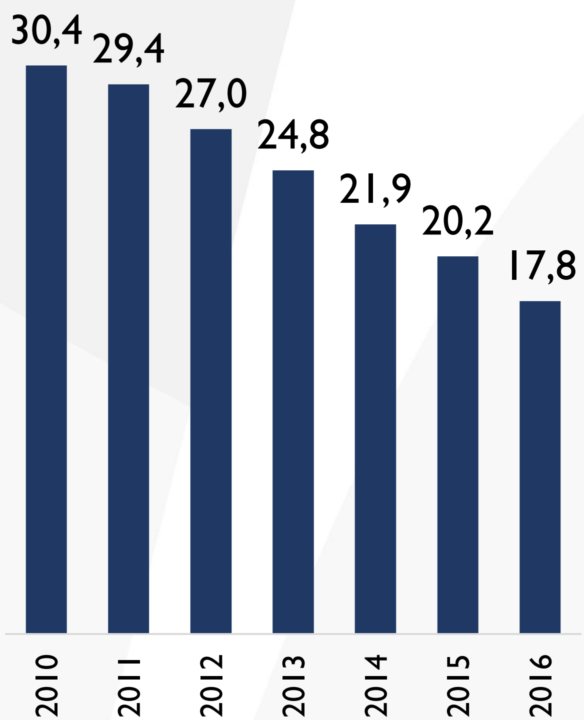
Colombia: Macroeconomic and Fiscal Outlook

Ministry of Finance and Public Credit
July 2017

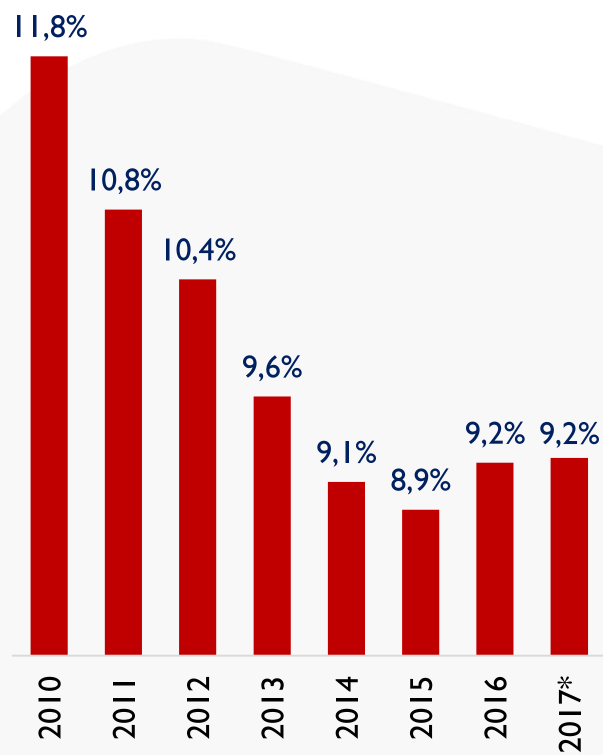
COLOMBIA REPUNTA

Middle Class Continues to Consolidate

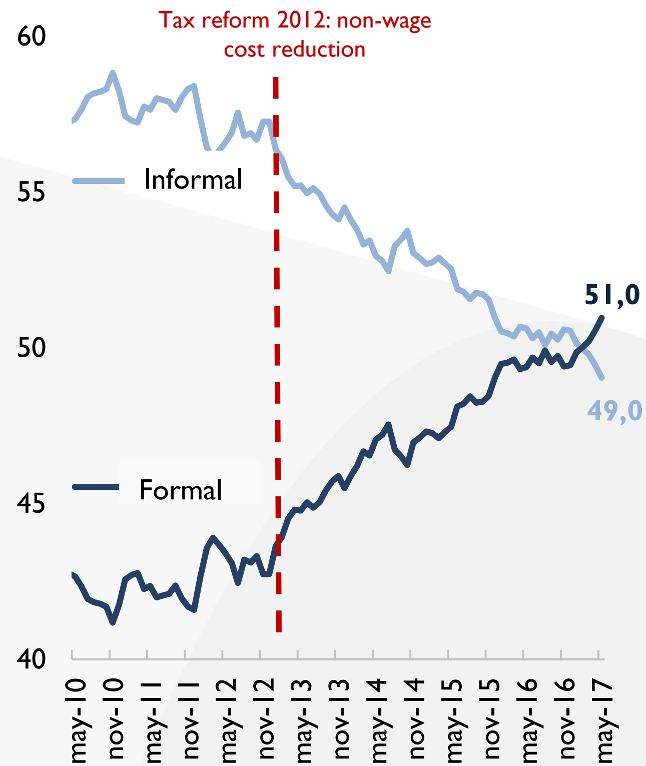
Multi-Dimensional Poverty
(% of population)



National Unemployment Rate
(Annual average)



Informality Rate. 13 main cities**
(% of population)



Source: DANE

* 12 month average up to May 2017

** Informality defined according to the criteria of affiliation to social security - pensions

Note: Multidimensional poverty is an index with 5 dimensions: 1. Households education condition, 2. Children and young people situations, 3. Health, 4. Jobs, 5. Utilities access and house conditions

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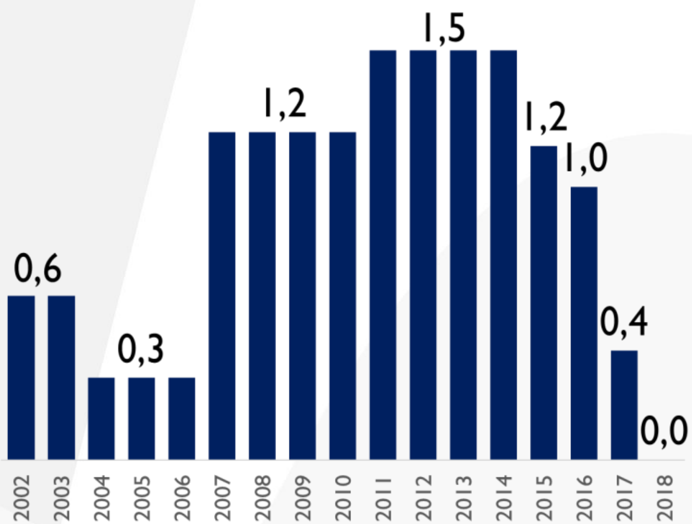
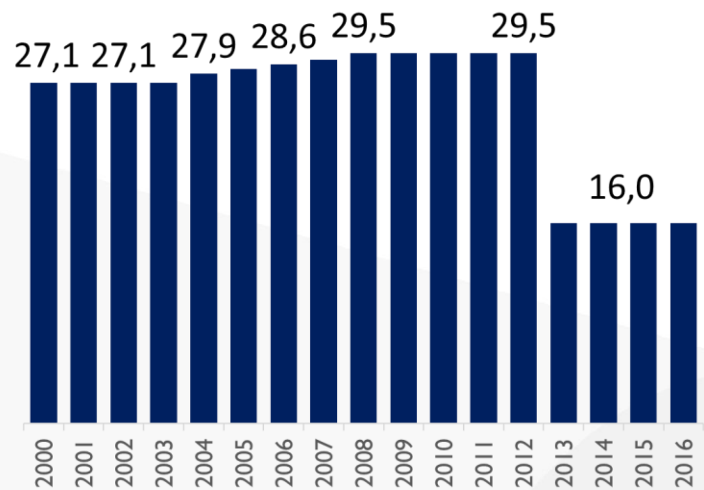
Improved Competitiveness: Corporate Taxes Have Been Reduced to Help Firms Invest and Generate Formal Jobs

