

LATAM Market Update

- **Peru: Local business involvement in unregistered campaign financing widens; 2020 budget approved**

In an interview with the prosecuting attorneys on the Lava Jato investigation, the Chairman of Credicorp stated that Credicorp had donated US\$3.6mn to Keiko Fujimori's 2011 presidential campaign. An undisclosed amount would also have been donated in 2016. The donation was made in cash, and, apparently part would have been delivered to Keiko Fujimori personally. Keiko has admitted that her campaign received funds from Credicorp, while reiterating that she did not receive funds from Odebrecht. She also stated that the donation was not disclosed out of respect for a request for anonymity. Events are still evolving and analysts are at odds on the legal issues around these donations. The question is how the prosecuting attorney will consider a case in which corporate donations to political campaigns went unregistered, but where there is no evidence of anything beyond that, such as a quid pro quo or money laundering. Whatever the legal implications, however, this is likely to further damage Keiko Fujimori politically. The timing is terrible as well, as the Constitutional Court is currently preparing to rule on a habeas corpus submitted by Keiko's legal team for her release. The Attorney General's office is likely to start looking deeper into financing of political campaigns by other local companies. Officials from Buenaventura have already been called in, and declared that the company has not financed any political campaigns, but did make a contribution to an image campaign organized by a local business chamber and which took place during the 2011 campaign period.

Due to the absence of a Congress, the government approved the 2020 fiscal budget by decree this week. Normally, the budget is submitted to Congress, which discusses and approves it over the course of four or five weeks. It is, however, the same budget that was released to public opinion in September. The budget amounts to US\$53bn, a 5.5% increase, in nominal terms, over 2019. The magnitude of the increase is rather low compared to previous budgets. This is in line with the government's intention to bring the fiscal deficit down to 1.8% in 2020, from an expected 2.0% in 2019. This goal is feasible. At the same time, however, being as the budget is on the conservative side, it will not go very far in terms of stimulating demand growth.

The public sector teacher's union will go on strike tomorrow, Thursday, in demand of greater wages. It is not clear how broad the strike will be, but it is occurring during a period of greater than usual sensitivity to social conflict in the region.

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