



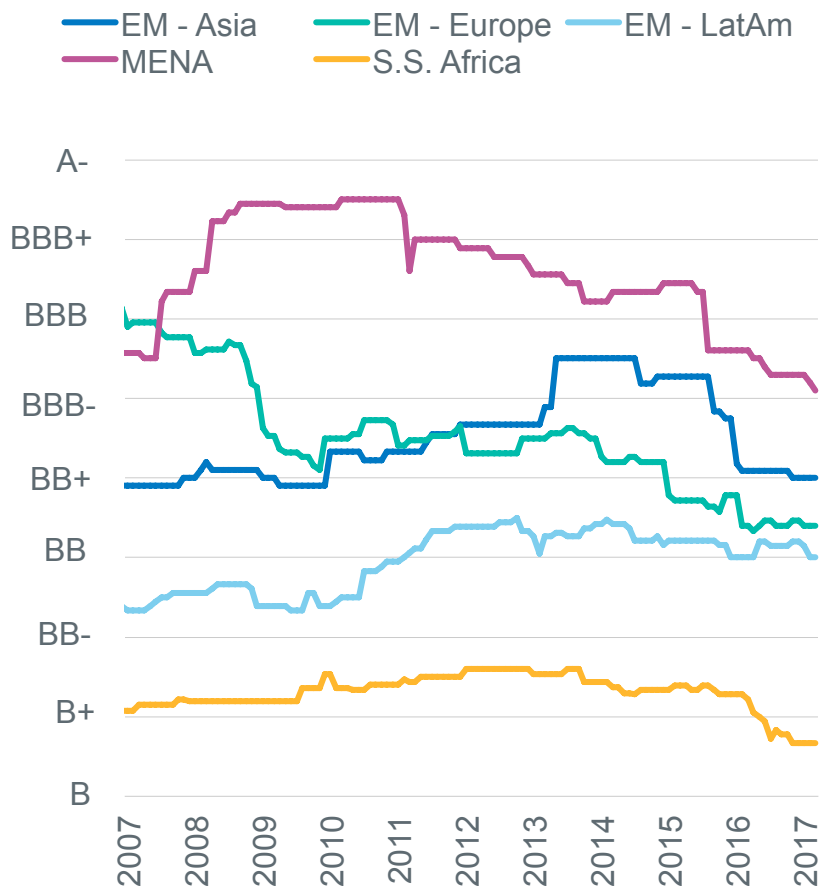
- Ratings and Outlooks
- Rating Trends
- Colombia Rating Overview
- Fiscal Position
- Tax Reform: December 2016
- Oil Shock
- Falling External Imbalances
- Credible Inflation Targeting Regime & Flexible FX
- 2018 Presidential Election
- Colombia Relative to the 'BBB' Median
- Rating Sensitivities

