

Colombia's Economic Perspectives

Ministry of Finance and Public Credit
February 2024

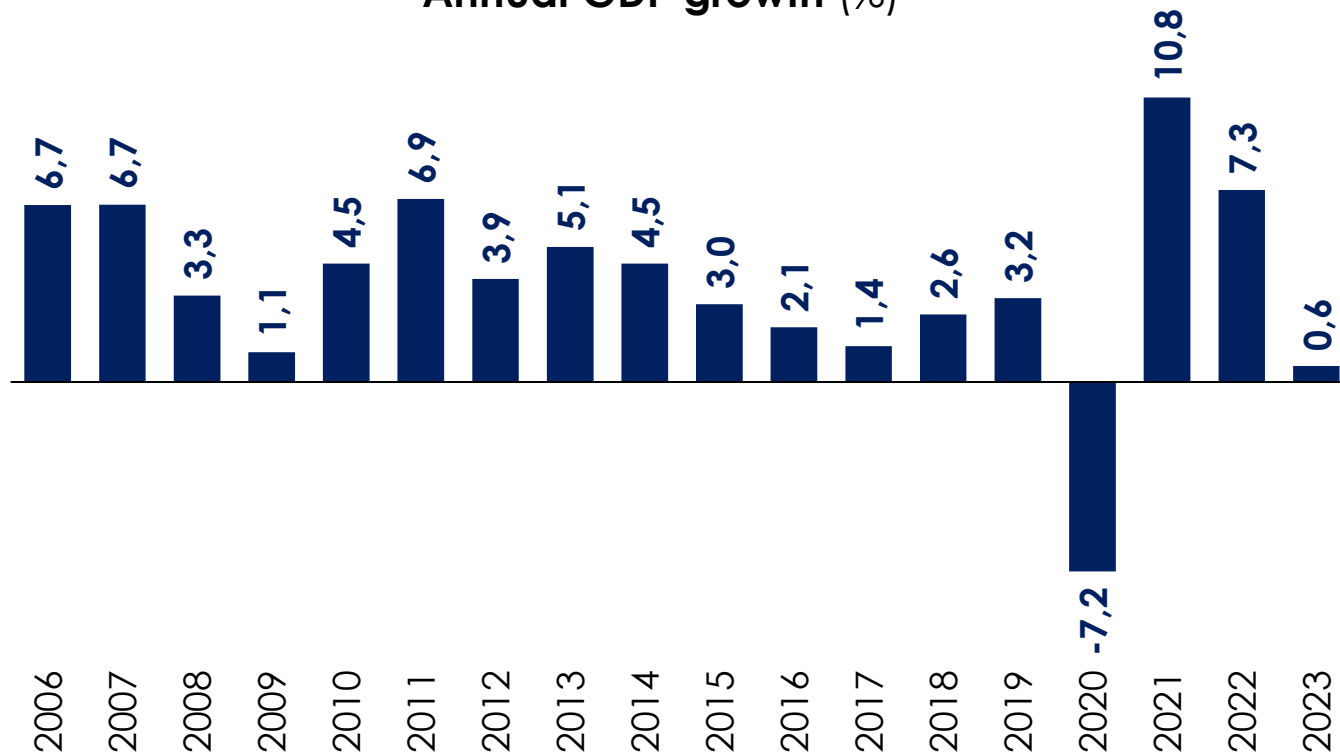


1.

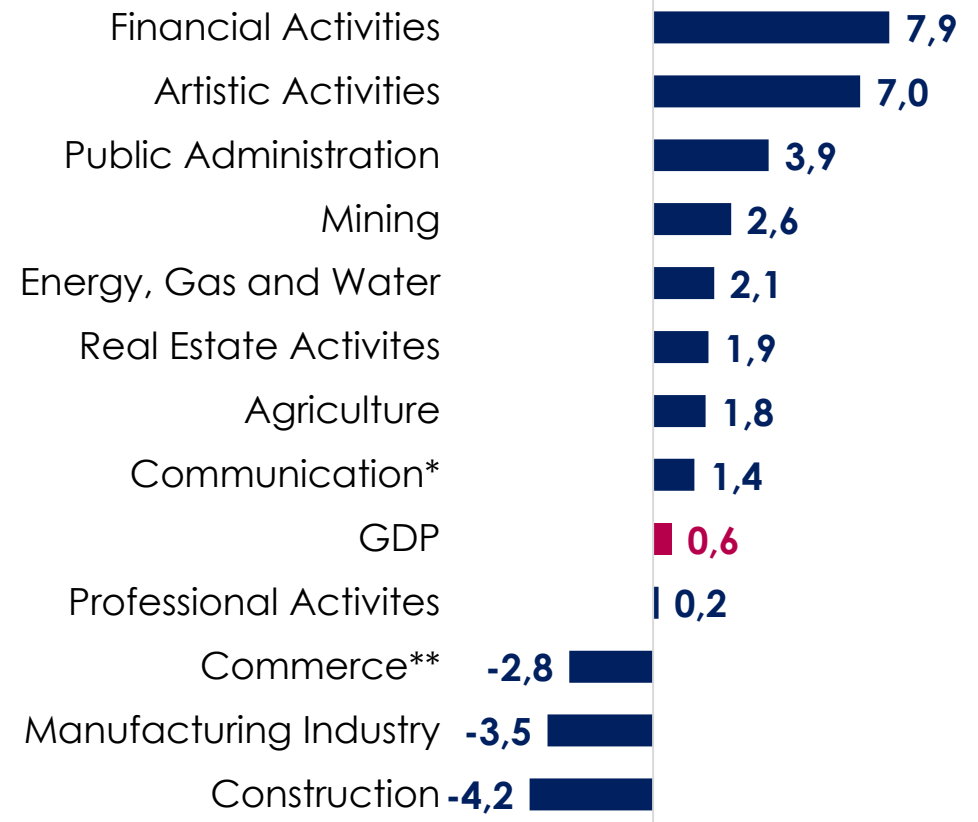
Macroeconomic outlook

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 (%)

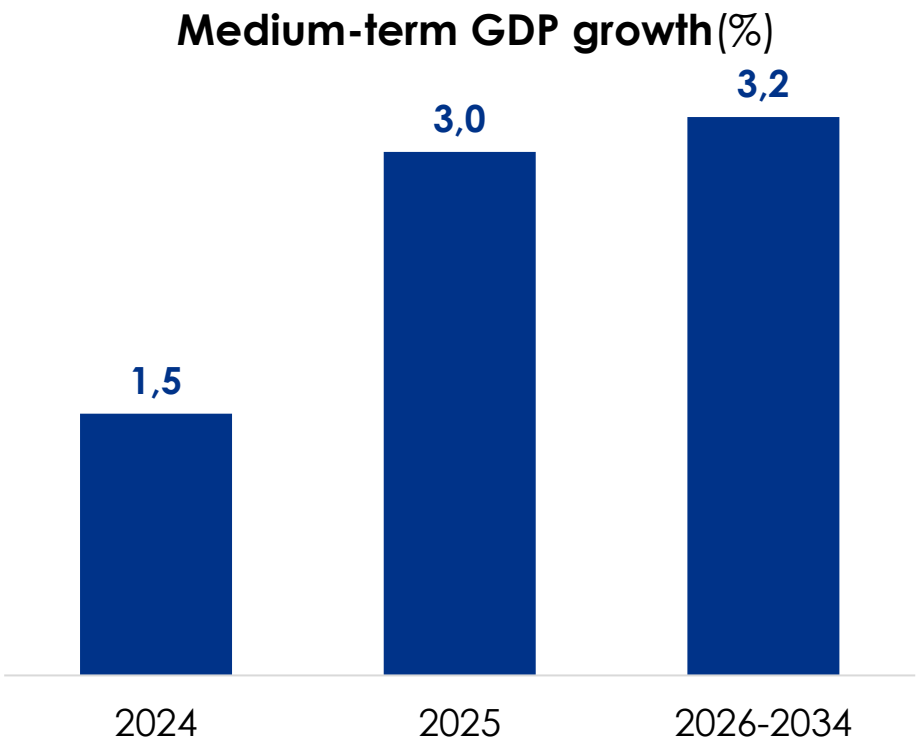


Growth by economic sector
(Annual growth, %)



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%).

