

June 2018

Colombia

Macroeconomic Outlook

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures

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Global Economic Outlook and Risks

Citi Economic Forecasts Overview 2017F-2019F

	GDP Growth			CPI Inflation			Central Bank Policy Rates		
	2017F	2018F	2019F	2017F	2018F	2019F	2017	2018F	2019F
Global	3.3	3.4	3.4	2.4	2.7	2.5	2.5	2.7	2.9
Advanced Economies	2.2	2.3	2.2	1.6	1.9	1.6	0.6	0.9	1.3
United States	2.3	2.9	2.8	1.7	2.2	1.8	1.10	1.92	2.69
Japan	1.7	0.9	1.0	0.5	1.3	0.9	-0.10	-0.10	-0.10
Euro Area	2.5	2.2	1.9	1.5	1.7	1.5	0.00	0.00	0.02
Canada	3.0	2.0	2.1	1.6	2.4	1.9	0.75	1.44	2.31
Australia	2.3	2.7	2.8	1.9	2.0	2.3	1.50	1.50	1.94
New Zealand	2.7	3.0	3.2	1.9	2.0	2.3	1.75	1.75	2.06
Germany	2.5	2.1	2.0	1.7	1.7	1.8			
France	2.0	1.9	2.0	1.2	1.8	1.5			
Italy	1.6	1.2	1.0	1.3	1.2	1.1			
Spain	3.0	2.6	2.1	2.0	1.7	1.6			
Greece	1.3	1.4	1.5	1.1	0.9	1.2			
Ireland	7.8	5.2	1.5	0.2	0.8	0.6			
Portugal	2.7	2.2	1.9	1.6	1.1	1.5			
Sweden	2.7	2.7	2.1	2.0	2.1	2.3	-0.50	-0.49	-0.18
Switzerland	1.1	2.0	2.0	0.5	1.0	1.0	-0.75	-0.75	-0.63
United Kingdom	1.8	1.3	1.5	2.7	2.5	2.2	0.29	0.60	0.85
Emerging Markets	4.7	4.8	4.8	3.6	3.7	3.6	5.1	4.9	5.0
China	6.9	6.7	6.4	1.6	2.1	2.1	3.31	3.53	3.60
India	6.6	7.0	7.5	3.6	4.7	4.3	6.00	6.50	6.50
Russia	1.5	2.0	2.4	3.7	2.7	3.8	9.04	7.08	6.63
South Africa	1.3	2.0	2.2	5.3	4.8	5.3	6.88	6.54	6.50
Brazil	1.0	2.0	2.5	3.5	3.3	4.0	9.80	6.60	7.50
Mexico	2.0	2.3	1.9	6.0	4.5	4.1	6.67	7.48	7.19

Note: As of 23 May 2018. Aggregates at market exchange rates. Inflation aggregate with US PCE, CPI for the rest. Policy rates are annual averages.

See: [Global Economic Outlook and Strategy: May 2018](#). Source: National Statistical Offices and Citi Research

Market Forecasts 2017-2019F

	Current	End- 2Q 2018	End- 3Q 2018	End- 4Q 2018	End- 1Q 2019	End- 2Q 2019	Average 2017	Average 2018	Average 2019
US Fed Funds	1.75	2.00	2.25	2.25	2.50	2.75	1.10	1.92	2.69
ECB Refi Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
ECB Depo Rate	-0.40	-0.40	-0.40	-0.40	-0.40	-0.25	-0.40	-0.40	-0.29
Japan Call Money	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
UK Base Rate	0.50	0.50	0.75	0.75	0.75	0.75	0.29	0.60	0.85
10 Yr US Treasury	3.07	2.60	2.65	2.65	2.65	2.75	2.45	2.66	2.73
10 Yr Euro (Bund)	0.51	0.60	0.70	0.75	0.85	0.85	0.42	0.66	0.86
10 Yr JGB	0.06	0.05	0.05	0.05	0.07	0.07	0.06	0.06	0.08
10 Yr Gilt	1.45	1.45	1.45	1.45	1.45	1.50	1.21	1.45	1.65
EUR/USD	1.17	1.17	1.20	1.23	1.26	1.29	1.13	1.21	1.31
USD/YEN	110	111	108	106	104	102	112	108	101
EUR/GBP	0.88	0.89	0.89	0.90	0.90	0.89	0.88	0.89	0.89
GBP/USD	1.33	1.32	1.35	1.37	1.41	1.45	1.29	1.36	1.47
USD/CNY	6.38	6.31	6.36	6.42	6.42	6.35	6.76	6.34	6.31
Brent oil (US\$/BI)	79	75	78	79	76	74	55	75	70

See: [Global Economic Outlook and Strategy: May 2018](#) Source: National Statistical Offices and Citi Research

The Balance of Risks is Changing

- **Downside risks for global growth:**

- Sustained financial market sell-off
- Moderation in sentiment
- Tighter financial conditions
- Faster-than-expected inflation, leading to central banks tightening faster
- Sharper-than-expected slowdown in China
- Escalation of trade tensions and its potential impact on investment and trade

- **Balanced risks for near-term inflation and monetary policy rates:**

- Upside risks to inflation:
 - Slowly rising inflation expectations
 - Higher-than-expected wage growth
 - Rising profit margins
 - Higher energy prices
- Downside risks to inflation:
 - Slower economic growth
- Risks of tighter-than-expected AE monetary policy in 2018 are still fairly limited

