

Economic & Commercial Report for the week ending 23rd of March 2018

1. Analysis of Trade Data (Peru)

Fitch affirmed Peru's credit rating at BBB + with stable outlook despite political scenario

The international credit rating agency, Fitch Ratings, maintained Peru's credit rating at BBB + with a stable outlook, due to solid fiscal and external accounts, as well as the credibility and consistency of macroeconomic policies that have provided macroeconomic stability and generated fiscal space to carry out measures that support the growth of the country without deteriorating fiscal sustainability.

With this ratification, Peru is the only country in the region that has maintained its credit rating with a stable outlook in the three main risk rating agencies (Moody's and S & P ratified Peru's rating in A3 and BBB+ with a stable outlook in August and June 2017 respectively).

This ratification of the rating is relevant in a context in which the rating agencies have been revising the ratings and credit prospects of the countries of the region since 2014. For Fitch Ratings, the decision to ratify the rating and perspective was based on:

Solid public finances with an important level of financial assets:

Fitch Ratings points out that the continued economic growth and the credibility of the macro fiscal framework have allowed the public debt to be below the median of countries with a similar rating, reflecting prudence in the handling of fiscal accounts. In addition, there are liquid financial assets such as the Fiscal Stabilization Fund that grant greater flexibility to financing and limit the impact of the greater expense for Reconstruction on public debt.

Credibility of the monetary policy regime:

Low inflation is highlighted, and inflation expectations anchored to the target range of the Central Reserve Bank (BCR). Also, it is mentioned that the continuous fall of the financial dollarization allows greater exchange flexibility and less exposure to a currency mismatch.

Strong external macroeconomic balances:

According to the rating agency, Peru maintains a strong position of international reserves and a low current account deficit. Going forward, Fitch Ratings estimates that this deficit will be financed entirely by direct foreign investment.

Source: Ministry of Economy and Finance

2. News analysis related to Trade

Peru:

i. **Copper price falls to its lowest level of the year** (*El Comercio: 20/03/2018*) - Copper prices fell on Wednesday to their lowest level of the year and for the fifth consecutive session on the London Metal Exchange (LME). The red metal was quoted at US\$ 3.028 a pound, which represents a fall of 1.61% compared to yesterday's close and its lowest level since December 12, 2017, when it quoted US\$ 3 per pound. In the week, the commodity accumulates a fall of 3.57%; while so far in 2018, it has fallen 6.7%. The accumulated retracement of 2017 was 7%.

ii. **Peru Gov't raises minimum wage** (*Gestión: 22/03/2018*) - The national minimum wage will increase from S/- 850 (about US\$260) to S/- 930 (about US\$284), Labor and Employment Promotion Minister Javier Barreda informed on 21st March. The measure will come into effect in April for small, medium, and

large-sized enterprises, as well as in May for micro-sized enterprises. It must be noted the current minimum wage in the Inca country is S/850 (about US\$260). The last hike occurred in May 2016, during the term of ex-President Ollanta Humala. At that time, the minimum wage increased from S/- 750 (about US\$229) to S/- 850 (about US\$260).

iii. **Peru's gold exports totaled US\$694 million in Jan 2018** (*Gestión:21/03/2018*) - Gold exports amounted to US\$ 694 million in the first month of the year, which meant a growth of 23% compared to January 2017 when US \$ 565 million was reported, reported the National Mining, Petroleum and Energy Society (SNMPE). The mining and energy union said that exports of gold is equivalent to 29% of mining exports that reached US \$ 2,370 million, and 17% of total sales that Peru recorded last January. The main destination markets for Peruvian gold exports were Switzerland, Canada, the United States, India and the United Kingdom. While exports of refined silver totaled US\$ 11 million in January 2018, an amount that reflects a growth of 43.4% compared to the same month last year (US\$ 8 million).

iv. **Peru Gov't to invest over US\$306 million in Lima water and sanitation works** (*Andina: 17/03/2018*) - More than S/- 1 billion (about US\$306.65 million) will be invested in water and sanitation works to be developed in Peru's capital city of Lima this year, Housing, Construction, and Sanitation Minister Carlos Bruce announced. "This will grant water [access] to large areas that have been waiting for this service for years, and this will finally come true," he added. Within this framework, the official underlined the construction of the first-ever seawater desalination plant that will provide drinking water to Lima's southern beach areas. "Its construction started in November last year, and it will last two years," he stressed.

Bolivia:

v. **Commercial and fiscal deficit reduces reserves by \$ 388 million** (*Pagina Siete: 23/03/2018*) - Net International Reserves (NIR) decreased from \$ 10,261 in December 2017 to \$ 9,873 million in March and it may fall more. The growth of imports- in spite of the rise in exports - and the fiscal deficit caused the Net International Reserves (NIR) to fall by 388 million dollars, according to data from the Central Bank of Bolivia (BCB) until March 16 of this year. Official data analyzed by the Bolivian Institute of Foreign Trade (IBCE) reveal that in January the trade deficit reached 138 million dollars. This is because exports, although they rebounded by 22% to reach 671 million dollars, imports totaled 809 million dollars. For this year in the Budget, a fiscal deficit of 8.3% was fixed.

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