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.



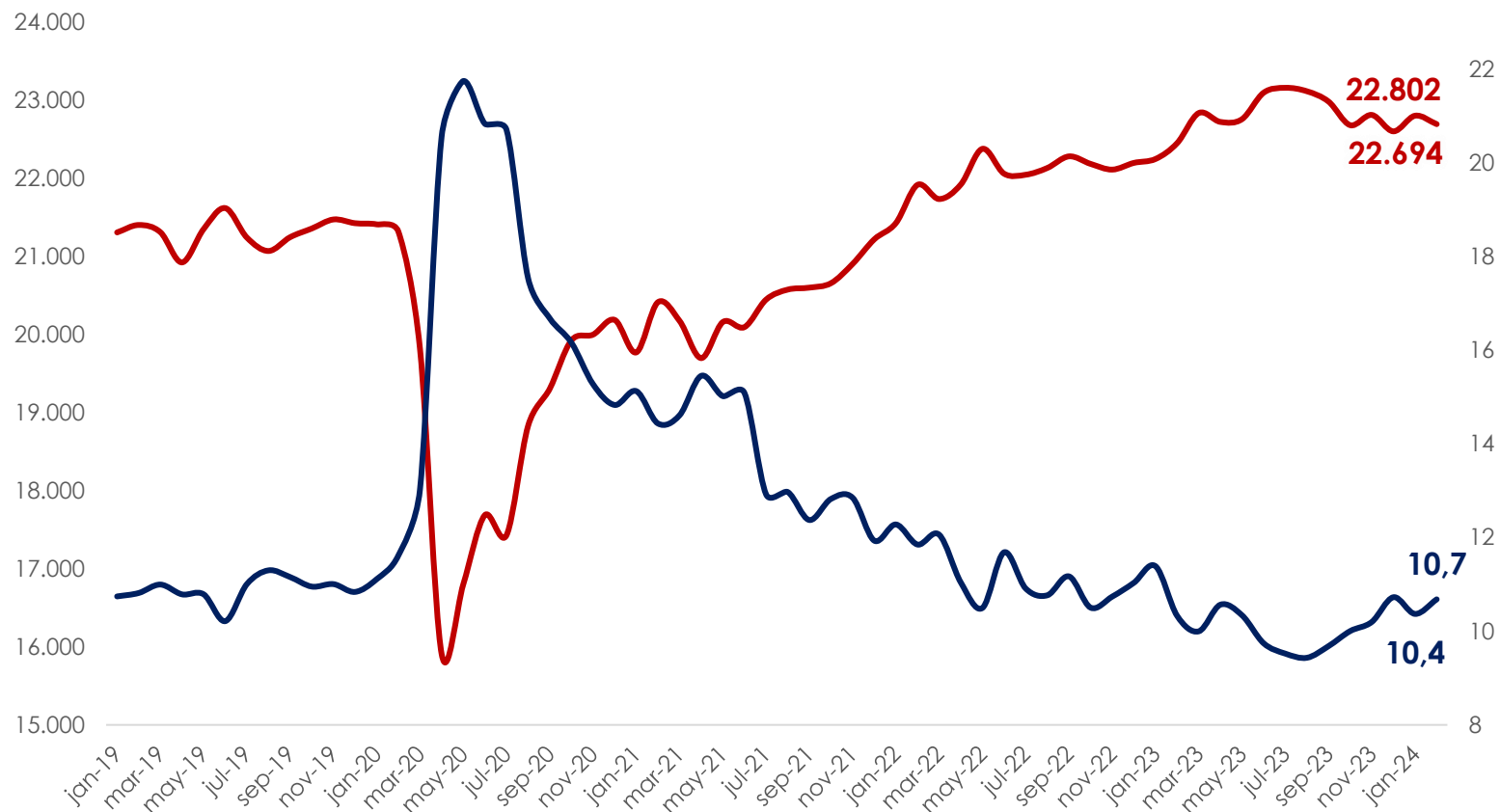
Investment in infrastructure, consistent with greater execution of government projects, such as tertiary roadways and the strengthening of urban mass transportation systems or intermodal infrastructure that would improve competitiveness.

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

Source: Ministry of Finance and Public Credit projections.

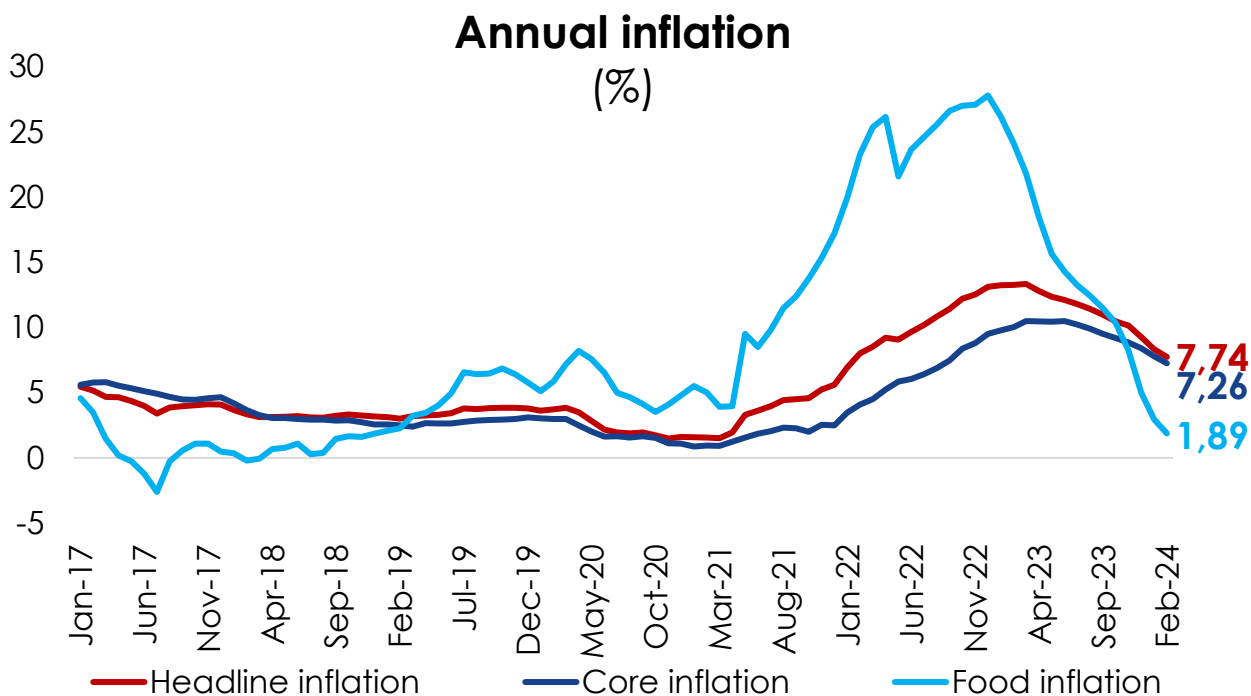
In February 2024, the labor market showed a slight increase of the unemployment rate and a reduction in the employed population

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



- In February 2024, the unemployment rate stood at 10.7%, 0.3pp above that observed in January 2024 (10.4%).
- In February 2024, the employed population registered a decrease of 108 thousand people.

