Report

Gráficos y cuadros (Only Available in Spanish)

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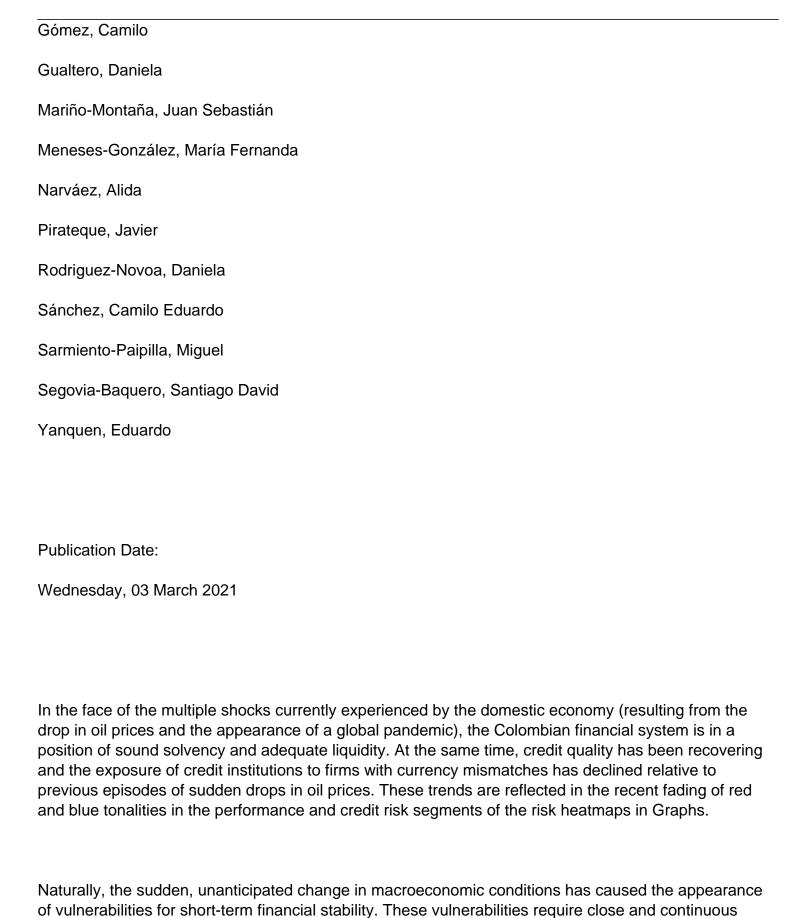
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monitoring on the part of economic authorities. The main vulnerability is the response of credit and credit risk to a potential, temporarily extreme macroeconomic situation in the context of: (i) recently increased

exposure of some banks to household sector, and (ii) reductions in net interest income that have led to a decline in the profitability of the banking business in the recent past.

Furthermore, as a consequence of greater uncertainty and risk aversion, occasional problems may arise in the distribution of liquidity between agents and financial markets. With regards to local markets, spikes have been registered in the volatility of public and private fixed income securities in recent weeks that are consistent with the behavior of the international markets and have had a significant impact on the liquidity of those instruments

In order to adopt a forward-looking approach to those vulnerabilities, this Report presents a stress test that evaluates the resilience of credit institutions in the event of a hypothetical scenario thatseeks to simulate an extreme version of current macroeconomic conditions. The scenario assumes a hypothetical negative growth that is temporarily strong but recovers going into the middle of the coming year and has extreme effects on credit quality. The results suggest that credit institutions have the ability to withstand a significant deterioration in economic conditions in the short term. Even though there could be a strong impact on credit, liquidity, and profitability under the scenario being considered, aggregate capital ratios would probably remain at above their regulatory limits over the horizon of a year.

In this context, the recent measures taken by both Banco de la República and the Office of the Financial Superintendent of Colombia that are intended to help preserve the financial stability of the Colombian economy become highly relevant. In compliance with its constitutional objectives and in coordination with the financial system's security network, Banco de la República will continue to closely monitor the outlook for financial stability at this juncture and will make the decisions that are necessary to ensure the proper functioning of the economy, facilitate the flow of sufficient credit and liquidity resources, and further the smooth functioning of the payment system.

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