



A View of Colombian and Regional DCMs

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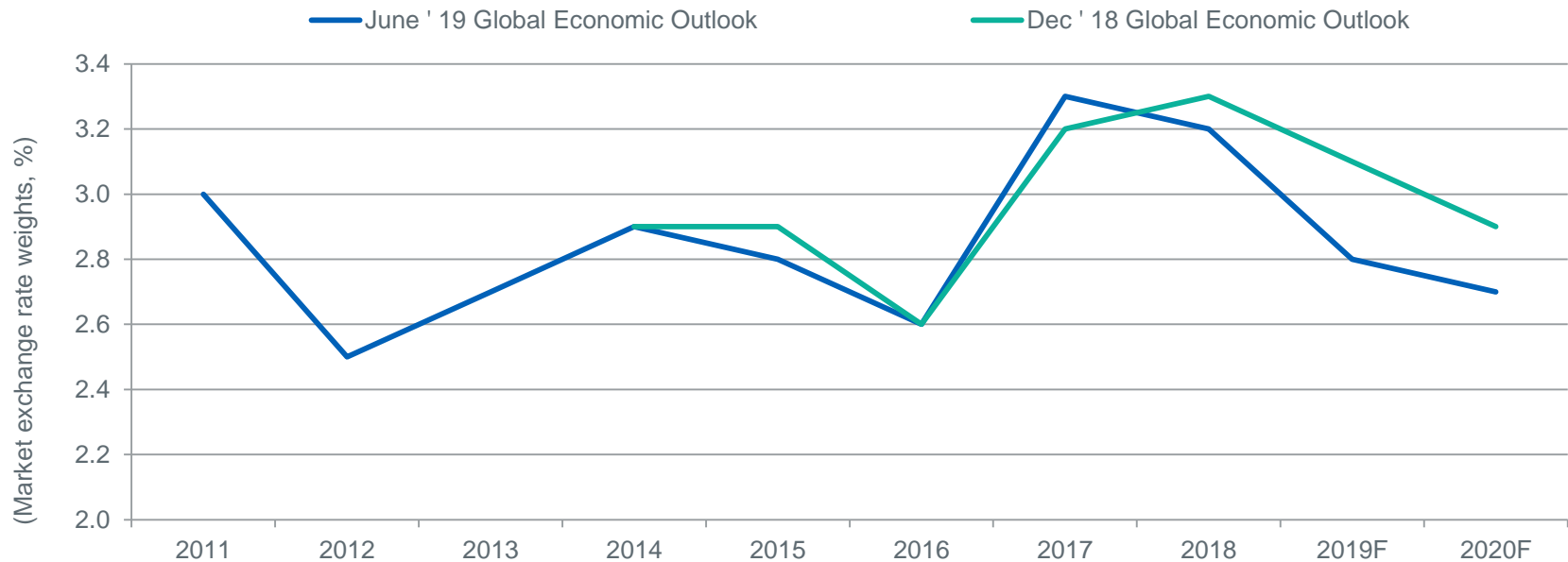
ASOBANCARIA
Medellín, August 2019

FitchRatings

Sharpest Global Slowdown Since 2012



World GDP Growth



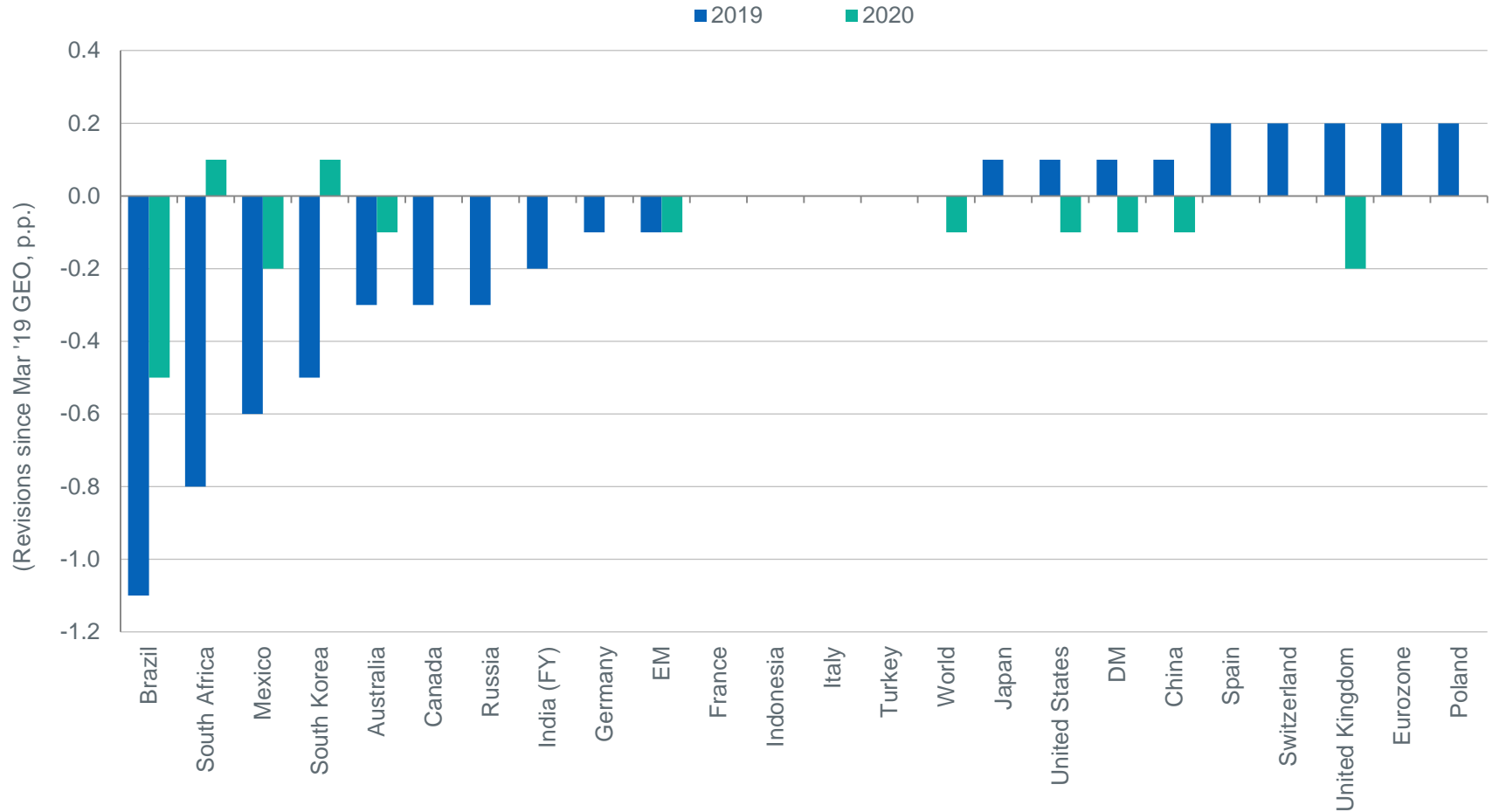
Source: Fitch Ratings

GDP Growth (%)	Annual Mean (2014-2018)	2018	2019f	2020f
Developed	2.0	2.1	1.8	1.5
Emerging	4.8	5.1	4.5	4.8
World	3.0	3.2	2.8	2.7

