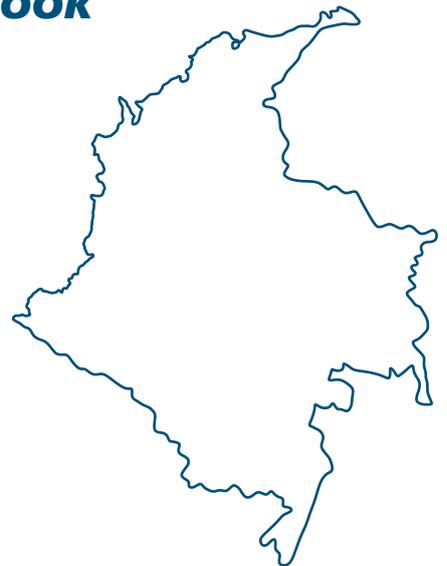




Country outlook
Colombia





Colombia



Form of Government: Presidential republic

Capital: Bogota

Official language: Spanish

Population: 50 million inhabitants (2019)

Currency: Colombian Peso (COP)

Exchange rate: 1 EUR = 3,889.00 COP (29/02/2020)
1 USD = 3,527.00 COP (29/02/2020)

GDP: \$327 billion (0.6% of world GDP)

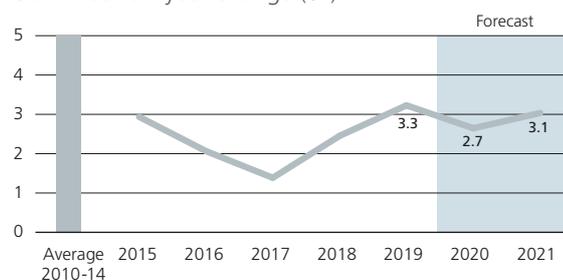
GDP per capita: \$6,508 (\$15,541 purchasing power parity)

Ease of doing business: 67th in the world out of 190 according to the World Bank (Doing Business)

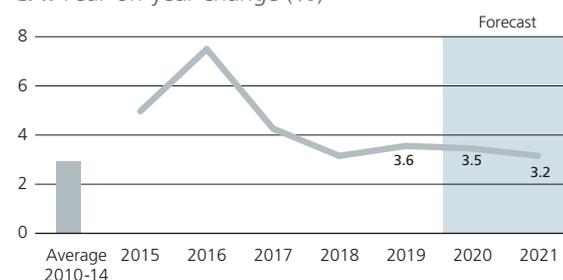
Religion: Catholic: 89%

Economic forecast

GDP. Year-on-year change (%)



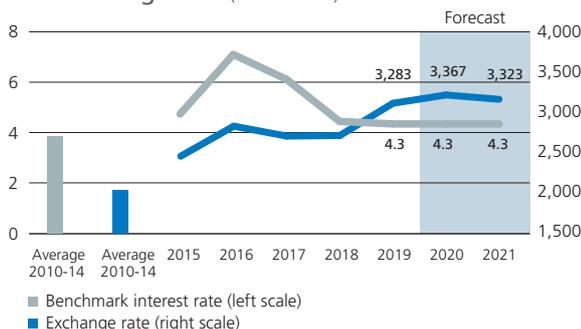
CPI. Year-on-year change (%)



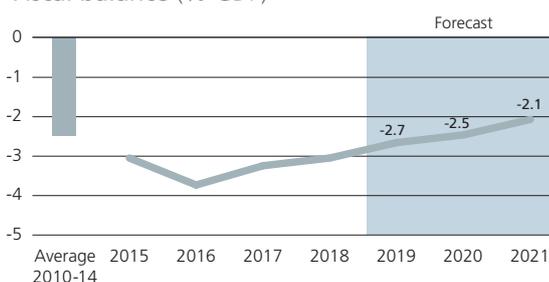
- The recovery in growth recorded in 2019 will slow down in 2020 due to the effects of the global shock of COVID-19, the drop in oil prices and the slowdown of the US economy, the country's main trading partner by far. In contrast, in 2021, the overcoming of the temporary effect of the coronavirus, an increase in world trade and the recovery of oil prices will lead to a recovery of GDP growth in line with its potential. The effects of the tax reform will be felt in both 2020 and 2021, especially the decrease in profit taxes and the tax discount on the acquisition of capital goods.
- In 2020 and 2021, inflation will remain within the Central Bank's target margins (2%-4%). However, in 2020, the increase in prices will be closer to the upper due to the pressure that the exchange rate depreciation will exert. In 2021, this inflationary pressure will become more moderate, facilitating a decrease in inflation.

