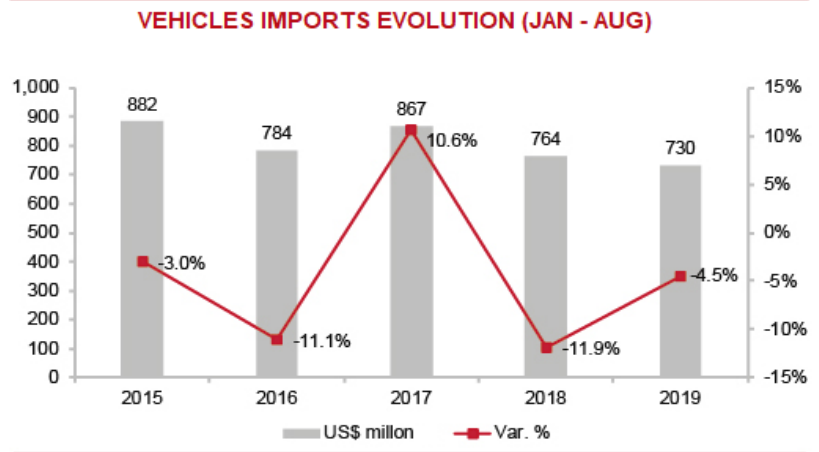


Economic & Commercial Report for the week ending 25 October, 2019

1. Analysis of Trade Data (Peru)

Analysis of Vehicles Imports (January-August)

According to figures from the National Superintendence of Customs and Tax Administration (Sunat), between January and August 2019, vehicle imports totaled US \$730 million, which meant a fall of 4.5% over the same period of the previous year. The evolution of this sector maintains a negative trend in the last two years and the value of imports has not yet recovered the levels reached between 2014 and 2015.



In the period analyzed, the main vehicle supplier was China, that registered an

increase of 29.3%, from US \$ 90 million in the January-August 2018 period to US \$ 116 million in the same period of this year, and it concentrated 15.9% of Peruvian total world imports. South Korea was in second place, totaled US \$ 111 million, representing 15.2% of the total and it is 25.3% less compared to the previous period. These countries were followed by Mexico (totaled US \$ 95 million), Brazil (totaled US \$ 90 million) and Japan (totaled US \$ 87 million; 12%; -15.6%).

Regarding the main importing companies of vehicles, Toyota Peru led the ranking with US \$ 132 million, which represented 18.1% of the total imported vehicles and 8.7% more compared to the same period of 2018. In the second position, is Automotive Gildemeister Peru - Hyundai), totaled US \$ 104 million, followed by Derco Peru (totaled US \$ 86 million), Kia Import Peru (totaled US \$ 84 million) and Nissan Peru (totaled US \$ 42 million).

It is important to highlight that 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

However, despite the decline in vehicle imports in general, the sale of light vehicles grew in August. According to figures from the Automotive Association of Peru (AAP), was sold 12,378 new vehicles in August 2019, which meant an increase of 4.9% compared to the same month of 2018. The best sales performance was supported by the increase in vehicle credits. According to data from the Central Reserve Bank of Peru (BCRP), the balance of vehicle loans increases 7.5%, from S / 2 million soles in August 2018 to S/2,285 million soles in the same month of 2019. Also, in June 2019, the Ministry of Economy and Finance (MEF) reduced the rates for vehicles with displacements less than or equal to 1,500 cm³, which would partly explain the greater number of new vehicles sold between July and August.

Source: Comex Peru

2. News analysis related to Trade

Peru:

i. Primary GDP up 3.9% in August 2019 *Gestion (21.10.2019)* - Central Reserve Bank (BCR) informed that Peruvian GDP increased 3.39% in August 2019 underpinned by a better performance of the primary sectors, which jointly expanded 3.9%, the highest growth rate so far this year. Likewise, the non-primary sectors rose 3.3% in the abovementioned month. GDP grew 2.1% between January and August this year, mainly boosted by non-primary GDP (3.2%). The behavior of the primary sector was mainly linked to the greater production of copper and molybdenum, as well as a higher extraction of hydrocarbons (38.2%), a better performance of the primary manufacturing activity (6%), the increase in refining of non-ferrous metals, and the production of frozen fish. The rise in non-primary sectors was explained by a good performance of the construction segment, which expanded 4.5%. Meanwhile, the trade sector grew 3.1% underpinned by greater whole- and retail-sales. Also, the service sector increased 3.7%.