World Growth in 2020 Revised Down in Fitch's June GEO



Revisions to Fitch GDP Growth Forecasts

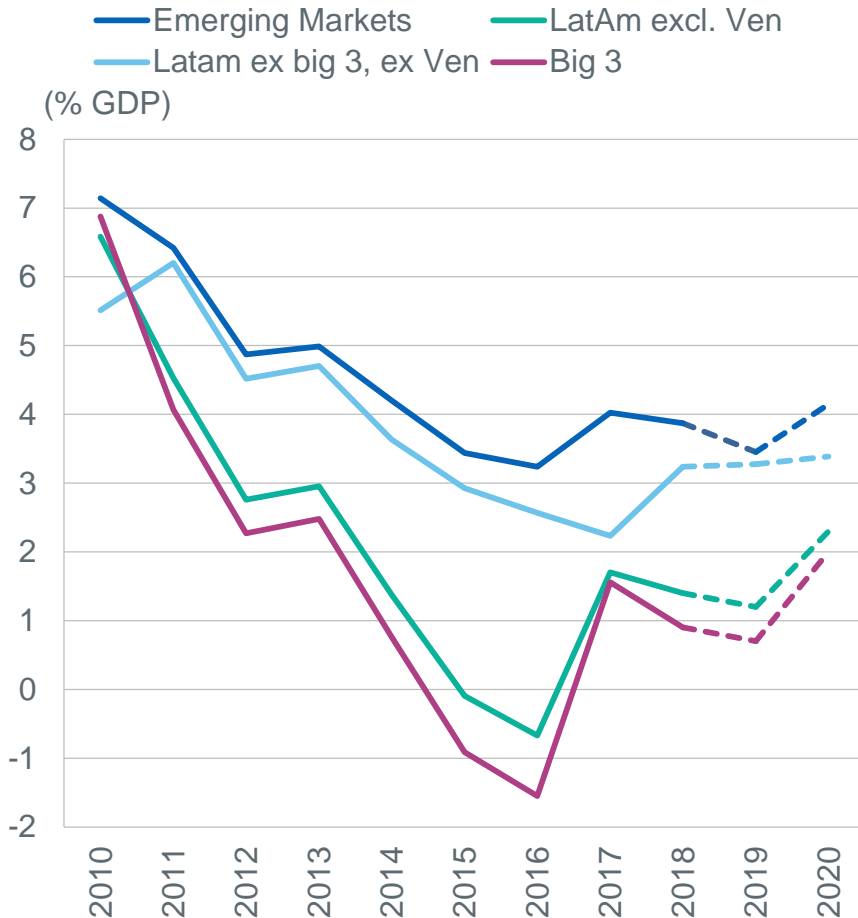


Source: Fitch Ratings

LatAm Growth Underperforming EMs, World and US

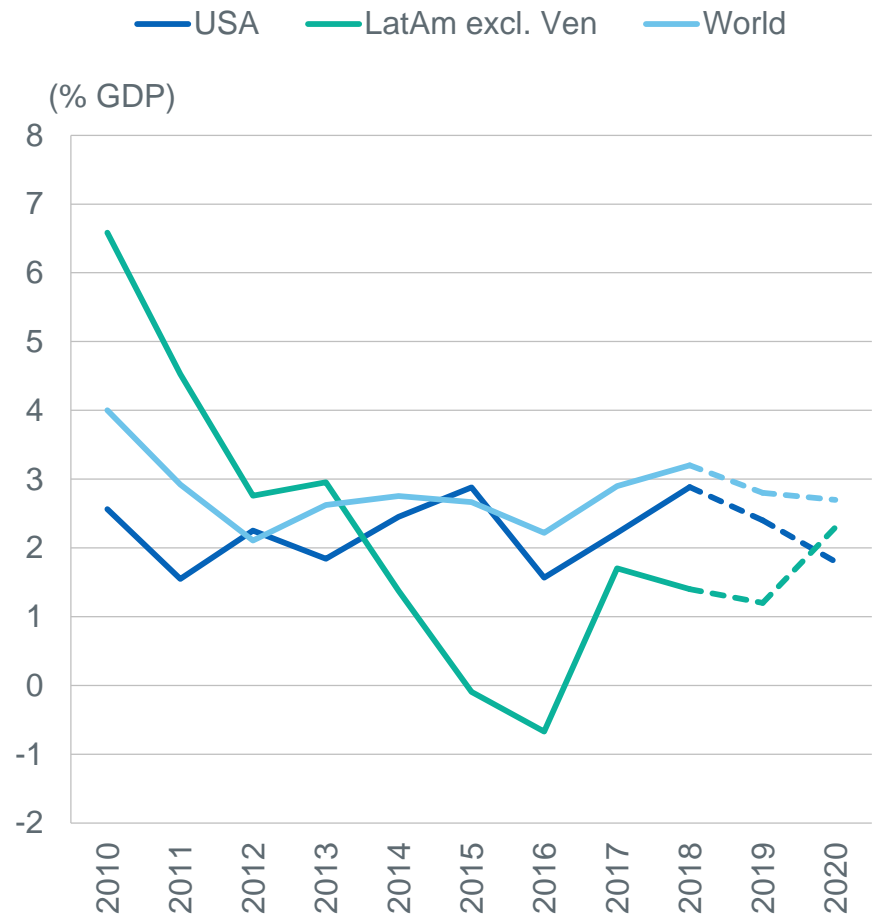


Largest Economies Dragging Down Regional Growth



Source: Fitch Ratings

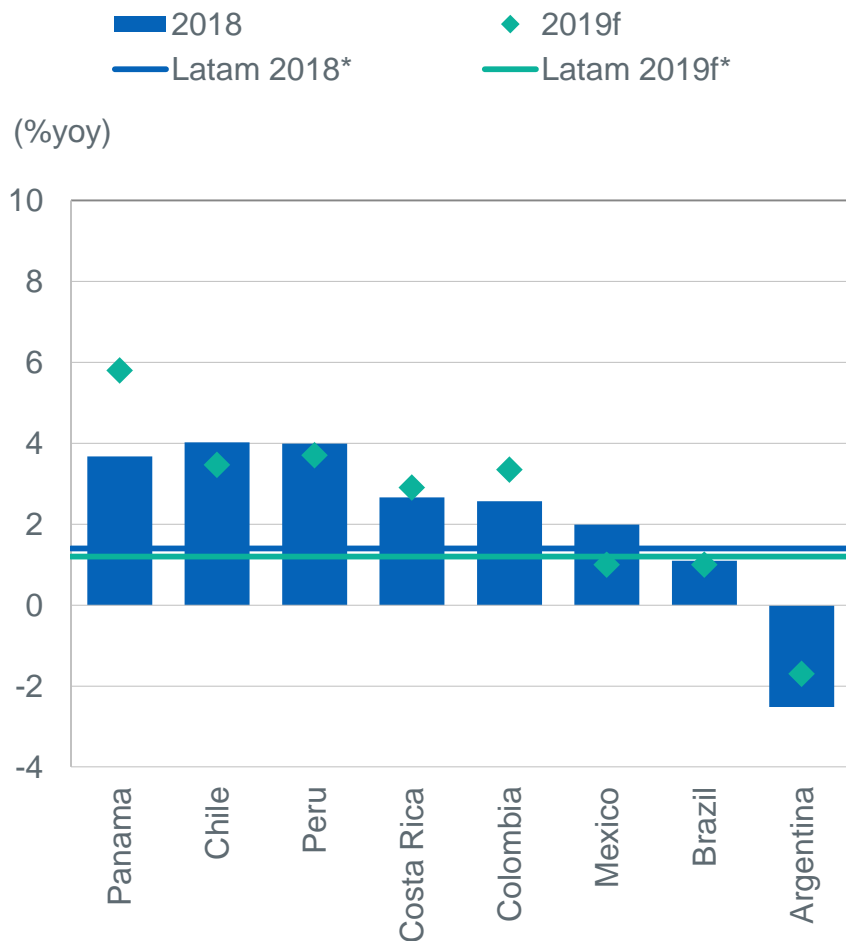
Region Growing Below World and US since 2013



