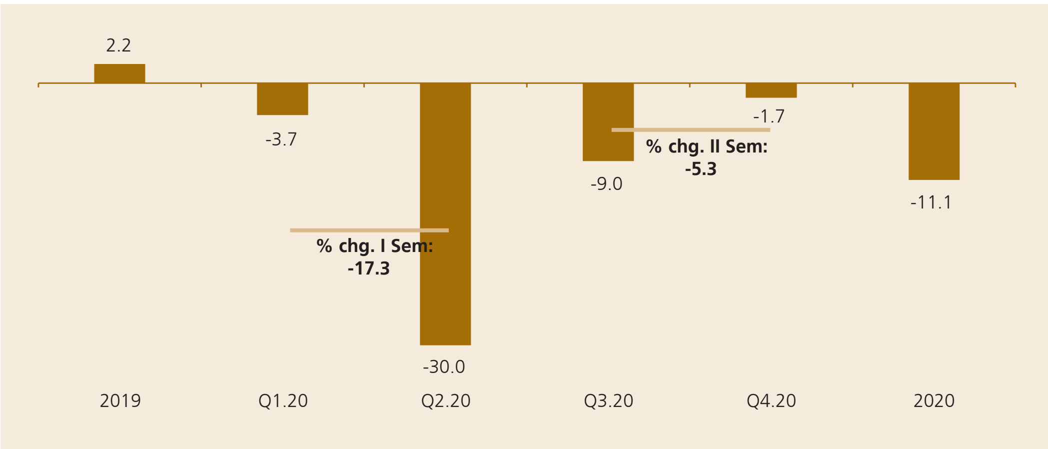
Production and Employment

After the first cases of COVID-19 were detected in Peru in March, the government implemented one of the strictest quarantines in the world to contain the spread of the disease. A lockdown was imposed on most production sectors, leaving in operation only those considered essential. This restriction deteriorated employment and production significantly and, consequently, agents' expectations about the future evolution of the economy. In addition, external demand for our products declined due to the global spread of the virus and the sanitary measures imposed in each country. As a result, Peru's GDP contracted 17.3 percent in the first half of the year (-30.0 percent in the second quarter).

A faster than expected pace of economic recovery was observed in the second half of the year with the gradual resumption of operations in the locked-down sectors and the easing of mandatory immobility. Fiscal and monetary policies also played a crucial role in the economic recovery, the former including transfers to households and subsidies to companies to alleviate the economic impact of the crisis, together with a government-guaranteed credit program. On the other hand, the Central Bank increased the provision of credit through a highly expansionary monetary policy, which provided companies with sufficient liquidity to meet their obligations and finance their working capital. These factors contributed to a lower contraction of activity (-5.3 percent) in the second half of the year (-1.7 percent in the fourth quarter).

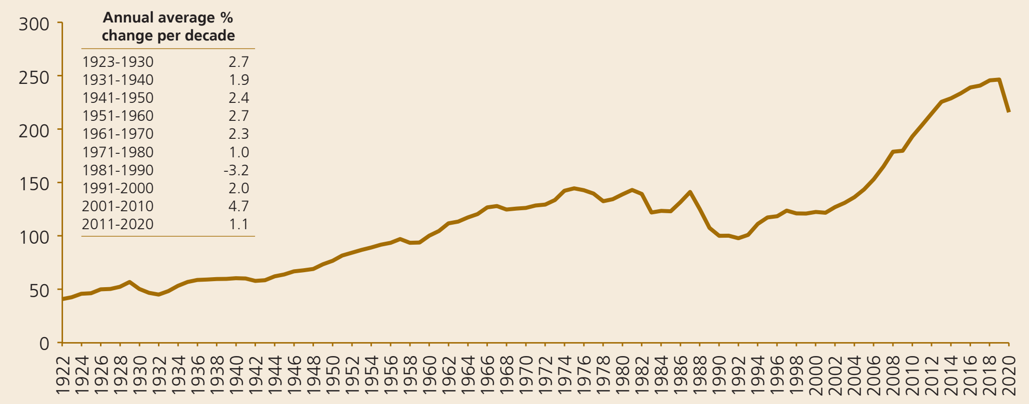
Graph 1
REAL GDP: 2019-2020
(Annual % change)



Thus, after 21 years of continuous growth, economic activity in Peru declined 11.1 percent in 2020. This annual contraction rate had not been observed since 1989, when the economy contracted 12.3 percent.

Per capita GDP declined 12.5 percent in 2020, recording a similar decline to that observed in 2012. Consequently, the average growth rate of the last 10 years decreased from 3.2 percent in 2019 to 1.1 percent in 2020, with which this indicator closed the decade with a rate significantly lower than that of the first decade of this century (4.7 percent).

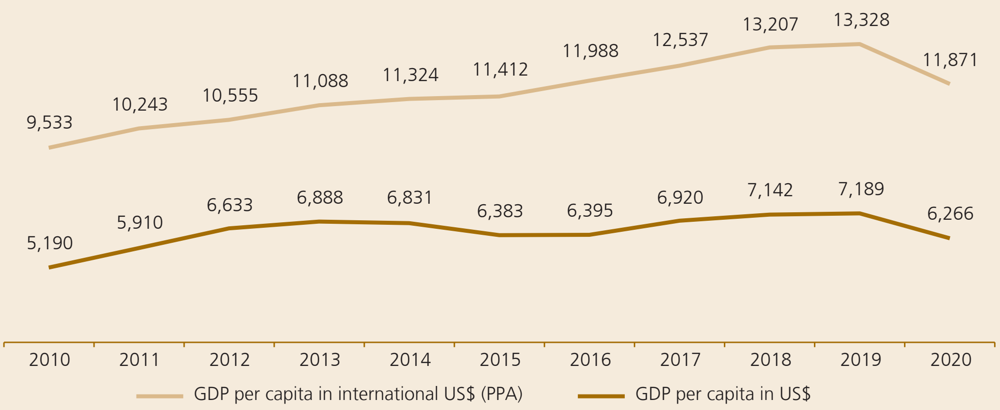
Graph 2
REAL PER CAPITA GROSS DOMESTIC PRODUCT
(Index 1960=100)



Source: INEI and BCRP.

Per capita GDP in dollars fell -12.8 percent, from US$ 7,189 in 2019 to US$ 6,266 in 2020 (the lowest level since 2011), which includes in part the effect of currency depreciation. GDP per capita measured in terms of purchasing power parity (PPP) –an indicator based on the same basket of goods that is used for international comparisons– declined 10.9 percent to US$ 11,871 PPP, a level similar to that of 2016.

Graph 3
PER CAPITA GDP: IN US$ AND INTERNATIONAL PPA US$)



Source: IMF and BCRP.

1. Domestic demand

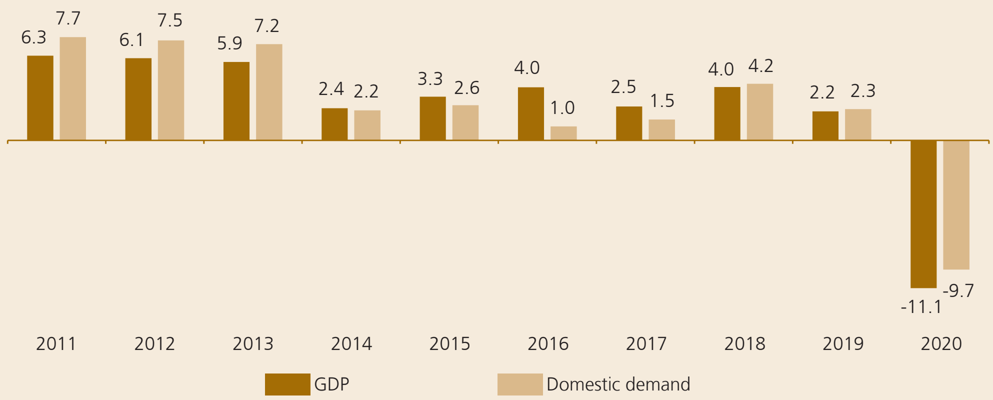
In constrast with the 2.3 percent growth rate recorded in 2019, domestic demand declined 9.7 percent in 2020 due to the sharp contraction of private consumption and investment, indicators in turn affected by mandatory social immobility and reduced access to goods and services. Additional factors weighing on this result were the deterioration of economic agents' expectations and the suspension of construction works and other investment projects of national interest during the first half of the year. As the four phases of the economic reactivation were implemented, there was a reversal in the components of domestic demand, sustained by the easing of sanitary measures, the resumption of operations of most companies and investment plans, greater access to goods and services, and better expectations about the future evolution of the economy.