ii. Mining projects portfolio reaches US\$57.772 billion *Gestion (23.10.2019)*-The Vice Minister of Mines Augusto Cauti reported that the portfolio of mining construction projects in Peru, identified by the Energy and Mines Ministry (Minem) up to September 2018, includes 48 projects worth US\$57.772 billion. It is important to note that of the total amount, 23 projects are in pre-feasibility stage (US\$28.371 billion); 15 projects are in feasibility phase (US\$16.217 billion); 3 projects are in detail engineering stage (US\$8.999 billion); and 7 projects are in construction phase (US\$8.999 billion). Likewise, the Vice Minister said: "The projection is rising; in terms of mining resources, 71% of projects we receive are related to copper, and copper represents 30% of Peru's total exports. It is a resource we must take advantage of".

iii. It is projected that Peruvian foods will be better positioned in Chinese markets *El Peruano (23.10.2019)*-The Association of Exporters of Peru (Adex), projected that Peruvian foods such as Andean grains, mango, grapes, avocado, blueberries, among others, will be increasingly positioned in the markets of China. This is because Adex, the Commission for the Promotion of Peru for Export and Tourism (PromPerú) and the ICBC Peru Bank (subsidiary of the Industrial and Commercial Bank of China), seek to position them more in that market. In that sense, they will support the Participation of sixteen Peruvian companies of the agricultural and fishing sectors in the China International Import Export (CIIE) fair to be held in Shanghai from November 5 to 10 and in its first edition had the participation of more than three thousand exhibitors.

iv. Fresh grape exports expanded 18% in Jan-Aug 2019 *El Comercio (23.10.2019)*- According figures from Lima Chamber of Commerce (LCC) Peruvian fresh grape exports totaled US\$361 million between January and August 2019, increasing 18% compared to the same period last year. It should be noted the United States leads the list of target markets, the exported value amounted to US\$165.7 million, a 20% increase compared to the same period in 2018. Follow by, Hong Kong and the Netherlands are the second and third main destinations for Peruvian grapes, reaching US\$52 million and US\$32 million, respectively. Likewise, was identified nine new destination countries to which Peru had not exported grapes before. These nations were: The United Arab Emirates, Ecuador, Kuwait, Senegal, France, French Guiana, Qatar, Ghana, and Malta.

v. Peru and South Korea sign technical assistance agreement on Chinchero Airport *El Comercio (25.10.2019)*- The Transport and Communications Ministry (MTC) reported that Peru and South Korea signed a government-to-government agreement on technical assistance for the construction of Chinchero International Airport. It should be noted government-to-government technical assistance proposes the optimization of the project's technical studies in order to obtain a LEED certification (to be a green airport as its infrastructure will be eco-friendly and make use of the resources efficiently). The new airport will be built in Chinchero district, Urubamba province (Cusco region) and will enable the arrival and departure of direct flights from Bogota, Rio de Janeiro, Buenos Aires, Santiago, Quito, and Panama, as well as other cities in the Americas.

Bolivia:

vi. Quantum vehicles will have a YLB batteries (*La Razon 23.10.2019*) - The Vice Minister of High Energy Technologies from the Ministry of Energy, Luis Alberto Echazú, reported that the private Bolivian company Quantum Motors and YLB signed an agreement with the objective that YLB provide batteries made with Bolivian lithium for the assembly of electric vehicles in the country. " (The autonomy) of a Quantum car does not reach 60 kilometers, however with our batteries will pass 100 kilometers, so it can compensate for the cost with the advantage of operation and autonomy, this is the good news, "said the Vice Minister. However, the authority clarified that, at the moment, YLB will not be able to supply large quantities of batteries to Quantum Motors, because the capacity of the battery pilot plant located in La Palca, in Potosí, guarantees a production for 10 vehicles per month.

vii. Granosol will supply 5 million liters of ethanol to YPFB (*Cambio 25.10.2019*) - With an investment of US \$ 14 million, The Granosol Company from Santa Cruz set up the country's first ethanol plant based on sorghum and corn, and will provide 5 million liters per year to Bolivian Fiscal Petroleum Deposits (YPFB) to produce Anhydrous alcohol (bioethanol) based on fermentation of sorghum and corn. Likewise, the Minister of Hydrocarbons, Luis Alberto Sánchez; highlighted that the initiative and investment made by the industry to contribute to the country's energy sovereignty. "We are moving forward to replace the import of liquid fuels. This plant will allow us to save economic resources and take care of the environment. I salute these great initiatives and tell you that private investment is guaranteed by Constitution" said the Minister.

3. **Trade Promotion Activities:** .A three member delegation from the Apparel Export Promotion Council led by Chairman Shri H.K.L. Magu visited Lima on 21-22 October 2019. The delegation had substantive meetings with apparel retailers. The main objective of the visit was to look for commercial tie-ups with local partners.

Sanjiv Tandon
Counsellor (P&C)
October 25, 2019