

Colombia's Economic Perspectives

Ministry of Finance and Public Credit
December 2024

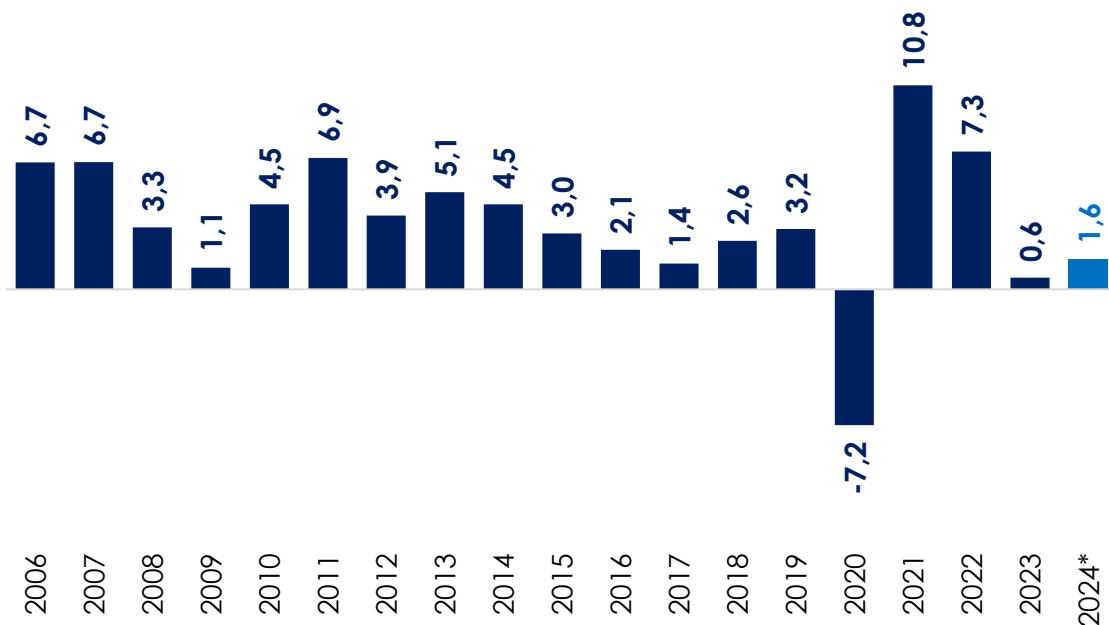


1. Macroeconomic scenario



Between January and September 2024, the Colombian economy registered a growth of 1,6%, in line with the solid performance of artistic activities, agriculture and public administration

Annual growth of the Colombian economy(%)



In 2024-Q3, the Colombian economy recorded a quarterly growth of 0,2% and an annual growth of 2,0%. The sectors with the highest quarterly growth were artistic activities (3,6%), agriculture (2,5%) and financial activities (1,5%).

On the **production side**, the sectors with the highest growth year-on-year through 2024-3Q are:



Artistic activities and entertainment **9,8%**



Agriculture and livestock **8,9%**



Public administration and defense **4,1%**

On the **expenditure side**, the components with the highest growth year-on-year through 2024-Q3 are:



Exports **4,8%**

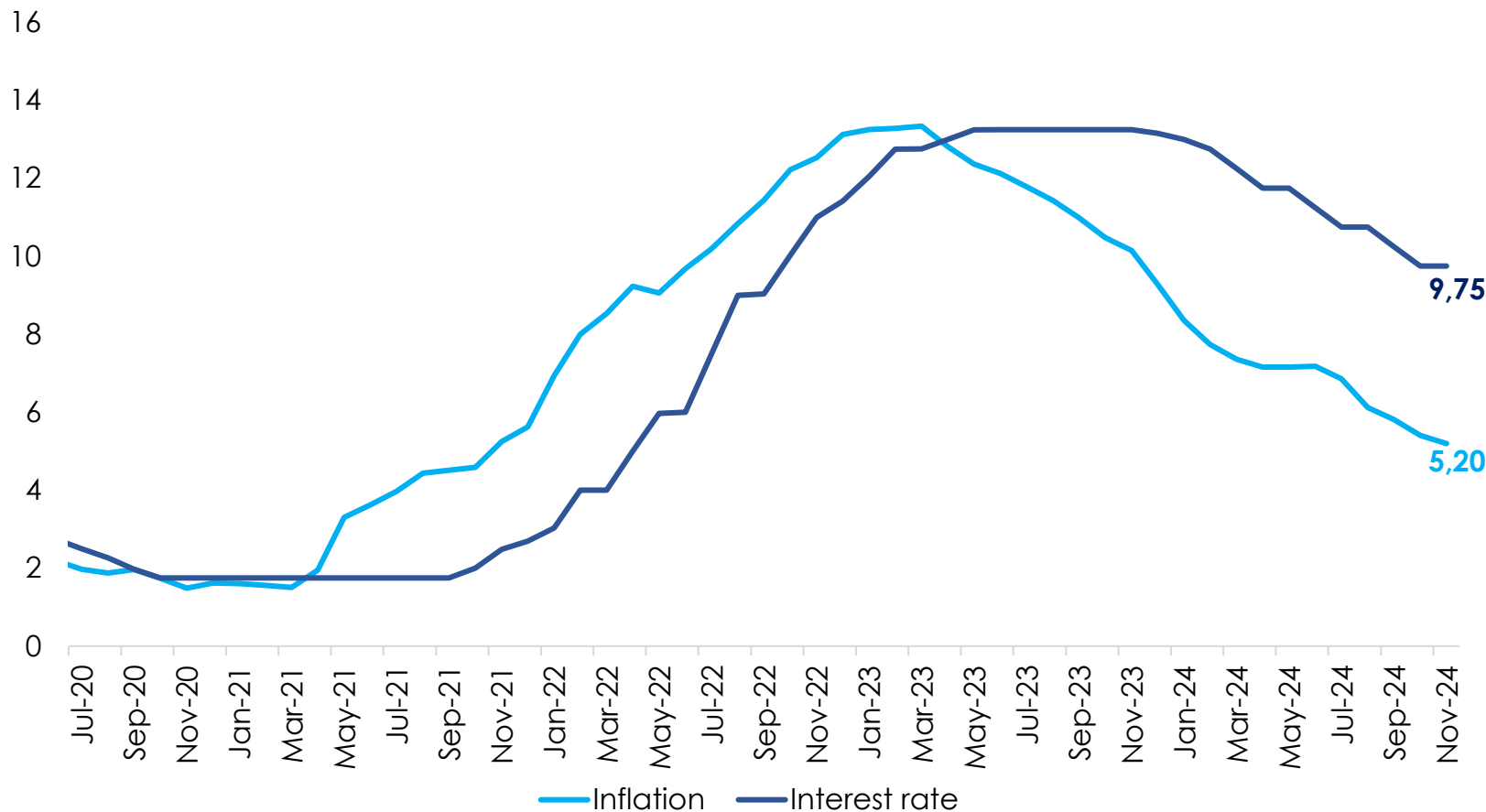


Household consumption **1,0%**

- **Year-on-year through September, nine out of twelve economic activities recorded positive growth.**
- **After decreasing consecutively throughout 2023, fixed investment has rebounded in 2024, registering an average quarterly variation of 1,8%. This is consistent with an average quarterly growth of 4,3% in investment in machinery and equipment, and 1,0% in civil works.**

Inflation has shown a substantial decline since April 2023. For its part, the policy rate started its downward path in December of the previous year

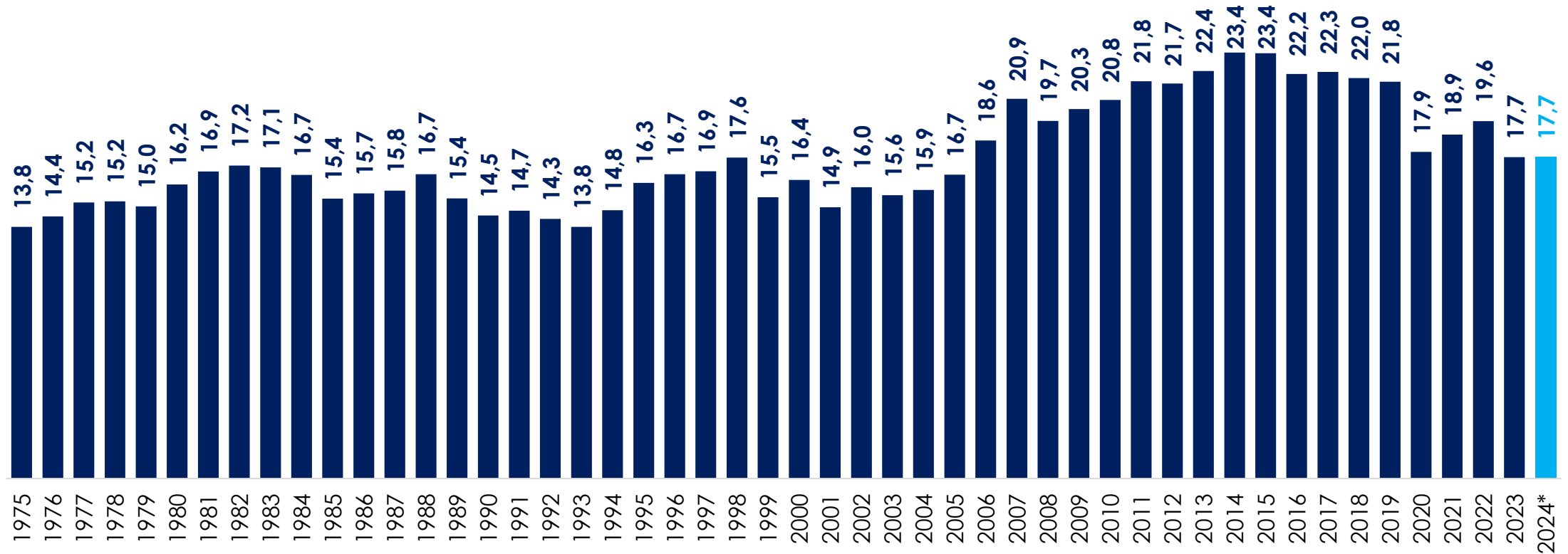
Annual inflation and policy interest rate (%)



Analysts surveyed by the central bank expect the policy rate to stand at 9,25%¹ for the end of 2024.

The 2024 fixed investment rate is in line with its historical average of 17,6%

Fixed investment rate
(GFCF/GDP, %)



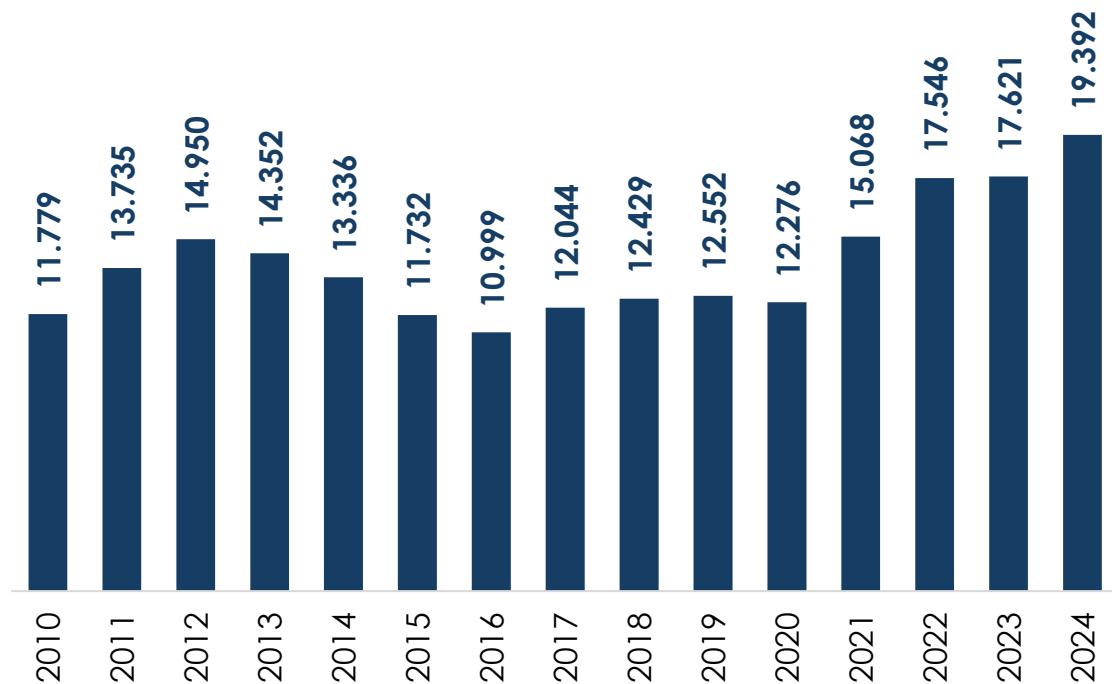
Average fixed investment rate between 1975-2023: 17,6%