Table 1
GROSS DOMESTIC PRODUCT BY TYPE OF EXPENDITURE
(Annual % change)

	2018	2019	2020	Average 2001-2010	Average 2011-2020
Domestic demand	**4.2**	**2.3**	**-9.7**	**6.2**	**2.5**
a. Private consumption	3.8	3.0	-8.7	5.1	3.2
b. Public consumption	0.4	2.2	7.4	5.1	4.5
c. Gross fixed investment	4.4	3.3	-16.4	9.5	0.7
- Private	4.1	4.5	-16.6	10.0	1.0
- Public	5.4	-1.5	-15.5	8.0	-0.8
Exports	2.4	0.7	-20.1	6.2	1.2
Less:					
Imports	3.2	1.2	-15.7	9.0	1.5
GDP	**4.0**	**2.2**	**-11.1**	**5.6**	**2.4**
Memo:					
Total public expenditure	1.8	1.1	0.9	6.0	2.9

Source: INEI and BCRP.

Graph 4
GDP AND DOMESTIC DEMAND
(Real % change)



Source: INEI and BCRP.

1.1 Private consumption

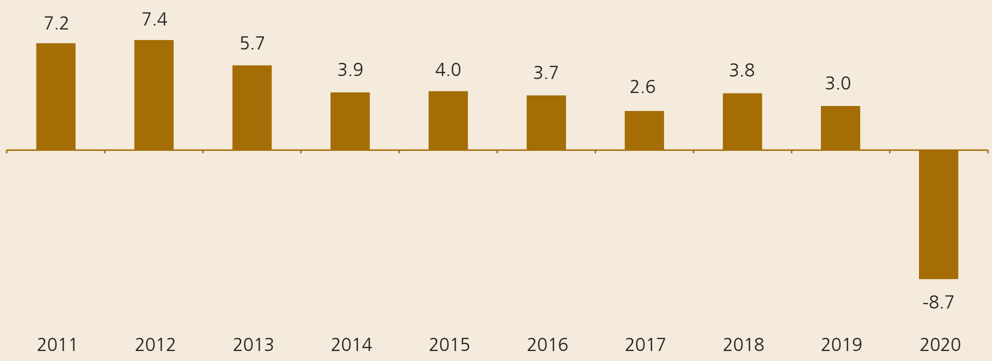
Private consumption fell 8.7 percent in 2020 –the sharpest drop observed since 1990–, which contrasted with the 3.0 percent growth rate registered in 2019. The contraction in 2020 is explained mainly by the strong decline of private formal employment and by the decline of the formal wage bill during the first half of the year, as well as by the lower access to goods and services and by the deterioration of household expectations. However, a recovery of these indicators was observed during the second half of the year due to the easing of sanitary restrictions and the resumption of operations of most companies. In 2020, formal private employment fell 6.2 percent, which implied the loss of 235 thousand jobs during the year. Similarly, in 2020 the formal wage bill decreased 4.2 percent, after having grown 5.8 percent in 2019.

Table 2
INDICATORS OF PRIVATE CONSUMPTION
(% change)

	2018	2019	2020
National employment (private sector)	4.3	3.8	-6.2
Payroll (private and public sector)	8.7	5.8	-4.2
Consumer confidence index - Apoyo 1/	48	49	41
Expectation about household situation 12 months ahead 1/	63	63	56
Real consumer loans	10.7	10.7	-8.9
Sale of poultry (tons, diary average)	8.8	12.8	-15.1
Retail sales	2.8	2.9	-15.2
Volume of imports of consumer goods	0.9	-1.2	-9.2
Non-durable, excluding foods	1.7	1.1	0.2
Durable	0.0	-4.0	-21.5

1/ Value more than 50 means growth.
Source: BCRP, INEI, SUNAT, Apoyo, and MINAGRI.

Graph 5
PRIVATE CONSUMPTION
(Real % change)



Source: INEI and BCRP.

1.2 Private investment

Private investment fell 16.6 percent in 2020 (the largest drop since 1990), due to lower mining investment (-28.2 percent) and lower investment in other sectors (-14.6 percent). This negative result contrasted with the 4.5 percent growth rate recorded in 2019.

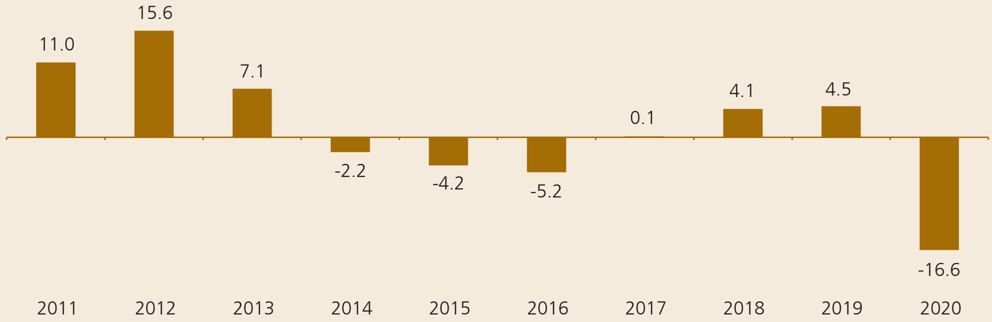
The sharp contraction of investment was mainly associated with mandatory social immobility which led to the interruption of different projects during the first half of the year, as well as with the collapse of business confidence due to the COVID-19 crisis at the global level. However, with the easing of the restrictions implemented by the Government, there was a greater execution of new investment projects and a recovery of investor confidence, as reflected by the index of businessmen's expectations about the economy in 3 and 12 months. In addition, the change in family spending habits allowed households to allocate a higher percentage of their income to self-construction projects, which contributed to offset the drop in private investment during the second half of the year.

Table 3
MINING AND NO MINING INVESTMENT
(Real % change)

	2018	2019	2020	Average 2011-2020
Total private investment	4.1	4.5	-16.6	1.4
Mining sector	22.8	23.6	-28.2	7.6
No mining sectors	1.9	1.8	-14.6	1.2

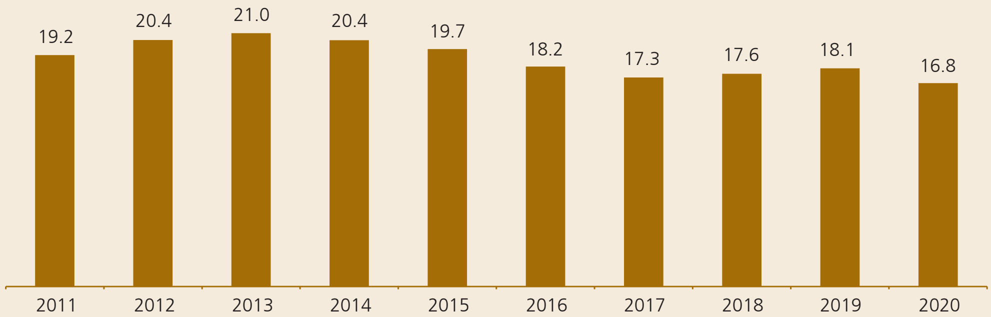
Source: MINEM and BCRP.

Graph 6
GROSS PRIVATE FIXED INVESTMENT
(Real % change)



Source: INEI and BCRP.

Graph 7
GROSS PRIVATE FIXED INVESTMENT
(% GDP)



Source: INEI and BCRP.

Some of the projects that supported investment in sectors such as mining, hydrocarbons, energy, and manufacturing in 2020 are worth pointing out. Investment projects standing out in the mining sector included Anglo American's investment of US$ 1,314 million for the construction and equipment of its Quellaveco project in Moquegua, as well as Marcobre's investment of US$ 497 million in its Mina Justa project in Ica, and the investment of Compañía Minera Antamina, which operates in the Ancash region, of a total of US$ 319 million.

In the hydrocarbons sector, Repsol invested US$ 25 million, of which US$ 3.4 million was for the project Adaptation to New Fuel Specifications at La Pampilla Refinery (RLP21) and US$ 2.7 million for the project New Terminal T4 and Improvements to Terminals T1, T2, and T3 (RLP35).