Ratings and Outlooks



Rating Trends in Emerging Markets

Regional Averages



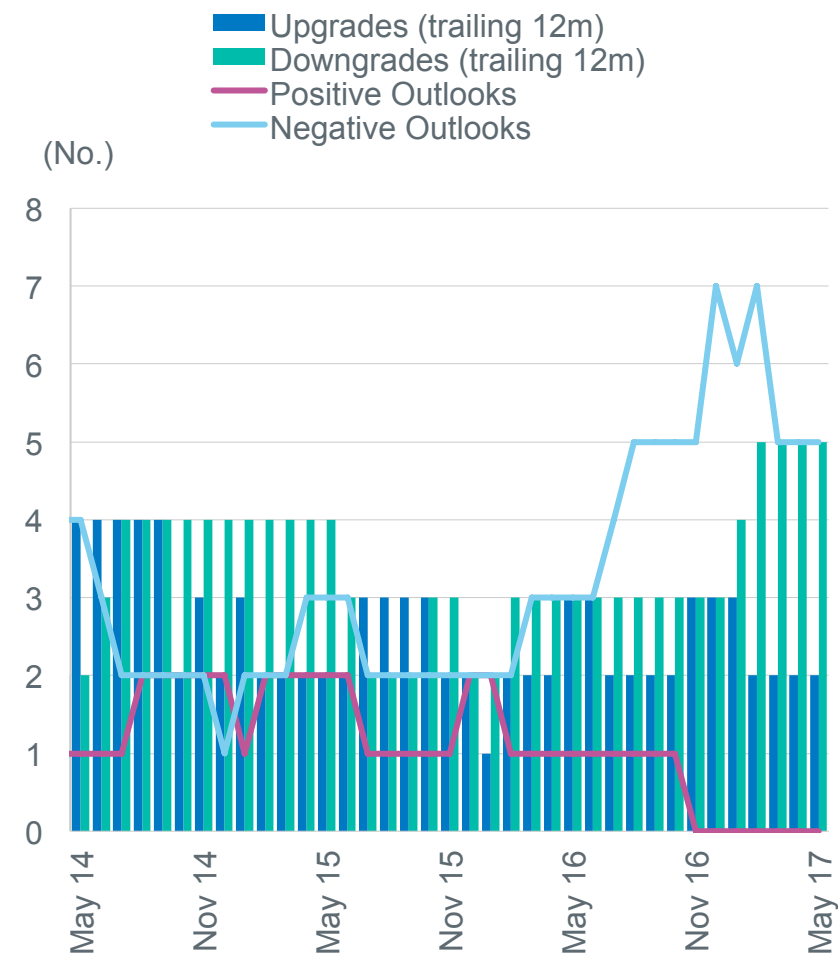
Source: Fitch

Sovereign	LTFC	Outlook
Chile	A+	Negative
Mexico	BBB+	Negative
Peru	BBB+	Stable
Colombia	BBB	Stable
Panama	BBB	Stable
Aruba	BBB-	Stable
Uruguay	BBB-	Stable
Costa Rica	BB	Stable
Brazil	BB	Negative
Guatemala	BB	Stable
Paraguay	BB	Stable
Bolivia	BB-	Stable
Dom. Republic	BB-	Stable
Nicaragua	B+	Stable
Argentina	B	Stable
Ecuador	B	Negative
Jamaica	B	Stable
Suriname	B-	Negative
El Salvador	CCC	-
Venezuela	CCC	-

Rating Trends: Downward Pressures Emerging



Latin America Rating Actions



Source: Fitch Ratings

Recent Positive Actions

- Changed Colombia's Outlook to Stable from Negative
- Upgraded Dominican Republic to 'BB-' from 'B+'

Recent Negative Actions

- Downgraded El Salvador's FC to 'CCC' and LC to 'RD' (Revised to 'CCC' when default cured).
- Downgraded Costa Rica to 'BB' from 'BB+'
- Downgraded Suriname two notches to 'B-' from 'B+'
- Changed Mexico's Outlook to Negative from Stable
- Changed Chile's Outlook to Negative from Stable



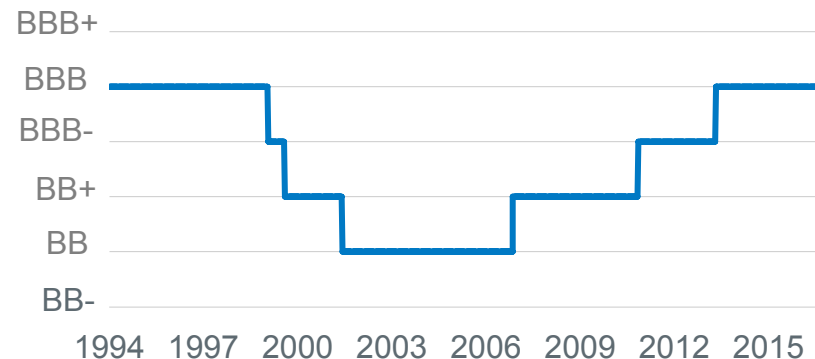
Rating Action (Mar 10, 2017): Rating Outlook Changed to Stable from Negative

- Fiscal consolidation path due to passage of tax reform measures in December 2016
- Sharp reduction in the current account deficit
- Inflation converging towards the central bank's target

Rating Affirmation

The 'BBB' rating balances Colombia's flexible and credible policy framework, improved external buffers and a record of macroeconomic and financial stability against high commodity dependence, limited fiscal flexibility and structural constraints in terms of low GDP per capita and weak governance indicators.