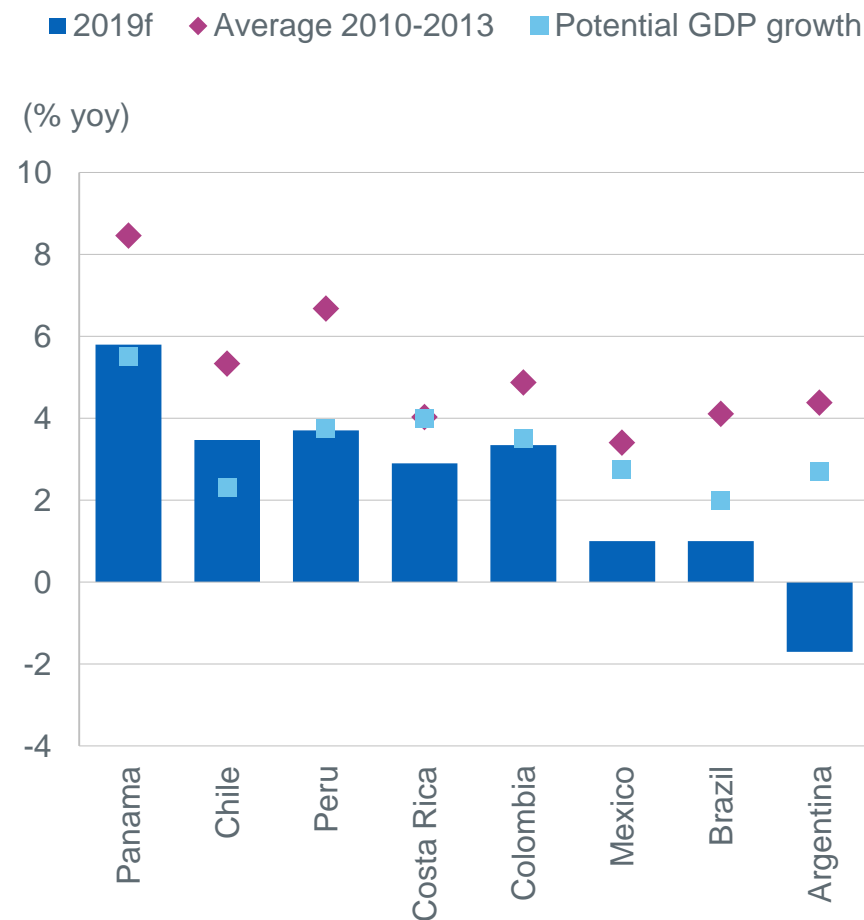
Growth Variance in 2019



Real GDP Growth



Most Countries are Growing Below Potential



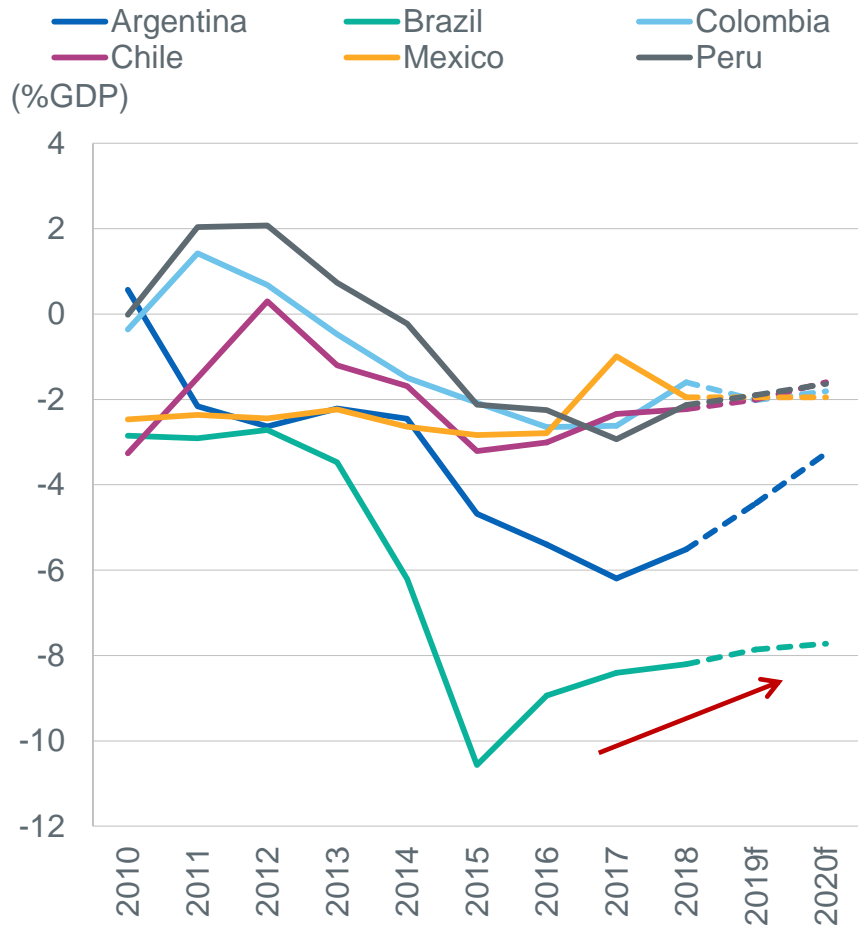
Source: Potential GDP growth from IMF, GDP growth from Fitch

