

## **Economic & Commercial Report for the week ending 18 October, 2019**

### **1. Analysis of Trade Data (Peru)**

#### **Analysis of Imports (January-August)**

According to figures from the National Superintendence of Customs and Tax Administration (Sunat), Peruvian imports continue to decline this year, in the period January-August 2019, reached a value of US \$ 28.798 billion, which represents a 2% drop compared to the same period of 2018. In the month of August, Peruvian imports fell 6.2% compared to the same month last year, which means four consecutive months of drop. Among the main countries of origin, China stands out, with an amount of US\$ 6.853 billion, followed by the US, with US\$ 5.771 billion, with a fall of 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\$ 13.272 billion, represented 47.1% of the total imports and 6.4% less than the similar period of 2018. The raw materials for industry were reduced by 2.8% and totaled US \$ 8.266 billion. In regard to the intermediate fuel goods, totaled US \$ 3.962 billion, the ones that stood out were: crude oils of oil or bituminous minerals with a value of US \$1.639 billion and diesel 2 with a sulfur content less than or equal to 50 ppm, with a value of US \$ 833 million.

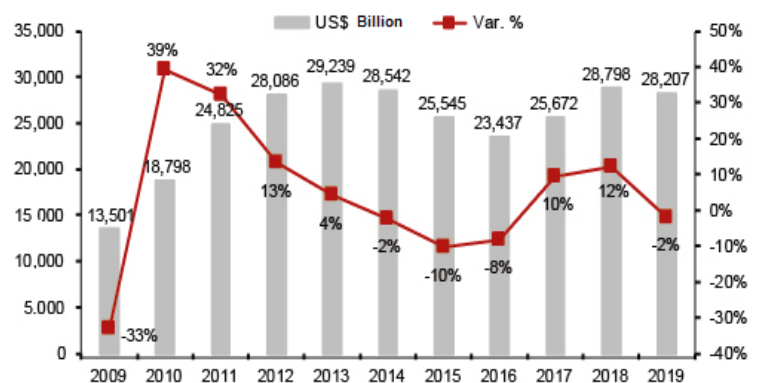
**Capital Goods:** represented 30.2% of total imports, with a value of \$ 8.511 billion, reflecting an increase of 5.1% over the same period of 2018. This dynamism was mainly driven by the entry of capital goods for industry and construction materials, which totaled US \$ 5,350 million and US \$ 971 million, respectively. Imports of transport equipment have grown little so far this year compared to the previous year (+ 1.6%), while the purchase of capital goods for agriculture continues to drag the negative growth rate of the first half of the year (-7.8%).

However, in August, this last category has grown by 14.5% compared to the same month of 2018. Imports of construction materials, capital goods for industry and transport equipment also grew, with rates of 28.9%, 10.7% and 2.5%, respectively. Among the capital goods that stood out were: cell phones (US \$ 709 million; an increase of 0.8%), laptops (US \$ 272 million; an increase of 9.8%) and pick-up trucks (US \$ 232 million; an increase of 30.2%).

**Consumer Goods:** represented 22.7% of total imports, with a value of \$ 6.416 billion, reflecting a fall of 1.2% in relation to the same period of 2018. This fall is explained by the decrease in import of durables goods, which registered a total of US \$ 2.734 billion. Likewise, the non-durable goods. grew 2.4%, totaled US \$ 3.682 million. the most outstanding were: the vehicles with displacement between 1,500 cm<sup>3</sup> and 3,000 cm<sup>3</sup> with a value of US \$ 378 million, the displacement vehicles between 1,000 cm<sup>3</sup> and 1,500 cm<sup>3</sup>, with a value of US \$ 352 million and televisions with a value of US \$ 285 million.

In August, the growth of imports of consumer goods was positive. A total of US \$ 860 million (an increase of 1.9%) was imported, of which 44.2% were consumer durables (US \$ 380 million; an increase of 4.1%) and the remaining 55.8% were non-durable consumer goods (US \$ 480 million; an increase of 0.3%).

#### **IMPORTS EVOLUTION ( JAN - AUG )**



**Source: Comex Peru**

## 2. News analysis related to Trade

### Peru:

i. **New vehicle sales will grow 2% in 2019, Scotiabank forecasts** *Gestion (14.10.2019)* - According to the figures from the Scotiabank report, the sale of new cars has improved its performance over the past three months. Due to the modifications made in the selective consumption tax in the middle of the year, it was the main reason for the increase in the sale of new vehicles during the third quarter, 8.3% more than in the same period of 2018. It is important to noticed that there was no increase of sales since the second quarter of 2018. This result is explained only by the greater sale of light vehicles (+ 9.9%), the ones that stood out were: SUV units (+ 23%), representing around 30% of the sale of light vehicles, and vans (+ 12%), followed by the car and pick-up, and the sale of heavy vehicles fell 5% during the third quarter. Also, at the end of 2019, the projection of just over 168 thousand new vehicles sold is maintained, a figure that is almost 2% higher than in 2018

ii. **Scotiabank reduces its mining investment growth projection to 18% for 2019** *Gestion (14.10.2019)* - In its latest report, Scotiabank reduced its growth projection for mining investment from 23% to 18% by 2019; while by 2020 is forecasted at 8%. Due to the following main factors: the internal political environment such as social conflicts in the mines and, also, the trade war between the United States and China, which has resulted in the fall in the price of metals. Likewise, Between January and August, mining investment amounted to US \$ 3.556 billion, 26.3% higher than in the same period of 2018. All together, the projects of Quellaveco, Mina Justa and Toromocho Expansion concentrated 40% of the total. In the first eight months of the year, Anglo American invested US \$ 705 million, Marcobre US \$ 489 million and Chinalco US \$ 234 million.

