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# Latam Daily: Peru's 2025 Outlook and November New Vehicle Sales

- **Peru: Entering 2025 with a degree of economic equanimity; New vehicle sales rise in November, but 2024 result would be negative**

## PERU: ENTERING 2025 WITH A DEGREE OF ECONOMIC EQUANIMITY

The year is ending and all is calm on Peru's economic front. The first thing that we will know at the very beginning of January is how 2024 inflation ended. The key prices that we track point to a monthly inflation of 0.4% in December. Given that inflation in December last year was also 0.4%, one could argue that yearly inflation for 2024 could remain at the 2.3% level reached in November. However, there is still a week and a half to go in the month, and given a wide-ish margin of error, it does not seem worthwhile to change our full-year 2024 forecast of 2.4%.

The essential aspect of the inflationary trend is that it has been stable, hovering near, or just above, 2.0% since April. Inflation expectations, which look at inflation 12 months out, are currently at 2.45%, suggesting that the 2.0% to 2.5% range is fairly stable for as far as the eye can see. Our own forecast for 2025 continues to be 2.4%. Whatever inflationary risk exists would probably need to come from global contagion, for some reason or another, rather than from domestic demand (chart 1).

November fishing and mining GDP data are also scheduled to be released at the onset of 2025. The figure for fishing should be absolutely huge. Just how huge is hard to forecast, but we expect November to be the stellar month of the current fishing season, which extends into January. Fishing quotas this year have returned to normal, after a low 2023 due to El Niño. A low base, and an abnormally high monthly catch are a powerful combination.

Mining is more important in terms of weight in aggregate GDP than fishing. However, mining growth has been very unreliable throughout 2024, and frequently more disappointing than not. However, as long as mining GDP growth is not overly negative, it shouldn't have too great an impact.

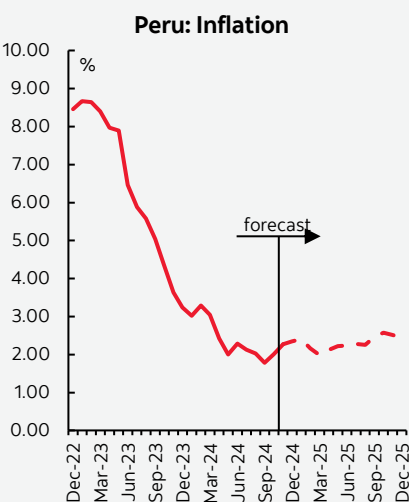
It will be too early to tell for November, no doubt, but the key factor in healthy, sustainable growth is how domestic demand sectors will bear up. They have been improving in recent months, and we hope to see November ratify this.

All in all, we're comfortable with our forecasts of 3.2% GDP growth for 2024 and 2.8% for 2025.

If only politics were as serene. We find 2024 ending not all that different from how it began, with the Boluarte government unable to appease public opinion and lift its dismal 3% approval rate. It's debatable how much government weakness is affecting the economy, which has a long history of shrugging off political noise. The risk, however, is that the weaker the government is, the more likely that Congress might impeach the president in 2025. The counterargument is that this is a card that's been on the table for quite some time, and no one has played it... yet. We're inclined to believe that, as the 2026 elections near, it will make more and more sense to politicians not to rock the political boat through an impeachment. Hopefully.

—Guillermo Arbe

**Chart 1**



Sources: Scotiabank Economics, BCRP.

## NEW VEHICLE SALES RISE IN NOVEMBER, BUT 2024 RESULT WOULD BE NEGATIVE

New vehicle sales in November rose 4.5% y/y, according to the Peruvian Automotive Association (Asociación Automotriz del Perú, AAP). This increase was partially driven by

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higher light vehicle sales, which rose 3.5% y/y. This performance was slightly better than we had anticipated and was attributed to increased demand for SUVs, as well as multipurpose vans. The improvement in vehicle sales may be linked to a recent improvement in job creation trends in the private sector, which was accompanied by higher income levels and greater purchasing power for consumers to purchase durable goods. Additionally, the ability to withdraw CTS pension funds in November may have further stimulated demand for light vehicles (chart 2).

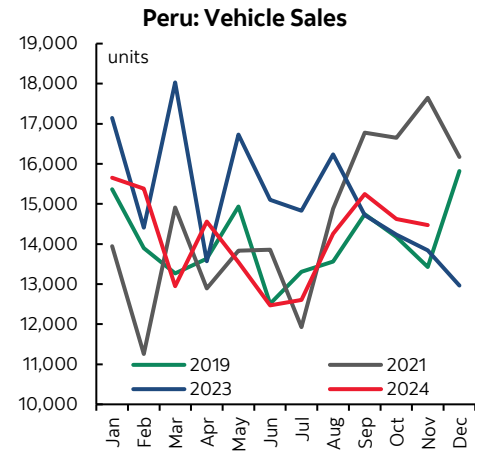
In addition, heavy vehicle sales surged by 12.8% y/y, the second-highest monthly sales volume of the year. This increase was primarily driven by a rise in demand for buses, spurred by the renewal needs of passenger transportation companies, and heavy-duty vehicles purchased by mining and construction firms.

From January to November, new vehicle sales totaled 155,755 units, down 7.8% compared to the same period in 2023. This decline was largely due to a 9.2% drop in new light vehicle sales, stemming from reduced demand between May and August, where sales fell by an average of 18%. Nevertheless, the strong sales performance in the last three months has mitigated the overall decline in year-to-date sales. While heavy vehicle demand showed a cumulative growth of 4.3% compared to the previous year, it was not enough to offset the decrease in light vehicle sales (chart 3).

Finally, we anticipate that year-end new vehicle sales will total just over 170,000 units, which is lower than the 2023 figure of 181,812 units, a decline of just over 7%. Although demand for light vehicles has recovered in recent months, the drop in sales during H1-24 largely accounts for the overall decline in the sector by the end of 2024. This situation is influenced by improvements in employment and population income since the middle of the second half of 2024, despite the low performance of private investment during H1-24. Additionally, from July of this year, there has been a significant withdrawal of funds from AFP pension schemes. While these factors have contributed to an uptick in new vehicle sales recently, they have not fully compensated for the decline experienced in H1-24.

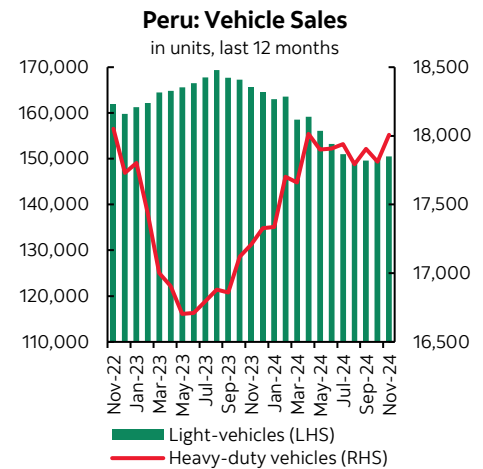
—Carlos Asmat

Chart 2



Sources: Scotiabank Economics, Asociación Automotriz del Perú (AAP).

Chart 3



Sources: Scotiabank Economics, Asociación Automotriz del Perú (AAP).

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