



Regional Macroeconomic Update

In investment we trust...

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For additional information, please read carefully the notice at the end of this presentation.

World Growth Expectations have been revised down...

	2018	Projections		Difference from January 2019 WEO Update ¹		Difference from October 2018 WEO ¹	
		2019	2020	2019	2020	2019	2020
World Output	3.6	3.3	3.6	-0.2	0.0	-0.4	-0.1
Advanced Economies	2.2	1.8	1.7	-0.2	0.0	-0.3	0.0
United States	2.9	2.3	1.9	-0.2	0.1	-0.2	0.1
Euro Area	1.8	1.3	1.5	-0.3	-0.2	-0.6	-0.2
Germany	1.5	0.8	1.4	-0.5	-0.2	-1.1	-0.2
France	1.5	1.3	1.4	-0.2	-0.2	-0.3	-0.2
Italy	0.9	0.1	0.9	-0.5	0.0	-0.9	0.0
Spain	2.5	2.1	1.9	-0.1	0.0	-0.1	0.0
Japan	0.8	1.0	0.5	-0.1	0.0	0.1	0.2
United Kingdom	1.4	1.2	1.4	-0.3	-0.2	-0.3	-0.1
Canada	1.8	1.5	1.9	-0.4	0.0	-0.5	0.1
Other Advanced Economies ²	2.6	2.2	2.5	-0.3	0.0	-0.3	0.0
Emerging Market and Developing Economies	4.5	4.4	4.8	-0.1	-0.1	-0.3	-0.1
Commonwealth of Independent States	2.8	2.2	2.3	0.0	0.0	-0.2	-0.1
Russia	2.3	1.6	1.7	0.0	0.0	-0.2	-0.1
Excluding Russia	3.9	3.5	3.7	-0.2	0.0	-0.1	0.0
Emerging and Developing Asia	6.4	6.3	6.3	0.0	-0.1	0.0	-0.1
China	6.6	6.3	6.1	0.1	-0.1	0.1	-0.1
India ³	7.1	7.3	7.5	-0.2	-0.2	-0.1	-0.2
ASEAN-5 ⁴	5.2	5.1	5.2	0.0	0.0	-0.1	0.0
Emerging and Developing Europe	3.6	0.8	2.8	0.1	0.4	-1.2	0.0
Latin America and the Caribbean	1.0	1.4	2.4	-0.6	-0.1	-0.8	-0.3
Brazil	1.1	2.1	2.5	-0.4	0.3	-0.3	0.2
Mexico	2.0	1.6	1.9	-0.5	-0.3	-0.9	-0.8
Middle East, North Africa, Afghanistan, and Pakistan	1.8	1.5	3.2	-0.9	0.2	-1.2	0.2
Saudi Arabia	2.2	1.8	2.1	0.0	0.0	-0.6	0.2
Sub-Saharan Africa	3.0	3.5	3.7	0.0	0.1	-0.3	-0.2
Nigeria	1.9	2.1	2.5	0.1	0.3	-0.2	0.0
South Africa	0.8	1.2	1.5	-0.2	-0.2	-0.2	-0.2

Trade War Impacts

	Scenario 1	Scenario 2		Scenario 3		Scenario 4	
	GDP forecast (10% tariffs)	Impact on GDP from an increase from 10% to 25% tariff on \$200bn US imports from China	GDP forecast (increase from 10% to 25% tariff on \$200bn US imports from China)	Impact on GDP from a 25% hike in tariff on all US imports from China	GDP forecast (25% hike in tariff on all US imports from China)	Add tariffs on cars, trucks and market reaction	New GDP forecast (adds Cars...)
US	2.4	-0.2	2.2	-0.4	2	-0.7	1.7
China	6.2	-0.4	5.8	-0.9	5.3	-1.1	5.1
Japan	0.7	0.0	0.7	0	0.7	-0.3	0.4
Euro Area	1.1	-0.1	1.0	-0.2	0.9	-0.8	0.3
EM	4.9	-0.3	4.6	-0.6	4.3	-0.7	4.2
World	3.3	-0.2	3.1	-0.4	2.9	-0.6	2.7
Fed Funds	2.38		2.38		1.88		0.88
US TSY 10yr forecast	2.7		2.6		2.4		2
S&P			-2.25%		7.20%		10.00%

OECD Interim Economic Outlook Projections

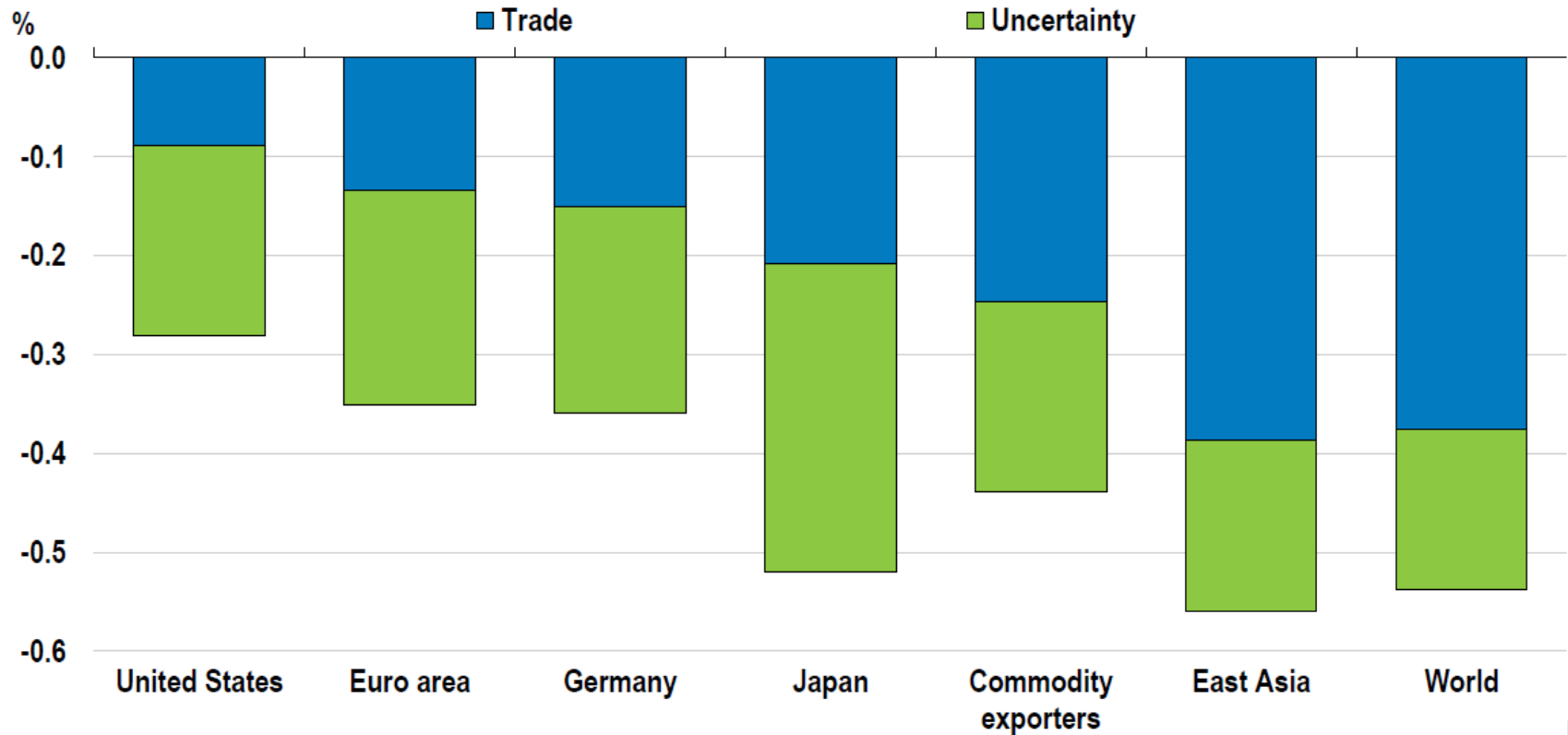
Year-on-year, %. Arrows indicate the direction of revisions since November 2018.

	2018	2019	2020		2018	2019	2020
World	3.6	3.3 ↓	3.4 ↓	G20	3.8	3.5 ↓	3.7
Australia	2.9	2.7 ↓	2.5 ↓	Argentina	-2.5	-1.5 ↑	2.3
Canada	1.8	1.5 ↓	2.0 ↑	Brazil	1.1	1.9 ↓	2.4
Euro area	1.8	1.0 ↓	1.2 ↓	China	6.6	6.2 ↓	6.0
Germany	1.4	0.7 ↓	1.1 ↓	India ¹	7.0	7.2 ↓	7.3 ↓
France	1.5	1.3 ↓	1.3 ↓	Indonesia	5.2	5.2	5.1
Italy	0.8	-0.2 ↓	0.5 ↓	Mexico	2.1	2.0 ↓	2.3 ↓
Japan	0.7	0.8 ↓	0.7	Russia	2.3	1.4 ↓	1.5 ↓
Korea	2.7	2.6 ↓	2.6 ↓	Saudi Arabia	2.0	2.1 ↓	2.0 ↓
United Kingdom	1.4	0.8 ↓	0.9 ↓	South Africa	0.8	1.7 ↑	2.0 ↑
United States	2.9	2.6 ↓	2.2 ↑	Turkey	2.9	-1.8 ↓	3.2 ↑

China matters...

