

# **Box 3: A Characterization of the Exchange Rate Risk of Real Sector Firms in Colombia in 2023 - Financial Stability Report - Second Half of 2024**

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During 2023, Colombian firms that turned to international financing sources faced interest rate increases and an appreciation of the peso against the dollar of 21.5%.<sup>1</sup> Despite the positive effect on firms' balance sheets due to the appreciation of the local currency, the presence of exchange rate mismatches is a factor of external vulnerability of the economy due to its potential impact on investment, growth, liquidity, and solvency of the firms that are subjected to this phenomenon. Likewise, by potentially affecting the creditworthiness of firms, these vulnerabilities can impact the local financial system and generate pressures on loan portfolio quality indicators.

This box characterizes the negative exchange rate mismatch<sup>2</sup> of firms in the real private and public sectors in Colombia. First, a description of the recent dynamics of negative exchange rate mismatches is presented<sup>3</sup>. Second, an estimate of the level of risk<sup>4</sup> faced by Colombian firms is presented based on their balance sheets. Finally, the exposure of credit institutions (CIs) to firms with negative exchange rate mismatches is analyzed, and conclusions are presented.