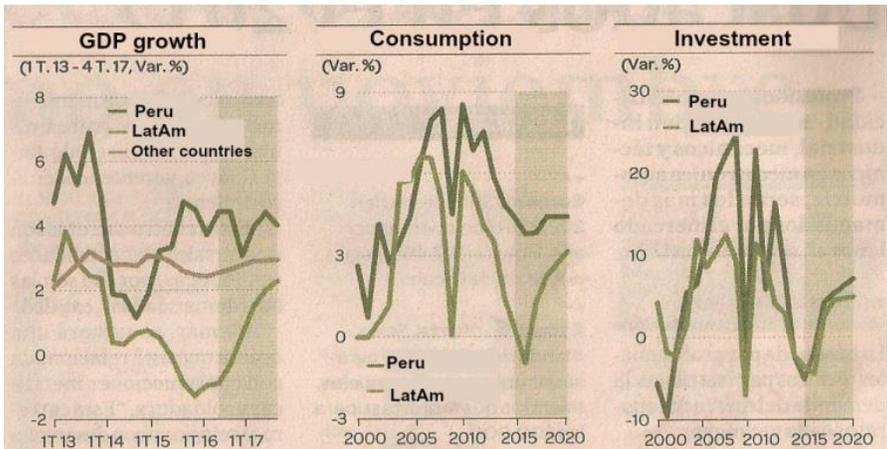
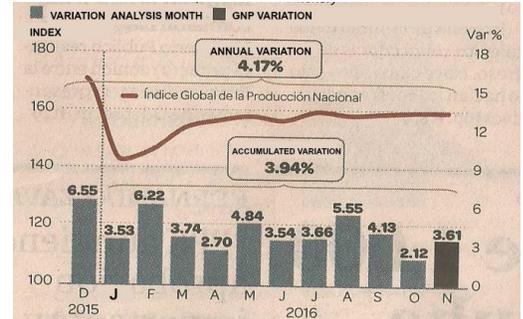


Economic & Commercial Report for the week ending 20th January 2017

1. Analysis of Trade Data (Peru)

Economic Growth surpass the forecasts and reaches 3.61 %

According to the National Institute of Statistics (INEI), GDP grew by 3.61% in 2016, higher than the rate recorded in 2015 (2.3%) contrary to the forecast of 3%. The improvement is mainly because of mining and recovery in the fishing, farming and livestock and manufacturing sectors. Also, there was a 0.5% increase in national production. However, trade and services slowed as shown in the charts



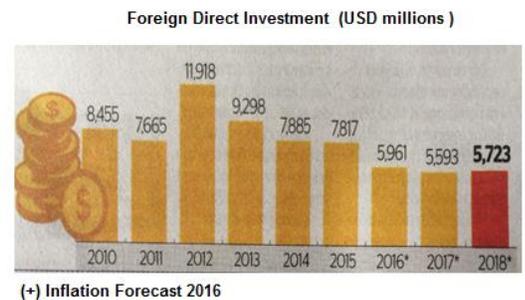
Latin Focus estimates that investment will grow again from the fourth quarter of 2016

According to the latest Focus Economics Consensus Forecast report, fixed investment will grow 2.2% in the fourth quarter of 2016 and will be its first positive result since the fourth quarter of 2013. In addition, it was forecasted that during 2017 there would be growth of investment in all quarters, surpassing 4% in the last two and

that the investment will grow by 4.2%. GDP is expected to grow by 4.2%, expected inflation is 2.8%, and growth in exports is expected to be 8.2%.

