Colombia

Investment Environment and Business Opportunities in Colombia

March – 2015
About us

PROCOLOMBIA

We promote exports, tourism, investment and industrial expansion for internationalization. We integrate the work of the Country Brand within the strategic planning of Colombia’s promotion worldwide.
Presence in Colombia

25 Information centers


8 Regional Offices

PROCOLOMBIA around the world

26 commercial offices
Presence in 30 countries


PROCOLOMBIA.CO
PROCOLOMBIA Services

INVESTMENT

- Specialized Websites
- Global destination
- SIFAI (System Enabler to Attract Investment)
- International Seminars about Colombia
- Agendas and Scheduled meetings in Colombia

Intelligence
- Brochures, statutory guide to do business, Free Trade Zone directory, services directory, success stories & announcements, newsletters
- More Multi-Latin companies
- Tailor-made intelligence
- RPIA’s

Guidance

Promotional Activities
- Media Outreach & Promotion
General Facts

Colombia is the country with the highest biodiversity per km2. It is among the 17 most megadiverse countries of the planet.

With an extension of 1,141,000 km² almost 3 times the size of California and twice the size of Texas.

Colombia is the only country in South America with access to both, the Atlantic and the Pacific ocean.

55% of the population is less than 30 years old. There are nine cities with over 500 thousand people.
Times of great economic achievements

**GDP**
- Jan - Sep 2014: +5.0%
- Jan – Sep 2013: +4.4%
  - Higher than the Latin American average growth (1.3%).

**Controlled Inflation**
- 2014: 3.66%
  - Below target inflation

**Unemployment rate**
- 2014: 9.1%
  - Unemployment rate 2013: 9.6%

**FDI**
- up to Q3 2014: US$11,840
- up to Q3: US$ 12,431
  - Figures in US Millions

**1.02 million barrels per day of oil production**
- Third largest producer in South America
A competitive location with easy access to markets around the globe

- Over **935** weekly direct international flights.
- More than **6,197** weekly domestic flights.
- Less than **6 hours** to the main capital cities in Latin America.
- More than **20 different airlines** operating in Colombia.
Colombia is within the 30th largest economy in the world and one of the largest non-OECD economies.

GDP at PPP – 2015 en US$ Billion

Note: GDP adapted to Purchasing Power Parity PPP. Projected data.

Source: FMI . 2014
The highest expected growth in 2014 among Latam’s major economies

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth (2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>4.8%</td>
</tr>
<tr>
<td>Peru</td>
<td>2.5%</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.1%</td>
</tr>
<tr>
<td>Chile</td>
<td>1.7%</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Europe</td>
<td>-4.0%</td>
</tr>
</tbody>
</table>

Latin America and Caribbean (Average growth): 0.1%

Colombian growth drivers according to OECD:
- High investment in housing and infrastructure (12% growth)
- Growth in private consumption (4.6%)
- Solid labor market
- Public expenditure

Source: IMF (World Economic Outlook Update – January 2015)
e = estimated
Peru and Colombia, the top growing economies in the coming years

Gross Domestic Product, average growth 2015e

- Peru: 4.00%
- Colombia: 3.80%
- Mexico: 3.20%
- Chile: 2.80%
- Argentina: 1.30%
- Brazil: 0.30%
- European Union: -1.30%
- US: -7.00%

Source: IMF (World Economic Outlook – January 2015)

e = estimated
Low inflation

Inflation, percent variation
2014e

Average Latin America and Caribbean*
3.98%

2.9% 3.7% 4.0% 4.2% 6.2% 69.8%
Peru Colombia Mexico Chile Brasil Venezuela

Source: IMF (World Economic Outlook – October 2014)
* The average doesn’t include Venezuela and Argentina.
Macroeconomic stability and strong economic performance in the long term

GDP Growth, Inflation and unemployment Rate 2002 – 2018p (%)

