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Peru

Peru is a rapidly catching-up middle-income country. Peru's GDP per capita and productivity level have been catching up with advanced economies at a relatively fast pace but from very low levels. GDP per capita is now around one third of the OECD average. Employment rates have also increased since the crisis, however over two third of the workers hold informal jobs.

The gap in income per capita vis-a-vis the OECD average is large, but narrowing

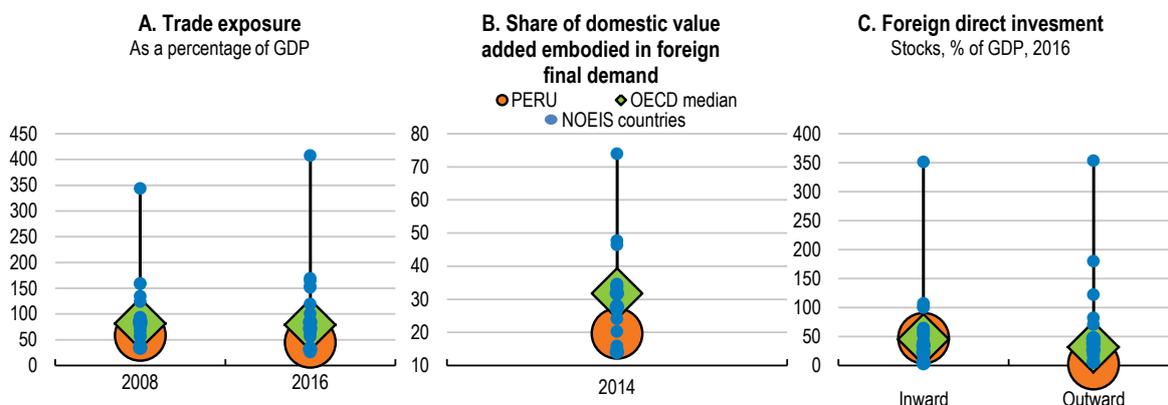| PERU	Pre-crisis 2003-08	Post-crisis 2011-16
Levels		
GDP per capita**	7813 (33712)*	11138 (35776)*
GDP per hour worked**	15.7 (71.6)*	20.7 (76.2)*
Employment rate, %	72.4 (66.4)*	74.9 (66.8)*
Average annual growth rate		
GDP per capita	6 (2.8)*	2.9 (1.4)*
GDP per hour worked	3.5 (1.8)*	3.2 (0.9)*
Employment	3.7 (1.6)*	1.1 (1.0)*

Notes: * Unweighted OECD average in brackets. Employment data for Peru are ILO estimates (KILM dataset) and may not be strictly comparable to OECD data.
** USD, constant 2010 PPPs and constant prices.
Source: OECD, National Accounts, Productivity, Labour Force Statistics Databases; ILO, Key Indicators of the Labour Market.
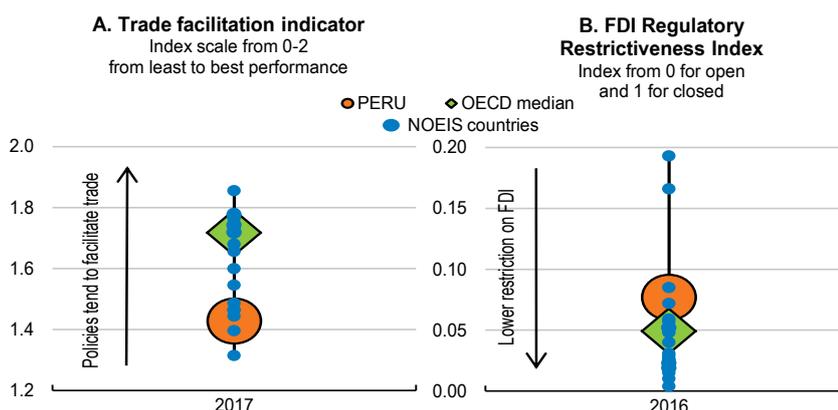
Peru is less exposed to trade and integrated to GVCs than other NOEIS countries. The import content of its exports is only 12% reflecting Peru's specialisation in the exports of upstream mining and agricultural inputs. This situation is accompanied by relatively high barriers to trade and investment. Peru ranks among the countries with the most burdensome border procedures and restrictions on FDI are higher than the OECD median, especially in services such as media and transports. These obstacles are however notably less important than in the past. Over the past decade Peru has actively expanded its participation in bilateral and regional trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. As a result, Peru has made important changes to its trade policies and practices and to its regulatory framework. Peru also has unilaterally liberalised its trade regime including through a substantial reduction of its Most-Favoured Nation (MFN) applied tariff to low levels, in particularly lower than in other countries in the region.