Economic policy

Benchmark interest rate (%) and exchange rate (COP/USD)



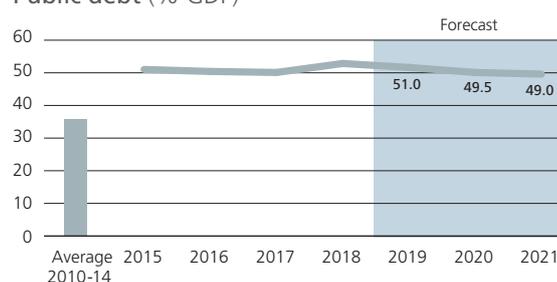
Fiscal balance (% GDP)



Current account (% GDP)



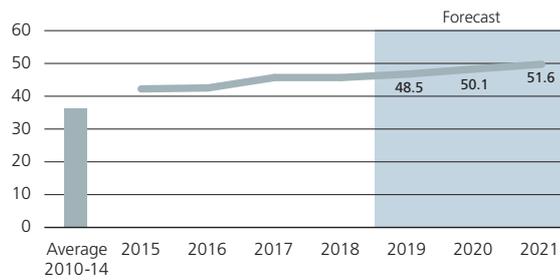
Public debt (% GDP)



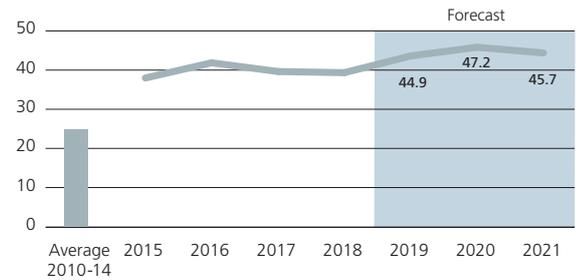
- In a context of increasing uncertainty, the Central Bank is expected to opt to pause the increase in reference rates that were expected prior to the shocks of early 2020. In fact, the change in scenario could lead to decreases in the interest rate. Nevertheless, the weakness of the Colombian peso and the evolution of inflation make this accommodative shift very unlikely, in our opinion.
- The so-called "growth law" has introduced various tax breaks (on corporate earnings, VAT on purchases of capital goods, etc.) with the aim of boosting private investment. In the current context of temporary weakness, it is also likely that specific measures to support activity will be implemented through current transfers. In addition, in view of the context of social unrest, it is plausible that measures of a social nature will be taken. All this will slow down the fiscal consolidation process started in 2016 and the reduction of public debt.

Financial conditions

Private credit (% GDP)



Gross external debt (% GDP)



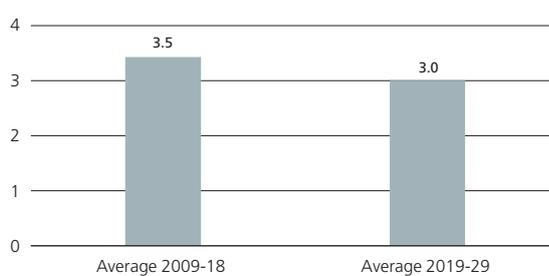
- There are no signs of weakness in the banking sector, which exhibits high profitability, low non-performing loans and adequate capitalisation. However, the credit growth prospects are moderate.
- After a period of rapid debt growth (public and private), debt stabilisation at current levels is expected. External debt will follow a similar evolution, although it will suffer the depreciation of the peso in 2020. The country's level of reserves remains high, which will provide sufficient room for manoeuvre in the event of any financial volatility.