Non-traditional exports and Foreign Direct Investment (FDI) showed a favorable dynamism in 2023, reaching historical highs

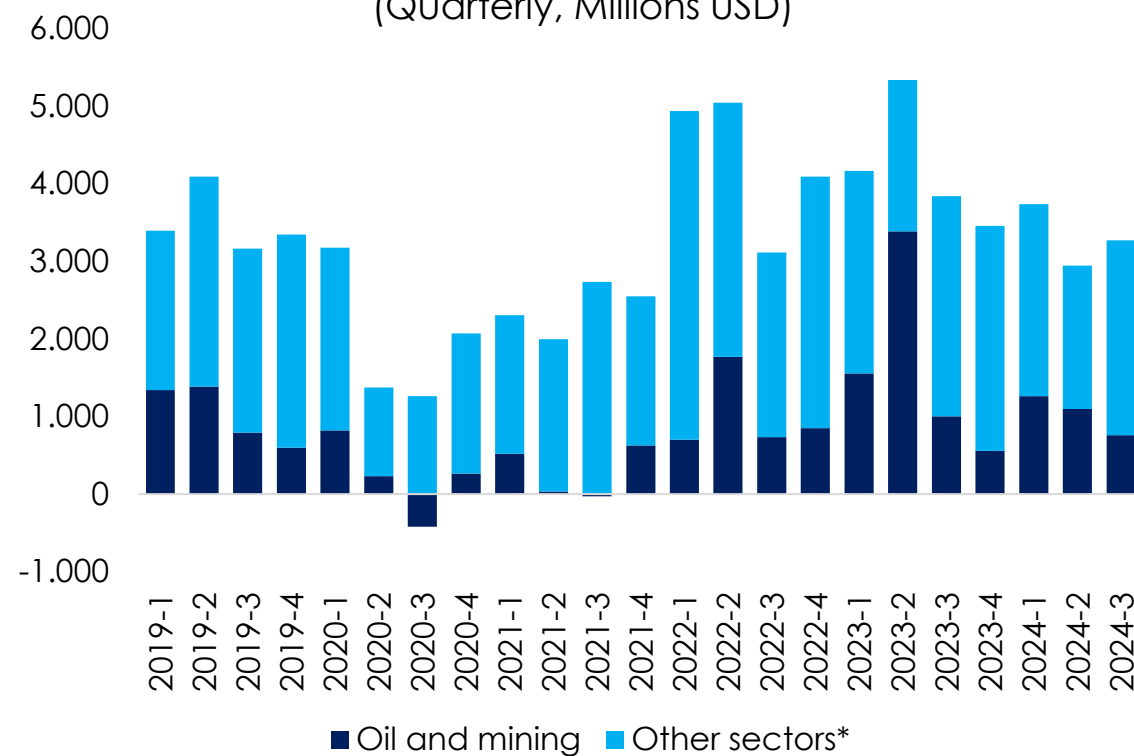
Non-traditional exports of goods have shown a **growth of 10,1% so far this year until October**, compared to the same period of the previous year.

In 2023 FDI stood at historical highs, standing at USD 17.145 million. **Sectors other than oil and mining received 65% of FDI flows.**

Non-traditional goods exports*
(USD millions, up to October)



Flows of Foreign Direct Investment
(Quarterly, Millions USD)

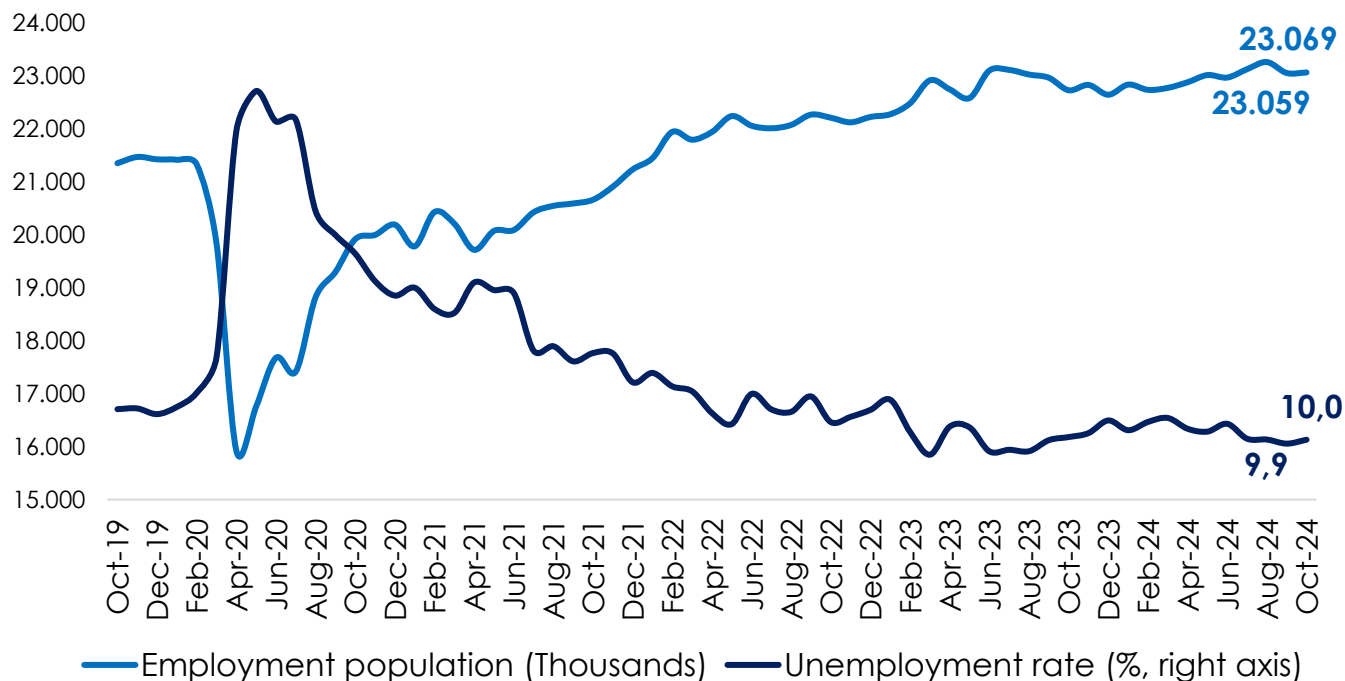


Source: National Administrative Department of Statistics (DANE) and Central Bank.

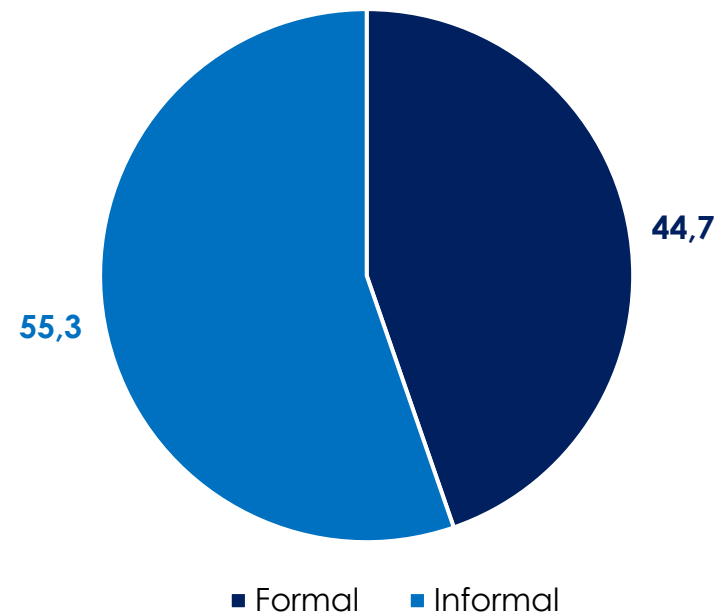
*Excludes exports of oil and its derivatives, coal, ferronickel and coffee.

In October 2024, the seasonally adjusted unemployment rate stood at 10,0%, slightly higher than that observed the previous month

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



Formal and informal population
(October 2024)

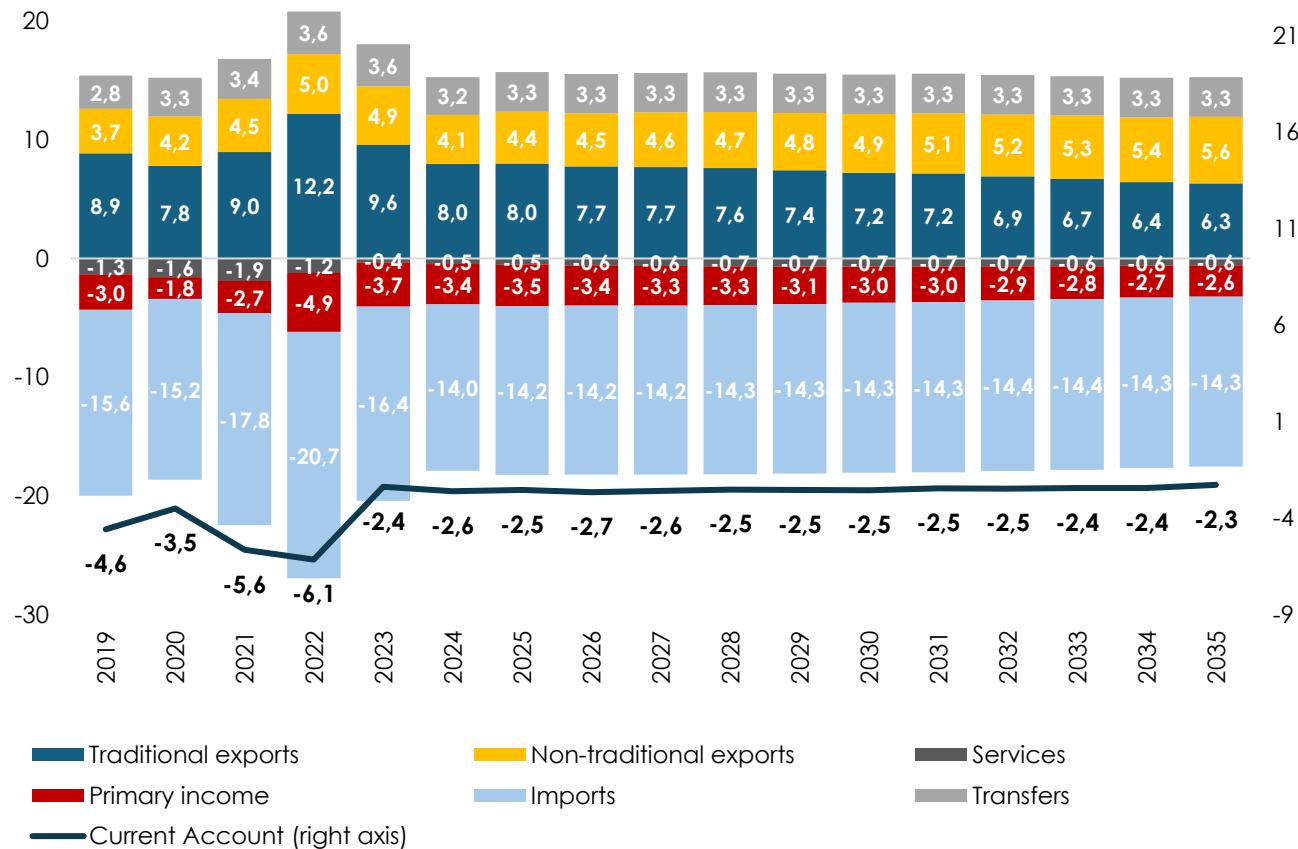


- In October 2024, **the unemployment rate stood at 10,0%**, 0,1pp higher than observed in September (9,9%).
- **Between January and October 2024, the seasonally adjusted unemployment rate stood at 10,3%**, consistent with a growth of 0,8% of employed people.

- **At the end of October, the informal employment rate was 55,3%**, which represented an increase of 0,1pp compared to the same month of the previous year (55,2%).