In the energy sector, Luz del Sur invested US$ 147 million mainly for the improvement and expansion of the electricity system, while Enel Distribución and Enel Generación invested US$ 135 million and US$ 35 million, respectively. The investment of the former was mainly used in the expansion of networks, sub-transmission plans, security, corrective maintenance and information systems with the aim of ensuring the quality and reliability of supply, while the investment of the latter was mainly used in automation and digitalization projects.

In the manufacturing sector, Aceros Arequipa invested US$ 101 million in the new steel plant and in making improvements at the Pisco plant. Unión de Cervecerías Peruanas Backus y Johnston committed US$ 56 million to expand the capacity of its brewing plants, distribution centers, units of plastic crates and glass containers, and transportation units. Likewise, Unión Andina de Cementos invested US$ 36 million in several projects, such as de-dusting the coolers, carrying out the migration of the control and maintenance system of kiln 2; the modernization of the Carpapata 1 and 2 hydroelectric power plants, and roofing the clinker field at the Condorcocha plant; among other projects. Finally, Alicorp's investment of US$ 25 million was used mainly for the acquisition of a new packaging and baling line at the detergent plant, civil works and the purchase of equipment and furniture for the administrative offices in Miraflores, and the expansion of the bottles and buckets line at the oil plant.

1.3 Public expenditure

Public expenditure registered a growth rate of 0.9 percent in 2020, less than the 1.1 percent observed in 2019. The growth rate in the year is explained by a 7.4 percent increase in public consumption, which was offset by a 15.5 percent contraction in public investment.

Public consumption showed a faster pace of growth, accelerating from 2.2 percent in 2019 to 7.4 percent in 2020. This result is explained by greater purchases of goods and services to address the pandemic, especially by local governments, as well as by increased spending on maintenance, repair, and refurbishment services, training services, and neighborhood road maintenance services, under the Arranca Perú program in the second half of the year.

The evolution of was marked by the stagnation of projects related to the Reconstruction with Changes program and other projects of national interest during the first half of the year. Despite this, a recovery in public investment was observed in the second half of the year, driven by the increased execution of projects related to the reconstruction of the north, the Arranca Perú program, and by actions in response to COVID-19.

2. Exports and imports

Exports of goods and services dropped 20.1 percent in 2020, the largest contraction observed since data on exports and import are recorded (1951). This result, which contrasts with the 0.7 percent increase observed in 2019, is explained by the reduction in exports of traditional products (-17.7

percent), non-traditional products (-1.5 percent), and exported services (-56.3 percent). The almost generalized drop in shipments of goods to foreign markets during 2020 was determined by the contraction of global demand due to the pandemic, the lockdown of activities considered non-essential during the first half of the year, and compliance with sanitary protocols. On the other hand, exports of services fell mainly due to the drop in the arrival of foreign passengers in the country as a result of the spread of the pandemic worldwide.

The decline in traditional exports was largely associated with lower shipments of mining and fishing products. Gold and copper exports were affected by lower production from Yanacocha, Barrick, Cerro Verde, and Antamina, while fishmeal exports were affected by the cancellation of the second anchovy season in the north-central zone in 2019. Other factors also contributing to this decline, although to a lesser extent, were the reduction in foreign sales of other traditional products, such as oil and coffee, as well as the decline of exports of textile, fishing, iron and steel, and non-metallic mining products among non-traditional products. On the other hand, however, there was an increase in exports of zinc and agricultural and chemical products, which slightly offset the drop in total exports.

Imports of goods and services contracted 15.7 percent, recording the largest drop in imports since 1978. This result, which contrasts with the 1.2 percent growth rate observed in 2019, is explained by the reduction in purchases of consumer durables, capital goods, inputs (industrial inputs, food inputs, and crude oil and derivatives) and by the lower demand for imported services, with transportation and travel services standing out among the latter. It should be pointed out that the reduction in the volume of imports was in part offset by the increase in purchases of non-durable consumer goods. Likewise, imports of services fell, especially in services of travel and passenger transportation due to restrictions for international travel and to the drop in household spending.

3. Production Sectors

By production sector, GDP registered an almost generalized contraction in all of the sectors, except in agriculture and fishing. Primary production fell 7.7 percent, while non-primary production fell 12.1 percent. The sectors with the highest average growth in the second decade of this century were electricity and water (4.0 percent), agriculture (3.6 percent) and services (3.3 percent).

Table 4
GROSS DOMESTIC PRODUCT BY ECONOMIC SECTOR
(Annual % change)

	2018	2019	2020	Average 2001-2010	Average 2011-2020
Primary GDP	**3.5**	**-0.9**	**-7.7**	**4.2**	**2.5**
Agriculture and livestock	7.7	3.5	1.3	3.5	3.6
Fishing	47.7	-17.2	2.1	1.0	2.4
Metallic mining	-1.7	-0.8	-13.5	5.6	2.4
Hydrocarbons	0.0	4.6	-11.0	5.4	-1.0
Manufacturing	12.9	-8.5	-2.6	1.3	2.9
Non-primary GDP	**4.1**	**3.1**	**-12.1**	**6.0**	**2.4**
Manufacturing	3.4	1.0	-17.3	7.1	-1.2
Electricity and water	4.4	3.9	-6.1	5.7	4.0
Construction	5.3	1.4	-13.9	9.0	1.3
Commerce	2.6	3.0	-16.0	6.2	2.1
Services	4.4	3.6	-10.3	5.4	3.3
GDP	**4.0**	**2.2**	**-11.1**	**5.6**	**2.4**

Source: INEI and BCRP.

3.1 Agricultural Sector

Output in the agricultural sector maintained its dynamism during 2020 in the context of the pandemic due to its direct link with the supply of staple products, which allowed it to register a growth rate of 1.3 percent in the year, although it should be pointed out that this rate was offset by a slowdown in demand for poultry meat in the context of the pandemic. The continuous growth of this sector over the past sixteen years is also worth highlighting.

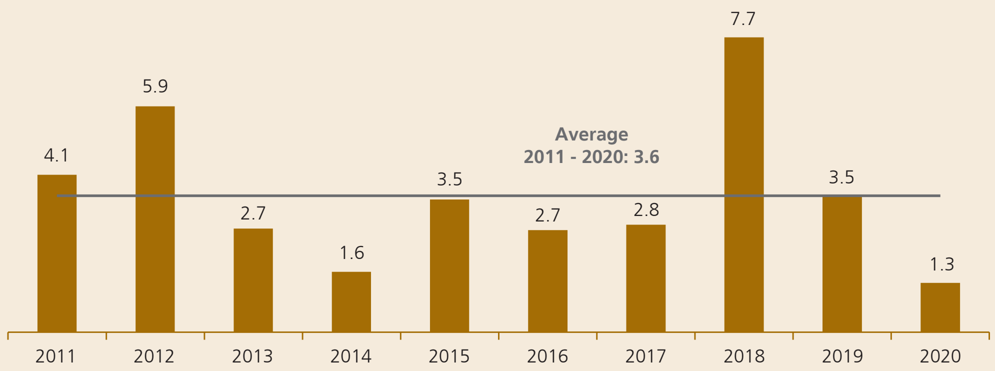
This prolonged growth of the agricultural output in the second decade of the 21st century (3.6 percent) is explained by export-oriented agriculture (7.2 percent), livestock production (4.0 percent) and, to a lesser extent, by crops for the domestic market (2.4 percent).

Table 5
AGRICULTURE AND LIVESTOCK PRODUCTION
(Annual % change)

	2018	2019	2020	Average 2011-2020
A. Agricultural production	**9.6**	**2.7**	**3.1**	**3.6**
For the domestic market	8.4	-1.2	2.4	2.4
Potato	7.4	5.0	1.1	3.7
Rice	17.1	-10.3	7.3	1.9
Onion	-10.9	-1.2	-5.1	-1.8
Tangerine	18.0	4.5	4.4	9.0
Orange	0.9	1.4	8.6	3.4
Tomato	14.9	-20.4	1.0	-1.0
Bananas	10.8	2.6	2.4	1.4
Cassava	3.6	3.0	3.9	0.7
Garlic	10.8	-21.0	9.0	3.7
Lemon	53.9	12.0	4.8	3.2
Pineapple	10.9	3.1	4.9	6.7
For industry	8.5	3.9	-11.5	0.1
Yellow hard maize	1.3	0.4	-11.4	-1.3
Cotton	89.4	27.6	-65.9	-11.3
Oil palm	9.2	1.2	-1.3	12.2
Sugar cane	10.0	5.5	-4.0	0.6
For export	12.2	9.5	7.9	7.2
Coffee	9.6	-1.7	2.3	2.9
Asparagus	-5.9	-1.1	2.0	0.8
Grapes	0.1	-0.9	15.0	10.1
Avocado	8.1	13.4	15.5	13.6
Mango	-2.1	12.9	15.6	0.9
Cocoa	10.5	5.3	6.9	12.5
Quinoa	10.3	3.1	11.9	9.3
Blueberry	62.1	74.4	22.0	n.d
B. Livestock production	**5.8**	**4.1**	**-1.6**	**4.0**
Poultry	7.5	4.5	-2.0	5.4
Eggs	8.9	8.0	1.9	5.7
Pork	4.6	5.0	-2.0	3.9
Milk	2.7	2.6	0.8	2.4
C. TOTAL 1/	**7.7**	**3.5**	**1.3**	**3.6**

1/ Includes the forestry sector.
Source: INEI and MINAGRI.