Peru's exposure to trade is low, but it received considerable FDI

A. Trade exposure
As a percentage of GDP

B. Share of domestic value added embodied in foreign final demand
● PERU ◆ OECD median
● NOEIS countries

C. Foreign direct invesment
Stocks, % of GDP, 2016

Source: Panel A: OECD, Economic Outlook Database and World Bank, World Integrated Trade Solution; Panel B: OECD, TIVA Nowcast estimates Database; Panel C: OECD, Foreign Direct Investment Database and UNCTAD.
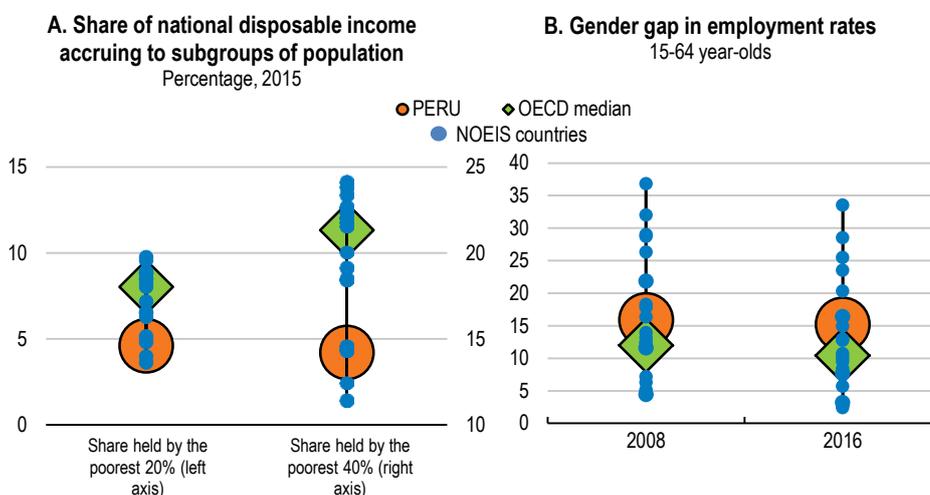
While tariffs are low, trade and FDI still face important restrictions

A. Trade facilitation indicator
Index scale from 0-2
from least to best performance

● PERU ◆ OECD median
● NOEIS countries

B. FDI Regulatory Restrictiveness Index
Index from 0 for open
and 1 for closed

Source: Panel A: OECD, OECD, Trade Facilitation Indicators Database; Panel B: OECD, FDI Regulatory Restrictiveness index database.
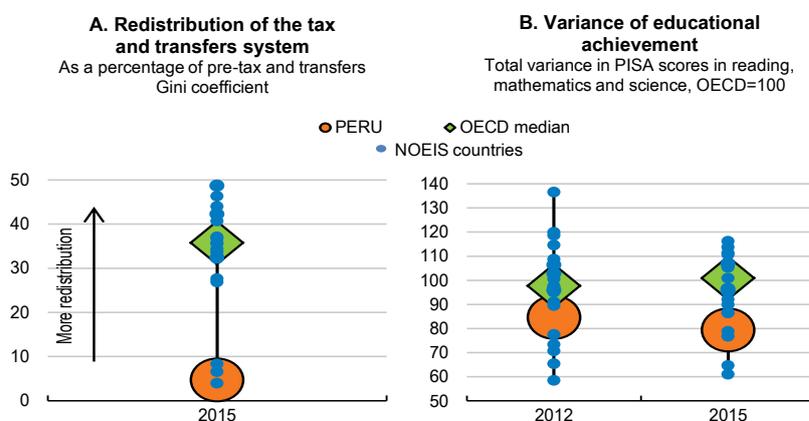
Peru is a country with high inequality. Poverty and income inequality have declined substantially in the past decade but income inequality remains wider in Peru than in other NOEIS countries. The share of national income accruing to the low-income groups is among the lowest and there is no almost no redistribution via the tax and transfer system. Moreover, a large share of jobs is in the informal sector, low-paid and low-quality. Access to formal employment for the youth, especially those living in rural areas and from indigenous origin, is extremely limited. Both access to education and education outcomes have improved substantially, but while Peru was among the countries showing the strongest improvement since 2012, the PISA survey still ranks Peruvian students among the poorest performers in the region, well below the OECD average. Moreover, access to quality education depends largely on where students live and their socio-economic backgrounds. The gender gap in employment rates has declined and is now lower than in other countries in the region (although higher than in most NOEIS countries). However, the pay gap is among the highest with full time female employees making on average 25% less than men (10 percentage points more than the OECD average on same measure).