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

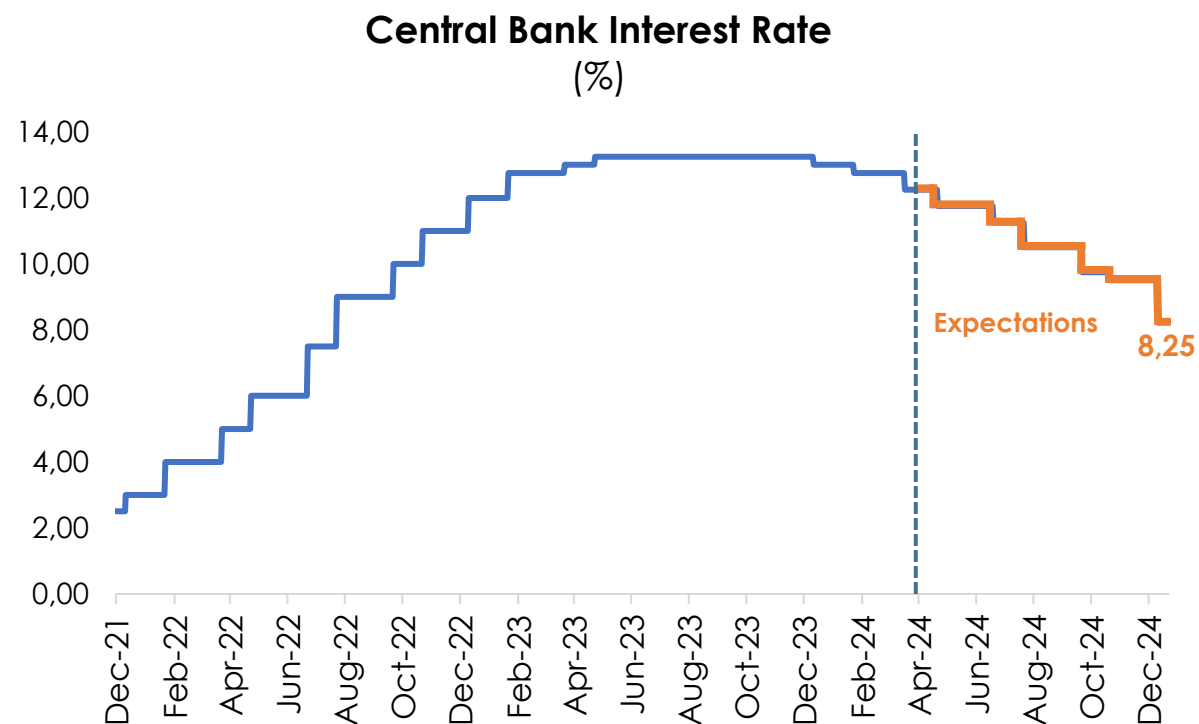


Food inflation has registered a sustained reduction. Between December 2022 and February 2024, it slowed down by 25.9pp (from 27.81% to 1.89%).

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.

Source: Colombia's Central Bank. DANE.

Central bank began to cut the Interest rate in December 2023

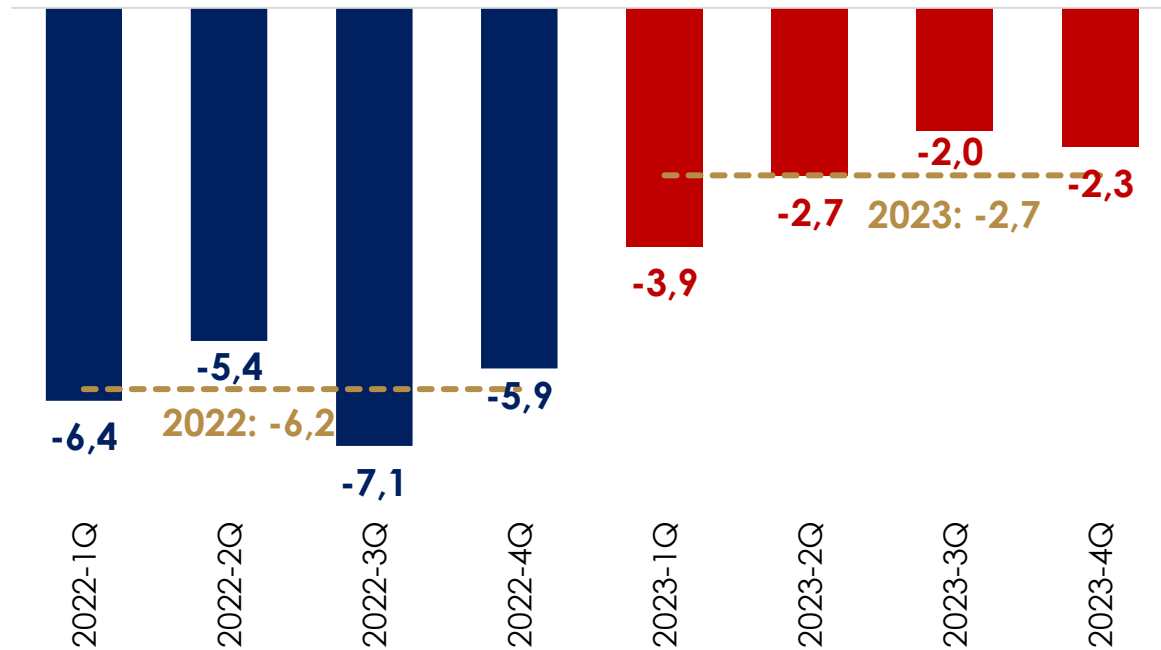


According to the Central Bank Monthly survey of expectations of economic analysts (EME), **economic analyst expects the interest rate to be 8,25 at the end of the year.**

The Government expects a significant cut to help the economic reactivation.

In 2023, the external imbalance was significantly corrected, and the exchange rate has improved its trend

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.



- The nominal exchange rate has performed better during 2024, after reaching historical highs in November 2022.
- The good performance in exchange rate **has helped with different macroeconomic metrics, as debt/GDP.**

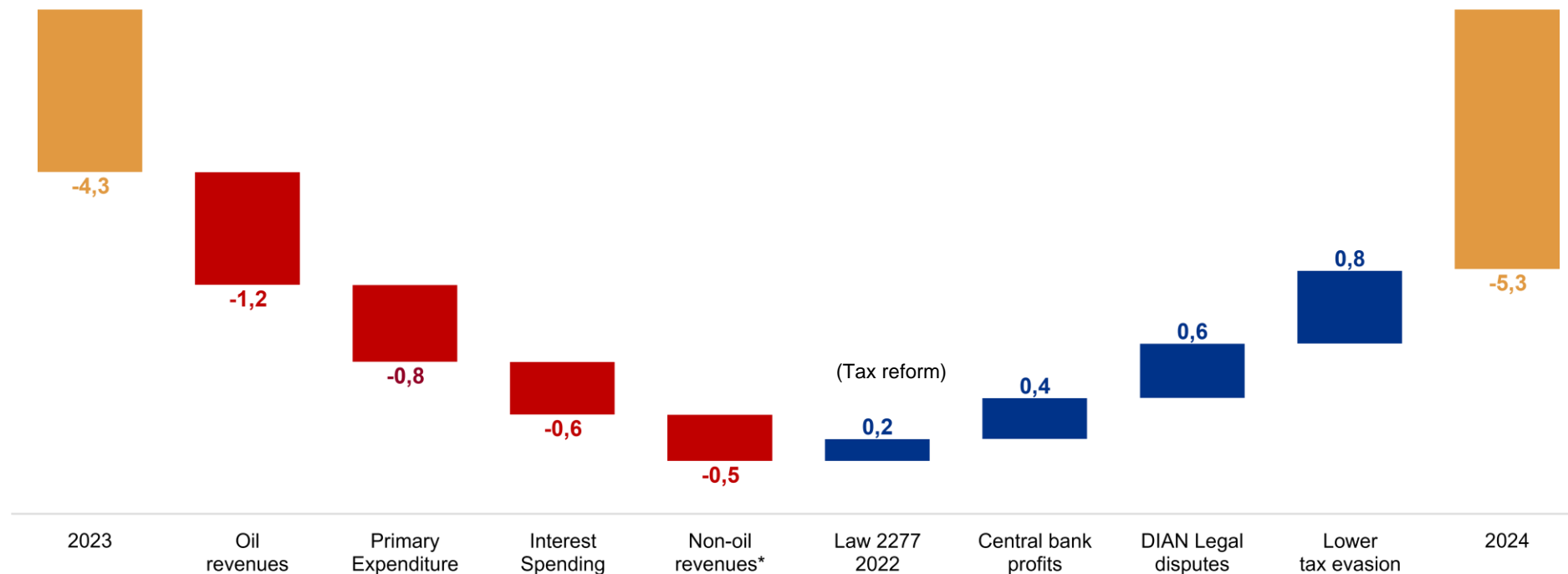
2.

