

Economic & Commercial Report for the week ending 16th August, 2019

1. Analysis of Trade Data (Peru)

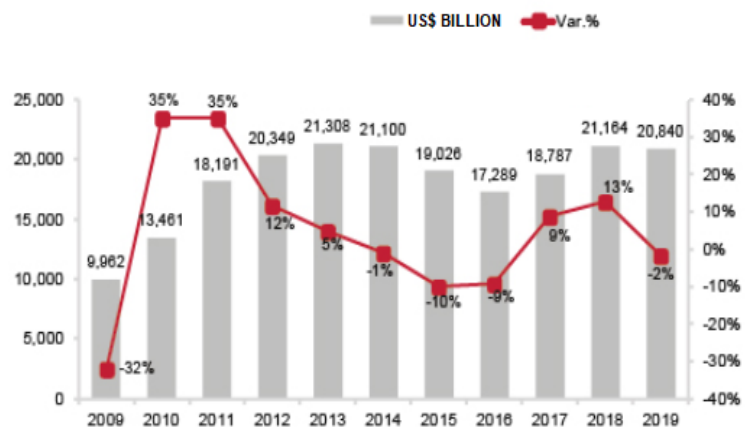
Analysis of Imports (January-June)

According to figures from the National Superintendence of Customs and Tax Administration (Sunat), Peruvian exports maintains a negative tendency since the beginning of the year, Peruvian imports reached a value of US\$ 20.840 billion, 2% less than in the same period of 2018. Among the main countries of origin, China stands out, with an amount of US\$ 5.081 billion, 6% more than in the January-June 2018 period, followed by the US, with US\$ 4.393 billion, with a fall of 4.8%, in relation to the same period of 2018.

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

Intermediate Goods: Imports of intermediate goods totaled US\$ 9.923 billion, representing 48% of the total imports and 3.8% less than the similar period of 2018. The raw materials for industry were the goods that stood out and represented 62% of the total of intermediate goods imports, with a value of US\$ 6.134 billion. Fuel goods represented 30% of the total of intermediate goods imports and totaled US\$ 2.488 billion. The ones that stood out were: crude oils of oil or bituminous minerals with a value of US \$1.244 billion and diesel 2 with a sulfur content less than or equal to 50 ppm, with a value of US \$ 628 million. The results were also negative with respect only the month of June, intermediate goods imports reached an amount of US \$ 1.512 billion, which meant a decrease of 13.1% compared to June 2018. This result was due to the drop in imports of raw materials for industry (US \$ 889 million; with a fall of 16.9%) and raw materials for agriculture (US \$ 95 million; with a fall of 30.7%).

EVOLUTION OF PERUVIAN IMPORTS (JAN - JUN)



Capital Goods: represented 30% of total imports, with a value of US\$ 6.202 billion, reflecting an increase of 3.3% over the same period of 2018. Despite the positive performance, in aggregate terms, capital goods for agriculture surprised by their decrease of 12.5%, totaling US \$ 72 million. On the other hand, imports of transport equipment (US \$ 1.537 billion), capital goods for industry (US \$ 3.904 billion) and construction materials (US \$ 690 million) grew 0.5%, 3.4% and 12.2%, respectively, in relation to the same period of 2018. Amongst the capital goods that stood out were: cell phones (US\$ 544 million; an increase of 1.3%); laptops (US\$ 191 million; an increase of 10%) and pick-up trucks (US\$ 175 million; an increase of 39.1%). It may be noticed that in June, imports of capital goods reached an amount of US\$ 1 billion, which meant an increase of 3.9% compared to the same month of the previous year. This result was due to the greater import of transport equipment (US\$ 269 million; an increase of 23.7%) and construction materials (US\$ 115 million; an increase of 10.7%).

Consumer Goods: represented 23% of total imports, with a value of US\$ 4.076 billion, reflecting a fall of 2.4% in relation to the same period of 2018. Imports of non-durable goods represented 58% of the total, with a value of US\$ 2.701 billion. The durable consumer goods, totaled US\$ 2 billion, the most outstanding were the vehicles with displacement between 1,500 cm³ and 3,000 cm³ with a value of US\$ 278 million, the displacement vehicles between 1,000 cm³ and 1,500 cm³, with a value of US\$ 237 million and televisions with a value of US \$ 213 million. In June, imports of consumer goods reached a total of US\$ 766 million, which meant a slight increase of 0.9% compared to the same month of the previous year. This was influenced by the increase in imports of durable consumption, which reached US \$ 346 million, 11.1% more than in June 2018.