Commodities

		Point Prices		Quarterly									Annals				
		0-3M	6-12M		Q1 2018E	Q2 2018E	Q3 2018E	Q4 2018E	Q1 2019E	Q2 2019E	Q3 2019E	Q4 2019E	2017	2018E	2019E	2020E	
Energy				5Y Cyclical													
NYMEX WTI	USD/bbl	63	57	59	63	69	71	73	70	67	57	56	51	69	63	55	
ICE Brent	USD/bbl	66	61	62	67	75	77	79	76	75	67	62	55	75	70	60	
Henry Hub Natural Gas	USD/MMBtu	2.5	2.6	2.7	3.1	2.6	2.5	2.6	2.6	2.5	2.5	2.7	3	2.7	2.6	2.7	
Base Metals				LT Prce													
LME Aluminum	USD/MT	2,300	2,100	2,200	2,153	2,250	2,200	2,100	2,100	2,150	2,200	2,200	1,980	2,175	2,165	2,300	
LME Copper	USD/MT	7,500	6,800	7,000	6,958	7,200	7,200	6,800	6,600	6,600	6,800	6,800	6,198	7,040	6,700	6,800	
LME Lead	USD/MT	2,600	2,300	2,000	2,516	2,500	2,500	2,400	2,300	2,300	2,200	2,200	2,325	2,480	2,250	2,200	
LME Nickel	USD/MT	13,500	13,000	15,000	13,264	13,000	13,000	12,500	12,000	13,000	14,000	14,500	10,463	12,940	13,500	15,500	
LME Tin	USD/MT	20,000	20,750	20,000	20,000	20,500	20,500	21,000	21,000	2,100	21,000	2,100	17,892	19,992	21,000	22,000	
LME Zinc	USD/MT	3,500	2,700	2,400	3,410	3,500	3,400	3,100	2,800	2,800	2,500	2,500	2,889	3,350	2,650	2,500	
Precious Metals				LT Prce													
COMEX Gold	USD/T.oz	1,350	1,385	1,200	1,330	1,350	1,360	1,360	1,360	1,360	1,370	1,380	1,259	1,350	1,370	1,370	
Silver	USD/T.oz	17.2	17.5	16.5	16.8	16.8	17.2	17	17	17	17.2	17.5	17.1	17.0	17.2	17.5	
Platinum	USD/T.oz	950	950	1,150	977	900	950	950	975	1,000	1,000	1,025	950	945	1,000	1,150	
Palladium	USD/T.oz	1,100	1,000	780	1,034	920	1,000	1,000	1,000	1,000	1,000	950	871	990	1,000	1,000	
Bulk Commodities				5Y Cyclical													
Hard Coking Coal (spot)	USD/MT	180	150	90	229	180	150	140	145	140	135	130	188	175	138	130	
Thermal Coal Asia (NEWC)	USD/MT	85	85	55	103	90	85	80	85	82	85	88	88	89	85	80	
Iron Ore Spot (TSI)	USD/MT	68	60	42	74	65	60	62	60	60	60	60	71	65	60	55	
Agriculture																	
CBOT Corn	USd/bu	415	420	N/A	366	395	415	420	425	425	425	425	359	400	425	450	
CBOT Soybeans	USd/bu	1,110	1050	N/A	1006	1075	1110	1050	1075	1100	1150	1150	976	1060	1,120	1,200	
CBOT Wheat	USd/bu	475	500	N/A	455	470	475	500	510	505	500	525	436	475	510	550	
Sugar#11	USd/lb	12.5	13.5	N/A	13.5	12.5	13	13.5	N/A	N/A	N/A	N/A	15.8	13.1	14.5	N/A	
ICE Coffee	USd/lb	125	122	N/A	121	125	125	122	N/A	N/A	N/A	N/A	133	124	129	N/A	
ICE Cocoa	USD/MT	2,550	2,500	N/A	2,185	2,360	2,550	2,500	N/A	N/A	N/A	N/A	2,005	2,400	2,750	N/A	

Brent Scenarios (\$/bbl)	1Q18	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	2018E	2019E	2020E
Bull Case (30%)	67	78	85	91	88	87	85	83	83	86	--
Base Case (55%)	67	75	78	79	76	74	67	62	75	70	60
Bear Case (15%)	67	73	69	61	58	54	52	49	60	53	--
Shock Case	67	75	72	70	67	65	61	65	68	65	--
Futures	67	79	78	76	75	73	72	71	75	73	--

Economic Forecast Overview

Forecasts	GDP Growth				CPI Inflation				Current Balance (% of GDP)				Fiscal Balance			
	2016	2017F	2018F	2019F	2016	2017F	2018F	2019F	2016	2017F	2018F	2019F	2016	2017F	2018F	2019F
Argentina	-2.2	2.8	2.5	2.5	31.4	24.8	18.5	13.0	-2.7	-4.7	-5.7	-5.6	-5.9	-6.2	-5.5	-4.9
Brazil	-3.6	1.1	2.4	2.5	6.3	2.9	3.7	4.2	-1.3	-0.5	-1.4	-2.0	-8.9	-7.8	-7.5	-7.2
Chile	1.6	1.6	3.2	3.0	2.7	2.3	3.1	3.0	-1.4	-1.7	-1.5	-1.9	-2.7	-2.8	-1.9	-1.5
Colombia	2.0	1.8	2.5	3.1	5.7	4.1	3.1	3.0	-4.4	-3.3	-3.5	-3.2	-2.2	-3.4	-2.9	-2.6
Ecuador	-1.6	3.0	2.0	1.5	1.1	-0.2	1.2	1.7	1.5	-0.3	-0.9	-0.2	-7.4	-5.0	-4.2	-3.8
Mexico	2.9	2.0	2.3	2.6	3.4	6.8	4.1	3.8	-2.1	-1.6	-1.8	-1.8	-2.5	-0.9	-2.4	-2.4
Peru	4.0	2.2	3.6	4.0	3.2	1.4	2.5	2.7	-2.7	-1.6	-2.1	-2.2	-2.5	-3.1	-3.4	-3.0

Source: Citi Research

Colombia



• Area:	1,141,748 sq km
• Population (2018E):	49.8MM
• Nominal GDP (2017):	US\$308.4Bn
• Nominal GDP (2018E):	US\$314.9Bn
• GDP per Capita (2017):	US\$6,257
• GDP per Capita (2018E):	US\$6,319
• Real GDP Growth (2017):	1.8%
• Real GDP Growth (2018E):	2.8%
• CPI (2017):	4.1%
• CPI (2018E):	3.1 %
• Exports FOB (2017):	\$37.7Bn
• Exports FOB (2018E):	\$40.5Bn
• Imports CIF (2017):	\$44.0Bn
• Imports CIF (2018E):	\$46.7Bn
• FDI, net (2017):	\$10.8Bn
• FDI, net (2018E):	\$11.1Bn
• Main Cities:	
Bogotá(Capital)	7.8MM
Medellin	2.5MM
Cali	2.3MM

