

LATAM Market Update

- **Colombia: DANE released February imports**
- **Peru: The saga continues—Peru team to question Odebrecht officials on corruption**

COLOMBIA: DANE RELEASED FEBRUARY IMPORTS

Imports came in at 8.2% y/y or US\$3.9bn and continued showing strong behaviour, although they came in a bit below expectations. Capital imports grew 10.4% y/y due to transportation imports and capital goods for agriculture. Raw materials (46% of total imports) grew 7.25% y/y. The relative strong numbers that capital and raw materials imports have showed YTD (and last year) are consistent with investment recovery in 2019 investment. Today's imports data do not change our GDP forecast for 2019 of 3.4% y/y.

The external imbalance did not deteriorated further in February. February 2019 trade deficit was -US\$581mn. Having said that, Colombian external imbalance continue being one of the more significant concerns (especially the financing part) on the Colombian economy in the short run. Although higher capital imports are good news to domestic demand recovery and to a possible higher potential output in the future, it rises concerns of external imbalance sustainability due to financing. So far external imbalances have been financed by FDI, however FDI inflows are always uncertain.

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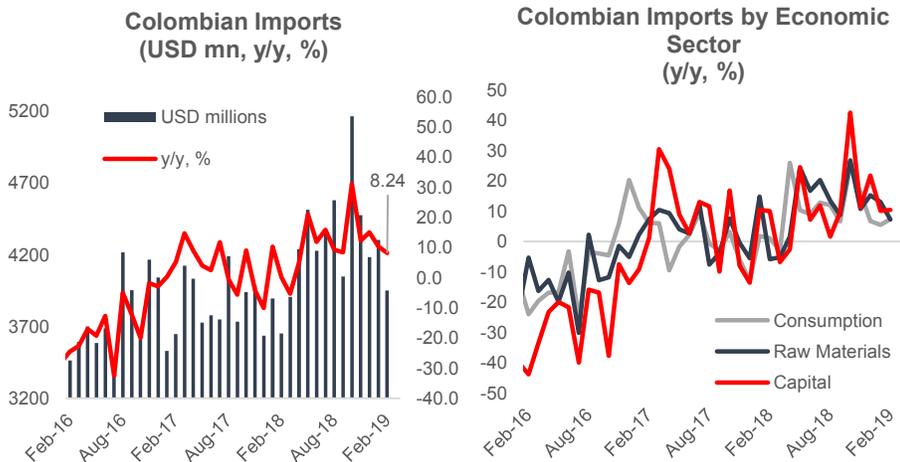
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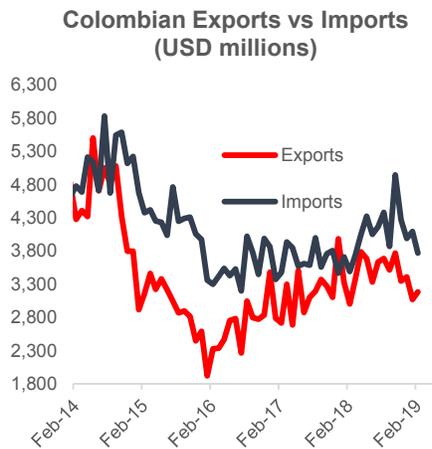
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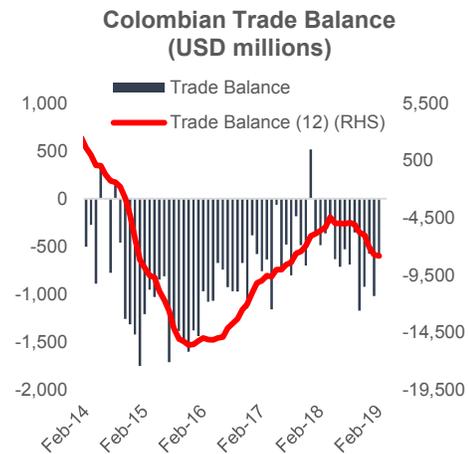


Sources: DANE, Scotiabank.

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PERU: THE SAGA CONTINUES—PERU TEAM TO QUESTION ODEBRECHT OFFICIALS ON CORRUPTION

Peru's prosecutor team for the Odebrecht / Lava Jato case, led by Domingo Pérez, will begin a new round of interviews in Brazil with Odebrecht staff in ongoing investigations on corruption. The interviews will take place from April 23 to 26. In the past, similar interviews have uncovered a wealth of information involving high political figures, and we expect something similar now. The main cases that Peru's prosecutors will be seeking information on include: 1. The Brazil-Peru southern highway, involving the Toledo and Alan García regimes (during which Pedro Pablo Kuczynski was head of cabinet and finance minister). 2. Line 1 of the Lima metro, during the García regime. 3. The Construction Club, which has been ongoing since the late 90s and involves unfair practices in the allotment of government infrastructure projects. 4. Payments made to authorities at Petroperú, the public oil company, and Ositrán, the government transportation authority; 5. Irregular, and possibly illegal, campaign financing for campaigns of Susana Villarán, Pedro Pablo Kuczynski and Alan García, which add to similar accusations against Keiko Fujimori. There is great expectation that these interviews will reveal more information on these, and other cases. If so, there is likely to be an impact on the domestic political scene, with moderate possible repercussions on business sentiment as well. At the same time, over the weekend the courts determined that Kuczynski's ten day detention should be extended to three years. This decision has created significant controversy, as Kuczynski had been hospitalized for heart trouble on the same day that García committed suicide, leading to comments by President Vizcarra himself and a host of analysts, that the courts and the Attorney General's office, are acting with excessive aggressiveness.

Aeropuertos Andinos del Perú announced plans to invest US\$ 320mn over the next seven years in the airports it manages, especially Arequipa (US\$215mn) and Juliaca (US\$ 50 mn). Lower amounts will be invested in its other three airports (Ayacucho, Puerto Maldonado and Tacna).

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