

## LATAM Market Update

- **Peru: Bank loans and jobs tell the same story: Moderate growth going forward**

Bank loans rose 8.8% in 2018, the highest increase since 2015. Throughout the year, household loans have been the main driver of loans growth, ending the year up 10.6%. Robust formal jobs growth (nearly 4% in 2018) is giving support to household loans growth, although it is at the upper limit of what one might expect. Meanwhile, business loans growth came in at 7.8%, also in line with private sector investment growth of around 6%. This is, however, off a very low base and demand for loans from the business sector is still relatively soft. Loans growth has been accelerating mildly in recent month, and we expect this to continue, with loans increasing to 9.5%, in 2019.

Jobs growth in the private formal sector was up 3.8%, y/y, in November. Agriculture, which would include the crop and cultivation phase of agroindustry, continued to drive jobs, up 28.8%. Agroindustry processing was up 3.6%, while jobs growth in the remaining sectors was much more subdued, 2.0% (services) or lower. Jobs in construction fell 1.5%, which was rather surprisingly, given greater government investment in November, plus signs of improving real estate construction. The overall message is that, while formal jobs growth is fairly robust, it is still much too concentrated in few sectors to be a sign of better things to come in terms of consumption and domestic demand.

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