



Colombian Economic Prospects

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October, 2008

Topics

- **Growth**
- **Inflation**
- **Exports, Foreign Direct Investment and Remittances**
- **The Financial Sector**
- **Central Bank Policy**

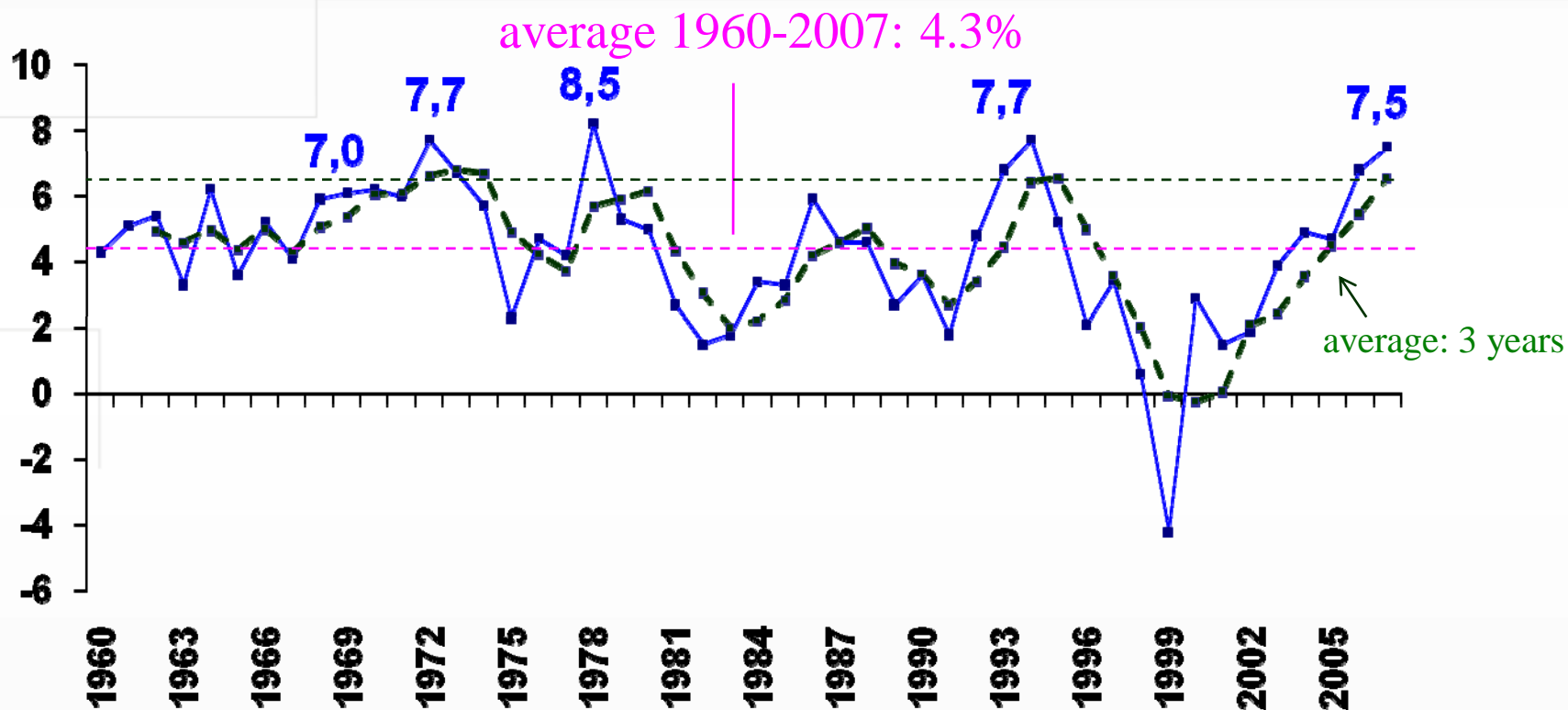


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Colombian long run growth (GDP, annual growth %)



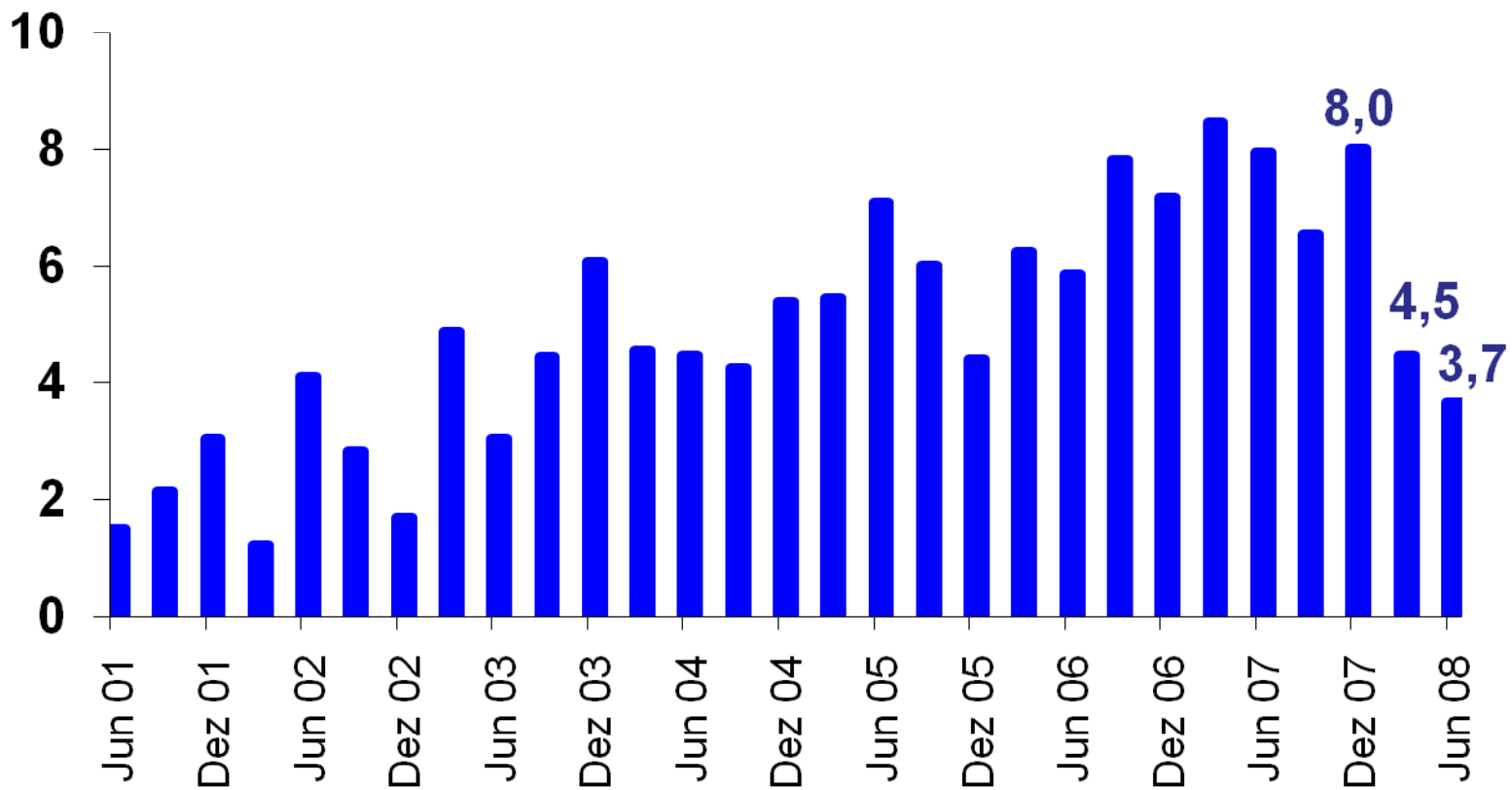
Banrep31

Responsable:

Última Fecha de Actualización:

Banco de la República; 30.07.2008

GDP Quarterly Growth (%)



Source: DANE, Central Bank

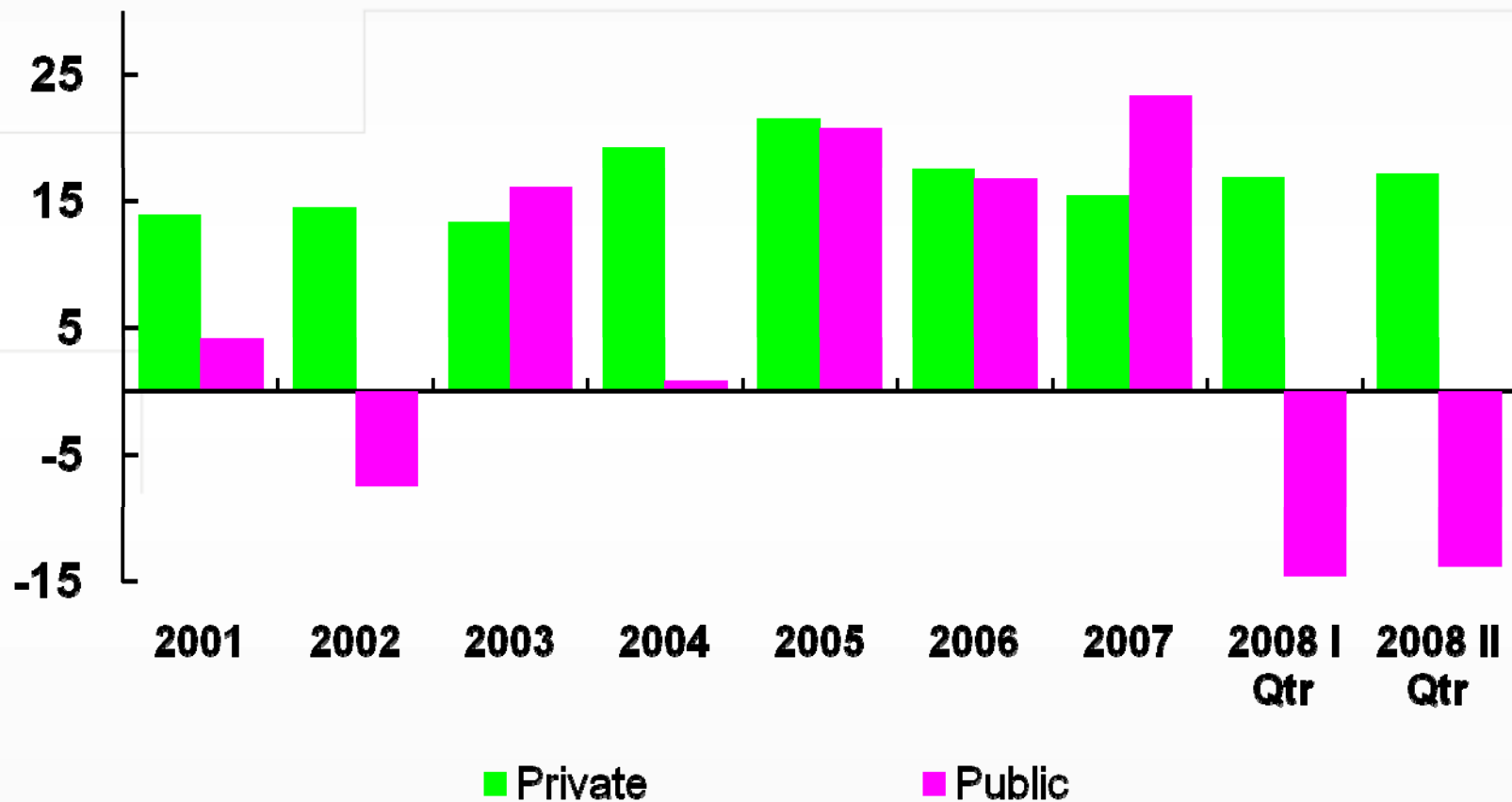
Banrep1

Responsable:

Última Fecha de Actualización:

Banco de la República; 30.07.2008

Investment (annual growth %)



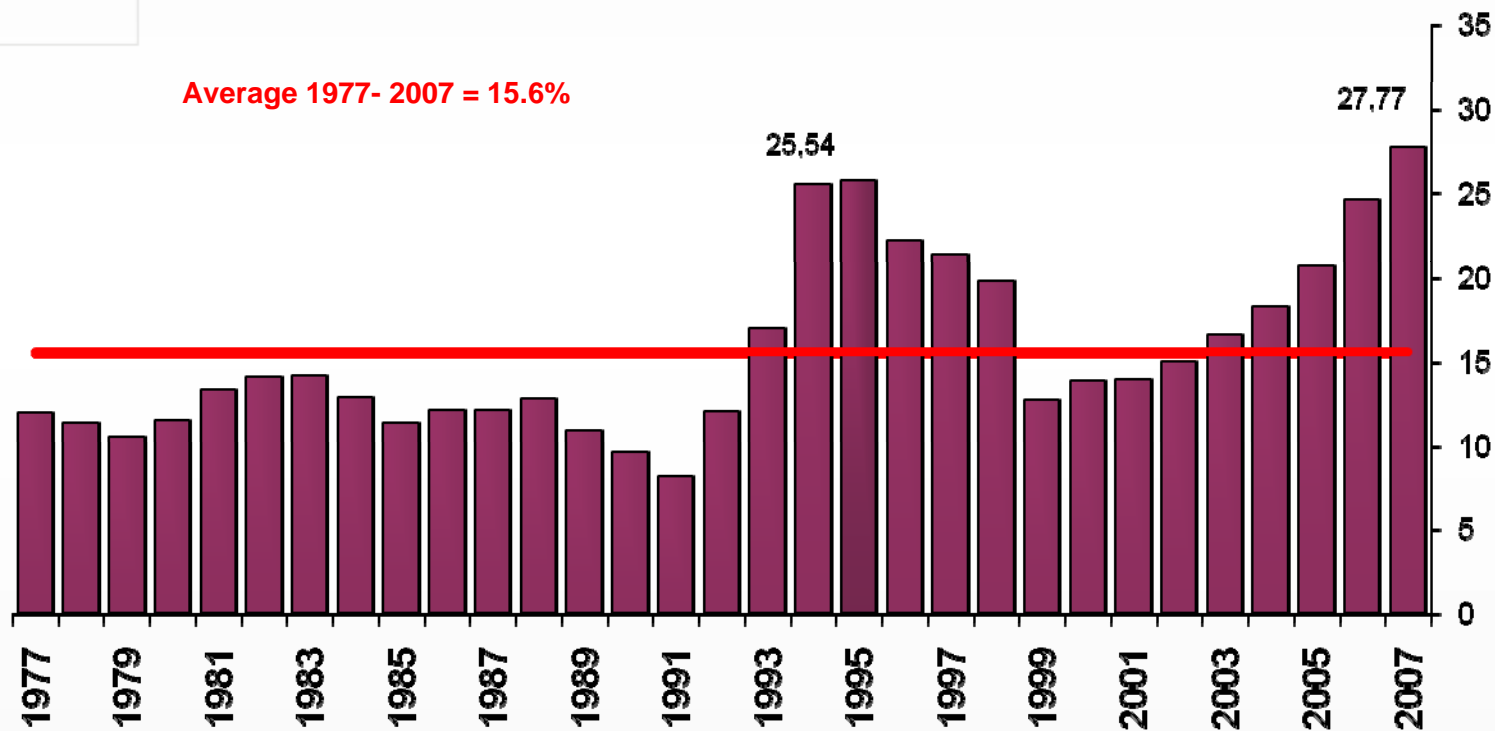
Banrep4

Responsable:

Última Fecha de Actualización:

Banco de la República; 30.07.2008

Investment/GDP (%)



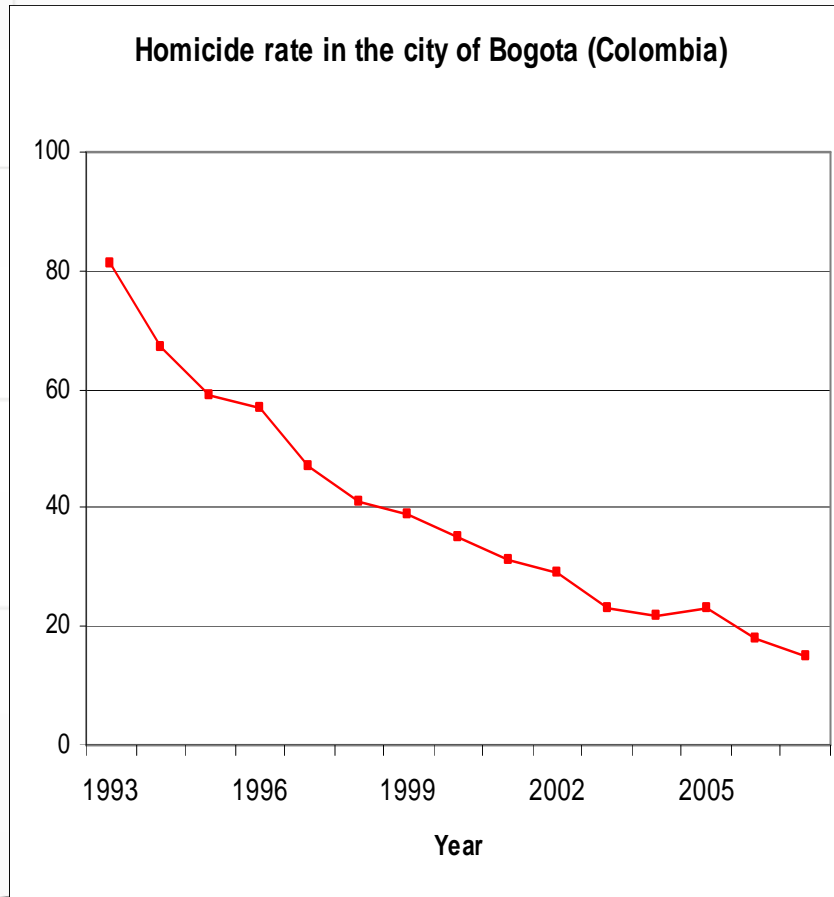
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Responsable:

