



**El emprendimiento
es de todos**

Minhacienda

Colombia: Macroeconomic and Capital Markets Outlook

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Ministry of Finance

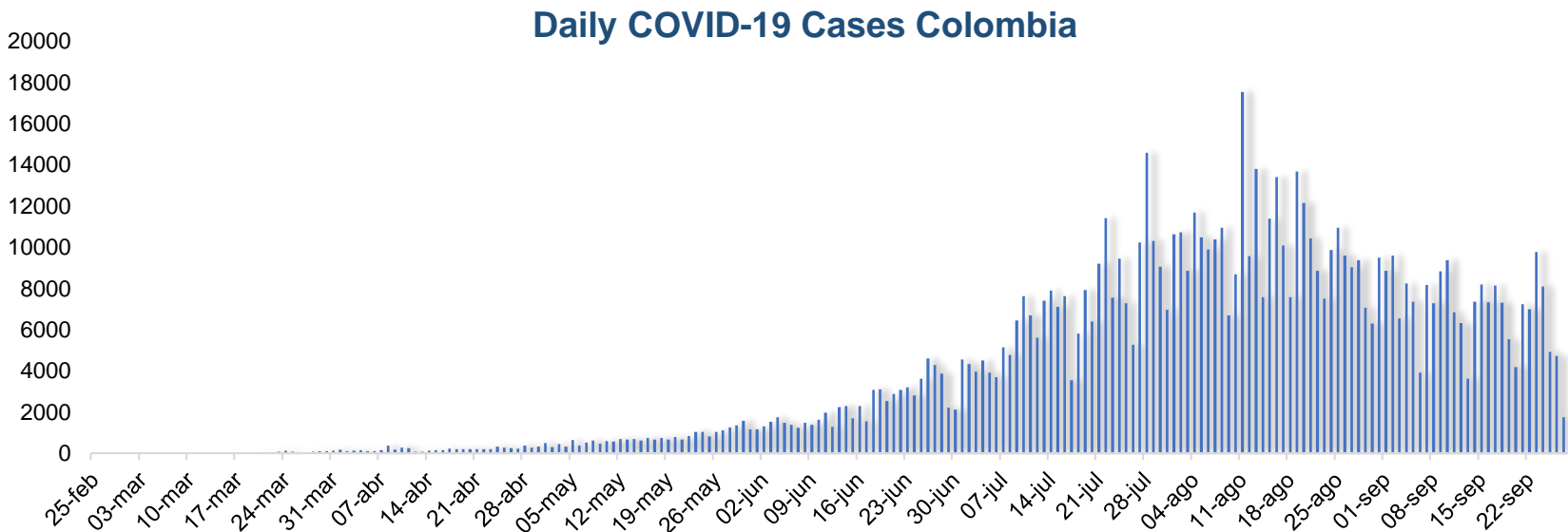
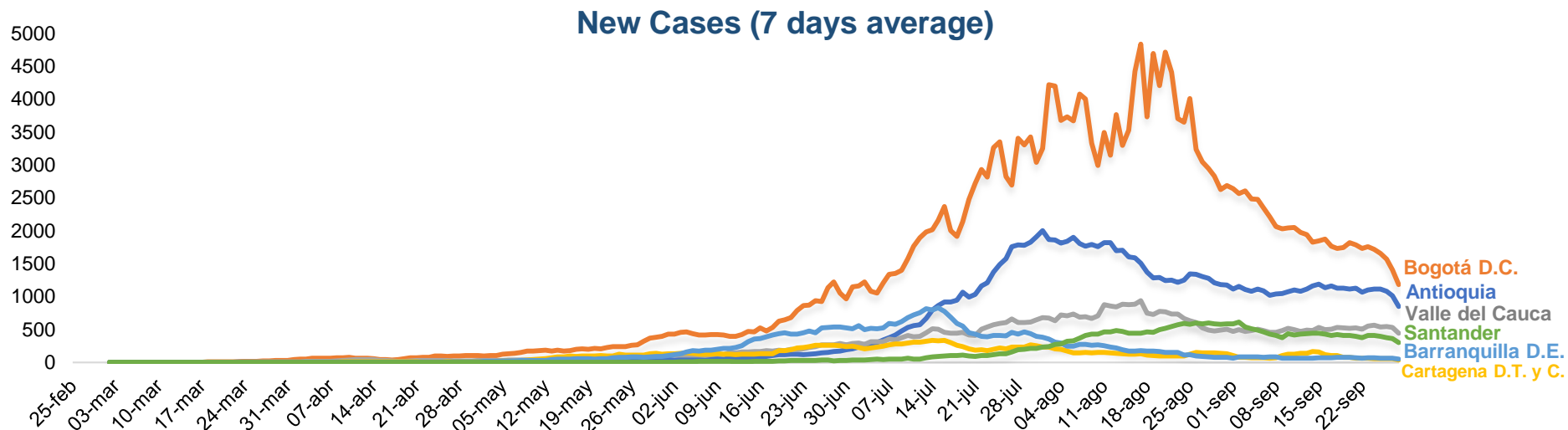
October 2020



- 1. Progress on economic reopening and recovery**
2. Fiscal performance and financing strategy
3. Favorable local market developments



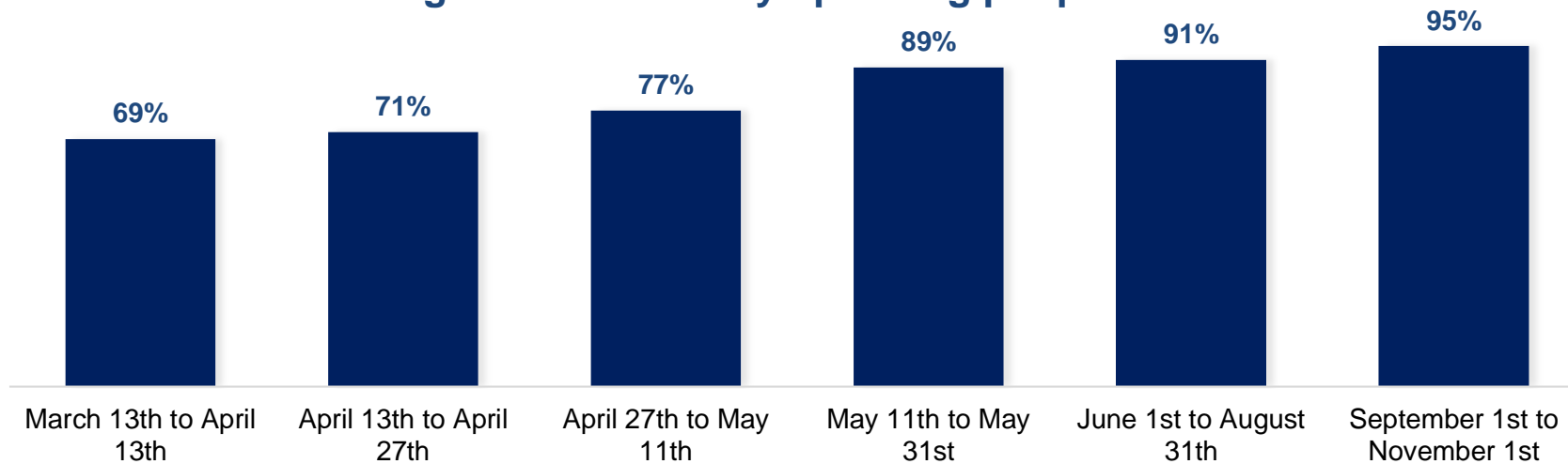
COVID-19 cases start to decrease nationwide





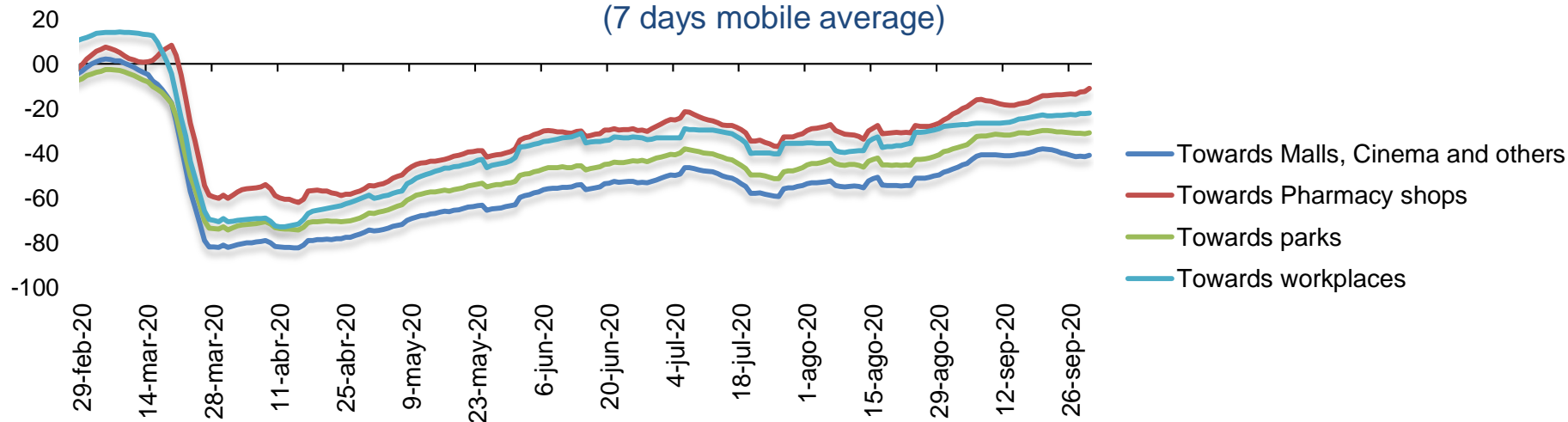
And the economy progressively reactivates

