



**El emprendimiento
es de todos**

Minhacienda

Colombia: Macroeconomic Strengths and Investment Opportunities

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Ministry of Finance

June 2020



A. Three anchors of macroeconomic stability

1. Dynamic and resilient growth
2. Prudent fiscal response to the emergency
3. Political stability and strong institutions

B. Investment opportunities Post-Covid

1. Internationalization on fixed income markets
2. Diversified foreign direct investment
3. Development of multimodal infrastructure

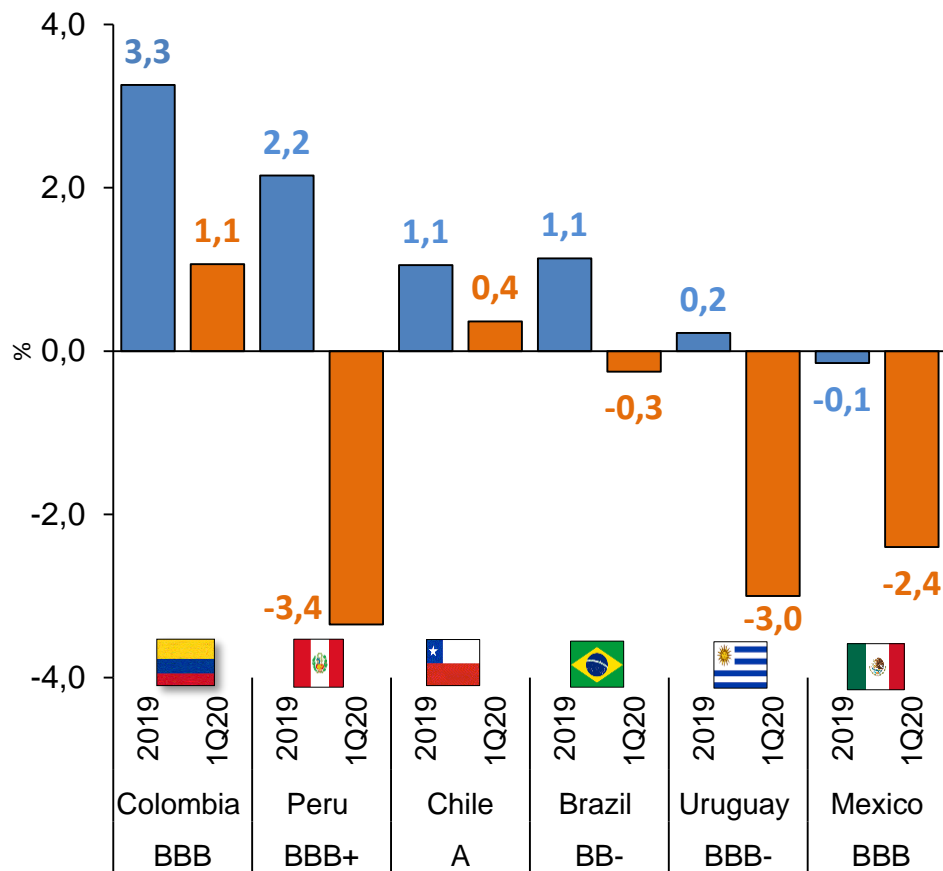


A. Three anchors of macroeconomic stability

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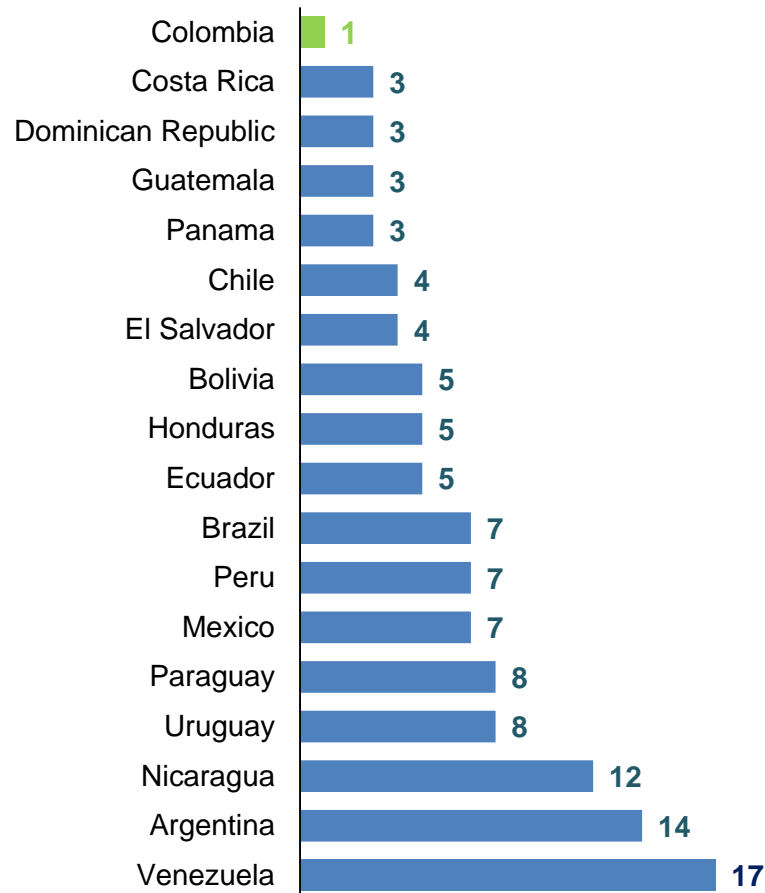


Growth outperforms regional peers pre and post pandemic



Source: Calculations Ministry of Finance.

High shock absorption capacity only 1 recession in 40 years (1980-2019)



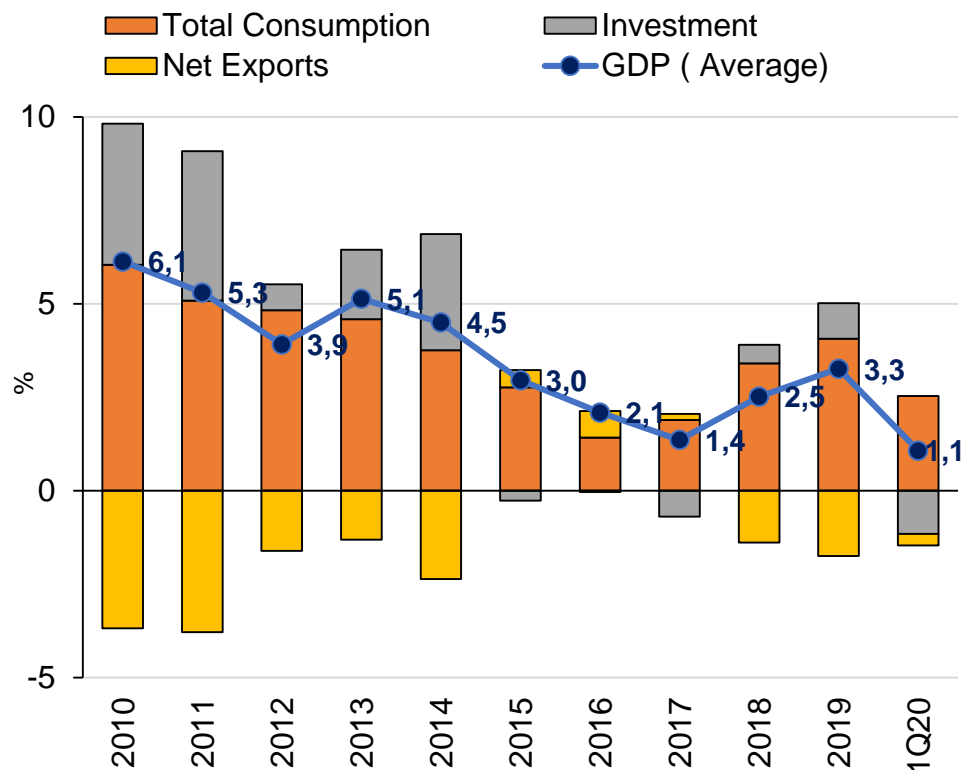
Source :IMF-WEO, Calculations Ministry of Finance.



Most Economic Activities Grew Positively In 1Q20

	Share 2020	2017	2018	2019	2020Q1
GDP	100%	1,4	2,5	3,3	1,1
Retail & transportation	17%	1,9	2,7	4,9	0,9
Public administration	14%	3,5	4,6	4,9	3,4
Manufacturing	12%	-1,8	1,8	1,6	-0,6
Real estate services	10%	3,1	2,7	3,0	2,6
Taxes	9%	1,1	2,9	4,6	1,2
Agriculture	7%	5,6	2,4	2,0	6,8
Professional & business services	7%	1,5	3,8	3,7	2,7
Construction	5%	-2,0	-0,4	-1,3	-9,2
Mining	5%	-5,8	-1,9	2,1	-3,0
Finance & insurance	5%	5,4	3,6	5,7	2,1
Utilities	3%	2,9	2,5	2,8	3,4
Information & communications	3%	-0,2	2,9	1,7	1,4
Arts, entertainment & recreation	3%	2,1	2,3	3,4	-3,2

The pandemic slowed down the investment-led recovery

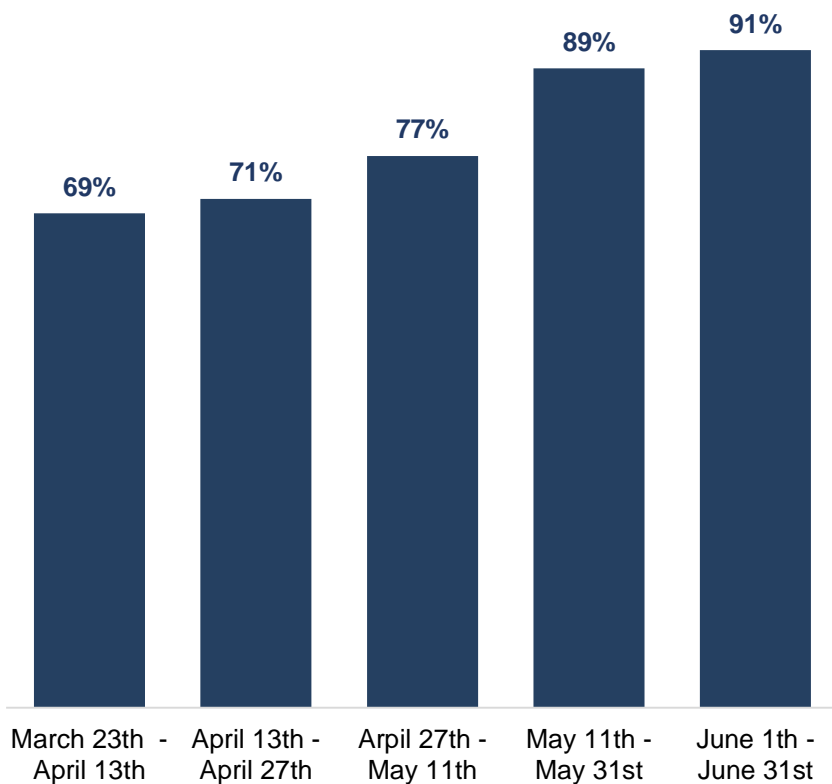


Source: DANE. Calculations Ministry of Finance.

