



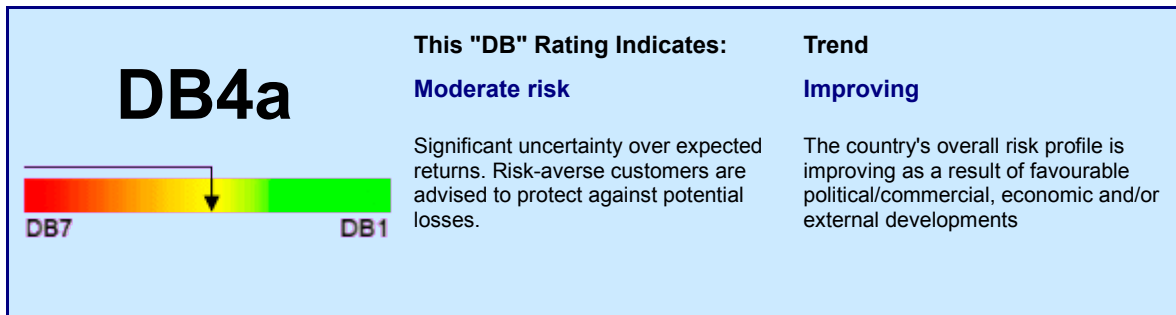
Decide with Confidence

COLOMBIA

Region : The Americas

Edition : March 2014

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

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

Minimum Terms:	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.

Recommended Terms:	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.

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

Transfer Situation

Local Delays:	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.

FX/Bank Delays:	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

The authorities have allowed the peso to weaken further as the investor exit from emerging markets in response to the US Treasury tapering places downward pressure on the relevant currencies. The central bank continued to buy dollars to shore up its net international reserves, which remained healthy at USD43.71bn at end-January (a 15.45% year-on-year increase); this ensures a sound buffer against unanticipated negative external shocks and keeps cross-border payment risks low. The dollar-buying programme placed additional pressure on the peso, which stood at COP2030.07 on 7 March, having slid from COP1941.29 on 2 January. Positively, the weaker peso boosts the export competitiveness of manufactured goods, as well as coffee, flowers and bananas.

Export Credit Agencies

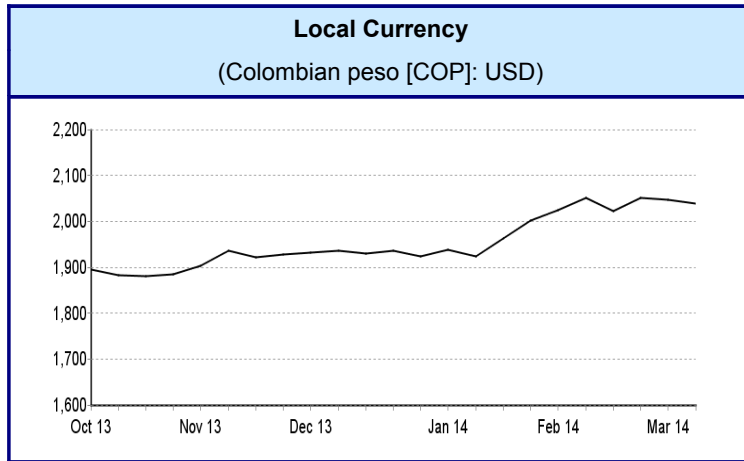
US Eximbank	Full cover available
Atradius	ST cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	6.6	4.2	4.3	4.6	4.5
Inflation, annual ave, %	3.4	3.3	1.9	2.7	2.9
Govt balance, % GDP	-2.0	0.2	-1.0	-0.7	-0.7
Unemployment, %	10.8	10.4	11.1	10.0	9.8
C/A balance, % GDP	-2.9	-3.2	-3.3	-3.2	-3.1

