



Hacienda

Colombia's Economic Perspectives

Ministry of Finance and Public Credit
March 2024

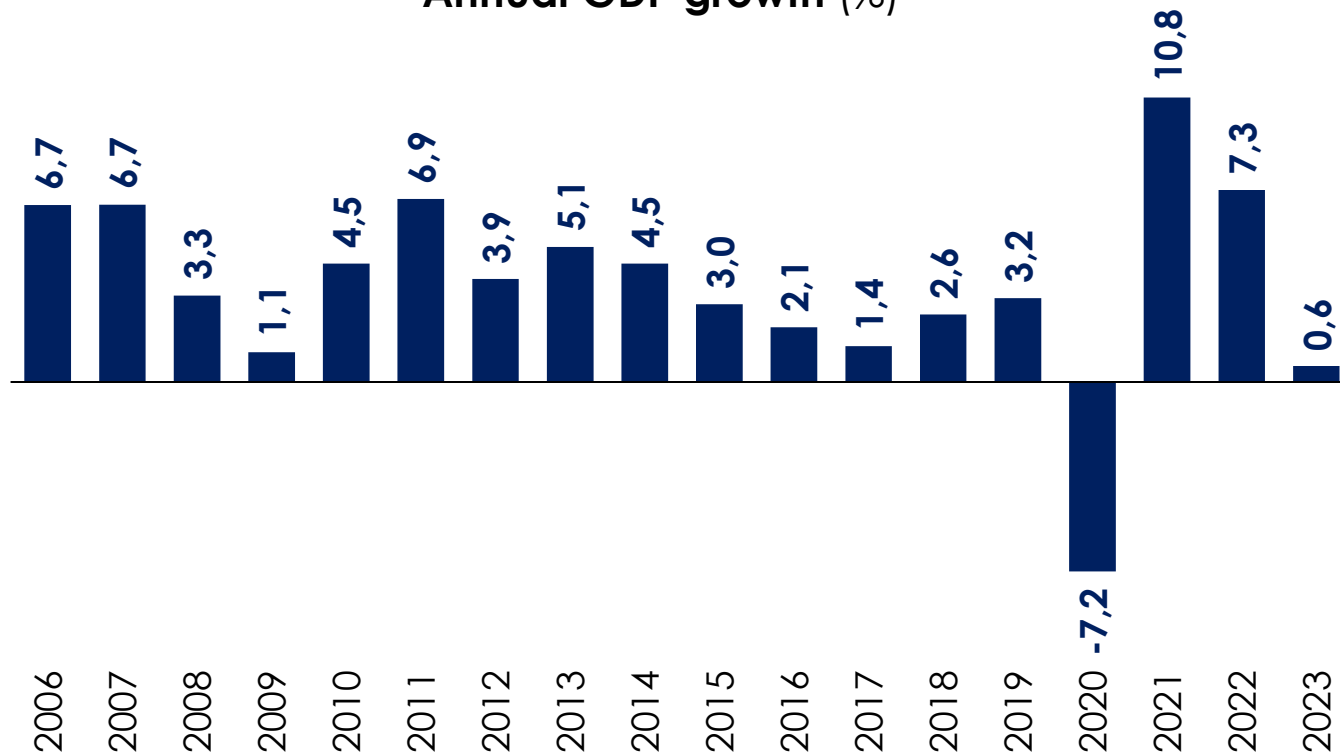


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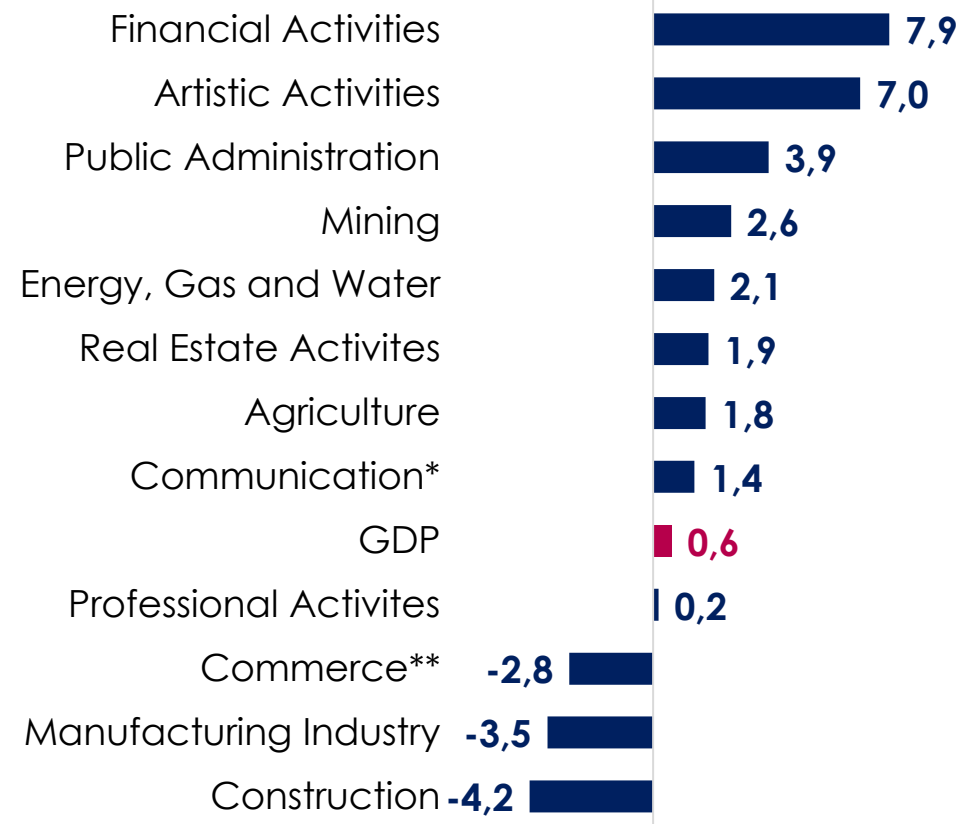
Macroeconomic outlook

In 2023, the Colombian economy registered a growth of 0.6%, explained by dynamism of the sectors of financial activities, artistic activities and public administration

Annual GDP growth (%)



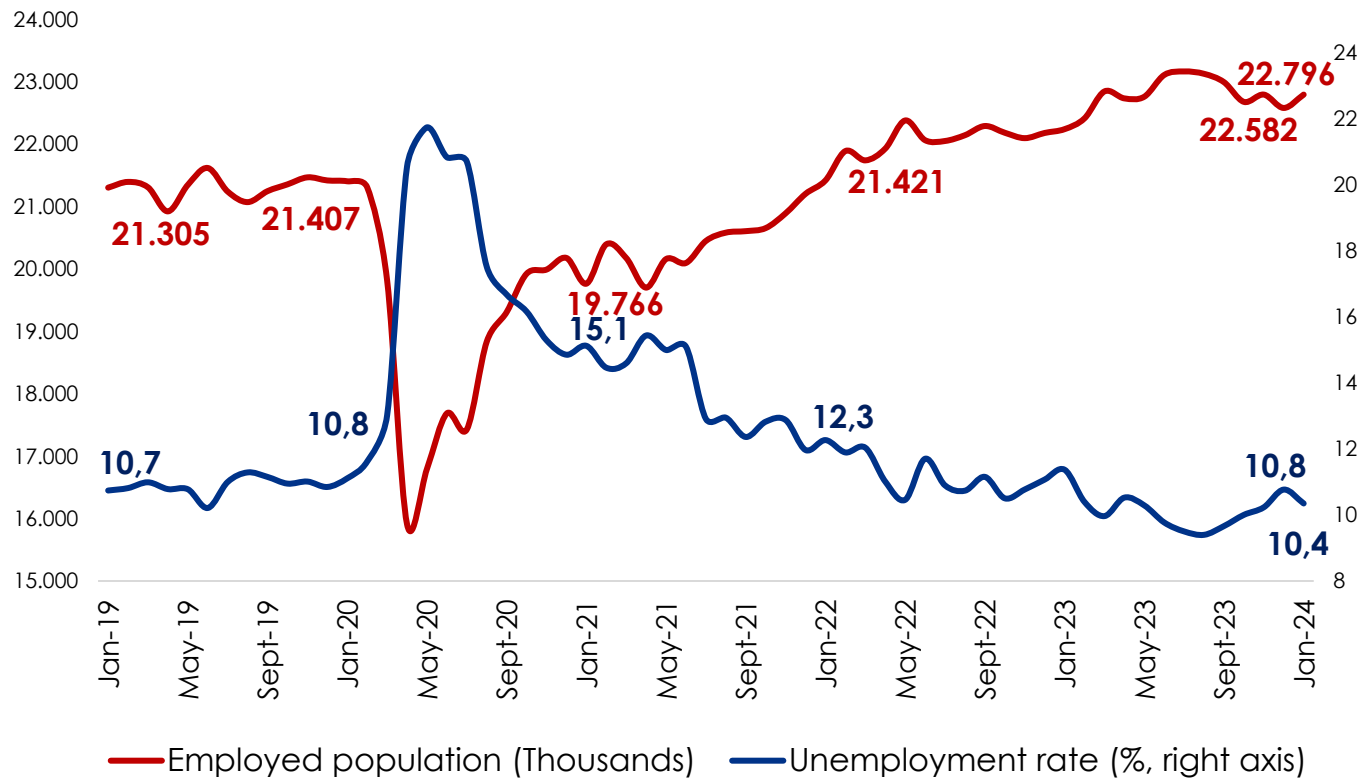
Growth by economic sector
(Annual growth, %)



Despite the slowdown in 2023, Colombia's economic activity, compared to pre-pandemic levels (11,0%), exceeded the most relevant groups of countries (World: 10,2%, LATAM: 6,4% and OECD: 5,5%).