GDP growth impact of a negative demand shock of 2% pts in China

%, difference from baseline in the first year



With Oil behaving better-than-expected

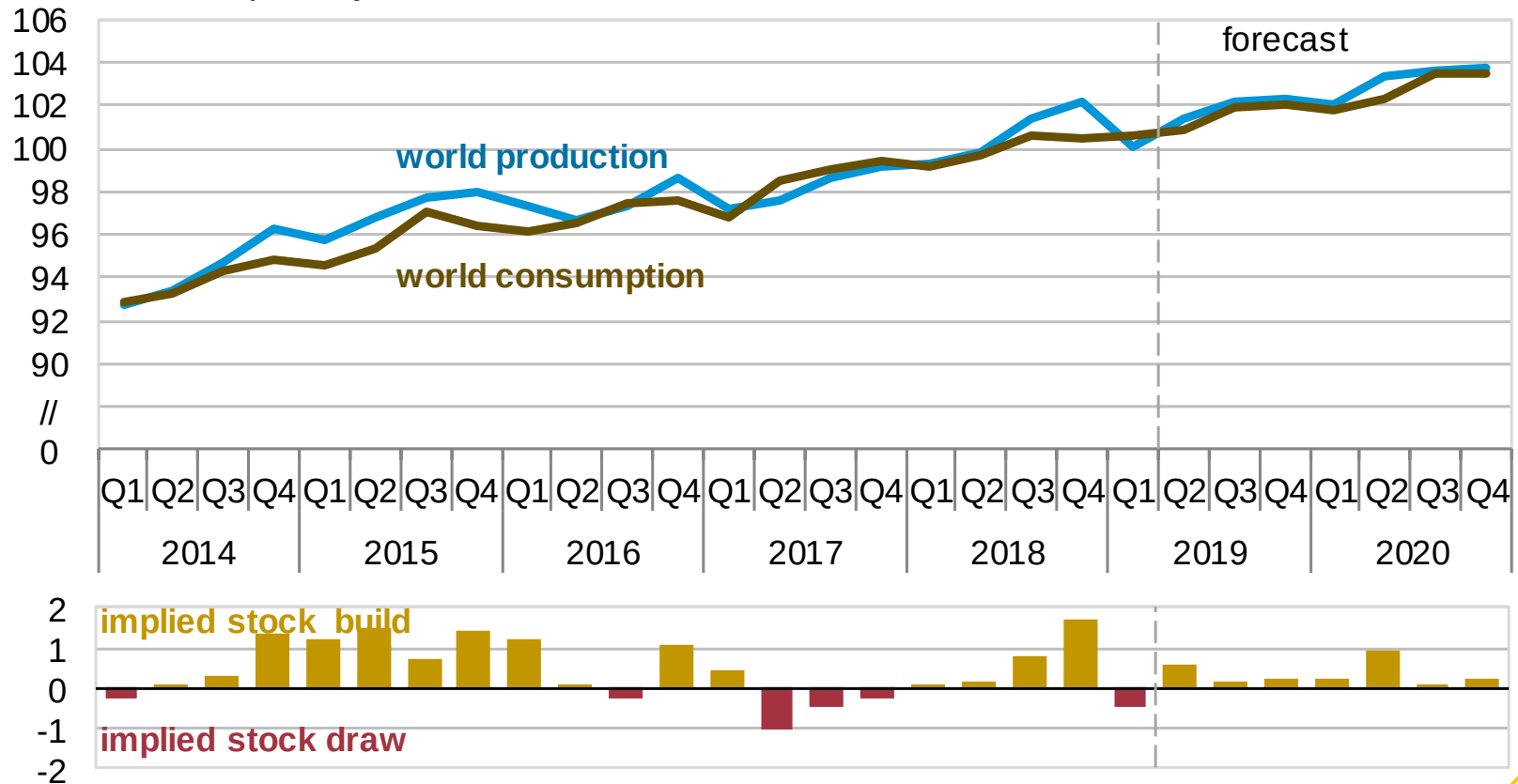
U.S. Energy Information Administration | Short-Term Energy Outlook - May 2019

	2018				2019				2020				Year		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019	2020
Crude Oil (dollars per barrel)															
West Texas Intermediate Spot Average	62.90	68.07	69.69	59.59	54.82	63.95	65.97	66.03	63.00	63.00	63.00	63.00	65.06	62.79	63.00
Brent Spot Average	66.84	74.53	75.02	68.29	63.14	72.39	72.69	70.03	67.00	67.00	67.00	67.00	71.19	69.64	67.00
U.S. Imported Average	58.08	64.67	66.20	55.33	53.55	64.00	63.98	61.71	57.56	57.56	57.56	57.56	61.35	61.02	57.56
U.S. Refiner Average Acquisition Cost	61.89	67.29	69.03	59.39	54.79	62.52	64.35	63.81	60.36	60.36	60.36	60.36	64.45	61.51	60.36
U.S. Liquid Fuels (cents per gallon)															
Refiner Prices for Resale															
Gasoline	186	213	213	178	168	217	215	194	194	206	202	187	198	199	197
Diesel Fuel	199	219	222	212	192	216	224	224	222	228	227	227	213	214	226
Heating Oil	193	205	214	201	190	203	215	216	218	217	218	219	200	205	218
Refiner Prices to End Users															
Jet Fuel	197	217	220	212	193	212	222	221	220	224	223	222	212	212	222
No. 6 Residual Fuel Oil (a)	149	162	176	175	149	151	157	145	113	116	118	117	166	150	116
Retail Prices Including Taxes															
Gasoline Regular Grade (b)	258	285	284	262	236	290	294	275	268	283	281	267	273	274	275
Gasoline All Grades (b)	270	294	292	271	245	299	305	286	281	295	293	280	282	284	287
On-highway Diesel Fuel	302	320	324	327	302	316	325	328	324	329	329	331	318	318	329
Heating Oil	287	298	325	316	300	296	302	311	317	308	307	315	301	303	314
Natural Gas															
Henry Hub Spot (dollars per thousand cubic feet)	3.13	2.96	3.04	3.94	3.02	2.72	2.79	3.05	3.12	2.67	2.74	3.00	3.27	2.89	2.88
Henry Hub Spot (dollars per million Btu)	3.02	2.85	2.93	3.80	2.92	2.62	2.69	2.94	3.01	2.58	2.64	2.89	3.15	2.79	2.78
U.S. Retail Prices (dollars per thousand cubic feet)															
Industrial Sector	4.44	3.83	3.73	4.71	4.58	3.73	3.67	4.16	4.52	3.67	3.61	4.10	4.20	4.05	4.00
Commercial Sector	7.64	8.08	8.77	7.61	7.71	8.11	8.42	7.71	7.70	8.10	8.43	7.68	7.82	7.85	7.84
Residential Sector	9.37	11.93	17.93	9.97	9.43	11.85	16.44	10.63	9.85	12.24	16.73	10.71	10.49	10.58	10.93
U.S. Electricity															
Power Generation Fuel Costs (dollars per million Btu)															
Coal	2.06	2.06	2.06	2.08	2.10	2.14	2.12	2.12	2.13	2.14	2.12	2.12	2.06	2.12	2.12
Natural Gas	3.96	3.09	3.23	4.05	3.70	2.83	2.76	3.30	3.49	2.71	2.66	3.21	3.54	3.10	2.98
Residual Fuel Oil (c)	11.47	13.02	14.02	14.49	11.63	13.80	13.83	13.26	13.19	13.73	13.02	12.79	12.95	13.14	13.17
Distillate Fuel Oil	15.77	16.61	16.82	16.01	14.80	16.54	17.23	17.34	17.22	17.59	17.49	17.57	16.13	16.45	17.45
Retail Prices (cents per kilowatthour)															
Industrial Sector	6.81	6.87	7.22	6.82	6.65	6.89	7.22	6.79	6.69	6.93	7.27	6.84	6.93	6.90	6.94
Commercial Sector	10.54	10.60	10.89	10.55	10.44	10.75	10.98	10.60	10.46	10.77	11.02	10.67	10.66	10.71	10.74
Residential Sector	12.59	13.03	13.15	12.75	12.73	13.37	13.37	12.95	12.84	13.56	13.52	13.13	12.89	13.11	13.27

