

Country Insight Snapshot

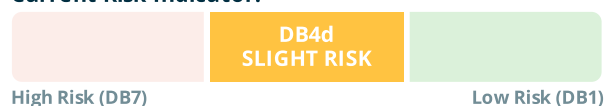
Colombia

February 2023



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: February 2023 (DB4c → DB4d)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

WorldWatch Headline

The business regulatory environment score has been downgraded as President Petro's plan to temporarily control public utilities has raised concerns about increased state intervention.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: February 2022 (DB5b → DB4c)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

Risks and Opportunities

- The central bank (BanRep) increased its policy interest rate by 75 basis points in January to 12.75%. This was the 12th straight rate hike aimed at re-anchoring inflation expectations amid still-rising inflation.
- BanRep is expected to continue tightening at its March meeting, with headline inflation up to 13.25% in January from 13.12% in December. D&B expects inflation to ease from 10.2% in 2022 to 9.5% due to tighter financial conditions.
- Continued access to a two-year IMF flexible credit line will continue to provide a good buffer of hard currency liquidity.
- We forecast the currency to average COP4554:USD in 2023, as domestic interest rates and commodity prices remain elevated.

Trade Terms

Description	Terms
Minimum Terms	LC
Recommended Terms	LC
Usual Terms	30-90 days

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CiA: Cash in Advance. **Source:** Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available
Eksport Kredit Fonden (EKF)	Full cover available, conditions apply
ECGD	Full cover available, conditions apply
Euler Hermes AG	Full cover available

Source: Export Credit Agencies

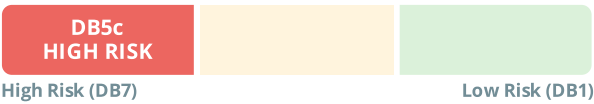
Call to Action

- Monitor ratios of non-performing loans (NPLs) for sectors vulnerable to commodity market volatility or operational disruption.
- Track the liquidity of counterparties in the extractive sectors, which may see a higher rate of strikes over environmental issues.



SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: February 2023 (DB6a → DB5c)
- Red indicates that **Negative** factors/influences dominate
- Rating outlook is **IMPROVING**

Risks and Opportunities

- If President Petro's plan to take temporary control of public utilities materialises, it could result in lower electricity tariffs for households but will discourage investment in the sector.
- Solid foreign reserves and low transfer risks will likely facilitate the procurement of imported intermediate goods and cross-border transactions in general.
- However, high inflation means that prices of other inputs will remain elevated in 2023, which will keep business costs high. Inflation will ease very gradually in 2023 and only return to the central bank's inflation tolerance band of 2.0-4.0% by late-2024/2025.

Call to Action

- Watch for the announcement of new renewable energy projects, given the administration's pledge to reduce economic dependence on oil and gas.
- Note that in addition to road transportation projects, other planned development projects include port and rail expansion for completion in the medium term.
- Monitor weather bulletins and make contingency plans to mitigate the impact of severe weather events on business operations.



MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: February 2023 (DB4c → DB4d)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

Risks and Opportunities

- Consumer sentiment continues to weaken. The Consumer Confidence Index (CCI) fell 6.3 points in January to -28.6 from -22.3 in December. The deterioration was underpinned by decline in future expectations as well as current economic conditions.
- Private consumption growth will slow in H1. Inflation, which surged to its highest rate since March 1999 in January, will remain substantially higher than the central bank's 3% target, while further monetary tightening is expected in March.
- President Petro's left-wing stance, if translated to policy, will lower the attractiveness of the domestic market, particularly for foreign investors.

Call to Action

- Expect some import reduction due to high import prices.
- Leverage economic co-operation agreements signed by Colombia and Brazil, which will expand the market potential for firms in specific industrial and services sectors.
- Note that the municipal government often assumes the running of local infrastructure, including electricity services, roads and sanitation, which often involves private sector investment.



POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: February 2023 (DB4c → DB4d)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

Risks and Opportunities

- President Gustavo Petro, a former urban guerilla, has unveiled plans to advance his promised progressive agenda encompassing environmental protection, poverty eradication and universal education and healthcare.
- However, to gain allies' support to advance his government's legislative priorities, the president has struck a pragmatic tone, diluting some of his more radical campaign promises; this could alienate some sections of his supporter base.
- If pursued, the president's pledge to stop exploration of oil and gas, and implement land reform could substantially reduce Colombia's attractiveness as a destination for foreign direct investment in the hydrocarbons sector.

Call to Action

- Watch for regulatory changes as the president pushes his progressive agenda. These changes are likely to include tax reforms to boost revenues to fund new social-welfare programmes.
- Expect the president to act on his preference for state intervention and control of key sectors. Mr. Petro will have varying degrees of success on this front, as congressional allies will act as a brake on his most radical proposals.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Historical Data/Forecasts

Metric	2018	2019	2020	2021	2022e	2023f	2024f	2025f	2026f	2027f
Real GDP growth (%)	2.6	3.2	-7.3	11	7.5	1.8	2.5	2.9	3.1	3
Nominal GDP in USDbn	343	330	279	315	327	340	374	402	435	481
Nominal GDP in local currency	1,014.4tn	1,082.5tn	1,031.3tn	1,181.0tn	1,389.9tn	1,546.9tn	1,652.1tn	1,757.8tn	1,865.1tn	1,980.7tn
GDP per Capita in USD	6,965	6,573	5,483	6,123	6,295	6,522	7,145	7,640	8,226	9,047
Population (year-end, m)	49.3	50.2	50.9	51.5	51.9	52.1	52.3	52.6	52.9	53.2
Exchange rate (yr avge, USD-LCU)	2,955.7	3,281.6	3,693.3	3,744.2	4,256.2	4,554.1	4,417.5	4,373.3	4,285.9	4,114.4
Current Account in USDbn	-14	-14.8	-9.3	-18	-17.1	-16.4	-16.6	-17.4	-18.3	-19.2
Current Account (% of GDP)	-4.1	-4.5	-3.3	-5.7	-5.2	-4.8	-4.4	-4.3	-4.2	-4
FX reserves (year-end, USDbn)	47.4	52	58.2	57.7	56.4	54.7	57.5	60.3	63.4	66.5
Import Cover (months)	8.8	9.5	13.6	9.8	8.8	7.9	7.6	7.4	7.2	6.9
Inflation (annual avge, %)	3.2	3.5	2.5	3.5	10.2	9.5	4.3	3.5	3	3.2
Govt Balance (% GDP)	-4.7	-3.5	-7	-6.8	-6.8	-4.3	-3.8	-3.5	-2.8	-2.6

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Colombia	Brazil	Peru	Venezuela	Argentina
Income per Capita (USD)	6,522	9,161	7,941	2,863	13,977
Country Population (m)	52.1	216.4	34.4	28.8	45.8
Internet users (% of population)	69.8	81.3	65.3	0	85.5

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
FX/Bank Delays	0-1 month
Local Delays	0-1 month

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	Colombia	Latin America	OECD Average
Restrictions on non-Residents' Accounts	1	0.8	0.06
Restrictions on Payments for Imports	1	0.35	0.06
Restrictions on Payments for Invisible and other Current Transfers	0	0.65	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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