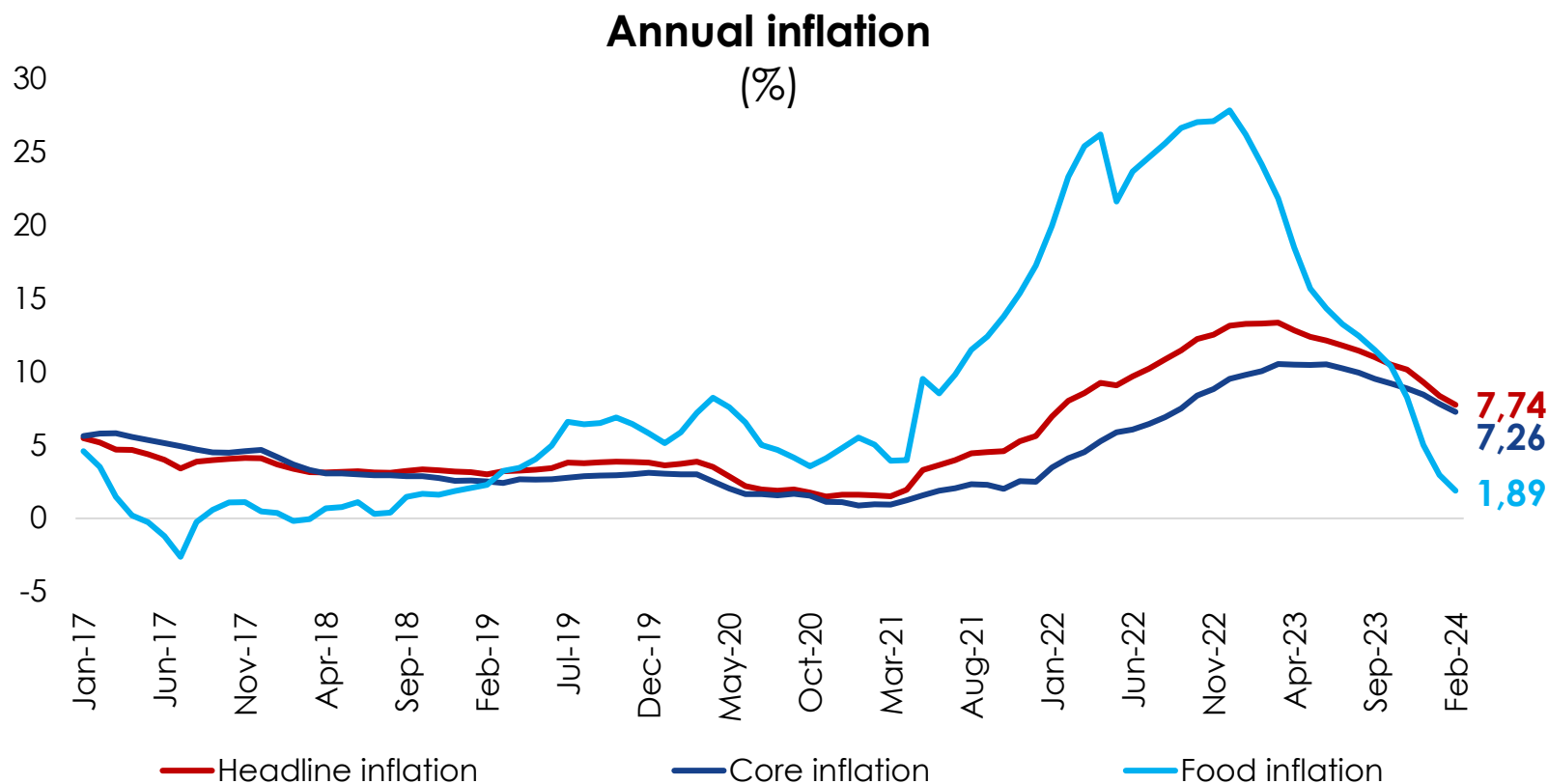
In January 2024, the labor market showed a favorable performance, reflected in a declining unemployment rate and an employed population growth

Unemployment rate and employed population
(National total, seasonally adjusted)



- In January 2024, the unemployment rate stood at 10.4%, 0.4 pp below that observed in December 2023 (10.8%). This is the lowest rate for a January since 2019.
- In January 2024, the employed population registered a growth of 214 thousand people, 1% higher than that recorded in December 2023.
 - Job creation was concentrated in the agriculture, public administration, and manufacturing sectors.

In February, inflation continued to decline, a trend that is expected to continue in the coming months

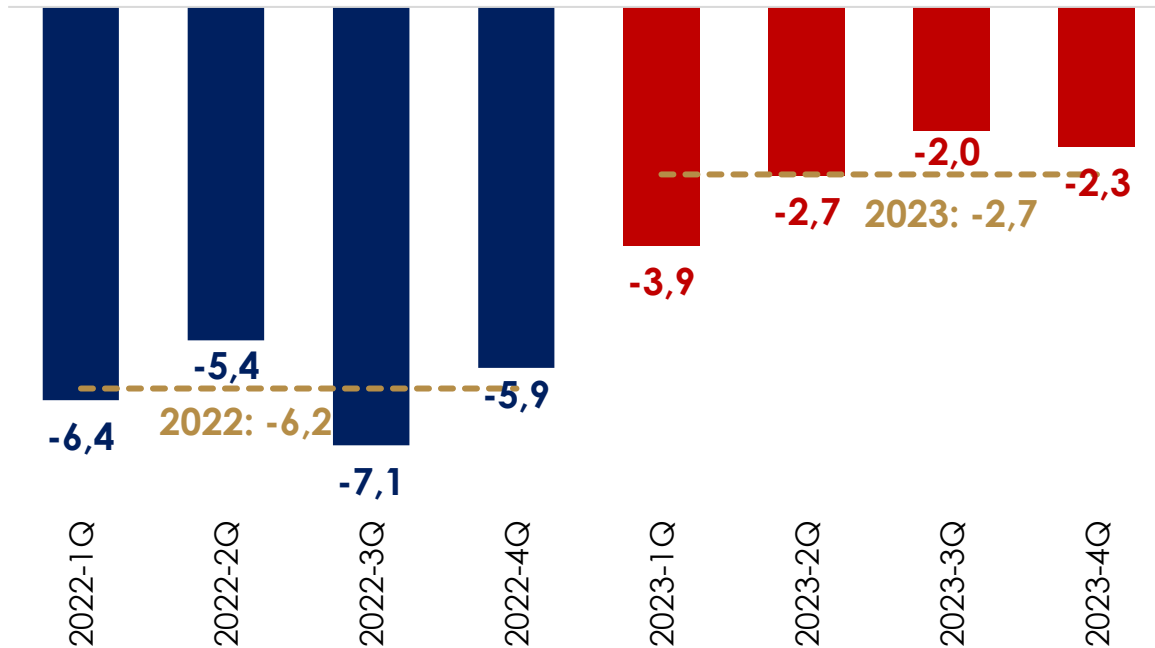


Food inflation has registered a sustained reduction. Between December 2022 and February 2024, it slowed down by 25.9pp (from 27.81% to 1.89%).

End-of-period inflation is estimated to be 6.0% in 2024, 3.3pp lower than that registered in 2023 (9.3%). The correction in inflation would respond to expectations of a total dissipation of external shocks, and to the lagged effects of the monetary policy on aggregate demand.

In 2023, the external imbalance was significantly corrected, and Foreign Direct Investment showed favorable dynamism