Lagging Consolidation Amid Rising Debt Burden



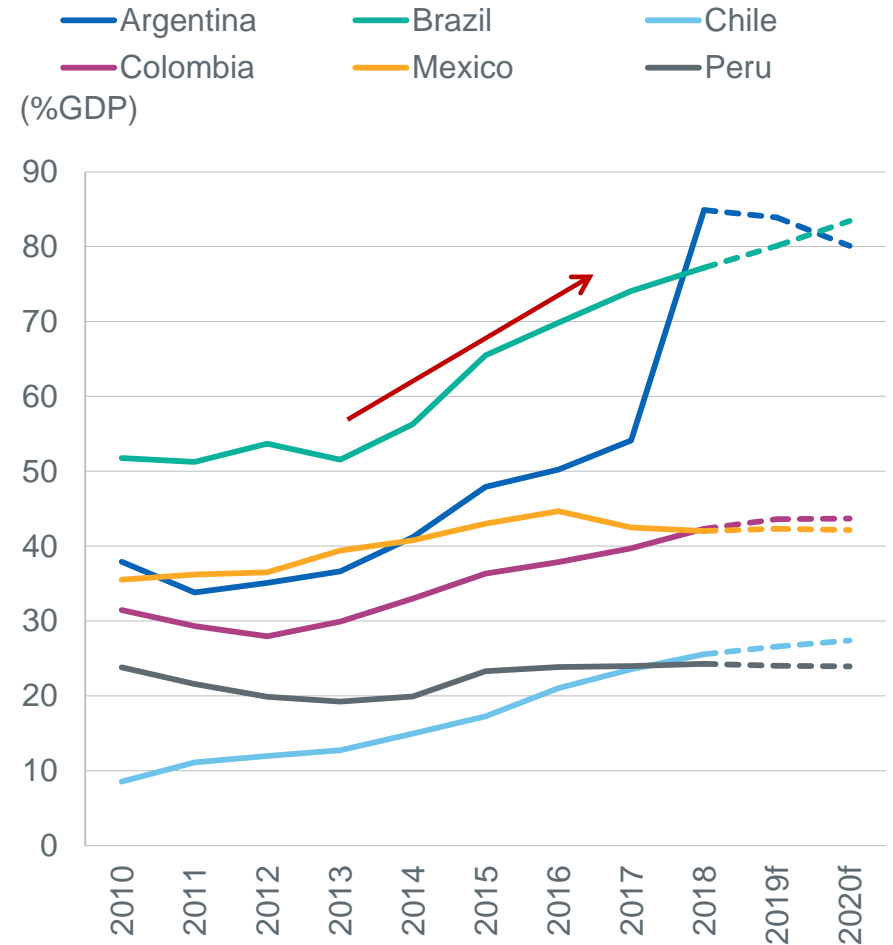
Gradual Reduction in Fiscal Deficits

General Government Balance



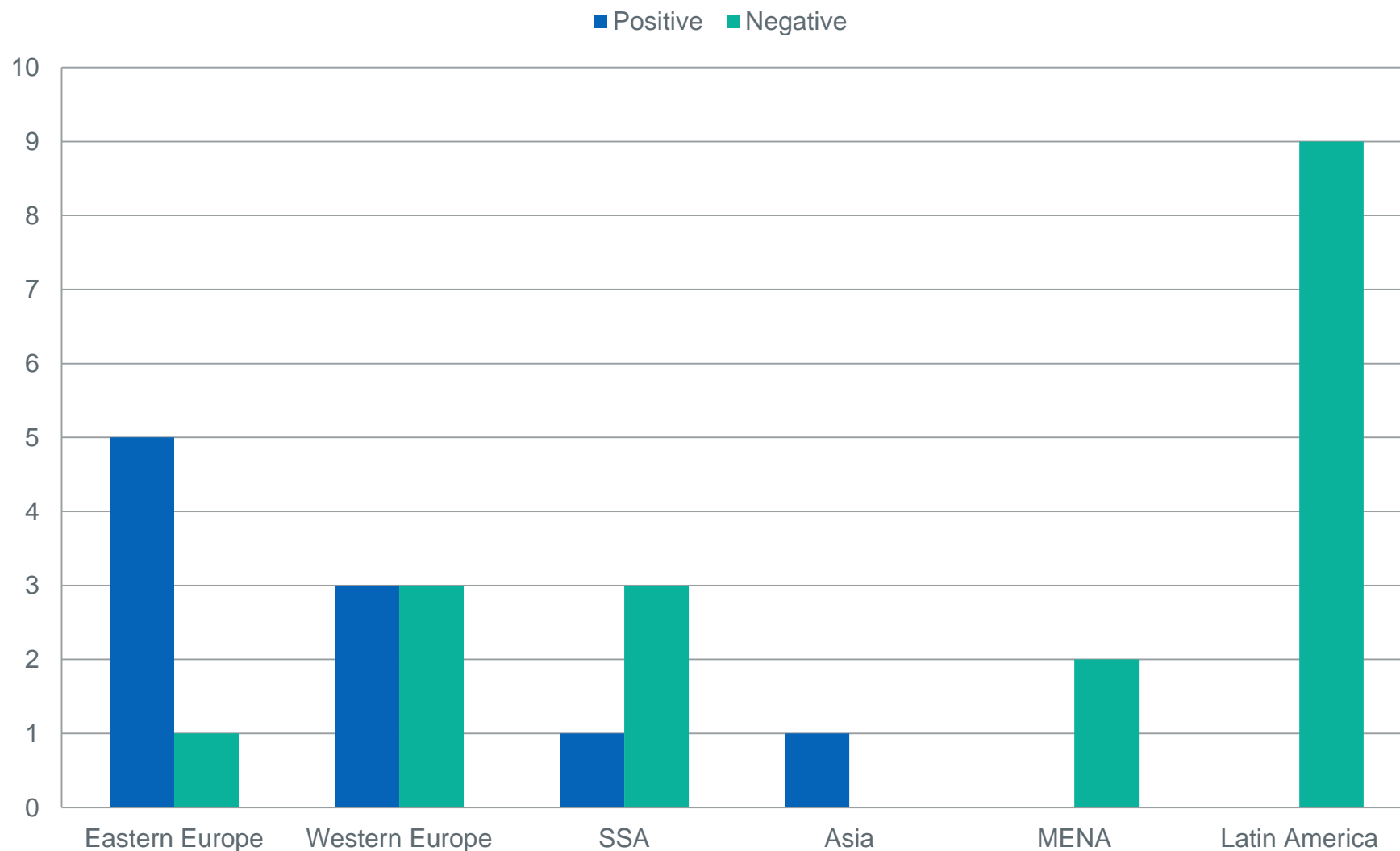
Source: Fitch Ratings

... And Debt Keeps Growing in Many



Source: Fitch Ratings

LatAm has the Highest Number of Negative Outlooks



Ratings and Recent Actions



Negative Rating Pressures

- 8 of the 19 sovereigns on Negative Outlook
- Lukewarm and uneven growth, persistent fiscal challenges, political risks, and difficult market access for some

Negative Actions in 2018-19

- Mexico downgraded to BBB from BBB+ (2019)
- Ecuador Outlook to Negative from Stable (2019)
- Costa Rica to 'B+' from 'BB,' Neg. Outlook (2019)
- Bolivia Outlook to Negative from Stable (2019)
- Colombia Outlook to Negative from Stable (2019)
- Guatemala Outlook to Negative from Stable (2019)
- Nicaragua to 'B-' from 'B', Negative Outlook (2018)
- Argentina Outlook to Negative from Stable (2018)
- Brazil to 'BB-' from 'BB', Stable Outlook (2018)

Positive Actions in 2018-19

- Jamaica to 'B+' from 'B', Stable Outlook (2019)
- Paraguay to 'BB+' from 'BB', Stable Outlook (2018)
- Suriname Outlook to Stable from Negative (2018)

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



Weaker Growth/Weak Reform Outlook

- Argentina
- Ecuador
- Mexico
- Nicaragua
- Uruguay

Rising debt levels

- Argentina
- Aruba
- Brazil
- Costa Rica
- Ecuador
- Uruguay

Fiscal pressures/Inadequate progress on reforms/Contingent liability risks

- Argentina
- Aruba
- Brazil
- Colombia
- Costa Rica
- Guatemala
- Ecuador
- Nicaragua
- Uruguay
- Mexico

Tighter financing conditions/External Vulnerability

- Argentina
- Ecuador
- Nicaragua
- Costa Rica
- Bolivia



Political violence / Deep Political Divisions

- Nicaragua
- Venezuela

Managing Macro & Fiscal Policy Adjustment

- Argentina
- Brazil
- Colombia
- Costa Rica
- Ecuador
- Uruguay

Governability Risk / Political Polarization or Congressional Fragmentation

- Brazil
- Costa Rica
- El Salvador
- Guatemala
- Peru

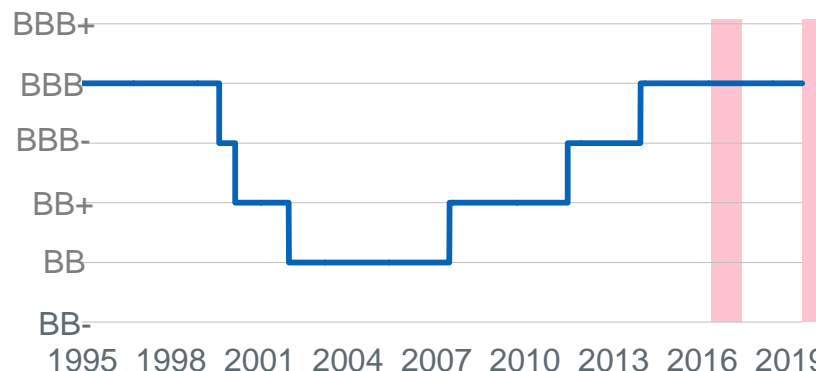
Uncertainty from new administrations

- Brazil
- Mexico



- Outlook revised to negative in May 2019, affirmed at 'BBB', to reflect risks to fiscal consolidation and the trajectory of government debt, the weakening of fiscal policy credibility, and increasing risk from external balances.
- Increased difficulty in meeting fiscal targets from 2020 onwards as a result of cuts in corporate tax rates passed in the 2018 Financing Law.
- Current account deficit widened to 3.8% of GDP in 2018 and forecast to widen further to 4.2% of GDP in 2019.
- Fitch forecasts growth acceleration in 2019 to 3.3% driven by supportive consumption and higher investment.

Rating History



Source: Fitch Ratings

Key Indicators

	2018	2019f	2020f
Real GDP growth (%)	2.6	3.3	3.5
Inflation (%)	3.2	3.2	3.1
Central government balance (% of GDP)	(3.1)	(2.7)	(2.3)
General government debt (% of GDP)*	42.3	43.6	43.7
Current account balance (% of GDP)	(3.8)	(4.2)	(4.0)
International reserves, incl. gold (USDbn)	47.9	52.6	57.6
Net external debt (% of CXR)	51.1	51.6	51.7

Source: Fitch Ratings

*General government includes central government, provincial, regional and local governments, social security funds and extra-budgetary funds.



Colombia (BBB/Negative)



SRM output Qualitative overlay		FC IDR
	Factor	Notch adjustment
BBB-	Macro	+1
	• Long track record of prudent and consistent macroeconomic policies.	
	Public finances	0
	External finances	0
	Structural features	0
	Total	+1

BBB

Negative Sensitivities

- ✗ Failure to implement credible structural measures to put government debt on a stable or downward trajectory.
- ✗ Sustained deterioration in external imbalances that leads to a continued rise in the external debt burden and weak external liquidity indicators.
- ✗ Growth underperformance relative to the 'BBB' median that detracts from per-capita income convergence with similarly rated sovereigns.

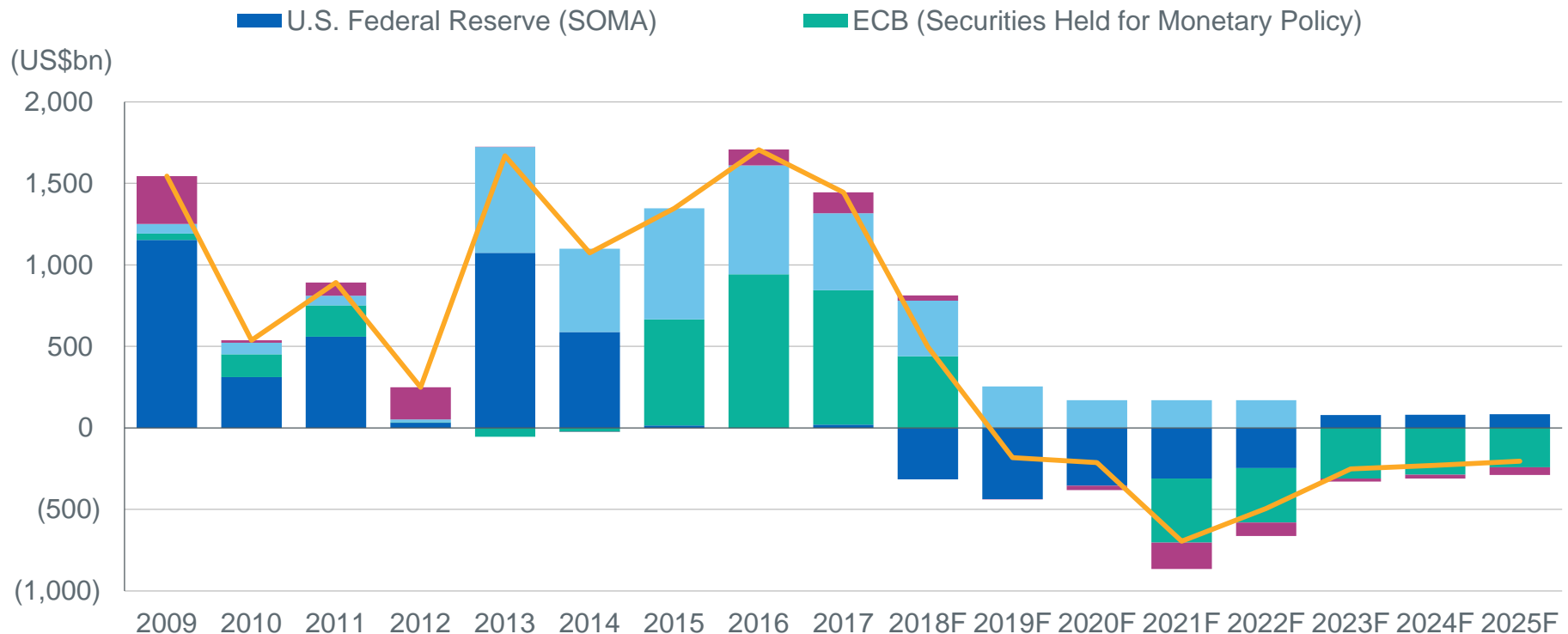
Positive Sensitivities

- ✓ Fiscal consolidation through credible and predictable policies consistent with an improved trajectory for public debt dynamics.
- ✓ Reduced external imbalances that improve external debt and liquidity ratios.
- ✓ Higher growth that reduces income gap with higher-rated sovereigns.