Wealth Tax Rate*, %



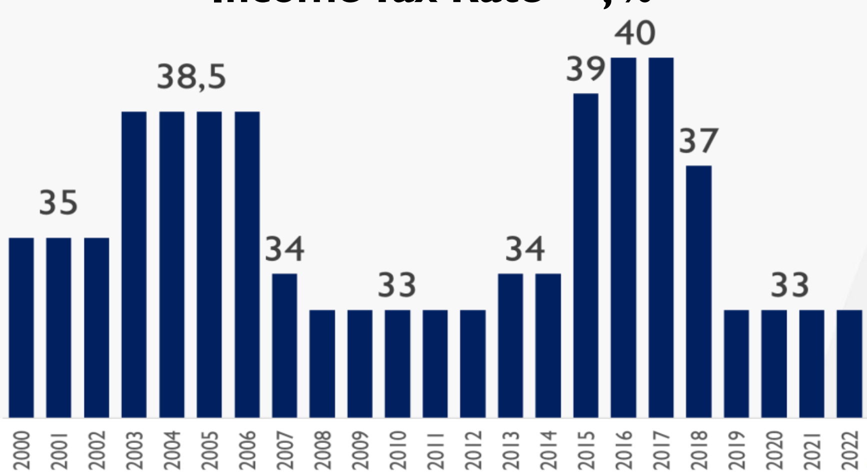
* Net equity greater than COP 5 billion. 2015-2017 marginal tariffs

Payroll Tax Rate, %**



** Health, pension, ICBF, SENA y CCF paid by employers (<10 Monthly Legal Minimum Wage)

Income Tax Rate*, %**



*** Includes CREE

Source: Ministry of Finance

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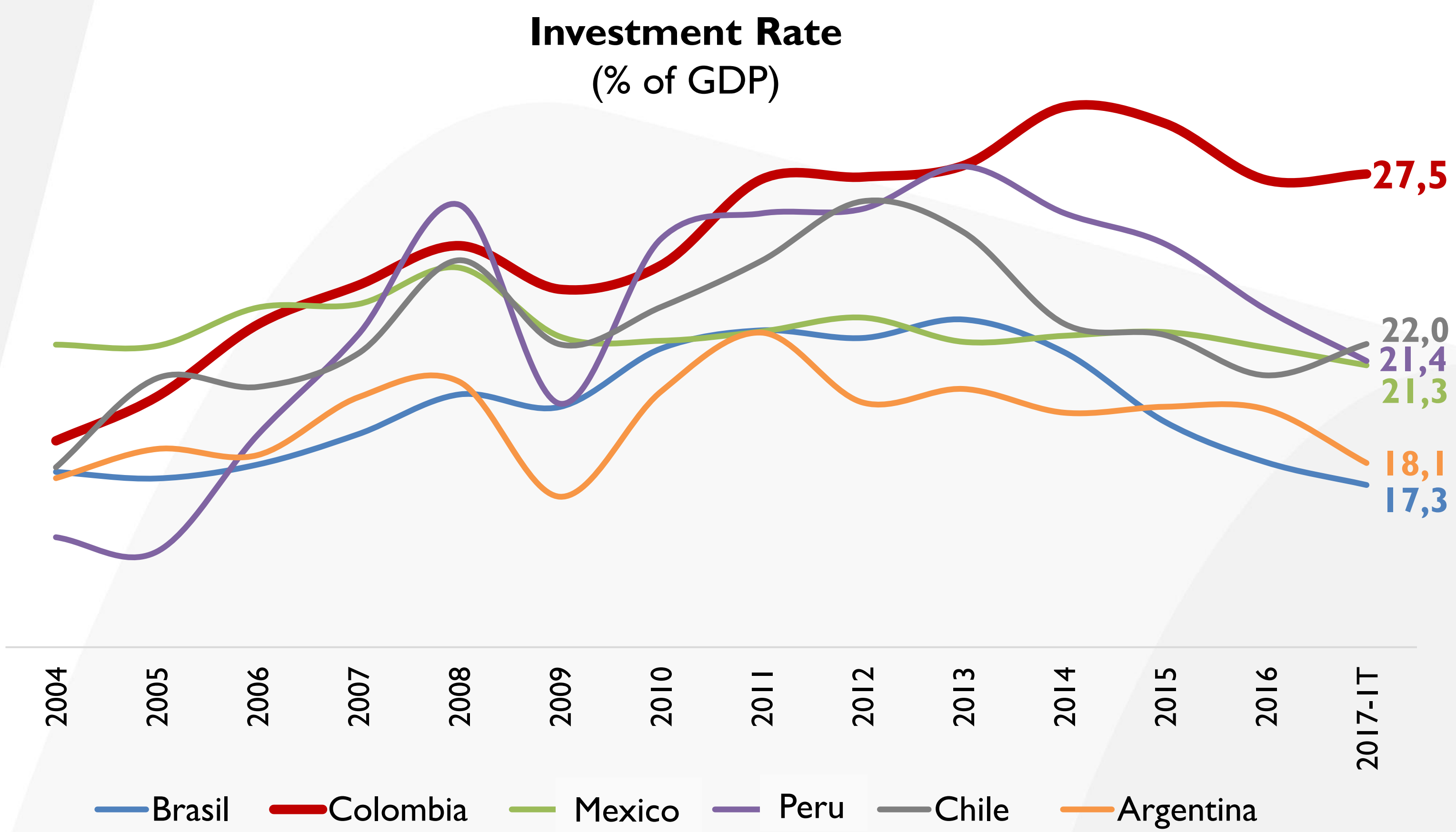
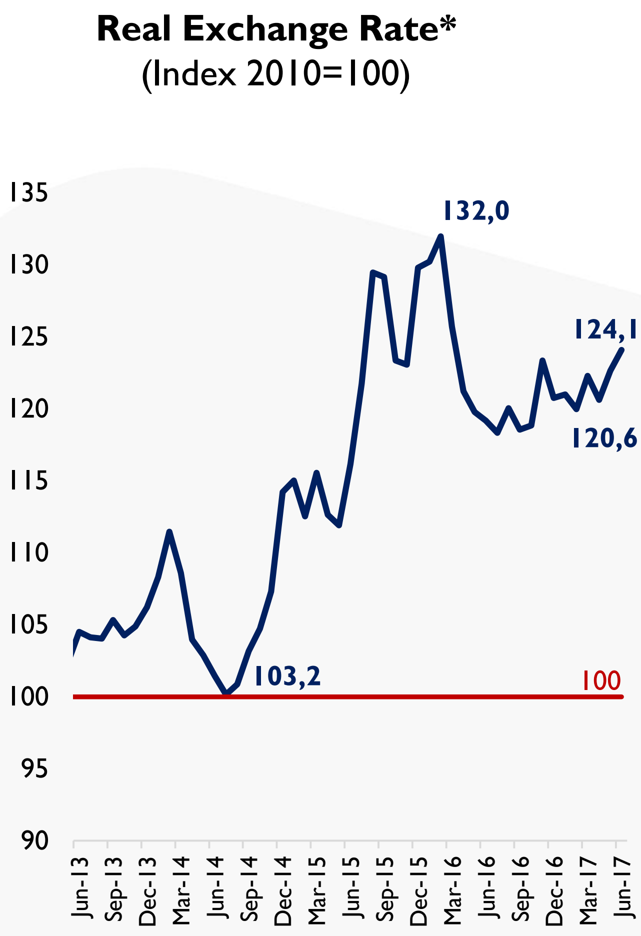
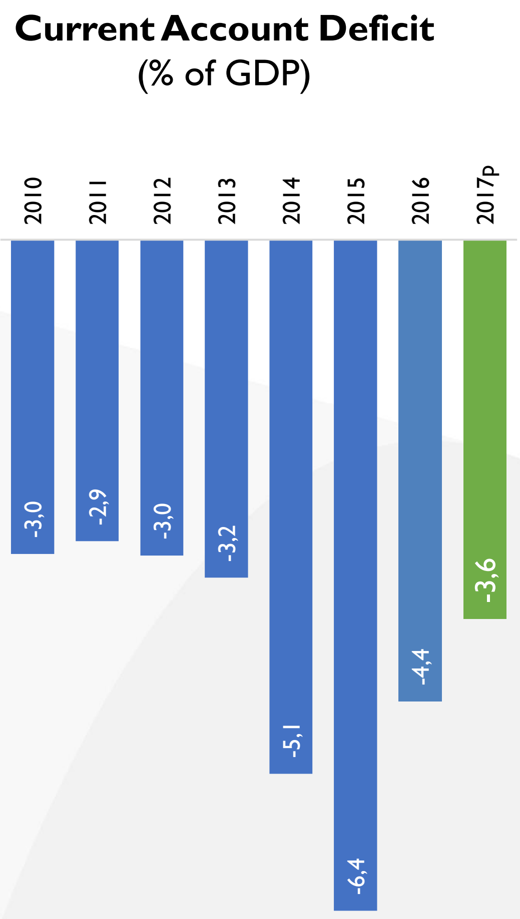
Investment Rate is the Highest Among Large Latin American Economies



