

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

1. Analysis of Trade Data (Peru)

Peru Retail Sector

According to the Global Retail Development Index, prepared by the consultancy A.T. Kearney, Peru is the leader in Latin America regarding the development of the retail sector and continues to outperform other economies in the region such as Colombia (10th), Paraguay (19th), Bolivia (28th) and Brazil (29th). In this way, Peru is on the right track towards achieving first world standards in the sector in coming years. This occurs, in part, as a result of a diversity of efforts which include integration, liberal policies and free market. The bilateral agreements with strategic partners such as China, USA, the European Union, our Latin American peers and the Asia-Pacific countries strengthen investment flow and trade. The macroeconomic figures also favour the climate for doing business in the country, because in the coming years it is expected that the GDP will continue to grow, stable inflation, a growing middle class and a consolidated consumer confidence. Likewise, according to the latest global Doing Business ranking of the World Bank, Peru is the third ranked economy in Latin America with an ease to doing business. This is reflected in the fact that, in recent years, important retailers have positioned themselves and developed in the country.

CURRENT SITUATION: The first half of the year has not been good for the retail sector, as projects were stopped due to the natural disasters that hit the country. This situation, however, would revert next year, when it is estimated that investments will reach S/ 1.526 million, according to the Association of Shopping Centers of Peru (ACCEP). The main engine of the sector lies in the construction of new infrastructure such as shopping centers and malls, where various firms are established to offer their products and services. This allows a first direct effect on the economy, through the large amounts of investment required by the construction stage of said establishments. Another positive effect is the employment created by the firms through their operations, once established. According to ACCEP, it is expected that, by the end of 2017, there will be 78 shopping centers in operation, more than twice the number of those in 2010.



As can be seen in the graph, the evolution of billing on the shopping centers have been on a rise since 2010. In 2016, it reached S / 23.718 billion and it is expected that this year it will total S / 25.953 billion. Although the dynamism slowed down over the years, by 2017 it is estimated that it will experience a recovery, which could translate into an incentive for more companies to feel motivated to bring their capital to our country. This goes hand in hand with an increase in average monthly visits to shopping centers, which are estimated at 63.9 million people for this year. On the other hand, an objective in the scope of the sector is decentralization. According to ACCEP, the provinces are expected to represent 50% of retail sales by 2020. Entrepreneurs are betting more and more on current concepts that give them added value over their competitors. This is reflected in the construction of more and more infrastructure located in different provinces. The measures that are being implemented for the promotion of the retail sector are showing results, as important firms have their eyes set on the country to carry out large projects. Today, Peru is attractive for the investments of large international retailers, mainly in clothing. Also, companies already consolidated in the country, but focused on different areas, have also decided to try their luck in this sector, which shows how attractive and popular it has become.

Source: COMEX PERU

2. News analysis related to Trade

Peru:

i. Textile production of Peru will grow around 3% this year due to better demand (*Gestión* : 05/11/2017) - The Minister of Production, Pedro Olaechea, estimated that textile production would grow around 3% in 2017, encouraged by an improvement in domestic and external market demand. He added that this figure would represent a recovery after four years of decline. "Since May, the textile industry has experienced positive expansion rates, thanks to increased production in the subsector of ropes and twine, knitted fabrics and articles made of textile materials. A trend that we hope will continue until the end of the year", he said. He specified that in August of 2017 this industrial sector, which contributes 5.1% to manufacturing, registered an important rise of 15% compared to the same period of 2016. "This good result responds, among other things, to exports of textile products, they represent 6% of the total manufacturing sales of the country abroad, and in the first eight months of the year amounted to US \$ 238 million", he noted.

ii. Peru: Private consumption to grow over 3% in 4Q 2017 (*Andina* : 09/11/2017) - The positive evolution of economic variables increases enterprises' optimism regarding private consumption growth for the last quarter of 2017, Lima Chamber of Commerce (CCL) President Mario Mongilardi affirmed. "Our initial [growth] projection for this period was 2.8%. Now, we believe [private] consumption might rise above 3%," he told *El Peruano* official gazette. According to Mongilardi, this revision results from the fact that economic agents are more dynamic, as they are confident in a better year-end campaign. Within this context, he highlighted the increase in public investment growth-rates witnessed over recent months, particularly the figures registered in Peru's northern regions previously stricken by Coastal El Niño phenomenon. "We have noticed an acceleration in the execution of public works, which boosts private investment," Mongilardi pointed out. Likewise, the CCL representative explained this situation will mean higher revenue, thus resulting in higher consumption.

