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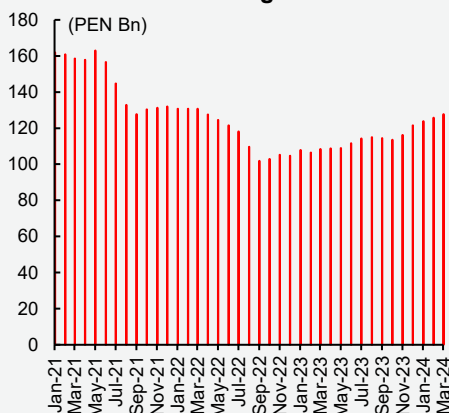
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Chart 1

Peru: AFPs Assets Under Management



Sources: Scotiabank Economics, BCRP.

Latam Daily: Peru's Congress Moves Closer to New Pension Fund Withdrawal

PERU: CONGRESS MOVES CLOSER TO NEW PENSION FUND WITHDRAWAL

In a seventeen to three vote, Peru's congressional Economics Committee voted in favour of a new pension fund withdrawal initiative. The bill is to be submitted to the floor for a full Congressional vote, probably sometime in April.

The bill allows for withdrawals of up to approximately PEN20,000 (USD5,300) per account. All account holders in the private system will have access to withdrawals. The withdrawals will be paced over a four-month period.

The bill that has been approved represents an expansion over the original version which had established that withdrawals would be limited to only those account holders who had been out of work during the last six months of 2023. The floor debate, when it occurs, could conceivably introduce further changes, although the current initiative seems to be the version that most members of Congress seem to be happy with.

BCRP spokesmen had stated in earlier weeks that a withdrawal open to all, as the one that has been approved, could mean a total of PEN30bn being withdrawn from the AFP system, out of PEN 128bn currently under management. The BCRP figure entails that all account holders withdraw the full amount that they are able. However, past precedent suggests this will not be the case, and that the actual amount withdrawn may be closer to PEN20bn to PEN25bn. These are still hefty amounts.

In today's debate in the Economics Committee, some members of Congress attempted to link the pension fund withdrawal to a wider pension reform, presumably in seeking to delay the vote on the withdrawal. However, the Committee voted to keep the two issues separate.

Given the weight that AFPs have in the markets, past pension fund withdrawals have affected the depth of Peru's sovereign and corporate bond markets. This is likely to occur once again to some extent.

There should be some positive impact on growth as well, as the withdrawals provide households with greater resources to dispose of. However, the extent of the impact on growth through greater consumer demand will depend on how much will be allocated to spending, and how much is used to draw down household debt or to augment assets.

—Guillermo Arbe

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