BBVA | RESEARCH

Economic Outlook

Panama

Fourth Quarter 2011
Economic Analysis

- **GDP growth accelerates to 9.1% in 2011** and is expected to moderate to 6.7% in 2012 due to the deterioration of the external environment and a lower impulse from local factors.
- **Inflation should reach 5.6% in 2011 and 5.0% in 2012,** pressured by rising import prices and excess capacity.
- **Increasing public expenditure is sustained by a significant increase in investment** and will continue to push the fiscal deficit to around 2.0% of GDP in 2011 and 2012.
- **Possible overheating leaves the economy vulnerable to an external shock,** starting from high levels of inflation and current account deficit.

Index

1. Global outlook: slowdown with risks tilted to the downside 3

2. The Panamanian economy remains strong 5

3. Boost to long-term growth 7

4. Challenges in dealing with strong growth 8

5. Vulnerability to an external shock 10

6. Tables 11

Closing date: 05 December 2011

1. Global outlook: slowdown with risks tilted to the downside

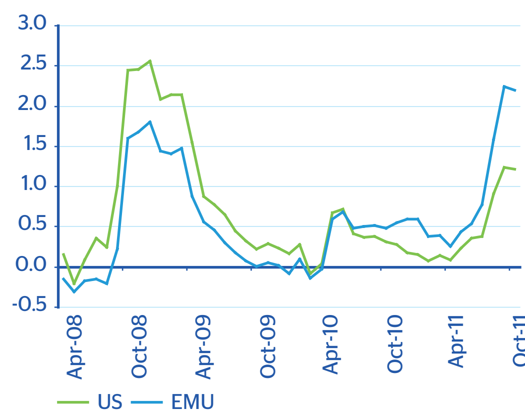
The outlook is heavily dependent on the resolution of the European debt crisis

The outlook for the global economy has worsened over the past few months, driven mainly by four factors whose influence is still being felt. First, lower than expected economic growth mainly, but not only, in developed economies. Although US growth increased in the third quarter, economic activity in Europe, which had held up in the first quarter, is now on a clear deceleration path. Second, the sovereign debt crisis in Europe has intensified and has become more systemic. While decisions announced in the October summit go in the right direction, key elements are still unresolved, especially regarding the firepower of mechanisms for providing sovereign liquidity--a leveraged European Financial Stability Fund (EFSF), the restructuring of Greek debt held by private investors, and a roadmap for advancing European governance towards a fiscal union. Third, the feedback between sovereign concerns and the health of the European financial system has intensified, with financial tensions exceeding the levels reached after the collapse of Lehman Brothers in October 2008 (Chart 1). Finally, higher global risk aversion has resulted in increased financial market volatility, spilling over to emerging market assets for the first time since 2009.

In this context, we revise downward our global growth forecasts by 0.3pp in 2011 and 2012, relative to our previous Global Economic Outlook, mostly due to lower expected growth in advanced economies (US and Europe, compensated in part by Japan), although emerging markets will also grow slightly less than previously anticipated. Thus, the global economy would grow by 3.9% in 2011 and 4.1% in 2012, supported by still-solid growth in emerging economies against lackluster performance in advanced countries (Chart 2).

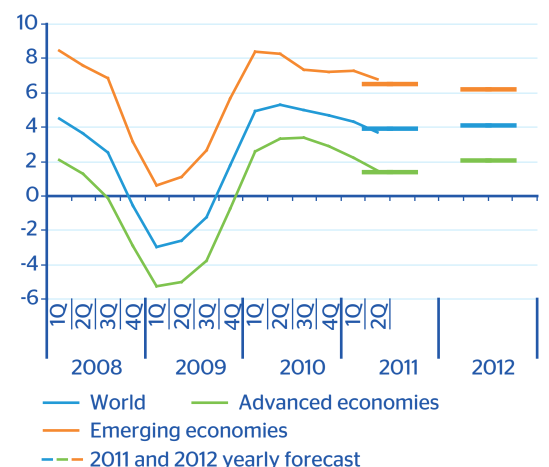
While these are still reasonably strong growth rates, risks are strongly tilted to the downside, hinging in the short term on the evolution of the sovereign-financial crisis in Europe. In particular, a quick reduction of financial stress in Europe is needed to avoid a sharp impact on growth both in Europe and in other regions through financial exposures and spillovers from global risk aversion.