Graph 8
AGRICULTURE AND LIVESTOCK SECTOR
(% change)



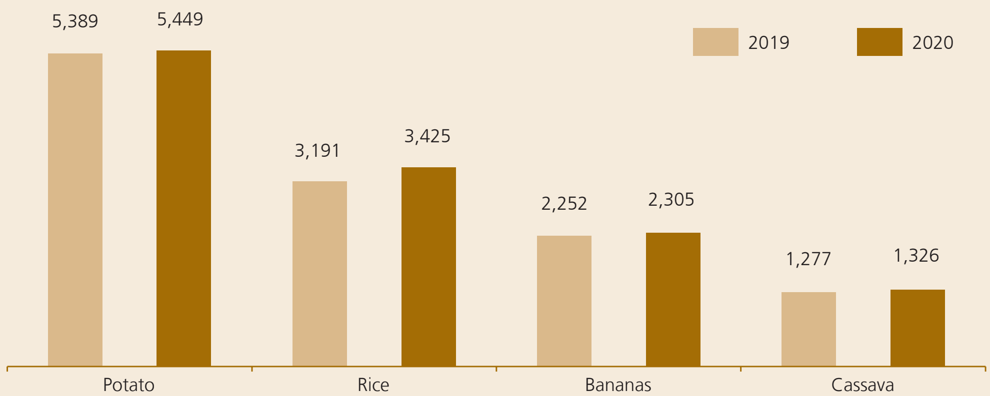
Source: INEI.

The sector's growth in 2020 was supported by the dynamism of agro-exports (7.9 percent) and agriculture for the domestic market (2.4 percent). On the other hand, however, agro-industrial production contracted given that the poultry industry was affected by the closure of restaurants and the limited maximum capacity imposed on establishments as measures against the spread of COVID-19.

Production for the **domestic market** benefited from the recovery of rice production (7.3 percent) due to better yields in the short growing season in the northern cultivation areas (Piura and Lambayeque).

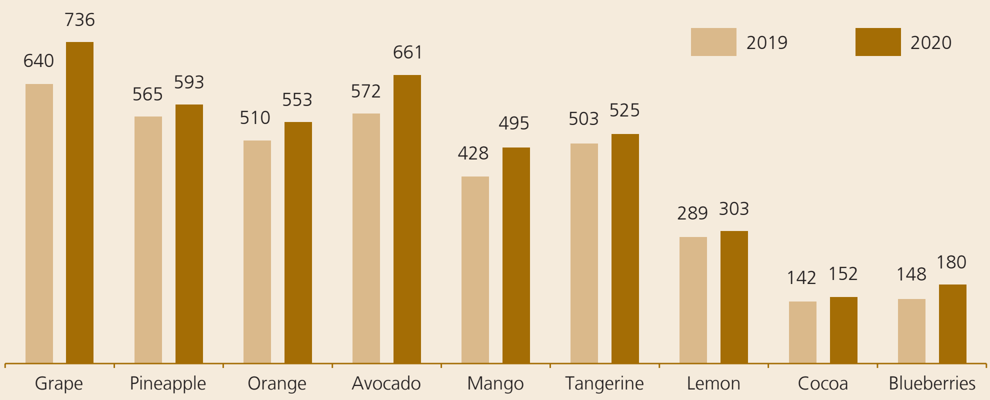
The main products that boosted agroexports were blueberries, grapes, and avocados. Blueberry production increased (22.0 percent) due to the incorporation of larger cultivation areas, mainly in Lambayeque, while a higher grape production (15.0 percent) was achieved due to higher harvests and yields in Ica and Piura as a result of the renewal of varieties. The increase in avocado production (15.5 percent) was supported by the contribution of larger areas in the coastal regions (Lambayeque, La Libertad, Lima, and Ica) and highlands (Ayacucho, Huancavelica and Arequipa).

Graph 9
TEMPORARY CROPS 1/
(Thousand tons)



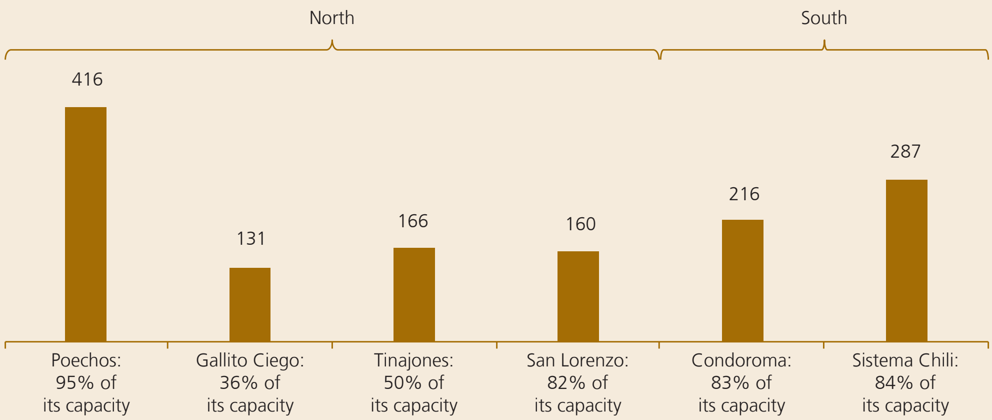
1/ With a wide area of sowing, mainly oriented to the domestic market.
Source: MINAGRI.

Graph 10
PERMANENT CROPS 1/
(Thousand tons)



1/ With less installed area.
Source: MINAGRI.

Graph 11
STORED VOLUME IN MAIN RESERVES - BY REGIONS 1/
(Million cubic meters)



1/ To August 10, 2020, month of beginning of the agricultural campaign.
Source: National Water Authority (ANA).

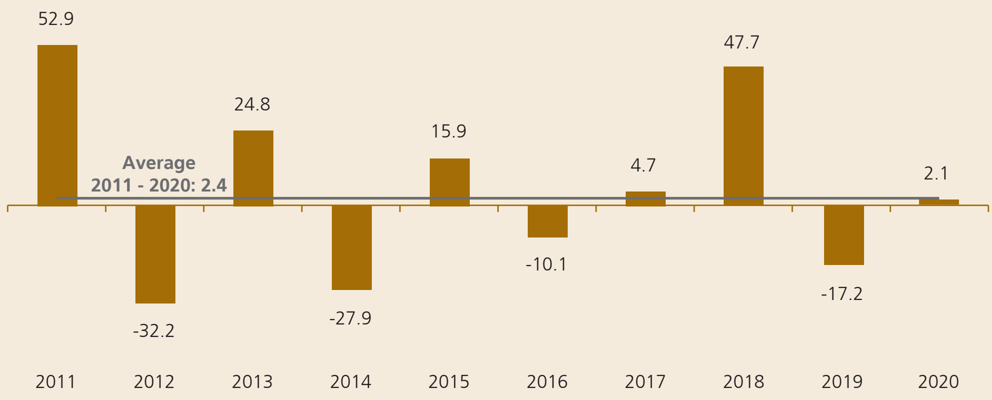
Agroindustrial production declined 11.5 percent, mainly due to lower production of hard yellow maize because of low planting and low yields due to below-normal temperatures, which delayed the ripening and harvesting stages. The production of sugarcane fell 4.0 percent due to lower yields and unfavorable weather conditions in the departments of La Libertad, Lambayeque and Lima.

