

Basic facts (2020)

Population: 51 million

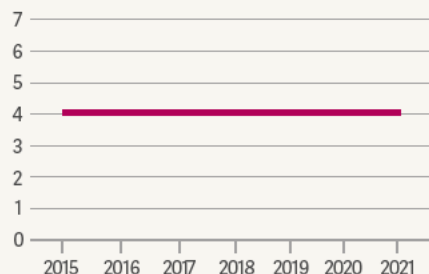
GDP, nominal: USD 271 billion

GDP/capita: USD 5 336



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

Country classification history



Source: EKN

Strengths

- + Stable economic development
- + Well-established democracy with stable institutions
- + Good relations with the IMF and lenders

Weaknesses

- Political violence and high levels of criminality
- Large income inequalities
- Highly dependent on commodities for export revenues

Stable institutions provide growth

Between 2010 and 2019, Colombia's economy grew by an average of 3.7 per cent per year and GDP has amounted to just over USD 6,000 per capita in recent years. The country is a stable democracy. The political institutions have pursued responsible economic policies and maintained a sound macroeconomic environment for many years, despite several economic shocks, such as the fall in commodity prices in 2014–2015 and most recently the global pandemic. The Colombian political spectrum has broadened in recent years, and now includes a wide range of political parties, including former members of the militant FARC guerrillas. However, the political orientation remains anchored in a small number of major parties, which guarantees that the stable economic policy orientation will continue. The coordinated fiscal and monetary policy response during the pandemic has so far been consistent with the country's history of pragmatism and consensus between the dominant political parties on key economic and fiscal issues.

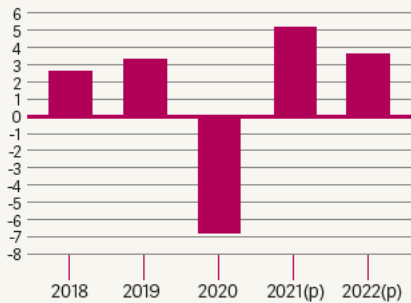
The Colombian economy is split between a number of industries, including agriculture, mining, services and manufacturing. The service sector corresponds to almost 60 per cent of the economy, while the manufacturing industry only accounts for around 10 per cent. Exports also correspond to about 15 per cent of GDP, being concentrated on coal and oil. Colombia is the 12th and 20th largest producer of coal and oil in the world respectively. Exports of coal and oil collectively account for more than 50 per cent of the country's export revenues, and the high concentration of these raw materials in the country's exports makes it very exposed to volatility in commodity markets. Another risk linked to the limited export base is the country's relatively large external debt. These risks are mitigated, at least in part, by the country's floating exchange rate regime and strong buffers in the form of international reserves and a standing credit facility with the IMF, which reduces liquidity risk and risks linked to negative current account shocks.

Over the last ten-year period, Colombia's business environment has developed in a positive direction according to the World Bank's Ease of Business index ranking, amongst others. During the same period, the country also ended the over fifty-year-long internal conflict with the FARC guerrillas and became a member of the OECD in 2020. Overall, these developments are considered to contribute to increased economic activity and further improvements in institutional conditions. The Colombian banking system is healthy but limited in scope given the size of the economy, which is partly explained by the fact that the informal sector continues to be an essential part of the economy. This also results in lower savings and investments, amongst other things. Between 2010 and 2019, the investment ratio amounted to just under 22 per cent on average, which is in line with the rest of the region.

Balancing act for the government

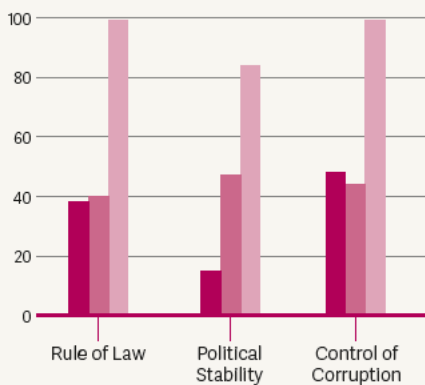
Colombia's economic development was greatly affected by the pandemic in 2020, mainly as a result of extensive national quarantine measures, which affected all sectors of society. The loss in GDP during the past year amounted to 6.8 per cent, primarily driven by lower investments, but also weaker consumer

