



**El emprendimiento
es de todos**

Minhacienda

Colombia: Macroeconomic and Capital Markets Outlook

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Ministry of Finance

September 2020

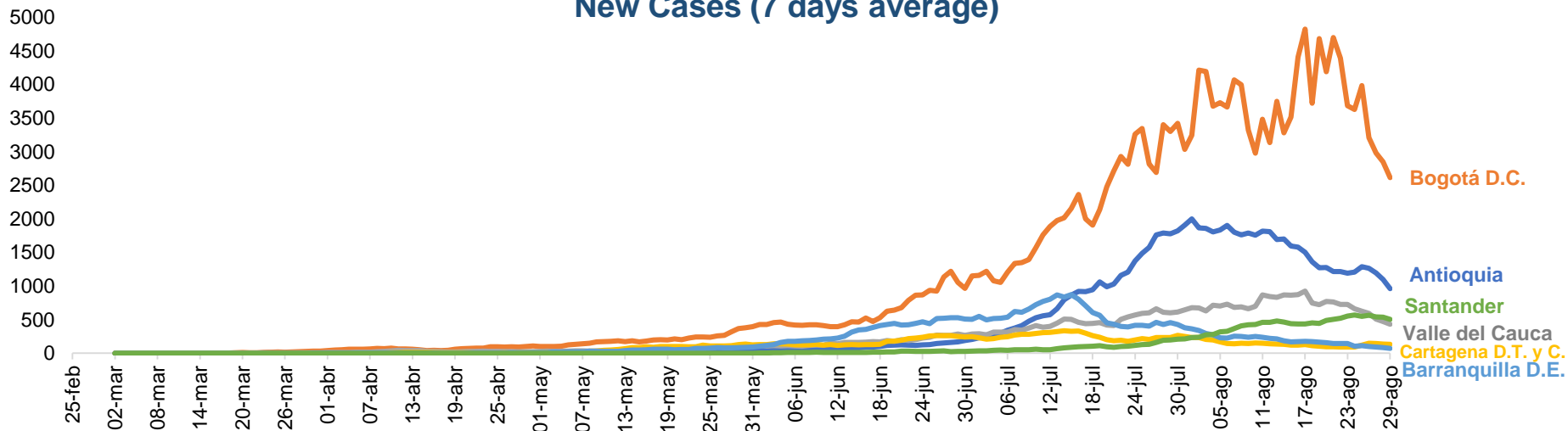


- 1. Progress on economic reopening and recovery**
2. Fiscal performance and financing strategy
3. Favorable local market developments

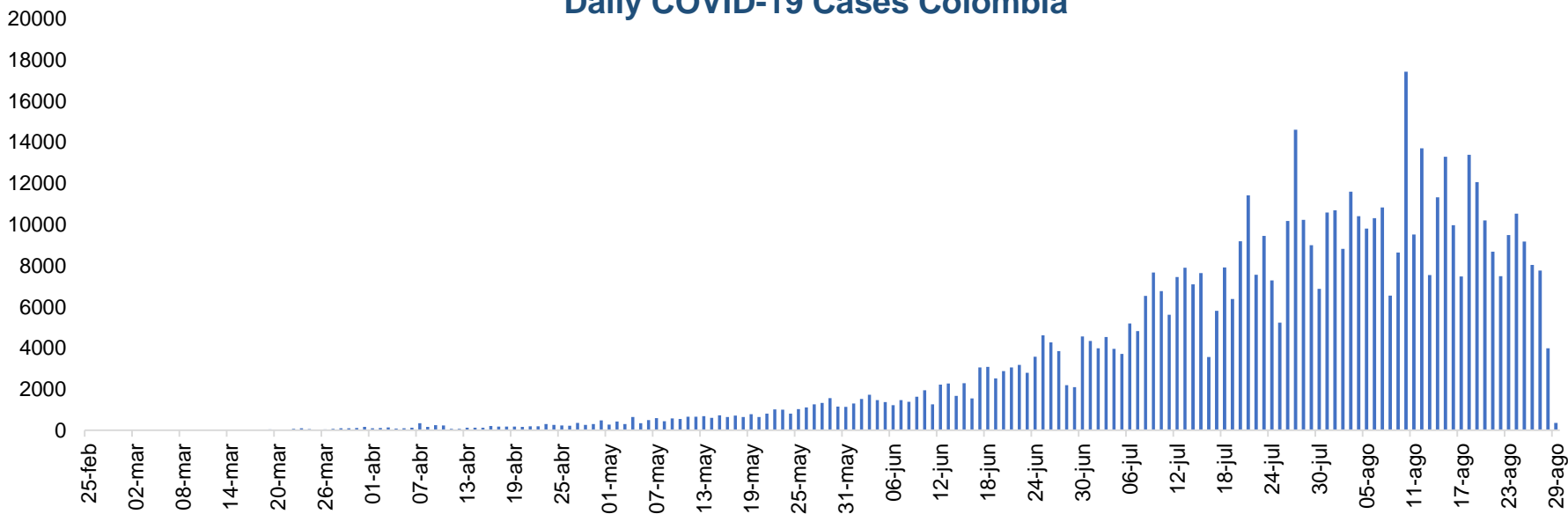


COVID-19 cases start to decrease nationwide

New Cases (7 days average)



Daily COVID-19 Cases Colombia



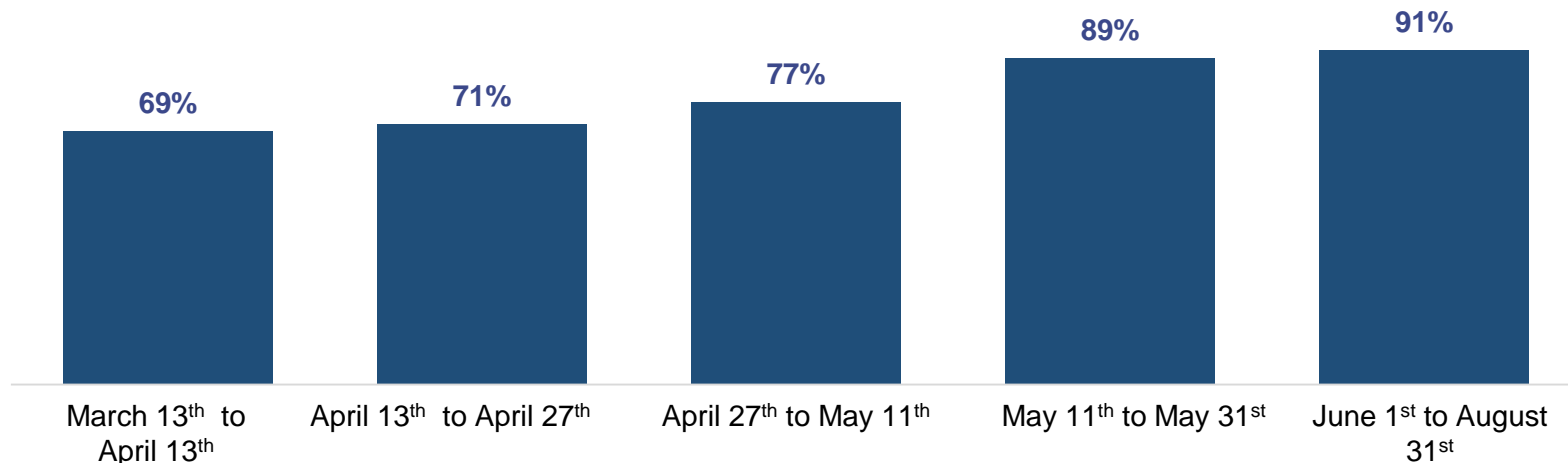
And the economy progressively reactivates