Source: National statistics institute of each country

Peso Depreciation was Critical for External Adjustment

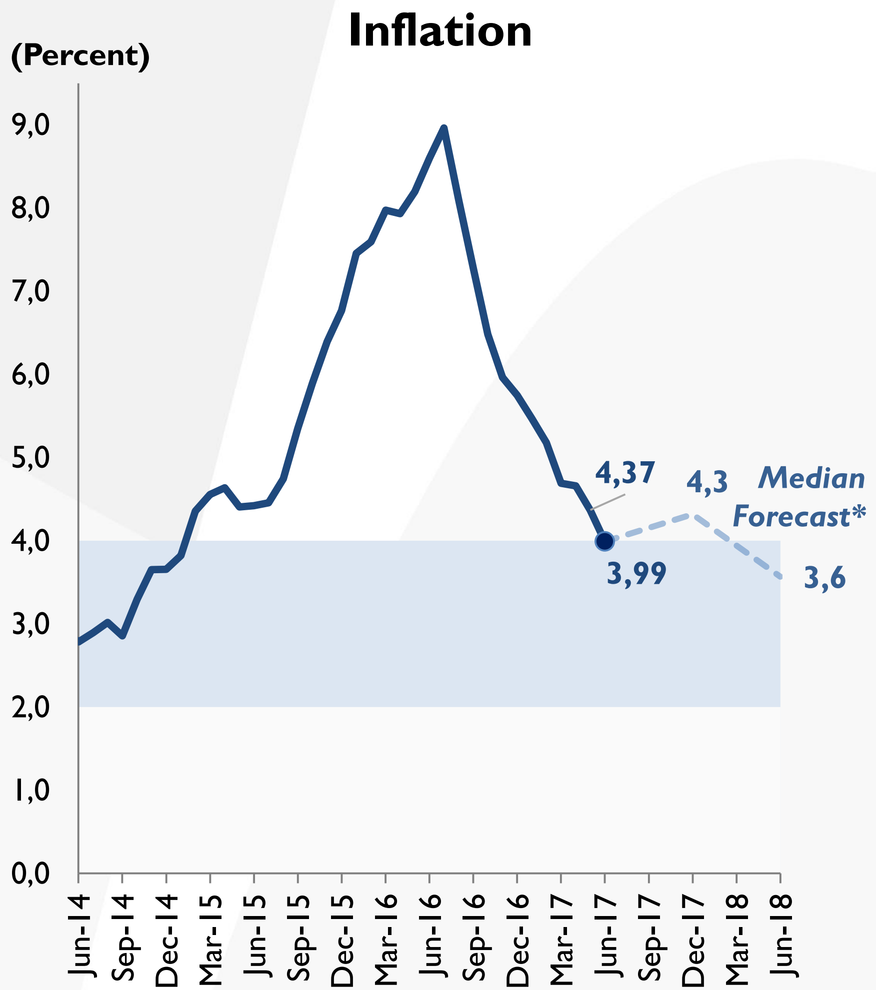


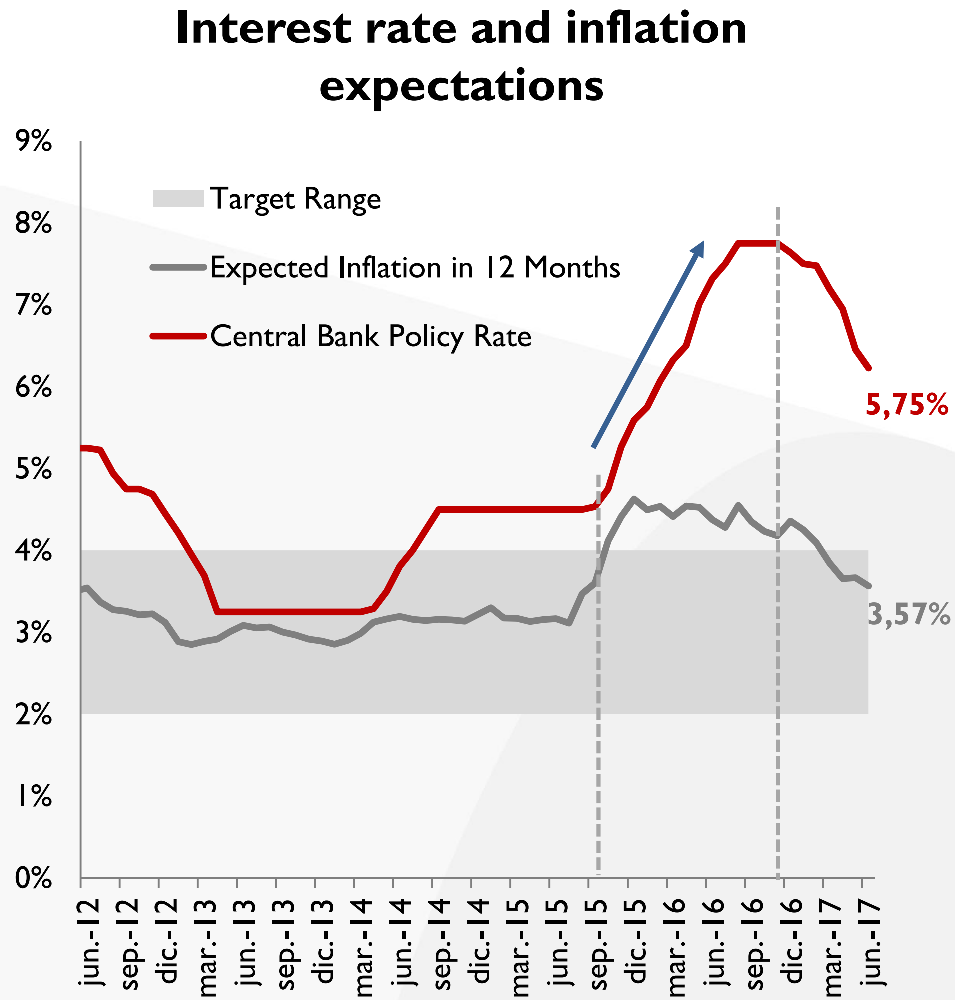


Source: Central Bank

* Non traditional, using Producer Price Index.