Some Macroeconomic Forecasts

	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Summary Data									
Nominal GDP, USD bn	334	369	378	375	287	282	308	314	320
Nominal GDP, local currency bn	620	664	710	757	799	855	910	961	1023
Economic Activity									
Real GDP, yoy avg	6.6	4.0	4.9	4.4	3.1	2.0	1.8	2.5	3.1
Real Investment Growth % yoy	18.5	4.7	6.1	11.6	1.2	-3.4	0.1	3.8	3.6
Real Consumption Growth % yoy	5.5	4.8	4.6	4.4	3.6	1.7	2.2	3.1	3.1
Prices, Money & Credit									
CPI, % yoy (Citi estimates)	3.7	2.4	1.9	3.7	6.8	5.7	4.1	3.1	3.0
CPI, % avg	3.9	2.8	1.8	3.5	6.4	7.5	4.3	3.1	3.3
Reference Rate, % eop	4.75	4.25	3.25	4.50	5.75	7.50	4.75	4.25	4.75
Balance of Payments, USD bn									
Current account	-9.8	-11.4	-12.5	-19.8	-18.6	-12.1	-10.4	-11.1	-10.3
% of GDP	-2.9	-3.1	-3.3	-5.3	-6.5	-4.3	-3.4	-3.5	-3.2
Trade balance	6.1	5.0	3.2	-4.6	-13.5	-9.2	-4.8	-6.2	-6.4
Exports	58.3	61.6	60.3	56.9	38.6	34.1	39.5	40.5	42.0
Imports	52.1	56.6	57.1	61.5	52.1	43.2	44.2	46.7	48.4
Public Finances, % of GDP									
Gross Public Debt	34.6	32.6	35.1	38.3	42.7	44.1	45.3	45.8	44.6
Central Government Deficit	-2.6	-1.9	-2.7	-2.4	-3.0	-4.0	-3.8	-3.3	-3.0

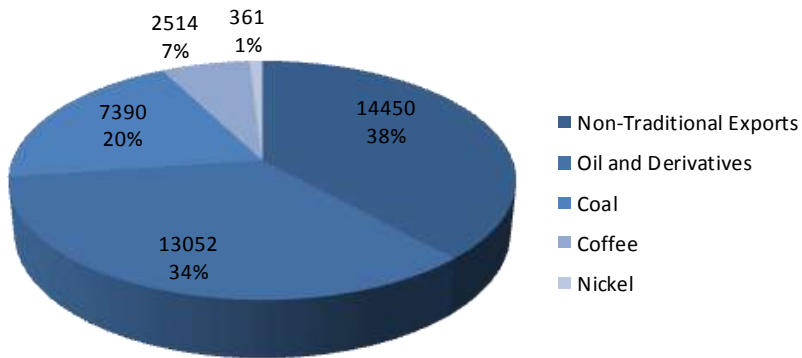
Some Macroeconomic Forecasts

		2018	2019
GDP	Internal	2.45	3.02
	External	2.61	3.01
CPI	Internal	3.30	3.16
	External	3.34	3.27
CB Rate	Internal	4.17	4.65
	External	4.22	4.81
FX	Internal	2,914.38	2,934.27
	External	2,926.20	2,970.56

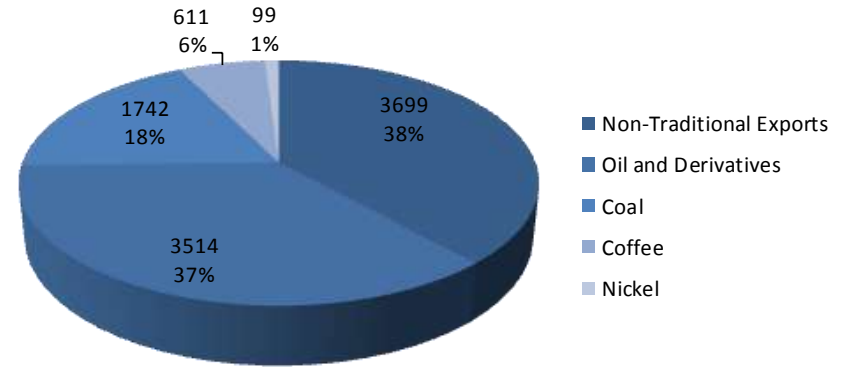
Exports

Exports stood at USD 3.72 bn in April, increasing 38.5% YoY. This brings YTD exports to USD13.38bn.

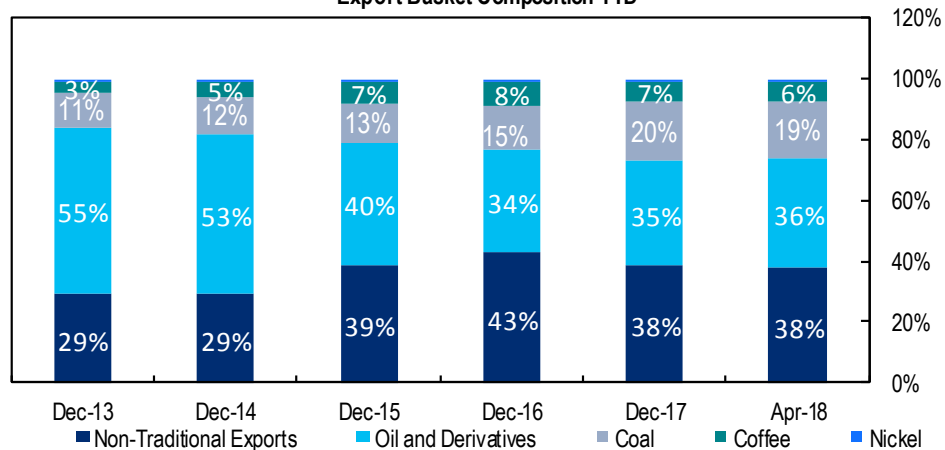
Colombia 2017 Export Basket Composition (YTD)