Political situation

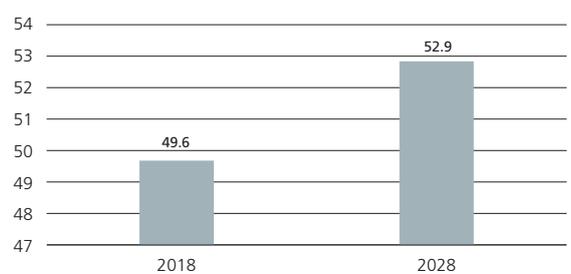
- The Colombian political situation reveals different points of tension that are very difficult to resolve. Firstly, the management of the peace agreements and the appropriateness of relaunching the negotiations with other guerrilla movements that were left out of these agreements is generating controversy and polarising public opinion.
- The second front that remains open is the social unrest that turned hostile at the end of 2019 and that is likely to recur in 2020, albeit in a sporadic fashion. In order to address this social unrest, it is likely that the minimum wage will be increased and a legislative package against corruption will be adopted. Although these measures are in line with social demands, they are perhaps not enough to pacify the social conflict, of which the ultimate roots (inequality in the distribution of income and opportunities) are difficult to rectify in the short-term.

Long-term outlook

GDP growth (%)



Population (millions of inhabitants)



- In the medium-term, Colombia's outlook will continue to be supported by a favourable institutional and business environment (according to Latin American standards). Furthermore, one of the main challenges that the economy will face in the medium and long-term will be to shift the growth model towards sectors that reduce its dependence on commodity exports. The second big challenge, one that the country shares with many Latin American countries, is to improve the degree of inclusiveness of growth.
- The country's demographic momentum is, and will continue to be, more subdued than would traditionally be expected. Consequently, according to the review of the population census performed by the National Administrative Department of Statistics (the first since 2005), population growth has been significantly lower than expected over the last 13 years. Despite this, the population will continue to grow in the long-term, albeit at a lower rate than previously anticipated.

Country risk

	Rating	Last changed	Outlook
STANDARD & POOR'S	BBB-	11/12/17	Stable
MOODY'S	Baa2	28/07/14	Stable
FitchRatings	BBB	10/12/13	Negative



OECD credit risk rating (from 0 to 7, with 0 being the best)



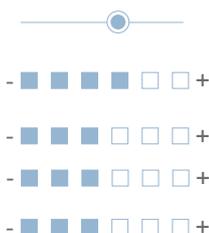
■ Indicates that the country has an "investment grade".
 □ Indicates that the country does not have an "investment grade".

*Credit default swap: measurement of country risk that reflects the cost of ensuring the non-payment of the sovereign bond.

Risks

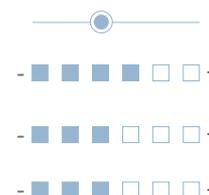
SHORT-TERM

- Commodity prices lower than forecasted
- Impact of the coronavirus on the world economy
- Further social unrest
- Greater than expected slowdown of the US



LONG-TERM

- Continuation of the production model
- Failure to develop a more inclusive growth model
- Slowdown of the infrastructure programme



Business environment

STRENGTHS

- Large business sector.
- Bank solvency.
- Potential of the tourism industry.

WEAKNESSES

- Insufficient transport infrastructures.
- Low level of competition in some sectors.
- Insecurity.
- Quality of primary education.

Main sectors

EXPORTERS

- Mineral fuels; coffee, tea and spices; plants, living trees, roots, cut flowers and plastics.