In the medium term, a correction in the current account deficit is expected within the framework of the reindustrialization and energy transition processes

Current account balance
(% of GDP)



- The reindustrialization and energy transition policies would boost the **correction of the external imbalance and the diversification of the export basket.**
- In 2024-2035, **non-traditional exports¹** are projected to show an average growth of **6,4%**, while **non-mining²** and **mining³** traditional exports would grow **5,4%** and **0,03%**, respectively.
- Services exports** are expected to grow **6,5%**, on average, in the medium term (2024-2035).
- The external deficit would be **financed mainly with FDI flows.**
- The correction of the deficit would allow the **stabilization of net external liabilities in the medium term.**
- The current account deficit would converge to 2,3% of GDP in the medium term**, which would be explained by, among other factors, a lower factor income deficit and larger non-traditional exports.

1. Exports different to coffee, oil and its derivatives, coal, ferronickel, flowers, bananas and gold.

2. Exports of coffee, flowers and bananas.

3. Exports of oil and its derivatives, coal, ferronickel and gold.

Source: Colombia's Central Bank. Ministry of Finance and Public Credit projections.

2. Fiscal Strategy



Fiscal scenario 2024-2025

The national government's fiscal strategy for the coming years follows several essential principles:

- 1 The need to finance reforms, social and economic programs to achieve greater social justice within the context of climate action.
- 2 The dedication to the **sustainability of debt and public finances**.
- 3 The **strict compliance** with the Fiscal Rule.
- 4 The preservation of **macroeconomic stability**.

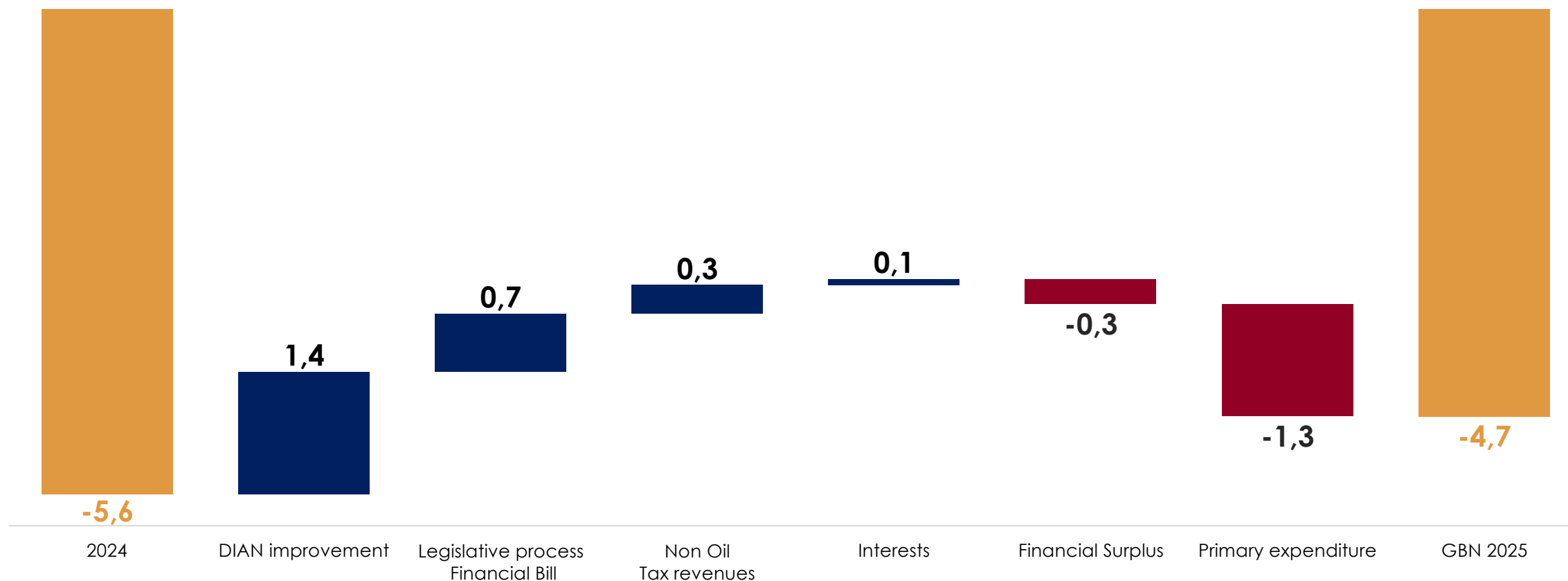


Despite the spending pressure caused by the FEPC deficit and the decline in national tax revenues, the **government reaffirms its commitment to complying with the Fiscal Rule**. Additionally, **it continues to advance its social transformation agenda**, ensuring that the reforms remain uncompromised.



The government **expects to reduce** the fiscal deficit in 2025, supported by **improved** tax collection and DIAN's **efforts** to ease the tax burden. **Public spending** will rise after a drop in 2024 due to the tightened fiscal approach

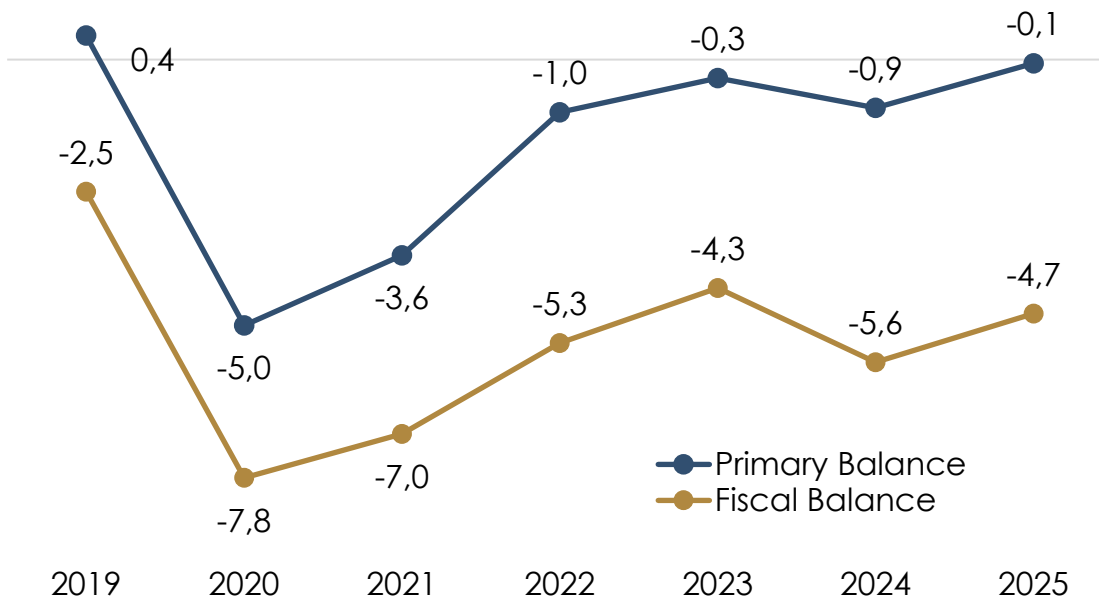
Decomposition of 2024 -2025 fiscal balance
(% of GDP)



The fiscal strategy is consistent with the strict compliance of the Fiscal Rule goals

- For 2025, the Central Government will have an ongoing improvement in the fiscal balance, approaching primary equilibrium.
- The net debt is estimated at 56,1% of GDP in 2025, 0,8pp above the 2024 estimate (55,3% of GDP), and 0,4pp below the MTFF 2024.

Primary and total balance of the CG
(% of GDP)

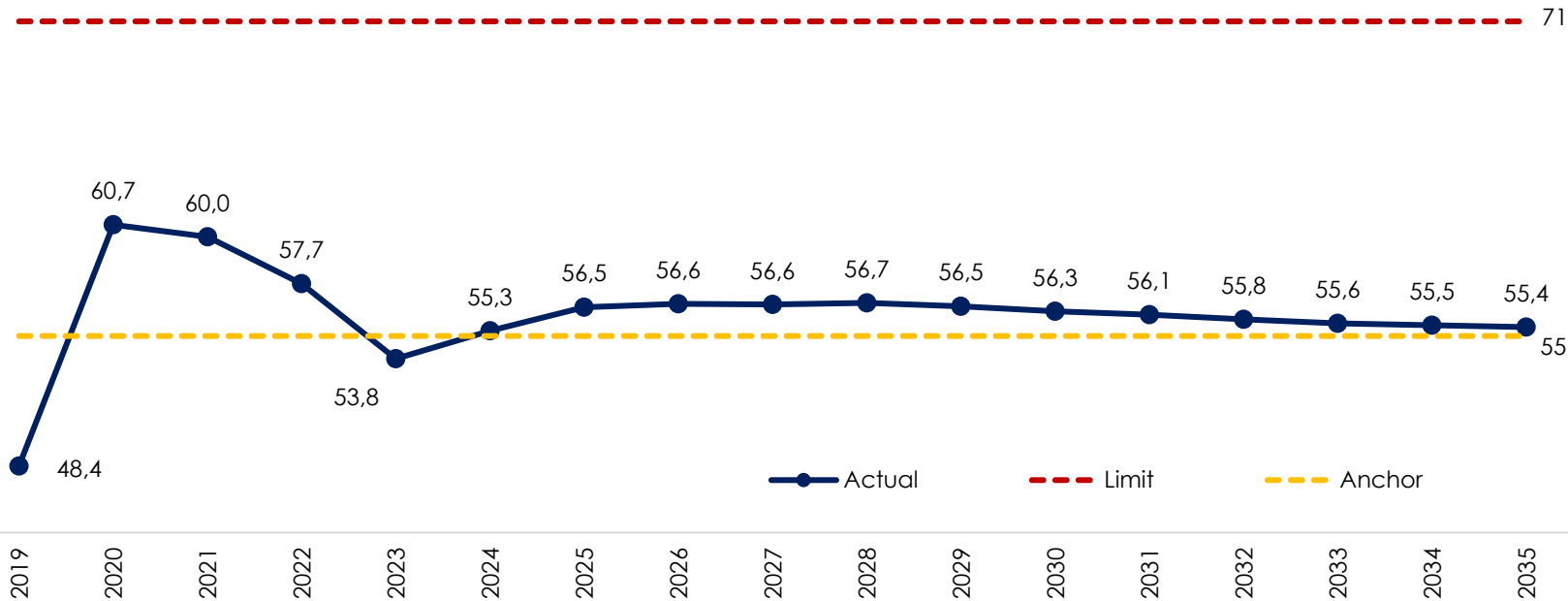


Central Government net debt
(% of GDP)



Following the projected path of the primary balance, the Central Government's net debt will stabilize starting in 2025 and smoothly converge to levels close to the anchor

Net debt of the CG
(% of GDP)



During the pandemic, debt rose from **48% to 61% of GDP**, equivalent to 200 trillion pesos.

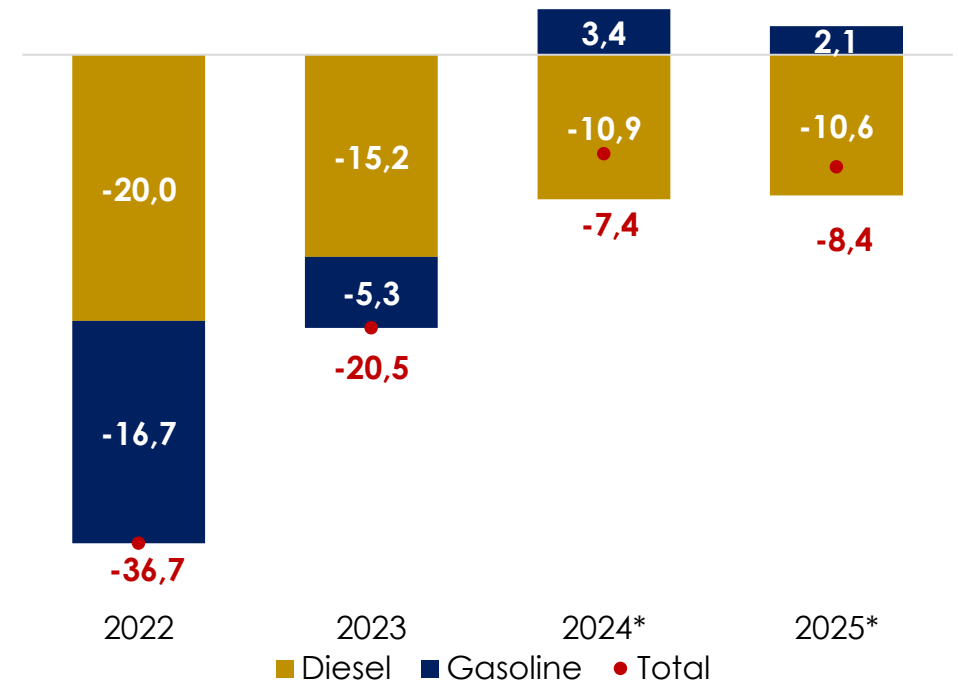
60 trillion pesos were allocated to the Emergency Mitigation Fund (FOME). Other payments were directed to debt servicing.