Última Fecha de Actualización:

Banco de la República; 30.07.2008

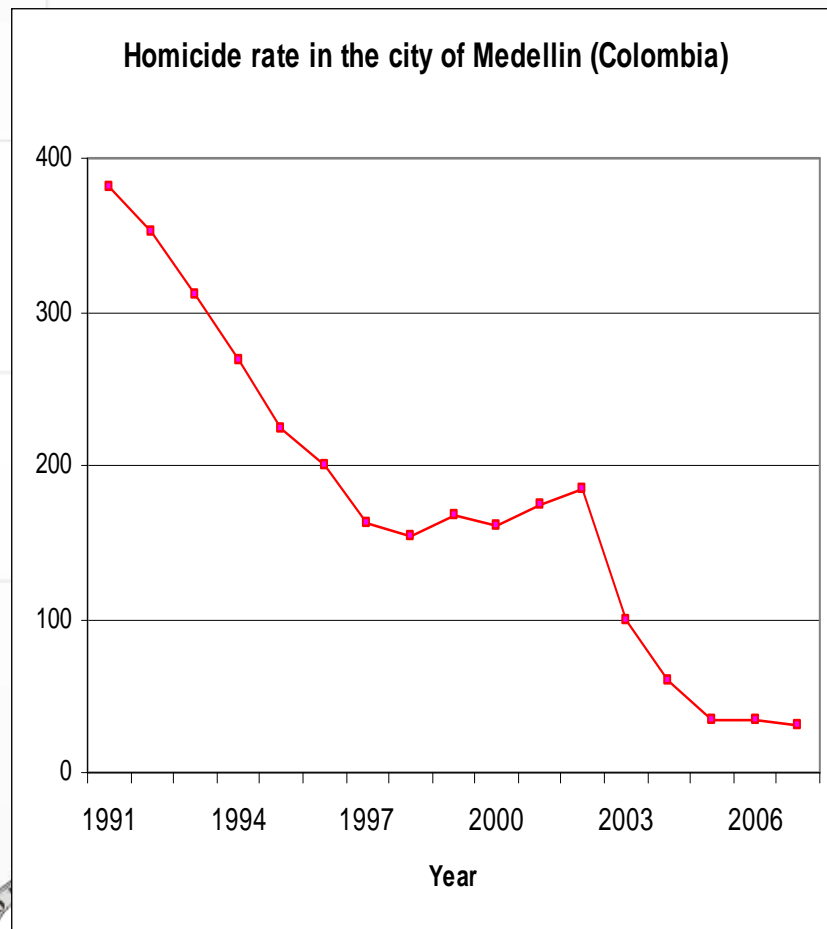
Homicide rates: Bogota, Colombia



- Hot spot policing
- Better local institutions
- A program aimed at restoring civil culture
- The strong success surpassed the modest goals set by the authorities.



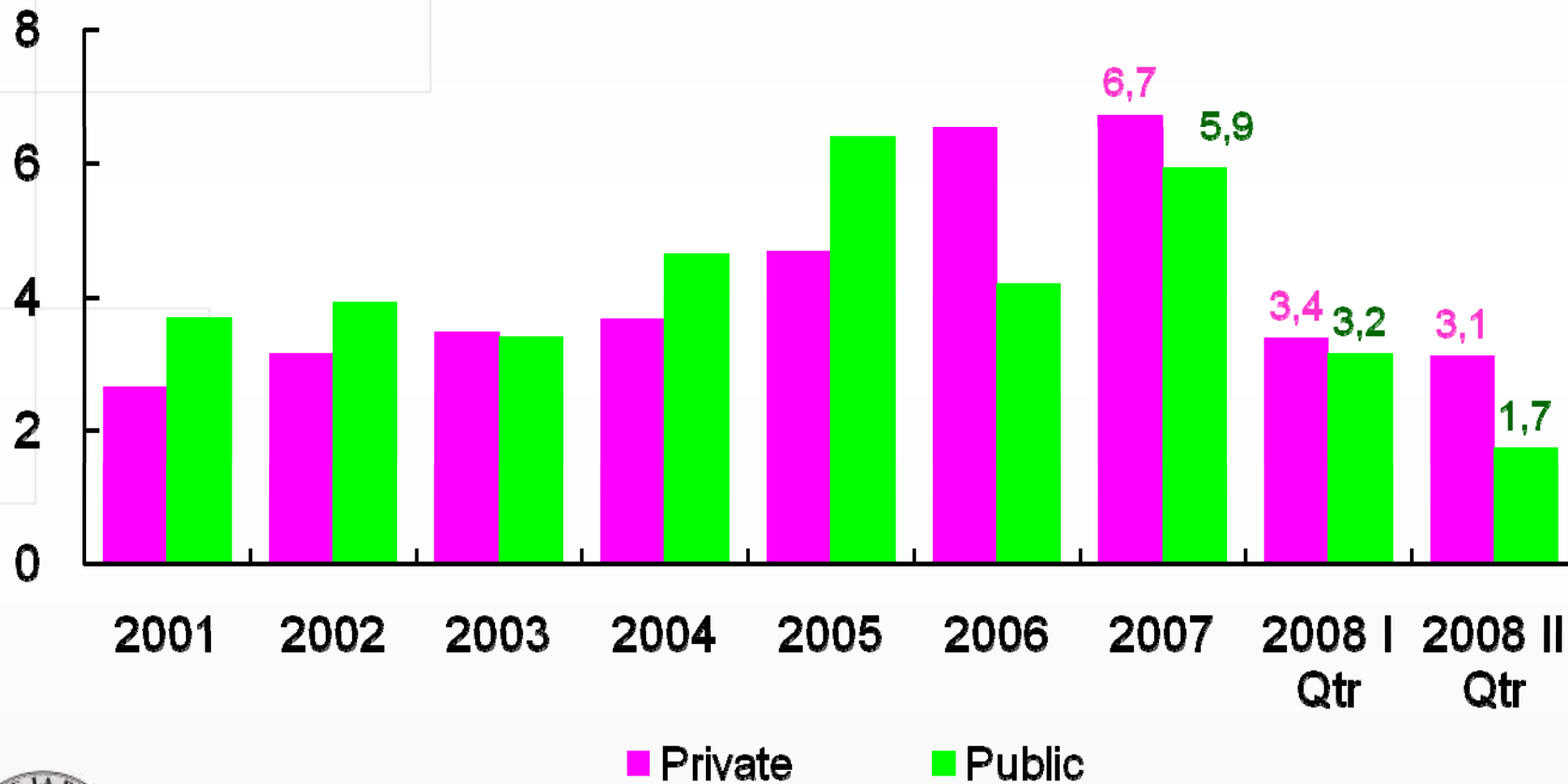
Homicide rates: Medellin, Colombia



- Increased police presence in problematic neighborhoods
- Better policing practices
- An ambitious plan of public works
- The intervention was localized geographically and thematically



Consumption (annual growth %)



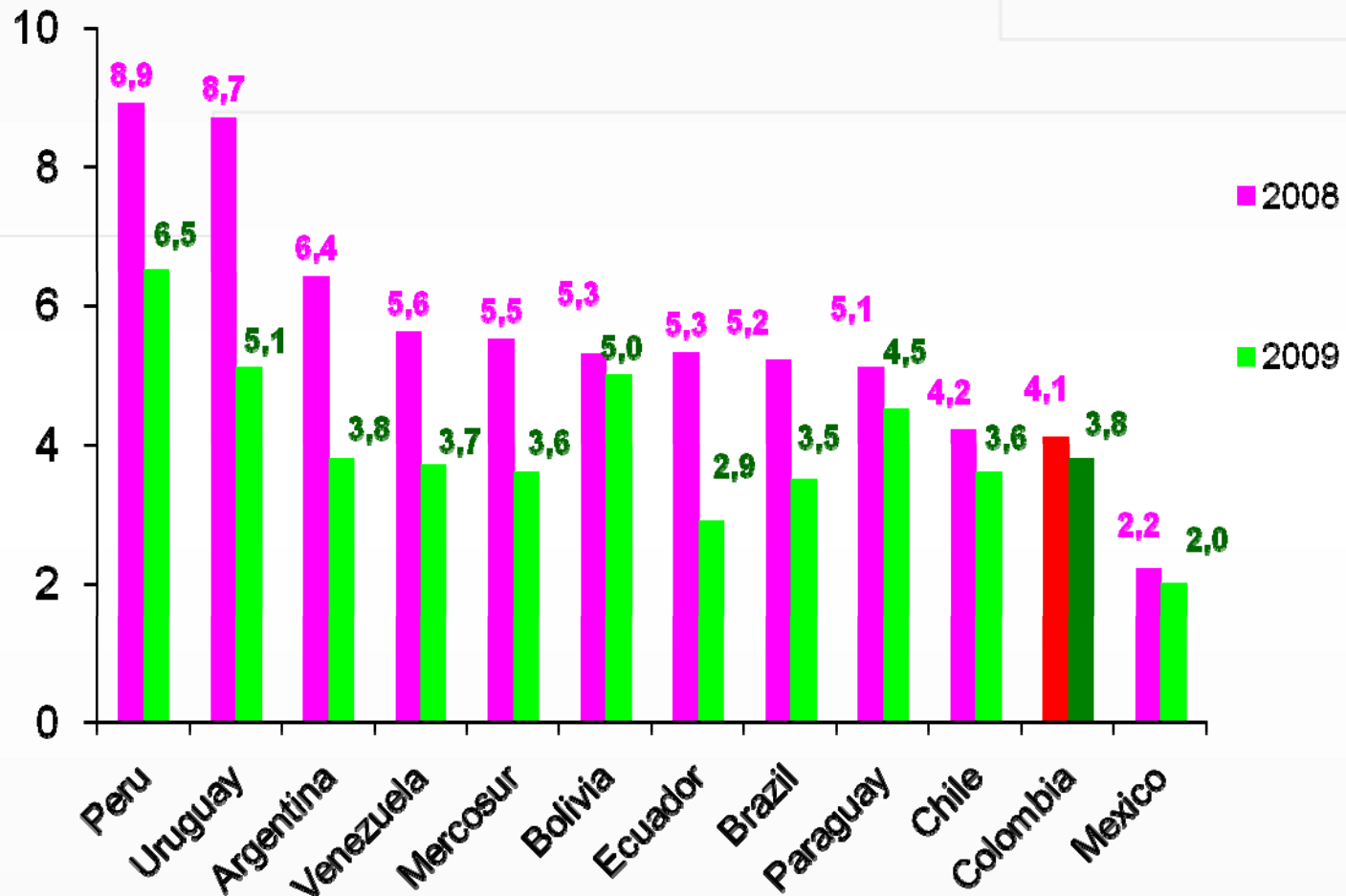
Banrep6

Responsable:

Última Fecha de Actualización:

Banco de la República; 30.07.2008

GDP Growth (%) in Latin America: 2008 and 2009



Source: Latin American Focus Consensus Forecast, October 2008

Folie 11

j6

arreglar

jechavso; 09.06.2008

Banrep10

Responsable:

Última Fecha de Actualización:

