

Economic & Commercial Report for the week ending 12th January 2018

1. Analysis of Trade Data (Peru)

Peru accumulates agroexports for US \$ 5,184 million until November and grows 7.2%

Peruvian agro-exports (traditional and non-traditional) amounted US \$ 5,184 million between January and November 2017, which represented a growth of 7.2% compared to the same period of 2016 (US \$ 4,833 million), mainly due to higher shipments with added value, informed the Association of Exporters (Adex). In this regard, the manager of Agroexports of Adex, Paula Carrión, indicated that the traditional agricultural shipments (US \$ 725.03 million) suffered a fall (-5%) mainly due to the contraction of coffee (-5%). According to figures from the Adex Data Trade Commercial Intelligence System, primary agricultural products reached 58 countries. The ones who led the ranking were USA. (US \$ 196 million), Germany (US \$ 147 million) and Belgium (US \$ 63 million) with a 56.2% of total share. Others are Sweden, Canada, Colombia and Italy.

Added Value

On the other hand, the Non- traditional sector reached US \$ 4,459 million (10% growth). The most outstanding products were the avocado (US \$ 578 million), grapes (US \$ 393.44 million) and asparagus (US\$ 363 million), which together have a 29.9% share on the total exports. They are followed by cranberry and other preparations used for animal feed.

Shipments of fresh fruit exceeded US \$ 1,800 billion in that period, registering a growth of 20% compared to 2016, said Carrión. "This sub-sector will maintain its dynamism if more training is promoted that benefits the farmer. That way, we can be more competitive in different markets," she said.

| Main Non-traditional Agricultural Products Exported in Millions of US\$ | | |
|--|--------------|--------------|
| percentages indicate the variation compared to the same period last year | | |
| Items | Jan- Nov | Var % |
| Fresh avocados | 578 | 45.80% |
| Fresh grapes | 393 | -6.60% |
| Fresh or chilled asparagus | 363 | -0.70% |
| Fresh blueberries | 318 | 45.60% |
| Preparations for animal feeding | 205 | 45% |
| Others | 2,602 | 3.10% |
| Total | 4,460 | 9.60% |

Another essential aspect is to continue opening markets of interest and priority by the private sector, and promote the Peruvian products in different international fairs. During the period of January to November, the Peruvian offer with added value reached 141 destinations. The main destination countries are the US, the Netherlands, and Spain, which together represent 54.3% of these shipments. Others were United Kingdom, Ecuador, Chile and China. Some that grew impressively were Croatia (595.3%) and Egypt (515.5%).

With respect to exports to India, mandarins and blueberries are expected to enter this market this year. In 2015, Peru became the second largest exporter of table grapes — Red Globe variety — to India, a position it holds even today. These grapes are typically available in Indian supermarkets between December and April every year. Also, Indian importers have shown a growing interest in Peruvian avocados, leading to a steady increase in its consumption since 2016.

Source: Gestión

2. News analysis related to Trade

Peru:

i. Peru: Copper production to increase 30% by 2021 (*Andina : 05/01/2018*) - Peru's copper output will expand 30% by 2021 due to new production units, whose construction will start in 2018, Deputy Mines Minister Ricardo Labo projected. These mining projects entail an investment worth over US\$10 billion. Likewise, Labo estimated copper production will reach 2.53 million fine metric tons (FMT) in 2018, driven by better performance by the mining companies. According to Energy and Mines Ministry's statistics, Peru's copper output stood at 2,353,856 FMT in 2016, a significant increase compared to the figure registered in 2008 (1,267,867 FMT). Labo also noted that this increase was explained by greater dynamism at mining firms, as well as the maximum production capacity at Las Bambas.

ii. **Peru's 2017 inflation hit lowest in eight years** (*Andina : 11/01/2018*) - Inflation in Peru fell to 1.36% in 2017—the lowest rate in the last eight years— thus remaining within the 1%-3% target range, Central Reserve Bank (BCR) reported. Likewise, Peru's core inflation stood at 2.15% last year, the lowest since 2012. According to BCR, the said decline in inflation —compared to 2016— was mainly explained by the drop in average prices of food and energy (- 1.48%); in other words, by the reversion of supply shocks witnessed in previous years. It must be noted the inflation rate for December 2017 (0.16%) was the first positive variation in the general level of prices, following three months of consecutive declines. Lastly, core inflation rose 0.29% in the twelfth month of 2017.

