BBVA Research

Colombia

Economic Outlook

Fourth Quarter 2010

Economic Analysis

- BBVA Research has revised upwards its growth forecasts to 4.8% for 2010 and 5.2% for 2011, based on the strength of consumption and expectations of greater expansion in private investment in 2011.
- Reduced inflationary pressures and the steady reduction in the negative output gap will lead to a gradual adjustment in monetary policy starting in the first half of 2011.
- The Colombian peso will continue subject to upward pressure, although this will be eased by measures coordinated between the government and the central bank.
- Macro-prudential measures aimed at avoiding a major increase in capital inflows and risks associated with the current account, asset prices and financial stability cannot be ruled out.
- Continued deterioration in external conditions, with a reduction in global demand and commodity prices, would moderate growth next year and deepen the fiscal and current account imbalances.
- The new government is currently proposing an ambitious reform package that aims to consolidate fiscal sustainability, improve the management and investment of territorial revenues from royalties and strengthen competitiveness.

BBVA

Index

Publication Date: 19 November 2010

1. Global outlook: slow north, fast south

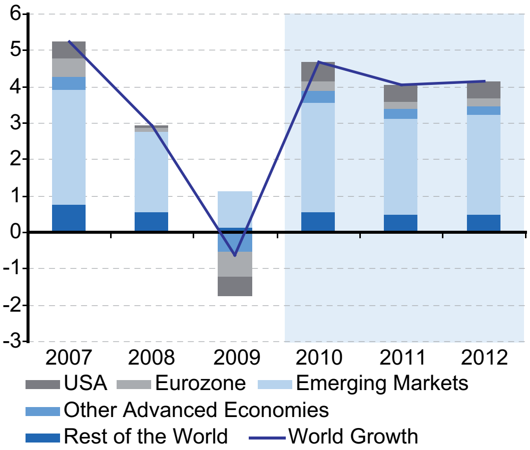
The global economy keeps growing strongly, mostly in emerging countries, whereas cyclical and financial concerns dominate advanced economies

Global growth continues to be strong, and is expected to reach 4,7% in 2010, and 4,1% in 2011 (Chart 1), mostly unchanged with respect to our forecast three months ago. This encouraging performance is mostly due to strong outturns in emerging economies, which have been less affected by the financial crisis, as their banking sector was in very good shape, and have thus recovered rapidly. In contrast, renewed cyclical concerns in the US have joined financial concerns still dominating Europe, where macroeconomic and financial adjustments are still underway. Thus, in line with our expected scenario, the outlook for the next two years continues to highlight the growth gaps between the advanced north and the emerging south (Chart 2) even if the latter also embarks on a controlled slowdown to ameliorate the risk of overheating.

But there are also significant policy differences inside each of these groups. In the US, monetary expansion is set to intensify in relative terms with respect to Europe (and most other countries), and has thus been reflected in a depreciation of the dollar against the euro and complicating Europe's recovery. In emerging economies, a strong asymmetry in exchange rate policy between Asia and Latin America continues, forcing the latter to bear (together with the euro) a significant part of the exchange rate appreciation derived from renewed monetary easing in the US.

Chart 1

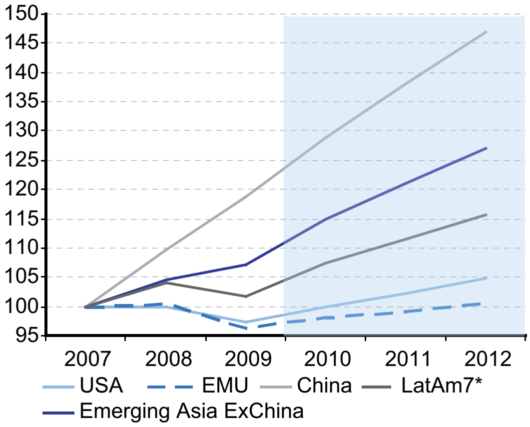
Global GDP growth and contributions



Source: BBVA Research

Chart 2

GDP level: 2007=100



* Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela
Source: BBVA Research and Datastream

Growth in the US will remain low given ongoing household deleveraging, but a double dip scenario is very unlikely

Over the last quarter, relatively weak indicators of economic activity in the US have raised the specter among market participants of a possible relapse into a recession –a double dip in economic activity–. The weakness observed in some key sectors that had benefited directly from fiscal support through incentives for purchases (durable goods and housing) is a strong signal that the recovery in private sector demand is still not self sustaining. This weakness is a consequence of an ongoing household deleveraging process and a weak labor market, which will continue to push households to save more than what was observed since the second half of the 1990s. Even though this is to be welcomed in the process of rebalancing growth in the US, it increases cyclical concerns since consumption (one of the pillars of recovery in past recessions) will remain muted and only partially compensated by stronger investment in equipment by firms and exports.

