

LATAM Market Update

- **Peru: We have made significant changes to our forecasts for 2019 and 2020. We now see GDP growth of 3.1% in 2019 (previous, 4.0%)**

We have made significant changes to our forecasts for 2019 and 2020 (please see chart on the next page).

We have mainly revised our growth forecasts, some of them quite sharply. The world looks very different today than it did at the end of 2018, especially on three fronts:

- A more difficult and uncertain global environment.
- A return to political uncertainty, both in terms of recent events, and the approaching presidential elections.
- The reality of a weak and difficult first half of 2019.

Among the highlights of our new forecasts:

- Macro balances are strong, but are not feeding into growth.
- Consumption is performing surprisingly well.
- Private investment is a significant concern. Non-mining investment is actually declining. This is a leading indicator that does not bode well.
- Much of the reason for reducing our 2019 forecast is past us: we expect 3.7% growth in 2H19 (versus 2.5% in 1H19).
- The change from 4.0% growth in 2020, to 3.7% growth looks relatively mild, but is actually stronger, considering that it is off a lower base (3.1% rather than 4.0% in 2019).
- The rebound in GDP growth to 3.7% in 2020 is mostly a reflection of resource sectors performing normally after a particularly weak 2019.
- We are maintaining our fiscal and external accounts fairly stable, at healthy levels.
- We've not changed our inflation forecasts.
- We've not changed our forecast for the Central Bank Reference Rate, but now see downside risk over the next 18 months.
- Our changes to monetary policy and FX rate forecasts were reviewed in the June 7th edition of Scotiabank's [Foreign Exchange Report](#).

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Scotiabank Peru Macroeconomic Forecasts

	Forecasts for 2019		Forecasts for 2020	
	Previous	Current	Previous	Current
GDP Growth	4.0%	3.1%	4.0%	3.7%
Private Consumption Growth	3.5%	3.6%	3.5%	3.5%
Private Investment Growth	6.5%	3.5%	5.4%	4.0%
Public Investment Growth	3.5%	-1.5%	6.0%	6.5%
Non-Resource GDP Growth	4.3%	4.0%	4.5%	4.0%
Resource GDP Growth	3.0%	0.2%	2.8%	3.1%
Fiscal Balance (% of GDP)	-2.0%	-2.0%	-1.8%	-1.8%
Trade Surplus (US\$ billion)	US\$5.5bn	US\$5.8bn	NA	US\$5.8bn
FX Rate EOP	3.30	3.35	3.25	3.30
Inflation	2.4%	2.4%	2.5%	2.5%
CB Reference Rate	2.75	2.75	2.75	2.75
CB Reference Rate Risk Bias	Upside	Downside	Upside	Downside

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