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# Latam Daily: Colombia Rating Outlook Downgrade

- **Colombia: Moody's changes Colombia outlook to negative from stable but maintains a Baa2 rating**

See yesterday's Latam Daily for a preview of today's **BanRep decision**, and see our Mexico team's Latam Flash on yesterday's **Banxico decision**.

## COLOMBIA: MOODY'S CHANGES COLOMBIA OUTLOOK TO NEGATIVE FROM STABLE BUT MAINTAINS A BAA2 RATING

On Thursday, June 27<sup>th</sup>, Moody's affirmed Colombia's sovereign credit rating at Baa2, two notches above the investment grade, but revised the outlook from stable to negative. Moody's highlighted that Colombia maintains a robust institutional framework and governance. However, the economic growth below potential and increasing interest burden are a challenge for Colombia's credit profile. The recent change could have a limited impact on Colombia's debt since Moody's still has Colombia above the investment grade, while the other two main rating agencies have downgraded the country below the investment grade in 2021.

	Rating	Outlook
<b>Fitch</b>	BB+	Stable
<b>S&amp;P</b>	BB+	Negative
<b>Moody's</b>	Baa2	Negative

Sources: Scotiabank Economics, Fitch, S&P, Moody's.

**Highlights:**

- Colombia's Baa2 rating is supported by its institutions and governance strength. Moody's highlighted how checks and balances are working to prevent Colombia from deviating from prudent policy management. Moody's said that BanRep continues to implement monetary policy independently, while the MoF has shown a strong willingness to adjust fiscal accounts to ensure compliance with the fiscal rule.
- Low economic growth and increasing interest burden motivate the change to a negative outlook. Moody's said that political noise in some decision have contributed to negative investor sentiment and said that weak investment performance would weigh on sustained recovery of Colombia's to a better growth trend of around 3%. On the financial front, Moody's considers that increasing interest burden on the debt put pressure in debt affordability. Remember that the payment of interest are estimated top represent 4.7% of GDP in forthcoming years.

—Jackeline Piraján

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