

Contributors

Juan Manuel Herrera

Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Jackeline Piraján, Head Economist, Colombia
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Katherine Salazar, Analyst
+51.1.211.6000 Ext. 16661 (Peru)
katherine.salazar@scotiabank.com.pe

Latam Daily: BCCh Minutes, Mexican Macro; Peru Mining Investment Update

- **Peru: Mining investment driven by brownfield projects**

Miserable PMIs out of France and Germany have European and US rates strongly bid (EGBs in particular) in the front-end, resulting in a clear steepening tilt, as the European industrial sector sinks to new depths with less and less light shining through. A larger than expected pullback in French services activity after the August Olympics and nothing but lowlights for Germany's manufacturing industry dragged on the Eurozone aggregate index where only Italy and Spain seem to have prevented a bigger undershoot of the 50-mark in the Eurozone composite index (48.9). UK PMIs also missed expectations, but by quite a bit less than its continental peers'.

The data releases shattered the market's calm after an uneventful overnight session where Japanese trading (and thus cash USTs) was closed for holidays and most asset classes were holding to Friday ranges. The PBoC announced an unexpected 10bps 14-day repo rate cut and a briefing tomorrow with PBoC Gov Gongheng and two other government officials that local markets have interpreted as an occasion to announce more (likely ineffective) stimulus measures. G10 markets now have a quiet European morning, waiting until the Fed's Bostic (hawkish) at 8ET and US PMIs at 9.45ET.

Broad currency losses—outside the JPY's small 0.2% gain—and a strong bid in global rates over the past three hours points to risk-off trading, but limited moves in equity cash and futures (SPX contracts a touch firmer) reflect more benign sentiment. Crude oil's 50c/bbl decline from before the French PMIs is not massive in the grand scheme of things and leaves barrel prices even slightly higher on the day; iron ore falling 2.5% and copper off 1% show European manufacturing pessimism trumps loose support hopes out of China.

The Latam morning kicks off with the 7.30ET release of the BCCh's meeting minutes, followed thirty minutes later by Mexican retail sales and economic activity figures for July. The BCCh's minutes may inform markets that remain split regarding the size of October's rate cut. Before Chilean markets shut from Wednesday to Friday, there was about 35bps in implied cuts for next month, but the Fed's larger reduction will likely see traders build in higher odds of a half-point cut in Chile.

Mexico's IGAE is expected to show a decent increase of 2.0% y/y that would leave behind the 0.6% y/y contraction in June when the economy held flat on a month-on-month basis. Construction strength, going from 1.6% to 5.3% y/y in July, and a smaller negative print for extraction sector activity will be behind the improvement in the economic activity index. ANTAD retail sales data (a rough guide for official retail sales data) showed a deceleration from 6.4% to 4.0% y/y, but the INEGI's figures are due to recover to a small y/y decline as June's decline of 3.9% y/y reflected a high base of comparison. In any case, it will be tomorrow's bi-weekly CPI data that should be more closely watched ahead of Banxico's rate decision on Thursday—where a 50bps cut cannot be ruled out.

Over the next couple of days, we'll also pay close attention to headlines out of Colombia regarding budget discussions with only three days left to have Congress approve the government's proposal. Were the project to fail in the legislature under a September 25 deadline, the finance ministry could still approve the budget by decree but would be COP12bn short that was to be raised with the financing bill; without that, Fin Min Bonilla has said that they would need to delay some expenses in early-2025 to adjust to available revenues. The latter result would certainly not be comforting news for Colombian markets, though it would not mean the government falls short on its debt obligations.

—Juan Manuel Herrera

PERU: MINING INVESTMENT DRIVEN BY BROWNFIELD PROJECTS

Mining investment increased 8.7% y/y in July, with a cumulative 9.8% increase over the first seven months, closely matching our projection. We maintain our forecast of 6.0% growth for 2024 (chart 1).

The largest investments are coming from mining companies working on brownfield projects: Toromocho Expansion (Chinalco), Antamina Replacement (Antamina), Inmaculada Replacement (Ares), and Chalcobamba (Las Bambas). Meanwhile, the Ministry of Mining project portfolio includes just two greenfield projects: San Gabriel and Yumpag, both belonging to Buenaventura. Additionally, Cerro Verde has significantly ramped up its investment following the approval of its technical report in early June, focusing on optimizing tailings disposal, implementing new power transmission lines, and conducting exploratory geological drilling. Most of these mining projects focus on copper, gold, and silver, with prices remaining favourable to drive investment (table 1).