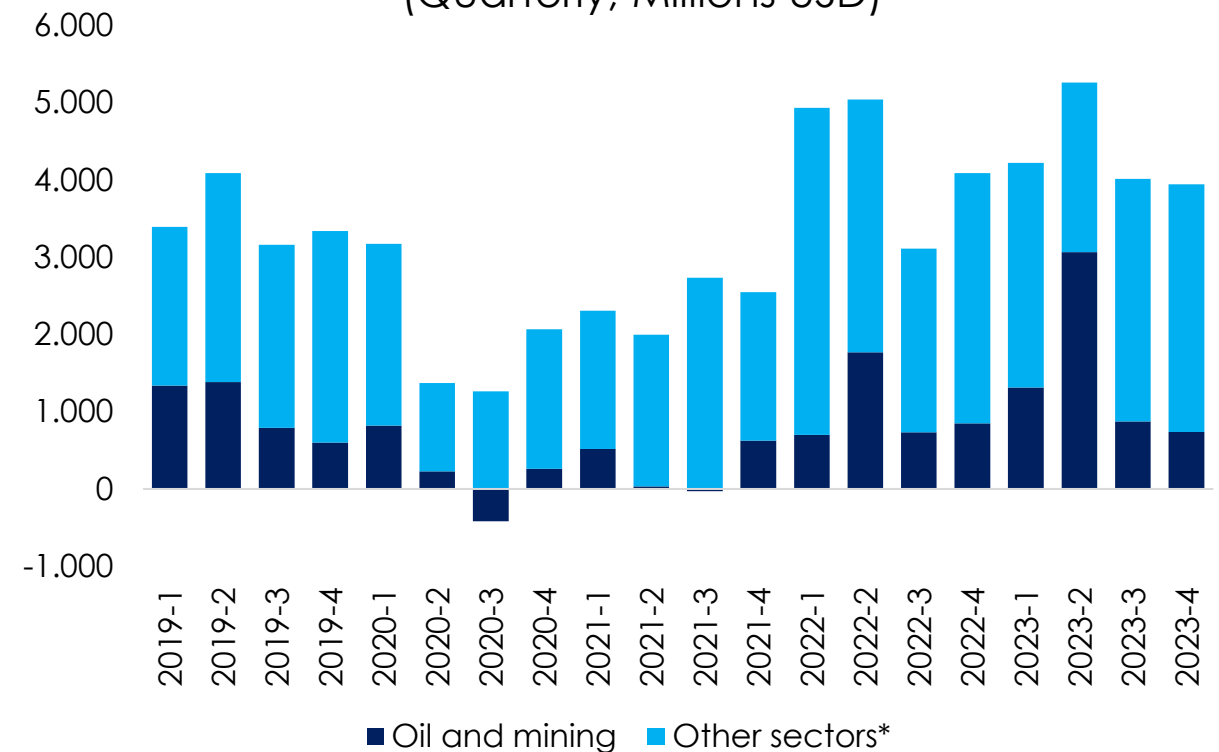
Current account deficit
(% of GDP)



In 2023, current account deficit showed a significant correction, due to a moderated domestic demand growth, a good performance of non-traditional and service exports and a lower primary income deficit.

In 2023, FDI inflows to the country increased by 1.5% compared to 2022.

Flows of Foreign Direct Investment
(Quarterly, Millions USD)

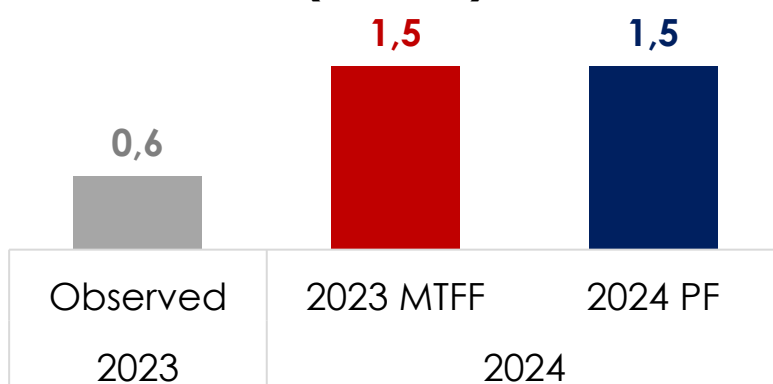


Source: Central Bank. DANE.

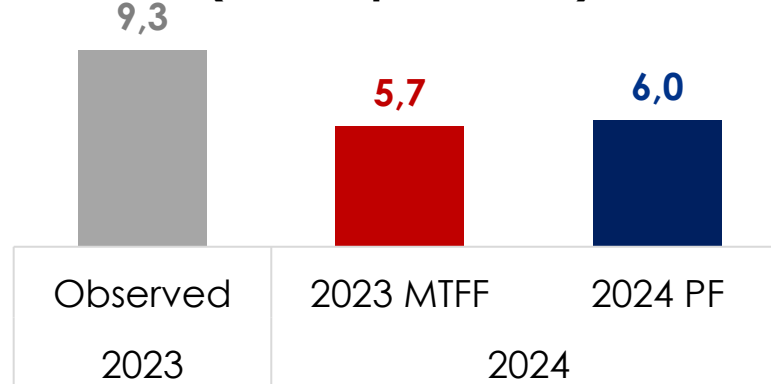
*Agriculture, manufacturing industry, retail trade, utilities, construction, transportation, financial services and other services.

Macroeconomic assumptions 2023 and 2024

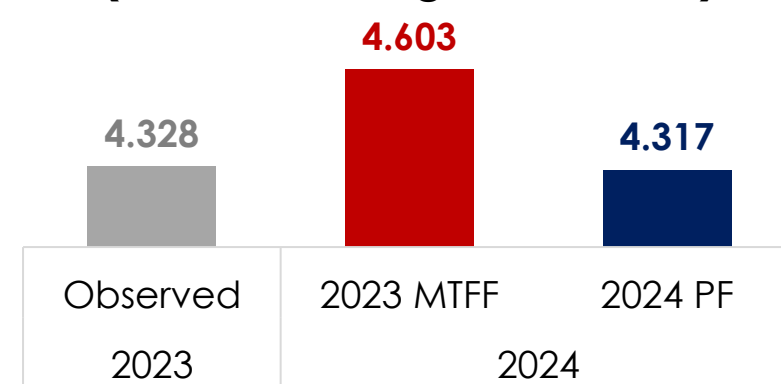
**Real GDP
(YoY, %)**



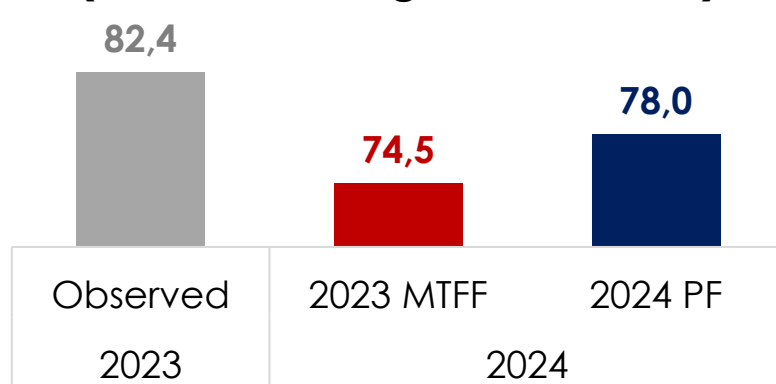
**Inflation
(End of period, %)**



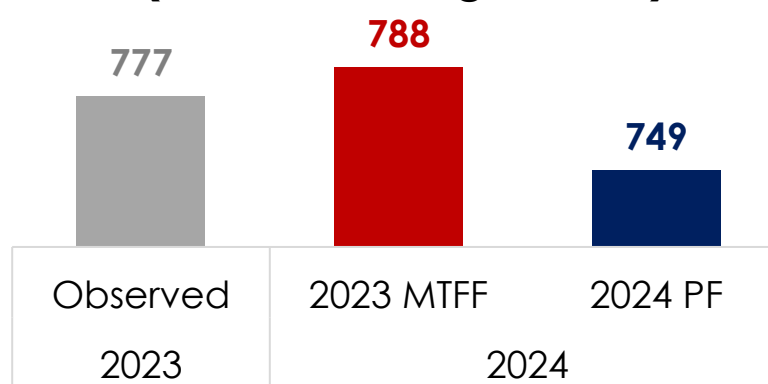
**Exchange rate
(Annual average, USD/COP)**



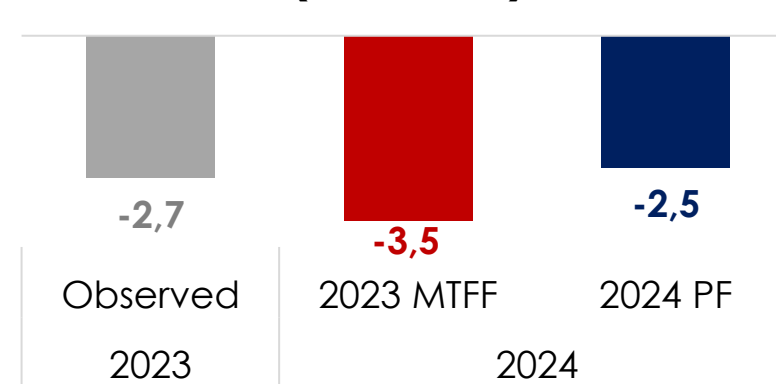
**Crude oil Brent prices
(Annual average, USD/Barrel)**



