

Report on Foreign Direct Investment in Colombia



The figures to **December 2010** showing details by target sector and country of origin are a source of the Banco de la Republica's **Balance of Payments**, which includes influxes of currency, profit reinvestment and capital payments other than foreign currencies.

The figures to **May 2011** are from the Banco de la Republica's **Foreign Currency Balance** and exclusively measure influxes of currencies from abroad.

May 2011

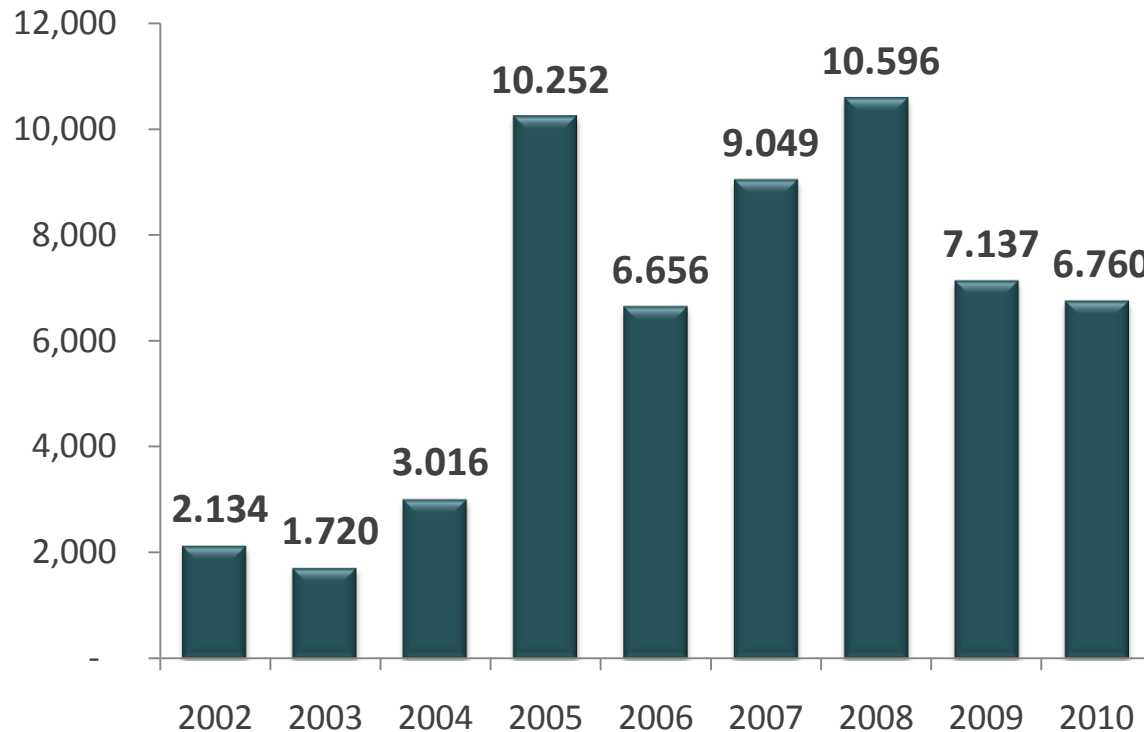
Following the financial crisis, **capital inflows** to **emerging economies** went through a **generalized increase** as a result of the international liquidity originated by the expense expansion policies of developed countries.

In addition, **the increase in the international prices of raw materials** has made **direct investment more attractive** in the countries that produce these commodities, such as the case of **Colombia, in which 7%** of all the region's capital inflow was concentrated in 2010.

Although **the FDI in Colombia** reached **US\$6.760 m** in 2010 (5% less than in 2009), it was above the historic average of the decade, driven mainly by the high international prices of **minerals and petroleum**; these two sectors **concentrated 67%** of the net positive revenue reported by Colombia over the last year.

Considering all the other sectors, **financial activity received 13% of the total inflows** received by the country in 2010, followed by **manufacturing activities at 8% and trade with 6% of the total.**