iii. Peru, one of the countries with highest investment potential (*Andina* : 08/11/2017) - Peru ranks as one of the countries offering the greatest Public-Private Partnership (PPP) investment opportunities, the country's Private Investment Promotion Agency (ProInversion) Executive-Director Alberto Ñecco pointed out on Wednesday. According to Ñecco, ProInversion has implemented the best practices from the Canadian PPP model, focusing on process efficiency to achieve better project execution and quality. "From now on, Peru will not only be seen as one of the world's most stable countries, in macroeconomic terms, but also when it comes to investment opportunities and execution" he noted. Remarks were made during his participation in the 25th edition of the Annual CCPPP National Conference held on November 6-7 in Toronto, Canada's economic capital.

iv. Peru registers a trade surplus of US \$ 961 million. in September (*El Comercio* : 09/11/2017) - Peru registered a trade surplus of US \$ 961 million in September, the highest result this year, supported by an increase in metal prices and the volume of its traditional exports, the Central Reserve Bank (BCR) said on Thursday. The figure is compared with the trade surplus of US \$ 71 million, which was recorded in the same month of last year. Exports totaled US \$ 4,252 million in the ninth month, a year-on-year increase of 30.8%, while imports reached US \$ 3,291 million, an advance of 3.5%. "It highlighted the higher sales of traditional products (which grew by 40.9%), particularly copper, zinc and gold" the Central Bank said in a statement. Meanwhile, non-traditional exports increased 5.2 percent in September, the issuer added. With this result, the trade balance of Peru, the second world producer of copper, zinc and silver, accumulated a positive balance of US \$ 4,189 million between January and September. For all of 2017, the Central Bank has forecast a trade surplus of US \$ 5,051 million, compared to the positive balance of US \$ 1,888 million last year.

v. SNI: Anti-dumping measures were reduced 74% during last decade (*El Comercio* : 09/11/2017) - The National Society of Industries (SNI) noted that in the last decade, the application of anti-dumping measures in the world grew by 31% (from 1,214 to 1,586 provisions in force), whereas Peru was against the global trend and the use of these measures in Peru fell by 74% (from 34 to 9 measures in force). The SNI stated that this is despite the fact that various industrial sectors are being affected by unfair competition of imported products at dumping prices. In this regard, the institution argued that among nations that apply antidumping, Peru is one of the least which resorted to this practice of commercial defense. However, he pointed out that developed and industrialized countries, which exercise free trade, do maintain this trade policy, such as, the United States (285 measures), European Union (114), Canada (62), Australia (55); as well as China (95), Turkey (155) and India (255). In the region, while in the Pacific Alliance, Mexico and Colombia apply 71 measures, Peru registers only nine, 0.56% of what is applied in the world. It should be noted that of Peru's anti-dumping measures, six are applied to China and Pakistan: 1% of what the world imposes on both countries (566 between them, only China, 559)

Bolivia:

vi. Inflation in October was negative (*Página Siete* : 09/11/2017) - Inflation in October registered a negative variation of -0.21% and the 10 months accumulated rate reached 2.29%, reported National Institute of Statistics (INE). This behavior of the Consumer Price Index (CPI) was mainly due to the decrease of the prices of the Food and Non-Alcoholic Beverages division in 1.12% and a negative incidence of 0.38%.

vii. The trade deficit amounted to 899 million dollars (*Página Siete* : 10/11/2017) - Between January and September, the trade deficit increased to 899 million dollars, according to an analysis by the Bolivian Foreign Trade Institute (IBCE). In the same period of 2016, the deficit was 783 million dollars. As of September, the value of exports totaled 5,891 million dollars and grew by 9% compared to the value exported in the same period of the 2016 season. Also, imports amount to 6,790 million dollars, 10% more than in 2016 and the third quarter of the year. The negative trade balance already exceeds 70% of the gap recorded in 2016 (1,287 million dollars), warns the IBCE. The three main destinations of Bolivian exports are Brazil, Argentina and the United States, which account for 42% of sales.

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