

COUNTRY PROFILE REPORT OF ITJ DIVISION, DGCI&S INDIA-PERU BILATERAL TRADE RELATIONS

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

The Republic of Peru lies in western South America, bordered by Ecuador and Colombia to the north, by Brazil and Bolivia to the east, and by Chile to the south. Peru has a coastline of more than 2,300 km (1,400 miles) on the Pacific Ocean. Peru is a member of the UN, WTO, OAS, Inter-American Development Bank, the Andean Group, LAIA, APEC, IOM and Antarctic Treaty

2. The economy of Peru is the 48th largest in the world (ranked by Purchasing power parity), and the income level is classified as *upper middle* by the World Bank. Peru is, as of 2011, one of the world's fastest-growing economies owing to an economic boom experienced during the 2000s. The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Peru on May 20, 2024. The economy is recovering from consecutive climate-related shocks and social turmoil at the beginning of 2023. Inflation has receded thanks to the central bank's decisive monetary policy tightening, while the fiscal position and the financial system remain strong. The country is in a period of relative political stability, but lingering political uncertainty is denting the appetite for pressing reforms to boost potential growth.

A rebound in growth to 2.5 percent is expected in 2024, supported by a strong recovery in agriculture and fishing, continued momentum in mining, and a looser monetary policy stance. However, only a moderate recovery is expected for private consumption and private investment, as nominal wages gradually regain their purchasing power and elevated political uncertainty weighs on consumer and business confidence. As the effects from El Niño dissipate, inflation would rapidly decline towards the midpoint of the target band, aided by a negative output gap and the normalization of supply shocks, as the Central Bank continues with its cautious monetary policy easing cycle. The current account is envisaged to return to a deficit of 1.1 percent of GDP in 2024 as growth normalizes and to stabilize at 1.5 percent of GDP in the medium term, with external financing and debt rollover risks remaining low.

A snapshot of Peru's select economic indicators is as under.

TABLE 1

Peru: Selected Economic Indicators										
				Est.	Proj.					
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Social Indicators										
Poverty rate (total) 1/	30.1	25.9	27.5	...	...	...	...	...	...	...
Unemployment rate for Metropolitan Lima (average)	13.0	10.7	7.8	6.8	...	...	...	...	...	...
Production and Prices (Annual percentage change, unless otherwise indicated)										
Real GDP	-10.9	13.4	2.7	-0.6	2.5	2.7	2.3	2.3	2.3	2.3
Output gap (percent of potential GDP)	-5.5	0.9	0.6	-1.3	-0.7	-0.2	0.0	0.0	0.0	0.0
Consumer prices (end of period)	2.0	6.4	8.5	3.2	2.4	2.0	2.0	2.0	2.0	2.0
Consumer prices (period average)	1.8	4.0	7.9	6.3	2.3	2.0	2.0	2.0	2.0	2.0

