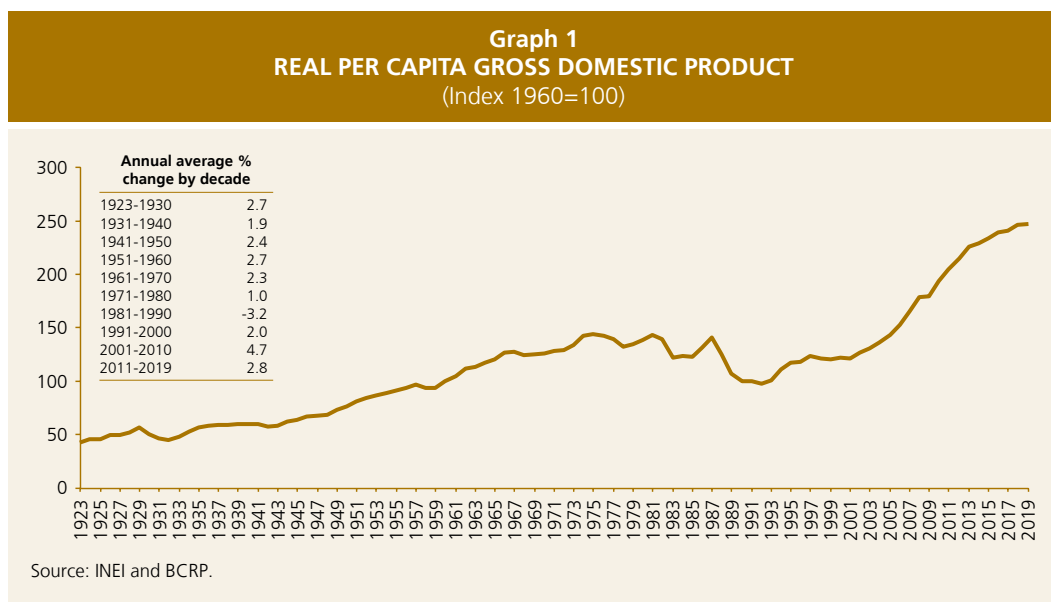


PRODUCTION AND EMPLOYMENT

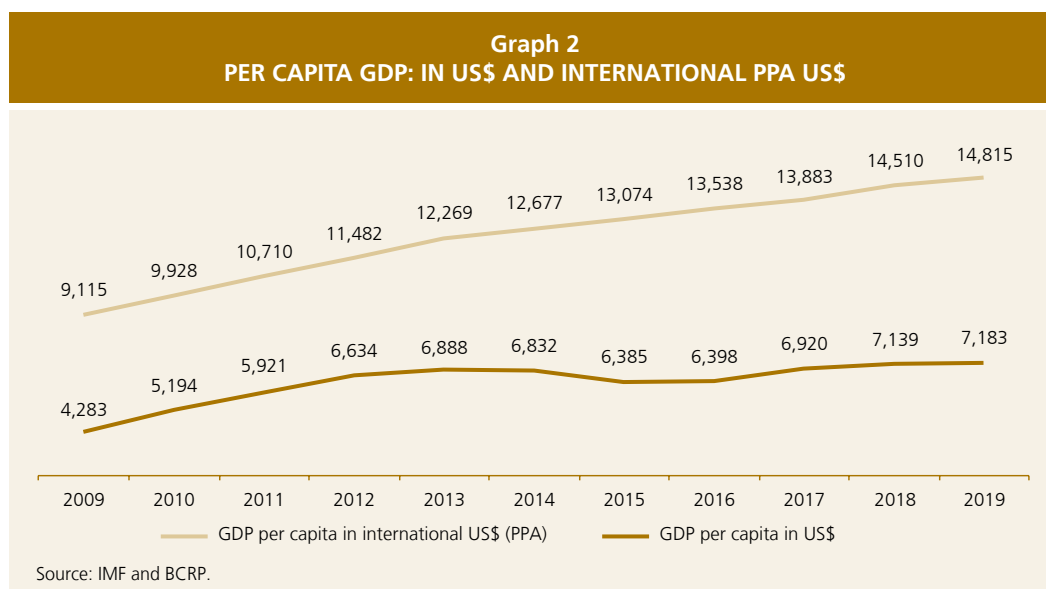
In 2019 the Peruvian economy grew at a rate of 2.2 percent. This result was mainly associated with (i) supply shocks on primary industries (fishing and mining), (ii) the effect of the political cycle of sub-national governments on public investment, and (iii) an external context of slower global growth and lower terms of trade.

As a result of this, per capita GDP rose by 0.4 percent in the year, less than the average rate observed for the last nine years (2.8 percent).



GDP per capita in dollars amounted to US\$ 7,183 in 2019, which represented a 0.6 percent increase compared to the previous year. Measured in terms of purchasing power parity (PPP) –indicator that

takes into account the same basket of goods and is used to make international comparisons—, GDP increased by 2.1 percent to US\$ 14,815 PPP.



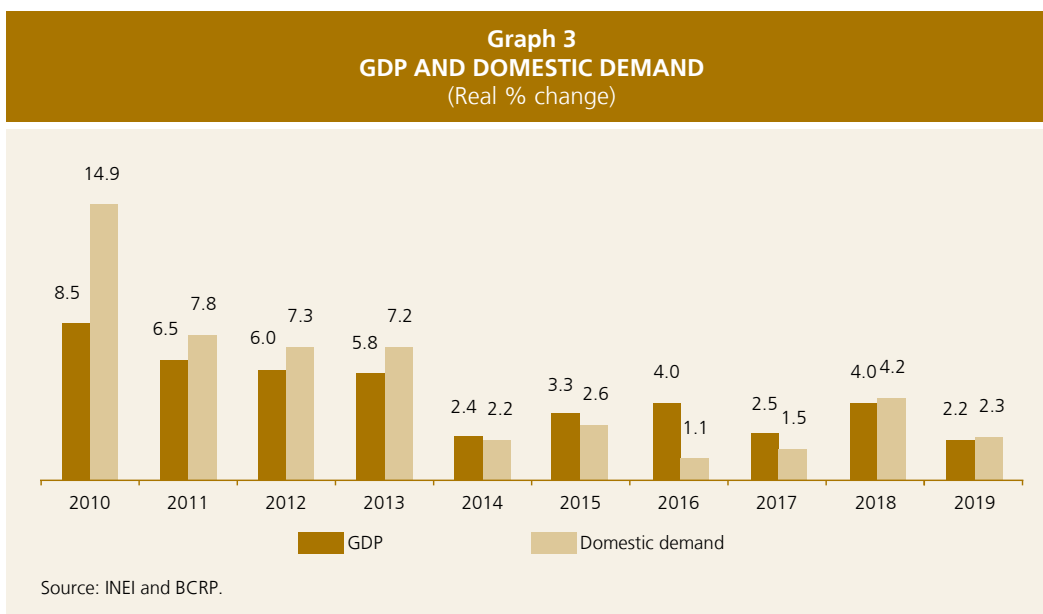
1. Domestic Demand

The lower dynamism of domestic demand in 2019 (2.3 percent) compared to the previous year (4.2 percent) is explained mainly by lower public investment by the sub-national governments and by lower growth in private consumption due to lower incomes.

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

	2017	2018	2019	Average 2010-2019
Domestic demand	1.5	4.2	2.3	5.1
a. Private consumption	2.6	3.8	3.0	5.1
b. Public consumption	0.6	0.1	2.1	4.3
c. Gross fixed investment	-0.2	4.7	2.9	4.9
- Private	0.2	4.5	4.0	5.6
- Public	-1.8	5.6	-1.4	2.7
Change on inventories (% contribution)	-0.3	0.5	-0.5	0.1
Exports	7.4	2.4	0.8	3.7
Minus: Imports	3.9	3.2	1.2	6.0
GDP	2.5	4.0	2.2	4.5
Memo: Total public expenditure	-0.1	1.6	1.0	3.8

Source: INEI and BCRP.



1.1 Private Consumption

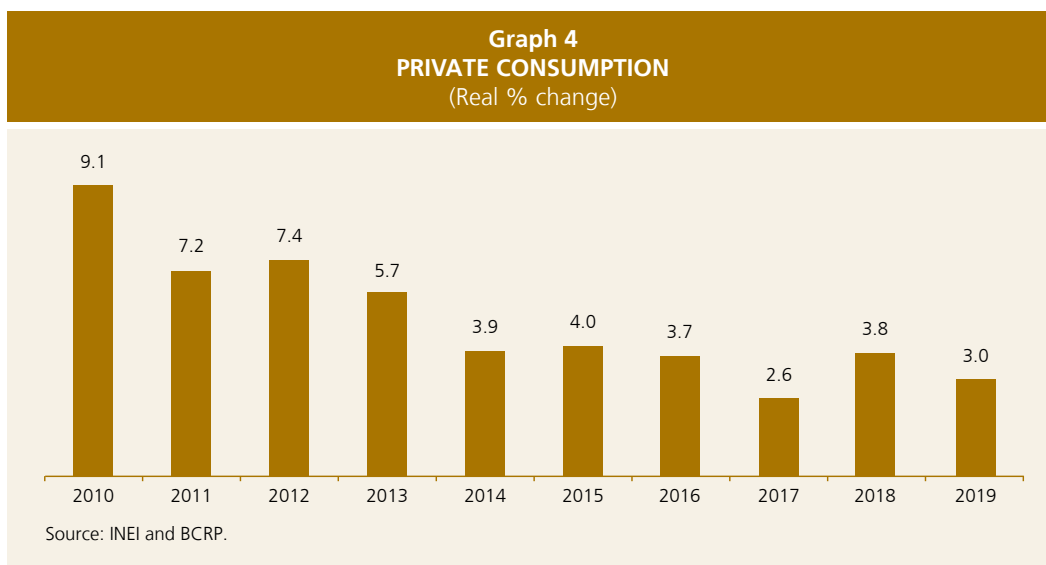
Private consumption grew by 3.0 percent in 2019, favored by sustained growth in consumer credit and by households' positive perceptions about the future of the economy.

