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Latam Daily: Peru's Trade Balance Slides into Deficit

- Peru: Trade balance surprises with deficit in July

PERU: TRADE BALANCE SURPRISES WITH DEFICIT IN JULY

The trade balance registered a deficit of USD 149 mn in July, the first negative monthly figure since May 2020, according to the BCRP (chart 1). The lower-than-expected result was below the monthly average surplus of USD 1.0 bn for the first half of the year. The main reason for the weak figure was the deterioration of the terms of trade (-14% y/y), as metal prices declined more than soft commodity prices.

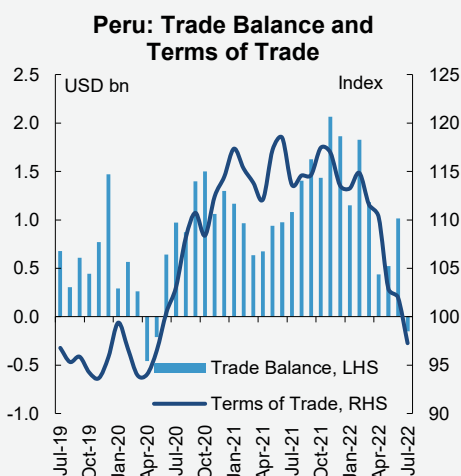
The accumulated surplus in the year-to-July stood at USD 6.0 bn. We recently reduced our trade balance surplus forecast for full-year 2022 from USD 15.6 bn to USD 11.3 bn, owing to the decline in export prices, particularly copper and gold. Despite the fact that the July surplus was lower than expected, we believe that our forecast is still in play.

In July, exports totalled USD 4.8 bn (-8% y/y), reflecting lower mining sales. Although we had anticipated the impact of falling prices, especially copper, there was also a drop in export volumes, which can be attributed, in part, to abnormal weather conditions that forced the closure of ports for a few days in July. The good news to note is that industrial exports continued to grow at a double-digit pace in July, led by agro-exports and textiles.

Meanwhile, imports (+20%) were driven mainly by the year over year rise in import prices, particularly oil and foods such as wheat, corn and soybeans. Imports of capital goods fell for the third consecutive month in line with the stagnation of private investment, a trend that we expect to continue during the second half of the year.

—Pablo Nano

Chart 1



Sources: Scotiabank Economics, BCRP.

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