

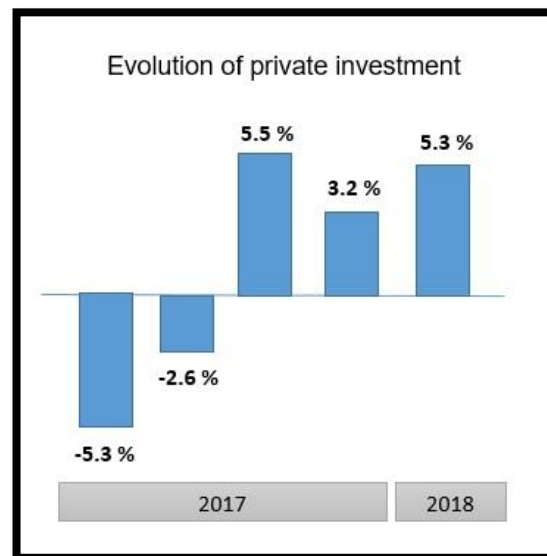
**Economic & Commercial Report for the week ending 25<sup>th</sup> May 2018**

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

**Private investment grew 5.3% and domestic demand 4% in the first quarter of the year**

The Central Reserve Bank (BCR) reported that private investment grew 5.3% for the third consecutive quarter, reflecting the favorable impact of the registered terms of trade since the third quarter of 2016, particularly in mining investment. Likewise, the improvement in domestic consumption of cement, imports of capital goods, credit, financial leasing and business confidence also indicate a greater dynamism of both mining and non-mining investment.

Public spending was driven by the recovery of consumption and, to a lesser extent, of investment. Private consumption, which was gradually recovering since the second quarter of 2017, reached a growth rate similar to the periods prior to the El Niño coastal event.



**Domestic demand**

BCR also reported that domestic demand expanded 4% in the first quarter of this year in comparison with the same period of 2017. This result was the response to the recovery of consumption, of private investment (in a context of better mineral prices), and public spending.

The growth of domestic demand happened after the fall of 0.4% in the first quarter of 2017 due to the impact of El Niño and the contraction of public investment. Unlike what happened in that period, during the first quarter of this year there has been a greater pace of public spending (mainly due to rehabilitation and maintenance works) and an increase in private investment as a result of the improvement of the terms of exchange.

With these developments, the GDP grew 3.2% in the first quarter of 2018 compared to the same period of 2017, the highest rate of expansion recorded since the third quarter of 2016 (4.7%).

Source: Gestion

**2. News analysis related to Trade**

**Peru:**

**i. Peruvian exports of containers and packaging grew 21% in the first quarter** (*Andina: 18/05/2018*) - In the first quarter of the year, the Peruvian industry of the packaging sector exported a value of 97 million dollars, a growth of 21% compared to the same period of 2017, reported the Foreign Trade Center (CCEX) of the Chamber of Commerce of Lima (CCL). "We expect this performance to continue at the end of the year and exceed the registered exports of 2017, which reached 367 million dollars, since this sector is one of the most dynamic in the world because it is a key in various value chains", said the manager of the CCEX of the CCL, Carlos García. Among the main export destinations are Bolivia, Chile and the United States.

**ii. ADEX: Factors that affected exports of the textile sector** (*Gestion: 19/05/2018*) - According to the Association of Exporters, exports have fallen at rates of between 10-15% annually in the last few years. However, as of last year, an improvement of 4% has been shown. According to César Tello, President of the Textile Committee of ADEX, the Peruvian industry lost competitiveness against other countries. "For example, we saw that exports from Peru to the United States were definitely falling due to China, Vietnam and India entering to capture part of their market with prices that are much lower than ours." he said. Tello pointed out that another factor is that the Peruvian textile-confections industry does not have the benefit of free zones, good exchange rates or good infrastructure. "We compare ourselves with people from Vietnam, China, India, and Central America, who have a series of advantages from their governments," he said.

**iii. Peru expects to double exports by 2021** (*LogiNews: 22/05/2018*) - The President of the Association of Exporters of Peru (ADEX), Juan Varillas, has indicated that with a growth rate of 24.4% in March and 15.5% in the first quarter of the year, Peruvian exports maintain the pace growth needed to achieve the goal of doubling by 2021. The executive said that "we need to sustain the first quarter rate (15.5%) over time, so that the sector continues to contribute to economic growth and employment generation." In the first quarter of the year, the trade balance was positive for Peru. Exports amounted to \$11 560 billion and imports \$10 287 billion.

**iv. Peruvian foods are promoted in Asian market** (*Radio Nacional: 23/05/2018*) - The Super Foods Peru trade mission in Beijing promoted maca, quinoa and sacha inchi along with products such as nuts and fruit quinoa compotes, resulting in commercial commitments of US \$ 408,000 for the following twelve months, reported the Promotion Commission of Peru for Export and Tourism - PROMPERÚ. This activity boosted the sectorial brand in the important Chinese market and expanded the offer of products for the segment of consumers interested in a healthy diet. Likewise, commercial missions have been developed in Germany, the United States, Panama, Costa Rica and the Dominican Republic.

#### **Bolivia:**

**v. Logistics of Bolivia generates high cost for foreign trade** (*IBCE: 25/05/2018*) - The logistics cost of Bolivia's foreign trade is the most expensive in the region, because Bolivia does not have an adequate logistics infrastructure. "As a Chamber of Exporters we want to promote and consolidate a project several years ago, it is the only window of Foreign Trade that will facilitate the whole process, if we can be more efficient in documentary matters, speed up steps at the borders, improve everything is the process of obtaining licenses, certificates for both export and import, the costs could be reduced up to 20%, since nowadays the logistics costs of a sector can mean up to 50% of the final cost of a product at destination."

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May 25, 2018