Despite this, however, the GDP growth rate in 2019 was lower than in 2018 due to the slower pace of growth of jobs in the labor market. In 2019, the growth of private employment slowed to a low of 2.7 per cent in May, bringing the annual growth rate from 4.4 percent in 2018 to 3.8 percent in 2019. A similar trend was observed in the growth of the wage bill, which fell from 8.8 percent in 2018 to 5.8 percent in 2019. It should be pointed out that both variables showed a recovery in the last months of the year.

Table 2
INDICATORS OF PRIVATE CONSUMPTION
(% change)

	2017	2018	2019
Urban unemployment rate	5.0	4.8	5.3
National employment (private sector)	2.5	4.4	3.8
Wage bill (private and public sector)	4.5	8.8	5.8
Consumer confidence index - Apoyo 1/	48	48	49
Expectation about household situation 12 months ahead 1/	61	63	63
Real consumer loans	7.2	10.7	10.7
Sale of poultry (tons, diary average)	1.1	8.8	12.8
Retail sales	0.6	2.8	2.9
Volume of imports of consumer goods	3.5	1.7	-0.1
Non-durable, excluding foods	4.8	4.3	2.3
Durable	2.3	0.0	-4.0

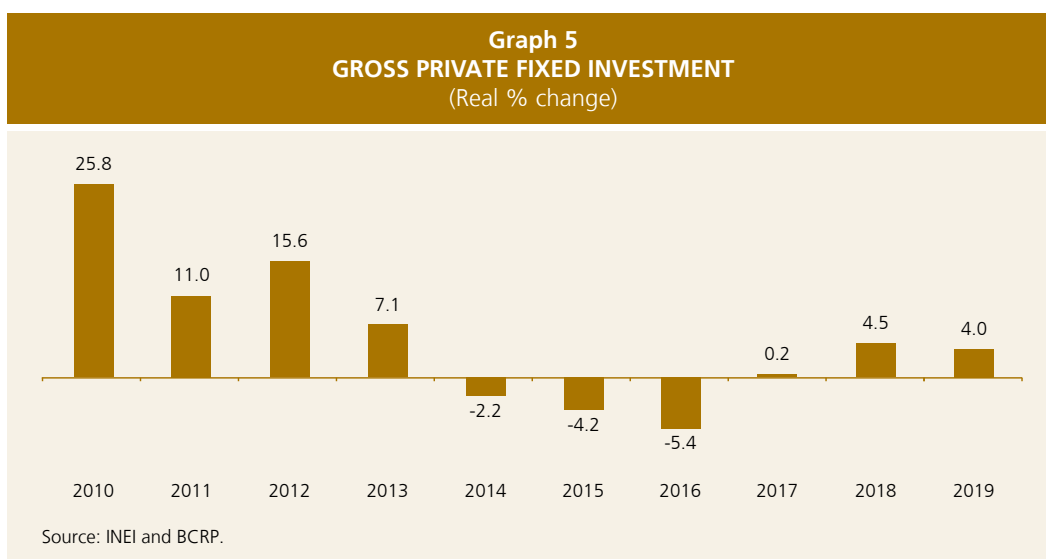
1/ Value more than 50 means growth.
Source: BCRP, INEI, SUNAT, Apoyo, and MINAGRI.



1.2 Private Investment

Private investment grew 4.0 percent in 2019, supported by greater mining investment (23.6 percent) and, to a lesser extent, by higher investment in other sectors (1.2 percent).

It is worth mentioning that the 2019 rate was lower than in 2018 (4.5 percent) due to the lower growth of non-mining investment. Business confidence, an indicator measured by the index of entrepreneurs' expectations about the economy in 3 and 12 months, deteriorated between April and October, influenced by the domestic and international situations, which limited investment in non-mining sectors in the last quarter of 2019. In contrast, mining investment grew more than in 2018, driven by investment in the copper mega-projects of Quellaveco, Mina Justa, and the expansion of Toromocho.



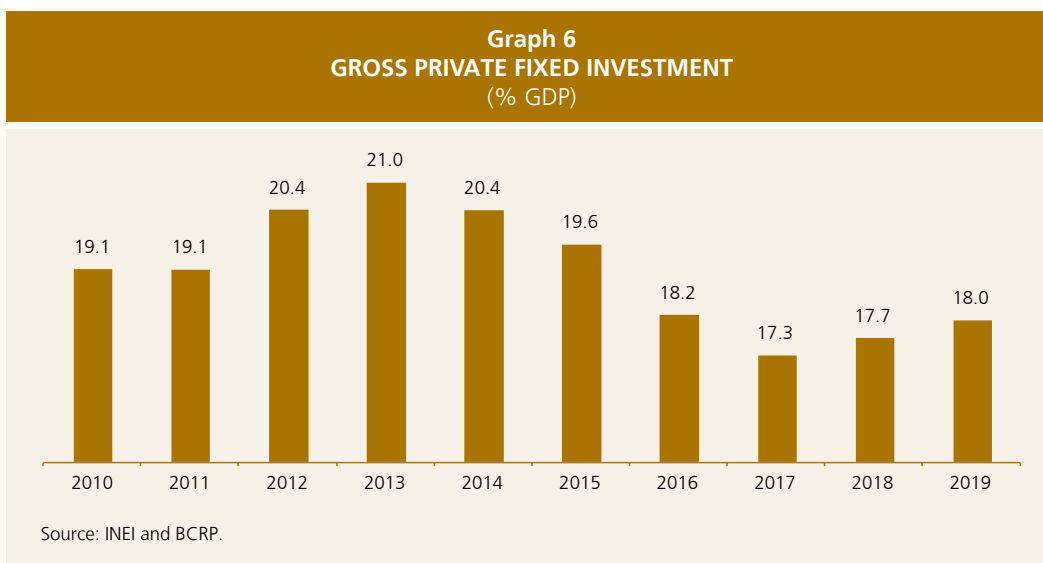


Table 3
MINING AND NO MINING INVESTMENT
(Real % change)

	2017	2018	2019
Total private investment	0.2	4.5	4.0
Mining sector	12.4	22.8	23.6
No mining sectors	-1.1	2.3	1.2

Source: MINEM and BCRP.

Some projects that supported the positive progress of investment in sectors such as mining, hydrocarbons, energy, and manufacturing included the following:

Mining investments amounted to US\$ 6.157 billion, which in dollar terms represented a 24 percent increase compared to 2018. Investment projects worth highlighting included Anglo American's investment of US\$ 1.344 billion for the construction and equipment of its Quellaveco project in Moquegua; Marcobre's investment of US\$ 745 million in its Mina Justa project in Ica, and Minera Chinalco Perú's investment of US\$ 413 million, which was mainly oriented to the construction of its Toromocho Expansion project in Junín.

In the hydrocarbons sector, Repsol invested US\$ 86 million, of which US\$ 46 million went to the project "New Terminal T4 and Improvements to Terminals T1, T2, and T3" (RLP35) and US\$ 12 million to the project "Adaptation to New Fuel Specifications at La Pampilla Refinery" (RLP21).

In the energy sector, Luz del Sur executed projects for a total of US\$ 466 million, this sum being mainly used to improve and expand the electricity system. On the other hand, Enel invested US\$ 131 million, of which US\$ 53 million went to expand electricity networks and US\$ 30 million to maintain infrastructure and to security. To a lesser extent, resources of US\$ 13 million were allocated to digitalization and US\$ 13 million to quality improvement.



In the manufacturing sector, Unión de Cervecerías Peruanas Backus y Johnston allocated close to US\$ 76 million to expand the capacity of its breweries, distribution centers, and to increase its plastic crates and glass containers plants as well as its transport units. Aceros Arequipa spent US\$ 150 million in the new steel plant, the acquisition of land, and in the implementation of operational improvements in the Pisco plant. Likewise, Alicorp invested US\$ 33 million mainly in the activation of the C500 Callao mill project and in the expansion of its Callao detergent plant, among others. Finally, Unión Andina de Cementos invested US\$ 17 million in various projects, such as de-dusting the coolers of kilns 2 and 3 and making improvements to the Condorocha plant, among others.

1.3 Public Expenditure

In 2019, public expenditure grew by 1.0 percent, less than in the previous year, due to a reduction in public investment (down from 5.6 to -1.4 percent) despite higher growth in public consumption (up from 0.1 to 2.1 percent).

The entry into office of new regional and local authorities in 2019 had a negative impact on the evolution of public investment in these levels of subnational governments, whereas an increase was observed, on the other hand, in investment spending at the level of the national government. Investment in regional governments fell by 2.2 percent due to lower spending on water and sanitation, transport and health projects, while investment in local governments fell 10.2 percent, mainly due to lower spending on road projects. It is worth mentioning that this same behavior was observed at the beginning of the 2011 and 2015 mandates of sub-national authorities, when public investment fell 11.2 and 6.9 percent, respectively.

On the other hand, public consumption increased mostly due to a greater purchase of goods and services by the national government, while consumption at the regional and local government levels dropped.

2. Exports and Imports

Showing a lower rate than that observed in 2018 (2.4 percent), exports of goods and services grew 0.8 percent in 2019 due to the reduction in exports of traditional products (-1.2 percent) associated with supply shocks on primary activity. Another factor that explains this fall was the lower growth of exports of non-traditional products (down from 11.0 percent in 2018 to 5.7 percent in 2019).

The fall in traditional exports is largely explained by lower shipments of mining and fishing products. Exports of gold and zinc were affected by lower production from Yanacocha, Barrick and Gold Fields, while fishmeal exports fell due to lower anchovy catch. Moreover, lower exports of crude and coffee contributed also to this fall in traditional exports. On the other hand, the slowdown in the growth of non-traditional exports reflected the fall in textile exports and in exports of agricultural and chemical products.