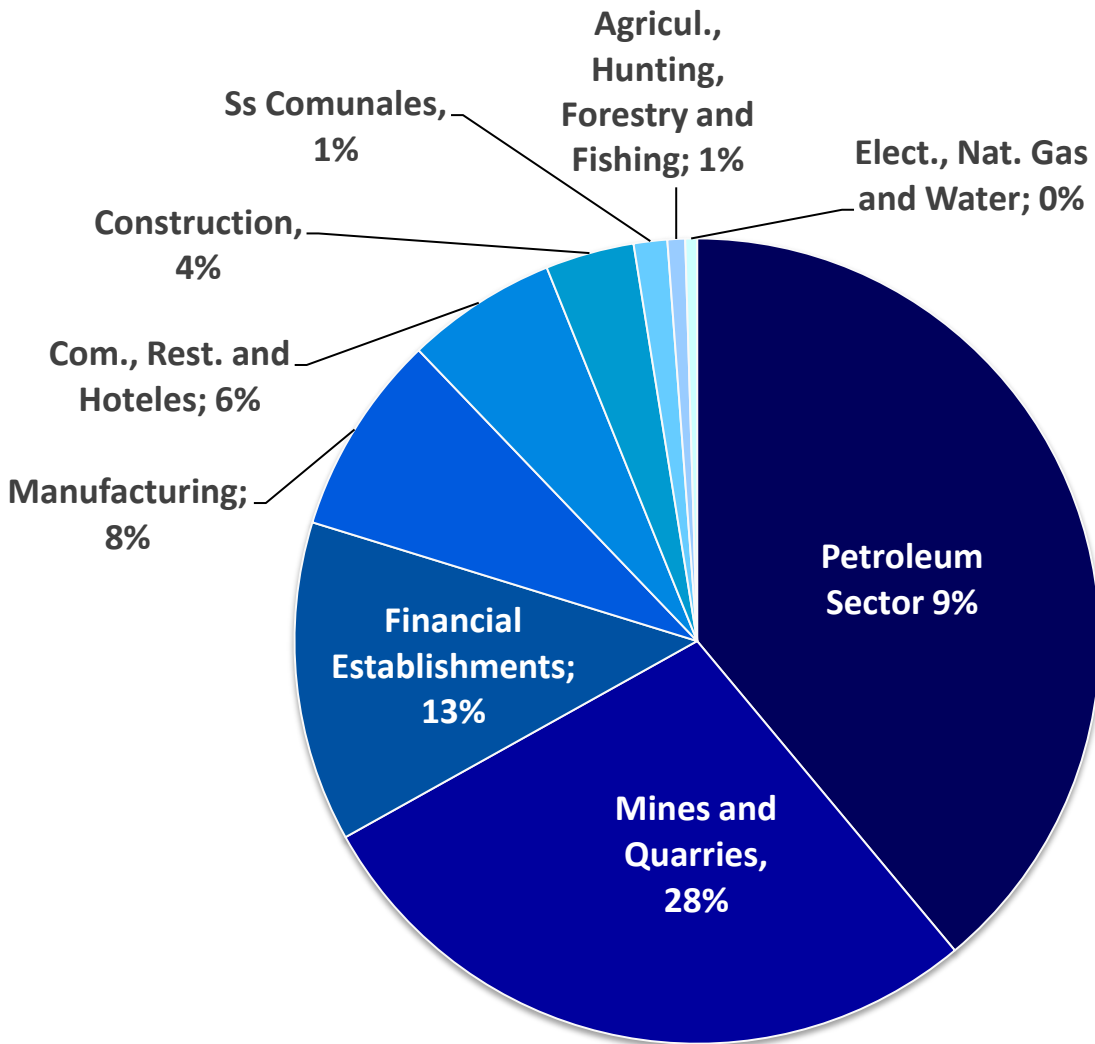
FDI INFLOWS INTO COLOMBIA (2002 – 2010) US\$ MILLIONS