Fiscal Strategy

In 2024, the fiscal rule allows a higher deficit level, however primary fiscal spending remains as defined by law

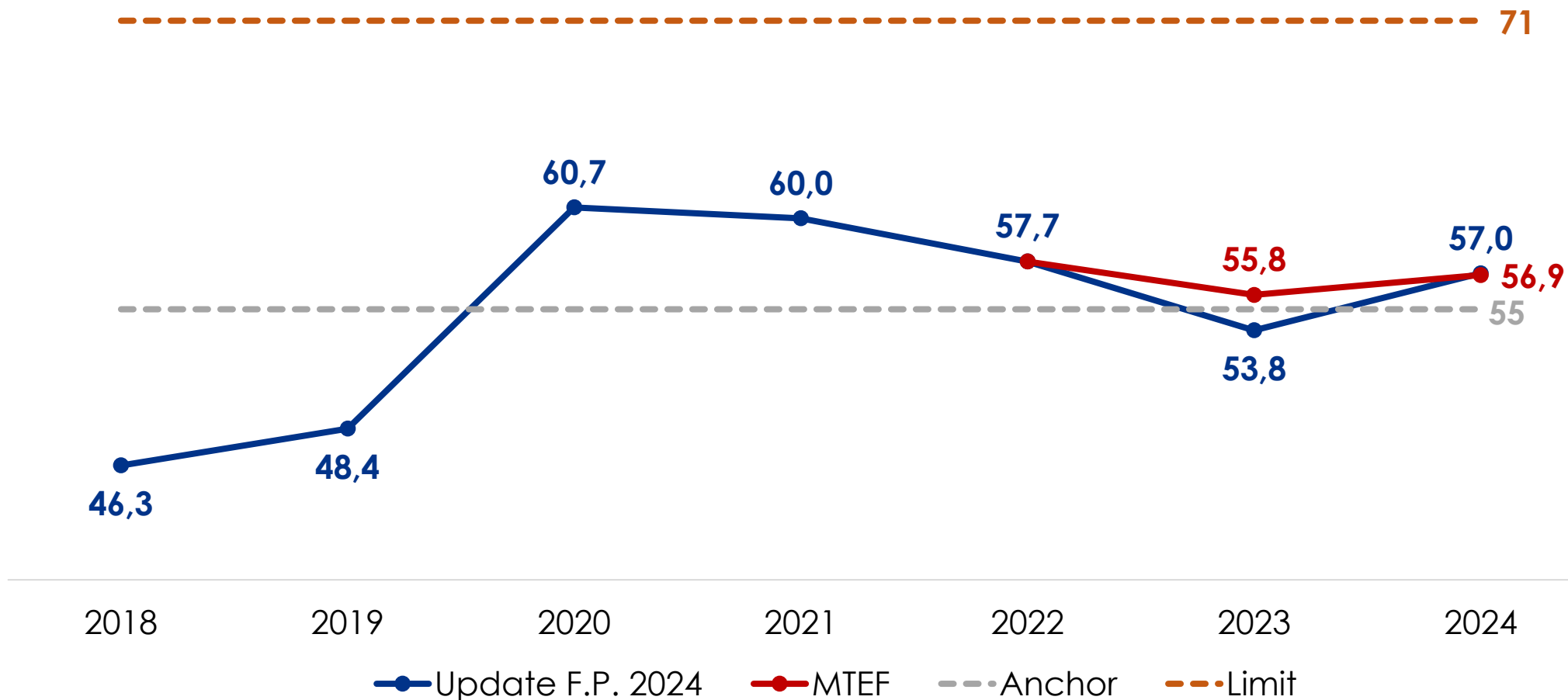
- **Central Bank profits increased more than the previous year**, due to the good returns of international reserves.
- **A law regarding Legal disputes process of the DIAN** was filed in the Congress. The idea is to move faster the arbitration processes
- **The estimated reduction in tax evasion** is consistent with the technological and human capital investment that the DIAN is making.
- **The total deficit** is consistent with the fiscal rule

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



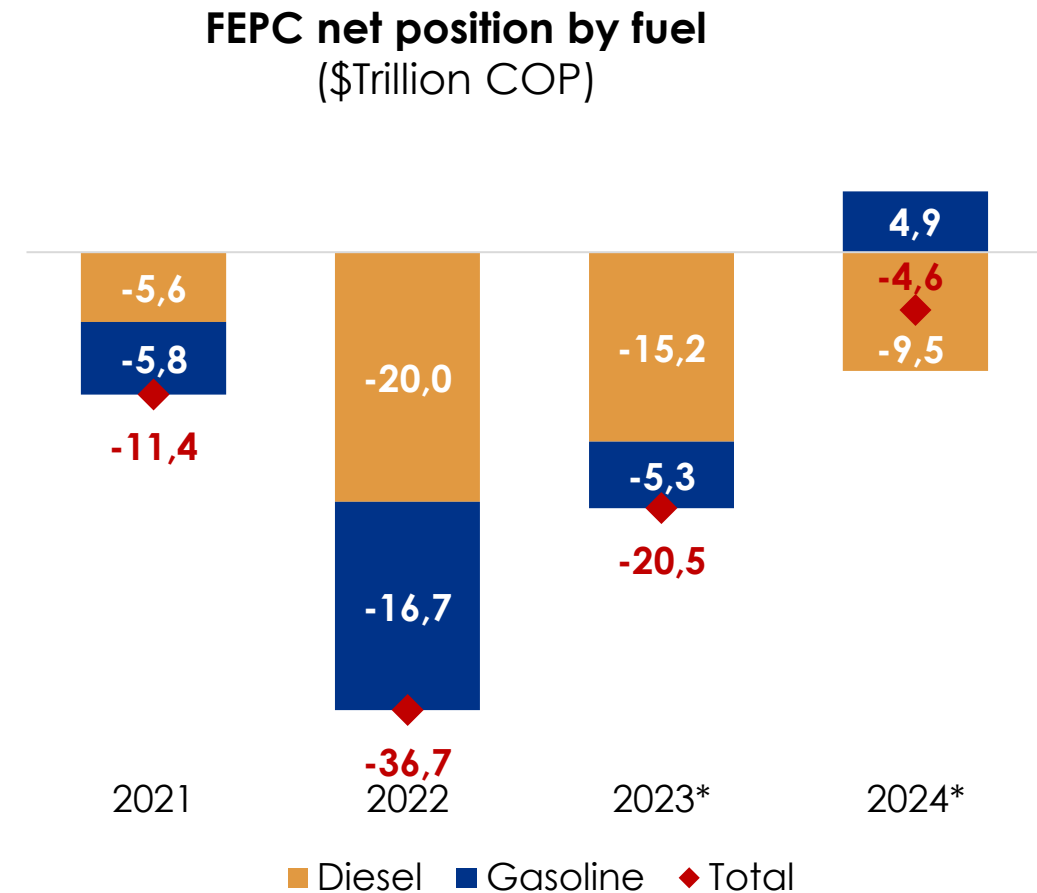
Central Government Net Debt

- In 2023 Central Government Net Debt was **below the anchor due to the exchange rate mainly**.
- Depends on the exchange rate trend, the level of net debt will be lower than expected in 2024.