The pace of growth of imports slowed down from 3.2 percent in 2018 to 1.2 percent in 2019, due to a reduction in purchases of durable consumer goods as a result of lower private spending, as well as due to a reduction in imports of crude oil and derivatives. This reduction in the volume of imports was in part offset by an increase in purchases of capital goods as well as by higher demand for imported services, including transport and travel.

3. Production Sectors

By production sectors, the lower growth of GDP compared to the previous year is explained by the drop in primary production (-1.3 percent), which was affected by the lower availability of anchovy and the lower production of minerals, and also by the lower growth of non-primary activity (3.2 percent).

Table 4 GROSS DOMESTIC PRODUCT BY ECONOMIC SECTOR (Real % change)					
	2017	2018	2019	Average 2010-2019	% contribution to growth in 2019
Primary GDP	3.0	3.6	-1.3	3.3	-0.3
Agriculture and livestock	2.8	7.8	3.2	3.8	0.2
Fishing	4.7	47.7	-25.9	-1.1	-0.1
Metallic mining	4.5	-1.7	-0.8	3.6	-0.1
Hydrocarbons	-2.4	0.0	4.6	1.5	0.1
Manufacturing	1.6	12.9	-8.8	2.6	-0.3
Non-primary GDP	2.3	4.1	3.2	4.8	2.5
Manufacturing	-0.9	3.4	1.2	2.2	0.1
Electricity and water	1.1	4.4	3.9	5.4	0.1
Construction	2.1	5.3	1.5	4.6	0.1
Commerce	1.0	2.6	3.0	5.1	0.3
Services	3.3	4.4	3.8	5.3	1.9
GLOBAL GDP	2.5	4.0	2.2	4.5	2.2

Source: INEI and BCRP.

3.1 Agriculture

Output in the agricultural sector grew 3.2 percent in the year, showing high production levels in important goods oriented both to the domestic market (potatoes, bananas, cassavas, tangerines, pineapples, and lemons) and to external markets (blueberries, mangoes, cocoa, avocados, and olives) and also in livestock products (poultry and eggs). With this, output in the agriculture sector accumulated fifteen years of continuous growth.

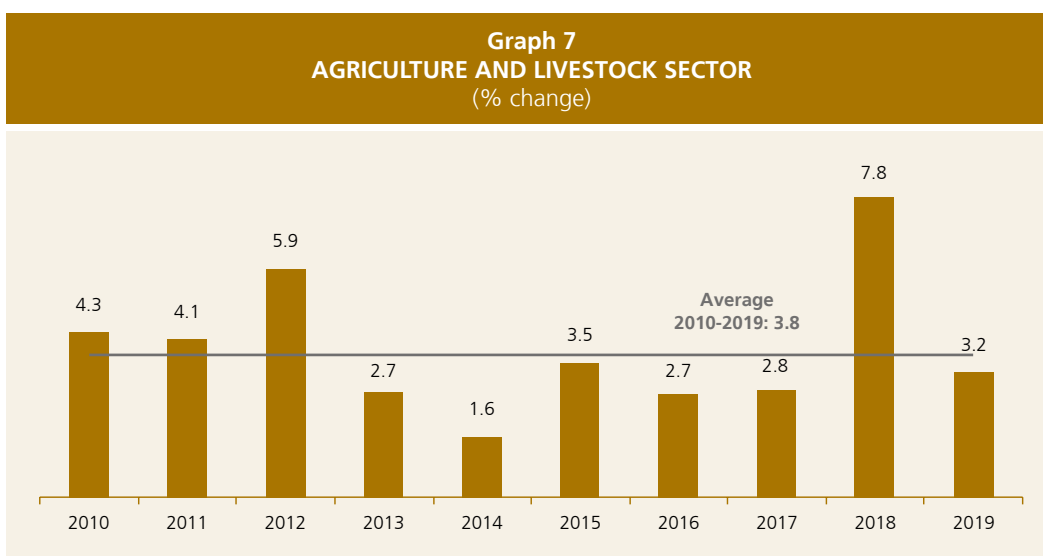


Table 5
AGRICULTURE AND LIVESTOCK PRODUCTION
(Real % change)

	2017	2018	2019	Average 2010-2019
A. Agricultural production	2.5	9.6	2.6	3.6
<u>For the domestic market</u>	<u>-0.3</u>	<u>8.4</u>	<u>-0.6</u>	<u>2.1</u>
Potato	5.8	7.4	3.9	3.5
Rice	-4.0	17.1	-10.4	0.6
Onion	2.4	-10.9	-1.9	0.8
Tangerine	1.0	18.0	5.4	11.8
Orange	1.5	0.9	2.4	3.2
Tomato	-5.3	14.9	-20.2	-0.9
Banana	-4.5	10.8	3.9	2.0
Cassava	1.3	3.6	3.7	1.0
Garlic	21.3	10.8	-20.7	3.7
Lemon	-37.9	53.9	12.0	3.9
<u>For industry</u>	<u>-2.1</u>	<u>8.5</u>	<u>3.9</u>	<u>0.9</u>
Yellow hard maize	1.4	1.3	0.5	0.0
Cotton	-48.6	89.4	31.9	-4.9
Oil palm	14.5	9.2	-0.9	13.0
Sugar cane	-4.4	10.0	5.7	1.0
<u>For export</u>	<u>9.8</u>	<u>12.2</u>	<u>8.1</u>	<u>7.8</u>
Coffee	20.1	9.6	-1.7	4.1
Asparagus	1.3	-5.9	1.7	1.6
Grapes	-6.5	0.1	-1.1	9.2
Avocado	2.5	8.1	6.2	13.0
Mango	3.6	-2.1	41.8	12.4
Cocoa	12.9	10.5	0.9	14.0
Quinoa	-0.8	10.3	3.5	8.6
Blueberry	84.4	62.1	71.8	n.d.
B. Livestock production	2.8	5.8	4.1	4.6
Poultry	4.3	7.5	4.5	6.2
Eggs	3.6	8.9	8.0	6.2
Pork	5.6	4.6	5.0	4.2
Milk	3.0	2.7	3.0	2.6
C. TOTAL	2.8	7.8	3.2	3.8

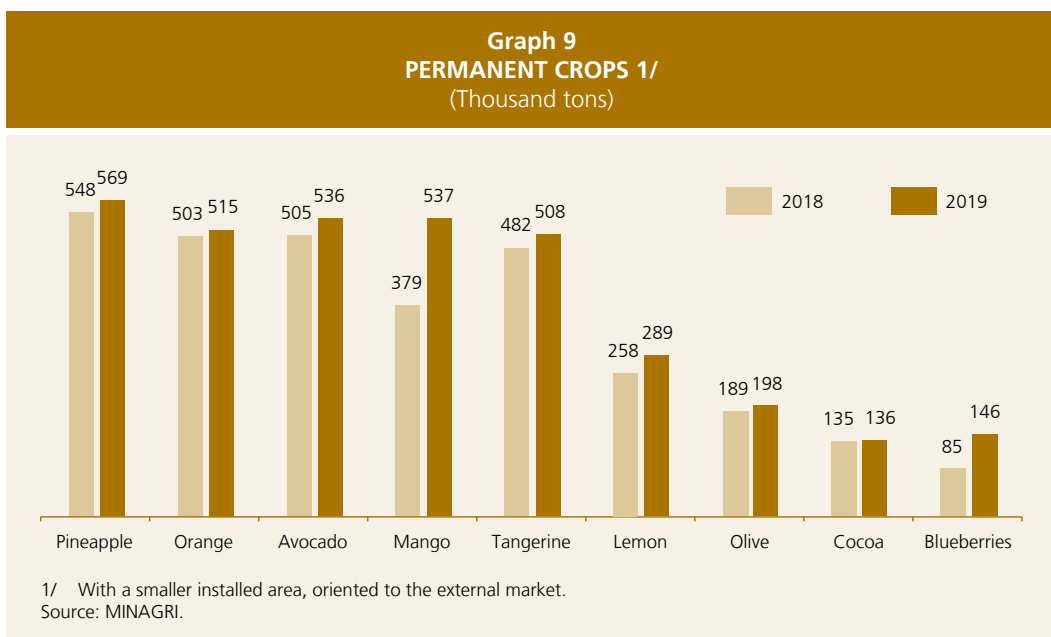
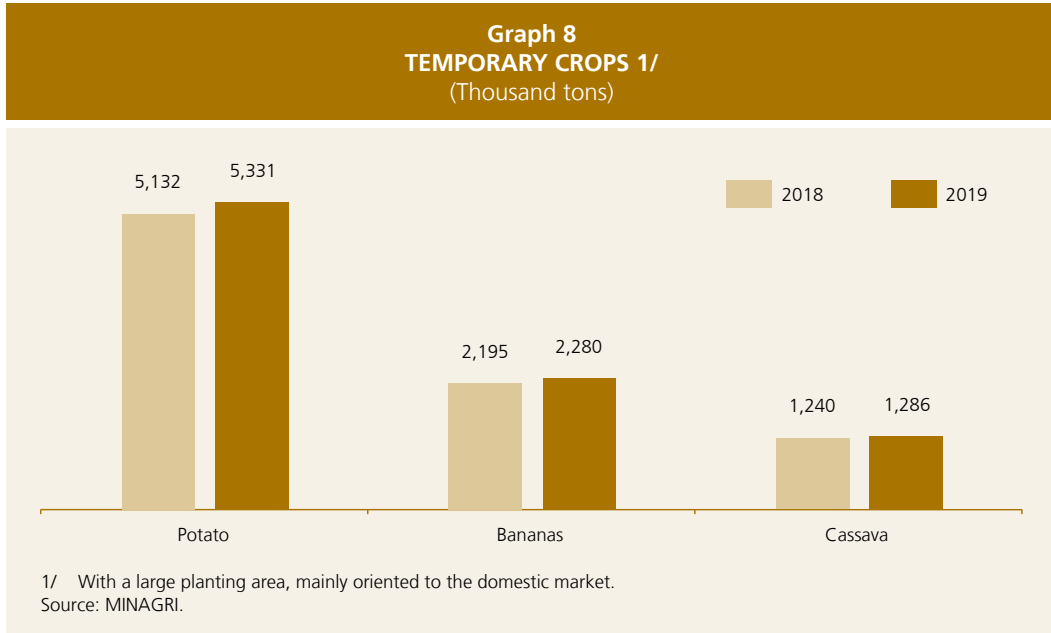
Source: INEI and MINAGRI.