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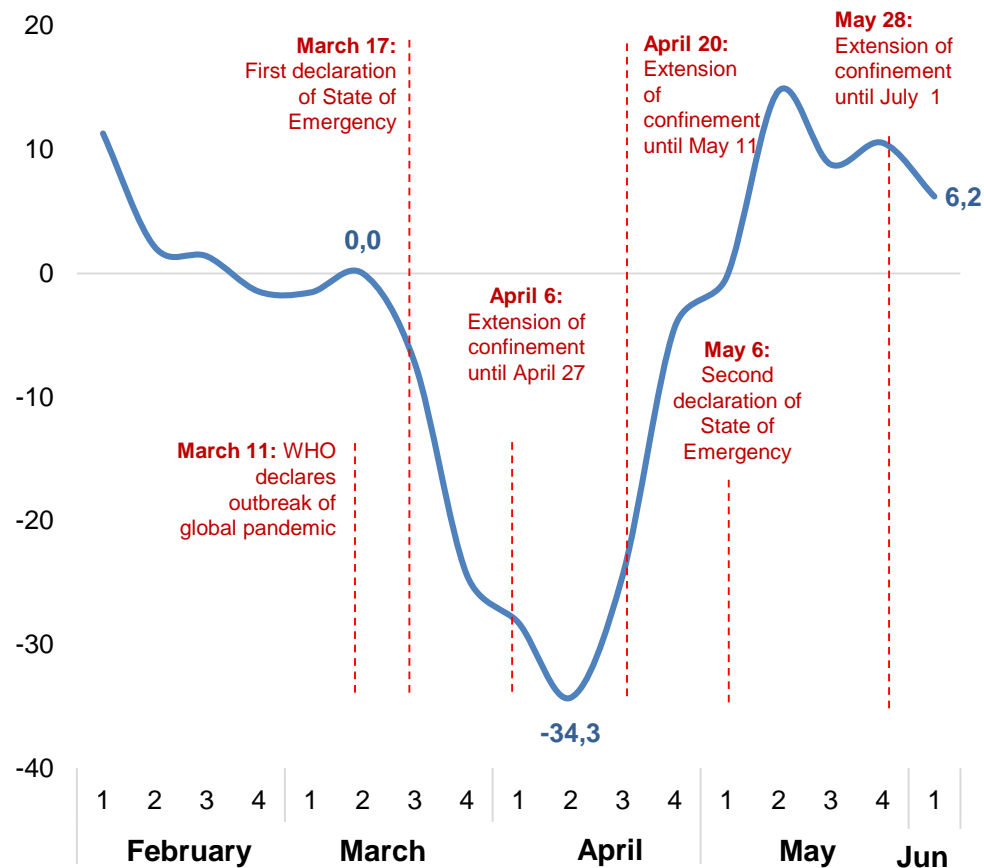


Production gradually returns to full capacity



Source: Calculations Ministry of Finance – GDMP, considering government decree.

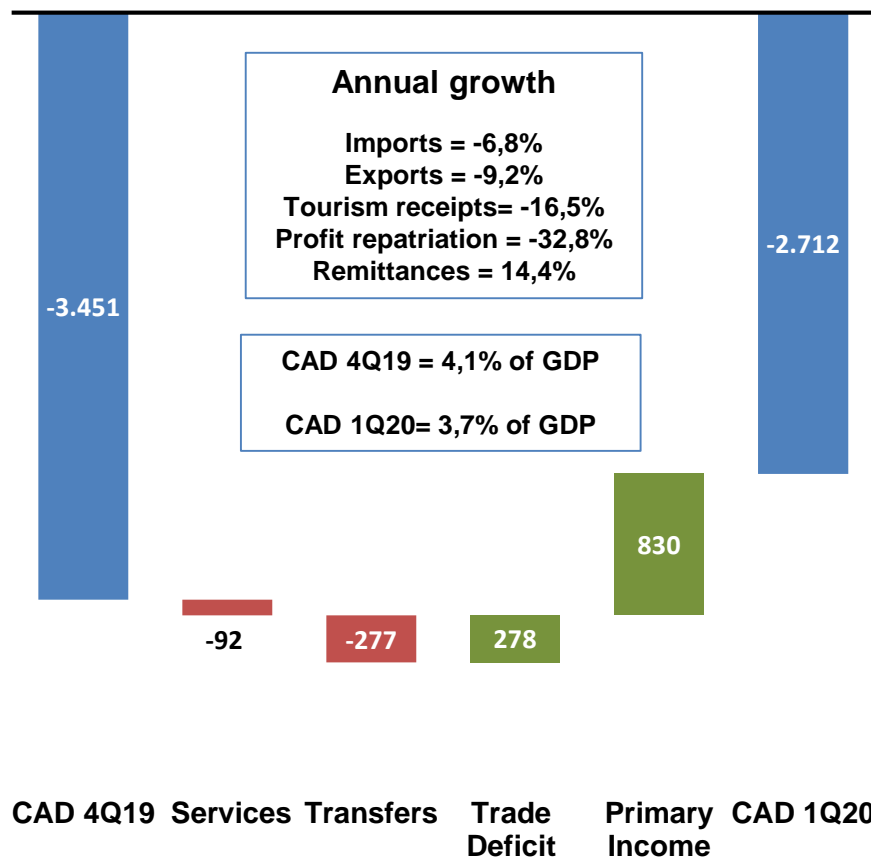
Energy demand recovers to pre-covid levels (Monthly change %)



Source: Estimations by Ministry of Finance and Public Credit based on data from XM.

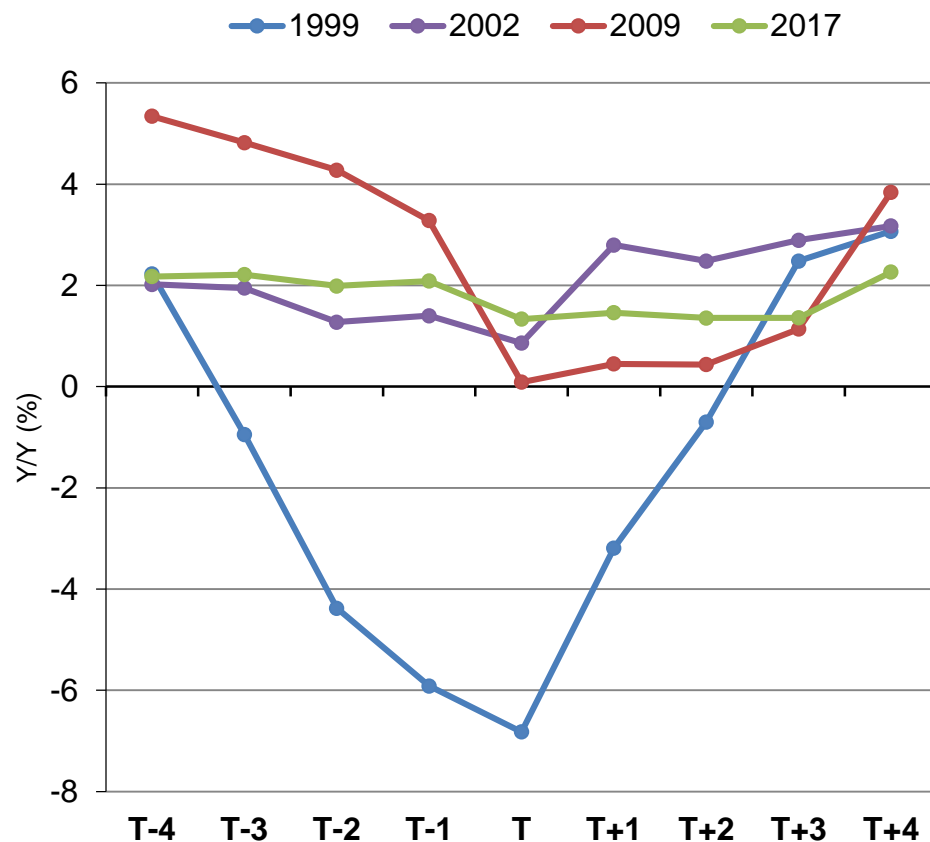


Orderly adjustment in the current account deficit



Source: Central Bank.

V-shaped or U-shaped recovery



Source: DANE.



A. Three anchors of macroeconomic stability

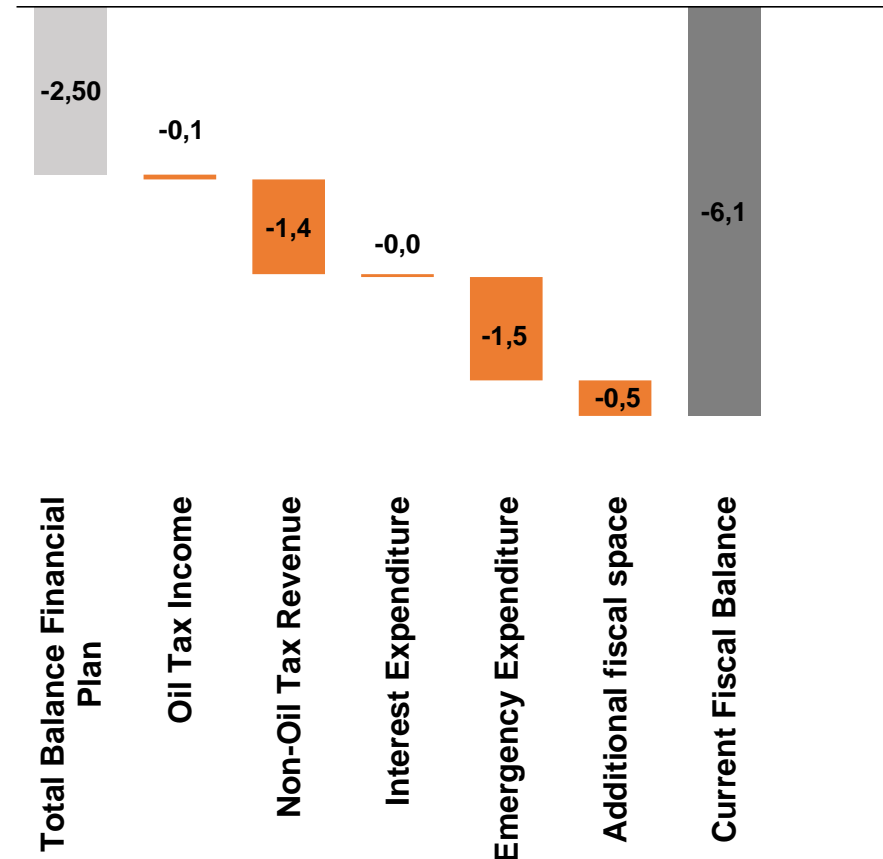
1. Dynamic and resilient growth
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Emergency response package nears 11% of GDP

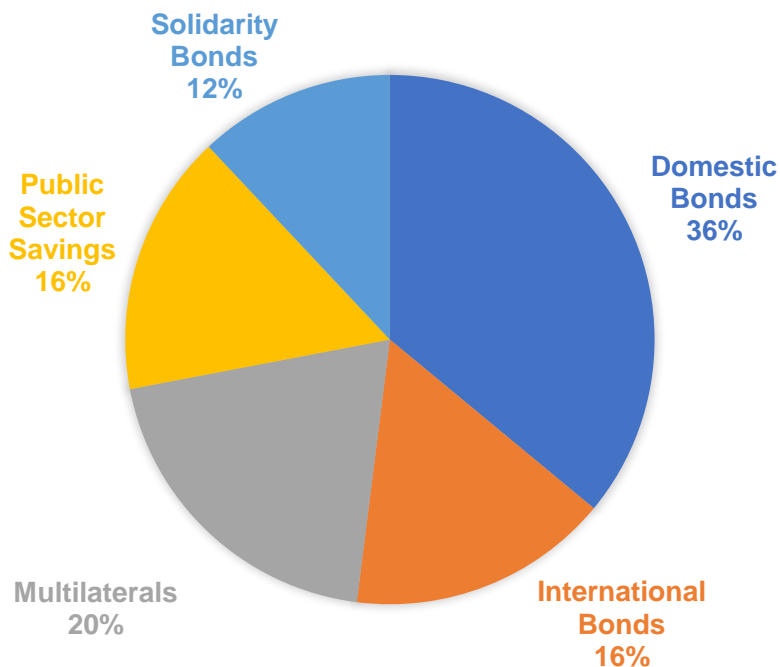
% of GDP	Pillar	Policy Measure
3,1%	Fiscal Package	Sanitary Emergency
		Vulnerable Populations
		Employment Protection
3,0%	Liquidity Provision	Repo Facilities
		Bond Purchases
		Reserve Requirements
4,8%	Credit Guarantees	Working Capital and Payroll
		Independent Workers
		Microfinance

