

Latam Economic Update

- **Argentina:** Economic activity fell -11.5% y/y in March, worse than expected
- **Peru:** Cement demand was nearly nil in April; over PEN 4 bn in emergency stipends to be distributed

ARGENTINA: ECONOMIC ACTIVITY FELL -11.5% Y/Y IN MARCH, WORSE THAN EXPECTED

According to EMAE indicator data, released on May 20, economic activity fell apart in March after the imposition of the COVID-19 lockdown on the 20th of the month. Real economic activity fell by -9.8% m/m sa after a much smaller -1.3% m/m sa drop in February. Compared with a year ago, real GDP shrank by -11.5% y/y in March, also a steep decline from the -2.2% y/y contraction recorded in February (chart 1)—and much worse than our expectations and the -9.0% y/y average of survey projections.

The March numbers imply that Q1-2020 GDP likely contracted by -5.4% y/y, much more dire than the -2.3% y/y we had penciled in. February's activity numbers already implied that the contraction in 2020 was tracking closer to -5.9% y/y than the -5.6% y/y we have projected. With the downside surprise in March, 2020 is likely to see a contraction on the order of -7.5% y/y or worse.

At the sectoral level, utilities were up 6.7% y/y in March, the only one of 15 sectors that saw expanded activity in the month. The biggest pullbacks were in fishing, which fell -48.6% y/y; construction, which was down -46.5% y/y; and hospitality, where activity fell -30.8% y/y.

—Brett House

PERU: CEMENT DEMAND WAS NEARLY NIL IN APRIL; OVER PEN 4 BN IN EMERGENCY STIPENDS TO BE DISTRIBUTED

Domestic cement consumption was nearly nil in April, according to data released on May 20 by the association of cement companies, Asocem (chart 2). Only 5,700 metric tonnes were demanded, compared to between 900,000 and one million metric tonnes in a normal month. As tends to occur when a flow is nearly nil, this represented a 99% y/y decline. Cement production was not considered an essential good during the state of emergency, which meant that all cement production was shut down. Cement production was, however, included in those industries that could open in Phase 1 of the unlocking program, which began on May 11. Cement consumption (and, therefore, output) will increase very gradually, as only a relatively small number of construction activities have been reinitiated. Some demand from mining will also contribute to consumption growth. However, demand is likely to remain constrained as home and office construction activities were not included in Phase 1.

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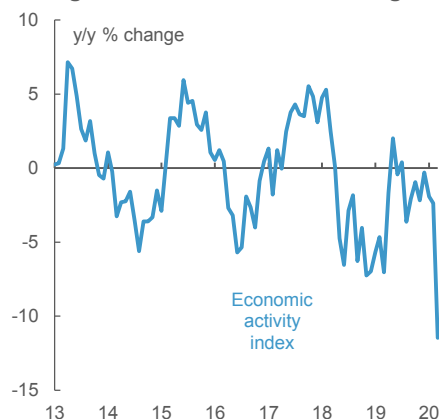
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Chart 1

Argentina: March Growth Plunges

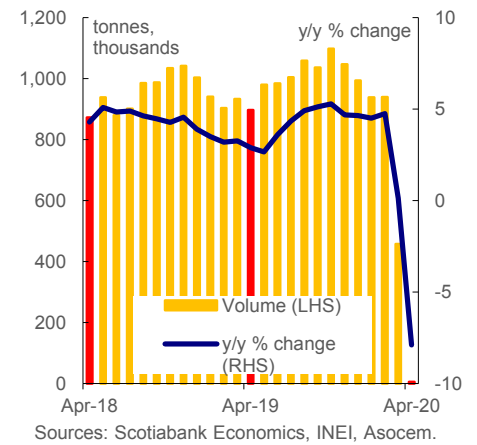


Sources: Scotiabank Economics, INDEC.

Over PEN 4 bn in emergency stipends to millions of households will be distributed from May 20 until June 15, as announced on Tuesday May 19 by President Vizcarra. This is equivalent to a little over 0.5% of GDP. Most, but not all, of the funds are likely to be spent. The overall amount is large, but, even so, it's far from being enough to compensate for the impact of the lockdown itself.

—Guillermo Arbe

Chart 2 Peru: Cement Consumption



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