This prolonged growth of the agriculture output, which is explained by the dynamism of both agro-exports and the poultry industry, was also strengthened by agriculture production for the domestic market. Although agricultural production was favored by a high availability of water resources in the 2019 crop year, it was also subject to weather anomalies, with warm weather anomalies being observed on the coast in the first quarter of the year and cold weather anomalies in the second half of the year.

Warm weather anomalies resulted in lower yields¹ and smaller rice harvests. Lower yields were observed in Lambayeque (24 percent), La Libertad (14 percent) and Piura (6 percent), while smaller

¹ Anomalous warm weather conditions favored the presence of flies and sogata causing deterioration in the rice plantations in Lambayeque and accelerating the ripening process in La Libertad.

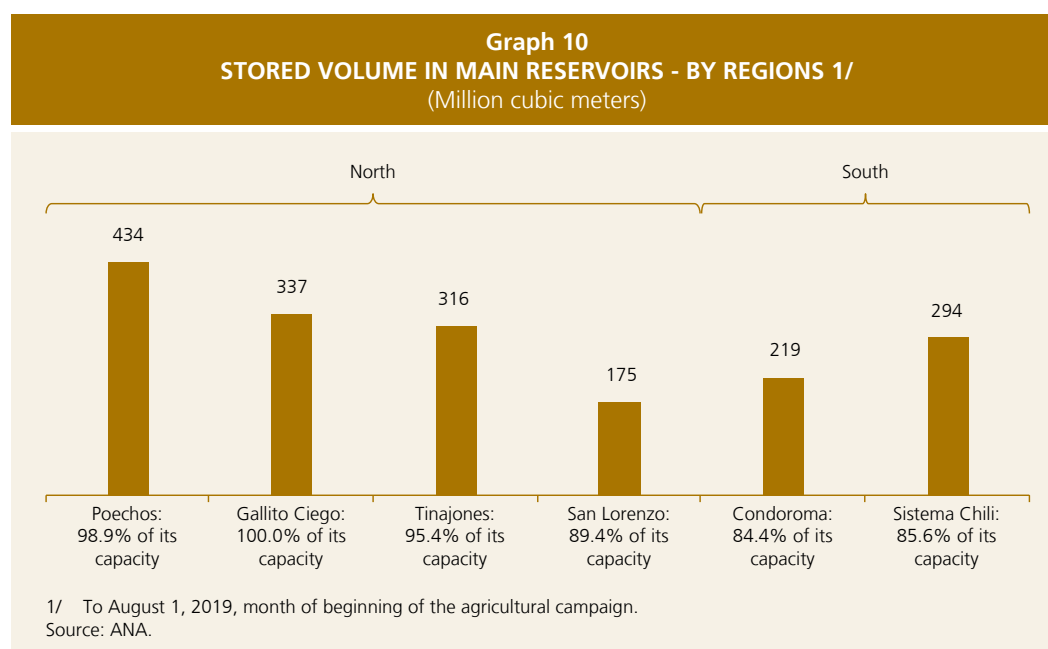
harvested areas were recorded in Piura (11,000 hectares) and Lambayeque (6,000 hectares). Another factor that explained the lower rice production in Piura was the works carried out to strengthen the Poechos reservoir² during the year.



The lower production of rice –cereal with a high weight in the structure of farming production– led to a drop of 0.6 percent in production for the domestic market. However, this was offset by higher potato production as a result of both of larger harvests (Huancavelica, Huánuco, and Ancash) as well as yield improvements and the expansion of planting areas. In the departments of Puno, Huánuco,

² The aim was to recover the reservoir capacity by 200 MCM, lost by sedimentation in the last forty years. An increase of 50 MCM has currently been achieved.

La Libertad, and Cusco, which together account for 44 percent of national production, yields rose from 14.9 MT/hectare in 2018 to 15.7 in 2019. Additionally, Piura and Tumbes incorporated larger cultivation areas of organic bananas, while Lima and Ica increased their areas cultivated with tangerines and Piura increased areas with lemons, and continued to record historical volumes.



Supported by the technical support provided by the Más Algodón project³ to the cotton areas of Ica, Lima, Áncash, Lambayeque, and Piura, agro-industrial production managed to increase the cotton harvested area from 7.6 to 15 thousand hectares between 2017 and 2018. Likewise, areas cultivated with sugarcane in La Libertad –the department that generates 51 percent of the country's sugarcane production– increased by 10 percent and yields were improved, thus rising from 136.8 MT per hectare in 2018 to 142.4 MT per hectare in 2019.

Moreover, Peruvian agro-exports registered a new record in 2019 reaching a total value of US\$ 6.359 billion, which represents an increase of 7.7 percent, due to the strong growth of exports of fruit (blueberries, grapes, mangoes, and avocados) and vegetables (asparagus).

The volume of blueberry exports (125,000 MT) grew 69 percent, representing 86 percent of domestic production. This greater volume resulted from increased production in La Libertad (53.9 percent), with young plantations in the high-yield phase, and in Lambayeque (296.6 percent), due to the expansion of the agricultural frontier by 670 hectares in 2018 and yield improvements in the areas that started production in 2017. La Libertad and Lambayeque account for 79 and 17 percent, respectively, of the country's blueberry production.

Although national grape production fell 1.1 percent due to the effect of cold weather anomalies in the coast in the second half of the year, exports of grapes totaled 374.5 thousand MT (59 percent of the country's production), which represented a growth rate of 12 percent in comparison with the previous year.

³ International cooperation of Brazil and FAO. The project objectives include food security, eradication of rural poverty, and economic growth. <http://www.fao.org/in-action/programa-brasil-fao/proyectos/sector-algodonero/es/>.

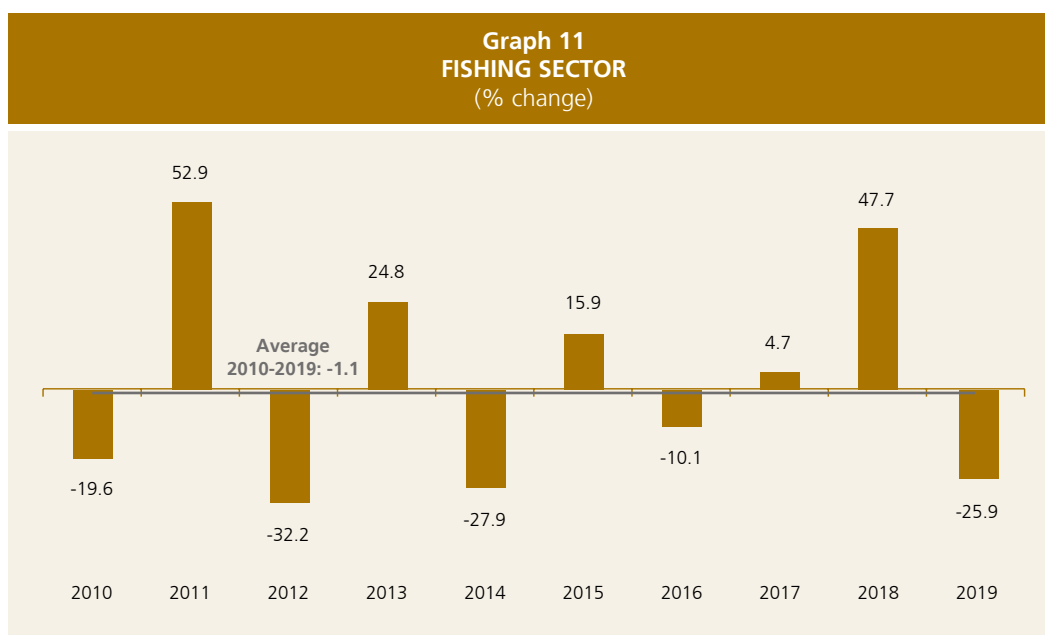
Exports of fresh asparagus totaled 131,000 MT, 1 percent more than in 2018, as a result of the increase in production, from 361 to 367,000 MT, observed between 2018 and 2019. Moreover, it is worth mentioning that asparagus registered good export prices, so these exports showed an increase of 4 percent in terms of prices compared to the previous year.

As a result of increased cultivation areas, other agro-export products also showed higher export volumes, including mangoes (41.8 percent), avocados (6.2 percent), quinoa (3.5 percent), and cocoa (0.9 percent). Although exports of quinoa and avocados declined, this was offset by better prices which led to an increase in their export value (7 percent in the case of quinoa and 3.9 percent in the case of avocados). On the other hand, the drop in the volume of exports of mangoes and cocoa was completely offset by better prices in the external market.

At the regional level, the departments which showed the highest participation in the value of agricultural production and the greatest growth rate according to the main export crops in 2019 were La Libertad (15.1 percent), for blueberries, asparagus, sugar cane, peppers, hard yellow maize, and onions; Ica (1.7 percent) for increased production of avocados, asparagus, grapes, onions, cotton, potatoes, and cassavas; Lima (0.5 percent), for increased volumes of hard yellow maize, tangerines, oranges, potatoes, cassavas, and cotton; and Piura (5.2 percent), for increased production of hard yellow maize, organic bananas, mangoes, lemons, grapes, and cotton.