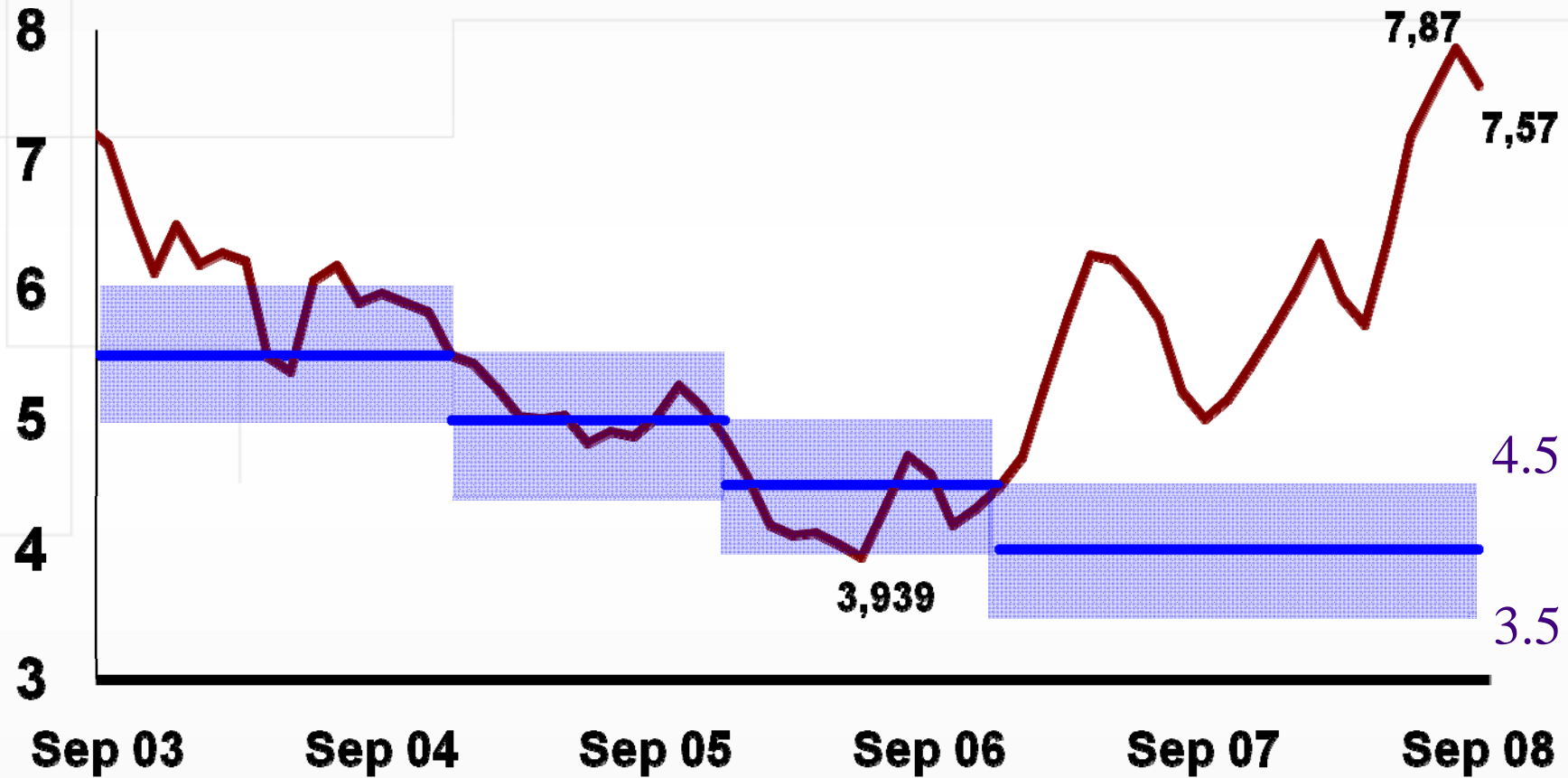
Banco de la República; 31.07.2008

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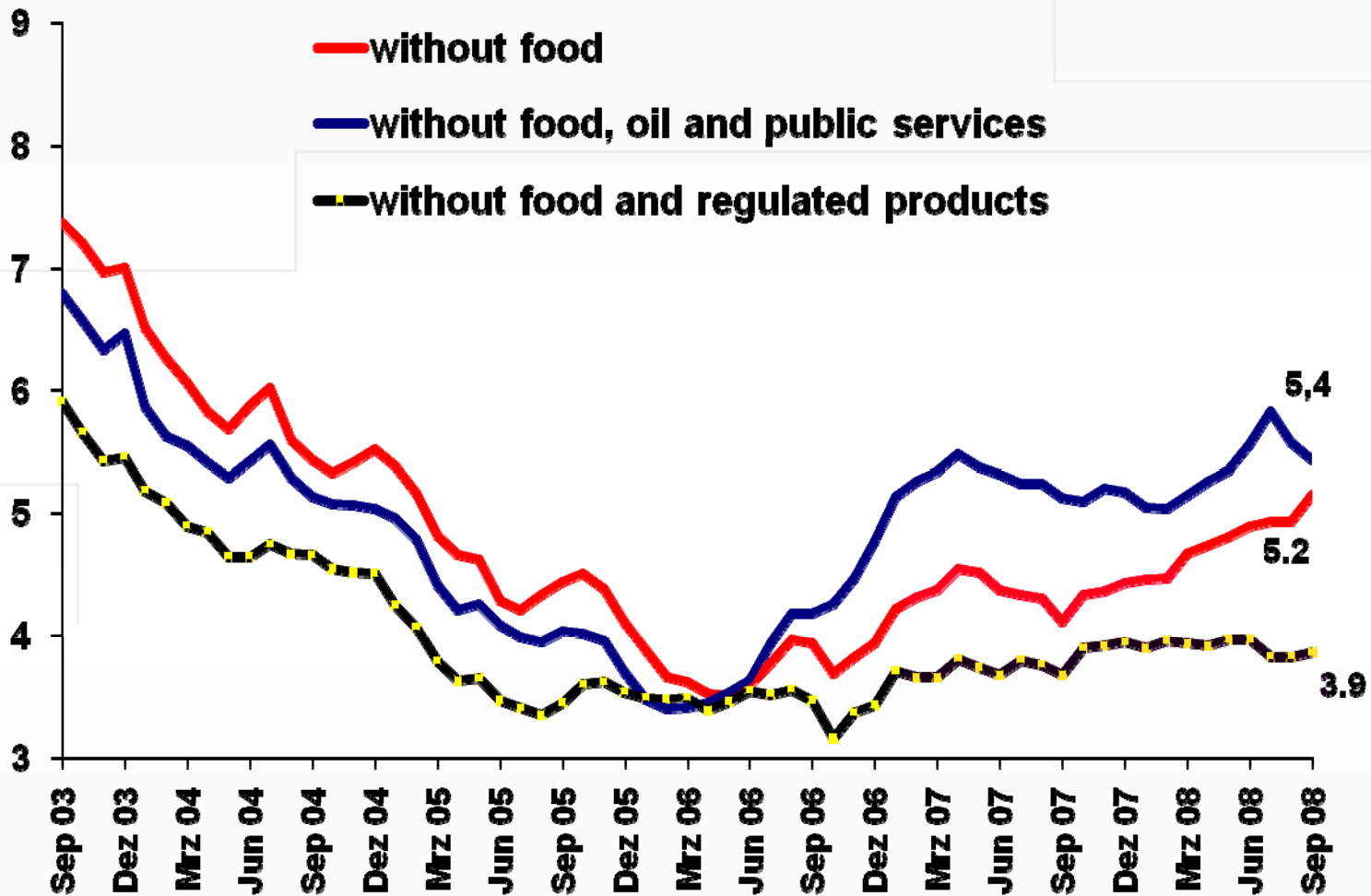
Annual Inflation Rate (%)



Fuente: DANE, cálculos del Banco de la República.

Source: DANE, Central Bank

Core Inflation (%)



Banrep12

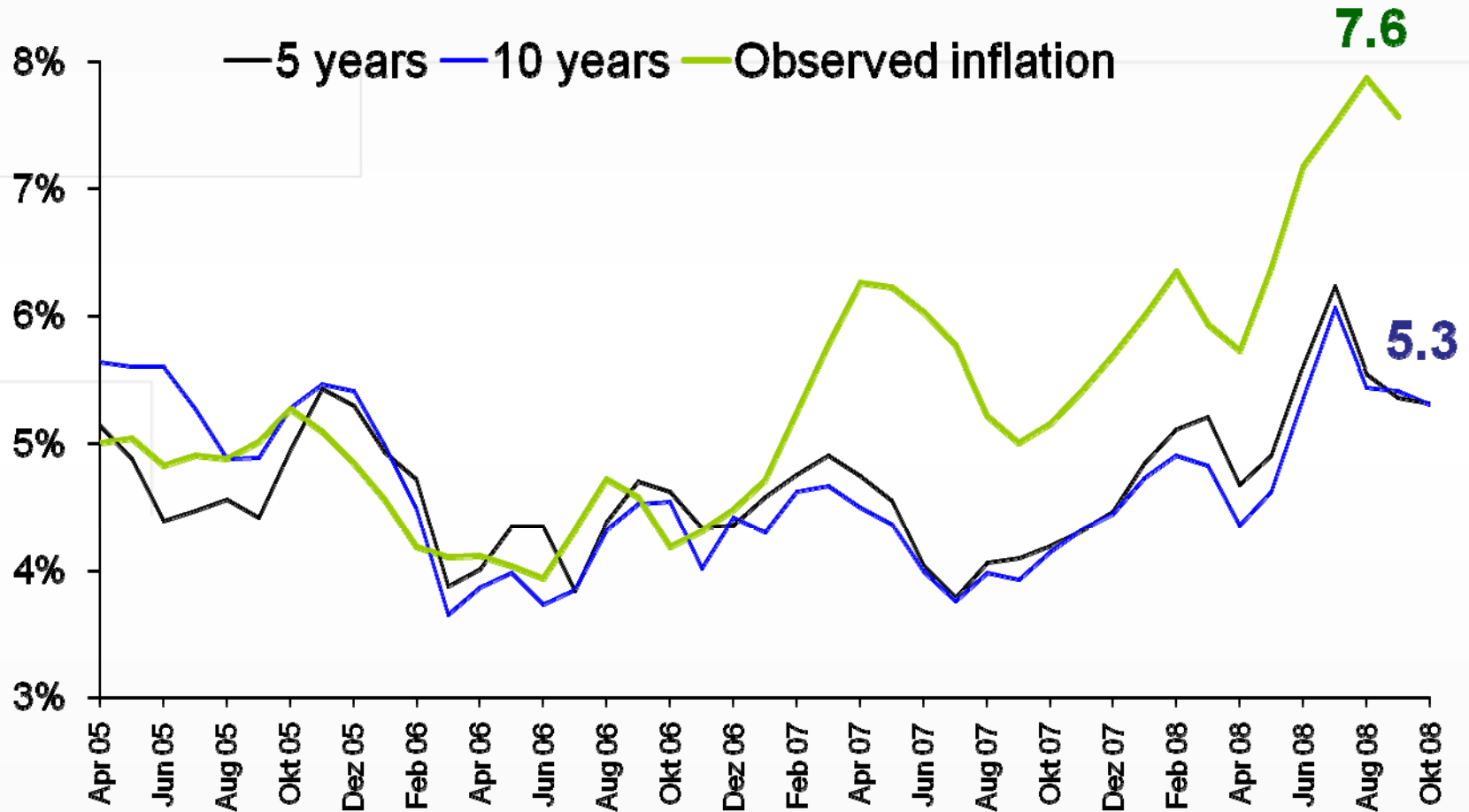
Responsable:

Última Fecha de Actualización:

Banco de la República; 31.07.2008

Inflation expectations derived from colombian treasuries

j16



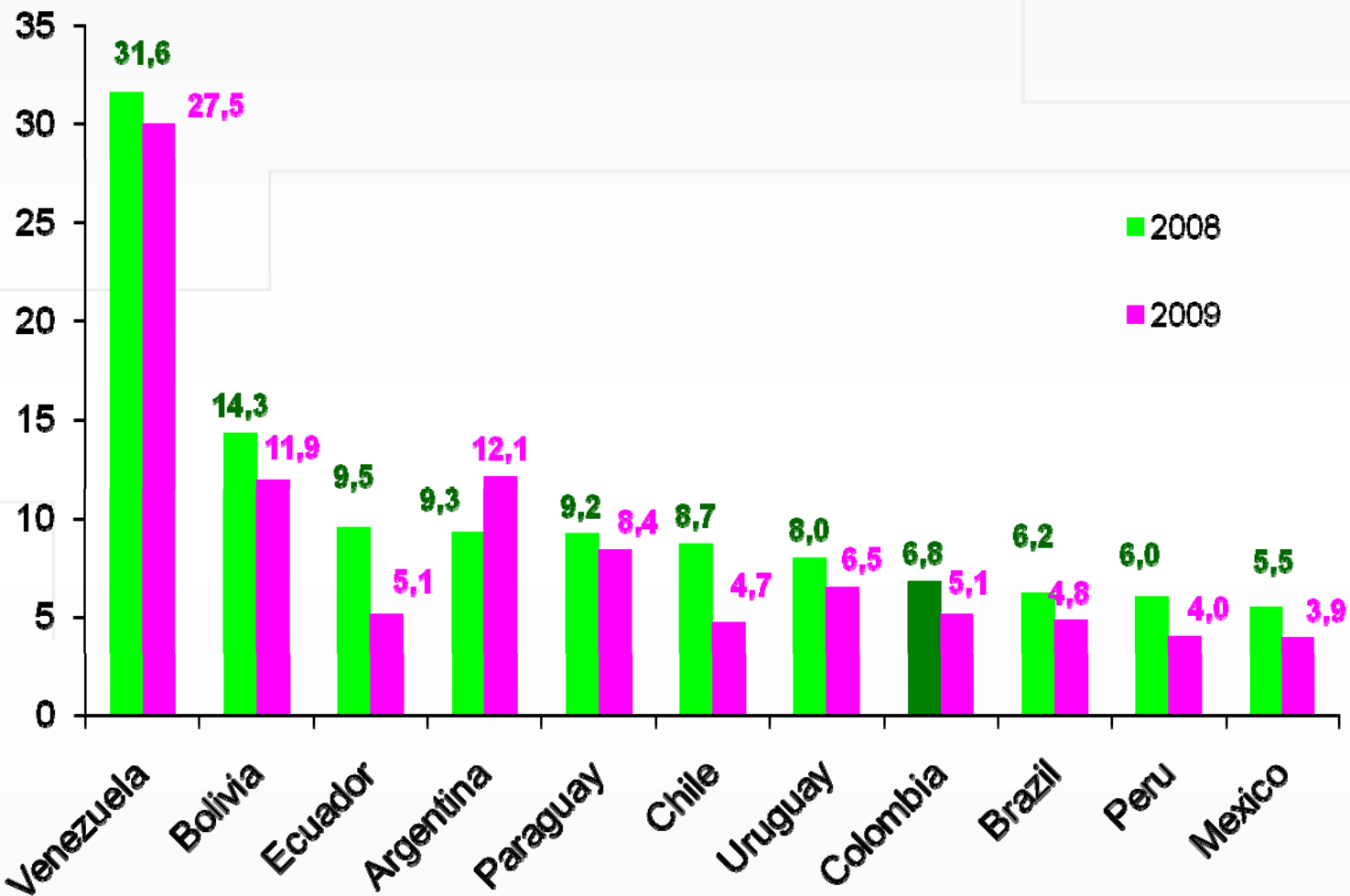
Source: Central Bank

j16

arreglar

jechavso; 03.12.2007

Inflation (%)



Banrep14

Responsable:

Última Fecha de Actualización:

Banco de la República; 30.07.2008

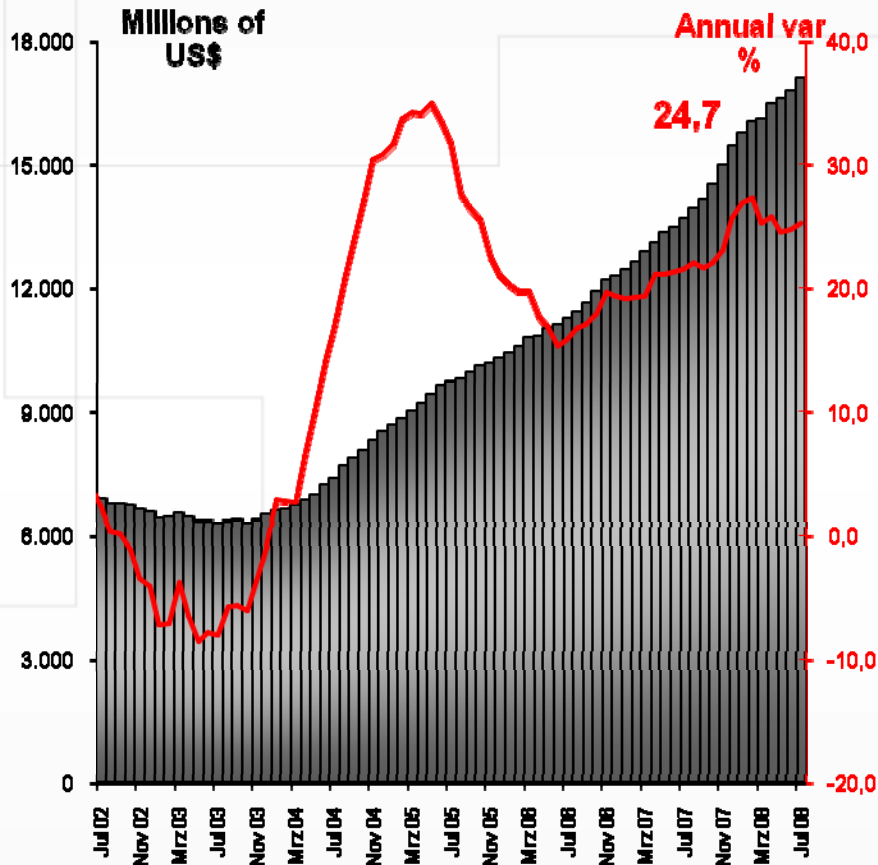
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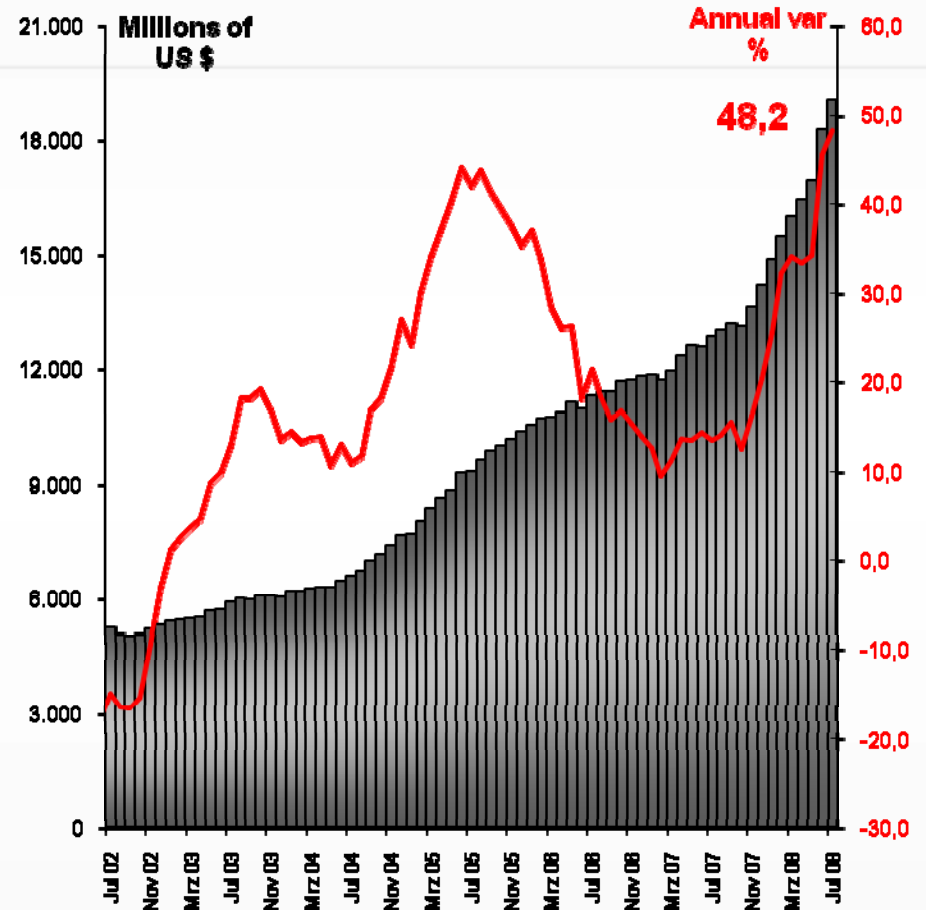


Exports

Non Traditional (mainly Industrial)