The drop in cotton production (-65.9 percent) was also noteworthy due to low temperatures that hindered the development of the crop in Ica (-65.4 percent), Ancash (-19.1 percent), and Piura (-77.9 percent), among other regions. Overall, the area planted in the August-December 2020 crop year was down 3.2 percent compared to the same period of the previous year due to the lower cultivation of cereals (-6.1 percent), hard yellow maize, starchy maize, wheat, among other grains, as well as due to lower cultivation of roots and tubers (-0.6 percent), legumes (-1.0 percent), and spices (-3.2 percent).

3.2 Fishing Sector

Output in the fishing sector increased 2.1 percent in 2020, mainly due to a better performance in the 2020 second anchovy fishing season in the north-central zone (November 2020 to January 2021) compared to that of 2019. The annual catch increased from 3.4 million tons in 2019 to 4.3 million tons in 2020 (27.6 percent). This increase was offset by the cancellation of the 2019 second anchovy season in the north-central zone –which ran through January 2020– due to the high level of juvenile specimens found in the anchovy biomass.

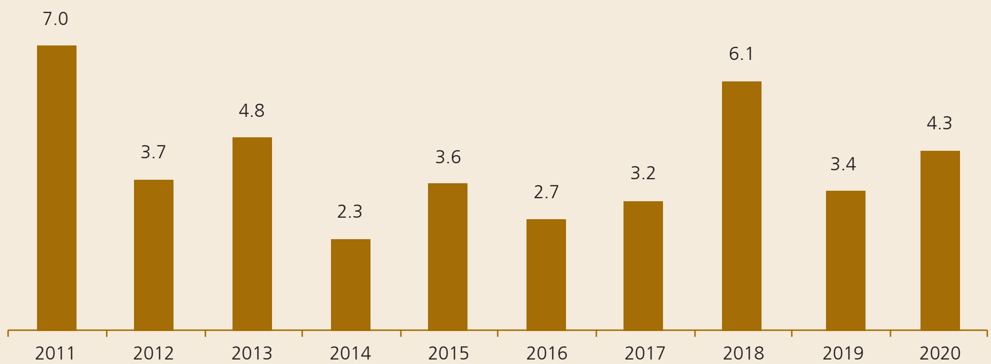
Graph 12
FISHING SECTOR
(% change)



Source: INEI.

Anchovy catch was higher in the first season of the north-central zone in 2020 than in the same season of the previous year, because the cancellation of the second season of 2019 allowed young fish to grow and reproduce for a longer time than usual. A higher quota than usual for a second fishing season was established in 2020 (2.8 million tons, instead of the quota that usually ranges between 1 and 2 million tons). The season ended with a catch of 2.5 million tons of anchovy, more than double that recorded in the same season in 2019.

Graph 13
EXTRACTION OF ANCHOVY FOR INDUSTRIAL CONSUMPTION
(Million tons)



Source: PRODUCE.

Table 6
MAXIMUM LIMIT OF THE TOTAL ALLOWABLE CATCH AND ANCHOVY EXTRACTION
(North-Central zone)

Year	Season 1/	Biomass (Million tons)	Maximum limit of the total allowable catch (Million tons)	Extraction (%)	Catch (Million tons)
2014	**First**	6.1	2.5	68	1.7
	Second	4.4	0.0	0	0.0
2015	**First**	9.5	2.6	97	2.5
	Second	5.6	1.1	97	1.1
2016	**First**	7.3	1.8	51	0.9
	Second	6.9	2.0	100	2.0
2017	**First**	7.8	2.8	85	2.4
	Second	6.1	1.5	46	0.7
2018	**First**	10.9	3.3	98	3.2
	Second	7.2	2.1	99	2.1
2019	**First**	7.0	2.1	95	2.0
	Second	8.3	2.8	36	1.0
2020	**First**	10.1	2.4	98	2.4
	Second	8.4	2.8	88	2.5

1/ Usually the second season of anchovy fishing in the North-Central Zone extends until the first months the following year.
Source: IMARPE and PRODUCE.

Fishing for direct human consumption dropped 16.1 percent due to lower catches of species used to produce frozen and fresh products after the adoption of COVID-19 restrictions and mobility restrictions that affected restaurant activities. Quarantine had the greatest negative impact during the second quarter of 2020, affecting exports of products such as shrimp and tuna exports.

Table 7
FISH CATCH BY MAIN SPECIES
(% change)

Species	2018	2019	2020	Average 2011-2020
Anchovy 1/	91.8	-44.3	27.6	2.6
Jack mackerel 2/	113.7	177.1	17.9	16.5
Prawns 3/	-18.7	36.0	-19.5	9.1
Giant Squid 3/	26.4	51.6	-15.8	2.2
Mackerel 4/	5.9	-20.4	45.0	11.3
Tuna 4/	53.7	-1.7	-78.5	-8.3
Scallops 3/	694.8	45.4	-11.5	-2.4

1/ Considers fish catch only for industrial consumption.
2/ Fresh.
3/ Frozen.
4/ Canned
Source: PRODUCE.

3.3 Mining and Hydrocarbons Sector

Production in the mining and hydrocarbons sector fell 13.2 percent in 2020 –the sharpest drop seen since 1989– due to lower activity in metal mining (-13.5 percent) and in the hydrocarbons sector

(-11.0 percent). The drop in production in both sectors is mainly due to the social immobility measures and the lockdown decreed by the Government in the second quarter. It is worth mentioning that the average growth of the mining and hydrocarbons sector (1.9 percent) in the 2011 to 2020 decade was associated mainly with the increase in the production of copper (6.7 percent), molybdenum (6.6 percent), and natural gas (5.2 percent).

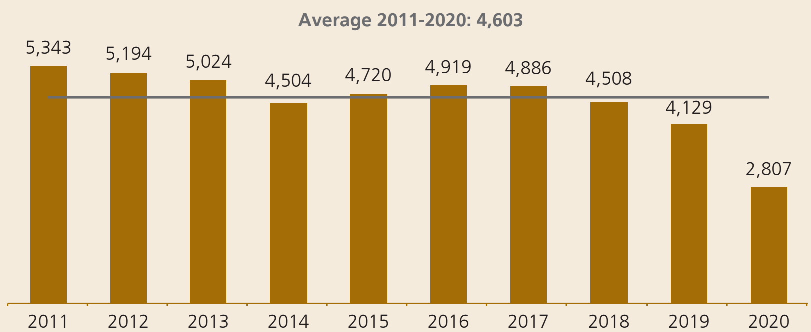
Table 8
PRODUCTION IN THE MINING AND HYDROCARBONS SECTOR
(Annual % change)

	2018	2019	2020	Average 2011-2020
METALLIC MINING	**-1.7**	**-0.8**	**-13.5**	**2.4**
Gold	-7.7	-8.4	-32.0	-6.1
Copper	-0.5	0.8	-12.7	6.7
Zinc	0.1	-4.7	-5.3	-1.0
Silver	-5.8	-7.2	-22.5	-1.9
Lead	-5.8	6.6	-21.9	-0.8
Tin	4.6	6.7	4.0	-4.8
Iron	8.3	6.1	-12.1	3.8
Molybdenum	-0.4	8.6	5.7	6.6
HYDROCARBONS	**0.0**	**4.6**	**-11.0**	**-1.0**
Oil	12.2	8.4	-24.9	-5.8
Liquid of natural gas	-5.8	1.5	-1.8	0.1
Natural gas	-1.7	5.6	-10.4	5.2
TOTAL 1/	**-1.5**	**0.0**	**-13.2**	**1.9**

1/ Includes non-metallic mining and other minerals and secondary production.
Source: MINEM.

The production of **gold** decreased by 1,322 thousand ounces with respect to 2019, which represents a 32.0 percent drop. This result is due to a generalized decline in the production of most large and medium mining companies after the lockdown of some mining units in the second quarter of the year. In particular, the lower production of Yanacocha and Buenaventura was associated with the decrease in extraction as well as with lower gold grades.

Graph 14
PRODUCTION OF GOLD
(Thousand troy ounces)



World ranking: Production 2020 (% total)	
China	12
Australia	10
Russia	9
USA	6
Canada	5
Peru	4
Rest	54

Source: USGS.

Source: MINEM.

