

LATAM Market Update

- **Mexico: Industrial sector activity weakens further in July**
- **Peru: Mining investment to July continues robust, but output not so much**

MEXICO: INDUSTRIAL SECTOR ACTIVITY WEAKENS FURTHER IN JULY.

In July, industrial sector activity contracted 1.7% y/y, in line with the consensus forecast, and adding to the 2.9% y/y decline recorded in June. In the details, industrial activity was dragged down by an 8.4% y/y decline in construction, while mining and utilities fell 7.5% and 1.0%, respectively. On the other hand, manufacturing rebounded from -0.8% to 3.0% y/y, contributing to slightly offset the retrenchment across the other components. According to the seasonally and calendar adjusted series, industrial production declined by 0.4% m/m, which contrasts with the 1.1% expansion in June.

During the January-July period, industrial sector activity contracted 1.8% y/y, its lowest print since 2009. Overall, the IP figures contrast with the better-than-expected results recorded in both, the trade balance and financial activity indicators in July, reflecting the uncertainty that prevails in the economic outlook for the second half of the year.

—Carlos Tabares

PERU: MINING INVESTMENT TO JULY CONTINUES ROBUST, BUT OUTPUT NOT SO MUCH

Mining output data for July

- Copper output rose 4%, y/y, in July, taking YTD growth to 1.9%. Growth was led by Southern Peru Copper, up 25%, followed by Las Bambas, 15%. Output fell 9% at Cerro Verde, and growth was nearly nil at Antamina (-0.5%).
- Zinc output fell 14%, y/y, in July and 9.5% YTD, with strong gyrations by major players, including Antamina (-42.4%), Compañía Minera Chungar (-31.8%) on the decline, and Nexa Resources (+36.2%) and Volcan (+3.7%) showing growth.
- Gold output fell 11.3%, y/y in July, and 6.5% YTD: Barrick (-43.6%) and Consorcio Minero Horizonte (-14.3%) down, Minera Yanacocha (+2.6%) and Poderosa (+18.0%) up.
- Silver output fell 16.2%, y/y, in July, and 11.3% YTD: Antamina (-22.5%), Minera Ares (-19.3%), Buenaventura (-46.0%), Volcan (-22.0%) all declined, while output at Southern Peru (+24.3%) and Chinalco (+56.7%) rose.

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Mining investment for July

Mining investment rose 24.5%, y/y, in the January – July 2019 period. Investment growth is slowing, however, and monthly growth for July alone was up “only” 15.9%, y/y. Both figures are in line with our expectations of 19% growth for the full year, with lower growth in the remainder of the year due to a higher base comparison. However, investment is taking place in projects that are already committed, whereas investment in exploration for new projects or for expansions continues to decline, down 16.5% YTD. The following chart shows the companies that are leading in investment.

20 Highest Mining Investments, January to June 2019

COMPANY	US\$	y/y Growth	% of Total
1 ANGLO AMERICAN QUELLAVECO S.A.	554,674,680	191%	18.4%
2 MARCOBRE S.A.C.	418,410,470	456%	13.9%
3 MINERA CHINALCO PERU S.A.	209,120,592	100%	6.9%
4 SOUTHERN PERU COPPER CORPORATION	195,592,130	-39%	6.5%
5 MINERA LAS BAMBAS S.A.	138,438,360	95%	4.6%
6 SOCIEDAD MINERA CERRO VERDE S.A.A.	135,184,230	-23%	4.5%
7 COMPAÑIA MINERA ANTAMINA S.A.	126,135,576	12%	4.2%
8 SHOUGANG HIERRO PERU S.A.A.	114,357,892	-67%	3.8%
9 MINERA YANACOCOA S.R.L.	103,779,806	104%	3.4%
10 MINSUR S.A.	75,456,081	72%	2.5%
11 COMPAÑIA MINERA ANTAPACCAY S.A.	69,539,870	2%	2.3%
12 NEXA RESOURCES PERU S.A.A.	65,330,651	488%	2.2%
13 COMPAÑIA MINERA ARES S.A.C.	54,078,286	5%	1.8%
14 COMPAÑIA MINERA PODEROSA S.A.	52,434,201	9%	1.7%
15 VOLCAN COMPAÑIA MINERA S.A.A.	49,187,846	9%	1.6%
16 COMPAÑIA MINERA CHUNGAR S.A.C.	38,731,692	10%	1.3%
17 EMPRESA MINERA LOS QUENUALES S.A.	33,255,943	144%	1.1%
18 COMPAÑIA DE MINAS BUENAVENTURA S.A.A.	32,824,672	-8%	1.1%
19 SHAHUINDO S.A.C.	29,006,780	-60%	1.0%
20 HUBBAY PERU S.A.C.	28,239,893	31%	0.9%

Politics

Officers from institutions involved in conducting elections, especially the Oficina Nacional de Procesos Electorales (ONPE), Jurado Nacional de Elecciones (JNE), stated before a Congressional Committee on Tuesday that elections would need to be formally called in November at latest, for them to take place in April 2020, as the government proposes. The dates were not really a surprise, but do underline how little opposition in Congress actually needs to stall things for early elections not to proceed due to lack of time.

Newspapers have reported that on September 5th, Odebrecht provided Peru's Attorney General with 17 pages of new information detailing the code names of 71 government officials who received illicit payments involving 13 projects, for a total of US\$59 million. The actual names behind the code names have not been given, and, once they are, could send additional ripples through the political communities. Also, there seems to be no assurance that more information might not be forthcoming.

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