Traditional



CP1

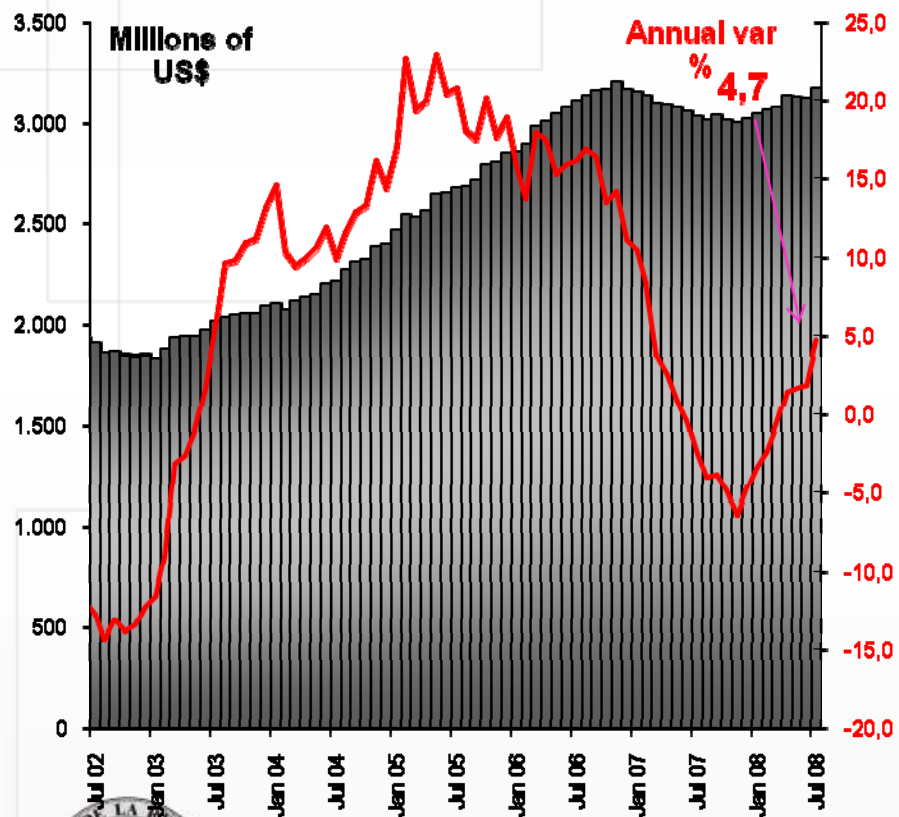
Responsable: dayra Garrido

Última Fecha de Actualización: 08/08/2008

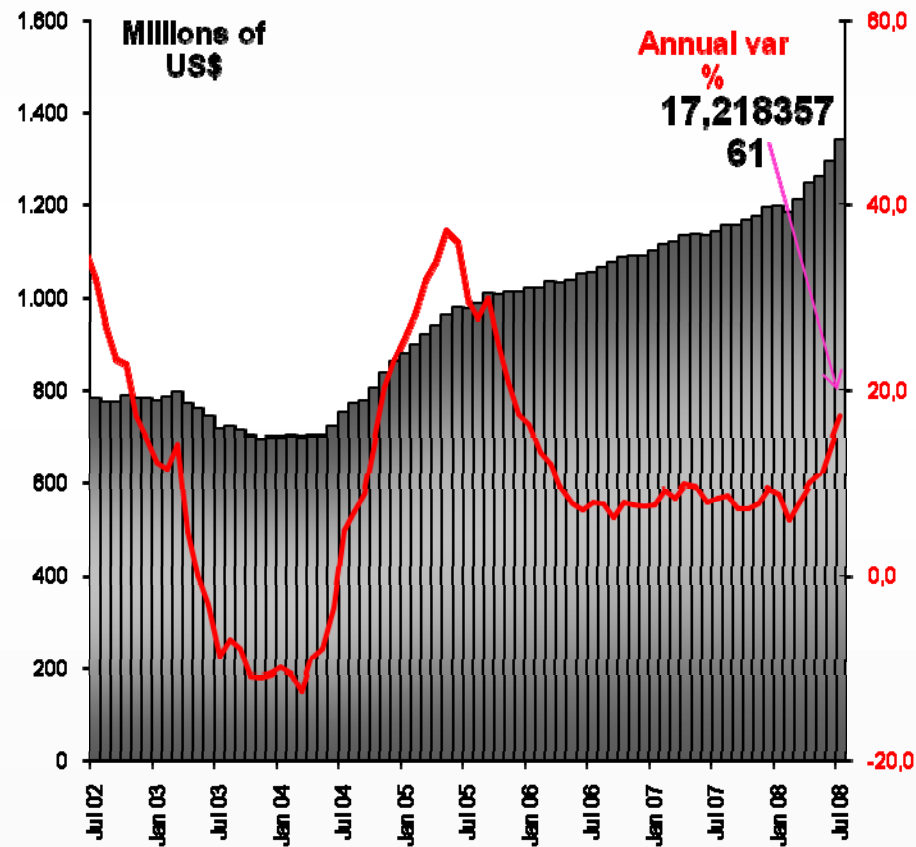
SERGIO OLARTE; 08.08.2008

Exports to USA and Ecuador

USA, Non Traditional



Ecuador, Industrial



Fuente: DANE



CP2

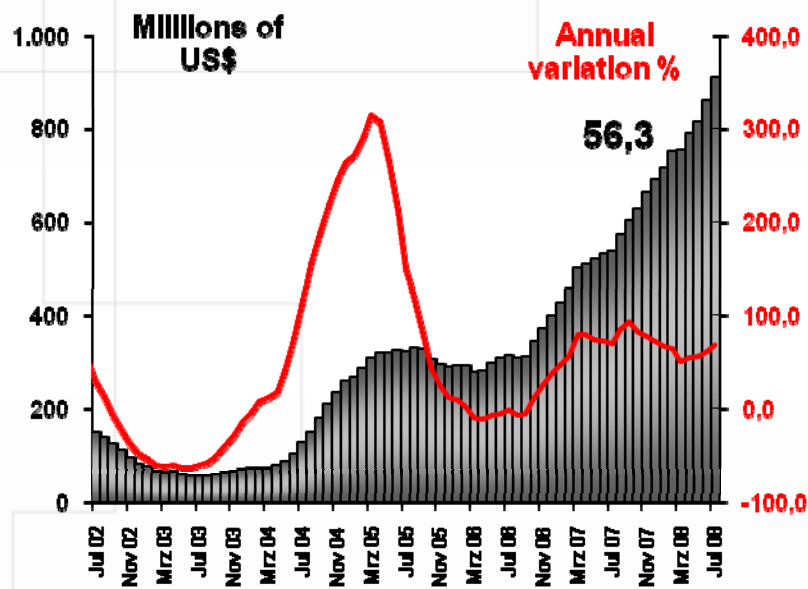
Responsable: dayra Garrido

Última Fecha de Actualización: 08/08/2008

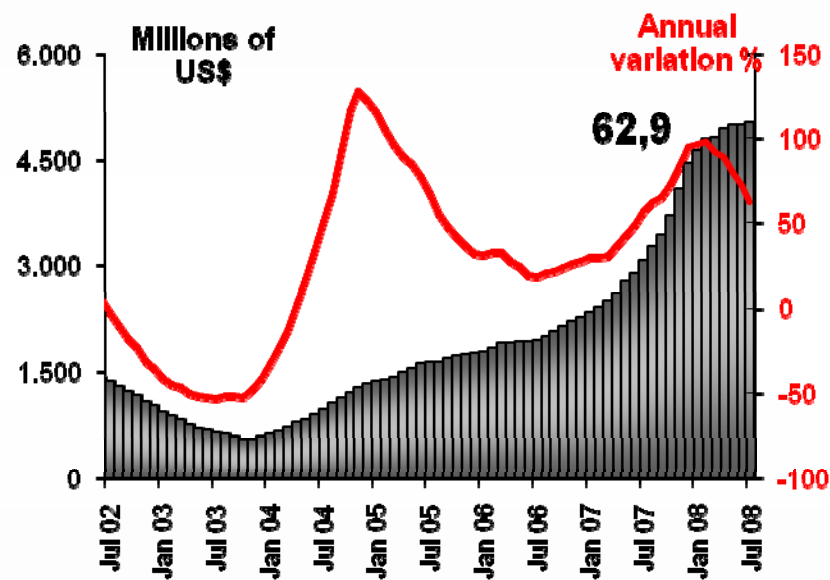
SERGIO OLARTE; 08.08.2008

Exports to Venezuela

Agricultural goods



Industrial goods



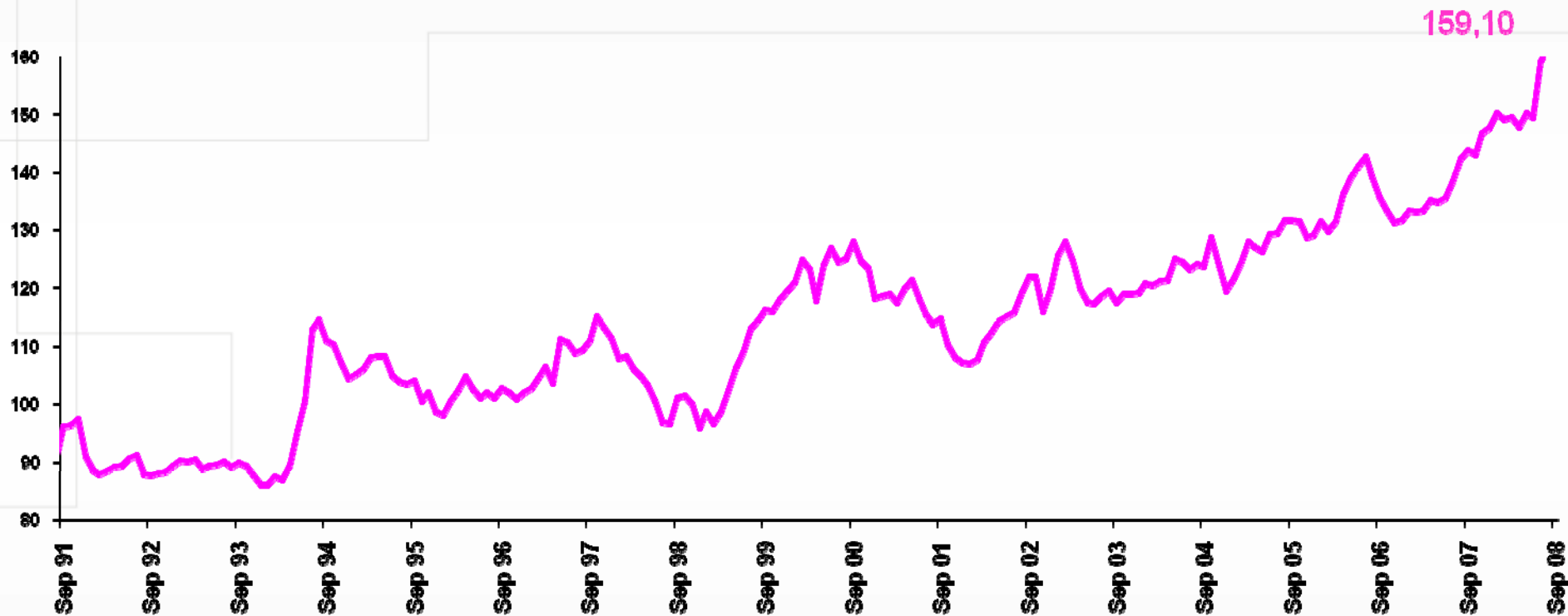
CP3

Responsable: dayra garrido

Última Fecha de Actualización: 08/08/2008

SERGIO OLARTE; 08.08.2008

Terms of trade (1994=100)



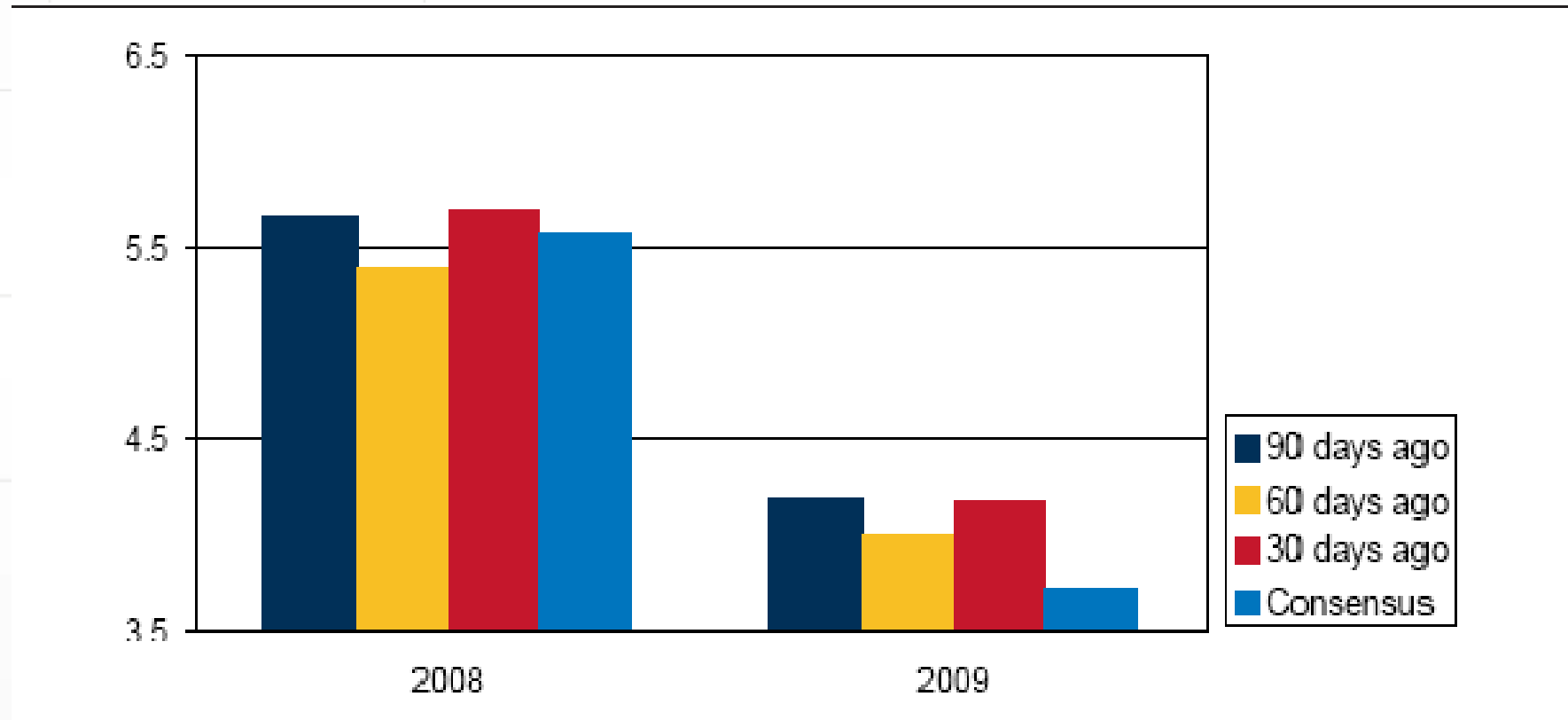
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Responsable:

Última Fecha de Actualización:

Banco de la República; 31.07.2008

Proyecciones, GDP growth (%), Venezuela

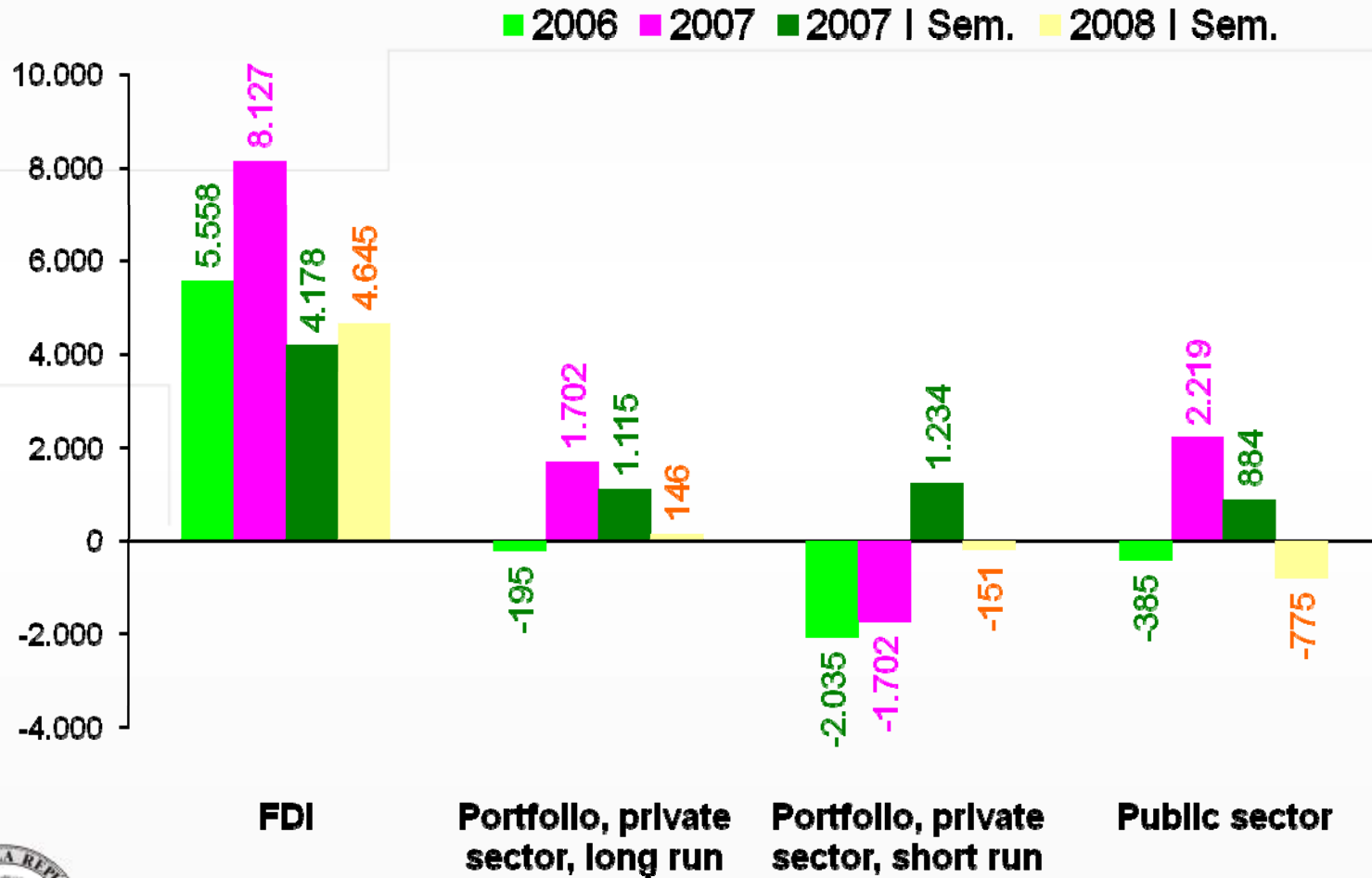


Folie 22

j9 **arreglar**
jechavso; 09.07.2008

j14 **actualizar**
jechavso; 27.10.2008

Capital Account (US\$ millions)



