

COLOMBIA: IN FOCUS

A WEEKLY UPDATE FROM THE EMBASSY OF COLOMBIA

August 21, 2012

In Case You Missed It...

Standard & Poor's Revised Colombia's Outlook From Stable To Positive



On August 15th Standard & Poor's (S&P) revised its outlook on Colombia's long-term ratings to positive from stable. The agency highlighted the positive impact of the country's fiscal reforms on public finances and GDP growth.

What's Behind The Upgrade?

The Santos Administration has embarked on an unprecedented set of economic and fiscal reforms to ensure sustained economic growth over the medium term. "Effective implementation of recent fiscal reforms, including a new royalty scheme and a fiscal rule, would allow the public sector to save excess revenues during the boom years in order to stabilize the economy during the bad years of the commodity price cycle," said the agency in its official statement.

The fiscal reforms will also have a positive impact on the public sector balance sheet and support economic growth. "A gradually declining debt burden, combined with continuity in key economic policies in coming years, could sustain GDP growth, strengthen the resilience of the Colombian economy, and reduce its vulnerability to external shocks, leading to a higher rating," said S&P analyst Joydeep Mukherji in the statement.

Good Prospects Amidst Global Uncertainty

Despite global economic turmoil and timid growth in developed economies over the past few years, Colombia has been able to maintain its strong economic performance. Last year, the Latin American country grew by 5.9% and its GDP is expected to grow by 4% to 5% this year. Other economic achievements include:

- Fiscal deficit reduced to 1.2% in August 2012 from 3.6% in August 2010
- Two million jobs created between August 2010 and June 2012

Moreover, even if external economic conditions deteriorate further, the agency expects the Colombian Government to manage the challenging environment, while sustaining medium-term growth prospects and investor confidence.

What's News

Foreign Direct Investment in Colombia Will Likely Rise to a Record \$17 Billion This Year

Colombia's strong internal market, favorable business climate and positive economic prospects continue to attract international investors. During the first seven months of this year, foreign direct investment reached \$10.5 billion, a 22.6% increase from the same period last year. In 2012, FDI is likely to reach \$17 billion, substantially higher than the government's goal of \$14 billion in foreign investment flows by 2014. For more information, visit:

<https://www.mincomercio.gov.co/englishmin/publicaciones.php?id=4019>

Get to know Colombia.

Learn more at www.colombiaemb.org.