Between
2009 and
2010, FDI in
Colombia
dropped
5.3%

FDI INFLOW MAIN SECTORS

SHARE % TO 2010*



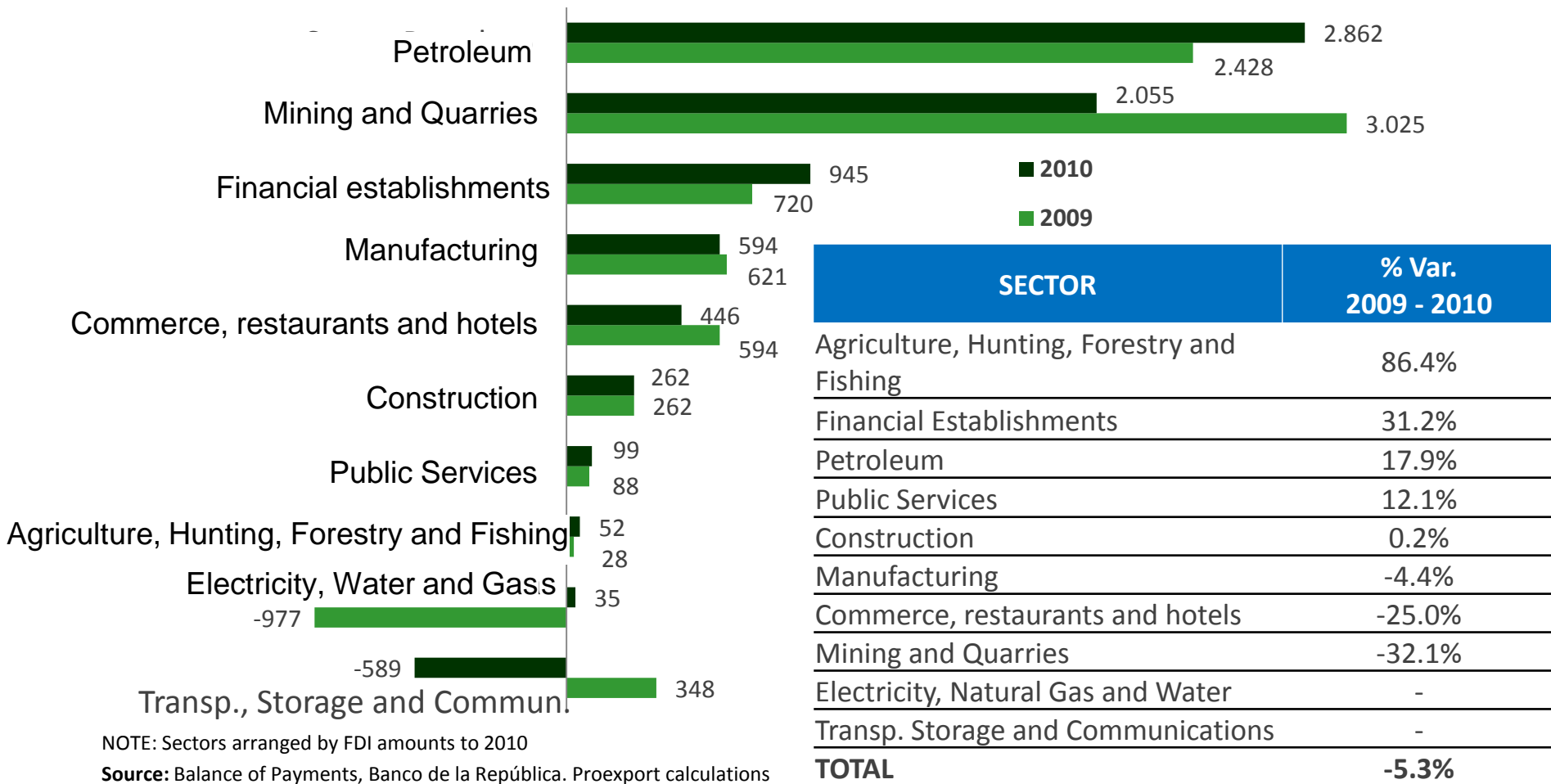
In 2010, the **mining and petroleum** sectors accounted for **67% of the total investment**, followed by **financial establishments with 13%** and **Manufacturing with 8%.***

*Share of all sectors with positive net investment excluding petroleum and mining: USD \$2,432.1 **Share of all sectors with positive net investment USD \$8,114.6 Million