Colombia 2018 Export Basket Composition (YTD)

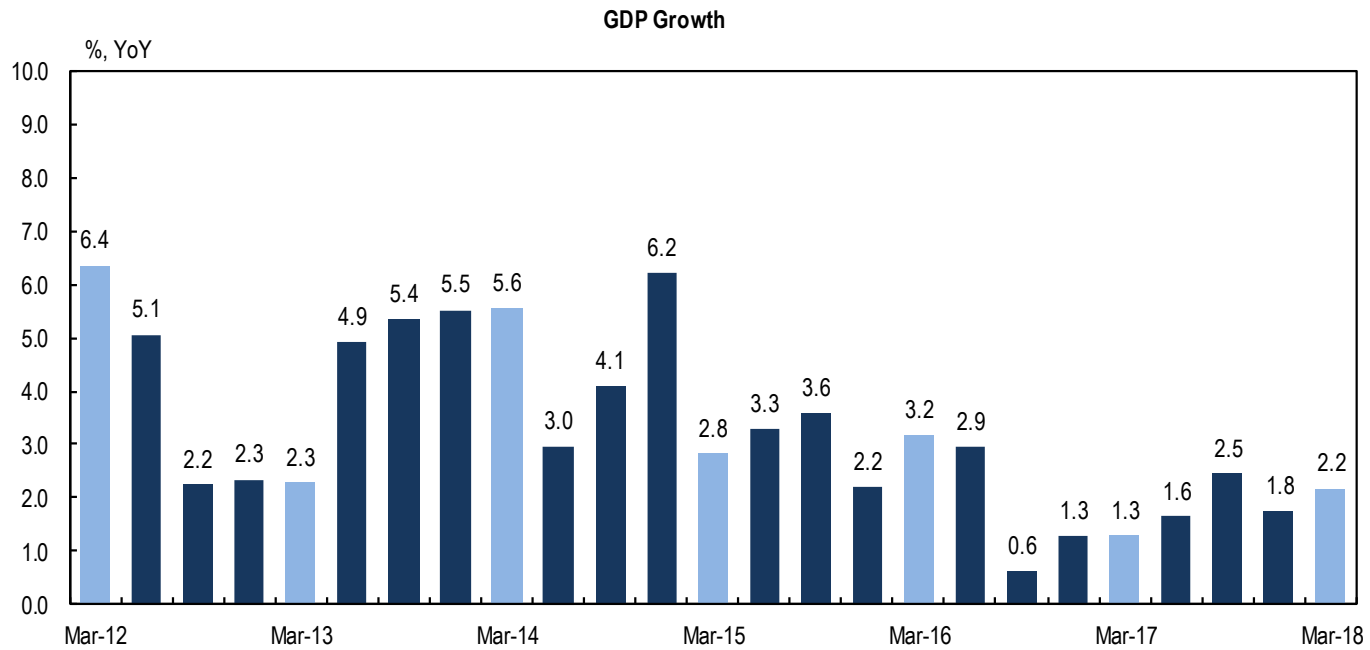


Export Basket Composition YTD



Economic Performance – GDP Growth

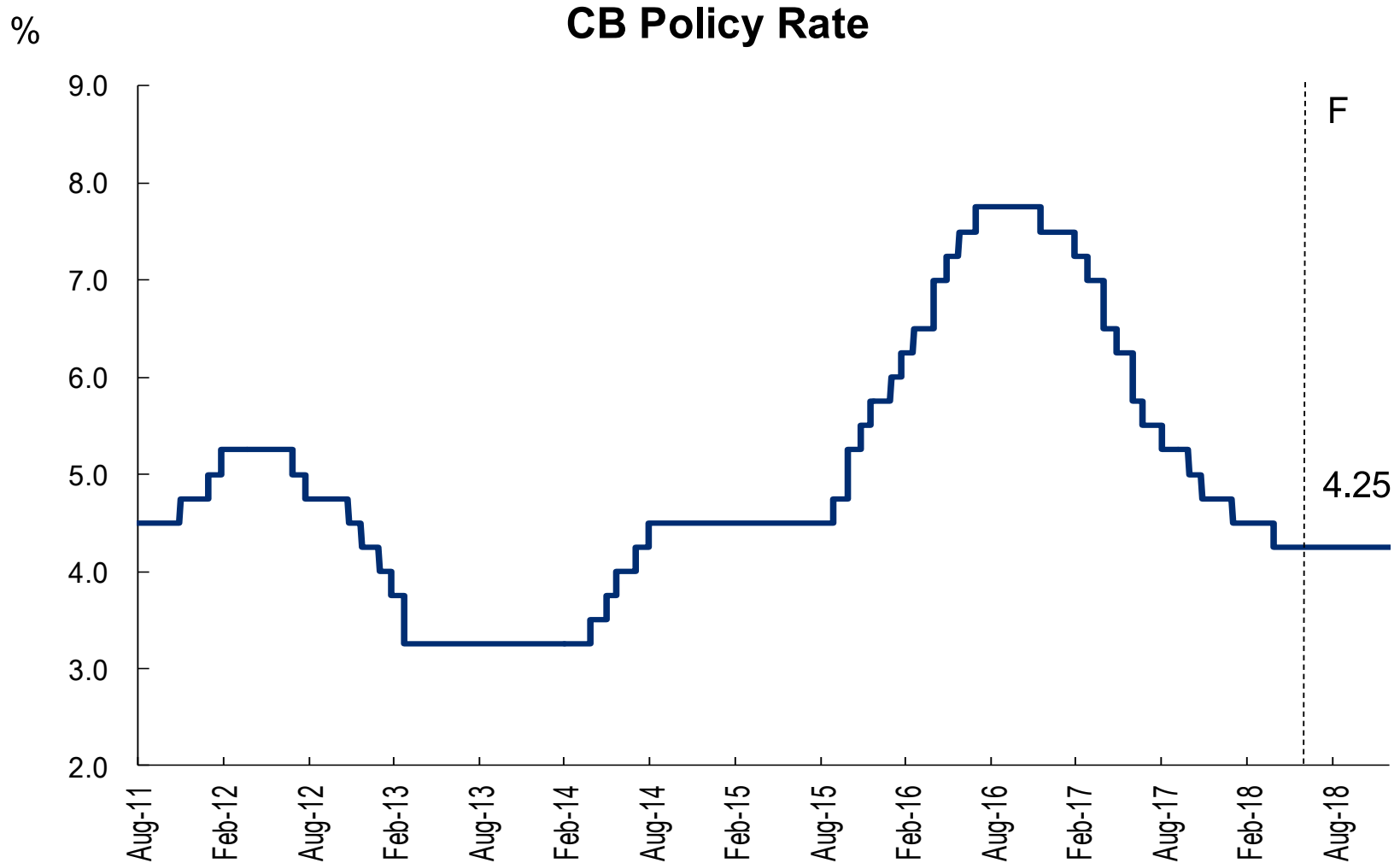
The National Statistics Department announced the **GDP grew at a yearly 2.2% rate in 1Q18.**