Inflation is Again Within the Target





* Central Bank Market Survey
Source: DANE and Central Bank

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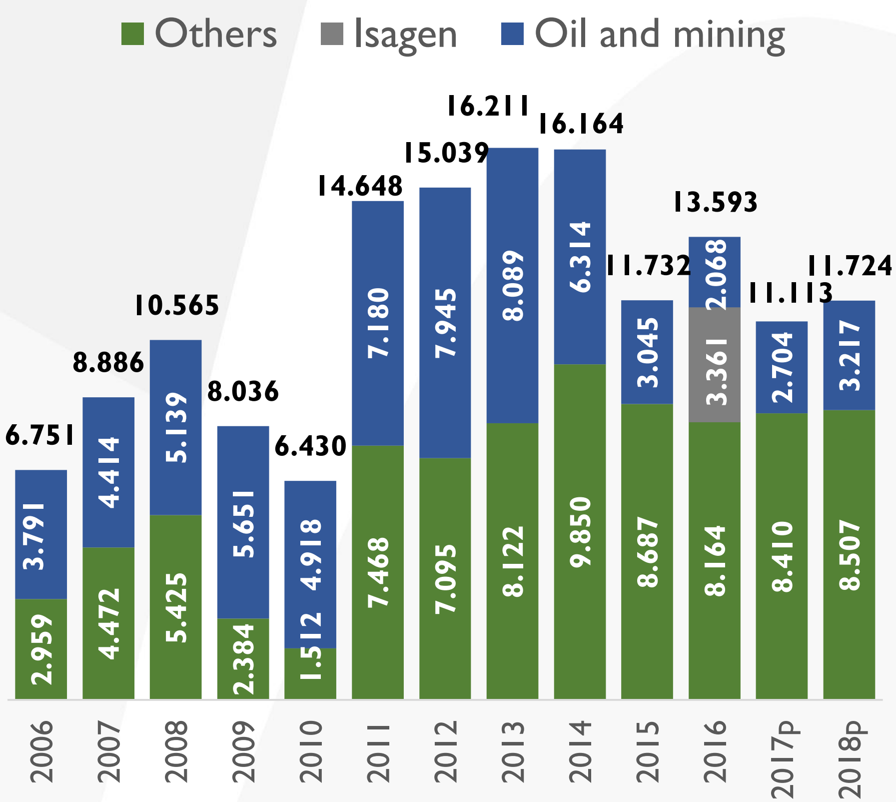
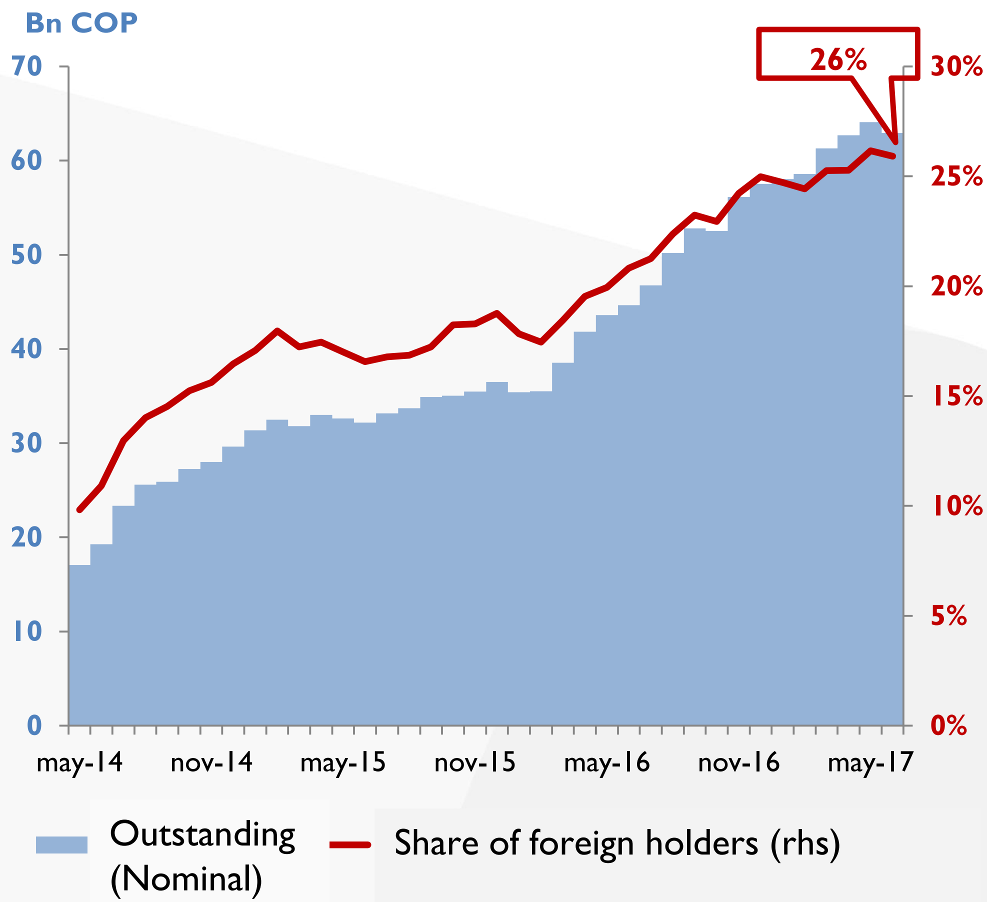
Appetite for Colombian Assets is Strong

Gross Foreign Direct Investment
(USD Millions)



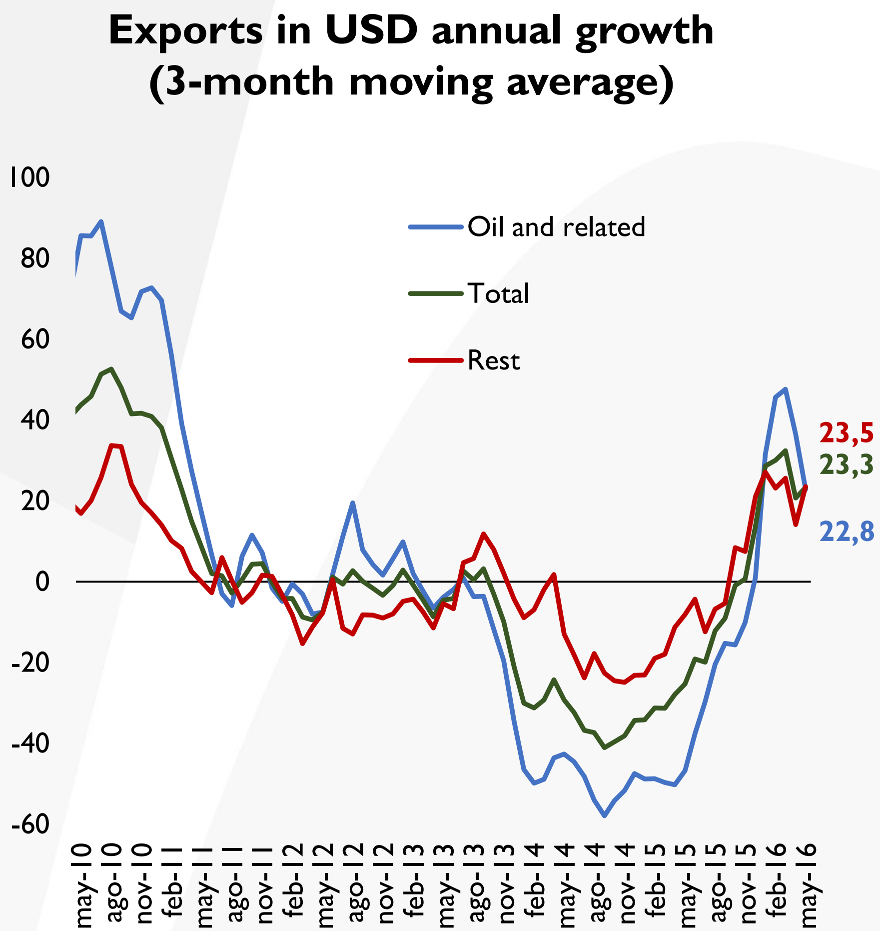
Source: Central Bank and Ministry of Finance