Central Banks Were Positioned to Withdraw Liquidity



Central Bank Quantitative Easing Asset Purchases



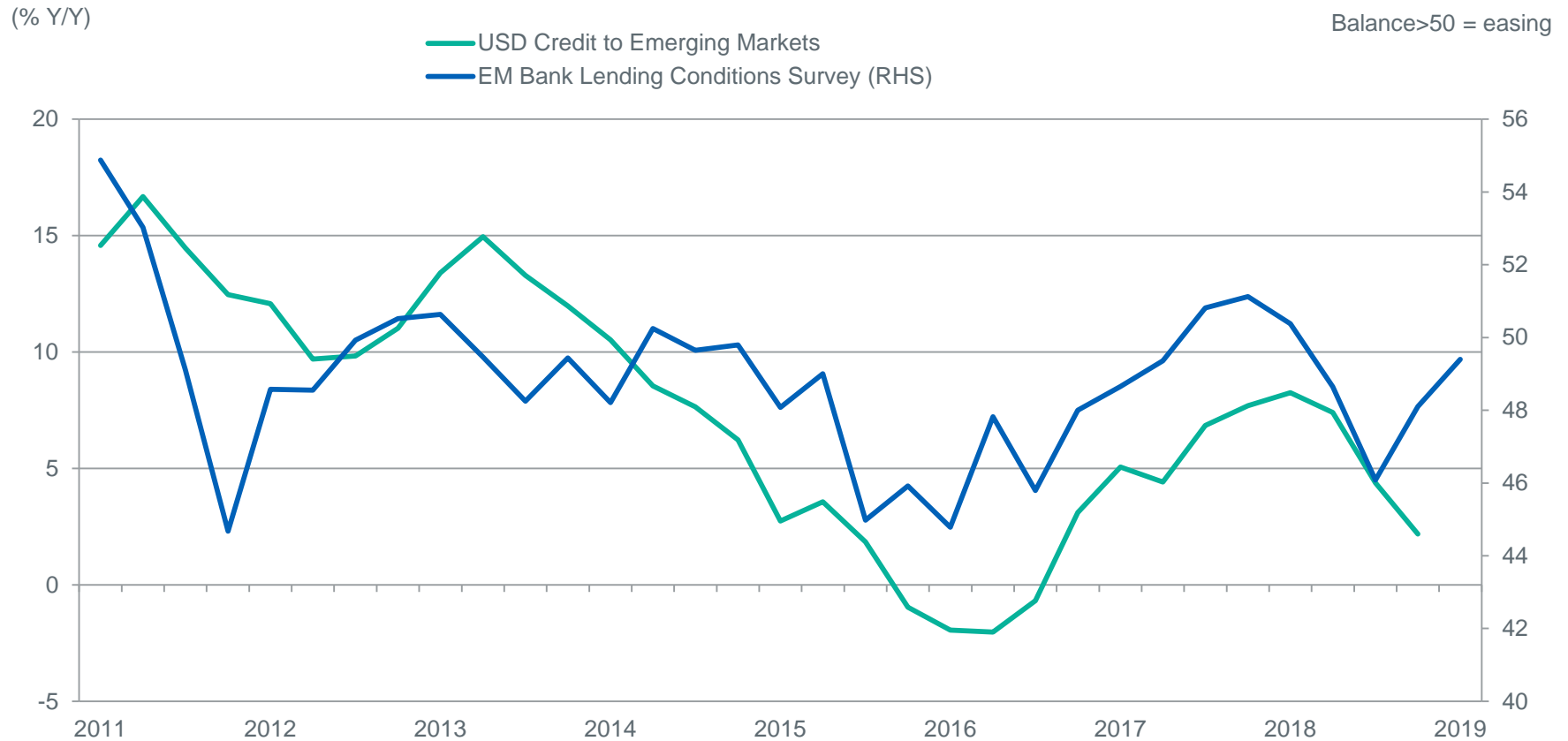
SOMA – System open market account. ECB – European Central Bank. BOJ – Bank of Japan. JGB – Japanese Government Bond. BOE – Bank of England. APF – Asset purchase facility. F – Forecast. Note: BOJ, BOE and ECB are measured at annual average exchange rates

