PERU

Peru’s economic freedom score is 66.5, making its economy the 44th freest in the 2023 Index. Its score is virtually unchanged from last year. Peru is ranked 7th out of 29 countries in the Americas region, and its overall score is above the world and regional averages.

Economic reforms have supported economic expansion and reductions in poverty. Peru’s evolving entrepreneurial sector benefits from increased access to financing and improved regulatory efficiency. Open-market policies that support trade and investment have been institutionalized, but corruption and the weak rule of law continue to undermine prospects for long-term economic development.

BACKGROUND: Peru has alternated between military rule and democracy. A multi-decade guerrilla insurgency was defeated in the 1990s by ex-President Alberto Fujimori, an authoritarian who nevertheless implemented economic reforms. In December 2022, President Pedro Castillo of the socialist Free Peru party, who had been elected in 2021, attempted a coup against Congress to avoid impeachment. He was removed from power and subsequently arrested. Dina Boluarte, his vice president, became president amid riots instigated by radical pro-Castillo groups. There are concerns that Boluarte might push for a Constitutional Assembly to overhaul Peru’s constitution. Peru remains the world’s second-largest producer of cocaine.
The overall rule of law is weak in Peru. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

Recent reforms dismantled barriers to launching and running private enterprises, but political instability and social unrest have a negative impact on business freedom. Employment regulations are gradually becoming more flexible. The most recent available inflation rate is 4.0 percent.

The top individual and corporate tax rates are, respectively, 30 percent and 29.5 percent. The tax burden equals 15.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 23.6 percent and –4.1 percent of GDP. Public debt equals 36.4 percent of GDP.

The trade-weighted average tariff rate is 1.9 percent, and about 400 nontariff measures are in force. The economy is relatively open to foreign investment, but regulatory unpredictability impedes dynamic investment. Approximately 50 percent of adult Peruvians have an account with a formal banking institution.