Percentage of the economy operating per period of lockdown



Source: MCHP

Mobility Index reported by Google (7 days mobile average)



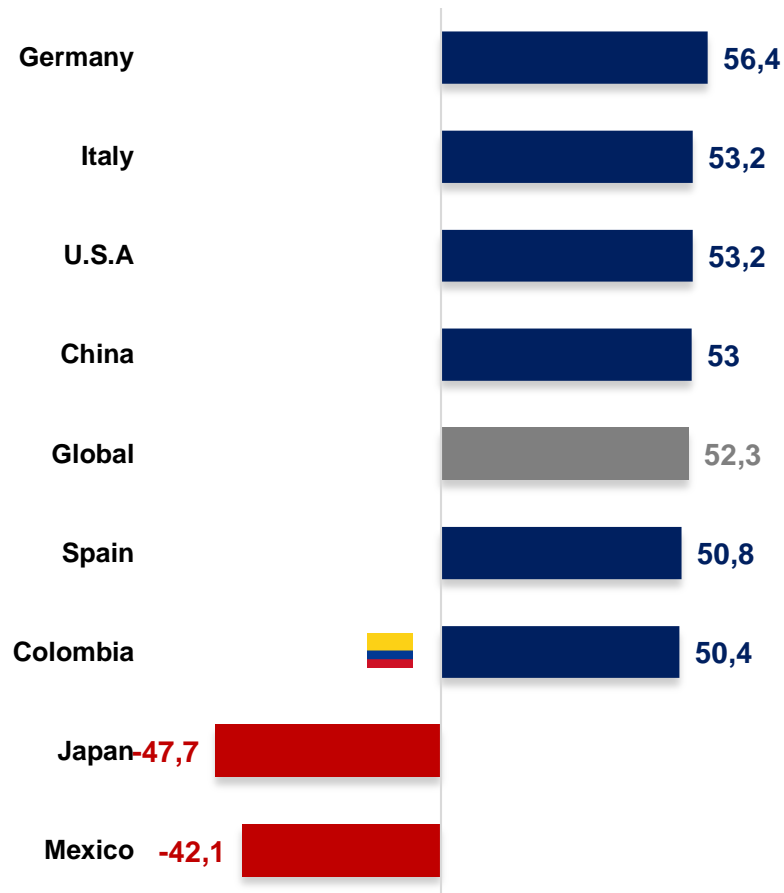
Source: Mobility Report Google – October 6, 2020



Manufacturing activity and business confidence are recovering

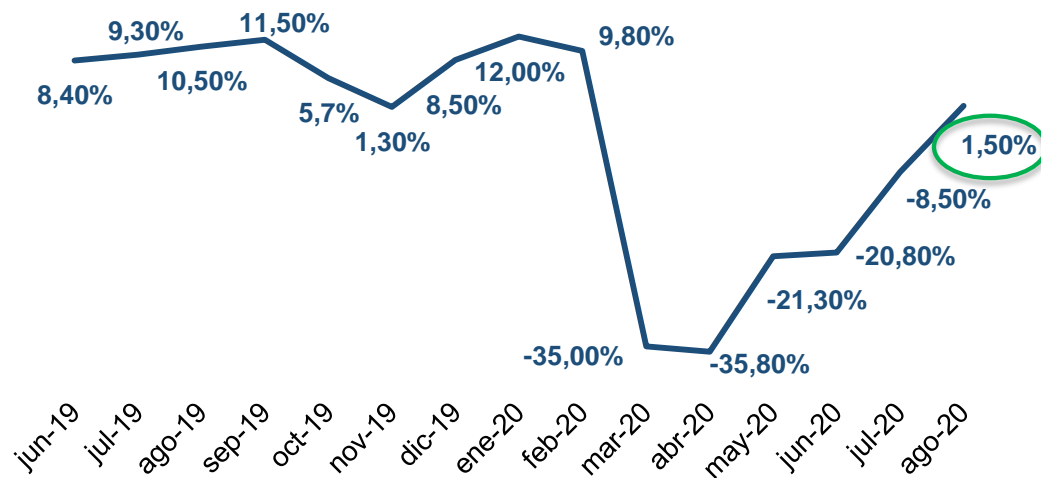
PMI Manufacture Index

(September 2020)

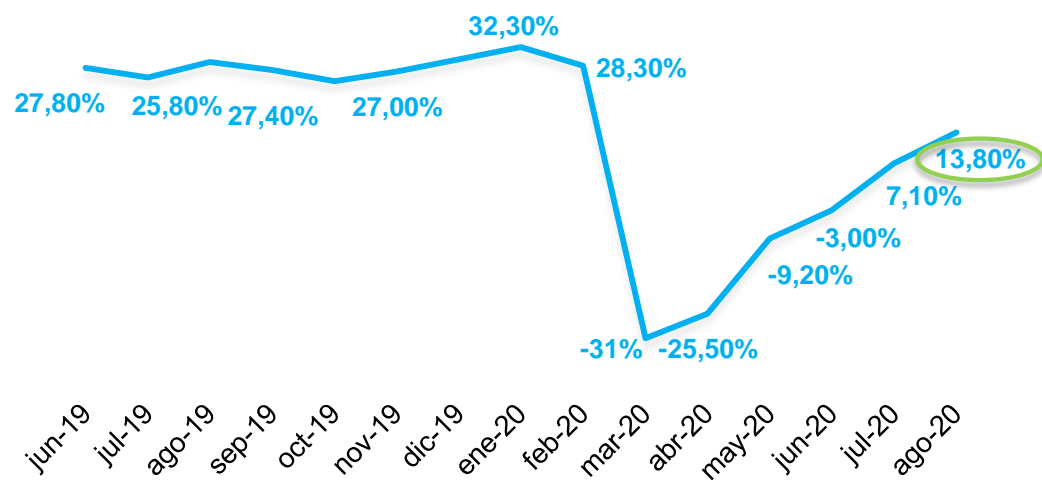


Source: PMI by IHS Markit - September

Industrial Confidence Index (ICI)



Retail Confidence Index (RCI)

