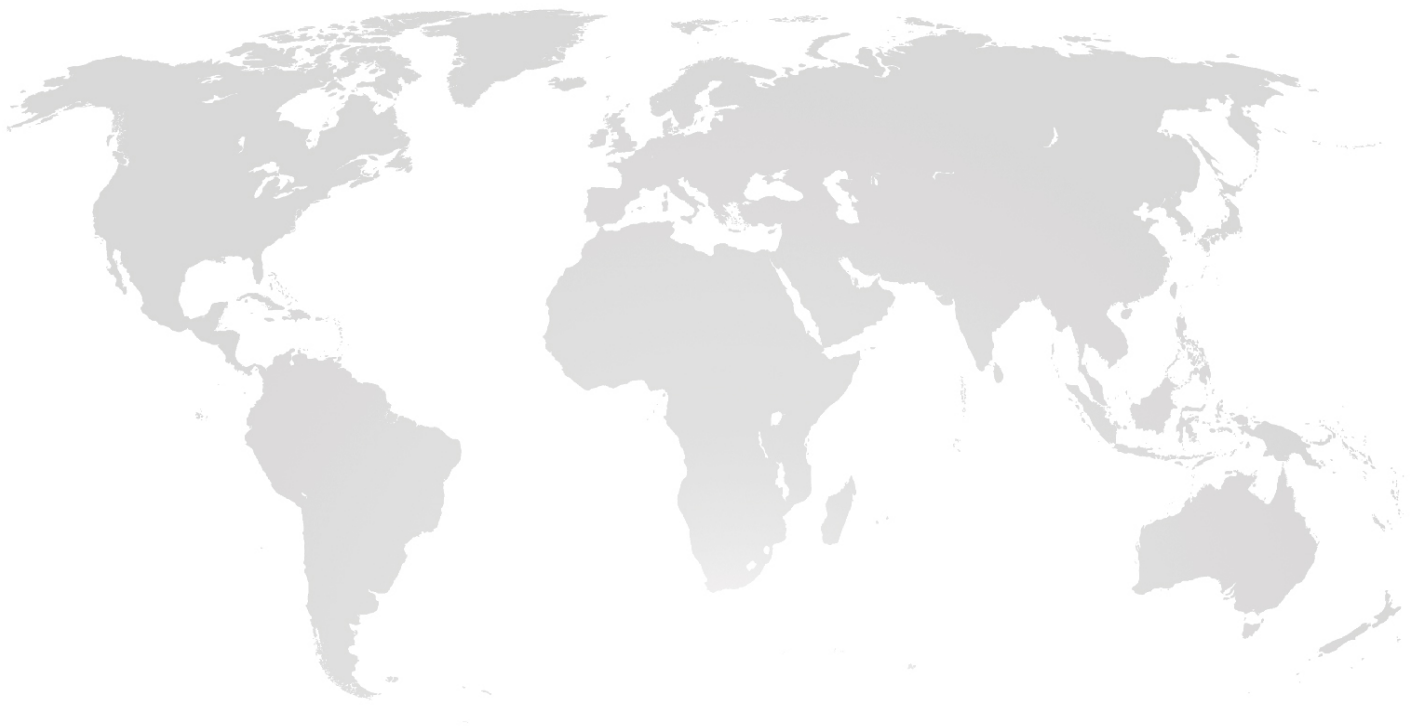


# Country Insight Snapshot

## Colombia

September 2016





## OVERVIEW

**OVERALL COUNTRY RISK RATING:** DB4a

**Moderate risk:** Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

**Rating Outlook:**

Stable



## CORE OUTLOOK

- + Good long-term commercial opportunities are to be found, especially in the natural resources sector.
- + Successive governments have pursued economic liberalisation, which could be extended to sectors such as advertising, distribution services and insurance.
- + A peace accord with the FARC rebel group and subsequently with ELN will boost long-term economic activity.
- Companies requiring highly-trained staff could be undermined by a shortage of local workers trained to university level.

## KEY DEVELOPMENT

A national plebiscite on the peace deal in October is likely to be ratified by voters, despite some contentious elements of the agreement.