P: Projected
Source: DANE; Banco de la República; Fedesarrrollo July 2014, EIU - Economist Intelligence Unit . 2014

* 2014 inflation and unemployment rate given by DANE
Colombia has continuously decreased its poverty levels

Percentage of people in poverty
2002 – 2014

Poverty
- 49.7%
- 30.6%
- 29.3%
- 17.7%
- 9.1%
- 8.4%

Middle class
- 16.3%
- 29.6%
- 29.3%

Extreme poverty
- 17.7%
- 9.1%
- 8.4%

Source:
- Poverty: National Administrative Department of Statistics – DANE
A rapidly expanding middle class

Middle class* in Colombia as a percentage of total population

- 2002: 16%
- 2012: 25%
- 2020: 37%
- 2025: 46%

Average real growth of consumer expenditure, 2014 – 2018

- Colombia: 5.5%
- Chile: 4.7%
- Mexico: 4.2%
- Brazil: 4.1%
- [Other country]: 2.9%

* Calculus based on a 4.6% GDP growth

Middle class: Monthly household income between 3.2MW and 13MW (MW) Minimum wage in Colombia 2014: USD 320.

Source: Fedesarrollo (2013) and Euromonitor
Significant progress in terms of purchasing power

Index of GDP per capita at current prices, 1999 – 2019e
1999=100

Source: IMF – World Economic Outlook, October 2014

*e = estimated*
Economic growth, Investor Confidence and Security

* Figures do not include FDI registered for SabMiller acquisition of Bavaria in 2005 (USD 4,800 MM).

** Perception of insecurity as a key issue affecting industrial growth in the country. Monthly Industrial Survey - ANDI.
Colombia, an investment-grade country with positive outlook

<table>
<thead>
<tr>
<th>Term</th>
<th>Rating</th>
<th>Perspective</th>
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<tr>
<td>Long Term – Foreign currency</td>
<td>BBB</td>
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<tr>
<td>Long Term – Foreign currency</td>
<td>Baa2</td>
<td>Positive</td>
</tr>
</tbody>
</table>

In July 2014, Moody’s was the last rating agency in improving Colombia’s rating due to two key drivers:

1. Positive growth forecast thanks to 4G infrastructure
2. A sound fiscal management that will continue in the future

Source: S&P Ratings; Revista Dinero, Colombian Treasury.
Colombia tops the region as the best country for doing business in 2015

Position out of 189 economies
Change in rank 2014 – 2015**

Colombia, 34*  
Peru, 35*  
Mexico, 39*  
Chile, 41*  
Panama, 52*  
Ecuador, 115*  
Brasil, 120*

* Position between 189 economies. ** Positive numbers indicate an improvement in the business environment
Colombia is the leader in terms of Investor Protection in the region and 10th worldwide.

**Investment Protection Index**

**Ranking | Country**
---|---
10 | Colombia
35 | Brazil
40 | Peru
56 | Chile
62 | Mexico
62 | Argentina
76 | Panama
110 | Uruguay
117 | Ecuador
154 | El Salvador

*Index: 0-10 and 10 = the best score*

Source: Doing Business 2015 – World Bank
Two years in a row as one of the top 20 destinations for FDI

Top 20 host economies in 2012
USD billion

Top 20 host economies in 2013
USD billion

In 2013 Colombia reached a new record in FDI: Nearly 10 times of what it received 10 years ago

Source: Balance of Payments - Banco de la República.

Share of all countries with positive cumulative investment. The information includes reinvested profits or investments in the oil sector.

Note: the list of the top countries investing in Colombia does not include Panama.
Important multinationals have recently chosen Colombia as a location for new projects

- The multinational Unilever, opened one of its most advanced detergent plant worldwide, through which it seeks to supply domestic and foreign markets.

- Hewlett Packard, the North American multinational in information technology, opened a global service center in Medellin.