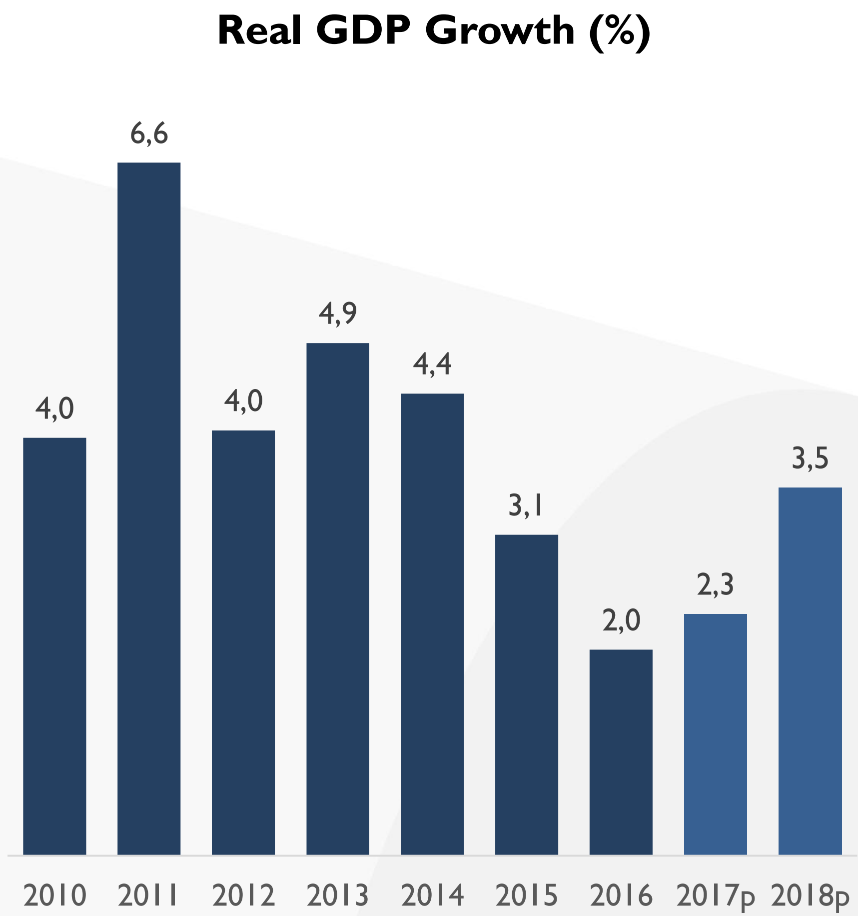
Portfolio Foreign Investment on TES



Source: Ministry of Finance. Data up to June 30th, 2017

Exports and Growth are Recovering





Source: DANE

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Summary: macroeconomic outlook

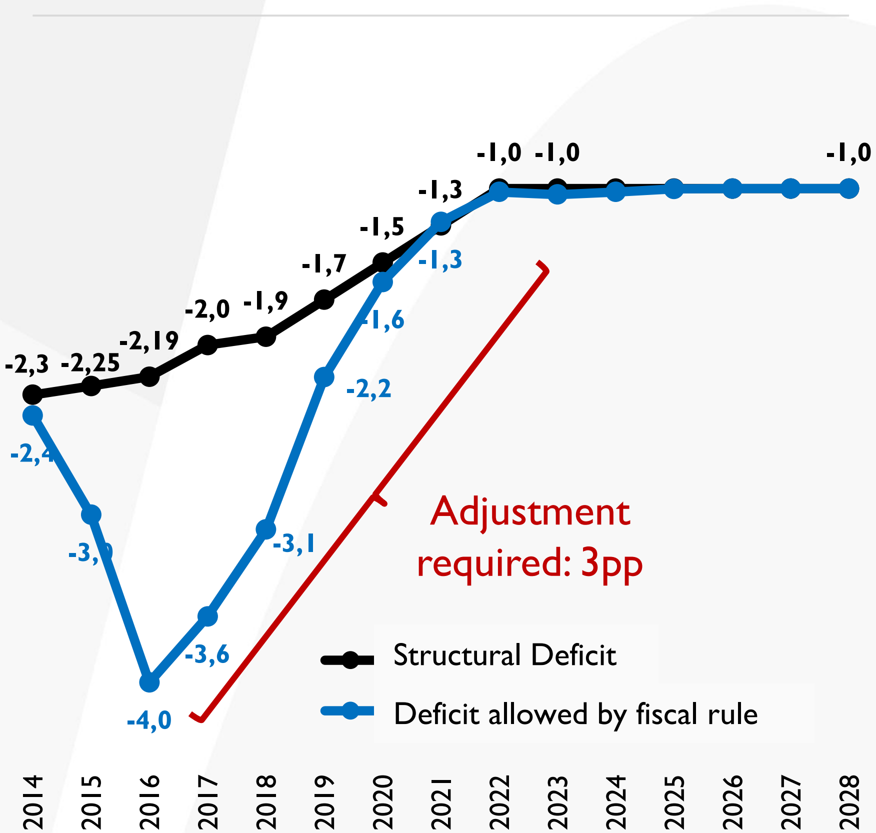
		Medium Term Fiscal Framework (2017) Forecast				
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Real GDP (annual growth, %)	2.0	2.3	3.5	4.0	4.3	4.4
Inflation (end of period, %)	5.8	4.1	3.0	3.0	3.0	3.0
Exchange Rate (annual average, COP/USD)	3,052	2,977	2,930	2,878	2,832	2,851
Exports (USD annual growth, %)	-13.4	13.9	10.3	6.4	4.8	3.5
Non-traditional (USD annual growth, %)	-7.6	6.4	5.2	9.4	11.5	10.5
Imports (USD annual growth, %)	-17.0	5.9	5.2	6.7	6.2	6.7
Current Account Balance (% of GDP)	-4.4	-3.6	-2.9	-2.8	-2.9	-2.9
Brent Crude Oil (annual average, USD/barrel)	45.1	51.0	60.0	65.0	70.0	70.0
Colombian Crude Oil (annual average USD/barrel)	35.7	41.5	50.5	55.5	60.5	60.5

Source: DANE, Central Bank and Ministry of Finance.

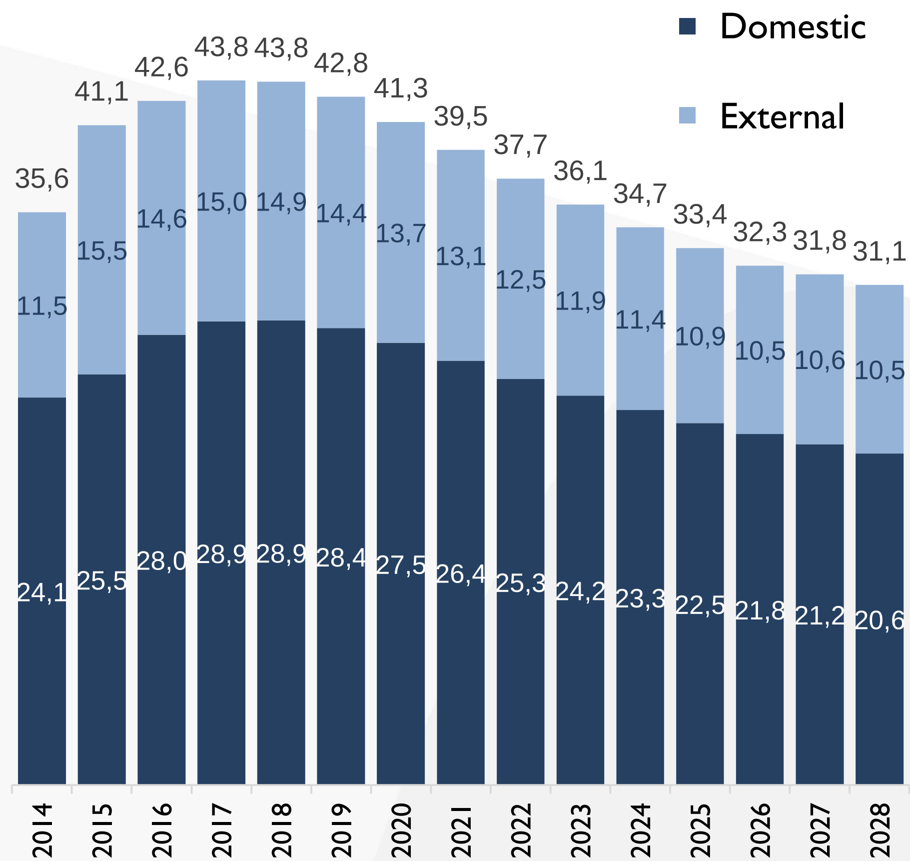
Fiscal Outlook

Fiscal Outlook

Structural Deficit and Cycles
(% of GDP)