Banrep21

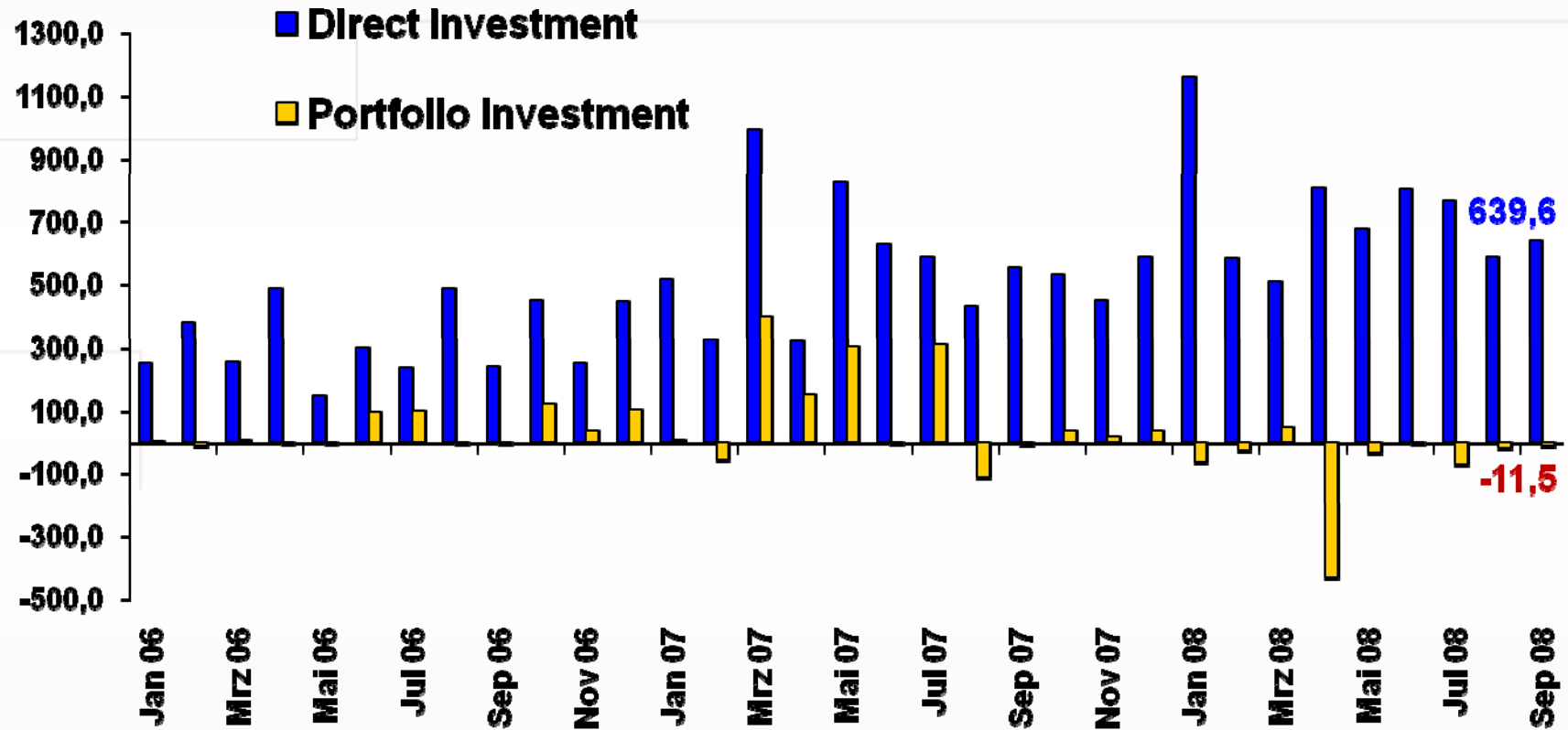
Responsable:

Última Fecha de Actualización:

Banco de la República; 31.07.2008

FDI to Colombia

(US \$ millions)



Banrep22

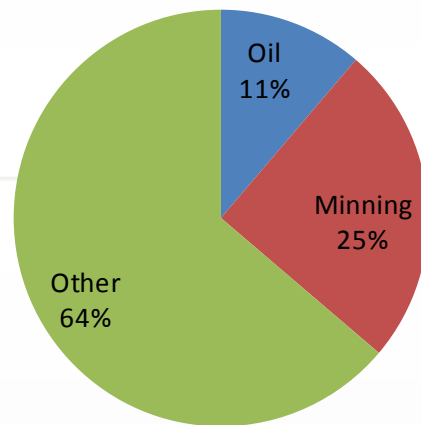
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Última Fecha de Actualización:

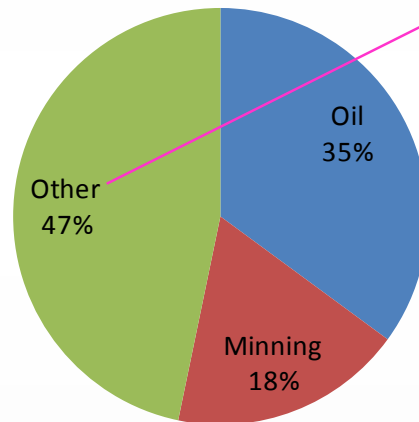
Banco de la República; 30.07.2008

FDI in Colombia, 2000-2008

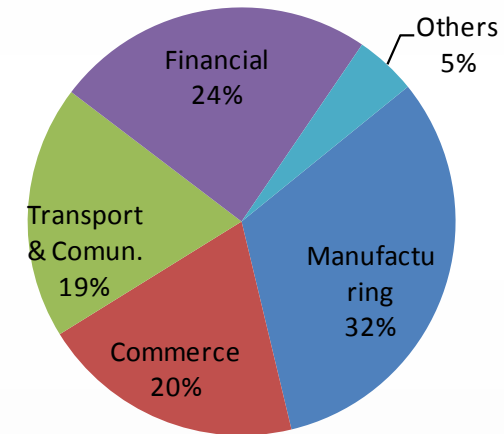
2000-2005



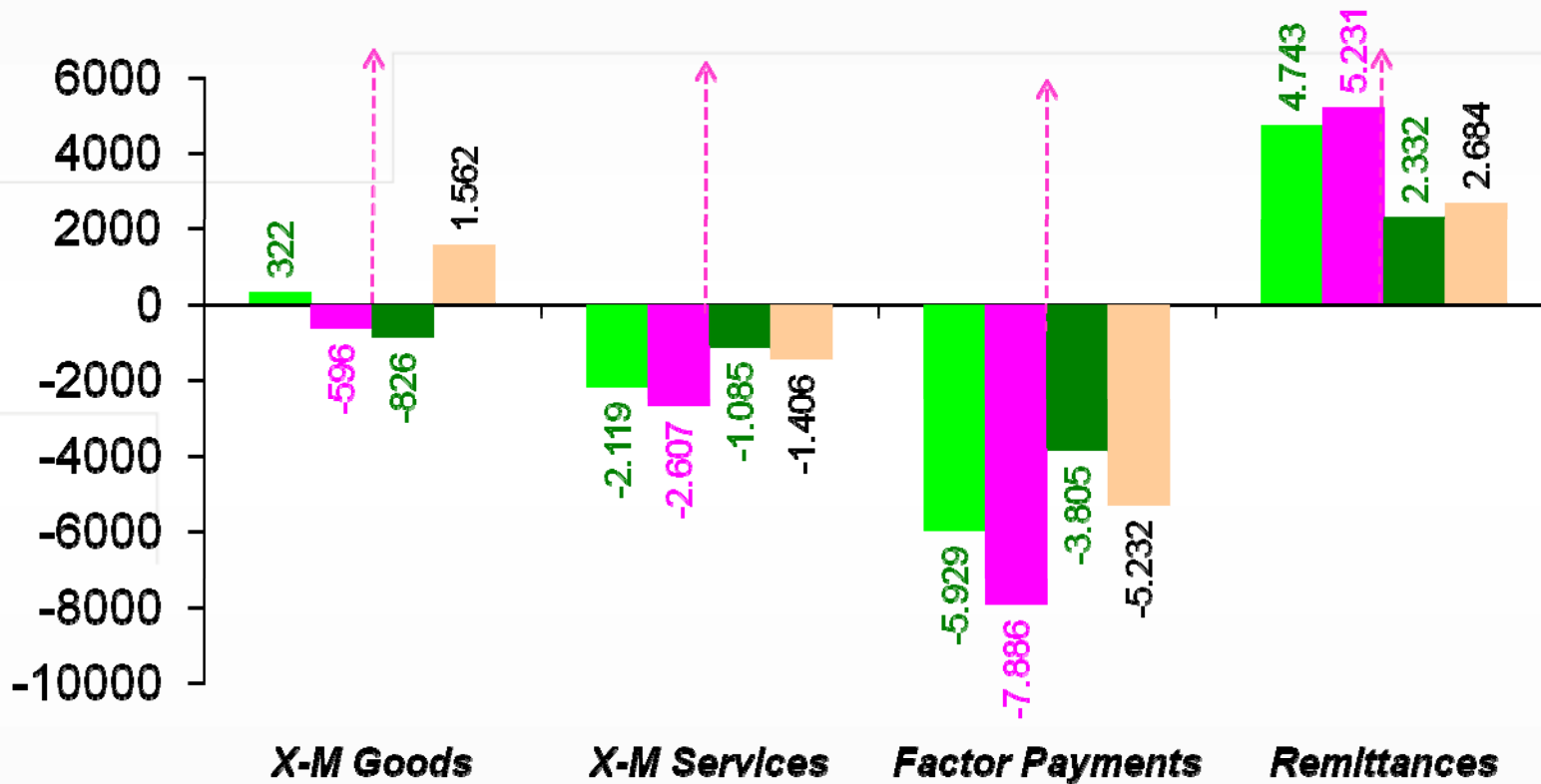
2006-2008



Other: 2006-2008
47%



Current account, 2006-2008 I Sem (US\$ millones)



■ 2006 ■ 2007 ■ 2007 I Sem. ■ 2008 I Sem.

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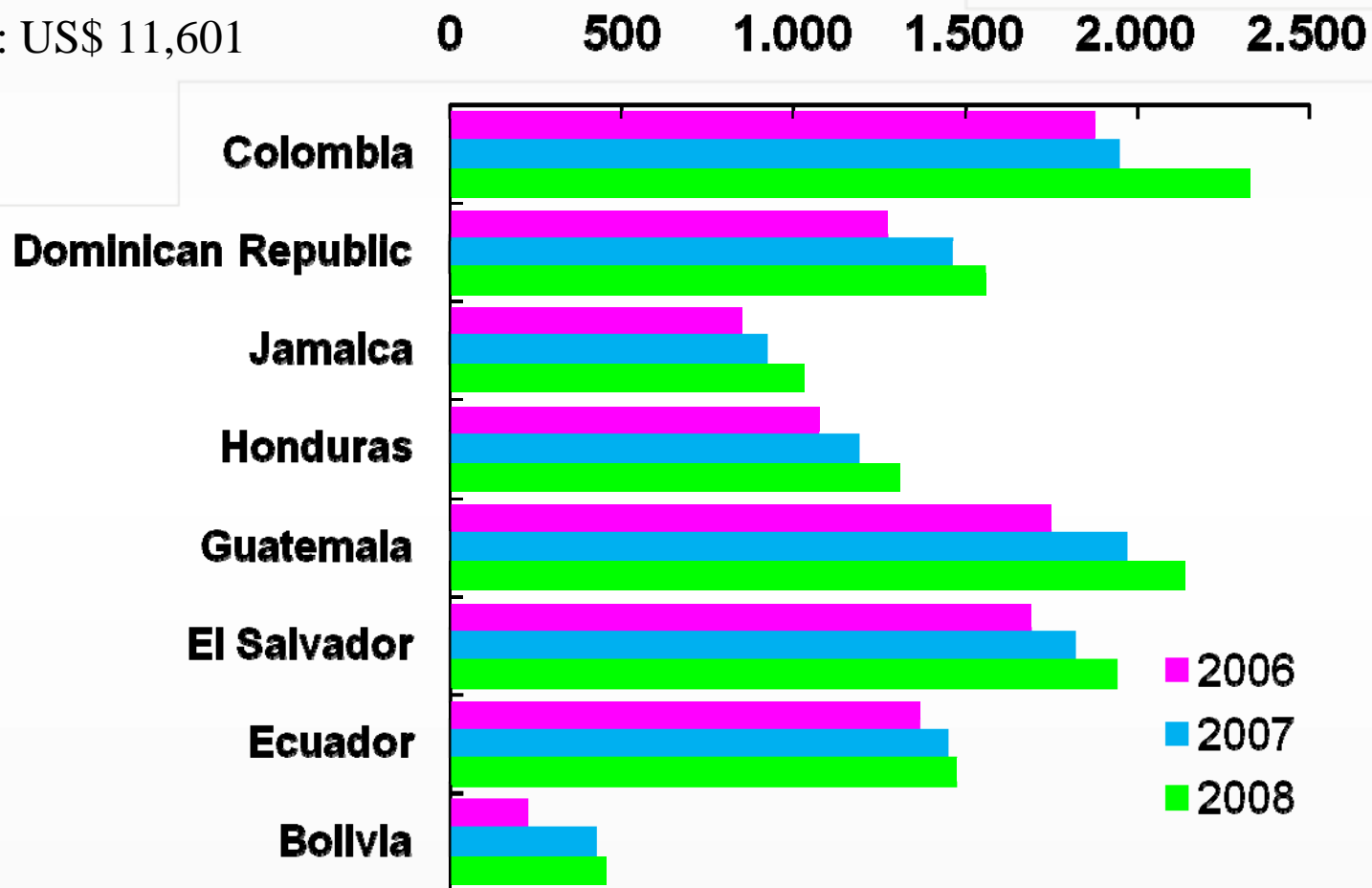
Responsable:

Última Fecha de Actualización:

Banco de la República; 31.07.2008

Remmitances (US\$ millions, 1st sem)