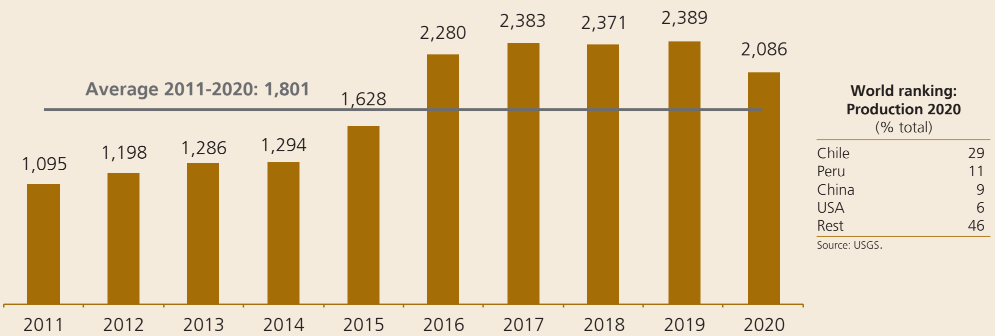
Table 9
VOLUME OF MINING PRODUCTION

	2018	2019	2020
GOLD (Thousand troy ounces)	**4,508**	**4,129**	**2,807**
Of which:			
Minera Yanacocha	515	524	340
Minera Barrick Misquichilca	332	186	84
La Arena - Pan American	153	136	104
Anama - Aruntani	35	19	2
Compañía de Minas Buenaventura	482	323	214
Pucamarca - Minsur	103	102	80
Hochschild	211	216	142
Shahuindo - Pan American	90	165	144
COPPER (Thousand fine metric tons)	**2,371**	**2,389**	**2,086**
Of which:			
Compañía Minera Antamina	460	460	396
Sociedad Minera Cerro Verde	455	434	351
Las Bambas - MMG	385	383	313
Southern Peru Copper Corporation	304	388	398
Toromocho - Chinalco	208	190	203
Antapaccay	205	198	190
Constancia - Hudbay	122	114	73
ZINC (Thousand fine metric tons)	**1,474**	**1,404**	**1,329**
Of which:			
Compañía Minera Antamina	476	366	491
Nexa Resources	215	208	148
Volcan Compañía Minera	151	145	100
Sociedad Minera El Brocal	48	50	60
Empresa Minera Los Quenuales	26	40	79
SILVER (Million fine troy ounces)	**134**	**124**	**96**
Of which:			
Compañía de Minas Buenaventura	21	15	10
Compañía Minera Antamina	17	16	15
Volcan Compañía Minera	14	12	10
Compañía Minera Ares	17	13	7
LEAD (Thousand fine metric tons)	**289**	**308**	**241**
Of which:			
Volcan Compañía Minera	51	53	44
Nexa Resources	49	50	36
Sociedad Minera El Brocal	24	27	27
Empresa Minera Los Quenuales	8	9	14
Antamina	7	6	9

Source: MINEM.

Falling 12.7 percent from the previous year, **copper** production amounted to 2,086 thousand FMT in 2020 as a result of lower production at most mines, following the sanitary restrictions imposed since March 2020 due to the pandemic. However, Southern Peru Copper Corporation and Toromocho-Chinalco increased their production compared to the previous year due to the expansion plans of Toquepala and Toromocho-phase 1, respectively.

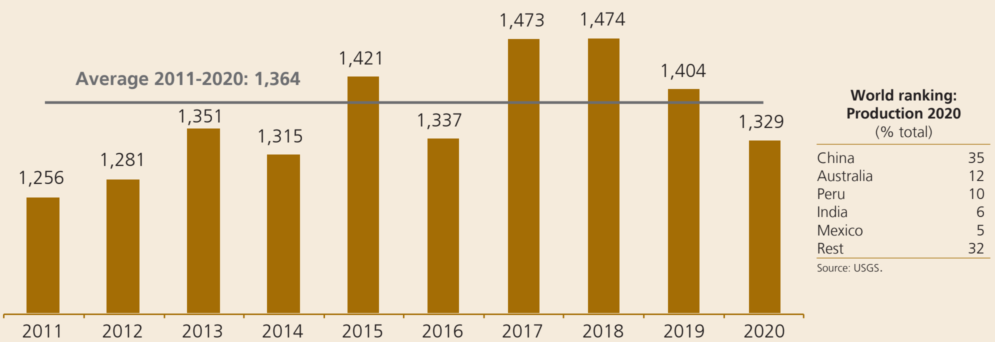
Graph 15
PRODUCTION OF COPPER
(Thousand fine metric tons)



Source: MINEM.

Zinc production decreased 5.3 percent in 2020, with lower extraction of this mineral by large and medium-sized mining companies accounting mostly for this fall. However, Antamina increased its production by 125 thousand FMT, which represented an increase of 34.3 percent due to the better ore grades obtained. On the other hand, the lower production of Nexa Resources and Volcan Compañía Minera was mainly due to the contraction of production after the lockdown decreed in the second quarter of the year. These companies restarted operations during the second phase of economic reopening in May 2020.

Graph 16
PRODUCTION OF ZINC
(Thousand fine metric tons)



Source: MINEM.

The production of **iron** dropped 12.1 percent due to lower production at Shougang, especially in the second quarter of the year, since this company also restarted operations in May.

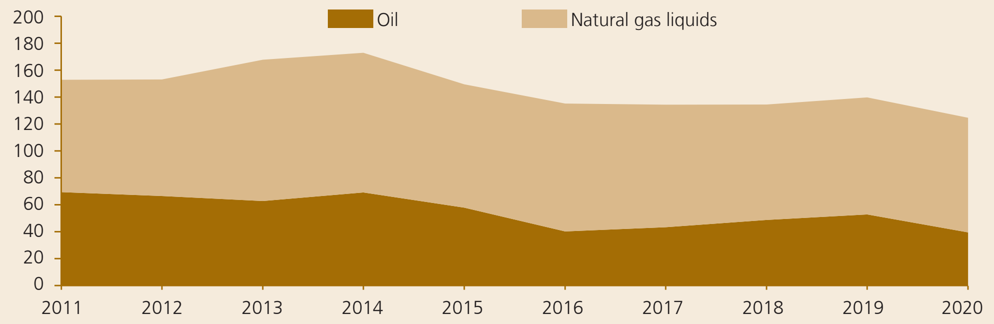
Molybdenum production grew 5.7 percent due to the production of this mineral at Toromocho and Southern, which is related to the increase in copper production, as well as due to production at Las Bambas, where a process to increase efficiency was implemented in the December 2019-February 2020 period.

In 2020, there was a lower production of **silver** (-22.5 percent) and **lead** (-21.9 percent), while **tin** production increased (4.0 percent).

The hydrocarbons subsector showed a drop of 11.0 percent in 2020 due to the lower production observed in all of its components, with a 24.9 percent decrease in oil production standing out.

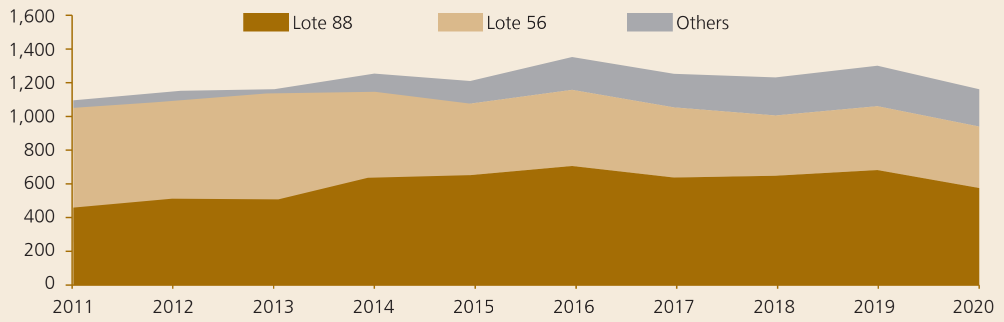
The lower production of **oil** was associated with the stoppage of operations in lots 192, 8 and 67, due to the suspension of activities of the Norperuvian Pipeline in May. In the case of lot 192, the concession of the lot to Frontera Energy ended in September 2020.

Graph 17
PRODUCTION OF LIQUID HYDROCARBONS
(Thousands of barrels per day)



Source: Perupetro.

Graph 18
NATURAL GAS PRODUCTION
(Million cubic feet per day)



Source: Perupetro.

Lower **gas** production (-10.4 percent) resulted mainly from lower extraction at lot 88 due to weak domestic demand in the second quarter of the year as a result of mandatory confinement and economic lockdown. Likewise, the production of gas liquids decreased (-1.8 percent) due to the drop in production at lot 56.

It is worth mentioning that, according to the US Geological Survey's 2020 results, Peru maintained its position in the global ranking of production of copper, gold, and zinc despite the production disruptions registered during the year.