iii. **Moody's: Revenue from the Peruvian government would not recover** (*El Comercio :11/01/2018*) - At the end of 2017, the revenues of the Peruvian Government touched minimum of 12 years and, according to the risk rating agency Moody's, they would not recover in a short term. "It is unlikely that governments dependent on raw materials will recover levels of income prior to 2014, with prices of commodities that would not rise in the near future," the agency said in a report. Moody's also draws attention to the fact that Peru has been one of the three countries that has seen the largest reduction in its revenues, along with Venezuela and Bolivia. This is contrasted with the cases of Chile and Colombia, which have approved tax reforms that they have compensated for the fall. Meanwhile, he stressed that Mexico has taken steps in taxes that enabled the country even raise their tax revenues.

Bolivia:

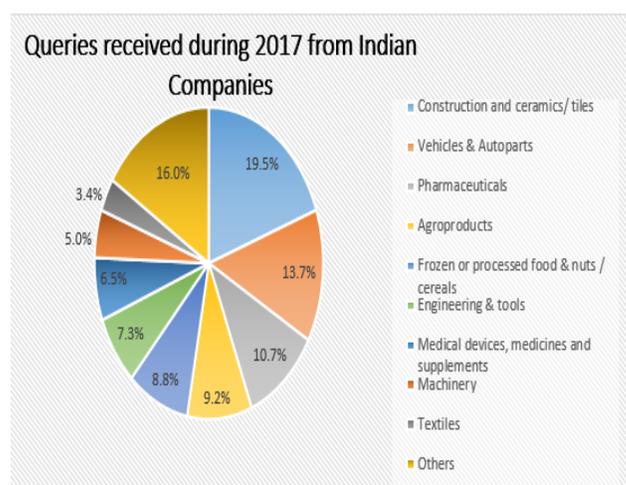
iv. **INE registers in 2017 the lowest inflation of the last 7 years** (*La Razón : 05/01/2018*) - The National Institute of Statistics reported that the Consumer Price Index (CPI) recorded a cumulative 12-month variation of 2.71% in 2017. The inflation figure is the lowest of the last seven years. In 2010 inflation reached 7.18%, the following year it dropped to 6.90%, while the INE reported in 2012 that the CPI was 4.54%. In 2013, there was a record of 6.47%. In 2014, inflation reached 5.19%, in 2015 it fell to 2.95% while for 2016 management the figure reached 4%.

v. **Ministry of energy prepares the investment plan** (*Cambio : 11/01/2018*) - The Ministry of Energy will present in the coming weeks the Investment Plan for 2018, informed the head of this state portfolio, Rafael Alarcón. "In the following weeks we will present the Investment Plan of the sector, which includes the projects executed by the National Electricity Company (ENDE), Bolivian Lithium Deposits (YLB) and the Bolivian Nuclear Energy Agency (ABEN)," he said. The authority issued these statements in the framework of the progress of four major works, inspected on 9th Jan by President Evo Morales, such as the Photovoltaic Solar Plant, the Lithium Salar Transmission Line, the Salar Substation and the Potassium Chloride Industrial Plant in the municipality of Uyuni, in Potosí. According to the statements of the Head of State, the Solar Photovoltaic Plant, which has a cost of US \$ 62.7 million, will generate 60 megawatts (MW), half of the 120 MW consumed by the department of Potosí. The Industrial Plant of Potassium Chloride, which demanded an investment of US \$ 178 million, has a physical advance of 97%, and its delivery or inauguration will be in August of this year.

3. Trade promotion activities of the Mission

In the calendar year 2017, the Mission received 262 trade queries from Indian companies/exporters spreading across different sectors for market access in Peru and Bolivia. Sector-wise breakup of the queries received are provided in the adjoining tables.

| Sector | Qty | % Share |
|--|------------|---------------|
| Construction and ceramics/ tiles | 51 | 19.5% |
| Vehicles & Autoparts | 36 | 13.7% |
| Pharmaceuticals | 28 | 10.7% |
| Agroproducts | 24 | 9.2% |
| Frozen or processed food & nuts / cereals | 23 | 8.8% |
| Engineering & tools | 19 | 7.3% |
| Medical devices, medicines and supplements | 17 | 6.5% |
| Machinery | 13 | 5.0% |
| Textiles | 9 | 3.4% |
| Others | 42 | 16.0% |
| TOTAL | 262 | 100.0% |



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