Source: Balance of Payments, Banco de la Republica. Proexport calculations

FDI INFLOW MAIN SECTORS 2009 – 2010 USD MILLIONS

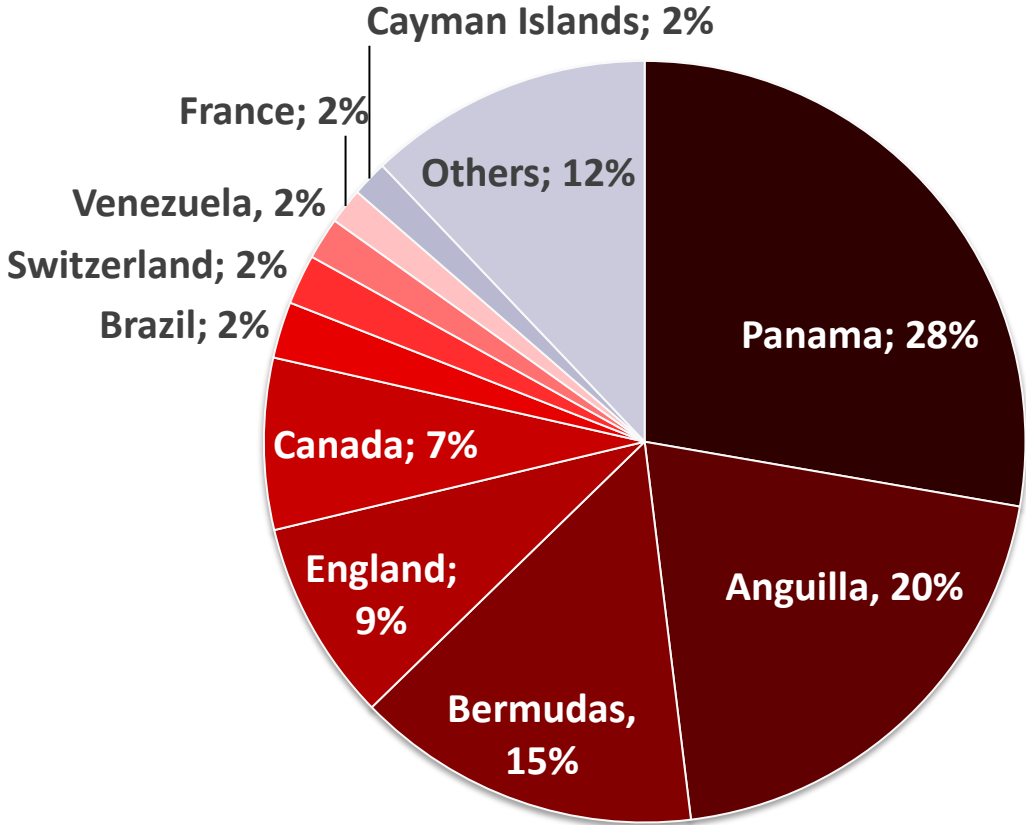
Although the sectors with the largest share are **Petroleum, Mining and Quarries**, the ones with the **highest growth** were **Agriculture and Financial** with **86% y 31%** respectively.



NOTE: Sectors arranged by FDI amounts to 2010

Source: Balance of Payments, Banco de la República. Proexport calculations

MAIN COUNTRIES INVESTING IN COLOMBIA BETWEEN 1994 AND 2010(% SHARE IN 2010*



Although in 2010, approximately **63% of the Investment** came from countries like **Panama, Anguilla and Bermudas**, the main traditional sources of FDI were **England and Canada**.

Transp., Storage and Commun.

*Total investment of countries with positive net investment excluding reinvested profits and petroleum sector investment (figures excluded from the country's investment total and broken down individually). Value 2010: USD \$2,235.8 Million

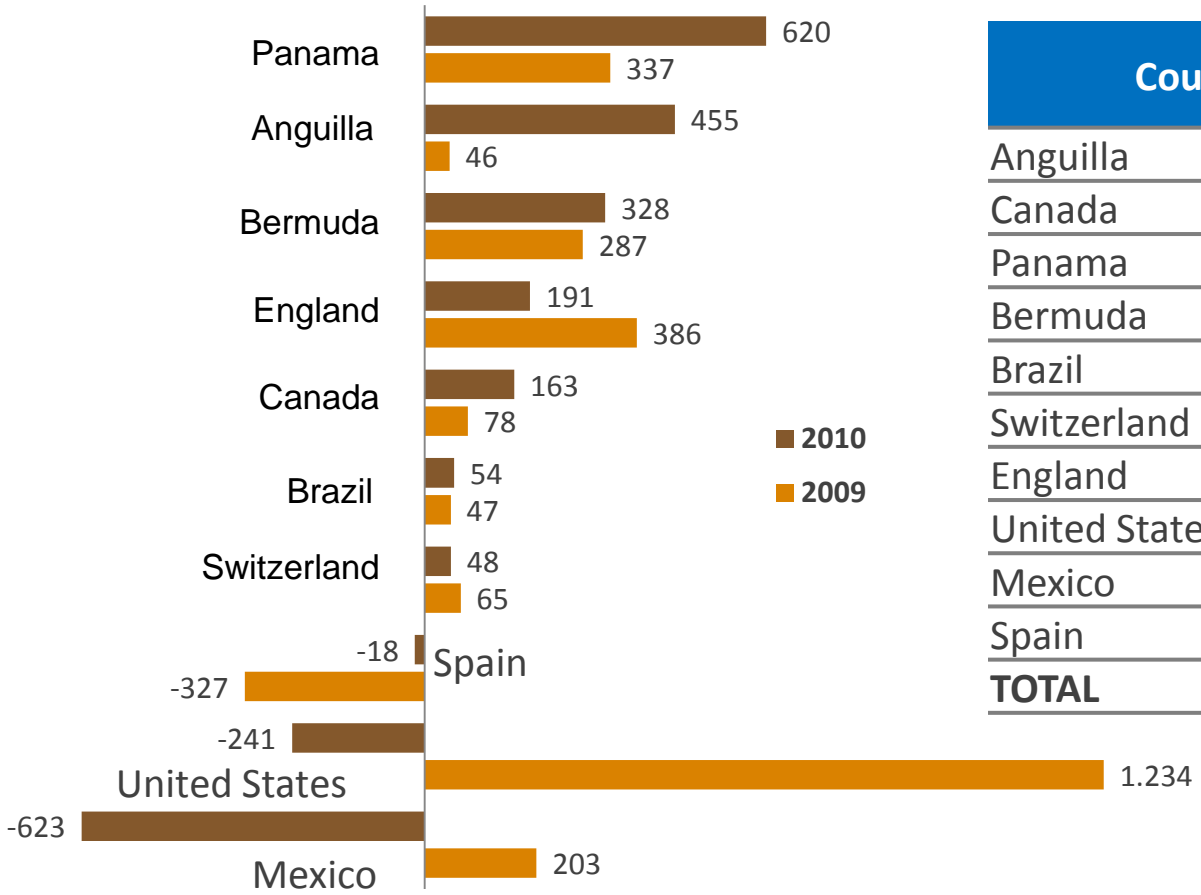
NOTE: The order of the countries has been established according to the largest shares in 2010 of the main countries investing in Colombia as accumulated from 1994 to 2010.