World production should continue to be above consumption

World liquid fuels production and consumption balance

million barrels per day

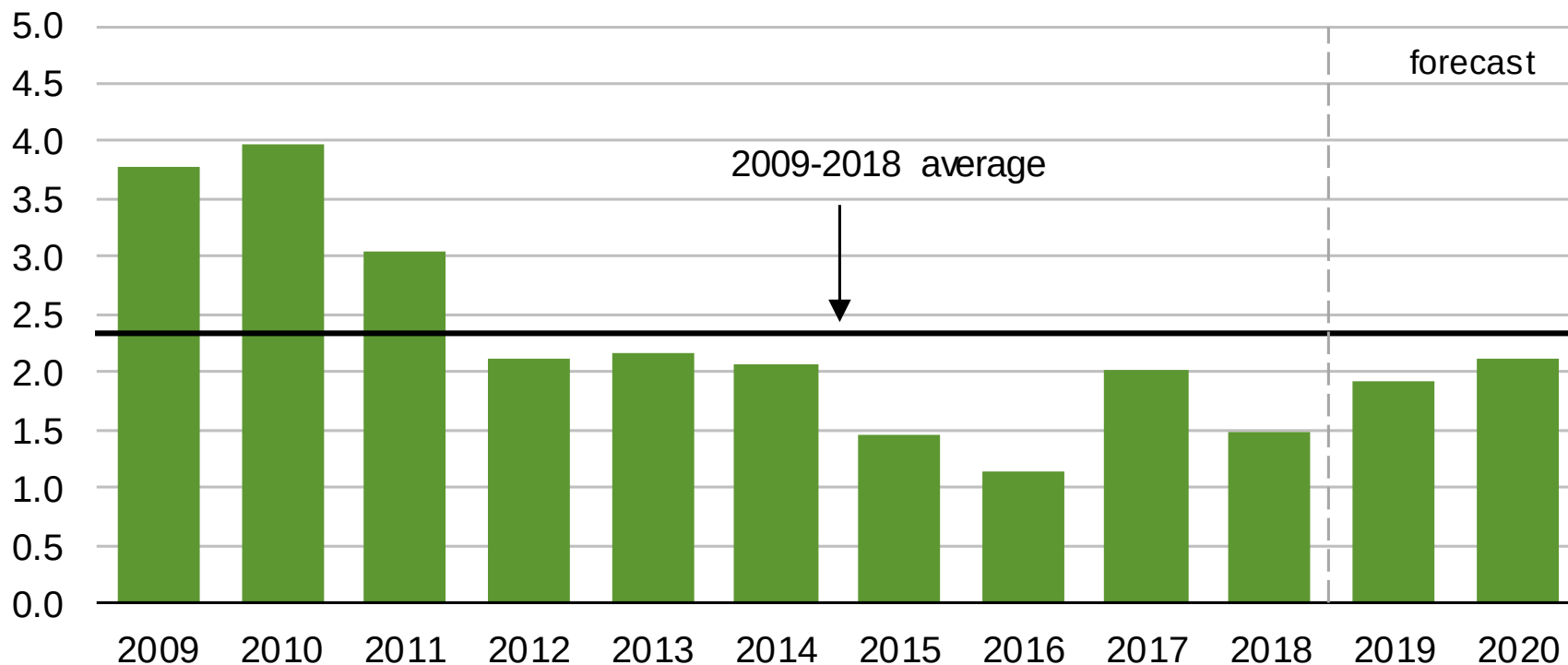


Source: Short-Term Energy Outlook, April 2019



Surplus to continue below average

Organization of the Petroleum Exporting Countries (OPEC)
surplus crude oil production capacity
million barrels per day



Note: Black line represents 2009-2018 average (2.3 million barrels per day).

Source: Short-Term Energy Outlook, April 2019

Economic activity summary

Brazil	2015	2016	2017	2018	2019	2020
GDP (% , y/y real)	-3.5	-3.3	1.1	1.1	1.1	2.6
CPI (% , y/y eop)	10.7	6.3	3.0	3.8	4.0	3.9
Monetary Policy Rate (% , eop)	14.25	13.75	7.00	6.50	6.50	7.50
US\$ exchange rate (eop)	3.9	3.3	3.3	3.9	3.8	3.6
Primary Surplus - % GDP	-1.9	-2.5	-1.7	-1.6	-1.5	-1.2
Argentina	2015	2016	2017	2018	2019	2020
GDP (% , y/y real)	2.7	-1.8	2.9	-2.6	-0.54	2.5
CPI (% , y/y eop)	27.0	41.0	24.8	47.6	40.0	24.0
Monetary Policy Rate (% , eop)	27.25	24.5	28.75	59.25	55.0	35.0
US\$ exchange rate (eop)	12.90	15.9	18.6	37.67	46.0	58.0
Chile	2015	2016	2017	2018	2019	2020
GDP (% , y/y real)	2.3	1.3	1.5	4.0	3.1	3.6
CPI (% , y/y eop)	4.4	2.7	2.3	2.6	2.8	3.0
Monetary Policy Rate (% , eop)	3.50	3.50	2.50	2.75	3.00	3.75
US\$ exchange rate (eop)	704	667	637	682	654	650
Colombia	2015	2016	2017	2018	2019	2020
GDP (% , y/y real)	3.0	2.1	1.4	2.7	3.4	3.6
CPI (% , y/y eop)	6.8	5.7	4.1	3.2	3.2	3.0
Monetary Policy Rate (% , eop)	5.75	7.50	4.75	4.25	4.25	4.75
US\$ exchange rate (eop)	3149	3001	2958	2957	3110	3080
Fiscal Balance (% of GDP)	-3	-4	-3.6	-3.1	-2.7	-2.5
Peru	2015	2016	2017	2018	2019	2020
GDP (% , y/y real)	3.30	4.04	2.47	4.0	3.6	3.8
CPI (% , y/y eop)	4.40	3.23	1.36	2.19	2.1	2.3
Monetary Policy Rate (% , eop)	3.75	4.3	3.25	2.75	2.75	3.50
US\$ exchange rate (eop)	3.41	3.36	3.25	3.38	3.31	3.32

Colombia: Economic activity summary

	2015	2016	2017	2018	2019E	2020E
National accounts						
Real GDP (% , y/y)	3,0	2,1	1,4	2,7	3,4	3,6
Domestic Demand (% , y/y)	2,4	1,2	1,2	3,8	3,3	3,5
Consumption (% , y/y)	3,4	1,6	2,4	3,9	3,2	3,4
- Private consumption (% , y/y)	3,1	1,6	2,1	3,5	3,2	3,6
- Government consumption (% , y/y)	4,9	1,8	3,8	3,9	2,6	2,4
Gross fixed capital formation (% , y/y)	2,8	0,3	1,9	1,1	3,7	3,8
Inventories (contribution, pp of GDP)	-0,1	-2,9	0,0	NA	0,0	0,0
Net exports (contribution, pp of GDP)	0,5	0,8	0,1	-1,5	-0,4	-0,5
Exports (% , y/y)	1,7	-0,2	3,0	1,2	1,2	1,5
Imports (% , y/y)	-1,1	-3,5	1,2	8,0	1,4	1,2
Labor market						
Unemployment (% , average)	9,0	9,2	9,4	9,7	9,6	9,4
Balance of payments						
Trade balance (US\$bn)	-13,5	-9,2	-6,1	-7,1	-6,3	-4,9
Merchandise exports (US\$bn,fob)	38,6	34,1	37,9	41,8	42,5	44,3
Merchandise imports (US\$bn,fob)	52,1	43,2	44,0	48,9	48,8	49,2
Current account (US\$bn)	-18,9	-12,1	-10,4	-12,7	-11,4	-12,1
Current account (% of GDP)	-6,5	-4,3	-3,4	3,8	-3,8	-4,0
Terms of trade (% , y/y)	-20,4	17,6	13,2	3,1	-1,5	-0,5
Prices, interest & exchange rates						
CPI (% , y/y, eop)	6,8	5,7	4,1	3,2	3,2	3,0
CPI (% , y/y, average)	5,0	7,8	4,3	3,2	3,5	3,0
Ex food CPI (% , y/y, eop)	5,2	4,8	5,0	3,5	3,2	3,1
US\$ exchange rate (eop)	3.149	3.001	2.984	3.250	3.120	3.100
US\$ exchange rate (average)	2.742	3.040	2.958	2.957	3.110	3.080
Central Bank Rate (% , eop)	5,75	7,50	4,75	4,25	4,25	4,75
Fiscal indicators						
Government balance (% of GDP)	-3,0	-4,0	-3,6	-3,1	-2,7	-2,5

Macro Outlook

- **Economic Activity**

- Consumption should recover after the negative surprise it suffered between October and November.
- Investment is the biggest question mark. We expect for public investment tied to regional projects to rebound because of the electoral cycle.
- IP and RS indices for November were better-than-expected (4,8% & 10,8% respectively).

- **Inflation**

- Inflation has outperformed as of late. The set of inflationary pressures that were expected at the end of 2019 have been eliminated and the only one that still remains is the one tied to the occurrence of the El Niño weather phenomenon. Hence, inflation expectations have been systematically revised down.

- **Monetary Policy**

- With a positive scenario regarding inflation and doubts about the speed of economic recovery, Banrep should feel comfortable with the current level of the policy rate. The market has been also pricing a late beginning of the policy rate normalization.

- **Exchange Rate**

- The overall weakness in USD has been the most important force driving Exchange rates around the globe. In the particular case of Colombia, the COP has not appreciated at a higher speed due to the also weak behavior observed in oil prices.

