Financial Stability Report 2022 – I

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The main objective of *Banco de la República* (the Central Bank of Colombia) is to preserve the purchasing power of the currency, in coordination with the general economic policy, understood as the one intending to stabilize output and employment at sustainable long-term levels. The proper fulfillment of the objective assigned to the Bank by the Constitution of 1991 depends mainly on maintaining financial stability.

Financial stability is understood as a general condition under which the financial system assesses and manages financial risks in a way that facilitates the performance of the economy and the efficient allocation of resources while having the capacity to absorb, dissipate, and mitigate autonomously the materialization of risks that may arise as a result of adverse events.

The Financial Stability Report is intended to present Banco de la República's diagnosis of the recent performance of the financial system and its borrowers, as well as the principal risks and vulnerabilities that could affect the stability of the Colombian economy. This report aims to inform financial market participants and citizens and promote public debate on the trends and risks affecting the system. The results presented here also serve the monetary authority as a basis for decision-making to promote financial stability in the general context of its objectives.

This edition marks the twentieth anniversary of the Financial Stability Report, whose first issue was published in July 2002. In these twenty years, Colombia's credit and macroprudential policy framework has been continually strengthened, while financial regulation and supervision have closely followed international standards. As a result, since 2002, the Colombian financial system has expanded its services to the economy and has overcome different economic circumstances while maintaining its soundness and stability. Throughout time, the Financial Stability Report has been, and continues to be, constantly updated by Banco de la República to improve its usefulness to the general public.

The analysis presented in this Report allows concluding that, in the last months, the recovery of the credit activity in Colombia has been consolidated: the credit has speeded up (in all its modalities), and the fall of non-performing loans and loans at risk continues. Credit institutions keep capital adequacy ratios and liquidity indicators comfortably above the minimums established by regulation. The performance of credit and non-bank financial institutions, in the context of increased market volatility, shows the soundness and stability of the Colombian financial system.

At the same time, the conjunction of various global events and the recent behavior of credit has created some vulnerabilities in the financial system's stability. First, as mentioned in the previous edition of the Report, in the last months, the Colombian economy and financial institutions have been exposed to sudden changes in global financial conditions in an environment of high uncertainty. Second, in recent months there has been a rapid acceleration of lending to households in Colombia, both in the mortgage loan category and the consumer loan category, and the trend of lending acceleration could eventually cause unsoundness, considering that the household debt ratio to the disposable income is near its all-time high. In any case, the results presented in this Report indicate that the financial system is sufficiently resilient to adverse scenarios on both vulnerability fronts.

In fulfillment of its constitutional objectives and coordination with the financial system's safety net, Banco de la República will continue to monitor financial stability and will make those necessary decisions to ensure the proper functioning of the economy, facilitate the flow of sufficient credit and liquidity resources, and promote

the proper operation of the payment system.

Leonardo Villar Gómez
Governor

Video of the Presentation (Only in Spanish)

Fuente: https://www.banrep.gov.co/en/news/financial-stability-report-2022-i