Currently, the debt stands at **55%**, and the economy is showing signs of recovery.

A key objective of the fiscal strategy for the upcoming years is to **eliminate the implicit subsidy** provided by the FEPC for diesel consumption

- By the **final quarter of 2023**, the **Government** successfully closed the gap between local and international gasoline prices.
- Despite facing **tight fiscal constraints** and **challenging liquidity conditions**, the Government paid **\$17,6 trillion pesos** of the debt accrued during the **first three quarters of 2023**.
- The decree authorizing **price increases for large consumers** helps partially close the gap in **diesel prices**.
- Additionally, the National Government implemented the first **diesel price increase** in **September 2024**, raising prices by **\$400 COP per gallon**, as agreed upon with passenger and food transporters. This initiative aims to reduce the **implicit subsidy** provided to diesel through the **FEPC**.
- These efforts will enhance **expenditure efficiency**, foster the **energy transition**, and increase resources available for funding **social programs**.

Net position of the FEPC by fuel type
(\$Trillion COP)



* Forecasted figures

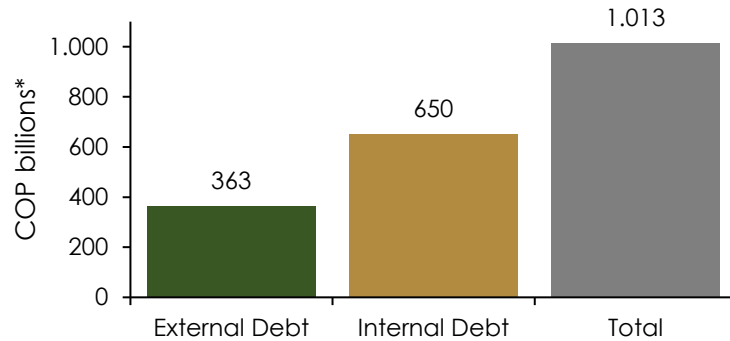
Source: Ministry of Finance with data from the Ministry of Energy and the FEPC Directive Committee.

3. Funding Plans and Debt Strategy

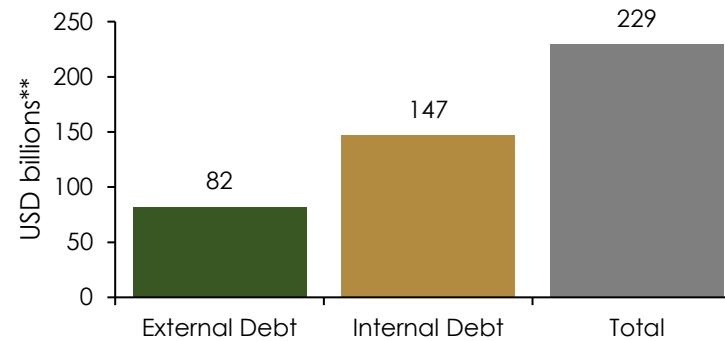


Gross Debt Central Government

Debt balances (COP billions)

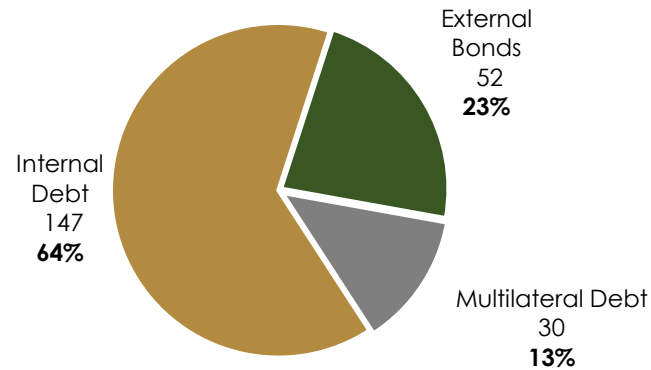


Debt balances (USD billions)

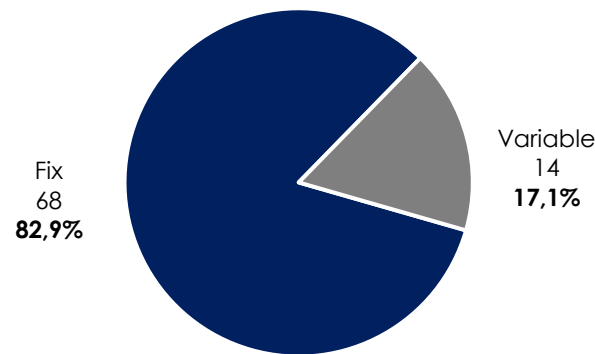


- The composition of our **debt is mostly internal debt and fix rate**, which mitigate the impact of volatility in rates and external markets.
- As of November 30th, the **total debt stock is 1,013 trillion pesos**, equivalent to 229 billion dollars.

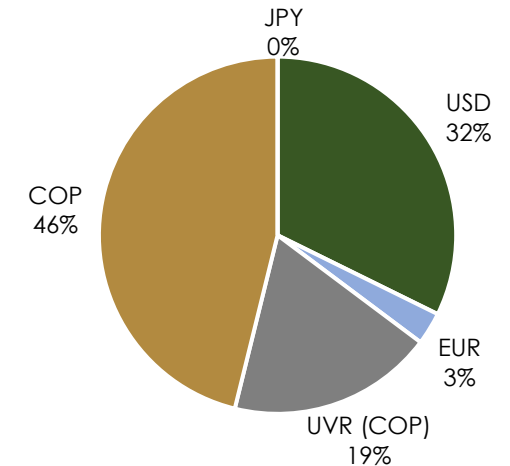
Debt sources composition (USD billions)



Interest debt composition (USD billions)



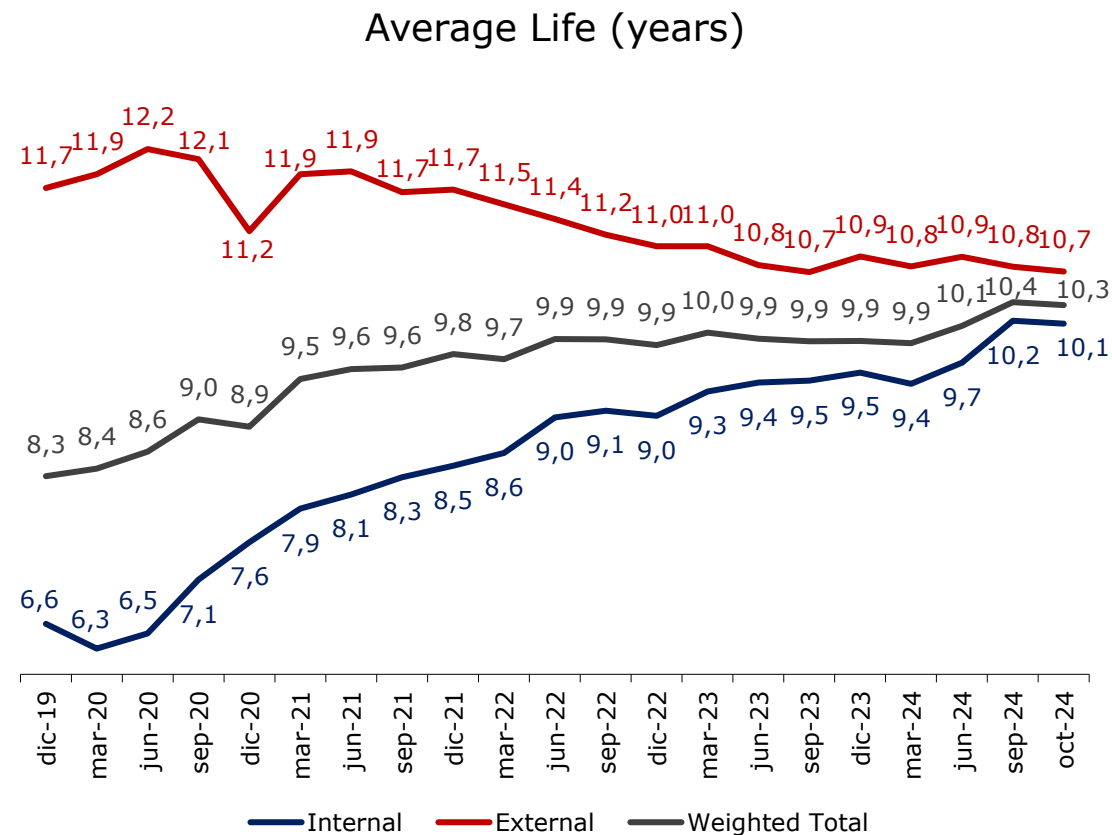
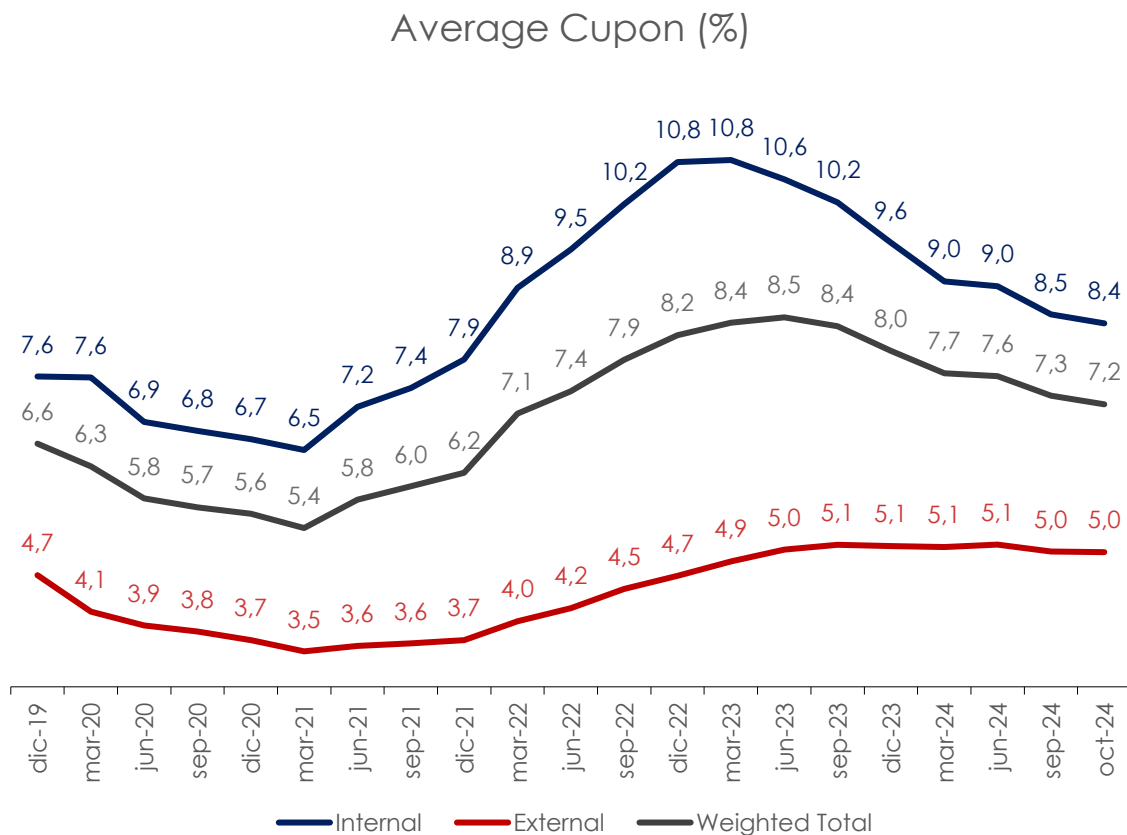
Composition by currency total debt (% of total debt)



*COP 1 billón = 1 000 000 000 000
 **USD 1 billón = 1 000 000 000
 COP/USD = 4.419,59

Average Coupon and Maturity (2019-2024)

- Since the peak in 2022, **the average coupon has begun a downward trend** align with the expectations of cut rates in local and external markets.
- The **average life** is **9,6 years on average**.