Money and Credit 2/ 3/										
Broad money	29.2	2.7	-0.3	1.5		3.9	4.7	5.3	5.5	5.5
Net credit to the private sector	14.0	6.5	3.6	0.4		4.0	4.8	5.1	5.5	5.5
Credit-to-private-sector/GDP ratio (%)	52.4	45.9	44.4	41.8		41.4	41.4	41.6	42.0	43.0
External Sector										
Exports	-10.7	47.0	5.2	1.5		-0.8	3.1	4.0	3.4	3.5
Imports	-15.5	38.2	16.5	-10.8		5.3	4.3	3.1	3.3	3.5
External current account balance (percent of GDP)	1.1	-2.2	-4.0	0.6		-1.1	-1.4	-1.4	-1.5	-1.5
Gross reserves In billions of U.S. dollars	74.9	78.5	72.2	71.3		73.8	76.3	78.4	80.8	82.7
Percent of short-term external debt 4/	495	583	530	409		459	438	438	430	483
Percent of foreign currency deposits at banks	222	229	207	205		210	212	211	210	206
	(In percent of GDP, unless otherwise indicated)									
Public Sector										
NFPS revenue	21.8	25.5	26.9	23.9		23.9	23.8	23.8	23.6	23.7
NFPS primary expenditure	29.1	26.5	27.0	25.0		24.7	24.1	23.6	22.9	23.0
NFPS primary balance	-7.3	-1.0	-0.1	-1.1		-0.8	-0.3	0.2	0.7	0.7
NFPS overall balance	-8.9	-2.5	-1.7	-2.8		-2.5	-2.0	-1.5	-1.0	-1.0
NFPS structural balance 5/	-7.0	-4.0	-2.2	-2.5		-2.5	-2.2	-1.8	-1.2	-1.2
NFPS structural primary balance 5/	-5.4	-2.5	-0.7	-0.9		-0.8	-0.5	-0.1	0.5	0.5
Debt										
Total external debt 6/	43.7	46.3	43.0	40.6		38.2	37.0	35.5	33.6	32.7
Gross non-financial public sector debt 7/	34.9	36.1	33.9	32.1		33.0	33.3	33.2	32.6	32.1
External	14.8	19.4	17.5	16.0		15.3	14.2	13.1	11.5	10.9
Domestic	20.1	16.7	16.4	16.1		17.8	19.0	20.1	21.1	21.3
Savings and Investment										
Gross domestic investment	19.9	21.7	22.1	19.2		20.4	20.8	20.9	21.1	21.3
Public sector (incl. repayment certificates)	4.3	4.7	5.1	5.0		4.8	4.8	4.9	4.9	5.0
Private sector	16.8	20.4	20.2	17.9		17.7	17.4	17.2	16.9	16.7
National savings	21.0	19.5	18.1	19.8		19.3	19.5	19.5	19.7	19.8
Public sector	-4.6	2.8	4.4	3.0		3.1	3.6	4.1	4.6	4.6
Private sector	25.6	16.7	13.7	16.8		16.1	15.8	15.4	15.1	15.2
Memorandum Items										
Nominal GDP (S/. billion)	721	878	939	1,002		1,051	1,102	1,151	1,202	1,255

GDP per capita (in US\$)	6,320	6,848	7,336	7,933		8,291	8,567	8,839	9,115	9,397	9,685

Sources: National authorities; UNDP Human Development Indicators; and IMF staff estimates/projections.

- 1/ Defined as the percentage of households with total spending below the cost of a basic consumption basket.
- 2/ Corresponds to depository corporations.
- 3/ Foreign currency stocks are valued at end-of-period exchange rates.
- 4/ Short-term debt is defined on a residual maturity basis and includes amortization of medium and long-term debt.
- 5/ Adjusted by the economic cycle and commodity prices, and for non-structural commodity revenue. The latter uses as equilibrium commodity prices a moving average estimate that takes 5 years of historical prices and 3 years of forward prices according to the IMF's World Economic Outlook.
- 6/ Includes local currency debt held by non-residents and excludes global bonds held by residents.
- 7/ Includes repayment certificates and government guaranteed debt.

Source: IMF Executive Board Concludes 2023 Article IV Consultation with Australia January 18, 2024.

FOREIGN TRADE

3. As per recent available inputs on WITS (World Integrated Trade Solution), the four major merchandise export partners of Peru are China, United States, Korea Rep, Japan and Canada. On the other hand five major import partners Peru are China, United States, Brazil, Argentina and Mexico. Major five exported goods of Peru are (i) Copper ores and concentrates, (ii) Gold in unwrought forms non-monetary (iii) Copper cathodes and sections of cathodes unwrought (iv) Petroleum oils, etc, (excl. crude); preparation and (v) Flours, meals and pellets of fish, etc,. On the other hand major five imported goods are (i) Petroleum oils, etc, (excl. crude); preparation, (ii) Petroleum oils and oils obtained from bituminous (iii) Transmission apparatus, for radioteleph incorp. (iv) Maize (excl. seed) and (v) Storage units.

