Financial Stability Report - March 2017

Abstract Full Report (1.96 MB) Keep in mind
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The analysis of credit institutions between August 2016 and February 2017 showed a lower real growth of the loan portfolio, mainly explained by commercial loan-portfolio dynamics. The quality and non-performing loan indexes featured increases for all loan portfolio modalities; however, these levels remained below those observed in 2009, in general. As for liabilities, they continued with the declining trend shown since the second half of 2016.

By composition, term deposit certificates at longer maturities and savings accounts increased their share. Regarding non-banking financial institutions, a slowdown was registered in assets in February 2016, both in proprietary and third-party positions, compared to that observed in August 2016. Regarding proprietary and third-party loan portfolio compositions, investments mainly concentrated in domestic issuers' government and private debt securities. In addition, increases in the return on assets index (ROA) for all types of entities were observed in the same period. Analysis of the main debtors of the financial system shows that the corporate sector featured a decrease in debt as GDP percentage during 2016. As for the private sector, this reduction took place since debt with domestic financial institutions grew at a lower rate than the output, and that funding with overseas suppliers was reduced due to exchange-rate appreciation. Regarding the public sector, the decrease was given by lower financing in foreign currency with domestic financial institutions, and by a reduction, due to appreciatio of the Colombian peso, of bonds issued abroad, and debt with bilateral entities.

Household debt increased between August 2016 and February 2017, mainly in the consumer modality. This dynamics was accompanied by a relative stability in the financial burden indicator calculated at the aggregate level. On the other hand, non-performing loans and quality indexes showed increases during this period, with a highlighted deterioration of personal loans. As for market risk, the main exposure by financial institutions was concentrated in the fixed-income market. These securities exhibited valuations during the latter half of 2016 and the first months of 2017, driven by a greater global appetite for risk and by monetary policy stance changes. Variable yield market had a stable behavior due to oil price low volatility during the second half of 2016.

The liquidity risk indicator shows that credit institutions had adequate levels of liquid resources to meet their short-term obligations. On the other hand, credit institutions' liabilities and equity dynamics continued with the decreasing trend featured since mid-2015, highlighting the negative contributions of demand deposits, money market lending operations, and bank credits and financial obligations. Also, it is noteworthy that term deposits were the item that most positively contributed to funding real annual growth.

Finally, the proposed sensitivity tests assessed the resilience of credit institutions to a negative (and unlikely) scenario, with an investment shock, a global confidence decline in the Colombian economy, and the materialization of a set of risks for the system (credit risk, market risk, and funding risk). Results indicate that the impact of the hypothetical scenario on the total solvency of credit institutions would have a moderate magnitude. At the same time, certain negative effects on the volume of the loan portfolio, its quality, and the profitability of the intermediation business would be observed. This shows the importance of continuing with the careful monitoring of the financial situation of debtors and entities.

Fuente: https://www.banrep.gov.co/en/publications/financial-stability-report-march-2017