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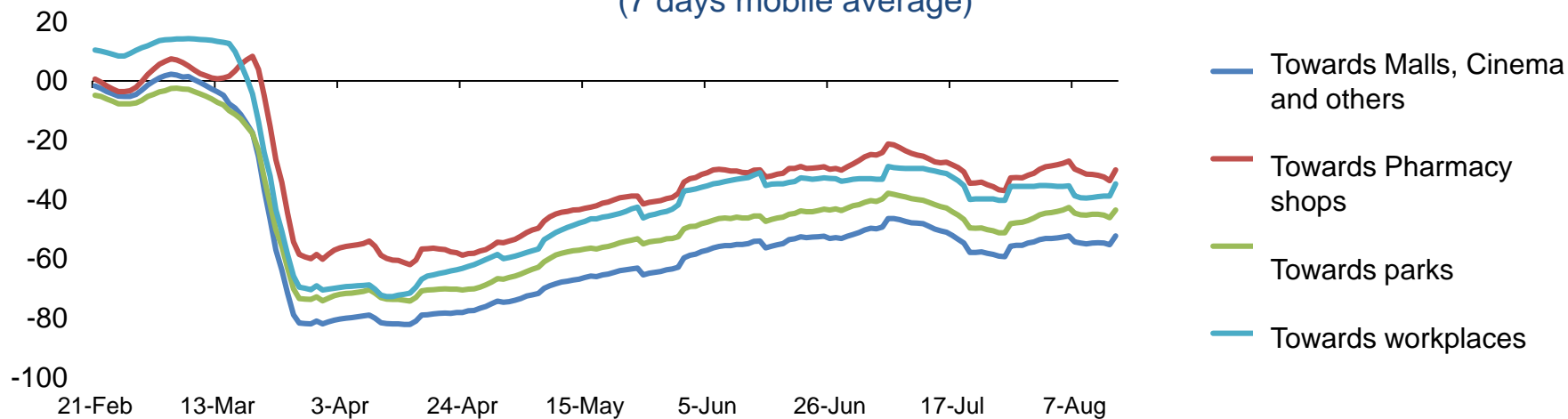
Percentage of the economy operating per period of lockdown



Source: MCHP

Mobility Index reported by Google

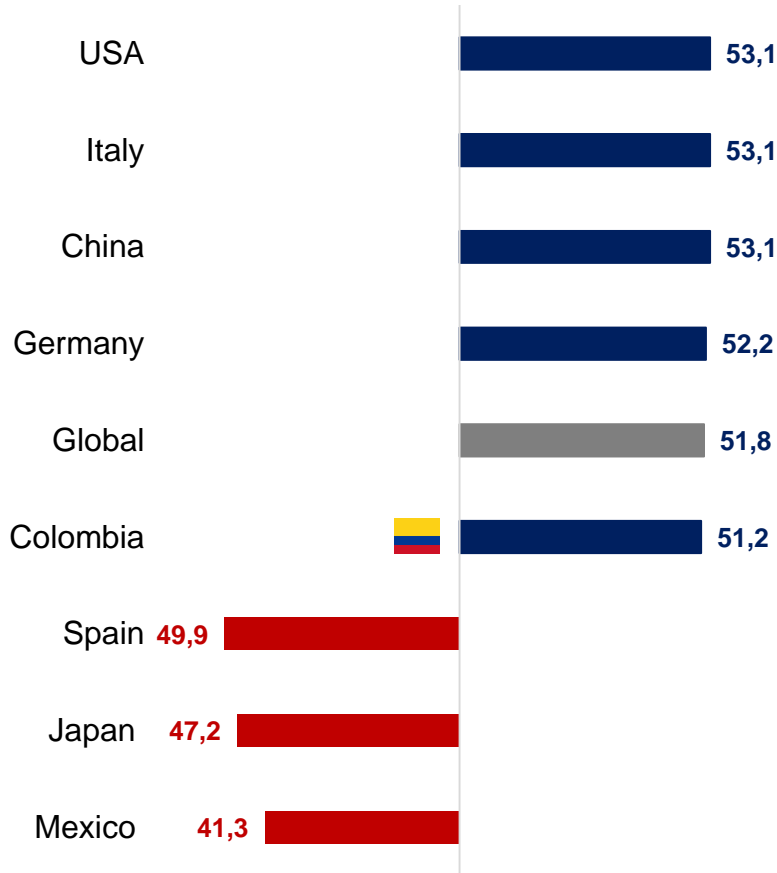
(7 days mobile average)



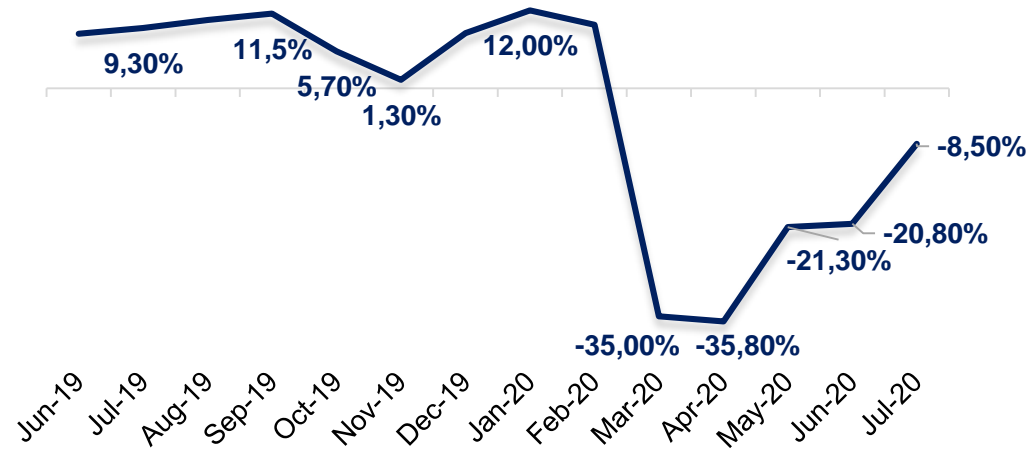


Manufacturing activity and business confidence are recovering

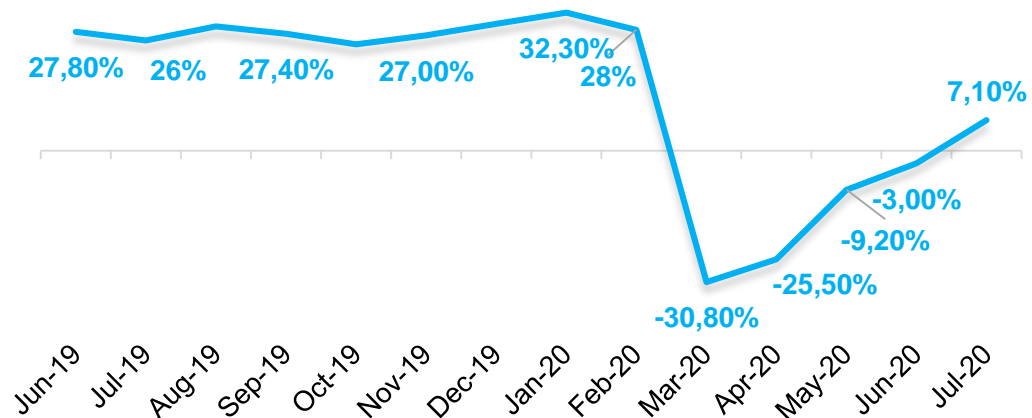
PMI Manufacture Index (August 2020)



Industrial Confidence Index (ICI)



Retail Confidence Index (RCI)



