

ATLAS OF VULNERABILITY: DEVELOPING COUNTRIES AND THE PANDEMIC



PERU

Peru has been enjoying a good macroeconomic situation in recent years, with average growth rates of 4% per year between 2011 and 2019, with an average inflation of less than 3% per year and a public debt at low levels in relation to the GDP (26.8% for 2019). Much of the dynamism of the economy is linked to the extractive activity and exports of commodities, especially minerals and agricultural products. Peru is the second largest producer of copper and silver in the world and the first producer of gold in Latin America. In addition, it has positioned itself as the world's leading exporter of blueberries and is among the top exporters of asparagus, grapes and avocado.

However, 2020 severely affected the Peruvian economy, with a drop in GDP of 11% compared to 2019, which affected tax revenues –already quite precarious and one of the lowest in the region– as tax pressure went from 14.4% of GDP in 2019 to 13.2% in 2020 and, therefore, the problem of scarcity of public resources was exacerbated in the face of increasing public spending to be able to address the pandemic. The fiscal result showed a deficit of almost 9% with respect to GDP in 2020

and the stock of public debt rose by 12 percentage points, reaching 34.8% of GDP (just over half represents domestic debt). Foreign trade was also affected, with a 12% drop in the value of exports and 15% in imports during 2020, although with positive results in agro-exports, which was the only sector that kept growing (8%) despite the pandemic, while the mining sector fell 10%.

This collapse of the economy can be explained by the great informality in the labor market –estimated at 68%– which, given the closure of non-essential activities and limitations in social mobilization, resulted in higher levels of unemployment. In addition, labor standards have become more flexible in recent decades and labor rights have become precarious, both individually and collectively, protecting employers against possible dismissals. This scenario of job insecurity, in turn, means that many people do not have social security or pensions, as well as other types of social protection, further exacerbating the situation of poverty and inequality.

Focusing on preserving good macroeconomic indicators, such as inflation, public debt and fiscal deficit, has led to the

neglect of important sectors for social development, and thus the pandemic found the Peruvian health system in a rather precarious situation, with hospitals overwhelmed with respect to their capacity, with a very low number of ICU beds (Intensive Care Units) and with scarce supplies of medical oxygen. As a result, Peru is one of the countries with the highest mortality rates from Covid-19 in the world. Naturally, spending on the health sector is not a priority in the public budget, reaching 3% of GDP, while the average health expenditure in Latin America is close to 6% of GDP, a ratio established by the World Health Organization (WHO) as the minimum required in order to achieve an adequate endowment of resources.

Another badly hit sector is education, with a complete closure of schools and the abrupt switch to virtual classes, for which the educational system was not prepared and neither were the students. In addition to the poor preparation of teachers for the new teaching system, huge gaps in access to internet and electronic devices (laptops, tablets or cell phones) to attend the virtual classes were evident. The poorest sectors often located far from the cities are those that suffered the most since they do not have internet access and do not have adequate



devices, and when they do, there is one device available for an entire family with several children who have classes at the same time, thus making it impossible to progress in their education. The digital connectivity gap not only affects children's education, but also affects the possibility to access telemedicine services, financial transactions, e-commerce services and others. In addition, it has been proven that internet access has a direct impact on people's ability to earn a higher income.

Indicator	Peru	Latin America ^{1/}	Compare with ^{2/}
Exports of primary products as a share of total exports (%)	88.6	63.7	21.5 (developed economies)
Variation in employment during the pandemic (%)	-16.0	-8.2	-2.4 (OECD)
ICU beds (per 100,000 inhabitants)	2.9	9.1	12.0 (OECD)
Mortality excess rate (%)	157.4	38.8	14.3 (OECD)
Tuberculosis incidence (100,000 inhabitants)	93.6	34.6	-
Prevalence of moderate or severe food insecurity in the total population, three-year average (%)	47.8	33.2	7.6 (high-income countries)
Internet access gap between first- and fifth-income quintile (percentage points)	61.8	38.8	11.0 (Uruguay)

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1/ ICU beds are reported at the regional level including 13 countries. In the rest of the indicators, the simple average is presented for the Latin American countries reported.

2/ For variation in employment and excess mortality rate, the simple average for reported OECD countries is presented.

Source: Latindadd and Jubilee USA (2021)