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

- » **The Government paid \$7,8 trillion pesos** of the debt accrued during 1st quarter of 2023.
- » **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

Local Market

- **Auctions** are estimated at \$53.4 trillion of pesos, of which there is 37% of progress
- **Green bonds** goal is at \$1 trillion pesos.
- **Issuance of local ETF** was a remarkable evento to democratize the public debt.

External Market

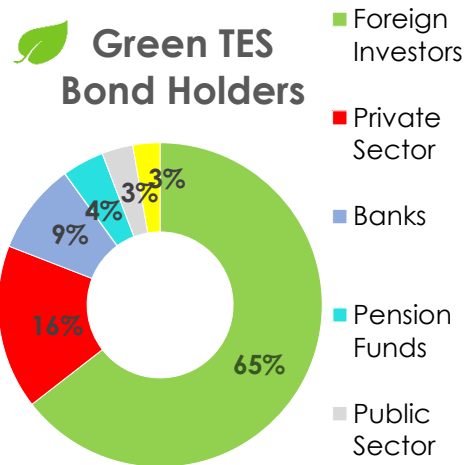
- **External Bonds** for USD 2,5 billion – USD 1,3 billion in **social bonds** have already been disbursed
- **Multilateral sources** - USD 3,0 Billion, of which there is 21% of progress

Amortization were reduced by \$15,0 trillion of pesos through liability management operations during 2023

Sources	US\$ MTFF 2023	US\$ FP	MTFF 2023 132.326	FP 2024 131.062	Dif - 1.264	Uses	US\$ MTFF 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

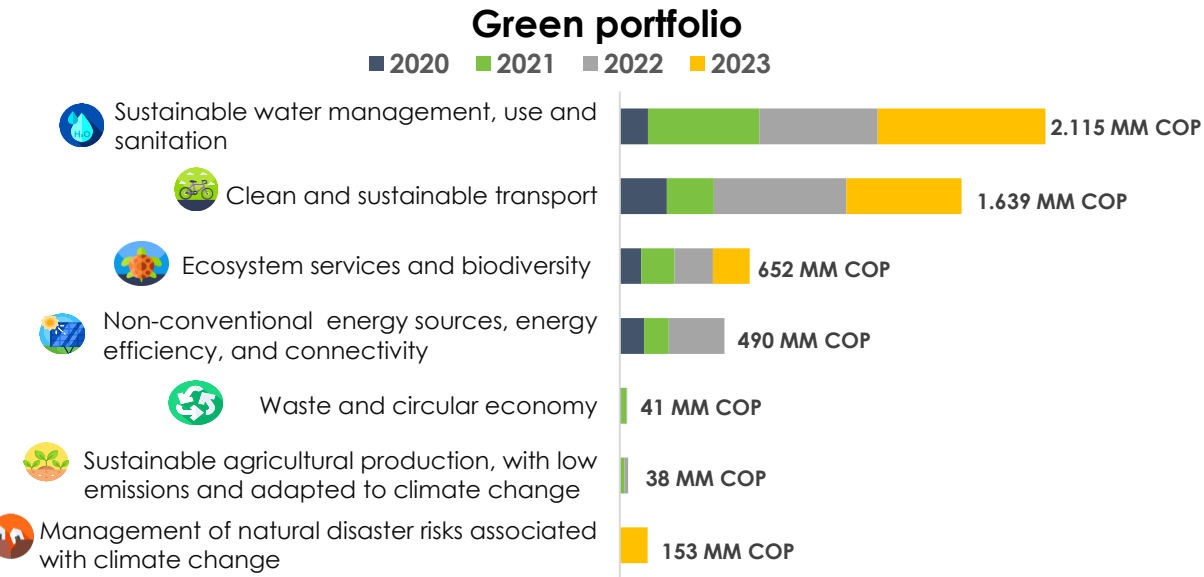
Source: Ministry of Finance

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

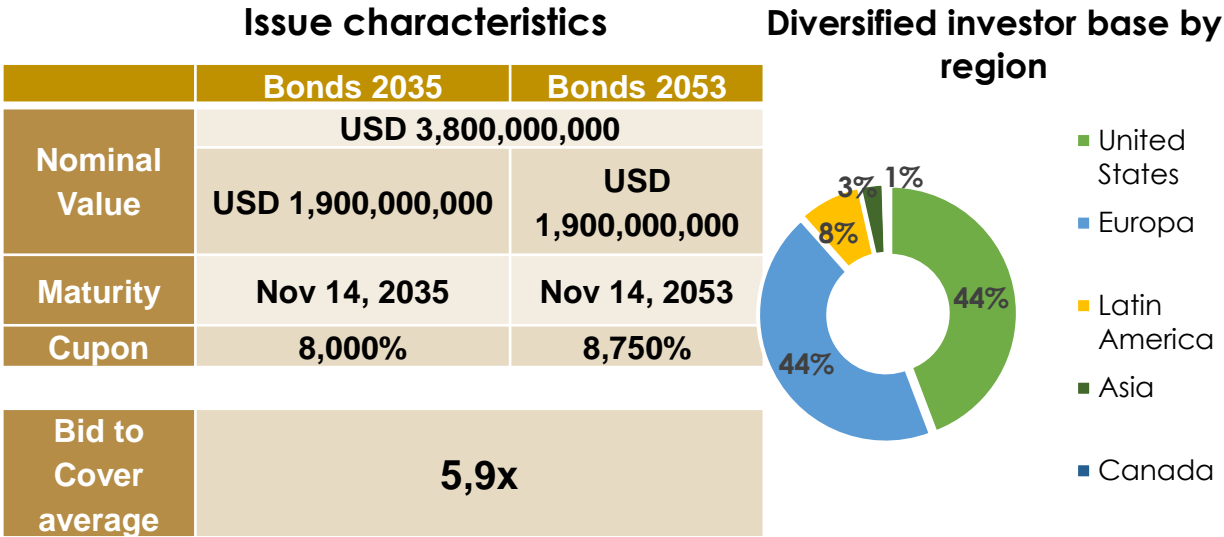


Issue characteristics

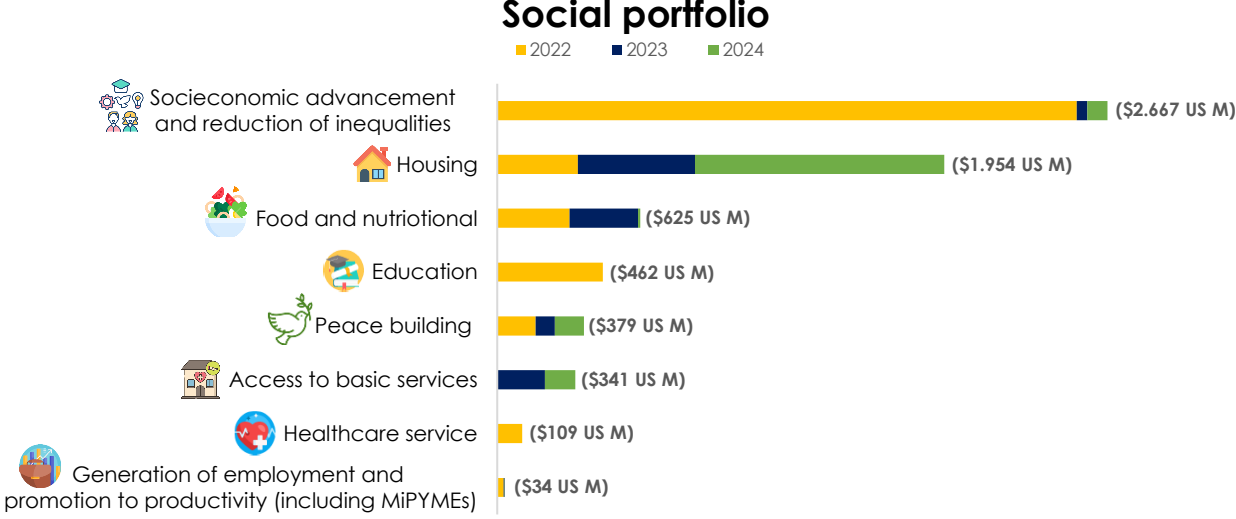
	Green TES 2031
Nominal Value	USD 720,383,814.25
Maturity	March 26, 2031
Cupon	7,000%
Bid to Cover average	2,7x