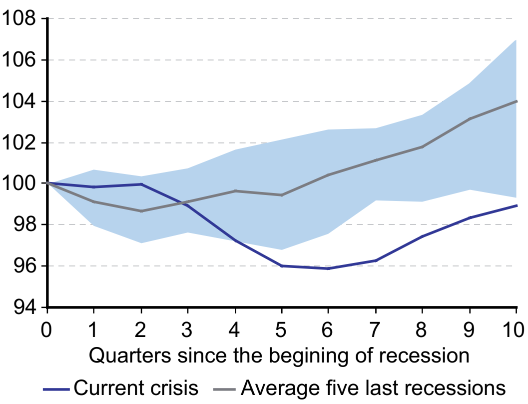
Recent concerns about the health of the housing sector are, in our view, excessive and the possibility of a relapse into further significant real estate price drops is very small, given that prices have declined by about 30%. There are certainly elements of concern, such as elevated house inventory levels and the potential impact of an unexpected further supply of housing from new foreclosures, which may come either from increased delinquencies or due to owners walking away from increasingly negative housing equity. But there are also elements of support, such as the huge gains in housing affordability since the crisis started and the demographic trends that should help prop up demand going forward. It is true that if house prices continue to decline, it might have a non-negligible impact on consumption, but at least the banking system seems in a relatively good shape to withstand a moderate shock to prices. All in all, the scenario of further significant price drops is highly unlikely. Instead, a period of relatively stable house prices seems more likely, while past excesses are finally reabsorbed.

Overall, the drags on consumption and the low probability of further fiscal stimulus –out of concerns about the size of current deficits and the political arena, especially if there is a change in the balance of power after November's congressional elections– will be partially compensated by recovering private investment as sales improve and regulatory uncertainties diminish. This will imply an exit from the crisis in the US at a pace much lower than in previous cycles (Chart 3), as we have been forecasting for a long time. While the probability of a double dip in the US is low, in any case, the lack of strength of domestic demand will induce the US more and more to press the rest of the world (especially countries with a current account surplus and high domestic saving rates) to increase their demand and contribute to the necessary global rebalancing. The renewed monetary expansion in the US can be interpreted in this context as one way to force part of this adjustment onto the rest of the world.

Financial stress in Europe is still a source of concern, though systemic risk is lower than before the summer. Fiscal consolidation remains crucial to sustain confidence, and will not have a large negative impact on growth beyond the short-term
After decisive advances in fiscal consolidation, measures to provide support to distressed governments and especially after the financial sector stress tests, there has been a qualitative change in the dynamics of the crisis in Europe. Even if average sovereign spreads have remained relatively stable, markets have highlighted the differentiation between sovereign assets, thus reducing the risk of a systemic event. In addition, financial markets have started to open –though selectively– and renewed debt issuance is a further sign of lower tensions.

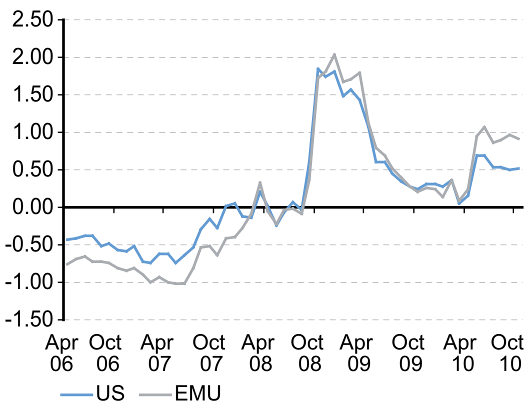
Notwithstanding this, financial market stress in Europe is still the main source of risk for the region (Chart 4) especially given the link between sovereign concerns and risks to the financial sector, given their national and cross-border exposure. In addition, the recent strengthening of the euro means an added challenge given that best performing economies had been supported by external demand. This makes it more imperative to tackle decisively in the short run the sources of macroeconomic vulnerability in the region, namely fiscal sustainability and external imbalances, as well as avoiding further de lays in restructuring the weak part of banking systems. The key is to continue rebuilding confidence to reduce market tensions and rebuild the autonomous strength of private sector demand. In addition, to sustain growth in the long run, it will be crucial to undertake much needed structural and institutional reforms, the latter especially geared towards preventing and resolving future fiscal imbalances. The focus on structural reform more than sustaining demand has been precisely the differentiating factor between the ECB and other central banks, prompting a less expansive stance than the Fed.