Chart 1
BBVA Financial Stress Index



Source: BBVA Research

Chart 2
Global GDP growth (%yoy)



Source: IMF and BBVA Research

Europe takes steps in the right direction, but leaves key elements unresolved

In our view, there were five main points that needed to be successfully addressed in the October EU summits: (i) tackling the sustainability of Greek debt; (ii) erecting sovereign firewalls in the EMU; (iii) pushing for further reforms in peripheral countries; (iv) strengthening the banking sector; and (v) advancing euro area governance. In this regard, the recent summits have taken

important steps in the right direction, but have not yet addressed most of these points definitively. First, private bondholders of Greek debt are asked to take a voluntary haircut of 50% –much higher than agreed in July– but doubts still linger about participation in the exchange and about the solvency of Greece, even with full participation. Second, the EFSF will be leveraged as an insurance mechanism and complemented with outside investors (including possibly the IMF), but it is unlikely that the specifics of the functioning of the EFSF will be in place before December. Many weeks will pass to ascertain its effectiveness, and hence the ECB will still be needed as a buyer-of-last-resort for sovereign debt, against the reticence of core European countries. Third, while it is welcome that more economic reforms are now on the agenda (notably in Italy), the recapitalization of the banking sector is being done inefficiently, posing risks of a sudden deleveraging of European banks. Also, a long-term liquidity provision mechanism is not in place yet. Finally, while there have been some advances in European governance, there is no clear roadmap to a fiscal union or Eurobonds, which in our view a key to a more credible monetary union in the long run.

As we have emphasized in the past, partial solutions may help prevent a further escalation of financial tensions, but not to reduce them to more sustainable levels. As such, the agreements reached so far still leave doubts about whether the necessary structure to prevent contagion from a Greek debt restructuring is in place. This would require a sufficiently large EFSF with the ECB as debt-buyer-of-last-resort and recapitalized banks with access to financing. Without these elements in place, markets will continue to discount the sustainability of reforms in Greece and appetite for further bailouts in core countries, increasing the probability of a downside scenario of a credit crunch and a recession in Europe, with global spillovers[1].

Some improvements in US growth in Q3, but structural weaknesses remain

More on the positive side, growth in the US seems to have accelerated in the third quarter, at least according to preliminary estimates. This is not saying much –growth in the first two quarters was very low and the output gap is still very high. But it appears to have reduced market expectations of a double dip. Nevertheless, structural weakness remain in the US economy, as consumer and business confidence continue to be weak along with prospects of further housing market adjustments. This would imply lower resilience in the face of a possible shock from Europe. In addition, political deadlock could impede a “grand bargain” to (i) prevent an unintended fiscal contraction in the short run and (ii) push reforms towards a credible fiscal consolidation in the long run.

Emerging economies are on track for a soft landing, but with external headwinds

Emerging economies continue growing strongly, supported by the resilience of domestic demand. Still high commodity prices for Latin America and export growth in Asia –despite strong corrections in both cases– also contribute to a strong growth outlook, which is on track for a much-awaited soft landing after concerns of overheating seen earlier in the year. Renewed turmoil in Europe and the US already represent strong headwinds from financial markets in both regions –reflected in increased market volatility, depreciated exchange rates and reduced capital inflows. However, many countries also enjoy sizable buffers –stronger public finances and better macroeconomic management than in the past– and are well positioned to introduce policy stimulus to counter weaker external demand. Overall, a more negative external environment has switched the focus in emerging countries from overheating to downside risks and, increasingly, the possible need for policy support.

1: See “Channels of global contagion in the event of a disorderly default in Europe”, Box 1 in the July 2011 Global Economic Outlook for an outline of the channels of transmission and global impact of a disorderly default in Europe.