Budget deficit widens reflecting revenue and expenditure shocks (% of GDP)



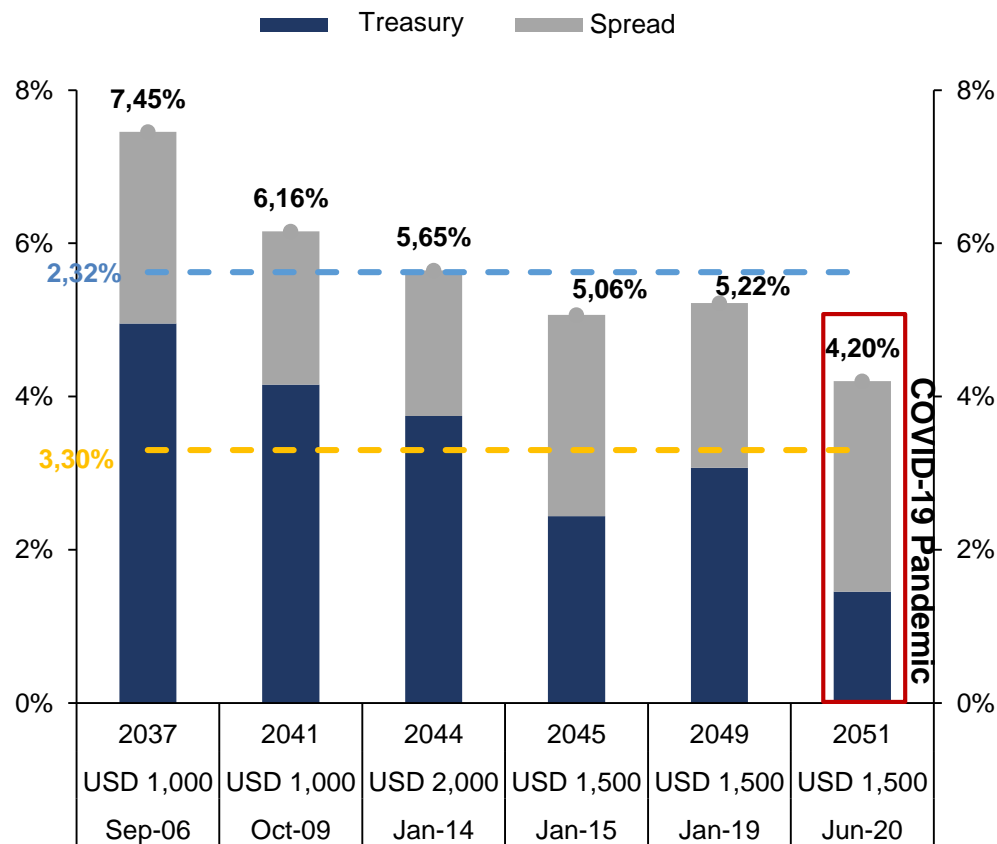


Deficit is covered through a diverse funding mix



Source: Ministry of Finance.

External bonds meet record demand and low rates



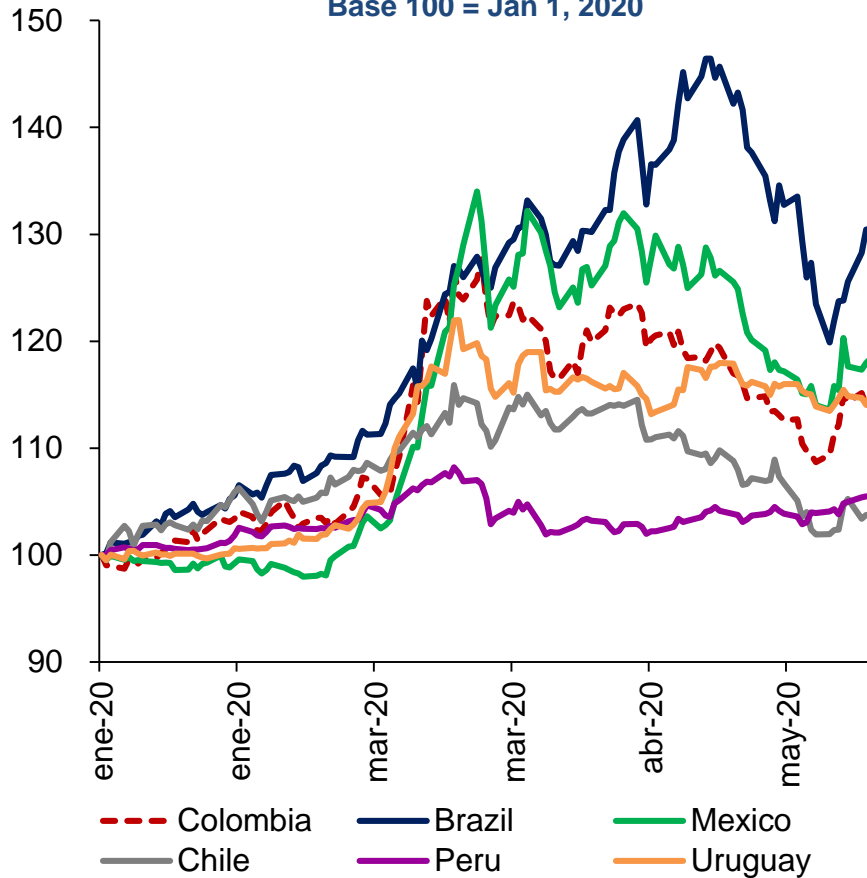
30yr+ New Benchmark | Yield & Spread
| Since 2006

Source: Ministry of Finance.



COP recovers amidst high volatility

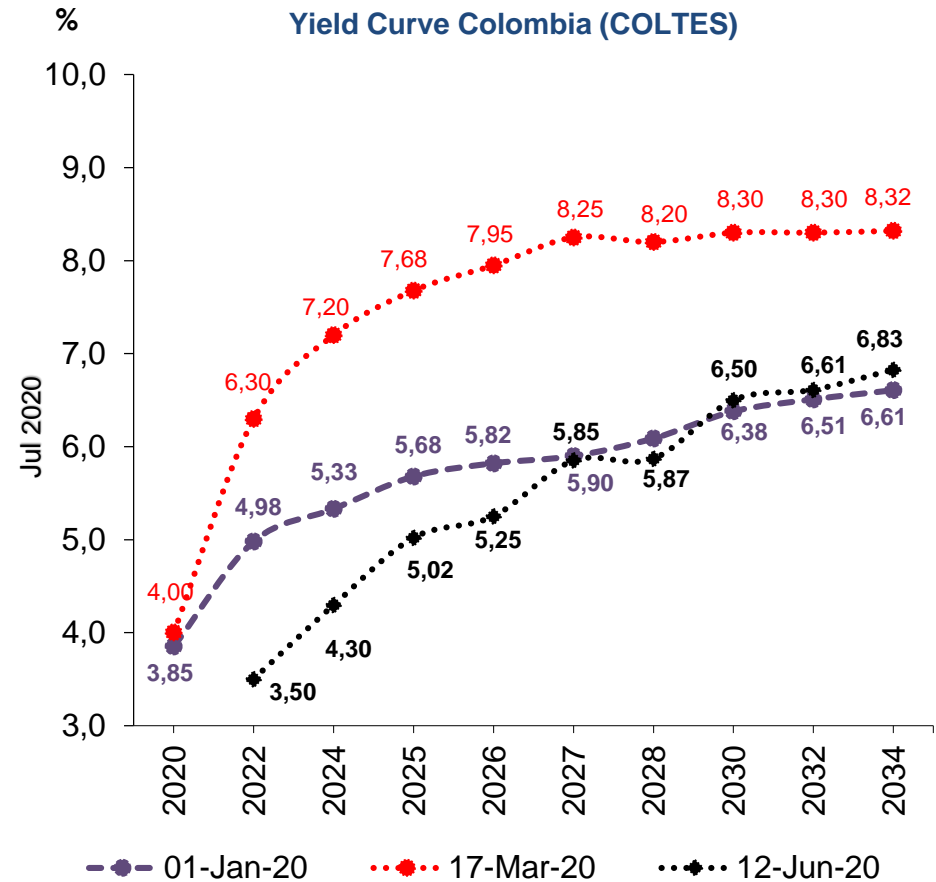
Exchange rate depreciation (%)
Base 100 = Jan 1, 2020



Source: Bloomberg

COLTES appreciate to pre-pandemic levels

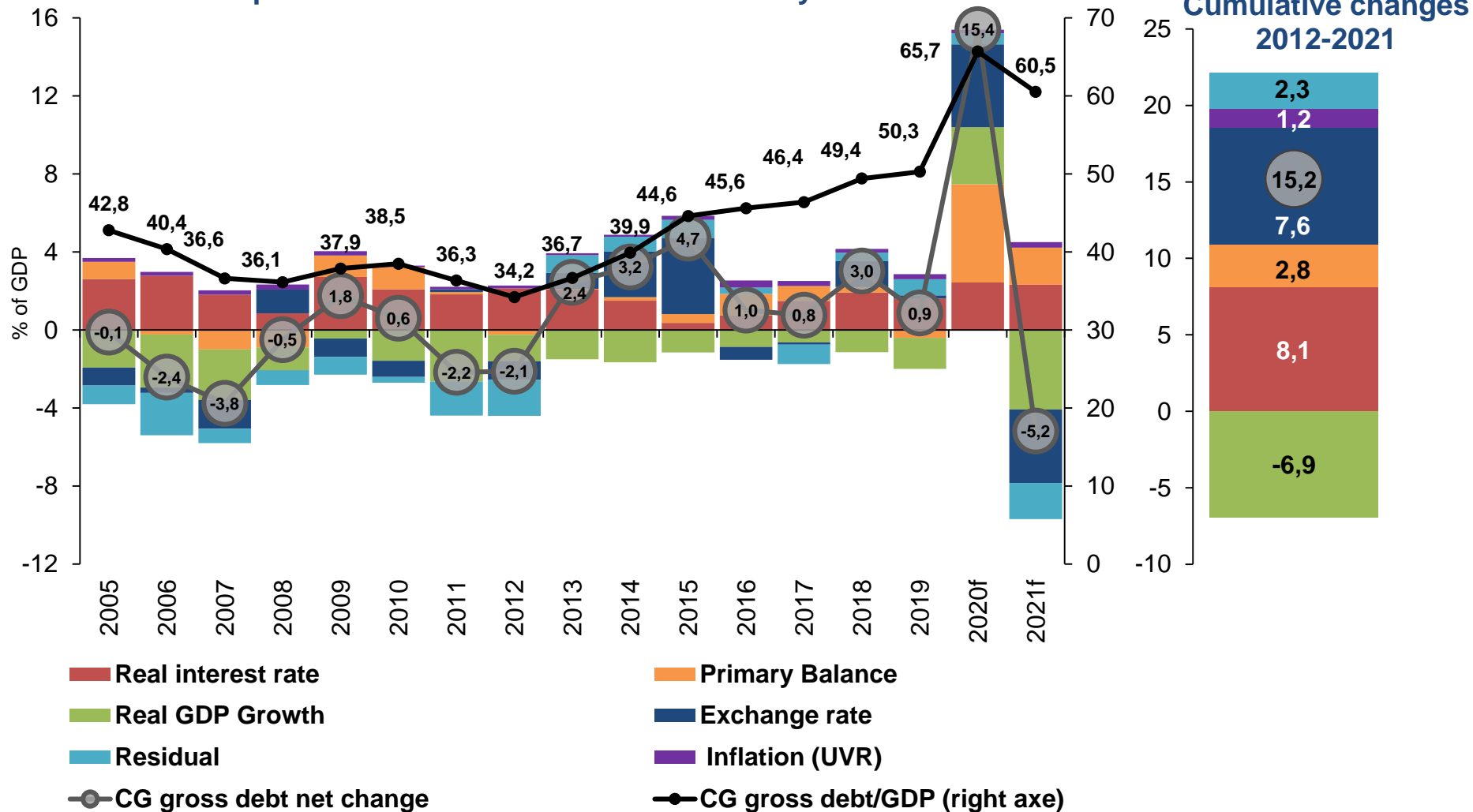
Yield Curve Colombia (COLTES)



Source: Bloomberg



Decomposition of Central Government Debt Dynamics



f. forecast

Source: Ministry of Finance.