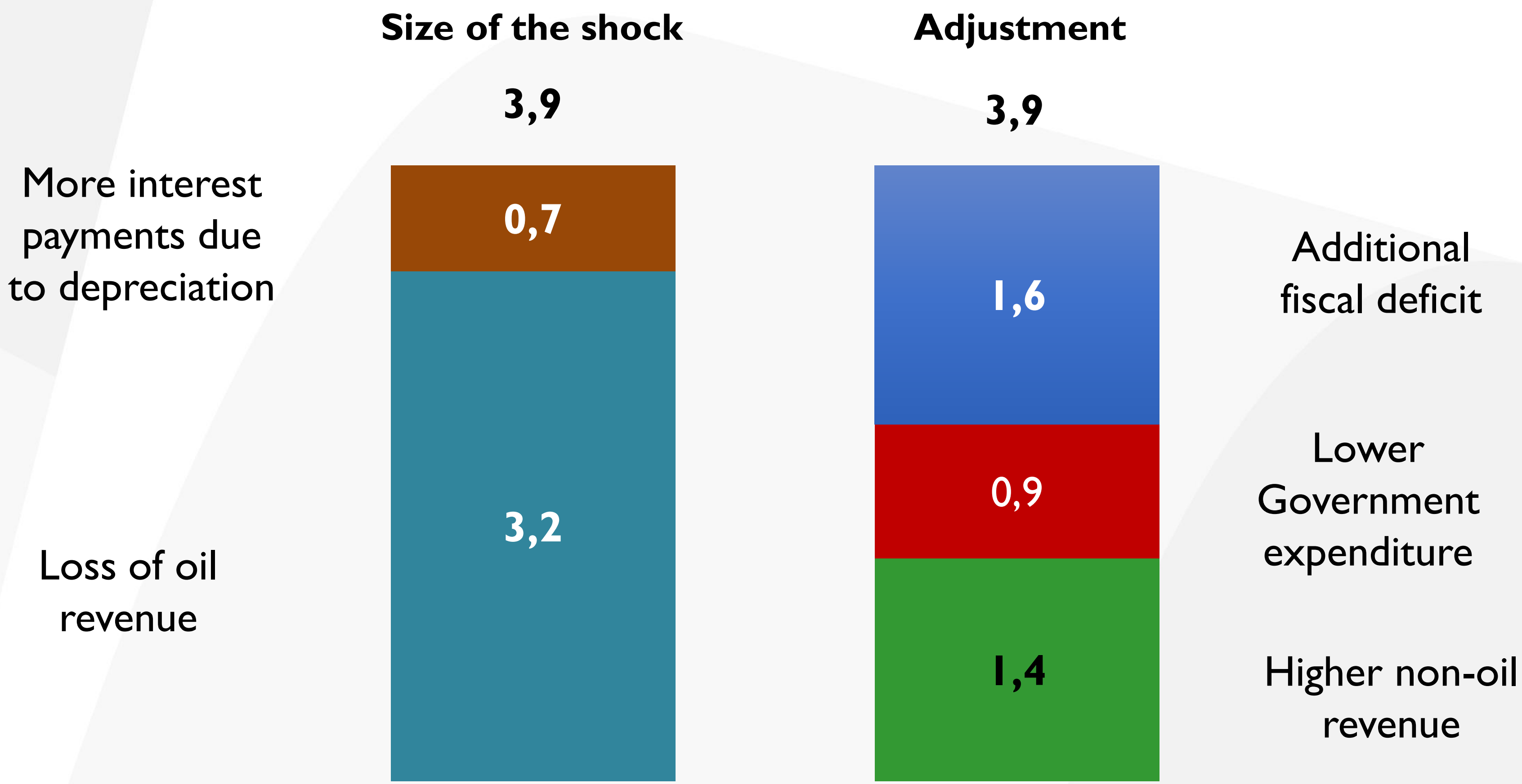
Central Government Net Debt
(% of GDP)



Source: Ministry of Finance

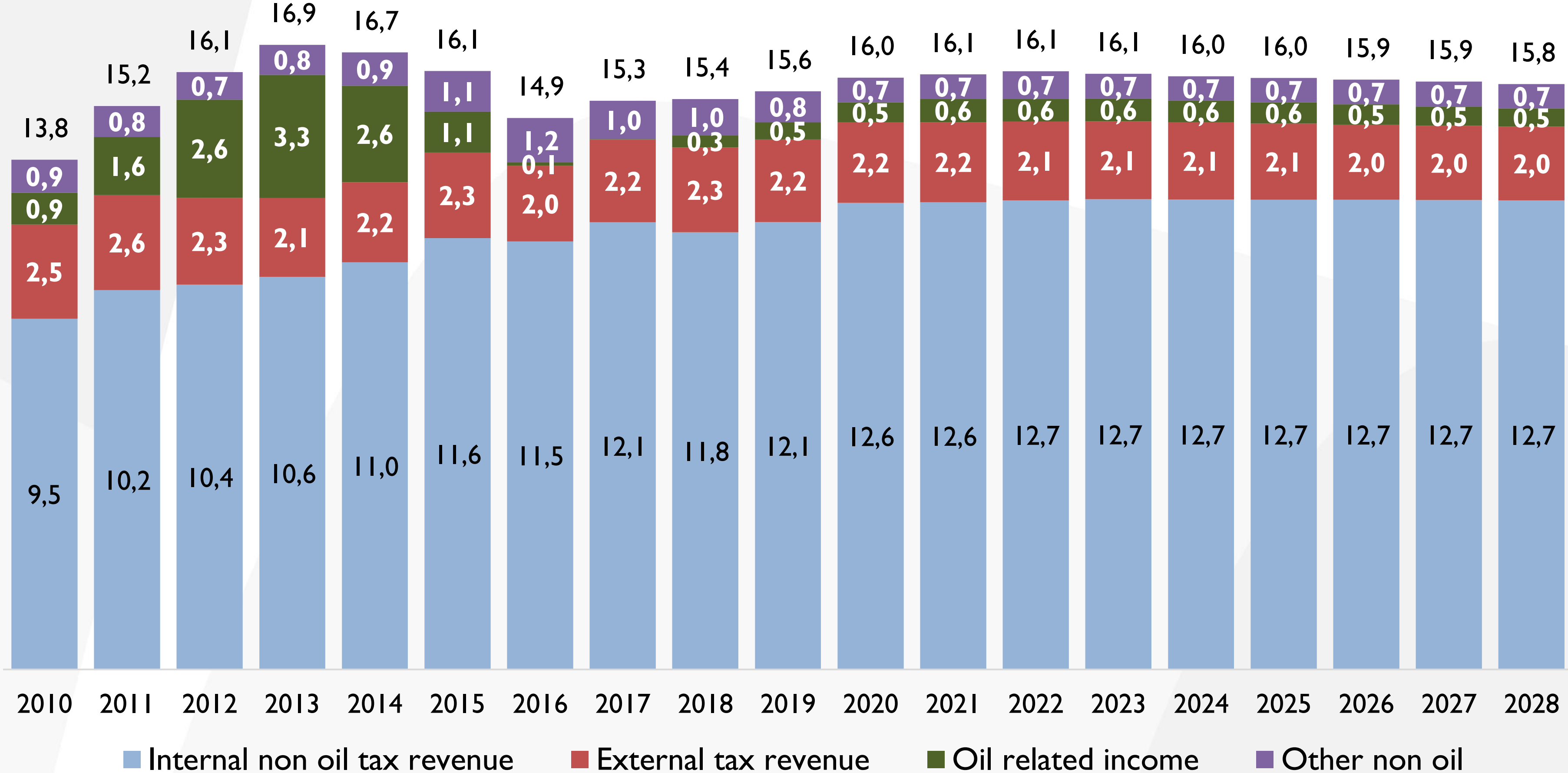
Intelligent Austerity

Fiscal Adjustment Between 2013 and 2016
(% of GDP)



Source: DGPM- MHCP calculations.

