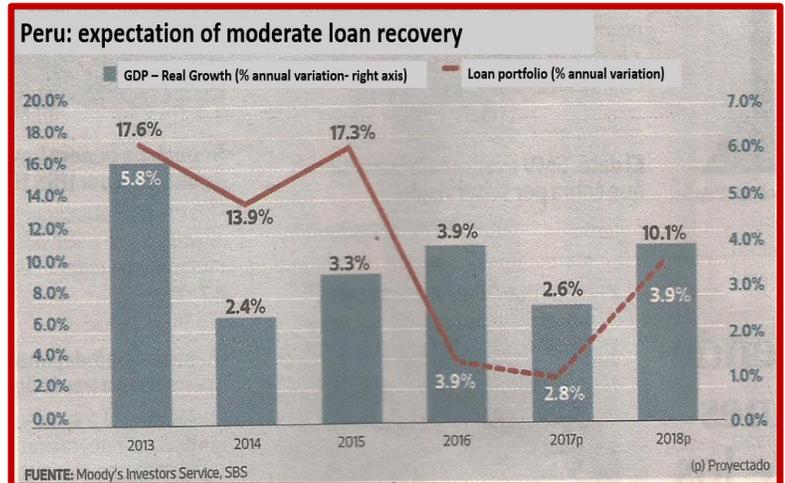


Economic & Commercial Report for the week ending 17<sup>th</sup> November 2017

1. Analysis of Trade Data (Peru)

Bank loans will grow three times more in 2018

Peruvian banks have the highest profitability per asset in the Latin American region. Next year, credit loans is likely to advance by 10% and the delay on the payment would reach 3.5%. The banking credit has been registering a modest growth a few weeks before the end of the year. The credit rating agency Moody's Investors Service projected that these loans will end the year with an expansion of 2.8%. But the projections are better for 2018, in line with a recovery in the economy. "For next year, we project that the loan portfolio will grow 10%" referred Valeria Azconegui, VP Senior Analyst Banking Group Moody's. "Although the anticipated expansion would be three times of



what is expected for 2017, this may qualify as a moderate expansion of the Peruvian financial system as the growth was 16% three years back" said the analyst in the framework of the event *Peru Briefing 2017*. The better performance of the loans will allow banks to maintain good levels of profitability in 2018. Azconegui stressed that despite the negative events that the Peruvian economy faced this year, banking entities registered, as a whole, the highest return on assets in the region. This result is explained, to a large extent, by the better management of operating and financial expenses; and also to the good efficiency rates achieved, she detailed. Moody's estimates that the outstanding levels of profitability, along with moderate dividend distribution ratios, would allow banks to reinvest their profits and, therefore, increase their capital by 2018.

**Defaulting** : Peru's banking system is ranked as the second highest rate of payment delays in the region, second only to Brazil, Azconegui said. The default of loans has been showing an upward trend in recent years, which has not necessarily been reflected in the cost thereof, she added. The 10% advance in loans will lead the default to close in 2018 at levels of 3.5%, the analyst estimated. She also highlighted the increase in deposits in soles, which allows banks to have cheaper funds for their loans. In addition, it means less dependence on the financial system.

Source: Gestión

2. News analysis related to Trade

**Peru:**

i. **Fin Min: Peru, one of fastest-growing nations thanks to low debt** (*Andina* : 14/11/2017) - Economy and Finance Minister Claudia Cooper said Peru's low debt levels (24.1% of GDP) make it one of the fastest-growing economies, thus contributing to a lower financing cost in external markets. "Based on our analysis, it is clear that countries with low debt levels grow faster than those with higher, since resources invigorate the economy, instead of paying off liabilities," she stated. During a debate on Public Sector Indebtedness Law for Fiscal Year 2018 at Congress Budget Commission, Cooper explained debt service consists of interest payments and amortizations. "The country's indebtedness stands at 24.1% and its debt should not total more than 30% of GDP, since it is key for our credit rating, enabling us to enjoy very low-interest rates," she said.

ii. **Peru ranks LatAm's 2nd country with best economic climate** (*Andina : 09/11/2017*) - Peru has significantly improved its economic climate and moved up from 7th (July) to 2nd place (October), only surpassed by Argentina, Getulio Vargas Foundation (FGV) informed Monday. According to an article published by FGV's Brazilian Institute of Economics, Peru registered the greatest progress (+55 points) in Latin America, thus reaching a total of 126.1 points in this sense. "Four out of the seven countries, in which this indicator improved between July and October, saw significant progress," the foundation pointed out. Within this framework, Peru climbed 55 points, followed by Chile (+52 points), Argentina (+44 points), and Brazil (+33 points). The survey also notes 4 —out of the 11 analyzed countries— already rely on favorable economic climate (above 100 points). They are Argentina (145.2 points), Peru (126.1 points), Paraguay (121.3 points) and Uruguay (116.6 points). Likewise, it underscored that Chile (98 points), Colombia (93.6 points) and Brazil (91.7 points) are about to move from unfavorable to favorable zone.

iii. **Scotiabank projects that mining investment in Peru will increase around 12% in 2018** (*Gestión : 15/11/2017*) - The bank Scotiabank raised its estimate of growth of mining investment in Peru for 2018 from the previous forecast of 5% to 12%. Also, for the year 2017 the investment was predicted to fall by 2%, however, now it is expected to rise by 9%. Scotiabank explained that mining investment in Peru has been recovering this year. According to the Ministry of Energy and Mines (MEM), mining investment in the third quarter has increased by 6% compared to the same period of 2016. "In general, the investment in mining responds to the improvement in metal prices," said senior analyst at the Department of Economic Studies at Scotiabank, Erika Manchego. She explained that this increase in prices has allowed to improve the balance sheets of companies and allocate more funds to investment in equipment renewal and exploration that had been depressed in recent years in which the prices of metals fell.

iv. **Peruvian economy exceeds expectations and grows 3.18% in September** (*Gestión : 15/11/2017*) - According to the INEI, the growth obtained in September is due to the favorable evolution of external demand and the recovery of domestic demand. Economists expected a growth of 3.10% but the reality is that in September of 2017, the national production grew 3.18% and added 98 months of uninterrupted growth, reported today the National Institute of Statistics and Informatics (INEI). According to the Technical Report "National Production", the Peruvian economy during the period January-September of this year grew by 2.38% and during the last twelve months (October 2016-September 2017) by 2.55%.

#### **Bolivia:**

v. **Bolivia falls to position 152 of 190 countries in business climate** (*Página Siete : 14/11/2017*) - Bolivia ranks 152 out of 190 countries in the Doing Business 2018 rankings of the World Bank. In the previous report, the country was positioned at 149, two places lower than in 2016 when it reached the 147th place. The study evaluates the ease of opening businesses, access to financing, registration of intellectual property, investment protection, labor regulation, construction permit management, and others. Bolivia is close to African countries such as Guinea, in 153rd position, Togo 156 and Ethiopia 161 and in Latin America only above Suriname 165, Haiti 181, Venezuela 188. In the region, the first places are occupied by Mexico 49, Peru 58, Colombia 59, Costa Rica 61, Puerto Rico 64, Jamaica 70, among others.

vi. **Bolivia advances in negotiations to begin exporting through the Peruvian port of Ilo** (*Página Siete : 13/11/2017*) - The manager of the Administrator of Port Services of Bolivia (ASPB), David Sanchez, said today that there is progress in negotiations to start exporting through the port of Ilo and said that a new proposal was sent to the Peruvian authorities. Sánchez recalled that the current agreement refers to the negotiation of tariffs, the storage time of the cargo in the port of Ilo and the access of the Bolivian carrier to the place.

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