GDP growth (fixed prices, % per annum)



Source: IMFWEQ, Macrobond

Business environment



■ Colombia
■ Latin America
■ Sweden

Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

spending and reduced exports as a result of the fall in oil prices. The only component that made a positive contribution to GDP in 2020 was public spending, which grew by 3.7 per cent (compared with the previous year) through public sector appropriations to healthcare and transfers to households in response to the pandemic. GDP is expected to grow by 5.1 per cent during the current year and by 3.6 per cent in 2022, which roughly corresponds to the long-term growth rate. The risk of further lockdowns of the economy will continue into 2022, as the vaccination rate is not expected to rise above 50 per cent before the end of 2021. This also means that the government will maintain several pandemic-related expenditures to support the recovery, such as transfers to households and infrastructure investments.

In the long term, the historical growth rate of around 2.5 per cent per year is expected to be maintained. Colombia's growth potential is limited partly by bottlenecks in transport infrastructure, which impact production and export capacity. The country's road investment programme (known as 4G) aims to reduce these shortcomings. Similarly, anchoring the peace process with the FARC guerrillas would promote growth through improved security and willingness to invest. Finally, the development of the non-conventional oil sector, including shale oil and gas, would potentially increase economic activity through increased investment and exports.

långgång mellan en vänsterkandidat och en mer återhållsam center/högerkandidat.

Business environment

The availability of financial information for private buyers is generally good. Import on open account is common and EKN's experiences are good. The Colombian business sector has proven to have a strong survival capacity in a complex political environment. Business ethics are also of a relatively high level. When it comes to the general regulatory environment, it can be noted on the one hand that public administration in Colombia is characterised by a high degree of reliability. This applies for example to the ministry of finance, the central bank and their associated government agencies. On the other hand, local administration within municipal agencies and companies is characterised by the opposite – a risk of corruption and political interference. It is also difficult to enforce securities – as a rule there will be a requirement to carry out an auction in order to enforce a security. One gauge of the regulatory environment is the various indices compiled by the World Bank. In the Ease of Doing Business ranking, Colombia is the third-highest ranked Latin American country in 67th place (out of 188). However, in one of the underlying indices – measuring the scope to assert rights under agreements – the ranking is very unfavourable (177th place). In terms of the World Bank's Governance Indicators, Colombia is at about the same level as Mexico, for example, following positive developments over the past 15 years.

The Colombian banking sector has increased in size relative to the economy and is now on a par with the average for Latin America. Around 80 per cent of the sector is domestically owned and is dominated by five banks which collectively account for two thirds of the entire loan volume. The sector is mainly privately owned, which is due to the sale of state banks in conjunction with a major banking crisis in the late 1990s. In recent years, credit growth has been

Swedish export to Colombia

	MSEK
2020	1 138
2019	1 322
2018	1 020
2017	951
2016	721

Source: SCB

EKN:s exposure

	MSEK
Guarantees	2 638
Offers	417

moderate at around 11 per cent per year, and the proportion of non-performing loans is a manageable 3.7 per cent of total lending. The regulatory framework for the banks is relatively extensive, even if there is room for improvement, for example when it comes to capital adequacy regulations and the definition of the banks' primary capital. The government is also deemed to be reliable in terms of its willingness and ability to bail out banks in trouble.

EKN:s policy

EKN has placed Colombia in country risk category 4 (out of 0 to 7) since 2006. There are no particular restrictions on transactions with the sovereign, other public sector buyers, banks or companies. This means that there are no predetermined limitations in the issuance of guarantees and that the transactions are assessed on their own merits without any specific requirements or preconditions.

EKN:s commitment and experience

Colombia is one of EKN's major markets in Latin America. The guarantees are mainly concentrated on urban transport projects in some of the country's major cities and the transport sector at large. In addition to this, there is also an exposure to a major power project in Cartagena. The remaining exposure comes from the mining sector and the paper and pulp industry. EKN issued guarantees for 30 transactions in 2020, 46 in 2019 and 43 in 2018. Overall, payment experiences are good, but delays to transactions linked to public sector buyers have arisen.