

## Latam Economic Update

- Peru: June GDP and July employment—rising out of lockdown

### PERU: JUNE GDP AND JULY EMPLOYMENT—RISING OUT OF LOCKDOWN

June GDP growth came in at **-18.1% y/y (table 1)**, which, given the ample margin of error in data these days, is more or less in line with our forecast of a **-20% y/y contraction (with upside risk) in the month**. The data were released by the National Statistics and Information Institute, INEI, on Saturday, August 15. According to the INEI, June GDP was 14.6% m/m higher than May, a hefty improvement as the economy stepped progressively out of lockdown. The official data will be released by the BCRP on August 20. The BCRP has a different model from the INEI for seasonally adjusting GDP, so the m/m figures may vary. The overall response to the June data was one of lukewarm relief. The decline was strong, y/y, but the m/m improvements were, perhaps, more reassuring.

Looking at the breakdown, the **-1.6% y/y decline in agriculture was a surprise, especially as it's hard to pin down a simple reason for it as the breakdown by product was very mixed and varied**. Fishing GDP jumped 48% y/y (83% m/m), as expected, given the y/y shift in level effects between months of the fishing season. Consequently, resource processing, which includes fishmeal, also rose. Mining fell -13.6% y/y, a figure that had already been pre-released. Mining operations were still just re-opening in June. Mining is grouped with oil & gas in month-on-month data, so, in m/m terms, mining GDP was probably up about 30% up from May.

**Manufacturing was a bright spot, relatively speaking**. Previous months had been dismal: down -66% y/y in April and -50% y/y in May. In both months, manufacturing underperformed aggregate GDP. As a result, it was quite encouraging to see manufacturing GDP outperform the economy with a level of contraction that was much narrower than previous months.

**On the other hand, construction was discouraging, as public sector investment, down -50% y/y in June, weighed heavily**. Other sectors had year-on-year declines and month-on-month rebounds that were equally impressive in magnitudes. However, the sectors that remained quite far from their pre-COVID-19 levels were construction, and unsurprisingly, transportation and hotels & restaurants, even with their significant m/m rebounds. Financial services is an outlier, a reflection of the demand for liquidity by companies and its availability, in part thanks to the Reactiva program.

**Unemployment in Lima rose to 16.4% in the May-July period, in information released by the INEI over the weekend**. The INEI provides unemployment data as a three-month moving average. The figure was in line with our expectations, and not far from the 16.3% for the period ending in June. In terms of jobs, the difference between y/y and m/m figures is telling. In y/y terms, jobs were down 40% for the period, but they were up nearly 34% with respect to the three-month period ending in June.

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Table 1

Peru: June GDP Growth

	% y/y	% m/m
<b>GDP</b>	<b>-18.1</b>	<b>14.6</b>
Agriculture	-1.6	-3.6
Fishing	48	83.4
Mining, oil, & gas	-14.4	32
Mining	-13.6	n/a
Oil & gas	-19.7	n/a
Manufacturing	-13.4	n/a
Resource processing	8.6	n/a
Power & water	-10.6	13.9
Construction	-44.6	57.9
Commerce	-28	31.4
Transportation	-44.2	23.2
Hotels & restaurants	-84.4	34.6
Financial services	15.5	4.7
Government services	3.7	n/a

Sources: Scotiabank Economics, INEI.

—Guillermo Arbe

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