Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Colombia Consumer Confidence Index; Peru Home Sales Exceed Expectations

- **Colombia: In November, consumer confidence deteriorated due to lower economic expectations, while willingness to purchase durable goods maintained resilience**
- **Peru: Home sales in Lima through October have exceeded our expectations**

COLOMBIA: IN NOVEMBER, CONSUMER CONFIDENCE DETERIORATED DUE TO LOWER ECONOMIC EXPECTATIONS, WHILE WILLINGNESS TO PURCHASE DURABLE GOODS MAINTAINED RESILIENCE

The Consumer Confidence Index (CCI) stood at -5.7% in November 2024, decreasing 2.0 ppts compared to October, and increasing 15.2 ppts compared to November 2023 (chart 1). In monthly terms, the result showed a slight deterioration in both of its components where people had lower consumer expectations and economic conditions, but mainly the CCI decrease was attributed to lower consumer expectations.

The expectations index contracted by 3.3 ppts compared to October, presenting a balance of -4.1%. The deterioration of this component is explained by worse expectations about having good times in the forthcoming 12-months on households and in the overall economy. The fiscal risks that the country is facing, and the greater global uncertainty due to Donald Trump's victory could be the main drivers of lower expectations.

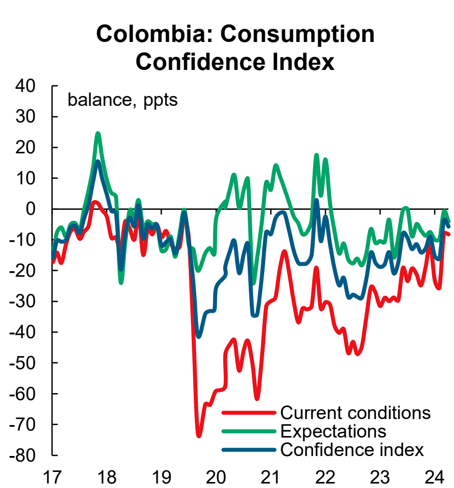
The Economic Conditions Index decreased from -8.0% in October to -8.2% in November. While the perception of the household's economic conditions vs. their conditions one year ago deteriorated from -10.6% to -11.3%, the willingness to buy furniture and household appliances partially offset the negative effect increasing to a balance of -5.0%, reaching the highest level since July 2019 (chart 2).

Most components of the CCI deteriorated in November compared to October, however they had been better than the Q3-2024 components. Compared to the last quarter there is a better willingness of buying durable goods, houses, and vehicles, which can be attributed to the disinflationary process on core inflation generating a favourable dynamic in prices. However, FX depreciation could increase imports prices over durable goods, deteriorating on future CCI index.

Looking at the November details:

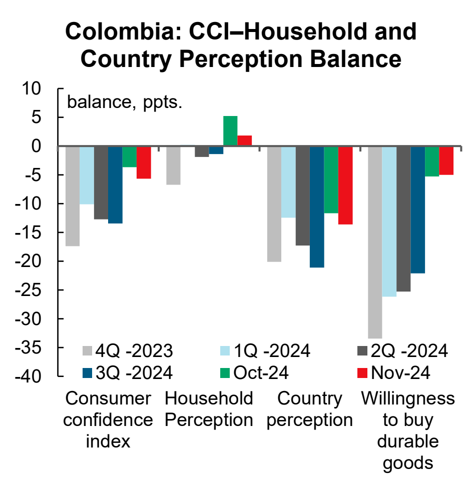
- **The Consumer Expectations Index worsened to -4.1%, showing a 3.3 ppts decrease from the previous month.** Consumers were less optimistic about the improvement in

Chart 1



Sources: Scotiabank Economics, Fedesarrollo.

Chart 2



Sources: Scotiabank Economics, Fedesarrollo.

their economic condition, decreasing from 21% to 14.9% in November. At the same time, they perceive a slightly pessimistic scenario for the country with a 0.3 ppts deterioration.

- **The Economic Conditions Index contracted to -8.2% in November, decreasing 0.2 ppts from the previous month.** Consumers' perception of their current economic conditions worsened, while willingness to buy furniture and household appliances improved to -5.0%, due to a better aggregate demand.
- **The willingness to buy durable goods slightly improved 0.3 ppts in October 2024, reaching -5%.** However, willingness to buy vehicles and houses contracted compared to the previous month. Willingness to buy vehicles registered a balance of -50.4%, while compared to November 2023, it improved by 6.9 ppts. At the same time, willingness to buy housing decreased by 8.7% vs. October 2024, and improved by 18.8 ppts against November 2023.
- **Consumer confidence of the high-income socioeconomic level fell much more than in medium and lower income.** In November, confidence in the high-income level decreased by 9.9 ppts reaching a -40.1% balance. On the other hand, medium and lower socioeconomic levels also deteriorated but on a slower pace.