### CREDIT ENVIRONMENT OUTLOOK

A

Key Development has had a neutral impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK

R

Key Development has had a positive impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK

A

Key Development has had a neutral impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK

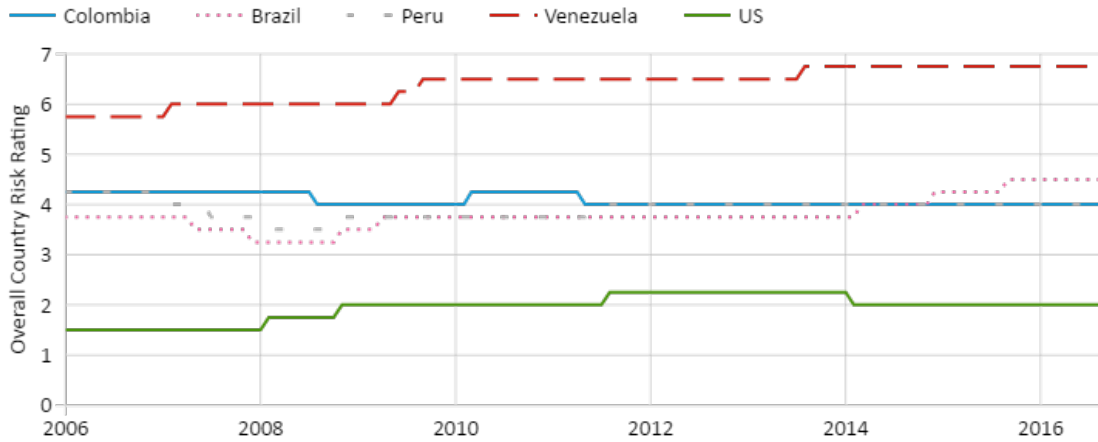
A

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

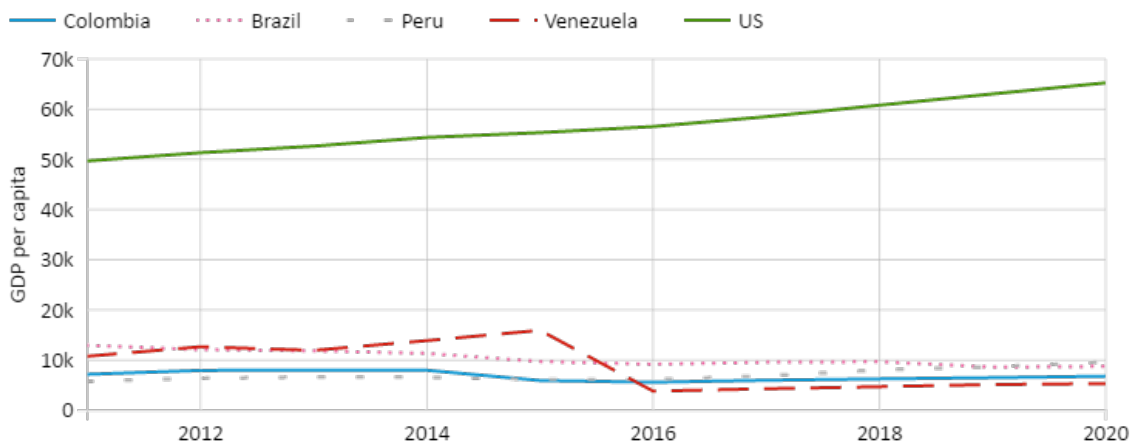
### Rating History and Comparison



Source : Dun & Bradstreet

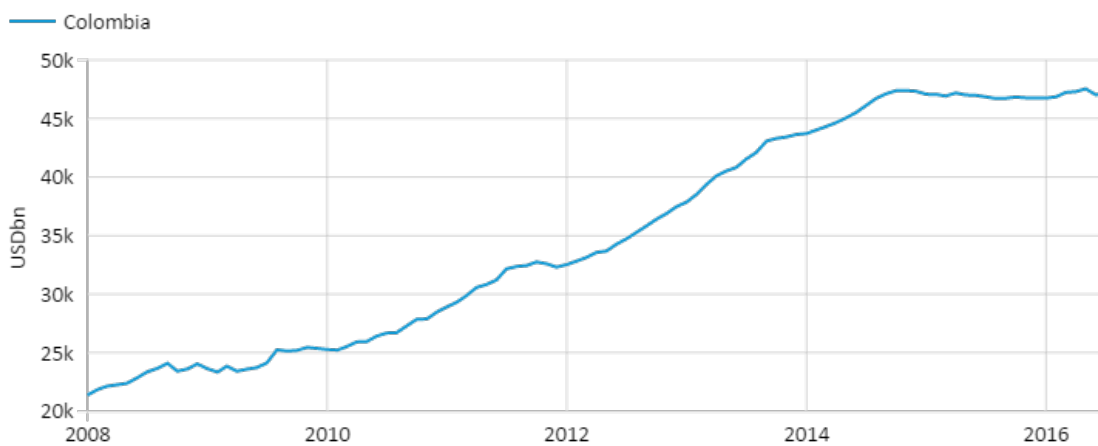
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

### Foreign Reserves (Excluding Gold)



Source : International Monetary Fund/Haver Analytics



## Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-3.4	-5.2	-6.6	-5.7	-4.6	-3.9	-3.9	-3.8
Govt balance, % GDP	-0.9	-2.6	-3.4	-2.6	-2.3	-1.5	-1.2	-1.0
Inflation, annual avge %	1.9	2.9	5.0	7.7	3.9	3.5	3.6	3.8
Real GDP Growth, %	4.3	4.6	3.1	2.0	2.6	3.2	3.5	3.8
Unemployment, %	9.7	8.0	9.1	9.4	9.2	9.0	8.9	8.8

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