Chart 1

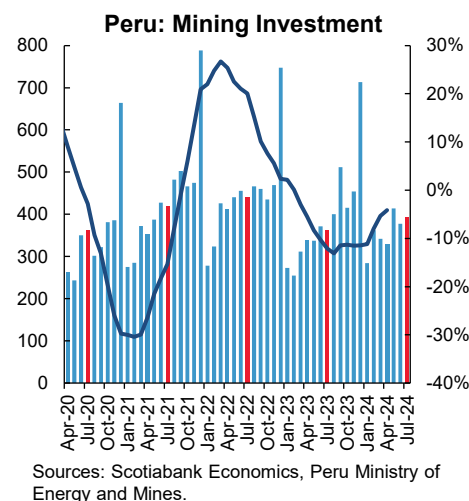


Table 1: Peru - Top 20 Mining Companies by Investment Amount

Company	July			January-July			Share
	2023	2024	y/y % change	2023	2024	y/y % change	
1 COMPAÑIA MINERA ANTIMINA S.A.	38,269,382	56,724,759	48.2%	255,595,198	296,382,071	16.0%	14.5%
2 ANGLO AMERICAN QUELLAVECO S.A.	29,352,862	9,683,199	-67.0%	245,107,152	219,937,987	-10.3%	2.5%
3 MINERA LAS BAMBAS S.A.	23,217,000	47,891,863	106.3%	88,462,621	197,308,980	123.0%	12.2%
4 SOCIEDAD MINERA CERRO VERDE S.A.A.	20,521,650	39,097,230	90.5%	144,236,057	196,408,026	36.2%	10.0%
5 SOUTHERN PERU COPPER CORPORATION SUCURSAL DEL PERU	22,155,317	29,445,425	32.9%	184,734,365	171,222,306	-7.3%	7.5%
6 MINERA CHINALCO PERU S.A.	12,507,624	13,413,630	7.2%	82,129,283	140,293,282	70.8%	3.4%
7 COMPAÑIA DE MINAS BUENAVENTURA S.A.A.	16,289,663	25,638,877	57.4%	80,293,604	140,126,434	74.5%	6.5%
8 SHOUGANG HIERRO PERU S.A.A.	24,319,287	5,683,042	-76.6%	107,279,619	111,332,931	3.8%	1.4%
9 COMPAÑIA MINERA PODEROSA S.A.	11,283,546	12,971,235	15.0%	73,495,708	84,289,006	14.7%	3.3%
10 COMPAÑIA MINERA ANTAPACAY S.A.	12,447,085	12,394,991	-0.4%	37,049,166	57,217,236	54.4%	3.2%
11 MINSUR S.A.	5,594,196	7,446,731	33.1%	41,051,226	55,973,609	36.4%	1.9%
12 COMPAÑIA MINERA ARES S.A.C.	6,716,056	8,345,945	24.3%	44,277,196	54,448,524	23.0%	2.1%
13 VOLCAN COMPAÑIA MINERA S.A.A.	9,639,113	9,020,129	-6.4%	59,552,715	47,222,362	-20.7%	2.3%
14 PAN AMERICAN SILVER HUARON S.A.	1,982,216	5,444,702	174.7%	12,153,685	46,906,959	285.9%	1.4%
15 HUSBAY PERU S.A.C.	11,107,581	8,384,673	-24.5%	56,685,580	43,994,934	-22.4%	2.1%
16 NEXA RESOURCES EL PORVENIR S.A.C.	5,523,282	2,795,854	-49.4%	28,149,697	40,927,044	45.4%	0.7%
17 MINERA YANACOCHA S.R.L.	18,143,292	5,046,275	-72.2%	140,838,483	37,606,973	-73.3%	1.3%
18 MARCOBRE S.A.C.	8,380,705	4,744,091	-43.4%	50,438,496	37,282,365	-26.1%	1.2%
19 NEXA RESOURCES PERU S.A.A.	4,610,105	3,732,435	-19.0%	24,900,877	25,183,840	1.1%	1.0%
20 COMPAÑIA MINERA RAURA S.A.	1,570,906	3,944,741	151.1%	13,106,821	23,895,372	82.3%	1.0%
Others	77,124,662	80,428,804	4.3%	518,735,582	483,683,112	-6.8%	20.5%
Total investment	360,755,530	392,278,631	8.7%	2,288,273,131	2,511,643,353	9.8%	100.0%

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

Mining output showed mixed results in July. Gold production increased 4.5% y/y, driven by a significant 103% increase from Poderosa due to base effects. Boroo Misquichilca also had strong growth (+94.3% y/y), thanks to tank leaching, a technique for extracting precious metals from carbonaceous ores. Yanacocha’s output dipped slightly by 5.9% y/y.

Table 2: Peru - Mining Output								
	Copper MT	Gold oz	Zinc MT	Silver oz	Lead MT	Iron MT	Tin MT	Molybdenum MT
July 2024, y/y % change	-3.2	4.5	-16.1	16.2	8.9	-1.1	0.3	38.0
Jan-Jul 2024, y/y % change	-2.3	12.6	-10.6	11.0	9.6	3.9	53.2	28.6

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

Production of silver (+16.6% y/y), lead (+8.9% y/y), tin (+0.3% y/y), and molybdenum (+38% y/y) also increased.

Copper production fell 3.2% y/y in July; however, there was a 4.1% m/m increase due to the recovery of production at Cerro Verde and Chinalco during the month. Production of zinc (-16.1% y/y) and iron (-1.1% y/y) also fell (table 2).

—Katherine Salazar

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