IMPORTERS

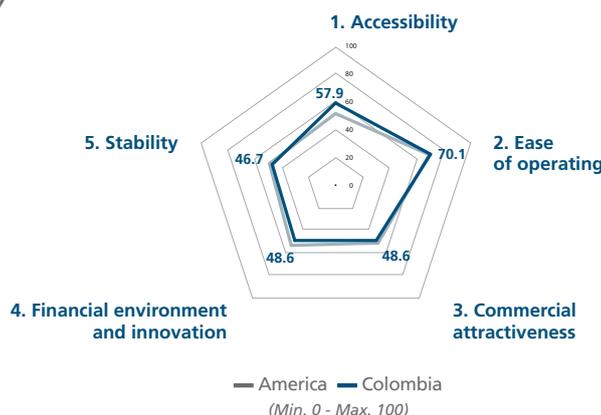
- Machinery, electronics, mineral fuels, vehicles and plastics.

CIBI | CaixaBank Index for Business Internationalisation

POSITION IN COUNTRY RANKING



PILLARS



SUBPILLARS

- Top**
- Investment relations with Spain
 - Distance, communications, and agreements with Spain
 - Innovation capability
- Bottom**
- Purchasing Power
 - Easiness of operating a business
 - Institutional stability

Taxation

The Colombian government has simplified the country's tax system and reduced most of its taxes. The main tax that has to be paid by foreign and local companies established in the country is corporate tax, which is set at a rate of 25% of the earnings, regardless of the amount. This is followed by tax on income for equity (CREE), a national tax consisting of a contribution made by legal persons aimed at helping workers, job creation and social investment. CREE is applied to income that can potentially increase a company's equity (as from 1 January 2015, a CREE surtax of an additional 5% has been applied, which will

gradually rise each year until this reaches 9% in 2018). A tax on financial transactions is applied to every banking operation intended to withdraw funds from current and savings accounts and cheques at a rate of 0.4% per operation. There is also an industry and trade tax applied to industrial and commercial activities or services performed within the jurisdiction of a municipality or district by a taxpayer with or without commercial establishment, which ranges from 0.2% to 1.4% of the company's earnings. Value Added Tax (VAT) is the main indirect tax, with an average rate of 19%.

Investment

In Colombia, foreign direct investment for 2015 was 12.107 billion dollars. By sector, resources allocated to oil, hydrocarbons and mining

continued to be the main investments. Spain was the third largest investor, surpassed only by the US and Panama.

Establishment

LOCAL COMPANY

Colombian legislation covers five types of companies for setting up a business in the country: simple general partnership, simple partnership, partnership limited by shares, limited company, joint stock company and simplified stock corporation. Each of these is made up of a different number of shareholders or partners with different liabilities regarding the company's debts, and the administration also differs depending on the type of company. The two main types of firm in Colombia are limited companies and joint stock companies (public limited companies).

The limited partnership is characterised by being composed of a minimum of two partners and a maximum of 25, each liable for debts up to the maximum of the capital provided by

each shareholder. The capital is divided into equal shares without providing an enforceable minimum and a legal representative must be a resident in the country.

A joint stock company is characterised by being made up of at least five shareholders with an unlimited maximum number, liable for debts up to the amount held in the share capital (there is no minimum capital for its incorporation). There must be a legal representative residing in the country and the capital is divided into shares of equal value paid by the shareholders. Preferred stock, issued for services or retired share benefits, may be issued with a preferential dividend and without voting rights, as well as mandatory convertibles.

BRANCH

There are no restrictions in Colombia to setting up a foreign company in the country. Any such company has to fulfil the following requirements: a public deed of incorporation of the new company has to be drawn up and to validate the foreign company's articles of association these must be taken to the consulate or embassy of the country of origin; the documents for incorporating the new

company must be presented at a local chamber of commerce and this has to be registered in both the Single Tax Registry (RUT) and in the Bank of the Republic of Colombia. In the case of branches of foreign companies, only the income obtained in Colombian territory by the branch is taxed at the same rates established for national companies.

REPRESENTATIVE OFFICE

Representative offices are governed by Decree 2555 of 2010, a mechanism by means of which an institution or foreign company is allowed

to promote or advertise its products or services in Colombia but not to sell these, as such offices do not have their own legal personality.

Alliances strategic

FREE TRADE ZONE

Colombia has 10 free trade zones, four of which (Barranquilla, Cartagena de Indias, Santa Marta and Pacífico) are located on the coast,

with easy access to the main ports, and a major presence of international companies. These are the most important ones in the country.

