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Latam Daily: Peru's April GDP Soars Past Expectations While Mining Investment Slows

- **Peru: April GDP at 5.3%; it could hardly be better!; Mining investment slows but there is progress in approving mining permits**

PERU: APRIL GDP AT 5.3%; IT COULD HARDLY BE BETTER!

Yes, we were expecting a strong GDP figure for April, but the 5.3% YoY figure that was released this weekend soared past our expectations of 4.4% YoY growth. And we thought we were going out on a limb when we published our forecast. Note that the market consensus only reached 2.2%. Even the authorities got it wrong, as Finance Minister José Arista last week had initially stated that he expected 3.2% growth, only to offer that growth would surpass 4% a few days later (chart 1).

In any event, April GDP growth was the highest monthly figure since the economy rebounded from the COVID pandemic back in 2021. The question is, will it last? The short answer is probably not. The longer answer is that, even if growth that is consistently over 5% may not be in the cards for Peru anytime soon, growth should still remain quite robust.

One reason that April was special, is that April benefitted from two additional days due to the calendar shift in Easter holidays. This is part of the reason why April MoM growth figures are positive (versus March, which had two less days) nearly across the board, with hotels & restaurants the only exception.

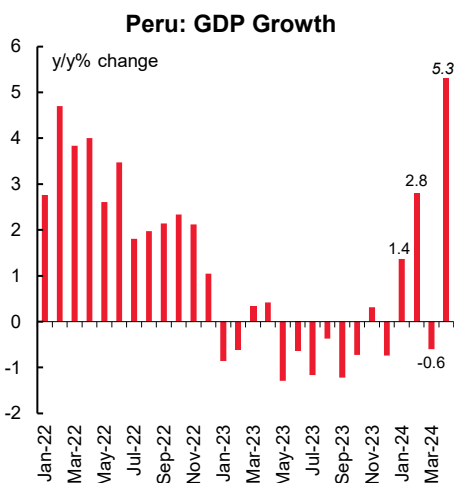
The second reason, the absence of El Niño, the severe weather event that affected growth strongly during this period in 2023, will last for a bit longer in the year, but will also eventually dissipate.

The El Niño rebound effect will last at least until May, which will be another strong month. We expect around 4.0% growth as fishing and agriculture will once again rise sharply compared with May 2023.

More specifically, the April–May fishing season has been remarkable, and we expect yet another month of double-digit growth in fishing GDP. However, after May, fishing will be much closer to normal. High agricultural growth may last a bit longer, but probably not on par with April growth of nearly 24%.

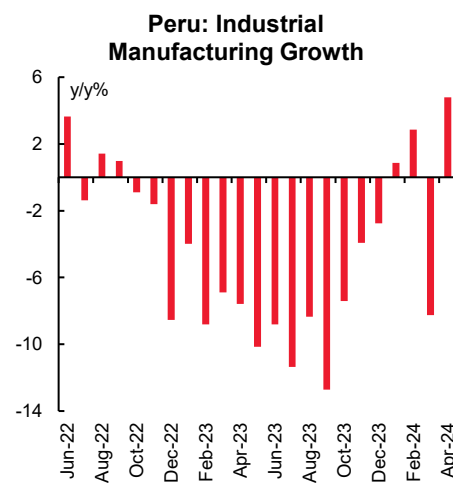
Thankfully, not all growth is due either to a calendar effect or to El Niño's disappearance. Domestic demand sectors are picking up as well. Construction growth, 7.0% YoY in April, and 5.7% YTD, is no doubt linked to public investment, which rose nearly 40% in Q1-2024,

Chart 1



Sources: Scotiabank Economics, INEI.

Chart 2



Sources: Scotiabank Economics, INEI.

and continued rising, up 44.5% YoY in May, according to the BCRP. Aside from public investment, we are also starting to see incipient signs of positive private investment growth (more infrastructure than residential), see table 1.

One of the more hopeful signs is the 4.8% increase in industrial manufacturing. We have been saying for a few months now that growth in Peru will lack sufficient conviction until industrial manufacturing, which is tightly linked to domestic demand, begins to perform better. The mildly positive growth in January–February was not quite enough, and was followed by an 8.2% decline in March that caught us off guard. So, while it’s a relief to see growth back in comfortably positive territory, after what happened in March, we’ll need to see a couple more months of positive growth before we feel comfortable that industrial manufacturing growth is here to stay (chart 2).

