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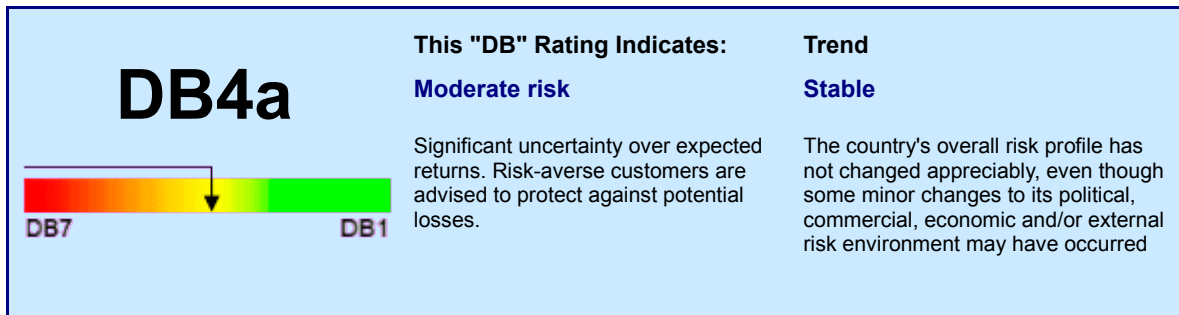
## D&B Country RiskLine Report

# COLOMBIA

Region : The Americas

Edition : July 2012

### D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	46.3m
<b>Surface area (sq km):</b>	1,141,750
<b>Capital:</b>	Bogota
<b>Timezone:</b>	GMT -05:00
<b>Official language:</b>	Spanish
<b>Head of state:</b>	President Manual SANTOS
<b>GDP (USD):</b>	276.2bn
<b>GDP per capita (USD):</b>	5,971
<b>Life expectancy (years):</b>	73
<b>Literacy (% of adult pop.):</b>	92.5

### Country Overview:

Bordered by the Pacific Ocean and Caribbean Sea, Colombia's main population and economic centres are located in the Andes mountains that run through the western and northern parts of the country, descending into the sparsely settled, sweeping plains toward the Atlantic coast and rain forests in the Amazon basin.

Colombia's natural resources include hydrocarbons, precious metals and rich agricultural land. The free-market economy is diversified and enjoys the benefits of close trade and investment ties to the US.

Colombia's political environment is dominated public security issues stemming from the country's long-running internal civil conflict, which is often linked with narcotics production and trafficking. Under the auspices of the US-sponsored Plan Colombia, the government has increased its military apparatus. While demobilisation of right-wing paramilitaries and gains against left-wing groups have led to improvements in the security environment, insecurity remains a key risk.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	LC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

<b>Usual Terms:</b>	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

### Trade & Commercial Environment

FX reserves (excluding gold) stood at USD31.8bn at end-February (against USD31.5bn at end-January), sufficient to cover around 5.9 months of goods and services imports (above the recommended IMF 3.0-month minimum). Reserves will continue to rise rapidly as a result of strong investment inflows (particularly in the hydrocarbons and mining sectors) and FX purchases made by the central bank in order to dampen upward pressure on the peso. Meanwhile, systemic risk within Colombia's financial sector is low, given robust capital adequacy ratios, low levels of leverage and sufficient provisions for non-performing loans. However, the poor security environment and high levels of corruption will continue to act as major downside constraints on the commercial environment.

### Export Credit Agencies

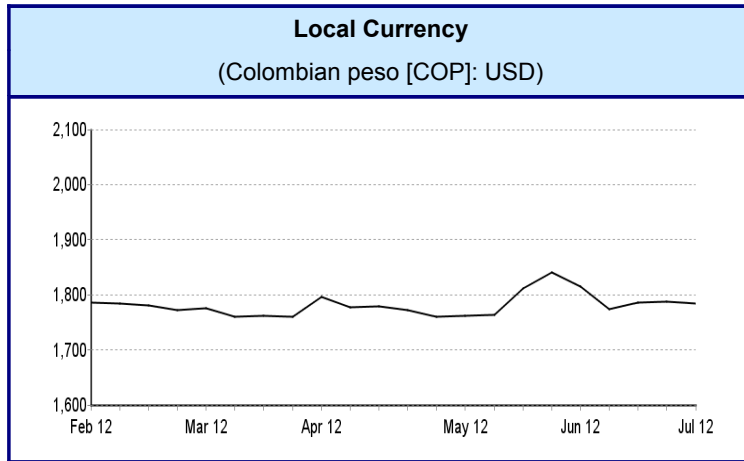
US Eximbank	Full cover available
Atradius	ST cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

### Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	1.7	4.0	5.9	4.5	5.5
Inflation, annual ave, %	4.2	2.3	3.4	3.3	3.5
Govt balance, % GDP	-3.7	-3.5	-2.1	-2.0	-1.7
Unemployment, %	12.0	11.8	10.8	10.7	10.5
C/A balance, % GDP	-2.3	-3.1	-3.0	-2.9	-2.8

### Currency Information

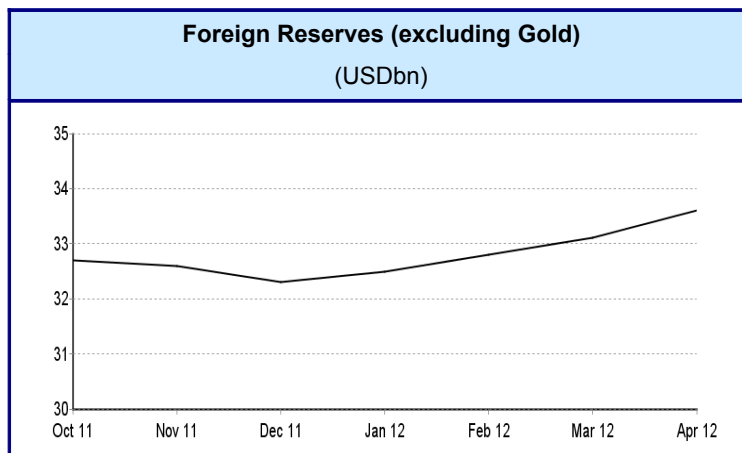
Exchange Rates (London, 02 Jul 12)	
EUR	2265.0
GBP	2799.37
JPY*	2236.87
USD	1784.8
*(x 100)	



**Local Currency**  
(Colombian peso [COP]: USD)

	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12
<b>Week 1</b>	1785.900	1775.720	1796.200	1762.600	1814.400	1784.800
<b>Week 2</b>	1784.450	1760.860	1777.700	1762.900	1774.650	
<b>Week 3</b>	1779.930	1761.130	1778.100	1811.650	1785.000	
<b>Week 4</b>	1772.750	1760.000	1771.500	1840.600	1787.150	
<b>Week 5</b>			1760.550			

**Foreign Reserves (excluding Gold)**



**Data Table**

Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12
32.7	32.6	32.3	32.5	32.8	33.1	33.6

## Risk Factor

The pace of the Colombian economy's expansion slowed down markedly in Q1 as monetary tightening took effect, activity in the mining and oil sector decelerated substantially (adversely affected by lower commodity prices and renewed guerrilla attacks on oil infrastructure), and construction activity contracted due to an unexpected fall in public works spending. Real GDP growth fell to 0.3% quarter on quarter (q/q), down from 1.2% q/q in Q4 2011, with year-on-year growth falling to 4.7 (from 6.1% in Q4), the lowest growth rate since Q3 2010. Several economic indicators suggest that the economy continued to slow in Q2, but we expect a gradual pick-up in activity from late Q3 onwards, driven by an improving external environment and the implementation of a number of free trade agreements. In light of the weaker-than-anticipated Q1 GDP data, we have revised down our growth forecast for 2012 from 5.0% to 4.5%; the forecast for 2013 has remained unchanged at 5.5%. Nevertheless, this outlook could change in the event of a severe downturn in the EU (triggered by a deepening financial crisis in and/or a break-up of the euro zone), and negative spill-over effects on other key trade partners (namely the US and China) and on the global economy.

Despite heightened global uncertainties and the persistent strength of the peso, the Central Bank of Colombia (BRC) remains reluctant to relax its monetary policy. In its policy committee meeting in late June, the BRC opted to remain in a standby mode, keeping its key policy rate unchanged at 5.25% for a fourth consecutive month. The rate decision was prompted by ongoing concerns over the still-strong pace of credit expansion (especially of consumer credit, which was growing at an annual rate of 23.1% in early June) and rising underlying inflationary pressures. Colombian exporters, who have seen their competitiveness eroded due to the continued strength of the peso, have heavily criticised the rate decision, while other industry representatives have also called on the central bank to lower interest rates to provide stimulus to the economy. However, unless economic growth falls below its potential and inflationary pressures are contained, we expect the BRC to resist pressure to ease monetary policy.

Meanwhile, Colombia's efforts to diversify and strengthen its trade and investment relations are progressing well and should benefit economic growth in the medium term. The country concluded a free trade agreement (FTA) with South Korea in late June, which is expected to come into effect before the end of the year; FTA negotiations with Costa Rica are also set to begin. Moreover, the Pacific Alliance, a trade bloc also comprising Chile, Mexico and Peru, was officially launched in June: the Alliance will seek to strengthen the development of trade between these countries and design a common approach to new Asian markets.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

#### Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

#### Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

#### Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

#### C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

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Email: [CustomerHelp@dnb.com](mailto:CustomerHelp@dnb.com)

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