Source: DANE, Citi Research

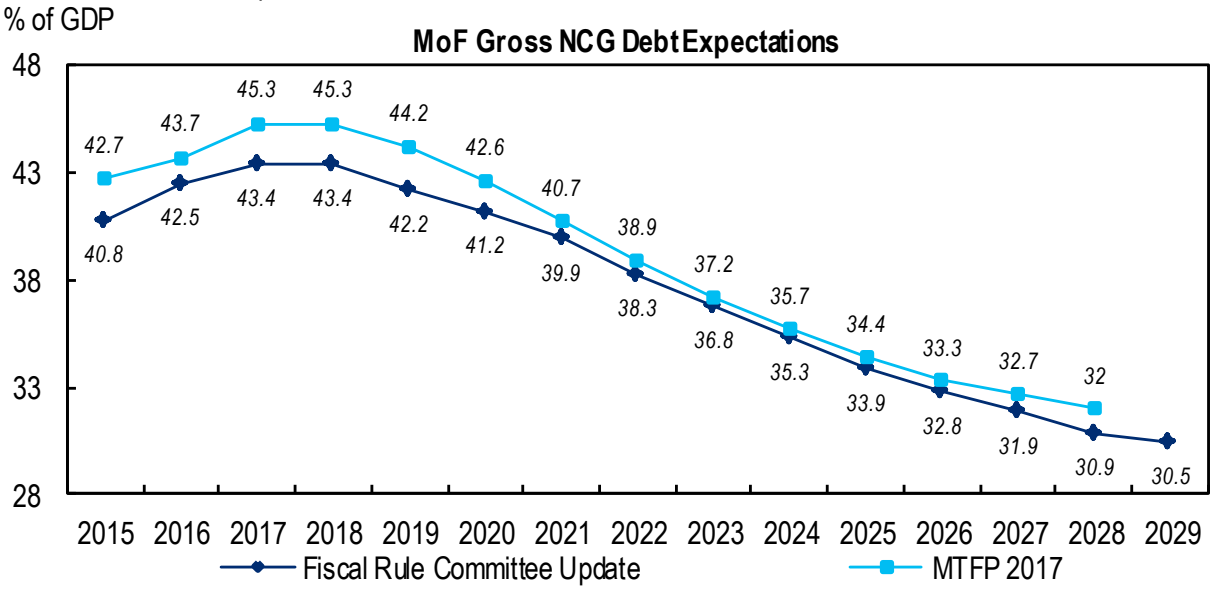
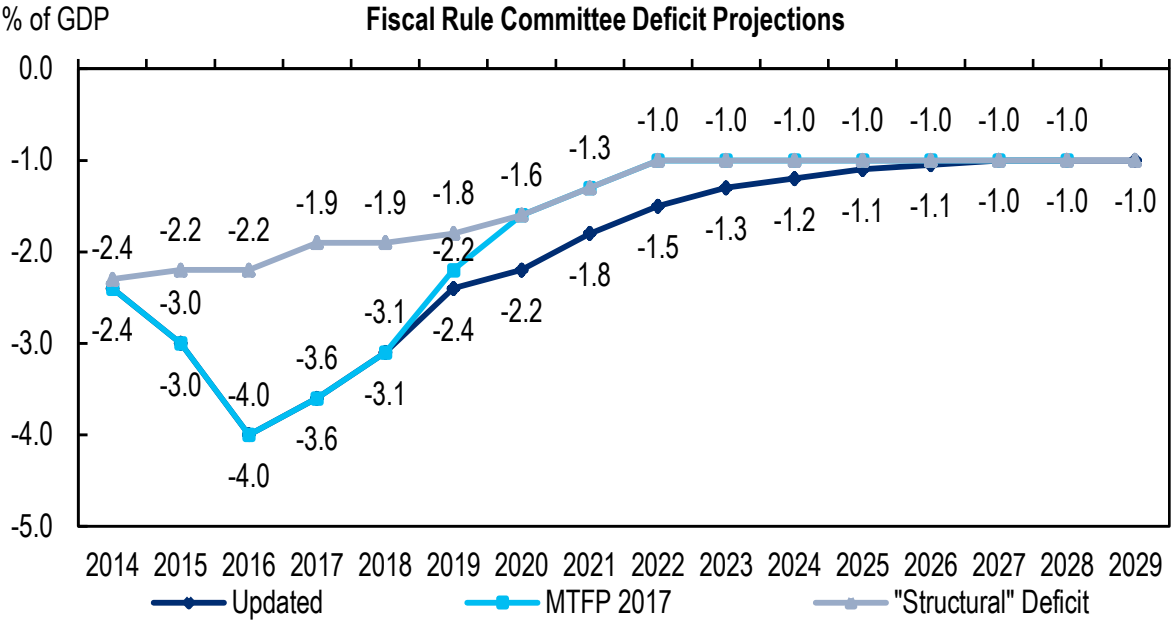
Monetary Policy