**Crude oil production
(Annual average, KBPD)**

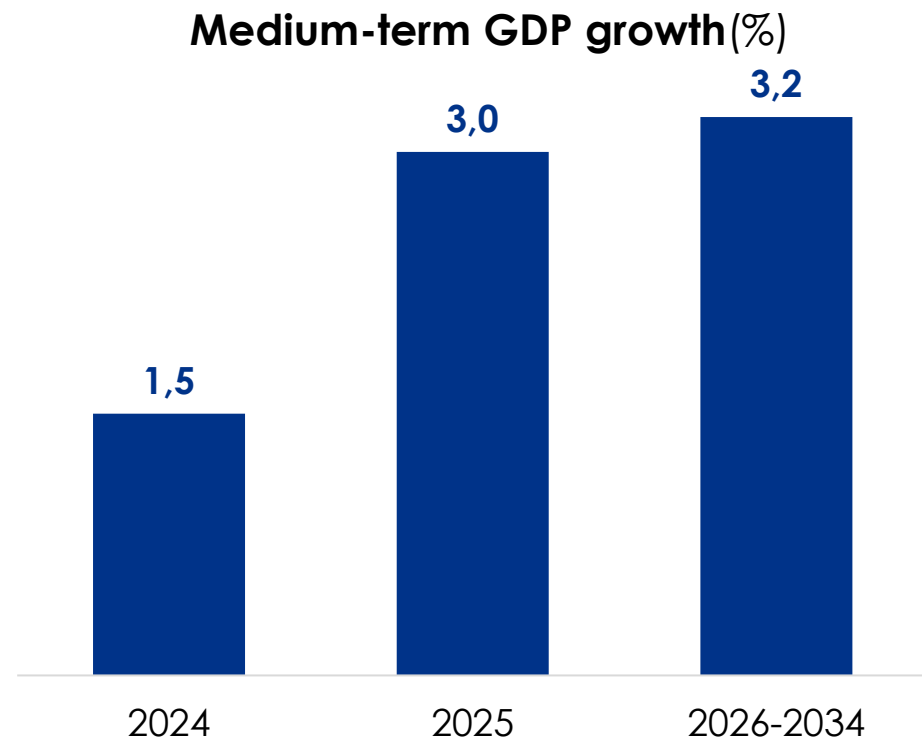


**Current account balance
(% of GDP)**



Source: Ministry of Finance and Public Credit projections.
FP: Financial Plan
MTFF: Medium-Term Fiscal Framework

The MoF's annual economic growth forecast for 2024 is 1.5%. From 2025 onwards economic growth will be above 3%, driven by reindustrialization and energy transition policies, and greater public investment (especially in infrastructure)



The implementation of a productive transformation policy, which includes reindustrialization and the energy transition, would promote the strengthening of the non-mining energy sectors and would favor the diversification of the internal and exportable supply.



Investment in infrastructure, consistent with greater execution of government projects, such as tertiary roadways and the strengthening of urban mass transportation systems or intermodal infrastructure that would improve competitiveness.

- The National Government intends to **intervene 87 thousand kilometers of tertiary roadways** to promote regional convergence.

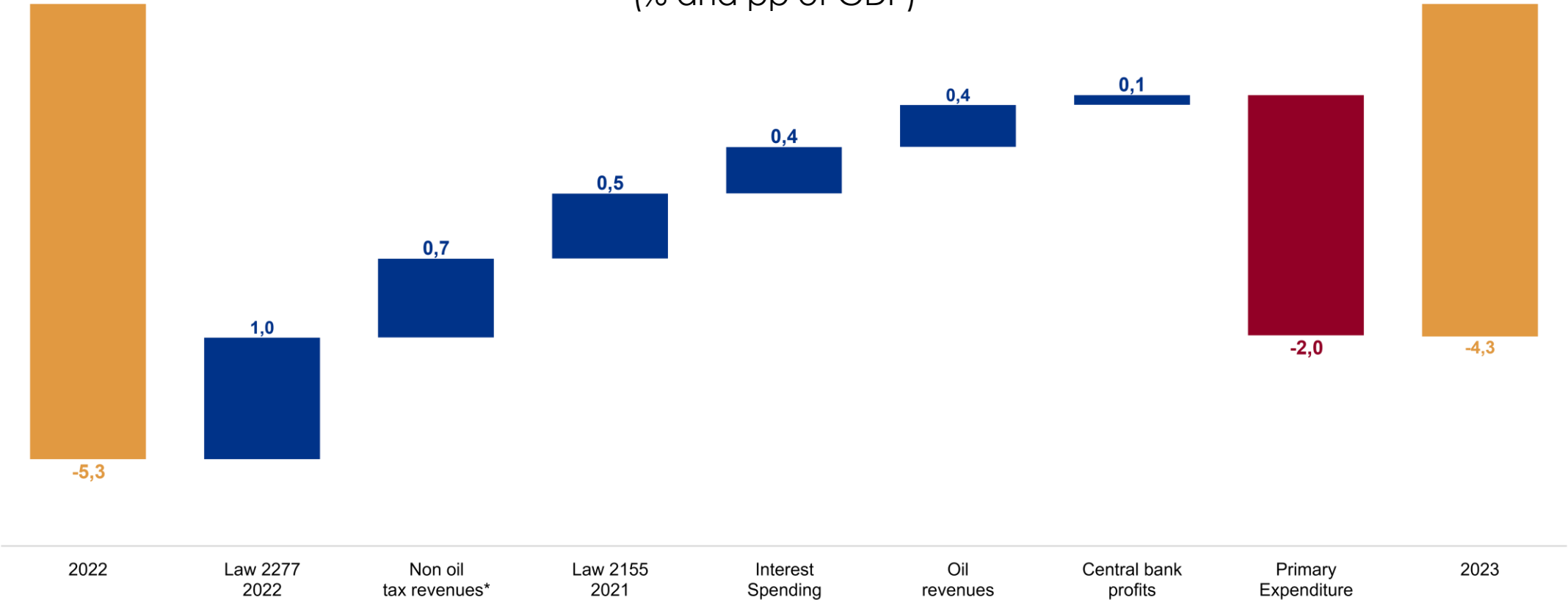
Source: Ministry of Finance and Public Credit projections.

2.

Fiscal Strategy

Recent tax reforms and higher non-oil revenues allowed for a simultaneous reduction of the deficit and an increase in primary expenditure

Decomposition of 2022-2023 Central Government's fiscal adjustment
(% and pp of GDP)

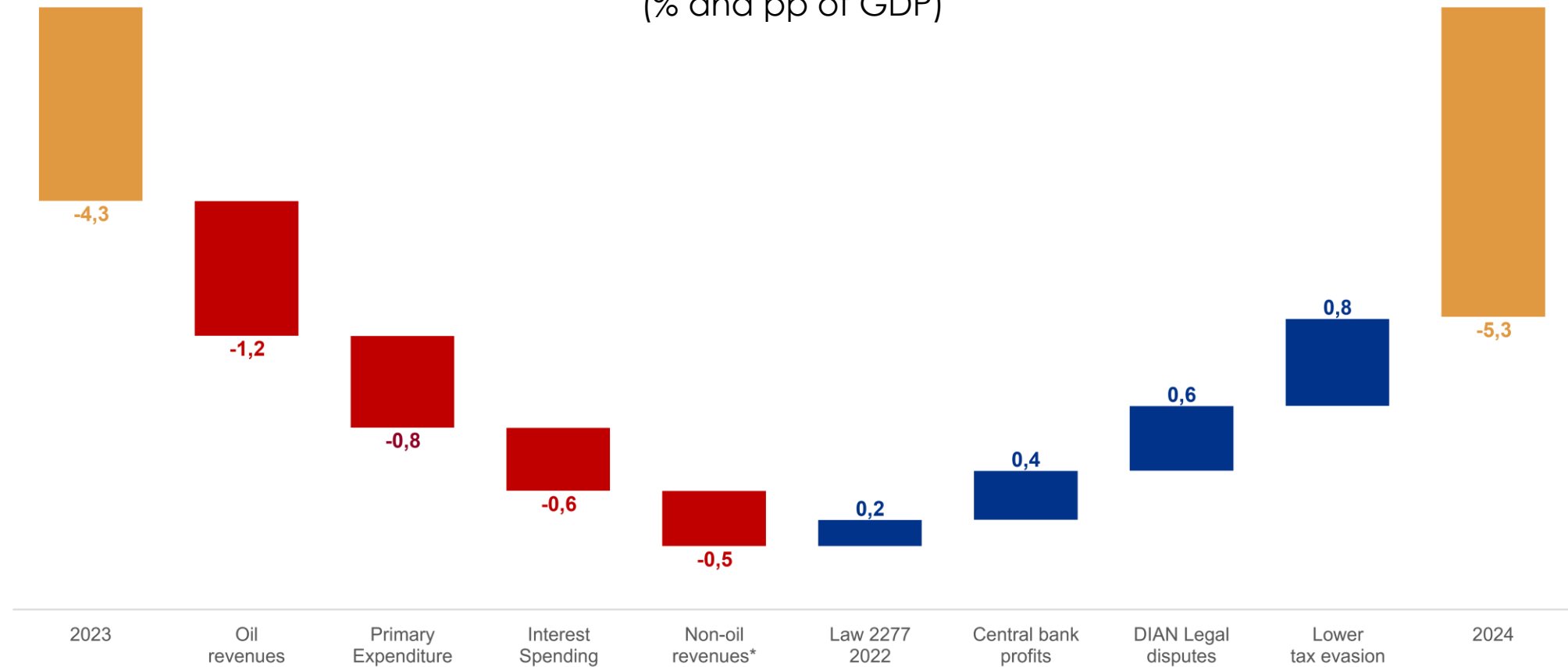


* Explained by income tax (0.6pp of GDP), DIAN's modernization (0.4pp of GDP), VAT tax reliefs related to tourism sector (0.2pp) and tax paid in TIDIS and cash refunds (0.1pp of GDP), which is counterbalance by a reduction of external taxes (-0.7pp of GDP).