The peso weakened to COP2929.66 against the dollar on 15 September as emerging market currencies broadly weakened in response to Mario Draghi's recent confirmation that further ECB stimulus is unlikely in the near term. In addition, uncertainty about whether the US Federal Reserve would implement a much-speculated hike of its target rate in Q4 and the recent tightening in the US presidential race have both contributed to recent volatility in Latin American currencies including the COP. Meanwhile, foreign reserves remained fairly stable in August to end the month at USD47.04bn with good import cover of just over six months. Still-weak oil prices will constrain FX accumulation in the near term and keep the external profile under pressure in the coming quarters.

## TRADE TERMS AND TRANSFER SITUATION

### **Minimum Terms: LC**

*The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.*

### **Recommended Terms: LC**

*Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### **Usual Terms: 30-90 days**

*Normal period of credit associated with transactions with companies in the stated country.*

### **Local Delays: 0-1 month**

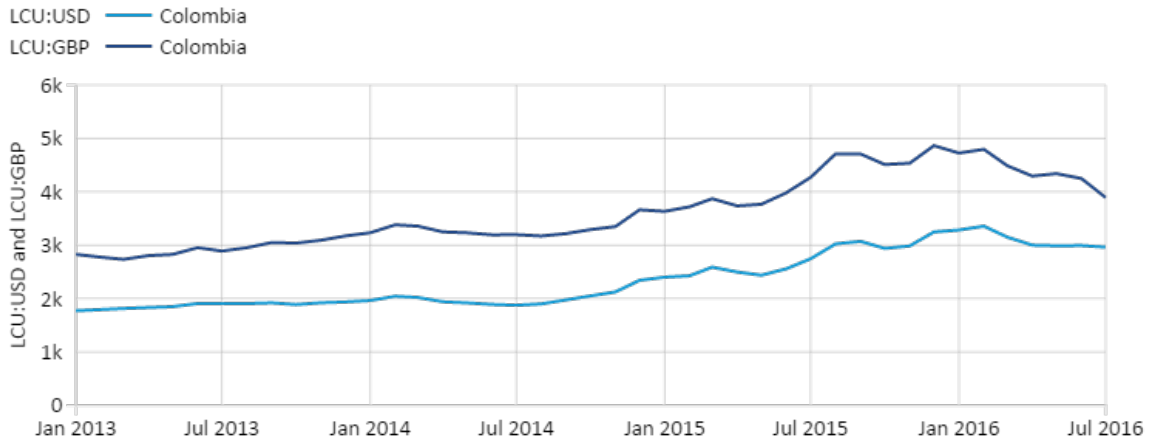
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### **FX/Bank Delays: 0-1 month**

