

## Latam Economic Update

- **Brazil: IPCA inflation higher than expected**
- **Peru: Mining investment and output contracted in April, albeit in line with expectations**

### **BRAZIL: IPCA INFLATION HIGHER THAN EXPECTED**

**Brazil's IPCA inflation for May released on June 10, printed a bit higher than consensus (or we) expected, coming in at 1.88% y/y, while consensus expected 1.79% y/y.** The bulk of the "upwards surprise" was explained by spikes in food & beverages (6.94% y/y), and education (5.20% y/y). Food inflation across the region has been one of the few upwards sources of pressure for inflation in much of LATAM over recent months. Despite this modest inflation surprise, IPCA remains below the BCB's target, meaning at this point in time we think the ongoing growth shock will take precedence over inflation concerns down the line, leaving our expectations for BCB policy unaltered. We do expect IPCA will rise relatively quickly, but that's a longer term risk.

—Eduardo Suárez

### **PERU: MINING INVESTMENT AND OUTPUT CONTRACTED IN APRIL, ALBEIT IN LINE WITH EXPECTATIONS**

**Mining investment fell nearly 40% y/y, in April, according to data released on June 9 by the Ministry of Mines.** This was not surprising, given the lockdown, and, in fact, was marginally better than we were expecting. Mining investment year-to-date is now 19.7% y/y down. This is in line with our new forecast of a -28% y/y decline. The decline still has to take May into account, the last month of the lockdown, after which mining investment should slowly slope back up to normal. The key aspect is that no major projects have announced that they would not proceed as normal after the lockdown. The Quellaveco copper project not only continued to lead in investment (table 1 on page 2), but, quite surprising, increased its investment in April. We were aware that investment activities had continued, but we had been expecting them to moderate the pace.

**Mining output was equally dismal in April, as table 2 on page 2 shows.** Once again, the contraction was all due to the lockdown. The impact was significant, with only copper, which is open pit and less labour-intensive, declining less than 50%. Other metals were typically dominated by underground mines, which were shut down during the lockdown. In particular, Peru has only one tin operator (Minsur) and two iron ore producers, and all three operations were fully closed during the April lockdown.

—Guillermo Arbe

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Table 1

Peru: Investment Growth—Leading 20 Mining Investors	April			January–April		
	2019	2020	% Change	2019	2020	% Change
ANGLO AMERICAN QUELLAVECO S.A.	85.6	130.3	52.3	284.5	407.2	43.1
MARCOBRE S.A.C.	61.5	19.3	-68.7	217.6	150.3	-30.9
MINERA CHINALCO PERU S.A.	28.6	27.4	-4.2	124.4	127.3	2.4
COMPAÑIA MINERA ANTAMINA S.A.	12.2	13.2	7.7	51.7	81.7	57.9
SOCIEDAD MINERA CERRO VERDE S.A.A.	20.6	5.6	-72.7	69.5	71.2	2.4
MINERA LAS BAMBAS S.A.	19.8	7.1	-64.1	70.3	65.7	-6.6
SOUTHERN PERU COPPER CORPORATION SUCURSAL DEL PERU	24.5	9.6	-60.8	126.5	59.8	-52.8
COMPAÑIA MINERA PODEROSA S.A.	6.9	6.0	-12.8	30.0	28.0	-6.7
MINERA YANACOCHA S.R.L.	10.0	5.4	-45.9	53.6	24.1	-55.1
VOLCAN COMPAÑIA MINERA S.A.A.	7.0	0.0	-99.7	24.9	18.4	-26.2
NEXA RESOURCES PERU S.A.A.	11.3	2.3	-79.5	37.3	16.6	-55.5
SHOUGANG HIERRO PERU S.A.A.	22.4	2.5	-88.8	79.2	16.2	-79.6
COMPAÑIA MINERA ARES S.A.C.	6.4	0.0	-	31.9	14.6	-54.2
COMPAÑIA DE MINAS BUENAVENTURA S.A.A.	5.8	2.5	-57.6	16.6	14.0	-15.6
GOLD FIELDS LA CIMA S.A.	3.5	2.5	-28.3	12.8	13.9	9.2
COMPAÑIA MINERA RAURA S.A.	4.3	1.7	-59.5	13.0	13.1	0.8
MINSUR S.A.	11.5	1.4	-87.5	38.5	11.9	-69.2
CONSORCIO MINERO HORIZONTE S.A.	3.3	2.8	-15.8	14.9	10.8	-27.5
HUBBAY PERU S.A.C.	3.9	0.6	-83.2	11.6	10.3	-10.6
LA ARENA S.A.	2.5	0.2	-93.7	6.4	9.1	42.5
<b>Total</b>	<b>432.3</b>	<b>261.7</b>	<b>-39.5</b>	<b>1,638.3</b>	<b>1,315.2</b>	<b>-19.7</b>

Sources: Scotiabank Economics, Dirección de Promoción Minera - Ministerio de Energía y Minas.

Table 2

## Peru: Mining Output

Period	Copper	Gold	Zinc	Silver	Lead	Iron Ore	Tin	Molybdenum
	FMT	Fine grams	FMT	Fine kg	FMT	FMT	FMT	FMT
Apr-19	188,004	10,805,371	116,613	321,701	26,861	559,443	1,607	2,370
Apr-20	125,225	5,024,200	15,945	84,973	4,262	0	0	2,115
<b>% Change</b>	<b>-33.4</b>	<b>-53.5</b>	<b>-86.3</b>	<b>-73.6</b>	<b>-84.1</b>	<b>-100.0</b>	<b>-100.0</b>	<b>-10.7</b>

Sources: Scotiabank Economics, Dirección de Promoción Minera - Ministerio de Energía y Minas.

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