There is one more, somewhat curious, aspect to wonder about. The item officially presented as Other Product Taxes, which has not been a material contributor to growth in the recent past, rose 6.4% YoY in April, enough to appear on the radar screen. It is, however, not easy to gauge whether this component will continue to contribute or not going forward.

All in all, what current GDP growth figures are telling us is that growth is healthy and broad-ranged. Certainly, growth still represents more of a rebound from a difficult 2023 than anything else, but it’s starting to appear to be more than that, with a more organic component as well.

The labour market is also improving, albeit perhaps with a bit of a lag. Employment in Lima, the bellwether city, rose 4.7% in the three-months ending in May, with employment in the formal sector up 7.2% (informal employment only rose 1.4%). This is quite robust. Wait, there’s more. Household income rose 5.4%, YoY. This ratifies that, unlike 2023, household income is outpacing inflation, which should sustain positive consumption growth.

—Guillermo Arbe

MINING INVESTMENT SLOWS BUT THERE IS PROGRESS IN APPROVING MINING PERMITS

Mining investment fell 3.1% y/y in April, mildly better than the 6% drop we estimated (chart 3). The greatest deceleration came from Quellaveco (-60% y/y), as expected following the culmination of the investment stage of the new mine. This was compensated by greater investment at Antamina (+10.2%), Las Bambas (+221.5%), and Chinalco (+118%), in all cases thanks to the acceleration in the execution of brownfield projects. Investment in exploration continued to increase at a healthy annual rate (+16.6%), see table 2.

Government initiatives to reduce approval times for permits continued to advance. In early June the Ministry of Mines announced the approval of the modification of the Environmental Impact Assessment (MEIA-d) of the Tantauatay Replacement project (Minera Coimilache), for more than US \$1.5 billion, well above of US \$127 million announced in the Mining Project Portfolio (March 2024 edition). This investment is expected to take place over five years. Additionally, the technical supporting report for the expansion of the Cerro Verde mining unit was also approved, for more than US \$600 million, to be invested over three years, according to the company.

Regarding mining output, April had a mixed performance. Gold production increased 11.2%, led by higher output at Yanacocha (+33.5%), while the production of molybdenum continued to increase at a good pace due to the base effect of Quellaveco, which began to produce in May 2023, and also reflecting higher output at Southern Perú (+36.0%) due to better ore grades and recoveries. Silver production also increased for silver, up 3.2%, together with iron, up 8.4%, tin, 13.8%, and molybdenum, 37.4%.

On the other hand, copper output fell 8.2%, zinc was down 29.7%, and lead declined 1.5%. All of this was mainly due to the two-day stoppage of Antamina’s plant to carry out scheduled maintenance and due to the suspension of three Volcan mines, to update their operating permit for their tailings dam (table 3).

Industry	Apr y/y	Apr m/m	Jan-Apr y/y
GDP	5.3	1.7	2.4
Agriculture	23.7	5.4	6.3
Fishing	158.4	112.4	0.7
Mining and Oil & Gas	-4.3	5.0	4.5
Mining	-4.5	na	8.8
Oil & Gas	-3.6	na	0.9
Industrial Manufacturing	4.8	na	-1.9
Electricity and water	2.6	0.7	3.6
Construction	7.0	1.2	5.7
Commerce	3.1	0.2	2.6
Transportation	7.3	0.8	5.0
Hotels & Restaurants	-3.5	-0.4	1.8
Telecom	3.3	1.1	0.4
Financial Services	-2.8	0.4	-4.1
Business Services	4.0	0.3	3.1
Government Services	3.9	na	3.8
Other Product Taxes	6.4	na	-0.4

Sources: Economics, INEI.

