

## Latam Daily: Signs of Possible Slowing in Peru?

- **Peru: November growth indicators suggest slowing, while public investment disappoints**

### PERU: NOVEMBER GROWTH INDICATORS SUGGEST SLOWING, WHILE PUBLIC INVESTMENT DISAPPOINTS

#### I. Initial growth indicators for November are lukewarm

The National Statistics Institute, INEI, [released](#) the following growth figures (y/y %) for a number of economic activities in October:

Mining	0.4%
Oil & Gas	7.2%
Fishing	-33.2%
Cement	0.6%

**There are a few things to take note of in these figures.** First of all, mining activity remains weak. The impact of the new Minas Justa copper mine, which came on stream in July, has not been felt yet, as production is still at the trial stage. Oil & gas, up 7.2%, is doing better than it has in some time, led by a 17% increase in oil production, mainly as installations that had been under prolonged maintenance have slowly started coming back into production. Fishing is down by what might be seen as a worrisome 33% y/y. However, this sector is always volatile, as fishing seasons don't coincide and conditions for fishmeal vary significantly from one year to the next. In any event, its weight in GDP is low, more so in October, which is an off-season.

**Cement output (0.6% y/y) is the only indicator that relates to domestic demand (chart 1).** Note that October 2021 no longer compares with the COVID-19 lockdown months in 2020. As a result, growth figures should be more representative of a post-COVID-19 trend, and give a better picture of how robust growth really is. Cement's weak growth in December could be taken as a better indicator of what to expect going forward, except that cement demand was particularly strong in Q4 2020.

#### II. Public investment disappoints in November

According to a [press report](#) based on information requested from the Ministry of Finance, public sector investment plunged 17% y/y in November (chart 2). This report was particularly disappointing as it may be indicative of a new trend, considering the 8% y/y drop in public investment in October. Public investment had been holding up quite well prior to October. Over the January–November 2021 period, public investment totalled PEN 31.8 bn, which is an all-time high. We suspect two reasons behind the slowdown in public investment. The first is that the new government has little experience in the execution of public investment spending, whereas the robust growth in August–September reflected inertia from the previous administration. The second possible factor is that the Attorney General's office has been reinforcing its monitoring of regional governments. The governor of Arequipa, one of the regions of greatest economic importance in the country, was arrested on corruption charges, October 23.

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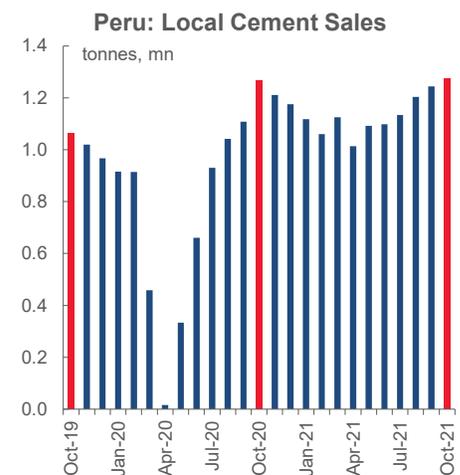
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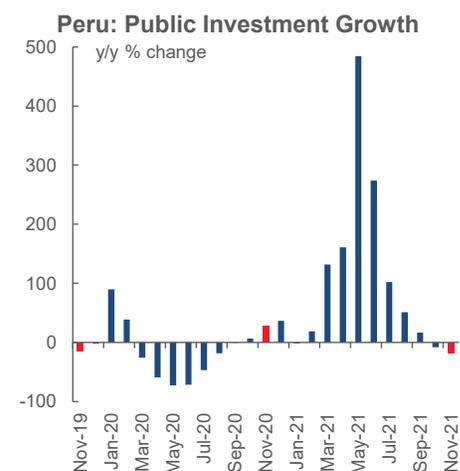
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#### Chart 1



Sources: Scotiabank Economics, INEI.

#### Chart 2



Sources: Scotiabank Economics, MEF.

Investment by regional governments, meanwhile, fell 25% y/y in November. And with public sector investment divided nearly evenly between the national government, regional governments and local governments, this decline had a significant impact on total public investment.

—Guillermo Arbe

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