Chart 3
US GDP: current cycle vs. previous recessions*. Beginning of each recession=100



* Shaded area: range of GDP during last 5 recessions
Source: BBVA Research and NBER

Chart 4
Financial Stress index



Source: BBVA Research

Monetary policy in advanced economies will be lax for a long time, adding pressure to exchange rates worldwide

Prospects of very low growth and subdued inflationary pressures in advanced economies will translate into low interest rates for a prolonged period in the three most important advanced areas (US, Europe and Japan). However, against the backdrop of renewed cyclical concerns and the much-reduced scope for further fiscal stimulus, markets were focused on the US embarking into a new bout of unconventional monetary easing (so-called Quantitative Easing 2, or QE2). The expectation of this further increase in liquidity lowered the exchange rate of the dollar across the board, including vis-à-vis the euro. Going forward, given that most of QE2 has been already priced in by markets, euro-dollar exchange rates will depend more on relative growth prospects (which favor the US vis-à-vis EMU) but also on the relative perception of monetary policy in both areas and the evolution of investment flows. At the same time, we expect appreciating pressures on emerging economies to continue due to increased global liquidity, stronger macroeconomic fundamentals and positive return differentials favoring renewed capital inflows.

Emerging markets face increasing policy dilemmas from strong growth, abundant global liquidity and neighbors' foreign exchange interventions

Emerging economies continue to grow strongly, with emerging Asia leading the world recovery. In both Asia and Latin America, private domestic demand is taking over policy-induced stimulus as the source of the recovery. Going forward, growth in Asia will slow down because of a reduction in momentum from the ending of the global inventory cycle, weaker external demand and a withdrawal of policy stimulus, thus reducing the risk of overheating. But the region will continue to contribute the most to global growth.

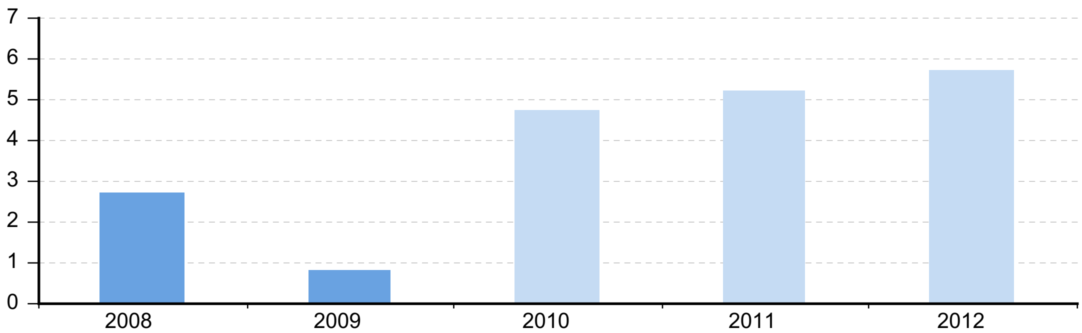
Both Asia and Latin America confront increasing monetary and exchange-rate policy dilemmas, between cooling strong domestic demand and preventing strong capital inflows and preserving competitiveness in foreign markets. Some countries have started introducing administrative measures to discourage strong capital inflows and some others have slowed their rate of monetary tightening.

Given the relative inflexibility of exchange rates in China (and, to a lesser extent, in the rest of emerging Asia), Latin America is facing a significant part of the adjustment, to the point that further exchange-rate appreciations will start to be a problem for growth. Thus, many countries in the region are weighing further exchange rate interventions although experience shows that their effectiveness if rather limited, contributing mostly to slow down the rise in exchange rates, but not prevent them. The risk is that increased intervention into foreign exchange markets ends up sliding into retaliatory trade measures. This highlights the importance of increased exchange rate flexibility in Asia (China, in particular) as a way to provide more policy space to the rest of the world.

2. Colombia's sustainable recovery

The Colombian economy began 2010 riding a stronger recovery than expected, particularly in the first quarter. This improved economic performance has been boosted by increased public spending on both investment and consumption, unemployment falling more than expected and a surprising recovery in household and business confidence. These conditions have led BBVA Research to increase revise upwards its growth forecasts from 4.2% to 4.8% for 2010 and from 5.0% to 5.2% for 2011.