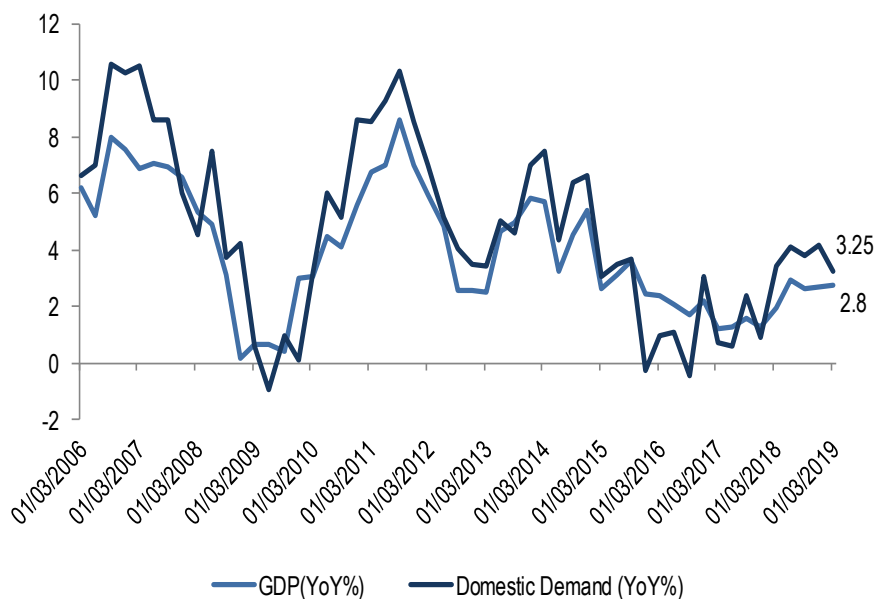


1. Mild GDP Growth recovery

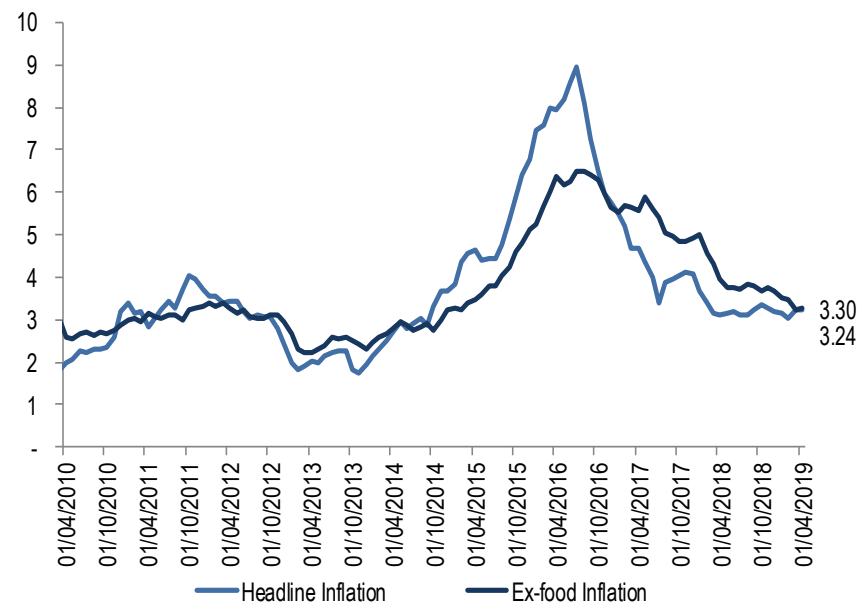
Domestic demand gradual recovery and inflation stable

Better terms of trade are helping economic activity

GDP and domestic demand (y/y, %)



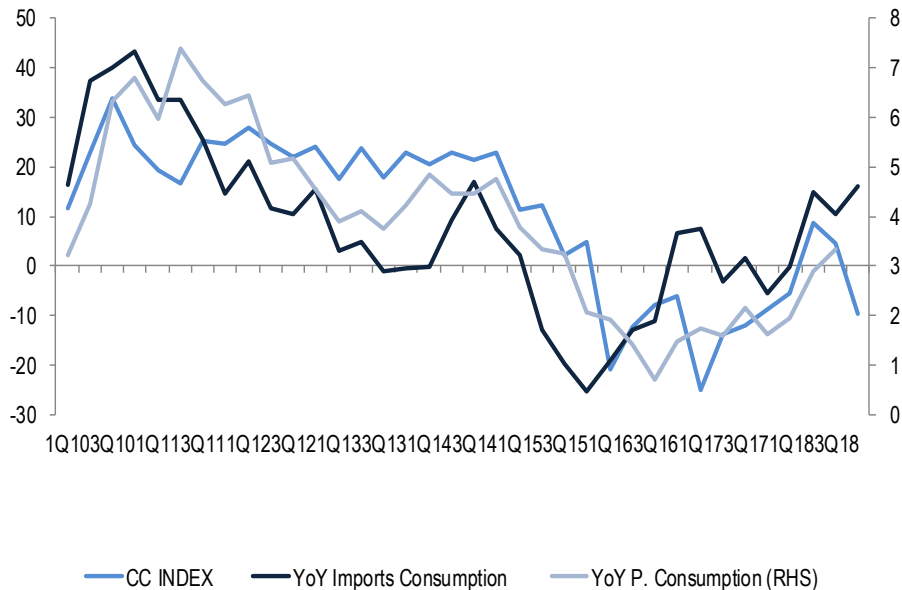
Inflation (y/y, %)



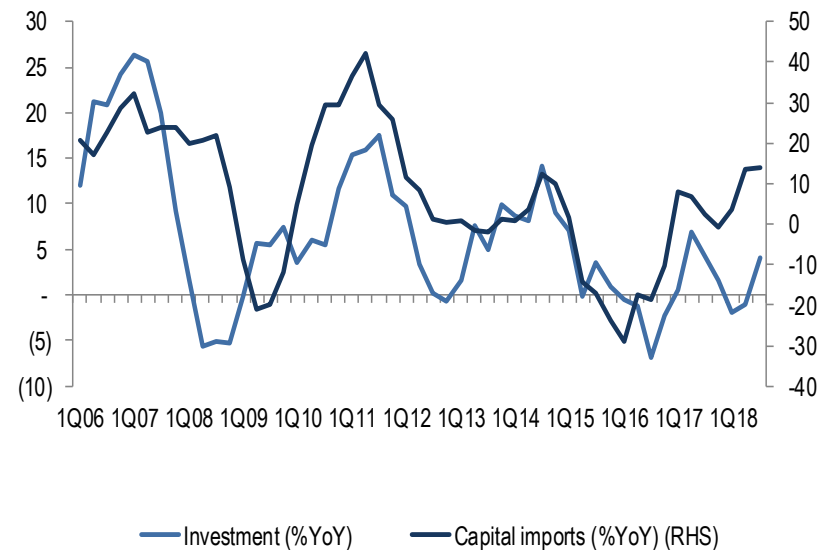
Rising domestic demand

Consumption and investment reached bottom

Private consumption (% y/y)



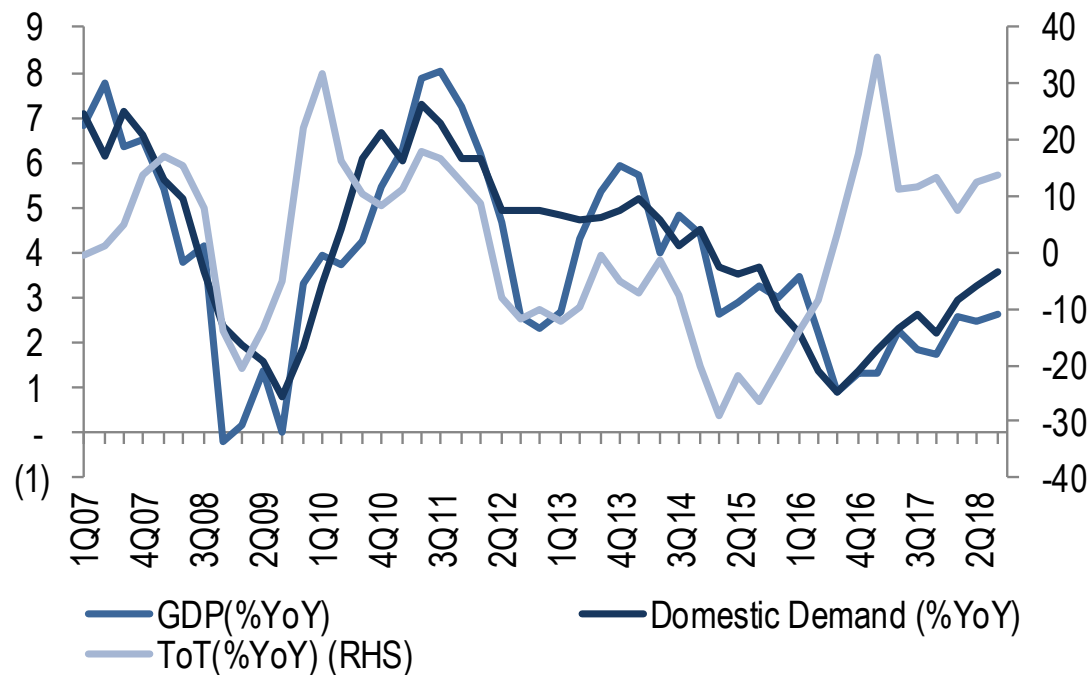
Investment v/s capital imports (% y/y)



Gradual economic activity recovery

Data let us to think that economic activity has consolidated and we can expect mild recovery to continue. Oil prices helps

GDP and domestic demand (% y/y)