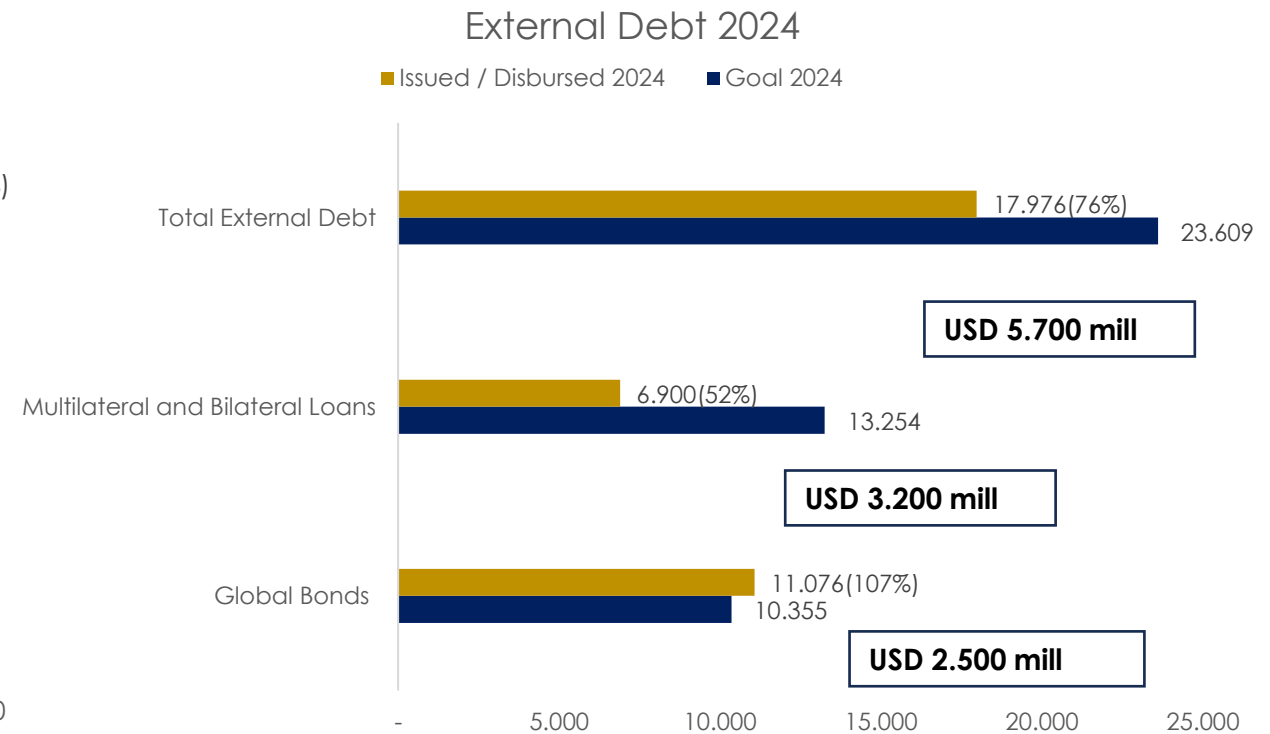
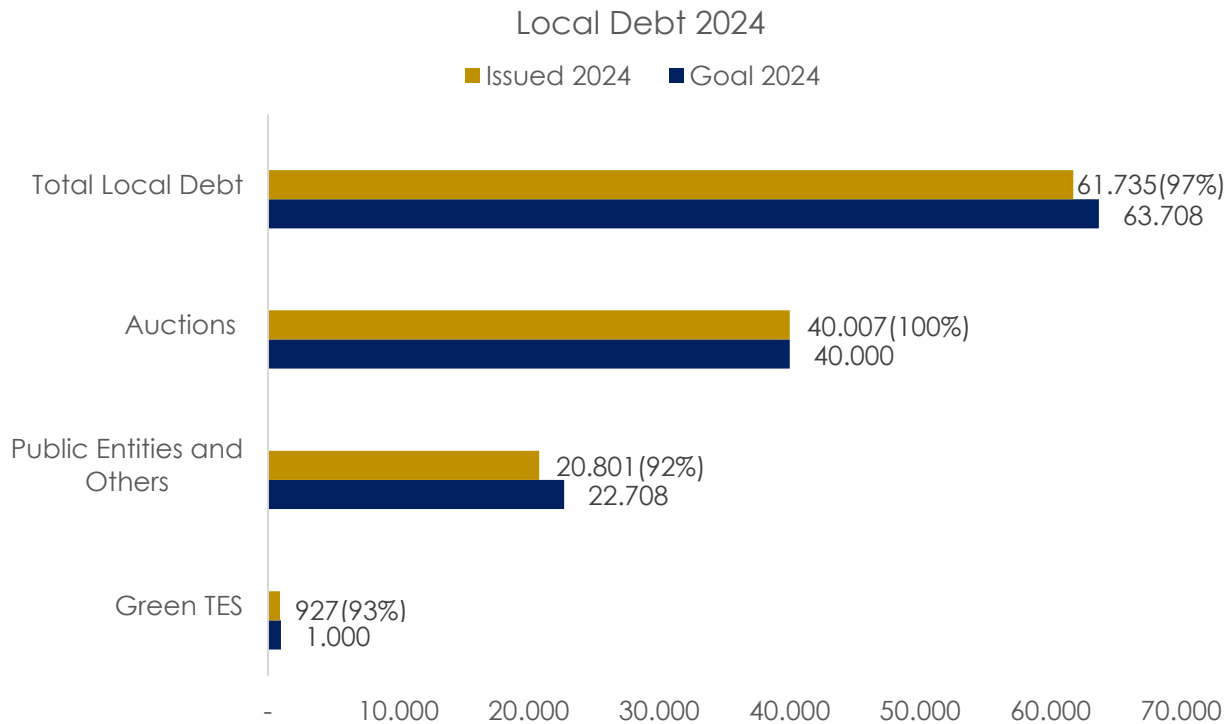
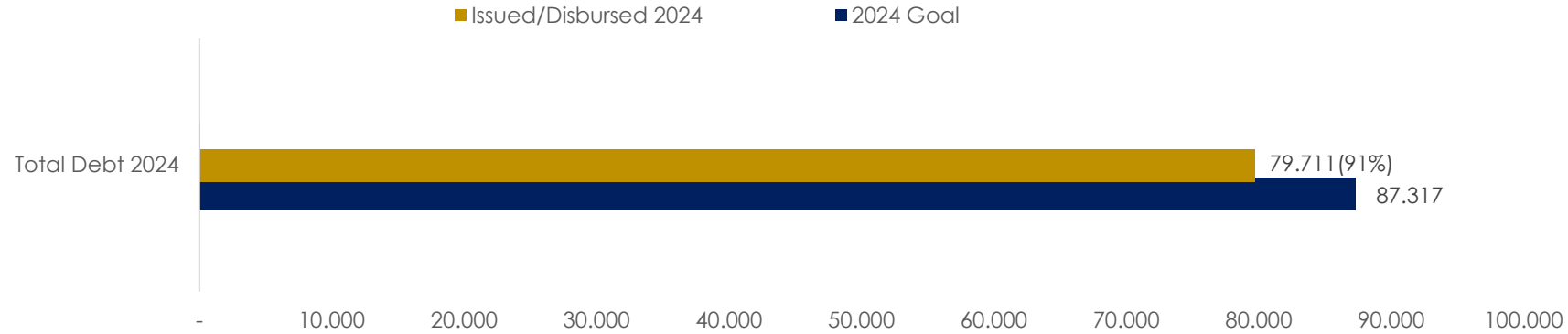
Sources and Uses of the Central Government for 2024

In 2024, Central Government's financial needs are estimated at \$143.2 trillion pesos, equal to 8.5% of GDP. From these, 4.7% of GDP will be assigned to pay CG's interests.

- The **final cash availability** improve in \$13 trillion COP
- **Auctions in local market** increase 3 trillion COP.
 - **Payments with TES** increase 7.5 trillion COP

Sources		FP Feb	Act	Uses		FP Feb	Act
	US\$ FP	131.062	US\$ Act 143.243		US\$ FP	131.062	US\$ Act 143.243
Disbursements		75.828	87.317	Deficit to be financed		89.089	94.928
External	(US\$ 5.500 mill.)	22.391	(US\$ 5.700 mill.) 23.609	Of which:			
				Internal interest		56.975	62.434
Internal		53.437	63.708	External interest	(US\$ 4.160 mill.)	18.034	(US\$ 4.336 mill.) 17.335
Treasury Operations		7.772	8.285	Amortizations		30.344	24.538
Accrual Adjustments and Others		25.913	26.092	External	(US\$ 4.380 mill.)	18.991	(US\$ 4.339 mill.) 17.349
				Internal		11.353	7.188
				Payments with debt service		2.800	1.898
Initial availability		21.546	21.546	Final availability		8.079	21.880

Debt progress during 2024



External Bonds transaction

The republic **achieves its financing target** for 2024.

The Republic **improved its debt profile** through liability management transactions in 2024

	Bonds 2036	Bonds 2054
Nominal Value	USD 3,640,000,000	
	USD 2,000,000,000	USD 1,640,000,000
Maturity	Nov 7, 2036	Nov 7, 2054
Yield	7,80%	8,50%
Cupon	7,750%	8,375%
Bid to Cover	3,2x	

Funding needs
F&U 2024:
USD1.200.000.000

Pre -Funding
needs F&U 2025:
USD1.800.000.000

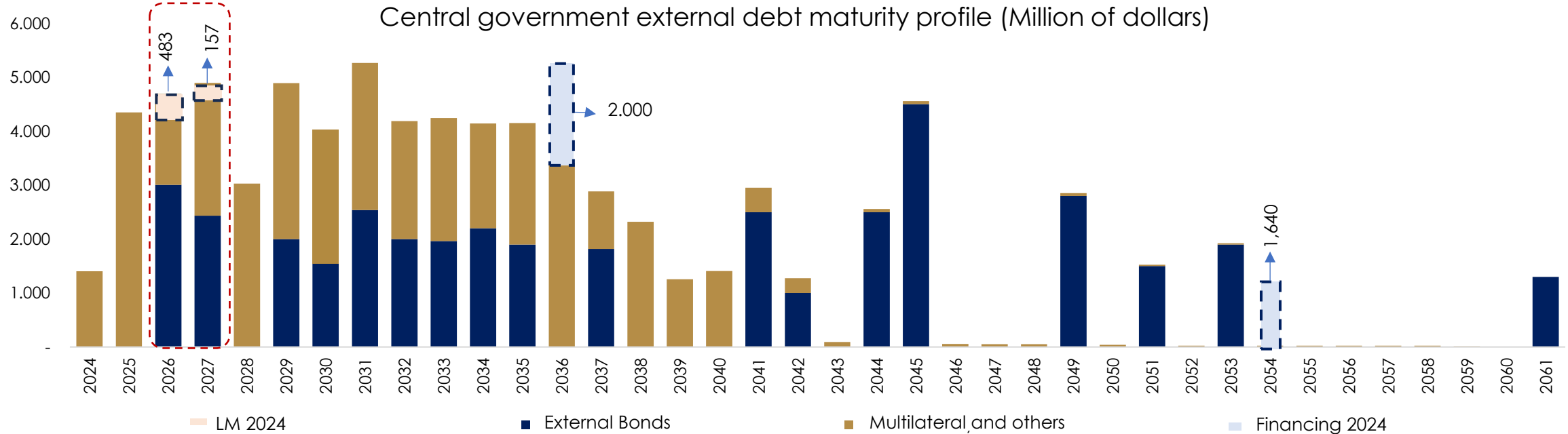
OMD: **USD
640.000.000**

Repurchase 2027 USD
Global Bonds 4.500%:
USD157.000.000

Repurchase 2026 USD
Global Bonds 3.875%:
USD 483.000.000

- ✓ **Refinancing risk** was reduced for 2026 and 2027.
- ✓ Improvement the debt profile **extended the average life** of the global bond portfolio **from 10,8 years up to 11,28 years**

Central government external debt maturity profile (Million of dollars)



Sources and Uses of the Central Government for 2025

In 2025 the financing needs are estimated at \$147.3 trillion pesos, of which \$91.4 trillion pesos will finance the deficit, lower amount compared with 2024.