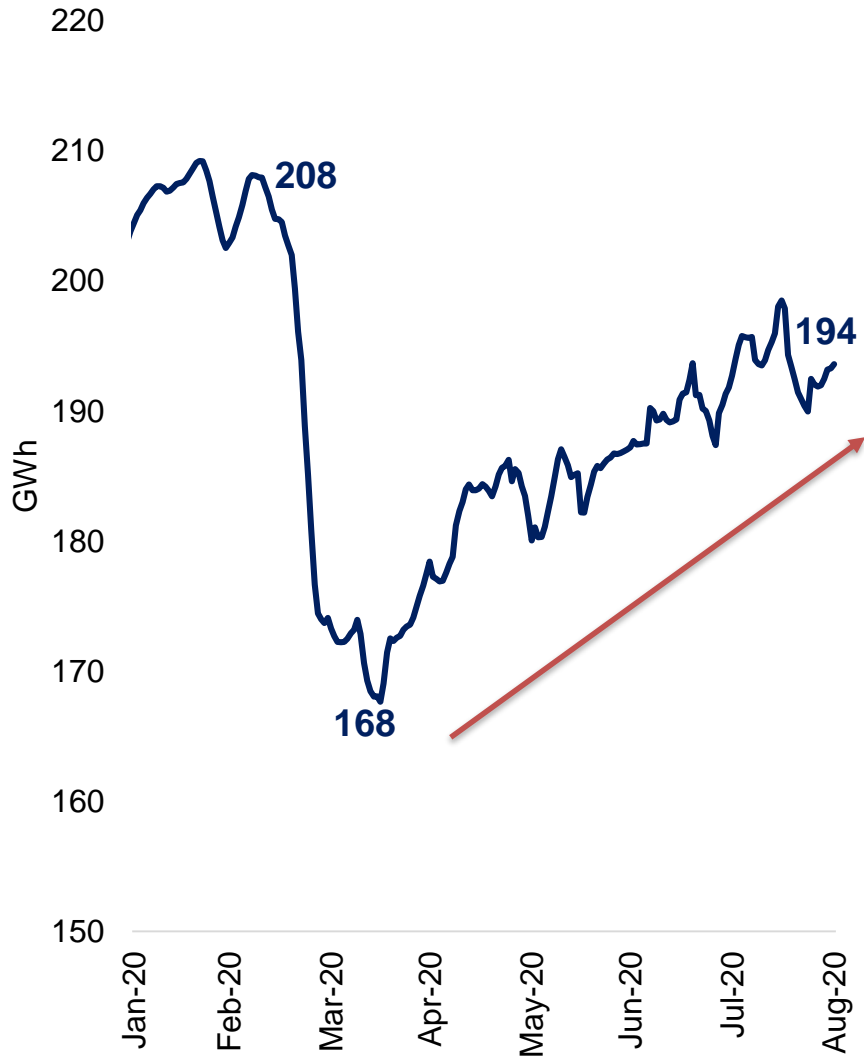
Energy leading indicators are bouncing back



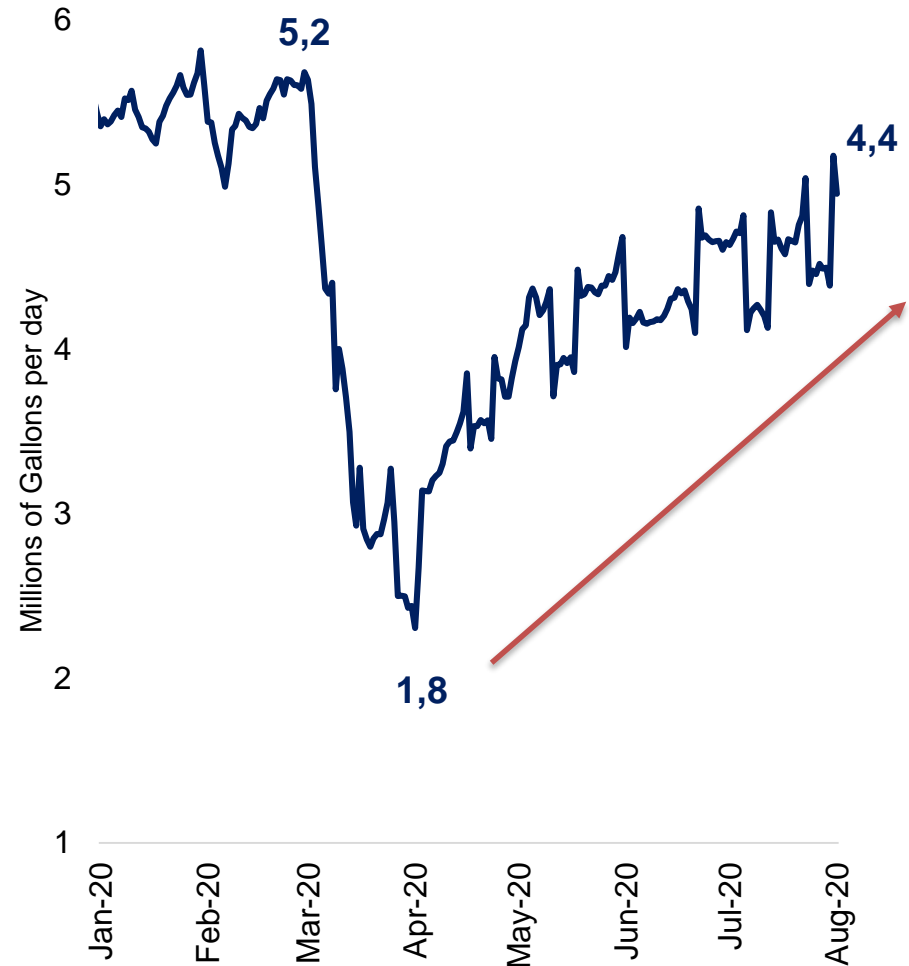
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Energy Demand



Gasoline Spending



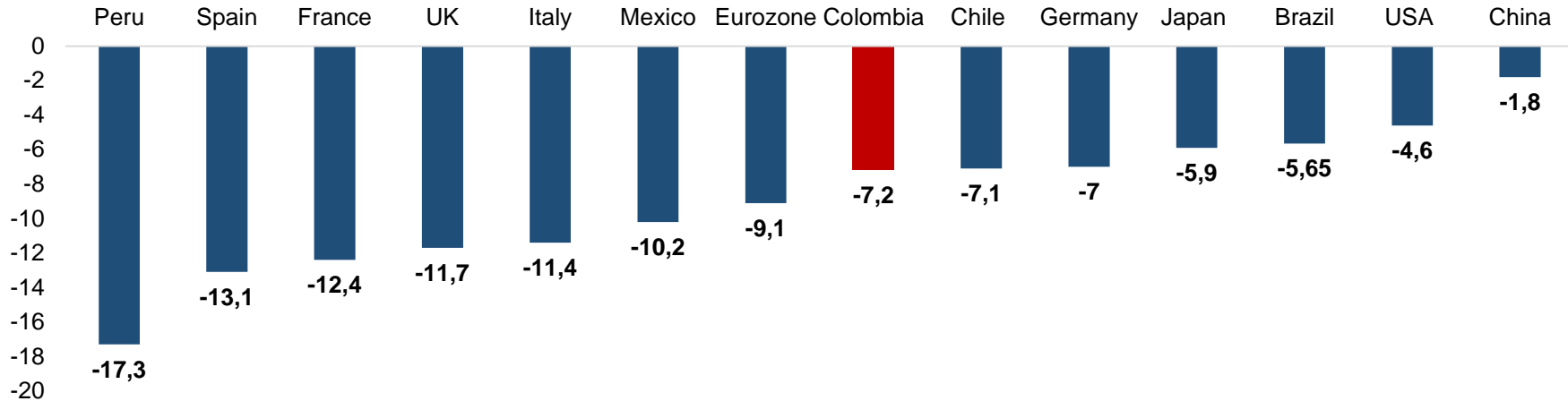
Growth contracts in 2020, but a steady recovery is expected for 2021



