

## LATAM Market Update

- **Peru: Michel Canta, new Vice-Minister of Economy; Political update on more corruption accusations**

Michel Canta was appointed new Vice-minister of Economy at the Ministry of Finance (MEF). He will replace Hugo Perea. Perea, who is returning to his previous job at a local financial institution, resigned after completing the six months that he had initially stated would be his time at the MEF. Canta was previously the Joint Superintendent of the private pension fund system, at the Superintendency of Banks (SBS). With his appointment, the MEF is even more populated by people who know State management from the inside very well, and are strongly versed and focused on day-to-day management. However, this is not a team that is likely to be very proactive in reforms or imaginative in terms of economic policy.

Heavy rains are making the headlines these days, with some flooding, landslides, and loss of life, but so far, minor impact on infrastructure. Even though there is a “mild” Niño taking place, the rains and their impact are largely in line with the seasonal rains that occur every year. There is still some risk of a stronger impact, as rains could continue until April.

The partial truckers strike that began on Monday, continues. However, rains are probably doing more to disrupt transportation currently, than the strike. So far, there is little evidence of impact of either on growth or on inflation, but it is still early and there is likely to be some impact on inflation, at least, at some point. Unless rains worsen significantly, we expect any impact on growth to be marginal.

The news and noise on corruption has increased in recent days. One of the more noteworthy revelations is the claim by Odebrecht officials that bribes for the Interocéánica highway project amounted to US\$45mn, of which 70% was paid by Odebrecht, and 30% by local partners Graña y Montero, JJCamet and ICCGSA. The payments would involve the Toledo (2001–2006) and Alan García (2006–2011) governments. The important issue here is the revelation that local business partners were also active in the bribes. There has also been news, although less clear, that the Pedro Pablo Kuczynski presidential campaign would have received financing by a construction firm. This could be construed, by Peruvian law, as a form of money-laundering. The issue of concern here is whether or not President Vizcarra, who was campaign manager around that time, was involved or had knowledge of this financing. Vizcarra claimed that he was neither involved nor knowledgeable, which, even if it is true and he is exonerated, will not prevent the opposition from trying to take political advantage of the claims.

### CONTACTS

**Eduardo Suárez, VP, Latin America Economics**  
52.55.9179.5174 (Mexico)  
Scotiabank Economics  
[eduardo.suarez@scotiabank.com](mailto:eduardo.suarez@scotiabank.com)

**Guillermo Arbe**  
511.211.6052 (Peru)  
Scotiabank Peru  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Mario Correa**  
52.55.5123.2683 (Mexico)  
Scotiabank Mexico  
[mcorrea@scotiabank.com.mx](mailto:mcorrea@scotiabank.com.mx)

**Sergio Olarte**  
57.1.745.6300 (Colombia)  
Scotiabank Colombia  
[sergio.olarte@co.scotiabank.com](mailto:sergio.olarte@co.scotiabank.com)

**Benjamin Sierra**  
56.2.2619.4974 (Chile)  
Scotiabank Chile  
[benjamin.sierra@scotiabank.cl](mailto:benjamin.sierra@scotiabank.cl)

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