

Peru: Sales of home improvement are forecasted to increase 5% this year



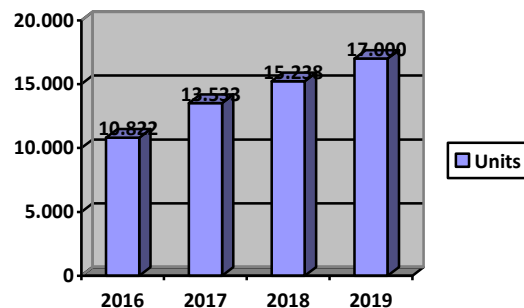
Sales of hardware, paintings, glass items, among others are forecasted to reach US\$1,550 million this year, 5% more in comparison to 2018, according to Scotiabank.

As stated by the Economic Research Department of the financial institution, this growth will be very similar to the rise planned for the construction sector.

The main reasons are:

1. Homes sales in the country are estimated to reach 17,000 units in the year, surpassing last year's figure (15,000 units), according to the Peruvian Construction Chamber (Capeco).

Home Sales by year



2. The growth of mortgage, which is expected to account for 9% during 2019 due to the population's improved spending power (an increase in formal employment), helping families to secure mortgage loans

3. The implementation of at least three new home improvement stores in the country in those areas, where the retail has little physical presence.

4. The private consumption behavior and the attractive interest rated for consumer credit will benefit the demand of household and decorative products.

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First semester

During the first 6 months, home improvement sales accounted for US\$8,09 million, representing an increase of 5.3% in comparison to 2018, according to some figures of the Peruvian Ministry of Production.



In addition, as informed by the Perú's National Institute of Statistics and Information Technology – INEI, the results of the first semester were boosted by the good performance of the sectors related to construction and real-state, taking into consideration that the construction sector increased 4.9% during the same period.

Furthermore, in the property sector, home sales increased 18%, in comparison to 2018 during the same period, as informed by the Peruvian Association of Real Estate Developers (ADI Perú).

In the same way, the hardware market and home improvement products turn over approximately US\$6,800 annually, as informed by specialized sources of the sector.

As of the first semester 2019, the number of stores of the four main chains – Sodimac www.sodimac.com.pe, Maestro www.maestro.com.pe, Promart www.promart.pe (opened two new stores during this period) and Cassinelli www.cassinelliperu.com achieved 98 stores. Out of these, 45 are in Lima and 53 in provinces.

The recovery of new home sales, therefore the demand of home improvement is expected to keep growing by 2020, due to bank conditions that remain attractive.

Finally, it is observed that home center retail format in Peru has a low market penetration, in comparison to other countries. For instance, there are only 98 stores in Peru with a population of 32 million inhabitants, compared to Chile, that has 160 stores with 19 million inhabitants. Although, the number of home centers stores is not big, there is a large number of hypermarkets, department stores, specialty stores and, wholesalers looking for new suppliers and new products.

Source:

www.america-retail.com

www.andina.pe

www.bbvaresearch.com

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