

Peru Business Forecast Report Q2 2014

<https://marketpublishers.com/r/PE3D76EC85CEN.html>

Date: March 2014

Pages: 44

Price: US\$ 1,195.00 (Single User License)

ID: PE3D76EC85CEN

Abstracts

Core Views

While we expect real GDP growth to level off at around 5.0%, below its recent trend, significant mineral wealth, attractive investment opportunities at the sector level, and a growing consumer story underpin our view that Peru will remain one of the most dynamic economies in Latin America in the coming years. We remain below-consensus for 2014 growth, when we are forecasting 5.2% real economic expansion.

Given our Asia Country Risk team's expectation that Chinese real GDP growth will trend lower in the coming years, as the economy rebalances away from an investment-led growth model to one in which private consumption plays a larger role, we anticipate that Peru will continue to be hit hard through the trade and investment channels due to weaker Chinese demand, lower average metals prices, and more moderate capital expenditure plans by major mining firms. Given these factors, we remain well below consensus on real GDP growth in Peru in the next few years, and we anticipate that these dynamics will precipitate a widening of the country's current account deficit, place downward pressures on the budget balance, and result in a weaker currency.

Major Forecast Changes

We have adjusted our current account deficit forecasts, due to a moderation in import growth which has progressed more rapidly than we originally anticipated. We are forecasting a current account deficit of 5.1% of GDP in 2014, compared to our original estimate of 5.5%.

Key Risks To Outlook

Given the fact that our sluggish growth outlook for Peruvian exports is based on a

number of external factors, including slow growth in China and normalisation of monetary policy in the United States, our forecasts would need to be revised if these developments do not unfold as anticipated.

Monetary authorities demonstrated a willingness to cut rates to boost the economy in the final quarter of 2013, and if growth remains sluggish we may see further cuts over the course of 2014, posing a risk to our view for the benchmark policy rate to remain at 4.00%.

Contents

Executive Summary
Core Views
Major Forecast Changes
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis
BMI Political Risk Ratings
Domestic Politics
Different Cabinet, Same Policy Direction

Following yet another shakeup in the president's cabinet, the administration of President Ollanta Humala remains in a state of flux, although we expect it to continue its current policy direction which emphasises improving the country's business environment. The president's approval ratings are finally on the rise, a trend which, if maintained, may provide a stronger mandate to push through important reforms including streamlining investment procedures, improving labour market flexibility, and deepening of capital markets.

Table: Political Overview

TABLE: Recent Cabinet Changes

Long-Term Political Outlook
Mining Disputes Main Threat To Stability

Peru's long-term political stability is undermined by key structural risks, most prominently associated with mining and hydrocarbon exploration in the country's Amazon region. Concerted efforts will be needed to address this issue, along with the ongoing problems of corruption and coca cultivation, if the country is not to be under increasing threat from populism.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis
BMI Economic Risk Ratings
Economic Activity
Change In GDP Methodology Further Underscores External Risks

We are forecasting growth of 5.2% in 2014 in Peru, below the government's expectations and consensus forecasts, given global market dynamics which we expect will present significant headwinds to the country's external accounts.

TABLE: ECONOMIC ACTIVITY**Balance Of Payments****Current Account Deficit To Remain Under Pressure**

We have upgraded our 2013 estimate and 2014 forecast of Peru's current account following the release of data which showed that import growth is easing by a greater degree than we had anticipated. However, owing to significant headwinds in global markets, we continue to expect a subdued performance in minerals exports over the course of the year, and forecast the current account shortfall to widen to 5.% of GDP, compared to 4.9% of GDP in 2013.

TABLE: CURRENT ACCOUNT**Fiscal Policy****Budget Surplus To Decline On Revenue Constraints**

Recent data suggest that the decline in Peru's budget surplus was slightly less severe than we anticipated, thanks to both higher tax revenues as well as lower expenditures. Nevertheless, our overall view that revenue growth will remain lacklustre amid significant global headwinds remains in place, and we are forecasting the budget surplus to fall to 0.4% of GDP in 2014, compared to 0.7% in 2013.

TABLE: FISCAL POLICY**Monetary Policy****Reference Rate To Remain Steady, Despite Other Efforts To Boost Economy**

Peru's central bank again elected to hold its benchmark policy rate at 4.00%, in line with our expectations that it would avoid further cuts given the country's slowly improving growth outlook and the fact that inflation in January surpassed the 3.0% upper threshold. We expect significant headwinds in the economy over the course of 2014, and as a result we believe that policymakers will continue to stimulate growth in other ways, such as through fiscal policy and further reductions in reserve requirements for commercial banks.

TABLE: MONETARY POLICY**CHAPTER 3: 10-YEAR FORECAST****The Peruvian Economy To 2023****Solid Growth Ahead**

Economic growth in Peru will cool to an average growth rate of 5.0% between 2013 and 2022, as a slowdown in Chinese economic growth dampens metals demand and prices in the short term, while fixed investment and private consumption growth moderate from their recent highs. That said, we believe solid macroeconomic policies, substantial commodity wealth and a growing consumer base will continue to drive investor interest in Peru over the forecast period.

TABLE: Long-Term Macroeconomic Forecasts

CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Institutions

Table: BMI Business And Operation Risk Ratings

Table: BMI Legal Framework Rating

Infrastructure

Table: Labour Force Quality

Market Orientation

Table: Trade And Investment Ratings

TABLE: LATIN AMERICA - ANNUAL FDI INFLOWS

Operational Risk

CHAPTER 5: KEY SECTORS

Autos

TABLE: Autos Sector-Sales, 2011-2017

Food & Drink

TABLE: Food Consumption Indicators -Historical Data And Forecasts , 2010-2017

TABLE: Hot Drinks Value Sales -Historical Data And Forecasts , 2010-2017

TABLE: Mass Grocery Retail Sales By Format -Historical Data And Forecasts ,
2010-2017

Other Key Sectors

Table: Telecoms Sector Key Indicators

Table: Oil and Gas Sector Key Indicators

Table : Pharma Sector Key Indicators

Table: Infrastructure Sector Key Indicators

Table : Freight Key Indicators

CHAPTER 6: BMI GLOBAL ASSUMPTIONS

Global Outlook

Global Growth Optimism Weakens

Table: Global Assumptions

Table : Developed States , Real GDP Growth, %

Table : BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH
FORECASTS, %

Table : Emergi ng Mar kets , Real GDP Growth , %

I would like to order

Product name: Peru Business Forecast Report Q2 2014

Product link: <https://marketpublishers.com/r/PE3D76EC85CEN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/PE3D76EC85CEN.html>