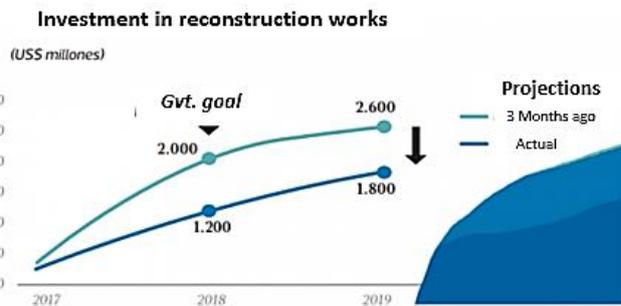


Economic & Commercial Report for the week ending 19th January 2018

1. Analysis of Trade Data (Peru)

Investment in reconstruction this year would be US \$ 800 million less than expected

For this year, the Ministry of Economy (MEF) expects the economy to grow by 4% sustained, in part, by the positive impact that investment would have within the framework of Reconstruction with Changes. However, in a context in which heavy rains are expected until March in some areas of the country, the works included in the aforementioned plan would be delayed. For BBVA Research, this year investment in reconstruction works would reach US \$ 1,200 million, that is, US \$ 800 million below the Government's target (US \$ 2000 billion).



Fuente: BBVA Research / MEF

Hugo Perea, manager of Economic Studies at BBVA Research, points out that the projection is based on how the processes have been developing to date. "There was a change in the person in charge, that generates a revaluation, and in some cases the processes have been delayed, there were also problems with state purchases, they were not expeditious mechanisms, we have seen slowness, a progress less than what was announced", declared. Precisely,

BBVA Research considers as one of the main local risks that could affect the growth forecasts for this and next year to the possible additional delays in the reconstruction works. Meanwhile, the information of the Authority for the Reconstruction with Changes (available to November 20, 2017) shows that a total of S / 945 million has been adjudged, mainly for services (S / 562 million) and, to a lesser extent, for works (S / 375 million), BCR reported in its latest inflation report.

The region most affected during the ravages of the El Niño phenomenon was Piura. Therefore, the Authority of Reconstruction with Changes reported that in this region it is planned to invest S / 2,486 million this year (827 projects and 1050 studies). These projects range from health establishments, tracks and sidewalks, schools, sanitation, agriculture, among others. In terms of housing, this year 9,326 housing bonds would be delivered. In 2017, 5,209 bonds were delivered in this region.

With all this, public investment would grow 8% in the year and, in this way, a fiscal deficit of 3.4% of GDP would be reached; somewhat lower than the 3.5% projected by the Ministry of Economy and Finance (MEF). Indeed, the additional push that the Treasury could give will not be as strong as expected by official projections, says Juan Carlos Odar, executive director of Phase Consultores. Its estimate for public investment is between 8% and 10%. "It is a modest figure, but consistent with trying not to trigger the deficit," he noted.

Source: Gestión Newspaper

2. News analysis related to Trade

Peru:

i. **IMF raises Peru growth forecast for 2018 to 4%** (*Andina: 25/01/2018*) – The International Monetary Fund (IMF) has raised its Peru growth forecast for 2018 from 3.8% to 4%, according to the World Economic Outlook: January 2018, released on 25th Jan. "In Peru, growth showed signs of recovery in the second half of 2017. In 2018, a broad-based expansion in domestic demand is expected to drive growth up to around 4%," IMF indicated. It must be noted IMF kept Peru's 2018 growth projection unchanged at 3.8% in October 2017, from its previous forecast in July of the same year. "Exports should remain robust, but their contribution would be more modest than in the last two years given that new mining projects reached nearly production capacity in 2017," the multilateral organization stated. "On the policy side, the authorities remain focused on implementing countercyclical fiscal and monetary policy and structural reforms.

ii. **Peru joins CPTPP, the most ambitious agreement in the world** (*Andina: 24/01/2018*)- Peru and the other 10 remaining Trans-Pacific Partnership (TPP) members wrapped up negotiations on a new Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP), Foreign Trade and Tourism Minister Eduardo Ferreyros informed. This trade agreement involves 11 countries from the Asia-Pacific region: Australia, Brunei, Canada, Chile, Japan, Mexico, Malaysia, New Zealand, Peru, Singapore, and Viet Nam. "We have reached the most ambitious and important agreement in the world," Ferreyros pointed out. Likewise, he highlighted this negotiation constitutes a key step to consolidate the country's presence in the world and —especially— in the Asia-Pacific region. The cabinet member held meetings with his counterparts from the aforementioned nations in Da Nang (Viet Nam) last November to establish CPTPP's main terms.

iii. **Peru: Gold exports totaled US\$6.446 bn in Jan-Nov 2017** (*Andina:22/01/2018*)- Peru's gold exports totaled US\$6.446 billion between January and November 2017, up by 6.7% over the same period the previous year, the Exports and Tourism Promotion Board (PromPeru) reported. It must be noted Peru's traditional mining shipments expanded 25.95% by climbing from US\$18.774 billion (Jan-Nov 2016) to US\$23.645 billion (Jan-Nov 2017). According to PromPeru, top Peruvian gold destinations were India and the United Arab Emirates. Thus, gold sales to India reached US\$1.212 billion in the January-November period, a 216.21% expansion from the similar term in 2016 (US\$383.421 million).

Bolivia:

iv. **2018 i8s projected to be good year for exports** (*Cambio: 23/01/2018*)- The analyst and vice president of the Board of the Central Bank of Bolivia (BCB), Abraham Pérez, projected that this year there will be an increase in Bolivian exports due, among other aspects, to the external sales permits granted to agriculture. According to Pérez, the contribution of the private sector, through agricultural production and export, will be important to support the growth of the economy this year. "The sector of the private economy has reacted at the end of 2017 and at the beginning of this year, when it has raised its excellent contribution and development in terms of agricultural production, and has requested decrees to allow them to export, that means that exports are also they will increase " said Abraham Pérez.

v. **State captured US \$ 35,242 million for oil rent** (*Cambio: 22/01/2017*)- In the period 2006-2017, the oil income of the country reached US \$ 35,242 million, while between 1994 and 2005, that indicator barely reached US \$ 2,962 million, said President Evo Morales. "The Oil Rent from 1994 to 2005 was 2,962 million dollars. With only one year, 2011, the Oil Revenue was 2.97 billion dollars.

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