Source: Ministry of Finance

Tax revenues from DIAN's institutional measures to reduce evasion and Central Bank profits would allow for a sustainable increase in primary spending

Decomposition of 2023-2024 Central Government's fiscal deficit
(% and pp of GDP)



Fiscal Rule's Target Fiscal Balance for 2023-2024

Decomposition of the Fiscal Balance consistent with the Fiscal Rule

Fiscal Rule Components	2023	2024 MTFF (June 2023)	2024 FP
Structural Primary Net Balance*	-1,4	-0,2	-0,2
Economic cycle	0,0	0,1	-0,1
Oil cycle	1,2	0,3	-0,2
One-off Transactions	-0,5	-0,1	-0,3
Interest Income	0,1	0,1	0,0
Primary Balance	-0,5	0,2	-0,9
Interest Payments	-3,9	-4,5	-4,5
Fiscal Balance	-4,4	-4,4	-5,3

✓ **Update of real GDP estimate**, resulting in an estimated negative output gap for 2024.

✓ **Reduction in oil revenues**, due to a decrease in the oil price between 2022 and 2024, together with a reduction in the expected income tax surcharge for the oil sector.

2023

✓ **Non-structural payment of FEPC** (-\$7.3 Trillion COP)

2024

✓ **Non-structural payment of FEPC** (-\$1.3 Trillion COP)

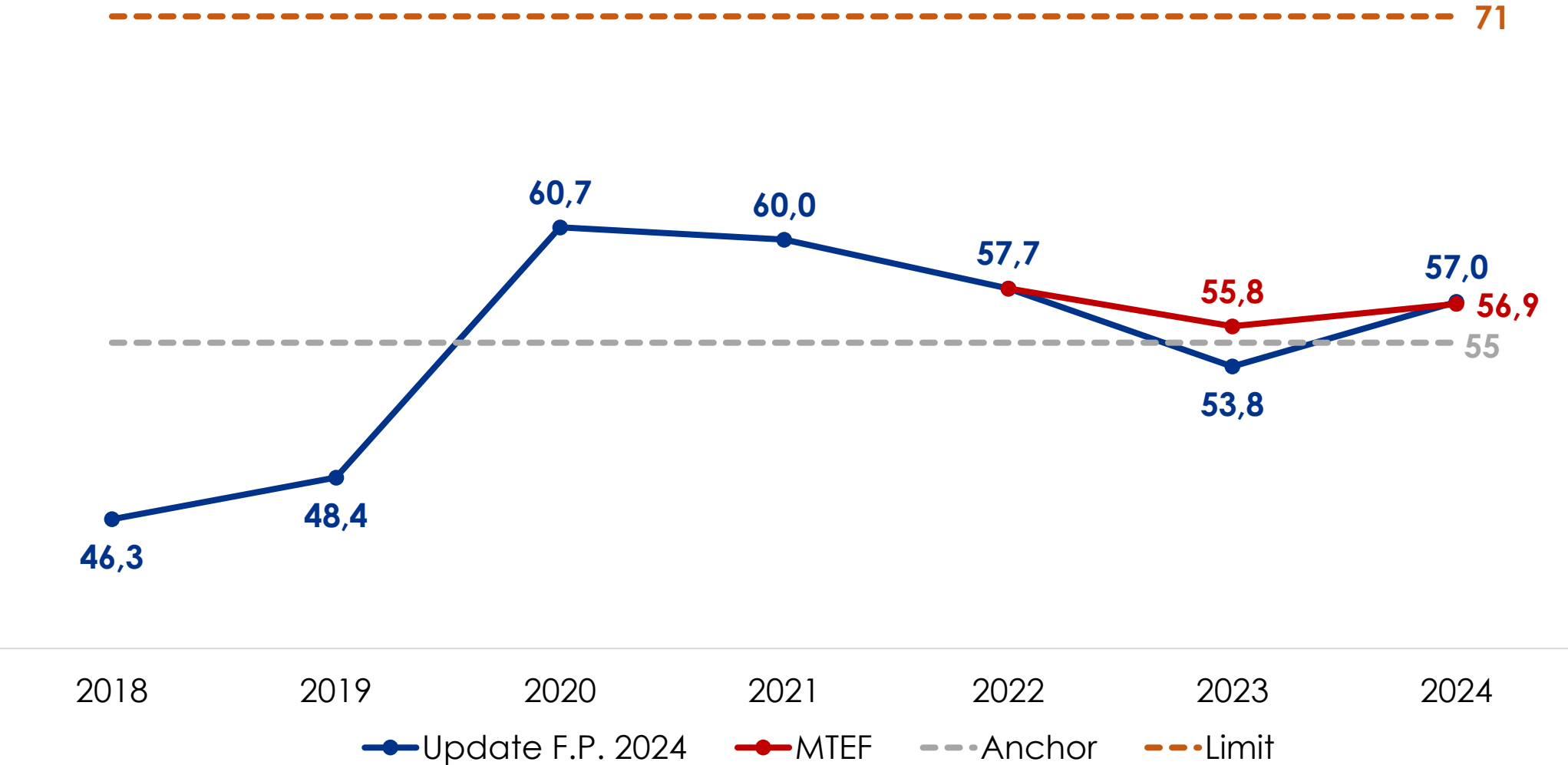
✓ **Ruling regarding the non-deductibility of royalties, for the mining sector** (-\$1.5 Trillion COP)

✓ **State Council's decision to eliminate time limit on cash refund requests** (-\$3 Trillion COP)

*Values defined for 2023 within the framework of the transition period (2022-2025) defined by the Social Investment Law (Law 2155 of 2021).

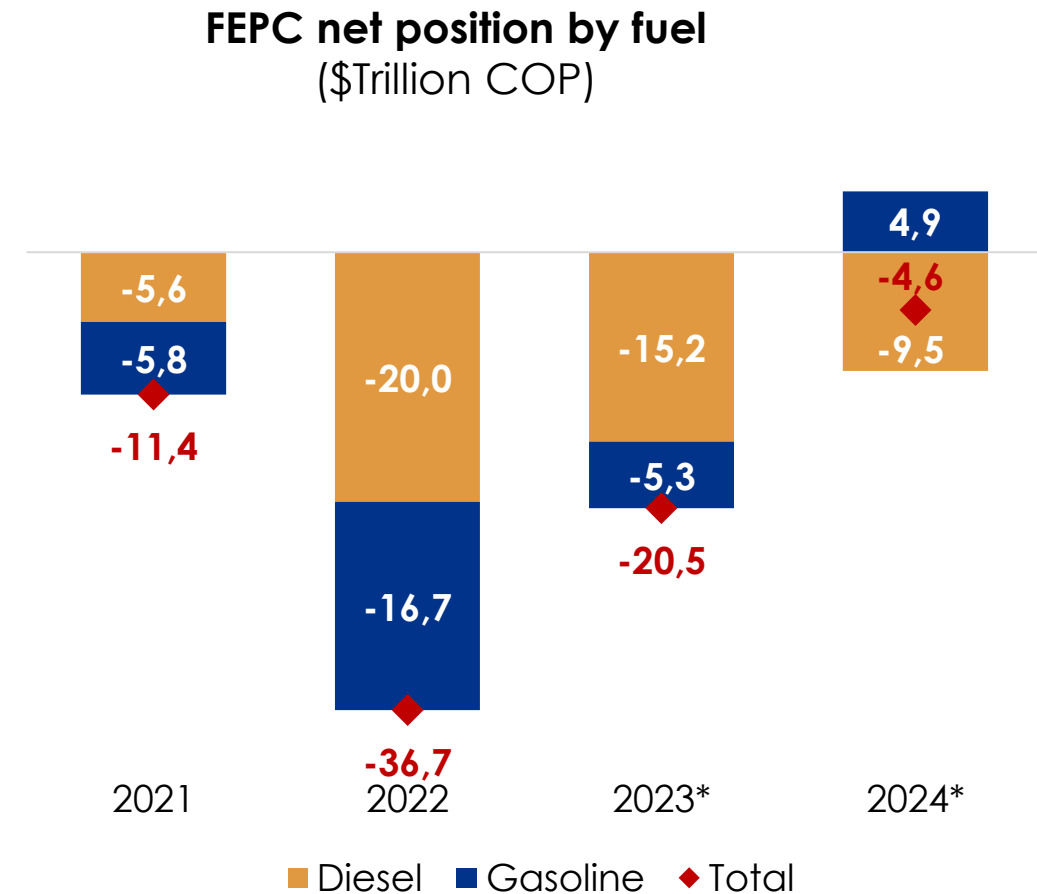
Source: Ministry of Finance - GDMP.

Central Government Net Debt



One of this government's main fiscal policy achievements has been the reduction in fuel subsidies

- » During 2023 Colombia was able to eliminate the implicit subsidy in gasoline prices and ended with a positive spread between local and international prices. The strategy for 2024 is to keep local prices stable, to continue accruing a surplus, **which contributes to finance the deficit generated by diesel consumption.**
- » Regarding diesel prices, the **National Government is working jointly with transporters associations**, to define a strategy to allow for the **gradual reduction of this fuel's subsidy**. Also, the elimination of this subsidy for this fuel's large-scale consumers will help mitigate their fiscal impact.
- » This will allow the National Government, aside from **improving expenditure efficiency and promoting the energy transition**, to **have higher resources to finance social spending.**



*Forecasted figures

Source: Ministry of Finance with data from the Ministry of Energy and the FEPC Directive Committee.

3.