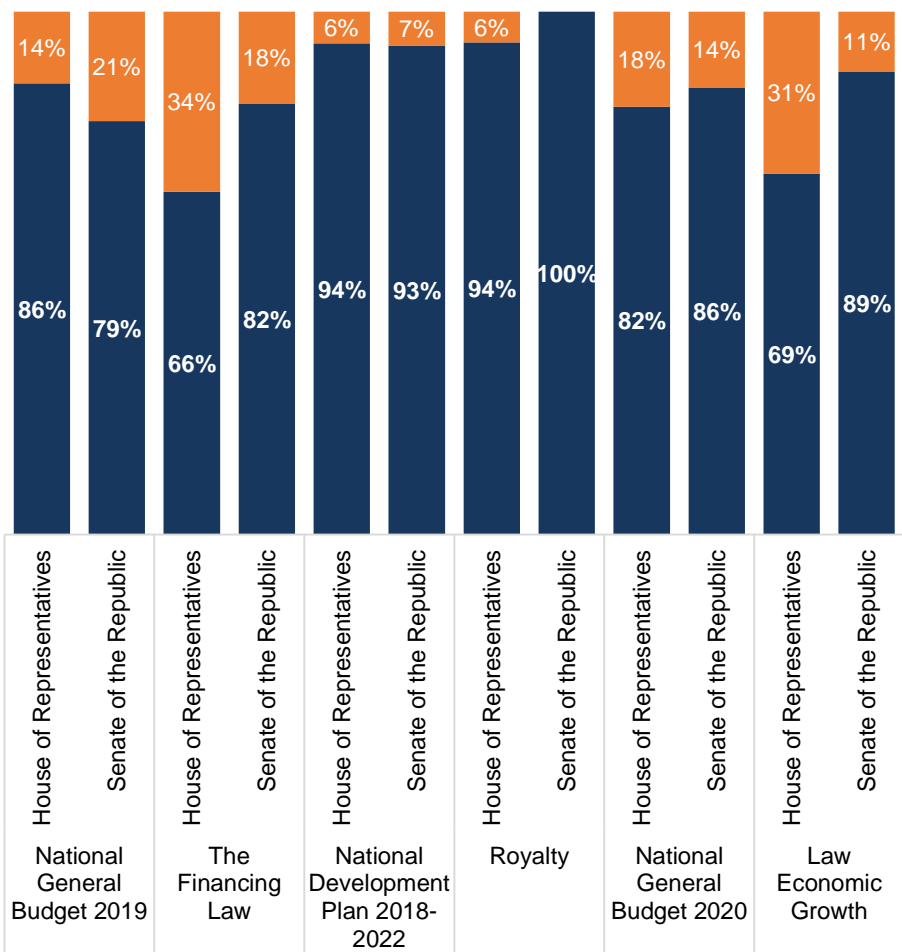
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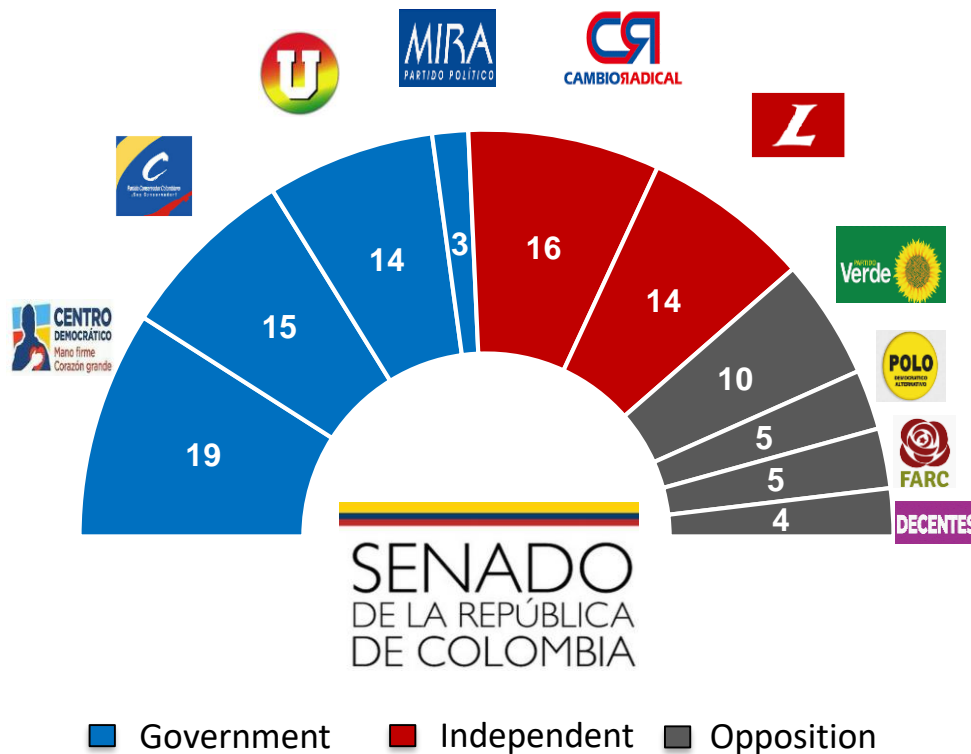


Six economic laws passed in two years

■ Yes ■ No



Stronger ruling coalition after cabinet reshuffle



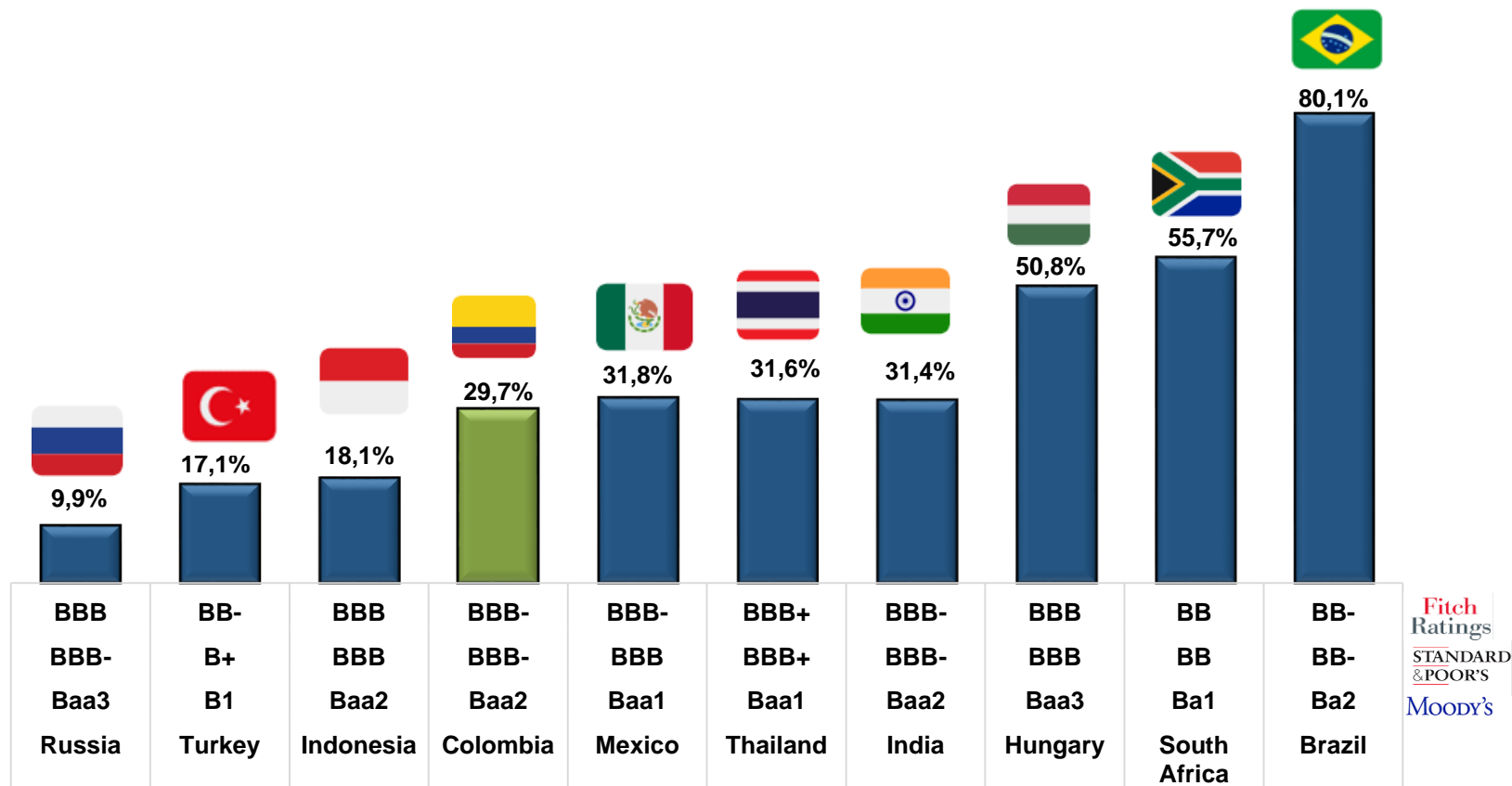


B. Investment opportunities Post-Covid

- 1. Internationalization on fixed income markets**
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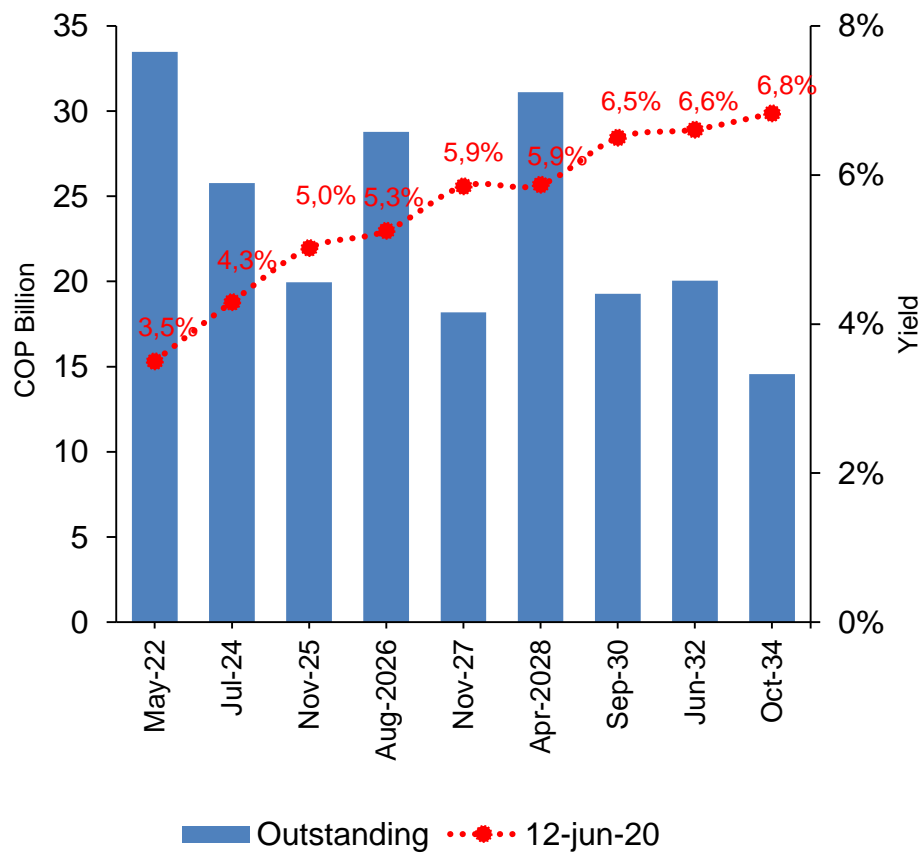
Optimal size of fixed rate and linkers curves



Source: Bloomberg, IMF, WB.

