

LATAM Market Update

- **Peru: Fiscal deficit for 2018 at 2.5% of GDP; cement consumption increases 5.8% in December**

The fiscal deficit for 2018 came in at 2.5% of GDP, as we expected. This was lower than the 3.1% in 2017. More significantly, it was considerably lower than the 3.5% that was originally budgeted for 2018. The difference with the budget came mainly from higher tax revenue. Tax revenue was up an unexpectedly strong 14.7%. Although this was in part due to higher income tax revenue from mining, the real surprise was the strength of sales (value-added) tax, which rose 11.0%. Government non-financial spending rose 7.3%. We maintain our expectations that the fiscal deficit will fall further, to 2.0%, in 2019.

Cement consumption rose 5.8%, y/y, in December. This was a good increase, albeit not extraordinary. For full-year 2018, cement consumption rose 3.7%. However, most of this growth, which was lagging, came in the final months of the year, as consumption turned sharply up since August.

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