Between 2023 and 2024, Colombia has issued a total of 3,800 million dollars in social bonds



The 2022, 2023 and 2024 portfolio of this issuance has social eligible expenses for about **68 projects that add up USD 6.6 billion** classified in **8 categories**:



4.

Structural and social reform agenda

The Government has presented to Congress a set of social reforms that seeks to improve vulnerable population's quality of life and wellbeing



1

The Pension Reform aims to increase coverage and improve on progressivity and fiscal sustainability of the current system

- ☐ It is currently being **debated in Congress**.
- ☐ The reform would imply a **fiscal impact to 2070 of 9,5pp of GDP**, which is within the financial possibilities of the Government according to the current fiscal projections
- ☐ The reform will maintain the sustainability of the old-age protection system and public finances in the long term.
- ☐ The governance of the fund, and the limit are key points of this reform.



2

The Health Reform's objective is to strengthen the system's universal and equitable access, as well as higher efficiency in resource management

- ☐ The project **did not obtain the necessary votes in Congress to be approved**.
- ☐ Currently, **in the Senate there is an alternative proposal to discuss**. Depends on the Congress, the time, and opportunity to discuss it.



The reforms are consistent with the Medium-Term Fiscal Framework and the strict compliance of the Fiscal Rule



Hacienda

Annex

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)

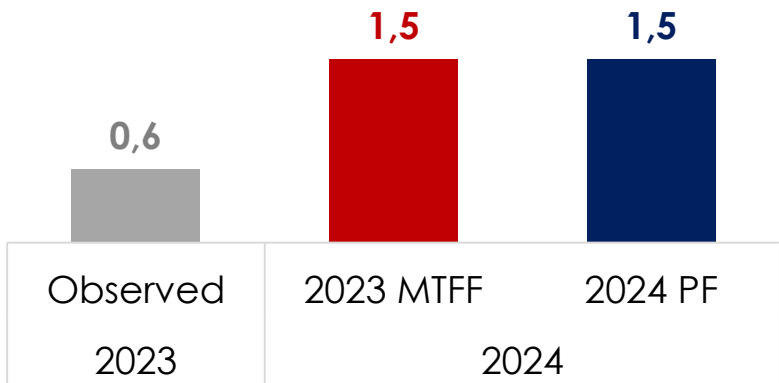
✓ **State Council's decision to eliminate time limit on cash refund requests** (-\$3 Trillion COP)

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

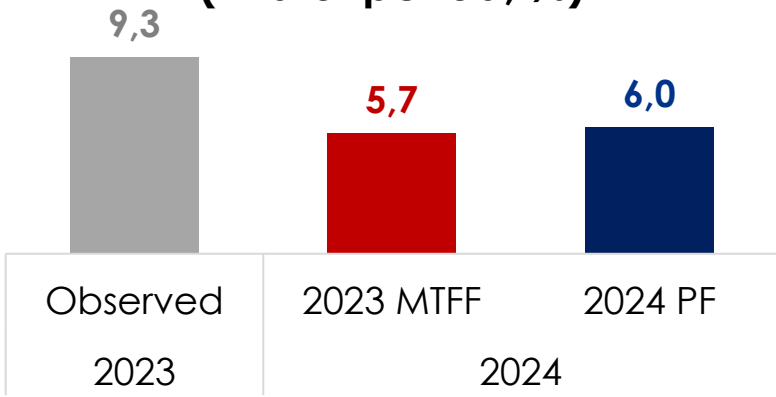
Source: Ministry of Finance - GDMP.

Macroeconomic assumptions 2023 and 2024

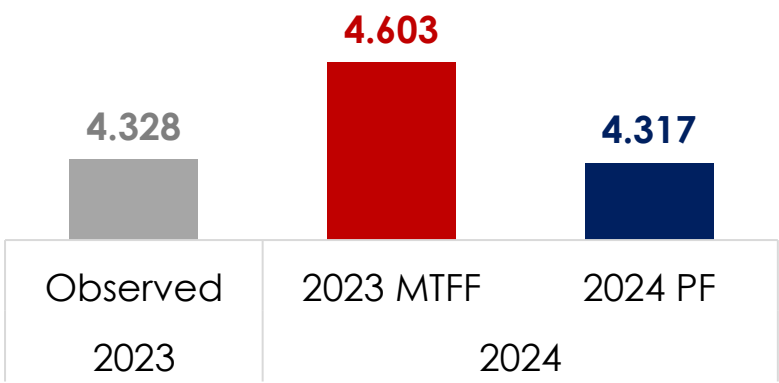
Real GDP
(YoY, %)



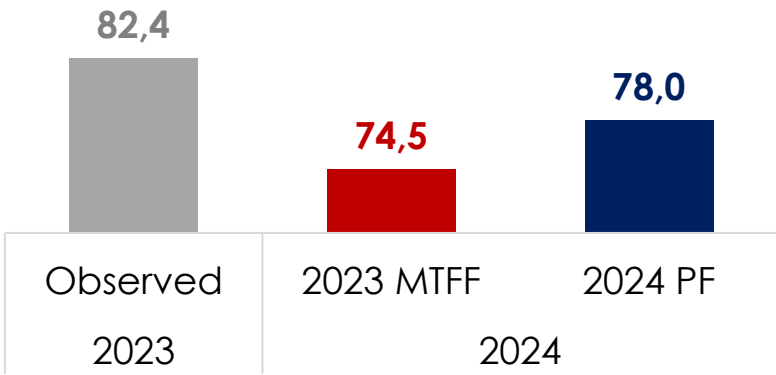
Inflation
(End of period, %)



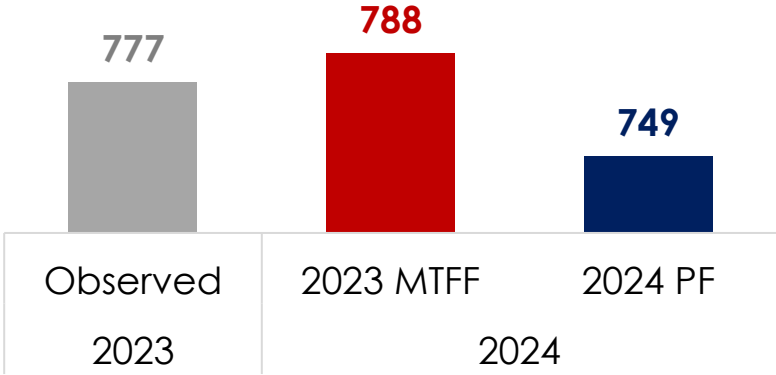
Exchange rate
(Annual average, USD/COP)