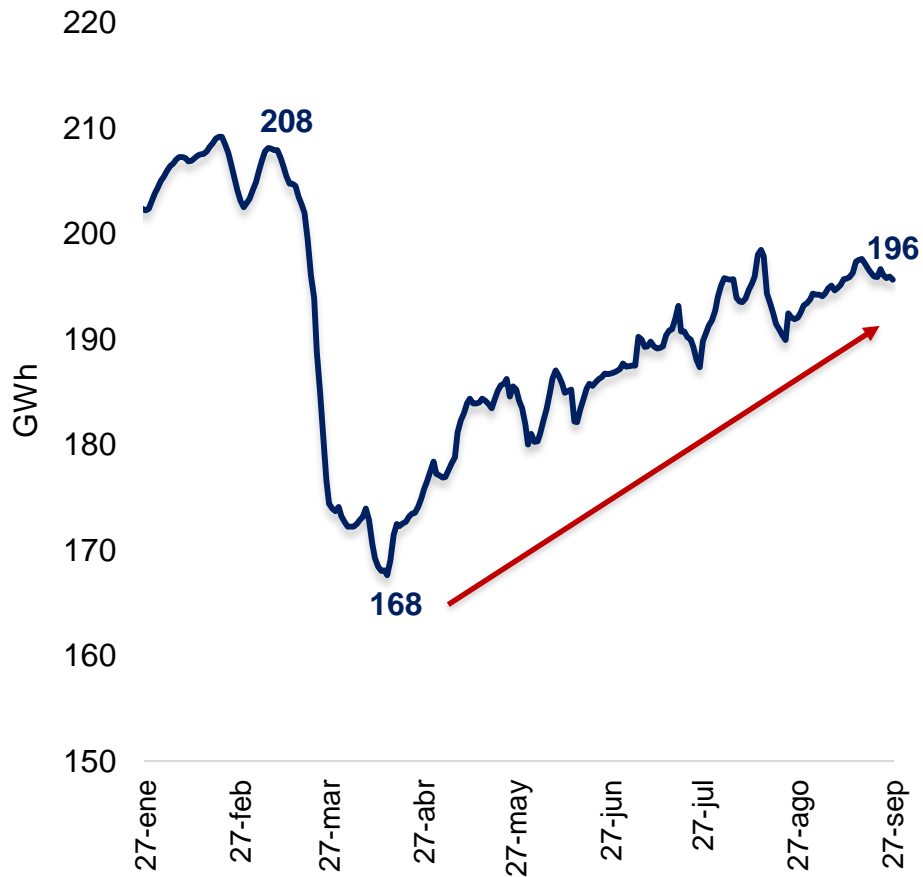


Source: Business Tendency Survey (BTS) Fedesarrollo - August

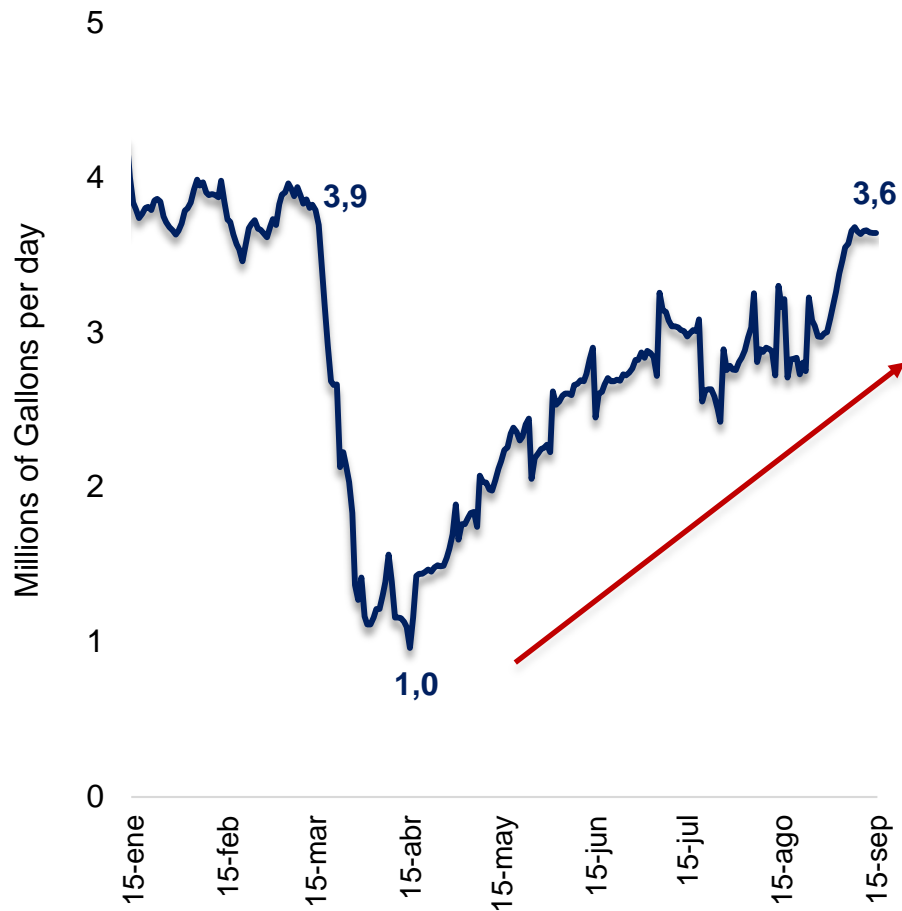


Energy leading indicators are bouncing back

Energy Demand



Gasoline Spending



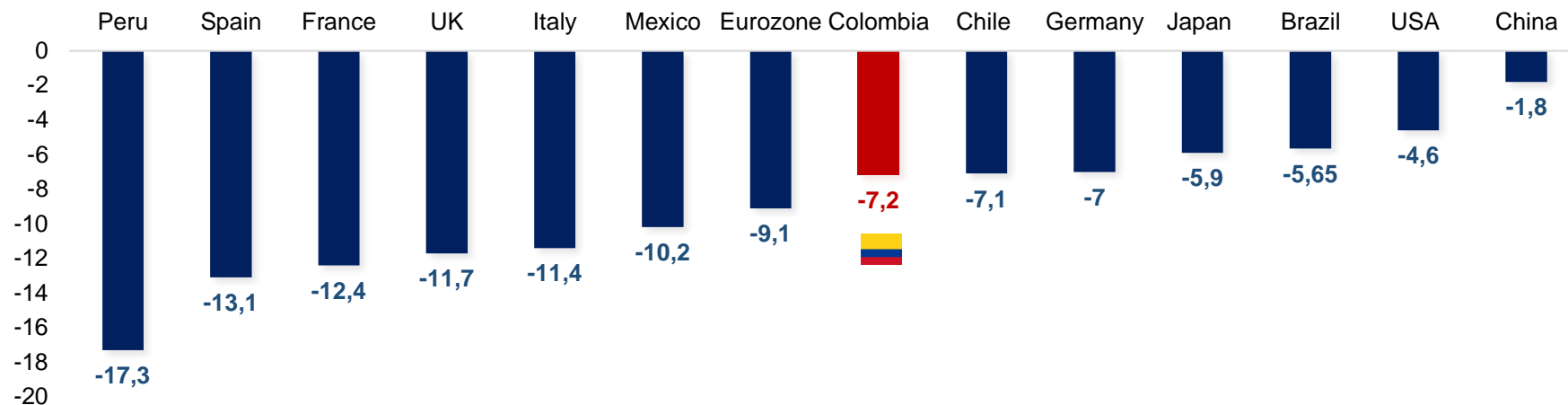
Growth contracts in 2020, but a steady recovery is expected for 2021



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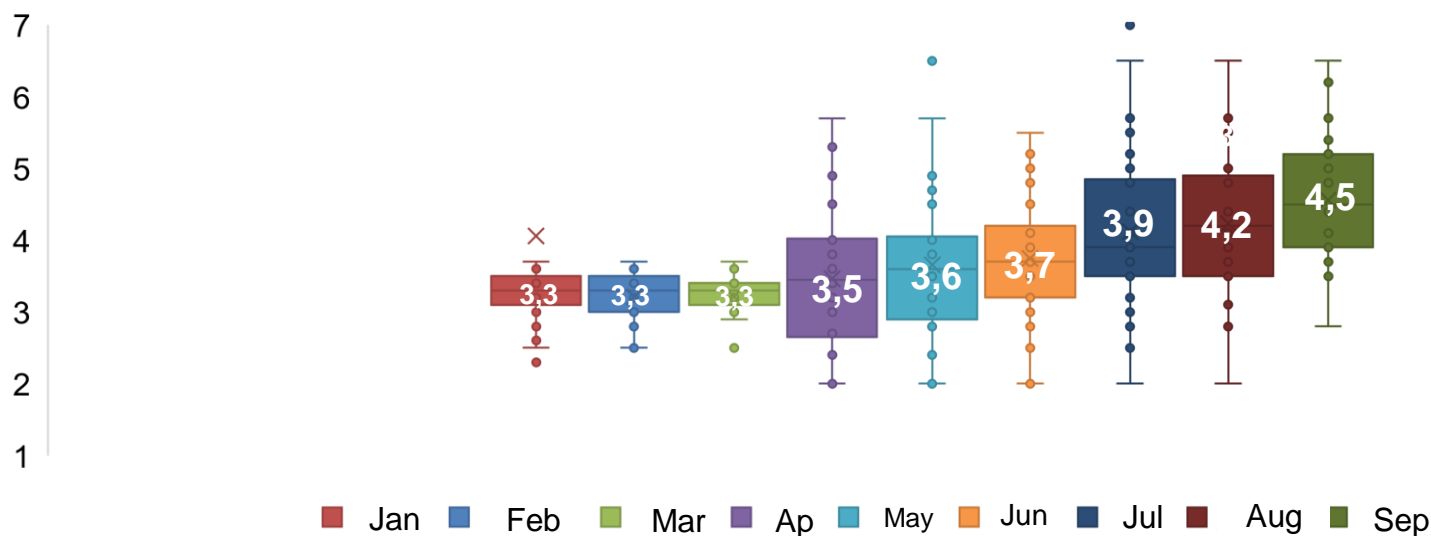
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Real GDP 1H-2020 (Percent change)



Source: Reuters and Bloomberg.