México 2008: US\$ 11,601



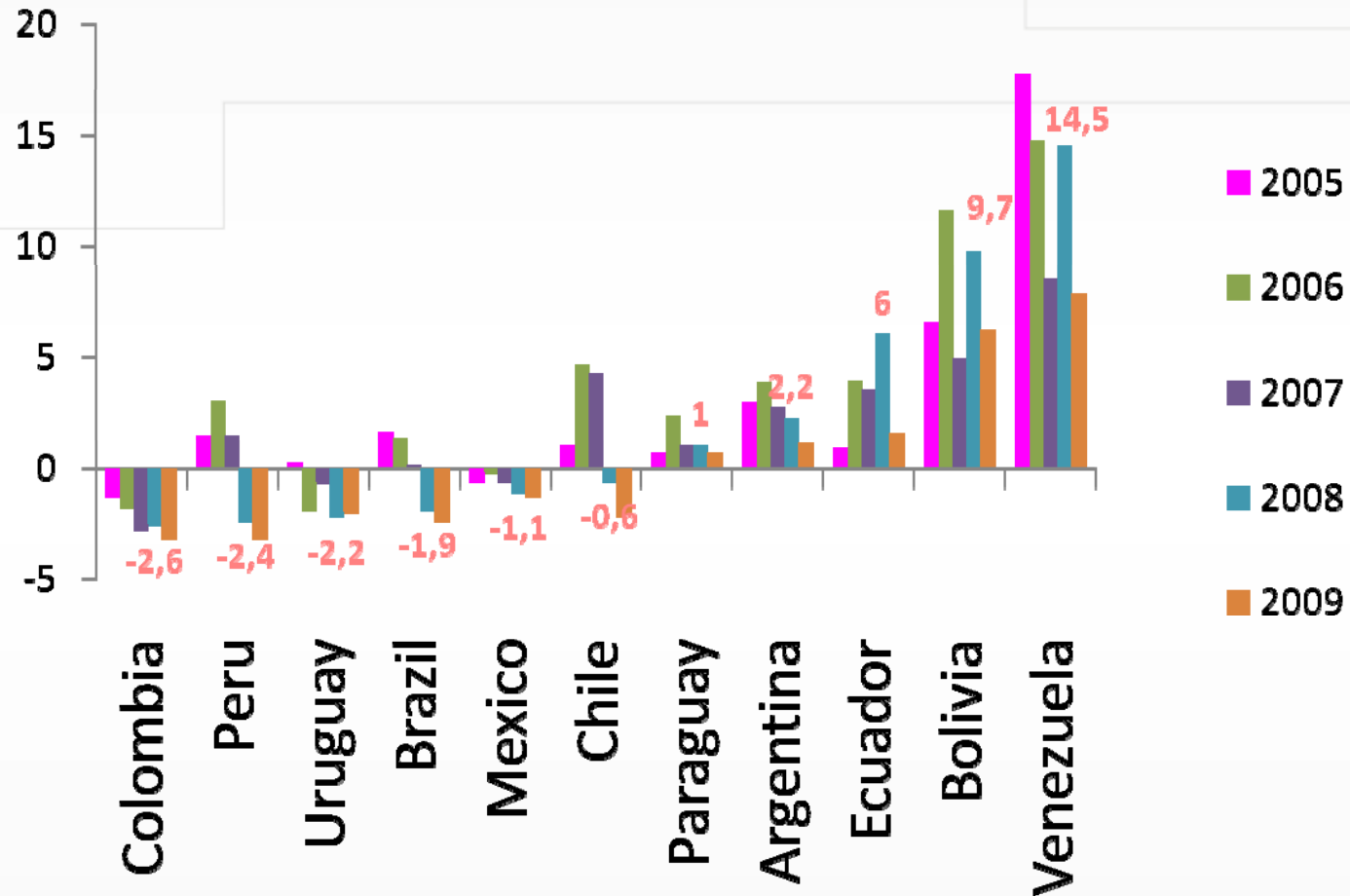
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Responsable:

Última Fecha de Actualización:

Banco de la República; 30.07.2008

Current account deficit



j10

arreglar

jechavso; 09.07.2008

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Responsable:

Última Fecha de Actualización:

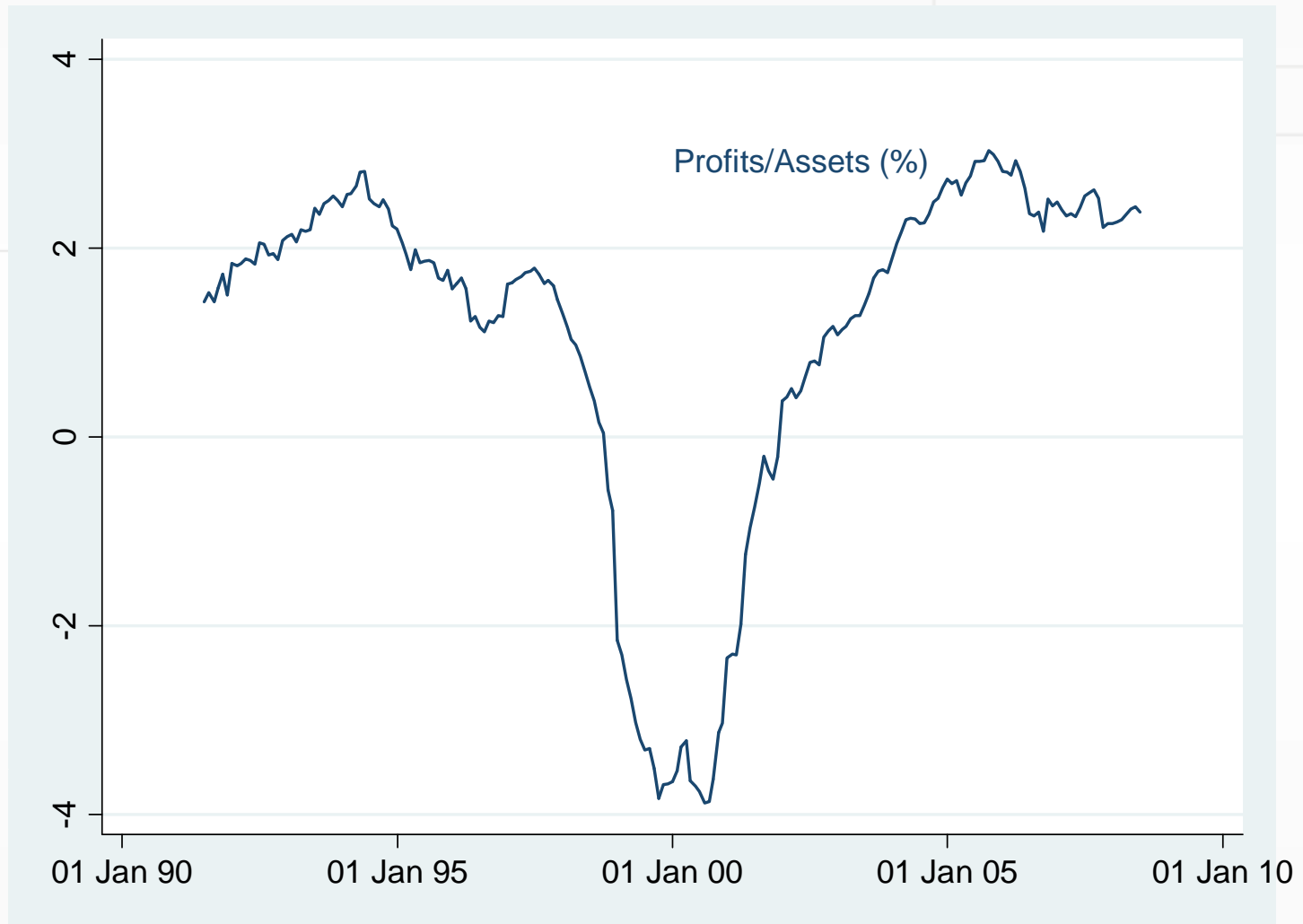
Banco de la República; 31.07.2008

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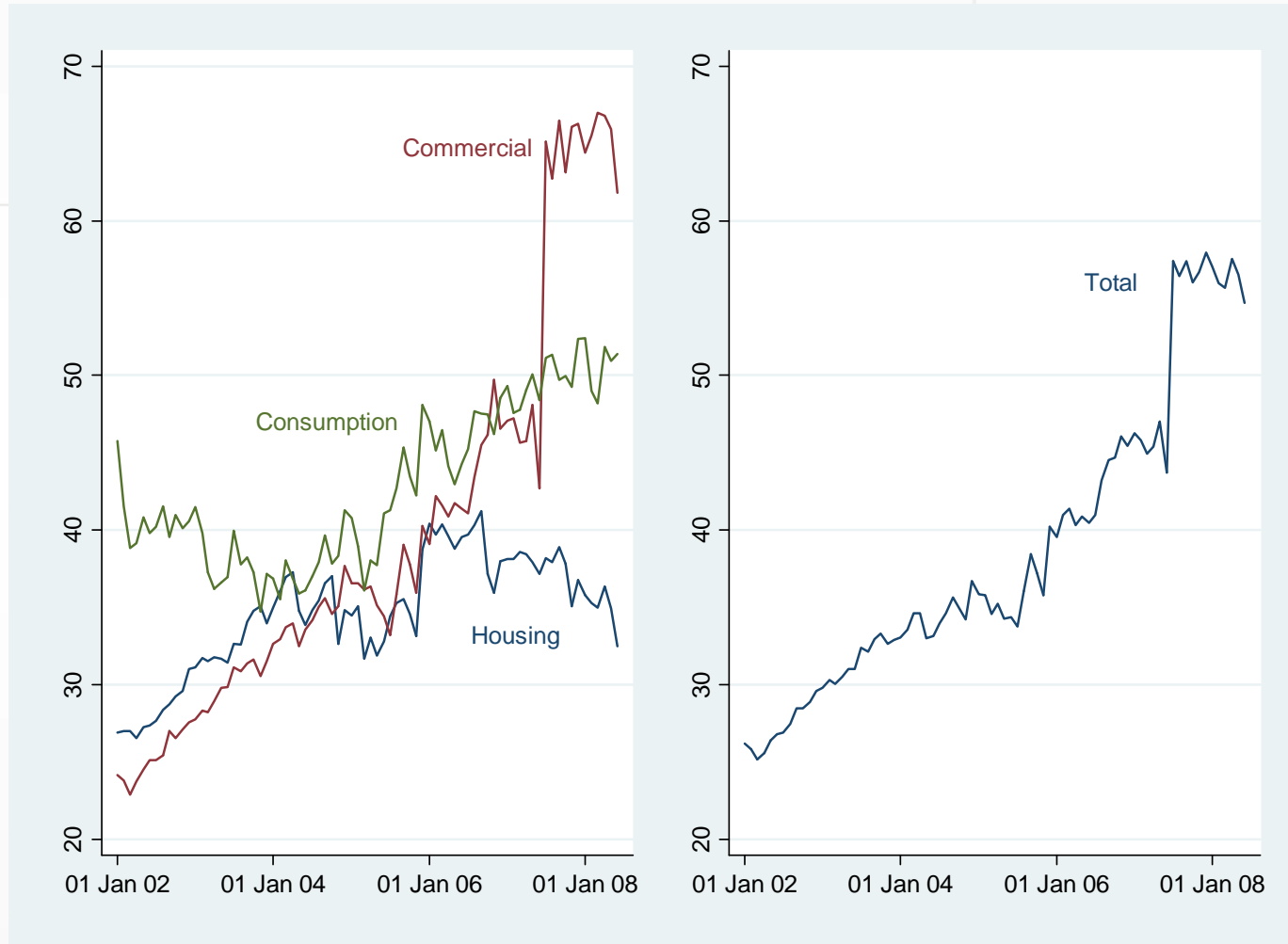