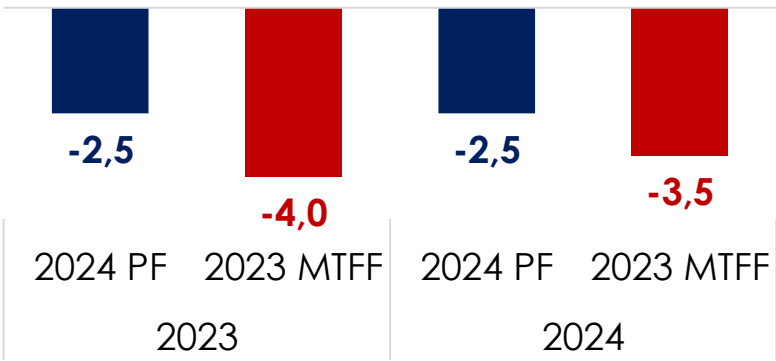
Crude oil Brent prices
(Annual average, USD/Barrel)



Crude oil production
(Annual average, KBPD)

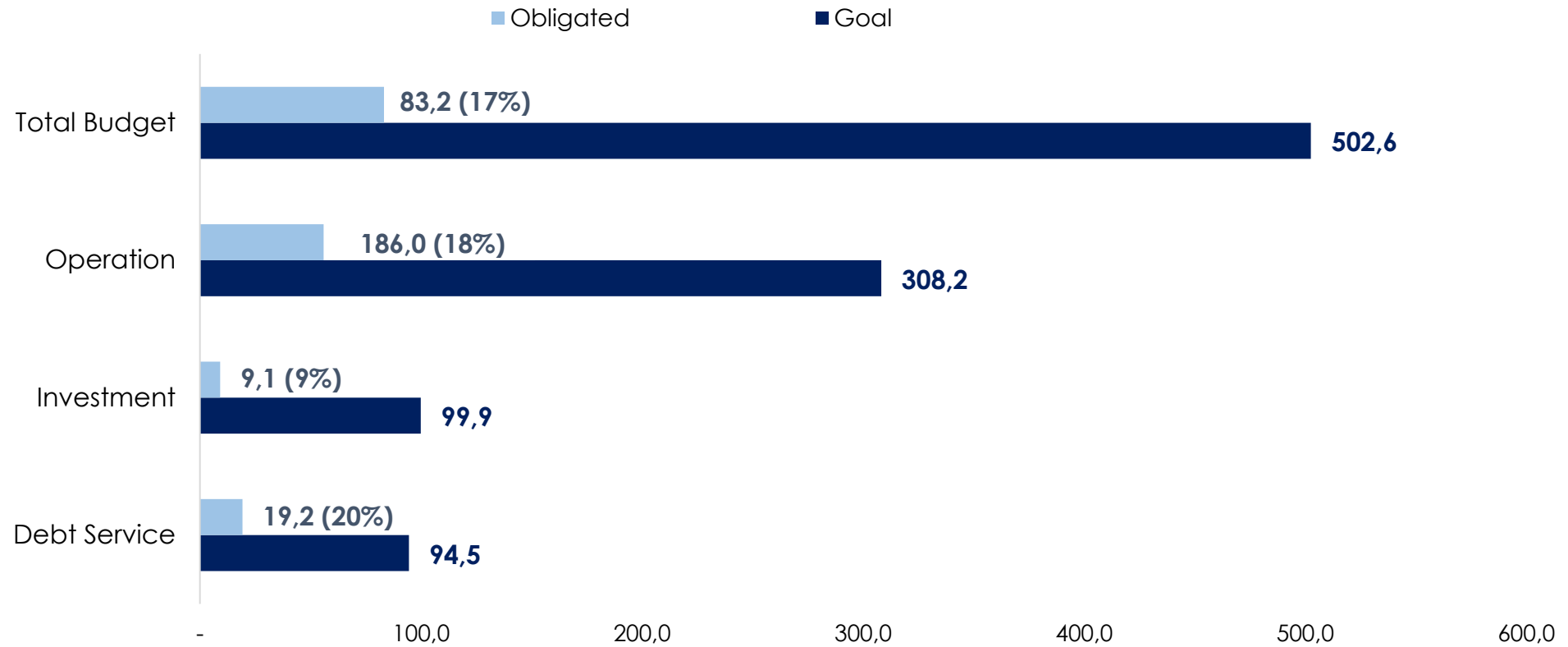


Current account balance
(% of GDP)



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

2024 Budget Execution



Budget
execution
without debt



29,5%

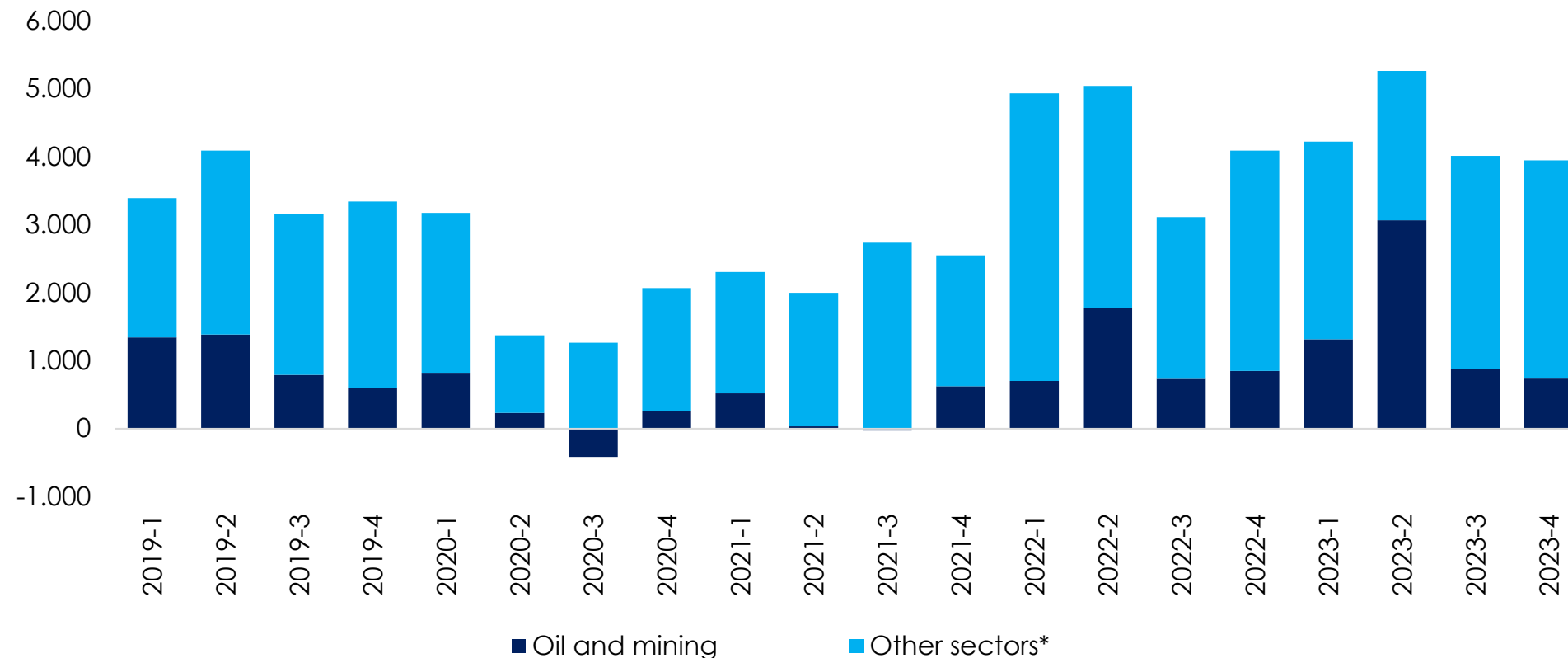
*Trillion pesos as of March 2024

Source: Ministry of Finance and Public Credit

In 2023 Foreign Direct Investment showed favorable dynamism

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

Flows of Foreign Direct Investment
(Quarterly, Millions USD)

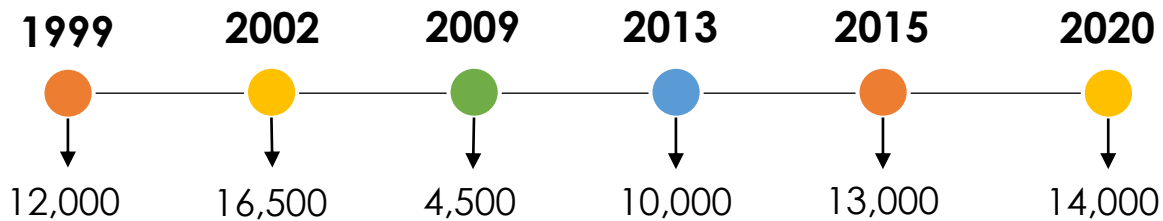


Source: Central Bank. DANE.