4. Peru's total exports in 2018 were of the order of US\$ 48,015 million. it has scaled upto US\$ 58,172 million in 2022 with 15.99% downfall recorded in 2020 and a pick-up by 45.16% in the year 2021. During the period from 2018 to 2022, the annual average compound rate of growth of exports was 4.91%.

5. Peru's total imports in 2018 were of the order of US\$ 43,143 million and which has touched US\$ 60,246 million mark in 2022 after having experienced 14.90% decline in the year 2020 pandemic hit-year. During the period from 2018 to 2022, the annual average compound rate of growth of Imports was 8.71%.

6. Peru runs an overall Balance of Trade surplus from 2018 to 2021 and that has scaled upto USD 5,082 million in 2021. But in 2022 it was a trade deficit of USD 2074 million. During the period from 2018 to 2022, the annual average compound rate of growth of total volume of trade was 6.76%.

A snapshot of Peru's overall Trade Statistics is presented in **Table 2 & 3 and Figure 1 & 2 below.**

BILATERAL TRADE WITH INDIA

Merchandise Trade

7. Peru has placed India at the forefront of its international partnerships. Both governments recognise there is significant potential for further cooperation across a broad range of areas. India and Peru had signed and entered into Peru -India Economic Cooperation and Trade Agreement on December 29, 2022.

Peru ranked 67th as an export destination in FY 2022-23 India exports to Peru 0.19 % of it's total export value in FY2022-23. In the same financial year imports from Peru was 0.31% of India's total import

value. Peru was the 44th largest import partner of India in FY 2022-23. Almost 0.27% of India's international trade value was between India and Peru as has been recorded in FY 2022-23 as per DGCI&S data base.

8. Indo- Peru total volume of bilateral trade in FY 2018-19 was of the order of US\$ 3,126.47 million. It has scaled to US\$ 3,116.66 million in FY 2022-23. The annual compound growth rate of total volume of trade during the period from 2018-19 to 2022-23 has been of the order of -0.08%.

9. It appears from the available figures that between 2018-19 and 2022-23, India has had a deficit Balance of Trade with Peru. Exports from India to Peru increased maximum 17.38% in FY2021-22. The annual average compound rate of growth of Exports was 4.68%. On the other hand, imports from Peru to India increased by 78.01% in FY 2021-22. During the period from 2018-19 to 2022-23, the annual average compound rate of growth of imports was -1.68%.

10. Additionally, **from Tables 4 & 5 presented at Annexure-II** below the following are stated:

a. Motor Vehicle/Cars, Cotton Yarn and Drugs Formulations Biologicals are occupying the top three slots in India's exports to Peru in the year 2022-23. Motor Vehicle/Cars occupying the 24.59% share of export value India to Peru.

b. Gold, Bulk Minerals And Ores and Fertilizers Crude are the three major commodities in India's imports list from Peru in the year 2022-23, India's imports a significant amount gold from Peru with a share of 78.92% of total imports from Peru recorded in 2022-23.

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TABLE - 2
PERU'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND BALANCE OF TRADE
BETWEEN 2018 TO 2022

(Figures in USD Million)

Year	Exports	Percentage Growth in Exports	Imports	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2018	48015		43143		91,158		4872
2019	46132	-3.92	42376	-1.78	88,508	-2.91	3756
2020	38757	-15.99	36064	-14.90	74,821	-15.46	2693
2021	56260	45.16	51178	41.91	1,07,438	43.59	5082
2022	58172	3.40	60246	17.72	1,18,418	10.22	-2074

Annual Growth Rate	Compound
4.91	8.71
	6.76

NOTE : Figures relate to calendar year (January to December)