2. The Panamanian economy remains strong

Panama continues to grow strongly, but the risks of overheating increase the economy's vulnerability to an external shock

After posting growth of 7.6% in 2010, the economy has remained strong in 2011. In the second quarter of 2011 GDP was up 11.4% y/y (see Chart 3), better than expected and above the figure for the previous quarter (9.3% y/y). Even so, we expect growth to moderate in the second half of the year, with public works activity less strong and a slowdown in activities related to the external sector. This is particularly true in the fourth quarter, when the effects of slower growth in developed countries, above all Europe and the United States, but also some emerging economies, will have a bigger impact. Despite this, we estimate an annual growth of 9.1% in 2011 and 6.7% in 2012, although with significant downside risks in the coming year, depending on how the international situation develops.

The strong economy is being reflected in positive indicators of economic activity. Among them is a significant reduction in the unemployment rate, which fell by 2 percentage points to 4.5% over the last 12 months, close to its neutral level. This has had an effect on the significant increase in household and corporate income, as well as government revenues. At the same time, inflation has increased to 6.1%, well above the historical average for the economy (2.0%), boosted by pressure from costs and demand factors. Higher inflation will affect the competitiveness of some tradable sectors in the economy and contribute to sluggish growth in these activities.

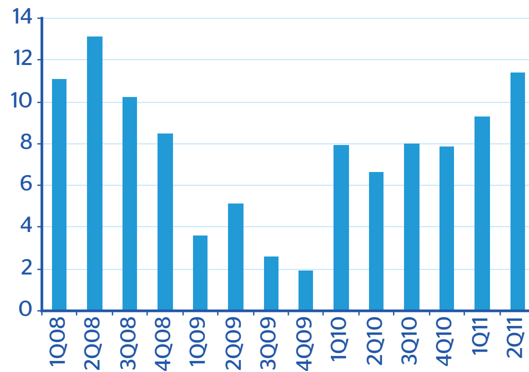
The environment of high inflation and strong economic growth is also having an effect on the buoyant credit situation, with ample liquidity in the financial sector as a result of the easy external monetary conditions. Interest rates have fallen to historically low levels and stimulated household and corporate indebtedness. This is reflected in an annual growth of the credit portfolio of 15.4%, with significant rises in the commercial segment (25.2% per year) - albeit with a low basis of comparison - and in the consumer and mortgage portfolio, at annual rates of 7.0% and 9.0%, respectively.

The strength of domestic demand has also generated a steep increase in the current account deficit. In addition to these pressures, there is the boost provided by buoyant public investment, which in the short term is increasing the risks of overheating, although at the same time it is helping to strengthen potential medium and long-term growth.

Domestic demand continues to lead growth together with a strong expansion in exports of services

The annual growth of 10.3% in the first half of 2011 is the result of a combination of factors. These include the strong growth in public investment, both in the expansion of the Panama Canal and other infrastructure works. As a result, the construction sector has headed economic growth, with an annual rate of 17.4% (Chart 4). Consumption has also performed outstandingly well, as reflected in buoyant retail trade and hotel and restaurant sectors. Another factor has been recovery in global trade, particularly in the first half of the year, as reflected in the strength of freight transport and exports from the Colón Free Trade Zone.

Chart 3
Quarterly GDP (y/y, %)



Source: INEC and BBVA Research

Chart 4
GDP by sectors 1S11 (y/y, %)

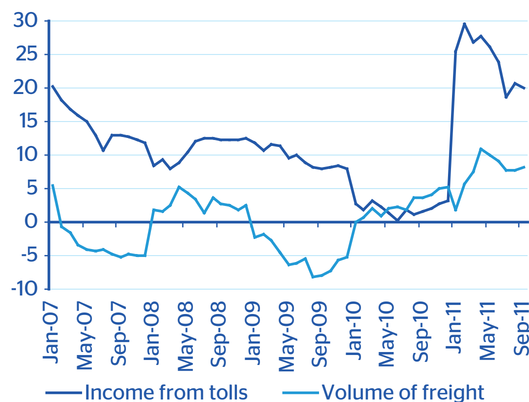
Source: INEC and BBVA Research

In this situation, the transport and telecommunications sector has increased its importance in the economy and will continue to be the main engine of economic growth in Panama. The recent strength of this sector reflects the progress made in logistics, which has boosted competitiveness and enabled increased global demand to be met. Much of this boom is focused on the Panama Canal. The volume of freight passing through the Canal was up 8.1% YTD (to September), while income increased 20.5%, reflecting toll increases over the year. Work on expanding the Canal has run on schedule, and the project is expected to be complete in 2014. In addition, the Canal Authority (ACP) is investing on additional updates and logistics apart from the expansion. This will improve the Canal's efficiency and capacity and increase its potential as a source of growth and competitiveness.

