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Latam Daily: Peru's Early Elections not Early Enough for Protestors?

- **Peru: Mining investment continues to fall; the start of Quellaveco operation boosts copper production**

Mixed signals out of China on reopening versus steeply climbing cases and canceled policy meetings are seeing erratic trading ahead of US CPI data. The USD is trading mixed with US yields in narrow ranges overnight, while crude oil prices are stronger against losses in iron ore and copper (Asia benchmarks) in a mixed reaction to China reopening developments.

US inflation data out at 8.30ET will provide the final piece of the puzzle ahead of tomorrow's Fed decision that will likely dictate the market mood for the rest of the year.

The Latam backdrop is relatively quiet today as we continue to monitor developments in Peru. Yesterday, Pres Boluarte formally presented to Congress a bill to bring forward elections to April 2024, but this did not materially quash social unrest that is, in fact, worsening as casualties climb from clashes between protestors and police; it's looking increasingly likely that elections will need to take place at some point next year. Peru's stock exchange fell ~2.5% yesterday, its steepest decline since Sep 23, although the PEN again held up well gaining 0.4% in its first trading day post-Castillo's removal.

Mining operations have, for now, not been impacted according to the head of the SNMPE (Peru's mining and energy society). Late last night, however, the operator of the **Cerro Verde mine noted that although production is not impacted (yet), the location is facing delays in the transport of people, supplies, and product.** Highway blockages (among other logistical issues) could see mines curtail supply if transportation to/from the mines is increasingly challenged.

Pres Castillo, from his detention cell, accused Pres Boluarte of being an 'usurper' and spoke of himself as the legitimate president of the country—certainly fanning the flames of public turmoil. Leaders in Mexico, Colombia, Argentina, and Bolivia denounced the treatment of the former president in a joint statement released last night.

Brazil's incoming Finance Minister Haddad meets with the BCB's head Campos Neto and the Fin Min incumbent Guedes later today as we await more details on Lula's fiscal and spending objectives—aside from the spending cap exclusion for social programs. The BCB published the minutes to its December policy meeting this morning, which highlighted that the bank will resume hikes if needed and whether to hold rates at elevated levels for a long period to ensure inflation convergence.

—Juan Manuel Herrera

PERU: MINING INVESTMENT CONTINUES TO FALL; THE START OF QUELLAVECO OPERATION BOOSTS COPPER PRODUCTION

Peru's mining investment fell 7.1% y/y in October, according to [data](#) from the Ministry of Mining (chart 1). In the January–October period, mining investment increased 3.8% y/y. These monthly declines during the second part of the year (H2-2022) align with our expectations of a **4.2% overall drop for 2022. We expect mining investment to fall 11.3% in 2023.**

Mining output was mixed across the different products (table 1). Copper output increased 8.3% y/y in October, principally due to the start of Quellaveco operations in September. The mining company started with an output level of around 20,000 FMT (fine metric tonnes) per month. If it maintains the same levels for the remainder of 2022, it will exceed what was projected by the mining company for this year (75,000 FMT). Next year, it should produce at full capacity (300,000 FMT per year).

Gold output also increased (+5.2%), despite the depletion of mines, as did that of lead (+3.0%) and tin (24.2%). On the other hand, the production of zinc (-5.4%), silver (-2.3%), iron (-8.2%), and molybdenum (-3.9%) fell.

Anglo-American’s Quellaveco project continues to decrease its investment. In October, investment fell 38.1% m/m (table 2) and we expect it to continue decelerating until the end of the year. Meanwhile, Antamina investment continues with plans to expand operations over the next eight years, as does Minera Yanacocha’s sulphide project.

In a press release at the end of October, Buenaventura announced that it would restart works on San Gabriel’s gold and silver mining project (USD470mn). Preliminary work began this year with architectural construction starting in 2023; it is expected to be finished by the end of 2024.