National Central Government Revenue
(% of GDP)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total	13,8	15,2	16,1	16,9	16,7	16,1	14,9	15,3	15,4	15,6	16,0	16,1	16,1	16,1	16,0	16,0	15,9	15,9	15,8
Other non oil	0,9	0,8	0,7	0,8	0,9	1,1	1,2	1,0	1,0	0,8	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7
Oil related income	0,9	1,6	2,6	3,3	2,6	1,1	0,1		0,3	0,5	0,5	0,6	0,6	0,6	0,6	0,6	0,5	0,5	0,5
External tax revenue	2,5	2,6	2,3	2,1	2,2	2,3	2,0	2,2	2,3	2,2	2,2	2,2	2,1	2,1	2,1	2,1	2,0	2,0	2,0
Internal non oil tax revenue	9,5	10,2	10,4	10,6	11,0	11,6	11,5	12,1	11,8	12,1	12,6	12,6	12,7	12,7	12,7	12,7	12,7	12,7	12,7

Source: MHCP

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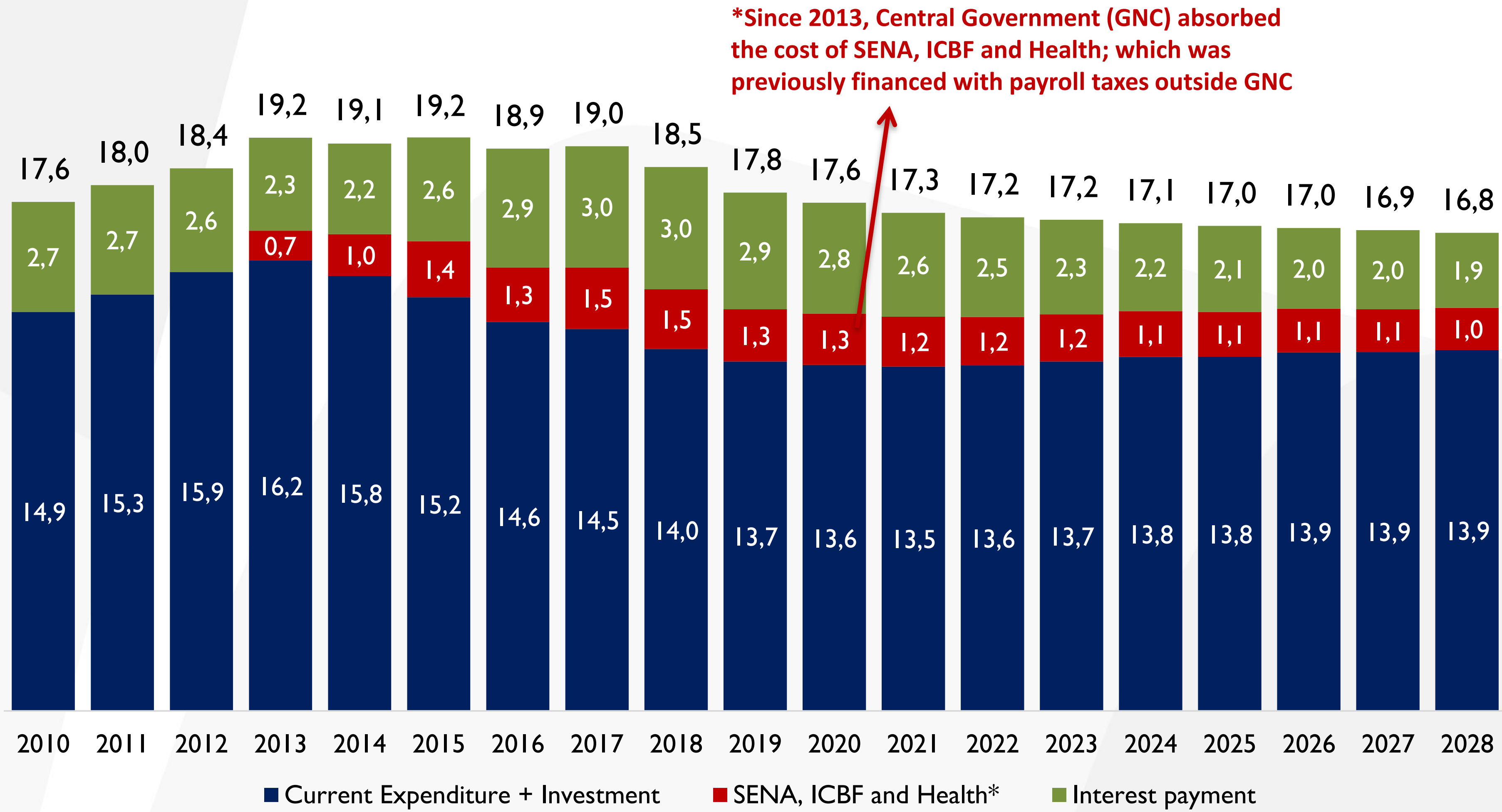
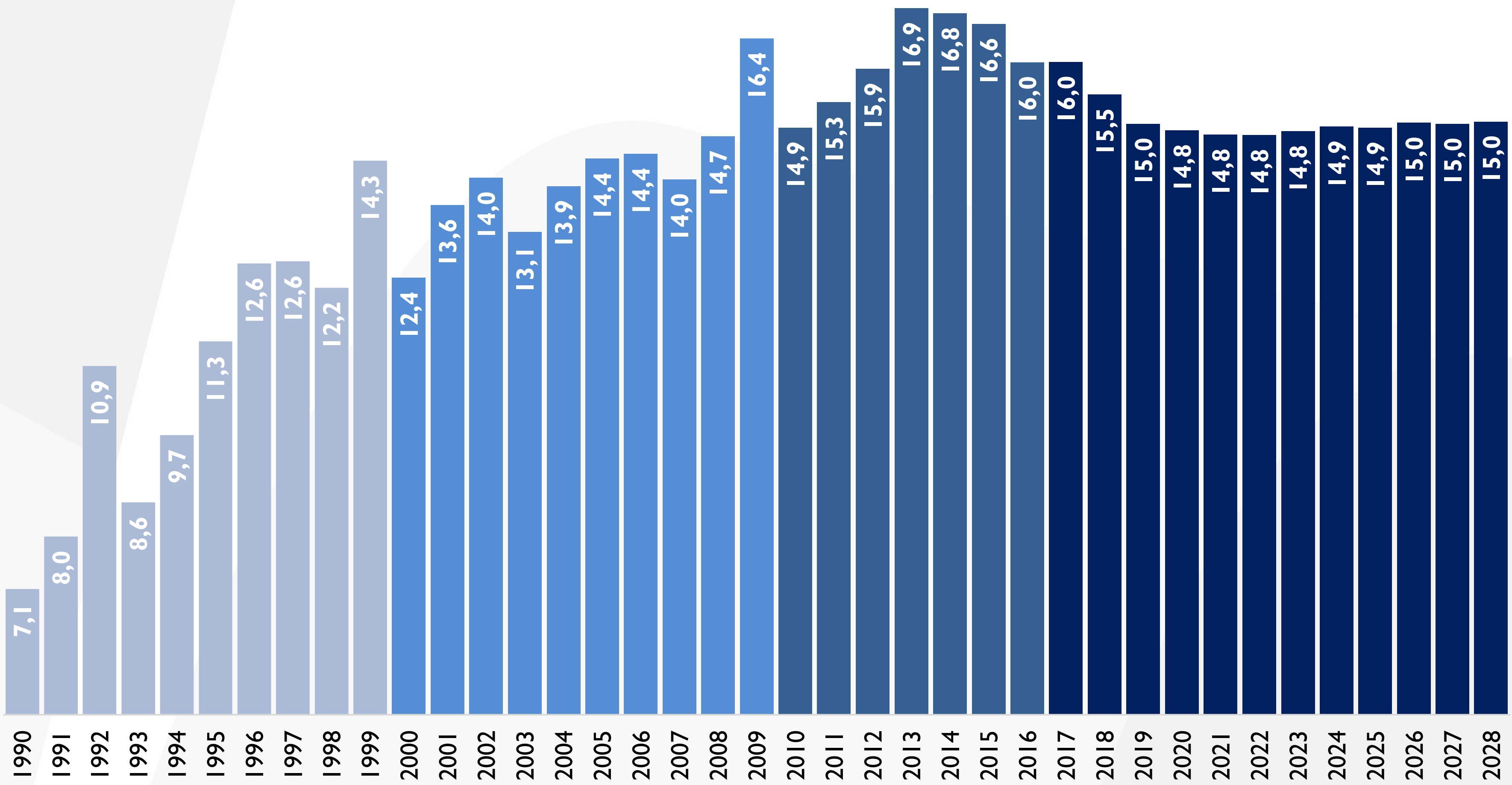
National Central Government Expenditure (% of GDP)



