

**Economic & Commercial Report for the week ending 19th January 2018**

**1. Analysis of Trade Data (Peru)**

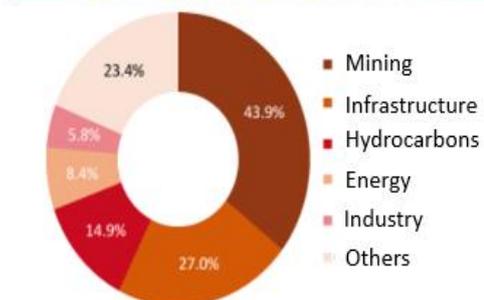
**Peru: A promising country**

In its last Inflation Report, published in December, the Central Reserve Bank of Peru (BCRP) estimated that the Peruvian economy would close 2017 with a growth of 2.7%, while in both 2018 and 2019 it would reach a dynamism of 4.2%.

According to the BCRP, consumption has increased thanks to the increase in employment and income, as a result of the expansion of sectors such as construction and the improvement of the terms of trade. Given this, for 2017, private consumption would grow 2.5%, while in 2018 and 2019 it would grow by 3.3% and 3.8%, respectively. On the other hand, it is estimated that private investment in 2017 would increase by 0.6% and, subsequently, this growth would accelerate due to a better performance of mining investment in equipment renewal and exploration, associated with the increase in mineral prices.

Likewise, investment in infrastructure, in accordance with the fiscal stimulus and the unlocking of important projects such as Line 2 of the Lima Metro, would also contribute to this. Therefore, in 2018 and 2019, the increase would be 6.5% and 7.5%, respectively. It should be noted that the announcements of private investment projects for the period 2018-2019 amount to US \$ 18,369 million, and more than 50% of this value is concentrated in the mining and infrastructure sectors, which would total a total of 49 projects. All this would reflect a recovery in business confidence. On the public expenditure side, a positive scenario is also expected due to the fiscal stimulus related to the Reconstruction Plan with Changes in the north of the country and the Pan American Games. Likewise, the recovery of spending at the level of local and national governments has contributed to this. However, the projection of the growth of public investment for 2017 has been corrected by 1 percentage point (pp), from 7% to 6%, and for 2018 it has been adjusted by 2.5 pp, from 15% to 12.5%, due to the slowness in the execution of the expense.

**Structure of the main private investment projects announced 2018-2019**



Fuente: BCRP.

Regarding trade, exports showed a high growth between January and November (+ 23.1%), with respect to the same period of 2016, due to the greater shipments of traditional and non-traditional agricultural products. It is expected that for the next few years they will grow 3.5% and 3.8%, in 2018 and 2019, respectively. It should be noted that the country should not neglect the export sector, as in 2017 it proved to be a key to economic growth despite the negative events that reduced the performance of the economy. Meanwhile, imports of goods and services would vary according to domestic demand, especially with private investment, + 4.3%, in 2018 and 2019. The Peruvian economy is rebounding and a complete reversal of the effects caused by the coastal El Niño phenomenon is estimated for this year. It should be noted that the evolution of our dynamism will continue to be determined by the performance of domestic demand, which, in turn, depends on investment and private consumption. Therefore, to ensure the sustainability of economic growth, it is important to continue focusing on the reactivation of investment and the recovery of business confidence.

**Source: COMEXPERU**

## 2. News analysis related to Trade

### Peru:

**i. Peru: Terms of trade up 10% in Nov 2017** (*Andina: 15/01/2018*) – Peru's terms of Trade increased 10% in November 2017 from the same month the previous year, driven by higher export prices of copper, zinc, as well as petroleum and natural gas derivatives, Central Reserve Bank (BCR) informed. According to the issuing entity, said positive result marked the seventeenth month of consecutive growth. In this regard, export prices grew on average 16.5%, thus maintaining the positive rates registered since August 2016, thanks to higher prices of copper (34.7%), zinc (34.6%), petroleum derivatives (34.3%), and natural gas (24.5%).

**ii. Peru registers US\$588 million trade surplus in November 2017** (*Andina: 12/01/2018*)-Peru's Trade balance posted a US\$588 million surplus in November 2017, thus maintaining the positive performance registered since July 2016, Central Reserve Bank (BCR) informed. According to the issuing entity, the Andean country has registered an accumulated trade surplus worth US\$5.147 billion between January and November 2017. This outcome was mainly explained by an increase in the country's export volume (4.2%) and export prices (16.5%). In November, exports totaled US\$4.111 billion, up 21.4% compared to the same month in 2016, thus posting 17 consecutive months of positive performance.

**iii. Peru: Pope Francis' visit to yield US\$91-million economic impact** (*Andina:17/01/2018*)- Pope Francis' visit to Peru—from January 18 to 21— will generate a direct economic benefit worth US\$91 million and draw 30,000 foreign tourists. According to official sources, Pope Francis' presence will be considered a state visit, as the Supreme Pontiff is the Vatican's Head of State.

**iv. Retail: Sales would have grown 3.9% in 2017** (*El Comercio: 17/01/2018*)- Companies related to the retail sector would achieve sales of more than S / 35,400 billion in 2017, revealing an increase of 3.9% compared to 2016, according to the Institute of Economics and Business Development (IEDEP) of the Chamber of Commerce of Lima (CCL). The supermarket subsector will lead sales at the end of 2017 for a value of S / 14,000 billion. Meanwhile pharmacies, drugstores and cosmetics is the second subsector with the highest level of sales recorded by S / 6,910 billion with a share of around 19.5%.

### Bolivia:

**v. Loans to the productive sector grew by 20.5% in 2017** (*Pagina Siete: 17/01/2018*)-As of December 31 of the previous administration, the loan portfolio to the productive sector of the national financial system reached 62,292 million bolivianos, 20.5% higher than the index registered in the same period of 2016. Of the total of this credit granted last year, 46.1% went to the department of Santa Cruz, while the default rate reached 1.2%, according to a report presented by the Supervisory Authority of the Financial System (ASFI). The small and medium-sized business loan reached 13,999 million bolivianos, higher by 11.7% in 2016.

**vi. Mining royalties set a record in 2017 and reach \$ 170 million** (*Cambio: 11/01/2017*)-The mining royalties marked record last year when it exceeded 170 million dollars, in benefit of the country and the producing regions, said the Minister of Mining, César Navarro. According to the authority of the sector, the good dynamism of the mining royalties is the result of the stabilization of prices in the international market, but also of the policies that allowed to accentuate the mineral production in the country, in times of low costs of previous years. In 2017, record production was achieved with 993,092 tons of minerals generated by a value of 3,649 billion dollars, Navarro remarked.

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