3.2 Fishing Sector

Output in the fishing sector dropped by 25.9 percent in 2019, recording the lowest growth rate observed since 2014. This drop was mainly due to lower anchovy catch in the anchovy fishing seasons (April-June and November-January), with anchovy catch declining from 6.1 million tons in 2018 to 3.4 million tons in 2019 (-44.4 percent). However, it should be pointed out that 2018 was a year of exceptional growth for the fisheries sector, since it recorded the highest growth rate seen since 2011.



The quota established for the first fishing season of 2019 was lower than in the previous year due to the alert of an El Niño episode, which is usually related to the presence of young fish. Although

the quota set for the second fishing period was historically high, the fish catch reported consisted mostly of young fish so the season was temporarily suspended on December 20 and then suspended definitively on January 15, the total catch recorded representing 36 percent of the maximum quota. Thus, the percentage of fish catch in 2019 was lower than in the two seasons of 2018.

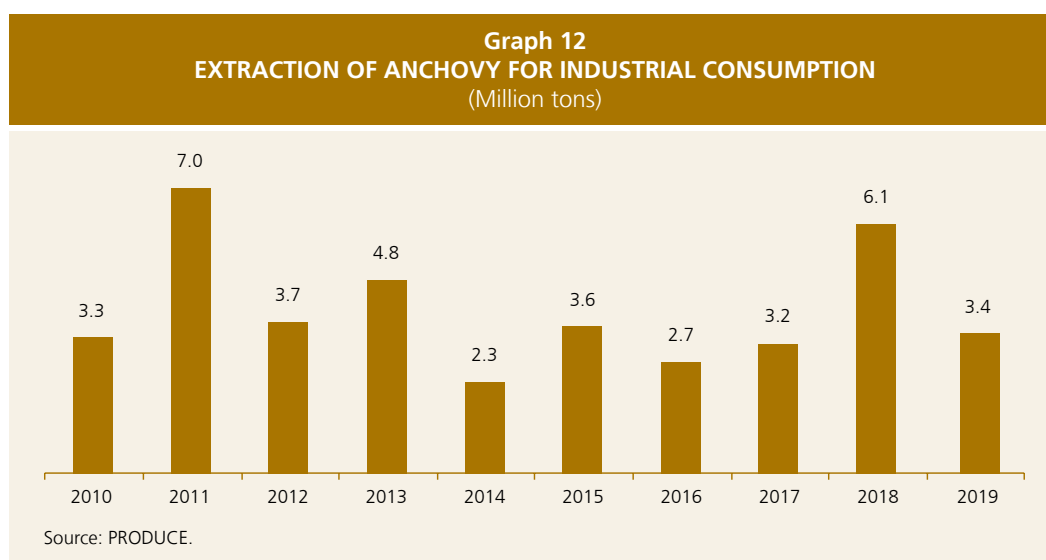


Table 6
MAXIMUM LIMIT OF THE TOTAL ALLOWABLE CATCH AND ANCHOVY EXTRACTION
(North-Central zone)

Year	Season	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

Source: IMARPE and PRODUCE.

Fish catch for direct human consumption increased 5.4 percent because of higher landings of sea species consumed both as frozen and fresh sea products. The higher catch of shrimps, squids, horse mackerels and tunas stood out in terms of the former, while the greater catch of horse mackerels, bonito, sole, and shark stood out in terms of the latter.

Table 7
FISH CATCH BY MAIN SPECIES
(% change)

Species	2017	2018	2019	Average 2010-2019
Anchovy 1/	15.8	91.8	-44.4	-5.3
Jack mackerel 2/	-44.8	113.7	175.6	-1.5
Shrimps 3/	32.5	-18.7	33.4	13.5
Giant Squid 3/	2.6	26.4	41.5	2.4
Mackerel 4/	-59.7	5.9	-13.9	-8.5
Tuna 4/	8.4	53.7	21.4	27.0
Scallops 3/	-54.4	694.8	-45.5	-7.5

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 showed no change in 2019 as the reduction in metal mining production (-0.8 percent) was offset by higher hydrocarbon production (4.6 percent). The growth in the latter sub-sector was mainly due to the 8.4 percent increase in oil production after the start of operations of Lot 95. On the other hand, the slowdown in the metal mining sub-sector is explained by a lower production of gold and zinc.

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

	2017	2018	2019	Average 2010-2019
Metallic mining	4.5	-1.7	-0.8	3.6
Gold	-0.7	-7.7	-8.4	-3.5
Copper	4.5	-0.5	0.8	7.9
Zinc	10.2	0.1	-4.7	-0.7
Silver	1.0	-5.8	-7.2	-0.2
Lead	-2.4	-5.8	6.6	0.2
Tin	-5.3	4.6	6.7	-6.2
Iron	14.9	8.3	6.1	8.6
Molybdenum	9.3	-0.4	8.6	9.5
Hydrocarbons	-2.4	0.0	4.6	1.5
Oil	7.6	12.2	8.4	-3.0
Liquid of natural gas	-4.5	-5.8	1.5	1.6
Natural gas	-7.6	-1.7	5.6	14.2
TOTAL	3.4	-1.5	0.0	3.5

Source: MINEM.

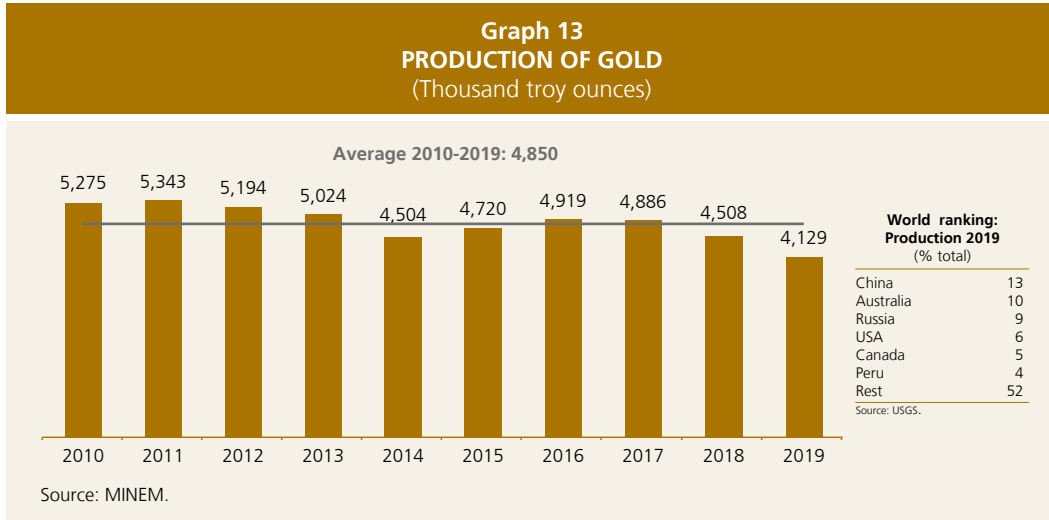
Table 9
VOLUME OF MINING PRODUCTION

	2017	2018	2019
GOLD (Thousand troy ounces)	4,886	4,508	4,129
<i>Of which:</i>			
Minera Yanacocha	535	515	524
Minera Barrick Misquichilca	509	332	186
Tantahuatay - Buenaventura	152	173	160
La Arena - Pan American	189	153	136
Anama - Aruntani	72	35	19
Compañía de Minas Buenaventura	527	482	323
Pucamarca - Minsur	100	103	102
Inmaculada	165	188	214
Shahuindo - Pan American	76	90	165
La Zanja - Buenaventura	128	72	24
COPPER (Thousand fine metric tons)	2,383	2,371	2,389
<i>Of which:</i>			
Compañía Minera Antamina	439	460	460
Sociedad Minera Cerro Verde	465	455	434
Las Bambas - MMG	453	385	383
Southern Peru Copper Corporation	281	304	388
Toromocho - Chinalco	195	208	190
Antapaccay	206	205	198
Constancia - Hudbay	122	122	114
ZINC (Thousand fine metric tons)	1,473	1,474	1,404
<i>Of which:</i>			
Compañía Minera Antamina	442	476	366
Nexa Resources	230	215	208
Volcan Compañía Minera	150	151	145
Sociedad Minera El Brocal	54	48	50
Empresa Minera Los Quenuales	25	26	40
SILVER (Million fine troy ounces)	142	134	124
<i>Of which:</i>			
Compañía de Minas Buenaventura	23	21	15
Compañía Minera Antamina	21	17	16
Volcan Compañía Minera	16	14	12
Compañía Minera Ares	16	17	13
LEAD (Thousand fine metric tons)	307	289	308
<i>Of which:</i>			
Volcan Compañía Minera	54	51	53
Nexa Resources	50	49	50
Sociedad Minera El Brocal	24	24	27
Empresa Minera Los Quenuales	8	8	9
Antamina	17	7	6

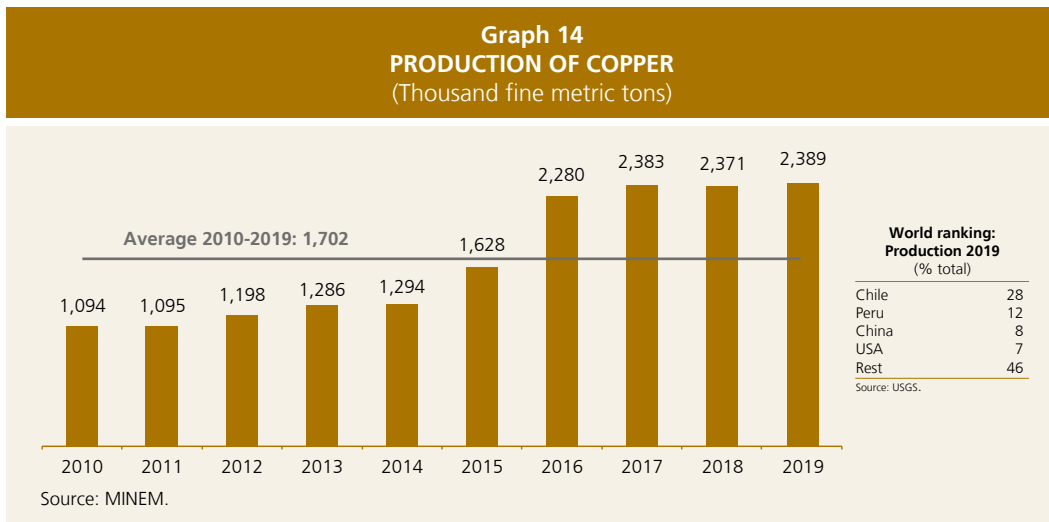
Source: MINEM.