In it's April Meeting, the CB Board reduced the policy rate in 25pb to 4,25%



Source: Banrep, Citi Research

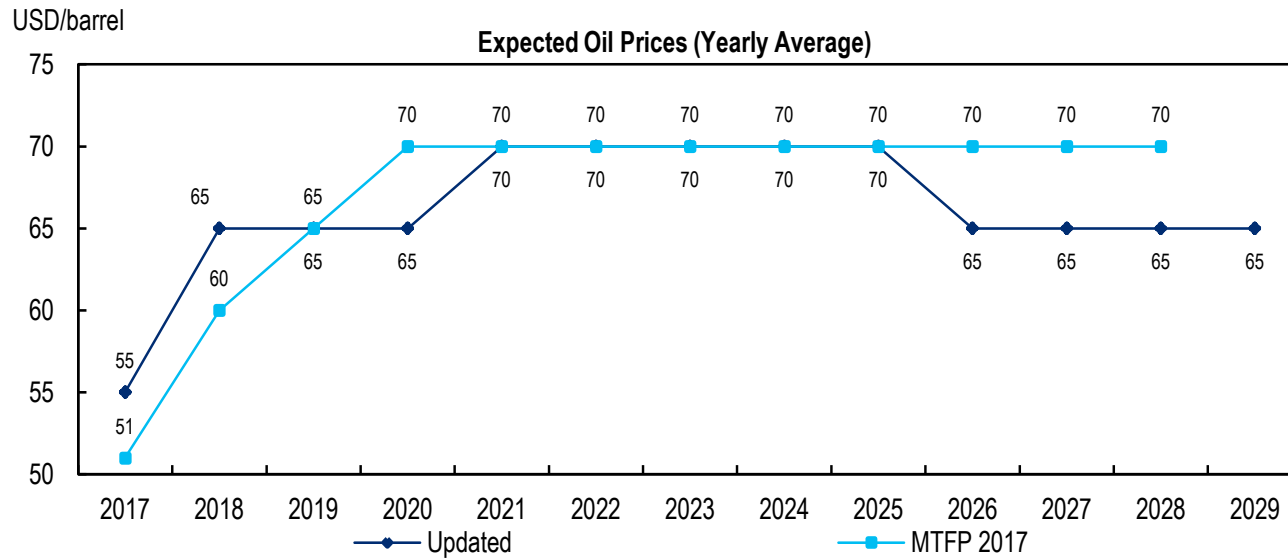
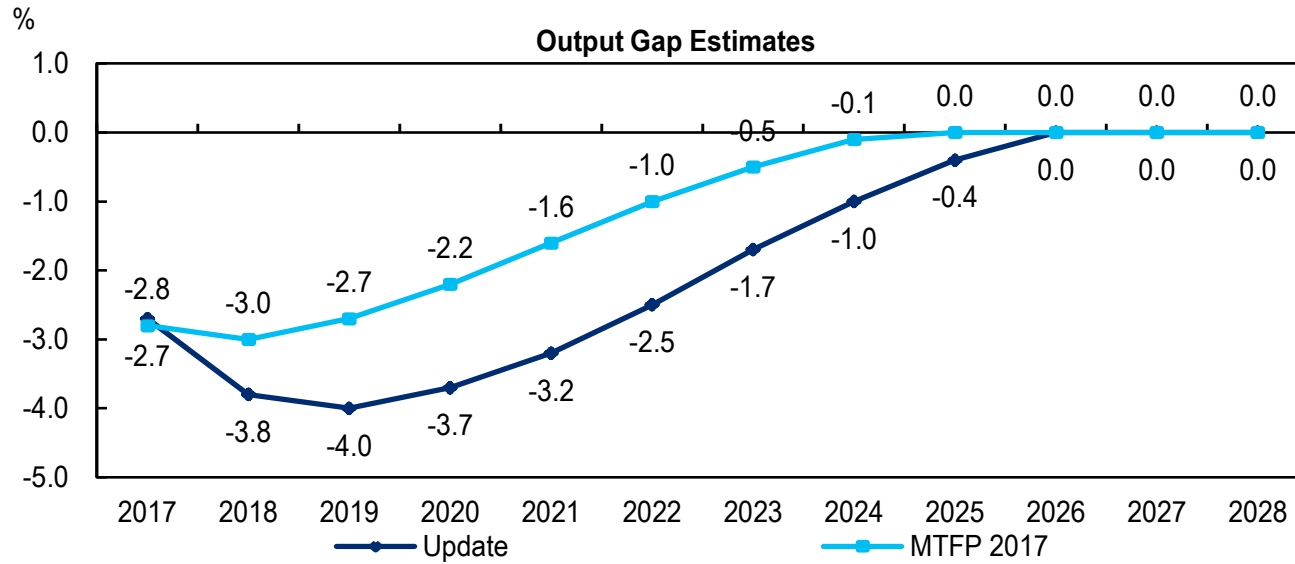
2018 and Beyond



