

Fitch Sube Calificación Soberana de Perú a 'BB'

18 de noviembre de 2004

Fitch Ratings-New York-November 18, 2004: Fitch Ratings, the international rating agency, today upgraded Peru's long-term foreign currency rating to 'BB' from 'BB-', reflecting the passage last week of pension reform and robust macroeconomic and fiscal performance. Other rating actions by Fitch include the following: --Long-term local currency affirmed at 'BB+'; --Country ceiling upgraded to 'BB'; --Short-term rating affirmed at 'B'; --The Rating Outlook is Stable. 'Passage of civil servant pension reform boosts the credibility of fiscal management in Peru,' said Therese Feng, Director, Sovereign Group, Fitch Ratings 'By lowering future pension outlays, this reform could provide room for the pursuit of other important public policy goals, such as upgrading infrastructure and education.' Since 2002, fiscal deficit reduction has proceeded in the face of a challenging domestic political environment. This has helped stabilize Peru's public debt burden, which remains high, forecast at 264% of revenues and 47% of GDP this year. The general government deficit, which has declined from 2.7% of GDP in 2002 to 1.7% in 2003, is likely to fall to 1.4% of GDP this year. Fitch also believes that election-related fiscal slippage will be limited in 2005. Reform of the preferential civil servant pension regime, called 'Cedula Viva,' will improve medium-term fiscal prospects. By closing the program to new entrants, empowering the legislature to reduce existing benefits, eliminating benefit indexation, and making it more difficult to raise future benefits, the reform boosts the long-run sustainability of the public pension system and frees up fiscal resources in the future. Even if no near-term fiscal savings are obtained, the actuarial deficit of the pension system is expected to decline by 10% of GDP to 55% of GDP. Peru's improving sovereign creditworthiness is also underpinned by solid GDP growth, forecast at 4.5% in 2004, and following growth above 4% in the prior two years, buoying tax receipts during this period. A revival in private investment has broadened from mining and energy to include the consumer goods sector. A solid balance of payments performance continues to diminish Peru's vulnerability to external shocks, reflected in continuing international reserve accumulation and Peru's low external financing needs of 27% of reserves. Peru's high net external debt is forecast to fall to 142% of external receipts this year from 176% in 2000. Relative to comparably-rated sovereigns, Peru needs to maintain higher reserve holdings because of its heavy commodity dependence, narrow export base, high dollarization of its financial sector, and reliance on external sources of financing. Peruvian politics have posed risks to the economic policy framework in the past. President Alejandro Toledo's low popularity in the polls, localized social unrest, and divisions in the Peruvian Congress have resulted in frequent cabinet changes, difficulty implementing reforms, and the perception that the president would not complete his term. With the 2006 general election in view, the political parties have been supporting prudent policy settings and modest reforms to enhance their credibility with the electorate. Likewise, this has made it increasingly likely that President Toledo will serve out his full term. Nevertheless, political uncertainty and not infrequent social unrest deter private investment which, at 18.5% of GDP in 2003, remains below the 22% median for comparably-rated sovereigns. Both the long-run sustainability of growth and the further expansion of Peru's narrow export base depend vitally on attracting broader-based investment. While Fitch maintains a Stable Rating Outlook, the question of who will prevail in the spring 2006 presidential election will increasingly weigh on sovereign risk perceptions over time. Contact: Therese Feng +1-212-908-0230 or Roger Scher +1-212-908 0240, New York. Media Relations: Kenneth Reed +1-212-908-0540, New York