Chart 5
GDP (y/y % change)

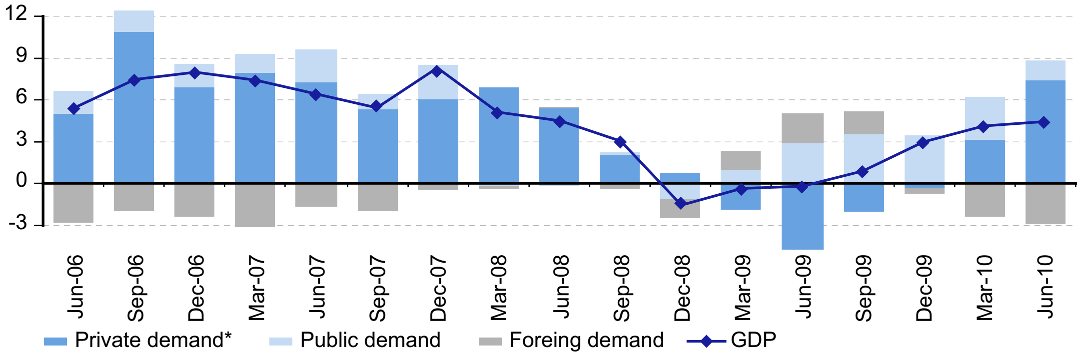


Source: DANE Forecasts and BBVA Research

For the second half of the year we expect a rate of growth above the 4.3% registered in the first six months, boosted mainly by the strength of household consumption. In addition, the major upturn in imports of capital goods, together with the positive economic and political conditions in the country, suggest a faster rate of growth in private investment (3.6% y/y 2010 and 10.1% y/y in 2011), although the rate of expansion will be limited by the excess capacity in some industrial branches that are particularly dependent on the Venezuelan market. On the public demand side, the execution of expenditure on infrastructure, mainly roads, ports and works related to the mining and oil sector, will remain relatively stable in the coming months, with a greater contribution than anticipated to economic growth.

In contrast, foreign demand will weaken growth, given the slow rate at which the Venezuelan market is being substituted and the marked strength of imports, which are a product of increased domestic demand and the rising exchange rate.

Chart 6
Contribution to economic growth (Year-on-year % change)



* Includes inventories
Source: DANE and BBVA Research

A high growth rate of consumption will depend on the future employment rate. Over recent months unemployment has fallen quicker than expected, thanks to the increase in employment and the more moderate rise in the labor participation rate. In September the unemployment rate stood at 11.5%, around 1.4 percentage points under the figure a year ago. Moreover, the new jobs created have been mainly in remunerated activities, unlike the informal jobs that were generated in the 2008-2009 period. However, the symptoms of heterogeneity in industrial recovery and the lower than expected growth in developed countries may set back the process of normalization in the labor market.

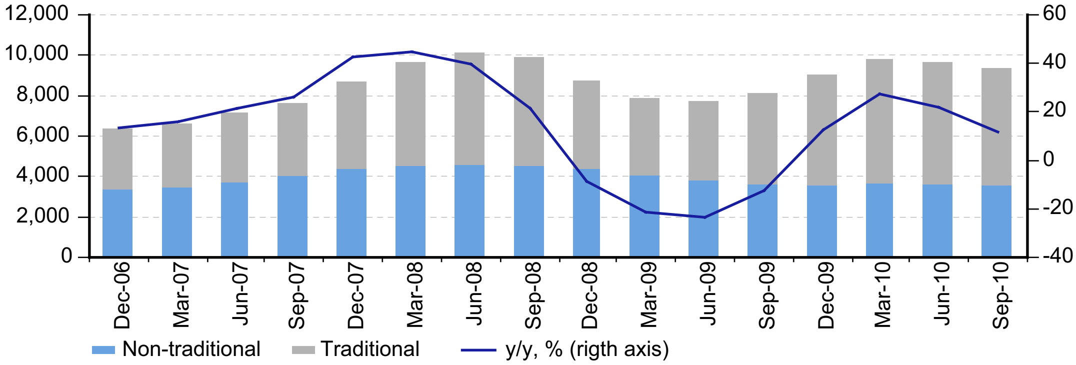
Credit has begun to grow again, as shown by the results in September, when the portfolio grew at a year-on-year rate of 12.6%. Over coming months consumer and commercial finance is expected to increase as low interest rates, a growing likelihood to buy durable goods and the positive business perception about the economic situation will boost final household and corporate spending. At the same time, the quality of the credit portfolio will continue to improve thanks to the good management of assets in the financial system in the recent phase of slowdown and the improved overall performance of the economy.

