

Latam Economic Update

- **Argentina:** Inflationary pressures increase as economic activity rebounds
- **Peru:** Fiscal impact of COVID-19 continues climbing

ARGENTINA: INFLATIONARY PRESSURES INCREASE AS ECONOMIC ACTIVITY REBOUNDS

Argentina's state-run oil company YPF moved to raise fuel prices by an average of 4.5% on Wednesday, August 19, marking the first price change since December 1, 2019. Fuel consumption has about a 5% direct weight in the national CPI index, but contributes indirectly across the basket. As similar adjustments to other state-controlled and monitored prices come through across the economy, we expect headline inflation to pick up substantially going into 2021.

Monthly activity data for June are due to be published at 15:00 ET today and we expect an above-consensus rebound of over 16% m/m compared with a roughly 13% m/m consensus projection. Our forecast would take total monthly economic activity back up to just below levels from a year ago (chart 1), but that watermark is low considering that 2019 marked a second year of recession.

—Brett House

PERU: FISCAL IMPACT OF COVID-19 CONTINUES CLIMBING

Finance Minister María Alva updated information on health spending surrounding COVID-19 on Tuesday, August 18. The government has budgeted PEN 13 bn (USD 3.7 bn or 1.7% of GDP). This is a hefty increase from the original PEN 1.4 bn that had been pencilled in. Of the PEN 13 bn total, approximately PEN 8 bn has already been spent, according to Min. Alva. Under the official figures, the government has increased ICU spots from a negligible 100 to 250 units (the figures vary) in March to a, still underwhelming, 1,650 units currently. Overall hospital infrastructure has also been expanded.

Min. Alva also estimated tax relief measures at PEN 16 bn (USD 4.5 bn), which is a mild increase from the PEN 14 bn previously announced. These new figures are in line with recent statements by government officials that suggest that the total package of COVID-19 response measures amounted to closer to 18% of GDP rather than the 17% normally mentioned previously. The government has not given a precise breakdown of these figures.

—Guillermo Arbe

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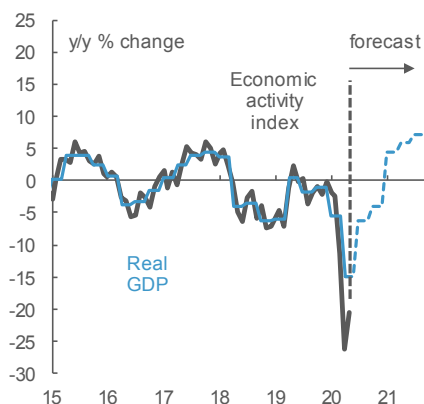
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Chart 1

Argentina: Rebound Expected to Continue in June



Sources: Scotiabank Economics, INDEC.

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