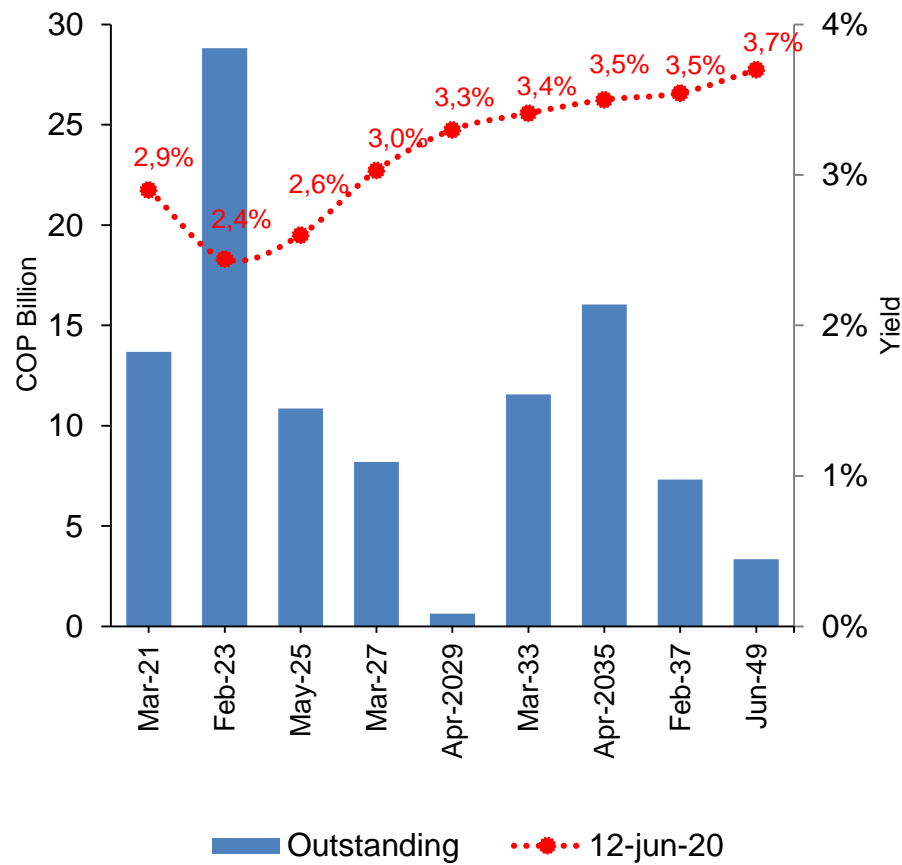


COP curve to be extended to 30 years



Source: Infovalmer, Central Bank, Ministry of finance.

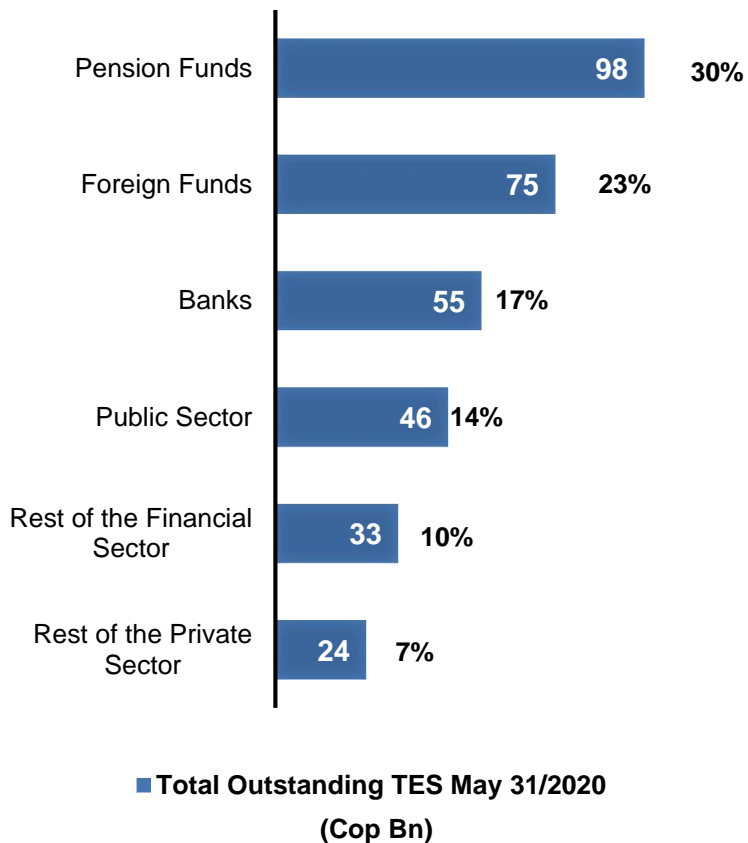
Linkers curve to be more liquid and standardized



Source: Infovalmer, Central Bank, Ministry of finance.

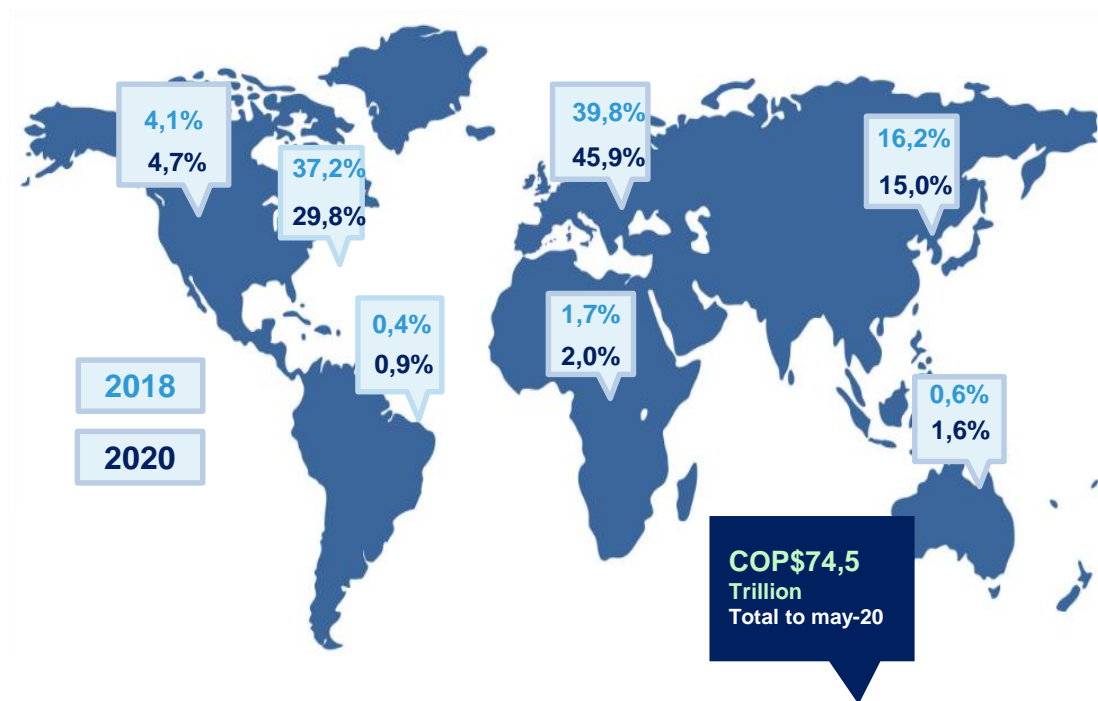


**A competitive market,
with no dominant holders**



Source: Ministry of Finance.

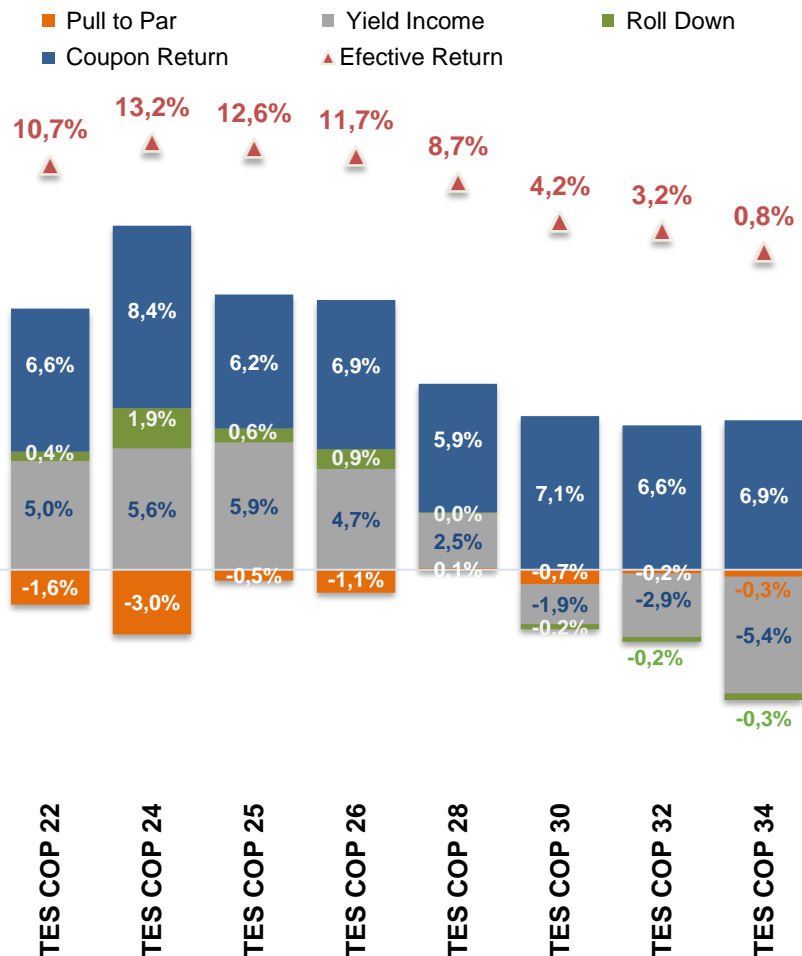
**High diversification by geography
and type of investor**



Source: Ministry of Finance.

