

27 May 2019 | Affirmation

Fitch Takes Various Actions on Colombian Corporates

Fitch Ratings-Chicago-26 May 2019: Fitch Ratings has taken the following rating actions on Colombian corporates following the country's sovereign Rating Outlook revision to Negative from Stable:

Ecopetrol S.A. (Ecopetrol)

--Long-Term Local Currency and Foreign Currency Issuer Default Rating (IDR) affirmed at 'BBB'; Rating Outlook revised to Negative from Stable.

Oleoducto Central S.A. (OCENSA)

--Long-Term Local Currency and Foreign Currency IDR affirmed at 'BBB'; Rating Outlook revised to Negative from Stable.

A.I. Candelaria (Spain), S.L.

--Long-Term Local Currency and Foreign Currency IDR affirmed at 'BBB-'; Rating Outlook revised to Negative from Stable.

KEY RATING DRIVERS

The Negative Rating Outlook for Ecopetrol, Ocenca and A.I. Candelaria reflects the recent revision of Colombia's Rating Outlook to Negative. Ocenca's and A.I. Candelaria's Local Currency and Foreign Currency Ratings are directly and indirectly linked to the credit profile of Ecopetrol, respectively. The ratings of these companies could be negatively impacted by a downgrade of the country's sovereign ratings. Colombia's Negative Outlook reflects risks to fiscal consolidation and the trajectory of government debt, the weakening of fiscal policy credibility, and increasing risk from external imbalances. Fitch expects that the reduction of government tax revenues beginning in 2020 coupled with rigid spending commitments will make further fiscal adjustment necessary to stabilize and then gradually reduce general government (GG) debt/GDP, which at 42.3% of GDP in 2018 is already above the current 'BBB' median of 37.5% and is expected to continue diverging from the median absent a faster fiscal consolidation.

RATING SENSITIVITIES

The main factors that could individually, or collectively, lead to a downgrade of Colombia's sovereign ratings include:

- Failure to implement credible structural measures to put government debt on a stable or downward trajectory;
- A sustained deterioration in Colombia's external imbalances that lead to a continued rise in the external debt burden and weak external liquidity indicators;
- Growth underperformance relative to the 'BBB' median that detracts from per capita income convergence with similarly rated sovereigns;
- A downgrade of Colombia's sovereign ratings will likely result on a rating downgrade for Ecopetrol, Ocesa and A.I. Candelaria.

Consequently, Fitch does not currently anticipate developments with a high likelihood of leading to a positive rating change. However, the main factors that could lead Fitch to Stabilize the Outlook include:

- Fiscal consolidation through credible and predictable policies consistent with an improved trajectory for public debt dynamics;
- Reduced external imbalances that improve external debt and liquidity ratios;
- Higher economic growth that reduces Colombia's income gap with higher rated sovereigns.

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Applicable Criteria

[Corporate Rating Criteria \(pub. 19 Feb 2019\)](#)

[Government-Related Entities Rating Criteria \(pub. 29 Mar 2019\)](#)

[Parent and Subsidiary Rating Linkage \(pub. 16 Jul 2018\)](#)

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