—Jackeline Piraján & Carlos Felipe Cruz

PERU: HOME SALES IN LIMA THROUGH OCTOBER HAVE EXCEEDED OUR EXPECTATIONS

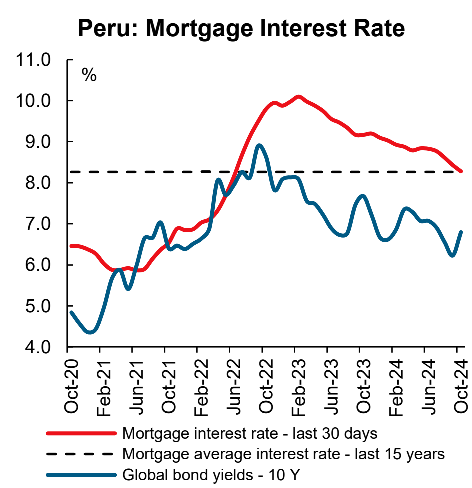
The real estate sector is growing at a rate higher than we anticipated for 2024. In October, the placement of new mortgage loans in the banking system increased by 9.4% YoY. Between January and October of this year, a total of 27,423 loans were issued, which is 13.6% more than in the same period of 2023, according to statistics from the Superintendency of Banking and Insurance (Superintendencia de Banca y Seguros, SBS).

Several factors contributed to these figures, including a gradual reduction in mortgage loan interest rates, which have followed the trend of decreasing reference interest rates—like 10 Y global bond yield—and have now reached levels close to the historical average for mortgage loans (chart 3). Additionally, pension funds have become available in recent months, which could be used for the initial payments of mortgage loans. Also, lower inflationary pressures, especially when compared to 2023, alongside a gradual improvement in formal employment, have boosted lending for new home purchases.

By segments, the results were driven by higher sales of high-value homes, particularly in Lima. Conversely, the sale of social housing has seen a decline in recent months. According to the Association of Real Estate Companies of Peru (Asociación de Empresas Inmobiliarias, ASEI), home sales in Lima grew by 40% YoY in October, a very positive outcome. As a result, housing sales in Lima increased by 28% between January and October of this year compared to the same period in 2023. The lower mortgage interest rates, the availability of social security funds, and the improvement in formal employment—particularly in Lima—have all contributed to the increased demand for new housing (chart 4).

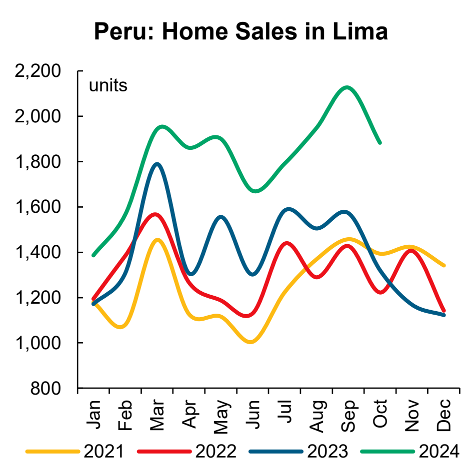
In contrast, the sale of social housing has decreased recently. The placement of new Mivivienda loans, which serve as an indicator for social housing sales, fell by 2% YoY in October. While this is not considered a poor result, the accumulated placement of loans for social housing between January and October of this year dropped by 23% compared to the same period last year, according to statistics from the Ministry of Housing, Construction, and Sanitation (Ministerio de Vivienda, Construcción y Saneamiento, MVCS). In this segment, the lack of public resources allocated to social housing programs at the beginning of the year affected the predictability of these programs, limiting the launch of new projects and complicating the development of social housing in certain districts in Lima.

Chart 3



Sources: Scotiabank Economics, BCRP, SBS.

Chart 4



Sources: Scotiabank Economics, Asociación de Empresas Inmobiliarias-ASEI.

In summary, we expect the real estate sector to return to growth this year. Specifically, we anticipate that around 32,500 new mortgage loans will be placed, representing an 8% increase compared to 2023. Although annual placements are expected to rise after experiencing declines over the last two years, the total number of loans will still be below the levels seen in 2022. This growth will be primarily driven by housing sales in Lima, which we expect to increase by approximately 24% in 2024, reaching sales of nearly 21,000 homes. If this projection holds true, it would represent the highest annual sales figure since 2019, according to ASEI data. However, the growth of the real estate sector will be constrained by the declining sales of social housing due to fewer credit placements in this segment.

—Carlos Asmat

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