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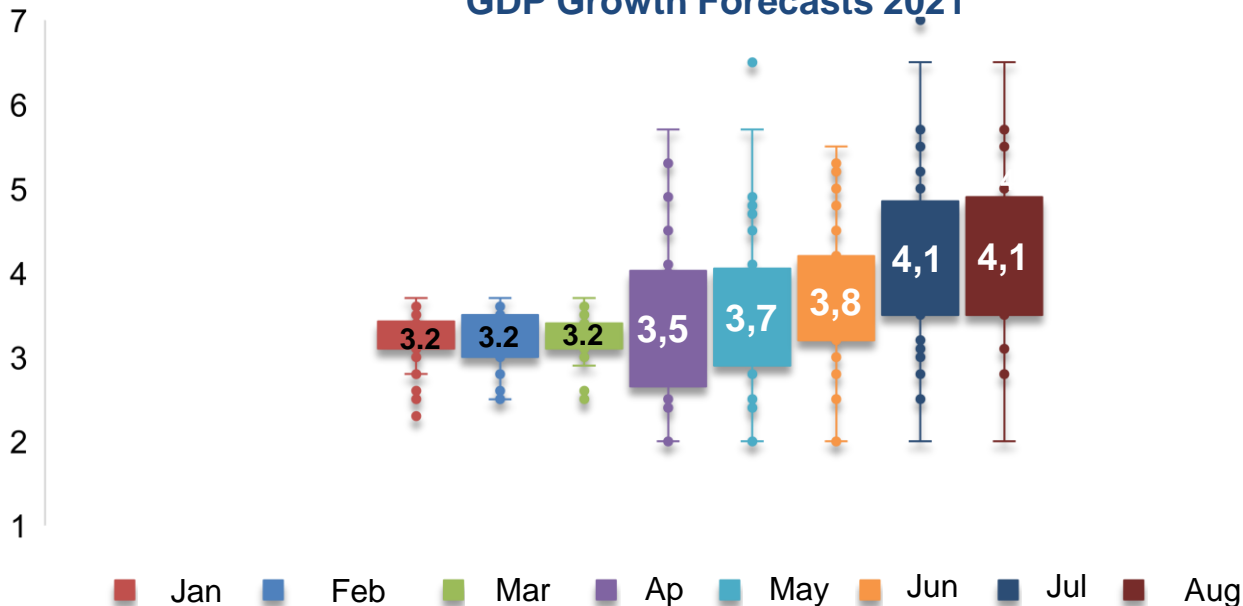
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Real GDP 1H-2020 (Percent change)



Source: Reuters and Bloomberg.

GDP Growth Forecasts 2021



Jan Feb Mar Ap May Jun Jul Aug



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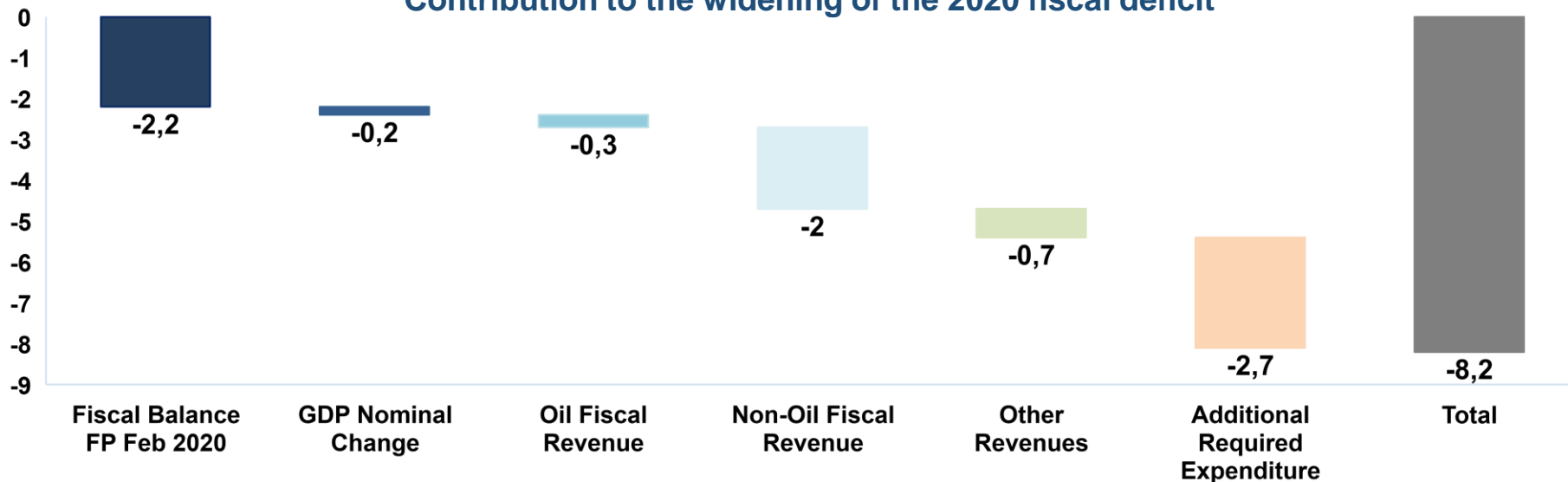
Fiscal deficit widens due to higher emergency spending and lower revenues



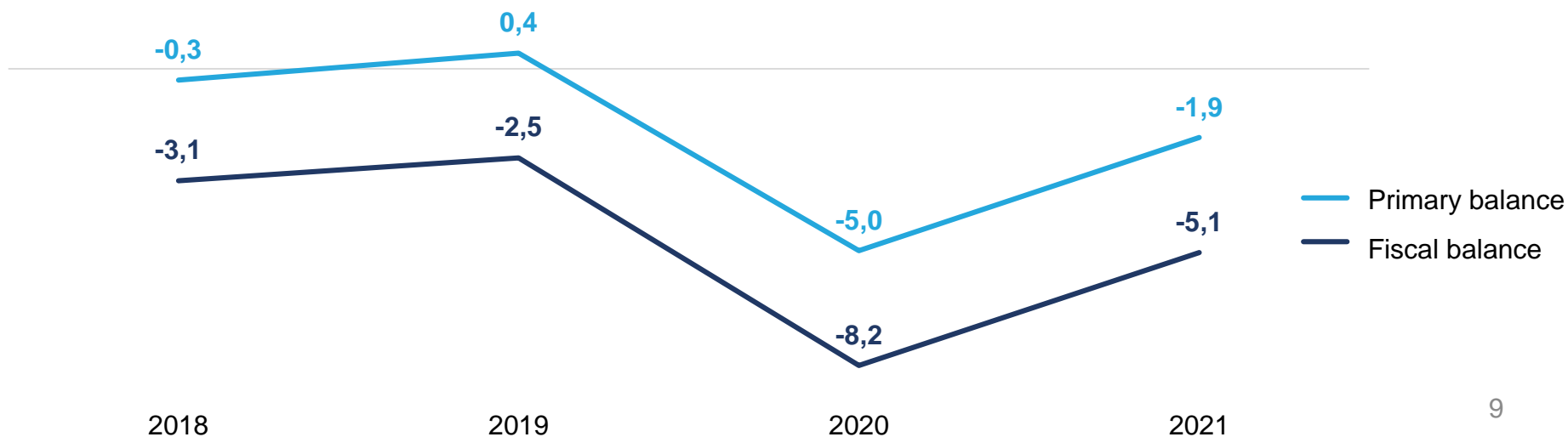
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Contribution to the widening of the 2020 fiscal deficit



Central Government Fiscal Balances (% del PIB)

