

Economic & Commercial Report for the week ending 13th October 2017

1. Analysis of Trade Data (Peru)

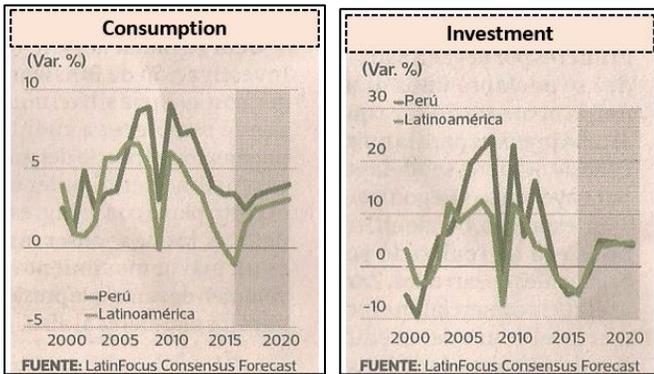
Improved GDP projection of Peru

In the first half of 2017, GDP grew by 2.3%, according to INEI. The government expects the results to be more favourable in the second half of the year in aspects that sustain the economy and that would allow to reverse the deceleration. The projections made in October by the *LatinFocus Consensus* have reflected this vision of improvement in the performance of the Peruvian economy. The projections of GDP growth for the third and fourth quarters of this year were readjusted from the September report. Between July and September, the GDP grew by 3%, while from October to December the growth will be 3.4 % (September projections were 2.9% and 3.3% respectively for the corresponding periods).

In %	2017*	2018*
Argentina	2.5	2.5
Brasil	0.7	1.5
Chile	1.4	2.5
Colombia	1.7	2.8
México	2.1	1.9
Perú	2.7	3.8
Venezuela	-12.0	-6
América del Sur	0.6	1.6
América Central	3.8	3.9
Caribe	2.8	4.4
América Latina y Caribe	1.2	1.9

FUENTE: FMI, AFP *Projections from October 2017

Investment and consumption. The improvement in the performance for the last quarters of the year is explained, in part, by better estimates for the growth of fixed investment, which would not only register a more optimistic result towards the end of 2017, but would continue showing a positive trend throughout 2018. Total investment is expected to increase by 3.2% in the third quarter and 4% in the fourth quarter. The Ministry of Economy (MEF), predicts that national public investment will close the year with a growth of 8%. This will show a better scenario for private investment.



Another force of the economy is the performance of consumption. On this aspect, the *LatinFocus Consensus* predicts that the private component will grow 2.5% in the third quarter and 2.8% in the fourth quarter. This year, private consumption will close with an overall growth of 2.5% while next year would be 3.3%. For public consumption, projections for the third quarter went from 6.9% to 7.1%, while in the fourth quarter it went from 13.5% to 11.6%. In this case, 2017 will close with a rise of 1.9%.

	2017		2018			
	3T	4T	1T	2T	3T	4T
Economic growth (GDP var.%)	3.0	3.4	4.0	4.2	3.9	3.6
Private Consumption (var.%)	2.5	2.8	3.0	3.3	3.5	3.5
Public Consumption (var.%)	7.1	11.6	5.6	3.7	3.7	2.3
Fixed Investment (var.%)	3.2	4.0	5.8	5.3	4.7	4.5
Manufacture (var.%)	0.1	1.9	2.4	3.1	2.7	2.2
Commerce (var.%)	1.7	1.9	2.8	2.7	2.3	2.7
Balance of trade (Billions of US\$)	1.2	1.4	1.5	1.3	0.9	1.0
Exports (Billions of US\$)	10.7	10.8	10.9	11.0	11.2	11.5
Imports (Billions of US\$)	9.5	9.4	9.3	9.8	10.3	10.5

FUENTE: LatinFocus Consensus Forecast

Source: LatinFocus Consensus

2. News analysis related to Trade

Peru:

i. Peru Finance Ministry wins IDB award (Andina : 06/10/2017) - Peru's Economy and Finance Ministry's (MEF) General Directorate of Public Budget won a prize at this year's Management for Development Results Awards granted by the Inter-American Development Bank (IDB). The prize recognized the Budgeting for Results category winner.

