

Contributors

Juan Manuel Herrera
Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Jackeline Piraján, Head Economist, Colombia
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

Latam Daily: Peru’s GDP Stays On Course While Labour Market Continues to Improve

- **Peru: October GDP growth—staying on course with a 3.4% cruising speed; The labour market continues improving, in line with greater domestic demand**

PERU: OCTOBER GDP GROWTH—STAYING ON COURSE WITH A 3.4% CRUISING SPEED

GDP growth came in at 3.4% in October. This was the third consecutive growth in which GDP growth has fluctuated at a narrow, and comforting, pace of between 3.2% and 3.4% (chart 1).

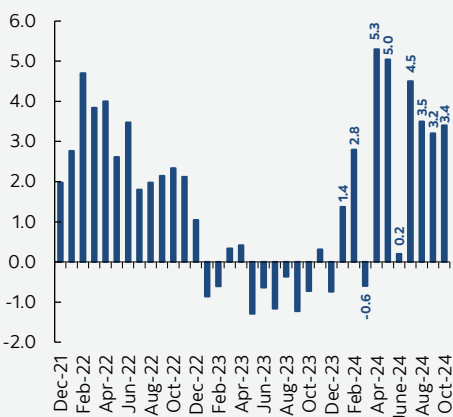
There are a couple of positives in the breakdown of the October GDP data. All domestic demand-linked sectors showed growth, with the single exception being financial services. The 6.6% YoY increase in industrial manufacturing is particularly encouraging, as most of the impact of the pension withdrawals would have ended by October, with only a little lag left over. The case can be made that consumption sectors are being driven increasingly by a robust labour market.

Unlike demand-linked sectors, resource sectors were decidedly mixed. Not only did fishing decline with a vengeance, down 51%, but the much more important mining sector also fell 1.9%. One could add colour by sorting the decline out by type of metal, but there really is no overriding reason for this. Mining output simply fluctuates over time, due to varying reserve grades over time, and longish maintenance pauses. However, the decline in mining was not the most notorious resource growth figure. Agriculture’s 21% YoY increase was impressive. Note, however, that year-on-year growth figures for agriculture have been very volatile in 2024 due to the seasonal disruptions that El Niño had on crop timelines in 2023. Agriculture’s year-to-date growth of 3.7% is a much better picture of what is happening in the sector (table 1).

In general, we see nothing on the short-term horizon that could take GDP growth off course. If anything, future months look mildly more promising. With GDP growth year-to-date at 3.0%, GDP growth should reach our full-year target of 3.2% fairly easily. Consider that the 51% decline in fishing in the offseason month of October will be reversed at a similar magnitude, if not more, in November. If fishing shaved off 0.2 pts in October, and then adds back as much or more in November, that would constitute an at least 0.4 pts turnaround. Fishing alone should allow GDP growth to end the year at 3.2%. The result could be even better if demand sectors continue improving.

Chart 1

Peru: Monthly GDP Growth



Sources: Scotiabank Economics, INEI.

	Oct y/y	Oct m/m	Jan-Oct y/y
GDP	3.4	0.0	3.0
Agriculture & Livestock	13.4	10.6	3.7
Agriculture	21.4	na	5.3
Fishing	-50.9	-18.0	25.6
Mining and Oil & Gas	-2.2	-2.2	2.4
Mining	-1.9	na	2.6
Oil & Gas	-3.9	na	1.3
Industrial Manufacturing	6.6	na	2.3
Electricity and water	1.8	0.2	2.3
Construction	4.9	-2.3	4.3
Commerce	3.8	0.1	2.8
Transportation	5.4	-0.4	5.9
Hotels & Restaurants	4.0	0.0	3.5
Telecom	2.8	-0.9	1.7
Financial Services	-0.2	-0.6	-1.9
Business Services	3.9	0.2	3.6
Government Services	4.3	na	3.9
Other services	4.9	na	4.1

Sources: Scotiabank Economics, INEI.

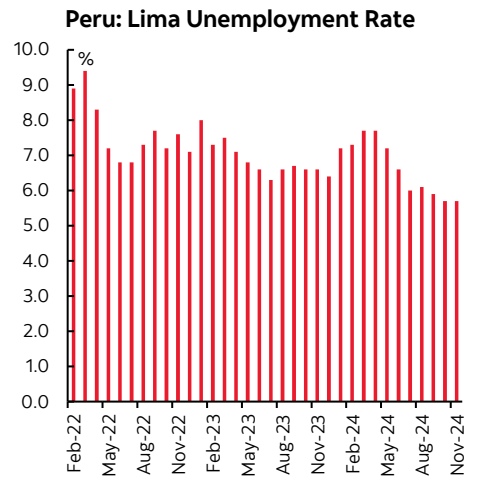
THE LABOUR MARKET CONTINUES IMPROVING, IN LINE WITH GREATER DOMESTIC DEMAND

While it's true that we can thank the pension fund withdrawals for much of the improvement in domestic demand sectors growth between July and October, an improving labour market is also playing a part. Jobs growth in Lima was 5.2%, YoY, for the three months ending in November. This was the second consecutive month of over 5% jobs growth. Throughout 2024, jobs growth had been rising in the 4.0% to 4.9% monthly range, so the jump in growth is encouraging.

These job figures are only for Lima, but they mirror an improvement in much of the country. Jobs growth has been particularly encouraging in agriculture, driven by the recovery in agroindustry production.

The unemployment rate in Lima has fallen from a local high of 7.7% in April, to 5.7% in November, quite a sharp improvement for such a short period of time. To put this figure in perspective, it is even lower than the lowest monthly figure for the pre-Covid year of 2019, which was 5.8% (chart 2).

Chart 2



Sources: Scotiabank Economics, INEI.

—Guillermo Arbe

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