

Economic & Commercial Report for the week ending 01st December 2017

1. Analysis of Trade Data (Peru)

66% of Peruvian companies will be more active in seeking mergers and acquisitions

Study indicates that companies seek to innovate in technology through alliances and joint ventures with digital companies.

According to the latest EY barometer on Investment Trust (The barometer of the EY Investment Trust evaluates growth strategies, mergers and acquisitions, and access to capital in local businesses), 66% of respondents say they will actively seek agreements to carry out mergers and acquisitions (M & A) in the next 12 months, surpassing the global response rate. They also consider that the most attractive sectors are technology, mass consumption and retail, mining and financial services. Among the strategic reasons for completing an acquisition are the search to expand to a new geographic market (26%), increase its market share (24%), acquire technology and innovative start-ups (19%), among others. Among the main investment destinations for Peruvian executives, the US stands out as the first. In general, investments would be concentrated in America, while the last barometer (six months ago) was aimed at Asia, with India and China as objective markets.

Internal measures : Compared to the previous barometer, the current one indicates that more companies interviewed are taking measures to improve their operations internally. This includes a greater frequency of evaluation of the business portfolio, and the corporate structure. Thus, the study states that almost half of companies (46%) claim to be performing a review every six months, while another 45% do so quarterly or more frequently. Peruvian companies are also making venture capital investments to address disruption and innovation. The barometer also indicates that another 62% use venture capital to access new capabilities and accelerate research and development (R & D) and innovation.

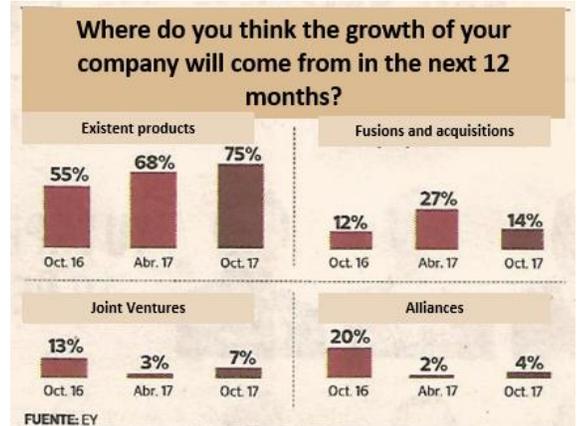
Digital disruption : Among business strategies through technological innovation, the barometer indicates that 71% of companies surveyed are taking proactive measures to counter the impact of digital transformation on their business models, which also includes 41% that support their strategies with the purchase, formation of alliances, or joint ventures with digital companies. In fact, these companies recognize that the impact of technology, and the threat of digitally prepared competitors affects their respective sectors (61%).

Perspectives : Looking forward to 2018, it is likely that the negotiating environment to carry out M & A intensifies, given the renewed competition and the active sectors. Nearly 30% of Peruvian executives expect investment funds to play a much more important role in the mergers and acquisitions scenario in the local market in the next 12 months. Beyond investment funds, competitive and hostile bidding is expected to have a considerable impact on transactions. It is also possible that cross-border transactions are more prominent, as companies seek to jump into new areas of growth.

2. News analysis related to Trade

Peru:

i. Peru to export direct human consumption fishing products worth US\$1.2 billion (Andina : 30/11/2017) - Peruvian fishery exports for direct human consumption may reach US\$1.2 billion in 2017, National Society of Industries' (SNI) Fishing and Aquaculture Committee Chair Alfonso Miranda projected. According to Miranda, this



year's fishing activities —for direct human consumption— are recovering to the levels of 2014. It must be noted that Peruvian fishing exports amounted to US\$908 million in 2016, according to SNI figures. Within this context, Miranda announced that a series of measures have been proposed in order to triple the exports and jobs in this sector by 2021, Peru's bicentennial year of independence. Remarks were made at the 55th edition of the Annual Conference of Executives (CADE-Executives 2017).