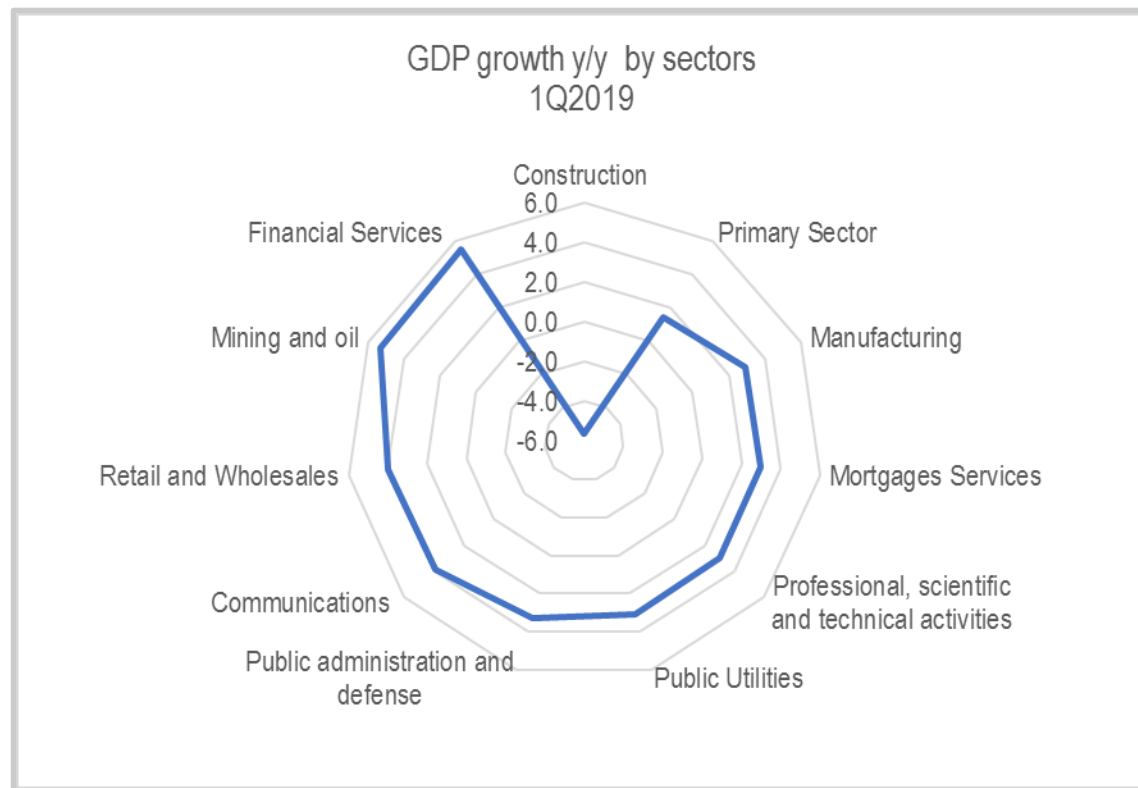
GDP by Demand Components

Expenditure Components	Growth rates	
	Yearly	Quarterly
	2019pr -I/ 2018p -IV	2019pr -I/ 2018pr -IV
Expenditure of final consumption	3.8	1
<i>Expenditure households consumption</i>	4	1.4
<i>Expenditure government consumption</i>	2.6	-1.3
Gross Capital formation	2.8	-1.9
<i>Gross fixed capital formation</i>	2.8	-1.2
Exports	3.6	-1.3
Imports	13.7	3.1
GDP	2.7	0

GDP by Economic Activity

Economic Activity	Growth rates	
	Yearly	Quarterly
	2019pr -I/ 2018p -IV	2019pr -I/ 2018pr -IV
Primary Sector	1.4	0.8
Mining and oil	5.3	2.2
Manufacturing	2.9	-1.0
Public Utilities	3.1	-0.4
Construction	-5.6	-4.0
Retail and Wholesales	4.0	1.4
Communications	3.9	-1.7
Financial Services	5.5	2.8
Mortgages Services	3.0	0.7
Professional, scientific and technical activities	3.0	5.7
Public administration and defense	3.3	-0.9
GDP	2.8	0.0

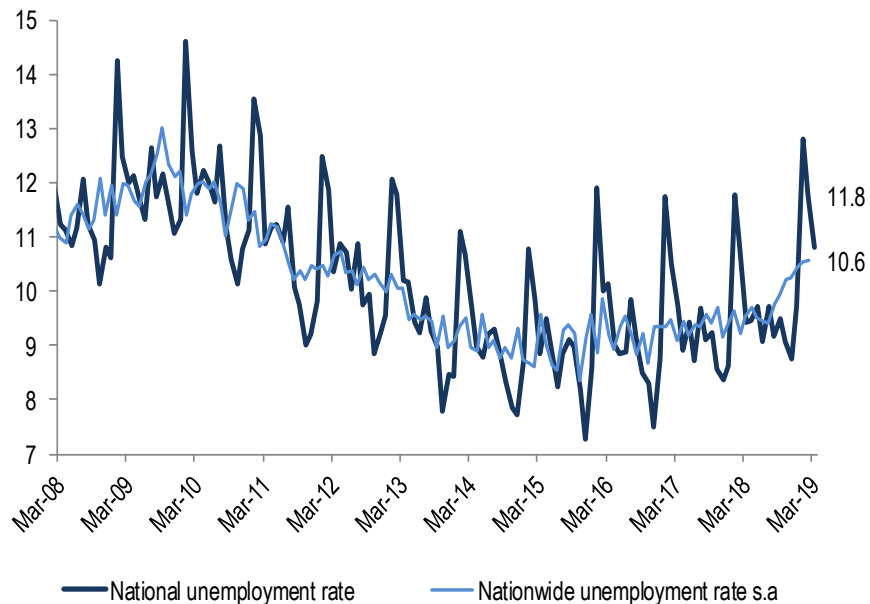
GDP supply side



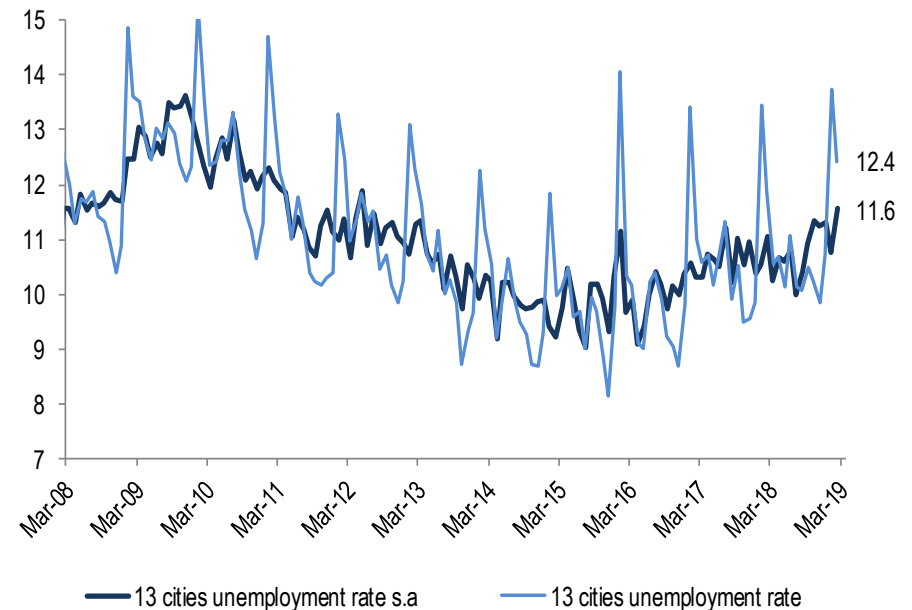
Unemployment

National Unemployment Rate reached 12,8 while Urban Unemployment Rate was 13,7 for Feb

Nationwide unemployment rate(%)

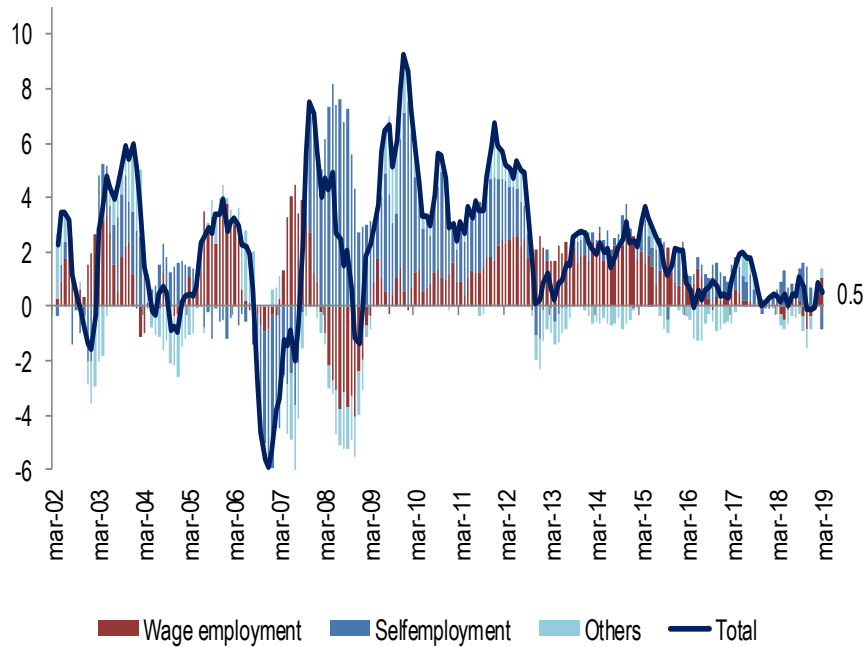


Urban unemployment(%)

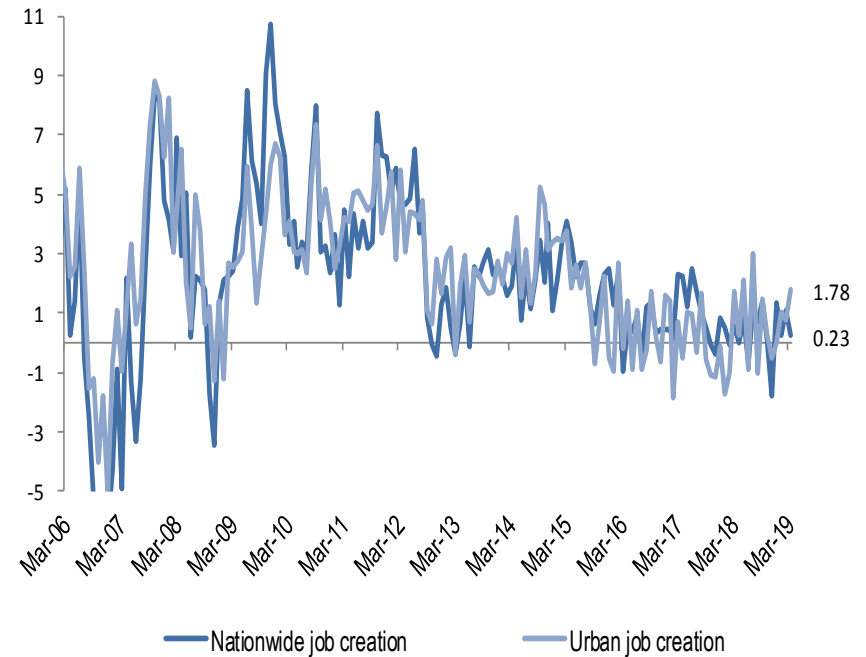


Wage employment started to growth again

Employment growth (3mma %, y/y)



