

LATAM Market Update

- Peru: Mining investment continues strong**

Mining investment for the month of March was up 47%, y/y, and 37% for 1Q19. This looks like a stronger investment trend than expected, when compared to our full-year mining investment growth forecast of 23%, but it's not really, as the 2019 figures compares with a low base in 1Q18. Monthly investment in 1Q19 averaged US\$400mn, whereas our 23% forecast requires a monthly investment average of US\$500m for the full year. Monthly investment will accelerate, as investment in Quellaveco and Mina Justa (Marcobre), which are already leading in investment, pick up even more steam.

COMPANY	US\$	March			First Quarter			Share
		2018	2019	Increase	2018	2019	Increase	
1	ANGLO AMERICAN QUELLAVECO S.A.	20,608,074	95,382,892	362.8%	38,422,035	198,910,640	417.7%	16.7%
2	MARCOBRE S.A.C.	8,408,806	59,289,123	605.1%	19,048,510	156,074,142	719.4%	13.1%
3	SOUTHERN PERU COPPER CORPORATION	41,831,461	50,913,579	21.7%	128,257,022	101,936,965	-20.5%	8.5%
4	MINERA CHINALCO PERU S.A.	14,594,368	36,030,798	146.9%	33,386,462	95,756,566	186.8%	8.0%
5	SHOUGANG HIERRO PERU S.A.A.	44,748,714	23,424,854	-47.7%	113,020,714	56,774,487	-49.8%	4.8%
6	MINERALAS BAMBAS S.A.	7,099,945	17,643,386	148.5%	19,699,264	50,500,743	156.4%	4.2%
7	SOCIEDAD MINERA CERRO VERDE S.A.A.	31,452,515	13,818,752	-56.1%	72,621,994	48,879,456	-32.7%	4.1%
8	COMPANIA MINERA ANTAPACCAY S.A.	8,167,980	4,490,691	-45.0%	25,192,119	43,715,017	73.5%	3.7%
9	MINERA YANACOCCHA S.R.L.	8,091,629	22,155,074	173.8%	14,766,850	43,605,958	195.3%	3.7%
10	COMPANIA MINERA ANTAMNA S.A.	14,284,850	11,622,702	-18.6%	38,235,073	39,536,436	3.4%	3.3%
TOTAL		315,239,122	463,261,838	47.0%	870,565,515	1,193,371,504	37.1%	100.0%

Source: Ministerio de Energía y Minas; Prepared by Scotiabank Peru

The prosecution has requested a 20-year prison sentence for ex-President Ollanta Humala (2011-2016), for receiving money illegally from Odebrecht, and from the Venezuelan government, for campaign funding. The sentence request is drastic, due to the fact that, by Peru law, the way the funds were obtained, and the fact that they came from Odebrecht's slush account (cuenta 2), constitutes money laundering. The Attorney General's office has also requested 26 years for Humala's wife, Nadine, accusing her of the same activities, but also of attempting to cover up these activities. The process, including appeals, is likely to take three years, according to experts, and could eventually reach the Supreme Court.

A number of agrarian producer associations jointly made the formal announcement that they would go on strike beginning Monday, May 13. Leaders of the strike claim that it will take place in 14 of Peru's 24 regions. Their demands include raising tariffs on imports of agricultural goods, among others. A prolonged strike, which is likely to include blocking roads, could affect inflation and, perhaps, also GDP growth.

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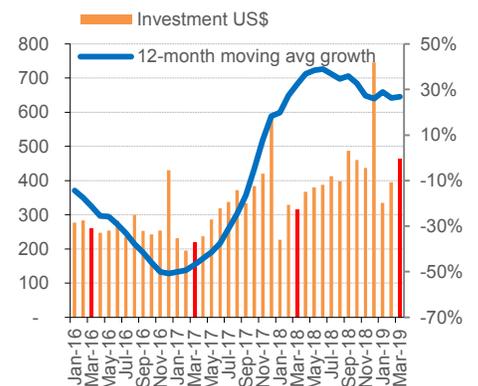
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Peru: Mining Investment and Growth



Source: Ministerio de Energía y Minas; Prepared by Scotiabank Peru.

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