Stronger domestic demand is reflected in an increase of the current-account deficit

Over recent months the rate of growth in non-traditional exports (mainly industrial and agricultural) has slowed as a result of the negative impact of the closure of the Venezuelan market and the slow progress made in diversifying markets. Sales to Central America, South America and Europe, which had an initial impulse in the first half of the year, have slowed as global growth has reduced and there have been delays in the process of substituting the Venezuelan market. In particular, for 2010 we expect an 8.0% y/y reduction in non-traditional exports (excluding gold and emeralds), up from the figure in the previous scenario. In this situation, oil and mining sales will be by far the main drivers of growth in total exports, while industrial goods will lag behind. As a result, together with the boost from imports, the trade surplus accumulated until the first half of the year will continue to moderate: it already fell by 35% between June and September.

Chart 7

Expos tradicionales y no tradicionales (Trimestrel móvil, ajustado por estacionalidad)



Source: DANE and BBVA Research

As a result, BBVA Research has modified the forecast for the current-account deficit from 2.1% to 2.7% of GDP in 2010 and 1.8% to 2.8% in 2011. This increased deficit is being financed through long-term flows, mainly thanks to the sustained increase in foreign investment in the oil and mining sectors, which grew by 16% y/y and represents 79% of accumulated FDI to October 2010. Meanwhile, flows to other sectors have shown a moderate increase. FDI is expected to maintain its strength for the rest of the year and in 2011, based on the prospects for increased mining and oil production and the recovery of foreign investment in other strategic sectors, mainly construction, infrastructure and the agricultural industry.

Fiscal balance keeps pressures on the domestic debt market

The arrival of a new government committed to the sustainability of public finances has placed the expected fiscal deficit in a path towards medium-term adjustment[1]. Moderate growth in the budget approved for 2011 (2.5% y/y) will enable the fiscal deficit to reduce slightly from 4.2% to 4.0% of GDP.

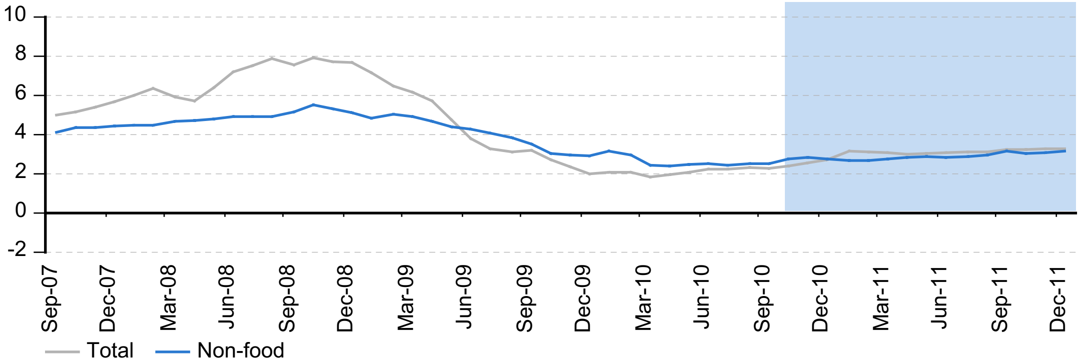
Although public investment will not represent a major contribution to growth next year, the budget for central government investment in 2011 reflects the new government's commitment to strategic sectors (the "locomotives"). At the same time, in order to help control the appreciation of the peso, the financial plan for next year includes a neutral effect of foreign debt on dollar supply, while issues on the domestic market will increase by 7.7%, of which auctions represent 64%. The capacity of the domestic market to absorb these issues will be influenced by the high liquidity level of the capital market, although a sustained recovery in credit could reduce the amount of public debt held by the financial system. In addition, uncertainty remains regarding the capacity to finance around $5.2 billion (0.9% of GDP) with payables and "asset optimization", as presented in the 2011 financial plan.

Inflation under control, in line with a growth that is close to potential

The process of economic recovery has been orderly without generating significant pressures on inflation. In recent months inflation has surprised on the downside, with very moderate or negative monthly variations. This has led the annual change in the CPI to remain close to the lower bound of the target (currently between 2% and 4%). In particular, annual inflation in October was 2.3%, only 35 bps up in the first ten months of the year. The positive inflation figures are the result of a mixture of factors, including a moderate increase in food prices, the pass-through of the exchange-rate appreciation to final goods prices and low demand pressures; the latter a result of excess installed capacity in both production and the labor market. Falling inflationary expectations (both for the close of 2010 and in twelve months' time) and the moderate adjustment in wages reinforce this trend. These factors will maintain inflation under control within the short and medium-term horizon.

1: The Fiscal Rule bill passing through Congress proposes a target deficit in the central-government budget of 1% of GDP, consistent with a primary balance of 1.5% of GDP and a debt level under 20% of GDP.