Gold production fell by 379,000 ounces from 2018, which represented an 8.4 percent drop. This result was mainly due to lower extraction of this metal by Barrick and Buenaventura (La Zanja). It should be pointed out that Barrick's Pierina unit is in the closure stage, while the Lagunas Norte unit faces the depletion of the ore in the pit. On the other hand, the drop in Buenaventura's production

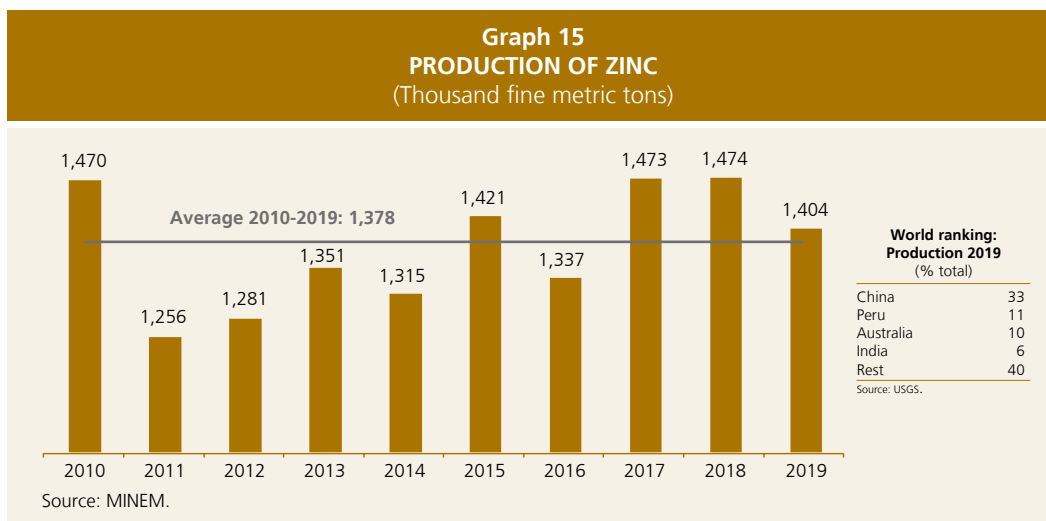
was due to an internal resource reallocation program aimed at resolving internal process bottlenecks at its units of Yanacocha, Orcopampa, and La Zanja.



On the other hand, showing a 0.8 percent increase compared to the previous year, **copper** production totaled 2,389 thousand FMT in 2019. This result is explained by the Southern Peru Copper Corporation’s higher production and by the expansion of Toquepala, which reached a production peak of 25 thousand FMT in May 2019, although the latter was in part offset by lower copper production at most mines, including Cerro Verde, Toromocho, and Constanca.



Zinc production fell by 4.7 percent during 2019. This is mostly explained by Antamina’s lower extraction of zinc as this mining company produced 110 FMT less than in 2018 due to its unusually low ore grades. In addition, most of the other companies showed no contribution or a negative contribution to zinc production during the year, the negative contribution of Nexa standing out (-3.4 percent).



Iron production grew by 6.1 percent, mainly as a result of the expansion of Shougang’s Marcona unit. Despite this, however, this expansion did not have a major impact due to the company’s production slowdown in the first quarter of the year due to environmental factors.

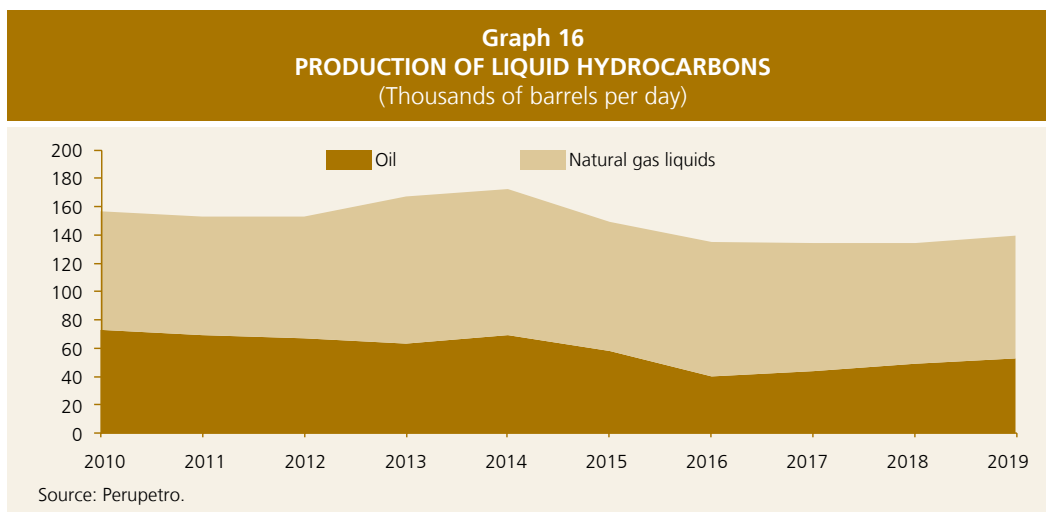
The production of **molybdenum** grew 8.6 percent, driven by higher production at Constancia, Cerro Verde, and Southern mining units. The latter’s production increased by 45.5 percent after the expansion of Toquepala, whereas production at Antamina and Las Bambas declined. The implementation of a new process to increase efficiencies at the plant of Las Bambas was reflected in a 46.3 percent production drop in the fourth quarter.

Finally, it should be pointed out that there was a higher **tin** production (6.7 percent) as well as an increase in **lead** production (6.6 percent) in 2019, whereas the production of **silver** fell 7.2 percent in the year.

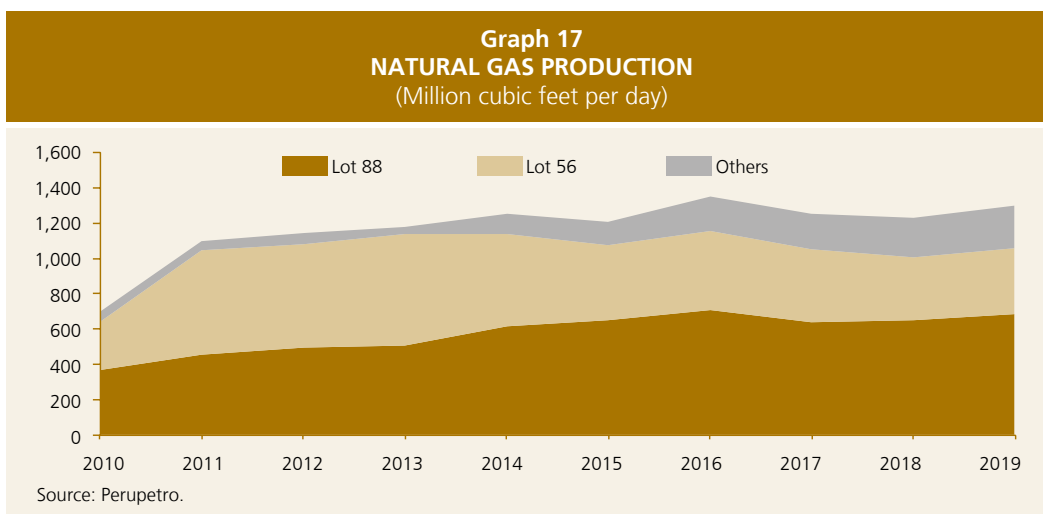
It is also worth mentioning that copper ore grades at Constancia and Antamina have declined in 2019, while ore grades at Cerro Verde and Las Bambas have recovered during the last year.

On the other hand, the hydrocarbons sub-sector recorded a growth rate of 4.6 percent in 2019 due to higher production in all its components, with oil production standing out with a rate of 8.4 percent.

This growth registered in **oil production** was associated with the start of operations of lot 95, which reached a daily production rate of 9 thousand barrels per day in December.



The higher production of **gas** (5.6 percent) and gas liquids (1.5 percent) was due to the increase in production in lot 88 (for the domestic market) and lot 56 (for the foreign market).



On the other hand, according to the US Geological Survey of 2020 (with results as of 2019), Peru maintained its position in the ranking of global production of copper, gold, and zinc, while it increased its participation in global copper production by 1 percentage point. Likewise, Peru ranked second in copper reserves in the global reserves ranking.

3.4 Manufacturing Sector

Manufacturing activity in 2019 recorded a decline of 1.7 percent, which contrasted with the positive growth rate observed in 2018. This is explained by lower activity in primary manufacturing and by the slowdown in non-primary manufacturing production.

Manufacturing based on primary resources declined by 8.8 percent, reflecting the lower output recorded in the fishing industry, mainly in the branches processing fishmeal and fish oil, as a result of lower anchovy catch in both fishing seasons in the North-Central Zone. In addition to this, the activity of oil refining decreased, especially in terms of the refining of oil derivatives in Petroperú and Repsol, while Southern's copper refining decreased due to the biannual plant maintenance carried out.