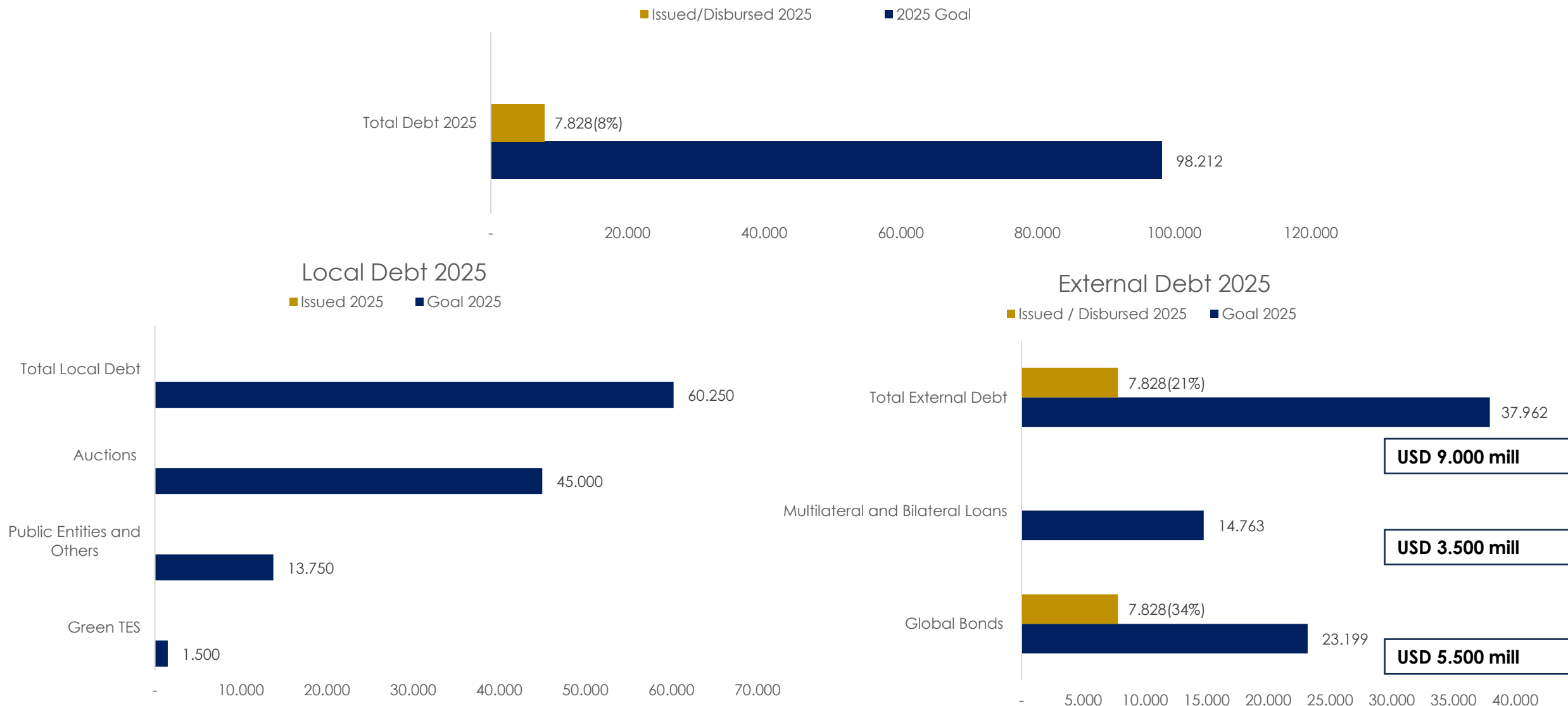
The strategy is to diversify the sources, 61% internal – 38% external

Local market: Auctions 45 trillion COP

External market: USD\$ 5.5 billion by **bonds** & USD\$ 3.5 billion in **multilateral and bilateral loans**

Sources	US\$ MTFF	MTFF 147.308	Uses	US\$ MTFF	MTFF 147.308
Disbursements		98.212	Deficit to be financed		91.487
External	(US\$ 9.000 mill.)	37.962	Of which:		
			Internal interest		63.179
Internal		60.250	External interest	(US\$ 4.746 mill.)	19.834
Treasury Operations		4.434			
			Amortizations		48.647
			External	(US\$ 5.210 mill.)	21.773
			Internal		26.874
Accrual Adjustments		22.781	Payments with debt service		1.250
Initial availability		21.880	Final availability		5.925

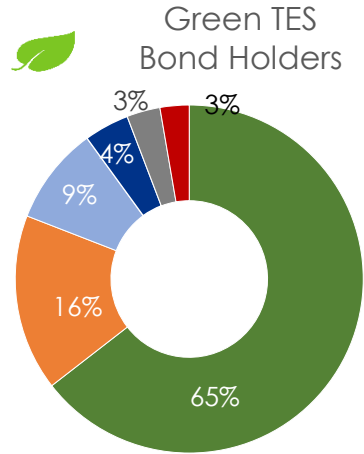
The international market has contributed to the success in the debt progress for 2025





Hacienda

Between 2021 and 2023, **Colombia issued green TES** in the local market with **good performance**



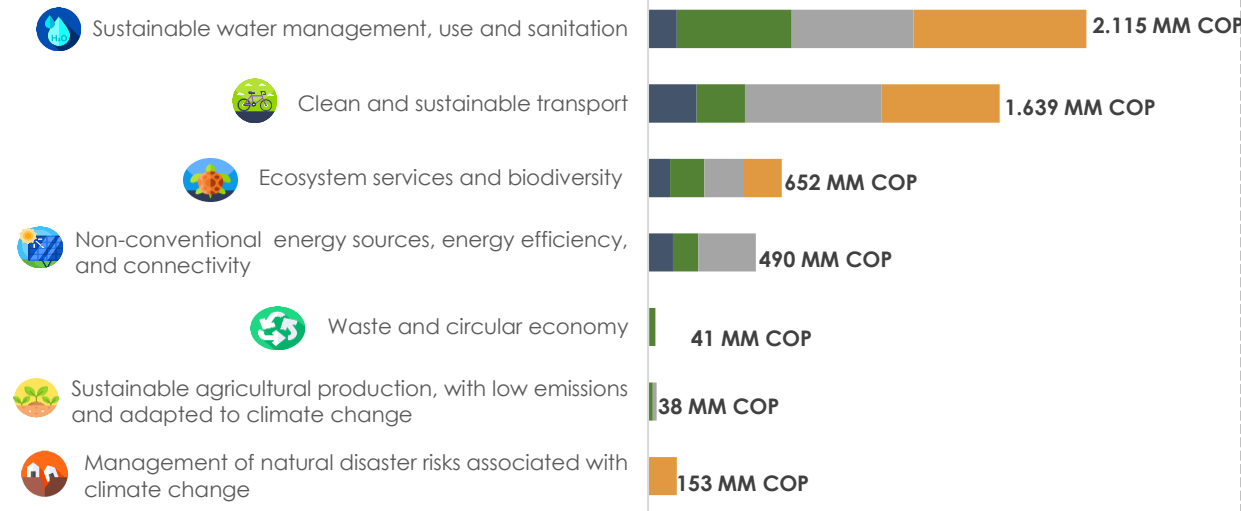
- Foreign Investors
- Private Sector
- Banks
- Pension Funds
- Public Sector

Issue characteristics

	Green TES 2031
Nominal Value	USD 720,383,814
Maturity	March 26, 2031
Cupon	7,000%
Bid to Cover average	2,7x

Green portfolio

2020 2021 2022 2023



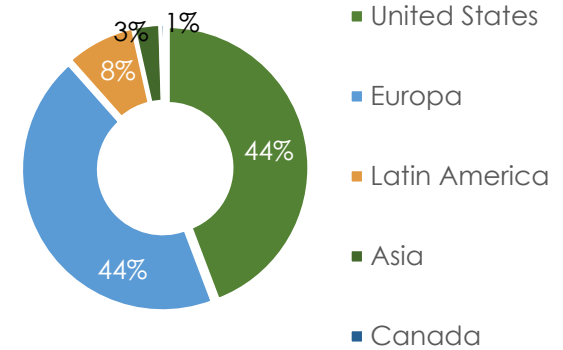
ESG strategy

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

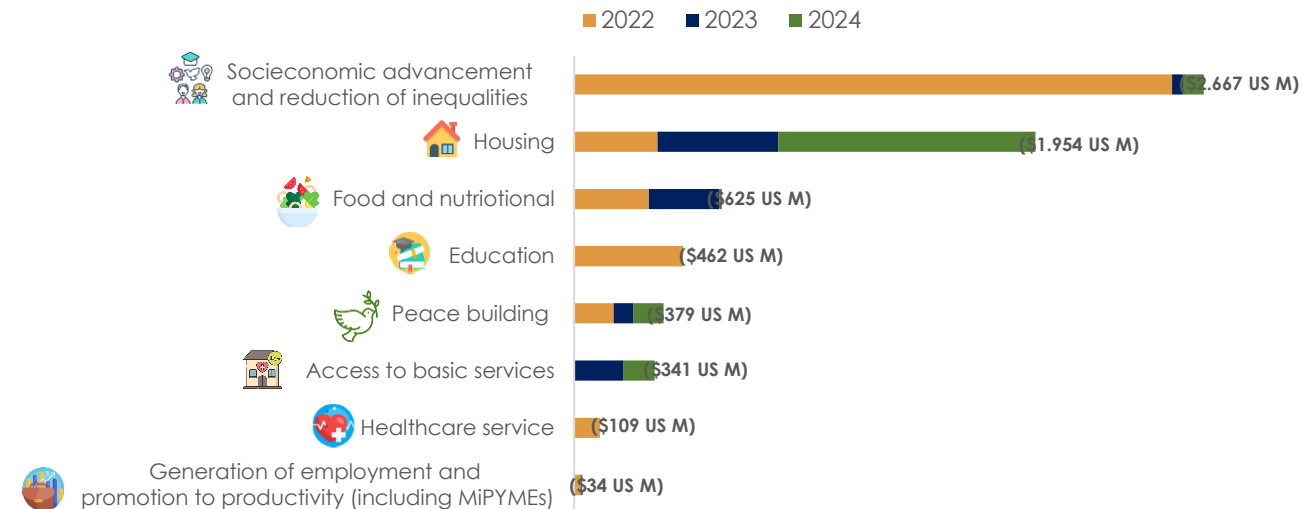
Issue characteristics

	Bonds 2035	Bonds 2053
Nominal Value	USD 3,800,000,000	
	USD 1,900,000,000	USD 1,900,000,000
Maturity	Nov 14, 2035	Nov 14, 2053
Cupon	8,000%	8,750%
Bid to Cover average	5,9x	

Diversified investor base by region



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. Reforms and Reactivation Plan



Legislative act project on the general system of participations.

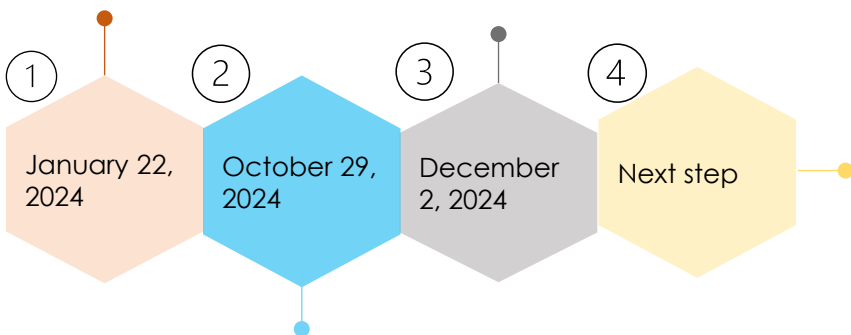
Reform to the General Participation System.



The SGP is the mechanism through the National Government transfers the resources to municipalities, districts, and departments to address basic services such as education, health, water, and basic sanitation.

The reform to the general participation system is presented.

The plenary of the house of representatives [approved in its eight and final debate the project to GPS Reform Bill](#)



With 75 votes, the [Senate plenary approved the project.](#)

The competences law must be passed [between 2025 and 2026](#) for the reform to enter into force

Key points to avoid unsustainable public finances.