—Katherine Salazar

Chart 1

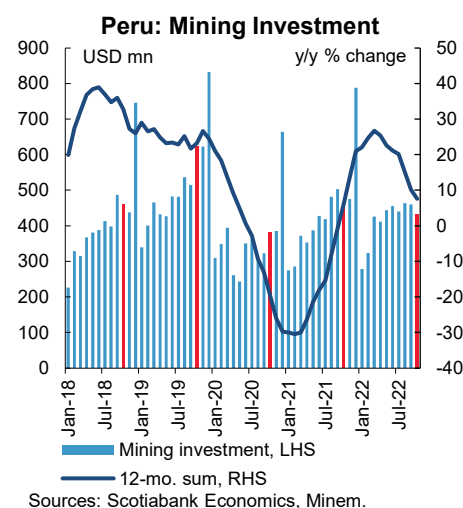


Table 1: Peru—Mining Output

	Copper MT	Gold oz	Zinc MT	Silver oz	Lead MT	Iron MT	Tin MT	Molybdenum MT
October 2022, y/y % change	8.3	5.2	-5.4	-2.3	3.0	-8.2	24.2	-3.9
Jan-Oct 2022, y/y % change	2.1	-0.2	-12.6	-8.4	-4.4	-0.2	4.4	-6.1

Sources: Scotiabank Economics, Peru Ministry of Energy and Mines.

Table 2: Peru—Top 20 Mining Companies by Investment Amount

USD Company	2021	October 2022	y/y % change	2021	Jan-Oct 2022	y/y % change	Share
1 ANGLO AMERICAN QUELLAVECO S.A.	103,166,771	63,826,188	-38.1%	1,006,380,046	925,972,698	-8.0%	22.3%
2 COMPAÑIA MINERA ANTAMINA S.A.	36,645,350	30,029,552	-18.1%	343,222,540	328,204,999	-4.4%	7.9%
3 MINERA YANACOCHA S.R.L.	28,477,270	38,059,152	33.6%	109,063,665	284,368,978	160.7%	6.9%
4 SOUTHERN PERU COPPER CORPORATION SUCURSAL DEL PERU	32,539,698	24,588,918	-24.4%	265,877,204	249,919,611	-6.0%	6.0%
5 MINSUR S.A.	25,725,732	30,151,796	17.2%	146,744,411	233,747,820	59.3%	5.6%
6 MINERA LAS BAMBAS S.A.	14,995,618	24,336,108	62.3%	187,492,563	174,751,281	-6.8%	4.2%
7 SOCIEDAD MINERA CERRO VERDE S.A.A.	15,185,761	22,014,070	45.0%	125,146,226	161,154,871	28.8%	3.9%
8 MINERA CHINALCO PERU S.A.	11,809,759	15,282,381	29.4%	195,141,139	146,247,920	-25.1%	3.5%
9 SHOUGANG HIERRO PERU S.A.A.	13,835,952	10,685,172	-22.8%	128,313,443	119,545,707	-6.8%	2.9%
10 MARCOBRE S.A.C.	10,290,863	13,428,232	30.5%	163,264,559	117,868,224	-27.8%	2.8%
11 VOLCAN COMPAÑIA MINERA S.A.A.	11,085,628	11,787,869	6.3%	75,549,395	110,800,693	46.7%	2.7%
12 COMPAÑIA MINERA PODEROSA S.A.	6,652,462	10,830,458	62.8%	64,461,915	88,522,055	37.3%	2.1%
13 COMPAÑIA DE MINAS BUENAVENTURA S.A.A.	6,506,090	13,407,542	106.1%	52,344,541	86,975,332	66.2%	2.1%
14 COMPAÑIA MINERA ARES S.A.C.	6,659,739	8,049,877	20.9%	53,776,385	74,342,690	38.2%	1.8%
15 COMPAÑIA MINERA ANTAPACCAY S.A.	33,363,748	9,476,953	-71.6%	168,285,255	73,903,500	-56.1%	1.8%
16 CERRO DE PASCO RESOURCES SUBSIDIARIA DEL PERU S.A.C.	3,890,100	7,631,807	96.2%	33,293,319	73,561,121	120.9%	1.8%
17 HUDBAY PERU S.A.C.	12,085,684	8,124,750	-32.8%	107,702,935	67,665,220	-37.2%	1.6%
18 MINERA SHOUXIN PERU S.A.	1,152,836	3,224,477	179.7%	38,084,215	54,662,911	43.5%	1.3%
19 COMPAÑIA MINERA CHUNGAR S.A.C.	5,634,488	6,884,960	22.2%	33,670,606	41,770,398	24.1%	1.0%
20 NEXA RESOURCES PERU S.A.A.	6,642,020	4,939,097	-25.6%	41,989,338	36,646,509	-12.7%	0.9%
Others	79,854,880	76,311,671	-4.4%	653,487,399	694,297,827	6.2%	16.8%
Total investment	466,200,449	433,071,030	-7.1%	3,993,291,099	4,144,930,365	3.8%	100.0%

Sources: Scotiabank Economics, Peru Ministry of Energy and Mines.

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