JOINT VENTURE

The Foreign Investment Act allows this type of contract although they are atypical as they are not regulated. It is therefore the contractual parties who agree on their regulatory system during negotiations and the contributions and scope of the project therefore have to be specified. This type of partnership has some interesting alternatives as regards foreign

investment, since national and foreign capital can be combined. Joint ventures offer advantages to both parties, such as a knowledge of the national market on the part of the national company, which in turn benefits from the technological and financial capacity of the foreign company. There are no restrictions on economic activity.

Customs conditions

FREE TRADE AGREEMENTS

Over the last few years Colombia has implemented a large number of economic policies with great impact on its market. Along with promoting free trade agreements, such policies have also reinforced its capacity to withstand the international economic situation. Colombia has therefore signed free trade agreements with a large number of countries, including Canada, Chile, Switzerland, Venezuela, Nicaragua, Cuba, South Korea, Turkey, Japan, Israel and the US. It also belongs to Mercosur, the Andean Community and

CARICOM (Caribbean Community). Since August 2013, there has been a Free Trade Agreement between Colombia and the European Union. Growth in trade and European investments in Colombia is expected, as the agreement facilitates tenders by European companies in major civil engineering works in the country, as well as an improvement in imports of machinery and technological services and exemption from customs duties for most European food and farming products and capital goods.

FREE TRADE ZONE

Single rate of income tax of 15% and 100% exemption from customs duties (import duties) and VAT.

Negotiations and protocol

BUSINESS CULTURE

The language used for business is Spanish, although English is also used for international business. This is a flexible country as regards meetings, at which personal matters such as the family, etc. are often discussed. Closing a business deal tends to take more than one meeting as the first meetings are normally used as an initial contact. It is extremely difficult to get a clear and definite "no" from a Colombian representative during negotiations. Subjects

that should in general be avoided are: politics, terrorism, religion, drugs and drug trafficking cartels. Welcomed subjects of conversation: the positive aspects of Colombia, Colombian history, literature, art and music, coffee, cooking, the city being visited. Do not rely on the email service to schedule your appointments as it is more advisable to use telephone or fax for this purpose.

Top fairs

- Colombiatex.
- Colombiamoda.
- Meditech.
- Exposición Nacional Ganadera.
- Feria Internacional de Seguridad.
- Feria de Productos del Hogar. Bogotá.
- Sugarex Colombia.
- Salón internacional del Automóvil.
- Expo Oil and Gas.
- Expocamacol. Medellín.

Websites of interest

- Invest in Colombia: <http://www.inviertaencolombia.com.co/>
- Customs in Colombia: <http://www.dian.gov.co/>
- Colombia Association of Chambers of Commerce: <http://www.confecamaras.org.co/>
- Colombian Business portal: <http://www.mipymes.gov.co/>
- Business Transparency website: <http://www.pte.gov.co>

Payment and charging methods**MEANS OF COLLECTION**

It is advisable to always guarantee payments are received by using the usual international methods, primarily documentary credit, which offers most guarantees. Another option is for a Colombian bank to handle sight (CAD-Cash

against Documents) or term (DA-Deliver against Acceptance, DA), documentary remittances with the bank of the company acquiring the product.

MEANS OF PAYMENT

In international trade the main means of payment used are letters of credit (the most recommendable option until a good commercial

relationship has been established with the local partner), documentary drafts and direct transfers abroad.

EXCHANGE RATE INSURANCE

Increased political and economic stability, along with the country's development, have reduced the fluctuations of the Colombian peso until this has become one of the surest currencies in

South America. Even so, transactions tend to be made in USD and it is advisable to insure against exchange rate fluctuations in this currency.