Source: Fitch Ratings

Tightening in EM Credit Conditions



EM Bank Lending Standards and Dollar Lending

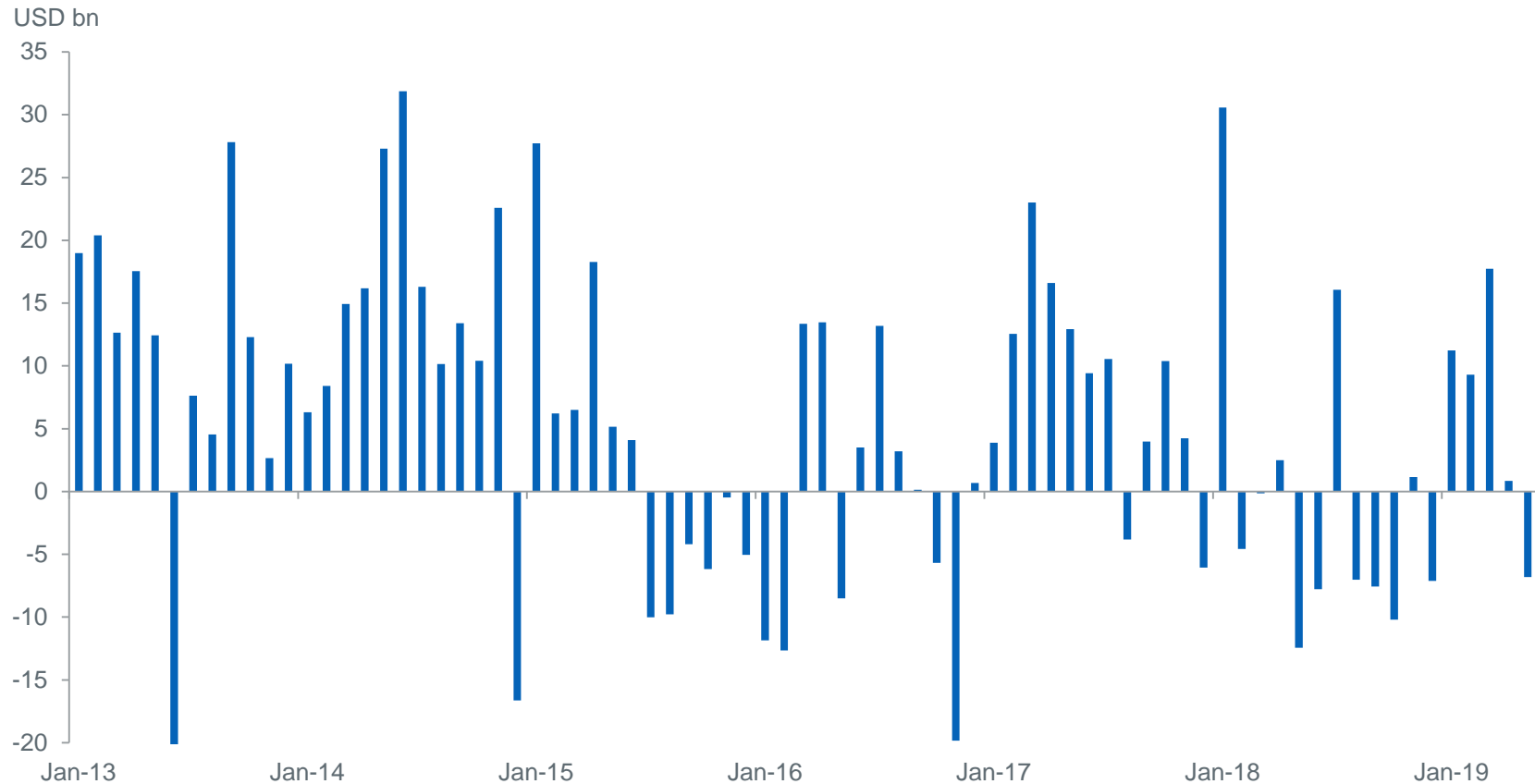


Source: Fitch Ratings, IIF, BIS, Haver Analytics

EM Capital Flows Spooked by Trade War Escalation



EM9 – Monthly Portfolio Inflows

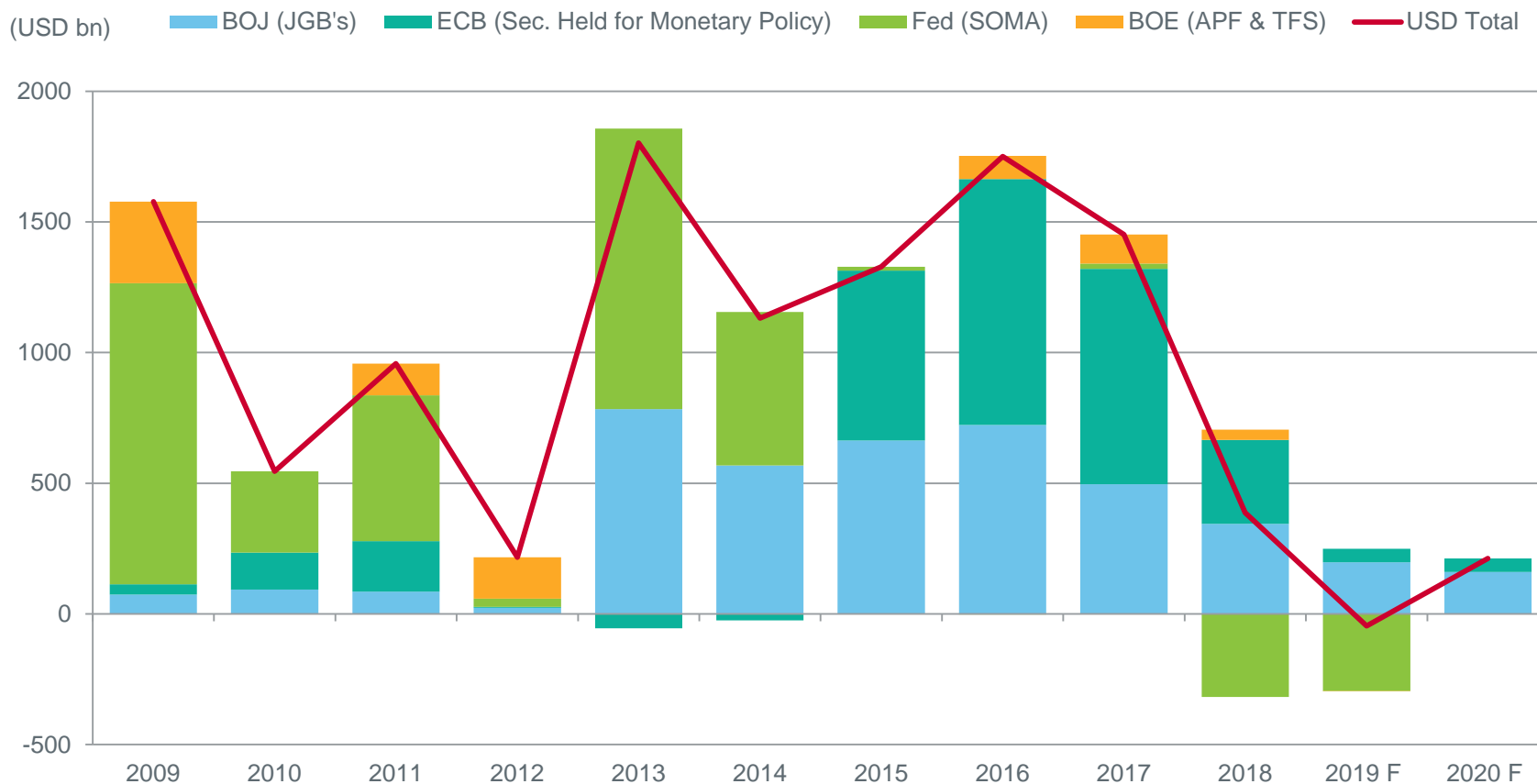


Source: Fitch Ratings, IIF

Back to Global Quantitative Easing in 2020



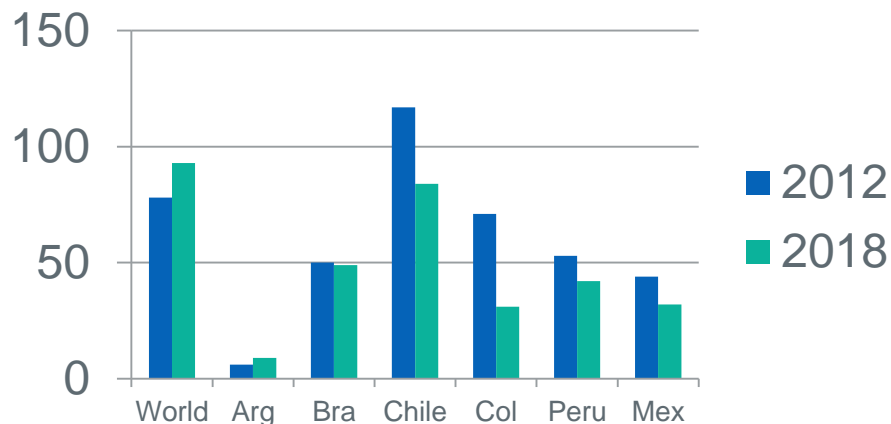
Central Bank QE Purchases in USD Equivalent Terms



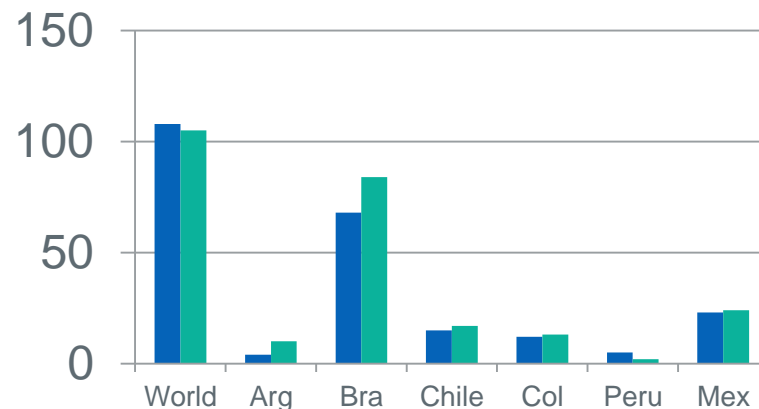
Source: Fitch Ratings, ECB, Fed, BOJ, BOE, Haver Analytics



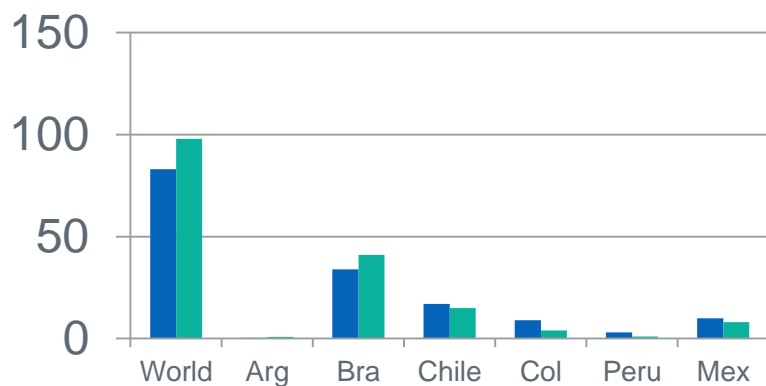
Market Cap of Listed Domestic Companies (%GDP)