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



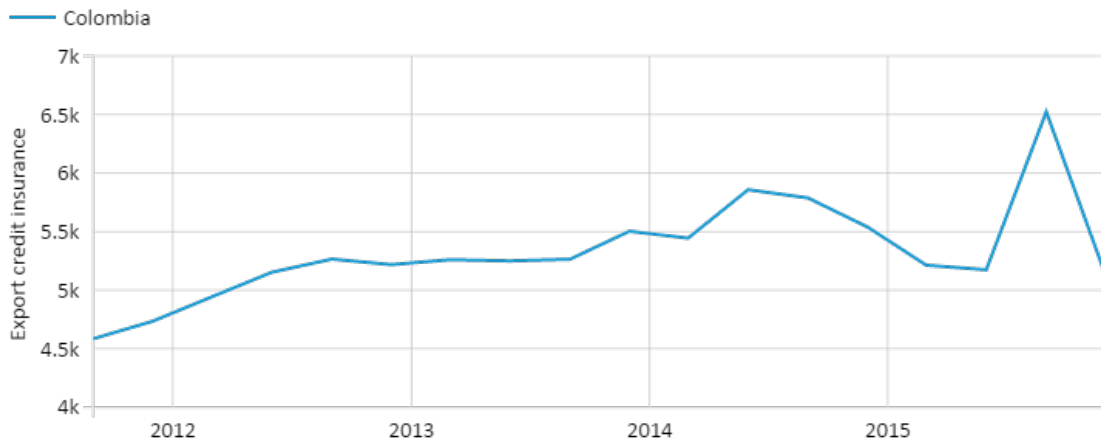
## Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

*LCU (Local Currency Unit) = Colombian peso*

## Credit Conditions



Source : Export Credit Agencies

*Insured export credit exposures, USDm*



## RISKS AND OPPORTUNITIES

### Political/Insecurity Risk

#### *Peace deal plebiscite confirmed*

On 2 October a national plebiscite will be held for the electorate to ratify or reject the peace agreement struck between the government and FARC on 24 August in Cuba. The two sides signed the final deal on 26 September after FARC's leaders unanimously accepted the peace agreement. At least 4.5m voters must participate in the plebiscite to validate a yes vote according to the law, although the deal could still get congressional approval and be implemented if the threshold is not met. However, if the deal is rejected by voters there are no alternative avenues via which President Juan Manuel Santos' government could implement the accord.

A major point of contention in the deal is FARC's demands for a specific number of seats in Congress after the agreement is implemented. The rebel group is also demanding the waiver of prison sentences for its members. Positively, it has now been agreed that within five days of the signing of the final deal, disarmament will begin: the rebels would demobilise at 31 concentration zones with UN representatives overseeing the disarmament (mainly by collecting weapons) in three phases, within 150 days of the rebels' assembly at the concentration zones. FARC has also agreed that the amnesty for its members will be passed after the plebiscite in October in accordance with the law.

Overall, despite opposition to some elements of the deal, recent polls have found that around three-quarters of voters who intend to vote are in favour of the deal; if approved, the peace accord will end Colombia's 52-year civil war. Despite the FARC peace accord, commercial infrastructure would still be under threat of attack by the National Liberation Army (ELN), Colombia's second largest rebel group with whom the government recently agreed to formal talks. ELN is known for attacking oil infrastructure and thus directly impacting the economy. Indeed, on 12 September the group launched a 72-hour armed strike in seven departments including Arauca, Boyacá, and Narino.

### Short-Term Economic Outlook

#### *Central bank pauses*

On 31 August the central bank kept its policy rate at 7.75% as lower food prices contributed to a 0.3% m/m fall in headline inflation in August; this was the first m/m fall in consumer prices since November 2013. Headline inflation slipped to 8.1% in August from 9% in July. The last rate increase was on 29 July when the bank hiked its policy rate for the 11th consecutive month with a 25 basis point (bp) rise to 7.75%; the benchmark rate had been increased by 325 bp in the 11 months to July in the bank's bid to anchor inflation expectations. Elsewhere, in Q2, real GDP grew by a feeble 0.2% q/q and 2% y/y having decelerated from the first quarter, when the economy expanded by 2.5% y/y, down from 3.3% in Q4 2015. The slowdown in the second quarter is largely due to a 0.1% q/q contraction in private consumption – its first decline since 2002 – as resilient inflation eroded real wages. We have adjusted our 2016 real GDP growth forecast down to 2.0% from 2.2%.