ii. Peru's traditional exports totaled US\$2.925 billion in August 2018 (*Andina : 10/10/2017*) - Peru's traditional exports amounted to US\$2.925 billion in August this year, up by 23.8% over the same month in 2016, driven by stronger copper and gold sales, the Central Reserve Bank (BCR) informed. Traditional products' average price rose 16.3%, driven by hikes in copper (36.2%) and zinc (28.8%) prices. On the other hand, Peru's shipped volume rose 6.5%, underpinned by greater shipments of fish meal (13.2%), gold (30.5%), copper (2.9%) as well as oil and its derivatives (37.1%). The prominent rise in the volume of gold exported was mainly explained by a pick-up in Barrick Gold Corporation's shipments. At the regional level, BCR observed increased sales to Asia (47.7%), the European Union (17.2%), the Andean Community (34.2%) and Mercosur (33.3%).

iii. Peru registers US\$433 million trade surplus in August (*Andina : 06/10/2017*) - Peru's trade balance posted a US\$433 million surplus in August 2017, thus marking 14 straight months of positive performance since July 2016, Central Reserve Bank (BCR) informed. In this context, the issuing entity underlined Peru registered an accumulated trade surplus worth US\$3.151 billion in the first eight months of the current year. Peruvian exports totaled US\$3.923 billion last August, a 20.4% rise over the same month in 2016. Such growth was underpinned by a rise in the price (13.7%) and volume (5.8%) of exported products. Likewise, better performances of traditional (23.8%) and non-traditional (11.1%) sectors contributed to the said positive result. On the other hand, Peru's total imports reached US\$3.49 billion in the analyzed month, up by 10.1% from the same month last year, due to higher purchases of durable, consumable and capital goods.

iv. FTA with Indonesia: negotiation to begin the first quarter of 2018 (*El Comercio : 10/10/2017*) - To date Peru has 19 Free Trade Agreements (TLC) and three are already on the way to materialize reported the Ministry of Foreign Trade and Tourism (Mincetur). Minister Eduardo Ferreyros said they expect to begin negotiations for the FTA with Indonesia in the first quarter of next year. "The agreement is ready; we are working the terms of reference. What is important in Indonesia is that it is a country that has high tariffs, does not have many trade agreements and if we manage to eliminate those tariffs the access of Peruvian products will be important," he announced during Carpe Diem 2017, a meeting organized by AGAP, Instituto Crecer and ComexPerú.

v. Peru is named as "best tourist destination" by luxury magazine Robb Report (*Gestión : 09/10/2017*) - The awards ceremony, which took place in Madrid was chaired by editor and president of the group Spainmedia, Andrés Rodríguez. "On behalf of my country and Promperú, I thank you for this important recognition, which puts our country in value, full of history, archeology, nature, culture, and much flavor," said Bernardo Muñoz, Director of the Peruvian Commercial Office in Spain. "To travel to Peru is to share our great cultural heritage, our cuisine, our customs, our communities, and of course our pisco," he said.

Bolivia:

vi. The IMF forecasts growth of 4.2% for Bolivia this year and 4% in 2018 (*La Razon : 10/10/2017*) - The International Monetary Fund (IMF) predicted economic growth of 4.2% for Bolivia this year and 4% for 2018, slightly lower than the 4.3% recorded in 2016. Bolivia's growth forecast is above the 1.2% forecast for Latin America and the Caribbean for this year and 1.9% forecast for 2018, according to the IMF's "World Economic Outlook" report released in Washington. Last year's economic growth was the lowest in the last five years, in which the percentage was above 5%, according to official figures.

vii. Expocruz received more than 455,000 visitors and generated US \$ 302.2 million (*La Razon : 02/10/2017*) - The International Fair of Santa Cruz (Expocruz) 2017, which ended on Oct 1, received more than 455,000 visitors and generated an economic transaction of US\$ 302.2 million, organizers said. Mario Herrera, general manager of the Santa Cruz Fair said that Expocruz moved 100.2 million dollars at the fair and 202 million in the Business Round.

viii. Country Brand 'Bolivia, Corazón del Sur' presents itself to the world (*IBCE : 13/10/2017*) - 'Bolivia, Corazón del Sur' is the slogan of the new Country Brand, which was unveiled on 12th Oct in the city of Santa Cruz and aims to promote internationally its cultural, economic and geographical diversity. "When Bolivia joins, I would say that it has a lot of future, and that is why this launch of Country Brand to promote us, so that Bolivia continues to move towards other continents, but with its own identity," said President Evo Morales during the event.

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