PERU

Peru’s economic freedom score is 67.8, making its economy the 45th freest in the 2019 Index. Its overall score has decreased by 0.9 point, with declines in fiscal health and government integrity exceeding modest improvements in labor freedom and monetary freedom. Peru is ranked 7th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Vizcarra government’s policy priorities include ant graft reform, pro-competition policy reform, infrastructure development, modernization of the state, and fiscal consolidation. Institutional reform efforts are expected to center on legislation to promote transparency in the public sector (for example, by mandating the publication of visitor records for public officials) and the private sector (for instance, by strengthening protections for whistle-blowers). Government corruption remains a serious problem, limiting foreign investors’ confidence in the economy. State-owned enterprises remain very active, especially in the petroleum sector.

**BACKGROUND:** Peru alternated between military rule and democracy in the last third of the 20th century. A violent multidecade guerilla insurgency was largely defeated in the 1990s by the government of Alberto Fujimori, an authoritarian who nevertheless implemented a liberal economic reform agenda. President Pedro Pablo Kuczynski, a center-right former World Bank economist, resigned in March 2018 under the threat of impeachment after mounting allegations of corruption. Vice President Martín Vizcarra assumed office, but political fragmentation in Congress will delay additional structural reforms. A founding member of the Pacific Alliance, Peru is rich in natural resources and has focused on implementing free-trade agreements to promote export-led growth. Peru remains the world’s second-largest producer of cocaine.

**ECONOMIC FREEDOM SCORE**

<table>
<thead>
<tr>
<th>World Rank</th>
<th>Regional Rank</th>
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<tbody>
<tr>
<td>45</td>
<td>7</td>
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</tbody>
</table>

**ECONOMIC FREEDOM STATUS:** Moderately Free

**REGIONAL AVERAGE (AMERICAS REGION):** 59.6

**WORLD AVERAGE:** 60.8

**INTERNATIONAL RANKING:**

- **World Rank:** 45
- **Regional Rank:** 7

**RELATIVE STRENGTHS:**
- Fiscal Health and Trade Freedom

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):** +10.9

**CONCERNS:**
- Government Integrity and Judicial Effectiveness

**FREEDOM TREND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>67.7</td>
</tr>
<tr>
<td>2016</td>
<td>67.4</td>
</tr>
<tr>
<td>2017</td>
<td>68.9</td>
</tr>
<tr>
<td>2018</td>
<td>68.7</td>
</tr>
<tr>
<td>2019</td>
<td>67.8</td>
</tr>
</tbody>
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**QUICK FACTS**

- **POPULATION:** 31.8 million
- **GDP (PPP):** $424.4 billion
  - 2.5% growth in 2017
  - 5-year compound annual growth 3.6%
  - $13,334 per capita
- **UNEMPLOYMENT:** 3.6%
- **INFLATION (CPI):** 2.8%
- **FDI INFLOW:** $6.8 billion
- **PUBLIC DEBT:** 25.5% of GDP

**BACKGROUND:** Peru alternated between military rule and democracy in the last third of the 20th century. A violent multidecade guerilla insurgency was largely defeated in the 1990s by the government of Alberto Fujimori, an authoritarian who nevertheless implemented a liberal economic reform agenda. President Pedro Pablo Kuczynski, a center-right former World Bank economist, resigned in March 2018 under the threat of impeachment after mounting allegations of corruption. Vice President Martin Vizcarra assumed office, but political fragmentation in Congress will delay additional structural reforms. A founding member of the Pacific Alliance, Peru is rich in natural resources and has focused on implementing free-trade agreements to promote export-led growth. Peru remains the world’s second-largest producer of cocaine.
Although Peruvian law recognizes secured interests in both movable and immovable property, the judicial system is slow to hear cases and issue decisions and is prone to corruption. According to the World Bank’s Doing Business survey, it takes an average of 426 days to settle a contractual dispute. Corruption remains a problem, particularly in public procurement. The influence of drug traffickers in local governments has increased.

The top personal income tax rate is 30 percent. The top corporate tax rate is 28 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 16.0 percent of total domestic income. Over the past three years, government spending has amounted to 21.5 percent of the country’s output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 25.5 percent of GDP.

Recent reforms have dismantled some barriers to launching private enterprises, but the formation and operation of private businesses can still be costly. Labor regulations continue to evolve, and more flexibility is gradually being introduced. Most price controls have been eliminated, with the exception of pharmaceuticals and regulation of rates set by private companies in telecommunications, energy, public transport, and sanitation services.

The combined value of exports and imports is equal to 46.9 percent of GDP. The average applied tariff rate is 1.8 percent. As of June 30, 2018, according to the WTO, Peru had 383 nontariff measures in force. The economy is relatively open to most foreign investment, but a lack of regulatory predictability impedes more dynamic investment. About 47 percent of adult Peruvians have access to an account with a formal banking institution.