GDP Growth Forecasts 2021



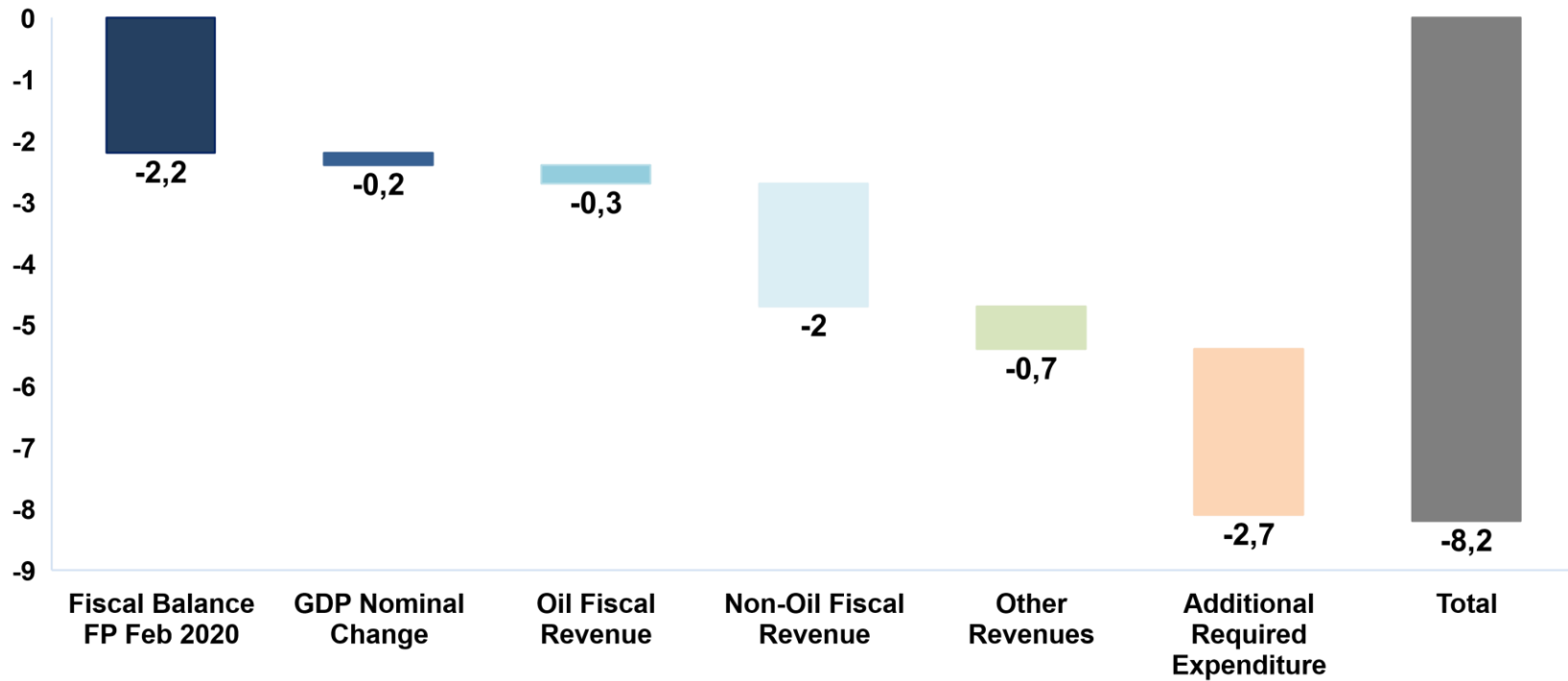


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Fiscal deficit widens due to higher emergency spending and lower revenues

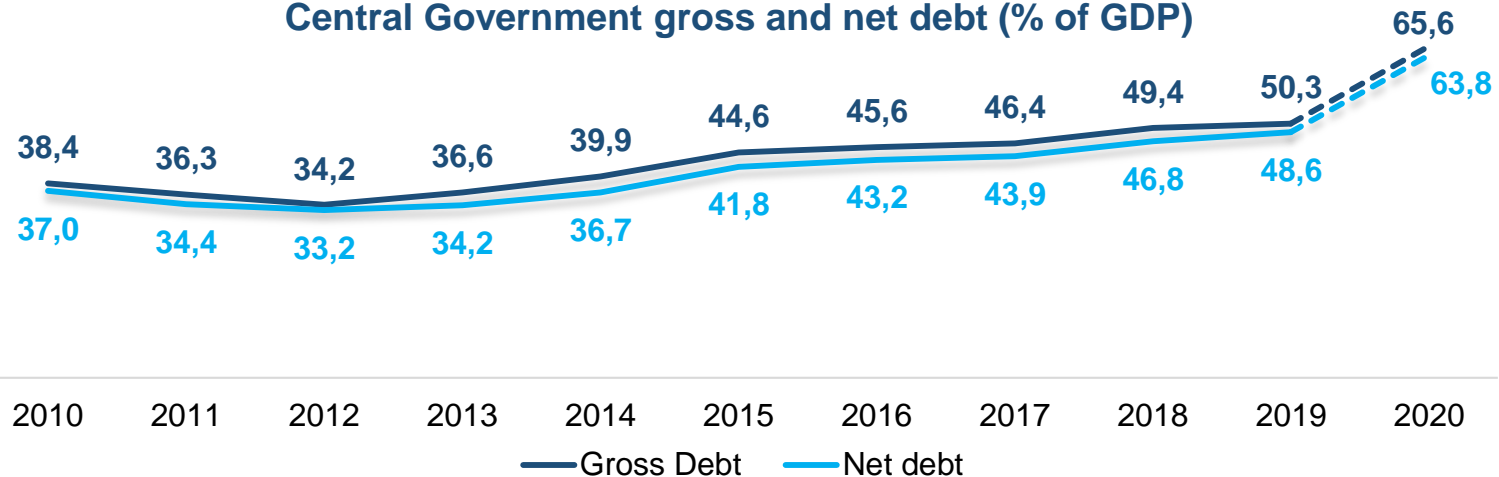
Contribution to the widening of the 2020 fiscal deficit





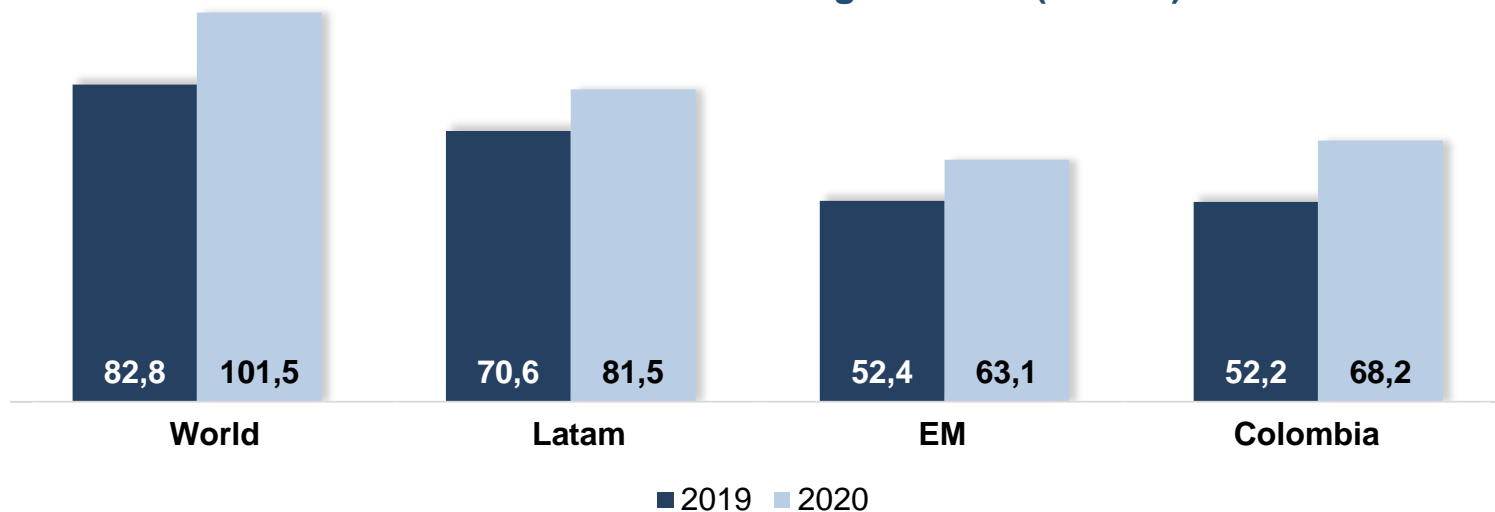
Government debt will temporarily increase to weather the global shock

Central Government gross and net debt (% of GDP)



Source: MHCP

General Government gross debt (% GDP)





