Regional growth has slowed in Argentina, Mexico and Brazil—some of the region’s major economies—due to escalating trade tensions and volatile currency and commodity markets. The impact of these factors will be amplified by country-specific vulnerabilities. Additionally, the potential for stricter trade protectionist policies brings uncertainty to the growth outlook.

Modest growth and tame inflation levels has allowed several of the region’s central banks to hold interest rates at relatively low levels—the notable exception being Mexico’s central bank, which has kept interest rates elevated on concerns over inflation and currency weakness.

Structural reforms are needed to diminish reliance on unsustainable social programs and the resulting higher levels of public debt. Debt reform is also needed, to address growing corruption and its effects on economic potential.

The ongoing humanitarian crisis in Venezuela has seen a significant outflow of refugees seeking asylum in neighboring countries, which has the potential to strain resources in neighboring host countries.
Economic Risk: Moderate

- Colombia’s heavy reliance on exports of energy and minerals makes it vulnerable to shifts in global commodity prices and demand conditions.
- President Iván Duque Márquez signed a new National Development plan in May 2019. The new plan highlights the government’s commitment to expanding the extractive sectors (mining, oil, and gas), and provides incentives to develop other sectors such as textiles. Increased public and private investment in housing, education, and health is also part of the plan.
- The country’s many free trade agreements will continue to promote trade and economic integration.
- Unemployment rates hit a five-year high in January 2019, reaching over 12%. The increase is due partly to the growing influx of Venezuelan refugees, but Colombia has historically had some of the highest unemployment rates in Latin America.

Political Risk: High

- Duque became president on August 7, 2018, replacing Juan Manuel Santos. The government under Duque is expected to remain stable in 2019. However, he does not have a majority governing coalition, which will make passing certain legislation difficult. This has led to compromises on key legislative initiatives.
- High levels of judicial intervention owing to environmental concerns, particularly in the extractive industries, continue to hinder project implementation. Legal uncertainties and inconsistent regulations create difficulties for business operations.
- The judiciary is relatively independent and perceived as less corrupt than other institutions, but legal processes are highly inefficient.
- While Colombia scores relatively well in the most recent World Bank’s Ease of Doing Business survey, the country does need to make improvements to its operating environment. Colombia scores poorly in the categories of enforcing contracts and paying taxes.

Financial System Risk: Moderate

- The Financial Superintendency of Colombia is responsible for supervising the insurance sector.
- The IMF has recommended continued advances in financial supervision and regulation. Colombia has taken steps to align its regulations with Basel III standards over time. Additionally, financial system strength will be improved through the implementation of the Conglomerates Law. The IMF also noted the need for continued reform implementation.
- The country’s corporate tax policy was changed in December of 2018, introducing a gradual reduction in corporate tax rates from 33% to 32% by 2020, and then to 30% by 2022.