

Economic & Commercial Report for the week ending 5th April, 2019

1. Analysis of Trade Data (Peru)

Peruvian GDP will be among the highest of the region

The Peruvian economy will continue to be one of the fastest growing in South America this year, according to the World Bank (WB).

According to the report "How does the economic cycle affect social indicators in Latin America and the Caribbean? When dreams face reality", the multilateral entity maintained the country's growth projection at 3.8% for the current year. It also specifies that Peru will be the fastest growing within the Pacific Alliance countries.

The country that will lead the growth in South America will be Guyana (4.6%), followed by Bolivia (4%), Peru (3.8%), Paraguay (3.6%), Chile (3.5%), Colombia (3.3%), Brazil (2 %) and Suriname (2%). Followed by Uruguay (1.8%), Ecuador (0.1%), while Argentina and Venezuela would have a fall of 1.3% and 25%, respectively.

As for Latin America, the region is expected to grow 0.9% in 2019 (if Venezuela was excluded, growth would be 1.9%), the previous projection was of 1.6%.

This is because the three largest economies in the region (Brazil, Mexico and Argentina) would grow little or nothing in 2019, and Venezuela's gross domestic product (GDP) will continue to contract by double digits.

"A complicated external environment will add additional headwinds. This includes a drop in the prices of raw materials recorded at the end of 2018, a slower growth of China's main trading partners and higher international interest rates", said the World Bank's Chief Economist for the region, Carlos Végh.

According to the WB, the GDP of South America increased 0.1% in 2018 and is expected to expand just 0.4% in 2019.

Last year, the economy grew 2.7% in Central America and is expected to advance 3.4% in 2019, while in the Caribbean region's GDP increased by 4% in 2018 and 3.2% is expected for 2019.

Source: El Peruano Newspaper

2. News analysis related to Trade

Peru:

i. **Peru: Textile-garment exports totaled US\$1.4 billion in 2018** (*El Comercio: 30/03/2019*) - Peruvian textile-garment exports amounted to US\$1.4 billion in 2018, thus increasing 11.5% compared to the previous year, Association of Peruvian Exporters (Adex) informed on 29th March. The main destinations were the United States, Brazil, Chile, Colombia, and China. Together they accounted for 66.3% of total shipments, Handicrafts Committee Chairman Cesar Tello indicated. Textile exports reached US\$439 million last year, a 12.16% rise compared to 2017.

ii. **BCR increases its projection of trade surplus to US \$ 8.057 billion in 2019** (*El Comercio: 31/03/2019*) - The entity responsible for monetary policy also increased its projected trade surplus for next year, to US \$ 8.525 billion compared to the US \$ 6.318 billion previously estimated. In its report the BCR maintained its projection of expansion of the economy for this year, and the next one in 4%.

Regarding inflation, it estimated a 2% for the end of the year, lower than the 2.1% estimated previously. For 2020, the agency projected a cost of living increase of 2%, within the target range of 1% and 3%.

iii. Peru and China progress in the improvement of their FTA (*Gestion: 05/04/2019*) – During the first round of negotiations, issues related to the optimization of the chapters on Rules of Origin, Customs Affairs, Trade in Services, Investment, Intellectual Property and Sanitary and Phytosanitary Measures were discussed. In the same way, a dialogue was held regarding the inclusion of new chapters such as Competition and Electronic Commerce. Vásquez indicated that the optimization of the commercial agreement will facilitate the activities of Peru's exporters and importers, and will create greater opportunities for companies in the services sector, especially SME's. The negotiations were held in Beijing, between April 1 and 4. The next meeting will be in Lima, during the month of June. The Peruvian government hopes to attract investment from China in sectors of telecommunications, transport, logistics, and financial services, among others.

Bolivia:

iv. Business intentions for US\$ 32 million were closed; India sees Bolivia as a strategic partner in the region (*La Razon : 29/03/2019*) - The President of the Confederation of Private Entrepreneurs of Bolivia (CEPB), Luis Fernando Barbary, explained that the business conference held 290 meetings with the participation of 32 companies from India and 62 from Bolivia. Entrepreneurs of Bolivia and India made \$ 32 million in business intentions in the business forum held in Santa Cruz with the presence of Presidents Evo Morales and Ram Nath Kovind. Bolivia is seen as a strategic partner of India in the region. Sectors such as mining, construction, information technology, pharmaceutical, automobiles, energy and jewelry participated in the event. Barbary was talking in a Santa Cruz hotel where the Bolivia-India Business Forum took place during the State Visit of the Indian President. In this event, a Memorandum of Understanding between FICCI and the Chamber of Industry, Commerce, Services and Tourism of Bolivia (Cainco) was also signed. The President of India thanked the hosts for their welcome and expressed his commitment to establish business ties. "India is the sixth economy in the world and we manufacture everything, such as satellites, planes, cars and technology (...) Bolivia can be a very important partner for us, for creating new jobs and ventures. Yes, it is true, distance is a factor but with the connectivity that globalization provides, we will overcome this limitation", said President Kovind. Morales recalled that the trade balance between both States is favorable to Bolivia by \$ 571 million and that exports are focused on gold, sawn wood, tanned leather, sodium, chestnut and chia. He also use the opportunity to mention the economic and social policies implemented since his arrival in the Presidency in 2006, as well as future ventures, including the installation of 14 plants for the large lithium industry.

v. India will open an Embassy in Bolivia to promote investments (*Cambio 01.04.2019*) - India will open an Embassy in Bolivia in the coming months to promote joint projects and consolidate investments in productive sectors, Foreign Minister Diego Pary said. We already have an Embassy opened in India; our greatest interest is that the relations between both countries be strengthened, said the Foreign Minister in an interview with the Panamericana radio station. Pary added that since the visit of President Ram Nath Kovind, last week, both countries are entering a new era in diplomatic relations. The Asian president held meetings with his counterpart Evo Morales to lay the foundations for a "promising" future of cooperation for the integral development of both nations, and several agreements were signed by the businessmen who accompanied him and his Bolivian counterparts. The exchanges will be in the areas of health, technology, mining, transport, culture and diplomatic relations, fundamentally. Among them stand out the Indian support for the Central Bioceanic Corridor, and a credit of 100 million dollars for the promotion of the Bolivian pharmaceutical industry.

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