SOURCE : UN COMTRADE PUBLICATION

Figure - 1



TABLE -4
INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO PERU
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Motor Vehicle/Cars	102.09	140.79	94.40	126.16	212.95	37.91	-32.95	33.64	68.79
	Share in total export	14.16	18.43	12.34	14.05	24.59				
2	Cotton Yarn	120.90	128.27	141.09	193.33	103.13	6.10	9.99	37.03	-46.66
	Share in total export	16.77	16.79	18.45	21.54	11.91				
3	Drugs Formulations Biologicals	69.07	68.11	126.35	103.87	85.80	-1.39	85.51	-17.79	-17.40
	Share in total export	9.58	8.91	16.52	11.57	9.91				
4	Two And Three Wheelers	18.69	20.15	52.58	42.59	44.80	7.81	160.94	-19.00	5.19
	Share in total export	2.59	2.64	6.88	4.74	5.17				
5	Electric Machinery Andv Equipments	6.94	5.55	6.61	7.91	40.74	-20.03	19.10	19.67	415.04
	Share in total export	0.96	0.73	0.86	0.88	4.70				
6	Manmade Yarn, Fabrics, Madeups	58.84	42.80	40.73	31.97	30.96	-27.26	-4.84	-21.51	-3.16
	Share in total export	8.16	5.60	5.33	3.56	3.58				
7	Iron And |Steel	16.34	7.61	10.25	68.14	21.72	-53.43	34.69	564.78	-68.12
	Share in total export	2.27	1.00	1.34	7.59	2.51				
8	Auto Components/Parts	25.74	18.87	13.24	20.12	19.69	-26.69	-29.84	51.96	-2.14
	Share in total export	3.57	2.47	1.73	2.24	2.27				
9	Auto Tyres And Tubes	18.60	21.17	17.26	21.49	18.92	13.82	-18.47	24.51	-11.96
	Share in total export	2.58	2.77	2.26	2.39	2.18				
10	Products Of Iron And Steel	6.59	70.02	16.98	5.69	18.36	962.52	-75.75	-66.49	222.67
	Share in total export	0.91	9.16	2.22	0.63	2.12				
	Total export to PERU	721.07	764.02	764.78	897.70	865.91	5.96	0.10	17.38	-3.54

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

TABLE -5
INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM PERU
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Gold	2207.36	1423.66	1499.06	2313.16	1776.39	-35.50	5.30	54.31	-23.21
	Share in total imports	91.77	90.38	98.57	85.44	78.92				
2	Bulk Minerals And Ores	154.46	122.98	0.41	347.07	390.86	-20.38	-99.67	84551.22	12.62
	Share in total imports	6.42	7.81	0.03	12.82	17.37				
3	Fertilizers Crude	11.33			9.01	21.55	-100.00			
	Share in total imports.	0.47			0.33	0.96				
4	Silver	1.68	1.04	0.63	2.31	14.51	-38.10	-39.42	266.67	528.14
	Share in total import	0.07	0.07	0.04	0.09	0.64				
5	Coal, Coke And Briquittes Etc.					12.42				
	Share in total import					0.55				
6	Iron And Steel	3.86	2.90	3.75	12.85	12.28	-24.87	29.31	242.67	-4.44
	Share in total import	0.16	0.18	0.25	0.47	0.55				
7	Other Construction Machinery	0.75	3.52	2.67	2.97	2.85	369.33	-24.15	11.24	-4.04
	Share in total import	0.03	0.22	0.18	0.11	0.13				
8	Inorganic Chemicals	80.40	0.57	0.38	1.31	2.69	-99.29	-33.33	244.74	105.34
	Share in total import	3.34	0.04	0.02	0.05	0.12				
9	Manmade Staple Fibre	5.64	1.88	1.88	4.63	2.68	-66.67	0.00	146.28	-42.12
	Share in total import	0.23	0.12	0.12	0.17	0.12				
10	Residual Chemicals And Allied. Prod.	0.93	1.12	1.73	2.57	2.63	20.43	54.46	48.55	2.33
	Share in total import	0.04	0.07	0.11	0.09	0.12				
	Total import from PERU	2405.40	1575.19	1520.88	2707.38	2250.75	-34.51	-3.45	78.01	-16.87

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

