

Economic & Commercial Report for the week ending 16th of February 2018

1. Analysis of Trade Data (Peru)

Growth of the economy would have an upturn in the second quarter

During 2017, the growth of the economy slowed down compared to the previous year. During the first quarters, the increase in GDP was between 2.2% and 2.5%. And for the last three months, a similar performance would be expected. However, this year the expectation is better. According to the survey conducted on 27 entities by the LatinFocus Consensus Forecast (in February), during the summer economic growth would be 3.7% and would rebound even more towards the second quarter (4.1%). This is despite the fact that the quarterly figures were revised downwards. In the January 2018 report, it was expected that between January and March of this year the GDP would increase by 3.9%, while between April and June a growth of 4.3% was projected. For the third quarter, projections went from 3.6% in January to 3.5% in February. And only for the last three months of this year, the estimates improved (from 3.5% to 3.8%). With these results, the economy would grow 3.7% this year, revealed the market consensus, which represents a downward adjustment of 0.2 percentage points.

Eventhough the political noise is still a latent risk (the LatinFocus Consensus expects the greatest risk to adjust downward projections is the political uncertainty); the favorable terms of trade and the optimism maintained by the private sector still support the growth figures. As the LatinFocus Consensus report recalls, the business confidence indicator recovered to 58.5 points in January, significantly above December's 53.7%, indicating that companies became more optimistic in January.

Investment

The best result would be explained by the growth of fixed investment (although the projection was adjusted downwards). During the first quarter of last year, public investment (-16.4%) and private investment (-5.6%) were in red. This negative comparative base would be a factor that would help this year's result. For the second quarter of 2018, public investment would grow at a slower pace (6.1%) than the first quarter, but would sustain the figure of GDP increase.

Sectors

The bad streak of manufacturing sector would finally break this year. In fact, the LatinFocus Consensus expects industry growth to move into positive territory from the last quarter of 2017 and consolidate this year.

Thus, it is expected that in 2018, the manufacturing sector will grow 2.8%. And only in the first quarter would increase 1.8%. Meanwhile, the market maintained its projection of 2.6% for the growth of the commerce sector. Although this figure is higher than estimated for 2017 (1.1%), it is still below historical rates (in 2010, trade grew 12.5% and only in 2015 it increased by 3.9%.

GDP Growth %		
Indiv. Projection	2018	2019
BanBif	3.8	3.5
Banco Bradesco	4.0	3.8
Banco de Crédito del Perú	3.5	3.5
Barclays Capital	4.0	4.2
BBVA Banco		
Continental	3.5	3.7
BMI Research	3.9	3.8
Capital Economics	3.5	3.2
Citigroup Global Mkts	3.6	4.0
Credicorp Capital	3.5	3.5
EIU	3.7	3.7
Euromonitor Int.	3.8	3.8
Frontier Strategy		
Group	3.8	4.0
Goldman Sachs	3.7	4.0
HSBC	3.9	3.4
Iedep - CCL	3.5	3.7
IPE	4.1	-
Itaú BBA	4.0	4.0
JPMorgan	4.2	4.4
Kiel Institute	3.7	3.5
Macroconsult	3.8	3.7
Moody's Analytics	3.5	3.4
Nomura	3.8	3.5
Oxford Economics	3.5	3.8
Rimac Seguros	3.2	3.4
Scotiabank	3.7	4.2
Standard Chartered	4.1	6.0
URS	3.7	3.6
Resumen		
Mínimo	3.2	3.2
Máximo	4.2	6.0
Mediana	3.7	3.7
Consenso	3.7	3.8

Fuente: LatinFocus Consensus Forecast

2. News analysis related to Trade

Peru:

i. Peru and Australia signed FTA (*Andina: 12/02/2018*) – The governments of Peru and Australia inked a Free Trade Agreement (FTA) Monday as a result of a negotiation process that took place in recent months. Peru's Foreign Trade and Tourism Minister Eduardo Ferreyros said this FTA is the most ambitious bilateral agreement the Inca country has ever reached. The signing ceremony was held at the Australian Parliament House situated in Canberra. The document was signed by Minister Ferreyros (Peru) as well as Australia's Trade, Tourism and Investment Minister Steven Ciobo. Minister Ferreyros went on to say more than 96% of Peruvian shipments will enter Australia free of tariffs once it [the FTA] enters into force, and nearly all products will do so in the fourth year of its implementation.

ii. Peru: Agro-exports totaled US\$6.255 billion in 2017 (*Andina: 12/02/2018*) - Peruvian agro-exports amounted to US\$6.255 billion in 2017, up 8% over the previous year, Agriculture and Irrigation Ministry (Minagri) reported. Said increase was underpinned by higher shipments of non-traditional products. According to Minagri, products that registered higher export values —compared to 2016— were citrus fruits (+69%), fresh blueberries (+52%), fresh avocados (+46%), animal feed (+40%), quinoa (+18%), prepared artichokes (+14%), among others. On the other hand, traditional agro-exports totaled US\$819 million in 2017, a 6% decrease from 2016. It must be noted traditional shipments made up 13% of total agro-exports. This outcome was explained by a 7% decrease in unroasted coffee exports given the downturn in its price at international markets. Coffee accounts for 86% of Peru's total traditional shipments.

iii. Nearly 500 companies interested in investing in 2019 Pan Am Games (*Gestion:14/02/2018*)- Almost 500 Peruvian and international companies attended an information seminar on tenders for commercial, marketing, technology, and broadcasting services at the Lima 2019 Pan American Games. Held at the Lima Chamber of Commerce (CCL) facilities, the event addressed the legal framework behind the procurement process, under the terms of the government-to-government agreement signed with the United Kingdom. As is known, Peru signed this agreement to benefit from UK experience in organizing several successful sporting events (London 2012 Olympic Games, Commonwealth Games, among others). This support will ensure efficient and transparent procurement proceedings.

iv. PRODUCE: Fishing sector grew 9.5% at the end of 2017 (*Gestion: 13/02/2018*) - The fishing sector grew 9.5% in terms of volume of extraction in 2017 compared to 2016, encouraged by the greater anchovy landing destined to the production of fishmeal and fish oil, which was the highest of the last three years, according to data from the Ministry of Production. The frozen industry totaled 488,000 tons landing. Figure that reveals a slight recovery compared to 2016, year in which it contracted 25%.

Bolivia:

v. Guillen: disasters will affect economic growth (*Cambio: 03/02/2018*) - Economy Minister Mario Guillen said yesterday that natural disasters caused by the rains will affect economic growth. "Every time there is this kind of problem it affects, because the rains and the floods affect the production," he said when asked whether recent climate events will affect projected growth above 4.5%. Floods affected the municipalities of La Paz, Cochabamba, Tarija, Beni and Santa Cruz in recent days. Guillen said his office requested information from the National Institute of Statistics on the amount of crops damaged by the disasters. We are waiting for the final report, "said the authority when leaving the Government Palace.

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