Employment growth (% , y/y)



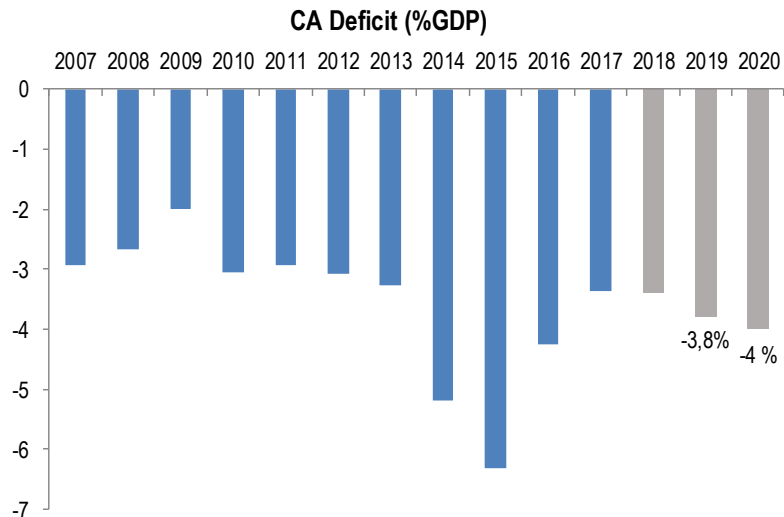


2. Fiscal Overview

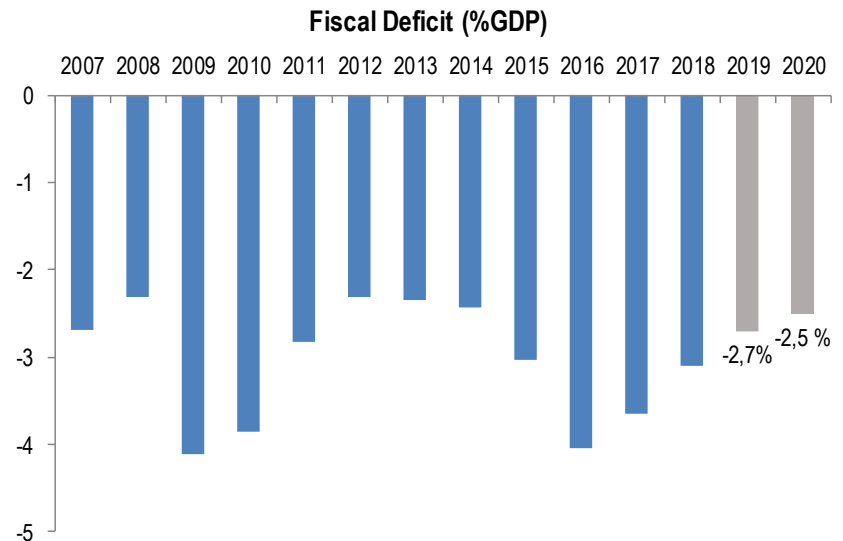
External and Government deficit. What we expect?

The deficit of the current account becomes worrisome for the central bank

Current account balance (% of GDP, US\$mm)



Government balance (% of GDP)



Financing Plan Update:

The good: Overall Supply has been reduced...

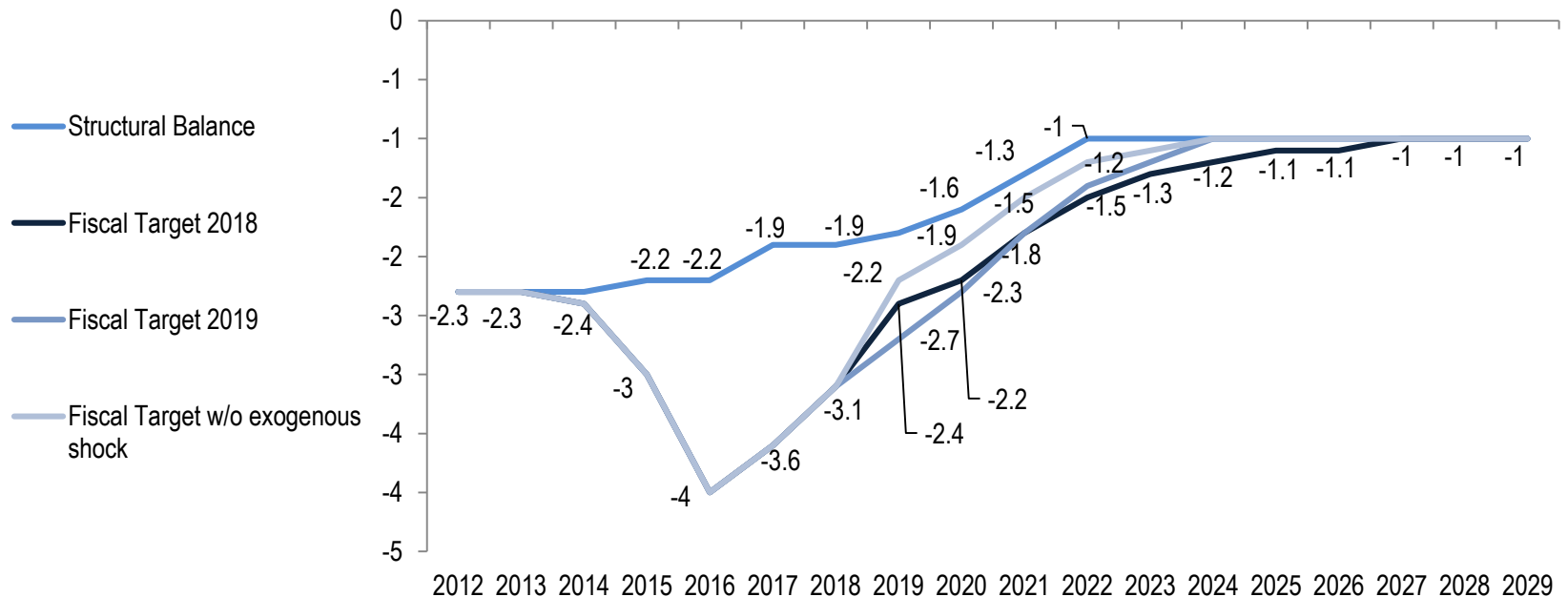
Fuentes y usos del Financiamiento del GNC 2019									
FUENTES	US\$ MFMP	US\$ Rev	MFMP 83,871	Revisión 53,156	USOS	US\$ MFMP	US\$ Rev	MFMP 83,871	Revisión 53,156
Desembolsos			65,466	53,156	Deficit a financiar			24,935	24,935
Externos	(US\$ 5.500 mill.)	(US\$ 4,050 mill.)	16,506	12,686	De los cuales				
Bonos	(US\$ 3.500 mill.)	(US\$ 2.000 mill.)	10,504	6,264	Intereses internos			22,748	22,874
Multilaterales y otros	(US\$ 2.000 mill.)	(US\$ 2.050 mill.)	6,002	6,421	Intereses externos	(US\$ 2.462 mill.)	(US\$ 2.547 mill.)	7,390	7,977
Internos			48,960	40,470	Gastos en Dólares	(US\$ 550 mill.)	(US\$ 441 mill.)	1,651	1,383
TES			48,940	40,450					
Subastas			36,000	27,000	Amortizaciones			35,468	26,940
Colocaciones UVR Largo plazo					Externas	(US\$ 3.459 mill.)	(US\$ 2.453 mill.)	10,381	7,684
Entidades Públicas			9,000	5,600	Internas			25,088	19,256
Pago de obligaciones (Sentencias, Bonos Pensionales, FEPC)			3,940	7,850					
Otros			20	20	FEPC			3,690	3,800
Utilidades Banco de la República			1,049	2,015	Bonos pensionales				3,800
Ajustes por Causación			1,610	1,975	Sentencias			250	250
Deuda flotante				439	Deuda flotante			3,865	
Operaciones de tesorería					Operaciones de tesorería			1,385	4,406
Disponibilidad inicial			15,746	27,039	Disponibilidad final			14,278	20,492
En pesos			10,829	16,661	En pesos			12,000	17,980
En dólares	(US\$ 1.684 mill.)	(US\$ 3.193 mill.)	4,917	10,377	En dólares	(US\$ 752 mill.)	(US\$ 802 mill.)	2,278	2,512
Fuentes US\$	(US\$ 7.184 mill.)	(US\$ 7.243 mill.)			Usos US\$	(US\$ 7.223 mill.)	(US\$ 6.243 mill.)		

With questions regarding the financing of the deficit...