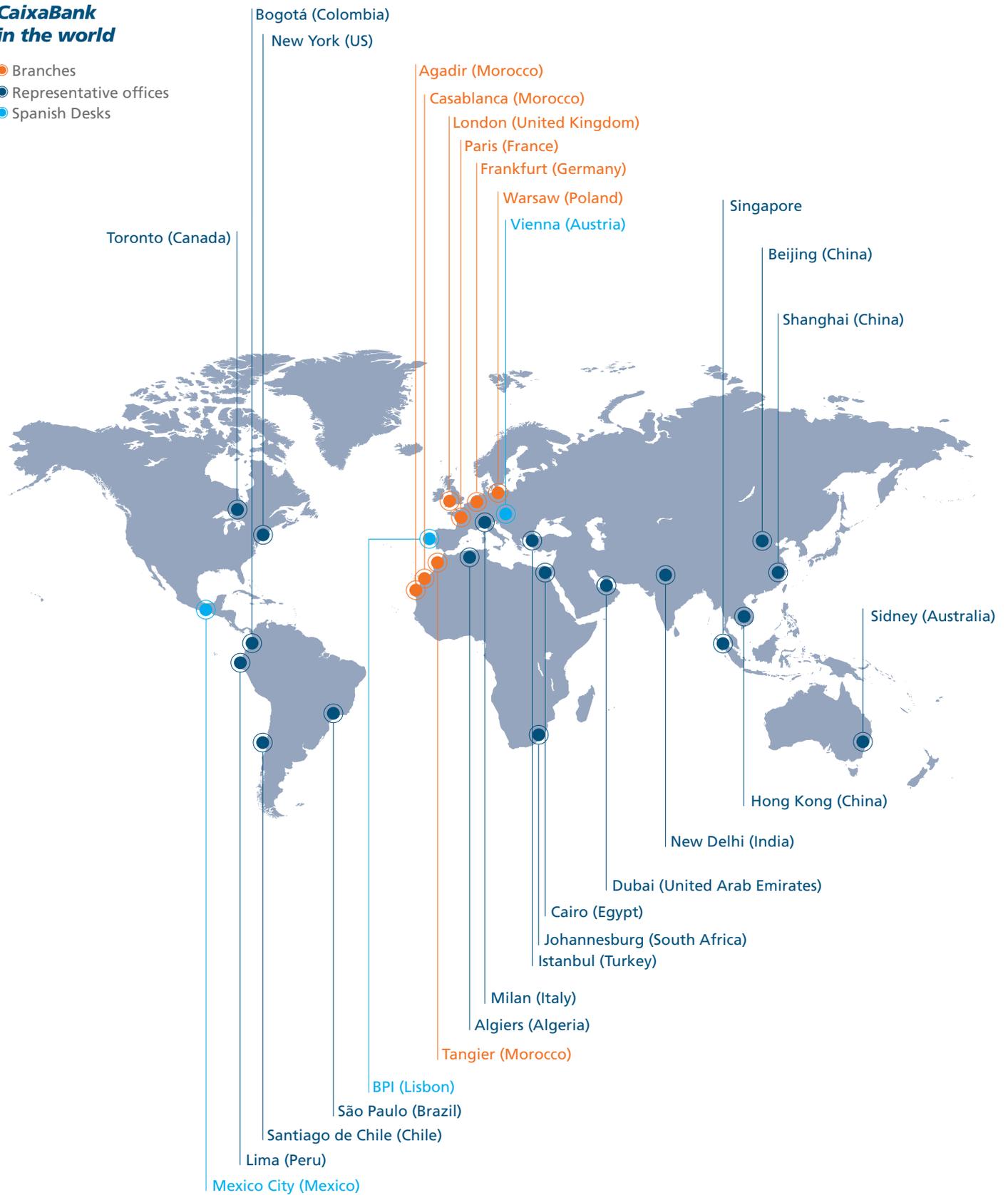
CaixaBank in the country

The main objective of the Colombia office is to improve communication channels with local financial institutions, supporting CaixaBank customers' activities in the country, be they

foreign trade or investment and deployment projects. It also offers consulting and accompanies Spanish companies that wish to develop their business abroad.

CaixaBank in the world

- Branches
- Representative offices
- Spanish Desks



Colombia representative office

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