

Economic & Commercial Report for the week ending 17th August 2018

1. Analysis of Trade Data (Peru)

The Jorge Chávez Airport and the Agroexporting Potential

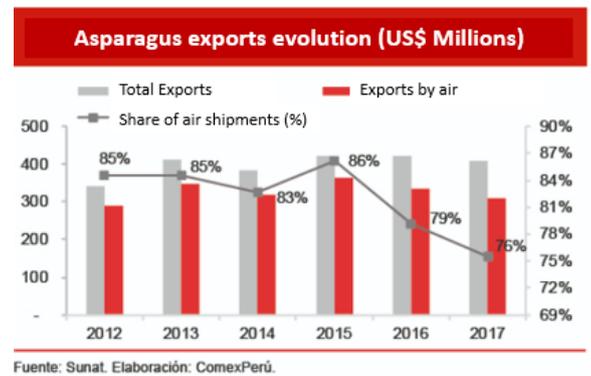
The Jorge Chávez airport expansion project was approved 12 years ago. However, the difficulties in delivering a land of 60,178 m² by the Peruvian State to Lima Airport Partners (LAP), the concessionaire, have prevented the start of its expansion to date. Thus, according to the International Air Transport Association (IATA), this delay, together with excessive fees and regulations in Peru’s main airport, are hampering its development.

AIRPORT SITUATION IN PERU

According to the competitiveness ranking of the World Economic Forum (WEF), in 2017, Peru ranked 86 out of 137 economies in the infrastructure pillar. Particularly, with regard to the quality of infrastructure for air transport, Peru occupy the 85th place. Although in the general infrastructure ranking it improved slightly, going from 88 in 2010 to 86 in 2017, there was a relative decline in the quality of the infrastructure for air transport, after descending from position 78 to position 85, between 2010 and 2017. In addition, compared to its counterparts in the Pacific Alliance, it is lagging behind. Chile is located in position 62 in the quality of airport infrastructure; while Mexico is in 67 and Colombia in 81. On the other hand, according to IATA estimates, although Jorge Chávez has a capacity to serve 15 million passengers annually, in 2017 more than 22 million were mobilized. Given the installed capacity, it would have been impossible to extend itineraries or receive new airlines. However, it would not only be an infrastructure problem, since Peru also holds the least competitive taxes and air rates within the 136 economies studied in the WEF Travel and Tourism Competitiveness Index.

AGROEXPORTING POTENTIAL

Within the portfolio of products that Peru exports by air in 2017, metals, agro-industrial products and textiles stand out, according to figures from the Sunat. In the first group, gold is the most representative, since it exports US \$ 7.122 billion, representing 78.2% of the total exported through this channel. On the other hand, agro exports highlighted fresh asparagus, which was the third most exported product through the Jorge Chávez airport, with a value of US \$ 309 million in 2017 (3.4% of the total). Likewise, mango ranked 12th and its export through this route reached US \$ 30 million in the same year (0.3% of the total). It should be noted that the shipment of fresh products is usually by air, among other reasons, due to shorter delivery times. Despite this, the export of agricultural products by air would still have great potential. For example, certain products that lead the ranking of total exports, such as grapes, avocados and blueberries, fail to take off between air shipments. To contextualize: from 2010 to 2017, exports of grapes grew by 19.7% annually (US \$ 654 million in 2017); avocados, an annual 31.8% (US \$ 588 million in 2017); and blueberries, 280% annually (US \$ 371 million in 2017). Despite this, only asparagus, mangoes and a class of blueberries have managed to stand out among exports by air. In addition, the volume of agro-exports through the port of Callao grew from 2010 to 2017 at a rate of 7.4% per year, from 862 million tons in 2010 to 1.422 billion tons in 2017. However, the volume exported by Jorge Chávez only increased on average by 0.1% per year in the same period. Thus, the exportation of asparagus by air went from representing 84.6% of the total in 2012 to 75.5% in 2017, almost 10 percentage points less. The case of agro exports would not be an isolated one: the volume exported by air of textile, chemical, iron and steel products and the traditional sector as a whole (among them, mining) grows at a lower rate than the exported by the port of Callao



Source: ComexPeru

2. News analysis related to Trade

Peru:

i. Mining shipments up 18% through June (*Peru21: 13/08/2018*) - Mining exports are growing at a good pace. The National Society of Mining, Petroleum and Energy (SNMPE) reported that in the first half of the year the shipments totaled US\$ 14.6 billion, 18.3% more than in the first half of last year. Of the total, US\$ 7.6 billion corresponded to copper shipments, whose main destination was China (61%).

ii. Peru among the six South American countries with the highest export levels (*La Republica 14/08/2018*) - A publication of the World Economic Forum reviews the activity of the exporting countries and places Peru among the six South American economies with the highest export levels. The analysis is given within the framework of what, according to the entity, is a scenario not seen in years. "For the first time in decades, trade barriers seem to be increasing around the world. The Brexit negotiations helped create an environment of uncertainty, while the introduction of US tariffs on steel and aluminum imports, together with the resulting retaliatory measures, have created more tangible barriers to international trade" the Forum said. According to figures from 2017, Peru reaches an export of US\$ 45 billion and ranks fourth over Colombia (US\$ 38 billion) and Venezuela (US\$ 32 billion). This 2018 Peru hopes to reach US\$ 50 billion in exports looking for the growth of its agricultural products, mining, among others.

iii. Private investment cements position as Peru's growth engine (*El Peruano: 16/08/2018*) - Private investment may have grown about 8% in the second quarter of 2018, thus cementing its position as one of Peruvian economy's growth engines, Deputy Economy Minister Hugo Perea affirmed. This forecast coincides with the estimate given by Central Reserve Bank (BCR) a week back. In his speech at Peru CFO Summit, Perea explained private investment is recovering steadily, mainly due to a buoyant investment in mining and hydrocarbons. This rise was explained by higher investments in the expansion of Marcona and Toquepala, preliminary works at Quellaveco, the expansion of Toromocho and Mina Justa, whereas hydrocarbon investments rebounded due to exploration investments.

Bolivia:

iv. BCB: May and June registered favorable commercial balance (*Cambio: 16/08/2018*) - The trade balance of Bolivia between May and June of this year reported a surplus of US\$ 112.8 million, reported by the Central Bank of Bolivia (BCB). According to a statement from the entity, in May, exports reached US\$ 850 million, while imports, US\$ 758 million, which generated a favorable trade balance of US\$ 93 million. In June, exports reached US\$ 771 million, while imports reached US\$ 751 million, with a balance of US \$ 20 million. This surplus is due to the fact that production and sales in the mining, hydrocarbon and non-traditional products sectors are dynamic and constant, while imports declined.

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