Financing Plans

Central Government Sources and Uses 2024

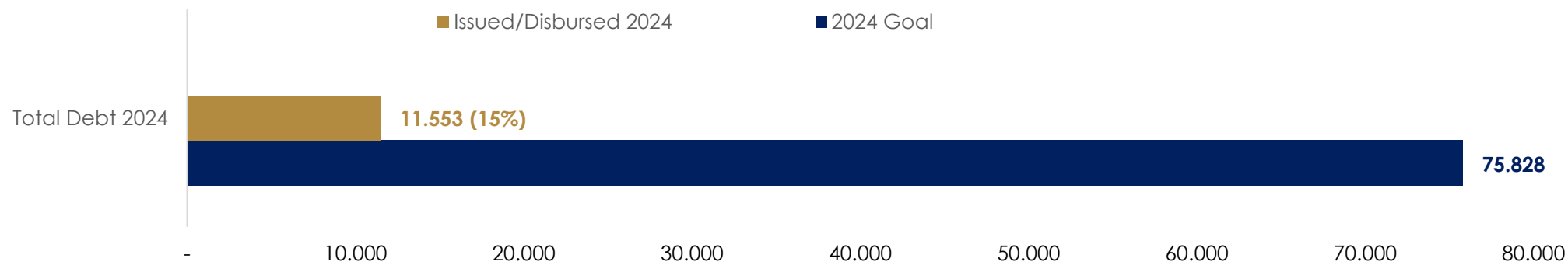
For 2024, **financing needs are estimated at \$131.1 trillion of pesos** (7.8% of GDP), with a prevailing strategy of maintain a **majority share of local currency sources** over foreign currency.

Financing disbursements would be \$75.828 trillion pesos equivalent to 4,5% of GDP.

During 2023, through the liability management operations, **the amortizations for 2024 were reduced in 15 trillion pesos.**

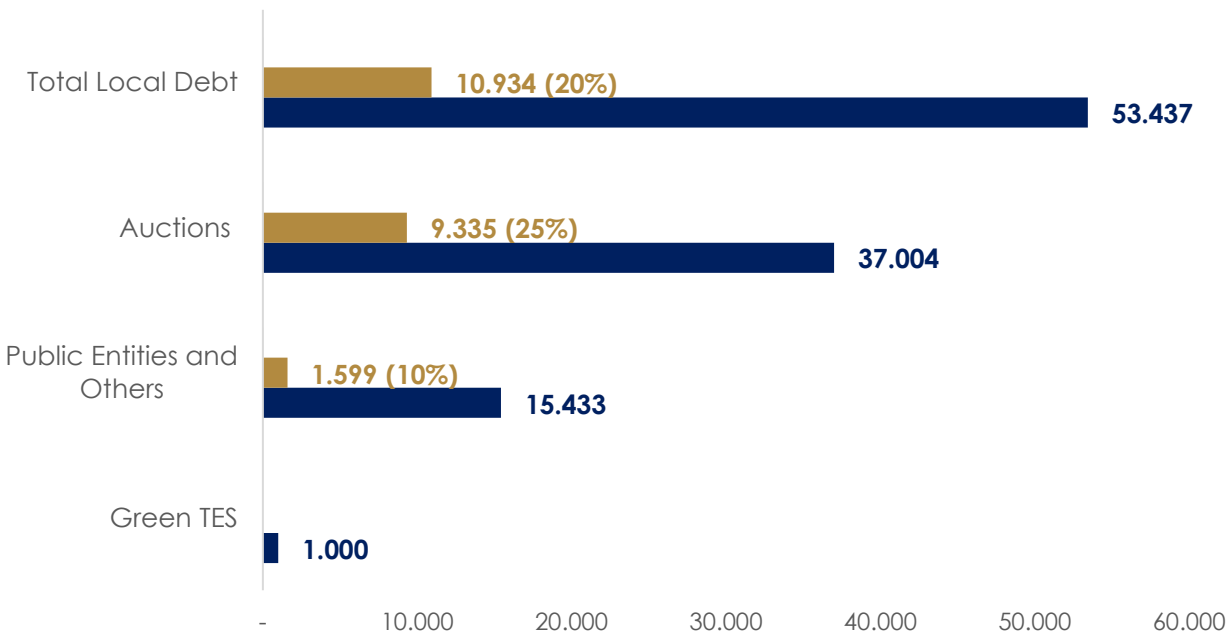
Sources	US\$ MTF 2023	US\$ FP	MTFF 2023 132.326	FP 2024 131.062	Dif - 1.264	Uses	US\$ MTF 2023	US\$ FP 2024	MTFF 2023 132.326	FP 2024 131.062	Dif - 1.264
Disbursements			73.431	75.828	2.397	Deficit to be financed			76.709	89.345	12.636
External	(US\$ 5.959 mill.)	(US\$ 5.500 mill.)	27.431	22.391	- 5.041	Of which					
Internal			46.000	53.437	7.437	Internal Interest			56.528	56.975	447
						External Interest	(US\$ 4.124 mill.)	(US\$ 4.160 mill.)	20.334	18.034	- 2.300
Treasury Operations			7.108	7.772	664						
						Amortizations			45.732	30.344	- 15.388
Accrual Adjustments and other resources			24.482	25.913	1.431	External	(US\$ 5.364 mill.)	(US\$ 4.380 mill.)	26.452	18.991	- 7.461
						Internal			19.280	11.353	- 7.927
						Obligations payments (health)			1.390	3.550	2.160
Initial Availability			27.305	21.546	- 5.759	Final Availability			8.495	7.823	- 672