Banks profits



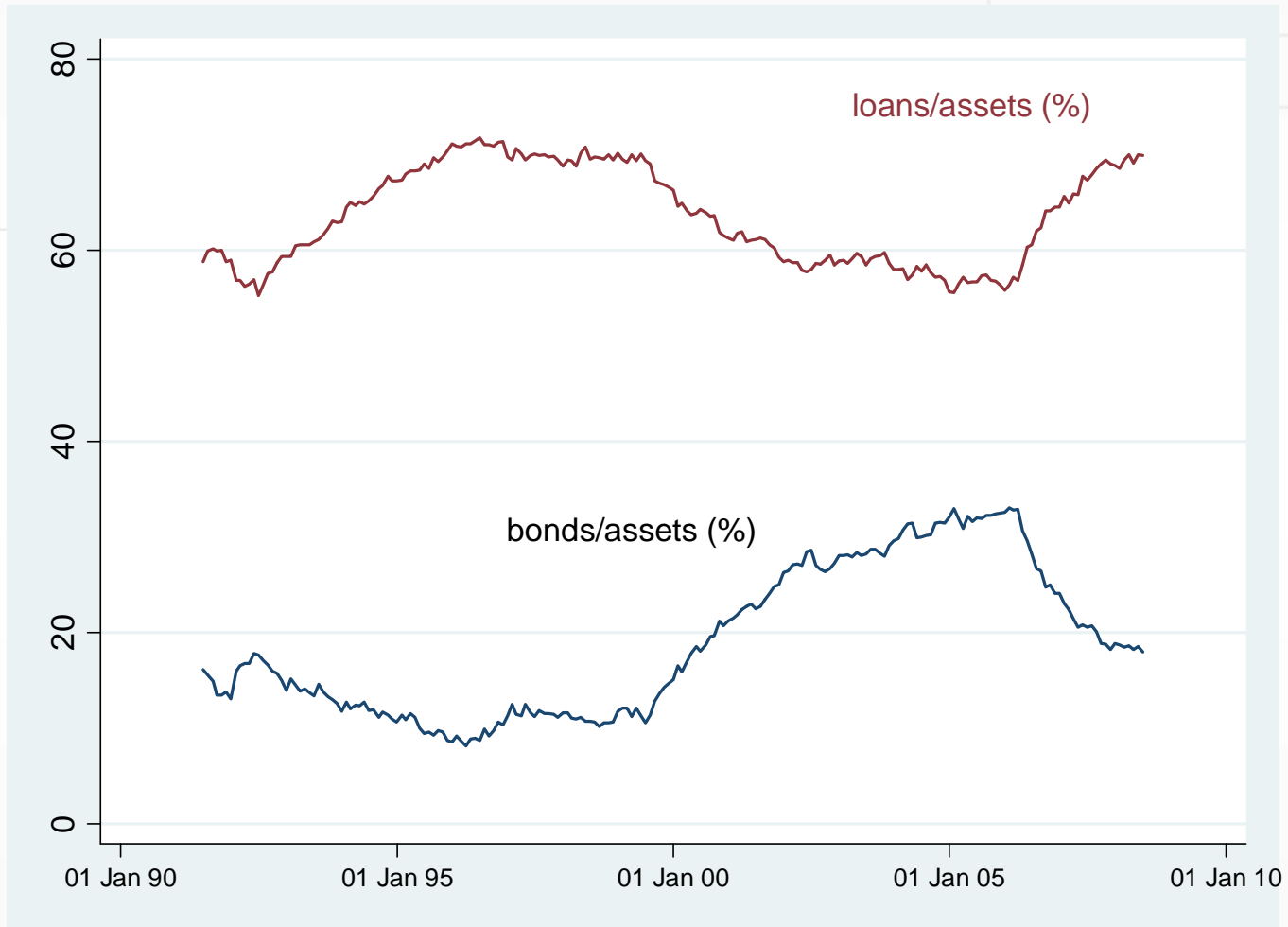
Source: Central Bank

Provisions/Risky Credit

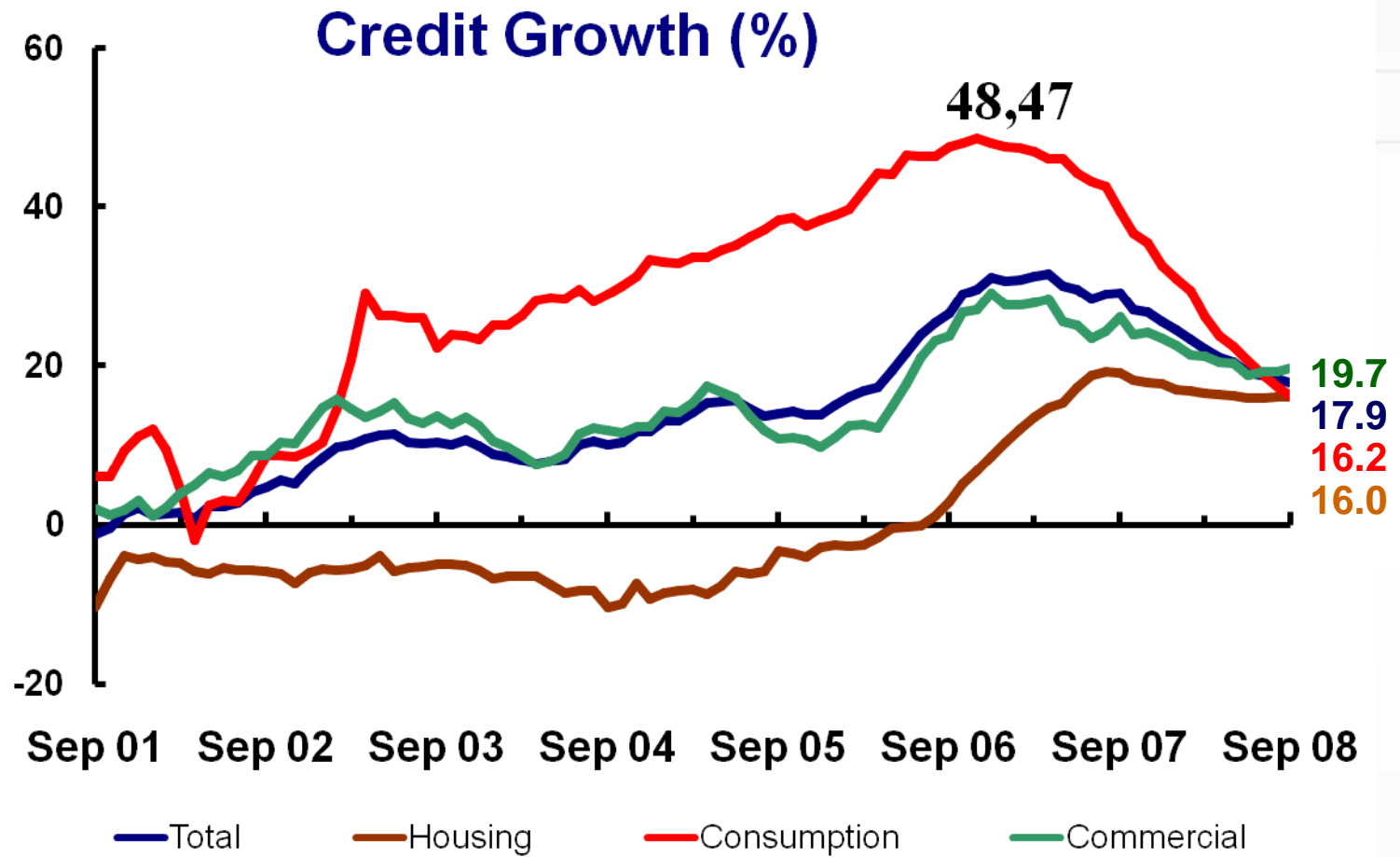


Source: Central Bank

Banks Assets

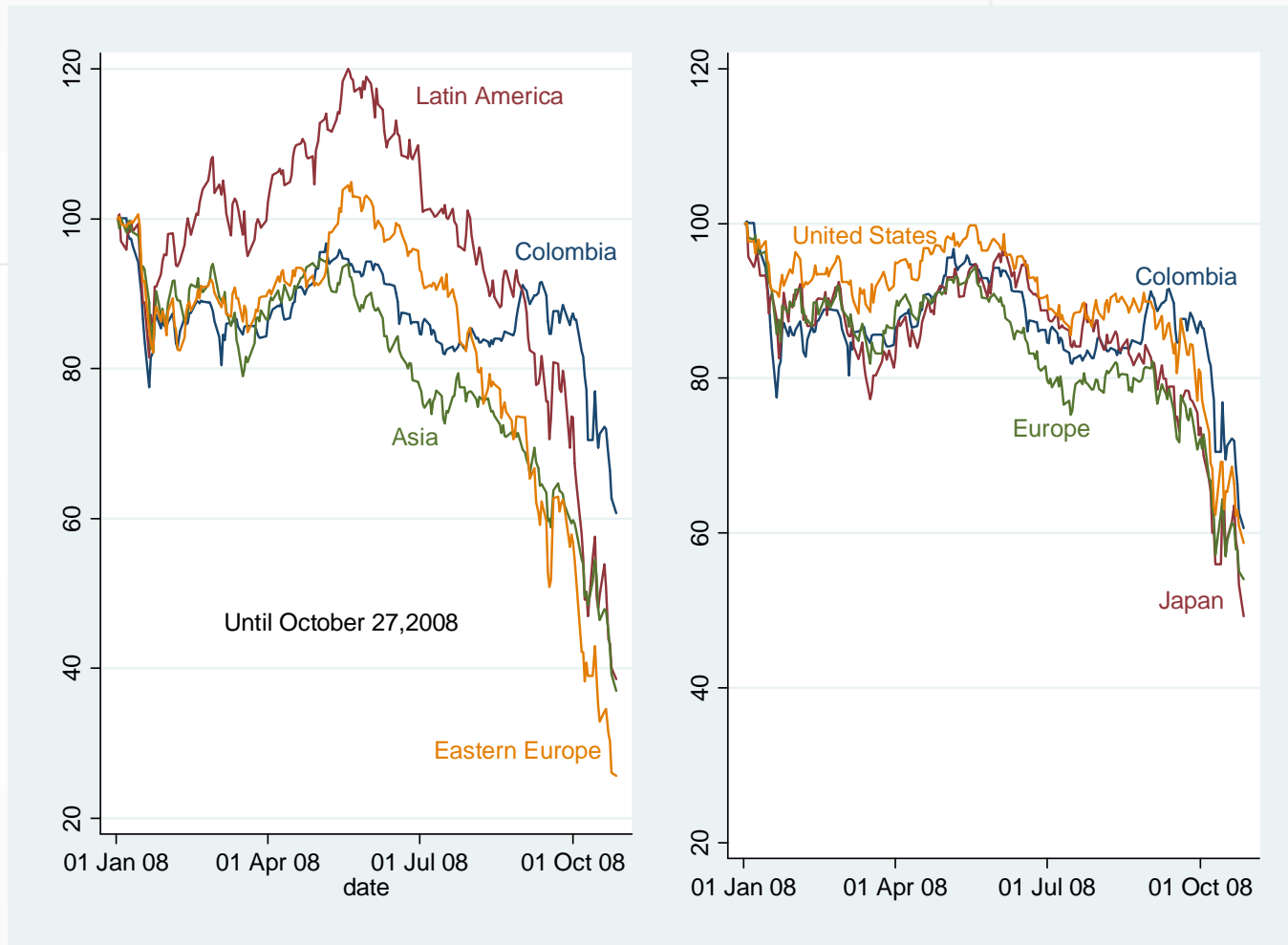


Source: Central Bank



Source: Central Bank

The Stock Exchange



Source: Bloomberg

Topics

- Growth
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Central Bank Policy

- **Interest rates**
- **Exchange rates**
- **International reserves**
- **Other measures**



Central Bank Policy

- **Interest rates**
- Exchange rates
- International reserves
- Other measures

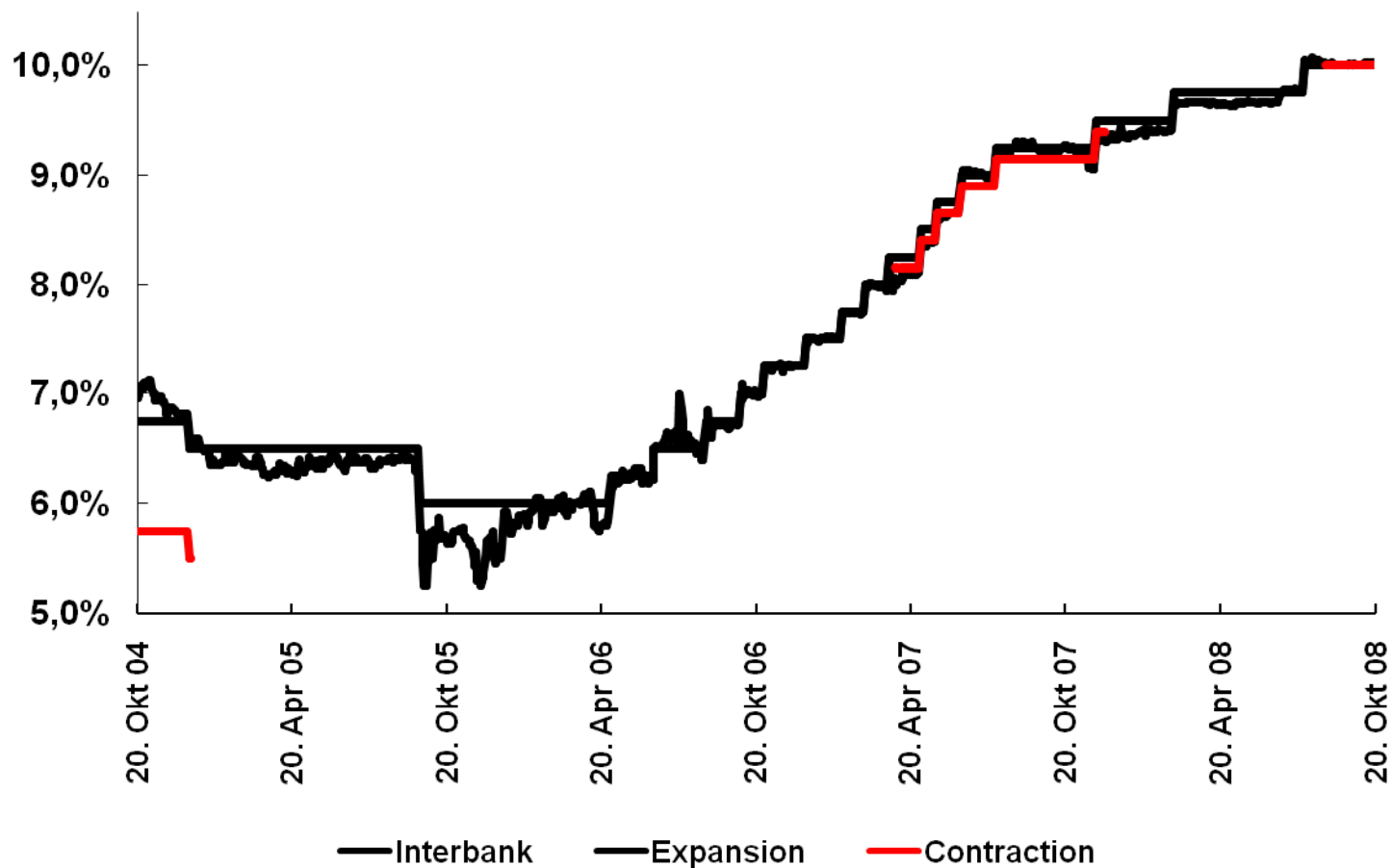


Countries following *inflation targeting*

1	Australia	15	Slovak Republic
2	Canada	16	South Africa
3	Czech Republic	17	Spain
4	Finland	18	Sweden
5	Hungary	19	Switzerland
6	Iceland	20	Thailand
7	Indonesia	21	Turkey
8	Israel	22	United Kingdom
9	Korea		
10	New Zealand	23	Brazil
11	Norway	24	Chile
12	Philippines	25	Colombia
13	Poland	26	Mexico
14	Romania	27	Peru



Repo and 1 day interbank rates

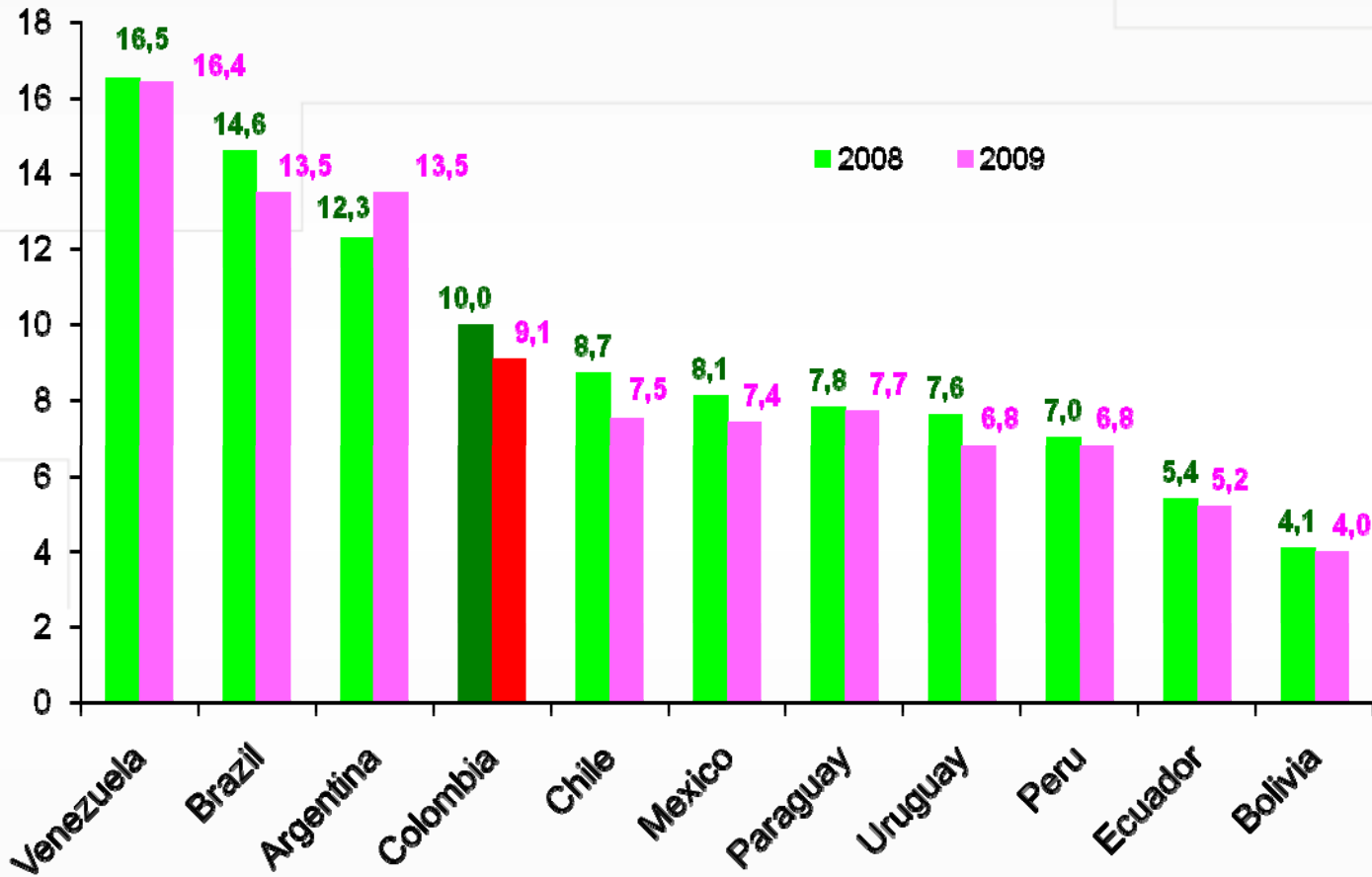


j11

falta

jechavso; 03.12.2007

Nominal interest rates



Banrep26

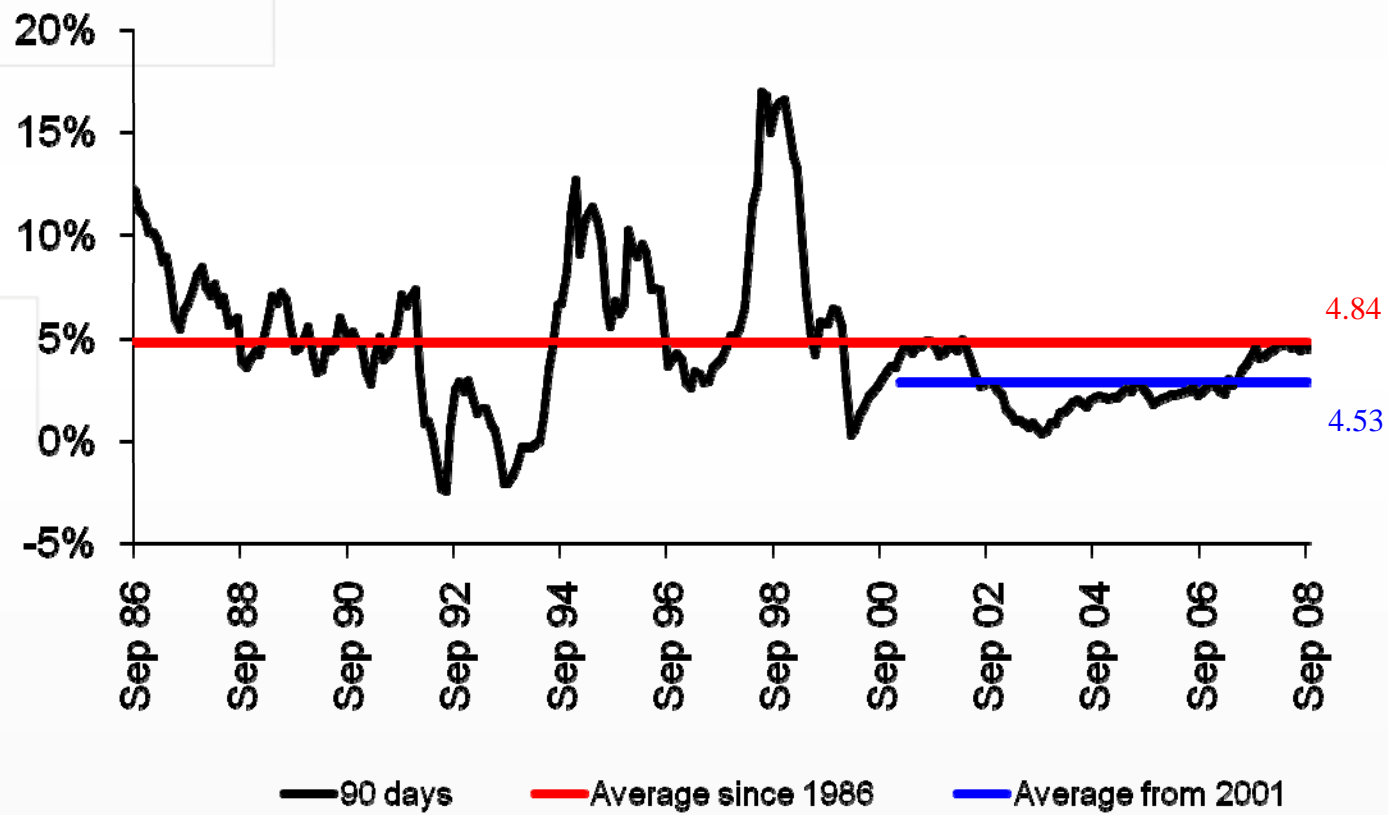
Responsable:

