

LATAM Market Update

- **Brazil's pension reform in the pipeline**
- **Peru: GDP growth—2018 ends in strength and 2019 appears to begin equally strong**

BRAZIL'S PENSION REFORM IN THE PIPELINE

According to Bloomberg, Brazil's pension reform proposal will be submitted to Bolsonaro on January 19th, so from that point onwards, we'll have a better idea of how ambitious the "max reform" can be (i.e. pre-watering down). Based on Bolsonaro's comments during the campaign, we expect it will target public sector employees, with our base case is that post watering down, it's likely to only affect "new hires", and could on the ambitious side, move them to a defined contribution system (less likely).

PERU: GDP GROWTH—2018 ENDS IN STRENGTH AND 2019 APPEARS TO BEGIN EQUALLY STRONG

November GDP growth came in at 5.3%, y/y, surpassing our forecast of 4.8%. Resource (fishmeal) processing and construction came in stronger than expected, but, more importantly, it was just overall a good month. Construction growth was double digit, 13.5%, as both private and public sector investment were strong. Non-resource manufacturing grew a healthy 3.8%, a sign that consumption is robust and, perhaps, accelerating. December GDP should be equally strong, and 4Q18 may increase around 4.8%, with the full year coming in close to 4%. This is a very strong close for the year, and bodes well for 2019. We feel more confident in seeing up-side to our 4.0% GDP growth figure for 2019. The shift in the balance of political power away from the opposition and in favour of the government and the resulting improvement in governability is helping to create a more propitious business confidence environment. We are also seeing signs even this early in the year that construction, especially real estate, as well as food & beverage consumption are accelerating.

November 2018 y/y growth

GDP	5.3%
Agriculture	6.0%
Fishing	188.5%
Mining	-3.0%
Oil & Gas	2.2%
Resource Manufacturing	40.3%
Non-resource manufacturing	3.8%
Construction	13.5%
Retail	2.4%
Services	4.6%

CONTACTS

Eduardo Suárez, VP, Latin America Economics
52.55.9179.5174 (Mexico)
Scotiabank Economics
eduardo.suarez@scotiabank.com

Guillermo Arbe
511.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Mario Correa
52.55.5123.2683 (Mexico)
Scotiabank Mexico
mcorrea@scotiabank.com.mx

Benjamin Sierra
56.2.2619.4974 (Chile)
Scotiabank Chile
benjamin.sierra@scotiabank.cl

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