Source: MHCP

National Central Government Expenditures Without Interest Payments (% of GDP)



* From 2013 onwards, the NCG expenditure includes Health, First Childhood, and Technical education (1.3% of GDP in 2016). These expenses were not covered by the NCG, but with payroll taxes
Source: MHCP

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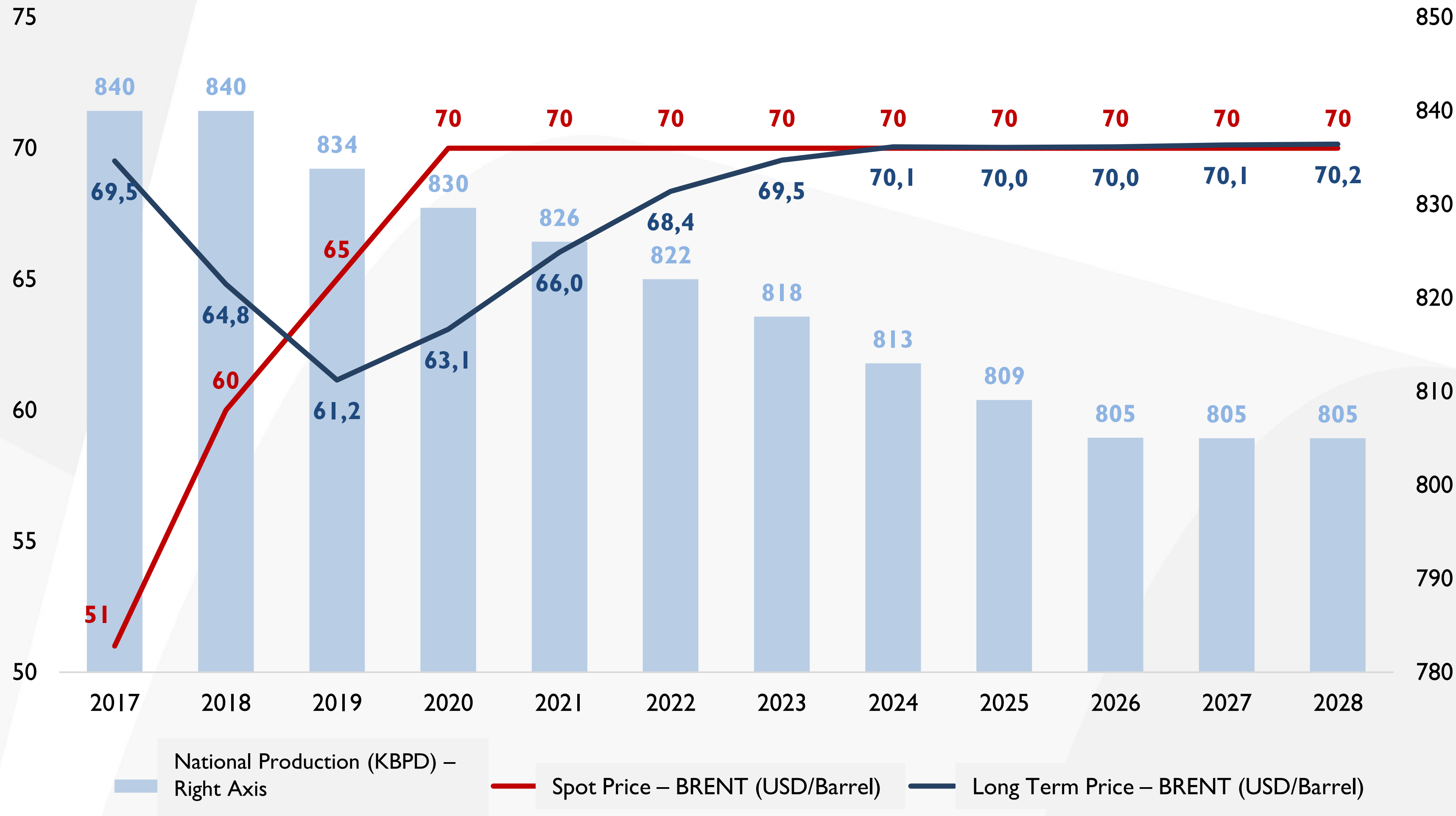
Oil: production and prices



Source: Ministry of Finance and Fiscal Rule Committee

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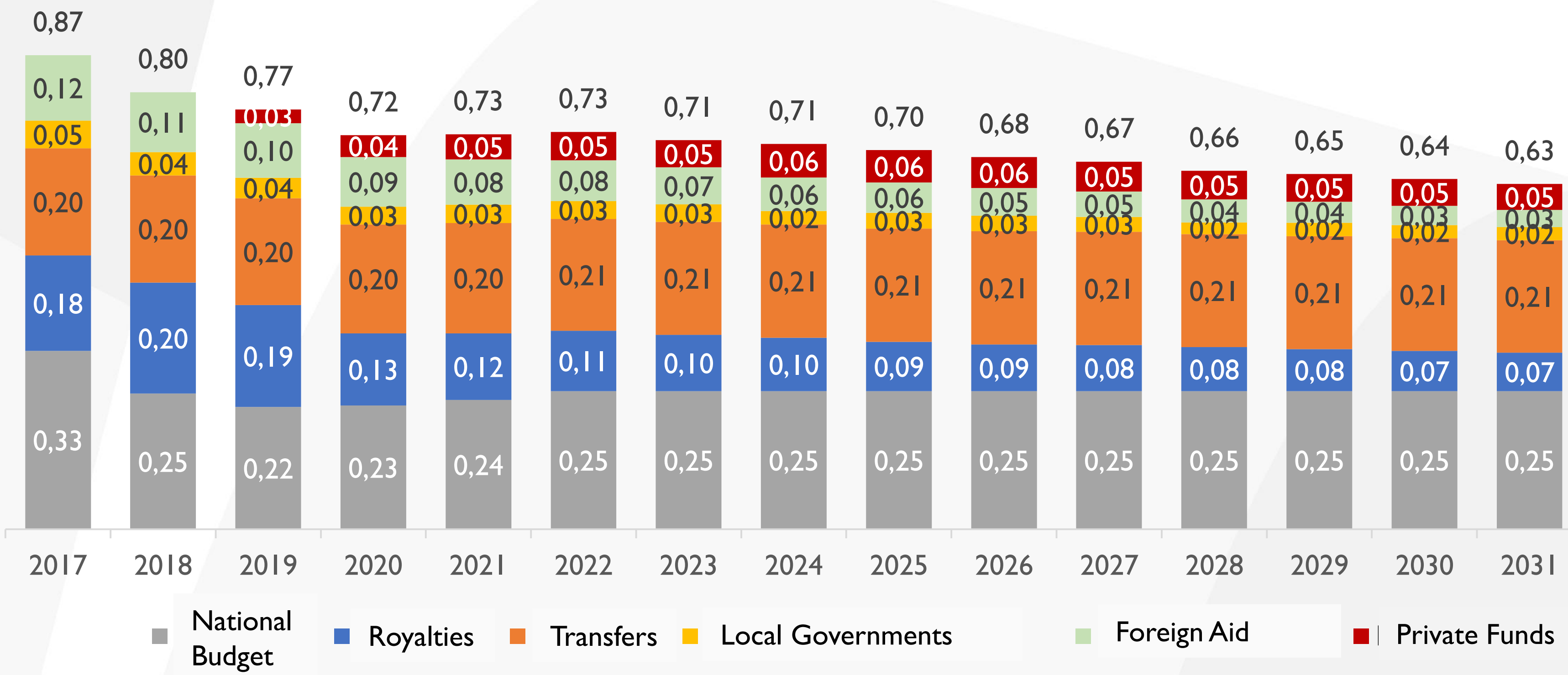
Sources of Financing the Peace Agreement (% of GDP)

Total Cost = COP 129,5 billion



* Constant prices of 2017

Source: Ministry of Finance and National Planning Department

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To Conclude

- Colombia faced a large external shock, aggravated by El Niño
- After the adjustment, the economy is recovering
- We need to continue the fiscal consolidation path
- Key pillars for growth:
  - Peace
  - 4G program
  - Education

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