Source: Balance of Payments, Banco de la República

FDI INFLOW BY COUNTRIES 2009 – 2010 USD MILLIONS



Canada, Denmark, Ecuador and Ireland reported a growth of **more than 100% between 2009 and 2010** as issuers of FDI to Colombia



Country	% Var. 2009 - 2010
Anguilla	899.2%
Canada	107.9%
Panama	84.0%
Bermuda	14.2%
Brazil	12.9%
Switzerland	-27.3%
England	-50.4%
United States	-
Mexico	-
Spain	-
TOTAL	-5.3%

* The order of the countries has been established according to the highest investment flows in 2010 of the main countries investing in Colombia as accumulated from 1994 to 2010. Countries like the United States, Spain and Mexico have been included in the Graph because, although they had negative flows in 2010, they are traditionally important investors to Colombia.

ANNUAL AVERAGE FDI OF COUNTRIES WITH SALES OFFICES (USD MILLION)

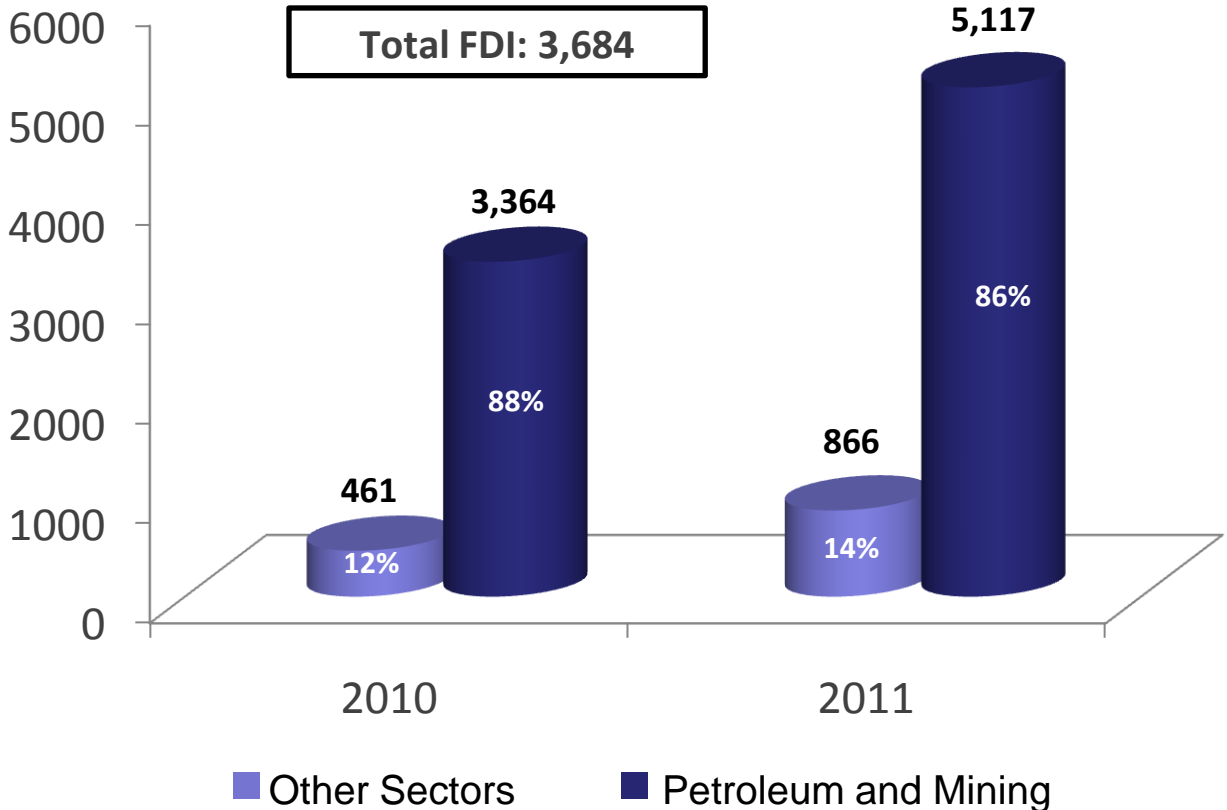
Countries like **Canada and the United Kingdom** have shown a significant upward trend in their investments in Colombia over the last 5 years