Debt progress during 2024



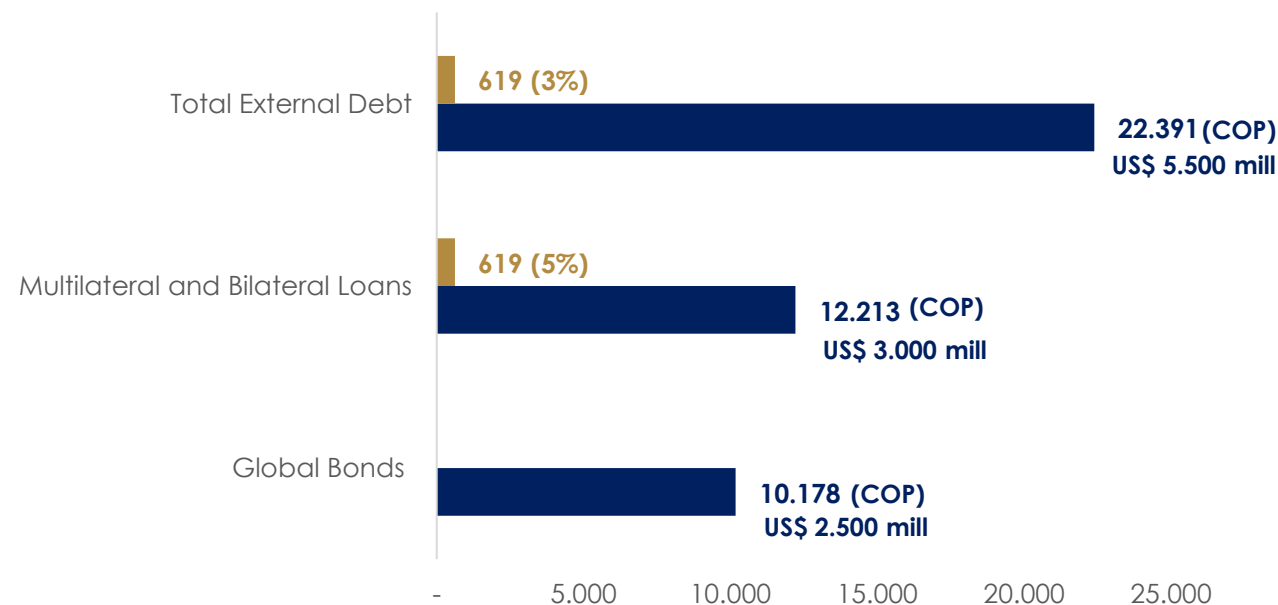
Local Debt 2024

■ Issued 2024 ■ Goal 2024

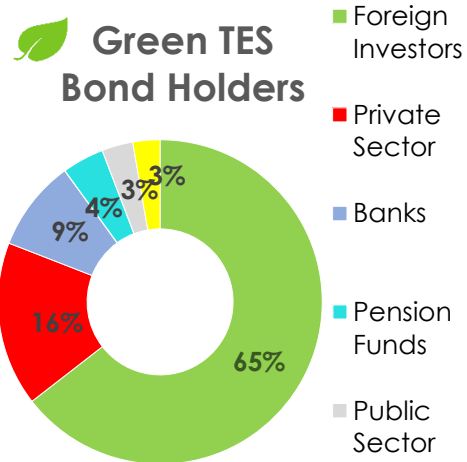


External Debt 2024

■ Issued / Disbursed 2024 ■ Goal 2024



In December 2023, Colombia issued green TES in the local market



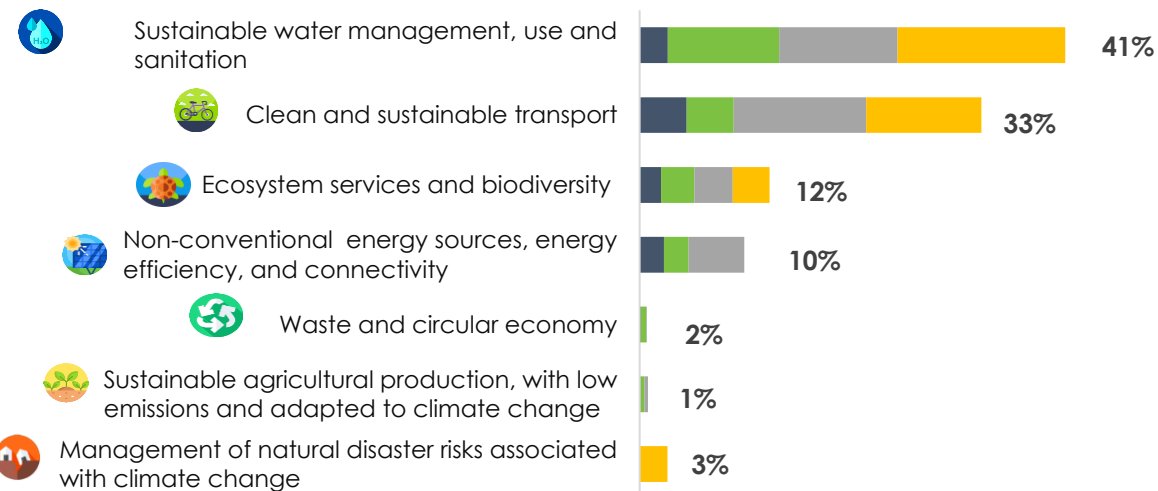
Issue characteristics

	Green TES 2031
Nominal Value	USD 720,383,814.25
Maturity	March 26, 2031
Cupon	7,000%
Bid to Cover	2,7x

The 2023 portfolio of this issuance has green eligible expenditures for **USD 397 million** classified in **4 categories** and distributed in **21 projects**.

Green portfolio

■ 2020 ■ 2021 ■ 2022 ■ 2023

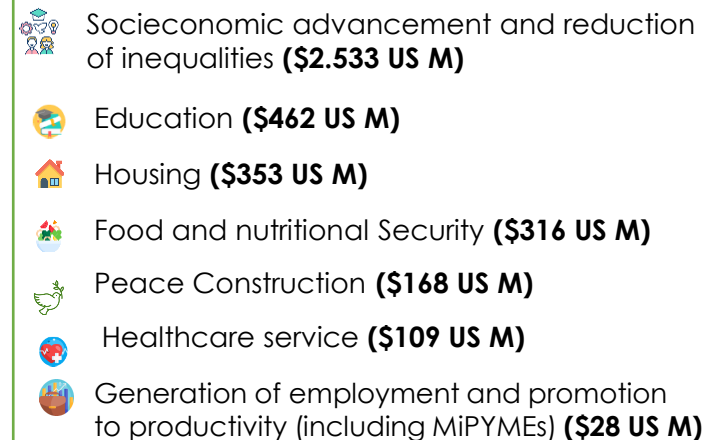


In November 2023, Colombia issued its first social bond in the international market

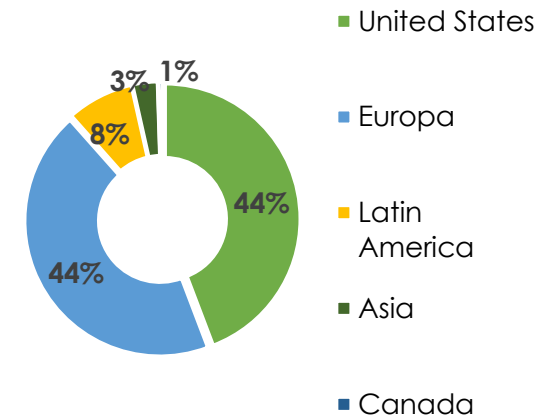
Issue characteristics

	Bonds 2035	Bonds 2053
Nominal Value	USD 2,500,000,000	
	USD 1,250,000,000	USD 1,250,000,000
Maturity	November 14, 2035	November 14, 2053
Cupon	8,000%	8,750%
Bid to Cover	5,1x	

The 2022 portfolio of this issuance has social eligible expenses of **42 projects** that add up **USD 3.9 billion** classified in **7 categories**:



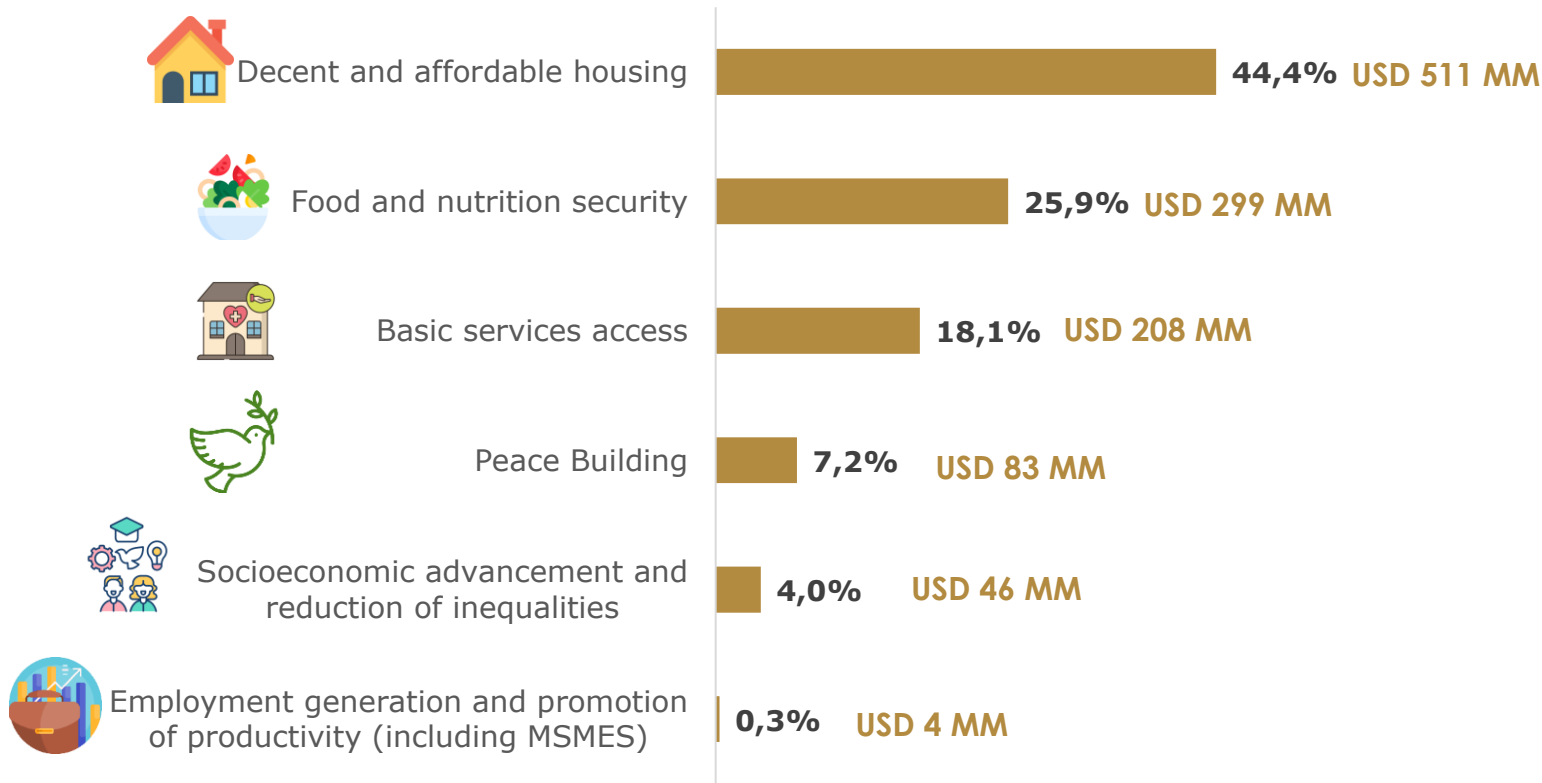
Diversified investor base by region



Overview of Social Eligible Expenses Based on 2023 Budget

- The current eligible social spending portfolio for the 2023 Budget amounted to **USD 1,152 MM**
- There were **23 eligible projects for the 2023 period**, according to our framework classified into 6 **categories**

Social Portfolio 2023
eligible expenses by category



On January 31, 2024, the 2023 portfolio received an SPO very good rating (4/5)

**The projects included are in source 11 and/or 13 for 2023*

ETF – Local TES is an instrument to democratize the public debt

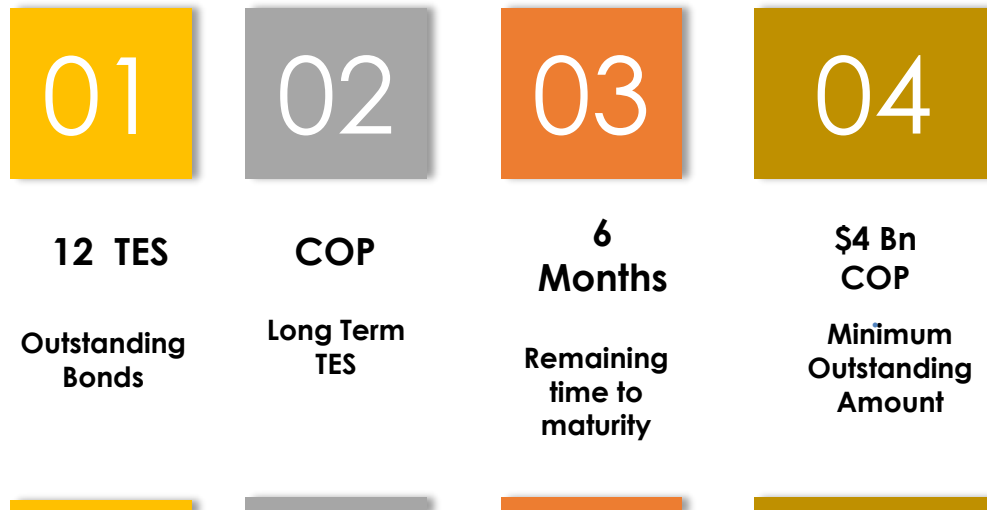
Colombian ID ETF

ETF	Global X TES Colombia Local GBI-EM ID ETF
Underlying Asset Issuer	Republic of Colombia
Ticker symbol	GXTESCOL

Who is Who?



