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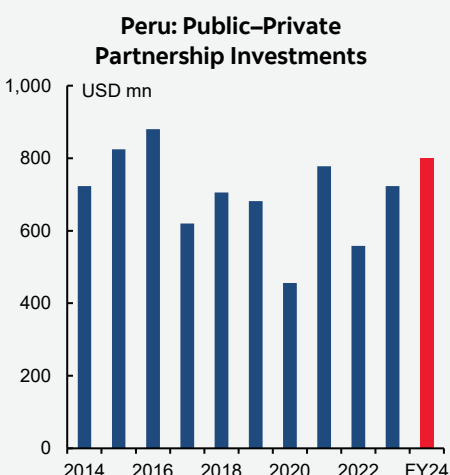
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Chart 1



Sources: Scotiabank Economics, OSITRAN.

Latam Daily: Quiet Start to Busy Global Week; Peru Infrastructure Investment Outlook

Peru: Infrastructure investment to grow for third consecutive year in 2024

It's a deeply uneventful start to the week with no top tier data hitting the screens until Wednesday's global PMIs and only the BoJ's decision overnight Tuesday in the interim. In the absence of triggers, markets are showing only slight directional biases. It's a busy G10 week ahead, with the BoC and ECB also deciding on policy and the US releasing GDP and PCE data. In Latam, we'll have the first inflation data of the year in Brazil and Mexico, both for the first half of January, as well as Mexican economic activity.

The risk mood looks in decent shape as US equity futures tick higher and European bourses post solid gains—in contrast to steadily beaten China/HK equities. USTs are twist flattening, continuing the post-Europe trend on Friday; EGBs and gilts are in better shape, catching up to late-week US moves and catching a bid in local hours that is also helping US debt. The USD is mixed in narrow ranges; the MXN is flat, holding in the low-17s where its Friday rally left it. Crude oil is little changed, while iron ore and copper suffer losses in tandem with the weak China backdrop.

The Latam session presents Colombian imports data and the release of Mexico's Citibanamex survey of economists. Colombian data could give us a read of internal demand dynamics that remain weak, while the Citi survey may only be worthwhile if the recent reassessment of Fed cut expectations has influenced Banxico projections; in the latest results, the median expected a year-end Banxico rate of 9.25%.

On Friday, the BCRP stated that Peru's fiscal deficit totaled 2.8% of GDP in 2023. This represents a 0.4ppts overshoot of the 2.4% ceiling set for the year (though slightly better than we expected at the start of the year). The current year has a 2.0% target that also looks somewhat at risk. In related news, Prime Minister Otarola said late last night that the government does not have the funds to assist Petroperu, which had requested USD2bn in support to accelerate its financial recovery. The head of the Council of Minister noted that they are prioritizing El Niño preparations so no funds are available for the oil company, but said that they will reschedule the company's debts to the MinFin with a reorganization of Petroperu's directors in about three to four weeks.

—Juan Manuel Herrera

PERU: INFRASTRUCTURE INVESTMENT TO GROW FOR THIRD CONSECUTIVE YEAR IN 2024

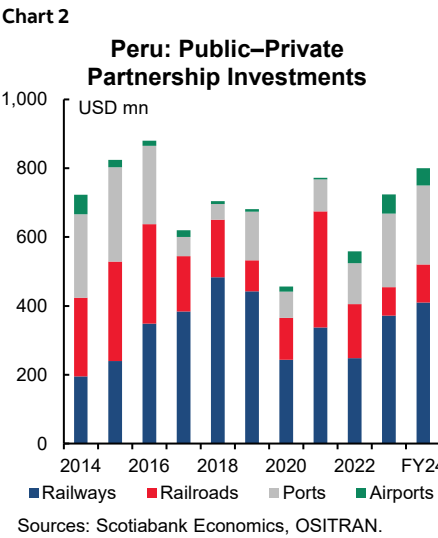
Investment in transportation projects in Peru grew by 33% in 2023, according to Peru's Transportation Infrastructure Supervisor, Ositrán. This level of growth exceeded our expectations. Investment in transportation was US\$723 million in 2023, versus US\$558 million in 2022, albeit lower than the amount invested in 2021 (see charts 1 and 2).

Investment growth in 2023 was led by the Lima Metro Line 2 project, at US\$372 million, or 50% more than in 2022. This was the highest annual investment since the project began. Metro Line 2 began operating five stations of stage 1A and is currently making progress with different stations of stage 1B. Two tunnel boring machines are operating, which will increase the speed of the project's development. At the end of 2023, the project recorded an advance of 52%. The total committed investment in the project is US\$5 billion.

Furthermore, investment in ports amounted to US\$214 million, which was 80% higher than in 2022. The increase in port investment included the expansion of the New South Zone Container Terminal (South Pier) with US\$154 million, and the expansion of the North Multipurpose Terminal with US\$27 million (North Pier), both in Callao.

For 2024, we expect investment in tendered transportation infrastructure to be approximately US\$800 million, led by Lima Metro Line 2 which should represent close to half of this amount. Other projects for 2024 include the expansions of the South Pier project—work started in mid-2023- and North Pier—they will start stage 3A during 2024. Finally, the expansion of the Jorge Chavez International Airport in Lima will also help boost investment. The project is to build a second passenger terminal, which would be completed in 2025.

—Carlos Asmat



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