- Japanese fiber optic cable manufacturer, Furukawa, opened a production plant in Palmira, Valle del Cauca in order to take advantage of Colombia’s FTA’s.

- Mexichem invested a total of US$ 24 million to increase its production capacity in Colombia.

- Hero Motors invested in a production plant in Cauca, for covering Colombian market with a possibility of reaching Brazilian market from Colombia.
Some examples of high profile Colombian “multilatinas”

One of the largest food companies in Colombia, Nutresa has presence in 12 countries in Latam, with manufacturing plants in 8 of them.

Recently, the company signed an agreement to acquire 100% of the shares in Tresmontes Lucchetti S. A. in Chile for USD 758 million.

SURA Brand is currently well known in the insurance, pension and investment fund business through its operations in Mexico, Peru, Uruguay and Chile.

In 2011, the group bought ING assets in Latin America for USD $3,614 million.

It is the largest financial conglomerate in Colombia. The Group has subsidiaries in El Salvador, Panama, and Puerto Rico.

In 2012, Bancolombia acquired 100% of the ordinary shares and 90.9% of the preferred shares of HSBC Bank in Panama.

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Carvajal SA, is a conglomerate with presence in **15 countries** and recognized for its role in the field of packaging, stationery, design and advertising.

In 2013, Carvajal S.A made an investment of **$23.7 million** for the construction of a manufacturing and distribution center in **Peru**.

Colombiana SA is one of the country’s leading companies in the production and marketing of sweets, chocolate and biscuits. The company has strengthened its international strategy with the opening of **11 branches** throughout the Americas and has a production plant in **Guatemala** to supply the American market.

Tecnoquímicas is specialized in health products and services, personal care and household cleaning, processed foods, and agricultural and veterinary products in Colombia and Latin America.

The company has direct presence in Central America through its **3 production plants** in **El Salvador**.
Total trade increased fourfold in the last 10 years.

Exports and Imports.
2000 – 2014 US$ million

Top commercial partners 2014

- **United States**
  - Exports: US$ 14,106 million
  - Imports: US$ 18,193 million

- **China**
  - Exports: US$ 5,755 million
  - Imports: US$ 11,790 million

- **Mexico**
  - Exports: US $914 million
  - Imports: US$ 5,273 million

- **India**
  - Exports: US $2,739 million
  - Imports: US$ 1,369 million

Source: DANE.
Traditional and non traditional exports are included.
Colombia shows a remarkable growth of its exports.

Exports. 2000 – 2014
FOB Values US$ millions

United States 25.7%
China 10.5%
Panama 6.6%
Spain 6%

Top export non – traditional products 2014

Fresh Flowers 2.5%
Plastic in primary forms 1.9%
Banana 1.5%

Source: DANE
Traditional and Non – traditional products are included
Imports also have increased rapidly.

**Imports 2000 – 2014**

**CIF Values - US$ million**

- 2000: 11,757
- 2001: 21,204
- 2002: 39,666
- 2003: 32,891
- 2004: 54,233
- 2005: 59,397
- 2006: 64,028

**Top imports by origin 2014**

- United States: 28.7%
- China: 18%
- Mexico: 8.1%
- Germany: 3.9%
- Oil & its derivatives: 11.7%
- Vehicles: 7.5%
- Telecommunications and sound: 7%

*Countries and product participations are updated to October 2014, the proportion won’t change drastically at the end of the year.
Source: DANE*
Colombia has access to more than 45 countries and 1,500 million consumers through its network of FTAs.

*These are Partial Scope Agreements (PSA)

The dotted line refers to member countries of The Pacific Alliance other than Colombia. – Chile, Peru and México.