At the same time, the infrastructure investment plan proposed by the government is progressing in the construction of megaprojects. Among the most important is the expansion of the northern part of Tocumen airport, after which work on the southern part will begin. In addition, in May 2011 construction began on the first phase of the metro of the City of Panama. The project is due to be completed in 2014 and is one of the most important objectives of President Martinelli's government. Overall, the boost from public investment is expected to continue to support growth over the coming quarters, given the works already underway and the government's proven capacity for project execution.

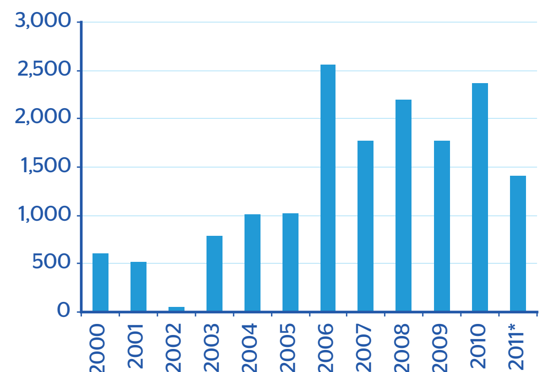
Finally, tourism, particularly originating in North and South America, has received a significant boost from the upturn in global activity and from incentives to the sector within the country, which has attracted more foreign direct investment. This has been reflected in a growth of 12.5% in the number of tourists so far this year, with a comparable growth (around 14%) in spending by foreign visitors. The result can be seen in the strength of retail trade and the hotel and restaurant sector.

Chart 5
Panama Canal:
Freight volume and toll income (Var. YTD, %)



Source: : INEC and BBVA Research

Chart 6
Foreign direct investment (USD million)



* YTD June. 2011
Source: INEC and BBVA Research

In 2012 and 2013 we expect the economy to slow to its potential growth rate

The recent slowdown in economic activity, particularly in developed countries, together with the dynamics of the domestic economy, lead us to be cautious with respect to economic growth in Panama in 2012 and 2013. The engines of the economy, including the Canal, port activity and tourism, will be affected by the slowdown in global economic activity and trade. This will reduce growth, as exports represent the most important component of GDP, at 76%. In addition, the project to extend the Panama Canal and the government's infrastructure investments will continue to support growth, although at rates somewhat below those of recent years.

For these reasons, we expect Panama to experience a slowdown in 2012, from the high average growth rates of the last two years. Specifically, we estimate that growth will be at around 6.7% in 2012 and 6.1% in 2013. These rates are more sustainable over time and close to economy's estimated potential growth rate.

Although growth will continue to be robust, the risks in the forecasts have a downside bias, which depend on a possible deterioration in the sovereign debt and financial crisis in Europe and contagion to the United States and emerging economies, with the resulting impact on the local economy (see Section 5).

3. Boost to long-term growth

The impact of the current investments will be reflected in future potential growth

Although a healthy balance of domestic demand has to be maintained in the short term, the authorities have given priority to the need to reduce the infrastructure gap and expand the economy's potential GDP. Panama has thus entered a cycle of positive investment made up of three components: the expansion of the Canal; major flows of foreign direct investment; and the ambitious public investment plan. These will be translated into significant progress in infrastructure which will be passed on in improved competitiveness. The rating agencies have recognized this positive investment cycle and improved Panama's sovereign debt ratings and prospects after the investment grade obtained in 2010. In particular, Fitch upgraded Panama to BBB (stable prospects) from BBB-, which was followed by upgrades in the sovereign credit watch by Standard & Poor's (BBB-, positive) and Moody's (Baa3, positive).