Source: Ministry of Finance, Citi Research

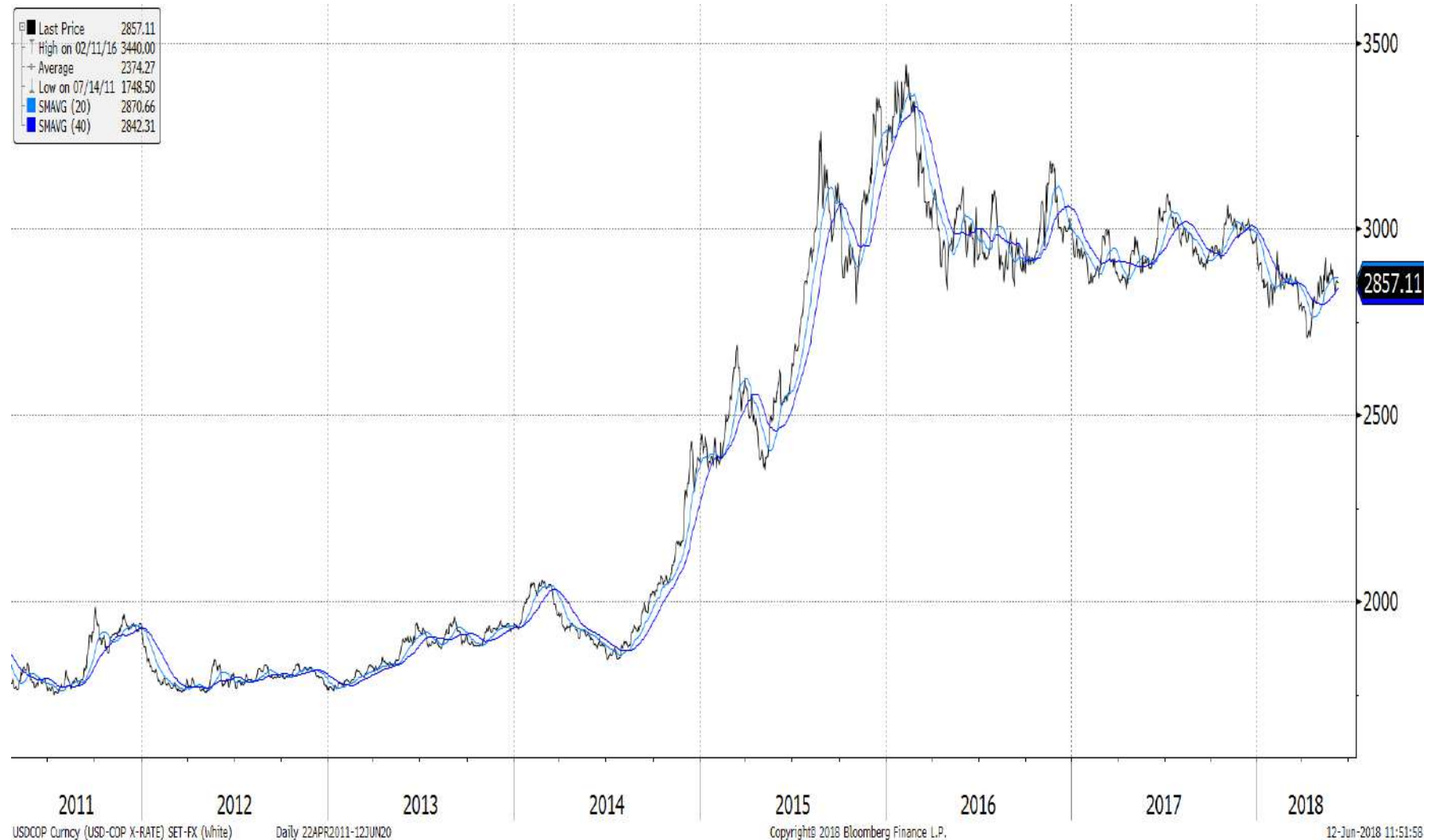


Fiscal Rule Committee Update



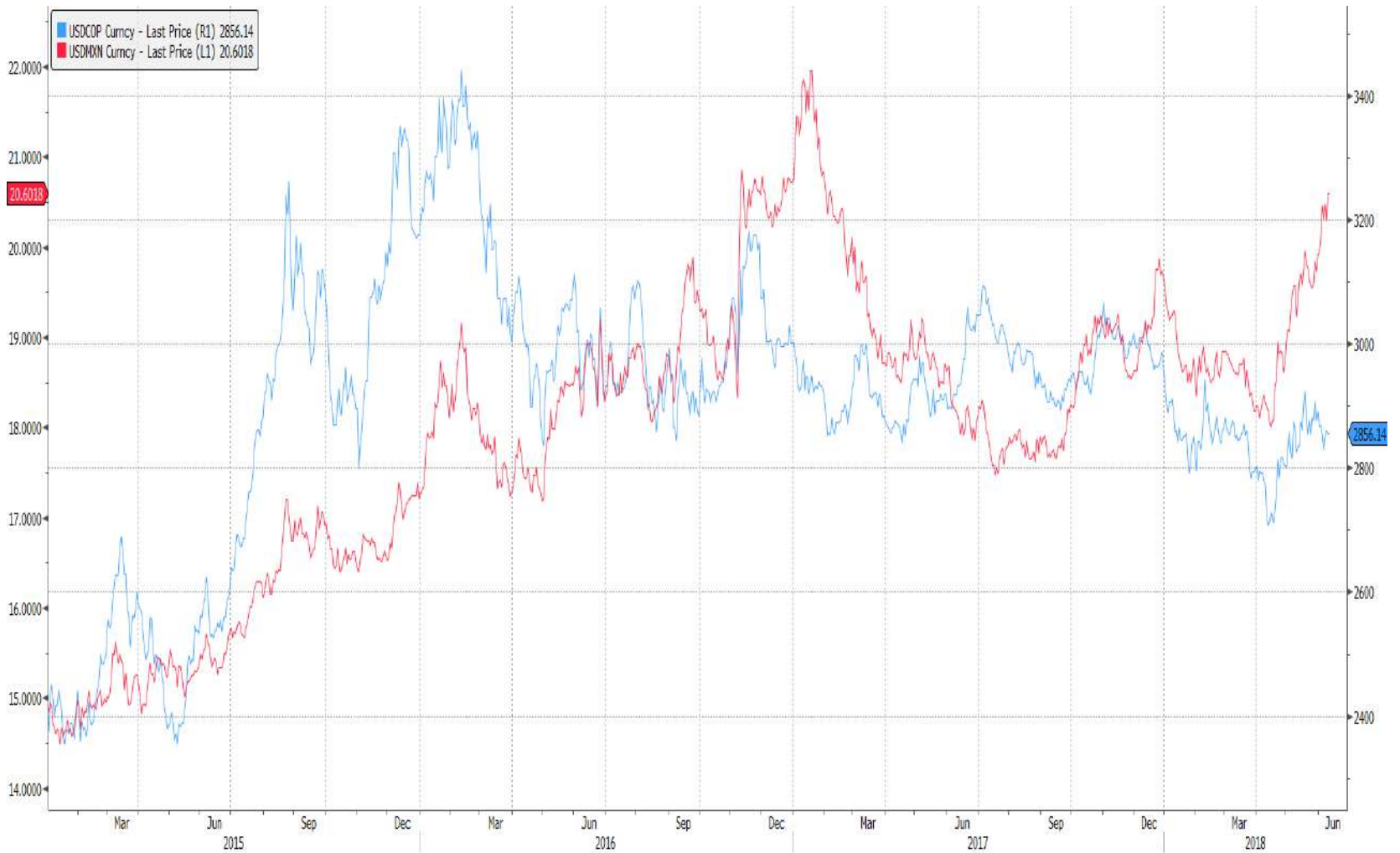
FX Outlook

USDCOP Evolution



Source: Bloomberg





USDCOP Currency (USD-COP X-RATE) Graph 98 Daily 02JAN2015-12JUN2018

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CCOL1US Currency (COLOM CDS USD SR 5Y D14) Graph 96 Daily 01JAN2015-12JUN2018

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FX Outlook: Forecasts

		Market data*			Forecasts			Returns***	
		spot	3m Fwd	12m Fwd	0-3 mos	6-12 mos	long-term	3 mos rtn	12 mos rtn
G10									
Euro	EURUSD	1.18	1.19	1.21	1.17	1.25	1.40	-1.3%	2.9%
Japanese yen	USDJPY	111	110	108	111	105	95	0.6%	-2.7%
British Pound	GBPUSD	1.35	1.35	1.37	1.31	1.39	1.59	-2.9%	1.2%
Swiss Franc	USDCHF	1.00	0.99	0.97	1.02	0.97	0.86	2.5%	0.1%
Australian Dollar	AUDUSD	0.75	0.75	0.75	0.76	0.80	0.82	1.2%	6.2%
New Zealand Dollar	NZDUSD	0.69	0.69	0.69	0.69	0.73	0.74	0.0%	5.5%
Canadian Dollar	USDCAD	1.28	1.28	1.27	1.26	1.24	1.20	-1.5%	-2.7%
Dollar Index**	DXY	93.60	93.06	91.16	94.16	88.76	79.57	1.2%	-2.6%
G10 Crosses									
Japanese yen	EURJPY	131	131	131	130	131	133	-0.8%	0.1%
Swiss Franc	EURCHF	1.18	1.18	1.17	1.19	1.21	1.20	1.1%	3.1%
British Pound	EURGBP	0.87	0.88	0.88	0.89	0.90	0.88	1.6%	1.7%
Swedish Krona	EURSEK	10.31	10.31	10.31	10.20	10.00	9.50	-1.0%	-3.0%
Norwegian Krone	EURNOK	9.69	9.62	9.74	9.40	9.50	9.25	-2.3%	-2.5%
Norwegian Krone	NOKSEK	1.07	1.07	1.06	1.08	1.05	1.03	1.3%	-0.5%
Australian Dollar	AUDNZD	1.09	1.09	1.09	1.10	1.10	1.11	1.2%	0.7%
Australian Dollar	AUDJPY	83	83	81	84	84	78	1.8%	3.3%
Asia									