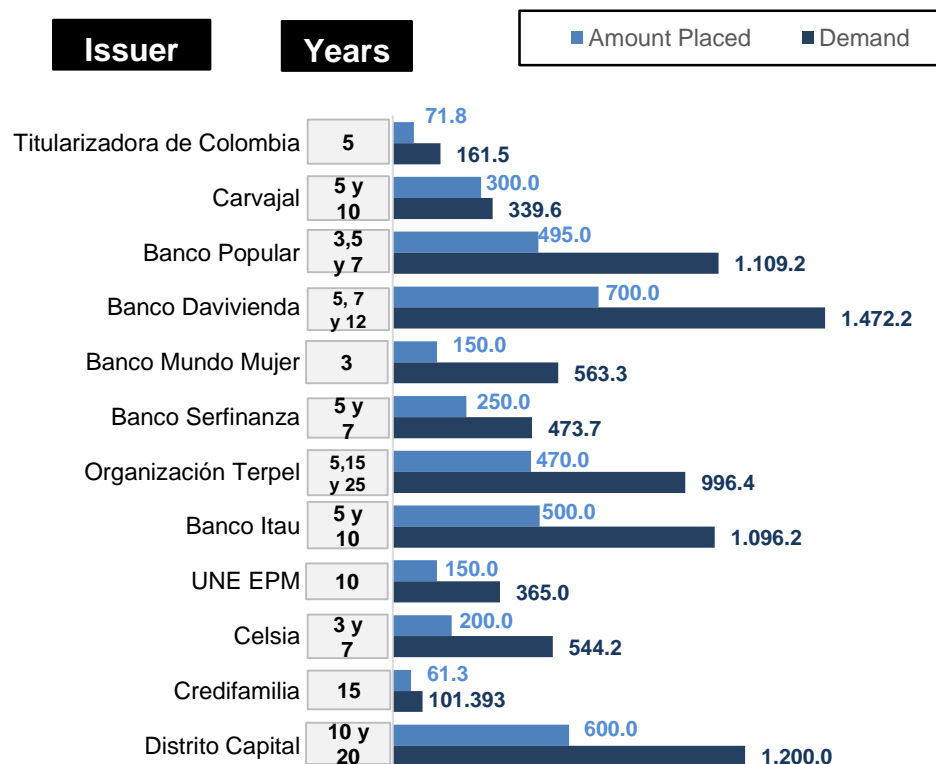


Decomposition of returns years to date-TES COP



Source: Ministry of Finance
Effective rates up to 12 of June of 2020

Increased number of non-government issuers



Source: BVC. Thousands of millions- COP

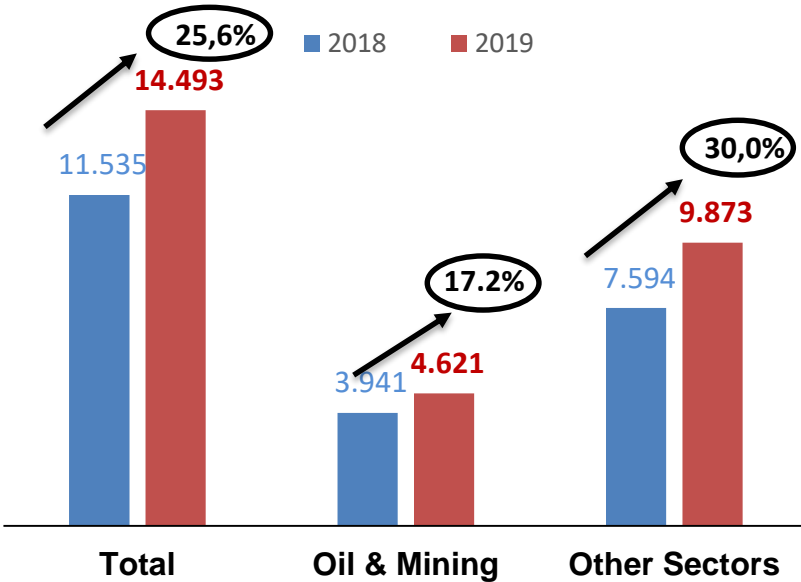


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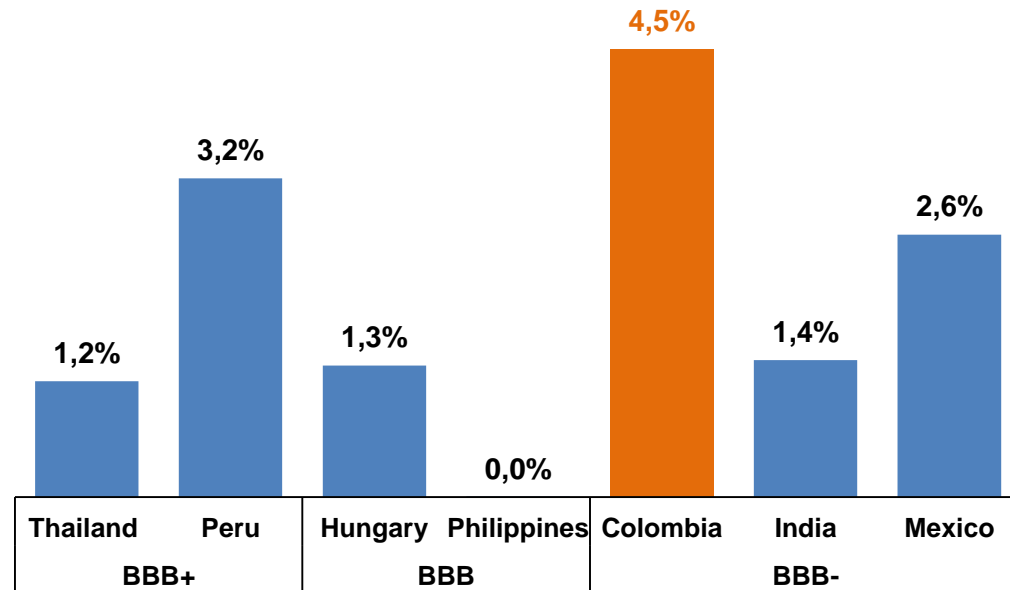


FDI volumes surge and diversify in 2019 (USD \$ Millions)



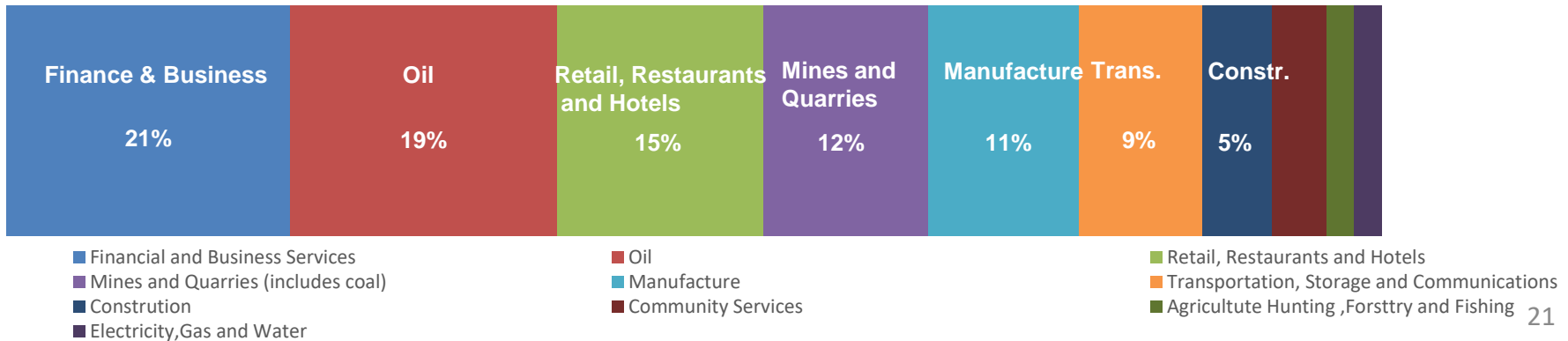
Source: Central Bank.

Colombia remains a top investment destination in emerging markets (% GDP 2019)



Source: Central Bank. S&P

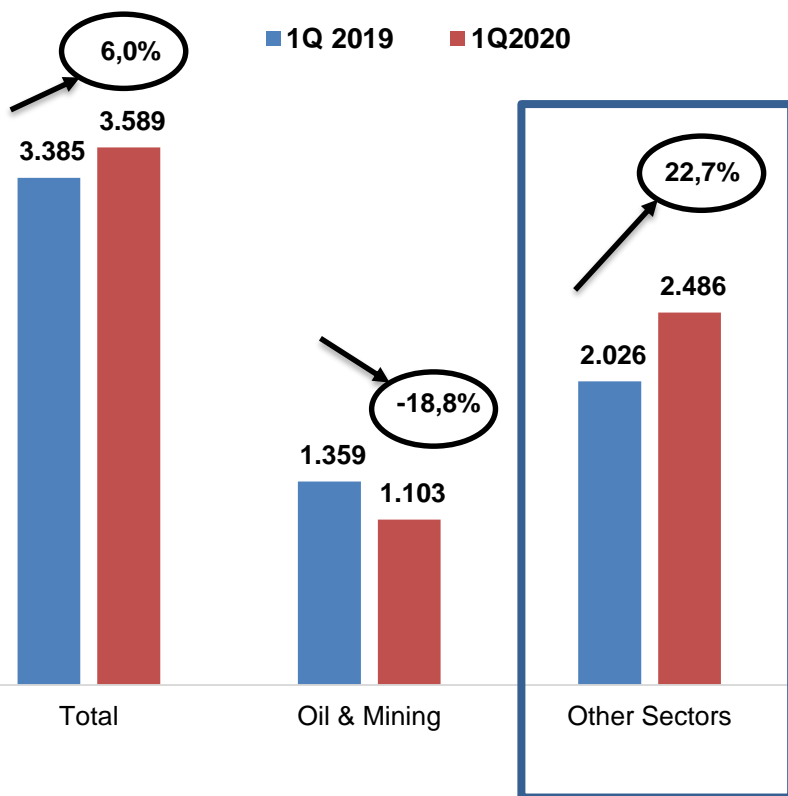
FDI composition by sector (2019)





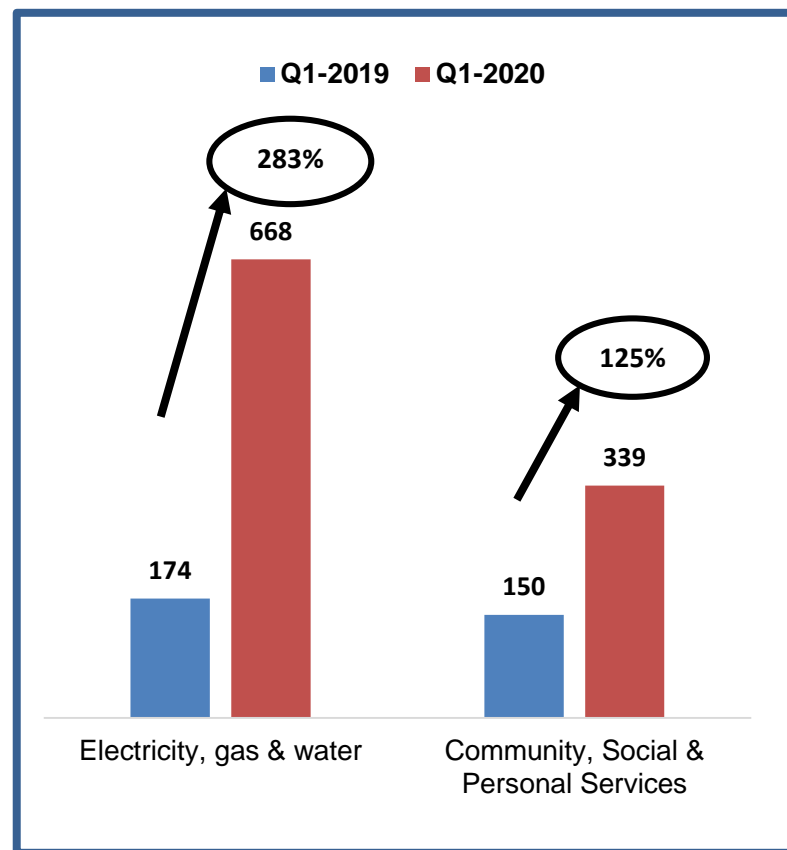
Capital inflows to new sectors offset fall in mining FDI

Gross FDI
(USD \$ Millions- 1Q 2020)



Source: Central Bank.

