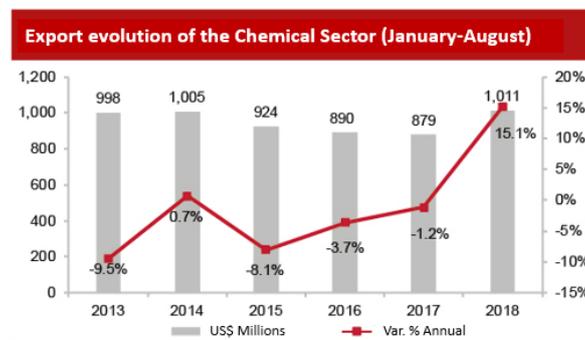


Economic & Commercial Report for the week ending 16th of November 2018

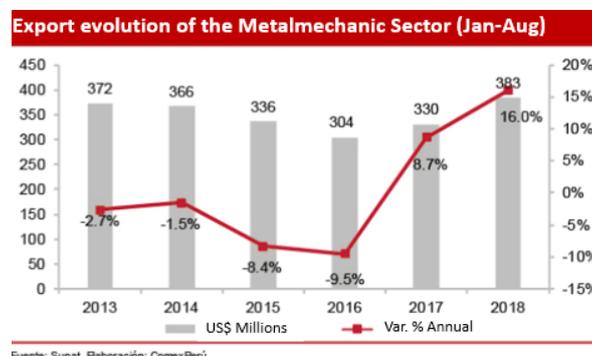
1. Analysis of Trade Data (Peru)

GREATER DYNAMISM IN THE CHEMICAL AND METAL-MECHANICAL SECTORS

According to Sunat figures, in the January-August period of 2018, non-traditional exports amounted to US \$ 8.598 billion, 16.2% more than in the previous year. It is extremely important for the development of the country that non-traditional shipments maintain a good performance, since they incorporate a greater added value. Thus, the sectors that grew the most were fishing (+ 30%), agriculture (+17.3%), metalworking (+16%) and chemicals (+15.1%). In the chemical and metallurgical sectors, shipments represent 11.8% and 4.5% of non-traditional exports, respectively.



CHEMICAL SECTOR: As for the chemical sector, shipments went from US \$ 879 million, in the period January-August 2017, to US \$ 1.022 billion in the same period of 2018 (+ 15.1%), which places this sector as the fourth in dynamism among those of the non-traditional category, and the third in participation in the ranking of the same, behind the agricultural and fishing sectors. With respect to destinations, in the January-August period of 2018, the country that bought the most from Peru was Chile, with a value of US \$ 135 million, 32.8% more than in the same period of the previous year. They were followed by Ecuador (US \$ 118 million, + 10.6%), Bolivia (US \$ 112 million, -3.2%), Colombia (US \$ 109 million, + 15.8%) and Brazil (US \$ 84.7 million, + 59.1%). These results confirm that Peru is consolidating as an exporter of chemical products in Latin America, since seven of the main buyers belong to this region. According to Sunat, the main products exported so far this year were propylene polymer films, whose shipments amounted to US \$ 78.6 million, 17.9% more than in the same period of 2017. They are followed by zinc oxide (US\$ 78.1 million, +39.2%) and caustic soda (US \$ 47.3 million; + 39.3%). The increase in chemical exports was due to both the increase in demand from our main buyers and the greater penetration in markets with little presence of Peruvian products in this sector. An example of the first case is seen in the increased demand from Latin American countries, which have increased their purchases of propylene polymer films and caustic soda, particularly Ecuador (+ 53.6% and + 20.4%, respectively) and Bolivia (+46.6 % and + 17.4%, respectively). For the second case, it is important to highlight the performance of shipments of zinc oxide, used as an ingredient for the manufacture of cosmetics in developed countries such as Belgium (+ 290%), USA. (+ 249%) and Canada (+ 215%).



METALMECHANICAL SECTOR: On the other hand, shipments belonging to the metal-mechanic sector amounted to US \$ 383 million so far in 2018, an amount that represents a growth of 16% and places this sector as the third fastest growing sector. Likewise, this result shows the recovery of the sector, since it is the second consecutive year with positive growth, after five years of falls. This growth has been driven by the greater demand for framed glasses, which went from US \$ 15 million in the period January-August 2017, to US \$ 32.6 million, in the same period of this year. This dynamism is due to the increased demand from the USA, which uses glass as an input in the production of vehicles. In addition, there was also an increase in machine exports (+ 38.3%), whose shipments to Mexico increased by 20.2% so far this year. When analyzing the destinations of shipments in this sector, according to figures from the Sunat, it is appreciated that the US acquired US \$ 99.3 million so far in 2018, an amount that reflects a growth of 39.9% over the previous year. It is followed by Chile (US \$ 60 million, -5.8%), which stands out for its purchases of mobile cranes (+ 228%) and balls for mills (-0.8%), and Ecuador (US \$ 46.3 million, + 41.2%), that acquired mechanical shovels worth US \$ 3.6 million. According to the September Inflation Report of the Central Reserve Bank of Peru, world economic growth, and in particular the US, will mean higher export volumes of our non-traditional shipments, among which those belonging to the Metalworking sector would benefit, since they serve as intermediate goods for the production of other products.

2. News analysis related to Trade

Peru:

- i. **Talara Refinery: construction has an integral advance of 70.94%** (*La República: 14/11/2018*)
- The works of the Modernization Project of the Talara Refinery (PMRT) of Petroperú are progressing at a good pace. This was confirmed by the Minister of Energy and Mines, Francisco Ísmodes, during a work visit to the facilities of the most important energy infrastructure project in the country. Accompanied by the Vice Minister of Hydrocarbons, Eduardo Guevara, and the General Manager of Petroperu, Esteban Bertarelli, the Minister was informed, by personnel of the state company, that the work executed by the Spanish company Técnicas Reunidas (as main contractor) has an integral advance of 70.94%. During his trip, Ísmodes said that according to the estimations made by the company in charge of the project, the modern refinery would enter into operations at the end of 2020 or beginning of the year 2021.
- ii. **INEI: National economy grew 2.13% in September** (*El Peruano: 16/11/2018*)
The national economy grew 2.13%, in September of this year, adding 110 months of consecutive expansion; informed the National Institute of Statistics and Informatics (INEI) in its technical report National Production. The positive evolution of external demand for non-traditional products (10.37%) contributed to this result, among which fishing, agricultural and non-metallic mining products stand out. Likewise, it highlighted the contribution of the recovery of domestic demand reflected in higher retail sales (2.69%) and the greater granting of consumer loans (9.90%). The INEI explained that eight sectors of the economy contributed with 63% of the result of the growth of the gross domestic product (GDP) in September. In this regard, he highlighted the contribution of the transport, storage and messaging sectors, telecommunications, agriculture, commerce, services provided to companies, manufacturing, among others.

Bolivia:

- iii. **US\$ 1.37 billion invested in solar power plant in Beni** (*El Deber: 13/11/2018*)
- A few days ago was the inauguration of this solar power plant, with an investment of US\$ 1.37 billion and it was built on a surface of one hectare. The plant was inaugurated by President Evo Morales, who announced that the energy development plans aim to incorporate 1,000 megawatts of reserves for the country, which will be added to the 2,100 megawatts that are in reserve and that are intended to be exported to Argentina. In addition, he announced that more projects will be generated in other departments to supply energy. The inaugurated plant is characterized by having 524 solar panels installed and 144 batteries, according to Eduardo Lozada, general manager of Enersol, a company that won the tender of this isolated system.

Arup Kumar Saha
Commercial Representative
November 16, 2018