Chinese Renminbi	USDCNY	6.38	6.41	6.48	6.30	6.45	6.10	-1.7%	-0.5%
Hong Kong Dollar	USDHKD	7.85	7.84	7.81	7.85	7.84	7.82	0.2%	0.4%
Indonesian Rupiah	USDIDR	14156	14529	14999	14200	13700	14000	-2.3%	-8.7%
Indian Rupee	USDINR	68.0	69.0	71.1	68.8	67.5	66.0	-0.3%	-5.1%
Korean Won	USDKRW	1078	1080	1066	1060	1050	1040	-1.8%	-1.5%
Malaysian Ringgit	USDMYR	3.97	3.98	4.00	4.05	3.90	3.60	1.7%	-2.4%
Philippine Peso	USDPHP	52.3	52.9	53.9	52.2	52.8	52.8	-1.4%	-2.1%
Singapore Dollar	USDSGD	1.34	1.34	1.33	1.31	1.30	1.26	-2.4%	-2.5%
Thai Baht	USDTHB	32.2	32.1	31.8	31.3	30.3	29.5	-2.6%	-4.9%
Taiwan Dollar	USDTWD	29.9	29.7	29.2	29.6	29.4	28.8	-0.5%	0.8%
EMEA									
Czech Koruna	EURCZK	25.6	25.6	25.8	25.4	24.8	24.6	-0.9%	-3.8%
Hungarian Forint	EURHUF	318	318	320	315	314	320	-1.0%	-2.0%
Polish Zloty	EURPLN	4.30	4.32	4.39	4.23	4.15	4.10	-2.1%	-5.5%
Israeli Shekel	USDILS	3.59	3.57	3.50	3.60	3.55	3.45	0.8%	1.3%
Russian Ruble	USDRUB	62.2	62.9	64.6	64.1	61.8	62.0	1.9%	-4.5%
Russian Ruble Basket		67.2	68.2	70.9	69.0	68.7	73.2	1.2%	-3.1%
Turkish Lira	USDTRY	4.48	4.64	5.15	4.25	4.60	4.80	-8.5%	-10.6%
South African Rand	USDZAR	12.69	12.85	13.29	12.45	12.10	11.50	-3.1%	-9.0%
LATAM									
Brazilian Real	USDBRL	3.70	3.73	3.82	3.50	3.30	3.20	-6.2%	-13.6%
Chilean Peso	USDCLP	632	633	633	622	615	610	-1.7%	-2.9%
Mexican Peso	USDMXN	19.8	20.1	20.9	19.0	19.1	18.5	-5.4%	-8.8%
Colombian Peso	USDCOP	2905	2918	2961	2800	2850	2850	-4.0%	-3.7%

* market data including spot as of 12:02 PM London time on 18-May-2018

** The DXY forecasts are implied from the forecasts of the constituent crosses. *** Returns are relative to forwards

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