

Economic & Commercial Report for the week ending 21st June, 2019

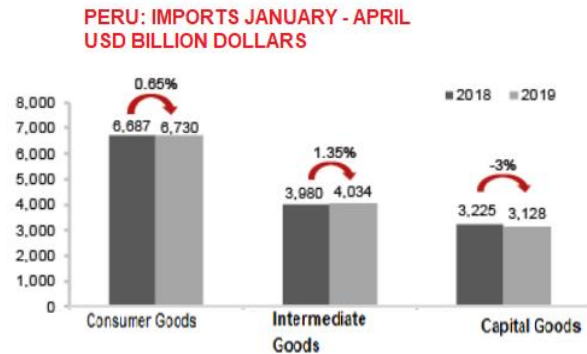
1. Analysis of Trade Data (Peru)

PERUVIAN IMPORTS: JANUARY-APRIL 2019

According to figures from the Superintendence of Customs and Tax Administration (SUNAT), in the first four months of the year, Peruvian imports reached a value of US\$ 13.896 billion, 0.1% less than in the same period of 2018. Among the main countries of origin, China stands out, of which Peru recorded purchases of US\$ 3.410 billion, 8.9% more than in the January-April 2018 period, and which represented 24.5% of total imports. It was followed by the US, with US\$ 2.936 billion, with an increase of 0.7% with respect to the same period of 2018, and represented 21.1% of the total.

This analysis is divided into the study of the evolution of the following goods:

Intermediate Goods: Imports of intermediate goods totaled US\$ 6.730 billion, 48.4% of the total and 0.7% more than the same period of 2018. The raw materials for industry were the goods that stood out and represented 62% of the total of intermediate goods, with a value of US\$ 4.191 billion (+ 4.1%). Among the main imported products are: crude oils or bituminous minerals with a value of US \$ 833 million and diesel 2 with a sulfur content less than or equal to 50 ppm, with a value of US \$ 434 million.



Capital Goods: represented 29% of total imports, these amounted to \$ 4.034 billion, which reflected an increase of 1.35% over the same period of 2018. Among the main imported products were the ones directed to the industry, which represented 63.9% of the total of the item, for an amount of US\$2.581 billion. The most imported goods of this type were cell phones with a value of US \$ 370 million and laptops US \$ 131 million. China being the main country of origin, with 94.5% (US \$ 350 million) and 92.5% (US \$ 121 million) of total purchases of these items respectively

Consumer Goods: represented 22.5% of total imports, reached a value of US\$ 3.128 billion. In this category, imports of non-durable goods represented 58% of the total, with a value of US\$ 1.815 billion. In terms of durable consumer goods, which totaled a total of US \$ 1,314 billion, the most outstanding were the vehicles with displacement between 1,500 cm³ and 3,000 cm³ with a value of US\$ 187 million, and the displacement vehicles between 1,000 cm³ and 1,500 cm³, with a value of US \$ 148 million.

Source : Comex

2. News analysis related to Trade

Peru:

i. Exports would not reach the goal set for 2019 (La Republica: 17/06/2019) - According to figures from the National Superintendence of Customs and Tax Administration (Sunat), Peruvian exports in the first four months of the year reached US\$ 14.457 billion, falling by 6.4% in relation to the same period last year. It is thus not likely to reach the target of US\$ 52 billion. It is hoped that the figure for the end of the year would be similar to that of 2018 (\$ 47.709 billion). The figures are to reduced shipment of gold to the US (- 37.3%).

ii. Blueberry exports will grow 50% in 2019 (*Gestión 18/06/2019*) - According to the projection of Scotiabank, blueberry exports will reach US \$ 830 million during 2019, and if this estimate is realized, it would mean a 50% growth, considering that in 2018 Peru exported blueberries worth US \$ 548 million. This evolution is due to several factors, the main being the 60% increase in the volume exported due to the opening of new markets. To date, Peru exports blueberries to 24 countries. Another factor is the increase in the quantity of hectares cultivated, as it grows at an average of 1,300 hectares per year. The main export destinations are the United States, the Netherlands and China.

iii. FTA Peru - China: Second round for the optimization of the trade agreement concludes (*Gestión: 21/06/2019*) - The Minister of Foreign Trade and Tourism, Edgar Vásquez, announced the culmination of the second round of negotiations for the optimization of the Free Trade Agreement between Peru and China (Peru-China FTA), which took place from June 17-19, 2019. Several meetings were held with the purpose of optimizing the chapters on Rules of Origin; Customs Procedures and Trade Facilitation; Trade in Services; Investment and Intellectual Property. On the other hand, meetings were held to expand the content of the FTA and include chapters on Competition Policy and Electronic Commerce. The next round of negotiations is expected to take place in the first half of August in the city of Beijing.

iv. Government modifies ISC (*Gestión: 17/06/2019*) - The Ministry of Economy (MEF) published a supreme decree that modifies the Selective Consumption Tax (ISC). The newly assembled motor vehicles conceived mainly for the transport of people which exclusively use gasoline, gas, diesel and/or semi-diesel as fuel will now be subjected to 0 % ISC. Likewise, a new tax scale has been introduced for new vehicles larger than 1500 cc., which will be taxed with an ISC of 10%. On the other hand, for vehicles with displacement greater than 1400cc but less than or equal to 1500cc, will be taxed at 7.5%, while for vehicles with displacements less than or equal to 1400 cc the rate will decrease to 5%. Meanwhile, the ISC in used cars went up from 30% to 40%.

v. Government seeks to regulate pharmacies to guarantee sale of generics (*El Comercio : 21/06/2019*) - Congress received draft Law No. 4494, sent by the Executive for approval. which seeks to ensure that pharmacies, both public and private, have the supply of essential generic medicines. The price of these products will be close to 10% of brand-name drugs, according to Martín Vizcarra, President of the Republic. Once it is approval, within a maximum period of 90 days the Ministry of Health (Minsa) would approve the list of generic essential medicines which should be kept available in pharmacies. Penalties for non-compliance would go be up to S/- 16,800.

Bolivia:

vi. Peruvian companies interested in Bolivian gas (*La Razón: 18/06/2019*) - Peruvian companies Kallpa, Generación SA and Engie-Peru, signed a memorandum of understanding with Bolivian Fiscal Oil Fields (YPFB) for the purchase of 13 million cubic meters a day (MMm3d) of Bolivian gas to commercialize 10 MMm3d for the generation of energy, through thermoelectric power plants for the south of Peru. Likewise, YPFB is participating in a tender for the supply of gas through home networks in seven macro regions of south of Peru, the award of the project is expected in September/October.

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