Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

November 18, 2024


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# Latam Daily: Mexico Previews GDP and October Inflation; Peru GDP Grows in September

- **Mexico: GDP data and October inflation will have all the market's attention**
- **Peru: September 3.2% GDP growth, the glass is more than half full**

## MEXICO: GDP DATA AND OCTOBER INFLATION WILL HAVE ALL THE MARKET'S ATTENTION

This week will be flooded with significant data for Mexico. Especially on Friday when we will have final GDP data for Q3-2024. On the same day, we will also receive inflation data for the first half of November and the Global Economic Activity Index (IGAE) for September.

Two weeks ago, we knew the preliminary GDP reading for the third quarter of the year, which showed a growth of 1.5% compared to the same period last year, above market expectations, although showing some deceleration from the 2.1% in Q2-2024. This figure was driven by strong performance in agricultural activities (+4.1%), while industrial activities increased by 0.6% and services grew by 2.0% y/y. This time, we will be able to see each sectors details, in which we anticipate declines in industrial activities, particularly in mining, and a continuous deceleration in construction due to the completion of the government's flagship projects and fewer private sector projects resulting from increased political and economic uncertainty, globally and locally. Furthermore, we anticipate that manufacturing will continue to show signs of sluggishness. Regarding the services component, we expect lower dynamism in consumption, mainly in wholesale sales, as well as in tourism activities, which experienced a sharp contraction during Q2-2024. Finally, we do not anticipate significant variations in the annual changes of economic activities or GDP.

Regarding inflation for the first half of November, we anticipate a print of 0.52% compared to the second half of October, as a result of lower prices driven by the "Buen Fin" in Mexico (Mexican Black Friday), which officially started on November 15th, although several establishments began price reductions early. On an annual basis, we expect inflation to be at 4.72%, representing a deceleration from 4.83% in the second half of October. For core inflation, we forecast a biweekly increase of 0.24%, equivalent to a 3.78% rise compared to the same period last year. Finally, it is worth mentioning that the lower dynamism in consumption could contribute to a decrease in inflation; however, this could be offset by the depreciation of the exchange rate.

**—Rodolfo Mitchell & Brian Pérez**

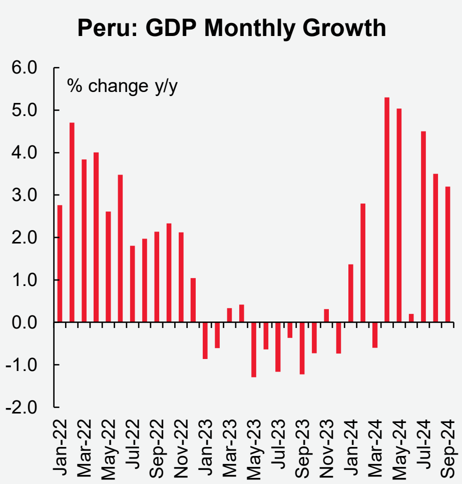
## PERU: SEPTEMBER 3.2% GDP GROWTH, THE GLASS IS MORE THAN HALF FULL

September GDP growth came in at 3.2%, YoY (chart 1). This was just above our forecast of 2.9%, but in line with trend—GDP growth in the year to September is 3.0%. It is also in line with our full-year forecast. Overall, growth in Peru is settling down to a more constant speed of around 3.0%.

September's 3.0% growth is comforting enough when looked at in year-on-year terms. However, GDP declined by 0.3% in month-on-month terms. We do not see this as a potential break in trend, as August, together with July, had benefited from the impact that pension fund withdrawals had on consumption. This impact had, most likely, largely dissipated by September.

Even without the benefit of the full impact of pension fund withdrawals, domestic demand sectors led in growth in September. Particularly encouraging was the 4.2% YoY

**Chart 1**




Sources: Scotiabank Economics, INEI.

increase in industrial manufacturing, as this sector, which is strongly linked to consumption, had been lagging for much of the year. Other sectors that grew 4% or more included business services, transportation, hotels & restaurants, and other services, all linked to domestic demand. Meanwhile, resources-linked sectors (agriculture, fishing and mining) were weak throughout (table 1).

In general, the data for September suggests that growth has become more healthy. Going forward, growth could accelerate mildly if domestic demand continues to be robust in future months, as we expect agriculture and fishing to improve now that the weather has turned for the better and the 2023 El Niño is well behind us.

To add to this mildly more positive trend, the INEI, Peru's national statistics institute, revised its GDP growth numbers for July, from 4.5% to 4.6%, and for August from 3.5% to 3.7%. The trend and past revisions give an upside bias to our 3.0% for full-year 2024. We expect GDP growth of 3.3% in Q4-2024.

**Table 1: Peru - September GDP Growth (%)**

| | Sep y/y | Sep m/m | Jan-Sep y/y |
|---|---|---|---|
| GDP | 3.2 | -0.3 | 3.0 |
| Agriculture & Livestock | 1.1 | 0.6 | 2.8 |
| Fishing | -14.6 | -0.2 | 29.6 |
| Mining and Oil & Gas | 1.1 | -2.2 | 2.9 |
| Mining | 1.7 | n/a | 3.1 |
| Oil & Gas | -3.3 | n/a | 1.9 |
| Industrial Manufacturing | 4.2 | n/a | 1.8 |
| Electricity and Water | 1.4 | -0.4 | 2.4 |
| Construction | 2.9 | -0.6 | 4.2 |
| Commerce | 3.5 | 0.3 | 2.7 |
| Transportation | 7.6 | 1.0 | 6.0 |
| Hotels & Restaurants | 4.5 | 0.1 | 3.4 |
| Telecom | 3.9 | 1.4 | 1.6 |
| Financial Services | 0.5 | 1.2 | -2.0 |
| Business Services | 4.7 | 0.4 | 3.6 |
| Government Services | 4.1 | n/a | 3.9 |
| Other Services | 5.4 | n/a | 4.0 |

Sources: Scotiabank Economics, INEI.

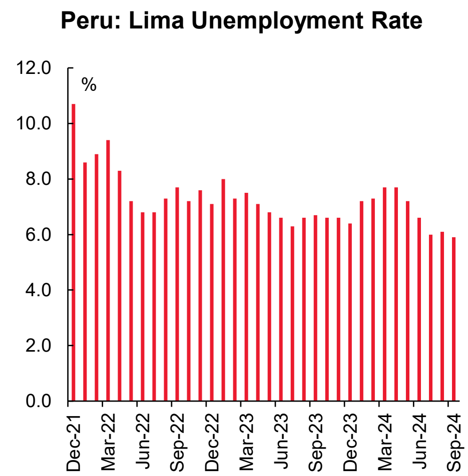
There are two factors that have emerged that underscore robust growth in the fourth quarter. One is that the fishing season is well under way, and it's a strong one.

The second factor is a strengthening labour market. Jobs growth was 5.3% for Lima in the August–October period. This was the highest three-month register in two years. Equally impressive, the unemployment rate for Lima fell to 5.7%, down from 5.9% in September, and the lowest level since at least 2018 (chart 2). Of course, the inverse is also true. Adequately employed workers represented 57.8% of the labour market in October, the lowest figure since pre-Covid 2019 (Peru divides the labour market in adequately employed, unemployed and underemployed).

Real salaries are still behind 2019 levels, but have been recovering nicely in recent months. Overall, the labour market is providing sustenance to GDP growth going forward.

**—Guillermo Arbe**

**Chart 2**



Sources: Scotiabank Economics, INEI.