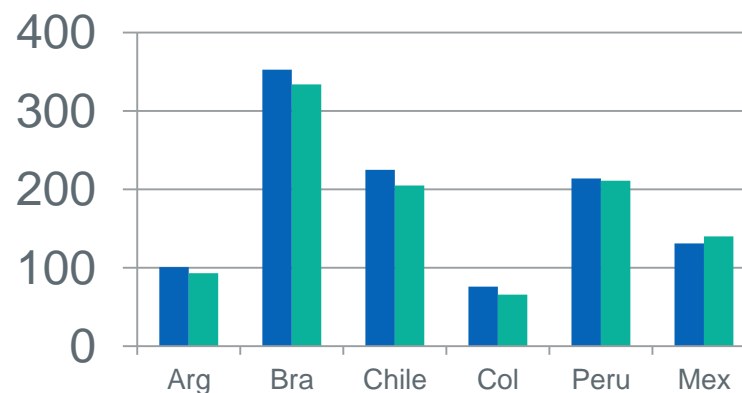
Stocks Traded, Turnover Ratio Domestic Shares (%)



Stocks Traded, Total Value (% GDP)



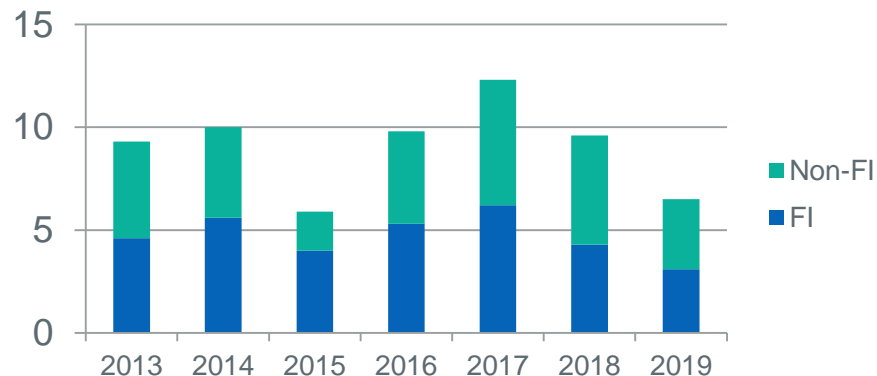
Listed Domestic Companies, Total



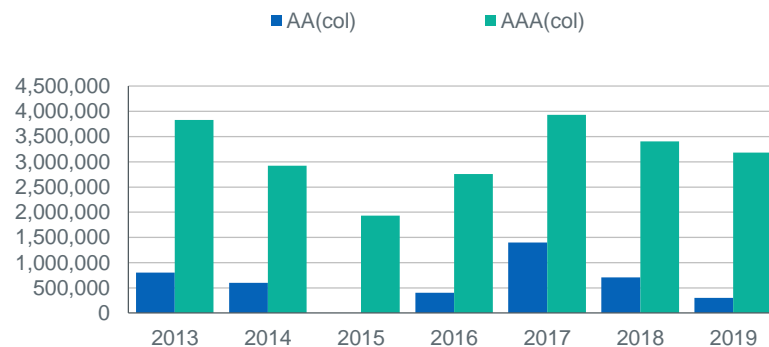
Source: World Federation of Exchanges; The World Bank



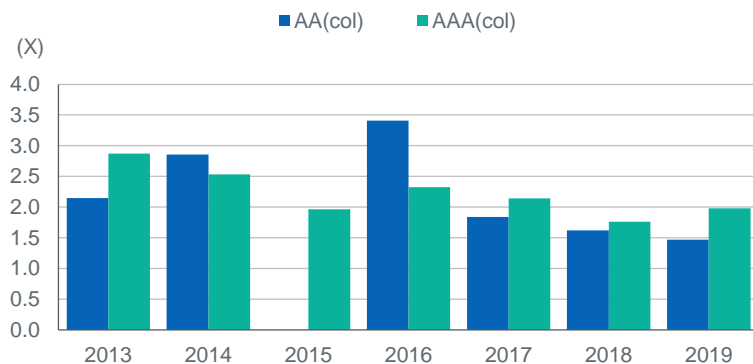
Fixed Domestic Income Issuance (COP, BN)



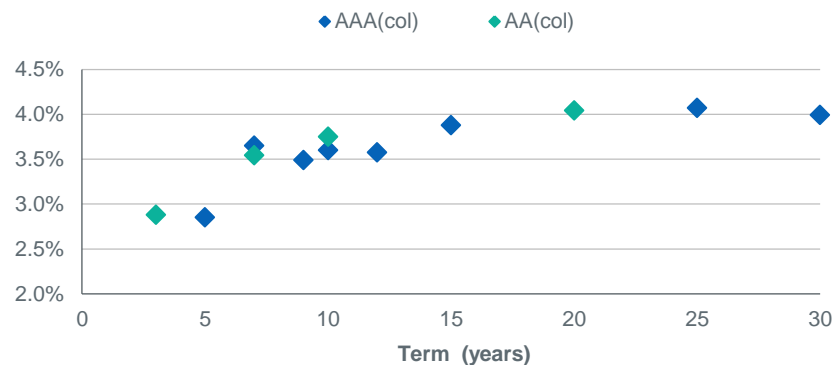
Domestic Corp Fixed Income Issuance (COP, MM)



Bid-to-Cover, Domestic Corporate Issuance



Corp Spreads Over CPI (2018)

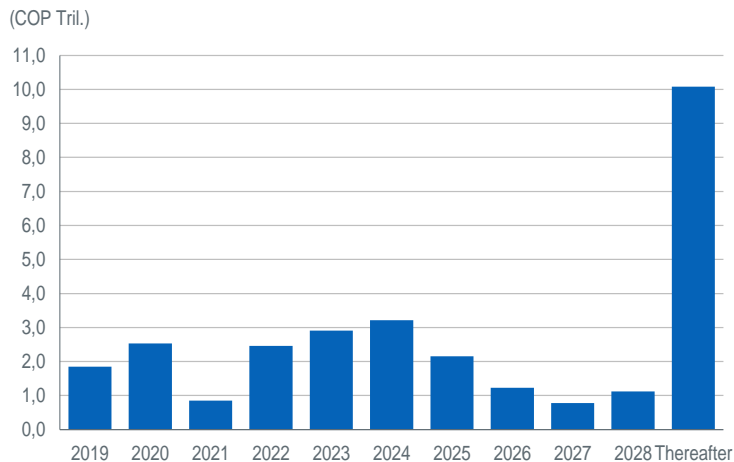


Source: BVC, Fitch Ratings, Fitch Solutions; as of July 30, 2019

Colombia - Manageable Maturity Horizon (Corp)

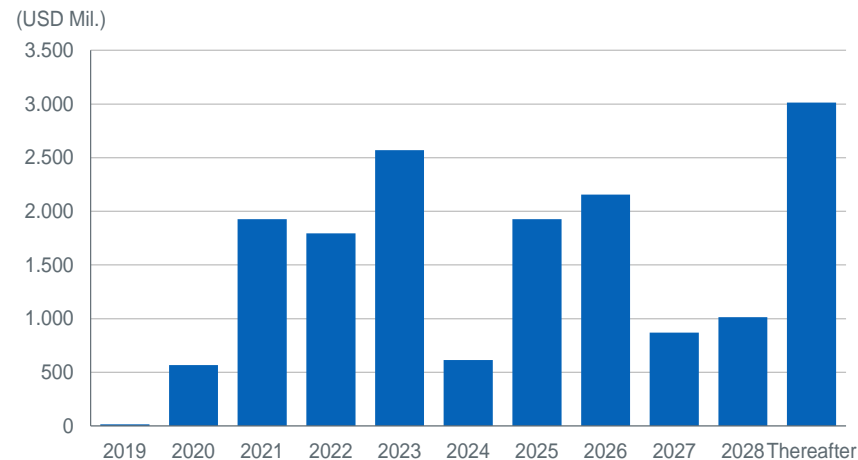


Vencimientos Bonos Locales — Portafolio Fitch



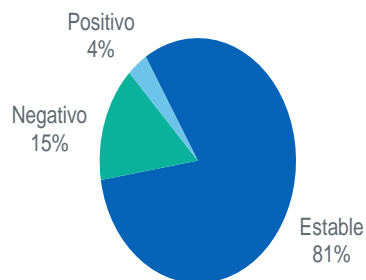
Source: Superintendencia Financiera.

Vencimientos Cross-Border Maturities — Portfolio Fitch



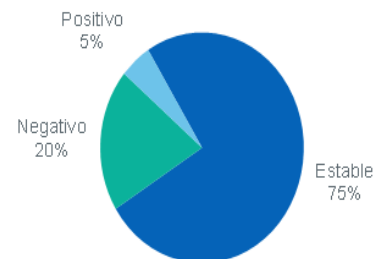
Source: Fitch Ratings, Fitch Solutions.

Perspectiva de Calificaciones Nacionales (Mayo, 2019)



Source: Fitch Ratings, Fitch Solutions.