COUNTRY	AVERAGE INVESTMENT 2000-2010	AVERAGE INVESTMENT 2005-2010	DIFFERENCE
Brazil	4.9	7,7	2,8
Venezuela	4,0	(3.7)	(7.7)
France	3.1	5,0	1,9
Peru	1,1	0,7	(0.3)
Costa Rica	0.7	1,5	0,9
Ecuador	0.5	0,2	(0.3)
China	0,2	0,8	0,7
India	0,0	0,0	(0.0)
Chile	(1.0)	(0.1)	0,9
Mexico	(2.3)	(2.7)	(0.4)
United Kingdom	(2.3)	58,3	60,6
Germany	(8.2)	(0.4)	7,7
United States	(12.0)	(145.7)	(133.7)
Spain	(47.9)	(22.6)	25,3
Canada	(50.1)	25,9	76,0

FOREIGN DIRECT INVESTMENT MEASURED BY THE DOMESTIC FOREIGN CURRENCY BALANCE*
ACCUMULATED JANUARY –JUN 04, 2010-2011
USD MILLIONS



Total FDI: 5,752



2010-2011 GROWTH

Total FDI	56%
Petroleum	52%
Others	88%

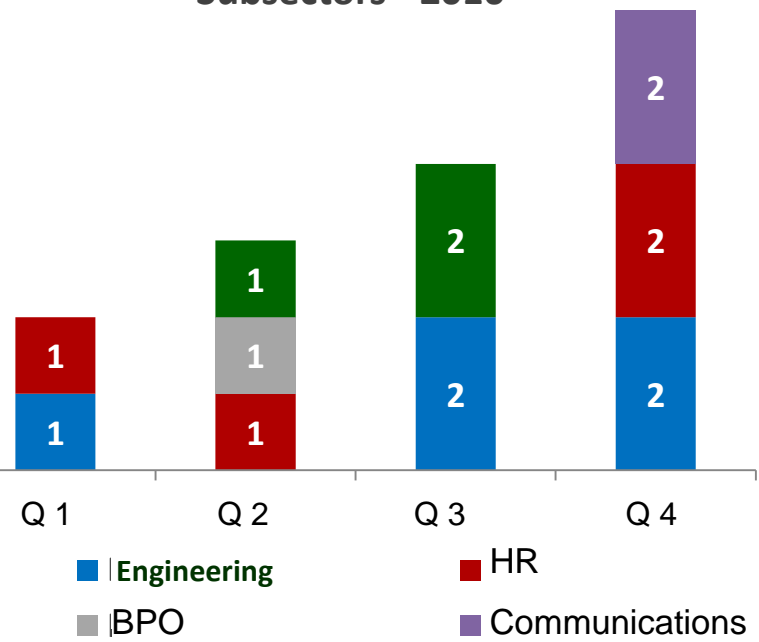
Source: Foreign Currency Balance. Banco de la República.

*The Domestic Foreign Currency Balance for FDI measures currency movements from abroad, whereas the Balance of Payments does not include other forms of FDI such as reinvested profits and non-currency foreign capital contributions.

MAIN CASES OF INVESTMENT 2010: Communications and Information Technology Services

In 2010, **thirteen cases of investment**, four greenfield and seven reinvestments were detected

Number of projects
Subsectors - 2010



Source: Cases collected from stories published in major national and international media sources



The South Korean airport operator Korea Airports Corporation invested USD \$60.9 million in the operation and administration of five airport terminals in Colombia. (La República, November 04, 2010).



