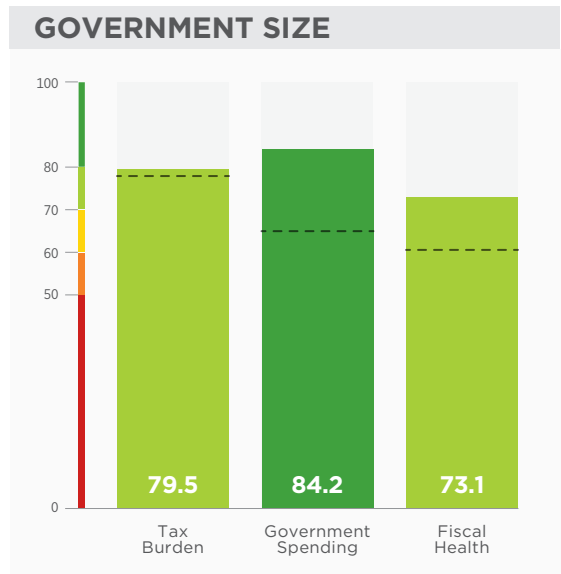
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: In the last third of the 20th century, Peru alternated between military rule and democracy. A violent, multi-decade guerilla insurgency was defeated in the 1990s by ex-President Alberto Fujimori, an authoritarian who nevertheless implemented liberal economic reforms. In 2021, however, and after two years of political turmoil, voters elected an unknown teacher, Pedro Castillo of the socialist Free Peru party, to serve as president. Castillo's election has raised concerns about the country's future economic health and political stability. Castillo has vowed to reform the constitution just as leftist parties are doing in Chile. Peru benefits from exports of natural resources, agriculture, manufacturing, and services. It also remains the world's second-largest producer of cocaine.

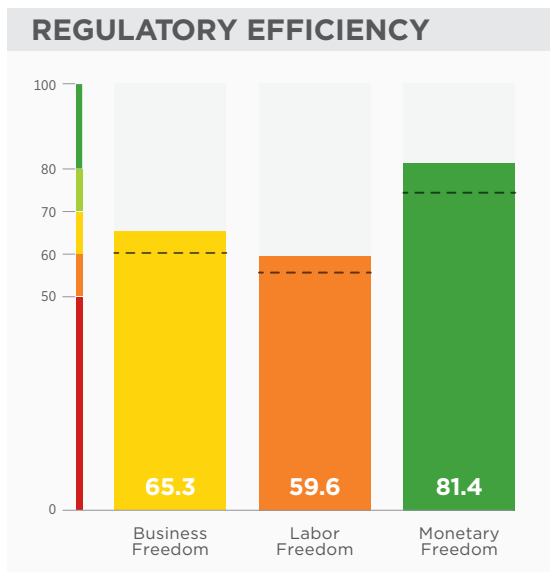
12 ECONOMIC FREEDOMS | PERU



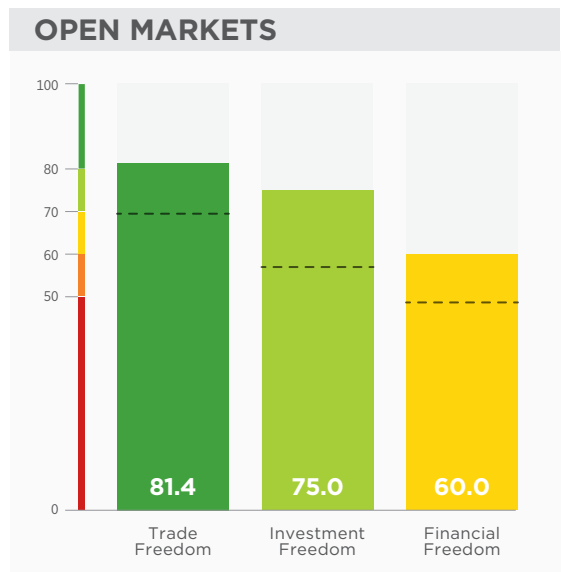
The government enforces property rights. Mortgages and liens exist, and the recording system is reliable. The judiciary is independent, but it is also vulnerable to political interference and corruption. Courts are slow to hear cases and issue decisions. Corruption is widespread and affects the whole of society and all levels of government, especially public procurement.



The top individual income tax rate is 30 percent, and the top corporate tax rate is 29.5 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 16.6 percent of total domestic income. Government spending has amounted to 23.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 35.4 percent of GDP.



The processes involved in registering and starting a business are burdensome, drawn out, and expensive. They also have grown even more burdensome, drawn out, and expensive in recent years. Workers are usually paid monthly. The monthly minimum wage is set at 930 soles (~\$266 USD) per month. In June 2021, the new president promised not to impose price controls.



Peru has 20 preferential trade agreements in force. The trade-weighted average tariff rate is 1.8 percent, and 383 nontariff measures are in effect. The economy is relatively open to most foreign investment, but a lack of regulatory predictability impedes more dynamic investment. Lingering bureaucratic deficiencies continue to hamper growth. The financial sector has undergone gradual transformation with credit to the private sector increasing steadily.