

LATAM Market Update

- **Peru: April GDP growth was nearly nil. Should we worry?**

GDP rose pretty much as close to nil as you can get, 0.02% y/y, in April. This was the lowest monthly figure since 2009, and should also be the lowest this year. The figure is worrisome to the extent that it ratifies a general feeling of a slowing economy. However, the figure is not surprising, and is, in fact, exactly in line with what we expected (cero growth) and close to consensus (0.5% growth). As such, the number is fully in line with our recent GDP forecast revision for full-year 2019, from 4.0% to 3.1% (we knew April would be weak when we made the revision). The main thing to note was that April GDP growth was exceptional as there were a number of one-off events which made for a figure that underestimates the true growth trend. The signals concerning domestic demand were mixed. Perhaps the most worrisome aspect of April's results was the 3.2% decline in non-resource manufacturing growth. At the same time, however, construction GDP rose 8.7%, and retail was up 3.0%. All these figures would have been even better had it not been for the fact that April this year had two fewer working days. The other one-off, aside from fewer working days, was the poor fishing season which led to a 60% decline in fishing GDP. In addition, mining GDP fell 2.9%, in part on mine depletion, but also largely due to social conflict and environmental issues that had a particularly strong impact in April. We estimate that non-resource sectors grew about 2.8% in April versus a 9.2% decline in resource sectors. Non-resource growth (2.8%) is a better gauge of trend, but even this figure was affected by fewer working days. Note that the Central Bank will publish its quarterly report on July 5, and we expect it to lower its GDP forecast for 2019 from its current level of 4.0%. It will be interesting to see if they lower their forecast for 2020 as well (currently at 4.0%), as we have done (from 4.0% to 3.7%).

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**Sergio Olarte**

57.1.745.6300 (Colombia)

Scotiabank Colombia

sergio.olarte@co.scotiabank.com**Jorge Selaive**

56.2.2939.1092 (Chile)

Scotiabank Chile

jorge.selaive@scotiabank.cl

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