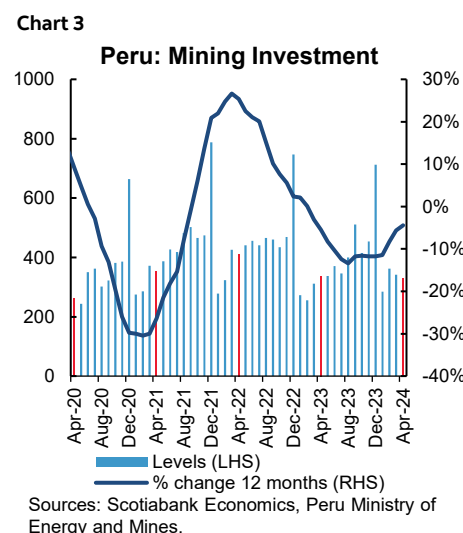


Table 2: Peru—Top 20 Mining Companies by Investment Amount USD

Company	April			January-April			
	2023	2024	y/y % change	2023	2024	y/y % change	Share
1 ANGLO AMERICAN QUELLAVECO S.A.	43,510,822	17,242,875	-60.4%	140,840,105	159,592,197	13.3%	5.3%
2 COMPAÑIA MINERA ANTAMINA S.A.	40,896,134	45,073,254	10.2%	146,585,466	138,053,606	-5.8%	13.8%
3 MINERA LAS BAMBAS S.A.	8,153,836	26,213,049	221.5%	27,340,992	100,780,738	268.6%	8.0%
4 MINERA CHINALCO PERU S.A.	12,279,352	26,770,398	118.0%	44,357,163	97,503,372	119.8%	8.2%
5 SOCIEDAD MINERA CERRO VERDE S.A.A.	22,577,423	22,387,437	-0.8%	74,505,676	84,352,972	13.2%	6.8%
6 SOUTHERN PERU COPPER CORPORATION S.A.	33,175,532	7,692,557	-76.8%	116,436,512	76,236,023	-34.5%	2.4%
7 COMPAÑIA DE MINAS BUENAVENTURA S.A.A.	11,392,787	27,655,382	142.7%	39,167,560	67,847,685	73.2%	8.4%
8 SHOUGANG HIERRO PERU S.A.A.	13,523,492	14,000,172	3.5%	41,961,331	49,844,769	18.8%	4.3%
9 COMPAÑIA MINERA PODEROSA S.A.	10,777,223	11,010,221	2.2%	42,172,123	46,574,703	10.4%	3.4%
10 NEXA RESOURCES EL PORVENIR S.A.C.	3,493,357	6,536,573	87.1%	16,430,719	32,674,359	98.9%	2.0%
11 MINSUR S.A.	4,748,714	7,541,554	58.8%	13,943,312	30,717,897	120.3%	2.3%
12 COMPAÑIA MINERA ARES S.A.C.	6,332,448	8,826,093	39.4%	24,391,701	30,304,272	24.2%	2.7%
13 COMPAÑIA MINERA ANTAPACCAI S.A.	2,680,591	10,046,339	274.8%	13,966,906	28,579,351	104.6%	3.1%
14 MINERA YANACOCHA S.R.L.	19,764,186	1,798,715	-90.9%	77,322,199	25,534,381	-67.0%	0.5%
15 PAN AMERICAN SILVER HUARON S.A.	1,877,339	10,095,818	437.8%	5,522,611	24,862,387	350.2%	3.1%
16 VOLCAN COMPAÑIA MINERA S.A.A.	10,314,293	3,027,647	-70.6%	32,796,502	22,278,895	-32.1%	0.9%
17 HUBBARD PERU S.A.C.	9,438,487	5,441,198	-42.4%	26,273,113	21,010,388	-20.0%	1.7%
18 MARCOBRE S.A.C.	6,523,057	4,285,771	-34.3%	24,755,498	20,755,876	-16.2%	1.3%
19 NEXA RESOURCES PERU S.A.A.	4,248,780	3,940,912	-7.2%	13,110,238	12,830,947	-2.1%	1.2%
20 ALPAYANA S.A.	3,100,685	3,878,473	25.1%	13,284,936	12,169,550	-8.4%	1.2%
Others	68,987,596	63,876,062	-7.4%	251,202,902	239,757,122	-4.6%	19.5%
Total investment	337,796,134	327,340,500	-3.1%	1,186,367,565	1,322,261,490	11.5%	100.0%

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

Table 3: Peru—Mining Output

Extracted Elements Measurement Units	Copper	Gold	Zinc	Silver	Lead	Iron	Tin	Molybdenum
	MT	oz	MT	oz	MT	MT	MT	MT
April 2024, y/y % change	-8.2	11.2	-29.7	3.2	-1.5	8.4	13.8	37.4
Jan-Apr 2024, y/y % change	0.4	19.4	-5.7	7.7	9.2	6.6	140.5	29.1

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

—Katherine Salazar

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