Medium Term Fiscal Consolidation Strategy

Experts Commission will release recommendations to strengthen the tax code (Feb-2021)



**COMISIÓN DE EXPERTOS
EN BENEFICIOS TRIBUTARIOS**

Progressivity

Efficiency

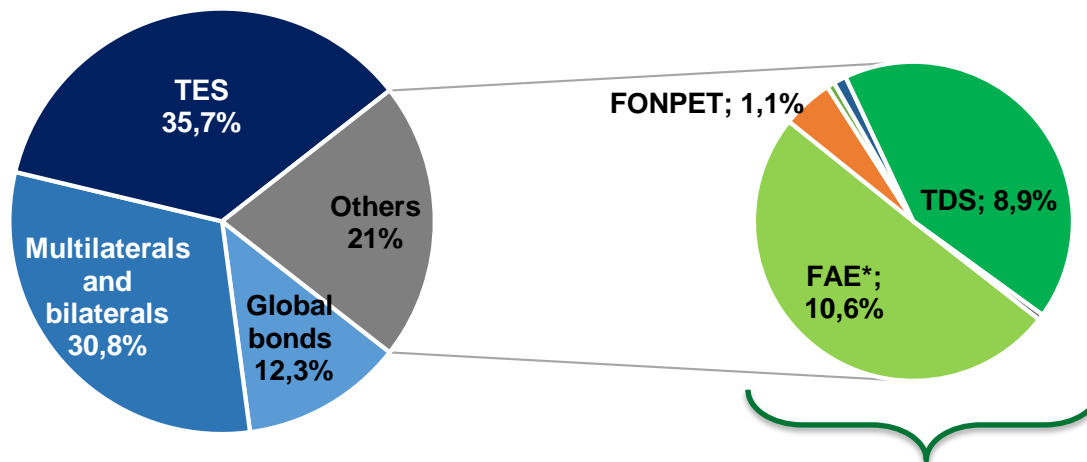
Simplicity

- ✓ Revenues are key for fiscal consolidation.
- ✓ The country requires 2% of GDP in additional revenues.
- ✓ Tax code discussions will start once the pandemic emergency subsides and economic activity recovers.

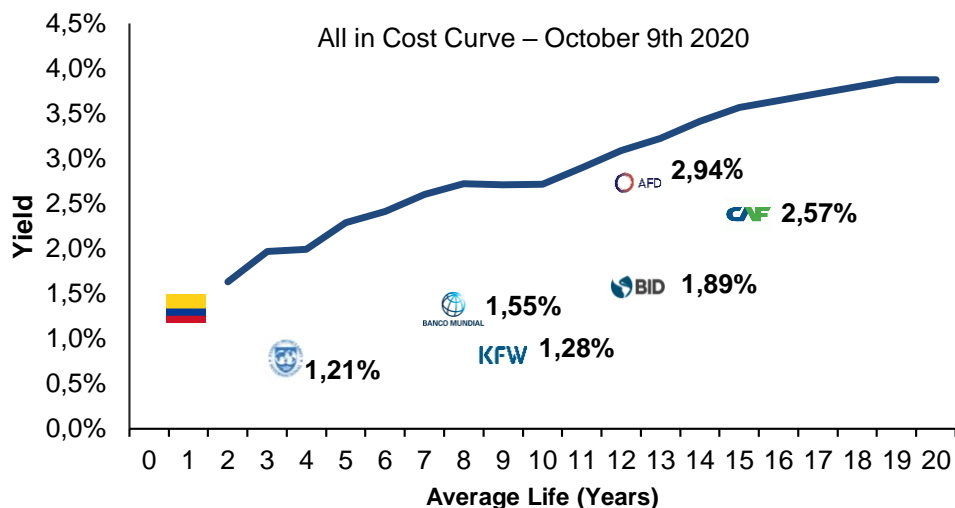


The government has advanced its financing plan at favorable terms and through diversified sources

Diversification of local and external financing sources



Wide access to multilateral and bilateral financing



Non-conventional sources

Source	COP trn	%GDP	Final maturity
FAE	11.651	1.15	17 Y
Fonpet	1.300	0.12	10 Y
FRL	202	0.02	10 Y
TDS	9.713	0.97	1 -10Y
Total	22.866	2.3	-

1/ Royalty's stabilization fund

2/ Subnational's pensionary fund

3/ Occupational risk fund

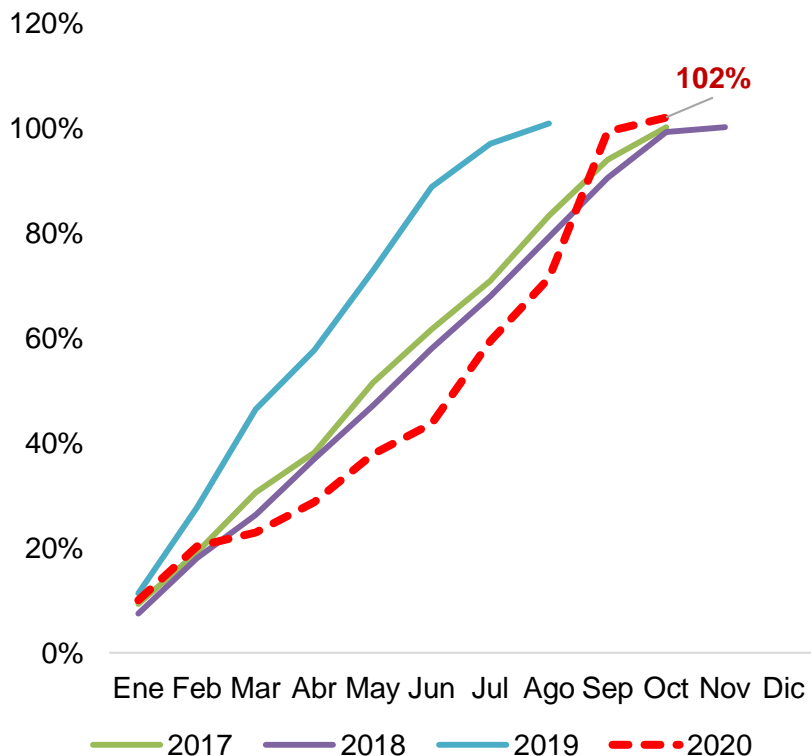
4/ Domestic Bonds derived from the reduction of the reserve requirement.



The government has advanced its financing plan at favorable terms and through diversified sources