The strong performance of foreign direct investment has been associated with a favorable perception of the investment climate in the country and the prospects of solid economic growth. In 2010 FDI was an impressive USD 2,363 million (Chart 6), around 9% of GDP. This contributes to the high total rate of investment in the economy, which stood at 24.6% of GDP in the same year. The strength of FDI is a positive sign in terms of the scope of the government's policy to promote investment. The policy has been reflected in the entry of a significant number of multinationals over the last year. At the same time, investment flows towards leading sectors such as financial intermediation, transport and retail trade continue on a positive trend.

One subject of discussion at the economic policy level is the potential of the mining sector to drive growth over the coming years. Despite optimism, there is a high level of uncertainty regarding the true growth potential of this sector. In addition, there is the fact that the attempt to open up mining activity to foreign operations has once more been delayed due to strong opposition to the mining bill that aims to make the process viable. At the same time, the authorities have suggested that once the megaprojects are on course, economic policy will shift towards infrastructure for the provision of basic services, such as water and sewage works in extremely backward parts of the country. This would provide a considerable support to growth in the medium term.

Panama continues to make progress in expanding its markets: significant approval of the trade agreement with the United States

The Trade Promotion Agreement (TPA) with the United States, Panama's main export market and its biggest supplier of imported goods, has been signed and approved. The United States represents a major source of FDI, with an average of USD 423.2 million of investment in Panama

over the last five years, according to OECD figures. Historically, Panama has maintained a trade surplus in services with the United States, which is the main user of the Panama Canal.

Among the benefits of the treaty for Panama is the expected reduction in the cost of raw materials and capital goods for exporting companies, as well as lower retail prices. At the same time, it will bolster the guarantees offered by the country to improve and increase the reception of FDI. The costs will be borne by the uncompetitive productive or industrial sectors, which will have to implement strategies to improve their productivity and thus face the new challenges in international trade.

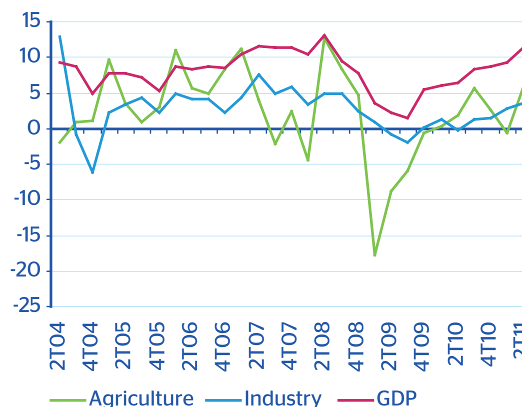
In general, the government has brought forward a series of strategies to strengthen trading and economic relations with other countries. Among these is the conclusion of 12 double taxation treaties by which Panama was technically able to exit the OECD gray list and improve its image as a more transparent country in tax and fiscal terms, and thus a better environment for business. The agenda continues to be positive in this field, with new projects underway, such as the company insolvency law and improvements in the regulation of the insurance sector, which will bring Panama up to the standard of international practices in these areas. In our opinion, these efforts will help maintain foreign investment strong over the coming years.

4. Challenges in dealing with strong growth

Strong growth is obscuring tradable sectors of the economy that remain in a slump

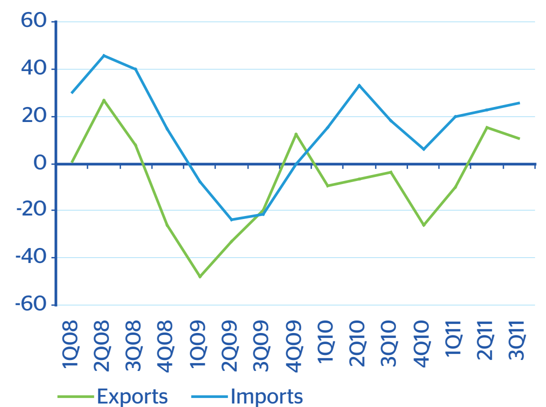
The significant expansion in aggregate demand is reflected in high inflation and the loss of competitiveness of some tradable sectors in the economy. Agriculture and the manufacturing sector are most affected, as they have still not been able to emerge from the slump they have been in for some years. In particular, exports of most agricultural goods have fallen in annual terms so far this year, with sales of the main products down 3.3% YTD (August). The sector has only grown 2.6% in the first half of 2011 (Chart 7). Meanwhile, industrial growth has been only 3.2% y/y. Apart from meat and sugar production, very few sectors are showing any strength. This situation is leading to concern, given the importance of these sectors for job creation and the capacity of local producers to meet the new challenges in the wake of the signing of the free trade agreement with the United States, among other trade agreements.

