

Contributors

Juan Manuel Herrera

Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.1.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

Latam Daily: Peru Protests in Context

- **Peru: Political protests in perspective**

An uneventful overnight session is followed by choppy unexplained trading during the European session with the dollar mixed in narrow ranges while SPX futures hold a decent buffer above 3,900. Crude oil is a touch higher on the day, shrugging off a massive build in inventories reported by the API yesterday that may be related to a return to normality in refinery output after declines owing to weather.

Meanwhile, the metals space is strong today as positive trends on the back of China's reopening continue—which should provide support for commodities-sensitive assets in the Latam region. Singapore iron ore prices have risen to their strongest level since last summer.

Brazil and Mexico reported respectively softer and stronger than expected data this morning. In Brazil, retail sales volumes fell 0.6% m/m in November (doubling the decline forecast by the median economist), in its weakest reading since July. Mexican industrial production rose 3.2% y/y in November (0.4ppts above the median) thanks to strong construction activity against the smallest increase in manufacturing output since April 2022.

The Latam, and global, day ahead offers limited on-calendar data or events to monitor, with Peru's social unrest the main thing to watch. Our Peru chief economist Guillermo Arbe presents his opinion on Monday's deadly clash in Juliaca in the south of country below.

In Chile, the constitutional process continues as the lower house now gets to cast an approval/disapproval vote on the plan to rewrite the document. All proposed modifications to the plan approved by the Senate (see [Latam Daily](#)) have been rejected. **The house will also vote on a proposal to allow borrowing from private pension funds** (a component of the government's broad plans for pension reform), about which BCCh Pres Costa said yesterday that it "points exactly in the opposite direction of the logic of the pension system, which is to allocate as many resources as possible to pensions."

—Juan Manuel Herrera

PERU: POLITICAL PROTESTS IN PERSPECTIVE

Highlights:

- **17 deaths were reported in protests on January 9** (26 reported in December). **All casualties in January happened during a single event in Juliaca** (Puno) when groups attempted to take over the airport. There have been no other deaths in January outside of Monday's (so far). Aside from the Juliaca airport, the airport in Ayacucho was also closed due to threats.
- **There were numerous attacks on private and public property, nearly all in the Puno region.**
- **Roadblocks were set up in 5 of 24 regions in Peru's (all in the Southern Andes). Roads in the remaining 19 regions have not been affected.**
- **350 police have reportedly been injured during December–January.**
- There were reports of 200 vehicles that transported 9,000 people to Juliaca on January 9. **This would demonstrate access to financing and some level of organization and planning among demonstrators.**

It is not easy to put events in Peru into proper perspective, especially as these events are still developing.

On the one hand, the violence of the protests, including deaths, and their degree of organization and, apparently, financing, suggests that they represent a real threat to institutional stability.

At the same time, the degree of violence may also be amplifying the true magnitude of the protests. The protests can only be called massive in the Puno region. They have been sporadic and limited in other parts of the South, and practically non-existent in the Central Peru, including Lima, and in the North. At least 80% of the country is learning about the protests from the press, not due to local experience. **The threat that the protests pose resides in their violence, and the government's response to them, not in their size or spread**—so far, at least.

After an extremely violent Monday, January 9, the following day, Tuesday, was much quieter. This may mean simply that the leaders of the protests are regrouping. But it also gives the government and security forces time to regroup and recalibrate. Going forward, a lot may depend on how capable President Boluarte is in assessing the situation, and in maintaining conviction and presence of mind in dealing with it. After all, although President Boluarte has followed a steep learning curve since July 2021, she is not the most seasoned politician for such a novel and dramatic situation.

Another piece of the puzzle is Congress. One of the demands of the protesters is that President Boluarte resign or be impeached. The composition of Congress is much too divided for it to impeach President Boluarte, barring some overriding issue such as corruption. But it could make life difficult for her. So far, it has not. At least not compared to past relationships between Congress and the Executive.

President Boluarte has put together a cabinet, led by Alberto Otárola, that is widely viewed as having the capability to handle security in a situation of social unrest such as exists now. The Otárola cabinet was ratified by Congress on Tuesday by a comfortable vote of 73 to 42. Given the events, and the number of deaths in confrontations with the protesters, the vote was wider than one might have expected. The ratification vote provides the Boluarte regime with much needed oxygen. The non-ratification of the cabinet would have opened a wide door of uncertainty. This would not have been a good situation to be in when dealing with social unrest.

Given the type of radical leadership behind the protests, we can expect more noise, and probably more violence. The question is whether it will break out from the southern region of the country or not. The Boluarte government is viewed by many as a weak government, given that it has no political party backing it, in or outside of Congress. But, it does have the backing of the country's institutional apparatus, which, as the failure of ex-President Castillo to pull off his coup attempt in December suggests, is an important backing to have. Meanwhile, the country is as polarized on the issue of who is to blame for the deaths during the protests, whether the government or the protests' radical leadership (or whether the right or the left, in the popular vernacular), as it seems to be in all political issues.

—Guillermo Arbe

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