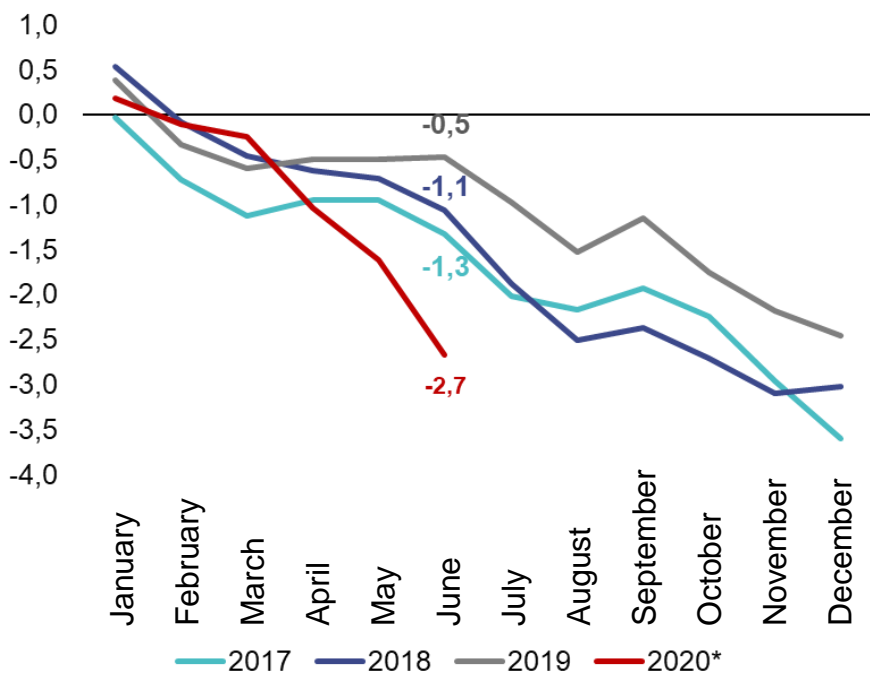


Fiscal and primary balances have increased in line with expectations

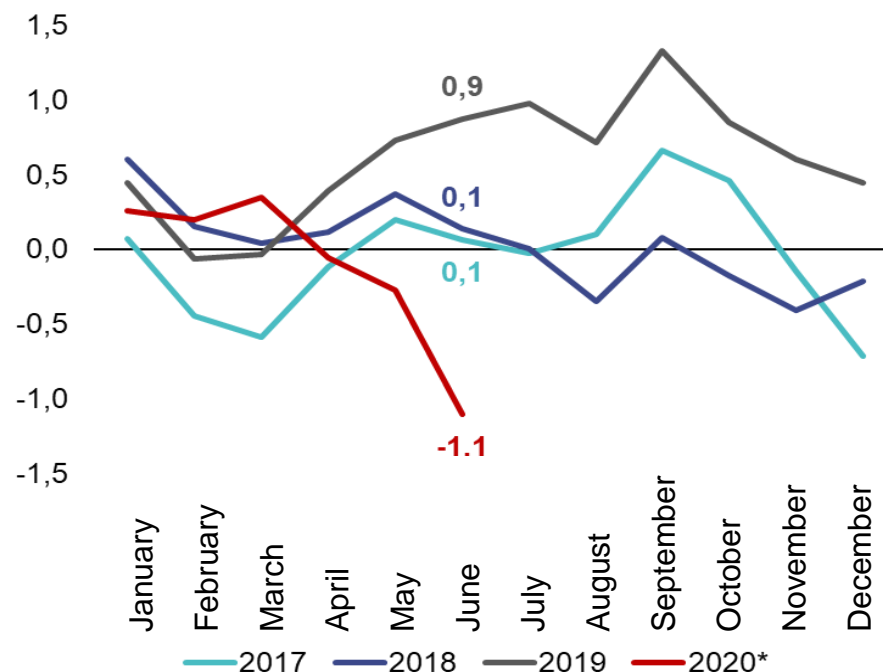


Cumulative Central Government Fiscal Balances 2017-2020 (% el GDP)

Total Balance (% GDP)



Primary Balance (% GDP)



*Preliminary figures

Notes: Central bank profit/loss is included as revenue/expenditure for every year.

Source: DGPM – MHCP

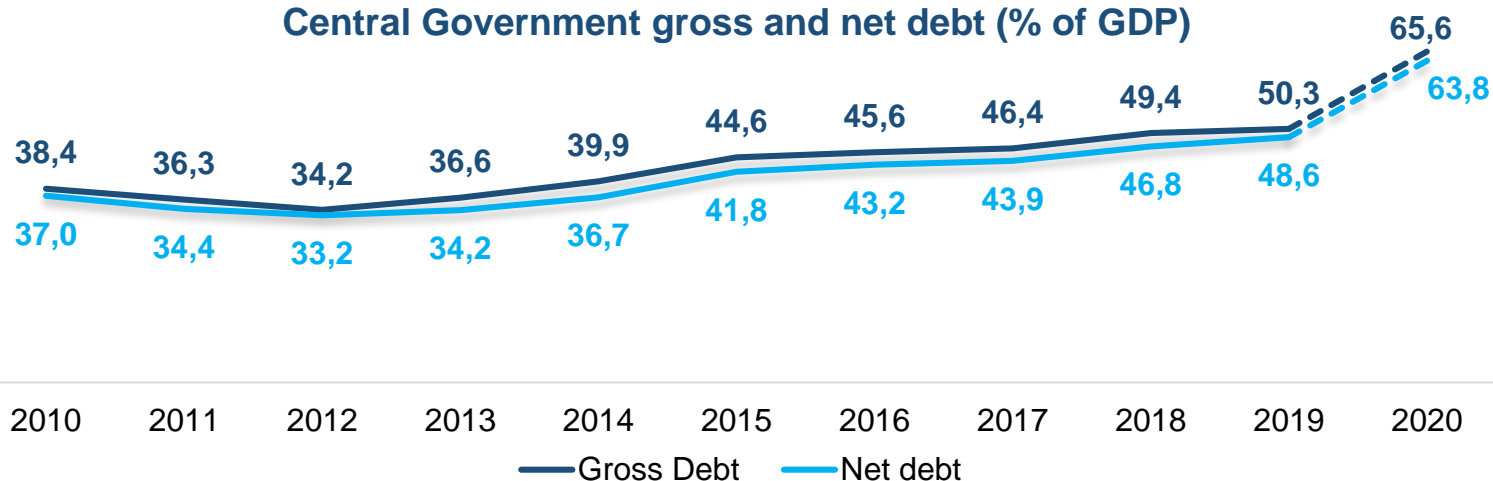
Government debt will temporarily increase to weather the global shock



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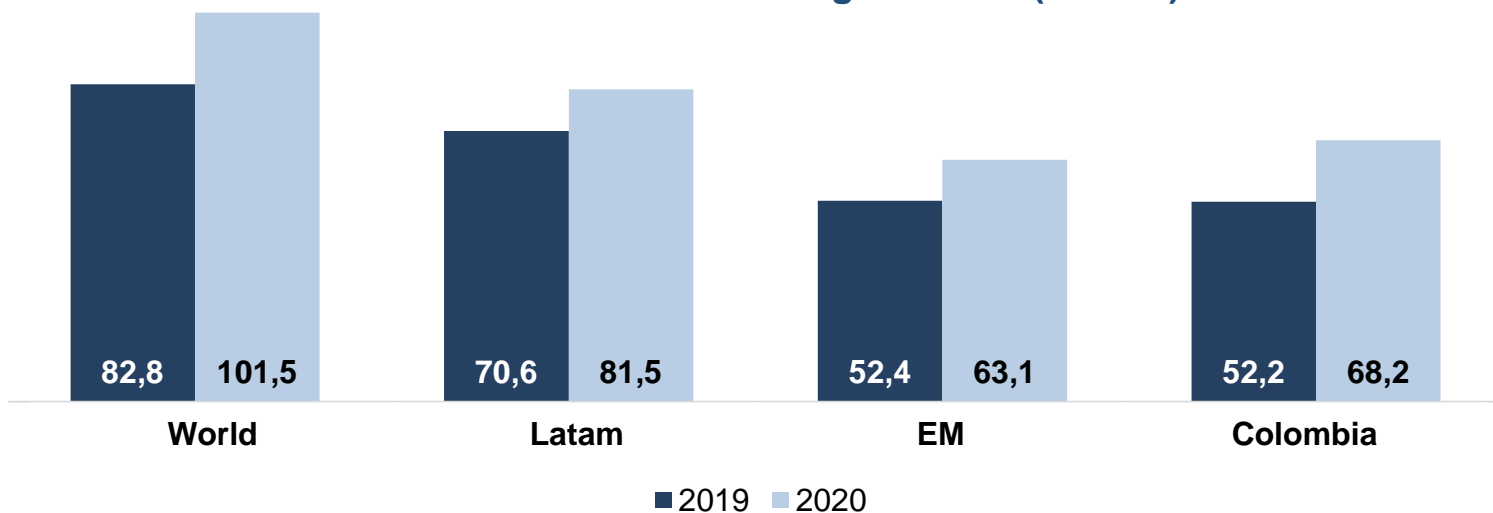
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Central Government gross and net debt (% of GDP)