Chart 7
Growth in GDP, agriculture, and industry (y/y, %)



Source: INEC and BBVA Research

Chart 8
Goods imports and exports (quarterly average, y/y, %)



Source: INEC and BBVA Research

Persistent inflationary pressures

Inflation has increased significantly over the year to 6.1% in September (Chart 9). This high rate of inflation responds in part to more expensive imported products and demand-side pressures.

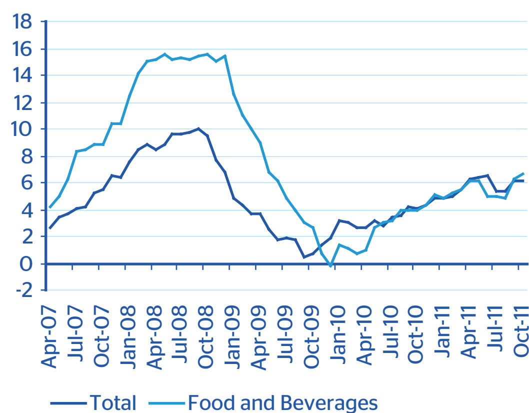
Regarding agricultural commodities, these have not been unaffected by the situation of international markets. Since September, there has been a correction in the prices of the main products although with some support from recent increased imports of agricultural products by China. In any event, the correction in the price of grains and other agricultural raw materials should help stabilize processed food prices over the coming months and into 2012.

At the same time, despite the we ak external environment, the international price of oil has remained near USD110 (Brent) per barrel, and it has recently hit a post-summer (northern hemisphere) high. However, the increased supply due to the renewed production in Libya and the revision of demand resuting from lower global growth prospects should reduce market pressure on oil, which is reflected in price forecasts for next year.

Demand-side pressures are also pushing inflation up. This is due to the gap between the growth in domestic demand and GDP, which suggests an excess, which in Panama's case could in part be heightened by the strength of public works. Although greater global uncertainty should result in an endogenous adjustment of private spending, so far there are few signs that this is happening. This is unlike the situation in 2009-2009, when there was an overreaction on the part of the private sector, and falls of consumption and investment eliminated excess demand, thus resulting in a significant reduction in inflation (Chart 9).

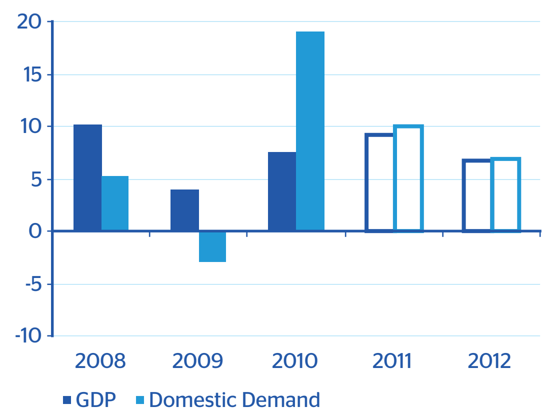
To sum up, although we expect growth of imported prices to moderate, excess domestic demand with respect to GDP will continue to put pressure on inflation and push it to an average of 5.5% in 2011 and 5.0% in 2012.

Chart 9
Inflation (y/y, %)



Source: INEC and BBVA Research

Chart 10
Internal demand and GDP (y/y, %)



Source: INEC and BBVA Research

Public finances under pressure from high investment expenditure

The government of President Martinelli has prepared an ambitious investment plan for the four-year period. It amounts to a total of USD 14,651 million (some 11% of GDP per year) and implies significant pressure on the public finances. Investment expenditure in the first half of 2011 was up 78%. Its share of total expenditure increased, given that growth of current expenditure and financing costs was well below this figure (9% and 7% respectively).

