

Economic & Commercial Report for the week ending 10th August 2018

1. Analysis of Trade Data (Peru)

A LOOK AT PORT INFRASTRUCTURE

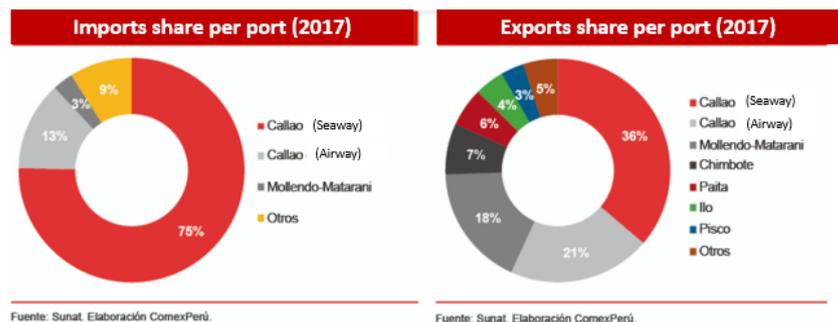
From the structural reforms made in the nineties, Peru decided to follow a growth model of openness and integration with the world. Two decades later, Peru is completely different, the economy has taken off and that is due largely to export performance.

A key factor for this sector is the national infrastructure, since a better quality of this represents lower costs and greater efficiency for the entire foreign trade chain: exporters, importers and all those who provide services. However, the country is lagging behind in this regard. According to the Competitiveness Index in Travel and Tourism, published in 2017 by the World Economic Forum, Peru ranked 109 out of 136 economies in the Terrestrial and port infrastructure pillar. Although we are in a better position than in the previous edition (118 of 136).

Thus, when reviewing the indicator Quality of port infrastructure, the country is ranked 88, which places it in fourth place if we compare with its counterparts in the Pacific Alliance, since Chile, Mexico and Colombia are located in the positions 34, 57 and 83, respectively. On the other hand, according to the Association for the Promotion of National Infrastructure (AFIN), the long-term infrastructure gap, calculated in 2015, was US \$ 159.55 billion. Of this amount, US \$ 57.5 billion (36% of the total) corresponded to the transport gap and, within this, US \$ 6.29 billion represented the amount to invest in port infrastructure to reach the average of the countries of the Organization for Economic Cooperation and Development (OECD) by 2025. These calculations are useful to understand that there is still a need to improve considerably in order to reduce the costs associated with poor quality in said infrastructure. It is worth mentioning that, in May 2018, the multipurpose port terminal of Salaverry was awarded to the Consortium Transportadora Salaverry, for a period of 30 years, with a referential investment of US \$ 215.8 million, of which US \$ 102.2 million represent mandatory investments, while the rest depends on the volume of trade generated in that area, according to ProlInversión.

FOREIGN TRADE BY CUSTOMS

One of the main characteristics of the development of foreign trade is the strong dependence on the port of Callao as a gateway to and from abroad. According to data from Sunat, the port of Callao, in 2017, represented the exit door for exports worth US \$16.068 billion, representing 36% of total shipments to the world, followed by Jorge International Airport Chávez, with a value of US\$ 9.108 billion (21%), and the port of Matarani, with US\$ 7.811 billion (18%). Also, as regards our imports, the port of Callao received goods worth US\$ 29.553 billion, equivalent to 75% of the total imported, followed by the Jorge Chávez airport, with US\$ 5.038 billion (13%). With regard to exports, it should be mentioned that the customs office of the port of Callao went from moving products by an amount equivalent to 39.6% of the total value exported, in 2014, to 36.3% of the total, in 2017.



Regarding the port infrastructure, the country should aim to improve its quality and thus reduce logistics costs. In addition to investment, the Government must promote measures that favor decentralization. For example, the long-awaited legal reform that reduces market entry barriers for the cabotage service would reduce maritime transport costs and provide greater activity to the country's small ports.

Source: COMEXPERU

2. News analysis related to Trade

Peru:

i. Tata leads the digital transformation in Peru (*El Comercio: 06/08/2018*) - Peruvian companies have taken the digitalization train, but some are working on getting the ticket for the next stage of the trip: the digital transformation. According to Tata Consultant Services, one of the top three providers of information technology (IT), the banking and services sectors lead that trend. It is, nothing more and nothing less, than the largest banks and insurers in the country, which the Indian conglomerate supports with digital solutions. The main and most innovative is the Business 4.0 platform, which combines four technologies: automation, the use of the cloud, artificial intelligence and more agile technologies. With this innovation, the Indian conglomerate hopes to position itself as one of the "two top providers of digital transformation solutions" in Peru.

ii. SNI: Import of medicines exceeds exports (*Correo; 06/08/2018*) - According to the Institute of Economic and Social Studies of the National Society of Industries (SNI), the difference between the import and export of pharmaceutical products rose to the point that for every \$100 in exported products, \$1514 was imported (15 times more). José Silva Pellegrin, director of the Committee of Manufacturers of Pharmaceutical Products of the SNI, considered that the industry can generate income to the country for US\$1.3 billion per year if the system of public procurement is transparent and given an equal tax treatment to national and foreign medicines.

iii. Mining investments in the period 2018-2019 (*La Republica: 07/08/2018*) - The President of the Republic, Martín Vizcarra, mentioned mining investment commitments in the order of US\$ 15 billion. This announcement was also highlighted by the Ministry of Energy and Mines (MEM) stating that it will help reactivate the economy. In this regard, the Executive highlighted the investments of the projects: Michiquillay (US\$ 2.5 billion), expansion of Toquepala (US\$ 1.2 billion), expansion of Marcona (US \$ 1.3 billion), expansion of Toromocho (US\$ 1.3 billion), Quellaveco (US\$ 5.3 billion), Mina Justa (US\$ 1.3 billion), Corani (US\$ 580 million) and Pampa de Pongo (US\$ 2.5 billion). All these investment commitments total US\$ 15.980 billion.

iv. Increase expectations for greater investment in the rest of the year (*Gestion: 08/08/2018*) - The Focus Economics panelists adjusted their growth projections for the Peruvian economy upwards for this year. Thus, they raised the GDP growth rate from 3.6% to 3.8%. According to the report, the panelists base their best investment projections for the rest of the year on the business confidence indicator, which rose to 59 points in July." The increase in business expectations led to an improvement in expectations in the near future, while medium-term expectations remained unchanged." On the other hand, they highlight that if there are higher international prices of basic products, in Peru's case of minerals exported by the country, it can boost a higher GDP growth this year.

Bolivia:

v. Two units are created to strengthen Bolivian exports (*La Razon 10.08.2018*) - To strengthen exports, the Foreign Ministry decided to create the Commercial Intelligence Unit and the Commercial Development Unit. The Vice Minister explained that this initiative is the result of the transfer of powers to his office in Pro Bolivia, which was previously exclusively under the Ministry of Productive Development and Plural Economy. "Promueve is the entity that has been dissolved. Pro Bolivia still exists under the competence of this Ministry. Regarding the work of both State entities, the mission of the Commercial Intelligence Unit will be to cross-check data about what Bolivia produces and what a specific country demands. Once the information is obtained, it will be shared with the Commercial Promotion Unit, which will also analyze if that offer can be served by Bolivia.

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August 3, 2018