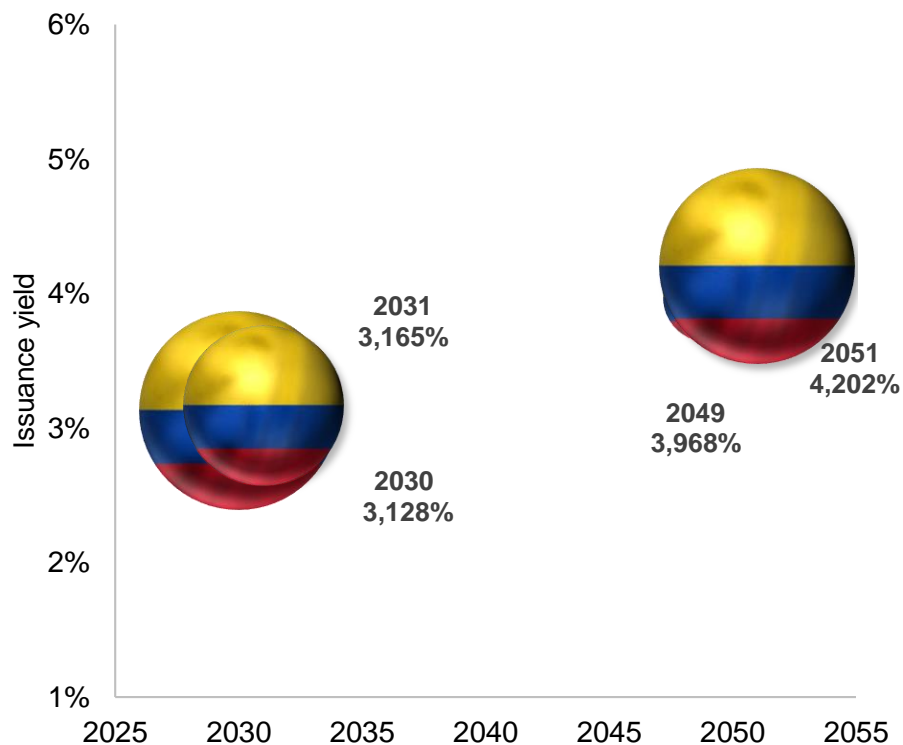
Local TES market

The government has completed 102% of local auctions by October



Global Bonds

Colombia has tapped international bond markets twice in 2020



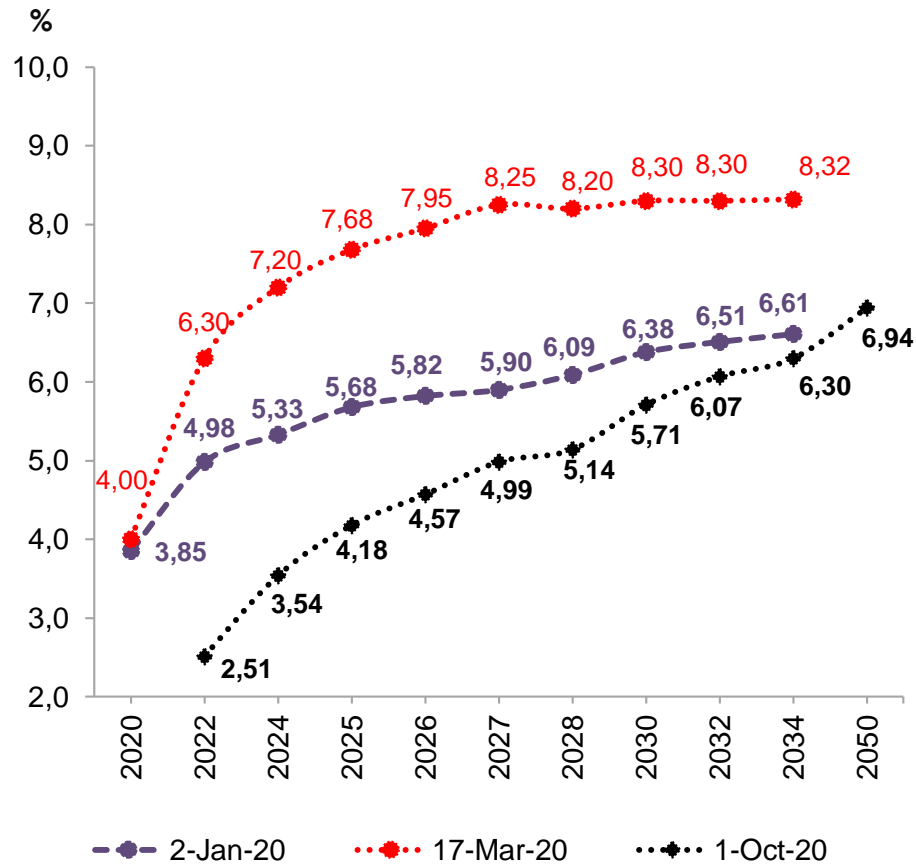


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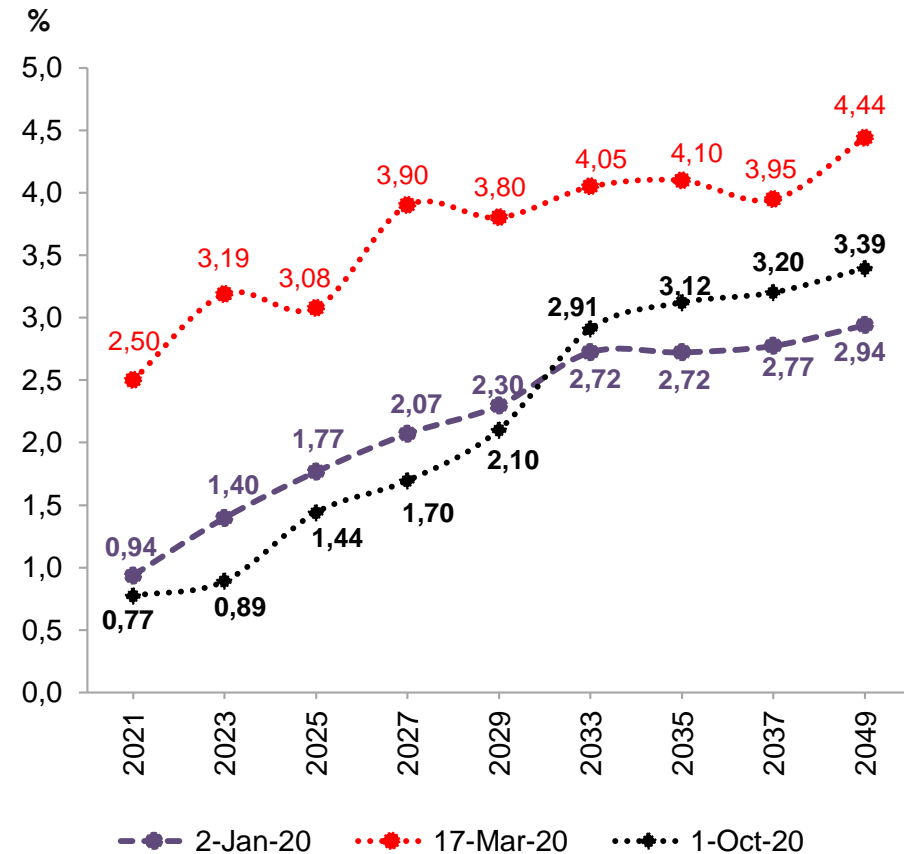