Colombia: A gateway to the Pacific Alliance

- GDP of USD 2,123 billion
- The members generate 35% of the region's GDP
- Population of 214 million
  - Almost Brazil’s Population
- 47% of the regional FDI
  - Total FDI of US$ 85,488 million (2013)
- FTAs with 60 countries
  - Access to benefits of markets that represent 85.7% of the World GDP
- MILA is the first cross border initiative to integrate equities markets, without any sort of merger or global corporate integration, using only technological tools along with
- Listed companies: 590

Source: MCIT, 2013
Colombia is more attractive for international travelers

Inbound tourist 2012 - 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Total 2012 3,491,814</th>
<th>Total 2013 3,748,957</th>
<th>Total 2014 4,192,743</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,062,682</td>
<td>1,153,248</td>
<td>1,313,200</td>
</tr>
<tr>
<td></td>
<td>583,609</td>
<td>561,815</td>
<td>597,522</td>
</tr>
<tr>
<td></td>
<td>254,403</td>
<td>306,694</td>
<td>314,207</td>
</tr>
<tr>
<td></td>
<td>1,591,120</td>
<td>1,726,300</td>
<td>1,967,814</td>
</tr>
</tbody>
</table>

Main origin countries 2014

- **United States**
  - 376,410 visitors
  - 19.1%
- **Venezuela**
  - 272,700 visitors
  - 13.9%
- **Ecuador**
  - 126,714 visitors
  - 6.4%
- **Brazil**
  - 124,712 visitors
  - 6.3%

Source: Migration Colombia and MinCIT. PROCOLOMBIA calculation
Sectors of opportunity – Energy: A diversified source base and a pivotal location in the Americas

The Global Energy Architecture Performance Index 2014

- Norway: 0.75
- New Zealand: 0.73
- France: 0.72
- Sweden: 0.72
- Switzerland: 0.72
- Denmark: 0.71
- Colombia: 0.7
- Spain: 0.67
- Costa Rica: 0.67
- Latvia: 0.66

Colombia was ranked first in Latin America and seventh in the world according to the “Energy Architecture Performance Index 2014”. WEF, 2014.

103 Power Generation projects in different stages: Installed capacity of 4,974 MW*

13 power transmission projects in different stages*

High potential in Biofuels and alternative energies

Source: World Economic Forum 2014 and UPME
* UPME (Colombian Planning Unit of Mines and Energy)
Sectors of opportunity – Infrastructure: A major drive for growth

Fourth Generation of PPP’S (4g) –

**Roads**: US$ 24 Bill.
- Intervention of 8,000 Km of Roads
- 1,300 Km of new Roads
- 40 new concessions

**Ports**: US$ 2.1 Bill.
(2015-2018)

Improvement of the Magdalena river navigability: US$ 1.3 Bill.

**Airports**: interventions US$ 1.8 Bill (10 projects) and constructions US$ 2.3 Bill (2 projects). (2015-2018)

Step Rail Ways Concession Program (feasibility study – step 2) **US$ 4.2 Bill.**
Opportunity sectors – Manufactures for the local and foreign markets.

Building materials, cars and parts, clothing, cosmetics and cleanliness products, electric machines, others.

More than 400,000 graduates and specialists in engineering related areas between 2000 and 2011

Colombia has a business network of more than 3,700 industrial companies with export experience

9 cities with more than 500 thousand citizens
Sectors of opportunity – Services
IT, BPO, ITO, Shared Services, Apps

The broadband connections increased from 2.2 to 8.8 millions between 2010 and 2014.

Colombia is one the three major providers of IT services in the region.

2 years in a row showing double-digit sales growth.

In the next 4 years, the broadband connections will be tripled reaching 27 million connections.

Some foreign players in Colombia:

- Microsoft
- AIG
- HP
- BT

Source: MinTic and IDC
Free Trade Zones: Reduced income tax and sales allowed to the local market

FTZ requested or approved prior to December 31, 2012. 15% Income tax.

FTZ filed after December 31, 2012. Income tax of 15% + 9% tax CREE.

FTZ filed after December 31, 2014: income tax 15% + CREE 9% + additional CREE tariff 5% for 2015. The additional CREE tariff increases per year.
THANK YOU