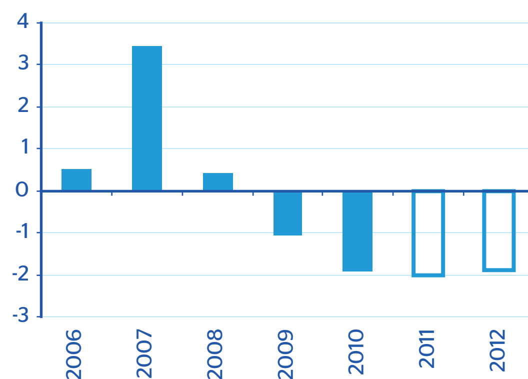
If this trend continues, the government's capital expenditure should grow this year to levels close to 9% of GDP. Although much of this could be financed by increased tax revenues, the rise in expenditure will push up the fiscal deficit to levels near 2% of GDP in 2011 and 2012 (Chart 11). This is close to the extended deficit ceilings approved this year by the National Assembly (3.0% in 2011 and 2.0% in 2012). According to the government's financing plan, the 2012 deficit will be mainly covered by the issuance of foreign debt. However, the current administration has shown its

interest in extending domestic finance and supporting the development of domestic markets, so new issuance at the local level can be expected.

Non-financial public sector income grew by 15.2% y/y in 2011, boosted by the strength of economic activity and increased efficiency in tax administration. These results will be complemented by additional measures to reduce tax evasion, which will increase tax receipts by 0.6% of GDP in 2012, according to estimates by the tax authorities. In any event, the higher revenues will not be enough to cover the major expansion of investment expenditure, and this will continue to put pressure on the fiscal balance.

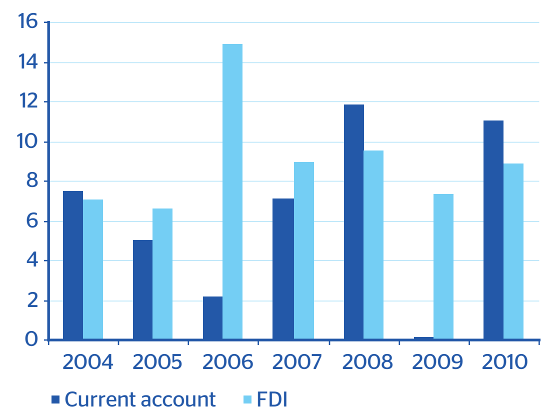
The public-private association bill is a significant piece of legislation that could reduce this pressure in the future. The bill, which concluded its passage through the National Assembly this year, aims to create the necessary institutional support to allow public funds to co-finance major infrastructure projects and thus reduce the burden on the public finances. The bill also establishes the process by which institutions in the non-financial public sector will evaluate and implement the contracts for public infrastructure and the provision of services. Although, in general, we hold positive views on the reform proposed by the bill, it has faced difficulties in its process of approval, due to strong opposition by sectors of opinion who see risks in the possibility of basic services such as health and education being privatized. Because of this, we can expect some modifications to the initial bill and an additional delay in its implementation.

Chart 11
Balance of the NFPS (% of GDP)



Source: : INEC and BBVA Research

Chart 12
Current account and FDI (% of GDP)



Source: INEC and BBVA Research

5. Vulnerability to an external shock

A high current-account deficit could endanger the strong growth if an external shock occurs

The forecast explained above is not without risks, mainly associated with global shocks such as those described in the first section. In particular, extended turmoil related to sovereign debt and the financial situation in Europe, which could lead the euro countries and possibly the United States, into recession, would have a major impact on emerging economies. The Panamanian economy would not be immune to this. The main mechanism of transmission would be a slowdown in global trade, which would affect transport of goods through the Panama Canal, with a significant impact on the activities linked to the Canal, such as port activity and the re-export from the Colón Free Zone. The flow of goods between Asia and Latin America, which has been a major boost to growth of activity in the Canal in recent months, would also be affected. In addition, tax receipts would be hit. This would put pressure on the government to slow expansion in public infrastructure, as it would be more dependent on obtaining finance abroad at a time when this finance is more scarce and expensive.