Chart 8
Inflation (Year-on-year change, %)



Source: DANE and BBVA Research

Against this background, we expect inflation to fall between 2.5%-2.7% y/y in December 2010. This represents a downward revision with respect to our earlier forecast of 3.4%, based on a variety of factors including greater than expected exchange-rate appreciation, which has a significant effect given the weight of imports within the household basket. The closure of the Venezuelan market has also had an impact on food prices, in particular meat, and on prices of a variety of products exported to the neighbor country. For 2011 we expect moderate pressures on inflation, which will stand at 3.3%, as the output gap will remain in negative territory for most of the year.

Adjustments in monetary policy expected in the first half of 2011

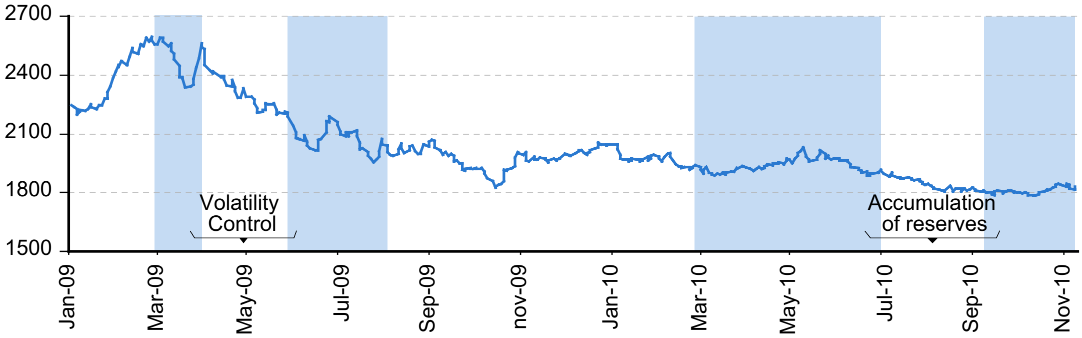
Given the expected inflation for this year, we estimate that Banco de la República (central bank of Colombia) will maintain the interest rate at 3.0% at least until the first quarter of 2011. Low interest rates will continue to support economic recovery and help consolidate a reactivation of credit. As the output gap beings to narrow, stimulating monetary policy should be normalized. In fact, core inflation has bottomed out and will continue to increase gradually over coming months. This will require adjustments to monetary policy starting 1H11. As a result, we expect an increase of 150 basis points over 2011, with the policy rate ending next year at 4.5%.

The Colombian peso will continue under upward pressure, although eased by exchange-rate measures

On the foreign front the weakness of the dollar and continued capital flows into the country, as a result of the expansion in global liquidity and greater returns in local markets, have been reflected in a sharp appreciation of the Colombian peso, at 10% between end-2009 and end-October 2010. In order to ease these pressures, the government has announced coordinated measures with the central bank to control the appreciation. These measures include the withdrawal of the tax allowance on foreign debt interest payments for some activities, the postponement of the monetization of USD 1,500m planned for 2010 and the reduction in customs duties on some raw materials and capital goods.

In addition, in an environment of major expectations in the markets due to the implementation of possible capital controls, Banco de la República limited itself in its most recent monetary policy meeting to extending the term for daily purchases of USD 20m on the foreign-exchange market at least until next March 15 (2 months later than previously announced), while maintaining the total amount of interventions unchanged with respect to the announcement in September. The Bank reinforced the effect of this mechanism through a stronger verbal intervention.

Chart 9
TRM exchange rate (peso/dollar)



Source: Banco de la República and BBVA Research

In our view, the central bank has probably analyzed other macro-prudential measures to moderate exchange-rate pressures. However, capital controls have been ruled out for the time being, as it is considered that the costs involved (weakened competitiveness of the financial sector and less efficient risk sharing between international and local capital markets) exceed the benefits such controls may generate. Even so, we believe that if the dollar weakens still further, the Colombian authorities may resort to a measure of this kind to halt the appreciation of the peso.

3. Risk factors for the Colombian economy

Greater deterioration in economic conditions abroad and the resulting reduction in foreign demand and commodity prices, determined by low growth rates in the United States and Europe, would have a negative effect on the economy, due to lower income from exports and a possible reduction in foreign investment. The industrial sectors with the greatest exposure to foreign trade would also slow their recovery process and could even fall back again as domestic demand would less than compensate the reduction in sales abroad. Exports would fall and consumer and business confidence indicators would suffer. Domestic consumption and investment would slow down, although significantly less than during the 2008 episode.