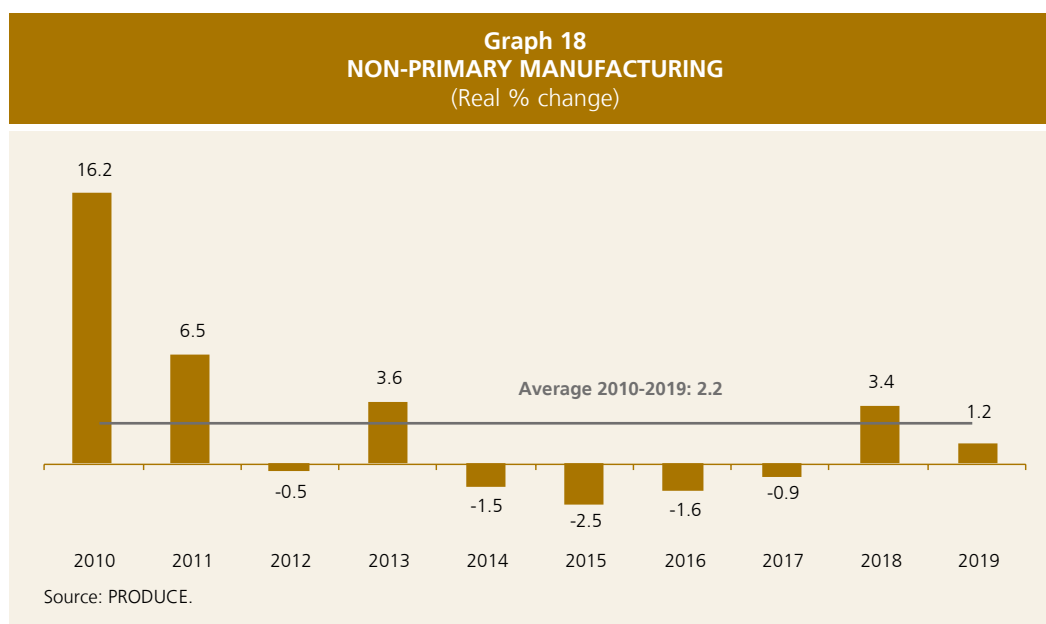
Table 10
MANUFACTURING BASED ON RAW MATERIALS
(% change respect to the same period of the previous year)

	2017	2018	2019	Average 2010-2019
Manufacturing based on raw materials	1.6	12.9	-8.8	2.6
Rice	-4.0	15.4	-8.6	0.7
Sugar	-5.5	9.5	1.3	1.5
Meat products	2.9	6.4	3.1	4.9
Fishmeal and fish oil	13.6	95.5	-44.1	-0.1
Canned and frozen fish products	-0.1	10.4	44.0	6.5
Refining of non-ferrous metal	-2.7	1.9	-2.4	3.7
Refining of crude	8.6	-6.6	-8.0	-0.2

Source: PRODUCE.

Showing a lower rate than in the previous year, **non-primary manufacturing** grew 3.4 percent in 2019.

Activity in investment oriented branches increased by 2.9 percent. This was particularly noteworthy in the case of the production of metal products, due to the higher demand for metal structures for private construction; in industrial services, due to the higher demand for machinery repair; and in transport material, due to the higher production of ships and the higher demand for spare parts for motor vehicles.



Output in the branches linked to mass consumption increased by 1.9 percent. Output increases standing out in these branches included the increase in bakery production, furniture (due to greater demand for mattresses), dairy products (due to the introduction of new products), alcoholic beverages (due to greater demand for distillates), and soft drinks. On the other hand, other branches showed noteworthy declines, including the branches of paper and cardboard items (due to the transfer of production to other subsidiaries of transnational companies) and footwear, which continued to fall due to competition from imported products.

On the other hand, input-related industries grew by 1.0 percent due to increased production of plastics, animal feed, wheat flour, pesticides, and processed wood. It is worth mentioning that growth in these branches was not greater because of the drop recorded in printing activities as a result of lower demand for newspapers.

Output in the branches linked to exports decreased by 3.0 percent due to lower production of clothing, yarn, fabrics, finishes, and artificial fibres, in the face of lower external demand. In contrast, production of canned food, especially asparagus, increased.

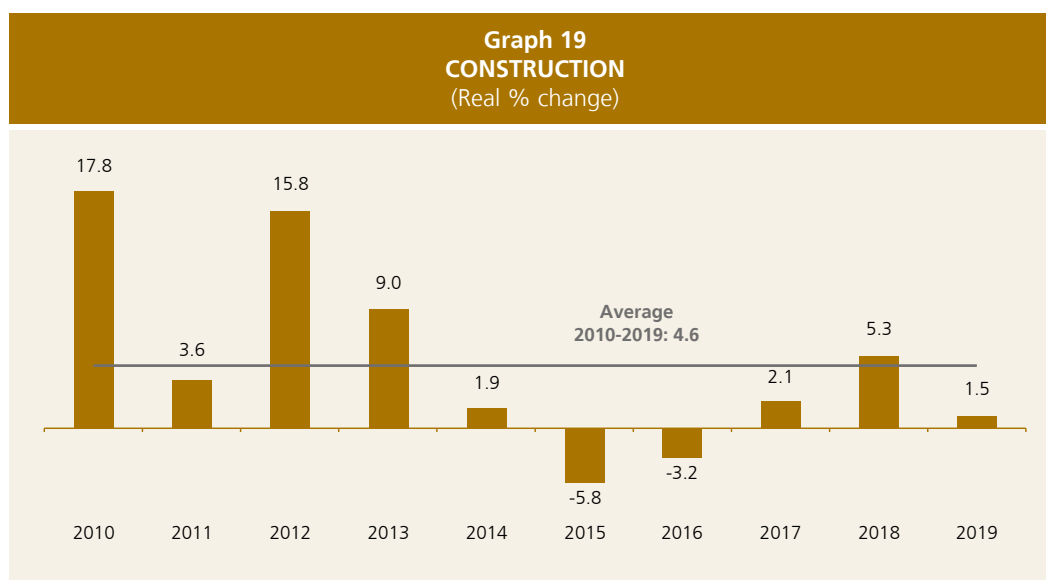
Table 11
GROWTH OF NON-PRIMARY MANUFACTURING BY TYPE OF GOODS
 (Real % change)

	2017	2018	2019	Average 2010-2019
Mass consumption goods	0.3	2.4	1.9	2.2
Dairy products	-5.0	0.9	5.5	1.9
Bakery	3.5	-0.9	18.2	2.9
Oils and fats	6.4	2.3	3.2	4.8
Miscellaneous food products	13.7	3.4	0.8	2.7
Beer and malt	0.0	-0.1	0.6	0.9
Soft drinks	-4.0	-10.4	14.7	2.0
Garment	-3.6	6.9	-1.7	3.0
Shoes	18.7	-29.1	-21.9	-6.9
Furnitures	-5.4	8.0	6.5	2.2
Other paper and cardboard items	13.1	-4.5	-8.3	3.0
Toiletries and cleaning products	-15.2	3.8	-1.1	1.8
Pharmaceutical products	-7.4	4.0	0.4	-1.3
Miscellaneous items	12.2	22.2	-0.9	6.4
Input-related industries	-2.8	4.5	1.0	1.6
Wheat flour	1.2	3.5	11.4	2.2
Othe textil items	8.2	-2.9	-8.7	4.2
Processed woods	-23.3	13.9	6.6	-0.5
Paper and cardboard	-9.5	6.6	2.0	-0.8
Paper and cardboard containers	8.1	19.3	2.6	6.4
Publishing and printing	-16.0	-4.0	-12.2	-4.3
Basic chemicals	5.3	-0.7	1.6	6.1
Explosives, chemical and natural scents	-4.2	10.3	-4.7	6.4
Rubber	7.9	-10.8	0.5	0.0
Plastic	1.2	4.5	5.2	5.3
Glass	2.4	3.0	-8.3	-3.7
Branches linked to investment	-0.4	5.5	2.9	2.7
Iron & steel industry	5.5	1.8	1.4	6.0
Metallic products	-4.3	11.7	7.2	4.4
Machinery and equipment	12.1	-10.4	-8.0	1.3
Electric machinery	-12.7	28.5	-12.0	3.7
Transport equipment	22.4	-7.0	5.3	-0.6
Paints, varnishes, and lacquers	5.3	3.5	-4.0	0.1
Cement	-0.7	0.9	4.5	1.7
Construction materials	-3.1	2.3	2.8	0.4
Industrial services	-4.4	11.2	9.1	5.2
Branches linked to exports	-1.3	0.1	-3.0	2.7
Canned food	-1.5	4.8	6.4	1.9
Synthetic fibers	0.2	8.3	-25.2	-0.1
Yarns, fabrics and finished garments	-1.8	-5.9	-8.6	1.2
Knitted garments	2.8	-4.2	-1.5	6.5
Clothing items	-3.6	6.9	-1.7	3.0
Total non-primary manufacturing	-0.9	3.4	1.2	2.2

Source: PRODUCE.

3.5 Construction Sector

In 2019, the construction sector grew by 1.5 percent, driven by the development of real estate, malls, and business center projects, offset by a slower progress of public works during the year.



With regard to the residential real estate market, the Peruvian Chamber of Construction (CAPECO) reported that 30.2 thousand housing units were offered (29,558 apartments) in 2019, this supply being 10.1 percent higher than in the previous year (CAPECO: *Estudio del Mercado de Edificaciones en Lima Metropolitana y el Callao*). Moreover, the prices of fifty-three percent of the housing supply (16,105 units) was in the intermediate price range (between S/ 90,000 and S/ 400,000) and located mainly in Modern Lima, Central Lima, and Callao, while 47 percent (14,118 units) of this supply was high-price units (of over S/ 400,000). In terms of locations, Modern Lima stands out in the latter group, with 95 percent of the units offered at prices between S/ 400,000 and 700,000, followed by Lima Top, where 66 percent of the units offered register prices higher than S/ 700,000.