Source: MHCP

General Government gross debt (% GDP)





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



COMISIÓN DE EXPERTOS
EN BENEFICIOS TRIBUTARIOS

Progressivity

Efficiency

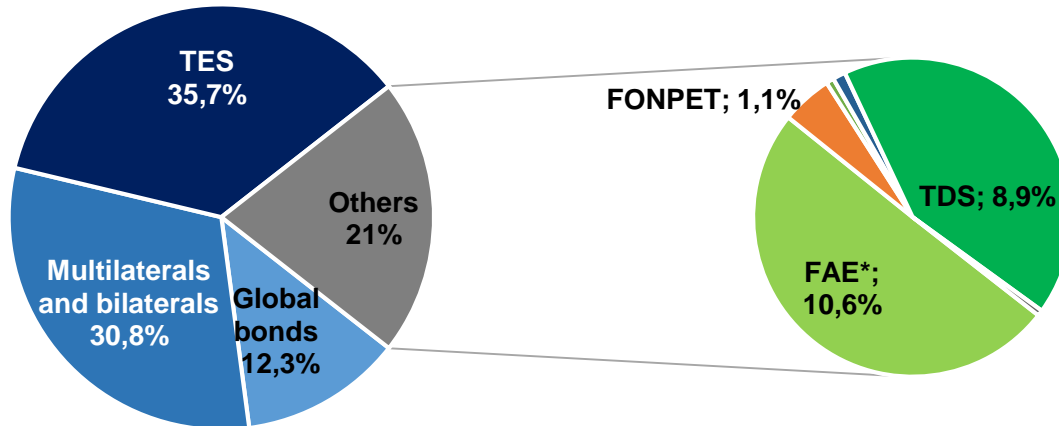
Simplicity

- ✓ 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.

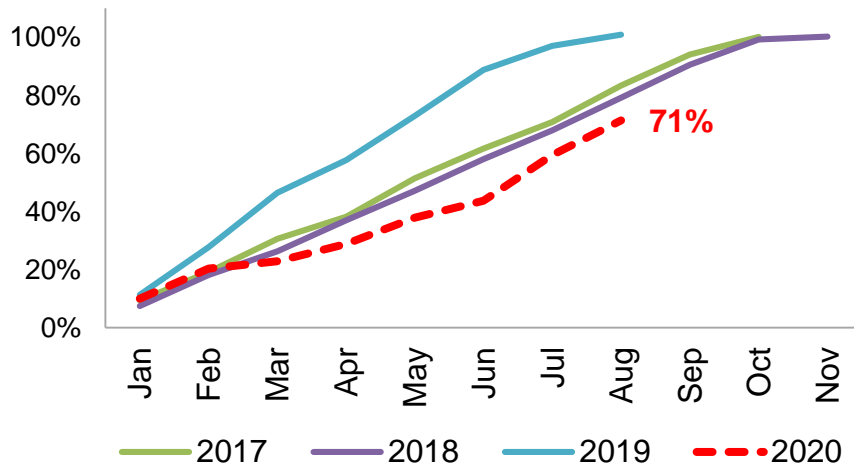
The government has advanced its financing plan at favorable terms and through diversified sources



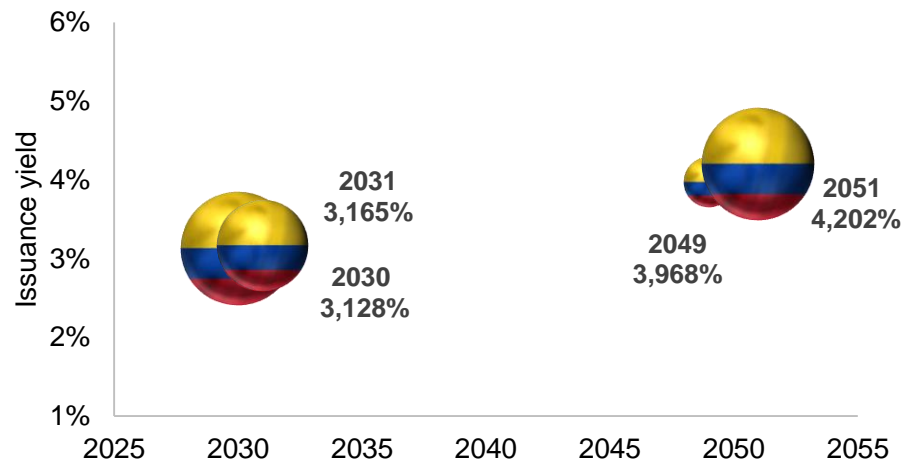
Diversification of local and external financing sources



The government has completed 71% of local auctions by August



Colombia has tapped international bond markets twice in 2020





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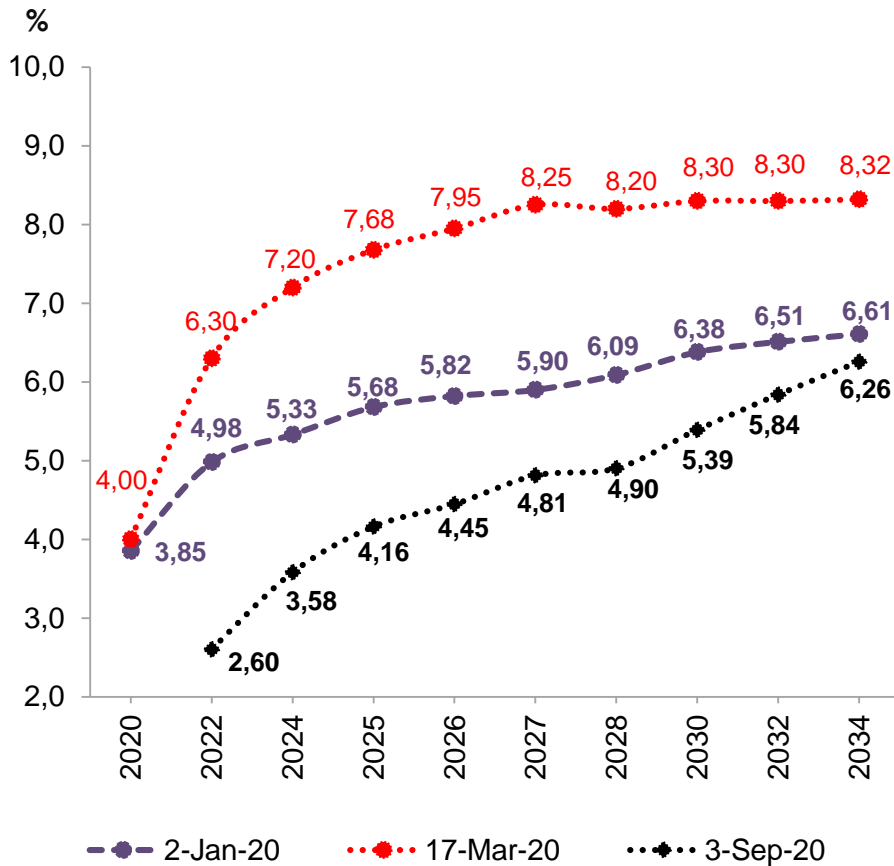
COLTES rates have returned to pre-pandemic levels