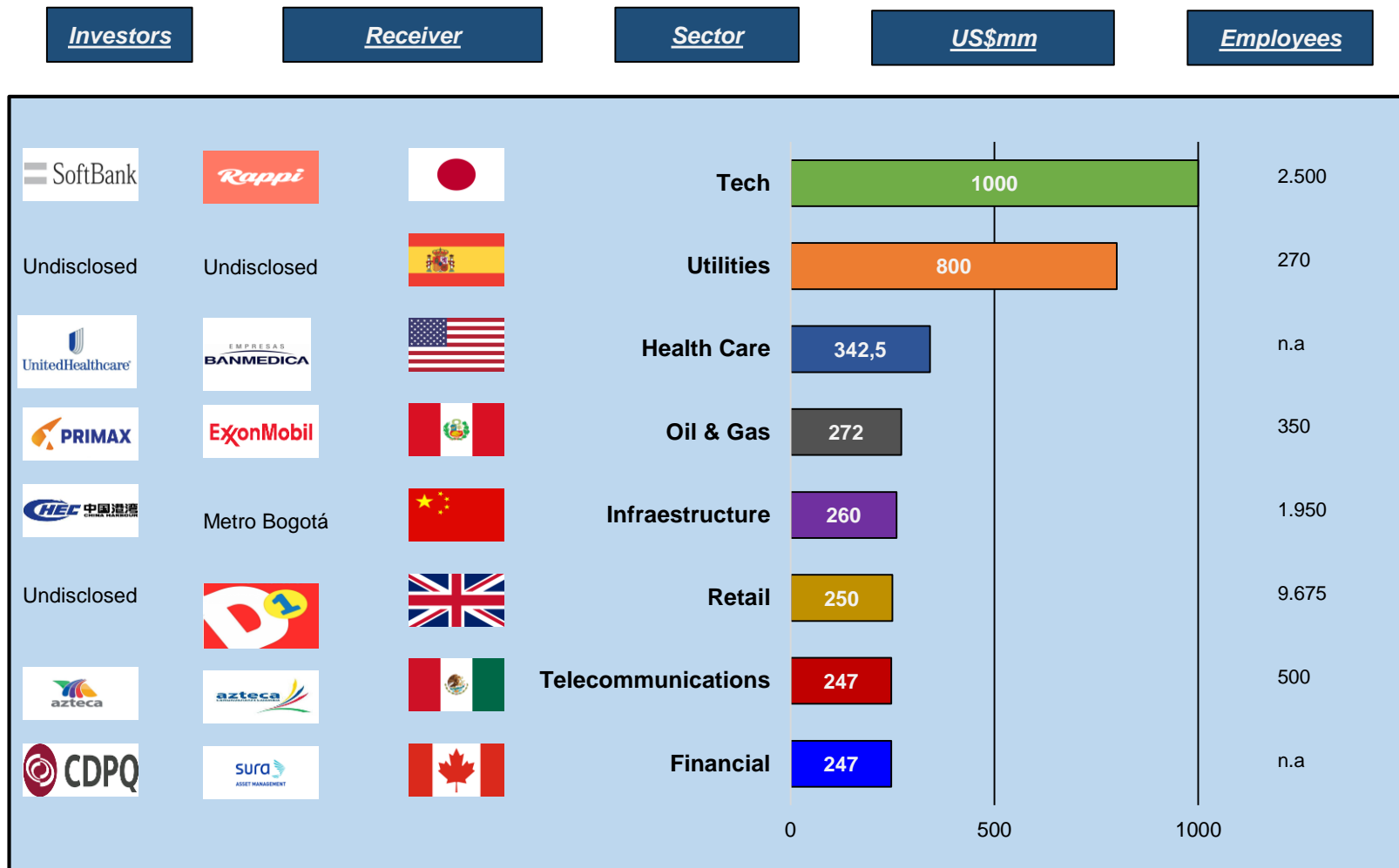
Gross FDI in Other sectors
(USD \$ Millions- 1Q 2020)



Source: Central Bank.



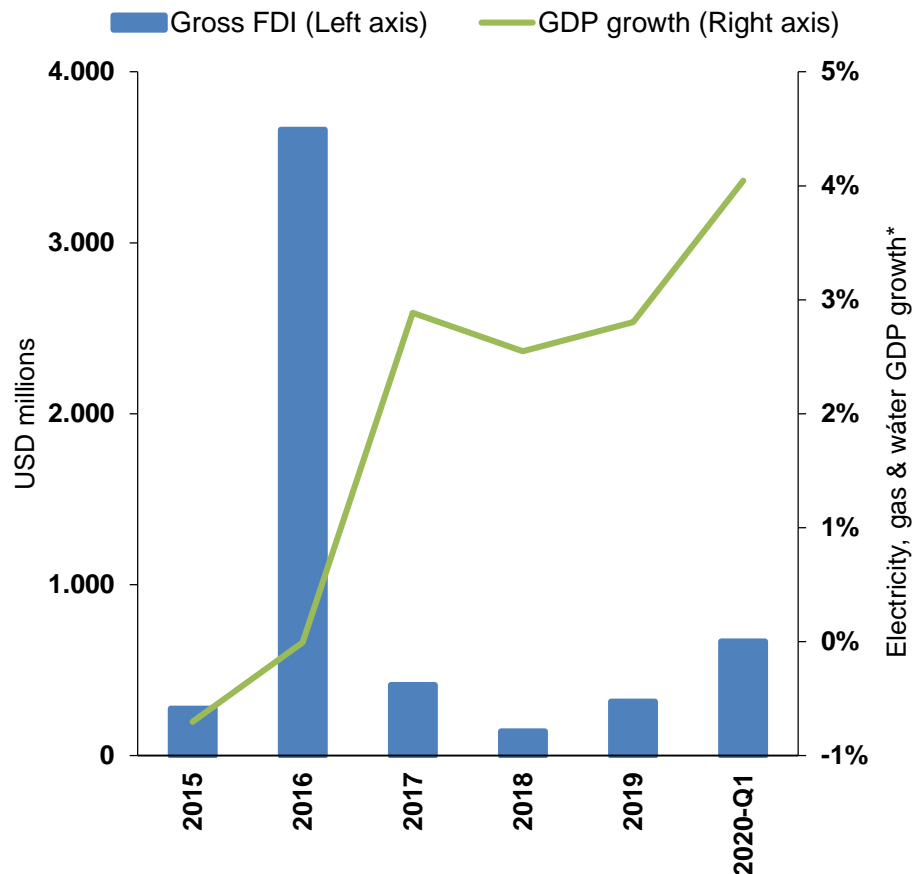
Landmark investment transactions in 2019-2020



Source: Ministry of Industry and Commerce



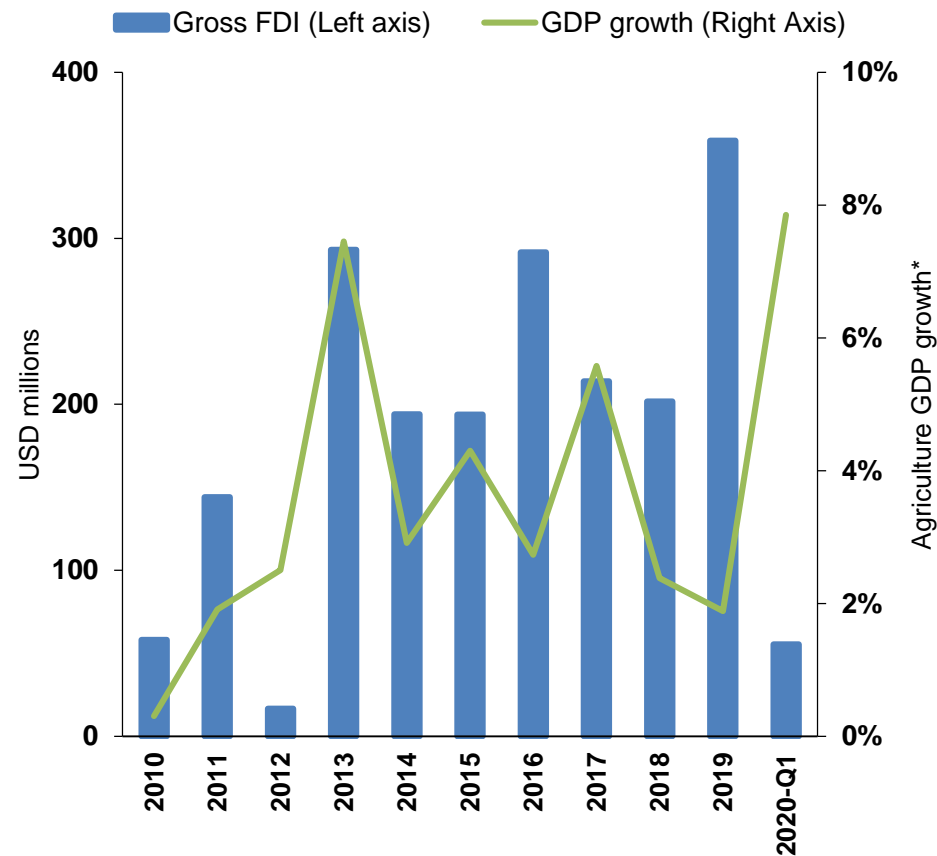
Electricity, gas & water Sector Gross FDI vs sector GDP growth



Source: Central Bank.

*Seasonally adjusted annual rate

Agriculture Sector Gross FDI vs sector GDP growth



Source: Central Bank.