Rating History



Source: Fitch Ratings

Key Indicators

	2016	2017f	2018f
Real GDP Growth (%)	2.0	2.3	3.2
Inflation (%)	7.5	4.6	3.8
General Government balance (% of GDP)	-2.8	-2.4	-2.5
General Government debt (% of GDP)	49.0	48.9	48.6
Current account balance (% GDP)	-4.4	-3.7	-3.1
International Reserves, incl. gold (USDbn)	46.5	46.1	46.3
Net external debt (% of CXR)	45.1	46.5	45.9

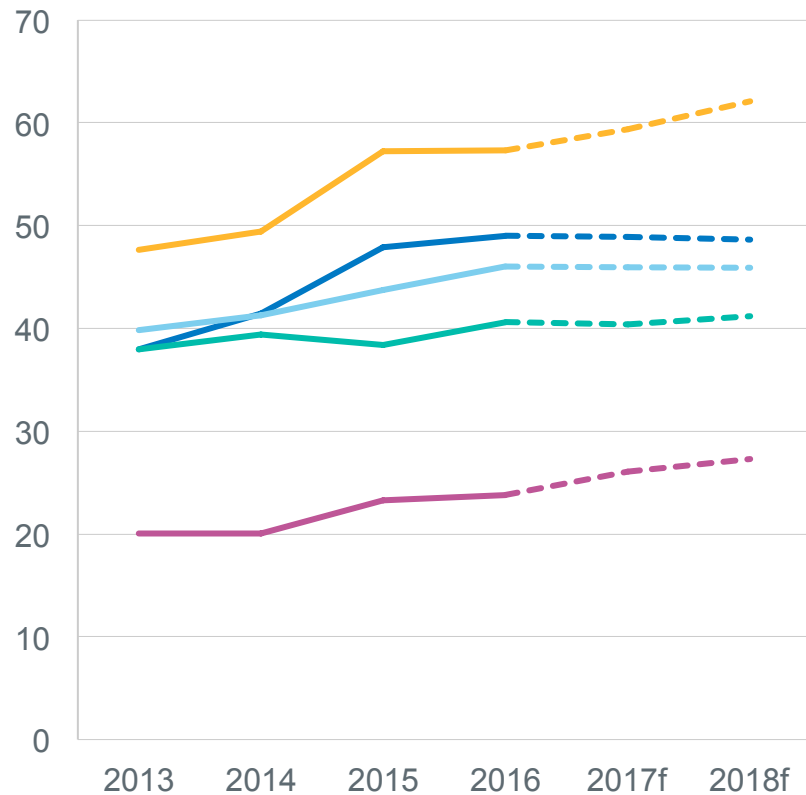
Source: Fitch



GG Debt

Colombia BBB Median Mexico
Peru Uruguay

(%GDP)

