Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

February 19, 2025

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Latam Daily: Peru's GDP Expected to Grow After Strong Finish in 2024

- **Peru: The buoyant Peruvian economy—expected to grow 4% in the first quarter after a strong end to 2024**

PERU: THE BUOYANT PERUVIAN ECONOMY—EXPECTED TO GROW 4% IN THE FIRST QUARTER

Peru's GDP grew 3.3% in 2024, above our 3.0% forecast and the official 3.1% target. Economic activity followed an uptrend throughout 2024 (chart 1), posting a strong 4.2% expansion in Q4-2024.

In December alone, Peru's GDP grew 4.9%, its fastest expansion in the last eight months. Growth was led by the fishing and primary manufacturing sectors, boosted by a successful second anchovy fishing season. Together, these sectors contributed 1.2 percentage points (ppts) to the month's result. Additionally, the sustained recovery of non-primary sectors linked to domestic demand, such as commerce and services, also played a role.

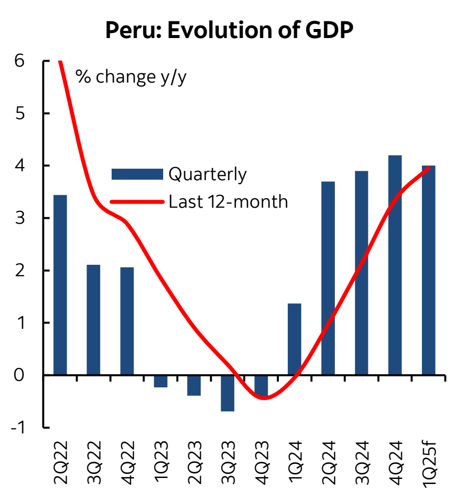
In January 2025, Peru's GDP is estimated to have grown around 4%, with the fishing sector contributing positively but at a slower pace than in November and December 2024. Growth in February should slow due to a base effect—2024 was a leap year—and because fishing will no longer add to growth following the end of the second anchovy season. In March, GDP could grow above 4% due to a calendar effect—Easter week in 2024 fell in March (two fewer working days), whereas this year it will be in April (chart 2).

STRONG END TO 2024

Economic activity in December was driven by the strength of primary sectors. Fishing GDP (+76.7%) benefited from favourable oceanographic conditions that enabled a strong anchovy catch: 928K metric tons vs. 153K in December 2023—when landings were affected by El Niño. This also had a positive impact on the fishmeal industry and, in turn, on resources manufacturing (+37.5%).

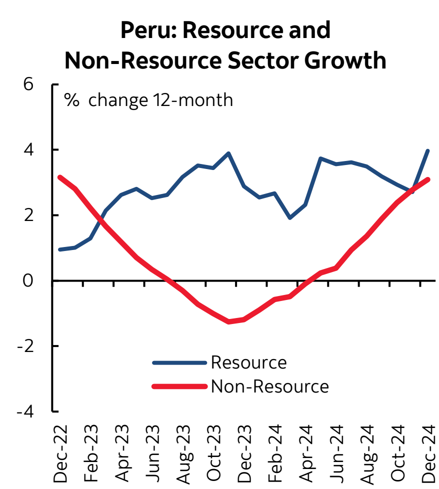
The agricultural and livestock sector (+7.5%) was boosted by the strong performance of the agricultural subsector (+10.8%), which posted double-digit growth for the third consecutive month. Notably, higher harvests of export-oriented crops—such as mangoes, grapes, blueberries, and asparagus—as well as domestically consumed crops like potatoes and tomatoes, contributed to growth. Meanwhile, the livestock subsector (+2.7%) was driven by higher poultry production.

Chart 1



Sources: Scotiabank Economics, INEI.

Chart 2



Sources: Scotiabank Economics, BCR.

The mining and hydrocarbons sector (+2.0%) rebounded after two consecutive months of contraction, supported by higher production of molybdenum, copper, and silver due to increased processing volumes and higher ore grades. This was partially offset by lower zinc and tin output. Meanwhile, the hydrocarbons subsector (+1.5%) saw mixed results, with higher natural gas liquids production, stable oil output, and a decline in natural gas production.

Among non-resources sectors, services (+4.0%) stood out, supported by recovering domestic demand. At a disaggregated level, transportation (+7.3%) benefited from increased passenger flows due to the holiday season and higher cargo movement as economic activity picked up. The hotels and restaurants sector (+4.5%) was driven by stronger domestic and inbound tourism, as well as higher dining out amid increased incomes from year-end bonuses. Other services (+4.7%) grew on the back of stronger demand for personal and real estate services (chart 3).

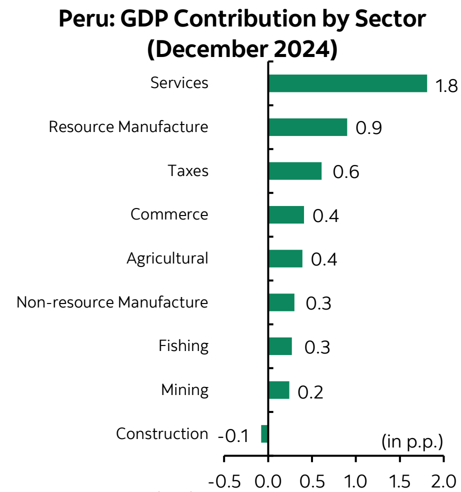
The commerce sector (+3.6%) was supported by improving employment conditions—formal private employment rose 6.3% YoY in December—and higher purchasing power, driven by rising wages and declining inflation. Retail sales performed well, especially in technology —hardware and software—supermarkets, and department stores.

Non-primary manufacturing (+3.4%) posted positive results led by higher consumer goods production. Notably, the beverage, pharmaceutical, furniture, and apparel industries benefited from accelerating private consumption. This was partially offset by lower intermediate goods production, with declines in the metal products, printing, and wood industries.

Finally, construction (-0.9%) was the only sector to post a decline in December. Public investment, measured through the Physical Progress of Works Index (IAFO, -2.1%), recorded its second negative monthly performance of 2024 due to slower execution by local and regional governments. Meanwhile, domestic cement consumption (+0.5%) remained stagnant, although we expect a gradual acceleration in 2025 driven by a recovery in self-construction (table 1).

—Pablo Nano

Chart 3



Sources: Scotiabank Economics, INEI.

Table 1: Peru—GDP by Sector

Sectors	Annual	Monthly	Full Year
PBI	4.9	-0.2	3.3
Agriculture	7.5	-3.2	4.9
Fishing	76.8	-18.1	24.9
Mining	2.0	2.1	2.0
Manufacture	11.9	-3.7	3.9
Electricity and Water	1.7	-0.4	2.4
Construction	-0.9	1.8	3.6
Commerce	3.6	0.4	3.0
Telecom	2.8	-1.2	2.0
Transportation	7.3	-0.4	6.1
Enterprise Services	3.3	0.5	3.6
Hotels & Restaurants	4.5	0.5	3.7
Financial Services	1.8	1.4	-1.6
Other Services	4.6	n.d.	4.1

Sources: Scotiabank Economics, INEI.