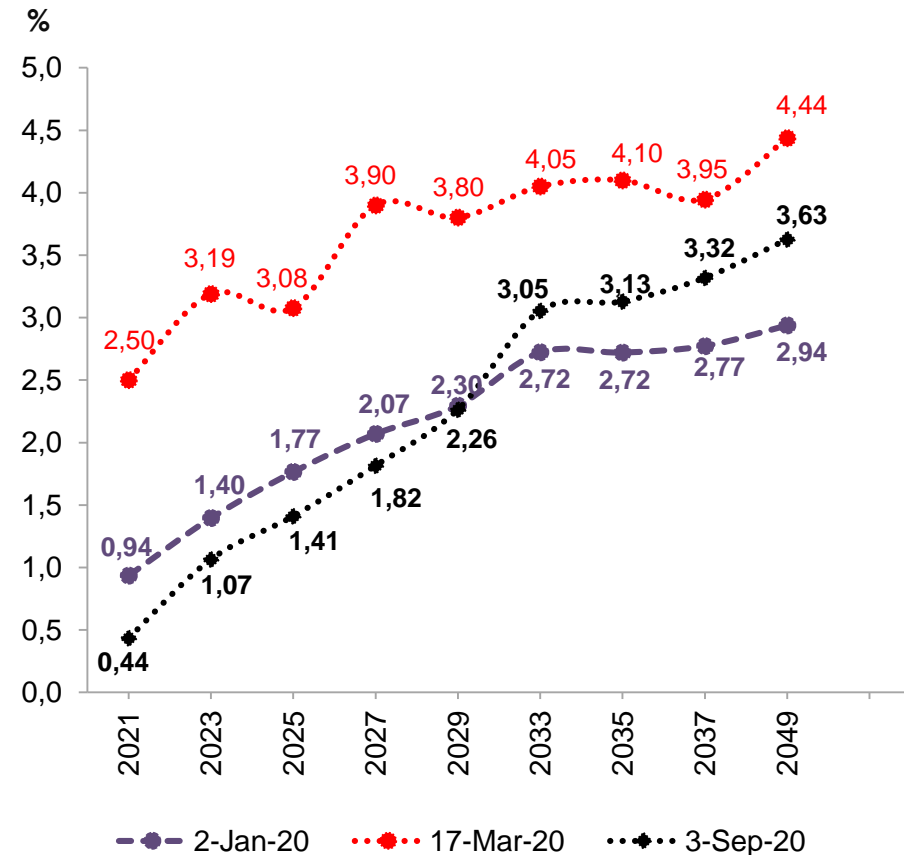
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Yield Curve Colombia (COLTES) COP



Yield Curve Colombia (COLTES) UVR



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

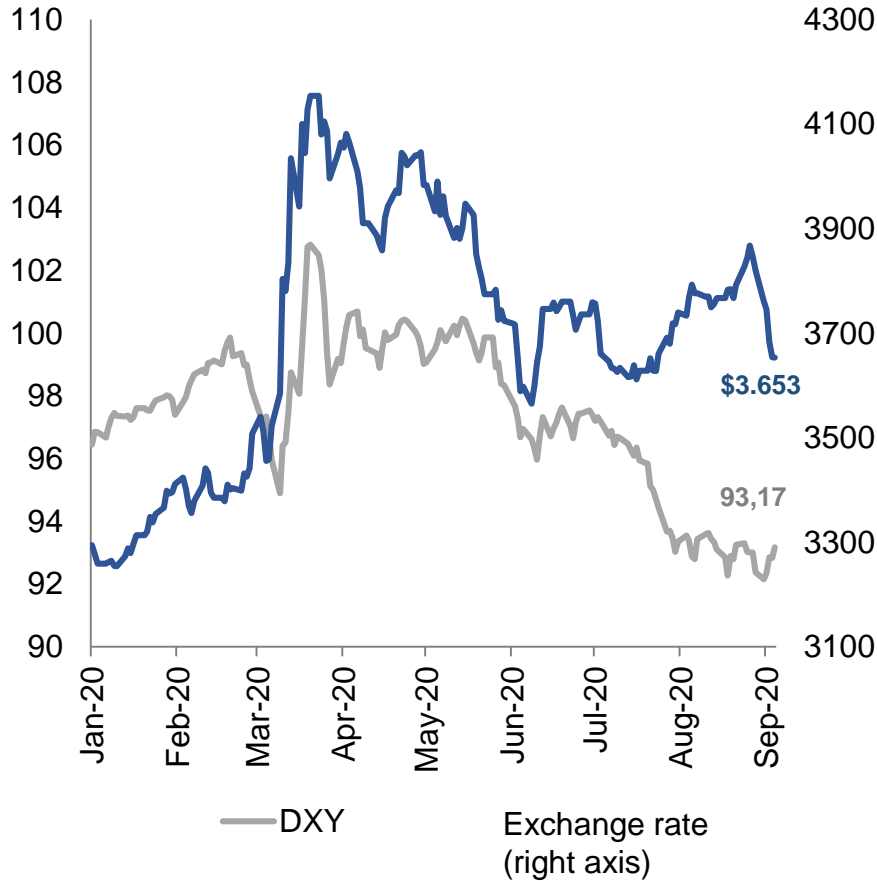


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USD has weakened since May 2020

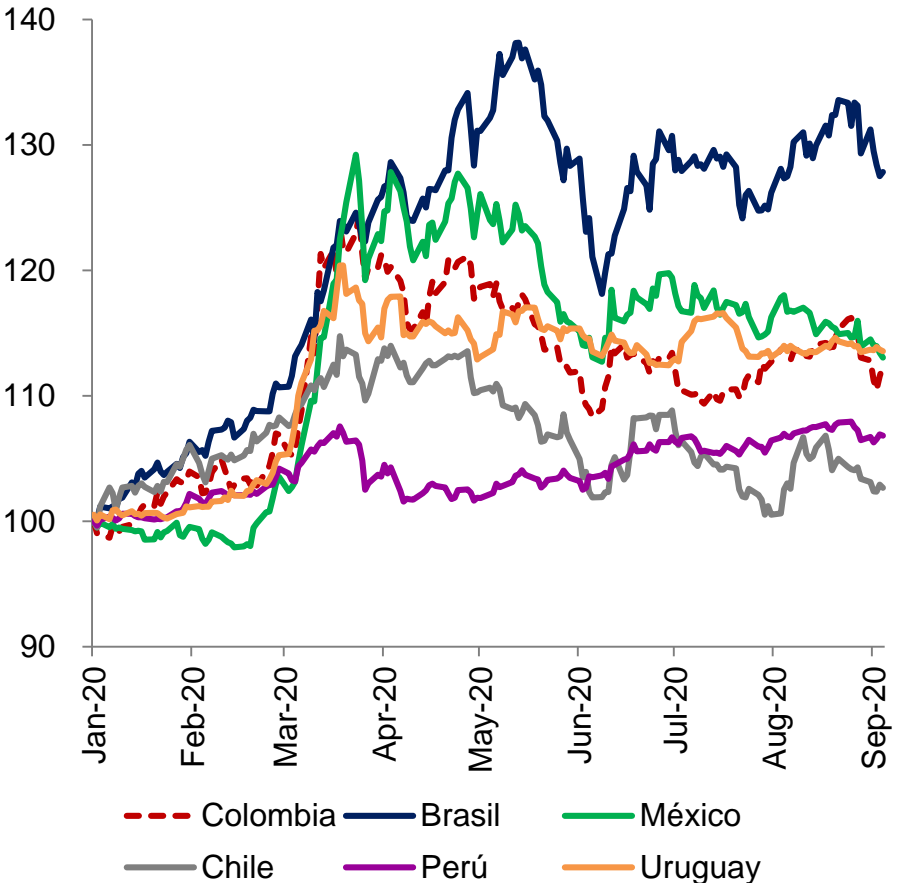
Value of the USD relative to a basket of foreign currencies



Source: Bloomberg. As of September 4th, 2020.