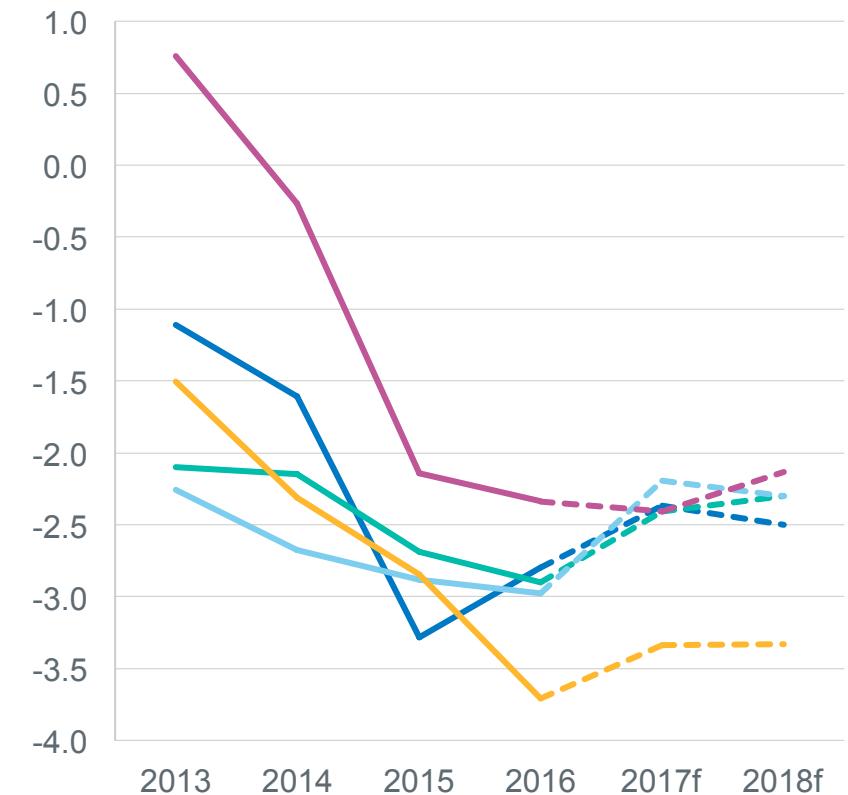


Source: Fitch

GG Fiscal Balance

Colombia BBB Median Mexico
Peru Uruguay

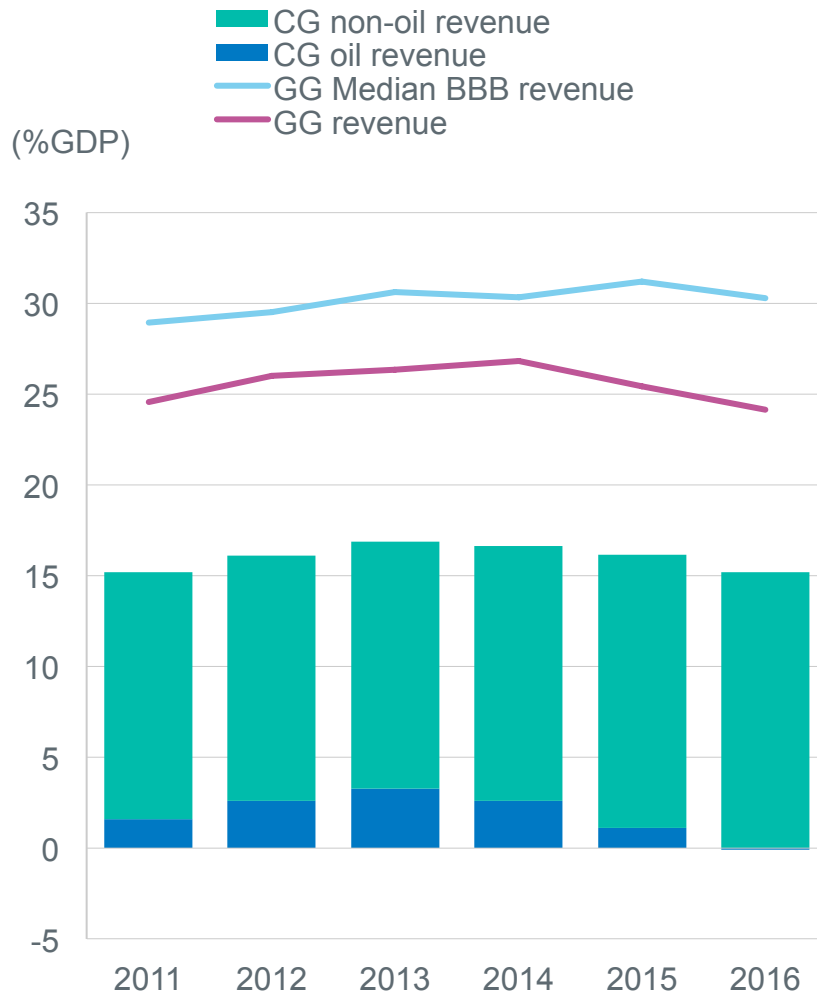
(%GDP)