	\$ MM		%GDP	
	2018	2019	2018	2019
Total Revenue	149844	172317	15.1	16.3
Tax Revenues	135204	148496	13.6	14.0
DIAN	134743	148000	13.6	14.0
No DIAN	461	496	0.0	0.0
Non-Tax Revenue	825	800	0.1	0.1
Special Funds	1540	2101	0.2	0.2
Capital Resources	12275	20921	1.2	2
Financial Returns	2647	2000	0.3	0.2
Financial Surplus	4431	9628	0.4	0.9
Refunds and Other Resources	5197	9293	0.5	0.9
Total Expenditure	180143	197252	18.1	18.6
Interests	27614	30851	2.8	2.9
Functioning + Investment	152529	166401	15.4	15.7
Primary Balance	-2685	5916	-0.3	0.6
Total Balance	-30298	-24935	-3.1	-2.4

Fiscal rule (% GDP)

On the current fiscal rule framework the government has to reduce fiscal deficit by 0.4pp of GDP in 2019



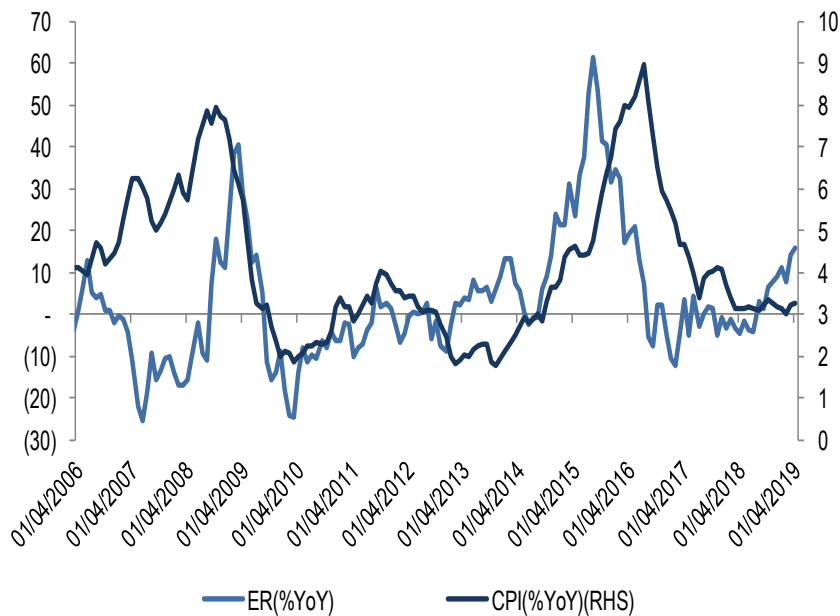


3. Inflation and inflation expectations under control, But...

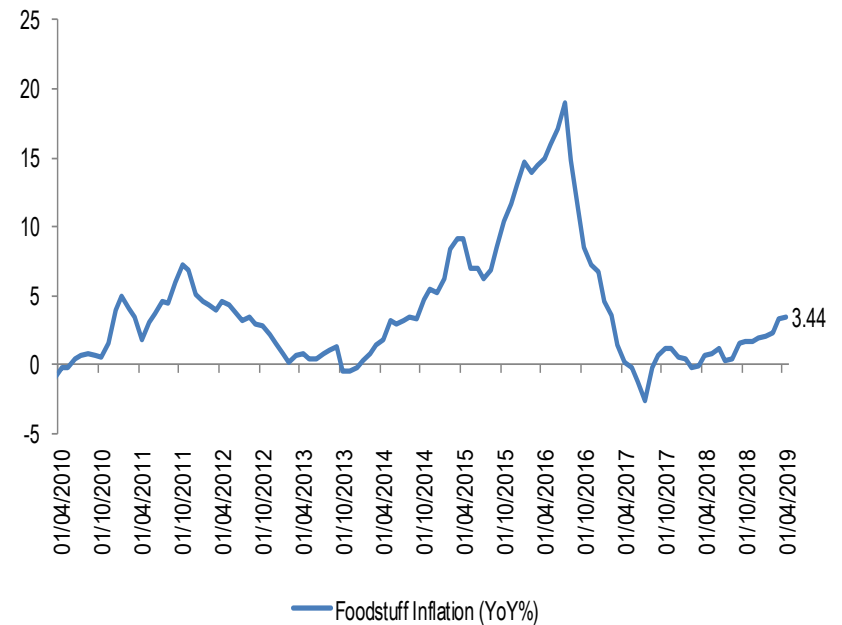
Inflation is under control

2018 COP mild appreciation helps domestic inflation and food prices continue low

Inflation v/s USD/COP (% y/y)



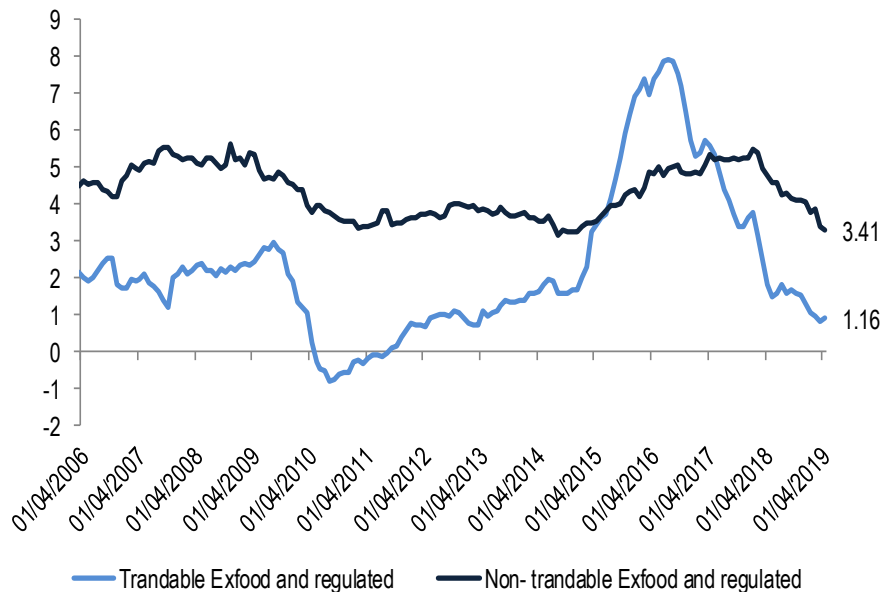
Foodstuff prices (% y/y)



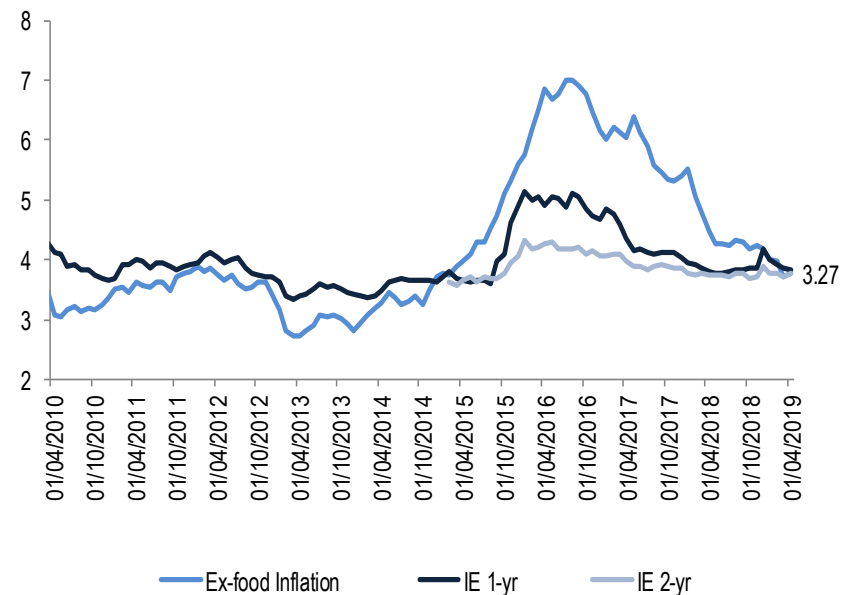
Inflation is controlled

Core inflation measures finally are within target range, and non-tradable goods are in a convergence path

Tradable v/s non-tradable goods (% y/y)



Core inflation and expectations (% y/y)