Chilean communications company DeVeTel came to Colombia to offer its services in the country's mobile telephony sector. (La República, December 02, 2010).



The Canadian company of services and products for oil and mining development Estrella International Services acquired Colombian firm STS Andes, specialized in cargo transport in the hydrocarbon sector for USD \$20 million. (Portafolio, November 04, 2010)

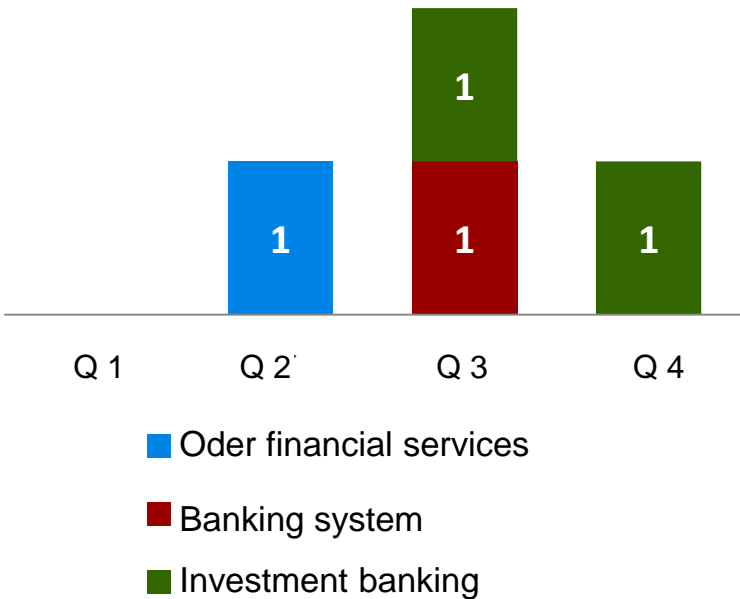


The US multinational company that manufactures and sells IT products, IBM invested USD \$8 million in the construction of a new data center in Colombia. (Portafolio, August 12, 2010).

MAIN CASES OF INVESTMENT 2010: Financial Services

In 2010, **four cases of investment** were detected, two of which were acquisitions, one greenfield and one reinvestment.

**Number of projects
Subsectors - 2010**



 **(Other financial services)**

US asset management and AVL solutions company, Lender Systems, invested US \$0.03 million in the creation of the firm Intellitech, which will specialize in loan portfolio management in Colombia. (La República, April 12, 2010).

 **(Banking system)**

US conglomerate of financial services Citigroup opened a new service center in the city of Bogotá D.C. (Portafolio, August 06, 2010).

 **(Investment Banking)**

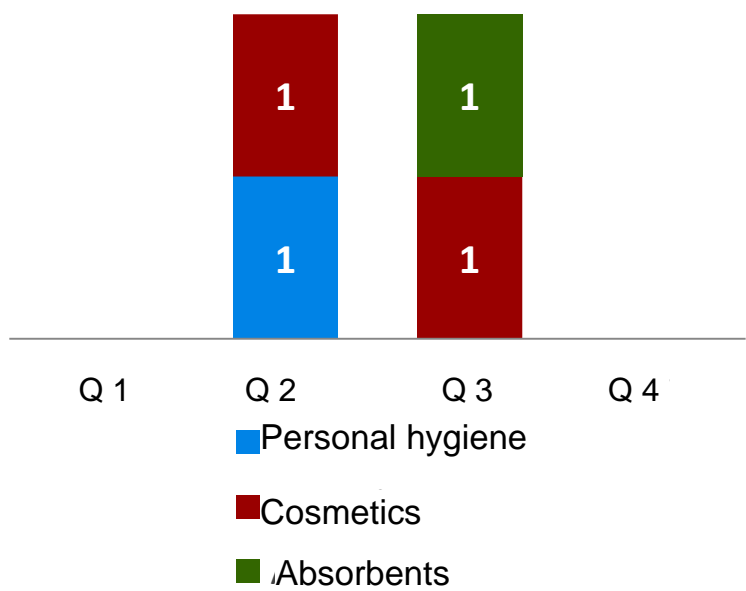
US conglomerate of financial services Citigroup acquired 31.9% of Colombian company Transportadora de Gas Internacional for USD \$400 million through its subsidiary, Citi Venture Capital. (Portafolio, December 20, 2010)

Source: Cases collected from stories published in major national and international media sources

MAIN CASES OF INVESTMENT 2010: Cosmetics and Hygiene Products

During the period from April to September 2010 **four cases of investment were detected** in Cosmetics and Hygiene Products, **which were all reinvestments**

**Number of projects
Subsectors - 2010**




(Absorbents)

Chilean absorbent paper manufacturer CMPC invested US \$74 million in opening a plant in Gachancipá, Cundinamarca. (Portafolio, July 09, 2010).



