



# GDP Observatory

December 15, 2009

## GDP increase in October was 0.8%

- The result was less than expected by consensus (1.3%), but it is the highest year-on-year growth (y/y) since March this year.
- The impulse mainly came from the Construction and Financial Services sectors. Additionally, non-primary manufacturing continued to moderate its pace of contraction.
- Compared to the previous month, seasonally-adjusted GDP would have expanded by 0.4% m/m, confirming the gradual recovery of activity.

The construction sector grew 11%, explained by the acceleration in the execution of infrastructure projects in the energy, mining, commerce and transport sectors, which was reflected in the buoyancy of domestic consumption of cement. Thus, the construction sector had a positive impact of 0.7 pp. on the month's result. Meanwhile, Financial Services also contributed positively (0.4 pp), associated with the growth of loans in local currency, mainly mortgages, reflecting the expansion of the construction sector and lower interest rates.

It is noteworthy that, unlike previous months, the Government Services category lowered its positive incidence on GDP, due to slower growth in spending on goods and services from Central Government (4.5% in October compared to an average of 18% in the last three months).

### Assessment

The economic activity data in October, both in yoy and in seasonally-adjusted terms, suggests that recovery is being consolidated. It should be noted that activity indicators available for November are positive. Thus, local cement dispatches grew by 12% and electricity generation increased by 3.9% in November (the highest rate of the year) and 5.0% so far in December. Moreover, we believe that consumption and investment by the Central Government have regained momentum, growing 10% and 14% in November, respectively. In this context, we expect the economy to grow about 1% in 2009.

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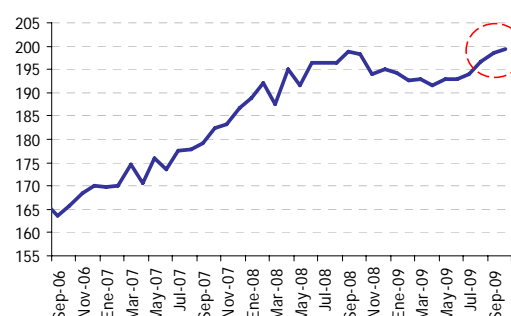
Chart 1: Gross Domestic Product  
(% annual change)

Sectors	Weight	October
<b>Agriculture and Livestock</b>	<b>7.6</b>	<b>0.3</b>
Agriculture	4.4	-3.5
Livestock	3.2	4.6
<b>Fishing</b>	<b>0.7</b>	<b>-18.2</b>
<b>Mining and Fuels</b>	<b>4.7</b>	<b>-0.5</b>
Metals	3.7	-1.2
Fuels	1.0	4.8
<b>Manufacturing</b>	<b>16.0</b>	<b>-6.5</b>
Based on raw materials	3.7	-12.1
Non-Primary	12.3	-5.5
<b>Electricity and Water</b>	<b>1.9</b>	<b>2.4</b>
<b>Construction</b>	<b>5.6</b>	<b>10.7</b>
<b>Commerce</b>	<b>14.6</b>	<b>-0.2</b>
<b>Services</b>	<b>39.3</b>	<b>3.9</b>
Government Services	6.3	5.1
Finance and Insurance	1.8	14.2
<b>Taxes</b>	<b>9.7</b>	<b>0.3</b>
<b>GDP</b>	<b>100.0</b>	<b>0.8</b>

Source: INEI

Prepared by BBVA Banco Continental ERD

Chart 2: Gross Domestic Product  
(Seasonally adjusted\*)



Source: INEI

Prepared by BBVA Banco Continental ERD

(\*) Seasonally adjusted using TRAMO/SEATS, and adjusted for working days.