COLTES rates have returned to pre-pandemic levels

Yield Curve Colombia (COLTES) COP



Yield Curve Colombia (COLTES) UVR

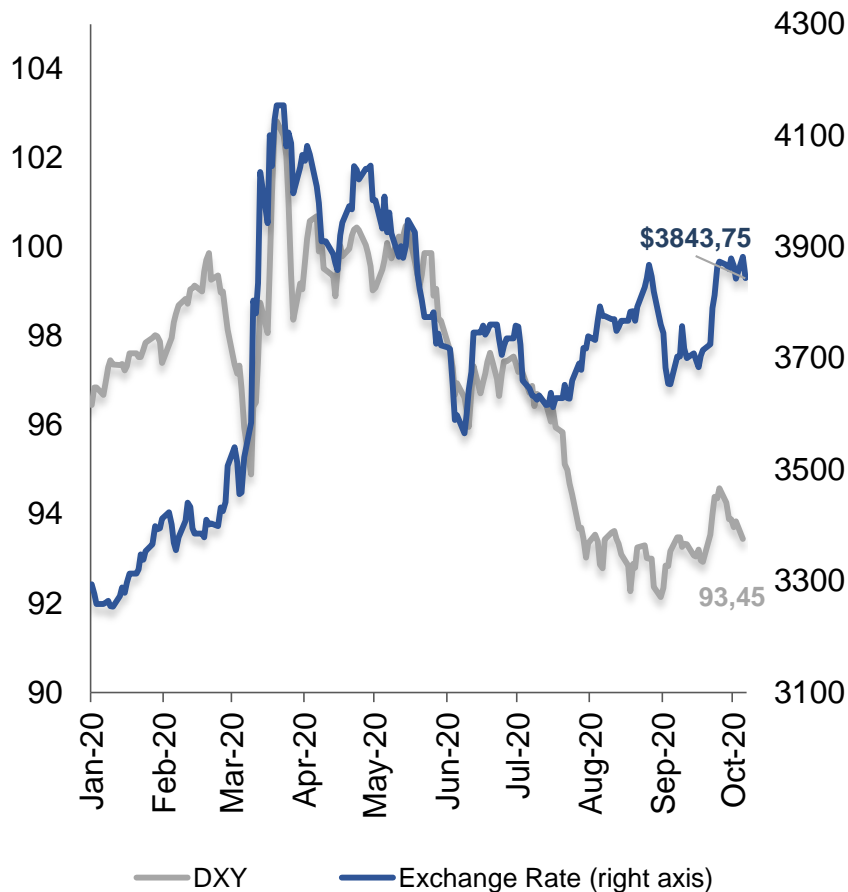




The Colombian peso is appreciating on dollar weakness and oil price recovery

USD has weakened since May 2020

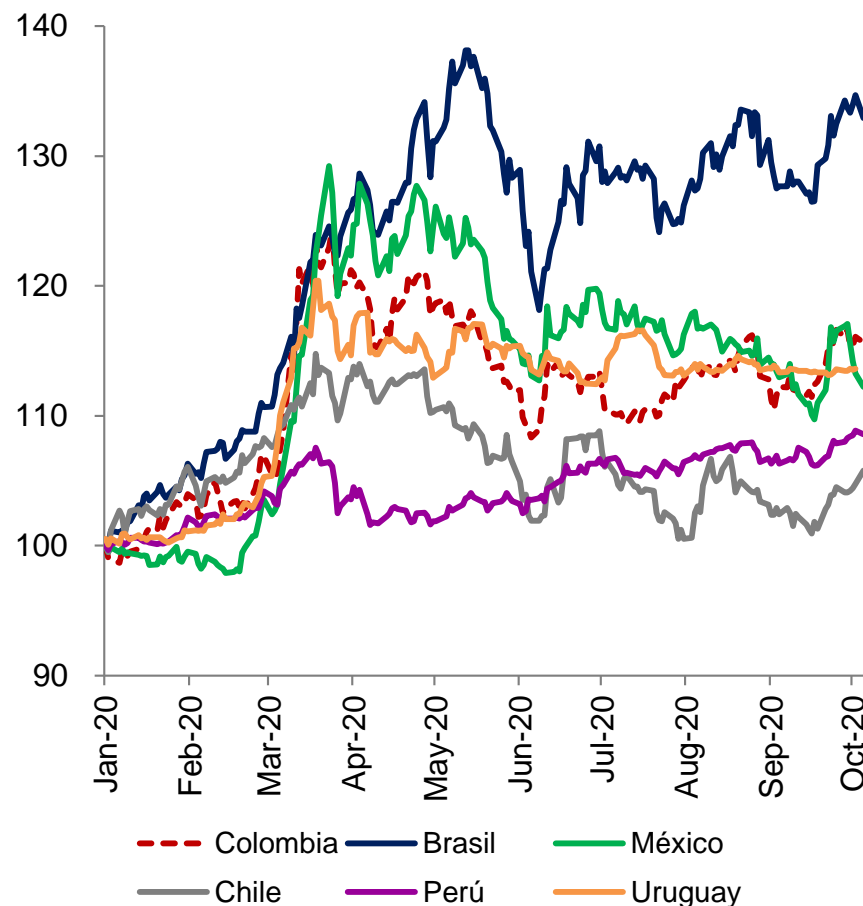
Value of the USD relative to a basket
of foreign currencies



Source: Bloomberg. As of October 6th, 2020.

COP performs in line with regional peers

Exchange rate depreciation (%)
Base 100 = Jan 1, 2020

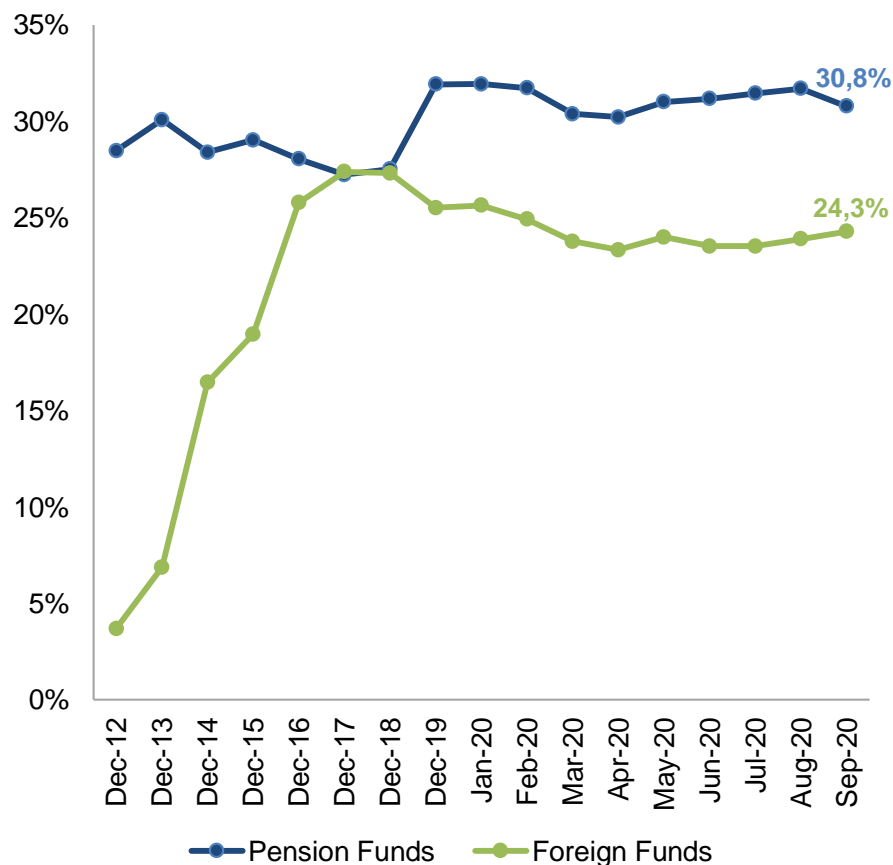


Source: Bloomberg



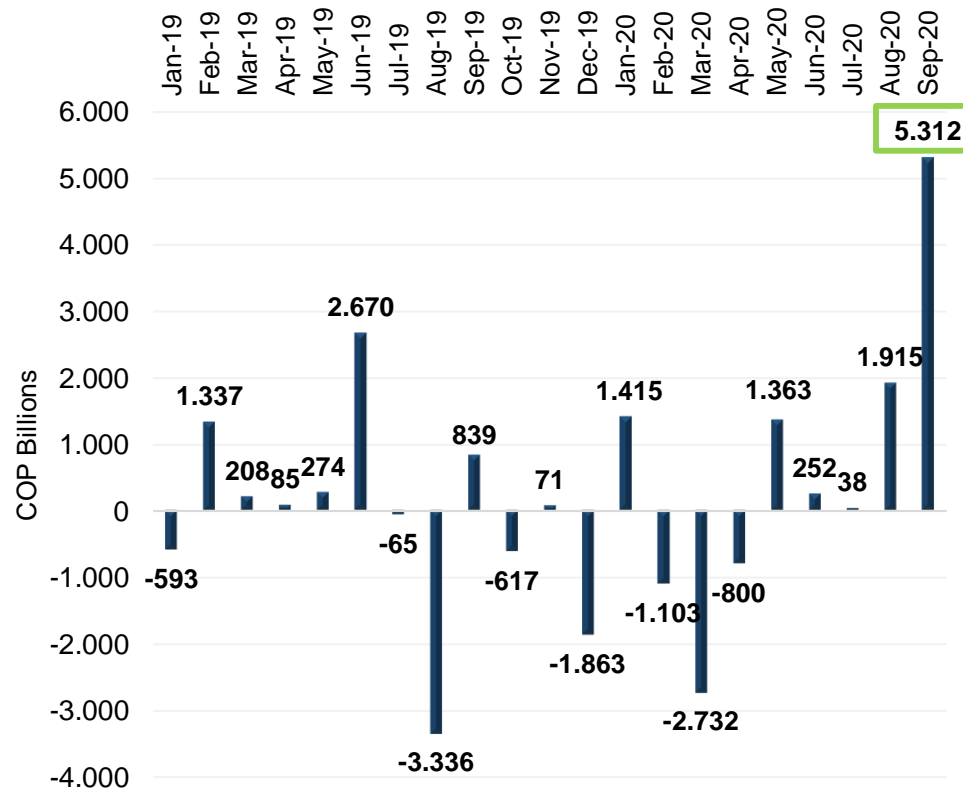
Moderate positioning and renew appetite from local and foreign investors into COLTES

Pension Funds and Foreign Funds Holdings of COLTES



Source: Ministry of Finance.

Net Portfolio Flows from Foreigners into COLTES (Cop Billion)

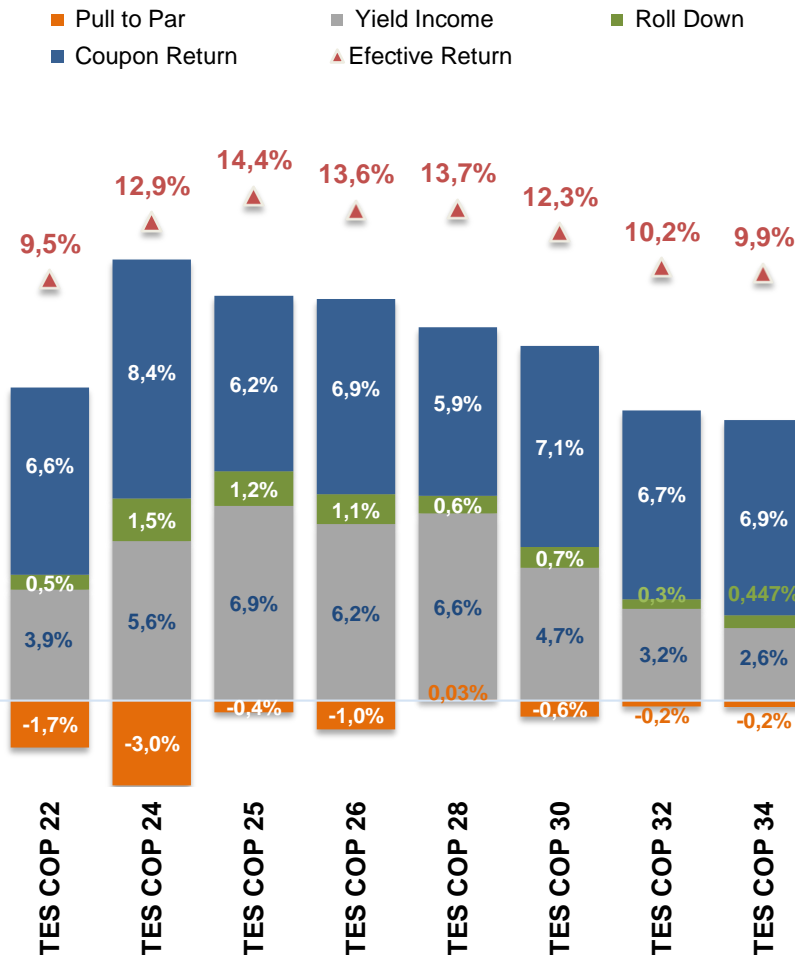


Source: Ministry of Finance As of September 30th, 2020.