2. News analysis related to Trade

Peru:

i. **Non-traditional exports up 4.3% in last 12-month period** (*Gestion: 13/08/2019*) - According to figures from the Central Reserve Bank (BCR) Peruvian non-traditional exports expanded 4.3% in the last 12 months, through June 2019, the second highest increase among the main countries of the region. In the first half of this year, non-traditional exports totaled US\$ 6.426 billion, a 0.7% increase compared to the same period in 2018. This result was underpinned by a greater exported volume (5.4%), mainly of farming and fishing products. The ones that stood out were shipments of fresh avocados (with an increase of 11.2%), giant squid (with an increase of 3.5%), grapes (with an increase of 18.6%), calcium phosphate (with an increase of 8.1%), and blueberries (with an increase of 70%),

ii. **Peruvian economy up 2.62% in June 2019** (*El Peruano: 16/08/2019*) - According to The National Institute of Statistics and Informatics (INEI)'s National Production Technical Report, Peru's national production grew 2.62% in June this year, accumulating 119 months of continuous growth. Likewise, the country's economic activity has an increase of 1.73% between January and June 2019 and of 2.68% in the last 12-month period (July 2018-June 2019). June's outcome was underpinned by the positive evolution of household consumption thanks to higher retail sales (with an increase of 2.91%) and consumer loans (with an increase of 11.52%).

Bolivia:

iii. **Resolution restricting import of products** (*El Dia: 14/08/2019*) - The Minister of Productive Development, Nérida Sifuentes, reported that a ministerial resolution was approved to regulate the imports of leather footwear, textiles and furniture, with the aim of supporting national production. It must be noted that it does not prohibit the importation of these products, it promotes more control before entering the country. This measure is in response of the sector warning a fall of 16% in the profits of the manufacturing sector. The rule will allow the public to know the importing companies and obtain the necessary information in case of detecting the entry of illegal merchandise, protecting the national industry and contributing to the fight against smuggling.

iv. **Foreign Investment increase in the first half** (*El Cambio: 14/08/2019*) - The Ministry of Economy, reported that in the first half of 2019, Foreign Direct Investment reached US\$ 53 million, greater than that registered in a similar period of 2018, when a negative flow of \$ 16 million was recorded; that is, there was a growth of \$ 69 million (431%). The sectors that benefited were hydrocarbons (\$ 98 million), manufacturing (\$ 81 million) and other services (\$ 27 million), which accounted for 96.7% of the total investments received. Likewise, the lithium industrialization agreements signed in 2018 between Bolivian Lithium Deposits (YLB) and two international companies were highlighted in the Foreign Direct Investment in Latin America and the Caribbean-2019 Report, made by the Economic Commission for Latin America and the Caribbean (ECLAC; These are : the one with the German company ACI Systems, for an estimated investment of US\$ 1.3 billion, for the constitution of a mixed industrial production company of lithium hydroxide and magnesium hydroxide. Another agreement was made with the Chinese company Xinjiang TBEA Group-Baocheng for build plants in the salt flats of Potosí and Oruro, with an investment of more than US\$ 2 billion.

v. **The trade deficit grows due to the fall in exports to China** (*Los Tiempos: 16/08/2019*) - According to figures from the Bolivian Institute of Foreign Trade (IBCE), Bolivia's trade deficit grew from 154 million dollars to 720 million during the first half of 2019 compared to the same period of 2018, caused by the decline in Bolivian exports to China. Exports in June 2019 totaled 4,194 billion dollars and imports, 4,914 billion. However, for the second consecutive year, the largest trade deficit is with China, for 886 million dollars, even more than the general deficit. While Bolivian exports were 182 million dollars, when in the same period of 2018 they had reached 225 million. Likewise, Chinese imports totaled 1,068 million, when in the first half of 2018 they had only reached 962 million. The main trade deficits were with China (-886 million dollars), Chile (-165 million) and Peru (-156 million). On the other hand, Bolivia's largest bilateral surpluses were registered with India (399 million dollars), Japan (259 million) and the United Arab Emirates (151 million).

Arup Kumar Saha
Commercial Representative
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