Source: Fitch



Oil Shock in Revenue



Source: Minhacienda, Fitch

Reform

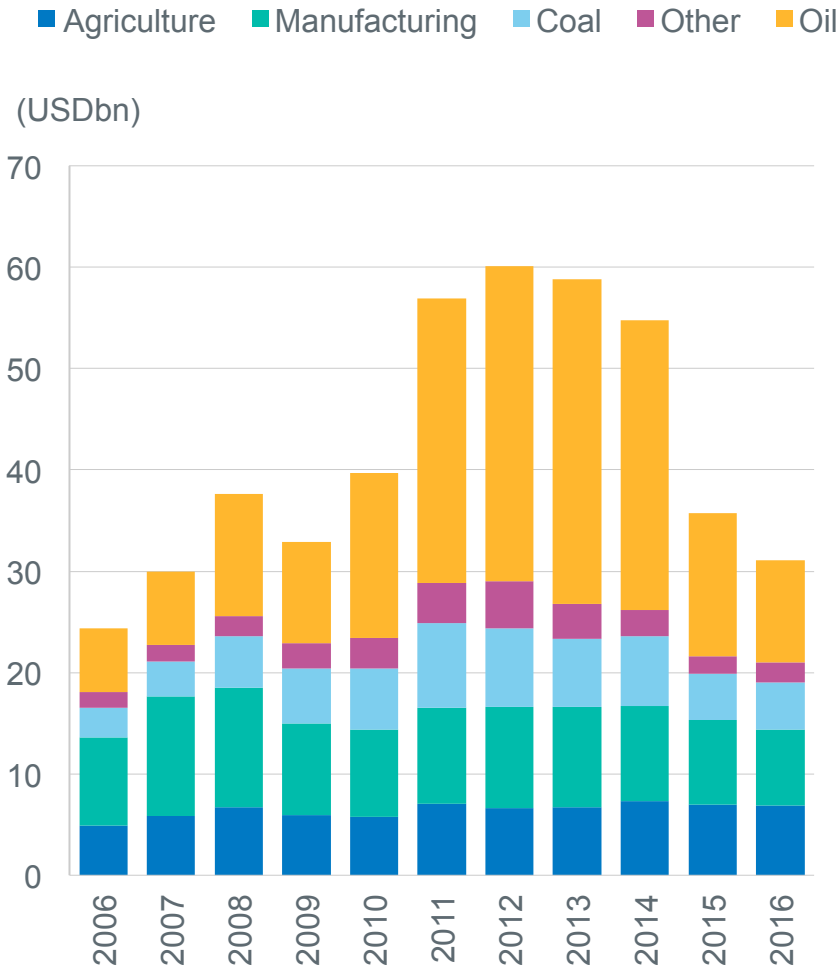
- VAT to 19% from 16%
- Financial transaction becomes a permanent tax
- Simplification of income taxes

Effects

- The total impact of the tax reform measures is estimated at 1.9% of GDP by 2022
- Estimated higher revenue of 0.7% of GDP in 2017
- Deficit is expected to fall to 2.9% of GDP in 2018