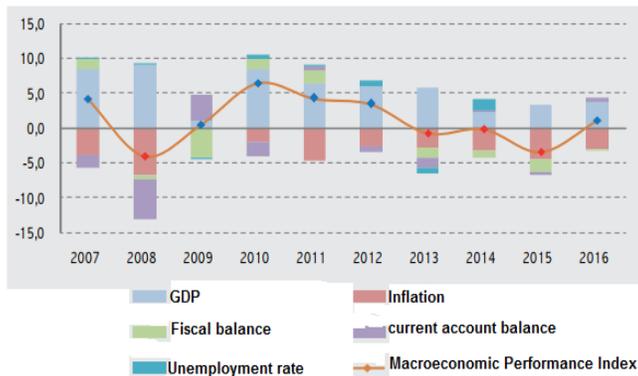
GOLDMAN SACHS Recommends Peru as a global investment destination

According to the report of the Investment Bank, Goldman Sachs, recommended Peru as a destination for global investments. In this context, the Central Reserve Bank (BCR) estimates that in 2017 a flow of 5,593 million dollars of foreign direct investment is likely and in 2018 it would reach 5,723 million. As on December 31, 2016, the balance of foreign investment as contributions to capital reached 24,684 million dollars.



Peru has recovered in the macroeconomic performance index

According to the Macroeconomic Performance Index (MPI) made by the Lima Chamber of Commerce, the economic performance of the countries based on five indicators: gross product, inflation, fiscal deficit, deficit in current account and the unemployment rate.



The Peruvian macroeconomic performance index was 1.1 in 2016. Peru's figures were a result of inflation rate above the target rate (3%) in the last three years, in addition to a low growth in 2014 and a growing fiscal deficit between 2013 and 2016, volatile current account and unchanged unemployment rate.

This result ranks Peru fifth in Latin America and the second in South America behind Paraguay (2.5).

2. New analysis related to Trade

i. Peru-India Trade Agreement - *The Union Cabinet approval of 18.01.2017 for negotiation of Trade Agreement with Peru was covered widely in the local press. Excerpts of some of the news articles from El Comercio, Andina and Peru21 are as follows:*

The Indian government approved holding of negotiations for the Trade Agreement with Peru. Initially India's proposal was to have a Preferential Trade Agreement, although in October 2013 this approach was reformulated by the Indian Government so that the agreement could cover goods and services. In September 2016, Peru and India completed the FTA Joint Feasibility Study, in which identified benefits of an eventual trade agreement with India. According to the study, an eventual Peru-India FTA is likely to boost Peruvian exports to the Asian nation by up to 12%, mainly of clothing, fruit, vegetable and chemical products, among others. For the period Jan-Nov 2016, Peruvian exports to India climbed 36.3% over the same period in 2015, whereas non-traditional exports hit US\$76.4 million. In addition, the agreement is set to cover services and investments, thus becoming India's first broad agreement with a Latin American country. So far, the only trade agreement signed by India with a South American country has been with Chile, a Preferential Trade Agreement.

ii. Peru: Copper expected to show best performance in 2017 (*Andina – 02/01/2017*) - According to the report of the Foreign Trade Society (ComexPeru), copper will have the best performance among metals during 2017. Also, 2.15 FMT of copper were extracted in the country between January and November 2016; up by 42% from the same period the year before. Such production level placed Peru, for first time in 2016, as the world's second largest copper producer, ahead of China and behind Chile, which held the first spot. Peruvian regions, which showed better performance in terms of copper production, were Arequipa, Ancash, Cusco and Apurimac.

iii. Investments would take longer to improve but consumption dynamics would improve (*Gestión – 18/01/2017*) - According to the report made by LatinFocus, the projected growth of fixed investment is 4.2% for the year 2017. Also the forecast for public consumption is 2.5% of GDP for 2017 and 2.3% for 2018. As regards quarterly projections, first quarter of 2017 will see a growth of 2.7% and the last quarter would grow by 4.7%. Government's annual target is 5%.

QUARTERLY MACROECONOMIC PROJECTIONS					
	IV 2016	I 2017	II 2017	III 2017	IV 2017
GDP	3.1	4.1	4.2	4.2	4.3
Private expenditure	3.4	3.5	3.6	3.7	3.9
Government expenditure	-1.1	1.3	2.1	4.6	5.3
Total fixed investment	-0.7	2.7	3.9	4.0	4.7
Current account balance (% GDP)	-2.8	-3.3	-3.1	-2.9	-2.7

Arup Kumar Saha
Commercial Representative
January 20, 2017