Perspectiva Calificaciones Internacionales (Mayo, 2019)

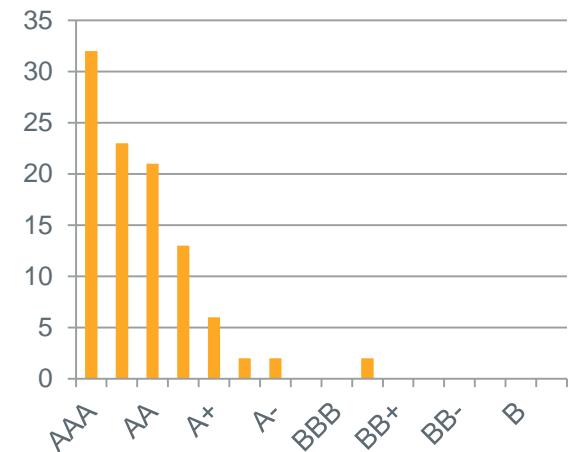
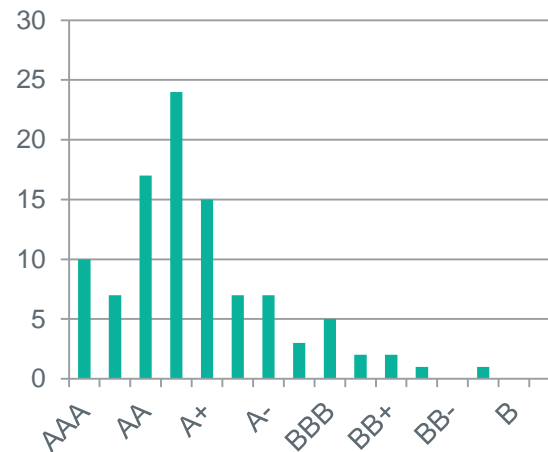
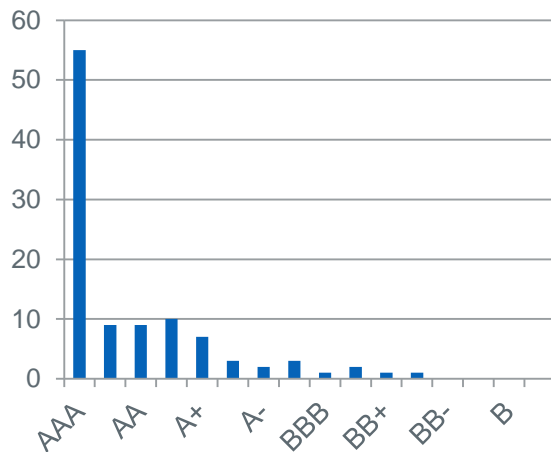
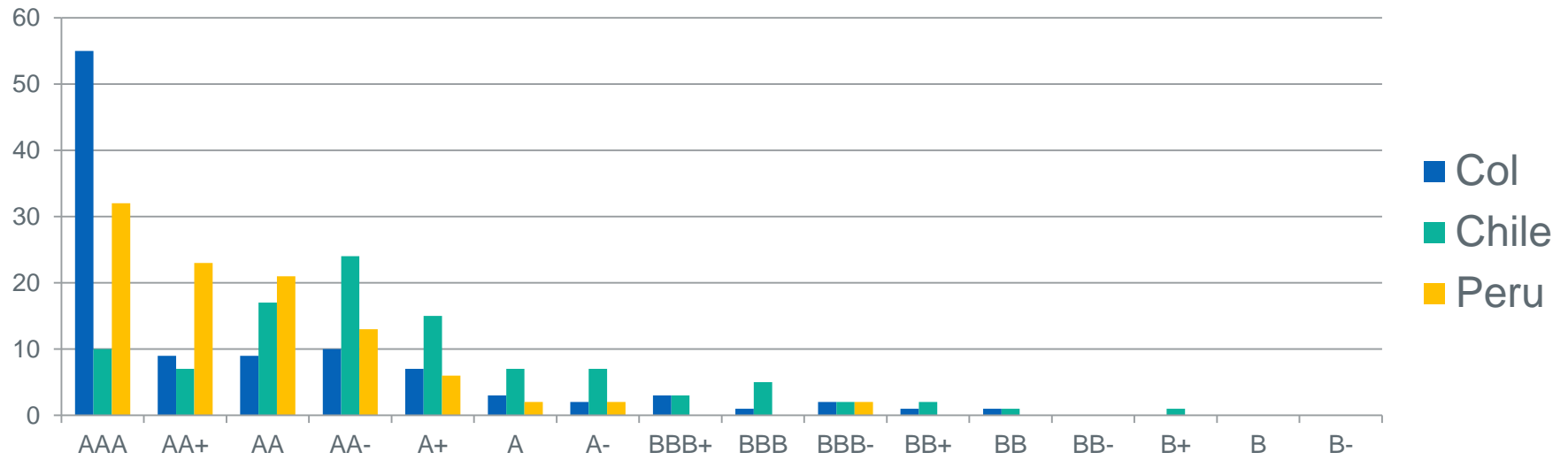


Source: Fitch Ratings, Fitch Solutions.



- Regional growth prospects, external environment and pressured sovereign profiles suggest volatility
- National scale issuance rating concentration
- Broaden access to local, regional and global DCMs
- TIG
- Transition to risk based supervision and management
- Innovation and disruption

National Scale Issuer Distribution (%)



Source: SCF, CMF, SMV, BVC, Fitch Ratings, Fitch Solutions



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Arreglo Institucional

Estructura del Mercado

Regulación e Incentivos

Manejo de Activos Públicos

Productos

Promoción y Educación

Ámbito Internacional

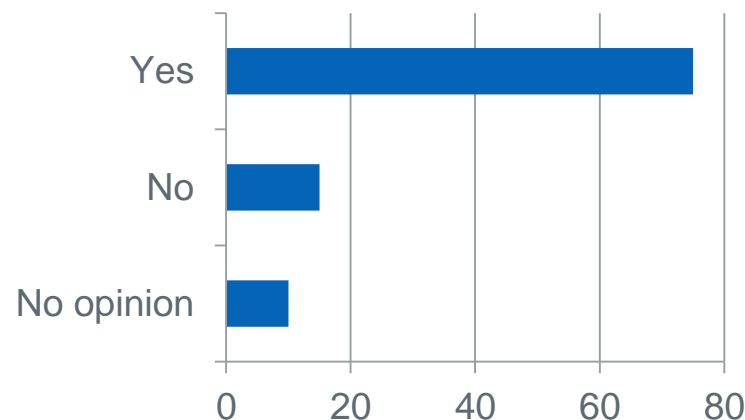
Ámbito Tributario



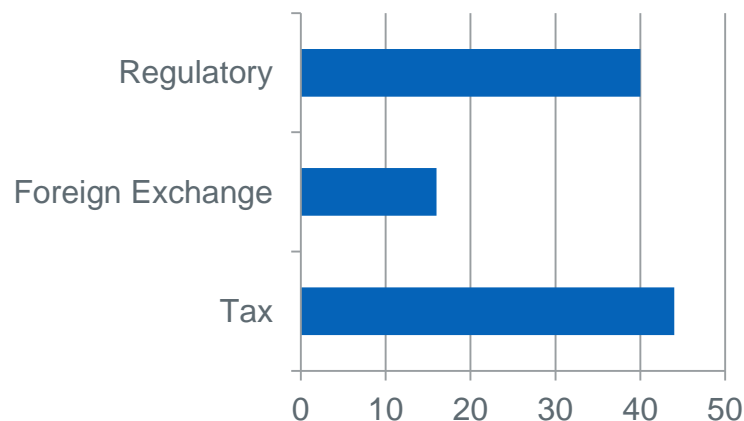
Portfolio Investments (Dom vs PA, US\$ MM, 2016)

Origin				
	Colombia	Chile	Mexico	Peru
Colombia	45,850	1,347	142	1,504
Chile	163	106,433	41	1,516
Mexico	267	3,987	139,288	718
Peru	325	1,437	10	25,530

Does your organization see potential to increase its investments or business volumes in the AP? (%)



Principal Factor Inhibiting FI in the PA (%)



Non-national Investor Tax in PA Countries via MILA

Inversionista no nacional que invierte en:	Dividendos	Ganancia de Capital
Colombia	Cuatro regimenes tributarios	Tres regimenes tributarios
Chile	Dos regimenes tributarios	Dos regimenes tributarios
Mexico	Régimen único	Tres regimenes tributarios
Perú	Régimen único (con variaciones en el tiempo)	Dos regimenes tributarios

Source: Centro UC CLAPES ; OEAP, December 2018



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A low-angle photograph of a modern glass skyscraper with the 'Fitch Ratings' logo mounted on its facade. The logo features 'Fitch' in red and 'Ratings' in black. The building's glass reflects the sky and surrounding structures. To the left, another tall building with a grid-like facade is partially visible.

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