ii. Peru to register US\$4.8 billion trade surplus in 2017 (*Andina* : 28/11/2017) - Peru's trade balance will post a US\$4.8 billion-surplus in 2017, as it has been registering positive balance since July 2016, Foreign Trade and Tourism Minister Eduardo Ferreyros projected. "We hope to close the year with a trade surplus of US\$4.8 billion, more than double the figure recorded in 2016," Ferreyros highlighted. According to the cabinet member, such rebound in the trade balance came after 20 months hit by deficit. Likewise, he noted Peruvian exports have entered a recovery phase, following 41 months of negative results. In this sense, total shipments expanded 25% between January and September of the current year. It must be noted Peru —during this period— ranked as the fourth country in the world relying on the highest growth rate, as well as the top in the Americas when it comes to exports growth. The government official also pointed out the number of Peruvian products exported during the first nine months of 2017 totaled 4,510 (105 more than in the similar period last year).

iii. Sanipes prohibits the importation of canned fish from China (*Gestión* : 28/11/2017) - The National Fisheries Health Agency (Sanipes) reported that it has decided to prohibit the importation of all fish preserves from China, until the sanitary authority of that country demonstrates that it can guarantee the safety of those products that go to the Peruvian market. Through a statement, he said that he has issued, through the Foreign Ministry, an extension of the international health alert to the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ), having detected the presence of parasitic worms (Nematodes) in a batch of canned whole mackerel in tomato sauce. This batch of preserves had a sanitary certificate issued by the Chinese sanitary authority and had been evaluated by the support entity Cerper.

iv. Mincetur: Tourism will grow more than 9% in 2018 (*Gestión* : 27/11/2017) - For fiscal year 2018, the budget assigned to the Ministry of Foreign Trade and Tourism (Mincetur) will amount to S / 599.1 million, of which S / 377.7 million will be allocated to the portfolio of the sector, S / 200 million to Prom-Peru and S / 21.5 million to the Tourism Training Center (Cenfotur). The budget responds to the efforts that the sector is making to promote receptive and internal tourism. The goal of the sector is to overcome the seven million tourists, as indicated by the President of the Republic, Pedro Pablo Kuczynski, on several occasions. On this occasion, Ferreyros stressed that the country would receive, at the end of this year, 4.03 million international tourists, which represents an increase of 7.5% over 2016. With this in mind, he stressed before the Plenary Session of Congress that by 2018, Peru would receive 4.40 million international tourists, growing 9.8% compared to the result of 2017.

v. Peru: Public, private sectors see growth for first time in four years (*Andina* : 27/11/2017) - Peruvian Economy and Finance Minister Claudia Cooper said Monday this is the first time in four years that public and private sectors return to growth mainly in construction, manufacture, trade and services. So much so that her administration is working on a US\$70 billion infrastructure and mining investment portfolio. Cooper remarked public investment has experienced a two-digit overall growth over the past three months at all government levels. "Likewise, in the third quarter of 2017, while investment in mining and hydrocarbons went up 23.2% in real terms, private investment in the other sectors did so by 2.6%," she indicated. The government official said the number of investment announcements increased 42.2% in the first nine months of the year over the same period in 2016. Remarks were made at Congress as she supported the Public Budget for Fiscal Year 2018.

Bolivia:

v. The IDB lends \$ 50 million to Bolivia to improve a water network (*La Razón* : 01/12/2017) - The IDB loan will be complemented by an investment of \$ 25 million from the South Korean Program to finance infrastructure in Latin America and the Caribbean, the financial institution said in a statement. According to the IDB, since November of last year Bolivia experienced one of the worst droughts in decades, which affects the water supply in urban centers and forced the government to declare a drought alert, especially in the cities of Potosí, Sucre, Cochabamba, La Paz and El Alto. The IDB-financed program also aims to increase resilience to extreme effects of droughts in urban areas and will be executed by the Ministry of Environment and Water.