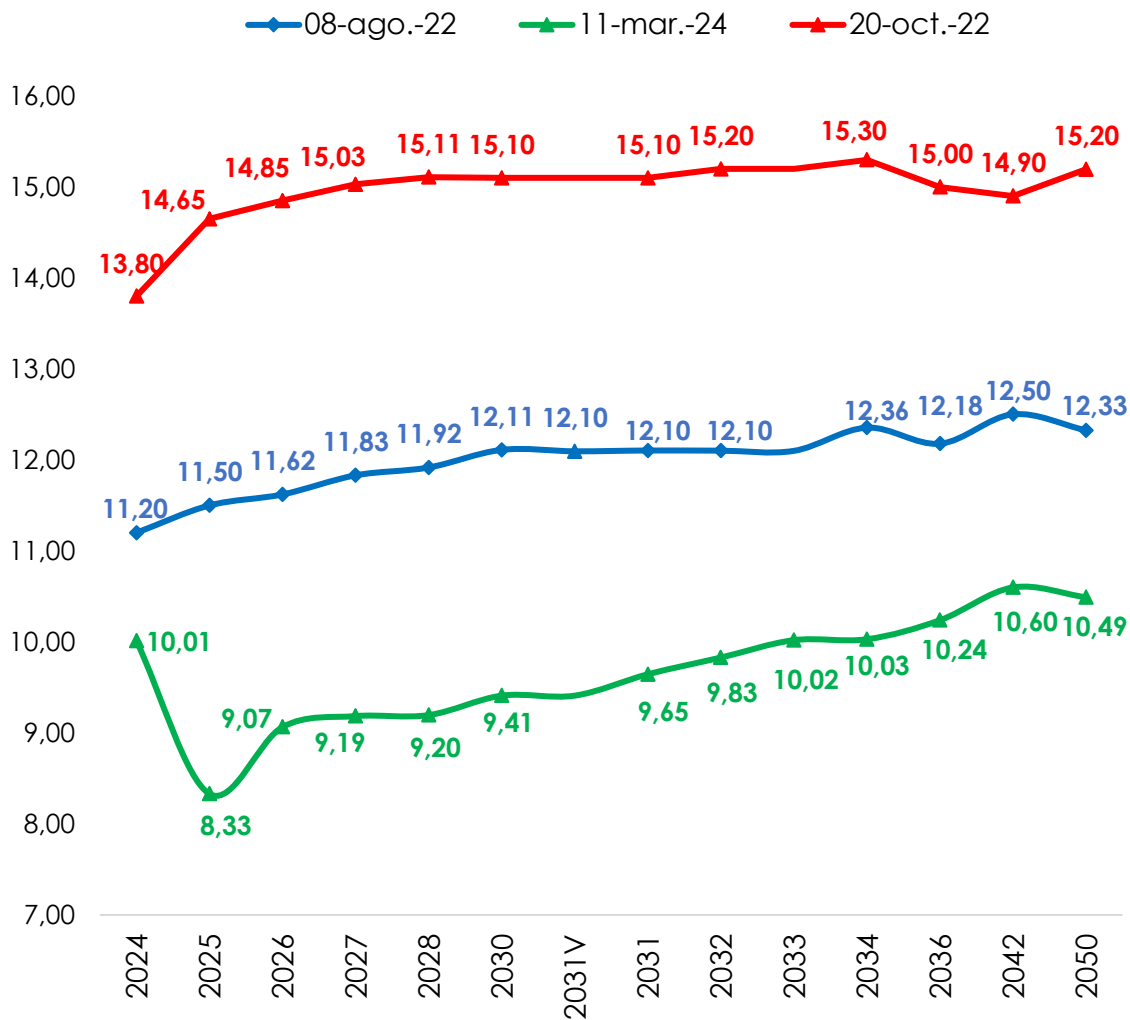
TES Basket Criteria



Local TES ETF Placement

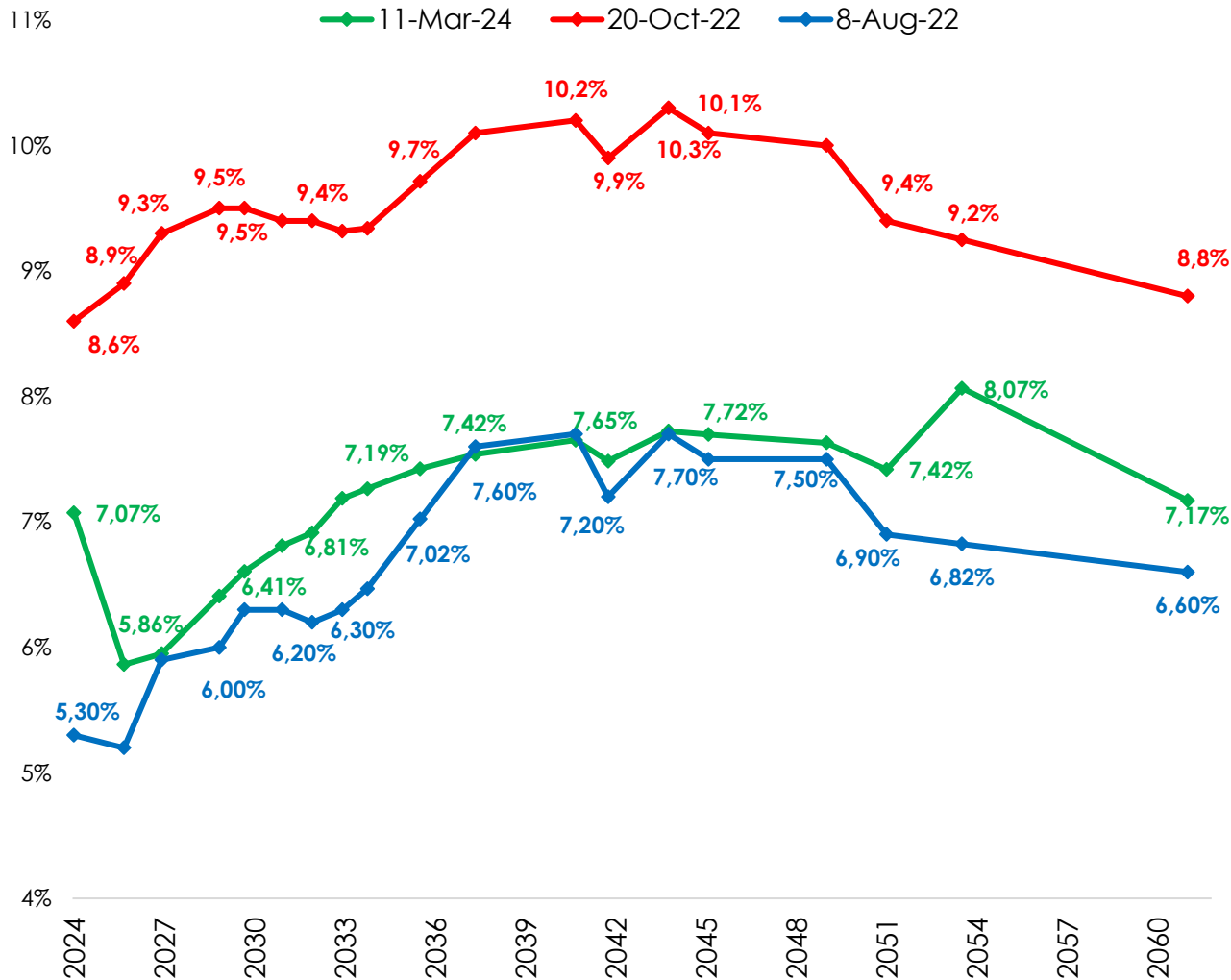
- **Fixed** price/yield to be announced to the market
- Maximum placement size → **On demand**
- ETF units → COP Settlement **T+0**
- Minimum order size **100k ETF units** ~US\$ 1.28 million*
- ETF issuance Price → to be announced ~ **USD\$ 12,8*** per share
- Orders can be placed at **inception date** via local Authorised Participants (APs)
 - Broker Dealers
 - Banks
- Local Exchange (BVC) – Deceval **will issue and allocate** ETF units accordingly (T+0)

TES interest rates remain below the maximum levels of October 20. The COP TES have normalized in most of the references at levels below August



Source: DGCPTN, Bloomberg. As of March 11th, 2024.

Global Bonds Curves (USD)



Source: DGCPTN, Bloomberg. As of March 11th, 2024.



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