COLTES have yielded positive returns and are included in widely-tracked local currency bond indexes

Decomposition of returns YTD-TES COP



Inclusion of TES in the Barclays index

September 1, 2020



Local currency bonds from Colombia, Peru and Romania were included in the “Global Aggregate” and “Global Treasury” indexes (September 1st, 2020)



- Global Aggregate Index**

117 Billion - Market Value
0.18% - Participation

- Global Treasury Index**

65.2 Billion – Market Value
0,19% - participation



- Expected Capital Inflows**

1.2 Billion – 5.0 Billion

New 30Y benchmark in the TES curve



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Long Term Financing and high demand

**TES
2050**

New benchmark

**COP
4.8 trn**

Principal Amount

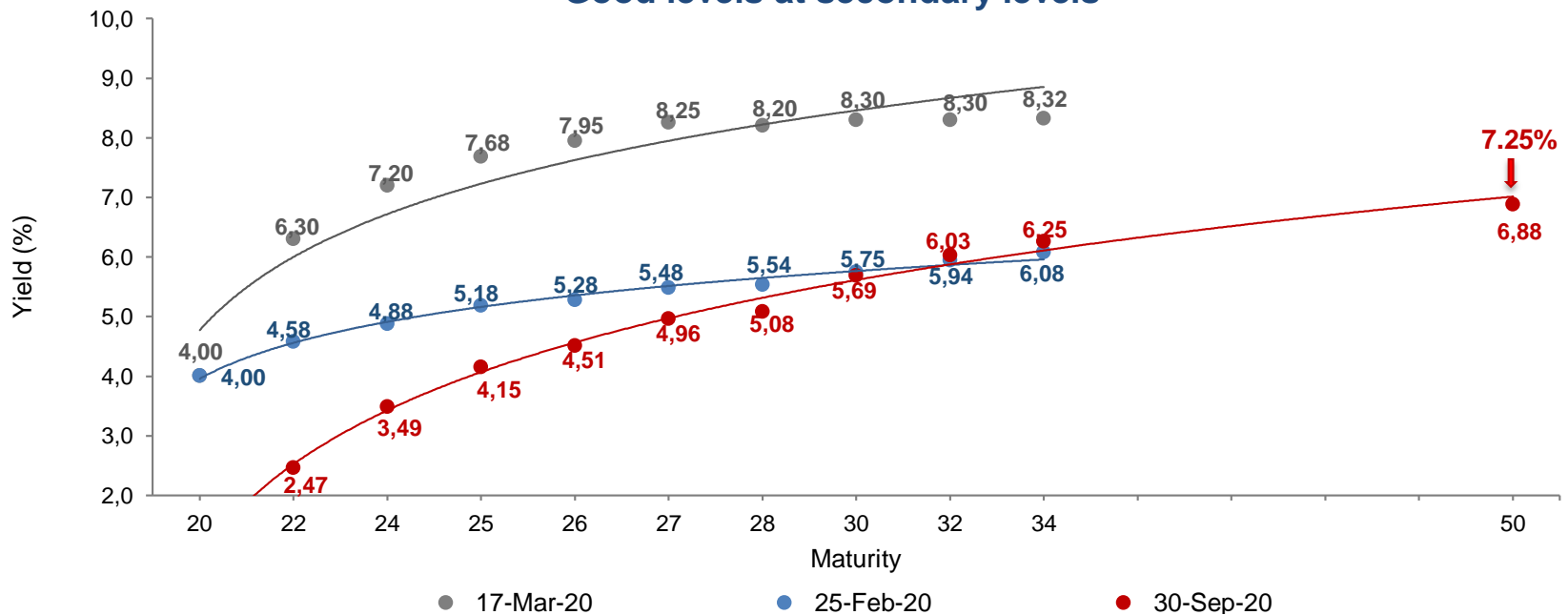
7.25%

Coupon

1.9x

Bid to Cover

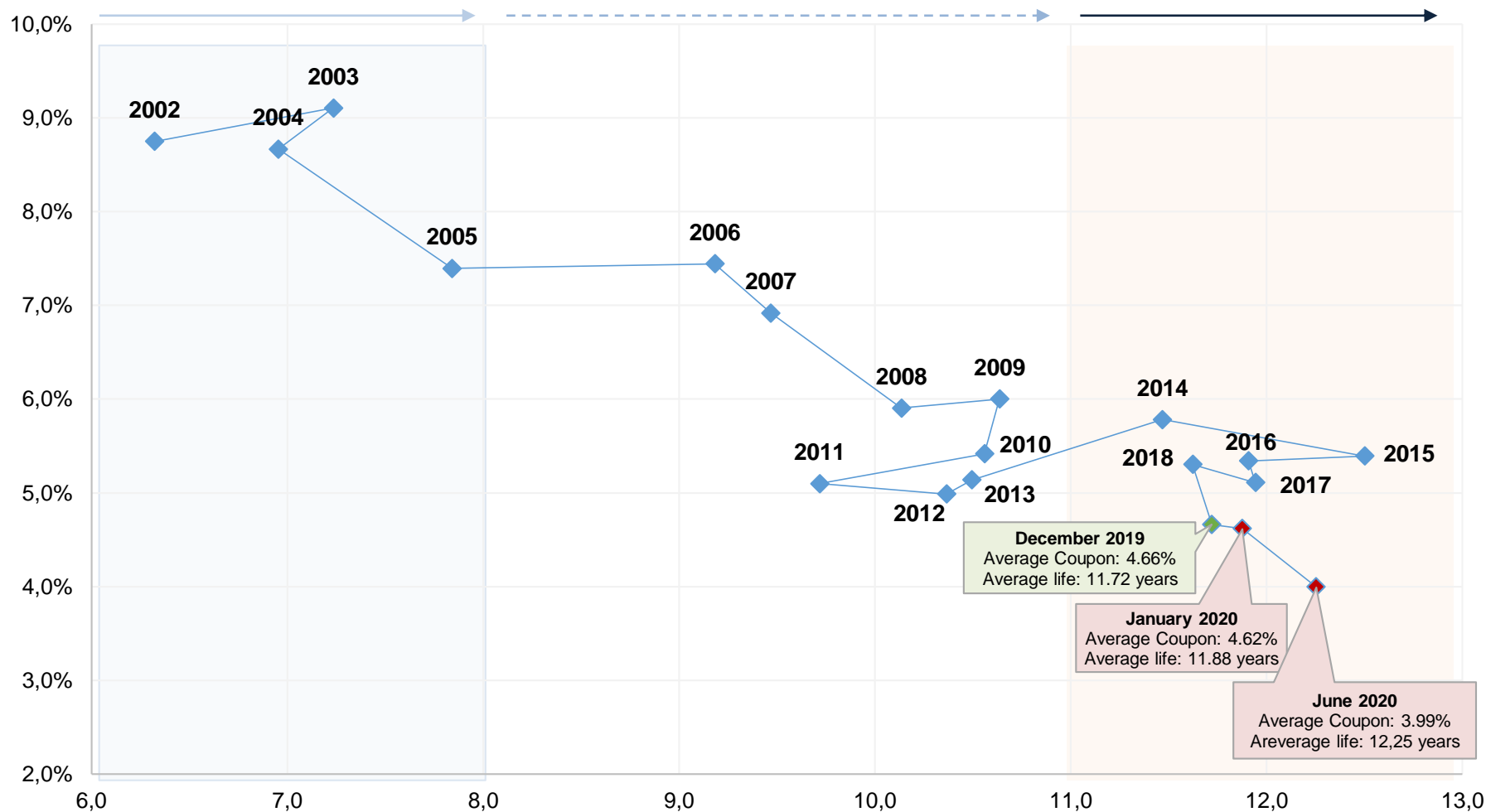
Good levels at secondary levels





External Debt: Lower costs and longer tenors

Average life and average coupon of the NCG external debt since 2002
(Information as of December of each year)





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