High income and gender inequality

A. Share of national disposable income accruing to subgroups of population
Percentage, 2015

B. Gender gap in employment rates
15-64 year-olds

Legend: PERU, OECD median, NOEIS countries

Source: Panel A: OECD, OECD, Income Distribution Database and World Bank, World Development Indicators Database; Panel B: OECD, Labour Force Statistics Database and ILO, Key Indicators of the Labour Market.

Little redistribution

A. Redistribution of the tax and transfers system
As a percentage of pre-tax and transfers Gini coefficient

B. Variance of educational achievement
Total variance in PISA scores in reading, mathematics and science, OECD=100

Legend: PERU, OECD median, NOEIS countries

Source: Panel A: OECD, OECD, Income Distribution Database; Panel B: OECD, Panel C: OECD, PISA 2015 Results (Volume I): Excellence and Equity in Education, Annex B1.7 Results (tables): Immigrant background, student performance and students' attitudes towards science.

Network for Open Economies and Inclusive Societies

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METADATA ANNEX

Economic openness

- **Trade exposure** is defined as exports and imports over GDP.
- **The share of domestic value added embodied in foreign final demand** is defined as domestic value added, from industry, meeting foreign final demand, as a percentage of industry value added. It can be considered as a measure of an industry's reliance on foreign final demand. Here, the denominator is value added adjusted to be consistent with final demand (both domestic and foreign).
- **Foreign Direct Investment stocks** are defined as the total level of direct investment at a given point in time, usually the end of a quarter or of a year. The outward FDI stock is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The inward FDI stock is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy. For the Netherlands, FDI stock data exclude positions to and from resident Special Purpose Entities (SPEs); SPEs are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in an economy. Excluding such entities from the FDI statistics provides a better measure of the FDI of the country that is having a real impact on its economy.

Trade and FDI

- **The Services Trade Restrictiveness Index (STRI)** identifies which policy measures restrict trade. It provides policy makers information and measurement tools to improve domestic policy environment, negotiate international agreements and open up international trade in services. It can also help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures. The index presented is a geometric average of all sectors and takes value from 0 to 1, where 0 is completely open and 1 is completely closed.
  Data are missing for Argentina and Peru.
- **Trade facilitation indicators (TFIs)** identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The index takes values from 0-2 (least to best performance). The index presented is a simple average over 11 dimensions of the TFI.
  Data are missing for Iceland.
- **The FDI regulatory Restrictiveness Index** is gauging the restrictiveness of a country's foreign direct investment rules by looking at four main types of restrictions: foreign equity restrictions, discriminatory screening or approval mechanisms, restrictions on key foreign personnel and operational restrictions. Implementation issues are not addressed and factors such as the degree of transparency or discretion in granting approvals are not taken into account. The index takes values between 0 for open and 1 for closed.

Inequality

- **The share of national disposable income held by the poorest 20% and 40%** is defined as the share of income that accrues to subgroups of population indicated by deciles or quintiles.
  For the poorest 20%, data refer to 2014 for Argentina, Germany, Hungary, Luxembourg; 2012 for Japan.
- **The employment gap for disadvantaged groups** is expressed as a percentage of the benchmark group (prime-age male workers). Disadvantaged groups include mothers with young children, youth (15-19 years old) excluding those in full-time education or training, older workers (55-64 years old), non-natives and people with disabilities.
  Data are missing for Colombia and Costa Rica in 2006 and for Peru in 2006 and 2016.
- **The gender gap in employment rates** is defined as the difference between employment to population ratios of men and women aged 15-64. For Argentina and Peru, data refer to persons aged 15+.

Redistribution, activation and inequality of opportunities

- **The redistribution of the tax and transfers system** is measured as the difference between pre-tax and transfer and post-tax and transfers Gini coefficients, relative to the pre-tax and transfer Gini coefficient. The Gini coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. The coefficient takes the value of 0 in the case of perfect equality and 100 for perfect inequality.
  Data refer to 2014 for Germany, Hungary, Luxembourg and Peru; 2012 for Japan. Data are missing for Argentina and Colombia.

- **Public expenditure on active labour market policies per unemployed** are measured by all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. It includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. Data are expressed as a percentage of GDP per capita. Original data can be accessed under: http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP. *Data are missing for Argentina, Colombia, Costa Rica and Peru. For Canada, data include federal   expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' and territories' additional or complementary funding of these programmes.*

- **Differences in PISA mean scores (average of mathematics and science) between natives and first and second generations of immigrants**. PISA assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies
  Data are missing for Japan, Poland and Peru. For Argentina, data refer to the region of the capital city of Buenos Aires.

- **The variance of educational achievement** is measured as the total variance in PISA scores in reading, mathematics and science, compared to the OECD (OECD=100). The Programme for International Student Assessment (PISA) assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
  For France, average of PISA scores in mathematics and reading only in 2015. For Argentina, data refer to the region of the capital city of Buenos Aires.