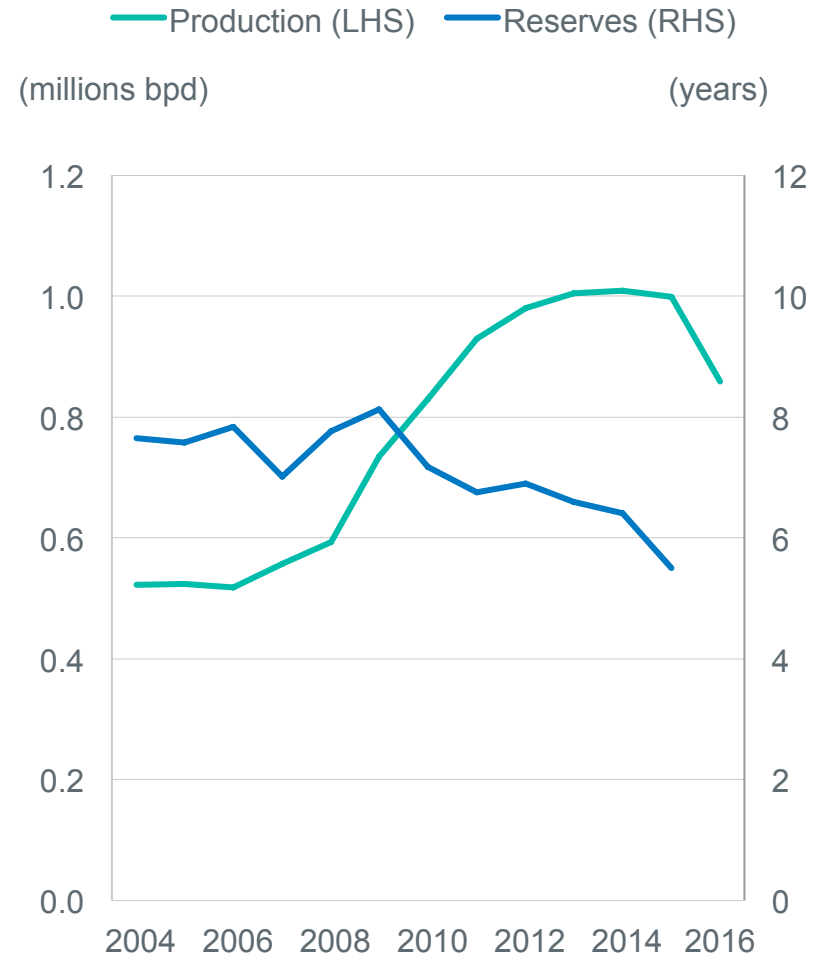


Exports



Source: DANE

Oil Sector Dynamics

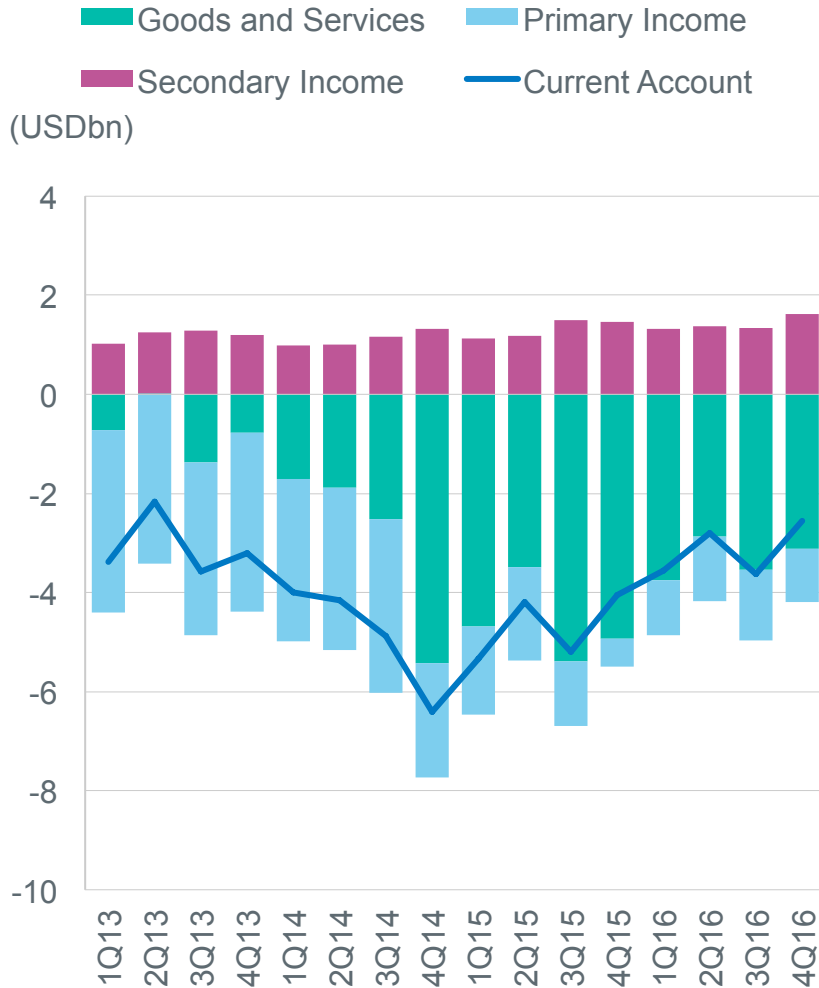


Source: Ecopetrol, ANH

Falling External Imbalances

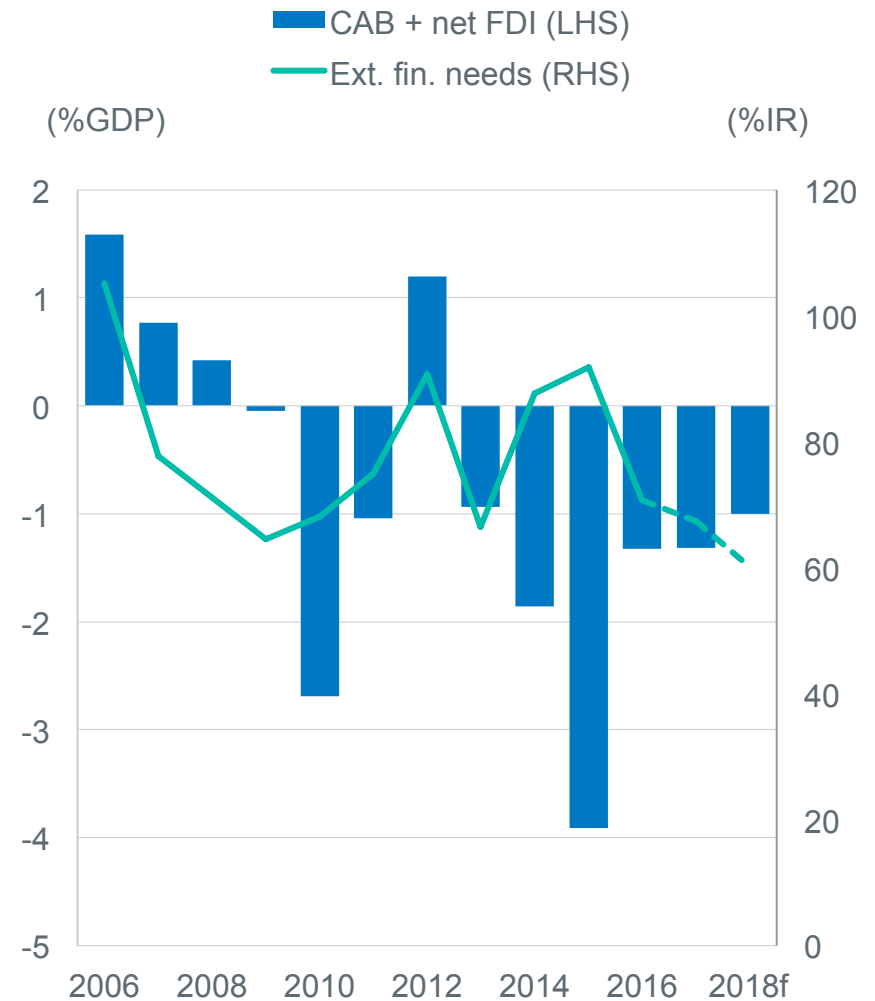


Gradual CAD Adjustment



Source: Banrep, Fitch

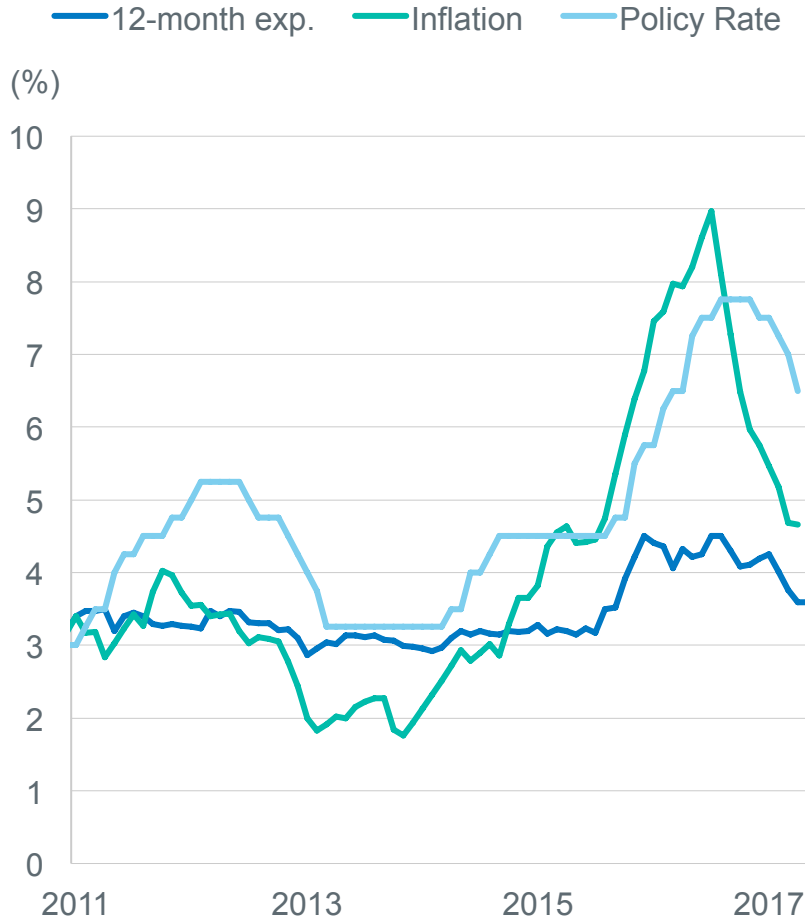
External Financing Needs & FDI



Source: Minhacienda, Banrep, Fitch



Response to High Inflation



Source: Banrep, Fitch

TOT Shock

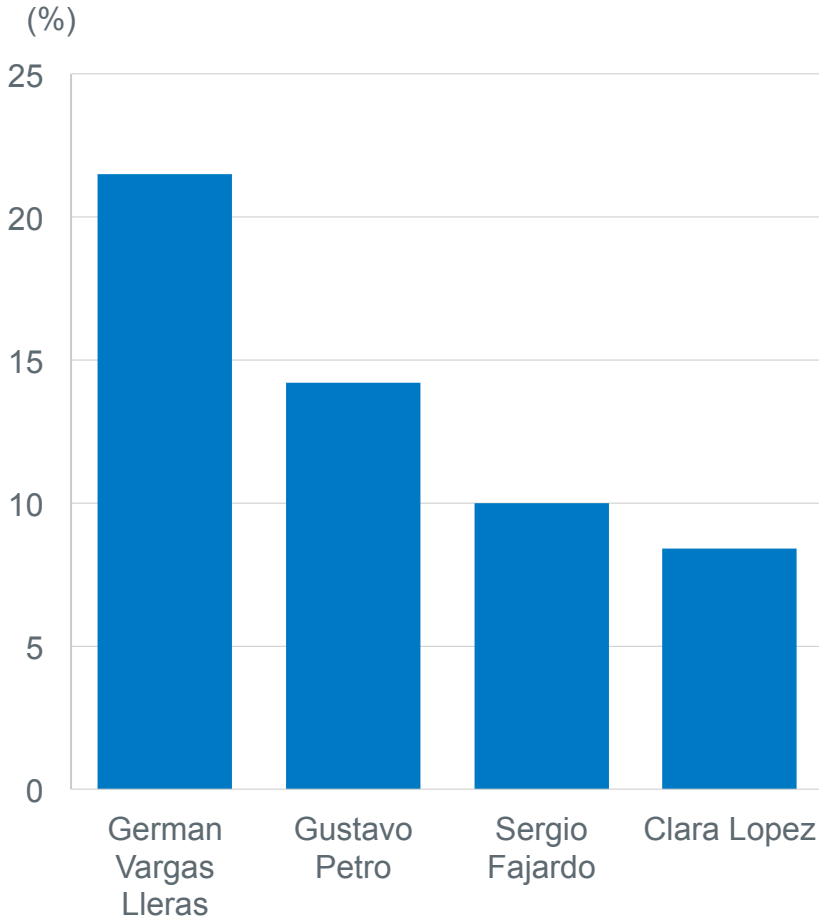


Source: Banrep, Bloomberg



Electoral Poll

Potential Candidates for 2018



Source: Invamer, May 2017

Note: Only showing the four candidates with the highest preference

Peace

- The peace initiatives of the Santos government with FARC and ELN are going to be a central issue in the 2018 election
- The run off election will likely be between a supporter and an opponent of the peace accords with FARC
- Former president Uribe's candidate (yet to be chosen) is going to play an important role in the election

Economic Outlook

- Fiscal consolidation, especially with costs associated with peace, will be key for next government.
- Re-igniting economic growth will be key issue.



Status

Macro