3.4 Manufacturing Sector

Manufacturing activity in 2020 registered a decrease of 13.4 percent, which is explained by lower primary and non-primary activity due to the restrictions enacted in response to the COVID-19 pandemic.

Manufacturing based on primary resources fell 2.6 percent, reflecting a lower production of refined petroleum products due to the closure of the Talara refinery for modernization. This decline was offset by higher production of fishmeal due to greater anchovy catch. During the decade, the primary manufacturing activities that registered the greatest dynamism were the production of fishmeal and fish oil (8.3 percent) and the production of canned and frozen fish products (7.4 percent).

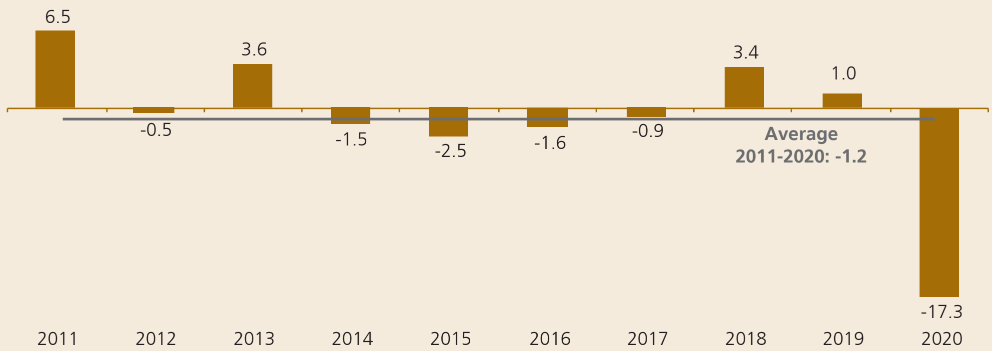
Table 10
MANUFACTURING BASED ON RAW MATERIALS
(% change respect to the same period of the previous year)

	2018	2019	2020	Average 2011-2020
Manufacturing based on raw materials	**12.9**	**-8.5**	**-2.6**	**2.9**
Rice	15.4	-8.7	5.4	1.8
Sucar	9.5	1.1	0.1	1.7
Meat products	6.4	3.1	-2.7	4.1
Fishmeal and fish oil	95.5	-44.1	31.7	8.3
Canned and frozen fish products	10.4	44.3	-4.5	7.4
Refining of non-ferrous metal	1.9	-2.4	-0.5	4.4
Refining of crude	-6.6	-8.0	-33.1	-5.6

Source: PRODUCE.

On the other hand, in 2020 **non-primary manufacturing** recorded a decline of 17.3 percent –its largest drop since 1989– due to mobility and production restrictions during the second quarter of the year.

Graph 19
NON-PRIMARY MANUFACTURING
(Real % change)



Source: INEI.

Activity in investment-oriented industries –which bore the brunt of the pandemic– declined 27.1 percent. This was particularly noteworthy in the branches of metallic goods, industrial services, transportation material, electrical machinery and construction materials, which were affected by the lockdown during most of the second quarter and where production took time to recover.

The branches linked to the production of mass consumption goods fell 9.0 percent and registered the least impact of the pandemic. These branches were the first to resume operations and include the production of staple goods whose demand increased during the pandemic, such as medicines and toiletries and cleaning products. Moreover, the branches of furniture and alcoholic beverages also recovered quickly and showed positive growth rates in the year.

Activity in the input-related industries declined 17.2 percent due to lower production of processed wood, leather, glass, paper, printed goods, among other products, while activity in export-related industries declined 25.1percent due to lower production of clothing, yarns, fabrics, fabrics, finishing and artificial fibers, due to lower external demand as a result of the pandemic.

Table 11
GROWTH OF NON-PRIMARY MANUFACTURING BY TYPE OF GOODS
(Annual % change)

	2018	2019	2020	Average 2011-2020
Mass consumption goods	**2.4**	**1.9**	**-9.0**	**0.1**
Dairy products	0.9	5.8	-1.6	0.6
Bakery	-0.9	18.2	8.9	3.7
Oils and fats	2.3	3.2	-7.9	2.5
Miscellaneous food products	3.4	0.9	-7.2	0.7
Beer and malt	-0.1	0.6	-25.7	-2.6
Soft drinks	-10.4	14.7	-19.9	-0.9
Garment	6.9	-1.7	-36.2	-5.8
Shoes	-29.1	-21.9	-29.2	-9.8
Furnitures	8.0	6.5	16.9	2.3
Other paper and cardboard items	-4.5	-8.3	-7.7	0.2
Toiletries and cleaning products	3.8	-1.1	3.7	1.5
Pharmaceutical products	4.0	0.4	10.1	0.5
Miscellaneous items	22.2	-0.9	-48.3	-0.3
Inputs	**4.5**	**0.2**	**-17.2**	**-1.7**
Wheat flour	3.5	11.4	-0.5	1.3
Othe textil items	-2.9	-8.7	-12.4	0.9
Processed woods	13.9	6.6	-28.8	-4.7
Paper and cardboard	6.6	2.0	-25.2	-5.2
Paper and cardboard containers	19.3	2.6	1.5	4.6
Publishing and printing	-4.0	-12.2	-39.5	-10.2
Basic chemicals	-0.7	1.6	1.8	5.1
Explosives, chemical and natural scents	10.3	-4.7	-25.2	1.7
Rubber	-10.8	0.5	-40.1	-7.0
Plastic	4.5	5.2	-7.8	2.6
Glass	3.0	-8.3	-23.9	-8.2
Capital goods	**5.5**	**2.9**	**-27.1**	**-2.3**
Iron & steel industry	1.8	1.4	-21.5	3.1
Metallic products	11.7	7.2	-22.6	-0.7
Machinery and equipment	-10.4	-8.0	-28.4	-2.8
Electric machinery	28.5	-12.0	-35.2	-3.0
Transport equipment	-7.0	5.3	-40.3	-9.6
Paints, varnishes, and lacquers	3.5	-4.0	-17.1	-2.2
Cement	0.9	4.5	-16.6	-1.4
Construction materials	2.3	2.8	-37.5	-6.1
Industrial services	11.2	9.1	-46.7	-2.6
Goods for external markets	**0.1**	**-2.8**	**-25.1**	**-2.6**
Canned food	4.8	7.5	4.0	1.7
Synthetic fibers	8.3	-25.2	-14.2	-2.3
Yarns, fabrics and finished garments	-5.9	-8.6	-29.5	-4.2
Knitted garments	-4.2	-1.5	-33.5	0.8
Clothing items	6.9	-1.7	-36.2	-5.8
Total non-primary manufacturing	**3.4**	**1.0**	**-17.3**	**-1.2**

Source: PRODUCE.

4. Savings and investment

Gross domestic investment in GDP terms fell by 2.6 percentage points, from 21.3 percent of GDP in 2019 to 18.7 percent of GDP in 2020, due to the temporary halt of investment projects during the first half of the year. Domestic savings, on the other hand, contracted 0.8 percentage points of GDP due to the use of government resources to mitigate the negative effects of the pandemic. As a result, the Peruvian economy recorded negative external savings of 0.7 percent of GDP in 2020.

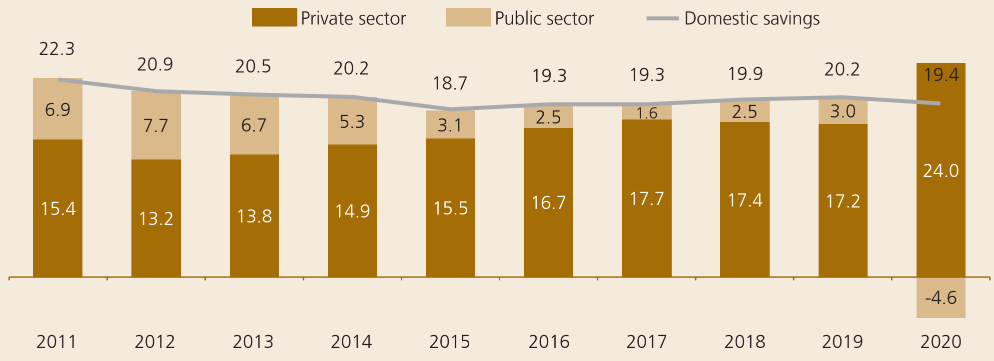
A strong increase was also observed in private sector savings, which reached 24.0 percent of GDP, the highest rate since annual savings and investment series have been recorded (1970). Although household income fell during the year, consumption showed a weaker performance due to restrictions on access to certain goods and services during the quarantine that was coupled by a recomposition in household spending.

