

Economic & Commercial Report for the week ending 10th February 2017

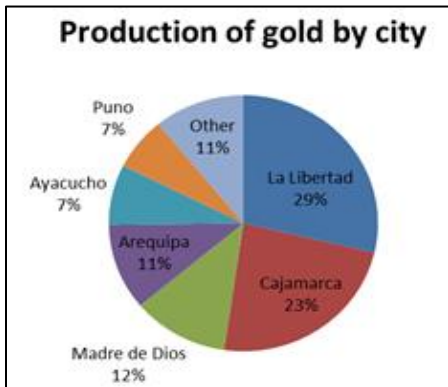
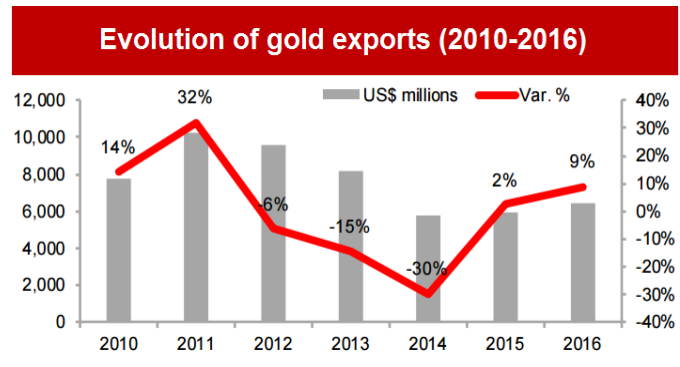
1. Analysis of Trade Data (Peru)

Gold production will grow more than expected this year

(Source : Gestión – 06/02/2017 & Comex Bulletin)

According to the report of the Central Reserve Bank of Peru (BCR), gold production is estimated to be 4 million 863 thousand fine ounces in 2016 (3.9% more than the 4.6 million fine ounces produced in 2015). In addition, it estimates that in 2017, production will grow by 1.7%, and in 2018 production will be 5.026 million ounces.

This growth is due to the start of operations in new mines such as Tambomayo (Arequipa) that will add 150 thousand ounces of gold. Also, Yanacocha, Las Bambas and Cerro Verde estimate growth of their production. The following charts shows production of gold by city and companies:



GOLD PRODUCTION
(Thousands of fine ounces)

	2015	2016*	2017*	2018*
Yanacocha	890	658	500	500
Barrick Misquichilca	614	526	463	463
Madre de Dios	391	549	540	540
Buenaventura	218	195	208	208
Inmaculada	59	163	147	147
Anama	74	91	89	89
Shahuindo	0	44	85	85
Invicta	0	0	96	118
Tambomayo	0	2	120	130
Other companies	2434	2637	2701	2747
TOTAL	4,680	4,863	4,949	5,026

*Estimation
Source (BCR)

It should be mentioned that since 2015, Peru ranks as the 6th main producer of gold worldwide and the 1st in Latin America. And that according to Sunat, in 2016, gold was the 2nd mineral exported, representing 31% of the total mining volume of production and 18% of total exports, growing 9% as compared to 2015.

2. New analysis related to Trade

i. **FTA between Peru and Honduras** (Comex Bulletin : Jan 09-15 2017) - Since January 1st the FTA between Peru and Honduras came into force. This agreement aims to improve the trade with the Honduran market to ease the entry of agro-products free of duties. Among the items of the agreements are access to markets, custom procedures and ease of doing business, sanitary and phytosanitary measures, intellectual property, public procurement and service trade. Also it includes an investment strategy that benefits both sides. Honduras has invested in the country around US\$ 3 million (94% on energy sector).

ii. **Chinese companies make up 21.68% of Peru's mining investment portfolio** (*Andina : 04/02/2017*) - According to the Ministry of Energy and Mines, Chinese investments in Peruvian mining ventures total US\$10.189 billion (7 projects), accounting for 21.68% of the sector's total portfolio. The sum is distributed over the following projects: Pampa de Pongo (Arequipa region), Galeno (Cajamarca), Don Javier (Arequipa), Explotacion de Relaves (Ica), Rio Blanco (Piura), as well as expansion works of Toromocho (Junin) and Marcona (Ica). As of January 2017, Peru's estimated mining investments reached US\$46.996 billion, distributed over 47 main projects. The portfolio includes 25 ventures in the advanced exploration stage, 15 projects with environmental impact assessment (EIA) approval and other 2 in the EIA assessment stage

iii. **FTA with India would be harmful to the local textile industry** (*La Republica : 05/02/2017*) - The signing of the Free Trade Agreement between Peru and India is a priority to the Peruvian government; however, Peruvian textile entrepreneurs consider that the entry of an major quantity of textile from India in the local market is harmful. Richard Abusada, Manager of PC Moda (Peruvian manufacturer of textiles) said that signing a FTA with India will lead the Peruvian Industry to disappear since Peruvian companies are not in a position to compete with Indian companies due to low salaries in India (around 40% of Peruvian salaries). Also, the drawback of exports in Peru is 4% and it is 7% in India. The sector is, therefore, requesting to be part of the negotiations of the FTA.

3. Trade promotion activities of the Mission

On February 10, 2017, Ambassador and Commercial Representative met with Dr. Vicky Flores, Director General of Medicine, Inputs and Drugs (DIGEMID), Ministry of Health, Peru and her team of officials to discuss the issues being faced by the Indian pharmaceutical companies. Ambassador also invited the Director General to participate in IPHEX 2017 scheduled at Hyderabad in April 2017 (organized by Pharmexcil). A day earlier, a meeting with the representatives of Indian pharmaceutical companies in Peru was organized in the Embassy to get the inputs on the issues.

Arup Kumar Saha
Commercial Representative
February 10, 2017