Strength

- Credible monetary policy
- Absence of financial dollarization
- Strong international reserves

Public Finance

Weakness

- High debt burden
- Narrow revenue base
- Rigid expenditure profile

External

Weakness

- Large current account deficit
- High presence of non-residents in local market

Structural

Weakness

- Low GDP per capita
- Low human development index
- Low governance indicators

Trend

Stable

- Declining inflation
- Progress in infrastructure give higher potential for growth

Stable

- Tax reform puts debt dynamics on a more sustainable path

Stable

- Declining CAD
- Resilient FDI inflows
- IMF flexible credit line

Stable

- Peace process brings investment to underdeveloped areas
- Falling rates of political violence



-
- Failure to reduce the fiscal deficit and stabilize the government's debt burden
 - Re-emergence of large external imbalances
 - Persistent period of low economic growth that undermines fiscal performance



-
- A sharp reduction in the country's external vulnerabilities
 - Fiscal consolidation that results in a significant reduction of the public debt burden
 - Higher growth prospects that improves debt dynamics and reduces Colombia's income gap with higher-rated sovereigns

Fitch Ratings' credit ratings rely on factual information received from issuers and other sources.

Fitch Ratings cannot ensure that all such information will be accurate and complete. Further, ratings are inherently forward-looking, embody assumptions and predictions that by their nature cannot be verified as facts, and can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this presentation is provided "as is" without any representation or warranty. A Fitch Ratings credit rating is an opinion as to the creditworthiness of a security and does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. A Fitch Ratings report is not a substitute for information provided to investors by the issuer and its agents in connection with a sale of securities.

Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch Ratings. The agency does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS AND THE TERMS OF USE OF SUCH RATINGS AT WWW.FITCHRATINGS.COM.



Fitch Ratings

New York
33 Whitehall Street
New York, NY 10004

London
30 North Colonnade
Canary Wharf
London, E14 5GN

fitchratings.com

 [@fitchratings](https://twitter.com/fitchratings)

FitchRatings