COP performs in line with regional peers

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

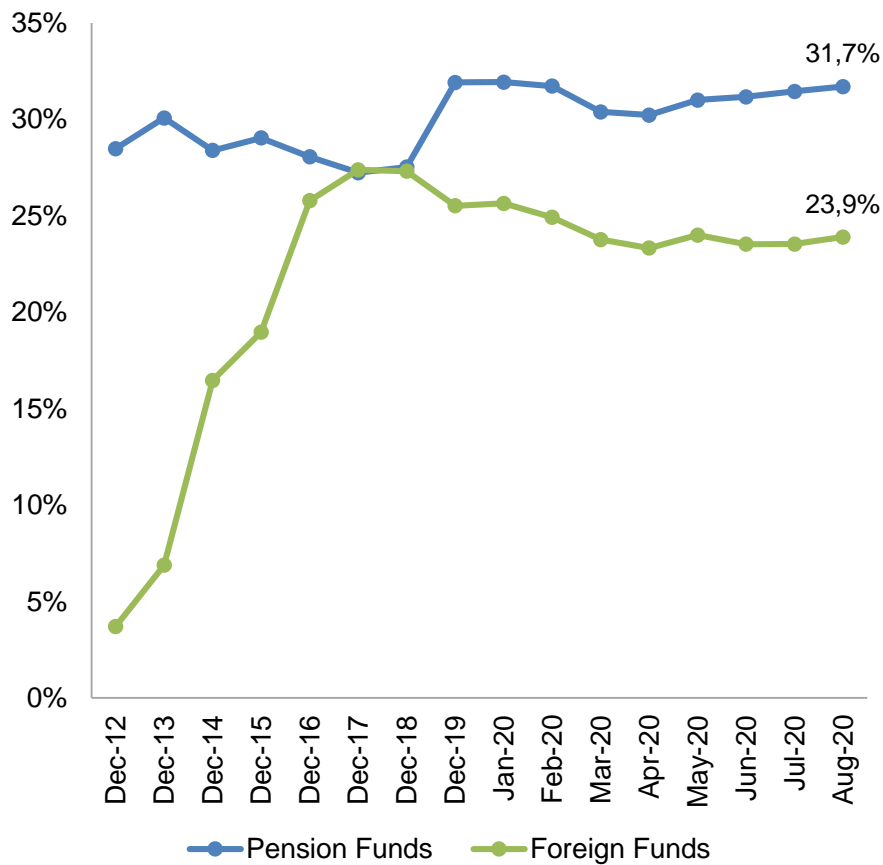


Source: Bloomberg



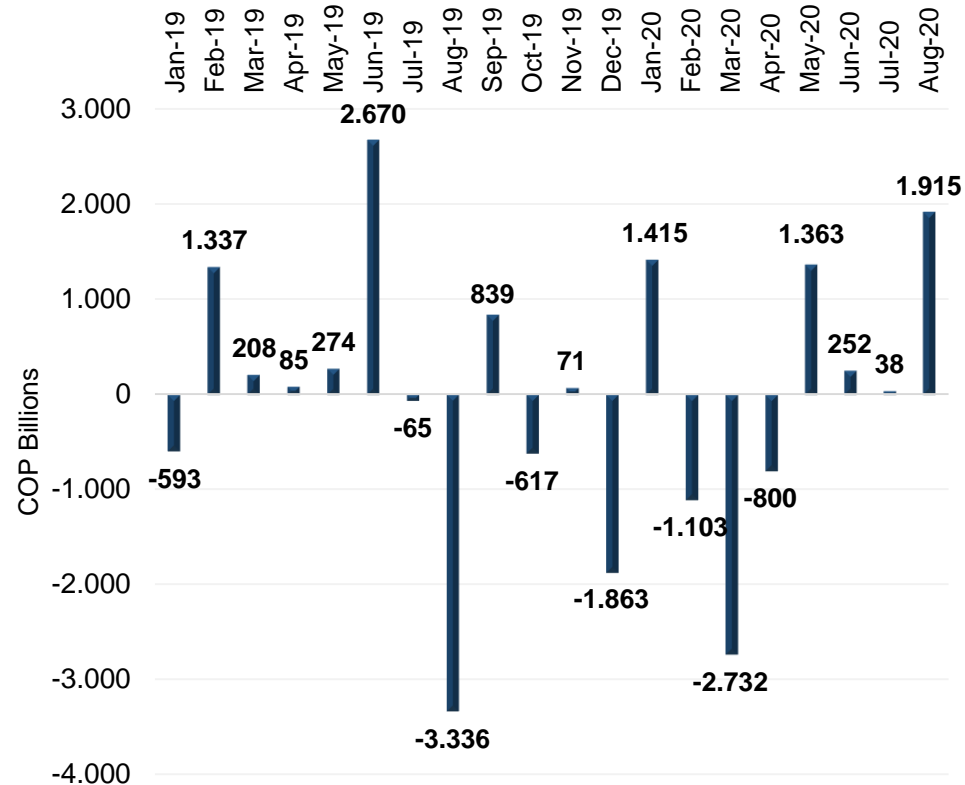
Moderate positioning and renew appetite from local and foreign investors into COLTES

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 August 31th, 2020.

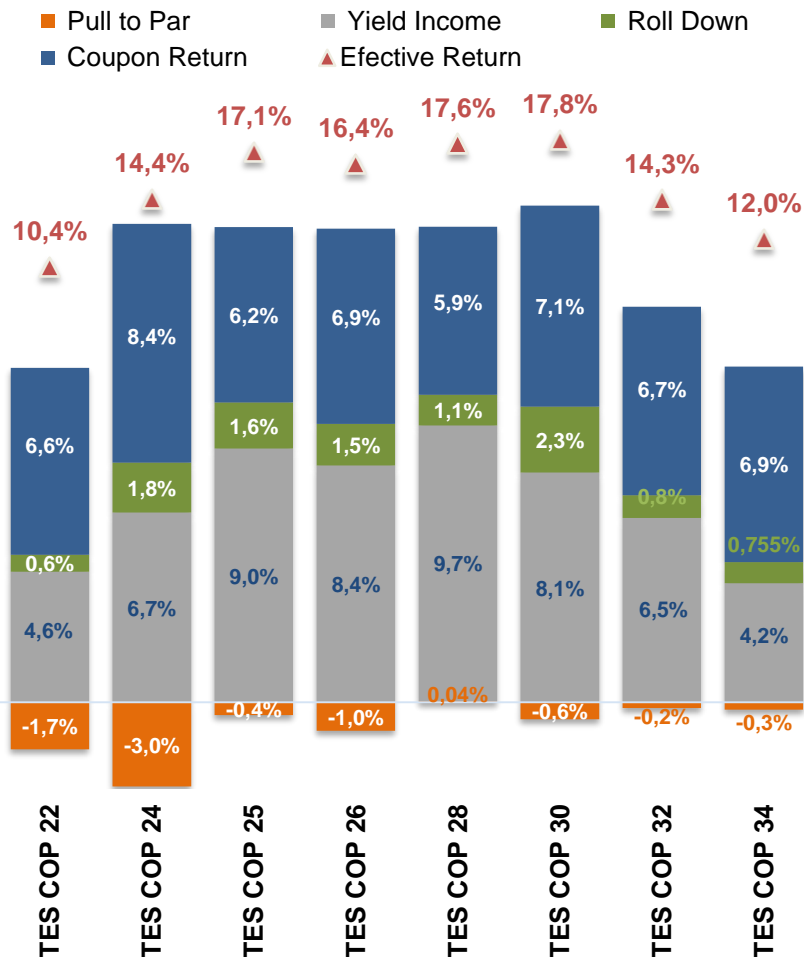
COLTES have yielded positive returns and are included in widely-tracked local currency bond indexes



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Decomposition of returns YTD- TES COP



Source: Ministry of Finance
Effective Rates Up to 3 of September of 2020

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**
(total Market Value USD 63.1 bln)

0.10% - Participation

- **Global Treasury Index**
(total Market Value USD 33.2 bln)

0.19% - participation



Estimated range of capital inflows by independent analysts

1.2 Billion – 5.0 Billion

Source: Bloomberg. September 1st, 2020.



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