The purpose of the new competences law is to [transfer commitments and responsibilities to the municipalities.](#)



The SGP adopt a new scheme in which transfers will be [linked to the trend related to income taxes.](#)



The initiative has been moderated to [decrease the percentage transferred to municipalities, from 46% to 39.5%.](#)



As part of the new agreement, the transition period has been extended [from 10 years to 12 years.](#)



the decentralization law [won't be applied if the new competences law is not approved by congress](#)



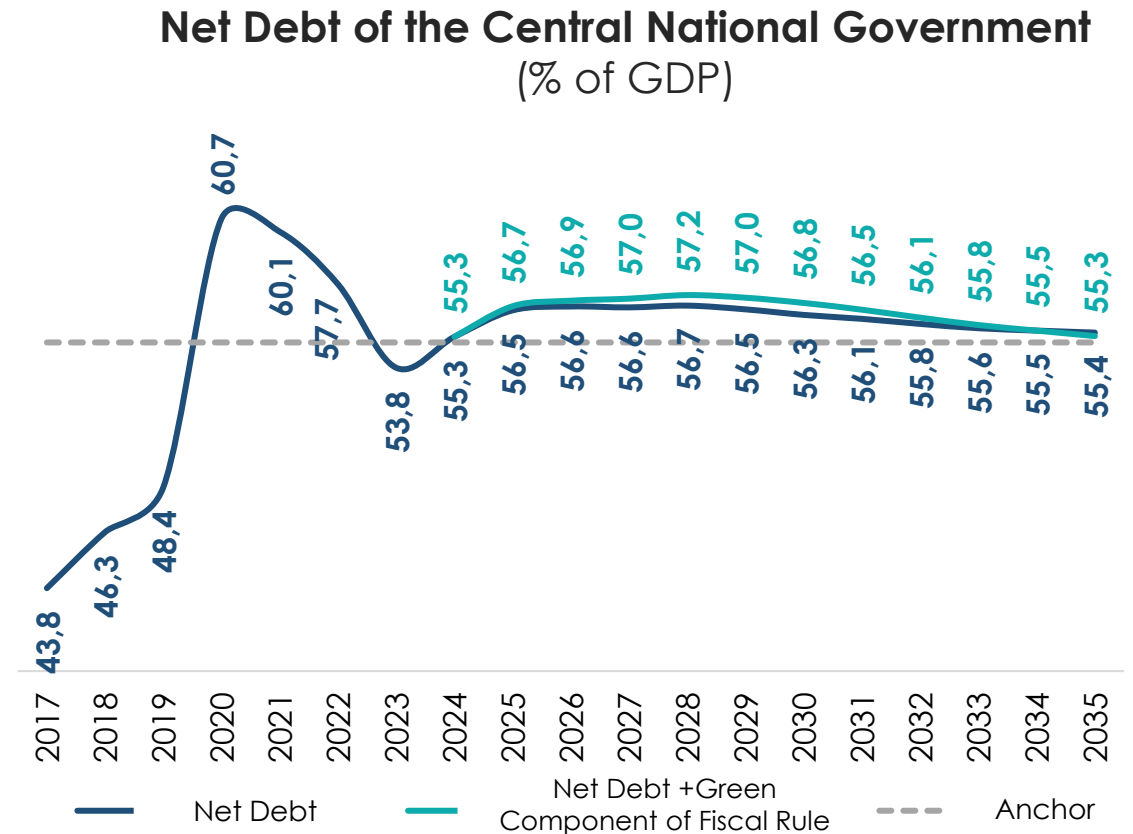
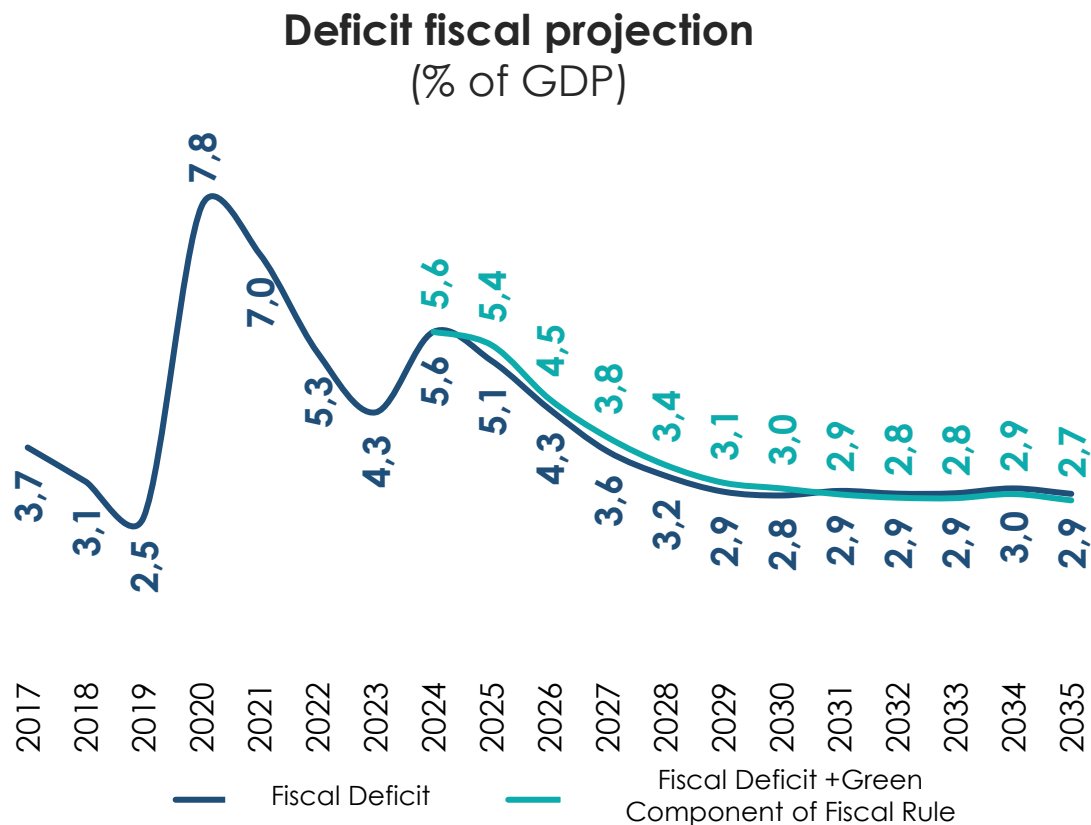
The time to present the competencies law is six months, with the aim of having a year to discuss it.



The initial period that [the law will enter is 2027.](#) In that year, the municipalities and national government must consider [the effect from this law in the new budgets and fiscal year application for 2028.](#)

The Green Fiscal Rule component would be self-sustainable and uphold the principles of fiscal sustainability.

- » This process includes **external verification** conducted by an independent entity (**Moody's**), which carries out an auditing process to ensure the relevance of the investment portfolio.
- » The **proposal is self-financing** over time and ensures debt levels around the anchor of the Fiscal Rule.



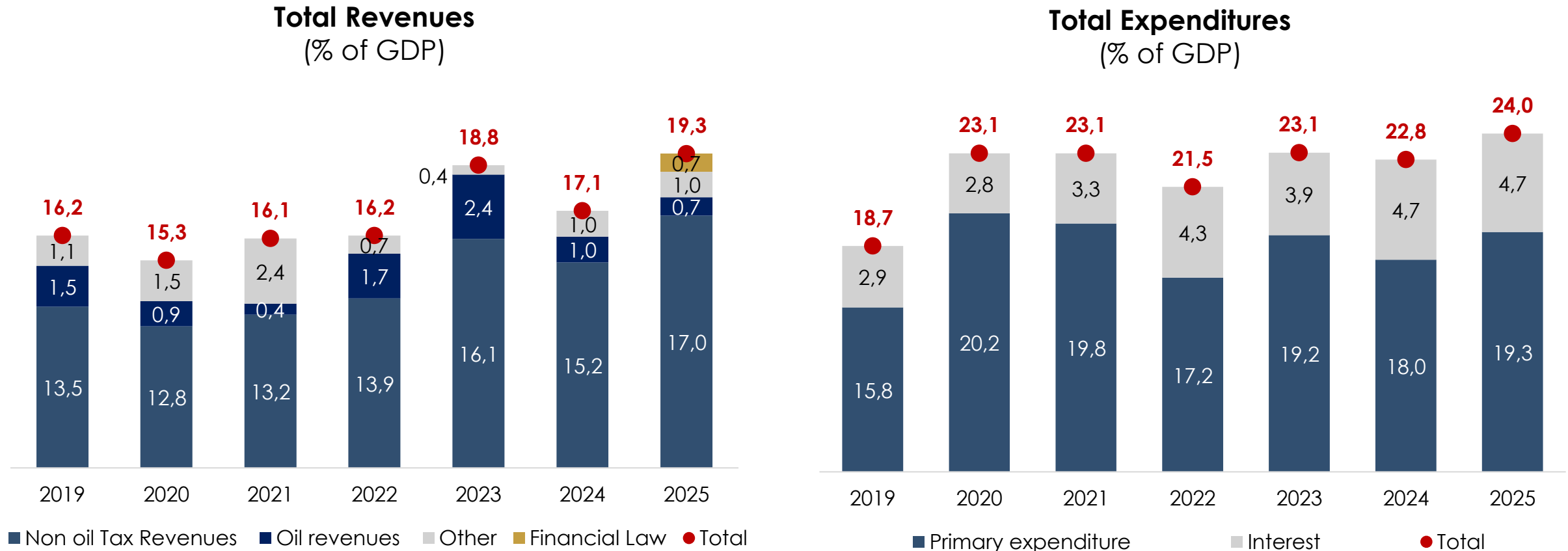
Annex



Summary of the macroeconomic scenario 2024 - 2025

Variable	2023	MFMP	
		2024	2025
Real GDP growth (YoY, %)	0,6	1,7	3,0
Nominal GDP growth (YoY, %)	7,0	7,1	5,7
Deflator (%)	6,3	5,3	2,6
Inflation (average, %)	11,8	6,7	4,1
Inflation (end of period, %)	9,3	5,3	3,2
Exchange rate (average, USD/COP)	4.328	3.997	4.179
Depreciation (average, %)	1,7	-7,6	4,5
Exchange rate (end of period, USD/COP)	4.822	4.142	4.218
Brent oil price (average, USD/Barrel)	82,4	83,0	80,0
Oil production (KBPD)	-17,1	-0,6	2,5
Imports (USD, YoY growth, %)	-2,5	-2,6	-2,5

The Central Government revenues will reach 19,3% of GDP in 2025, which allows an **increase of primary expenditure**. This is consistent with a strategy of **social expenditure within fiscal responsibility**.



The fiscal strategy is consistent with the **strict compliance of the Fiscal Rule goals**

Decomposition of the Fiscal Balance consistent with the Fiscal Rule 2024 and 2025

Fiscal Rule Components	Financial Plan	MTFF ₂₀₂₄	MTFF ₂₀₂₅
Structural Primary Net Balance*	-0.20	-0.20	0.50
Economic cycle	-0.08	-0.16	-0.12
Oil cycle	-0.23	-0.21	-0.45
One-off Transactions	-0.34	-0.33	0.00
Interest Income	0.00	0.00	0.00
Primary Balance	-0.85	-0.90	-0.07
Interest Payments	-4.47	-4.74	-4.66
Fiscal Balance	-5.32	-5.64	-4.73

✓ Economic cycle space **due to a slightly negative output gap for 2025**

✓ **Update of real and potential GDP estimate**, resulting in a larger estimated negative output gap for 2024.

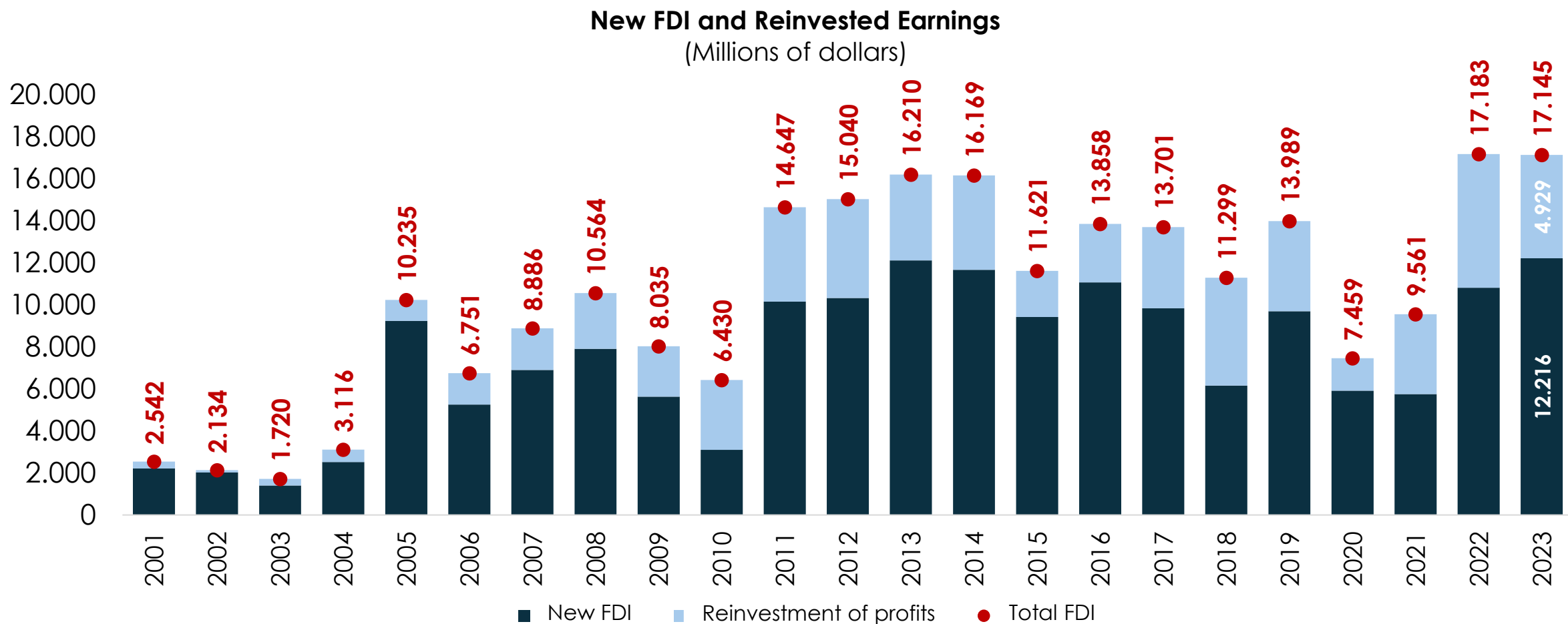
The **oil cycle provides room** due to lower expected revenues from the sector, including:

- Reduced dividends and income tax payments from Ecopetrol
- Lower transfers from the National Hydrocarbons Agency (ANH in Spanish)

2024

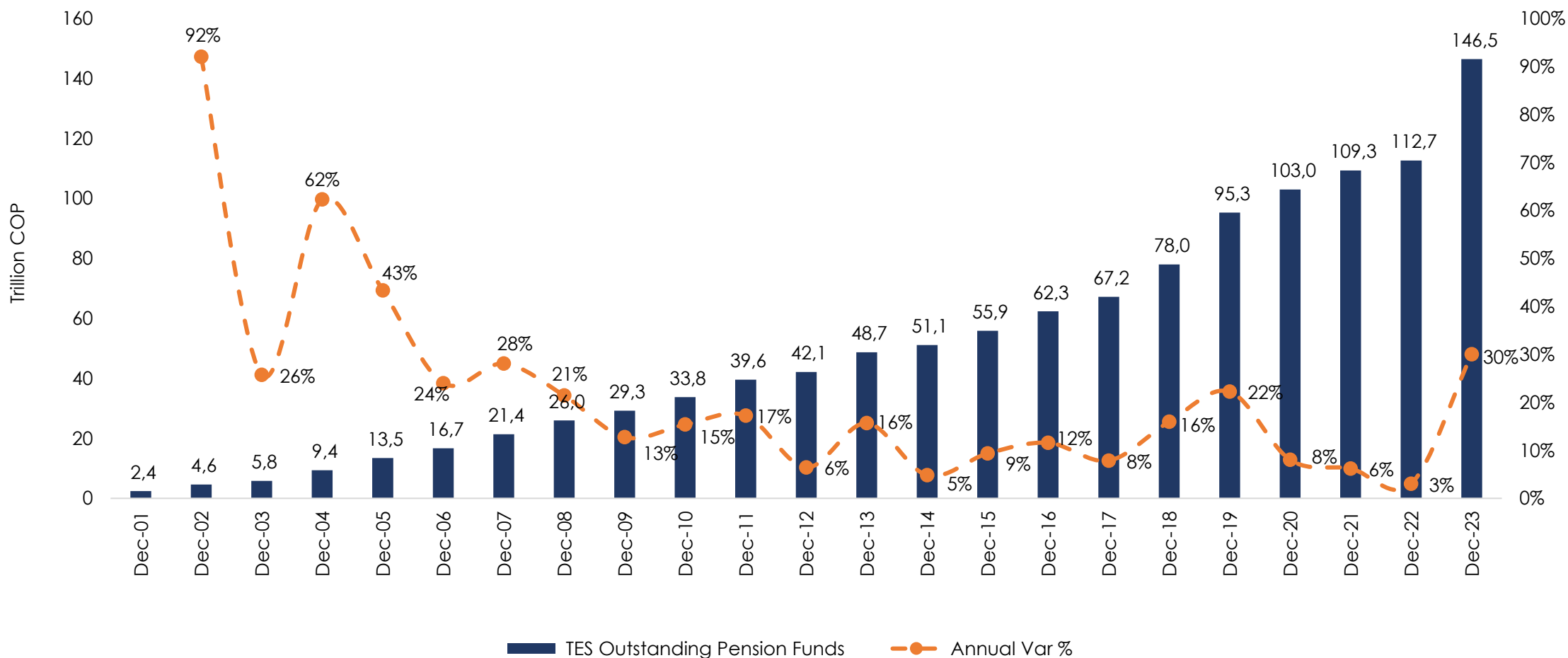
- ✓ **Non-structural payment of FEPC** (-\$1.3 Trillion COP)
- ✓ **Ruling regarding the non-deductibility of royalties for the mining sector** (-\$1.5 Trillion COP)
- ✓ **State Council's decision to eliminate time limit on cash refund requests** (-\$3 Trillion COP)

In 2023, 71% of total Foreign Direct Investment inflows into the country were attributed to new investments, while 29% came from profit reinvestment

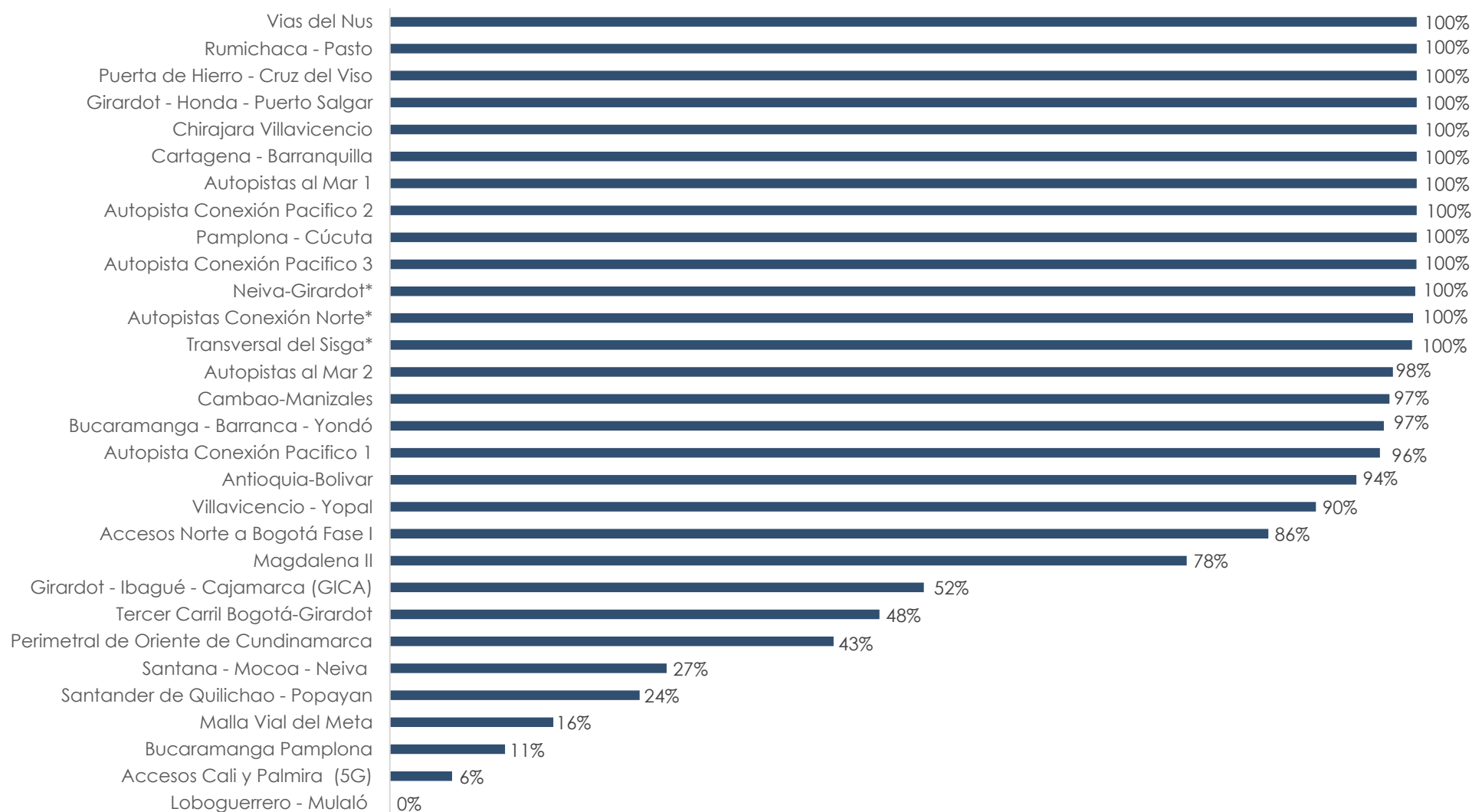


Pension Funds as a local debt holders

The pension reform proposal has defined a **public fund** as a new player that **should also invest part of the contributions in the public debt market**. The impact in local TES should be mitigated by this fact.



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

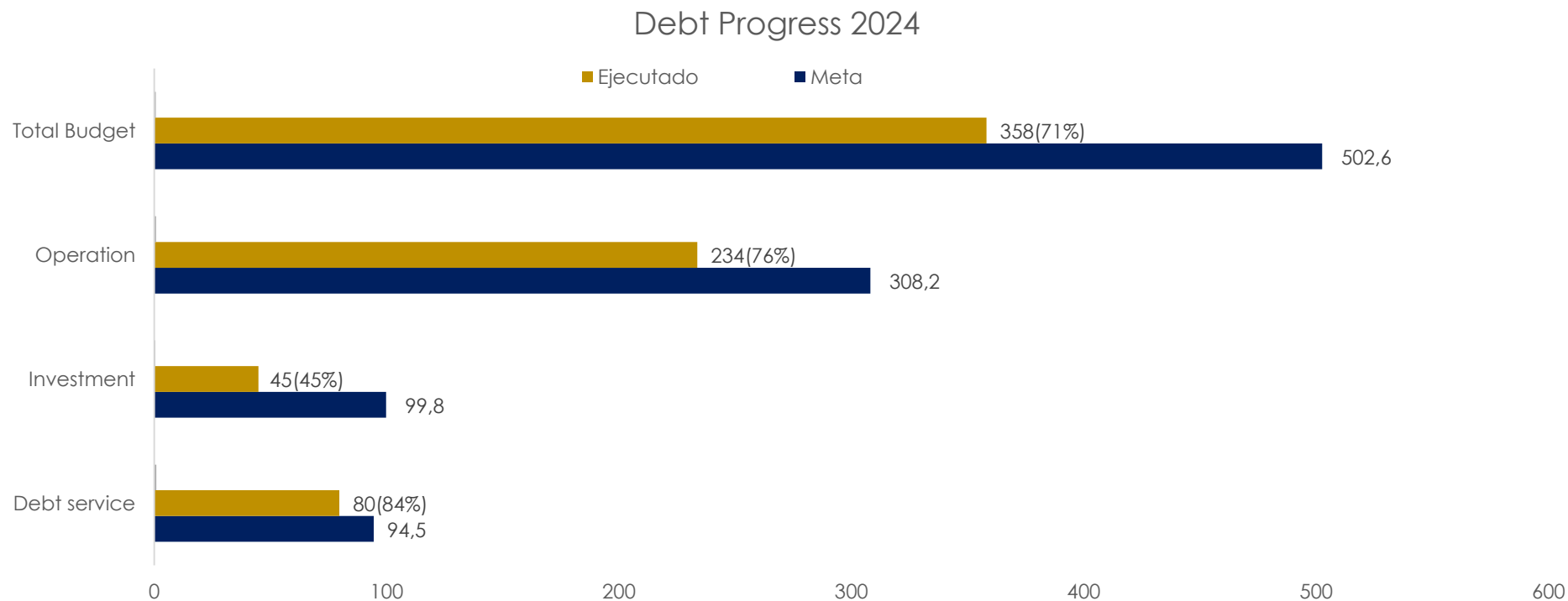
- Cartagena´s new airport
- El Dorado airport expansion.



Highway Projects

- IP Conexion Centro
- IP Ruta del Agua
- Boquerón – El Tablón
- Sogamoso Aguazul – Maní El Yucac

2024 Budget Execution



Budget
execution
without debt



68,1%

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.



Hacienda

