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# Latam Daily: Peru's Mixed Messages on Demand

- Peru: Home sales disappoint in June, but July car sales are more comforting

## PERU: HOME SALES DISAPPOINT IN JUNE, BUT JULY CAR SALES ARE MORE COMFORTING

Home sales in Lima fell 7.9% y/y and 17% m/m in June, according to the local Real Estate Association (**Asociación de Empresas Inmobiliarias del Perú, ASEI**). The figure was below our expectations, falling for the second month in a row. Furthermore, June's outcome was 25% below the average for the first half of the year of around 1,250 units (chart1). Although home sales have been driven by a progressive improvement in household income in the post-COVID-19 stage, the increase in home prices—increasing for the second consecutive month after falling slightly in April—and higher interest rates for mortgage loans following the rising reference rate is starting to have a greater impact on sales.

Supply has also tightened in recent months, partly owing to fewer new projects coming on-stream, which may be the result of a sharp increase in construction costs, as prices of imported construction supplies have risen. Note, however, that June broke with trend, as houses on offer rose from 28,384 units in May to 28,493 in June, according to ASEI.

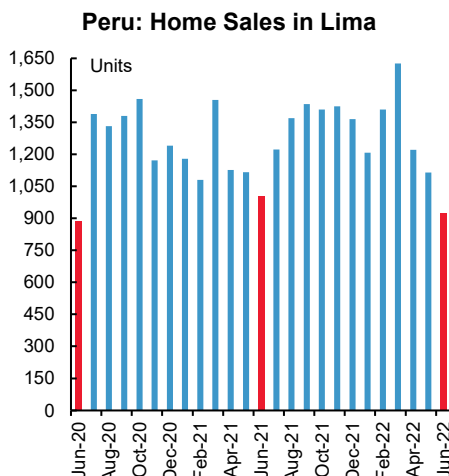
In H1-2022, home sales grew 8% compared to H1-2021, mainly in the first quarter of the year. For the second half of the year, we expect home sales to reach a monthly average of nearly 1,200 units, closing the year with sales close to 15,000 units, which would mean that annual sales would be similar to, or somewhat lower than, in 2021.

New car sales rose 14.3% y/y in July, according to Automotive Association of Peru figures (**Asociación Automotriz del Perú, AAP**). The figure was above our expectations, led by higher sales of heavy vehicles, up 20.1% y/y. Light vehicles rose 13.6% y/y.

Car sales in Peru have been affected by the same problems besetting car supply globally, namely, problems in the production chain due to the shortage of semiconductor chips, and delays in the arrival of cars due to logistical problems, although the impact in the local market has not been as significant. Drivers of demand have included the use of pension fund withdrawals as an initial payment for new car purchases, the post-COVID-19 preference for private vehicles over public transportation, and the revival of domestic tourism. Car sales between January and July rose 11.2% y/y, and by the end of the year we expect close to 179,000 units sold, which would mean an approximately 2% increase compared to 2021 (chart 2).

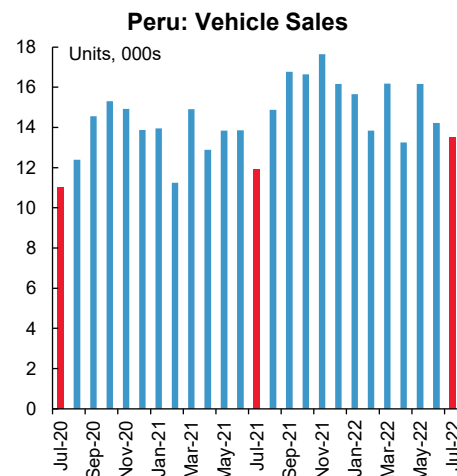
—Carlos Asmat

Chart 1



Sources: Scotiabank Economics, ASEI.

Chart 2



Sources: Scotiabank Economics, AAP.

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