The possible slowdown in domestic demand would have a negative impact on tax receipts and thus endanger the achievements of the government's proposed reform objectives. The central government's fiscal deficit would increase to over 4.5% of GDP, which would delay the implementation of the Fiscal Rule, as well as compromising its credibility. Equally, the deteriorating situation abroad would generate pressure on the current account and increase the deficit level to above 3.5% of GDP in 2011. These greater imbalances would put significant pressure on financing costs, both for the government and the real economy, possibly forcing an adjustment in the fiscal accounts and leading to a significant depreciation in the Colombian peso over next year. However, we do not expect a recession, but lower growth pace, around 2-3% in 2011 and 2012.

In a scenario such as that giving rise to our core projection, a possible future risk is a faster flow of capital into the country boosted by expansive monetary conditions in the main developed economies and the signs of recovery in the Colombian economy. This could have various effects on the economy. Among them, it would trigger a deterioration in the current account, put strong pressure on asset prices and increase financial fragility, thus endangering the process of economic recovery. As a result, the dilemma of monetary and foreign-exchange policy would be accentuated and result in greater pressure on the implementation of some kind of control on capital inflows.

Consequently, it is advisable to continue analyzing macro-prudential measures that can mitigate the risks associated with a scenario of this type, particularly given the incipient signs of over-valuation of asset prices, both in the residential real estate and equity markets, which could be reinforced by a major increase in capital flows.

4. The new government's reforming impulse

Over recent months, the new government has presented numerous reform initiatives of various kinds, capitalizing on the window of opportunity at the start of its period in office and its majority in Congress. From the economic point of view the ambitious package of reforms aims to consolidate fiscal sustainability, improve the management and investment of territorial revenues from royalties, control the appreciation of the peso, promote competitiveness and optimize tax management.

Among the reforms that could have a structural impact on the performance of public finances are the establishment of fiscal sustainability as a fundamental right, the implementation of a Fiscal Rule and the reform of the general system of royalties. Fiscal sustainability and the Fiscal Rule complement the framework of fiscal responsibility in Colombia and could provide a balance between the functions of the Welfare State and its financial capacity, thus guaranteeing the long-term coherence between social and economic policies.

Although the establishment of the Fiscal Rule is positively valued, its implementation requires a reliable institutional framework to be developed and the central government budget to be made more flexible. Its success is highly sensitive to the mechanism used for defining the variables and parameters in place. In addition, credibility and penalization by the markets are fundamental elements for maintaining the appropriate incentives in subsequent governments.

The need for a structural reform of the system of assignment and handling of royalties arises from the perception that the current scheme is inefficient and corrupt. It is also the result of expectations of increased revenues in the mining and oil sector and their potential impact at the macroeconomic and regional level. We consider that the key factors in this process are development of territorial institutional capacity, definition of the conditions for the various funds receiving the resources and the parameters regarding participation of territorial entities. As a result, skepticism continues regarding the success of the implementation of a new system that can effectively prioritize, formulate and manage investment projects with significant impacts on regional welfare and competitiveness.

In addition, part of the Government's legislative agenda has been aimed at promoting the formalization of labor and business and restructuring the health system. The reform of the health system aims to regulate to a certain extent the right to health and equality between the current schemes. The general interest is held to be more important than private interests so that equal access is guaranteed to health services for all members.

In addition, a minor tax reform is being debated, which aims to increase tax efficiency and effectiveness, promote competitiveness and reduce the fiscal deficit[2]. The administrative measures proposed are particularly positive. They could generate increased efficiency and provide tools to improve supervision and collection. Although the project aims to eliminate distortions in the tax system, the measures are considered limited, given the complexity and exemptions inherent the system.

Regarding the recent measures, discussed above, to moderate the exchange rate appreciation and boost the competitiveness of the economy, the impact on the fiscal accounts would be to put pressure on the central government budget in the short term, with possible marginal benefits in the long term. These long-term benefits will depend on the balance between greater tax receipts resulting from the administrative measures taken and the rate of recovery in domestic demand, given the possible costs of the institutional and organizational reforms.

2: Among the measures proposed is the elimination of the allowance for investment in productive fixed assets, an extension of the coverage of the tax on financial transactions and the elimination of the surcharge on electrical energy for the industrial sector.