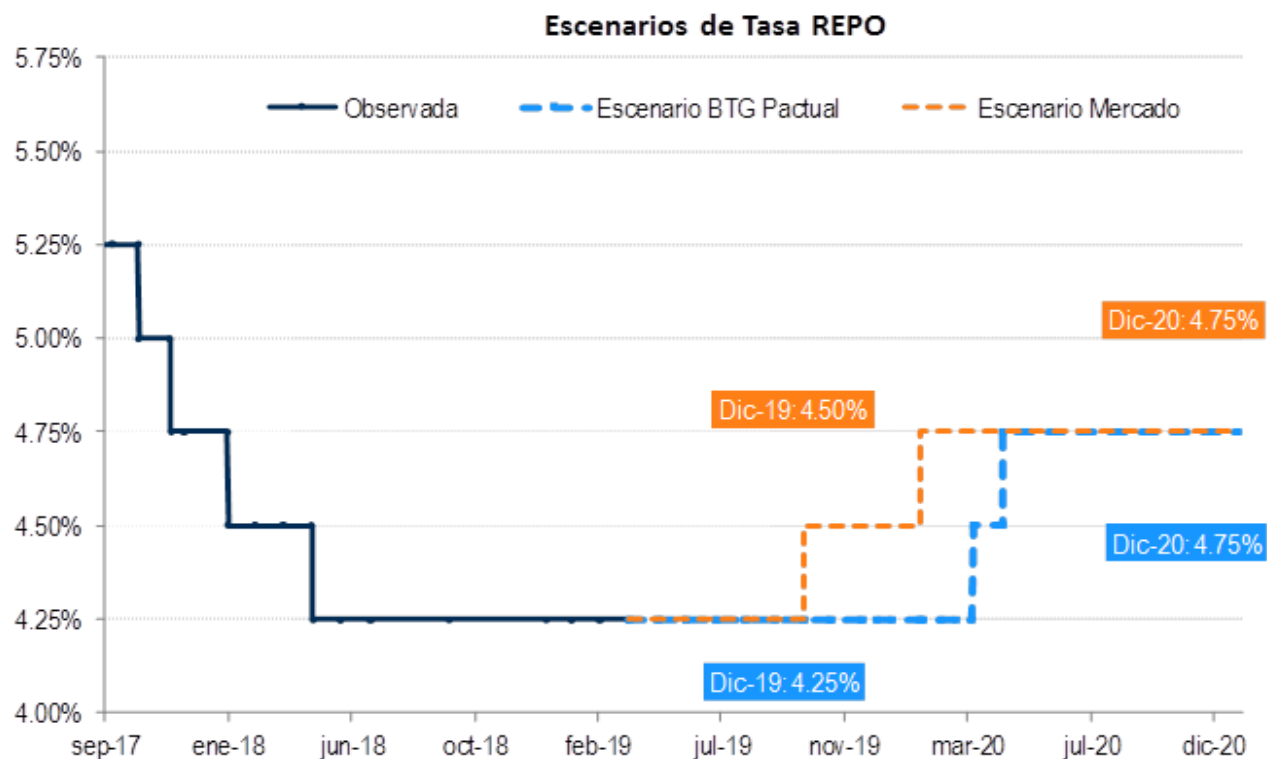


4. BanRep on hold at 4.25%, and then what?

BanRep normalization has been postponed...

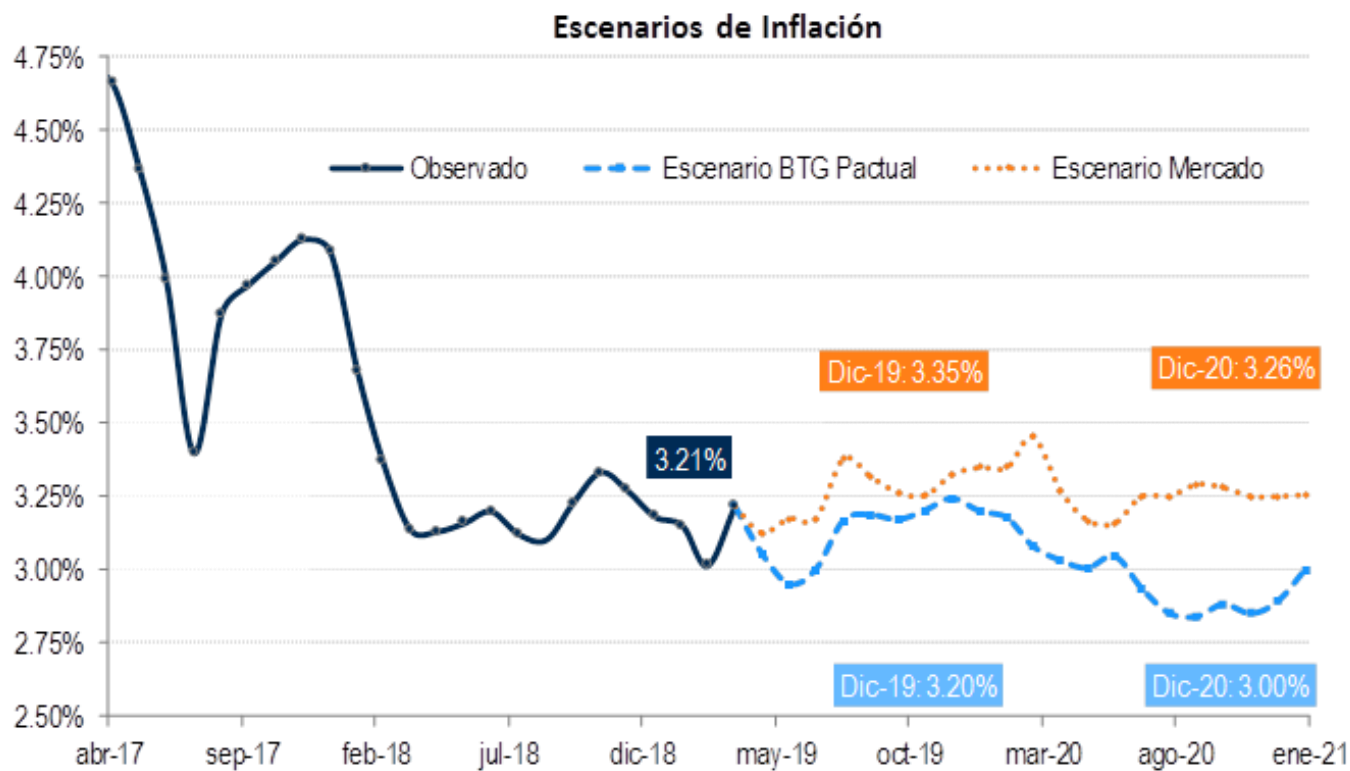
- TF-IBR swaps are pricing 50 bp of hikes this year (Jun-19 and Sep-19). However, analysts are moving a little slower and still expecting for hikes to take place in Apr-19 y Jul-19.

Scenarios of REPO rate

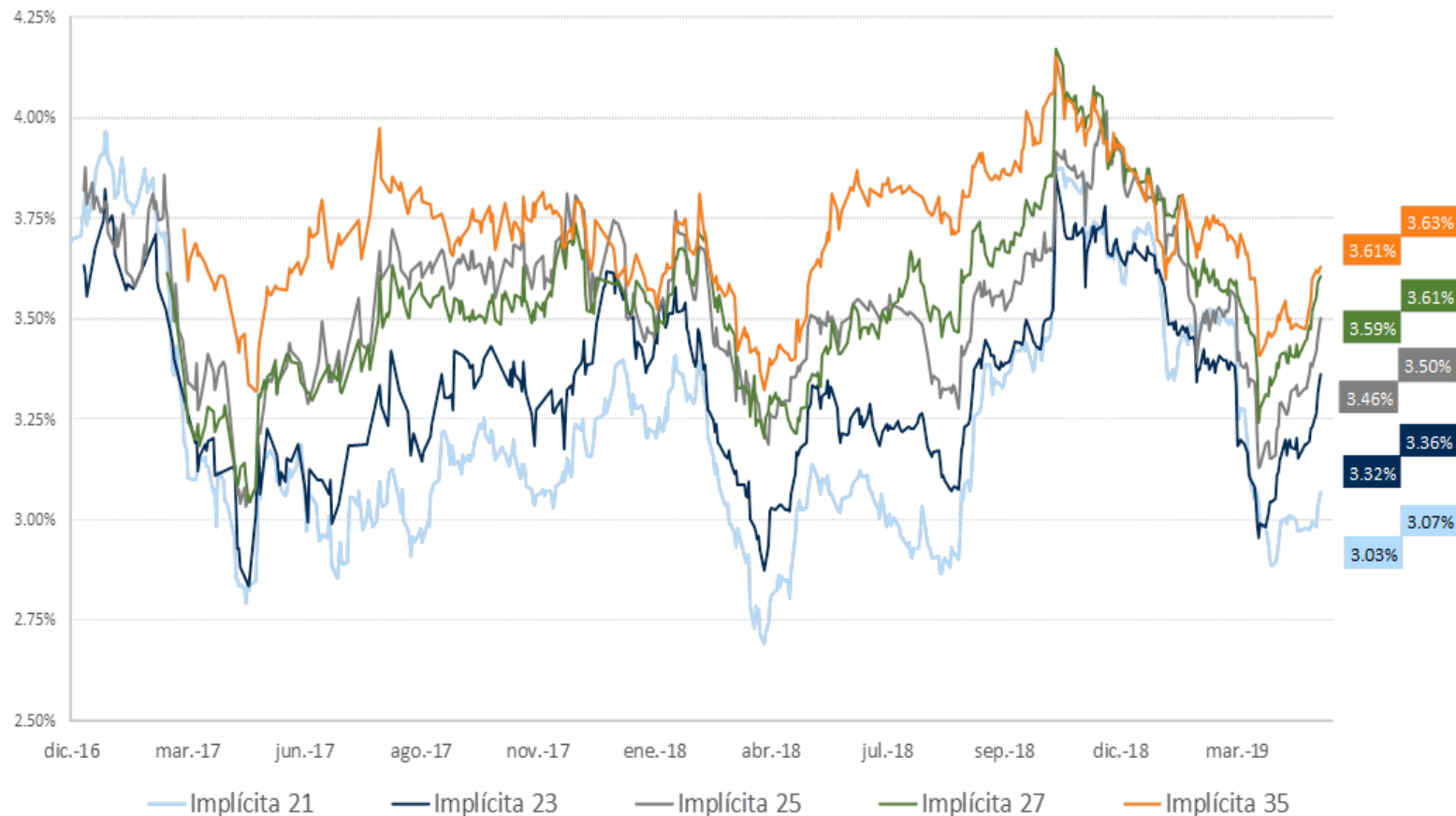


Inflation Expectations

Inflation Scenario according to analysts



Inflation expectations derived by the market



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