## COUNTRY PROFILE AND STATISTICS

### Overview

Bordered by the Pacific Ocean and Caribbean Sea, Colombia's main population and economic centres are located in the Andes mountains that run through the western and northern parts of the country, descending into the sparsely-settled, sweeping plains toward the Atlantic coast and rainforests in the Amazon basin.

Colombia's natural resources include hydrocarbons, precious metals and rich agricultural land. The free-market economy is diversified and enjoys the benefits of close trade and investment ties to the US.

Moreover, under the auspices of the US-sponsored Plan Colombia, the government increased its military apparatus. Peace talks between government and the rebel group FARC, which started in 2012, concluded with a peace accord signed by both sides in September 2016. The end of the half-century-long conflict is expected to yield significant economic gains arising from an improved security environment.

### Key Facts

Key Fact	Detail
Head of state	President Juan Manuel SANTOS
Capital	Bogota
Timezone	GMT -05-00
Official language	Spanish
Population (millions)	48.2
GDP (USD billions)	285.2
GDP per capita (USD)	5,918
Life expectancy (years)	74
Literacy (% of adult pop.)	93.6
Surface area (sq km)	1,141,750

Source : Various sources/Dun & Bradstreet

### Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	6.6	4.0	4.3	4.6	3.1
Nominal GDP in USDbn	335	370	377	380	285
Nominal GDP in local currency (bn)	619,894	664,240	705,423	759,740	782,979
GDP per Capita in USD	7,156	7,933	8,013	7,960	5,918
Population (year-end, m)	46.9	46.6	47.1	47.7	48.2
Exchange rate (yr avge, USD-LCU)	1,848.1	1,796.9	1,869.0	2,001.0	2,745.0
Current Account in USDbn	-9.9	-11.9	-13.0	-19.8	-18.8
Current Account (% of GDP)	-3.0	-3.2	-3.4	-5.2	-6.6
FX reserves (year-end, USDbn)	31.4	37.5	43.6	47.4	46.7
Import Cover (months)	6.0	6.9	7.5	7.5	6.8
Inflation (annual avge, %)	3.4	3.3	1.9	2.9	5.0
Govt Balance (% GDP)	-1.1	2.8	-0.9	-2.6	-3.4

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	2.0	2.6	3.2	3.5	3.8
Nominal GDP in USDbn	272	293	308	324	341
Nominal GDP in local currency (bn)	829,346	884,593	946,971	1,015,254	1,089,253
GDP per Capita in USD	5,578	5,976	6,244	6,487	6,788
Population (year-end, m)	48.8	49.1	49.4	50.0	50.3
Exchange rate (yr avge, USD-LCU)	3,047.0	3,015.0	3,070.0	3,130.0	3,190.0
Current Account in USDbn	-15.6	-13.5	-11.9	-12.6	-13.0
Current Account (% of GDP)	-5.7	-4.6	-3.9	-3.9	-3.8
FX reserves (year-end, USDbn)	48.7	51.0	53.3	54.4	55.0
Import Cover (months)	6.6	6.3	6.1	5.7	5.4
Inflation (annual avge, %)	7.7	3.9	3.5	3.6	3.8
Govt Balance (% GDP)	-2.6	-2.3	-1.5	-1.2	-1.0

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Colombia	Brazil	Peru	Venezuela	US
Income per Capita (USD)	5,918	9,717	6,152	15,925	55,326
Country Population (m)	48.2	208.8	31.2	31.1	321.8
Internet users (% of population)	52.6	57.6	40.2	57	87.4
Real GDP Growth (% p.a., 2016 - 2025)	4.2 - 6.7	1 - 2	3.9 - 8.5	2.9 - 6.8	1.8 - 2.5

Source : Various sources/Dun & Bradstreet





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