A total of 18,055 housing units were sold in 2019, 67 percent of which were under construction. This figure reflects the application of advance sale procedures for housing units on plans or during the construction stage. Fifty percent of the homes sold were in an intermediate price segment (between S/ 90,000 and S/ 400,000), while 49.8 percent were in the high-price segment (over S/ 400,000).

New home mortgage loans decreased 1.3 percent in 2019, while new Mivivienda loans increased 31.9 percent. On the other hand, property sale prices in constant soles per square meter in Metropolitan Lima showed stable behavior. Thus, in the last quarter of 2019, the annual price-income ratio registered a value of 17.6, the same level observed in the fourth quarter of the previous year.

Table 12
REAL ESTATE SECTOR: EVOLUTION OF MAIN VARIABLES

Indicator	2017	2018	2019	Difference 2019-2018
New apartments sold - CAPECO 1/ % change	13,354 25.5	14,851 11.2	18,000 21.2	3,149
New apartments sold- TINSA % change	13,025 19.9	12,069 -7.3	15,328 27.0	3,259
New mortgage loans 2/ % change	30,466 8.5	36,253 19.0	35,778 -1.3	-475
New loans Mivivienda 3/ % change	6,683 -15.1	7,941 18.8	10,476 31.9	2,535
Number of loans of current mortgage 2/ % change	219,342 3.4	227,467 3.7	237,354 4.3	9,887
Mortgage loans in million soles 2/ % change	8,530 15.4	11,222 31.0	11,531 2.7	308
Mortgage loans in million US\$ 2/ % change	592 29.0	360 -39.2	234 -35.0	-126
Average interest rate on mortgage loans in S/ 2/	7.7	7.6	7.0	-0.2
Average interest rate on mortgage loans in US\$ 2/	5.9	6.1	5.6	-0.3
Ratio PER 4/	17.1	17.6	17.6	0.0

1/ El Mercado de Edificaciones Urbanas en Lima Metropolitana y el Callao, CAPECO. A one-year period is considered (from July to June in the next year).

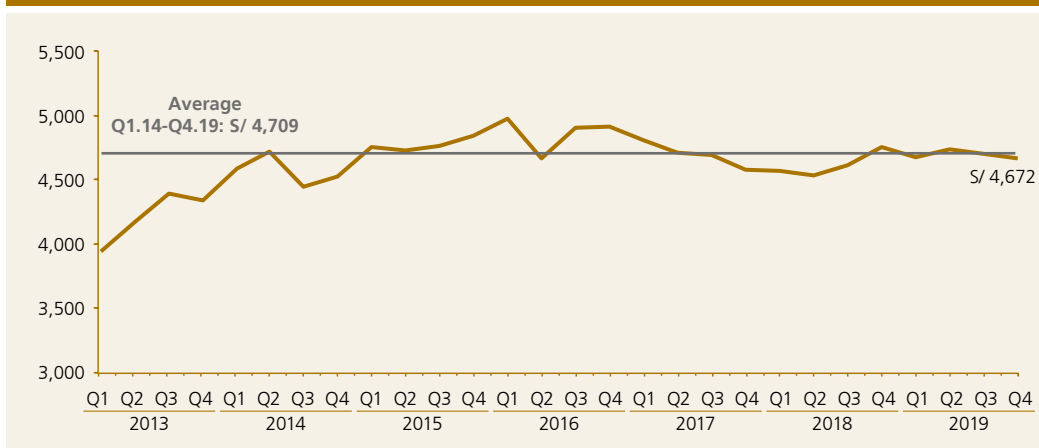
2/ Commercial banks.

3/ New Credit Mi Vivienda.

4/ Data as of Q4 of the year. Price to earning ratio.

Source: Mivivienda. SBS and TINSA PERU SAC.

Graph 20
QUARTERLY WEIGHTED MEDIAN SALE PRICES
(Constant soles 2009 per m² department)



As for the prime office market, Colliers International reported that three new prime office buildings, with a total of 31,345 square meters, entered the Lima office market in 2019. Continuing with

the decreasing trend observed since 2015, this new supply was lower than the one seen in 2018. Furthermore, net absorption in 2019 reached 113,564 square meters, less than in 2018 and 2017, bringing the vacancy rate down from 22.9 percent in 2018 to 16.0 percent at the end of 2019.

4. 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.

According to information of this electronic payroll system, the number of formal jobs⁴ in the country increased 2.8 percent in 2019. At the sector level, the largest increase was observed in the private sector (3.8 percent), while by geographical area, greater growth of employment was observed in companies located outside Lima (2.9 percent compared to 2.1 percent in Lima).

Table 13					
FORMAL JOBS - ELECTRONIC PAYROLL					
(Thousand jobs)					
	Levels			Change 2019/2018	
	2017	2018	2019	In thousand	In %
Total 1/	4,929	5,122	5,264	142	2.8
Private	3,509	3,662	3,800	138	3.8
Public	1,420	1,460	1,464	4	0.3
Lima	3,054	3,118	3,183	64	2.1
Rest of Peru	1,862	1,981	2,037	57	2.9

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.

The growth of employment in the private sector (3.8 percent) was mainly driven by the higher number of jobs in the sectors of services (70,000 jobs) and agriculture (27,000 jobs).

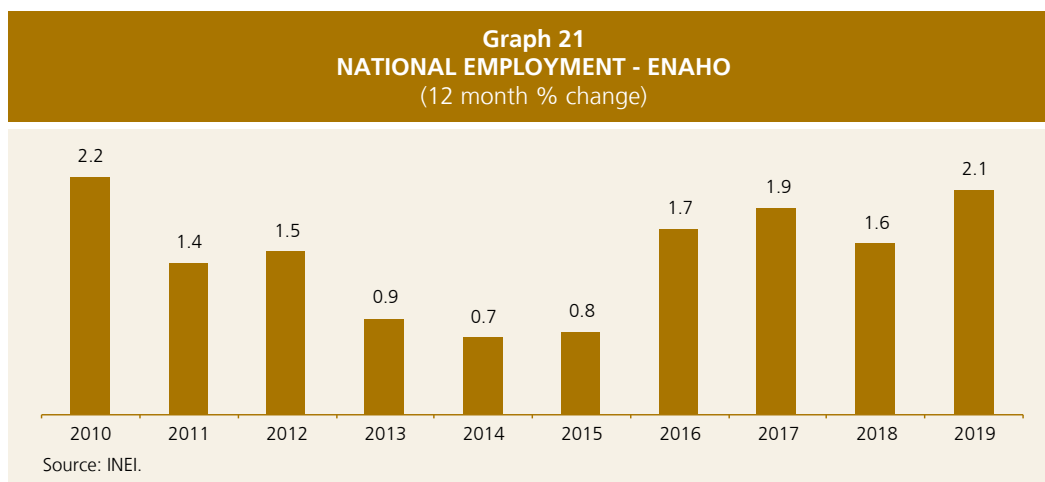
Table 14					
FORMAL JOBS IN THE PRIVATE SECTOR - ELECTRONIC PAYROLL					
(Thousand jobs)					
	Levels			Change 2019/2018	
	2017	2018	2019	In thousand	In %
Total	3,509	3,662	3,800	138	3.8
Agriculture and Livestock 1/	355	424	451	27	6.4
Fishing	23	21	20	-1	-4.5
Mining	102	105	106	1	0.8
Manufacture	450	455	457	2	0.4
Electricity	13	14	15	1	5.3
Construction	196	204	211	8	3.7
Commerce	594	608	621	12	2.0
Services	1,769	1,822	1,892	70	3.9

1/ Includes processing and preservation of fruits and vegetables.
Source: SUNAT - Electronic Payroll.

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

4.1 National Employment

According to data from the National Household Survey (ENAH), employment at the national level grew 2.1 percent in 2019, recovering the pace of growth observed in the first years of the decade.



By production sectors, the largest increase was observed in construction (5.2 percent), followed by the sectors of trade (3.5 percent) and services (2.6 percent). By company size, significant growth was observed in employment at companies with 1 to 10 workers (2.1 percent), whereas, on the other hand, employment at companies with 11 to 50 workers decreased (-1.4 percent).

Table 15
NATIONAL EMPLOYMENT
(Thousand people)

	Level			Annual change 2019	
	2017	2018	2019	In thousand	In %
I. ECONOMICALLY ACTIVE POPULATION (EAP):	17,216	17,463	17,831	368	2.1
1. EMPLOYED	16,511	16,777	17,133	357	2.1
<u>By economic activity</u>					
Agriculture and livestock/Fishing/ Mining	4,267	4,341	4,343	2	0.0
Manufacturing	1,552	1,505	1,519	14	1.0
Construction	957	1,003	1,055	52	5.2
Commerce	3,110	3,162	3,272	110	3.5
Services	6,626	6,766	6,944	178	2.6
<u>By size of business</u>					
From 1 to 10 workers	11,916	12,149	12,409	260	2.1
From 11 to 50 workers	1,210	1,247	1,229	-17	-1.4
More than 50 workers	3,371	3,372	3,481	108	3.2
2. UNEMPLOYED	705	686	697	11	1.6
II. INACTIVE POPULATION	6,556	6,680	6,681	1	0.0
III. WORKING-AGE POPULATION (WAP)	23,772	24,142	24,512	369	1.5
RATES (%)					
Activity rate (EAP/WAP)	72.4	72.3	72.7		
Employment/population (Employed EAP/WAP)	69.5	69.5	69.9		
Unemployment rate (Unemployed EAP/EAP)	4.1	3.9	3.9		

Source: INEI. ENAHO



Moreover, unemployment at the national level registered a rate of 3.9 percent, a similar rate to that observed in 2018.