Última Fecha de Actualización:

Banco de la República; 31.07.2008

Real interest rates 90 days (%)

j12



Source: Central Bank,; non food prices used as deflator

j12

no deja ver la data
jechavso; 04.12.2007

Central Bank Policy

- Interest rates
- **Exchange rates**
- International reserves
- Other measures



Nominal Devaluation in Latin America, last 3 years

3 years	
Perú	-9,94%
Brasil	-5,51%
Uruguay	-4,84%
Colombia	-1,51%
Argentina	8,42%
Chile	14,40%
México	17,84%

2 years	
Uruguay	-6,44%
Perú	-5,93%
Colombia	-3,85%
Brasil	-0,86%
Argentina	4,17%
Chile	16,08%
México	18,03%

1 year	
Perú	1,02%
Uruguay	1,36%
Argentina	1,82%
Colombia	12,63%
Brasil	16,50%
México	18,30%
Chile	22,08%

1 month	
Perú	2,57%
Argentina	3,22%
Uruguay	5,31%
Colombia	9,47%
Brasil	11,71%
Chile	11,92%
México	19,08%



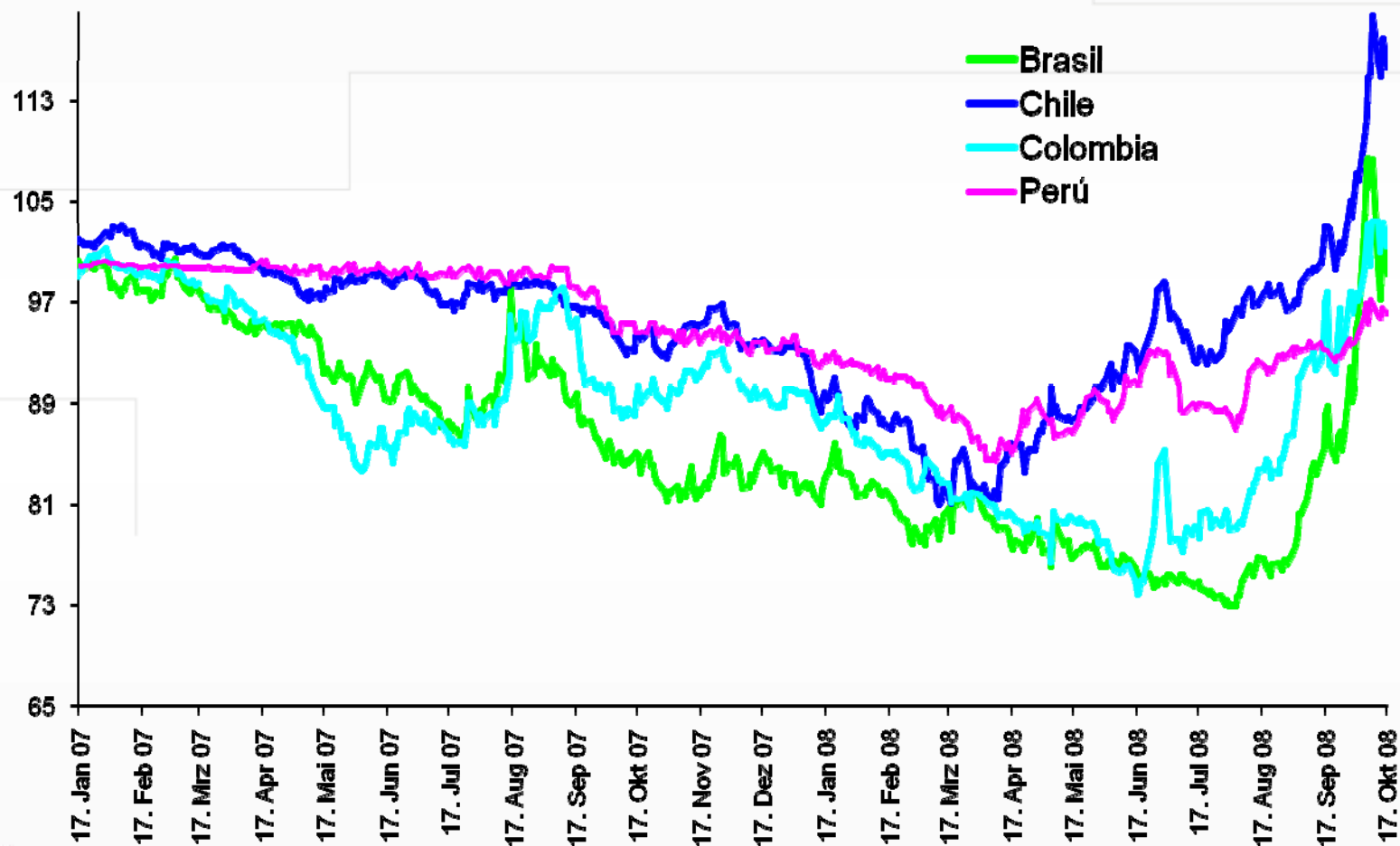
Banrep18

Responsable:

Última Fecha de Actualización:

Banco de la República; 31.07.2008

Nominal exchange rates, jan 2007=100



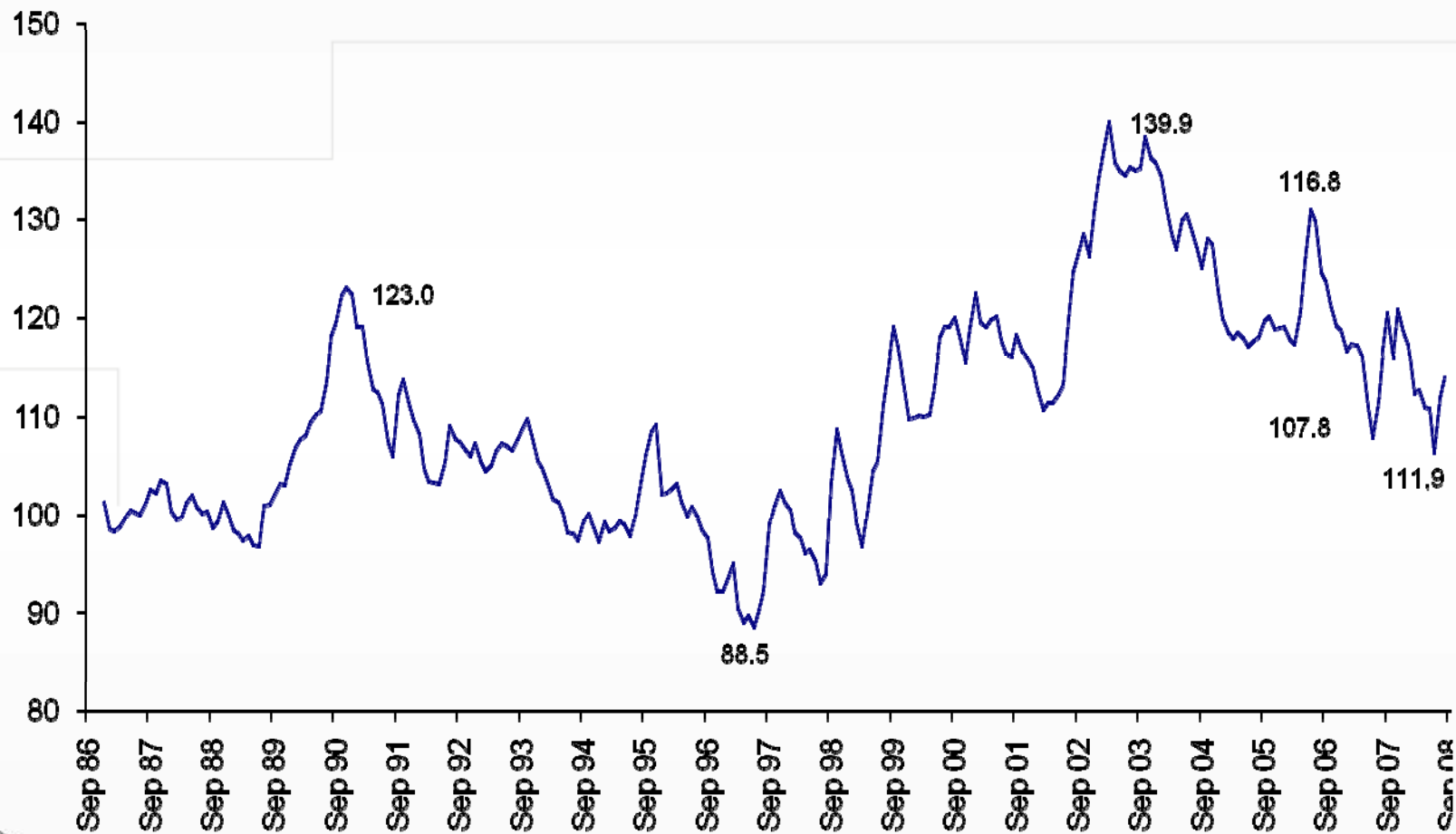
Banrep19

Responsable:

Última Fecha de Actualización:

Banco de la República; 31.07.2008

Real exchange rate (non traditional exports)



Source: Central Bank

j15

arreglar

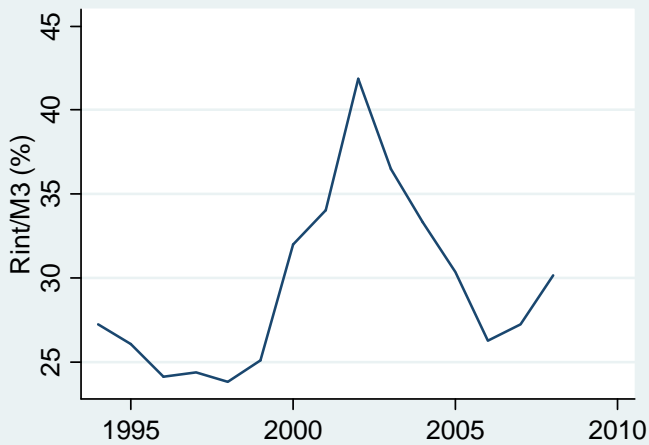
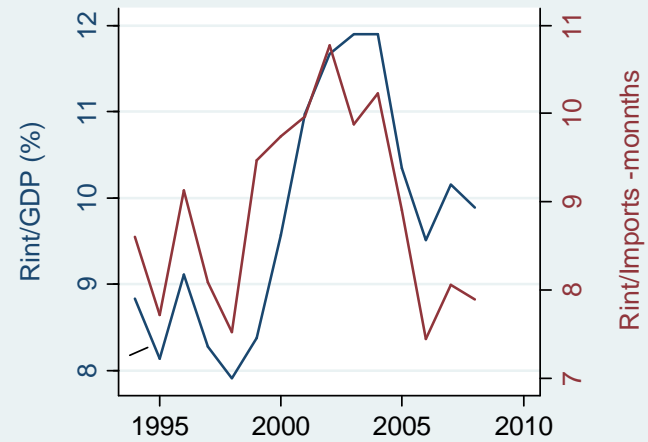
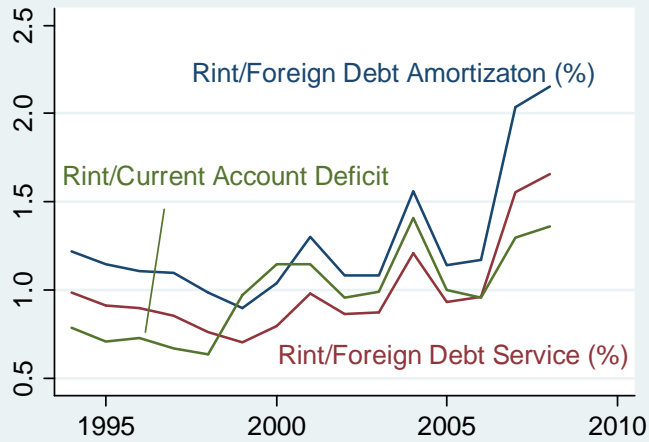
jechavso; 28.10.2008

Central Bank Policy

- Interest rates
- Exchange rates
- **International reserves and foreign debt**
- Other measures

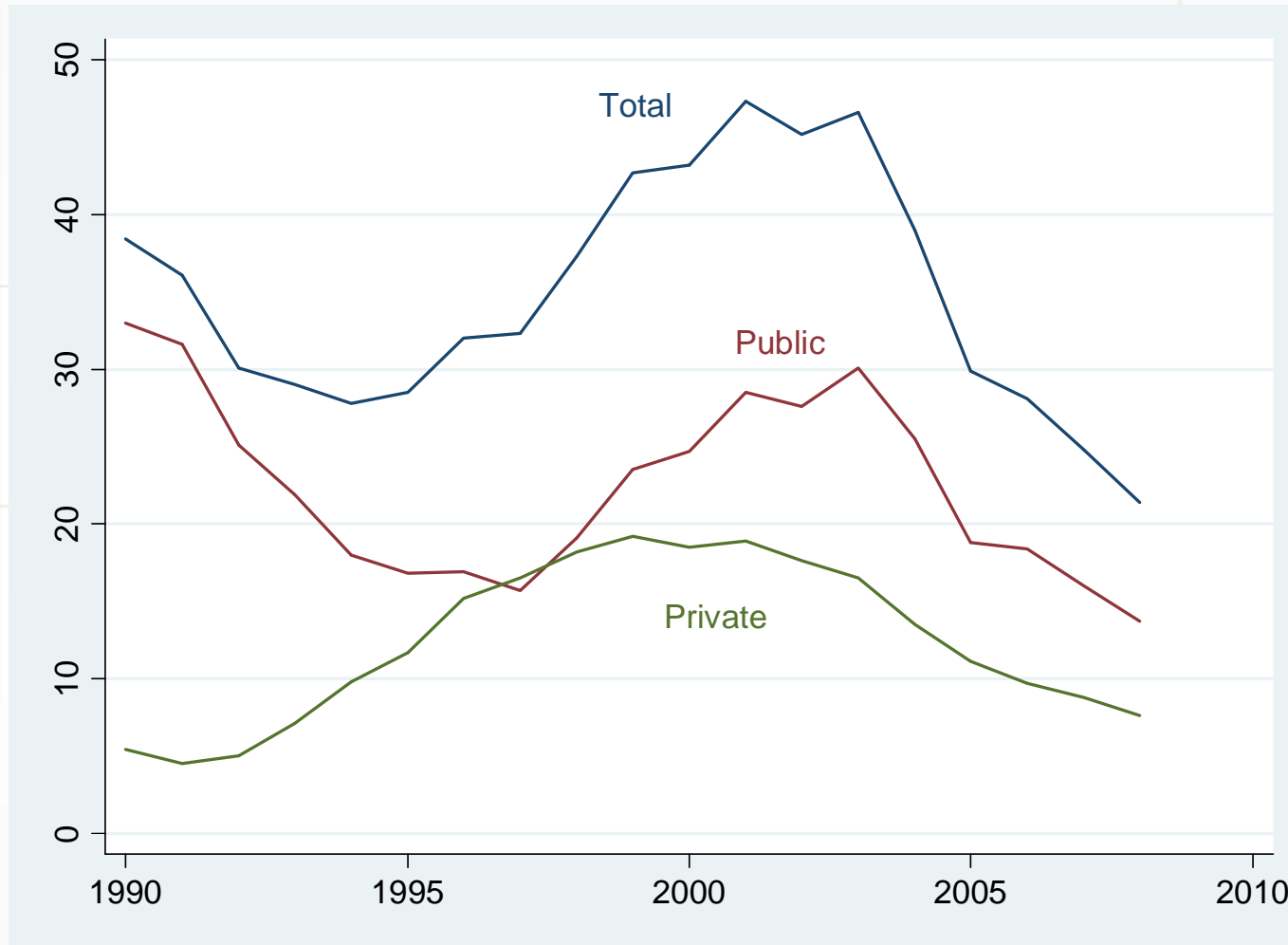


International Reserves



Source: Central Bank

Foreign Debt (% of GDP)



Source: Central Bank

Central Bank Policy

- Interest rates
- Exchange rates
- International reserves
- **Other measures**



Other measures

- **Capital controls (to short term capital inflows)**
 - adopted in may 2007
 - recently removed
- **Reserve requirements**
 - Increased in may 2007
 - marginal reserve requirements
 - converted recently to average reserve requirements
 - reduced recently from 10% to 9%
- **Exchange rate interventions**
 - recently removed