Currency Information

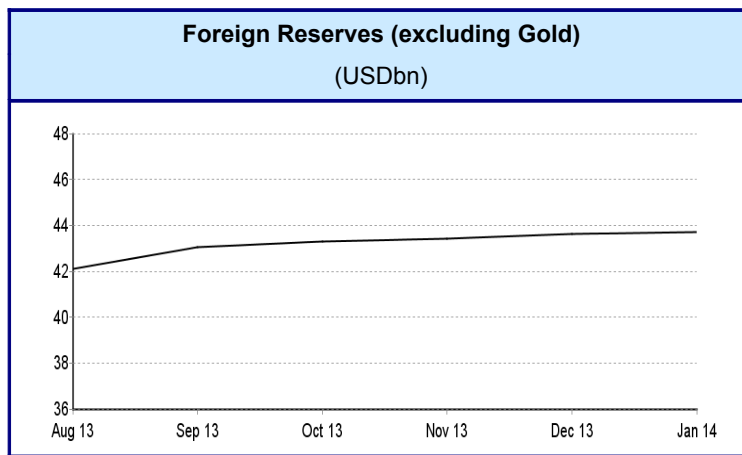
Exchange Rates	
(London, 10 Mar 14)	
EUR	2825.53
GBP	3408.28
JPY*	1972.73
USD	2038.33
*(x 100)	



Local Currency
(Colombian peso [COP]: USD)

	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Week 1	1894.000	1902.620	1931.700	1937.570	2023.780	2047.450
Week 2	1881.780	1936.180	1936.000	1924.310	2050.230	2038.330
Week 3	1880.060	1922.450	1930.500	1961.870	2022.450	
Week 4	1884.870	1927.930	1936.550	2001.890	2051.850	
Week 5			1924.060			

Foreign Reserves (excluding Gold)



Data Table

Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14
42.09	43.06	43.29	43.41	43.63	43.71

Risk Factor

Politics continues to weigh on Colombia's short-term outlook as the ruling coalition's majority in congress narrowed after legislative elections on 9 March. The opposition Centro Democratico party, formed in 2012 by ex-President Alvaro Uribe, made inroads by securing 15% of the vote for seats in the senate; Uribe, who won a senatorial seat, is a vociferous opponent of ongoing peace talks between government and the rebel group, Fuerzas Armadas Revolucionarias de Colombia (FARC). The reduced congressional majority could hamper President Juan Manuel Santos' ability to implement a peace deal, if reached. Santos will secure a second term if he wins the presidential election in May. Santos is likely to be victorious, but is not expected to secure the 50% threshold of votes needed for an outright victory and will therefore probably participate in a second-round election on 15 June. In the lead-up to the presidential election, the peace talks (which began in Cuba in 2012) have taken on additional significance as the rebels are likely to seize the opportunity to press their demands given the importance of the talks to Santos' re-election bid. While the FARC refused to hold a ceasefire for legislative elections, there are signs of partial agreement between the government and rebels on how to integrate the latter into the country's mainstream political arena. This is the second major issue that appears to be heading towards an agreement. So far, both sides have agreed on the critical issue of an approach to land redistribution/reform. They have yet to agree on how to end the 50-year old conflict, war victims' compensation or how the FARC (estimated to control about 60% of the drug trade and earning around USD1bn per year) will stop the trafficking of illegal narcotics.

Unsurprisingly, the central bank held its benchmark interest rate on 28 February at 3.25% for the 11th consecutive month. Although an acceleration in economic activity this year will push up prices, we expect the annual average inflation rate to remain within the central bank's target range of 2.0-4.0%. The 14% decline of the peso against the US dollar in 2013 and the continued weakening of the currency (currently at its lowest level in four years) will have a lower impact on domestic inflation. D&B expects the central bank to keep its key rate at 3.25% for the rest of H1. Businesses should therefore expect borrowing costs to remain stable in the outlook period.

Meanwhile, consumer prices rose from 1.76% year on year (y/y) in November (their lowest level in 60 years) to 2.13% y/y in January. The average annual inflation rate for 2013 stood at a record low of 1.94%, below the central bank's target range. With economic activity projected to rise to 4.6% in 2014 due to stronger external conditions, annual average inflation is set to reach 2.7% this year.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

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Local Delays:

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F/X Bank Delays:

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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

Customer Service & Support

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D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

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