(Cosmetics)

US cosmetics and perfume company Avon invested USD \$50 million in a distribution center in the town of Guame, Antioquia. (Dinero, June 03, 2010).



(Cosmetics)

Peruvian cosmetics and perfume company Yanbal invested USD \$25 million in a distribution center in the town of Tenjo, Cundinamarca. (La República, July 29, 2010).



(Personal hygiene)

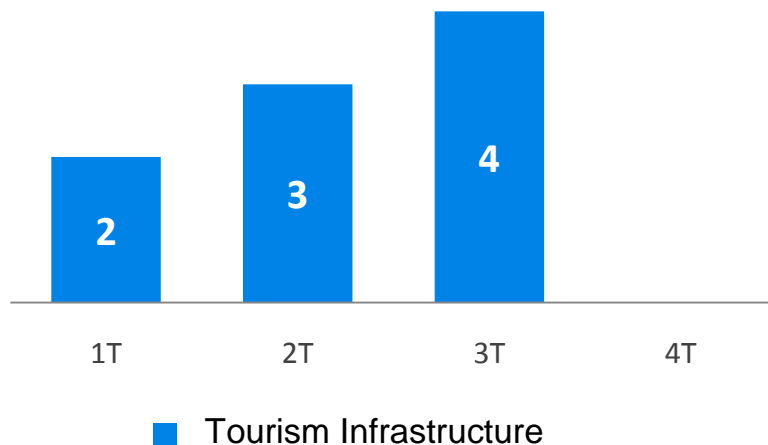
US multinational personal hygiene product manufacturer Proctor&Gamble invested USD \$25 million in the construction of a distribution center in Rionegro, Antioquia. (La República, May 27, 2010).

Source: Cases collected from stories published in major national and international media sources

MAIN CASES OF INVESTMENT 2010: Tourism

In 2010, there was a **rise in the investment in hotel infrastructure**. The first nine months of the year showed increases. **Almost all these cases are Greenfield**.

Number of projects
Subsectors - 2010



(Tourism Infrastructure)

US hotel chain Marriott International opened a new hotel in the financial district of Bogotá D.C. under its brand JW Marriott. (La República, June 23, 2010).



(Tourism Infrastructure)

US hotel chain Starwood Hotels and Resorts invested about USD \$62.5 million on opening new hotels in Colombia. (La República, June 23, 2010).



(Tourism Infrastructure)

French hotel and travel agencies group Accor invested approximately USD \$62.5 in positioning its brands in Latin America, among which Colombia was one of the top countries. (FDI Markets, March 2010).

AGRO-INDUSTRY

During the first half of 2010, **two cases of investment** were observed in the agro-industry sector, specifically in **Processed Foods**



(Processed Foods)

Spanish pizzeria chain Telepizza acquired 80% of the Colombian company Jeno's Pizza. (Portafolio, June 01, 2010).



(Processed Foods)

Italian dairy product manufacturer Parmalat invested USD \$3.2 million in adapting its plant in Chia, Cundinamarca. (Portafolio, March 07, 2011).

AUTOMOTIVE

During Q2 2010 **two cases of reinvestment** were detected in the automotive sector, specifically in the **sale of vehicles** in the Colombian capital



(Sales)

Italian car manufacturer Fiat invested USD \$15 million on opening a new point of sale in the city of Bogotá D.C. (Portafolio, April 09, 2010).



(Sales)

Swedish car manufacturer Volvo opened a new showcase in the city of Bogotá D.C. (Portafolio, March 07, 2010).

- ✓ Although the Petroleum and Mining sectors still have the highest share in FDI, the Agricultural and Financial sectors showed relevant increases.
- ✓ The United Kingdom and Canada are listed as the main sources of investment in Colombia in the year 2010, as well as those with the highest growth rate over the last 5 years.
- ✓ The ICT sector went on from two investment projects in Q1 of the year to six in the last quarter, for a total of 15 for the entire year.
- ✓ There were nine cases of investment during the year 2010 in the Hotel sector.
- ✓ The Financial and Cosmetics sectors each presented 4 investment projects throughout 2010.
- ✓ The Agro-industry and Automotive sectors each presented two cases of investment throughout 2010.