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

The Government has presented to Congress a law to increase the external debt ceiling for US\$ 17,601 million dollars

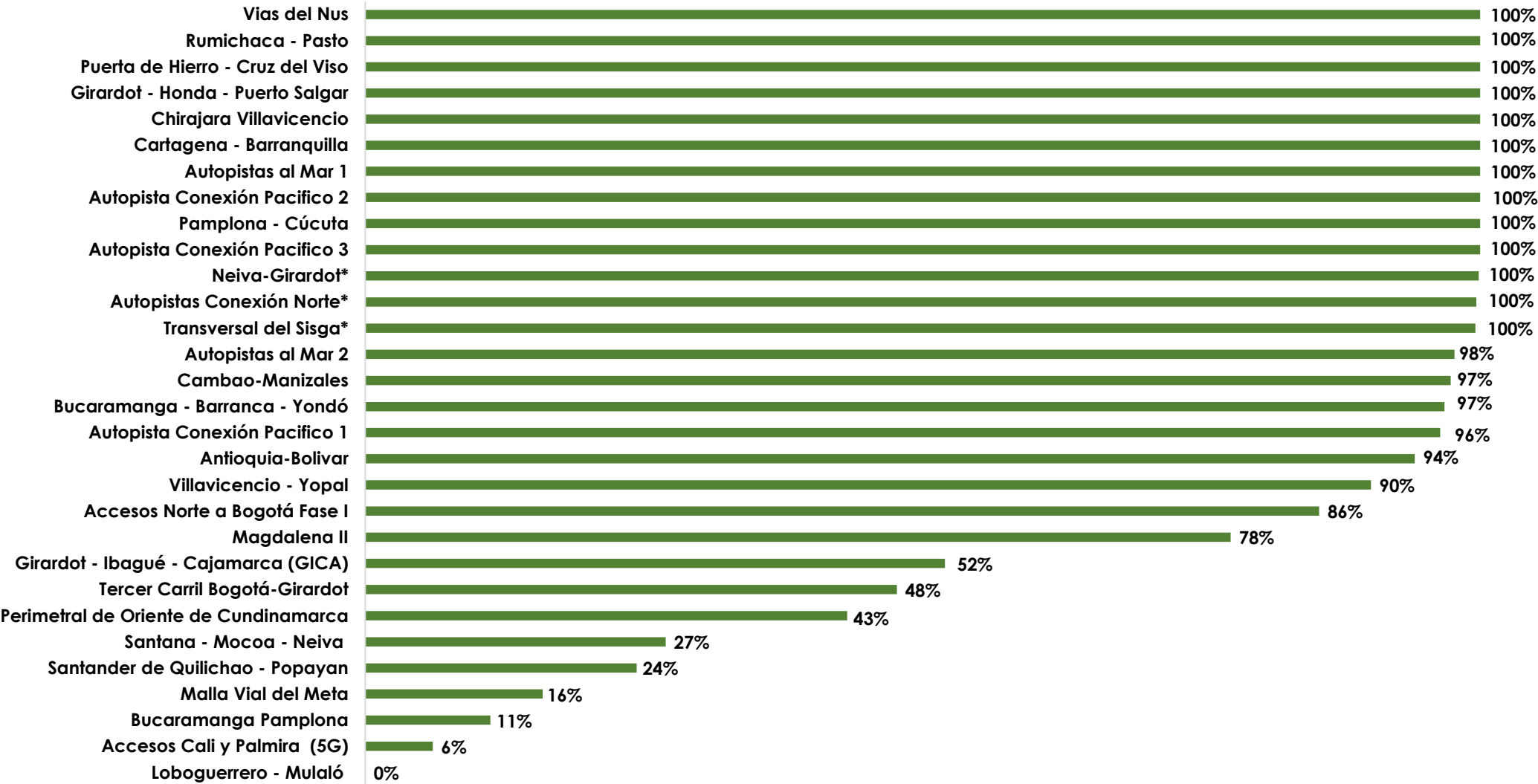
Historical debt ceiling requests



Total Accumulate Debt Ceiling	70,000
(-) Total Disbursements external debt	102,804
(+) Accumulative amortizations	36,346
Total available debt ceiling	3,543
Proposal of debt ceiling increase	17,601
Forecast of new accumulate debt ceiling	87,601

- ✓ The debt ceiling works as a revolving limit. It means that the **disbursements** fill the free space, and **amortizations** release the quota.
- ✓ The amount is based on the **liabilities that Colombia has in external currency for the next 3 years approximately.**
- ✓ The debt ceiling is a **general authorization from the congress**, aligned with the debt anchor, and the medium-term debt strategy.

Construction progress under the Fourth Generation (4G) PPP program had a record development, allowing the economic growth.



The average progress under the 4G PPP program is 78%

In 2024, it is estimated that Colombia will award projects for an approximate investment of US\$3,995MM

Projects in Structuring Phase

Capex
(US\$MM)

Distance



Dorada - Chiriguaná Train

\$648

521 km



Villeta - Guaduas Road

\$1,385

82 km



Estanquillo – Popayán Road

\$1,594

101 km



IP- San Andrés Airport

\$72

NA



IP – Suroccidente Airport

\$296

NA



Alpes - Facatativá

NA

38 km

Future Projects



Railway projects

- Bogotá – Belencito
- Corredor Ferreo del Pacífico



Airport projects

- Cartagena's new airport
- El Dorado airport expansion.



Highway Projects

- IP Conexión Centro
- IP Ruta del Agua
- Boquerón – El Tablón
- Sogamoso Aguazul – Maní El Yucao

Source: ANI

IP: Private Initiative without public contributions.

The investment of the Projects in structuring is an estimated figure and may vary during the process

TERMS AND CONDITIONS FOR THE USE OF THE INFORMATION CONTAINED IN THIS DOCUMENT

This document is solely for informational purposes is not an offer, recommendation, or solicitation to buy or sell, nor is it an official confirmation of terms. It provides no obligation or guarantee from the Republic of Colombia and/or the Ministry of Finance and Public Credit, which assume no responsibility for the consequences derived from actions or omissions by third parties based on the information provided. Changes to assumptions may have a material impact on the interpretation of the information. This information does not imply changes in contracts, addendums to contracts, or other contractual documents unless expressly stated in the contractual documents themselves. Any references, transcripts, or other types of information in any section of these reports should be held to these terms and conditions.

This communication may contain confidential and/or privileged information. If you are not the intended recipient (or have received this communication in error) please notify the sender immediately and discard this communication. Any unauthorized copying, disclosure, or distribution of the material in this communication is strictly forbidden by law. Although this transmission and any attachments are believed to be free of any virus or other defect that might affect any computer system into which it is received and opened, it is the responsibility of the recipient to ensure that it is virus free and no responsibility is accepted by the Ministry of Finance and Public Credit, as applicable, for any loss or damage arising in any way from its use. If you received this transmission in error, please immediately contact the sender and discard the material in its entirety, whether in electronic or hard copy format.