*Seasonally adjusted annual rate



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Infrascope Raking – Latin America

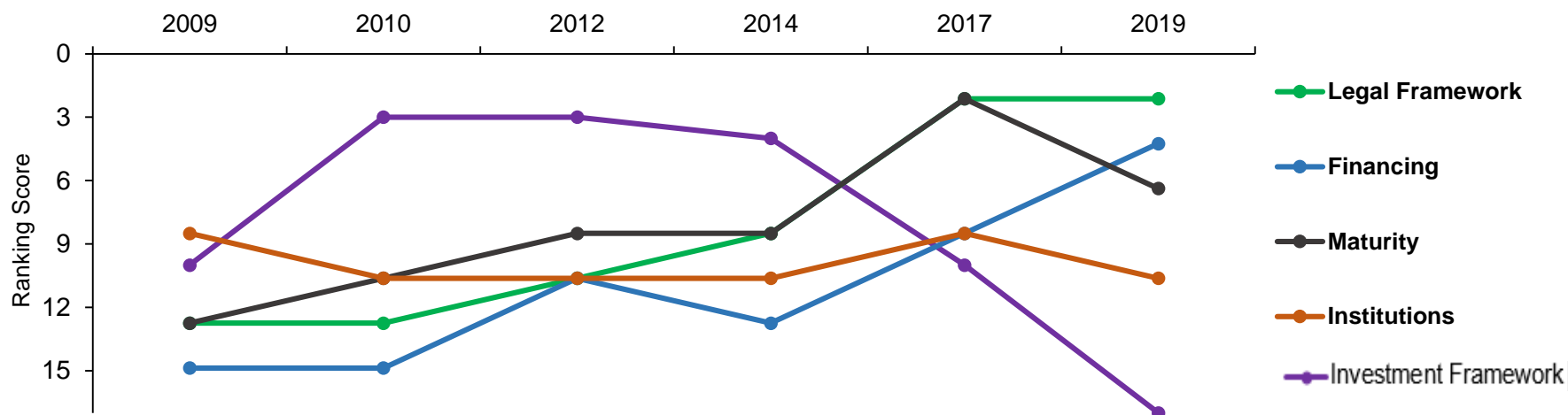
The
Economist

INTELLIGENCE
UNIT

Commissioned by



European Bank
for Reconstruction and Development



	2009	2010	2012	2014	2017	2019
Legal Framework	6	6	5	4	1	1
Financing	7	7	5	6	4	2
Maturity	6	5	4	4	1	3
Institutions	4	5	5	5	4	5
Investment Framework	10	3	3	4	10	17

General
Average
Per year

6³⁹

5⁵³

5⁵⁹

5⁶¹

1⁷⁴

2⁷⁷



1 Legal Framework

- ☐ **PPP Law** 1508 of 2012 (including 20th article)
- ☐ **Standardized contract**
- ☐ **Contingency Law** (448 of 1998)

3 Markets and Financing



Debt/ equity Funds



**Senior Debt
Fund for
Infrastructure in
Colombia (CAF
– Ashmore)**



**Co-
investmen
t platform**



**Debt Fund for
Infrastructure in
Colombia**

BlackRock.

**Debt Private Capital
Fund Infrastructure for
Colombia. in**



Mini - Perm



- ✓ **Term:** Between 5-8 years (construction + start operation)
- ✓ **Amount:** US\$ 666 m
- ✓ Debt in dollars + hedge strategies
- ✓ **Lender:** FDN

2 Institutions



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**El futuro
es de todos**

**DNP
Departamento
Nacional de Planeación**



Issues Bonds



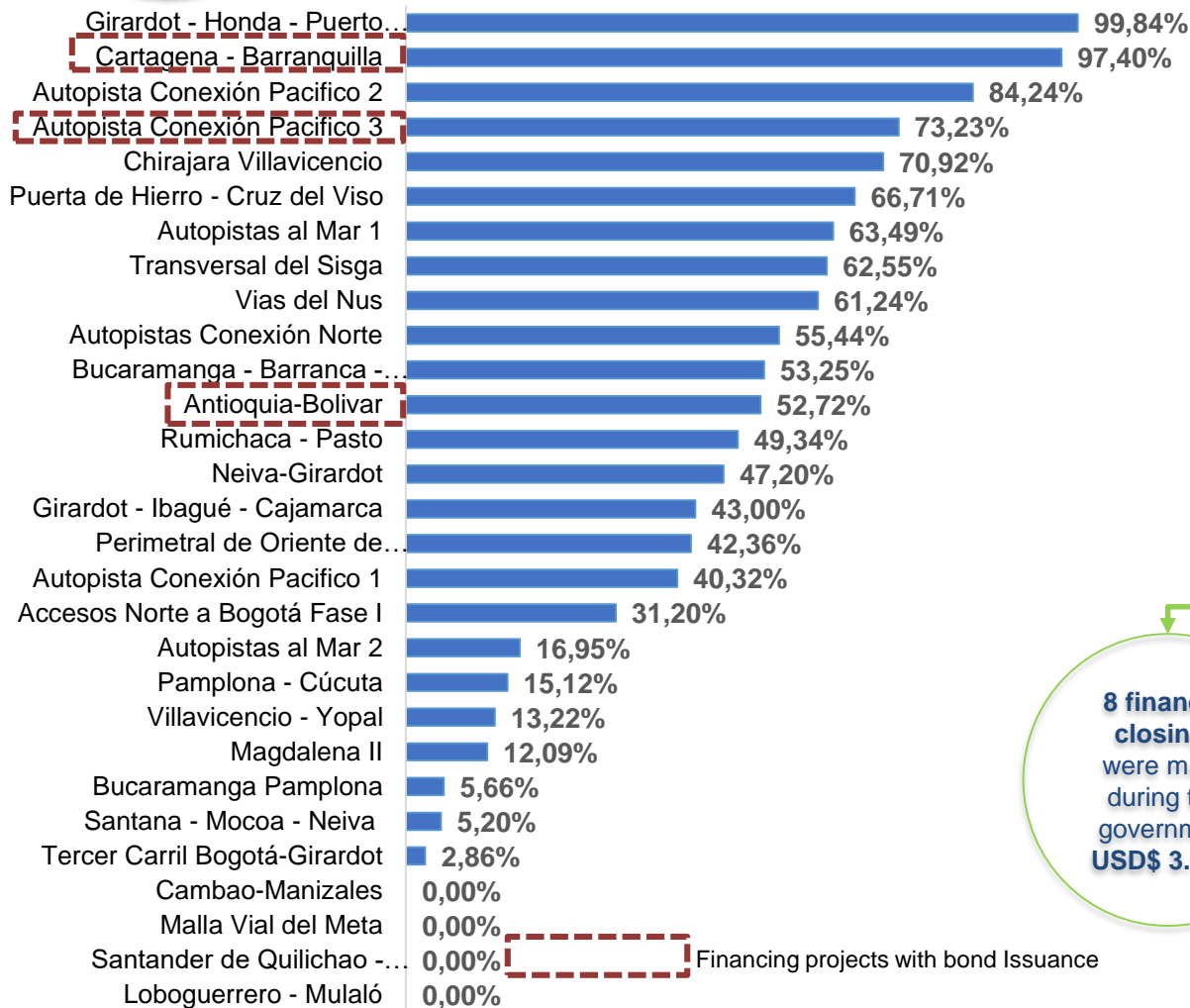
Funding Local Currency COP

Loan in local currency and long term for international financing entities and multilateral Banks.



Investmen
t = US\$ 15
billion /
4,5% of
GDP

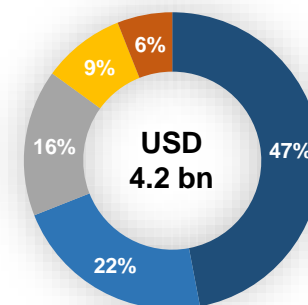
Construction progress in 4G infrastructure projects



Financing projects with bond Issuance

Diversified Financial Sources 2016

8 Financial closings



Local banks

International
Banks

FDN

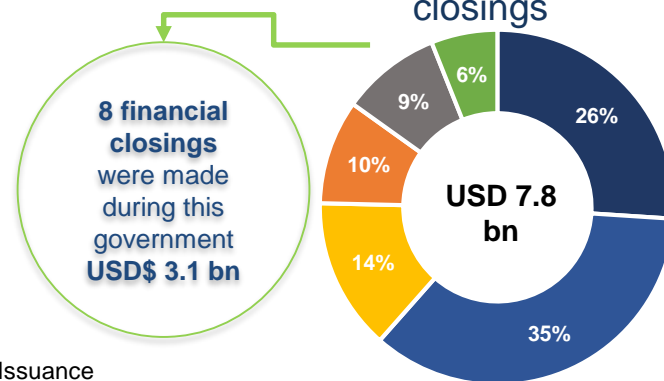
Debt Funds

Capital Markets

Other sources

2020

21 cumulative financial
closings



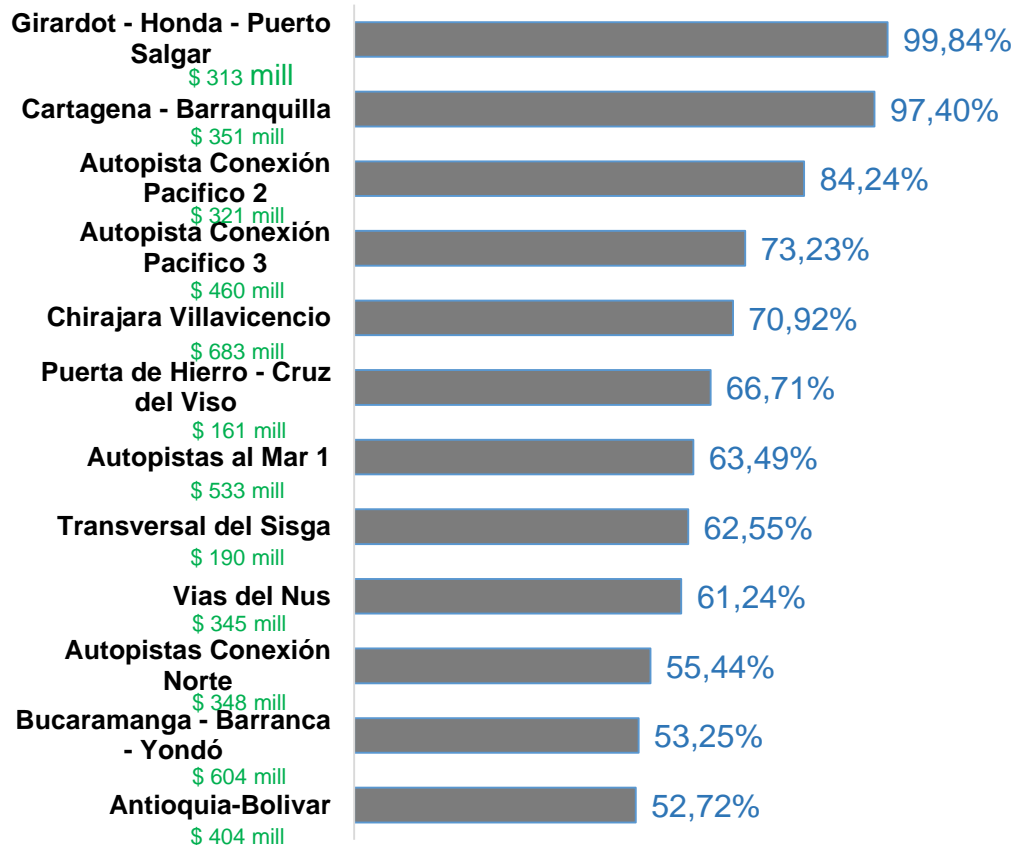
8 financial
closings
were made
during this
government
USD\$ 3.1 bn



New Opportunities in Multimodal Infrastructure

4G – Secondary Market

Total: USD\$ 4,7 Bill. / %PIB 1,49%



Roads

USD\$ 2.6
bill.



Airports

USD\$ 1.4
bill.



Fluvial

USD\$
0,79 bill.



Rail

USD\$
0,51 bill.

5G – Multimodal Infrastructure

Total: USD\$ 5,3 Bill. / %PIB 1,67%

Alo Sur	USD\$ 188 mill.
Accesos Norte II	USD\$ 363 mill.
Accesos Cali - Palmira	USD\$ 331 mill.
Buga – Buenaventura	USD\$ 700 mill.
Pto Salgar - Barrancabermeja	USD\$ 560 mill.
Barrancabermeja – San Roque	USD\$ 466 mill.

Suroccidente	USD\$ 337 mill.
Cartagena	USD\$ 134 mill.
El Dorado I	USD\$ 157 mill.
Cartagena II	USD\$ 834 mill.

Magdalena River	USD\$ 166 mill.
Dique Channel	USD\$ 557 mill.
Buenaventura channel	USD\$ 68 mill.

Freight Rail – Dorada Chiriguana	USD\$ 514 mill.
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