5. Tables

Table 1

Macroeconomic Forecasts: Annual

	2010	2011	2012
GDP (% y/y)	4.8	5.2	5.7
Inflation (% y/y, average)	2.7	3.3	3.2
Exchange Rate (vs. USD, average)	1882	1773	1793
Interest Rate (%, average)	3.00	4.50	5.50
Private Consumption (% y/y)	4.1	5.2	7.0
Government Consumption (% y/y)	5.0	4.0	4.5
Investment (% y/y)	6.2	9.7	5.2
Fiscal Balance (% GDP)	-4.2	-4.0	-3.1
Current Account (% GDP)	-2.7	-2.8	-3.2

Source: BBVA Research

Table 2

Macroeconomic Forecasts: Quarterly

	GDP (% y/y)	Inflation (% y/y, average)	Exchange Rate (vs. USD, average)	Interest Rate (%, average)
Q1 10	4.2	2.0	1947	3.50
Q2 10	4.5	2.1	1950	3.00
Q3 10	5.2	2.3	1833	3.00
Q4 10	5.2	2.6	1800	3.00
Q1 11	6.4	3.1	1793	3.25
Q2 11	6.0	3.0	1760	3.75
Q3 11	4.0	3.2	1757	4.00
Q4 11	4.6	3.3	1780	4.50
Q1 12	5.2	3.5	1773	4.75
Q2 12	6.3	3.4	1780	5.00
Q3 12	5.8	3.3	1800	5.25
Q4 12	5.7	3.3	1820	5.50

Source: BBVA Research

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called “BBVA”) to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document is based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates´ salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates’ proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

This document is provided in the United Kingdom solely to those persons to whom it may be addressed according to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and it is not to be directly or indirectly delivered to or distributed among any other type of persons or entities. In particular, this document is only aimed at and can be delivered to the following persons or entities (i) those outside the United Kingdom (ii) those with expertise regarding investments as mentioned under Section 19(5) of Order 2001, (iii) high net worth entities and any other person or entity under Section 49(1) of Order 2001 to whom the contents hereof can be legally revealed.

The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA and the rest of entities in the BBVA Group which are not members of the New York Stock Exchange or the National Association of Securities Dealers, Inc., are not subject to the rules of disclosure affecting such members.

“BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance”.

This report has been produced by the Colombia Unit:

Chief Economist
Juana Téllez
juana.tellez@bbva.com.co

María Paola Figueroa
mariapaola.figueroa@bbva.com.co

Poldy Paola Osorio
poldy.osorio@bva.com.co

Mauricio Hernández
mauricio.hernandez@bbva.com.co

María Claudia Llanes
maria.llanes@bbva.com.co

Ignacio Miró
ignacio.miro@bbva.com.co

BBVA Research

Group Chief Economist
José Luis Escrivá

Chief Economists & Chief Strategists:

Regulatory Affairs, Financial and Economic Scenarios:
Mayte Ledo
teresa.ledo@grupobbva.com

Financial Scenarios
Sonsoles Castillo
s.castillo@grupobbva.com

Financial Systems
Ana Rubio
arubiog@grupobbva.com

Economic Scenarios
Juan Ruiz
juan.ruiz@grupobbva.com

Regulatory Affairs
María Abascal
maria.abascal@grupobbva.com

Market & Client Strategy:
Antonio Pulido
ant.pulido@grupobbva.com

Equity and Credit
Ana Munera
ana.munera@grupobbva.com

Interest Rates, Currencies and Commodities
Luis Enrique Rodríguez
luisen.rodriguez@grupobbva.com

Asset Management
Henrik Lumholdt
henrik.lumholdt@grupobbva.com

Spain and Europe:
Rafael Doménech
r.domenech@grupobbva.com

Spain
Miguel Cardoso
miguel.cardoso@grupobbva.com

Europe
Miguel Jiménez
mjimenezg@grupobbva.com

United States and Mexico:
Jorge Sicilia
j.sicilia@bbva.bancomer.com

United States
Nathaniel Karp
nathaniel.karp@bbvacompass.com

Mexico
Adolfo Albo
a.albo@bbva.bancomer.com

Macro Analysis Mexico
Julián Cubero
juan.cubero@bbva.bancomer.com

Emerging Markets:
Alicia García-Herrero
alicia.garcia-herrero@bbva.com.hk

Cross-Country *Emerging Markets* Analysis
Daniel Navia
daniel.navia@grupobbva.com

Pensions
David Tuesta
david.tuesta@grupobbva.com

Asia
Stephen Schwartz
stephen.schwartz@bbva.com.hk

South America
Joaquín Vial
jvial@bbvaprovida.cl

Argentina
Gloria Sorensen
gsorensen@bancofrances.com.ar

Chile
Alejandro Puente
apuente@grupobbva.cl

Colombia
Juana Téllez
juana.tellez@bbva.com.co

Peru
Hugo Perea
hperea@grupobbva.com.pe

Venezuela
Oswaldo López
oswaldo_lopez@provincial.com

Contact details

BBVA Research Colombia
Carrera 9 #72-21, 10th floor
Bogotá, Colombia
Tel: 3471600 ext 1408
E-mail: bbvaresearch@grupobbva.com

Colombia Outlook is available in Spanish