The slowdown with respect to the base scenario would be accompanied by an endogenous adjustment of private spending. This would help ease inflationary pressures and moderate the current account deficit. However, given the strength shown in the crisis of 2008-09, the support provided by public works, and the experience gained in dealing with the previous crisis, the size of the shock would not be as great as that experienced in 2009. Thus, vigilance is still needed in case the endogenous slowdown of expenditure is not sufficient. This is important, as the country starts from a disadvantageous position with respect to its current account balance (a deficit of 11.0% of GDP in 2010), so it has a significant level of vulnerability to an external shock of these characteristics.

In fact, in a scenario in which domestic demand continues to grow, although at a slower rate, while exports deteriorate, pressure on the current-account deficit would be heightened. This is unlike the situation in 2009 (see Chart 12), when the current account was practically balanced (-0.2% of GDP) because of the major fall in imports. Financing this deficit would become difficult, as high global risk aversion would lead to a reduction in FDI inflows. It should be remembered that in 2009 there was a fall of 19.3% in flows compared with the previous year. This would end up affecting the economy's domestic liquidity and result in a sharper adjustment of domestic demand than that included in the previous scenario. In this context, and with no monetary policy to moderate the imbalances, the government would be obliged to reconsider its investment program in order to help moderate the deficit through lower pressure on expenditure. This would be more expensive in a context of a slowdown in private demand.

6. Tables

Table 1
Macroeconomic forecasts annual

	2010	2011	2012
GDP (y/y % change)	7.6	9.1	6.7
Fixed investment	11.6	9.0	5.8
Private consumption	24.4	11.5	8.0
Average inflation (y/y, %)	3.5	5.6	5.0
Open Unemployment (EoP, %)	6.5	4.5	4.2
Fiscal balance (% GDP)	-1.9	-2.0	-1.9
3m-deposit interest rate (average, %)	2.7	1.8	2.0
USD exchange rate	1.0	1.0	1.0
Current account (% GDP)	-11.0	-12.2	-10.9

Source: Comptroller General of the Republic of Panama, Banking Superintendency and 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.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.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 is not a member of the FINRA and is 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".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.

This report has been produced by the Colombia Unit:

Chief Economist
Juana Téllez
juana.tellez@bbva.com

María Paola Figueroa
mariapaola.figueroa@bbva.com

Mauricio Hernández
mauricio.hernandez@bbva.com

Maria Claudia Llanes
maria.llanes@bbva.com

Julio César Suárez
julio.suarezl@bbva.com

Intern

Jane Krupskaia García
jane.garcial@bbva.com

BBVA Research

Group Chief Economist
Jorge Sicilia

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

Cross-Country Emerging Markets Analysis
Álvaro Ortiz Vidal-Abarca
alvaro.ortiz@bbva.com

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

China

India
Sumedh Deorukhkar
deorukhkar@grupobbva.com

Latam Coordination
Joaquín Vial
jvial@bbva.com

Argentina
Gloria Sorensen
gsorensen@bbva.com

Chile
Alejandro Puente
apuente@bbva.com

Colombia
Juana Téllez
juana.tellez@bbva.com

Peru
Hugo Perea
hperea@grupobbva.com.pe

Venezuela
Oswaldo López
oswaldo_lopez@provincial.com

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

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

Developed Economies:
Rafael Doménech
r.domenech@bbva.com

Spain
Miguel Cardoso
miguel.cardoso@bbva.com

Europe
Miguel Jiménez
mjimenezg@bbva.com

United States
Nathaniel Karp
nathaniel.karp@bbvacompass.com

Financial Systems & Regulation:
Santiago Fernández de Lis
sfernandezdelis@bbva.com

Financial Systems
Ana Rubio
arubiog@bbva.com

Pensions
David Tuesta
david.tuesta@bbva.com

Regulation and Public Policy
María Abascal
maria.abascal@bbva.com

Global Areas:

Financial Scenarios
Sonsoles Castillo
s.castillo@bbva.com

Economic Scenarios
Juan Ruiz
juan.ruiz@bbva.com

Innovation & Processes
Clara Barrabés
clara.barrabes@bbva.com

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

Equity Global
Ana Munera
ana.munera@grupobbva.com

Global Credit
Javier Serna
Javier.Serna@bbvauk.com

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

Contact details

BBVA Research Colombia
Carrera 9 No 72-21 floor 10
Bogotá, Colombia
Tel: 3471600 ext 11448
E-mail: researchcolombia@bbva.com.co