Table 12
SAVINGS AND INVESTMENT
(% GDP nominal)

	2018	2019	2020	Average 2011-2020
I. Investment (= II + III)	**21.6**	**21.3**	**18.7**	**22.4**
Gross fixed investment	22.4	22.7	21.1	23.6
Public investment	4.8	4.6	4.3	4.9
Fixed private	17.6	18.1	16.8	18.7
Inventory variation	-0.8	-1.4	-2.5	-1.2
II. Domestic savings	**19.9**	**20.2**	**19.4**	**19.8**
Public sector	2.5	3.0	-4.6	3.1
Private sector	17.4	17.2	24.0	16.8
III. External savings	**1.7**	**1.2**	**-0.7**	**2.5**

Source: BCRP.

Graph 20
INTERNAL SAVINGS
(% of nominal GDP)



Source: BCRP.

5. Labor

Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT) –the National Superintendency of Customs and Tax Administration– gathers monthly information on jobs and salaries in the universe of formal companies and public and private institutions through its Electronic Payroll system.

Table 13
FORMAL JOBS - ELECTRONIC PAYROLL
(Thousand jobs)

	Levels				Annual change 2020	
	2017	2018	2019	2020	In thousand	In %
Total 1/	**4,935**	**5,122**	**5,264**	**5,081**	**-182**	**-3.5**
Private	3,510	3,662	3,800	3,566	-234	-6.2
Public	1,425	1,460	1,464	1,516	52	3.6
Lima	3,059	3,124	3,190	3,004	-186	-5.8
Rest of Peru	1,863	1,976	2,035	2,018	-17	-0.8

1/ The sum of employment by sectors is not total due to the number of workers that can not be classified by sector. (3.9% of total).
Source: SUNAT - Electronic Payroll.

According to information of this electronic payroll system, the number of formal jobs[1] in the country decreased 3.5 percent in 2020 due to the measures implemented to face the COVID-19 crisis. At the sector level, the strongest decrease in the private sector (-6.2 percent) was offset in part by an increase in employment in the public sector (3.6 percent). By geographical area, the greatest reduction of employment was observed in Lima (-5.8 percent), while employment in the rest of the country fell 0.8 percent.

In the private sector, the 6.2 percent contraction of employment reflects mainly job losses in the sector of services (180 thousand jobs). In contrast, in the agricultural sector alone, there was an increase of 31 thousand jobs.

Table 14
FORMAL JOBS IN THE PRIVATE SECTOR - ELECTRONIC PAYROLL
(Thousand jobs)

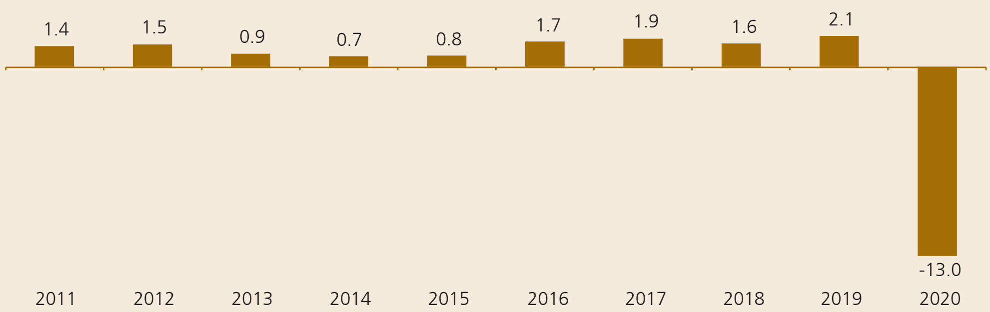
	Levels				Annual change 2020	
	2017	2018	2019	2020	In thousand	In %
Total	**3,510**	**3,662**	**3,800**	**3,566**	**-234**	**-6.2**
Of which:						
Agriculture and Livestock 1/	355	424	451	481	31	6.8
Fishing	23	21	20	19	-1	-5.1
Mining	102	106	108	102	-6	-5.4
Manufacture	462	471	476	440	-36	-7.5
Electricity	13	14	15	14	-1	-7.5
Construction	197	204	214	182	-32	-14.8
Commerce	599	613	624	592	-32	-5.1
Services	1,751	1,800	1,869	1,689	-180	-9.6

1/ Includes the agro-export sector: Processing and preservation of fruits and vegetables.
Source: SUNAT - Electronic Payroll.

5.1 National Employment

According to information from the National Household Survey (ENAHO), employment at the national level decreased 13.0 percent, reaching levels not seen since 2009. This result mainly reflects the effects of the strict quarantine implemented in mid-March, which became more flexible during the second half of the year. On the other hand, the rate of unemployment at the national evel increased from 3.9 percent in 2019 to 7.4 percent in 2020.

Graph 21
NATIONAL EMPLOYMENT - ENAHO
(12 month % change)

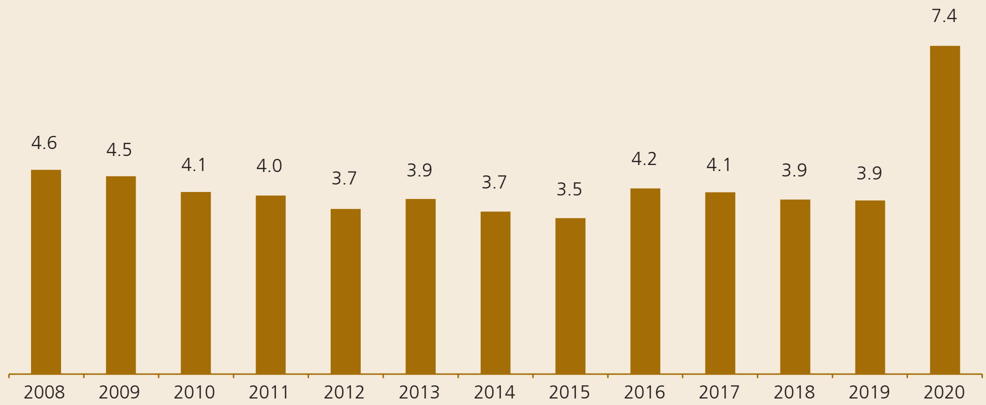


Source: INEI, ENAHO.

1 The number of jobs differs from the number of workers because a same person can have more than one job.

By production sectors, employment was most affected in the sectors of services, where 1,799 thousand jobs were lost, and commerce, with a reduction of 633 thousand jobs. By company size, the largest decrease was observed in the group of firms with 1 to 10 workers (1,206 thousand jobs).

Graph 22
NATIONAL UNEMPLOYMENT RATE - ENAHO
(% PEA)



Source: INEI, ENAHO.

Table 15
NATIONAL EMPLOYMENT
(Thousand people)

	Levels			Annual change 2020	
	2018	2019	2020	In thousand	In %
I. ECONOMICALLY ACTIVE POPULATION (EAP): 1 + 2	**17,463**	**17,831**	**16,095**	**-1,736**	**-9.7**
1. EMPLOYED	**16,777**	**17,133**	**14,902**	**-2,231**	**-13.0**
By economic activity					
Agriculture and livestock/Fishing/ Mining	4,341	4,343	4,917	574	13.2
Manufacturing	1,505	1,519	1,264	-256	-16.8
Construction	1,003	1,055	938	-118	-11.1
Commerce	3,162	3,272	2,639	-633	-19.4
Services	6,766	6,944	5,145	-1,799	-25.9
By size of business					
From 1 to 10 workers	12,149	12,409	11,203	-1,206	-9.7
From 11 to 50 workers	1,247	1,229	912	-318	-25.8
More than 50 workers	3,372	3,481	2,770	-711	-20.4
2. UNEMPLOYED	**686**	**697**	**1,193**	**496**	**71.1**
II. INACTIVE POPULATION	**6,680**	**6,681**	**8,787**	**2,106**	**31.5**
III. WORKING-AGE POPULATION (PWA)	**24,142**	**24,512**	**24,882**	**370**	**1.5**
RATES (%)					
Activity rate (EAP / PWA)	72.3	72.7	64.7		
Employment/population (Employed EAP/PWA)	69.5	69.9	59.9		
Unemployment rate (Unemployed EAP/EAP)	3.9	3.9	7.4		

Source: INEI. ENAHO.