iii. **UK agree to maintain trade benefits** *Gestion (15.10.2019)* - The Foreign Trade and Tourism Ministry (Mincetur) reported that current trade benefits between Peru and the United Kingdom will be valid until the Free Trade Agreement, recently signed between the two nations, enters into force. As is known, the UK has announced its exit from the European Union. For that reason, both countries sign a FTA in May in order to continue bilateral trade relations. "Peru and the UK exchanged diplomatic notes, taking into account that the United Kingdom has announced that its exit from the EU is officially scheduled for October 31," Mincetur Head Edgar Vasquez expressed. The exchange of diplomatic notes is aimed at applying the legal effects of the trade agreement between Peru and the European Union until the accord signed with the United Kingdom enters into force.

iv. **Copper production in 2019 will add 2.5 million fine metric tons** *El Comercio (18.10.2019)* - The Vice Minister of Mines Augusto Cauti announced that the production of copper at the end of the year will amount to 2.5 million fine metric tons, due to the development of new mining projects (Ariana, Mina Justa, Quellaveco, Quecher Main, and Toquepala expansion and Toromocho), which will allow the 27% increase in national copper production over the next three years and in the case of gold it will be 12%. Likewise, by 2025, the projection is 3.8 million fine metric units, an increase of 58% compared to the figures for 2018. In this case, growth will be driven by the start of projects such as Corocchohuayco Integration, Yanacocha Sulfuros, Zafranal and Magistral.

### Bolivia:

v. **Bolivia Advances in The Lithium Industry with Three-Power Support** *Cambio (14.10.2019)* - Germany, China and India are the three economic powers that support Bolivia in the lithium industrialization project for the manufacture of batteries. The Foreign Affairs Minister, Diego Pary said: "We are working with India (...), we already have a German company very interested in the subject, we also have the interest of Chinese companies, different countries are interested in promoting lithium batteries ". Likewise, the President, Evo Morales, indicated that India expressed it interest in building a lithium battery plant in partnership with Bolivia and to buying lithium carbonate produced in Uyuni. According to data from the Ministry of Energy, to the date, the country manufactures pilot-scale lithium batteries; however, it is planned to build an industrial plant for the manufacture of this product through the joint venture YLB-TBEA Baocheng, formed by Bolivia and China.

**vi. YPFB Consolidated Gas Sale with Russian Acron for 20 Years** *Cambio (16.10.2019)* - Bolivian Fiscal Oil Fields (YPFB) agreed with the Russian company Acron the sale of 2.2 million cubic meters per day of natural gas and the creation of a joint venture for the commercialization of urea in Brazil. The agreement was signed, in Santa Cruz, between the president of YPFB, Óscar Barriga, and the vice president of Acron, Vladimir Kantor. The event was attended by President Evo Morales and the Minister of Hydrocarbons, Luis Alberto Sánchez. The Minister of Hydrocarbons said “Acron will give us 12% of the shares it has in the petrochemical plant in Brazil, with the option of acquiring 18 % additional up to 30%”.

### **3.Trade Promotion Activities of the Mission**

- i. **CLE BSM 2019:** The Council for Leather Exports (CLE) organized a successful BSM in Lima, Peru on 17<sup>th</sup> -18<sup>th</sup> October. The delegation was led by Mr. Javed Iqbal, Regional Chairman (Central) and Mr. A. Fayaz Ahmad, Deputy Director. The delegation comprised 13 Indian companies, and their representatives held important business meetings with Peruvian counterparts with showed a wide range of products including leather accessories, footwear, jackets, etc. The BSM was inaugurated by Ambassador on 17 October at the Jose Antonio Deluxe hotel.
- ii. **EEPC Business Meetings in Peru:** A 9-member delegation from Engineering Export Promotion Council visited Lima and had business meetings with their counterparts in Lima. Besides, the Embassy also arranged meetings for some members of the delegation with the Lima Chamber of Commerce and some private business parties.
- iii. **OVUM 2019:** Four Indian companies – Nurture Aqua Technology Pvt. Ltd; Amorvet; Metro Exporters Pvt. Ltd; and Gartech Equipment Private Limited – took part in the 26<sup>th</sup> edition of the Latin American Poultry Congress OVUM 2019, an event declared by the Peruvian State of National Interest. It was held at the Magdalena del Mar district in Lima on 9 – 11 October. The delegation from one of the Indian companies, M/s Nurture Aqua Technology visited the Embassy and met Ambassador. They briefed Ambassador of their business meetings with delegations from Mexico, Dominican Republic, El Salvador, Costa Rica, Brazil, Bolivia, and Chile. They intend to take part in this regional Congress more frequently. Ambassador assured the Indian company of all help they require from the Embassy that expands the bilateral collaboration between the Indian or the Peruvian companies.

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